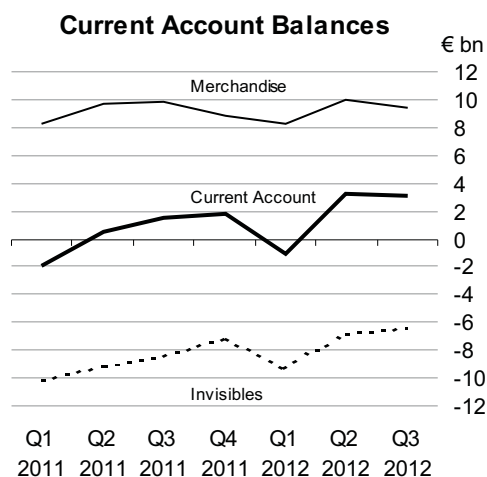




Balance of International Payments Quarter 3 2012



	€ million		
	Merchandise Balance	Invisibles Balance	Current Account Balance
Q3 2012	9,465	-6,416	3,049
Q3 2011	9,829	-8,338	1,491
Q1-Q3 2012	27,752	-22,513	5,239
Q1-Q3 2011	27,709	-27,669	41

Current account surplus over €3bn in 3rd Quarter

The Balance of Payments current account surplus in the third quarter of 2012 was €3,049m - similar to the surplus in the second quarter of 2012 and significantly higher than the surplus in the third quarter of 2011 - see Table 1. The *merchandise* surplus of €9,465m in the quarter fell from a surplus of €10,004m in the second quarter of 2012 and the *invisibles* deficit of €6,416m fell from a deficit of €6,769m. The *services* surplus continues to increase and at €1,551m was higher than in any previous quarter while net *income* outflows at €7,400m were similar to the previous quarter. Other points of note are:

Current account (see Table 2a)

- ◆ Compared with the third quarter of 2011, *merchandise* exports at €21,671m were up €633m; *merchandise* imports at €12,206m were up €998m.
- ◆ *Services* exports at €22,542m in the quarter were up €2,163m due to increased *computer services* and *business services* exports. Service imports increased by €729m to €20,991m due to increases in *royalties/licences* payments and imports of *business services*.
- ◆ *Investment income* earned abroad was €14,395m, an increase of €696m compared to one year earlier while income payable to foreign investors at €21,732m increased by €164m compared to one year earlier.

Financial account (see Table 2b)

- ◆ Inward *direct investment* increased by €12bn in the third quarter of 2012. This was due to increases of €1.6bn in *equity* investment, €5.4bn in *reinvested earnings* and €5bn in *other capital*.
- ◆ *Portfolio investment* by non-residents in *equity* increased by €19.8bn while investment in foreign *debt instruments* by Irish investors increased by €21.7bn in the quarter.
- ◆ *Other investment* liabilities decreased by €16bn in the quarter.

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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	-6,900	-27,907	-1,424	-36,231	-3,763	-1,252
2010	Year	35,751	-6,639	-25,918	-1,412	-33,969	1,782	-673
2011	Year	36,588	-1,810	-31,834	-1,159	-34,803	1,785	-263
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	-2,500	-6,998	-910	-10,408	-2,323	-18
	Quarter 2	9,001	-2,040	-7,435	-725	-10,200	-1,199	-16
	Quarter 3	8,198	-611	-7,414	-495	-8,520	-322	-25
	Quarter 4	7,185	-1,749	-6,060	706	-7,103	81	-1,193
2010	Quarter 1	8,870	-1,587	-7,444	-838	-9,869	-999	35
	Quarter 2	9,687	-1,847	-7,387	-588	-9,822	-135	-11
	Quarter 3	9,741	-1,164	-6,515	-657	-8,336	1,405	-1
	Quarter 4	7,453	-2,041	-4,572	671	-5,942	1,511	-696
2011	Quarter 1	8,220	-1,365	-8,069	-705	-10,139	-1,918	9
	Quarter 2	9,660	-123	-8,554	-515	-9,192	468	-14
	Quarter 3	9,829	117	-7,899	-556	-8,338	1,491	-16
	Quarter 4	8,879	-439	-7,312	617	-7,134	1,744	-242
2012	Quarter 1	8,283	59	-8,636	-751	-9,328	-1,045	60
	Quarter 2	10,004	1,344	-7,501	-612	-6,769	3,235	-2,063
	Quarter 3	9,465	1,551	-7,400	-567	-6,416	3,049	15

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	-649	22,626	-23,116	79	-1,060	6,074
2010	Year	15,446	85,965	-94,140	5	7,276	-8,384
2011	Year	11,335	27,501	-33,102	340	6,073	-7,595
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	5,309
	Quarter 2	1,148	-15,776	23,345	-62	8,654	-7,439
	Quarter 3	-7,508	26,570	-22,020	3	-2,954	3,301
	Quarter 4	6,818	14,163	-24,870	97	-3,791	4,903
2010	Quarter 1	4,547	19,821	-32,131	32	-7,731	8,696
	Quarter 2	2,972	-8,568	16,773	-19	11,158	-11,013
	Quarter 3	-1,354	-19,581	25,635	-76	4,624	-6,027
	Quarter 4	9,281	94,293	-104,417	68	-775	-40
2011	Quarter 1	9,002	6,811	-10,845	34	5,002	-3,093
	Quarter 2	5,049	22,601	-27,063	9	595	-1,049
	Quarter 3	4,509	-16,177	15,487	42	3,860	-5,335
	Quarter 4	-7,225	14,266	-10,681	255	-3,384	1,882
2012	Quarter 1	8,068	-46,730	40,435	-20	1,754	-769
	Quarter 2	-5,855	32,811	-25,463	-23	1,470	-2,642
	Quarter 3	9,989	4,183	-15,409	-26	-1,263	-1,801

¹ Includes financial derivatives and also life insurance liabilities to non-residents. Occasionally includes large capital transactions which cannot be shown in the Capital Account Balance due to confidentiality constraints.

Table 2a – Current and Capital Accounts

€ million

Item		2010		2011				2012		
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Current Account										
Merchandise ¹	Cr	82,607	84,858	20,980	21,786	21,038	21,054	21,824	22,060	21,671
	Db	46,856	48,270	12,761	12,126	11,208	12,175	13,541	12,056	12,206
Services	Cr	74,311	81,448	18,991	20,466	20,379	21,612	21,105	22,817	22,542
	Db	80,951	83,258	20,356	20,589	20,262	22,051	21,046	21,473	20,991
Transport	Cr	3,657	4,155	694	1,180	1,366	915	836	1,275	1,418
	Db	1,630	1,643	439	420	376	408	467	413	410
Tourism and Travel ²	Cr	3,106	3,281	516	863	1,287	615	521	861	1,140
	Db	5,358	5,031	1,126	1,195	1,693	1,017	1,114	1,180	1,651
Communications	Cr	386	455	91	118	127	119	125	141	143
	Db	1,119	1,076	264	270	273	269	297	291	256
Insurance	Cr	7,965	8,138	2,345	2,004	1,947	1,842	2,172	2,139	2,149
	Db	6,272	5,997	1,661	1,507	1,455	1,374	1,527	1,391	1,467
Financial services	Cr	6,326	6,595	1,631	1,592	1,628	1,744	1,792	1,711	1,772
	Db	4,513	4,773	1,159	1,196	1,186	1,232	1,262	1,043	1,188
Computer services ³	Cr	27,889	31,819	7,206	8,391	7,247	8,975	8,593	9,195	8,328
	Db	659	680	159	179	168	174	153	159	133
Royalties/Licences	Cr	2,192	3,636	894	847	863	1,032	993	942	883
	Db	28,260	29,221	6,883	7,253	7,077	8,008	7,646	8,021	7,489
Business services	Cr	22,151	22,774	5,464	5,325	5,767	6,218	5,926	6,408	6,562
	Db	32,946	34,646	8,617	8,522	7,987	9,520	8,532	8,929	8,349
Trade related	Cr	8,749	7,738	1,793	1,697	2,084	2,164	2,086	2,010	2,109
	Db	9,752	10,224	2,617	2,496	2,191	2,920	2,958	2,793	2,753
Operational leasing	Cr	6,699	6,699	1,688	1,675	1,666	1,670	1,745	1,877	1,940
	Db	1,571	1,459	387	420	338	314	344	362	382
Misc. business services ⁴	Cr	6,702	8,337	1,983	1,953	2,017	2,384	2,096	2,521	2,513
	Db	21,621	22,961	5,612	5,606	5,458	6,285	5,230	5,775	5,215
Other services n.e.s.	Cr	640	594	148	148	147	151	146	145	147
	Db	192	193	48	47	48	50	47	46	49

Table 2a – Current and Capital Accounts - continued

€ million

Item		2010	2011	2011				2012		
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Current Account - continued										
Income	Cr	57,121	55,882	13,471	14,268	13,849	14,294	14,224	15,261	14,531
	Db	83,040	87,716	21,540	22,822	21,748	21,606	22,860	22,762	21,931
Compensation of Employees	Cr	485	539	125	129	151	134	134	137	136
	Db	737	760	195	191	180	194	203	195	199
Investment Income	Cr	56,638	55,344	13,346	14,139	13,699	14,160	14,090	15,124	14,395
	Db	82,301	86,958	21,345	22,632	21,568	21,413	22,657	22,567	21,732
Direct investment income	Cr	14,337	14,573	3,017	3,636	3,613	4,307	4,218	4,428	3,957
	Db	37,636	41,114	10,161	10,909	10,213	9,831	11,626	10,753	10,370
Income on equity	Cr	11,546	10,833	2,191	2,577	2,629	3,436	3,372	3,580	3,127
	Db	36,068	36,809	9,521	9,878	9,080	8,330	10,632	9,710	9,210
<i>Dividends & distributed</i>										
branch profits	Cr	1,025	1,697	158	478	*	*	15	*	*
	Db	15,710	13,888	3,024	2,576	1,994	6,294	3,784	3,754	3,845
Reinvested earnings	Cr	10,521	9,134	2,033	2,098	*	*	3,357	*	*
	Db	20,354	22,918	6,496	7,301	7,086	2,035	6,848	5,956	5,365
Income on debt	Cr	2,790	3,743	827	1,060	985	871	846	848	829
	Db	1,567	4,305	640	1,031	1,133	1,501	995	1,043	1,160
Portfolio investment income	Cr	25,118	23,141	5,778	5,996	5,843	5,524	5,815	6,701	6,542
	Db	29,829	30,571	7,041	8,009	7,658	7,863	7,435	8,510	8,229
Income on equity	Cr	5,432	5,346	1,235	1,494	1,376	1,241	1,361	1,811	1,680
	Db	13,979	14,419	3,045	3,903	3,636	3,835	3,624	4,958	4,801
Income on debt	Cr	19,687	17,795	4,543	4,502	4,467	4,283	4,455	4,890	4,862
	Db	15,848	16,150	3,995	4,106	4,021	4,028	3,811	3,551	3,428
Other investment income	Cr	17,182	17,629	4,551	4,507	4,242	4,329	4,057	3,994	3,896
	Db	14,836	15,272	4,143	3,713	3,697	3,719	3,595	3,304	3,133
Current Transfers	Cr	4,947	5,413	1,374	796	1,027	2,216	1,227	1,126	1,174
	Db	6,361	6,571	2,078	1,311	1,583	1,599	1,979	1,738	1,741
Current Account - Total	Cr	218,989	227,601	54,816	57,316	56,293	59,176	58,380	61,264	59,918
	Db	217,207	225,816	56,734	56,848	54,802	57,432	59,425	58,030	56,869
Current Account Balance		1,782	1,785	-1,918	468	1,491	1,744	-1,045	3,235	3,049
Capital Account Balance		-673	-263	9	-14	-16	-242	60	-2,063	15
Memorandum Item:										
Government Income	Cr	306	139	53	37	26	23	24	39	25
	Db	3,408	4,394	1,047	1,127	1,144	1,076	1,202	1,114	1,187

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	2011				2012		
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Direct Investment	Abroad	-16,874	3,086	-4,611	-193	-4,042	11,932	-4,899	-4,076	-1,974
	In Ireland	32,319	8,249	13,614	5,241	8,550	-19,156	12,968	-1,779	11,963
Equity	Abroad	-328	14,963	3,440	2,581	*	*	-1,409	*	*
	In Ireland	1,609	-36,372	-29,381	1,453	66	-8,510	1,118	2,691	1,640
Reinvested Earnings	Abroad	-10,521	-9,134	-2,033	-2,098	*	*	-3,357	*	*
	In Ireland	20,354	22,918	6,496	7,301	7,086	2,035	6,848	5,956	5,365
Other Capital	Abroad	-6,023	-2,742	-6,018	-675	-4,668	8,619	-134	-295	-914
	In Ireland	10,356	21,703	36,498	-3,514	1,399	-12,680	5,002	-10,426	4,959
Portfolio Investment	Assets	10,322	-2,977	3,918	-2,338	-7,283	2,726	-63,346	29,505	-21,024
	Liabilities	75,643	30,476	2,893	24,938	-8,895	11,540	16,617	3,305	25,207
Equity	Assets	-29,162	6,201	-4,015	-1,503	7,938	3,781	-6,752	5,232	701
	Liabilities	115,076	62,037	17,854	26,750	-3,230	20,663	27,745	8,386	19,756
Debt Instruments	Assets	39,483	-9,178	7,933	-835	-15,221	-1,055	-56,595	24,273	-21,725
	Liabilities	-39,433	-31,559	-14,961	-1,811	-5,664	-9,123	-11,128	-5,081	5,451
Bonds and notes	Assets	56,985	-2,763	11,429	-8,727	-2,354	-3,111	-10,620	1,093	-12,133
	Liabilities	-7,672	-18,127	-11,628	884	1,541	-8,924	-9,752	-3,758	4,487
Money market instruments	Assets	-17,502	-6,416	-3,496	7,892	-12,867	2,055	-45,974	23,180	-9,592
	Liabilities	-31,763	-13,432	-3,333	-2,695	-7,205	-199	-1,376	-1,323	964

Table 2b – Financial Account¹ - continued

€ million

Item		2010	2011	2011				2012		
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Other Investment	Assets	-32,155	14,987	18,302	2,333	-7,085	1,437	68,344	-24,911	553
	Liabilities	-61,986	-48,090	-29,148	-29,397	22,572	-12,117	-27,909	-552	-15,962
Loans, currency and deposits	Assets	-10,966	13,604	18,600	166	-3,633	-1,529	63,636	-29,689	117
	Liabilities	-78,332	-40,669	-23,757	-27,368	16,291	-5,835	-28,784	3,899	-23,068
Other ²	Assets	-21,189	1,384	-298	2,168	-3,452	2,966	4,708	4,777	436
	Liabilities	16,346	-7,420	-5,390	-2,028	6,280	-6,282	875	-4,450	7,106
Reserve Assets		5	340	34	9	42	255	-20	-23	-26
Monetary gold		-1	-31	10	-8	-31	-2	-5	-1	-25
Special drawing rights		41	93	106	-5	-5	-3	-6	-5	-2
Reserve position in the IMF		-19	-77	-160	46	49	-12	-27	-16	-2
Foreign exchange		-16	355	78	-24	29	272	18	-1	3
Other		0	0	0	0	0	0	0	0	0
Balance on Financial Account		7,276	6,073	5,002	595	3,860	-3,384	1,754	1,470	-1,263
<i>Net errors and omissions</i>		<i>-8,384</i>	<i>-7,595</i>	<i>-3,093</i>	<i>-1,049</i>	<i>-5,335</i>	<i>1,882</i>	<i>-769</i>	<i>-2,642</i>	<i>-1,801</i>
Memorandum Item:										
<i>Government financial transactions</i>	<i>Assets</i>	<i>-47</i>	<i>5,913</i>	<i>1,813</i>	<i>3,651</i>	<i>666</i>	<i>-217</i>	<i>-753</i>	<i>545</i>	<i>-454</i>
	<i>Liabilities</i>	<i>5,037</i>	<i>22,658</i>	<i>14,709</i>	<i>3,141</i>	<i>3,854</i>	<i>954</i>	<i>5,603</i>	<i>4,499</i>	<i>7,537</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. Occasionally includes large capital transactions which cannot be shown in the Capital Account Balance due to confidentiality constraints.

* Suppressed for confidentiality reasons

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

€ million

Item		2010	2011	2011				2012		
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Current Account - Total	Cr	218,989	227,601	54,816	57,316	56,293	59,176	58,380	61,264	59,918
	Db	217,207	225,816	56,734	56,848	54,802	57,432	59,425	58,030	56,869
Merchandise²	Cr	82,607	84,858	20,980	21,786	21,038	21,054	21,824	22,060	21,671
	Db	46,856	48,270	12,761	12,126	11,208	12,175	13,541	12,056	12,206
Services	Cr	74,311	81,448	18,991	20,466	20,379	21,612	21,105	22,817	22,542
	Db	80,951	83,258	20,356	20,589	20,262	22,051	21,046	21,473	20,991
- IFSC	Cr	21,088	21,677	5,765	5,346	5,280	5,286	5,790	5,819	5,888
	Db	13,569	13,964	3,578	3,639	3,378	3,369	3,480	3,257	3,459
- non IFSC	Cr	53,224	59,771	13,226	15,120	15,099	16,326	15,315	16,997	16,655
	Db	67,382	69,295	16,778	16,950	16,884	18,683	17,565	18,216	17,533
Income	Cr	57,121	55,882	13,471	14,268	13,849	14,294	14,224	15,261	14,531
	Db	83,040	87,716	21,540	22,822	21,748	21,606	22,860	22,762	21,931
- IFSC	Cr	39,656	38,841	9,432	10,042	9,750	9,617	9,598	10,363	10,228
	Db	42,265	41,865	10,450	10,743	10,196	10,476	10,438	10,695	10,729
- non IFSC	Cr	17,466	17,041	4,039	4,226	4,099	4,677	4,626	4,898	4,303
	Db	40,774	45,851	11,090	12,079	11,552	11,130	12,422	12,068	11,202
Current Transfers	Cr	4,947	5,413	1,374	796	1,027	2,216	1,227	1,126	1,174
	Db	6,361	6,571	2,078	1,311	1,583	1,599	1,979	1,738	1,741
- IFSC ³	Cr	2,448	2,902	1,013	618	686	585	983	951	874
	Db	2,448	2,902	1,013	618	686	585	983	951	874
- non IFSC	Cr	2,499	2,509	361	177	341	1,630	245	175	300
	Db	3,913	3,669	1,066	693	897	1,013	996	787	866
Balance on Current Account		1,782	1,785	-1,918	468	1,491	1,744	-1,045	3,235	3,049
Balance on Capital Account		-673	-263	9	-14	-16	-242	60	-2,063	15

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

€ million

Item	2010		2011		2011				2012		
	Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3		
Financial Account⁴											
Direct investment	Abroad	-16,874	3,086	-4,611	-193	-4,042	11,932	-4,899	-4,076	-1,974	
	In Ireland	32,319	8,249	13,614	5,241	8,550	-19,156	12,968	-1,779	11,963	
- IFSC	Abroad	3,013	597	252	35	269	41	-1	185	-107	
	In Ireland	21,826	14,935	15,282	901	5,076	-6,324	7,256	-6,902	9,721	
- non IFSC	Abroad	-19,886	2,488	-4,864	-228	-4,311	11,891	-4,899	-4,261	-1,866	
	In Ireland	10,494	-6,685	-1,668	4,340	3,475	-12,832	5,712	5,123	2,242	
Portfolio investment	Assets	10,322	-2,977	3,918	-2,338	-7,283	2,726	-63,346	29,505	-21,024	
	Liabilities	75,643	30,476	2,893	24,938	-8,895	11,540	16,617	3,305	25,207	
- IFSC	Assets	-9,603	-26,520	-4,672	-11,829	-10,145	126	-62,701	24,381	-23,404	
	Liabilities	100,068	46,058	5,544	25,923	-5,512	20,103	28,608	8,528	22,950	
- non IFSC	Assets	19,923	23,544	8,590	9,492	2,862	2,600	-645	5,124	2,380	
	Liabilities	-24,424	-15,582	-2,651	-985	-3,383	-8,563	-11,991	-5,223	2,257	
Other investment⁵	Assets	-32,155	14,987	18,302	2,333	-7,085	1,437	68,344	-24,911	553	
	Liabilities	-61,986	-48,090	-29,148	-29,397	22,572	-12,117	-27,909	-552	-15,962	
- IFSC	Assets	-42,284	-25,215	-3,431	-4,045	-8,227	-9,512	54,819	-18,563	-10,044	
	Liabilities	-76,242	-18,942	-15,137	-15,990	22,541	-10,356	-5,920	-1,347	3,643	
- non IFSC	Assets	10,131	40,203	21,733	6,379	1,142	10,949	13,525	-6,349	10,597	
	Liabilities	14,255	-29,149	-14,011	-13,407	30	-1,761	-21,989	795	-19,605	
Reserve Assets	5	340	34	9	42	255	-20	-23	-26		
Balance on Financial Account	7,276	6,073	5,002	595	3,860	-3,384	1,754	1,470	-1,263		
<i>Net errors and omissions</i>	<i>-8,384</i>	<i>-7,595</i>	<i>-3,093</i>	<i>-1,049</i>	<i>-5,335</i>	<i>1,882</i>	<i>-769</i>	<i>-2,642</i>	<i>-1,801</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. Occasionally includes large capital transactions which cannot be shown in the Capital Account Balance due to confidentiality constraints.

Table 4a – Current and Capital Accounts showing geographical¹ detail

€ million

Item		2010	2011	2011				2012		
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Current Account - Total	Cr	218,989	227,601	54,816	57,316	56,293	59,176	58,380	61,264	59,918
	Db	217,207	225,816	56,734	56,848	54,802	57,432	59,425	58,030	56,869
Merchandise²	Cr	82,607	84,858	20,980	21,786	21,038	21,054	21,824	22,060	21,671
	Db	46,856	48,270	12,761	12,126	11,208	12,175	13,541	12,056	12,206
- EMU	Cr	33,837	34,238	8,654	9,008	8,243	8,333	9,079	9,039	8,487
	Db	11,723	12,224	3,192	3,098	2,861	3,073	2,973	2,805	2,893
- non EMU	Cr	48,770	50,620	12,327	12,778	12,794	12,721	12,744	13,021	13,184
	Db	35,133	36,047	9,569	9,028	8,348	9,102	10,567	9,251	9,313
- EU	Cr	49,707	50,998	12,699	13,014	12,566	12,719	13,832	13,837	12,671
	Db	32,571	34,456	8,745	8,391	8,386	8,934	8,832	8,230	8,602
- non EU	Cr	32,900	33,860	8,281	8,772	8,472	8,335	7,992	8,224	9,000
	Db	14,285	13,813	4,015	3,734	2,823	3,241	4,709	3,827	3,604
Services	Cr	74,311	81,448	18,991	20,466	20,379	21,612	21,105	22,817	22,542
	Db	80,951	83,258	20,356	20,589	20,262	22,051	21,046	21,473	20,991
- EMU	Cr	26,652	28,530	7,021	7,568	7,295	6,646	7,734	7,440	7,305
	Db	29,552	30,400	6,628	7,782	7,595	8,395	8,169	8,659	8,005
- non EMU	Cr	47,659	52,919	11,970	12,899	13,084	14,966	13,371	15,377	15,238
	Db	51,398	52,857	13,727	12,807	12,667	13,656	12,877	12,814	12,986
- EU	Cr	45,073	48,116	11,434	12,851	12,389	11,442	12,291	12,748	12,784
	Db	41,442	42,048	9,367	10,626	10,339	11,716	10,987	11,370	10,739
- non EU	Cr	29,239	33,331	7,557	7,615	7,989	10,170	8,814	10,069	9,759
	Db	39,509	41,210	10,988	9,963	9,923	10,336	10,059	10,103	10,252

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

€ million

Item		2010	2011	2011				2012		
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Income	Cr	57,121	55,882	13,471	14,268	13,849	14,294	14,224	15,261	14,531
	Db	83,040	87,716	21,540	22,822	21,748	21,606	22,860	22,762	21,931
- EMU	Cr	19,442	20,444	4,905	5,442	5,125	4,972	4,912	5,113	4,747
	Db	30,064	32,970	8,302	8,253	8,647	7,768	8,515	7,629	7,392
- non EMU	Cr	37,679	35,439	8,566	8,826	8,725	9,322	9,312	10,148	9,784
	Db	52,974	54,748	13,238	14,570	13,101	13,839	14,345	15,133	14,540
- EU	Cr	31,448	32,533	7,714	8,344	8,108	8,367	7,735	7,986	7,488
	Db	47,378	50,422	12,564	12,981	12,994	11,883	12,884	11,811	11,730
- non EU	Cr	25,673	23,349	5,757	5,925	5,741	5,926	6,490	7,275	7,043
	Db	35,662	37,294	8,976	9,841	8,754	9,723	9,976	10,951	10,201
Current Transfers	Cr	4,947	5,413	1,374	796	1,027	2,216	1,227	1,126	1,174
	Db	6,361	6,571	2,078	1,311	1,583	1,599	1,979	1,738	1,741
- EMU	Cr	774	1,025	402	207	200	216	358	391	264
	Db	827	1,074	414	219	212	229	367	402	275
- non EMU	Cr	4,175	4,387	972	589	827	1,999	870	735	910
	Db	5,532	5,498	1,665	1,092	1,371	1,370	1,612	1,337	1,466
- EU	Cr	3,868	4,625	1,111	621	855	2,038	692	704	801
	Db	4,657	5,161	1,666	1,040	1,271	1,184	1,327	1,153	1,159
- non EU	Cr	1,079	787	263	174	173	177	535	422	373
	Db	1,704	1,410	412	271	312	415	652	585	582
Balance on Current Account		1,782	1,785	-1,918	468	1,491	1,744	-1,045	3,235	3,049
Balance on Capital Account		-673	-263	9	-14	-16	-242	60	-2,063	15

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	2011				2012		
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Direct Investment	Abroad	-16,874	3,086	-4,611	-193	-4,042	11,932	-4,899	-4,076	-1,974
	In Ireland	32,319	8,249	13,614	5,241	8,550	-19,156	12,968	-1,779	11,963
- EMU	Abroad	-4,957	-7,181	-7,059	-867	-232	977	-3,516	256	784
	In Ireland	-3,472	27,106	14,451	3,686	6,192	2,777	4,016	935	4,062
- non EMU	Abroad	-11,915	10,267	2,448	674	-3,810	10,955	-1,383	-4,333	-2,758
	In Ireland	35,791	-18,856	-837	1,556	2,358	-21,933	8,951	-2,714	7,901
- EU	Abroad	-9,681	-16,151	-8,583	2,071	-8,913	-726	-3,561	-211	219
	In Ireland	8,833	20,082	15,134	1,601	5,600	-2,253	8,148	226	5,158
- non EU	Abroad	-7,193	19,236	3,971	-2,264	4,871	12,658	-1,339	-3,865	-2,193
	In Ireland	23,486	-11,834	-1,520	3,640	2,950	-16,904	4,819	-2,005	6,805
Portfolio Investment	Assets	10,322	-2,977	3,918	-2,338	-7,283	2,726	-63,346	29,505	-21,024
	Liabilities	75,643	30,476	2,893	24,938	-8,895	11,540	16,617	3,305	25,207
- EMU	Assets	48,621	23,290	2,966	11,273	-2,273	11,324	-12,772	3,260	-17,408
	Liabilities	28,620	23,228	7,261	14,154	6,140	-4,327	5,128	-3,238	10,192
- non EMU	Assets	-38,299	-26,265	952	-13,610	-5,009	-8,598	-50,574	26,245	-3,616
	Liabilities	47,023	7,248	-4,368	10,784	-15,035	15,867	11,488	6,544	15,015
- EU	Assets	56,286	24,229	1,942	8,808	-4,109	17,588	-29,868	19,775	-21,626
	Liabilities	47,144	20,913	-2,121	20,629	-4,365	6,770	12,453	-1,171	19,028
- non EU	Assets	-45,964	-27,204	1,976	-11,145	-3,173	-14,862	-33,478	9,731	602
	Liabilities	28,499	9,563	5,014	4,309	-4,530	4,770	4,164	4,477	6,179

Table 4b – Financial Account¹ showing geographical² detail - continued

€ million

Item		2010	2011	2011				2012		
		Year	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Other Investment ³	Assets	-32,155	14,987	18,302	2,333	-7,085	1,437	68,344	-24,911	553
	Liabilities	-61,986	-48,090	-29,148	-29,397	22,572	-12,117	-27,909	-552	-15,962
- EMU	Assets	-46,036	-3,184	-2,469	4,636	5,985	-11,336	48,494	-4,805	-7,878
	Liabilities	32,871	-37,354	-16,504	-26,313	2,870	2,593	-37,552	9,217	-19,015
- non EMU	Assets	13,882	18,171	20,771	-2,303	-13,070	12,773	19,850	-20,106	8,431
	Liabilities	-94,856	-10,734	-12,643	-3,083	19,702	-14,710	9,643	-9,769	3,053
- EU	Assets	-29,327	10,074	6,801	9,002	-188	-5,541	61,612	-14,784	12,542
	Liabilities	-32,243	-71,754	-28,011	-28,178	4,101	-19,666	-30,729	2,991	-21,083
- non EU	Assets	-2,826	4,915	11,502	-6,668	-6,897	6,978	6,732	-10,127	-11,989
	Liabilities	-29,744	23,664	-1,137	-1,219	18,471	7,549	2,820	-3,543	5,122
Reserve Assets		5	340	34	9	42	255	-20	-23	-26
Balance on Financial Account		7,276	6,073	5,002	595	3,860	-3,384	1,754	1,470	-1,263
<i>Net errors and omissions</i>		<i>-8,384</i>	<i>-7,595</i>	<i>-3,093</i>	<i>-1,049</i>	<i>-5,335</i>	<i>1,882</i>	<i>-769</i>	<i>-2,642</i>	<i>-1,801</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. Occasionally includes large capital transactions which cannot be shown in the Capital Account Balance due to confidentiality constraints.

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.

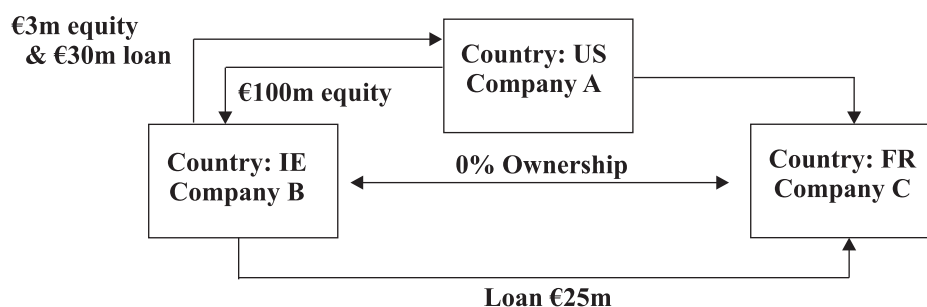
Current transfers covers unrequited receipts and payments. Important components are subsidies and other current transfers receivable from and taxes payable to the European Union, payments under Third World aid programmes operated by non-governmental organisations and transfers related to non-life insurance 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.