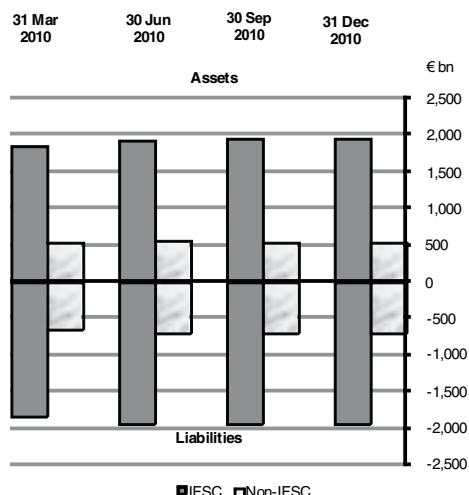




An Phríomh-Oifig Staidrimh
Central Statistics Office

31 March 2011

Ireland's IIP



Quarterly International Investment Position and External Debt

31 December 2010

	30 September 2010			31 December 2010		
	Assets	Liabilities	Net	Assets	Liabilities	Net
General Government	13.6	85.5	-71.9	11.2	80.6	-69.4
Monetary Authority	17.1	103.7	-86.6	17.4	145.2	-127.8
Monetary Financial Institutions	1,048.1	1,071.8	-23.8	938.1	891.8	46.3
Other Sectors	1,421.3	1,388.4	32.9	1,527.1	1,525.6	1.5
Total	2,500.1	2,649.5	-149.4	2,493.9	2,643.1	-149.3

Ireland had a Net International Investment Position liability of €149.3 billion at end-December 2010

At 31st December 2010, Ireland's quarterly *international investment position* (IIP) results show overall stocks of foreign financial assets of €2,494bn - down over €6bn from the end-September level. The corresponding overall stocks of foreign financial liabilities of €2,643bn decreased by a similar amount compared to the end-September level (€2,650bn). Irish residents therefore had an overall net foreign liability of €149bn at 31st December 2010 - see *Table 1*.

Some points of note in the end-December 2010 quarterly IIP are:

- ◆ Monetary financial institutions (MFI - i.e. credit institutions and money market funds) had foreign assets amounting to €938bn at end-December 2010 a decrease of €110bn on the end-September level. Other financial intermediaries (OFI i.e. investment funds, insurance companies and pension funds, asset finance companies, treasuries, etc) accounted for a further €1,306bn of foreign assets, up almost €82bn on the end-September level. On the liabilities side, the MFI sector accounted for €892bn at end-December 2010, a decrease of €180bn on the end-September level while the OFI sector increased by almost €95bn in the same period. These two sectors combined represent the commercial financial sector which at the end of December 2010 had foreign assets of €2,244bn (or 90% of total foreign assets) and liabilities to non-residents of €2,134bn (or 81% of total foreign financial obligations), resulting in net foreign assets of almost €110bn - see *table 2*.

This Release presents the end-December 2010 figures on Ireland's International Investment Position (IIP) along with the Gross External Debt position. The External Debt table has been expanded to distinguish IFSC/non-IFSC activity. The IIP liability figures are essentially compatible and consistent with the External Debt figures in Table 6, however, it should be noted that conceptually External Debt excludes equity and derivative contract liabilities and does not treat Direct Investment on a directional basis.

The sectoral composition of foreign assets and liabilities has been affected by the transfer of portfolio assets from an IFSC bank to a Euro Area asset purchase vehicle and also by the exit of a credit institution from the Irish market during the fourth quarter of 2010.

The figures are consistent with the 2009 Annual IIP figures published on 8 October 2010 and the BOP results published on 24 March 2011 as well as the most recent External Debt release published on 30 September 2010. For underlying methodology, see the *Background Notes* in this release.

Published by the Central Statistics Office, Ireland.

Ardee Road
Dublin 6
Ireland

Skehard Road
Cork
Ireland

LoCall: 1890 313 414 (ROI)
0808 2347 581 (UK/NI)

Tel: +353-1 498 4000
Fax: +353-1 498 4020

Tel: +353-21 453 5000
Fax: +353-21 453 5555

Both offices may be contacted through any of these telephone numbers.

CSO on the Web: www.cso.ie
and go to
Economy: Balance of Payments

Director General: Gerard O'Hanlon

Enquiries:

BOP Statistics
BOP Section, 01-498 4055
bop@cso.ie

Queries and Sales
Information Section, ext 5021
information@cso.ie

© Central Statistics Office
The contents of this release may be quoted provided the source is given clearly and accurately. Reproduction for own or internal use is permitted.

ISSN 2009-3780

For more information contact Stephen Treacy at 01 498 4076 or Stephen McDonagh at 01 498 4364.

- ◆ Within the commercial financial sector, IFSC enterprises accounted for a very high proportion of the sector's overall foreign assets and liabilities. At the end of December 2010, IFSC assets abroad amounted to €1,950bn or 87% of the sector's foreign assets (and over 78% of Ireland's total foreign assets); IFSC liabilities at €1,946bn represented 91% of the commercial financial sector aggregate (and almost 74% of Ireland's total foreign liabilities). IFSC enterprises therefore showed a net asset position at the end of December 2010 of €3.7bn. Non-IFSC commercial financial enterprises accounted for €294bn or almost 12% of total foreign assets; corresponding liabilities amounted to almost €188bn or 7% of total foreign liabilities - *see Table 2 and Table 4.*

Ireland's External Debt decreases to €1.6 trillion at end-December

At 31 December 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 €1,602bn. This represents a decrease of €98bn 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 2010 (€1,700bn) - *see Table 6.* Other points of note are:

- ◆ Liabilities of the *Monetary Authority* consisting almost entirely of short term loans and deposits amounted to €145bn, an increase of €41bn on the 30th September 2010 stock level. 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 almost €5bn from €85.5bn at end-September to €80.6bn at end-December.
- ◆ The liabilities of *Other sectors* increased by €31bn from the end-September position and at €686bn represented almost 43% of the total debt at end-December 2010. Within this, long-term loan liabilities of non-IFSC entities increased by €25bn to €35.3bn. IFSC enterprises at €627bn accounted for 91% of the other sector liabilities.
- ◆ *Direct investment liabilities* increased by €10bn to €252bn in the quarter ending 31st December 2010. The liabilities of IFSC enterprises increased almost €9bn to €171bn compared with end-September (€163bn).
- ◆ Debt liabilities of *monetary financial institutions* (credit institutions and money market funds) were €439bn at end-December, a decrease of €175bn on the 30th September 2010 stock level. The decrease is mainly due to a reduction in the liabilities of IFSC banks due to the transfer of portfolio assets to a Euro Area asset purchase vehicle. Short-term liabilities decreased by €173bn to €293bn. IFSC *loans and deposits* liabilities at €151bn at the end-December were almost €100bn lower than the level at end-September.

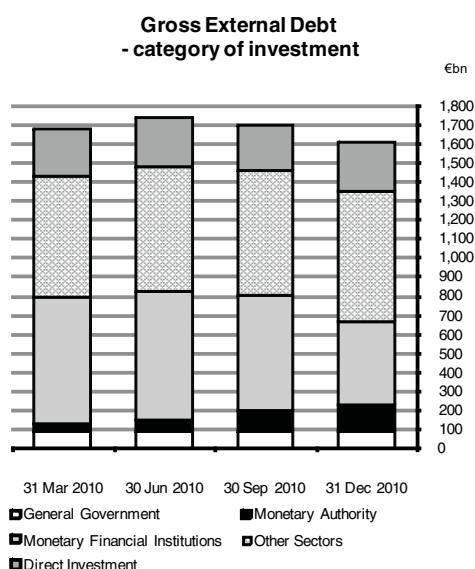


Table 1 - International Investment Position (IIP) - Main Aggregate Data

€ million

Item	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Foreign Assets												
Direct Investment Abroad ¹	102,016	100,950	113,135	121,381	116,997	139,096	162,387	189,710	207,385	210,696	215,884	237,773
Portfolio Investment	1,315,455	1,358,108	1,291,665	1,164,802	1,148,442	1,198,726	1,200,263	1,250,906	1,290,428	1,336,162	1,340,498	1,320,421
Other Investment ²	859,843	869,138	872,096	897,254	912,234	902,850	875,136	860,081	892,527	951,760	942,132	934,090
Reserve Assets	599	607	653	746	731	797	1,533	1,496	1,513	1,672	1,599	1,587
Total Foreign Assets	2,277,913	2,328,803	2,277,549	2,184,183	2,178,404	2,241,469	2,239,319	2,302,193	2,391,854	2,500,289	2,500,113	2,493,871
Foreign Liabilities												
Direct Investment in Ireland ¹	147,505	147,394	141,163	138,859	153,455	156,871	148,711	169,327	175,905	180,433	171,872	183,953
Portfolio Investment	1,318,791	1,350,251	1,283,679	1,181,240	1,164,952	1,219,886	1,282,403	1,352,618	1,403,556	1,460,281	1,466,809	1,552,280
Other Investment ²	885,390	896,601	933,509	992,661	1,025,074	1,029,310	977,923	937,323	937,136	1,002,094	1,010,834	906,910
Total Foreign Liabilities	2,351,686	2,394,246	2,358,351	2,312,760	2,343,481	2,406,067	2,409,037	2,459,268	2,516,599	2,642,808	2,649,515	2,643,143
Net International Investment Position (IIP)												
Direct Investment ¹	-45,489	-46,444	-28,028	-17,478	-36,458	-17,775	13,676	20,383	31,480	30,263	44,012	53,820
Portfolio Investment	-3,336	7,857	7,986	-16,438	-16,510	-21,160	-82,140	-101,712	-113,128	-124,119	-126,311	-231,859
Other Investment ²	-25,547	-27,463	-61,413	-95,407	-112,840	-126,460	-102,787	-77,242	-44,609	-50,334	-68,702	27,180
Reserve Assets	599	607	653	746	731	797	1,533	1,496	1,513	1,672	1,599	1,587
Total (Net IIP)	-73,773	-65,443	-80,802	-128,577	-165,077	-164,598	-169,718	-157,075	-124,745	-142,519	-149,402	-149,272

¹ Reflecting the so-called directional principle for reclassifying Direct Investment (see background notes)

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

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

Item	€ million											
	31 Mar 2010			30 Jun 2010			30 Sep 2010			31 Dec 2010		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
Foreign Assets												
General Government	0	11,174	11,174	0	12,482	12,482	0	13,626	13,626	0	11,188	11,188
Monetary Authority ¹	0	16,338	16,338	0	17,364	17,364	0	17,127	17,127	0	17,438	17,438
Monetary Financial Institutions ²	793,549	247,071	1,040,620	819,673	255,344	1,075,017	810,302	237,770	1,048,072	725,737	212,411	938,148
Other Sectors ³	1,053,745	269,977	1,323,722	1,122,041	273,385	1,395,426	1,145,384	275,906	1,421,290	1,223,959	303,139	1,527,098
of which:												
Other Financial Intermediaries	1,053,745	79,540	1,133,285	1,122,041	76,441	1,198,482	1,145,384	78,924	1,224,308	1,223,959	81,939	1,305,898
non-Financial Companies ⁴	0	190,437	190,437	0	196,944	196,944	0	196,982	196,982	0	221,200	221,200
Total Foreign Assets	1,847,294	544,560	2,391,854	1,941,714	558,575	2,500,289	1,955,686	544,429	2,500,113	1,949,696	544,176	2,493,871
Foreign Liabilities												
General Government	0	83,117	83,117	0	80,019	80,019	0	85,526	85,526	0	80,554	80,554
Monetary Authority ¹	0	38,076	38,076	0	65,676	65,676	0	103,713	103,713	0	145,195	145,195
Monetary Financial Institutions ²	786,449	304,378	1,090,827	826,160	300,536	1,126,696	810,667	261,178	1,071,845	708,014	183,824	891,838
Other Sectors ³	1,066,190	238,389	1,304,579	1,122,855	247,562	1,370,417	1,142,783	245,649	1,388,432	1,237,948	287,605	1,525,553
of which:												
Other Financial Intermediaries	1,066,190	3,938	1,070,128	1,122,855	4,588	1,127,443	1,142,783	4,700	1,147,483	1,237,948	4,276	1,242,224
non-Financial Companies ⁴	0	234,451	234,451	0	242,974	242,974	0	240,949	240,949	0	283,329	283,329
Total Foreign Liabilities	1,852,639	663,960	2,516,599	1,949,015	693,793	2,642,808	1,953,450	696,066	2,649,515	1,945,962	697,178	2,643,143
Net International Investment Position (IIP)												
General Government	0	-71,943	-71,943	0	-67,537	-67,537	0	-71,900	-71,900	0	-69,366	-69,366
Monetary Authority ¹	0	-21,738	-21,738	0	-48,312	-48,312	0	-86,586	-86,586	0	-127,757	-127,757
Monetary Financial Institutions ²	7,100	-57,307	-50,207	-6,487	-45,192	-51,679	-365	-23,408	-23,773	17,723	28,587	46,310
Other Sectors ³	-12,445	31,588	19,143	-814	25,823	25,009	2,601	30,257	32,858	-13,989	15,534	1,545
of which:												
Other Financial Intermediaries	-12,445	75,602	63,157	-814	71,853	71,039	2,601	74,224	76,825	-13,989	77,663	63,674
non-Financial Companies ⁴	0	-44,014	-44,014	0	-46,030	-46,030	0	-43,967	-43,967	0	-62,129	-62,129
Total (Net IIP)	-5,345	-119,400	-124,745	-7,301	-135,218	-142,519	2,236	-151,637	-149,402	3,734	-153,002	-149,272

¹ Central Bank 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

⁴ Including households

Table 3a - International Investment Position - Detailed Data

€ million

Item	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Foreign Assets				
Direct Investment Abroad ¹	207,385	210,696	215,884	237,773
Equity capital and reinvested earnings	175,750	175,551	180,998	198,788
Other capital	31,636	35,145	34,886	38,984
Portfolio Investment	1,290,428	1,336,162	1,340,498	1,320,421
Equity	383,959	400,154	411,757	451,965
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	11,067	11,267	12,487	11,041
<i>Monetary financial institutions ³</i>	1,741	1,859	1,553	644
<i>Other sectors</i>	371,151	387,028	397,717	440,279
Debt instruments	906,469	936,008	928,741	868,456
Bonds and notes	654,431	669,134	676,618	605,482
<i>Monetary authority ²</i>	9,948	10,735	10,228	10,490
<i>General government</i>	478	594	630	585
<i>Monetary financial institutions ³</i>	388,199	376,738	363,606	262,426
<i>Other sectors</i>	255,806	281,067	302,153	331,981
Money market instruments	252,038	266,874	252,123	262,974
<i>Monetary authority ²</i>	4,137	4,412	5,060	4,905
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	220,672	227,899	216,380	222,077
<i>Other sectors</i>	27,229	34,563	30,683	35,991
Other Investment	892,527	951,760	942,132	934,090
Loans, currency and deposits	754,256	792,926	782,581	776,293
<i>Monetary authority ²</i>	740	545	240	456
<i>General government</i>	33	536	639	30
<i>Monetary financial institutions ³</i>	376,044	408,806	401,968	389,769
<i>Other sectors</i>	377,439	383,039	379,734	386,038
Trade Credits	28,495	30,986	28,512	31,557
<i>General government</i>	0	0	0	0
<i>Other sectors</i>	28,495	30,986	28,512	31,557
Other assets ⁴	109,777	127,848	131,038	126,239
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	-404	84	-131	-469
<i>Monetary financial institutions ³</i>	44,239	49,931	54,759	53,637
<i>Other sectors</i>	65,942	77,833	76,410	73,071
Reserve assets	1,513	1,672	1,599	1,587
Monetary gold	159	195	185	204
Special drawing rights	847	906	858	830
Reserve Position in the IMF	176	253	183	178
Foreign Exchange	331	318	373	375
Other	0	0	0	0
Total Foreign Assets	2,391,854	2,500,289	2,500,113	2,493,871

¹ Reflecting the so-called directional principle for reclassifying Direct Investment (see background notes)

² Central Bank of Ireland

³ Excludes the Central Bank of Ireland

⁴ Includes financial derivatives

Table 3b - International Investment Position - Detailed Data

€ million

Item	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Foreign Liabilities				
Direct Investment in Ireland ¹	175,905	180,433	171,872	183,953
Equity capital and reinvested earnings	219,349	229,920	225,985	217,966
Other capital	-43,444	-49,487	-54,114	-34,013
Portfolio Investment	1,403,556	1,460,281	1,466,809	1,552,280
Equity	856,144	921,970	948,534	1,053,519
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	314,341	335,985	335,119	347,270
<i>Other sectors</i>	541,803	585,986	613,415	706,249
Debt instruments	547,413	538,311	518,275	498,761
Bonds and notes	492,460	498,551	478,623	474,106
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	69,500	73,035	76,041	74,800
<i>Monetary financial institutions ³</i>	102,622	102,472	78,300	73,984
<i>Other sectors</i>	320,338	323,044	324,283	325,322
Money market instruments	54,953	39,760	39,652	24,655
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	13,617	6,984	9,485	5,754
<i>Monetary financial institutions ³</i>	31,286	23,466	22,578	11,782
<i>Other sectors</i>	10,050	9,310	7,589	7,118
Other Investment	937,136	1,002,094	1,010,834	906,910
Loans, currency and deposits	747,631	796,944	794,401	700,690
<i>Monetary authority ²</i>	38,063	65,666	103,698	145,185
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	528,488	542,903	510,646	349,935
<i>Other sectors</i>	181,080	188,375	180,057	205,570
Trade Credits	18,864	20,357	22,160	23,802
<i>General government</i>	0	0	0	0
<i>Other sectors</i>	18,864	20,357	22,160	23,802
Other liabilities ⁴	170,641	184,793	194,274	182,418
<i>Monetary authority ²</i>	13	10	15	10
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	57,990	67,480	71,686	56,441
<i>Other sectors</i>	112,638	117,303	122,573	125,967
Total Foreign Liabilities	2,516,599	2,642,808	2,649,515	2,643,143

¹ Reflecting the so-called directional principle for reclassifying Direct Investment (see background notes)

² Central Bank of Ireland

³ Excludes the Central Bank of Ireland

⁴ Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents

Table 4 – International Investment Position (IIP) showing IFSC and non-IFSC activity

€ million

Item	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Foreign Assets				
Direct Investment Abroad ¹	207,385	210,696	215,884	237,773
- IFSC	25,822	25,061	28,076	28,860
- non IFSC	181,563	185,635	187,808	208,913
Portfolio Investment	1,290,428	1,336,162	1,340,498	1,320,421
- IFSC	1,117,500	1,167,499	1,173,818	1,164,359
- non IFSC	172,928	168,663	166,680	156,062
Other Investment ²	892,527	951,760	942,132	934,090
- IFSC	703,972	749,154	753,792	756,477
- non IFSC	188,555	202,606	188,340	177,613
Reserve Assets	1,513	1,672	1,599	1,587
- IFSC	0	0	0	0
- non IFSC	1,513	1,672	1,599	1,587
Total Foreign Assets	2,391,854	2,500,289	2,500,113	2,493,871
- IFSC	1,847,294	1,941,714	1,955,686	1,949,696
- non IFSC	544,560	558,575	544,429	544,176
Foreign Liabilities				
Direct Investment in Ireland ¹	175,905	180,433	171,872	183,953
- IFSC	60,520	57,278	48,159	67,353
- non IFSC	115,385	123,155	123,713	116,600
Portfolio Investment	1,403,556	1,460,281	1,466,809	1,552,280
- IFSC	1,142,233	1,210,259	1,236,566	1,313,654
- non IFSC	261,323	250,022	230,243	238,626
Other Investment ²	937,136	1,002,094	1,010,834	906,910
- IFSC	649,886	681,478	668,725	564,955
- non IFSC	287,250	320,616	342,109	341,955
Total Foreign Liabilities	2,516,599	2,642,808	2,649,515	2,643,143
- IFSC	1,852,639	1,949,015	1,953,450	1,945,962
- non IFSC	663,960	693,793	696,066	697,178
Net International Investment Position (IIP)				
Direct Investment ¹	31,480	30,263	44,012	53,820
- IFSC	-34,698	-32,217	-20,083	-38,493
- non IFSC	66,178	62,480	64,095	92,313
Portfolio Investment	-113,128	-124,119	-126,311	-231,859
- IFSC	-24,733	-42,760	-62,748	-149,295
- non IFSC	-88,395	-81,359	-63,563	-82,564
Other Investment ²	-44,609	-50,334	-68,702	27,180
- IFSC	54,086	67,676	85,067	191,522
- non IFSC	-98,695	-118,010	-153,769	-164,342
Reserve Assets	1,513	1,672	1,599	1,587
- IFSC	0	0	0	0
- non IFSC	1,513	1,672	1,599	1,587
Total (Net IIP)	-124,745	-142,519	-149,402	-149,272
- IFSC	-5,345	-7,301	2,236	3,734
- non IFSC	-119,400	-135,218	-151,637	-153,002

¹ Reflecting the so-called directional principle for reclassifying Direct Investment (see background notes)

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

Table 5 - International Investment Position (IIP) - 31 December 2010- Reconciliation of IIP and BOP Flows

€ million

Item	Opening Position 1/10/10	Bop Flows in Quarter	Valuation and Other Changes	Closing Position 31/12/10
Foreign Assets				
Direct Investment Abroad ¹	215,884	5,041	16,848	237,773
Equity capital and reinvested earnings	180,998	1,668	16,122	198,788
Other capital	34,886	3,373	725	38,984
Portfolio Investment	1,340,498	-74,548	54,471	1,320,421
Equity	411,757	9,356	30,852	451,965
Debt instruments	928,741	-83,904	23,619	868,456
<i>Bonds and notes</i>	676,618	-94,870	23,734	605,482
<i>Money market instruments</i>	252,123	10,967	-116	262,974
Other Investment	942,132	-1,860	-6,182	934,090
Loans, currency and deposits	782,581	-9,441	3,153	776,293
Other ²	159,550	7,581	-9,335	157,796
Reserve Assets	1,599	-68	56	1,587
Total Foreign Assets	2,500,113	-71,435	65,193	2,493,871
Foreign Liabilities				
Direct Investment in Ireland ¹	171,872	15,849	-3,768	183,953
Equity capital and reinvested earnings	225,985	-5,352	-2,667	217,966
Other capital	-54,114	21,202	-1,101	-34,013
Portfolio Investment	1,466,809	21,503	63,968	1,552,280
Equity	948,534	41,770	63,215	1,053,519
Debt instruments	518,275	-20,268	754	498,761
<i>Bonds and notes</i>	478,623	-4,119	-398	474,106
<i>Money market instruments</i>	39,652	-16,148	1,151	24,655
Other Investment	1,010,834	-103,960	36	906,910
Loans, currency and deposits	794,401	-102,206	8,495	700,690
Other ²	216,434	-1,753	-8,461	206,220
Total Foreign Liabilities	2,649,515	-66,608	60,236	2,643,143

¹ Reflecting the so-called directional principle for reclassifying Direct Investment (see background notes)

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

Table 6 - Gross External Debt¹

€ million

Item	31 Mar 2010			30 Jun 2010			30 Sep 2010			31 Dec 2010		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
General Government	0	83,117	83,117	0	80,019	80,019	0	85,526	85,526	0	80,554	80,554
Short-term	0	13,617	13,617	0	6,984	6,984	0	9,485	9,485	0	5,754	5,754
Money market instruments	0	13,617	13,617	0	6,984	6,984	0	9,485	9,485	0	5,754	5,754
Loans	0	0	0	0	0	0	0	0	0	0	0	0
Long-term	0	69,500	69,500	0	73,035	73,035	0	76,041	76,041	0	74,800	74,800
Bonds and notes	0	69,500	69,500	0	73,035	73,035	0	76,041	76,041	0	74,800	74,800
Loans	0	0	0	0	0	0	0	0	0	0	0	0
Monetary Authority ²	0	38,076	38,076	0	65,676	65,676	0	103,713	103,713	0	145,195	145,195
Short-term	0	38,063	38,063	0	65,666	65,666	0	103,698	103,698	0	145,185	145,185
Loans and deposits	0	38,063	38,063	0	65,666	65,666	0	103,698	103,698	0	145,185	145,185
Long-term	0	13	13	0	10	10	0	15	15	0	10	10
Other debt liabilities	0	13	13	0	10	10	0	15	15	0	10	10
Monetary Financial Institutions ³	390,278	275,888	666,166	400,237	271,328	671,565	383,790	230,291	614,081	278,708	160,152	438,860
Short-term	274,898	217,992	492,890	280,352	217,337	497,689	269,008	197,076	466,084	162,081	130,671	292,752
Money market instruments	22,510	8,776	31,286	16,083	7,383	23,466	18,272	4,306	22,578	10,644	1,139	11,783
Loans and deposits	252,388	209,216	461,604	264,269	209,954	474,223	250,736	192,770	443,506	151,437	129,532	280,969
Long-term	115,380	57,896	173,276	119,885	53,991	173,876	114,782	33,215	147,997	116,627	29,481	146,108
Bonds and notes	49,028	53,594	102,622	53,634	48,838	102,472	49,822	28,478	78,300	48,307	25,678	73,985
Loans	*	*	66,884	64,348	4,333	68,681	63,075	4,065	67,140	*	*	68,966
Other debt liabilities	*	*	3,770	1,903	820	2,723	1,885	672	2,557	*	*	3,157
Other Sectors ⁴	611,354	29,001	640,355	624,660	32,422	657,082	622,726	32,325	655,051	627,014	59,139	686,153
Short-term	100,993	6,174	107,167	104,124	7,324	111,448	101,527	7,882	109,409	104,462	8,851	113,313
Money market instruments	10,050	0	10,050	9,310	0	9,310	7,589	0	7,589	7,118	0	7,118
Loans and deposits	77,943	310	78,253	81,338	443	81,781	79,269	391	79,660	81,966	427	82,393
Trade credits	13,000	5,864	18,864	13,476	6,881	20,357	14,669	7,491	22,160	15,378	8,424	23,802
Long-term	510,361	22,827	533,188	520,536	25,098	545,634	521,199	24,443	545,642	522,552	50,288	572,840
Bonds and notes	317,017	3,321	320,338	319,509	3,535	323,044	320,853	3,430	324,283	320,557	4,765	325,322
Loans	92,949	9,878	102,827	95,722	10,872	106,594	90,411	9,986	100,397	87,859	35,319	123,178
Other debt liabilities	100,395	9,628	110,023	105,305	10,691	115,996	109,935	11,027	120,962	114,136	10,204	124,340
Direct Investment ⁵	162,311	83,509	245,820	174,981	87,510	262,491	162,541	78,917	241,458	171,415	80,199	251,614
Debt liabilities to affiliated enterprises	0	20,573	20,573	0	21,345	21,345	0	17,227	17,227	0	15,914	15,914
Debt liabilities to direct investors	162,311	62,936	225,247	174,981	66,165	241,146	162,541	61,690	224,231	171,415	64,285	235,700
Gross External Debt	1,163,943	509,591	1,673,534	1,199,878	536,955	1,736,833	1,169,057	530,772	1,699,829	1,077,137	525,239	1,602,376

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 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

* Suppressed for confidentiality reasons

Background Notes (updated March 2011)

Introduction

Ireland's balance of payments (BOP) quarterly statistical compilation system was completely overhauled in the late 1990's in order to: (a) strengthen sectoral and enterprise coverage in basic data collection; (b) adopt best international methodological standards; (c) conform more closely with international presentation formats; and, (d) provide for geographical analysis of the results. The improvements facilitate the production of BOP, international investment position (IIP) and external debt statistics 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.

As part of the overall expansion of the information available, a new annual series showing Ireland's *International Investment Position* (IIP) as at 31 December for the years 1998 - 2001 was introduced in a release published on 11 December 2002 and was updated annually. This series was replaced by a quarterly series which was first published for the third quarter of 2010. This new release also includes quarterly external debt statistics. For the release of the fourth quarter of 2010 the external debt statistics were expanded further to distinguish IFSC/non-IFSC activity. The data presented concern the economy's end of quarter stocks of foreign assets and liabilities and, in essence, represent that element of Ireland's aggregate balance sheet which shows Irish residents' financial claims (assets) on non-residents along with their financial obligations (liabilities) to non-residents. As for the balance of payments statistics, the international investment position statistics shown in this Release distinguish direct investment, portfolio investment and other investment (including financial derivatives) along with reserve assets - see *Types of Investment* below. This presentation conforms closely with international presentation formats and the information is disseminated to different international organisations (i.e. the ECB, Eurostat, IMF and OECD) to meet their varied requirements. The external debt statistics exclude equity and financial derivative contracts in conformity with the IMF's External Debt manual.

International statistical standards

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) concerning compilation of international investment position statistics. This Manual was prepared in close co-operation with the European Commission (Eurostat), the OECD and other international organisations. It was published by the IMF in 1993. Since then certain modifications to the treatment of financial derivatives have been approved internationally and were published in 2000 by the IMF (*Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual*). The BOP/IIP compilation methodology recommended by the IMF is consistent with its *External Debt* (2003) Manual recommendations on compiling external debt statistics. Consequently, the results presented in all three statements are essentially consistent. It should be noted that, apart from the direct investment component of the IIP and the External Debt statements, the IIP liabilities data for financial instruments other than equity and derivative contracts at a particular reference date are equivalent to the external debt results for the same reference date. While the direct investment data presented in both statements are conceptually consistent, their presentations are different (see *Definition of International Investment Position* for further details).

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 of Ireland (CBI). 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 CBI 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 CBI under its legislation as well as European legislation¹. These data are supplied by the CBI 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 (S.I. No. 206 of 2010) made under the Statistics Act, 1993. The CSO and CBI surveys underpinning data collection are designed to address the internationally agreed statistical standards for BOP-related statistics. They are also used to collect quarterly balance of payments information as well as data needed for wider

national accounts purposes. The combination of both stock and the related flow data reporting on a single form greatly facilitates the quality-checking and reconciliation of both types of information.

The financial enterprise surveys cover banking, insurance, asset financing, treasury, institutional investment, activities of investment funds (i.e. mutual funds, unit trusts and similar collective investment operations), broking and other service provision. Financial enterprises, including those engaged in internationally-traded financial service activities and known collectively as IFSC (International Financial Services Centre) enterprises are required to make returns.

Respondents supply the data primarily using electronic media but they may use paper instead. Exhaustive coverage is aimed at but, in order to reduce reporting burden, companies with low activity volumes reporting to the CSO may, with its approval, 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 conceptual and geographical analysis requirements specified in the international standards. Coverage is on a sample selection basis, those surveyed being selected using CSO 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, and acquisitions and disposals of foreign assets or liabilities along with the opening and closing stocks of these assets and liabilities. While much of this information is used to compile the BOP flow data published quarterly, the latter balance sheet information is used to compile the IIP results shown in this Release. 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 and stocks. For example, the National Treasury Management Agency (NTMA) provides flows and stocks information on Ireland's foreign debt and on other asset and liability transactions engaged in including those of the National Pensions Reserve Fund. In addition, the CBI supplies information on reserve assets and other foreign assets/liabilities flows and stocks.

The compilation system covers investment in residential and commercial property abroad by Irish residents and has recently included revised estimates for investment in Special Purpose Vehicles (SPVs) used for the purpose of securitising corporate assets from 2002 onwards. The securities issued by SPVs are mostly included under the *Bonds and Notes* heading in *Portfolio Investment - Liabilities* and the securitised assets are recorded mostly in *Other Investment - Assets* but some assets are categorised under *Equity*.

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.

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. Hence, for *Portfolio Investment*, the end-quarter IIP liability levels for *debt instruments* (i.e. *bonds and notes* and *money market instruments*) should be identical to the external debt stocks data for these instruments shown in the *External Debt* table. Similarly, for *other investment*, the IIP liability figures under the items *loans, currency and deposits* and *trade credits* should be identical to the

external debt stocks data obtained by aggregating the relevant long-term and short-term instrument details. Because of the exclusion of financial derivative contracts from the external debt statistics, this equivalence does not exist for the IIP liability under the item *other liabilities*. In addition, due to the adoption of the *directional principle* for recording direct investment IIP stocks (and BOP transactions), the end-quarter stocks under *direct investment in Ireland – other capital* are shown on a net basis i.e. inter-affiliate positions (transactions) are offset. In the *External Debt* table, the relevant liability positions are shown on a gross basis and, hence, cannot be compared with the relevant IIP data.

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.

Types of financial instrument

Equity securities are shares issued by companies to shareholders and cover all instruments representing claims on the residual value of incorporated enterprises after the claims of all creditors have been met. Shares, stocks, preferred stocks or shares and participation shares usually denote ownership of equity and are included. Also included are depositary receipts (e.g. American depositary receipts) denoting ownership of equity securities issued as well as equity securities that have been sold under repurchase agreements and equity securities that have been lent under securities lending arrangements. Units issued by collective investment institutions, e.g. investment funds, are regarded as equity instruments and are included. Non-participating preference shares are treated as debt securities under bonds and notes in Portfolio Investment. Positions in equity in which the investor holds less than 10% of the share capital of the company are recorded under Portfolio Investment. Otherwise, they are recorded under Direct Investment.

Reinvested earnings within Direct Investment consist of the offsetting entry to the direct investor's share of earnings not distributed as dividends by subsidiaries or associates and earnings of branches not remitted to the direct investor, but recorded under investment income.

Other capital within Direct Investment covers all inter-company financial transactions (borrowing and lending of funds) – including debt securities and suppliers' credits (i.e. trade credits) – between direct investors and subsidiaries, branches and associates.

Bonds and notes are tradable debt securities issued with 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. These instruments may be issued by companies or by governments. Positions held between affiliated enterprises (other than financial intermediaries) in bonds and notes are classified under Direct Investment. All other transactions are classified as Portfolio Investment (or under Reserve Assets if appropriate – see note on Reserve Assets below).

Money market instruments 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. These instruments 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. Transactions and positions between affiliated enterprises (other than financial intermediaries) in money market instruments are classified under Direct Investment. All other transactions are classified as Portfolio Investment (or under Reserve Assets if appropriate – see note on Reserve Assets below).

Financial derivative contract stocks (and transactions) cover (a) over-the-counter (OTC) instruments such as options, interest rate swaps, forward rate agreements (FRAs), cross-currency interest rate swaps and forward foreign exchange contracts and (b) exchange-traded futures and options. They should be valued at marked-to-market prices and exclusive of the value of the underlying good, financial instrument or currency to which they relate. Derivative positions between affiliated enterprises (other than financial intermediaries) are recorded under Direct Investment while positions between third parties are recorded in this Release under Other Investment.

than financial intermediaries) are classified under Direct Investment. Otherwise, they are classified under Other Investment.

Loans/currency and deposits cover the following financial instruments: loans, i.e. those financial assets created through the direct lending of funds by a creditor (lender) to a debtor (borrower); 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. Positions in these instruments are generally recorded under Other Investment. However, in the case of transactions between affiliated enterprises (other than financial intermediaries), the resulting positions are included under Direct Investment. In particular, positions in permanent debt or subordinated loan capital between affiliated financial intermediaries are recorded under Direct Investment.

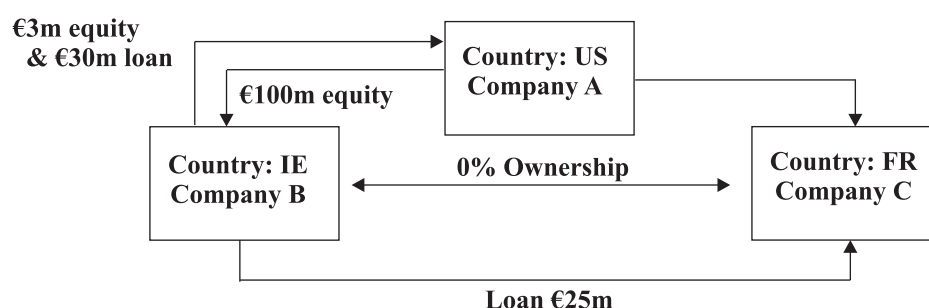
Stocks of all other financial instruments i.e. other than trade credits, loans and currency and deposits such as capital subscriptions of the participating Member States to international non-monetary organisations, changes in insurance technical reserves, offsets in respect of unsettled securities transactions are included in *other assets/other liabilities* within Other Investment (except where such positions arise from transactions between affiliated enterprises other than financial intermediaries) in which cases they are included under Direct Investment.

Types of investment

Four categories of functional investment are distinguished in the tables presented (i.e. *direct investment*, *portfolio investment*, *other investment* and *reserve assets*) and are based primarily on the relationship between the parties and secondly on the nature of the instrument involved. The category *other investment* includes the marked-to-market values of financial derivative positions.

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 which 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 the *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 now includes investment by Irish residents (households) in residential property abroad. Such properties are regarded as constituting notional direct investment enterprises overseas and are treated accordingly in the system i.e. any relevant investment flows and stocks are included in the balance of payments and international investment statistics (current account flows - services or income are also of course, included in the balance of payments).

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 instruments* 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 CBI 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 resident investors in commercial property abroad is also included in portfolio investment. Stocks, as presented in the tables, are valued at current market values on the reference date inclusive of any 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 contracts refer to over-the-counter (OTC) and exchange-traded contracts and include options, futures, swaps, forwards, etc. For IIP purposes, all receipts and payments concerning financial derivative contracts are recorded appropriately as either assets or liabilities under *other investment*². It should be noted that stocks of the underlying financial instruments to which financial derivative contracts relate are categorised under the appropriate type of investment headings in the IIP. 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 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, the definition of reserve assets covered all foreign currency (non Irish Pound) denominated claims on non-residents of

Ireland together with gold, SDRs and the reserve position in the IMF. Therefore, all claims on euro-area residents outside Ireland as well as euro-denominated claims on non euro-area residents, which prior to 1999 would have been classified as reserve assets, were from 1999 onwards classified to *portfolio investment* or to *other investment* as appropriate.

Broad sectoral analysis

This Release presents a broad institutional sector analysis of the portfolio investment and the other investment stocks. The sectors identified are:

- (i) *monetary authority* (the Central Bank of Ireland),
- (ii) *general government* (covering central and local government),
- (iii) *monetary financial institutions excluding the monetary authority* (i.e. credit institutions and money market funds) and
- (iv) *other sectors* - all other corporations and (implicitly) households. Included are: *other financial intermediaries*, i.e. investment funds, insurance companies and pension funds, asset finance companies, treasury companies, securities traders and other financial service companies, as well as non-financial service and manufacturing companies, other industrial enterprises, households and non-profit institutions serving households.

Structure of the International Investment Position (IIP) tables

Within the overall categorisation of *assets* and *liabilities*, Table 1 of the Release shows the main components of the IIP covering the broad functional headings: *direct investment*, *portfolio investment*, *other investment* (including financial derivatives) and *reserve assets*. In the case of direct investment and in line with the quarterly BOP flow data for such transactions, the directional presentation referred to above is used i.e. *direct investment abroad* (which approximates to the assets concept) and *direct investment in Ireland* (which closely equates to liabilities). As described above, the difference between the two approaches centres on the treatment of reverse investment by a direct investment enterprise in its parent (direct investor); these transactions are generally relatively small. In this Release, under international standards, *direct investment abroad* is categorised under assets while *direct investment in Ireland* is included under liabilities. A further breakdown of the main functional investment headings by type of instrument (e.g. equities, bonds/notes, loans/deposits) is provided. Table 2 shows a breakdown of foreign assets and liabilities to distinguish IFSC and non-IFSC investment cross-classified by institutional sector. For further analytical purposes, Table 3 shows a breakdown of the results by type of instrument and by institutional sector while Table 4 provides an analysis of IFSC and non-IFSC foreign assets and liabilities by type of investment. Table 5 shows a reconciliation of the quarterly stocks and BOP flows over individual reference quarters. In essence, this table attempts to directly link the IIP data to the Financial Account of the Balance of Payments and explains how the difference between two end-quarter positions can be accounted for by two main elements i.e. the relevant net BOP flows in the period (shown under '*BOP Flows in Year*') and the impact of valuation and other changes (shown under the heading '*Valuation and Other Changes*') occurring in the same period. Valuation changes can arise from movements in market prices or currency exchange rates or from stock revaluations, reclassifications or corrections.

Reconciliation of stocks and flows

It is generally difficult to satisfactorily reconcile aggregate IIP stock data with the corresponding BOP flows over the reference period particularly if the BOP balancing item 'net errors and omissions' (which is not shown in this Release) is large. The net BOP flows shown are obtained from and compatible with the data published in the CSO's quarterly Release Balance of International Payments. The figures shown under valuation and other changes are in many cases quite significant but it is not possible at this point to distinguish the impact of market price changes in securities from those arising from currency exchange rate changes, most notably in relation to movements in the Euro rate against the US Dollar and against the £Sterling.

Sign convention and symbols

In all tables both assets and liability stocks are unsigned i.e. they are shown as positive numbers. The net IIP figures are calculated as assets less liabilities. Those having a negative sign represent net liability positions of Irish residents to non-residents while unsigned (or positive) figures represent net asset positions vis-à-vis non-residents. In Table 5 in which a reconciliation of IIP stocks and BOP flows is shown, a net BOP transactions increase in assets is shown as a positive (unsigned) number and a corresponding net decrease as a negative number. This conflicts with the standard sign convention for representing BOP asset flows in the quarterly Release (in which transactions increases in assets are shown as negative quantities and decreases as positive quantities) but this is unavoidable in a table reconciling assets stocks and flows. The sign convention for liability flows in Table 5 coincides with the normal BOP sign convention for liability transactions in the quarterly Release (i.e. transaction increases in liabilities are shown as positive quantities while transaction decreases are shown as negative quantities).

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.

Valuation In principle, IIP statistics (like BOP flows) should be recorded using current market values at the reference date and data providers are requested to report their data on this basis. In practice, this may not be possible in certain cases. Direct investment in equity capital is a particular case in point. Market valuation where not directly available is generally approximated using one of the following in order of preference: (a) a recent transaction price, (b) directors' valuation, or (c) net asset value.

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.

Residence As for BOP transactions, IIP asset and liability positions are created 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 of Ireland and appropriate account is taken of such transactions (when known) in the compilation of the IIP (and the Financial Account of the BOP).

Geographical allocation principle

The so-called 'debtor/creditor' principle is used as the basic guideline for geographical allocation of foreign assets and liabilities. Asset positions are allocated to the country of residence of the debtor counterpart. As examples, (i) investment in a foreign security should be reported and classified to the country of residence of the issuer of the security; (ii) a loan advanced to a non-resident borrower should be reported and classified to the country of residence of the borrower. Liability positions should be allocated to the country of residence of the creditor counterpart. As examples: (i) investments by non-resident creditors in securities issued by a resident of Ireland should be allocated to the country of residence of the investor; (ii) take up of a loan advanced by a foreign bank should be allocated to the country of residence of the lending bank. Correct country allocation can sometimes be difficult on the liabilities side. In particular, it may not be possible to determine the residency of the actual owner/holder of bearer securities issued by an Irish resident since such securities can change hands without any re-registration of the new ownership. Similarly, correct geographical allocation can be difficult and sometimes impossible in the case of acquisitions by non-resident investors of Irish resident issued securities purchased through resident or non-resident nominee accounts. In such cases respondents give best estimates of the information required if the required details cannot be obtained from third party sources. 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.

¹ ECB 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.

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