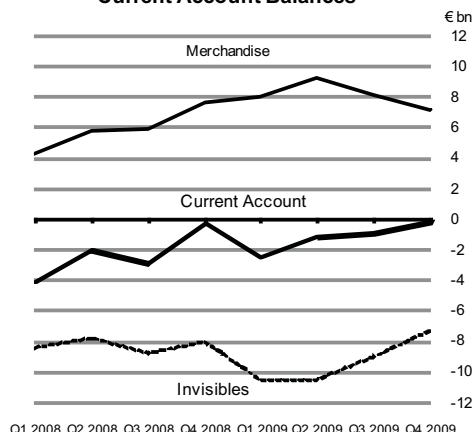




Balance of International Payments Quarter 4 and Year 2009

Current Account Balances



€ million

	Merchandise Balance	Invisibles Balance	Current Account Balance
Q4 2009	7,158	-7,324	-166
Q4 2008	7,729	-8,063	-334
Year 2009	32,647	-37,461	-4,814
Year 2008	23,819	-33,255	-9,435

2009 current account deficit lowest in five years

The 4th Quarter 2009 Balance of Payments current account deficit fell to €166m giving a deficit of €4,814m for the year as a whole. This was €4.6bn lower than the previous year and the lowest annual deficit since 2004 - *see Table 1*. The 4th quarter *merchandise* surplus of €7,158m was €1bn lower than the previous quarter and down almost €600m on the same quarter one year earlier. The *invisibles* deficit of €7,324m was €1.7bn lower than the previous quarter and €739m lower than a year earlier. Within this aggregate, the *services* deficit of €379m was €109m higher than the previous quarter while the net *income* outflow of €7,771m was €655m lower.

For the year 2009, the *merchandise* surplus of €32,647m was €8.8bn higher than in 2008 due to the fall in imports of €12.4bn exceeding a €3.5bn fall in exports; the *services* deficit of €4,958m was €412m lower than in 2008. Net factor income outflows increased from €26,770m in 2008 to €31,582m, up €4.8bn. Other points of note in the 4th Quarter 2009 results are:

Current account (see Tables 1a and 2a)

- ◆ *Merchandise* exports of €18,099m were down €427m on the previous quarter, while imports increased by almost €600m.
- ◆ *Services* exports at €18,956m in the 4th quarter were €830m higher than the same quarter last year, with increases in *computer services* (up €400m) and *business services* (up €1.1bn) being partly offset by decreases in *insurance services* (down €500m) and *financial services* (down €144m). *Services* imports at €19,335m were down €1.2bn due mainly to decreases in *royalties/licences* (down €546m to €6,216m in Q4), *insurance* (down €300m) and *travel* (down €200m).
- ◆ *Direct investment income* outflows of €8,772m increased by almost €900m compared to the 4th quarter 2008 while inflows of €2,054m were €254m lower.

Financial account (see Table 2b)

- ◆ *Direct investment abroad* showed further acquisitions of €2,975m in the 4th quarter. Inward FDI showed a net inflow of €9,959m due mainly to increased equity investment (€3,911m) and reinvested earnings of €4,648m.
- ◆ Foreign portfolio investors invested €21bn in Irish equities, largely units/shares in IFSC investment funds.
- ◆ Other investment liabilities decreased by €46,569m in the quarter due to a reduction in deposit liabilities of the banking sector allied with a reduction in borrowing by other financial intermediaries.
- ◆ Government foreign borrowing increased by €1.2bn in the 4th quarter while it's foreign assets decreased by €2.6bn.

Published by the Central Statistics Office, Ireland.

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Table 1a – Summary of Current and Capital Account Balances

€ million

Period		Merchandise ¹	Invisibles				Balance on Current Account	Balance on Capital Account
			Services	Income	Current Transfers	Total		
1998	Year	17,510	-8,820	-9,382	1,319	-16,883	627	840
1999	Year	22,170	-10,176	-12,945	1,177	-21,944	226	560
2000	Year	27,266	-13,889	-14,750	994	-27,645	-379	1,182
2001	Year	30,494	-13,259	-18,295	305	-31,249	-757	703
2002	Year	35,442	-13,779	-23,664	707	-36,736	-1,295	512
2003	Year	32,604	-11,091	-21,947	432	-32,606	-2	93
2004	Year	31,423	-10,203	-22,481	393	-32,291	-867	279
2005	Year	28,218	-9,303	-24,870	265	-33,908	-5,690	264
2006	Year	25,031	-6,797	-24,033	-506	-31,336	-6,304	223
2007	Year	19,811	-1,121	-27,825	-990	-29,936	-10,124	39
2008	Year	23,819	-5,370	-26,770	-1,115	-33,255	-9,435	68
2009	Year	32,647	-4,958	-31,582	-921	-37,461	-4,814	18
1998	Quarter 1	3,823	-2,184	-2,071	259	-3,996	-173	91
	Quarter 2	4,130	-1,845	-2,418	404	-3,859	271	39
	Quarter 3	4,883	-1,908	-2,698	235	-4,371	512	336
	Quarter 4	4,675	-2,882	-2,195	422	-4,655	20	374
1999	Quarter 1	4,915	-2,548	-2,581	277	-4,852	63	133
	Quarter 2	5,131	-2,492	-2,987	342	-5,137	-6	40
	Quarter 3	6,114	-2,516	-3,792	163	-6,145	-31	4
	Quarter 4	6,010	-2,621	-3,585	395	-5,811	199	383
2000	Quarter 1	5,457	-2,887	-3,326	324	-5,889	-432	300
	Quarter 2	6,447	-3,188	-3,007	253	-5,942	505	192
	Quarter 3	7,351	-3,406	-4,091	-92	-7,589	-238	-12
	Quarter 4	8,011	-4,408	-4,326	509	-8,225	-214	702
2001	Quarter 1	6,771	-3,413	-3,929	64	-7,278	-508	300
	Quarter 2	8,089	-3,354	-4,748	-13	-8,115	-26	76
	Quarter 3	8,085	-3,085	-4,816	-57	-7,958	126	9
	Quarter 4	7,549	-3,407	-4,802	311	-7,898	-349	318
2002	Quarter 1	8,977	-3,845	-5,837	-36	-9,718	-741	-14
	Quarter 2	8,598	-3,683	-6,290	131	-9,842	-1,244	2
	Quarter 3	9,265	-3,493	-5,529	-68	-9,090	174	9
	Quarter 4	8,602	-2,758	-6,008	680	-8,086	516	515
2003	Quarter 1	7,622	-2,472	-5,815	-89	-8,376	-753	0
	Quarter 2	8,421	-2,747	-5,634	48	-8,333	88	-38
	Quarter 3	8,338	-3,084	-5,061	-89	-8,234	103	-192
	Quarter 4	8,223	-2,788	-5,437	562	-7,663	560	323
2004	Quarter 1	8,143	-2,588	-5,601	-61	-8,250	-107	-22
	Quarter 2	8,142	-2,488	-5,867	64	-8,291	-149	-57
	Quarter 3	7,763	-2,700	-5,409	-13	-8,122	-359	19
	Quarter 4	7,375	-2,427	-5,604	403	-7,628	-252	339
2005	Quarter 1	6,422	-1,974	-6,172	-285	-8,431	-2,009	80
	Quarter 2	7,425	-1,799	-7,064	187	-8,676	-1,250	-21
	Quarter 3	7,339	-2,522	-5,771	-261	-8,554	-1,215	16
	Quarter 4	7,032	-3,008	-5,863	624	-8,247	-1,216	189
2006	Quarter 1	5,752	-1,448	-6,142	-464	-8,054	-2,302	78
	Quarter 2	6,898	-2,069	-5,914	-352	-8,335	-1,437	8
	Quarter 3	6,984	-1,124	-6,724	-363	-8,211	-1,227	-9
	Quarter 4	5,397	-2,156	-5,253	673	-6,736	-1,338	146
2007	Quarter 1	4,187	150	-7,259	-703	-7,812	-3,624	48
	Quarter 2	6,146	-346	-7,490	-405	-8,241	-2,096	-4
	Quarter 3	5,076	-68	-6,189	-460	-6,717	-1,641	-10
	Quarter 4	4,402	-857	-6,887	578	-7,166	-2,763	5
2008	Quarter 1	4,286	-1,198	-6,512	-751	-8,461	-4,175	29
	Quarter 2	5,855	-870	-6,445	-568	-7,883	-2,028	52
	Quarter 3	5,949	-935	-7,532	-381	-8,848	-2,898	-14
	Quarter 4	7,729	-2,367	-6,281	585	-8,063	-334	1
2009	Quarter 1	8,020	-2,181	-7,596	-784	-10,561	-2,542	-5
	Quarter 2	9,316	-2,128	-7,789	-604	-10,521	-1,204	12
	Quarter 3	8,153	-270	-8,426	-359	-9,055	-902	-11
	Quarter 4	7,158	-379	-7,771	826	-7,324	-166	22

¹ Adjusted for balance of payment purposes

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

	Period	Direct Investment	Portfolio Investment	Other ¹ Investment	Reserve Assets	Balance on Financial Account	Net errors and omissions
1998	Year	4,422	-8,466	7,459	-2,280	1,135	-2,602
1999	Year	11,359	-14,342	-974	1,746	-2,211	1,425
2000	Year	22,957	-5,358	-9,037	-142	8,420	-9,223
2001	Year	6,241	-25,158	19,039	-441	-319	372
2002	Year	19,444	-37,979	19,263	343	1,070	-287
2003	Year	15,270	-39,977	21,567	1,770	-1,372	1,280
2004	Year	-23,095	14,287	11,430	1,177	3,801	-3,212
2005	Year	-36,992	52,698	-17,665	1,472	-487	5,912
2006	Year	-16,634	8,135	13,182	87	4,770	1,311
2007	Year	2,602	-7,283	16,744	-12	12,051	-1,966
2008	Year	-22,892	-39,352	78,378	-78	16,057	-6,690
2009	Year	3,038	29,903	-36,758	79	-3,737	8,534
1998	Quarter 1	1,497	-1,255	1,939	-165	2,016	-1,935
	Quarter 2	1,965	-1,301	106	-1,011	-241	-67
	Quarter 3	2,393	-5,411	4,245	-333	894	-1,741
	Quarter 4	-1,433	-498	1,169	-771	-1,533	1,140
1999	Quarter 1	4,215	-4,805	884	1,887	2,181	-2,377
	Quarter 2	2,019	-5,227	-1,734	-93	-5,035	5,001
	Quarter 3	3,789	-4,390	-12	13	-600	627
	Quarter 4	1,336	79	-112	-61	1,242	-1,824
2000	Quarter 1	2,317	-5,222	3,728	39	862	-730
	Quarter 2	6,184	4,761	-7,128	-55	3,762	-4,459
	Quarter 3	6,819	-5,814	2,652	-38	3,619	-3,369
	Quarter 4	7,636	917	-8,289	-88	176	-664
2001	Quarter 1	-403	1,851	-3,318	-67	-1,937	2,145
	Quarter 2	4,368	-6,594	3,774	-199	1,349	-1,399
	Quarter 3	1,960	-11,644	11,067	-45	1,338	-1,474
	Quarter 4	316	-8,771	7,516	-130	-1,069	1,100
2002	Quarter 1	6,205	-13,891	9,680	265	2,258	-1,503
	Quarter 2	1,379	941	-2,345	236	211	1,032
	Quarter 3	8,473	-11,496	4,692	-130	1,539	-1,723
	Quarter 4	3,387	-13,533	7,236	-28	-2,938	1,907
2003	Quarter 1	4,065	-8,773	3,197	1,818	308	445
	Quarter 2	11,407	-10,431	-1,876	-43	-943	893
	Quarter 3	3,830	-23,201	18,913	-84	-544	633
	Quarter 4	-4,032	2,428	1,333	79	-193	-691
2004	Quarter 1	-8,076	10,665	-5,684	1,189	-1,905	2,035
	Quarter 2	-4,869	9,346	-4,281	135	331	-125
	Quarter 3	158	-4,805	7,694	-129	2,918	-2,578
	Quarter 4	-10,308	-919	13,701	-18	2,457	-2,544
2005	Quarter 1	964	4,080	-7,896	48	-2,804	4,733
	Quarter 2	-7,066	-428	10,874	69	3,449	-2,178
	Quarter 3	-15,732	25,927	-11,672	10	-1,467	2,665
	Quarter 4	-15,158	23,119	-8,971	1,345	335	692
2006	Quarter 1	-4,454	-15,069	17,720	83	-1,720	3,944
	Quarter 2	-9,630	-5,782	16,549	-110	1,027	402
	Quarter 3	5,333	2,601	-6,656	68	1,346	-110
	Quarter 4	-7,883	26,385	-14,431	46	4,117	-2,925
2007	Quarter 1	1,048	-976	2,274	-47	2,300	1,277
	Quarter 2	-3,101	-17,579	22,776	9	2,104	-5
	Quarter 3	-1,092	22,769	-19,941	-38	1,698	-47
	Quarter 4	5,747	-11,497	11,635	64	5,949	-3,191
2008	Quarter 1	-2,121	9,031	-738	74	6,246	-2,100
	Quarter 2	-4,201	-5,146	17,311	-46	7,919	-5,943
	Quarter 3	-9,031	-7,395	19,328	-39	2,863	49
	Quarter 4	-7,539	-35,842	42,477	-67	-971	1,304
2009	Quarter 1	3	-3,763	-328	41	-4,047	6,594
	Quarter 2	6,831	-15,559	18,185	-62	9,396	-8,204
	Quarter 3	-10,780	33,040	-26,421	3	-4,158	5,072
	Quarter 4	6,984	16,185	-28,194	97	-4,928	5,072

¹ Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents

Table 2a – Current and Capital Accounts

€ million

Item		2008	2009	2008				2009			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account											
Merchandise ¹	Cr	81,495	77,951	20,150	20,515	19,810	21,020	20,536	20,790	18,526	18,099
	Db	57,675	45,304	15,864	14,660	13,860	13,291	12,516	11,474	10,373	10,941
Services	Cr	69,203	69,333	16,410	17,353	17,314	18,126	16,049	17,029	17,299	18,956
	Db	74,574	74,290	17,608	18,224	18,249	20,493	18,230	19,156	17,569	19,335
Transport	Cr	3,010	2,924	579	808	1,049	574	512	808	985	619
	Db	1,867	1,590	509	469	452	437	440	406	367	377
Tourism and Travel ²	Cr	4,279	3,506	739	1,161	1,547	832	640	1,019	1,168	679
	Db	7,055	6,287	1,473	1,654	2,439	1,489	1,324	1,615	2,064	1,284
Communications	Cr	525	458	128	127	136	134	117	117	114	110
	Db	865	885	217	224	218	206	211	224	202	248
Insurance	Cr	8,582	7,091	2,042	2,103	2,103	2,334	1,763	1,751	1,754	1,823
	Db	6,517	5,861	1,534	1,658	1,570	1,755	1,450	1,464	1,490	1,457
Financial services	Cr	6,850	6,099	1,798	1,757	1,716	1,579	1,500	1,621	1,543	1,435
	Db	4,298	3,698	1,039	1,129	1,112	1,018	867	969	970	892
Computer services ³	Cr	23,284	23,650	5,724	5,968	5,269	6,323	5,649	5,919	5,366	6,716
	Db	686	726	178	174	164	170	154	196	174	202
Royalties/Licences	Cr	911	1,211	186	156	262	307	270	293	302	346
	Db	22,550	23,860	5,424	5,059	5,305	6,762	6,199	6,011	5,434	6,216
Business services	Cr	21,400	23,877	5,123	5,181	5,144	5,952	5,469	5,373	5,937	7,098
	Db	30,572	31,224	7,193	7,816	6,950	8,613	7,544	8,233	6,829	8,618
Trade related	Cr	10,867	12,744	2,490	2,680	2,589	3,108	2,663	2,560	3,179	4,342
	Db	9,903	9,761	2,353	2,903	1,945	2,702	2,194	2,624	2,097	2,846
Operational leasing	Cr	5,483	5,822	1,383	1,245	1,403	1,452	1,499	1,480	1,450	1,393
	Db	1,515	1,551	350	340	439	386	392	405	385	369
Misc. business services ⁴	Cr	5,049	5,311	1,251	1,255	1,151	1,392	1,307	1,333	1,308	1,363
	Db	19,154	19,913	4,490	4,574	4,566	5,524	4,959	5,205	4,346	5,403
Other services n.e.s.	Cr	362	513	90	91	90	91	128	127	129	129
	Db	166	159	42	41	40	43	41	38	39	41

Table 2a – Current and Capital Accounts - continued

€ million

Item		2008	2009	2008				2009			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account - continued											
Income	Cr	83,836	53,697	20,676	22,008	20,807	20,345	14,834	14,014	12,494	12,355
	Db	110,607	85,279	27,189	28,453	28,339	26,626	22,430	21,803	20,920	20,126
Compensation of Employees	Cr	432	408	103	103	123	103	108	94	103	103
	Db	1,105	838	268	262	309	266	224	201	201	212
Investment Income	Cr	83,403	53,289	20,573	21,904	20,684	20,242	14,727	13,919	12,391	12,252
	Db	109,501	84,442	26,921	28,190	28,029	26,361	22,207	21,602	20,719	19,914
Direct investment income	Cr	10,169	7,177	2,560	2,595	2,706	2,308	1,767	1,637	1,719	2,054
	Db	32,586	36,049	8,156	8,105	8,431	7,894	8,601	9,215	9,461	8,772
Income on equity	Cr	4,610	4,049	1,313	1,151	1,305	841	886	878	979	1,306
	Db	30,665	34,551	7,565	7,674	7,996	7,430	8,266	8,947	9,050	8,288
Dividends & distributed											
branch profits	Cr	929	924	57	*	*	48	449	*	9	*
	Db	12,653	13,626	2,447	3,186	2,611	4,409	2,097	4,177	3,712	3,640
Reinvested earnings	Cr	3,681	3,125	1,256	*	*	793	437	*	970	*
	Db	18,011	20,924	5,118	4,488	5,385	3,020	6,168	4,770	5,338	4,648
Income on debt	Cr	5,558	3,128	1,246	1,444	1,400	1,468	881	759	740	748
	Db	1,921	1,498	591	431	435	464	335	268	411	484
Portfolio investment income	Cr	41,007	23,328	10,106	11,419	9,776	9,706	6,445	6,383	5,240	5,260
	Db	42,904	27,988	10,594	12,164	10,629	9,517	7,722	7,184	6,420	6,662
Income on equity	Cr	6,214	4,044	1,401	2,652	1,223	938	819	1,529	764	932
	Db	18,555	10,294	4,633	5,779	4,418	3,725	2,602	2,787	2,192	2,713
Income on debt	Cr	34,794	19,284	8,705	8,767	8,554	8,768	5,626	4,854	4,476	4,328
	Db	24,348	17,694	5,961	6,385	6,210	5,792	5,120	4,397	4,228	3,949
Other investment income	Cr	32,227	22,783	7,907	7,890	8,202	8,228	6,514	5,899	5,431	4,939
	Db	34,011	20,405	8,171	7,921	8,970	8,949	5,884	5,202	4,839	4,480
Current Transfers	Cr	5,765	5,258	1,151	1,036	1,092	2,486	1,105	895	853	2,405
	Db	6,880	6,181	1,902	1,604	1,473	1,901	1,890	1,499	1,212	1,580
Current Account - Total	Cr	240,299	206,238	58,388	60,911	59,023	61,977	52,524	52,727	49,171	51,816
	Db	249,734	211,053	62,563	62,940	61,921	62,310	55,066	53,931	50,074	51,982
Current Account Balance		-9,435	-4,814	-4,175	-2,028	-2,898	-334	-2,542	-1,204	-902	-166
Capital Account Balance		68	18	29	52	-14	1	-5	12	-11	22

¹ Adjusted for balance of payments purposes² Under the credit item, passenger fare receipts of resident carriers from foreign visitors are excluded; such receipts are included under transport credits - see *Background Notes*³ 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 included⁴ Covers mainly advertising, research and development and inter-affiliate management charges

* Suppressed for confidentiality reasons

Table 2b – Financial Account¹

€ million

		2008	2009	2008				2009			
Item		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Direct Investment	Abroad	-9,217	-14,937	-1,361	-616	-4,475	-2,765	-768	-5,738	-5,456	-2,975
	In Ireland	-13,674	17,975	-759	-3,585	-4,556	-4,774	771	12,569	-5,324	9,959
Equity	Abroad	-2,126	-8,053	486	*	*	-1,565	989	*	-2,983	*
	In Ireland	-5,942	3,126	-1,485	-2,435	-1,817	-205	-2,103	568	750	3,911
Reinvested Earnings	Abroad	-3,681	-3,125	-1,256	*	*	-793	-437	*	-970	*
	In Ireland	18,011	20,924	5,118	4,488	5,385	3,020	6,168	4,770	5,338	4,648
Other Capital	Abroad	-3,408	-3,761	-591	-1,072	-1,338	-407	-1,321	595	-1,504	-1,531
	In Ireland	-25,744	-6,074	-4,392	-5,638	-8,125	-7,589	-3,294	7,232	-11,412	1,400
Portfolio Investment	Assets	-29,855	14,186	-59,590	-39,133	63,502	5,366	23,403	-16,435	13,380	-6,162
	Liabilities	-9,498	15,719	68,620	33,987	-70,897	-41,208	-27,165	877	19,660	22,347
Equity	Assets	23,906	-10,515	3,024	-6,071	19,223	7,730	9,073	-2,277	-7,779	-9,532
	Liabilities	-1,332	26,640	41,895	17,979	-50,387	-10,819	-14,230	5,413	14,454	21,003
Debt Instruments	Assets	-53,759	24,701	-62,613	-33,061	44,279	-2,364	14,329	-14,158	21,159	3,371
	Liabilities	-8,166	-10,923	26,725	16,008	-20,510	-30,389	-12,936	-4,537	5,206	1,344
Bonds and notes	Assets	-48,805	46,308	-25,441	-35,112	14,696	-2,948	22,472	11,537	6,147	6,152
	Liabilities	-15,567	7,561	22,141	18,742	-23,307	-33,143	-6,927	-7,172	15,226	6,434
Money market instruments	Assets	-4,954	-21,608	-37,172	2,051	29,583	584	-8,143	-25,696	15,012	-2,781
	Liabilities	7,400	-18,483	4,584	-2,734	2,797	2,753	-6,009	2,636	-10,020	-5,090

Table 2b – Financial Account¹ - continued

€ million

		2008	2009	2008				2009			
Item		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Other Investment	Assets	-67,301	53,609	-68,315	-2,424	5,784	-2,346	8,656	23,035	3,544	18,374
	Liabilities	145,677	-90,367	67,577	19,735	13,543	44,822	-8,984	-4,849	-29,965	-46,569
Loans, currency and deposits	Assets	-72,553	46,475	-60,597	425	3,454	-15,835	3,567	22,223	3,055	17,630
	Liabilities	147,128	-79,594	66,966	19,255	16,638	44,269	-159	-2,190	-33,242	-44,003
Other ²	Assets	5,252	7,134	-7,718	-2,849	2,330	13,489	5,089	812	489	744
	Liabilities	-1,450	-10,773	611	480	-3,094	553	-8,825	-2,659	3,277	-2,566
Reserve Assets		-78	79	74	-46	-39	-67	41	-62	3	97
Monetary gold		1	-1	1	0	0	0	0	-1	0	0
Special drawing rights		15	12	9	0	6	0	6	1	6	-1
Reserve position in the IMF		-39	-14	12	-20	19	-50	3	-28	-24	35
Foreign exchange		-55	82	52	-26	-64	-17	32	-34	21	63
Other		0	0	0	0	0	0	0	0	0	0
Balance on Financial Account		16,057	-3,737	6,246	7,919	2,863	-971	-4,047	9,396	-4,158	-4,928
Net errors and omissions		-6,690	8,534	-2,100	-5,943	49	1,304	6,594	-8,204	5,072	5,072
Memorandum Item:											
Government financial transactions	Assets	-242	4,639	-1,225	852	323	-192	-353	-518	2,912	2,598
	Liabilities	27,219	15,676	3,950	8,964	7,915	6,390	2,458	10,296	1,720	1,202

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

² Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents

* Suppressed for confidentiality reasons

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

€ million

Item		2008	2009	2008				2009			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account - Total	Cr	240,299	206,238	58,388	60,911	59,023	61,977	52,524	52,727	49,171	51,816
	Db	249,734	211,053	62,563	62,940	61,921	62,310	55,066	53,931	50,074	51,982
Merchandise ²	Cr	81,495	77,951	20,150	20,515	19,810	21,020	20,536	20,790	18,526	18,099
	Db	57,675	45,304	15,864	14,660	13,860	13,291	12,516	11,474	10,373	10,941
Services	Cr	69,203	69,333	16,410	17,353	17,314	18,126	16,049	17,029	17,299	18,956
	Db	74,574	74,290	17,608	18,224	18,249	20,493	18,230	19,156	17,569	19,335
- IFSC	Cr	20,669	19,099	5,148	4,993	5,137	5,391	4,745	4,858	4,783	4,713
	Db	13,657	12,241	3,150	3,425	3,471	3,611	2,979	3,140	3,138	2,984
- non IFSC	Cr	48,535	50,234	11,263	12,360	12,177	12,735	11,304	12,171	12,516	14,243
	Db	60,917	62,047	14,459	14,798	14,778	16,882	15,251	16,016	14,430	16,350
Income	Cr	83,836	53,697	20,676	22,008	20,807	20,345	14,834	14,014	12,494	12,355
	Db	110,607	85,279	27,189	28,453	28,339	26,626	22,430	21,803	20,920	20,126
- IFSC	Cr	66,338	42,280	16,322	17,512	16,162	16,342	11,687	11,048	9,984	9,561
	Db	66,141	44,067	16,213	17,186	16,309	16,433	11,508	11,327	10,517	10,715
- non IFSC	Cr	17,498	11,417	4,354	4,496	4,645	4,003	3,147	2,965	2,510	2,795
	Db	44,463	41,213	10,975	11,266	12,029	10,193	10,923	10,476	10,403	9,411
Current Transfers	Cr	5,765	5,258	1,151	1,036	1,092	2,486	1,105	895	853	2,405
	Db	6,880	6,181	1,902	1,604	1,473	1,901	1,890	1,499	1,212	1,580
- IFSC ³	Cr	3,409	3,115	771	825	778	1,035	883	738	569	925
	Db	3,409	3,115	771	825	778	1,035	883	738	569	925
- non IFSC	Cr	2,356	2,144	380	211	314	1,451	223	156	284	1,481
	Db	3,470	3,066	1,130	779	695	866	1,007	760	644	655
Balance on Current Account		-9,435	-4,814	-4,175	-2,028	-2,898	-334	-2,542	-1,204	-902	-166
Balance on Capital Account		68	18	29	52	-14	1	-5	12	-11	22

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

		2008	2009	2008				2009			
Item		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Financial Account ⁴											
Direct investment	Abroad	-9,217	-14,937	-1,361	-616	-4,475	-2,765	-768	-5,738	-5,456	-2,975
	In Ireland	-13,674	17,975	-759	-3,585	-4,556	-4,774	771	12,569	-5,324	9,959
- IFSC	Abroad	-811	-7,256	885	-118	-1,058	-520	994	*	-2,870	*
	In Ireland	-23,247	2,652	-3,677	-4,696	-7,994	-6,880	-1,809	7,914	-7,362	3,909
- non IFSC	Abroad	-8,404	-7,681	-2,246	-497	-3,417	-2,244	-1,762	*	-2,586	*
	In Ireland	9,573	15,323	2,918	1,111	3,438	2,106	2,580	4,655	2,038	6,050
Portfolio investment	Assets	-29,855	14,186	-59,590	-39,133	63,502	5,366	23,403	-16,435	13,380	-6,162
	Liabilities	-9,498	15,719	68,620	33,987	-70,897	-41,208	-27,165	877	19,660	22,347
- IFSC	Assets	-22,428	-14,362	-72,909	-32,338	68,022	14,797	13,532	-22,016	4,939	-10,817
	Liabilities	-14,281	6,714	65,583	28,264	-63,706	-44,422	-24,314	-997	11,843	20,182
- non IFSC	Assets	-7,425	28,548	13,320	-6,795	-4,519	-9,431	9,871	5,581	8,441	4,655
	Liabilities	4,782	9,004	3,038	5,722	-7,191	3,213	-2,851	1,874	7,816	2,165
Other investment ⁵	Assets	-67,301	53,609	-68,315	-2,424	5,784	-2,346	8,656	23,035	3,544	18,374
	Liabilities	145,677	-90,367	67,577	19,735	13,543	44,822	-8,984	-4,849	-29,965	-46,569
- IFSC	Assets	-30,623	51,761	-38,135	-10,612	2,187	15,937	17,899	17,199	-2,491	19,154
	Liabilities	41,686	-37,025	43,240	7,360	-14,951	6,037	-25,092	-4,165	14,870	-22,638
- non IFSC	Assets	-36,677	1,848	-30,180	8,188	3,598	-18,283	-9,243	5,836	6,035	-780
	Liabilities	103,991	-53,342	24,336	12,375	28,494	38,786	16,108	-684	-44,835	-23,931
Reserve Assets		-78	79	74	-46	-39	-67	41	-62	3	97
Balance on Financial Account		16,057	-3,737	6,246	7,919	2,863	-971	-4,047	9,396	-4,158	-4,928
Net errors and omissions		-6,690	8,534	-2,100	-5,943	49	1,304	6,594	-8,204	5,072	5,072

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

² Adjusted for balance of payments purposes

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

⁴ See footnote 1 on Table 2b

⁵ Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents

* Suppressed for confidentiality reasons

Table 4a – Current and Capital Accounts showing geographical¹ detail

€ million

Item	2008		2009		2008				2009			
	Year		Year		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
Current Account - Total	Cr	240,299	206,238	58,388	60,911	59,023	61,977	52,524	52,727	49,171	51,816	
	Db	249,734	211,053	62,563	62,940	61,921	62,310	55,066	53,931	50,074	51,982	
Merchandise ²	Cr	81,495	77,951	20,150	20,515	19,810	21,020	20,536	20,790	18,526	18,099	
	Db	57,675	45,304	15,864	14,660	13,860	13,291	12,516	11,474	10,373	10,941	
- EMU	Cr	34,317	32,950	8,636	8,569	8,173	8,939	8,654	8,975	7,769	7,552	
	Db	16,232	11,149	4,730	4,342	3,699	3,461	3,117	2,788	2,572	2,672	
- non EMU	Cr	47,177	45,000	11,514	11,946	11,636	12,081	11,882	11,815	10,756	10,547	
	Db	41,443	34,155	11,134	10,318	10,161	9,830	9,399	8,686	7,801	8,269	
- EU	Cr	52,913	48,559	13,146	13,478	12,791	13,498	12,483	13,181	11,260	11,635	
	Db	41,708	30,617	11,166	10,831	9,959	9,752	7,837	7,698	7,260	7,822	
- non EU	Cr	28,580	29,393	7,004	7,037	7,018	7,521	8,054	7,609	7,266	6,464	
	Db	15,967	14,687	4,698	3,829	3,901	3,539	4,679	3,776	3,113	3,119	
Services	Cr	69,203	69,333	16,410	17,353	17,314	18,126	16,049	17,029	17,299	18,956	
	Db	74,574	74,290	17,608	18,224	18,249	20,493	18,230	19,156	17,569	19,335	
- EMU	Cr	25,682	24,449	6,196	6,401	6,030	7,055	4,958	6,665	6,312	6,514	
	Db	25,044	24,233	5,669	6,624	6,281	6,470	4,699	6,744	5,798	6,992	
- non EMU	Cr	43,523	44,882	10,215	10,952	11,285	11,071	11,090	10,364	10,986	12,442	
	Db	49,531	50,057	11,940	11,600	11,968	14,023	13,530	12,413	11,771	12,343	
- EU	Cr	45,096	41,469	10,779	11,312	11,065	11,940	8,433	11,257	11,113	10,666	
	Db	37,893	36,928	8,866	9,977	9,230	9,820	7,654	10,189	8,763	10,322	
- non EU	Cr	24,110	27,864	5,632	6,042	6,250	6,186	7,616	5,772	6,186	8,290	
	Db	36,681	37,361	8,742	8,247	9,019	10,673	10,575	8,967	8,806	9,013	

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

€ million

Item	2008		2009		2008				2009			
	Year		Year		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
Income	Cr	83,836	53,697	20,676	22,008	20,807	20,345	14,834	14,014	12,494	12,355	
	Db	110,607	85,279	27,189	28,453	28,339	26,626	22,430	21,803	20,920	20,126	
- EMU	Cr	29,332	18,428	6,903	8,006	7,516	6,907	5,304	4,932	4,345	3,847	
	Db	34,631	29,832	8,345	8,366	8,792	9,128	7,420	8,367	7,213	6,832	
- non EMU	Cr	54,504	35,270	13,773	14,002	13,291	13,438	9,530	9,082	8,149	8,509	
	Db	75,975	55,447	18,844	20,086	19,547	17,498	15,010	13,435	13,708	13,294	
- EU	Cr	49,667	29,869	12,323	13,448	12,269	11,627	8,607	7,903	6,934	6,425	
	Db	65,542	47,037	16,333	16,686	16,978	15,545	12,261	12,858	11,398	10,520	
- non EU	Cr	34,169	23,827	8,353	8,560	8,538	8,718	6,227	6,110	5,560	5,930	
	Db	45,064	38,243	10,855	11,767	11,361	11,081	10,169	8,945	9,522	9,607	
Current Transfers	Cr	5,765	5,258	1,151	1,036	1,092	2,486	1,105	895	853	2,405	
	Db	6,880	6,181	1,902	1,604	1,473	1,901	1,890	1,499	1,212	1,580	
- EMU	Cr	1,141	1,092	224	281	303	333	270	314	160	348	
	Db	1,178	1,112	232	294	311	341	276	318	166	352	
- non EMU	Cr	4,622	4,166	927	754	789	2,152	835	581	693	2,057	
	Db	5,700	5,069	1,669	1,310	1,162	1,559	1,614	1,181	1,046	1,228	
- EU	Cr	4,548	4,203	812	750	850	2,136	724	691	628	2,160	
	Db	5,023	4,545	1,352	1,178	1,108	1,385	1,324	1,144	875	1,202	
- non EU	Cr	1,216	1,055	339	286	242	349	381	204	225	245	
	Db	1,856	1,636	549	426	365	516	566	355	337	378	
Balance on Current Account		-9,435	-4,814	-4,175	-2,028	-2,898	-334	-2,542	-1,204	-902	-166	
Balance on Capital Account		68	18	29	52	-14	1	-5	12	-11	22	

¹ The term 'EMU' means the area represented by the 16 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2009 to include Slovakia. For comparison purposes data shown for 2008 also relates to EMU 16. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area.

² Adjusted for balance of payments purposes

Table 4b – Financial Account¹ showing geographical² detail

€ million

Item	2008		2009		2008				2009			
	Year		Year		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
Direct Investment												
Abroad	-9,217	-14,937	-1,361	-616	-4,475	-2,765	-768	-5,738	-5,456	-2,975		
In Ireland	-13,674	17,975	-759	-3,585	-4,556	-4,774	771	12,569	-5,324	9,959		
- EMU												
Abroad	160	-4,482	578	1,150	-1,355	-213	-570	-4,426	-3,478	3,992		
In Ireland	-4,545	14,377	2,223	-4,548	-850	-1,370	79	5,194	1,649	7,455		
- non EMU												
Abroad	-9,377	-10,455	-1,940	-1,765	-3,120	-2,552	-198	-1,312	-1,978	-6,967		
In Ireland	-9,129	3,599	-2,982	963	-3,706	-3,404	692	7,375	-6,972	2,504		
- EU												
Abroad	-4,731	-10,422	-119	152	-3,023	-1,741	-614	-4,818	-4,306	-684		
In Ireland	1,263	17,026	5,206	-2,884	-182	-877	1,123	5,510	1,318	9,075		
- non EU												
Abroad	-4,486	-4,514	-1,242	-768	-1,452	-1,024	-154	-919	-1,150	-2,291		
In Ireland	-14,938	948	-5,965	-701	-4,375	-3,897	-352	7,059	-6,642	883		
Portfolio Investment												
Assets	-29,855	14,186	-59,590	-39,133	63,502	5,366	23,403	-16,435	13,380	-6,162		
Liabilities	-9,498	15,719	68,620	33,987	-70,897	-41,208	-27,165	877	19,660	22,347		
- EMU												
Assets	-10,465	-14,146	-4,556	-19,736	10,426	3,401	-1,785	-15,942	5,503	-1,922		
Liabilities	-1,100	14,199	8,176	7,829	-9,108	-7,997	-4,374	4,337	5,522	8,714		
- non EMU												
Assets	-19,388	28,332	-55,034	-19,396	53,077	1,965	25,188	-494	7,877	-4,239		
Liabilities	-8,398	1,518	60,444	26,158	-61,789	-33,211	-22,792	-3,460	14,137	13,633		
- EU												
Assets	-36,147	-9,777	-16,988	-19,375	13,903	-13,687	4,594	-21,945	9,474	-1,900		
Liabilities	10,393	-6,503	39,413	20,140	-31,410	-17,750	-19,500	2,143	8,936	1,918		
- non EU												
Assets	6,293	23,964	-42,601	-19,758	49,599	19,053	18,809	5,510	3,907	-4,262		
Liabilities	-19,892	22,220	29,207	13,846	-39,487	-23,458	-7,666	-1,266	10,723	20,429		

Table 4b – Financial Account¹ showing geographical² detail - continued

€ million

Item	2008		2009				2008				2009			
	Year		Quarter 1		Quarter 2		Quarter 3		Quarter 4		Quarter 1		Quarter 2	
Other Investment³	Assets	-67,301	53,609	-68,315	-2,424	5,784	-2,346	8,656	23,035	3,544	18,374			
	Liabilities	145,677	-90,367	67,577	19,735	13,543	44,822	-8,984	-4,849	-29,965	-46,569			
- EMU	Assets	-16,389	43,213	-29,490	853	12,431	-183	-2,528	15,251	11,828	18,662			
	Liabilities	120,852	-28,434	24,459	29,449	14,712	52,232	43,886	-2,589	-47,912	-21,819			
- non EMU	Assets	-50,913	10,395	-38,826	-3,277	-6,647	-2,163	11,184	7,783	-8,285	-287			
	Liabilities	24,826	-61,933	43,117	-9,713	-1,169	-7,409	-52,870	-2,260	17,947	-24,750			
- EU	Assets	-49,986	47,650	-54,708	-409	16,377	-11,246	-6,972	23,246	19,727	11,649			
	Liabilities	150,627	-54,140	48,655	29,338	16,700	55,934	14,521	-3,157	-30,793	-34,711			
- non EU	Assets	-17,315	5,959	-13,607	-2,015	-10,593	8,900	15,628	-211	-16,183	6,725			
	Liabilities	-4,950	-36,228	18,921	-9,603	-3,157	-11,111	-23,505	-1,693	828	-11,858			
Reserve Assets		-78	79	74	-46	-39	-67	41	-62	3	97			
Balance on Financial Account		16,057	-3,737	6,246	7,919	2,863	-971	-4,047	9,396	-4,158	-4,928			
<i>Net errors and omissions</i>		<i>-6,690</i>	<i>8,534</i>	<i>-2,100</i>	<i>-5,943</i>	<i>49</i>	<i>1,304</i>	<i>6,594</i>	<i>-8,204</i>	<i>5,072</i>	<i>5,072</i>			

¹ See footnote 1 on Table 2b

² The term 'EMU' means the area represented by the 16 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2009 to include Slovakia. For comparison purposes data shown for 2008 also relates to EMU 16. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area.

³ Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents

Background Notes *(updated September 2009)*

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 *Financial Account - 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 are conducted by the CSO and by the Central Bank and Financial Services Authority of Ireland (CBFSAI). Other data obtained from administrative sources are also used. Following the introduction of a redesigned BOP data collection system in 1998 and up to 2007, the CSO undertook all the necessary survey collection and compilation required. However, following a recent joint initiative involving the CSO and the CBFSAI to rationalize statistical data collection and compilation for the financial sector and also to reduce the burden on data providers the data collection arrangements have changed. As a consequence, since 2008 the data required from licensed banks (credit institutions) and from investment funds (including money market funds) to meet BOP, IIP and external debt requirements (as well as other statistical demands on both organisations) are being collected quarterly by the CBFSAI under its legislation as well as European legislation¹. The data are supplied by the CBFSAI to CSO for statistical compilation purposes. The CSO has therefore discontinued its surveys of credit institutions and investment funds but continues to collect the required data from other financial enterprises as well as non-financial enterprises using its ongoing quarterly statutory surveys. These 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.

The quarterly financial enterprise surveys cover banking, insurance and pension fund investment, asset financing, treasury, institutional investment, activities of investment funds (i.e. mutual funds, unit trusts and similar collective investment operations), broking and other financial service provision. Financial enterprises, including those engaged in internationally-traded financial service activities, known collectively as IFSC (International Financial Services Centre) enterprises are required to make returns. These returns are predominantly supplied in electronic form but a small number of reporters use paper forms.

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 5,000 financial entities are surveyed.

The surveys of manufacturing and non-financial service enterprises undertaken by the CSO are also 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 survey 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. In order to facilitate compilation of the wider national accounts statistics, the surveys also collect data on transactions of reporting enterprises with residents of Ireland.

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.

Following other periodic enhancements, the compilation system includes the estimated values of a variety of cross-border transactions. 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) 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) 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) 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. 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. The BOP merchandise figures also 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) For *tourism/travel* the credit item represents the receipts of residents from non-resident visitors other than passenger fare receipts of Irish passenger carriers from non-residents; the latter are included under *transport* credits. The *tourism/travel* debit item represents foreign expenditure by Irish residents on foreign travel. Because of the difficulty of separately distinguishing passenger fares paid to non-resident carriers this element of expenditure is generally included in the *tourism/travel* debit item (rather than being more appropriately categorised as a debit item under *transport*). Payments made to Irish passenger carriers by Irish residents are excluded.
- (iii) 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. Reinsurance transactions (e.g. premiums and claims) are recorded on a gross basis and, hence, insurance service credits and debits are accordingly higher than they would have been if recorded on a net basis. 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*.
- (iv) *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).
- (v) 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*.
- (vi) *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.

- (vii) *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

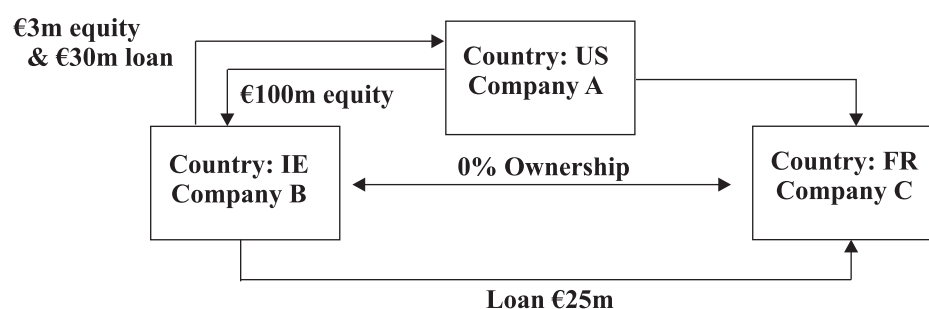
The capital account largely covers capital transfers, in particular amounts receivable under the EU Regional Development Fund and the Cohesion Fund and all other transfers intended for capital purposes. Estimates of migrants' transfers (i.e. the transfer of the net worth of immigrants and

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. The CBFSAI surveys of credit institutions and investment funds collect securities assets and liabilities data on an individual security basis to the extent possible. The CSO surveys collect this information on an aggregate basis but, over time, security-by-security collection is planned. Investment by private resident investors in commercial property abroad is included 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 account² 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.

¹ECB Regulation on the Assets and Liabilities of Investment Funds (ECB/2007/8) of 27 July 2007, the ECB Balance of Payments and International Investment Statistics Guideline (ECB/2004/15) of 16 July 2004, as amended by (ECB/2007/3) of 31 May 2007, and the ECB Guideline on Monetary, Financial Institutions and Markets Statistics (ECB/2007/9) of 1 August 2007

²The inclusion of these receipts and payments in the financial account reflects the amended recommendations on the treatment of financial derivative transactions as described in the IMF's *Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual* published in 2000.