

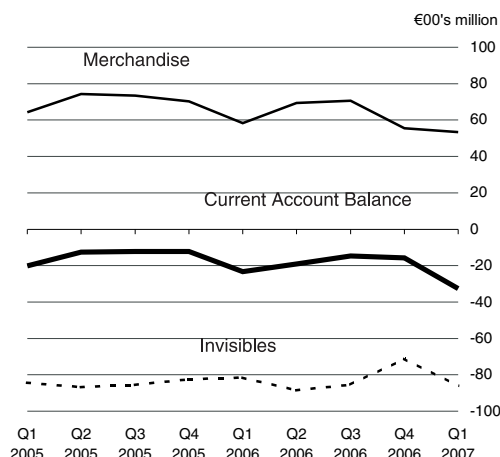


Central Statistics Office
An Phríomh-Oifig Staidrimh

28 June 2007

Balance of International Payments Quarter 1 2007

Current Account



€ million

	Merchandise Balance	Invisibles Balance	Current Account Balance
Q1 2007	5,336	-8,607	-3,271
Q1 2006	5,828	-8,153	-2,325
Year 2006	25,389	-32,664	-7,276

€3.3 billion current account deficit for 1st Quarter

There was a significantly higher deficit of €3,271m on the current account of the Balance of Payments in the first quarter of 2007 compared to one of €2,325m for the same period in 2006. The latest deficit resulted from a higher negative *invisibles* balance of €8,607m (compared to one of €8,153m for the first quarter of 2006) exceeding a lower *merchandise* surplus of €5,336m (compared to €5,828m one year earlier) - *see Table 1*. Further comparison of the same two quarters shows that merchandise exports at €21,724m were over €1.1 billion higher while service exports at €14,437m were over €1.5 billion higher. Merchandise imports of €16,388m were about €1.6 billion higher while there was an increase of over €900m in service imports to €15,317m. Foreign income receipts of €17,434m were up over €4.3 billion compared to one year ago, while income outflows of €24,433m increased by over €5.1 billion. Profit outflows of €8,892m from foreign-owned enterprises were large and increased by almost €1.4 billion compared to the same quarter in 2006. There were also sizeable increases in portfolio investment income and other investment income inflows and outflows, the combined net inflow for the latest quarter being €466m compared to a marginal balance one year ago - *see Table 2a*. In the financial account, acquisition of foreign portfolio security assets at €60,173m was almost €7 billion lower than for the first quarter of 2006 - *see Table 2b*.

Revised results for 2005 and 2006

This release reflects revisions arising from new and updated information for 2005 and 2006. These changes primarily affect merchandise, services and income but the main components of the financial account have also been revised. The current account deficits for 2005 and 2006, now at €5,690m and €7,276m respectively, have both been increased by about €1.5 billion, largely due to revisions in merchandise trade. The 2005 merchandise surplus is now €1.4 billion lower at €28,218m while that for 2006 has been reduced by €1.8 billion to €25,389m. Downward revisions of around €800m made to the service deficits in 2005 (€9,303m) and 2006 (€7,419m) were largely due to higher service exports. Net income outflows in 2005 were increased by over €500m to €24,870m; in 2006 similar outflows of €24,780m are €200m higher than before. Better estimates of immigrants' remittances abroad have reduced net current transfers in both years by about €300m. The earlier financial account deficit for 2005 has been reduced by about €500m to one of €487m while the positive balance for 2006 was revised upwards by about €700m to €8,437m. The revised current account results will be included in the 2006 National Income and Expenditure Release to be published shortly.

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Ardee Road
Dublin 6
Ireland

Skehard Road
Cork
Ireland

LoCall: 1890 313 414 (ROI)
0870 8760256 (UK/NL)

Tel: +353 1 498 4000 Tel: +353 21 453 5000
Fax: +353 1 498 4020 Fax: +353 21 453 5555

Both offices may be contacted through any of these telephone numbers.

CSO on the Web: www.cso.ie
and go to
Economy: Balance of Payments

Director General: Gerard O'Hanlon

Enquiries:

BOP Statistics BOP Section, 01-498 4055
bop@cso.ie
Queries and Sales Information Section, ext 5021
information@cso.ie

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For more information contact John Fitzpatrick at 01 498 4366, Stephen Treacy at 01 498 4076

Table 1a – Summary of Current and Capital Account Balances

€ million

Period		Merchandise ¹	Invisibles				Balance on Current Account	Balance on Capital Account
			Services	Income	Current Transfers	Total		
1998	Year	17,510	-8,820	-9,382	1,319	-16,883	627	840
1999	Year	22,170	-10,176	-12,945	1,177	-21,944	226	560
2000	Year	27,266	-13,889	-14,750	994	-27,645	-379	1,182
2001	Year	30,494	-13,259	-18,295	305	-31,249	-757	703
2002	Year	35,442	-13,779	-23,664	707	-36,736	-1,295	512
2003	Year	32,604	-11,091	-21,947	432	-32,606	-2	93
2004	Year	31,423	-10,203	-22,481	393	-32,291	-867	279
2005 ²	Year	28,218	-9,303	-24,870	265	-33,908	-5,690	264
2006 ²	Year	25,389	-7,419	-24,780	-465	-32,664	-7,276	223
1998	Quarter 1	3,823	-2,184	-2,071	259	-3,996	-173	91
	Quarter 2	4,130	-1,845	-2,418	404	-3,859	271	39
	Quarter 3	4,883	-1,908	-2,698	235	-4,371	512	336
	Quarter 4	4,675	-2,882	-2,195	422	-4,655	20	374
1999	Quarter 1	4,915	-2,548	-2,581	277	-4,852	63	133
	Quarter 2	5,131	-2,492	-2,987	342	-5,137	-6	40
	Quarter 3	6,114	-2,516	-3,792	163	-6,145	-31	4
	Quarter 4	6,010	-2,621	-3,585	395	-5,811	199	383
2000	Quarter 1	5,457	-2,887	-3,326	324	-5,889	-432	300
	Quarter 2	6,447	-3,188	-3,007	253	-5,942	505	192
	Quarter 3	7,351	-3,406	-4,091	-92	-7,589	-238	-12
	Quarter 4	8,011	-4,408	-4,326	509	-8,225	-214	702
2001	Quarter 1	6,771	-3,413	-3,929	64	-7,278	-508	300
	Quarter 2	8,089	-3,354	-4,748	-13	-8,115	-26	76
	Quarter 3	8,085	-3,085	-4,816	-57	-7,958	126	9
	Quarter 4	7,549	-3,407	-4,802	311	-7,898	-349	318
2002	Quarter 1	8,977	-3,845	-5,837	-36	-9,718	-741	-14
	Quarter 2	8,598	-3,683	-6,290	131	-9,842	-1,244	2
	Quarter 3	9,265	-3,493	-5,529	-68	-9,090	174	9
	Quarter 4	8,602	-2,758	-6,008	680	-8,086	516	515
2003	Quarter 1	7,622	-2,472	-5,815	-89	-8,376	-753	0
	Quarter 2	8,421	-2,747	-5,634	48	-8,333	88	-38
	Quarter 3	8,338	-3,084	-5,061	-89	-8,234	103	-192
	Quarter 4	8,223	-2,788	-5,437	562	-7,663	560	323
2004	Quarter 1	8,143	-2,588	-5,601	-61	-8,250	-107	-22
	Quarter 2	8,142	-2,488	-5,867	64	-8,291	-149	-57
	Quarter 3	7,763	-2,700	-5,409	-13	-8,122	-359	19
	Quarter 4	7,375	-2,427	-5,604	403	-7,628	-252	339
2005 ²	Quarter 1	6,422	-1,974	-6,172	-285	-8,431	-2,009	80
	Quarter 2	7,425	-1,799	-7,064	187	-8,676	-1,250	-21
	Quarter 3	7,339	-2,522	-5,771	-261	-8,554	-1,215	16
	Quarter 4	7,032	-3,008	-5,863	624	-8,247	-1,216	189
2006 ²	Quarter 1	5,828	-1,464	-6,235	-454	-8,153	-2,325	78
	Quarter 2	6,947	-2,385	-6,126	-342	-8,853	-1,906	8
	Quarter 3	7,071	-1,277	-6,911	-353	-8,541	-1,471	-9
	Quarter 4	5,543	-2,293	-5,508	684	-7,117	-1,574	146
2007	Quarter 1	5,336	-880	-6,999	-728	-8,607	-3,271	30

¹ Adjusted for balance of payment purposes² Revised

Table 1b – Summary of Financial Account Balances and Net Errors and Omissions € million

Period		Direct Investment	Portfolio Investment	Other ¹ Investment	Reserve Assets	Balance on Financial Account	Net errors and omissions
1998	Year	4,422	-8,466	7,459	-2,280	1,135	-2,602
1999	Year	11,359	-14,342	-974	1,746	-2,211	1,425
2000	Year	22,957	-5,358	-9,037	-142	8,420	-9,223
2001	Year	6,241	-25,158	19,039	-441	-319	372
2002	Year	19,444	-37,979	19,263	343	1,070	-287
2003	Year	15,270	-39,977	21,567	1,770	-1,372	1,280
2004	Year	-23,095	14,287	11,430	1,177	3,801	-3,212
2005 ²	Year	-36,992	52,698	-17,665	1,472	-487	5,912
2006 ²	Year	-12,492	-15,423	36,265	87	8,437	-1,385
1998	Quarter 1	1,497	-1,255	1,939	-165	2,016	-1,935
	Quarter 2	1,965	-1,301	106	-1,011	-241	-67
	Quarter 3	2,393	-5,411	4,245	-333	894	-1,741
	Quarter 4	-1,433	-498	1,169	-771	-1,533	1,140
1999	Quarter 1	4,215	-4,805	884	1,887	2,181	-2,377
	Quarter 2	2,019	-5,227	-1,734	-93	-5,035	5,001
	Quarter 3	3,789	-4,390	-12	13	-600	627
	Quarter 4	1,336	79	-112	-61	1,242	-1,824
2000	Quarter 1	2,317	-5,222	3,728	39	862	-730
	Quarter 2	6,184	4,761	-7,128	-55	3,762	-4,459
	Quarter 3	6,819	-5,814	2,652	-38	3,619	-3,369
	Quarter 4	7,636	917	-8,289	-88	176	-664
2001	Quarter 1	-403	1,851	-3,318	-67	-1,937	2,145
	Quarter 2	4,368	-6,594	3,774	-199	1,349	-1,399
	Quarter 3	1,960	-11,644	11,067	-45	1,338	-1,474
	Quarter 4	316	-8,771	7,516	-130	-1,069	1,100
2002	Quarter 1	6,205	-13,891	9,680	265	2,258	-1,503
	Quarter 2	1,379	941	-2,345	236	211	1,032
	Quarter 3	8,473	-11,496	4,692	-130	1,539	-1,723
	Quarter 4	3,387	-13,533	7,236	-28	-2,938	1,907
2003	Quarter 1	4,065	-8,773	3,197	1,818	308	445
	Quarter 2	11,407	-10,431	-1,876	-43	-943	893
	Quarter 3	3,830	-23,201	18,913	-84	-544	633
	Quarter 4	-4,032	2,428	1,333	79	-193	-691
2004	Quarter 1	-8,076	10,665	-5,684	1,189	-1,905	2,035
	Quarter 2	-4,869	9,346	-4,281	135	331	-125
	Quarter 3	158	-4,805	7,694	-129	2,918	-2,578
	Quarter 4	-10,308	-919	13,701	-18	2,457	-2,544
2005 ²	Quarter 1	964	4,080	-7,896	48	-2,804	4,733
	Quarter 2	-7,066	-428	10,874	69	3,449	-2,178
	Quarter 3	-15,732	25,927	-11,672	10	-1,467	2,665
	Quarter 4	-15,158	23,119	-8,971	1,345	335	692
2006 ²	Quarter 1	-3,855	-20,291	23,198	83	-866	3,113
	Quarter 2	-7,991	-11,845	22,449	-110	2,503	-605
	Quarter 3	5,531	-2,844	-977	68	1,779	-300
	Quarter 4	-6,177	19,557	-8,405	46	5,021	-3,593
2007	Quarter 1	3,654	-6,331	2,220	-47	-503	3,744

¹ Including financial derivatives and trade credits² Revised

Table 2a – Current and Capital Accounts

€ million

Item		2005 ¹		2006 ¹		2005 ¹				2006 ¹				2007
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1		
Current Account														
Merchandise ²	Cr	82,686	83,355	19,424	21,083	20,085	22,094	20,597	20,913	20,651	21,194	21,724		
	Db	54,467	57,967	13,001	13,658	12,746	15,062	14,769	13,966	13,581	15,651	16,388		
Services	Cr	48,219	55,051	10,990	12,036	12,483	12,710	12,925	13,521	14,042	14,563	14,437		
	Db	57,521	62,471	12,964	13,835	15,004	15,718	14,389	15,906	15,320	16,856	15,317		
Transport	Cr	2,131	2,334	410	563	708	450	407	642	778	507	500		
	Db	1,982	2,024	475	503	469	535	517	493	479	535	546		
Tourism and Travel ³	Cr	3,863	4,258	641	1,007	1,360	855	672	1,094	1,600	892	741		
	Db	4,898	5,446	897	1,178	1,767	1,056	1,030	1,338	1,876	1,202	1,163		
Communications	Cr	432	417	103	113	114	102	97	103	110	107	99		
	Db	709	765	169	182	179	179	188	182	200	195	203		
Insurance	Cr	6,909	8,790	1,829	1,633	1,720	1,727	2,354	1,985	2,072	2,379	2,148		
	Db	5,976	7,167	1,612	1,137	1,544	1,683	1,774	1,617	1,719	2,057	1,705		
Financial services	Cr	4,850	6,188	1,155	1,152	1,213	1,330	1,452	1,516	1,548	1,672	1,697		
	Db	2,654	3,750	673	592	708	681	880	881	966	1,023	1,046		
Computer services ⁴	Cr	15,755	16,747	3,669	4,075	3,606	4,405	4,005	4,370	3,802	4,570	4,631		
	Db	352	531	86	95	91	80	134	132	129	136	175		
Royalties/Licences	Cr	623	818	139	154	149	181	190	209	235	184	206		
	Db	15,482	16,564	3,424	3,876	3,815	4,367	3,928	4,233	3,788	4,615	3,934		
Business services	Cr	13,072	14,897	2,899	3,194	3,466	3,513	3,598	3,451	3,747	4,101	4,266		
	Db	25,313	26,048	5,591	6,235	6,390	7,097	5,895	6,987	6,118	7,048	6,500		
Trade related	Cr	4,348	3,937	935	1,096	1,191	1,126	832	762	992	1,351	1,466		
	Db	7,609	8,128	1,682	2,012	1,779	2,136	1,893	2,386	1,819	2,030	2,100		
Operational leasing	Cr	4,076	5,398	836	922	1,125	1,193	1,353	1,342	1,379	1,324	1,297		
	Db	813	927	195	200	207	211	227	231	233	236	242		
Misc. business services ⁵	Cr	4,650	5,563	1,128	1,177	1,150	1,195	1,413	1,347	1,377	1,426	1,503		
	Db	16,890	16,993	3,714	4,022	4,404	4,750	3,775	4,370	4,065	4,783	4,158		
Other services n.e.s.	Cr	581	605	145	144	146	146	151	152	151	151	150		
	Db	158	176	39	38	40	41	44	42	44	46	44		

Table 2a – Current and Capital Accounts - continued

€ million

Item		2005 ¹	2006 ¹	2005 ¹				2006 ¹				2007
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Current Account - continued												
Income	Cr	43,418	59,871	9,250	10,455	11,670	12,043	13,079	14,837	15,345	16,610	17,434
	Db	68,288	84,652	15,422	17,519	17,441	17,906	19,315	20,963	22,256	22,118	24,433
Compensation of Employees	Cr	392	408	93	93	113	93	96	96	117	99	96
	Db	855	1,016	199	198	244	214	234	244	307	231	245
Investment Income	Cr	43,025	59,463	9,157	10,362	11,557	11,949	12,983	14,741	15,228	16,511	17,337
	Db	67,433	83,635	15,223	17,321	17,197	17,692	19,081	20,719	21,949	21,886	24,188
Direct investment income	Cr	6,473	8,405	1,325	1,396	1,856	1,896	2,024	2,066	2,061	2,254	2,089
	Db	32,817	31,448	7,940	9,174	7,660	8,043	8,134	7,541	8,232	7,541	9,406
Income on equity	Cr	3,845	4,234	636	803	1,271	1,135	978	932	1,106	1,218	952
	Db	30,597	29,473	7,373	8,661	7,117	7,446	7,505	7,090	7,725	7,153	8,892
Dividends & distributed												
branch profits	Cr	163	469	31	40	48	44	*	*	*	0	*
	Db	26,341	19,385	4,735	4,207	7,997	9,402	2,276	6,988	3,300	6,821	2,817
Reinvested earnings	Cr	3,682	3,765	605	763	1,223	1,091	*	*	*	1,218	*
	Db	4,257	10,087	2,638	4,454	-879	-1,956	5,228	102	4,425	332	6,074
Income on debt	Cr	2,629	4,171	690	593	585	761	1,046	1,134	955	1,036	1,136
	Db	2,220	1,977	567	514	542	597	630	451	507	389	514
Portfolio investment income	Cr	22,323	31,966	4,836	5,483	5,975	6,029	6,955	8,033	8,159	8,819	9,169
	Db	18,978	28,918	4,077	4,449	5,289	5,163	6,023	7,229	7,550	8,116	8,406
Income on equity	Cr	3,543	5,027	777	1,047	904	815	1,025	1,736	1,207	1,059	1,091
	Db	10,854	16,748	2,380	2,493	3,126	2,855	3,493	4,401	4,298	4,556	4,614
Income on debt	Cr	18,779	26,937	4,059	4,436	5,071	5,213	5,929	6,297	6,951	7,760	8,078
	Db	8,123	12,171	1,697	1,957	2,162	2,307	2,530	2,829	3,252	3,560	3,792
Other investment income	Cr	14,229	19,091	2,996	3,483	3,726	4,024	4,004	4,642	5,008	5,437	6,079
	Db	15,636	23,268	3,205	3,697	4,248	4,486	4,923	5,949	6,167	6,229	6,376
Current Transfers	Cr	5,648	5,264	1,027	1,241	1,047	2,333	983	1,028	1,199	2,054	1,014
	Db	5,383	5,729	1,313	1,054	1,308	1,708	1,437	1,370	1,552	1,370	1,742
Current Account - Total	Cr	179,969	203,541	40,691	44,815	45,285	49,178	47,584	50,299	51,237	54,421	54,609
	Db	185,660	210,818	42,700	46,066	46,500	50,394	49,910	52,205	52,708	55,995	57,880
Current Account Balance		-5,690	-7,276	-2,009	-1,250	-1,215	-1,216	-2,325	-1,906	-1,471	-1,574	-3,271
Capital Account Balance		264	223	80	-21	16	189	78	8	-9	146	30

¹ Revised² Adjusted for balance of payments purposes³ Excluding passenger fare receipts⁴ Covers exports and imports of software that was not incorporated as part of computer hardware or physical media but separately transmitted by electronic means. The value of sales and purchases of additional software licences is also included⁵ Covers mainly advertising, research and development and inter-affiliate management charges

* Suppressed for confidentiality reasons

Table 2b – Financial Account¹

€ million

		2005 ²	2006 ²	2005 ²				2006 ²				2007
Item		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Direct Investment	Abroad	-11,509	-11,746	-5,015	-1,851	-1,537	-3,106	-4,473	1,155	-5,480	-2,948	-4,895
	In Ireland	-25,482	-747	5,979	-5,215	-14,194	-12,052	618	-9,147	11,011	-3,229	8,549
Equity	Abroad	-3,629	-11,463	-825	264	-870	-2,198	-1,248	-2,346	-4,758	-3,111	-1,469
	In Ireland	3,960	-5,809	-258	487	-141	3,872	-2,607	-753	937	-3,386	250
Reinvested Earnings	Abroad	-3,682	-3,765	-605	-763	-1,223	-1,091	*	*	*	-1,218	*
	In Ireland	4,257	10,087	2,638	4,454	-879	-1,956	5,228	102	4,425	332	6,074
Other Capital	Abroad	-4,197	3,483	-3,585	-1,352	556	184	*	*	*	1,381	*
	In Ireland	-33,698	-5,027	3,599	-10,155	-13,174	-13,968	-2,004	-8,496	5,649	-176	2,225
Portfolio Investment	Assets	-120,759	-214,988	-36,085	-40,730	-6,300	-37,644	-67,054	-35,719	-69,118	-43,097	-60,173
	Liabilities	173,459	199,566	40,166	40,303	32,226	60,764	46,763	23,875	66,274	62,654	53,842
Equity	Assets	-48,205	-59,513	-9,763	-9,041	-14,329	-15,072	-28,248	-7,786	-11,443	-12,036	-9,490
	Liabilities	75,642	128,468	13,580	21,962	13,945	26,155	43,613	15,392	36,431	33,032	35,263
Debt Instruments	Assets	-72,555	-155,476	-26,322	-31,690	8,029	-22,572	-38,806	-27,933	-57,675	-31,062	-50,683
	Liabilities	97,816	71,096	26,586	18,341	18,281	34,608	3,149	8,482	29,843	29,622	18,579
Bonds and notes	Assets	-73,668	-89,467	-20,461	-25,863	-11,226	-16,118	-28,339	-19,853	-27,483	-13,792	-22,540
	Liabilities	61,049	64,596	19,508	16,690	11,416	13,435	7,528	16,136	18,457	22,475	15,086
Money market instruments	Assets	1,112	-66,008	-5,861	-5,827	19,255	-6,455	-10,467	-8,080	-30,191	-17,270	-28,143
	Liabilities	36,768	6,501	7,078	1,651	6,866	21,173	-4,379	-7,654	11,386	7,148	3,493

Table 2b – Financial Account¹ - continued

€ million

		2005 ²	2006 ²	2005 ²				2006 ²				2007
Item		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Other Investment	Assets	-111,242	-95,094	-31,186	-21,655	-31,318	-27,083	5,572	-30,157	-10,575	-59,934	-29,572
	Liabilities	93,577	131,359	23,290	32,529	19,646	18,112	17,626	52,606	9,598	51,529	31,793
Loans, currency and deposits	Assets	-88,102	-89,886	-26,420	-15,998	-24,056	-21,628	9,029	-21,415	-19,961	-57,539	-26,387
	Liabilities	87,975	105,731	18,440	29,273	21,815	18,447	7,539	43,037	11,161	43,994	26,008
Other ³	Assets	-23,141	-5,209	-4,766	-5,657	-7,263	-5,455	-3,457	-8,742	9,386	-2,396	-3,186
	Liabilities	5,601	25,629	4,850	3,256	-2,169	-336	10,087	9,569	-1,562	7,535	5,785
Reserve Assets		1,472	87	48	69	10	1,345	83	-110	68	46	-47
Monetary gold		14	0	14	0	0	0	0	0	0	0	0
Special drawing rights		-8	-3	-2	-4	-1	-1	-1	0	-1	-1	-1
Reserve position in the IMF		165	41	3	45	9	108	62	-45	17	7	33
Foreign exchange		1,301	49	33	28	2	1,238	22	-65	52	40	-79
Other		0	0	0	0	0	0	0	0	0	0	0
Balance on Financial Account		-487	8,437	-2,804	3,449	-1,467	335	-866	2,503	1,779	5,021	-503
Net errors and omissions		5,912	-1,385	4,733	-2,178	2,665	692	3,113	-605	-300	-3,593	3,744
Memorandum Item:												
Government financial transactions	Assets	-1,500	-1,943	-588	-314	-330	-268	-960	-838	317	-462	-730
	Liabilities	1,319	318	91	721	425	82	107	-87	457	-159	429

¹ Financial account transactions are categorised under two headings 'Assets' and 'Liabilities' for *Portfolio Investment*, *Other Investment* and *Reserve Assets*. For *Direct Investment*, a 'directional' categorisation is used: 'Abroad' indicates direct investment by Irish investors in foreign companies; direct investment into Ireland is indicated by the heading 'In Ireland'. The sign convention used is: a minus sign in the 'Abroad' and 'Assets' columns means investments or acquisitions abroad (in enterprises, foreign securities, foreign deposits, etc.) by Irish investors exceeded their disinvestments or disposals in the period, while an entry without sign (less usual) means disinvestment exceeded investment; an entry without sign in the 'In Ireland' and 'Liabilities' columns means that investment transactions into Ireland or incurrences of liabilities to foreign investors exceeded disinvestment or extinctions of liabilities in the period, while a minus sign (less usual) indicates that disinvestment exceeded investment and liability extinctions exceeded incurrences

² Revised

³ Including financial derivatives and trade credits

* Suppressed for confidentiality reasons

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

€ million

Item		2005 ²	2006 ²	2005 ²				2006 ²				2007
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Current Account - Total	Cr	179,969	203,541	40,691	44,815	45,285	49,178	47,584	50,299	51,237	54,421	54,609
	Db	185,660	210,818	42,700	46,066	46,500	50,394	49,910	52,205	52,708	55,995	57,880
Merchandise³	Cr	82,686	83,355	19,424	21,083	20,085	22,094	20,597	20,913	20,651	21,194	21,724
	Db	54,467	57,967	13,001	13,658	12,746	15,062	14,769	13,966	13,581	15,651	16,388
Services	Cr	48,219	55,051	10,990	12,036	12,483	12,710	12,925	13,521	14,042	14,563	14,437
	Db	57,521	62,471	12,964	13,835	15,004	15,718	14,389	15,906	15,320	16,856	15,317
- IFSC	Cr	15,912	20,137	3,825	3,750	4,077	4,260	5,114	4,746	4,929	5,348	5,058
	Db	10,427	12,557	2,758	2,150	2,700	2,819	3,194	2,816	3,150	3,397	3,015
- non IFSC	Cr	32,305	34,914	7,165	8,285	8,406	8,449	7,811	8,775	9,113	9,215	9,379
	Db	47,095	49,914	10,207	11,685	12,305	12,898	11,195	13,090	12,170	13,459	12,302
Income	Cr	43,418	59,871	9,250	10,455	11,670	12,043	13,079	14,837	15,345	16,610	17,434
	Db	68,288	84,652	15,422	17,519	17,441	17,906	19,315	20,963	22,256	22,118	24,433
- IFSC	Cr	34,109	47,764	7,467	8,078	8,971	9,593	10,434	11,923	12,142	13,265	14,324
	Db	34,532	49,073	7,563	8,482	8,922	9,565	10,686	12,436	12,274	13,677	14,263
- non IFSC	Cr	9,308	12,107	1,783	2,377	2,698	2,450	2,645	2,914	3,203	3,345	3,109
	Db	33,755	35,576	7,859	9,037	8,518	8,341	8,628	8,527	9,981	8,440	10,170
Current Transfers	Cr	5,648	5,264	1,027	1,241	1,047	2,333	983	1,028	1,199	2,054	1,014
	Db	5,383	5,729	1,313	1,054	1,308	1,708	1,437	1,370	1,552	1,370	1,742
- IFSC ⁴	Cr	2,703	2,792	557	522	704	920	610	741	843	598	770
	Db	2,703	2,792	557	522	704	920	610	741	843	598	770
- non IFSC	Cr	2,945	2,472	470	720	343	1,412	373	287	356	1,456	244
	Db	2,679	2,937	755	532	604	788	827	629	709	772	972
Balance on Current Account		-5,690	-7,276	-2,009	-1,250	-1,215	-1,216	-2,325	-1,906	-1,471	-1,574	-3,271
Balance on Capital Account		264	223	80	-21	16	189	78	8	-9	146	30

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

€ million

Item		2005 ²	2006 ²	2005 ²				2006 ²				2007
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Financial Account ⁵												
Direct investment	Abroad	-11,509	-11,746	-5,015	-1,851	-1,537	-3,106	-4,473	1,155	-5,480	-2,948	-4,895
	In Ireland	-25,482	-747	5,979	-5,215	-14,194	-12,052	618	-9,147	11,011	-3,229	8,549
- IFSC	Abroad	18	-7,075	-237	1,570	-237	-1,078	370	-1,365	-3,857	-2,223	355
	In Ireland	-25,851	7,900	5,722	-8,115	-14,023	-9,435	533	2,573	7,030	-2,236	4,889
- non IFSC	Abroad	-11,528	-4,669	-4,778	-3,422	-1,300	-2,028	-4,843	2,520	-1,622	-724	-5,250
	In Ireland	369	-8,647	257	2,900	-171	-2,617	85	-11,720	3,981	-993	3,661
Portfolio investment	Assets	-120,759	-214,988	-36,085	-40,730	-6,300	-37,644	-67,054	-35,719	-69,118	-43,097	-60,173
	Liabilities	173,459	199,566	40,166	40,303	32,226	60,764	46,763	23,875	66,274	62,654	53,842
- IFSC	Assets	-95,382	-189,126	-27,675	-33,402	-1,493	-32,812	-59,614	-28,377	-62,131	-39,004	-57,974
	Liabilities	144,071	172,817	34,366	36,387	24,704	48,614	39,739	25,863	51,785	55,430	43,897
- non IFSC	Assets	-25,378	-25,863	-8,410	-7,328	-4,807	-4,833	-7,440	-7,343	-6,987	-4,093	-2,199
	Liabilities	29,387	26,749	5,800	3,915	7,522	12,150	7,024	-1,989	14,489	7,225	9,945
Other investment ⁶	Assets	-111,242	-95,094	-31,186	-21,655	-31,318	-27,083	5,572	-30,157	-10,575	-59,934	-29,572
	Liabilities	93,577	131,359	23,290	32,529	19,646	18,112	17,626	52,606	9,598	51,529	31,793
- IFSC	Assets	-79,712	-72,463	-24,673	-19,900	-20,503	-14,636	4,907	-25,963	-2,984	-48,423	-20,970
	Liabilities	58,430	104,736	11,960	30,111	4,223	12,136	10,381	37,642	6,038	50,675	27,909
- non IFSC	Assets	-31,530	-22,632	-6,513	-1,755	-10,815	-12,447	665	-4,194	-7,591	-11,512	-8,602
	Liabilities	35,148	26,624	11,330	2,419	15,423	5,976	7,245	14,964	3,560	855	3,884
Reserve Assets		1,472	87	48	69	10	1,345	83	-110	68	46	-47
Balance on Financial Account		-487	8,437	-2,804	3,449	-1,467	335	-866	2,503	1,779	5,021	-503
Net errors and omissions		5,912	-1,385	4,733	-2,178	2,665	692	3,113	-605	-300	-3,593	3,744

¹ From the start of 2000 new international financial service projects are no longer subject to the earlier certification and licensing procedures in operation for location in the IFSC and such projects can, therefore, locate anywhere in Ireland. Additions to existing IFSC projects, however, are still subject to the formal procedures. For statistical analysis purposes this table still shows the 'IFSC/non-IFSC' breakdown and the activities of all international financial service enterprises are covered under the IFSC heading

² Revised

³ Adjusted for balance of payments purposes

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

⁵ See footnote 1 on Table 2b

⁶ Including financial derivatives and trade credits

Table 4a – Current and Capital Accounts showing geographical¹ detail

€ million

Item	2005 ²		2006 ²		2005 ²				2006 ²				2007	
	Year		Year		Quarter 1		Quarter 2		Quarter 3		Quarter 4		Quarter 1	
Current Account - Total	Cr	179,969	203,541	40,691	44,815	45,285	49,178	47,584	50,299	51,237	54,421	54,609		
	Db	185,660	210,818	42,700	46,066	46,500	50,394	49,910	52,205	52,708	55,995	57,880		
Merchandise³	Cr	82,686	83,355	19,424	21,083	20,085	22,094	20,597	20,913	20,651	21,194	21,724		
	Db	54,467	57,967	13,001	13,658	12,746	15,062	14,769	13,966	13,581	15,651	16,388		
- EMU	Cr	38,025	37,205	8,748	9,904	8,756	10,617	9,591	9,300	8,793	9,521	9,741		
	Db	13,732	14,961	3,572	3,362	3,113	3,685	3,855	3,618	3,427	4,061	4,741		
- non EMU	Cr	44,660	46,151	10,676	11,179	11,329	11,476	11,006	11,613	11,859	11,673	11,984		
	Db	40,736	43,006	9,430	10,296	9,633	11,377	10,914	10,348	10,154	11,590	11,647		
- EU	Cr	55,936	55,954	12,979	14,363	13,067	15,527	13,956	13,933	13,524	14,541	14,488		
	Db	35,766	38,820	8,710	8,778	8,465	9,813	9,723	9,315	9,172	10,610	11,020		
- non EU	Cr	26,751	27,401	6,445	6,721	7,019	6,566	6,642	6,980	7,127	6,652	7,236		
	Db	18,701	19,148	4,291	4,880	4,281	5,249	5,047	4,652	4,409	5,040	5,368		
Services	Cr	48,219	55,051	10,990	12,036	12,483	12,710	12,925	13,521	14,042	14,563	14,437		
	Db	57,521	62,471	12,964	13,835	15,004	15,718	14,389	15,906	15,320	16,856	15,317		
- EMU	Cr	18,174	18,147	4,210	4,641	4,323	5,000	4,306	4,759	4,313	4,769	4,923		
	Db	17,772	17,978	4,001	4,360	4,558	4,853	4,043	4,822	4,486	4,627	3,978		
- non EMU	Cr	30,044	36,904	6,780	7,395	8,160	7,709	8,619	8,762	9,729	9,794	9,514		
	Db	39,749	44,491	8,963	9,476	10,446	10,864	10,346	11,083	10,833	12,229	11,339		
- EU	Cr	32,862	30,407	7,274	8,434	8,379	8,775	7,229	7,493	8,075	7,610	8,727		
	Db	28,047	29,979	6,271	6,937	7,302	7,537	6,665	7,998	7,525	7,791	6,816		
- non EU	Cr	15,355	24,644	3,716	3,601	4,103	3,935	5,696	6,027	5,968	6,953	5,710		
	Db	29,475	32,491	6,694	6,898	7,702	8,181	7,724	7,907	7,795	9,065	8,501		

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

€ million

Item	2005 ²		2006 ²		2005 ²				2006 ²				2007
	Year				Quarter				Quarter				Quarter 1
					Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Income	Cr	43,418	59,871	9,250	10,455	11,670	12,043	13,079	14,837	15,345	16,610	17,434	
	Db	68,288	84,652	15,422	17,519	17,441	17,906	19,315	20,963	22,256	22,118	24,433	
- EMU	Cr	16,189	20,309	3,565	4,004	4,207	4,413	4,279	5,127	5,208	5,695	5,823	
	Db	24,016	24,020	5,151	6,263	5,986	6,616	5,867	5,558	6,012	6,583	7,464	
- non EMU	Cr	27,228	39,563	5,685	6,451	7,462	7,630	8,801	9,710	10,137	10,915	11,611	
	Db	44,271	60,630	10,271	11,256	11,455	11,289	13,447	15,405	16,243	15,535	16,969	
- EU	Cr	27,014	35,549	6,039	6,616	7,170	7,189	7,845	8,769	9,046	9,889	10,197	
	Db	40,674	47,994	8,830	10,258	10,537	11,049	10,906	11,470	12,332	13,286	14,068	
- non EU	Cr	16,404	24,323	3,211	3,839	4,500	4,854	5,234	6,069	6,299	6,721	7,236	
	Db	27,613	36,658	6,592	7,260	6,904	6,857	8,409	9,493	9,924	8,832	10,365	
Current Transfers	Cr	5,648	5,264	1,027	1,241	1,047	2,333	983	1,028	1,199	2,054	1,014	
	Db	5,383	5,729	1,313	1,054	1,308	1,708	1,437	1,370	1,552	1,370	1,742	
- EMU	Cr	712	623	181	202	199	130	287	157	141	38	173	
	Db	733	614	192	213	199	129	285	154	139	36	171	
- non EMU	Cr	4,937	4,640	846	1,040	848	2,203	695	871	1,058	2,016	841	
	Db	4,649	5,113	1,120	841	1,109	1,579	1,151	1,215	1,413	1,334	1,572	
- EU	Cr	4,182	3,539	777	1,049	652	1,704	759	580	506	1,694	520	
	Db	3,492	3,497	961	785	818	928	1,074	783	749	891	1,030	
- non EU	Cr	1,467	1,725	250	193	395	629	224	448	693	360	494	
	Db	1,889	2,231	351	268	490	780	362	587	803	479	712	
Balance on Current Account		-5,690	-7,276	-2,009	-1,250	-1,215	-1,216	-2,325	-1,906	-1,471	-1,574	-3,271	
Balance on Capital Account		264	223	80	-21	16	189	78	8	-9	146	30	

¹ The term 'EMU' means the area represented by the 13 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2007 to include Slovenia. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area. This area comprises the former EU25 area along with Bulgaria and Romania who joined on 1 January 2007. For comparison purposes data shown for 2005 and 2006 also relate to EMU 13 and EU 27

² Revised

³ Adjusted for balance of payments purposes

Table 4b – Financial Account¹ showing geographical² detail

€ million

Item	2005 ³		2006 ³		2005 ³				2006 ³				2007	
	Year		Year		Quarter				Quarter				Quarter	
	1	2	1	2	1	2	3	4	1	2	3	4	1	2
Direct Investment														
Abroad	-11,509	-11,746	-5,015	-1,851	-1,537	-3,106	-4,473	1,155	-5,480	-2,948	-4,895			
In Ireland	-25,482	-747	5,979	-5,215	-14,194	-12,052	618	-9,147	11,011	-3,229	8,549			
- EMU														
Abroad	-6,778	-1,772	-2,472	-630	1,365	-5,041	-310	2,635	-3,759	-338	1			
In Ireland	-10,890	-8,674	743	-1,182	1,614	-12,065	-4,797	-10,998	8,840	-1,719	1,519			
- non EMU														
Abroad	-4,731	-9,973	-2,543	-1,221	-2,902	1,935	-4,163	-1,479	-1,721	-2,610	-4,896			
In Ireland	-14,592	7,928	5,237	-4,033	-15,809	13	5,415	1,852	2,171	-1,510	7,030			
- EU														
Abroad	-10,604	-6,184	-3,261	-820	-17	-6,506	822	-1,299	-4,269	-1,438	-1,812			
In Ireland	-16,769	-1,622	-2,513	-1,853	2,324	-14,727	-5,570	-9,638	10,125	3,461	1,310			
- non EU														
Abroad	-907	-5,560	-1,754	-1,032	-1,521	3,400	-5,294	2,454	-1,210	-1,510	-3,083			
In Ireland	-8,714	875	8,492	-3,362	-16,519	2,675	6,188	491	886	-6,690	7,239			
Portfolio Investment														
Assets	-120,759	-214,988	-36,085	-40,730	-6,300	-37,644	-67,054	-35,719	-69,118	-43,097	-60,173			
Liabilities	173,459	199,566	40,166	40,303	32,226	60,764	46,763	23,875	66,274	62,654	53,842			
- EMU														
Assets	-39,375	-59,059	-13,563	-14,677	-1,882	-9,253	-20,238	-17,099	-17,976	-3,746	-10,018			
Liabilities	34,516	28,961	7,661	6,759	3,983	16,113	2,575	10,420	9,354	6,612	10,845			
- non EMU														
Assets	-81,385	-155,931	-22,523	-26,053	-4,418	-28,391	-46,816	-18,621	-51,142	-39,352	-50,155			
Liabilities	138,944	170,604	32,505	33,544	28,244	44,651	44,187	13,455	56,920	56,042	42,998			
- EU														
Assets	-83,022	-98,888	-25,981	-24,275	-11,031	-21,735	-30,982	-22,005	-33,701	-12,200	-21,219			
Liabilities	120,355	113,990	29,981	27,119	20,780	42,475	29,119	16,510	36,422	31,939	39,928			
- non EU														
Assets	-37,737	-116,099	-10,104	-16,455	4,731	-15,909	-36,071	-13,714	-35,416	-30,898	-38,953			
Liabilities	53,102	85,574	10,184	13,183	11,446	18,289	17,643	7,364	29,852	30,715	13,914			

Table 4b – Financial Account¹ showing geographical² detail - continued

€ million

Item	2005 ³		2006 ³		2005 ³				2006 ³				2007
	Year												Quarter 1
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Other Investment⁴													
Assets	-111,242	-95,094			-31,186	-21,655	-31,318	-27,083	5,572	-30,157	-10,575	-59,934	-29,572
Liabilities	93,577	131,359			23,290	32,529	19,646	18,112	17,626	52,606	9,598	51,529	31,793
- EMU													
Assets	-33,181	-19,960			-11,630	-4,050	-6,722	-10,779	-260	-9,751	-2,228	-7,721	-8,932
Liabilities	34,512	39,506			6,701	21,586	6,513	-288	10,922	22,590	-185	6,179	5,467
- non EMU													
Assets	-78,063	-75,135			-19,556	-17,606	-24,597	-16,304	5,831	-20,406	-8,347	-52,213	-20,641
Liabilities	59,067	91,854			16,589	10,944	13,134	18,400	6,704	30,017	9,783	45,350	26,326
- EU													
Assets	-86,725	-47,789			-23,406	-11,372	-21,116	-30,831	10,098	-12,065	-7,081	-38,741	-29,953
Liabilities	74,292	86,796			20,048	27,460	12,403	14,381	13,274	20,889	15,564	37,069	17,307
- non EU													
Assets	-24,518	-47,305			-7,780	-10,283	-10,202	3,747	-4,526	-18,092	-3,494	-21,193	381
Liabilities	19,283	44,563			3,241	5,069	7,243	3,730	4,352	31,717	-5,966	14,460	14,486
Reserve Assets	1,472	87			48	69	10	1,345	83	-110	68	46	-47
Balance on Financial Account	-487	8,437			-2,804	3,449	-1,467	335	-866	2,503	1,779	5,021	-503
<i>Net errors and omissions</i>	<i>5,912</i>	<i>-1,385</i>			<i>4,733</i>	<i>-2,178</i>	<i>2,665</i>	<i>692</i>	<i>3,113</i>	<i>-605</i>	<i>-300</i>	<i>-3,593</i>	<i>3,744</i>

¹ See footnote 1 on Table 2b

² The term 'EMU' means the area represented by the 13 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2007 to include Slovenia. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area. This area comprises the former EU25 area along with Bulgaria and Romania who joined on 1 January 2007. For comparison purposes data shown for 2005 and 2006 also relate to EMU 13 and EU 27

³ Revised

⁴ Including financial derivatives and trade credits

Background Notes *(updated December 2006)*

Introduction	<p>Ireland's balance of payments (BOP) quarterly statistical compilation system was completely overhauled in the late 1990's to strengthen sectoral and enterprise coverage in basic data collection; adopt best international methodological standards; conform more closely with international presentation formats; and provide for geographical analysis of the results. The improvements facilitate the production of data required by the European Central Bank (ECB) and the EU Commission (Eurostat) to compile balance of payments statistics for the EMU and EU areas. The needs of other international organisations (such as IMF and OECD) as well as those of national users have also been catered for.</p> <p>A description of the methodology is given below. It follows as far as possible the recommendations of the IMF's <i>Balance of Payments Manual - 5th Edition</i> (BPM5) published in 1993 and its supplement <i>Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual</i> published in 2000. These recommendations were prepared in close co-operation with the European Commission (Eurostat), the OECD and other international organisations.</p>
Definition of balance of payments	The balance of payments (BOP) is a statistical statement that summarises, for a specific time period, the economic transactions of the residents of an economy with the rest of the world.
Residence	BOP transactions occur between residents of Ireland and non-residents. The term 'resident' covers (a) individuals, including foreign nationals, living in Ireland for at least one year as well as Irish embassy staff and military staff located abroad, (b) Irish government enclaves located abroad (embassies, consulates, etc.), and (c) corporate bodies who have a centre of economic interest located here, including branches of foreign-registered companies. It is important to note that transactions in foreign assets and liabilities can occur between residents and should be recorded in the financial account.
Structure of the Balance of Payments accounts	The balance of payments presentation consists of three tables or accounts, the <i>Current Account</i> , the <i>Capital Account</i> and the <i>Financial Account</i> . The current account consists of trade in merchandise and services, income inflows and outflows and current transfers. The capital account covers capital transfers and the acquisition and disposal of non-produced, non-financial assets. The financial account is concerned with transactions in foreign financial assets and liabilities, distinguishing the functional type of investment i.e. direct, portfolio and other investment (including transactions in financial derivatives) and reserve assets.
Valuation	BOP transactions, in principle, should be recorded on an accruals basis using market valuation. In practice, the collection system (see below) is designed to adhere to this approach and, for the most part, the valuations reported are either market values or a close approximation. In certain cases, income (interest) flows on debt securities may be reported on a cash rather than an accruals basis.
Geographical allocation principle	Current and capital account transactions are allocated to the country of residence of the counterpart. Financial account transactions are allocated on the basis of the debtor/creditor principle; assets are geographically assigned to the country of the debtor (i.e. the issuer) of the assets, while liabilities are assigned to the country of the creditor (i.e. the holder). In the case of direct investment, transactions 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.
Sign convention and symbols	<p>The BOP presentation follows the standard double entry accounting treatment for a transaction i.e. in principle, every credit entry is matched by a corresponding debit entry elsewhere in the system.</p> <p>In the current account, credit items are exports of merchandise and services, income inflows and current transfer receivables while debit items are imports, income outflows and transfer payables. In the capital account, capital transfer receivables are recorded as credits and payables as debits. Both credit (denoted by the symbol 'Cr') and debit (denoted by 'Db') items are shown as positive numbers and the net balances are calculated as <i>credit – debit</i>.</p> <p>The transactions in the financial account are implicitly recorded on a credit/debit basis but are generally presented on an assets/liabilities basis. Increases in foreign assets or reductions in foreign liabilities are shown with a – (minus) sign, i.e. implicitly as a debit amount, while decreases in assets or increases in liabilities are unsigned i.e. shown as positive numbers (i.e. as credits). The net balances are calculated as <i>net change in assets transactions + net change in liabilities transactions</i>. In the case of direct investment, the asset/liability presentation is replaced by the so-called 'directional' one, i.e. <i>direct investment abroad</i> (which approximates to the assets concept) and</p>

direct investment in Ireland (which closely equates to liabilities). The difference between the two approaches centres on the treatment of reverse investment by a direct investment enterprise in its parent (direct investor) or its foreign affiliates (see *direct investment* below).

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

Net errors and omissions

Given the double entry accounting procedure described above, the sum of the credit entries should in principle equal the sum of the debit entries over all three accounts. In practice, because some transactions may not be captured or because of differences in coverage, valuation and timing of transactions, exact symmetry does not occur and a balancing item *net errors and omissions* is inserted to balance the overall account. Ideally, the magnitude of this item should be relatively small in relation to the combined value of all credit and debit transactions expressed in absolute terms (i.e. ignoring their signs) over all three accounts. It should also fluctuate frequently from positive to negative values.

Data collection

BOP data collection is statutory and surveys or other data collection arrangements are conducted under the Statistics (Balance of Payments and Financial Accounts) Order, 2005 (S.I. No. 124 of 2005) made under the Statistics Act, 1993.

A number of new quarterly surveys were introduced in 1998. These were directed to financial service enterprises not formerly surveyed, in particular to enterprises operating from the International Financial Services Centre (IFSC) in Dublin. Some of the information now being collected directly from these enterprises was formerly implicitly incorporated from other sources in the published results. In addition to the new surveys existing surveys were re-designed.

The financial enterprise surveys cover banking, insurance, asset financing, treasury, institutional investment, activities of mutual funds, unit trusts and similar collective investment operations, broking and other financial service provision. Respondents are required to make quarterly returns using either paper or electronic media. Exhaustive coverage is aimed at but, in order to reduce reporting burden, companies with low activity volumes may, on approval from the CSO, provide annual data. Overall, about 4,500 entities are surveyed.

Manufacturing and non-financial service enterprises have been reporting their BOP transactions to CSO for a number of years. The surveys directed towards these enterprises were re-designed to meet the new conceptual and geographical requirements. Coverage is on a sample selection basis, those surveyed being selected on the basis of statistical register information concerning transactions with non-residents. About 500 companies make quarterly and/or annual returns.

The information collected for all types of enterprises covers transactions with non-residents concerning purchases and sales of services, income flows, transfers, as well as acquisitions and disposals of foreign assets or liabilities.

Apart from survey data, administrative sources also provide information on non-resident transactions (e.g. the National Treasury Management Agency, on flows associated with Ireland's foreign debt and other transactions including those associated with the National Pensions Reserve Fund; the Department of Defence, concerning Ireland's UN military peace-keeping activity; the Department of Foreign Affairs, on expenditure incurred in maintaining Ireland's embassies and consulates abroad; the Central Bank and Financial Services Authority of Ireland, on reserve assets and other assets/liabilities and associated income flows). Information is also obtained from other sources (e.g. charitable organisations, industry bodies). In addition, information on merchandise exports and imports and on tourism expenditure and receipts is obtained from other CSO inquiries.

Latest developments

The compilation system was further developed and refined in 2004 to include the estimated values of a variety of cross-border transactions which, because of the lack of data, were either not captured formerly or not adequately captured. These cover (a) direct imports and exports of goods for consumption of private households and not included in the official merchandise trade statistics; (b) improved data on transactions in services (tourism and travel; communications; construction; diplomatic and consular services; cultural services; bloodstock breeding); (c) new estimates for income receipts from Irish resident investment in residential and commercial property abroad and for income remittances to the foreign owners of breeding bloodstock based in Ireland, along with improved estimates of the earnings (credits and debits) of students, other cross-border workers and local employees of embassies; (d) new estimates for income taxes paid on the earnings of students and other cross-border workers and for the remittances abroad of earnings of immigrant workers in Ireland; and (e) new estimates for investment in residential and commercial property abroad by Irish residents.

Current account

Merchandise exports and imports are valued f.o.b. (*free on board*) for BOP purposes. While imports are valued c.i.f. (*cost, insurance and freight*) in the official external trade statistics, adjustments are made to reflect an estimated f.o.b. valuation (formerly the c.i.f. valuation for imports was used in the BOP). These adjustments result from the application of different c.i.f./f.o.b.

conversion ratios to the values of imports from within the European Union and from outside the European Union. In addition and in line with EU and ECB requirements, merchandise imports from within European Union member states are compiled on the basis of country of consignment rather than country of ultimate origin (as was the case formerly). Some adjustments are also made to the official merchandise trade statistics to conform to the BOP change of ownership and market valuation principles. In addition, certain exports sales of software licences are included in BOP service exports and not in BOP merchandise exports (as was the case formerly). The BOP merchandise figures now include the estimated values of (unrecorded) retail exports of fuel to Northern Ireland and of unrecorded imports of goods for personal consumption from Northern Ireland and elsewhere.

Services exports and imports are presented to show nine categories of service types: *transport, tourism and travel, communications, insurance services, financial services, computer services, royalties and licences, business services* and *other services not elsewhere specified*. Some specific points of note are:

- (i) Because of the presentation of merchandise imports on a f.o.b. (rather than c.i.f.) basis, the freight element of the c.i.f. to f.o.b. adjustment is included in *transport*
- (ii) The value of *insurance services* provided to non-residents by resident insurers (credit) is estimated as the value of direct and supplementary premiums earned less the value of claims payable less increases in the actuarial element of insurance technical reserves. Supplementary premiums consist of investment income earned on investing the insurance technical reserves. For BOP purposes, this income is attributed to the policy holders and is also treated as being paid back to the insurance company by them. To obtain the value of insurance services purchased from non-resident insurers (debit), the ratio of the estimated service charge to total premiums for insurance exports is applied to the total premiums payable to non-resident insurers. To date, reinsurance transactions (e.g. premiums and claims) were consolidated (i.e. netted) in the estimates compiled. In this release reinsurance is treated on a gross basis and, hence, insurance service credits and debits have been increased accordingly. This gross recording treatment of reinsurance transactions has no net impact on the insurance service balance as the reinsurance element on the credit and debit sides are offsetting. In relation to merchandise imports, the freight insurance element of the c.i.f. to f.o.b. adjustment referred to above under *merchandise* is recorded under *insurance*.
- (iii) *Financial services* covers non-interest receivables and payables in respect of financial intermediary and auxiliary services (other than those of insurance enterprises and pension funds).
- (iv) Exports and imports of computer software which is embedded in hardware or carried on other physical media are not included in *computer services* but under *merchandise*. Sales and purchases of software transmitted electronically as well as exports of certain software licences are recorded under *computer services*.
- (v) *Business services* covers receivables and payables for (a) *merchanting and other trade-related services*, (b) *operational leasing* and (c) *miscellaneous business services*.

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

- (vi) *Other services not elsewhere specified* covers construction services, personal and cultural services (e.g. fees and royalties for film, television and musical recordings and performances), educational services and government services. The last sub-category includes credit and debit entries for (a) the estimated expenditures of embassy and consular staff in the host countries, (b) non-labour expenditures by governments towards the provision of embassy and consular services in the host countries, and (c) receipts i.e. credits, in respect of collection of Ireland's budgetary contributions to the EU).

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

- (i) *Direct investment income* covers income accruing to an Irish or foreign direct investor from their ownership of (correspondingly) a direct investment enterprise located abroad or in

Ireland (see definition of *direct investment* in the *financial account* section below). It is split into income on equity and income on debt. *Direct investment income on equity* may be called the 'entrepreneurial income' of the enterprise which, in principle, is its net operating surplus plus investment income receivable less investment income payable. Apart from excluding capital and exchange gains and losses, it also excludes the value of unusual provisions and write-offs and is calculated net of corporation taxes. In company accounting terms, direct investment income on equity can be equated or approximated to an enterprise's consolidated profit (or loss) after interest, tax and minority interests and excluding capital and exchange gains (or losses) and other unusual provisions and write-offs. This income item is further subdivided into *dividends* and *distributed branch profits* and *reinvested earnings*. Dividends are recorded at the time they become due for payment while distributed branch profits are recorded when receipt or payment occurs. Amounts recorded under *reinvested earnings* represent the difference between the enterprise's entrepreneurial income earned in the reference period and the distributions (dividends, etc.) made in the same period. As it is an income flow in the BOP current account but without a counterpart cash flow in the financial account, an offset (i.e. with the opposite sign) of equal magnitude is recorded under *direct investment* in the latter. *Direct investment income on debt* covers income (mainly interest) on non-equity inter-affiliate assets and liabilities (mainly loans). This item also includes estimates of (a) the (net) income generated from investment by private individuals in residential and commercial property abroad, and (b) the profits attributable to the foreign owners of breeding bloodstock – see *Direct Investment* below.

- (ii) *Portfolio investment income* covers income receivable and payable to non-direct investors on their holdings of equity and long and short-term debt securities (see definition of *portfolio investment* below). Income on equity consists of dividends actually received/paid. Income on debt securities refers to coupon or interest payments on bonds and notes and interest on money market instruments. In principle, the income should be recorded on an accruals basis using market valuations. In practice, some respondents may report on a cash basis. Discounts and premiums (i.e. differences between the nominal value and the issue value) are treated as income or negative income respectively and spread (accrued) over the life of the instrument.
- (iii) *Other investment income* covers interest on loans, deposits and trade credits. The flows recorded under this item relate largely to interest flows of credit institutions but also cover the income generated from the holdings of the Central Bank and Financial Services Authority of Ireland in external reserve assets and income arising from its non-reserve assets and liabilities.

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

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

Capital account

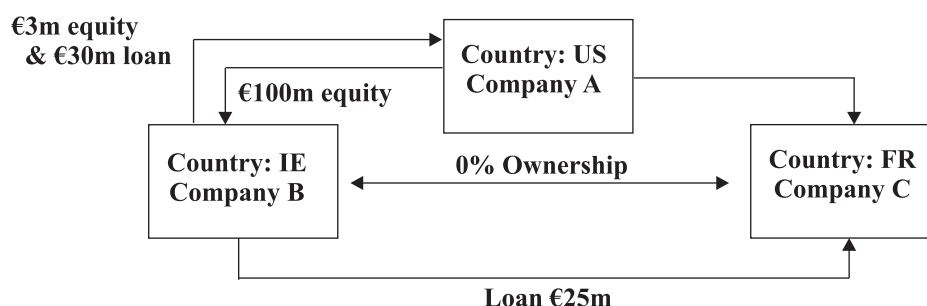
The capital account largely covers capital transfers, in particular amounts receivable under the EU Regional Development Fund and the Cohesion Fund and all other transfers intended for capital purposes. Estimates of migrants' transfers (i.e. the transfer of the net worth of immigrants and emigrants)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

Financial account

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

Direct investment is a category of international investment that, based on an equity ownership of at least 10%, reflects a lasting interest by a resident in one economy (the direct investor) in an enterprise resident in another economy (the direct investment enterprise). Using this criterion, a direct investment relationship can exist between a number of affiliated enterprises whether the linkage involves a single chain or a number of chains. It can extend to a direct investment enterprise's subsidiaries, sub-subsidiaries and associates. Once the direct investment relationship is established, all subsequent financial flows between the related entities are recorded as direct

investment transactions, regardless of the type of financial instrument used in the financing arrangement (except for financial intermediary affiliates among which direct investment transactions are limited to those involving equity and permanent debt). The components of direct investment transactions are *equity capital*, *reinvested earnings*, and *other capital*. *Equity capital* comprises investment in branches, shares in subsidiaries and associates (except non-participating preferred shares that are treated as debt securities) and other capital contributions. *Reinvested earnings* consists of the off-setting entry to the corresponding current account income item: it is the direct investor's share of the undistributed earnings of its branches, subsidiaries and associates. *Other capital* covers all other inter-affiliate financial transactions (borrowing and lending of funds), including debt securities and suppliers' credits (i.e. trade credits). Following the recommendations of the IMF, ECB, Eurostat and OECD, direct investment flows are recorded on a 'directional basis' rather than the more usual assets/liabilities basis. *Direct investment abroad* covers *net* investment by parent companies resident in Ireland in their foreign branches, subsidiaries and associated companies. *Direct investment in Ireland* covers the *net* investment by foreign companies in their affiliates located in Ireland. 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*.



The compilation system for direct investment also includes investment by Irish private residents (households) in residential and commercial property abroad. Such properties are regarded as constituting 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 BOP statistics.

Portfolio investment covers the acquisition and disposal of equity and debt securities which cannot be classified under direct investment or reserve assets transactions. The securities involved are traded (or tradable) in organised and other financial markets. *Debt securities* cover *bonds and notes*, which have an original maturity term of more than one year, and *money market instruments* with original maturity of one year or less. Investment by private resident investors in commercial property abroad which was formerly included in portfolio investment is now included instead under direct investment. Transactions are valued at market value inclusive of accrued income.

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

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

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

¹The inclusion of these receipts and payments in the financial account reflects the amended recommendations on the treatment of financial derivative transactions as described in the IMF's *Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual* published in 2000.