

# I. ESTONIA'S BALANCE OF PAYMENTS IN 2004

## INTRODUCTION

The year 2004 was contradictory in global economy. It grew by an estimated 5.1% in 2004, which was the fastest growth rate of past years. In the second half of the year, however, signs of a slowdown were emerging, which indicate that economic recovery to the historical average level in the developed countries is not due any time soon.

Similar trends emerged also in the euro area. Economic growth in the euro area countries accelerated in the first half of 2004, underpinned mainly by increased external demand. In the second half of the year, however, economic activity slowed down while growth in exports was mainly inhibited by decreased external demand and the fast rise in the euro exchange rate, and, contrary to expectations, internal demand did not improve.

Besides global economic developments, Estonia's economy was also affected by two historic events. On 1 May 2004 Estonia became a member of the European Union and on 28 June 2004 it joined the exchange rate mechanism, ERM II.

Estonia became a full member of the internal market of the European Union, which in turn brought about significant changes both in our trading regime as well as in the methodology of collecting foreign trade statistics. Estonia became subject to the same trade conditions applied to all the EU Member States. Among other things it also meant abolishment of double duties on the goods exported from Estonia to Russia, whereas it also led to several duties levied on goods imported from outside the European Union.

Estonian economy performed very well last year. The gross domestic product increased by 7.8% in 2004 from 2003 (7.2% in the first quarter of 2004). Namely the above-mentioned events can be regarded as the underlying reasons of such fast economic growth. On the one hand, the accession to the European Union meant that high investment activity continued. Estonia (and also the other new EU Member States) was one of the more attractive investment destinations for foreign investors (Estonia attracted foreign investments worth more than 22 billion Estonian kroons), while growth in internal investments continued as well.

The status of being an EU Member State has also accelerated Estonia's export growth and Estonian companies have proved to be competitive on the EU market (which is confirmed by the fact that Estonia's exports increased over 18% while demand there grew at a much slower pace).

Despite fast export growth Estonia's current account deficit remained high, amounting to 12.7% of GDP. This was undoubtedly affected by increasing stocks prior to the EU accession, but the main reason was still continuously high investment activity.

Joining the exchange rate mechanism II further confirmed the stability and credibility of Estonia's monetary policy, which led to a higher sovereign rating and lower interest rates (which in turn contributed to growth in internal investments). These factors facilitated further fast capital inflow.

Tables 1.1 and 1.2 provide an overview of Estonia's balance of payments and key international indicators.

**Table 1.1. Estonia's balance of payments (EEK m)**

	1998	1999	2000	2001	2002	2003	2004
<b>Current account</b>	<b>-6,760.2</b>	<b>-3,607.7</b>	<b>-5,093.4</b>	<b>-5,889.5</b>	<b>-11,882.9</b>	<b>-15,401.9</b>	<b>-17,963.0</b>
Goods and services	-7,676.2	-3,755.4	-3,569.0	-3,623.7	-8,318.2	-9,700.5	-11,064.7
Goods	-15,725.5	-12,096.9	-13,143.6	-13,783.9	-17,995.6	-21,483.1	-24,803.2
credit (f.o.b.)	37,786.3	36,995.2	56,345.9	58,667.1	58,333.6	63,599.8	75,061.0
debit (f.o.b.)	-53,511.8	-49,092.1	-69,489.5	-72,451.0	-76,329.2	-85,082.8	-99,864.2
Services	8,049.3	8,341.5	9,574.6	10,160.2	9,677.4	11,782.6	13,738.5
credit	20,804.0	21,951.9	25,485.8	28,866.5	28,279.7	30,819.9	35,591.3
debit	-12,754.7	-13,610.4	-15,911.2	-18,706.3	-18,602.3	-19,037.3	-21,852.8
Income	-1,164.0	-1,505.8	-3,483.4	-4,926.1	-5,423.1	-7,411.2	-8,979.6
credit	1,871.8	1,964.3	2,008.0	2,994.7	3,339.3	3,422.1	5,453.6
debit	-3,035.8	-3,470.1	-5,491.4	-7,920.8	-8,762.4	-10,833.3	-14,433.2
Transfers	2,080.0	1,653.5	1,959.0	2,660.3	1,858.4	1,709.7	2,081.2
credit	2,424.2	2,257.5	2,454.8	3,174.1	2,876.3	3,221.4	5,734.7
debit	-344.2	-604.0	-495.8	-513.8	-1,017.9	-1,511.7	-3,653.4
<b>Capital and financial account (reserve assets excluded)</b>	<b>6,869.8</b>	<b>5,916.6</b>	<b>7,273.2</b>	<b>4,863.1</b>	<b>12,739.6</b>	<b>18,232.9</b>	<b>22,447.3</b>
Capital account	25.2	17.8	278.5	90.0	320.7	655.7	1,054.7
Financial account	6,844.6	5,898.8	6,994.7	4,773.1	12,418.9	17,577.2	21,392.6
Direct investment	7,989.7	3,208.2	5,601.4	5,901.3	2,611.8	10,716.7	9,722.7
Abroad	-81.7	-1,239.8	-1,043.1	-3,528.3	-2,188.4	-2,149.2	-3,388.6
In Estonia	8,071.4	4,448.0	6,644.5	9,429.6	4,800.2	12,865.9	13,111.3
Portfolio investment	-23.4	156.0	1,435.0	-699.7	2,378.7	2,431.7	9,130.5
Assets	-127.9	-1,894.9	153.1	-2,100.2	-3,182.9	-5,351.6	-4,751.6
Equity securities	500.8	187.0	53.3	236.5	9.1	-1,028.9	-2,893.5
Debt securities	-628.7	-2,081.9	99.8	-2,336.7	-3,192.0	-4,322.7	-1,858.1
Liabilities	104.5	2,050.9	1,281.9	1,400.5	5,561.6	7,783.3	13,882.1
Equity securities	401.1	3,292.3	-538.8	568.4	912.2	1,526.9	2,205.3
Debt securities	-296.6	-1,241.4	1,820.7	832.1	4,649.4	6,256.3	11,676.8
Financial derivatives						-19.3	-8.3
Assets						-139.2	-35.1
Liabilities						120.0	26.8
Other investment	-1,121.7	2,534.6	-41.7	-428.5	7,428.4	4,448.1	2,547.8
Assets	-2,480.2	-1,651.2	-2,638.3	-3,716.7	695.1	-2,284.6	-11,168.8
Long-term	-786.5	421.8	-1,108.7	-322.7	-1,083.0	-565.7	-6,052.6
Short-term	-1,693.7	-2,073.0	-1,529.6	-3,394.0	1,778.1	-1,718.9	-5,116.1
Liabilities	1,358.5	4,185.8	2,596.6	3,288.2	6,733.3	6,732.7	13,716.5
Long-term	1,258.4	1,691.5	-549.9	1,814.4	1,829.0	4,310.4	3,740.6
Short-term	100.1	2,494.3	3,146.5	1,473.8	4,904.3	2,422.3	9,975.9
Errors and omissions	16.8	-511.3	90.7	296.2	70.1	-518.9	-1,058.9
<b>Overall balance</b>	<b>126.4</b>	<b>1,797.6</b>	<b>2,270.5</b>	<b>-730.2</b>	<b>926.8</b>	<b>2,312.1</b>	<b>3,425.4</b>
<b>Reserve assets</b>	<b>-126.4</b>	<b>-1,797.6</b>	<b>-2,270.5</b>	<b>730.2</b>	<b>-926.8</b>	<b>-2,312.1</b>	<b>-3,425.4</b>

**Table 1.2. Internationally comparable key indicators of the balance of payments**

	1998	1999	2000	2001	2002	2003	2004
Foreign trade turnover (% of GDP)	117.0	105.3	135.4	125.5	115.2	116.8	123.6
Exports and imports ratio (%)	70.7	75.4	81.4	80.8	76.4	74.7	75.4
Nominal effective exchange rate (% compared to the previous period)	108.8	117.1	97.3	101.3	102.1	103.6	101.0
Real effective exchange rate (% compared to the previous period)	110.4	107.3	96.2	102.0	101.9	101.7	101.3
Terms of trade (ratio of exports and imports price indices)	108.8	107.9	112.6	118.4	112.2	121.6	122.4
Overall balance of the balance of payments (change of external reserves, EEK m)	126.4	1,797.6	2,270.5	-730.2	926.7	2,312.0	3,425.4
Ratio of the external reserves change to GDP (%)	0.2	2.2	2.4	-0.7	0.8	1.8	2.4
Current account balance (EEK m)	-6,760.2	-3,607.7	-5,093.4	-5,889.5	-11,882.9	-15,402.0	-17,963.0
Current account deficit without government transfers (EEK m)	-8,314.5	-5,022.8	-6,609.3	-8,072.8	-13,432.0	-16,778.6	-20,031.8
Current account deficit without government transfers (% of GDP)	10.7	6.1	7.1	7.7	11.5	13.2	14.2
Government transfers (net, EEK m)	1,554.3	1,415.1	1,515.9	2,183.3	1,549.1	1,376.6	2,068.8
Government transfers (% of GNP)	2.0	1.8	1.7	2.2	1.4	1.1	1.6
Estonia's total external debt (% of GDP)	50.3	54.8	54.4	55.6	60.1	68.7	81.2
External debt servicing (% from total exports)	1.2	1.1	1.3	1.0	1.7	0.3	0.2

## METHODOLOGICAL CHANGES IN COMPILING BALANCE OF PAYMENTS STATISTICS

The methodological changes in compiling balance of payments statistics are primarily related to three entries. The change in the entry “*goods*” derived from alterations in the foreign trade statistics reporting system due to the accession to the European Union; the entry “*reinvested earnings*” changed as a result of the implementation of the new EU balance of payments statistics guidelines, which are mandatory for Member States to follow; and the entry “*real estate*” as a result of the availability of more representative data. The 2003 and 2004 time series of the reinvested earnings and real estate entries have been retroactively adjusted based on the existing data.

The changes are the following:

### ■ Entry “*goods*”

From 1 May 2004 foreign trade statistics is based on the combination of two reporting systems: trade with non-EU countries is still calculated on the basis of customs declarations submitted to the Tax and Customs Board (the so-called Extrastat), whereas trade with other EU countries is registered through the so-called Intrastat survey organised by the Statistical Office (see [www.stat.ee/125965](http://www.stat.ee/125965)). While Extrastat still enables the use of the special trade system, which excludes trade through customs warehouses, then Intrastat provides no way of excluding goods moving through intermediate warehouses that actually do not reach the Estonian domestic market, thus rather reflecting the principles of the general trade system. Therefore, the general level of imports and exports of goods is higher than in previous periods and this peculiarity has to be taken into account when comparing time series. The credit and debit of the balance of payments goods account include, in addition to official foreign trade statistics, also various amendments and assessments deriving from the methodology, which are related to the possible undercoverage of the Intrastat data.

### ■ Entry “*reinvested earnings*”

In calculating reinvested earnings, the All-Inclusive Concept (AIC), which concentrated on the net profit/net loss, was replaced by the Current Operating Performance Concept (COPC), which includes operating earnings/operating loss. In the case of the AIC, retained profit, which constitutes the basis for measuring reinvested earnings, is formed including unrealised gains/losses from exchange rate differences and revaluation of financial assets, other extraordinary income/expenses, and doubtful receivables (incl. loan provisions), whereas all of the above-listed are excluded in the case of the COPC, which is preferred in the international standards<sup>1</sup>. The scope of retroactive adjustments is below 10%.

### ■ Entry “*real estate*” as part of equity capital of direct investment

Pursuant to the agreement with the Estonian Land Board, it is now possible to use much more representative data concerning real estate transactions by non-residents in Estonia in compiling this item.

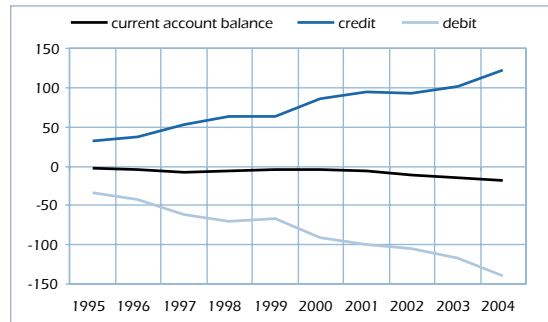
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<sup>1</sup> IMF Balance of Payments Manual 5<sup>th</sup> Edition; OECD Benchmark Definition of Foreign Direct Investment Statistics.

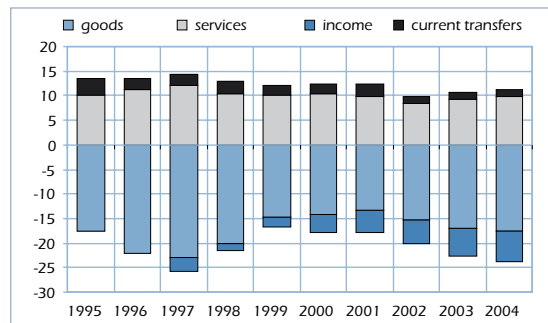
## SHORT OVERVIEW

### Current Account

Sustained extensive inflow of foreign funds accompanied by active investments and private consumption kept the current account deficit of Estonia's balance of payments at a high level – the current account deficit increased by 17% in 2004 from 2003 and amounted to 12.7% of GDP. The largest component of the deficit was the goods account. The current account deficit increased also due to income earned by foreign investors on investments in Estonia, which again stood at record high in 2004 – the net outflow of income amounted to 6.3% of GDP. The EU countries (EU-25) accounted for 76% of the credit turnover and for 79% of the debit turnover. Estonia had the largest deficit with Germany and the biggest surplus with the United States.



**Current account turnover and balance (EEK bn)**



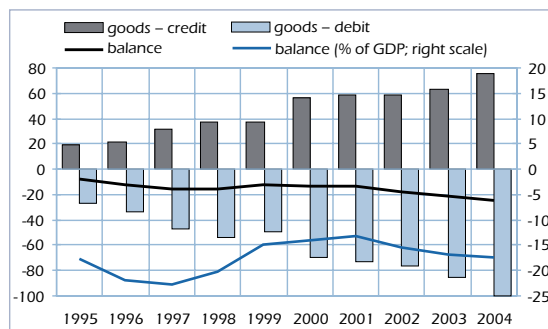
**Current account components (% of GDP)**

### Goods

In 2004, the goods account deficit of the balance of payments increased by more than 3 billion kroons from 2003, amounting to 25 billion kroons and accounting for 17.8% of GDP. Exports of goods increased by 18%, i.e. by 11 billion kroons, from 2003, amounting to 75 billion kroons. Goods imports grew by 17% compared to the year before, i.e. by 15 billion kroons, boosting the debit of goods account to 100 billion kroons.

Traditionally the largest groups of exports goods were machinery and equipment, timber, timber products and furniture as well as textile products. Imports were also dominated by machinery and equipment, followed by means of transport, chemical and metal products.

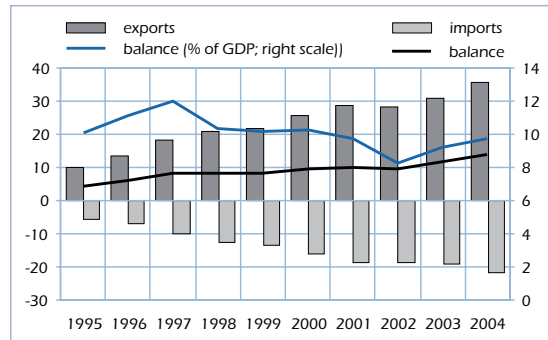
The main trade partner was the enlarged European Union that accounted for 80% of goods exports and 78% of imports. The partner states with the largest goods turnover from the EU were Finland, Sweden, Germany, Latvia and Lithuania; Russia was the leading country of the CIS countries and of other countries the United States and Norway.



**Estonia's external trade balance (EEK bn)**

## Services

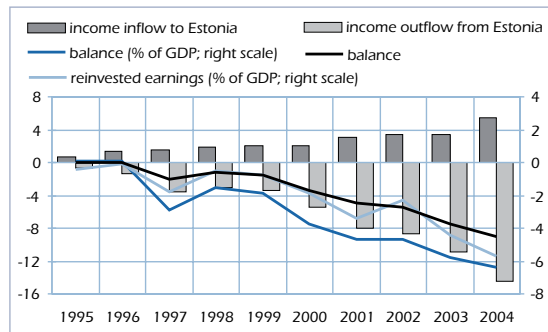
The surplus of the services account increased by 17% in 2004 while both exports and imports of services grew fast (by 16% and 15%, respectively). The accession to the EU and the resulting free movement of services has improved Estonia's position most in travel and business services whose surpluses grew by 26% and 4.6 times, respectively.



**Services account (EEK bn)**

## Income

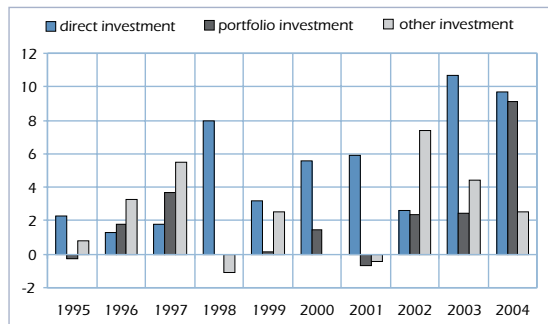
The deficit of the income account increased by 21% in 2004, even though income inflow grew significantly faster than outflow (by 59% and 33%, respectively). The negative balances of most sub-accounts grew faster than average. The nearly five-fold increase in the positive balance of labour income, which was probably related to the free movement of labour in the EU countries, helped to inhibit growth in the income account deficit.



**Income account (EEK bn)**

## Capital and Financial Account

The positive balance of the capital and financial account increased by nearly a quarter from 2003 and amounted to a record 22.4 billion kroons. Although the net inflow of direct investment slightly declined, it still remained high, amounting to 9.7 billion kroons and accounting for 43% of the net capital inflow. Capital was attracted in almost an equal amount in the form of portfolio investment. In smaller volumes capital added also in the form of other investment and capital transfers.



**Sub-accounts of the capital and financial account (EEK bn)**

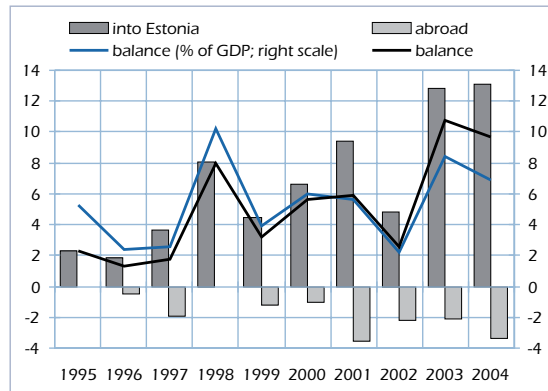
## Direct Investment

The net inflow of direct investment amounted to 9.7 billion kroons, of which long-term investment of non-residents in Estonia stood at 13.1 and residents' direct investment abroad at 3.4 billion kroons.

Reinvested earnings accounted for nearly 70% of the direct investment inflow. In addition to the Nordic countries, the United Kingdom was among the biggest

investors. Manufacturing was the most popular field of investments.

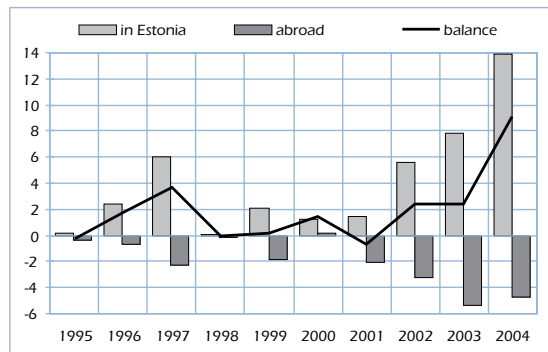
Foreign direct investment grew significantly with equity capital investment accounting for 64% and retained earnings for 27%. More than half of foreign direct investment went into Latvia. The financial intermediation sector was Estonia's largest investor.



**Direct investment (EEK bn)**

### Portfolio Investment

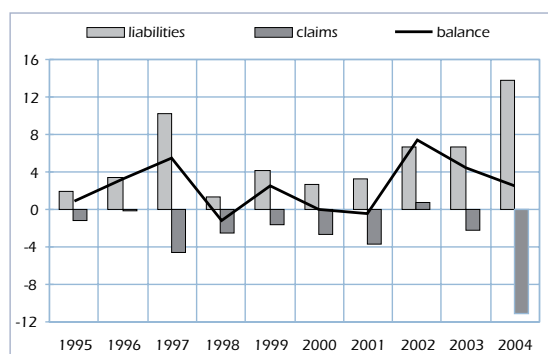
The net inflow of portfolio investment was 9.1 billion kroons in 2004. Capital inflow stood at nearly 13.9 and outflow at 4.8 billion kroons. The increase in liabilities was most affected by debt securities issued by credit institutions in international financial markets – through such issues supplementary capital worth 10.9 billion kroons was channelled into the economy. On the claims side, enterprises in other sectors invested in equity securities issued by non-residents the most actively.



**Portfolio investment (EEK bn)**

### Other Investment

The net inflow of other investment stood at 2.5 billion kroons in 2004. Claims increased by 11.2 billion and liabilities by 13.7 billion kroons. Both claims and liabilities were most affected by loan and deposit entries.



**Other investment (EEK bn)**

## CURRENT ACCOUNT

Earlier trends continued in 2004: weak export demand and strong import demand further increased the current account deficit and the relative current account deficit amounted to 12.7% of GDP (see Figure 1.1).

Estonia traded mainly with the EU countries (76% of the credit turnover and 79% of the debit turnover; see Table 1.3). Estonia's largest deficit was with Germany and the biggest surplus with the US.

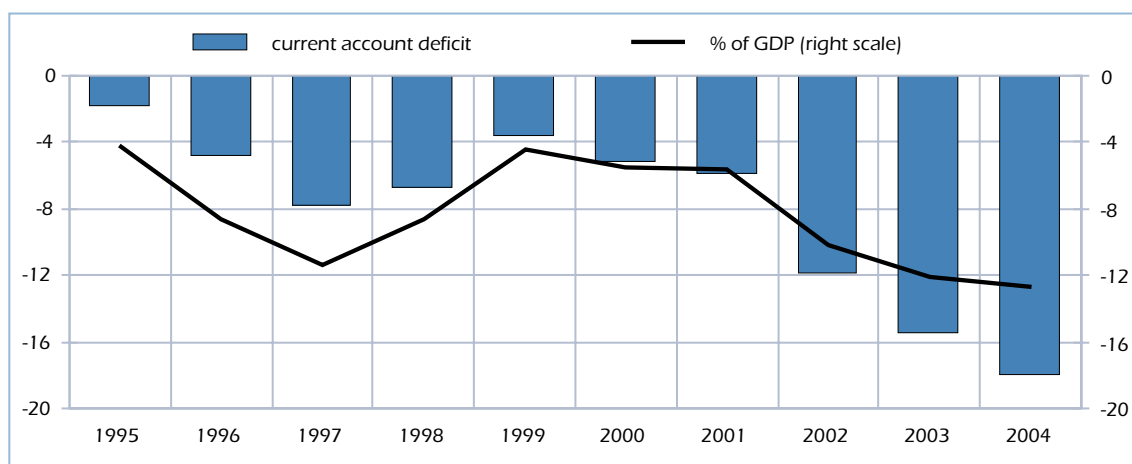


Figure 1.1. Estonia's current account balance (EEK bn)

Table 1.3. Current account by groups of countries (EEK m)

	2003	2004
<b>EU-25*</b>	<b>-11,327.4</b>	<b>-17,602.7</b>
Germany**	-4,986.5	-7,259.2
Poland	-1,873.4	-2,511.1
Latvia	1,879.3	2,103.1
Italy	-1,667.0	-1,959.1
Finland	1,147.3	-1,755.9
<b>EU-15</b>	<b>-10,470.7</b>	<b>-16,763.4</b>
<b>CIS</b>	<b>-6,808.0</b>	<b>-3,587.6</b>
Russia	-3,308.5	-2,683.9
Belarus	-875.3	-1,124.4
Ukraine	-2,618.6	263.1
<b>Other</b>	<b>2,733.5</b>	<b>3,227.3</b>
USA	797.9	2,189.4
British Virgin Islands	2,109.2	2,148.2
Norway	1,549.9	1,344.2
China	-618.9	-1,301.1
Japan	-988.3	-1,071.3
<b>Total</b>	<b>-15,401.9</b>	<b>-17,963.0</b>

\* Here and below, before 1 May 2004 15 EU Member States and 10 acceding countries have been analysed.

\*\* Countries are ranked by the absolute value of last period's current account balance.



## Goods

The goods account deficit of the balance of payments amounted to 25 billion kroons in 2004, having increased by more than 3 billion kroons year-on-year (see Table 1.4). Goods exports increased by 18% from 2003 and amounted to 75 billion kroons. Goods imports totalled 100 million kroons and grew by 17%. The reasons behind the rise in the goods turnover compared to the 2003 data were the accession to the European Union as well as changes in the reporting system (transition to Intrastat reporting in declaring intra-Community trade), which is why foreign trade statistics before and after the accession are not directly comparable (see *Methodological Changes in Compiling Balance of Payments Statistics*, p 6).

**Table 1.4. Changes in the exports and imports of goods**

	Special exports			Special imports			Balance (EEK m)
	Volume <sup>1</sup> (EEK m)	Change compared to the previous period (%)	Share in total exports of goods and services (%)	Volume <sup>1</sup> (EEK m)	Change compared to the previous period (%)	Share in total imports of goods and services (%)	
1995	19,428.2	22.7	66.0	27,043.7	32.3	82.6	-7,615.5
1996	21,833.4	12.4	62.1	34,121.6	26.2	82.8	-12,288.2
1997	31,846.5	45.9	63.4	47,499.3	39.2	82.4	-15,652.8
1998	37,786.3	18.7	64.5	53,511.8	12.7	80.8	-15,725.5
1999	36,995.2	-2.1	62.8	49,092.1	-8.3	78.3	-12,096.9
2000	56,345.9	52.3	68.9	69,489.5	41.5	81.4	-13,143.6
2001	58,667.1	4.1	67.0	72,451.0	4.3	79.5	-13,783.9
2002	58,333.6	-0.6	67.3	76,329.2	5.4	80.4	-17,995.6
2003	63,599.8	9.0	67.4	85,082.8	11.5	81.7	-21,483.0
2004	75,061.0	18.0	67.8	99,864.2	17.4	82.0	-24,803.2

<sup>1</sup> Data of the foreign trade account in the balance of payments.

According to preliminary **foreign trade statistics**<sup>2</sup>, goods exports totalled 74 billion and imports in c.i.f. prices 105 billion kroons. Foreign trade deficit amounted to 31 billion kroons, having increased by 4.3 billion kroons from 2003.

The 19% growth in **goods exports** was most affected by machinery and equipment, means of transport and mineral products, although exports of other groups of goods (except clothing, footwear and headgear) increased considerably as well (see Table 1.5). In the machinery group, mobile phones and their parts, whose exports increased by 37% year-on-year and went to Finland, Sweden, Hungary and Germany, accounted for 60%. The growth in the exports of means of transport was mainly underpinned by the exports of motor cars imported from Finland and Germany to Lithuania, Latvia and Russia for 1.2 billion kroons. Car parts, including safety belts, were mainly channelled to Sweden and Russia. Prior to the EU accession, more than a half of the exports of mineral products embodied re-exports of motor fuel imported from Lithuania, Russia and Belarus to the United States and the EU Member States, while sales of electricity to Latvia and Russia also increased by nearly 10%, year-on-year, accounting for 20% of the exports in that group of goods. Unprocessed and little processed timber (to the United Kingdom, Sweden and Finland) and wooden furniture and prefabricated buildings (to Germany, Finland and Norway) traditionally dominated in the timber, timber products and furniture group. The main articles of the clothing, footwear and headgear were men's suits and shirts and women's

<sup>2</sup> The following analysis is based on the foreign trade statistics of the Statistical Office and does not include the estimates or methodological adjustments (repair of capital goods, provisions bought abroad, etc) added by Eesti Pank to the goods account of the balance of payments. Imports are in c.i.f. prices and analysed by the trading country.

As of the moment of accession, the terms "exports" and "imports" are only applicable in reference to trade with third countries, while the Intrastat system uses the terms "dispatch of goods" and "arrival of goods". Since the following analysis covers both intra-Community trade and non-Community trade, the terms "exports" and "imports" have still been used for the sake of simplicity and clarity.

costumes to the EU Member States, but also fur to Turkey and Cyprus. The main export articles in the metal products group were iron constructions, steel products, and scrap metal. In the food group, dairy products were exported to the Netherlands and Germany, alcohol to Russia and Finland, and canned fish to Ukraine, Lithuania and Russia. The main articles in the chemical products group were plastic products, medicines, and fillers to Russia, Latvia, Lithuania, and Sweden.

**Table 1.5. Exports by main groups of goods**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
Food	4,703.3	5,911.2	7.5	8.0	25.7
Mineral products	1,781.7	3,387.6	2.8	4.6	90.1
Chemical products	4,904.5	5,342.0	7.8	7.2	8.9
Clothing, footwear and headgear	8,302.2	8,106.7	13.3	10.9	-2.4
Timber, paper and products	10,703.9	11,196.6	17.1	15.1	4.6
Metals and metal products	5,333.3	5,796.3	8.5	7.8	8.7
Machinery and equipment	15,651.0	20,204.9	25.0	27.2	29.1
Means of transport	2,728.2	4,523.6	4.4	6.1	65.8
Furniture, toys, sporting goods	6,164.3	6,929.6	9.8	9.3	12.4
Other	2,354.8	2,878.8	3.8	3.9	22.3
<b>Total</b>	<b>62,627.2</b>	<b>74,277.3</b>	<b>100.0</b>	<b>100.0</b>	<b>18.6</b>

**Imports of goods** also increased year-on-year across most of the main groups, except means of transport whose imports declined by 2% (see Table 1.6). The growth in imports was most affected by the increase in the imports of machines and equipment and metals by 21% and 41%, respectively. In the machinery and equipment group, mainly mobile communication equipment and various electronics industry components for both processing and internal supply were imported to Estonia. The major partners were Finland, Sweden, Japan, and Hungary. The imports of means of transport mainly consisted of motor cars from Finland and Germany, rail wagons from Russia and Ukraine, and commercial vehicles from Germany. As regards chemical products, medicines from Latvia, Germany, Belgium and Lithuania were imported. In the metals group, steel products were imported from Russia and Finland. Food imports were led by coffee and beer from Finland, cigarettes and rape seeds from Lithuania, and soya oil from Germany. In the clothing, footwear and headgear group, textile commodities from Latvia, Finland and Korea dominated, while as regards mineral products motor fuel from Lithuania, Russia and Belarus and natural gas from Russia were the main articles. A considerable development in the timber group was the 57% increase in the imports of commodities from Russia.

**Table 1.6. Imports by main groups of goods**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
Food	8,215.3	9,697.2	9.2	9.2	18.0
Mineral products	5,041.2	7,274.5	5.6	6.9	44.3
Chemical products	11,061.3	12,301.5	12.4	11.7	11.2
Clothing, footwear and headgear	8,240.1	9,044.3	9.2	8.6	9.8
Timber, paper and products	4,642.1	5,850.4	5.2	5.5	26.0
Metals and metal products	8,269.7	11,638.2	9.2	11.0	40.7
Machinery and equipment	24,961.2	30,162.3	27.9	28.6	20.8
Means of transport	13,070.7	12,779.5	14.6	12.1	-2.2
Furniture, toys, sporting goods	2,037.5	2,419.3	2.3	2.3	18.7
Other	3,887.5	4,260.0	4.3	4.0	9.6
<b>Total</b>	<b>89,426.7</b>	<b>105,427.2</b>	<b>100.0</b>	<b>100.0</b>	<b>17.9</b>

**Foreign trade deficit** increased by 4.3 billion kroons compared to the 2003 data (see Table 1.7). Two groups of goods posted a surplus: timber and timber products, and furniture and other manufactured goods. The small surplus of clothing, footwear and headgear items in 2003 turned negative and the deficit increased also in most other groups of goods (except means of transport).

**Table 1.7. Foreign trade balance by main groups of goods (EEK m)**

	2003	2004
Food	-3,511.9	-3,786.0
Mineral products	-3,259.6	-3,886.8
Chemical products	-6,156.9	-6,959.5
Clothing, footwear and headgear	62.1	-937.6
Timber, paper and products	6,061.8	5,346.2
Metals and metal products	-2,936.4	-5,842.0
Machinery and equipment	-9,310.2	-9,957.3
Means of transport	-10,342.5	-8,255.9
Furniture, toys, sporting goods	4,126.8	4,510.2
Other	-1,532.6	-1,381.2
<b>Total</b>	<b>-26,799.5</b>	<b>-31,149.9</b>

By **groups of countries**, the exports of goods to the European Union as well as to other groups of countries increased (see Table 1.8). The enlarged EU was the major partner with exports to the EU growing by 15%, year-on-year, accounting for 80% of the total exports in the period under analysis. The biggest partners were traditionally Finland, Sweden, and Germany, followed by Latvia and Lithuania. Exports to former CIS countries grew by 54% and accounted for 8%, whereas exports to Russia increased by 71%, i.e. by 1.7 billion kroons, year-on-year. The top three of other countries were Norway, the United States and the Republic of Korea.

**Table 1.8. Exports of goods by groups of countries**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
<b>EU-25</b>	<b>51,600.7</b>	<b>59,571.1</b>	<b>82.4</b>	<b>80.2</b>	<b>15.4</b>
Finland	16,215.3	17,176.3	25.9	23.1	5.9
Sweden	9,521.5	11,396.7	15.2	15.3	19.7
Germany	6,179.4	6,215.0	9.9	8.4	0.6
Latvia	4,395.7	5,852.6	7.0	7.9	33.1
Lithuania	2,341.6	3,254.8	3.7	4.4	39.0
<b>EU-15</b>	<b>42,811.6</b>	<b>46,232.1</b>	<b>68.4</b>	<b>62.2</b>	<b>8.0</b>
<b>CIS</b>	<b>3,770.8</b>	<b>5,797.6</b>	<b>6.0</b>	<b>7.8</b>	<b>53.7</b>
Russia	2,440.1	4,180.1	3.9	5.6	71.3
Ukraine	1,137.7	1,257.0	1.8	1.7	10.5
Belarus	81.5	172.1	0.1	0.2	111.3
<b>Other</b>	<b>7,255.7</b>	<b>8,908.6</b>	<b>11.6</b>	<b>12.0</b>	<b>22.8</b>
Norway	2,245.0	2,426.1	3.6	3.3	8.1
USA	1,556.6	2,376.5	2.5	3.2	52.7
Korean Republic	402.5	636.9	0.6	0.9	58.2
<b>Total</b>	<b>62,627.2</b>	<b>74,277.3</b>	<b>100.0</b>	<b>100.0</b>	<b>18.6</b>

Imports of goods also increased across all groups of countries (see Table 1.9). The enlarged EU achieved a share of 78%, the top five included Finland, Germany, Sweden, Lithuania and Latvia. Imports from Russia grew by 2.5 billion kroons, imports from Ukraine declined by the same amount. China, Japan and the United States dominated among other countries.

**Table 1.9. Imports of goods by groups of countries<sup>1</sup>**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
<b>EU-25</b>	<b>68,384.3</b>	<b>81,963.4</b>	<b>76.5</b>	<b>77.7</b>	<b>19.9</b>
Finland	19,268.8	23,323.7	21.5	22.1	21.0
Germany	11,437.1	13,551.0	12.8	12.9	18.5
Sweden	8,782.0	10,256.3	9.8	9.7	16.8
Lithuania	3,683.3	5,568.7	4.1	5.3	51.2
Latvia	3,789.3	4,985.2	4.2	4.7	31.6
<b>EU-15</b>	<b>56,131.9</b>	<b>64,990.8</b>	<b>62.8</b>	<b>61.6</b>	<b>15.8</b>
<b>CIS</b>	<b>12,047.9</b>	<b>12,687.7</b>	<b>13.5</b>	<b>12.0</b>	<b>5.3</b>
Russia	7,204.8	9,657.5	8.1	9.2	34.0
Ukraine	3,797.7	1,414.4	4.2	1.3	-62.8
Belarus	866.5	1,276.7	1.0	1.2	47.3
<b>Other countries</b>	<b>8,994.5</b>	<b>10,776.1</b>	<b>10.1</b>	<b>10.2</b>	<b>19.8</b>
China	1,274.5	2,001.0	1.4	1.9	57.0
Japan	1,348.6	1,439.9	1.5	1.4	6.8
USA	1,200.2	1,243.3	1.3	1.2	3.6
<b>Total</b>	<b>89,426.7</b>	<b>105,427.2</b>	<b>100.0</b>	<b>100.0</b>	<b>17.9</b>

<sup>1</sup>Analysed by trading country.

Foreign trade balance was negative for all groups of countries (see Table 1.10).

**Table 1.10. Foreign trade balance by groups of countries (EEK m)**

	2003	2004
EU-25	-16,783.6	-22,392.4
EU-15	-13,320.4	-18,758.7
CIS	-8,277.1	-6,890.1
Other	-1,738.9	-1,867.5
<b>Total</b>	<b>-26,799.5</b>	<b>-31,149.9</b>

## Services

In 2004, the surplus of the **services account** stood at 13.7 billion kroons, increasing 17% year-on-year (see Table 1.11). The growth was caused by the accelerated growth rate of exports compared to imports. The surplus of the services account offset the foreign trade deficit by 55%.

The structure of the services account was considerably affected by Estonia's accession to the EU (see Table 1.12). Active tourism increased the share of travel services, the fast growth of goods imports magnified the volumes of freight services, and the abolishment of duty-free trade for intra-Community trips decreased the turnover of passenger transport, which altogether resulted in a decline in the share of transport services in the services account balance. The share of business services grew substantially.

**Table 1.11. Exports and imports of services**

	Exports			Imports			Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Share in exports of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)	Share in imports of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)
1995	10,022.9	50.6	34.0	5,692.6	7.4	17.4	4,330.3	219.4
1996	13,352.8	33.2	37.9	7,107.8	24.9	17.2	6,245.0	44.2
1997	18,366.7	37.5	36.6	10,134.0	42.6	17.6	8,232.7	31.8
1998	20,804.0	13.3	35.5	12,754.8	25.9	19.2	8,049.2	-2.2
1999	21,951.9	5.5	37.2	13,610.4	6.7	21.7	8,341.5	3.6
2000	25,485.8	16.1	31.1	15,911.2	16.9	18.6	9,574.6	14.8
2001	28,866.5	13.3	33.0	18,706.3	17.6	20.5	10,160.2	6.1
2002	28,279.7	-2.0	32.7	18,602.3	-0.6	19.6	9,677.4	-4.8
2003	30,819.9	9.0	32.6	19,037.3	2.3	18.3	11,782.6	21.8
2004	35,591.3	15.5	32.2	21,852.8	14.8	18.0	13,738.5	16.6

**Table 1.12. Services balance by major categories**

	Balance (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
Transportation	6,516.8	6,036.2	55.3	43.9	-7.4
Travel	4,832.0	6,081.3	41.0	44.3	25.9
Construction services	-108.5	-43.8	-0.9	-0.3	-59.6
Business services	334.7	1,553.4	2.8	11.3	364.1
Government services	162.7	91.8	1.4	0.7	-43.6
Other	44.9	19.6	0.4	0.1	-56.3
<b>Total</b>	<b>11,782.6</b>	<b>13,738.5</b>	<b>100.0</b>	<b>100.0</b>	<b>16.6</b>

**Services exports** grew by 16% year-on-year, whereas the growth was above average in travel and business services (20% and 24%, respectively). Exports of construction services declined for the second year in row (see Table 1.13). Two thirds of the services exports went to the EU countries, with Finland accounting for 30% thereof. Year-on-year, the exports of services to the United Kingdom, Sweden and Germany grew faster; other more significant countries in that respect were Russia and Switzerland (see Table 1.14).

**Table 1.13. Services exports by major categories**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
Transportation	13,600.5	15,137.4	44.1	42.5	11.3
freight	7,044.4	8,754.0	22.9	24.6	24.3
passenger	2,920.7	2,827.8	9.5	7.9	-3.2
other	3,635.4	3,555.6	11.8	10.0	-2.2
Travel	9,241.7	11,116.4	30.2	31.2	20.3
Construction services	1,174.8	1,104.5	3.8	3.1	-6.0
Business services	4,756.5	5,899.9	15.4	16.6	24.0
Government services	474.8	477.2	1.5	1.3	0.5
Other	1,571.6	1,855.9	4.9	5.2	18.1
<b>Total</b>	<b>30,819.9</b>	<b>35,591.3</b>	<b>100.0</b>	<b>100.0</b>	<b>15.5</b>

**Table 1.14. Services exports by groups of countries**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
<b>EU-25</b>	<b>20,802.6</b>	<b>23,780.8</b>	<b>67.5</b>	<b>66.8</b>	<b>14.3</b>
Finland	9,767.1	10,773.1	31.7	30.3	10.3
United Kingdom	1,983.3	2,578.1	6.4	7.2	30.0
Sweden	1,969.4	2,435.8	6.4	6.8	23.7
Germany	1,541.3	1,950.7	5.0	5.5	26.6
<b>EU-15</b>	<b>17,780.9</b>	<b>20,664.1</b>	<b>57.7</b>	<b>58.1</b>	<b>16.2</b>
<b>CIS</b>	<b>3,168.1</b>	<b>4,584.2</b>	<b>10.3</b>	<b>12.9</b>	<b>44.7</b>
Russia	2,892.1	4,008.2	9.4	11.3	38.6
Ukraine	181.7	372.7	0.6	1.0	105.1
<b>Other</b>	<b>6,849.2</b>	<b>7,226.3</b>	<b>22.2</b>	<b>20.3</b>	<b>5.5</b>
offshore regions	2,632.3	2,790.8	8.5	7.8	6.0
USA	1,559.3	1,620.6	5.1	4.6	3.9
Switzerland	1,165.6	1,529.9	3.8	4.3	31.3
<b>Total</b>	<b>30,819.9</b>	<b>35,591.3</b>	<b>100.0</b>	<b>100.0</b>	<b>15.5</b>

**Services imports** increased by 15% in 2004 with transport services accounting for the most of the growth (annual growth of 29%). Freight transport increased as much as 36% and other transport services by 39% (see Table 1.15). The share of the EU countries in the services imports accounted for 76%, whereas the share of the largest partner, Finland, slightly declined. Services imports increased faster than average from Germany and Latvia, and out of non-EU countries from Russia (see Table 1.16).

**Transport services** surplus declined in 2004 as imports outpaced the growth in exports. A negative factor affecting transport services exports was the abolishment of duty-free trade on passenger ships within the European Union, which reduced the volumes of passenger transport and its share in the services exports (see Figure 1.2 and Tables 1.12 and 1.13).

**Table 1.15. Services imports by major categories**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
Transportation	7,083.6	9,101.2	37.2	41.6	28.5
freight	4,343.1	5,892.8	22.8	27.0	35.7
passenger	1,169.9	1,025.3	6.1	4.7	-12.4
other	1,570.6	2,183.1	8.3	10.0	39.0
Travel	4,409.7	5,035.1	23.3	23.0	14.2
Construction services	1,283.3	1,148.3	6.7	5.3	-10.5
Business services	4,494.6	4,346.5	23.6	19.9	-3.3
Government services	322.1	385.4	1.6	1.8	19.7
Other	1,444.0	1,836.3	7.5	8.4	27.2
<b>Total</b>	<b>19,037.3</b>	<b>21,852.8</b>	<b>100.0</b>	<b>100.0</b>	<b>14.8</b>

**Table 1.16. Services imports by groups of countries**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
<b>EU-25</b>	<b>-14,261.1</b>	<b>-16,691.4</b>	<b>74.9</b>	<b>76.4</b>	<b>17.0</b>
Finland	-4,226.5	-4,220.2	22.2	19.3	-0.1
Germany	-1,474.9	-2,603.5	7.7	11.9	76.5
Sweden	-1,466.5	-1,587.4	7.7	7.3	8.2
Latvia	-923.1	-1,205.6	4.8	5.5	30.6
<b>EU-15</b>	<b>-11,577.0</b>	<b>-13,748.1</b>	<b>60.8</b>	<b>62.9</b>	<b>18.8</b>
<b>CIS</b>	<b>-2,274.6</b>	<b>-2,477.3</b>	<b>11.9</b>	<b>11.3</b>	<b>8.9</b>
Russia	-1,758.7	-2,105.0	9.2	9.6	19.7
Ukraine	-308.1	-178.4	1.6	0.8	-42.1
<b>Other</b>	<b>-2,501.6</b>	<b>-2,684.1</b>	<b>13.1</b>	<b>12.3</b>	<b>7.3</b>
USA	-754.0	-801.0	4.0	3.7	6.2
Norway	-395.1	-275.9	2.1	1.3	-30.2
Egypt	-25.3	-256.9	0.1	1.2	914.1
<b>Total</b>	<b>-19,037.3</b>	<b>-21,852.8</b>	<b>100.0</b>	<b>100.0</b>	<b>14.8</b>

**Figure 1.2. Transport services account (EEK bn)**

Transport services exports to the EU countries increased by 11% year-on-year (see Table 1.17). Finland remained the biggest purchaser of transport services. Freight transport, whose exports increased by a quarter from the year before, still accounted for the largest share of transport services. The share of CIS countries increased to 58%. The continued oil transit through Estonian ports earned revenues both in the rail and sea transport sector (see Figure 1.3).

Imports of transport services considerably outpaced exports. Purchasing of freight and other transport services increased considerably. Imports of passenger transport decreased mainly in the air and sea transport sectors since Estonian residents have started to prefer the services of local shipping companies and air carriers, and besides, the average airfare has consistently declined. Year-on-year, purchases of transport services increased by nearly 30% both from the EU and the CIS countries headed by Russia; the growth regarding other countries was 23%. The biggest suppliers of transport services among the EU countries was Finland, Russia led among the CIS countries, and the United States among other countries.

Table 1.17. Transport services by groups of countries in 2004

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), 2004/2003		Volume (EEK m)	Share (%)	Change (%), 2004/2003
<b>EU-25</b>	<b>8,776.7</b>	<b>58.0</b>	<b>11.2</b>	<b>EU-25</b>	<b>6,515.9</b>	<b>71.6</b>	<b>32.7</b>
Finland	2,955.1	19.5	-7.6	Finland	1,803.1	19.8	49.6
United Kingdom	1,561.2	10.3	37.7	Germany	1,019.4	11.2	51.2
Sweden	1,079.0	7.1	20.5	Sweden	633.8	7.0	26.6
Germany	950.9	6.3	32.3	United Kingdom	379.2	4.2	15.2
Netherlands	561.6	3.7	29.1	Netherlands	365.3	4.0	37.9
<b>EU-15</b>	<b>8,668.9</b>	<b>57.3</b>	<b>20.3</b>	<b>EU-15</b>	<b>5,363.6</b>	<b>58.9</b>	<b>30.9</b>
<b>CIS</b>	<b>1,929.7</b>	<b>12.7</b>	<b>27.5</b>	<b>CIS</b>	<b>1,337.0</b>	<b>14.7</b>	<b>15.6</b>
Russia	1,690.2	11.2	17.8	Russia	1,107.1	12.2	38.5
Ukraine	218.0	1.4	274.6	Ukraine	110.1	1.2	-16.8
<b>Other</b>	<b>4,431.0</b>	<b>29.3</b>	<b>5.6</b>	<b>Other</b>	<b>1,248.3</b>	<b>13.7</b>	<b>23.0</b>
offshore regions	2,299.5	15.2	1.2	USA	267.3	2.9	25.2
Switzerland	950.4	6.3	25.8	offshore regions	169.8	1.9	84.2
USA	808.9	5.3	12.1	Norway	102.6	1.1	-56.2
<b>Total</b>	<b>15,137.4</b>	<b>100.0</b>	<b>11.3</b>	<b>Total</b>	<b>9,101.2</b>	<b>100.0</b>	<b>28.5</b>

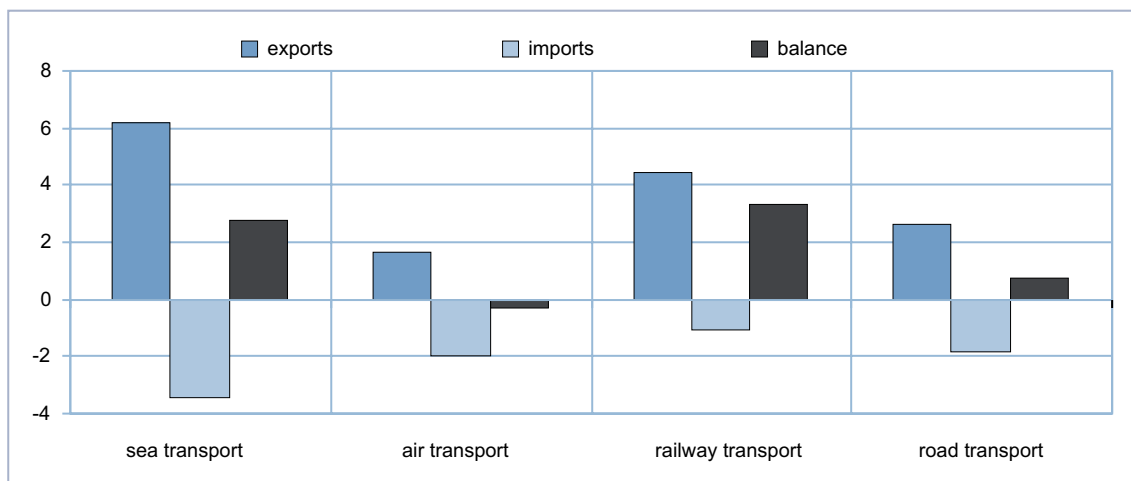


Figure 1.3. Transport services structure in 2004 by transport type (EEK bn)

The accession to the European Union had a positive effect on **travel services** exports (see Figure 1.4 and Table 1.18) since several customs restrictions disappeared and travelling simplified. In 2004, the number of foreigners visiting Estonia increased by 14% year-on-year. Even though the number of tourists serviced by travel agencies remained nearly the same, the duration of trips increased and the number of days spent in accommodation establishments increased. Compared to 2003, the number of tourists from the Scandinavian countries and the United States increased the most.



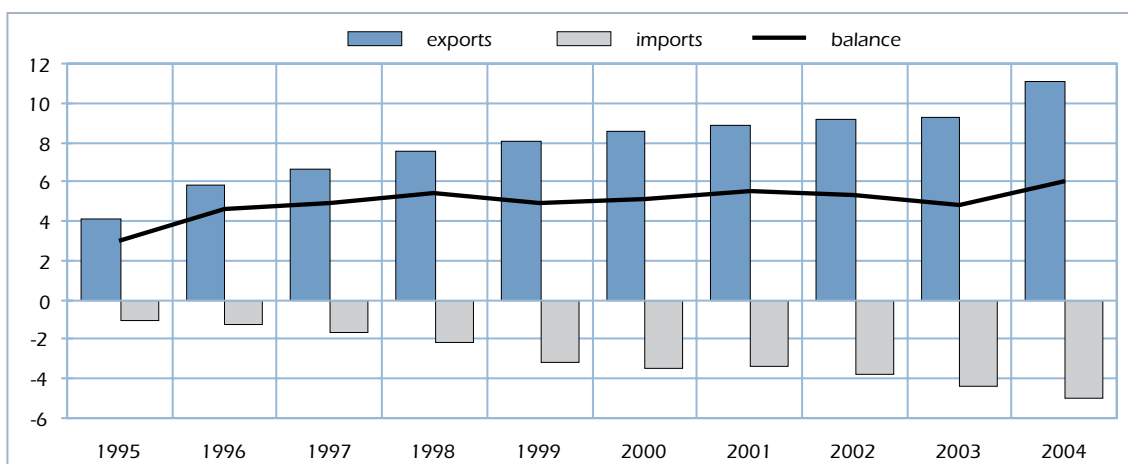


Figure 1.4. Travel services account (EEK bn)

Table 1.18. Travel services by groups of countries in 2004

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%) 2004/2003		Volume (EEK m)	Share (%)	Change (%) 2004/2003
<b>EU-25</b>	<b>8,831.1</b>	<b>79.4</b>	<b>15.8</b>	<b>EU-25</b>	<b>-3,728.6</b>	<b>74.1</b>	<b>13.7</b>
Finland	5,748.8	51.7	19.0	Germany	-640.5	12.7	38.1
Sweden	784.8	7.1	33.1	Finland	-635.2	12.6	-11.8
Latvia	580.2	5.2	-11.7	Sweden	-372.8	7.4	14.1
Germany	379.5	3.4	26.7	United Kingdom	-372.3	7.4	62.4
<b>EU-15</b>	<b>7,772.7</b>	<b>69.9</b>	<b>21.0</b>	<b>EU-15</b>	<b>-3,057.3</b>	<b>60.7</b>	<b>9.3</b>
<b>CIS</b>	<b>1,586.1</b>	<b>14.3</b>	<b>61.4</b>	<b>CIS</b>	<b>-522.8</b>	<b>10.4</b>	<b>-3.5</b>
Russia	1,523.4	13.7	63.5	Russia	-484.7	9.6	2.7
Ukraine	40.3	0.4	23.9	Belarus	-10.4	0.2	-49.5
<b>Other</b>	<b>699.2</b>	<b>6.3</b>	<b>10.0</b>	<b>Other</b>	<b>-783.7</b>	<b>15.6</b>	<b>33.2</b>
USA	256.8	2.3	12.8	USA	-199.9	4.0	69.2
Norway	192.5	1.7	5.4	Egypt	-168.6	3.3	1,231.6
<b>Total</b>	<b>11,116.4</b>	<b>100.0</b>	<b>20.3</b>	<b>Total</b>	<b>-5,035.1</b>	<b>100.0</b>	<b>14.2</b>

Imports of travel services grew by 14% (see Table 1.18). The number of visits abroad increased by 16% while a majority of such visits was related to seasonal or short-term employment in the neighbouring countries. The geography of Estonian tourists' destinations has changed: the number of visits to Egypt grew 10 times, to Turkey 2.2 times while visits to the United States increased by 46%. Closer contacts with Brussels added visits to Belgium by 43%, while the Olympic Games raised the number of visits to Greece by 25%. At the same time, the popularity of old EU Member States, except Germany, declined.

## Income

The **income account deficit** of 2004 was 9 billion kroons, having increased 21% year-on-year (see Table 1.19). The positive balance of compensations of those employed abroad increased nearly five times, offsetting the negative balance of the income account. It amounted to 1.6 billion kroons in 2004, outpacing the net outflow of portfolio and other investment income (see Table 1.20).

**Table 1.19. Changes in income**

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)
1995	727.7	50.8	699.5	-18.7	28.2	-107.5
1996	1,352.5	85.9	1,326.3	89.6	26.2	-7.1
1997	1,594.1	17.9	3,604.6	171.8	-2,010.5	-7,773.7
1998	1,871.8	17.4	3,035.8	-15.8	-1,164.0	-42.1
1999	1,964.3	4.9	3,470.1	14.3	-1,505.8	29.4
2000	2,008.0	2.2	5,491.4	58.2	-3,483.4	131.3
2001	2,994.7	49.1	7,920.8	44.2	-4,926.1	41.4
2002	3,339.3	11.5	8,762.4	10.6	-5,423.1	10.1
2003	3,422.1	2.5	10,833.3	23.6	-7,411.2	36.7
2004	5,453.6	59.4	14,433.2	33.2	-8,979.6	21.2

**Table 1.20. Structure of income balance (EEK m)**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
Direct investment income	-7,381.5	-9,838.2	99.6	109.6	33.3
income on equity	-7,084.1	-9,488.0	95.6	105.7	33.9
reinvested earnings	-5,665.9	-8,045.6	76.5	89.6	42.0
dividends	-1,418.2	-1,442.4	19.1	16.1	1.7
income on debt (interests)	-297.4	-350.2	4.0	3.9	17.8
Portfolio investment income	-6.3	-203.8	0.1	2.3	3,134.9
Other investment income	-349.8	-542.2	4.7	6.0	55.0
Other income	326.4	1,604.6	-4.4	-17.9	391.7
<b>Total</b>	<b>-7,411.2</b>	<b>-8,979.6</b>	<b>100.0</b>	<b>100.0</b>	<b>21.2</b>

**Income inflow** to Estonia increased by 59% year-on-year, and this was mainly affected by the growth in the compensation of employees as well as by foreign direct investment income (3.4 times and 51%, respectively; see Table 1.21).

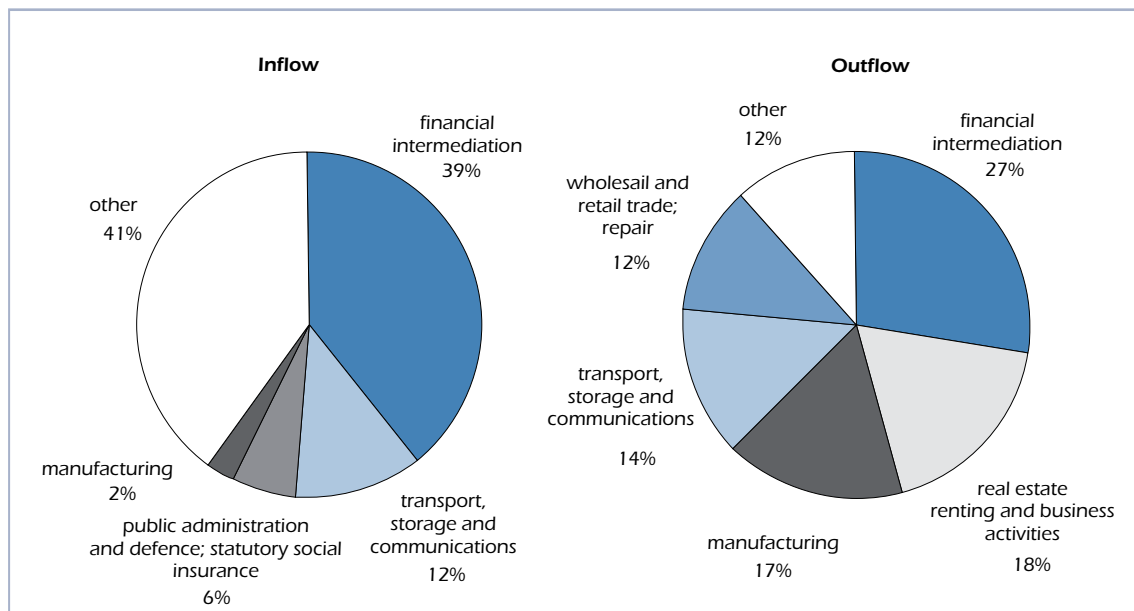
**Table 1.21. Income inflow to Estonia**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
Direct investment income	1,274.6	1,918.5	37.2	35.2	50.5
income on equity	1,161.6	1,748.3	33.9	32.1	50.5
reinvested earnings	741.4	919.6	21.7	16.9	24.0
dividends	420.2	828.7	12.3	15.2	97.2
income on debt (interests)	113.0	170.2	3.3	3.1	50.7
Portfolio investment income	802.1	868.4	23.4	15.9	8.3
Other investment income	792.4	748.8	23.2	13.7	-5.5
Other income	553.1	1,918.0	16.2	35.2	246.8
<b>Total</b>	<b>3,422.1</b>	<b>5,453.6</b>	<b>100.0</b>	<b>100.0</b>	<b>59.4</b>

86% of the income inflow came from the EU Member States (see Table 1.22). The largest year-on-year growth in income inflow was from Finland (3.4 times). By fields of activity, financial intermediation earned the biggest income (39%). Transport, storage and communications, and the public sector followed (with 12% and 6%, respectively; see Figure 1.5).

**Table 1.22. Income by groups of countries in 2004**

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%) 2004/2003		Volume (EEK m)	Share (%)	Change (%) 2004/2003
<b>EU-25</b>	<b>4,670.6</b>	<b>85.6</b>	<b>54.8</b>	<b>EU-25</b>	<b>12,409.2</b>	<b>86.0</b>	<b>40.1</b>
Latvia	1,130.0	20.7	44.5	Sweden	4,345.5	30.1	41.1
Finland	1051.6	19.3	235.5	Finland	4,258.7	29.5	48.2
Lithuania	599.3	11.0	-0.4	United Kingdom	1,930.3	13.4	101.0
Cyprus	594.9	10.9	53.0	Denmark	454.2	3.1	55.7
<b>EU-15</b>	<b>2,328.9</b>	<b>42.7</b>	<b>87.5</b>	<b>EU-15</b>	<b>11,816.0</b>	<b>81.9</b>	<b>36.9</b>
<b>CIS</b>	<b>202.3</b>	<b>3.7</b>	<b>55.4</b>	<b>CIS</b>	<b>444.5</b>	<b>3.1</b>	<b>6.0</b>
Russia	165.8	3.0	73.8	Russia	414.3	2.9	1.1
Ukraine	34.4	0.6	-3.3	Uzbekistan	15.4	0.1	
<b>Other</b>	<b>580.7</b>	<b>10.6</b>	<b>111.4</b>	<b>Other</b>	<b>1,579.5</b>	<b>10.9</b>	<b>1.5</b>
USA	389.7	7.1	294.4	Norway	676.0	4.7	697.2
offshore regions	130.2	2.4	170.7	USA	453.4	3.1	-24.7
				offshore regions	105.1	0.7	-77.6
<b>Total</b>	<b>5,453.6</b>	<b>100.0</b>	<b>59.4</b>	<b>Total</b>	<b>14,433.2</b>	<b>100.0</b>	<b>33.2</b>



**Figure 1.5. Inflow and outflow of income by fields of activity in 2004**

**Income outflow** from Estonia increased 33% year-on-year, mainly in the form of direct investment income (see Table 1.23). Most of the direct investment income earned in Estonia was reinvested in Estonia (76%, i.e. 9 billion kroons), and there was no real movement of these funds.

86% of the income outflow went to the EU countries, whose share increased from the year before (see Table

**Table 1.23. Income outflow from Estonia**

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
Direct investment income	8,656.1	11,756.7	79.9	81.5	35.8
income on equity	8,245.7	11,236.2	76.1	77.8	36.3
reinvested earnings	6,407.30	8,965.1	59.1	62.1	39.9
dividends	1,838.4	2,271.1	17.0	15.7	23.5
income on debt (interests)	410.3	520.4	3.8	3.6	26.8
Portfolio investment income	808.4	1,072.2	7.5	7.4	32.6
Other investment income	1,142.1	1,291.0	10.5	8.9	13.0
Other income	226.6	313.3	2.1	2.2	38.3
<b>Total</b>	<b>10,833.3</b>	<b>14,433.2</b>	<b>100.0</b>	<b>100.0</b>	<b>33.2</b>

1.22). The most important countries of destination were Sweden and Finland, both with a 30% share. By fields of activity, financial intermediation dominated in the income outflow with 28%, followed by real estate, renting and business activities (18%), and manufacturing (17%; see Figure 1.5).

## Current and Capital Transfers

The surplus of the **current transfers** account increased by 22%, i.e. by nearly 0.4 billion kroons, from 2003 and amounted to 2.1 billion kroons (see Table 1.24). The inflow of current transfers totalled 5.7 billion kroons, of which funds channelled into the Estonian economy through the general government accounted for 67%, i.e. 3.9 billion kroons, and included mainly allocations from the European Union structural funds and receipt of pension and other payments (mainly VAT). Transfers of other sectors also came mainly from the EU countries (Germany, Finland, the United Kingdom, Sweden), followed by Russia, the US and Ukraine. The general government accounted for slightly less than a half of the outflow of current transfers (payments into the EU budget and refund of VAT to the EU countries). Transfers of other sectors were also mainly made to the EU (Finland, Germany, Sweden, the United Kingdom).

The surplus of the **capital transfers** account was 1.1 billion kroons. Most of the capital transfers to Estonia consisted of EU assistance granted to the general government for various infrastructure objects.

**Table 1.24. Current transfers by groups of countries**

	Received (EEK m)		Paid (EEK m)		Balance (EEK m)	
	2003	2004	2003	2004	2003	2004
<b>Current transfers</b>	<b>3,221.4</b>	<b>5,734.7</b>	<b>1,511.7</b>	<b>3,653.4</b>	<b>1,709.7</b>	<b>2,081.2</b>
<b>  government transfers</b>	<b>1,619.9</b>	<b>3,859.9</b>	<b>243.4</b>	<b>1,791.2</b>	<b>1,376.6</b>	<b>2,068.8</b>
EU-25	1,060.9	3,293.7	181.3	1,717.0	879.6	1,576.8
EU-15	1,024.1	3,218.3	154.4	1,697.3	869.7	1,521.1
CIS	303.4	405.5	2.5	3.6	300.9	401.9
other	255.6	160.7	59.6	70.6	196.0	90.1
<b>  other sectors</b>	<b>1,601.4</b>	<b>1,874.7</b>	<b>1,268.3</b>	<b>1,862.3</b>	<b>333.2</b>	<b>12.5</b>
EU-25	890.7	1,327.1	968.9	1,583.3	-78.3	-256.2
EU-15	740.4	1,265.0	911.8	1,516.7	-171.4	-251.7
CIS	61.2	190.7	61.4	66.6	-0.2	124.1
other	649.5	357.0	237.9	212.5	411.6	144.5

## FINANCIAL ACCOUNT

The financial account surplus increased by 22% from 2003, amounting to 21.4 billion kroons. Figures 1.6 and 1.7 give an overview of the financial account.

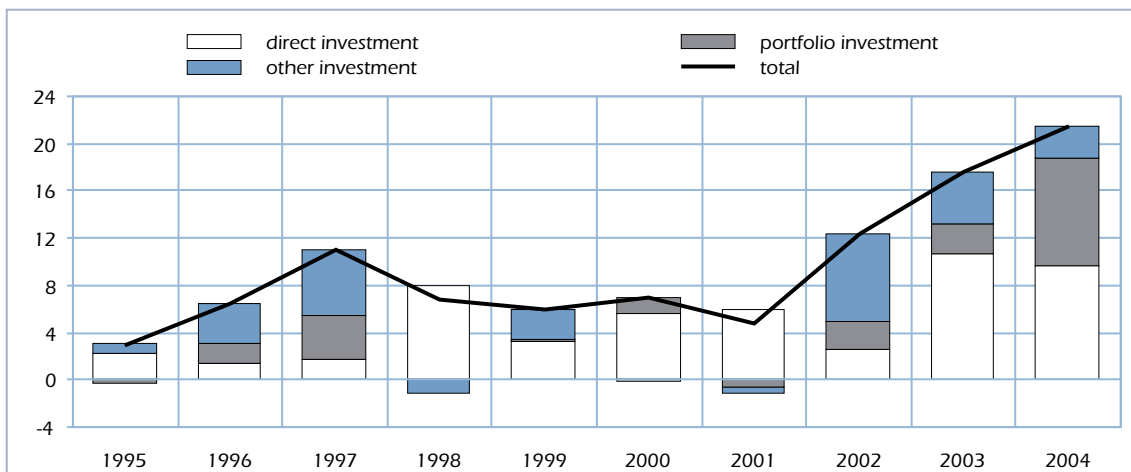


Figure 1.6. Changes in the structure of foreign investment capital flows (EEK bn)

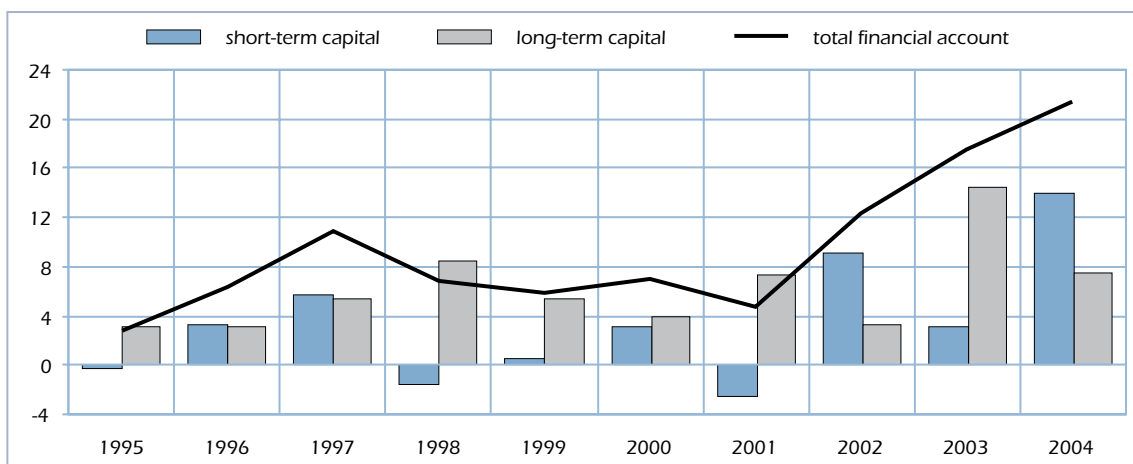


Figure 1.7. Maturity structure of the financial account (EEK bn)

### Direct Investment

The **balance of direct investment** was positive by 9.7 billion kroons in 2004, accounting for nearly a half of the financial account surplus (see Figure 1.8). Non-residents invested 13.1 billion kroons into Estonia and Estonian residents invested 3.4 billion kroons abroad. The net inflow of direct investment covered 54% of the current account deficit.

The **inflow of direct investment into Estonia** remained at the previous year's level (see Tables 1.25 and 1.26). In the past two years direct investment has grown considerably compared to earlier periods. The main growth component was again reinvested income, which has increased fast in the past two years; in the last quarter of 2004 the operating profit was at record high – 3.7 billion kroons. More than two thirds of the inflow of long-term investment were reinvested earnings of non-residents, while income on the sales of shares

accounted for a third of the growth (4.6 billion kroons). Net claims of loan capital to direct investors grew by a billion kroons. The position of long-term loans received from direct investors decreased by 0.3 billion kroons, but short-term loan liabilities increased by 0.9 billion kroons and the volume of short-term loans to direct investors grew by the same amount.

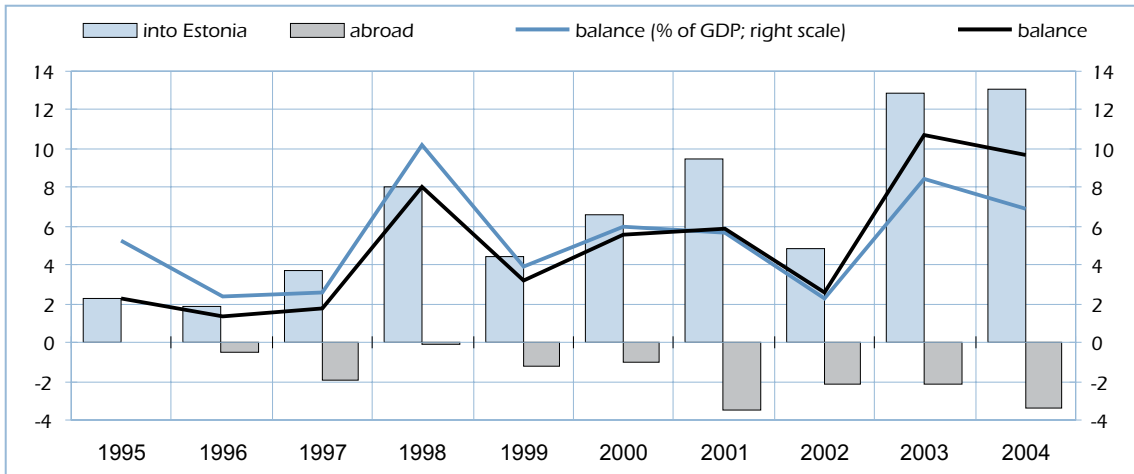


Figure 1.8. Direct investment (EEK bn)

Table 1.25. Structure of direct investment into Estonia

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Claims		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
1995	1,166.1	50.4	178.4	7.7	-60.8	-2.6	1,029.2	44.5	2,312.9	100.0
1996	215.8	11.9	216.3	11.9	-157.9	-8.7	1,540.2	84.9	1,814.4	100.0
1997	1,360.8	36.8	1,303.8	35.3	-97.4	-2.6	1,126.9	30.5	3,694.1	100.0
1998	5,661.9	70.1	389.4	4.8	-203.9	-2.5	2,224.0	27.6	8,071.4	100.0
1999	2,551.9	57.4	721.9	16.2	-265.0	-6.0	1,439.2	32.4	4,448.0	100.0
2000	3,925.3	59.1	1,815.2	27.3	-397.3	-6.0	1,301.3	19.6	6,644.5	100.0
2001	3,641.2	38.6	3,878.9	41.1	-950.7	-10.1	2,860.2	30.3	9,429.6	100.0
2002	821.0	17.1	3,370.3	70.2	-772.6	-16.1	1,381.5	28.8	4,800.2	100.0
2003	5,329.9	41.4	6,407.3	49.8	-1,334.0	-10.4	2,462.7	19.1	12,865.9	100.0
2004	4,638.6	35.4	8,965.1	68.4	-1,454.0	-11.1	961.6	7.3	13,111.3	100.0

Table 1.26. Loan capital claims and liabilities to foreign direct investors (EEK m)

	Claims				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Drawings	Repay-ments	Drawings	Repay-ments
2003	408.4	246.3	1,010.7	498.7	5,155.6	2,667.1	3,020.9	3,726.9
2004	492.7	371.2	1,774.1	862.1	4,601.5	4,882.2	3,091.7	2,197.2

28% of the direct investment inflow came from Finland, followed by Sweden (26%), the United Kingdom (10%) and Norway (9%; see Table 1.27 and Figure 1.9). Long-term investments of the EU Member States in Estonia increased by 10.7 billion kroons (81%). The inflow of direct investment affected four fields of activity most: manufacturing (21%), financial intermediation (19%), wholesale and retail trade (17%), and real estate, renting and business activities (13%; see Figure 1.10). The largest profits were earned in the sectors of financial intermediation and manufacturing.

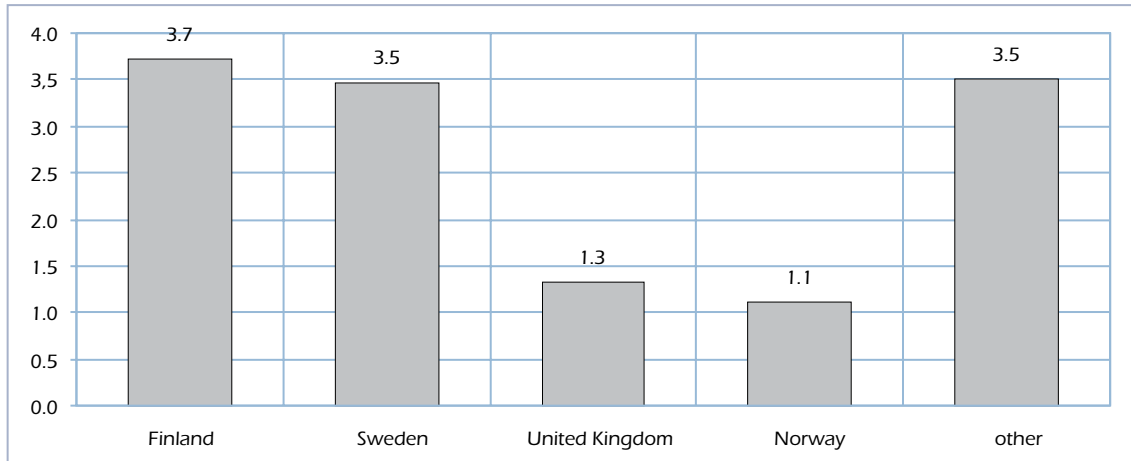


Figure 1.9. Direct investment into Estonia by countries in 2004 (EEK bn)

Table 1.27. Direct investment into Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
EU-25	11,055.3	10,651.1	85.9	81.2	-3.7
EU-15	11,029.8	9,912.8	85.7	75.6	-10.1
CIS	12.0	696.0	0.1	5.3	5,700.0
Other	1,798.6	1,764.3	14.0	13.5	-1.9
<b>Total</b>	<b>12,865.9</b>	<b>13,111.4</b>	<b>100.0</b>	<b>100.0</b>	<b>1.9</b>

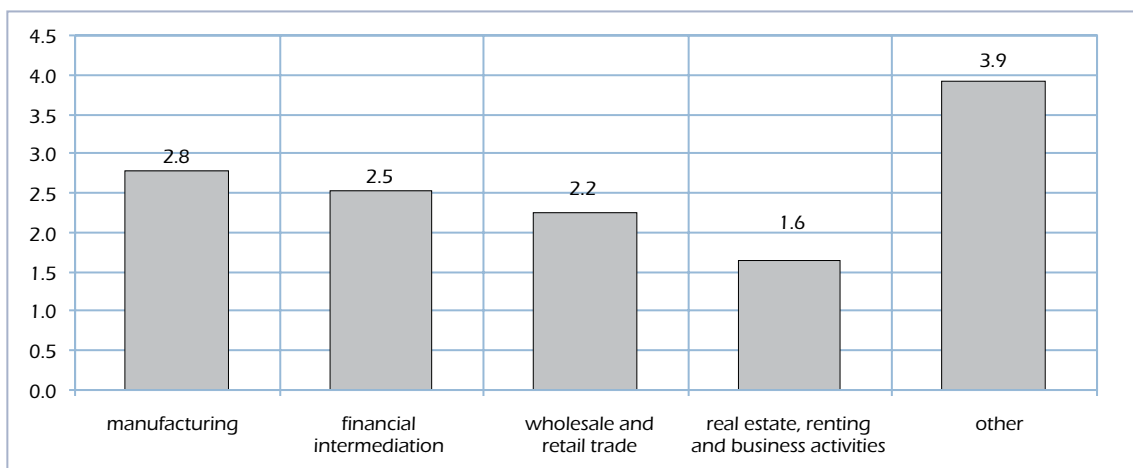


Figure 1.10. Direct investment into Estonia by fields of activity in 2004 (EEK bn)

The growth in **foreign direct investment** was considerable (3.4 billion kroons), approaching in its volume the record year of 2001 (see Tables 1.28 and 1.29). The rise was 58% compared to 2003. Nearly two thirds of the outflow (2.2 billion kroons) increased the share of Estonian companies in equity capital, and a fourth (0.9 billion kroons) was reinvested in the business activity of foreign subsidiaries and associated companies. Whereas the short-term loan liabilities of foreign companies increased by 0.6 billion kroons, their long-term liabilities decreased by 0.3 billion kroons.

**Table 1.28. Structure of foreign direct investment**

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Claims		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
1995	-3.6	12.4	0.0	0.0	-26.8	92.1	1.3	-4.5	-29.1	100.0
1996	-107.1	22.1	-147.2	30.4	-261.3	53.9	31.1	-6.4	-484.5	100.0
1997	-539.2	28.2	-88.5	4.6	-1,303.2	68.1	18.0	-0.9	-1,912.9	100.0
1998	-472.7	578.6	-2.7	3.3	386.7	-473.3	7.0	-8.6	-81.7	100.0
1999	-525.7	42.4	-115.7	9.3	-641.3	51.7	42.9	-3.5	-1,239.8	100.0
2000	-579.7	55.6	-65.9	6.3	-480.8	46.1	83.3	-8.0	-1,043.1	100.0
2001	-1,897.1	53.8	-305.2	8.7	-1,242.8	35.2	-83.2	2.4	-3,528.3	100.0
2002	-903.9	41.3	-665.5	30.4	-727.2	33.2	108.2	-4.9	-2,188.4	100.0
2003	-1,060.0	49.3	-741.4	34.5	-645.8	30.0	297.9	-13.9	-2,149.2	100.0
2004	-2,175.2	64.2	-919.6	27.1	-434.2	12.8	140.3	-4.1	-3,388.6	100.0

**Table 1.29. Loan capital claims and liabilities to foreign subsidiaries and associated companies (EEK m)**

	Claims				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Drawings	Repay-ments	Drawings	Repay-ments
2003	1,107.1	716.6	472.1	503.8	4.0	11.6	84.2	98.8
2004	934.8	1,232.5	952.4	368.9	17.9	61.2	27.9	37.1

More than a half of foreign direct investment in 2004 were channelled to Latvia, followed by Finland and Lithuania (17%), and Russia (8%; see Table 1.30 and Figure 1.11). 89% of the outflow went into the European Union, out of which 78% went to the economies of the new Member States. Nearly a half of the long-term investment was made by the financial intermediation sector, followed by the fields of real estate, renting and business activities (23%), construction (9%), and manufacturing (6%; see Figure 1.12).

**Table 1.30. Foreign direct investment by groups of countries**

	Volume (EEK bn)		Share (%)		Change (%)
	2003	2004	2003	2004	2004/2003
EU-25	-1,804.0	-3,011.1	83.9	88.9	66.9
EU-15	24.0	-650.7	-1.1	19.2	-2,811.3
CIS	-332.1	-356.7	15.5	10.5	7.4
Other	-13.2	-20.8	0.6	0.6	57.6
<b>Total</b>	<b>-2,149.3</b>	<b>-3,388.6</b>	<b>100.0</b>	<b>100.0</b>	<b>57.7</b>



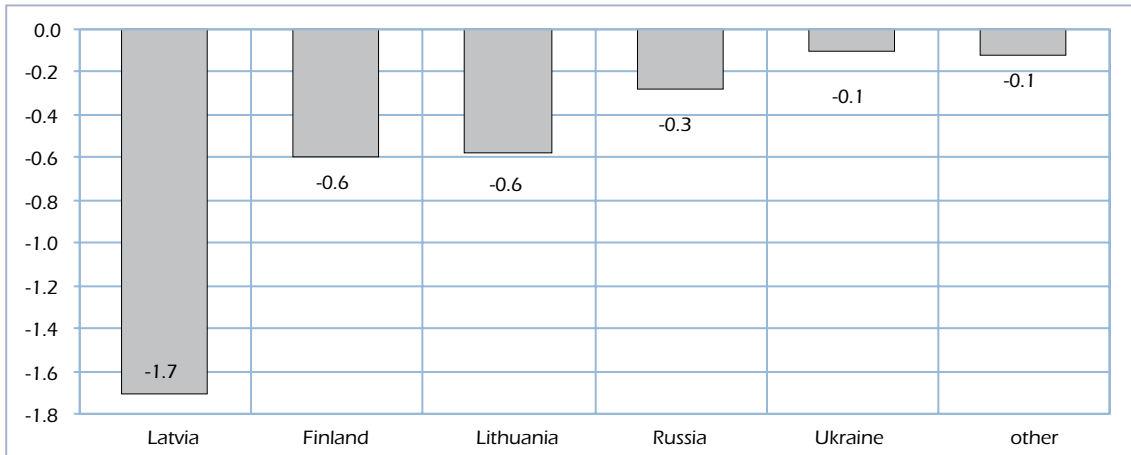


Figure 1.11. Foreign direct investment by countries in 2004 (EEK bn)

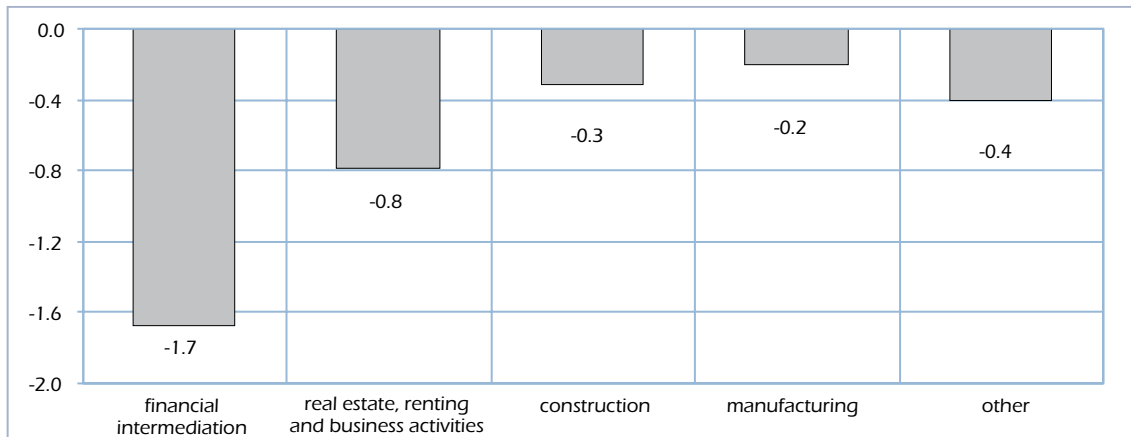


Figure 1.12. Foreign direct investment by fields of activity in 2004 (EEK bn)

## Portfolio Investment

The net inflow of **portfolio investment**<sup>3</sup> in 2004 was approximately 9.1 billion kroons, which exceeded the respective flow in 2003 by nearly four times (see Figure 1.13 and Table 1.31). This was most affected by residents' successful debt securities issues in foreign financial markets.

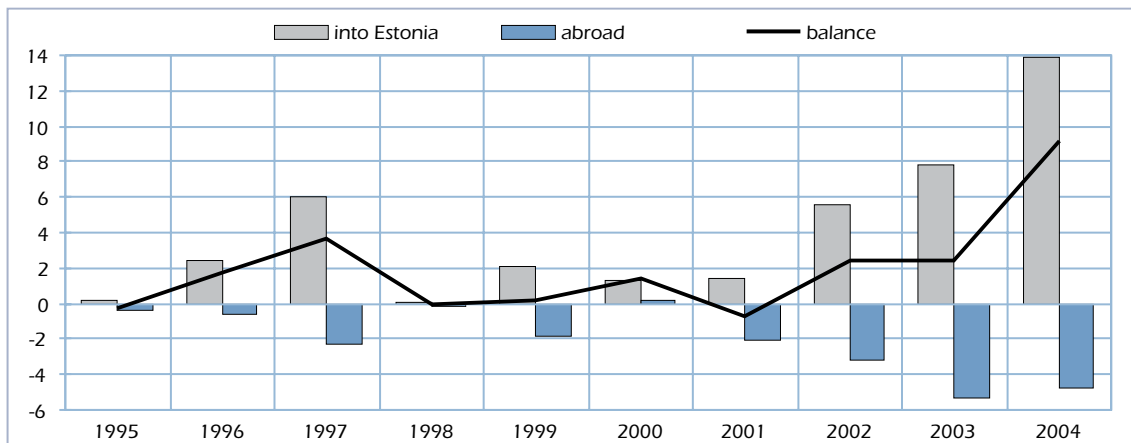


Figure 1.13. Portfolio investment (EEK bn)

<sup>3</sup> Except financial derivatives.

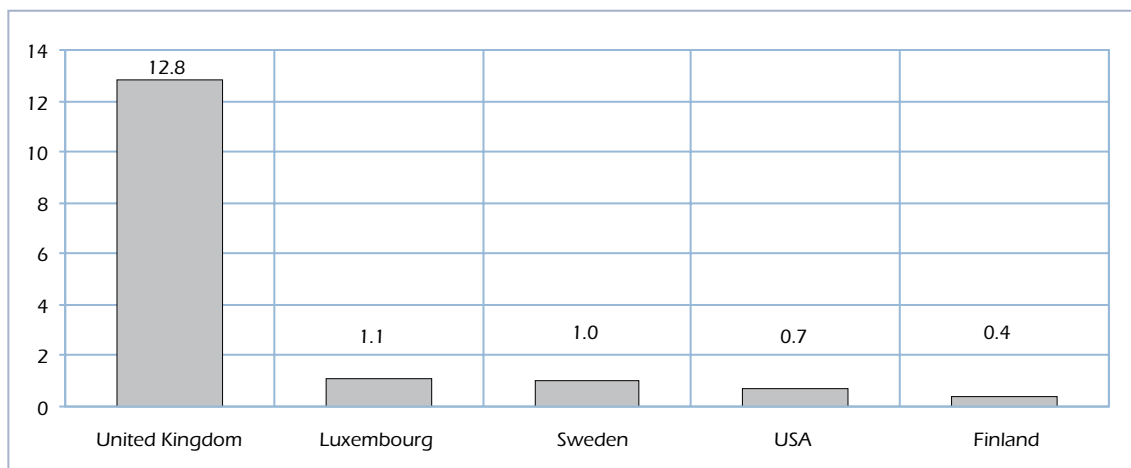
**Table 1.31. Portfolio investment by types of securities and sectors (EEK m)**

	Claims		Liabilities		Balance	
	2003	2004	2003	2004	2003	2004
<b>Equity securities</b>	<b>-1,028.8</b>	<b>-2,893.5</b>	<b>1,526.9</b>	<b>2,205.3</b>	<b>498.1</b>	<b>-688.2</b>
government sector	-57.0	-44.4			-57.0	-44.4
credit institutions	-5.4	-23.6	234.5	144.5	229.1	120.9
other sectors	-966.4	-2,825.5	1,292.4	2,060.8	326.0	-764.7
<b>Debt securities</b>	<b>-4,322.7</b>	<b>-1,858.1</b>	<b>6,256.2</b>	<b>11,676.7</b>	<b>1,933.5</b>	<b>9,818.6</b>
central bank						0.0
government sector	-4,164.7	-588.1	-88.7	343.0	-4,253.4	-245.1
credit institutions	1,075.8	-469.0	6,644.2	10,910.8	7,720.0	10,441.8
other sectors	-1,233.8	-801.0	-299.3	422.9	-1,533.1	-378.1
<b>Total</b>	<b>-5,351.5</b>	<b>-4,751.6</b>	<b>7,783.1</b>	<b>13,882.0</b>	<b>2,431.6</b>	<b>9,130.4</b>

**Portfolio investment liabilities** increased by 13.9 billion kroons in 2004, out of which equity securities accounted for 2.2 billion and debt securities for 11.7 billion kroons (see Table 1.32). The rise in liabilities was largely brought about by debt securities issued by credit institutions, and the resulting capital inflow amounted to 10.9 billion kroons. By countries, most of the portfolio investment capital came from the European Union countries, particularly the United Kingdom and Luxembourg, while outside the EU the largest contributor was the United States (see Figure 1.14 and Table 1.33).

**Table 1.32. Structure of portfolio investment liabilities**

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1995	113.7	89.4	13.5	10.6	127.2	100.0
1996	2,093.8	86.8	319.0	13.2	2,412.8	100.0
1997	1,763.6	29.5	4,210.8	70.5	5,974.4	100.0
1998	401.1	383.8	-296.6	-283.8	104.5	100.0
1999	3,292.3	160.5	-1,241.4	-60.5	2,050.9	100.0
2000	-538.8	-42.0	1,820.7	142.0	1,281.9	100.0
2001	568.4	40.6	832.1	59.4	1,400.5	100.0
2002	912.2	16.4	4,649.4	83.6	5,561.6	100.0
2003	1,526.9	19.6	6,256.4	80.4	7,783.3	100.0
2004	2,205.3	15.9	11,676.7	84.1	13,882.0	100.0

**Figure 1.14. Increase in portfolio investment liabilities by countries in 2004 (EEK bn)**

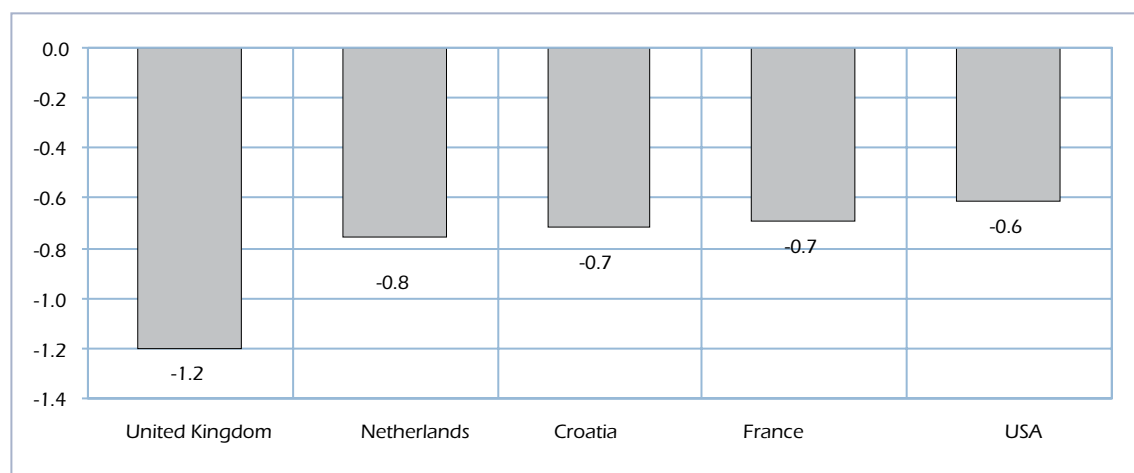
**Table 1.33. Structure of portfolio investment by groups of countries**

	Volume (EEK m)				Share (%)			
	Claims		Liabilities		Claims		Liabilities	
	2003	2004	2003	2004	2003	2004	2003	2004
EU-25	-4,465.2	-2,484.3	7,740.6	13,121.2	83.4	52.3	99.5	99.5
EU-15	-3,533.7	-1,159.6	7,691.1	13,558.0	66.0	24.4	98.8	97.7
CIS	-132.2	-184.4	51.5	224.6	2.5	3.9	0.7	0.7
Other	-754.2	-2,082.9	-8.8	536.3	14.1	43.8	-0.1	-0.1
<b>Total</b>	<b>-5,351.6</b>	<b>-4,751.6</b>	<b>7,783.3</b>	<b>13,882.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Portfolio investment claims** increased by nearly 4.8 billion kroons in 2004, regarding both equity and debt securities with 2.9 and 1.9 billion kroons, respectively (see Table 1.34). Enterprises in other sectors invested in equity securities issued by non-residents the most actively to the total amount of 2.8 billion kroons. Debt securities were also mainly bought by enterprises of other sectors, and the resulting capital outflow amounted to 0.8 billion kroons. By countries, portfolio investment went mainly to the United Kingdom, the Netherlands, and Croatia (see Figure 1.15).

**Table 1.34. Structure of portfolio investment claims**

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1995	58.0	-15.2	-440.3	115.2	-382.3	100.0
1996	-181.0	28.8	-447.4	71.2	-628.4	100.0
1997	-1,238.5	53.4	-1,080.8	46.6	-2,319.3	100.0
1998	500.8	-391.6	-628.7	491.6	-127.9	100.0
1999	187.0	-9.9	-2,081.9	109.9	-1,894.9	100.0
2000	53.3	34.8	99.8	65.2	153.1	100.0
2001	236.5	-11.3	-2,336.7	111.3	-2,100.2	100.0
2002	9.1	-0.3	-3,192.0	100.3	-3,182.9	100.0
2003	-1,028.9	19.2	-4,322.7	80.8	-5,351.6	100.0
2004	-2,893.6	60.9	-1,858.2	39.1	-4,751.8	100.0

**Figure 1.15. Increase in portfolio investment claims by countries in 2004 (EEK bn)**

## Other Investment

The net inflow of **other investment** totalled 2.5 billion kroons in 2004; other investment liabilities grew by 13.7 and claims by 11.2 billion kroons (see Figure 1.16 and Table 1.35).

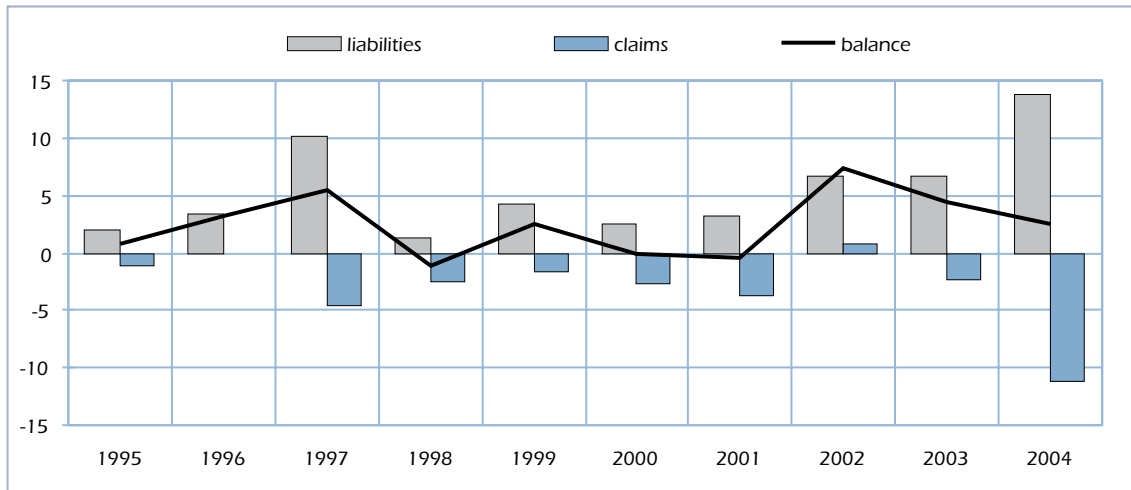


Figure 1.16. Other investment (EEK bn)

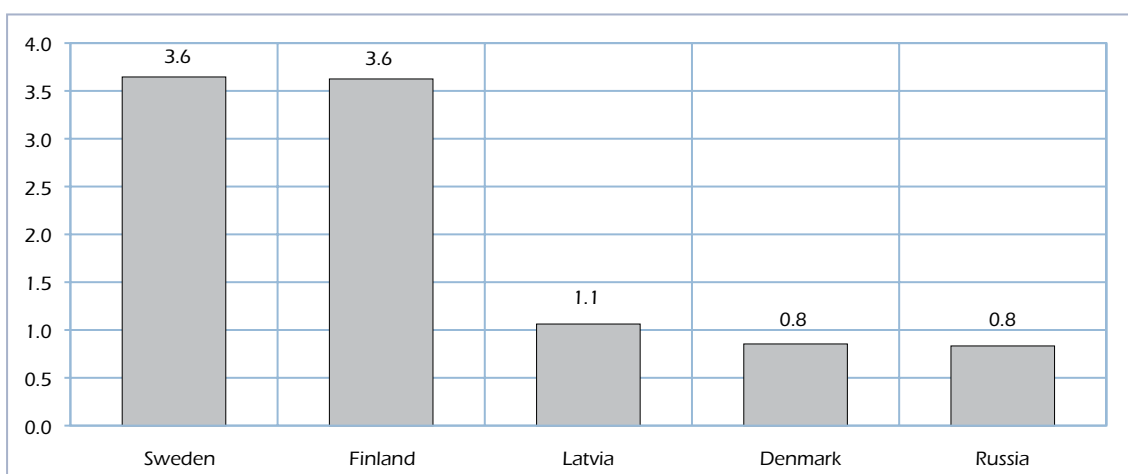
Table 1.35. Other investment by maturity (EEK m)

	Claims		Liabilities		Balance	
	2003	2004	2003	2004	2003	2004
<b>Long-term capital</b>	<b>-565.7</b>	<b>-6,052.7</b>	<b>4,310.4</b>	<b>3,740.6</b>	<b>3,744.7</b>	<b>-2,312.1</b>
central bank	1.1	-10.5			1.1	-10.5
general government	-4.4	-45.0	402.4	-194.8	398.0	-239.8
credit institutions	-301.6	-5,016.0	2,938.8	2,475.0	2,637.2	-2,541.0
other sectors	-260.8	-981.2	969.2	1,460.4	708.4	479.2
<b>Short-term capital</b>	<b>-1,718.8</b>	<b>-5,116.1</b>	<b>2,422.2</b>	<b>9,975.9</b>	<b>703.4</b>	<b>4,859.8</b>
central bank			576.3	189.7	576.3	189.7
general government	517.1	-119.3			517.1	-119.3
credit institutions	-990.1	-3,347.2	2,471.4	9,481.5	1,481.3	6,134.3
other sectors	-1,245.8	-1,649.6	-625.5	304.7	-1,871.3	-1,344.9
<b>Total</b>	<b>-2,284.5</b>	<b>-11,168.8</b>	<b>6,732.6</b>	<b>13,716.5</b>	<b>4,448.1</b>	<b>2,547.7</b>

**Other investment liabilities** increased by 13.7 billion kroons with trade credit, loans and deposits all growing (see Table 1.36). The inflow of other investment capital mainly occurred in the form of deposits and loans by 8.8 billion and 4.6 billion kroons, respectively. By countries, other investment liabilities increased mainly to the European Union countries, above all to Sweden, Finland, and Latvia (see Figure 1.17 and Table 1.37).

**Table 1.36. Structure of other investment liabilities**

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1995	230.1	11.9	1,060.7	54.8	636.0	32.9	8.5	0.4	1,935.3	100.0
1996	426.7	12.6	1,723.7	50.7	1,232.3	36.3	14.8	0.4	3,397.5	100.0
1997	367.0	3.6	6,399.7	63.0	2,426.0	23.9	961.8	9.5	10,154.5	100.0
1998	-221.2	-16.3	290.0	21.3	365.5	26.9	924.2	68.0	1,358.5	100.0
1999	119.1	2.8	2,399.7	57.3	1,462.7	34.9	204.3	4.9	4,185.8	100.0
2000	1,080.9	41.6	-785.3	-30.2	1,955.4	75.3	345.6	13.3	2,596.6	100.0
2001	102.9	3.1	2,570.4	78.2	81.4	2.5	533.5	16.2	3,288.2	100.0
2002	781.1	11.6	1,963.3	29.2	3,763.5	55.9	225.4	3.3	6,733.3	100.0
2003	-115.7	-1.7	3,220.9	47.8	4,587.9	68.1	-960.3	-14.3	6,732.8	100.0
2004	625.2	4.6	4,564.7	33.3	8,804.7	64.2	-278.2	-2.0	13,716.4	100.0

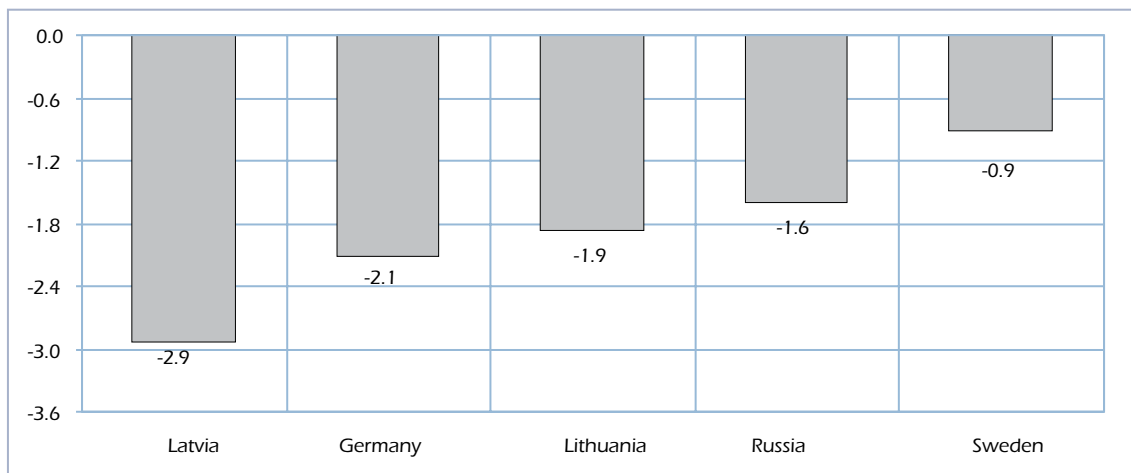
**Figure 1.17. Increase in other investment liabilities by countries in 2004 (EEK bn)****Table 1.37. Structure of other investment by groups of countries**

	Volume (EEK m)				Share (%)			
	Claims		Liabilities		Claims		Liabilities	
	2003	2004	2003	2004	2003	2004	2003	2004
EU-25	-2,286.8	-9,117.3	7,871.5	11,582.5	100.1	81.6	116.9	84.4
EU-15	0.9	-3,960.7	7,685.9	9,696.9	0.0	35.5	114.2	70.7
CIS	-647.5	-1,637.1	-323.5	955.1	28.3	14.7	-4.8	7.0
Other	649.7	-414.4	-815.3	1,178.9	-28.4	3.7	-12.1	8.6
<b>Total</b>	<b>-2,284.6</b>	<b>-11,168.8</b>	<b>6,732.7</b>	<b>13,716.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Other investment claims** increased by 11.2 billion kroons in 2004 and the growth occurred across all sub-items (see Table 1.38). The outflow of other investment capital mainly occurred in the form of loans and deposits by 8.5 billion and 1.5 billion kroons, respectively. By countries, other investment claims increased most to Latvia, Germany, and Lithuania (see Figure 1.18). Table 1.39 provides an overview of loan capital claims and liabilities.

**Table 1.38. Structure of other investment claims**

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1995	-54.9	4.9	-220.0	19.7	-840.3	75.1	-3.6	0.3	-1,118.8	100.0
1996	-565.6	525.7	-16.5	15.3	590.3	-548.6	-115.8	107.6	-107.6	100.0
1997	-851.4	18.4	-1,633.3	35.2	-1,820.5	39.3	-330.3	7.1	-4,635.5	100.0
1998	-993.7	40.1	-542.2	21.9	-1,049.9	42.3	105.6	-4.3	-2,480.2	100.0
1999	-401.8	24.3	-57.4	3.5	-887.9	53.8	-304.1	18.4	-1,651.2	100.0
2000	-78.0	3.0	-2,814.0	106.7	-103.0	3.9	356.7	-13.5	-2,638.3	100.0
2001	-584.8	15.7	-2,278.9	61.3	-738.0	19.9	-115.0	3.1	-3,716.7	100.0
2002	1,047.6	150.7	-1,324.5	-190.5	742.6	106.8	229.4	33.0	695.1	100.0
2003	-1,028.2	45.0	-3,520.4	154.1	2,209.4	-96.7	54.6	-2.4	-2,284.6	100.0
2004	-1,032.0	9.2	-8,455.6	75.7	-1,545.1	13.8	-136.2	1.2	-11,168.9	100.0

**Figure 1.18. Increase in other investment claims by countries in 2004 (EEK bn)****Table 1.39. Loan capital claims and liabilities (EEK m)**

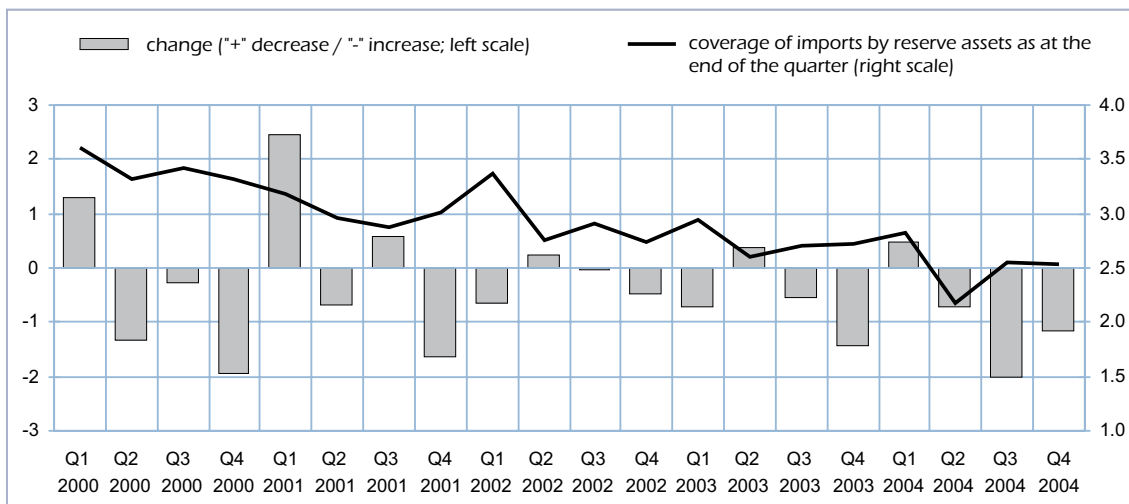
	Claims			Liabilities		
	Grantings	Repayments	Total	Drawings	Repayments	Total
2003	-34,919.1	31,398.8	-3,520.3	30,012.5	-26,791.5	3,221.0
2004	-29,782.6	21,327.1	-8,455.5	45,384.3	-40,819.4	4,564.9

## Reserve Assets

The balance of payments reserves increased by 3.4 billion kroons in 2004 (see Table 1.40). Figure 1.19 illustrates the coverage of imports by reserve assets.

**Table 1.40. Structure of changes in reserve assets**

	Volume (EEK m)		Share (%)	
	2003	2004	2003	2004
Gold	0.0	0.0	0.0	0.0
Currency and deposits	2,848.5	875.2	123.2	-25.5
Securities	-5,135.9	-4,272.7	-222.1	124.7
equity securities			0.0	0.0
bonds and notes	1,042.7	-837.5	-20.3	19.6
money market instruments	-6,178.5	-3,435.3	120.3	80.4
Other claims	-24.8	-28.0	-1.1	0.8
<b>Total</b>	<b>2,312.1</b>	<b>-3,425.5</b>	<b>100.0</b>	<b>100.0</b>

**Figure 1.19. Changes in Estonia's gold and foreign exchange reserves (EEK bn) and coverage of goods imports (except goods for processing and processed goods) by reserve assets (by months)**