

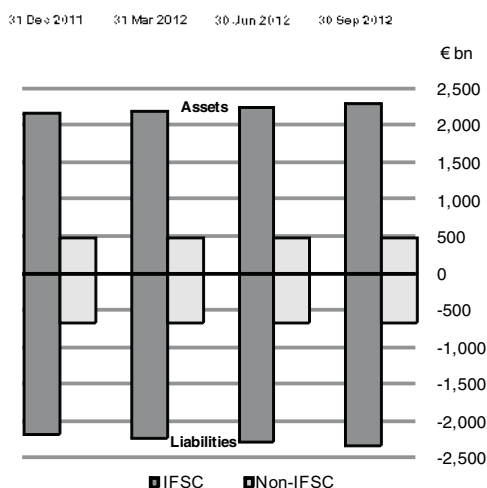


An Phríomh-Oifig Staidrimh
Central Statistics Office

21 December 2012

Quarterly International Investment Position and External Debt 30 September 2012

Ireland's IIP



	30 June 2012			30 September 2012		
	Assets	Liabilities	Net	Assets	Liabilities	Net
General Government	5.8	114.3	-108.6	6.1	121.7	-115.6
Monetary Authority	22.8	100.1	-77.3	17.6	84.4	-66.9
Monetary Financial Institutions (MFI)	770.1	738.4	31.7	762.5	730.8	31.7
Other Financial Intermediaries (OFI)	1,733.4	1,655.4	77.9	1,778.4	1,712.4	66.0
Non-Financial Companies	250.2	326.2	-76.0	259.9	331.8	-71.9
Total	2,782.3	2,934.6	-152.3	2,824.4	2,981.1	-156.7

Net IIP liability was €156.7 billion at end-September 2012

At 30 September 2012, Ireland's quarterly *international investment position* (IIP) results show overall stocks of foreign financial assets of €2,824.4bn – up €42.2bn from the end-June level. The corresponding overall stocks of foreign financial liabilities of €2,981.1bn increased by €46.5bn in the same period. Irish residents therefore had an overall net foreign liability of €156.7bn at 30 September 2012, an increase of €4.4bn in the quarter – see *Table 1a*.

Some points of note in the end-September 2012 quarterly IIP are:

- ◆ General Government foreign liabilities increased by €7.4bn to €121.7bn in the quarter while assets (including assets of the NPRF) increased by €0.3bn to €6.1bn in the same period – see *table 1b*.
- ◆ Monetary Authority foreign liabilities have decreased by €15.7bn between end-June and end-September. These liabilities are to the European System of Central Banks (ESCB) and include balances in the TARGET 2 settlement system of the ESCB. The decrease in assets in the same period is due mainly to reclassifications.
- ◆ Within the commercial financial sector (i.e. MFI and OFI), IFSC enterprises accounted for a high proportion of the sector's overall foreign assets and liabilities. At the end of September 2012, IFSC assets abroad amounted to €2,327bn or 92% of the sector's foreign assets (and 82% of Ireland's total foreign assets); IFSC liabilities at €2,323bn represented 95% of the commercial financial sector aggregate (and 78% of Ireland's total foreign liabilities). IFSC enterprises showed a net asset position at the end of September 2012 of €3.8bn – see *Table 2*.

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Gross External Debt was €1,679 billion at end-September

The gross external debt of all resident sectors (i.e. general government, the monetary authority, financial and non-financial corporations and households) decreased by €7.9bn to €1,679bn in the third quarter of 2012 – *see Table 6a*.

The Net External Debt position stood at -€637bn at end-September (i.e. assets exceeded liabilities). This balance reflects the fact that while two thirds of the assets of Investment Funds are included in Net External Debt, the bulk of their liabilities (equity security liabilities to non-residents) are excluded – *see Table 6b*.

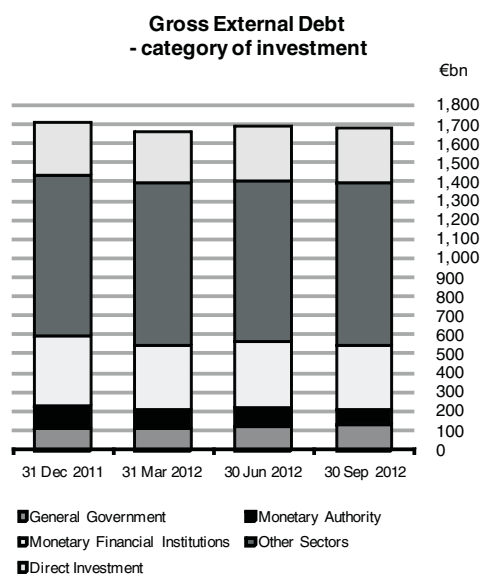


Table 1a - International Investment Position (IIP) classified by Financial Instrument

€ million

Item	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Foreign Assets													
Direct Investment Abroad ¹	174,075	205,008	222,405	230,225	232,548	254,538	252,851	251,985	239,103	242,494	255,869	261,039	271,878
Portfolio Investment	1,309,836	1,352,597	1,413,685	1,470,475	1,470,894	1,458,289	1,420,594	1,364,297	1,359,620	1,432,908	1,542,059	1,528,164	1,566,401
Other Investment ²	871,741	864,391	903,677	959,282	949,544	941,452	910,632	955,391	1,016,991	1,005,754	905,847	991,745	984,820
Reserve Assets	1,533	1,496	1,513	1,672	1,599	1,587	1,474	1,498	1,570	1,316	1,285	1,333	1,347
Total Foreign Assets	2,357,185	2,423,492	2,541,280	2,661,654	2,654,585	2,655,866	2,585,551	2,573,171	2,617,284	2,682,472	2,705,060	2,782,281	2,824,446
Foreign Liabilities													
Direct Investment in Ireland ¹	158,731	173,610	197,570	212,699	199,492	213,722	216,522	211,910	226,653	194,508	206,520	212,551	225,810
Portfolio Investment	1,391,186	1,464,610	1,535,914	1,575,800	1,582,206	1,668,152	1,644,239	1,643,505	1,632,959	1,725,510	1,779,529	1,814,920	1,862,923
Other Investment ²	972,430	935,264	935,377	1,001,585	1,014,291	913,052	877,629	844,805	905,280	915,074	880,486	907,092	892,375
Total Foreign Liabilities	2,522,347	2,573,484	2,668,861	2,790,084	2,795,989	2,794,926	2,738,390	2,700,220	2,764,892	2,835,092	2,866,535	2,934,563	2,981,108
Net International Investment Position (IIP)													
Direct Investment ¹	15,344	31,398	24,835	17,526	33,056	40,816	36,329	40,075	12,450	47,986	49,349	48,488	46,068
Portfolio Investment	-81,350	-112,013	-122,229	-105,325	-111,312	-209,863	-223,645	-279,208	-273,339	-292,602	-237,470	-286,756	-296,522
Other Investment ²	-100,689	-70,873	-31,700	-42,303	-64,747	28,400	33,003	110,586	111,711	90,680	25,361	84,653	92,445
Reserve Assets	1,533	1,496	1,513	1,672	1,599	1,587	1,474	1,498	1,570	1,316	1,285	1,333	1,347
Total (Net IIP)	-165,162	-149,992	-127,581	-128,430	-141,404	-139,060	-152,839	-127,049	-147,608	-152,620	-161,475	-152,282	-156,662

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	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Foreign Assets													
General Government	12,985	10,421	11,174	12,482	13,974	11,536	9,977	4,687	5,186	5,382	6,058	5,758	6,092
Monetary Authority ¹	19,218	16,337	16,338	17,364	17,127	17,438	17,592	17,692	19,092	19,037	19,929	22,812	17,569
Monetary Financial Institutions ²	1,014,803	996,353	1,022,219	1,075,078	1,048,170	938,143	876,592	849,400	891,725	800,251	748,548	770,107	762,456
Other Sectors ³	1,310,177	1,400,380	1,491,548	1,556,732	1,575,316	1,688,749	1,681,390	1,701,394	1,701,282	1,857,801	1,930,526	1,983,605	2,038,326
of which:													
Other Financial Intermediaries	1,148,693	1,206,983	1,284,057	1,336,582	1,359,725	1,450,463	1,445,363	1,461,779	1,474,573	1,626,956	1,686,185	1,733,368	1,778,431
non-Financial Companies ⁴	161,484	193,397	207,491	220,150	215,591	238,286	236,027	239,615	226,709	230,845	244,341	250,237	259,895
Total Foreign Assets	2,357,185	2,423,492	2,541,280	2,661,654	2,654,585	2,655,866	2,585,551	2,573,171	2,617,284	2,682,472	2,705,060	2,782,281	2,824,446
Foreign Liabilities													
General Government	73,390	75,178	83,117	80,021	85,527	80,565	95,168	98,320	102,660	103,889	109,256	114,315	121,731
Monetary Authority ¹	54,816	53,526	38,076	65,676	103,713	145,195	139,646	128,675	123,341	120,456	96,027	100,119	84,437
Monetary Financial Institutions ²	1,081,111	1,055,462	1,070,585	1,109,567	1,054,677	868,986	810,709	785,516	838,320	746,649	715,536	738,440	730,763
Other Sectors ³	1,313,031	1,389,319	1,477,084	1,534,820	1,552,072	1,700,178	1,692,866	1,687,710	1,700,570	1,864,098	1,945,717	1,981,689	2,044,178
of which:													
Other Financial Intermediaries	1,117,424	1,163,723	1,235,921	1,278,663	1,297,747	1,398,887	1,395,633	1,387,030	1,409,579	1,566,228	1,628,446	1,655,442	1,712,392
non-Financial Companies ⁴	195,607	225,596	241,163	256,157	254,325	301,291	297,233	300,680	290,991	297,870	317,271	326,247	331,786
Total Foreign Liabilities	2,522,347	2,573,484	2,668,861	2,790,084	2,795,989	2,794,926	2,738,390	2,700,220	2,764,892	2,835,092	2,866,535	2,934,563	2,981,108
Net International Investment Position (IIP)													
General Government	-60,405	-64,757	-71,943	-67,539	-71,553	-69,029	-85,191	-93,633	-97,474	-98,507	-103,198	-108,557	-115,639
Monetary Authority ¹	-35,598	-37,189	-21,738	-48,312	-86,586	-127,757	-122,054	-110,983	-104,249	-101,419	-76,098	-77,307	-66,868
Monetary Financial Institutions ²	-66,308	-59,109	-48,366	-34,489	-6,507	69,157	65,883	63,884	53,405	53,602	33,012	31,667	31,693
Other Sectors ³	-2,854	11,061	14,464	21,912	23,244	-11,429	-11,476	13,684	712	-6,297	-15,191	1,916	-5,852
of which:													
Other Financial Intermediaries	31,269	43,260	48,136	57,919	61,978	51,576	49,730	74,749	64,994	60,728	57,739	77,926	66,039
non-Financial Companies ⁴	-34,123	-32,199	-33,672	-36,007	-38,734	-63,005	-61,206	-61,065	-64,282	-67,025	-72,930	-76,010	-71,891
Total (Net IIP)	-165,162	-149,992	-127,581	-128,430	-141,404	-139,060	-152,839	-127,049	-147,608	-152,620	-161,475	-152,282	-156,662

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 2011			31 Mar 2012			30 Jun 2012			30 Sep 2012		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
Foreign Assets												
General Government	0	5,382	5,382	0	6,058	6,058	0	5,758	5,758	0	6,092	6,092
Monetary Authority ¹	0	19,037	19,037	0	19,929	19,929	0	22,812	22,812	0	17,569	17,569
Monetary Financial Institutions ²	646,507	153,744	800,251	613,049	135,499	748,548	633,420	136,687	770,107	632,371	130,085	762,456
Other Sectors ³	1,547,633	310,168	1,857,801	1,600,333	330,193	1,930,526	1,645,770	337,835	1,983,605	1,694,616	343,710	2,038,326
of which:												
Other Financial Intermediaries	1,547,633	79,323	1,626,956	1,600,333	85,852	1,686,185	1,645,770	87,598	1,733,368	1,694,616	83,815	1,778,431
non-Financial Companies ⁴	0	230,845	230,845	0	244,341	244,341	0	250,237	250,237	0	259,895	259,895
Total Foreign Assets	2,194,140	488,332	2,682,472	2,213,382	491,678	2,705,060	2,279,190	503,091	2,782,281	2,326,987	497,459	2,824,446
Foreign Liabilities												
General Government	0	103,889	103,889	0	109,256	109,256	0	114,315	114,315	0	121,731	121,731
Monetary Authority ¹	0	120,456	120,456	0	96,027	96,027	0	100,119	100,119	0	84,437	84,437
Monetary Financial Institutions ²	609,512	137,137	746,649	592,169	123,367	715,536	624,029	114,411	738,440	617,249	113,514	730,763
Other Sectors ³	1,560,881	303,217	1,864,098	1,622,866	322,851	1,945,717	1,649,172	332,517	1,981,689	1,705,931	338,247	2,044,178
of which:												
Other Financial Intermediaries	1,560,881	5,347	1,566,228	1,622,866	5,580	1,628,446	1,649,172	6,270	1,655,442	1,705,931	6,461	1,712,392
non-Financial Companies ⁴	0	297,870	297,870	0	317,271	317,271	0	326,247	326,247	0	331,786	331,786
Total Foreign Liabilities	2,170,393	664,699	2,835,092	2,215,035	651,500	2,866,535	2,273,201	661,362	2,934,563	2,323,180	657,928	2,981,108
Net International Investment Position (IIP)												
General Government	0	-98,507	-98,507	0	-103,198	-103,198	0	-108,557	-108,557	0	-115,639	-115,639
Monetary Authority ¹	0	-101,419	-101,419	0	-76,098	-76,098	0	-77,307	-77,307	0	-66,868	-66,868
Monetary Financial Institutions ²	36,995	16,607	53,602	20,880	12,132	33,012	9,391	22,276	31,667	15,122	16,571	31,693
Other Sectors ³	-13,248	6,951	-6,297	-22,533	7,342	-15,191	-3,402	5,318	1,916	-11,315	5,463	-5,852
of which:												
Other Financial Intermediaries	-13,248	73,976	60,728	-22,533	80,272	57,739	-3,402	81,328	77,926	-11,315	77,354	66,039
non-Financial Companies ⁴	0	-67,025	-67,025	0	-72,930	-72,930	0	-76,010	-76,010	0	-71,891	-71,891
Total (Net IIP)	23,747	-176,367	-152,620	-1,653	-159,822	-161,475	5,989	-158,271	-152,282	3,807	-160,469	-156,662

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 2011	Q1 2012	Q2 2012	Q3 2012
Foreign Assets				
Direct Investment Abroad ¹	242,494	255,869	261,039	271,878
Equity capital and reinvested earnings	204,946	219,087	222,478	234,459
Other capital	37,548	36,783	38,561	37,419
Portfolio Investment	1,432,908	1,542,059	1,528,164	1,566,401
Equity	437,266	470,734	474,187	486,668
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	4,123	4,130	4,242	4,359
<i>Monetary financial institutions ³</i>	520	1,117	3,113	1,225
<i>Other sectors</i>	432,623	465,486	466,832	481,085
Debt instruments	995,642	1,071,325	1,053,977	1,079,733
Bonds and notes	719,796	738,010	746,591	766,175
<i>Monetary authority ²</i>	10,751	11,610	10,522	11,173
<i>General government</i>	185	253	275	291
<i>Monetary financial institutions ³</i>	201,867	194,565	181,492	180,621
<i>Other sectors</i>	506,994	531,583	554,302	574,091
Money market instruments	275,845	333,314	307,386	313,558
<i>Monetary authority ²</i>	6,304	6,468	4,647	4,758
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	146,015	197,466	184,742	195,254
<i>Other sectors</i>	123,527	129,380	117,996	113,546
Other Investment	1,005,754	905,847	991,745	984,820
Loans, currency and deposits	818,199	723,260	795,109	787,759
<i>Monetary authority ²</i>	666	566	6,386	176
<i>General government</i>	1,778	2,522	1,910	2,362
<i>Monetary financial institutions ³</i>	379,454	294,713	335,086	324,431
<i>Other sectors</i>	436,301	425,459	451,727	460,790
Trade Credits	33,664	35,572	39,292	36,763
<i>General government</i>	0	0	0	0
<i>Other sectors</i>	33,664	35,572	39,292	36,763
Other assets ⁴	153,891	147,015	157,343	160,297
<i>Monetary authority ²</i>	0	0	-76	115
<i>General government</i>	-703	-847	-669	-920
<i>Monetary financial institutions ³</i>	65,109	54,951	59,868	55,272
<i>Other sectors</i>	89,485	92,911	98,220	105,830
Reserve assets	1,316	1,285	1,333	1,347
Monetary gold	235	240	241	266
Special drawing rights	754	743	777	771
Reserve Position in the IMF	307	300	312	309
Foreign Exchange	20	2	3	1
Other	0	0	0	0
Total Foreign Assets	2,682,472	2,705,060	2,782,281	2,824,446

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 2011	Q1 2012	Q2 2012	Q3 2012
Foreign Liabilities				
Direct Investment in Ireland ¹	194,508	206,520	212,551	225,810
Equity capital and reinvested earnings	200,098	202,836	220,176	228,690
Other capital	-5,590	3,684	-7,625	-2,880
Portfolio Investment	1,725,510	1,779,529	1,814,920	1,862,923
Equity	1,142,975	1,212,637	1,252,265	1,294,843
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	274,337	285,226	293,682	293,984
<i>Other sectors</i>	868,638	927,411	958,583	1,000,859
Debt instruments	582,535	566,892	562,655	568,081
Bonds and notes	571,762	557,318	554,105	558,590
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	67,684	62,147	61,926	65,552
<i>Monetary financial institutions ³</i>	62,839	56,354	53,046	52,238
<i>Other sectors</i>	441,238	438,818	439,132	440,800
Money market instruments	10,773	9,574	8,550	9,491
<i>Monetary authority ²</i>	0	0	0	0
<i>General government</i>	349	843	1,117	1,230
<i>Monetary financial institutions ³</i>	2,143	885	404	1,138
<i>Other sectors</i>	8,281	7,846	7,029	7,122
Other Investment	915,074	880,486	907,092	892,375
Loans, currency and deposits	686,511	652,702	659,248	634,914
<i>Monetary authority ²</i>	120,434	96,001	100,092	84,413
<i>General government</i>	35,856	46,266	51,272	54,949
<i>Monetary financial institutions ³</i>	292,621	270,086	281,377	269,734
<i>Other sectors</i>	237,599	240,348	226,507	225,818
Trade Credits	19,166	18,852	15,679	15,613
<i>General government</i>	0	0	0	0
<i>Other sectors</i>	19,166	18,852	15,679	15,613
Other liabilities ⁴	209,397	208,932	232,166	241,849
<i>Monetary authority ²</i>	22	26	27	24
<i>General government</i>	0	0	0	0
<i>Monetary financial institutions ³</i>	75,446	64,056	68,798	67,452
<i>Other sectors</i>	133,929	144,850	163,341	174,373
Total Foreign Liabilities	2,835,092	2,866,535	2,934,563	2,981,108

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.

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

€ million

Item	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Foreign Assets				
Direct Investment Abroad ¹	242,494	255,869	261,039	271,878
- IFSC	27,575	27,830	29,227	30,697
- non IFSC	214,919	228,039	231,812	241,181
Portfolio Investment	1,432,908	1,542,059	1,528,164	1,566,401
- IFSC	1,306,671	1,412,292	1,404,174	1,441,481
- non IFSC	126,237	129,767	123,990	124,920
Other Investment ²	1,005,754	905,847	991,745	984,820
- IFSC	859,894	773,260	845,789	854,809
- non IFSC	145,860	132,587	145,956	130,011
Reserve Assets	1,316	1,285	1,333	1,347
- IFSC	0	0	0	0
- non IFSC	1,316	1,285	1,333	1,347
Total Foreign Assets	2,682,472	2,705,060	2,782,281	2,824,446
- IFSC	2,194,140	2,213,382	2,279,190	2,326,987
- non IFSC	488,332	491,678	503,091	497,459
Foreign Liabilities				
Direct Investment in Ireland ¹	194,508	206,520	212,551	225,810
- IFSC	90,847	96,412	92,646	102,692
- non IFSC	103,661	110,108	119,905	123,118
Portfolio Investment	1,725,510	1,779,529	1,814,920	1,862,923
- IFSC	1,494,120	1,546,438	1,587,363	1,622,457
- non IFSC	231,390	233,091	227,557	240,466
Other Investment ²	915,074	880,486	907,092	892,375
- IFSC	585,426	572,185	593,192	598,031
- non IFSC	329,648	308,301	313,900	294,344
Total Foreign Liabilities	2,835,092	2,866,535	2,934,563	2,981,108
- IFSC	2,170,393	2,215,035	2,273,201	2,323,180
- non IFSC	664,699	651,500	661,362	657,928
Net International Investment Position (IIP)				
Direct Investment ¹	47,986	49,349	48,488	46,068
- IFSC	-63,272	-68,582	-63,419	-71,995
- non IFSC	111,258	117,931	111,907	118,063
Portfolio Investment	-292,602	-237,470	-286,756	-296,522
- IFSC	-187,449	-134,146	-183,189	-180,976
- non IFSC	-105,153	-103,324	-103,567	-115,546
Other Investment ²	90,680	25,361	84,653	92,445
- IFSC	274,468	201,075	252,597	256,778
- non IFSC	-183,788	-175,714	-167,944	-164,333
Reserve Assets	1,316	1,285	1,333	1,347
- IFSC	0	0	0	0
- non IFSC	1,316	1,285	1,333	1,347
Total (Net IIP)	-152,620	-161,475	-152,282	-156,662
- IFSC	23,747	-1,653	5,989	3,807
- non IFSC	-176,367	-159,822	-158,271	-160,469

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 2012- Reconciliation of IIP and BOP Flows

€ million

Item	Opening Position 01/07/12	Bop Flows in Quarter	Valuation and Other Changes	Closing Position 30/09/12
Foreign Assets				
Direct Investment Abroad ¹	261,039	1,974	8,865	271,878
Equity capital and reinvested earnings	222,478	1,060	10,921	234,459
Other capital	38,561	914	-2,056	37,419
Portfolio Investment	1,528,164	21,024	17,213	1,566,401
Equity	474,187	-701	13,182	486,668
Debt instruments	1,053,977	21,725	4,031	1,079,733
<i>Bonds and notes</i>	746,591	12,133	7,451	766,175
<i>Money market instruments</i>	307,386	9,592	-3,420	313,558
Other Investment	991,745	-553	-6,372	984,820
Loans, currency and deposits	795,109	-117	-7,233	787,759
Other ²	196,635	-436	861	197,060
Reserve Assets	1,333	26	-12	1,347
Total Foreign Assets	2,782,281	22,471	19,694	2,824,446
Foreign Liabilities				
Direct Investment in Ireland ¹	212,551	11,963	1,296	225,810
Equity capital and reinvested earnings	220,176	7,005	1,509	228,690
Other capital	-7,625	4,959	-214	-2,880
Portfolio Investment	1,814,920	25,207	22,796	1,862,923
Equity	1,252,265	19,756	22,822	1,294,843
Debt instruments	562,655	5,451	-25	568,081
<i>Bonds and notes</i>	554,105	4,487	-2	558,590
<i>Money market instruments</i>	8,550	964	-23	9,491
Other Investment	907,092	-15,962	1,245	892,375
Loans, currency and deposits	659,248	-23,068	-1,266	634,914
Other ²	247,845	7,106	2,511	257,462
Total Foreign Liabilities	2,934,563	21,208	25,337	2,981,108

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 2011			31 Mar 2012			30 Jun 2012			30 Sep 2012		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
General Government	0	103,889	103,889	0	109,256	109,256	0	114,315	114,315	0	121,731	121,731
Short-term	0	349	349	0	843	843	0	1,117	1,117	0	1,230	1,230
Money market instruments	0	349	349	0	843	843	0	1,117	1,117	0	1,230	1,230
Loans	0	0	0	0	0	0	0	0	0	0	0	0
Long-term	0	103,540	103,540	0	108,413	108,413	0	113,198	113,198	0	120,501	120,501
Bonds and notes	0	67,684	67,684	0	62,147	62,147	0	61,926	61,926	0	65,552	65,552
Loans	0	35,856	35,856	0	46,266	46,266	0	51,272	51,272	0	54,949	54,949
Monetary Authority²	0	120,456	120,456	0	96,027	96,027	0	100,119	100,119	0	84,437	84,437
Short-term	0	120,434	120,434	0	96,001	96,001	0	100,092	100,092	0	84,413	84,413
Loans and deposits	0	120,434	120,434	0	96,001	96,001	0	100,092	100,092	0	84,413	84,413
Long-term	0	22	22	0	26	26	0	27	27	0	24	24
Other debt liabilities	0	22	22	0	26	26	0	27	27	0	24	24
Monetary Financial Institutions³	250,068	114,543	364,611	228,813	104,378	333,191	246,512	95,203	341,715	238,816	91,388	330,204
Short-term	*	*	232,199	*	*	210,977	*	*	224,526	*	*	217,011
Money market instruments	*	*	2,143	*	*	885	*	*	404	*	*	1,138
Loans and deposits	140,944	89,112	230,056	124,750	85,342	210,092	143,891	80,231	224,122	139,719	76,154	215,873
Long-term	*	*	132,412	*	*	122,214	*	*	117,189	*	*	113,193
Bonds and notes	41,248	21,591	62,839	39,406	16,948	56,354	40,147	12,899	53,046	39,117	13,122	52,239
Loans	60,775	1,791	62,566	58,316	1,678	59,994	55,581	1,674	57,255	52,194	1,667	53,861
Other debt liabilities	*	*	7,007	*	*	5,866	*	*	6,888	*	*	7,093
Other Sectors⁴	770,701	67,917	838,618	778,145	69,836	847,981	774,596	72,000	846,596	788,963	69,539	858,502
Short-term	*	*	125,955	*	*	126,260	*	*	118,803	*	*	118,733
Money market instruments	*	*	8,281	*	*	7,846	*	*	7,029	*	*	7,123
Loans and deposits	98,039	469	98,508	99,123	439	99,562	95,410	684	96,094	95,883	114	95,997
Trade credits	11,832	7,334	19,166	11,929	6,923	18,852	8,498	7,182	15,680	8,735	6,878	15,613
Long-term	*	*	712,663	*	*	721,721	*	*	727,793	*	*	739,769
Bonds and notes	*	*	441,238	*	*	438,818	*	*	439,132	*	*	440,800
Loans	98,006	41,086	139,092	99,268	41,519	140,787	90,629	39,784	130,413	90,308	39,513	129,821
Other debt liabilities	118,380	13,953	132,333	126,207	15,909	142,116	138,705	19,543	158,248	151,444	17,704	169,148
Direct Investment⁵	177,595	105,298	282,893	166,940	104,343	271,283	166,915	116,837	283,752	166,801	116,875	283,676
Debt liabilities to affiliated enterprises	0	23,616	23,616	0	22,896	22,896	0	29,278	29,278	0	28,746	28,746
Debt liabilities to direct investors	177,595	81,682	259,277	166,940	81,447	248,387	166,915	87,559	254,474	166,801	88,129	254,930
Gross External Debt	1,198,364	512,103	1,710,467	1,173,898	483,840	1,657,738	1,188,023	498,474	1,686,497	1,194,580	483,970	1,678,550

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 2011			31 Mar 2012			30 Jun 2012			30 Sep 2012		
	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total	IFSC	non-IFSC	Total
General Government	0	1,963	1,963	0	2,775	2,775	0	2,185	2,185	0	2,654	2,654
Short-term	0	1,430	1,430	0	2,174	2,174	0	1,562	1,562	0	2,015	2,015
Money market instruments	0	0	0	0	0	0	0	0	0	0	0	0
Loans and Deposits	0	1,430	1,430	0	2,174	2,174	0	1,562	1,562	0	2,015	2,015
Long-term	0	533	533	0	601	601	0	623	623	0	639	639
Bonds and notes	0	185	185	0	253	253	0	275	275	0	291	291
Loans	0	348	348	0	348	348	0	348	348	0	348	348
Monetary Authority ²	0	17,721	17,721	0	18,644	18,644	0	21,555	21,555	0	16,107	16,107
Short-term	0	6,970	6,970	0	7,034	7,034	0	11,033	11,033	0	4,934	4,934
Money market instruments	0	6,304	6,304	0	6,468	6,468	0	4,647	4,647	0	4,758	4,758
Loans and deposits	0	666	666	0	566	566	0	6,386	6,386	0	176	176
Long-term	0	10,751	10,751	0	11,610	11,610	0	10,522	10,522	0	11,173	11,173
Bonds and notes	0	10,751	10,751	0	11,610	11,610	0	10,522	10,522	0	11,173	11,173
Monetary Financial Institutions ³	598,220	132,554	730,774	569,764	120,178	689,942	585,494	120,784	706,278	588,559	114,988	703,547
Short-term	*	*	448,851	*	*	456,993	*	*	486,389	*	*	486,797
Money market instruments	*	*	146,015	*	*	197,466	*	*	184,742	*	*	195,254
Loans and deposits	221,885	80,951	302,836	184,753	74,774	259,527	225,896	75,751	301,647	220,582	70,961	291,543
Long-term	*	*	281,923	*	*	232,949	*	*	219,889	*	*	216,750
Bonds and notes	174,001	27,866	201,867	168,595	25,970	194,565	155,936	25,556	181,492	155,511	25,110	180,621
Loans	54,024	22,594	76,618	16,684	18,502	35,186	14,997	18,442	33,439	14,999	17,890	32,889
Other debt Assets	*	*	3,438	*	*	3,198	*	*	4,958	*	*	3,240
Other Sectors ⁴	1,117,405	55,569	1,172,974	1,139,949	57,442	1,197,391	1,175,508	63,950	1,239,458	1,208,561	60,478	1,269,039
Short-term	274,230	22,828	297,058	277,037	23,533	300,570	288,177	28,863	317,040	291,687	24,425	316,112
Money market instruments	121,622	1,905	123,527	127,381	1,999	129,380	116,650	1,346	117,996	112,531	1,014	113,545
Loans and deposits	131,673	8,194	139,867	127,215	8,403	135,618	149,515	10,237	159,752	156,520	9,284	165,804
Trade credit assets	20,935	12,729	33,664	22,441	13,131	35,572	22,012	17,280	39,292	22,636	14,127	36,763
Long-term	843,175	32,741	875,916	862,912	33,909	896,821	887,331	35,087	922,418	916,874	36,053	952,927
Bonds and notes	477,772	29,222	506,994	501,164	30,419	531,583	523,224	31,078	554,302	542,344	31,746	574,090
Loans	*	*	296,434	*	*	289,841	*	*	291,976	294,179	807	294,986
Other debt Assets	*	*	72,488	*	*	75,397	*	*	76,140	80,351	3,500	83,851
Direct Investment ⁵	203,642	122,389	326,031	184,471	119,912	304,383	193,527	136,411	329,938	187,359	136,616	323,975
Debt asset claims on affiliated enterprises	0	61,164	61,164	0	59,679	59,679	0	67,839	67,839	0	66,166	66,166
Debt asset claims on direct investors	203,642	61,225	264,867	184,471	60,233	244,704	193,527	68,572	262,099	187,359	70,450	257,809
Reserve Assets	0	20	20	0	2	2	0	3	3	0	1	1
External Assets in Debt Instruments	1,919,267	330,216	2,249,483	1,894,184	318,953	2,213,137	1,954,529	344,888	2,299,417	1,984,479	330,844	2,315,323
Net External Debt ⁶	-720,903	181,887	-539,016	-720,286	164,887	-555,399	-766,506	153,586	-612,920	-789,899	153,126	-636,773

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.

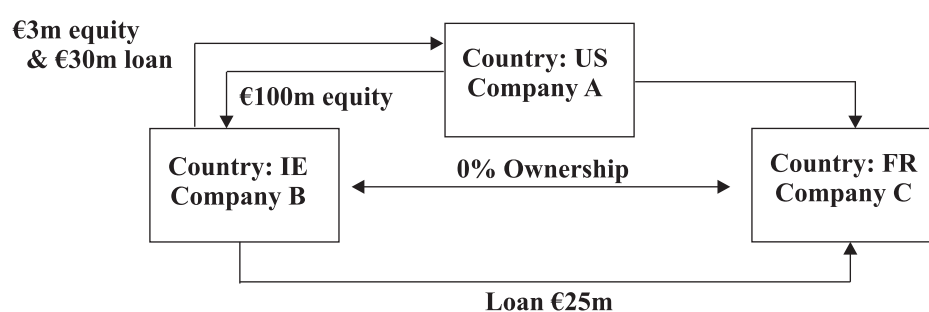
Stocks of all other financial instruments i.e. other than trade credits, loans and currency and deposits such as capital subscriptions of the participating Member States to international non-monetary organisations, changes in insurance technical reserves, offsets in respect of unsettled securities transactions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