

7 September 2012



ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 June 2012

Foreign investment in Estonia increased by 3% to around 28 billion euros at the end of the second quarter of 2012 (see Table 1). This is 72% more than the GDP for the last four quarters.

Table 1. Estonia's international investment position (EUR million)

	31/03/2012	%	30/06/2012	%
EXTERNAL ASSETS				
Direct investment abroad	3,789.0	21.1	3,833.9	20.6
Equity capital and reinvested earnings	2,565.6	14.3	2,531.6	13.6
Other direct investment capital	1,223.5	6.8	1,302.4	7.0
Portfolio investment	4,407.6	24.6	4,453.3	24.0
Equity securities	1,812.4	10.1	1,737.0	9.4
Debt securities	2,595.1	14.5	2,716.3	14.6
Bonds and notes	2,089.0	11.7	2,076.5	11.2
Money market instruments	506.2	2.8	639.9	3.4
Financial derivatives	49.4	0.3	53.1	0.3
Other investment	9,461.5	52.8	10,021.6	53.9
Trade credit	1,761.1	9.8	1,817.6	9.8
Loans	1,889.5	10.5	2,207.3	11.9
Long-term	1,175.7	6.6	1,427.1	7.7
Short-term	713.8	4.0	780.2	4.2
Currency and deposits	5,301.0	29.6	5,486.3	29.5
Other assets	509.9	2.8	510.3	2.7
Reserve assets	212.1	1.2	213.8	1.2
TOTAL EXTERNAL ASSETS	17,919.7	100.0	18,575.7	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	13,257.2	49.0	13,648.0	48.9
Equity capital and reinvested earnings	12,083.0	44.6	12,471.7	44.7
Other direct investment capital	1,174.3	4.3	1,176.3	4.2
Portfolio investment	1,395.2	5.2	1,699.5	6.1
Equity securities	696.7	2.6	688.8	2.5
Debt securities	698.5	2.6	1,010.7	3.6
Bonds and notes	695.2	2.6	1,008.3	3.6
Money market instruments	3.3	0.0	2.4	0.0
Financial derivatives	87.3	0.3	97.0	0.3
Other investment	12,328.6	45.5	12,440.6	44.6
Trade credit	1,427.8	5.3	1,540.7	5.5
Loans	3,993.5	14.8	4,064.5	14.6
Long-term	3,291.6	12.2	3,366.4	12.1
Short-term	701.9	2.6	698.1	2.5
Currency and deposits	6,594.1	24.4	6,550.8	23.5
Other liabilities	313.2	1.2	284.6	1.0
TOTAL EXTERNAL LIABILITIES	27,068.4	100.0	27,885.2	100.0
NET INTERNATIONAL INVESTMENT POSITION	-9,148.7		-9,309.5	

Direct investment accounted for almost 50% of the total investment, 45% was other investment (loans, currency and deposits) and the rest were portfolio investment and financial derivatives. The most significant changes from the first quarter were the almost 50% growth in debt security investment and the 3% growth in direct investment. Foreign direct investors have invested primarily in financial intermediation and insurance, manufacturing, real estate related activities, and retail and wholesale trade – in total 70% of the direct investment position in Estonia.

Estonian residents' investment abroad grew by 4% from the previous quarter, to 18.6 billion euros at the end of the second quarter. Growth was driven by other investment (mostly long-term loans), which

Table 2. Estonia's external debt (EUR million)

	31/03/2012	%	30/06/2012	%
LIABILITIES				
I. General government	686.1	4.4	771.5	4.8
Short-term	9.3	0.1	7.6	0.0
Long-term	676.8	4.3	764.0	4.8
II. Monetary authorities (NCB)	27.4	0.2	0.3	0.0
Short-term	27.4	0.2	0.3	0.0
Long-term				0.0
III. Credit institutions	6,794.4	43.2	6,745.4	42.0
Short-term	4,295.6	27.3	4,828.7	30.1
Long-term	2,498.9	15.9	1,916.7	11.9
IV. Other sectors	5,519.1	35.1	5,934.2	36.9
Short-term	2,168.4	13.8	2,277.9	14.2
Long-term	3,350.8	21.3	3,656.3	22.8
V. Direct investment: intercompany lending	2,690.3	17.1	2,612.0	16.3
GROSS EXTERNAL DEBT	15,717.5	100.0	16,063.3	100.0
ASSETS				
I. General government	998.4	6.7	1,209.0	7.8
Short-term	352.7	2.4	521.2	3.3
Long-term	645.7	4.3	687.8	4.4
II. Monetary authorities (NCB)	1,545.2	10.4	1,598.8	10.2
Short-term	681.4	4.6	736.9	4.7
Long-term	863.8	5.8	861.8	5.5
III. Credit institutions	4,308.2	28.9	4,272.3	27.4
Short-term	3,318.9	22.2	3,525.6	22.6
Long-term	989.3	6.6	746.7	4.8
IV. Other sectors	5,325.9	35.7	5,779.6	37.1
Short-term	3,821.4	25.6	4,076.1	26.1
Long-term	1,504.5	10.1	1,703.5	10.9
V. Direct investment: intercompany lending	2,739.5	18.4	2,738.1	17.6
TOTAL ASSETS	14,917.2	100.0	15,597.8	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	312.3		437.5	
Short-term	343.4		513.7	
Long-term	-31.1		-76.2	
II. Monetary authorities (NCB)	1,517.7		1,598.5	
Short-term	654.0		736.7	
Long-term	863.8		861.8	
III. Credit institutions	-2,486.3		-2,473.1	
Short-term	-976.7		-1,303.1	
Long-term	-1,509.6		-1,170.0	
IV. Other sectors	-193.2		-154.6	
Short-term	1,653.0		1,798.2	
Long-term	-1,846.2		-1,952.7	
V. Direct investment: intercompany lending	49.2		126.1	
TOTAL NET EXTERNAL DEBT	-800.3		-465.6	

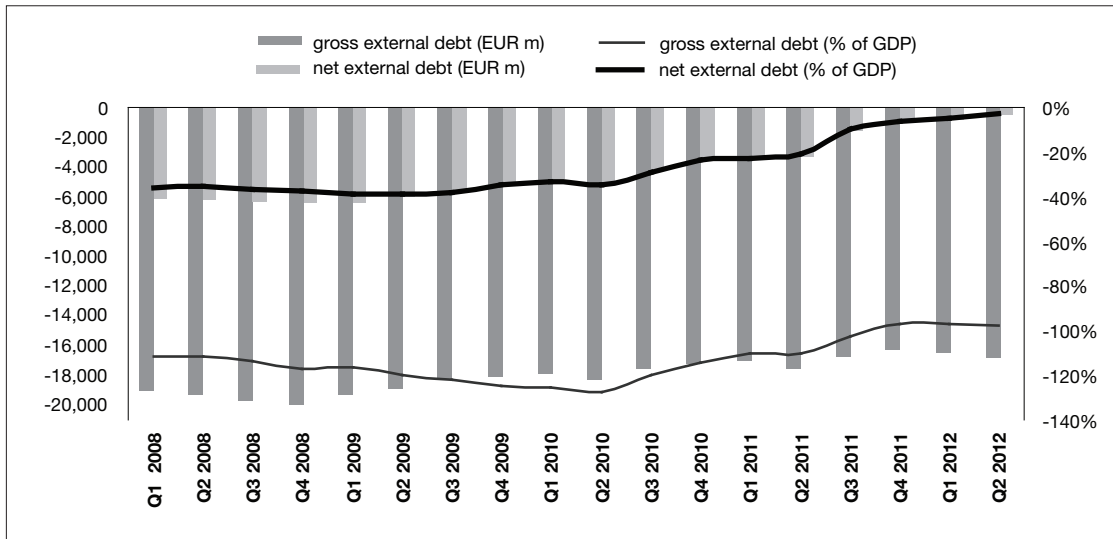


Figure 1. Estonia's gross and external debt

increased by 6% from the first quarter and comprised 54% of the total foreign investment position. Portfolio and direct investments accounted for 24% and 21% respectively of the total position. As regards Estonian investors' direct investment abroad, the largest investments were made by investors of financial intermediation and insurance; professional, scientific and technical activities; transport and storage, and real estate related activities. These investments totalled 74% of the direct investment position abroad.

Estonia's gross external debt, that is the total external debt of all economic sectors, grew by 2% quarter-on-quarter to 58%, or 16.1 billion euros, of total direct investment in Estonia. The debt was increased primarily by other sectors and somewhat also by the general government. In volume, the gross external debt was 2% lower than the GDP for the last four quarters (see Table 2 and Figure 1). The debt liabilities of credit institutions accounted for the majority of the debt, that is 42%, and this ratio did not change from the first quarter. The debt liabilities of other sectors comprised 37% of the gross external debt and inter-company lending of direct investment companies 16%. The share of the general government rose from 4% to 5% quarter-on-quarter. 40% of the gross external debt were debt liabilities to Sweden and Finland.

Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia had a negative net international investment position of 9.3 billion euros; that is 2% more than in the first quarter. Net external debt (assets less liabilities) shrank by more than 40% over the quarter and totalled around 0.5 billion euros, or 3% of the GDP for the last four quarters. All economic sectors reduced their external debt liabilities, particularly the general government and the central bank whose debt assets exceeded their debt liabilities, with the prevalence of debt assets growing. The debt liabilities of credit institutions and other sectors exceeded their debt assets.

More detailed statistics on Estonia's international investment position and gross external debt is available on the website of Eesti Pank under *Statistics*.

Estonia's international investment position and gross external debt as at 30 September 2012 will be published on the website of Eesti Pank (<http://www.bankofestonia.ee>) on 10 December 2012 at noon.