

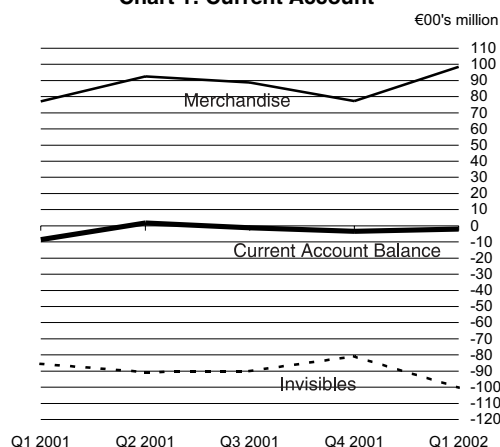


Central Statistics Office
An Phríomh-Oifig Staidrimh

25 July 2002

Balance of International Payments Quarter 1 2002

Chart 1: Current Account



	€ million		
	Merchandise Balance	Invisibles Balance	Current Account Balance
Q1 2002	9,843	-10,043	-200
Q1 2001	7,701	-8,553	-852
Year 2001	33,561	-34,705	-1,145

Small Current Account deficit of €200m in the first quarter of 2002

There was a deficit of €200m on the current account of the Balance of Payments in the first quarter of 2002. This compares with a larger deficit of €852m in the same period in 2001 - *see Table 1*. Combined deficits on *services* and *income* of €4,727m and €5,297m respectively exceeded the surplus of €9,843m for *merchandise*. Further details on the components are given below.

Merchandise exports increase – imports remain stable (*see Tables 1 and 2*)

The *merchandise* trade balance of €9,843m in the first quarter of this year was over €2.1 billion higher than that in the same quarter of 2001. Over the same period, exports rose from €22,190m to €24,339m having remained relatively stable throughout 2001. Imports of €14,496m in the first quarter this year showed no change on the same quarter last year.

Revised results for 2000 and 2001

The next quarterly balance of payments release (presenting results for the second quarter of 2002) will incorporate revisions to the data for 2000 and 2001 taking account of updated returns. The results shown in this Release for the first quarter of this year may also be revised at that stage.

Services deficit increases (*see Tables 1 and 2*)

In the first quarter of this year, *services* exports amounted to €6,024m with imports at €10,750m; the corresponding flows for the same quarter in 2001 were €4,652m and €8,881m. The resulting deficit of €4,727m in the latest quarter was therefore almost €500m up on that of €4,229m in the first quarter last year. Over this period, exports of *business services* (€1,284m) and *computer services* (€2,200m) accounted for over €1 billion of the overall increase of almost €1.4 billion in total services exports. Correspondingly, on the total service imports side, the increase of just €1.9 billion was accounted for mostly by *royalties/licences* (€2,876m) and by *business services* (€5,174m - mostly sales commissions and management charges).

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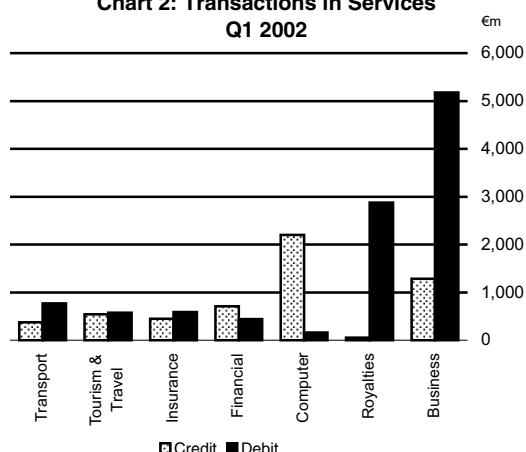
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**Chart 2: Transactions in Services
Q1 2002**



Lower income inflows and outflows (see Tables 1 and 2)

Gross income inflows in the first quarter of this year amounted to €7,482m and were €1.1 billion lower than the corresponding income receipts in the same quarter last year. Gross income outflows at €12,780m were €263m lower over the same period. Net outflows of income therefore amounted to €5,297m in the first quarter of 2002 compared to €4,453m in the first quarter of 2001. *Direct investment income* credits at €1,115m were slightly down on the €1,208m shown for the same quarter last year; the corresponding outflows (debits) at €7,798m were almost €700m higher. *Portfolio investment income* credits of €2,546m were up slightly on the first quarter 2001 figure (€2,487m) while income debits of €2,672m were slightly down on the earlier figure of €2,711m. *Other investment income* showed a net credit of €1,529m, both the credit (€3,786m) and the debit (€2,257m) being significantly down on the corresponding figures in 2001.

Small current transfers deficit (see Tables 1 and 3)

Current transfers showed a small net deficit of €19m in the first quarter of 2002 compared to a surplus of €129m in the same period last year. The gross flows in the latest quarter show a credit of €1,331m and a debit of €1,350m. As usual within these gross flows, transfers relating to IFSC non-life insurance business showed equal amounts on both the credit and debit sides i.e. €910m in the latest quarter. Non-IFSC transfers relate principally 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 surplus of €933m in the first quarter of this year (compared to €355m in the same quarter of 2001). 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 first quarter accounted for €24,541m or almost 63% of the total of current account credits; the corresponding debits amounted to €20,304m or over 51% of the total. Using the same analysis for transactions with EMU area residents, total credits amounted to €13,700m or 35% of the total; EMU area debit transactions totalled to €9,761m or almost 25% of all current account debits.

Capital account (see Table 1)

There was a marginal deficit on the capital account in the first quarter of 2002 compared to a surplus of €241m in the same quarter last year.

Financial account dominated by trends in Portfolio Investment (see Tables 1, 2 & 3)

Financial account transactions in the first quarter are dominated by the increases in *Portfolio Investment*. This trend is a continuation of what was seen in most quarters of 2001 but the level of increase in portfolio assets at €42,435m is particularly significant. In overall terms, the first quarter financial account balance of €1,029m represents an increase in Ireland's net liabilities to non-residents. This results from transactions in total foreign assets of €45,225m being more than offset by the transactions in total liabilities of €46,254m. On the assets side, IFSC enterprises accounted for €35,596m or almost 79% of the total; on the liabilities side these enterprises accounted for €35,191m or 76% of the total.

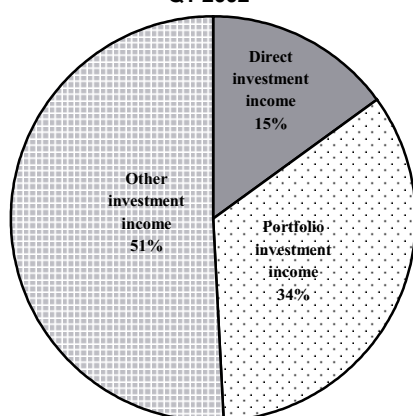
Geographical analysis of the financial account (see Table 4b)

Transactions in foreign assets with EU residents amounted to €26,185m or almost 58% of the total; the corresponding liability transactions accounted for €20,756m or almost 45% of all such transactions with non-residents. Assets transactions with residents of the EMU area were valued at €11,421m or 25% of the total while liability transactions at €5,662m were approximately 12% of all such transactions.

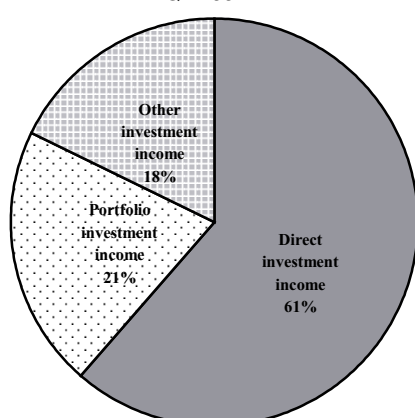
Direct investment

Inward direct investment (including reinvestment of earnings) at €2,295m reflects a return to trend of increased levels of *Direct Investment in Ireland* following the reduction in the previous quarter of €424m. However, the results do not show a return to the substantial inflows reported in the first quarter of 2001 (€6,188m) or, indeed, those of the previous year. Outward direct investment of €1,156m was well below the figure reported for the previous quarter (€2,206m) but similar to the result for the first quarter of 2001 (€1,616m). Net inward direct investment in the latest quarter was, therefore, €1,139m.

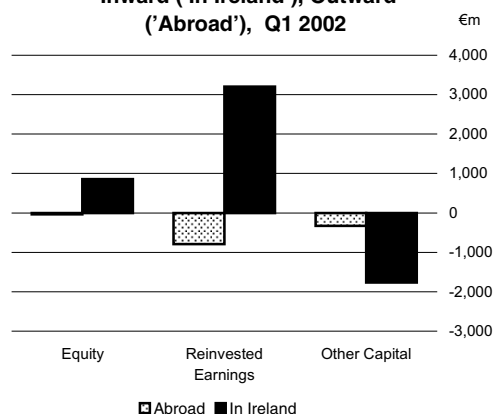
**Chart 3: Investment Income - Credit
Q1 2002**



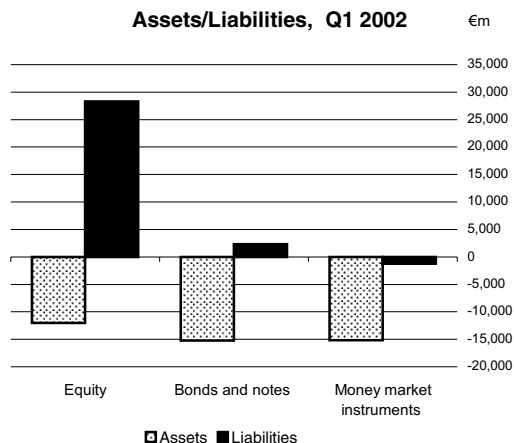
**Chart 4: Investment Income - Debit
Q1 2002**



**Chart 5: Direct Investment
Inward ('In Ireland'), Outward
('Abroad'), Q1 2002**



**Chart 6: Portfolio Investment
Assets/Liabilities, Q1 2002**



Portfolio investment

Transactions in foreign assets dominated portfolio investment activity with a net increase in assets of €13,036m compared to €5,161m in the fourth quarter of 2001. Inward portfolio investment (liability) transactions of €29,400m continue the generally observed trend of quarter-on-quarter growth. Increases in units purchased in IFSC collective investment institutions largely explain these transactions. Outward portfolio investment of €42,435m largely reflects the investment activity of the collective investment institutions but also includes the initial investments in foreign securities by the National Pension Reserve Fund. The high levels of investment by IFSC Money Market Funds are reflected in the increase of €15,187m in assets under *money market instruments*. Substantial increases in *bonds and notes* assets were also recorded. *Equity* assets increased by approximately €12 billion compared to €10 billion in the previous quarter. IFSC activities accounted for €35,917m or almost 85% of total portfolio asset transactions and €26,510m or 90% of total liabilities transactions. In geographical terms, much of the increase in foreign portfolio assets in the latest quarter was accounted for by investment in EU issued securities.

Other investment

In overall terms, Ireland's *other investment* transactions in the first quarter showed an increase in net liabilities of €12,660m, continuing the trend of increases in net liabilities in previous quarters and almost doubling that for the last quarter of 2001 (€6,522m).

This level of change resulted from assets transactions of €1,899m being less than liability transactions of €14,559m. IFSC activity resulted in reductions in holdings of assets of €279m and increases in liabilities of €6,123m. The remainder of the increase in liabilities arose from a substantial increase in non-IFSC liabilities of €8,436m (compared to a decrease in these liabilities of €1,331m the previous quarter). On a geographical basis, a reduction of €2,664m in assets held in EMU countries was more than offset by assets transactions increases (€4,563m) with residents of non-EMU countries. On the liabilities side, transactions of €12,638m with non-EMU creditors accounted for 87% of all *other investment* liability transactions.

Reserve assets

There was a net reduction of €265m in *reserve assets* in the first quarter of the year.

Net errors and omissions

The balancing item *net errors and omissions* shows a debit of €826m for the first quarter of 2002.

Table 1a – Summary of Current and Capital Account Balances

€ million

Period		Merchandise ¹	Invisibles				Balance on Current Account	Balance on Capital Account
			Services	Income	Current Transfers	Total		
1998	Year	17,771	-9,002	-9,382	1,319	-17,065	706	840
1999	Year	22,802	-10,428	-13,218	1,177	-22,469	333	560
2000	Year	27,698	-13,064	-16,280	1,031	-28,313	-615	1,207
2001	Year	33,561	-16,357	-18,880	532	-34,705	-1,145	664
1998	Quarter 1	3,835	-2,214	-2,071	259	-4,026	-191	91
	Quarter 2	4,141	-1,872	-2,418	404	-3,886	253	39
	Quarter 3	4,996	-1,970	-2,698	235	-4,433	562	336
	Quarter 4	4,800	-2,945	-2,195	422	-4,718	81	374
1999	Quarter 1	5,005	-2,601	-2,681	277	-5,005	0	133
	Quarter 2	5,342	-2,562	-2,960	342	-5,180	163	40
	Quarter 3	6,287	-2,582	-3,892	163	-6,311	-24	4
	Quarter 4	6,168	-2,684	-3,685	395	-5,974	194	383
2000	Quarter 1	5,566	-2,435	-3,534	334	-5,635	-69	300
	Quarter 2	6,589	-3,131	-3,295	262	-6,164	425	192
	Quarter 3	7,596	-3,277	-4,749	-83	-8,109	-513	13
	Quarter 4	7,947	-4,221	-4,702	518	-8,405	-458	702
2001	Quarter 1	7,701	-4,229	-4,453	129	-8,553	-852	241
	Quarter 2	9,248	-3,505	-5,666	97	-9,074	174	88
	Quarter 3	8,884	-4,200	-4,776	-31	-9,007	-123	13
	Quarter 4	7,728	-4,423	-3,985	337	-8,071	-344	322
2002	Quarter 1	9,843	-4,727	-5,297	-19	-10,043	-200	-3

¹ Adjusted for balance of payments purposes

Table 1b – Summary of Financial Account Balances and Net Errors and Omissions

€ million

Period		Direct Investment	Portfolio Investment	Other ¹ Investment	Reserve Assets	Balance on Financial Account	Net errors and omissions
1998	Year	4,422	-8,466	7,459	-2,280	1,135	-2,681
1999	Year	11,631	-14,342	-974	1,746	-1,939	1,046
2000	Year	21,865	-5,650	-7,087	-142	8,986	-9,578
2001	Year	4,895	-19,534	16,221	-441	1,141	-660
1998	Quarter 1	1,497	-1,255	1,939	-165	2,016	-1,917
	Quarter 2	1,965	-1,301	106	-1,011	-241	-51
	Quarter 3	2,393	-5,411	4,245	-333	894	-1,792
	Quarter 4	-1,433	-498	1,169	-771	-1,533	1,078
1999	Quarter 1	4,315	-4,805	884	1,887	2,281	-2,414
	Quarter 2	1,992	-5,227	-1,734	-93	-5,062	4,859
	Quarter 3	3,889	-4,390	-12	13	-499	519
	Quarter 4	1,436	79	-112	-61	1,342	-1,919
2000	Quarter 1	1,748	-5,295	3,762	39	254	-485
	Quarter 2	7,040	4,688	-6,490	-55	5,183	-5,800
	Quarter 3	6,034	-5,887	3,292	-38	3,401	-2,901
	Quarter 4	7,043	844	-7,651	-88	148	-392
2001	Quarter 1	4,572	-1,998	168	-67	2,675	-2,064
	Quarter 2	2,205	-4,073	1,015	-199	-1,052	790
	Quarter 3	747	-8,302	8,516	-45	916	-806
	Quarter 4	-2,629	-5,161	6,522	-130	-1,398	1,420
2002	Quarter 1	1,139	-13,036	12,660	265	1,029	-826

¹ Including financial derivatives and trade credits

Table 2a – Current and Capital Accounts

€ million

Item		2000	2001	2001				2002
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Current Account								
Merchandise ¹	Cr	79,834	87,542	22,190	22,240	21,316	21,796	24,339
	Db	52,136	53,981	14,489	12,992	12,432	14,068	14,496
Services	Cr	18,331	22,577	4,652	5,123	6,055	6,747	6,024
	Db	31,395	38,934	8,881	8,628	10,255	11,170	10,750
Transport	Cr	1,474	1,666	316	461	517	372	373
	Db	2,797	2,865	771	699	666	729	771
Tourism and Travel ²	Cr	2,886	3,088	453	791	1,186	658	539
	Db	2,858	3,216	526	818	1,218	654	572
Communications	Cr	358	812	169	186	210	247	321
	Db	373	332	66	70	84	112	139
Insurance	Cr	1,222	1,517	222	385	412	498	446
	Db	1,582	1,756	430	367	368	591	591
Financial services	Cr	2,259	2,924	820	737	651	716	711
	Db	1,572	1,841	412	531	427	471	441
Computer services ³	Cr	5,965	7,303	1,447	1,460	1,849	2,547	2,200
	Db	300	374	75	77	85	137	159
Royalties/Licences	Cr	553	384	162	91	50	81	55
	Db	8,598	9,797	2,444	2,468	2,341	2,544	2,876
Business services	Cr	3,272	4,527	980	924	1,093	1,530	1,284
	Db	13,243	18,633	4,116	3,566	5,042	5,909	5,174
Trade related	Cr	1,255	629	300	184	96	49	83
	Db	5,473	7,661	1,589	1,321	2,257	2,494	2,457
Operational leasing	Cr	586	1,298	242	276	323	457	361
	Db	101	73	21	16	16	20	37
Misc. business services ⁴	Cr	1,431	2,600	438	464	675	1,023	840
	Db	7,669	10,898	2,506	2,229	2,769	3,394	2,680
Other services n.e.s.	Cr	342	357	83	88	87	99	95
	Db	72	119	41	32	23	23	23

Table 2a – Current and Capital Accounts - continued

€ million

Item		2000	2001	2001				2002
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Current Account - continued								
Income	Cr	32,620	32,026	8,590	7,654	8,194	7,588	7,482
	Db	48,900	50,906	13,043	13,320	12,970	11,573	12,780
Compensation of Employees	Cr	278	266	52	48	118	48	36
	Db	112	254	90	60	45	59	52
Investment Income	Cr	32,342	31,759	8,538	7,606	8,075	7,540	7,447
	Db	48,788	50,652	12,953	13,260	12,925	11,514	12,728
Direct investment income	Cr	3,279	3,901	1,208	928	1,119	646	1,115
	Db	26,415	28,240	7,103	7,832	7,171	6,134	7,798
Income on equity	Cr	1,900	2,526	813	698	751	264	806
	Db	25,117	27,081	6,667	7,687	6,783	5,944	7,615
Dividends & distributed branch profits	Cr	502	325	79	63	160	23	14
	Db	13,339	15,390	3,940	3,561	3,551	4,338	4,413
Reinvested earnings	Cr	1,398	2,202	734	635	592	241	792
	Db	11,778	11,691	2,727	4,126	3,232	1,606	3,202
Income on debt	Cr	1,379	1,376	395	230	368	383	309
	Db	1,298	1,159	436	145	389	189	183
Portfolio investment income	Cr	7,285	10,711	2,487	2,554	2,819	2,851	2,546
	Db	10,308	11,413	2,711	2,765	3,072	2,865	2,672
Income on equity	Cr	1,165	1,919	262	366	660	631	441
	Db	4,434	6,099	1,309	1,353	1,825	1,612	1,609
Income on debt	Cr	6,120	8,791	2,225	2,188	2,158	2,220	2,106
	Db	5,874	5,315	1,402	1,412	1,248	1,253	1,063
Other investment income	Cr	21,778	17,148	4,843	4,124	4,138	4,043	3,786
	Db	12,065	10,998	3,139	2,663	2,681	2,515	2,257
Current Transfers	Cr	4,687	4,800	1,009	1,113	1,054	1,624	1,331
	Db	3,656	4,269	880	1,016	1,085	1,288	1,350
Current Account - Total	Cr	135,472	146,944	36,441	36,130	36,618	37,755	39,176
	Db	136,087	148,090	37,293	35,956	36,742	38,099	39,376
Current Account Balance		-615	-1,145	-852	174	-123	-344	-200
Capital Account Balance		1,207	664	241	88	13	322	-3

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		2000	2001	2001				2002
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Direct Investment	Abroad	-4,312	-6,030	-1,616	-1,486	-722	-2,206	-1,156
	In Ireland	26,177	10,924	6,188	3,691	1,469	-424	2,295
Equity	Abroad	-3,532	-4,202	-885	-905	-113	-2,299	-32
	In Ireland	13,181	5,969	883	975	1,385	2,726	857
Reinvested Earnings	Abroad	-1,398	-2,202	-734	-635	-592	-241	-792
	In Ireland	11,778	11,691	2,727	4,126	3,232	1,606	3,202
Other Capital	Abroad	618	374	3	54	-17	334	-332
	In Ireland	1,218	-6,735	2,578	-1,410	-3,148	-4,755	-1,764
Portfolio Investment	Assets	-87,374	-121,304	-29,819	-33,709	-23,967	-33,809	-42,435
	Liabilities	81,724	101,769	27,821	29,636	15,664	28,648	29,400
Equity	Assets	-30,527	-26,945	-1,267	-11,031	-4,489	-10,158	-12,039
	Liabilities	72,652	87,491	19,514	22,487	20,740	24,750	28,313
Debt Instruments	Assets	-56,847	-94,359	-28,552	-22,678	-19,478	-23,651	-30,397
	Liabilities	9,072	14,278	8,307	7,149	-5,076	3,898	1,086
Bonds and notes	Assets	-31,334	-50,531	-15,128	-15,412	-8,857	-11,134	-15,210
	Liabilities	1,907	1,222	4,002	2,555	-2,436	-2,899	2,308
Money market instruments	Assets	-25,513	-43,827	-13,424	-7,266	-10,620	-12,517	-15,187
	Liabilities	7,165	13,056	4,305	4,594	-2,640	6,797	-1,222

Table 2b – Financial Account¹ - continued

€ million

Item		2000	2001	2001				2002
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Other Investment	Assets	-35,243	-12,666	-8,000	-3,480	1,791	-2,977	-1,899
	Liabilities	28,156	28,888	8,168	4,495	6,726	9,499	14,559
Loans, currency and deposits	Assets	-28,936	-7,682	-6,300	-1,496	3,137	-3,023	-1,503
	Liabilities	26,872	25,375	7,149	5,271	3,680	9,275	10,282
Other ²	Assets	-6,307	-4,984	-1,700	-1,984	-1,346	46	-395
	Liabilities	1,284	3,513	1,019	-776	3,046	224	4,277
Reserve Assets		-142	-441	-67	-199	-45	-130	265
Monetary gold		-1	0	0	1	-1	0	0
Special drawing rights		-10	-8	-3	-2	-2	-1	-2
Reserve position in the IMF		69	-20	-3	-8	-29	20	-44
Foreign exchange		-245	-413	-61	-190	-13	-149	311
Other		45	0	0	0	0	0	0
Balance on Financial Account		8,986	1,141	2,675	-1,052	916	-1,398	1,029
<hr/>								
<i>Net errors and omissions</i>		<i>-9,578</i>	<i>-660</i>	<i>-2,064</i>	<i>790</i>	<i>-806</i>	<i>1,420</i>	<i>-826</i>
<hr/>								
Memorandum Item:								
Government financial	Assets	-1,568	102	-556	-2,580	-531	3,769	-756
transactions	Liabilities	1,042	5,330	-382	-89	1,922	3,879	853

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		2000	2001	2001				2002
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Current Account - Total	Cr	135,472	146,944	36,441	36,130	36,618	37,755	39,176
	Db	136,087	148,090	37,293	35,956	36,742	38,099	39,376
Merchandise ²	Cr	79,834	87,542	22,190	22,240	21,316	21,796	24,339
	Db	52,136	53,981	14,489	12,992	12,432	14,068	14,496
Services	Cr	18,331	22,577	4,652	5,123	6,055	6,747	6,024
	Db	31,395	38,934	8,881	8,628	10,255	11,170	10,750
- IFSC	Cr	3,842	5,727	1,215	1,309	1,493	1,710	1,686
	Db	3,098	4,809	988	1,094	1,211	1,516	1,295
- non IFSC	Cr	14,489	16,850	3,437	3,814	4,562	5,037	4,338
	Db	28,297	34,125	7,893	7,534	9,044	9,654	9,456
Income	Cr	32,620	32,026	8,590	7,654	8,194	7,588	7,482
	Db	48,900	50,906	13,043	13,320	12,970	11,573	12,780
- IFSC	Cr	26,480	25,937	6,680	5,792	6,809	6,656	6,063
	Db	24,650	25,709	6,552	5,960	6,836	6,361	5,521
- non IFSC	Cr	6,140	6,088	1,910	1,862	1,384	932	1,420
	Db	24,250	25,197	6,491	7,360	6,134	5,212	7,259
Current Transfers	Cr	4,687	4,800	1,009	1,113	1,054	1,624	1,331
	Db	3,656	4,269	880	1,016	1,085	1,288	1,350
- IFSC ³	Cr	2,305	2,610	477	654	710	769	910
	Db	2,305	2,610	477	654	710	769	910
- non IFSC	Cr	2,382	2,189	532	459	343	855	421
	Db	1,351	1,658	403	362	374	519	440
Balance on Current Account		-615	-1,145	-852	174	-123	-344	-200
Balance on Capital Account		1,207	664	241	88	13	322	-3

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

Item		2000	2001	2001				2002
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Financial Account ⁴								
Direct investment	Abroad	-4,312	-6,030	-1,616	-1,486	-722	-2,206	-1,156
	In Ireland	26,177	10,924	6,188	3,691	1,469	-424	2,295
- IFSC	Abroad	0	-670	48	47	187	-952	42
	In Ireland	14,735	2,708	3,976	594	-1,390	-472	2,558
- non IFSC	Abroad	-4,312	-5,360	-1,664	-1,533	-909	-1,254	-1,198
	In Ireland	11,442	8,217	2,212	3,097	2,859	49	-263
Portfolio investment	Assets	-87,374	-121,304	-29,819	-33,709	-23,967	-33,809	-42,435
	Liabilities	81,724	101,769	27,821	29,636	15,664	28,648	29,400
- IFSC	Assets	-80,241	-112,295	-26,748	-31,625	-23,088	-30,834	-35,917
	Liabilities	75,149	93,073	25,884	29,234	13,526	24,429	26,510
- non IFSC	Assets	-7,133	-9,009	-3,071	-2,084	-879	-2,975	-6,518
	Liabilities	6,575	8,697	1,937	402	2,138	4,220	2,890
Other investment ⁵	Assets	-35,243	-12,666	-8,000	-3,480	1,791	-2,977	-1,899
	Liabilities	28,156	28,888	8,168	4,495	6,726	9,499	14,559
- IFSC	Assets	-30,531	-7,680	-6,771	-267	3,570	-4,212	279
	Liabilities	18,291	19,203	4,189	-1,017	5,201	10,830	6,123
- non IFSC	Assets	-4,712	-4,986	-1,229	-3,213	-1,779	1,235	-2,178
	Liabilities	9,865	9,685	3,979	5,512	1,525	-1,331	8,436
Reserve Assets		-142	-441	-67	-199	-45	-130	265
Balance on Financial Account		8,986	1,141	2,675	-1,052	916	-1,398	1,029
Net errors and omissions		-9,578	-660	-2,064	790	-806	1,420	-826

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		2000	2001	2001				2002
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Current Account - Total	Cr	135,472	146,944	36,441	36,130	36,618	37,755	39,176
	Db	136,087	148,090	37,293	35,956	36,742	38,099	39,376
Merchandise ²	Cr	79,834	87,542	22,190	22,240	21,316	21,796	24,339
	Db	52,136	53,981	14,489	12,992	12,432	14,068	14,496
- EMU	Cr	29,687	31,257	8,487	8,162	7,206	7,402	8,648
	Db	10,403	10,833	2,993	2,789	2,384	2,667	2,792
- non EMU	Cr	50,147	56,285	13,703	14,078	14,110	14,394	15,691
	Db	41,732	43,149	11,496	10,203	10,048	11,402	11,704
- EU	Cr	49,267	53,646	13,608	13,520	12,940	13,578	15,491
	Db	27,894	30,949	7,693	7,375	7,509	8,372	8,595
- non EU	Cr	30,567	33,896	8,582	8,720	8,376	8,218	8,848
	Db	24,243	23,032	6,796	5,617	4,923	5,696	5,901
Services	Cr	18,331	22,577	4,652	5,123	6,055	6,747	6,024
	Db	31,395	38,934	8,881	8,628	10,255	11,170	10,750
- EMU	Cr	6,135	6,588	1,333	1,393	1,785	2,077	2,315
	Db	6,719	8,129	2,094	1,830	1,812	2,393	2,940
- non EMU	Cr	12,196	15,988	3,319	3,730	4,270	4,669	3,708
	Db	24,675	30,811	6,789	6,802	8,443	8,777	7,810
- EU	Cr	12,182	13,021	2,529	3,033	3,772	3,687	4,133
	Db	13,156	16,332	3,888	3,588	4,089	4,767	4,962
- non EU	Cr	6,149	9,558	2,125	2,090	2,283	3,060	1,890
	Db	18,238	22,606	4,995	5,042	6,166	6,403	5,789
Income	Cr	32,620	32,026	8,590	7,654	8,194	7,588	7,482
	Db	48,900	50,906	13,043	13,320	12,970	11,573	12,780
- EMU	Cr	10,722	11,141	3,110	2,801	2,743	2,487	2,570
	Db	15,872	16,020	4,184	4,288	3,430	4,118	3,867
- non EMU	Cr	21,898	20,884	5,480	4,852	5,451	5,101	4,913
	Db	33,028	34,886	8,858	9,033	9,540	7,455	8,913
- EU	Cr	17,935	19,261	5,389	4,788	4,625	4,459	4,190
	Db	24,070	25,416	6,522	6,831	5,977	6,086	6,025
- non EU	Cr	14,684	12,764	3,200	2,866	3,569	3,129	3,293
	Db	24,830	25,489	6,521	6,489	6,993	5,486	6,755
Current Transfers	Cr	4,687	4,800	1,009	1,113	1,054	1,624	1,331
	Db	3,656	4,269	880	1,016	1,085	1,288	1,350
- EMU	Cr	2,537	2,785	532	585	470	1,198	167
	Db	1,486	2,292	409	503	512	868	162
- non EMU	Cr	2,150	2,015	477	528	584	426	1,164
	Db	2,170	1,975	471	513	572	419	1,188
- EU	Cr	3,695	3,927	735	852	764	1,576	727
	Db	2,329	3,334	584	744	779	1,227	722
- non EU	Cr	992	872	274	261	289	48	604
	Db	1,327	933	296	272	305	60	628
Balance on Current Account		-615	-1,145	-852	174	-123	-344	-200
Balance on Capital Account		1,207	664	241	88	13	322	-3

¹ The term 'EMU' means the area represented by the 12 Member States participating in Monetary Union² Adjusted for balance of payments purposes

Table 4b – Financial Account¹ showing geographical² detail

€ million

Item		2000	2001	2001				2002
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Direct Investment	Abroad	-4,312	-6,030	-1,616	-1,486	-722	-2,206	-1,156
	In Ireland	26,177	10,924	6,188	3,691	1,469	-424	2,295
- EMU	Abroad	-230	-2,652	-151	-118	-1,124	-1,259	-664
	In Ireland	3,266	11,444	3,173	1,528	2,116	4,627	1,310
- non EMU	Abroad	-4,082	-3,377	-1,465	-1,366	401	-947	-492
	In Ireland	22,911	-521	3,015	2,162	-647	-5,051	985
- EU	Abroad	42	-4,106	-517	-456	-1,361	-1,772	-727
	In Ireland	6,345	16,050	4,117	2,176	4,525	5,232	-697
- non EU	Abroad	-4,354	-1,924	-1,099	-1,030	639	-434	-429
	In Ireland	19,831	-5,125	2,072	1,515	-3,056	-5,656	2,992
Portfolio Investment	Assets	-87,374	-121,304	-29,819	-33,709	-23,967	-33,809	-42,435
	Liabilities	81,724	101,769	27,821	29,636	15,664	28,648	29,400
- EMU	Assets	-24,229	-33,186	-8,510	-13,264	-7,045	-4,367	-13,421
	Liabilities	6,148	6,760	2,204	3,193	-1,735	3,098	2,431
- non EMU	Assets	-63,145	-88,117	-21,309	-20,445	-16,922	-29,441	-29,014
	Liabilities	75,576	95,009	25,617	26,443	17,399	25,550	26,968
- EU	Assets	-35,944	-50,194	-14,982	-16,324	-9,467	-9,421	-24,164
	Liabilities	26,781	42,416	10,651	18,524	2,061	11,180	13,343
- non EU	Assets	-51,430	-71,109	-14,837	-17,385	-14,499	-24,388	-18,272
	Liabilities	54,943	59,353	17,170	11,112	13,603	17,468	16,056
Other Investment ³	Assets	-35,243	-12,666	-8,000	-3,480	1,791	-2,977	-1,899
	Liabilities	28,156	28,888	8,168	4,495	6,726	9,499	14,559
- EMU	Assets	-7,326	-16,321	-3,543	-785	-8,947	-3,046	2,664
	Liabilities	5,799	15,093	2,160	5,197	5,130	2,606	1,921
- non EMU	Assets	-27,917	3,655	-4,457	-2,695	10,738	69	-4,563
	Liabilities	22,358	13,797	6,008	-701	1,597	6,893	12,638
- EU	Assets	-15,214	-19,298	-6,893	281	-9,440	-3,246	-1,294
	Liabilities	15,420	26,728	4,305	7,096	11,725	3,602	8,110
- non EU	Assets	-20,029	6,628	-1,108	-3,763	11,230	269	-604
	Liabilities	12,721	2,162	3,862	-2,600	-4,997	5,897	6,449
Reserve Assets		-142	-441	-67	-199	-45	-130	265
Balance on Financial Account		8,986	1,141	2,675	-1,052	916	-1,398	1,029
<i>Net errors and omissions</i>		<i>-9,578</i>	<i>-660</i>	<i>-2,064</i>	<i>790</i>	<i>-806</i>	<i>1,420</i>	<i>-826</i>

¹ See footnote 1 on Table 2b² The term 'EMU' means the area represented by the 12 Member States participating in Monetary Union³ 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).

Data collection BOP data collection is statutory and surveys or other data collection arrangements are conducted under the Statistics (Balance of Payments) Order, 2001 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	<p>The balance of payments presentation consists of three tables or accounts, the <i>Current Account</i>, the <i>Capital Account</i> and the <i>Financial Account</i>. 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.</p>
Sign convention and symbols	<p>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.</p> <p>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 <i>credit – debit</i>.</p> <p>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 <i>net change in assets + net change in liabilities</i>. In the case of direct investment, the asset/liability presentation is replaced by the so-called 'directional' one, i.e. <i>direct investment abroad</i> (which approximates to the assets concept) and <i>direct investment in Ireland</i> (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.</p> <p>Amounts are shown in millions of Euro and, in <i>Table 1b</i>, in millions of Irish Pounds. '0' means amounts of less than 500,000 units of currency; '-' means 'not relevant'. Cell entries may not add to totals due to rounding.</p>
Net errors and omissions	<p>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 <i>net errors and omissions</i> is inserted to balance the overall account.</p>
Valuation	<p>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.</p>
Residence	<p>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.</p>
Geographical allocation principle	<p>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).</p>

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.