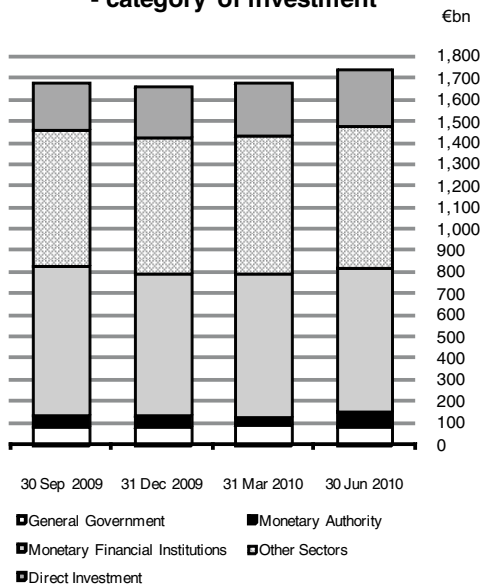




External Debt 30 June 2010

**Gross External Debt
- category of investment**



	€million			
	30 Sept 2009	31 Dec 2009	31 Mar 2010	30 June 2010
General Government	73,390	75,178	83,117	80,019
Monetary Authority	54,816	53,526	38,076	65,676
Monetary Financial Institutions	690,761	661,081	666,167	671,564
Other Sectors	636,562	631,606	640,355	657,082
Direct Investment	217,697	233,982	245,821	262,491
Gross External Debt	1,673,226	1,655,373	1,673,536	1,736,832

Ireland's External Debt increases to €1.74 trillion at end-June 2010

At 30 June 2010, the gross external debt of all resident sectors (i.e. general government, the monetary authority, financial and non-financial corporations and households) amounted to €1,737bn. This represents an increase €63 bn 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 March 2010 (€1,674bn) – 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 €2,643bn offset by €2,500bn of foreign assets. These liabilities include €1,218bn 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 the *Monetary Authority* consisting almost entirely of short term loans and deposits amounted to €66bn, an increase of €28bn on the 31st March 2010 stock level, but down €38bn on June 2009. These obligations are to the European System of Central Banks (ESCB) and include balances in the TARGET 2 settlement system of the ESCB.
- ◆ *General government* foreign borrowing decreased by over €3bn to €80bn between end-March and end-June 2010.

This Release presents the end-June 2010 figures on Ireland's External Debt position along with revised figures for earlier quarters – see *Table 1*. *Table 2* shows quarterly international investment position (IIP) results and the IIP liability figures are essentially compatible with the External Debt figures in *Table 1*. It should be noted, however, that conceptually External Debt excludes equity and derivative contract liabilities and does not treat Direct Investment on a directional basis.

These revisions largely follow from preparing the end-2009 International Investment Position (IIP) results (including end-2008 revisions) to be published next month. The revisions to both series also take account of the revised balance of payments results for 2008 and 2009 published on 30th June 2010. For underlying methodology, see the *Background Notes* in this release.

Published by the Central Statistics Office, Ireland.

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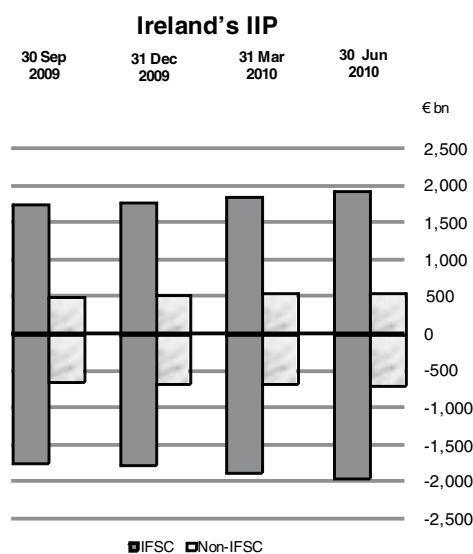
ISSN 1649-430X

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- ◆ The liabilities of *other sectors* increased by €17bn from the end-March position and at €657bn represented 38% of the total debt, a similar share to the previous quarter. The increase was partly due to exchange rate effects.
- ◆ *Direct investment liabilities* increased by €17bn to €262bn in the quarter ending 30th June 2010.
- ◆ Liabilities of *monetary financial institutions* (credit institutions and money market funds) consisting mostly of loans and debt securities were €672bn, an increase of over €5bn on the 31st March 2010 stock level and down €18bn on the June 2009 level.

Quarterly International Investment Position

At 30th June 2010, Ireland's quarterly *international investment position* (IIP) results show overall stocks of foreign financial assets of €2,500bn – an increase of €108bn on the end-March level (€2,392bn). The corresponding overall stocks of foreign financial liabilities of €2,643bn at end-June 2010 were up €126bn on the end-March level (€2,517bn). Irish residents therefore had an overall net foreign liability of almost €143bn at 30th June 2010, an increase of €18bn on the previous quarter's figure of almost €125bn – see *Table 2*.



Additional points of note in the end-June 2010 quarterly IIP are:

- ◆ Monetary financial institutions (MFI - i.e. credit institutions and money market funds) had assets amounting to €1,075bn at end-June 2010 an increase of over €34bn on the end-March level (€1,041bn) while other financial intermediaries (OFI i.e. investment funds, insurance companies and pension funds, asset finance companies, treasuries, etc) accounted for a further €1,198bn of foreign assets, up over €65bn on the end-March level (€1,133bn). On the liabilities side, the MFI sector accounted for €1,127bn at end-June 2010 an increase of almost €36bn on the end-March level (€1,091bn) and the OFI sector accounted for €1,127bn up over €57bn on the end-March level (€1,070bn). These two sectors combined represent the commercial financial sector which at the end of June 2010 had foreign assets of €2,273bn (or 91% of total foreign assets) and liabilities to non-residents of €2,254bn (or 85% of total foreign financial obligations), resulting in net foreign assets of over €19bn – see *table 2*.
- ◆ The foreign assets of the *monetary authority* increased by over €1bn on the end-March position. Liabilities increased by almost €28bn between end-March and end-June 2010 from €38bn to €66bn.
- ◆ The value of *general government* foreign assets increased from €11bn at end-March to €12bn at end-June 2010.

Table 1 - Gross External Debt¹

€ million

Item	31 Mar 2009 ²	30 Jun 2009 ²	30 Sep 2009 ²	31 Dec 2009 ²	31 Mar 2010 ²	30 Jun 2010
General Government	62,004	72,106	73,390	75,178	83,117	80,019
Short-term	18,049	25,473	23,053	15,463	13,617	6,984
Money market instruments	18,049	25,473	23,053	15,463	13,617	6,984
Loans	0	0	0	0	0	0
Trade credits	0	0	0	0	0	0
Long-term	43,955	46,633	50,337	59,715	69,500	73,035
Bonds and notes	43,923	46,632	50,336	59,714	69,500	73,035
Loans	32	1	1	1	0	0
Other debt liabilities	0	0	0	0	0	0
Monetary Authority³	94,861	103,493	54,816	53,526	38,076	65,676
Short-term	94,747	103,384	54,808	53,519	38,063	65,666
Loans and deposits	94,747	103,384	54,808	53,519	38,063	65,666
Long-term	114	109	8	7	13	10
Loans	0	0	0	0	0	0
Other debt liabilities	114	109	8	7	13	10
Monetary Financial Institutions⁴	716,805	689,581	690,761	661,081	666,167	671,564
Short-term	527,368	512,554	515,376	493,161	492,891	497,688
Money market instruments	22,753	17,729	26,319	30,137	31,286	23,466
Loans and deposits	504,615	494,825	489,057	463,024	461,605	474,222
Long-term	189,437	177,027	175,385	167,920	173,276	173,876
Bonds and notes	116,185	105,796	103,014	98,285	102,622	102,472
Loans	69,944	68,117	68,752	66,755	66,884	68,681
Other debt liabilities	3,308	3,114	3,619	2,880	3,770	2,723
Other Sectors⁵	642,265	643,017	636,562	631,606	640,355	657,082
Short-term	118,885	114,944	110,186	104,917	107,167	111,448
Money market instruments	9,730	8,993	8,835	8,316	10,050	9,310
Loans and deposits	87,898	86,213	82,853	77,367	78,253	81,781
Trade credits	21,257	19,738	18,498	19,234	18,864	20,357
Long-term	523,380	528,073	526,376	526,689	533,188	545,634
Bonds and notes	323,121	326,382	320,585	323,316	320,338	323,044
Loans	109,973	106,715	103,753	100,942	102,827	106,594
Other debt liabilities	90,286	94,976	102,038	102,431	110,023	115,996
Direct Investment⁶	212,450	213,841	217,697	233,982	245,821	262,491
Debt liabilities to affiliated enterprises	12,874	12,984	16,850	17,958	20,573	21,345
Debt liabilities to direct investors	199,576	200,857	200,847	216,024	225,248	241,146
Gross External Debt	1,728,385	1,722,038	1,673,226	1,655,373	1,673,536	1,736,832

¹ Gross external debt represents the stock of Ireland's liabilities to non-residents other than those arising from transactions in equity and financial derivatives

² Revised

³ Central Bank and Financial Services Authority of Ireland

⁴ Covering licensed credit institutions and money market funds

⁵ *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

⁶ 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

€ million

Item	30 Sep 2009 ¹			31 Dec 2009 ¹			31 Mar 2010 ¹			30 Jun 2010		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
Foreign Assets												
General Government	0	12,985	12,985	0	10,421	10,421	0	11,174	11,174	0	12,482	12,482
Monetary Authority ²	0	19,218	19,218	0	16,337	16,337	0	16,338	16,338	0	17,364	17,364
Monetary Financial Institutions ³	765,649	249,155	1,014,804	745,562	251,235	996,797	793,549	247,071	1,040,620	819,673	255,344	1,075,017
Other Sectors ⁴	977,260	224,553	1,201,813	1,024,274	254,363	1,278,637	1,053,745	269,977	1,323,722	1,122,041	273,385	1,395,426
<i>of which:</i>												
<i>Other Financial Intermediaries</i>	977,260	75,902	1,053,162	1,024,274	77,311	1,101,585	1,053,745	79,540	1,133,285	1,122,041	76,441	1,198,482
<i>non-Financial Companies</i>	0	148,651	148,651	0	177,052	177,052	0	190,437	190,437	0	196,944	196,944
Total Foreign Assets	1,742,909	505,911	2,248,820	1,769,836	532,356	2,302,192	1,847,294	544,560	2,391,854	1,941,714	558,575	2,500,289
Foreign Liabilities												
General Government	0	73,390	73,390	0	75,178	75,178	0	83,117	83,117	0	80,019	80,019
Monetary Authority ²	0	54,816	54,816	0	53,526	53,526	0	38,076	38,076	0	65,676	65,676
Monetary Financial Institutions ³	764,003	329,916	1,093,919	752,841	315,536	1,068,377	786,449	304,378	1,090,827	826,160	300,536	1,126,696
Other Sectors ⁴	995,111	191,786	1,186,897	1,033,616	228,570	1,262,186	1,066,190	238,389	1,304,579	1,122,855	247,562	1,370,417
<i>of which:</i>												
<i>Other Financial Intermediaries</i>	995,111	3,942	999,053	1,033,616	3,483	1,037,099	1,066,190	3,938	1,070,128	1,122,855	4,588	1,127,443
<i>non-Financial Companies</i>	0	187,844	187,844	0	225,087	225,087	0	234,451	234,451	0	242,974	242,974
Total Foreign Liabilities	1,759,114	649,908	2,409,022	1,786,457	672,810	2,459,267	1,852,639	663,960	2,516,599	1,949,015	693,793	2,642,808
Net International Investment Position (IIP)												
General Government	0	-60,405	-60,405	0	-64,757	-64,757	0	-71,943	-71,943	0	-67,537	-67,537
Monetary Authority ²	0	-35,598	-35,598	0	-37,189	-37,189	0	-21,738	-21,738	0	-48,312	-48,312
Monetary Financial Institutions ³	1,646	-80,761	-79,115	-7,279	-64,301	-71,580	7,100	-57,307	-50,207	-6,487	-45,192	-51,679
Other Sectors ⁴	-17,851	32,767	14,916	-9,342	25,793	16,451	-12,445	31,588	19,143	-814	25,823	25,009
<i>of which:</i>												
<i>Other Financial Intermediaries</i>	-17,851	71,960	54,109	-9,342	73,828	64,486	-12,445	75,602	63,157	-814	71,853	71,039
<i>non-Financial Companies</i>	0	-39,193	-39,193	0	-48,035	-48,035	0	-44,014	-44,014	0	-46,030	-46,030
Total (Net IIP)	-16,205	-143,997	-160,202	-16,621	-140,454	-157,075	-5,345	-119,400	-124,745	-7,301	-135,218	-142,519

¹ Revised

² Central Bank and Financial Services Authority of Ireland

³ Covering licensed credit institutions and money market funds

⁴ *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 <i>External Debt</i> 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 <i>External Debt</i> and have also been prepared to meet its quarterly preparation and publication timeframe. The figures are prepared largely in accordance with the IMF's <i>Balance of Payments Manual - 5th Edition</i> (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 <i>external debt</i> below).
Definition of External Debt	The IMF <i>External Debt</i> 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)	<p>The <i>international investment position</i> (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.</p> <p>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.</p> <p>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.</p> <p>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.).</p> <p>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.</p>
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	<i>Equity</i> : 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) <i>bonds and notes</i> .

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, 2010 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