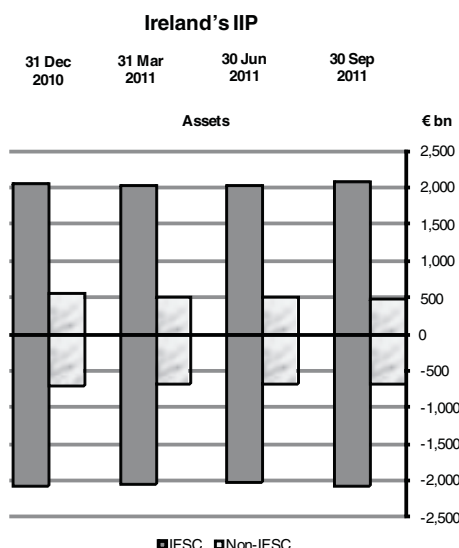




An Phríomh-Oifig Staidrimh
Central Statistics Office

22 December 2011

Quarterly International Investment Position and External Debt 30 September 2011



	30 June 2011			30 September 2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net
General Government	4.6	98.3	-93.7	4.6	102.1	-97.5
Monetary Authority	17.7	128.7	-111.0	19.1	123.3	-104.3
Monetary Financial Institutions	839.3	784.6	54.8	881.9	834.0	47.9
Other Sectors	1,682.9	1,667.3	15.6	1,682.0	1,676.2	5.8
Total	2,544.5	2,678.8	-134.3	2,587.6	2,735.6	-148.0

Ireland had a Net International Investment Position liability of €148 billion at end-September 2011

At 30th September 2011, Ireland's quarterly *international investment position* (IIP) results show overall stocks of foreign financial assets of €2,588bn – up €43bn from the end-June level. The corresponding overall stocks of foreign financial liabilities of €2,736bn increased by €57bn in the same period. Irish residents therefore had an overall net foreign liability of €148bn at 30th September 2011 – *see table 1a*.

Some points of note in the end-September 2011 quarterly IIP are:

- ◆ Monetary financial institutions' (MFI - i.e. credit institutions and money market funds) foreign assets increased by €43bn to €882bn in the quarter to end-September 2011 while their foreign liabilities increased by €49bn to €834bn. Other financial intermediaries' (OFI i.e. investment funds, insurance companies and pension funds, asset finance companies, treasuries, etc) assets increased by €10bn to €1,449bn while their liabilities increased by €16bn to €1,379bn. General Government foreign assets (including assets of the NPRF) remained flat in the quarter while liabilities increased by €4bn to €102bn in the same period – *see table 2*.
- ◆ Within the commercial financial sector (i.e. MFI and OFI), IFSC enterprises accounted for a very high proportion of the sector's overall foreign assets and liabilities. At the end of September 2011, IFSC assets abroad amounted to €2,093bn or 90% of the sector's foreign assets (and 81% of Ireland's total foreign assets); IFSC liabilities at €2,072bn represented almost 94% of the commercial financial sector aggregate (and almost 76% of Ireland's total foreign liabilities). IFSC enterprises therefore showed a net asset position at the end of September 2011 of €21bn. Non-IFSC commercial financial enterprises accounted for €238bn or 9% of total foreign assets; corresponding liabilities amounted to €140bn or 5% of total foreign liabilities – *see table 2*.

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Ireland's External Debt increases to €1,672 billion at end-September

At 30th September 2011, the gross external debt of all resident sectors (i.e. general government, the monetary authority, financial and non-financial corporations and households) amounted to €1,672bn. This represents an increase of €41bn 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 June 2011 (€1,631bn) – see table 6a. Other points of note are:

- ◆ Liabilities of the *Monetary Authority* consisting almost entirely of short term loans and deposits amounted to €123bn, a decrease of €5bn on the June 2011 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 increased by €4bn from €98bn at end-June to €102bn at end-September. This figure includes borrowing under the EFSF, EFSM and IMF programs.
- ◆ The liabilities of *Other sectors* increased by €20bn from the end-June position and at €812bn represented 49% of the total debt at end-September 2011. Within this, other long-term debt liabilities of IFSC entities increased by €12bn to €123bn.
- ◆ *Direct investment liabilities* increased by €8bn to €251bn in the quarter ending 30th September 2011. Non-IFSC enterprises accounted for over half of the increase, liabilities increasing by €5bn to €70bn at end-September.
- ◆ Debt liabilities of *monetary financial institutions* (credit institutions and money market funds) were €384bn at end-September, an increase of €15bn on the June 2011 stock level.
- ◆ The Net External Debt position stood at -€509bn at end-September (i.e. assets exceeded liabilities). This reflects the fact that while two thirds of the assets of Investment Funds are included, the bulk of their liabilities (being equity securities) are excluded.

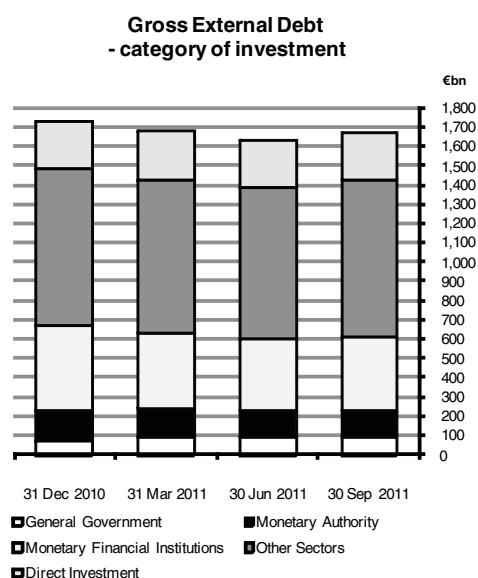


Table 1a - International Investment Position (IIP) classified by Financial Instrument

€ million

Item	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Foreign Assets												
Direct Investment Abroad ¹	121,381	126,935	149,917	174,075	200,826	220,784	226,408	230,433	260,992	257,042	255,566	245,220
Portfolio Investment	1,264,428	1,252,125	1,320,252	1,309,836	1,352,597	1,397,957	1,450,713	1,450,804	1,438,462	1,405,579	1,348,698	1,340,187
Other Investment ²	896,847	916,184	911,652	871,741	864,391	898,327	954,022	944,263	936,922	895,017	938,721	1,000,580
Reserve Assets	746	731	797	1,533	1,496	1,513	1,672	1,599	1,587	1,474	1,498	1,569
Total Foreign Assets	2,283,402	2,295,975	2,382,618	2,357,185	2,419,310	2,518,581	2,632,815	2,627,099	2,637,963	2,559,112	2,544,483	2,587,556
Foreign Liabilities												
Direct Investment in Ireland ¹	135,295	162,616	163,947	158,731	171,766	175,228	182,411	173,447	184,925	200,989	201,073	212,510
Portfolio Investment	1,280,707	1,267,387	1,345,734	1,391,186	1,464,610	1,534,902	1,574,809	1,580,601	1,673,377	1,643,201	1,643,275	1,634,703
Other Investment ²	1,003,675	1,036,741	1,043,329	985,599	948,553	945,198	1,011,421	1,023,113	921,473	869,786	834,461	888,343
Total Foreign Liabilities	2,419,677	2,466,744	2,553,010	2,535,516	2,584,929	2,655,328	2,768,641	2,777,161	2,779,775	2,713,976	2,678,809	2,735,556
Net International Investment Position (IIP)												
Direct Investment ¹	-13,914	-35,681	-14,030	15,344	29,060	45,556	43,997	56,986	76,067	56,053	54,493	32,710
Portfolio Investment	-16,279	-15,262	-25,482	-81,350	-112,013	-136,945	-124,096	-129,797	-234,915	-237,622	-294,577	-294,516
Other Investment ²	-106,828	-120,557	-131,677	-113,858	-84,162	-46,871	-57,399	-78,850	15,449	25,231	104,260	112,237
Reserve Assets	746	731	797	1,533	1,496	1,513	1,672	1,599	1,587	1,474	1,498	1,569
Total (Net IIP)	-136,275	-170,769	-170,392	-178,331	-165,619	-136,747	-135,826	-150,062	-141,812	-154,864	-134,326	-148,000

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 1b – International Investment Position (IIP) classified by Institutional Sector

€ million

Item	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Foreign Assets												
General Government	13,497	12,817	14,411	12,985	10,421	11,174	12,482	13,974	11,536	10,208	4,551	4,561
Monetary Authority ¹	20,904	26,681	23,380	19,218	16,337	16,338	17,364	17,127	17,438	17,592	17,692	19,091
Monetary Financial Institutions ²	1,058,618	1,052,163	1,076,306	1,014,803	996,353	1,021,598	1,075,078	1,048,072	938,149	867,895	839,340	881,885
Other Sectors ³	1,190,383	1,204,315	1,268,521	1,310,177	1,396,198	1,469,470	1,527,891	1,547,928	1,670,842	1,663,415	1,682,900	1,682,017
of which:												
Other Financial Intermediaries	1,075,919	1,082,111	1,127,663	1,148,693	1,206,983	1,264,234	1,313,251	1,335,230	1,426,741	1,423,025	1,439,430	1,448,998
non-Financial Companies ⁴	114,464	122,204	140,858	161,484	189,215	205,236	214,640	212,698	244,101	240,390	243,470	233,019
Total Foreign Assets	2,283,402	2,295,975	2,382,618	2,357,185	2,419,310	2,518,581	2,632,815	2,627,099	2,637,963	2,559,112	2,544,483	2,587,556
Foreign Liabilities												
General Government	57,735	62,004	72,106	73,390	75,178	83,117	80,021	85,527	80,554	95,078	98,290	102,054
Monetary Authority ¹	44,467	94,861	103,493	54,816	53,526	38,076	65,676	103,713	145,195	139,646	128,675	123,341
Monetary Financial Institutions ²	1,150,535	1,100,865	1,116,254	1,094,280	1,068,751	1,083,718	1,123,436	1,067,947	887,493	811,153	784,582	833,959
Other Sectors ³	1,166,939	1,209,013	1,261,157	1,313,031	1,387,474	1,450,419	1,499,508	1,519,972	1,666,532	1,668,099	1,667,263	1,676,201
of which:												
Other Financial Intermediaries	1,032,983	1,053,971	1,090,702	1,117,424	1,162,241	1,212,280	1,250,514	1,269,026	1,372,023	1,372,223	1,362,381	1,378,794
non-Financial Companies ⁴	133,956	155,042	170,455	195,607	225,233	238,139	248,994	250,946	294,509	295,876	304,882	297,407
Total Foreign Liabilities	2,419,677	2,466,744	2,553,010	2,535,516	2,584,929	2,655,328	2,768,641	2,777,161	2,779,775	2,713,976	2,678,809	2,735,556
Net International Investment Position (IIP)												
General Government	-44,238	-49,187	-57,695	-60,405	-64,757	-71,943	-67,539	-71,553	-69,018	-84,870	-93,739	-97,493
Monetary Authority ¹	-23,563	-68,180	-80,113	-35,598	-37,189	-21,738	-48,312	-86,586	-127,757	-122,054	-110,983	-104,250
Monetary Financial Institutions ²	-91,917	-48,702	-39,948	-79,477	-72,398	-62,120	-48,358	-19,875	50,656	56,742	54,758	47,926
Other Sectors ³	23,444	-4,698	7,364	-2,854	8,724	19,051	28,383	27,956	4,310	-4,684	15,637	5,816
of which:												
Other Financial Intermediaries	42,936	28,140	36,961	31,269	44,742	51,954	62,737	66,204	54,718	50,802	77,049	70,204
non-Financial Companies ⁴	-19,492	-32,838	-29,597	-34,123	-36,018	-32,903	-34,354	-38,248	-50,408	-55,486	-61,412	-64,388
Total (Net IIP)	-136,275	-170,769	-170,392	-178,331	-165,619	-136,747	-135,826	-150,062	-141,812	-154,864	-134,326	-148,000

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

€ million

Item	31 Dec 2010			31 Mar 2011			30 Jun 2011			30 Sep 2011		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
Foreign Assets												
General Government	0	11,536	11,536	0	10,208	10,208	0	4,551	4,551	0	4,561	4,561
Monetary Authority ¹	0	17,438	17,438	0	17,592	17,592	0	17,692	17,692	0	19,091	19,091
Monetary Financial Institutions ²	725,738	212,411	938,149	692,343	175,552	867,895	680,250	159,090	839,340	720,557	161,328	881,885
Other Sectors ³	1,343,185	327,657	1,670,842	1,341,658	321,757	1,663,415	1,359,057	323,843	1,682,900	1,372,595	309,422	1,682,017
of which:												
Other Financial Intermediaries	1,343,185	83,556	1,426,741	1,341,658	81,367	1,423,025	1,359,057	80,373	1,439,430	1,372,595	76,403	1,448,998
non-Financial Companies ⁴	0	244,101	244,101	0	240,390	240,390	0	243,470	243,470	0	233,019	233,019
Total Foreign Assets	2,068,923	569,042	2,637,963	2,034,001	525,109	2,559,112	2,039,307	505,176	2,544,483	2,093,152	494,404	2,587,556
Foreign Liabilities												
General Government	0	80,554	80,554	0	95,078	95,078	0	98,290	98,290	0	102,054	102,054
Monetary Authority ¹	0	145,195	145,195	0	139,646	139,646	0	128,675	128,675	0	123,341	123,341
Monetary Financial Institutions ²	708,658	178,835	887,493	667,124	144,029	811,153	650,098	134,484	784,582	699,273	134,686	833,959
Other Sectors ³	1,367,747	298,785	1,666,532	1,367,462	300,637	1,668,099	1,357,494	309,769	1,667,263	1,373,211	302,990	1,676,201
of which:												
Other Financial Intermediaries	1,367,747	4,276	1,372,023	1,367,462	4,761	1,372,223	1,357,494	4,887	1,362,381	1,373,211	5,583	1,378,794
non-Financial Companies ⁴	0	294,509	294,509	0	295,876	295,876	0	304,882	304,882	0	297,407	297,407
Total Foreign Liabilities	2,076,405	703,369	2,779,775	2,034,586	679,390	2,713,976	2,007,592	671,218	2,678,809	2,072,484	663,072	2,735,556
Net International Investment Position (IIP)												
General Government	0	-69,018	-69,018	0	-84,870	-84,870	0	-93,739	-93,739	0	-97,493	-97,493
Monetary Authority ¹	0	-127,757	-127,757	0	-122,054	-122,054	0	-110,983	-110,983	0	-104,250	-104,250
Monetary Financial Institutions ²	17,080	33,576	50,656	25,219	31,523	56,742	30,152	24,606	54,758	21,284	26,642	47,926
Other Sectors ³	-24,562	28,872	4,310	-25,804	21,120	-4,684	1,563	14,074	15,637	-616	6,432	5,816
of which:												
Other Financial Intermediaries	-24,562	79,280	54,718	-25,804	76,606	50,802	1,563	75,486	77,049	-616	70,820	70,204
non-Financial Companies ⁴	0	-50,408	-50,408	0	-55,486	-55,486	0	-61,412	-61,412	0	-64,388	-64,388
Total (Net IIP)	-7,482	-134,327	-141,812	-585	-154,281	-154,864	31,715	-166,042	-134,326	20,668	-168,668	-148,000

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	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Foreign Assets				
Direct Investment Abroad ¹	260,992	257,042	255,566	245,220
Equity capital and reinvested earnings	220,440	218,117	218,104	205,428
Other capital	40,552	38,925	37,462	39,792
Portfolio Investment	1,438,462	1,405,579	1,348,698	1,340,187
Equity	453,716	456,925	455,863	417,941
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	11,041	7,241	4,120	4,057
<i>Monetary financial institutions ³</i>	1,288	1,434	541	781
<i>Other sectors</i>	441,387	448,250	451,202	413,103
Debt instruments	984,746	948,654	892,835	922,246
Bonds and notes	719,411	679,828	678,112	695,462
<i>Monetary authority ²</i>	10,490	10,128	10,141	10,962
<i>General government</i>	585	249	180	178
<i>Monetary financial institutions ³</i>	262,427	237,632	220,561	217,382
<i>Other sectors</i>	445,909	431,820	447,229	466,940
Money market instruments	265,335	268,826	214,723	226,784
<i>Monetary authority ²</i>	4,905	5,138	5,292	5,683
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	222,077	223,372	168,869	173,175
<i>Other sectors</i>	38,352	40,316	40,562	47,926
Other Investment	936,922	895,017	938,721	1,000,580
Loans, currency and deposits	777,813	744,543	793,375	827,917
<i>Monetary authority ²</i>	456	852	761	877
<i>General government</i>	378	2,592	1,886	1,962
<i>Monetary financial institutions ³</i>	389,769	353,566	402,322	427,594
<i>Other sectors</i>	387,210	387,533	388,406	397,484
Trade Credits	32,147	31,857	32,702	32,101
<i>General government</i>	0	0	0	0
<i>Other sectors</i>	32,147	31,857	32,702	32,101
Other assets ⁴	126,961	118,616	112,644	140,562
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	-469	127	-1,636	-1,636
<i>Monetary financial institutions ³</i>	53,637	42,436	40,469	56,634
<i>Other sectors</i>	73,793	76,053	73,811	85,564
Reserve assets	1,587	1,474	1,498	1,569
Monetary gold	204	194	202	233
Special drawing rights	830	697	695	731
Reserve Position in the IMF	178	289	286	299
Foreign Exchange	375	294	315	306
Other	0	0	0	0
Total Foreign Assets	2,637,963	2,559,112	2,544,483	2,587,556

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

² Central Bank of Ireland

³ Covering licensed credit institutions and money market funds.

⁴ Includes financial derivatives.

Table 3b - International Investment Position - Detailed Data

€ million

Item	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Foreign Liabilities				
Direct Investment in Ireland ¹	184,925	200,989	201,073	212,510
Equity capital and reinvested earnings	225,635	235,077	238,557	249,686
Other capital	-40,710	-34,088	-37,484	-37,172
Portfolio Investment	1,673,377	1,643,201	1,643,275	1,634,703
Equity	1,060,128	1,046,469	1,047,711	1,043,195
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	347,270	332,727	333,842	354,303
<i>Other sectors</i>	712,858	713,742	713,869	688,893
Debt instruments	613,249	596,732	595,564	591,507
Bonds and notes	588,399	*	578,355	581,025
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	74,800	75,540	74,818	75,099
<i>Monetary financial institutions ³</i>	73,984	65,974	64,149	66,468
<i>Other sectors</i>	439,615	*	439,388	439,458
Money market instruments	24,850	*	17,209	10,482
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	5,754	1,233	466	466
<i>Monetary financial institutions ³</i>	11,782	*	9,647	3,257
<i>Other sectors</i>	7,313	*	7,097	6,760
Other Investment	921,473	869,786	834,461	888,343
Loans, currency and deposits	710,833	673,577	639,024	658,857
<i>Monetary authority ²</i>	145,185	139,624	128,649	123,321
<i>General government</i>	0	18,305	23,006	26,489
<i>Monetary financial institutions ³</i>	349,935	311,668	291,921	307,526
<i>Other sectors</i>	215,713	203,980	195,448	201,520
Trade Credits	26,257	25,445	26,183	28,492
<i>General government</i>	0	0	0	0
<i>Other sectors</i>	26,257	25,445	26,183	28,492
Other liabilities ⁴	184,383	170,764	169,255	200,994
<i>Monetary authority ²</i>	10	22	26	20
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	57,085	43,874	42,357	63,186
<i>Other sectors</i>	127,288	126,868	126,872	137,788
Total Foreign Liabilities	2,779,775	2,713,976	2,678,809	2,735,556

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

² Central Bank of Ireland

³ Covering licensed credit institutions and money market funds.

⁴ Includes financial derivatives and also includes life insurance liabilities to non-residents.

* Data suppressed for confidentiality reasons.

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

€ million

Item	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Foreign Assets				
Direct Investment Abroad ¹	260,992	257,042	255,566	245,220
- IFSC	29,858	28,085	27,737	27,168
- non IFSC	231,134	228,957	227,829	218,052
Portfolio Investment	1,438,462	1,405,579	1,348,698	1,340,187
- IFSC	1,280,924	1,263,270	1,215,086	1,210,827
- non IFSC	157,538	142,309	133,612	129,360
Other Investment ²	936,922	895,017	938,721	1,000,580
- IFSC	758,141	742,646	796,484	855,157
- non IFSC	178,781	152,371	142,237	145,423
Reserve Assets	1,587	1,474	1,498	1,569
- IFSC	0	0	0	0
- non IFSC	1,587	1,474	1,498	1,569
Total Foreign Assets	2,637,963	2,559,112	2,544,483	2,587,556
- IFSC	2,068,923	2,034,001	2,039,307	2,093,152
- non IFSC	569,042	525,109	505,176	494,404
Foreign Liabilities				
Direct Investment in Ireland ¹	184,925	200,989	201,073	212,510
- IFSC	72,108	87,084	82,555	87,420
- non IFSC	112,817	113,905	118,518	125,090
Portfolio Investment	1,673,377	1,643,201	1,643,275	1,634,703
- IFSC	1,428,375	1,405,311	1,403,549	1,412,976
- non IFSC	245,002	237,890	239,726	221,727
Other Investment ²	921,473	869,786	834,461	888,343
- IFSC	575,922	542,191	521,488	572,088
- non IFSC	345,551	327,595	312,973	316,255
Total Foreign Liabilities	2,779,775	2,713,976	2,678,809	2,735,556
- IFSC	2,076,405	2,034,586	2,007,592	2,072,484
- non IFSC	703,369	679,390	671,218	663,072
Net International Investment Position (IIP)				
Direct Investment ¹	76,067	56,053	54,493	32,710
- IFSC	-42,250	-58,999	-54,818	-60,252
- non IFSC	118,317	115,052	109,311	92,962
Portfolio Investment	-234,915	-237,622	-294,577	-294,516
- IFSC	-147,451	-142,041	-188,463	-202,149
- non IFSC	-87,464	-95,581	-106,114	-92,367
Other Investment ²	15,449	25,231	104,260	112,237
- IFSC	182,219	200,455	274,996	283,069
- non IFSC	-166,770	-175,224	-170,736	-170,832
Reserve Assets	1,587	1,474	1,498	1,569
- IFSC	0	0	0	0
- non IFSC	1,587	1,474	1,498	1,569
Total (Net IIP)	-141,812	-154,864	-134,326	-148,000
- IFSC	-7,482	-585	31,715	20,668
- non IFSC	-134,327	-154,281	-166,042	-168,668

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) - 30 September 2011- Reconciliation of IIP and BOP Flows

€ million

Item	Opening Position 01/07/11	Bop Flows in Quarter	Valuation and Other Changes	Closing Position 30/09/11
Foreign Assets				
Direct Investment Abroad ¹	255,566	4,262	-14,608	245,220
Equity capital and reinvested earnings	218,104	2,435	-15,111	205,428
Other capital	37,462	1,827	503	39,792
Portfolio Investment	1,348,698	5,118	-13,629	1,340,187
Equity	455,863	-7,924	-29,998	417,941
Debt instruments	892,835	13,042	16,369	922,246
<i>Bonds and notes</i>	678,112	2,571	14,779	695,462
<i>Money market instruments</i>	214,723	10,471	1,590	226,784
Other Investment	938,721	6,748	55,111	1,000,580
Loans, currency and deposits	793,375	3,791	30,751	827,917
Other ²	145,346	2,957	24,360	172,663
Reserve Assets	1,498	-43	114	1,569
Total Foreign Assets	2,544,483	16,085	26,988	2,587,556
Foreign Liabilities				
Direct Investment in Ireland ¹	201,073	6,765	4,672	212,510
Equity capital and reinvested earnings	238,557	7,611	3,518	249,686
Other capital	-37,484	-846	1,158	-37,172
Portfolio Investment	1,643,275	-8,364	-208	1,634,703
Equity	1,047,711	-2,661	-1,855	1,043,195
Debt instruments	595,564	-5,703	1,646	591,507
<i>Bonds and notes</i>	578,355	1,513	1,157	581,025
<i>Money market instruments</i>	17,209	-7,217	490	10,482
Other Investment	834,461	20,370	33,512	888,343
Loans, currency and deposits	639,024	7,441	12,392	658,857
Other ²	195,438	12,929	21,119	229,486
Total Foreign Liabilities	2,678,809	18,771	37,976	2,735,556

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 6a - Gross External Debt¹

€ million

Item	31 Dec 2010			31 Mar 2011			30 Jun 2011			30 Sep 2011		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
General Government	0	80,554	80,554	0	95,078	95,078	0	98,290	98,290	0	102,054	102,054
Short-term	0	5,754	5,754	0	1,233	1,233	0	466	466	0	466	466
Money market instruments	0	5,754	5,754	0	1,233	1,233	0	466	466	0	466	466
Loans	0	0	0	0	0	0	0	0	0	0	0	0
Long-term	0	74,800	74,800	0	93,845	93,845	0	97,824	97,824	0	101,588	101,588
Bonds and notes	0	74,800	74,800	0	75,540	75,540	0	74,818	74,818	0	75,099	75,099
Loans	0	0	0	0	18,305	18,305	0	23,006	23,006	0	26,489	26,489
Monetary Authority ²	0	145,195	145,195	0	139,646	139,646	0	128,675	128,675	0	123,341	123,341
Short-term	0	145,185	145,185	0	139,624	139,624	0	128,649	128,649	0	123,321	123,321
Loans and deposits	0	145,185	145,185	0	139,624	139,624	0	128,649	128,649	0	123,321	123,321
Long-term	0	10	10	0	22	22	0	26	26	0	20	20
Other debt liabilities	0	10	10	0	22	22	0	26	26	0	20	20
Monetary Financial Institutions ³	278,708	160,152	438,860	263,736	128,857	392,593	248,078	120,133	368,211	262,993	120,543	383,536
Short-term	162,081	130,671	292,752	*	*	*	*	*	244,092	*	*	249,781
Money market instruments	10,644	1,139	11,783	*	*	*	*	*	9,647	*	*	3,257
Loans and deposits	151,437	129,532	280,969	151,249	100,713	251,962	142,616	91,829	234,445	151,213	95,311	246,524
Long-term	116,627	29,481	146,108	*	*	*	*	*	124,119	*	*	133,755
Bonds and notes	48,307	25,678	73,985	40,447	25,527	65,974	38,289	25,860	64,149	43,576	22,892	66,468
Loans	*	*	68,966	57,600	2,106	59,706	55,692	1,784	57,476	59,153	1,849	61,002
Other debt liabilities	*	*	3,157	*	*	*	*	*	2,494	*	*	6,285
Other Sectors ⁴	751,323	62,333	813,656	731,360	64,428	795,788	727,109	64,986	792,095	746,564	65,186	811,750
Short-term	110,994	8,669	119,663	*	*	*	*	*	110,319	*	*	113,780
Money market instruments	*	*	7,313	*	*	*	*	*	7,097	*	*	6,760
Loans and deposits	85,744	348	86,092	84,211	441	84,652	76,681	358	77,039	78,183	345	78,528
Trade credits	*	*	26,258	17,548	7,897	25,445	18,478	7,705	26,183	20,342	8,150	28,492
Long-term	640,329	53,664	693,993	*	*	*	*	*	681,776	*	*	697,970
Bonds and notes	435,258	4,356	439,614	*	*	*	*	*	439,388	*	*	439,458
Loans	91,495	38,127	129,622	80,207	39,121	119,328	79,736	38,674	118,410	84,167	38,825	122,992
Other debt liabilities	113,576	11,181	124,757	111,971	12,098	124,069	110,504	13,474	123,978	122,529	12,991	135,520
Direct Investment ⁵	171,630	73,963	245,593	188,363	65,302	253,665	177,996	65,695	243,691	180,700	70,499	251,199
Debt liabilities to affiliated enterprises	0	16,689	16,689	0	16,185	16,185	0	17,095	17,095	0	21,860	21,860
Debt liabilities to direct investors	171,630	57,274	228,904	188,363	49,117	237,480	177,996	48,600	226,596	180,700	48,639	229,339
Gross External Debt	1,201,661	522,197	1,723,858	1,183,459	493,311	1,676,770	1,153,183	477,779	1,630,962	1,190,257	481,623	1,671,880

¹ Gross external debt represents the stock of Ireland's liabilities to non-residents other than equity and financial derivatives.² Central Bank of Ireland³ 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.⁵ 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.

Table 6b - External Assets in Debt Instruments ¹

€ million

Item	31 Dec 2010			31 Mar 2011			30 Jun 2011			30 Sep 2011		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
General Government	0	963	963	0	2,841	2,841	0	2,066	2,066	0	2,140	2,140
Short-term	0	30	30	0	2,244	2,244	0	1,538	1,538	0	1,614	1,614
Money market instruments	0	0	0	0	0	0	0	0	0	0	0	0
Loans and Deposits	0	30	30	0	2,244	2,244	0	1,538	1,538	0	1,614	1,614
Long-term	0	933	933	0	597	597	0	528	528	0	526	526
Bonds and notes	0	585	585	0	249	249	0	180	180	0	178	178
Loans	0	348	348	0	348	348	0	348	348	0	348	348
Monetary Authority ²	0	15,851	15,851	0	16,118	16,118	0	16,194	16,194	0	17,522	17,522
Short-term	0	5,361	5,361	0	5,990	5,990	0	6,053	6,053	0	6,560	6,560
Money market instruments	0	4,905	4,905	0	5,138	5,138	0	5,292	5,292	0	5,683	5,683
Loans and deposits	0	456	456	0	852	852	0	761	761	0	877	877
Long-term	0	10,490	10,490	0	10,128	10,128	0	10,141	10,141	0	10,962	10,962
Bonds and notes	0	10,490	10,490	0	10,128	10,128	0	10,141	10,141	0	10,962	10,962
Monetary Financial Institutions ³	680,135	196,678	876,813	658,338	159,482	817,820	648,300	146,640	794,940	672,948	148,490	821,438
Short-term	406,347	115,482	521,829	410,900	93,585	504,485	*	*	500,286	*	*	522,436
Money market instruments	*	*	222,078	223,372	0	223,372	*	*	168,869	*	*	173,175
Loans and deposits	*	*	299,751	187,528	93,585	281,113	245,590	85,827	331,417	261,691	87,570	349,261
Long-term	273,788	81,196	354,984	247,438	65,897	313,335	*	*	294,654	*	*	299,002
Bonds and notes	212,673	49,754	262,427	197,858	39,774	237,632	185,396	35,165	220,561	183,186	34,197	217,383
Loans	*	*	90,018	*	*	72,453	46,130	24,775	70,905	52,320	26,013	78,333
Other debt Assets	*	*	2,539	*	*	3,250	*	*	3,188	*	*	3,286
Other Sectors ⁴	912,423	52,011	964,434	901,455	50,935	952,390	914,279	53,279	967,558	957,577	53,739	1,011,316
Short-term	142,784	23,645	166,429	143,897	22,845	166,742	143,440	22,608	166,048	158,290	22,040	180,330
Money market instruments	34,975	3,378	38,353	*	*	40,316	38,183	2,379	40,562	45,697	2,230	47,927
Loans and deposits	88,188	7,740	95,928	86,943	7,625	94,568	85,567	7,217	92,784	91,729	8,572	100,301
Trade credit assets	19,621	12,527	32,148	*	*	31,858	19,690	13,012	32,702	20,864	11,238	32,102
Long-term	769,639	28,366	798,005	757,558	28,090	785,648	770,839	30,671	801,510	799,287	31,699	830,986
Bonds and notes	420,090	25,819	445,909	406,035	25,785	431,820	419,322	27,907	447,229	437,805	29,135	466,940
Loans	*	*	291,282	*	*	292,966	*	*	295,623	*	*	297,183
Other debt Assets	*	*	60,814	*	*	60,862	*	*	58,658	*	*	66,863
Direct Investment ⁵	209,142	117,713	326,855	213,790	112,889	326,679	204,698	113,939	318,637	203,633	124,529	328,162
Debt asset claims on affiliated enterprises	0	57,241	57,241	0	55,110	55,110	0	54,557	54,557	0	61,652	61,652
Debt asset claims on direct investors	209,142	60,472	269,614	213,790	57,779	271,569	204,698	59,382	264,080	203,633	62,877	266,510
Reserve Assets	0	375	375	0	294	294	0	315	315	0	306	306
External Assets in Debt Instruments	1,801,700	383,591	2,185,291	1,773,583	342,559	2,116,142	1,767,277	332,433	2,099,710	1,834,158	346,726	2,180,884
Net External Debt ⁶	-600,039	138,606	-461,433	-590,124	150,752	-439,372	-614,094	145,346	-468,748	-643,901	134,897	-509,004

¹ External Assets in Debt Instruments represents the stock of Ireland's claims on non-residents other than equity and financial derivatives.² Central Bank of Ireland³ 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 claims on non-residents of financial corporations covered in other sectors tend to be very significant.⁵ Covering inter affiliate loans, non-equity securities, trade credits and other debt assets. Debt claims on affiliated enterprises refers to direct investment abroad while debt claims on direct investors refers to direct investment in Ireland.⁶ Net External Debt equals Gross External Debt (from table 6a) minus External Assets in Debt Instruments. A negative sign indicates a net Asset position.

* Data suppressed for confidentiality reasons.

Background Notes (updated June 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 rationalise 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 Central Bank commenced data collection from Financial Vehicle Corporations (FVC) in the last quarter of 2009. Preliminary data from this survey has been used to improve the existing estimates for FVCs in the International Investment Position and External Debt statistics.

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.

Trade credits consist of claims or liabilities arising from the direct extension of credit relating to transactions in goods and services and advance payments for work in progress (or to be undertaken) associated with such transactions. Trade credits between affiliated enterprises (other 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.

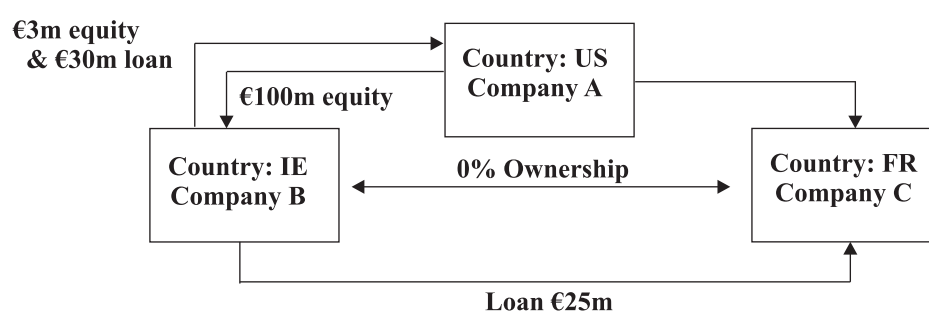
Stocks of all other financial instruments i.e. other than trade credits, loans and currency and deposits such as capital subscriptions of the participating Member States to international non-monetary organisations, changes in insurance technical reserves, offsets in respect of unsettled securities transactions 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 exchanges 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.

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

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