

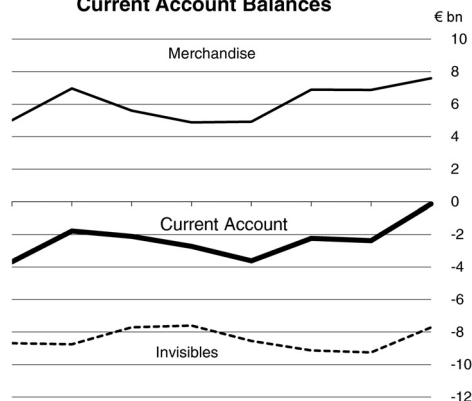


**Central Statistics Office**  
An Phríomh-Oifig Staidrimh

26 March 2009

## Balance of International Payments Quarter 4 and Year 2008

**Current Account Balances**



Q1 2007 Q2 2007 Q3 2007 Q4 2007 Q1 2008 Q2 2008 Q3 2008 Q4 2008

€ million

|                  | Merchandise<br>Balance | Invisibles<br>Balance | Current<br>Account<br>Balance |
|------------------|------------------------|-----------------------|-------------------------------|
| <b>Q4 2008</b>   | 7,589                  | -7,722                | -133                          |
| <b>Q4 2007</b>   | 4,878                  | -7,606                | -2,728                        |
| <b>Year 2008</b> | 26,279                 | -34,655               | -8,375                        |
| <b>Year 2007</b> | 22,459                 | -32,760               | -10,302                       |

### 4th Quarter current account deficit lowest in four years

The current account showed a small deficit of €133m in the 4<sup>th</sup> Quarter of 2008, the lowest in four years and €2.6 billion below that for the same quarter of 2007. For 2008 as a whole, the deficit was €8,375m, over €1.9 billion lower than that for 2007 - see Table 1. The *merchandise* surplus of €7,589m in the 4<sup>th</sup> quarter was €2.7 billion higher than one year earlier, while the *invisibles* deficit at €7,722m was up €116m. Within the latter aggregate, the *services* deficit at €2,139m was up €844m while the net *income* outflow at €6,104m was €721m lower. For the year 2008, the net trade balances for goods and services show that the *merchandise* surplus of €26,279m was up €3.8 billion on 2007; the *services* deficit of €4,844m was almost €2 billion higher. Net factor income outflows dropped marginally from €28,608m in 2007 to €28,484m in 2008. Other points of note in the 4<sup>th</sup> Quarter 2008 results are:

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### Current account (see Table 2a)

- ◆ *Merchandise* exports remained relatively flat throughout 2008 and at €20,371m were over €1 billion lower than for the 4<sup>th</sup> Quarter in 2007; imports, however, at €12,782m were down significantly by €3.7 billion.
- ◆ *Services* exports at €17,639m were €300m higher compared to one year earlier due to the sizeable increase of €540m in *computer services* (€6,398m) being partly offset by declines in other items. Service imports increased by over €1.1 billion to €19,778m due to increases in *royalties* (to €5,958m in Q4), *trade related services* (€3,109m) and *miscellaneous business services* (€5,350m) exceeding the combined decreases for other items.
- ◆ *Direct investment income* inflows dropped by €743m to €2,035 while profits outflows of foreign-owned enterprises of €6,617m were down €2 billion.

### Financial account (see Table 2b)

- ◆ Loan advances (€6,987m) from foreign-owned operations in Ireland to their affiliates abroad exceeded the combined impact of *equity/reinvested earnings* (€1,622m) and resulted in a net outflow of €5,365m for direct investment in Ireland in the 4<sup>th</sup> Quarter. Irish investors, however, invested €1,920m abroad.
- ◆ Redemptions of €3,115m occurred for investment in foreign portfolio securities while Irish resident liabilities to foreign portfolio investors reduced by €40,808m.
- ◆ In the 4<sup>th</sup> Quarter of 2008 the *net errors and omissions* balancing item was a positive €3,736m, reversing the negative sign for this item in the quarterly series since the 3<sup>rd</sup> Quarter of 2007. In its continuing investigations into the run of negative values CSO has so far uncovered some reporting by data providers of assets miscategorised as Irish which were in fact foreign. The results for the quarters concerned will be revised accordingly in the next Release due at end-June 2009 and in the light of other necessary corrections from the CSO investigation.

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Table 1a – Summary of Current and Capital Account Balances

€ million

| Period |           | Merchandise <sup>1</sup> | 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 | <b>627</b>                 | <b>840</b>                 |
| 1999   | Year      | 22,170                   | -10,176    | -12,945 | 1,177             | -21,944 | <b>226</b>                 | <b>560</b>                 |
| 2000   | Year      | 27,266                   | -13,889    | -14,750 | 994               | -27,645 | <b>-379</b>                | <b>1,182</b>               |
| 2001   | Year      | 30,494                   | -13,259    | -18,295 | 305               | -31,249 | <b>-757</b>                | <b>703</b>                 |
| 2002   | Year      | 35,442                   | -13,779    | -23,664 | 707               | -36,736 | <b>-1,295</b>              | <b>512</b>                 |
| 2003   | Year      | 32,604                   | -11,091    | -21,947 | 432               | -32,606 | <b>-2</b>                  | <b>93</b>                  |
| 2004   | Year      | 31,423                   | -10,203    | -22,481 | 393               | -32,291 | <b>-867</b>                | <b>279</b>                 |
| 2005   | Year      | 28,218                   | -9,303     | -24,870 | 265               | -33,908 | <b>-5,690</b>              | <b>264</b>                 |
| 2006   | Year      | 25,031                   | -6,797     | -24,033 | -506              | -31,336 | <b>-6,304</b>              | <b>223</b>                 |
| 2007   | Year      | 22,459                   | -2,869     | -28,608 | -1,283            | -32,760 | <b>-10,302</b>             | <b>62</b>                  |
| 2008   | Year      | 26,279                   | -4,844     | -28,484 | -1,327            | -34,655 | <b>-8,375</b>              | <b>11</b>                  |
| 1998   | Quarter 1 | 3,823                    | -2,184     | -2,071  | 259               | -3,996  | <b>-173</b>                | <b>91</b>                  |
|        | Quarter 2 | 4,130                    | -1,845     | -2,418  | 404               | -3,859  | <b>271</b>                 | <b>39</b>                  |
|        | Quarter 3 | 4,883                    | -1,908     | -2,698  | 235               | -4,371  | <b>512</b>                 | <b>336</b>                 |
|        | Quarter 4 | 4,675                    | -2,882     | -2,195  | 422               | -4,655  | <b>20</b>                  | <b>374</b>                 |
| 1999   | Quarter 1 | 4,915                    | -2,548     | -2,581  | 277               | -4,852  | <b>63</b>                  | <b>133</b>                 |
|        | Quarter 2 | 5,131                    | -2,492     | -2,987  | 342               | -5,137  | <b>-6</b>                  | <b>40</b>                  |
|        | Quarter 3 | 6,114                    | -2,516     | -3,792  | 163               | -6,145  | <b>-31</b>                 | <b>4</b>                   |
|        | Quarter 4 | 6,010                    | -2,621     | -3,585  | 395               | -5,811  | <b>199</b>                 | <b>383</b>                 |
| 2000   | Quarter 1 | 5,457                    | -2,887     | -3,326  | 324               | -5,889  | <b>-432</b>                | <b>300</b>                 |
|        | Quarter 2 | 6,447                    | -3,188     | -3,007  | 253               | -5,942  | <b>505</b>                 | <b>192</b>                 |
|        | Quarter 3 | 7,351                    | -3,406     | -4,091  | -92               | -7,589  | <b>-238</b>                | <b>-12</b>                 |
|        | Quarter 4 | 8,011                    | -4,408     | -4,326  | 509               | -8,225  | <b>-214</b>                | <b>702</b>                 |
| 2001   | Quarter 1 | 6,771                    | -3,413     | -3,929  | 64                | -7,278  | <b>-508</b>                | <b>300</b>                 |
|        | Quarter 2 | 8,089                    | -3,354     | -4,748  | -13               | -8,115  | <b>-26</b>                 | <b>76</b>                  |
|        | Quarter 3 | 8,085                    | -3,085     | -4,816  | -57               | -7,958  | <b>126</b>                 | <b>9</b>                   |
|        | Quarter 4 | 7,549                    | -3,407     | -4,802  | 311               | -7,898  | <b>-349</b>                | <b>318</b>                 |
| 2002   | Quarter 1 | 8,977                    | -3,845     | -5,837  | -36               | -9,718  | <b>-741</b>                | <b>-14</b>                 |
|        | Quarter 2 | 8,598                    | -3,683     | -6,290  | 131               | -9,842  | <b>-1,244</b>              | <b>2</b>                   |
|        | Quarter 3 | 9,265                    | -3,493     | -5,529  | -68               | -9,090  | <b>174</b>                 | <b>9</b>                   |
|        | Quarter 4 | 8,602                    | -2,758     | -6,008  | 680               | -8,086  | <b>516</b>                 | <b>515</b>                 |
| 2003   | Quarter 1 | 7,622                    | -2,472     | -5,815  | -89               | -8,376  | <b>-753</b>                | <b>0</b>                   |
|        | Quarter 2 | 8,421                    | -2,747     | -5,634  | 48                | -8,333  | <b>88</b>                  | <b>-38</b>                 |
|        | Quarter 3 | 8,338                    | -3,084     | -5,061  | -89               | -8,234  | <b>103</b>                 | <b>-192</b>                |
|        | Quarter 4 | 8,223                    | -2,788     | -5,437  | 562               | -7,663  | <b>560</b>                 | <b>323</b>                 |
| 2004   | Quarter 1 | 8,143                    | -2,588     | -5,601  | -61               | -8,250  | <b>-107</b>                | <b>-22</b>                 |
|        | Quarter 2 | 8,142                    | -2,488     | -5,867  | 64                | -8,291  | <b>-149</b>                | <b>-57</b>                 |
|        | Quarter 3 | 7,763                    | -2,700     | -5,409  | -13               | -8,122  | <b>-359</b>                | <b>19</b>                  |
|        | Quarter 4 | 7,375                    | -2,427     | -5,604  | 403               | -7,628  | <b>-252</b>                | <b>339</b>                 |
| 2005   | Quarter 1 | 6,422                    | -1,974     | -6,172  | -285              | -8,431  | <b>-2,009</b>              | <b>80</b>                  |
|        | Quarter 2 | 7,425                    | -1,799     | -7,064  | 187               | -8,676  | <b>-1,250</b>              | <b>-21</b>                 |
|        | Quarter 3 | 7,339                    | -2,522     | -5,771  | -261              | -8,554  | <b>-1,215</b>              | <b>16</b>                  |
|        | Quarter 4 | 7,032                    | -3,008     | -5,863  | 624               | -8,247  | <b>-1,216</b>              | <b>189</b>                 |
| 2006   | Quarter 1 | 5,752                    | -1,448     | -6,142  | -464              | -8,054  | <b>-2,302</b>              | <b>78</b>                  |
|        | Quarter 2 | 6,898                    | -2,069     | -5,914  | -352              | -8,335  | <b>-1,437</b>              | <b>8</b>                   |
|        | Quarter 3 | 6,984                    | -1,124     | -6,724  | -363              | -8,211  | <b>-1,227</b>              | <b>-9</b>                  |
|        | Quarter 4 | 5,397                    | -2,156     | -5,253  | 673               | -6,736  | <b>-1,338</b>              | <b>146</b>                 |
| 2007   | Quarter 1 | 5,013                    | -424       | -7,526  | -739              | -8,689  | <b>-3,676</b>              | <b>54</b>                  |
|        | Quarter 2 | 6,966                    | -650       | -7,661  | -439              | -8,750  | <b>-1,785</b>              | <b>2</b>                   |
|        | Quarter 3 | 5,602                    | -500       | -6,596  | -619              | -7,715  | <b>-2,113</b>              | <b>-5</b>                  |
|        | Quarter 4 | 4,878                    | -1,295     | -6,825  | 514               | -7,606  | <b>-2,728</b>              | <b>11</b>                  |
| 2008   | Quarter 1 | 4,922                    | -1,498     | -6,311  | -736              | -8,545  | <b>-3,622</b>              | <b>-26</b>                 |
|        | Quarter 2 | 6,893                    | -794       | -7,779  | -561              | -9,134  | <b>-2,241</b>              | <b>50</b>                  |
|        | Quarter 3 | 6,875                    | -413       | -8,290  | -551              | -9,254  | <b>-2,379</b>              | <b>-14</b>                 |
|        | Quarter 4 | 7,589                    | -2,139     | -6,104  | 521               | -7,722  | <b>-133</b>                | <b>1</b>                   |

<sup>1</sup> Adjusted for balance of payments purposes

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

| Period |           | Direct Investment | Portfolio Investment | Other <sup>1</sup> Investment | Reserve Assets | Balance on Financial Account | Net errors and omissions |
|--------|-----------|-------------------|----------------------|-------------------------------|----------------|------------------------------|--------------------------|
| 1998   | Year      | 4,422             | -8,466               | 7,459                         | -2,280         | <b>1,135</b>                 | -2,602                   |
| 1999   | Year      | 11,359            | -14,342              | -974                          | 1,746          | <b>-2,211</b>                | 1,425                    |
| 2000   | Year      | 22,957            | -5,358               | -9,037                        | -142           | <b>8,420</b>                 | -9,223                   |
| 2001   | Year      | 6,241             | -25,158              | 19,039                        | -441           | <b>-319</b>                  | 372                      |
| 2002   | Year      | 19,444            | -37,979              | 19,263                        | 343            | <b>1,070</b>                 | -287                     |
| 2003   | Year      | 15,270            | -39,977              | 21,567                        | 1,770          | <b>-1,372</b>                | 1,280                    |
| 2004   | Year      | -23,095           | 14,287               | 11,430                        | 1,177          | <b>3,801</b>                 | -3,212                   |
| 2005   | Year      | -36,992           | 52,698               | -17,665                       | 1,472          | <b>-487</b>                  | 5,912                    |
| 2006   | Year      | -16,634           | 8,135                | 13,182                        | 87             | <b>4,770</b>                 | 1,311                    |
| 2007   | Year      | 7,173             | -2,610               | 9,283                         | -12            | <b>13,834</b>                | -3,594                   |
| 2008   | Year      | -17,427           | -21,991              | 57,612                        | -78            | <b>18,116</b>                | -9,751                   |
| 1998   | Quarter 1 | 1,497             | -1,255               | 1,939                         | -165           | <b>2,016</b>                 | -1,935                   |
|        | Quarter 2 | 1,965             | -1,301               | 106                           | -1,011         | <b>-241</b>                  | -67                      |
|        | Quarter 3 | 2,393             | -5,411               | 4,245                         | -333           | <b>894</b>                   | -1,741                   |
|        | Quarter 4 | -1,433            | -498                 | 1,169                         | -771           | <b>-1,533</b>                | 1,140                    |
| 1999   | Quarter 1 | 4,215             | -4,805               | 884                           | 1,887          | <b>2,181</b>                 | -2,377                   |
|        | Quarter 2 | 2,019             | -5,227               | -1,734                        | -93            | <b>-5,035</b>                | 5,001                    |
|        | Quarter 3 | 3,789             | -4,390               | -12                           | 13             | <b>-600</b>                  | 627                      |
|        | Quarter 4 | 1,336             | 79                   | -112                          | -61            | <b>1,242</b>                 | -1,824                   |
| 2000   | Quarter 1 | 2,317             | -5,222               | 3,728                         | 39             | <b>862</b>                   | -730                     |
|        | Quarter 2 | 6,184             | 4,761                | -7,128                        | -55            | <b>3,762</b>                 | -4,459                   |
|        | Quarter 3 | 6,819             | -5,814               | 2,652                         | -38            | <b>3,619</b>                 | -3,369                   |
|        | Quarter 4 | 7,636             | 917                  | -8,289                        | -88            | <b>176</b>                   | -664                     |
| 2001   | Quarter 1 | -403              | 1,851                | -3,318                        | -67            | <b>-1,937</b>                | 2,145                    |
|        | Quarter 2 | 4,368             | -6,594               | 3,774                         | -199           | <b>1,349</b>                 | -1,399                   |
|        | Quarter 3 | 1,960             | -11,644              | 11,067                        | -45            | <b>1,338</b>                 | -1,474                   |
|        | Quarter 4 | 316               | -8,771               | 7,516                         | -130           | <b>-1,069</b>                | 1,100                    |
| 2002   | Quarter 1 | 6,205             | -13,891              | 9,680                         | 265            | <b>2,258</b>                 | -1,503                   |
|        | Quarter 2 | 1,379             | 941                  | -2,345                        | 236            | <b>211</b>                   | 1,032                    |
|        | Quarter 3 | 8,473             | -11,496              | 4,692                         | -130           | <b>1,539</b>                 | -1,723                   |
|        | Quarter 4 | 3,387             | -13,533              | 7,236                         | -28            | <b>-2,938</b>                | 1,907                    |
| 2003   | Quarter 1 | 4,065             | -8,773               | 3,197                         | 1,818          | <b>308</b>                   | 445                      |
|        | Quarter 2 | 11,407            | -10,431              | -1,876                        | -43            | <b>-943</b>                  | 893                      |
|        | Quarter 3 | 3,830             | -23,201              | 18,913                        | -84            | <b>-544</b>                  | 633                      |
|        | Quarter 4 | -4,032            | 2,428                | 1,333                         | 79             | <b>-193</b>                  | -691                     |
| 2004   | Quarter 1 | -8,076            | 10,665               | -5,684                        | 1,189          | <b>-1,905</b>                | 2,035                    |
|        | Quarter 2 | -4,869            | 9,346                | -4,281                        | 135            | <b>331</b>                   | -125                     |
|        | Quarter 3 | 158               | -4,805               | 7,694                         | -129           | <b>2,918</b>                 | -2,578                   |
|        | Quarter 4 | -10,308           | -919                 | 13,701                        | -18            | <b>2,457</b>                 | -2,544                   |
| 2005   | Quarter 1 | 964               | 4,080                | -7,896                        | 48             | <b>-2,804</b>                | 4,733                    |
|        | Quarter 2 | -7,066            | -428                 | 10,874                        | 69             | <b>3,449</b>                 | -2,178                   |
|        | Quarter 3 | -15,732           | 25,927               | -11,672                       | 10             | <b>-1,467</b>                | 2,665                    |
|        | Quarter 4 | -15,158           | 23,119               | -8,971                        | 1,345          | <b>335</b>                   | 692                      |
| 2006   | Quarter 1 | -4,454            | -15,069              | 17,720                        | 83             | <b>-1,720</b>                | 3,944                    |
|        | Quarter 2 | -9,630            | -5,782               | 16,549                        | -110           | <b>1,027</b>                 | 402                      |
|        | Quarter 3 | 5,333             | 2,601                | -6,656                        | 68             | <b>1,346</b>                 | -110                     |
|        | Quarter 4 | -7,883            | 26,385               | -14,431                       | 46             | <b>4,117</b>                 | -2,925                   |
| 2007   | Quarter 1 | 3,425             | 57                   | -331                          | -47            | <b>3,104</b>                 | 518                      |
|        | Quarter 2 | -1,866            | -17,916              | 17,969                        | 9              | <b>-1,804</b>                | 3,587                    |
|        | Quarter 3 | -575              | 24,751               | -18,713                       | -38            | <b>5,425</b>                 | -3,307                   |
|        | Quarter 4 | 6,189             | -9,502               | 10,358                        | 64             | <b>7,109</b>                 | -4,392                   |
| 2008   | Quarter 1 | -296              | 28,493               | -22,277                       | 74             | <b>5,995</b>                 | -2,346                   |
|        | Quarter 2 | -3,907            | -2,835               | 15,393                        | -46            | <b>8,605</b>                 | -6,414                   |
|        | Quarter 3 | -5,939            | -9,956               | 23,055                        | -39            | <b>7,120</b>                 | -4,727                   |
|        | Quarter 4 | -7,285            | -37,693              | 41,441                        | -67            | <b>-3,604</b>                | 3,736                    |

<sup>1</sup> Including financial derivatives and trade credits

Table 2a – Current and Capital Accounts

€ million

| Item                                 |    | 2007   | 2008   | 2007      |           |           |           | 2008      |           |           |           |
|--------------------------------------|----|--------|--------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                      |    | Year   |        | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
| Current Account                      |    |        |        |           |           |           |           |           |           |           |           |
| Merchandise <sup>1</sup>             | Cr | 84,300 | 81,317 | 21,268    | 21,731    | 19,913    | 21,388    | 20,275    | 20,918    | 19,753    | 20,371    |
|                                      | Db | 61,840 | 55,038 | 16,254    | 14,765    | 14,311    | 16,510    | 15,353    | 14,025    | 12,878    | 12,782    |
| Services                             | Cr | 65,650 | 67,590 | 15,265    | 16,279    | 16,771    | 17,335    | 15,902    | 17,109    | 16,940    | 17,639    |
|                                      | Db | 68,519 | 72,435 | 15,689    | 16,929    | 17,271    | 18,630    | 17,400    | 17,903    | 17,354    | 19,778    |
| Transport                            | Cr | 2,566  | 2,526  | 514       | 684       | 831       | 537       | 497       | 680       | 859       | 490       |
|                                      | Db | 2,048  | 1,854  | 542       | 492       | 477       | 537       | 507       | 466       | 444       | 437       |
| Tourism and Travel <sup>2</sup>      | Cr | 4,426  | 4,327  | 741       | 1,150     | 1,604     | 931       | 754       | 1,171     | 1,568     | 834       |
|                                      | Db | 6,389  | 7,157  | 1,194     | 1,564     | 2,195     | 1,436     | 1,548     | 1,652     | 2,473     | 1,484     |
| Communications                       | Cr | 485    | 448    | 106       | 128       | 133       | 118       | 110       | 116       | 119       | 103       |
|                                      | Db | 833    | 832    | 205       | 201       | 199       | 228       | 212       | 220       | 200       | 200       |
| Insurance                            | Cr | 8,707  | 8,333  | 2,346     | 2,157     | 2,053     | 2,151     | 1,972     | 2,007     | 2,064     | 2,290     |
|                                      | Db | 7,056  | 6,232  | 1,736     | 1,771     | 1,759     | 1,790     | 1,519     | 1,534     | 1,494     | 1,685     |
| Financial services                   | Cr | 7,413  | 6,876  | 1,766     | 1,813     | 1,952     | 1,882     | 1,801     | 1,746     | 1,697     | 1,632     |
|                                      | Db | 4,685  | 4,399  | 1,068     | 1,229     | 1,218     | 1,170     | 1,075     | 1,171     | 1,140     | 1,013     |
| Computer services <sup>3</sup>       | Cr | 21,578 | 23,488 | 5,147     | 5,533     | 5,039     | 5,859     | 5,739     | 6,035     | 5,316     | 6,398     |
|                                      | Db | 588    | 628    | 127       | 134       | 164       | 163       | 164       | 159       | 148       | 157       |
| Royalties/Licences                   | Cr | 860    | 1,011  | 202       | 204       | 250       | 204       | 213       | 190       | 287       | 321       |
|                                      | Db | 17,254 | 19,939 | 4,081     | 3,924     | 4,258     | 4,991     | 5,015     | 4,493     | 4,473     | 5,958     |
| Business services                    | Cr | 18,904 | 19,869 | 4,265     | 4,434     | 4,732     | 5,473     | 4,639     | 4,985     | 4,854     | 5,391     |
|                                      | Db | 29,492 | 31,223 | 6,691     | 7,570     | 6,958     | 8,273     | 7,317     | 8,166     | 6,941     | 8,799     |
| Trade related                        | Cr | 9,374  | 10,294 | 1,802     | 2,085     | 2,437     | 3,050     | 2,308     | 2,616     | 2,524     | 2,846     |
|                                      | Db | 10,842 | 11,785 | 2,236     | 2,926     | 2,721     | 2,959     | 2,823     | 3,436     | 2,417     | 3,109     |
| Operational leasing                  | Cr | 5,189  | 4,943  | 1,311     | 1,312     | 1,291     | 1,275     | 1,237     | 1,179     | 1,218     | 1,309     |
|                                      | Db | 1,143  | 1,254  | 277       | 284       | 290       | 292       | 293       | 307       | 313       | 341       |
| Misc. business services <sup>4</sup> | Cr | 4,342  | 4,632  | 1,152     | 1,038     | 1,004     | 1,148     | 1,093     | 1,190     | 1,113     | 1,236     |
|                                      | Db | 17,505 | 18,182 | 4,178     | 4,359     | 3,947     | 5,021     | 4,200     | 4,422     | 4,210     | 5,350     |
| Other services n.e.s.                | Cr | 710    | 711    | 177       | 177       | 177       | 179       | 178       | 179       | 175       | 179       |
|                                      | Db | 174    | 170    | 44        | 45        | 42        | 43        | 42        | 42        | 41        | 45        |

Table 2a – Current and Capital Accounts - continued

€ million

| Item                        |    | 2007    | 2008    | 2007      |           |           |           | 2008      |           |           |           |
|-----------------------------|----|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                             |    | Year    |         | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
| Current Account - continued |    |         |         |           |           |           |           |           |           |           |           |
| Income                      | Cr | 82,958  | 81,543  | 19,244    | 21,487    | 21,017    | 21,210    | 20,337    | 21,748    | 20,409    | 19,049    |
|                             | Db | 111,566 | 110,028 | 26,770    | 29,149    | 27,613    | 28,034    | 26,648    | 29,527    | 28,700    | 25,153    |
| Compensation of Employees   | Cr | 413     | 430     | 98        | 98        | 119       | 98        | 101       | 103       | 123       | 103       |
|                             | Db | 1,144   | 1,031   | 248       | 272       | 361       | 263       | 244       | 244       | 292       | 251       |
| Investment Income           | Cr | 82,543  | 81,112  | 19,145    | 21,389    | 20,898    | 21,111    | 20,235    | 21,645    | 20,286    | 18,946    |
|                             | Db | 110,422 | 108,997 | 26,522    | 28,876    | 27,252    | 27,772    | 26,404    | 29,283    | 28,408    | 24,902    |
| Direct investment income    | Cr | 9,768   | 9,166   | 2,151     | 2,282     | 2,557     | 2,778     | 2,248     | 2,375     | 2,508     | 2,035     |
|                             | Db | 37,383  | 34,382  | 9,654     | 10,325    | 8,302     | 9,102     | 8,420     | 9,677     | 9,245     | 7,040     |
| Income on equity            | Cr | 4,814   | 3,616   | 975       | 1,042     | 1,353     | 1,444     | 999       | 937       | 1,110     | 570       |
|                             | Db | 35,473  | 32,693  | 9,146     | 9,817     | 7,879     | 8,631     | 7,886     | 9,313     | 8,877     | 6,617     |
| Dividends & distributed     |    |         |         |           |           |           |           |           |           |           |           |
| branch profits              | Cr | 75      | 195     | *         | *         | 11        | 22        | 31        | *         | 54        | *         |
|                             | Db | 17,524  | 12,251  | 3,180     | 4,026     | 4,342     | 5,976     | 2,478     | 3,001     | 2,818     | 3,954     |
| Reinvested earnings         | Cr | 4,738   | 3,421   | *         | *         | 1,342     | 1,421     | 968       | *         | 1,055     | *         |
|                             | Db | 17,950  | 20,441  | 5,966     | 5,792     | 3,537     | 2,655     | 5,408     | 6,312     | 6,059     | 2,662     |
| Income on debt              | Cr | 4,954   | 5,549   | 1,176     | 1,240     | 1,204     | 1,334     | 1,248     | 1,438     | 1,398     | 1,465     |
|                             | Db | 1,909   | 1,690   | 508       | 507       | 423       | 471       | 534       | 365       | 368       | 423       |
| Portfolio investment income | Cr | 40,348  | 39,354  | 9,155     | 10,993    | 10,037    | 10,163    | 9,684     | 11,254    | 9,572     | 8,844     |
|                             | Db | 42,020  | 43,112  | 9,644     | 10,993    | 10,680    | 10,703    | 10,495    | 11,909    | 10,745    | 9,963     |
| Income on equity            | Cr | 6,401   | 6,002   | 1,265     | 2,412     | 1,397     | 1,327     | 1,254     | 2,614     | 1,197     | 937       |
|                             | Db | 20,335  | 18,247  | 4,594     | 5,494     | 5,316     | 4,931     | 4,596     | 5,582     | 4,364     | 3,705     |
| Income on debt              | Cr | 33,947  | 33,352  | 7,890     | 8,581     | 8,640     | 8,836     | 8,431     | 8,640     | 8,374     | 7,907     |
|                             | Db | 21,685  | 24,864  | 5,050     | 5,499     | 5,364     | 5,772     | 5,899     | 6,327     | 6,380     | 6,258     |
| Other investment income     | Cr | 32,428  | 32,593  | 7,839     | 8,114     | 8,305     | 8,170     | 8,303     | 8,017     | 8,206     | 8,067     |
|                             | Db | 31,019  | 31,505  | 7,224     | 7,559     | 8,270     | 7,966     | 7,489     | 7,697     | 8,419     | 7,900     |
| Current Transfers           | Cr | 4,510   | 5,457   | 991       | 827       | 753       | 1,939     | 1,102     | 1,040     | 942       | 2,373     |
|                             | Db | 5,793   | 6,785   | 1,729     | 1,267     | 1,372     | 1,425     | 1,838     | 1,602     | 1,493     | 1,852     |
| Current Account - Total     | Cr | 237,417 | 235,909 | 56,767    | 60,324    | 58,454    | 61,872    | 57,616    | 60,816    | 58,045    | 59,432    |
|                             | Db | 247,717 | 244,285 | 60,442    | 62,110    | 60,566    | 64,599    | 61,238    | 63,057    | 60,425    | 59,565    |
| Current Account Balance     |    | -10,302 | -8,375  | -3,676    | -1,785    | -2,113    | -2,728    | -3,622    | -2,241    | -2,379    | -133      |
| Capital Account Balance     |    | 62      | 11      | 54        | 2         | -5        | 11        | -26       | 50        | -14       | 1         |

<sup>1</sup> Adjusted for balance of payments purposes<sup>2</sup> Excluding passenger fare receipts<sup>3</sup> 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 included<sup>4</sup> Covers mainly advertising, research and development and inter-affiliate management charges

\* Suppressed for confidentiality reasons

Table 2b – Financial Account<sup>1</sup>

€ million

| Item                        |                    | 2007            | 2008           | 2007           |                |               |                | 2008           |                |                |                |
|-----------------------------|--------------------|-----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|
|                             |                    | Year            |                | Quarter 1      | Quarter 2      | Quarter 3     | Quarter 4      | Quarter 1      | Quarter 2      | Quarter 3      | Quarter 4      |
| <b>Direct Investment</b>    | <b>Abroad</b>      | <b>-15,178</b>  | <b>-9,030</b>  | <b>-7,241</b>  | <b>-2,077</b>  | <b>-7,092</b> | <b>1,232</b>   | <b>-886</b>    | <b>-1,614</b>  | <b>-4,610</b>  | <b>-1,920</b>  |
|                             | <b>In Ireland</b>  | <b>22,351</b>   | <b>-8,398</b>  | <b>10,666</b>  | <b>211</b>     | <b>6,517</b>  | <b>4,957</b>   | <b>590</b>     | <b>-2,293</b>  | <b>-1,330</b>  | <b>-5,365</b>  |
| Equity                      | Abroad             | -5,633          | -4,133         | *              | *              | -4,815        | 3,327          | 560            | *              | -2,862         | *              |
|                             | In Ireland         | -1,856          | -2,235         | 1,616          | -2,285         | 1,577         | -2,764         | -349           | -1,088         | 242            | -1,040         |
| Reinvested Earnings         | Abroad             | -4,738          | -3,421         | *              | *              | -1,342        | -1,421         | -968           | *              | -1,055         | *              |
|                             | In Ireland         | 17,950          | 20,441         | 5,966          | 5,792          | 3,537         | 2,655          | 5,408          | 6,312          | 6,059          | 2,662          |
| Other Capital               | Abroad             | -4,806          | -1,476         | -3,285         | 88             | -935          | -674           | -478           | -418           | -692           | 112            |
|                             | In Ireland         | 6,258           | -26,604        | 3,084          | -3,296         | 1,404         | 5,066          | -4,469         | -7,517         | -7,631         | -6,987         |
| <b>Portfolio Investment</b> | <b>Assets</b>      | <b>-164,288</b> | <b>-8,977</b>  | <b>-59,042</b> | <b>-55,945</b> | <b>-7,884</b> | <b>-41,417</b> | <b>-36,386</b> | <b>-36,880</b> | <b>61,174</b>  | <b>3,115</b>   |
|                             | <b>Liabilities</b> | <b>161,677</b>  | <b>-13,014</b> | <b>59,099</b>  | <b>38,029</b>  | <b>32,635</b> | <b>31,914</b>  | <b>64,879</b>  | <b>34,045</b>  | <b>-71,130</b> | <b>-40,808</b> |
| Equity                      | Assets             | -14,295         | 24,873         | -8,744         | -4,545         | -3,710        | 2,704          | 3,988          | -4,893         | 18,844         | 6,934          |
|                             | Liabilities        | 98,951          | -1,273         | 34,114         | 23,998         | 15,458        | 25,381         | 42,034         | 17,824         | -50,292        | -10,839        |
| Debt Instruments            | Assets             | -149,992        | -33,850        | -50,298        | -51,400        | -4,174        | -44,120        | -40,374        | -31,987        | 42,330         | -3,819         |
|                             | Liabilities        | 62,726          | -11,741        | 24,985         | 14,030         | 17,177        | 6,534          | 22,845         | 16,222         | -20,839        | -29,969        |
| Bonds and notes             | Assets             | -85,417         | -30,301        | -22,197        | -29,795        | -5,745        | -27,680        | -3,236         | -34,932        | 12,436         | -4,569         |
|                             | Liabilities        | 51,253          | -20,645        | 21,534         | 13,103         | 11,082        | 5,534          | 16,774         | 18,741         | -23,590        | -32,570        |
| Money market instruments    | Assets             | -64,574         | -3,549         | -28,100        | -21,605        | 1,572         | -16,441        | -37,138        | 2,945          | 29,894         | 750            |
|                             | Liabilities        | 11,474          | 8,904          | 3,451          | 928            | 6,096         | 999            | 6,070          | -2,519         | 2,752          | 2,601          |

Table 2b – Financial Account<sup>1</sup> - continued

€ million

|                                   |             | 2007     | 2008    | 2007      |           |           |           | 2008      |           |           |           |
|-----------------------------------|-------------|----------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Item                              |             | Year     |         | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
| Other Investment                  | Assets      | -161,363 | -79,689 | -33,703   | -42,693   | -52,111   | -32,856   | -69,201   | -6,036    | 5,801     | -10,253   |
|                                   | Liabilities | 170,646  | 137,302 | 33,372    | 60,662    | 33,398    | 43,214    | 46,925    | 21,429    | 17,254    | 51,694    |
| Loans, currency and deposits      | Assets      | -145,820 | -83,641 | -32,186   | -42,000   | -47,792   | -23,842   | -61,964   | -2,216    | 2,737     | -22,198   |
|                                   | Liabilities | 157,373  | 139,966 | 28,525    | 56,786    | 28,764    | 43,298    | 44,253    | 22,021    | 21,564    | 52,128    |
| Other <sup>2</sup>                | Assets      | -15,543  | 3,953   | -1,518    | -692      | -4,320    | -9,013    | -7,237    | -3,820    | 3,064     | 11,946    |
|                                   | Liabilities | 13,274   | -2,664  | 4,848     | 3,876     | 4,634     | -84       | 2,672     | -592      | -4,310    | -434      |
| Reserve Assets                    |             | -12      | -78     | -47       | 9         | -38       | 64        | 74        | -46       | -39       | -67       |
| Monetary gold                     |             | 4        | 1       | 0         | 4         | 0         | 0         | 1         | 0         | 0         | 0         |
| Special drawing rights            |             | -8       | 15      | -1        | 0         | -3        | -4        | 9         | 0         | 6         | 0         |
| Reserve position in the IMF       |             | 48       | -39     | 33        | -2        | -7        | 24        | 12        | -20       | 19        | -50       |
| Foreign exchange                  |             | -56      | -55     | -79       | 7         | -28       | 44        | 52        | -26       | -64       | -17       |
| Other                             |             | 0        | 0       | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Balance on Financial Account      |             | 13,834   | 18,116  | 3,104     | -1,804    | 5,425     | 7,109     | 5,995     | 8,605     | 7,120     | -3,604    |
| Net errors and omissions          |             | -3,594   | -9,751  | 518       | 3,587     | -3,307    | -4,392    | -2,346    | -6,414    | -4,727    | 3,736     |
| <b>Memorandum Item:</b>           |             |          |         |           |           |           |           |           |           |           |           |
| Government financial transactions | Assets      | -1,478   | -242    | -730      | -1,976    | 697       | 531       | -1,225    | 852       | 323       | -192      |
|                                   | Liabilities | 3,003    | 27,219  | 430       | 1,415     | 7,927     | -6,769    | 3,950     | 8,964     | 7,915     | 6,390     |

<sup>1</sup> 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

<sup>2</sup> Including financial derivatives and trade credits

\* Suppressed for confidentiality reasons

Table 3 – Current, Capital and Financial Accounts showing IFSC<sup>1</sup> and non-IFSC activity

€ million

| Item                              |           | 2007           | 2008           | 2007          |               |               |               | 2008          |               |               |               |
|-----------------------------------|-----------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                   |           | Year           |                | Quarter 1     | Quarter 2     | Quarter 3     | Quarter 4     | Quarter 1     | Quarter 2     | Quarter 3     | Quarter 4     |
| <b>Current Account - Total</b>    | <b>Cr</b> | <b>237,417</b> | <b>235,909</b> | <b>56,767</b> | <b>60,324</b> | <b>58,454</b> | <b>61,872</b> | <b>57,616</b> | <b>60,816</b> | <b>58,045</b> | <b>59,432</b> |
|                                   | <b>Db</b> | <b>247,717</b> | <b>244,285</b> | <b>60,442</b> | <b>62,110</b> | <b>60,566</b> | <b>64,599</b> | <b>61,238</b> | <b>63,057</b> | <b>60,425</b> | <b>59,565</b> |
| <b>Merchandise <sup>2</sup></b>   | <b>Cr</b> | <b>84,300</b>  | <b>81,317</b>  | <b>21,268</b> | <b>21,731</b> | <b>19,913</b> | <b>21,388</b> | <b>20,275</b> | <b>20,918</b> | <b>19,753</b> | <b>20,371</b> |
|                                   | <b>Db</b> | <b>61,840</b>  | <b>55,038</b>  | <b>16,254</b> | <b>14,765</b> | <b>14,311</b> | <b>16,510</b> | <b>15,353</b> | <b>14,025</b> | <b>12,878</b> | <b>12,782</b> |
| <b>Services</b>                   | <b>Cr</b> | <b>65,650</b>  | <b>67,590</b>  | <b>15,265</b> | <b>16,279</b> | <b>16,771</b> | <b>17,335</b> | <b>15,902</b> | <b>17,109</b> | <b>16,940</b> | <b>17,639</b> |
|                                   | <b>Db</b> | <b>68,519</b>  | <b>72,435</b>  | <b>15,689</b> | <b>16,929</b> | <b>17,271</b> | <b>18,630</b> | <b>17,400</b> | <b>17,903</b> | <b>17,354</b> | <b>19,778</b> |
| - IFSC                            | Cr        | 21,148         | 20,511         | 5,366         | 5,222         | 5,188         | 5,372         | 5,037         | 5,025         | 5,091         | 5,358         |
|                                   | Db        | 13,206         | 12,888         | 3,183         | 3,295         | 3,346         | 3,382         | 2,953         | 3,227         | 3,234         | 3,474         |
| - non IFSC                        | Cr        | 44,500         | 47,080         | 9,898         | 11,057        | 11,582        | 11,963        | 10,865        | 12,084        | 11,850        | 12,281        |
|                                   | Db        | 55,313         | 59,547         | 12,506        | 13,634        | 13,925        | 15,248        | 14,447        | 14,676        | 14,120        | 16,304        |
| <b>Income</b>                     | <b>Cr</b> | <b>82,958</b>  | <b>81,543</b>  | <b>19,244</b> | <b>21,487</b> | <b>21,017</b> | <b>21,210</b> | <b>20,337</b> | <b>21,748</b> | <b>20,409</b> | <b>19,049</b> |
|                                   | <b>Db</b> | <b>111,566</b> | <b>110,028</b> | <b>26,770</b> | <b>29,149</b> | <b>27,613</b> | <b>28,034</b> | <b>26,648</b> | <b>29,527</b> | <b>28,700</b> | <b>25,153</b> |
| - IFSC                            | Cr        | 70,259         | 70,326         | 15,788        | 18,493        | 17,906        | 18,072        | 17,697        | 18,790        | 17,298        | 16,541        |
|                                   | Db        | 70,984         | 69,903         | 15,607        | 18,921        | 18,434        | 18,022        | 17,422        | 18,725        | 17,278        | 16,478        |
| - non IFSC                        | Cr        | 12,699         | 11,217         | 3,456         | 2,994         | 3,111         | 3,138         | 2,640         | 2,958         | 3,112         | 2,507         |
|                                   | Db        | 40,581         | 40,124         | 11,163        | 10,227        | 9,179         | 10,012        | 9,226         | 10,802        | 11,421        | 8,675         |
| <b>Current Transfers</b>          | <b>Cr</b> | <b>4,510</b>   | <b>5,457</b>   | <b>991</b>    | <b>827</b>    | <b>753</b>    | <b>1,939</b>  | <b>1,102</b>  | <b>1,040</b>  | <b>942</b>    | <b>2,373</b>  |
|                                   | <b>Db</b> | <b>5,793</b>   | <b>6,785</b>   | <b>1,729</b>  | <b>1,267</b>  | <b>1,372</b>  | <b>1,425</b>  | <b>1,838</b>  | <b>1,602</b>  | <b>1,493</b>  | <b>1,852</b>  |
| - IFSC <sup>3</sup>               | Cr        | 2,417          | 3,335          | 747           | 616           | 561           | 493           | 718           | 826           | 801           | 990           |
|                                   | Db        | 2,417          | 3,335          | 747           | 616           | 561           | 493           | 718           | 826           | 801           | 990           |
| - non IFSC                        | Cr        | 2,094          | 2,122          | 244           | 211           | 193           | 1,446         | 384           | 214           | 141           | 1,383         |
|                                   | Db        | 3,376          | 3,450          | 982           | 651           | 811           | 932           | 1,120         | 776           | 692           | 862           |
| <b>Balance on Current Account</b> |           | <b>-10,302</b> | <b>-8,375</b>  | <b>-3,676</b> | <b>-1,785</b> | <b>-2,113</b> | <b>-2,728</b> | <b>-3,622</b> | <b>-2,241</b> | <b>-2,379</b> | <b>-133</b>   |
| <b>Balance on Capital Account</b> |           | <b>62</b>      | <b>11</b>      | <b>54</b>     | <b>2</b>      | <b>-5</b>     | <b>11</b>     | <b>-26</b>    | <b>50</b>     | <b>-14</b>    | <b>1</b>      |



Table 3 – Current, Capital and Financial Accounts showing IFSC<sup>1</sup> and non-IFSC activity - continued

€ million

| Item                           |             | 2007     | 2008    | 2007      |           |           |           | 2008      |           |           |           |
|--------------------------------|-------------|----------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                |             | Year     |         | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
| Financial Account <sup>4</sup> |             |          |         |           |           |           |           |           |           |           |           |
| Direct investment              | Abroad      | -15,178  | -9,030  | -7,241    | -2,077    | -7,092    | 1,232     | -886      | -1,614    | -4,610    | -1,920    |
|                                | In Ireland  | 22,351   | -8,398  | 10,666    | 211       | 6,517     | 4,957     | 590       | -2,293    | -1,330    | -5,365    |
| - IFSC                         | Abroad      | 875      | -1,348  | 333       | 120       | -4,041    | 4,463     | 951       | -256      | -1,678    | -365      |
|                                | In Ireland  | 5,088    | -20,664 | 5,672     | -5,410    | 2,986     | 1,840     | -2,619    | -4,777    | -6,331    | -6,937    |
| - non IFSC                     | Abroad      | -16,052  | -7,681  | -7,573    | -2,197    | -3,051    | -3,231    | -1,837    | -1,358    | -2,932    | -1,554    |
|                                | In Ireland  | 17,262   | 12,265  | 4,993     | 5,621     | 3,531     | 3,117     | 3,209     | 2,484     | 5,001     | 1,571     |
| Portfolio investment           | Assets      | -164,288 | -8,977  | -59,042   | -55,945   | -7,884    | -41,417   | -36,386   | -36,880   | 61,174    | 3,115     |
|                                | Liabilities | 161,677  | -13,014 | 59,099    | 38,029    | 32,635    | 31,914    | 64,879    | 34,045    | -71,130   | -40,808   |
| - IFSC                         | Assets      | -137,435 | -1,068  | -57,168   | -46,501   | -5,985    | -27,781   | -49,426   | -29,884   | 65,573    | 12,669    |
|                                | Liabilities | 138,367  | -17,804 | 48,408    | 28,951    | 20,540    | 40,468    | 62,224    | 28,478    | -64,035   | -44,471   |
| - non IFSC                     | Assets      | -26,853  | -7,909  | -1,874    | -9,444    | -1,899    | -13,636   | 13,040    | -6,996    | -4,399    | -9,554    |
|                                | Liabilities | 23,309   | 4,790   | 10,691    | 9,078     | 12,094    | -8,554    | 2,655     | 5,567     | -7,096    | 3,664     |
| Other investment <sup>5</sup>  | Assets      | -161,363 | -79,689 | -33,703   | -42,693   | -52,111   | -32,856   | -69,201   | -6,036    | 5,801     | -10,253   |
|                                | Liabilities | 170,646  | 137,302 | 33,372    | 60,662    | 33,398    | 43,214    | 46,925    | 21,429    | 17,254    | 51,694    |
| - IFSC                         | Assets      | -128,754 | -47,573 | -27,301   | -32,456   | -54,337   | -14,660   | -44,696   | -13,980   | 3,776     | 7,327     |
|                                | Liabilities | 134,419  | 37,286  | 28,801    | 52,846    | 44,431    | 8,341     | 23,745    | 9,393     | -11,062   | 15,210    |
| - non IFSC                     | Assets      | -32,609  | -32,116 | -6,402    | -10,237   | 2,226     | -18,196   | -24,505   | 7,944     | 2,025     | -17,580   |
|                                | Liabilities | 36,226   | 100,014 | 4,571     | 7,816     | -11,033   | 34,872    | 23,179    | 12,036    | 28,315    | 36,484    |
| Reserve Assets                 |             | -12      | -78     | -47       | 9         | -38       | 64        | 74        | -46       | -39       | -67       |
| Balance on Financial Account   |             | 13,834   | 18,116  | 3,104     | -1,804    | 5,425     | 7,109     | 5,995     | 8,605     | 7,120     | -3,604    |
| Net errors and omissions       |             | -3,594   | -9,751  | 518       | 3,587     | -3,307    | -4,392    | -2,346    | -6,414    | -4,727    | 3,736     |

<sup>1</sup> 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

<sup>2</sup> Adjusted for balance of payments purposes

<sup>3</sup> Current transfers to and from IFSC enterprises relate solely to non-life insurance transactions (see Background Notes)

<sup>4</sup> See footnote 1 on Table 2b

<sup>5</sup> Including financial derivatives and trade credits

Table 4a – Current and Capital Accounts showing geographical<sup>1</sup> detail

€ million

| Item                            |           | 2007           | 2008           | 2007          |               |               |               | 2008          |               |               |               |
|---------------------------------|-----------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                 |           | Year           |                | Quarter 1     | Quarter 2     | Quarter 3     | Quarter 4     | Quarter 1     | Quarter 2     | Quarter 3     | Quarter 4     |
| <b>Current Account - Total</b>  | <b>Cr</b> | <b>237,417</b> | <b>235,909</b> | <b>56,767</b> | <b>60,324</b> | <b>58,454</b> | <b>61,872</b> | <b>57,616</b> | <b>60,816</b> | <b>58,045</b> | <b>59,432</b> |
|                                 | <b>Db</b> | <b>247,717</b> | <b>244,285</b> | <b>60,442</b> | <b>62,110</b> | <b>60,566</b> | <b>64,599</b> | <b>61,238</b> | <b>63,057</b> | <b>60,425</b> | <b>59,565</b> |
| <b>Merchandise <sup>2</sup></b> | <b>Cr</b> | <b>84,300</b>  | <b>81,317</b>  | <b>21,268</b> | <b>21,731</b> | <b>19,913</b> | <b>21,388</b> | <b>20,275</b> | <b>20,918</b> | <b>19,753</b> | <b>20,371</b> |
|                                 | <b>Db</b> | <b>61,840</b>  | <b>55,038</b>  | <b>16,254</b> | <b>14,765</b> | <b>14,311</b> | <b>16,510</b> | <b>15,353</b> | <b>14,025</b> | <b>12,878</b> | <b>12,782</b> |
| - EMU                           | Cr        | 36,390         | 34,168         | 9,505         | 9,025         | 8,248         | 9,612         | 8,862         | 8,796         | 7,922         | 8,588         |
|                                 | Db        | 18,046         | 15,471         | 4,763         | 4,430         | 4,046         | 4,807         | 4,557         | 4,166         | 3,414         | 3,334         |
| - non EMU                       | Cr        | 47,910         | 47,148         | 11,763        | 12,706        | 11,665        | 11,776        | 11,413        | 12,121        | 11,831        | 11,783        |
|                                 | Db        | 43,795         | 39,569         | 11,492        | 10,335        | 10,265        | 11,703        | 10,796        | 9,860         | 9,464         | 9,449         |
| - EU                            | Cr        | 56,091         | 52,684         | 14,185        | 13,977        | 13,088        | 14,841        | 13,405        | 13,713        | 12,500        | 13,066        |
|                                 | Db        | 43,131         | 39,281         | 11,028        | 10,429        | 10,115        | 11,559        | 10,674        | 10,256        | 9,071         | 9,280         |
| - non EU                        | Cr        | 28,209         | 28,633         | 7,083         | 7,754         | 6,825         | 6,547         | 6,870         | 7,205         | 7,253         | 7,305         |
|                                 | Db        | 18,709         | 15,758         | 5,226         | 4,336         | 4,196         | 4,951         | 4,679         | 3,769         | 3,807         | 3,503         |
| <b>Services</b>                 | <b>Cr</b> | <b>65,650</b>  | <b>67,590</b>  | <b>15,265</b> | <b>16,279</b> | <b>16,771</b> | <b>17,335</b> | <b>15,902</b> | <b>17,109</b> | <b>16,940</b> | <b>17,639</b> |
|                                 | <b>Db</b> | <b>68,519</b>  | <b>72,435</b>  | <b>15,689</b> | <b>16,929</b> | <b>17,271</b> | <b>18,630</b> | <b>17,400</b> | <b>17,903</b> | <b>17,354</b> | <b>19,778</b> |
| - EMU                           | Cr        | 23,084         | 24,161         | 5,652         | 5,895         | 5,643         | 5,894         | 5,756         | 6,074         | 5,408         | 6,923         |
|                                 | Db        | 18,525         | 21,624         | 4,124         | 4,279         | 5,019         | 5,103         | 4,835         | 5,777         | 5,262         | 5,750         |
| - non EMU                       | Cr        | 42,565         | 43,429         | 9,612         | 10,384        | 11,128        | 11,441        | 10,146        | 11,035        | 11,532        | 10,716        |
|                                 | Db        | 49,994         | 50,812         | 11,565        | 12,650        | 12,252        | 13,527        | 12,565        | 12,127        | 12,092        | 14,028        |
| - EU                            | Cr        | 41,273         | 42,504         | 9,772         | 10,487        | 10,602        | 10,412        | 10,049        | 10,751        | 10,049        | 11,655        |
|                                 | Db        | 31,689         | 34,099         | 7,048         | 7,548         | 8,296         | 8,797         | 8,026         | 9,010         | 8,099         | 8,964         |
| - non EU                        | Cr        | 24,376         | 25,086         | 5,492         | 5,792         | 6,169         | 6,923         | 5,853         | 6,358         | 6,891         | 5,984         |
|                                 | Db        | 36,829         | 38,335         | 8,641         | 9,381         | 8,974         | 9,833         | 9,374         | 8,893         | 9,254         | 10,814        |

Table 4a – Current and Capital Accounts showing geographical<sup>1</sup> detail - continued

€ million

| Item                              |           | 2007           | 2008           | 2007          |               |               |               | 2008          |               |               |               |
|-----------------------------------|-----------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                   |           | Year           |                | Quarter 1     | Quarter 2     | Quarter 3     | Quarter 4     | Quarter 1     | Quarter 2     | Quarter 3     | Quarter 4     |
| <b>Income</b>                     | <b>Cr</b> | <b>82,958</b>  | <b>81,543</b>  | <b>19,244</b> | <b>21,487</b> | <b>21,017</b> | <b>21,210</b> | <b>20,337</b> | <b>21,748</b> | <b>20,409</b> | <b>19,049</b> |
|                                   | <b>Db</b> | <b>111,566</b> | <b>110,028</b> | <b>26,770</b> | <b>29,149</b> | <b>27,613</b> | <b>28,034</b> | <b>26,648</b> | <b>29,527</b> | <b>28,700</b> | <b>25,153</b> |
| - EMU                             | Cr        | 26,848         | 28,879         | 6,457         | 7,299         | 6,591         | 6,501         | 7,076         | 7,989         | 7,251         | 6,563         |
|                                   | Db        | 34,000         | 33,691         | 8,562         | 8,658         | 7,905         | 8,875         | 8,027         | 9,415         | 8,614         | 7,635         |
| - non EMU                         | Cr        | 56,109         | 52,664         | 12,786        | 14,188        | 14,426        | 14,709        | 13,260        | 13,760        | 13,159        | 12,485        |
|                                   | Db        | 77,565         | 76,337         | 18,208        | 20,491        | 19,707        | 19,159        | 18,621        | 20,112        | 20,086        | 17,518        |
| - EU                              | Cr        | 47,214         | 48,688         | 11,248        | 12,490        | 11,597        | 11,879        | 12,185        | 13,409        | 11,972        | 11,122        |
|                                   | Db        | 64,211         | 64,180         | 15,804        | 16,354        | 15,644        | 16,409        | 15,448        | 17,705        | 16,671        | 14,356        |
| - non EU                          | Cr        | 35,744         | 32,855         | 7,996         | 8,997         | 9,420         | 9,331         | 8,152         | 8,339         | 8,437         | 7,927         |
|                                   | Db        | 47,354         | 45,848         | 10,966        | 12,795        | 11,968        | 11,625        | 11,199        | 11,822        | 12,029        | 10,798        |
| <b>Current Transfers</b>          | <b>Cr</b> | <b>4,510</b>   | <b>5,457</b>   | <b>991</b>    | <b>827</b>    | <b>753</b>    | <b>1,939</b>  | <b>1,102</b>  | <b>1,040</b>  | <b>942</b>    | <b>2,373</b>  |
|                                   | <b>Db</b> | <b>5,793</b>   | <b>6,785</b>   | <b>1,729</b>  | <b>1,267</b>  | <b>1,372</b>  | <b>1,425</b>  | <b>1,838</b>  | <b>1,602</b>  | <b>1,493</b>  | <b>1,852</b>  |
| - EMU                             | Cr        | 928            | 1,022          | 195           | 235           | 327           | 171           | 175           | 259           | 280           | 308           |
|                                   | Db        | 921            | 1,023          | 193           | 233           | 327           | 168           | 173           | 261           | 279           | 310           |
| - non EMU                         | Cr        | 3,583          | 4,437          | 795           | 593           | 427           | 1,768         | 928           | 782           | 662           | 2,065         |
|                                   | Db        | 4,873          | 5,760          | 1,536         | 1,034         | 1,046         | 1,257         | 1,665         | 1,340         | 1,214         | 1,541         |
| - EU                              | Cr        | 3,659          | 4,150          | 551           | 541           | 799           | 1,768         | 713           | 735           | 675           | 2,027         |
|                                   | Db        | 4,261          | 4,806          | 1,070         | 858           | 1,280         | 1,053         | 1,238         | 1,156         | 1,102         | 1,310         |
| - non EU                          | Cr        | 852            | 1,308          | 440           | 286           | -45           | 171           | 389           | 306           | 267           | 346           |
|                                   | Db        | 1,532          | 1,979          | 659           | 409           | 92            | 372           | 600           | 446           | 391           | 542           |
| <b>Balance on Current Account</b> |           | <b>-10,302</b> | <b>-8,375</b>  | <b>-3,676</b> | <b>-1,785</b> | <b>-2,113</b> | <b>-2,728</b> | <b>-3,622</b> | <b>-2,241</b> | <b>-2,379</b> | <b>-133</b>   |
| <b>Balance on Capital Account</b> |           | <b>62</b>      | <b>11</b>      | <b>54</b>     | <b>2</b>      | <b>-5</b>     | <b>11</b>     | <b>-26</b>    | <b>50</b>     | <b>-14</b>    | <b>1</b>      |

<sup>1</sup> 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 2007 also relate to EMU 15 and EU 27

<sup>2</sup> Adjusted for balance of payments purposes

Table 4b – Financial Account<sup>1</sup> showing geographical<sup>2</sup> detail

€ million

| Item                        |                    | 2007            | 2008           | 2007           |                |               |                | 2008           |                |                |                |
|-----------------------------|--------------------|-----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|
|                             |                    | Year            |                | Quarter 1      | Quarter 2      | Quarter 3     | Quarter 4      | Quarter 1      | Quarter 2      | Quarter 3      | Quarter 4      |
| <b>Direct Investment</b>    | <b>Abroad</b>      | <b>-15,178</b>  | <b>-9,030</b>  | <b>-7,241</b>  | <b>-2,077</b>  | <b>-7,092</b> | <b>1,232</b>   | <b>-886</b>    | <b>-1,614</b>  | <b>-4,610</b>  | <b>-1,920</b>  |
|                             | <b>In Ireland</b>  | <b>22,351</b>   | <b>-8,398</b>  | <b>10,666</b>  | <b>211</b>     | <b>6,517</b>  | <b>4,957</b>   | <b>590</b>     | <b>-2,293</b>  | <b>-1,330</b>  | <b>-5,365</b>  |
| - EMU                       | Abroad             | -2,170          | -1,480         | -527           | -672           | -4,513        | 3,542          | 254            | -129           | -1,316         | -289           |
|                             | In Ireland         | 4,123           | -1,904         | 3,824          | -226           | 818           | -293           | 3,798          | -3,181         | 984            | -3,505         |
| - non EMU                   | Abroad             | -13,007         | -7,550         | -6,713         | -1,405         | -2,579        | -2,310         | -1,140         | -1,485         | -3,294         | -1,631         |
|                             | In Ireland         | 18,228          | -6,495         | 6,841          | 438            | 5,699         | 5,250          | -3,208         | 888            | -2,314         | -1,861         |
| - EU                        | Abroad             | -6,621          | -5,044         | -2,288         | -1,603         | -4,915        | 2,185          | -116           | -892           | -2,787         | -1,249         |
|                             | In Ireland         | -395            | 2,099          | 3,642          | -791           | 1,124         | -4,370         | 5,552          | -2,318         | 2,559          | -3,694         |
| - non EU                    | Abroad             | -8,557          | -3,985         | -4,953         | -474           | -2,177        | -953           | -770           | -723           | -1,822         | -670           |
|                             | In Ireland         | 22,747          | -10,497        | 7,023          | 1,003          | 5,394         | 9,327          | -4,962         | 26             | -3,889         | -1,672         |
| <b>Portfolio Investment</b> | <b>Assets</b>      | <b>-164,288</b> | <b>-8,977</b>  | <b>-59,042</b> | <b>-55,945</b> | <b>-7,884</b> | <b>-41,417</b> | <b>-36,386</b> | <b>-36,880</b> | <b>61,174</b>  | <b>3,115</b>   |
|                             | <b>Liabilities</b> | <b>161,677</b>  | <b>-13,014</b> | <b>59,099</b>  | <b>38,029</b>  | <b>32,635</b> | <b>31,914</b>  | <b>64,879</b>  | <b>34,045</b>  | <b>-71,130</b> | <b>-40,808</b> |
| - EMU                       | Assets             | -30,155         | -8,180         | -11,027        | -14,790        | -130          | -4,208         | -2,348         | -18,532        | 9,786          | 2,914          |
|                             | Liabilities        | 28,438          | -6,866         | 12,494         | 12,552         | -3,717        | 7,109          | 2,608          | 7,523          | -9,094         | -7,903         |
| - non EMU                   | Assets             | -134,133        | -797           | -48,015        | -41,156        | -7,754        | -37,208        | -34,038        | -18,348        | 51,388         | 201            |
|                             | Liabilities        | 133,239         | -6,149         | 46,605         | 25,476         | 36,352        | 24,806         | 62,271         | 26,522         | -62,037        | -32,905        |
| - EU                        | Assets             | -78,725         | -34,907        | -22,084        | -30,614        | -3,876        | -22,151        | -15,351        | -17,979        | 12,865         | -14,442        |
|                             | Liabilities        | 116,264         | 6,083          | 43,752         | 35,401         | 19,926        | 17,185         | 34,365         | 20,150         | -31,295        | -17,137        |
| - non EU                    | Assets             | -85,564         | 25,929         | -36,958        | -25,332        | -4,008        | -19,266        | -21,035        | -18,902        | 48,309         | 17,557         |
|                             | Liabilities        | 45,412          | -19,097        | 15,347         | 2,627          | 12,709        | 14,729         | 30,514         | 13,895         | -39,835        | -23,671        |

Table 4b – Financial Account<sup>1</sup> showing geographical<sup>2</sup> detail - continued

€ million

| Item                                 |                    | 2007            | 2008           | 2007           |                |                |                | 2008           |               |               |                |
|--------------------------------------|--------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|----------------|
|                                      |                    | Year            |                | Quarter 1      | Quarter 2      | Quarter 3      | Quarter 4      | Quarter 1      | Quarter 2     | Quarter 3     | Quarter 4      |
| <b>Other Investment</b> <sup>3</sup> | <b>Assets</b>      | <b>-161,363</b> | <b>-79,689</b> | <b>-33,703</b> | <b>-42,693</b> | <b>-52,111</b> | <b>-32,856</b> | <b>-69,201</b> | <b>-6,036</b> | <b>5,801</b>  | <b>-10,253</b> |
|                                      | <b>Liabilities</b> | <b>170,646</b>  | <b>137,302</b> | <b>33,372</b>  | <b>60,662</b>  | <b>33,398</b>  | <b>43,214</b>  | <b>46,925</b>  | <b>21,429</b> | <b>17,254</b> | <b>51,694</b>  |
| - EMU                                | Assets             | -63,605         | -28,132        | -13,872        | -14,876        | -22,948        | -11,909        | -31,907        | -7,178        | 12,920        | -1,967         |
|                                      | Liabilities        | 78,889          | 99,153         | 8,243          | 31,002         | 1,942          | 37,702         | 10,181         | 23,972        | 15,685        | 49,315         |
| - non EMU                            | Assets             | -97,760         | -51,558        | -19,832        | -27,817        | -29,164        | -20,947        | -37,295        | 1,142         | -7,119        | -8,286         |
|                                      | Liabilities        | 91,757          | 38,149         | 25,129         | 29,660         | 31,456         | 5,512          | 36,744         | -2,543        | 1,568         | 2,380          |
| - EU                                 | Assets             | -112,458        | -52,577        | -33,881        | -29,216        | -36,497        | -12,864        | -51,455        | -8,289        | 17,488        | -10,321        |
|                                      | Liabilities        | 100,049         | 125,658        | 21,231         | 22,013         | 5,608          | 51,197         | 33,784         | 24,400        | 17,796        | 49,678         |
| - non EU                             | Assets             | -48,907         | -27,112        | 177            | -13,477        | -15,615        | -19,992        | -17,746        | 2,253         | -11,687       | 68             |
|                                      | Liabilities        | 70,596          | 11,644         | 12,141         | 38,649         | 27,790         | -7,984         | 13,141         | -2,971        | -542          | 2,016          |
| <b>Reserve Assets</b>                |                    | <b>-12</b>      | <b>-78</b>     | <b>-47</b>     | <b>9</b>       | <b>-38</b>     | <b>64</b>      | <b>74</b>      | <b>-46</b>    | <b>-39</b>    | <b>-67</b>     |
| <b>Balance on Financial Account</b>  |                    | <b>13,834</b>   | <b>18,116</b>  | <b>3,104</b>   | <b>-1,804</b>  | <b>5,425</b>   | <b>7,109</b>   | <b>5,995</b>   | <b>8,605</b>  | <b>7,120</b>  | <b>-3,604</b>  |
| <i>Net errors and omissions</i>      |                    | <i>-3,594</i>   | <i>-9,751</i>  | <i>518</i>     | <i>3,587</i>   | <i>-3,307</i>  | <i>-4,392</i>  | <i>-2,346</i>  | <i>-6,414</i> | <i>-4,727</i> | <i>3,736</i>   |

<sup>1</sup> See footnote 1 on Table 2b<sup>2</sup> 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 2007 also relate to EMU 15 and EU 27<sup>3</sup> Including financial derivatives and trade credits

## Background Notes *(updated December 2006)*

**Introduction** 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.

A description of the methodology is given below. It follows as far as possible the recommendations of the IMF's *Balance of Payments Manual - 5th Edition* (BPM5) published in 1993 and its supplement *Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual* published in 2000. These recommendations were prepared in close co-operation with the European Commission (Eurostat), the OECD and other international organisations.

**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 *Current Account*, the *Capital Account* and the *Financial Account*. 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** 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.

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 *credit – debit*.

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 *net change in assets transactions + net change in liabilities transactions*. In the case of direct investment, the asset/liability presentation is replaced by the so-called 'directional' one, i.e. *direct investment abroad* (which approximates to the assets concept) and

*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

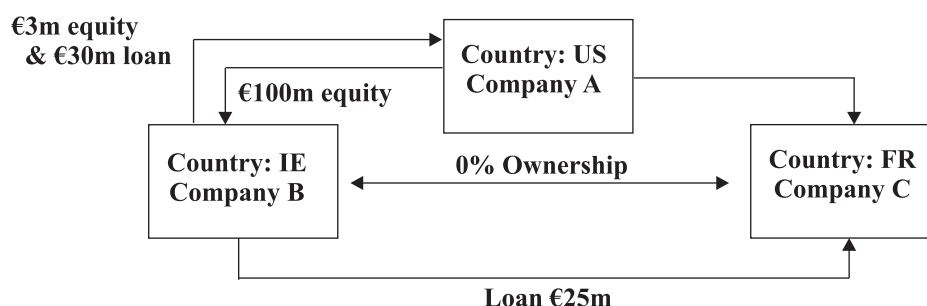
The capital account largely covers capital transfers, in particular amounts receivable under the EU Regional Development Fund and the Cohesion Fund and all other transfers intended for capital purposes. Estimates of migrants' transfers (i.e. the transfer of the net worth of immigrants and emigrants) 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 account<sup>1</sup> 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.

<sup>1</sup>The 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 5<sup>th</sup> Edition (1993) of the Balance of Payments Manual* published in 2000.