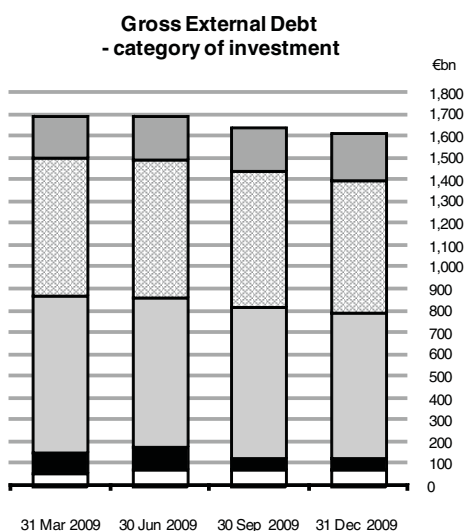




External Debt 31 December 2009



■ General Government
 ■ Monetary Authority
 ■ Monetary Financial Institutions
 ■ Other Sectors
 ■ Direct Investment

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	€million			
	31 Mar 2009	30 Jun 2009	30 Sep 2009	31 Dec 2009
General Government	62,004	72,106	73,390	75,178
Monetary Authority	94,861	103,493	55,674	53,526
Monetary Financial Institutions	717,752	690,872	690,787	661,086
Other Sectors	624,710	624,471	617,763	611,470
Direct Investment	196,465	197,619	199,643	210,136
Gross External Debt	1,695,792	1,688,561	1,637,257	1,611,396

Ireland's External Debt decreases to €1.61 trillion at end-December 2009

At 31 December 2009, the gross external debt of all resident sectors (i.e. general government, the monetary authority, financial and non-financial corporations and households) amounted to €1,611bn. This represents a drop of €26bn in the stock of financial liabilities to non-residents (other than those arising from issues of Irish equities and derivatives contracts) compared to the level shown at the end of September 2009 (€1,637bn) – see *Table 1*. Much of this external debt is offset by holdings of foreign financial assets by Irish residents. *Table 2* shows total foreign liabilities of €2,377bn offset by €2,267bn of foreign assets. These liabilities include €1,042bn of equity and derivative liabilities that do not form part of external debt (*table 1*) according to the IMF manual. *Direct Investment* is also treated differently in the two presentations – see the *Background Notes* for further explanation. Other points of note in this release are:

- ◆ Liabilities of *monetary financial institutions* (credit institutions and money market funds) consisting mostly of loans and debt securities amounted to €661bn, a decrease of almost €30bn on the 30th September 2009 stock level, but down almost €107bn on the December 2008 level. This represents 41% of the total debt, 1% less than at end-September 2009.
- ◆ The liabilities of *other sectors* decreased by €6bn from the end-September position and at €611bn, represented 38% of the total debt, a similar share to the previous quarter.

This Release presents the end-December 2009 figures on Ireland's External Debt position along with previously published figures for earlier quarters – see *Table 1*. A new *Table 2* has been included to show 2009 quarterly international investment position (IIP) results and an analysis of Ireland's stocks of foreign assets and liabilities by institutional sector distinguishing IFSC/non-IFSC activity. The quarterly IIP liability figures are essentially compatible and consistent with the related figures published in *Table 1*, the External Debt. It should be noted, however, that conceptually External Debt excludes equity and derivative contract liabilities and doesn't treat Direct Investment on a directional basis. For underlying methodology, see *Background Notes* in this release and in the IIP release for 2007 and 2008 published on 30th October 2009.

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- ◆ *General government* foreign borrowing increased by €2bn to €75bn between end-September and end-December 2009 and was €17bn up on the December 2008 level. The increase was driven by new issuance of long-term debt securities more than offsetting redemptions in short-term debt securities.
- ◆ *Direct investment* debt liabilities of €210bn showed an increase of €10bn from the level shown for end-September. This was driven by both increased intra-group borrowing, mainly by *other sectors* and exchange rate effects.
- ◆ *Monetary Authority* liabilities decreased by €2bn from the end-September position to under €54bn. This was due to a decrease in Euro-denominated liabilities more than offsetting an increase in Ireland's end quarter liabilities to the European System of Central Banks (ESCB) including balances in the TARGET 2 settlement system of the ESCB.

Quarterly International Investment Position

At 31 December 2009, Ireland's quarterly *international investment position* (IIP) results show overall stocks of foreign financial assets of €2,267bn – an increase of €52bn on the end-September 2009 level (€2,215bn). The corresponding overall stocks of foreign financial liabilities of €2,377bn at end-December 2009 were up almost €36bn on the end-September 2009 level (€2,342bn). Irish residents therefore had an overall net foreign liability of almost €110bn at 31 December 2009, a decrease of almost €17bn on the previous quarter's figure of €126bn – *see Table 2*.

Additional points of note in the end-December 2009 quarterly IIP are:

- ◆ Monetary financial institutions (MFI - i.e. credit institutions and money market funds) had assets amounting to €1,000bn at end-December 2009, a decrease of almost €19bn on the end-September 2009 level (€1,019bn) while other financial intermediaries (OFI i.e. investment funds, insurance companies and pension funds, asset finance companies, treasuries, etc) accounted for a further €1,089bn of foreign assets, up €49bn on the end-September 2009 level (€1,040bn). On the liabilities side, the MFI sector accounted for €1,059bn at end-December 2009, a decrease of almost €27bn on the end-September 2009 level (€1,086bn) and the OFI sector accounted for €1,009bn up over €38bn on the end-September 2009 level (€970bn). These two sectors combined represent the commercial financial sector which at the end-December 2009 had foreign assets of €2,089bn (or 92% of total foreign assets) and liabilities to non-residents of €2,068bn (or 87% of total foreign financial obligations), resulting in net foreign assets of €21bn – *see table 2*.
- ◆ The foreign assets of the *monetary authority* continued to decrease in the latest quarter, showing a decrease of €10bn during the year from almost €27bn at end-March to €16bn at end-December. Liabilities decreased by almost €50bn between end-June 2009 and end-December 2009 from €103bn to €54bn.
- ◆ The value of *general government* foreign assets decreased from €13bn at end-September 2009 to €10bn at end-December 2009 (i.e. a drop of almost €3bn).

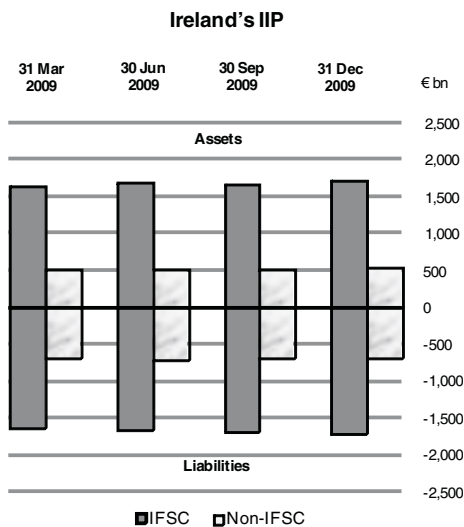


Table 1 - Gross External Debt¹

€ million

Item	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009	31 Dec 2009
General Government	34,034	43,042	51,165	57,734	62,004	72,106	73,390	75,178
Short-term	4,572	6,661	16,043	19,047	18,049	25,473	23,053	15,463
Money market instruments	4,572	4,861	11,817	19,047	18,049	25,473	23,053	15,463
Loans	0	1,800	4,226	0	0	0	0	0
Trade credits	0	0	0	0	0	0	0	0
Long-term	29,462	36,381	35,122	38,687	43,955	46,633	50,337	59,715
Bonds and notes	29,351	36,271	35,036	38,656	43,923	46,632	50,336	59,714
Loans	111	110	86	31	32	1	1	1
Other debt liabilities	0	0	0	0	0	0	0	0
Monetary Authority ²	41	5,100	25,934	44,467	94,861	103,493	55,674	53,526
Short-term	-41	4,986	25,833	44,364	92,054	98,794	50,264	53,519
Loans and deposits	-41	4,986	25,833	44,364	92,054	98,794	50,264	53,519
Long-term	82	114	101	103	2,807	4,699	5,410	7
Loans	0	0	0	0	0	0	0	0
Other debt liabilities	82	114	101	103	2,807	4,699	5,410	7
Monetary Financial Institutions ³	806,165	808,102	797,865	767,753	717,752	690,872	690,787	661,086
Short-term	533,659	541,367	552,267	566,301	527,554	513,054	500,373	492,782
Money market instruments	35,391	31,130	26,540	23,807	22,753	17,729	11,319	29,718
Loans and deposits	498,268	510,237	525,727	542,494	504,801	495,325	489,054	463,064
Long-term	272,506	266,735	245,598	201,452	190,198	177,818	190,414	168,304
Bonds and notes	188,906	187,600	165,509	126,643	116,942	106,580	118,043	98,669
Loans	79,392	77,156	77,750	71,398	69,944	68,117	68,752	66,755
Other debt liabilities	4,208	1,979	2,339	3,411	3,312	3,121	3,619	2,880
Other Sectors ⁴	581,202	596,371	619,681	621,596	624,710	624,471	617,763	611,470
Short-term	102,515	104,322	108,626	110,729	105,680	106,461	101,696	95,476
Money market instruments	13,141	14,404	16,907	14,027	13,162	12,502	12,603	12,003
Loans and deposits	66,979	68,496	68,762	70,382	69,376	72,534	68,944	62,606
Trade credits	22,395	21,422	22,957	26,320	23,142	21,425	20,149	20,867
Long-term	478,687	492,049	511,055	510,867	519,030	518,010	516,067	515,994
Bonds and notes	301,330	312,510	324,544	321,617	321,082	321,806	316,204	318,983
Loans	96,479	97,317	103,351	106,820	111,157	106,328	104,467	102,041
Other debt liabilities	80,878	82,222	83,160	82,430	86,791	89,876	95,396	94,970
Direct Investment ⁵	195,164	202,266	213,172	201,084	196,465	197,619	199,643	210,136
Debt liabilities to affiliated enterprises	11,300	11,748	12,358	12,401	12,366	11,397	14,035	16,844
Debt liabilities to direct investors	183,864	190,518	200,814	188,683	184,099	186,222	185,608	193,292
Gross External Debt	1,616,606	1,654,881	1,707,817	1,692,634	1,695,792	1,688,561	1,637,257	1,611,396

¹ Gross external debt represents the stock of Ireland's liabilities to non-residents other than those arising from transactions in equity and financial derivatives² Central Bank and Financial Services Authority of Ireland³ Covering licensed credit institutions and money market funds⁴ *Other sectors* includes financial corporations other than the Monetary Authority and Monetary Financial Institutions, non-financial service and manufacturing companies and other industrial enterprises as well as (implicitly) households (see *Background Notes*). The gross liabilities to non-residents of financial corporations covered in *other sectors* tend to be very significant⁵ Covering inter affiliate loans, non-equity securities, trade credits and other debt liabilities. *Debt liabilities to affiliated enterprises* refers to direct investment abroad while *debt liabilities to direct investors* refers to direct investment in Ireland

Table 2 – International Investment Position (IIP) - IFSC and non-IFSC activity by Institutional Sector

Item	€ million											
	31 Mar 2009			30 Jun 2009			30 Sep 2009			31 Dec 2009		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
Foreign Assets												
General Government	0	12,817	12,817	0	14,411	14,411	0	12,985	12,985	0	10,421	10,421
Monetary Authority ¹	0	26,681	26,681	0	23,380	23,380	0	19,218	19,218	0	16,337	16,337
Monetary Financial Institutions ²	747,832	310,653	1,058,485	751,016	308,955	1,059,971	723,949	294,791	1,018,740	705,812	294,568	1,000,380
Other Sectors ³	901,748	169,164	1,070,912	946,355	187,110	1,133,465	965,298	198,935	1,164,233	1,012,429	227,895	1,240,324
of which:												
Other Financial Intermediaries	901,748	65,478	967,226	946,355	67,377	1,013,732	965,298	74,713	1,040,011	1,012,429	76,271	1,088,700
non-Financial Companies	0	103,686	103,686	0	119,733	119,733	0	124,222	124,222	0	151,624	151,624
Total Foreign Assets	1,649,580	519,315	2,168,895	1,697,371	533,856	2,231,227	1,689,247	525,929	2,215,176	1,718,241	549,221	2,267,462
Foreign Liabilities												
General Government	0	62,004	62,004	0	72,106	72,106	0	73,390	73,390	0	75,178	75,178
Monetary Authority ¹	0	94,861	94,861	0	103,493	103,493	0	55,674	55,674	0	53,526	53,526
Monetary Financial Institutions ²	706,394	388,498	1,094,892	722,959	367,717	1,090,676	705,504	380,291	1,085,795	701,814	357,335	1,059,149
Other Sectors ³	910,986	134,639	1,045,625	941,460	151,817	1,093,277	967,507	159,138	1,126,645	1,005,702	183,518	1,189,220
of which:												
Other Financial Intermediaries	910,986	3,540	914,526	941,460	3,419	944,879	967,507	2,916	970,423	1,005,702	3,163	1,008,865
non-Financial Companies	0	131,099	131,099	0	148,398	148,398	0	156,222	156,222	0	180,355	180,355
Total Foreign Liabilities	1,617,380	680,002	2,297,382	1,664,419	695,133	2,359,552	1,673,011	668,493	2,341,504	1,707,516	669,557	2,377,073
Net International Investment Position (IIP)												
General Government	0	-49,187	-49,187	0	-57,695	-57,695	0	-60,405	-60,405	0	-64,757	-64,757
Monetary Authority ¹	0	-68,180	-68,180	0	-80,113	-80,113	0	-36,456	-36,456	0	-37,189	-37,189
Monetary Financial Institutions ²	41,438	-77,845	-36,407	28,057	-58,762	-30,705	18,445	-85,500	-67,055	3,998	-62,767	-58,769
Other Sectors ³	-9,238	34,525	25,287	4,895	35,293	40,188	-2,209	39,797	37,588	6,727	44,377	51,104
of which:												
Other Financial Intermediaries	-9,238	61,938	52,700	4,895	63,958	68,853	-2,209	71,797	69,588	6,727	73,108	79,835
non-Financial Companies	0	-27,413	-27,413	0	-28,665	-28,665	0	-32,000	-32,000	0	-28,731	-28,731
Total (Net IIP)	32,200	-160,687	-128,487	32,952	-161,277	-128,325	16,236	-142,564	-126,328	10,725	-120,336	-109,611

¹ Central Bank and Financial Services Authority of Ireland

² Covering licensed credit institutions and money market funds

³ Other sectors includes financial corporations other than the Monetary Authority and Monetary Financial Institutions, non-financial service and manufacturing companies and other industrial enterprises as well as (implicitly) households (see *Background Notes*). The gross liabilities to non-residents of financial corporations covered in other sectors tend to be very significant

Background Notes *(updated March 2010)*

Introduction A new quarterly series on Ireland's *External Debt* position was introduced in October 2003 with end-quarter balance sheet stocks (or positions) being shown, commencing with the reference date 31 December 2002. The data presented concern the economy's end of year stocks of foreign financial liabilities in so far as they concern financial instruments other than equities and derivative contracts. The data are compiled on a gross basis i.e. they are not offset by Irish residents' holdings of foreign assets which are substantial. As for the balance of payments (BOP) and international investment (IIP) statistics, the external debt statistics distinguish direct investment, portfolio investment and other investment and replicate to a large extent the liabilities side of the annual IIP statement. As such, the external debt statement identifies that element of Ireland's aggregate balance sheet which shows Irish residents' gross financial obligations (liabilities), other than equity and derivatives, to non-residents. The figures are presented to conform closely with international presentation formats. The information is also made available to the International Monetary Fund (IMF) and the World Bank.

International statistical standards The external debt statistics are compiled in line with IMF methodological requirements specified in its Manual *External Debt* and have also been prepared to meet its quarterly preparation and publication timeframe. The figures are prepared largely in accordance with the IMF's *Balance of Payments Manual - 5th Edition* (BPM5) which underpins both BOP and IIP statistical compilation. Consequently, the theoretical concepts and compilation methodology underpinning all three statements are essentially the same (see definition of *external debt* below).

Definition of External Debt The IMF *External Debt* Manual defines external debt to be a point in time statistical statement of the value and composition of the stock of an economy's gross foreign financial liabilities to the rest of the world. The liabilities referred to cover those arising from Irish residents issuing debt securities such as bonds, notes and money market instruments to non-residents, as well as any loans received from and outstanding to non-residents, and any trade payables due to non-residents. In essence, external debt refers to financial obligations to non-residents other than those arising from transactions in equity or financial derivative contracts.

Definition of the International Investment Position (IIP) The *international investment position* (or IIP) is a point in time statistical statement of: the value and composition of the stock of an economy's foreign financial assets, or the economy's claims on the rest of the world, and the value and composition of the stock of an economy's financial liabilities (or obligations) to the rest of the world.

These assets and liabilities include land, other real property and other immovable items. In addition, monetary gold and special drawing rights (SDRs) owned by residents of the economy are included. Unlike the External Debt, Equity and Financial Derivative contracts are included in IIP statistics.

It may be of analytical interest to compute the difference between the two sides of the balance sheet, i.e. the net position. This gives a measure of that portion of an economy's net worth attributable to, or derived from, its relationship with the rest of the world.

A change in stocks during any defined period can be attributable to transactions (i.e. BOP flows), to revaluations reflecting changes in exchange rates, prices, etc. or to other adjustments (e.g. reclassifications, corrections, etc.).

As indicated above, the methodologies for compiling both the IIP liabilities and the External Debt statistics are consistent. However, the latter statement by definition covers all external debt liabilities other than those arising from transactions in equity and financial derivative contracts. In addition, due to the adoption of the directional principle for recording direct investment IIP stocks (and BOP transactions), the end-year stocks under direct investment in Ireland – other capital are included on a net basis i.e. inter-affiliate positions (transactions) are offset. In the External Debt Release, the relevant liability positions are shown on a gross basis.

Residence 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. Foreign-owned enterprises located in Ireland (in the International Financial Services Centre – IFSC – and elsewhere) and engaged in internationally traded financial services activities are included.

Types of financial instrument relevant to External Debt *Equity*: while voting equity liabilities (including liabilities arising from issuing units in collective investment institutions) are excluded in external debt statistics, liabilities arising from the issuance of non-participating preference shares are included and are treated as debt securities under (long-term) *bonds and notes*.

Bonds and notes issued by companies or by governments are tradable debt securities having an initial maturity of more than one year which usually give the holder (i) the unconditional right to a fixed monetary income or contractually determined variable monetary income and (ii) the unconditional right to a fixed sum in repayment of principal on a specified date or dates.

Money market instruments (MMIs) are debt securities issued with an initial maturity of one year or less. They generally give the holder the unconditional right to receive a stated, fixed sum of money on a specified date. MMIs are generally traded at a discount in organised markets, the discount being dependent upon the interest rate of the instrument relative to the market interest rate and the time remaining to maturity. Examples of such instruments are treasury bills, commercial and financial paper and bankers' acceptances.

Trade credits (payables) are liabilities arising from direct extension of credit relating to transactions in goods and services and advance payments for work in progress (or to be undertaken).

Loans/currency and deposits cover loans, cash deposits and currency (i.e. notes and coins which are in circulation and commonly used to make payments). Included are loans to finance trade, other loans and advances (including mortgages) as well as financial leases.

Liability stocks of all other financial instruments (i.e. other than non-participating equity, debt securities, trade credits, loans, currency and deposits) such as capital subscriptions of the participating Member States to international non-monetary organisations, changes in insurance technical reserves, offsets in respect of unsettled securities transactions are included in *other liabilities* within External Debt.

Data collection The data required are collected quarterly on a statutory basis by means of surveys 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. 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 legislation.¹ 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 made under the Statistics Act, 1993. The surveys, which are designed to address the internationally agreed statistical standards, are also used to collect quarterly balance of payments information, the combination of both stock and the related flow data reporting on a single form facilitating the greater reconciliation of both types of information (see *Background Notes* in the BOP and IIP Releases). Regarding financial securities, the CBFSAI surveys of credit institutions and investment funds collect 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.

Valuation Data providers are requested to report their data using current market values at the reference date. In practice, this may not be possible in certain cases. Where stock data are converted from foreign currency to the Euro equivalent, data providers are required to use the spot rate for the relevant currency against the Euro on the reference date. Where positions are returned in non-Euro currency, the equivalent Euro valuation is obtained by applying the reference date spot exchange rate. Valuation of stocks should also reflect accruals recording principles particularly in relation to unpaid interest and trade credits.

Results The results are shown first distinguishing institutional sector:

General Government – covering central and local government

Monetary Authority – being the Central Bank and Financial Services Authority of Ireland

Monetary Financial Institutions – being licensed credit institutions and money market funds

Other sectors – being all other corporations and (implicitly) households. Included are: insurance companies and pension funds, investment funds, asset finance companies, treasury companies, securities traders as well as non-financial service and manufacturing companies and other industrial enterprises.

The category *direct investment* is also distinguished at this level. *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) – see the *Background Notes* of the BOP and IIP Releases for further details. *Debt liabilities to affiliated enterprises* and *debt liabilities to direct investors* cover all relevant debt liabilities (as defined above) of resident enterprises to their foreign parents, subsidiaries or other related enterprises abroad. As the BOP and IIP results for direct investment are presented on a directional basis (i.e. inward or outward to reflect the direction of influence by the direct investor) and not on the more normal assets/liabilities basis as used for the external debt results, the direct investment figures presented in both statements, although compatible, are different.

Breakdowns are provided by:

maturity - short-term: having an original maturity of one year or less; *long-term*: having an original maturity of more than one year; and by,

financial instrument - bonds and notes, money market instruments, loans and deposits, trade credits (payables), and *other debt liabilities*.

Broad sectoral quarterly analysis of IIP

The new Table 2 shows a quarterly IIP breakdown of foreign assets and liabilities to distinguish IFSC and non-IFSC investment cross-classified by institutional sector. It presents a broad institutional sector analysis of the stock of foreign financial assets and liabilities.

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