

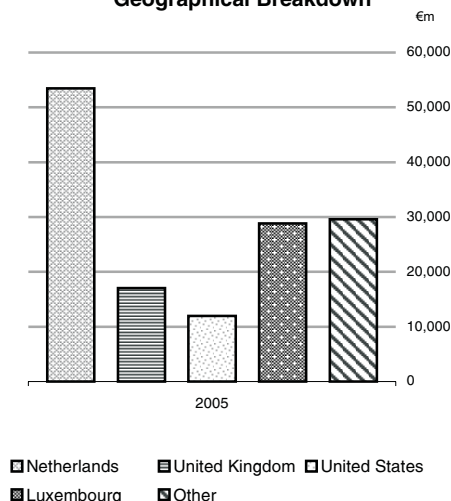


Central Statistics Office
An Phríomh-Oifig Staidrimh

26 January 2007

Foreign Direct Investment 2005

**Stock of Inward Direct Investment
Geographical Breakdown**



	€million		
	2003	2004	2005
Foreign Direct Investment			
Flows - Abroad	-4,917	-14,552	-10,910
Flows - In Ireland	20,185	-8,543	-25,034
Positions - Abroad - end year	58,979	77,853	87,197
Positions - In Ireland - end year	176,532	153,936	140,913
Net Income Flows	-26,199	-25,938	-25,900

Significant capital outflows by foreign-owned enterprises in 2005

Overall, direct investment into Ireland in 2005 showed a net outflow of €25,034m, up significantly on the €8,543m outflow in 2004. This reflects increased other (non-equity) capital advances – mostly loans – by foreign-owned operations in Ireland to their affiliates abroad. These amounted to €31,057m in the year and greatly exceeded the inflows of equity (€1,271m) and reinvested earnings (€4,752m) – *see Table 2*. Much of the capital involved went to European affiliates, principally in the Netherlands (€13,417m), UK (€5,118m), Germany (€2,327m), and Belgium (€2,517m). Inflows of such investment from the US (€3,604m) exceeded its disinvestment in equity (€1,460m) and reinvested earnings (€1,625m). There were investment inflows from Japan of €1,665m and from Mexico of €1,068m. End-2005 inward investment stocks stood at €140,913m, the equity/reinvested earnings element at €185,203m being notably reduced by large negative other capital positions (€44,290m) due to outflows referred to above. EU countries accounted for €108,095m of the total, mainly involving: the Netherlands (€53,441m), UK (€17,067m) and Luxembourg (€28,860m) – *see Table 4*. The US and Canada accounted for €11,961m and €5,479m investment respectively while Central American offshore centres were the source of €9,601m.

Other points of note are:

- ◆ Outward direct investment flows reduced from €14,552m in 2004 to €10,910m in 2005 largely due to disinvestment of €3,880m by Irish investors in the US. There was strong investment into the UK (€4,724m), the Netherlands (€3,536m) and Luxembourg (€2,661m), while Central America accounted for €3,270m – *see Table 1*.
- ◆ The end-2005 stock of outward investment amounted to €87,197m, the main destinations being: UK (€21,855m); the Netherlands (€8,772m); US (€7,303m) and Central America (€5,953m) – *see Table 3*.
- ◆ The net direct investment income outflow in 2005 was €25,900m – *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 Investment¹ Flows Abroad Classified by Location of Investment

€ million

Region/Country	2003				2004 ²				2005			
	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total
Europe	-2,370	-2,363	102	-4,632	-4,027	-1,897	-4,322	-10,245	-4,997	-2,114	-4,041	-11,155
of which:												
United Kingdom	-608	-1,263	87	-1,785	-1,814	-1,356	-751	-3,920	-2,110	-1,480	-1,132	-4,724
France	-159	-17	-146	-321	*	6	*	-165	*	-48	*	80
Germany	-16	-31	36	-12	*	*	-15	123	*	*	74	288
Netherlands	-387	-114	391	-112	-32	-290	-1,536	-1,858	348	-329	-3,556	-3,536
Belgium	*	*	*	*	*	*	*	*	*	*	5	601
Luxembourg	*	*	-305	-406	*	-4	*	29	*	-13	*	-2,661
Spain	*	-51	-25	*	*	-41	-18	*	*	-44	*	-342
Italy	-77	1	-17	-95	*	*	-46	-43	*	23	*	229
Switzerland	*	*	5	-69	*	-14	*	-50	*	-19	*	-119
EU countries 25 ³	-2,012	-1,792	8	-3,796	-2,889	-1,455	-4,222	-8,566	-3,043	-1,723	-4,215	-8,979
EU countries 15	-1,982	-1,852	16	-3,816	-2,766	-1,755	-4,217	-8,737	-4,355	-1,699	-4,198	-10,250
EMU countries ⁴	-1,358	-585	-77	-2,022	-946	-400	-3,224	-4,570	-2,251	-200	-3,078	-5,529
Americas	523	-309	42	257	-885	-698	-2,439	-4,020	967	-714	301	554
North America	849	-163	-128	558	*	-368	*	-1,533	1,020	-611	3,414	3,823
of which:												
Canada	0	-28	7	-22	*	-16	*	-78	-3	-46	-8	-57
United States	850	-136	-133	580	-481	-351	-623	-1,456	1,023	-563	3,421	3,880
Central America	*	-146	*	-302	*	*	*	*	*	-98	*	-3,270
South America	*	0	*	1	-2	*	*	*	*	-5	*	0
Asia	*	-57	*	-486	-14	-58	-42	-113	-57	-102	-43	-200
of which:												
China	0	*	*	*	*	0	*	1	0	*	*	*
Japan	*	*	*	*	*	-17	*	-35	*	*	-5	-96
Hong Kong	0	0	-1	-1	*	*	-3	-21	0	*	*	-27
Africa, Oceania and Polar Regions	*	29	*	15	-8	-58	40	-28	4	*	*	-110
Not geographically allocated ⁵	-35	31	-66	-71	-104	-8	-30	-146	-38	-42	77	1
Total	-2,318	-2,669	71	-4,917	-5,038	-2,719	-6,793	-14,552	-4,121	*	*	-10,910
of which:												
All offshore centres ⁶	-226	-700	254	-674	*	-726	*	-3,072	*	-518	*	-4,520

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 Revised

³ 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

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

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 2 - Direct Investment¹ Flows into Ireland Classified by Location of Investor

€ million

Region/Country	2003				2004 ²				2005			
	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total	Equity	Reinvested Earnings	Other Capital	Total
Europe	915	10,730	14,656	26,300	-4,570	13,289	-6,529	2,190	3,578	5,463	-37,203	-28,163
of which:												
United Kingdom	-2,563	1,407	4,144	2,987	-512	1,772	-7,395	-6,136	-2,324	2,160	-5,118	-5,281
Belgium	61	-132	-1,228	-1,301	-39	-156	217	21	353	-365	-2,517	-2,530
Luxembourg	6,314	1,036	-456	6,893	896	1,251	3,586	5,733	*	-954	*	-1,758
France	697	210	2,032	2,940	454	380	-815	19	*	315	*	4,915
Germany	-127	672	-706	-161	-335	811	-259	218	-52	652	-2,327	-1,727
Italy	74	542	-517	103	308	554	-580	282	*	660	*	1,325
Netherlands	-5,396	6,160	8,259	9,023	*	7,240	*	7,135	-1,243	1,774	-13,417	-12,886
EU countries 25³	-886	10,051	12,291	21,455	-4,731	11,973	-3,807	3,435	4,437	4,432	-29,250	-20,382
EU countries 15	-886	10,051	12,510	21,674	-4,730	11,973	-4,021	3,221	4,459	4,412	-28,827	-19,956
EMU countries⁴	1,741	8,562	7,006	17,311	-1,837	10,160	5,641	13,962	6,481	2,179	-23,209	-14,549
North America	1,728	2,368	-9,300	-5,206	-470	1,275	-9,350	-8,544	-1,834	-1,783	3,435	-184
of which:												
Canada	56	189	-175	69	-187	91	-40	-136	-374	-160	-170	-704
United States	1,672	2,179	-9,126	-5,275	-283	1,184	-9,308	-8,407	-1,460	-1,625	3,604	520
Central America	865	2,709	-694	2,880	-67	-5,225	1,500	-3,794	-479	1,031	168	720
of which:												
Mexico	0	*	*	*	n.a. ⁵	n.a. ⁵	n.a. ⁵	431	n.a. ⁵	n.a. ⁵	n.a. ⁵	1,068
South America	0	0	-102	-102	-1	0	751	752	1	-2	41	39
of which:												
Brazil	0	0	-128	-128	0	0	74	74	0	0	52	52
Asia	-10	69	237	295	402	-58	1,365	1,709	-47	30	-730	-747
of which:												
Japan	-8	27	194	212	*	-86	*	1,757	*	16	*	1,665
China	0	0	-59	-59	0	0	*	*	0	0	-347	-347
Africa, Oceania and Polar Regions	0	12	-305	-293	43	8	155	206	53	15	-272	-205
Not geographically allocated⁶	-4	5	-3,694	-3,689	1	2	-1,063	-1,062	-1	-2	3,504	3,506
Total	3,494	15,893	798	20,185	-4,662	9,291	-13,171	-8,543	1,271	4,752	-31,057	-25,034
of which:												
All offshore centres ⁷	955	2,924	1,579	5,457	59	-4,517	-1,439	-5,896	356	1,591	-9,517	-7,570

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 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 The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain⁵ Not available⁶ This category covers data supplied by respondents without a geographical breakdown⁷ 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	2003			2004 ²			2005		
	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total
Europe	36,926	3,026	39,952	47,082	6,741	53,827	56,139	9,519	65,661
of which:									
Italy	613	70	682	671	97	768	526	92	618
United Kingdom	11,379	3,369	14,748	13,954	3,715	17,669	16,958	4,897	21,855
France	1,419	333	1,752	1,361	342	1,703	1,603	178	1,781
Germany	2,663	163	2,826	2,724	140	2,864	1,615	89	1,704
Netherlands	6,384	-1,485	4,900	6,081	270	6,351	6,710	2,062	8,772
Switzerland	*	*	163	180	60	240	223	63	286
Offshore centres	n.a. ³	n.a. ³	n.a. ³	*	*	4,202	*	*	5,687
EU countries 25 ⁴	32,468	2,801	35,269	41,040	6,446	47,486	47,509	9,370	56,879
EU countries 15	31,297	2,762	34,059	37,992	6,387	44,379	44,951	9,295	54,247
EMU countries ⁵	19,892	-607	19,285	23,809	2,462	26,271	27,670	4,213	31,883
Americas	8,486	1,232	9,718	13,447	3,478	16,925	10,089	3,603	13,692
of which:									
Canada	*	*	282	*	*	162	230	40	270
United States	6,637	801	7,437	10,976	1,282	12,258	8,917	-1,614	7,303
Central America	*	*	*	2,231	*	*	*	*	5,953
of which:									
Offshore centres	n.a. ³	n.a. ³	n.a. ³	1,746	*	*	*	*	5,547
South America	*	*	*	*	46	*	*	*	166
Asia, Africa, Oceania and Polar Regions	8,483	159	8,643	6,189	128	6,316	6,970	140	7,110
Not geographically allocated⁶	506	161	666	652	136	785	609	128	734
Total	54,401	4,578	58,979	67,370	10,483	77,853	73,807	13,390	87,197
of which:									
All offshore centres ⁷	4,836	606	5,443	*	*	8,133	*	*	11,342

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 Not available⁴ 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 The relevant EMU countries are: Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal and Spain⁶ This category covers data supplied by respondents without a geographical breakdown⁷ This category overlaps with the regions referred to above and covers Andorra, Antigua and Barbuda, Anguilla, Netherlands Antilles, Barbados, Bahrain, Bermuda, 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	2003			2004 ²			2005		
	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total	Equity Capital & Reinvested Earnings	Other Capital	Total
Europe	121,604	16,406	138,010	122,333	9,222	131,555	140,209	-25,135	115,074
of which:									
United Kingdom	24,372	3,177	27,549	26,266	-3,181	23,085	26,840	-9,773	17,067
Belgium	2,319	-2,373	-54	2,104	-286	1,818	*	*	-899
Luxembourg	17,546	-453	17,093	22,592	1,946	24,538	28,572	288	28,860
France	2,773	-990	1,783	3,585	-1,220	2,365	9,282	-4,158	5,124
Germany	8,330	89	8,419	1,306	620	1,926	2,854	-1,715	1,139
Italy	8,789	-3,344	5,445	7,210	-2,492	4,718	7,743	-1,544	6,199
Netherlands	44,550	14,032	58,582	44,319	11,329	55,648	49,502	3,939	53,441
Spain	*	*	-771	*	*	-674	1,210	-3,351	-2,141
Switzerland	5,059	177	5,236	5,204	519	5,723	4,198	-237	3,961
Offshore centres	n.a. ³	n.a. ³	n.a. ³	*	*	8,187	*	*	2,669
EU countries 25⁴	113,394	7,276	120,670	110,106	3,333	113,439	131,288	-23,193	108,095
EU countries 15	113,386	8,443	121,830	113,623	3,062	116,684	131,214	-23,013	108,205
EMU countries⁵	85,666	5,500	91,166	82,581	8,224	90,805	102,701	-10,538	92,163
North American Countries	38,128	-7,291	30,837	33,792	-17,174	16,618	32,675	-15,236	17,439
of which:									
Canada	7,366	-476	6,890	6,397	-426	5,971	6,127	-648	5,479
United States	30,762	-6,815	23,947	27,394	-16,748	10,646	26,548	-14,587	11,961
Central American Countries	16,167	-2,390	13,777	10,502	-709	9,793	11,319	-1,517	9,802
of which:									
Offshore centres	n.a. ³	n.a. ³	n.a. ³	9,363	205	9,568	11,130	-1,528	9,601
South American Countries	0	-519	-519	-1	-621	-622	0	-486	-485
of which:									
Brazil	0	-474	-474	0	*	*	0	-373	-373
Asia	407	44	452	772	1,342	2,114	662	149	811
of which:									
Japan	232	-555	-323	581	772	1,353	630	2,440	3,070
Singapore	*	*	801	*	*	880	*	*	-152
China	0	-140	-140	0	282	282	0	-112	-112
Offshore centres	n.a. ³	n.a. ³	n.a. ³	*	*	1,095	*	*	-723
Africa, Oceania and Polar Regions	181	-830	-650	221	-749	-528	336	-1,193	-857
Not geographically allocated⁶	680	-6,055	-5,375	7	-5,002	-4,994	2	-872	-871
Total	177,167	-635	176,532	167,626	-13,691	153,936	185,203	-44,290	140,913
of which:									
All offshore centres ⁷	17,919	8,605	26,524	12,130	6,721	18,851	14,785	-3,237	11,548

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 Not available

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

⁶ This category covers data supplied by respondents without a geographical breakdown

⁷ 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 Income¹ Flows Classified by Geographic Location of Creditor/Debtor

€ million

Region/Country	Total Direct Investment Income					
	2003			2004 ²		
	Credit	Debit	Net	Credit	Debit	Net
Europe	3,309	19,368	-16,059	3,839	20,691	-16,852
of which:						
United Kingdom	1,565	2,858	-1,293	1,592	2,674	-1,082
Belgium	*	*	427	*	4	*
Luxembourg	37	1,367	-1,330	*	1,393	*
France	208	527	-319	224	643	-419
Germany	70	1,316	-1,246	210	1,161	-951
Italy	63	975	-912	86	998	-912
Netherlands	253	8,124	-7,871	436	10,154	-9,718
Spain	150	33	117	168	44	124
Switzerland	1	3,378	-3,377	24	2,342	-2,318
EU countries ³	2,732	15,475	-12,743	3,381	17,421	-14,040
EU countries ³	2,778	15,474	-12,696	3,219	17,420	-14,201
EMU countries ⁴	1,135	12,378	-11,243	1,525	14,508	-12,982
Americas	922	11,361	-10,439	1,933	11,261	-9,328
of which:						
Canada	41	405	-364	35	180	-145
United States	634	5,716	-5,082	1,446	5,774	-4,328
Offshore centres	n.a. ⁵	n.a. ⁵	n.a. ⁵	338	5,261	-4,923
Asia	56	95	-39	84	-17	101
of which:						
Japan	37	36	1	21	-66	87
Africa, Oceania and Polar Regions	157	16	141	160	14	146
Not geographically allocated ⁶	-19	-216	197	2	7	-5
Total	4,425	30,624	-26,199	6,018	31,956	-25,938
of which:						
All offshore centres ⁷	719	5,673	-4,954	778	6,145	-5,367

¹ Income on equity and other direct investment capital

² Revised

³ 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

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

⁵ Not available

⁶ This category covers data supplied by respondents without a geographical breakdown

⁷ 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 January 2007)*

Introduction This release updates the statistical series on Foreign Direct Investment (FDI) which was introduced in December 2003. The data presented cover the years 2003 to 2005 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.

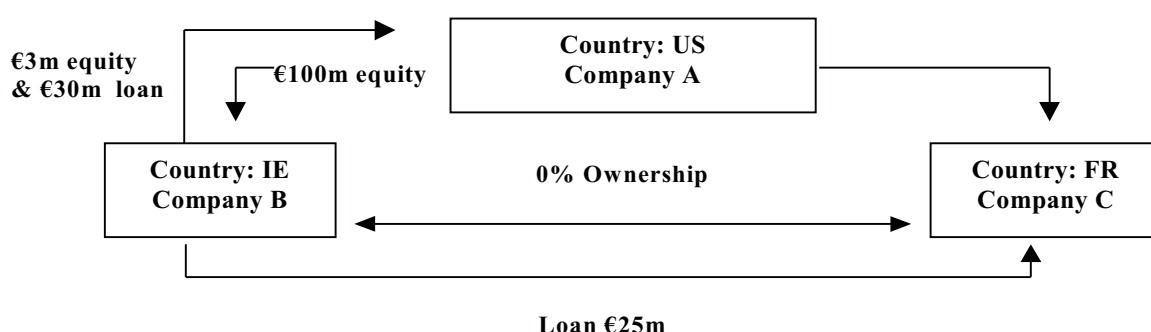
Data collection The general data collection arrangements have already been described in the BOP and IIP releases. In all about 2,000 enterprises identified using the CSO's statistical enterprise register are covered for FDI. In addition, some information on investment in residential and commercial properties 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 derivative contracts, and 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.