



International Investment Position

Year	Net Assets (€m)	Net Liabilities (€m)
1998	28,000	0
1999	58,000	0
2000	8,000	0
2001	0	-8,000

	€ million		
	Assets Stock	Liabilities Stock	Net Position
End 2001	829,717	841,820	-12,103
End 2000	678,152	671,387	6,765
End 1999	546,973	490,238	56,735
End 1998	363,680	333,382	30,298

New figures show that Ireland's overall stocks of foreign assets have increased substantially from €363.7 billion at 31 December 1998 to €829.7 billion at 31 December 2001. These aggregate figures reflect a variety of investments abroad by Irish resident corporates and individuals. They include investments in equity and debt (including treasury) securities issued by non-residents as well as deposits placed in foreign banks and loans (including trade credits) advanced to corporate or individual non-residents. The tables presented classify these stocks by type of investment and by type of instrument. They also show that a substantial amount of the foreign assets were held by IFSC enterprises. Such holdings rose from €236.2 billion (or 65% of the total) in 1998 to €644.5 billion (or 78% of the total) by end-2001 – see *Tables 1, 2 and 3*.

This release introduces a new annual series of international investment position (IIP) statistics for Ireland beginning with the reference date of 31 December 1998. These new data result from CSO's improved collection and compilation arrangements for balance of payments (BOP) and related statistics over recent years and largely comply with the recognised international standards for compilation and presentation. The figures presented refer to that element of Ireland's end of year financial balance sheet which relates to claims on (i.e. assets) and obligations to (i.e. liabilities) non-residents. They are closely related to the BOP Financial Account transactions data presented in the quarterly *Balance of International Payments* Release in that the end of year asset and liability positions should be equivalent to the corresponding positions one year earlier plus the net BOP transactions but with the necessary adjustments for stock valuation changes over the period (i.e. currency exchange rate and market price changes as well as other revaluations, reclassifications or corrections). Both the BOP and IIP series show the same type of investment breakdown (i.e. *direct investment, portfolio investment, other investment and reserve assets*). Further details are given in the *Background Notes*.

Total stocks of foreign liabilities have also shown similar levels and movements i.e. from €333.4 billion at end 1998 to €841.8 billion at end 2001. The figures represent a variety of financial obligations of Irish residents to non-residents. They cover the equity and debt security liabilities of companies resident in Ireland to their foreign owners or other investors (including unit holders in mutual funds). In addition, Government foreign debt liabilities and the deposit liabilities of the banking sector as well as loan liabilities (and trade credits) to non-residents are included. The annual aggregate stocks are analysed by type of investment and by instrument type in the tables presented.

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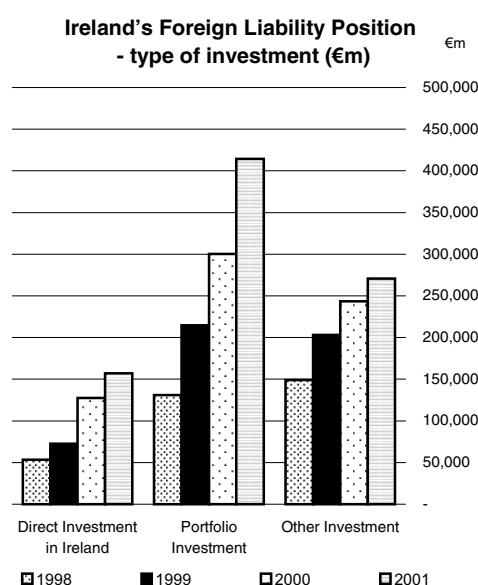
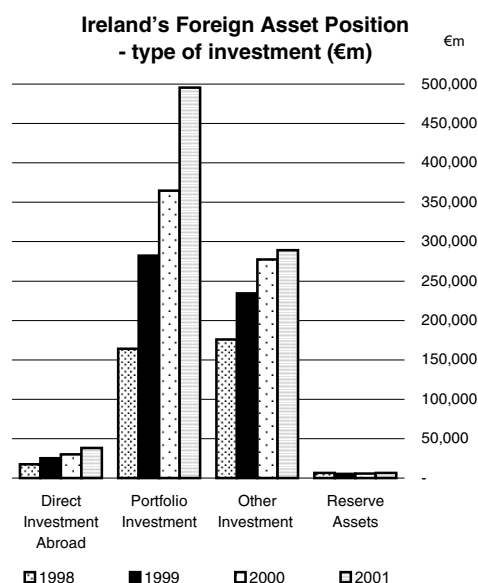
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As in the case of foreign assets, IFSC enterprises accounted for the bulk of the overall stock of foreign liabilities i.e. €228.7 billion (or 69% of the total) in 1998 and €602.0 billion (or almost 72% of the total) in 2001 – see *Tables 1, 2 and 3*.

Ireland's overall net position vis-à-vis non-residents i.e. assets *less* liabilities, has fluctuated over the reference years: net assets of €30.3 billion at end 1998, €56.7 billion in 1999 and €6.8 billion in 2000 while a net liability position of €12.1 billion resulted in 2001. IFSC enterprises also showed fluctuating net asset positions in each year i.e. €7.5 billion at end 1998, €49.9 billion in 1999, €32.1 billion in 2000 and €42.6 billion in 2001. The net positions of non-IFSC entities also showed sizeable fluctuations from net assets of €22.8 billion and €6.9 billion in 1998 and 1999 respectively to net liabilities in 2000 (€25.4 billion) and 2001 (€54.7 billion) – see *Tables 1 and 3*.

Direct Investment

Direct Investment covers those investments made to acquire a long-term interest in an enterprise. This long-term interest is defined internationally to include those investments of 10% or more by an individual investor in the equity capital of a company (see *Background Notes*). The results show the following:

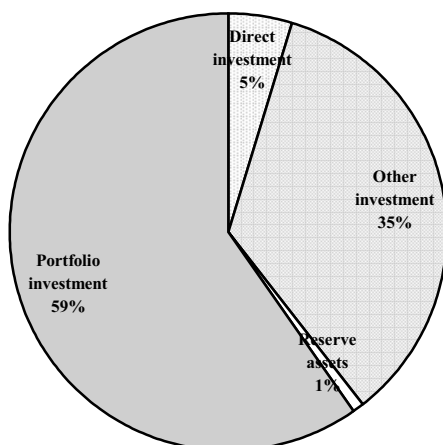
- ♦ stocks of *direct investment in Ireland* (i.e. liabilities to foreign investors) increased substantially from €53,315m in 1998 to €156,889m in 2001. They far exceeded stocks of *direct investment abroad* (i.e. foreign assets of Irish investors) which increased from €17,342m in 1998 to €38,293m in 2001. This resulted in sizeable net liabilities for the four reference years (i.e. €35,973m in 1998, €47,366m in 1999, €97,394m in 2000 and €118,596m in 2001) – see *Table 1*.
- ♦ *Equity capital and reinvested earnings* combined account for most of the value of stocks for both inward and outward investment. In 1998, the stock of *direct investment abroad/equity capital and reinvested earnings* amounted to €13,499m or 78% of the total outward direct investment; this increased to 88% or €33,882m in 2001. On the inward investment side the proportion stood at 110% or €58,801m in 1998 and at 94% or €147,881m in 2001. It is worth noting that for 1998 and 1999 the negative positions (i.e. €5,486m and €10,393m) shown under *direct investment/other capital* arose from loans advanced to non-resident affiliates by IFSC treasury operations. These loans exceeded any corresponding borrowings under this heading, being funded largely from non-related third party lenders (and captured as liabilities under *other investment*). This continued in 2000 and 2001 but is not explicitly obvious in the data for these years because of the impact of other direct investment transactions – see *Table 2*.
- ♦ while IFSC enterprises as a group have only recently become involved in outward direct investment (€3,851m in 2001) they are significant in terms of inward direct investment. In 1998, they accounted for €37,329m or 70% of such investment, €41,671m or 57% in 1999, €57,025m or 45% in 2000 and €58,514m or 37% in 2001 – see *Table 3*.
- ♦ the lower inward direct investment BOP flows in 2001 (i.e. €17,524m) compared with 2000 (i.e. €28,706m) account mainly for the relatively modest increase in the overall stock of *direct investment in Ireland* from €127,405m to €156,889m over the same period – see *Tables 4b and 4c*.

Portfolio Investment

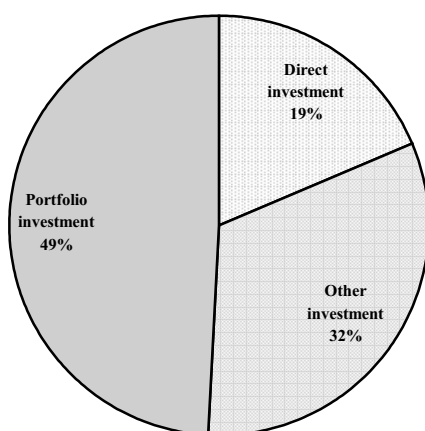
Portfolio investment covers investments in tradable securities i.e. *equity* securities (such as stocks, ordinary shares, participating preference shares, depositary receipts, units in mutual funds, etc) and *debt instruments* (such as bonds, debentures, non-participating preference shares, asset-backed securities, treasury notes, bankers' acceptances, certificates of deposit, promissory notes, etc) – see *Background Notes*. The following may be noted – see *Tables 1, 2 and 3*:

- ♦ stocks of *portfolio investment* assets increased steadily over the period shown, the end-1998 level being €163,961m while the end-2001 position was €495,688m; liability stocks showed a generally similar trend increasing from the end-1998 level of €130,882m to €414,217m at 31 December 2001. A net asset position for portfolio investment is shown for each year, rising from €33,079m in 1998 to €81,471m in 2001.

Ireland's Foreign Asset Position 2001
- type of investment (%)



Ireland's Foreign Liability Position 2001
- type of investment (%)



- ◆ for *portfolio investment* assets, the investment policy of resident investors fluctuated to a notable extent over the four years' data shown. In 1998, about 32% of total stocks of outward portfolio investment (assets) was accounted for by *equity* (€52,098m). This increased to 42% in 1999 (€118,251m), dropped to 39% in 2000 (€140,675m) and, at 31% (€154,357m) in 2001, roughly reverted to the end-1998 proportion. *Bonds and notes* (i.e. long term debt instruments with an original maturity of over 1 year) represented 50% (€82,390m) of total portfolio type assets in 1998, dropped back to 41% (€116,179m) the following year and increased modestly in 2000 (42% or €152,178m) and 2001 (43% or €214,086m). Stocks of investments in *money market instruments* (i.e. short-term debt instruments having an original maturity of 1 year or under) showed marked increases over the two most recent years i.e. 20% (or €72,014m) in 2000 and 26% (or €127,245m) in 2001 compared to 18% (or €29,473m) in 1998 and 17% (or €47,781m) in 1999. This reflects the move from higher risk equity investment to lower risk more liquid instruments.
- ◆ For *portfolio investment* liabilities, stocks of *equity* (including units issued by mutual funds and similar collective investment operations) accounted for the bulk of overall portfolio investment and showed an increasing proportion of the total: 72% (or €94,012m) in 1998; 75% (or €159,910m) in 1999; 78% (or €235,748m) in 2000 and 80% (or €330,330m) in 2001. *Bonds and notes* showed a declining proportion of total portfolio liabilities: from 18% (or €23,184m) in 1998, to 16% in 1999, 12% in 2000 and 10% (or €39,935m) in 2001. The proportions of total liabilities accounted for by *money market instruments* remained relatively stable (10% or €13,686m in 1998 and 11% or €43,952m in 2001) over the four years.
- ◆ IFSC enterprises accounted for the bulk of the stock of portfolio investment both for assets and liabilities. In the case of assets, in 1998 IFSC enterprises (mainly collective investment institutions) held stocks amounting to €120,562m or almost 74% of the portfolio investment total. At end-2001 these holdings had changed to €432,395m or 87% of the total. For liabilities, the 1998 data show that these enterprises accounted for €85,335m or 65% of total stock of portfolio investment liabilities. This had increased to €353,439m or 85% of the total at the end of 2001.

Other Investment

Other investment mainly covers loans and deposits but also includes trade credits and financial derivative contracts. The data presented show that (see Tables 1, 2 and 3):

- ◆ In 1998, the stock of *other investment* assets, was €175,943m; the stock of corresponding liabilities (under *other investment*) was €149,185m. These stock levels increased steadily and at end-2001 stood at €289,336m on the assets side and at €270,714m for liabilities. Net asset positions resulted each year: €26,758m in 1998 rising to €33,950m in 2000 and reducing to €18,622m in 2001.
- ◆ On both the assets and liabilities sides, *loans, currency and deposits* accounted for over 80% of the stock totals in the three most recent reference years (e.g. in 2001 this item accounted for €235,748m or 81% of other investment assets while, for liabilities, it accounted for €236,069m or 87% of the total).
- ◆ IFSC enterprises, as for portfolio investment stocks, accounted for the vast majority of the *other investment* item both for assets and liabilities. In 2001, these enterprises had asset stocks of €208,268m (or 72% of the total) and slightly lower liability stocks of €190,003m (or 70% of the total).

Reserve Assets

- ◆ *Reserve assets* changed little over the three-year period, the end-1998 stocks being €6,434m while the end-2001 stocks were €6,400m – see Table 1. It should be noted that the *reserve assets* data shown for 31 December 1998 reflect the situation on 1 January 1999 following both the introduction of the Euro currency and also the introduction of the new ECB definition of

reserve assets which applied from that date. Certain assets which were formerly classified as reserve assets up to 31 December 1998 were, under the new definition, reclassified to portfolio investment on 1 January 1999.

Reconciliation of IIP stocks and annual BOP flows (*see Table 4*)

While it is very 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* – not shown in this table – is large), Tables 4a (for 1999), 4b (for 2000) and 4c (for 2001) make a tentative attempt to reflect the results of this exercise.

Future analytical details

This is an introductory presentation of new data. The results will be published regularly on an annual basis and it is intended to provide additional analyses in due course. These will cover geographical and sectoral details at first.

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

€ million

Item	1998	1999	2000	2001
Ireland's Foreign Assets				
Direct Investment Abroad ¹	17,342	25,116	30,011	38,293
Portfolio Investment	163,961 ²	282,211	364,867	495,688
Other Investment ³	175,943	234,291	277,467	289,336
Reserve Assets	6,434 ²	5,355	5,807	6,400
Total Foreign Assets	363,680	546,973	678,152	829,717
Ireland's Foreign Liabilities				
Direct Investment in Ireland ¹	53,315	72,482	127,405	156,889
Portfolio Investment	130,882	214,571	300,465	414,217
Other Investment ³	149,185	203,185	243,517	270,714
Total Foreign Liabilities	333,382	490,238	671,387	841,820
Ireland's Net International Investment Position (IIP)				
Direct Investment ¹	-35,973	-47,366	-97,394	-118,596
Portfolio Investment	33,079 ²	67,640	64,402	81,471
Other Investment ³	26,758	31,106	33,950	18,622
Reserve Assets	6,434 ²	5,355	5,807	6,400
Total (Net IIP)	30,298	56,735	6,765	-12,103

¹ Reflecting the so-called directional principle for reclassifying Direct Investment (see background notes)² Reflects the introduction of the Euro on 1 January 1999 and the resulting re-classification of part of Reserve Assets under Portfolio Investment³ Includes financial derivatives and trade credits

Table 2 - International Investment Position - Detailed Data

€ million

Item	1998	1999	2000	2001
Ireland's Foreign Assets				
Direct Investment Abroad¹	17,342	25,116	30,011	38,293
Equity capital and reinvested earnings	13,499	20,624	25,528	33,882
Other capital	3,843	4,492	4,483	4,411
Portfolio Investment	163,961	282,211	364,867	495,688
Equity	52,098	118,251	140,675	154,357
Debt instruments	111,863 ²	163,960	224,192	341,331
<i>Bonds and notes</i>	<i>82,390</i>	<i>116,179</i>	<i>152,178</i>	<i>214,086</i>
<i>Money market instruments</i>	<i>29,473</i>	<i>47,781</i>	<i>72,014</i>	<i>127,245</i>
Other Investment	175,943	234,291	277,467	289,336
Loans, currency and deposits	138,683	190,634	223,624	235,748
Other ³	37,260	43,657	53,843	53,588
Reserve Assets	6,434 ²	5,355	5,807	6,400
Total Foreign Assets	363,680	546,973	678,152	829,717
Ireland's Foreign Liabilities				
Direct Investment in Ireland¹	53,315	72,482	127,405	156,889
Equity capital and reinvested earnings	58,801	82,875	105,693	147,881
Other capital	-5,486	-10,393	21,712	9,008
Portfolio Investment	130,882	214,571	300,465	414,217
Equity	94,012	159,910	235,748	330,330
Debt instruments	36,870	54,661	64,717	83,887
<i>Bonds and notes</i>	<i>23,184</i>	<i>33,500</i>	<i>37,283</i>	<i>39,935</i>
<i>Money market instruments</i>	<i>13,686</i>	<i>21,161</i>	<i>27,434</i>	<i>43,952</i>
Other Investment	149,185	203,185	243,517	270,714
Loans, currency and deposits	125,731	178,922	212,662	236,069
Other ³	23,454	24,263	30,855	34,645
Total Foreign Liabilities	333,382	490,238	671,387	841,820
Ireland's Net International Investment Position (IIP)				
Direct Investment¹	-35,973	-47,366	-97,394	-118,596
Equity capital and reinvested earnings	-45,302	-62,251	-80,165	-113,999
Other capital	9,329	14,885	-17,229	-4,597
Portfolio Investment	33,079	67,640	64,402	81,471
Equity	-41,914	-41,659	-95,073	-175,973
Debt instruments	74,993 ²	109,299	159,475	257,444
<i>Bonds and notes</i>	<i>59,206</i>	<i>82,679</i>	<i>114,895</i>	<i>174,151</i>
<i>Money market instruments</i>	<i>15,787</i>	<i>26,620</i>	<i>44,580</i>	<i>83,293</i>
Other Investment	26,758	31,106	33,950	18,622
Loans, currency and deposits	12,952	11,712	10,962	-321
Other ³	13,806	19,394	22,988	18,943
Reserve Assets	6,434 ²	5,355	5,807	6,400
Total (Net IIP)	30,298	56,735	6,765	-12,103

¹Reflecting the so-called directional principle for reclassifying Direct Investment (see background notes)²Reflects the introduction of the Euro on 1 January 1999 and the resulting re-classification of part of Reserve Assets under Portfolio Investment³Includes financial derivatives and trade credits

Table 3 – International Investment Position (IIP) showing IFSC and non-IFSC activity

€ million

Item	1998	1999	2000	2001
Ireland's Foreign Assets				
Direct Investment Abroad ¹	17,342	25,116	30,011	38,293
- IFSC	0	0	0	3,851
- non IFSC	17,342	25,116	30,011	34,442
Portfolio Investment	163,961	282,211	364,867	495,688
- IFSC	120,562	229,245	303,835	432,395
- non IFSC	43,399 ²	52,966	61,032	63,293
Other Investment ³	175,943	234,291	277,467	289,336
- IFSC	115,672	176,173	201,564	208,268
- non IFSC	60,271	58,118	75,903	81,068
Reserve Assets	6,434 ²	5,355	5,807	6,400
- IFSC	0	0	0	0
- non IFSC	6,434	5,355	5,807	6,400
Total Foreign Assets	363,680	546,973	678,152	829,717
- IFSC	236,234	405,418	505,399	644,514
- non IFSC	127,446	141,555	172,753	185,203
Ireland's Foreign Liabilities				
Direct Investment in Ireland ¹	53,315	72,482	127,405	156,889
- IFSC	37,329	41,671	57,025	58,514
- non IFSC	15,986	30,811	70,380	98,375
Portfolio Investment	130,882	214,571	300,465	414,217
- IFSC	85,335	173,569	245,837	353,439
- non IFSC	45,547	41,002	54,628	60,778
Other Investment ³	149,185	203,185	243,517	270,714
- IFSC	106,071	140,327	170,416	190,003
- non IFSC	43,114	62,858	73,101	80,711
Total Foreign Liabilities	333,382	490,238	671,387	841,820
- IFSC	228,735	355,567	473,278	601,955
- non IFSC	104,647	134,671	198,109	239,865
Ireland's Net International Investment Position (IIP)				
Direct Investment ¹	-35,973	-47,366	-97,394	-118,596
- IFSC	-37,329	-41,671	-57,025	-54,662
- non IFSC	1,356	-5,695	-40,369	-63,934
Portfolio Investment	33,079	67,640	64,402	81,471
- IFSC	35,227	55,676	57,998	78,956
- non IFSC	-2,148 ²	11,964	6,404	2,515
Other Investment ³	26,758	31,106	33,950	18,622
- IFSC	9,601	35,846	31,148	18,265
- non IFSC	17,157	-4,740	2,802	357
Reserve Assets	6,434 ²	5,355	5,807	6,400
- IFSC	0	0	0	0
- non IFSC	6,434	5,355	5,807	6,400
Total (Net IIP)	30,298	56,735	6,765	-12,103
- IFSC	7,499	49,851	32,121	42,559
- non IFSC	22,799	6,884	-25,356	-54,662

¹ Reflecting the so-called directional principle for reclassifying Direct Investment (see background notes)² Reflects the introduction of the Euro on 1 January 1999 and the resulting re-classification of part of Reserve Assets under Portfolio Investment³ Includes financial derivatives and trade credits

Table 4a - International Investment Position (IIP) - 1999 - Reconciliation of IIP and BOP Flows

€ million

Item	Opening Position 1/1/99	Bop Flows in Year	Valuation and Other Changes	Closing Position 31/12/99
Ireland's Foreign Assets				
Direct Investment Abroad¹	17,342	5,734	2,040	25,116
Equity capital and reinvested earnings	13,499	6,242	883	20,624
Other capital	3,843	-508	1,157	4,492
Portfolio Investment	163,961	78,019	40,231	282,211
Equity	52,098	34,329	31,824	118,251
Debt instruments	111,863 ²	43,691	8,406	163,960
<i>Bonds and notes</i>	<i>82,390</i>	<i>29,737</i>	<i>4,052</i>	<i>116,179</i>
<i>Money market instruments</i>	<i>29,473</i>	<i>13,953</i>	<i>4,355</i>	<i>47,781</i>
Other Investment	175,943	36,055	22,293	234,291
Loans, currency and deposits	138,683	31,892	20,059	190,634
Other ³	37,260	4,163	2,234	43,657
Reserve Assets	6,434 ²	-1,746	667	5,355
Total Foreign Assets	363,680	118,062	65,231	546,973
Ireland's Foreign Liabilities				
Direct Investment in Ireland¹	53,315	17,365	1,802	72,482
Equity capital and reinvested earnings	58,801	16,196	7,878	82,875
Other capital	-5,486	1,170	-6,077	-10,393
Portfolio Investment	130,882	63,677	20,012	214,571
Equity	94,012	49,310	16,588	159,910
Debt instruments	36,870	14,367	3,424	54,661
<i>Bonds and notes</i>	<i>23,184</i>	<i>7,382</i>	<i>2,934</i>	<i>33,500</i>
<i>Money market instruments</i>	<i>13,686</i>	<i>6,985</i>	<i>490</i>	<i>21,161</i>
Other Investment	149,185	35,081	18,919	203,185
Loans, currency and deposits	125,731	33,256	19,935	178,922
Other ³	23,454	1,825	-1,016	24,263
Total Foreign Liabilities	333,382	116,123	40,733	490,238

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

² Reflects the introduction of the Euro on 1 January 1999 and the resulting re-classification of part of Reserve Assets under Portfolio Investment

³ Includes financial derivatives and trade credits

Table 4b - International Investment Position (IIP) - 2000 - Reconciliation of IIP and BOP Flows

€ million

Item	Opening Position 1/1/00	Bop Flows in Year	Valuation and Other Changes	Closing Position 31/12/00
Ireland's Foreign Assets				
Direct Investment Abroad¹	25,116	5,024	-129	30,011
Equity capital and reinvested earnings	20,624	5,190	-286	25,528
Other capital	4,492	-166	157	4,483
Portfolio Investment	282,211	89,246	-6,590	364,867
Equity	118,251	31,238	-8,814	140,675
Debt instruments	163,960	58,008	2,224	224,192
<i>Bonds and notes</i>	<i>116,179</i>	<i>32,495</i>	<i>3,504</i>	<i>152,178</i>
<i>Money market instruments</i>	<i>47,781</i>	<i>25,513</i>	<i>-1,280</i>	<i>72,014</i>
Other Investment	234,291	39,802	3,374	277,467
Loans, currency and deposits	190,634	32,811	179	223,624
Other ²	43,657	6,991	3,195	53,843
Reserve Assets	5,355	142	310	5,807
Total Foreign Assets	546,973	134,214	-3,035	678,152
Ireland's Foreign Liabilities				
Direct Investment in Ireland¹	72,482	28,706	26,217	127,405
Equity capital and reinvested earnings	82,875	-4,119	26,937	105,693
Other capital	-10,393	32,826	-721	21,712
Portfolio Investment	214,571	83,888	2,006	300,465
Equity	159,910	75,043	795	235,748
Debt instruments	54,661	8,845	1,211	64,717
<i>Bonds and notes</i>	<i>33,500</i>	<i>1,680</i>	<i>2,103</i>	<i>37,283</i>
<i>Money market instruments</i>	<i>21,161</i>	<i>7,165</i>	<i>-892</i>	<i>27,434</i>
Other Investment	203,185	30,765	9,567	243,517
Loans, currency and deposits	178,922	30,345	3,395	212,662
Other ²	24,263	420	6,172	30,855
Total Foreign Liabilities	490,238	143,359	37,790	671,387

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

² Includes financial derivatives and trade credits

Table 4c - International Investment Position (IIP) - 2001 - Reconciliation of IIP and BOP Flows

€ million

Item	Opening Position 1/1/01	Bop Flows in Year	Valuation and Other Changes	Closing Position 31/12/01
Ireland's Foreign Assets				
Direct Investment Abroad¹	30,011	6,553	1,729	38,293
Equity capital and reinvested earnings	25,528	6,535	1,819	33,882
Other capital	4,483	18	-90	4,411
Portfolio Investment	364,867	124,059	6,762	495,688
Equity	140,675	27,515	-13,833	154,357
Debt instruments	224,192	96,544	20,595	341,331
<i>Bonds and notes</i>	<i>152,178</i>	<i>51,437</i>	<i>10,471</i>	<i>214,086</i>
<i>Money market instruments</i>	<i>72,014</i>	<i>45,107</i>	<i>10,124</i>	<i>127,245</i>
Other Investment	277,467	16,744	-4,875	289,336
Loans, currency and deposits	223,624	10,625	1,499	235,748
Other ²	53,843	6,119	-6,374	53,588
Reserve Assets	5,807	441	152	6,400
Total Foreign Assets	678,152	147,797	3,768	829,717
Ireland's Foreign Liabilities				
Direct Investment in Ireland¹	127,405	17,524	11,960	156,889
Equity capital and reinvested earnings	105,693	22,827	19,361	147,881
Other capital	21,712	-5,304	-7,400	9,008
Portfolio Investment	300,465	104,166	9,586	414,217
Equity	235,748	86,760	7,822	330,330
Debt instruments	64,717	17,406	1,764	83,887
<i>Bonds and notes</i>	<i>37,283</i>	<i>4,096</i>	<i>-1,444</i>	<i>39,935</i>
<i>Money market instruments</i>	<i>27,434</i>	<i>13,310</i>	<i>3,208</i>	<i>43,952</i>
Other Investment	243,517	27,323	-126	270,714
Loans, currency and deposits	212,662	23,643	-236	236,069
Other ²	30,855	3,680	110	34,645
Total Foreign Liabilities	671,387	149,013	21,420	841,820

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

² Includes financial derivatives and trade credits

Background Notes

Introduction Over recent years Ireland's balance of payments (BOP) quarterly statistical compilation system has been substantially revamped and improved in line with accepted international standards in order to strengthen basic data collection and compilation and to facilitate the production of a wider range of results for analytical purposes. A new quarterly (and annual) series of balance of payments results emerging from the new system was published in May 2000. These results expanded the amount of detail available and, in particular, provided financial account data on a functional basis (i.e. identifying direct, portfolio and other investment transactions in balance of payments assets and liabilities). As part of the overall expansion of the information now available, this new Release provides details of Ireland's *International Investment Position* (IIP). The data presented concern the economy's end of year 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. In addition, the information is being made available to different international organisations (i.e. the ECB, Eurostat, IMF and OECD) to meet their varied requirements.

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) which was prepared in close co-operation with the European Commission (Eurostat), the OECD and other international organisations and 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*).

Data collection The data required are collected quarterly on a statutory basis by means of surveys and other data collection arrangements conducted under the Statistics (Balance of Payments) Order, 2001 made under the Statistics Act, 1993. These surveys are also used to collect quarterly balance of payments information, the combination of both stock and the related flow data reporting on a single form facilitating the greater reconciliation of both types of information. While the balance of payments flow data are published quarterly, the stock or international investment position (IIP) statistics are being published annually with a reference date of 31 December.

The survey collection system covers both financial and non-financial enterprises and was largely introduced in 1998. The financial enterprise surveys cover banking, insurance, asset financing, treasury, institutional investment, activities of mutual funds, unit trusts and similar collective investment operations, broking and other service provision. Financial enterprises, including those operating in the International Financial Services Centre (IFSC) in Dublin, engaged in transactions with non-residents are required to make returns. Respondents are required to supply the data using either paper or electronic media. Exhaustive coverage is aimed at but, in order to reduce reporting burden, companies with low activity volumes may, on approval from the CSO, provide annual data. Overall, about 5,000 financial entities are surveyed.

Manufacturing and non-financial service enterprises have been reporting for balance of payments purposes to CSO for a number of years. The surveys directed towards these enterprises were re-designed in 1996 to meet the new conceptual and geographical analysis requirements. 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.

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 associated with the recently established National Pensions Reserve Fund. In addition, the Central Bank of Ireland supplies information on reserve assets and other foreign assets/liabilities flows and stocks.

**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.).

**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 is 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.

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 investment by parent companies resident in Ireland in their foreign branches,

subsidiaries and associated companies. *Direct investment in Ireland* covers the investment by foreign companies in their affiliates located in Ireland.

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. 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. For IIP purposes, all receipts and payments concerning financial derivative contracts are recorded appropriately as either assets or liabilities under *other investment*. 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.

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). 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. For further analytical purposes, Table 2 shows a breakdown of the results by type of instrument while Table 3 provides an analysis of IFSC and non-IFSC foreign assets and liabilities. Table 4 of the Release shows a reconciliation of the annual stocks and BOP flows over individual reference calendar year periods. 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-year 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. For any year, the opening position for each item is the IIP figure for the corresponding item at 31 December of the previous year; the closing position for an item is the IIP for that item at 31 December of that same year.

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 4 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 4 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 (31 December) 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.