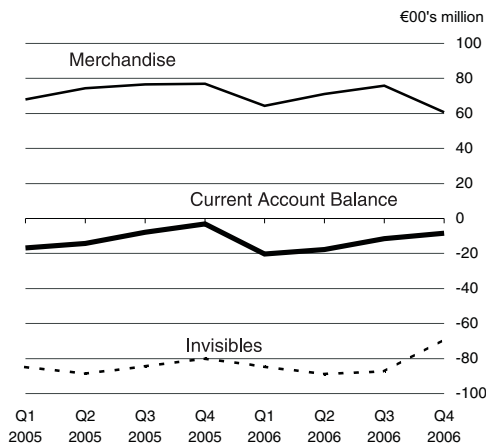




## Balance of International Payments Quarter 4 and Year 2006

### Current Account



	€ million		
	Merchandise Balance	Invisibles Balance	Current Account Balance
<b>Q4 2006</b>	6,072	-6,910	-839
<b>Q4 2005</b>	7,705	-8,012	-307
<b>Year 2006</b>	27,207	-32,994	-5,788
<b>Year 2005</b>	29,606	-33,806	-4,200

### Current account deficit down to €839m in 4<sup>th</sup> Quarter

The fourth quarter of 2006 showed a current account deficit of €839m, half a billion higher than that for the same quarter of 2005, but continuing the trend of reducing deficits during 2006. For 2006 as a whole, however, the sizeable deficit of €5,788m was over €1.5 billion higher than that for 2005 (€4,200m) - see Table 1. When corresponding quarters are compared, the general trend of declining *merchandise* surpluses continued in the fourth quarter of 2006 and at €6,072m was down €1.6 billion on that for the same quarter in 2005. In contrast for the same two quarters, the deficit on *services* at €2,310m was over half a billion lower while net factor income outflows at €5,352m were €600m lower. For the year 2006, the *merchandise* surplus of €27,207m was down about €2.4 billion on 2005, while the *services* deficit at €8,280m was €1.8 billion lower. Net factor income outflows of €24,572m were up slightly (€256m) on the figure of €24,316m for 2005.

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Other points of note in the fourth quarter 2006 results are:

#### Current account (see Table 2a)

- ◆ *Merchandise* exports of €21,644m were almost €1 billion lower than for the same quarter in 2005 but remained relatively flat throughout 2006; imports at €15,572m were over €600m higher.
- ◆ *Services* exports at €14,078m were over €1.7 billion higher than for the same period in 2005, much of the increase being due to higher receipts from *insurance*, *financial services* and *trade related services*. *Insurance* and *financial services* also accounted for much of the increase of €1.1 billion in service imports (€16,389m).
- ◆ *Direct investment income* outflows at €7,755m (mostly profits) were over €500m lower than in the 4<sup>th</sup> quarter 2005 while the corresponding inflows at €2,446m were over €400m higher.

#### Financial account (see Table 2b)

- ◆ A significant outflow of *direct investment* (€8,305m) occurred in the fourth quarter continuing the trend of investment in foreign enterprises. Large dividend payments of €6,739m by Irish-based foreign-owned enterprises resulted in lower *reinvested earnings* (€641m) in Ireland, the total inward direct investment being €1,745m.
- ◆ *Portfolio investment* liability transactions (mostly IFSC-related) at €60,375m in the 4<sup>th</sup> quarter were broadly similar to the previous quarter. Asset transactions at €37,022m, however, continued the oscillating trend seen over recent quarters.

For more information contact John Fitzpatrick at 01 498 4366, Stephen Treacy at 01 498 4076 or Stephen McDonagh at 01 498 4364.

Table 1a – Summary of Current and Capital Account Balances

€ million

Period	Merchandise <sup>1</sup>	Invisibles				Balance on Current Account	Balance on Capital Account	
		Services	Income	Current Transfers	Total			
1998	Year	17,510	-8,820	-9,382	1,319	-16,883	<b>627</b>	<b>840</b>
1999	Year	22,170	-10,176	-12,945	1,177	-21,944	<b>226</b>	<b>560</b>
2000	Year	27,266	-13,889	-14,750	994	-27,645	<b>-379</b>	<b>1,182</b>
2001	Year	30,494	-13,259	-18,295	305	-31,249	<b>-757</b>	<b>703</b>
2002	Year	35,442	-13,779	-23,664	707	-36,736	<b>-1,295</b>	<b>512</b>
2003	Year	32,604	-11,091	-21,947	432	-32,606	<b>-2</b>	<b>93</b>
2004	Year	31,423	-10,203	-22,481	393	-32,291	<b>-867</b>	<b>279</b>
2005	Year	29,606	-10,091	-24,316	601	-33,806	<b>-4,200</b>	<b>266</b>
2006	Year	27,207	-8,280	-24,572	-142	-32,994	<b>-5,788</b>	<b>222</b>
1998	Quarter 1	3,823	-2,184	-2,071	259	-3,996	<b>-173</b>	<b>91</b>
	Quarter 2	4,130	-1,845	-2,418	404	-3,859	<b>271</b>	<b>39</b>
	Quarter 3	4,883	-1,908	-2,698	235	-4,371	<b>512</b>	<b>336</b>
	Quarter 4	4,675	-2,882	-2,195	422	-4,655	<b>20</b>	<b>374</b>
1999	Quarter 1	4,915	-2,548	-2,581	277	-4,852	<b>63</b>	<b>133</b>
	Quarter 2	5,131	-2,492	-2,987	342	-5,137	<b>-6</b>	<b>40</b>
	Quarter 3	6,114	-2,516	-3,792	163	-6,145	<b>-31</b>	<b>4</b>
	Quarter 4	6,010	-2,621	-3,585	395	-5,811	<b>199</b>	<b>383</b>
2000	Quarter 1	5,457	-2,887	-3,326	324	-5,889	<b>-432</b>	<b>300</b>
	Quarter 2	6,447	-3,188	-3,007	253	-5,942	<b>505</b>	<b>192</b>
	Quarter 3	7,351	-3,406	-4,091	-92	-7,589	<b>-238</b>	<b>-12</b>
	Quarter 4	8,011	-4,408	-4,326	509	-8,225	<b>-214</b>	<b>702</b>
2001	Quarter 1	6,771	-3,413	-3,929	64	-7,278	<b>-508</b>	<b>300</b>
	Quarter 2	8,089	-3,354	-4,748	-13	-8,115	<b>-26</b>	<b>76</b>
	Quarter 3	8,085	-3,085	-4,816	-57	-7,958	<b>126</b>	<b>9</b>
	Quarter 4	7,549	-3,407	-4,802	311	-7,898	<b>-349</b>	<b>318</b>
2002	Quarter 1	8,977	-3,845	-5,837	-36	-9,718	<b>-741</b>	<b>-14</b>
	Quarter 2	8,598	-3,683	-6,290	131	-9,842	<b>-1,244</b>	<b>2</b>
	Quarter 3	9,265	-3,493	-5,529	-68	-9,090	<b>174</b>	<b>9</b>
	Quarter 4	8,602	-2,758	-6,008	680	-8,086	<b>516</b>	<b>515</b>
2003	Quarter 1	7,622	-2,472	-5,815	-89	-8,376	<b>-753</b>	<b>0</b>
	Quarter 2	8,421	-2,747	-5,634	48	-8,333	<b>88</b>	<b>-38</b>
	Quarter 3	8,338	-3,084	-5,061	-89	-8,234	<b>103</b>	<b>-192</b>
	Quarter 4	8,223	-2,788	-5,437	562	-7,663	<b>560</b>	<b>323</b>
2004	Quarter 1	8,143	-2,588	-5,601	-61	-8,250	<b>-107</b>	<b>-22</b>
	Quarter 2	8,142	-2,488	-5,867	64	-8,291	<b>-149</b>	<b>-57</b>
	Quarter 3	7,763	-2,700	-5,409	-13	-8,122	<b>-359</b>	<b>19</b>
	Quarter 4	7,375	-2,427	-5,604	403	-7,628	<b>-252</b>	<b>339</b>
2005	Quarter 1	6,805	-2,287	-5,950	-243	-8,480	<b>-1,676</b>	<b>80</b>
	Quarter 2	7,440	-2,082	-7,019	237	-8,864	<b>-1,424</b>	<b>-20</b>
	Quarter 3	7,656	-2,833	-5,391	-226	-8,450	<b>-793</b>	<b>17</b>
	Quarter 4	7,705	-2,889	-5,956	833	-8,012	<b>-307</b>	<b>189</b>
2006	Quarter 1	6,442	-1,905	-6,177	-384	-8,466	<b>-2,024</b>	<b>73</b>
	Quarter 2	7,106	-2,332	-6,263	-281	-8,876	<b>-1,770</b>	<b>3</b>
	Quarter 3	7,587	-1,733	-6,780	-229	-8,742	<b>-1,155</b>	<b>5</b>
	Quarter 4	6,072	-2,310	-5,352	752	-6,910	<b>-839</b>	<b>141</b>

<sup>1</sup> Adjusted for balance of payment purposes

**Table 1b – Summary of Financial Account Balances and Net Errors and Omissions** € million

Period	Direct Investment	Portfolio Investment	Other <sup>1</sup> Investment	Reserve Assets	Balance on Financial Account	Net errors and omissions	
1998	Year	4,422	-8,466	7,459	-2,280	<b>1,135</b>	-2,602
1999	Year	11,359	-14,342	-974	1,746	<b>-2,211</b>	1,425
2000	Year	22,957	-5,358	-9,037	-142	<b>8,420</b>	-9,223
2001	Year	6,241	-25,158	19,039	-441	<b>-319</b>	372
2002	Year	19,444	-37,979	19,263	343	<b>1,070</b>	-287
2003	Year	15,270	-39,977	21,567	1,770	<b>-1,372</b>	1,280
2004	Year	-23,095	14,287	11,430	1,177	<b>3,801</b>	-3,212
2005	Year	-35,945	53,560	-20,040	1,472	<b>-954</b>	4,889
2006	Year	-7,406	-15,574	30,591	139	<b>7,750</b>	-2,180
1998	Quarter 1	1,497	-1,255	1,939	-165	<b>2,016</b>	-1,935
	Quarter 2	1,965	-1,301	106	-1,011	<b>-241</b>	-67
	Quarter 3	2,393	-5,411	4,245	-333	<b>894</b>	-1,741
	Quarter 4	-1,433	-498	1,169	-771	<b>-1,533</b>	1,140
1999	Quarter 1	4,215	-4,805	884	1,887	<b>2,181</b>	-2,377
	Quarter 2	2,019	-5,227	-1,734	-93	<b>-5,035</b>	5,001
	Quarter 3	3,789	-4,390	-12	13	<b>-600</b>	627
	Quarter 4	1,336	79	-112	-61	<b>1,242</b>	-1,824
2000	Quarter 1	2,317	-5,222	3,728	39	<b>862</b>	-730
	Quarter 2	6,184	4,761	-7,128	-55	<b>3,762</b>	-4,459
	Quarter 3	6,819	-5,814	2,652	-38	<b>3,619</b>	-3,369
	Quarter 4	7,636	917	-8,289	-88	<b>176</b>	-664
2001	Quarter 1	-403	1,851	-3,318	-67	<b>-1,937</b>	2,145
	Quarter 2	4,368	-6,594	3,774	-199	<b>1,349</b>	-1,399
	Quarter 3	1,960	-11,644	11,067	-45	<b>1,338</b>	-1,474
	Quarter 4	316	-8,771	7,516	-130	<b>-1,069</b>	1,100
2002	Quarter 1	6,205	-13,891	9,680	265	<b>2,258</b>	-1,503
	Quarter 2	1,379	941	-2,345	236	<b>211</b>	1,032
	Quarter 3	8,473	-11,496	4,692	-130	<b>1,539</b>	-1,723
	Quarter 4	3,387	-13,533	7,236	-28	<b>-2,938</b>	1,907
2003	Quarter 1	4,065	-8,773	3,197	1,818	<b>308</b>	445
	Quarter 2	11,407	-10,431	-1,876	-43	<b>-943</b>	893
	Quarter 3	3,830	-23,201	18,913	-84	<b>-544</b>	633
	Quarter 4	-4,032	2,428	1,333	79	<b>-193</b>	-691
2004	Quarter 1	-8,076	10,665	-5,684	1,189	<b>-1,905</b>	2,035
	Quarter 2	-4,869	9,346	-4,281	135	<b>331</b>	-125
	Quarter 3	158	-4,805	7,694	-129	<b>2,918</b>	-2,578
	Quarter 4	-10,308	-919	13,701	-18	<b>2,457</b>	-2,544
2005	Quarter 1	1,706	5,199	-9,275	48	<b>-2,322</b>	3,918
	Quarter 2	-6,766	-284	10,755	69	<b>3,774</b>	-2,330
	Quarter 3	-16,592	26,402	-11,837	10	<b>-2,018</b>	2,795
	Quarter 4	-14,293	22,243	-9,683	1,345	<b>-388</b>	506
2006	Quarter 1	241	-25,948	28,766	83	<b>3,142</b>	-1,190
	Quarter 2	-5,634	-13,143	20,085	-58	<b>1,250</b>	518
	Quarter 3	4,547	163	-2,292	68	<b>2,486</b>	-1,335
	Quarter 4	-6,560	23,354	-15,968	46	<b>872</b>	-173

<sup>1</sup> Including financial derivatives and trade credits

Table 2a – Current and Capital Accounts

€ million

Item	2005		2006		2005				2006			
	Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4		
<b>Current Account</b>												
<b>Merchandise <sup>1</sup></b>	<b>Cr</b>	<b>83,692</b>	<b>84,799</b>	<b>19,829</b>	<b>21,101</b>	<b>20,140</b>	<b>22,622</b>	<b>21,085</b>	<b>21,021</b>	<b>21,049</b>	<b>21,644</b>	
	<b>Db</b>	<b>54,086</b>	<b>57,592</b>	<b>13,024</b>	<b>13,661</b>	<b>12,484</b>	<b>14,917</b>	<b>14,644</b>	<b>13,914</b>	<b>13,462</b>	<b>15,572</b>	
<b>Services</b>	<b>Cr</b>	<b>46,117</b>	<b>54,073</b>	<b>10,352</b>	<b>11,439</b>	<b>11,950</b>	<b>12,376</b>	<b>12,440</b>	<b>13,473</b>	<b>14,082</b>	<b>14,078</b>	
	<b>Db</b>	<b>56,207</b>	<b>62,354</b>	<b>12,639</b>	<b>13,520</b>	<b>14,783</b>	<b>15,265</b>	<b>14,345</b>	<b>15,805</b>	<b>15,815</b>	<b>16,389</b>	
Transport	Cr	2,131	2,341	410	563	708	450	407	642	785	507	
	Db	1,934	2,021	466	493	448	527	515	496	477	533	
Tourism and Travel <sup>2</sup>	Cr	3,813	4,175	633	997	1,335	848	660	1,077	1,559	879	
	Db	4,882	5,434	895	1,180	1,745	1,062	1,011	1,344	1,870	1,209	
Communications	Cr	408	410	97	107	108	96	100	102	106	102	
	Db	651	693	154	168	165	164	172	170	180	171	
Insurance	Cr	6,806	8,014	1,783	1,595	1,673	1,755	2,149	1,720	1,968	2,177	
	Db	5,675	6,115	1,580	1,113	1,514	1,468	1,545	1,349	1,470	1,751	
Financial services	Cr	4,676	5,962	1,110	1,108	1,169	1,289	1,397	1,459	1,481	1,625	
	Db	2,660	3,732	683	590	707	680	876	879	955	1,022	
Computer services <sup>3</sup>	Cr	15,015	16,221	3,466	3,871	3,415	4,263	3,850	4,190	3,723	4,458	
	Db	336	368	85	89	87	75	81	83	118	86	
Royalties/Licences	Cr	475	866	102	117	112	144	124	289	248	205	
	Db	15,648	17,348	3,422	3,938	3,870	4,418	4,020	4,414	4,251	4,663	
Business services	Cr	12,086	15,381	2,574	2,905	3,252	3,355	3,579	3,818	4,036	3,948	
	Db	24,296	26,501	5,323	5,920	6,215	6,838	6,089	7,036	6,458	6,918	
Trade related	Cr	4,196	5,678	819	1,015	1,186	1,176	1,197	1,337	1,624	1,520	
	Db	7,872	8,719	1,737	2,082	1,840	2,213	2,042	2,536	2,023	2,118	
Operational leasing	Cr	3,290	4,285	639	725	929	997	1,075	1,063	1,101	1,046	
	Db	194	277	40	46	52	56	67	72	61	77	
Misc. business services <sup>4</sup>	Cr	4,600	5,419	1,115	1,165	1,138	1,182	1,308	1,418	1,311	1,382	
	Db	16,231	17,508	3,547	3,793	4,323	4,568	3,981	4,429	4,375	4,723	
Other services n.e.s.	Cr	704	706	175	175	177	177	177	176	176	177	
	Db	122	138	30	29	31	32	35	33	34	36	

Table 2a – Current and Capital Accounts - continued

€ million

Item	2005		2006		2005				2006			
	Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4		
<b>Current Account - continued</b>												
<b>Income</b>	<b>Cr</b>	<b>43,449</b>	<b>58,713</b>	<b>9,255</b>	<b>10,480</b>	<b>11,535</b>	<b>12,179</b>	<b>12,833</b>	<b>14,516</b>	<b>14,897</b>	<b>16,467</b>	
	<b>Db</b>	<b>67,766</b>	<b>83,285</b>	<b>15,205</b>	<b>17,499</b>	<b>16,926</b>	<b>18,136</b>	<b>19,010</b>	<b>20,779</b>	<b>21,677</b>	<b>21,819</b>	
Compensation of Employees	Cr	503	463	117	131	141	114	100	108	143	112	
	Db	711	758	174	164	180	193	187	189	190	192	
Investment Income	Cr	42,946	58,250	9,138	10,349	11,394	12,065	12,733	14,408	14,754	16,355	
	Db	67,055	82,528	15,031	17,335	16,746	17,943	18,823	20,590	21,488	21,627	
Direct investment income	Cr	6,682	8,357	1,397	1,475	1,788	2,022	1,973	1,993	1,945	2,446	
	Db	32,586	32,001	7,784	9,230	7,263	8,309	8,197	7,835	8,214	7,755	
Income on equity	Cr	4,059	4,371	714	882	1,203	1,260	990	927	1,012	1,442	
	Db	30,466	30,401	7,244	8,740	6,745	7,737	7,718	7,484	7,819	7,380	
<i>Dividends &amp; distributed</i>												
<i>branch profits</i>												
	Cr	*	*	37	46	54	*	113	*	37	16	
	Db	25,713	19,021	4,648	4,130	7,925	9,010	2,266	7,123	2,893	6,739	
<i>Reinvested earnings</i>												
	Cr	*	*	678	836	1,149	*	878	*	975	1,426	
	Db	4,752	11,380	2,596	4,610	-1,180	-1,274	5,452	362	4,925	641	
Income on debt	Cr	2,624	3,985	683	593	586	762	983	1,065	933	1,004	
	Db	2,119	1,600	540	490	517	572	479	350	396	375	
Portfolio investment income	Cr	22,097	31,199	4,767	5,403	5,893	6,034	6,846	7,874	7,889	8,590	
	Db	18,920	28,693	4,058	4,427	5,262	5,173	6,050	7,194	7,440	8,009	
Income on equity	Cr	3,545	4,931	777	1,047	904	817	989	1,692	1,183	1,067	
	Db	10,863	16,493	2,380	2,493	3,127	2,863	3,510	4,378	4,173	4,432	
Income on debt	Cr	18,552	26,267	3,990	4,356	4,989	5,217	5,857	6,182	6,705	7,523	
	Db	8,058	12,200	1,678	1,934	2,136	2,310	2,540	2,816	3,267	3,577	
Other investment income	Cr	14,165	18,695	2,973	3,470	3,713	4,009	3,914	4,541	4,921	5,319	
	Db	15,549	21,833	3,189	3,678	4,221	4,461	4,576	5,561	5,833	5,863	
<b>Current Transfers</b>	<b>Cr</b>	<b>5,699</b>	<b>4,679</b>	<b>1,022</b>	<b>1,231</b>	<b>1,029</b>	<b>2,417</b>	<b>888</b>	<b>923</b>	<b>917</b>	<b>1,951</b>	
	<b>Db</b>	<b>5,098</b>	<b>4,821</b>	<b>1,265</b>	<b>994</b>	<b>1,255</b>	<b>1,584</b>	<b>1,272</b>	<b>1,204</b>	<b>1,146</b>	<b>1,199</b>	
<b>Current Account - Total</b>	<b>Cr</b>	<b>178,955</b>	<b>202,265</b>	<b>40,456</b>	<b>44,250</b>	<b>44,655</b>	<b>49,594</b>	<b>47,247</b>	<b>49,933</b>	<b>50,945</b>	<b>54,140</b>	
	<b>Db</b>	<b>183,156</b>	<b>208,053</b>	<b>42,132</b>	<b>45,674</b>	<b>45,448</b>	<b>49,902</b>	<b>49,271</b>	<b>51,703</b>	<b>52,100</b>	<b>54,979</b>	
<b>Current Account Balance</b>		<b>-4,200</b>	<b>-5,788</b>	<b>-1,676</b>	<b>-1,424</b>	<b>-793</b>	<b>-307</b>	<b>-2,024</b>	<b>-1,770</b>	<b>-1,155</b>	<b>-839</b>	
<b>Capital Account Balance</b>		<b>266</b>	<b>222</b>	<b>80</b>	<b>-20</b>	<b>17</b>	<b>189</b>	<b>73</b>	<b>3</b>	<b>5</b>	<b>141</b>	

<sup>1</sup> Adjusted for balance of payments purposes

<sup>2</sup> Excluding passenger fare receipts

<sup>3</sup> Covers exports and imports of software that was not incorporated as part of computer hardware or physical media but separately transmitted by electronic means. The value of sales and purchases of additional software licences is also included

<sup>4</sup> Covers mainly advertising, research and development and inter-affiliate management charges

\* Suppressed for confidentiality reasons

Table 2b – Financial Account<sup>1</sup>

€ million

Item		2005	2006	2005				2006			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Direct Investment</b>	<b>Abroad</b>	<b>-10,910</b>	<b>-17,618</b>	<b>-5,058</b>	<b>-1,535</b>	<b>-1,556</b>	<b>-2,761</b>	<b>-4,081</b>	<b>965</b>	<b>-6,197</b>	<b>-8,305</b>
	<b>In Ireland</b>	<b>-25,034</b>	<b>10,212</b>	<b>6,765</b>	<b>-5,231</b>	<b>-15,036</b>	<b>-11,532</b>	<b>4,322</b>	<b>-6,599</b>	<b>10,744</b>	<b>1,745</b>
Equity	Abroad	-4,121	-16,340	-957	132	-1,021	-2,275	-1,178	-2,375	-4,784	-8,003
	In Ireland	1,271	-1,256	715	-2,198	-835	3,589	-785	-365	-1,630	1,524
Reinvested Earnings	Abroad	*	*	-678	-836	-1,149	*	-878	*	-975	-1,426
	In Ireland	4,752	11,380	2,596	4,610	-1,180	-1,274	5,452	362	4,925	641
Other Capital	Abroad	*	*	-3,424	-830	614	*	-2,025	*	-438	1,125
	In Ireland	-31,057	88	3,454	-7,643	-13,021	-13,847	-344	-6,596	7,448	-420
<b>Portfolio Investment</b>	<b>Assets</b>	<b>-118,591</b>	<b>-205,621</b>	<b>-35,169</b>	<b>-40,551</b>	<b>-6,293</b>	<b>-36,578</b>	<b>-65,824</b>	<b>-37,261</b>	<b>-65,514</b>	<b>-37,022</b>
	<b>Liabilities</b>	<b>172,151</b>	<b>190,045</b>	<b>40,368</b>	<b>40,267</b>	<b>32,695</b>	<b>58,821</b>	<b>39,876</b>	<b>24,117</b>	<b>65,677</b>	<b>60,375</b>
Equity	Assets	-46,485	-52,372	-9,321	-8,587	-13,881	-14,696	-26,449	-6,139	-9,557	-10,227
	Liabilities	74,183	128,057	13,742	21,886	14,374	24,181	44,530	15,368	35,413	32,746
Debt Instruments	Assets	-72,104	-153,250	-25,848	-31,963	7,588	-21,881	-39,376	-31,122	-55,957	-26,795
	Liabilities	97,969	61,989	26,626	18,381	18,322	34,640	-4,654	8,749	30,264	27,630
Bonds and notes	Assets	-74,019	-83,046	-20,563	-25,927	-11,328	-16,201	-27,885	-19,229	-26,438	-9,494
	Liabilities	61,048	57,528	19,508	16,690	11,416	13,434	1,963	16,341	18,804	20,420
Money market instruments	Assets	1,915	-70,204	-5,285	-6,036	18,916	-5,680	-11,491	-11,893	-29,519	-17,301
	Liabilities	36,921	4,461	7,118	1,691	6,906	21,206	-6,617	-7,592	11,460	7,210

Table 2b – Financial Account<sup>1</sup> - continued

€ million

Item		2005	2006	2005				2006			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Other Investment</b>	<b>Assets</b>	<b>-111,829</b>	<b>-87,884</b>	<b>-32,063</b>	<b>-21,289</b>	<b>-30,884</b>	<b>-27,593</b>	<b>6,736</b>	<b>-30,890</b>	<b>-12,212</b>	<b>-51,518</b>
	<b>Liabilities</b>	<b>91,789</b>	<b>118,475</b>	<b>22,788</b>	<b>32,044</b>	<b>19,047</b>	<b>17,910</b>	<b>22,030</b>	<b>50,975</b>	<b>9,920</b>	<b>35,550</b>
Loans, currency and deposits	Assets	-88,575	-86,984	-27,345	-15,681	-23,710	-21,839	10,212	-21,268	-20,162	-55,766
	Liabilities	86,396	101,676	18,039	28,873	21,426	18,058	6,292	42,828	12,842	39,714
Other <sup>2</sup>	Assets	-23,253	-901	-4,718	-5,608	-7,174	-5,753	-3,476	-9,622	7,949	4,248
	Liabilities	5,391	16,800	4,748	3,170	-2,379	-148	15,738	8,147	-2,922	-4,163
<b>Reserve Assets</b>		<b>1,472</b>	<b>139</b>	<b>48</b>	<b>69</b>	<b>10</b>	<b>1,345</b>	<b>83</b>	<b>-58</b>	<b>68</b>	<b>46</b>
Monetary gold		14	0	14	0	0	0	0	0	0	0
Special drawing rights		-8	-3	-2	-4	-1	-1	-1	0	-1	-1
Reserve position in the IMF		165	41	3	45	9	108	62	-45	17	7
Foreign exchange		1,301	101	33	28	2	1,238	22	-13	52	40
Other		0	0	0	0	0	0	0	0	0	0
<b>Balance on Financial Account</b>		<b>-954</b>	<b>7,750</b>	<b>-2,322</b>	<b>3,774</b>	<b>-2,018</b>	<b>-388</b>	<b>3,142</b>	<b>1,250</b>	<b>2,486</b>	<b>872</b>
<i>Net errors and omissions</i>		<i>4,889</i>	<i>-2,180</i>	<i>3,918</i>	<i>-2,330</i>	<i>2,795</i>	<i>506</i>	<i>-1,190</i>	<i>518</i>	<i>-1,335</i>	<i>-173</i>
<b>Memorandum Item:</b>											
<i>Government financial transactions</i>	<i>Assets</i>	<i>-1,500</i>	<i>-1,943</i>	<i>-588</i>	<i>-314</i>	<i>-330</i>	<i>-268</i>	<i>-960</i>	<i>-838</i>	<i>317</i>	<i>-462</i>
	<i>Liabilities</i>	<i>1,319</i>	<i>318</i>	<i>91</i>	<i>721</i>	<i>425</i>	<i>82</i>	<i>107</i>	<i>-87</i>	<i>457</i>	<i>-159</i>

<sup>1</sup> Financial account transactions are categorised under two headings 'Assets' and 'Liabilities' for *Portfolio Investment*, *Other Investment* and *Reserve Assets*. For *Direct Investment*, a 'directional' categorisation is used: 'Abroad' indicates direct investment by Irish investors in foreign companies; direct investment into Ireland is indicated by the heading 'In Ireland'. The sign convention used is: a minus sign in the 'Abroad' and 'Assets' columns means investments or acquisitions abroad (in enterprises, foreign securities, foreign deposits, etc.) by Irish investors exceeded their disinvestments or disposals in the period, while an entry without sign (less usual) means disinvestment exceeded investment; an entry without sign in the 'In Ireland' and 'Liabilities' columns means that investment transactions into Ireland or incurrences of liabilities to foreign investors exceeded disinvestment or extinctions of liabilities in the period, while a minus sign (less usual) indicates that disinvestment exceeded investment and liability extinctions exceeded incurrences

<sup>2</sup> Including financial derivatives and trade credits

\* Suppressed for confidentiality reasons

Table 3 – Current, Capital and Financial Accounts showing IFSC<sup>1</sup> and non-IFSC activity

€ million

Item		2005	2006	2005				2006			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Current Account - Total</b>	<b>Cr</b>	<b>178,955</b>	<b>202,265</b>	<b>40,456</b>	<b>44,250</b>	<b>44,655</b>	<b>49,594</b>	<b>47,247</b>	<b>49,933</b>	<b>50,945</b>	<b>54,140</b>
	<b>Db</b>	<b>183,156</b>	<b>208,053</b>	<b>42,132</b>	<b>45,674</b>	<b>45,448</b>	<b>49,902</b>	<b>49,271</b>	<b>51,703</b>	<b>52,100</b>	<b>54,979</b>
<b>Merchandise <sup>2</sup></b>	<b>Cr</b>	<b>83,692</b>	<b>84,799</b>	<b>19,829</b>	<b>21,101</b>	<b>20,140</b>	<b>22,622</b>	<b>21,085</b>	<b>21,021</b>	<b>21,049</b>	<b>21,644</b>
	<b>Db</b>	<b>54,086</b>	<b>57,592</b>	<b>13,024</b>	<b>13,661</b>	<b>12,484</b>	<b>14,917</b>	<b>14,644</b>	<b>13,914</b>	<b>13,462</b>	<b>15,572</b>
<b>Services</b>	<b>Cr</b>	<b>46,117</b>	<b>54,073</b>	<b>10,352</b>	<b>11,439</b>	<b>11,950</b>	<b>12,376</b>	<b>12,440</b>	<b>13,473</b>	<b>14,082</b>	<b>14,078</b>
	<b>Db</b>	<b>56,207</b>	<b>62,354</b>	<b>12,639</b>	<b>13,520</b>	<b>14,783</b>	<b>15,265</b>	<b>14,345</b>	<b>15,805</b>	<b>15,815</b>	<b>16,389</b>
- IFSC	Cr	14,780	18,326	3,521	3,454	3,771	4,034	4,643	4,258	4,543	4,882
	Db	9,570	11,027	2,562	1,950	2,495	2,563	2,859	2,454	2,754	2,960
- non IFSC	Cr	31,336	35,746	6,831	7,985	8,178	8,342	7,797	9,215	9,538	9,196
	Db	46,635	51,327	10,076	11,570	12,287	12,702	11,486	13,351	13,061	13,429
<b>Income</b>	<b>Cr</b>	<b>43,449</b>	<b>58,713</b>	<b>9,255</b>	<b>10,480</b>	<b>11,535</b>	<b>12,179</b>	<b>12,833</b>	<b>14,516</b>	<b>14,897</b>	<b>16,467</b>
	<b>Db</b>	<b>67,766</b>	<b>83,285</b>	<b>15,205</b>	<b>17,499</b>	<b>16,926</b>	<b>18,136</b>	<b>19,010</b>	<b>20,779</b>	<b>21,677</b>	<b>21,819</b>
- IFSC	Cr	33,789	46,651	7,363	7,980	8,870	9,576	10,248	11,715	11,790	12,898
	Db	34,147	47,771	7,443	8,371	8,804	9,529	10,312	12,071	12,110	13,278
- non IFSC	Cr	9,660	12,063	1,892	2,500	2,665	2,603	2,586	2,801	3,107	3,569
	Db	33,619	35,515	7,762	9,128	8,122	8,607	8,698	8,708	9,568	8,541
<b>Current Transfers</b>	<b>Cr</b>	<b>5,699</b>	<b>4,679</b>	<b>1,022</b>	<b>1,231</b>	<b>1,029</b>	<b>2,417</b>	<b>888</b>	<b>923</b>	<b>917</b>	<b>1,951</b>
	<b>Db</b>	<b>5,098</b>	<b>4,821</b>	<b>1,265</b>	<b>994</b>	<b>1,255</b>	<b>1,584</b>	<b>1,272</b>	<b>1,204</b>	<b>1,146</b>	<b>1,199</b>
- IFSC <sup>3</sup>	Cr	2,797	2,266	557	521	704	1,015	528	649	585	504
	Db	2,797	2,266	557	521	704	1,015	528	649	585	504
- non IFSC	Cr	2,903	2,414	465	710	326	1,402	360	275	332	1,447
	Db	2,302	2,556	708	473	552	569	744	556	561	695
<b>Balance on Current Account</b>		<b>-4,200</b>	<b>-5,788</b>	<b>-1,676</b>	<b>-1,424</b>	<b>-793</b>	<b>-307</b>	<b>-2,024</b>	<b>-1,770</b>	<b>-1,155</b>	<b>-839</b>
<b>Balance on Capital Account</b>		<b>266</b>	<b>222</b>	<b>80</b>	<b>-20</b>	<b>17</b>	<b>189</b>	<b>73</b>	<b>3</b>	<b>5</b>	<b>141</b>



**Table 3 – Current, Capital and Financial Accounts showing IFSC<sup>1</sup> and non-IFSC activity** - continued € million

Item	2005		2006		2005				2006			
	Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4		
<b>Financial Account<sup>4</sup></b>												
<b>Direct investment</b>	<b>Abroad</b>	<b>-10,910</b>	<b>-17,618</b>	<b>-5,058</b>	<b>-1,535</b>	<b>-1,556</b>	<b>-2,761</b>	<b>-4,081</b>	<b>965</b>	<b>-6,197</b>	<b>-8,305</b>	
	<b>In Ireland</b>	<b>-25,034</b>	<b>10,212</b>	<b>6,765</b>	<b>-5,231</b>	<b>-15,036</b>	<b>-11,532</b>	<b>4,322</b>	<b>-6,599</b>	<b>10,744</b>	<b>1,745</b>	
- IFSC	Abroad	-441	-7,062	-356	1,452	-356	-1,181	348	-1,386	-3,879	-2,145	
	In Ireland	-26,432	2,516	6,444	-8,610	-14,526	-9,740	-684	1,684	5,068	-3,552	
- non IFSC	Abroad	-10,469	-10,555	-4,703	-2,986	-1,200	-1,580	-4,428	2,351	-2,318	-6,160	
	In Ireland	1,398	7,695	321	3,379	-510	-1,792	5,006	-8,283	5,676	5,296	
<b>Portfolio investment</b>	<b>Assets</b>	<b>-118,591</b>	<b>-205,621</b>	<b>-35,169</b>	<b>-40,551</b>	<b>-6,293</b>	<b>-36,578</b>	<b>-65,824</b>	<b>-37,261</b>	<b>-65,514</b>	<b>-37,022</b>	
	<b>Liabilities</b>	<b>172,151</b>	<b>190,045</b>	<b>40,368</b>	<b>40,267</b>	<b>32,695</b>	<b>58,821</b>	<b>39,876</b>	<b>24,117</b>	<b>65,677</b>	<b>60,375</b>	
- IFSC	Assets	-93,352	-180,910	-26,787	-33,250	-1,515	-31,800	-58,590	-29,978	-58,622	-33,720	
	Liabilities	142,303	162,502	34,568	36,377	24,744	46,614	31,438	26,318	51,520	53,226	
- non IFSC	Assets	-25,240	-24,711	-8,383	-7,301	-4,778	-4,778	-7,234	-7,283	-6,892	-3,302	
	Liabilities	29,848	27,543	5,800	3,890	7,951	12,207	8,438	-2,200	14,156	7,149	
<b>Other investment<sup>5</sup></b>	<b>Assets</b>	<b>-111,829</b>	<b>-87,884</b>	<b>-32,063</b>	<b>-21,289</b>	<b>-30,884</b>	<b>-27,593</b>	<b>6,736</b>	<b>-30,890</b>	<b>-12,212</b>	<b>-51,518</b>	
	<b>Liabilities</b>	<b>91,789</b>	<b>118,475</b>	<b>22,788</b>	<b>32,044</b>	<b>19,047</b>	<b>17,910</b>	<b>22,030</b>	<b>50,975</b>	<b>9,920</b>	<b>35,550</b>	
- IFSC	Assets	-80,116	-63,697	-25,443	-19,423	-20,043	-15,207	5,946	-25,984	-3,649	-40,010	
	Liabilities	57,878	80,336	11,791	29,899	4,055	12,133	16,556	22,542	6,119	35,119	
- non IFSC	Assets	-31,714	-24,188	-6,620	-1,866	-10,842	-12,386	790	-4,906	-8,564	-11,508	
	Liabilities	33,911	38,138	10,997	2,145	14,992	5,777	5,474	28,432	3,801	431	
<b>Reserve Assets</b>		<b>1,472</b>	<b>139</b>	<b>48</b>	<b>69</b>	<b>10</b>	<b>1,345</b>	<b>83</b>	<b>-58</b>	<b>68</b>	<b>46</b>	
<b>Balance on Financial Account</b>		<b>-954</b>	<b>7,750</b>	<b>-2,322</b>	<b>3,774</b>	<b>-2,018</b>	<b>-388</b>	<b>3,142</b>	<b>1,250</b>	<b>2,486</b>	<b>872</b>	
<i>Net errors and omissions</i>		<i>4,889</i>	<i>-2,180</i>	<i>3,918</i>	<i>-2,330</i>	<i>2,795</i>	<i>506</i>	<i>-1,190</i>	<i>518</i>	<i>-1,335</i>	<i>-173</i>	

<sup>1</sup> From the start of 2000 new international financial service projects are no longer subject to the earlier certification and licensing procedures in operation for location in the IFSC and such projects can, therefore, locate anywhere in Ireland. Additions to existing IFSC projects, however, are still subject to the formal procedures. For statistical analysis purposes this table still shows the 'IFSC/non-IFSC' breakdown and the activities of all international financial service enterprises are covered under the IFSC heading

<sup>2</sup> Adjusted for balance of payments purposes

<sup>3</sup> Current transfers to and from IFSC enterprises relate solely to non-life insurance transactions (see Background Notes)

<sup>4</sup> See footnote 1 on Table 2b

<sup>5</sup> Including financial derivatives and trade credits

Table 4a – Current and Capital Accounts showing geographical<sup>1</sup> detail

€ million

Item		2005	2006	2005				2006			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Current Account - Total</b>	<b>Cr</b>	<b>178,955</b>	<b>202,265</b>	<b>40,456</b>	<b>44,250</b>	<b>44,655</b>	<b>49,594</b>	<b>47,247</b>	<b>49,933</b>	<b>50,945</b>	<b>54,140</b>
	<b>Db</b>	<b>183,156</b>	<b>208,053</b>	<b>42,132</b>	<b>45,674</b>	<b>45,448</b>	<b>49,902</b>	<b>49,271</b>	<b>51,703</b>	<b>52,100</b>	<b>54,979</b>
<b>Merchandise<sup>2</sup></b>	<b>Cr</b>	<b>83,692</b>	<b>84,799</b>	<b>19,829</b>	<b>21,101</b>	<b>20,140</b>	<b>22,622</b>	<b>21,085</b>	<b>21,021</b>	<b>21,049</b>	<b>21,644</b>
	<b>Db</b>	<b>54,086</b>	<b>57,592</b>	<b>13,024</b>	<b>13,661</b>	<b>12,484</b>	<b>14,917</b>	<b>14,644</b>	<b>13,914</b>	<b>13,462</b>	<b>15,572</b>
- EMU	Cr	37,739	36,806	8,719	9,593	8,754	10,673	9,402	8,971	9,027	9,406
	Db	13,068	14,543	3,455	3,219	2,905	3,489	3,690	3,482	3,271	4,100
- non EMU	Cr	45,954	47,993	11,110	11,508	11,386	11,950	11,684	12,049	12,022	12,238
	Db	41,017	43,049	9,568	10,442	9,579	11,428	10,953	10,433	10,191	11,472
- EU 15	Cr	54,367	53,824	12,798	13,791	12,638	15,140	13,434	13,042	13,308	14,040
	Db	33,610	36,619	8,333	8,345	7,835	9,097	9,069	8,720	8,545	10,285
- non EU 15	Cr	29,324	30,976	7,030	7,310	7,502	7,482	7,652	7,979	7,741	7,604
	Db	20,476	20,973	4,690	5,316	4,649	5,821	5,575	5,194	4,917	5,287
- EU 25	Cr	55,173	54,961	12,972	13,993	12,818	15,390	13,673	13,327	13,585	14,376
	Db	34,138	37,474	8,464	8,479	7,956	9,239	9,263	8,926	8,767	10,518
- non EU 25	Cr	28,518	29,837	6,856	7,107	7,322	7,233	7,413	7,693	7,464	7,267
	Db	19,949	20,118	4,560	5,182	4,528	5,679	5,381	4,988	4,695	5,054
<b>Services</b>	<b>Cr</b>	<b>46,117</b>	<b>54,073</b>	<b>10,352</b>	<b>11,439</b>	<b>11,950</b>	<b>12,376</b>	<b>12,440</b>	<b>13,473</b>	<b>14,082</b>	<b>14,078</b>
	<b>Db</b>	<b>56,207</b>	<b>62,354</b>	<b>12,639</b>	<b>13,520</b>	<b>14,783</b>	<b>15,265</b>	<b>14,345</b>	<b>15,805</b>	<b>15,815</b>	<b>16,389</b>
- EMU	Cr	17,037	18,562	3,922	4,366	4,063	4,686	4,375	4,894	4,524	4,769
	Db	17,000	17,637	3,845	4,167	4,363	4,625	4,041	4,454	4,716	4,426
- non EMU	Cr	29,080	35,511	6,430	7,073	7,887	7,690	8,065	8,579	9,558	9,309
	Db	39,207	44,717	8,794	9,354	10,419	10,640	10,304	11,351	11,099	11,963
- EU 15	Cr	30,027	32,124	6,581	7,754	7,666	8,026	7,624	8,005	8,515	7,980
	Db	26,423	28,028	6,027	6,625	6,870	6,901	6,166	7,242	7,437	7,183
- non EU 15	Cr	16,090	21,949	3,771	3,685	4,284	4,350	4,816	5,468	5,567	6,098
	Db	29,784	34,326	6,612	6,895	7,913	8,364	8,179	8,563	8,378	9,206
- EU 25	Cr	30,932	33,257	6,766	7,944	7,923	8,299	7,866	8,277	8,828	8,286
	Db	27,432	29,244	6,208	6,810	7,163	7,251	6,412	7,600	7,703	7,529
- non EU 25	Cr	15,183	20,817	3,585	3,494	4,027	4,077	4,574	5,196	5,254	5,793
	Db	28,774	33,108	6,431	6,710	7,620	8,013	7,933	8,205	8,111	8,859

Table 4a – Current and Capital Accounts showing geographical<sup>1</sup> detail - continued

€ million

Item		2005	2006	2005				2006			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Income</b>	<b>Cr</b>	<b>43,449</b>	<b>58,713</b>	<b>9,255</b>	<b>10,480</b>	<b>11,535</b>	<b>12,179</b>	<b>12,833</b>	<b>14,516</b>	<b>14,897</b>	<b>16,467</b>
	<b>Db</b>	<b>67,766</b>	<b>83,285</b>	<b>15,205</b>	<b>17,499</b>	<b>16,926</b>	<b>18,136</b>	<b>19,010</b>	<b>20,779</b>	<b>21,677</b>	<b>21,819</b>
- EMU	Cr	16,088	20,436	3,564	3,993	4,157	4,374	4,281	5,103	5,143	5,909
	Db	23,361	24,397	5,050	6,234	5,532	6,545	6,060	5,698	6,011	6,628
- non EMU	Cr	27,361	38,275	5,691	6,487	7,378	7,805	8,550	9,413	9,754	10,558
	Db	44,405	58,889	10,155	11,265	11,394	11,591	12,950	15,081	15,667	15,191
- EU 15	Cr	26,560	34,635	5,936	6,574	6,993	7,057	7,626	8,500	8,731	9,778
	Db	39,670	47,248	8,638	10,136	9,988	10,908	10,982	11,276	11,967	13,023
- non EU 15	Cr	16,888	24,077	3,318	3,905	4,542	5,123	5,205	6,016	6,167	6,689
	Db	28,095	36,037	6,567	7,362	6,938	7,228	8,028	9,503	9,710	8,796
- EU 25	Cr	26,938	35,301	6,052	6,633	7,093	7,160	7,762	8,639	8,911	9,989
	Db	39,883	47,495	8,685	10,196	10,038	10,964	11,029	11,331	12,037	13,098
- non EU 25	Cr	16,511	23,408	3,203	3,847	4,442	5,019	5,068	5,876	5,986	6,478
	Db	27,882	35,791	6,520	7,303	6,888	7,171	7,981	9,448	9,641	8,721
<b>Current Transfers</b>	<b>Cr</b>	<b>5,699</b>	<b>4,679</b>	<b>1,022</b>	<b>1,231</b>	<b>1,029</b>	<b>2,417</b>	<b>888</b>	<b>923</b>	<b>917</b>	<b>1,951</b>
	<b>Db</b>	<b>5,098</b>	<b>4,821</b>	<b>1,265</b>	<b>994</b>	<b>1,255</b>	<b>1,584</b>	<b>1,272</b>	<b>1,204</b>	<b>1,146</b>	<b>1,199</b>
- EMU	Cr	831	679	181	201	199	250	290	158	188	43
	Db	817	678	177	197	195	248	289	158	188	43
- non EMU	Cr	4,869	3,999	841	1,030	831	2,167	598	765	729	1,907
	Db	4,281	4,145	1,088	797	1,060	1,336	983	1,047	959	1,156
- EU 15	Cr	4,261	3,508	770	1,041	635	1,815	742	560	536	1,670
	Db	3,341	3,088	901	714	753	973	980	679	656	773
- non EU 15	Cr	1,439	1,171	252	191	395	601	146	363	381	281
	Db	1,758	1,733	364	280	503	611	292	525	490	426
- EU 25	Cr	4,265	3,522	771	1,041	637	1,816	743	562	542	1,675
	Db	3,374	3,225	910	721	762	981	988	720	702	815
- non EU 25	Cr	1,433	1,158	250	190	392	601	145	362	375	276
	Db	1,724	1,596	355	273	493	603	284	484	445	383
<b>Balance on Current Account</b>		<b>-4,200</b>	<b>-5,788</b>	<b>-1,676</b>	<b>-1,424</b>	<b>-793</b>	<b>-307</b>	<b>-2,024</b>	<b>-1,770</b>	<b>-1,155</b>	<b>-839</b>
<b>Balance on Capital Account</b>		<b>266</b>	<b>222</b>	<b>80</b>	<b>-20</b>	<b>17</b>	<b>189</b>	<b>73</b>	<b>3</b>	<b>5</b>	<b>141</b>

<sup>1</sup> The term 'EMU' means the area represented by the 12 Member States participating in Monetary Union. For analytical purposes, additional details are given of transactions between residents of Ireland and residents of the EU25 area. With the expansion of the EU on 1 May 2004, the EU25 area comprises the former EU15 area along with Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovakia and Slovenia

<sup>2</sup> Adjusted for balance of payments purposes

Table 4b – Financial Account<sup>1</sup> showing geographical<sup>2</sup> detail

€ million

Item		2005	2006	2005				2006			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Direct Investment</b>	<b>Abroad</b>	<b>-10,910</b>	<b>-17,618</b>	<b>-5,058</b>	<b>-1,535</b>	<b>-1,556</b>	<b>-2,761</b>	<b>-4,081</b>	<b>965</b>	<b>-6,197</b>	<b>-8,305</b>
	<b>In Ireland</b>	<b>-25,034</b>	<b>10,212</b>	<b>6,765</b>	<b>-5,231</b>	<b>-15,036</b>	<b>-11,532</b>	<b>4,322</b>	<b>-6,599</b>	<b>10,744</b>	<b>1,745</b>
- EMU	Abroad	-5,529	-5,587	-2,392	-546	1,491	-4,082	64	2,976	-3,409	-5,218
	In Ireland	-14,549	3,391	-2,950	-1,093	1,218	-11,724	-678	-7,730	8,984	2,815
- non EMU	Abroad	-5,381	-12,031	-2,666	-988	-3,047	1,320	-4,145	-2,012	-2,787	-3,087
	In Ireland	-10,486	6,821	9,714	-4,138	-16,254	192	5,000	1,131	1,760	-1,070
- EU 15	Abroad	-10,250	-11,460	-2,975	-1,985	177	-5,467	905	-1,121	-4,749	-6,495
	In Ireland	-19,956	9,944	-6,069	-1,670	1,404	-13,621	-1,537	-6,664	10,115	8,030
- non EU 15	Abroad	-659	-6,158	-2,083	451	-1,733	2,706	-4,985	2,085	-1,448	-1,810
	In Ireland	-5,078	268	12,834	-3,561	-16,440	2,089	5,859	65	629	-6,285
- EU 25	Abroad	-8,979	-11,263	-3,043	-645	171	-5,462	1,009	-1,122	-4,780	-6,370
	In Ireland	-20,382	9,962	-6,330	-1,815	1,953	-14,190	-1,428	-6,554	10,061	7,883
- non EU 25	Abroad	-1,930	-6,354	-2,015	-889	-1,727	2,701	-5,090	2,087	-1,417	-1,934
	In Ireland	-4,652	250	13,095	-3,416	-16,989	2,658	5,750	-45	683	-6,138
<b>Portfolio Investment</b>	<b>Assets</b>	<b>-118,591</b>	<b>-205,621</b>	<b>-35,169</b>	<b>-40,551</b>	<b>-6,293</b>	<b>-36,578</b>	<b>-65,824</b>	<b>-37,261</b>	<b>-65,514</b>	<b>-37,022</b>
	<b>Liabilities</b>	<b>172,151</b>	<b>190,045</b>	<b>40,368</b>	<b>40,267</b>	<b>32,695</b>	<b>58,821</b>	<b>39,876</b>	<b>24,117</b>	<b>65,677</b>	<b>60,375</b>
- EMU	Assets	-37,976	-55,442	-13,035	-14,203	-1,613	-9,125	-19,332	-16,578	-17,114	-2,418
	Liabilities	31,136	38,531	6,457	5,154	3,641	15,884	513	22,132	9,552	6,334
- non EMU	Assets	-80,611	-150,178	-22,130	-26,348	-4,681	-27,452	-46,493	-20,682	-48,399	-34,604
	Liabilities	141,016	151,514	33,912	35,113	29,054	42,937	39,363	1,985	56,125	54,041
- EU 15	Assets	-78,184	-91,027	-24,199	-22,334	-9,855	-21,796	-28,292	-20,976	-31,556	-10,203
	Liabilities	118,516	105,726	29,696	27,216	20,648	40,956	22,834	16,639	34,700	31,553
- non EU 15	Assets	-40,404	-114,593	-10,966	-18,217	3,561	-14,782	-37,532	-16,284	-33,958	-26,819
	Liabilities	53,636	84,318	10,673	13,051	12,047	17,865	17,042	7,478	30,976	28,822
- EU 25	Assets	-80,895	-92,371	-25,216	-23,622	-10,574	-21,483	-29,946	-20,626	-31,917	-9,882
	Liabilities	118,835	105,963	30,105	27,117	20,793	40,820	22,748	16,741	34,905	31,569
- non EU 25	Assets	-37,692	-113,250	-9,949	-16,929	4,280	-15,094	-35,879	-16,635	-33,596	-27,140
	Liabilities	53,316	84,083	10,263	13,150	11,902	18,001	17,128	7,376	30,772	28,807

Table 4b – Financial Account<sup>1</sup> showing geographical<sup>2</sup> detail - continued

€ million

Item		2005	2006	2005				2006			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Other Investment</b> <sup>3</sup>	<b>Assets</b>	<b>-111,829</b>	<b>-87,884</b>	<b>-32,063</b>	<b>-21,289</b>	<b>-30,884</b>	<b>-27,593</b>	<b>6,736</b>	<b>-30,890</b>	<b>-12,212</b>	<b>-51,518</b>
	<b>Liabilities</b>	<b>91,789</b>	<b>118,475</b>	<b>22,788</b>	<b>32,044</b>	<b>19,047</b>	<b>17,910</b>	<b>22,030</b>	<b>50,975</b>	<b>9,920</b>	<b>35,550</b>
- EMU	Assets	-32,156	-24,421	-12,052	-3,614	-6,235	-10,255	-1,192	-11,562	-4,034	-7,633
	Liabilities	34,528	35,273	6,848	21,648	6,329	-297	8,539	22,202	-132	4,664
- non EMU	Assets	-79,674	-63,464	-20,011	-17,676	-24,649	-17,338	7,928	-19,328	-8,179	-43,885
	Liabilities	57,260	83,202	15,940	10,395	12,718	18,207	13,491	28,773	10,052	30,886
- EU 15	Assets	-82,705	-42,679	-23,510	-10,615	-19,098	-29,482	11,020	-12,322	-8,513	-32,864
	Liabilities	72,115	92,519	19,738	26,565	11,961	13,851	15,500	29,666	14,564	32,789
- non EU 15	Assets	-29,124	-45,206	-8,553	-10,674	-11,786	1,889	-4,284	-18,568	-3,699	-18,655
	Liabilities	19,672	25,956	3,050	5,478	7,086	4,058	6,530	21,309	-4,644	2,761
- EU 25	Assets	-85,664	-48,621	-23,897	-10,848	-20,604	-30,315	9,683	-13,770	-8,683	-35,851
	Liabilities	73,684	94,116	20,166	27,432	12,158	13,928	15,779	30,418	14,678	33,241
- non EU 25	Assets	-26,163	-39,262	-8,165	-10,441	-10,280	2,723	-2,947	-17,119	-3,529	-15,667
	Liabilities	18,104	24,360	2,622	4,612	6,889	3,981	6,251	20,557	-4,757	2,309
<b>Reserve Assets</b>		<b>1,472</b>	<b>139</b>	<b>48</b>	<b>69</b>	<b>10</b>	<b>1,345</b>	<b>83</b>	<b>-58</b>	<b>68</b>	<b>46</b>
<b>Balance on Financial Account</b>		<b>-954</b>	<b>7,750</b>	<b>-2,322</b>	<b>3,774</b>	<b>-2,018</b>	<b>-388</b>	<b>3,142</b>	<b>1,250</b>	<b>2,486</b>	<b>872</b>
<i>Net errors and omissions</i>		<i>4,889</i>	<i>-2,180</i>	<i>3,918</i>	<i>-2,330</i>	<i>2,795</i>	<i>506</i>	<i>-1,190</i>	<i>518</i>	<i>-1,335</i>	<i>-173</i>

<sup>1</sup> See footnote 1 on Table 2b<sup>2</sup> The term 'EMU' means the area represented by the 12 Member States participating in Monetary Union. For analytical purposes, additional details are given of transactions between residents of Ireland and residents of the EU25 area. With the expansion of the EU on 1 May 2004, the EU25 area comprises the former EU15 area along with Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Slovakia and Slovenia<sup>3</sup> Including financial derivatives and trade credits

## Background Notes *(updated December 2006)*

<b>Introduction</b>	<p>Ireland's balance of payments (BOP) quarterly statistical compilation system was completely overhauled in the late 1990's to strengthen sectoral and enterprise coverage in basic data collection; adopt best international methodological standards; conform more closely with international presentation formats; and provide for geographical analysis of the results. The improvements facilitate the production of data 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.</p> <p>A description of the methodology is given below. It follows as far as possible the recommendations of the IMF's <i>Balance of Payments Manual - 5th Edition</i> (BPM5) published in 1993 and its supplement <i>Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual</i> published in 2000. These recommendations were prepared in close co-operation with the European Commission (Eurostat), the OECD and other international organisations.</p>
<b>Definition of balance of payments</b>	<p>The balance of payments (BOP) is a statistical statement that summarises, for a specific time period, the economic transactions of the residents of an economy with the rest of the world.</p>
<b>Residence</b>	<p>BOP transactions occur 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 and should be recorded in the financial account.</p>
<b>Structure of the Balance of Payments accounts</b>	<p>The balance of payments presentation consists of three tables or accounts, the <i>Current Account</i>, the <i>Capital Account</i> and the <i>Financial Account</i>. The current account consists of trade in merchandise and services, income inflows and outflows and current transfers. The capital account covers capital transfers and the acquisition and disposal of non-produced, non-financial assets. The financial account is concerned with transactions in foreign financial assets and liabilities, distinguishing the functional type of investment i.e. direct, portfolio and other investment (including transactions in financial derivatives) and reserve assets.</p>
<b>Valuation</b>	<p>BOP transactions, in principle, should be recorded on an accruals basis using market valuation. In practice, the collection system (see below) is designed to adhere to this approach and, for the most part, the valuations reported are either market values or a close approximation. In certain cases, income (interest) flows on debt securities may be reported on a cash rather than an accruals basis.</p>
<b>Geographical allocation principle</b>	<p>Current and capital account transactions are allocated to the country of residence of the counterpart. Financial account transactions are allocated on the basis of the debtor/creditor principle; assets are geographically assigned to the country of the debtor (i.e. the issuer) of the assets, while liabilities are assigned to the country of the creditor (i.e. the holder). 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.</p>
<b>Sign convention and symbols</b>	<p>The BOP presentation follows the standard double entry accounting treatment for a transaction i.e. in principle, every credit entry is matched by a corresponding debit entry elsewhere in the system.</p> <p>In the current account, credit items are exports of merchandise and services, income inflows and current transfer receivables while debit items are imports, income outflows and transfer payables. In the capital account, capital transfer receivables are recorded as credits and payables as debits. Both credit (denoted by the symbol 'Cr') and debit (denoted by 'Db') items are shown as positive numbers and the net balances are calculated as <i>credit – debit</i>.</p> <p>The transactions in the financial account are implicitly recorded on a credit/debit basis but are generally presented on an assets/liabilities basis. Increases in foreign assets or reductions in foreign liabilities are shown with a – (minus) sign, i.e. implicitly as a debit amount, while decreases in assets or increases in liabilities are unsigned i.e. shown as positive numbers (i.e. as credits). The net balances are calculated as <i>net change in assets transactions + net change in liabilities transactions</i>. In the case of direct investment, the asset/liability presentation is replaced by the so-called 'directional' one, i.e. <i>direct investment abroad</i> (which approximates to the assets concept) and</p>

*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) or its foreign affiliates (see *direct investment* below).

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.

<b>Net errors and omissions</b>	Given the double entry accounting procedure described above, the sum of the credit entries should in principle equal the sum of the debit entries over all three accounts. In practice, because some transactions may not be captured or because of differences in coverage, valuation and timing of transactions, exact symmetry does not occur and a balancing item <i>net errors and omissions</i> is inserted to balance the overall account. Ideally, the magnitude of this item should be relatively small in relation to the combined value of all credit and debit transactions expressed in absolute terms (i.e. ignoring their signs) over all three accounts. It should also fluctuate frequently from positive to negative values.
<b>Data collection</b>	<p>BOP data collection is statutory and surveys or other data collection arrangements are conducted under the Statistics (Balance of Payments and Financial Accounts) Order, 2005 (S.I. No. 124 of 2005) made under the Statistics Act, 1993.</p> <p>A number of new quarterly surveys were introduced in 1998. These were directed to financial service enterprises not formerly surveyed, in particular to enterprises operating from the International Financial Services Centre (IFSC) in Dublin. Some of the information now being collected directly from these enterprises was formerly implicitly incorporated from other sources in the published results. In addition to the new surveys existing surveys were re-designed.</p> <p>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 financial service provision. Respondents are required to make quarterly returns 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 4,500 entities are surveyed.</p> <p>Manufacturing and non-financial service enterprises have been reporting their BOP transactions to CSO for a number of years. The surveys directed towards these enterprises were re-designed to meet the new conceptual and geographical requirements. Coverage is on a sample selection basis, those surveyed being selected on the basis of statistical register information concerning transactions with non-residents. About 500 companies make quarterly and/or annual returns.</p> <p>The information collected for all types of enterprises covers transactions with non-residents concerning purchases and sales of services, income flows, transfers, as well as acquisitions and disposals of foreign assets or liabilities.</p> <p>Apart from survey data, administrative sources also provide information on non-resident transactions (e.g. the National Treasury Management Agency, on flows associated with Ireland's foreign debt and other transactions including those associated with the National Pensions Reserve Fund; the Department of Defence, concerning Ireland's UN military peace-keeping activity; the Department of Foreign Affairs, on expenditure incurred in maintaining Ireland's embassies and consulates abroad; the Central Bank and Financial Services Authority of Ireland, on reserve assets and other assets/liabilities and associated income flows). Information is also obtained from other sources (e.g. charitable organisations, industry bodies). In addition, information on merchandise exports and imports and on tourism expenditure and receipts is obtained from other CSO inquiries.</p>
<b>Latest developments</b>	The compilation system was further developed and refined in 2004 to include the estimated values of a variety of cross-border transactions which, because of the lack of data, were either not captured formerly or not adequately captured. These cover (a) direct imports and exports of goods for consumption of private households and not included in the official merchandise trade statistics; (b) improved data on transactions in services (tourism and travel; communications; construction; diplomatic and consular services; cultural services; bloodstock breeding); (c) new estimates for income receipts from Irish resident investment in residential and commercial property abroad and for income remittances to the foreign owners of breeding bloodstock based in Ireland, along with improved estimates of the earnings (credits and debits) of students, other cross-border workers and local employees of embassies; (d) new estimates for income taxes paid on the earnings of students and other cross-border workers and for the remittances abroad of earnings of immigrant workers in Ireland; and (e) new estimates for investment in residential and commercial property abroad by Irish residents.
<b>Current account</b>	<i>Merchandise</i> exports and imports are valued f.o.b. ( <i>free on board</i> ) for BOP purposes. While imports are valued c.i.f. ( <i>cost, insurance and freight</i> ) in the official external trade statistics, adjustments are made to reflect an estimated f.o.b. valuation (formerly the c.i.f. valuation for imports was used in the BOP). These adjustments result from the application of different c.i.f./f.o.b.



conversion ratios to the values of imports from within the European Union and from outside the European Union. In addition and in line with EU and ECB requirements, merchandise imports from within European Union member states are compiled on the basis of country of consignment rather than country of ultimate origin (as was the case formerly). Some adjustments are also made to the official merchandise trade statistics to conform to the BOP change of ownership and market valuation principles. In addition, certain exports sales of software licences are included in BOP service exports and not in BOP merchandise exports (as was the case formerly). The BOP merchandise figures now include the estimated values of (unrecorded) retail exports of fuel to Northern Ireland and of unrecorded imports of goods for personal consumption from Northern Ireland and elsewhere.

**Services** exports and imports are presented to show nine categories of service types: *transport, tourism and travel, communications, insurance services, financial services, computer services, royalties and licences, business services* and *other services not elsewhere specified*. Some specific points of note are:

- (i) Because of the presentation of merchandise imports on a f.o.b. (rather than c.i.f.) basis, the freight element of the c.i.f. to f.o.b. adjustment is included in *transport*
- (ii) The value of *insurance services* provided to non-residents by resident insurers (credit) is estimated as the value of direct and supplementary premiums earned less the value of claims payable less increases in the actuarial element of insurance technical reserves. Supplementary premiums consist of investment income earned on investing the insurance technical reserves. For BOP purposes, this income is attributed to the policy holders and is also treated as being paid back to the insurance company by them. To obtain the value of insurance services purchased from non-resident insurers (debit), the ratio of the estimated service charge to total premiums for insurance exports is applied to the total premiums payable to non-resident insurers. To date, reinsurance transactions (e.g. premiums and claims) were consolidated (i.e. netted) in the estimates compiled. In this release reinsurance is treated on a gross basis and, hence, insurance service credits and debits have been increased accordingly. This gross recording treatment of reinsurance transactions has no net impact on the insurance service balance as the reinsurance element on the credit and debit sides are offsetting. In relation to merchandise imports, the freight insurance element of the c.i.f. to f.o.b. adjustment referred to above under *merchandise* is recorded under *insurance*.
- (iii) *Financial services* covers non-interest receivables and payables in respect of financial intermediary and auxiliary services (other than those of insurance enterprises and pension funds).
- (iv) Exports and imports of computer software which is embedded in hardware or carried on other physical media are not included in *computer services* but under *merchandise*. Sales and purchases of software transmitted electronically as well as exports of certain software licences are recorded under *computer services*.
- (v) *Business services* covers receivables and payables for (a) *merchandising and other trade-related services*, (b) *operational leasing* and (c) *miscellaneous business services*.

*Merchandising* consists of the sales net of purchases by Irish merchants of foreign goods bought from and sold to non-residents without entering or leaving Ireland; it may also include sales less purchases of services associated with the installation, maintenance, repair, etc. of these goods. *Other trade-related services* consist of commissions earned by resident agents or paid to non-resident agents in connection with imports or exports. *Operational leasing* covers rental receivables and payables in respect of leasing (other than financial leasing) and chartering, without operators, of aircraft, ships and other transport or other equipment and plant. *Miscellaneous business services* covers legal, accounting, management consulting, public relations, advertising and marketing, research and development and other professional and technical services as well as agricultural services. It also covers inter-affiliate management fees.

- (vi) *Other services not elsewhere specified* covers construction services, personal and cultural services (e.g. fees and royalties for film, television and musical recordings and performances), educational services and government services. The last sub-category includes credit and debit entries for (a) the estimated expenditures of embassy and consular staff in the host countries, (b) non-labour expenditures by governments towards the provision of embassy and consular services in the host countries, and (c) receipts i.e. credits, in respect of collection of Ireland's budgetary contributions to the EU).

**Income** covers (a) *compensation of employees*, which relates to the earnings of persons working outside their country of residence for less than one year (i.e. students and other short-term cross-border workers) and earnings of local staff working in embassies and consulates, and (b) *investment income*, which covers earnings arising from foreign investors' investments in Ireland and Irish investors' investment abroad. Investment income excludes realised and unrealised capital and exchange gains or losses. It is subdivided into three categories:

- (i) *Direct investment income* covers income accruing to an Irish or foreign direct investor from their ownership of (correspondingly) a direct investment enterprise located abroad or in



Ireland (see definition of *direct investment* in the *financial account* section below). It is split into income on equity and income on debt. *Direct investment income on equity* may be called the ‘entrepreneurial income’ of the enterprise which, in principle, is its net operating surplus plus investment income receivable less investment income payable. Apart from excluding capital and exchange gains and losses, it also excludes the value of unusual provisions and write-offs and is calculated net of corporation taxes. In company accounting terms, direct investment income on equity can be equated or approximated to an enterprise’s consolidated profit (or loss) after interest, tax and minority interests and excluding capital and exchange gains (or losses) and other unusual provisions and write-offs. This income item is further subdivided into *dividends and distributed branch profits* and *reinvested earnings*. Dividends are recorded at the time they become due for payment while distributed branch profits are recorded when receipt or payment occurs. Amounts recorded under *reinvested earnings* represent the difference between the enterprise’s entrepreneurial income earned in the reference period and the distributions (dividends, etc.) made in the same period. As it is an income flow in the BOP current account but without a counterpart cash flow in the financial account, an offset (i.e. with the opposite sign) of equal magnitude is recorded under *direct investment* in the latter. *Direct investment income on debt* covers income (mainly interest) on non-equity inter-affiliate assets and liabilities (mainly loans). This item also includes estimates of (a) the (net) income generated from investment by private individuals in residential and commercial property abroad, and (b) the profits attributable to the foreign owners of breeding bloodstock – see *Direct Investment* below.

- (ii) *Portfolio investment income* covers income receivable and payable to non-direct investors on their holdings of equity and long and short-term debt securities (see definition of *portfolio investment* below). Income on equity consists of dividends actually received/paid. Income on debt securities refers to coupon or interest payments on bonds and notes and interest on money market instruments. In principle, the income should be recorded on an accruals basis using market valuations. In practice, some respondents may report on a cash basis. Discounts and premiums (i.e. differences between the nominal value and the issue value) are treated as income or negative income respectively and spread (accrued) over the life of the instrument.
- (iii) *Other investment income* covers interest on loans, deposits and trade credits. The flows recorded under this item relate largely to interest flows of credit institutions but also cover the income generated from the holdings of the Central Bank and Financial Services Authority of Ireland in external reserve assets and income arising from its non-reserve assets and liabilities.

**Current transfers** covers unrequited receipts and payments. Important components are subsidies and other current transfers receivable from and taxes payable to the European Union, payments under Third World aid programmes operated by non-governmental organisations and transfers related to non-life insurance business. As regards the latter, for resident insurers the transfer credit is calculated as the gross insurance premiums earned (i.e. premiums earned plus supplementary premiums) less the insurance service charge; the debit is the amount of claims payable to non-resident policy holders adjusted by the change in the actuarial element of insurance technical reserves. For resident holders of policies issued by non-resident insurers, credits represent claims receivable and debits represent the insurance premiums less the estimated insurance service charge (see also the note above on ‘*insurance*’ item under ‘*services*’). This item also includes income taxes receivable or payable on the earnings of cross-border workers.

The **current account balance** is the total of all current account credits less the total of all current account debits.

#### Capital account

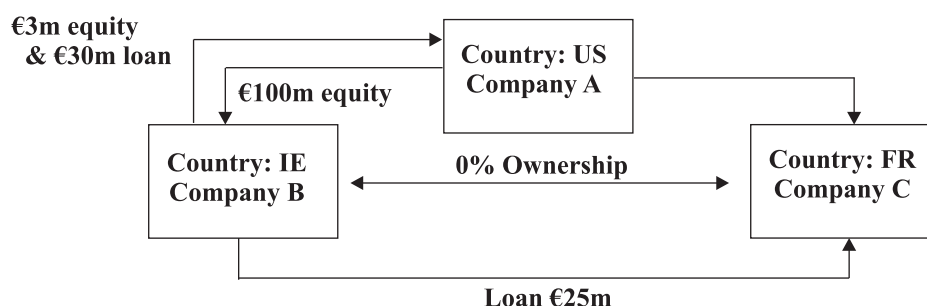
The capital account largely covers capital transfers, in particular amounts receivable under the EU Regional Development Fund and the Cohesion Fund and all other transfers intended for capital purposes. Estimates of migrants’ transfers (i.e. the transfer of the net worth of immigrants and emigrants) are included but they are not well based. In addition, acquisitions and disposals of non-produced, non-financial assets (patents, copyrights, etc.) are also covered here. These transactions tend to occur infrequently but the amounts involved can vary substantially. Because of certain data limitations only the net flows are shown.

#### Financial account

The financial account covers transactions in foreign financial assets (i.e. claims on non-residents) and foreign financial liabilities (i.e. obligations to non-residents). The four categories of functional investment which are distinguished (i.e. *direct investment*, *portfolio investment*, *other investment* and *reserve assets*) 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 that 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 *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 also includes investment by Irish private residents (households) in residential and commercial property abroad. Such properties are regarded as constituting notional direct investment enterprises overseas and are treated accordingly in the system, both in terms of any relevant financial account investment flows and any current account flows (services or income). In addition, foreign investment in bloodstock breeding activities in Ireland as well as associated income flows are now reflected in the BOP statistics.

**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 securities* 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. Investment by private resident investors in commercial property abroad which was formerly included in portfolio investment is now included instead under direct investment. Transactions are valued at market value inclusive of 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 cover over-the-counter (OTC) and exchange-traded contracts and include options, futures, swaps, forwards, etc. For BOP purposes, all receipts and payments connected to financial derivative contracts (other than the values of transactions in the underlying commodities or financial instruments) are recorded in the financial account<sup>1</sup> i.e. there are no entries in the current account other than related fees and service charges (not always identifiable). 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 and Financial Services Authority 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, together with gold, SDRs and the reserve position in the IMF, the definition covered all foreign currency (non-Irish Pound) denominated claims on non-residents of Ireland. Therefore, all claims on euro-area residents as well as euro-denominated claims on non euro-area residents, which prior to 1999 would have been classified as reserve assets, are from 1999 onwards classified to *portfolio investment* or *other investment* as appropriate.

<sup>1</sup>The inclusion of these receipts and payments in the financial account reflects the amended recommendations on the treatment of financial derivative transactions as described in the IMF's *Financial Derivatives: A Supplement to the 5<sup>th</sup> Edition (1993) of the Balance of Payments Manual* published in 2000.