

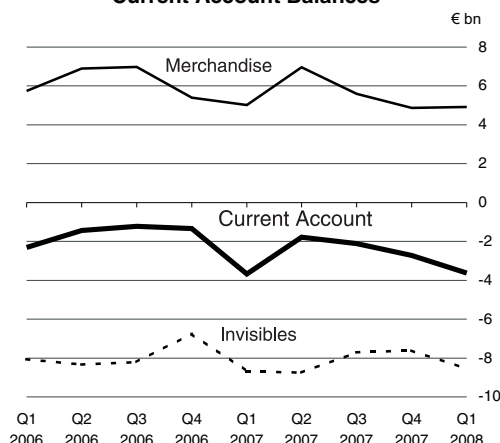


Central Statistics Office
An Phríomh-Oifig Staidrimh

30 June 2008

Balance of International Payments Quarter 1 2008

Current Account Balances



€ million

	Merchandise Balance	Invisibles Balance	Current Account Balance
Q1 2008	4,922	-8,545	-3,622
Q1 2007	5,013	-8,689	-3,676
Year 2007	22,459	-32,760	-10,302

1st Quarter current account deficit unchanged at €3.6bn

The 1st Quarter 2008 deficit of €3,622m on the current account of the Balance of Payments was largely unchanged compared to that of €3,676m for the same period in 2007. Due to lower imports and exports, the first quarter *merchandise* surplus of €4,922m was €91m lower year on year while the *invisibles* deficit of €8,545m dropped by €144m. Within this latter category and over the same period, the *services* deficit at €1,498m was over €1 billion higher than the earlier figure of €424m but the net *income* outflows of €6,311m were over €1.2 billion lower - *see Table 1*. While some service exports had increased (e.g. *computer services*: €5,739m; *trade related* (i.e. *merchandising*) *services*: €2,308m), the higher services deficit was due mostly to increased *royalties/licences* payments (€5,015m) and to increased tourism expenditure by Irish residents abroad (€1,548m) primarily as a result of the early Easter this year. The lower income deficit can be traced largely to reduced profits (€7,886m) earned by Irish-based foreign-owned direct investment enterprises - *see Table 2a*. In the financial account, loans advanced by these enterprises to their affiliates abroad (€4,469m) which partially offset their *reinvested earnings* (€5,408m) resulted in overall net direct investment flows into Ireland (€590m) being relatively low - *see Table 2b*.

This release reflects revisions due to new and updated information for 2006 and 2007. The current account deficits are now €6,304m in 2006 and €10,302m in 2007. The 2006 deficit was reduced by almost €1 billion due to a combination of an increase (€622m) in the service balance and a reduction (€747m) in net income outflows exceeding a reduction (€358m) in the merchandise surplus. In contrast, the deficit for 2007 was increased by just over €1 billion due to an increase (€1,096m) in the services balance being exceeded by a combination of a reduction (€421m) in the merchandise surplus and an increase (€1,697m) in net income outflows. For both years, merchandising exports were raised due to increased activity being detected; also reallocations were made between miscellaneous business services and computer services. Inward and outward income flows from different sources increased in both years but the higher net outflow in 2007 arose largely from an upward revision to the profits of foreign-owned direct investment enterprises in Ireland. The earlier financial account surplus for 2006 (€8,437m) has been reduced to €4,770m while that for 2007 was increased to €13,834m. The revised current account results are included in the 2007 National Income and Expenditure Release also published today.

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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	Year	28,218	-9,303	-24,870	265	-33,908	-5,690	264
2006 ²	Year	25,031	-6,797	-24,033	-506	-31,336	-6,304	223
2007 ²	Year	22,459	-2,869	-28,608	-1,283	-32,760	-10,302	62
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	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	5,752	-1,448	-6,142	-464	-8,054	-2,302	78
	Quarter 2	6,898	-2,069	-5,914	-352	-8,335	-1,437	8
	Quarter 3	6,984	-1,124	-6,724	-363	-8,211	-1,227	-9
	Quarter 4	5,397	-2,156	-5,253	673	-6,736	-1,338	146
2007 ²	Quarter 1	5,013	-424	-7,526	-739	-8,689	-3,676	54
	Quarter 2	6,966	-650	-7,661	-439	-8,750	-1,785	2
	Quarter 3	5,602	-500	-6,596	-619	-7,715	-2,113	-5
	Quarter 4	4,878	-1,295	-6,825	514	-7,606	-2,728	11
2008	Quarter 1	4,922	-1,498	-6,311	-736	-8,545	-3,622	-26

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	Year	-36,992	52,698	-17,665	1,472	-487	5,912
2006 ²	Year	-16,634	8,135	13,182	87	4,770	1,311
2007 ²	Year	7,173	-2,610	9,283	-12	13,834	-3,594
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	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	-4,454	-15,069	17,720	83	-1,720	3,944
	Quarter 2	-9,630	-5,782	16,549	-110	1,027	402
	Quarter 3	5,333	2,601	-6,656	68	1,346	-110
	Quarter 4	-7,883	26,385	-14,431	46	4,117	-2,925
2007 ²	Quarter 1	3,425	57	-331	-47	3,104	518
	Quarter 2	-1,866	-17,916	17,969	9	-1,804	3,587
	Quarter 3	-575	24,751	-18,713	-38	5,425	-3,307
	Quarter 4	6,189	-9,502	10,358	64	7,109	-4,392
2008	Quarter 1	-296	28,493	-22,277	74	5,995	-2,346

¹ Including financial derivatives and trade credits² Revised

Table 2a – Current and Capital Accounts

€ million

Item		2006 ¹		2007 ¹		2006 ¹				2007 ¹				2008
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1		
Current Account														
Merchandise ²	Cr	83,235	84,300	20,548	20,977	20,629	21,081	21,268	21,731	19,913	21,388	20,275		
	Db	58,203	61,840	14,796	14,079	13,645	15,683	16,254	14,765	14,311	16,510	15,353		
Services	Cr	57,069	65,650	13,158	14,377	14,503	15,031	15,265	16,279	16,771	17,335	15,902		
	Db	63,867	68,519	14,606	16,446	15,628	17,187	15,689	16,929	17,271	18,630	17,400		
Transport	Cr	2,334	2,566	407	642	778	507	514	684	831	537	497		
	Db	2,027	2,048	518	495	480	534	542	492	477	537	507		
Tourism and Travel ³	Cr	4,258	4,426	672	1,094	1,600	892	741	1,150	1,604	931	754		
	Db	5,446	6,389	1,030	1,338	1,876	1,202	1,194	1,564	2,195	1,436	1,548		
Communications	Cr	432	485	101	107	113	111	106	128	133	118	110		
	Db	772	833	190	184	202	196	205	201	199	228	212		
Insurance	Cr	8,738	8,707	2,236	2,142	2,046	2,314	2,346	2,157	2,053	2,151	1,972		
	Db	7,239	7,056	1,791	1,732	1,676	2,040	1,736	1,771	1,759	1,790	1,519		
Financial services	Cr	6,214	7,413	1,457	1,521	1,559	1,677	1,766	1,813	1,952	1,882	1,801		
	Db	3,906	4,685	915	917	1,016	1,058	1,068	1,229	1,218	1,170	1,075		
Computer services ⁴	Cr	18,298	21,578	4,278	4,807	4,185	5,028	5,147	5,533	5,039	5,859	5,739		
	Db	562	588	141	139	136	146	127	134	164	163	164		
Royalties/Licences	Cr	737	860	183	177	200	177	202	204	250	204	213		
	Db	17,534	17,254	4,127	4,557	4,087	4,763	4,081	3,924	4,258	4,991	5,015		
Business services	Cr	15,399	18,904	3,659	3,722	3,857	4,161	4,265	4,434	4,732	5,473	4,639		
	Db	26,203	29,492	5,851	7,042	6,110	7,200	6,691	7,570	6,958	8,273	7,317		
Trade related	Cr	5,814	9,374	1,272	1,307	1,478	1,757	1,802	2,085	2,437	3,050	2,308		
	Db	8,391	10,842	1,902	2,404	1,829	2,256	2,236	2,926	2,721	2,959	2,823		
Operational leasing	Cr	5,439	5,189	1,363	1,353	1,389	1,334	1,311	1,312	1,291	1,275	1,237		
	Db	851	1,143	208	212	214	217	277	284	290	292	293		
Misc. business services ⁵	Cr	4,145	4,342	1,023	1,062	990	1,070	1,152	1,038	1,004	1,148	1,093		
	Db	16,961	17,505	3,741	4,426	4,066	4,728	4,178	4,359	3,947	5,021	4,200		
Other services n.e.s.	Cr	661	710	165	166	165	165	177	177	177	179	178		
	Db	176	174	44	42	44	46	44	45	42	43	42		

Table 2a – Current and Capital Accounts - continued

€ million

Item		2006 ¹	2007 ¹	2006 ¹				2007 ¹				2008
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Current Account - continued												
Income	Cr	66,084	82,958	14,604	16,047	17,045	18,388	19,244	21,487	21,017	21,210	20,337
	Db	90,117	111,566	20,746	21,961	23,769	23,641	26,770	29,149	27,613	28,034	26,648
Compensation of Employees	Cr	414	413	96	98	119	101	98	98	119	98	101
	Db	1,017	1,144	234	244	307	232	248	272	361	263	244
Investment Income	Cr	65,671	82,543	14,508	15,949	16,927	18,287	19,145	21,389	20,898	21,111	20,235
	Db	89,100	110,422	20,512	21,717	23,462	23,409	26,522	28,876	27,252	27,772	26,404
Direct investment income	Cr	8,665	9,768	2,069	2,145	2,117	2,334	2,151	2,282	2,557	2,778	2,248
	Db	31,390	37,383	8,180	7,720	8,180	7,310	9,654	10,325	8,302	9,102	8,420
Income on equity	Cr	4,342	4,814	1,003	967	1,118	1,254	975	1,042	1,353	1,444	999
	Db	29,396	35,473	7,548	7,263	7,671	6,914	9,146	9,817	7,879	8,631	7,886
Dividends & distributed												
branch profits	Cr	515	75	103	359	25	28	*	*	11	22	31
	Db	19,920	17,524	2,402	7,086	3,399	7,033	3,180	4,026	4,342	5,976	2,478
Reinvested earnings	Cr	3,827	4,738	900	608	1,093	1,226	*	*	1,342	1,421	968
	Db	9,475	17,950	5,146	177	4,271	-119	5,966	5,792	3,537	2,655	5,408
Income on debt	Cr	4,322	4,954	1,066	1,178	999	1,079	1,176	1,240	1,204	1,334	1,248
	Db	1,994	1,909	632	457	509	396	508	507	423	471	534
Portfolio investment income	Cr	33,366	40,348	7,320	8,370	8,524	9,152	9,155	10,993	10,037	10,163	9,684
	Db	33,380	42,020	7,016	8,271	8,682	9,411	9,644	10,993	10,680	10,703	10,495
Income on equity	Cr	6,242	6,401	1,325	2,030	1,529	1,358	1,265	2,412	1,397	1,327	1,254
	Db	17,048	20,335	3,556	4,449	4,377	4,666	4,594	5,494	5,316	4,931	4,596
Income on debt	Cr	27,124	33,947	5,995	6,340	6,995	7,794	7,890	8,581	8,640	8,836	8,431
	Db	16,332	21,685	3,460	3,822	4,305	4,745	5,050	5,499	5,364	5,772	5,899
Other investment income	Cr	23,641	32,428	5,119	5,434	6,286	6,802	7,839	8,114	8,305	8,170	8,303
	Db	24,328	31,019	5,315	5,725	6,600	6,688	7,224	7,559	8,270	7,966	7,489
Current Transfers	Cr	5,260	4,510	982	1,027	1,198	2,053	991	827	753	1,939	1,102
	Db	5,764	5,793	1,445	1,379	1,561	1,379	1,729	1,267	1,372	1,425	1,838
Current Account - Total	Cr	211,647	237,417	49,291	52,428	53,376	56,552	56,767	60,324	58,454	61,872	57,616
	Db	217,952	247,717	51,594	53,865	54,603	57,890	60,442	62,110	60,566	64,599	61,238
Current Account Balance		-6,304	-10,302	-2,302	-1,437	-1,227	-1,338	-3,676	-1,785	-2,113	-2,728	-3,622
Capital Account Balance		223	62	78	8	-9	146	54	2	-5	11	-26

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

Item		2006 ²	2007 ²	2006 ²				2007 ²				2008
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Direct Investment	Abroad	-12,215	-15,178	-4,460	680	-5,731	-2,704	-7,241	-2,077	-7,092	1,232	-886
	In Ireland	-4,418	22,351	7	-10,310	11,064	-5,179	10,666	211	6,517	4,957	590
Equity	Abroad	-11,440	-5,633	-1,312	-2,315	-4,730	-3,083	*	*	-4,815	3,327	560
	In Ireland	-4,242	-1,856	-2,191	-1,207	2,077	-2,921	1,616	-2,285	1,577	-2,764	-349
Reinvested Earnings	Abroad	-3,827	-4,738	-900	-608	-1,093	-1,226	*	*	-1,342	-1,421	-968
	In Ireland	9,475	17,950	5,146	177	4,271	-119	5,966	5,792	3,537	2,655	5,408
Other Capital	Abroad	3,055	-4,806	-2,248	3,604	93	1,606	-3,285	88	-935	-674	-478
	In Ireland	-9,651	6,258	-2,948	-9,279	4,715	-2,139	3,084	-3,296	1,404	5,066	-4,469
Portfolio Investment	Assets	-213,418	-164,288	-67,196	-34,918	-69,095	-42,209	-59,042	-55,945	-7,884	-41,417	-36,386
	Liabilities	221,553	161,677	52,127	29,135	71,696	68,595	59,099	38,029	32,635	31,914	64,879
Equity	Assets	-59,647	-14,295	-28,229	-7,767	-11,424	-12,227	-8,744	-4,545	-3,710	2,704	3,988
	Liabilities	128,215	98,951	43,417	15,093	36,293	33,412	34,114	23,998	15,458	25,381	42,034
Debt Instruments	Assets	-153,771	-149,992	-38,967	-27,151	-57,671	-29,982	-50,298	-51,400	-4,174	-44,120	-40,374
	Liabilities	93,338	62,726	8,709	14,042	35,404	35,183	24,985	14,030	17,177	6,534	22,845
Bonds and notes	Assets	-87,541	-85,417	-28,186	-19,394	-27,470	-12,491	-22,197	-29,795	-5,745	-27,680	-3,236
	Liabilities	86,644	51,253	13,040	21,648	23,969	27,987	21,534	13,103	11,082	5,534	16,774
Money market instruments	Assets	-66,231	-64,574	-10,782	-7,757	-30,201	-17,491	-28,100	-21,605	1,572	-16,441	-37,138
	Liabilities	6,693	11,474	-4,331	-7,606	11,434	7,196	3,451	928	6,096	999	6,070

Table 2b – Financial Account¹ - continued

€ million

Item		2006 ²	2007 ²	2006 ²				2007 ²				2008
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Other Investment	Assets	-118,968	-161,363	-442	-36,577	-16,770	-65,179	-33,703	-42,693	-52,111	-32,856	-69,201
	Liabilities	132,149	170,646	18,161	53,126	10,114	50,748	33,372	60,662	33,398	43,214	46,925
Loans, currency and deposits	Assets	-110,839	-145,820	3,651	-26,859	-25,373	-62,258	-32,186	-42,000	-47,792	-23,842	-61,964
	Liabilities	106,972	157,373	8,176	43,672	11,797	43,327	28,525	56,786	28,764	43,298	44,253
Other ³	Assets	-8,128	-15,543	-4,092	-9,718	8,603	-2,921	-1,518	-692	-4,320	-9,013	-7,237
	Liabilities	25,178	13,274	9,986	9,454	-1,683	7,421	4,848	3,876	4,634	-84	2,672
Reserve Assets		87	-12	83	-110	68	46	-47	9	-38	64	74
Monetary gold		0	4	0	0	0	0	0	4	0	0	1
Special drawing rights		-3	-8	-1	0	-1	-1	-1	0	-3	-4	9
Reserve position in the IMF		41	48	62	-45	17	7	33	-2	-7	24	12
Foreign exchange		49	-56	22	-65	52	40	-79	7	-28	44	52
Other		0	0	0	0	0	0	0	0	0	0	0
Balance on Financial Account		4,770	13,834	-1,720	1,027	1,346	4,117	3,104	-1,804	5,425	7,109	5,995
Net errors and omissions		1,311	-3,594	3,944	402	-110	-2,925	518	3,587	-3,307	-4,392	-2,346
Memorandum Item:												
Government financial transactions	Assets	-1,943	-1,478	-960	-838	317	-462	-730	-1,976	697	531	-1,225
	Liabilities	318	3,003	107	-87	457	-159	430	1,415	7,927	-6,769	3,950

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		2006 ²	2007 ²	2006 ²				2007 ²				2008
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Current Account - Total	Cr	211,647	237,417	49,291	52,428	53,376	56,552	56,767	60,324	58,454	61,872	57,616
	Db	217,952	247,717	51,594	53,865	54,603	57,890	60,442	62,110	60,566	64,599	61,238
Merchandise ³	Cr	83,235	84,300	20,548	20,977	20,629	21,081	21,268	21,731	19,913	21,388	20,275
	Db	58,203	61,840	14,796	14,079	13,645	15,683	16,254	14,765	14,311	16,510	15,353
Services	Cr	57,069	65,650	13,158	14,377	14,503	15,031	15,265	16,279	16,771	17,335	15,902
	Db	63,867	68,519	14,606	16,446	15,628	17,187	15,689	16,929	17,271	18,630	17,400
- IFSC	Cr	20,163	21,148	5,019	4,925	4,923	5,296	5,366	5,222	5,188	5,372	5,037
	Db	12,649	13,206	3,216	2,936	3,112	3,385	3,183	3,295	3,346	3,382	2,953
- non IFSC	Cr	36,906	44,500	8,139	9,452	9,580	9,735	9,898	11,057	11,582	11,963	10,865
	Db	51,217	55,313	11,390	13,510	12,516	13,801	12,506	13,634	13,925	15,248	14,447
Income	Cr	66,084	82,958	14,604	16,047	17,045	18,388	19,244	21,487	21,017	21,210	20,337
	Db	90,117	111,566	20,746	21,961	23,769	23,641	26,770	29,149	27,613	28,034	26,648
- IFSC	Cr	52,809	70,259	11,672	12,795	13,582	14,760	15,788	18,493	17,906	18,072	17,697
	Db	52,697	70,984	11,589	12,909	13,362	14,837	15,607	18,921	18,434	18,022	17,422
- non IFSC	Cr	13,277	12,699	2,932	3,253	3,464	3,628	3,456	2,994	3,111	3,138	2,640
	Db	37,420	40,581	9,157	9,052	10,407	8,804	11,163	10,227	9,179	10,012	9,226
Current Transfers	Cr	5,260	4,510	982	1,027	1,198	2,053	991	827	753	1,939	1,102
	Db	5,764	5,793	1,445	1,379	1,561	1,379	1,729	1,267	1,372	1,425	1,838
- IFSC ⁴	Cr	2,788	2,417	609	740	842	597	747	616	561	493	718
	Db	2,788	2,417	609	740	842	597	747	616	561	493	718
- non IFSC	Cr	2,472	2,094	373	287	356	1,456	244	211	193	1,446	384
	Db	2,977	3,376	837	639	719	782	982	651	811	932	1,120
Balance on Current Account		-6,304	-10,302	-2,302	-1,437	-1,227	-1,338	-3,676	-1,785	-2,113	-2,728	-3,622
Balance on Capital Account		223	62	78	8	-9	146	54	2	-5	11	-26

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

€ million

		2006 ²	2007 ²	2006 ²				2007 ²				2008
Item		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	-12,215	-15,178	-4,460	680	-5,731	-2,704	-7,241	-2,077	-7,092	1,232	-886
	In Ireland	-4,418	22,351	7	-10,310	11,064	-5,179	10,666	211	6,517	4,957	590
- IFSC	Abroad	-7,134	875	348	-1,387	-3,879	-2,216	333	120	-4,041	4,463	951
	In Ireland	5,068	5,088	-231	1,180	7,080	-2,961	5,672	-5,410	2,986	1,840	-2,619
- non IFSC	Abroad	-5,080	-16,052	-4,808	2,067	-1,851	-488	-7,573	-2,197	-3,051	-3,231	-1,837
	In Ireland	-9,487	17,262	238	-11,490	3,983	-2,218	4,993	5,621	3,531	3,117	3,209
Portfolio investment	Assets	-213,418	-164,288	-67,196	-34,918	-69,095	-42,209	-59,042	-55,945	-7,884	-41,417	-36,386
	Liabilities	221,553	161,677	52,127	29,135	71,696	68,595	59,099	38,029	32,635	31,914	64,879
- IFSC	Assets	-187,530	-137,435	-59,849	-27,623	-62,113	-37,945	-57,168	-46,501	-5,985	-27,781	-49,426
	Liabilities	194,519	138,367	45,107	31,132	57,211	61,069	48,408	28,951	20,540	40,468	62,224
- non IFSC	Assets	-25,888	-26,853	-7,347	-7,295	-6,982	-4,264	-1,874	-9,444	-1,899	-13,636	13,040
	Liabilities	27,034	23,309	7,020	-1,996	14,485	7,525	10,691	9,078	12,094	-8,554	2,655
Other investment ⁶	Assets	-118,968	-161,363	-442	-36,577	-16,770	-65,179	-33,703	-42,693	-52,111	-32,856	-69,201
	Liabilities	132,149	170,646	18,161	53,126	10,114	50,748	33,372	60,662	33,398	43,214	46,925
- IFSC	Assets	-97,061	-128,754	-1,248	-32,642	-9,307	-53,864	-27,301	-32,456	-54,337	-14,660	-44,696
	Liabilities	105,052	134,419	10,786	38,047	6,443	49,776	28,801	52,846	44,431	8,341	23,745
- non IFSC	Assets	-21,908	-32,609	806	-3,936	-7,463	-11,315	-6,402	-10,237	2,226	-18,196	-24,505
	Liabilities	27,098	36,226	7,376	15,079	3,671	972	4,571	7,816	-11,033	34,872	23,179
Reserve Assets		87	-12	83	-110	68	46	-47	9	-38	64	74
Balance on Financial Account		4,770	13,834	-1,720	1,027	1,346	4,117	3,104	-1,804	5,425	7,109	5,995
Net errors and omissions		1,311	-3,594	3,944	402	-110	-2,925	518	3,587	-3,307	-4,392	-2,346

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

Table 4a – Current and Capital Accounts showing geographical¹ detail													€ million	
Item		2006 ²		2007 ²		2006 ²				2007 ²				2008
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4			
Current Account - Total	Cr	211,647	237,417	49,291	52,428	53,376	56,552	56,767	60,324	58,454	61,872	57,616		
	Db	217,952	247,717	51,594	53,865	54,603	57,890	60,442	62,110	60,566	64,599	61,238		
Merchandise ³	Cr	83,235	84,300	20,548	20,977	20,629	21,081	21,268	21,731	19,913	21,388	20,275		
	Db	58,203	61,840	14,796	14,079	13,645	15,683	16,254	14,765	14,311	16,510	15,353		
- EMU	Cr	37,230	36,390	9,587	9,357	8,807	9,479	9,505	9,025	8,248	9,612	8,862		
	Db	15,137	18,046	3,868	3,728	3,449	4,092	4,763	4,430	4,046	4,807	4,557		
- non EMU	Cr	46,005	47,910	10,961	11,621	11,822	11,601	11,763	12,706	11,665	11,776	11,413		
	Db	43,067	43,795	10,929	10,351	10,196	11,591	11,492	10,335	10,265	11,703	10,796		
- EU	Cr	55,946	56,091	13,928	13,986	13,538	14,494	14,185	13,977	13,088	14,841	13,405		
	Db	39,088	43,131	9,743	9,428	9,237	10,680	11,028	10,429	10,115	11,559	10,674		
- non EU	Cr	27,288	28,209	6,620	6,991	7,091	6,586	7,083	7,754	6,825	6,547	6,870		
	Db	19,117	18,709	5,053	4,652	4,408	5,004	5,226	4,336	4,196	4,951	4,679		
Services	Cr	57,069	65,650	13,158	14,377	14,503	15,031	15,265	16,279	16,771	17,335	15,902		
	Db	63,867	68,519	14,606	16,446	15,628	17,187	15,689	16,929	17,271	18,630	17,400		
- EMU	Cr	19,426	23,084	4,754	5,103	4,571	4,998	5,652	5,895	5,643	5,894	5,756		
	Db	20,498	18,525	4,492	5,552	5,184	5,270	4,124	4,279	5,019	5,103	4,835		
- non EMU	Cr	37,644	42,565	8,404	9,274	9,933	10,033	9,612	10,384	11,128	11,441	10,146		
	Db	43,369	49,994	10,114	10,894	10,444	11,917	11,565	12,650	12,252	13,527	12,565		
- EU	Cr	35,251	41,273	8,330	9,326	8,839	8,756	9,772	10,487	10,602	10,412	10,049		
	Db	31,684	31,689	6,915	8,458	8,025	8,286	7,048	7,548	8,296	8,797	8,026		
- non EU	Cr	21,819	24,376	4,828	5,051	5,665	6,275	5,492	5,792	6,169	6,923	5,853		
	Db	32,182	36,829	7,691	7,988	7,602	8,901	8,641	9,381	8,974	9,833	9,374		

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

€ million

Item	2006 ²		2007 ²		2006 ²				2007 ²				2008	
	Year		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 4
Income														
	Cr	66,084	82,958		14,604	16,047	17,045	18,388	19,244	21,487	21,017	21,210	20,337	
	Db	90,117	111,566		20,746	21,961	23,769	23,641	26,770	29,149	27,613	28,034	26,648	
- EMU	Cr	23,369	26,848		4,988	5,823	6,034	6,524	6,457	7,299	6,591	6,501	7,076	
	Db	28,020	34,000		6,865	6,477	7,085	7,593	8,562	8,658	7,905	8,875	8,027	
- non EMU	Cr	42,716	56,109		9,616	10,224	11,012	11,864	12,786	14,188	14,426	14,709	13,260	
	Db	62,098	77,565		13,881	15,484	16,685	16,048	18,208	20,491	19,707	19,159	18,621	
- EU	Cr	40,072	47,214		8,883	9,847	10,246	11,096	11,248	12,490	11,597	11,879	12,185	
	Db	53,780	64,211		12,384	12,870	13,807	14,719	15,804	16,354	15,644	16,409	15,448	
- non EU	Cr	26,013	35,744		5,721	6,200	6,800	7,292	7,996	8,997	9,420	9,331	8,152	
	Db	36,337	47,354		8,362	9,091	9,962	8,922	10,966	12,795	11,968	11,625	11,199	
Current Transfers														
	Cr	5,260	4,510		982	1,027	1,198	2,053	991	827	753	1,939	1,102	
	Db	5,764	5,793		1,445	1,379	1,561	1,379	1,729	1,267	1,372	1,425	1,838	
- EMU	Cr	622	928		287	156	140	39	195	235	327	171	175	
	Db	614	921		285	154	138	37	193	233	327	168	173	
- non EMU	Cr	4,637	3,583		694	871	1,058	2,014	795	593	427	1,768	928	
	Db	5,151	4,873		1,160	1,225	1,423	1,343	1,536	1,034	1,046	1,257	1,665	
- EU	Cr	3,535	3,659		758	579	505	1,693	551	541	799	1,768	713	
	Db	3,534	4,261		1,083	792	758	901	1,070	858	1,280	1,053	1,238	
- non EU	Cr	1,724	852		224	448	693	359	440	286	-45	171	389	
	Db	2,232	1,532		363	587	803	479	659	409	92	372	600	
Balance on Current Account		-6,304	-10,302		-2,302	-1,437	-1,227	-1,338	-3,676	-1,785	-2,113	-2,728	-3,622	
Balance on Capital Account		223	62		78	8	-9	146	54	2	-5	11	-26	

¹ The term 'EMU' means the area represented by the 15 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2008 to include Cyprus and Malta. 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 2006 and 2007 also relate to EMU 15 and EU 27

² Revised

³ Adjusted for balance of payments purposes

Table 4b – Financial Account¹ showing geographical² detail

€ million

Item	2006 ³		2007 ³		2006 ³				2007 ³				2008	
	Year													
	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	Quarter 4
Direct Investment														
Abroad	-12,215	-15,178			-4,460	680	-5,731	-2,704	-7,241	-2,077	-7,092	1,232	-886	
In Ireland	-4,418	22,351			7	-10,310	11,064	-5,179	10,666	211	6,517	4,957	590	
- EMU														
Abroad	-2,158	-2,170			-125	1,905	-3,612	-326	-527	-672	-4,513	3,542	254	
In Ireland	-3,072	4,123			137	-10,125	9,308	-2,392	3,824	-226	818	-293	3,798	
- non EMU														
Abroad	-10,057	-13,007			-4,336	-1,225	-2,118	-2,378	-6,713	-1,405	-2,579	-2,310	-1,140	
In Ireland	-1,346	18,228			-130	-184	1,755	-2,787	6,841	438	5,699	5,250	-3,208	
- EU														
Abroad	-6,162	-6,621			906	-1,400	-4,514	-1,154	-2,288	-1,603	-4,915	2,185	-116	
In Ireland	-590	-395			-5,040	-8,947	10,545	2,852	3,642	-791	1,124	-4,370	5,552	
- non EU														
Abroad	-6,053	-8,557			-5,366	2,080	-1,217	-1,550	-4,953	-474	-2,177	-953	-770	
In Ireland	-3,829	22,747			5,047	-1,363	518	-8,031	7,023	1,003	5,394	9,327	-4,962	
Portfolio Investment														
Assets	-213,418	-164,288			-67,196	-34,918	-69,095	-42,209	-59,042	-55,945	-7,884	-41,417	-36,386	
Liabilities	221,553	161,677			52,127	29,135	71,696	68,595	59,099	38,029	32,635	31,914	64,879	
- EMU														
Assets	-58,408	-30,155			-20,245	-17,170	-18,119	-2,874	-11,027	-14,790	-130	-4,208	-2,348	
Liabilities	33,702	28,438			3,757	11,573	10,553	7,819	12,494	12,552	-3,717	7,109	2,608	
- non EMU														
Assets	-155,011	-134,133			-46,951	-17,748	-50,977	-39,335	-48,015	-41,156	-7,754	-37,208	-34,038	
Liabilities	187,850	133,239			48,370	17,562	61,143	60,775	46,605	25,476	36,352	24,806	62,271	
- EU														
Assets	-98,378	-78,725			-30,943	-21,974	-33,836	-11,625	-22,084	-30,614	-3,876	-22,151	-15,351	
Liabilities	125,379	116,264			31,908	19,311	39,220	34,940	43,752	35,401	19,926	17,185	34,365	
- non EU														
Assets	-115,041	-85,564			-36,253	-12,944	-35,260	-30,584	-36,958	-25,332	-4,008	-19,266	-21,035	
Liabilities	96,174	45,412			20,219	9,824	32,476	33,655	15,347	2,627	12,709	14,729	30,514	

Table 4b – Financial Account¹ showing geographical² detail - continued

€ million

Item	2006 ³		2007 ³				2006 ³				2007 ³				2008	
	Year															
	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	Quarter 2	Quarter 3	Quarter 4
Other Investment⁴																
Assets	-118,968	-161,363			-442	-36,577	-16,770	-65,179	-33,703	-42,693	-52,111	-32,856				-69,201
Liabilities	132,149	170,646			18,161	53,126	10,114	50,748	33,372	60,662	33,398	43,214				46,925
- EMU																
Assets	-31,331	-63,605			-3,271	-12,450	-4,830	-10,780	-13,872	-14,876	-22,948	-11,909				-31,907
Liabilities	39,229	78,889			11,300	22,936	42	4,951	8,243	31,002	1,942	37,702				10,181
- non EMU																
Assets	-87,637	-97,760			2,830	-24,128	-11,940	-54,399	-19,832	-27,817	-29,164	-20,947				-37,295
Liabilities	92,921	91,757			6,861	30,190	10,073	45,797	25,129	29,660	31,456	5,512				36,744
- EU																
Assets	-61,130	-112,458			6,604	-15,572	-10,719	-41,443	-33,881	-29,216	-36,497	-12,864				-51,455
Liabilities	86,267	100,049			13,474	21,078	15,761	35,954	21,231	22,013	5,608	51,197				33,784
- non EU																
Assets	-57,838	-48,907			-7,045	-21,006	-6,051	-23,736	177	-13,477	-15,615	-19,992				-17,746
Liabilities	45,882	70,596			4,687	32,048	-5,647	14,794	12,141	38,649	27,790	-7,984				13,141
Reserve Assets	87	-12	83	-110	68	46			-47	9	-38	64				74
Balance on Financial Account	4,770	13,834	-1,720	1,027	1,346	4,117			3,104	-1,804	5,425	7,109				5,995
<i>Net errors and omissions</i>	<i>1,311</i>	<i>-3,594</i>	<i>3,944</i>	<i>402</i>	<i>-110</i>	<i>-2,925</i>			<i>518</i>	<i>3,587</i>	<i>-3,307</i>	<i>-4,392</i>				<i>-2,346</i>

¹ See footnote 1 on Table 2b

² The term 'EMU' means the area represented by the 15 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2008 to include Cyprus and Malta. 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 2006 and 2007 also relate to EMU 15 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	<p>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.</p>
Residence	<p>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.</p>
Structure of the Balance of Payments accounts	<p>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.</p>
Valuation	<p>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.</p>
Geographical allocation principle	<p>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.</p>
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.

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

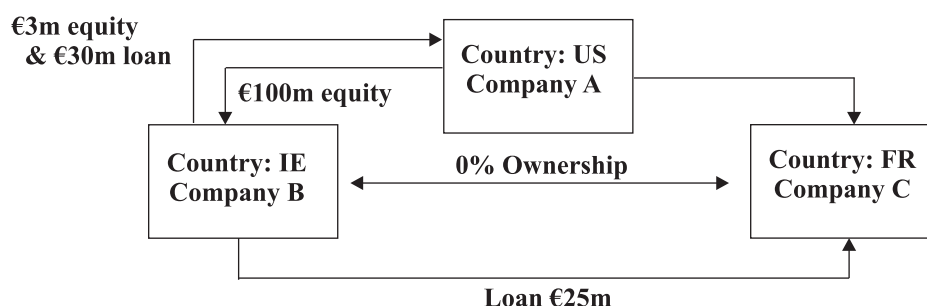
The capital account largely covers capital transfers, in particular amounts receivable under the EU Regional Development Fund and the Cohesion Fund and all other transfers intended for capital purposes. Estimates of migrants' transfers (i.e. the transfer of the net worth of immigrants and emigrants) 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.