

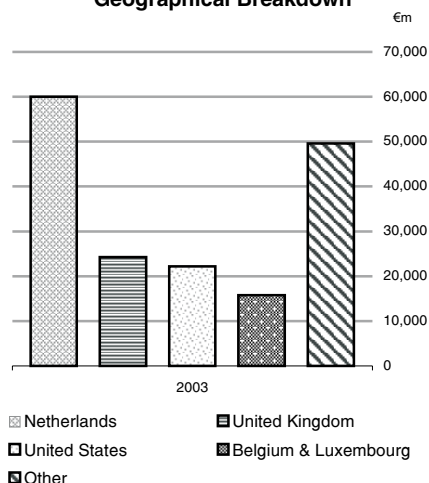


Central Statistics Office
An Phríomh-Oifig Staidrimh

20 December 2004

Foreign Direct Investment 2003

**Stock of Inward Direct Investment
Geographical Breakdown**



	€million		
	2001	2002	2003
Foreign Direct Investment			
Flows - Abroad	-4,543	-10,979	-3,139
Flows - In Ireland	10,785	30,795	23,823
Positions - Abroad - end year	46,317	51,518	51,035
Positions - In Ireland - end year	152,108	170,281	171,943
Net Income Flows	-22,706	-27,060	-27,470

EU main immediate source of direct investment into Ireland

The stock of inward investment from EU15 countries continued to rise since 2001 and at the end of 2003 was almost two-thirds (or €113,960m) of the overall total (€171,943m). Dutch investment accounted for just over €60 billion in the last two years and exceeded the combined amounts from all other EU countries. The stock of inward investment from the US, however, showed a decline over the three years and, at €22,221m at end-2003, was just 13% of the total. This drop is largely due to some US-owned enterprises (e.g. treasury companies) located in Ireland granting loans to their foreign affiliates. Such outflows are reflected in the €6,223m negative stock shown under *other capital* at the end of 2003 (see *Table 4*). It may also be due to indirect routing of US investment via other countries. In this context, much of the investment by US companies in Ireland is effected through intermediary subsidiaries located outside the US. For example, a sizeable proportion of the €60 billion Dutch investment referred to above originated in the US (see *Background Notes*).

Other points of interest are:

- ◆ Irish investment flows into the UK in 2003 amounted to just over €1 billion or almost one third of the total stock of outward FDI flows (€3,139m); there was over €600m dis-investment in the US – see *Table 1*.
- ◆ The Netherlands accounted for €8,588m in inward FDI flows to Ireland in 2003 while €6,146m was attributed to Belgium/Luxembourg; inward equity and reinvested earnings flows of €5,151m to US-owned enterprises were outweighed by reverse loans of €9,183m to their affiliates abroad - see *Table 2*.
- ◆ At end-2003 the stocks of outward FDI to US (€5,844m) and to UK (€8,868m) had changed little from 2002; investment in the Netherlands dropped €2 billion to €3,980m – see *Table 3*.
- ◆ Table 5 shows new data giving a geographical breakdown of the annual FDI income flows.

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Table 1 - Direct Investment¹ Flows Abroad Classified by Location of Investment

€ million

Region/Country	2001				2002 ²				2003			
	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total
Europe	-1,755	-1,270	-982	-4,004	-7,258	-1,455	1,706	-7,007	-1,291	-1,742	-161	-3,194
EMU countries ³	-1,394	-54	-605	-2,054	*	*	-439	-7,406	-1,149	-349	-234	-1,733
EU countries 15	-1,501	-967	-999	-3,466	*	*	1,452	-6,864	-1,234	-1,270	-228	-2,731
EU countries 25 ⁴	-1,764	-933	-1,049	-3,746	*	*	1,447	-6,921	-1,263	-1,211	-237	-2,712
<i>of which:</i>												
United Kingdom	-106	-912	-392	-1,409	-436	*	*	550	*	-919	*	-1,008
France	*	*	-50	-51	*	*	-64	-514	*	*	-35	-225
Germany	*	*	-128	-131	*	*	19	-2,697	*	*	35	10
Netherlands	*	*	-422	-441	*	*	-6	-2,694	*	*	108	-285
Americas	183	-661	45	-433	*	-674	*	-583	476	*	*	256
<i>of which:</i>												
Canada	*	*	*	4	*	*	*	*	0	*	*	*
United States	*	*	537	1,371	*	-458	*	-425	851	-136	-98	616
Asia	*	*	*	49	*	*	11	*	*	-24	6	*
<i>of which:</i>												
Japan	*	*	-10	-12	*	*	*	*	*	*	*	*
Africa, Oceania and Polar Regions	*	*	*	-23	*	*	73	15	-9	-41	-10	-61
Not geographically allocated ⁵	-1	-333	201	-132	2,745	-53	*	*	*	*	*	*
Total	-1,572	-2,247	-727	-4,543	-11,429	-2,249	2,699	-10,979	-616	-2,360	-164	-3,139

¹ The sign convention used is: for flows 'Abroad' a minus sign means investments abroad by Irish investors exceeded their disinvestments in the period, while an entry without sign means disinvestment exceeded investment

² The 2002 direct investment abroad flows have been revised from the figures previously published in Q2 2004 Balance of Payments release in order to take account of new data

³ The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain

⁴ For analytical purposes, additional details are given of transactions between residents of Ireland and residents of the EU25 area. With the expansion of the EU on 1 May 2004, the EU25 area comprises the former EU15 area along with Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovakia and Slovenia

⁵ This category covers data supplied by respondents without a geographical breakdown

* Data suppressed for confidentiality reasons

Table 2 - Direct Investment¹ Flows into Ireland Classified by Location of Investors

€ million

Region/Country	2001				2002 ²				2003			
	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total
Europe	10,720	6,668	190	17,579	6,064	11,368	-637	16,796	2,336	11,862	9,226	23,423
EMU countries ³	8,341	3,934	73	12,347	7,450	9,986	-2,539	14,897	3,488	9,523	5,143	18,154
EU countries 15	13,098	4,666	1,279	19,045	6,227	10,913	-2,990	14,151	498	11,206	7,274	18,976
EU countries 25 ⁴	13,102	4,699	1,433	19,234	6,226	10,915	-2,715	14,426	497	11,206	6,899	18,601
<i>of which:</i>												
<i>United Kingdom</i>	<i>5,161</i>	<i>760</i>	<i>3,058</i>	<i>8,979</i>	<i>-1,234</i>	<i>843</i>	<i>1,610</i>	<i>1,221</i>	<i>-2,888</i>	<i>1,624</i>	<i>595</i>	<i>-670</i>
<i>Belgium & Luxembourg</i>	<i>*</i>	<i>*</i>	<i>-693</i>	<i>5,053</i>	<i>*</i>	<i>*</i>	<i>-1,225</i>	<i>4,808</i>	<i>6,368</i>	<i>916</i>	<i>-1,138</i>	<i>6,146</i>
<i>France</i>	<i>*</i>	<i>*</i>	<i>326</i>	<i>1,001</i>	<i>242</i>	<i>169</i>	<i>-790</i>	<i>-380</i>	<i>681</i>	<i>199</i>	<i>2,053</i>	<i>2,934</i>
<i>Germany</i>	<i>*</i>	<i>*</i>	<i>201</i>	<i>441</i>	<i>1,633</i>	<i>385</i>	<i>1,328</i>	<i>3,345</i>	<i>581</i>	<i>1,579</i>	<i>-486</i>	<i>1,676</i>
<i>Italy</i>	<i>*</i>	<i>*</i>	<i>-415</i>	<i>131</i>	<i>1,422</i>	<i>539</i>	<i>-2,212</i>	<i>-251</i>	<i>1,433</i>	<i>561</i>	<i>-1,736</i>	<i>257</i>
<i>Netherlands</i>	<i>*</i>	<i>*</i>	<i>923</i>	<i>5,478</i>	<i>-1,584</i>	<i>8,145</i>	<i>-729</i>	<i>5,831</i>	<i>-5,171</i>	<i>6,108</i>	<i>7,651</i>	<i>8,588</i>
North America	-929	3,359	-9,995	-7,567	548	2,610	3,562	6,719	2,141	3,352	-9,359	-3,865
<i>of which:</i>												
<i>Canada</i>	<i>376</i>	<i>60</i>	<i>84</i>	<i>521</i>	<i>-37</i>	<i>-19</i>	<i>111</i>	<i>55</i>	<i>142</i>	<i>204</i>	<i>-176</i>	<i>169</i>
<i>United States</i>	<i>-1,305</i>	<i>3,299</i>	<i>-10,079</i>	<i>-8,088</i>	<i>585</i>	<i>2,628</i>	<i>3,450</i>	<i>6,663</i>	<i>2,001</i>	<i>3,150</i>	<i>-9,183</i>	<i>-4,033</i>
Central America	*	*	190	968	*	*	-1,007	*	817	1,781	-179	2,418
South America	*	*	-71	-71	0	0	337	337	*	*	-101	-101
Asia	*	*	1,420	1,511	73	84	360	518	-8	53	185	232
<i>of which:</i>												
<i>Japan</i>	<i>*</i>	<i>*</i>	<i>1,624</i>	<i>1,665</i>	<i>85</i>	<i>65</i>	<i>-45</i>	<i>105</i>	<i>-8</i>	<i>18</i>	<i>186</i>	<i>198</i>
Africa, Oceania and Polar Regions	*	*	-108	-50	*	*	89	-32	*	*	-279	-265
Not geographically allocated ⁵	*	*	-1,251	-1,585	*	*	-1,104	*	10	131	1,839	1,981
Total	10,040	10,370	-9,625	10,785	14,650	14,546	1,600	30,795	5,296	17,193	1,332	23,823
<i>of which:</i>												
<i>Offshore centres</i> ⁶	<i>*</i>	<i>*</i>	<i>-237</i>	<i>542</i>	<i>*</i>	<i>*</i>	<i>2,133</i>	<i>10,437</i>	<i>925</i>	<i>2,002</i>	<i>2,106</i>	<i>5,035</i>

¹ The sign convention used is: for flows 'In Ireland' an entry without sign means that investment transactions into Ireland exceeded disinvestment, while a minus sign indicates that disinvestment exceeded investment² Revised³ The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain⁴ For analytical purposes, additional details are given of transactions between residents of Ireland and residents of the EU25 area. With the expansion of the EU on 1 May 2004, the EU25 area comprises the former EU15 area along with Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovakia and Slovenia⁵ This category covers data supplied by respondents without a geographical breakdown⁶ This category overlaps with the regions referred to above and covers Andorra, Antigua and Barbuda, Anguilla, Netherlands Antilles, Barbados, Bahrain, Bermuda, Bahamas, Belize, Cook Islands, Dominica, Grenada, Guernsey, Gibraltar, Hong Kong, Isle of Man, Jersey, Jamaica, St. Kitts and Nevis, Cayman Islands, Lebanon, Saint Lucia, Liechtenstein, Liberia, Marshall Islands, Montserrat, Maldives, Nauru, Niue, Panama, Philippines, Singapore, Turks and Caicos Islands, Saint Vincent and the Grenadines, British Virgin Islands, US Virgin Islands, Vanuatu, Samoa

* Data suppressed for confidentiality reasons

Table 3 - Direct Investment¹ Abroad End Year Positions Classified by Location of Investment

€ million

Region/Country	2001 ²			2002 ²			2003		
	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total
Europe	25,869	4,914	30,783	31,344	1,166	32,510	31,699	1,504	33,203
EMU countries³	14,773	1,531	16,304	18,220	-782	17,438	18,615	-401	18,215
EU countries 15	20,971	4,656	25,626	25,158	942	26,100	25,797	1,288	27,085
EU countries 25⁴	21,995	4,699	26,695	26,462	953	27,415	26,967	1,327	28,295
<i>of which:</i>									
<i>United Kingdom</i>	<i>6,192</i>	<i>3,124</i>	<i>9,315</i>	<i>6,932</i>	<i>1,722</i>	<i>8,654</i>	<i>7,177</i>	<i>1,691</i>	<i>8,868</i>
<i>France</i>	<i>307</i>	<i>67</i>	<i>374</i>	<i>*</i>	<i>*</i>	<i>953</i>	<i>1,403</i>	<i>227</i>	<i>1,629</i>
<i>Germany</i>	<i>*</i>	<i>*</i>	<i>226</i>	<i>2,269</i>	<i>163</i>	<i>2,432</i>	<i>2,657</i>	<i>163</i>	<i>2,820</i>
<i>Netherlands</i>	<i>3,775</i>	<i>-924</i>	<i>2,851</i>	<i>6,219</i>	<i>-224</i>	<i>5,995</i>	<i>5,200</i>	<i>-1,220</i>	<i>3,980</i>
Americas	15,288	2,005	17,294	6,912	1,465	8,379	7,299	1,202	8,501
<i>of which:</i>									
<i>Canada</i>	<i>*</i>	<i>*</i>	<i>96</i>	<i>*</i>	<i>*</i>	<i>83</i>	<i>120</i>	<i>1</i>	<i>121</i>
<i>United States</i>	<i>12,204</i>	<i>359</i>	<i>12,562</i>	<i>5,239</i>	<i>720</i>	<i>5,958</i>	<i>5,080</i>	<i>763</i>	<i>5,844</i>
Asia, Africa, Oceania and Polar Regions	4,444	233	4,677	7,823	10	7,833	8,270	22	8,293
Not geographically allocated⁵	-5,095	-1,341	-6,437	2,397	402	2,796	748	291	1,038
Total	40,506	5,811	46,317	48,476	3,042	51,518	48,016	3,019	51,035
<i>of which:</i>									
<i>Offshore centres⁶</i>	<i>*</i>	<i>*</i>	<i>8,387</i>	<i>*</i>	<i>*</i>	<i>6,839</i>	<i>*</i>	<i>*</i>	<i>6,220</i>

¹ The sign convention used is: for year-end positions 'Abroad', an entry without sign indicates a net asset position, while a minus sign indicates a net liability position² Revised³ The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain⁴ For analytical purposes, additional details are given of transactions between residents of Ireland and residents of the EU25 area. With the expansion of the EU on 1 May 2004, the EU25 area comprises the former EU15 area along with Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovakia and Slovenia⁵ This category covers data supplied by respondents without a geographical breakdown⁶ This category overlaps with the regions referred to above and covers Andorra, Antigua and Barbuda, Anguilla, Netherlands Antilles, Barbados, Bahrain, Bermuda, Bahamas, Belize, Cook Islands, Dominica, Grenada, Guernsey, Gibraltar, Hong Kong, Isle of Man, Jersey, Jamaica, St. Kitts and Nevis, Cayman Islands, Lebanon, Saint Lucia, Liechtenstein, Liberia, Marshall Islands, Montserrat, Maldives, Nauru, Niue, Panama, Philippines, Singapore, Turks and Caicos Islands, Saint Vincent and the Grenadines, British Virgin Islands, US Virgin Islands, Vanuatu, Samoa

* Data suppressed for confidentiality reasons

Table 4 - Direct Investment¹ in Ireland End Year Positions Classified by Location of Investor

€ million

Region/Country	2001 ²			2002 ²			2003		
	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total
Europe	92,250	8,257	100,507	111,544	8,575	120,119	114,143	15,656	129,799
EMU countries³	54,368	7,246	61,614	72,751	4,231	76,982	79,806	8,350	88,157
EU countries 15	85,990	3,125	89,115	105,871	1,438	107,310	106,057	7,903	113,960
EU countries 25⁴	86,030	1,402	87,432	105,912	295	106,207	106,065	6,548	112,613
<i>of which:</i>									
<i>United Kingdom</i>	<i>30,817</i>	<i>-3,433</i>	<i>27,385</i>	<i>31,346</i>	<i>-1,069</i>	<i>30,276</i>	<i>24,664</i>	<i>-392</i>	<i>24,272</i>
<i>Belgium & Luxembourg</i>	<i>9,426</i>	<i>7</i>	<i>9,434</i>	<i>14,235</i>	<i>-1,680</i>	<i>12,556</i>	<i>19,237</i>	<i>-3,444</i>	<i>15,793</i>
<i>France</i>	<i>1,694</i>	<i>-894</i>	<i>800</i>	<i>1,715</i>	<i>-2,328</i>	<i>-614</i>	<i>2,370</i>	<i>-840</i>	<i>1,530</i>
<i>Germany</i>	<i>6,393</i>	<i>-113</i>	<i>6,280</i>	<i>9,819</i>	<i>1,226</i>	<i>11,045</i>	<i>11,120</i>	<i>269</i>	<i>11,389</i>
<i>Italy</i>	<i>5,313</i>	<i>-1,025</i>	<i>4,287</i>	<i>7,742</i>	<i>-3,102</i>	<i>4,640</i>	<i>7,776</i>	<i>-3,503</i>	<i>4,273</i>
<i>Netherlands</i>	<i>45,532</i>	<i>10,803</i>	<i>56,335</i>	<i>50,246</i>	<i>10,161</i>	<i>60,407</i>	<i>45,736</i>	<i>14,308</i>	<i>60,044</i>
<i>Spain</i>	<i>*</i>	<i>*</i>	<i>-302</i>	<i>*</i>	<i>*</i>	<i>-415</i>	<i>*</i>	<i>*</i>	<i>-20</i>
North American Countries	41,600	-3,010	38,590	37,861	2,299	40,160	34,932	-6,701	28,231
<i>of which:</i>									
<i>Canada</i>	<i>7,923</i>	<i>-702</i>	<i>7,221</i>	<i>7,408</i>	<i>-299</i>	<i>7,109</i>	<i>6,489</i>	<i>-478</i>	<i>6,010</i>
<i>United States</i>	<i>33,677</i>	<i>-2,308</i>	<i>31,369</i>	<i>30,452</i>	<i>2,598</i>	<i>33,051</i>	<i>28,443</i>	<i>-6,223</i>	<i>22,221</i>
Central American Countries	7,310	-12	7,298	13,364	-1,557	11,807	15,031	-1,662	13,369
South American Countries	0	-686	-686	0	-486	-486	0	-511	-511
Asia, Africa, Oceania and Polar Regions	698	-793	-94	809	-419	391	428	-966	-540
Not geographically allocated⁵	4,901	1,592	6,493	266	-1,976	-1,711	668	925	1,594
Total	146,759	5,349	152,108	163,844	6,437	170,281	165,202	6,741	171,943
<i>of which:</i>									
<i>Offshore centres⁶</i>	<i>9,707</i>	<i>8,398</i>	<i>18,104</i>	<i>14,525</i>	<i>8,778</i>	<i>23,303</i>	<i>16,685</i>	<i>9,523</i>	<i>26,208</i>

¹ The sign convention used is: for year-end positions 'In Ireland' an entry without sign indicates a net liability position, while a minus sign indicates a net asset position

² Revised

³ The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain

⁴ For analytical purposes, additional details are given of transactions between residents of Ireland and residents of the EU25 area. With the expansion of the EU on 1 May 2004, the EU25 area comprises the former EU15 area along with Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovakia and Slovenia

⁵ This category covers data supplied by respondents without a geographical breakdown

⁶ This category overlaps with the regions referred to above and covers Andorra, Antigua and Barbuda, Anguilla, Netherlands Antilles, Barbados, Bahrain, Bermuda, Bahamas, Belize, Cook Islands, Dominica, Grenada, Guernsey, Gibraltar, Hong Kong, Isle of Man, Jersey, Jamaica, St. Kitts and Nevis, Cayman Islands, Lebanon, Saint Lucia, Liechtenstein, Liberia, Marshall Islands, Montserrat, Maldives, Nauru, Niue, Panama, Philippines, Singapore, Turks and Caicos Islands, Saint Vincent and the Grenadines, British Virgin Islands, US Virgin Islands, Vanuatu, Samoa

* Data suppressed for confidentiality reasons

Table 5 - Direct Investment Income ¹ Flows Classified by Geographic Location of Creditor/Debtor

€ million

Region/Country	Total Direct Investment Income								
	2001			2002			2003		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Europe	2,056	15,955	-13,898	2,008	18,737	-16,730	2,669	20,401	-17,734
EMU countries ²	332	9,420	-9,087	452	12,738	-12,286	940	13,791	-12,850
EU countries 15	1,676	11,674	-9,998	1,708	14,688	-12,980	2,224	17,103	-14,879
EU countries 25 ³	1,661	11,715	-10,052	1,656	14,692	-13,035	2,178	17,105	-14,927
<i>of which:</i>									
<i>United Kingdom</i>	<i>1,297</i>	<i>1,968</i>	<i>-670</i>	<i>1,206</i>	<i>1,684</i>	<i>-477</i>	<i>1,216</i>	<i>3,113</i>	<i>-1,897</i>
<i>Belgium & Luxembourg</i>	<i>-249</i>	<i>541</i>	<i>-791</i>	<i>-134</i>	<i>847</i>	<i>-982</i>	<i>24</i>	<i>1,292</i>	<i>-1,269</i>
<i>France</i>	<i>133</i>	<i>604</i>	<i>-472</i>	<i>76</i>	<i>411</i>	<i>-336</i>	<i>233</i>	<i>440</i>	<i>-208</i>
<i>Germany</i>	<i>31</i>	<i>758</i>	<i>-728</i>	<i>15</i>	<i>603</i>	<i>-589</i>	<i>47</i>	<i>2,221</i>	<i>-2,176</i>
<i>Italy</i>	<i>64</i>	<i>695</i>	<i>-631</i>	<i>56</i>	<i>626</i>	<i>-571</i>	<i>60</i>	<i>958</i>	<i>-899</i>
<i>Netherlands</i>	<i>219</i>	<i>6,525</i>	<i>-6,305</i>	<i>185</i>	<i>9,902</i>	<i>-9,718</i>	<i>340</i>	<i>8,204</i>	<i>-7,864</i>
<i>Spain</i>	<i>67</i>	<i>56</i>	<i>12</i>	<i>90</i>	<i>83</i>	<i>7</i>	<i>138</i>	<i>102</i>	<i>37</i>
Americas	1,434	10,671	-9,238	1,385	11,796	-10,413	909	11,094	-10,186
<i>of which:</i>									
<i>Canada</i>	<i>-6</i>	<i>125</i>	<i>-131</i>	<i>6</i>	<i>328</i>	<i>-323</i>	<i>16</i>	<i>423</i>	<i>-407</i>
<i>United States</i>	<i>842</i>	<i>7,235</i>	<i>-6,394</i>	<i>1,151</i>	<i>7,111</i>	<i>-5,959</i>	<i>634</i>	<i>6,396</i>	<i>-5,764</i>
Asia	69	127	-58	*	*	245	32	79	-47
<i>of which:</i>									
<i>Japan</i>	<i>24</i>	<i>79</i>	<i>-55</i>	<i>*</i>	<i>*</i>	<i>198</i>	<i>1</i>	<i>26</i>	<i>-24</i>
Africa, Oceania and Polar Regions	179	13	163	173	11	162	165	20	145
Other countries (not geographically allocated) ⁴	329	8	325	*	*	-324	304	-45	352
Total	4,067	26,774	-22,706	3,926	30,986	-27,060	4,079	31,549	-27,470
<i>of which:</i>									
<i>Offshore centres</i> ⁵	<i>*</i>	<i>*</i>	<i>-2,789</i>	<i>518</i>	<i>5,236</i>	<i>-4,718</i>	<i>666</i>	<i>4,728</i>	<i>-4,062</i>

¹ Income on equity and other direct investment capital² The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain³ For analytical purposes, additional details are given of transactions between residents of Ireland and residents of the EU25 area. With the expansion of the EU on 1 May 2004, the EU25 area comprises the former EU15 area along with Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovakia and Slovenia⁴ This category covers data supplied by respondents without a geographical breakdown⁵ This category overlaps with the regions referred to above and covers Andorra, Antigua and Barbuda, Anguilla, Netherlands Antilles, Barbados, Bahrain, Bermuda, Bahamas, Belize, Cook Islands, Dominica, Grenada, Guernsey, Gibraltar, Hong Kong, Isle of Man, Jersey, Jamaica, St. Kitts and Nevis, Cayman Islands, Lebanon, Saint Lucia, Liechtenstein, Liberia, Marshall Islands, Montserrat, Maldives, Nauru, Niue, Panama, Philippines, Singapore, Turks and Caicos Islands, Saint Vincent and the Grenadines, British Virgin Islands, US Virgin Islands, Vanuatu, Samoa

* Data suppressed for confidentiality reasons

Background Notes *(updated December 2004)*

Introduction This release updates the statistical series on Foreign Direct Investment (FDI) which was introduced in December 2003. The data presented cover the years 2001 to 2003 and show annual direct investment flows over the reference year along with end-year stocks (or positions) for Ireland broken down geographically by region and by country. On this occasion, an additional table (*Table 5*) has been included giving geographical details of direct investment income flows. These results further expand the range of Balance of Payments (BOP), International Investment Position (IIP) and related statistics published by the CSO. The figures presented are methodologically consistent with the data already presented in the quarterly balance of payments and annual IIP releases.

International statistical standards Taken together, the underlying methodologies used to compile these FDI as well as the various related statistics are consistent and follow as far as possible the recommendations of the IMF's *Balance of Payments Manual - 5th Edition* (BPM5) published in 1993 and its supplement, *Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual* published in 2000. The methodology used also reflects particular interpretations of the BPM5 by the European Central Bank (ECB) and Eurostat.

The BOP and IIP releases include descriptions of the overall collection, compilation and presentation methodologies used. Further important details which specifically concern Direct Investment are given below.

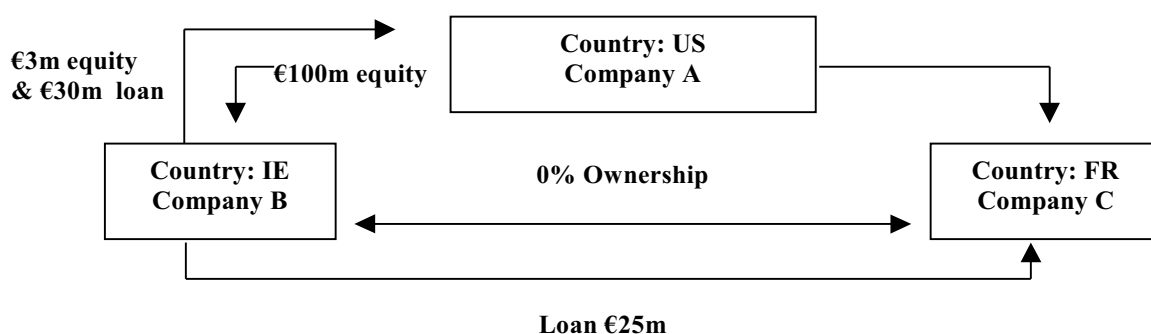
Data collection The general data collection arrangements have already been described in the BOP and IIP releases. In all about 2,000 enterprises identified using the CSO's statistical enterprise register are covered for FDI. In addition, some information on investment in residential properties abroad has been collected from general sources and the relevant estimates are included in the figures (see *Definition of Foreign Direct Investment* below).

Definition of Foreign Direct Investment *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.

The direct investment compilation system includes the estimated investment by Irish residents (households) in residential property abroad. These estimates were introduced in the Balance of Payments and International Investment Position releases published since Summer 2004. The relevant properties are regarded as constituting notional direct investment enterprises overseas and are treated accordingly in the system i.e. any relevant investment flows and stocks are included in the balance of payments and international investment statistics (current account flows - services or income are also of course, included in the balance of payments).

Directional Principle for recording direct investment In line with the quarterly BOP flow and annual IIP stock data, direct investments of Irish resident investors in foreign enterprises are recorded under the category *direct investment abroad* (which approximates to the assets concept). Similar investments made by foreign investors in enterprises located in Ireland are recorded under *direct investment in Ireland* (which closely equates to liabilities). The essential difference between the directional principle and the assets/liabilities

approach centres on the treatment of reverse investment by a direct investment enterprise in its parent (direct investor) and on the treatment of transactions with other foreign affiliates covered by a direct investment relationship. In the Irish context, reverse *equity* investment in a parent enterprise is rare and tends to be relatively small. However, substantial flows (and positions) under the category *direct investment – other capital* can take place. These predominantly take the form of inter-affiliate loans but trade credits and transactions in financial securities between affiliates are also included. The treatment of reverse investment has to be considered under three scenarios. First, for *reverse equity investment for holdings of 10% or more of the voting capital*, such transactions are regarded as separate direct investment in their own right for both the equity and non-equity involved. Second, for *reverse equity investment for holdings of less than 10% of the voting capital*, the transactions involved, whether in equity or non-equity instruments, are regarded as offsetting (or netted against) any existing direct investment by the parent in the enterprise. For example, if a US direct investor A invests €100m in a direct investment enterprise B located in Ireland and B acquires a small reverse equity investment of €3m in its parent (A) then the value of *direct investment in Ireland-equity* is €97m (i.e. €100m less €3m). Extending this example, if B advances a €30m loan to parent, A, *direct investment in Ireland-other capital* is €30m lower. Overall *direct investment in Ireland* from A to B is therefore €67m (i.e. €100m - €3m - €30m). The third scenario concerns a *non-equity transaction between enterprises related other than through equity ownership* (e.g. between ‘sister’ or ‘cousin’ companies). Given a number of considerations, there is some flexibility in the international standards regarding the treatment of this situation. In Ireland’s case and in order to ensure that all inward and outward flows (and stocks) arising from an initial inward direct investment are retained within the *direct investment in Ireland* category, the same principle as for reverse equity or non-equity investment with a parent company is applied. The transaction referred to is therefore treated as offsetting any existing *other capital* investment. Again extending the earlier example, if resident direct investment enterprise, B, advances a loan of €25m to a sister company, C, located in France, *direct investment in Ireland – other capital* is lowered by €25m and overall *direct investment in Ireland* from A to B amounts to €42m (i.e. €100m - €3m - €30m - €25m) – see diagram below. Cases occur on an ongoing basis where the outward investment flows or positions of B (or other sister direct investment enterprises located in Ireland) exceed the amounts attributable to A under *direct investment in Ireland*. The equivalent treatment is applied for similar situations categorised under *direct investment abroad*.



Geographical allocation principle

In line with the international recommendations, direct investment flows and stocks are geographically attributed on the basis of country of location of immediate ownership of the direct investment enterprise rather than that of the ultimate beneficial owner. Therefore, if a US investor directly invests in a direct investment enterprise located in Ireland, the origin of the investment as presented in these statistics is US. If the US investor indirectly invests, through its Cayman Islands subsidiary, in an enterprise located in Ireland then the origin of the investment is Cayman Islands. In both cases, the country of location of the ultimate beneficial owner is US. This may have a significant impact on the geographic analysis of FDI statistics.

Structure of the Direct Investment (FDI) tables

Table 1 shows direct investment flows abroad broken down by geographic region or country of location of the foreign direct investment enterprise as well as by the type of direct investment (*equity, reinvested earnings and other capital*). Table 2 shows a similar breakdown for direct investment flows into Ireland. Table 3 shows the geographical breakdown of the year end positions data for direct investment abroad, while Table 4 gives the equivalent figures for direct investment in Ireland. Direct investment flows during the year plus valuation and other changes explain the difference between the stocks positions each year. Table 5 shows the annual direct investment income credit, debit and net flows broken down geographically.