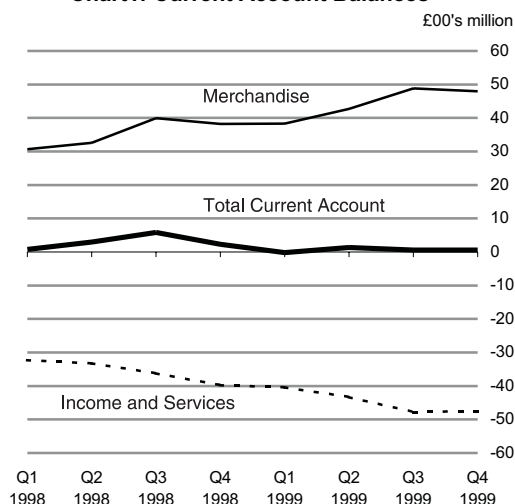




Central Statistics Office
An Phríomh-Oifig Staidrimh

12 May 2000

Chart1: Current Account Balances



Balance of International Payments

Quarter 4 1999 and Year 1999

NEW SERIES

	£ million		
	Merchandise Balance	Invisibles Balance	Current Account Balance
Q4 1999	4,792	-4,740	53
Q4 1998	3,821	-3,594	227
Year 1999	17,777	-17,545	233
Year 1998	14,140	-12,967	1,173

New data show a reduced Current Account surplus of £233 m in the year 1999

First results from a new Balance of Payments series show there was an annual surplus of £233 m (295 m) on the current account of the Balance of Payments in the year 1999, down significantly by £940 m (1,195m) on the previous year's surplus of £1,173 m (1,490 m) - *see Table 1*.

While the first quarter of 1999 had a marginal deficit, the remaining three quarters showed relatively small but declining surpluses. This contrasted with the pattern for 1998, which had increasing surpluses in the first three quarters (£72 m, £293 m and £582 m respectively) followed by a last quarter surplus of £227 m. (*Continued on next page*).

This Release introduces a new quarterly series of balance of payments statistics for Ireland beginning in 1998, following a complete overhaul of CSO's collection and compilation system. This was largely prompted by the need to strengthen the collection basis of the statistics, particularly for those enterprises engaged in financial service activity, including those operating in the International Financial Services Centre (IFSC) in Dublin. A geographical breakdown of the results is also given for the first time. In addition, the results now being presented comply with the recognised international compilation standards to the greatest extent possible. Details are given in the *Background Notes* to the Release.

These changes result in a discontinuity in the long-term balance of payments series. The new data from 1998 are not comparable with the earlier series. However, retrospective estimates for the main current account aggregates will be compiled later this year.

Published by the Central Statistics Office, Ireland.

Ardee Road
Dublin 6
Ireland

Skehard Road
Cork
Ireland

LoCall: 1890 313 414

Tel: +353-1 497 7144
Fax: +353-1 497 7996

Tel: +353-21 453 5000
Fax: +353-21 453 5555

Both offices may be contacted through any of these telephone numbers.

CSO on the Web: <http://www.cso.ie>

Director General: Donal Murphy

Enquiries:

BOP Statistics BOP Section, ext 4128
 bop@cso.ie
Queries and Sales Information Section, ext 5032
 information@cso.ie
Diskette Service Databank, ext 5301/5499
 databank@cso.ie

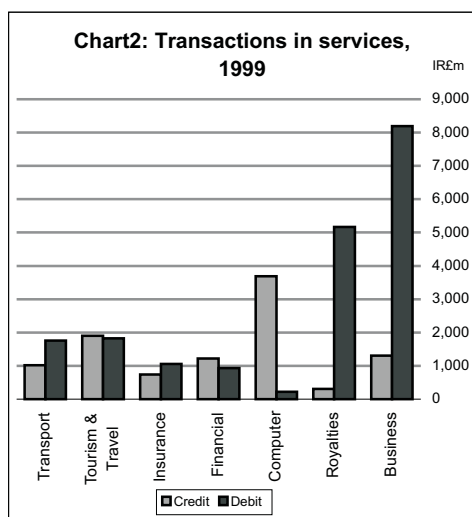
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For more information contact John Fitzpatrick at ext. 4366 or Michael Connolly at ext. 4203.



Activities of IFSC enterprises had a significant impact on these figures. In both 1998 and 1999 their contributions to the current account balance from non-merchandise transactions of £1,376 m and £1,008 m respectively contrasted with deficit contributions of £202 m and £774 m from transactions of non-IFSC enterprises and merchandise trade combined (see Table 3).

In geographical terms, Ireland had a very large current account surplus of £10,294 m with other EU countries in 1999; this was largely offset by a deficit of £10,063 m with non-EU countries. With other EMU countries, Ireland had a surplus of £9,515 m and a deficit of £9,283 m with non-EMU countries. 1998 results show a similar pattern (see Table 4).

Strong growth in merchandise trade balance

Merchandise trade, estimated on a 'free on board' (f.o.b.) basis for both exports (credits) and imports (debits) and further adjusted for balance of payments purposes, had sizeable surpluses in all quarters, the year 1999 surplus being £17,777 m compared to £14,140 m for the previous year. The 1999 surplus was marginally exceeded by the combined deficits on both services and factor incomes; in 1998 there was an almost exact balance in these flows.

Invisibles deficit

Invisibles comprise services, income and current transfers; the balance for 1999 was a deficit of £17,545 m compared to a deficit of £12,967 m in 1998.

Services balance (see Tables 1 and 2)

Overall annual sales (credits) of services to non-residents in 1999 amounted to £10,488 m compared to £8,859 m in 1998. The value of services purchased (debits) was £19,391 m in 1999 compared to £15,943 m in 1998. The services balance therefore showed significant deficits in both years (£8,903 m in 1999 and £7,084 m in 1998).

Within the services account, large exports sales (credits) in 1999 were accounted for by computer and information services (£3,684 m), other business services (£1,310 m), transport (£1,020 m), travel (£1,898 m) and financial services (£1,218 m). On the imports (debits) side, other business services (£8,189 m), royalties (£5,172 m), transport (£1,762 m), travel (£1,829 m) and financial services (£933m) featured strongly.

Income balance (see Tables 1 and 2)

In 1999, income inflows (credits) amounted to £18,695 m while outflows (debits) reached £27,698 m, the balance being a deficit of £9,003 m. The corresponding deficit for the previous year was £7,071 m.

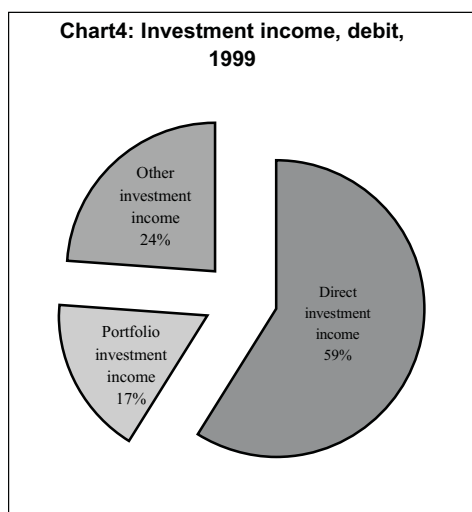
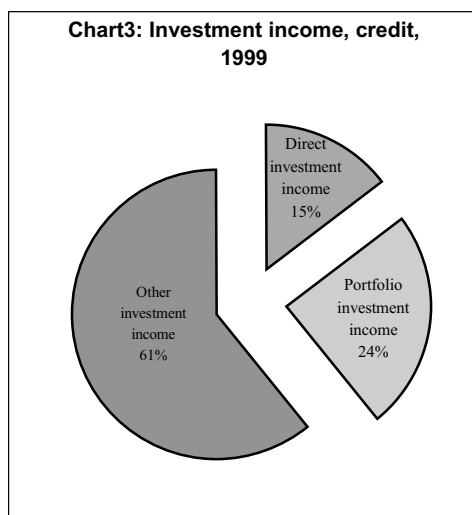
The overall investment income flows are subdivided according to type of investment, namely, direct, portfolio and other investment (see Background Notes for definitions). Direct investment income had a large net outflow of £13,505 m in 1999 (compared to £10,077 m in 1998) due essentially to the outflow of profits of direct investment enterprises located in Ireland and engaged largely in manufacturing and in financial services (particularly IFSC). Sizeable inward flows, however, are also evident and the amounts shown for 1998 (£2,001 m) and 1999 (£2,744 m) cover profits of Irish-owned manufacturing and financial service direct investment enterprises located abroad.

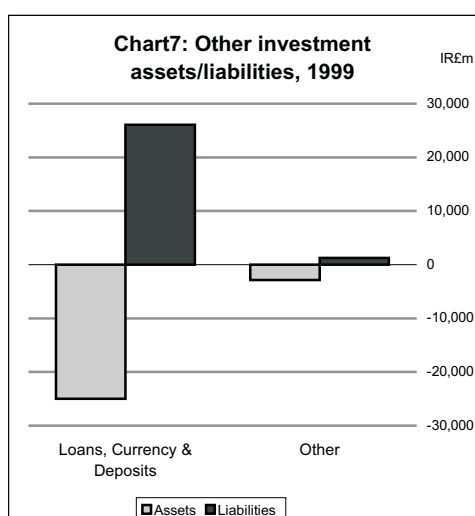
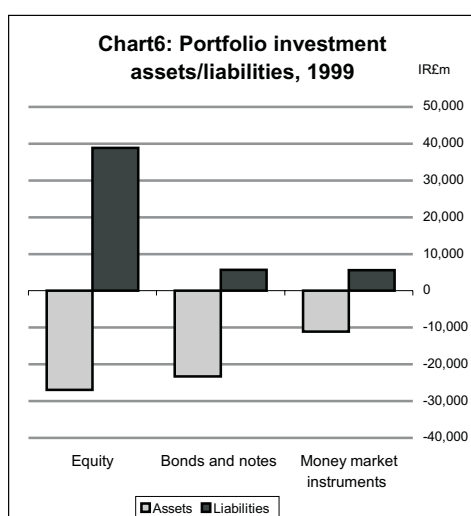
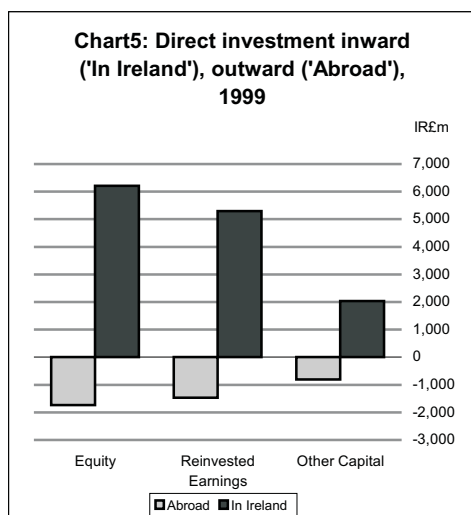
Portfolio investment income inflows (credits) and outflows (debits) were £4,515 m and £4,797 m respectively in 1999, resulting in a small net debit balance of £282 m (compared to one of £680 m in 1998). These flows cover dividends on small equity holdings as well as interest and other payments on long-term and short-term debt securities.

Other investment income, which largely reflects interest flows on loans and deposits as well as income on reserve assets, showed a net credit of £4,714 m in 1999; in 1998 the balance showed a net credit of £3,628 m.

Current transfers (see Table 1)

The main components of transfers are EU receipts and payments (other than those of a capital nature) and non-life insurance premiums and claims adjusted for the estimated values of insurance services sold to and purchased from non-residents. In 1999, the annual inflow (credit) of £3,643m exceeded an outflow (debit) of £3,282 m resulting in a credit balance of £361m. The corresponding balance in 1998 was a credit of £1,188 m.





EU structural funds main element in Capital Account (see Table 1)

Structural Fund receipts from the EU constitute the main element of the credit balance of £441 m in 1999. This compares with a credit balance of £661 m in 1998.

IFSC activities strongly influence Financial Account (see Tables 1, 2 and 3)

The Financial Account covers financial flows. In the new presentation format the different functional types of investment, namely, *direct*, *portfolio* and *other investment* and *reserve assets* are distinguished. In addition, gross flows are now shown (previously only the balances were given). The overall balance on the account amounted to small net increases in foreign liabilities in both 1998 (£804 m) and 1999 (£98 m).

The direct investment category (for which results are now separately shown for the first time) now covers the financial sector (including the IFSC) as well as manufacturing and other services. The large gross flows for portfolio and other investment also reflect the influence of IFSC activity.

Direct investment

Direct investment flows into Ireland (including reinvestment of earnings) were £13,544 m in 1999 compared to £6,025 m in 1998. Investment in IFSC enterprises accounted for £9,208 m and £3,412 m of these amounts. Direct investment abroad was significantly lower, resulting in a net inflow of investment of £9,539 m in 1999 compared to £3,282 m in 1998.

Portfolio investment

Very large portfolio investment flows amounting to £61,362 m on the assets side and £50,146 m on the liabilities side occurred in 1999, the balance being a net increase in assets of £11,216 m. This followed a net increase in assets of £6,667 m in 1998. On the assets side in 1999, IFSC transactions accounted for £52,792 m, compared to £32,919 m in 1998, largely reflecting the investments in foreign equity and debt securities by IFSC collective investment institutions (mutual funds, unit trusts, etc.) and licensed banking operations; these significantly exceed those of Irish institutional investors. Non-resident purchases of units (i.e. equities) in IFSC collective investment schemes as well as the take-up of debt securities (mostly short-term) issued by other IFSC entities account for the bulk of the liability transactions.

Other investment

In 1999, financial transactions other than direct and portfolio investment resulted in an outflow of £27,849 m on the assets side and an inflow of £27,314 m under liabilities, the net balance for the year amounting to a marginal increase in net assets of £535 m. In 1998, these transactions resulted in a sizeable increase in net liabilities of £5,874 m. These flows are largely accounted for by resident banking and asset financing operations (particularly IFSC entities) and principally cover transactions in loans, currency and deposits.

Reserve assets

There was a net disposal of reserve assets of £2,310 m during 1999. With the introduction of the Euro on 1 January 1999, the European Central Bank defined reserve assets at EMU Member State level to be non-euro-denominated claims on non-residents which were controlled by the national monetary authorities (see *Background Notes*). This definition is more limited in scope than that which applied up to the end of 1998. During that year, reserve assets as then defined increased by £1,685 m.

Net errors and omissions

The balancing item *net errors and omissions* was a relatively small debit of £772 m in 1999; in 1998, it was a more significant debit of £2,639 m.

Comparison with previous data

The current account balance for 1998 as derived on the old basis was a surplus of £563 m while on the new basis it was £1,173 m, i.e. a difference of £610 m. This is the only year for which the two figures are available and, because of significant differences in coverage and compilation methods, the CSO recommends that this difference should not be used to derive estimates under the new methodology for earlier years (see *Background Notes*). The CSO will, however, compile a retrospective series for the main current account aggregates later this year.

Table 1a – Summary of Current, Capital and Financial Account Net Balances

£ million

Item	1998	1999	1998				1999			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account										
Merchandise ¹	14,140	17,777	3,068	3,262	3,989	3,821	3,830	4,273	4,883	4,792
Services	-7,084	-8,903	-1,693	-1,489	-1,602	-2,299	-2,120	-2,174	-2,174	-2,435
Income	-7,071	-9,003	-1,541	-1,835	-2,021	-1,674	-1,925	-2,154	-2,605	-2,318
Current Transfers	1,188	361	239	355	216	379	200	193	-45	13
Balance on Current Account	1,173	233	72	293	582	227	-16	138	58	53
Balance on Capital Account	661	441	72	31	264	294	105	31	3	302
Financial Account										
Direct Investment	3,282	9,538	1,125	1,513	1,808	-1,164	3,572	1,808	3,322	837
Portfolio Investment	-6,667	-11,215	-988	-1,024	-4,262	-392	-3,764	-4,096	-3,437	83
Other Investment ²	5,874	-535	1,527	83	3,343	920	513	-1,204	-105	262
Reserve Assets	-1,685	2,310	-130	-617	-206	-732	1,486	169	381	274
Balance on Financial Account	804	98	1,534	-45	683	-1,368	1,807	-3,325	160	1,456
<i>Net errors and omissions</i>	<i>-2,639</i>	<i>-772</i>	<i>-1,678</i>	<i>-278</i>	<i>-1,529</i>	<i>847</i>	<i>-1,896</i>	<i>3,155</i>	<i>-221</i>	<i>-1,810</i>

¹ Adjusted for balance of payments purposes² Including financial derivatives and trade credits

Table 1b – Summary of Current, Capital and Financial Account Net Balances (in Euro Currency)

€ million¹

Item	1998	1999	1998				1999			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account										
Merchandise ²	17,954	22,573	3,896	4,142	5,065	4,852	4,863	5,425	6,200	6,085
Services	-8,994	-11,305	-2,150	-1,891	-2,035	-2,919	-2,692	-2,761	-2,761	-3,091
Income	-8,978	-11,431	-1,957	-2,330	-2,566	-2,125	-2,444	-2,735	-3,308	-2,944
Current Transfers	1,508	459	303	450	274	481	254	246	-58	17
Balance on Current Account	1,490	295	92	372	739	288	-20	175	73	67
Balance on Capital Account	840	560	91	39	336	374	133	40	4	383
Financial Account										
Direct Investment	4,167	12,111	1,428	1,921	2,296	-1,478	4,536	2,295	4,217	1,062
Portfolio Investment	-8,466	-14,240	-1,255	-1,301	-5,411	-498	-4,780	-5,201	-4,364	105
Other Investment ³	7,459	-679	1,939	106	4,245	1,169	651	-1,529	-134	333
Reserve Assets	-2,139	2,933	-165	-783	-262	-929	1,887	214	484	348
Balance on Financial Account	1,021	125	1,947	-57	867	-1,736	2,294	-4,221	204	1,848
<i>Net errors and omissions</i>	<i>-3,351</i>	<i>-980</i>	<i>-2,130</i>	<i>-354</i>	<i>-1,942</i>	<i>1,075</i>	<i>-2,407</i>	<i>4,007</i>	<i>-281</i>	<i>-2,298</i>

¹ Converted at the European Union official exchange rate conversion factor, fixed at 0.787564, effective from 1 January 1999² Adjusted for balance of payments purposes³ Including financial derivatives and trade credits

Table 2a – Current and Capital Accounts 1999 and 1998

£ million

Item	1999		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Cr	Db	Cr	Db	Cr	Db	Cr	Db	Cr	Db
Current Account										
Merchandise¹	49,470	31,692	11,094	7,265	11,904	7,631	12,730	7,847	13,742	8,950
Services	10,488	19,391	2,054	4,174	2,642	4,816	2,881	5,055	2,912	5,346
Transport	1,020	1,762	201	412	261	429	314	435	243	486
Tourism and Travel ²	1,898	1,829	324	244	517	526	716	684	341	376
Communications	187	144	40	42	53	39	59	35	35	28
Insurance	742	1,053	120	216	198	213	118	302	305	322
Financial services	1,218	933	224	186	374	283	303	203	317	261
Computer services ³	3,684	225	613	56	859	57	971	57	1,241	55
Royalties/Licences	310	5,172	76	1,220	51	1,201	60	1,356	123	1,395
Business services	1,310	8,189	429	1,778	296	2,049	310	1,962	275	2,400
Merchanting/Trade	70	3,714	11	793	16	885	22	871	21	1,165
Operational leasing	243	46	112	14	44	12	37	9	50	11
Misc. business services ⁴	997	4,430	307	972	235	1,153	251	1,082	205	1,224
Other services n.e.s.	119	85	26	19	34	19	29	21	30	25
Income	18,695	27,698	3,819	5,744	4,701	6,855	4,922	7,527	5,254	7,572
Compensation of employees	159	89	40	24	40	15	40	23	40	28
Investment income	18,536	27,609	3,779	5,720	4,661	6,840	4,882	7,505	5,214	7,545
Direct investment income	2,744	16,249	565	3,484	620	3,809	838	4,561	720	4,397
Income on equity	1,707	15,653	396	3,340	366	3,670	561	4,418	383	4,225
Dividends & distributed branch profits	242	10,356	13	2,473	16	2,042	203	2,415	9	3,426
Reinvested earnings	1,465	5,298	383	867	350	1,629	357	2,003	375	799
Income on debt	1,037	596	169	144	254	138	278	143	336	171
Portfolio investment income	4,515	4,797	874	1,054	1,160	1,244	1,183	1,372	1,298	1,127
Income on equity	1,018	2,530	215	520	359	748	230	651	213	611
Income on debt	3,497	2,266	659	534	800	496	953	721	1,085	516
Other investment income	11,277	6,563	2,340	1,182	2,881	1,788	2,861	1,572	3,196	2,021
Current Transfers	3,643	3,282	716	516	715	522	712	757	1,500	1,487
Current Account - Totals	82,297	82,064	17,683	17,699	19,962	19,824	21,244	21,186	23,408	23,355
Current Account Balance	233		-16		138		58		53	
Capital Account Balance	441		105		31		3		302	

¹ Adjusted for balance of payments purposes² Excluding passenger fare receipts³ Covers exports and imports of software that was not incorporated as part of computer hardware or physical media but separately transmitted by electronic means. The value of sales and purchases of additional software licences is also included⁴ Covers mainly inter-affiliate charges (e.g. management fees), in particular on the debit side

Table 2a – Current and Capital Accounts 1999 and 1998 - continued

£ million

Item	1998		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Cr	Db	Cr	Db	Cr	Db	Cr	Db	Cr	Db
Current Account										
Merchandise¹	43,532	29,392	10,381	7,312	10,609	7,348	10,904	6,915	11,638	7,817
Services	8,859	15,943	1,826	3,519	2,212	3,701	2,601	4,204	2,220	4,519
Transport	904	1,640	185	401	246	416	275	391	197	432
Tourism and Travel ²	1,820	1,659	258	273	491	444	702	616	369	326
Communications	180	128	69	42	39	26	52	31	20	28
Insurance	922	849	236	220	232	213	234	197	220	218
Financial services	710	751	156	155	194	206	168	188	192	203
Computer services ³	2,594	190	581	38	663	38	702	51	649	63
Royalties/Licences	122	4,286	7	960	11	922	54	1,056	50	1,348
Business services	1,513	6,360	310	1,409	313	1,416	391	1,655	500	1,880
Merchanting/Trade	34	2,166	10	459	9	476	7	496	8	735
Operational leasing	397	64	84	16	87	14	120	17	106	17
Misc. business services ⁴	1,082	4,130	216	934	217	926	263	1,142	386	1,128
Other services n.e.s.	95	80	25	21	23	19	23	18	23	20
Income	14,042	21,113	3,258	4,799	3,508	5,343	3,771	5,792	3,504	5,178
Compensation of employees	150	92	38	23	38	28	38	23	38	18
Investment income	13,892	21,020	3,220	4,776	3,471	5,315	3,734	5,769	3,467	5,160
Direct investment income	2,001	12,078	486	2,811	530	3,084	515	3,334	471	2,849
Income on equity	1,294	11,571	302	2,660	373	2,964	361	3,208	257	2,738
Dividends & distributed branch profits	91	8,310	25	1,391	46	1,572	12	2,226	7	3,120
Reinvested earnings	1,202	3,262	277	1,270	327	1,392	349	982	249	-382
Income on debt	708	507	184	151	156	120	154	126	214	110
Portfolio investment income	2,844	3,524	779	833	656	828	705	882	704	981
Income on equity	792	1,774	194	404	202	401	213	500	183	468
Income on debt	2,052	1,750	585	429	454	426	492	381	522	513
Other investment income	9,046	5,418	1,955	1,132	2,285	1,403	2,514	1,553	2,292	1,331
Current Transfers	3,885	2,697	924	685	932	577	832	616	1,197	818
Current Account - Totals	70,317	69,144	16,388	16,316	17,262	16,969	18,108	17,527	18,559	18,332
Current Account Balance	1,173		72		293		582		227	
Capital Account Balance	661		72		31		264		294	

¹ Adjusted for balance of payments purposes² Excluding passenger fare receipts³ Covers exports and imports of software that was not incorporated as part of computer hardware or physical media but separately transmitted by electronic means. The value of sales and purchases of additional software licences is also included⁴ Covers mainly inter-affiliate charges (e.g. management fees), in particular on the debit side

Table 2b – Financial Account 1998 and 1999

£ million

Item	1999		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
Financial Account¹										
	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland
Direct Investment	-4,005	13,544	-883	4,455	-944	2,752	-1,250	4,572	-929	1,765
Equity	-1,735	6,209	-298	2,240	-392	1,540	-691	753	-352	1,676
Reinvested Earnings	-1,465	5,298	-383	867	-350	1,629	-357	2,003	-375	799
Other Capital	-806	2,037	-201	1,348	-201	-417	-201	1,816	-201	-710
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Portfolio Investment	-61,362	50,146	-11,475	7,711	-16,826	12,730	-14,746	11,309	-18,314	18,397
Equity	-26,903	38,820	-3,939	4,636	-7,185	9,964	-9,546	10,846	-6,232	13,375
Debt Instruments	-34,458	11,326	-7,536	3,075	-9,641	2,766	-5,200	463	-12,082	5,022
Bonds and notes	-23,325	5,705	-7,082	1,205	-7,427	1,715	-4,108	1,765	-4,709	1,019
Money market instruments	-11,133	5,621	-453	1,870	-2,214	1,050	-1,092	-1,302	-7,373	4,003
Other Investment	-27,849	27,314	-7,870	8,382	-5,415	4,210	-11,760	11,655	-2,804	3,066
Loans, currency and deposits	-25,012	26,049	-5,514	8,384	-5,102	3,719	-10,715	10,704	-3,681	3,243
Other ²	-2,837	1,264	-2,356	-1	-313	492	-1,045	951	877	-177
Reserve Assets	2,310	-	1,486	-	169	-	381	-	274	-
Monetary gold	59	-	50	-	2	-	1	-	6	-
Special drawing rights	117	-	111	-	2	-	2	-	2	-
Reserve position in the IMF	173	-	14	-	46	-	74	-	39	-
Foreign exchange	1,970	-	1,307	-	117	-	307	-	239	-
Other	-9	-	3	-	2	-	-2	-	-12	-
Balance on Financial Account	98		1,807		-3,325		160		1,456	
<i>Net errors and omissions</i>	<i>-772</i>		<i>-1,896</i>		<i>3,155</i>		<i>-221</i>		<i>-1,810</i>	
Memorandum Item:	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<i>Government financial transactions</i>	<i>-1,915</i>	<i>274</i>	<i>0</i>	<i>56</i>	<i>0</i>	<i>-590</i>	<i>-2,505</i>	<i>-379</i>	<i>590</i>	<i>1,188</i>

¹ Financial account transactions are categorised under two headings 'assets' and 'liabilities' for *Portfolio Investment*, *Other Investment* and *Reserve Assets*. For *Direct Investment*, a 'directional' categorisation is used: 'Abroad' indicates direct investment by Irish investors in foreign companies; direct investment into Ireland is indicated by the heading 'In Ireland'. The sign convention used is: a minus sign in the 'Abroad' and 'Assets' columns means investments or acquisitions abroad (in enterprises, foreign securities, foreign deposits, etc.) by Irish investors exceeded their disinvestments or disposals in the period, while an entry without sign (less usual) means disinvestment exceeded investment; in the 'In Ireland' and 'Liabilities' columns, an entry without sign means that investment transactions into Ireland or incurrences of liabilities to foreign investors exceeded disinvestment or extinctions of liabilities in the period, while a minus sign (less usual) indicates that disinvestment exceeded investment and liability extinctions exceeded incurrences

² Including financial derivatives and trade credits

Table 2b – Financial Account 1998 and 1999 - continued

£ million

Item	1998		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
Financial Account¹										
	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland
Direct Investment	-2,743	6,025	-762	1,887	-844	2,357	-491	2,299	-646	-518
Equity	-717	4,615	-284	1,207	-316	1,373	77	1,428	-196	607
Reinvested Earnings	-1,202	3,262	-277	1,270	-327	1,392	-349	982	-249	-382
Other Capital	-824	-1,852	-201	-590	-201	-408	-219	-111	-201	-743
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Portfolio Investment	-36,953	30,286	-9,938	8,950	-7,195	6,170	-12,145	7,883	-7,675	7,283
Equity	-15,296	26,540	-5,552	7,834	-2,957	4,978	-2,656	7,645	-4,131	6,084
Debt Instruments	-21,657	3,746	-4,386	1,116	-4,238	1,193	-9,489	238	-3,544	1,199
Bonds and notes	-14,174	1,434	-2,704	338	-3,108	998	-7,842	349	-519	-252
Money market instruments	-7,483	2,312	-1,682	778	-1,129	194	-1,647	-111	-3,025	1,451
Other Investment	-14,204	20,079	-2,593	4,120	-6,403	6,486	-6,904	10,247	1,696	-775
Loans, currency and deposits	-12,711	17,331	-1,069	3,068	-6,918	5,529	-6,565	9,587	1,841	-853
Other ²	-1,493	2,748	-1,523	1,052	515	957	-339	660	-146	78
Reserve Assets	-1,685	-	-130	-	-617	-	-206	-	-732	-
Monetary gold	-13	-	-2	-	9	-	3	-	-22	-
Special drawing rights	-10	-	-2	-	1	-	-2	-	-7	-
Reserve position in the IMF	-163	-	-100	-	-26	-	-17	-	-20	-
Foreign exchange	-1,493	-	-32	-	-596	-	-190	-	-675	-
Other	-6	-	6	-	-4	-	0	-	-8	-
Balance on Financial Account	804		1,534		-45		683		-1,368	
<i>Net errors and omissions</i>	<i>-2,639</i>		<i>-1,678</i>		<i>-278</i>		<i>-1,529</i>		<i>847</i>	
Memorandum Item:	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<i>Government financial transactions</i>	<i>-2</i>	<i>-1,283</i>	<i>-71</i>	<i>-744</i>	<i>0</i>	<i>28</i>	<i>-55</i>	<i>-229</i>	<i>124</i>	<i>-338</i>

¹ Financial account transactions are categorised under two headings 'assets' and 'liabilities' for *Portfolio Investment*, *Other Investment* and *Reserve Assets*. For *Direct Investment*, a 'directional' categorisation is used: 'Abroad' indicates direct investment by Irish investors in foreign companies; direct investment into Ireland is indicated by the heading 'In Ireland'. The sign convention used is: a minus sign in the 'Abroad' and 'Assets' columns means investments or acquisitions abroad (in enterprises, foreign securities, foreign deposits, etc.) by Irish investors exceeded their disinvestments or disposals in the period, while an entry without sign (less usual) means disinvestment exceeded investment; in the 'In Ireland' and 'Liabilities' columns, an entry without sign means that investment transactions into Ireland or incurrences of liabilities to foreign investors exceeded disinvestment or extinctions of liabilities in the period, while a minus sign (less usual) indicates that disinvestment exceeded investment and liability extinctions exceeded incurrences

² Including financial derivatives and trade credits

Table 3 – Current, Capital and Financial Accounts showing IFSC and non-IFSC activity 1999 and 1998

£ million

Item	1999		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Cr	Db	Cr	Db	Cr	Db	Cr	Db	Cr	Db
Current Account - Totals	82,297	82,064	17,683	17,699	19,962	19,824	21,244	21,186	23,408	23,355
Merchandise ¹	49,470	31,692	11,094	7,265	11,904	7,631	12,730	7,847	13,742	8,950
Services	10,488	19,391	2,054	4,174	2,642	4,816	2,881	5,055	2,912	5,346
- IFSC	2,305	2,146	499	444	636	497	489	590	680	615
- non IFSC	8,183	17,245	1,554	3,730	2,005	4,319	2,392	4,465	2,231	4,731
Income	18,695	27,698	3,819	5,744	4,701	6,855	4,922	7,527	5,254	7,572
- IFSC	14,017	12,546	2,629	2,257	3,562	3,348	3,836	3,396	3,991	3,545
- non IFSC	4,678	15,152	1,190	3,487	1,139	3,507	1,086	4,131	1,263	4,027
Current Transfers	3,643	3,282	716	516	715	522	712	757	1,500	1,487
- IFSC ²	1,700	2,322	230	265	242	334	346	538	882	1,185
- non IFSC	1,944	960	486	251	474	188	366	220	618	301
Balance on Current Account	233		-16		138		58		53	
Balance on Capital Account	441		105		31		3		302	
Financial Account³										
	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland
Direct investment	-4,005	13,544	-883	4,455	-944	2,752	-1,250	4,572	-929	1,765
- IFSC	0	9,208	0	3,671	0	1,666	0	2,958	0	914
- non IFSC	-4,005	4,336	-883	784	-944	1,086	-1,250	1,614	-929	852
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Portfolio investment	-61,362	50,146	-11,475	7,711	-16,826	12,730	-14,746	11,309	-18,314	18,397
- IFSC	-52,792	47,216	-8,024	7,063	-14,645	12,721	-13,154	10,798	-16,970	16,634
- non IFSC	-8,569	2,931	-3,451	648	-2,182	9	-1,592	511	-1,344	1,762
Other investment ⁴	-27,849	27,314	-7,870	8,382	-5,415	4,210	-11,760	11,655	-2,804	3,066
- IFSC	-19,652	17,456	-4,066	3,330	-5,169	4,584	-8,180	6,902	-2,237	2,640
- non IFSC	-8,196	9,858	-3,804	5,052	-246	-373	-3,580	4,753	-567	426
Reserve Assets	2,310	-	1,486	-	169	-	381	-	274	-
Balance on Financial Account	98		1,807		-3,325		160		1,456	
<i>Net errors and omissions</i>	<i>-772</i>		<i>-1,896</i>		<i>3,155</i>		<i>-221</i>		<i>-1,810</i>	

¹ Adjusted for balance of payments purposes² Current transfers to and from IFSC enterprises relate solely to non-life insurance transactions (see Background Notes)³ See footnote 1 on Table 2b⁴ Including financial derivatives and trade credits

Table 3 – Current, Capital and Financial Accounts showing IFSC and non-IFSC activity 1999 and 1998 - continued

£ million

Item	1998		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Cr	Db	Cr	Db	Cr	Db	Cr	Db	Cr	Db
Current Account - Totals	70,317	69,144	16,388	16,316	17,262	16,969	18,108	17,527	18,559	18,332
Merchandise ¹	43,532	29,392	10,381	7,312	10,609	7,348	10,904	6,915	11,638	7,817
Services	8,859	15,943	1,826	3,519	2,212	3,701	2,601	4,204	2,220	4,519
- IFSC	2,124	1,556	474	356	548	414	568	395	534	390
- non IFSC	6,736	14,387	1,352	3,164	1,664	3,286	2,034	3,808	1,686	4,129
Income	14,042	21,113	3,258	4,799	3,508	5,343	3,771	5,792	3,504	5,178
- IFSC	10,102	9,444	2,324	2,127	2,466	2,272	2,735	2,650	2,578	2,396
- non IFSC	3,939	11,668	934	2,672	1,042	3,071	1,037	3,142	927	2,782
Current Transfers	3,885	2,697	924	685	932	577	832	616	1,197	818
- IFSC ²	1,777	1,627	432	398	435	398	427	396	482	436
- non IFSC	2,108	1,070	492	288	497	179	405	220	714	382
Balance on Current Account	1,173		72		293		582		227	
Balance on Capital Account	661		72		31		264		294	
Financial Account³										
	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland
Direct investment	-2,743	6,025	-762	1,887	-844	2,357	-491	2,299	-646	-518
- IFSC	0	3,412	0	919	0	1,117	0	1,467	0	-92
- non IFSC	-2,743	2,613	-762	968	-844	1,239	-491	832	-646	-426
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Portfolio investment	-36,953	30,286	-9,938	8,950	-7,195	6,170	-12,145	7,883	-7,675	7,283
- IFSC	-32,919	29,271	-8,982	9,206	-6,124	5,457	-11,311	8,042	-6,502	6,565
- non IFSC	-4,035	1,015	-957	-256	-1,070	713	-834	-159	-1,174	717
Other investment ⁴	-14,204	20,079	-2,593	4,120	-6,403	6,486	-6,904	10,247	1,696	-775
- IFSC	-13,469	16,534	-4,363	4,132	-3,576	3,731	-4,862	8,176	-668	496
- non IFSC	-735	3,545	1,770	-11	-2,826	2,755	-2,042	2,071	2,363	-1,271
Reserve Assets	-1,685	-	-130	-	-617	-	-206	-	-732	-
Balance on Financial Account	804		1,534		-45		683		-1,368	
<i>Net errors and omissions</i>	<i>-2,639</i>		<i>-1,678</i>		<i>-278</i>		<i>-1,529</i>		<i>847</i>	

¹ Adjusted for balance of payments purposes

² Current transfers to and from IFSC enterprises relate solely to non-life insurance transactions (see Background Notes)

³ See footnote 1 on Table 2b

⁴ Including financial derivatives and trade credits

Table 4a – Current and Capital Accounts showing geographical¹ detail 1999 and 1998

£ million

Item	1999		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Cr	Db	Cr	Db	Cr	Db	Cr	Db	Cr	Db
Current Account - Totals	82,297	82,064	17,683	17,699	19,962	19,824	21,244	21,186	23,408	23,355
Merchandise²	49,470	31,692	11,094	7,265	11,904	7,631	12,730	7,847	13,742	8,950
- EMU	19,300	6,212	4,364	1,423	4,822	1,563	4,603	1,481	5,511	1,746
- non EMU	30,170	25,480	6,730	5,842	7,081	6,068	8,127	6,366	8,231	7,204
- EU	31,321	17,132	7,230	3,909	7,604	4,158	7,600	4,123	8,887	4,943
- non EU	18,148	14,560	3,865	3,356	4,300	3,473	5,129	3,723	4,855	4,007
Services	10,488	19,391	2,054	4,174	2,642	4,816	2,881	5,055	2,912	5,346
- EMU	3,617	4,332	704	906	866	1,056	1,036	1,156	1,010	1,215
- non EMU	6,871	15,060	1,350	3,268	1,775	3,760	1,845	3,899	1,901	4,132
- EU	7,175	8,587	1,374	1,850	1,796	2,116	1,960	2,263	2,045	2,359
- non EU	3,313	10,804	680	2,324	846	2,700	921	2,793	867	2,988
Income	18,695	27,698	3,819	5,744	4,701	6,855	4,922	7,527	5,254	7,572
- EMU	6,405	9,148	1,357	1,829	1,540	2,144	1,523	2,509	1,985	2,665
- non EMU	12,290	18,550	2,462	3,915	3,161	4,711	3,398	5,018	3,269	4,907
- EU	10,227	13,410	2,050	2,804	2,613	3,196	2,667	3,577	2,898	3,834
- non EU	8,467	14,288	1,770	2,940	2,088	3,659	2,254	3,951	2,356	3,738
Current Transfers	3,643	3,282	716	516	715	522	712	757	1,500	1,487
- EMU	221	336	37	50	27	45	31	56	125	185
- non EMU	3,422	2,946	679	466	688	477	681	702	1,375	1,301
- EU	3,050	2,350	629	384	577	336	599	501	1,246	1,129
- non EU	593	932	87	132	139	186	113	256	254	358
Balance on Current Account	233		-16		138		58		53	
Balance on Capital Account	441		105		31		3		302	

¹ The term 'EMU' means the area represented by the 11 Member States participating in Monetary Union since the introduction of the Euro currency on 1 January 1999. The data for 1998 are shown with an EMU/non EMU breakdown for comparison with the 1999 data

² Adjusted for balance of payments purposes

Table 4a – Current and Capital Accounts showing geographical¹ detail 1999 and 1998 - continued

£ million

Item	1998		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Cr	Db	Cr	Db	Cr	Db	Cr	Db	Cr	Db
Current Account - Totals	70,317	69,144	16,388	16,316	17,262	16,969	18,108	17,527	18,559	18,332
Merchandise²	43,532	29,392	10,381	7,312	10,609	7,348	10,904	6,915	11,638	7,817
- EMU	18,659	5,399	4,048	1,326	4,790	1,375	4,809	1,301	5,012	1,397
- non EMU	24,873	23,993	6,333	5,986	5,820	5,973	6,095	5,614	6,626	6,419
- EU	29,324	15,568	6,713	3,770	7,428	3,959	7,198	3,728	7,985	4,111
- non EU	14,208	13,824	3,668	3,542	3,182	3,389	3,706	3,187	3,652	3,705
Services	8,859	15,943	1,826	3,519	2,212	3,701	2,601	4,204	2,220	4,519
- EMU	2,585	3,769	536	761	592	869	682	763	776	1,376
- non EMU	6,274	12,174	1,291	2,759	1,620	2,831	1,919	3,441	1,445	3,143
- EU	5,685	7,359	1,172	1,533	1,383	1,663	1,588	1,717	1,542	2,446
- non EU	3,174	8,583	655	1,987	829	2,037	1,013	2,486	678	2,074
Income	14,042	21,113	3,258	4,799	3,508	5,343	3,771	5,792	3,504	5,178
- EMU	4,082	6,242	923	1,297	956	1,413	1,014	1,571	1,189	1,961
- non EMU	9,960	14,871	2,334	3,502	2,552	3,930	2,757	4,221	2,316	3,218
- EU	7,960	9,919	1,895	2,193	1,881	2,302	2,018	2,558	2,166	2,865
- non EU	6,081	11,194	1,362	2,606	1,628	3,041	1,753	3,234	1,338	2,313
Current Transfers	3,885	2,697	924	685	932	577	832	616	1,197	818
- EMU	558	446	157	126	131	102	127	100	143	118
- non EMU	3,327	2,251	767	559	801	476	705	516	1,054	700
- EU	3,359	2,235	809	579	805	464	706	504	1,040	689
- non EU	525	462	115	107	127	114	126	112	157	129
Balance on Current Account	1,173		72		293		582		227	
Balance on Capital Account	661		72		31		264		294	

¹ The term 'EMU' means the area represented by the 11 Member States participating in Monetary Union since the introduction of the Euro currency on 1 January 1999. The data for 1998 are shown with an EMU/non EMU breakdown for comparison with the 1999 data

² Adjusted for balance of payments purposes

Table 4b – Financial Account¹ showing geographical² detail 1999 and 1998

£ million

Item	1999		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland
Direct Investment	-4,005	13,544	-883	4,455	-944	2,752	-1,250	4,572	-929	1,765
- EMU	-478	3,632	-124	1,349	-109	745	-122	1,935	-124	-398
- non EMU	-3,527	9,912	-759	3,106	-835	2,006	-1,129	2,636	-805	2,163
- EU	-1,189	4,623	-286	1,939	-351	487	-252	2,158	-300	38
- non EU	-2,817	8,921	-597	2,516	-593	2,264	-998	2,413	-629	1,727
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Portfolio Investment	-61,362	50,146	-11,475	7,711	-16,826	12,730	-14,746	11,309	-18,314	18,397
- EMU	-18,041	8,143	-3,745	867	-3,254	2,488	-5,222	1,395	-5,820	3,393
- non EMU	-43,320	42,004	-7,730	6,844	-13,572	10,242	-9,524	9,914	-12,494	15,004
- EU	-23,405	15,087	-7,839	3,627	-7,968	4,789	-5,517	617	-2,080	6,053
- non EU	-37,957	35,060	-3,636	4,084	-8,858	7,941	-9,229	10,692	-16,234	12,343
Other Investment³	-27,849	27,314	-7,870	8,382	-5,415	4,210	-11,760	11,655	-2,804	3,066
- EMU	-11,372	7,795	-3,606	3,877	-2,054	841	-2,810	1,981	-2,903	1,097
- non EMU	-16,476	19,518	-4,264	4,506	-3,361	3,370	-8,950	9,674	99	1,969
- EU	-17,690	14,950	-3,604	4,035	-2,481	2,284	-7,616	6,396	-3,989	2,234
- non EU	-10,159	12,364	-4,266	4,347	-2,934	1,926	-4,144	5,258	1,185	832
Reserve Assets	2,310	-	1,486	-	169	-	381	-	274	-
Balance on Financial Account	98		1,807		-3,325		160		1,456	
<i>Net errors and omissions</i>	<i>-772</i>		<i>-1,896</i>		<i>3,155</i>		<i>-221</i>		<i>-1,810</i>	

¹ See footnote 1 on Table 2b² The term 'EMU' means the area represented by the 11 Member States participating in Monetary Union since the introduction of the Euro currency on 1 January 1999. The data for 1998 are shown with an EMU/non EMU breakdown for comparison with the 1999 data³ Including financial derivatives and trade credits

Table 4b – Financial Account¹ showing geographical² detail 1999 and 1998 - continued

£ million

Item	1998		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland	Abroad	In Ireland
Direct Investment	-2,743	6,025	-762	1,887	-844	2,357	-491	2,299	-646	-518
- EMU	-367	277	-84	-57	-65	486	-113	211	-105	-363
- non EMU	-2,376	5,748	-678	1,944	-779	1,871	-378	2,088	-541	-155
- EU	-885	3,445	-218	798	-239	1,150	-283	1,440	-145	58
- non EU	-1,858	2,579	-544	1,089	-605	1,207	-208	859	-501	-576
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Portfolio Investment	-36,953	30,286	-9,938	8,950	-7,195	6,170	-12,145	7,883	-7,675	7,283
- EMU	-7,997	3,796	-1,316	748	-1,730	1,038	-2,765	416	-2,187	1,594
- non EMU	-28,956	26,490	-8,622	8,201	-5,465	5,133	-9,380	7,467	-5,488	5,689
- EU	-13,576	11,561	-2,714	3,157	-3,268	2,770	-6,543	1,382	-1,051	4,252
- non EU	-23,377	18,725	-7,224	5,793	-3,927	3,400	-5,601	6,501	-6,625	3,030
Other Investment³	-14,204	20,079	-2,593	4,120	-6,403	6,486	-6,904	10,247	1,696	-775
- EMU	-7,775	10,508	-1,096	1,718	-5,096	3,926	-3,388	4,754	1,805	110
- non EMU	-6,430	9,571	-1,497	2,402	-1,307	2,560	-3,516	5,494	-109	-885
- EU	-9,392	15,760	-500	2,473	-5,609	6,463	-4,692	7,515	1,408	-691
- non EU	-4,812	4,319	-2,093	1,648	-794	23	-2,212	2,732	287	-84
Reserve Assets	-1,685	-	-130	-	-617	-	-206	-	-732	-
Balance on Financial Account	804		1,534		-45		683		-1,368	
<i>Net errors and omissions</i>	<i>-2,639</i>		<i>-1,678</i>		<i>-278</i>		<i>-1,529</i>		<i>847</i>	

¹ See footnote 1 on Table 2b

² The term 'EMU' means the area represented by the 11 Member States participating in Monetary Union since the introduction of the Euro currency on 1 January 1999. The data for 1998 are shown with an EMU/non EMU breakdown for comparison with the 1999 data

³ Including financial derivatives and trade credits

Background Notes

Introduction Ireland's balance of payments (BOP) quarterly statistical compilation system has been revamped to strengthen sectoral and enterprise coverage in basic data collection, to adopt best international methodological standards, to conform more closely with international presentation formats, and to provide for geographical analysis of the results. The resulting improvements facilitate the production of data required by the European Central Bank (ECB) and the EU Commission (EUROSTAT) to compile balance of payments statistics for the EMU and EU areas. The needs of other international organisations (such as IMF and OECD) as well as those of national users have also been catered for.

A description of the methodology is given below. It follows as far as possible the recommendations of the IMF's Balance of Payments Manual - 5th Edition (BPM5) published in 1993, but with certain modifications approved internationally since then (concerning, for example, the treatment of financial derivatives).

The presentation of these new results for 1998 and 1999 essentially completes the programme started some years ago to compile the BOP statistics on the basis of the most up to date international recommendations.

Data collection BOP data collection is statutory and surveys or other data collection arrangements are conducted under the Statistics (Balance of Payments) Order, 1996 made under the Statistics Act, 1993.

A number of new quarterly surveys were introduced in 1998. These were directed to financial service enterprises not formerly surveyed, in particular to enterprises operating from the International Financial Services Centre (IFSC) in Dublin. Some of the information now being collected directly from these enterprises was formerly implicitly incorporated from other sources in the published results. In addition to the new surveys existing surveys were redesigned.

The financial enterprise surveys cover banking, insurance, asset financing, treasury, institutional investment, activities of mutual funds, unit trusts and similar collective investment operations, broking and other service provision. Respondents are required to make quarterly returns using either paper or electronic media. Exhaustive coverage is aimed at but, in order to reduce reporting burden, companies with low activity volumes may, on approval from the CSO, provide annual data. Overall, about 3,000 entities are surveyed.

Manufacturing and non-financial service enterprises have been reporting their BOP transactions to CSO for a number of years. The surveys directed towards these enterprises were re-designed to meet the new conceptual and geographical requirements. Coverage is on a sample selection basis, those surveyed being selected on the basis of statistical register information concerning transactions with non-residents. About 500 companies make quarterly and/or annual returns.

The information collected for all types of enterprises covers transactions with non-residents concerning purchases and sales of services, income flows, and acquisitions and disposals of foreign assets or liabilities.

Apart from survey data, administrative sources also provide information on non-resident transactions (e.g. the National Treasury Management Agency, on flows associated with Ireland's foreign debt and other transactions; the Department of Defence, concerning Ireland's UN military peace-keeping activity; the Department of Foreign Affairs, on expenditure incurred in maintaining Ireland's embassies and consulates abroad; the Central Bank of Ireland, on reserve assets and other assets/liabilities and associated income flows). In addition, information on merchandise exports and imports and on tourism expenditure and receipts is obtained from other CSO inquiries.

Structure of the Balance of Payments accounts

The balance of payments presentation consists of three tables or accounts, the *Current Account*, the *Capital Account* and the *Financial Account*. The current account consists of trade in merchandise and services, income inflows and outflows and current transfers. The capital account covers capital transfers and the acquisition and disposal of non-produced, non-financial assets. The financial account is concerned with transactions in foreign financial assets and liabilities, distinguishing the functional type of investment i.e. direct, portfolio and other investment and reserve assets.

Sign convention and symbols

The BOP presentation follows the standard double entry accounting treatment for a transaction i.e. in principle, every credit entry is matched by a corresponding debit entry elsewhere in the system.

In the current account, credit items are exports of merchandise and services, income inflows and current transfer receivables while debit items are imports, income outflows and transfer payables. In the capital account, capital transfer receivables are recorded as credits and payables as debits. Both credit (denoted by the symbol 'Cr') and debit (denoted by 'Db') items are shown as positive numbers and the net balances are calculated as *credit – debit*.

The transactions in the financial account are implicitly recorded on a credit/debit basis but are presented on an assets/liabilities basis. Increases in foreign assets or reductions in foreign liabilities are shown with a – (minus) sign, i.e. implicitly as a debit amount, while decreases in assets or increases in liabilities are unsigned i.e. shown as positive numbers (credits). The net balances are calculated as *net change in assets + net change in liabilities*. In the case of direct investment, the asset/liability presentation is replaced by the so-called 'directional' one, i.e. *direct investment abroad* (which approximates to the assets concept) and *direct investment in Ireland* (which closely equates to liabilities). The difference between the two approaches centres on the treatment of reverse investment by a direct investment enterprise in its parent (direct investor); these transactions are generally relatively small.

Amounts are shown in millions of Irish Pounds and, in *Table 1b*, in millions of Euro. '0' means amounts of less than 500,000 units of currency; '-' means 'not relevant'. Cell entries may not add to totals due to rounding.

Net errors and omissions

Given the double entry accounting procedure described above, the sum of the credit entries should in principle equal the sum of the debit entries over all three accounts. In practice because of differences in coverage, valuation and timing, this does not occur and a balancing item *net errors and omissions* is inserted to balance the overall account.

Valuation

BOP transactions, in principle, should be recorded on an accruals basis using market valuation. In practice, the collection system is designed to adhere to this approach and, for the most part, the valuations reported are either market values or a close approximation. In certain cases, income (interest) flows on debt securities are currently reported on a cash basis but accruals reporting is intended ultimately.

Residence

BOP transactions occur between residents of Ireland and non-residents. The term 'resident' covers (a) individuals, including foreign nationals, living in Ireland for at least one year as well as Irish embassy staff and military staff located abroad, (b) Irish government enclaves located abroad (embassies, consulates, etc.), and (c) corporate bodies who have a centre of economic interest located here, including branches of foreign-registered companies. It is important to note that transactions in foreign assets and liabilities can occur between residents and should be recorded in the financial account.

Geographical allocation principle

Current and capital account transactions are allocated to the country of residence of the counterpart. Financial account transactions are allocated on the basis of the debtor/creditor principle; assets are geographically assigned to the country of the debtor (i.e. the issuer) of the assets, while liabilities are assigned to the country of the creditor (i.e. the holder).

Current account *Merchandise* exports and imports are valued f.o.b. (*free on board*) for BOP purposes (imports are valued c.i.f. [*cost, insurance and freight*] in the official external trade statistics and this valuation was formerly used in the BOP). Some adjustments are also made to the official merchandise trade statistics to conform to the BOP change of ownership and market valuation principles. In addition, certain exports sales of software licences which were formerly included in merchandise exports are now recorded as service exports.

Services exports and imports are now given in more detail than before. Nine categories are distinguished: *transport, tourism and travel, communications, insurance services, financial services, computer services, royalties and licences, business services* and *other services not elsewhere specified*. Some specific points of note are:

- (i) Because of the presentation of merchandise imports on a f.o.b. basis (rather than c.i.f. as before), the freight element of the c.i.f. to f.o.b. adjustment is now included in *transport*.
- (ii) The value of *insurance services* provided to non-residents by resident insurers (credit) is estimated as the value of direct and supplementary premiums earned less the value of claims payable less increases in insurance technical reserves. Supplementary premiums consist of investment income earned on investing the insurance technical reserves (which is viewed as being paid back to the insurance company by the policy holder). To obtain the value of insurance service purchased from non-resident insurers (debit), the ratio of the estimated service charge to total premiums for insurance exports is applied to the total premiums payable to non-resident insurers. In relation to merchandise imports, the freight insurance element of the c.i.f. to f.o.b. adjustment referred to above under *merchandise* is recorded under *insurance*.
- (iii) *Financial services* covers non-interest receivables and payables in respect of financial intermediary and auxiliary services (other than those of insurance enterprises and pension funds).
- (iv) Exports and imports of computer software which is embedded in hardware or carried on other physical media are not included in *computer services* but under *merchandise*. Sales and purchases of software transmitted electronically as well as exports of certain software licences are now recorded under *computer services* (formerly, the value of such licences was included under *merchandise*).
- (v) *Business services* covers receivables and payables for (a) *merchanting and other trade-related services*, (b) *operational leasing* and (c) *miscellaneous business services*.

Merchanting consists of the sales net of purchases by Irish merchants of foreign goods bought from and sold to non-residents without entering or leaving Ireland. *Other trade-related services* consist of commissions earned by resident agents or paid to non-resident agents in connection with imports or exports. *Operational leasing* covers rental receivables and payables in respect of leasing (other than financial leasing) and charter without operators of aircraft, ships and other transport or other equipment and plant. *Miscellaneous business services* covers legal, accounting, management consulting, public relations, advertising and marketing, research and development and other professional and technical services. It also covers inter-affiliate management fees.

- (vi) *Other services not elsewhere specified* covers construction services, personal and cultural services (e.g. fees and royalties for film, television and musical recordings and performances), educational services and government services (e.g. non-labour expenditures incurred in the host country in the provision of embassy and consular services and receipts in respect of collection of Ireland's budgetary contributions to the EU).

Income covers (a) *compensation of employees*, which relates to the earnings of persons working outside their country of residence for less than one year and earnings of local staff working in embassies and consulates, and (b) *investment income*, which covers earnings arising from foreign investors' investments in Ireland and Irish investors' investment abroad. Investment income excludes realised and unrealised capital and exchange gains or losses. It is subdivided into three categories:

- (i) *Direct investment income* covers income accruing to an Irish or foreign direct investor from ownership of (correspondingly) a direct investment enterprise located abroad or in Ireland (*see definition of direct investment in the financial account section below*). It is split into income on equity and income on debt. *Direct investment income on equity* may be called the 'entrepreneurial income' of the enterprise which, in principle, is its net operating surplus plus investment income receivable less investment income payable. It is calculated net of corporation taxes. In company accounting terms, direct investment income on equity can be equated or approximated to an enterprise's consolidated profit (or loss) after interest, tax and minority interests and excluding capital and exchange gains (or losses) and other unusual provisions and write-offs. This income item is further subdivided into *dividends and distributed branch profits* and *reinvested earnings*.

Dividends are recorded at the time they become due for payment while distributed branch profits are recorded when receipt or payment occurs. Amounts recorded under *reinvested earnings* represent the difference between the enterprise's entrepreneurial income and the distributions (dividends, etc.) made. As it is an income flow in the BOP current account but without a counterpart cash flow in the financial account, an offset of equal magnitude is recorded under *direct investment* in the latter. *Direct investment income on debt* covers income (mainly interest) on non-equity inter-affiliate assets and liabilities (mainly loans).

- (ii) *Portfolio investment income* covers income receivable and payable to non-direct investors on their holdings of equity and long and short-term debt securities (*see definition of portfolio investment below*). Income on equity consists of dividends actually received/paid. Income on debt securities refers to coupon or interest payments on bonds and notes and interest on money market instruments. In principle, the income should be recorded on an accruals basis using market valuations. In practice, some respondents currently report on a cash basis. Discounts and premiums (i.e. differences between the nominal value and the issue value) are treated as income or negative income respectively and spread (accrued) over the life of the instrument.
- (iii) *Other investment income* covers interest on loans and deposits and also the income generated from the holdings of external reserve assets of the Central Bank of Ireland. The flows recorded under this item relate largely to interest flows of credit institutions.

Current transfers covers unrequited receipts and payments. Important components are subsidies and other current transfers receivable from and taxes payable to the European Union, payments under Third World aid programmes operated by non-governmental organisations and transfers related to non-life insurance business. For resident insurers, the transfer credit is calculated as the insurance premiums earned less the insurance service charge and the debit is the amount of claims payable to non-resident policy holders; for resident holders of policies issued by non-resident insurers, credits represent claims receivable and debits represent the insurance premiums less the estimated insurance service charge (*see also the note above on 'insurance' item under 'services'*).

Current account balance is the total of all current account credits less the total of all current account debits.

Capital account

The capital account largely covers capital transfers, in particular amounts receivable under the EU Regional Development Fund and the Cohesion Fund and all other transfers intended for capital purposes. Estimates of migrants' transfers (i.e. the transfer of the net worth of immigrants and emigrants) are included but they are not well based. In addition, acquisitions and disposals of non-produced, non-financial assets (patents, copyrights, etc.) are also covered here, but the amounts involved are very small. Because of certain data limitations, only the net flows are shown.

Financial account

The financial account covers transactions in foreign financial assets (i.e. claims on non-residents) and foreign liabilities (i.e. obligations to non-residents). The four categories of functional investment which are distinguished (i.e. *direct investment*, *portfolio investment*, *other investment* and *reserve assets*) are based primarily on the relationship between the parties and secondly on the nature of the instrument involved.

Direct investment is a category of international investment that, based on an equity ownership of at least 10%, reflects a lasting interest by a resident in one economy (the direct investor) in an enterprise resident in another economy (the direct investment enterprise). Using this criterion, a

direct investment relationship can exist between a number of affiliated enterprises whether the linkage involves a single chain or a number of chains. It can extend to a direct investment enterprise's subsidiaries, sub-subsidiaries and associates. Once the direct investment relationship is established, all subsequent financial flows between the related entities are recorded as direct investment transactions, regardless of the type of financial instrument used in the financing arrangement (except for financial intermediary affiliates among which direct investment transactions are limited to those involving equity and permanent debt). The components of direct investment transactions are *equity capital*, *reinvested earnings*, and *other capital*. *Equity capital* comprises investment in branches, shares in subsidiaries and associates (except non-participating preferred shares that are treated as debt securities) and other capital contributions. *Reinvested earnings* consists of the off-setting entry to the corresponding current account income item: it is the direct investor's share of the undistributed earnings of its branches, subsidiaries and associates. *Other capital* covers all other inter-affiliate financial transactions (borrowing and lending of funds), including debt securities and suppliers' credits (i.e. trade credits). Following the recommendations of the IMF, ECB, EUROSTAT and OECD, direct investment flows are recorded on a '*directional basis*' rather than the more usual assets/liabilities basis. *Direct investment abroad* covers *net* investment by parent companies resident in Ireland in their foreign branches, subsidiaries and associated companies. *Direct investment in Ireland* covers the *net* investment by foreign companies in their affiliates located in Ireland.

Portfolio investment covers the acquisition and disposal of equity and debt securities which cannot be classified under direct investment or reserve assets transactions. The securities involved are traded (or tradable) in organised and other financial markets. *Debt securities* cover *bonds and notes* which have an original maturity term of more than one year and *money market instruments* with original maturity of one year or less. Transactions are valued at market value inclusive of accrued income.

Other investment covers assets and liabilities other than those classifiable to direct investment, portfolio investment or reserve assets. It comprises loans, currency and deposits, short and long-term trade credits, financial derivatives and other accounts receivable and payable. Derivatives cover over-the-counter (OTC) and exchange-traded contracts and include options, futures, swaps, forwards, etc. For BOP purposes, all receipts and payments connected to financial derivative contracts (other than the values of transactions in the underlying commodities or financial instruments) are recorded in the financial account¹ i.e. there are no entries in the current account other than related fees and service charges (not always identifiable). In principle, other investment transactions are valued at market valuation inclusive of accrued income. For loans, book values are accepted as a proxy for market values.

Reserve assets at national level in the context of EMU have been defined by the European Central Bank from 1 January 1999, the date of introduction of the euro currency, as: (a) qualifying assets which are under the effective control of the national monetary authority (i.e. the Central Bank of Ireland), and (b) consisting of highly liquid, marketable and credit-worthy foreign (non-euro) currency denominated claims on non euro-area residents together with gold, special drawing rights (SDRs) and the reserve position in the IMF.

Up to 31 December 1998, together with gold, SDRs and the reserve position in the IMF, the definition covered all foreign currency (non Irish Pound) denominated claims on non-residents of Ireland. Therefore, all claims on euro-area residents as well as euro-denominated claims on non euro-area residents, which prior to 1999 would have been classified as reserve assets, are from 1999 onwards classified to *portfolio investment* or *other investment* as appropriate.

Comparison with previous series

1998 is the only year for which balance of payments figures are available for both the new series and the old series. Because of the greater enterprise coverage and the radically different compilation methodology underpinning the new series, the CSO regards the two sets of results for 1998 as not readily comparable in any meaningful sense. In overall terms, the net balances for all of the BOP accounts are the differences between gross flows and, for the current and financial accounts, these gross flows are very large and the resulting balances tend to be quite volatile. Therefore, the CSO recommends that the differences in the net balances for these two BOP accounts for 1998 should not be used either on an absolute or on a pro-rata basis to estimate earlier years' figures on a 'new' basis. However, it is intended that retrospective estimates of the main components of the current account will be compiled later this year.

¹ The inclusion of these receipts and payments in the financial account anticipates the impending changes to the IMF's Balance of Payments Manual (5th Edition, 1993). In the Manual as published, interest payments on interest rate swaps and cross-currency interest rate swaps were to have been recorded in the current account as income.