

PRELIMINARY BALANCE OF PAYMENTS OF ESTONIA FOR 2000¹

SHORT OVERVIEW

Pursuant to the preliminary balance of payments of 2000 the current account deficit was 6.8% of the anticipated gross domestic product (GDP). The balance of payments manifests explicitly the success in the economy in 2000. On one hand, the goods and services balance deficit has dropped due to rapidly growing exports to the record low since 1993 – 4.3% of GDP. On the other hand, foreign direct investment (FDI) inflow was steady, with profitability going up,

increasing the current account deficit by 1.4 billion kroons against 1999.

By quarters the current account balance varies subject to seasonal factors. During the first three quarters the current account deficit was contained at a relatively moderate level (3.9–5.6% of GDP) whereas in the fourth quarter it underwent a traditionally sharp leap, mostly due to the increased demand for imported goods (see Figure 1).

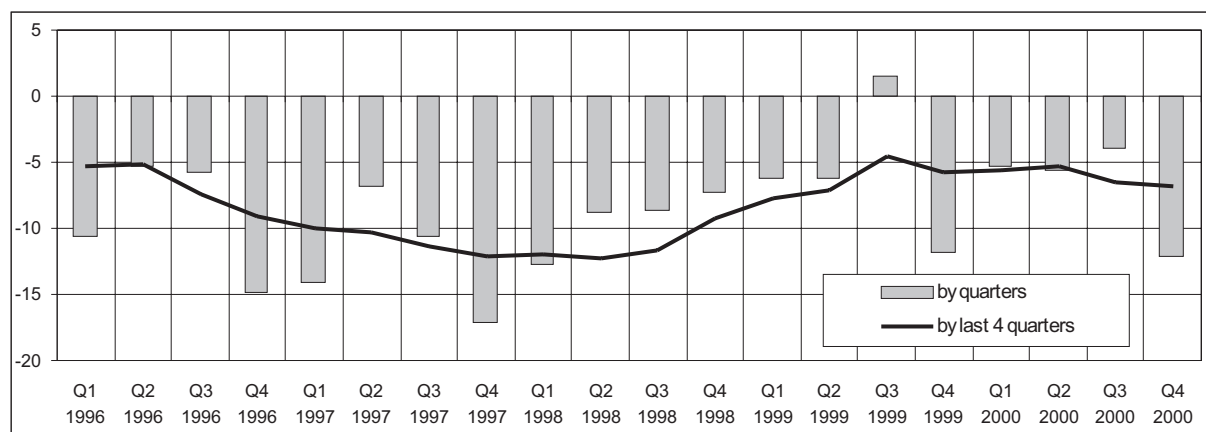


Figure 1. Current account balance to the GDP (%)

The capital net inflow exceeded the current account deficit by about 2 billion kroons. Thus, the overall balance of the balance of payments was positive and reserves increasing (see Table 1). The leaping export and import of goods have led to the foreign turnover of goods and services exceeding GDP twofold (in previous years by 1.6 times). This manifests the extensive openness of Estonia's economy.

The negative foreign trade balance, 13.5 billion kroons, was again responsible for most of the CURRENT ACCOUNT deficit. Exceeding by 0.6 billion kroons the 1999 level, it remained significantly below the years of 1997 and 1998. In 2000 the export of goods was 56

billion kroons, growing by 20 billion kroons, ie 55%, during one year. The volume of import of goods was 69.5 billion kroons whereas the annual growth was significantly lower, about 42%. The seasonally growing domestic demand fed foreign trade deficit in the fourth quarter of 2000.

The remarkable growth in the export of goods was due to the doubled re-export of processed goods (mostly machinery and equipment, clothes, footwear and headgear imported to Estonia for processing). Increasing exports of timber and timber products, furniture, metal products and products of chemical industry have also contributed to the growth. The main lever of growth in

¹ The adjusted balance of payments for 2000 and the preliminary balance of payments for the first quarter of 2001 will be published at the Eesti Pank web site (<http://www.ee/epbe/>) on 18 June 2001 at noon.

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

	1998	1999					2000				
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Current account	-6,760.2	-1,030.3	-1,234.8	278.0	-2,347.8	-4,334.9	-983.8	-1,228.8	-830.6	-2,665.9	-5,709.1
Trade and services balance	-7,676.2	-1,303.0	-771.3	185.7	-2,594.0	-4,482.6	-676.2	-678.0	253.1	-2,517.5	-3,618.6
Trade balance	-15,725.5	-2,403.9	-3,095.4	-2,973.8	-4,465.5	-12,938.6	-2,425.5	-3,594.0	-2,627.4	-4,849.8	-13,496.7
Goods: export f.o.b	37,786.3	8,195.3	8,900.2	9,149.5	9,791.4	36,036.4	12,174.2	13,366.7	13,958.1	16,514.0	56,013.0
Goods: import f.o.b	-53,511.8	-10,599.2	-11,995.6	-12,123.3	-14,256.9	-48,975.0	-14,599.7	-16,960.7	-16,585.5	-21,363.8	-69,509.7
Services: net	8,049.3	1,100.9	2,324.1	3,159.5	1,871.5	8,456.0	1,749.3	2,916.0	2,880.5	2,332.3	9,878.1
Services: credit	20,804.0	3,962.6	5,659.5	6,648.3	5,681.5	21,951.9	5,195.3	6,664.0	7,004.7	6,531.5	25,395.5
Services: debit	-12,754.7	-2,861.7	-3,335.4	-3,488.8	-3,810.0	-13,495.9	-3,446.0	-3,748.0	-4,124.2	-4,199.2	-15,517.4
Income: net	-1,164.0	-97.1	-807.7	-378.4	-222.6	-1,505.8	-714.1	-977.9	-1,479.9	-562.0	-3,733.9
Income: credit	1,871.8	481.9	406.4	542.3	533.7	1,964.3	324.6	494.4	533.6	562.6	1,915.2
Income: debit	-3,035.8	-579.0	-1,214.1	-920.7	-756.3	-3,470.1	-1,038.7	-1,472.3	-2,013.5	-1,124.6	-5,649.1
Transfers: net	2,080.0	369.8	344.2	470.7	468.8	1,653.5	406.5	427.1	396.2	413.6	1,643.4
Transfers: credit	2,424.2	529.1	536.7	567.8	623.9	2,257.5	519.2	531.8	522.9	565.2	2,139.1
Transfers: debit	-344.2	-159.3	-192.5	-97.1	-155.1	-604.0	-112.7	-104.7	-126.7	-151.6	-495.7
Capital and financial account	6,869.8	108.3	2,114.1	360.1	3,684.1	6,266.6	-805.8	2,442.9	1,864.0	4,119.3	7,620.4
Capital account	25.2	8.6	2.9	-0.6	6.9	17.8	63.7	111.6	56.4	46.8	278.5
Financial account	6,844.6	99.7	2,111.2	360.7	3,677.2	6,248.8	-869.5	2,331.3	1,807.6	4,072.5	7,341.9
Direct investments	7,989.7	1,401.8	1,360.2	105.8	340.4	3,208.2	925.6	-24.5	2,029.2	1,210.6	4,140.9
Abroad	-81.7	-0.9	-226.9	-531.3	-480.7	-1,239.8	-416.2	-1,286.2	-190.3	-773.7	-2,666.4
Into Estonia	8,071.4	1,402.7	1,587.1	637.1	821.1	4,448.0	1,341.8	1,261.7	2,219.5	1,984.3	6,807.3
Portfolio investments	-23.4	2,008.0	-12.7	-345.4	-1,493.9	156.0	210.4	3,070.6	-589.5	-955.4	1,736.1
Assets	-127.9	-1,198.6	144.8	-238.6	-602.5	-1,894.9	516.3	1,279.2	-548.5	-740.0	507.0
Equity securities	500.8	81.2	67.8	5.6	32.4	187.0	104.5	-3.8	-115.4	70.8	56.1
Debt securities	-628.7	-1,279.8	77.0	-244.2	-634.9	-2,081.9	411.8	1,283.0	-433.1	-810.8	450.9
Liabilities	104.5	3,206.6	-157.5	-106.8	-891.4	2,050.9	-305.9	1,791.4	-41.0	-215.4	1,229.1
Equity securities	401.1	2,940.3	600.7	230.4	-479.1	3,292.3	89.4	134.5	91.8	-870.6	-554.9
Debt securities	-296.6	266.3	-758.2	-337.2	-412.3	-1,241.4	-395.3	1,656.9	-132.8	655.2	1,784.0
Other investments	-1,121.7	-3,310.1	763.7	600.3	4,830.7	2,884.6	-2,005.5	-714.8	367.9	3,817.3	1,464.9
Assets	-2,480.2	-4,506.6	-50.4	880.8	2,375.0	-1,301.2	-710.4	-2,092.2	-962.5	2,796.9	-968.2
Long-term	-786.5	78.5	251.9	115.0	-23.6	421.8	-277.9	5.3	-146.6	90.9	-328.3
Short-term	-1,693.7	-4,585.1	-302.3	765.8	2,398.6	-1,723.0	-432.5	-2,097.5	-815.9	2,706.0	-639.9
Liabilities	1,358.5	1,196.5	814.1	-280.5	2,455.7	4,185.8	-1,295.1	1,377.4	1,330.4	1,020.4	2,433.1
Long-term	1,258.4	678.1	1,371.5	-437.4	79.3	1,691.5	-1,135.3	154.8	196.3	-45.3	-829.5
Short-term	100.1	518.4	-557.4	156.9	2,376.4	2,494.3	-159.8	1,222.6	1,134.1	1,065.7	3,262.6
Errors and omissions	16.8	-94.7	-207.9	-264.1	432.6	-134.1	497.2	122.9	-762.9	502.0	359.2
Overall balance	126.4	-1,016.7	671.4	374.0	1,768.9	1,797.6	-1,292.4	1,337.0	270.5	1,955.4	2,270.5
Reserve assets	-126.4	1,016.7	-671.4	-374.0	-1,768.9	-1,797.6	1,292.4	-1,337.0	-270.5	-1,955.4	-2,270.5

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

imports has also been the importation of processed goods as well as a pre-Christmas boost in the imports of consumer goods. Estonia's major foreign trade partners were the EU countries (73–74% of both exports and imports). Their share in Estonia's imports has been stable for several years, growing steadily in exports.

In 2000 the surplus of the **services balance** grew by 1.4 billion kroons, to about 10 billion kroons. The surplus of the balance of services covered 73% of the trade balance deficit. Both the export and import of services increased by 15%. Only a third of the growing surplus was due to transport and travel services, responsible for 77% of the turnover of services. The surplus balance found support in other services such as construction, computer, IT, communication and financial services.

The **income balance** has traditionally been in deficit whereas its negative balance was record high – 3.7

billion kroons, ie 2.5 times above the 1999 level. As the inflow of income has not significantly changed over the last few years, the growing owner's earnings from direct investments in Estonia have been the main source of growth of the negative balance. Income on direct investments was responsible for 60% of foreign investors' earnings, 57% of which was reinvested in Estonia (accounted for as FDI inflow) and 41% was disbursed as dividends.

The surplus of the **CAPITAL AND FINANCIAL ACCOUNT** was 7.6 billion kroons, ie a fifth above 1999. The positive balance of direct investments was responsible for 54% of the surplus. The balance of portfolio and other investments was in surplus as well.

The balance of **direct investments** was positive by 4.1 billion kroons. The net inflow of FDI covered 73% of the foreign trade deficit. Non-residents invested 6.8 billion kroons in Estonia and Estonia's direct investments abroad grew by 2.7 billion kroons.

Investments in share capital composed more than half of the FDI in Estonia. It is remarkable that reinvested income (undistributed profits) grew by 2 billion kroons against 1999. Most of the FDI inflow originated from Finland and Sweden, as usual.

Direct investments abroad by Estonian businessmen were the largest ever, reflecting Estonia's active foreign economic activities. Short- and long-term loans to subsidiaries and associated companies abroad were responsible for 80% of the outflow. Domestic financial intermediaries placed the most significant share of strategic investments in Latvian economy.

The net inflow of **portfolio investments** reached 1.7 billion kroons. Most of the capital inflow came from debt securities: residents' investments in foreign debt securities decreased by 451 million kroons and liabilities in debt

securities increased by 1.8 billion kroons. The capital outflow through equity securities reflects mainly the replacement of non-resident portfolio investors with strategic ones.

The positive balance of **other investments** reached 1.5 billion kroons, remaining below the level of 1999. The positive balance was sustained by increasing commercial credit liabilities due to rapidly growing imports as well as by the growth of non-residents deposits in Estonian credit institutions, by 1.3 and 2 billion kroons, respectively. Investments flew in mostly as short-term capital. The outflow of other capital was due to loans issued by credit institutions and repayment of loans. The government sector decreased its loan commitments, too.

The **reserves** of the balance of payments grew by 2.3 billion kroons in 2000, being among the highest growth in the recent years.

CHANGES IN THE GENERAL ECONOMIC INDICATORS OF THE BALANCE OF PAYMENTS

The increase in external demand and improvement of the terms of trade² boosted the export and import of Estonian goods to such an extent last year that the foreign trade turnover exceeded the gross domestic product (GDP) of Estonia by 49%. The Estonian economy has never before depended on foreign trade this much, although the relative trade deficit dropped to the lowest level of recent years (see Table 2).

The overall balance of the balance of payments, which reflects the change of foreign reserves, was positive as in previous years. Net foreign investments into Estonia exceeded the current account deficit, resulting in the growth of the gold and foreign currency reserves of the central bank as in numerous previous years.

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

	1995	1996	1997	1998	1999	2000
Foreign trade turnover (% of GDP)	123.4	106.7	123.4	124.7	113.7	149.1
Export of goods to import of goods (%)	73.7	64.1	67.2	70.7	73.9	80.9
Nominal effective exchange rate of the kroon (% against the previous year)	125.3	100.0	97.2	108.8	117.1	97.3
Real effective exchange rate of the kroon (December 1992=100%)	128.6	141.0	145.7	164.3	176.3	169.6
Terms of trade	107.4	107.7	108.8	108.8	107.9	112.6
Overall balance of the balance of payments (change of external reserves; EEK mn)	1,200.4	1,228.4	2,771.3	126.4	2,181.2	2,270.8
Ratio of the external reserves change to GDP	2.9	2.3	4.3	0.2	2.9	2.7
Balance of current account (EEK mn)	-1,899.0	-4,806.9	-7,813.2	-6,752.0	-4,335.0	-5,709.1
Current account without government transfers (EEK mn)	-3,052.8	-5,812.2	-9,146.0	-8,306.3	-5,750.1	-6,909.4
Current account deficit without government transfers (% of GDP)	7.6	11.1	14.2	11.3	7.7	8.2
Government transfers (net, EEK mn)	1,153.8	1,005.3	1,332.8	1,554.3	1,415.1	1,200.3
Government transfers (% of GNP)	2.8	1.9	2.2	2.2	1.9	1.5
Estonia's total external debt (% of GDP)		30.6	57.2	55.5	56.9	60.4
External debt servicing (% of total exports)	1.1	3.3	1.6	1.2	1.1	1.3

Although the total foreign debt of the economy (foreign liabilities to be repaid) increased also in 2000, the public sector borrowing remained moderate

and the sums used for servicing foreign debts did not exceed 1.3% of the total export of goods and services.

² The ratio of the export and import price indices.

CURRENT ACCOUNT

In 2000 Estonia's domestic demand increased. The consumption expenditures of the current account exceeded current income by 5.7 billion kroons, which is by 32% more than in 1999 (see Figure 2). In the last quarter the current account deficit was approximately as big as in the first three quarters together. Nearly three fourths of the current account deficit was covered by direct investment capital.

Foreign trade deficit, the main component of the current account deficit, increased modestly compared to previous year (4%). Since the surplus of the services balance increased by 17%, the negative balance of the goods and services balance shrank by 19% compared to 1999. To sum it up, the growth of the current account deficit was mostly due to the 2.5time growth of the negative balance of the income balance as compared to previous year.

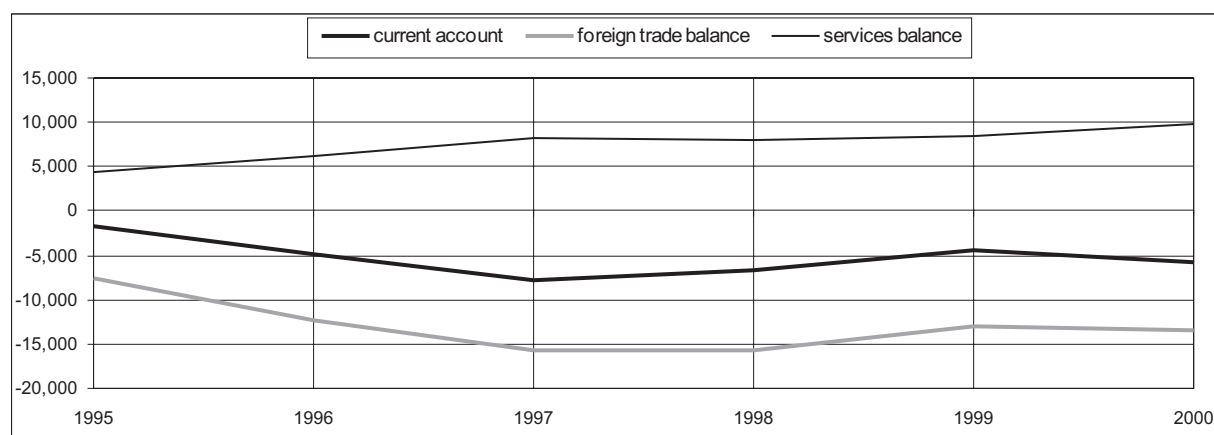


Figure 2. Comparison of the current account, foreign trade balance and services balance of the Estonian balance of payments (in f.o.b prices, EEK mn)

Goods

The rapid development of foreign trade in 2000 increased both export and import of goods (including adjustments resulting from the balance of payments methodology, import in f.o.b prices) by nearly 20 billion kroons, setting the annual growth at 55.4% and 41.9%, respectively (see Table 3).

According to the **special trade statistics**³, export of goods amounted to 55.5 billion kroons and import in c.i.f prices equaled 72.2 billion kroons (see Figure 3). The foreign trade deficit amounted to 16.7 billion kroons, being thus slightly bigger than in 1999 but smaller than in 1998.

The 55% increase in exports resulted from the doubling of the volume of **processed goods**, particularly mobile communication equipment, but also the increase of end export by one third (see Table 4). The most important groups of processed goods were still machinery and equipment and clothes, footwear and headgear. The growth of **end export** was boosted by the increased export of timber and timber products, furniture, textiles and food products, although its share in total export has

decreased from year to year and in 2000 dropped below 60%.

The 43% increase of import was mostly due to the doubling of the **import of goods meant for processing**. **Import for free circulation** was up by 26%, the most important categories being various machinery, chemical products and food, as well as transport vehicles.

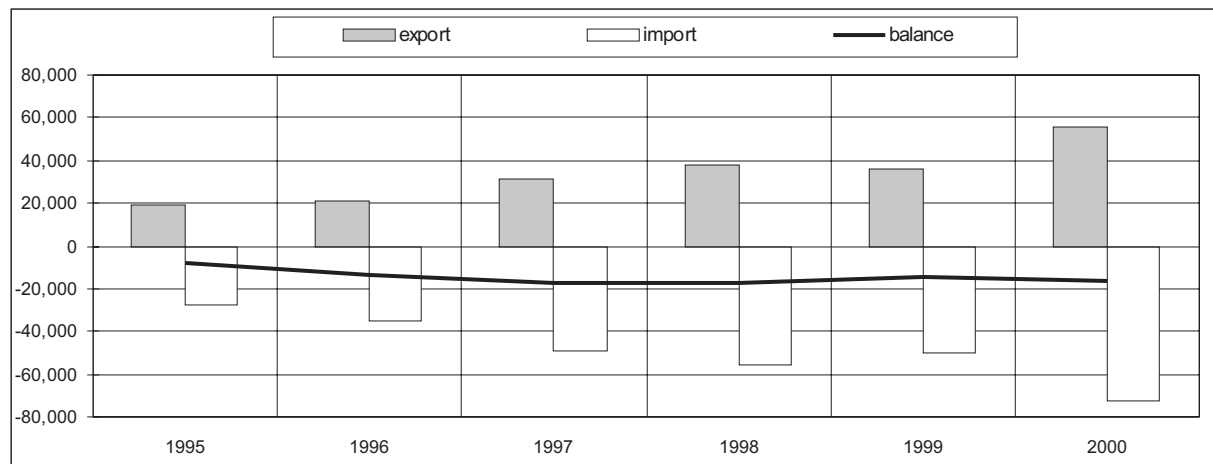
BY END CONSUMPTION, the share of capital goods increased considerably in the **export of goods**, amounting to 25% of special export and growing 3.7 times, ie by 10 billion kroons (see Table 5). The bulk of capital goods export consisted of mobile communication equipment, which increased more than five times in 2000 and accounted for 81% of export in this group of goods. The main goods of intermediate consumption were unprocessed and little processed timber, parts of mobile phones, electrical wires, metal structures and scrap metal. The export of consumer goods was mostly made up of furniture and furniture components, fish products and ready-made clothes.

³ The analysis below does not contain the adjustments made in the foreign trade balance of 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, using the special trade system. In export, possible price distortions have been taken into account while exporting goods through customs warehouses and free trade zones.

Table 3. Change in the special export and import of goods

	Special export			Special import			Balance (EEK mn)
	Volume ¹ (EEK mn)	Change compared to the previous period (%)	Share in total export of goods and services (%)	Volume ¹ (EEK mn)	Change compared to the previous period (%)	Share in total import of goods and services (%)	
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
Q1 1999	8,195.3	-17.2	67.4	10,599.2	-18.7	78.7	-2,403.9
Q2 1999	8,900.2	8.6	61.1	11,995.6	13.2	78.2	-3,095.4
Q3 1999	9,149.5	2.8	57.9	12,123.3	1.1	77.7	-2,973.8
Q4 1999	9,791.4	7.0	63.3	14,256.9	17.6	78.9	-4,465.5
Q1 2000	12,174.2	24.3	70.1	14,599.7	2.4	80.9	-2,425.5
Q2 2000	13,366.7	9.8	66.7	16,960.7	16.2	81.9	-3,594.0
Q3 2000	13,958.1	4.4	66.6	16,585.2	-2.2	80.1	-2,627.1
Q4 2000	16,514.0	18.3	71.7	21,363.8	28.8	83.6	-4,849.8

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

**Figure 3. Estonia's foreign trade balance (EEK mn)****Table 4. Estonia's special export and import by the breakdown of customs procedures**

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
End export	31,765.9	24,370.0	26,263.3	57.2	68.0	70.0	30.3	-7.2
Export of processed goods	23,736.4	11,443.1	11,281.7	42.8	32.0	30.0	107.4	1.4
Special export total	55,502.3	35,813.1	37,545.0	100.0	100.0	100.0	55.0	-4.6
Import for free circulation	49,596.3	39,341.4	44,822.1	68.7	77.9	81.2	26.1	-12.2
Import of processed goods	22,639.9	11,135.2	10,393.3	31.3	22.1	18.8	103.3	7.1
Special import total	72,236.2	50,476.7	55,215.4	100.0	100.0	100.0	43.1	-8.6

Table 5. Special export by end consumption

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
Capital goods	13,954.4	3,765.7	3,966.5	25.1	10.5	10.6	270.6	-5.1
Goods of intermediate consumption	28,132.3	21,098.1	21,271.2	50.7	58.9	56.7	33.3	-0.8
Consumer goods	12,724.4	10,435.0	11,645.1	22.9	29.1	31.0	21.9	-10.4
Other	691.2	514.4	662.2	1.2	1.4	1.8	34.4	-22.3
Total	55,502.3	35,813.1	37,545.0	100.0	100.0	100.0	55.0	-4.6

Import of capital goods and goods of intermediate consumption increased faster than the import of consumer goods and this increased their share in the

total volume of special import (see Table 6). Of capital goods, mostly electric condensers, computers, lorries, audio alarm equipment and mobile phones

were imported. The import of goods of intermediate consumption mostly consisted of goods related to the electrical and electronics industry. Pharmacy products, various home appliances, furniture, clothes, footwear and food dominated the import of consumer goods.

Table 6. Special import by end consumption

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
Capital goods	13,888.2	8,482.0	9,955.1	19.2	16.8	18.0	63.7	-14.8
Goods of intermediate consumption	38,516.2	25,970.9	27,895.3	53.3	51.5	50.5	48.3	-6.9
Consumer goods	14,162.1	12,307.8	13,307.4	19.6	24.4	24.1	15.1	-7.5
Other	5,669.6	3,715.9	4,057.6	7.8	7.4	7.3	52.6	-8.4
Total	72,236.2	50,476.7	55,215.4	100.0	100.0	100.0	43.1	-8.6

In the **foreign trade balance**, the nearly 5 billion kroon deficit of the capital goods in 1999 turned into a slight surplus in 2000 (see Table 7), whereas the deficit of trade in goods of intermediate consumption increased. This was due to the fact that mobile phones and electronics

for base stations, which were assembled from parts of mobile communication equipment imported as goods of intermediate consumption, were exported as capital goods. The deficit of the consumer goods balance decreased considerably against 1999.

Table 7. Foreign trade balance by end consumption (EEK mn)

	2000	1999	1998
Capital goods	66.2	-4,716.3	-5,988.6
Goods of intermediate consumption	-10,383.9	-4,872.9	-6,624.1
Consumer goods	-1,437.8	-1,872.8	-1,662.3
Other	-4,978.4	-3,201.5	-3,395.4
Total	-16,733.9	-14,663.5	-17,670.4

BY GROUPS OF COUNTRIES, the share of the **European Union** in Estonia's export has increased with every year and in 2000 it amounted to 74% (see Table 8). The reverse trend could be seen in the export of goods to the **CIS countries**, which in 2000 accounted for only 3.3% of the special export. However, this figure should

not be taken at face value because presumably a large portion of goods stored into customs-free zone was later also exported to the CIS countries (Russia) and therefore the actual share of the CIS countries in special export should exceed 3%⁴. The share of export to the **Central and East Europe** shrank to 11%.

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

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
EU countries	41,021.1	24,974.8	23,476.5	73.9	69.7	62.5	64.3	6.4
Central and East European countries	6,163.9	4,519.2	5,243.9	11.1	12.6	14.0	36.4	-13.8
CIS countries	1,843.8	2,810.7	5,685.3	3.3	7.8	15.1	-34.4	-50.6
Other	4,293.7	2,983.7	3,139.2	7.7	8.3	8.4	43.9	-5.0
Customs-free zone	2,179.8	524.7	0.0	3.9	1.5	0.0	315.4	
Total	55,502.3	35,813.1	37,545.0	100.0	100.0	100.0	55.0	-4.6

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

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
EU countries	52,866.6	37,196.0	41,779.7	73.2	73.7	75.7	42.1	-11.0
CIS countries	7,314.2	4,925.4	5,180.5	10.1	9.8	9.4	48.5	-4.9
Central and East European countries	6,753.5	5,166.8	4,984.2	9.3	10.2	9.0	30.7	3.7
Other	5,301.4	3,187.5	3,271.0	7.3	6.3	5.9	66.3	-2.6
Customs-free zone	0.6	0.9	0.0	0.0	0.0	0.0	-40.4	
Total	72,236.2	50,476.7	55,215.4	100.0	100.0	100.0	43.1	-8.6

⁴ As of 31 October 1999 the customs procedure Code 72 (customs warehousing of goods for later export) became invalid. The same year a new procedure was introduced, Code 78 (storing of goods in the customs-free zone for later export). This change does not allow determine the country of destination for export.

Table 10. Foreign trade balance

	2000	1999	1998
EU countries	-11,845.5	-12,221.2	-18,303.1
CIS countries	-5,470.3	-2,114.7	504.9
Central and East European countries	-589.6	-647.6	259.7
Other	-1,007.7	-203.8	-131.8
Customs-free zone	2,179.3	523.8	0.0
Total	-16,733.9	-14,663.5	-17,670.4

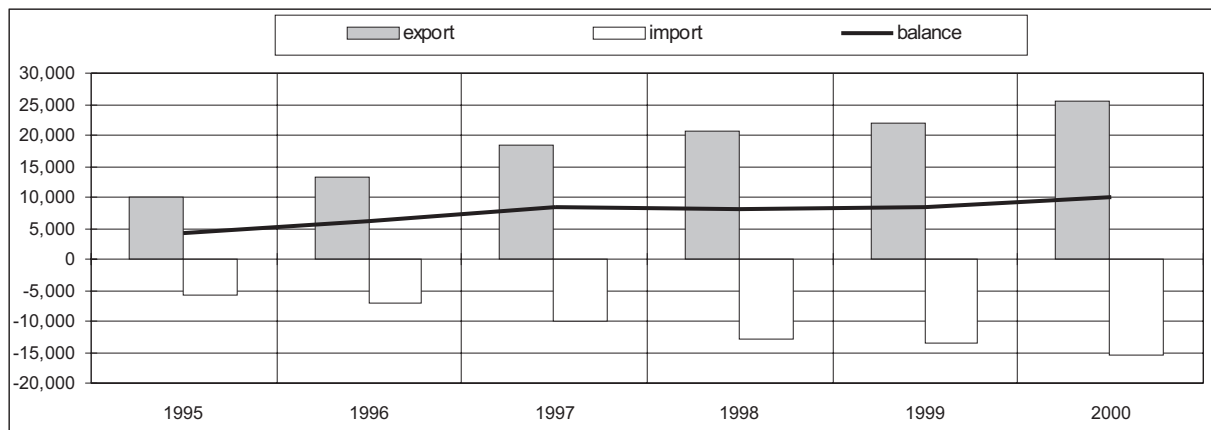
Import of goods increased for all groups of countries. The biggest importer was the **European Union** with a 73% share (see Table 9).

Against 1999, the **foreign trade deficit** decreased for the **European Union** and the **Central and East European countries**, but increased for the **CIS countries** (see Table 10).

Services

The **surplus of the services balance** amounted to 9.9 billion kroons in 2000, which is 17% more than in the previous year (see Figure 4 and Table 11). The surplus of the services balance covered 73% of the foreign trade deficit. The export and import of services grew at a stable

rate over the past year (by 16% and 15%, respectively) but slower than the export and import of goods (by 55% and 42%, respectively). As a result, the share of services has decreased in the total export and import of goods and services.

**Figure 4. Estonia's services balance (EEK mn)****Table 11. Estonia's services balance**

	Export		Import		Balance	
	Volume (EEK mn)	Change compared to the previous period (%)	Volume (EEK mn)	Change compared to the previous period (%)	Volume (EEK mn)	Change compared to the previous period (%)
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	5,692.6	7.4	4,330.3	219.4
1996	13,352.8	33.2	7,107.8	24.9	6,245.0	44.2
1997	18,366.7	37.5	10,134.0	42.6	8,232.7	31.8
1998	20,804.0	13.3	12,754.8	25.9	8,049.2	-2.2
1999	21,951.9	5.5	13,495.9	5.8	8,456.0	5.1
2000	25,395.5	15.7	15,517.4	15.0	9,878.1	16.8

The **structure of the services balance** changed considerably in 2000 (see Table 12). Although transport and travel services contributed heavily to the surplus of the services balance, their share decreased and in the structure of the services balance their shares were equal. The enlivenment of the building services boosted the surplus of the building services balance

to the 1998 level. The deficit of the government services balance decreased due to the considerable decline of imports.

The **export of services** grew by 3.4 billion kroons, ie by 16% in 2000 (see Table 13). The most successful sectors were transport, where growth amounted to 1.9 billion kroons (19%),

Table 12. Services balance by major categories

	Balance (EEK mn)			Share (%)		
	2000	1999	1998	2000	1999	1998
Transport services	5,150.0	4,854.9	4,205.6	52.1	57.4	52.2
Travel services	5,121.8	4,941.9	5,413.2	51.9	58.4	67.3
Construction services	366.5	161.8	378.1	3.7	1.9	4.7
Business services	-163.3	36.0	-237.1	-1.7	0.4	-2.9
Government services	-771.9	-1,243.7	-1,306.6	-7.8	-14.7	-16.2
Other	175.0	-294.9	-404.0	1.8	-3.5	-5.0
Total	9,878.1	8,456.0	8,049.2	100.0	100.0	100.0

Table 13. Services export by major categories

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
Transport services	12,205.0	10,292.0	9,955.8	48.1	46.9	47.9	18.6	3.4
o/w freight	5,288.7	4,228.7	4,983.3	20.8	19.3	24.0	25.1	-15.1
passenger	2,532.4	2,257.1	1,816.1	10.0	10.3	8.7	12.2	24.3
other transport services	4,383.9	3,806.2	3,156.4	17.3	17.3	15.2	15.2	20.6
Travel services	8,585.9	8,103.3	7,578.8	33.8	36.9	36.4	6.0	6.9
Construction services	665.3	450.6	811.6	2.6	2.1	3.9	47.6	-44.5
Business services	2,828.9	2,239.7	1,860.3	11.1	10.2	8.9	26.3	20.4
Government services	70.9	56.8	47.0	0.3	0.3	0.2	24.8	20.9
Other	1,039.5	809.5	550.5	4.1	3.7	2.6	28.4	47.0
Total	25,395.5	21,951.9	20,804.0	100.0	100.0	100.0	15.7	5.5

and business services (up by 600 million kroons – 26%). The export of travel services increased more modestly (6%) but the contribution of this sector to the overall growth of the services export was 400 million kroons.

The structure of the **services import** (see Table 14) underwent the following major changes in 2000: the

average growth rate of the services import (15%) was outstripped by the growth rate of the transport services import (up by 30%, including freight by 36%) and business services import (up by 36%). The import of government services and other services decreased against 1999 (down by 35% and 22%, respectively).

Table 14. Services import by major categories

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
Transport services	7,054.5	5,437.1	5,750.2	45.5	40.3	45.1	29.7	-5.4
o/w freight	5,072.4	3,740.3	4,255.0	32.7	27.7	33.4	35.6	-12.1
passenger	830.1	588.1	584.9	5.3	4.4	4.6	41.1	0.5
other transport services	1,152.0	1,108.7	910.3	7.4	8.2	7.1	3.9	21.8
Travel services	3,464.1	3,161.4	2,165.6	22.3	23.4	17.0	9.6	46.0
Construction services	298.8	288.8	433.5	1.9	2.1	3.4	3.5	-33.4
Business services	2,992.2	2,203.7	2,097.4	19.3	16.3	16.4	35.8	5.1
Government services	842.8	1,300.5	1,353.6	5.4	9.6	10.6	-35.2	-3.9
Other	865.0	1,104.4	954.5	5.6	8.2	7.5	-21.7	15.7
Total	15,517.4	13,495.9	12,754.8	100.0	100.0	100.0	15.0	5.8

The growth of the **transport services export** (see Figure 5) was based on the rapid development of freight export (up by 1 billion kroons or 25%) which, however, slowed down in the fourth quarter. Both sea and land freight grew rapidly. The growth of the passenger transport services export (12%) was slower than in 1999 and also remained below the growth rate of import in 2000 (41%).

Export of travel services increased relatively modestly (6%) in 2000, as the rapid growth rate at the beginning of the year slowed down due to the cold summer (see Figure 6). Both the total number of foreign tourists, as well as the number of visitors from major partner countries stabilised. The number of tourists from the **Scandinavian** countries increased against the previous year, while the number of visitors from the other

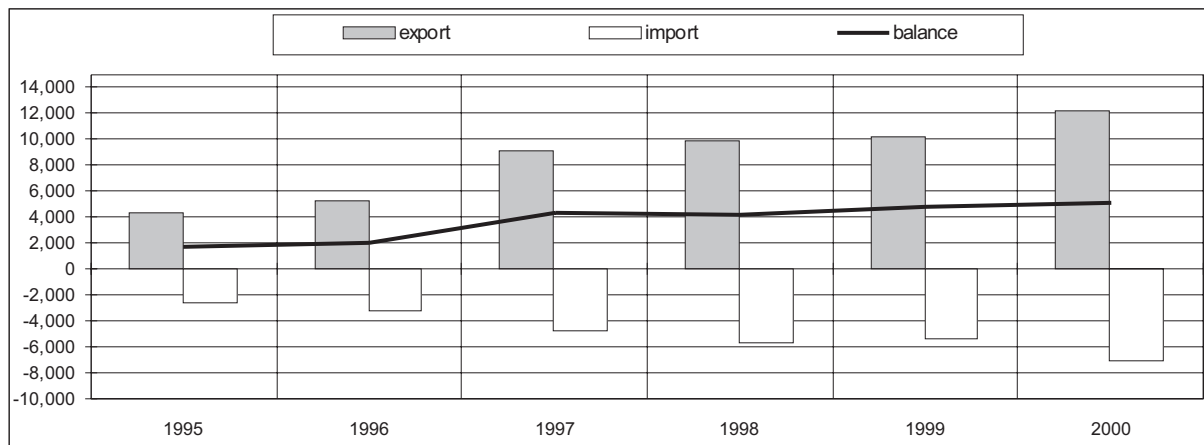


Figure 5. Transport services balance (EEK mn)

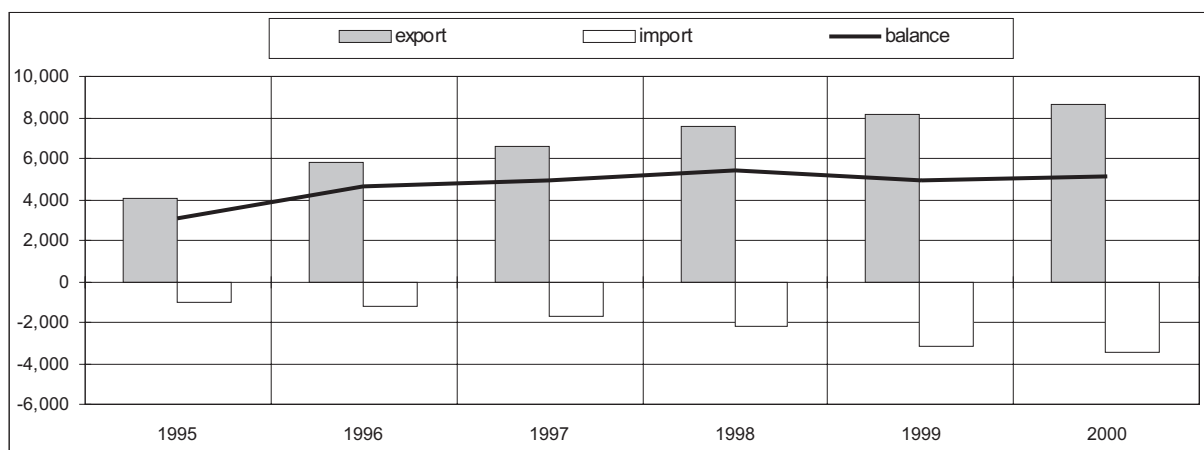


Figure 6. Travel services balance (EEK mn)

European Union countries decreased. The good work of the travel agencies helped to boost the number of overnight visitors.

The increase of the **import of travel services** continued to exceed their export. The number of Estonian residents

using the services of travel agencies grew by 23% against 1999. While the number of trips to the neighbouring countries remained stable or increased by approximately 10%, the popularity of trips to southern **EU countries** and more distant destinations increased.

Income

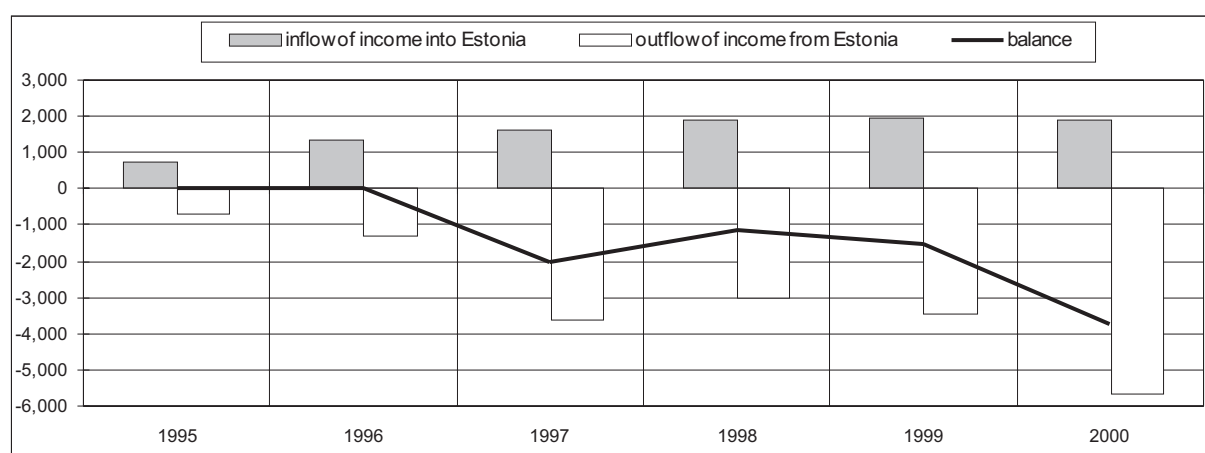
The **deficit of the income balance** reached 3.7 billion kroons in 2000, which is 2.5 times higher than in 1999. The increase of the deficit mostly resulted from the 2 billion kroons growth in the deficit of income from direct investments plus the 200 million kroon increase in the deficit of income from other investments (see Table 15 and Figure 7).

The **inflow of income** into Estonia was practically unchanged (see Table 16) and its components also changed little. Only the fall in income earned from fixed capital is worth mentioning.

The **outflow of income** from Estonia increased by 2.2 billion kroons – 63% (see Table 17). The profitability of direct investments into Estonia in 2000 is indicated by the 2.2 times increase of the respective income as compared to 1999. While income from fixed capital placed in Estonia as direct investments amounted to 3.4 billion kroons in 2000, then 2 billion kroons of this income did not actually leave Estonia but was reinvested and thus boosted the equity capital of the companies concerned.

Table 15. Estonia's income balance (EEK mn)

	Balance (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
Income from direct investments	-3,448.2	-1,407.1	-1,042.1	92.3	93.4	89.5	145.1	35.0
o/w income from equity	-3,356.7	-1,396.5	-781.5	89.9	92.7	67.1	140.4	78.7
income from debt (interests)	-91.5	-10.6	-260.6	2.5	0.7	22.4	763.2	-95.9
Income from portfolio investments	317.5	367.4	486.4	-8.5	-24.4	-41.8	-13.6	-24.5
Income from other investments	-615.2	-478.0	-624.9	16.5	31.7	53.7	28.7	-23.5
Other income	12.0	11.9	16.6	-0.3	-0.8	-1.4	0.8	-28.3
Total	-3,733.9	-1,505.8	-1,164.0	100.0	100.0	100.0	148.0	29.4


Figure 7. Estonia's income balance (EEK mn)
Table 16. Inflow of income into Estonia

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
Income from direct investments	219.2	359.3	101.2	11.4	18.3	5.4	-39.0	255.0
o/w income from equity	45.2	146.2	16.6	2.4	7.4	0.9	-69.1	780.7
income from debt (interests)	174.0	213.1	84.6	9.1	10.8	4.5	-18.3	151.9
Income from portfolio investments	1,028.4	1,020.2	1,213.0	53.7	51.9	64.8	0.8	-15.9
Income from other investments	629.2	553.0	521.3	32.9	28.2	27.9	13.8	6.1
Other income	38.4	31.8	36.3	2.0	1.6	1.9	20.8	-12.4
Total	1,915.2	1,964.3	1,871.8	100.0	100.0	100.0	-2.5	4.9

Table 17. Outflow of income from Estonia

	Volume (EEK mn)			Share (%)			Change (%)	
	2000	1999	1998	2000	1999	1998	2000/1999	1999/1998
Income from direct investments	-3,667.4	-1,766.4	-1,143.3	64.9	50.9	37.7	107.6	54.5
o/w income from equity	-3,401.9	-1,542.7	-798.1	60.2	44.5	26.3	120.5	93.3
income from debt (interests)	-265.5	-223.7	-345.2	4.7	6.4	11.4	18.7	-35.2
Income from portfolio investments	-710.9	-652.8	-726.6	12.6	18.8	23.9	8.9	-10.2
Income from other investments	-1,244.4	-1,031.0	-1,146.2	22.0	29.7	37.8	20.7	-10.1
Other income	-26.4	-19.9	-19.7	0.5	0.6	0.6	32.7	1.0
Total	-5,649.1	-3,470.1	-3,035.8	100.0	100.0	100.0	62.8	14.3

Transfers

The **surplus of the transfers balance** stood at 1.6 billion kroons in 2000, thus remaining on the same level as in 1999. While the balance of the government transfers

decreased by 200 million kroons due to the drop in foreign aid, the balance of private transfers increased by the same amount.

CAPITAL AND FINANCIAL ACCOUNT

The surplus of the **capital and financial account** amounted to 7.6 billion kroons, which is 20% more than in 1999. 54% of the surplus came from the surplus of direct investments. The balances of portfolio and other

investments were also positive (see Figure 8). Since 1998, the share of long-term capital has decreased in the structure of the financial account and the share of short-term capital has increased (see Figure 9).

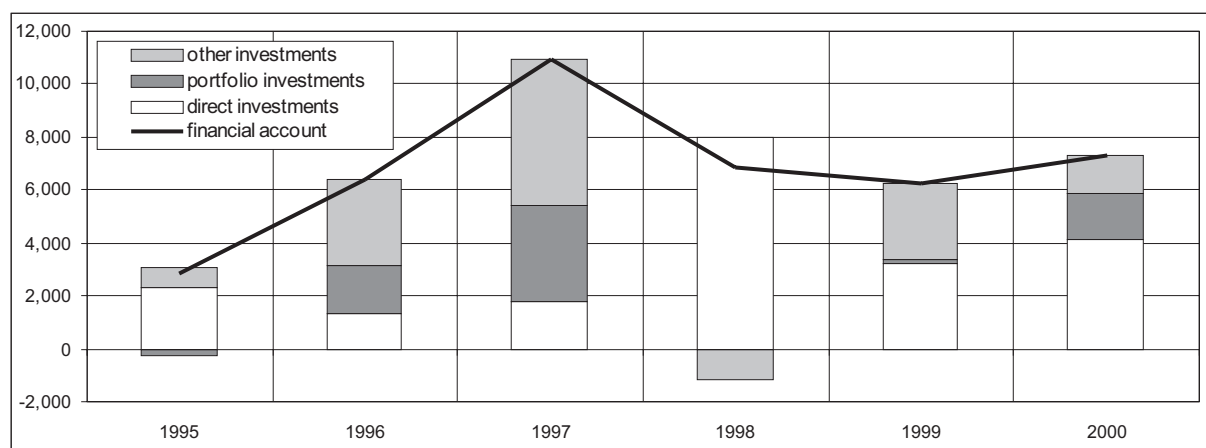


Figure 8. Changes in the structure of foreign investment capital flows (EEK mn)

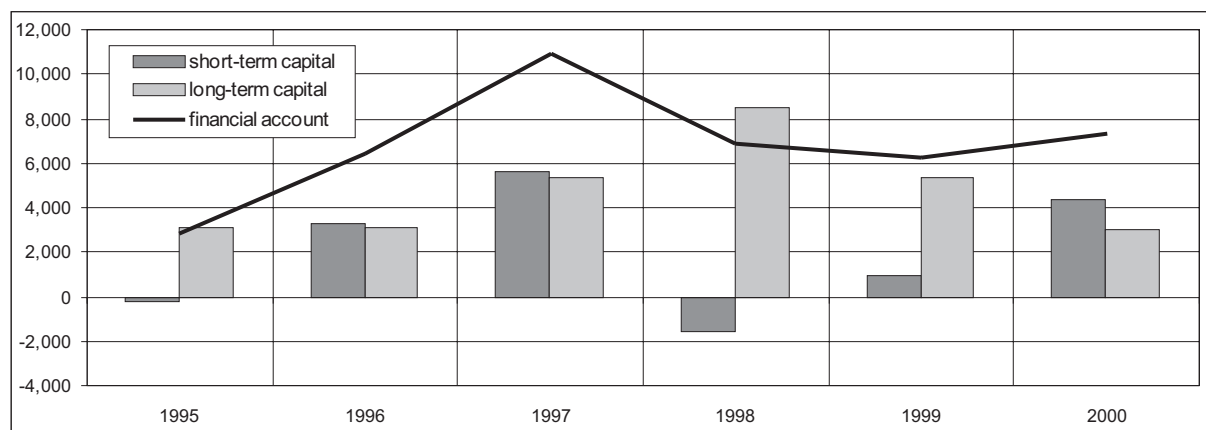


Figure 9. Changes in the maturity structure of source of funds (EEK mn)

Direct Investments

The **surplus of direct investments** reached 4.1 billion kroons in 2000. Non-residents invested 6.8 billion kroons into Estonia, Estonian residents' direct investments

abroad grew by 2.7 billion kroons (see Table 18 and Figure 10). The net inflow of direct investments accounted for 56% of the financial account surplus.

Table 18. Structure of direct investments

	Into Estonia						Abroad					
	EEK mn			Share (%)			EEK mn			Share (%)		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Share capital	3,702.0	2,551.9	5,661.9	54.4	57.4	70.1	-577.0	-525.7	-472.7	21.6	42.4	578.6
Inflow	4,783.8	3,606.7	6,145.2	70.3	81.1	76.1	627.3	433.5	180.2	-23.5	-35.0	-220.6
Outflow	-1,081.8	-1,054.8	-483.3	-15.9	-23.7	-6.0	-1,204.3	-959.2	-652.9	45.2	77.4	799.1
Reinvested income	1,978.9	721.9	389.4	29.1	16.2	4.8	-54.7	-115.7	-2.7	2.1	9.3	3.3
Claims	-3,380.2	-2,791.9	-2,343.9	-49.7	-41.0	-34.4	-144.4	-213.3	-155.7	-2.1	-3.1	-2.3
Liabilities	5,359.1	3,513.8	2,733.3	78.7	51.6	40.2	89.7	97.6	153.0	1.3	1.4	2.2
Loan capital (net)	1,244.5	1,173.5	1,397.4	18.3	26.4	17.3	-2,008.1	-613.5	349.7	75.3	49.5	-428.0
Trade credit	122.1	-15.7	-36.2	1.8	-0.4	-0.4	136.8	52.3	223.4	-5.1	-4.2	-273.4
Short-term loans	784.1	86.0	492.1	11.5	1.9	6.1	-1,100.0	-288.8	89.7	41.3	23.3	-109.8
Long-term loans	338.3	1,103.2	941.5	5.0	24.8	11.7	-1,044.9	-377.0	36.6	39.2	30.4	-44.8
Other capital	-118.1	0.7	622.7	-1.7	0.0	7.7	-26.6	15.1	44.0	1.0	-1.2	-53.9
Total	6,807.3	4,448.0	8,071.4	100.0	100.0	100.0	-2,666.4	-1,239.8	-81.7	100.0	100.0	100.0

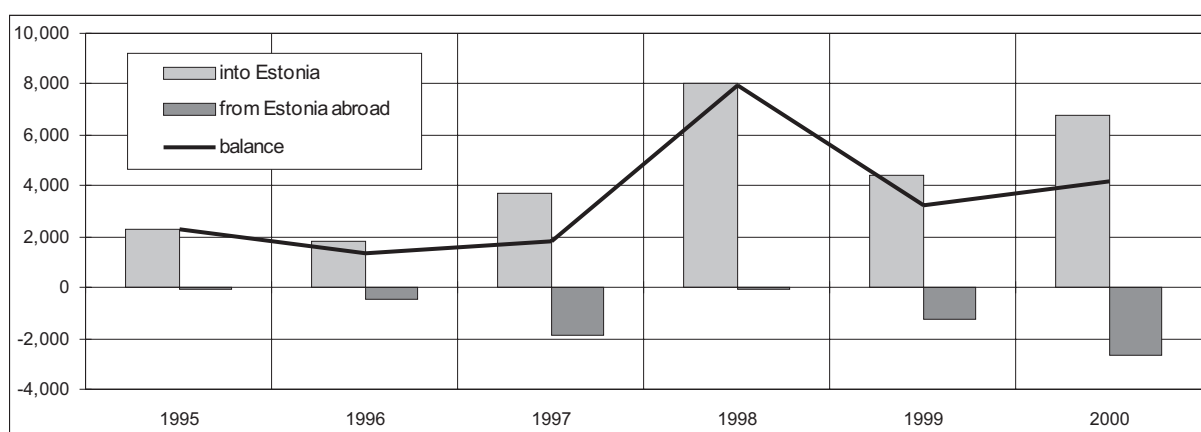


Figure 10. Direct investments (EEK mn)

54% of direct investments into Estonia were made up of investments into share capital (see Figure 11). Due to the overall economic growth and changes in the Income Tax Act that favoured long-term investors, the increase of reinvested income (undistributed profits) was remarkable (nearly 2 billion kroons) and reached the

highest level in the history of drawing up the balance of payments. Loan capital increase was comparable to previous years. While in the previous two years the increase mostly concerned long-term liabilities then in 2000 short-term liabilities to major non-resident investors increased.

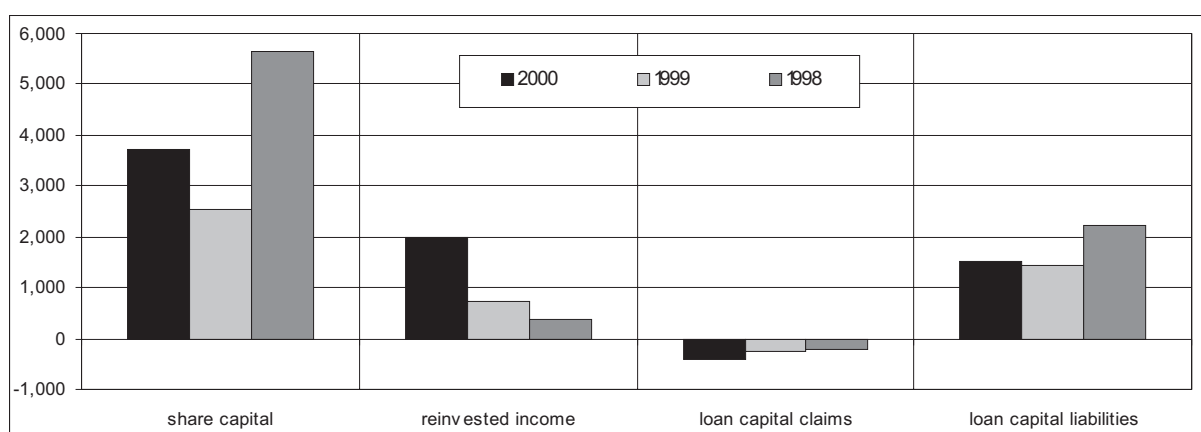


Figure 11. Structure of direct investments made into Estonia (EEK mn)

The bulk of direct investment inflow (83%) traditionally came from **Finland** and **Sweden** and was mostly meant for

the financial sector (see Figures 12 and 13). The biggest profits were earned in transport, storage and communication.

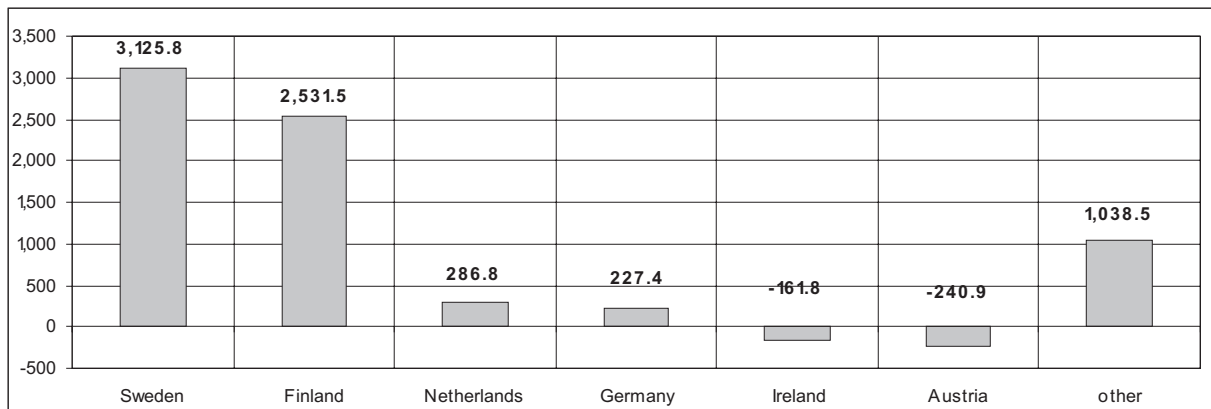


Figure 12. Structure of direct investments made into Estonia by countries in 2000 (EEK mn)

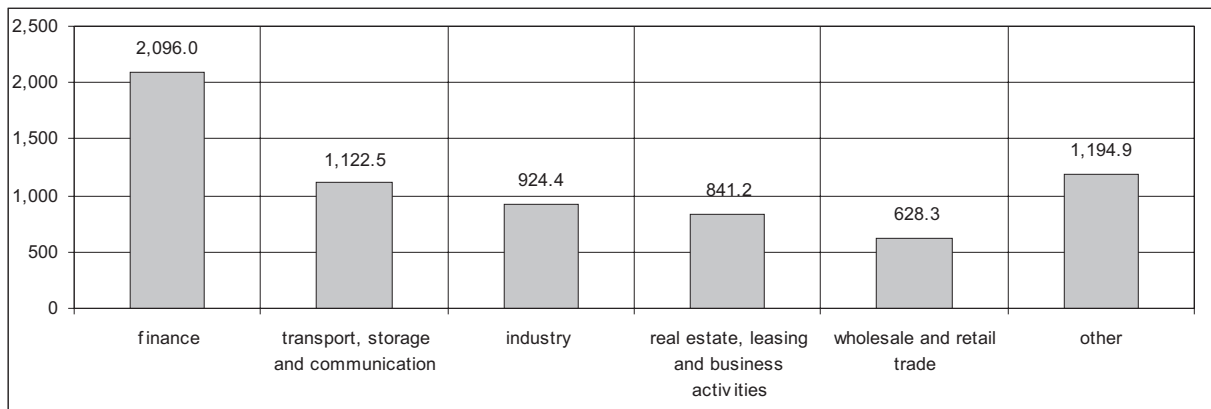


Figure 13. Structure of direct investments made into Estonia by spheres of activity in 2000 (EEK mn)

The volume of **direct investments made by Estonian businesses abroad** reached a new record. 80% of the investment outflow was made up of short- and long-term loans to subsidiary/associated companies abroad. The growth of direct investments into share capital has

remained stable at 10% over the past three years. Profits earned from subsidiary/associated companies halved in 2000 (see Figure 14). The largest strategic investments by Estonian financial intermediaries were made into **Latvia** (see Figures 15 and 16).

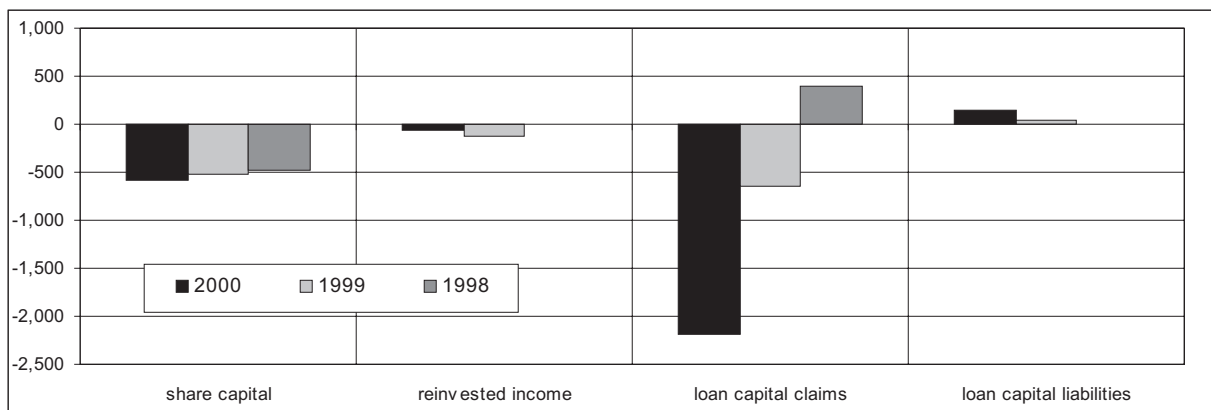


Figure 14. Structure of direct investments made abroad (EEK mn)

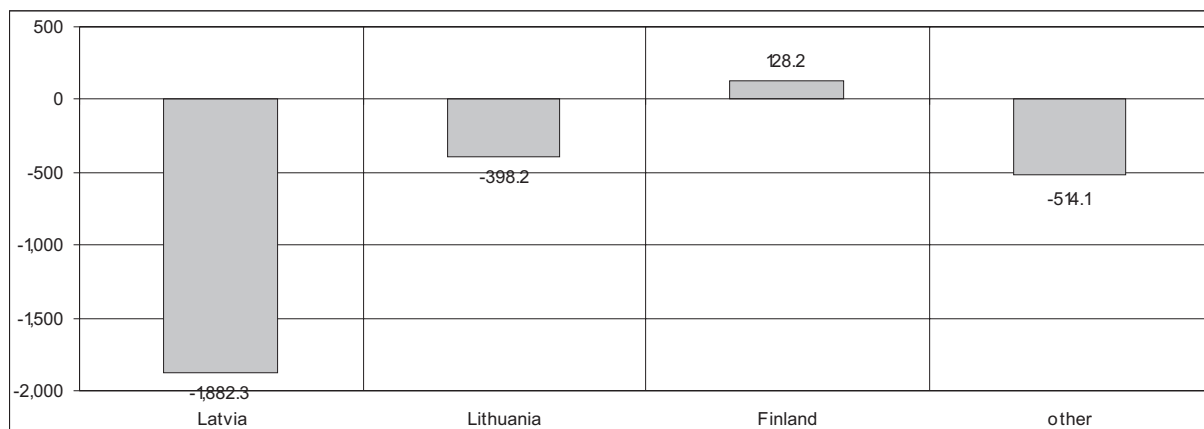


Figure 15. Structure of direct investments made abroad by countries in 2000 (EEK mn)

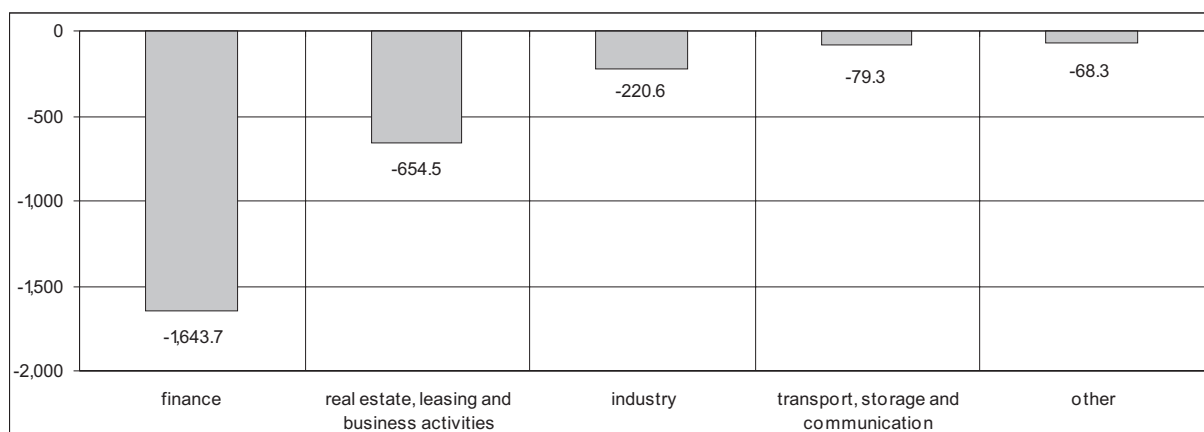


Figure 16. Structure of direct investments made abroad by spheres of activity in 2000 (EEK mn)

Portfolio Investments

In **portfolio investments** the small surplus of 1999 turned into a 1.7 billion kroon net inflow in 2000 (see Figure 17 and Table 19). Capital inflow mostly occurred through debt securities, while capital outflow took the form of equity securities. This was mainly due to the decrease of non-residents' investments in the fourth quarter.

Claims decreased by 0.5 billion kroons in 2000, mostly in the first half of the year (1.8 billion kroons). In the third and fourth quarter claims already increased (1.3 billion kroons). The major contributor here was investments by credit institutions into foreign debt instruments, which decreased by a total of 432 million kroons. Another contributor was the decline of investments into foreign equity securities

by companies of the other sector (120 million kroons).

Liabilities also contributed to the capital inflow (1.2 billion kroons). The main source of portfolio investments inflow was transactions with debt securities: the debt security liabilities increased by nearly 1.8 billion kroons. A major role was again played by credit institutions (1.7 billion kroons) but companies of the other sector also issued new debt securities. Investments of non-residents into the equity securities of Estonian companies decreased by 555 million kroons. This resulted from the decrease of investments into Estonian credit institutions due to the buy-out offer to minority shareholders in the second half of 2000. The investments of non-residents into the companies of the other sector increased by 120 million kroons.

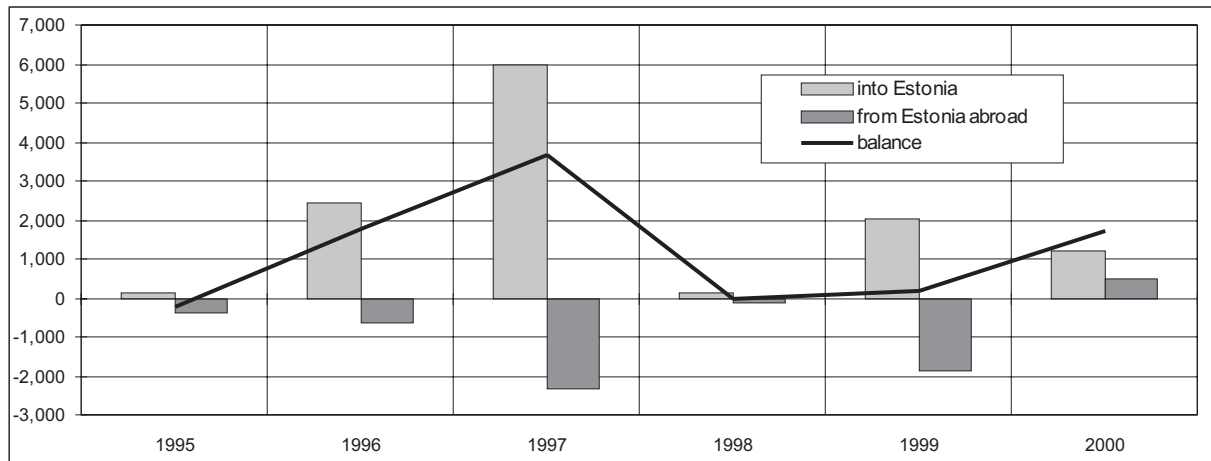


Figure 17. Portfolio investments (EEK mn)

Table 19. Portfolio investments by types of securities and sectors of economy (EEK mn)

	Claims			Liabilities			Balance		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Total portfolio investments	507.0	-1,894.9	-134.1	1,229.1	2,050.9	104.5	1,736.1	156.0	-29.6
o/w equity securities	56.1	187.0	494.6	-554.9	3,292.3	401.1	-498.8	3,479.3	895.7
credit institutions	-63.2	46.3	537.6	-674.9	2.5	-204.6	-738.1	48.8	333.0
other sectors	119.5	140.7	-43.0	120.0	3,289.8	605.7	239.5	3,430.5	562.7
debt securities	450.9	-2,081.9	-628.7	1,784.0	-1,241.4	-296.6	2,234.9	-3,323.3	-925.3
government sector				-69.7	166.8	-1.0	-69.7	166.8	-1.0
credit institutions	431.8	-1,454.0	-280.8	1,711.5	-646.8	7.4	2,143.3	-2,100.8	-273.4
other sectors	19.1	-627.9	-347.9	142.2	-761.4	-303.0	161.3	-1,389.3	-650.9

Other Investments

The **surplus of other investments** amounted to approximately 1.5 billion kroons last year, but remained below the 1999 level (see Figure 18 and Table 20). The surplus resulted from the increase in the trade credit liabilities, which in turn were due to the rapid growth of import, as well as the increase of non-residents' deposits

in Estonian credit institutions. The capital outflow, due to loans to non-residents and repayment of earlier loans taken by Estonian companies, amounted to more than 2.2 billion kroons. The inflow of investments mostly occurred in the form of short-term capital, while outflow was in the form of long-term capital (see Table 21).

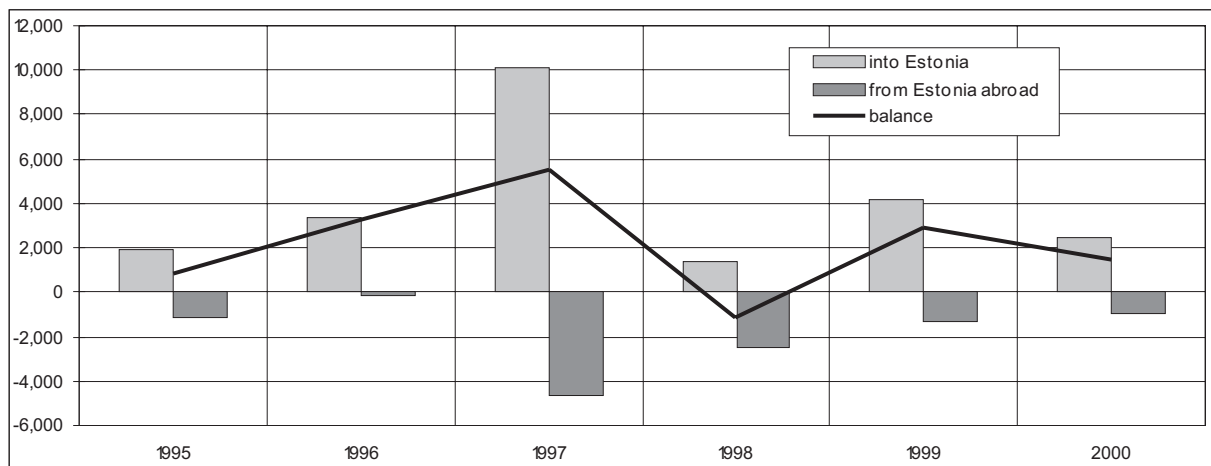


Figure 18. Other investments (EEK mn)

Table 20. Other investments by type of capital (EEK mn)

	Claims			Liabilities			Balance		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Total	-968.2	-1,301.2	-2,480.2	2,433.1	4,185.8	1,358.5	1,464.9	2,884.6	-1,121.7
o/w trade credit	-72.5	-51.8	-993.7	1,283.5	119.1	-221.2	1,211.0	67.3	-1,214.9
loans	-1,106.2	-57.4	-542.2	-1,143.2	2,399.7	290.0	-2,249.4	2,342.3	-252.2
deposits	-148.1	-887.9	-1,049.9	1,955.4	1,462.7	365.5	1,807.3	574.8	-684.4
other	358.6	-304.1	105.6	337.4	204.3	924.2	696.0	-99.8	1,029.8

Table 21. Other investments by maturity (EEK mn)

	Claims			Liabilities			Balance		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Total	-968.2	-1,301.2	-2,480.2	2,433.1	4,185.8	1,358.5	1,464.9	2,884.6	-1,121.7
Long-term capital	-328.3	421.8	-786.5	-829.5	1,691.5	1,258.4	-1,157.8	2,113.3	471.9
central bank				-4.1	-4.2	-297.0	-4.1	-4.2	-297.0
government sector				-275.5	139.7	62.6	-275.5	139.7	62.6
credit institutions	-197.5	324.1	-230.2	-736.8	533.5	116.9	-934.3	857.6	-113.3
other sectors	-130.8	97.7	-556.3	186.9	1,022.5	1,375.9	56.1	1,120.2	819.6
Short-term capital	-639.9	-1,723.0	-1,693.7	3,262.6	2,494.3	100.1	2,622.7	771.3	-1,593.6
central bank	-154.6	-260.6	0.5	36.4	68.1	-3.5	-118.2	-192.5	-3.0
government sector	537.8	-789.9	-886.0				537.8	-789.9	-886.0
credit institutions	-894.9	-915.7	1,028.1	2,140.6	2,250.4	-347.6	1,245.7	1,334.7	680.5
other sectors	-128.2	243.2	-1,836.3	1,085.6	175.8	451.2	957.4	419.0	-1,385.1

Claims on non-residents increased by nearly 1 billion kroons. Claims increased mostly during the first three quarters of 2000 (total of 3.8 billion kroons) while in the fourth quarter claims decreased considerably (by 2.8 billion kroons.). Loans granted to non-residents by credit institutions increased by 954 million kroons, loans given by companies of the other sector grew by 152 million kroons. The sums deposited abroad by banks increased by 607 million kroons last year, although a large drop occurred in the fourth quarter (2.1 billion kroons). The government sector reduced its foreign deposits by more than 0.5 billion kroons. However, the total volume of

deposits increased by 148 million kroons. Other claims decreased and this was mainly related to banks.

Liabilities increased by 2.4 billion kroons in 2000. The biggest increase concerned trade credit liabilities that grew by 1.3 billion kroons and non-residents' deposits in Estonian credit institutions – up by nearly 2 billion kroons. The volume of deposits decreased by 220 million kroons in the fourth quarter. Across the year, liabilities decreased for loans taken from non-residents: credit institutions repaid 0.9 billion kroons worth of loans and the government sector also reduced its loan liabilities.

RESERVES

Reserves of the balance of payments increased by 2.3 billion kroons in 2000, which is one of the biggest

increases in recent years. Figure 19 illustrates the coverage of imports with the reserves.

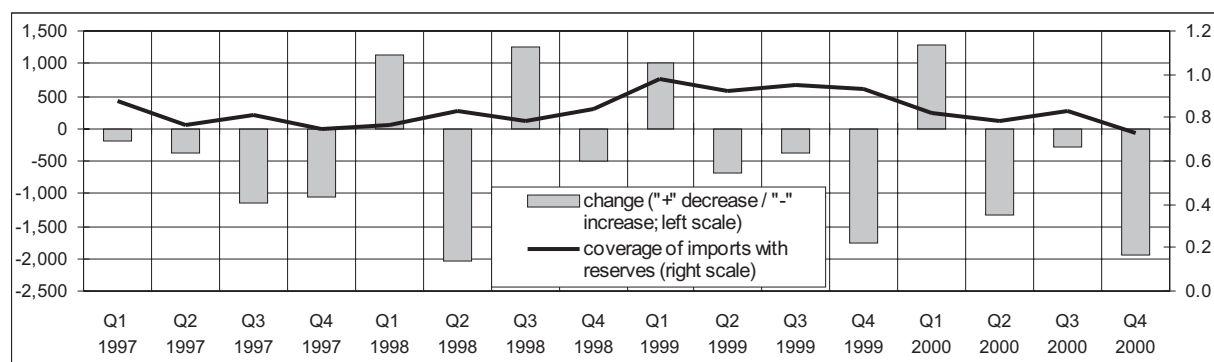


Figure 19. Change of the Estonia's gold and foreign currency reserves (EEK mn) and the coverage of imports (in quarters)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT⁵

Due to the predominance of external liabilities, Estonia's net investment position at the end of 2000 was negative by 46.9 billion kroons, which makes 55.7% of the anticipated gross domestic product (GDP). This figure exceeded the end-1999 by 3.5 billion kroons (see Table 22).

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

	31.12.00	Share (%)	31.12.99	Share (%)	Change (%)
EXTERNAL ASSETS					
Direct investments abroad	7,449.0	16.9	4,376.1	11.6	70.2
share capital and reinvested income	2,898.2	6.6	1,878.6	5.0	54.3
other capital	4,550.8	10.3	2,497.5	6.6	82.2
Portfolio investments abroad	4,577.5	10.4	4,749.6	12.6	-3.6
equity securities	442.4	1.0	192.2	0.5	130.2
debt securities	4,135.1	9.4	4,557.4	12.1	-9.3
long-term	1,281.8	2.9			
short-term	2,853.3	6.5			
Financial derivatives	153.7	0.3			
Other investments abroad	16,286.0	37.0	15,132.9	40.3	7.6
trade credit	3,856.3	8.8	3,696.2	9.8	4.3
loans	3,918.3	8.9	2,710.2	7.2	44.6
long-term	2,125.2	4.8	1,699.3	4.5	25.1
short-term	1,793.1	4.1	1,010.9	2.7	77.4
deposits	8,024.6	18.2	7,751.8	20.6	3.5
other assets	486.8	1.1	974.7	2.6	-50.1
Reserves	15,522.9	35.3	13,334.1	35.5	16.4
TOTAL EXTERNAL ASSETS	43,989.1	100.0	37,592.7	100.0	17.0
o/w loans	42,567.2	96.8	36,975.7	98.4	15.1
EXTERNAL LIABILITIES					
Direct investments into Estonia	44,495.1	49.0	38,396.7	47.5	15.9
share capital and reinvested income	34,666.4	38.2	29,841.0	36.9	16.2
other capital	9,828.7	10.8	8,555.7	10.6	14.9
Portfolio investments into Estonia	13,001.8	14.3	12,011.4	14.8	8.2
equity securities	7,244.7	8.0	7,791.6	9.6	-7.0
debt securities	5,757.1	6.3	4,219.8	5.2	36.4
long-term	5,470.3	6.0			
short-term	286.8	0.3			
Financial derivatives	171.1	0.2			
Other investments into Estonia	33,195.8	36.5	30,508.8	37.7	8.8
trade credit	6,326.5	7.0	4,950.7	6.1	27.8
loans	16,750.7	18.4	17,828.9	22.0	-6.0
long-term	13,747.3	15.1	14,453.7	17.9	-4.9
short-term	3,003.4	3.3	3,375.2	4.2	-11.0
deposits	8,018.7	8.8	6,054.9	7.5	32.4
other liabilities	2,099.9	2.3	1,674.3	2.1	25.4
TOTAL EXTERNAL LIABILITIES	90,863.8	100.0	80,916.9	100.0	12.3
o/w loans	50,892.2	56.0	44,806.0	55.4	13.6
NET INTERNATIONAL INVESTMENT POSITION	-46,874.7		-43,324.2		8.2
short-term	1,386.3		4,372.2		-68.3
long-term	-48,261.0		-47,694.7		1.2
NET EXTERNAL DEB OF ESTONIAN RESIDENTS	-8,325.0	100.0	-7,830.3	100.0	6.3
o/w government sector	-1,778.9	21.4	-1,693.8	21.6	5.0

¹From 2000 more detailed information is available

⁵ Estonia's international investment position as of end of the first quarter of 2001 will be published at the Eesti Pank web site (<http://www.ee/epbe>) on 25 June 2001 at noon.

Estonia's economic sectors had invested abroad 44 billion kroons (52% of Estonia's anticipated GDP). Investments in foreign countries increased by 6.4 billion kroons in 2000 whereas direct investments were responsible for 47%. The increasing gold and

foreign currency reserves of the central bank yielded 34% of the investment growth. The reserves were still responsible for 35% of all investments made abroad. Table 23 displays the structure of Estonia's direct investments by countries and spheres of activity.

Table 23. Estonia's direct investment position abroad by countries and spheres of activity as of 31 December 2000 (%)

Country	EEK mn	%	Sphere of activity	EEK mn	%
Latvia	3,994.2	53.6	Finance	4,517.8	60.6
Lithuania	2,329.2	31.3	Industry	1,072.6	14.4
Cyprus	605.6	8.1	Transport, storage and communication	770.9	10.3
Other	520.0	7.0	Industry	658.3	8.8
			Other	429.3	5.8

90.9 billion kroons of foreign investments had been made in Estonia by end-2000 (108% of anticipated GDP). Here the annual growth due to the balance of payments transactions (including growing reinvestment of earnings), changes in exchange rate and securities prices was 10 billion kroons (12%). The 49% share of FDI in all investments made in Estonia reflects investors' lasting interest. Several investors have increased their direct investments at the expense of portfolio investments, reducing, thus,

Estonia's portfolio investment liabilities in equity securities against end-1999.

At the end of 2000 the majority of the FDI inflow had quite evenly been distributed between **finance** (25%), **transport, storage and communication** (22%) and **industry** (21%). **Sweden** (41%) and **Finland** (30%) were responsible for most of the FDI. Table 24 displays the structure of the FDI in Estonia by countries and spheres of activity.

Table 24. Direct investment position in Estonia by countries and spheres of activity as of 31 December 2000 (%)

Country	EEK mn	%	Sphere of activity	EEK mn	%
Sweden	18,003.6	40.5	Finance	11,113.9	25.0
Finland	13,262.7	29.8	Transport, storage and communication	9,711.6	21.8
Norway	1,896.7	4.3	Industry	9,548.5	21.5
USA	1,874.0	4.2	Wholesale and retail trade	6,937.6	15.6
Denmark	1,799.1	4.0	Other	7,183.5	16.1
Other	7,659.1	17.2			

Including only debts in external claims and liabilities, Estonia's gross foreign debt was 50.9 billion kroons at the end of 2000, ie 60% of the anticipated GDP. The annual growth was 6 billion kroons (see Figures 20–21 and Table 25). Estonia's

net foreign debt at the end of 2000 was 8.3 billion kroons (10% of GDP) and increased by a mere 0.5 billion kroons over the year. The net foreign debt of the government sector was just 1.8 billion kroons (2.1% of GDP; see Figure 22).

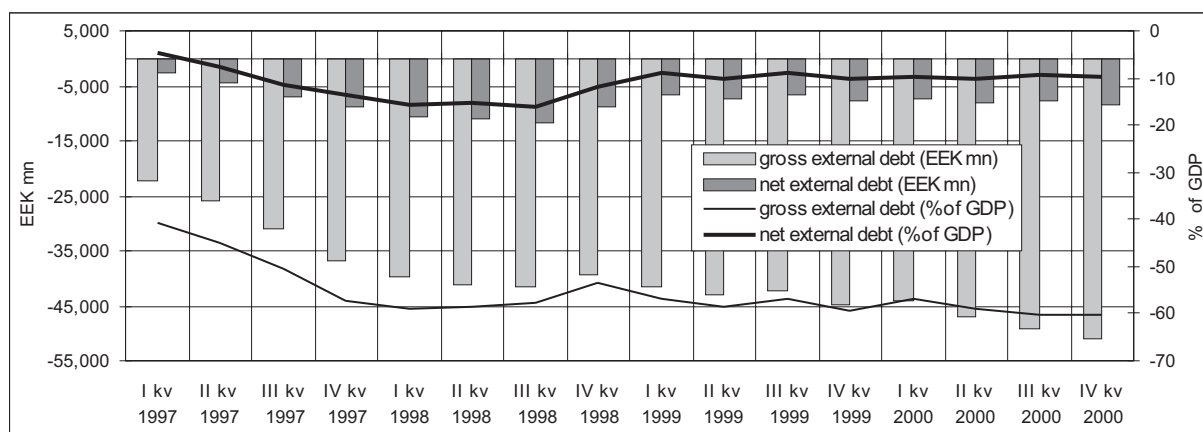


Figure 20. Estonia's gross and net external debt (EEK mn and % of GDP)

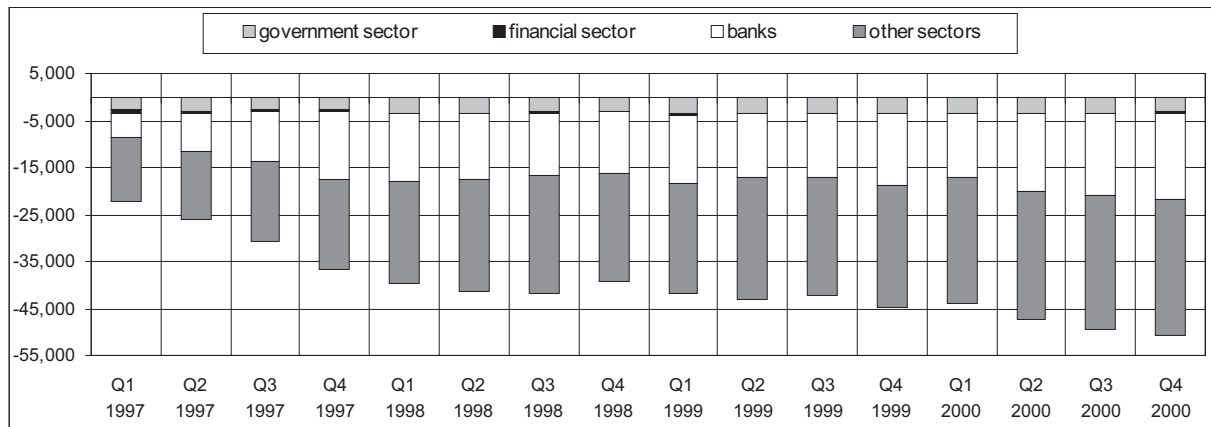


Figure 21. Estonia's gross external debt by economic sectors (EEK mn)

Table 25. Estonia's external debt¹

DEBT LIABILITIES	31.03.00	30.06.00	30.09.00	31.12.00
Short-term	15,327.7	16,434.5	17,640.4	18,819.7
Government sector				
Central bank	0.6	3.0	0.7	49.9
Credit institutions	8,318.3	8,864.6	10,044.8	10,505.2
Other sectors	7,008.8	7,566.9	7,594.9	8,264.6
Long-term	28,736.3	30,694.6	31,632.3	32,072.5
Government sector	3,570.5	3,619.6	3,572.5	3,249.9
Central bank	6.4	3.8	4.2	2.6
Credit institutions	5,435.9	7,439.7	7,428.1	7,862.5
Other sectors	19,723.5	19,631.5	20,627.5	20,957.5
GROSS EXTERNAL DEBT	44,064.0	47,129.1	49,272.7	50,892.2
CLAIMS				
Short-term	29,188.1	31,062.0	32,371.5	32,457.8
Government sector	1,718.0	1,596.3	1,598.0	1,471.0
Central bank	11,907.8	13,249.2	13,716.5	15,501.6
Credit institutions	8,135.7	9,176.3	10,180.3	8,633.4
Other sectors	7,426.6	7,040.2	6,876.7	6,851.8
Long-term	7,444.8	8,076.6	9,169.3	10,109.4
Government sector				
Central bank				
Credit institutions	1,166.9	1,231.6	1,424.5	1,295.6
Other sectors	6,277.9	6,845.0	7,744.8	8,813.8
CLAIMS TOTAL	36,632.9	39,138.6	41,540.8	42,567.2
NET EXTERNAL DEBT				
Short-term	13,860.4	14,627.5	14,731.1	13,638.1
Government sector	1,718.0	1,596.3	1,598.0	1,471.0
Central bank	11,907.2	13,246.2	13,715.8	15,451.7
Credit institutions	-182.6	311.7	135.5	-1,871.8
Other sectors	417.8	-526.7	-718.2	-1,412.8
Long-term	-21,291.5	-22,618.0	-22,463.0	-21,963.1
Government sector	-3,570.5	-3,619.6	-3,572.5	-3,249.9
Central bank	-6.4	-3.8	-4.2	-2.6
Credit institutions	-4,269.0	-6,208.1	-6,003.6	-6,566.9
Other sectors	-13,445.6	-12,786.5	-12,882.7	-12,143.7
NET EXTERNAL DEBT TOTAL	-7,431.1	-7,990.5	-7,731.9	-8,325.0

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

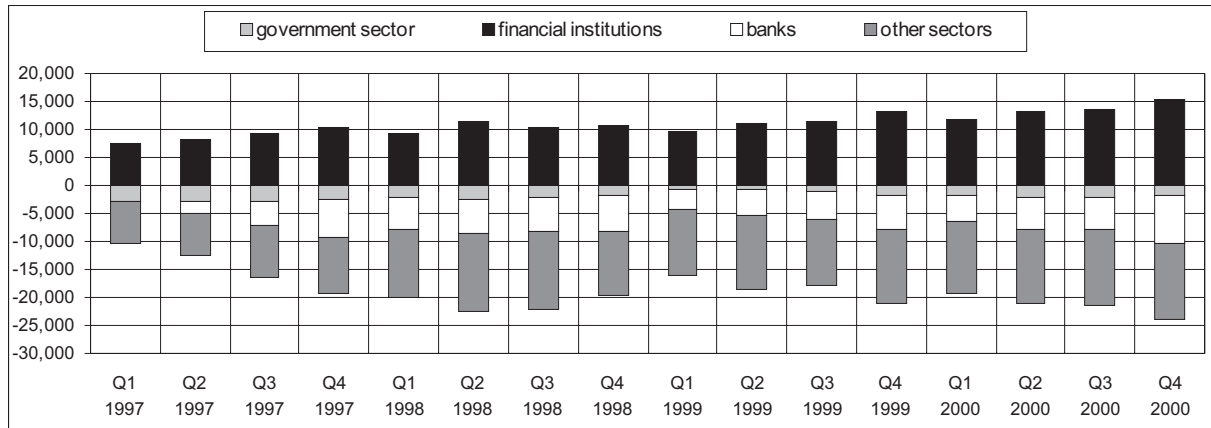


Figure 22. Estonia's net external debt by economic sectors (EEK mn)

INTERNATIONAL TRANSACTIONS OF CUSTOMERS — VIA THE ESTONIAN BANKING SYSTEM — — Number and Turnover of Transactions —

The number of international payments⁶ increased robustly in 2000 (see Table 26 and Figure 23). For the first time in five years, the number of incoming payments exceeded that of the outgoing payments, particularly due to the 36% increase

in the number of incoming payments in the fourth quarter. As compared to 1999, the number of incoming payments was up by 30% and the number of outgoing payments grew by 16%, following the general growth trend of the economy.

Table 26. Number of international payment transactions

	In thousands			Change (%)	
	2000	1999	1998	2000/1999	1999/1998
Incoming payments	415	290	288	30.2	0.6
Outgoing payments	403	337	625	16.2	-85.3
Total	818	627	913	23.3	-45.6

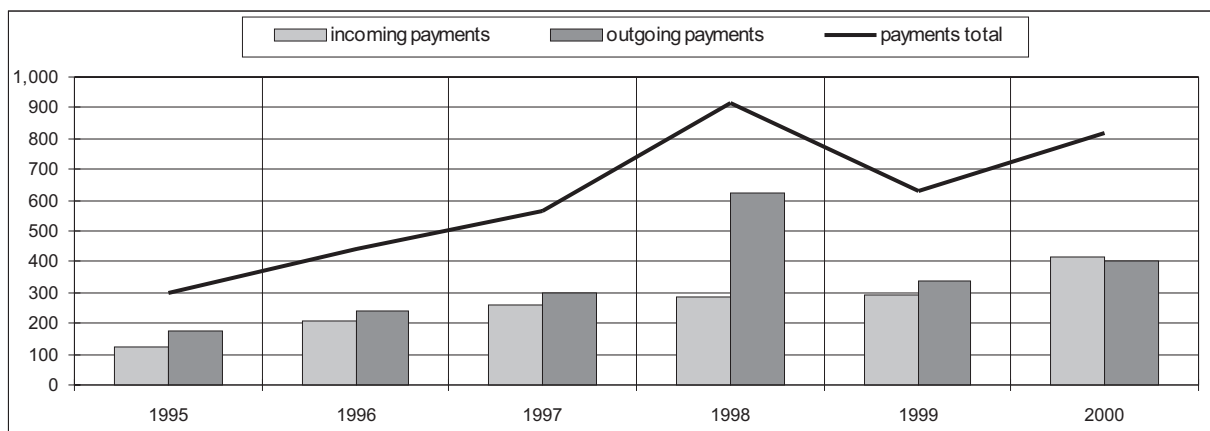


Figure 23. Number of international payment transactions (in thousands)

⁶ International payments do not contain transactions between residents only and between non-residents only.

The **turnover of international payments** carried out by customers of commercial banks had a similar dynamics: the turnover of incoming payments increased by 28% against 1999 and the turnover of outgoing payments was up by 32% (see Table 27 and Figure 24).

Although the number of outgoing payments was smaller, their turnover was larger. In the fourth quarter, the turnover of incoming payments increased by 18% against the third quarter, the turnover of outgoing payments grew by 27%.

Table 27. Turnover of international payment transactions

	EEK billion			Change (%)	
	2000	1999	1998	2000/1999	1999/1998
Incoming payments	716.3	513.3	690.9	28.3	-34.6
Outgoing payments	785.2	535.1	707.2	31.9	-32.2
Total	1,501.0	1,048.4	1,398.1	30.2	-33.4

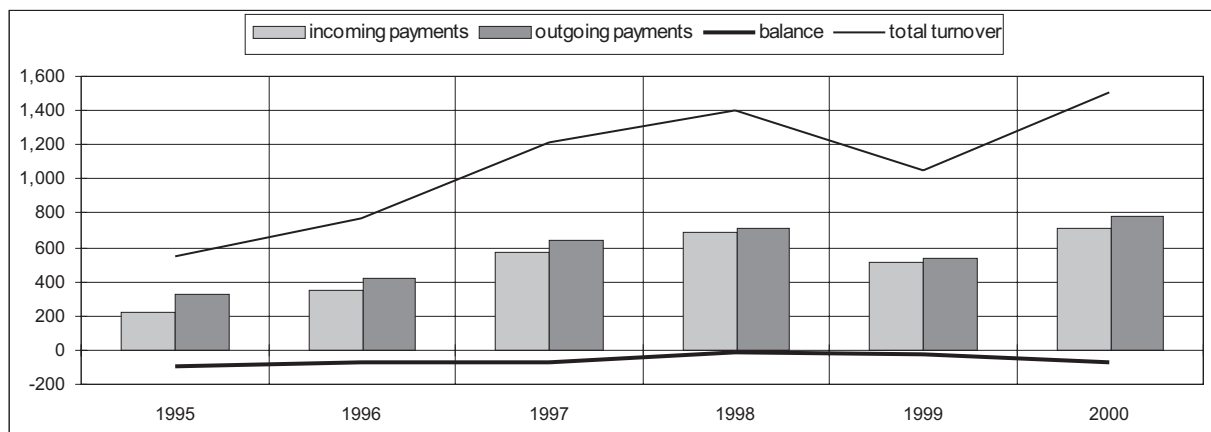


Figure 24. Turnover and balance of international payment transactions (EEK billion)

The **average size of an incoming payment** was 172,700 kroons in 2000, which was nearly the same as in 1999 (177,200 kroons). **The average size of an outgoing payment** was larger – 195,000 kroons (158,600 in 1999).

Use of Currencies⁷

By turnover, the ranking of major currencies used by commercial banks for international payments in 2000 was the same as in 1999 (see Figures 25 and 26). The dominating currency was still the **US dollar** the share of which increased by 1.5 percentage points and reached 35.5% of the total turnover of payments. The share of the **German mark** dropped to 15.5% (down 2.8 percentage points). The share of the **Estonian kroon** fell to 13.1%, the share of the **Finnish markka** was down to 7.6% and that of the **Swedish krona** to 3.1%. The use of the **euro** continued to grow – in 2000 payments made in euros accounted for 14.9% of the total turnover of payments, up by 3.2 percentage points against 1999. In the fourth quarter, the share of payments in euros grew

to 18.4% of the total turnover (up by 4.1 percentage points quarter-to-quarter), reducing the share of the Estonian kroon to 11.1%. The share of the **Russian rouble** increased against 1999 as well, thanks to the 1.6 percentage point growth in the first half of 2000 against the same period in 1999.

By the number of transactions, the use of currencies is similar to their share in the turnover. The biggest increase occurred in the number of transactions carried out in **euros** (up by 5.3 percentage points) and the increase was the steepest in the fourth quarter (3.1 percentage points). The share of the euro was bigger in incoming payments than in outgoing payments. The share of other major currencies decreased slightly against 1999.

⁷The 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.

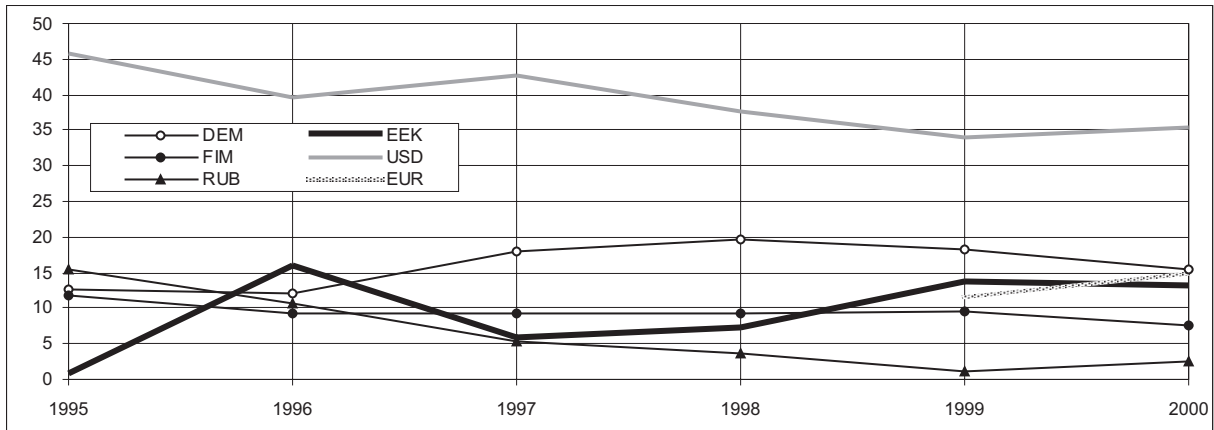


Figure 25. Currencies used in international payment transactions (%)

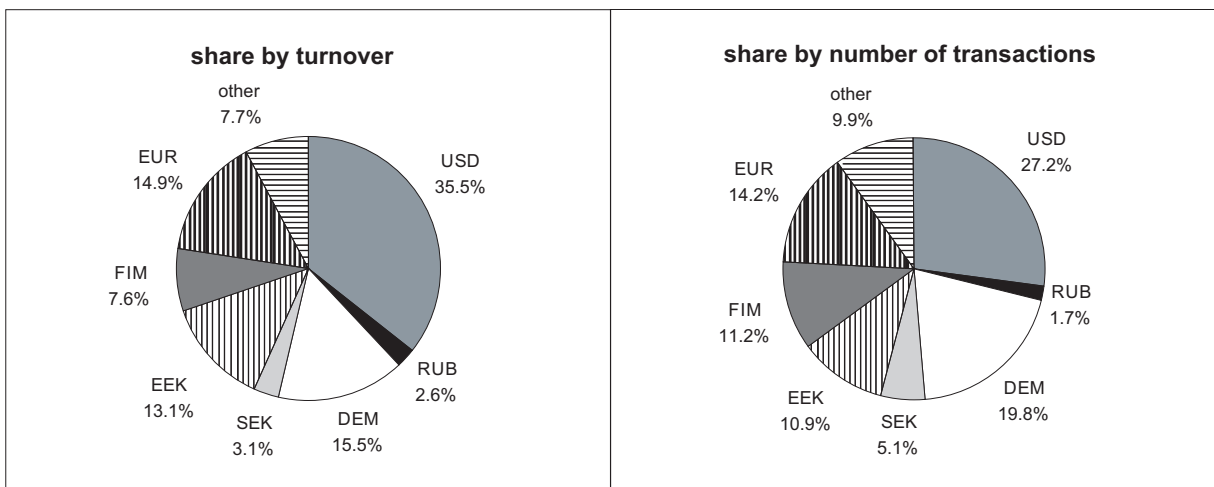


Figure 26. Use of major currencies by turnover and number of international payments

The structure of the share of the currencies in international payments varied across countries (see Figure 27). In transactions with the countries of the **European Monetary Union (EMU)** the bulk of payments was made in **euros** (20.1% of the number of payments and 24.3%

of the turnover) and **German marks** (25.4% and 21.4%, respectively). The share of the Finnish markka, the Estonian kroon and the US dollar was slightly smaller. The share of the euro increased by 7.1 percentage points, while the share of the German mark, the Finnish markka

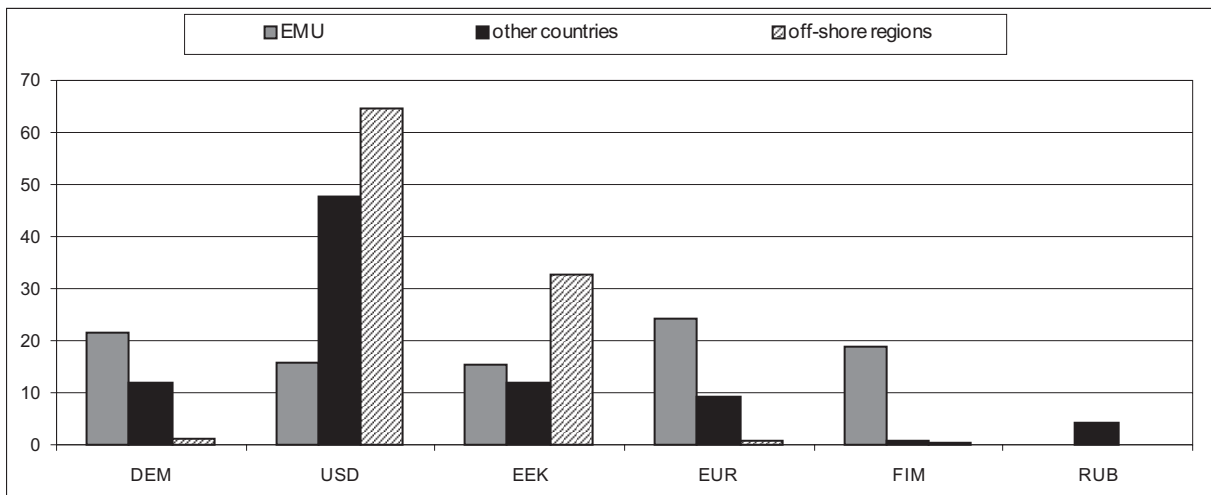


Figure 27. The structure of the share of the currencies in international payments in 2000 (%)

and the Estonian kroon decreased by approximately 2 percentage points. The 15.7% share of the US dollar was close to its share in 1999 (15.1%). **In transactions with off-shore regions** mostly two currencies were used – the **US dollar** (51.7% and 64.6%) and the **Estonian kroon** (44.0% and 32.7%). There were no remarkable changes

as compared to 1999, only the US dollar has lost a third of its share in the total turnover to the Estonian kroon. The US dollar dominated in payments with **the rest of the world** (40.8% of transactions and 47.6% of the turnover), followed by the German mark (15.4% and 11.9%) and the Estonian kroon (10.2% and 11.9%).