

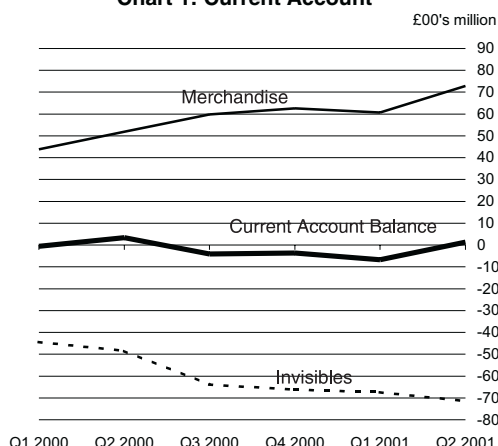


Central Statistics Office
An Phríomh-Oifig Staidrimh

8 October 2001

Balance of International Payments Quarter 2 2001

Chart 1: Current Account



	£ million		
	Merchandise Balance	Invisibles Balance	Current Account Balance
Q2 2001	7,283	-7,147	136
Q2 2000	5,190	-4,855	335
Q1-Q2 2001	13,349	-13,882	-533
Q1-Q2 2000	9,574	-9,293	281

Small Current Account surplus of £136m in the second quarter of 2001

Following significant deficits in the three preceding quarters, the second quarter of 2001 showed a small surplus of £136m (€174m) on the current account of the Balance of Payments. This was down on the surplus of £335m (€425m) for the same quarter the previous year - *see Table 1*. An increased *merchandise* surplus of £7,283m (€9,248m) combined with a small surplus of £77m (€97m) on *current transfers* exceeded deficits on *services* and *income* of £2,761m (€3,505m) and £4,463m (€5,666m) respectively.

Merchandise exports unchanged; imports down (*see Tables 1 and 2*)

The *merchandise* trade surplus of £7,283m in the second quarter of this year was almost £2.1 billion higher than that in the same quarter last year. This reflects exports of £17,516m which were largely unchanged over the previous two quarters but were up almost £2.3 billion on the corresponding quarter one year earlier. Imports at £10,233m were down almost £1.2 billion compared to the levels shown for the previous two quarters but were marginally up on the level shown for the same quarter last year. The continued buoyancy in exports appears largely due to sales of chemicals and pharmaceuticals.

Smaller deficit on services balance (*see Tables 1 and 2*)

The overall *services* balance in the second quarter showed a deficit of £2,761m, down on the £3.3 billion deficit shown for the previous quarter but up £300m on the same quarter last year. *Services* exports amounted to £4,035m while imports, at £6,796m, were about £0.9 billion up on the level one year earlier but down £200m on the previous quarter. *Computer services* (£1,150m) accounted for over 28% of all services exported in the quarter and remained relatively unchanged from the amounts shown for the previous quarter and for the second quarter of 2000. *Tourism and travel* receipts also showed little change on the level recorded one year earlier but inherently reflect a drop in the number of visitors to Ireland compared to the same quarter in 2000, due to concerns related to Foot and Mouth Disease. The main contributors to service imports were: *royalties/licences* (£1,944m – largely unchanged on the previous two quarters); *trade related* (£1,040m); and *miscellaneous business services* – mainly inter-affiliate management charges (£1,756m). Both of the latter two items dropped significantly on the first quarter figures but were well up on the amounts shown one year earlier.

Published by the Central Statistics Office, Ireland.

Ardee Road
Dublin 6
Ireland

Skehard Road
Cork
Ireland

LoCall: 1890 313 414

Tel: +353-1 498 4000
Fax: +353-1 498 4020

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 Garvey

Enquiries:

BOP Statistics BOP Section, 01-498 4047
 bop@cso.ie

Queries and Sales Information Section, ext 5032
 information@cso.ie

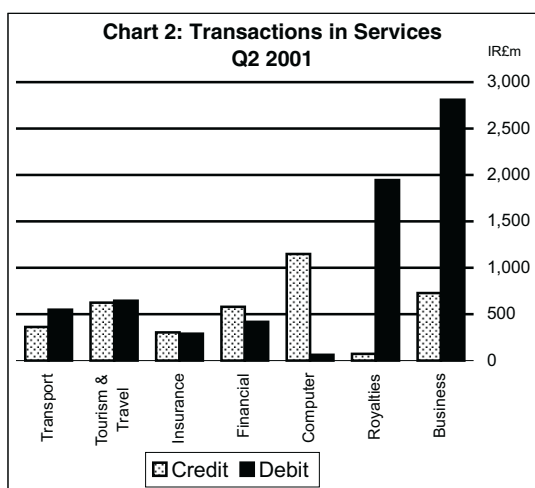
© Central Statistics Office

The contents of this release may be quoted provided the source is given clearly and accurately. Reproduction for own or internal use is permitted.

Ref 214/2001

ISSN 0791-3370

For more information contact John Fitzpatrick on 01-498 4366 or Michael Connolly on 01-498 4203.



Net income outflows significantly up (see Tables 1 and 2)

Net outflows of income amounted to £4,463m in the second quarter, up almost £1.9 billion on the figure of £2,595m for the same period last year and up about £1 billion on the first quarter figure of £3,509m. On the credits side, gross *investment income* at £5,990m was over £700m down from the first quarter figure and £200m down on the figure for the second quarter 2000. This investment income credits figure arose largely from interest receivable on *other investment* assets - loans, currencies, deposits, etc. - (£3,248m) and on *portfolio investment* assets (£2,011m); the *direct investment income* credit was £731m in the quarter. On the debits side, gross *investment income* outflows amounted to £10,442m, up £1.6 billion on the figure of £8,808m for the second quarter of last year and slightly up on the figure of £10,201m for the previous quarter. *Direct investment income* transactions accounted for £6,168m of this figure. *Portfolio investment* and *other investment income* debits were £2,177m and £2,097m respectively in the quarter, the latter being the lowest over the most recent five quarters.

Current transfers show small surplus (see Tables 1 and 3)

Current transfers showed a net surplus of £77m in the second quarter of this year compared to one of £206m in the same period last year. The corresponding gross flows were credits of £877m and £842m and debits of £800m and £636m. As before, within these gross flows, transfers relating to IFSC non-life insurance business showed equal amounts on both the credits and debits sides i.e. £515m in the latest quarter and £462m in the second quarter 2000. Non-IFSC transfers relate largely to EU receipts and payments.

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 a marginal surplus of £36m in the second quarter of this year. As noted on previous occasions, 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 second quarter accounted for £17,477m or about 61% of the total of current account credits; the corresponding debits amounted to £14,600m or about 52% of the total. The same analysis for transactions with EMU residents shows that total credits amounted to £10,192m or about 36% of the total; EMU debit transactions totalled to £7,412m or about 26% of all current account debits.

Capital account (see Table 1)

EU capital transfer receipts and the outright disposal of non-produced non-financial assets by companies largely accounted for the net balance of £69m shown for the second quarter of 2001, the figure for the same quarter last year being £151m.

IFSC transactions very dominant in the financial account (see Tables 1, 2 and 3)

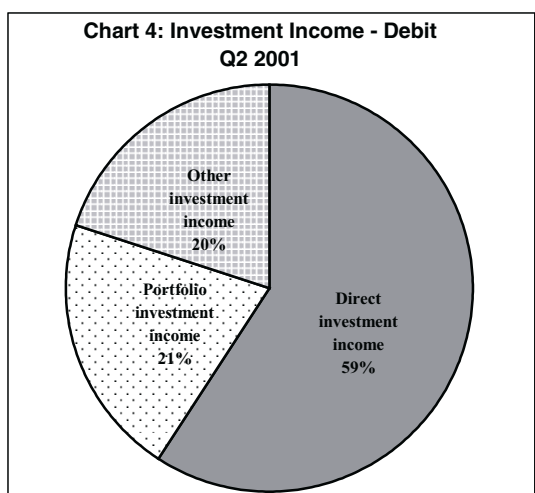
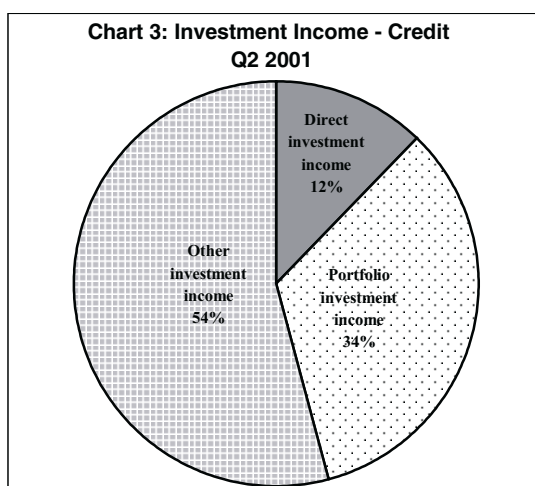
The net debit balance of £823m in the financial account in the second quarter represents a net increase in the value of Ireland's transactions in foreign assets (net of liability transactions). It also reflects a change from the overall net liability balances shown over the previous five quarters. This net asset balance arose because the increase in foreign assets of £30,612m was greater than the increase in foreign liabilities of £29,789m. IFSC transactions with non-residents dominated these results. On the assets side, IFSC enterprises accounted for £25.1 billion or 82% of the total; on the liabilities side these enterprises accounted for almost £22.7 billion or 76% of the total.

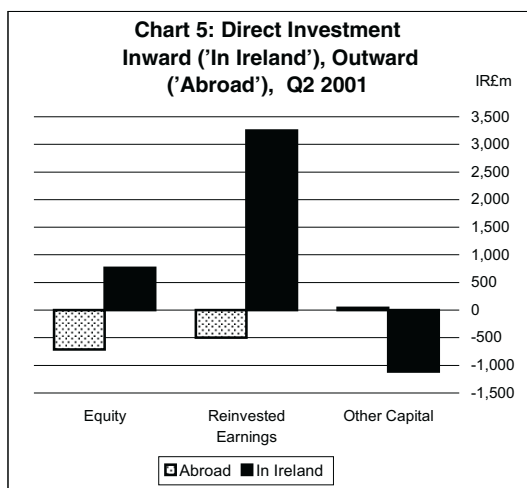
Geographical analysis of the financial account (see Table 4b)

Transactions in foreign assets with EU residents amounted to £12,991m in the second quarter, or 42% of the total; the corresponding liability transactions accounted for £21,894m or 72% of all such transactions with non-residents. Asset transactions with members of the EMU area were valued at £11,158m or 36% of the total while liability transactions at £7,810m account for 26% of the total.

Direct investment

Inward direct investment (including reinvestment of earnings) in the second quarter was £2,907m. Of this, investment in IFSC direct investment enterprises at £468m was well down on the figures for recent quarters. The remainder, £2,439m (essentially reinvested earnings) represented increased investment in non-IFSC companies mainly engaged in manufacturing activity. About 41% of overall inward direct investment, or £1.2 billion, came from EMU investors. About 59% of overall inward direct investment, or £1.7 billion, came from EU investors. Outward direct investment, at over £1.1 billion in the quarter, was slightly lower than the





previous quarter, but was still greater than the amounts shown for any of the quarters of 2000. Net inward direct investment in the second quarter was over £1.7 billion.

Portfolio investment

Inward portfolio investment (liability) transactions of £23,341m were over £1.4 billion higher than the inflows in the previous quarter. As before, investment into IFSC enterprises (principally collective investment institutions) dominated these transactions. Non-EMU investors accounted for £20,826m or almost 90% of the overall total invested in Ireland while the amount shown for non-EU investors at £8,751 million was about 37% of the total. For outward portfolio investment, the figures show that acquisitions of foreign securities of £26,548m in the second quarter had increased from the £23.5 billion in the previous quarter and were higher when compared to the amounts shown for the four earlier quarters. Equity investment recovered from a low of £997m in the first quarter to £8,688m this quarter. There were substantial investments into bonds of £12,138m and money market instruments of £5,722m although overall investment of £17,860m in these debt instruments was lower than for the previous quarter. IFSC transactions in foreign assets and liabilities dominated portfolio activity. Overall, net outward investment amounted to £3,207m in quarter two.

Other investment

Ireland's *other investment* transactions in the second quarter showed an increase in net liabilities of £802m. This resulted from liability transactions of £3,541m (which is down almost £2.9 billion compared to the previous quarter) exceeding asset transactions of £2,739m (over £3.5 billion lower than that for the previous quarter). IFSC enterprises increased their foreign assets by over £200m while their foreign liabilities fell by £800m. Non-IFSC enterprises showed significant activity in the latest quarter. Their transactions in foreign assets amounting to £2,530m while liability transactions were £4,342m.

Reserve assets

There was a net acquisition of *reserve assets* amounting to £156m in the second quarter of the year.

Net errors and omissions

The balancing item *net errors and omissions* shows a credit of £618m in the second quarter to some extent countering the relatively long series of quarterly debits for this item.

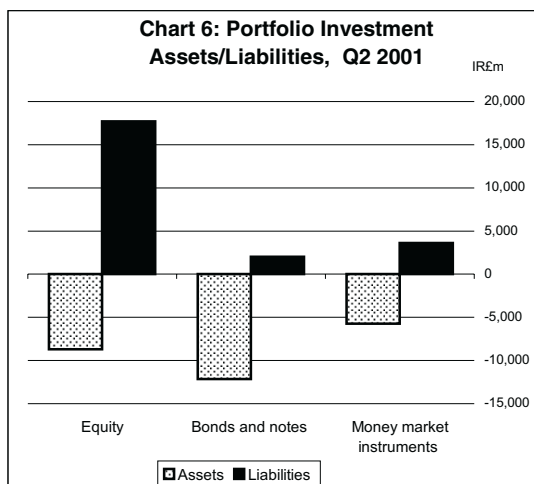


Table 1a – Summary of Current, Capital and Financial Account Net Balances

£ million

Item	1998	1999	2000	2000				2001	
	Year			Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Current Account									
Merchandise ¹	13,996	17,958	21,817	4,384	5,190	5,983	6,260	6,066	7,283
Services	-7,089	-8,213	-10,288	-1,918	-2,466	-2,581	-3,323	-3,328	-2,761
Income	-7,389	-10,410	-12,822	-2,783	-2,595	-3,740	-3,704	-3,509	-4,463
Current Transfers	1,038	927	812	263	206	-66	409	102	77
Balance on Current Account	556	262	-481	-54	335	-404	-358	-669	136
Balance on Capital Account	661	441	950	236	151	10	553	190	69
Financial Account*									
Direct Investment	3,483	9,160	17,220	1,377	5,545	4,752	5,546	3,601	1,738
Portfolio Investment	-6,667	-11,296	-4,451	-4,170	3,692	-4,638	665	-1,572	-3,207
Other Investment ²	5,874	-767	-5,581	2,963	-5,112	2,593	-6,025	130	802
Reserve Assets	-1,796	1,375	-113	30	-43	-30	-70	-52	-156
Balance on Financial Account	894	-1,527	7,075	200	4,082	2,677	116	2,107	-823
Net errors and omissions*									
	-2,112	824	-7,544	-382	-4,568	-2,283	-311	-1,628	618

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

* Revised for 2000 and for 1st quarter of 2001

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

€ million¹

Item	1998	1999	2000	2000				2001	
	Year			Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Current Account									
Merchandise ²	17,771	22,802	27,698	5,566	6,589	7,596	7,947	7,701	9,248
Services	-9,002	-10,428	-13,064	-2,435	-3,131	-3,277	-4,221	-4,229	-3,505
Income	-9,382	-13,218	-16,280	-3,534	-3,295	-4,749	-4,702	-4,453	-5,666
Current Transfers	1,319	1,177	1,031	334	262	-83	518	129	97
Balance on Current Account	706	333	-615	-69	425	-513	-458	-852	174
Balance on Capital Account	840	560	1,207	300	192	13	702	241	88
Financial Account*									
Direct Investment	4,422	11,631	21,865	1,748	7,040	6,034	7,043	4,572	2,205
Portfolio Investment	-8,466	-14,342	-5,650	-5,295	4,688	-5,887	844	-1,998	-4,073
Other Investment ³	7,459	-974	-7,087	3,762	-6,490	3,292	-7,651	168	1,015
Reserve Assets	-2,280	1,746	-142	39	-55	-38	-88	-67	-199
Balance on Financial Account	1,135	-1,939	8,986	254	5,183	3,401	148	2,675	-1,052
Net errors and omissions*									
	-2,681	1,046	-9,578	-485	-5,800	-2,901	-392	-2,064	790

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

* Revised for 2000 and for 1st quarter of 2001

Table 2a – Current and Capital Accounts

£ million

Item		1999	2000	2000				2001	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Current Account									
Merchandise ¹	Cr	50,724	62,877	14,059	15,257	15,884	17,677	17,477	17,516
	Db	32,766	41,060	9,675	10,067	9,901	11,417	11,411	10,233
Services	Cr	11,504	14,438	2,719	3,412	3,958	4,349	3,665	4,035
	Db	19,718	24,726	4,637	5,878	6,539	7,672	6,993	6,796
Transport	Cr	985	1,162	221	307	368	266	249	363
	Db	1,804	2,204	528	543	532	601	606	549
Tourism and Travel ²	Cr	1,948	2,272	333	629	845	465	357	623
	Db	1,952	2,251	360	581	849	461	415	645
Communications	Cr	209	282	56	61	73	92	133	147
	Db	246	295	57	69	92	77	52	56
Insurance	Cr	736	962	224	206	162	370	174	303
	Db	1,054	1,245	265	413	269	298	339	289
Financial services	Cr	1,231	1,779	355	416	502	506	646	580
	Db	933	1,238	277	276	368	317	324	418
Computer services ³	Cr	4,168	4,697	1,025	1,129	1,120	1,423	1,140	1,150
	Db	209	237	48	54	61	74	59	61
Royalties/Licences	Cr	309	435	59	118	110	148	128	72
	Db	5,436	6,772	1,414	1,753	1,626	1,979	1,925	1,944
Business services	Cr	1,676	2,577	380	476	708	1,013	772	727
	Db	8,001	10,429	1,675	2,174	2,728	3,852	3,241	2,809
Trade related	Cr	83	988	165	190	223	410	236	145
	Db	3,552	4,309	754	812	1,077	1,666	1,251	1,040
Operational leasing	Cr	538	462	61	102	238	61	191	217
	Db	72	80	15	17	24	24	17	13
Misc. business services ⁴	Cr	1,055	1,127	154	184	247	542	345	365
	Db	4,377	6,040	906	1,345	1,627	2,162	1,973	1,756
Other services n.e.s.	Cr	243	272	66	70	70	66	66	70
	Db	83	55	13	15	14	13	32	25

Table 2a – Current and Capital Accounts - continued

£ million

Item		1999	2000	2000				2001	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Current Account - continued									
Income	Cr	18,116	25,690	4,599	6,244	7,280	7,567	6,763	6,027
	Db	28,526	38,512	7,382	8,839	11,020	11,271	10,272	10,490
Compensation of Employees	Cr	219	218	41	41	96	40	40	37
	Db	89	89	32	31	13	13	71	48
Investment Income	Cr	17,897	25,472	4,558	6,203	7,184	7,527	6,723	5,990
	Db	28,437	38,423	7,350	8,808	11,007	11,258	10,201	10,442
Direct investment income	Cr	2,211	2,583	635	684	790	474	951	731
	Db	16,920	20,803	4,261	4,694	6,177	5,671	5,594	6,168
Income on equity	Cr	1,422	1,497	391	415	510	181	640	550
	Db	16,312	19,781	4,085	4,412	5,804	5,480	5,251	6,054
Dividends & distributed branch profits	Cr	43	396	85	83	224	4	62	50
	Db	9,196	10,505	2,237	2,426	2,562	3,280	3,103	2,805
Reinvested earnings	Cr	1,379	1,101	306	332	286	177	578	500
	Db	7,115	9,276	1,848	1,986	3,242	2,200	2,148	3,249
Income on debt	Cr	789	1,086	244	269	280	293	311	181
	Db	609	1,022	176	282	373	191	343	114
Portfolio investment income	Cr	4,409	5,737	894	1,439	1,725	1,679	1,957	2,011
	Db	4,619	8,117	1,367	1,991	2,259	2,500	2,136	2,177
Income on equity	Cr	883	918	197	286	229	206	206	288
	Db	2,499	3,492	657	892	989	954	1,031	1,066
Income on debt	Cr	3,525	4,819	697	1,153	1,496	1,473	1,751	1,723
	Db	2,120	4,625	710	1,099	1,270	1,546	1,105	1,111
Other investment income	Cr	11,277	17,152	3,029	4,080	4,669	5,374	3,815	3,248
	Db	6,898	9,503	1,722	2,123	2,571	3,087	2,471	2,097
Current Transfers	Cr	3,945	3,692	881	842	677	1,292	795	877
	Db	3,018	2,880	618	636	743	883	693	800
Current Account - Total	Cr	84,289	106,697	22,258	25,755	27,799	30,885	28,700	28,455
	Db	84,027	107,178	22,312	25,420	28,203	31,243	29,369	28,319
Current Account Balance		262	-481	-54	335	-404	-358	-669	136
Capital Account Balance		441	950	236	151	10	553	190	69

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	2000				2001	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Direct Investment	Abroad	-4,516	-3,396	-892	-838	-765	-901	-1,273	-1,169
	In Ireland	13,676	20,616	2,269	6,383	5,517	6,447	4,874	2,907
Equity	Abroad	-3,537	-2,782	-686	-606	-728	-762	-697	-712
	In Ireland	5,640	10,381	1,763	3,392	2,954	2,272	695	768
Reinvested Earnings	Abroad	-1,379	-1,101	-306	-332	-286	-177	-578	-500
	In Ireland	7,115	9,276	1,848	1,986	3,242	2,200	2,148	3,249
Other Capital	Abroad	400	487	100	100	249	38	2	43
	In Ireland	921	959	-1,342	1,005	-679	1,975	2,031	-1,110
Portfolio Investment	Assets	-61,445	-68,813	-19,787	-16,104	-24,832	-8,090	-23,484	-26,548
	Liabilities	50,150	64,362	15,617	19,796	20,194	8,755	21,912	23,341
Equity	Assets	-27,036	-24,042	-5,978	-2,864	-11,354	-3,846	-997	-8,688
	Liabilities	38,835	57,218	13,273	16,728	19,752	7,465	15,369	17,710
Debt Instruments	Assets	-34,409	-44,771	-13,809	-13,240	-13,478	-4,244	-22,487	-17,860
	Liabilities	11,315	7,144	2,344	3,068	442	1,290	6,543	5,631
Bonds and notes	Assets	-23,420	-24,678	-8,317	-5,335	-6,863	-4,163	-11,915	-12,138
	Liabilities	5,814	1,501	666	444	606	-215	3,152	2,012
Money market instruments	Assets	-10,989	-20,093	-5,492	-7,905	-6,615	-81	-10,572	-5,722
	Liabilities	5,501	5,643	1,678	2,624	-164	1,505	3,391	3,619

Table 2b – Financial Account^{1*} - continued

£ million

Item		1999	2000	2000				2001	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Other Investment	Assets	-28,395	-27,757	-6,314	-5,764	-9,021	-6,658	-6,301	-2,739
	Liabilities	27,629	22,176	9,277	652	11,614	633	6,431	3,541
Loans, currency and deposits	Assets	-25,117	-22,789	-6,087	-4,571	-9,825	-2,306	-4,961	-1,176
	Liabilities	26,191	21,164	9,137	800	10,144	1,083	5,630	4,152
Other ²	Assets	-3,278	-4,968	-227	-1,193	804	-4,352	-1,340	-1,563
	Liabilities	1,437	1,012	140	-148	1,470	-450	801	-611
Reserve Assets		1,375	-113	30	-43	-30	-70	-52	-156
Monetary gold		50	-1	-1	1	0	-1	0	1
Special drawing rights		104	-8	-2	-2	-2	-2	-2	-2
Reserve position in the IMF		110	54	0	44	9	1	-2	-6
Foreign exchange		1,120	-193	33	-78	-7	-141	-48	-149
Other		-9	35	0	-8	-30	73	0	0
Balance on Financial Account		-1,527	7,075	200	4,082	2,677	116	2,107	-823
Net errors and omissions*		824	-7,544	-382	-4,568	-2,283	-311	-1,628	618
Memorandum Item:									
Government financial transactions	Assets	-1,915	-1,235	-1,622	-1,898	1,959	326	-438	-2,032
	Liabilities	274	821	1,393	1,018	-1,595	5	-301	-70

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

* Revised for 2000 and for 1st quarter of 2001

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

£ million

Item		1999	2000	2000				2001	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Current Account - Total	Cr	84,289	106,697	22,258	25,755	27,799	30,885	28,700	28,455
	Db	84,027	107,178	22,312	25,420	28,203	31,243	29,369	28,319
Merchandise ²	Cr	50,724	62,877	14,059	15,257	15,884	17,677	17,477	17,516
	Db	32,766	41,060	9,675	10,067	9,901	11,417	11,411	10,233
Services	Cr	11,504	14,438	2,719	3,412	3,958	4,349	3,665	4,035
	Db	19,718	24,726	4,637	5,878	6,539	7,672	6,993	6,796
- IFSC	Cr	2,598	3,025	602	682	855	886	957	1,031
	Db	2,146	2,443	428	596	681	738	778	863
- non IFSC	Cr	8,906	11,414	2,117	2,730	3,104	3,463	2,709	3,005
	Db	17,572	22,286	4,211	5,282	5,858	6,935	6,215	5,933
Income	Cr	18,116	25,690	4,599	6,244	7,280	7,567	6,763	6,027
	Db	28,526	38,512	7,382	8,839	11,020	11,271	10,272	10,490
- IFSC	Cr	13,823	20,855	3,486	5,033	5,845	6,491	5,262	4,562
	Db	13,039	19,413	3,312	4,599	5,564	5,938	5,159	4,694
- non IFSC	Cr	4,292	4,835	1,113	1,211	1,436	1,075	1,502	1,467
	Db	15,486	19,100	4,072	4,240	5,455	5,333	5,112	5,796
Current Transfers	Cr	3,945	3,692	881	842	677	1,292	795	877
	Db	3,018	2,880	618	636	743	883	693	800
- IFSC ³	Cr	2,004	1,814	324	462	451	577	376	515
	Db	2,004	1,814	324	462	451	577	376	515
- non IFSC	Cr	1,941	1,877	557	380	226	714	419	362
	Db	1,014	1,065	294	174	291	306	318	285
Balance on Current Account		262	-481	-54	335	-404	-358	-669	136
Balance on Capital Account		441	950	236	151	10	553	190	69

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

Item		1999	2000	2000				2001	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Financial Account ^{4 *}									
Direct investment	Abroad	-4,516	-3,396	-892	-838	-765	-901	-1,273	-1,169
	In Ireland	13,676	20,616	2,269	6,383	5,517	6,447	4,874	2,907
- IFSC	Abroad	0	0	0	0	0	0	38	37
	In Ireland	9,230	11,605	929	2,956	3,141	4,579	3,131	468
- non IFSC	Abroad	-4,516	-3,396	-892	-838	-765	-901	-1,311	-1,206
	In Ireland	4,446	9,012	1,340	3,427	2,376	1,869	1,742	2,439
Portfolio investment	Assets	-61,445	-68,813	-19,787	-16,104	-24,832	-8,090	-23,484	-26,548
	Liabilities	50,150	64,362	15,617	19,796	20,194	8,755	21,912	23,341
- IFSC	Assets	-52,792	-63,195	-17,776	-16,632	-22,556	-6,231	-21,066	-24,907
	Liabilities	47,216	59,185	13,283	17,338	20,415	8,149	20,385	23,023
- non IFSC	Assets	-8,653	-5,618	-2,010	528	-2,275	-1,861	-2,418	-1,641
	Liabilities	2,934	5,178	2,334	2,457	-220	607	1,526	317
Other investment ⁵	Assets	-28,395	-27,757	-6,314	-5,764	-9,021	-6,658	-6,301	-2,739
	Liabilities	27,629	22,176	9,277	652	11,614	633	6,431	3,541
- IFSC	Assets	-19,652	-24,044	-5,235	-4,274	-6,702	-7,833	-5,332	-210
	Liabilities	17,456	14,407	7,066	186	7,018	137	3,297	-801
- non IFSC	Assets	-8,743	-3,712	-1,079	-1,489	-2,319	1,175	-968	-2,530
	Liabilities	10,173	7,769	2,211	466	4,595	497	3,132	4,342
Reserve Assets		1,375	-113	30	-43	-30	-70	-52	-156
Balance on Financial Account		-1,527	7,075	200	4,082	2,677	116	2,107	-823
Net errors and omissions*									
		824	-7,544	-382	-4,568	-2,283	-311	-1,628	618

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

* Revised for 2000 and for 1st quarter of 2001

Table 4a – Current and Capital Accounts showing geographical¹ detail

£ million

Item		1999	2000	2000				2001	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Current Account - Total	Cr	84,289	106,697	22,258	25,755	27,799	30,885	28,700	28,455
	Db	84,027	107,178	22,312	25,420	28,203	31,243	29,369	28,319
Merchandise ²	Cr	50,724	62,877	14,059	15,257	15,884	17,677	17,477	17,516
	Db	32,766	41,060	9,675	10,067	9,901	11,417	11,411	10,233
- EMU	Cr	20,321	23,381	5,605	5,692	5,758	6,326	6,683	6,428
	Db	6,273	8,195	2,023	2,191	1,736	2,245	2,358	2,198
- non EMU	Cr	30,403	39,494	8,454	9,565	10,126	11,349	10,793	11,088
	Db	26,493	32,865	7,651	7,876	8,165	9,173	9,054	8,035
- EU	Cr	32,926	38,800	9,177	9,481	9,526	10,616	10,717	10,647
	Db	17,703	21,970	5,327	5,478	4,990	6,175	6,059	5,810
- non EU	Cr	17,797	24,074	4,882	5,775	6,357	7,060	6,759	6,868
	Db	15,063	19,092	4,348	4,589	4,912	5,243	5,352	4,423
Services	Cr	11,504	14,438	2,719	3,412	3,958	4,349	3,665	4,035
	Db	19,718	24,726	4,637	5,878	6,539	7,672	6,993	6,796
- EMU	Cr	3,335	4,834	916	1,073	1,367	1,478	1,050	1,097
	Db	4,803	5,288	1,032	1,339	1,333	1,584	1,648	1,440
- non EMU	Cr	8,169	9,604	1,802	2,339	2,591	2,872	2,612	2,938
	Db	14,915	19,431	3,601	4,537	5,206	6,087	5,347	5,358
- EU	Cr	6,997	9,593	1,832	2,257	2,580	2,924	1,990	2,390
	Db	8,938	10,359	2,051	2,556	2,785	2,967	3,061	2,824
- non EU	Cr	4,508	4,840	887	1,153	1,376	1,424	1,674	1,645
	Db	10,780	14,367	2,589	3,320	3,751	4,707	3,932	3,969
Income	Cr	18,116	25,690	4,599	6,244	7,280	7,567	6,763	6,027
	Db	28,526	38,512	7,382	8,839	11,020	11,271	10,272	10,490
- EMU	Cr	6,396	8,446	1,648	2,369	2,241	2,188	2,449	2,206
	Db	9,991	12,499	2,522	3,002	3,324	3,651	3,295	3,377
- non EMU	Cr	11,720	17,248	2,950	3,876	5,040	5,382	4,314	3,820
	Db	18,535	26,014	4,861	5,837	7,695	7,621	6,978	7,113
- EU	Cr	10,154	14,125	2,610	3,455	3,939	4,121	4,244	3,769
	Db	14,665	18,960	3,514	4,777	5,061	5,608	5,133	5,380
- non EU	Cr	7,962	11,567	1,989	2,791	3,341	3,446	2,520	2,258
	Db	13,861	19,558	3,871	4,063	5,961	5,663	5,136	5,111
Current Transfers	Cr	3,945	3,692	881	842	677	1,292	795	877
	Db	3,018	2,880	618	636	743	883	693	800
- EMU	Cr	1,878	1,999	521	458	196	824	419	461
	Db	937	1,171	252	250	251	418	323	397
- non EMU	Cr	2,067	1,693	360	384	481	468	376	416
	Db	2,081	1,707	366	385	491	465	370	403
- EU	Cr	3,294	2,911	771	774	452	914	578	671
	Db	2,231	1,835	487	380	485	483	460	586
- non EU	Cr	651	781	111	67	225	378	216	207
	Db	787	1,044	131	255	258	400	233	214
Balance on Current Account		262	-481	-54	335	-404	-358	-669	136
Balance on Capital Account		441	950	236	151	10	553	190	69

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 and up to 31 December 2000. From 1 January 2001 the 'EMU' area was expanded to include Greece.

² Adjusted for balance of payments purposes

Table 4b – Financial Account¹ * showing geographical² detail

£ million

Item		1999	2000	2000				2001	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1*	Quarter 2
Direct Investment	Abroad	-4,516	-3,396	-892	-838	-765	-901	-1,273	-1,169
	In Ireland	13,676	20,616	2,269	6,383	5,517	6,447	4,874	2,907
- EMU	Abroad	-172	-178	-55	-79	-69	25	-119	-92
	In Ireland	4,911	2,570	-423	108	2,057	828	2,499	1,202
- non EMU	Abroad	-4,344	-3,215	-835	-759	-696	-925	-1,153	-1,075
	In Ireland	8,765	18,046	2,691	6,275	3,460	5,620	2,374	1,703
- EU	Abroad	-648	34	-61	-173	351	-83	-407	-359
	In Ireland	4,968	4,997	-258	2,252	2,973	30	3,242	1,714
- non EU	Abroad	-3,868	-3,432	-831	-666	-1,117	-818	-866	-811
	In Ireland	8,709	15,620	2,527	4,131	2,544	6,418	1,631	1,194
Portfolio Investment	Assets	-61,445	-68,813	-19,787	-16,104	-24,832	-8,090	-23,484	-26,548
	Liabilities	50,150	64,362	15,617	19,796	20,194	8,755	21,912	23,341
- EMU	Assets	-17,963	-19,081	-8,843	-362	-7,124	-2,752	-6,702	-10,447
	Liabilities	8,099	4,841	3,350	1,015	1,541	-1,065	1,735	2,515
- non EMU	Assets	-43,482	-49,730	-10,943	-15,742	-17,706	-5,339	-16,781	-16,101
	Liabilities	42,050	59,522	12,267	18,782	18,653	9,820	20,175	20,826
- EU	Assets	-23,269	-28,307	-13,366	152	-12,047	-3,046	-11,798	-12,855
	Liabilities	15,146	21,091	14,514	3,728	1,695	1,154	8,390	14,589
- non EU	Assets	-38,176	-40,506	-6,421	-16,256	-12,785	-5,044	-11,685	-13,692
	Liabilities	35,003	43,272	1,103	16,067	18,500	7,602	13,521	8,751
Other Investment ³	Assets	-28,395	-27,757	-6,314	-5,764	-9,021	-6,658	-6,301	-2,739
	Liabilities	27,629	22,176	9,277	652	11,614	633	6,431	3,541
- EMU	Assets	-11,602	-5,767	1,588	-1,298	-3,761	-2,296	-2,789	-619
	Liabilities	7,845	4,565	-51	-576	3,333	1,859	1,700	4,093
- non EMU	Assets	-16,793	-21,987	-7,901	-4,464	-5,259	-4,363	-3,509	-2,120
	Liabilities	19,783	17,612	9,329	1,228	8,281	-1,226	4,731	-551
- EU	Assets	-18,168	-11,979	198	-4,480	-3,948	-3,749	-5,431	223
	Liabilities	15,131	12,145	2,580	725	6,764	2,076	3,390	5,591
- non EU	Assets	-10,228	-15,777	-6,512	-1,284	-5,073	-2,908	-874	-2,960
	Liabilities	12,498	10,018	6,685	-72	4,849	-1,444	3,041	-2,048
Reserve Assets		1,375	-113	30	-43	-30	-70	-52	-156
Balance on Financial Account		-1,527	7,075	200	4,082	2,677	116	2,107	-823
<i>Net errors and omissions*</i>		<i>824</i>	<i>-7,544</i>	<i>-382</i>	<i>-4,568</i>	<i>-2,283</i>	<i>-311</i>	<i>-1,628</i>	<i>618</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 and up to 31 December 2000. From 1 January 2001 the 'EMU' area was expanded to include Greece.³ Including financial derivatives and trade credits

* Revised for 2000 and for 1st quarter of 2001

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).

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) *merchandising and other trade-related services*, (b) *operational leasing* and (c) *miscellaneous business services*.

Merchandising 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.