

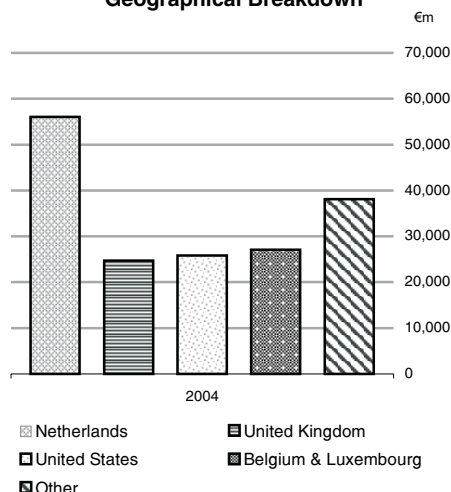


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## Foreign Direct Investment 2004

**Stock of Inward Direct Investment  
Geographical Breakdown**



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	€million		
	2002	2003	2004
<b>Foreign Direct Investment</b>			
Flows - Abroad	-11,715	-4,917	-12,728
Flows - In Ireland	31,158	20,185	8,987
Positions - Abroad - end year	56,148	58,979	77,069
Positions - In Ireland - end year	174,403	176,532	171,766
Net Income Flows	-27,071	-26,199	-27,059

### Significant drop in inward direct investment transactions from EU and from Caribbean countries in 2004

There was a notable drop in direct investment flows into Ireland from €20,185m in 2003 to €8,987m in 2004, a continuation of the decline noted one year earlier. Revised figures show that for European sourced investment there was lower funding from the Netherlands (€5,710m) and from France (€846m), as well as disinvestment by UK residents (€2,373m). There was also significant disinvestment amounting to €5,048m for Central American countries (mostly Caribbean offshore investors). This was largely due to the impact of sizeable dividend repatriations by their Irish-based enterprises. While US investors withdrew equity funding amounting to €1,178m, the combination of reinvestment of earnings (€1,728m) and other capital inflows (€3,446m) resulted in overall US direct investment in Ireland of €3,996m; this largely reversed the overall outflows of €5,275m to the US shown for 2003. Inward direct investment end-year stock levels dropped from €176,532m in 2003 to €171,766m in 2004. The reduction essentially results from currency exchange rate movements and financial market price changes during the year more than offsetting the inward flows of €8,987m referred to above. Within this, the reduction in stocks for *Central American Countries* from €13,777m to €8,562m is notable – see above and Tables 2 and 4.

Other points of note are:

- ◆ Outward direct investment flows increased from €4,917m in 2003 to €12,728m in 2004, mostly to the Netherlands, UK, US and to offshore centres. Overall stocks increased from €58,979m at end-2003 to €77,069m at end-2004, essentially reflecting increased investment to the locations cited, i.e. the Netherlands (€7,142m), UK (€16,583m), US (€11,639m) and offshore centres (€7,582m) – see Tables 1 and 3. As to UK, the figures reflect a reclassification of investment in commercial property from portfolio investment to direct investment.
- ◆ Between 2003 and 2004, profit attributions to Dutch investors increased from €8,124m to €10,077m – see Table 5.

In interpreting the figures it may be noted that indirect routing of inward or outward investment via other countries may occur. Geographical allocation is based on the country of residence of the immediate counterpart and, therefore, investment by US companies in Ireland, effected through intermediary subsidiaries located in other countries is attributed to these countries, e.g. the Netherlands (see *Background Notes*).

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Table 1 - Direct Investment<sup>1</sup> Flows Abroad Classified by Location of Investment

€ million

Region/Country	2002 <sup>2</sup>				2003 <sup>2</sup>				2004			
	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total
<b>Europe</b>	-6,551	-1,466	469	-7,547	-2,370	-2,363	102	-4,632	-3,556	-1,963	-3,997	-9,514
<b>EMU countries <sup>3</sup></b>	-5,899	-261	-433	-6,593	-1,358	-585	-77	-2,022	-1,015	-438	-3,151	-4,603
<b>EU countries 15</b>	-6,438	-1,180	217	-7,401	-1,982	-1,852	16	-3,816	-2,358	-1,820	-3,897	-8,074
<b>EU countries 25 <sup>4</sup></b>	-6,548	-1,123	211	-7,461	-2,012	-1,792	8	-3,796	-2,483	-1,520	-3,901	-7,902
<i>of which:</i>												
United Kingdom	-537	-919	651	-805	-608	-1,263	87	-1,785	-1,339	-1,381	-747	-3,467
France	*	*	-64	-522	-159	-17	-146	-321	*	-6	*	-179
Germany	*	*	*	*	-16	-31	36	-12	*	*	-4	141
Netherlands	*	-102	*	-1,880	-387	-114	391	-112	-115	*	*	-1,904
<b>Americas</b>	-724	-709	749	-683	523	-309	42	257	-880	-686	-1,187	-2,753
<i>of which:</i>												
Canada	*	*	*	50	0	-28	7	-22	*	*	*	-238
United States	9	-444	-44	-479	850	-136	-133	580	-481	-318	-24	-826
<b>Asia, Africa, Oceania and Polar Regions</b>	-3,609	-64	81	-3,593	-436	-28	-7	-471	-22	-158	-79	-260
<b>Not geographically allocated <sup>5</sup></b>	-49	-5	165	108	-35	31	-66	-71	-173	-2	-23	-201
<b>Total</b>	-10,933	-2,244	1,464	-11,715	-2,318	-2,669	71	-4,917	-4,631	-2,809	-5,286	-12,728
<i>of which:</i>												
Offshore centres <sup>6</sup>	*	*	1,026	-110	-226	-700	254	-674	-267	-748	-1,286	-2,302

<sup>1</sup> 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

<sup>2</sup> Revised

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

<sup>4</sup> 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

<sup>5</sup> This category covers data supplied by respondents without a geographical breakdown

<sup>6</sup> 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 2 - Direct Investment<sup>1</sup> Flows into Ireland Classified by Location of Investor

€ million

Region/Country	2002 <sup>2</sup>				2003 <sup>2</sup>				2004 <sup>3</sup>			
	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total
<b>Europe</b>	5,955	11,567	-617	16,906	915	10,730	14,656	26,300	-5,339	13,023	799	8,483
<b>EMU countries<sup>4</sup></b>	7,343	10,264	-3,533	14,074	1,741	8,562	7,006	17,311	-2,450	10,430	7,671	15,652
<b>EU countries 15</b>	6,117	11,115	-2,971	14,261	-886	10,051	12,510	21,674	-5,768	12,250	3,552	10,037
<b>EU countries 25<sup>5</sup></b>	6,117	11,115	-2,695	14,537	-886	10,051	12,291	21,455	-5,768	12,251	3,794	10,279
<i>of which:</i>												
United Kingdom	-1,234	768	2,632	2,167	-2,563	1,407	4,144	2,987	-1,103	1,773	-3,044	-2,373
Belgium & Luxembourg	*	*	-1,215	4,817	6,375	903	-1,685	5,592	420	1,368	3,795	5,581
France	242	167	-788	-379	697	210	2,032	2,940	270	385	190	846
Germany	1,703	435	1,330	3,467	-127	672	-706	-161	-333	815	439	921
Italy	*	*	-2,234	-276	74	542	-517	103	276	578	-582	271
Netherlands	-1,552	8,279	-773	5,953	-5,396	6,160	8,259	9,023	*	7,219	*	5,710
<b>North America</b>	600	2,544	3,248	6,391	1,728	2,368	-9,300	-5,206	-1,468	1,714	3,479	3,725
<i>of which:</i>												
Canada	-21	-92	110	-2	56	189	-175	69	-289	-15	33	-271
United States	618	2,636	3,138	6,393	1,672	2,179	-9,126	-5,275	-1,178	1,728	3,446	3,996
<b>Central America</b>	*	*	-936	7,109	865	2,709	-694	2,880	-62	-5,634	648	-5,048
<b>South America</b>	0	0	349	349	0	0	-102	-102	0	0	97	97
<b>Asia</b>	73	84	364	522	-10	69	237	295	-48	29	1,742	1,722
<i>of which:</i>												
Japan	85	65	-45	104	-8	27	194	212	0	0	1,392	1,392
<b>Africa, Oceania and Polar Regions</b>	-119	-2	-4	-128	0	12	-305	-293	-29	12	405	388
<b>Not geographically allocated<sup>6</sup></b>	*	*	-376	9	-4	5	-3,694	-3,689	-97	1	-283	-380
<b>Total</b>	14,545	14,586	2,028	31,158	3,494	15,893	798	20,185	-7,043	9,145	6,887	8,987
<i>of which:</i>												
Offshore centres <sup>7</sup>	*	*	2,207	10,492	955	2,924	1,579	5,457	-74	-5,196	-2,334	-7,604

<sup>1</sup> 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 investment

<sup>2</sup> Revised

<sup>3</sup> With the availability of later information the 2004 transactions have been revised compared to the data published in the Balance of International Payments release on 30 June 2005

<sup>4</sup> The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain

<sup>5</sup> 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

<sup>6</sup> This category covers data supplied by respondents without a geographical breakdown

<sup>7</sup> 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 Investment<sup>1</sup> Abroad End Year Positions Classified by Location of Investment

€ million

Region/Country	2002 <sup>2</sup>			2003 <sup>2</sup>			2004		
	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total
<b>Europe</b>	<b>32,709</b>	<b>3,666</b>	<b>36,375</b>	<b>36,926</b>	<b>3,026</b>	<b>39,952</b>	<b>46,248</b>	<b>6,608</b>	<b>52,856</b>
<b>EMU countries</b> <sup>3</sup>	<b>17,643</b>	<b>-80</b>	<b>17,563</b>	<b>19,892</b>	<b>-607</b>	<b>19,285</b>	<b>24,514</b>	<b>2,409</b>	<b>26,923</b>
<b>EU countries 15</b>	<b>28,026</b>	<b>3,442</b>	<b>31,468</b>	<b>31,297</b>	<b>2,762</b>	<b>34,059</b>	<b>37,278</b>	<b>6,251</b>	<b>43,529</b>
<b>EU countries 25</b> <sup>4</sup>	<b>29,330</b>	<b>3,453</b>	<b>32,784</b>	<b>32,468</b>	<b>2,801</b>	<b>35,269</b>	<b>40,327</b>	<b>6,309</b>	<b>46,637</b>
<i>of which:</i>									
<i>United Kingdom</i>	<i>10,378</i>	<i>3,520</i>	<i>13,897</i>	<i>11,379</i>	<i>3,369</i>	<i>14,748</i>	<i>12,739</i>	<i>3,844</i>	<i>16,583</i>
<i>France</i>	<i>*</i>	<i>*</i>	<i>954</i>	<i>1,419</i>	<i>333</i>	<i>1,752</i>	<i>1,364</i>	<i>350</i>	<i>1,713</i>
<i>Germany</i>	<i>*</i>	<i>163</i>	<i>*</i>	<i>2,663</i>	<i>163</i>	<i>2,826</i>	<i>2,628</i>	<i>143</i>	<i>2,771</i>
<i>Netherlands</i>	<i>6,220</i>	<i>-224</i>	<i>5,996</i>	<i>6,384</i>	<i>-1,485</i>	<i>4,900</i>	<i>6,940</i>	<i>202</i>	<i>7,142</i>
<b>Americas</b>	<b>8,639</b>	<b>1,466</b>	<b>10,104</b>	<b>8,486</b>	<b>1,232</b>	<b>9,718</b>	<b>13,487</b>	<b>2,402</b>	<b>15,890</b>
<i>of which:</i>									
<i>Canada</i>	<i>*</i>	<i>*</i>	<i>*</i>	<i>*</i>	<i>*</i>	<i>282</i>	<i>*</i>	<i>*</i>	<i>443</i>
<i>United States</i>	<i>6,542</i>	<i>720</i>	<i>7,262</i>	<i>6,637</i>	<i>801</i>	<i>7,437</i>	<i>10,865</i>	<i>774</i>	<i>11,639</i>
<b>Asia, Africa, Oceania and Polar Regions</b>	<b>7,584</b>	<b>10</b>	<b>7,595</b>	<b>8,483</b>	<b>159</b>	<b>8,643</b>	<b>7,289</b>	<b>195</b>	<b>7,485</b>
<b>Not geographically allocated</b> <sup>5</sup>	<b>1,674</b>	<b>401</b>	<b>2,074</b>	<b>506</b>	<b>161</b>	<b>666</b>	<b>759</b>	<b>81</b>	<b>838</b>
<b>Total</b>	<b>50,606</b>	<b>5,543</b>	<b>56,148</b>	<b>54,401</b>	<b>4,578</b>	<b>58,979</b>	<b>67,783</b>	<b>9,286</b>	<b>77,069</b>
<i>of which:</i>									
<i>Offshore centres</i> <sup>6</sup>	<i>4,352</i>	<i>988</i>	<i>5,339</i>	<i>4,836</i>	<i>606</i>	<i>5,443</i>	<i>5,779</i>	<i>1,803</i>	<i>7,582</i>

<sup>1</sup> 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 position<sup>2</sup> Revised<sup>3</sup> The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain<sup>4</sup> 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<sup>5</sup> This category covers data supplied by respondents without a geographical breakdown<sup>6</sup> 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 Investment<sup>1</sup> in Ireland End Year Positions Classified by Location of Investor

€ million

Region/Country	2002 <sup>2</sup>			2003 <sup>2</sup>			2004		
	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total
<b>Europe</b>	<b>116,027</b>	<b>11,775</b>	<b>127,803</b>	<b>121,604</b>	<b>16,406</b>	<b>138,010</b>	<b>119,655</b>	<b>17,075</b>	<b>136,730</b>
<b>EMU countries <sup>3</sup></b>	<b>75,364</b>	<b>7,231</b>	<b>82,595</b>	<b>85,666</b>	<b>5,500</b>	<b>91,166</b>	<b>85,453</b>	<b>12,392</b>	<b>97,845</b>
<b>EU countries 15</b>	<b>110,354</b>	<b>4,638</b>	<b>114,993</b>	<b>113,386</b>	<b>8,443</b>	<b>121,830</b>	<b>111,241</b>	<b>11,242</b>	<b>122,483</b>
<b>EU countries 25 <sup>4</sup></b>	<b>110,395</b>	<b>3,495</b>	<b>113,890</b>	<b>113,394</b>	<b>7,276</b>	<b>120,670</b>	<b>111,288</b>	<b>11,494</b>	<b>122,782</b>
<i>of which:</i>									
<i>United Kingdom</i>	<i>31,359</i>	<i>-869</i>	<i>30,489</i>	<i>24,372</i>	<i>3,177</i>	<i>27,549</i>	<i>24,580</i>	<i>126</i>	<i>24,706</i>
<i>Belgium &amp; Luxembourg</i>	<i>14,236</i>	<i>-1,680</i>	<i>12,556</i>	<i>19,865</i>	<i>-2,826</i>	<i>17,038</i>	<i>25,221</i>	<i>1,849</i>	<i>27,071</i>
<i>France</i>	<i>1,715</i>	<i>-2,328</i>	<i>-614</i>	<i>2,773</i>	<i>-990</i>	<i>1,783</i>	<i>3,431</i>	<i>-208</i>	<i>3,224</i>
<i>Germany</i>	<i>10,040</i>	<i>1,226</i>	<i>11,266</i>	<i>8,330</i>	<i>89</i>	<i>8,419</i>	<i>1,026</i>	<i>1,458</i>	<i>2,484</i>
<i>Italy</i>	<i>7,742</i>	<i>-3,102</i>	<i>4,640</i>	<i>8,789</i>	<i>-3,344</i>	<i>5,445</i>	<i>7,325</i>	<i>-2,471</i>	<i>4,854</i>
<i>Netherlands</i>	<i>52,036</i>	<i>10,161</i>	<i>62,196</i>	<i>44,550</i>	<i>14,032</i>	<i>58,582</i>	<i>44,325</i>	<i>11,744</i>	<i>56,069</i>
<i>Spain</i>	<i>*</i>	<i>*</i>	<i>-415</i>	<i>*</i>	<i>*</i>	<i>-771</i>	<i>*</i>	<i>*</i>	<i>297</i>
<b>North American Countries</b>	<b>37,837</b>	<b>1,982</b>	<b>39,819</b>	<b>38,128</b>	<b>-7,291</b>	<b>30,837</b>	<b>35,066</b>	<b>-3,254</b>	<b>31,812</b>
<i>of which:</i>									
<i>Canada</i>	<i>8,081</i>	<i>-299</i>	<i>7,781</i>	<i>7,366</i>	<i>-476</i>	<i>6,890</i>	<i>6,412</i>	<i>-426</i>	<i>5,987</i>
<i>United States</i>	<i>29,756</i>	<i>2,281</i>	<i>32,037</i>	<i>30,762</i>	<i>-6,815</i>	<i>23,947</i>	<i>28,653</i>	<i>-2,828</i>	<i>25,825</i>
<b>Central American Countries</b>	<b>13,143</b>	<b>-2,557</b>	<b>10,586</b>	<b>16,167</b>	<b>-2,390</b>	<b>13,777</b>	<b>9,916</b>	<b>-1,353</b>	<b>8,562</b>
<b>South American Countries</b>	<b>0</b>	<b>-486</b>	<b>-486</b>	<b>0</b>	<b>-519</b>	<b>-519</b>	<b>0</b>	<b>-363</b>	<b>-363</b>
<b>Asia</b>	<b>572</b>	<b>116</b>	<b>688</b>	<b>407</b>	<b>44</b>	<b>452</b>	<b>373</b>	<b>1,807</b>	<b>2,179</b>
<i>of which:</i>									
<i>Japan</i>	<i>314</i>	<i>-598</i>	<i>-284</i>	<i>232</i>	<i>-555</i>	<i>-323</i>	<i>153</i>	<i>791</i>	<i>943</i>
<b>Africa, Oceania and Polar Regions</b>	<b>239</b>	<b>-535</b>	<b>-296</b>	<b>181</b>	<b>-830</b>	<b>-650</b>	<b>215</b>	<b>-716</b>	<b>-501</b>
<b>Not geographically allocated <sup>5</sup></b>	<b>266</b>	<b>-3,976</b>	<b>-3,711</b>	<b>680</b>	<b>-6,055</b>	<b>-5,375</b>	<b>-11</b>	<b>-6,644</b>	<b>-6,653</b>
<b>Total</b>	<b>168,084</b>	<b>6,319</b>	<b>174,403</b>	<b>177,167</b>	<b>-635</b>	<b>176,532</b>	<b>165,214</b>	<b>6,552</b>	<b>171,766</b>
<i>of which:</i>									
<i>Offshore centres <sup>6</sup></i>	<i>14,305</i>	<i>7,778</i>	<i>22,083</i>	<i>17,919</i>	<i>8,605</i>	<i>26,524</i>	<i>11,024</i>	<i>6,165</i>	<i>17,189</i>

<sup>1</sup> 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

<sup>2</sup> Revised

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

<sup>4</sup> 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

<sup>5</sup> This category covers data supplied by respondents without a geographical breakdown

<sup>6</sup> 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 <sup>1</sup> Flows Classified by Geographic Location of Creditor/Debtor

€ million

Region/Country	Total Direct Investment Income								
	2002 <sup>2</sup>			2003 <sup>2</sup>			2004		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
<b>Europe</b>	<b>2,025</b>	<b>18,977</b>	<b>-16,952</b>	<b>3,309</b>	<b>19,368</b>	<b>-16,059</b>	<b>3,601</b>	<b>20,270</b>	<b>-16,669</b>
<b>EMU countries <sup>3</sup></b>	<b>452</b>	<b>13,020</b>	<b>-12,569</b>	<b>1,135</b>	<b>12,378</b>	<b>-11,243</b>	<b>1,384</b>	<b>14,661</b>	<b>-13,277</b>
<b>EU countries 15</b>	<b>1,725</b>	<b>14,986</b>	<b>-13,260</b>	<b>2,778</b>	<b>15,474</b>	<b>-12,696</b>	<b>2,982</b>	<b>17,545</b>	<b>-14,563</b>
<b>EU countries 25 <sup>4</sup></b>	<b>1,674</b>	<b>14,990</b>	<b>-13,316</b>	<b>2,732</b>	<b>15,475</b>	<b>-12,743</b>	<b>3,144</b>	<b>17,545</b>	<b>-14,401</b>
<i>of which:</i>									
<i>United Kingdom</i>	<i>1,223</i>	<i>1,706</i>	<i>-483</i>	<i>1,565</i>	<i>2,858</i>	<i>-1,293</i>	<i>1,515</i>	<i>2,644</i>	<i>-1,129</i>
<i>Belgium &amp; Luxembourg</i>	<i>-134</i>	<i>846</i>	<i>-978</i>	<i>*</i>	<i>*</i>	<i>-902</i>	<i>*</i>	<i>*</i>	<i>-1,324</i>
<i>France</i>	<i>76</i>	<i>461</i>	<i>-386</i>	<i>208</i>	<i>527</i>	<i>-319</i>	<i>203</i>	<i>635</i>	<i>-432</i>
<i>Germany</i>	<i>15</i>	<i>715</i>	<i>-702</i>	<i>70</i>	<i>1,316</i>	<i>-1,246</i>	<i>176</i>	<i>1,136</i>	<i>-960</i>
<i>Italy</i>	<i>56</i>	<i>822</i>	<i>-766</i>	<i>63</i>	<i>975</i>	<i>-912</i>	<i>86</i>	<i>1,015</i>	<i>-929</i>
<i>Netherlands</i>	<i>185</i>	<i>9,868</i>	<i>-9,685</i>	<i>253</i>	<i>8,124</i>	<i>-7,871</i>	<i>414</i>	<i>10,077</i>	<i>-9,663</i>
<i>Spain</i>	<i>90</i>	<i>80</i>	<i>10</i>	<i>150</i>	<i>33</i>	<i>117</i>	<i>135</i>	<i>42</i>	<i>93</i>
<b>Americas</b>	<b>1,252</b>	<b>11,529</b>	<b>-10,278</b>	<b>922</b>	<b>11,361</b>	<b>-10,439</b>	<b>1,485</b>	<b>12,066</b>	<b>-10,581</b>
<i>of which:</i>									
<i>Canada</i>	<i>6</i>	<i>315</i>	<i>-310</i>	<i>41</i>	<i>405</i>	<i>-364</i>	<i>57</i>	<i>153</i>	<i>-96</i>
<i>United States</i>	<i>971</i>	<i>7,047</i>	<i>-6,075</i>	<i>634</i>	<i>5,716</i>	<i>-5,082</i>	<i>1,005</i>	<i>6,097</i>	<i>-5,092</i>
<b>Asia</b>	<b>*</b>	<b>*</b>	<b>238</b>	<b>56</b>	<b>95</b>	<b>-39</b>	<b>125</b>	<b>68</b>	<b>57</b>
<i>of which:</i>									
<i>Japan</i>	<i>*</i>	<i>*</i>	<i>197</i>	<i>37</i>	<i>36</i>	<i>1</i>	<i>46</i>	<i>22</i>	<i>24</i>
<b>Africa, Oceania and Polar Regions</b>	<b>*</b>	<b>*</b>	<b>160</b>	<b>157</b>	<b>16</b>	<b>141</b>	<b>161</b>	<b>14</b>	<b>146</b>
<b>Not geographically allocated <sup>5</sup></b>	<b>4</b>	<b>241</b>	<b>-239</b>	<b>-19</b>	<b>-216</b>	<b>197</b>	<b>0</b>	<b>13</b>	<b>-12</b>
<b>Total</b>	<b>3,761</b>	<b>30,831</b>	<b>-27,071</b>	<b>4,425</b>	<b>30,624</b>	<b>-26,199</b>	<b>5,372</b>	<b>32,431</b>	<b>-27,059</b>
<i>of which:</i>									
<i>Offshore centres <sup>6</sup></i>	<i>518</i>	<i>5,023</i>	<i>-4,504</i>	<i>719</i>	<i>5,673</i>	<i>-4,954</i>	<i>777</i>	<i>6,368</i>	<i>-5,591</i>

<sup>1</sup> Income on equity and other direct investment capital<sup>2</sup> Revised<sup>3</sup> The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain<sup>4</sup> 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<sup>5</sup> This category covers data supplied by respondents without a geographical breakdown<sup>6</sup> 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 2005)*

**Introduction** This release updates the statistical series on Foreign Direct Investment (FDI) which was introduced in December 2003. The data presented cover the years 2002 to 2004 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. 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).

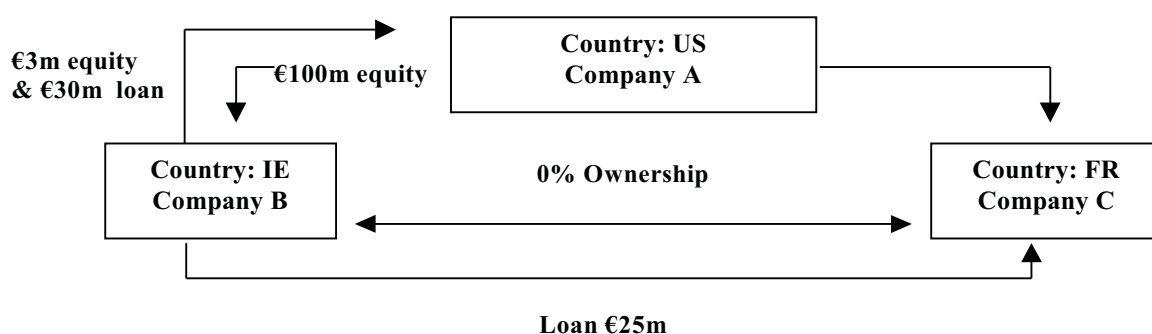
**Definition of Foreign Direct Investment** *Direct investment* is a category of international investment that, based on an equity ownership of at least 10%, reflects a lasting interest by a resident in one economy (the direct investor) in an enterprise resident in another economy (the direct investment 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 compilation system for direct investment also includes investment by Irish private residents (households) in commercial and residential property abroad. Such properties are regarded as constituting either actual or notional direct investment enterprises overseas and are treated accordingly in the system, both in terms of any relevant financial account investment flows and any current account flows (services or income). In addition, foreign investment in bloodstock breeding activities in Ireland as well as associated income flows are now reflected in the FDI statistics.

**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.