

PRELIMINARY BALANCE OF PAYMENTS OF ESTONIA FOR 1999¹

SHORT OVERVIEW

The balance of payments for 1999 shows the improvement of international balance of the Estonian economy and its big openness. Due to the decrease in domestic demand the current account deficit decreased to 4.6 billion kroons and formed 6.3% of the expected gross domestic product (GDP). It was by nearly one third smaller than in 1998 (6.8 billion kroons, ie 9.2% of the GDP). The current account balance rather differed by quarters. In the first three quarters the investment need was low due to economic downturn and thus the current account deficit modest. As the economic outlook improved, investment needs grew and private consumption increased (for the first time in the entire 1999), the current account deficit in the fourth quarter increased to 13.6% of the GDP. The so rapid growth of the deficit was also due to **one-time factors** (acquisition of stock prior to the excise tax rise in the turn of the year and the application of customs tariffs to third countries as well as the wish to avoid the potential year 2000-related purchasing problems). Therefore, only the first six months of 2000 will show exactly how much the current account deficit has increased with the economic growth.

Net capital inflow was considerably bigger than the current account deficit and the overall balance of the balance of payments was positive (see Table 1 and Figure 1). Similarly to previous years the international turnover of goods and services formed more than 160% of the GDP of the same period.

The biggest part of the **CURRENT ACCOUNT** deficit formed the negative balance of **foreign trade**. The import of goods exceeded the exports by 12.9 billion kroons (15.7 billion kroons in 1998), however, the foreign trade deficit against the GDP was the smallest of the past years – 17.5%. The deficit decreased mostly due to the fact that as a result of low investment demand imports decreased more rapidly than exports: compared to 1998

– by 8.5% and 4.6%, respectively (at the same time, exports to the EU countries increased by 6.4%). The export of timber, furniture, machinery and equipment increased, the export of other goods decreased. The import of goods decreased in all categories, excl products of chemical industry. The share of EU in the Estonian trade was continuously over 70%.

The surplus of the **services' balance** increased and covered two thirds of the foreign trade deficit. Contrary to 1997 and 1998, the services' export in 1999 grew more rapidly than the import. The surplus of transport services increased but the positive balance of travel services decreased. Significant growth has occurred in the expenditure of Estonian citizens on foreign tourism and the scope of countries visited has expanded too.

The balance of the **income balance** was negative by 1.8 billion kroons. The outflow of income compared to 1998 was mostly due to the growth of reinvested profit and dividends paid to non-residents.

The 7.1-billion kroon surplus of the **CAPITAL AND FINANCIAL ACCOUNT** was somewhat bigger than in 1998. Net inflow of direct and other investments exceeded 3 billion kroons, portfolio investment capital flows remained balanced and had no importance in financing.

In 1999 **direct investments** into Estonia were made for nearly 4.5 billion kroons. Three fourths of it were investments into equity capital and reinvested profit. Half of the investments were made into industry as well as transport, storage and communication's sector. Significant also were investments into finances. As usual, the main foreign investors were from Finland and Sweden. Two thirds of all investments were made from these countries.

¹ The adjusted balance of payments for 1999 and the preliminary balance of payments for the first quarter of 2000 will be published at the Eesti Pank web site (<http://www.ee/epbe/>) on 19 June 2000 at noon.

Table 1. Estonia's balance of payments (EEK mn)¹

	1997		1998				1999				
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Current account	-7,813.2	-2,125.1	-1,716.7	-1,558.6	-1,351.6	-6,752.0	-1,032.2	-1,234.0	272.5	-2,643.0	-4,636.7
Trade and services' balance	-7,423.0	-2,262.3	-1,687.0	-1,753.1	-1,966.8	-7,669.2	-1,251.0	-718.8	236.1	-2,561.9	-4,295.6
Trade balance	-15,654.9	-3,614.3	-4,507.3	-4,446.7	-3,150.1	-15,718.4	-2,404.1	-3,095.4	-2,973.7	-4,465.5	-12,938.7
Goods: export fob	31,871.4	9,120.8	9,750.7	9,017.8	9,897.1	37,786.4	8,194.9	8,900.2	9,149.5	9,791.4	36,036.0
Goods: import fob	-47,526.3	-12,735.1	-14,258.0	-13,464.5	-13,047.2	-53,504.8	-10,599.0	-11,995.6	-12,123.2	-14,256.9	-48,974.7
Services: net	8,231.9	1,352.0	2,820.3	2,693.6	1,183.3	8,049.2	1,153.1	2,376.6	3,209.8	1,903.6	8,643.1
Services: credit	18,366.7	4,212.2	5,729.2	6,069.7	4,792.9	20,804.0	3,959.1	5,659.5	6,646.1	5,643.2	21,907.9
Services: debit	-10,134.8	-2,860.2	-2,908.9	-3,376.1	-3,609.6	-12,754.8	-2,806.0	-3,282.9	-3,436.3	-3,739.6	-13,264.8
Income: net	-2,010.5	-325.3	-576.6	-297.2	35.1	-1,164.0	-98.6	-806.9	-380.0	-497.7	-1,783.2
Income: credit	1,594.1	461.1	388.9	486.3	535.5	1,871.8	481.9	406.4	542.3	539.0	1,969.6
Income: debit	-3,604.6	-786.4	-965.5	-783.5	-500.4	-3,035.8	-580.5	-1,213.3	-922.3	-1,036.7	-3,752.8
Transfers: net	1,620.3	462.5	546.9	491.7	580.1	2,081.2	317.4	291.7	416.4	416.6	1,442.1
Transfers: credit	1,877.7	532.2	633.9	566.0	692.1	2,424.2	476.6	484.2	513.5	573.8	2,048.1
Transfers: debit	-257.4	-69.7	-87.0	-74.3	-112.0	-343.0	-159.2	-192.5	-97.1	-157.2	-606.0
Capital and financial account	10,953.3	1,096.8	3,505.5	207.3	2,060.2	6,869.8	188.2	2,131.4	778.8	4,016.2	7,114.6
Capital account	-2.0	10.2	3.6	9.2	2.2	25.2	8.6	2.9	-0.6	5.6	16.5
Financial account	10,955.3	1,086.6	3,501.9	198.1	2,058.0	6,844.6	179.6	2,128.5	779.4	4,010.6	7,098.1
Direct investments	1,781.2	1,217.9	871.0	3,235.7	2,665.1	7,989.7	1,384.2	1,357.7	107.5	511.3	3,360.7
Abroad	-1,912.9	236.6	-431.5	228.4	-115.2	-81.7	-4.9	-226.9	-531.5	-344.3	-1,107.6
Into Estonia	3,694.1	981.3	1,302.5	3,007.3	2,780.3	8,071.4	1,389.1	1,584.6	639.0	855.6	4,468.3
Portfolio investments	3,655.1	1,049.4	1,355.5	-1,447.7	-980.6	-23.4	2,011.2	-12.7	-345.4	-1,475.9	177.2
Assets	-2,319.3	-64.8	419.0	-148.2	-333.9	-127.9	-1,198.6	144.8	-238.6	-637.3	-1,929.7
Equity securities	-1,238.5	124.2	304.0	18.5	54.1	500.8	81.2	67.8	5.6	32.7	187.3
Debt securities	-1,080.8	-189.0	115.0	-166.7	-388.0	-628.7	-1,279.8	77.0	-244.2	-670.0	-2,117.0
Liabilities	5,974.4	1,114.2	936.5	-1,299.5	-646.7	104.5	3,209.8	-157.5	-106.8	-838.6	2,106.9
Equity securities	1,763.6	1,078.6	337.1	-1,027.4	12.8	401.1	2,943.5	600.7	230.4	-426.3	3,348.3
Debt securities	4,210.8	35.6	599.4	-272.1	-659.5	-296.6	266.3	-758.2	-337.2	-412.3	-1,241.4
Other investments	5,519.0	-1,180.7	1,275.4	-1,589.9	373.5	-1,121.7	-3,215.8	783.5	1,017.3	4,975.2	3,560.2
Assets	-4,635.5	-2,442.0	393.6	-1,019.0	587.2	-2,480.2	-4,501.5	-50.4	883.8	2,451.2	-1,216.9
Long-term	-1,063.0	-204.6	-67.8	-290.1	-224.0	-786.5	78.5	251.9	115.4	-26.5	419.3
Short-term	-3,572.5	-2,237.4	461.4	-728.9	811.2	-1,693.7	-4,580.0	-302.3	768.4	2,477.7	-1,636.2
Liabilities	10,154.5	1,261.3	881.8	-570.9	-213.7	1,358.5	1,285.7	833.9	133.5	2,524.0	4,777.1
Long-term	4,604.9	516.4	429.3	-341.2	653.9	1,258.4	799.1	1,391.3	-119.1	181.2	2,252.5
Short-term	5,549.6	744.9	452.5	-229.7	-867.6	100.1	486.6	-557.4	252.6	2,342.8	2,524.6
Errors and omissions	-368.8	-105.9	242.3	90.4	-220.9	5.9	-136.0	-206.3	-360.6	406.2	-296.7
Overall balance	2,771.3	-1,134.2	2,032.5	-1,259.6	487.7	126.4	-980.0	691.1	690.7	1,779.4	2,181.2
Reserve assets	-2,771.3	1,134.2	-2,032.5	1,259.6	-487.7	-126.4	980.0	-691.1	-690.7	-1,779.4	-2,181.2

¹After additional information is received, data of the earlier periods have been updated accordingly.

In 1999 investments into affiliated and associated companies abroad became more active again. In 1998 direct investments abroad increased by only 80 million

kroons, while a year later by 1.1 billion. The majority of investments by domestic financial and industrial companies were made into Latvia and Lithuania.

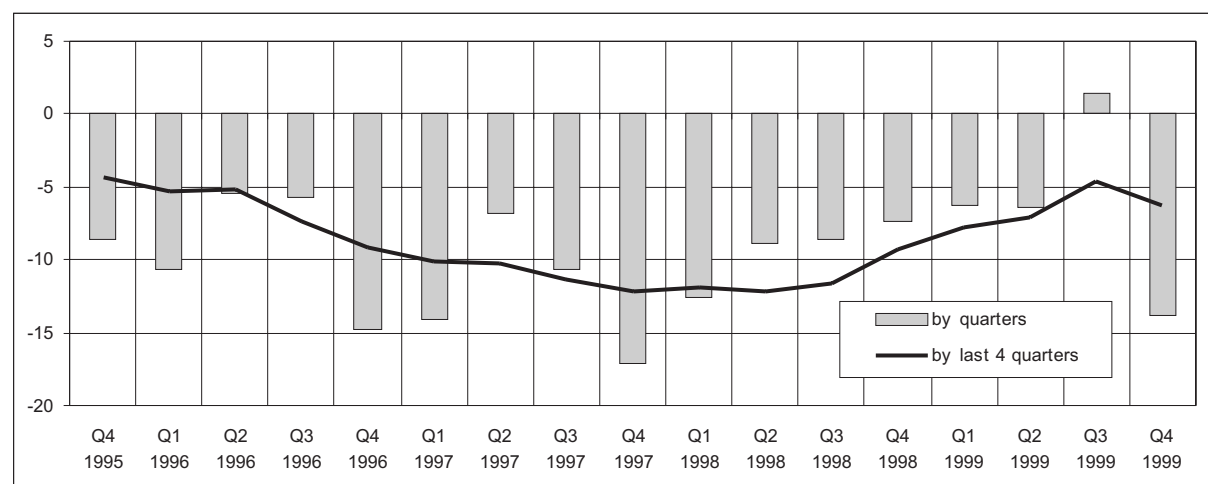


Figure 1. Current account balance against GDP (%)

As regards **portfolio investments**, both claims and liabilities increased by approximately 2 billion kroons. Capital outflow took place in the form of debt securities: residents bought foreign debt instruments for 2.1 billion kroons and redeemed their earlier issued debt securities for 1.2 billion kroons. Capital inflow occurred mostly at the expense of the growth of equity securities' liabilities; a large part of it was connected with the public sale of Eesti Telekom (Estonian Telecom) shares in the first quarter.

In case of **other investments**, net outflow was replaced by 3.6-billion kroon net inflow. This was mostly connected with the increased loan burden of all sectors of economy. Three fourths of loans were long-term.

Deposits of non-residents in the Estonian banks grew by nearly 1.5 billion kroons. Other capital outflow was mostly influenced by the increase in government and banking sector deposits abroad in the first quarter. In the second half of the year both the government and banks brought back home more money than they placed abroad.

The central bank **RESERVES** increased by nearly 2.2 billion kroons in 1999. The most significant growth took place in the end of year. This was largely related to the abrupt growth of money held in Eesti Pank by the commercial banks with the aim of increasing the liquidity in preventing the possible year 2000-related problems.

— CHANGES IN THE GENERAL ECONOMIC INDICATORS OF THE BALANCE OF PAYMENTS —

Changes in the general economic indicators of the balance of payments are characterised by Table 2. As the year 1999 was not particularly favourable for exports (the terms of trade² deteriorated slightly), dependence on foreign trade decreased: the total turnover of goods and services fell to 162% of the GDP

(168% in 1998), including a decline to 115% of the GDP for goods (125% in 1998). Such dependence on transactions with the outside world is characteristic of small countries (in European countries the total turnover of goods and services amounts to 178% of the GDP in Malta, 172% in Luxembourg, 137% in Ireland, 132%

Table 2. Internationally comparable general indicators of the balance of payments

	1993	1994	1995	1996	1997	1998	1999 ¹
Foreign trade turnover (% of GDP)	108.5	131.2	123.4	106.7	123.4	124.7	114.7
Export and import of goods (%)	85.8	78.9	73.7	64.1	67.2	70.7	73.9
Nominal effective exchange rate of the kroon (% against the previous year)		119.5	125.3	100.0	97.2	108.8	117.1
Terms of trade	97.4	101.1	107.4	107.7	108.8	108.8	107.9
Overall balance of the balance of payments (change of external reserves)	2,575.7	395.6	1,200.4	1,228.4	2,771.3	126.4	2,181.2
Ratio of the external reserves change to GDP	11.9	1.3	2.9	2.3	4.3	0.2	2.9
Balance of current account (EEK mn)	279.0	-2,127.6	-1,899.0	-4,806.9	-7,813.2	-6,752.0	-4,636.7
Current account (% of GDP)	1.3	-7.2	-4.4	-9.2	-12.1	-9.3	-6.3
Current account without government transfers (EEK mn)	-1,118.8	-3,538.1	-3,052.8	-5,812.2	-9,146.0	-8,306.3	-5,841.8
Current account deficit without government transfers (% of GDP)	4.7	12.1	7.6	11.1	14.2	11.3	7.8
Government transfers (net, EEK mn)	1,397.8	1,410.5	1,153.8	1,005.3	1,332.8	1,554.3	1,205.1
Government transfers (% of GNP)	6.5	4.9	2.8	1.9	2.2	2.2	1.7
Estonia's total external debt ² (% of GDP)				30.6	57.2	55.5	59.2
External debt servicing (% from total exports)			1.1	3.3	1.6	1.3	1.0

¹ Data of GDP and GNP for 1999 are approximate and estimative

² all external liabilities subject to repayment

in Belgium, 121% in the Czech Republic and 120% in Slovakia).

The decline of demand on the world market, reflected by the deterioration of the terms of trade, reduced the

volume of exports in 1999. Still, the volume of imports fell even sharper. **Deterioration of the terms of trade was characteristic of the first three quarters of 1999, and in the fourth quarter export prices rose faster than import prices.**

² Terms of trade denote the ratio of the export and import price indices.

CURRENT ACCOUNT

Despite a reduction, Estonia's domestic demand still exceeded domestic production in 1999. The consumption spending of the current account outstripped current income by 4.6 billion kroons, which is by 32% less than in 1998 (see Figure 2). Approximately twothirds of the current account deficit was covered by direct investment capital that does not add to the foreign debt.

The current account deficit would have shrunk even more in 1999, if it were not for the big increase in the fourth quarter, which accounted for 58% of the annual deficit. This was due to the rapid increase of the foreign trade deficit in the fourth quarter: the trade deficit reached the level of mid-1998, ie the period before the Russian financial crisis.

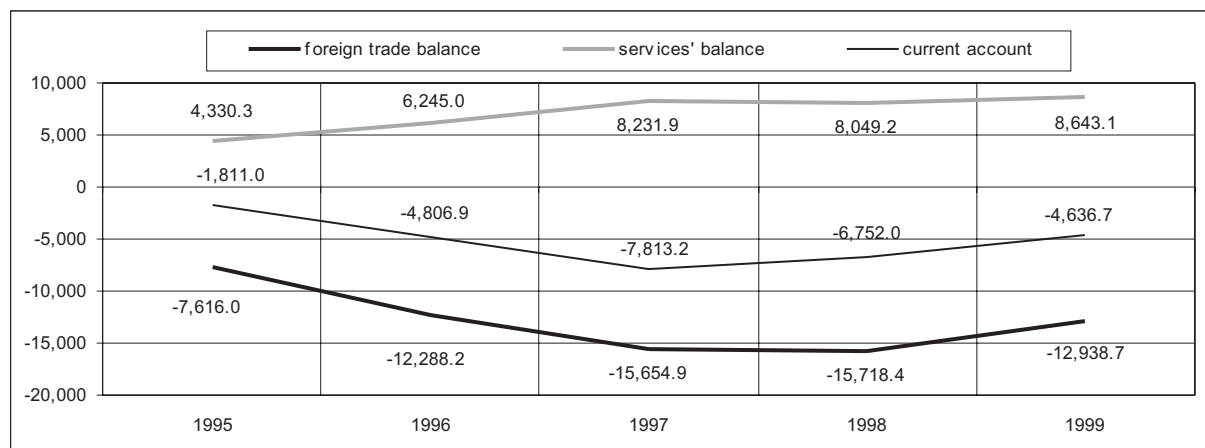


Figure 2. Comparison of the current account, foreign trade balance and services' balance of the Estonian balance of payments (in f.o.b. prices, EEK mn)

Goods³

In 1999 special export of goods amounted to 36 billion kroons and import to 49 billion kroons. The trade deficit stood at 12.9 billion kroons (see Figure 3 and Table 3).

Exports declined less last year than imports, 4.6% and 8.5%, respectively. The trade deficit decreased by a fifth and amounted to 36% of the volume of exports (42% in 1998).

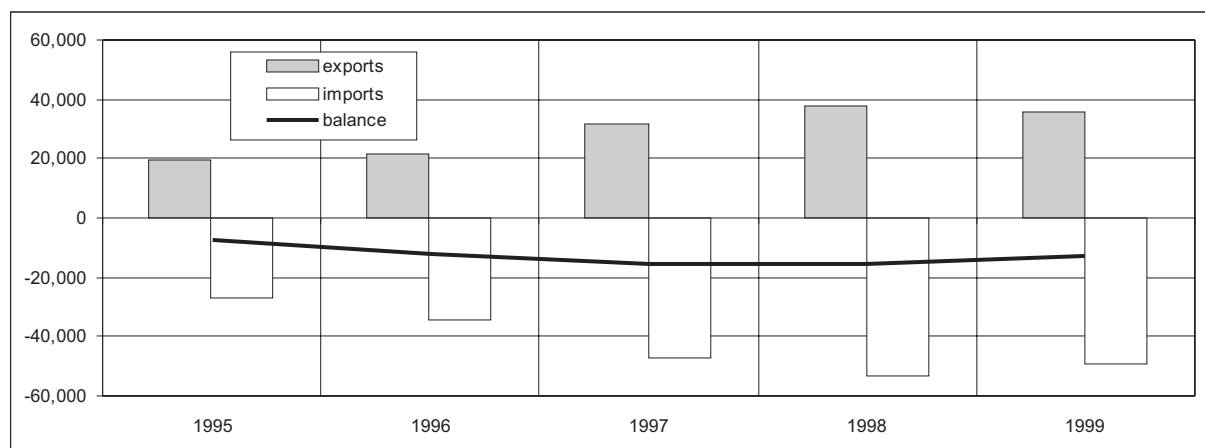


Figure 3. Estonia's foreign trade balance (EEK mn)

³ The analysis below does not contain the adjustments made in the foreign trade balance (see Table 3) of the balance of payments by the Statistics Department of Eesti Pank (repair of capital goods, estimation on smuggling, etc. Imports is given in c.i.f. prices and analysed according to the trading country. Data on exports and imports differ from those published by the State Statistical Office (SSO), because instead of the general trade system used by the SSO, Eesti Pank uses the **special trade system**. This means that exports does not include the re-export of goods previously imported into customs warehouses and their use for provisioning sea vessels and aircraft. Imports does not reflect the customs warehousing of imported goods, but contains deliveries of goods from customs warehouses into free circulation and processing. Exports takes into account the possible price distortions occurring in the course of exports through customs warehouses that are not reflected in the foreign trade statistics of the SSO.

Due to gaps in legislation the identification of the target country is usually impossible to identify if goods are exported through free economic zones. All comparisons in the foreign trade analysis are against 1998, unless specified otherwise.

Table 3. Changes in the special export and import of goods¹

	Special export			Special import		
	EEK mn	Change compared to the previous period (%)	Share in total trade and services' balance (%)	EEK mn	Change compared to the previous period (%)	Share in total trade and services' balance (%)
Q1 1997	6,372.2	*	65.7	9,385.1	*	84.5
Q2 1997	7,753.9	21.7	62.4	11,363.3	21.1	82.6
Q3 1997	8,025.9	3.5	59.9	12,151.8	6.9	80.7
Q4 1997	9,719.4	21.1	66.0	14,626.1	20.4	82.4
1997 total	31,871.4	46.0	63.4	47,526.3	39.3	82.4
Q1 1998	9,120.8	-6.2	68.4	12,735.1	-12.9	81.9
Q2 1998	9,750.7	6.9	63.2	14,258.0	12.0	83.3
Q3 1998	9,017.8	-7.5	59.9	13,464.5	-5.6	80.4
Q4 1998	9,897.1	9.8	67.3	13,047.2	-3.1	80.4
1998 total	37,786.4	18.6	64.7	53,504.8	12.6	81.7
Q1 1999	8,194.9	-17.2	67.6	10,599.0	-18.8	77.7
Q2 1999	8,900.2	8.6	61.3	11,995.6	13.2	78.9
Q3 1999	9,149.5	2.8	57.9	12,123.2	1.1	77.6
Q4 1999	9,791.4	7.0	63.6	14,256.9	17.6	78.5
1999 total	36,036.0	-4.6	62.2	48,974.7	-8.5	78.7

¹ Special trade method, adjusted by the Eesti Pank.

The **export of processed goods⁴** increased by 1.4% (see Table 4) and accounted for 32% of special export (30% in 1998 and 25% in 1997). **End export⁵** decreased by 7.2% in 1999. The major articles of end export were still timber, food products, clothing, footwear and

headgear, chemical products and furniture which combined made up 73% of special export. 93% of the export of processed goods was made up of machinery and equipment, clothing, footwear and headgear and metal products.

Table 4. Estonia's special export and import by the breakdown of customs procedures

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
End export	24,370.0	26,263.3	23,686.2	68.0	70.0	74.9	-7.2	10.9
Processed goods ¹	11,443.1	11,281.7	7,921.2	32.0	30.0	25.1	1.4	42.4
Special export total	35,813.1	37,545.0	31,607.4	100.0	100.0	100.0	-4.6	18.8
Goods imported for free circulation	39,341.4	44,822.1	41,398.0	77.9	81.2	84.7	-12.2	8.3
Processed goods	11,135.3	10,393.3	7,470.9	22.1	18.8	15.3	7.1	39.1
Special import total	50,476.7	55,215.4	48,868.9	100.0	100.0	100.0	-8.6	13.0

¹ Processed goods include both the re-export of goods brought to Estonia for processing as well as export of goods from Estonia for processing abroad.

In 1999 **import for free circulation** fell by 12% and its share in special import shrank to 78% or three percentage points. For free circulation mostly machinery and equipment, chemical products, food and transport vehicles were imported. The **import of processed goods** was up by 7.5% and consisted mainly of machinery and equipment and clothing, footwear and headgear.

The export of goods accounted for 62% of the total export of goods and services in 1999. The import of goods made up 79% of the total import of goods and services.

Export of most goods decreased last year, with the exception of furniture, timber and machinery and equipment. The five major export groups were machinery and equipment, timber, clothing, footwear and headgear, food products and furniture.

Export of **machinery and equipment** (24% of total special export) grew by 1.7% last year (see Table 5). The increase can be attributed mainly to the re-export of processed goods which was up by 3.4% and made up 78% of total special export in this group. The most important export partners were Sweden, Finland and Germany where

⁴ Processed goods include both the re-export of goods brought to Estonia for processing as well as export of goods from Estonia for processing abroad.

⁵ End export denotes total special export without processed goods.

Table 5. Estonia's special export by groups of goods

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
Foodstuffs	3,176.1	4,968.5	5,120.6	8.9	13.2	16.2	-36.1	-3.0
Mineral products	880.2	976.9	1,393.3	2.5	2.6	4.4	-9.9	-29.9
Products of chemical industry	2,390.2	2,760.4	2,673.6	6.7	7.4	8.5	-13.4	3.2
Clothing, footwear, headgear	5,946.3	6,018.0	5,138.0	16.6	16.0	16.3	-1.2	17.1
Timber, paper and products thereof	7,065.2	6,424.1	5,221.5	19.7	17.1	16.5	10.0	23.0
Non-precious metals and metal products	2,719.1	3,022.1	2,159.5	7.6	8.0	6.8	-10.0	39.9
Machinery and equipment	8,477.7	8,335.3	5,725.2	23.7	22.2	18.1	1.7	45.6
Transport vehicles	1,041.5	1,248.2	1,126.4	2.9	3.3	3.6	-16.6	10.8
Furniture etc	2,755.9	2,391.5	1,862.4	7.7	6.4	5.9	15.2	28.4
Other manufactured goods	1,360.8	1,400.1	1,186.8	3.8	3.7	3.8	-2.8	18.0
Total	35,813.1	37,545.0	31,607.4	100.0	100.0	100.0	-4.6	18.8

processed mobile phones and their parts were taken to. Of goods of Estonian origin, cables were exported to Finland and Sweden.

The export of **timber** increased by 10% and accounted for one fifth of the total special export. The most important export partners were Sweden, Finland, Germany and Great Britain. The structure of timber export underwent a positive shift in 1999 – the share of processed timber increased from 50% to 57% in the total special export of timber.

The export of **clothing, footwear and headgear** decreased by 1.2%, accounting for 17% of the total special export. Half of the export of clothing was made up of processed goods. The bulk of clothing, footwear and headgear was sold to Finland, Sweden, Germany and Great Britain. To Finland and Sweden, mostly processed women's and men's clothing was exported, to Finland also bedlinen and sportswear. Of goods of Estonian origin, linen cloth was taken to Great Britain and cotton cloth to Finland, Germany, the USA and France.

The export of **food products** fell by 36% and these accounted for 8.9% of the total special export, which is four percentage points less than in 1998. The most important partners were Russia, Latvia, the Netherlands and Lithuania. Dairy and fish products were exported to Russia, butter, mineral water, cheese and beer to Latvia, fish fillet and dairy products to the Netherlands, mineral water, pork and beer to Lithuania.

The export of **furniture** increased by 15%, accounting for 7.7% of the total special export. Germany, Finland, Denmark and Sweden were the main export partners.

The export of **metals and metal products** declined by a tenth, accounting for 7.6% of the total special export. The bulk of metal and metal products was taken to Sweden, Denmark and Finland. Scrap metal and ferrous

metal waste and metal structures were sold to Sweden, metal structures to Denmark, metal structures and scrap metal to Finland.

The export of **chemical products** was down by 13% and accounted for 6.7% of the total special export. Chemical products were mainly taken to Latvia, Lithuania and Finland. Medicines, chemical compounds, paints and varnishes as well as plastics were exported to Latvia and Lithuania.

The export of **mineral products** fell by a tenth.

Special import was down in 1999 for all groups of goods except for chemical products and other manufactured goods (see Table 6). The five most important groups of imported goods were machinery and equipment, chemical products, clothing, footwear and headgear, food products and metals and metal products.

The import of **machinery and equipment** fell by 4.5% and accounted for 31% of the total special import. Import for free circulation accounted for over a half of the total import. Major partners were Finland, Sweden and Germany. From Finland, mobile phones and their parts were imported, as well as electronic parts, electrical appliances and cables. From Sweden, mobile phones and their parts and electrical appliances were imported, from Germany, computers.

The import of **chemical products** increased by 0.9% and accounted for 13% of the total special import. The bulk of chemical products was imported from Finland, Germany and Sweden. Medicines were bought from Germany, Latvia, Finland and Denmark, plastic products, paints and varnishes as well as tyres were imported from Finland.

The import of **clothing, footwear and headgear** dropped by 6.7% and accounted for 11% of the total special import. The bulk of imports came from Finland,

Table 6. Estonia's special import by groups of goods

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
Foodstuffs	5,454.2	6,260.4	6,205.9	10.8	11.3	12.7	-12.9	0.9
Mineral products	3,028.5	3,198.4	3,857.4	6.0	5.8	7.9	-5.3	-17.1
Products of chemical industry	6,437.5	6,381.6	5,980.3	12.8	11.6	12.2	0.9	6.7
Clothing, footwear, headgear	5,666.3	6,070.0	5,358.2	11.2	11.0	11.0	-6.7	13.3
Timber, paper and products thereof	2,642.4	2,728.9	2,300.6	5.2	4.9	4.7	-3.2	18.6
Non-precious metals and metal products	4,133.7	5,114.1	4,137.4	8.2	9.3	8.5	-19.2	23.6
Machinery and equipment	15,524.9	16,262.2	12,348.7	30.8	29.5	25.3	-4.5	31.7
Transport vehicles	3,829.5	5,305.0	5,173.3	7.6	9.6	10.6	-27.8	2.5
Furniture etc	1,288.8	1,440.3	1,278.7	2.6	2.6	2.6	-10.5	12.6
Other manufactured goods	2,470.9	2,454.4	2,228.4	4.9	4.4	4.6	0.7	10.1
Total	50,476.7	55,215.4	48,868.9	100.0	100.0	100.0	-8.6	13.0

Sweden and Latvia. Processed goods accounted for 42% of the total special import of this group of goods.

The import of **food products** decreased by 13% and made up 11% of the total special import. The most important partner countries were Finland, the Netherlands and Germany. Coffee, beer, bananas, confectionery and margarine was bought from Finland, flour, vegetable oil and sugar from Germany, fruits and vegetables and concentrated fodder from the Netherlands.

The import of **metals and metal products** declined by one fifth and accounted for 8.2% of total special import. The major import partners were Finland, Russia and Sweden.

The import of **transport vehicles** decreased by 28% and their share in total special import fell to 7.6%.

The import of **mineral products** was down by 5.3% and the bulk of mineral products was imported from Russia and Finland.

The foreign trade deficit decreased by 2.8 billion kroons, according to the 1999 balance of payments. There was a surplus in trade with timber, clothing, footwear and headgear and furniture (see Table 7). The trade balance was negative for all the other groups

of goods. The deficit diminished in trade with such groups as machinery and equipment, transport vehicles, metals and metal products and mineral products. The surplus increased in trade with timber and furniture, in case of clothing, footwear and headgear the small deficit turned into a surplus.

Table 7. Estonia's foreign trade balance by groups of goods (EEK mn)

	1999	1998	1997
Foodstuffs	-2,278.1	-1,291.9	-1,085.3
Mineral products	-2,148.3	-2,221.5	-2,464.1
Products of chemical industry	-4,047.3	-3,621.2	-3,306.7
Clothing, footwear, headgear	280.0	-52.0	-220.2
Timber, paper and products thereof	4,422.8	3,695.2	2,920.9
Non-precious metals and metal products	-1,414.6	-2,092.0	-1,977.9
Machinery and equipment	-7,047.2	-7,926.9	-6,623.5
Transport vehicles	-2,788.0	-4,056.8	-4,046.9
Furniture etc	1,467.1	951.2	583.7
Other manufactured goods	-1,110.1	-1,054.3	-1,041.6
Total	-14,663.6	-17,670.4	-17,261.5

Of the groups of countries, exports to the European Union countries was up by 6.4% (see Table 8). Export to the CIS countries fell by half due to the Russian crisis, exports to Central and Eastern Europe shrank by 14%. **The share of the European Union in Estonian exports swelled to 70% or by seven percentage points**, on the account of the CIS share decreasing significantly.

Table 8. Estonia's special export by groups of countries

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
EU countries	24,974.7	23,476.6	18,406.3	69.7	62.5	58.2	6.4	27.5
Central and Eastern European countries	4,519.2	5,243.9	4,498.7	12.6	14.0	14.2	-13.8	16.6
CIS countries	2,810.7	5,685.4	6,322.7	7.8	15.1	20.0	-50.6	-10.1
Other	2,983.7	3,139.1	2,379.7	8.3	8.4	7.5	-4.9	31.9
Customs-free zone ¹	524.7			1.6				
Total	35,813.1	37,545.0	31,607.4	100.0	100.0	100.0	-4.6	18.8

¹ Customs-free zone is singled out due to the fact that customs procedure code 78 (goods for exporting stored into customs-free zone), introduced in 1 November 1999, does not enable to determine the country of destination for exports in most cases.

Imports from the European Union countries decreased by 11% and from the CIS countries by 4.9% (see Table 9). Nearly three fourths of Estonia's total special import came from the European Union.

Table 9. Estonia's special import by groups of countries

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
EU countries	37,195.9	41,779.7	36,795.5	73.7	75.7	75.3	-11.0	13.5
Central and Eastern European countries	5,166.7	4,984.2	3,986.5	10.2	9.0	8.2	3.7	25.0
CIS countries	4,925.4	5,180.5	5,077.3	9.8	9.4	10.4	-4.9	2.0
Other	3,188.7	3,271.0	3,009.6	6.0	5.9	6.2	-6.8	8.7
Total	50,476.7	55,215.4	48,868.9	100.0	100.0	100.0	-8.6	13.0

Services

In 1999 the surplus of the services' balance amounted to 8.6 billion kroons, being 7% larger than in 1998 (see Table 10 and Figure 4). The surplus of the services' balance covered two thirds of the foreign trade deficit.

Although the increase of both export and import of services was considerably slower in 1999 than in the previous years, the export of services grew faster than their import. In the two previous years the trend had been the opposite.

Table 10. Estonia's services' balance

	Export		Import		Balance	
	Volume (EEK mn)	Change (%)	Volume (EEK mn)	Change (%)	Volume (EEK mn)	Change (%)
1993	4,434.3	81.7	-3,437.2	78.2	997.1	95.0
1994	6,657.0	50.1	-5,301.3	54.2	1,355.7	36.0
1995	10,022.9	50.6	-5,692.9	7.4	4,330.0	219.4
1996	13,352.8	33.2	-7,107.8	24.9	6,245.0	44.2
1997	18,366.7	37.5	-10,134.8	42.6	8,231.9	31.8
1998	20,804.0	13.3	-12,754.8	25.9	8,049.2	-2.2
1999	21,907.9	5.3	-13,264.8	4.0	8,643.1	7.4

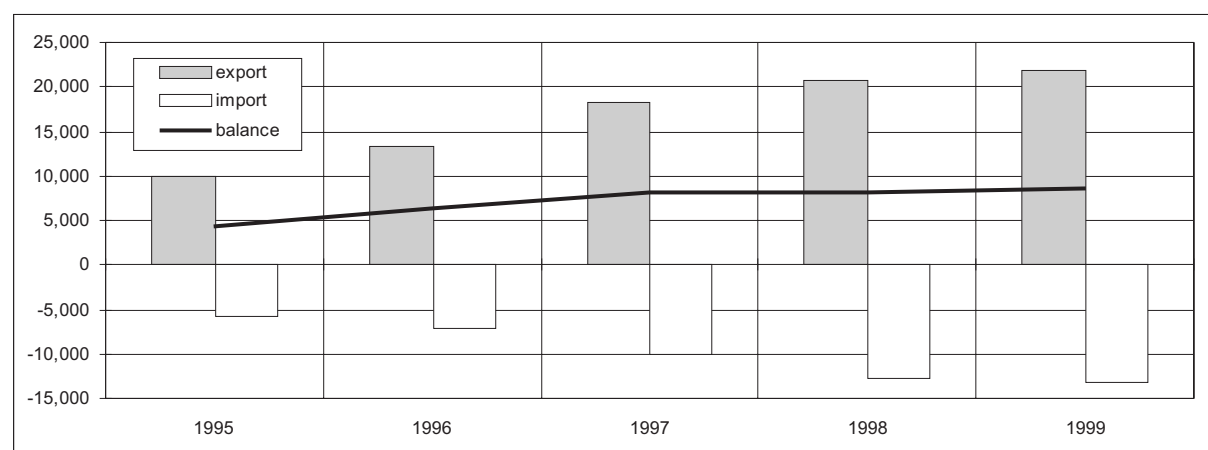


Figure 4. Estonia's services' balance (EEK mn)

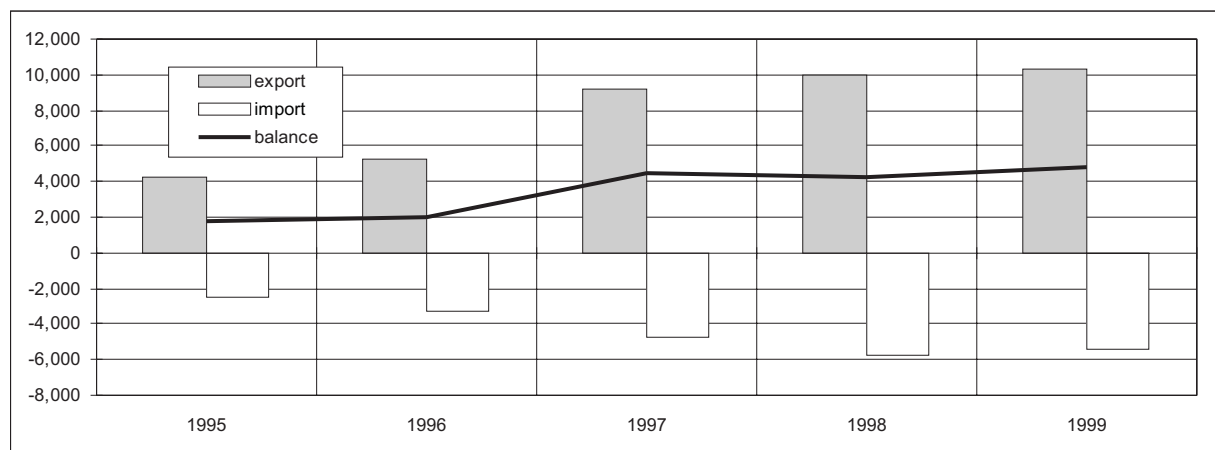
Relatively big changes took place in the services' balance in 1999 (see Table 11). The surplus of the balance of travel services, construction services and government services decreased sharply (by 500 million, 200 million and 300 million kroons, respectively). The surplus of the transport services' balance increased by 600 million kroons. The deficit of the business services' balance turned

into a surplus last year. Construction services, which in earlier years had played an important role for Estonia, have begun to lose their significance.

The surplus of the transport services' balance increased due to the 3% increase of export and the 6% decline of import (see Figure 5).

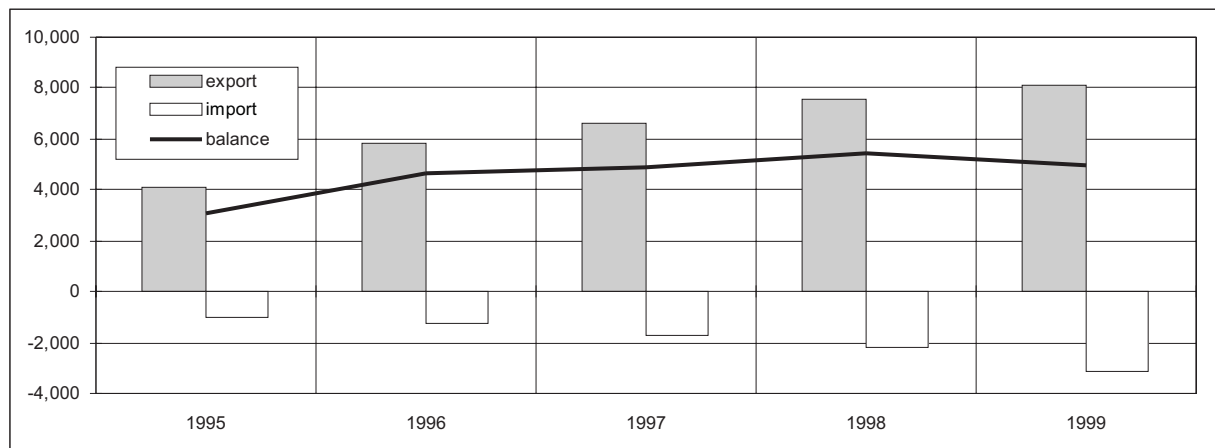
Table 11. Estonia's services' balance by major categories

	Balance (EEK mn)			Share (%)		
	1999	1998	1997	1999	1998	1997
Transport services	4,825.1	4,205.6	4,420.3	55.8	52.2	53.7
Travel services	4,941.9	5,413.2	4,923.3	57.2	67.3	59.8
Construction services	161.8	378.1	528.8	1.9	4.7	6.4
Business services	40.2	-237.1	-322.8	0.5	-2.9	-3.9
Government services	-1,033.7	-1,306.6	-1,017.6	-12.0	-16.2	-12.4
Other	-292.2	-404.0	-300.1	-3.4	-5.0	-3.6
Services: net	8,643.1	8,049.2	8,231.9	100.0	100.0	100.0

**Figure 5. Estonia's transport services' balance (EEK mn)**

The surplus of the passenger transport services' balance export (6% increase in 1999, 14% in 1998) while import decreased due to the 9% decline in the growth rate of

was up by 46% (see Figure 6).

**Figure 6. Estonia's travel services' balance (EEK mn)**

The export of services was up by 1.1 billion kroons in 1999 (see Table 12). The most successful sectors were **passenger transport** (up by 340 million kroons, ie by 34%) and **business services** (up by 350 million kroons, ie by 20%).

The increase of the export of **transport services** was based on the acceleration of the growth of the volume of

passenger transport services and other transport services (by 350 million kroons and 640 million kroons, respectively). At the same time the export of freight transport services was down by 16%. The dynamics of the transport services' export varied by kinds of transport: the export of sea transport services increased by 15% and air transport services by 28%, while road transport services were down by 11%. The 800-million kroon

Table 12. Estonia's services' export by major categories

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
Transport services	10,260.7	9,955.8	9,163.1	46.8	47.9	49.9	3.1	8.7
o/w freight	4,208.2	4,983.3	5,222.0	19.2	24.0	28.4	-15.6	-4.6
passenger	2,257.1	1,816.1	1,738.3	10.3	8.7	9.5	24.3	4.5
other transport services	3,795.4	3,156.4	2,202.8	17.3	15.2	12.0	20.2	43.3
Travel services	8,103.3	7,578.8	6,606.5	37.0	36.4	36.0	6.9	14.7
Construction services	450.6	811.6	817.6	2.1	3.9	4.5	-44.5	-0.7
Business services	2,226.2	1,860.3	1,247.2	10.2	8.9	6.8	19.7	49.2
Government services	56.8	47.0	60.1	0.3	0.2	0.3	20.9	-21.8
Other	810.3	550.5	472.2	3.7	2.6	2.6	47.2	16.6
Total	21,907.9	20,804.0	18,366.7	100.0	100.0	100.0	5.3	13.3

decline of the freight export services derived from the 500-million kroon drop in sea transport and 300-million kroon decrease in road transport. The 440-million kroon increase of the passenger transport services' export was made up of the 340-million kroon increase in sea transport and 115-million kroon increase in air transport.

The growth of the **passenger services' export** slowed down as the number of tourists visiting Estonia from the most important partner country Finland has stabilised (1.9 million visitors last year). The 13% increase in the number of tourists can mainly be attributed to the 60% increase in the number of tourists from Latvia, Lithuania and the CIS countries (mostly Russia). The number of

tourists from the European Union increased by 14% and from the Scandinavian countries by 9%.

The share of one-day visitors from Finland decreased by 12% while the number of overnight visitors, who spend more money in Estonia, increased. The number of overnight stays from other countries increased too, as did the average length of their stay in Estonia (except for the fourth quarter).

The import of services amounted to 13.3 billion kroons in 1999, which is by 4% more than in 1998 (see Table 13). Almost all the growth came from **travel services** (1 billion kroons, ie 46%), **business services**

Table 13. Estonia's services' import by major categories

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
Transport services	5,435.6	5,750.2	4,742.8	41.0	45.1	46.8	-5.5	21.2
o/w freight	3,737.0	4,255.0	3,515.0	28.2	33.4	34.7	-12.2	21.1
passenger	588.1	584.9	588.3	4.4	4.6	5.8	0.5	-0.6
other transport services	1,110.5	910.3	639.5	8.4	7.1	6.3	22.0	42.3
Travel services	3,161.4	2,165.6	1,683.2	23.8	17.0	16.6	46.0	28.7
Construction services	288.8	433.5	288.8	2.2	3.4	2.8	-33.4	50.1
Business services	2,186.0	2,097.4	1,570.0	16.5	16.4	15.5	4.2	33.6
Government services	1,090.5	1,353.6	1,077.7	8.2	10.6	10.6	-19.4	25.6
Other	1,102.5	954.5	772.3	8.3	7.5	7.6	15.5	23.6
Total	13,264.8	12,754.8	10,134.8	100.0	100.0	100.0	4.0	25.9

(90 million kroons) and **other services**. The biggest decline occurred in the import of **construction services** (150 million kroons, ie 33%), **government services** (260 million kroons, ie 19%) and **transport services** (315 million kroons, ie 6%). The 12% decline in the import of freight transport services was caused by the drop in the import of goods.

The 46% increase in the **import of the travel services** can partly be explained by the relatively low level of the base year (1998). Another reason was the widening

geography of the destinations Estonians choose to travel to. While the total number of border crossings of Estonians was up by just 6%, the number of tourists visiting neighbouring Finland decreased by 20%. **However, the number of more expensive and longer trips by Estonians was on the increase.** Thus, the number of visits to the European Union countries was up by 34% (the biggest increase was recorded for trips to Spain, Italy, Austria and Great Britain). The USA, too, became one of the most popular destinations.

Income

In 1999 the deficit of the income balance reached nearly 1.8 billion kroons, being 53% larger than in 1998 (see Table 14) but smaller than the 1997 deficit (2 billion kroons). The shortfall grew due to the 2.2-fold

increase of the deficit of the income from equity. The decrease of the surplus of the portfolio investment income was compensated by the shrinking of the deficit of income from other investments.

Table 14. Estonia's income balance (EEK mn)

	Balance (EEK mn)			Share (%)			Change (%)
	1999	1998	1997	1999	1998	1997	1999/1998
Income from direct investments	-1,687.1	-1,042.1	-1,605.5	-94.6	-89.5	-79.9	61.9
o/w income from equity	-1,681.9	-781.5	-1,504.9	-94.3	-67.1	-74.9	115.2
income from debt (interests)	-5.2	-260.6	-100.6	-0.3	-22.4	-5.0	-98.0
Income from portfolio investments	367.8	486.4	-121.9	20.6	41.8	-6.1	-24.4
Income from other investments	-475.8	-624.9	-293.3	-26.7	-53.7	-14.6	-23.9
Other income	11.9	16.6	10.2	0.7	1.4	0.5	-28.3
Income: net	-1,783.2	-1,164.0	-2,010.5	-100.0	-100.0	-100.0	53.2

Inflow of income to Estonia increased by 5% in 1999, with the growth of the inflow of direct investment income

slightly outstripping the decline of the inflow of portfolio investment income (see Table 15).

Table 15. Income inflow to Estonia

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
Income from direct investments	365.2	101.2	149.5	18.5	5.4	9.4	260.9	-32.3
o/w income from equity	152.3	16.6	105.5	7.7	0.9	6.6	817.5	-84.3
income from debt (interests)	212.9	84.6	44.0	10.8	4.5	2.8	151.7	92.3
Income from portfolio investments	1,020.2	1,213.0	994.4	51.8	64.8	62.4	-15.9	22.0
Income from other investments	552.4	521.3	426.9	28.0	27.9	26.8	6.0	22.1
Other income	31.8	36.3	23.3	1.6	1.9	1.5	-12.4	55.8
Total	1,969.6	1,871.8	1,594.1	100.0	100.0	100.0	5.2	17.4

Outflow of income from Estonia was up by 725 million kroons, ie by 24%, first and foremost due to the 80% increase in the outflow of direct investment income (see Table 16). The outflow of portfolio and other investment income decreased by 10%. As could be expected, the

outflow of income was rapid in the second quarter when the 1998 economic results were summed up and dividends were paid. The increase of the outflow was less expected in the fourth quarter and could be an indication of the enlivenment of the economy at the end of the year.

Table 16. Income outflow from Estonia

	Volume (EEK mn)			Share (%)			Change (%)	
	1999	1998	1997	1999	1998	1997	1999/1998	1998/1997
Income from direct investments	-2,052.3	-1,143.3	-1,755.0	54.7	37.7	48.7	79.5	-34.9
o/w income from equity	-1,834.2	-798.1	-1,610.4	48.9	26.3	44.7	129.8	-50.4
income from debt (interests)	-218.1	-345.2	-144.6	5.8	11.4	4.0	-36.8	138.7
Income from portfolio investments	-652.4	-726.6	-1,116.3	17.4	23.9	31.0	-10.2	-34.9
Income from other investments	-1,028.2	-1,146.2	-720.2	27.4	37.8	20.0	-10.3	59.2
Other income	-19.9	-19.7	-13.1	0.5	0.6	0.4	1.0	50.4
Total	-3,752.8	-3,035.8	-3,604.6	100.0	100.0	100.0	23.6	-15.8

Transfers

The surplus of transfers amounted to approximately 1.4 billion kroons and was down by 640 million

kroons as compared to 1998. The decline concerned the surplus of both government and private transfers

(350 million kroons, ie 24% and 290 million kroons, respectively). In the case of the government sector, the decline can be attributed to the fall in the volume

of foreign aid. The surplus of private transfers decreased due to the doubling of their outflow against 1998.

CAPITAL AND FINANCIAL ACCOUNT

The 7.1-billion kroon surplus of the capital and financial account was somewhat larger than that of 1998. The net inflow of both direct and other investments exceeded 3 billion kroons, while the flows

of portfolio investment capital remained balanced and had no significant importance for financing (see Figure 7). Inflows mostly consisted of long-term capital (see Figure 8).

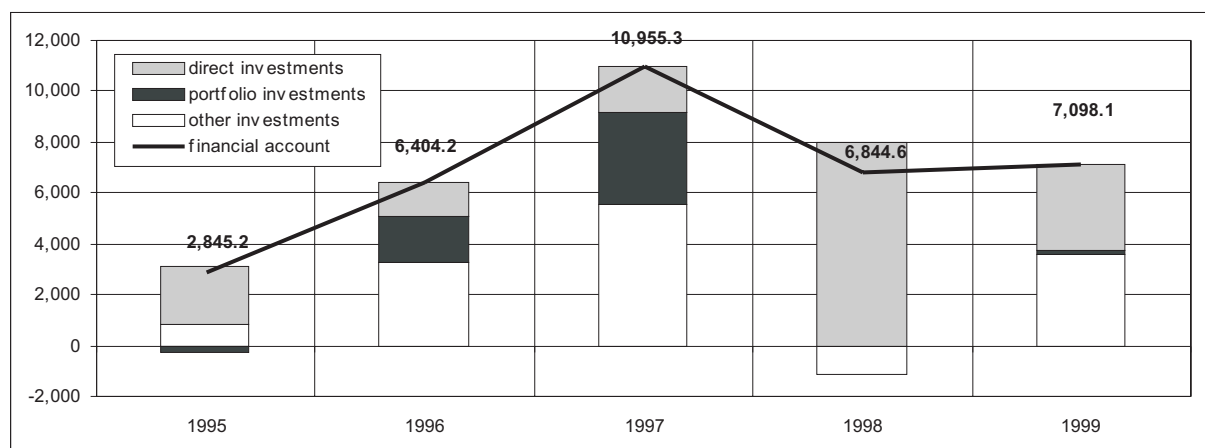


Figure 7. Changes in the structure of foreign investment capital flows (EEK mn)

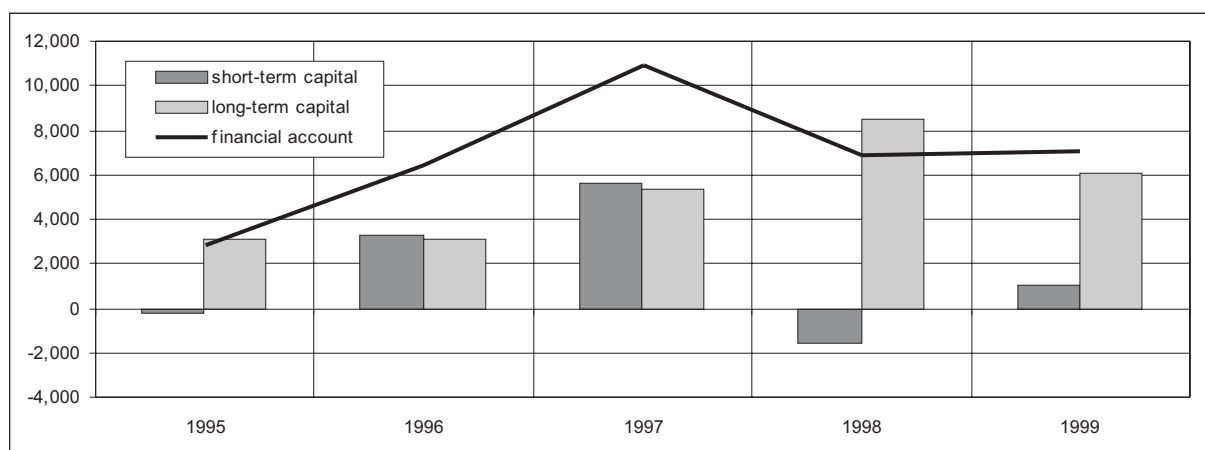


Figure 8. Changes in the maturity structure of source of funds (EEK mn)

Direct Investments

The surplus of direct investments amounted to 3.4 billion kroons, accounting for nearly half of the total surplus of the financial account. Long-term investments into Estonia increased by 4.5 billion kroons and investments from Estonia into affiliated and associated companies abroad grew by more than 1.1 billion kroons. The inflow of net direct investments was considerably smaller last year than in 1998, but then it

had been exceptionally large (see Figure 9 and Table 17).

Although the volume of direct foreign investments made into Estonia fell against 1998, it was still larger than in any other year. While in 1998 an extensive inflow of stock capital had taken place, the year 1999 was more successful for foreign-owned companies: **reinvested profits accounted for nearly 25% of total**

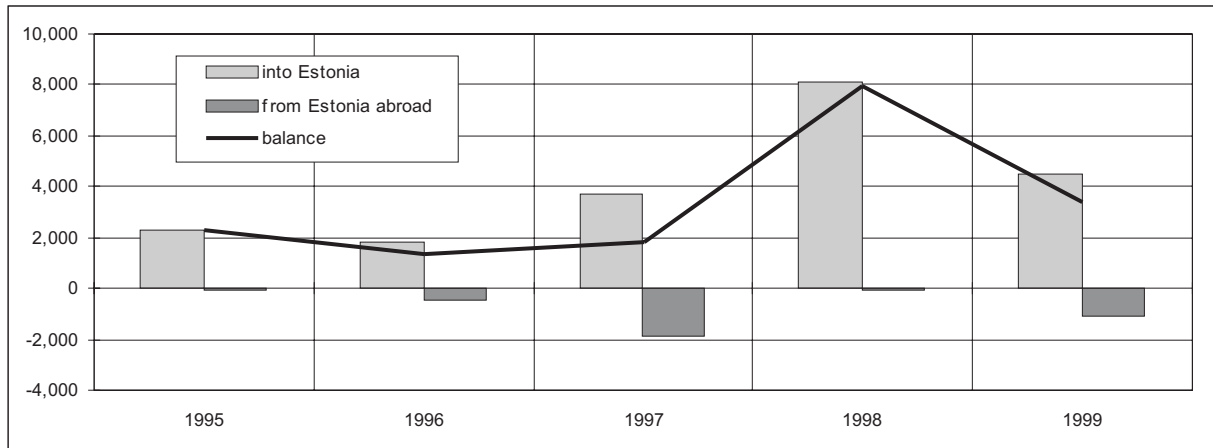


Figure 9. Direct investments (EEK mn)

Table 17. Structure of direct investments

	Into Estonia						Abroad					
	EEK mn			Share (%)			EEK mn			Share (%)		
	1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997
Share capital	2,364.5	5,661.9	1,360.8	52.9	70.1	36.8	-386.7	-472.7	-539.2	34.9	578.6	28.2
Inflow	3,415.9	6,145.2	1,775.5	76.4	76.1	48.1	433.5	180.2	251.6	-39.1	-220.6	-13.2
Outflow	-1,051.4	-483.3	-414.7	-23.5	-6.0	-11.2	-820.2	-652.9	-790.8	74.1	799.1	41.3
Reinvested income	1,022.3	392.1	1,303.8	22.9	4.9	35.3	-121.8	-2.7	-88.5	11.0	3.3	4.6
Loan capital (net)	1,110.4	1,397.4	491.7	24.9	17.3	13.3	-620.0	349.7	-1,271.3	56.0	-428.0	66.5
Trade credit	-62.5	-36.2	363.1	-1.4	-0.4	9.8	46.1	223.4	-318.6	-4.2	-273.4	16.7
Short-term loans	205.7	492.1	-22.6	4.6	6.1	-0.6	-293.6	89.7	-167.2	26.5	-109.8	8.7
Long-term loans	967.2	941.5	151.2	21.6	11.7	4.1	-372.5	36.6	-785.5	33.6	-44.8	41.1
Other capital	-28.9	622.7	537.8	-0.6	7.7	14.6	20.9	44.0	-13.9	-1.9	-53.9	0.7
Total	4,468.3	8,074.1	3,694.1	100.0	100.0	100.0	-1,107.6	-81.7	-1,912.9	100.0	100.0	100.0

direct investments. Long-term debts to parent companies also increased by nearly one billion kroons (see Figure 10).

Seventy per cent of direct investments still came from **Finland** and **Sweden**, and the contribution of the **US** investors was also substantial (see Figure 11). The most attractive areas for foreign investors were **industry**,

transport, storage and communication and **finance** (see Figure 12).

The increase of Estonian direct investments abroad exceeded the respective figure of 1998 manifold. A third of the outflow was made up of investments into **equity capital**. **Loan capital** increased by 0.6 billion kroons, of which 60% were long-term loans. Income

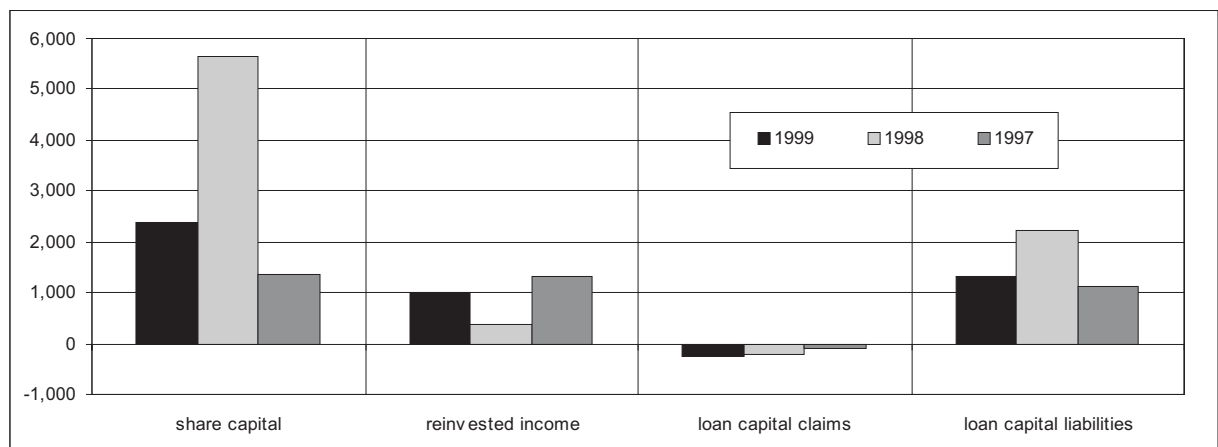


Figure 10. Structure of direct investments made into Estonia (EEK mn)

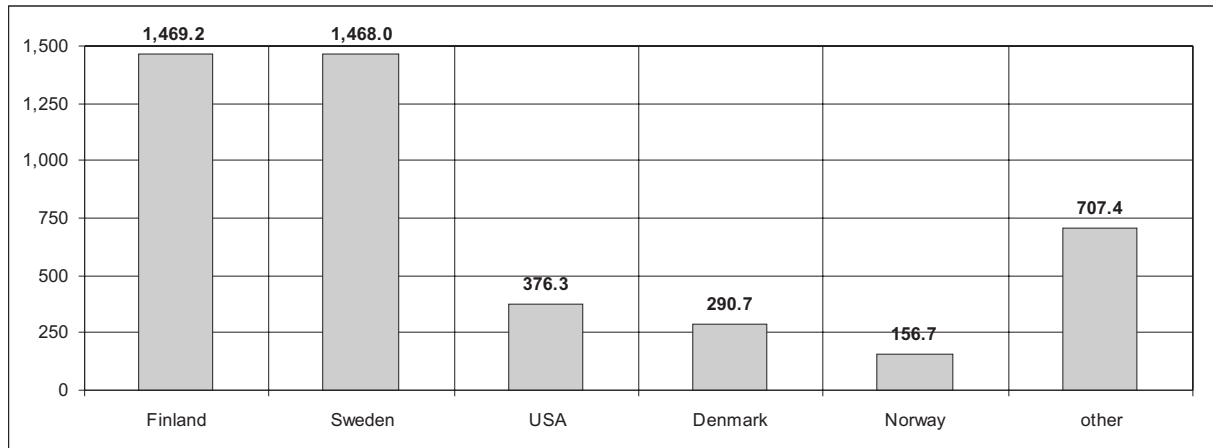


Figure 11. Structure of direct investments made into Estonia by countries in 1999 (EEK mn)

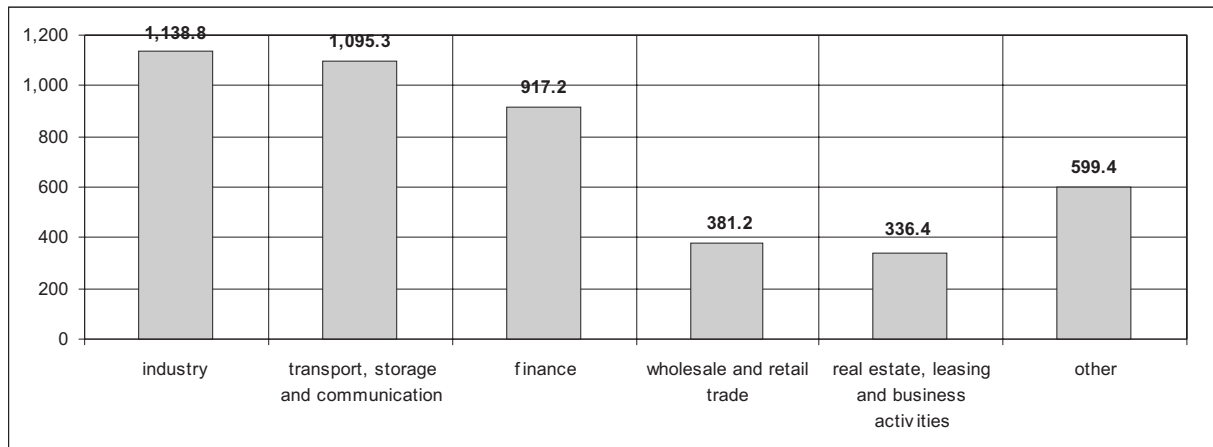


Figure 12. Structure of direct investments made into Estonia by spheres of activities in 1999 (EEK mn)

earned by affiliated/associated companies abroad was also quite substantial, amounting to 121.8 million kroons (see Figure 13).

Estonia's direct investments increased substantially into **Latvia** and **Lithuania** (by 0.6 billion kroons and 0.7

billion kroons, respectively). At the same time a certain return of investments from the offshore regions could be noticed (see Figure 14). 97% of the outflow of investments originated from Estonian **financial** and **industrial companies** (see Figure 15).

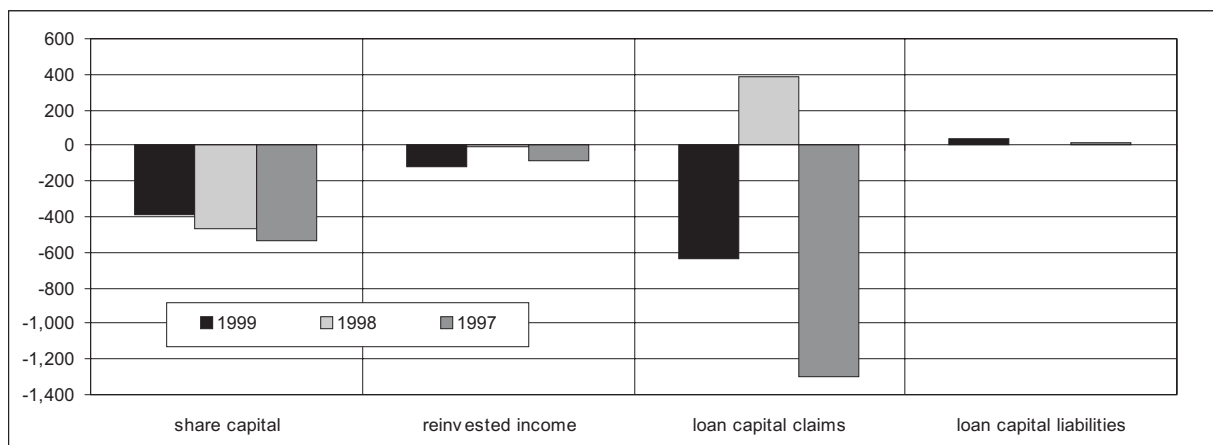


Figure 13. Structure of direct investments made abroad (EEK mn)

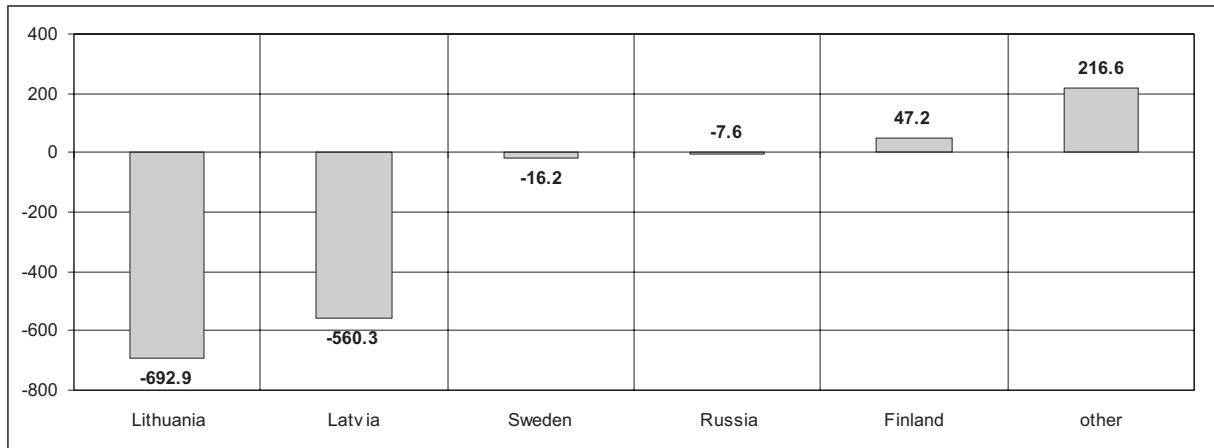


Figure 14. Structure of direct investments made abroad by countries in 1999 (EEK mn)



Figure 15. Structure of direct investments made abroad by spheres of activities in 1999 (EEK mn)

Portfolio Investments

Both claims and liabilities of portfolio investments increased by approximately 2 billion kroons in 1999, with the balance still remaining positive by 177 million kroons (see Figure 16).

The outflow of capital was mainly linked with debt securities: residents bought foreign debt instruments worth 2.1 billion kroons and also redeemed their own earlier issued bonds worth 1.2 billion kroons (see

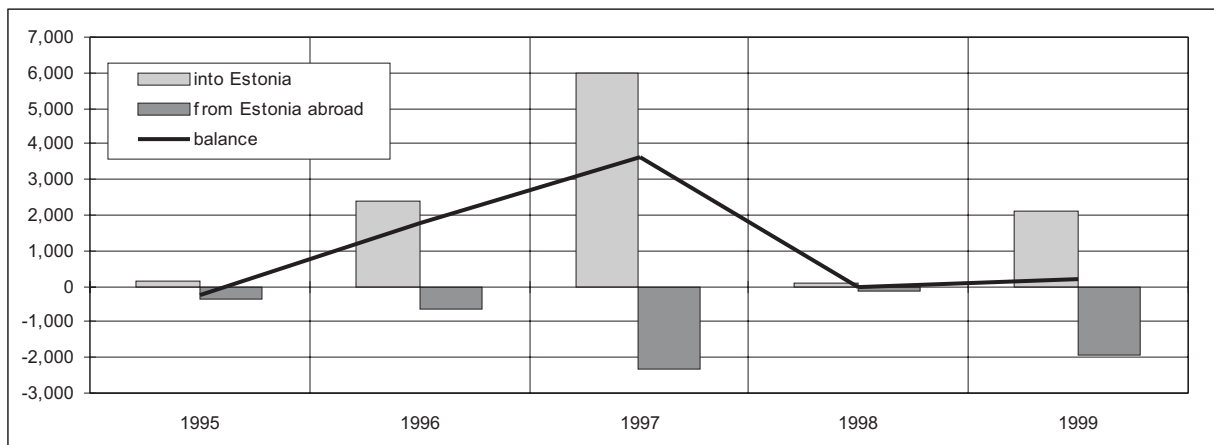


Figure 16. Portfolio investments (EEK mn)

Table 18). Mainly banks but also investment funds invested into debt securities. Companies of the other sector invested 141 million kroons also into foreign equity securities, and banks approximately 46 million kroons.

The inflow of capital increased mainly due to the

growth in equity liabilities by more than 3.3 billion kroons. Against the 400-million kroon increase of 1998 this was a sharp jump, caused mainly by the public issue of Eesti Telekom (Estonian Telecom) shares in the first quarter. Investments into the bank equity securities increased by just 2.5 million kroons.

Table 18. Portfolio investments by types of securities and sectors of economy (EEK mn)

	Claims			Liabilities			Balance		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Total portfolio investments	-1,929.7	-127.9	-2,319.3	2,106.9	104.5	5,974.4	177.2	-23.4	3,655.1
o/w equity securities	187.3	500.8	-1,238.5	3,348.3	401.1	1,763.6	3,535.6	901.9	525.1
government sector		6.2	-46.8				0.0	6.2	-46.8
banks	46.3	537.6	-481.0	2.5	-204.6	889.9	48.8	333.0	408.9
other sectors	141.0	-43.0	-710.7	3,345.8	605.7	873.7	3,486.8	562.7	163.0
debt securities	-2,117.0	-628.7	-1,080.8	-1,241.4	-296.6	4,210.8	-3,358.4	-925.3	3,130.0
government sector			-5.6	166.8	-1.0	-226.7	166.8	-1.0	-232.3
banks	-1,454.0	-280.8	-984.7	-646.8	7.4	3,167.0	-2,100.8	-273.4	2,182.3
other sectors	-663.0	-347.9	-90.5	-761.4	-303.0	1,270.5	-1,424.4	-650.9	1,180.0

Other Investments

The 1998 net outflow of other investments was replaced by the 3.6-billion kroon net inflow in 1999 – claims were up by 1.2 billion kroons and liabilities by nearly 4.8 billion kroons (see Figure 17).

Capital inflow was mostly linked with the growth of **loan liabilities** in all economic sectors (see Table 19)

which were up by 2.9 billion kroons, of which three fourths was long-term loans. The **deposits of non-residents** in Estonian banks increased by nearly 1.5 billion kroons. Short- and long-term liabilities increased more or less in equal measure, by 2.5 billion kroons and 2.3 billion kroons, respectively (see Table 20).

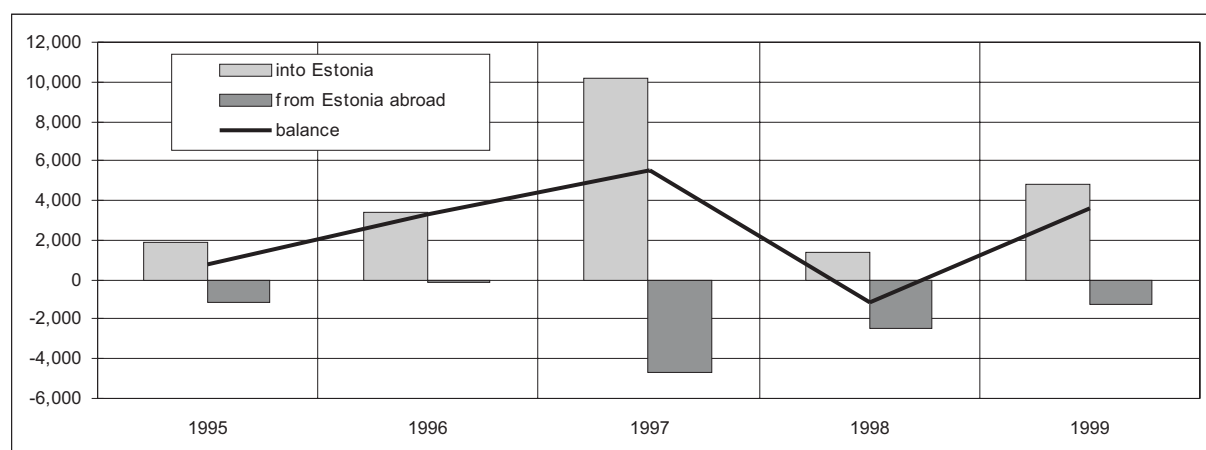


Figure 17. Other investments (EEK mn)

Table 19. Other investments by type of capital (EEK mn)

	Claims			Liabilities			Balance		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Total	-1,216.9	-2,480.2	-4,635.5	4,777.1	1,358.5	10,154.5	3,560.2	-1,121.7	5,519.0
o/w trade credit	-84.0	-993.7	-851.4	201.0	-221.2	367.0	117.0	-1,214.9	-484.4
loans	-62.7	-542.2	-1,633.3	2,909.1	290.0	6,399.7	2,846.4	-252.2	4,766.4
deposits	-802.9	-1,049.9	-1,820.5	1,462.7	365.5	2,426.0	659.8	-684.4	605.5
other	-267.3	105.6	-330.3	204.3	924.2	961.8	-63.0	1,029.8	631.5

Capital outflow was most of all affected by the increase of the government and banking sector **foreign deposits** in the first quarter. In the second half of the year this trend changed and both the government and the banks returned more money to Estonia than they deposited

abroad. However, the sum of deposits kept abroad increased by approximately 800 million kroons last year. **Trade credit** claims increased modestly, by just 84 million kroons (nearly 1 billion kroons in 1998 and 850 million kroons in 1997).

Table 20. Other investments by maturity (EEK mn)

	Claims			Liabilities			Balance		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Total	-1,216.9	-2,480.2	-4,635.5	4,777.1	1,358.5	10,154.5	3,560.2	-1,121.7	5,519.0
Long-term capital	419.3	-786.5	-1,063.0	2,252.5	1,258.4	4,604.9	2,671.8	471.9	3,541.9
central bank				507.8	-297.0	-290.3	507.8	-297.0	-290.3
government sector				139.7	62.6	-51.4	139.7	62.6	-51.4
banks	324.1	-230.2	-651.2	533.5	116.9	2,282.6	857.6	-113.3	1,631.4
other sectors	95.2	-556.3	-411.8	1,071.5	1,375.9	2,664.0	1,166.7	819.6	2,252.2
Short-term capital	-1,636.2	-1,693.7	-3,572.5	2,524.6	100.1	5,549.6	888.4	-1,593.6	1,977.1
central bank	-260.6	0.5	0.0	68.1	-3.5	-12.3	-192.5	-3.0	-12.3
government sector	-789.9	-886.0	-346.3				-789.9	-886.0	-346.3
banks	-915.7	1,028.1	-2,024.4	2,250.4	-347.6	4,588.8	1,334.7	680.5	2,564.4
other sectors	330.0	-1,836.3	-1,201.8	206.1	451.2	973.1	536.1	-1,385.1	-228.7

RESERVES

The reserves of the central bank increased by nearly **2.2 billion kroons in 1999** (see Figure 18). A significant jump in the reserves took place at the end of the year. This can be attributed to the sudden increase of the assets of

commercial banks in Eesti Pank, meant to boost liquidity in anticipation of the possible Y2K problems. The increase of the reserves also improved the coverage of imports by the reserves.

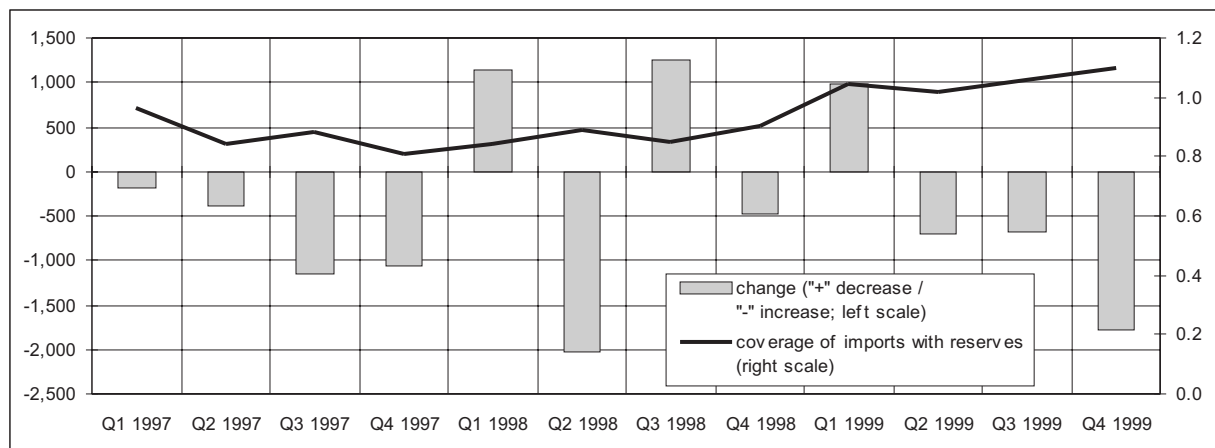


Figure 18. Change of the Estonia's gold and foreign currency reserves (EEK mn) and the coverage of imports (in quarters)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT⁶

Due to the predominance of external liabilities, Estonia's net investment position at the end of 1999 was negative by 42.7 billion kroons. Compared to the

end of 1998, it grew by 13.8 billion kroons, ie by 48% and formed 57% against the expected GDP of Estonia of 1999 (see Table 21).

⁶ Estonia's international investment position as of end of the first quarter of 2000 will be published at the Eesti Pank web site (<http://www.ee/epbe>) on 26 June 2000 at noon.

Table 21. Estonia's international investment position and external debt (EEK mn)¹

EXTERNAL ASSETS	31.12.99	Share (%)	31.12.98	Share (%)	Growth (%)
Direct investments abroad	4,234.3	10.9	2,660.3	8.4	59.2
share capital and reinvested income	1,777.3	4.6	1,197.5	3.8	48.4
other capital	2,457.0	6.3	1,462.8	4.6	68.0
Portfolio investments abroad	4,733.1	12.2	2,832.7	8.9	67.1
equity securities	192.0	0.5	422.5	1.3	-54.6
debt securities	4,541.1	11.7	2,410.2	7.6	88.4
Other investments abroad	15,230.7	39.1	14,447.3	45.5	5.4
trade credit	3,772.8	9.7	3,828.4	12.1	-1.5
loans	2,763.1	7.1	3,071.7	9.7	-10.0
long-term	1,697.8	4.4	2,154.2	6.8	-21.2
short-term	1,065.3	2.7	917.5	2.9	16.1
deposits	7,757.7	19.9	6,966.5	22.0	11.4
other assets	937.1	2.4	580.7	1.8	61.4
Reserves	14,718.3	37.8	11,784.8	37.1	24.9
Total external assets	38,916.4	100.0	31,725.1	100.0	22.7
o/w loans	35,489.1	91.2	29,196.1	92.0	21.6
EXTERNAL LIABILITIES					
Direct investments into Estonia	37,992.3	46.5	24,428.5	40.3	55.5
share capital and reinvested income	29,847.3	36.6	17,649.8	29.1	69.1
other capital	8,145.0	10.0	6,778.7	11.2	20.2
Portfolio investments into Estonia	12,173.3	14.9	9,426.0	15.6	29.1
equity securities	7,953.5	9.7	4,039.1	6.7	96.9
debt securities	4,219.8	5.2	5,386.9	8.9	-21.7
Other investments into Estonia	31,468.0	38.5	26,722.1	44.1	17.8
trade credit	4,603.7	5.6	4,335.3	7.2	6.2
loans	19,135.5	23.4	16,358.4	27.0	17.0
long-term	15,837.4	19.4	13,631.8	22.5	16.2
short-term	3,298.1	4.0	2,726.6	4.5	21.0
deposits	6,054.9	7.4	4,593.4	7.6	31.8
other liabilities	1,673.9	2.1	1,435.0	2.4	16.6
Total external liabilities	81,633.6	100.0	60,576.6	100.0	34.8
o/w loans	43,832.8	53.7	38,887.7	64.2	12.7
Net international investment position	-42,717.2	100.0	-28,851.5	100.0	48.1
short-term	6,101.8		5,302.1		15.1
long-term	-48,817.3		-34,153.6		42.9
Net external debt of Estonian residents	-8,343.7	100.0	-9,691.6	100.0	-13.9
o/w government sector	-1,693.8	20.3	-1,818.9	18.8	-6.9

¹ After additional information is received, data of the earlier periods have been updated accordingly.

On 31 December 1999 the investments of Estonian economic sectors made abroad, having grown by 7.1 billion kroons a year, ie by 23%, reached 38.9 billion kroons (52% against the GDP). 40% of this growth was made up of the increase in the central bank's gold and foreign currency reserves. At the same time, the reserves formed the biggest part of Estonia's foreign

assets, ie 38%. Direct investments made abroad made up 4.2 billion kroons, ie 11% of Estonia's foreign assets. Table 22 characterises Estonia's direct investment position abroad by countries and spheres of activities. Sums due from the sale of goods and services (trade credit claims) and investments into debt securities also formed nearly one tenth of foreign assets.

Table 22. Estonia's direct investment position abroad by countries and spheres of activities as of 30 September 1999 (%)

Country	EEK mn	%	Sphere of activity	EEK mn	%
Latvia	2,059.6	49%	Finance	2,553.7	60%
Lithuania	1,615.5	38%	Industry	554.2	13%
Cyprus	328.3	8%	Transport, storage and communication	447.0	11%
Ukraine	90.0	2%	Real estate, leasing and business services	326.2	8%
Other	140.9	3%	Other	353.2	8%

As of end of 1999 foreign investments made in Estonia exceeded Estonia's investments abroad more than twice, formed total 81.6 billion kroons and for the first time exceeded the annual GDP figure (110%

against the GDP). In a year these investments increased by 21 billion kroons, ie by 34% due to balance of payments transactions, exchange rate and price changes. Almost half, ie 38 billion kroons of

investments made in Estonia were made up of **direct investments**, which reflected foreign investors' long-term interest and decisive voting rights in the management of businesses. As of end of 1999, major part of direct investment capital was channelled into transport and communication (27%), finance (24%) and industry (23%).

A significant part of direct investments came from Sweden (41%) and Finland (30%; see Table 23). Apart from direct investments, one fourth of foreign investments made in Estonia was made up of predominantly long-term **loan capital** and nearly 15% of the **sums invested into shares and debt instruments of Estonian businesses**.

Table 23. Direct investment position in Estonia by countries and spheres of activities as of 30 September 1999 (%)

Country	EEK mn	%	Sphere of activity	EEK mn	%
Sweden	15,600.8	41%	Transport, storage and communication	10,092.3	27%
Finland	11,434.8	30%	Finance	8,944.4	24%
Denmark	1,552.3	4%	Industry	8,658.3	23%
USA	1,493.6	4%	Wholesale and retail trade	5,955.2	16%
Norway	1,304.6	3%	Other	4,342.1	10%
Other	6,606.2	18%			

If only debts are included in external claims and liabilities, Estonia's gross external debt at the end of 1999 formed 44 billion kroons, ie 59% to the expected GDP. Repayable capital made up 54% of Estonia's external claims. At the same time, Estonia's net external debt was 8 billion kroons, ie 11% to the

expected GDP and it decreased by 1.3 billion kroons, ie by 14% in a year. The gross external debt of the government sector stood at 3.7 billion kroons (5% against the GDP) and net external debt at 1.7 billion kroons (2.3% against the GDP). The change in Estonia's external debt is shown in Figures 19-21.

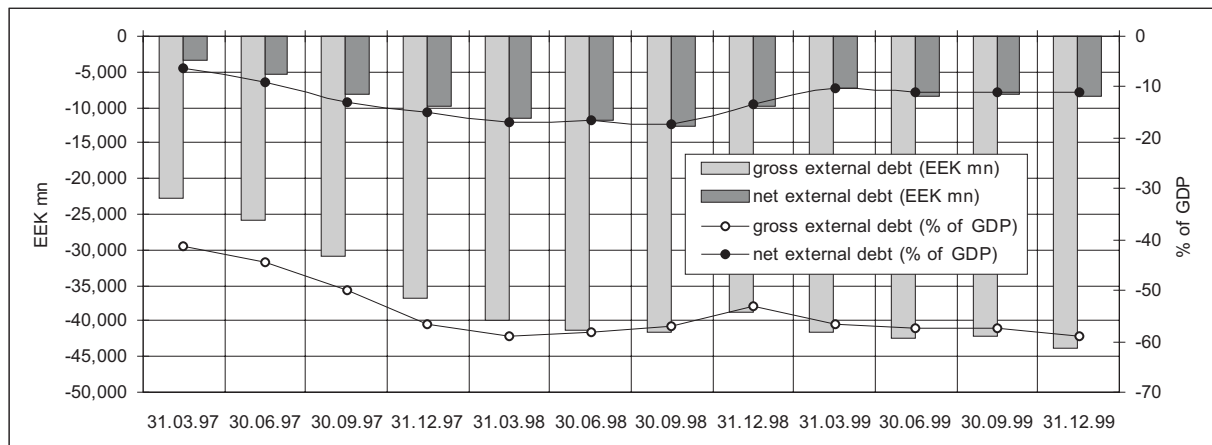


Figure 19. Estonia's gross and net external debt (EEK mn and % of GDP)

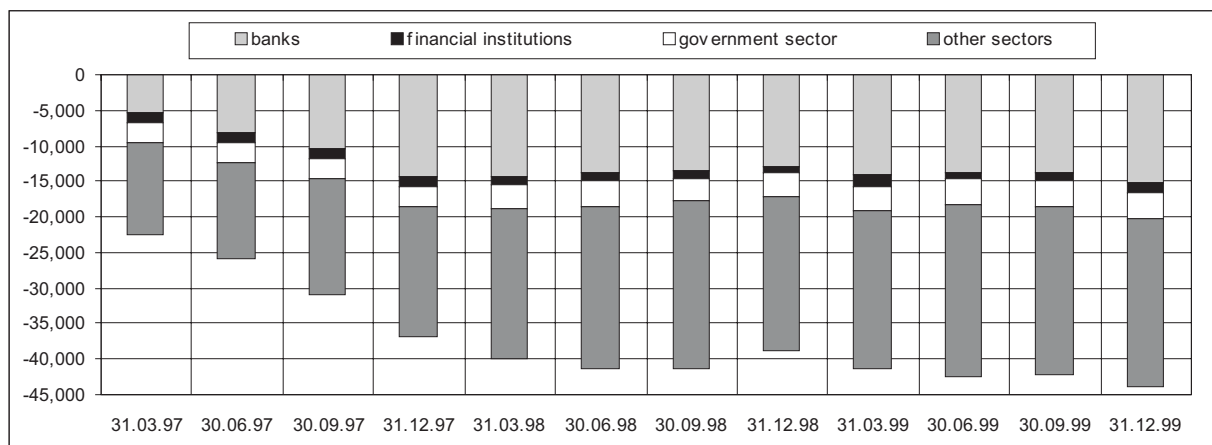


Figure 20. Estonia's gross external debt by economic sectors (EEK mn)

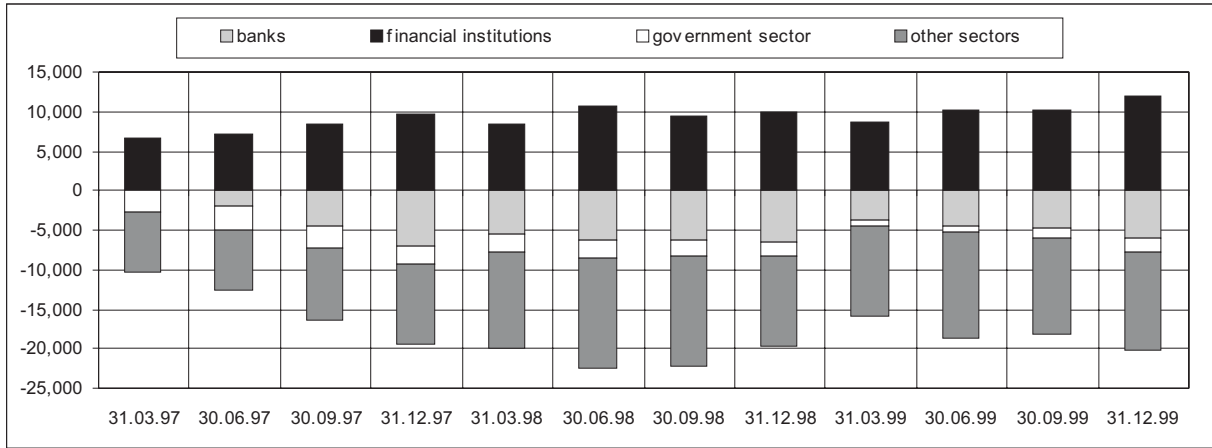


Figure 21. Estonia's net external debt by economic sectors (EEK mn)

INTERNATIONAL TRANSACTIONS OF CUSTOMERS VIA THE ESTONIAN BANKING SYSTEM

Number and Turnover of Transactions

In the period 1995-1999 the number of international transactions increased 3.3 times for incoming payments and 2.2 times for outgoing payments (see Table 24 and

Figure 22). Due to the economic recession the number of incoming payments fell by nearly 25% in 1999, but the number of outgoing payments remained on

Table 24. Number of international payment transactions

	In thousands					Change (%)	
	1999	1998	1997	1996	1995	1999/1998	1999/1995
Incoming payments	365	492	344	246	148	-25.8	146.6
Outgoing payments	405	407	364	275	182	-0.5	122.5
Total	770	899	708	521	330	-14.3	133.3

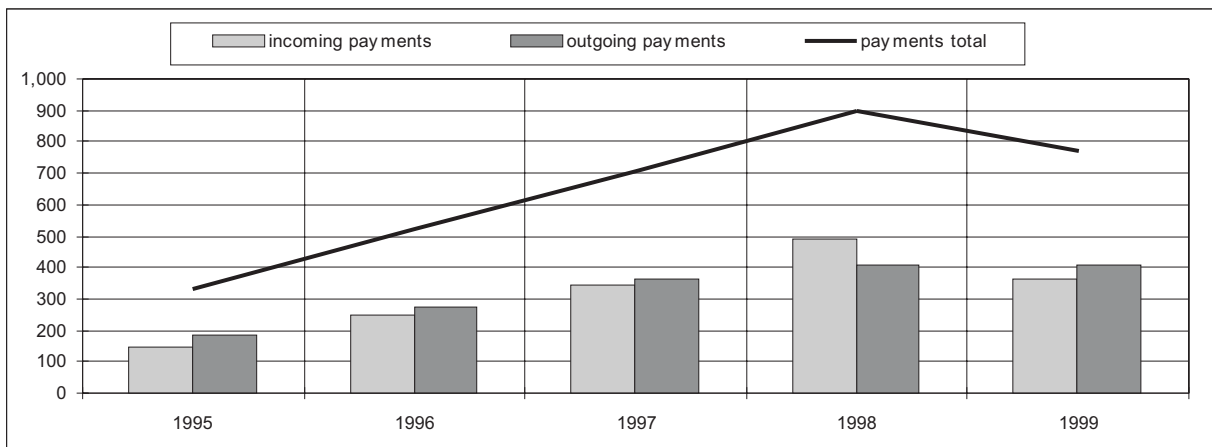


Figure 22. Number of international payment transactions (in thousands)

the level of 1998. Across quarters, the number of payments went up in the fourth quarter when the economy entered a new growth phase.

The dynamics of the turnover and balance of international payments by the customers of commercial banks reveals a similar pattern: in 1995-1998 the turnover of incoming payments increased 5.5 times and that of outgoing payments 3.2 times, in 1999 a decline occurred (see Table 25 and Figure 23). **The turnover of incoming payments decreased by 8% in 1999 and the turnover**

of outgoing payments decreased by 12%. In the fourth quarter of 1999 the turnover of both incoming and outgoing payments increased sharply, by nearly 40% as compared to the same period of 1998, although the number of transactions was up by only 10%.

The average size of outgoing payments was 2.5 times larger in 1999 than in 1995 (517,300 kroons and 207,600 kroons, respectively). The average size of incoming payments grew 2.7 times in five years, from 244,000 kroons in 1995 to 667,700 kroons in 1999.

Table 25. Turnover of international payment transactions

	EEK billion					Change (%)	
	1999	1998	1997	1996	1995	1999/1998	1999/1995
Incoming payments	180.5	196.5	138.2	63.1	36.0	-8.1	401.4
Outgoing payments	106.0	120.7	118.4	68.2	37.9	-12.2	179.7
Total	286.5	317.2	256.6	131.3	73.9	-9.7	287.7

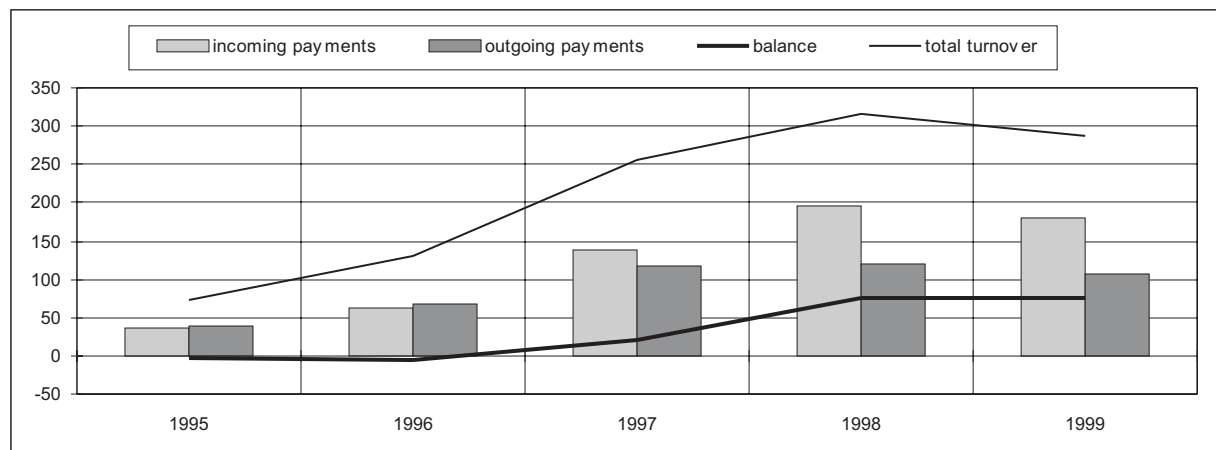


Figure 23. Turnover and balance of international payment transactions (EEK billion)

Use of Currencies⁷

The list of currencies used by Estonian commercial banks in the international payment transactions of their customers has not changed much in 1995-1999 (although the euro has been added). However, there have been changes in the structure of the list. The **US dollar** is still the dominating currency, although its share in the total turnover of payments has dropped from 49% in 1995 to 34% in 1999. The share of the **German mark** at the same time increased from 12% to 19% (in 1999 the share of the German mark decreased slightly). The **euro**, introduced in 1999, has begun to undermine the positions of the dollar first of all. In the first quarter the share of the euro in the

total turnover of international payments was 8%, while in the fourth quarter it increased to 14%. The annual average share of the euro was 12%. The share of the dollar fell by 6 percentage points at the same time. The share of the **Estonian kroon** in international payments has increased, reaching 13% in 1999 (see Figure 24).

By the number of payment transactions the breakdown of the currencies was similar to their use by the turnover of transactions (**USD – 28%, DEM – 20%, FIM – 12%, SEK – 5% and RUB – 1%**). The share of the **euro** increased to 11% in the fourth quarter. The share of the

⁷ The analysis of transactions by currencies does not reflect payment transactions below 100,000 kroons as these are given only in the Estonian kroons in the statistics available to Eesti Pank and their inclusion would thus considerably distort the actual picture.

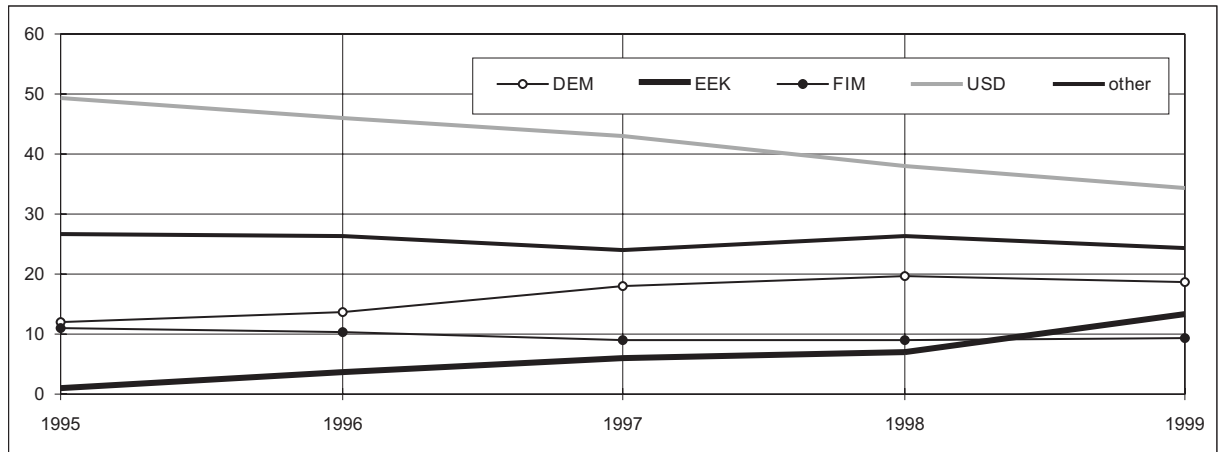


Figure 24. Currencies used in international payment transactions (%)

Estonian kroon was 14% for incoming and 10% for outgoing payments. In 1999 the use of the Estonian kroon

increased by 0.7 percentage points, amounting to 11.8% of the total number of transactions in the fourth quarter.

Eesti Pank Balance of Payments Statistics Section