

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

SHORT SURVEY

The balance of payments for the second quarter of 2001 indicates that in the conditions of the worldwide economic slowdown the external balance of the Estonian economy has seasonally improved. The current account deficit stood at 890 million kroons in the second quarter, which is less than 4% of the anticipated gross domestic product (GDP; see Figure 1). The deficit of the current account of the last four

quarters amounted to approximately 6.7% of the GDP of the same period.

The main component of the **current account deficit** – the **foreign trade deficit** – was 3.3 billion kroons in the second quarter, which is larger than in the first quarter but smaller than in the respective period of 2000 (see Table 1).

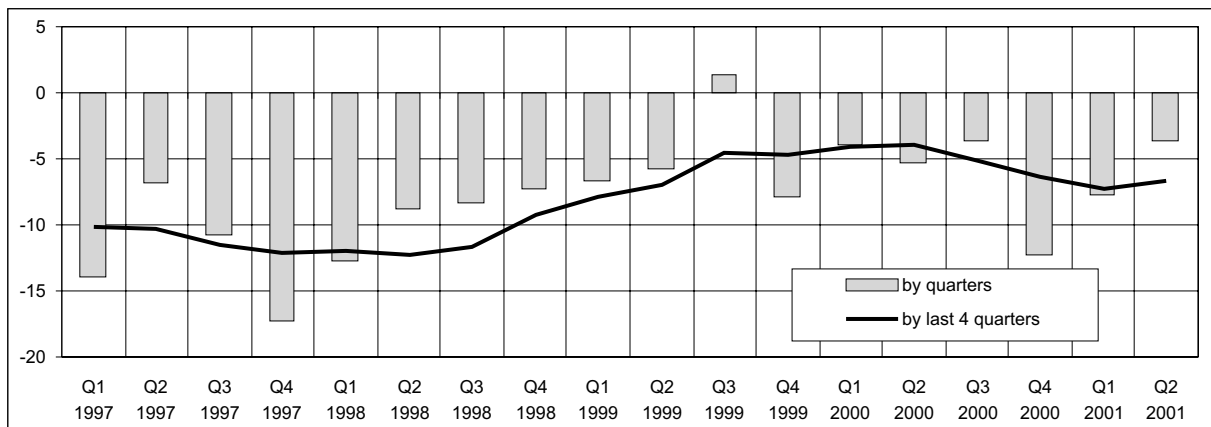


Figure 1. Current account balance against GDP (%)

In the second quarter, the rapid annual growth of the goods export slowed down slightly as the volume of machinery and equipment imported to Estonia for processing and later re-export decreased considerably. The volume of total exports – 15.7 billion kroons – was close to that of the first quarter, decreasing just by 2.7%, as the decline in subcontracting-related goods flows was compensated by the increase in direct export. Compared to the second quarter of 2000, total exports grew by 18%.

A similar structural change took place in the import of goods, which amounted to 19 billion kroons in the second quarter and was nearly unchanged against the first quarter. Goods meant for internal consumption compensated the considerable decline in the import of goods meant for processing. Compared to the second quarter of 2000, the import of goods was up by 12%.

Capital goods accounted for 16% of the total imports and less than 20% of total exports. The share of the

¹ The adjusted balance of payments for the second quarter of 2001 and the preliminary balance of payments for the third quarter will be published at the Eesti Pank web site (<http://www.ee/epbe>) at noon on 17 December 2001.

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

	1999				2000					2001	
	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
Current account	-1,148.3	253.9	-1,566.9	-3,607.7	-758.4	-1,179.7	-796.7	-2,708.3	-5,443.1	-1,672.9	-887.8
Trade and services balance	-684.8	161.6	-1,813.1	-3,755.4	-875.5	-817.3	55.4	-2,665.8	-4,303.2	-1,143.4	-824.0
Trade balance	-2,983.0	-2,968.8	-3,651.0	-12,096.9	-2,420.5	-3,594.0	-2,627.4	-4,851.6	-13,493.5	-3,055.2	-3,271.6
Goods: export f.o.b.	8,882.6	9,177.0	10,709.1	36,995.2	12,174.2	13,366.7	13,958.1	16,514.0	56,013.0	16,179.4	15,746.0
Goods: import f.o.b.	-11,865.6	-12,145.8	-14,360.1	-49,092.1	-14,594.7	-16,960.7	-16,585.5	-21,365.6	-69,506.5	-19,234.6	-19,017.6
Services: net	2,298.2	3,130.4	1,837.9	8,341.5	1,545.0	2,776.7	2,682.8	2,185.8	9,190.3	1,911.8	2,447.6
Services: credit	5,659.5	6,648.3	5,681.5	21,951.9	5,195.3	6,666.1	7,004.7	6,619.7	25,485.8	5,756.4	7,109.4
Services: debit	-3,361.3	-3,517.9	-3,843.6	-13,610.4	-3,650.3	-3,889.4	-4,321.9	-4,433.9	-16,295.5	-3,844.6	-4,661.8
Income: net	-807.7	-378.4	-222.6	-1,505.8	-459.6	-930.9	-1,446.0	-646.9	-3,483.4	-1,200.7	-932.0
Income: credit	406.4	542.3	533.7	1,964.3	324.1	539.4	570.6	573.9	2,008.0	561.1	634.1
Income: debit	-1,214.1	-920.7	-756.3	-3,470.1	-783.7	-1,470.3	-2,016.6	-1,220.8	-5,491.4	-1,761.8	-1,566.1
Transfers: net	344.2	470.7	468.8	1,653.5	576.7	568.5	593.9	604.4	2,343.5	671.2	868.2
Transfers: credit	536.7	567.8	623.9	2,257.5	689.4	673.2	720.6	756.0	2,839.2	792.3	984.9
Transfers: debit	-192.5	-97.1	-155.1	-604.0	-112.7	-104.7	-126.7	-151.6	-495.7	-121.1	-116.7
Capital and financial account	2,114.1	360.1	3,434.1	5,916.6	-1,032.2	2,301.6	1,824.1	4,419.6	7,512.1	-1,269.0	940.5
Capital account	2.9	-0.6	6.9	17.8	63.7	111.6	56.4	46.8	278.5	16.3	44.6
Financial account	2,111.2	360.7	3,427.2	5,898.8	-1,096.9	2,190.0	1,767.7	4,372.8	7,233.6	-1,285.3	895.9
Direct investments	1,360.2	105.8	340.4	3,208.2	743.6	599.7	2,005.8	2,252.3	5,601.4	3,005.0	-75.6
Abroad	-226.9	-531.3	-480.7	-1,239.8	-370.8	-661.0	40.2	-51.5	-1,043.1	-261.4	-1,281.6
Into Estonia	1,587.1	637.1	821.1	4,448.0	1,114.4	1,260.7	1,965.6	2,303.8	6,644.5	3,266.4	1,206.0
Portfolio investments	-12.7	-345.4	-1,493.9	156.0	210.4	3,069.7	-589.5	-835.7	1,854.9	1,324.9	652.6
Assets	144.8	-238.6	-602.5	-1,894.9	516.3	1,278.3	-548.5	-673.1	573.0	-60.9	90.5
Equity securities	67.8	5.6	32.4	187.0	104.5	-4.7	-115.4	68.9	53.3	432.9	3.4
Debt securities	77.0	-244.2	-634.9	-2,081.9	411.8	1,283.0	-433.1	-742.0	519.7	-493.8	87.1
Liabilities	-157.5	-106.8	-891.4	2,050.9	-305.9	1,791.4	-41.0	-162.6	1,281.9	1,385.8	562.1
Equity securities	600.7	230.4	-479.1	3,292.3	89.4	134.5	91.8	-854.5	-538.8	-1.9	515.8
Debt securities	-758.2	-337.2	-412.3	-1,241.4	-395.3	1,656.9	-132.8	691.9	1,820.7	1,387.7	46.3
Other investments	763.7	600.3	4,580.7	2,534.6	-2,050.9	-1,479.4	351.4	2,956.2	-222.7	-5,615.2	318.9
Assets	-50.4	880.8	2,125.0	-1,651.2	-755.8	-2,856.8	-1,246.5	2,039.8	-2,819.3	-5,233.8	-2,092.0
Long-term	251.9	115.0	-23.6	421.8	-312.1	-145.7	-587.1	-63.8	-1,108.7	-536.3	-501.2
Short-term	-302.3	765.8	2,148.6	-2,073.0	-443.7	-2,711.1	-659.4	2,103.6	-1,710.6	-4,697.5	-1,590.8
Liabilities	814.1	-280.5	2,455.7	4,185.8	-1,295.1	1,377.4	1,597.9	916.4	2,596.6	-381.4	2,410.9
Long-term	1,371.5	-437.4	79.3	1,691.5	-1,135.3	154.8	399.3	31.3	-549.9	693.3	476.3
Short-term	-557.4	156.9	2,376.4	2,494.3	-159.8	1,222.6	1,198.6	885.1	3,146.5	-1,074.7	1,934.6
Errors and omissions	-294.4	-240.0	-98.3	-511.3	499.2	215.1	-756.9	244.1	201.5	488.0	625.0
Overall balance	671.4	374.0	1,768.9	1,797.6	-1,292.4	1,337.0	270.5	1,955.4	2,270.5	-2,453.9	677.7
Reserve assets	-671.4	-374.0	-1,768.9	-1,797.6	1,292.4	-1,337.0	-270.5	-1,955.4	-2,270.5	2,453.9	-677.7

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

European Union was slightly under 75% in Estonia's foreign trade.

The surplus of the **services balance** amounted to 2.4 billion kroons in the second quarter, up by one fourth against the first quarter but smaller than in the second quarter of 2000 due to the rapid growth of the import of services.

The export of services grew by 7% against the same period of 2000 and stood at 7.1 billion kroons. The import of services increased by 20% and made up 4.7 billion kroons in the second quarter. Transport and travel services continued to dominate and most of the growth in both export and import derived from transport services. The export of travel services remained on the level of the second quarter of 2000, while import decreased slightly.

The deficit of the **income balance** was large in the second quarter, amounting to 900 million kroons. This is close to the respective figure of last year but 25% smaller than in the first quarter of 2001. The bulk of it was made up of

the dividends paid to foreign investors from reinvested (undistributed) profits earned in earlier periods from direct investments made into Estonia.

The surplus of the **transfers balance** amounted to 870 million kroons in the second quarter, by some 30% larger than usual. Although most of the transfers were traditionally related to goods and services received as foreign aid, the net inflow of transfers was increased by taxes deducted from dividends that were reflected in the income balance.

Although the capital flows were relatively unstable and large in the second quarter, the **CAPITAL AND FINANCIAL ACCOUNT** had a surplus of 940 million kroons. The surplus of the financial account was most of all affected by the growth of non-residents' deposits and portfolio investment liabilities. Inflow of capital was nearly equally divided between credit institutions and other sectors. The financial flows of the central bank and the government sector were more or less equal.

Direct investments of Estonian residents abroad and foreign direct investments into Estonia were practically equal in the second quarter and thus direct investment flows had no effect on the balance of the financial account. This was not caused by the low level of investments into Estonia but exceptionally large investments from Estonia abroad. Direct investments abroad amounted to nearly 1.3 billion kroons, of which 80% was invested into share capital. The bulk of the investments was made into Lithuania and Latvia, the dominating sectors being finance, real estate development and industry.

Direct investments of non-residents into Estonia amounted to 1.2 billion kroons and were mostly related to the growth of loan and other liabilities to parent companies. Investments into equity were under 200 million kroons. Major investments came from Finland, the USA and Great Britain; the dominating sectors were trade, industry and finance.

The net inflow of **portfolio investments** stood at 650 million kroons in the second quarter and the bulk of it was related to the growth of the credit institutions' equity security and other sectors debt security liabilities.

The balance of **other foreign investment capital flows** was positive by 300 million kroons in the second quarter,

with external claims growing by 2.1 billion kroons and external liabilities were up by 2.4 billion kroons. The increase of claims was by more than a third related to trade credit. Another important factor was the growth of loans issued to non-residents and the increase of deposits abroad. Non-residents' deposits in Estonian credit institutions accounted for nearly half of the liabilities' increase. The increase of trade credit and loan liabilities of the other sector is also worth mentioning.

The inflow of capital through the financial account exceeded the current account deficit and thus **overall balance of payments** was positive in the second quarter. The **GOLD AND FOREIGN CURRENCY RESERVES** of the central bank increased by approximately 700 million kroons.

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The adjusted deficit of the current account in the first quarter of 2001 turned out to be larger than preliminary estimates and amounted to 1.7 billion kroons. This is 7.8% of the estimated GDP of the first quarter. The deficit of the current account of the last four quarters amounted to approximately 6.7% of the GDP of the respective period.

CURRENT ACCOUNT

The current account of the balance of payments of the second quarter can be characterized as stabilizing (see Figures 2 and 3). The gross balance of goods and services as well as the deficit of the income balance remained on the level of the respective period of 2000 and the current account deficit decreased only due to the

(untraditional) increase in the surplus of the transfers balance (see Figure 4).

The relative deficit of the foreign trade balance against the GDP decreased to 13%, as compared to 16% in the second quarter of last year, while in absolute terms the

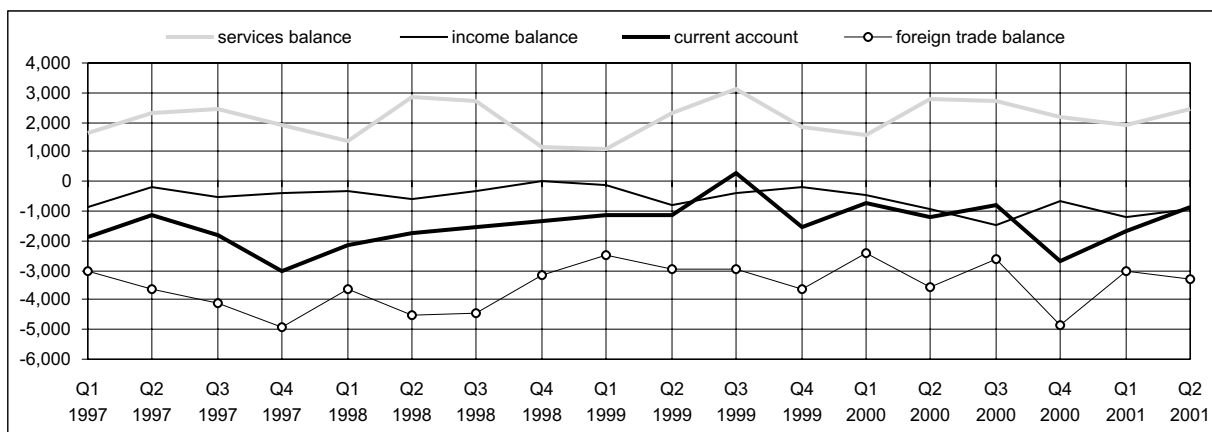


Figure 2. Comparison of the current account, foreign trade balance, services balance and income balance of the Estonian balance of payments (in f.o.b. prices, EEK m)

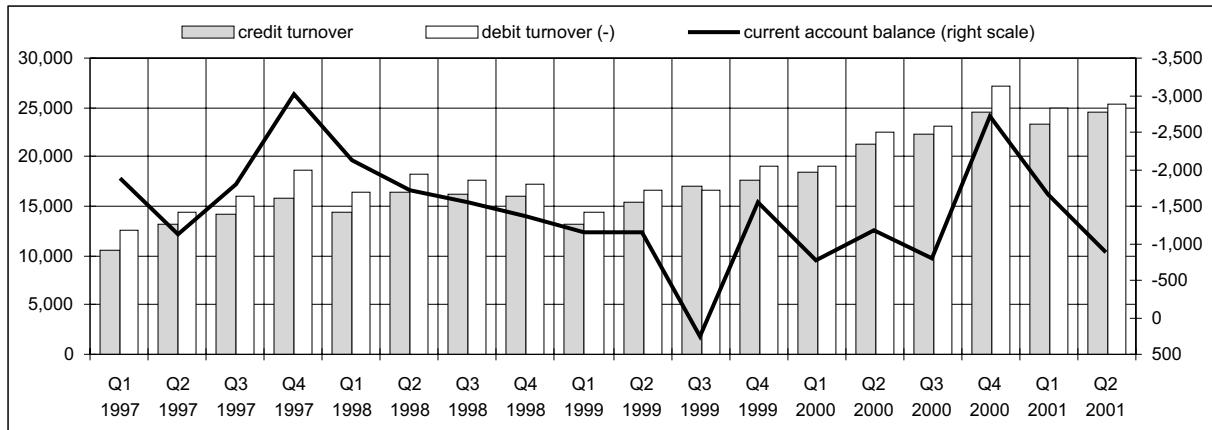


Figure 3. Current account turnover and balance (EEK m)

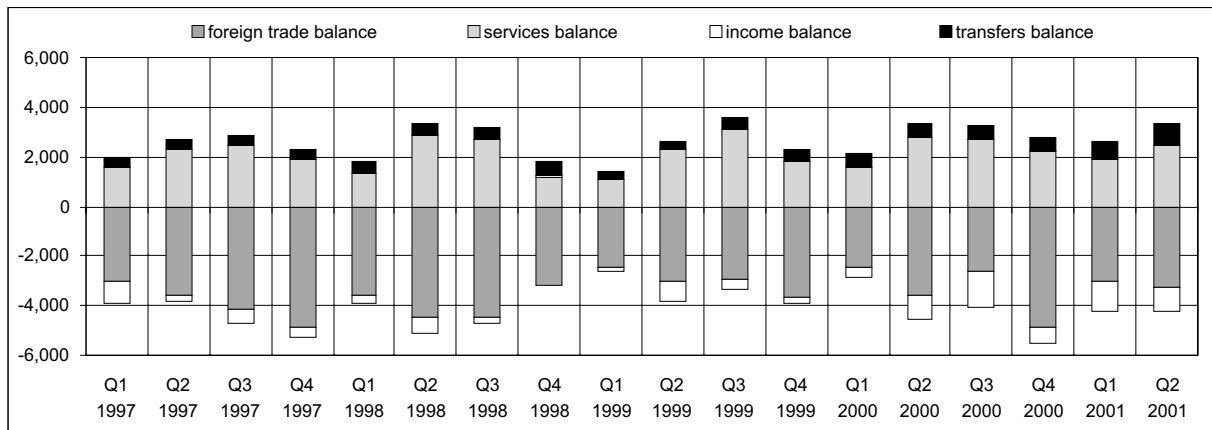


Figure 4. Current account structure (EEK m)

deficit grew by 300 million kroons. On the one hand, this reflects the stop of the external demand growth and, on the other hand, the improvement of Estonia's terms of trade, due to export prices increasing faster than import prices.

The comparison of the dynamics of the current account

balance and the real effective exchange rate of the Estonian kroon (see Figure 5) indicates that the current account deficit decreased when the real exchange rate of the kroon strengthened in 1998 and from the beginning of 2001 and increased when the real exchange rate weakened in the period of 1999–2000.

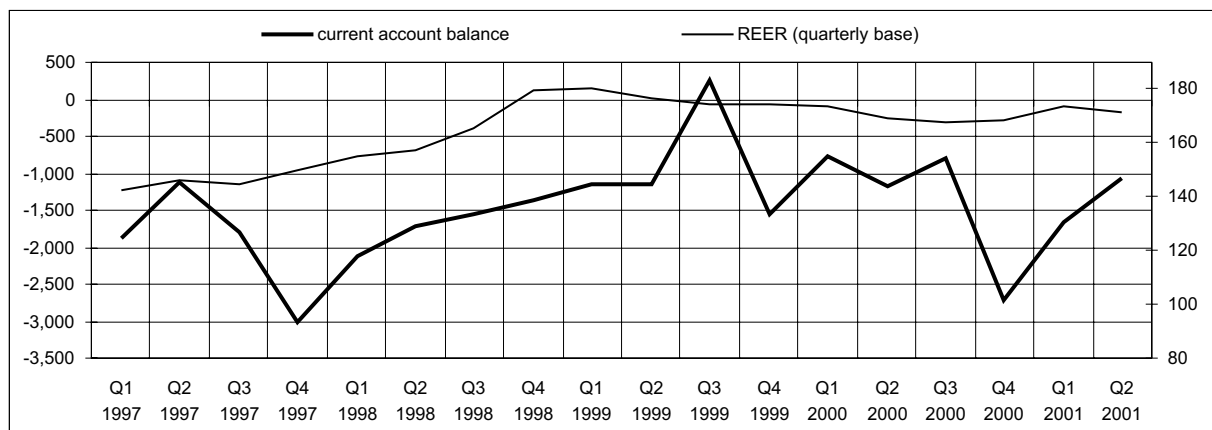


Figure 5. Current account balance (EEK m, left scale) and the real effective exchange rate of the kroon (Q1 1993 = 100, right scale)

Goods

The increase of export that began in the second quarter of 1999 and lasted for seven quarters has been replaced by a small decline since early 2001. In the second quarter, the volume of export fell by 3% (see Table 2). The volume of import, which has fluctuated more than that of export, fell by just 1% against the first quarter. Against the same period of the previous year, however, the export of goods increased faster than their import (18% and 12%, respectively).

According to the special trade statistics², the export of goods amounted to 15.5 million kroons and import was 19.8 billion kroons in c.i.f. prices (see Figure 6). The foreign trade deficit increased slightly compared to the first quarter and made up 4.3 billion kroons.

The modest decrease of both special export and import resulted from the considerable drop in the import and export in all major groups of goods processed in Estonia.

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	16,179.4	-2.0	73.8	19,234.6	-10.0	83.3	-3,055.2
Q2 2001	15,746.0	-2.7	68.9	19,017.6	-1.1	80.3	-3,271.6

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

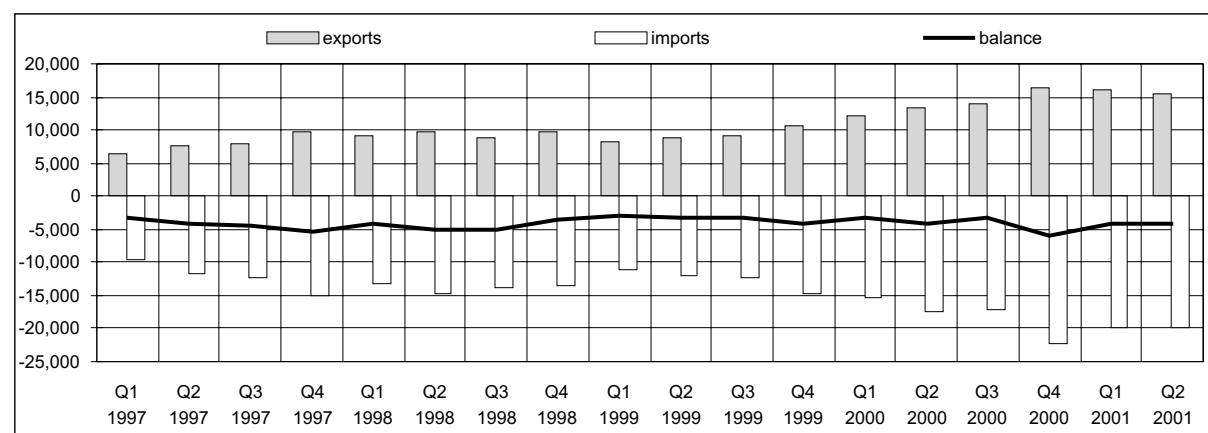


Figure 6. Estonia's foreign trade balance (EEK m)

² The analysis below does not contain the adjustments made in the foreign trade balance of the balance of payments by the Statistics Department of Eesti Pank (repair of capital goods, provisions bought abroad, etc). Imports is in c.i.f. prices and analysed by the trading country, using the special trade system. In exports, possible price distortions have been taken into account while exporting goods through customs warehouses and free trade zones.

This decline was mostly compensated by the sharp increase of end export and import (see Table 3).

In **processed goods** the dominating position traditionally belonged to machinery and equipment – parts of mobile communication equipment, various electrical and integrated switches and alarm devices were imported to Estonia while mobile communication equipment and their parts and electrical appliances were exported after processing. The textile industry imported fabrics and hides and exported men's and women's ready-made

clothes, sports attire, furs and footwear. The share of metal products in the structure of processed goods remained around 4-5%. Raw metal was imported into Estonia for making and exporting ship structures.

The 11% increase of **end export** came from the considerable growth of the export of timber and timber products (office and other furniture, wood structures, windows and doors, particle boards), food (fish and fish products, milk powder and other dairy products) and transport equipment (safety belts, trailers).

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
End export	9,135.4	8,225.4	8,062.9	58.7	51.5	60.9	11.1	13.3
Export of processed goods	6,414.3	7,758.2	5,185.8	41.3	48.5	39.1	-17.3	23.7
Special export total	15,549.8	15,983.7	13,248.6	100.0	100.0	100.0	-2.7	17.4
Import for free circulation	14,598.5	12,750.8	12,309.2	73.7	63.7	70.1	14.5	18.6
Import of processed goods	5,203.4	7,263.6	5,242.2	26.3	36.3	29.9	-28.4	-0.7
Special import total	19,801.9	20,014.4	17,551.4	100.0	100.0	100.0	-1.1	12.8

Import for free circulation increased by nearly 15% in the second quarter, mostly due to the growing demand for transport equipment, chemical and food products, metals and machinery.

By end consumption, the share of capital goods decreased sharply in the **export of goods** (see Table 4), which was mostly due to the 46% fall in the export of mobile communication equipment as these accounted for

Table 4. Special export by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
Capital goods	2,926.6	4,838.9	2,783.8	18.8	30.3	21.0	-39.5	5.1
Goods of intermediate consumption	8,823.5	7,522.3	7,304.6	56.7	47.1	55.1	17.3	20.8
Consumer goods	3,670.4	3,495.2	3,054.7	23.6	21.9	23.1	5.0	20.2
Other	129.2	127.3	105.5	0.8	0.8	0.8	1.5	22.4
Total	15,549.8	15,983.7	13,248.6	100.0	100.0	100.0	-2.7	17.4

over three fourths of the total capital goods export. The volume and share of the goods of intermediate consumption increased in total export, with unprocessed and little processed timber, parts of mobile phones, iron structures, electrical wires and construction elements dominating. The major export articles among consumer goods were furniture and furniture elements, fish products and ready-made clothes.

The **import of goods** (see Table 5) was influenced by the decline in the import of the goods of intermediate consumption (parts for electrical and electronics industry), while the import of capital goods and consumer goods increased. Of capital goods, Estonia imported alarm devices, computers, mobile phones, lorries, farm

and road-working machinery. Medicines, tobacco products, CDs, furniture and plastic products dominated in the import of consumer goods.

The **foreign trade balance** was negative for all groups of end consumption (see Table 6).

As to the **groups of countries**, export was up for Central and Eastern Europe and the CIS countries (see Table 7). Estonia's major export partners in the European Union were Finland, Sweden, Germany and Great Britain; in Central and Eastern Europe – Latvia, Lithuania, Hungary and Poland; in the CIS countries – Russia and the Ukraine; in the group of other countries Norway and the USA.

Table 5. Special import by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
Capital goods	3,233.7	3,099.2	3,595.3	16.3	15.5	20.5	4.3	-10.1
Goods of intermediate consumption	10,636.5	11,772.3	8,983.0	53.7	58.8	51.2	-9.6	18.4
Consumer goods	4,178.7	3,676.9	3,557.9	21.1	18.4	20.3	13.6	17.4
Other	1,752.9	1,466.1	1,415.2	8.9	7.3	8.1	19.6	23.9
Total	19,801.9	20,014.4	17,551.4	100.0	100.0	100.0	-1.1	12.8

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

	Q2 2001	Q1 2001	Q2 2000
Capital goods	-811.5	1,739.7	-307.1
Goods of intermediate consumption	-1,678.3	-4,250.0	-1,813.0
Consumer goods	-503.2	-181.7	-508.3
Other	-1,309.7	-1,338.8	-1,623.7
Total	-4,302.7	-4,030.7	-4,252.1

The **import of goods** decreased only from the European Union, but increased by 20% from Central and Eastern Europe (see Table 8). The major import partners in the European Union were Finland, Sweden, Germany, Denmark and Italy; in Central and Eastern Europe – Latvia, Lithuania, Poland and Hungary; in the CIS countries – Russia, Belarus and the Ukraine; and in the group of other countries – Japan, Hong Kong, the USA, Norway and Switzerland.

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
EU countries	11,119.1	11,742.6	9,678.1	71.5	73.5	73.1	-5.3	14.9
Central and Eastern European countries	1,701.2	1,470.9	1,521.5	10.9	9.2	11.5	15.7	11.8
CIS countries	609.1	555.4	398.5	3.9	3.5	3.0	9.7	52.8
Other	1,498.7	1,785.5	1,094.8	9.6	11.2	8.3	-16.1	36.9
Customs-free zone ¹	621.7	429.4	555.7	4.0	2.7	4.2	44.8	11.9
Total	15,549.8	15,983.7	13,248.6	100.0	100.0	100.0	-2.7	17.4

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.

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
EU countries	13,881.0	14,647.8	12,900.9	70.1	73.2	73.5	-5.2	7.6
CIS countries	2,380.3	1,977.4	1,710.9	12.0	9.9	9.7	20.4	39.1
Central and Eastern European countries	2,022.4	1,888.5	1,737.9	10.2	9.4	9.9	7.1	16.4
Other	1,518.1	1,500.7	1,201.7	7.7	7.5	6.8	1.2	26.3
Total	19,801.9	20,014.4	17,551.4	100.0	100.0	100.0	-1.1	12.8

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

	Q2 2001	Q1 2001	Q2 2000
EU countries	-3,222.7	-2,905.2	-2,761.9
CIS countries	-189.4	-506.6	-679.2
Central and Eastern European countries	-1,339.4	-1,333.1	-1,413.3
Other	-106.9	284.8	-19.5
Customs-free zone	555.7	429.4	621.7
Total	-4,302.7	-4,030.7	-4,252.1

The **foreign trade balance** was negative across all groups of countries (see Table 9).

Services

The surplus of the services balance amounted to 2.4 billion kroons in the second quarter, which is lower than in the second quarter of last year (see Table 10). While the export and import of services usually increase seasonally in the second quarter (see Figure 7) then in 2001 the increase of the import of services outstripped

that of the export (20% and 6.7%, respectively). The share of services in the total balance of goods and services has been decreasing over the years due to the faster growth of the volume of goods export, while the share of the import of services is regaining the higher level characteristic of earlier years. The decrease of the

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	4,321.5	11.1	20.7	2,683.2	-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	5,756.4	-13.0	26.2	3,844.6	-13.3	16.7	1,911.8	-12.5
Q2 2001	7,109.4	23.5	31.1	4,661.8	21.3	19.7	2,447.6	28.0

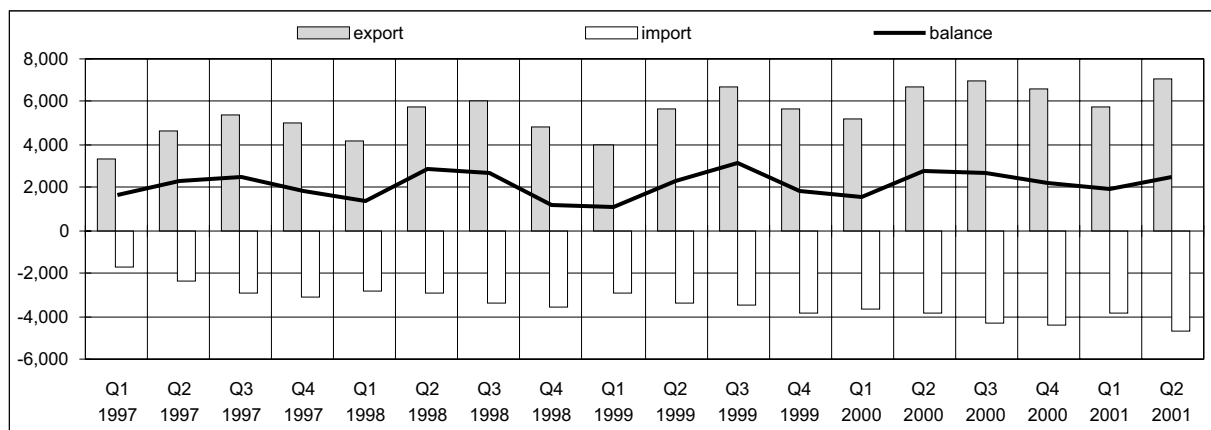


Figure 7. Services balance (EEK m)

services balance surplus resulted from the 20% drop in the surplus of the transport services balance year-on-year and the 26% surge in the deficit of the government services balance (see Table 11).

While the overall **export of services** increased 6.7% year-on-year (see Table 12), the growth of the export of travel services (by 8.3%) and business services (by 15%) was

above the average. The growth of the construction services export was also above the average, although the exceptionally fast growth rate of the previous quarters dropped to 12%.

The 20% annual growth of the **import of services** (see Table 13) is based on the rapid increase of the transport services import (36.8% compared to the same period of

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)		
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000
Transport services	1,261.6	1,199.6	1,581.9	51.5	62.7	57.0
Travel services	1,643.3	824.4	1,537.9	67.1	43.1	55.4
Construction services	25.9	253.5	30.0	1.1	13.3	1.1
Business services	-10.9	31.8	-22.7	-0.4	1.7	-0.8
Government services	-487.0	-358.2	-386.4	-19.9	-18.7	-13.9
Other	14.7	-39.3	36.0	0.6	-2.1	1.3
Services: net	2,447.6	1,911.8	2,776.7	100.0	100.0	100.0

Table 12. Services export by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
Transport services	3,422.0	2,928.0	3,161.0	48.1	50.9	47.4	16.9	8.3
o/w freight	1,512.2	1,339.0	1,330.5	21.3	23.3	20.0	12.9	13.7
passenger	779.8	455.5	675.0	11.0	7.9	10.1	71.2	15.5
other transport services	1,130.0	1,133.5	1,155.5	15.9	19.7	17.3	-0.3	-2.2
Travel services	2,453.5	1,523.5	2,443.6	34.5	26.5	36.7	61.0	0.4
Construction services	90.4	312.4	80.9	1.3	5.4	1.2	-71.1	11.7
Business services	837.9	726.3	727.7	11.8	12.6	10.9	15.4	15.1
Government services	28.7	26.8	19.2	0.4	0.5	0.3	7.1	49.5
Other	276.9	239.4	233.7	3.9	4.2	3.5	15.7	18.5
Total	7,109.4	5,756.4	6,666.1	100.0	100.0	100.0	23.5	6.7

Table 13. Services import by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2000	Q2 2001/ Q2 2000
Transport services	2,160.4	1,728.4	1,579.1	46.3	45.0	40.6	25.0	36.8
o/w freight	1,586.6	1,290.5	1,105.4	34.0	33.6	28.4	22.9	43.5
passenger	296.4	209.5	204.0	6.4	5.4	5.2	41.5	45.3
other transport services	277.4	228.4	269.7	6.0	5.9	6.9	21.5	2.9
Travel services	810.2	699.1	905.7	17.4	18.2	23.3	15.9	-10.5
Construction services	64.5	58.9	50.9	1.4	1.5	1.3	9.5	26.7
Business services	848.8	694.5	750.4	18.2	18.1	19.3	22.2	13.1
Government services	515.7	385.0	405.6	11.1	10.0	10.4	33.9	27.1
Other	262.2	278.7	197.7	5.6	7.2	5.1	-5.9	32.6
Total	4,661.8	3,844.6	3,889.4	100.0	100.0	100.0	21.3	19.9

the previous year) and the import of the government and other services, which also displayed above-average growth rates (27% and 33%, respectively).

Estonia's most important categories of services are transport and travel services. The growth rate of the **transport services** export (8.3% annually) has slowed down, while the growth rate of import increased even faster than last year (see Figure 8). The growth of transport services export was hampered by the decline in the export of other transport services (port and airport taxes and other infrastructure supporting expenses). The import of other transport services was unchanged as well.

The import of freight transport services has been growing faster than their export and, as a result, the export of freight transport services has outstripped their import only once over the past four quarters. The relatively rapid annual growth of both export and import of the passenger transport services has resulted from higher fares, since passenger numbers have remained stable.

The balance of **travel services** was up 6.9% year-on-year, with export practically unchanged against the second quarter of 2000 and import down by 10% (see Figure 9). While the export of travel services has been growing every year so far, although at a dropping rate,

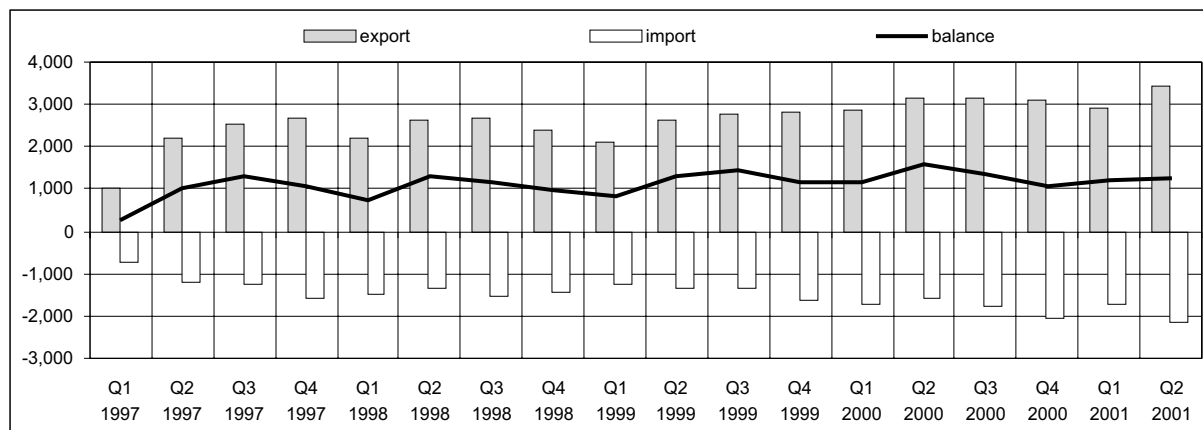


Figure 8. Transport services balance (EEK m)

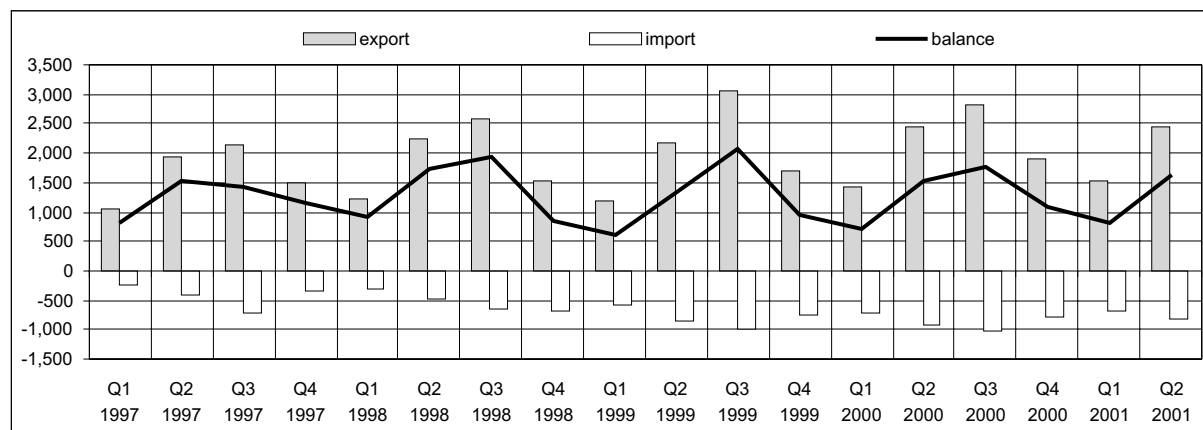


Figure 9. Travel services balance (EEK m)

the import of travel services increased rapidly in 2000 but fell to the level of 1999 in the second quarter of 2001. Compared to the second quarter of 2000, the number of Estonian residents travelling abroad dropped by 3.5%, the number of Estonian residents using the services of travel agencies fell by 0.5%. Only the number of visits to more distant European Union countries increased, while the number of visits to Finland (down by 7.6%), Sweden (15%), Latvia (39%), Lithuania (33%) and Russia (5%)

decreased considerably. According to surveys, the average spending in destination countries has also decreased.

The credit of travel services increased slightly, as **the number of foreign tourists visiting Estonia remained practically unchanged**. The number of tourists from Finland and Sweden has decreased, while the number of visitors from other regions has grown and the average stay has also become longer.

Income

In the second quarter, the **deficit of the income balance amounted to 932 million kroons, unchanged compared to the previous year**, and the structure of the income balance remained relatively stable as well (see Table 14 and Figure 10).

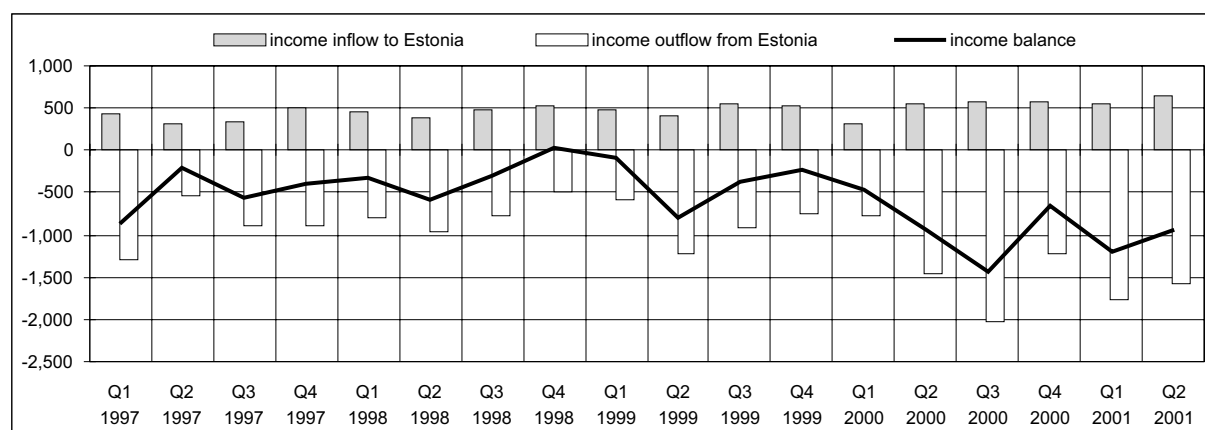
The **inflow of income** into Estonia increased by 17.6% year-on-year, mainly due to the 187 million kroons

increase in the income from portfolio investments (see Table 15).

The **outflow of income** increased by 6.5% year-on-year, due to the 53% surge in the income from portfolio investments and the 22% increase in the income from other investments. The outflow of income from direct investments dropped by 10.5% year-on-year (see Table 16).

Table 14. Income balance

	Balance (EEK m)			Share (%)		
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000
Income from direct investments	-833.5	-1,253.7	-834.8	89.4	104.4	89.7
o/w income from equity	-763.2	-1,209.0	-829.1	81.9	100.7	89.1
income from debt (interests)	-70.3	-44.7	-5.7	7.5	3.7	0.6
Income from portfolio investments	1.1	172.4	-48.6	-0.1	-14.4	5.2
Income from other investments	-132.1	-135.1	-53.1	14.2	11.3	5.7
Other income	32.5	15.7	5.6	-3.5	-1.3	-0.6
Income: net	-932.0	-1,200.7	-930.9	100.0	100.0	100.0

**Figure 10. Income balance (EEK m)****Table 15. Income inflow to Estonia**

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
Income from direct investments	-21.7	-7.1	72.2	-3.4	-1.3	13.4	205.6	
o/w income from equity	-50.1	-26.3	13.2	-7.9	-4.7	2.4	90.5	
income from debt (interests)	28.4	19.2	59.0	4.5	3.4	10.9	47.9	-51.9
Income from portfolio investments	428.7	306.0	241.6	67.6	54.5	44.8	40.1	77.4
Income from other investments	191.5	242.7	212.4	30.2	43.3	39.4	-21.1	-9.8
Other income	35.6	19.5	13.2	5.6	3.5	2.4	82.6	169.7
Total	634.1	561.1	539.4	100.0	100.0	100.0	13.0	17.6

Table 16. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
Income from direct investments	-811.8	-1,246.6	-907.0	51.8	70.8	61.7	-34.9	-10.5
o/w income from equity	-713.1	-1,182.7	-842.3	45.5	67.1	57.3	-39.7	-15.3
income from debt (interests)	-98.7	-63.9	-64.7	6.3	3.6	4.4	54.5	52.6
Income from portfolio investments	-427.6	-133.6	-290.2	27.3	7.6	19.7	220.1	47.3
Income from other investments	-323.6	-377.8	-265.5	20.7	21.4	18.1	-14.3	21.9
Other income	-3.1	-3.8	-7.6	0.2	0.2	0.5	-18.4	-59.2
Total	-1,566.1	-1,761.8	-1,470.3	100.0	100.0	100.0	-11.1	6.5

Transfers

The surplus of the transfers balance amounted to 868 million kroons in the second quarter, with the transfers credit nearly a record one billion kroons, up by 46% year-on-year. The growth mainly derived from the

government transfers (up by 63% annually). Although a large part of the transfers are traditionally related to goods and services received as foreign aid, the inflow of transfers in the second quarter was boosted by taxes

deducted from paid-out dividends that were recorded under the income balance. The annual growth of the credit and debit of private transfers amounted to 11% and 46%, respectively.

CAPITAL AND FINANCIAL ACCOUNT

The capital and financial account boasted a 940 million kroons surplus in the second quarter. The

structure of the capital and financial account can be seen from Figures 11 and 12.

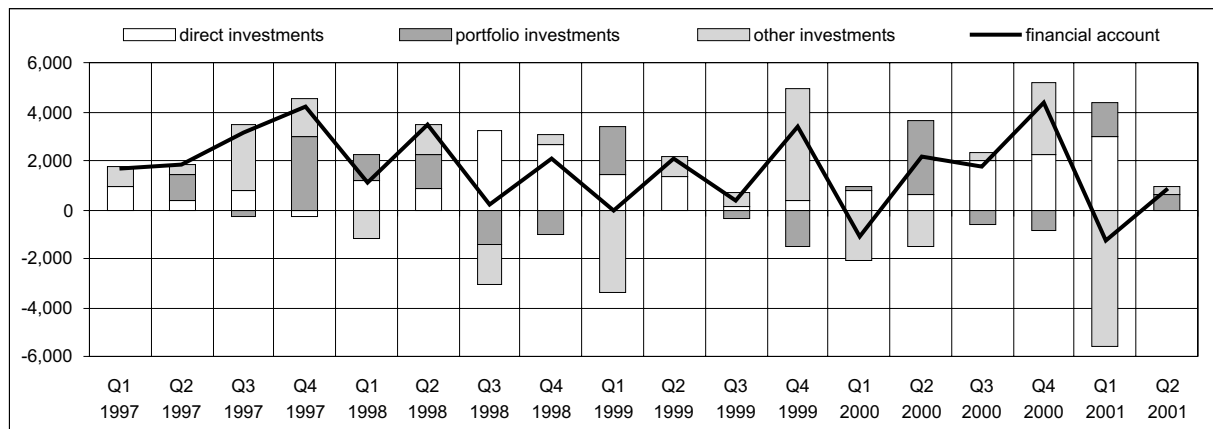


Figure 11. Changes in the structure of foreign investment capital flows (EEK m)

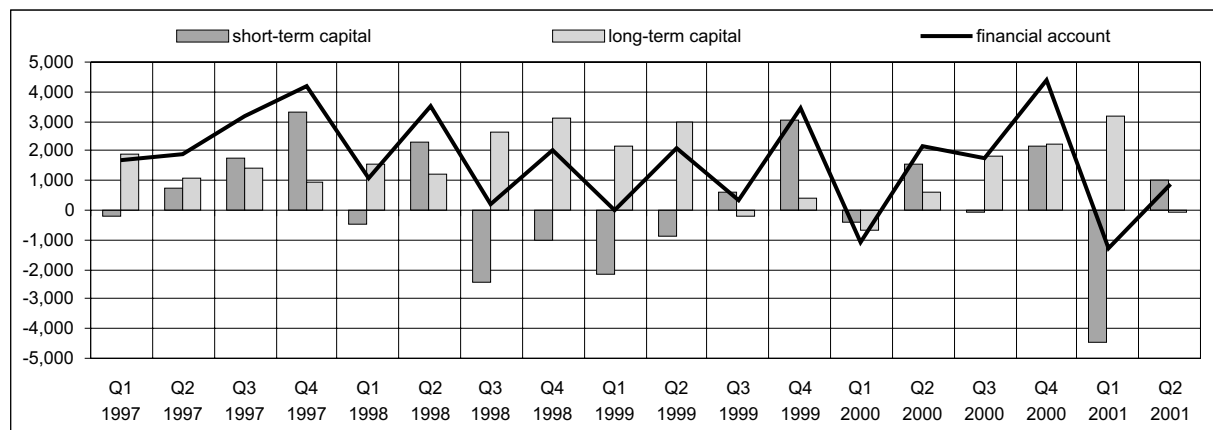


Figure 12. The maturity structure of financial sources (EEK m)

Direct Investments

The balance of direct investments was negative by 76 million kroons in the second quarter of 2001, with the financial account showing a surplus of 896 million kroons. Non-residents invested 1.2 billion kroons into Estonia, direct investments of Estonian residents into businesses abroad increased by 1.3 billion kroons (see Table 17 and Figure 13).

The inflow of direct investments into Estonia dropped considerably against the previous three quarters, remaining on the level of the second quarter of 2000. One third of direct investments was placed into share capital. Reinvested income fell by 230 million kroons, with paid-out dividends amounting to 943 million kroons and the growth of undistributed profits of foreign-owned

Table 17. Structure of direct investments

	Into Estonia						Abroad					
	EEK m			Share (%)			EEK m			Share (%)		
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000
Share capital	404.0	1,554.3	526.6	33.5	47.6	41.8	-1,017.2	-81.0	-577.6	79.4	31.0	87.4
Inflow	866.5	1,783.2	846.3	71.8	54.6	67.1	11.4	12.9	162.5	-0.9	-4.9	-24.6
Outflow	-462.5	-228.9	-319.7	-38.3	-7.0	-25.4	-1,028.6	-93.9	-740.1	80.3	35.9	112.0
Reinvested income	-230.3	1,163.2	202.3	-19.1	35.6	16.0	78.2	28.0	-9.5	-6.1	-10.7	1.4
Claims	-1,870.9	-635.0	-1,148.6	-148.4	-50.4	-91.1	-17.7	-15.6	-27.9	-1.4	-1.2	-2.2
Liabilities	1,640.6	1,798.2	1,350.9	130.1	142.6	107.2	95.9	43.6	18.4	7.6	3.5	1.5
Loan capital (net)	744.1	524.8	275.5	61.7	16.1	21.9	-335.7	-200.7	-67.8	26.2	76.8	10.3
Trade credit	324.4	-360.1	142.1	26.9	-11.0	11.3	5.4	-42.3	-27.9	-0.4	16.2	4.2
Short-term loans	330.3	528.1	193.7	27.4	16.2	15.4	-104.3	-113.0	1.9	8.1	43.2	-0.3
Long-term loans	89.4	356.8	-60.3	7.4	10.9	-4.8	-236.8	-45.4	-41.8	18.5	17.4	6.3
Other capital	288.2	24.1	256.3	23.9	0.7	20.3	-6.9	-7.7	-6.1	0.5	2.9	0.9
Total	1,206.0	3,266.4	1,260.7	100.0	100.0	100.0	-1,281.6	-261.4	-661.0	100.0	100.0	100.0

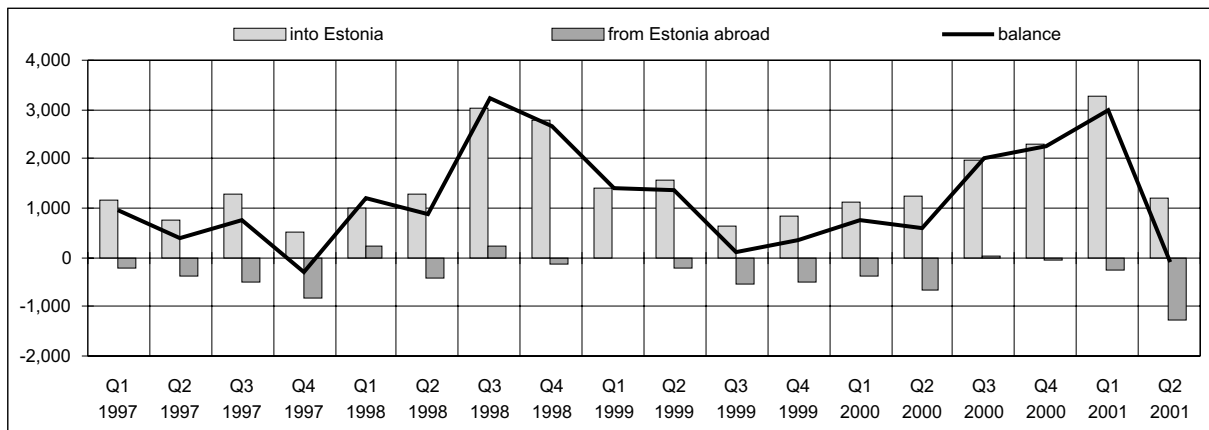


Figure 13. Direct investments (EEK m)

businesses totalling 713 million kroons. Nearly two thirds of direct investments were made up of the net inflow of loan capital, which grew by 42% against the

second quarter of 2000. The bulk of the growth derived from short-term liabilities to foreign partners in the form of trade credit and short-term loans (see Figure 14).

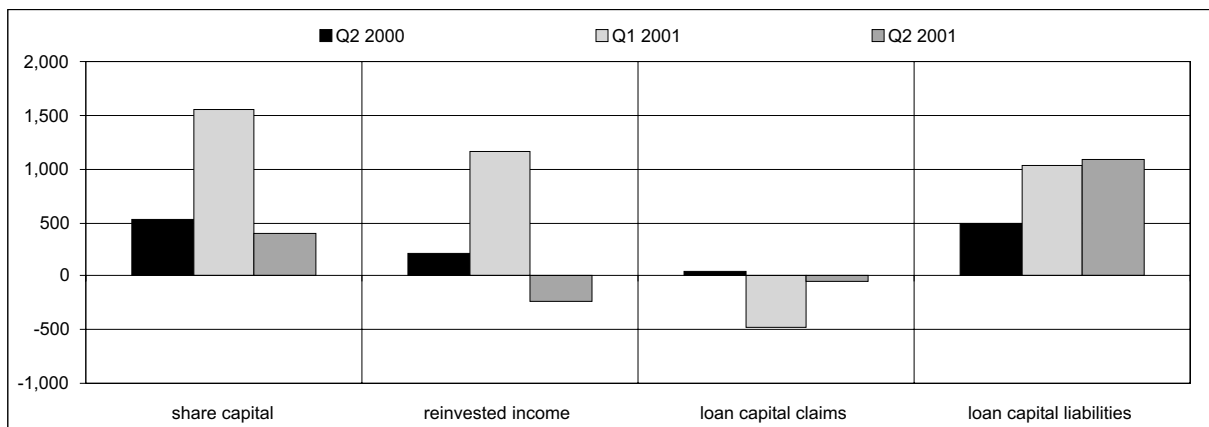


Figure 14. Structure of direct investments made into Estonia (EEK m)

Almost one third of the inflow of direct investments came from Finland, but investors from the USA and Great Britain were actively involved as well. The bulk of the investments went into trade and manufacturing.

Foreign direct investments decreased considerably in transport, storage and communication, mostly due to the extensive payment of dividends (see Figures 15 and 16).

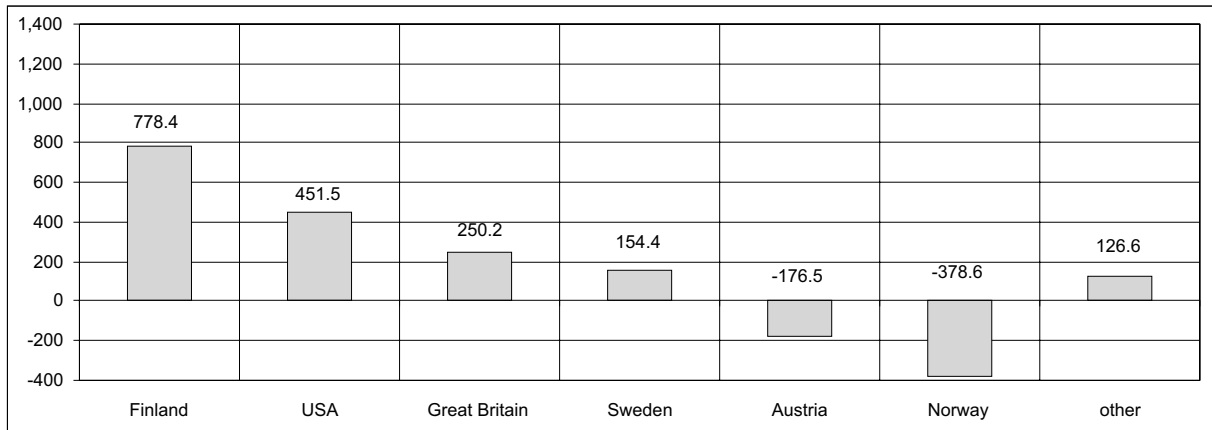


Figure 15. Structure of direct investments made into Estonia by countries in the 2nd quarter of 2001 (EEK m)

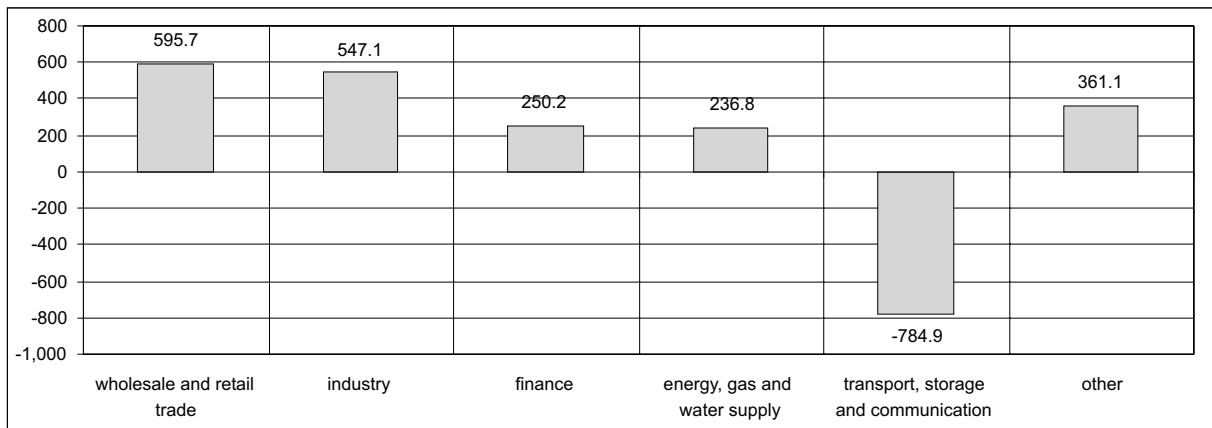


Figure 16. Structure of direct investments made into Estonia by spheres of activity in the 2nd quarter of 2001 (EEK m)

Direct investments abroad by Estonian businesses turned out to be remarkably large, reaching the highest level of the entire history of compiling the balances of payments. 80 per cent of the outflow served to strengthen the positions of Estonian businesses in the share capital of businesses abroad. Like in the first quarter, the foreign-

earned undistributed profit decreased. As the owner's income from abroad was insignificant, the reason must have been the operating loss of affiliated/associated companies. A quarter of the direct investment outflow was made up of loan capital. Both long- and short-term loan claims on affiliated/associated companies increased (see Figure 17).

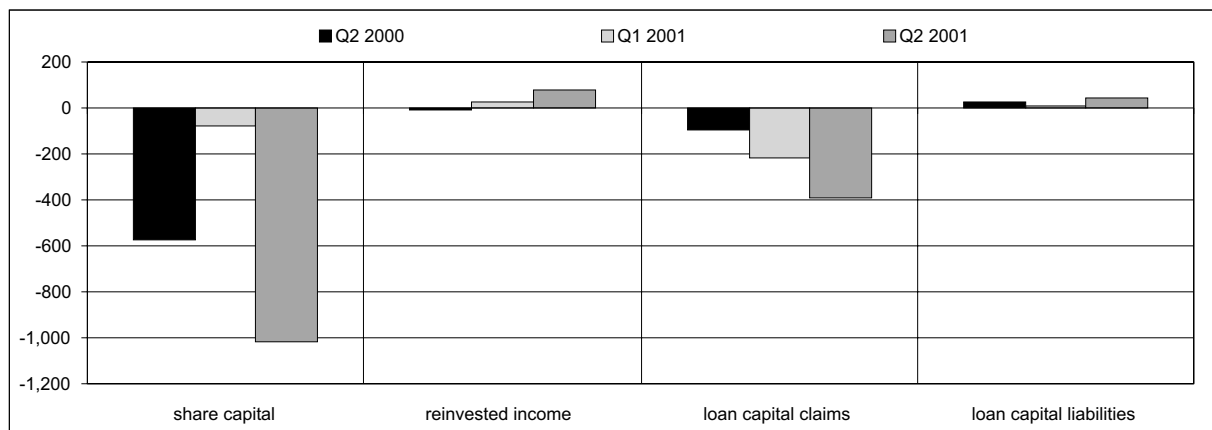


Figure 17. Structure of direct investments made abroad (EEK m)

The most popular investment target in the second quarter was the financial sector of **Lithuania**, but Latvia attracted a fair amount of Estonian investments as well. In addition

to the financial sector, direct investments into the real estate, leasing and business services and industry increased too (see Figures 18 and 19).

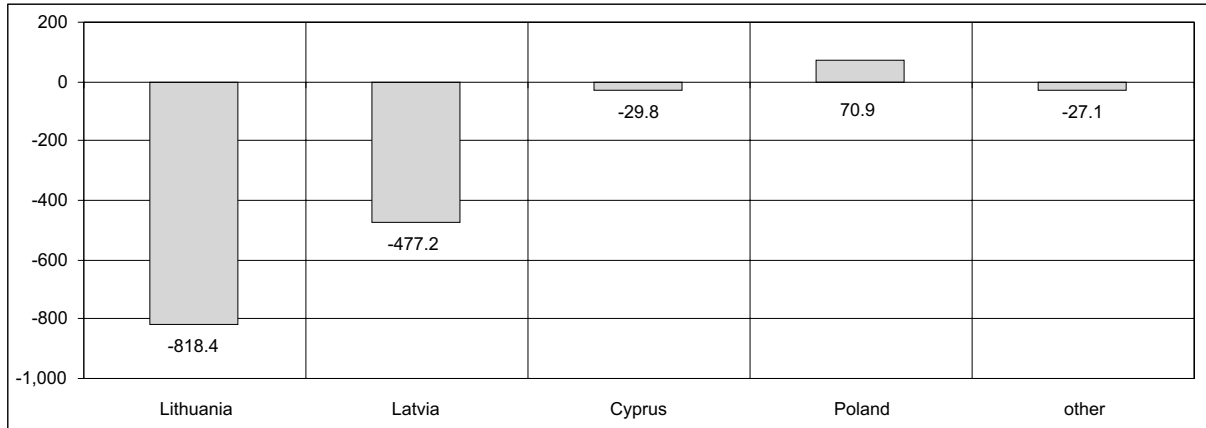


Figure 18. Structure of direct investments made abroad by countries in the 2nd quarter of 2001 (EEK m)



Figure 19. Structure of direct investments made abroad by spheres of activities in the 2nd quarter of 2001 (EEK m)

Portfolio Investments

The net inflow of portfolio investments amounted to 653 million kroons in the second quarter and was mostly related to the increase of the equity security

liabilities of credit institutions and debt security liabilities of the other sector (see Table 18 and Figure 20).

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

	Claims			Liabilities			Balance		
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000
Total portfolio investments	8.7	-60.9	1,278.3	562.1	1,385.8	1,791.4	652.6	1,324.9	3,069.7
o/w equity securities	3.4	432.9	-4.7	515.8	-1.9	134.5	519.2	431.0	129.8
credit institutions	5.7	396.8	-32.5	462.2	47.5	-23.2	467.9	444.3	-55.7
other sectors	-2.3	36.1	27.8	53.6	-49.4	157.7	51.3	-13.3	185.5
debt securities	5.3	-493.8	1,283.0	46.3	1,387.7	1,656.9	133.4	893.9	2,939.9
central bank	81.8						81.8		
government sector	12.5	-215.1		-55.8	-2.7	155.2	-43.3	-217.8	155.2
credit institutions	-8.9	-73.5	1,165.8	-157.6	1,039.7	1,620.5	-166.5	966.2	2,786.3
other sectors	1.7	-205.2	117.2	259.7	350.7	-118.8	261.4	145.5	-1.6

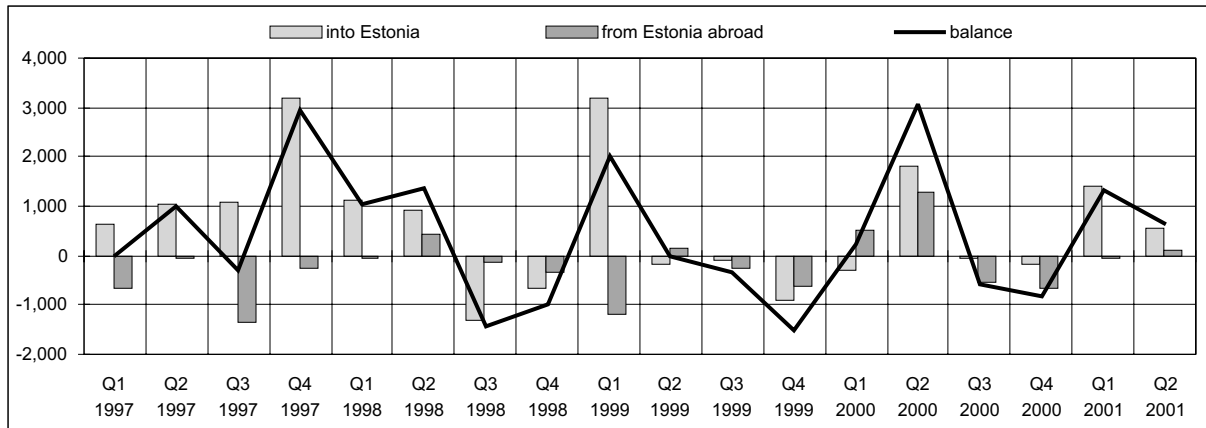


Figure 20. Portfolio investments (EEK m)

Claims fell by 91 million kroons in the second quarter, due to the decrease of non-residents' investments into equity and debt securities. Compared to the first quarter, the capital flows were considerably smaller.

related transactions. Portfolio investments into the banking stocks grew by 516 million kroons, investments into the equity capital of the other sector businesses increased by 54 million kroons. Debt security liabilities increased as well (46 million kroons), due to debt securities issued by businesses of the other sector (260 million kroons). The government sector and credit institutions, however, reduced their debt liabilities to non-residents by 213 million kroons.

Liabilities increased by 562 million kroons in the second quarter, or more than two times smaller than in the first quarter. The bulk of the capital inflow came from equity-

Other Investments

The balance of other foreign investment capital was positive by 300 million kroons, after the 5.6 billion kroons outflow in the first quarter. Foreign assets

increased by 2.1 billion kroons and liabilities grew by 2.4 billion kroons (see Figure 21 and Table 19), most of it being short-term capital (see Table 20).

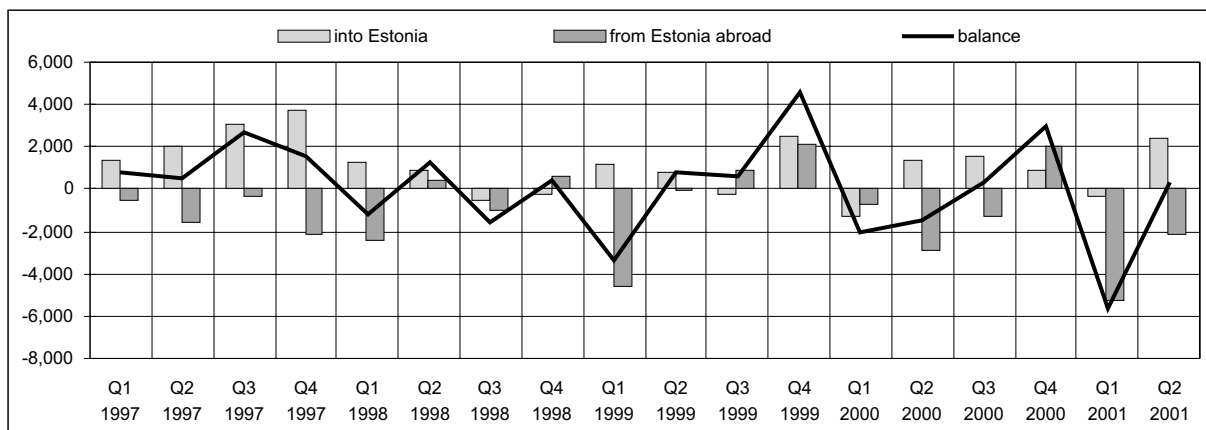


Figure 21. Other investments (EEK m)

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

	Claims			Liabilities			Balance		
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000
Total	-2,092.0	-5,233.8	-2,856.8	2,410.9	-381.4	1,377.4	318.9	-5,615.2	-1,479.4
o/w trade credit	-784.9	-289.1	-4.7	759.4	-466.7	465.9	-25.5	-755.8	461.2
loans	-556.5	-1,654.8	-795.3	403.1	539.2	229.2	-153.4	-1,115.6	-566.1
deposits	-643.7	-3,141.0	-1,926.8	1,098.6	-315.9	599.1	454.9	-3,456.9	-1,327.7
other	-106.9	-148.9	-130.0	149.8	-138.0	83.2	42.9	-286.9	-46.8

Table 20. Other investments by maturity (EEK m)

	Claims			Liabilities			Balance		
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000
Total	-2,092.0	-5,233.8	-2,856.8	2,410.9	-381.4	1,377.4	318.9	-5,615.2	-1,479.4
Long-term capital	-501.2	-536.3	-145.7	476.3	693.3	154.8	-24.9	157.0	9.1
central bank	-0.1	0.2		-1.5		-2.7	-1.6	0.2	-2.7
government sector				-88.4	-43.0	-52.3	-88.4	-43.0	-52.3
credit institutions	47.8	-154.7	-64.5	39.0	124.7	89.1	86.8	-30.0	24.6
other sectors	-548.9	-381.8	-81.2	527.2	611.6	120.7	-21.7	229.8	39.5
Short-term capital	-1,590.8	-4,697.5	-2,711.1	1,934.6	-1,074.7	1,222.6	343.8	-5,772.2	-1,488.5
central bank	-186.5	-37.0	-30.7	-8.7	-59.3	22.3	-195.2	-96.3	-8.4
government sector	95.3	43.9	123.3				95.3	43.9	123.3
credit institutions	-398.7	-3,969.2	-2,199.7	1,378.5	-575.8	800.2	979.8	-4,545.0	-1,399.5
other sectors	-1,100.9	-735.2	-604.0	564.8	-439.6	400.1	-536.1	-1,174.8	-203.9

More than a third of the 2.1 billion kroons increase of **claims** was related to the growth of trade credit claims (785 million kroons). Loans to non-residents and deposits abroad increased as well (by 557 million and 644 million kroons, respectively). In the case of both loans and deposits the businesses of the other sector were more active and their placements exceeded those of the banks. The government sector deposits abroad decreased by 95 million kroons.

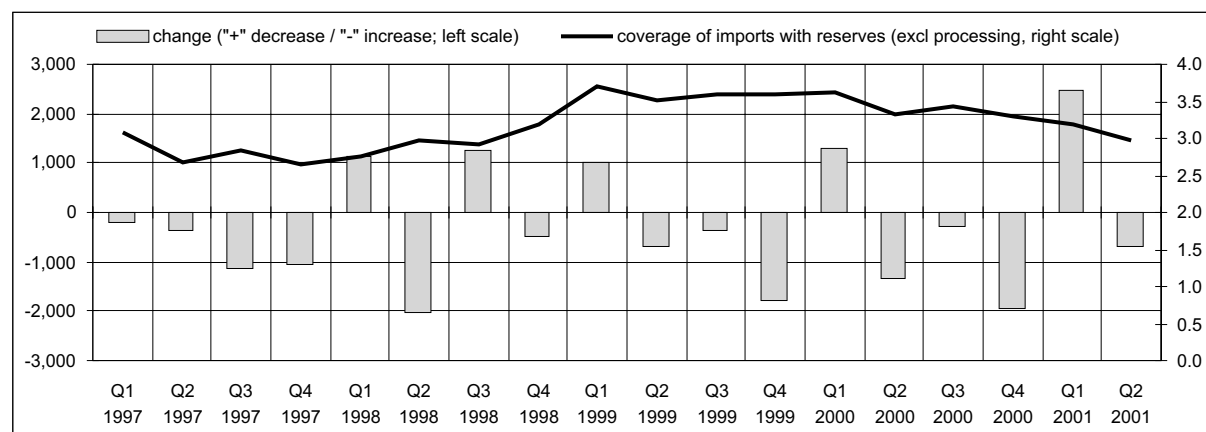
Nearly half of the 2.4 billion kroons growth of **liabilities** derived from the surge of non-residents' deposits in the Estonian credit institutions (1.1 billion kroons). The growth of the other sector trade credit and loan liabilities was also remarkable (760 million and 352 million kroons, respectively). Total loan liabilities increased by 403 million kroons, while the state sector cut its loan burden.

RESERVES

Table 21. Structure of reserves change

	EEK m			Share (%)		
	Q2 2001	Q1 2001	Q2 2000	Q2 2001	Q1 2001	Q2 2000
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	-351.1	2,285.4	-583.9	51.8	93.1	43.7
Securities	-325.8	166.9	-752.4	48.1	6.8	56.3
Equity securities	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	59.7	-913.2	-380.7	-8.8	-37.2	28.5
Money market instruments	-385.5	1,080.1	-371.7	56.9	44.0	27.8
Other claims	-0.8	1.6	-0.7	0.1	0.1	0.1
Total	-677.7	2,453.9	-1,337.0	100.0	100.0	100.0

The inflow of capital in the financial account exceeded the current account deficit in the second quarter and as a result the overall balance of payments showed a surplus. The gold and foreign currency reserves of Eesti Pank increased by approximately 700 million kroons (see Table 21). As import increased faster than 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 June 2001³

By the end of the second quarter of 2001 foreign investments into Estonia amounted to 100.5 billion kroons, including 50 billion kroons of foreign direct investments (see Table 22). For foreign direct investors, the most attractive economic sectors were finance, manufacturing, transport, communication and trade. A

considerable part of direct investment capital came from Sweden (38%) and Finland (29%; see Figure 23). Besides direct investments, approximately one fifth of foreign investments made into Estonia consisted of mostly long-term loan capital, 15% were investments into shares and debt instruments of Estonian businesses.

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

	31.03.01	Share (%)	30.06.01	Share (%)
EXTERNAL ASSETS				
Direct investments abroad	4,652.3	9.7	5,959.4	11.7
share capital and reinvested income	2,962.3	6.2	3,896.9	7.7
other capital	1,690.0	3.5	2,062.5	4.1
Portfolio investments abroad	4,886.2	10.2	4,887.2	9.6
equity securities	266.4	0.6	245.4	0.5
debt securities	4,619.8	9.7	4,641.8	9.1
long-term	1,428.4	3.0	1,460.2	2.9
short-term	3,191.4	6.7	3,181.6	6.3
Financial derivatives	172.2	0.4	160.1	0.3
Other investments abroad	24,871.2	52.1	25,967.6	51.1
trade credit	4,410.8	9.2	5,244.9	10.3
loans	8,700.6	18.2	9,243.3	18.2
long-term	4,199.3	8.8	4,665.6	9.2
short-term	4,501.3	9.4	4,577.7	9.0
deposits	11,123.5	23.3	10,920.1	21.5
other assets	636.3	1.3	559.3	1.1
Reserves	13,143.9	27.5	13,885.0	27.3
Total external assets	47,725.8	100.0	50,859.3	100.0
EXTERNAL LIABILITIES				
Direct investments into Estonia	46,920.5	50.0	49,953.0	49.7
share capital and reinvested income	36,224.8	38.6	38,102.6	37.9
other capital	10,695.7	11.4	11,850.4	11.8
Portfolio investments into Estonia	13,622.7	14.5	14,724.2	14.7
equity securities	6,684.9	7.1	7,768.4	7.7
debt securities	6,937.8	7.4	6,955.8	6.9
long-term	6,585.8	7.0	6,862.4	6.8
short-term	352.0	0.4	93.4	0.1
Financial derivatives	100.5	0.1	114.9	0.1
Other investments into Estonia	33,247.6	35.4	35,711.3	35.5
trade credit	5,739.2	6.1	6,453.8	6.4
loans	17,963.4	19.1	18,460.9	18.4
long-term	15,062.3	16.0	15,525.4	15.4
short-term	2,901.1	3.1	2,935.5	2.9
deposits	7,702.8	8.2	8,801.3	8.8
other liabilities	1,842.2	2.0	1,995.3	2.0
Total external liabilities	93,891.3	100.0	100,503.4	100.0
Net international investment position	-46,165.5		-49,644.1	
short-term	6,365.4		4,558.2	
long-term	-52,530.9		-54,202.3	

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

³ Estonia's international investment position and external debt as of end of the third quarter of 2001 will be published at the Eesti Pank web site (<http://www.ee/epbe>) at noon on 24 December 2001.

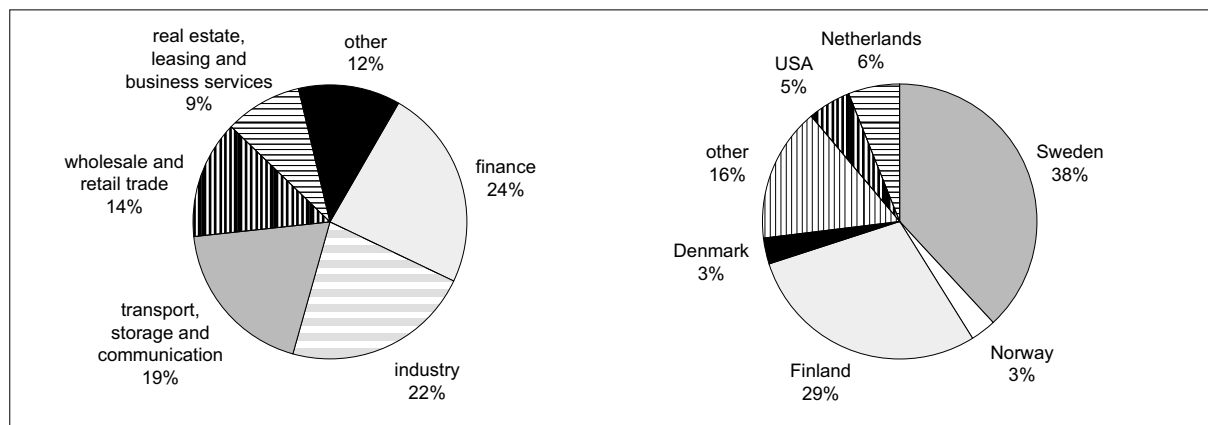


Figure 23. Direct investment position in Estonia by spheres of activity and countries as of 30 June 2001

57 per cent of foreign investments made into Estonia were related to various debts. The gross external debt of Estonian economic sectors stood at 57.2 billion kroons as of 30 June 2001, which accounted for 64% of Estonia's anticipated gross domestic product (GDP) of the past four quarters. Other sector and credit

institutions carried the bulk of the debt burden – 34 billion and 20 billion kroons, respectively. The external debt of the government sector made up 6% of the total debt volume, amounting to 3.3 billion kroons (3.7% of the anticipated GDP). Two thirds of all debts were long-term (see Table 23 and Figure 24).

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

	31.03.01	%	30.06.01	%
DEBT LIABILITIES				
Short-term	17,652.4	33.2	19,412.8	33.9
Government sector	0.0	0.0	0.0	0.0
Central bank	1.2	0.0	0.7	0.0
Credit institutions	9,973.0	18.7	11,092.8	19.4
Other sectors	7,678.2	14.4	8,319.3	14.5
Long-term	35,549.9	66.8	37,811.9	66.1
Government sector	3,354.6	6.3	3,265.6	5.7
Central bank	2.8	0.0	1.4	0.0
Credit institutions	8,994.4	16.9	9,108.3	15.9
Other sectors	23,198.1	43.6	25,436.6	44.5
GROSS EXTERNAL DEBT	53,202.3	100.0	57,224.7	100.0
CLAIMS				
Short-term	36,912.3	79.2	38,269.4	77.7
Government sector	1,646.6	3.5	1,477.7	3.0
Central bank	13,107.4	28.1	13,845.5	28.1
Credit institutions	12,607.8	27.1	12,982.3	26.4
Other sectors	9,550.5	20.5	9,963.9	20.2
Long-term	9,695.7	20.8	10,952.9	22.3
Government sector	0.0	0.0	0.0	0.0
Central bank	16.8	0.0	17.4	0.0
Credit institutions	1,306.4	2.8	1,307.2	2.7
Other sectors	8,372.5	18.0	9,628.3	19.6
CLAIMS TOTAL	46,608.0	100.0	49,222.3	100.0
NET EXTERNAL DEBT				
Short-term	19,259.9		18,856.6	
Government sector	1,646.6		1,477.7	
Central bank	13,106.2		13,844.8	
Credit institutions	2,634.8		1,889.5	
Other sectors	1,872.3		1,644.6	
Long-term	-25,854.2		-26,859.0	
Government sector	-3,354.6		-3,265.6	
Central bank	14.0		16.0	
Credit institutions	-7,688.0		-7,801.1	
Other sectors	-14,825.6		-15,808.3	
NET EXTERNAL DEBT TOTAL	-6,594.3		-8,002.4	

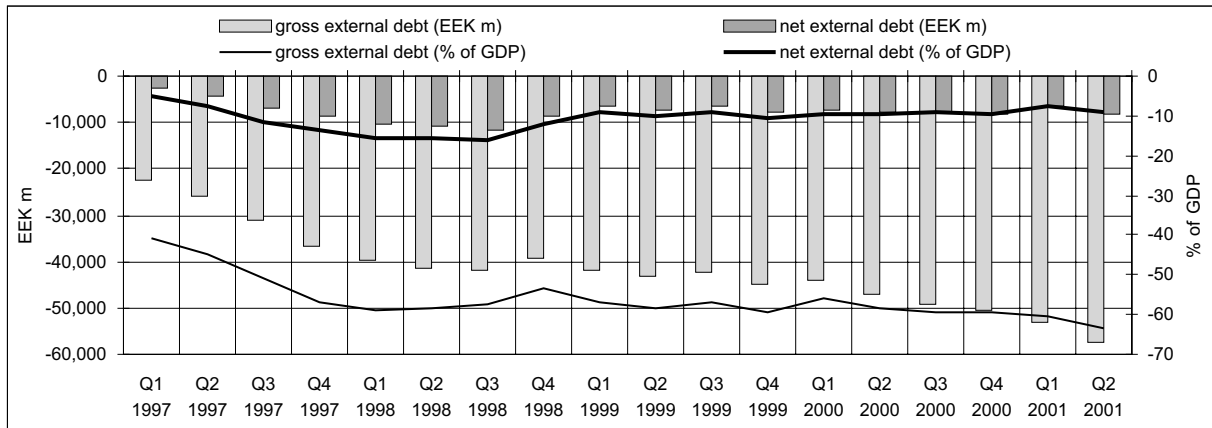


Figure 24. Estonia's gross and net external debt (EEK m, left scale, and % of GDP, right scale)

Investments from Estonia abroad were half the size of investments made into Estonia, amounting to 50.9 billion kroons. The gold and foreign currency reserves of the central bank were responsible for nearly a third of the Estonian capital invested abroad, 20% was made up of the accounts and deposits of Estonian residents in

foreign banks. A fifth of the capital was also related to various loans. Investments into foreign bonds, sums due for the sale of goods and services and direct investments each accounted for 10% of investments made abroad. Estonia's direct investment position abroad by countries and spheres of activity can be seen from Figure 25.

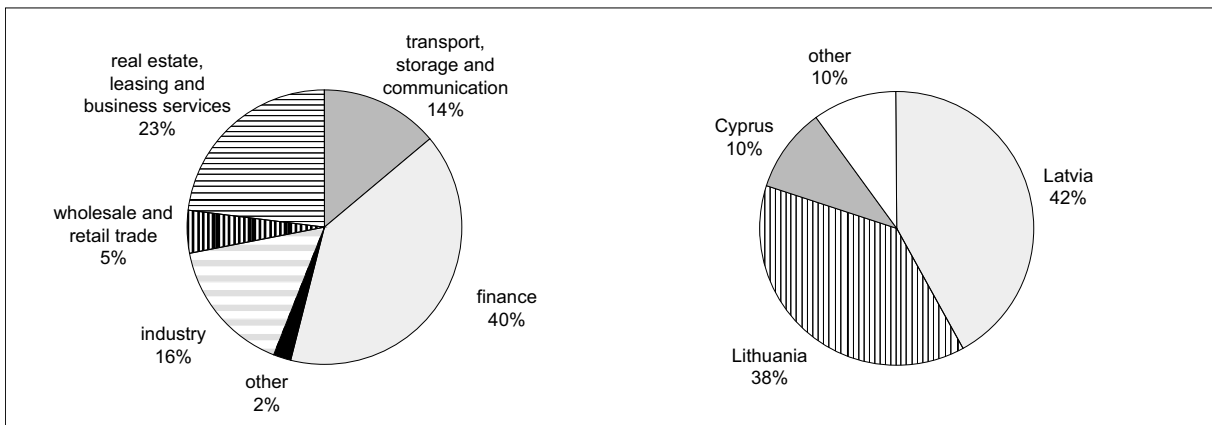


Figure 25. Estonia's direct investment position abroad by spheres of activity as of 30 June 2001

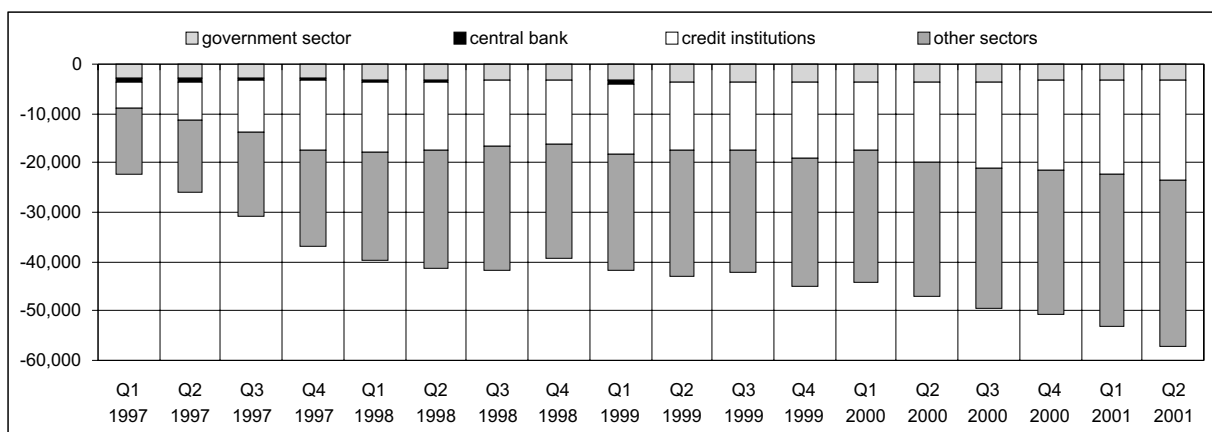


Figure 26. Estonia's gross external debt by economic sectors (EEK m)

Due to the predominance of external liabilities, Estonia's net investment position at the end of the second quarter was negative by nearly 50 billion kroons, which accounted for 55% of the anticipated GDP.

On 30 June 2001, Estonia's net external debt (external debt claims minus external debt liabilities) stood at 8 billion kroons (9% of the anticipated GDP). Figures 26 and 27 display Estonia's gross and net external debt by economic sectors.

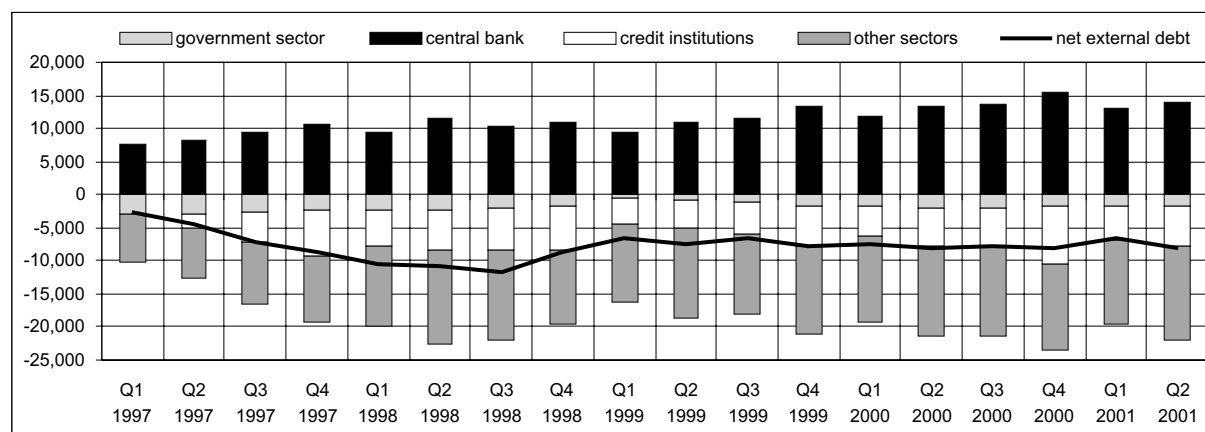


Figure 27. Estonia's net external debt by economic sectors (EEK m)

INTERNATIONAL TRANSACTIONS OF CUSTOMERS VIA THE ESTONIAN BANKING SYSTEM

Number and Turnover of Transactions

Compared to the first quarter, the number of international payments⁴ increased by approximately 11% for both incoming and outgoing payments (see Table 24 and Figure 28). Against the same period of the previous year, the number of incoming payments was up by 43%, while the number of outgoing payments increased by just 14%.

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

the first quarter for both incoming and outgoing payments. The turnover of incoming payments grew by 7%, the turnover of outgoing payments surged by 14% (see Table 25 and Figure 29). Compared to the second quarter of 2000, the turnover of both incoming and outgoing payments increased by 15% and 20%, respectively. The average size of an incoming payment was 151,800 kroons and the average size of an outgoing payment was 200,000 kroons (the respective figures for the first quarter were 157,900 and 193,000 kroons).

Table 24. Number of international payment transactions

	In thousands			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
Incoming payments	137	123	96	11.5	42.6
Outgoing payments	115	104	101	10.4	14.4
Total	252	227	197	11.0	27.9

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

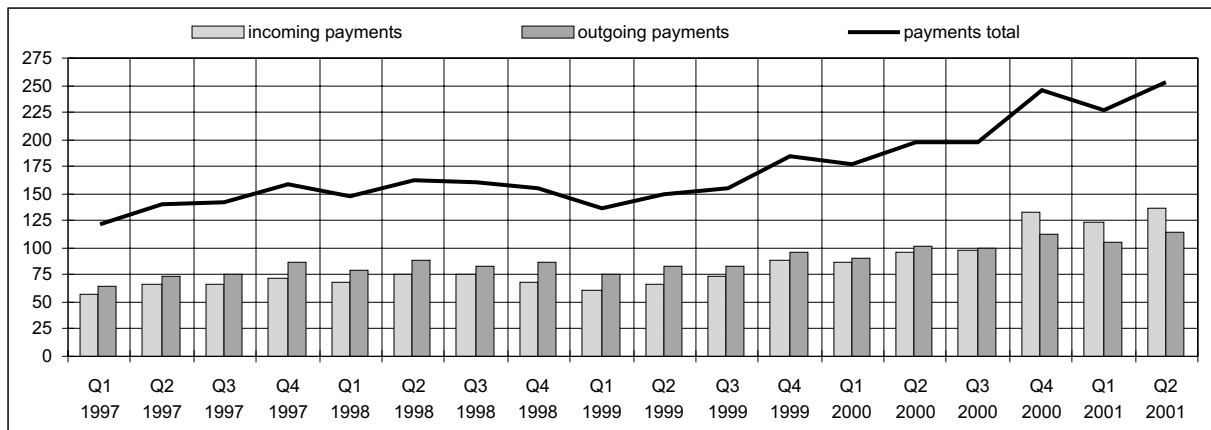


Figure 28. Number of international payment transactions (in thousands)

Table 25. Turnover of international payment transactions

	EEK billion			Change (%)	
	Q2 2001	Q1 2001	Q2 2000	Q2 2001/ Q1 2001	Q2 2001/ Q2 2000
Incoming payments	20.8	19.4	18.1	7.2	15.0
Outgoing payments	23.1	20.2	19.2	14.4	19.8
Total	43.9	39.6	37.3	10.9	17.7

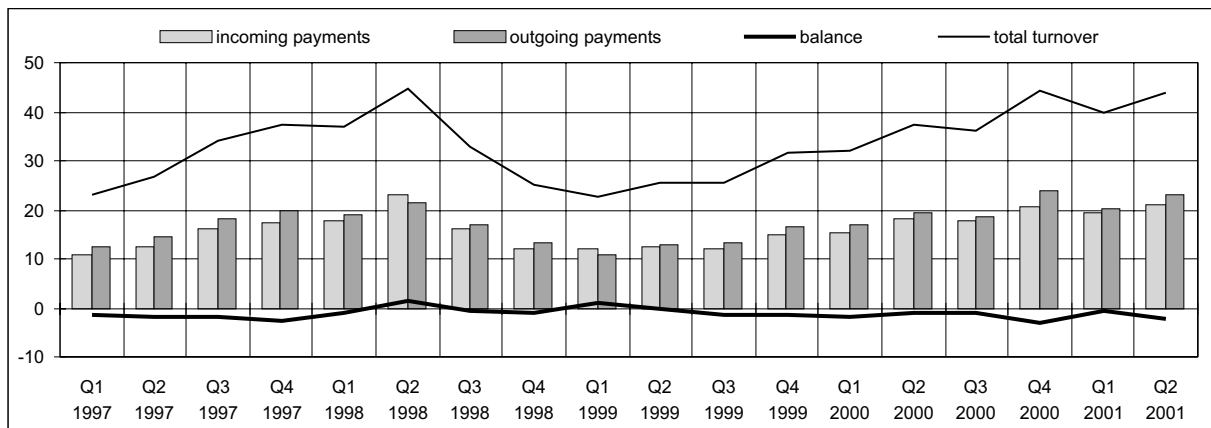


Figure 29. Turnover and balance of international payment transactions (EEK billion)

Use of Currencies⁵

By turnover, the ranking of major currencies used by Estonian commercial banks in international payments in the second quarter of 2001 was the same as in the first quarter (see Figure 30). The dominating currency was still the **US dollar**, which accounted for 36% of the total turnover of international payments, up by four percentage points against the second quarter of 2000 (see

Figure 31). The share of the **euro**, used in transactions since 1999, grew to 24% in the total turnover of payments, surpassing the share of both the **German mark** (11%) and the **Estonian kroon** (11%). The share of the **Finnish markka** stayed at 7%, like in the first quarter of 2001, and the share of the **Swedish krona** (3%) and the **Russian rouble** (1%) remained unchanged as well.

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.

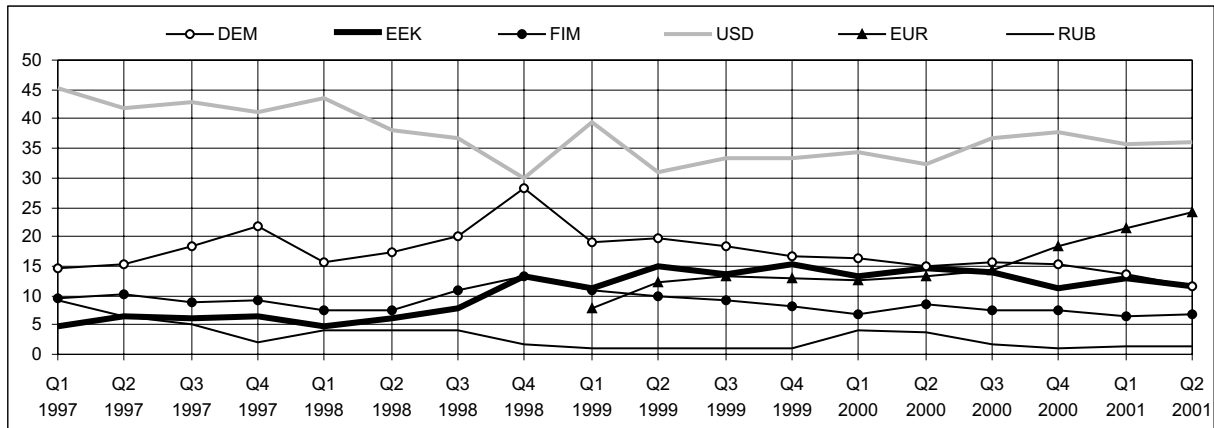


Figure 30. Currencies used in international payment transactions (%)

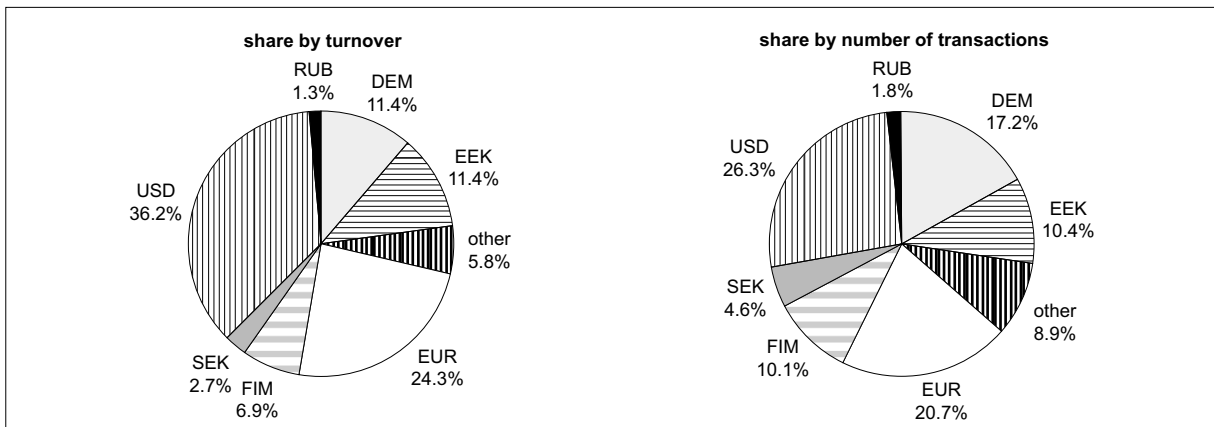


Figure 31. Use of major currencies by turnover and number of international payments

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 seven percentage points, although their

turnover was equal. Compared to the first quarter, the number of transactions made in euro increased by three percentage points, the number of transactions in US dollars fell by two percentage points.