

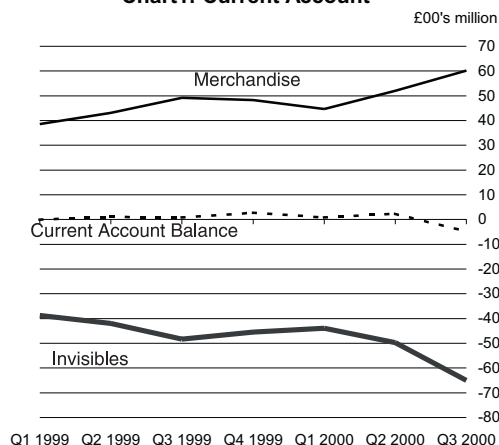


Central Statistics Office
An Phríomh-Oifig Staidrimh

11 January 2001

Balance of International Payments Quarter 3 2000

Chart1: Current Account



| | £ million | | |
|-------------------|---------------------|--------------------|-------------------------|
| | Merchandise Balance | Invisibles Balance | Current Account Balance |
| Q3 2000 | 6,019 | -6,505 | -486 |
| Q3 1999 | 4,914 | -4,835 | 79 |
| Q1-Q3 2000 | 15,691 | -15,862 | -171 |
| Q1-Q3 1999 | 13,079 | -12,912 | 167 |

Current Account deficit of £486m in the third quarter of 2000

There was a deficit of £486m (€620m) on the current account of the Balance of Payments in the third quarter of 2000. This was the first notable deficit over a two and a half year period during which relatively small surpluses predominated. It compares to a marginal surplus of £79m (€101m) in the third quarter of 1999 - see *Table 1*. Over the first nine months of 2000 there was a small overall current account deficit of £171m; in the same period in 1999 a surplus of £167m was recorded.

The third quarter deficit resulted from a *merchandise* surplus of £6,019m (€7,642m) being exceeded by combined deficits on *services*, *income* and *current transfers* (i.e. *invisibles*) amounting to £6,505m (€8,261m). Individually these deficits were: *services*, £2,953m (€3,751m); *income*, £3,488m (€4,428m); and *current transfers*, £64m (€83m).

Merchandise exports growth continues (see *Tables 1 and 2*)

Merchandise exports continued to increase, the third quarter value being £15,933m; imports at £9,914m, however, declined marginally on the previous quarter's value of £10,030m. Over the three quarters, exports amounted to £45,163m while imports totalled £29,472m.

Increasing services deficit (see *Tables 1 and 2*)

The overall *services* balance in the third quarter showed a deficit of £2,953m, up £0.9 billion on the deficit of £2,002m in the same quarter last year. *Services* exports continued to grow and amounted to £3,434m while imports increased to £6,387m in the quarter. The corresponding flows for the same quarter in 1999 were £2,875m and £4,877m. On the exports side, *tourism and travel* receipts at £845m in the third quarter accounted for almost one quarter of all *services* credits and slightly exceeded expenditure abroad by Irish residents. *Computer services* (£903m) accounted for just over one quarter of all services exported in the quarter and, while virtually at the same level as one year ago, were down 12% on the second quarter value. Other items which showed continued export growth were: *financial services*, £502m; *operational leasing* £235m; and *royalties/licences*, £107m.

Published by the Central Statistics Office, Ireland.

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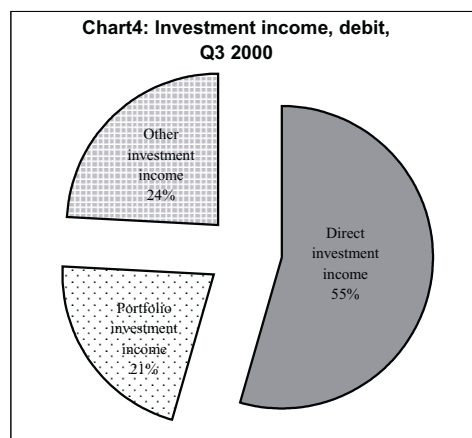
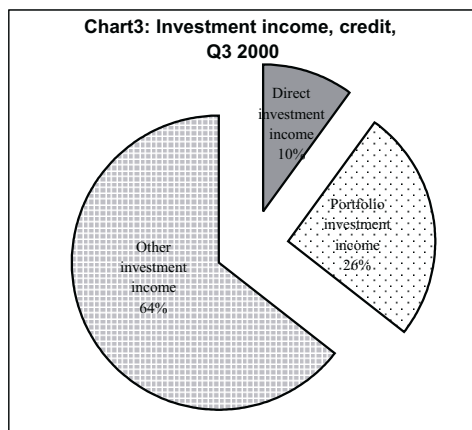
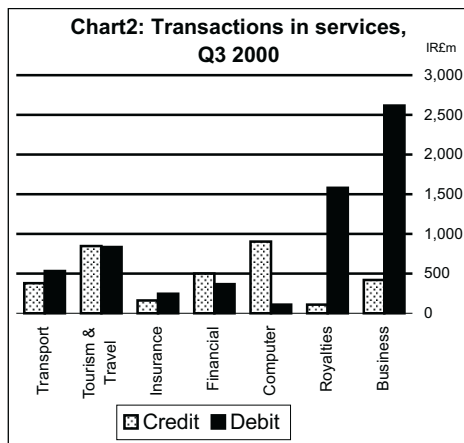
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Ref 1/2001

ISSN 0791-3370

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On the imports side, the main contributors were: *royalties/licences*, £1,581m, virtually the same as for the previous quarter; *trade related business services*, £1,047m, up significantly on the previous quarter's value; and *miscellaneous business services* - mainly inter-affiliate management charges, £1,548m, also up significantly on earlier values. During the first three quarters of last year total service exports were £9,038m while imports amounted to £16,793m; the corresponding figures for the same period in 1999 were: exports, £7,913m; imports, £14,054m.

Income outflows increase (see Tables 1 and 2)

Net outflows of income amounted to £3,488m in the third quarter, up over £1 billion on the previous quarter's relatively low figure and up over £500m on the third quarter 1999 figure. On the credits side, gross *investment income* of £7,231m arose largely from £4,654m interest receivable on *other investment* assets (loans, currencies, deposits, etc.) and £1,851m income receivable on *portfolio investment* assets; the *direct investment income* credit was £726m in the quarter. On the debits side, *investment income* outflows amounted to £10,746m, of which £5,863m was due to *direct investment income* transactions. *Portfolio investment* and *other investment income* debits were £2,300m and £2,583m respectively in the quarter.

Current transfers surplus trend broken (see Tables 1 and 3)

Current transfers showed a small net deficit of £64m in the third quarter of last year compared to a surplus of £135m in the same period in 1999. This marked a reversal of the long running trend of current transfer surpluses and reflects the fact that Ireland's current transfer contributions to the EU exceeded its receipts from the EU. In terms of gross flows, the £678m credit recorded for the quarter reflected a continuation of the reduction in receipts seen for the previous quarter. This contrasted with the continued increase seen on the debits side, the overall amount payable in the quarter to non-residents being £742m. As previously, within these gross flows, transfers relating to IFSC non-life insurance business showed equal amounts on both the credits and debits sides i.e. £451m in the latest quarter. Non-IFSC transfers relate largely to EU receipts and payments referred to above.

IFSC contribution to the current account (see Table 3)

In terms of their nominal contribution to the overall current account balance, IFSC enterprises' transactions with non-residents showed an apparent surplus of £456m in the third quarter of last year. However, IFSC enterprises also interact with their resident non-IFSC affiliates, some of which are foreign owned. Care should therefore be exercised when interpreting the IFSC's contribution to the current account in an overall national context.

Geographical details of the current account (see Table 4a)

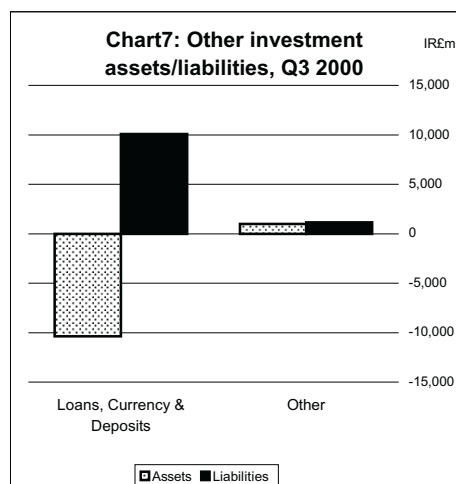
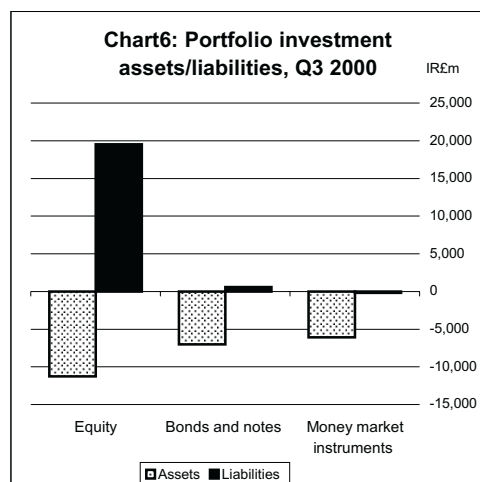
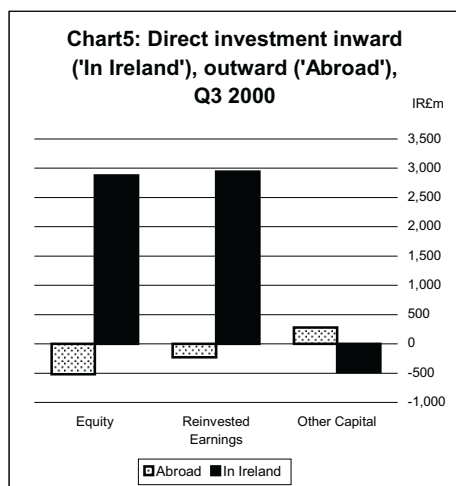
Credit transactions with EU residents in the third quarter accounted for £15,714m or almost 58% of the total of current account credits; the corresponding debits amounted to £12,944m or almost 47% of the total. The same analysis for transactions with EMU residents shows that total credits amounted to £9,126m or about 33% of the total; EMU debit transactions totalled to £6,396m or about 23% of all current account debits.

Capital account (see Table 1)

EU capital transfer receipts largely accounted for the marginal net surplus of £11m (€13m) shown for the third quarter of 2000, the figure for the same quarter in 1999 being £3m (4m).

Financial account reflects continued net foreign liabilities (see Tables 1, 2 and 3)

The balance of £2,267m (€2,875m) on the financial account in the third quarter reflects a continued increase over recent quarters in Ireland's net liabilities to non-residents. In gross terms, overall net acquisition of foreign assets amounting to £34.2 billion were exceeded by a net incurrence of foreign liabilities totalling £36.5 billion. IFSC transactions with non-residents continue to dominate these results. On the assets side, IFSC enterprises accounted for £29.3 billion or 85% of the total; on the liabilities side these enterprises accounted for £30.4 billion or 83% of the total.



Geographical analysis of the financial account (see Table 4b)

In overall terms, the movement away from portfolio assets noticed in the second quarter's results was largely reversed in the third quarter. Irish residents again invested strongly in portfolio securities and also increased their holdings of *other investment* foreign assets. In total, net assets acquisitions vis-à-vis EMU residents amounted to £10.9 billion, just under 32% of the total (compared to 7% in the previous quarter); a similar reversal is evident for corresponding transactions with EU residents i.e. net asset acquisitions of almost £15.6 billion or 45% of the total (compared to about 20% in the second quarter). This pattern was largely repeated for liabilities. Net incurrences of liabilities vis-à-vis EMU residents accounted for £6.6 billion or 18% of all such transactions with non-residents (2% in the previous quarter). Net liability transactions with EU residents of just over £11.0 billion accounted for 30% of all such transactions with non-residents.

Direct investment

Inward direct investment (including reinvestment of earnings) in the third quarter was £5.3 billion, *equity* and *reinvested earnings* each accounting for £2.9 billion while *other capital* showed a reduction in liabilities of £0.5 billion. Investment in IFSC direct investment enterprises accounted for £3.2 billion of the total. In geographical terms, EMU residents invested £1.9 billion while EU investors accounted for £2.9 billion of the total. Outward direct investment was just under £0.5 billion in the quarter. Net inward direct investment in the third quarter was therefore just under £4.9 billion (€6.2 billion).

Portfolio investment

Inward portfolio investment (liability) transactions of almost £20 billion were slightly above the level in the previous quarter and, continuing the earlier trend, were virtually entirely equity based. As before, investment into IFSC enterprises (principally collective investment institutions) dominated these transactions. Non-EMU (and non EU) investors accounted for over £18 billion or about 92% of Ireland's total portfolio security liabilities to non-residents. For outward portfolio investment, the figures show that acquisitions of foreign securities of £24.3 billion in the third quarter had reversed the significant reduction noticed in the previous quarter and tended towards the earlier longer term trend. This appears to have been due to investment managers reverting to the earlier practice of investing primarily in portfolio securities and, to a lesser extent than in the second quarter, relying on non-resident bank deposits as a primary investment option. As on the liabilities side, IFSC acquisitions of foreign securities dominated outward portfolio investment activity. The instrument breakdown shows, however, that there was an increased tendency to invest in equities although transactions in debt instruments still accounted for almost 54% of the total. In geographical terms, about 30% of portfolio assets were accounted for by securities issued by EMU area residents while about 50% related to those issued by EU residents. Overall, there was a net increase in Ireland's foreign portfolio investment assets amounting to £4.4 billion (€5.6 billion) in the quarter.

Other investment

Ireland's *other investment* transactions in the third quarter showed an increase in net foreign liabilities of almost £1.9 billion, due largely to transactions in trade credits, financial derivatives and life insurance (asset and liability transactions valued at around £10 billion in *loans, currencies and deposits* approximately balanced). IFSC activity accounted for £7.1 billion or just over three quarters of the total of £9.4 billion on the assets side and for 60% of the overall liability transactions of £11.2 billion. On the assets side, £3.9 billion (just 42%) of the total were held with EU residents - slightly less with EMU residents. As to liabilities, transactions with EU residents accounted for £6.5 billion (just 58% of the total) while those with EMU residents amounted to £3.1 billion (28% of the total).

Reserve assets

There was a net acquisition of *reserve assets* amounting to £60 m (€76 m) in the third quarter of last year.

Net errors and omissions

The balancing item *net errors and omissions* shows a debit of £1,792m in the third quarter of 2000. While the continued recent trend in negative residuals of similar size is a cause for concern, their magnitudes must be seen in the context of the very large gross flows involved (i.e. of the order £60 billion on both the credits and debits sides in this quarter).

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

£ million

| Item | 1998 | 1999 | 1999 | | | | 2000 | | |
|-------------------------------|--------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Current Account | | | | | | | | | |
| Merchandise ¹ | 13,996 | 17,903 | 3,861 | 4,304 | 4,914 | 4,824 | 4,466 | 5,206 | 6,019 |
| Services | -7,089 | -8,424 | -2,044 | -2,095 | -2,002 | -2,283 | -2,066 | -2,735 | -2,953 |
| Income | -7,389 | -9,984 | -2,056 | -2,380 | -2,968 | -2,579 | -2,589 | -2,446 | -3,488 |
| Current Transfers | 1,038 | 951 | 224 | 275 | 135 | 317 | 268 | 211 | -64 |
| Balance on Current Account | 556 | 446 | -15 | 103 | 79 | 279 | 79 | 236 | -486 |
| | | | | | | | | | |
| Balance on Capital Account | 661 | 441 | 105 | 31 | 3 | 302 | 237 | 151 | 11 |
| | | | | | | | | | |
| Financial Account | | | | | | | | | |
| Direct Investment | 3,483 | 10,008 | 3,686 | 1,992 | 3,411 | 919 | 2,385 | 2,665 | 4,873 |
| Portfolio Investment | -6,667 | -11,059 | -3,725 | -4,057 | -3,398 | 122 | -4,459 | 8,522 | -4,409 |
| Other Investment ² | 5,874 | -203 | 596 | -1,122 | -22 | 345 | 3,139 | -9,287 | 1,863 |
| Reserve Assets | -1,796 | 1,375 | 1,486 | -73 | 10 | -48 | 30 | -43 | -60 |
| Balance on Financial Account | 894 | 121 | 2,042 | -3,260 | 1 | 1,338 | 1,095 | 1,857 | 2,267 |
| | | | | | | | | | |
| Net errors and omissions | -2,112 | -1,008 | -2,132 | 3,126 | -84 | -1,918 | -1,411 | -2,244 | -1,792 |

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 | 1999 | | | | 2000 | | |
|-------------------------------|--------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Current Account | | | | | | | | | |
| Merchandise ² | 17,771 | 22,732 | 4,903 | 5,465 | 6,240 | 6,125 | 5,671 | 6,610 | 7,642 |
| Services | -9,002 | -10,697 | -2,596 | -2,661 | -2,542 | -2,898 | -2,625 | -3,475 | -3,751 |
| Income | -9,382 | -12,677 | -2,611 | -3,022 | -3,769 | -3,275 | -3,286 | -3,102 | -4,428 |
| Current Transfers | 1,319 | 1,208 | 285 | 349 | 172 | 402 | 338 | 266 | -83 |
| Balance on Current Account | 706 | 567 | -19 | 131 | 101 | 354 | 98 | 299 | -620 |
| | | | | | | | | | |
| Balance on Capital Account | 840 | 560 | 133 | 40 | 4 | 383 | 300 | 192 | 13 |
| | | | | | | | | | |
| Financial Account | | | | | | | | | |
| Direct Investment | 4,422 | 12,707 | 4,680 | 2,529 | 4,332 | 1,167 | 3,027 | 3,383 | 6,187 |
| Portfolio Investment | -8,466 | -14,042 | -4,730 | -5,152 | -4,314 | 155 | -5,659 | 10,820 | -5,597 |
| Other Investment ³ | 7,459 | -258 | 756 | -1,424 | -28 | 438 | 3,986 | -11,791 | 2,361 |
| Reserve Assets | -2,280 | 1,746 | 1,887 | -93 | 13 | -61 | 39 | -55 | -76 |
| Balance on Financial Account | 1,135 | 153 | 2,593 | -4,140 | 2 | 1,698 | 1,393 | 2,357 | 2,875 |
| | | | | | | | | | |
| Net errors and omissions | -2,681 | -1,280 | -2,707 | 3,969 | -106 | -2,436 | -1,791 | -2,848 | -2,268 |

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

£ million

| Item | | 1999 | | | | | 2000 | | |
|--------------------------------------|----|--------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Current Account | | | | | | | | | |
| Merchandise ¹ | Cr | 49,579 | 11,122 | 11,931 | 12,757 | 13,770 | 13,994 | 15,236 | 15,933 |
| | Db | 31,676 | 7,261 | 7,627 | 7,843 | 8,946 | 9,528 | 10,030 | 9,914 |
| Services | Cr | 10,877 | 2,225 | 2,813 | 2,875 | 2,965 | 2,529 | 3,076 | 3,434 |
| | Db | 19,302 | 4,269 | 4,908 | 4,877 | 5,248 | 4,595 | 5,811 | 6,387 |
| Transport | Cr | 1,019 | 201 | 261 | 314 | 243 | 226 | 311 | 378 |
| | Db | 1,761 | 412 | 429 | 435 | 485 | 464 | 534 | 533 |
| Tourism and Travel ² | Cr | 1,898 | 324 | 517 | 716 | 341 | 292 | 597 | 845 |
| | Db | 1,829 | 244 | 526 | 684 | 376 | 323 | 603 | 836 |
| Communications | Cr | 264 | 74 | 62 | 63 | 64 | 41 | 63 | 49 |
| | Db | 154 | 44 | 35 | 37 | 38 | 38 | 48 | 77 |
| Insurance | Cr | 736 | 120 | 197 | 116 | 304 | 225 | 206 | 163 |
| | Db | 1,050 | 215 | 212 | 301 | 322 | 244 | 389 | 245 |
| Financial services | Cr | 1,232 | 228 | 377 | 307 | 320 | 354 | 415 | 502 |
| | Db | 933 | 186 | 283 | 203 | 261 | 271 | 276 | 368 |
| Computer services ³ | Cr | 3,770 | 749 | 947 | 909 | 1,164 | 1,052 | 1,028 | 903 |
| | Db | 230 | 61 | 52 | 59 | 58 | 64 | 88 | 109 |
| Royalties/Licences | Cr | 307 | 76 | 51 | 60 | 120 | 56 | 95 | 107 |
| | Db | 5,134 | 1,236 | 1,215 | 1,227 | 1,455 | 1,262 | 1,588 | 1,581 |
| Business services | Cr | 1,520 | 419 | 367 | 355 | 378 | 220 | 280 | 421 |
| | Db | 8,125 | 1,852 | 2,137 | 1,909 | 2,227 | 1,892 | 2,260 | 2,618 |
| Trade related | Cr | 92 | 21 | 20 | 25 | 26 | 18 | 17 | 11 |
| | Db | 3,498 | 831 | 1,081 | 694 | 891 | 790 | 874 | 1,047 |
| Operational leasing | Cr | 531 | 185 | 116 | 108 | 122 | 75 | 101 | 235 |
| | Db | 71 | 19 | 18 | 18 | 17 | 14 | 17 | 23 |
| Misc. business services ⁴ | Cr | 898 | 213 | 232 | 222 | 231 | 127 | 162 | 175 |
| | Db | 4,557 | 1,002 | 1,038 | 1,197 | 1,319 | 1,088 | 1,369 | 1,548 |
| Other services n.e.s. | Cr | 132 | 33 | 34 | 34 | 30 | 63 | 81 | 66 |
| | Db | 85 | 19 | 19 | 21 | 25 | 37 | 25 | 20 |

Table 2a – Current and Capital Accounts - continued

£ million

| Item | | 1999 | | | | | 2000 | | |
|---|----|--------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Current Account - continued | | | | | | | | | |
| Income | Cr | 18,517 | 3,828 | 4,705 | 4,729 | 5,255 | 4,751 | 6,230 | 7,271 |
| | Db | 28,501 | 5,884 | 7,086 | 7,697 | 7,834 | 7,340 | 8,676 | 10,759 |
| Compensation of Employees | Cr | 163 | 41 | 41 | 41 | 41 | 40 | 40 | 40 |
| | Db | 89 | 24 | 15 | 23 | 28 | 33 | 31 | 13 |
| Investment Income | Cr | 18,354 | 3,787 | 4,665 | 4,688 | 5,214 | 4,711 | 6,190 | 7,231 |
| | Db | 28,411 | 5,860 | 7,071 | 7,675 | 7,806 | 7,307 | 8,645 | 10,746 |
| Direct investment income | Cr | 2,550 | 565 | 620 | 645 | 720 | 713 | 678 | 726 |
| | Db | 16,584 | 3,549 | 3,959 | 4,608 | 4,468 | 4,031 | 4,483 | 5,863 |
| Income on equity | Cr | 1,513 | 396 | 366 | 367 | 383 | 471 | 411 | 449 |
| | Db | 15,988 | 3,405 | 3,821 | 4,466 | 4,296 | 3,846 | 4,192 | 5,480 |
| Dividends & distributed branch profits | Cr | 48 | 13 | 16 | 10 | 9 | 87 | 83 | 222 |
| | Db | 10,221 | 2,425 | 2,008 | 2,373 | 3,415 | 2,371 | 2,393 | 2,539 |
| Reinvested earnings | Cr | 1,465 | 383 | 350 | 357 | 375 | 384 | 328 | 227 |
| | Db | 5,767 | 980 | 1,813 | 2,092 | 881 | 1,475 | 1,799 | 2,941 |
| Income on debt | Cr | 1,037 | 169 | 254 | 278 | 336 | 242 | 267 | 277 |
| | Db | 596 | 144 | 138 | 143 | 171 | 185 | 291 | 383 |
| Portfolio investment income | Cr | 4,527 | 886 | 1,160 | 1,183 | 1,298 | 984 | 1,447 | 1,851 |
| | Db | 4,797 | 1,054 | 1,244 | 1,372 | 1,127 | 1,540 | 2,026 | 2,300 |
| Income on equity | Cr | 1,018 | 215 | 359 | 230 | 213 | 291 | 326 | 271 |
| | Db | 2,530 | 520 | 748 | 651 | 611 | 777 | 934 | 1,144 |
| Income on debt | Cr | 3,509 | 671 | 800 | 953 | 1,085 | 693 | 1,121 | 1,580 |
| | Db | 2,266 | 534 | 496 | 721 | 516 | 763 | 1,092 | 1,156 |
| Other investment income | Cr | 11,277 | 2,336 | 2,885 | 2,861 | 3,196 | 3,014 | 4,065 | 4,654 |
| | Db | 7,030 | 1,257 | 1,868 | 1,694 | 2,212 | 1,736 | 2,136 | 2,583 |
| Current Transfers | Cr | 3,947 | 749 | 757 | 792 | 1,649 | 882 | 843 | 678 |
| | Db | 2,996 | 525 | 481 | 657 | 1,332 | 614 | 632 | 742 |
| Current Account - Total | Cr | 82,921 | 17,924 | 20,206 | 21,153 | 23,639 | 22,156 | 25,385 | 27,316 |
| | Db | 82,475 | 17,939 | 20,102 | 21,074 | 23,360 | 22,077 | 25,149 | 27,802 |
| Current Account Balance | | 446 | -15 | 103 | 79 | 279 | 79 | 236 | -486 |
| Capital Account Balance | | 441 | 105 | 31 | 3 | 302 | 237 | 151 | 11 |

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 Account¹

£ million

| Item | | 1999 | | | | | 2000 | | |
|-----------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Direct Investment | Abroad | -4,005 | -883 | -944 | -1,250 | -929 | -322 | -638 | -463 |
| | In Ireland | 14,013 | 4,568 | 2,936 | 4,662 | 1,847 | 2,707 | 3,303 | 5,336 |
| Equity | Abroad | -1,735 | -298 | -392 | -691 | -352 | -235 | -443 | -518 |
| | In Ireland | 6,209 | 2,240 | 1,540 | 753 | 1,676 | 1,711 | 1,224 | 2,875 |
| Reinvested Earnings | Abroad | -1,465 | -383 | -350 | -357 | -375 | -384 | -328 | -227 |
| | In Ireland | 5,767 | 980 | 1,813 | 2,092 | 881 | 1,475 | 1,799 | 2,941 |
| Other Capital | Abroad | -806 | -201 | -201 | -201 | -201 | 297 | 133 | 282 |
| | In Ireland | 2,037 | 1,348 | -417 | 1,816 | -710 | -479 | 280 | -480 |
| Portfolio Investment | Assets | -61,205 | -11,436 | -16,787 | -14,707 | -18,275 | -23,512 | -10,907 | -24,347 |
| | Liabilities | 50,146 | 7,711 | 12,730 | 11,309 | 18,397 | 19,053 | 19,429 | 19,938 |
| Equity | Assets | -26,903 | -3,939 | -7,185 | -9,546 | -6,232 | -6,299 | -2,821 | -11,284 |
| | Liabilities | 38,820 | 4,636 | 9,964 | 10,846 | 13,375 | 13,317 | 16,383 | 19,518 |
| Debt Instruments | Assets | -34,302 | -7,497 | -9,602 | -5,160 | -12,043 | -17,213 | -8,086 | -13,063 |
| | Liabilities | 11,326 | 3,075 | 2,766 | 463 | 5,022 | 5,736 | 3,046 | 420 |
| Bonds and notes | Assets | -23,313 | -7,079 | -7,423 | -4,105 | -4,705 | -10,838 | -5,310 | -6,999 |
| | Liabilities | 5,705 | 1,205 | 1,715 | 1,765 | 1,019 | 2,625 | 422 | 584 |
| Money market instruments | Assets | -10,989 | -418 | -2,178 | -1,056 | -7,337 | -6,375 | -2,776 | -6,064 |
| | Liabilities | 5,621 | 1,870 | 1,050 | -1,302 | 4,003 | 3,111 | 2,624 | -164 |

Table 2b – Financial Account¹ - continued

£ million

| Item | | 1999 | | | | | 2000 | | |
|--|--------------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|
| | | Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Other Investment | Assets | -27,517 | -7,787 | -5,332 | -11,677 | -2,721 | -7,813 | -10,811 | -9,368 |
| | Liabilities | 27,314 | 8,382 | 4,210 | 11,655 | 3,066 | 10,952 | 1,524 | 11,231 |
| Loans, currency and deposits | Assets | -24,676 | -5,430 | -5,018 | -10,632 | -3,597 | -7,586 | -9,702 | -10,366 |
| | Liabilities | 26,049 | 8,384 | 3,719 | 10,704 | 3,243 | 10,616 | 1,582 | 10,090 |
| Other ² | Assets | -2,841 | -2,357 | -314 | -1,046 | 876 | -227 | -1,109 | 998 |
| | Liabilities | 1,264 | -1 | 492 | 951 | -177 | 336 | -58 | 1,141 |
| Reserve Assets | | 1,375 | 1,486 | -73 | 10 | -48 | 30 | -43 | -60 |
| Monetary gold | | 50 | 50 | -1 | 0 | 1 | -1 | 1 | 0 |
| Special drawing rights | | 104 | 111 | -2 | -2 | -2 | -2 | -2 | -2 |
| Reserve position in the IMF | | 110 | 14 | 41 | 43 | 12 | 0 | 44 | 9 |
| Foreign exchange | | 1,120 | 1,307 | -113 | -28 | -46 | 33 | -78 | -37 |
| Other | | -9 | 3 | 2 | -2 | -12 | 0 | -8 | -30 |
| Balance on Financial Account | | 121 | 2,042 | -3,260 | 1 | 1,338 | 1,095 | 1,857 | 2,267 |
| Net errors and omissions | | -1,008 | -2,132 | 3,126 | -84 | -1,918 | -1,411 | -2,244 | -1,792 |
| Memorandum Item: | | | | | | | | | |
| <i>Government financial transactions</i> | <i>Assets</i> | <i>-1,915</i> | <i>0</i> | <i>0</i> | <i>-2,505</i> | <i>590</i> | <i>-1,622</i> | <i>-1,898</i> | <i>1,959</i> |
| | <i>Liabilities</i> | <i>274</i> | <i>56</i> | <i>-590</i> | <i>-379</i> | <i>1,188</i> | <i>1,393</i> | <i>1,018</i> | <i>-1,595</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; an entry without sign in the 'In Ireland' and 'Liabilities' columns 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 IFSC¹ and non-IFSC activity

£ million

| Item | | 1999 | | | | | 2000 | | |
|----------------------------|----|--------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Current Account - Total | Cr | 82,921 | 17,924 | 20,206 | 21,153 | 23,639 | 22,156 | 25,385 | 27,316 |
| | Db | 82,475 | 17,939 | 20,102 | 21,074 | 23,360 | 22,077 | 25,149 | 27,802 |
| Merchandise ² | Cr | 49,579 | 11,122 | 11,931 | 12,757 | 13,770 | 13,994 | 15,236 | 15,933 |
| | Db | 31,676 | 7,261 | 7,627 | 7,843 | 8,946 | 9,528 | 10,030 | 9,914 |
| Services | Cr | 10,877 | 2,225 | 2,813 | 2,875 | 2,965 | 2,529 | 3,076 | 3,434 |
| | Db | 19,302 | 4,269 | 4,908 | 4,877 | 5,248 | 4,595 | 5,811 | 6,387 |
| - IFSC | Cr | 2,598 | 573 | 710 | 563 | 753 | 603 | 681 | 855 |
| | Db | 2,146 | 444 | 497 | 590 | 615 | 428 | 595 | 681 |
| - non IFSC | Cr | 8,279 | 1,652 | 2,103 | 2,312 | 2,212 | 1,926 | 2,395 | 2,578 |
| | Db | 17,156 | 3,826 | 4,411 | 4,287 | 4,632 | 4,167 | 5,216 | 5,707 |
| Income | Cr | 18,517 | 3,828 | 4,705 | 4,729 | 5,255 | 4,751 | 6,230 | 7,271 |
| | Db | 28,501 | 5,884 | 7,086 | 7,697 | 7,834 | 7,340 | 8,676 | 10,759 |
| - IFSC | Cr | 13,823 | 2,629 | 3,562 | 3,642 | 3,991 | 3,485 | 5,006 | 5,932 |
| | Db | 13,039 | 2,337 | 3,437 | 3,524 | 3,742 | 3,311 | 4,573 | 5,650 |
| - non IFSC | Cr | 4,694 | 1,199 | 1,144 | 1,087 | 1,264 | 1,266 | 1,224 | 1,340 |
| | Db | 15,461 | 3,547 | 3,649 | 4,173 | 4,092 | 4,029 | 4,103 | 5,108 |
| Current Transfers | Cr | 3,947 | 749 | 757 | 792 | 1,649 | 882 | 843 | 678 |
| | Db | 2,996 | 525 | 481 | 657 | 1,332 | 614 | 632 | 742 |
| - IFSC ³ | Cr | 2,004 | 263 | 283 | 427 | 1,031 | 324 | 462 | 451 |
| | Db | 2,004 | 263 | 283 | 427 | 1,031 | 324 | 462 | 451 |
| - non IFSC | Cr | 1,944 | 486 | 474 | 366 | 618 | 558 | 381 | 227 |
| | Db | 992 | 262 | 199 | 230 | 301 | 290 | 170 | 290 |
| Balance on Current Account | | 446 | -15 | 103 | 79 | 279 | 79 | 236 | -486 |
| Balance on Capital Account | | 441 | 105 | 31 | 3 | 302 | 237 | 151 | 11 |

Table 3 – Current, Capital and Financial Accounts showing IFSC¹ and non-IFSC activity - continued

£ million

| Item | | 1999 | | | | | 2000 | | |
|---------------------------------------|-------------|---------------|---------------|---------------|------------|---------------|---------------|---------------|---------------|
| | | Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Financial Account ⁴ | | | | | | | | | |
| Direct investment | Abroad | -4,005 | -883 | -944 | -1,250 | -929 | -322 | -638 | -463 |
| | In Ireland | 14,013 | 4,568 | 2,936 | 4,662 | 1,847 | 2,707 | 3,303 | 5,336 |
| - IFSC | Abroad | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | In Ireland | 9,230 | 3,676 | 1,671 | 2,963 | 919 | 928 | 2,048 | 3,172 |
| - non IFSC | Abroad | -4,005 | -883 | -944 | -1,250 | -929 | -322 | -638 | -463 |
| | In Ireland | 4,783 | 892 | 1,264 | 1,698 | 928 | 1,778 | 1,255 | 2,164 |
| Portfolio investment | Assets | -61,205 | -11,436 | -16,787 | -14,707 | -18,275 | -23,512 | -10,907 | -24,347 |
| | Liabilities | 50,146 | 7,711 | 12,730 | 11,309 | 18,397 | 19,053 | 19,429 | 19,938 |
| - IFSC | Assets | -52,792 | -8,024 | -14,645 | -13,154 | -16,970 | -21,143 | -11,503 | -22,139 |
| | Liabilities | 47,216 | 7,063 | 12,721 | 10,798 | 16,634 | 16,647 | 17,314 | 20,501 |
| - non IFSC | Assets | -8,413 | -3,412 | -2,142 | -1,553 | -1,305 | -2,369 | 596 | -2,208 |
| | Liabilities | 2,931 | 648 | 9 | 511 | 1,762 | 2,406 | 2,116 | -563 |
| Other investment ⁵ | Assets | -27,517 | -7,787 | -5,332 | -11,677 | -2,721 | -7,813 | -10,811 | -9,368 |
| | Liabilities | 27,314 | 8,382 | 4,210 | 11,655 | 3,066 | 10,952 | 1,524 | 11,231 |
| - IFSC | Assets | -19,652 | -4,066 | -5,169 | -8,180 | -2,237 | -6,691 | -9,404 | -7,134 |
| | Liabilities | 17,456 | 3,330 | 4,584 | 6,902 | 2,640 | 8,500 | 1,096 | 6,752 |
| - non IFSC | Assets | -7,865 | -3,721 | -163 | -3,498 | -484 | -1,122 | -1,406 | -2,234 |
| | Liabilities | 9,858 | 5,052 | -373 | 4,753 | 426 | 2,452 | 427 | 4,477 |
| Reserve Assets | | 1,375 | 1,486 | -73 | 10 | -48 | 30 | -43 | -60 |
| Balance on Financial Account | | 121 | 2,042 | -3,260 | 1 | 1,338 | 1,095 | 1,857 | 2,267 |
| <hr/> | | | | | | | | | |
| <i>Net errors and omissions</i> | | <i>-1,008</i> | <i>-2,132</i> | <i>3,126</i> | <i>-84</i> | <i>-1,918</i> | <i>-1,411</i> | <i>-2,244</i> | <i>-1,792</i> |

¹ From the start of 2000 new international financial service projects are no longer subject to the earlier certification and licensing procedures in operation for location in the IFSC and such projects can, therefore, locate anywhere in Ireland. Additions to existing IFSC projects, however, are still subject to the formal procedures. For statistical analysis purposes this table still shows the 'IFSC/non-IFSC' breakdown and the activities of all international financial service enterprises are covered under the IFSC heading

² Adjusted for balance of payments purposes

³ Current transfers to and from IFSC enterprises relate solely to non-life insurance transactions (see Background Notes)

⁴ See footnote 1 on Table 2b

⁵ Including financial derivatives and trade credits

Table 4a – Current and Capital Accounts showing geographical¹ detail

£ million

| Item | | 1999 | | | | | 2000 | | |
|-----------------------------------|-----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Current Account - Total | Cr | 82,921 | 17,924 | 20,206 | 21,153 | 23,639 | 22,156 | 25,385 | 27,316 |
| | Db | 82,475 | 17,939 | 20,102 | 21,074 | 23,360 | 22,077 | 25,149 | 27,802 |
| Merchandise ² | Cr | 49,579 | 11,122 | 11,931 | 12,757 | 13,770 | 13,994 | 15,236 | 15,933 |
| | Db | 31,676 | 7,261 | 7,627 | 7,843 | 8,946 | 9,528 | 10,030 | 9,914 |
| - EMU | Cr | 19,337 | 4,362 | 4,823 | 4,626 | 5,526 | 5,189 | 5,255 | 5,340 |
| | Db | 6,209 | 1,422 | 1,562 | 1,480 | 1,746 | 1,990 | 2,177 | 1,727 |
| - non EMU | Cr | 30,243 | 6,760 | 7,107 | 8,132 | 8,244 | 8,804 | 9,981 | 10,593 |
| | Db | 25,467 | 5,839 | 6,065 | 6,363 | 7,200 | 7,538 | 7,853 | 8,187 |
| - EU | Cr | 31,383 | 7,233 | 7,608 | 7,633 | 8,909 | 8,926 | 8,910 | 9,035 |
| | Db | 17,123 | 3,907 | 4,155 | 4,121 | 4,940 | 5,538 | 5,385 | 4,960 |
| - non EU | Cr | 18,196 | 3,889 | 4,323 | 5,124 | 4,861 | 5,067 | 6,326 | 6,898 |
| | Db | 14,553 | 3,354 | 3,472 | 3,722 | 4,006 | 3,990 | 4,645 | 4,954 |
| Services | Cr | 10,877 | 2,225 | 2,813 | 2,875 | 2,965 | 2,529 | 3,076 | 3,434 |
| | Db | 19,302 | 4,269 | 4,908 | 4,877 | 5,248 | 4,595 | 5,811 | 6,387 |
| - EMU | Cr | 3,619 | 691 | 932 | 999 | 998 | 795 | 983 | 1,268 |
| | Db | 4,254 | 928 | 1,095 | 1,094 | 1,137 | 909 | 1,286 | 1,237 |
| - non EMU | Cr | 7,258 | 1,534 | 1,881 | 1,876 | 1,968 | 1,734 | 2,093 | 2,166 |
| | Db | 15,048 | 3,341 | 3,814 | 3,782 | 4,111 | 3,686 | 4,525 | 5,150 |
| - EU | Cr | 7,230 | 1,415 | 1,880 | 1,897 | 2,039 | 1,660 | 2,097 | 2,334 |
| | Db | 8,506 | 1,889 | 2,155 | 2,184 | 2,278 | 1,841 | 2,478 | 2,585 |
| - non EU | Cr | 3,647 | 810 | 933 | 978 | 927 | 869 | 979 | 1,100 |
| | Db | 10,796 | 2,380 | 2,754 | 2,693 | 2,969 | 2,754 | 3,333 | 3,802 |
| Income | Cr | 18,517 | 3,828 | 4,705 | 4,729 | 5,255 | 4,751 | 6,230 | 7,271 |
| | Db | 28,501 | 5,884 | 7,086 | 7,697 | 7,834 | 7,340 | 8,676 | 10,759 |
| - EMU | Cr | 6,402 | 1,371 | 1,548 | 1,498 | 1,985 | 1,655 | 2,266 | 2,331 |
| | Db | 9,369 | 1,875 | 2,205 | 2,556 | 2,733 | 2,484 | 2,883 | 3,181 |
| - non EMU | Cr | 12,115 | 2,457 | 3,158 | 3,231 | 3,269 | 3,096 | 3,964 | 4,939 |
| | Db | 19,132 | 4,009 | 4,881 | 5,141 | 5,101 | 4,856 | 5,793 | 7,578 |
| - EU | Cr | 10,176 | 2,058 | 2,617 | 2,603 | 2,898 | 2,628 | 3,409 | 3,903 |
| | Db | 13,824 | 2,872 | 3,291 | 3,670 | 3,992 | 3,522 | 4,710 | 4,915 |
| - non EU | Cr | 8,340 | 1,770 | 2,089 | 2,126 | 2,356 | 2,123 | 2,821 | 3,368 |
| | Db | 14,676 | 3,012 | 3,795 | 4,027 | 3,842 | 3,818 | 3,966 | 5,844 |
| Current Transfers | Cr | 3,947 | 749 | 757 | 792 | 1,649 | 882 | 843 | 678 |
| | Db | 2,996 | 525 | 481 | 657 | 1,332 | 614 | 632 | 742 |
| - EMU | Cr | 286 | 47 | 36 | 47 | 156 | 49 | 458 | 187 |
| | Db | 239 | 35 | 28 | 31 | 146 | 37 | 251 | 251 |
| - non EMU | Cr | 3,662 | 702 | 721 | 746 | 1,493 | 833 | 385 | 491 |
| | Db | 2,757 | 490 | 454 | 626 | 1,186 | 577 | 381 | 491 |
| - EU | Cr | 3,294 | 660 | 610 | 660 | 1,364 | 767 | 788 | 442 |
| | Db | 2,209 | 408 | 313 | 506 | 982 | 483 | 377 | 484 |
| - non EU | Cr | 653 | 90 | 147 | 132 | 285 | 115 | 55 | 236 |
| | Db | 787 | 117 | 169 | 151 | 350 | 131 | 255 | 258 |
| Balance on Current Account | | 446 | -15 | 103 | 79 | 279 | 79 | 236 | -486 |
| Balance on Capital Account | | 441 | 105 | 31 | 3 | 302 | 237 | 151 | 11 |

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

² Adjusted for balance of payments purposes

Table 4b – Financial Account¹ showing geographical² detail

£ million

| Item | | 1999 | | | | | 2000 | | |
|--------------------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 |
| Direct Investment | Abroad | -4,005 | -883 | -944 | -1,250 | -929 | -322 | -638 | -463 |
| | In Ireland | 14,013 | 4,568 | 2,936 | 4,662 | 1,847 | 2,707 | 3,303 | 5,336 |
| - EMU | Abroad | -478 | -124 | -109 | -122 | -124 | 158 | 105 | 105 |
| | In Ireland | 3,764 | 1,381 | 797 | 1,961 | -376 | -540 | -506 | 1,945 |
| - non EMU | Abroad | -3,527 | -759 | -835 | -1,129 | -805 | -480 | -743 | -567 |
| | In Ireland | 10,249 | 3,187 | 2,139 | 2,701 | 2,223 | 3,246 | 3,809 | 3,391 |
| - EU | Abroad | -1,189 | -286 | -351 | -252 | -300 | 57 | 51 | 553 |
| | In Ireland | 4,767 | 1,975 | 544 | 2,186 | 62 | -274 | 1,385 | 2,941 |
| - non EU | Abroad | -2,817 | -597 | -593 | -998 | -629 | -379 | -689 | -1,016 |
| | In Ireland | 9,246 | 2,594 | 2,391 | 2,475 | 1,785 | 2,981 | 1,918 | 2,395 |
| Portfolio Investment | Assets | -61,205 | -11,436 | -16,787 | -14,707 | -18,275 | -23,512 | -10,907 | -24,347 |
| | Liabilities | 50,146 | 7,711 | 12,730 | 11,309 | 18,397 | 19,053 | 19,429 | 19,938 |
| - EMU | Assets | -17,964 | -3,726 | -3,235 | -5,203 | -5,801 | -11,957 | -362 | -7,277 |
| | Liabilities | 8,143 | 867 | 2,488 | 1,395 | 3,393 | 6,462 | 1,043 | 1,543 |
| - non EMU | Assets | -43,241 | -7,710 | -13,552 | -9,504 | -12,474 | -11,555 | -10,545 | -17,070 |
| | Liabilities | 42,004 | 6,844 | 10,242 | 9,914 | 15,004 | 12,591 | 18,386 | 18,395 |
| - EU | Assets | -23,261 | -7,803 | -7,932 | -5,481 | -2,044 | -16,048 | 154 | -12,208 |
| | Liabilities | 15,087 | 3,627 | 4,789 | 617 | 6,053 | 17,093 | 3,838 | 1,614 |
| - non EU | Assets | -37,944 | -3,633 | -8,855 | -9,226 | -16,231 | -7,464 | -11,061 | -12,139 |
| | Liabilities | 35,060 | 4,084 | 7,941 | 10,692 | 12,343 | 1,960 | 15,591 | 18,324 |
| Other Investment ³ | Assets | -27,517 | -7,787 | -5,332 | -11,677 | -2,721 | -7,813 | -10,811 | -9,368 |
| | Liabilities | 27,314 | 8,382 | 4,210 | 11,655 | 3,066 | 10,952 | 1,524 | 11,231 |
| - EMU | Assets | -11,360 | -3,603 | -2,050 | -2,807 | -2,900 | 2,308 | -1,297 | -3,752 |
| | Liabilities | 7,795 | 3,877 | 841 | 1,981 | 1,097 | -744 | 25 | 3,115 |
| - non EMU | Assets | -16,158 | -4,184 | -3,282 | -8,870 | 179 | -10,121 | -9,514 | -5,616 |
| | Liabilities | 19,518 | 4,506 | 3,370 | 9,674 | 1,969 | 11,696 | 1,499 | 8,116 |
| - EU | Assets | -17,681 | -3,602 | -2,478 | -7,614 | -3,987 | -1,458 | -4,477 | -3,919 |
| | Liabilities | 14,950 | 4,035 | 2,284 | 6,396 | 2,234 | 3,607 | 1,625 | 6,481 |
| - non EU | Assets | -9,836 | -4,185 | -2,854 | -4,063 | 1,266 | -6,355 | -6,334 | -5,450 |
| | Liabilities | 12,364 | 4,347 | 1,926 | 5,258 | 832 | 7,345 | -101 | 4,750 |
| Reserve Assets | | 1,375 | 1,486 | -73 | 10 | -48 | 30 | -43 | -60 |
| Balance on Financial Account | | 121 | 2,042 | -3,260 | 1 | 1,338 | 1,095 | 1,857 | 2,267 |
| <i>Net errors and omissions</i> | | <i>-1,008</i> | <i>-2,132</i> | <i>3,126</i> | <i>-84</i> | <i>-1,918</i> | <i>-1,411</i> | <i>-2,244</i> | <i>-1,792</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 1999³ Including financial derivatives and trade credits

Background Notes *(updated July 2000)*

Introduction Ireland's balance of payments (BOP) quarterly statistical compilation system was recently 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 publication earlier this year of these new results for 1998 and 1999 essentially completed the programme started some years ago to compile the BOP statistics on the basis of the most up to date international recommendations. These results form the basis of new quarterly and annual series.

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 the actuarial element of insurance technical reserves. Supplementary premiums consist of investment income earned on investing the insurance technical reserves. For BOP purposes, this income is attributed to the policy holders and also treated as being paid back to the insurance company by them. To obtain the value of insurance services 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. As regards the latter, for resident insurers the transfer credit is calculated as the gross insurance premiums earned (i.e. premiums earned plus supplementary premiums) less the insurance service charge; the debit is the amount of claims payable to non-resident policy holders adjusted by the change in the actuarial element of insurance technical reserves. 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. However, in preparing the National Income and Expenditure estimates for 1999 (published in July 2000) CSO incorporated some provisional pre-1998 retrospective estimates on the new basis. These estimates are for the main components of the current account of the BOP only. It is intended that these will be further refined at a later date.

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.