

### III. ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT AS OF 31 DECEMBER 2002

By the end of 2002 the volume of all foreign investments made into Estonia totalled 127 billion kroons (118% of the GDP), which is almost 6% more than a year before. Half of it or 63 billion kroons were direct investments, which do not contribute to the external debt (see Table 3.1). The bulk of foreign investments have been made into finance (28% of direct investments), transport, storage and communication (21%) and manufacturing (19%). Nearly 70% of direct investments came from Sweden (41%) and Finland (27%, see Table 3.2). The USA held the third place with 7%.

Besides direct investments, considerable amount of capital has come into Estonia in the form of other investments (loans, deposits, etc – 34%) and portfolio investments (16%). The last quarter of the year saw particularly intensive inflow of capital in the form of other investments.

Estonian investments into foreign countries amounted to 61 billion kroons by the end of the year 2002. The majority of it was made up of loans, deposits (38%) and the gold and foreign currency reserves of the central bank (25%). The share of direct investments in the total volume of investments abroad amounted to 17%. Preference was given to such areas as finance (39% of total direct investments abroad) and transport, storage and communication (21%), as well as real estate, leasing and business services (19%; see Table 3.3). Three fourths of Estonian foreign investments have been made into the Baltic countries – Lithuania (44%) and Latvia (31%).

Due to the dominance of external liabilities, Estonia's net investment position was negative by 65.9 billion kroons at the end of 2002 (61% of the GDP).

On 31 December 2002, Estonia's gross external debt amounted to 70.3 billion kroons (65% of the GDP; see Table 3.4) and net external debt (debt-related external claims minus liabilities) increased 1.8 times year-on-year and amounted to 12.8 billion kroons (12% of the GDP). The growth in net external debt was due to credit institutions, whose net external debt increased more than 70%. The net external debt of the government sector has been positive two years running (3 billion kroons). The dynamics of Estonia's gross and net external debt can be seen in Figures 3.1 – 3.3.

Table 3.1. Estonia's international investment position (EEK m)

	31.12.01	Share (%)	31.12.02	Share (%)	Change (%)
<b>EXTERNAL ASSETS</b>					
<b>Direct investments abroad</b>	<b>9,785.7</b>	<b>16.4</b>	<b>10,097.6</b>	<b>16.6</b>	<b>3.2</b>
Share capital and reinvested earnings	5,999.7	10.0	6,635.8	10.9	10.6
Other capital	3,786.0	6.3	3,461.8	5.7	-8.6
<b>Portfolio investments abroad</b>	<b>12,422.9</b>	<b>20.8</b>	<b>12,308.4</b>	<b>20.2</b>	<b>-0.9</b>
Equity securities	404.5	0.7	549.2	0.9	35.8
Debt securities	12,018.4	20.1	11,759.2	19.3	-2.2
long-term	8,807.4	14.7	7,806.0	12.8	-11.4
short-term	3,211.0	5.4	3,953.2	6.5	23.1
<b>Financial derivatives</b>	<b>179.3</b>	<b>0.3</b>	<b>194.2</b>	<b>0.3</b>	<b>8.3</b>
<b>Other investments</b>	<b>22,605.0</b>	<b>37.8</b>	<b>23,328.4</b>	<b>38.3</b>	<b>3.2</b>
Trade credit	5,873.2	9.8	4,199.4	6.9	-28.5
Loans	9,231.4	15.5	10,646.3	17.5	15.3
long-term	4,711.5	7.9	5,073.3	8.3	7.7
short-term	4,519.9	7.6	5,573.0	9.1	23.3
Deposits	6,524.4	10.9	7,872.1	12.9	20.7
Other assets	976.0	1.6	610.6	1.0	-37.4
<b>Reserves</b>	<b>14,740.4</b>	<b>24.7</b>	<b>14,984.9</b>	<b>24.6</b>	<b>1.7</b>
<b>TOTAL EXTERNAL ASSETS</b>	<b>59,733.3</b>	<b>100.0</b>	<b>60,913.5</b>	<b>100.0</b>	<b>2.0</b>
o/w loans	50,877.3		57,455.2		12.9
<b>EXTERNAL LIABILITIES</b>					
<b>Direct investments into Estonia</b>	<b>61,882.0</b>	<b>51.7</b>	<b>63,127.3</b>	<b>49.8</b>	<b>2.0</b>
Share capital and reinvested income	49,065.1	41.0	50,915.4	40.2	3.8
Other capital	12,816.9	10.7	12,211.9	9.6	-4.7
<b>Portfolio investments into Estonia</b>	<b>19,087.9</b>	<b>15.9</b>	<b>20,596.4</b>	<b>16.2</b>	<b>7.9</b>
Equity securities	7,911.2	6.6	9,483.1	7.5	19.9
Debt securities	11,176.7	9.3	11,113.3	8.8	-0.6
long-term	11,155.3	9.3	11,097.1	8.8	-0.5
short-term	21.4	0.0	16.2	0.0	-24.3
<b>Financial derivatives</b>	<b>121.5</b>	<b>0.1</b>	<b>88.7</b>	<b>0.1</b>	<b>-27.0</b>
<b>Other investments</b>	<b>38,703.9</b>	<b>32.3</b>	<b>42,967.9</b>	<b>33.9</b>	<b>11.0</b>
Trade credit	8,152.8	6.8	6,763.8	5.3	-17.0
Loans	18,314.6	15.3	21,715.2	17.1	18.6
long-term	15,627.4	13.0	17,556.2	13.8	12.3
short-term	2,687.2	2.2	4,159.0	3.3	54.8
Deposits	9,454.4	7.9	11,863.6	9.4	25.5
Other assets	2,782.1	2.3	2,625.3	2.1	-5.6
<b>TOTAL EXTERNAL LIABILITIES</b>	<b>119,795.3</b>	<b>100.0</b>	<b>126,780.3</b>	<b>100.0</b>	<b>5.8</b>
o/w loans	58,006.8		70,257.4		21.1
<b>NET INTERNATIONAL INVESTMENT POSITION</b>	<b>-60,062.0</b>		<b>-65,866.8</b>		<b>9.7</b>
short-term	-4,696.6		-6,930.3		47.6
long-term	-55,365.4		-58,936.5		6.5
<b>NET EXTERNAL DEBT OF ESTONIAN RESIDENTS</b>	<b>-7,129.5</b>		<b>-12,802.2</b>		<b>79.6</b>
o/w government sector	598.7		3,044.6		408.5

Table 3.2. Direct investment position in Estonia by countries and spheres of activity as of 31 December 2002

Country	EEK m	%	Spheres of activity	EEK m	%
Sweden	25,854.1	41.0	Financial intermediation	17,694.7	28.0
Finland	17,216.2	27.3	Transport, storage and communication	13,531.4	21.4
USA	4,477.3	7.1	Manufacturing	11,875.1	18.8
Netherlands	2,492.2	3.9	Wholesale and retail trade	8,504.4	13.5
Norway	2,041.5	3.2	Real estate, renting and business activities	6,026.8	9.5
other	11,046.0	17.5	Other	5,494.9	8.7

Table 3.3. Estonia's direct investment position abroad by countries and spheres of activity as of 31 December 2002

Country	EEK m	%	Spheres of activity	EEK m	%
Lithuania	4,416.9	43.7	Financial intermediation	3,906.2	38.7
Latvia	3,162.2	31.3	Transport, storage and communication	2,156.9	21.4
Cyprus	1,383.4	13.7	Real estate, renting and business activities	1,960.9	19.4
Italy	631.1	6.3	Manufacturing	1,208.6	12.0
other	504.0	5.0	Wholesale and retail trade	613.3	6.1
			Other	251.7	2.5

Table 3.4. External debt (EEK m)

	31.03.02	%	30.06.02	%	30.09.02	%	31.12.02	%
<b>DEBT LIABILITIES</b>								
<b>Short-term</b>	<b>23,009.1</b>	<b>36.8</b>	<b>23,374.0</b>	<b>36.0</b>	<b>21,924.1</b>	<b>33.1</b>	<b>24,184.8</b>	<b>34.4</b>
Government sector								
Central bank	1,636.4	2.6	915.8	1.4	5.3	0.0	255.5	0.4
Credit institutions	12,692.1	20.3	13,678.6	21.1	12,280.3	18.5	15,187.7	21.6
Other sectors	8,680.6	13.9	8,779.6	13.5	9,638.5	14.5	8,741.6	12.4
<b>Long-term</b>	<b>39,584.5</b>	<b>63.2</b>	<b>41,489.5</b>	<b>64.0</b>	<b>44,373.9</b>	<b>66.9</b>	<b>46,072.6</b>	<b>65.6</b>
Government sector	2,976.5	4.8	3,766.6	5.8	3,408.8	5.1	3,383.2	4.8
Central bank	0.0							
Credit institutions	8,836.0	14.1	9,228.9	14.2	9,726.1	14.7	10,754.1	15.3
Other sectors	27,772.0	44.4	28,494.0	43.9	31,239.0	47.1	31,935.3	45.5
<b>GROSS EXTERNAL DEBT</b>	<b>62,593.6</b>	<b>100.0</b>	<b>64,863.5</b>	<b>100.0</b>	<b>66,298.0</b>	<b>100.0</b>	<b>70,257.4</b>	<b>100.0</b>
<b>DEBT CLAIMS</b>								
<b>Short-term</b>	<b>39,056.2</b>	<b>69.6</b>	<b>39,482.8</b>	<b>68.9</b>	<b>35,788.3</b>	<b>63.1</b>	<b>37,136.6</b>	<b>64.6</b>
Government sector	556.8	1.0	1,130.4	2.0	1,133.4	2.0	1,939.7	3.4
Central bank	15,399.5	27.5	14,734.7	25.7	14,702.6	25.9	14,943.2	26.0
Credit institutions	13,460.0	24.0	13,646.2	23.8	10,649.1	18.8	12,851.1	22.4
Other sectors	9,639.9	17.2	9,971.5	17.4	9,303.2	16.4	7,402.6	12.9
<b>Long-term</b>	<b>17,029.3</b>	<b>30.4</b>	<b>17,810.8</b>	<b>31.1</b>	<b>20,918.6</b>	<b>36.9</b>	<b>20,318.6</b>	<b>35.4</b>
Government sector	3,095.4	5.5	3,734.6	6.5	4,865.0	8.6	4,488.1	7.8
Central bank	14.1	0.0	12.8	0.0	12.4	0.0	12.4	0.0
Credit institutions	1,150.6	2.1	1,175.8	2.1	1,382.5	2.4	1,253.6	2.2
Other sectors	12,769.2	22.8	12,887.6	22.5	14,658.7	25.8	14,564.5	25.3
<b>CLAIMS TOTAL</b>	<b>56,085.5</b>	<b>100.0</b>	<b>57,293.6</b>	<b>100.0</b>	<b>56,706.9</b>	<b>100.0</b>	<b>57,455.2</b>	<b>100.0</b>
<b>NET EXTERNAL DEBT</b>								
<b>Short-term</b>	<b>16,047.1</b>		<b>16,108.8</b>		<b>13,864.2</b>		<b>12,951.8</b>	
Government sector	556.8		1,130.4		1,133.4		1,939.7	
Central bank	13,763.1		13,818.9		14,697.3		14,687.7	
Credit institutions	767.9		-32.4		-1,631.2		-2,336.6	
Other sectors	959.3		1,191.9		-335.3		-1,339.0	
<b>Long-term</b>	<b>-22,555.2</b>		<b>-23,678.7</b>		<b>-23,455.3</b>		<b>-25,754.0</b>	
Government sector	118.9		-32.0		1,456.2		1,104.9	
Central bank	14.1		12.8		12.4		12.4	
Credit institutions	-7,685.4		-8,053.1		-8,343.6		-9,500.5	
Other sectors	-15,002.8		-15,606.4		-16,580.3		-17,370.8	
<b>NET EXTERNAL DEBT TOTAL</b>	<b>-6,508.1</b>		<b>-7,569.9</b>		<b>-9,591.1</b>		<b>-12,802.2</b>	

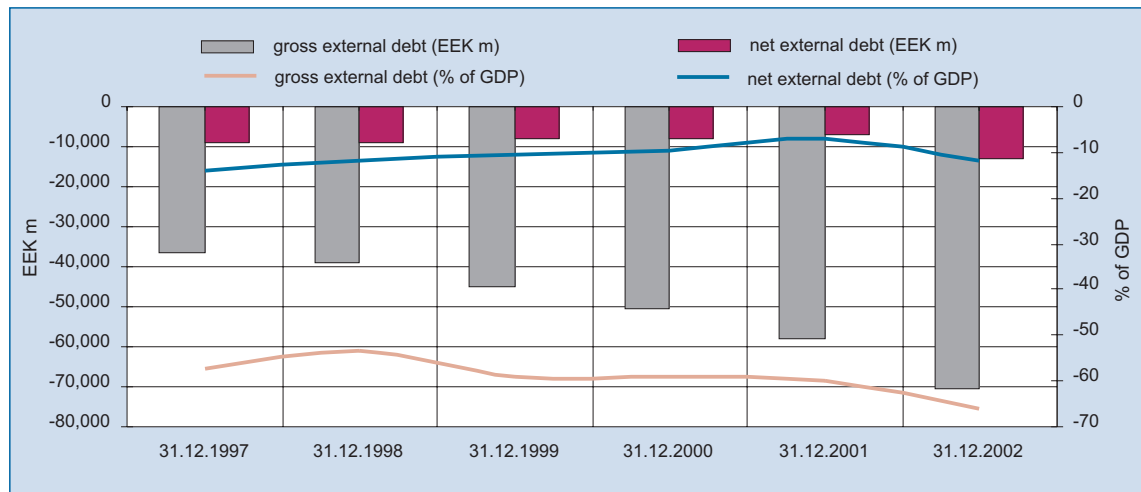


Figure 3.1. Estonia's gross and net external debt (EEK m, left scale) and % of GDP (right scale)

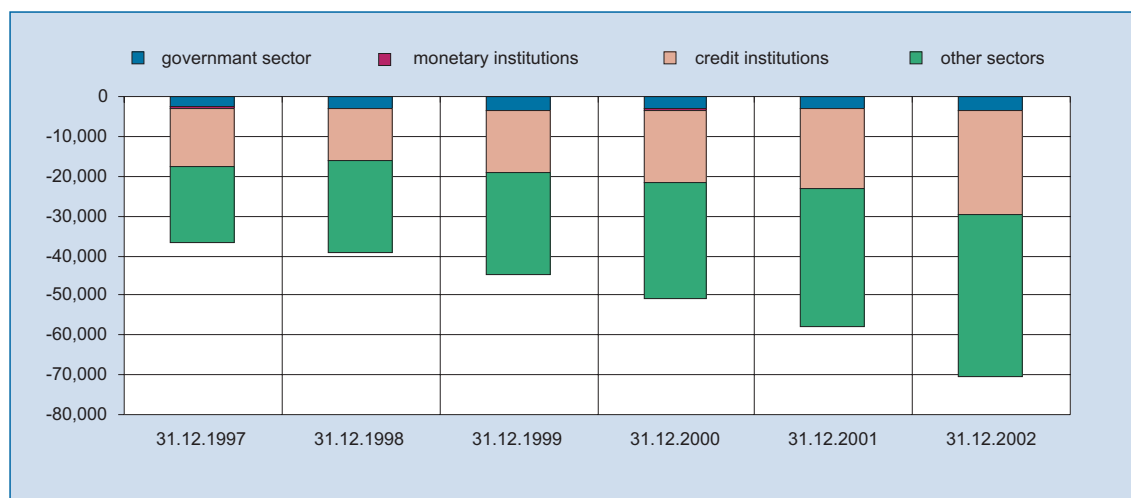


Figure 3.2. Estonia's gross external debt by economic sectors (EEK m)

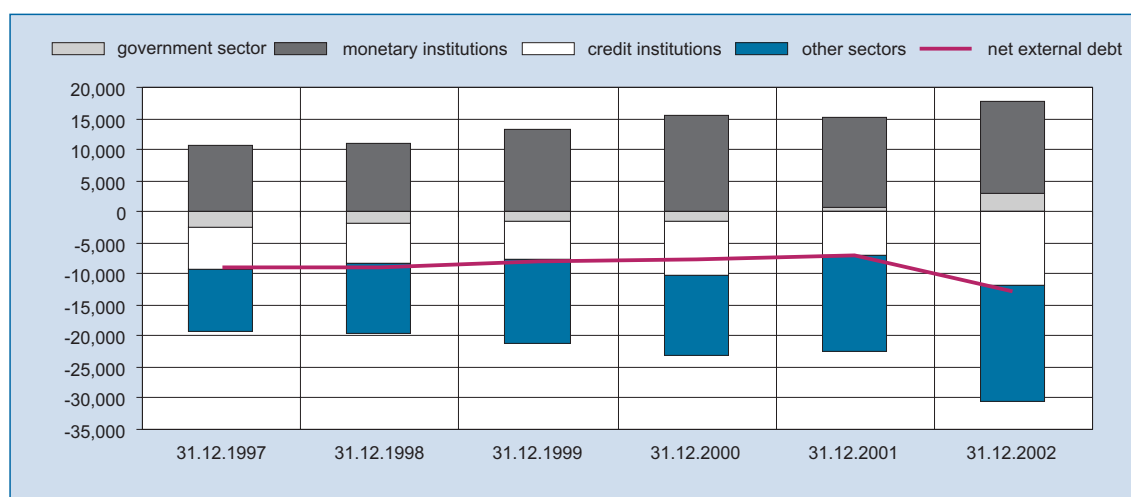


Figure 3.3. Estonia's net external debt by economic sectors (EEK m)