

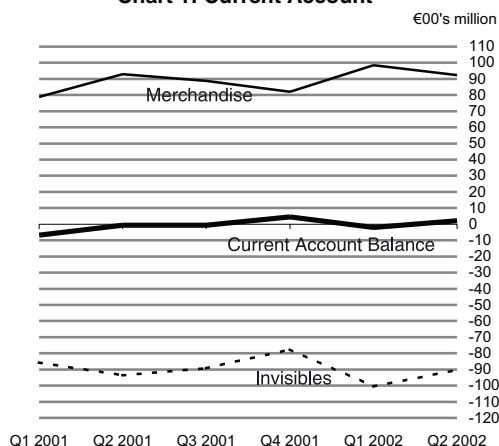


Central Statistics Office
An Phríomh-Oifig Staidrimh

10 October 2002

Balance of International Payments Quarter 2 2002

Chart 1: Current Account



	€ million		
	Merchandise Balance	Invisibles Balance	Current Account Balance
Q2 2002	9,237	-9,028	209
Q2 2001	9,301	-9,360	-59
Q1-Q2 2002	19,080	-19,083	-3
Q1-Q2 2001	17,180	-17,921	-741

Small Current Account surplus of €209m in the second quarter of 2002

Following a small deficit of €211m in the first quarter of 2002, the second quarter showed a similarly small surplus of €209m on the current account of the Balance of Payments. This compared to a marginal deficit balance (revised to €59m) in the same quarter of 2001 - *see Table 1*. The second quarter surplus resulted from combined surpluses of €9,237m on *merchandise* and €150m on *current transfers* somewhat exceeding deficits on *services* and *income* of €3,064m and €6,114m respectively. Over the first six months of the year, the current account was essentially in balance (i.e. a net debit of €3m) compared to a revised deficit of €741m for the first half of 2001.

Revised quarterly and annual results for 2000 and 2001 and for 1st quarter 2002

This release shows revisions to the earlier published results for 2000 and 2001 and for the first quarter of 2002. These arise largely from updated merchandise data and from revised company returns for services, profits and investment transactions. Their overall effect on the annual results is to change the current account balance for 2000 from the €615m deficit reported earlier to a marginal surplus of €53m (i.e. a net credit addition of €668m); the corresponding 2001 deficit balance has changed from €1,145m to €345m (i.e. a net credit addition of €800m). The revised results are being included in the 2001 National Income and Expenditure Release published simultaneously with this Release. In the financial account, the overall balance has changed relatively little for both years. However, revised returns have resulted in sizeable changes to the balances for both *direct investment* and *other investment*, particularly in 2001. In addition, the 2000 4th Quarter and annual figures for *direct investment in Ireland* include significant but offsetting transactions arising from company restructuring. While the instrument and geographical breakdown of *direct investment* reflects these transactions, they are netted out at the overall level of *direct investment in Ireland*.

Merchandise balance down (*see Tables 1 and 2*)

The *merchandise* trade surplus of €9,237m in the second quarter of this year was about €600m lower than the surplus of €9,843m in the first quarter of 2002 and slightly lower than the figure of €9,301m in the same quarter last year. This reflects exports of €23,033m which declined by €1.3 billion from the previous quarter but increased by €538m on the corresponding quarter one year earlier. Imports at €13,796m declined by €700m from the previous quarter and were about €600m up on the level shown for the same quarter last year.

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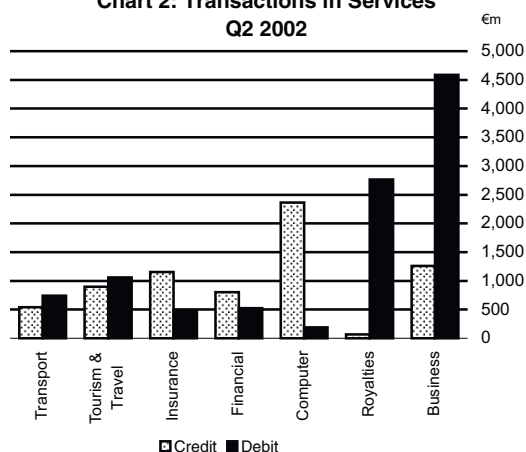
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**Chart 2: Transactions in Services
Q2 2002**



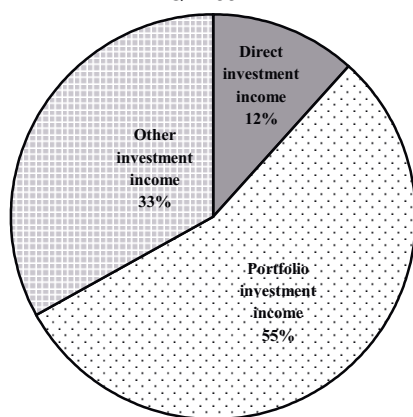
Significantly lower services deficit (see Tables 1 and 2)

The overall *services* balance in the second quarter showed a deficit of €3,064m, down €1.6 billion on the €4,673m deficit shown for the previous quarter and also down €1.3 billion on the deficit of €4,373m in the same quarter last year. *Service* exports amounted to €7,490m and were €1.6 billion up on the first quarter figure (€5,875m) and €1.5 billion up on the second quarter 2001 figure. Imports, at €10,554m, were largely unchanged on the previous quarter and €215m higher than the second quarter 2001 figure. *Computer services* (€2,364m) accounted for over 31.6% of all services exported in the quarter and remained relatively unchanged from the amounts shown for the previous quarter and the corresponding quarter of 2001. *Tourism and travel* receipts (€899m) increased by 13.7% on the level recorded one year earlier. *Insurance* service credits (€1,154m) also increased significantly in the second quarter this year compared with previous quarters reflecting a lower level of premium income assigned to actuarial reserves (see *background notes*). The main contributors to service imports were: *royalties/licences* (€2,762m – down €169m on the preceding quarter); *trade related business services* (€2,323m); and *miscellaneous business services* – mainly inter-affiliate management charges (€2,214m). Both of the latter two categories were relatively stable compared with the first quarter figures but the latter was over €500m down on the figure (€2,719m) shown one year earlier.

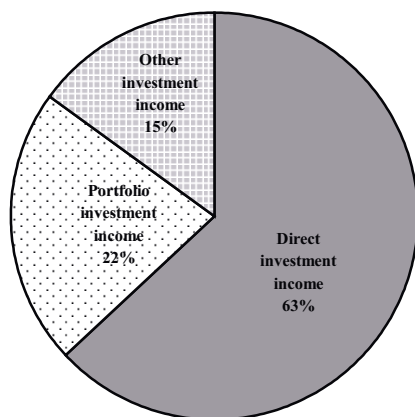
Net income outflows significantly up (see Tables 1 and 2)

Net outflows of income amounted to €6,114m in the second quarter, almost €750m higher than the previous quarter's figure of €5,365m and almost €1.1 billion up on the corresponding quarter in 2001. In gross terms, the second quarter credit of €6,556m was somewhat down on the preceding quarter's figure but over €640m down on the €7,198m shown one year earlier; the debit of €12,670m was up almost €600m on the first quarter figure and over €440m up on the same quarter in 2001. Investment income credits in the second quarter amounted to €6,520m and are largely due to *portfolio investment income* of €3,613m (compared to €2,554m in 2nd quarter 2001) and interest receivable of €2,150m (compared to €3,793m in 2nd quarter 2001) on *other investment* assets. The *direct investment income* credit was €756m in the quarter and showed little change on the corresponding figure (€815m) one year earlier. On the debit side, gross *investment income* outflows amounted to €12,611m in the latest quarter. *Direct investment income* transactions accounted for €7,960m of this figure and were over €500m higher than the outflow of €7,428m in the previous quarter. Compared to the second quarter last year, the outflows were almost €1 billion higher. *Portfolio investment income* debits at €2,767m were over €300m higher than in the first quarter but unchanged from one year earlier. *Other investment income* debits at €1,884m were down almost €300m on the previous quarter and over €500m down on the second quarter 2001.

**Chart 3: Investment Income - Credit
Q2 2002**



**Chart 4: Investment Income - Debit
Q2 2002**



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

Current transfers showed a net surplus of €150m in the second quarter of this year compared to a small deficit of €17m in the preceding quarter. Credit flows amounted to €1,281m, down slightly on the previous quarter and up almost €200m on the level one year ago. On the debit side, there was an outflow of €1,131m. This was down over €200m on the previous quarter but up about €100m on the second quarter 2001. 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. €703m in the latest quarter. 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 surplus of €744m 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 €23,687m or almost 62% of the total of current account credits; the corresponding debits amounted to €20,605m or 54% of the total. The same analysis for transactions with EMU residents shows that total credits amounted to €12,962m or almost 34% of the total; EMU debit transactions totalled to €10,330m or about 27% of all current account debits.

Capital account (see Table 1)

There was a small net surplus of €15m in the capital account in the second quarter. This compared to a net surplus of €88m in the same quarter in 2001.

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

The net credit balance of €438m in the financial account in the second quarter

Chart 5: Direct Investment Inward ('In Ireland'), Outward ('Abroad'), Q2 2002

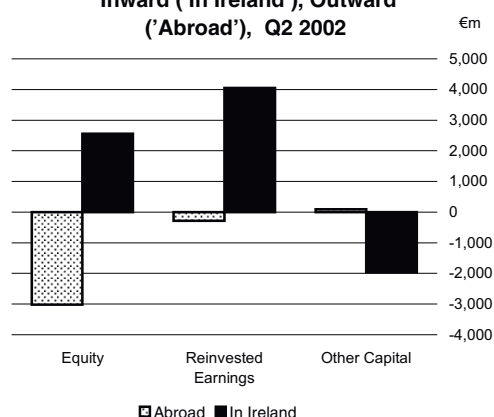


Chart 6: Portfolio Investment Assets/Liabilities, Q2 2002

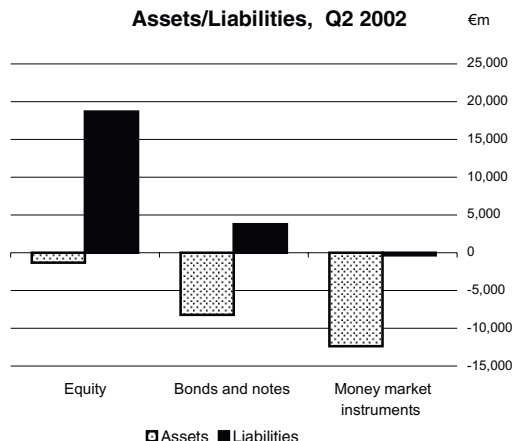
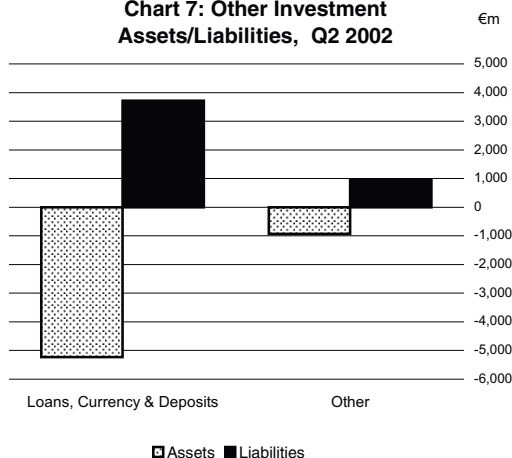


Chart 7: Other Investment Assets/Liabilities, Q2 2002



represents a net increase in the value of Ireland's transactions in foreign liabilities (net of asset transactions). This net asset balance arose because the increase in foreign liabilities of €31,450m was greater than the increase in foreign assets of €31,011m. IFSC transactions with non-residents dominated these results. On the assets side, IFSC enterprises accounted for €20.7 billion or 67% of the total; on the liabilities side, these enterprises accounted for almost €21.6 billion or 69% of the total.

Claims on EU residents account for 77% of Ireland's foreign assets transactions (see Table 4b)

Transactions in foreign assets with EU residents amounted to €23,796m in the second quarter, or 77% of the total; the corresponding liability transactions accounted for €17,966m or 57% of all such transactions with non-residents. Asset transactions with members of the EMU area were valued at €12,405m or 40% of the total while liability transactions, at €10,661m, accounted for 34% of the total.

Direct investment – substantial increase in Direct Investment Abroad (see Tables 2b, 3 and 4b)

Outward direct investment, at over €3.2 billion in the quarter, was the highest figure recorded for some years. *Equity* capital increased by €3,023m and this movement is mainly due to a large transaction in the financial sector. Consequently IFSC related *Direct Investment Abroad* accounts for 92% of the total. Investment into EU countries accounts for 98% of the total and investment into EMU countries amounts to 90% of this total.

Direct Investment in Ireland (including reinvestment of earnings) in the second quarter was €4,644m. This is largely explained by the increase in reinvested earnings of €4,045m, which relates predominantly to companies mainly engaged in manufacturing activity. *Equity* capital increased by €2,559m and was offset by a decrease in *other capital* of €1,960m. Inward investment in IFSC direct investment enterprises was €1,629m, down on the figure of €2,780m in the first quarter. Almost all (95%) of the overall inward direct investment, or €4.4 billion, came from EMU investors. About 88% of overall inward direct investment, or €4.1 billion, came from EU investors.

Portfolio investment – sharp decrease in equity investment (see Tables 2b, 3 and 4b)

Outward portfolio investment of €21,871m in the second quarter was practically halved relative to the first quarter figure of €44,660m. The most significant feature of this general decrease was the collapse in equity investment to €1.3 billion from a level of almost €13.6 billion in the previous quarter. This change reflects the downturn in international equity markets and increased levels of investor uncertainty. In addition, investment in *bonds and notes* at €8,203m was down by almost €8 billion while *money markets instruments*, at €12,368m, showed a decrease of almost €3 billion on first quarter data.

Inward portfolio investment (liability) transactions of €22,128m were almost €8 billion lower 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 €21,108m or almost 95% of the overall total invested in Ireland while the amount shown for non-EU investors at €14,331m was about 65% of the total. Overall, net inward investment amounted to €256m in the second quarter.

Other investment (see Tables 2b, 3 and 4b)

Ireland's *other investment* transactions in the second quarter showed an increase in net assets of €1.4 billion. This resulted from assets transactions of €6,160m (up by over €5 billion compared to the previous quarter) exceeding liabilities transactions of €4,678m (down by over €9 billion from the previous quarter). IFSC enterprises increased their foreign assets by €1,020m while their foreign liabilities rose by €1,813m. Non-IFSC enterprises showed significant activity in the latest quarter with transactions in foreign assets of €5,140m. Their transactions in foreign liabilities of €2,864m show a decrease of almost €4 billion compared to the first quarter. The majority of *other investment* activity was centred in the EU area with increases in foreign assets of €6,571m and increases of €6,073m in liabilities.

Reserve assets

There was a net reduction in *reserve assets* amounting to €236m in the second quarter of the year.

Net errors and omissions

The balancing item *net errors and omissions* shows a debit of €663m in the second quarter, to some extent offsetting the first quarter credit of €1,337m for this item.

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 ²	Year	28,133	-14,098	-14,976	994	-28,080	53	1,182
2001 ²	Year	34,258	-17,380	-17,677	455	-34,602	-345	654
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 ²	Quarter 1	5,528	-2,914	-3,336	324	-5,926	-398	300
	Quarter 2	6,603	-3,230	-3,022	253	-5,999	604	192
	Quarter 3	7,672	-3,476	-4,220	-92	-7,788	-116	-12
	Quarter 4	8,330	-4,478	-4,398	509	-8,367	-37	702
2001 ²	Quarter 1	7,879	-4,793	-3,887	119	-8,561	-682	241
	Quarter 2	9,301	-4,373	-5,032	45	-9,360	-59	88
	Quarter 3	8,869	-3,863	-5,020	-41	-8,924	-55	8
	Quarter 4	8,209	-4,351	-3,738	332	-7,757	451	317
2002	Quarter 1 ²	9,843	-4,673	-5,365	-17	-10,055	-211	-3
	Quarter 2	9,237	-3,064	-6,114	150	-9,028	209	15

¹ Adjusted for balance of payments purposes² Revised

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 ²	Year	23,682	-5,358	-9,037	-142	9,145	-10,380
2001 ²	Year	10,972	-19,893	10,579	-441	1,217	-1,526
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 ²	Quarter 1	2,452	-5,222	3,728	39	997	-899
	Quarter 2	6,324	4,761	-7,128	-55	3,902	-4,698
	Quarter 3	7,073	-5,814	2,652	-38	3,873	-3,745
	Quarter 4	7,833	917	-8,289	-88	373	-1,038
2001 ²	Quarter 1	4,602	-1,572	-487	-67	2,476	-2,035
	Quarter 2	2,745	-3,647	112	-199	-989	960
	Quarter 3	-48	-9,003	7,962	-45	-1,134	1,181
	Quarter 4	3,673	-5,671	2,992	-130	864	-1,632
2002	Quarter 1 ²	323	-14,652	12,941	265	-1,122	1,337
	Quarter 2	1,428	256	-1,482	236	438	-663

¹ Including financial derivatives and trade credits² Revised

Table 2a – Current and Capital Accounts

€ million

Item		2000 ¹	2001 ¹	2000 ¹				2001 ¹				2002	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1 ¹	Quarter 2
Current Account													
Merchandise ²	Cr	80,922	88,551	17,862	19,391	20,496	23,173	22,591	22,495	21,456	22,009	24,339	23,033
	Db	52,789	54,294	12,334	12,788	12,824	14,843	14,712	13,194	12,588	13,800	14,496	13,796
Services	Cr	19,967	23,817	4,048	5,202	5,271	5,446	4,814	5,966	6,294	6,743	5,875	7,490
	Db	34,065	41,197	6,962	8,432	8,747	9,924	9,607	10,339	10,157	11,094	10,549	10,554
Transport	Cr	1,501	1,612	283	394	479	345	309	447	497	359	373	539
	Db	2,852	2,928	673	694	696	789	781	713	689	745	766	742
Tourism and Travel ³	Cr	2,851	3,088	429	767	1,069	586	453	791	1,186	658	539	899
	Db	2,750	3,216	435	741	1,025	549	526	818	1,218	654	636	1,061
Communications	Cr	1,025	1,039	232	229	246	318	187	208	332	312	298	314
	Db	861	645	208	212	222	219	156	184	153	152	138	168
Insurance	Cr	1,225	1,652	286	262	207	470	221	385	488	558	472	1,154
	Db	1,467	1,899	311	495	311	350	395	369	432	703	612	489
Financial services	Cr	2,255	2,933	450	527	637	641	820	737	630	746	724	801
	Db	1,574	1,892	354	350	467	403	412	531	445	504	473	526
Computer services ⁴	Cr	8,138	8,717	1,750	2,294	1,824	2,270	1,923	2,357	1,915	2,522	2,271	2,364
	Db	301	617	78	67	64	92	97	130	175	215	159	190
Royalties/Licences	Cr	492	241	67	119	138	168	100	62	30	49	55	65
	Db	9,051	9,989	1,904	2,532	2,173	2,442	2,613	2,519	2,305	2,552	2,931	2,762
Business services	Cr	2,070	4,153	451	505	566	548	705	883	1,120	1,445	1,047	1,259
	Db	15,113	19,871	2,976	3,315	3,765	5,057	4,580	5,037	4,713	5,541	4,805	4,588
Trade related	Cr	463	161	94	121	121	127	90	129	-29	-29	73	166
	Db	7,814	9,715	1,588	1,570	1,968	2,688	2,524	2,288	2,208	2,695	2,356	2,323
Operational leasing	Cr	597	1,295	81	136	307	73	222	256	345	472	360	369
	Db	105	136	29	24	24	28	29	30	38	39	37	51
Misc. business services ⁵	Cr	1,010	2,698	276	248	138	348	393	498	805	1,002	615	723
	Db	7,194	10,021	1,359	1,721	1,773	2,341	2,027	2,719	2,468	2,807	2,413	2,214
Other services n.e.s.	Cr	410	382	100	105	105	100	96	96	95	95	95	94
	Db	96	141	23	26	24	23	47	38	28	28	28	28

Table 2a – Current and Capital Accounts - continued

€ million

Item		2000 ¹	2001 ¹	2000 ¹				2001 ¹				2002	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1 ¹	Quarter 2
Current Account - continued													
Income	Cr	30,089	29,956	5,829	7,515	8,409	8,336	8,468	7,198	7,402	6,888	6,716	6,556
	Db	45,065	47,633	9,165	10,537	12,629	12,734	12,355	12,230	12,421	10,627	12,080	12,670
Compensation of Employees	Cr	214	213	39	35	105	35	35	36	106	36	36	36
	Db	114	246	41	40	16	17	91	61	33	61	53	59
Investment Income	Cr	29,875	29,743	5,790	7,480	8,304	8,301	8,433	7,162	7,296	6,852	6,679	6,520
	Db	44,951	47,387	9,124	10,497	12,613	12,717	12,264	12,169	12,388	10,566	12,027	12,611
Direct investment income	Cr	3,307	3,685	808	884	1,014	601	1,103	815	1,093	674	1,108	756
	Db	24,342	26,330	5,199	5,565	7,066	6,512	6,414	6,976	7,021	5,919	7,428	7,960
Income on equity	Cr	1,892	2,366	489	533	650	220	699	576	780	311	805	305
	Db	23,024	25,117	4,971	5,202	6,587	6,264	5,973	6,826	6,602	5,716	7,255	7,599
Dividends & distributed branch profits	Cr	502	356	108	105	284	5	76	60	177	43	14	17
	Db	11,736	14,223	3,182	2,010	2,683	3,861	3,581	3,533	3,489	3,620	4,129	3,553
Reinvested earnings	Cr	1,390	2,010	381	428	366	215	623	516	603	268	791	288
	Db	11,288	10,894	1,789	3,192	3,904	2,403	2,392	3,293	3,113	2,096	3,126	4,045
Income on debt	Cr	1,415	1,319	319	351	364	381	404	239	313	363	302	451
	Db	1,318	1,213	228	363	479	248	441	150	419	203	173	362
Portfolio investment income	Cr	7,293	11,105	1,137	1,829	2,193	2,134	2,487	2,554	2,898	3,166	3,045	3,613
	Db	10,316	10,853	1,738	2,530	2,871	3,177	2,711	2,765	2,780	2,597	2,438	2,767
Income on equity	Cr	1,165	1,768	250	363	291	261	262	366	538	602	446	601
	Db	4,430	6,120	833	1,132	1,255	1,210	1,309	1,353	1,751	1,707	1,637	1,938
Income on debt	Cr	6,128	9,337	887	1,466	1,902	1,873	2,225	2,188	2,360	2,564	2,599	3,012
	Db	5,886	4,734	905	1,398	1,616	1,967	1,402	1,412	1,030	890	801	829
Other investment income	Cr	19,275	14,953	3,845	4,767	5,097	5,566	4,843	3,793	3,305	3,012	2,527	2,150
	Db	10,293	10,204	2,187	2,402	2,676	3,028	3,139	2,428	2,587	2,050	2,161	1,884
Current Transfers	Cr	4,686	5,208	1,118	1,069	860	1,639	1,013	1,075	1,268	1,852	1,342	1,281
	Db	3,692	4,753	794	816	952	1,130	894	1,030	1,309	1,520	1,359	1,131
Current Account - Total	Cr	135,664	147,534	28,857	33,177	35,036	38,594	36,886	36,734	36,421	37,493	38,272	38,361
	Db	135,611	147,878	29,255	32,573	35,152	38,631	37,568	36,793	36,475	37,042	38,483	38,152
Current Account Balance		53	-345	-398	604	-116	-37	-682	-59	-55	451	-211	209
Capital Account Balance		1,182	654	300	192	-12	702	241	88	8	317	-3	15

¹ Revised² Adjusted for balance of payments purposes³ Excluding passenger fare receipts⁴ 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 included⁵ Covers mainly inter-affiliate charges (e.g. management fees), in particular on the debit side

Table 2b – Financial Account¹

€ million

Item		2000 ²	2001 ²	2000 ²				2001 ²				2002	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1 ²	Quarter 2
Direct Investment ³	Abroad	-5,024	-6,553	-1,305	-1,251	-1,154	-1,314	-2,685	-1,547	-1,212	-1,109	-762	-3,216
	In Ireland	28,706	17,524	3,757	7,575	8,227	9,147	7,287	4,292	1,164	4,781	1,085	4,644
Equity	Abroad	-3,800	-4,525	-938	-837	-991	-1,034	-1,952	-972	-293	-1,308	-29	-3,023
	In Ireland	-15,407	11,933	2,954	2,389	4,467	-25,217	1,599	1,691	1,365	7,278	1,048	2,559
Reinvested Earnings	Abroad	-1,390	-2,010	-381	-428	-366	-215	-623	-516	-603	-268	-791	-288
	In Ireland	11,288	10,894	1,789	3,192	3,904	2,403	2,392	3,293	3,113	2,096	3,126	4,045
Other Capital	Abroad	166	-18	14	14	203	-65	-110	-59	-316	467	59	95
	In Ireland	32,826	-5,304	-986	1,994	-144	31,962	3,296	-692	-3,315	-4,593	-3,088	-1,960
Portfolio Investment	Assets	-89,246	-124,059	-26,000	-20,780	-31,861	-10,605	-30,206	-34,096	-24,184	-35,573	-44,660	-21,871
	Liabilities	83,888	104,166	20,778	25,541	26,047	11,522	28,634	30,449	15,181	29,902	30,008	22,128
Equity	Assets	-31,238	-27,515	-8,115	-3,699	-14,478	-4,946	-1,267	-11,148	-4,572	-10,528	-13,550	-1,301
	Liabilities	75,043	86,760	17,798	21,722	25,562	9,961	19,514	23,377	19,325	24,544	28,917	18,693
Debt Instruments	Assets	-58,008	-96,544	-17,885	-17,081	-17,383	-5,659	-28,939	-22,948	-19,612	-25,045	-31,110	-20,571
	Liabilities	8,845	17,406	2,980	3,819	485	1,561	9,120	7,072	-4,144	5,358	1,091	3,435
Bonds and notes	Assets	-32,495	-51,437	-10,911	-7,044	-8,984	-5,556	-15,211	-15,682	-7,782	-12,762	-15,938	-8,203
	Liabilities	1,680	4,096	850	487	693	-350	4,845	2,478	-2,115	-1,112	2,312	3,776
Money market instruments	Assets	-25,513	-45,107	-6,974	-10,037	-8,399	-103	-13,728	-7,266	-11,829	-12,284	-15,172	-12,368
	Liabilities	7,165	13,310	2,130	3,332	-208	1,911	4,275	4,594	-2,029	6,470	-1,221	-342

Table 2b – Financial Account¹ - continued

€ million

Item		2000 ²	2001 ²	2000 ²				2001 ²				2002	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1 ²	Quarter 2
Other Investment	Assets	-39,802	-16,744	-9,209	-9,823	-8,996	-11,774	-8,109	-3,272	1,216	-6,579	-995	-6,160
	Liabilities	30,765	27,323	12,937	2,695	11,648	3,485	7,622	3,384	6,746	9,571	13,936	4,678
Loans, currency and deposits	Assets	-32,811	-10,625	-8,921	-8,080	-9,789	-6,021	-6,181	-1,060	2,809	-6,193	-1,563	-5,226
	Liabilities	30,345	23,643	12,693	3,193	10,092	4,367	6,913	4,470	3,603	8,657	10,025	3,714
Other ⁴	Assets	-6,991	-6,119	-288	-1,743	793	-5,753	-1,928	-2,212	-1,593	-386	568	-934
	Liabilities	420	3,680	244	-498	1,556	-882	709	-1,086	3,143	914	3,911	964
Reserve Assets		-142	-441	39	-55	-38	-88	-67	-199	-45	-130	265	236
Monetary gold		-1	0	-1	1	0	-1	0	1	-1	0	0	0
Special drawing rights		-10	-8	-2	-3	-3	-2	-3	-2	-2	-1	-2	-2
Reserve position in the IMF		69	-20	0	56	12	1	-3	-8	-29	20	-44	-28
Foreign exchange		-245	-413	42	-99	-9	-179	-61	-190	-13	-149	311	266
Other		45	0	0	-10	-38	93	0	0	0	0	0	0
Balance on Financial Account		9,145	1,217	997	3,902	3,873	373	2,476	-989	-1,134	864	-1,122	438
Net errors and omissions		-10,380	-1,526	-899	-4,698	-3,745	-1,038	-2,035	960	1,181	-1,632	1,337	-663
Memorandum Item:													
Government financial transactions	Assets	-1,568	102	-2,060	-2,410	2,487	414	-556	-2,580	-531	3,769	-756	-1,393
	Liabilities	1,042	7,152	1,769	1,293	-2,025	6	-382	-89	1,922	5,701	853	322

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 Revised

³ In the 4th quarter of 2000, *direct investment in Ireland* includes offsetting transactions separately recorded under *equity* and *other capital* each amounting to about €32 billion. These transactions related to restructuring within EU/EMU based and non-EU/non-EMU based affiliated enterprises (see also Table 4b) and do not affect the figures for overall direct investment in Ireland

⁴ Including financial derivatives and trade credits

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

€ million

Item		2000 ²	2001 ²	2000 ²				2001 ²				2002	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1 ²	Quarter 2
Current Account - Total	Cr	135,664	147,534	28,857	33,177	35,036	38,594	36,886	36,734	36,421	37,493	38,272	38,361
	Db	135,611	147,878	29,255	32,573	35,152	38,631	37,568	36,793	36,475	37,042	38,483	38,152
Merchandise ³	Cr	80,922	88,551	17,862	19,391	20,496	23,173	22,591	22,495	21,456	22,009	24,339	23,033
	Db	52,789	54,294	12,334	12,788	12,824	14,843	14,712	13,194	12,588	13,800	14,496	13,796
Services	Cr	19,967	23,817	4,048	5,202	5,271	5,446	4,814	5,966	6,294	6,743	5,875	7,490
	Db	34,065	41,197	6,962	8,432	8,747	9,924	9,607	10,339	10,157	11,094	10,549	10,554
- IFSC	Cr	3,842	5,905	765	865	1,086	1,126	1,215	1,309	1,567	1,814	1,540	2,336
	Db	3,098	4,925	542	756	863	937	988	1,094	1,249	1,594	1,164	1,316
- non IFSC	Cr	16,125	17,912	3,283	4,337	4,185	4,320	3,599	4,657	4,727	4,929	4,335	5,154
	Db	30,967	36,272	6,420	7,676	7,884	8,987	8,619	9,245	8,908	9,500	9,385	9,238
Income	Cr	30,089	29,956	5,829	7,515	8,409	8,336	8,468	7,198	7,402	6,888	6,716	6,556
	Db	45,065	47,633	9,165	10,537	12,629	12,734	12,355	12,230	12,421	10,627	12,080	12,670
- IFSC	Cr	23,980	24,009	4,427	5,977	6,590	6,986	6,680	5,461	5,976	5,892	5,294	5,704
	Db	22,149	23,307	4,204	5,426	6,235	6,284	6,552	5,457	5,991	5,307	5,270	5,980
- non IFSC	Cr	6,109	5,947	1,402	1,538	1,819	1,350	1,788	1,737	1,426	996	1,422	852
	Db	22,916	24,325	4,961	5,111	6,394	6,450	5,803	6,773	6,430	5,319	6,810	6,690
Current Transfers	Cr	4,686	5,208	1,118	1,069	860	1,639	1,013	1,075	1,268	1,852	1,342	1,281
	Db	3,692	4,753	794	816	952	1,130	894	1,030	1,309	1,520	1,359	1,131
- IFSC ⁴	Cr	2,305	3,040	412	587	573	733	477	654	921	988	928	703
	Db	2,305	3,040	412	587	573	733	477	654	921	988	928	703
- non IFSC	Cr	2,381	2,169	706	482	287	906	536	421	347	865	415	578
	Db	1,387	1,713	382	229	379	397	417	376	388	532	431	428
Balance on Current Account		53	-345	-398	604	-116	-37	-682	-59	-55	451	-211	209
Balance on Capital Account		1,182	654	300	192	-12	702	241	88	8	317	-3	15

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

€ million

Item		2000 ²	2001 ²	2000 ²				2001 ²				2002	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1 ²	Quarter 2
Financial Account ⁵													
Direct investment	Abroad	-5,024	-6,553	-1,305	-1,251	-1,154	-1,314	-2,685	-1,547	-1,212	-1,109	-762	-3,216
	In Ireland	28,706	17,524	3,757	7,575	8,227	9,147	7,287	4,292	1,164	4,781	1,085	4,644
- IFSC	Abroad	0	-955	0	0	0	0	48	47	-91	-959	44	-2,967
	In Ireland	14,006	5,796	1,179	3,633	3,746	5,448	3,976	428	-393	1,785	2,780	1,629
- non IFSC	Abroad	-5,024	-5,597	-1,305	-1,251	-1,154	-1,314	-2,733	-1,594	-1,120	-150	-806	-249
	In Ireland	14,700	11,727	2,578	3,942	4,481	3,699	3,311	3,864	1,556	2,996	-1,695	3,015
Portfolio investment	Assets	-89,246	-124,059	-26,000	-20,780	-31,861	-10,605	-30,206	-34,096	-24,184	-35,573	-44,660	-21,871
	Liabilities	83,888	104,166	20,778	25,541	26,047	11,522	28,634	30,449	15,181	29,902	30,008	22,128
- IFSC	Assets	-80,241	-114,160	-22,571	-21,118	-28,640	-7,912	-26,748	-31,625	-23,311	-32,476	-37,873	-16,988
	Liabilities	75,149	91,268	16,865	22,016	25,922	10,346	25,884	29,234	12,923	23,227	27,118	18,156
- non IFSC	Assets	-9,005	-9,899	-3,429	338	-3,221	-2,693	-3,458	-2,471	-873	-3,097	-6,786	-4,883
	Liabilities	8,739	12,899	3,913	3,525	125	1,176	2,750	1,215	2,258	6,676	2,891	3,971
Other investment ⁶	Assets	-39,802	-16,744	-9,209	-9,823	-8,996	-11,774	-8,109	-3,272	1,216	-6,579	-995	-6,160
	Liabilities	30,765	27,323	12,937	2,695	11,648	3,485	7,622	3,384	6,746	9,571	13,936	4,678
- IFSC	Assets	-30,531	-7,554	-6,647	-5,428	-8,509	-9,947	-6,771	250	4,234	-5,267	-785	-1,020
	Liabilities	18,291	15,459	8,971	236	8,911	173	4,189	-1,799	4,141	8,928	7,021	1,813
- non IFSC	Assets	-9,271	-9,190	-2,562	-4,395	-487	-1,827	-1,338	-3,522	-3,018	-1,312	-209	-5,140
	Liabilities	12,474	11,864	3,966	2,459	2,737	3,312	3,433	5,183	2,605	643	6,915	2,864
Reserve Assets		-142	-441	39	-55	-38	-88	-67	-199	-45	-130	265	236
Balance on Financial Account		9,145	1,217	997	3,902	3,873	373	2,476	-989	-1,134	864	-1,122	438
Net errors and omissions		-10,380	-1,526	-899	-4,698	-3,745	-1,038	-2,035	960	1,181	-1,632	1,337	-663

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 Revised

³ Adjusted for balance of payments purposes

⁴ Current transfers to and from IFSC enterprises relate solely to non-life insurance transactions (see Background Notes)

⁵ See footnote 1 on Table 2b

⁶ Including financial derivatives and trade credits

Table 4a – Current and Capital Accounts showing geographical¹ detail

€ million

Item		2000 ²	2001 ²	2000 ²			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account - Total	Cr	135,664	147,534	28,857	33,177	35,036	38,594
	Db	135,611	147,878	29,255	32,573	35,152	38,631
Merchandise ³	Cr	80,922	88,551	17,862	19,391	20,496	23,173
	Db	52,789	54,294	12,334	12,788	12,824	14,843
- EMU	Cr	30,302	31,818	7,188	7,295	7,432	8,387
	Db	10,645	11,017	2,604	2,803	2,296	2,942
- non EMU	Cr	50,620	56,734	10,674	12,096	13,064	14,786
	Db	42,144	43,277	9,730	9,985	10,528	11,901
- EU	Cr	50,439	54,861	11,676	12,062	12,421	14,280
	Db	28,459	31,482	6,817	6,971	6,534	8,137
- non EU	Cr	30,483	33,690	6,186	7,329	8,075	8,893
	Db	24,331	22,812	5,517	5,817	6,291	6,706
Services	Cr	19,967	23,817	4,048	5,202	5,271	5,446
	Db	34,065	41,197	6,962	8,432	8,747	9,924
- EMU	Cr	5,318	8,583	1,006	1,313	1,564	1,435
	Db	7,948	9,879	1,591	2,046	2,146	2,165
- non EMU	Cr	14,649	15,236	3,042	3,889	3,707	4,011
	Db	26,116	31,324	5,371	6,386	6,601	7,758
- EU	Cr	12,250	16,423	2,420	3,248	3,284	3,298
	Db	13,864	19,323	3,109	2,834	3,860	4,061
- non EU	Cr	7,717	7,395	1,628	1,954	1,987	2,148
	Db	20,200	21,878	3,853	5,598	4,887	5,862
Income	Cr	30,089	29,956	5,829	7,515	8,409	8,336
	Db	45,065	47,633	9,165	10,537	12,629	12,734
- EMU	Cr	9,285	10,350	2,101	2,777	2,371	2,036
	Db	12,812	15,274	2,941	3,188	3,175	3,508
- non EMU	Cr	20,804	19,604	3,728	4,738	6,038	6,300
	Db	32,253	32,358	6,224	7,349	9,454	9,226
- EU	Cr	15,645	17,772	3,273	3,994	4,242	4,136
	Db	20,590	24,476	4,163	5,336	5,178	5,913
- non EU	Cr	14,443	12,183	2,556	3,521	4,167	4,199
	Db	24,475	23,156	5,002	5,201	7,451	6,821
Current Transfers	Cr	4,686	5,208	1,118	1,069	860	1,639
	Db	3,692	4,753	794	816	952	1,130
- EMU	Cr	2,537	1,809	661	581	249	1,046
	Db	1,486	1,633	320	318	319	529
- non EMU	Cr	2,149	3,399	457	488	611	593
	Db	2,206	3,120	474	498	633	601
- EU	Cr	3,695	3,822	978	983	574	1,160
	Db	2,349	3,265	623	488	620	618
- non EU	Cr	991	1,386	140	86	286	479
	Db	1,343	1,490	171	328	332	512
Balance on Current Account		53	-345	-398	604	-116	-37
Balance on Capital Account		1,182	654	300	192	-12	702

¹ The term 'EMU' means the area represented by the 12 Member States participating in Monetary Union² Revised³ Adjusted for balance of payments purposes

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

€ million

2001 ²				2002		Item
Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1 ²	Quarter 2	
36,886	36,734	36,421	37,493	38,272	38,361	Cr
37,568	36,793	36,475	37,042	38,483	38,152	Db
						Current Account - Total
22,591	22,495	21,456	22,009	24,339	23,033	Cr
14,712	13,194	12,588	13,800	14,496	13,796	Db
						Merchandise ³
8,515	7,904	7,232	8,167	8,648	8,235	Cr
3,070	2,809	2,419	2,719	2,792	2,815	Db
14,076	14,591	14,225	13,842	15,691	14,798	Cr
11,642	10,384	10,169	11,082	11,704	10,981	Db
						- non EMU
14,027	13,485	13,111	14,238	15,491	14,615	Cr
8,017	7,541	7,597	8,327	8,595	8,207	Db
						- EU
8,564	9,010	8,345	7,771	8,848	8,418	Cr
6,695	5,653	4,990	5,474	5,901	5,590	Db
						- non EU
4,814	5,966	6,294	6,743	5,875	7,490	Cr
9,607	10,339	10,157	11,094	10,549	10,554	Db
						Services
1,633	1,992	2,333	2,625	2,363	2,267	Cr
2,418	2,454	2,090	2,917	2,971	3,009	Db
						- EMU
3,181	3,974	3,962	4,119	3,512	5,223	Cr
7,191	7,889	8,067	8,177	7,578	7,545	Db
						- non EMU
3,268	4,075	4,483	4,597	4,157	4,358	Cr
4,339	4,528	4,877	5,579	4,898	5,130	Db
						- EU
1,546	1,891	1,812	2,146	1,718	3,133	Cr
5,269	5,813	5,280	5,516	5,651	5,424	Db
						- non EU
8,468	7,198	7,402	6,888	6,716	6,556	Cr
12,355	12,230	12,421	10,627	12,080	12,670	Db
						Income
3,084	2,575	2,377	2,314	2,204	2,231	Cr
3,724	3,518	4,240	3,792	3,667	4,283	Db
						- EMU
5,384	4,622	5,024	4,574	4,511	4,325	Cr
8,631	8,713	8,181	6,833	8,413	8,387	Db
						- non EMU
5,270	4,400	4,044	4,058	3,822	3,787	Cr
5,995	5,736	6,809	5,936	5,557	6,519	Db
						- EU
3,197	2,798	3,358	2,830	2,894	2,769	Cr
6,360	6,494	5,612	4,690	6,523	6,151	Db
						- non EU
1,013	1,075	1,268	1,852	1,342	1,281	Cr
894	1,030	1,309	1,520	1,359	1,131	Db
						Current Transfers
535	550	236	488	235	229	Cr
409	503	238	483	233	223	Db
						- EMU
478	525	1,032	1,364	1,107	1,053	Cr
485	527	1,071	1,037	1,126	908	Db
						- non EMU
738	817	714	1,553	794	927	Cr
589	749	728	1,199	784	749	Db
						- EU
275	258	554	299	548	355	Cr
305	281	582	322	574	383	Db
						- non EU
-682	-59	-55	451	-211	209	Balance on Current Account
241	88	8	317	-3	15	Balance on Capital Account

Table 4b – Financial Account¹ showing geographical² detail

€ million

Item		2000 ³	2001 ³	2000 ³			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4
Direct Investment⁴	Abroad	-5,024	-6,553	-1,305	-1,251	-1,154	-1,314
	In Ireland	28,706	17,524	3,757	7,575	8,227	9,147
- EMU	Abroad	55	-1,848	1	-32	-25	111
	In Ireland	36,916	14,716	-164	744	2,828	33,508
- non EMU	Abroad	-5,079	-4,702	-1,306	-1,219	-1,129	-1,425
	In Ireland	-8,210	2,807	3,921	6,831	5,399	-24,361
- EU	Abroad	23	-3,481	-79	-225	452	-125
	In Ireland	40,936	17,284	259	3,740	4,233	32,704
- non EU	Abroad	-5,047	-3,071	-1,226	-1,026	-1,606	-1,189
	In Ireland	-12,231	240	3,498	3,835	3,994	-23,558
Portfolio Investment	Assets	-89,246	-124,059	-26,000	-20,780	-31,861	-10,605
	Liabilities	83,888	104,166	20,778	25,541	26,047	11,522
- EMU	Assets	-24,253	-36,166	-11,235	-466	-9,052	-3,500
	Liabilities	6,148	4,854	4,253	1,288	1,958	-1,351
- non EMU	Assets	-64,993	-87,893	-14,765	-20,314	-22,809	-7,105
	Liabilities	77,740	99,312	16,525	24,253	24,089	12,873
- EU	Assets	-36,458	-52,849	-17,200	98	-15,391	-3,965
	Liabilities	26,879	43,586	18,554	4,725	2,144	1,456
- non EU	Assets	-52,788	-71,209	-8,800	-20,878	-16,470	-6,640
	Liabilities	57,009	60,580	2,224	20,816	23,903	10,066
Other Investment⁵	Assets	-39,802	-16,744	-9,209	-9,823	-8,996	-11,774
	Liabilities	30,765	27,323	12,937	2,695	11,648	3,485
- EMU	Assets	-12,551	-5,362	653	-2,585	-956	-9,663
	Liabilities	10,809	8,597	1,393	103	312	9,001
- non EMU	Assets	-27,251	-11,382	-9,862	-7,238	-8,040	-2,111
	Liabilities	19,956	18,729	11,543	2,592	11,336	-5,515
- EU	Assets	-18,933	-6,037	-979	-7,881	-2,245	-7,828
	Liabilities	22,747	22,100	4,554	3,109	5,813	9,271
- non EU	Assets	-20,869	-10,711	-8,230	-1,942	-6,751	-3,946
	Liabilities	8,018	5,227	8,383	-414	5,835	-5,786
Reserve Assets		-142	-441	39	-55	-38	-88
Balance on Financial Account		9,145	1,217	997	3,902	3,873	373
<i>Net errors and omissions</i>		<i>-10,380</i>	<i>-1,526</i>	<i>-899</i>	<i>-4,698</i>	<i>-3,745</i>	<i>-1,038</i>

¹ See footnote 1 on Table 2b² The term 'EMU' means the area represented by the 12 Member States participating in Monetary Union³ Revised⁴ In the 4th quarter of 2000, *direct investment in Ireland* includes offsetting transactions amounting to about €32 billion and related to restructuring within EU/EMU based and non-EU/non-EMU based affiliated enterprises. The geographical data shown reflect these transactions as do the *equity* and *other capital* breakdown in *Table 2b*. The figures for overall direct investment in Ireland are not affected⁵ Including financial derivatives and trade credits

Table 4b – Financial Account¹ showing geographical² detail - continued

€ million

2001 ³				2002		Item	
Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1 ³	Quarter 2		
-2,685	-1,547	-1,212	-1,109	-762	-3,216	Abroad	Direct Investment ⁴
7,287	4,292	1,164	4,781	1,085	4,644	In Ireland	
-1,049	-9	-447	-343	-298	-2,891	Abroad	- EMU
3,594	1,681	3,408	6,033	-197	4,407	In Ireland	
-1,636	-1,536	-764	-766	-464	-325	Abroad	- non EMU
3,693	2,610	-2,244	-1,252	1,282	237	In Ireland	
-1,439	-386	-883	-773	-318	-3,154	Abroad	- EU
4,742	2,367	4,771	5,404	-2,347	4,096	In Ireland	
-1,246	-1,161	-328	-336	-444	-62	Abroad	- non EU
2,546	1,925	-3,608	-623	3,432	547	In Ireland	
-30,206	-34,096	-24,184	-35,573	-44,660	-21,871	Assets	Portfolio Investment
28,634	30,449	15,181	29,902	30,008	22,128	Liabilities	
-8,516	-13,270	-8,309	-6,071	-14,388	-7,448	Assets	- EMU
2,204	3,193	-1,923	1,380	2,135	1,020	Liabilities	
-21,690	-20,826	-15,875	-29,502	-30,272	-14,423	Assets	- non EMU
26,430	27,256	17,104	28,522	27,873	21,108	Liabilities	
-15,080	-16,422	-10,406	-10,941	-25,157	-14,071	Assets	- EU
10,733	18,606	3,338	10,909	13,049	7,797	Liabilities	
-15,126	-17,674	-13,777	-24,632	-19,502	-7,800	Assets	- non EU
17,901	11,843	11,843	18,993	16,960	14,331	Liabilities	
-8,109	-3,272	1,216	-6,579	-995	-6,160	Assets	Other Investment ⁵
7,622	3,384	6,746	9,571	13,936	4,678	Liabilities	
-3,441	-256	-1,579	-86	6,208	-2,066	Assets	- EMU
1,971	3,548	2,458	620	2,352	5,234	Liabilities	
-4,668	-3,016	2,795	-6,493	-7,203	-4,094	Assets	- non EMU
5,651	-163	4,290	8,951	11,584	-555	Liabilities	
-6,692	4,267	-2,421	-1,191	3,197	-6,571	Assets	- EU
4,125	5,716	9,728	2,531	13,192	6,073	Liabilities	
-1,418	-7,541	3,637	-5,389	-4,191	411	Assets	- non EU
3,497	-2,331	-2,979	7,040	744	-1,394	Liabilities	
-67	-199	-45	-130	265	236		Reserve Assets
2,476	-989	-1,134	864	-1,122	438		Balance on Financial Account
-2,035	960	1,181	-1,632	1,337	-663		Net errors and omissions

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 re-designed.

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 Euro. '0' means amounts of less than 500,000 units of currency; '-' means 'not relevant'. Cell entries may not add to totals due to rounding.

**Net errors and
omissions**

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

Valuation

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

Residence

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

**Geographical allocation
principle**

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

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

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

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

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

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

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

- (i) *Direct investment income* covers income accruing to an Irish or foreign direct investor from ownership of (correspondingly) a direct investment enterprise located abroad or in Ireland (*see definition of direct investment in the financial account section below*). It is split into income on equity and income on debt. *Direct investment income on equity* may be called the 'entrepreneurial income' of the enterprise which, in principle, is its net operating surplus plus investment income receivable less investment income payable. It is calculated net of corporation taxes. In company accounting terms, direct investment income on equity can be equated or approximated to an enterprise's consolidated profit (or loss) after interest, tax and minority interests and excluding capital and exchange gains (or losses) and other unusual provisions and write-offs. This income item is further subdivided into *dividends* and *distributed branch profits* and *reinvested earnings*. Dividends are recorded at the time they become due for payment while distributed branch profits are recorded when receipt or payment occurs. Amounts recorded under *reinvested earnings* represent the difference between the enterprise's entrepreneurial income and the distributions (dividends, etc.) made. As it is an income flow in the BOP current account but without a counterpart cash flow in the financial account, an offset of equal magnitude is recorded under *direct investment* in the latter. *Direct investment income on debt* covers income (mainly interest) on non-equity inter-affiliate assets and liabilities (mainly loans).
- (ii) *Portfolio investment income* covers income receivable and payable to non-direct investors on their holdings of equity and long and short-term debt securities (*see definition of portfolio investment below*). Income on equity consists of dividends actually received/paid. Income on debt securities refers to coupon or interest payments on bonds and notes and interest on money market instruments. In principle, the income should be recorded on an accruals basis using market valuations. In practice, some respondents currently report on a cash basis. Discounts and premiums (i.e. differences between the nominal value and the issue value) are treated as income or negative income respectively and spread (accrued) over the life of the instrument.
- (iii) *Other investment income* covers interest on loans and deposits and also the income generated from the holdings of external reserve assets of the Central Bank of Ireland. The flows recorded under this item relate largely to interest flows of credit institutions.

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

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

Capital account

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

Financial account

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

Direct investment is a category of international investment that, based on an equity ownership of at least 10%, reflects a lasting interest by a resident in one economy (the direct investor) in an enterprise resident in another economy (the direct investment enterprise). Using this criterion, a direct investment relationship can exist between a number of affiliated enterprises whether the linkage involves a single chain or a number of chains. It can extend to a direct investment enterprise's subsidiaries, sub-subsidiaries and associates. Once the direct investment relationship is established, all subsequent financial flows between the related entities are recorded as direct investment transactions, regardless of the type of financial instrument used in the financing arrangement (except for financial intermediary affiliates among which direct investment transactions are limited to those involving equity and permanent debt). The components of direct investment transactions are *equity capital*, *reinvested earnings*, and *other capital*. *Equity capital* comprises investment in branches, shares in subsidiaries and associates (except non-participating preferred shares that are treated as debt securities) and other capital contributions. *Reinvested earnings* consists of the off-setting entry to the corresponding current account income item: it is the direct investor's share of the undistributed earnings of its branches, subsidiaries and associates. *Other capital* covers all other inter-affiliate financial transactions (borrowing and lending of funds), including debt securities and suppliers' credits (i.e. trade credits). Following the recommendations of the IMF, ECB, EUROSTAT and OECD, direct investment flows are recorded on a '*directional basis*' rather than the more usual assets/liabilities basis. *Direct investment abroad* covers *net* investment by parent companies resident in Ireland in their foreign branches, subsidiaries and associated companies. *Direct investment in Ireland* covers the *net* investment by foreign companies in their affiliates located in Ireland.

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

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

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

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

Comparison with previous series

1998 is the only year for which balance of payments figures are available for both the new series and the old series. Because of the greater enterprise coverage and the radically different compilation methodology underpinning the new series, the CSO regards the two sets of results for 1998 as not readily comparable in any meaningful sense. In overall terms, the net balances for all of the BOP accounts are the differences between gross flows and, for the current and financial accounts, these gross flows are very large and the resulting balances tend to be quite volatile. However, in preparing the National Income and Expenditure estimates for 1999 (published in July 2000) CSO incorporated some provisional pre-1998 retrospective estimates on the new basis. These estimates are for the main components of the current account of the BOP only. It is intended that these will be further refined at a later date.

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