

ESTONIA'S PRELIMINARY BALANCE OF PAYMENTS FOR THE THIRD QUARTER OF 2001¹

SHORT SURVEY

Due to the slowdown of the world economy, the external balance of the Estonian economy deteriorated somewhat, which can be seen from the decline in the export volumes of major industries. Although the surplus of the services balance increased due to seasonal

factors, the deficit of the current account was larger than expected – 1.4 billion kroons or approximately 6% of the projected GDP of the third quarter (see Figure 1). The deficit of the last four quarters amounted to approximately 7% of the GDP of the period.

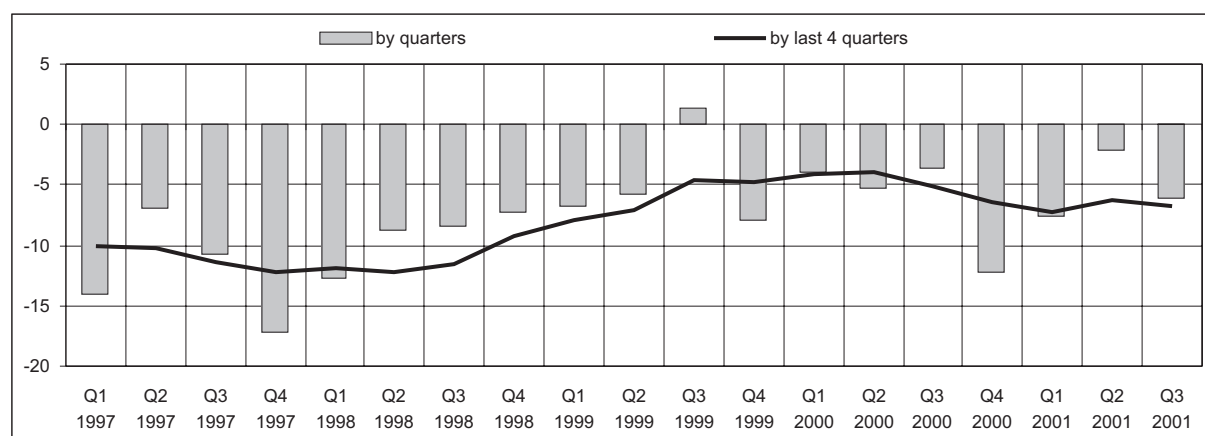


Figure 1. Current account balance against GDP (%)

The main component of the **CURRENT ACCOUNT** deficit – the foreign trade deficit – was 3.8 billion kroons in the third quarter, being 1.2 billion kroons larger than in the third quarter of 2000 (see Table 1).

With external demand diminishing, the annual growth of the goods export continued to slow down as seen most clearly in the subcontracting industry for machinery and equipment where the volume of export fell nearly two times compared to the same period last year. Although the annual growth of the export volumes also slowed down

in the majority of goods unaffected by subcontracting, the end export was up 11% in the third quarter.

The total volume of export amounted to 12.3 billion kroons, up 22% against the second quarter of 2001 but down 12% against the third quarter of 2000. A similar structural shift occurred also in the import of goods, the volume of which was 16.1 billion kroons in the third quarter, down 3% compared to the same period in 2000 and down 15% compared to the second quarter of 2001. The significant decrease of the import of goods meant

¹ The adjusted balance of payments for the third quarter of 2001 and the preliminary balance of payments for the whole 2001 will be published at the Eesti Pank web site (<http://www.ee/epbe>) at noon on 18 March 2002.

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

	1997	1998	1999	2000					2001		
	Total	Total	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Current account	-7,810.2	-6,760.2	-3,607.7	-758.4	-1,179.7	-796.7	-2,708.3	-5,443.1	-1,623.1	-549.3	-1,410.4
Trade and services balance	-7,420.1	-7,676.2	-3,755.4	-875.5	-817.3	55.4	-2,665.8	-4,303.2	-1,091.9	-509.4	-765.6
Trade balance	-15,652.8	-15,725.5	-12,096.9	-2,420.5	-3,594.0	-2,627.4	-4,851.6	-13,493.5	-3,005.4	-3,181.2	-3,800.2
Goods: export f.o.b.	31,846.5	37,786.3	36,995.2	12,174.2	13,366.7	13,958.1	16,514.0	56,013.0	16,229.0	15,812.7	12,291.4
Goods: import f.o.b.	-47,499.3	-53,511.8	-49,092.1	-14,594.7	-16,960.7	-16,585.5	-21,365.6	-69,506.5	-19,234.4	-18,993.9	-16,091.6
Services: net	8,232.7	8,049.3	8,341.5	1,545.0	2,776.7	2,682.8	2,185.8	9,190.3	1,913.5	2,671.8	3,034.6
Services: credit	18,366.7	20,804.0	21,951.9	5,195.3	6,666.1	7,004.7	6,619.7	25,485.8	5,758.1	7,351.0	7,891.5
Services: debit	-10,134.0	-12,754.7	-13,610.4	-3,650.3	-3,889.4	-4,321.9	-4,433.9	-16,295.5	-3,844.6	-4,679.2	-4,856.9
Income: net	-2,010.5	-1,164.0	-1,505.8	-459.6	-930.9	-1,446.0	-646.9	-3,483.4	-1,200.7	-912.5	-1,288.1
Income: credit	1,594.1	1,871.8	1,964.3	324.1	539.4	570.6	573.9	2,008.0	561.1	631.6	671.9
Income: debit	-3,604.6	-3,035.8	-3,470.1	-783.7	-1,470.3	-2,016.6	-1,220.8	-5,491.4	-1,761.8	-1,544.1	-1,960.0
Transfers: net	1,620.4	2,080.0	1,653.5	576.7	568.5	593.9	604.4	2,343.5	669.5	872.6	643.3
Transfers: credit	1,877.7	2,424.2	2,257.5	689.4	673.2	720.6	756.0	2,839.2	792.3	991.4	779.8
Transfers: debit	-257.3	-344.2	-604.0	-112.7	-104.7	-126.7	-151.6	-495.7	-122.8	-118.8	-136.5
Capital and financial account	10,953.3	6,869.8	5,916.6	-1,033.2	2,301.6	1,824.1	4,419.6	7,512.1	-1,269.0	1,373.0	1,309.9
Capital account	-2.0	25.2	17.8	63.7	111.6	56.4	46.8	278.5	16.3	44.6	11.4
Financial account	10,955.3	6,844.6	5,898.8	-1,096.9	2,190.0	1,767.7	4,372.8	7,233.6	-1,285.3	1,328.4	1,298.5
Direct investments	1,781.2	7,989.7	3,208.2	743.6	599.7	2,005.8	2,252.3	5,601.4	3,005.0	260.0	1,238.3
Abroad	-1,912.9	-81.7	-1,239.8	-370.8	-661.0	40.2	-51.5	-1,043.1	-261.4	-1,289.2	-1,369.9
Into Estonia	3,694.1	8,071.4	4,448.0	1,114.4	1,260.7	1,965.6	2,303.8	6,644.5	3,266.4	1,549.2	2,608.2
Portfolio investments	3,655.1	-23.4	156.0	210.4	3,069.7	-589.5	-835.7	1,854.9	1,324.9	633.6	290.3
Assets	-2,319.3	-127.9	-1,894.9	516.3	1,278.3	-548.5	-673.1	573.0	-60.9	83.5	539.1
Equity securities	-1,238.5	500.8	187.0	104.5	-4.7	-115.4	68.9	53.3	432.9	-5.9	-38.6
Debt securities	-1,080.8	-628.7	-2,081.9	411.8	1,283.0	-433.1	-742.0	519.7	-493.8	89.4	577.7
Liabilities	5,974.4	104.5	2,050.9	-305.9	1,791.4	-41.0	-162.6	1,281.9	1,385.8	550.1	-248.8
Equity securities	1,763.6	401.1	3,292.3	89.4	134.5	91.8	-854.5	-538.8	-1.9	502.5	-144.3
Debt securities	4,210.8	-296.6	-1,241.4	-395.3	1,656.9	-132.8	691.9	1,820.7	1,387.7	47.6	-104.5
Other investments	5,519.0	-1,121.7	2,534.6	-2,050.9	-1,479.4	351.4	2,956.2	-222.7	-5,615.2	434.8	-230.1
Assets	-4,635.5	-2,480.2	-1,651.2	-755.8	-2,856.8	-1,246.5	2,039.8	-2,819.3	-5,233.8	-1,967.7	502.5
Long-term	-1,063.0	-786.5	421.8	-312.1	-145.7	-587.1	-63.8	-1,108.7	-536.3	-500.5	484.2
Short-term	-3,572.5	-1,693.7	-2,073.0	-443.7	-2,711.1	-659.4	2,103.6	-1,710.6	-4,697.5	-1,467.2	18.3
Liabilities	10,154.5	1,358.5	4,185.8	-1,295.1	1,377.4	1,597.9	916.4	2,596.6	-381.4	2,402.5	-732.6
Long-term	4,604.9	1,258.4	1,691.5	-1,135.3	154.8	399.3	31.3	-549.9	693.3	441.0	195.1
Short-term	5,549.6	100.1	2,494.3	-159.8	1,222.6	1,198.6	885.1	3,146.5	-1,074.7	1,961.5	-927.7
Errors and omissions	-371.8	16.8	-511.3	499.2	215.1	-756.9	244.1	201.5	438.2	-146.0	-490.5
Overall balance	2,771.3	126.4	1,797.6	-1,292.4	1,337.0	270.5	1,955.4	2,270.5	-2,453.9	677.7	-591.0
Reserve assets	-2,771.3	-126.4	-1,797.6	1,292.4	-1,337.0	-270.5	-1,955.4	-2,270.5	2,453.9	-677.7	591.0

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

for processing was replaced by the growth of goods meant for domestic consumption by most commodity groups. The share of capital goods in import increased as well, accounting for 20%.

The share of the European Union countries in Estonian foreign trade was slightly under 75%.

The surplus of the **services balance** amounted to 3 billion kroons in the third quarter, up more than 10% against the second quarter of 2001 and the third quarter of 2000.

Unlike the decline of external demand on the goods market, the growth rate of the services export remained high also in the third quarter. Against the third quarter of 2000, export was up over 10% and amounted to 7.9 billion kroons. The growth was supported by favourable tourism circumstances and continuing transport of transit goods. The growth rate of the services import was similar to that of export and the volume of import reached 4.9 billion kroons in the third quarter.

Various business services became an important category of services besides transport and travel services.

The deficit of the **income balance**, which increased sharply in 2000, remained large also in the third quarter of 2001, amounting to 1.3 billion kroons. As before, the main reason for this was the increase of undistributed profit (reinvested income) in foreign-owned businesses. Dividend payments were insignificant in the period in question.

The surplus of the **transfers balance** amounted to 0.6 billion kroons in the third quarter.

The surplus of the **CAPITAL AND FINANCIAL ACCOUNT** turned out to be 1.3 billion kroons, influenced mostly by the inflow of direct investments. The net flows of portfolio and other investments, which moved in different directions, balanced each other out.

Foreign **direct investments** into Estonia exceeded direct investments made by Estonian residents abroad by 1,2

billion kroons, with the volume of both being large as it had been in the previous quarters.

Nearly 1.4 billion kroons were placed abroad as direct investments, 50% of this was spent on acquiring or increasing equity ownership. Lithuania and Latvia dominated among countries, finance, industry, transport and communications among the sectors of the economy.

Direct investments of non-residents into Estonia amounted to 2.6 billion kroons. Half of this was made up of reinvested income and a third was related to the increase of loan and other liabilities to parent companies. Finland, Great Britain and Sweden dominated among countries, real estate, transport and communications and trade among sectors.

The net inflow of **portfolio investments** amounted to 290 million kroons in the third quarter and was mostly related to the decline of debt security claims of credit institutions on non-residents. The decline was the result of Estonian residents buying bank shares from non-residents.

The balance of the flows of **other foreign investment capital** was negative by 230 million kroons in the third

quarter, with foreign claims shrinking by 500 million kroons and foreign liabilities by more than 700 million kroons. The decrease of claims was mostly related to trade credit. The decrease of liabilities resulted mostly from the decrease of deposits of non-residents in Estonian credit institutions.

THE GOLD AND FOREIGN CURRENCY RESERVES of the central bank fell by 0.6 billion kroons in the third quarter, mostly due to the reform of the monetary policy operational framework. As a result, credit institutions were allowed to reduce the required reserves at Eesti Pank, which in turn decreased the supply of base money.

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The adjusted deficit of the current account in the second quarter of 2001 turned out to be smaller than preliminary estimates and amounted to 550 million kroons (instead of the previously estimated 900 million kroons). This is 2% of the projected GDP of the second quarter. The deficit of the last four quarters was less than 6% of the GDP of the respective period.

CURRENT ACCOUNT

The balance of payments of the third quarter of 2001 characterizes the state of the Estonian economy in the conditions of rapid cooling of the world economy (see Figure 2). The current account deficit amounted to 1.4 billion kroons. While in the third quarter of 2000 the total balance of goods and services was steady, then in 2001 the surplus of the services' balance was insufficient to compensate for the growth of the trade balance deficit.

Both the export of goods and the total export of goods and services decreased faster than import.

The diminished external demand increased the trade deficit from 13% in the second quarter to 16% of the GDP and the export of goods fell against both the second quarter of 2001 and the third quarter of 2000 (by 22% and 12%, respectively), regardless of the improved terms of trade

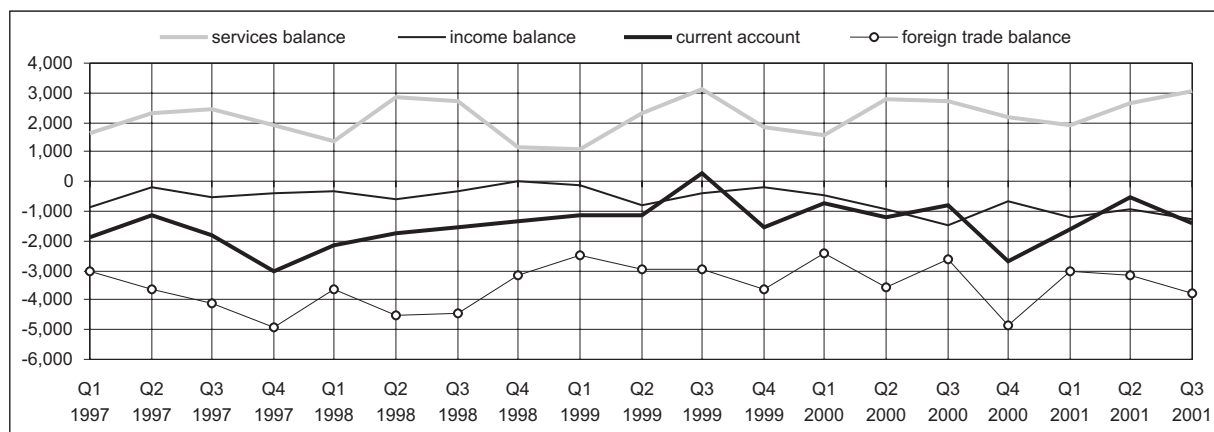


Figure 2. Comparison of the current account, foreign trade balance, services balance and income balance of the Estonian balance of payments (in f.o.b. prices, EEK m)

(against 2000, export prices have grown faster than import prices).

The terms of trade improved thanks to changes in the structure of the goods export, but the strengthening of the real exchange rate of the Estonian kroon for the third successive quarter slowed down the increase of the current account deficit (see Figures 3 and 4). In case this

tendency continues, it could bring the deficit down in the future.

Another reason for the increase of the current account deficit was the growth of the deficit of the income balance. The outflow of income from direct investments was particularly large. This indicates that the profitability of foreign-owned businesses remains high (see Figure 5).

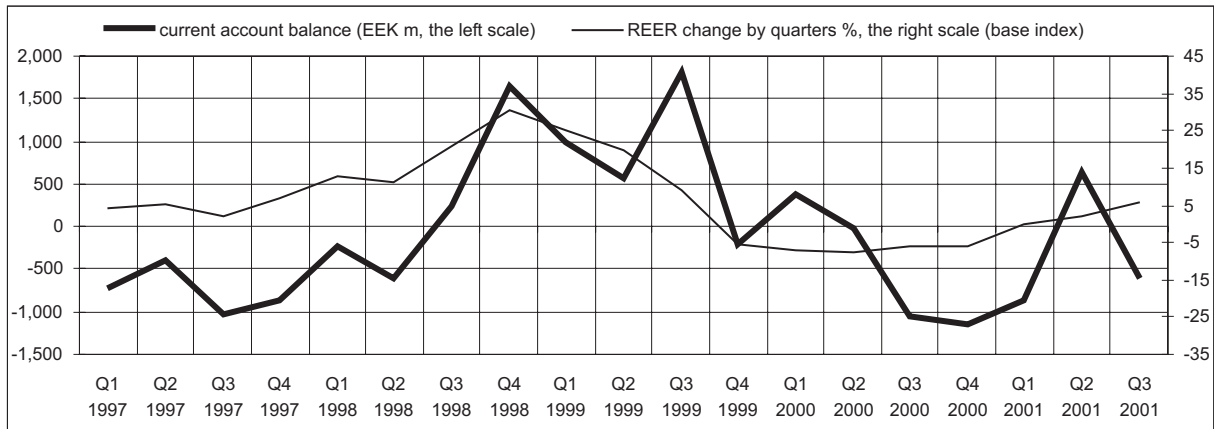


Figure 3. Annual change of current account balance and the real effective exchange rate of the kroon

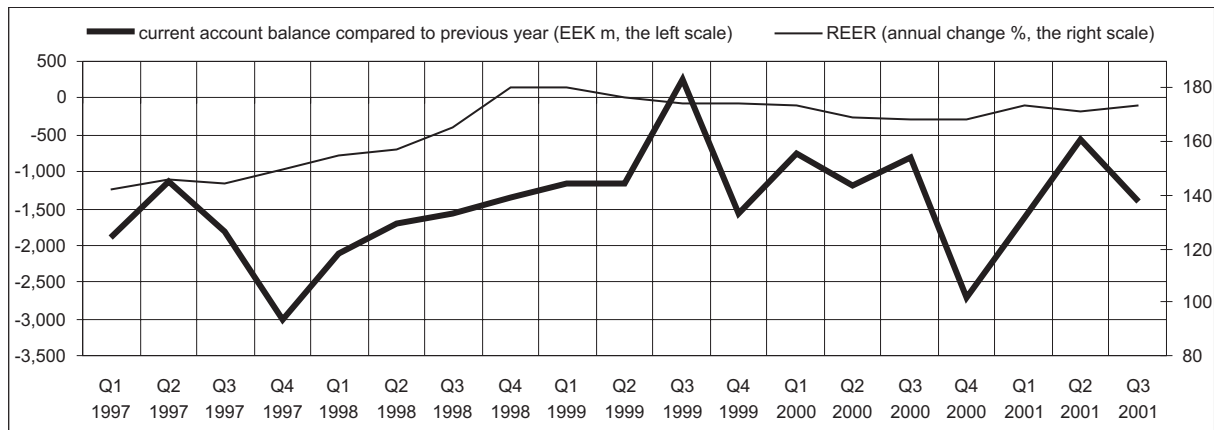


Figure 4. Current account balance and the real effective exchange rate of the kroon

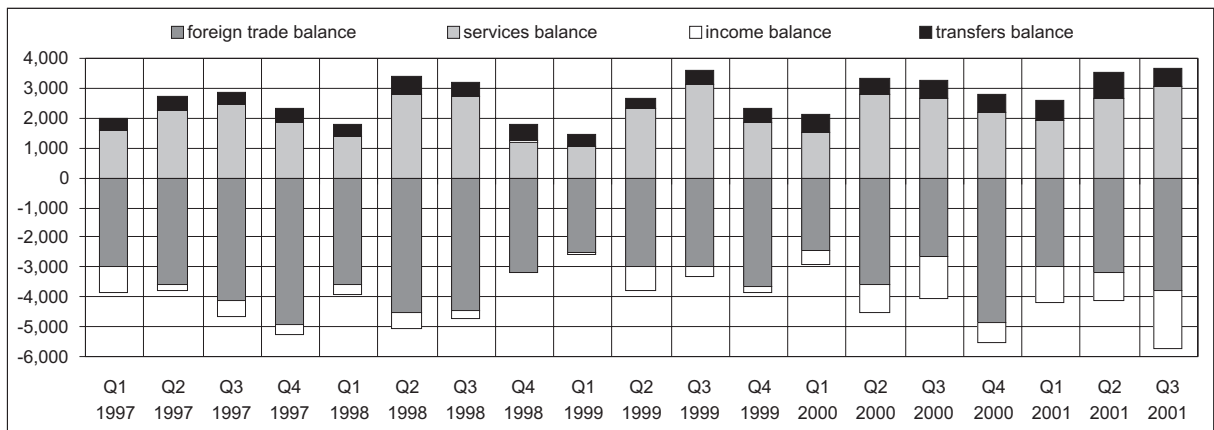


Figure 5. Current account structure (EEK m)

Goods

According to the balance of payments for the third quarter of 2001 the export of goods was 22% and import 15% less than in the second quarter, and respectively 12% and 3% less than in the third quarter of 2000 (see Table 2). The average annual increase of export and import, which has been positive

for seven successive quarters, dropped to 20% from 45%–50% at the end of 2000.

Under the special trade statistics,² the export of goods amounted to 12 billion kroons and import in c.i.f. prices to 16.6 billion kroons (see Figure 6). Compared to the

Table 2. Changes in the special export and import of goods

	Special export			Special import			Balance (EEK m)
	Volume ¹ (EEK m)	Change compared to the previous period (%)	Share in total export of goods and services (%)	Volume ¹ (EEK m)	Change compared to the previous period (%)	Share in total import of goods and services (%)	
Q1 1997	6,368.2		65.6	9,377.0		84.5	-3,008.8
Q2 1997	7,749.9	21.7	62.4	11,362.2	21.2	82.6	-3,612.3
Q3 1997	8,016.3	3.4	59.9	12,151.5	6.9	80.7	-4,135.2
Q4 1997	9,712.1	21.2	66.0	14,608.6	20.2	82.4	-4,896.5
1997	31,846.5		63.4	47,499.3		82.4	-15,652.8
Q1 1998	9,120.9	-6.1	68.4	12,738.8	-12.8	81.7	-3,617.9
Q2 1998	9,750.7	6.9	63.0	14,259.6	11.9	83.1	-4,508.9
Q3 1998	9,017.7	-7.5	59.8	13,468.8	-5.5	80.0	-4,451.1
Q4 1998	9,897.0	9.8	67.4	13,044.6	-3.1	78.3	-3,147.6
1998	37,786.3	18.7	64.5	53,511.8	12.7	80.8	-15,725.5
Q1 1999	8,226.5	-16.9	67.5	10,720.6	-17.8	78.8	-2,494.1
Q2 1999	8,882.6	8.0	61.1	11,865.6	10.7	77.9	-2,983.0
Q3 1999	9,177.0	3.3	58.0	12,145.8	2.4	77.5	-2,968.8
Q4 1999	10,709.1	16.7	65.3	14,360.1	18.2	78.9	-3,651.0
1999	36,995.2	-2.1	62.8	49,092.1	-8.3	78.3	-12,096.9
Q1 2000	12,174.2	13.7	70.1	14,594.7	1.6	80.0	-2,420.5
Q2 2000	13,366.7	9.8	66.7	16,960.7	16.2	81.3	-3,594.0
Q3 2000	13,958.1	4.4	66.6	16,585.2	-2.2	79.3	-2,627.1
Q4 2000	16,514.0	18.3	71.4	21,365.6	28.8	82.8	-4,851.6
2000	56,013.0	51.4	68.7	69,506.2	41.6	81.0	-13,493.2
Q1 2001	16,229.0	-1.7	73.8	19,234.4	-10.0	83.3	-3,005.4
Q2 2001	15,812.7	-2.6	68.3	18,993.9	-1.3	80.2	-3,181.2
Q3 2001	12,291.4	-22.3	60.9	16,091.6	-15.3	76.8	-3,800.2

¹ Data of the balance of payments' foreign trade sub-balance.

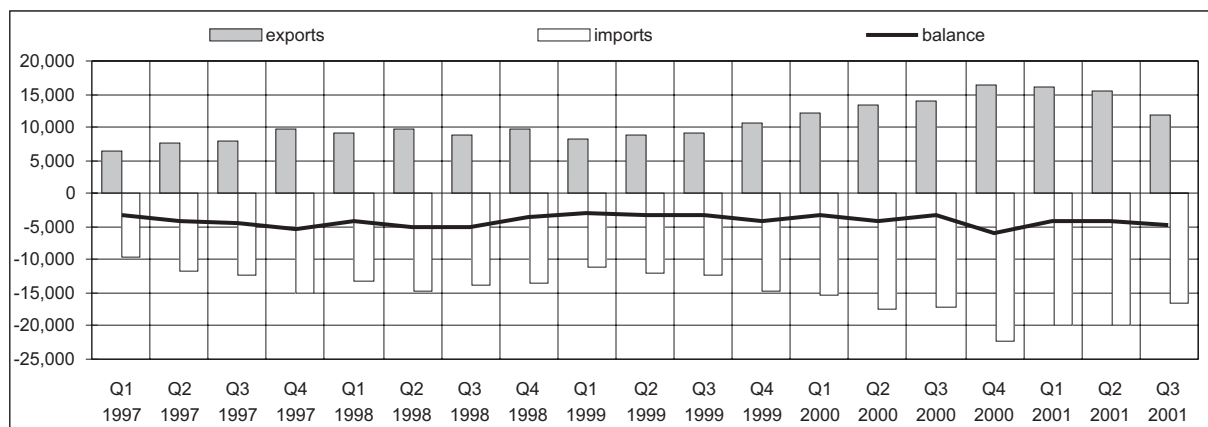


Figure 6. Estonia's foreign trade balance (EEK m)

² The analysis below does not contain the adjustments made in the foreign trade balance and the balance of payments by the Statistics Department of Eesti Pank (repair of capital goods, provisions bought abroad, etc). Import is in c.i.f. prices and analysed by the trading country. Eesti Pank applies the special trade system in its foreign trade analyses, which means that export does not contain the re-export of goods previously imported into customs warehouses or provisions for ships and aircraft. Import does not contain customs warehousing of imported goods but does reflect deliveries from customs warehouses into free circulation and processing.

second quarter, the foreign trade deficit increased slightly and stood at 4.6 billion kroons.

Special export and import decreased mostly due to the two times drop in the import and export of processed goods. End export and import for free circulation fell slightly as well against the second quarter of 2001, but were still up 8% and 13%, respectively compared to the third quarter of 2000 (see Table 3).

In the category of **processed goods** the group with the biggest turnover – machinery and equipment – maintained its leading position, but due to the decreasing external

demand the import and re-export of machinery shrank more than two times, compared both to the second quarter of 2001 and the third quarter of 2000. The export of processed clothes, footwear and headgear and metal products also decreased slightly.

The 6% decrease of **end export** against the second quarter of 2001 mostly resulted from the 14% drop in the export of unprocessed and little processed timber. Deliveries of food products, transport vehicles and furniture declined as well. However, compared to the same period in 2000 end export increased in all groups of goods, with the exception of mineral products.

Table 3. Estonia's special export and import by the breakdown of customs procedures

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
End export	8,619.1	9,135.4	7,994.5	71.9	58.7	57.6	-5.7	7.8
Export of processed goods	3,362.0	6,414.3	5,895.6	28.1	41.3	42.4	-47.6	-43.0
Special export total	11,981.1	15,549.8	13,890.1	100.0	100.0	100.0	-22.9	-13.7
Import for free circulation	14,017.1	14,598.5	12,361.7	84.5	73.7	72.0	-4.0	13.4
Import of processed goods	2,579.8	5,203.4	4,812.5	15.5	26.3	28.0	-50.4	-46.4
Special import total	16,596.9	19,801.9	17,174.2	100.0	100.0	100.0	-16.2	-3.4

Import for free circulation decreased nearly 4% in the third quarter mainly due to the fall in the import of food and chemical products as well as transport vehicles. In the third quarter of 2000, import for domestic circulation was up 13%, across all major groups of goods.

By **end consumption**, the share of capital goods again decreased sharply in the **export of goods** (see Table 4), mainly due to the 70% fall in the export of mobile

communication equipment. This brought their share in the structure of capital goods down to 50% from 75%. The export of capital goods also included optical and laboratory equipment, transformers, etc. The volume of goods of intermediate consumption also fell considerably, due to the decline of the export of unprocessed and little processed timber and parts of mobile phones. The bulk of consumer goods export was made up of furniture and furniture components, fish products and ready-made clothes.

Table 4. Special export by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
Capital goods	1,325.0	2,926.6	3,621.8	11.1	18.8	26.1	-54.7	-63.4
Goods of intermediate consumption	6,939.6	8,823.5	6,871.1	57.9	56.7	49.5	-21.4	1.0
Consumer goods	3,540.2	3,670.4	3,225.8	29.5	23.6	23.2	-3.5	9.7
Other	176.3	129.2	171.4	1.5	0.8	1.2	36.5	2.9
Total	11,981.1	15,549.8	13,890.1	100.0	100.0	100.0	-22.9	-13.7

In the **import of goods**, the import of goods of intermediate consumption (parts for electrical and electronics industry) decreased by nearly 25% (see Table 5). Against the second quarter, the import of capital and consumer goods decreased as well. Of capital goods, Estonia imported computers, mobile phones, alarm equipment, commercial vehicles, tractors and railway engines. Import of consumer goods consisted of medicines, sports footwear, furniture, household paper, sugar, plastic products.

The foreign trade balance ran a deficit by all groups of end consumption (see Table 6) and the balance of capital goods deteriorated considerably, whereas the deficit of intermediate consumption goods and consumer goods decreased.

By groups of countries, export into the European Union decreased by 30%. This resulted from the decrease of the export of Estonian-assembled mobile phones into Finland and Sweden. Export of goods into Central and Eastern

Table 5. Special import by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
Capital goods	2,844.9	3,233.7	3,532.8	17.1	16.3	20.6	-12.0	-19.5
Goods of intermediate consumption	8,203.3	10,636.5	8,820.0	49.4	53.7	51.4	-22.9	-7.0
Consumer goods	3,818.8	4,178.7	3,405.2	23.0	21.1	19.8	-8.6	12.1
Other	1,729.9	1,752.9	1,416.2	10.4	8.9	8.2	-1.3	22.2
Total	16,596.9	19,801.9	17,174.2	100.0	100.0	100.0	-16.2	-3.4

Table 6. Foreign trade balance by end consumption (EEK m)

	Q3 2001	Q2 2001	Q3 2000
Capital goods	-1,519.9	-307.1	89.0
Goods of intermediate consumption	-1,263.6	-1,813.0	-1,948.9
Consumer goods	-278.6	-508.3	-179.4
Other	-1,553.6	-1,623.7	-1,244.8
Total	-4,615.7	-4,252.1	-3,284.1

Europe decreased slightly but increased into the CIS countries (see Table 7). Estonia's major export partners in the European Union were Finland, Sweden, Germany, Great Britain and Denmark, in the Central and Eastern Europe – Latvia and Lithuania, in the CIS countries – Russia and Ukraine, and among other countries – Norway and the USA.

Import of goods decreased across all groups of countries (see Table 8). Major import partners in the European

Table 7. Estonia's special export by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
EU countries	7,812.6	11,119.1	10,088.2	65.2	71.5	72.6	-29.7	-22.6
Central and Eastern European countries	1,641.0	1,701.2	1,619.8	13.7	10.9	11.7	-3.5	1.3
CIS countries	660.6	609.1	447.6	5.5	3.9	3.2	8.5	47.6
Other	1,249.4	1,498.7	1,136.1	10.4	9.6	8.2	-16.6	10.0
Customs-free zone ¹	617.4	621.7	598.4	5.2	4.0	4.3	-0.7	3.2
Total	11,981.1	15,549.8	13,890.1	100.0	100.0	100.0	-22.9	-13.7

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.

Union were Finland, Germany, Sweden, the Netherlands and Denmark, in the Central and Eastern Europe – Latvia, Lithuania, Poland and Hungary, in the CIS countries –

Russia, Belarus and Ukraine, and among other countries – Hong Kong, Switzerland, Norway, Japan and the USA.

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
EU countries	11,342.8	13,881.0	12,582.3	68.3	70.1	73.3	-18.3	-9.9
CIS countries	2,333.8	2,380.3	1,754.3	14.1	12.0	10.2	-2.0	33.0
Central and Eastern European countries	1,690.0	2,022.4	1,605.3	10.2	10.2	9.3	-16.4	5.3
Other	1,230.2	1,518.1	1,232.2	7.4	7.7	7.2	-19.0	-0.2
Total	16,596.9	19,801.9	17,174.2	100.0	100.0	100.0	-16.2	-3.4

Table 9. Foreign trade balance by groups of countries (EEK m)

	Q3 2001	Q2 2001	Q3 2000
EU countries	-3,530.2	-2,761.9	-2,494.0
CIS countries	-692.7	-679.2	-134.5
Central and Eastern European countries	-1,029.4	-1,413.3	-1,157.8
Other	19.2	-19.5	-96.1
Customs-free zone	617.4	621.7	598.4
Total	-4,615.7	-4,252.1	-3,284.1

The foreign trade deficit increased in trade with the European Union and the Central and East European countries, but decreased in trade with the CIS countries (see Table 9).

Services

The surplus of the services' balance amounted to 3 billion kroons in the third quarter of 2001, growing by 13% compared to the same period in 2000 (see Table 10). Although the export and import of services always increase seasonally in the third quarter (see Figure 7), in 2001 the growth of export was above the average seasonal rate while the growth of import was below it (7% and 4%, respectively). As the export of processed goods decreased rapidly in the foreign trade, the share

of the export and import of services increased in the total balance of goods and services.

The surplus of the services balance increased on the account of the growing surpluses in the main categories of services – transport and travel services, but also the construction services (see Table 11). The annual increase of the export and import of services was approximately equal in the third quarter, remaining around 12–13%.

Table 10. Services export and import

	Export			Import			Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Share in total goods and services balance (%)	Volume (EEK m)	Change compared to the previous period (%)	Share in total goods and services balance (%)	Volume (EEK m)	Change compared to the previous period (%)
Q1 1998	4,212.2	-15.7	31.6	2,860.2	-8.3	18.3	1,352.0	-28.1
Q2 1998	5,729.2	36.0	37.0	2,908.9	1.7	16.9	2,820.3	108.6
Q3 1998	6,069.7	5.9	40.2	3,376.1	16.1	20.0	2,693.6	-4.5
Q4 1998	4,792.9	-21.0	32.6	3,609.6	6.9	21.7	1,183.3	-56.1
Q1 1999	3,962.6	-17.3	32.5	2,887.6	-20.0	21.4	1,075.0	-9.2
Q2 1999	5,659.5	42.8	38.9	3,361.3	16.4	21.9	2,298.2	113.8
Q3 1999	6,648.3	17.5	42.0	3,517.9	4.7	22.5	3,130.4	36.2
Q4 1999	5,681.5	-14.5	34.7	3,843.6	9.3	21.2	1,837.9	-41.3
Q1 2000	5,195.3	-8.6	29.9	3,650.3	-5.0	20.0	1,545.0	-15.9
Q2 2000	6,666.1	28.3	33.3	3,889.4	6.6	18.7	2,776.7	79.7
Q3 2000	7,004.7	5.1	33.4	4,321.9	11.1	20.7	2,682.8	-3.4
Q4 2000	6,619.7	-5.5	28.6	4,433.9	2.6	17.2	2,185.8	-18.5
Q1 2001	5,758.1	-13.0	26.2	3,844.6	-13.3	16.7	1,913.5	-12.5
Q2 2001	7,351.0	27.7	31.7	4,679.2	21.7	19.8	2,671.8	39.6
Q3 2001	7,891.5	7.4	39.1	4,856.9	3.8	23.2	3,034.6	13.6

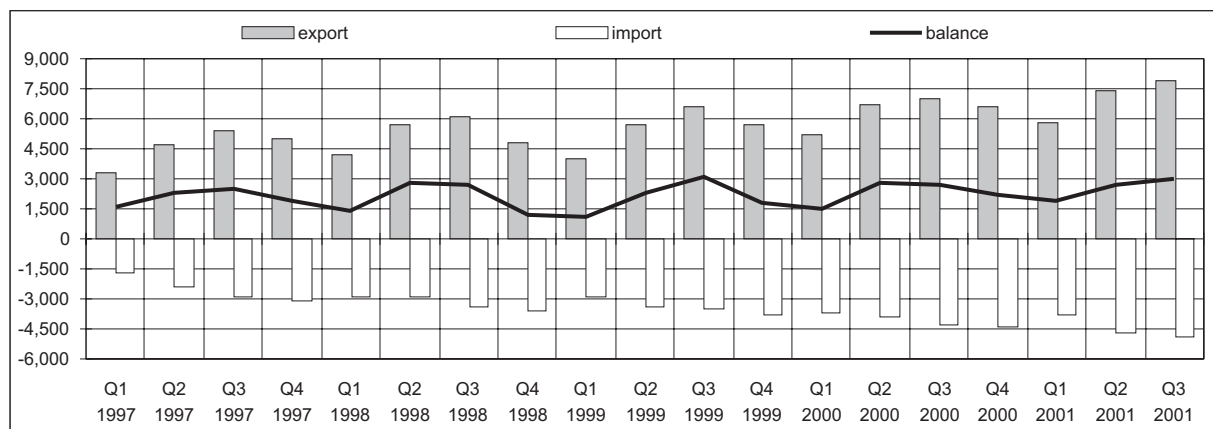


Figure 7. Services balance (EEK m)

Export of services increased by 900 million kroons, with transport, travel and construction services each contributing 190–250 million kroons (see Table 12). While in some previous years the share of construction services was marginal in the export of services then in 2001 its earlier 5% share was restored.

The growth of the government and business services import outstripped the average growth rate of the import of services (by 30% and 28%, respectively). The increase of the import of the most important category of services – transport – by 150 million kroons against 2000 was also significant (see Table 13).

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)		
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000
Transport services	1,483.9	1,293.2	1,340.7	48.9	48.4	50.0
Travel services	1,924.4	1,818.0	1,768.4	63.4	68.0	65.9
Construction services	320.3	27.8	39.3	10.6	1.0	1.5
Business services	-231.0	4.3	-100.7	-7.6	0.2	-3.8
Government services	-499.3	-485.2	-396.6	-16.5	-18.2	-14.8
Other	36.3	13.7	31.7	1.2	0.5	1.2
Services: net	3,034.6	2,671.8	2,682.8	100.0	100.0	100.0

Table 12. Services export by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
Transport services	3,417.7	3,448.8	3,125.4	43.3	46.9	44.6	-0.9	9.4
o/w freight	1,507.8	1,538.2	1,204.3	19.1	20.9	17.2	-2.0	25.2
passenger	843.6	779.8	786.4	10.7	10.6	11.2	8.2	7.3
other transport services	1,066.3	1,130.8	1,134.7	13.5	15.4	16.2	-5.7	-6.0
Travel services	2,999.8	2,628.2	2,804.5	38.0	35.8	40.0	14.1	7.0
Construction services	371.3	90.7	119.6	4.7	1.2	1.7	309.4	210.5
Business services	780.5	863.5	691.8	9.9	11.7	9.9	-9.6	12.8
Government services	28.9	30.5	9.8	0.4	0.4	0.1	-5.2	194.9
Other	293.3	289.3	253.6	3.7	3.9	3.6	1.4	15.7
Total	7,891.5	7,351.0	7,004.7	100.0	100.0	100.0	7.4	12.7

Table 13. Services import by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
Transport services	1,933.8	2,155.6	1,784.7	39.8	46.1	41.3	-10.3	8.4
o/w freight	1,352.5	1,581.8	1,256.4	27.8	33.8	29.1	-14.5	7.6
passenger	288.6	296.4	237.5	5.9	6.3	5.5	-2.6	21.5
other transport services	292.7	277.4	290.8	6.0	5.9	6.7	5.5	0.7
Travel services	1,075.4	810.2	1,036.1	22.1	17.3	24.0	32.7	3.8
Construction services	51.0	62.9	80.3	1.1	1.3	1.9	-18.9	-36.5
Business services	1,011.5	859.2	792.5	20.8	18.4	18.3	17.7	27.6
Government services	528.2	515.7	406.4	10.9	11.0	9.4	2.4	30.0
Other	257.0	275.6	221.9	5.3	5.9	5.1	-6.7	15.8
Total	4,856.9	4,679.2	4,321.9	100.0	100.0	100.0	3.8	12.4

The annual growth of the **transport services** export slowed down in 2001, although it was still over 9% for the second consecutive quarter (see Figure 8). The fastest growth occurred in the cargo transport (up 25% compared to 2000, with road transport growing even by 31%). As a result, the balance of the cargo transport services had a surplus of 155 million kroons. The annual growth of the passenger transport services export was below the average growth rate of transport services and stood at 7%. The import of transport services increased by 8% year-on-year, with the growth rate of the passenger transport services import outstripping that of export.

The surplus of the **travel services** balance amounted to 1.9 billion kroons, increasing by 7% year-on-year. Export of travel services grew by 7% and import was up 4% (see Figure 9). The number of foreign visitors increased by 10% compared to the same period in 2000, mostly on the account of tourists from Russia, Latvia and Lithuania, as well as short-term cruise passengers. The number of tourists arriving from the Scandinavian countries remained unchanged against 2000 while the number of Finnish tourists kept dropping for the second year running, this time falling by 3%. Against the same period in 2000, the number of Estonians travelling abroad was

smaller, mostly due to changes in the visa regime with Russian residents increased in a number of destination countries. According to surveys, the average spending of

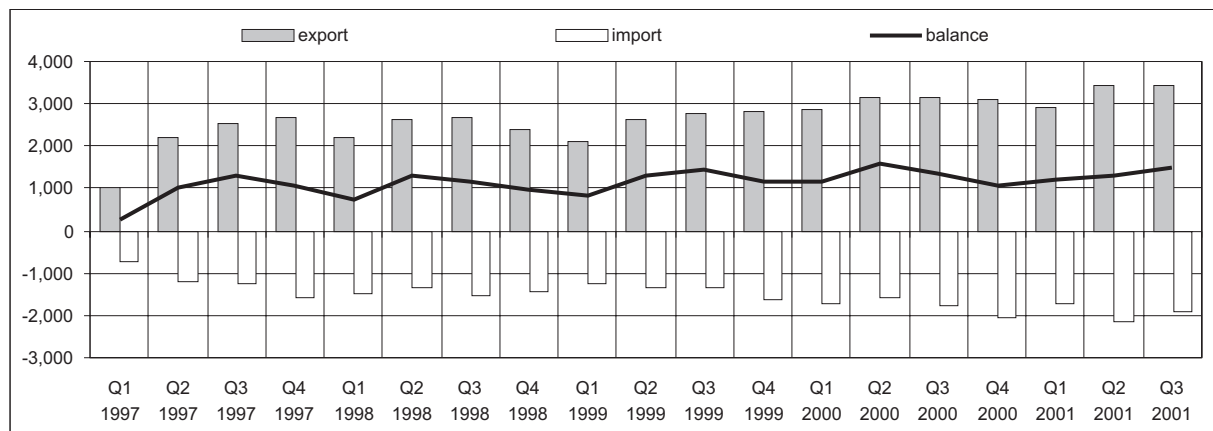


Figure 8. Transport services balance (EEK m)

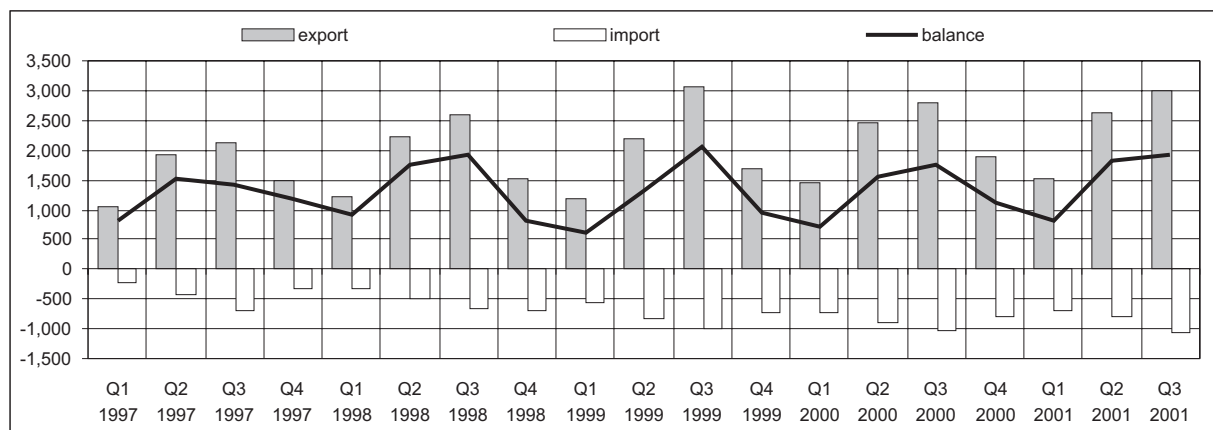


Figure 9. Travel services balance (EEK m)

Income

The preliminary deficit of the **income balance** is estimated at 1.3 billion kroons in the third quarter, or at 41% more than in the second quarter, which is usually the period of dividend payments (see Table 14 and Figure 10). One of the main reasons for the deficit was the increase of direct investment income in the form of reinvested income.

The **inflow of income** was up 18% year-on-year, mostly due to income from direct and portfolio investments (see Table 15).

The **outflow of income** fell by 3% year-on-year, with direct investment income down 4% and portfolio investment income down 2% (see Table 16).

Table 14. Income balance

	Balance (EEK m)			Share (%)		
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000
Income from direct investments	-1,323.3	-816.4	-1,452.8	102.7	89.5	100.5
o/w income from equity	-1,274.7	-744.3	-1,397.0	99.0	81.6	96.6
income from debt (interests)	-48.6	-72.1	-55.8	3.8	7.9	3.9
Income from portfolio investments	149.3	-3.9	109.8	-11.6	0.4	-7.6
Income from other investments	-126.7	-124.4	-107.9	9.8	13.6	7.5
Other income	12.6	32.2	4.9	-1.0	-3.5	-0.3
Income: net	-1,288.1	-912.5	-1,446.0	100.0	100.0	100.0

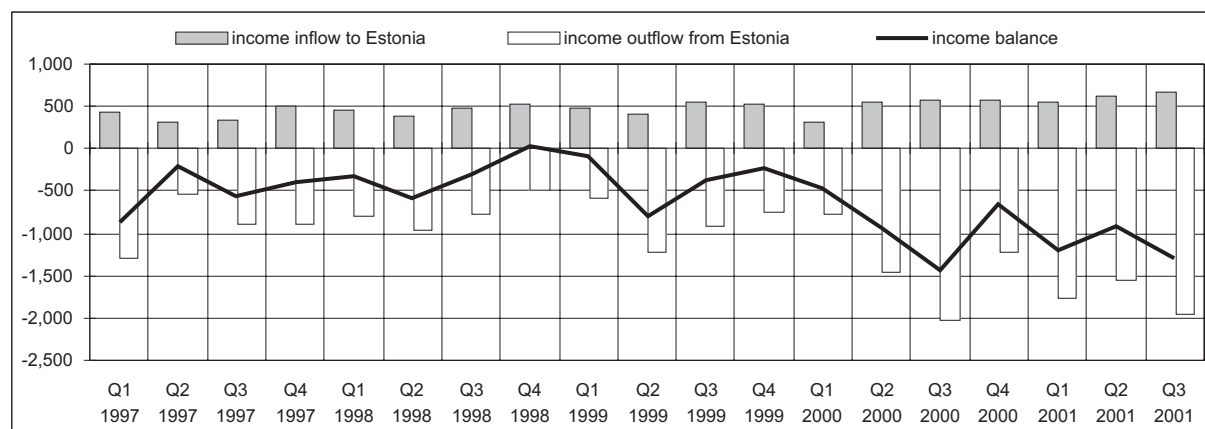


Figure 10. Income balance (EEK m)

Table 15. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
Income from direct investments	157.3	-21.5	96.1	23.4	-3.4	16.8		63.7
o/w income from equity	132.7	-50.1	83.9	19.7	-7.9	14.7		58.2
income from debt (interests)	24.6	28.6	12.2	3.7	4.5	2.1	-14.0	101.6
Income from portfolio investments	300.5	426.0	263.6	44.7	67.4	46.2	-29.5	14.0
Income from other investments	195.7	191.5	201.6	29.1	30.3	35.3	2.2	-2.9
Other income	18.4	35.6	9.3	2.7	5.6	1.6	-48.3	97.8
Total	671.9	631.6	570.6	100.0	100.0	100.0	6.4	17.8

Table 16. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
Income from direct investments	-1,480.6	-794.9	-1,548.9	75.5	51.5	76.8	86.3	-4.4
o/w income from equity	-1,407.4	-694.2	-1,480.9	71.8	45.0	73.4	102.7	-5.0
income from debt (interests)	-73.2	-100.7	-68.0	3.7	6.5	3.4	-27.3	7.6
Income from portfolio investments	-151.2	-429.9	-153.8	7.7	27.8	7.6	-64.8	-1.7
Income from other investments	-322.4	-315.9	-309.5	16.4	20.5	15.3	2.1	4.2
Other income	-5.8	-3.4	-4.4	0.3	0.2	0.2	70.6	31.8
Total	-1,960.0	-1,544.1	-2,016.6	100.0	100.0	100.0	26.9	-2.8

Transfers

The surplus of the **transfers' balance** amounted to 643 million kroons in the third quarter, up 8% year-on-year mainly due to the 60 million kroons increase of the

transfers credit. The main source of the growth was the government transfers credit, which increased by 12%.

CAPITAL AND FINANCIAL ACCOUNT

The capital and financial account had a 1.3 billion kroons surplus in the third quarter of 2001. The structure of the

financial account by categories and maturities can be seen from Figures 11 and 12.

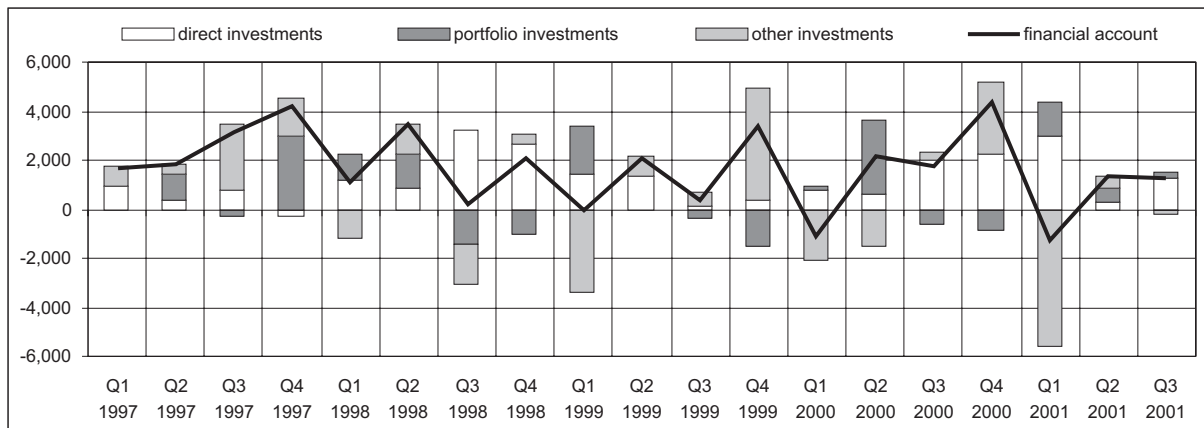


Figure 11. Changes in the structure of foreign investment capital flows (EEK m)

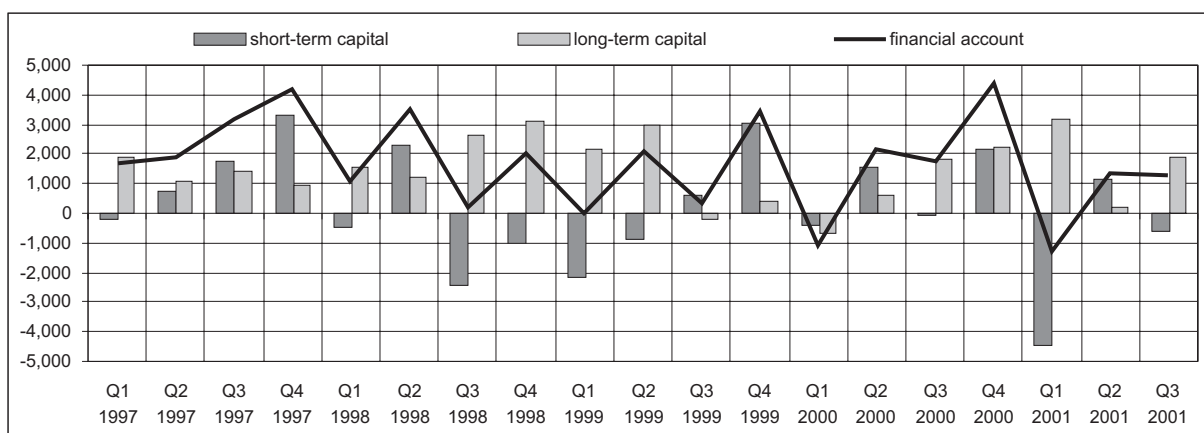


Figure 12. The maturity structure of financial sources (EEK m)

Direct Investments

The balance of direct investments was positive by 1.2 billion kroons in the third quarter of 2001. Non-residents invested 2.6 billion kroons into Estonia and Estonian direct investments abroad increased by 1.4 billion kroons (see Table 17 and Figure 13).

The inflow of direct investments into Estonia increased by one billion kroons against the second quarter of 2001 and was up one third against the third quarter of 2000. 14% of direct investments were placed into share capital. Due to the accumulation of undistributed profits of

Table 17. Structure of direct investments

	Into Estonia						Abroad					
	EEK m			Share (%)			EEK m			Share (%)		
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000
Share capital	368.8	386.6	1,197.7	14.1	25.0	60.9	-716.9	-1,024.7	230.5	52.3	79.5	573.4
Inflow	571.3	851.5	1,519.1	21.9	55.0	77.3	52.2	20.5	361.4	-3.8	-1.6	899.0
Outflow	-202.5	-464.9	-321.4	-7.8	-30.0	-16.4	-769.1	-1,045.2	-130.9	56.1	81.1	-325.6
Reinvested income	1,299.4	-250.1	861.0	49.8	-16.1	43.8	-130.8	78.2	-61.5	9.5	-6.1	-153.0
Claims	-445.1	-2,000.7	-561.0	-22.6	-101.8	-28.5	-162.5	-17.7	-66.7	-8.3	-0.9	-3.4
Liabilities	1,744.5	1,750.6	1,422.0	88.8	89.1	72.3	31.7	95.9	5.2	1.6	4.9	0.3
Loan capital (net)	1,178.6	1,126.1	48.2	45.2	72.7	2.5	-513.0	-335.8	-121.3	37.4	26.0	-301.7
Trade credit	-71.9	340.2	-32.0	-2.8	22.0	-1.6	-180.7	4.6	66.8	13.2	-0.4	166.2
Short-term loans	1,078.5	444.6	246.8	41.4	28.7	12.6	-57.7	-102.7	-141.6	4.2	8.0	-352.2
Long-term loans	172.0	341.3	-166.6	6.6	22.0	-8.5	-274.6	-237.7	-46.5	20.0	18.4	-115.7
Other capital	-238.6	286.6	-141.3	-9.1	18.5	-7.2	-9.2	-6.9	-7.5	0.7	0.5	-18.7
Total	2,608.2	1,549.2	1,965.6	100.0	100.0	100.0	-1,369.9	-1,289.2	40.2	100.0	100.0	100.0

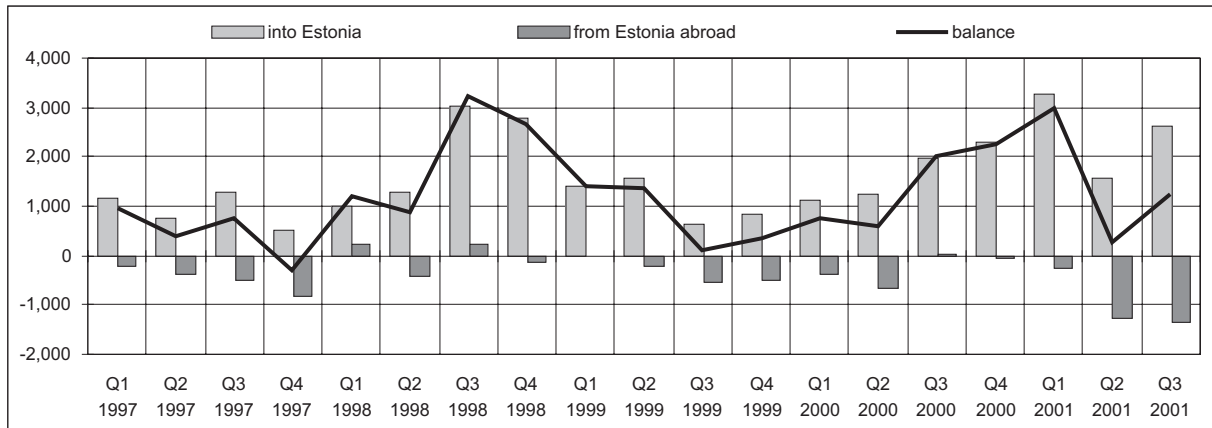


Figure 13. Direct investments (EEK m)

foreign owners there was a considerable surge in the volume of reinvested income, which accounted for half of investments made into Estonian-based affiliated/ associated companies. The most profitable spheres of activity were still transport, storage and communication.

45% of long-term strategic investments were made up of net inflow of loan capital, which remained unchanged against the second quarter. Short-term loan liabilities to foreign owners increased by more than one billion kroons (see Figure 14).

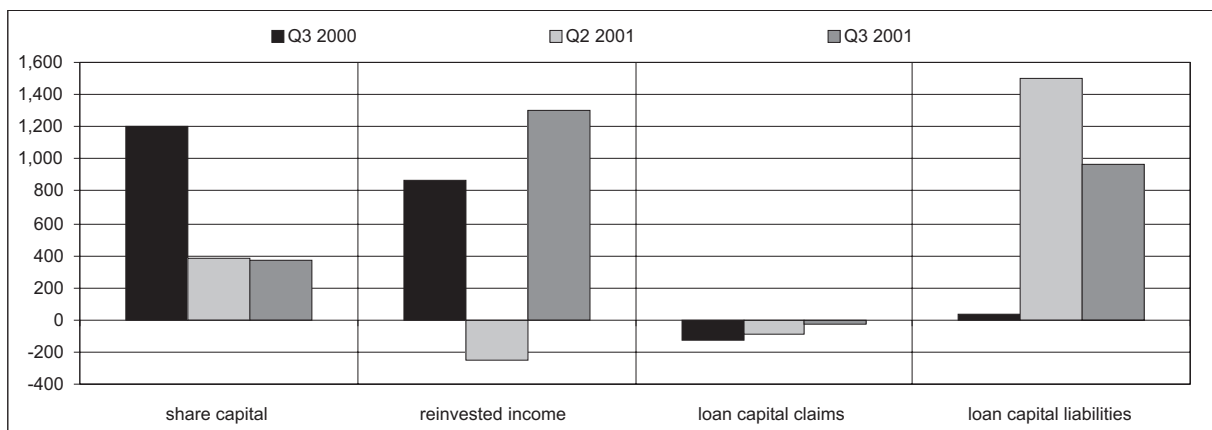


Figure 14. Structure of direct investments made into Estonia (EEK m)

Nearly one third of direct investments came from Finland, followed by Great Britain, the USA and Sweden. The most attractive spheres of activity were real estate, leasing and

business services, as well as transport, storage and communication. Financial investments into wholesale and retail trade were also remarkable (see Figures 15 and 16).

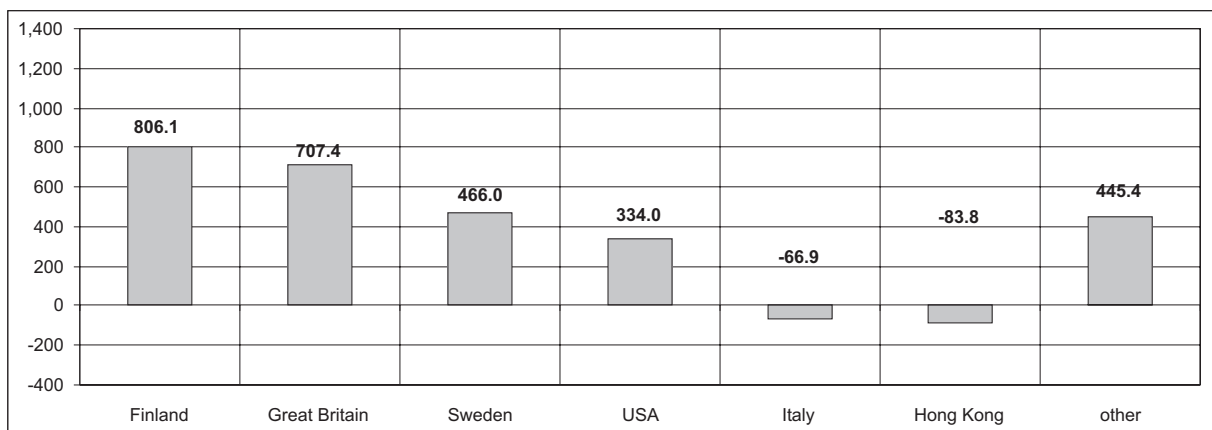


Figure 15. Structure of direct investments made into Estonia by countries in the 3rd quarter of 2001 (EEK m)

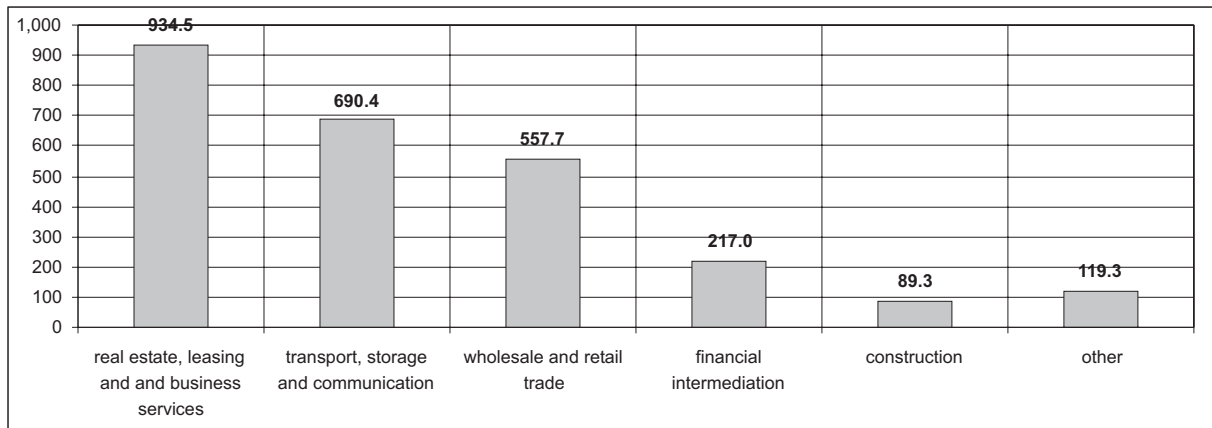


Figure 16. Structure of direct investments made into Estonia by spheres of activity in the 3rd quarter of 2001 (EEK m)

Placement of direct investments abroad by Estonian businesses amounted to 1.3 billion kroons, just like in the second quarter, being the largest over the past decade. More than half of the outflow increased the positions of resident businesses in the share capital of companies abroad. Unlike in the second quarter of 2001 and the third quarter of 2000, affiliated/associated companies

abroad were in the black with nearly 131 million kroons. 37% of the outflow of direct investments consisted of loan capital. Outflow in the form of trade credit was mostly made up of repayments of debts to affiliated/associated companies for goods and services. The increase of long-term loan claims remained on the level of the second quarter (see Figure 17).

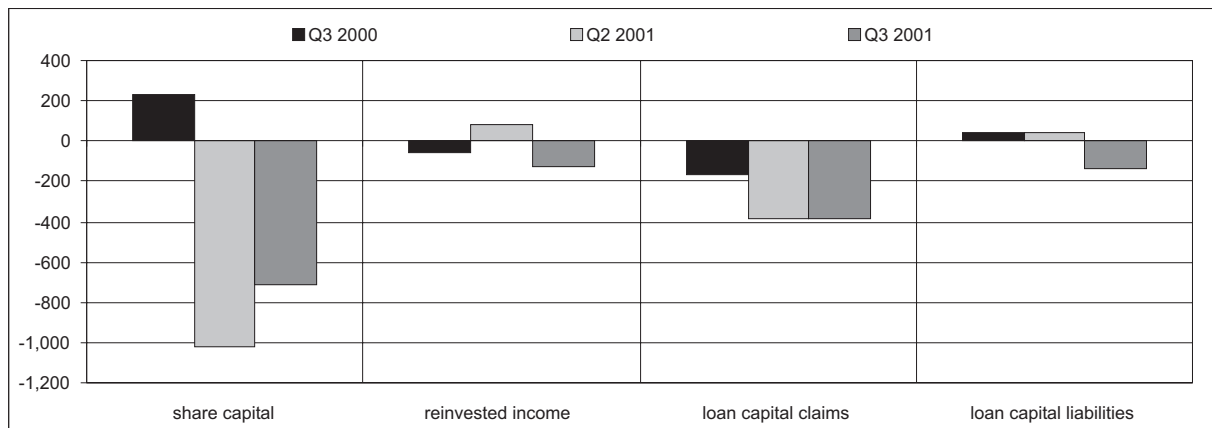


Figure 17. Structure of direct investments made abroad (EEK m)

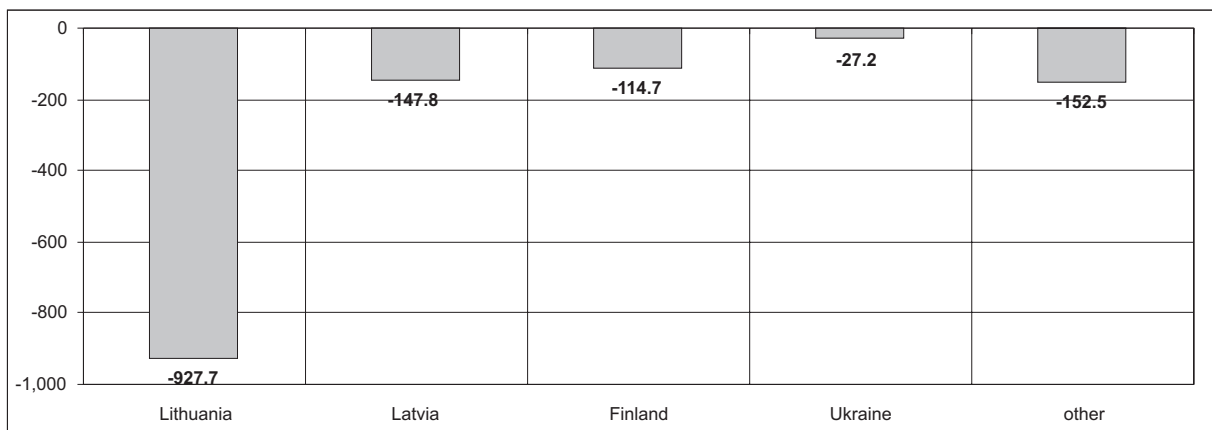


Figure 18. Structure of direct investments made abroad by countries in the 3rd quarter of 2001 (EEK m)

The most-favoured target of investments was the financial sector of Lithuania, but Latvia and Finland remained attractive as well. Besides the financial sector,

direct investments also increased into transport, storage and communication and manufacturing (see Figures 18 and 19).

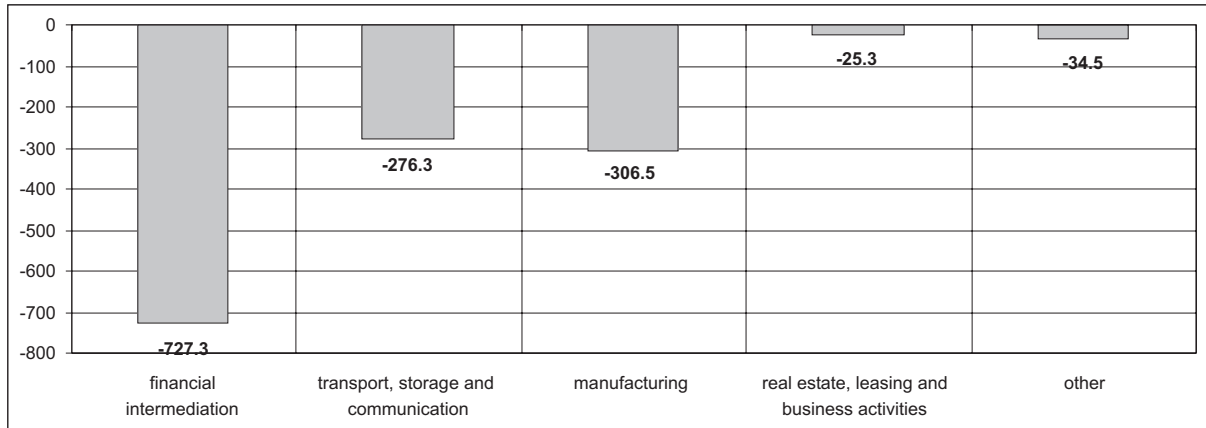


Figure 19. Structure of direct investments made abroad by spheres of activities in the 3rd quarter of 2001 (EEK m)

Portfolio Investments

The net inflow of portfolio investments amounted to 290 million kroons and was mostly linked to the decrease

of the debt security claims of credit institutions (see Figure 20 and Table 18).

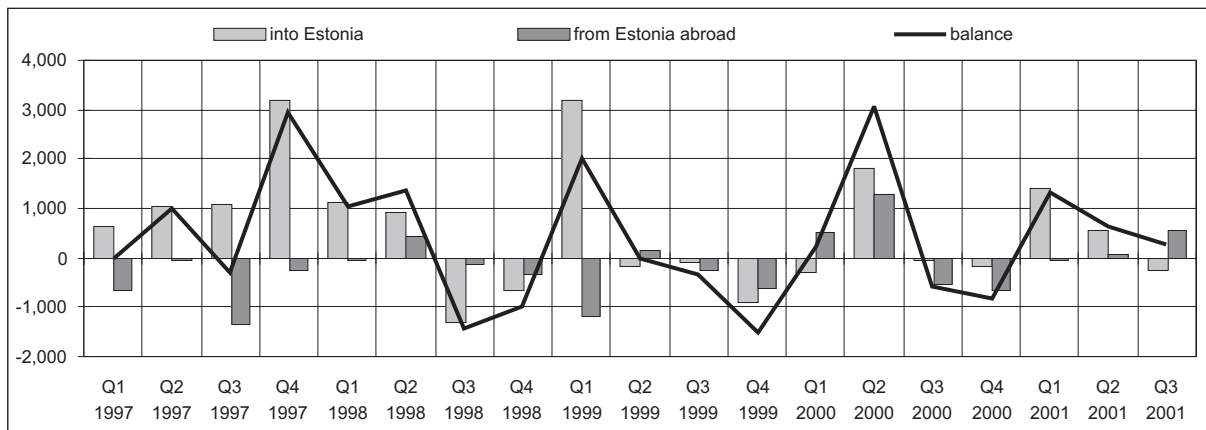


Figure 20. Portfolio investments (EEK m)

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

	Claims			Liabilities			Balance		
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000
Total portfolio investments	539.1	83.5	-548.5	-248.8	550.1	-41.0	290.3	633.6	-589.5
o/w equity securities	-38.6	-5.9	-115.4	-144.3	502.5	91.8	-182.9	496.6	-23.6
credit institutions	3.4	5.7	-99.9	-160.4	462.2	41.3	-157.0	467.9	-58.6
other sectors	-42.0	-11.6	-15.5	16.1	40.3	50.5	-25.9	28.7	35.0
debt securities	577.7	89.4	-433.1	-104.5	47.6	-132.8	473.2	137.0	-565.9
central bank		81.8					0.0	81.8	
government sector	125.9	12.5			-55.8	-91.7	125.9	-43.3	-91.7
credit institutions	525.9	-8.9	-419.4	-8.7	-157.6	9.5	517.2	-166.5	-409.9
other sectors	-74.1	4.0	-13.7	-95.8	261.0	-50.6	-169.9	265.0	-64.3

Portfolio investment claims decreased by 539 million kroons over the third quarter and this can mainly be attributed to the shrinking of investments into the bank-owned debt securities of non-residents. At the same time, equity and debt security claims in other sectors increased. **Portfolio investment liabilities** declined by 249 million

kroons in the third quarter, quite unlike in the first and the second quarter, which were characterized by the increase of liabilities and capital inflow. Businesses of other sectors cut their debt liabilities to non-residents by 96 million kroons and investments into bank shares fell by 160 million kroons.

Other Investments

The balance of the flows of **other investment capital** was negative by 230 million kroons in the third quarter. This was mainly due to short-term loans granted by the

other sectors, placement of government funds abroad and the decrease of residents' deposits in credit institutions (see Figure 21 and Tables 19 and 20).

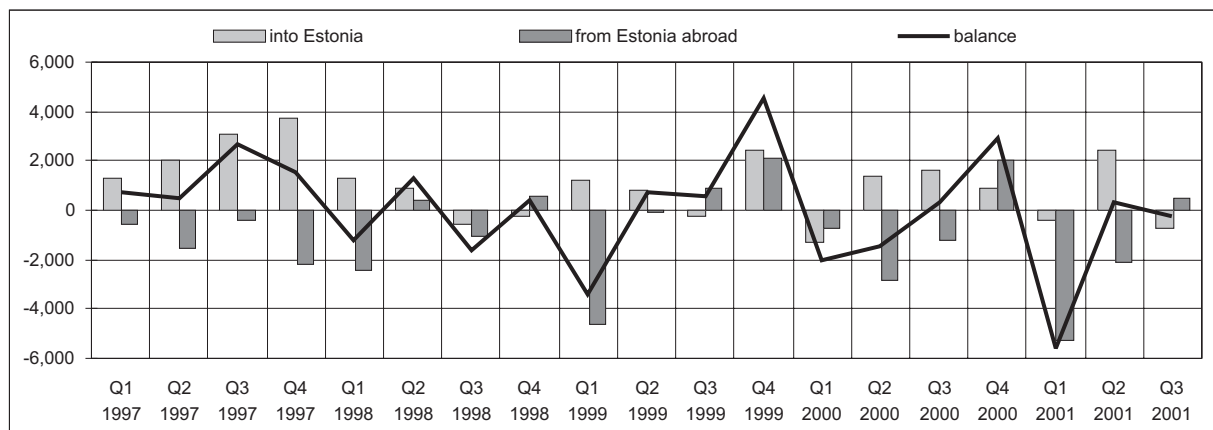


Figure 21. Other investments (EEK m)

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

	Claims			Liabilities			Balance		
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000
Total	502.5	-1,967.7	-1,246.5	-732.6	2,402.5	1,597.9	-230.1	434.8	351.4
o/w trade credit	323.2	-771.1	-189.2	-487.4	788.1	191.6	-164.2	17.0	2.4
loans	-71.8	-579.8	-1,281.2	524.5	361.7	182.8	452.7	-218.1	-1,098.4
deposits	126.1	-502.0	74.9	-752.1	1,098.6	1,180.5	-626.0	596.6	1,255.4
other	125.0	-114.8	149.0	-17.6	154.1	43.0	107.4	39.3	192.0

Table 20. Other investments by maturity (EEK m)

	Claims			Liabilities			Balance		
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000
Total	502.5	-1,967.7	-1,246.5	-732.6	2,402.5	1,597.9	-230.1	434.8	351.4
Long-term capital	484.2	-500.5	-587.1	195.1	441.0	399.3	679.3	-59.5	-187.8
central bank	2.9	-0.1			-1.5		2.9	-1.6	0.0
government sector				28.0	-88.4	-106.1	28.0	-88.4	-106.1
credit institutions	28.8	47.8	-67.2	40.9	39.0	106.4	69.7	86.8	39.2
other sectors	452.5	-548.2	-519.9	126.2	491.9	399.0	578.7	-56.3	-120.9
Short-term capital	18.3	-1,467.2	-659.4	-927.7	1,961.5	1,198.6	-909.4	494.3	539.2
central bank	86.9	-186.5	-106.0	68.3	-8.7	-24.5	155.2	-195.2	-130.5
government sector	-463.9	95.3	-8.5				-463.9	95.3	-8.5
credit institutions	1,118.6	-398.7	-659.7	-691.0	1,378.5	1,108.3	427.6	979.8	448.6
other sectors	-723.3	-977.3	114.8	-305.0	591.7	114.8	-1,028.3	-385.6	229.6

Other investment claims decreased by 503 million kroons in the third quarter, mostly due to the 700 million kroons drop of bank deposits kept in credit institutions abroad, but also thanks to the 417 million kroons worth of loan repayments by non-residents. Repayment of 454 million kroons worth of long-term loans by non-residents to businesses of other sectors also contributed to the decline of other investment claims. Short-term loans of other sectors to non-residents increased by 943 million

kroons and the stabilization reserve in credit institutions abroad grew by 464 million kroons.

Other investment liabilities decreased by 733 million kroons, mostly due to the drop in the deposits of non-residents in Estonian credit institutions (by 753 million kroons) and trade credit liabilities of residents (by 487 million kroons). Long- and short-term loans of other sectors and banks increased by 305 million and 192 million kroons, respectively.

RESERVES

Table 21. Structure of reserves change

	EEK m			Share (%)		
	Q3 2001	Q2 2001	Q3 2000	Q3 2001	Q2 2001	Q3 2000
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	400.0	-351.1	1,055.4	67.7	51.8	-390.2
Securities	191.2	-325.8	-1,325.9	32.4	48.1	490.2
Equity securities				0.0	0.0	0.0
Debt securities	248.7	59.7	-1,704.7	42.1	-8.8	630.2
Money market instruments	-57.5	-385.5	378.8	-9.7	56.9	-140.0
Other claims	-0.2	-0.8	0.0	0.0	0.1	0.0
Total	591.0	-677.7	-270.5	100.0	100.0	100.0

The gold and foreign currency reserves of the central bank decreased by 0.6 billion kroons in the third quarter (see Table 21). This was mostly caused by the reform of the monetary policy operational framework³, which allowed credit institutions to reduce their reserve requirements at Eesti Pank and which, in turn, decreased the supply of base money. Due to the increase of import and the decrease of reserves the coverage of imports with reserves decreased somewhat (see Figure 22).

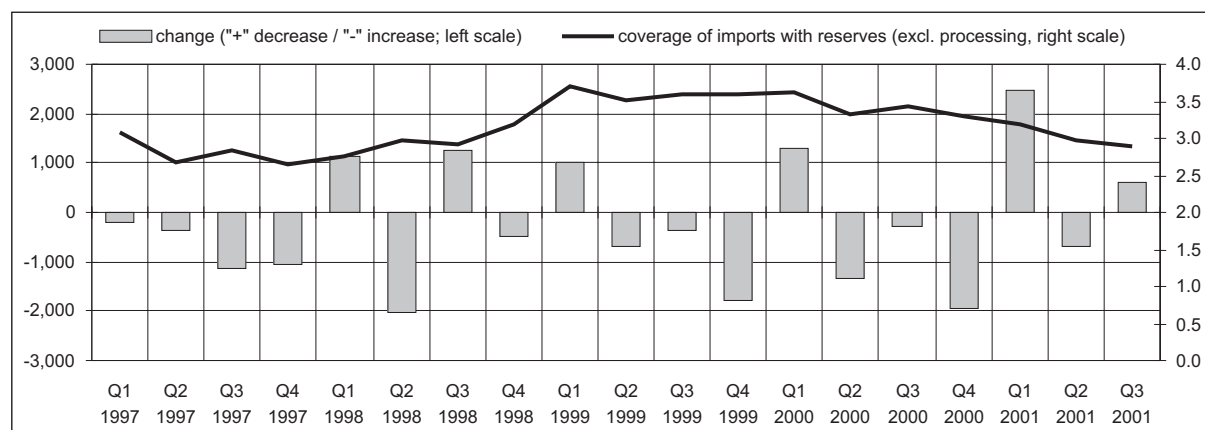


Figure 22. Change of Estonia's gold and foreign currency reserves (EEK m) and the coverage of imports (by quarters)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT

as of 30 September 2001

By the end of the third quarter of 2001 foreign investments made into Estonia amounted to 98.5 billion

kroons, including 50.2 billion kroons or 51% of foreign direct investments, the bulk of which did not increase

³ Since 1 January 2001, credit institutions were allowed to meet 25% of their reserve requirements by euro denominated highly rated debt securities, which is meant to improve the smooth and effective functioning of the monetary system within the currency board. From 1 July, this possibility was raised to 50% of the reserve requirements. Before 2001 the banks had to meet their reserve requirements fully by kroon deposits kept with the central bank.

external debt (see Table 22). For foreign investors, the most attractive economic sectors were financial intermediation (23% of direct investments), manufacturing

(22%), transport, storage and communications (18%). The bulk of direct investment capital came from Sweden (36%) and Finland (29%; see Figure 23).

Table 22. Estonia's international investment position (EEK m)¹

	31.06.01	Share (%)	30.09.01	Share (%)
EXTERNAL ASSETS				
Direct investments abroad	5,959.4	11.6	7,248.6	14.2
share capital and reinvested income	3,896.9	7.6	4,745.1	9.3
other capital	2,062.5	4.0	2,503.5	4.9
Portfolio investments abroad	4,887.2	9.5	4,285.3	8.4
equity securities	245.4	0.5	282.7	0.6
debt securities	4,641.8	9.0	4,002.6	7.9
long-term	1,460.2	2.8	1,411.3	2.8
short-term	3,181.6	6.2	2,591.3	5.1
Financial derivatives	160.1	0.3	125.6	0.2
Other investments abroad	26,517.6	51.6	26,122.0	51.3
trade credit	5,244.9	10.2	4,986.5	9.8
loans	9,243.3	18.0	9,308.6	18.3
long-term	4,665.6	9.1	4,184.7	8.2
short-term	4,577.7	8.9	5,123.9	10.1
deposits	11,470.1	22.3	11,328.0	22.3
other assets	559.3	1.1	498.9	1.0
Reserves	13,885.0	27.0	13,111.6	25.8
TOTAL EXTERNAL ASSETS	51,409.3	100.0	50,893.1	100.0
EXTERNAL LIABILITIES				
Direct investments into Estonia	50,103.0	49.8	50,215.5	51.0
share capital and reinvested income	38,102.6	37.9	37,254.8	37.8
other capital	12,000.4	11.9	12,960.7	13.2
Portfolio investments into Estonia	14,724.2	14.6	13,027.5	13.2
equity securities	7,768.4	7.7	6,565.6	6.7
debt securities	6,955.8	6.9	6,461.9	6.6
long-term	6,862.4	6.8	6,410.3	6.5
short-term	93.4	0.1	51.6	0.1
Financial derivatives	114.9	0.1	122.2	0.1
Other investments into Estonia	35,631.3	35.4	35,180.7	35.7
trade credit	6,453.8	6.4	6,219.8	6.3
loans	18,380.9	18.3	18,542.8	18.8
long-term	15,445.4	15.4	15,336.9	15.6
short-term	2,935.5	2.9	3,205.9	3.3
deposits	8,801.3	8.8	8,049.2	8.2
other liabilities	1,995.3	2.0	2,368.9	2.4
TOTAL EXTERNAL LIABILITIES	100,573.4	100.0	98,545.9	100.0
NET INTERNATIONAL INVESTMENT POSITION	-49,164.1		-47,652.8	
short-term	5,108.2		6,259.8	
long-term	-54,272.3		-53,912.6	

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

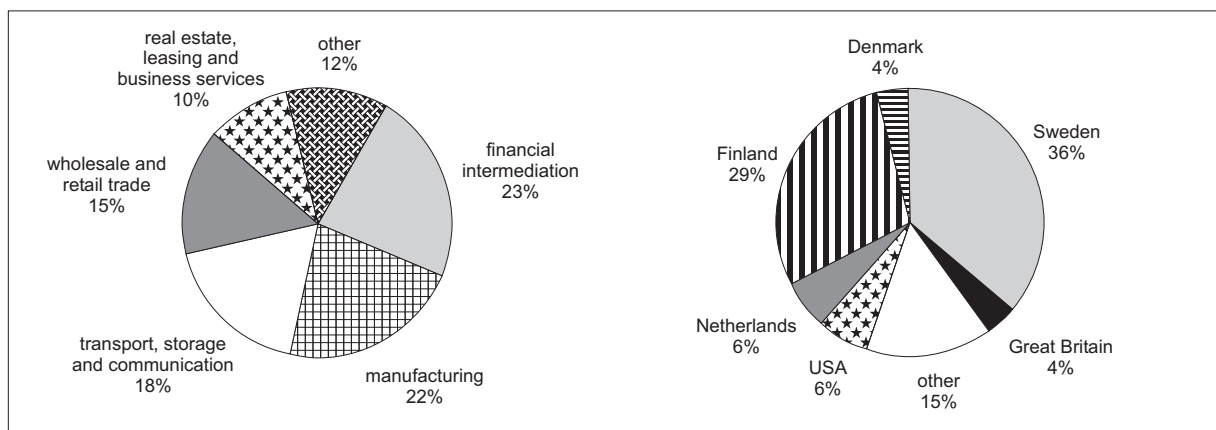


Figure 23. Direct investment position in Estonia by spheres of activity and countries as of 30 September 2001

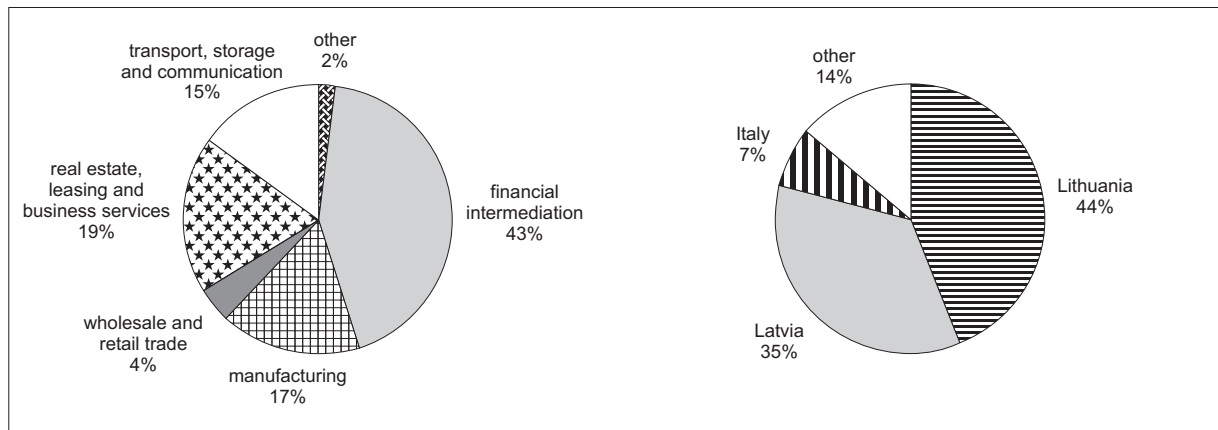


Figure 24. Estonia's direct investment position abroad by spheres of activity as of 30 September 2001

Compared to the end of the second quarter, the structure of foreign investments made into Estonia has changed little. Besides direct investments, an important role belongs to loan capital, particularly long-term loans (accounting for 19% and 15% of total investments, respectively). Total investments made into Estonia decreased against the

second quarter mostly due to the falling prices of equity securities and redemption of debt securities.

Investments from Estonia abroad amounted to 50.9 billion kroons at the end of the third quarter. Over 50% of it were loans and deposits and over 25% was made

Table 23. Estonia's external debt (EEK m)

	30.06.01	%	30.09.01	%
DEBT LIABILITIES				
Short-term	19,412.8	33.9	18,673.8	32.6
Government sector	0.0	0.0	0.0	0.0
Central bank	0.7	0.0	65.8	0.1
Credit institutions	11,092.8	19.4	10,360.0	18.1
Other sectors	8,319.3	14.5	8,248.0	14.4
Long-term	37,881.9	66.1	38,594.7	67.4
Government sector	3,265.6	5.7	3,005.1	5.2
Central bank	1.4	0.0	1.3	0.0
Credit institutions	9,108.3	15.9	9,140.2	16.0
Other sectors	25,506.6	44.5	26,448.1	46.2
GROSS EXTERNAL DEBT	57,294.7	100.0	57,268.5	100.0
CLAIMS				
Short-term	38,819.4	78.0	37,582.2	77.7
Government sector	1,477.7	3.0	1,833.9	3.8
Central bank	13,845.5	27.8	13,071.0	27.0
Credit institutions	12,982.3	26.1	11,423.1	23.6
Other sectors	10,513.9	21.1	11,254.2	23.3
Long-term	10,952.9	22.0	10,781.5	22.3
Government sector	0.0	0.0	0.0	0.0
Central bank	17.4	0.0	16.8	0.0
Credit institutions	1,307.2	2.6	1,272.4	2.6
Other sectors	9,628.3	19.3	9,492.3	19.6
CLAIMS TOTAL	49,772.3	100.0	48,363.7	100.0
NET EXTERNAL DEBT				
Short-term	19,406.6		18,908.4	
Government sector	1,477.7		1,833.9	
Central bank	13,844.8		13,005.2	
Credit institutions	1,889.5		1,063.1	
Other sectors	2,194.6		3,006.2	
Long-term	-26,929.0		-27,813.2	
Government sector	-3,265.6		-3,005.1	
Central bank	16.0		15.5	
Credit institutions	-7,801.1		-7,867.8	
Other sectors	-15,878.3		-16,955.8	
NET EXTERNAL DEBT TOTAL	-7,522.4		-8,904.8	

up of the central bank's gold and foreign currency reserve. Direct investment capital (14%) is gaining more importance in the Estonian capital invested abroad. For Estonian investors, the most attractive economic sectors were financial intermediation (43% of direct investments abroad) and real estate, leasing and business activities (19%). The bulk of direct investments have been made into Lithuania (44%) and Latvia (35%; see Figure 24).

Due to the predominance of external liabilities, Estonia's

net investment position at the end of the third quarter was negative by 47.7 billion kroons, which accounted for 50% of the anticipated GDP of 2001. **On 30 September 2001, the total external debt of all economic sectors of Estonia (see Table 23) amounted to 57.3 billion kroons (62% of the anticipated GDP) and the net external debt (external debt claims minus external debt liabilities) stood at 8.9 billion kroons (9.6% of the GDP).** The dynamics of Estonia's total and net external debt can be seen in Figures 25, 26 and 27

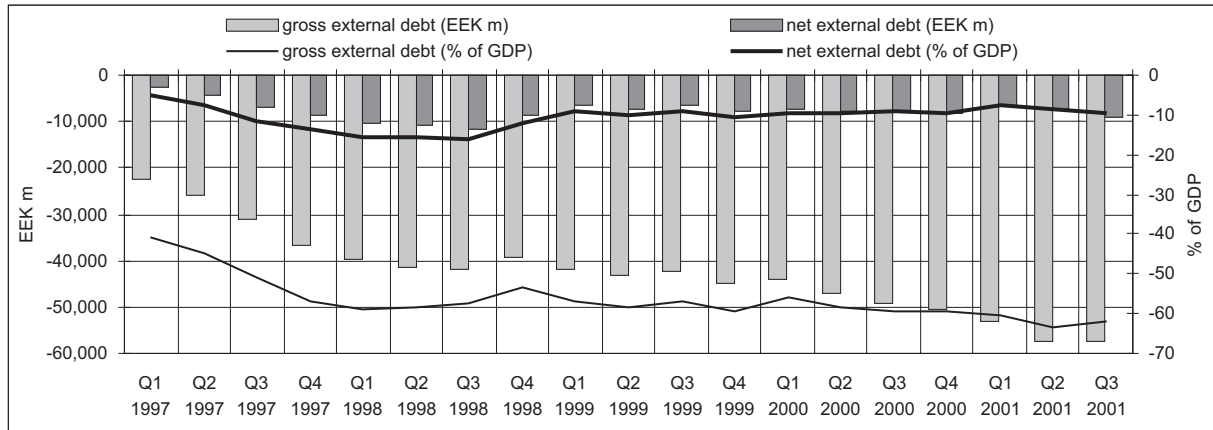


Figure 25. Estonia's gross and net external debt (EEK m, left scale, and % of GDP, right scale)

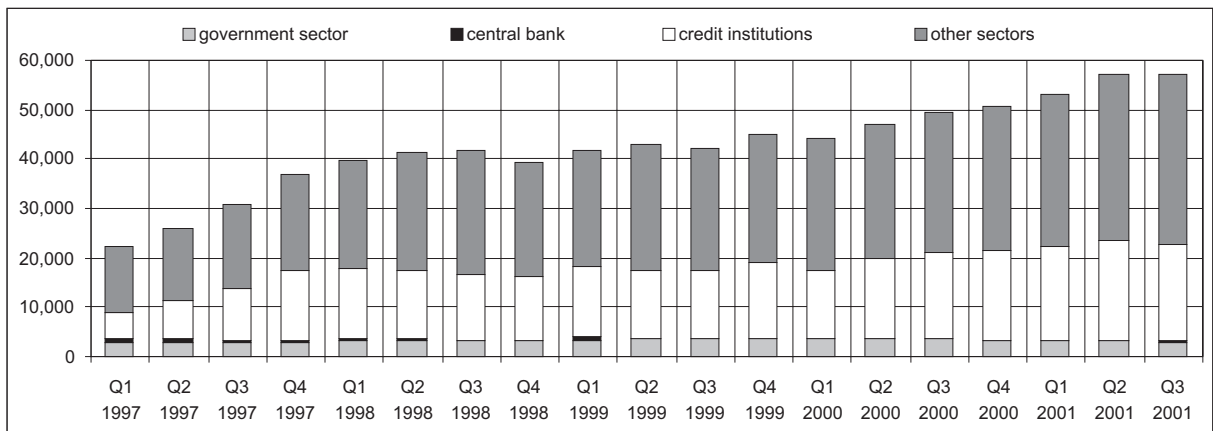


Figure 26. Estonia's gross external debt by economic sectors (EEK m)

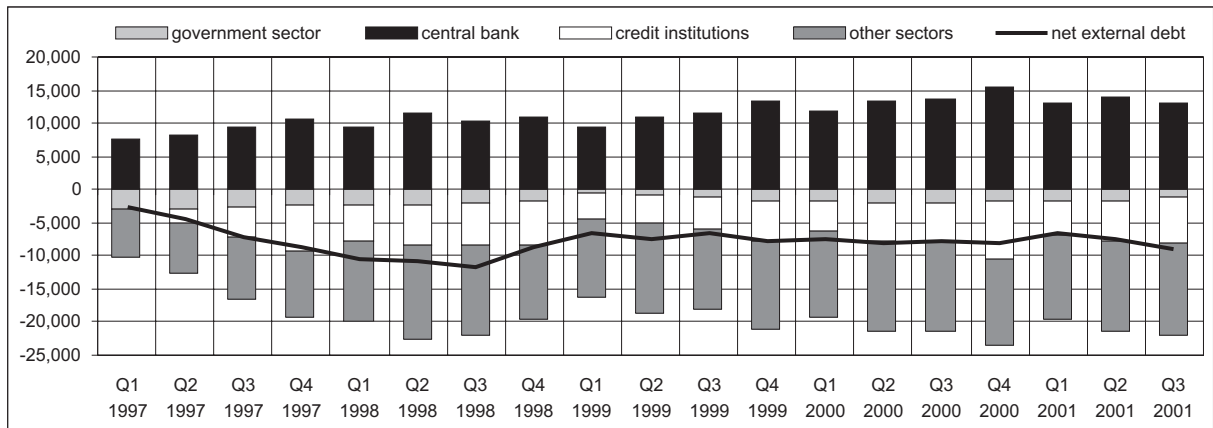


Figure 27. Estonia's net external debt by economic sectors (EEK m)

INTERNATIONAL TRANSACTIONS OF CUSTOMERS VIA THE ESTONIAN BANKING SYSTEM

Number and Turnover of Transactions

Against the second quarter, the number of international payments⁴ decreased for both incoming and outgoing payments, by 4% and 3%, respectively in the third quarter of 2001 (see Table 24 and Figure 28). Compared to the third quarter of 2000, the number of incoming payments was up 35%, while the number of outgoing payments increased just 14%.

The turnover of international payments carried out by customers of commercial banks increased against the

second quarter by just 0.5% for incoming payments. The turnover of outgoing payments dropped by 4% (see Table 25 and Figure 29). Compared to the third quarter of 2000, the turnover of both incoming and outgoing payments increased by 19%. The average size of an incoming payment was 158,200 kroons in the third quarter of 2001, the average size of an outgoing payment was 196,900 kroons (the respective figures for the second quarter were 151,800 and 200,000 kroons).

Table 24. Number of international payment transactions

	In thousands			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
Incoming payments	133	138	98	-4.1	34.8
Outgoing payments	113	117	99	-3.3	14.1
Total	246	255	197	-3.5	24.9

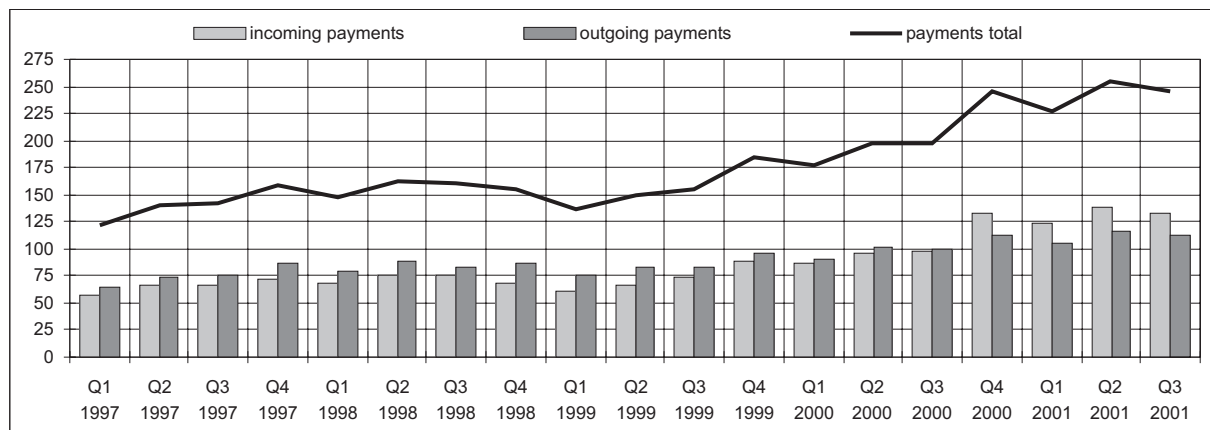


Figure 28. Number of international payment transactions (in thousands)

Table 25. Turnover of international payment transactions

	EEK billion			Change (%)	
	Q3 2001	Q2 2001	Q3 2000	Q3 2001/ Q2 2001	Q3 2001/ Q3 2000
Incoming payments	21.0	20.9	17.6	0.5	19.3
Outgoing payments	22.2	23.1	18.7	-4.0	18.9
Total	43.2	44.0	36.3	-1.8	19.0

⁴ International payments do not contain transactions between residents only and between non-residents only.

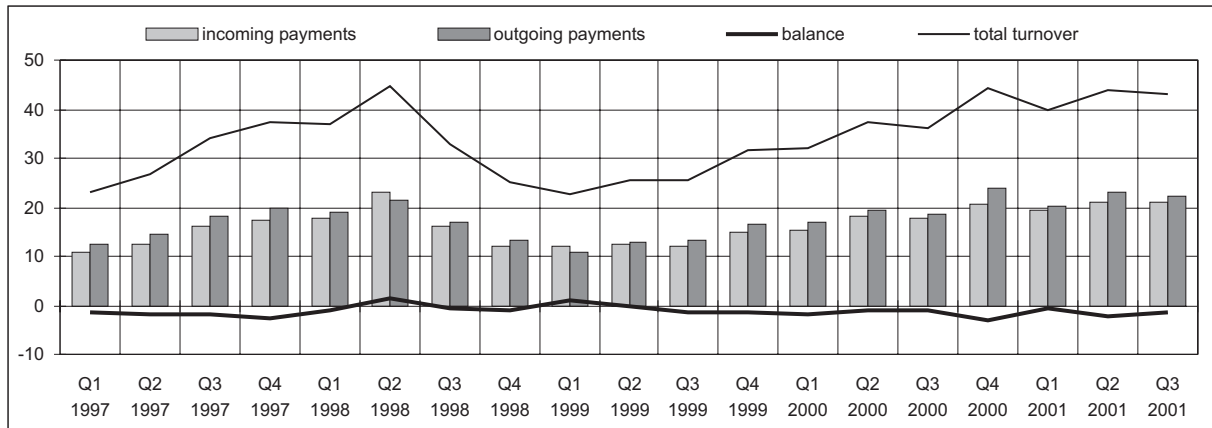


Figure 29. Turnover and balance of international payment transactions (EEK billion)

Use of Currencies⁵

By turnover, the ranking of major currencies used by the customers of Estonian commercial banks in international payments in the third quarter of 2001 was the same as in the second quarter (see Figure 30). The dominating

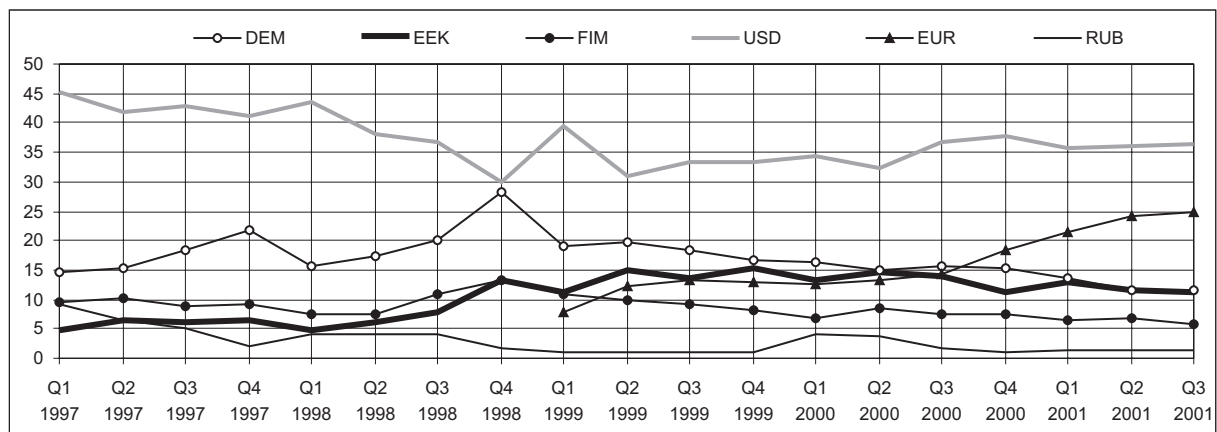


Figure 30. Currencies used in international payment transactions (%)

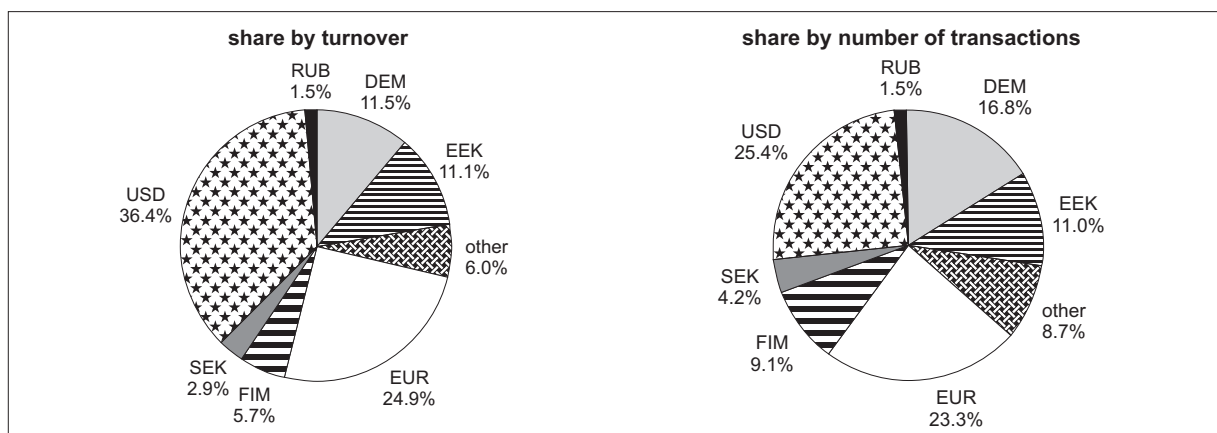


Figure 31. Use of major currencies by turnover and number of international payments

⁵ The analysis of transactions by currencies does not reflect payments 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.

currency was still the **US dollar**, which accounted for 36% of the total turnover of international payments (see Figure 31). The share of the **euro**, used in transactions since 1999, grew to 25% in the total turnover of payments, surpassing the share of both the **German mark** (12%) and the **Estonian kroon** (11%). The share of the **Finnish markka** fell by one percentage point and the share of the **Swedish krona**

(3%) and the **Russian rouble** (2%) remained unchanged.

By the number of transactions, the use of currencies was similar to their share in the turnover. The use of the **German mark** exceeded that of the **Estonian kroon** by approximately six percentage points. The share of the **US dollar** was just two percentage points bigger than the share of the **euro**.