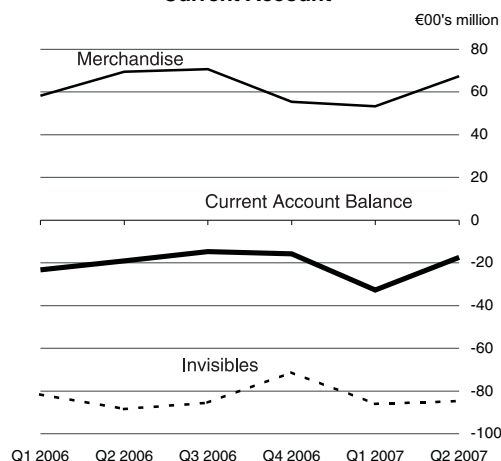




## Balance of International Payments Quarter 2 2007

### Current Account



	€ million		
	Merchandise Balance	Invisibles Balance	Current Account Balance
<b>Q2 2007</b>	6,734	-8,474	-1,740
<b>Q2 2006</b>	6,947	-8,853	-1,906
<b>Q1-Q2 2007</b>	12,070	-17,081	-5,011
<b>Q1-Q2 2006</b>	12,775	-17,006	-4,231

### Smaller current account deficit of €1.74bn in 2nd Quarter

There was a smaller Balance of Payments current account deficit of €1,740m in the second quarter of 2007 compared to one of €3,271m in the previous quarter and one of €1,906m in the second quarter of 2006 - see Table 1. The overall deficit for the first half of the year amounted to €5,011m, up almost €800m on that for the same period in 2006. Compared to the first quarter this year, the *merchandise* surplus increased by €1.4 billion to €6,734m in the latest quarter but was over €200m lower than that shown one year earlier (€6,947m). The latest deficit balance for *invisibles* trade of €8,474m was almost €400m lower than one year ago, largely due to a reduced services deficit (€1,200m). Other points of note in the second quarter's results are:

#### Current account (see Tables 1a and 2a)

- ◆ *Merchandise* exports at €21,296m were largely unchanged over recent quarters but were almost €400m higher than one year ago. Imports of €14,563m were down about €1.8 billion on the previous quarter – largely due to lower purchases of transport equipment – but were up €600m on the figure one year earlier.
- ◆ The upward trend in *services* exports continued strongly and at €15,699m they were almost €2.2 billion higher than one year earlier. Exports of *computer services* (€4,804m), *trade related services* (€1,659m), and *miscellaneous business services* (€1,735m) contributed mostly to this increase. Service imports rose by €1 billion to €16,898m over the same period, mainly due to increases in *tourism* (€1,550m), *insurance* (€1,800m), *financial services* (€1,187m) and *trade related services* (€2,769m).
- ◆ Net *income* outflows of €6,832m were almost €200m lower than in the previous quarter but €700m higher than the figure one year earlier. This latter change was due largely to the sizeable increase of €1.8 billion in profit outflows to €8,874m being partly offset by an increase of €1.1 billion in net inflows from portfolio and other investment abroad.

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

- ◆ There was relatively low outward *direct investment* (€1,247m) in the quarter. On the inward side a negative balance of €2,307m resulted from a combination of withdrawals by direct investors abroad of equity investment (€4,130m) and loan advances to their affiliates abroad by foreign-owned enterprises in Ireland (€2,905m) being more than offset by the reinvestment of profits they earned in Ireland (€4,728m).

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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	28,218	-9,303	-24,870	265	-33,908	<b>-5,690</b>	<b>264</b>
2006	Year	25,389	-7,419	-24,780	-465	-32,664	<b>-7,276</b>	<b>223</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	6,422	-1,974	-6,172	-285	-8,431	<b>-2,009</b>	<b>80</b>
	Quarter 2	7,425	-1,799	-7,064	187	-8,676	<b>-1,250</b>	<b>-21</b>
	Quarter 3	7,339	-2,522	-5,771	-261	-8,554	<b>-1,215</b>	<b>16</b>
	Quarter 4	7,032	-3,008	-5,863	624	-8,247	<b>-1,216</b>	<b>189</b>
2006	Quarter 1	5,828	-1,464	-6,235	-454	-8,153	<b>-2,325</b>	<b>78</b>
	Quarter 2	6,947	-2,385	-6,126	-342	-8,853	<b>-1,906</b>	<b>8</b>
	Quarter 3	7,071	-1,277	-6,911	-353	-8,541	<b>-1,471</b>	<b>-9</b>
	Quarter 4	5,543	-2,293	-5,508	684	-7,117	<b>-1,574</b>	<b>146</b>
2007	Quarter 1	5,336	-880	-6,999	-728	-8,607	<b>-3,271</b>	<b>30</b>
	Quarter 2	6,734	-1,200	-6,832	-442	-8,474	<b>-1,740</b>	<b>2</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	-36,992	52,698	-17,665	1,472	<b>-487</b>	5,912
2006	Year	-12,492	-15,423	36,265	87	<b>8,437</b>	-1,385
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	964	4,080	-7,896	48	<b>-2,804</b>	4,733
	Quarter 2	-7,066	-428	10,874	69	<b>3,449</b>	-2,178
	Quarter 3	-15,732	25,927	-11,672	10	<b>-1,467</b>	2,665
	Quarter 4	-15,158	23,119	-8,971	1,345	<b>335</b>	692
2006	Quarter 1	-3,855	-20,291	23,198	83	<b>-866</b>	3,113
	Quarter 2	-7,991	-11,845	22,449	-110	<b>2,503</b>	-605
	Quarter 3	5,531	-2,844	-977	68	<b>1,779</b>	-300
	Quarter 4	-6,177	19,557	-8,405	46	<b>5,021</b>	-3,593
2007	Quarter 1	3,654	-6,331	2,220	-47	<b>-503</b>	3,744
	Quarter 2	-3,554	-24,673	29,675	9	<b>1,457</b>	282

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

Table 2a – Current and Capital Accounts

€ million

Item		2005	2006	2006				2007	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Current Account</b>									
Merchandise <sup>1</sup>	Cr	82,686	83,355	20,597	20,913	20,651	21,194	21,724	21,296
	Db	54,467	57,967	14,769	13,966	13,581	15,651	16,388	14,563
Services	Cr	48,219	55,051	12,925	13,521	14,042	14,563	14,437	15,699
	Db	57,521	62,471	14,389	15,906	15,320	16,856	15,317	16,898
Transport	Cr	2,131	2,334	407	642	778	507	500	684
	Db	1,982	2,024	517	493	479	535	546	488
Tourism and Travel <sup>2</sup>	Cr	3,863	4,258	672	1,094	1,600	892	741	1,152
	Db	4,898	5,446	1,030	1,338	1,876	1,202	1,163	1,550
Communications	Cr	432	417	97	103	110	107	99	129
	Db	709	765	188	182	200	195	203	200
Insurance	Cr	6,909	8,790	2,354	1,985	2,072	2,379	2,148	2,162
	Db	5,976	7,167	1,774	1,617	1,719	2,057	1,705	1,800
Financial services	Cr	4,850	6,188	1,452	1,516	1,548	1,672	1,697	1,717
	Db	2,654	3,750	880	881	966	1,023	1,046	1,187
Computer services <sup>3</sup>	Cr	15,755	16,747	4,005	4,370	3,802	4,570	4,631	4,804
	Db	352	531	134	132	129	136	175	149
Royalties/Licences	Cr	623	818	190	209	235	184	206	194
	Db	15,482	16,564	3,928	4,233	3,788	4,615	3,934	4,230
Business services	Cr	13,072	14,897	3,598	3,451	3,747	4,101	4,266	4,692
	Db	25,313	26,048	5,895	6,987	6,118	7,048	6,500	7,247
Trade related	Cr	4,348	3,937	832	762	992	1,351	1,466	1,659
	Db	7,609	8,128	1,893	2,386	1,819	2,030	2,100	2,769
Operational leasing	Cr	4,076	5,398	1,353	1,342	1,379	1,324	1,297	1,298
	Db	813	927	227	231	233	236	242	249
Misc. business services <sup>4</sup>	Cr	4,650	5,563	1,413	1,347	1,377	1,426	1,503	1,735
	Db	16,890	16,993	3,775	4,370	4,065	4,783	4,158	4,230
Other services n.e.s.	Cr	581	605	151	152	151	151	150	164
	Db	158	176	44	42	44	46	44	45

Table 2a – Current and Capital Accounts - continued

€ million

Item	2005		2006		2006				2007	
	Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2		
<b>Current Account - continued</b>										
<b>Income</b>	<b>Cr</b>	<b>43,418</b>	<b>59,871</b>	<b>13,079</b>	<b>14,837</b>	<b>15,345</b>	<b>16,610</b>	<b>17,434</b>	<b>19,442</b>	
	<b>Db</b>	<b>68,288</b>	<b>84,652</b>	<b>19,315</b>	<b>20,963</b>	<b>22,256</b>	<b>22,118</b>	<b>24,433</b>	<b>26,275</b>	
Compensation of Employees	Cr	392	408	96	96	117	99	96	98	
	Db	855	1,016	234	244	307	231	245	267	
Investment Income	Cr	43,025	59,463	12,983	14,741	15,228	16,511	17,337	19,344	
	Db	67,433	83,635	19,081	20,719	21,949	21,886	24,188	26,008	
Direct investment income	Cr	6,473	8,405	2,024	2,066	2,061	2,254	2,089	2,094	
	Db	32,817	31,448	8,134	7,541	8,232	7,541	9,406	9,359	
Income on equity	Cr	3,845	4,234	978	932	1,106	1,218	952	933	
	Db	30,597	29,473	7,505	7,090	7,725	7,153	8,892	8,874	
<i>Dividends &amp; distributed</i>										
branch profits	Cr	163	469	*	*	*	0	*	*	
	Db	26,341	19,385	2,276	6,988	3,300	6,821	2,817	4,146	
Reinvested earnings	Cr	3,682	3,765	*	*	*	1,218	*	*	
	Db	4,257	10,087	5,228	102	4,425	332	6,074	4,728	
Income on debt	Cr	2,629	4,171	1,046	1,134	955	1,036	1,136	1,161	
	Db	2,220	1,977	630	451	507	389	514	485	
Portfolio investment income	Cr	22,323	31,966	6,955	8,033	8,159	8,819	9,169	10,839	
	Db	18,978	28,918	6,023	7,229	7,550	8,116	8,406	9,679	
Income on equity	Cr	3,543	5,027	1,025	1,736	1,207	1,059	1,091	2,264	
	Db	10,854	16,748	3,493	4,401	4,298	4,556	4,614	5,544	
Income on debt	Cr	18,779	26,937	5,929	6,297	6,951	7,760	8,078	8,575	
	Db	8,123	12,171	2,530	2,829	3,252	3,560	3,792	4,135	
Other investment income	Cr	14,229	19,091	4,004	4,642	5,008	5,437	6,079	6,411	
	Db	15,636	23,268	4,923	5,949	6,167	6,229	6,376	6,971	
<b>Current Transfers</b>	<b>Cr</b>	<b>5,648</b>	<b>5,264</b>	<b>983</b>	<b>1,028</b>	<b>1,199</b>	<b>2,054</b>	<b>1,014</b>	<b>871</b>	
	<b>Db</b>	<b>5,383</b>	<b>5,729</b>	<b>1,437</b>	<b>1,370</b>	<b>1,552</b>	<b>1,370</b>	<b>1,742</b>	<b>1,313</b>	
<b>Current Account - Total</b>	<b>Cr</b>	<b>179,969</b>	<b>203,541</b>	<b>47,584</b>	<b>50,299</b>	<b>51,237</b>	<b>54,421</b>	<b>54,609</b>	<b>57,308</b>	
	<b>Db</b>	<b>185,660</b>	<b>210,818</b>	<b>49,910</b>	<b>52,205</b>	<b>52,708</b>	<b>55,995</b>	<b>57,880</b>	<b>59,048</b>	
<b>Current Account Balance</b>		<b>-5,690</b>	<b>-7,276</b>	<b>-2,325</b>	<b>-1,906</b>	<b>-1,471</b>	<b>-1,574</b>	<b>-3,271</b>	<b>-1,740</b>	
<b>Capital Account Balance</b>		<b>264</b>	<b>223</b>	<b>78</b>	<b>8</b>	<b>-9</b>	<b>146</b>	<b>30</b>	<b>2</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	2006				2007	
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Direct Investment</b>	<b>Abroad</b>	<b>-11,509</b>	<b>-11,746</b>	<b>-4,473</b>	<b>1,155</b>	<b>-5,480</b>	<b>-2,948</b>	<b>-4,895</b>	<b>-1,247</b>
	<b>In Ireland</b>	<b>-25,482</b>	<b>-747</b>	<b>618</b>	<b>-9,147</b>	<b>11,011</b>	<b>-3,229</b>	<b>8,549</b>	<b>-2,307</b>
Equity	Abroad	-3,629	-11,463	-1,248	-2,346	-4,758	-3,111	-1,469	*
	In Ireland	3,960	-5,809	-2,607	-753	937	-3,386	250	-4,130
Reinvested Earnings	Abroad	-3,682	-3,765	*	*	*	-1,218	*	*
	In Ireland	4,257	10,087	5,228	102	4,425	332	6,074	4,728
Other Capital	Abroad	-4,197	3,483	*	*	*	1,381	*	897
	In Ireland	-33,698	-5,027	-2,004	-8,496	5,649	-176	2,225	-2,905
<b>Portfolio Investment</b>	<b>Assets</b>	<b>-120,759</b>	<b>-214,988</b>	<b>-67,054</b>	<b>-35,719</b>	<b>-69,118</b>	<b>-43,097</b>	<b>-60,173</b>	<b>-56,452</b>
	<b>Liabilities</b>	<b>173,459</b>	<b>199,566</b>	<b>46,763</b>	<b>23,875</b>	<b>66,274</b>	<b>62,654</b>	<b>53,842</b>	<b>31,779</b>
Equity	Assets	-48,205	-59,513	-28,248	-7,786	-11,443	-12,036	-9,490	-3,483
	Liabilities	75,642	128,468	43,613	15,392	36,431	33,032	35,263	24,258
Debt Instruments	Assets	-72,555	-155,476	-38,806	-27,933	-57,675	-31,062	-50,683	-52,969
	Liabilities	97,816	71,096	3,149	8,482	29,843	29,622	18,579	7,521
Bonds and notes	Assets	-73,668	-89,467	-28,339	-19,853	-27,483	-13,792	-22,540	-30,962
	Liabilities	61,049	64,596	7,528	16,136	18,457	22,475	15,086	7,570
Money market instruments	Assets	1,112	-66,008	-10,467	-8,080	-30,191	-17,270	-28,143	-22,007
	Liabilities	36,768	6,501	-4,379	-7,654	11,386	7,148	3,493	-49

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

€ million

Item		2005	2006	2006				2007	
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Other Investment</b>	<b>Assets</b>	<b>-111,242</b>	<b>-95,094</b>	<b>5,572</b>	<b>-30,157</b>	<b>-10,575</b>	<b>-59,934</b>	<b>-29,572</b>	<b>-33,309</b>
	<b>Liabilities</b>	<b>93,577</b>	<b>131,359</b>	<b>17,626</b>	<b>52,606</b>	<b>9,598</b>	<b>51,529</b>	<b>31,793</b>	<b>62,984</b>
Loans, currency and deposits	Assets	-88,102	-89,886	9,029	-21,415	-19,961	-57,539	-26,387	-34,774
	Liabilities	87,975	105,731	7,539	43,037	11,161	43,994	26,008	57,979
Other <sup>2</sup>	Assets	-23,141	-5,209	-3,457	-8,742	9,386	-2,396	-3,186	1,465
	Liabilities	5,601	25,629	10,087	9,569	-1,562	7,535	5,785	5,006
<b>Reserve Assets</b>		<b>1,472</b>	<b>87</b>	<b>83</b>	<b>-110</b>	<b>68</b>	<b>46</b>	<b>-47</b>	<b>9</b>
Monetary gold		14	0	0	0	0	0	0	4
Special drawing rights		-8	-3	-1	0	-1	-1	-1	0
Reserve position in the IMF		165	41	62	-45	17	7	33	-2
Foreign exchange		1,301	49	22	-65	52	40	-79	7
Other		0	0	0	0	0	0	0	0
<b>Balance on Financial Account</b>		<b>-487</b>	<b>8,437</b>	<b>-866</b>	<b>2,503</b>	<b>1,779</b>	<b>5,021</b>	<b>-503</b>	<b>1,457</b>
<i>Net errors and omissions</i>		<i>5,912</i>	<i>-1,385</i>	<i>3,113</i>	<i>-605</i>	<i>-300</i>	<i>-3,593</i>	<i>3,744</i>	<i>282</i>
<b>Memorandum Item:</b>									
<i>Government financial transactions</i>	<i>Assets</i>	<i>-1,500</i>	<i>-1,943</i>	<i>-960</i>	<i>-838</i>	<i>317</i>	<i>-462</i>	<i>-730</i>	<i>-1,976</i>
	<i>Liabilities</i>	<i>1,319</i>	<i>318</i>	<i>107</i>	<i>-87</i>	<i>457</i>	<i>-159</i>	<i>429</i>	<i>1,415</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	2006				2007	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Current Account - Total</b>	<b>Cr</b>	<b>179,969</b>	<b>203,541</b>	<b>47,584</b>	<b>50,299</b>	<b>51,237</b>	<b>54,421</b>	<b>54,609</b>	<b>57,308</b>
	<b>Db</b>	<b>185,660</b>	<b>210,818</b>	<b>49,910</b>	<b>52,205</b>	<b>52,708</b>	<b>55,995</b>	<b>57,880</b>	<b>59,048</b>
<b>Merchandise <sup>2</sup></b>	<b>Cr</b>	<b>82,686</b>	<b>83,355</b>	<b>20,597</b>	<b>20,913</b>	<b>20,651</b>	<b>21,194</b>	<b>21,724</b>	<b>21,296</b>
	<b>Db</b>	<b>54,467</b>	<b>57,967</b>	<b>14,769</b>	<b>13,966</b>	<b>13,581</b>	<b>15,651</b>	<b>16,388</b>	<b>14,563</b>
<b>Services</b>	<b>Cr</b>	<b>48,219</b>	<b>55,051</b>	<b>12,925</b>	<b>13,521</b>	<b>14,042</b>	<b>14,563</b>	<b>14,437</b>	<b>15,699</b>
	<b>Db</b>	<b>57,521</b>	<b>62,471</b>	<b>14,389</b>	<b>15,906</b>	<b>15,320</b>	<b>16,856</b>	<b>15,317</b>	<b>16,898</b>
- IFSC	Cr	15,912	20,137	5,114	4,746	4,929	5,348	5,058	5,113
	Db	10,427	12,557	3,194	2,816	3,150	3,397	3,015	3,169
- non IFSC	Cr	32,305	34,914	7,811	8,775	9,113	9,215	9,379	10,586
	Db	47,095	49,914	11,195	13,090	12,170	13,459	12,302	13,729
<b>Income</b>	<b>Cr</b>	<b>43,418</b>	<b>59,871</b>	<b>13,079</b>	<b>14,837</b>	<b>15,345</b>	<b>16,610</b>	<b>17,434</b>	<b>19,442</b>
	<b>Db</b>	<b>68,288</b>	<b>84,652</b>	<b>19,315</b>	<b>20,963</b>	<b>22,256</b>	<b>22,118</b>	<b>24,433</b>	<b>26,275</b>
- IFSC	Cr	34,109	47,764	10,434	11,923	12,142	13,265	14,324	15,809
	Db	34,532	49,073	10,686	12,436	12,274	13,677	14,263	16,121
- non IFSC	Cr	9,308	12,107	2,645	2,914	3,203	3,345	3,109	3,633
	Db	33,755	35,576	8,628	8,527	9,981	8,440	10,170	10,154
<b>Current Transfers</b>	<b>Cr</b>	<b>5,648</b>	<b>5,264</b>	<b>983</b>	<b>1,028</b>	<b>1,199</b>	<b>2,054</b>	<b>1,014</b>	<b>871</b>
	<b>Db</b>	<b>5,383</b>	<b>5,729</b>	<b>1,437</b>	<b>1,370</b>	<b>1,552</b>	<b>1,370</b>	<b>1,742</b>	<b>1,313</b>
- IFSC <sup>3</sup>	Cr	2,703	2,792	610	741	843	598	770	660
	Db	2,703	2,792	610	741	843	598	770	660
- non IFSC	Cr	2,945	2,472	373	287	356	1,456	244	211
	Db	2,679	2,937	827	629	709	772	972	653
<b>Balance on Current Account</b>		<b>-5,690</b>	<b>-7,276</b>	<b>-2,325</b>	<b>-1,906</b>	<b>-1,471</b>	<b>-1,574</b>	<b>-3,271</b>	<b>-1,740</b>
<b>Balance on Capital Account</b>		<b>264</b>	<b>223</b>	<b>78</b>	<b>8</b>	<b>-9</b>	<b>146</b>	<b>30</b>	<b>2</b>



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

Item		2005	2006	2006				2007	
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Financial Account<sup>4</sup></b>									
<b>Direct investment</b>	<b>Abroad</b>	<b>-11,509</b>	<b>-11,746</b>	<b>-4,473</b>	<b>1,155</b>	<b>-5,480</b>	<b>-2,948</b>	<b>-4,895</b>	<b>-1,247</b>
	<b>In Ireland</b>	<b>-25,482</b>	<b>-747</b>	<b>618</b>	<b>-9,147</b>	<b>11,011</b>	<b>-3,229</b>	<b>8,549</b>	<b>-2,307</b>
- IFSC	Abroad	18	-7,075	370	-1,365	-3,857	-2,223	355	163
	In Ireland	-25,851	7,900	533	2,573	7,030	-2,236	4,889	-8,268
- non IFSC	Abroad	-11,528	-4,669	-4,843	2,520	-1,622	-724	-5,250	-1,410
	In Ireland	369	-8,647	85	-11,720	3,981	-993	3,661	5,962
<b>Portfolio investment</b>	<b>Assets</b>	<b>-120,759</b>	<b>-214,988</b>	<b>-67,054</b>	<b>-35,719</b>	<b>-69,118</b>	<b>-43,097</b>	<b>-60,173</b>	<b>-56,452</b>
	<b>Liabilities</b>	<b>173,459</b>	<b>199,566</b>	<b>46,763</b>	<b>23,875</b>	<b>66,274</b>	<b>62,654</b>	<b>53,842</b>	<b>31,779</b>
- IFSC	Assets	-95,382	-189,126	-59,614	-28,377	-62,131	-39,004	-57,974	-46,139
	Liabilities	144,071	172,817	39,739	25,863	51,785	55,430	43,897	22,333
- non IFSC	Assets	-25,378	-25,863	-7,440	-7,343	-6,987	-4,093	-2,199	-10,313
	Liabilities	29,387	26,749	7,024	-1,989	14,489	7,225	9,945	9,446
<b>Other investment<sup>5</sup></b>	<b>Assets</b>	<b>-111,242</b>	<b>-95,094</b>	<b>5,572</b>	<b>-30,157</b>	<b>-10,575</b>	<b>-59,934</b>	<b>-29,572</b>	<b>-33,309</b>
	<b>Liabilities</b>	<b>93,577</b>	<b>131,359</b>	<b>17,626</b>	<b>52,606</b>	<b>9,598</b>	<b>51,529</b>	<b>31,793</b>	<b>62,984</b>
- IFSC	Assets	-79,712	-72,463	4,907	-25,963	-2,984	-48,423	-20,970	-23,420
	Liabilities	58,430	104,736	10,381	37,642	6,038	50,675	27,909	57,262
- non IFSC	Assets	-31,530	-22,632	665	-4,194	-7,591	-11,512	-8,602	-9,889
	Liabilities	35,148	26,624	7,245	14,964	3,560	855	3,884	5,722
<b>Reserve Assets</b>		<b>1,472</b>	<b>87</b>	<b>83</b>	<b>-110</b>	<b>68</b>	<b>46</b>	<b>-47</b>	<b>9</b>
<b>Balance on Financial Account</b>		<b>-487</b>	<b>8,437</b>	<b>-866</b>	<b>2,503</b>	<b>1,779</b>	<b>5,021</b>	<b>-503</b>	<b>1,457</b>
<i>Net errors and omissions</i>		<i>5,912</i>	<i>-1,385</i>	<i>3,113</i>	<i>-605</i>	<i>-300</i>	<i>-3,593</i>	<i>3,744</i>	<i>282</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	2006				2007	
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Current Account - Total</b>	<b>Cr</b>	<b>179,969</b>	<b>203,541</b>	<b>47,584</b>	<b>50,299</b>	<b>51,237</b>	<b>54,421</b>	<b>54,609</b>	<b>57,308</b>
	<b>Db</b>	<b>185,660</b>	<b>210,818</b>	<b>49,910</b>	<b>52,205</b>	<b>52,708</b>	<b>55,995</b>	<b>57,880</b>	<b>59,048</b>
<b>Merchandise <sup>2</sup></b>	<b>Cr</b>	<b>82,686</b>	<b>83,355</b>	<b>20,597</b>	<b>20,913</b>	<b>20,651</b>	<b>21,194</b>	<b>21,724</b>	<b>21,296</b>
	<b>Db</b>	<b>54,467</b>	<b>57,967</b>	<b>14,769</b>	<b>13,966</b>	<b>13,581</b>	<b>15,651</b>	<b>16,388</b>	<b>14,563</b>
- EMU	Cr	38,025	37,205	9,591	9,300	8,793	9,521	9,741	8,893
	Db	13,732	14,961	3,855	3,618	3,427	4,061	4,741	4,196
- non EMU	Cr	44,660	46,151	11,006	11,613	11,859	11,673	11,984	12,403
	Db	40,736	43,006	10,914	10,348	10,154	11,590	11,647	10,366
- EU	Cr	55,936	55,954	13,956	13,933	13,524	14,541	14,488	13,769
	Db	35,766	38,820	9,723	9,315	9,172	10,610	11,020	10,230
- non EU	Cr	26,751	27,401	6,642	6,980	7,127	6,652	7,236	7,528
	Db	18,701	19,148	5,047	4,652	4,409	5,040	5,368	4,333
<b>Services</b>	<b>Cr</b>	<b>48,219</b>	<b>55,051</b>	<b>12,925</b>	<b>13,521</b>	<b>14,042</b>	<b>14,563</b>	<b>14,437</b>	<b>15,699</b>
	<b>Db</b>	<b>57,521</b>	<b>62,471</b>	<b>14,389</b>	<b>15,906</b>	<b>15,320</b>	<b>16,856</b>	<b>15,317</b>	<b>16,898</b>
- EMU	Cr	18,174	18,147	4,306	4,759	4,313	4,769	4,923	5,443
	Db	17,772	17,978	4,043	4,822	4,486	4,627	3,978	4,213
- non EMU	Cr	30,044	36,904	8,619	8,762	9,729	9,794	9,514	10,254
	Db	39,749	44,491	10,346	11,083	10,833	12,229	11,339	12,685
- EU	Cr	32,862	30,407	7,229	7,493	8,075	7,610	8,727	10,018
	Db	28,047	29,979	6,665	7,998	7,525	7,791	6,816	7,442
- non EU	Cr	15,355	24,644	5,696	6,027	5,968	6,953	5,710	5,679
	Db	29,475	32,491	7,724	7,907	7,795	9,065	8,501	9,456

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

€ million

Item		2005		2006		2006				2007	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2		
<b>Income</b>	<b>Cr</b>	<b>43,418</b>	<b>59,871</b>	<b>13,079</b>	<b>14,837</b>	<b>15,345</b>	<b>16,610</b>	<b>17,434</b>	<b>19,442</b>		
	<b>Db</b>	<b>68,288</b>	<b>84,652</b>	<b>19,315</b>	<b>20,963</b>	<b>22,256</b>	<b>22,118</b>	<b>24,433</b>	<b>26,275</b>		
- EMU	Cr	16,189	20,309	4,279	5,127	5,208	5,695	5,823	6,564		
	Db	24,016	24,020	5,867	5,558	6,012	6,583	7,464	7,982		
- non EMU	Cr	27,228	39,563	8,801	9,710	10,137	10,915	11,611	12,878		
	Db	44,271	60,630	13,447	15,405	16,243	15,535	16,969	18,293		
- EU	Cr	27,014	35,549	7,845	8,769	9,046	9,889	10,197	11,533		
	Db	40,674	47,994	10,906	11,470	12,332	13,286	14,068	15,354		
- non EU	Cr	16,404	24,323	5,234	6,069	6,299	6,721	7,236	7,910		
	Db	27,613	36,658	8,409	9,493	9,924	8,832	10,365	10,921		
<b>Current Transfers</b>	<b>Cr</b>	<b>5,648</b>	<b>5,264</b>	<b>983</b>	<b>1,028</b>	<b>1,199</b>	<b>2,054</b>	<b>1,014</b>	<b>871</b>		
	<b>Db</b>	<b>5,383</b>	<b>5,729</b>	<b>1,437</b>	<b>1,370</b>	<b>1,552</b>	<b>1,370</b>	<b>1,742</b>	<b>1,313</b>		
- EMU	Cr	712	623	287	157	141	38	173	222		
	Db	733	614	285	154	139	36	171	220		
- non EMU	Cr	4,937	4,640	695	871	1,058	2,016	841	649		
	Db	4,649	5,113	1,151	1,215	1,413	1,334	1,572	1,093		
- EU	Cr	4,182	3,539	759	580	506	1,694	520	514		
	Db	3,492	3,497	1,074	783	749	891	1,030	833		
- non EU	Cr	1,467	1,725	224	448	693	360	494	357		
	Db	1,889	2,231	362	587	803	479	712	479		
<b>Balance on Current Account</b>		<b>-5,690</b>	<b>-7,276</b>	<b>-2,325</b>	<b>-1,906</b>	<b>-1,471</b>	<b>-1,574</b>	<b>-3,271</b>	<b>-1,740</b>		
<b>Balance on Capital Account</b>		<b>264</b>	<b>223</b>	<b>78</b>	<b>8</b>	<b>-9</b>	<b>146</b>	<b>30</b>	<b>2</b>		

<sup>1</sup> The term 'EMU' means the area represented by the 13 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2007 to include Slovenia. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area. This area comprises the former EU25 area along with Bulgaria and Romania who joined on 1 January 2007. For comparison purposes data shown for 2005 and 2006 also relate to EMU 13 and EU 27

<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	2006				2007	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Direct Investment</b>	<b>Abroad</b>	<b>-11,509</b>	<b>-11,746</b>	<b>-4,473</b>	<b>1,155</b>	<b>-5,480</b>	<b>-2,948</b>	<b>-4,895</b>	<b>-1,247</b>
	<b>In Ireland</b>	<b>-25,482</b>	<b>-747</b>	<b>618</b>	<b>-9,147</b>	<b>11,011</b>	<b>-3,229</b>	<b>8,549</b>	<b>-2,307</b>
- EMU	Abroad	-6,778	-1,772	-310	2,635	-3,759	-338	1	-645
	In Ireland	-10,890	-8,674	-4,797	-10,998	8,840	-1,719	1,519	-823
- non EMU	Abroad	-4,731	-9,973	-4,163	-1,479	-1,721	-2,610	-4,896	-603
	In Ireland	-14,592	7,928	5,415	1,852	2,171	-1,510	7,030	-1,483
- EU	Abroad	-10,604	-6,184	822	-1,299	-4,269	-1,438	-1,812	-1,587
	In Ireland	-16,769	-1,622	-5,570	-9,638	10,125	3,461	1,310	-1,191
- non EU	Abroad	-907	-5,560	-5,294	2,454	-1,210	-1,510	-3,083	340
	In Ireland	-8,714	875	6,188	491	886	-6,690	7,239	-1,116
<b>Portfolio Investment</b>	<b>Assets</b>	<b>-120,759</b>	<b>-214,988</b>	<b>-67,054</b>	<b>-35,719</b>	<b>-69,118</b>	<b>-43,097</b>	<b>-60,173</b>	<b>-56,452</b>
	<b>Liabilities</b>	<b>173,459</b>	<b>199,566</b>	<b>46,763</b>	<b>23,875</b>	<b>66,274</b>	<b>62,654</b>	<b>53,842</b>	<b>31,779</b>
- EMU	Assets	-39,375	-59,059	-20,238	-17,099	-17,976	-3,746	-10,018	-15,880
	Liabilities	34,516	28,961	2,575	10,420	9,354	6,612	10,845	10,716
- non EMU	Assets	-81,385	-155,931	-46,816	-18,621	-51,142	-39,352	-50,155	-40,572
	Liabilities	138,944	170,604	44,187	13,455	56,920	56,042	42,998	21,063
- EU	Assets	-83,022	-98,888	-30,982	-22,005	-33,701	-12,200	-21,219	-30,588
	Liabilities	120,355	113,990	29,119	16,510	36,422	31,939	39,928	31,959
- non EU	Assets	-37,737	-116,099	-36,071	-13,714	-35,416	-30,898	-38,953	-25,865
	Liabilities	53,102	85,574	17,643	7,364	29,852	30,715	13,914	-180

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

€ million

Item		2005	2006	2006				2007	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Other Investment</b> <sup>3</sup>	<b>Assets</b>	<b>-111,242</b>	<b>-95,094</b>	<b>5,572</b>	<b>-30,157</b>	<b>-10,575</b>	<b>-59,934</b>	<b>-29,572</b>	<b>-33,309</b>
	<b>Liabilities</b>	<b>93,577</b>	<b>131,359</b>	<b>17,626</b>	<b>52,606</b>	<b>9,598</b>	<b>51,529</b>	<b>31,793</b>	<b>62,984</b>
- EMU	Assets	-33,181	-19,960	-260	-9,751	-2,228	-7,721	-8,932	-9,983
	Liabilities	34,512	39,506	10,922	22,590	-185	6,179	5,467	30,079
- non EMU	Assets	-78,063	-75,135	5,831	-20,406	-8,347	-52,213	-20,641	-23,326
	Liabilities	59,067	91,854	6,704	30,017	9,783	45,350	26,326	32,906
- EU	Assets	-86,725	-47,789	10,098	-12,065	-7,081	-38,741	-29,953	-20,856
	Liabilities	74,292	86,796	13,274	20,889	15,564	37,069	17,307	19,010
- non EU	Assets	-24,518	-47,305	-4,526	-18,092	-3,494	-21,193	381	-12,453
	Liabilities	19,283	44,563	4,352	31,717	-5,966	14,460	14,486	43,974
<b>Reserve Assets</b>		<b>1,472</b>	<b>87</b>	<b>83</b>	<b>-110</b>	<b>68</b>	<b>46</b>	<b>-47</b>	<b>9</b>
<b>Balance on Financial Account</b>		<b>-487</b>	<b>8,437</b>	<b>-866</b>	<b>2,503</b>	<b>1,779</b>	<b>5,021</b>	<b>-503</b>	<b>1,457</b>
<i>Net errors and omissions</i>		<i>5,912</i>	<i>-1,385</i>	<i>3,113</i>	<i>-605</i>	<i>-300</i>	<i>-3,593</i>	<i>3,744</i>	<i>282</i>

<sup>1</sup> See footnote 1 on Table 2b<sup>2</sup> The term 'EMU' means the area represented by the 13 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2007 to include Slovenia. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area. This area comprises the former EU25 area along with Bulgaria and Romania who joined on 1 January 2007. For comparison purposes data shown for 2005 and 2006 also relate to EMU 13 and EU 27<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

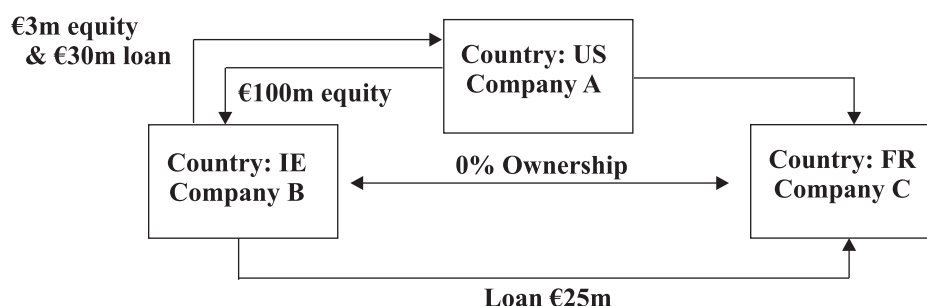
The capital account largely covers capital transfers, in particular amounts receivable under the EU Regional Development Fund and the Cohesion Fund and all other transfers intended for capital purposes. Estimates of migrants’ transfers (i.e. the transfer of the net worth of immigrants and emigrants) 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.