

II. ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT AS AT 31 DECEMBER 2003

By the end of 2003, foreign investments made into Estonia totalled 160.8 billion kroons (see Table 2.1). **Nearly half was made into financial intermediation and less into transport, storage and communications, manufacturing, and wholesale and retail trade** (see Table 2.2). Most of the investments came from Sweden, Finland, and the United Kingdom.

In comparison to 2002, the share of direct investments and portfolio investments increased slightly in the structure of foreign investments into Estonia, whereas the share of other investments decreased. Direct investments amounted to half of the total investments (i.e. 80.8 billion kroons), nearly a fifth were portfolio investments and a third were other investments. The most preferred areas for **foreign direct investment into Estonia** were financial intermediation (28% of all direct investments), transport, storage and communications (18%), manufacturing (18%), and wholesale and retail trade (16%; see Table 2.3). Almost 70% of direct investments came from Sweden and Finland.

Estonian investments abroad totalled 74.6 billion kroons. Two thirds of the investments abroad were made by financial intermediaries. Investments abroad were also made by the public sector, transport, storage and communications, and manufacturing companies. The most popular investment destinations for Estonian investors were Germany, Lithuania, and Latvia.

Year-on-year, the share of portfolio investments increased considerably in the structure of investments abroad. The share of direct investments increased slightly, whereas the share of other investments and reserves decreased. Loans, deposits and the central bank's gold and foreign exchange reserves covered 58% of external claims. **Direct investments** accounted for 17% of all investments abroad. The most active direct investors were in financial intermediation (38%), transport, storage and communications (25%), and real estate, leasing and business activities (18%). Nearly 90% of all direct investments abroad were made into three countries – Lithuania, Latvia, and Cyprus.

Due to the predominance of external liabilities, Estonia's net investment position was negative by 86.1 billion kroons, amounting to 68% of GDP. Nearly 90% of the net investment position was made up of long-term capital, the share of which has somewhat decreased over the past year.

Table 2.1. Estonia's international investment position (EEK m)

	31/12/02	Share (%)	31/12/03	Share (%)	Change (%)
EXTERNAL ASSETS					
Direct investments	10,097.6	16.4	12,668.0	17.0	25.5
Share capital and reinvested earnings	6,635.8	10.8	8,862.0	11.9	33.5
Other capital	3,461.8	5.6	3,806.0	5.1	9.9
Portfolio investments	12,860.1	20.9	18,459.6	24.7	43.5
Equity securities	549.2	0.9	1,905.4	2.6	246.9
Debt securities	12,310.9	20.0	16,554.2	22.2	34.5
Long-term	8,315.4	13.5	8,361.9	11.2	0.6
Short-term	3,995.5	6.5	8,192.3	11.0	105.0
Financial derivatives	194.2	0.3	333.5	0.4	71.7
Other investments	23,431.3	38.1	26,005.0	34.8	11.0
Trade credit	4,302.3	7.0	5,430.1	7.3	26.2
Loans	10,646.3	17.3	14,216.1	19.0	33.5
Long-term	5,073.3	8.2	5,621.7	7.5	10.8
Short-term	5,573.0	9.1	8,594.4	11.5	54.2
Deposits	7,872.1	12.8	5,793.7	7.8	-26.4
Other assets	610.6	1.0	565.1	0.8	-7.5
Reserves	14,984.9	24.3	17,183.6	23.0	14.7
TOTAL EXTERNAL ASSETS	61,568.1	100.0	74,649.7	100.0	21.2
EXTERNAL LIABILITIES					
Direct investments	63,127.3	49.8	80,792.3	50.3	28.0
Share capital and reinvested earnings	50,915.4	40.2	65,983.6	41.0	29.6
Other capital	12,211.9	9.6	14,808.7	9.2	21.3
Portfolio investments	20,597.8	16.2	29,453.3	18.3	43.0
Equity securities	9,483.1	7.5	11,783.6	7.3	24.3
Debt securities	11,114.7	8.8	17,669.7	11.0	59.0
Long-term	11,098.5	8.8	12,971.7	8.1	16.9
Short-term	16.2	0.0	4,698.0	2.9	28,900.0
Financial derivatives	88.7	0.1	208.7	0.1	135.3
Other investments	42,967.9	33.9	50,324.7	31.3	17.1
Trade credit	6,763.8	5.3	8,076.3	5.0	19.4
Loans	21,715.2	17.1	24,529.4	15.3	13.0
Long-term	17,556.2	13.8	21,506.0	13.4	22.5
Short-term	4,159.0	3.3	3,023.4	1.9	-27.3
Deposits	11,863.6	9.4	16,447.3	10.2	38.6
Other liabilities	2,625.3	2.1	1,271.7	0.8	-51.6
TOTAL EXTERNAL LIABILITIES	126,781.7	100.0	160,779.0	100.0	26.8
incl. debt creative liabilities (gross external debt)	70,258.8	55.4	88,523.5	55.1	26.0
NET INTERNATIONAL INVESTMENT POSITION	-65,213.6		-86,129.3		32.1
Short-term	-6,786.5		-10,495.2		54.6
Long-term	-58,427.1		-75,634.1		29.5
NET EXTERNAL DEBT	-12,149.0		-19,298.9		58.9
incl. central government	3,697.8		6,970.0		88.5

Table 2.2. Estonia's international investment position by fields of activity and countries (%) as at 31 December 2003

Claims		Liabilities	
Fields of activity			
Financial intermediation	66.4	Financial intermediation	45.8
Public administration and defence	14.4	Transport, storage and communications	12.8
Transport, storage and communications	6.8	Manufacturing	11.6
Manufacturing	5.5	Wholesale and retail trade	10.9
Wholesale and retail trade	5.2	Real estate, renting and business activities	7.3
Other	1.7	Other	11.6
Total	100.0	Total	100.0
Countries			
Germany	17.1	Sweden	27.7
Lithuania	15.5	Finland	22.0
Latvia	10.4	United Kingdom	13.6
Netherlands	8.8	Germany	6.8
United Kingdom	7.5	USA	5.8
Other	40.7	Other	24.1
Total	100.0	Total	100.0

Table 2.3. Direct investment position by fields of activity and countries (%) as at 31 December 2003

In Estonia		Abroad	
Fields of activity			
Financial intermediation	28.1	Financial intermediation	38.1
Manufacturing	18.2	Transport, storage and communications	25.3
Transport, storage and communications	17.7	Real estate, renting and business activities	18.3
Wholesale and retail trade	15.9	Wholesale and retail trade	7.4
Real estate, renting and business activities	11.4	Manufacturing	7.3
Other	8.7	Other	10.9
Total	100.0	Total	100.0
Countries			
Sweden	41.3	Lithuania	44.7
Finland	26.6	Latvia	28.2
USA	5.6	Cyprus	13.7
Netherlands	3.5	Italy	4.4
Germany	2.7	Russia	2.9
Other	20.3	Other	6.1
Total	100.0	Total	100.0

On 31 December 2003, Estonia's gross external debt amounted to 88.5 billion kroons (70% of GDP) and the net external debt (debt-related external claims minus liabilities) stood at 19.3 billion kroons (15% of GDP; see Table 2.4 and Figure 2.1). Year-on-year, the total external debt increased by a quarter and net external debt by nearly 60%. The total external debt amounted to 55% of the external liabilities. Leaving aside intra-group debts of direct investment enterprises, long-term debts accounted for 55% of the total external debt. Debt claims mostly consisted of short-term capital (72%). Like in 2002, 95% of the total debt burden fell on credit institutions and other sectors, with liabilities of credit institutions growing by more than 40% year-on-year (see Figure 2.2). The latter were also the main contributors to the net external debt (see Figure 2.3). The positive net external debt of the general government nearly doubled in 2003.

Table 2.4. External debt (EEK m)

	31/03/03	%	30/06/03	%	30/09/03	%	31/12/03	%
DEBT LIABILITIES								
I. General government	3,382.1	4.4	3,622.6	4.6	3,697.1	4.6	3,718.2	4.2
Short-term				0.0	0.0	0.0	0.0	0.0
Long-term	3,382.1	4.4	3,622.6	4.6	3,697.1	4.6	3,718.2	4.2
II. Central bank	185.2	0.2	208.3	0.3	31.6	0.0	485.1	0.5
Short-term	185.2	0.2	208.3	0.3	31.6	0.0	485.1	0.5
Long-term				0.0	0.0	0.0	0.0	0.0
III. Credit institutions	29,641.5	38.7	28,435.4	36.3	30,359.0	37.8	37,075.1	41.9
Short-term	10,572.5	13.8	11,119.6	14.2	12,380.8	15.4	19,043.7	21.5
Long-term	19,069.0	24.9	17,315.8	22.1	17,978.2	22.4	18,031.4	20.4
IV. Other sectors	25,116.0	32.8	25,763.1	32.9	25,548.1	31.8	26,716.0	30.2
Short-term	9,272.6	12.1	11,160.0	14.3	10,607.5	13.2	10,779.9	12.2
Long-term	15,843.4	20.7	14,603.1	18.7	14,940.6	18.6	15,936.1	18.0
V. Direct investments: intra-group debts	18,362.4	23.9	20,197.3	25.8	20,744.6	25.8	20,529.1	23.2
GROSS EXTERNAL DEBT	76,687.2	100.0	78,226.7	100.0	80,380.4	100.0	88,523.5	100.0
CLAIMS								
I. General government	6,991.6	11.1	7,409.9	11.9	10,216.6	15.7	10,688.2	15.4
Short-term	3,465.1	5.5	4,235.0	6.8	6,968.2	10.7	6,398.3	9.2
Long-term	3,526.5	5.6	3,174.9	5.1	3,248.4	5.0	4,289.9	6.2
II. Central bank	15,609.8	24.8	15,258.9	24.4	15,846.1	24.3	17,150.3	24.8
Short-term	12,273.1	19.5	11,932.7	19.1	12,789.2	19.6	14,256.0	20.6
Long-term	3,336.7	5.3	3,326.2	5.3	3,056.9	4.7	2,894.3	4.2
III. Credit institutions	17,697.6	28.1	13,872.3	22.2	12,105.8	18.6	14,218.0	20.5
Short-term	16,174.0	25.7	12,442.3	19.9	10,618.9	16.3	12,615.8	18.2
Long-term	1,523.6	2.4	1,430.0	2.3	1,486.9	2.3	1,602.2	2.3
IV. Other sectors	14,566.4	23.2	17,250.7	27.6	17,482.8	26.9	17,641.7	25.5
Short-term	8,503.0	13.5	10,038.2	16.1	9,918.5	15.2	9,499.5	13.7
Long-term	6,063.4	9.6	7,212.5	11.6	7,564.3	11.6	8,142.2	11.8
V. Direct investments: intra-group debts	8,027.4	12.8	8,642.3	13.8	9,455.6	14.5	9,526.4	13.8
CLAIMS TOTAL	62,892.8	100.0	62,434.1	100.0	65,106.9	100.0	69,224.6	100.0
NET EXTERNAL DEBT (debt claims minus debt liabilities)								
I. General government	3,609.5		3,787.3		6,519.5		6,970.0	
Short-term	3,465.1		4,235.0		6,968.2		6,398.3	
Long-term	144.4		-447.7		-448.7		571.7	
II. Central bank	15,424.6		15,050.6		15,814.5		16,665.2	
Short-term	12,087.9		11,724.4		12,757.6		13,770.9	
Long-term	3,336.7		3,326.2		3,056.9		2,894.3	
III. Credit institutions	-11,943.9		-14,563.1		-18,253.2		-22,857.1	
Short-term	5,601.5		1,322.7		-1,761.9		-6,427.9	
Long-term	-17,545.4		-15,885.8		-16,491.3		-16,429.2	
IV. Other sectors	-10,549.6		-8,512.4		-8,065.3		-9,074.3	
Short-term	-769.6		-1,121.8		-689.0		-1,280.4	
Long-term	-9,780.0		-7,390.6		-7,376.3		-7,793.9	
V. Direct investments: intra-group debts	-10,335.0		-11,555.0		-11,289.0		-11,002.7	
NET EXTERNAL DEBT TOTAL	-13,794.4		-15,792.6		-15,273.5		-19,298.9	

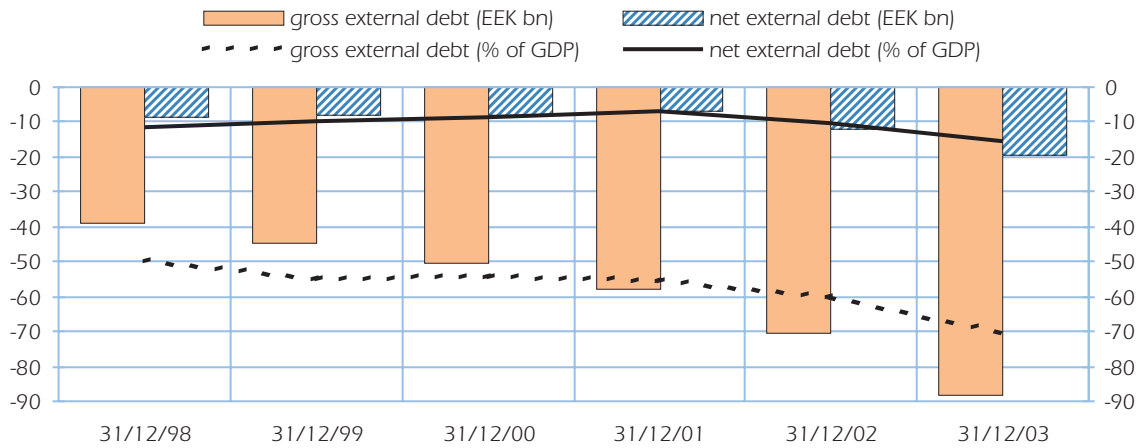


Figure 2.1. Estonia's gross and net external debt (EEK bn; the left scale) and % of GDP (the right scale)

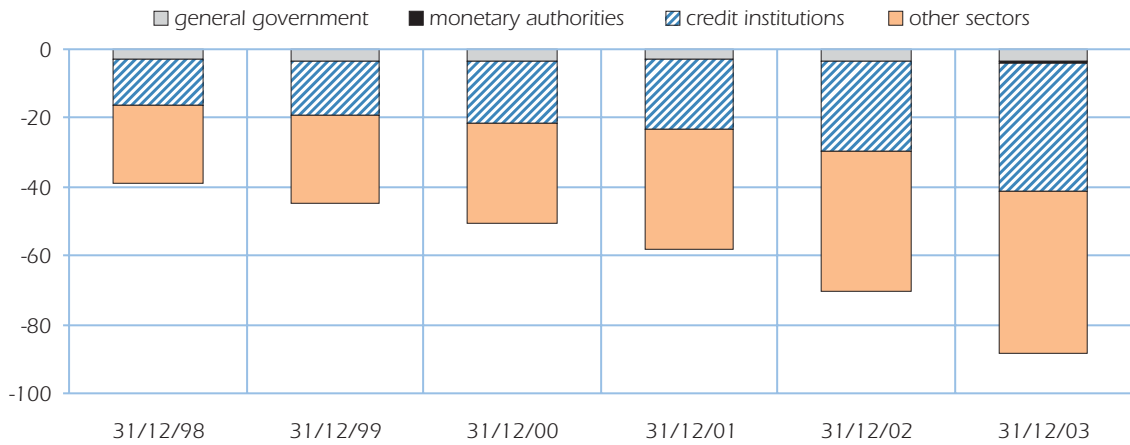


Figure 2.2. Estonia's gross external debt by economic sectors (EEK bn)

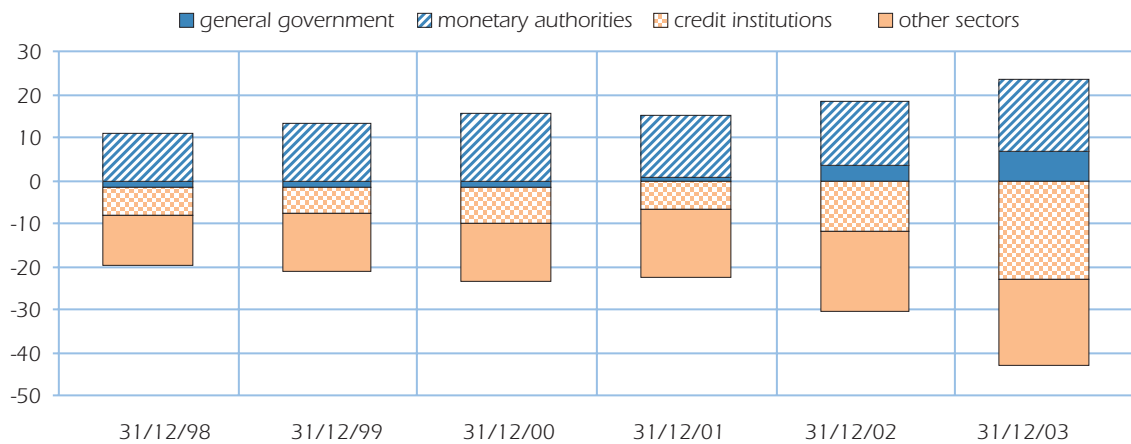


Figure 2.3. Estonia's net external debt by economic sectors (EEK bn)