

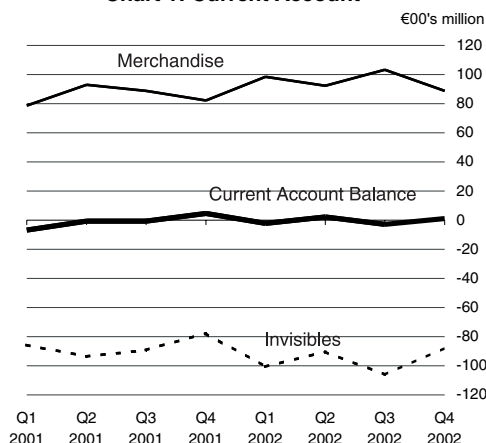


**Central Statistics Office**  
An Phríomh-Oifig Staidrimh

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## Balance of International Payments Quarter 4 and Year 2002

**Chart 1: Current Account**



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	€ million		
	Merchandise Balance	Invisibles Balance	Current Account Balance
<b>Q4 2002</b>	8,875	-8,767	108
<b>Q4 2001</b>	8,209	-7,757	451
<b>Year 2002</b>	38,279	-38,465	-184
<b>Year 2001</b>	34,258	-34,602	-345

### Small Current Account surplus of €108m in the fourth quarter results in an overall deficit of €184m for 2002

There was a surplus of €108m on the current account of the Balance of Payments in the fourth quarter of 2002, as compared with the €290m deficit for the previous quarter. For the entire year of 2002 the current account was in deficit by €184m compared with a deficit of €345m for 2001 - *see Table 1*. However these results are provisional and are subject to revision in the light of later information becoming available.

The fourth quarter surplus resulted from combined surpluses for *merchandise* of €8,875m and *current transfers* of €738m exceeding deficits on *services* of €3,352m and *income* of €6,153m. In the year 2002, the *merchandise* and *current transfer* surpluses of €38,279m and €879m respectively, were more than offset by the *services* and *income* deficits of €14,387m and €24,957m.

### Trade surplus declines in 4th Quarter (*see Tables 1 and 2*)

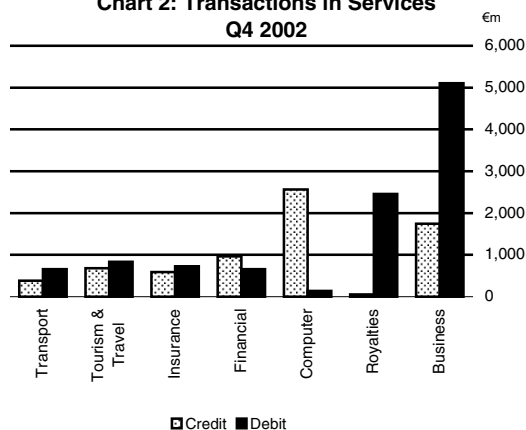
Merchandise exports fell from €21,997m in the third quarter of 2002 to €21,028m in the fourth quarter while imports increased from €11,673m to €12,153m reducing the fourth quarter surplus to €8,875m. Exports over the entire year were €90,397m, slightly higher than the previous year, while imports were €52,118m, down €2,176m on the previous year. The 2002 trade surplus increased from €34,258m to €38,279m.

### Deficit on services stable (*see Tables 1 and 2*)

The overall *services* balance in the fourth quarter showed a deficit of €3,352m, up €54m on the third quarter deficit of €3,298m but down €1 billion on the last quarter in 2001. *Services* exports in the quarter at €7,407m were €664m higher than for the same period in 2001 but had declined from the third quarter figure of €7,959m. Imports also fell to €10,759m from €11,257m. Over the year, exports of services were €28,731m while imports stood at €43,119m, both higher than in the previous year. On the exports side, both *transport* and *tourism and travel* receipts declined in the fourth quarter compared to the previous one. The latter fell from €1,251m to €683m largely reflecting seasonal factors. Computer service exports declined to €2,564m from €2,844m in the previous quarter. Trade related service exports increased from €146m in the third quarter to €396m in quarter four; miscellaneous business service exports grew slightly to €862m.

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**Chart 2: Transactions in Services  
Q4 2002**



On the imports side, the main changes during the quarter were a decline in *tourism and travel* expenditure, down to €836m largely reflecting seasonal factors. Royalties/licences declined somewhat on quarter three from €2,689m to €2,459m. So too did trade related business services which fell from €2,670m to €2,361m. Miscellaneous business services – mostly inter-affiliate management fees – increased from €2,464m in quarter three to €2,691m in the fourth quarter.

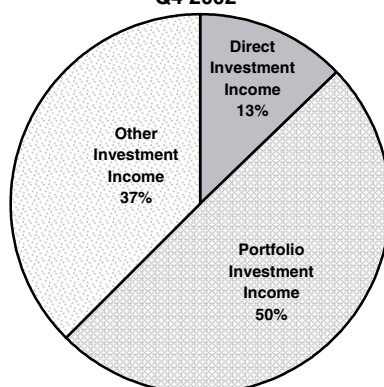
#### **Lower net income outflow (see Tables 1 and 2)**

Net outflows of income amounted to €6,153m in the fourth quarter, down €1.2 billion on the previous quarter. Income credits increased by more than €1 billion from €6,778m in quarter three to €7,849m in quarter four. Debits in the quarter were marginally down at €14,002m compared with €14,103m in the previous period. In the year 2002, income credits were €27,899m, slightly down on the 2001 figure of €29,956m while income debits at €52,855m were up €5 billion on the year 2001 outflow of €47,633m. This annual increase on the debit side can be largely traced to increases in *direct investment income* (principally company profits) from €26,330m in 2001 to €32,316m in 2002, reflecting an increase in company profitability. The changes relating to income on *portfolio investment* and *other investment* were smaller.

#### **Marked increase in current transfers surplus (see Tables 1, 2 and 3)**

*Current transfers* showed a significant surplus of €738m in the fourth quarter of 2002 reflecting increased receipts from the European Union. Over the year, a surplus of €879m was recorded compared to the previous year's surplus of €455m. In gross terms, overall receipts in the quarter amounted to €1,959m while payments stood at €1,221m. Within these gross flows, transfers relating to IFSC non-life insurance business showed equal amounts on both the credits and debits sides i.e. €829m in quarter four compared to €853m in the previous quarter. Non-IFSC transfers relate largely to EU receipts and payments referred to above.

**Chart 3: Investment Income - Credit  
Q4 2002**



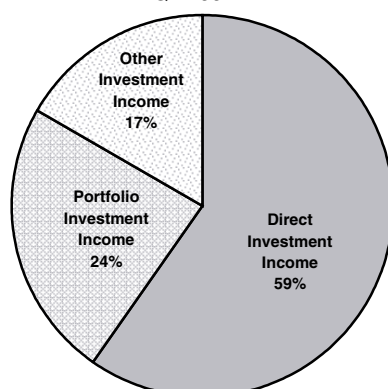
#### **IFSC contribution to the current account (see Table 3)**

In terms of their nominal contribution to the overall current account balance, IFSC enterprises' transactions with non-residents showed a surplus of €520m in the fourth quarter of 2002. Over the full year this surplus was €2,501m compared to €1,682m in 2001. As IFSC enterprises also interact with their resident non-IFSC affiliates, some of which are foreign owned, care should therefore be exercised when interpreting these figures.

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

Credit transactions with EU residents in the fourth quarter of 2002 accounted for €23,403m or 61% of the total of current account credits; the corresponding debits amounted to €20,665m, or 54% of the total. The same analysis for transactions with EMU residents shows that credits and debits amounted to 35% and 29% of the respective overall totals. The annual 2002 figures reflected similar patterns.

**Chart 4: Investment Income - Debit  
Q4 2002**



#### **Capital account (see Table 1)**

In the fourth quarter of the year there was a net credit balance of €529m on the capital account. This was largely attributable to receipts from the European Regional Development Fund and the Cohesion Fund of the European Union.

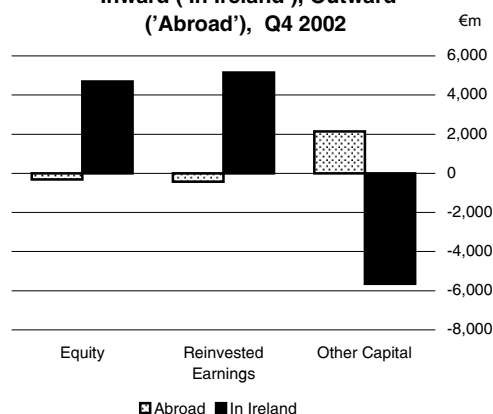
#### **Marginal deficit in Financial Account (see Tables 1, 2 and 3)**

There was a marginal overall net increase in foreign assets of €49m in the financial account in the fourth quarter of 2002. This represented a sizeable change from the €2,443m net increase in liabilities reported in the third quarter. For the year 2002 there was a net increase in liabilities of €1,710m compared with the net increase in liabilities of €1,217m in 2001. In gross terms, overall net acquisitions of foreign assets amounted to €25,981m in the fourth quarter and €135,863m over the full year 2002. Net incurrences of foreign liabilities totalled €25,932m in the quarter and €137,573m in the year. Activities of IFSC enterprises continued to dominate the overall results. They accounted for €99,059m or 73% of the total in 2002 on the assets side and for €100,467m (again 73% of the total) on the liabilities side.

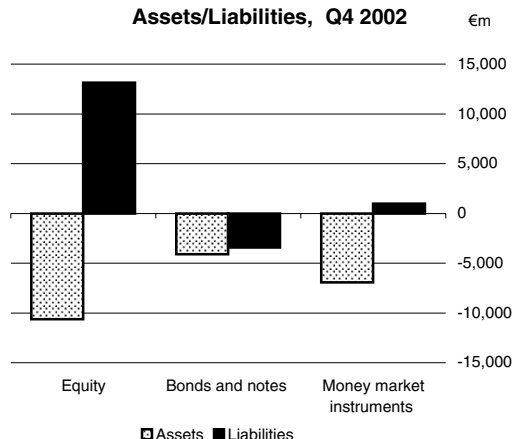
#### **Geographical analysis of the financial account (see Table 4b)**

Transactions in foreign assets with residents of the EMU area were valued at €14,324m in the fourth quarter, or 55% of the total, while liability transactions at €16,565m accounted for 64% of the total. Asset transactions with EU residents amounted to €15,780m, or 61% of total assets; the corresponding liability transactions accounted for €19,800m or 76% of all such transactions with non-residents. Over the year 2002, increased claims on EMU area residents

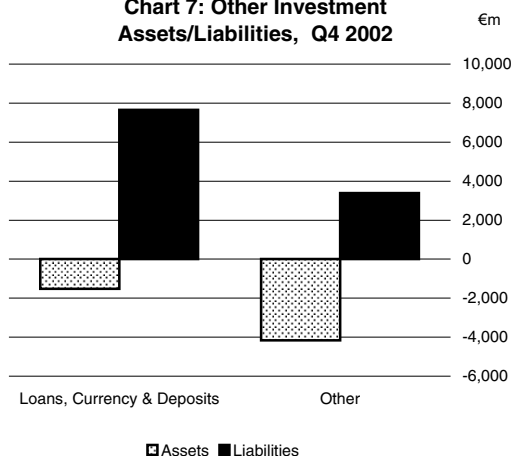
**Chart 5: Direct Investment  
Inward ('In Ireland'), Outward  
( 'Abroad'), Q4 2002**



**Chart 6: Portfolio Investment  
Assets/Liabilities, Q4 2002**



**Chart 7: Other Investment  
Assets/Liabilities, Q4 2002**



amounted to €33,547m or 25% of all such transactions; claims on EU residents accounted for 52% of the total. Liabilities to EMU residents at €45,808m were 33% of the total; claims on EU residents were just double this.

### Direct investment

Inward direct investment (including reinvested earnings) in the fourth quarter showed an inflow of investment of €4,197m, much lower than that of almost €10.3 billion in the third quarter. Inflows under *equity* (€4,690m) and *reinvested earnings* (€5,147m) were higher than for earlier quarters in 2002 but there was sizeable disinvestment (€5,640m) under *other capital*. While outward investment by way of *equity* (€306m) and *reinvested earnings* (€428m) combined was similar to the third quarter level, *other capital* disinvestment amounted to €2,138m and this resulted in a net overall disinvestment abroad (€1,404m) in the last quarter. For the year 2002 overall, direct investment into Ireland was €20,223m, up €2.7 billion on the figure of €17,524m in 2001. In contrast, outward direct investment at €2,875m was almost €3.7 billion down on the value of transactions in 2001 (€6,553m). Much of this reduction is accounted for by the *other capital* disinvestment of €2,755m referred to above (see Table 2b). Despite some disinvestment (€142m) in IFSC enterprises in the fourth quarter, overall investment in these enterprises in 2002 amounted to €8,406m. Investment inflows into non-IFSC enterprises were €4,340m in the quarter and for the full year were essentially the same as for 2001 (see Table 3). In geographical terms (see Table 4b), inward direct investment from the EMU region amounted to €9,637m in the fourth quarter and €20,272m over the year 2002. Liabilities to non-EMU investors were reduced by €5,440m during the quarter. A roughly similar pattern is evident for direct investment transactions with the EU region.

### Portfolio investment

Inward portfolio investment (liability) transactions of €10,687m in the fourth quarter were almost €700m higher than in the previous quarter, reflecting increased equity investments which were partially offset by redemptions under *bonds and notes*. Over the full year 2002, inward portfolio investment was much lower than in 2001 i.e. €72,823m from €104,166m (see Table 2b). Most of the inward investment is directed towards IFSC collective investment institutions including money market funds. In the fourth quarter, this investment amounted to €9,381m, down over €1.2 billion on the previous quarter. Over the full year, IFSC enterprises accounted for €65,265m (or 90%) of inward investment, much lower than the €91,268m recorded for these enterprises in 2001 (see Table 3). Outward portfolio investment (again mostly by IFSC enterprises) amounted to €21,680m in the quarter. The figures suggest a return to equity investment (€10,630m) when compared to the very low values shown for the previous two quarters and when seen in the context of lower transactions (€11,049m) in debt instruments (principally under *bonds and notes*). Over the full year, outward portfolio investment transactions overall accumulated to €108,957m, €15.1 billion lower than the figure of €124,059m for 2001. In geographical terms (see Table 4b), for the full year, 68.5% of the foreign assets acquired by Irish residents were issued by non-EMU residents. On the liabilities side, over 98% of the Irish issued securities purchased by non-residents were accounted for by non-EMU residents.

### Other investment

Ireland's *other investment* transactions in the fourth quarter showed an increase in net foreign liabilities of just over €5,371m. This arose from transactions in liabilities of €11,048m being partially offset by assets transactions of €5,677m. IFSC activity accounted for a sizeable portion (€7.4 billion) of the liability transactions. For 2002 as a whole, liability transactions of €44,527m exceeded assets transactions of €24,374m, the resulting net liability being €20,153m. IFSC transactions accounted for €8,926m or just 37% of the total on the assets side while for liabilities such transactions amounted to €26,796m or 60% of the total (see Tables 2b and 3). Transactions with EU residents totalled €12,371m on the assets side and €44,874m in liabilities in 2002 (see Table 4b).

### Reserve assets

There was a marginal net increase in *reserve assets* in the fourth quarter of €28m and a reduction in reserves of €343m over 2002 as a whole.

### Net errors and omissions

The balancing item *net errors and omissions* shows a debit of €588m in the fourth quarter of 2002. Over the whole year this item shows a debit of €2,089m.

**Table 1a – Summary of Current and Capital Account Balances**

€ million

Period		Merchandise <sup>1</sup>	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	<b>706</b>	<b>840</b>
1999	Year	22,802	-10,428	-13,218	1,177	-22,469	<b>333</b>	<b>560</b>
2000	Year	28,133	-14,098	-14,976	994	-28,080	<b>53</b>	<b>1,182</b>
2001	Year	34,258	-17,380	-17,677	455	-34,602	<b>-345</b>	<b>654</b>
2002	Year	38,279	-14,387	-24,957	879	-38,465	<b>-184</b>	<b>564</b>
1998	Quarter 1	3,835	-2,214	-2,071	259	-4,026	<b>-191</b>	<b>91</b>
	Quarter 2	4,141	-1,872	-2,418	404	-3,886	<b>253</b>	<b>39</b>
	Quarter 3	4,996	-1,970	-2,698	235	-4,433	<b>562</b>	<b>336</b>
	Quarter 4	4,800	-2,945	-2,195	422	-4,718	<b>81</b>	<b>374</b>
1999	Quarter 1	5,005	-2,601	-2,681	277	-5,005	<b>0</b>	<b>133</b>
	Quarter 2	5,342	-2,562	-2,960	342	-5,180	<b>163</b>	<b>40</b>
	Quarter 3	6,287	-2,582	-3,892	163	-6,311	<b>-24</b>	<b>4</b>
	Quarter 4	6,168	-2,684	-3,685	395	-5,974	<b>194</b>	<b>383</b>
2000	Quarter 1	5,528	-2,914	-3,336	324	-5,926	<b>-398</b>	<b>300</b>
	Quarter 2	6,603	-3,230	-3,022	253	-5,999	<b>604</b>	<b>192</b>
	Quarter 3	7,672	-3,476	-4,220	-92	-7,788	<b>-116</b>	<b>-12</b>
	Quarter 4	8,330	-4,478	-4,398	509	-8,367	<b>-37</b>	<b>702</b>
2001	Quarter 1	7,879	-4,793	-3,887	119	-8,561	<b>-682</b>	<b>241</b>
	Quarter 2	9,301	-4,373	-5,032	45	-9,360	<b>-59</b>	<b>88</b>
	Quarter 3	8,869	-3,863	-5,020	-41	-8,924	<b>-55</b>	<b>8</b>
	Quarter 4	8,209	-4,351	-3,738	332	-7,757	<b>451</b>	<b>317</b>
2002	Quarter 1	9,843	-4,673	-5,365	-17	-10,055	<b>-211</b>	<b>-3</b>
	Quarter 2	9,237	-3,064	-6,114	150	-9,028	<b>209</b>	<b>15</b>
	Quarter 3	10,324	-3,298	-7,325	8	-10,615	<b>-290</b>	<b>23</b>
	Quarter 4	8,875	-3,352	-6,153	738	-8,767	<b>108</b>	<b>529</b>

<sup>1</sup> 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 <sup>1</sup> Investment	Reserve Assets	Balance on Financial Account	Net errors and omissions
1998	Year	4,422	-8,466	7,459	-2,280	<b>1,135</b>	-2,681
1999	Year	11,631	-14,342	-974	1,746	<b>-1,939</b>	1,046
2000	Year	23,682	-5,358	-9,037	-142	<b>9,145</b>	-10,380
2001	Year	10,972	-19,893	10,579	-441	<b>1,217</b>	-1,526
2002	Year	17,348	-36,135	20,153	343	<b>1,710</b>	-2,089
1998	Quarter 1	1,497	-1,255	1,939	-165	<b>2,016</b>	-1,917
	Quarter 2	1,965	-1,301	106	-1,011	<b>-241</b>	-51
	Quarter 3	2,393	-5,411	4,245	-333	<b>894</b>	-1,792
	Quarter 4	-1,433	-498	1,169	-771	<b>-1,533</b>	1,078
1999	Quarter 1	4,315	-4,805	884	1,887	<b>2,281</b>	-2,414
	Quarter 2	1,992	-5,227	-1,734	-93	<b>-5,062</b>	4,859
	Quarter 3	3,889	-4,390	-12	13	<b>-499</b>	519
	Quarter 4	1,436	79	-112	-61	<b>1,342</b>	-1,919
2000	Quarter 1	2,452	-5,222	3,728	39	<b>997</b>	-899
	Quarter 2	6,324	4,761	-7,128	-55	<b>3,902</b>	-4,698
	Quarter 3	7,073	-5,814	2,652	-38	<b>3,873</b>	-3,745
	Quarter 4	7,833	917	-8,289	-88	<b>373</b>	-1,038
2001	Quarter 1	4,602	-1,572	-487	-67	<b>2,476</b>	-2,035
	Quarter 2	2,745	-3,647	112	-199	<b>-989</b>	960
	Quarter 3	-48	-9,003	7,962	-45	<b>-1,134</b>	1,181
	Quarter 4	3,673	-5,671	2,992	-130	<b>864</b>	-1,632
2002	Quarter 1	323	-14,652	12,941	265	<b>-1,122</b>	1,337
	Quarter 2	1,428	256	-1,482	236	<b>438</b>	-663
	Quarter 3	9,996	-10,746	3,323	-130	<b>2,443</b>	-2,175
	Quarter 4	5,601	-10,993	5,371	-28	<b>-49</b>	-588

<sup>1</sup> Including financial derivatives and trade credits

Table 2a – Current and Capital Accounts

€ million

		2001	2002	2001				2002			
Item		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account											
Merchandise <sup>1</sup>	Cr	88,551	90,397	22,591	22,495	21,456	22,009	24,339	23,033	21,997	21,028
	Db	54,294	52,118	14,712	13,194	12,588	13,800	14,496	13,796	11,673	12,153
Services	Cr	23,817	28,731	4,814	5,966	6,294	6,743	5,875	7,490	7,959	7,407
	Db	41,197	43,119	9,607	10,339	10,157	11,094	10,549	10,554	11,257	10,759
Transport	Cr	1,612	1,826	309	447	497	359	373	539	534	380
	Db	2,928	2,807	781	713	689	745	766	742	639	660
Tourism and Travel <sup>2</sup>	Cr	3,088	3,372	453	791	1,186	658	539	899	1,251	683
	Db	3,216	3,904	526	818	1,218	654	636	1,061	1,371	836
Communications	Cr	1,039	1,259	187	208	332	312	298	314	310	337
	Db	645	593	156	184	153	152	138	168	130	157
Insurance	Cr	1,652	2,796	221	385	488	558	472	1,154	583	587
	Db	1,899	2,443	395	369	432	703	612	489	618	724
Financial services	Cr	2,933	3,327	820	737	630	746	724	801	839	963
	Db	1,892	2,130	412	531	445	504	473	526	474	657
Computer services <sup>3</sup>	Cr	8,717	10,043	1,923	2,357	1,915	2,522	2,271	2,364	2,844	2,564
	Db	617	606	97	130	175	215	159	190	123	134
Royalties/Licences	Cr	241	284	100	62	30	49	55	65	112	52
	Db	9,989	10,841	2,613	2,519	2,305	2,552	2,931	2,762	2,689	2,459
Business services	Cr	4,153	5,445	705	883	1,120	1,445	1,047	1,259	1,391	1,748
	Db	19,871	19,679	4,580	5,037	4,713	5,541	4,805	4,588	5,184	5,102
Trade related	Cr	161	781	90	129	-29	-29	73	166	146	396
	Db	9,715	9,710	2,524	2,288	2,208	2,695	2,356	2,323	2,670	2,361
Operational leasing	Cr	1,295	1,707	222	256	345	472	360	369	488	490
	Db	136	189	29	30	38	39	37	51	51	50
Misc. business services <sup>4</sup>	Cr	2,698	2,957	393	498	805	1,002	615	723	757	862
	Db	10,021	9,782	2,027	2,719	2,468	2,807	2,413	2,214	2,464	2,691
Other services n.e.s.	Cr	382	377	96	96	95	95	95	94	94	94
	Db	141	112	47	38	28	28	28	28	28	28



Table 2a – Current and Capital Accounts - continued

€ million

Item		2001	2002	2001				2002			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account - continued											
Income	Cr	29,956	27,899	8,468	7,198	7,402	6,888	6,716	6,556	6,778	7,849
	Db	47,633	52,855	12,355	12,230	12,421	10,627	12,080	12,670	14,103	14,002
Compensation of Employees	Cr	213	215	35	36	106	36	36	36	107	36
	Db	246	198	91	61	33	61	53	59	46	40
Investment Income	Cr	29,743	27,683	8,433	7,162	7,296	6,852	6,679	6,520	6,672	7,812
	Db	47,387	52,657	12,264	12,169	12,388	10,566	12,027	12,611	14,057	13,962
Direct investment income	Cr	3,685	3,106	1,103	815	1,093	674	1,108	756	250	992
	Db	26,330	32,316	6,414	6,976	7,021	5,919	7,428	7,960	8,578	8,350
Income on equity	Cr	2,366	1,914	699	576	780	311	805	305	58	746
	Db	25,117	31,181	5,973	6,826	6,602	5,716	7,255	7,599	8,198	8,129
Dividends & distributed											
branch profits	Cr	356	366	76	60	177	43	14	17	17	318
	Db	14,223	14,863	3,581	3,533	3,489	3,620	4,129	3,553	4,199	2,982
Reinvested earnings	Cr	2,010	1,548	623	516	603	268	791	288	41	428
	Db	10,894	16,318	2,392	3,293	3,113	2,096	3,126	4,045	4,000	5,147
Income on debt	Cr	1,319	1,191	404	239	313	363	302	451	192	246
	Db	1,213	1,136	441	150	419	203	173	362	380	221
Portfolio investment income	Cr	11,105	14,642	2,487	2,554	2,898	3,166	3,045	3,613	4,093	3,891
	Db	10,853	11,639	2,711	2,765	2,780	2,597	2,438	2,767	3,147	3,287
Income on equity	Cr	1,768	2,372	262	366	538	602	446	601	645	680
	Db	6,120	8,480	1,309	1,353	1,751	1,707	1,637	1,938	2,367	2,538
Income on debt	Cr	9,337	12,270	2,225	2,188	2,360	2,564	2,599	3,012	3,448	3,211
	Db	4,734	3,159	1,402	1,412	1,030	890	801	829	780	749
Other investment income	Cr	14,953	9,935	4,843	3,793	3,305	3,012	2,527	2,150	2,329	2,929
	Db	10,204	8,702	3,139	2,428	2,587	2,050	2,161	1,884	2,332	2,325
Current Transfers	Cr	5,208	5,795	1,013	1,075	1,268	1,852	1,342	1,281	1,213	1,959
	Db	4,753	4,915	894	1,030	1,309	1,520	1,359	1,131	1,204	1,221
Current Account - Total	Cr	147,534	152,823	36,886	36,734	36,421	37,493	38,272	38,361	37,947	38,243
	Db	147,878	153,007	37,568	36,793	36,475	37,042	38,483	38,152	38,237	38,135
Current Account Balance		-345	-184	-682	-59	-55	451	-211	209	-290	108
Capital Account Balance		654	564	241	88	8	317	-3	15	23	529

<sup>1</sup> Adjusted for balance of payments purposes<sup>2</sup> Excluding passenger fare receipts<sup>3</sup> 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 included<sup>4</sup> Covers mainly inter-affiliate charges (e.g. management fees), in particular on the debit side

Table 2b – Financial Account<sup>1</sup>

€ million

Item		2001	2002	2001				2002			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Direct Investment	Abroad	-6,553	-2,875	-2,685	-1,547	-1,212	-1,109	-762	-3,216	-301	1,404
	In Ireland	17,524	20,223	7,287	4,292	1,164	4,781	1,085	4,644	10,297	4,197
Equity	Abroad	-4,525	-4,081	-1,952	-972	-293	-1,308	-29	-3,023	-723	-306
	In Ireland	11,933	11,535	1,599	1,691	1,365	7,278	1,048	2,559	3,238	4,690
Reinvested Earnings	Abroad	-2,010	-1,548	-623	-516	-603	-268	-791	-288	-41	-428
	In Ireland	10,894	16,318	2,392	3,293	3,113	2,096	3,126	4,045	4,000	5,147
Other Capital	Abroad	-18	2,755	-110	-59	-316	467	59	95	463	2,138
	In Ireland	-5,304	-7,629	3,296	-692	-3,315	-4,593	-3,088	-1,960	3,059	-5,640
Portfolio Investment	Assets	-124,059	-108,957	-30,206	-34,096	-24,184	-35,573	-44,660	-21,871	-20,746	-21,680
	Liabilities	104,166	72,823	28,634	30,449	15,181	29,902	30,008	22,128	10,000	10,687
Equity	Assets	-27,515	-28,049	-1,267	-11,148	-4,572	-10,528	-13,550	-1,301	-2,568	-10,630
	Liabilities	86,760	72,995	19,514	23,377	19,325	24,544	28,917	18,693	12,236	13,149
Debt Instruments	Assets	-96,544	-80,908	-28,939	-22,948	-19,612	-25,045	-31,110	-20,571	-18,178	-11,049
	Liabilities	17,406	-174	9,120	7,072	-4,144	5,358	1,091	3,435	-2,237	-2,463
Bonds and notes	Assets	-51,437	-34,177	-15,211	-15,682	-7,782	-12,762	-15,938	-8,203	-5,926	-4,110
	Liabilities	4,096	383	4,845	2,478	-2,115	-1,112	2,312	3,776	-2,269	-3,436
Money market instruments	Assets	-45,107	-46,732	-13,728	-7,266	-11,829	-12,284	-15,172	-12,368	-12,252	-6,940
	Liabilities	13,310	-558	4,275	4,594	-2,029	6,470	-1,221	-342	32	973



Table 2b – Financial Account<sup>1</sup> - continued

€ million

Item		2001	2002	2001				2002			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Other Investment	Assets	-16,744	-24,374	-8,109	-3,272	1,216	-6,579	-995	-6,160	-11,542	-5,677
	Liabilities	27,323	44,527	7,622	3,384	6,746	9,571	13,936	4,678	14,865	11,048
Loans, currency and deposits	Assets	-10,625	-17,833	-6,181	-1,060	2,809	-6,193	-1,563	-5,226	-9,527	-1,517
	Liabilities	23,643	33,100	6,913	4,470	3,603	8,657	10,025	3,714	11,700	7,661
Other <sup>2</sup>	Assets	-6,119	-6,542	-1,928	-2,212	-1,593	-386	568	-934	-2,016	-4,160
	Liabilities	3,680	11,428	709	-1,086	3,143	914	3,911	964	3,166	3,387
Reserve Assets		-441	343	-67	-199	-45	-130	265	236	-130	-28
Monetary gold		0	0	0	1	-1	0	0	0	0	0
Special drawing rights		-8	-8	-3	-2	-2	-1	-2	-2	-2	-2
Reserve position in the IMF		-20	-106	-3	-8	-29	20	-44	-28	-45	11
Foreign exchange		-413	457	-61	-190	-13	-149	311	266	-83	-37
Other		0	0	0	0	0	0	0	0	0	0
Balance on Financial Account		1,217	1,710	2,476	-989	-1,134	864	-1,122	438	2,443	-49
Net errors and omissions		-1,526	-2,089	-2,035	960	1,181	-1,632	1,337	-663	-2,175	-588
<b>Memorandum Item:</b>											
Government financial transactions	Assets	102	-2,712	-556	-2,580	-531	3,769	-756	-1,393	-462	-101
	Liabilities	7,152	1,672	-382	-89	1,922	5,701	853	322	790	-293

<sup>1</sup> 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

<sup>2</sup> Including financial derivatives and trade credits

**Table 3 – Current, Capital and Financial Accounts showing IFSC<sup>1</sup> and non-IFSC activity**

€ million

Item		2001	2002	2001				2002			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Current Account - Total</b>	<b>Cr</b>	<b>147,534</b>	<b>152,823</b>	<b>36,886</b>	<b>36,734</b>	<b>36,421</b>	<b>37,493</b>	<b>38,272</b>	<b>38,361</b>	<b>37,947</b>	<b>38,243</b>
	<b>Db</b>	<b>147,878</b>	<b>153,007</b>	<b>37,568</b>	<b>36,793</b>	<b>36,475</b>	<b>37,042</b>	<b>38,483</b>	<b>38,152</b>	<b>38,237</b>	<b>38,135</b>
<b>Merchandise <sup>2</sup></b>	<b>Cr</b>	<b>88,551</b>	<b>90,397</b>	<b>22,591</b>	<b>22,495</b>	<b>21,456</b>	<b>22,009</b>	<b>24,339</b>	<b>23,033</b>	<b>21,997</b>	<b>21,028</b>
	<b>Db</b>	<b>54,294</b>	<b>52,118</b>	<b>14,712</b>	<b>13,194</b>	<b>12,588</b>	<b>13,800</b>	<b>14,496</b>	<b>13,796</b>	<b>11,673</b>	<b>12,153</b>
<b>Services</b>	<b>Cr</b>	<b>23,817</b>	<b>28,731</b>	<b>4,814</b>	<b>5,966</b>	<b>6,294</b>	<b>6,743</b>	<b>5,875</b>	<b>7,490</b>	<b>7,959</b>	<b>7,407</b>
	<b>Db</b>	<b>41,197</b>	<b>43,119</b>	<b>9,607</b>	<b>10,339</b>	<b>10,157</b>	<b>11,094</b>	<b>10,549</b>	<b>10,554</b>	<b>11,257</b>	<b>10,759</b>
- IFSC	Cr	5,905	7,949	1,215	1,309	1,567	1,814	1,540	2,336	1,950	2,123
	Db	4,925	5,471	988	1,094	1,249	1,594	1,164	1,316	1,346	1,645
- non IFSC	Cr	17,912	20,783	3,599	4,657	4,727	4,929	4,335	5,154	6,009	5,285
	Db	36,272	37,648	8,619	9,245	8,908	9,500	9,385	9,238	9,911	9,114
<b>Income</b>	<b>Cr</b>	<b>29,956</b>	<b>27,899</b>	<b>8,468</b>	<b>7,198</b>	<b>7,402</b>	<b>6,888</b>	<b>6,716</b>	<b>6,556</b>	<b>6,778</b>	<b>7,849</b>
	<b>Db</b>	<b>47,633</b>	<b>52,855</b>	<b>12,355</b>	<b>12,230</b>	<b>12,421</b>	<b>10,627</b>	<b>12,080</b>	<b>12,670</b>	<b>14,103</b>	<b>14,002</b>
- IFSC	Cr	24,009	23,427	6,680	5,461	5,976	5,892	5,294	5,704	5,994	6,435
	Db	23,307	23,404	6,552	5,457	5,991	5,307	5,270	5,980	5,761	6,393
- non IFSC	Cr	5,947	4,472	1,788	1,737	1,426	996	1,422	852	784	1,414
	Db	24,325	29,450	5,803	6,773	6,430	5,319	6,810	6,690	8,342	7,608
<b>Current Transfers</b>	<b>Cr</b>	<b>5,208</b>	<b>5,795</b>	<b>1,013</b>	<b>1,075</b>	<b>1,268</b>	<b>1,852</b>	<b>1,342</b>	<b>1,281</b>	<b>1,213</b>	<b>1,959</b>
	<b>Db</b>	<b>4,753</b>	<b>4,915</b>	<b>894</b>	<b>1,030</b>	<b>1,309</b>	<b>1,520</b>	<b>1,359</b>	<b>1,131</b>	<b>1,204</b>	<b>1,221</b>
- IFSC <sup>3</sup>	Cr	3,040	3,313	477	654	921	988	928	703	853	829
	Db	3,040	3,313	477	654	921	988	928	703	853	829
- non IFSC	Cr	2,169	2,483	536	421	347	865	415	578	360	1,130
	Db	1,713	1,602	417	376	388	532	431	428	351	392
<b>Balance on Current Account</b>		<b>-345</b>	<b>-184</b>	<b>-682</b>	<b>-59</b>	<b>-55</b>	<b>451</b>	<b>-211</b>	<b>209</b>	<b>-290</b>	<b>108</b>
<b>Balance on Capital Account</b>		<b>654</b>	<b>564</b>	<b>241</b>	<b>88</b>	<b>8</b>	<b>317</b>	<b>-3</b>	<b>15</b>	<b>23</b>	<b>529</b>

**Table 3 – Current, Capital and Financial Accounts showing IFSC<sup>1</sup> and non-IFSC activity** - continued € million

Item		2001	2002	2001				2002			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Financial Account <sup>4</sup>											
Direct investment	Abroad	-6,553	-2,875	-2,685	-1,547	-1,212	-1,109	-762	-3,216	-301	1,404
	In Ireland	17,524	20,223	7,287	4,292	1,164	4,781	1,085	4,644	10,297	4,197
- IFSC	Abroad	-955	-2,054	48	47	-91	-959	44	-2,967	90	779
	In Ireland	5,796	8,406	3,976	428	-393	1,785	2,780	1,629	4,139	-142
- non IFSC	Abroad	-5,597	-820	-2,733	-1,594	-1,120	-150	-806	-249	-391	626
	In Ireland	11,727	11,818	3,311	3,864	1,556	2,996	-1,695	3,015	6,158	4,340
Portfolio investment	Assets	-124,059	-108,957	-30,206	-34,096	-24,184	-35,573	-44,660	-21,871	-20,746	-21,680
	Liabilities	104,166	72,823	28,634	30,449	15,181	29,902	30,008	22,128	10,000	10,687
- IFSC	Assets	-114,160	-88,079	-26,748	-31,625	-23,311	-32,476	-37,873	-16,988	-16,054	-17,164
	Liabilities	91,268	65,265	25,884	29,234	12,923	23,227	27,118	18,156	10,610	9,381
- non IFSC	Assets	-9,899	-20,877	-3,458	-2,471	-873	-3,097	-6,786	-4,883	-4,692	-4,516
	Liabilities	12,899	7,557	2,750	1,215	2,258	6,676	2,891	3,971	-610	1,305
Other investment <sup>5</sup>	Assets	-16,744	-24,374	-8,109	-3,272	1,216	-6,579	-995	-6,160	-11,542	-5,677
	Liabilities	27,323	44,527	7,622	3,384	6,746	9,571	13,936	4,678	14,865	11,048
- IFSC	Assets	-7,554	-8,926	-6,771	250	4,234	-5,267	-785	-1,020	-6,735	-386
	Liabilities	15,459	26,796	4,189	-1,799	4,141	8,928	7,021	1,813	10,532	7,430
- non IFSC	Assets	-9,190	-15,447	-1,338	-3,522	-3,018	-1,312	-209	-5,140	-4,807	-5,291
	Liabilities	11,864	17,730	3,433	5,183	2,605	643	6,915	2,864	4,333	3,618
Reserve Assets		-441	343	-67	-199	-45	-130	265	236	-130	-28
Balance on Financial Account		1,217	1,710	2,476	-989	-1,134	864	-1,122	438	2,443	-49
Net errors and omissions		-1,526	-2,089	-2,035	960	1,181	-1,632	1,337	-663	-2,175	-588

<sup>1</sup> 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

<sup>2</sup> Adjusted for balance of payments purposes

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

<sup>4</sup> See footnote 1 on Table 2b

<sup>5</sup> Including financial derivatives and trade credits

Table 4a – Current and Capital Accounts showing geographical<sup>1</sup> detail

€ million

Item		2001	2002	2001				2002			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Current Account - Total</b>	<b>Cr</b>	<b>147,534</b>	<b>152,823</b>	<b>36,886</b>	<b>36,734</b>	<b>36,421</b>	<b>37,493</b>	<b>38,272</b>	<b>38,361</b>	<b>37,947</b>	<b>38,243</b>
	<b>Db</b>	<b>147,878</b>	<b>153,007</b>	<b>37,568</b>	<b>36,793</b>	<b>36,475</b>	<b>37,042</b>	<b>38,483</b>	<b>38,152</b>	<b>38,237</b>	<b>38,135</b>
<b>Merchandise <sup>2</sup></b>	<b>Cr</b>	<b>88,551</b>	<b>90,397</b>	<b>22,591</b>	<b>22,495</b>	<b>21,456</b>	<b>22,009</b>	<b>24,339</b>	<b>23,033</b>	<b>21,997</b>	<b>21,028</b>
	<b>Db</b>	<b>54,294</b>	<b>52,118</b>	<b>14,712</b>	<b>13,194</b>	<b>12,588</b>	<b>13,800</b>	<b>14,496</b>	<b>13,796</b>	<b>11,673</b>	<b>12,153</b>
- EMU	Cr	31,818	34,416	8,515	7,904	7,232	8,167	8,648	8,235	8,685	8,848
	Db	11,017	10,639	3,070	2,809	2,419	2,719	2,792	2,815	2,325	2,707
- non EMU	Cr	56,734	55,981	14,076	14,591	14,225	13,842	15,691	14,798	13,312	12,180
	Db	43,277	41,479	11,642	10,384	10,169	11,082	11,704	10,981	9,348	9,446
- EU	Cr	54,861	57,301	14,027	13,485	13,111	14,238	15,491	14,615	13,796	13,399
	Db	31,482	30,169	8,017	7,541	7,597	8,327	8,595	8,207	6,519	6,848
- non EU	Cr	33,690	33,096	8,564	9,010	8,345	7,771	8,848	8,418	8,201	7,629
	Db	22,812	21,950	6,695	5,653	4,990	5,474	5,901	5,590	5,154	5,305
<b>Services</b>	<b>Cr</b>	<b>23,817</b>	<b>28,731</b>	<b>4,814</b>	<b>5,966</b>	<b>6,294</b>	<b>6,743</b>	<b>5,875</b>	<b>7,490</b>	<b>7,959</b>	<b>7,407</b>
	<b>Db</b>	<b>41,197</b>	<b>43,119</b>	<b>9,607</b>	<b>10,339</b>	<b>10,157</b>	<b>11,094</b>	<b>10,549</b>	<b>10,554</b>	<b>11,257</b>	<b>10,759</b>
- EMU	Cr	8,583	9,665	1,633	1,992	2,333	2,625	2,363	2,267	3,107	1,928
	Db	9,879	12,039	2,418	2,454	2,090	2,917	2,971	3,009	3,660	2,399
- non EMU	Cr	15,236	19,066	3,181	3,974	3,962	4,119	3,512	5,223	4,852	5,479
	Db	31,324	31,080	7,191	7,889	8,067	8,177	7,578	7,545	7,597	8,360
- EU	Cr	16,423	18,004	3,268	4,075	4,483	4,597	4,157	4,358	5,515	3,974
	Db	19,323	20,970	4,339	4,528	4,877	5,579	4,898	5,130	5,979	4,963
- non EU	Cr	7,395	10,729	1,546	1,891	1,812	2,146	1,718	3,133	2,444	3,434
	Db	21,878	22,148	5,269	5,813	5,280	5,516	5,651	5,424	5,277	5,796
<b>Income</b>	<b>Cr</b>	<b>29,956</b>	<b>27,899</b>	<b>8,468</b>	<b>7,198</b>	<b>7,402</b>	<b>6,888</b>	<b>6,716</b>	<b>6,556</b>	<b>6,778</b>	<b>7,849</b>
	<b>Db</b>	<b>47,633</b>	<b>52,855</b>	<b>12,355</b>	<b>12,230</b>	<b>12,421</b>	<b>10,627</b>	<b>12,080</b>	<b>12,670</b>	<b>14,103</b>	<b>14,002</b>
- EMU	Cr	10,350	9,335	3,084	2,575	2,377	2,314	2,204	2,231	2,287	2,613
	Db	15,274	19,604	3,724	3,518	4,240	3,792	3,667	4,283	5,804	5,850
- non EMU	Cr	19,604	18,563	5,384	4,622	5,024	4,574	4,511	4,325	4,491	5,236
	Db	32,358	33,250	8,631	8,713	8,181	6,833	8,413	8,387	8,298	8,152
- EU	Cr	17,772	16,595	5,270	4,400	4,044	4,058	3,822	3,787	4,392	4,594
	Db	24,476	28,500	5,995	5,736	6,809	5,936	5,557	6,519	8,236	8,188
- non EU	Cr	12,183	11,303	3,197	2,798	3,358	2,830	2,894	2,769	2,386	3,254
	Db	23,156	24,354	6,360	6,494	5,612	4,690	6,523	6,151	5,866	5,814
<b>Current Transfers</b>	<b>Cr</b>	<b>5,208</b>	<b>5,795</b>	<b>1,013</b>	<b>1,075</b>	<b>1,268</b>	<b>1,852</b>	<b>1,342</b>	<b>1,281</b>	<b>1,213</b>	<b>1,959</b>
	<b>Db</b>	<b>4,753</b>	<b>4,915</b>	<b>894</b>	<b>1,030</b>	<b>1,309</b>	<b>1,520</b>	<b>1,359</b>	<b>1,131</b>	<b>1,204</b>	<b>1,221</b>
- EMU	Cr	1,809	861	535	550	236	488	235	229	214	183
	Db	1,633	846	409	503	238	483	233	223	211	179
- non EMU	Cr	3,399	4,935	478	525	1,032	1,364	1,107	1,053	998	1,777
	Db	3,120	4,070	485	527	1,071	1,037	1,126	908	993	1,043
- EU	Cr	3,822	3,830	738	817	714	1,553	794	927	673	1,436
	Db	3,265	2,837	589	749	728	1,199	784	749	638	666
- non EU	Cr	1,386	1,966	275	258	554	299	548	355	539	524
	Db	1,490	2,079	305	281	582	322	574	383	566	556
<b>Balance on Current Account</b>		<b>-345</b>	<b>-184</b>	<b>-682</b>	<b>-59</b>	<b>-55</b>	<b>451</b>	<b>-211</b>	<b>209</b>	<b>-290</b>	<b>108</b>
<b>Balance on Capital Account</b>		<b>654</b>	<b>564</b>	<b>241</b>	<b>88</b>	<b>8</b>	<b>317</b>	<b>-3</b>	<b>15</b>	<b>23</b>	<b>529</b>

<sup>1</sup> The term 'EMU' means the area represented by the 12 Member States participating in Monetary Union<sup>2</sup> Adjusted for balance of payments purposes

Table 4b – Financial Account<sup>1</sup> showing geographical<sup>2</sup> detail

€ million

Item		2001	2002	2001				2002			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Direct Investment</b>	<b>Abroad</b>	<b>-6,553</b>	<b>-2,875</b>	<b>-2,685</b>	<b>-1,547</b>	<b>-1,212</b>	<b>-1,109</b>	<b>-762</b>	<b>-3,216</b>	<b>-301</b>	<b>1,404</b>
	<b>In Ireland</b>	<b>17,524</b>	<b>20,223</b>	<b>7,287</b>	<b>4,292</b>	<b>1,164</b>	<b>4,781</b>	<b>1,085</b>	<b>4,644</b>	<b>10,297</b>	<b>4,197</b>
- EMU	Abroad	-1,848	-524	-1,049	-9	-447	-343	-298	-2,891	1,117	1,548
	In Ireland	14,716	20,272	3,594	1,681	3,408	6,033	-197	4,407	6,425	9,637
- non EMU	Abroad	-4,702	-2,350	-1,636	-1,536	-764	-766	-464	-325	-1,418	-143
	In Ireland	2,807	-48	3,693	2,610	-2,244	-1,252	1,282	237	3,873	-5,440
- EU	Abroad	-3,481	-629	-1,439	-386	-883	-773	-318	-3,154	1,000	1,843
	In Ireland	17,284	19,294	4,742	2,367	4,771	5,404	-2,347	4,096	8,598	8,947
- non EU	Abroad	-3,071	-2,246	-1,246	-1,161	-328	-336	-444	-62	-1,301	-439
	In Ireland	240	928	2,546	1,925	-3,608	-623	3,432	547	1,699	-4,750
<b>Portfolio Investment</b>	<b>Assets</b>	<b>-124,059</b>	<b>-108,957</b>	<b>-30,206</b>	<b>-34,096</b>	<b>-24,184</b>	<b>-35,573</b>	<b>-44,660</b>	<b>-21,871</b>	<b>-20,746</b>	<b>-21,680</b>
	<b>Liabilities</b>	<b>104,166</b>	<b>72,823</b>	<b>28,634</b>	<b>30,449</b>	<b>15,181</b>	<b>29,902</b>	<b>30,008</b>	<b>22,128</b>	<b>10,000</b>	<b>10,687</b>
- EMU	Assets	-36,166	-34,268	-8,516	-13,270	-8,309	-6,071	-14,388	-7,448	-35	-12,397
	Liabilities	4,854	1,080	2,204	3,193	-1,923	1,380	2,135	1,020	-914	-1,161
- non EMU	Assets	-87,893	-74,689	-21,690	-20,826	-15,875	-29,502	-30,272	-14,423	-20,711	-9,283
	Liabilities	99,312	71,743	26,430	27,256	17,104	28,522	27,873	21,108	10,914	11,848
- EU	Assets	-52,849	-58,146	-15,080	-16,422	-10,406	-10,941	-25,157	-14,071	-7,396	-11,522
	Liabilities	43,586	21,433	10,733	18,606	3,338	10,909	13,049	7,797	1,639	-1,052
- non EU	Assets	-71,209	-50,809	-15,126	-17,674	-13,777	-24,632	-19,502	-7,800	-13,350	-10,157
	Liabilities	60,580	51,389	17,901	11,843	11,843	18,993	16,960	14,331	8,360	11,738
<b>Other Investment <sup>3</sup></b>	<b>Assets</b>	<b>-16,744</b>	<b>-24,374</b>	<b>-8,109</b>	<b>-3,272</b>	<b>1,216</b>	<b>-6,579</b>	<b>-995</b>	<b>-6,160</b>	<b>-11,542</b>	<b>-5,677</b>
	<b>Liabilities</b>	<b>27,323</b>	<b>44,527</b>	<b>7,622</b>	<b>3,384</b>	<b>6,746</b>	<b>9,571</b>	<b>13,936</b>	<b>4,678</b>	<b>14,865</b>	<b>11,048</b>
- EMU	Assets	-5,362	1,245	-3,441	-256	-1,579	-86	6,208	-2,066	578	-3,475
	Liabilities	8,597	24,456	1,971	3,548	2,458	620	2,352	5,234	8,781	8,089
- non EMU	Assets	-11,382	-25,619	-4,668	-3,016	2,795	-6,493	-7,203	-4,094	-12,121	-2,201
	Liabilities	18,729	20,071	5,651	-163	4,290	8,951	11,584	-555	6,084	2,958
- EU	Assets	-6,037	-12,371	-6,692	4,267	-2,421	-1,191	3,197	-6,571	-2,896	-6,101
	Liabilities	22,100	44,874	4,125	5,716	9,728	2,531	13,192	6,073	13,704	11,905
- non EU	Assets	-10,711	-12,002	-1,418	-7,541	3,637	-5,389	-4,191	411	-8,647	425
	Liabilities	5,227	-346	3,497	-2,331	-2,979	7,040	744	-1,394	1,161	-857
<b>Reserve Assets</b>		<b>-441</b>	<b>343</b>	<b>-67</b>	<b>-199</b>	<b>-45</b>	<b>-130</b>	<b>265</b>	<b>236</b>	<b>-130</b>	<b>-28</b>
<b>Balance on Financial Account</b>		<b>1,217</b>	<b>1,710</b>	<b>2,476</b>	<b>-989</b>	<b>-1,134</b>	<b>864</b>	<b>-1,122</b>	<b>438</b>	<b>2,443</b>	<b>-49</b>
<i>Net errors and omissions</i>		<i>-1,526</i>	<i>-2,089</i>	<i>-2,035</i>	<i>960</i>	<i>1,181</i>	<i>-1,632</i>	<i>1,337</i>	<i>-663</i>	<i>-2,175</i>	<i>-588</i>

<sup>1</sup> See footnote 1 on Table 2b<sup>2</sup> The term 'EMU' means the area represented by the 12 Member States participating in Monetary Union<sup>3</sup> Including financial derivatives and trade credits

## Background Notes *(updated January 2003)*

**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) which was prepared in close co-operation with the European Commission (Eurostat), the OECD and other international organisations and published by the IMF in 1993. Since then certain modifications to the treatment of financial derivatives have been approved internationally and were published in 2000 by the IMF (*Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual*).

**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 financial 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 4,500 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, transfers, as well as 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). Information is also obtained from other sources (e.g. charitable organisations, industry bodies). In addition, information on merchandise exports and imports and on tourism expenditure and receipts is obtained from other CSO inquiries.

<b>Structure of the Balance of Payments accounts</b>	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.
<b>Sign convention and symbols</b>	<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 transactions + net change in liabilities transactions</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; '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>
<b>Net errors and omissions</b>	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.
<b>Valuation</b>	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 may still be reported on a cash basis but accruals reporting is intended ultimately.
<b>Residence</b>	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.
<b>Geographical allocation principle</b>	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 may still 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. These transactions tend to occur infrequently but the amounts involved can vary substantially. 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 account<sup>1</sup> 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.

<sup>1</sup> 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.