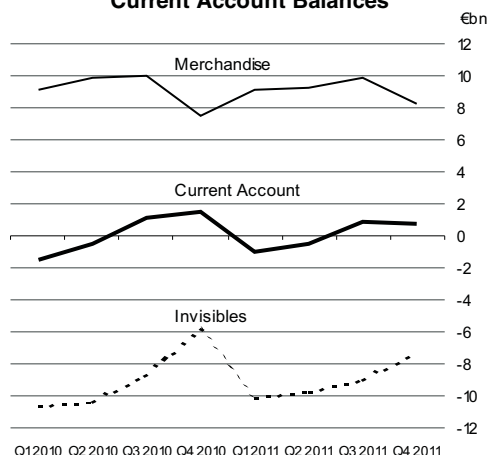




22 March 2012

Balance of International Payments Quarter 4 and Year 2011

Current Account Balances



€ million

	Merchandise Balance	Invisibles Balance	Current Account Balance
Q4 2011	8,194	-7,399	796
Q4 2010	7,487	-5,931	1,555
Year 2011	36,397	-36,272	127
Year 2010	36,495	-35,732	761

Quarter 4 2011 current account surplus of €796m

The 4th Quarter 2011 Balance of Payments current account surplus was €796m giving a slight surplus of just €127m for the year as a whole. The annual balance was €634m lower than in 2010. While the annual *merchandise* surplus decreased by €100m the *invisibles* deficit increased by over €500m. Within this the *services* deficit decreased by €3.9bn while the *income* deficit increased by €4.7bn (see Table 1). Other points of note in Quarter 4 are:

Current account (see table 2a)

- ◆ *Merchandise* exports (€20,487m) increased by €848m while imports (€12,293m) increased by €141m compared to the same quarter of 2010.
- ◆ *Services* exports at €21,220m were up €1.4bn largely due to increased *computer services* and *business services* exports. Service imports (€21,806m) were almost unchanged.
- ◆ *Investment income* earned abroad (€14,128m) decreased by €830m compared with one year earlier. Income payable to foreign investors (€21,601m) increased by €2.1bn. However *direct investment* income outflows were very low in the fourth quarter of 2010.

Financial account (see tables 2b and 3)

- ◆ *Direct investment abroad* showed a disinvestment of almost €12bn in the 4th quarter due mainly to a decrease in *other capital* (€11,345m). Inward FDI showed a disinvestment of over €19bn.
- ◆ *Net portfolio investment* in foreign assets decreased by almost €4bn in the quarter. Net portfolio investment in Irish entities increased by over €11bn due to increased investment in funds based in the IFSC.
- ◆ *Other investment* assets decreased by €2.9bn in the quarter while the corresponding liabilities decreased by €11.7bn.

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Table 1a – Summary of Current and Capital Account Balances

€ million

Period	Merchandise ¹	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	627	840
1999	Year	22,170	-10,176	-12,945	1,177	-21,944	226	560
2000	Year	27,266	-13,889	-14,750	994	-27,645	-379	1,182
2001	Year	30,494	-13,259	-18,295	305	-31,249	-757	703
2002	Year	35,442	-13,779	-23,664	707	-36,736	-1,295	512
2003	Year	32,604	-11,091	-21,947	432	-32,606	-2	93
2004	Year	31,423	-10,203	-22,481	393	-32,291	-867	279
2005	Year	28,218	-9,303	-24,870	265	-33,908	-5,690	264
2006	Year	25,031	-6,797	-24,033	-506	-31,336	-6,304	223
2007	Year	19,811	-1,121	-27,825	-990	-29,936	-10,124	39
2008	Year	23,811	-7,670	-25,155	-1,154	-33,979	-10,169	47
2009	Year	32,469	-8,052	-27,906	-1,207	-37,165	-4,697	-1,252
2010	Year	36,495	-7,095	-27,415	-1,222	-35,732	761	-673
2011	Year	36,397	-3,207	-32,163	-902	-36,272	127	-429
1999	Quarter 1	4,915	-2,548	-2,581	277	-4,852	63	133
	Quarter 2	5,131	-2,492	-2,987	342	-5,137	-6	40
	Quarter 3	6,114	-2,516	-3,792	163	-6,145	-31	4
	Quarter 4	6,010	-2,621	-3,585	395	-5,811	199	383
2000	Quarter 1	5,457	-2,887	-3,326	324	-5,889	-432	300
	Quarter 2	6,447	-3,188	-3,007	253	-5,942	505	192
	Quarter 3	7,351	-3,406	-4,091	-92	-7,589	-238	-12
	Quarter 4	8,011	-4,408	-4,326	509	-8,225	-214	702
2001	Quarter 1	6,771	-3,413	-3,929	64	-7,278	-508	300
	Quarter 2	8,089	-3,354	-4,748	-13	-8,115	-26	76
	Quarter 3	8,085	-3,085	-4,816	-57	-7,958	126	9
	Quarter 4	7,549	-3,407	-4,802	311	-7,898	-349	318
2002	Quarter 1	8,977	-3,845	-5,837	-36	-9,718	-741	-14
	Quarter 2	8,598	-3,683	-6,290	131	-9,842	-1,244	2
	Quarter 3	9,265	-3,493	-5,529	-68	-9,090	174	9
	Quarter 4	8,602	-2,758	-6,008	680	-8,086	516	515
2003	Quarter 1	7,622	-2,472	-5,815	-89	-8,376	-753	0
	Quarter 2	8,421	-2,747	-5,634	48	-8,333	88	-38
	Quarter 3	8,338	-3,084	-5,061	-89	-8,234	103	-192
	Quarter 4	8,223	-2,788	-5,437	562	-7,663	560	323
2004	Quarter 1	8,143	-2,588	-5,601	-61	-8,250	-107	-22
	Quarter 2	8,142	-2,488	-5,867	64	-8,291	-149	-57
	Quarter 3	7,763	-2,700	-5,409	-13	-8,122	-359	19
	Quarter 4	7,375	-2,427	-5,604	403	-7,628	-252	339
2005	Quarter 1	6,422	-1,974	-6,172	-285	-8,431	-2,009	80
	Quarter 2	7,425	-1,799	-7,064	187	-8,676	-1,250	-21
	Quarter 3	7,339	-2,522	-5,771	-261	-8,554	-1,215	16
	Quarter 4	7,032	-3,008	-5,863	624	-8,247	-1,216	189
2006	Quarter 1	5,752	-1,448	-6,142	-464	-8,054	-2,302	78
	Quarter 2	6,898	-2,069	-5,914	-352	-8,335	-1,437	8
	Quarter 3	6,984	-1,124	-6,724	-363	-8,211	-1,227	-9
	Quarter 4	5,397	-2,156	-5,253	673	-6,736	-1,338	146
2007	Quarter 1	4,187	150	-7,259	-703	-7,812	-3,624	48
	Quarter 2	6,146	-346	-7,490	-405	-8,241	-2,096	-4
	Quarter 3	5,076	-68	-6,189	-460	-6,717	-1,641	-10
	Quarter 4	4,402	-857	-6,887	578	-7,166	-2,763	5
2008	Quarter 1	4,573	-1,663	-6,125	-781	-8,569	-3,997	23
	Quarter 2	5,814	-1,417	-6,390	-570	-8,377	-2,563	47
	Quarter 3	5,809	-1,294	-7,106	-386	-8,786	-2,976	-19
	Quarter 4	7,615	-3,296	-5,534	583	-8,247	-633	-4
2009	Quarter 1	8,085	-2,761	-6,998	-864	-10,623	-2,539	-18
	Quarter 2	9,001	-2,349	-7,435	-675	-10,459	-1,458	-16
	Quarter 3	8,198	-1,036	-7,414	-434	-8,884	-686	-25
	Quarter 4	7,185	-1,906	-6,059	766	-7,199	-14	-1,193
2010	Quarter 1	9,176	-1,764	-8,090	-790	-10,644	-1,468	35
	Quarter 2	9,868	-1,902	-7,929	-541	-10,372	-504	-11
	Quarter 3	9,964	-1,341	-6,834	-610	-8,785	1,178	-1
	Quarter 4	7,487	-2,088	-4,562	719	-5,931	1,555	-696
2011	Quarter 1	9,117	-1,442	-8,035	-672	-10,149	-1,031	14
	Quarter 2	9,224	-800	-8,425	-487	-9,712	-488	-8
	Quarter 3	9,862	-379	-8,170	-463	-9,012	850	-12
	Quarter 4	8,194	-586	-7,533	720	-7,399	796	-423

¹ 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 ¹ Investment	Reserve Assets	Balance on Financial Account	Net errors and omissions	
1998	Year	4,422	-8,466	7,459	-2,280	1,135	-2,602
1999	Year	11,359	-14,342	-974	1,746	-2,211	1,425
2000	Year	22,957	-5,358	-9,037	-142	8,420	-9,223
2001	Year	6,241	-25,158	19,039	-441	-319	372
2002	Year	19,444	-37,979	19,263	343	1,070	-287
2003	Year	15,270	-39,977	21,567	1,770	-1,372	1,280
2004	Year	-23,095	14,287	11,430	1,177	3,801	-3,212
2005	Year	-36,992	52,698	-17,665	1,472	-487	5,912
2006	Year	-16,634	8,135	13,182	87	4,770	1,311
2007	Year	2,602	-7,283	16,744	-12	12,051	-1,966
2008	Year	-24,167	-45,749	86,128	-78	16,132	-6,010
2009	Year	-473	22,626	-23,116	79	-885	6,833
2010	Year	6,439	93,985	-88,039	5	12,390	-12,479
2011	Year	10,968	28,186	-32,108	341	7,389	-7,084
1999	Quarter 1	4,215	-4,805	884	1,887	2,181	-2,377
	Quarter 2	2,019	-5,227	-1,734	-93	-5,035	5,001
	Quarter 3	3,789	-4,390	-12	13	-600	627
	Quarter 4	1,336	79	-112	-61	1,242	-1,824
2000	Quarter 1	2,317	-5,222	3,728	39	862	-730
	Quarter 2	6,184	4,761	-7,128	-55	3,762	-4,459
	Quarter 3	6,819	-5,814	2,652	-38	3,619	-3,369
	Quarter 4	7,636	917	-8,289	-88	176	-664
2001	Quarter 1	-403	1,851	-3,318	-67	-1,937	2,145
	Quarter 2	4,368	-6,594	3,774	-199	1,349	-1,399
	Quarter 3	1,960	-11,644	11,067	-45	1,338	-1,474
	Quarter 4	316	-8,771	7,516	-130	-1,069	1,100
2002	Quarter 1	6,205	-13,891	9,680	265	2,258	-1,503
	Quarter 2	1,379	941	-2,345	236	211	1,032
	Quarter 3	8,473	-11,496	4,692	-130	1,539	-1,723
	Quarter 4	3,387	-13,533	7,236	-28	-2,938	1,907
2003	Quarter 1	4,065	-8,773	3,197	1,818	308	445
	Quarter 2	11,407	-10,431	-1,876	-43	-943	893
	Quarter 3	3,830	-23,201	18,913	-84	-544	633
	Quarter 4	-4,032	2,428	1,333	79	-193	-691
2004	Quarter 1	-8,076	10,665	-5,684	1,189	-1,905	2,035
	Quarter 2	-4,869	9,346	-4,281	135	331	-125
	Quarter 3	158	-4,805	7,694	-129	2,918	-2,578
	Quarter 4	-10,308	-919	13,701	-18	2,457	-2,544
2005	Quarter 1	964	4,080	-7,896	48	-2,804	4,733
	Quarter 2	-7,066	-428	10,874	69	3,449	-2,178
	Quarter 3	-15,732	25,927	-11,672	10	-1,467	2,665
	Quarter 4	-15,158	23,119	-8,971	1,345	335	692
2006	Quarter 1	-4,454	-15,069	17,720	83	-1,720	3,944
	Quarter 2	-9,630	-5,782	16,549	-110	1,027	402
	Quarter 3	5,333	2,601	-6,656	68	1,346	-110
	Quarter 4	-7,883	26,385	-14,431	46	4,117	-2,925
2007	Quarter 1	1,048	-976	2,274	-47	2,300	1,277
	Quarter 2	-3,101	-17,579	22,776	9	2,104	-5
	Quarter 3	-1,092	22,769	-19,941	-38	1,698	-47
	Quarter 4	5,747	-11,497	11,635	64	5,949	-3,191
2008	Quarter 1	-3,191	8,182	3,140	74	8,205	-4,231
	Quarter 2	-3,077	-5,541	18,414	-46	9,749	-7,233
	Quarter 3	-9,276	-12,083	21,835	-39	437	2,558
	Quarter 4	-8,623	-36,307	42,739	-67	-2,259	2,896
2009	Quarter 1	-1,107	-2,331	429	41	-2,969	5,525
	Quarter 2	1,148	-15,776	23,345	-62	8,654	-7,180
	Quarter 3	-7,508	26,570	-22,020	3	-2,954	3,665
	Quarter 4	6,994	14,163	-24,870	97	-3,616	4,823
2010	Quarter 1	1,021	21,589	-29,192	32	-6,550	7,983
	Quarter 2	-761	-4,033	14,247	-19	9,434	-8,919
	Quarter 3	-2,018	-17,373	25,014	-76	5,547	-6,724
	Quarter 4	8,197	93,802	-98,108	68	3,959	-4,819
2011	Quarter 1	10,540	4,268	-8,987	34	5,855	-4,837
	Quarter 2	5,137	22,478	-27,899	9	-275	772
	Quarter 3	2,502	-13,482	13,622	43	2,686	-3,524
	Quarter 4	-7,211	14,922	-8,844	255	-877	505

¹ Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents.

Table 2a – Current and Capital Accounts

€ million

Item		2010	2011	2010				2011			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account											
Merchandise ¹	Cr	82,944	85,258	20,308	21,653	21,344	19,639	21,693	21,820	21,258	20,487
	Db	46,448	48,862	11,131	11,785	11,380	12,152	12,575	12,597	11,397	12,293
Services	Cr	73,837	79,084	16,688	18,536	18,841	19,772	18,281	19,888	19,695	21,220
	Db	80,931	82,291	18,451	20,438	20,182	21,860	19,722	20,689	20,074	21,806
Transport	Cr	3,605	4,088	611	903	1,302	789	673	1,165	1,352	898
	Db	1,613	1,644	394	426	395	398	433	432	377	402
Tourism and Travel ²	Cr	3,075	3,336	473	845	1,079	678	487	997	1,193	659
	Db	5,826	5,543	1,251	1,397	2,055	1,123	1,088	1,462	1,886	1,107
Communications	Cr	548	572	129	136	143	140	121	146	157	148
	Db	1,209	1,176	305	296	319	289	292	295	293	296
Insurance	Cr	7,777	7,654	2,147	1,849	1,927	1,854	2,241	1,870	1,807	1,736
	Db	6,119	5,929	1,678	1,469	1,512	1,460	1,648	1,491	1,436	1,354
Financial services	Cr	5,978	6,548	1,439	1,531	1,457	1,551	1,558	1,579	1,641	1,770
	Db	4,513	4,665	1,073	1,150	1,055	1,235	1,106	1,195	1,180	1,184
Computer services ³	Cr	28,186	32,000	6,359	7,221	6,468	8,138	7,253	8,425	7,297	9,025
	Db	648	544	150	179	170	149	126	146	131	141
Royalties/Licences	Cr	1,695	1,858	410	414	364	507	437	408	428	585
	Db	28,533	29,343	6,697	7,319	6,934	7,583	6,902	7,326	7,097	8,018
Business services	Cr	22,334	22,386	4,961	5,477	5,941	5,955	5,350	5,139	5,662	6,235
	Db	32,279	33,255	6,857	8,154	7,694	9,574	8,079	8,295	7,626	9,255
Trade related	Cr	8,505	7,156	1,706	2,006	2,482	2,311	1,657	1,514	1,971	2,014
	Db	10,147	10,445	2,047	2,887	2,342	2,871	2,666	2,576	2,242	2,961
Operational leasing	Cr	6,260	6,312	1,448	1,648	1,640	1,524	1,589	1,574	1,566	1,583
	Db	1,452	1,305	380	371	358	343	350	383	298	274
Misc. business services ⁴	Cr	7,568	8,919	1,806	1,823	1,819	2,120	2,104	2,051	2,125	2,639
	Db	20,679	21,505	4,430	4,897	4,993	6,359	5,063	5,336	5,086	6,020
Other services n.e.s.	Cr	640	643	159	160	160	161	160	160	160	163
	Db	192	193	47	48	48	49	48	47	48	50

Table 2a – Current and Capital Accounts - continued

€ million

Item		2010	2011	2010				2011			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account - continued											
Income	Cr	57,686	56,433	13,042	14,023	15,547	15,074	13,673	14,444	14,054	14,262
	Db	85,101	88,597	21,132	21,951	22,382	19,636	21,709	22,869	22,224	21,795
Compensation of Employees	Cr	441	493	103	106	116	116	117	116	126	134
	Db	738	769	190	182	186	180	196	192	187	194
Investment Income	Cr	57,245	55,940	12,939	13,917	15,431	14,958	13,556	14,328	13,928	14,128
	Db	84,363	87,827	20,942	21,770	22,195	19,456	21,513	22,677	22,036	21,601
Direct investment income	Cr	14,601	15,244	2,768	3,199	4,282	4,352	3,219	3,893	3,794	4,338
	Db	38,753	42,434	10,604	10,329	10,554	7,266	10,314	10,955	10,866	10,299
Income on equity	Cr	11,862	11,497	2,138	2,449	3,640	3,635	2,402	2,840	2,811	3,444
	Db	37,569	40,446	10,354	10,019	10,204	6,992	10,053	10,418	10,241	9,734
<i>Dividends & distributed</i>											
<i>branch profits</i>	Cr	1,289	1,762	102	317	244	626	214	425	*	*
	Db	16,323	16,781	2,932	3,263	4,491	5,637	3,684	3,628	2,728	6,741
<i>Reinvested earnings</i>	Cr	10,572	9,735	2,036	2,131	3,396	3,009	2,188	2,415	*	*
	Db	21,245	23,663	7,422	6,756	5,713	1,354	6,368	6,790	7,513	2,992
Income on debt	Cr	2,740	3,745	630	750	642	718	816	1,053	982	894
	Db	1,181	1,989	249	309	349	274	261	537	625	566
Portfolio investment income	Cr	24,898	23,263	5,913	6,275	6,763	5,947	5,876	6,003	5,849	5,535
	Db	30,033	30,707	6,511	7,601	7,802	8,119	7,162	7,987	7,635	7,923
Income on equity	Cr	5,408	5,390	1,142	1,503	1,526	1,237	1,245	1,505	1,386	1,254
	Db	14,182	14,534	2,696	3,538	3,851	4,097	3,113	3,887	3,664	3,870
Income on debt	Cr	19,488	17,874	4,770	4,772	5,237	4,709	4,631	4,498	4,464	4,281
	Db	15,852	16,174	3,815	4,063	3,952	4,022	4,049	4,100	3,972	4,053
Other investment income	Cr	17,746	17,435	4,258	4,443	4,386	4,659	4,462	4,432	4,285	4,256
	Db	15,578	14,684	3,828	3,840	3,839	4,071	4,037	3,734	3,535	3,378
Current Transfers	Cr	4,958	4,936	1,054	859	904	2,141	1,249	692	918	2,077
	Db	6,180	5,838	1,844	1,400	1,514	1,422	1,921	1,179	1,381	1,357
Current Account - Total	Cr	219,423	225,713	51,091	55,071	56,635	56,626	54,896	56,845	55,926	58,046
	Db	218,662	225,587	52,559	55,575	55,457	55,071	55,927	57,333	55,076	57,251
Current Account Balance		761	127	-1,468	-504	1,178	1,555	-1,031	-488	850	796
Capital Account Balance		-673	-429	35	-11	-1	-696	14	-8	-12	-423

¹ Adjusted for balance of payments purposes.

² Under the credit item, passenger fare receipts of resident carriers from foreign visitors are excluded; such receipts are included under transport credits - see *Background Notes*.

³ 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.

⁴ Covers mainly advertising, research and development and inter-affiliate management charges.

* Suppressed for confidentiality reasons

Table 2b – Financial Account¹

€ million

Item		2010	2011	2010				2011			
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Direct Investment	Abroad	-13,441	1,545	-4,982	-1,217	-2,557	-4,685	-5,357	-755	-4,262	11,919
	In Ireland	19,880	9,425	6,003	456	539	12,882	15,897	5,892	6,765	-19,129
Equity	Abroad	2,291	3,281	-2,070	1,515	2,647	199	-2,431	2,442	*	*
	In Ireland	-3,960	-6,009	323	358	1,177	-5,818	-518	1,877	98	-7,466
Reinvested Earnings	Abroad	-10,572	-9,735	-2,036	-2,131	-3,396	-3,009	-2,188	-2,415	*	*
	In Ireland	21,245	23,663	7,422	6,756	5,713	1,354	6,368	6,790	7,513	2,992
Other Capital	Abroad	-5,160	7,998	-876	-601	-1,808	-1,875	-738	-782	-1,827	11,345
	In Ireland	2,596	-8,231	-1,742	-6,657	-6,351	17,346	10,046	-2,775	-846	-14,656
Portfolio Investment	Assets	18,708	-3,439	-4,985	-6,090	-41,525	71,308	1,290	-3,384	-5,118	3,773
	Liabilities	75,279	31,625	26,575	2,057	24,153	22,494	2,978	25,862	-8,364	11,149
Equity	Assets	-27,601	7,023	-5,840	-4,441	-7,551	-9,769	-3,916	-1,346	7,924	4,361
	Liabilities	115,002	62,645	14,285	17,866	41,334	41,517	17,867	26,777	-2,661	20,662
Debt Instruments	Assets	46,309	-10,462	855	-1,649	-33,974	81,077	5,206	-2,038	-13,042	-588
	Liabilities	-39,723	-31,018	12,289	-15,809	-17,181	-19,022	-14,889	-914	-5,703	-9,512
Bonds and notes	Assets	59,220	-4,337	4,174	365	-39,409	94,090	11,113	-9,751	-2,571	-3,128
	Liabilities	-7,935	-15,980	11,350	2,645	-19,011	-2,919	-9,912	1,779	1,513	-9,360
Money market instruments	Assets	-12,910	-6,125	-3,319	-2,014	5,435	-13,012	-5,907	7,713	-10,471	2,540
	Liabilities	-31,787	-15,041	940	-18,454	1,830	-16,103	-4,978	-2,693	-7,217	-153

Table 2b – Financial Account¹ - continued

€ million

Item		2010	2011	2010				2011			
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Other Investment	Assets	-21,777	25,870	-11,567	-8,396	-2,021	207	24,096	5,668	-6,748	2,854
	Liabilities	-66,262	-57,978	-17,625	22,643	27,035	-98,315	-33,083	-33,567	20,370	-11,698
Loans, currency and deposits	Assets	-5,798	22,666	-7,958	-9,250	1,864	9,546	23,856	2,636	-3,791	-35
	Liabilities	-81,982	-56,279	-25,808	21,718	18,795	-96,687	-27,193	-31,239	7,441	-5,288
Other ²	Assets	-15,978	3,204	-3,609	854	-3,885	-9,338	240	3,032	-2,957	2,889
	Liabilities	15,721	-1,697	8,183	925	8,241	-1,628	-5,889	-2,328	12,929	-6,409
Reserve Assets		5	341	32	-19	-76	68	34	9	43	255
Monetary gold		-1	-31	0	0	0	-1	10	-8	-31	-2
Special drawing rights		41	93	0	0	0	41	106	-5	-5	-3
Reserve position in the IMF		-19	-77	-14	-51	16	30	-160	46	49	-12
Foreign exchange		-16	356	46	32	-92	-2	78	-24	30	272
Other		0	0	0	0	0	0	0	0	0	0
Balance on Financial Account		12,390	7,389	-6,550	9,434	5,547	3,959	5,855	-275	2,686	-877
<i>Net errors and omissions</i>		<i>-12,479</i>	<i>-7,084</i>	<i>7,983</i>	<i>-8,919</i>	<i>-6,724</i>	<i>-4,819</i>	<i>-4,837</i>	<i>772</i>	<i>-3,524</i>	<i>505</i>
Memorandum Item:											
<i>Government financial transactions</i>	<i>Assets</i>	<i>-47</i>	<i>5,436</i>	<i>-323</i>	<i>-1,351</i>	<i>-1,356</i>	<i>2,983</i>	<i>1,741</i>	<i>3,823</i>	<i>88</i>	<i>-216</i>
	<i>Liabilities</i>	<i>5,026</i>	<i>22,394</i>	<i>7,873</i>	<i>-3,396</i>	<i>5,515</i>	<i>-4,966</i>	<i>14,620</i>	<i>2,899</i>	<i>3,758</i>	<i>1,117</i>

¹ 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.

² Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents.

* Suppressed for confidentiality reasons

Table 3 – Current, Capital and Financial Accounts showing IFSC¹ and non-IFSC activity

€ million

Item	2010		2010				2011				
	Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Current Account - Total	Cr	219,423	225,713	51,091	55,071	56,635	56,626	54,896	56,845	55,926	58,046
	Db	218,662	225,587	52,559	55,575	55,457	55,071	55,927	57,333	55,076	57,251
Merchandise ²	Cr	82,944	85,258	20,308	21,653	21,344	19,639	21,693	21,820	21,258	20,487
	Db	46,448	48,862	11,131	11,785	11,380	12,152	12,575	12,597	11,397	12,293
Services	Cr	73,837	79,084	16,688	18,536	18,841	19,772	18,281	19,888	19,695	21,220
	Db	80,931	82,291	18,451	20,438	20,182	21,860	19,722	20,689	20,074	21,806
- IFSC	Cr	20,428	21,154	5,179	5,113	5,076	5,060	5,589	5,206	5,136	5,223
	Db	13,403	13,789	3,374	3,312	3,275	3,442	3,571	3,581	3,320	3,317
- non IFSC	Cr	53,409	57,930	11,509	13,423	13,765	14,712	12,691	14,683	14,559	15,997
	Db	67,528	68,502	15,077	17,126	16,907	18,418	16,152	17,107	16,754	18,489
Income	Cr	57,686	56,433	13,042	14,023	15,547	15,074	13,673	14,444	14,054	14,262
	Db	85,101	88,597	21,132	21,951	22,382	19,636	21,709	22,869	22,224	21,795
- IFSC	Cr	40,067	38,716	9,408	9,731	10,651	10,277	9,417	9,968	9,753	9,578
	Db	42,846	41,839	10,247	10,520	11,260	10,819	10,482	10,631	10,216	10,510
- non IFSC	Cr	17,620	17,717	3,634	4,292	4,897	4,797	4,256	4,476	4,301	4,684
	Db	42,257	46,758	10,886	11,432	11,122	8,817	11,227	12,237	12,008	11,286
Current Transfers	Cr	4,958	4,936	1,054	859	904	2,141	1,249	692	918	2,077
	Db	6,180	5,838	1,844	1,400	1,514	1,422	1,921	1,179	1,381	1,357
- IFSC ³	Cr	2,464	2,427	743	546	538	637	889	514	577	447
	Db	2,464	2,427	743	546	538	637	889	514	577	447
- non IFSC	Cr	2,493	2,509	311	313	365	1,504	360	178	341	1,630
	Db	3,717	3,412	1,101	855	975	786	1,032	665	805	910
Balance on Current Account		761	127	-1,468	-504	1,178	1,555	-1,031	-488	850	796
Balance on Capital Account		-673	-429	35	-11	-1	-696	14	-8	-12	-423

Table 3 – Current, Capital and Financial Accounts showing IFSC¹ and non-IFSC activity - continued € million

Item		2010	2011	2010				2011			
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Financial Account⁴											
Direct investment	Abroad	-13,441	1,545	-4,982	-1,217	-2,557	-4,685	-5,357	-755	-4,262	11,919
	In Ireland	19,880	9,425	6,003	456	539	12,882	15,897	5,892	6,765	-19,129
- IFSC	Abroad	2,106	737	-105	*	*	-435	120	-70	712	-25
	In Ireland	19,306	16,074	4,984	-3,165	-1,925	19,412	18,321	810	3,305	-6,362
- non IFSC	Abroad	-15,547	808	-4,877	*	*	-4,250	-5,477	-685	-4,974	11,944
	In Ireland	574	-6,650	1,019	3,621	2,464	-6,530	-2,425	5,082	3,460	-12,767
Portfolio investment	Assets	18,708	-3,439	-4,985	-6,090	-41,525	71,308	1,290	-3,384	-5,118	3,773
	Liabilities	75,279	31,625	26,575	2,057	24,153	22,494	2,978	25,862	-8,364	11,149
- IFSC	Assets	-1,433	-27,406	-9,208	-8,287	-44,290	60,352	-7,068	-12,929	-7,996	587
	Liabilities	99,806	46,637	13,543	11,326	42,997	31,940	5,613	26,809	-5,496	19,711
- non IFSC	Assets	20,142	23,968	4,223	2,198	2,765	10,956	8,358	9,545	2,879	3,186
	Liabilities	-24,528	-15,010	13,032	-9,269	-18,845	-9,446	-2,635	-946	-2,868	-8,561
Other investment⁵	Assets	-21,777	25,870	-11,567	-8,396	-2,021	207	24,096	5,668	-6,748	2,854
	Liabilities	-66,262	-57,978	-17,625	22,643	27,035	-98,315	-33,083	-33,567	20,370	-11,698
- IFSC	Assets	-38,087	-16,057	-18,969	-5,029	-8,190	-5,899	1,730	-1,548	-8,248	-7,991
	Liabilities	-80,581	-26,946	11,409	1,928	182	-94,100	-18,544	-19,617	21,667	-10,452
- non IFSC	Assets	16,309	41,928	7,402	-3,367	6,168	6,106	22,366	7,216	1,500	10,846
	Liabilities	14,319	-31,031	-29,034	20,715	26,854	-4,216	-14,538	-13,950	-1,297	-1,246
Reserve Assets		5	341	32	-19	-76	68	34	9	43	255
Balance on Financial Account		12,390	7,389	-6,550	9,434	5,547	3,959	5,855	-275	2,686	-877
<i>Net errors and omissions</i>		<i>-12,479</i>	<i>-7,084</i>	<i>7,983</i>	<i>-8,919</i>	<i>-6,724</i>	<i>-4,819</i>	<i>-4,837</i>	<i>772</i>	<i>-3,524</i>	<i>505</i>

¹ 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.

² Adjusted for balance of payments purposes.

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

⁴ See footnote 1 on Table 2b.

⁵ Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents.

* Suppressed for confidentiality reasons.

Table 4a – Current and Capital Accounts showing geographical¹ detail

€ million

Item		2010	2011	2010				2011			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Current Account - Total	Cr	219,423	225,713	51,091	55,071	56,635	56,626	54,896	56,845	55,926	58,046
	Db	218,662	225,587	52,559	55,575	55,457	55,071	55,927	57,333	55,076	57,251
Merchandise²	Cr	82,944	85,258	20,308	21,653	21,344	19,639	21,693	21,820	21,258	20,487
	Db	46,448	48,862	11,131	11,785	11,380	12,152	12,575	12,597	11,397	12,293
- EMU	Cr	33,939	33,784	8,746	9,135	8,239	7,819	9,119	8,924	8,064	7,677
	Db	11,694	12,070	2,777	2,818	2,887	3,212	3,049	3,089	2,852	3,080
- non EMU	Cr	49,004	51,475	11,562	12,518	13,104	11,820	12,574	12,897	13,194	12,810
	Db	34,754	36,792	8,355	8,967	8,492	8,940	9,526	9,508	8,545	9,213
- EU	Cr	49,761	50,707	12,448	13,210	12,304	11,799	13,350	12,933	12,501	11,923
	Db	32,189	34,928	7,482	7,538	8,120	9,049	8,594	8,601	8,545	9,188
- non EU	Cr	33,182	34,552	7,860	8,443	9,039	7,840	8,343	8,888	8,757	8,564
	Db	14,259	13,932	3,649	4,247	3,260	3,103	3,981	3,996	2,851	3,104
Services	Cr	73,837	79,084	16,688	18,536	18,841	19,772	18,281	19,888	19,695	21,220
	Db	80,931	82,291	18,451	20,438	20,182	21,860	19,722	20,689	20,074	21,806
- EMU	Cr	26,984	27,465	6,254	6,838	6,760	7,132	6,695	7,280	6,793	6,697
	Db	30,057	30,564	6,537	7,367	7,617	8,536	6,516	7,838	7,791	8,419
- non EMU	Cr	46,852	51,619	10,433	11,698	12,081	12,640	11,585	12,609	12,902	14,523
	Db	50,876	51,726	11,914	13,072	12,566	13,324	13,206	12,851	12,282	13,387
- EU	Cr	45,284	46,737	10,370	11,548	11,618	11,748	10,947	12,536	11,852	11,402
	Db	41,781	41,936	9,267	10,311	10,368	11,835	9,179	10,636	10,490	11,631
- non EU	Cr	28,553	32,348	6,318	6,988	7,223	8,024	7,334	7,353	7,843	9,818
	Db	39,150	40,355	9,184	10,127	9,814	10,025	10,543	10,053	9,584	10,175

Table 4a – Current and Capital Accounts showing geographical¹ detail - continued

€ million

Item		2010	2011	2010				2011			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Income	Cr	57,686	56,433	13,042	14,023	15,547	15,074	13,673	14,444	14,054	14,262
	Db	85,101	88,597	21,132	21,951	22,382	19,636	21,709	22,869	22,224	21,795
- EMU	Cr	19,538	20,289	4,448	4,764	5,097	5,229	4,774	5,438	5,094	4,983
	Db	29,939	33,840	7,942	8,304	7,639	6,054	8,332	8,505	8,931	8,072
- non EMU	Cr	38,148	36,144	8,594	9,258	10,451	9,845	8,899	9,006	8,960	9,279
	Db	55,163	54,757	13,190	13,647	14,743	13,583	13,377	14,364	13,293	13,723
- EU	Cr	31,568	32,634	6,969	7,665	8,414	8,520	7,678	8,444	8,119	8,393
	Db	47,034	50,039	11,749	12,672	12,355	10,258	12,288	12,899	12,818	12,034
- non EU	Cr	26,118	23,800	6,073	6,358	7,133	6,554	5,995	6,001	5,935	5,869
	Db	38,067	38,557	9,384	9,279	10,026	9,378	9,420	9,970	9,406	9,761
Current Transfers	Cr	4,958	4,936	1,054	859	904	2,141	1,249	692	918	2,077
	Db	6,180	5,838	1,844	1,400	1,514	1,422	1,921	1,179	1,381	1,357
- EMU	Cr	771	895	177	199	128	267	369	174	168	184
	Db	802	923	184	207	136	275	376	181	175	191
- non EMU	Cr	4,186	4,042	877	660	775	1,874	880	518	751	1,893
	Db	5,378	4,913	1,660	1,193	1,377	1,148	1,544	998	1,206	1,165
- EU	Cr	3,867	4,149	705	656	527	1,979	987	515	746	1,901
	Db	4,527	4,495	1,338	1,054	981	1,154	1,525	923	1,087	960
- non EU	Cr	1,091	788	349	203	377	162	263	177	172	176
	Db	1,653	1,344	506	346	533	268	396	256	295	397
Balance on Current Account		761	127	-1,468	-504	1,178	1,555	-1,031	-488	850	796
Balance on Capital Account		-673	-429	35	-11	-1	-696	14	-8	-12	-423

¹ The term 'EMU' means the area represented by the 17 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2011 to include Estonia. For comparison purposes data shown for 2010 also relates to EMU 17. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area.

² Adjusted for balance of payments purposes.

Table 4b – Financial Account¹ showing geographical² detail

€ million

Item		2010	2011	2010				2011			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Direct Investment	Abroad	-13,441	1,545	-4,982	-1,217	-2,557	-4,685	-5,357	-755	-4,262	11,919
	In Ireland	19,880	9,425	6,003	456	539	12,882	15,897	5,892	6,765	-19,129
- EMU	Abroad	-1,395	-2,225	-978	-891	2,975	-2,501	-1,922	-927	-272	896
	In Ireland	-4,341	24,204	3,250	2,293	5,547	-15,431	13,215	3,136	5,870	1,983
- non EMU	Abroad	-12,048	3,768	-4,004	-327	-5,533	-2,184	-3,435	172	-3,991	11,022
	In Ireland	24,221	-14,780	2,753	-1,837	-5,008	28,313	2,681	2,757	895	-21,113
- EU	Abroad	-5,912	-8,512	-1,926	-1,731	1,871	-4,126	-4,027	1,609	-5,280	-814
	In Ireland	-1,120	15,423	1,729	5,073	4,453	-12,375	12,768	701	4,957	-3,003
- non EU	Abroad	-7,530	10,056	-3,056	514	-4,429	-559	-1,330	-2,365	1,018	12,733
	In Ireland	21,000	-5,998	4,274	-4,617	-3,914	25,257	3,128	5,192	1,808	-16,126
Portfolio Investment	Assets	18,708	-3,439	-4,985	-6,090	-41,525	71,308	1,290	-3,384	-5,118	3,773
	Liabilities	75,279	31,625	26,575	2,057	24,153	22,494	2,978	25,862	-8,364	11,149
- EMU	Assets	50,277	32,667	291	5,163	-7,982	52,805	2,532	10,449	8,394	11,292
	Liabilities	29,523	23,032	13,484	2,609	9,545	3,885	7,252	13,846	6,229	-4,295
- non EMU	Assets	-31,569	-36,107	-5,276	-11,253	-33,543	18,503	-1,242	-13,834	-13,512	-7,519
	Liabilities	45,756	8,594	13,091	-552	14,608	18,609	-4,275	12,017	-14,593	15,445
- EU	Assets	70,755	26,951	1,460	4,376	-10,996	75,915	2,357	8,176	1,667	14,751
	Liabilities	56,476	31,074	18,073	5,403	14,712	18,288	5,199	21,611	-2,544	6,808
- non EU	Assets	-52,049	-30,390	-6,446	-10,466	-30,530	-4,607	-1,067	-11,560	-6,785	-10,978
	Liabilities	18,804	552	8,502	-3,346	9,441	4,207	-2,221	4,252	-5,820	4,341

Table 4b – Financial Account¹ showing geographical² detail - continued

€ million

Item		2010	2011	2010				2011			
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Other Investment³	Assets	-21,777	25,870	-11,567	-8,396	-2,021	207	24,096	5,668	-6,748	2,854
	Liabilities	-66,262	-57,978	-17,625	22,643	27,035	-98,315	-33,083	-33,567	20,370	-11,698
- EMU	Assets	-40,446	3,353	-2,792	-2,630	-11,028	-23,996	71	7,351	5,729	-9,798
	Liabilities	31,642	-42,654	-19,429	46,680	27,651	-23,260	-18,624	-27,651	2,047	1,574
- non EMU	Assets	18,667	22,518	-8,775	-5,767	9,006	24,203	24,025	-1,683	-12,477	12,653
	Liabilities	-97,903	-15,322	1,804	-24,036	-616	-75,055	-14,459	-5,916	18,324	-13,271
- EU	Assets	-38,768	21,066	-1,943	-10,751	-16,172	-9,902	15,511	11,885	-2,111	-4,219
	Liabilities	-36,106	-75,450	-12,919	31,344	34,464	-88,995	-30,490	-30,601	5,046	-19,405
- non EU	Assets	16,990	4,803	-9,624	2,354	14,151	10,109	8,585	-6,217	-4,638	7,073
	Liabilities	-30,156	17,472	-4,706	-8,701	-7,428	-9,321	-2,593	-2,966	15,324	7,707
Reserve Assets		5	341	32	-19	-76	68	34	9	43	255
Balance on Financial Account		12,390	7,389	-6,550	9,434	5,547	3,959	5,855	-275	2,686	-877
<i>Net errors and omissions</i>		<i>-12,479</i>	<i>-7,084</i>	<i>7,983</i>	<i>-8,919</i>	<i>-6,724</i>	<i>-4,819</i>	<i>-4,837</i>	<i>772</i>	<i>-3,524</i>	<i>505</i>

¹ See footnote 1 on Table 2b.

² The term 'EMU' means the area represented by the 17 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2011 to include Estonia. For comparison purposes data shown for 2010 also relates to EMU 17. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area.

³ Includes financial derivatives; in the case of liabilities this category also includes life insurance liabilities to non-residents.

Background Notes *(updated June 2011)*

Introduction	<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>
Definition of balance of payments	<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>
Residence	<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>
Structure of the Balance of Payments accounts	<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>
Valuation	<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>
Geographical allocation principle	<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>
Sign convention and symbols	<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</p>

balances are calculated as *net change in assets transactions + net change in liabilities transactions*. In the case of direct investment, the asset/liability presentation is replaced by the so-called 'directional' one, i.e. *direct investment abroad* (which approximates to the assets concept) and *direct investment in Ireland* (which closely equates to liabilities). The difference between the two approaches centres on the treatment of reverse investment by a direct investment enterprise in its parent (direct investor) or its foreign affiliates (see *Financial Account - 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.

Net errors and omissions

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 *net errors and omissions* 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.

Data collection

BOP data collection is statutory and surveys are conducted by the CSO and by the Central Bank of Ireland (CBI). Other data obtained from administrative sources are also used. Following the introduction of a redesigned BOP data collection system in 1998 and up to 2007, the CSO undertook all the necessary survey collection and compilation required. However, following a recent joint initiative involving the CSO and the CBI to rationalize statistical data collection and compilation for the financial sector and also to reduce the burden on data providers the data collection arrangements have changed. As a consequence, since 2008 the data required from licensed banks (credit institutions) and from investment funds (including money market funds) to meet BOP, IIP and external debt requirements (as well as other statistical demands on both organisations) are being collected quarterly by the CBI under its legislation as well as European legislation¹. The data are supplied by the CBI to CSO for statistical compilation purposes. The CSO has therefore discontinued its surveys of credit institutions and investment funds but continues to collect the required data from other financial enterprises as well as non-financial enterprises using its ongoing quarterly statutory surveys. These are conducted under the Statistics (Balance of Payments and Financial Accounts) Order, 2010 (S.I. No. 206 of 2010) made under the Statistics Act, 1993.

The Central Bank commenced data collection from Financial Vehicle Corporations (FVC) in the last quarter of 2009. Preliminary data from this survey has been used to improve the existing estimates for FVCs in the current and financial accounts.

The quarterly financial enterprise surveys cover banking, insurance and pension fund investment, asset financing, treasury, institutional investment, activities of investment funds (i.e. mutual funds, unit trusts and similar collective investment operations), broking and other financial service provision. Financial enterprises, including those engaged in internationally-traded financial service activities, known collectively as IFSC (International Financial Services Centre) enterprises are required to make returns. These returns are predominantly supplied in electronic form but a small number of reporters use paper forms.

Exhaustive coverage is aimed at but, in order to reduce reporting burden, companies with low activity volumes may, on approval from the CSO, provide annual data. Overall, about 5,000 financial entities are surveyed.

The surveys of manufacturing and non-financial service enterprises undertaken by the CSO are also 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.

The survey 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. In order to facilitate compilation of the wider national accounts statistics, the surveys also collect data on transactions of reporting enterprises with residents of Ireland.

Apart from survey data, administrative sources also provide information on non-resident transactions (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 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.

Following other periodic enhancements, the compilation system includes the estimated values of a variety of cross-border transactions. 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) 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) 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) estimates for investment in residential and commercial property abroad by Irish residents.

Current account

Merchandise exports and imports are valued f.o.b. (*free on board*) for BOP purposes. While imports are valued c.i.f. (*cost, insurance and freight*) in the official external trade statistics, adjustments are made to reflect an estimated f.o.b. valuation. 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. The BOP merchandise figures also 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) For *tourism/travel* the credit item represents the receipts of residents from non-resident visitors other than passenger fare receipts of Irish passenger carriers from non-residents; the latter are included under *transport* credits. The *tourism/travel* debit item represents foreign expenditure by Irish residents on foreign travel. Because of the difficulty of separately distinguishing passenger fares paid to non-resident carriers this element of expenditure is generally included in the *tourism/travel* debit item (rather than being more appropriately categorised as a debit item under *transport*). Payments made to Irish passenger carriers by Irish residents are excluded.
- (iii) 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. Reinsurance transactions (e.g. premiums and claims) are recorded on a gross basis and, hence, insurance service credits and debits are accordingly higher than they would have been if recorded on a net basis. 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*.
- (iv) *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).
- (v) 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*.
- (vi) *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.

- (vii) *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 of Ireland in external reserve assets and income arising from its non-reserve assets and liabilities.

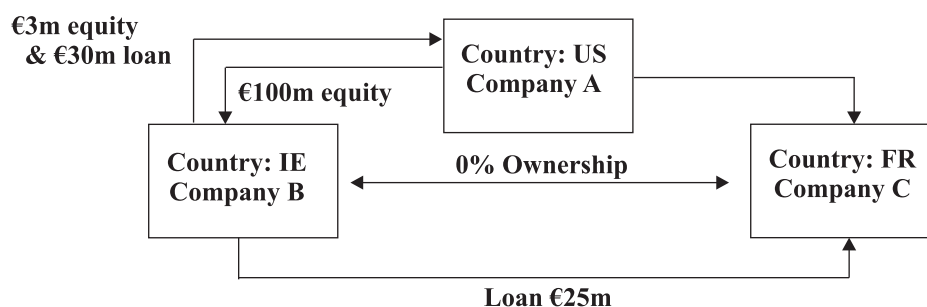
Current transfers covers unrequited receipts and payments. Important components are subsidies and other current transfers receivable from and taxes payable to the European Union, payments under Third World aid programmes operated by non-governmental organisations and transfers related to non-life insurance 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. The CBI surveys of credit institutions and investment funds collect securities assets and liabilities data on an individual security basis to the extent possible. The CSO surveys collect this information on an aggregate basis but, over time, security-by-security collection is planned. Investment by private resident investors in commercial property abroad is included 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 account² 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 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.

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

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