

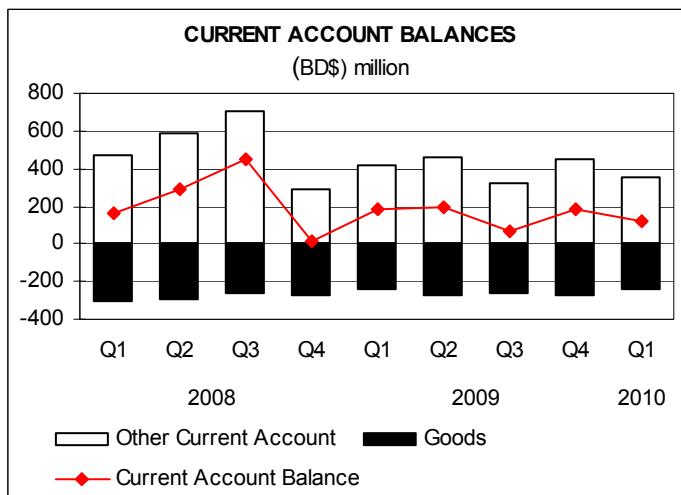


FAST FACTS

Current Account

The Bermuda current account recorded a surplus of \$120 million in the first quarter of 2010. This represented a \$61 million decrease year-over-year.

- § The goods trade deficit widened marginally to \$238 million in the first quarter of 2010 from \$237 million in 2009.
- § Services transactions realised a surplus of \$73 million for the quarter. This represented a \$4 million increase year-over-year.
- § Bermuda's income account surplus fell by \$68 million to \$283 million in the first quarter of 2010.



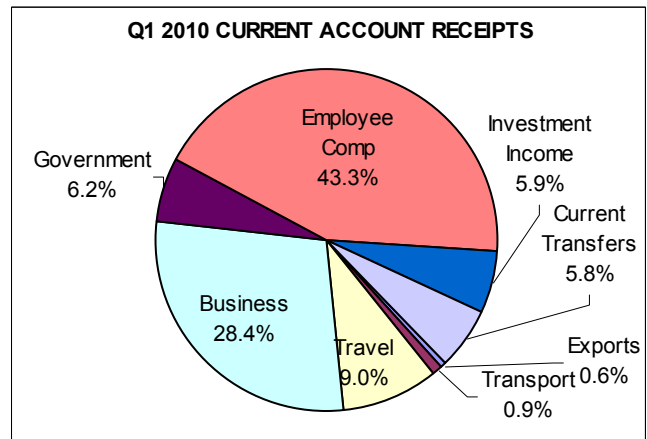
Financial, Capital, and Reserve Assets Accounts

Bermuda's asset accounts recorded a net inflow of \$121 million in the first quarter of 2010, compared to a net inflow of \$660 million last year. Factors influencing this performance include:

- § Financial account transactions resulted in a net inflow of \$111 million this quarter, compared to a \$649 million net inflow for the first quarter last year.
- § Reserve assets recorded a net outflow of \$10 million this quarter, slightly below the net inflow of \$11 million last year.

CURRENT ACCOUNT

The current account surplus stood at \$120 million for the first quarter of 2010. First quarter receipts from the sale of goods and services declined \$16 million to total \$764 million when compared to the same quarter of last year. Payments for goods and services during the same period increased \$45 million to \$644 million. The combined effect of fewer receipts and increased payments to non-residents led to a \$61 million decline in the current account surplus.



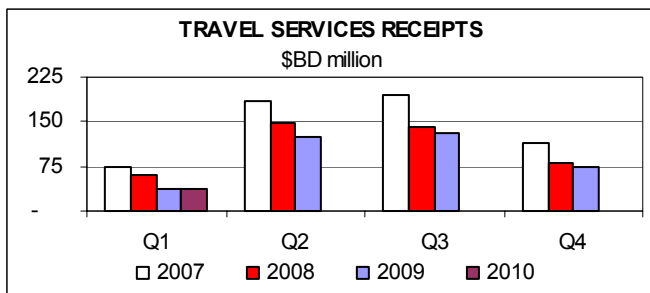
The goods account recorded a deficit of \$238 million

The value of goods imported by residents increased a marginal \$1 million to total \$243 million during the quarter. The main commodity groupings that contributed to the increased payments on goods were the machinery and food categories which grew by of \$4.1 million and \$1.3 million respectively. However, this growth was offset by declines in the imports of basic materials, transport equipment, finished equipment and chemicals. Payments for fuel imports, which jumped as much as \$11 million in the 4th quarter of 2009, was relatively unchanged over last year's first quarter total. Revenue from exports totalled \$5 million dollars during the quarter and remained unchanged from a year ago.

The surplus on trade in services grew to \$73 million

Receipt from services totalled \$313 million for the quarter. This was a 7 per cent increase from the \$293 million dollars recorded in the same quarter of the previous year. Receipts from business services stood at \$221 million for the quarter, increasing by \$13 million compared to last year. A \$10 million gain in financial services receipts was the main contributor to growth in this category. Receipts from government services also increased by \$9 million during the quarter on account of a rise in exempted companies tax collected.

Payments for services increased by 7 per cent to \$240 million this quarter. The rise in the level of payments was largely due to a \$10 million increase in outflows related to business services. Specifically, payments for financial services and ICT services both increased by \$5 million. Among other service payment categories, residents paid more for transportation and travel services compared to the year prior.



The surplus on the income account fell by \$68 million

Income receipts declined by \$37 million during the first quarter to total \$400 million. A \$29 million decrease in the level of investment income was the main contributor to this decline as income on direct and portfolio investments both fell during the quarter. This performance reflected resident business' share in the financial losses of non-resident companies. Receipts from employee compensation totalled \$351 million during the quarter, or \$8 million lower than the level recorded in the same quarter of the previous year.

Income payments were \$30 million higher than the first quarter of 2010. Dividends and interest paid to non-resident on local investments grew \$27 million over last year's total. Compensation of non-resident and seasonal workers grew by \$4 million compared to the first quarter of 2009.

Current Transfers

The current transfers account recorded a surplus of \$2 million during the quarter compared to a deficit of \$1 million in the first quarter of 2009.

FINANCIAL, CAPITAL, AND RESERVE ASSETS ACCOUNTS

Bermuda's asset accounts recorded a net inflow of \$121 million in the first quarter of 2010, substantially lower than the \$660 million recorded in the same quarter of the previous year.

Financial Account

The financial account recorded a net inflow of \$111 million during the quarter, and this was the main contributor to the net inflow recorded in the assets account.

Outflows equated to \$868 million, falling 41 per cent from the \$1,480 million recorded in the first quarter of 2009. In addition, inflows also declined substantially by \$1,150 million in the first quarter of 2010 when compared to the previous year's levels. The fluctuations in inflows and outflows are a result of the buying and selling of money market instruments by financial institutions.

Capital Account

No transactions were recorded on the capital account.

Reserve Assets Account

Reserve assets recorded a net inflow of \$10 million during the first quarter compared to a similar \$11 million net inflow in the first quarter of 2009.

BERMUDA BALANCE OF PAYMENTS

(BD\$) MILLIONS

Components	2009	2010 YTD	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1
CURRENT ACCOUNT PAYMENTS							
GOODS IMPORTS	1,067	243	242	277	268	279	243
SERVICES	984	240	225	250	260	249	240
Transportation	275	68	65	75	74	60	68
Travel	295	62	59	69	84	81	62
Business Services:	397	105	96	101	98	103	105
Insurance services	116	24	25	33	30	27	24
Financial services	31	10	5	7	6	12	10
ICT services	84	24	19	20	26	19	24
Other services	166	47	46	41	35	44	47
Government services	18	5	4	4	4	4	5
INCOME	371	116	86	58	180	47	116
Employee Compensation	71	22	18	17	18	18	22
Investment Income	300	95	68	41	162	29	95
CURRENT TRANSFERS	182	45	46	45	47	44	45
TOTAL PAYMENTS	2,604	644	599	630	756	619	644
CURRENT ACCOUNT RECEIPTS							
GOODS EXPORTS	21	5	5	5	6	5	5
SERVICES	1,320	313	293	348	362	317	313
Transportation	33	5	7	10	9	7	5
Travel	363	38	37	123	130	73	38
Business Services:	871	221	208	212	222	229	221
Insurance services	47	11	11	11	11	14	11
Financial services	175	42	32	36	52	55	42
ICT services	99	25	24	25	25	25	25
Other services	551	142	141	140	134	136	142
Government services	54	50	41	4	1	8	50
INCOME	1,708	400	437	421	412	438	400
Employee Compensation	1,397	351	359	351	342	345	351
Investment Income	311	48	77	70	70	93	48
CURRENT TRANSFERS	169	47	46	45	41	38	47
TOTAL RECEIPTS	3,219	764	780	819	821	798	764
CURRENT ACCOUNT BALANCES							
GOODS	-1,046	-238	-237	-272	-262	-274	-238
SERVICES	337	73	69	99	102	68	73
Transportation	-241	-62	-58	-65	-65	-54	-62
Travel	68	-25	-23	54	46	-9	-25
Business Services:	474	115	113	111	124	127	115
Insurance services	-70	-13	-14	-23	-20	-14	-13
Financial services	144	32	26	28	46	43	32
ICT services	15	1	5	5	-1	6	1
Other services	385	95	96	99	98	92	95
Government services	36	45	37	-1	-3	3	45
INCOME	1,337	283	351	363	232	392	283
Employee Compensation	1,326	330	341	334	324	327	330
Investment Income	11	-46	9	29	-92	64	-46
CURRENT TRANSFERS	-13	2	-1	0	-6	-6	2
CURRENT ACCOUNT BALANCE	615	120	181	190	65	179	120
(SURPLUS/DEFICIT)							
CAPITAL & FINANCIAL ACCOUNT							
FINANCIAL ACCOUNT							
Direct investment	-297	-17	-65	-94	-116	-22	-17
Portfolio investment	-3,269	-52	-760	-2,203	-258	-49	-52
Other investments	-1,654	-799	-656	-182	-376	-440	-799
FINANCIAL ACCOUNT OUTFLOWS	-5,220	-868	-1,480	-2,479	-750	-511	-868
Direct investment	208	621	74	58	21	55	621
Portfolio investment	1,578	341	494	303	106	675	341
Other investments	3,857	17	1,562	1,788	161	347	17
FINANCIAL ACCOUNT INFLOWS	5,643	979	2,129	2,149	288	1,077	979
NET BALANCES							
Direct investment	-88	604	9	-36	-95	33	604
Portfolio investment	-1,691	289	-266	-1,900	-152	626	289
Other investments	2,203	-782	906	1,606	-216	-93	-782
TOTAL NET FINANCIAL ACCOUNT	424	111	649	-329	-463	567	111
TOTAL NET CAPITAL ACCOUNT	0	0	0	0	0	0	0
TOTAL NET RESERVE ASSETS	-18	10	11	-10	-7	-12	10
TOTAL FINANCIAL, CAPITAL & RESERVE ASSET ACCOUNTS	406	121	660	-339	-470	555	121
BALANCING ITEM	-1,021	-241	-841	149	405	-734	-241

R – Revised, P – Provisional

Numbers may not add due to rounding

WHAT IS THE BALANCE OF PAYMENTS?

The balance of payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy (resident) with the rest of the world (non-resident). Quite simply, the balance of payments covers all economic transactions between Bermuda and the rest of the world. It includes the **current account** and the **capital and financial account**.

In principle, the current account and capital and financial account should balance each other out. If Bermuda sells more goods and services than it buys (i.e., if it has a current account surplus), it has to lend money abroad to finance its exports (i.e., run a capital and financial account deficit). In theory, therefore, the balance of payments is always zero.

Example: Every dollar spent by a tourist in Bermuda earns the economy \$1 in foreign currency which can be used to purchase goods and services from overseas.

DEFINITIONS AND NOTES

Resident

The concept of resident is very important in the BOP because the BOP is in fact a statement of transactions between residents and non-residents. A unit must have a centre of predominant economic interest within an economic territory for at least one year or more to be considered resident of that territory.

Seasonal workers

Workers from overseas who come to Bermuda to work for a few months in the year or every year are considered seasonal workers. Their expenditure on living expenses in Bermuda is included as travel receipts. Similarly, their income received from employers in Bermuda is a BOP outflow under compensation of employees.

Current Account

Transactions on goods, services, income, and current transfers are allocated to the current account. Transactions in exports and interest income are examples of receipts, while imports and interest expenses are payments. The difference between payments and receipts determines if Bermuda's current account is in surplus or deficit.

Capital Account

The capital account details transactions that involve the receipt or payment of capital transfers and acquisitions and disposal of non-produced, non-financial assets.

Financial Account

All transactions associated with changes of ownership in foreign financial assets and liabilities of the economy are included in the financial account. Such changes include the creation and liquidation of claims on, or by, the rest of the world.

Reserve Assets

Reserve assets are external assets that are readily available to and controlled by monetary authorities or commercial banks for direct financing or payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate and or for other purposes.

Payments

All monies that are paid by residents to non-residents are considered payments.

Receipts

All monies that are received by residents from non-residents are considered receipts.

Balancing Item (Error & Omissions)

A current account surplus or deficit should correspond to an equivalent outflow or inflow in the capital and financial account. In other words, the two accounts should add to zero. In fact, as data are compiled from multiple sources, the two balance of payments accounts rarely equate. As a result, the **balancing item** is the net unobserved inflow or outflow needed to balance the accounts.

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