



# BALANCE OF PAYMENTS

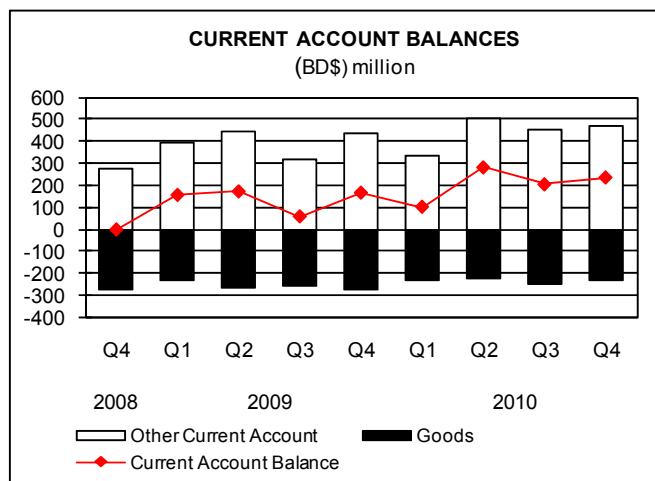
FOR THE QUARTER ENDED DECEMBER 2010

## QUARTERLY FAST FACTS

### Current Account

The Bermuda current account recorded a surplus of \$234 million in the fourth quarter of 2010.

- § The goods account posted a deficit of \$235 million in the last quarter of 2010, representing a \$37 million improvement year-over-year.
- § Services transactions realised a surplus of \$71 million in the fourth quarter of 2010.
- § The surplus on Bermuda's primary income account grew to \$438 million in the last quarter of 2010.



### Financial, Capital, and Reserve Assets Accounts

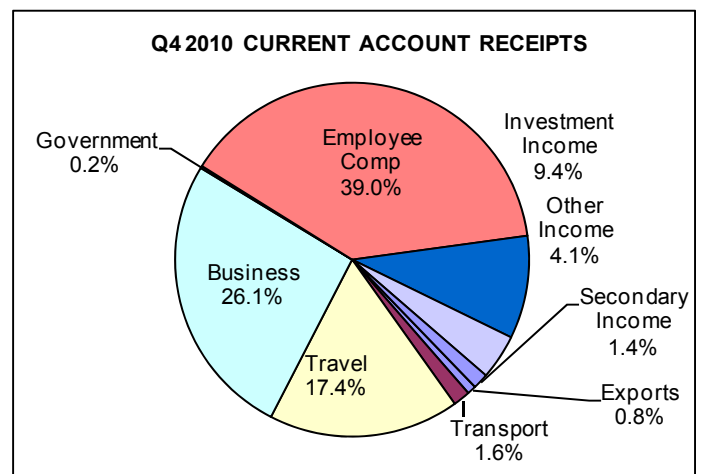
Bermuda's asset accounts recorded a quarterly net outflow of \$537 million in the fourth quarter of 2010.

- § The financial account recorded a net outflow of \$541 million in the fourth quarter of 2010, compared to a net inflow of \$536 million in 2009.
- § Reserve assets recorded a net inflow of \$3 million in the final quarter of 2010.

## QUARTERLY CURRENT ACCOUNT

### Current account surplus = \$234 million

The current account surplus stood at \$234 million for the fourth quarter of 2010. This represented a \$69 million increase over the revised surplus of \$165 million in the fourth quarter of 2009. All accounts recorded improvements in their trade balances.



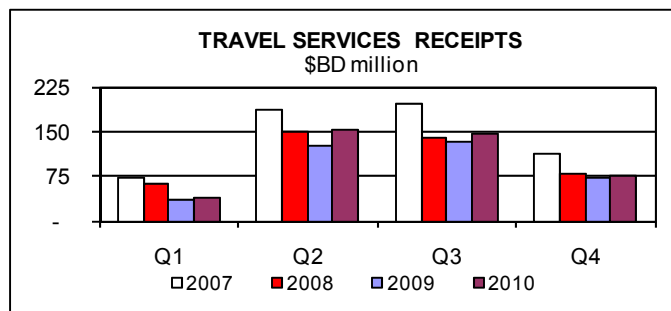
### The goods account recorded a deficit of \$235 million

The value of goods imported fell by 14 per cent to total \$241 million during the quarter. All major commodity groupings registered declines in import payments with the exception of chemicals. The value of fuel imports fell to roughly \$16 million, representing less than half of its total in the prior year. Transport equipment, basic materials and food all recorded double-digit declines in import values. The decline in payments for transport equipment and basic materials is consistent with minimal construction activity and lower demand for these types of goods. Decreased payments for imported food items were reflected in lower sales by retail establishments and other businesses such as hotels and restaurants.

Revenue from exports totalled \$6 million dollars during the quarter, falling \$1 million from a year ago.

### The surplus on trade in services totalled \$71 million

Receipts from services transactions grew by 2 per cent to \$324 million. Revenue from financial services transactions increased by \$12 million as more fees and commissions were collected by monetary and financial institutions. Travel inflows edged up \$1 million on account of higher per-person expenditure by air arrivals to offset lower spending by cruise ship passengers. Gross revenue from transportation also recorded a slight increase year-over-year.



Payment for services totalled \$253 million in the fourth quarter, \$4 million above the level recorded in 2009. Payments for other services, which include those provided by overseas head offices, grew by \$9 million. Transportation outflows were \$4 million higher than in 2009 as residents paid more for airline travel tickets. The growth in payments for transportation services was matched by a similar rise in ICT-related outflows.

### The surplus on the primary income account grew by \$28 million

The surplus on the primary income account grew by 7 per cent to \$438 million. Payments made to non-residents holding local investments were \$2 million more than a year ago. However, residents earned \$32 million more in dividends and profits on overseas investments in 2010.

Employees in the international business sector received an estimated \$5 million less in employee compensation than was earned in the fourth quarter of 2009. Receipts of other primary income which includes production and income taxes by government were \$8 million higher than in 2009.

### Payments of Secondary Income exceeded receipts by \$40 million

The Secondary Income account showed that Bermuda residents gifted \$40 million more than was received in the fourth quarter of 2010. Payments dropped to \$50 million associated with a fall in insurance claims, while receipts fell to \$10 million during the quarter.

### QUARTERLY FINANCIAL, CAPITAL, AND RESERVE ASSETS ACCOUNTS

#### The financial account recorded a net outflow of \$541 million

Transactions on the financial account resulted in a net deficit balance of \$541 million. Both inflows and outflows of funds related to financial transactions were substantially greater than in the fourth quarter of 2009. Bermuda residents spent \$1,784 million to accumulate foreign assets. In 2009, the value of these outflows totalled \$544 million.

Financial account inflows of \$1,244 million in 2010 represented a 15 per cent increase over inflows in 2009. Inflows on the financial account can either signal a reduction in overseas asset holdings or an increase in liabilities to non-residents.

#### Capital Account

No transactions were recorded on the capital account in the fourth quarter of 2010.

#### Bermuda accumulated \$3 million extra in reserve assets this quarter.

Reserve assets recorded a net inflow of \$3 million this quarter, compared to the \$5 million outflow in 2009. This accumulation of foreign assets was associated with increased holdings of bonds, debentures and money market instruments.

## BERMUDA BALANCE OF PAYMENTS

### TABLE 1 – QUARTERLY ESTIMATES BY MAJOR ACCOUNTS, 2009 - 2010 – (BD\$) MILLIONS

| Components   | 2009<br>Q1    | 2009<br>Q2    | 2009<br>Q3  | 2009<br>Q4   | 2010<br>Q1   | 2010<br>Q2    | 2010<br>Q3    | 2010<br>Q4    |
|--|---------------|---------------|-------------|--------------|--------------|---------------|---------------|---------------|
| <b>CURRENT ACCOUNT PAYMENTS</b>                              |               |               |             |              |              |               |               |               |
| <b>GOODS IMPORTS</b>   | <b>242</b>    | <b>277</b>    | <b>267</b>  | <b>279</b>   | <b>243</b>   | <b>231</b>    | <b>252</b>    | <b>241</b>    |
| <b>SERVICES</b>  | <b>225</b>    | <b>250</b>    | <b>262</b>  | <b>249</b>   | <b>241</b>   | <b>264</b>    | <b>255</b>    | <b>253</b>    |
| Transportation   | 65            | 75            | 74          | 60           | 68           | 76            | 61            | 64            |
| Travel   | 59            | 69            | 84          | 81           | 63           | 72            | 87            | 80            |
| Business Services:   | 96            | 101           | 99          | 103          | 106          | 111           | 103           | 105           |
| Insurance services   | 25            | 33            | 30          | 27           | 24           | 26            | 26            | 17            |
| Financial services   | 5             | 7             | 6           | 12           | 10           | 12            | 11            | 12            |
| ICT services   | 19            | 20            | 26          | 19           | 24           | 28            | 22            | 23            |
| Other services   | 46            | 41            | 37          | 44           | 48           | 46            | 44            | 53            |
| Government services  | 4             | 4             | 4           | 4            | 5            | 5             | 5             | 5             |
| <b>PRIMARY INCOME</b>  | <b>86</b>     | <b>58</b>     | <b>180</b>  | <b>47</b>    | <b>116</b>   | <b>49</b>     | <b>95</b>     | <b>54</b>     |
| Employee Compensation  | 18            | 17            | 18          | 18           | 22           | 23            | 23            | 23            |
| Investment Income  | 68            | 41            | 162         | 29           | 95           | 27            | 72            | 31            |
| Other Income   | 0             | 0             | 0           | 0            | 0            | 0             | 0             | 0             |
| <b>SECONDARY INCOME</b>                                      | <b>53</b>     | <b>54</b>     | <b>55</b>   | <b>54</b>    | <b>54</b>    | <b>59</b>     | <b>51</b>     | <b>50</b>     |
| <b>TOTAL PAYMENTS</b>  | <b>606</b>    | <b>639</b>    | <b>765</b>  | <b>629</b>   | <b>654</b>   | <b>603</b>    | <b>653</b>    | <b>598</b>    |
| <b>CURRENT ACCOUNT RECEIPTS</b>                              |               |               |             |              |              |               |               |               |
| <b>GOODS EXPORTS</b>   | <b>7</b>      | <b>7</b>      | <b>8</b>    | <b>7</b>     | <b>6</b>     | <b>7</b>      | <b>7</b>      | <b>6</b>      |
| <b>SERVICES</b>  | <b>294</b>    | <b>351</b>    | <b>366</b>  | <b>319</b>   | <b>312</b>   | <b>400</b>    | <b>386</b>    | <b>324</b>    |
| Transportation   | 13            | 15            | 14          | 11           | 10           | 14            | 16            | 12            |
| Travel   | 37            | 125           | 131         | 73           | 38           | 154           | 147           | 74            |
| Business Services:   | 204           | 208           | 219         | 226          | 215          | 230           | 223           | 230           |
| Insurance services   | 11            | 11            | 11          | 14           | 11           | 12            | 9             | 10            |
| Financial services   | 32            | 36            | 52          | 55           | 42           | 49            | 58            | 67            |
| ICT services   | 24            | 25            | 25          | 25           | 22           | 22            | 21            | 22            |
| Other services   | 137           | 136           | 131         | 133          | 140          | 148           | 135           | 130           |
| Government services  | 41            | 4             | 1           | 8            | 50           | 2             | 1             | 7             |
| <b>PRIMARY INCOME</b>  | <b>447</b>    | <b>436</b>    | <b>434</b>  | <b>456</b>   | <b>424</b>   | <b>463</b>    | <b>451</b>    | <b>492</b>    |
| Employee Compensation  | 336           | 336           | 336         | 336          | 341          | 344           | 340           | 331           |
| Investment Income  | 77            | 70            | 70          | 93           | 48           | 83            | 76            | 125           |
| Other Income   | 33            | 30            | 27          | 27           | 35           | 36            | 35            | 35            |
| <b>SECONDARY INCOME</b>                                      | <b>13</b>     | <b>16</b>     | <b>14</b>   | <b>12</b>    | <b>12</b>    | <b>13</b>     | <b>12</b>     | <b>10</b>     |
| <b>TOTAL RECEIPTS</b>  | <b>761</b>    | <b>810</b>    | <b>822</b>  | <b>794</b>   | <b>755</b>   | <b>883</b>    | <b>856</b>    | <b>832</b>    |
| <b>CURRENT ACCOUNT BALANCES</b>                              |               |               |             |              |              |               |               |               |
| <b>GOODS</b>   | <b>-235</b>   | <b>-270</b>   | <b>-259</b> | <b>-272</b>  | <b>-236</b>  | <b>-223</b>   | <b>-245</b>   | <b>-235</b>   |
| <b>SERVICES</b>  | <b>69</b>     | <b>101</b>    | <b>104</b>  | <b>70</b>    | <b>71</b>    | <b>135</b>    | <b>131</b>    | <b>71</b>     |
| Transportation   | -53           | -60           | -60         | -49          | -58          | -63           | -45           | -52           |
| Travel   | -23           | 55            | 47          | -8           | -25          | 82            | 60            | -6            |
| Business Services:   | 108           | 107           | 120         | 124          | 109          | 119           | 120           | 125           |
| Insurance services   | -14           | -23           | -20         | -14          | -13          | -13           | -17           | -7            |
| Financial services   | 26            | 28            | 46          | 43           | 32           | 36            | 47            | 55            |
| ICT services   | 5             | 5             | -1          | 6            | -2           | -6            | -1            | 0             |
| Other services   | 90            | 95            | 94          | 89           | 92           | 102           | 91            | 77            |
| Government services  | 37            | -1            | -3          | 3            | 45           | -3            | -4            | 3             |
| <b>PRIMARY INCOME</b>  | <b>361</b>    | <b>378</b>    | <b>254</b>  | <b>410</b>   | <b>308</b>   | <b>414</b>    | <b>356</b>    | <b>438</b>    |
| Employee Compensation  | 319           | 319           | 318         | 319          | 319          | 321           | 317           | 308           |
| Investment Income  | 9             | 29            | -92         | 64           | -46          | 56            | 3             | 94            |
| Other Income   | 33            | 30            | 27          | 27           | 35           | 36            | 35            | 35            |
| <b>SECONDARY INCOME</b>                                      | <b>-40</b>    | <b>-39</b>    | <b>-41</b>  | <b>-43</b>   | <b>-42</b>   | <b>-46</b>    | <b>-39</b>    | <b>-40</b>    |
| <b>CURRENT ACCOUNT BALANCE</b>                               | <b>155</b>    | <b>171</b>    | <b>57</b>   | <b>165</b>   | <b>101</b>   | <b>280</b>    | <b>203</b>    | <b>234</b>    |
| <b>CAPITAL &amp; FINANCIAL ACCOUNT</b>                       |               |               |             |              |              |               |               |               |
| <b>FINANCIAL ACCOUNT</b>                                     |               |               |             |              |              |               |               |               |
| Direct investment  | -65           | -94           | -116        | -22          | -16          | -202          | -157          | -107          |
| Portfolio investment   | -795          | -2,238        | -293        | -82          | -166         | -952          | -859          | -280          |
| Other investments  | -656          | -182          | -376        | -440         | -801         | -283          | -744          | -1,397        |
| <b>FINANCIAL ACCOUNT OUTFLOWS</b>                            | <b>-1,516</b> | <b>-2,514</b> | <b>-786</b> | <b>-544</b>  | <b>-983</b>  | <b>-1,437</b> | <b>-1,760</b> | <b>-1,784</b> |
| Direct investment  | 74            | 58            | 21          | 55           | 609          | 12            | 9             | 62            |
| Portfolio investment   | 494           | 303           | 106         | 678          | 427          | 450           | 256           | 111           |
| Other investments  | 1,562         | 1,788         | 161         | 347          | 18           | 1,161         | 1,021         | 1,070         |
| <b>FINANCIAL ACCOUNT INFLOWS</b>                             | <b>2,129</b>  | <b>2,149</b>  | <b>288</b>  | <b>1,079</b> | <b>1,054</b> | <b>1,623</b>  | <b>1,286</b>  | <b>1,244</b>  |
| <b>NET BALANCES</b>  |               |               |             |              |              |               |               |               |
| Direct investment  | 9             | -36           | -95         | 33           | 593          | -190          | -147          | -45           |
| Portfolio investment   | -302          | -1,935        | -187        | 595          | 262          | -502          | -603          | -168          |
| Other investments  | 906           | 1,606         | -216        | -93          | -783         | 878           | 277           | -327          |
| <b>TOTAL NET FINANCIAL ACCOUNT</b>                           | <b>613</b>    | <b>-365</b>   | <b>-498</b> | <b>536</b>   | <b>71</b>    | <b>185</b>    | <b>-474</b>   | <b>-541</b>   |
| <b>TOTAL NET CAPITAL ACCOUNT</b>                             | <b>0</b>      | <b>0</b>      | <b>0</b>    | <b>0</b>     | <b>0</b>     | <b>0</b>      | <b>0</b>      | <b>0</b>      |
| <b>TOTAL NET RESERVE ASSETS</b>                              | <b>1</b>      | <b>0</b>      | <b>-15</b>  | <b>-5</b>    | <b>10</b>    | <b>-34</b>    | <b>17</b>     | <b>3</b>      |
| <b>TOTAL FINANCIAL, CAPITAL &amp; RESERVE ASSET ACCOUNTS</b> | <b>614</b>    | <b>-365</b>   | <b>-514</b> | <b>531</b>   | <b>81</b>    | <b>152</b>    | <b>-457</b>   | <b>-537</b>   |
| <b>BALANCING ITEM</b>  | <b>-769</b>   | <b>194</b>    | <b>456</b>  | <b>-697</b>  | <b>-183</b>  | <b>-431</b>   | <b>254</b>    | <b>303</b>    |

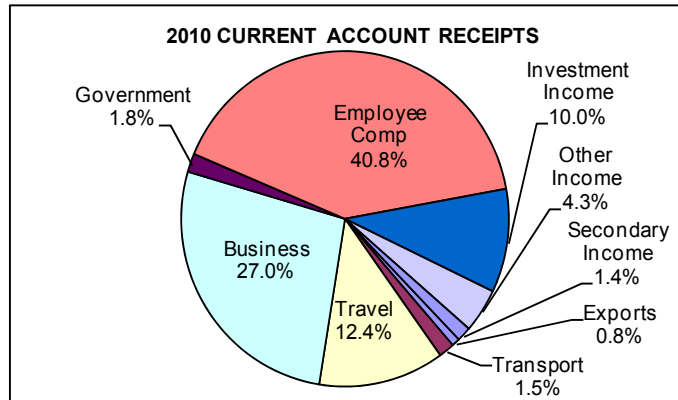
R – revised, P – provisional

Numbers may not add due to rounding

## ANNUAL CURRENT ACCOUNT

### Current account surplus = \$818 million

The current account surplus stood at \$818 million in 2010, increasing by \$270 million. The larger surplus is a direct result of growth in receipts while payments declined. With the exception of the export of goods and secondary income, all categories of receipts grew in 2010.



### Net payments for goods recorded a lower deficit

Residents paid less for imported goods and earned less in export revenue this year than last year. Total payments amounted to \$966 million, falling \$99 million below the level in 2009. With export earnings recording a marginal \$2 million decline in 2010, the goods trade deficit narrowed to \$939 million.

### The services account surplus rebounded from a four year low in 2009

The surplus on the services account rebounded in 2010. A net balance of \$408 was recorded on services transactions. This higher balance reflected a rise in receipts that exceeded the growth in payments. Receipts from travel and business services were the main factors behind higher foreign exchange earnings on trade in services.

Payments for services totalled \$1,014 million in 2010, an increase of \$28 million. Residents paid significantly more for financial, ICT-related and other services. The growth in these categories offset the decline in payments for insurance and transportation services.

### The primary income account surplus increased by \$113 million

The surplus on primary income transactions grew by \$113 million to total \$1,516 million in 2010. Payments decreased by \$56 million while receipts were \$57 million above the 2009 level. Income received on portfolio investment was notably higher than in 2009 when overseas firms were unable to declare dividends and distributed fewer profits.

### Payments of secondary income exceeded receipts by \$166 million

The secondary income account recorded a deficit of \$166 million in 2010. This reflected a \$3 million increase in the deficit balance on this account.

## ANNUAL FINANCIAL, CAPITAL, AND RESERVE ASSETS ACCOUNTS

### The deficit on financial account transactions totalled \$758 million

Transactions on the financial account resulted in a net outflow of \$758 million compared with a net inflow of \$286 million a year prior.

### Capital Account

No transactions were recorded on the capital account in 2010.

### Bermuda accumulated \$3 million extra in reserve assets in 2010

Reserve assets recorded a net outflow of \$3 million in 2010. In contrast, Bermuda increased its holdings of overseas reserve assets by \$20 million in 2009.

## BERMUDA BALANCE OF PAYMENTS

### TABLE 2 – ANNUAL ESTIMATES BY MAJOR ACCOUNTS, WITH CHANGES, 2007 - 2010 – (BD\$) MILLIONS

| Components   | 2007   | 2008   | 2009   | 2010   | 2008/2007<br>(\$ Change) | 2009/2008<br>(\$ Change) | 2010/2009<br>(\$ Change) |
|--|--------|--------|--------|--------|--------------------------|--------------------------|--------------------------|
| <b>CURRENT ACCOUNT PAYMENTS</b>                              |        |        |        |        |                          |                          |                          |
| <b>GOODS IMPORTS</b>   | 1,166  | 1,159  | 1,064  | 966    | -7                       | -95                      | -99                      |
| <b>SERVICES</b>  | 1,116  | 1,042  | 986    | 1,014  | -74                      | -56                      | 28                       |
| Transportation   | 376    | 345    | 275    | 269    | -30                      | -71                      | -6                       |
| Travel   | 288    | 307    | 295    | 301    | 18                       | -12                      | 6                        |
| Business Services:   | 427    | 369    | 399    | 425    | -59                      | 30                       | 27                       |
| Insurance services   | 138    | 93     | 116    | 93     | -46                      | 24                       | -24                      |
| Financial services   | 22     | 35     | 31     | 45     | 13                       | -4                       | 14                       |
| ICT services   | 55     | 73     | 84     | 97     | 17                       | 11                       | 13                       |
| Other services   | 212    | 169    | 168    | 191    | -43                      | 0                        | 22                       |
| Government services  | 24     | 21     | 18     | 19     | -3                       | -3                       | 1                        |
| <b>PRIMARY INCOME</b>  | 511    | 572    | 371    | 315    | 61                       | -201                     | -56                      |
| Employee Compensation  | 69     | 68     | 71     | 90     | -1                       | 3                        | 19                       |
| Investment Income  | 442    | 503    | 300    | 224    | 62                       | -204                     | -75                      |
| Other Income   | 0      | 0      | 0      | 0      | 0                        | 0                        | 0                        |
| <b>SECONDARY INCOME</b>                                      | 155    | 185    | 218    | 214    | 30                       | 33                       | -4                       |
| <b>TOTAL PAYMENTS</b>  | 2,947  | 2,957  | 2,639  | 2,508  | 10                       | -319                     | -131                     |
| <b>CURRENT ACCOUNT RECEIPTS</b>                              |        |        |        |        |                          |                          |                          |
| <b>GOODS EXPORTS</b>   | 25     | 24     | 29     | 27     | -2                       | 5                        | -2                       |
| <b>SERVICES</b>  | 1,602  | 1,465  | 1,330  | 1,422  | -137                     | -135                     | 92                       |
| Transportation   | 43     | 67     | 53     | 52     | 24                       | -14                      | -2                       |
| Travel   | 569    | 431    | 366    | 412    | -138                     | -64                      | 46                       |
| Business Services:   | 970    | 933    | 857    | 898    | -36                      | -77                      | 42                       |
| Insurance services   | 76     | 33     | 47     | 43     | -43                      | 13                       | -4                       |
| Financial services   | 249    | 243    | 175    | 216    | -6                       | -68                      | 41                       |
| ICT services   | 109    | 101    | 99     | 87     | -8                       | -3                       | -11                      |
| Other services   | 536    | 556    | 537    | 552    | 20                       | -19                      | 16                       |
| Government services  | 21     | 34     | 54     | 60     | 13                       | 20                       | 6                        |
| <b>PRIMARY INCOME</b>  | 2,431  | 2,309  | 1,774  | 1,830  | -123                     | -535                     | 57                       |
| Employee Compensation  | 1,450  | 1,391  | 1,345  | 1,356  | -60                      | -45                      | 11                       |
| Investment Income  | 887    | 803    | 311    | 332    | -84                      | -491                     | 21                       |
| Other Income   | 95     | 115    | 117    | 142    | 21                       | 1                        | 25                       |
| <b>SECONDARY INCOME</b>                                      | 99     | 50     | 55     | 47     | -49                      | 5                        | -7                       |
| <b>TOTAL RECEIPTS</b>  | 4,158  | 3,847  | 3,187  | 3,326  | -311                     | -660                     | 139                      |
| <b>CURRENT ACCOUNT BALANCES</b>                              |        |        |        |        |                          |                          |                          |
| <b>GOODS</b>   | -1,140 | -1,136 | -1,036 | -939   | 5                        | 100                      | 96                       |
| <b>SERVICES</b>  | 486    | 423    | 344    | 408    | -63                      | -79                      | 64                       |
| Transportation   | -333   | -278   | -221   | -217   | 54                       | 57                       | 4                        |
| Travel   | 280    | 124    | 72     | 111    | -156                     | -52                      | 40                       |
| Business Services:   | 542    | 565    | 458    | 473    | 22                       | -107                     | 15                       |
| Insurance services   | -62    | -60    | -70    | -50    | 3                        | -10                      | 20                       |
| Financial services   | 227    | 209    | 144    | 171    | -19                      | -64                      | 27                       |
| ICT services   | 53     | 29     | 15     | -10    | -25                      | -14                      | -25                      |
| Other services   | 324    | 387    | 369    | 362    | 63                       | -19                      | -7                       |
| Government services  | -4     | 13     | 36     | 41     | 17                       | 23                       | 5                        |
| <b>PRIMARY INCOME</b>  | 1,826  | 1,621  | 1,403  | 1,516  | -204                     | -219                     | 113                      |
| Employee Compensation  | 1,381  | 1,322  | 1,275  | 1,266  | -59                      | -48                      | -8                       |
| Investment Income  | 445    | 299    | 11     | 108    | -146                     | -288                     | 96                       |
| Other Income   | 95     | 115    | 117    | 142    | 21                       | 1                        | 25                       |
| <b>SECONDARY INCOME</b>                                      | -56    | -135   | -163   | -166   | -79                      | -28                      | -4                       |
| <b>CURRENT ACCOUNT BALANCE</b>                               | 1,210  | 890    | 548    | 818    | -321                     | -341                     | 270                      |
| <b>CAPITAL &amp; FINANCIAL ACCOUNT</b>                       |        |        |        |        |                          |                          |                          |
| <b>FINANCIAL ACCOUNT</b>                                     |        |        |        |        |                          |                          |                          |
| Direct investment  | -463   | -709   | -297   | -482   | -246                     | 412                      | -185                     |
| Portfolio investment   | -2,371 | -1,474 | -3,409 | -2,257 | 898                      | -1,935                   | 1,152                    |
| Other investments  | -3,475 | -5,038 | -1,654 | -3,225 | -1,563                   | 3,385                    | -1,572                   |
| <b>FINANCIAL ACCOUNT OUTFLOWS</b>                            | -6,309 | -7,221 | -5,359 | -5,964 | -912                     | 1,862                    | -605                     |
| Direct investment  | 1,040  | 563    | 208    | 693    | -477                     | -354                     | 484                      |
| Portfolio investment   | 2,697  | 4,184  | 1,580  | 1,244  | 1,487                    | -2,604                   | -335                     |
| Other investments  | 3,112  | 1,986  | 3,857  | 3,270  | -1,126                   | 1,871                    | -588                     |
| <b>FINANCIAL ACCOUNT INFLOWS</b>                             | 6,849  | 6,733  | 5,645  | 5,207  | -116                     | -1,087                   | -439                     |
| <b>NET BALANCES</b>  |        |        |        |        | 0                        | 0                        | 0                        |
| Direct investment  | 577    | -146   | -88    | 210    | -723                     | 58                       | 299                      |
| Portfolio investment   | 326    | 2,710  | -1,829 | -1,012 | 2,384                    | -4,539                   | 817                      |
| Other investments  | -363   | -3,052 | 2,203  | 44     | -2,689                   | 5,256                    | -2,159                   |
| <b>TOTAL NET FINANCIAL ACCOUNT</b>                           | 539    | -488   | 286    | -758   | -1,028                   | 774                      | -1,044                   |
| <b>TOTAL NET CAPITAL ACCOUNT</b>                             | -65    | 0      | 0      | 0      | 65                       | 0                        | 0                        |
| <b>TOTAL NET RESERVE ASSETS</b>                              | -4     | 5      | -20    | -3     | 9                        | -25                      | 17                       |
| <b>TOTAL FINANCIAL, CAPITAL &amp; RESERVE ASSET ACCOUNTS</b> | 470    | -483   | 266    | -761   | -953                     | 749                      | -1,027                   |
| <b>BALANCING ITEM</b>  | -1,746 | -407   | -816   | -57    | 1,339                    | -409                     | 759                      |

R – revised, P – provisional

Numbers may not add due to rounding

# BERMUDA BALANCE OF PAYMENTS

## TABLE 3 – 2010/2009 CURRENT ACCOUNT YEAR OVER YEAR PERCENTAGE CHANGE (%)

| Components   | Q1           | Q2           | Q3           | Q4           | YEAR         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ACCOUNT PAYMENTS</b>                      |              |              |              |              |              |
| <b>GOODS IMPORTS</b>                                 | <b>0.5</b>   | <b>-16.8</b> | <b>-5.8</b>  | <b>-13.5</b> | <b>-9.3</b>  |
| <b>SERVICES</b>                                      | <b>7.1</b>   | <b>5.7</b>   | <b>-2.4</b>  | <b>1.6</b>   | <b>2.8</b>   |
| Transportation                                       | 3.7          | 2.2          | -17.9        | 5.8          | -2.1         |
| Travel   | 5.4          | 3.2          | 3.3          | -2.2         | 2.2          |
| Business Services:                                   | 10.6         | 10.1         | 4.0          | 2.1          | 6.7          |
| Insurance services                                   | -4.0         | -22.6        | -13.7        | -39.6        | -20.2        |
| Financial services                                   | 78.6         | 67.6         | 87.1         | 0.7          | 47.1         |
| ICT services   | 29.6         | 41.9         | -16.2        | 19.8         | 15.9         |
| Other services                                       | 3.0          | 11.2         | 19.7         | 20.7         | 13.3         |
| Government services                                  | 4.1          | 4.7          | 4.7          | 4.8          | 4.6          |
| <b>PRIMARY INCOME</b>                                | <b>35.5</b>  | <b>-14.8</b> | <b>-47.3</b> | <b>15.4</b>  | <b>-15.2</b> |
| Employee Compensation                                | 22.6         | 31.7         | 24.8         | 29.6         | 27.1         |
| Investment Income                                    | 38.9         | -34.5        | -55.4        | 6.7          | -25.1        |
| Other Income   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>SECONDARY INCOME</b>                              | <b>0.6</b>   | <b>8.5</b>   | <b>-8.1</b>  | <b>-7.9</b>  | <b>-1.8</b>  |
| <b>TOTAL PAYMENTS</b>                                | <b>7.9</b>   | <b>-5.7</b>  | <b>-14.6</b> | <b>-4.9</b>  | <b>-4.9</b>  |
| <b>CURRENT ACCOUNT RECEIPTS</b>                      |              |              |              |              |              |
| <b>GOODS EXPORTS</b>                                 | <b>-2.2</b>  | <b>2.3</b>   | <b>-18.8</b> | <b>-8.8</b>  | <b>-7.4</b>  |
| <b>SERVICES</b>                                      | <b>6.2</b>   | <b>13.8</b>  | <b>5.6</b>   | <b>1.5</b>   | <b>6.9</b>   |
| Transportation                                       | -21.6        | -6.9         | 8.9          | 5.9          | -3.4         |
| Travel   | 3.2          | 23.4         | 11.6         | 0.9          | 12.6         |
| Business Services:                                   | 5.6          | 10.8         | 1.9          | 1.6          | 4.9          |
| Insurance services                                   | 0.7          | 14.6         | -15.3        | -26.7        | -7.8         |
| Financial services                                   | 30.9         | 35.9         | 11.6         | 22.4         | 23.5         |
| ICT services   | -6.3         | -13.1        | -16.6        | -10.3        | -11.7        |
| Other services                                       | 2.2          | 8.2          | 2.9          | -1.8         | 2.9          |
| Government services                                  | 20.3         | -51.4        | -14.1        | -3.7         | 11.3         |
| <b>PRIMARY INCOME</b>                                | <b>-5.2</b>  | <b>6.2</b>   | <b>3.9</b>   | <b>7.8</b>   | <b>3.2</b>   |
| Employee Compensation                                | 1.4          | 2.2          | 1.2          | -1.5         | 0.8          |
| Investment Income                                    | -37.7        | 18.8         | 7.2          | 34.3         | 6.8          |
| Other Income   | 4.9          | 21.8         | 29.4         | 32.0         | 21.1         |
| <b>SECONDARY INCOME</b>                              | <b>-7.4</b>  | <b>-20.7</b> | <b>-13.0</b> | <b>-11.6</b> | <b>-13.6</b> |
| <b>TOTAL RECEIPTS</b>                                | <b>-0.8</b>  | <b>9.0</b>   | <b>4.1</b>   | <b>4.8</b>   | <b>4.4</b>   |
| <b>CURRENT ACCOUNT BALANCES</b>                      |              |              |              |              |              |
| <b>GOODS</b>   | <b>0.5</b>   | <b>-17.3</b> | <b>-5.4</b>  | <b>-13.6</b> | <b>-9.3</b>  |
| <b>SERVICES</b>                                      | <b>3.3</b>   | <b>33.9</b>  | <b>25.8</b>  | <b>1.1</b>   | <b>18.7</b>  |
| Transportation                                       | 9.8          | 4.4          | -24.4        | 5.8          | -1.8         |
| Travel   | 8.9          | 48.7         | 26.5         | -30.4        | 55.6         |
| Business Services:                                   | 1.1          | 11.4         | 0.2          | 1.3          | 3.3          |
| Insurance services                                   | -7.8         | -40.3        | -12.8        | -52.2        | -28.5        |
| Financial services                                   | 21.1         | 27.8         | 2.2          | 28.5         | 18.5         |
| ICT services   | -144.2       | -213.0       | -7.6         | -108.1       | -166.5       |
| Other services                                       | 1.8          | 7.0          | -3.6         | -13.0        | -1.8         |
| Government services                                  | 22.3         | 304.2        | 10.5         | -15.3        | 14.6         |
| <b>PRIMARY INCOME</b>                                | <b>-14.8</b> | <b>9.5</b>   | <b>40.3</b>  | <b>6.9</b>   | <b>8.0</b>   |
| Employee Compensation                                | 0.2          | 0.7          | -0.2         | -3.3         | -0.7         |
| Investment Income                                    | -597.3       | 93.3         | -103.6       | 46.8         | 853.1        |
| Other Income   | 4.9          | 21.8         | 29.4         | 32.0         | 21.1         |
| <b>SECONDARY INCOME</b>                              | <b>3.2</b>   | <b>20.5</b>  | <b>-6.4</b>  | <b>-6.9</b>  | <b>2.2</b>   |
| <b>CURRENT ACCOUNT BALANCE<br/>(SURPLUS/DEFICIT)</b> | <b>-34.8</b> | <b>63.7</b>  | <b>253.9</b> | <b>41.8</b>  | <b>49.2</b>  |

\* value is unusable

## 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 a resident is very important in the BOP because the BOP is in fact a statement of transactions between resident units and non-residents units. A unit refers to corporations, households, government and non-profit institutions. 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 into 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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