I ESTONIA'S BALANCE OF PAYMENTS

INTRODUCTION

As regards economic growth, external environment was favourable for the Estonian economy in 2005. In line with the recovering global economy, the goods exports from Estonia increased at a rate that outpaced that of earlier years. The average annual real GDP growth accelerated to 9.8%, which can be regarded as faster than the potential level.

GDP growth was broad-based and comprised nearly all fields of activity and branches of manufacturing. Owing to rapid economic growth also the increase in employment, which stood at approximately 2% as an annual average, was one of the fastest in recent years. Meanwhile unemployment decreased and the rate of participation in the labour market started to increase. Regardless of strong external demand, the year 2005 was characterised by the creation of new jobs, particularly in the services sector.

As of summer, the growth in mainly investment-based domestic demand accelerated again while the rate of GDP growth in the construction and real estate sectors went up to nearly 10%. Even though the European Central Bank (ECB) kept monetary policy interest rates at an earlier level throughout the year and a rise of 25 basis points occurred only in December, the interest rates on loans issued in Estonia continued to decline until autumn. Hence also credit growth remained robust and the increase in loan interest rates based on the expectations of an ECB interest rate rise reached Estonia as late as during the final months of the year. The average annual interest rates were record low in 2005.

Traditionally, Estonia's economic development has been underpinned by balanced fiscal policy, which at the time of rapid economic growth has led to a consolidated budget surplus. In 2005, general government savings again remained at the usual level and the fiscal year ended with a surplus for the fifth consecutive year. Besides general government savings also household savings started to grow fast in 2005. A large part of the savings was channelled into residential construction and thus the growth in household savings had a smaller than expected positive impact on the external balance. Compared to the year before, the current account to GDP ratio improved by nearly 2 percentage points, declining to 11%.

Like earlier, foreign direct investment played a key role in covering the gap between savings and investment. Since these did not cover the entire need for financing, the external debt continued to increase. By the end of the year, the gross external debt increased to 90% of GDP.

While the increase in global oil prices led to a 4.1% growth in annual average consumer prices in Estonia, the price of fuel produced from local oil shale became competitive. All in all, the adverse effect of more expensive oil on the trade balance remained small.

Although the estimates of overall domestic economic equilibrium did not indicate deviations from the development track considered sustainable in the long term, an analysis of the real estate market indicated possible imbalances. This was reflected in the fast growth of housing loans and real estate prices, constraints on the supply side, and the faster than average rise in labour costs in the construction sector. From the aspect of external balance, this translated into a relatively large current account deficit, even though it decreased as a ratio to GDP. Thus, reducing the current account deficit remains one of the main economic policy objectives of the government.

Tables 1.1 and 1.2 provide an overview of Estonia's balance of payments and its key indicators.

Table 1.1. Estonia's balance of payments (EEK m)*

	1999	2000	2001	2002	2003	2004	2005
Current account	**-3,607.7**	**-5,178.1**	**-5,643.6**	**-12,908.0**	**-15,415.7**	**-18,351.6**	**-18,138.4**
Goods and services	-3,755.4	-3,167.6	-2,247.6	-8,564.6	-10,199.6	-11,918.7	-10,667.8
Goods	-12,096.9	-13,371.4	-13,542.4	-18,455.3	-21,666.7	-25,499.0	-23,295.9
credit (f.o.b.)	36,995.2	56,118.1	58,798.5	57,948.7	63,443.7	75,199.5	98,148.1
debit (f.o.b.)	-49,092.1	-69,489.5	-72,340.9	-76,404.0	-85,110.4	-100,698.5	-121,444.1
Services	8,341.5	10,203.8	11,294.8	9,890.7	11,467.1	13,580.3	12,628.1
credit	21,951.9	25,263.4	28,135.4	28,164.3	30,674.0	35,666.3	39,836.2
debit	-13,610.4	-15,059.6	-16,840.6	-18,273.6	-19,206.8	-22,086.1	-27,208.1
Income	-1,505.8	-3,458.9	-4,898.6	-5,391.1	-7,375.3	-7,951.0	-8,729.4
credit	1,964.3	2,032.5	3,022.2	3,371.3	3,449.5	5,484.5	8,463.0
debit	-3,470.1	-5,491.4	-7,920.8	-8,762.4	-10,824.8	-13,435.3	-17,192.3
Transfers	1,653.5	1,448.4	1,502.6	1,047.7	2,159.4	1,518.0	1,258.6
credit	2,257.5	1,944.2	2,016.4	2,065.6	3,670.8	5,276.7	6,267.4
debit	-604.0	-495.8	-513.8	-1,017.9	-1,511.4	-3,758.6	-5,008.7
Capital and financial account (reserve assets excluded)	**5,916.6**	**7,433.8**	**5,026.3**	**13,055.3**	**18,260.4**	**21,532.8**	**23,235.2**
Capital account	17.8	439.1	253.2	636.4	685.2	1,145.3	1,767.5
Financial account	5,898.8	6,994.7	4,773.1	12,418.9	17,575.2	20,387.6	21,467.7
Direct investment	3,208.2	5,601.4	5,901.3	2,611.8	10,716.0	8,746.8	29,019.2
Abroad	-1,239.8	-1,043.1	-3,528.3	-2,188.4	-2,149.3	-3,388.6	-7,727.3
In Estonia	4,448.0	6,644.5	9,429.6	4,800.2	12,865.3	12,135.5	36,746.4
Portfolio investment	156.0	1,417.5	-665.0	2,442.4	2,431.6	9,102.6	-27,412.6
Assets	-1,894.9	153.1	-2,100.2	-3,182.9	-5,351.5	-4,775.7	-10,818.3
Equity securities	187.0	53.3	236.5	9.1	-1,028.9	-2,893.5	-4,848.9
Debt securities	-2,081.9	99.8	-2,336.7	-3,192.0	-4,322.7	-1,882.3	-5,969.4
Liabilities	2,050.9	1,264.4	1,435.2	5,625.3	7,783.2	13,878.3	-16,594.2
Equity securities	3,292.3	-538.8	568.4	912.2	1,526.9	2,205.3	-16,179.7
Debt securities	-1,241.4	1,803.2	866.8	4,713.1	6,256.2	11,673.0	-414.6
Financial derivatives	0.0	17.5	-34.7	-63.7	-19.3	-8.4	-97.6
Assets	0.0	-77.8	-0.3	-43.2	-139.1	-35.1	13.6
Liabilities	0.0	95.3	-34.4	-20.5	119.9	26.8	-111.1
Other investment	2,534.6	-41.7	-428.5	7,428.4	4,446.8	2,546.4	19,958.8
Assets	-1,651.2	-2,638.3	-3,716.7	695.1	-2,284.6	-11,168.8	-10,707.0
Long-term	421.8	-1,108.7	-322.7	-1,083.0	-565.6	-6,052.6	5,432.0
Short-term	-2,073.0	-1,529.6	-3,394.0	1,778.1	-1,719.0	-5,116.2	-16,138.9
Liabilities	4,185.8	2,596.6	3,288.2	6,733.3	6,731.4	13,715.2	30,665.7
Long-term	1,691.5	-549.9	1,814.4	1,829.0	4,309.0	3,740.5	16,085.7
Short-term	2,494.3	3,146.5	1,473.8	4,904.3	2,422.4	9,974.6	14,580.0
Errors and omissions	-511.3	14.8	-112.9	779.5	-532.6	244.2	-212.8
Overall balance	**1,797.6**	**2,270.5**	**-730.2**	**926.8**	**2,312.0**	**3,425.4**	**4,883.8**
Reserve assets	**-1,797.6**	**-2,270.5**	**730.2**	**-926.8**	**-2,312.0**	**-3,425.4**	**-4,883.8**

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

Table 1.2. Internationally comparable key balance of payments indicators

	1999	2000	2001	2002	2003	2004	2005
Foreign trade turnover (% of GDP)	105.3	135.2	125.5	114.9	116.7	124.3	133.2
Exports and imports ratio (%)	75.4	81.1	81.1	75.9	74.5	74.9	77.3
Nominal effective exchange rate (% compared to the previous period)	117.1	97.3	101.3	102.0	103.6	101.0	100.3
Real effective exchange rate (% compared to the previous period)	107.3	96.2	102.0	101.9	101.7	101.3	101.1
Terms of trade (ratio of exports and imports price indices)	107.9	112.6	118.4	112.2	121.6	122.4	119.6
Overall balance of the balance of payments (change of external reserves; EEK m)	1,797.6	2,270.5	-730.2	926.8	2,312.0	3,425.4	4,883.8
Change of external reserves in ratio to GDP (%)	2.2	2.4	-0.7	0.8	1.8	2.4	3.0
Current account balance (EEK m)	-3,607.7	-5,178.1	-5,643.6	-12,908.0	-15,415.7	-18,351.6	-18,138.4
Current account balance without government transfers (EEK m)	-5,022.8	-6,154.3	-6,639.9	-13,628.4	-17,198.3	-18,878.5	-18,611.2
Current account balance without government transfers (% of GDP)	6.1	6.6	6.4	11.7	13.5	13.3	11.3
Government transfers (net; EEK m)	1,415.1	976.2	996.3	720.4	1,782.6	526.9	472.8
Government transfers (% of GDP)	1.8	1.1	1.0	0.6	1.5	0.4	0.3
Gross external debt (% of GDP)	54.8	54.4	55.6	60.1	68.9	81.2	90.2
External debt servicing (% of total exports)	1.1	1.3	1.0	1.7	0.3	0.2	0.7

ADJUSTMENT OF TIME SERIES OF BALANCE OF PAYMENTS STATISTICS

When Estonia's preliminary balance of payments for the first quarter of 2006 was published on 26 June, the time series published so far were adjusted retroactively up to the year 2000. The main underlying reasons for the adjustment were as follows:

- Adjustment of the time series of the balance of payments statistics in connection with the integration of the time series into the input-output tables of the national accounts system (2000–2002). As a result, the initial data on freight services in the transport sector were revised, which also affected the respective balance sheet item. The items related to foreign aid services and transfers were revised as well in line with adjusting the initial data and harmonising the calculation methodology used in the Statistical Office of Estonia and Eesti Pank. The changes affected the services account as well as the current and capital transfers accounts.

- Regular adjustment of foreign trade data by the Statistical Office and the Customs Board. The data on foreign trade exports and imports as well as on the imports of transport services were revised.

- Adjustment of reinvested earnings – the changeover to the methodically more correct Current Operating Performance Concept (COPC) in 2005 led to an adjustment of the reinvested earnings indicator initially calculated on the basis of retained profit after the actual annual reports indicators became available. The adjustments concern the years 2004 and 2005 and affect the current account income and the financial account direct investment items.

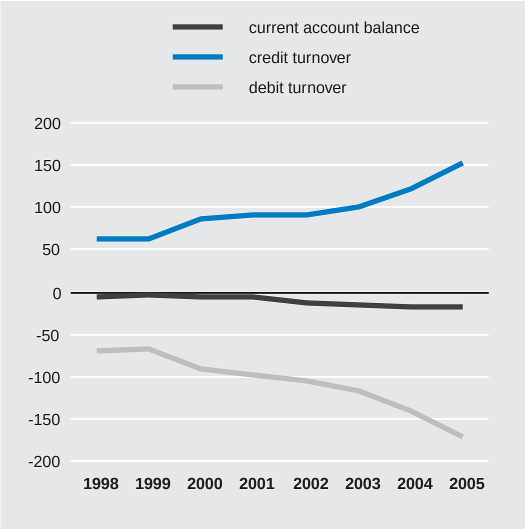
The extent of the adjustment of the balance of payments time series and the underlying key determinants:

Balance of Payments item		2000	2001	2002	2003	2004	2005
Current account	Before (EEK m)	- 5,093.4	-5,889.5	-11,882.9	-15,401.9	-17,963.0	-17,285.8
	Now (EEK m)	**-5,178.1**	**-5,643.6**	**-12,908.0**	**-15,415.6**	**-18,351.6**	**-18,138.4**
	Change (EEK m)	-84.7	245.9	-1,025.1	-13.7	-388.6	-852.6
	Change (% of GDP)	**-0,1**	**0.2**	**-0.9**	**0.0**	**-0.3**	**-0.5**
	Of which:						
	external trade	-0,2	0.3	-0.3	-0.1	-0.7	-0.2
	freight services	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
	business services	-0.5	-0.5	-0.4	-0.1	-0.1	0.0
	government services	1.4	1.7	0.7	0.0	0.0	0.0
	reinvested earnings	0.0	0.0	0.0	0.0	0.0	-0.3
	government current transfers	-0.6	-1.1	-0.7	0.3	-1.1	-0.1
Capital and financial account	Before (EEK m)	5,002.7	5,593.3	11,812.8	15,920.9	19,021.9	17,060.1
	Now (EEK m)	**5,163.3**	**5,756.5**	**12,128.5**	**15,948.3**	**18,107.4**	**18,351.3**
	Change (EEK m)	160.6	163.2	315.7	27.4	-914.5	1,291.2
	Change (% GDP)	**0.2**	**0.2**	**0.3**	**0.0**	**-0.6**	**0.8**
	Of which:						
	capital transfers	0.2	0.2	0.3	0.0	0.1	0.0
	reinvested earnings on direct investment	0.0	0.0	0.0	0.0	-0.7	0.3

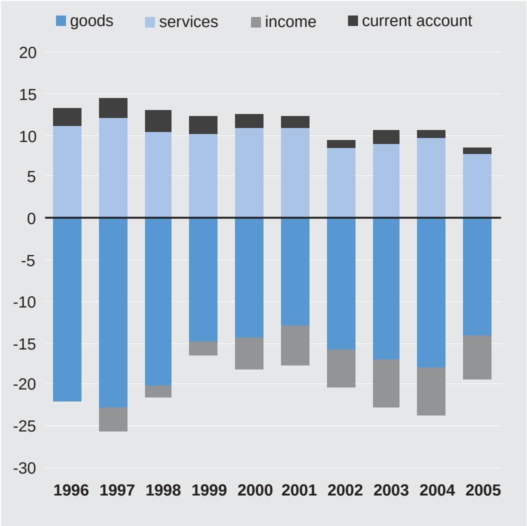
SHORT OVERVIEW

Current account

Estonia's fast economic growth and a slight recovery of global economy in 2005 led to improved external balance in Estonia – the balance of payments current account deficit accounted for 11% of the gross domestic product (13% in 2004). In absolute terms, the deficit remained at nearly the same level as the year before, amounting to 18.1 billion kroons. External balance was affected by fast growth in goods exports as well as by the large imports of capital goods arising from high investment activity. The deficit in the goods and services accounts amounted to 6.5% of GDP (8.4% in 2004). The credit turnover of the current account increased 26% and debit turnover 22%. The EU-25 countries accounted for 76% of the credit turnover and for 78% of the debit turnover. Estonia had the biggest current account surplus with Finland and the largest deficit with Germany.



Current account turnover and balance (EEK bn)



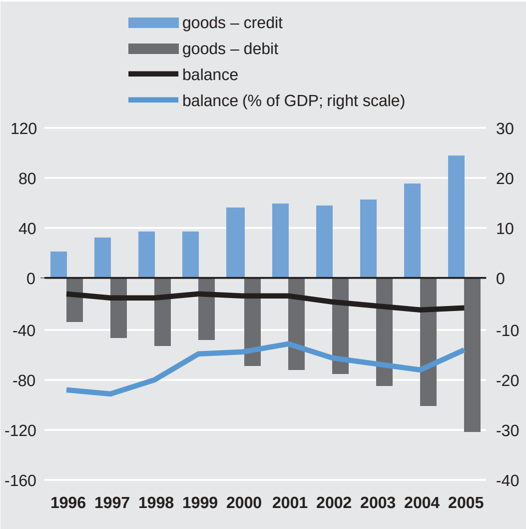
Current account components (% of GDP)

Goods

The deficit in the goods account – the largest component in the current account deficit – decreased by 2.2 billion kroons over the year, amounting to 23 billion kroons and accounting for 14% of GDP in 2005. The exports of goods increased 31% from 2004, i.e. by 23 billion kroons, amounting to 98 billion kroons. Compared to 2004, the growth of goods imports was outpaced by that of exports, accounting for 21%, i.e. 21 billion kroons. Thus, the debit turnover of the goods stood at 121 billion kroons. Compared to 2004, the robust increase in the goods turnover can be attributed to the EU accession as well as to changes in the reporting system effective during the first months of 2004 (transition to Intrastat reporting in declaring intra-Community trade)[1].

The largest groups of export goods were machinery and equipment, timber and timber products, furniture, metal and textile products. Machinery and equipment dominated also in imports, followed by chemical and metal products, and transport vehicles.

Estonia's main trading partner was the European Union that accounted for 78% of the goods exports and for 76% of imports. The partner states from the EU with the largest goods turnover were Finland, Sweden, Germany, Latvia and Lithuania; from the CIS countries Russia, Belarus and Ukraine, and from other countries the United States and Norway regarding exports and China and Japan regarding imports.

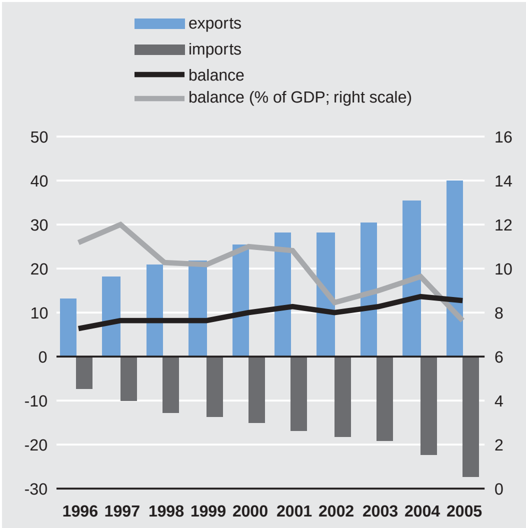


Estonia's external trade balance (EEK bn)

[1] As of 1 May 2004, foreign trade statistics is based on the combination of two reporting systems: trade with non-EU countries is still calculated on the basis of customs declarations submitted to the Tax and Customs Board (the so-called Extrastat), whereas intra-Community trade is registered through the so-called Intrastat survey organised by the Statistical Office (see www.stat.ee/125965). While Extrastat still enables to apply the special trade system, which excludes trade through customs warehouses, then Intrastat does not allow filtering out goods that have moved through intermediate warehouses and that have not really entered Estonia's internal market, thus rather reflecting the principles of the general trade system. Therefore, the general level of both imports and exports of goods is higher than in earlier periods and that peculiarity has to be taken into account when comparing time series. Besides official foreign trade statistics the credit and debit of the balance of payments goods account include several supplements arising from the methodology and estimates of possible under-coverage of the Intrastat data.

Services

The surplus on the services account was 12.6 billion kroons, having decreased by around 1 billion kroons, i.e. 7%, year-on-year. The dynamics of the services turnover was mainly driven by transport services, whereas the imports of services grew much faster than the exports. The share of transport services in the total services turnover remained more or less the same as last year, i.e. 41%. The shares of travel and other business services decreased slightly and accounted for 26% and 17%, respectively, in the total services turnover. The turnover of construction services grew considerably – the volume of both the imports and exports of construction services more than doubled. The share of construction services in the services turnover increased from 4% to 7%, year-on-year.

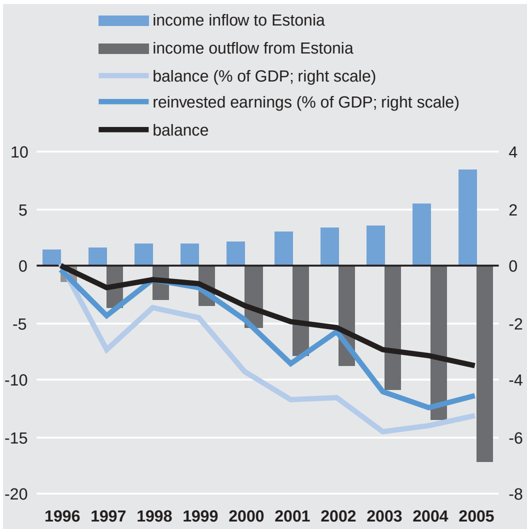


Services account (EEK bn)

Income

The income account deficit decreased 10%, amounting to 8.7 billion kroons. The income earned by Estonian investors abroad (credit turnover) grew by a half and reached a record 8.5 billion kroons. The income earned by non-residents on the capital invested in Estonia and on compensations of employees (debit turnover) increased 28% and stood at 17.2 billion kroons. Labour income formed 38% of the total income earned by residents abroad and 4% of the total income earned by non-residents in Estonia. The rest was investment income.

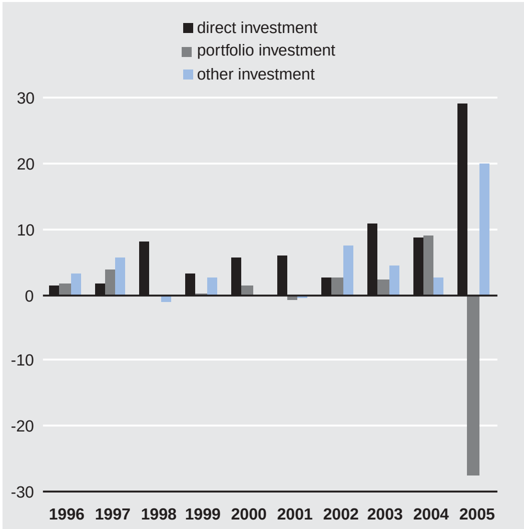
Direct investment income accounted for 62%, portfolio investment income and other investment income both for a fifth of residents' investment income from abroad. As to the investment income earned by non-residents in Estonia, 81% was direct investment income, 9% portfolio investment income, and 10% other investment income. Reinvested earnings accounted for 59% of residents' and for 73% of non-residents' direct investment income. Excluding from the income account reinvested earnings, which involve no actual movement of funds, the income account deficit stood at 0.9 billion kroons.



Income account (EEK bn)

Capital and financial account

The surplus on the capital and financial account in 2005 was record high at 23.2 billion kroons. Other investment capital accounted for most of the foreign capital inflow. The large inter-account turnovers between direct and portfolio investment accounts were mainly related to the buying up of the shares in Hansapank, which reflected in increased direct investment and decreased portfolio investment.



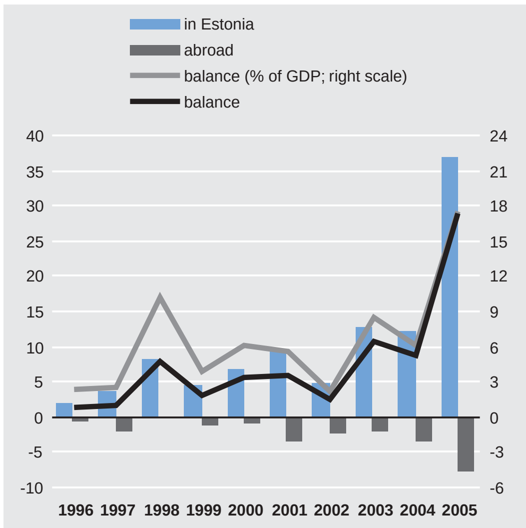
Subaccounts of capital and financial account (EEK bn)

Direct investment

As a result of the takeover of Hansapank, the surplus on direct investment reached a record 29 billion kroons. Excluding the takeover of Hansapank, foreign direct investment in Estonia amounted to 9.8 billion and Estonian residents' direct investment abroad to 7.7 billion kroons.

Equity capital investment accounted for 78% of the direct investment inflow to Estonia, the rest being reinvested earnings and other direct investment capital. Excluding the takeover of Hansapank, foreign direct investment mainly included reinvested earnings.

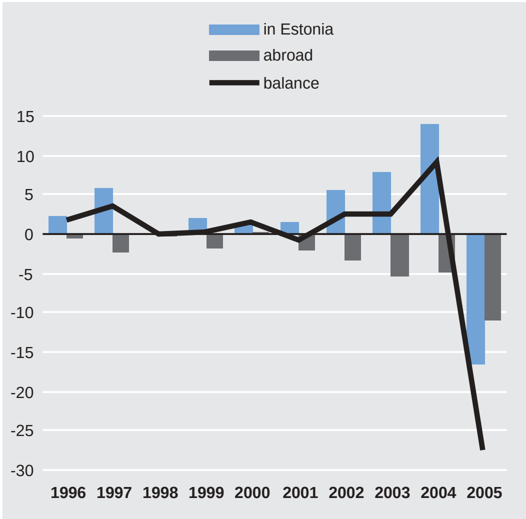
Like in the structure of non-residents' direct investment, equity capital investment also formed a considerable share (67%) of residents' foreign direct investment. Reinvested earnings accounted for 25% and other investment capital for 8%.



Direct investment (EEK bn)

Portfolio investment

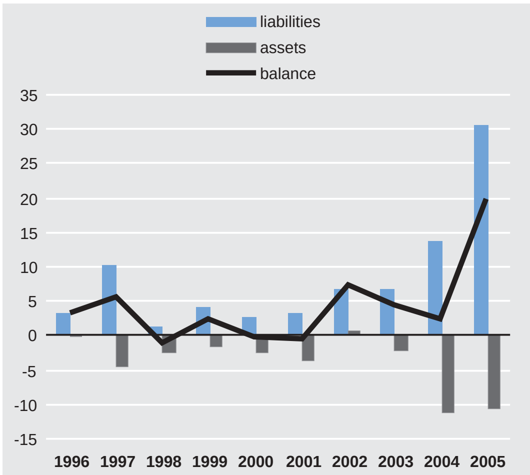
The deficit on portfolio investment also posted a record of 27.4 billion kroons. Portfolio investment claims increased by 10.8 billion while liabilities decreased by 16.6 billion kroons. Excluding the takeover of Hansapank, the net outflow of portfolio investment stood at 4.8 billion kroons. Claims increased mainly due to other sectors' investment in foreign equity and debt securities and the general government's investment in money market instruments. Liabilities decreased primarily because of a decline in credit institutions' liabilities related to equity securities (the takeover of Hansapank).



Portfolio investment (EEK bn)

Other investment

The net inflow of other investment amounted to 20 billion kroons. Claims increased by 10.7 billion kroons. Long-term claims decreased by 5.4 billion kroons, whereas short-term claims increased by 16.1 billion kroons mainly owing to currency and deposits of credit institutions and trade credit claims of other sectors. Other investment liabilities grew by 30.7 billion kroons mainly as a result of an increase in long-term and short-term debt liabilities of credit institutions.



Other investment (EEK bn)

CURRENT ACCOUNT

Estonia's fast economic growth and global economic recovery led to improved external balance of Estonia in 2005 – the current account deficit decreased from 13% of GDP in 2004 to 11% in 2005 (see Figure 1.1). In absolute terms, the deficit declined slightly year-on-year and amounted to 18.1 billion kroons. The current account deficit without reinvested earnings, which include no actual movement of funds, stood at 6.3% of GDP.

Estonia's foreign trade activities were mainly limited to the EU countries (76% of the credit turnover and 78% of the debit turnover; see Table 1.3). Estonia had the biggest surplus with Finland and the biggest deficit with Germany.

Goods

The balance of payments goods account deficit stood at 23 billion kroons in 2005, having decreased by 2.2 billion kroons year-on-year (see Table 1.4). This arose mainly from the faster growth in goods exports compared to imports. Goods exports amounted to 98.1 billion kroons, having increased 31% year-on-year. Goods imports reached 121.4 billion kroons and the growth rate to 21%. Compared to 2004, the robust increase in the goods turnover can be attributed to the EU accession as well as to changes in the reporting system effective during the first months of 2004 (transition to Intrastat reporting in declaring intra-Community trade; see also Footnote 1 on page 10).

According to preliminary **foreign trade statistics**[2], goods exports stood at 96.9 billion and imports in c.i.f. prices at 127.8 billion kroons. The foreign trade deficit amounted to 30.9 billion kroons, having slightly increased from the 2004 level.

The 30% growth in **goods exports** was most affected by an increase in the exports of machinery and equipment, mineral products, metals and metal products. Exports in all the other groups of goods also grew considerably (see Table 1.5). 55% of the machinery group were mobile phones and their parts, whose exports increased 25% year-on-year and went to Finland, Sweden, Hungary, and Germany. Cables were exported to Finland, Sweden, the United Kingdom and Latvia, and components of electrical equipment to Finland and Sweden. 75% of the exports of mineral products accounted for the re-exports of motor fuel imported from Russia, Lithuania and Belarus to Gibraltar, the United States, Canada and EU Member States. The sales of electricity to Latvia slightly increased, whereas sales to Russia decreased significantly. The main export articles in the metal products group were hot-rolled steel products (to the United Kingdom, Belgium, Ukraine, and Latvia), iron constructions (to Denmark and Finland), and scrap metal (to Turkey, the Republic of Korea, and India). In the timber, timber products and furniture group, timber sleepers were exported to the United Kingdom, construction components and ligneous material to Denmark, Finland, Sweden and Norway, and wooden furniture and prefabricated structures to the Nordic countries, Germany and Latvia. The main articles

[2] The following analysis is based on the foreign trade statistics compiled by the Statistical Office and does not include either estimates added to the balance of payments goods account arising from lower than expected receipt of data or methodical supplements (repair of capital goods, provisions purchased from abroad, etc.). Imports are in c.i.f. prices and have been analysed by the country of consignment.
As of the moment of accession, the terms "exports" and "imports" are only applicable to trading with third countries, while the Intrastat reporting system uses the terms "dispatch of goods" and "arrival of goods". Since the following analysis covers both intra-Community and non-Community trade, the terms "exports" and "imports" have still been used for the sake of simplicity and clarity.

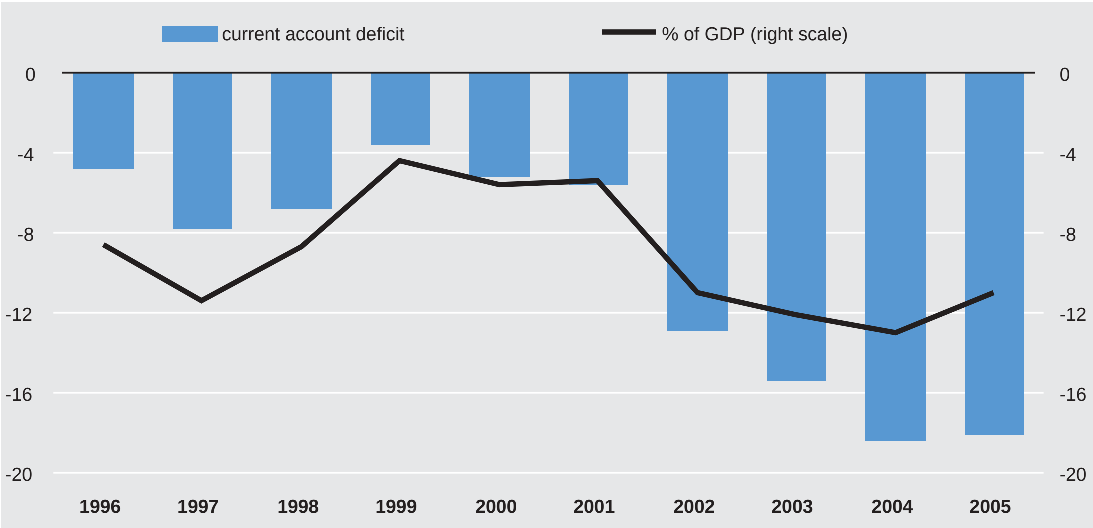


Figure 1.1. Estonia's current account balance (EEK bn)

Table 1.3. Current account balance by groups of countries (EEK m)

	2004	2005
EU-25*	**-17,061.1**	**-16,445.9**
Germany**	-7,207.8	-12,672.3
Finland	-1,161.4	5,985.9
Latvia	2,334.4	3,903.2
Poland	-2,485.4	-3,275.8
Netherlands	-1,132.9	-2,613.4
EU-15	**-16,409.1**	**-16,811.7**
CIS	**-3,767.3**	**-2,752.2**
Russia	-2,855.6	-2,198.5
Belarus	-1,125.0	-1,464.9
Kazakhstan	-7.6	575.8
Other	**2,476.8**	**1,059.7**
Hong Kong	-962.3	-2,302.7
Norway	1,313.2	2,066.2
Japan	-1,084.6	-2,099.8
United States	2,165.3	2,018.6
China	-1,451.3	-2,057.3
Total	**-18,351.6**	**-18,138.4**

* Here and below 15 EU Member States and 10 acceding countries have been analysed before 1 May 2004.
** Countries are ranked by the absolute value of last period's current account balance.

Table 1.4. Imports and exports of goods

	Special exports			Special imports			Balance (EEK m)
	Volume* (EEK m)	Change compared to the previous period (%)	Share in total exports of goods and services (%)	Volume* (EEK m)	Change compared to the previous period (%)	Share in total imports of goods and services (%)	
1996	21,833.4	12.4	62.1	34,121.6	26.2	82.8	-12,288.2
1997	31,846.5	45.9	63.4	47,499.3	39.2	82.4	-15,652.8
1998	37,786.3	18.7	64.5	53,511.8	12.7	80.8	-15,725.5
1999	36,995.2	-2.1	62.8	49,092.1	-8.3	78.3	-12,096.9
2000	56,118.1	51.7	69.0	69,489.5	41.5	82.2	-13,371.4
2001	58,798.5	4.8	67.6	72,340.9	4.1	81.1	-13,542.4
2002	57,948.7	-1.4	67.3	76,404.0	5.6	80.7	-18,455.3
2003	63,443.7	9.5	67.4	85,110.4	11.4	81.6	-21,666.7
2004	75,199.5	18.5	67.8	100,698.5	18.3	82.0	-25,499.0
2005	98,148.2	30.5	71.1	121,444.0	20.6	81.7	-23,295.8

* Data of the foreign trade account in the balance of payments.

Table 1.5. Exports by main groups of goods

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
Food	5,592.6	6,950.1	7.5	7.2	24.3
Mineral products	3,388.8	7,354.3	4.5	7.6	117.0
Chemical products	5,343.3	6,967.4	7.2	7.2	30.4
Clothing, footwear and headgear	8,037.3	8,312.5	10.8	8.6	3.4
Timber, paper and products	11,200.9	12,774.5	15.0	13.2	14.0
Metals and metal products	6,405.8	8,629.6	8.6	8.9	34.7
Machinery and equipment	20,313.0	27,325.5	27.2	28.2	34.5
Transport vehicles	4,535.0	6,537.5	6.1	6.7	44.2
Furniture, toys, sporting goods	6,927.3	8,036.0	9.3	8.3	16.0
Other	2,870.2	4,036.7	3.8	4.2	40.6
Total	**74,614.3**	**96,924.1**	**100.0**	**100.0**	**29.9**

of clothing, footwear and headgear were men's suits and shirts, women's costumes and sportswear exported to Finland, Sweden and Russia, fur to Turkey and leather footwear to Finland, Latvia and Lithuania. In the chemical goods group, mastics, putties, paints and varnishes were exported to Russia and Latvia, plastics products to Sweden, Latvia and Finland, nitrogen fertilizers to the United States, and medicines to Lithuania and Latvia. In the food group, mainly fish and canned fish were exported to the Netherlands, Switzerland, Russia and Ukraine, alcohol to Russia and Finland, and dairy products to Germany, Italy, Finland and the Netherlands. 38% of the exports of transport vehicles accounted for the exports to Latvia, Lithuania, Belgium, Spain and Germany of motor cars imported mainly from Finland and Germany. Parts of motor vehicles, including safety belts, were sent mostly to Sweden and Russia. As regards other goods, automatic equipment was exported to Finland, the United States and Sweden, toughened-glass panes and glass packaging to Belgium, Latvia and Lithuania, and cement products also to Latvia and Lithuania.

The **goods imports** also increased year-on-year across all main groups of goods (see Table 1.6). This mainly arose from an increase in the imports of machinery and equipment, mineral and chemical products. In the machinery and equipment group, mostly mobile communication devices and components of electronic industry

Table 1.6. Imports by main groups of goods

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
Food	9,581.2	10,985.9	9.1	8.6	14.7
Mineral products	7,244.2	11,898.7	6.9	9.3	64.3
Chemical products	12,328.2	14,964.3	11.8	11.7	21.4
Clothing, footwear and headgear	8,928.8	9,390.7	8.5	7.3	5.2
Timber, paper and products	5,837.9	7,003.8	5.6	5.5	20.0
Metals and metal products	11,534.4	13,066.4	11.0	10.2	13.3
Machinery and equipment	30,250.8	39,535.1	28.8	30.9	30.7
Transport vehicles	12,528.9	13,166.7	11.9	10.3	5.1
Furniture, toys, sporting goods	2,403.2	2,819.1	2.3	2.2	17.3
Other	4,239.4	4,964.9	4.0	3.9	17.1
Total	**104,877.0**	**127,795.5**	**100.0**	**100.0**	**21.9**

were imported both for processing and for internal supply. Besides, also computers, roadwork machinery and other mechanisms were brought in. The major partner countries were Finland, Sweden, Germany, Hong Kong, Japan and Singapore. In the mineral products group, mainly motor fuel was imported from Russia, Lithuania and Belarus, and natural gas from Russia. Chemical products were imported from Finland (paints, polishes, medicines), Germany (medicines, various industrial chemicals), Poland (medicines, car tyres) and Latvia (medicines). The imports of metal products included steel products from Finland, Russia, the United States and Taiwan, transport vehicles (mainly motor cars) from Finland, Germany and France, vans from Germany and Finland, and spare parts from Sweden. In the food products group, the leading import articles were coffee, sugar and spirits from Finland, cigarettes and fish products from Lithuania, fresh fish from Russia, and pork from Finland and Denmark. As to clothing, footwear and headgear, the principal goods were raw furskins from Finland, synthetic fibre from the Republic of Korea, and underwear from Latvia. Raw wood and plywood from Russia prevailed in the timber products group.

Foreign trade deficit increased by nearly 600 million kroons year-on-year (see Table 1.7). Two groups of goods posted a surplus: timber and timber products, and furniture and other industrial goods.

By **groups of countries,** the exports of goods to the European Union as well as to other groups of countries increased (see Table 1.8). The enlarged European Union has become the major partner: compared to 2004

Table 1.7. Foreign trade balance by main groups of goods (EEK m)

	2004	2005
Food	-3,988.6	-4,035.8
Mineral products	-3,855.4	-4,544.3
Chemical products	-6,984.9	-7,996.9
Clothing, footwear and headgear	-891.5	-1,078.2
Timber, paper and products	5,363.0	5,770.8
Metals and metal products	-5,128.6	-4,436.8
Machinery and equipment	-9,937.8	-12,209.7
Transport vehicles	-7,993.9	-6,629.2
Furniture, toys, sporting goods	4,524.1	5,216.9
Other	-1,369.1	-928.1
Total	**-30,262.7**	**-30,871.4**

Table 1.8. Exports of goods by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
EU-25	**59,751.5**	**75,316.4**	**80.1**	**77.7**	**26.0**
Finland	17,167.2	25,796.9	23.0	26.6	50.3
Sweden	11,410.2	12,747.1	15.3	13.2	11.7
Latvia	5,981.5	8,441.3	8.0	8.7	41.1
Germany	6,190.7	6,010.8	8.3	6.2	-2.9
Lithuania	3,306.9	4,492.4	4.4	4.6	35.8
EU-15	**46,444.5**	**58,537.7**	**62.2**	**60.4**	**26.0**
CIS	**5,795.9**	**8,381.1**	**7.8**	**8.6**	**44.6**
Russia	4,178.4	6,284.2	5.6	6.5	50.4
Ukraine	1,257.0	1,335.2	1.7	1.4	6.2
Kazakhstan	71.8	293.6	0.1	0.3	309.2
Other	**9,066.9**	**13,226.6**	**12.2**	**13.6**	**45.9**
USA	2,376.1	2,994.6	3.2	3.1	26.0
Norway	2,429.7	2,789.1	3.3	2.9	14.8
Gibraltar	123.0	1,496.6	0.2	1.5	1,116.6
Total	**74,614.3**	**96,924.1**	**100.0**	**100.0**	**29.9**

Estonia's exports to the EU grew 26% and accounted for 78% of the total exports in the period under analysis. The main partner states were Finland, Sweden, Latvia, Germany and Lithuania. Exports to CIS countries increased 45%, including 50% (2.1 billion kroons) to Russia. The top three among other countries were the United States, Norway and Gibraltar.

Goods imports also increased across all groups of countries (see Table 1.9). The share of the enlarged European Union was 76%; the top five import partners were Finland, Germany, Sweden, Lithuania and Latvia.

Table 1.9. Imports of goods by groups of countries*

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
EU-25	**81,407.5**	**97,081.6**	**77.6**	**76.0**	**19.3**
Finland	23,164.6	25,060.5	22.1	19.6	8.2
Germany	13,443.2	17,823.7	12.8	13.9	32.6
Sweden	10,184.2	11,207.1	9.7	8.8	10.0
Lithuania	5,612.2	7,676.7	5.4	6.0	36.8
Latvia	4,861.8	6,018.1	4.6	4.7	23.8
EU-15	**64,500.1**	**75,774.4**	**61.5**	**59.3**	**17.5**
CIS	**12,688.0**	**14,954.6**	**12.1**	**11.7**	**17.9**
Russia	9,657.6	11,807.5	9.2	9.2	22.3
Belarus	1,277.3	1,623.8	1.2	1.3	27.1
Ukraine	1,414.4	1,156.7	1.3	0.9	-18.2
Other	**10,781.5**	**15,759.3**	**10.3**	**12.3**	**46.2**
China	2,000.9	2,696.5	1.9	2.1	34.8
Japan	1,439.9	2,502.6	1.4	2.0	73.8
Hong Kong	1,031.5	2,414.3	1.0	1.9	134.1
Total	**104,877.0**	**127,795.5**	**100.0**	**100.0**	**21.9**

* Analysed by the country of consignment.

Imports from Russia increased in line with exports, i.e. by 2.1 billion kroons; Russia was followed by Belarus and Ukraine. China, Japan and Hong Kong dominated among other countries.

Foreign trade balance was negative for all groups of countries (see Table 1.10).

Table 1.10. Foreign trade balance by groups of countries (EEK m)

	2004	2005
EU-25	-21,656.0	-21,765.2
EU-15	-18,055.6	-17,236.7
CIS	-6,892.2	-6,573.5
Other	-1,714.6	-2,532.7
Total	**-30,262.7**	**-30,871.4**

Services

The surplus on the **services account** was 12.6 billion kroons in 2005, having decreased 7% year-on year (see Table 1.11). While the annual growth in exports slowed down to 12%, import growth accelerated to 23%. Services imports slightly outpaced goods imports (the share in total imports rose to 18%), whereas the growth rate of services exports was outpaced by that of goods exports. The surplus on the services account offset the foreign trade deficit by 54%, which remained close to the previous year's level.

The year 2005 brought about a significant change in the structure of services (see Table 1.12): the share of transport services declined considerably (to 30% of the surplus on the services account), whereas that of business services increased. The surplus on travel services changed little compared to the year before, its share growing to a half of the surplus on the services account. The surplus on transport services declined 36% year-on-year. This was offset by the 2004 deficit on construction services turning into a surplus and the doubling of the surplus on government services in 2005.

Services exports increased 12% year-on-year; the exports of the two principal groups of services, namely transport and travel services, rose 4% and 7%, respectively (see Table 1.13). The exports of business and construction services increased faster than average.

Table 1.11. Exports and imports of services

	Exports			Imports			Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Share in total turnover of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)	Share in total turnover of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)
1996	13,352.8	33.2	37.9	7,107.8	24.9	17.2	6,245.0	44.2
1997	18,366.7	37.5	36.6	10,134.0	42.6	17.6	8,232.7	31.8
1998	20,804.0	13.3	35.5	12,754.8	25.9	19.2	8,049.2	-2.2
1999	21,951.9	5.5	37.2	13,610.4	6.7	21.7	8,341.5	3.6
2000	25,263.4	15.1	31.0	15,059.6	10.6	17.8	10,203.8	22.3
2001	28,135.4	11.4	32.4	16,840.6	11.8	18.9	11,294.8	10.7
2002	28,164.3	0.1	32.7	18,273.6	8.5	19.3	9,890.7	-12.4
2003	30,674.0	8.9	32.6	19,206.9	5.1	18.4	11,467.1	15.9
2004	35,666.4	16.3	32.2	22,086.1	15.0	18.0	13,580.3	18.4
2005	39,836.2	11.7	28.9	27,208.2	23.2	18.3	12,628.0	-7.0

Table 1.12. Services balance by major categories

	Balance (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
Transportation	5,874.4	3,747.8	43.3	29.7	-36.2
Travel	6,180.0	6,335.1	45.5	50.2	2.5
Construction services	-43.8	52.0	-0.3	0.4	-218.7
Business services	1,466.9	2,373.4	10.8	18.8	61.8
Government services	91.7	184.3	0.7	1.5	101.0
Other	11.1	-64.5	0.1	-0.5	-681.1
Total	**13,580.3**	**12,628.1**	**100.0**	**100.0**	**-7.0**

Table 1.13. Services exports by major categories

	Balance (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
Transportation	15,137.4	15,679.5	42.4	39.4	3.6
freight	8,754.1	8,367.9	24.5	21.0	-4.4
passenger	2,827.8	3,263.5	7.9	8.2	15.4
other transport services	3,555.6	4,048.1	10.0	10.2	13.9
Travel	11,220.3	11,968.0	31.5	30.0	6.7
Construction services	1,104.5	2,398.9	3.1	6.0	117.2
Business services	5,877.2	6,922.2	16.5	17.4	17.8
Government services	477.0	492.4	1.3	1.2	3.2
Other	1,849.9	2,375.2	5.2	6.0	28.4
Total	**35,666.4**	**39,836.2**	**100.0**	**100.0**	**11.7**

Two thirds of the services exports went to EU countries and the share of these countries has even slightly increased year-on-year (see Table 1.14). The larger share of CIS countries can be attributed to the 20% rise in the exports to Russia and the addition of a new partner state, namely Kazakhstan (services exports to

Table 1.14. Services exports by groups of countries

	Balance (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
EU-25	**23,882.7**	**27,345.3**	**67.0**	**68.6**	**14.5**
Finland	10,779.4	12,790.3	30.2	32.1	18.7
Sweden	2,437.6	3,097.1	6.8	7.8	27.1
United Kingdom	2,577.6	2,371.2	7.2	6.0	-8.0
Germany	1,956.0	2,220.1	5.5	5.6	13.5
EU-15	**20,766.1**	**23,749.5**	**58.2**	**59.6**	**14.4**
CIS	**4,585.6**	**5,782.6**	**12.9**	**14.5**	**26.1**
Russia	4,012.4	4,809.9	11.2	12.1	19.9
Kazakhstan	127.7	504.2	0.4	1.3	294.8
Ukraine	370.0	354.4	1.0	0.9	-4.2
Other	**7,198.1**	**6,708.3**	**20.2**	**16.8**	**-6.8**
offshore regions	2,790.8	1,790.2	7.8	4.5	-35.9
United States	1,620.6	1,768.8	4.5	4.4	9.1
Switzerland	1,530.1	1,580.1	4.3	4.0	3.3
Total	**35,666.4**	**39,836.2**	**100.0**	**100.0**	**11.7**

that country increased fourfold year-on-year). EU membership has facilitated growth in Estonia's services exports above all to neighbouring Finland and Sweden (19% and 27%, respectively). It should also be noted that services exports to offshore countries declined by 36%.

Services imports grew 23% in 2005 (see Table 1.15) with the imports of transport and construction services increasing faster than average (29% and two times, respectively).

EU countries accounted for 75% of services imports, while imports from other countries posted the fastest growth (see Table 1.16).

The surplus on **transport services** decreased in 2005 as a result of faster growth of imported transport services, in particular freight services (see Figure 1.2 and Tables 1.12 and 1.13). Oil and coal transit between other countries picked up pace. New infrastructure built in Russia and the subsequent increase in loading capacities did not positively affect freight transport growth in Estonia. Large investments in Estonian oil, coal and fertiliser terminals were made mainly in relation to Russia's economic growth.

Table 1.15. Services imports by major categories

	Balance (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
Transportation	9,263.0	11,931.7	41.9	43.9	28.8
freight	6,044.9	7,935.2	27.4	29.2	31.3
passenger	1,025.3	1,134.6	4.6	4.2	10.7
other transport services	2,192.8	2,861.9	9.9	10.5	30.5
Travel	5,040.3	5,633.0	22.8	20.7	11.8
Construction services	1,148.3	2,346.8	5.2	8.6	104.4
Business services	4,410.3	4,548.8	20.0	16.7	3.1
Government services	385.3	308.1	1.7	1.1	-20.0
Other	1,838.9	2,439.8	8.3	9.0	32.7
Total	**22,086.1**	**27,208.2**	**100.0**	**100.0**	**23.2**

Table 1.16. Services imports by groups of countries

	Balance (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
EU-25	**-16,869.0**	**-20,310.1**	**76.4**	**74.6**	**20.4**
Finland	-4,216.7	-5,080.4	19.1	18.7	20.5
Germany	-2,599.8	-3,632.3	11.8	13.4	39.7
Sweden	-1,585.1	-2,115.4	7.2	7.8	33.5
Latvia	1,204.9	-1,704.8	-5.5	6.3	-241.5
EU-15	**-13,924.2**	**-16,773.0**	**63.0**	**61.6**	**20.5**
CIS	**-2,483.6**	**-3,031.7**	**11.2**	**11.1**	**22.1**
Russia	-2,111.1	-2,439.2	9.6	9.0	15.5
Belarus	-138.0	-258.2	0.6	0.9	87.1
Ukraine	-178.5	-228.9	0.8	0.8	28.2
Other	**-2,733.5**	**-3,866.4**	**12.4**	**14.2**	**41.4**
USA	-801.6	-909.2	3.6	3.3	13.4
Egypt	-256.9	-390.1	1.2	1.4	51.8
Norway	-277.4	-281.5	1.3	1.0	1.5
Total	**-22,086.1**	**-27,208.2**	**100.0**	**100.0**	**23.2**

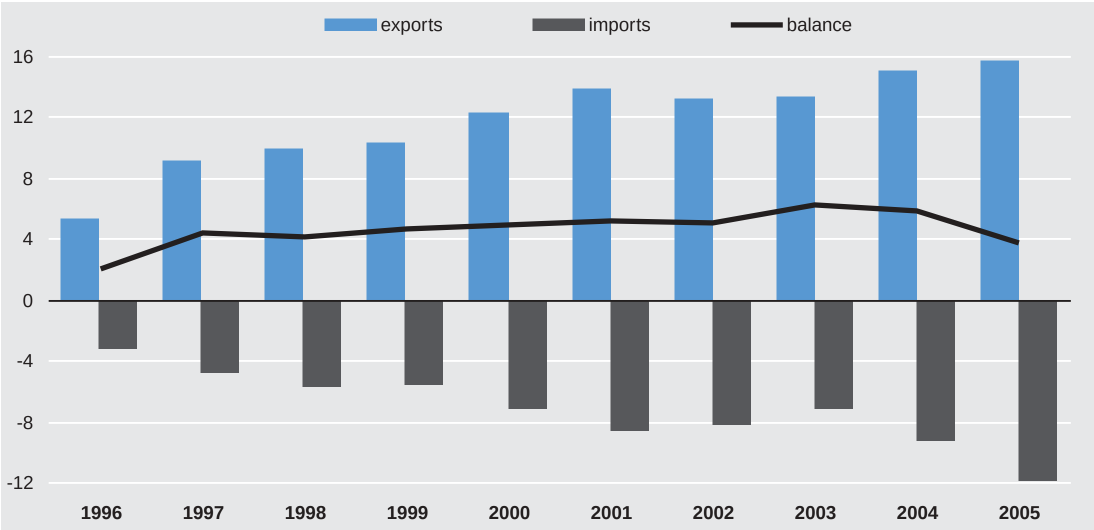


Figure 1.2. Transport services (EEK bn)

The exports of transport services to EU Member States increased 16% year-on-year (see Table 1.17). Finland remained the major purchaser of transport services. Compared to 2004, exports to Cyprus increased most. Sales of transport services to CIS countries and other countries decreased year-on-year, and thus total exports of transport services exports grew only 4%.

Freight transport still accounted for the majority of transport services, although exports decreased a few per cent year-on-year. By transport types, the exports of sea transport services posted the largest volume (see Figure 1.3).

Table 1.17. Transport services by groups of countries in 2005

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%) 2005/2004		Volume (EEK m)	Share (%)	Change (%) 2005/2004
EU-25	**10,201.0**	**65.0**	**16.2**	**EU-25**	**8,403.7**	**70.4**	**26.9**
Finland	3,729.6	23.8	26.2	Finland	2,126.3	17.8	18.2
United Kingdom	1,295.6	8.3	-17.0	Germany	1,259.8	10.6	24.0
Sweden	1,246.0	7.9	15.5	Latvia	741.9	6.2	104.8
Germany	978.0	6.2	2.8	Sweden	728.3	6.1	15.5
Cyprus	529.9	3.4	197.2	United Kingdom	704.8	5.9	86.1
EU-15	**8,931.5**	**57.0**	**11.3**	**EU-15**	**6,648.6**	**55.7**	**21.5**
CIS	1,858.7	11.9	-3.7	CIS	1,643.0	13.8	22.5
Russia	1,649.1	10.5	-2.4	Russia	1,313.8	11.0	18.2
Ukraine	99.7	0.6	-54.3	Belarus	206.8	1.7	86.6
Other	**3,619.8**	**23.1**	**-18.3**	**Other**	**1,885.0**	**15.8**	**45.4**
offshore regions	1,193.4	7.6	-48.0	offshore regions	393.0	3.3	125.3
Switzerland	902.0	5.8	-5.1	USA	377.9	3.2	19.5
USA	885.3	5.6	9.4	China	261.2	2.2	52.0
Total	**15,679.5**	**100.0**	**3.6**	**Total**	**11,931.7**	**100.0**	**28.8**

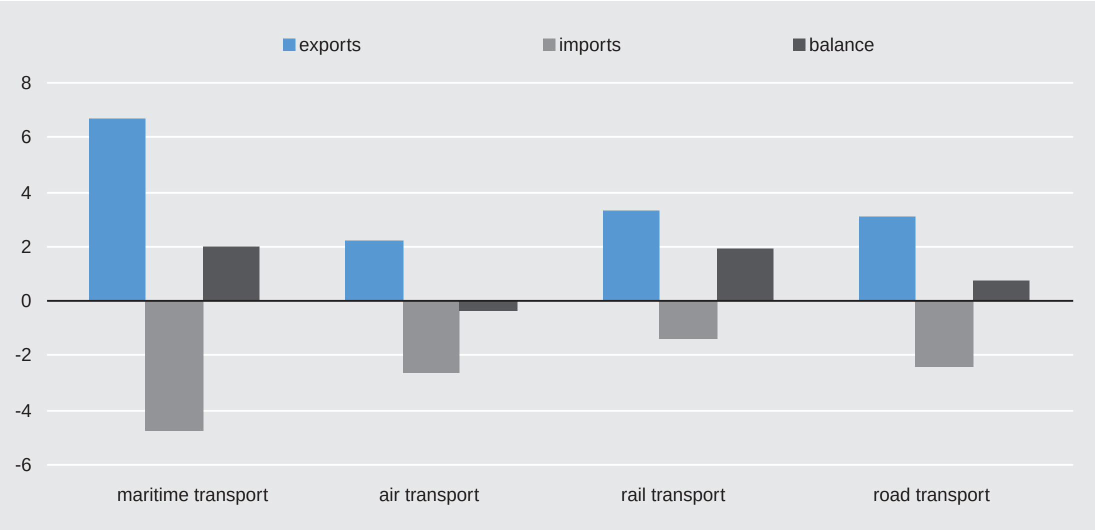


Figure 1.3. Transport services structure in 2005 by transport type (EEK bn)

Growth in transport services imports considerably outpaced exports, resulting in a decline in the transport services surplus. Purchases of freight and other transport services increased. The imports of passenger transportation grew slightly slower than that of exports. Year-on-year, the imports of transport services primarily from EU countries, particularly Finland, grew 29%. As for other countries, imports from offshore regions increased.

The surplus on **travel services** increased 3% in 2005, with exports growing 7% and imports 12% (see Figure 1.4). The growth in travel services exports subsided towards the end of the year because of a decline in the number of shopping trips to Estonia and spending per person.

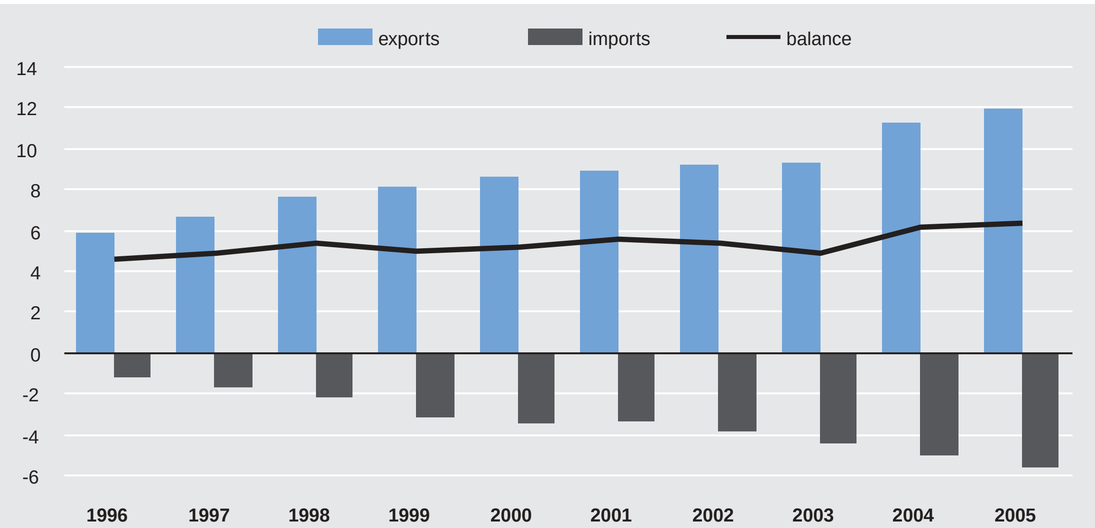


Figure 1.4. Travel services (EEK bn)

The imports of travel services grew faster than the exports, which resulted from a rise in the number of residents taking up short-term employment abroad. According to the balance of payments methodology, daily spending in the target country during short-term working periods is also recorded under travel services. Geographically, the imports of travel services from EU countries increased slower than average (see Table 1.18). Across the most popular countries of destination, the spending of Estonians grew 68% in Egypt and 2.5 times in Turkey, whereas spending in the United States decreased 13%. Spending in Finland increased faster than average.

Table 1.18. Travel services by groups of countries in 2005

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%) 2005/2004		Volume (EEK m)	Share (%)	Change (%) 2005/2004
EU-25	**9,246.3**	**77.3**	**3.5**	**EU-25**	**-3,854.4**	**68.4**	**3.3**
Finland	6,253.4	52.3	8.6	Finland	-881.5	15.6	38.6
Sweden	785.8	6.6	0.0	Germany	-417.5	7.4	-34.8
Latvia	461.6	3.9	-19.6	Sweden	-400.5	7.1	7.2
Germany	320.2	2.7	-16.8	United Kingdom	-344.3	6.1	-7.5
EU-15	**8,459.5**	**70.7**	**7.0**	**EL-15**	**-3,185.7**	**56.6**	**4.1**
CIS	**2,051.8**	**17.1**	**27.4**	**CIS**	**-683.2**	**12.1**	**30.3**
Russia	1,960.5	16.4	28.3	Russia	-541.5	9.6	11.3
Ukraine	64.2	0.5	59.4	Ukraine	-70.6	1.3	244.4
Other	**669.9**	**5.6**	**-3.5**	**Other**	**-1,095.4**	**19.4**	**39.8**
USA	239.4	2.0	-6.8	Egypt	-282.3	5.0	67.5
Norway	175.3	1.5	-6.2	USA	-174.6	3.1	-12.7
Switzerland	35.2	0.3	-1.4	Turkey	-154.1	2.7	148.7
Total	**11,968.0**	**100.0**	**6.7**	**Total**	**-5,633.0**	**100.0**	**11.8**

Income

The deficit on the **income accoun**t was 8.7 billion kroons in 2005, having grown 10% year-on-year (see Table 1.19). Income inflow increased 54% and outflow 28% year-on-year. The major factor contributing to deficit growth was the 14% increase in the deficit on direct investment income (see Table 1.20). It was further boosted by the deficit on portfolio and other investment income which grew by 2 times and 47%,

Table 1.19. Income

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)
1996	1,352.5	85.9	1,326.3	89.6	26.2	-7.1
1997	1,594.1	17.9	3,604.6	171.8	-2,010.5	-7,773.7
1998	1,871.8	17.4	3,035.8	-15.8	-1,164.0	-42.1
1999	1,964.3	4.9	3,470.1	14.3	-1,505.8	29.4
2000	2,032.5	3.5	5,491.4	58.2	-3,458.9	131.3
2001	3,022.2	48.7	7,920.8	44.2	-4,898.6	41.4
2002	3,371.3	11.6	8,762.4	10.6	-5,391.1	10.1
2003	3,449.5	2.3	10,824.8	23.5	-7,375.3	46.3
2004	5,484.4	59.0	13,435.3	24.1	-7,950.9	7.8
2005	8,463.0	54.3	17,192.3	28.0	-8,729.3	9.8

Table 1.20. Structure of income account

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
Income on direct investment	-8,862.6	-10,128.1	111.5	116.0	14.3
income on equity	-8,512.4	-9,874.3	107.1	113.1	16.0
reinvested earnings	-7,069.9	-7,792.9	88.9	89.3	10.2
dividends	-1,442.4	-2,081.3	18.1	23.8	44.3
income on debt (interests)	-350.2	-253.9	4.4	2.9	-27.5
Income on portfolio investment	-181.7	-395.2	2.3	4.5	117.5
Income on other investment	-542.1	-798.8	6.8	9.2	47.4
Other income	1,635.4	2,592.8	-20.6	-29.7	58.5
Total	**-7,950.9**	**-8,729.3**	**100.0**	**100.0**	**9.8**

respectively. The 59% growth in the surplus on labour income considerably reduced the rise in the income account deficit.

The largest component of the inflow and outflow of income was direct investment income, most of which was reinvested earnings (57% of the inflow and 71% of the outflow). The specifics of reinvested earnings is that they are reflected in an increase in a company's market value, thus not crossing the borders of the country while also being a component of direct investment in the financial account. Excluding reinvested earnings from the balance of the income account, the income account deficit in 2005 was just 0.9 billion kroons.

Income inflow to Estonia increased 54% year-on-year, with direct investment income growing 69% and labour income 65% (under "Other income" in Table 1.21).

86% of the income inflow came from EU countries (see Table 1.22). The largest income inflow came from Latvia (18%), followed by Finland and Lithuania (17% and 14%, respectively). The income growth rates did not vary substantially across regions. Also the distribution of income inflow by fields of activity was similar to the preceding year (see Figure 1.5): the largest share (37%) of income inflow went to financial intermediation.

Income outflow from Estonia increased 28% year-on-year, whereas the outflow of direct investment income grew less than total income outflow (24%; see Table 1.23). Looking at the structure of direct investment income, the outflow of dividends has risen faster (37%) while income on debt remained at previous year's level.

Table 1.21. Income inflow to Estonia

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
Income on direct investment	1,918.5	3,248.4	35.0	38.4	69.3
income on equity	1,748.3	2,967.6	31.9	35.1	69.7
reinvested earnings	919.6	1,930.8	16.8	22.8	110.0
dividends	828.7	1,036.8	15.1	12.3	25.1
income on debt (interests)	170.2	280.8	3.1	3.3	65.0
Income on portfolio investment	868.4	1,019.6	15.8	12.0	17.4
Income on other investment	748.8	981.2	13.7	11.6	31.0
Other income	1,948.7	3,213.8	35.5	38.0	64.9
Total	**5,484.4**	**8,463.0**	**100.0**	**100.0**	**54.3**

87% of income outflow went to EU countries (see Table 1.22). The main target countries were Sweden and Finland (32% and 26%, respectively). Income outflow to the United States and Sweden grew at the fastest rate (2.3 times and 45%, respectively). By fields of activity, the leading areas regarding income outflow were financial intermediation (32%), real estate, renting and business activities (20%), and manufacturing (15%; see Figure 1.5).

Table 1.22. Income by groups of countries in 2005

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%) 2005/2004		Volume (EEK m)	Share (%)	Change (%) 2005/2004
EU-25	**7,304.3**	**86.3**	**55.8**	**EU-25**	**-14,873.8**	**86.5**	**34.4**
Latvia	1,504.5	17.8	33.1	Sweden	-5,454.4	31.7	45.4
Finland	1,412.7	16.7	34.2	Finland	-4,506.0	26.2	19.9
Lithuania	1,173.0	13.9	95.6	United Kingdom	-1,350.9	7.9	-24.1
Cyprus	800.5	9.5	34.6	Netherlands	-1,020.2	5.9	
EU-15	**3,752.7**	**44.3**	**60.1**	**EU-15**	**-14,539.3**	**84.6**	**38.7**
CIS	**290.7**	**3.4**	**42.8**	**CIS**	**-574.6**	**3.3**	**13.6**
Russia	269.9	3.2	61.4	Russia	-505.1	2.9	11.6
Ukraine	13.0	0.2	-62.1	Ukraine	-36.1	0.2	138.3
Other	**868.0**	**10.3**	**46.2**	**Other**	**-1,743.9**	**10.1**	**-6.5**
USA	529.1	6.3	32.4	USA	-842.7	4.9	116.7
offshore regions	216.2	2.6	66.1	offshore regions	-293.1	1.7	-33.0
				Canada	-157.1	0.9	54.5
Total	**8,463.0**	**100.0**	**54.3**	**Total**	**-17,192.3**	**100.0**	**28.0**

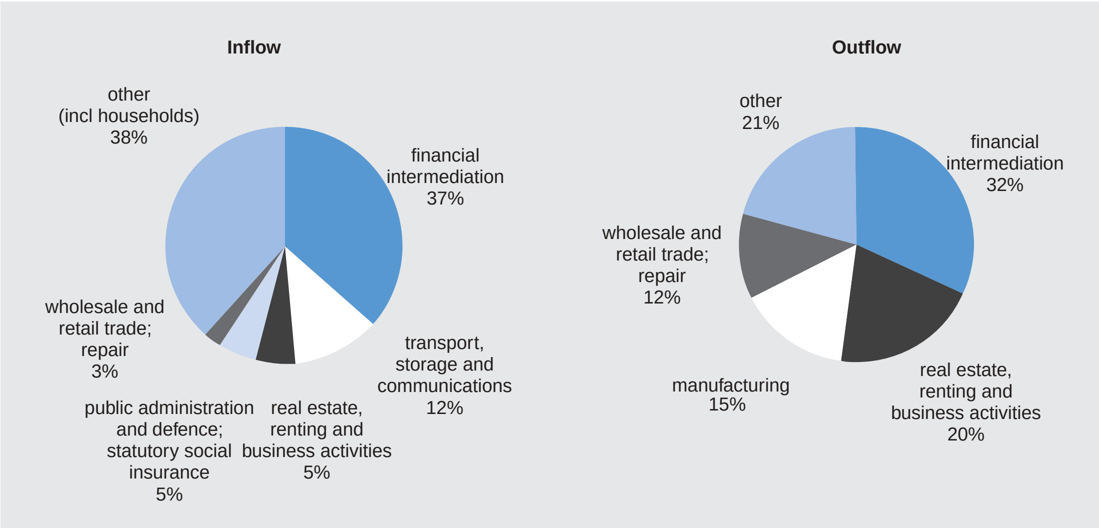


Figure 1.5. Inflow and outflow of income by fields of activity in 2005

Table 1.23. Income outflow from Estonia

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
Income on direct investment	-10,781.1	-13,376.5	80.2	77.8	24.1
income on equity	-10,260.6	-12,841.9	76.4	74.7	25.2
reinvested earnings	-7,989.5	-9,723.7	59.5	56.6	21.7
dividends	-2,271.1	-3,118.2	16.9	18.1	37.3
income on debt (interests)	-520.4	-534.7	3.9	3.1	2.7
Income on portfolio investment	-1,050.1	-1,414.9	7.8	8.2	34.7
Income on other investment	-1,290.8	-1,779.9	9.6	10.4	37.9
Other income	-313.3	-621.0	2.3	3.6	98.2
Total	**-13,435.3**	**-17,192.3**	**100.0**	**100.0**	**28.0**

Current and capital transfers

The surplus on **current transfers account** stood at 1.3 billion kroons in 2005, having decreased by 0.3 billion kroons from 2004 (see Table 1.24). The inflow of current transfers increased 19% year-on-year and totalled 6.3 billion kroons. 58% of that accounted for the funds channelled into the Estonian economy via the general government (primarily allocations from the EU structural funds as well as VAT, income and social tax receipts). The inflow of other sectors' transfers amounted to 2.6 billion kroons. 82% of the transfers were made from EU Member States (agricultural subsidies from the European Commission, transfers from Germany, Finland, Belgium and the United Kingdom). The outflow of current transfers increased 33% and amounted to 5 billion kroons. Payments into the EU budget and VAT refunds by the general government accounted for 63% of the outflow. Other sectors' transfers were also mainly made to the EU, namely Finland, Germany, the United Kingdom, and Sweden.

The surplus on **capital transfers** account was 1.6 billion kroons. Capital transfers into Estonia mainly comprised EU subsidies to the general government for various infrastructure objects.

Table 1.24. Current and capital transfers by groups of countries (EEK m)

	Received		Paid		Balance	
	2004	2005	2004	2005	2004	2005
Current transfers	**5,276.7**	**6,267.4**	**3,758.7**	**5,008.7**	**1,518.0**	**1,258.7**
government transfers	**2,399.0**	**3,646.4**	**1,872.1**	**3,173.6**	**526.9**	**472.8**
EU-25	1,954.6	3,127.8	1,799.4	3,135.3	155.2	-7.5
EU-15	1,885.4	3,003.6	1,778.2	3,110.0	107.2	-106.4
CIS	405.9	370.9	3.3	3.8	402.6	367.1
other	38.4	147.8	69.5	34.5	-31.0	113.3
private transfers	**2,877.7**	**2,620.9**	**1,886.5**	**1,835.0**	**991.1**	**785.9**
EU-25	2,313.8	2,151.7	1,610.8	1,470.2	703.0	681.5
EU-15	2,251.7	2,088.3	1,544.4	1,389.8	707.3	698.5
CIS	208.2	61.7	70.6	113.5	137.6	-51.9
other	355.6	407.6	205.1	251.3	150.5	156.3
Capital transfers	**1,201.1**	**1,650.7**	**26.5**	**47.3**	**1,174.6**	**1,603.4**
government transfers	695.4	1,609.1	0.0	0.0	695.4	1,609.1
private transfers	505.7	41.7	26.5	47.3	479.3	-5.7

FINANCIAL ACCOUNT

The financial account[3] surplus stood at 21.5 billion kroons in 2005. Foreign capital inflow mainly occurred in the form of direct investment. As a result of the takeover of Hansapank by a foreign investor, a large turnover between direct and portfolio investment accounts occurred: direct investment increased while portfolio investment decreased. Figures 1.6 and 1.7 show the structure of the financial account by categories and maturities.

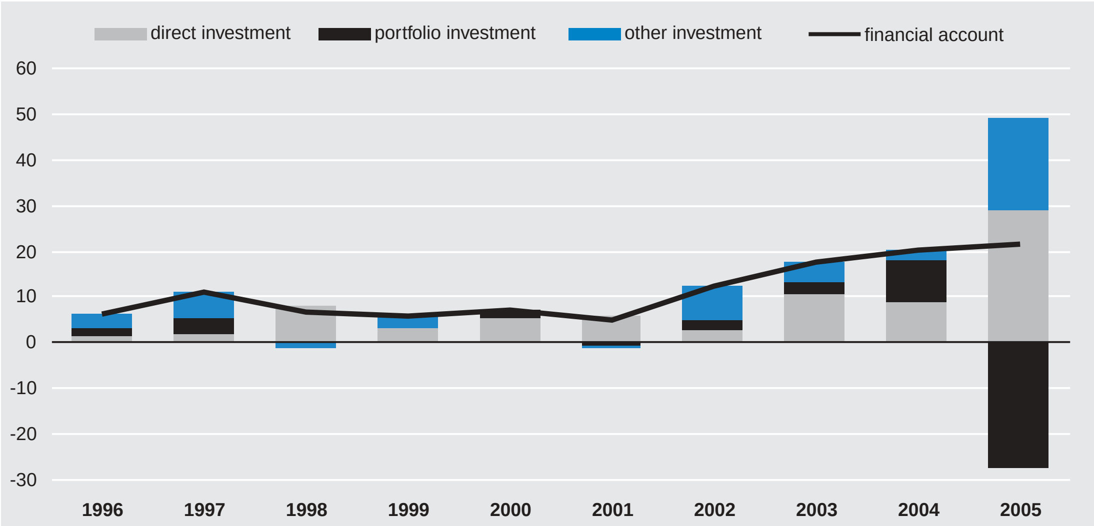


Figure 1.6. Structure of foreign investment capital flows (EEK bn)

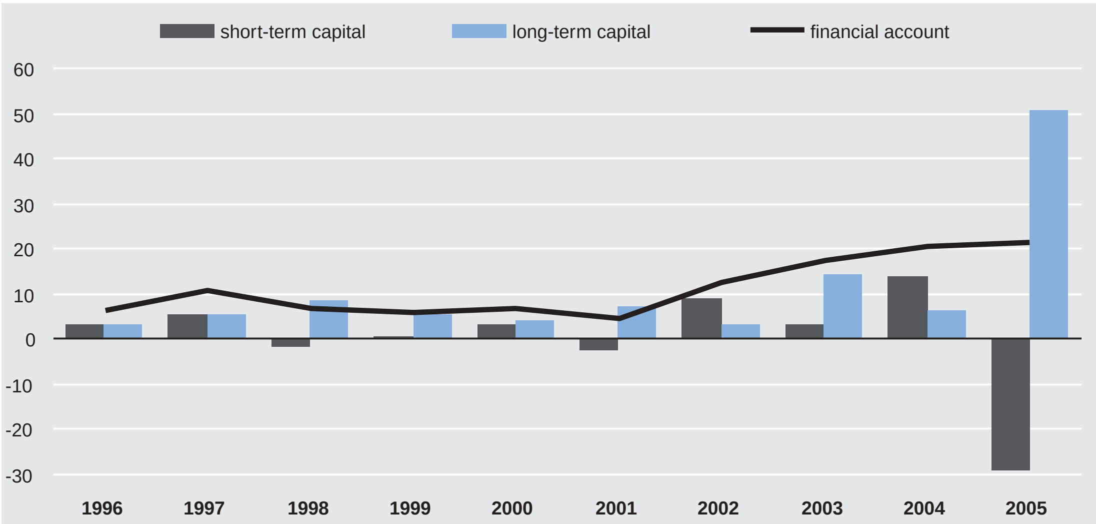


Figure 1.7. Maturity structure of the financial account (EEK bn)

[3] Without reserve assets.

Direct investment

The **balance of direct investment** turned positive by 29 billion kroons, exceeding the financial account surplus by a third. Non-residents invested 36.7 billion kroons into Estonia while Estonia's direct investment abroad grew by 7.7 billion kroons (see Figure 1.8).

In 2005, the volume of **direct investment in Estonia** reached its highest level in the history of compiling the balance of payments. The majority of that accounted for the buying up of shares from minority shareholders by Hansapank's core investor in the first half of the year. Consequently, portfolio investment witnessed a 22.7 billion kroons decrease in equity security liabilities. Net inflow was 9.7 billion kroons. Equity capital investment accounted for 78% of total direct investment growth. Reinvested earnings increased 22% year-on-year, amounting to 9.7 billion kroons. 25% of that was income of non-resident owners of credit institutions. Excluding transactions related to Hansapank from the equity capital of direct investment, equity capital increased by 11.4 billion kroons. Compared to 2004, net claims to direct investors related to long-term and short-term loans grew considerably, i.e. 1.6 billion kroons. Although investment inflow in the form of loans was considerably larger than in 2004, total loan commitments did not grow much (see Tables 1.25 and 1.26).

The largest investors were Sweden (80%), Finland (16%) and Germany (3%). Luxembourg's investment decreased by nearly a billion kroons. The share of EU Member States was 98% (see Figure 1.9). Direct investment went mainly to financial intermediation (83%) but the manufacturing sector is also worth highlighting (8%; see Figure 1.10 and Table 1.27).

Direct investment abroad outpaced the volume of 2004 by more than two times. Similarly to direct investment inflow, such a large outflow has not been registered before and here too the outflow mainly comprised credit institutions' direct investment. Two thirds of direct investment outflow accounted for equity capital investment and the share of net profit (reinvested earnings) of Estonian companies increased by a fourth.

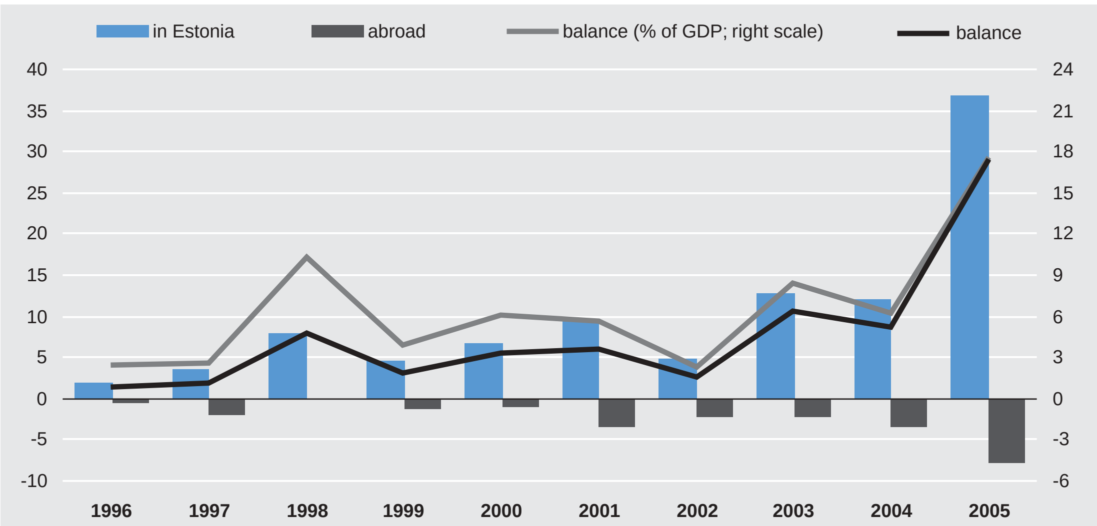


Figure 1.8. Direct investment (EEK bn)

Table 1.25. Structure of direct investment in Estonia

	Equity capital		Reinvested earnings		Other capital				Total	
					Assets		Liabilities			
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1996	215.8	11.9	216.3	11.9	-157.9	-8.7	1,540.2	84.9	1,814.4	100.0
1997	1,360.8	36.8	1,303.8	35.3	-97.4	-2.6	1,126.9	30.5	3,694.1	100.0
1998	5,661.9	70.1	389.4	4.8	-203.9	-2.5	2,224.0	27.6	8,071.4	100.0
1999	2,551.9	57.4	721.9	16.2	-265.0	-6.0	1,439.2	32.4	4,448.0	100.0
2000	3,925.3	59.1	1,815.2	27.3	-397.3	-6.0	1,301.3	19.6	6,644.5	100.0
2001	3,641.2	38.6	3,878.9	41.1	-950.7	-10.1	2,860.2	30.3	9,429.6	100.0
2002	821.0	17.1	3,370.3	70.2	-772.6	-16.1	1,381.5	28.8	4,800.2	100.0
2003	5,329.9	41.4	6,406.7	49.8	-1,334.0	-10.4	2,462.7	19.1	12,865.3	100.0
2004	4,638.6	38.2	7,989.5	65.8	-1,454.0	-12.0	961.5	7.9	12,135.5	100.0
2005	28,681.8	78.1	9,723.7	26.5	-2,002.4	-5.4	343.4	0.9	36,746.4	100.0

Table 1.26. Loan capital assets and liabilities to foreign direct investors (EEK m)

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
2003	408.4	246.4	1,010.7	498.7	5,155.6	2,667.1	3,020.9	3,726.9
2004	492.7	371.2	1,774.1	862.1	4,601.5	4,882.2	3,091.7	2,197.2
2005	1,276.3	501.3	2,255.5	1,413.4	7,106.6	6,977.6	5,014.9	4,617.7

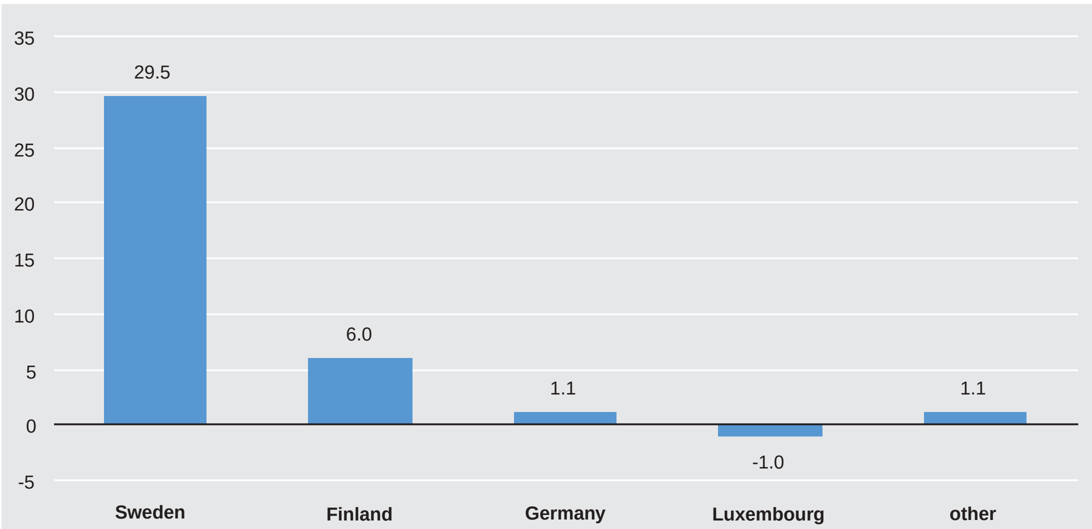


Figure 1.9. Direct investment in Estonia by countries in 2005 (EEK bn)

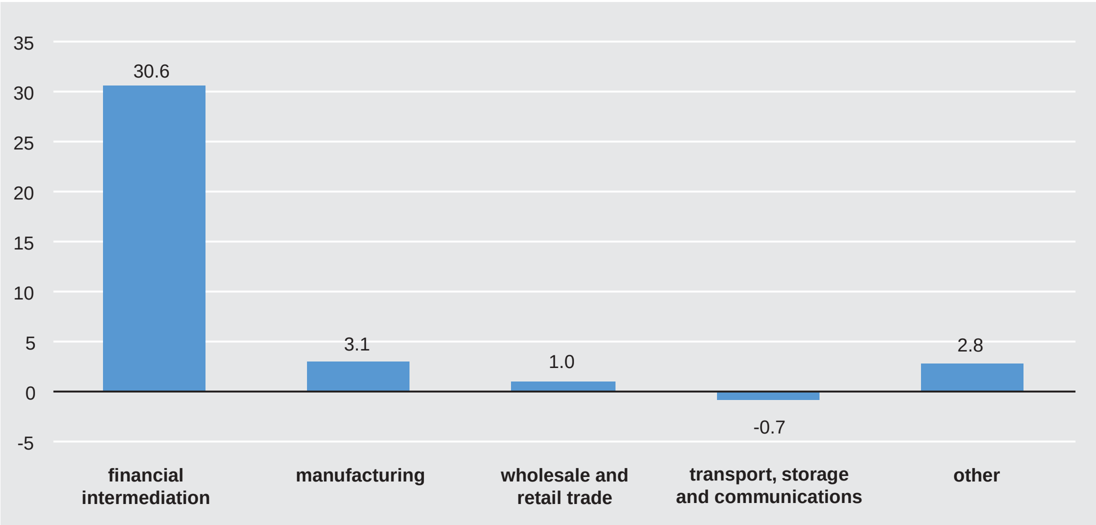


Figure 1.10. Direct investment in Estonia by fields of activities in 2005 (EEK bn)

Table 1.27. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
EU-25	9,328.3	36,170.5	76.9	98.4	287.8
EU-15	8,598.6	36,109.8	70.9	98.3	319.9
CIS	757.3	890.0	6.2	2.4	17.5
Other	2,049.9	-314.1	16.9	-0.9	-115.3
Total	**12,135.5**	**36,746.4**	**100.0**	**100.0**	**202.8**

The volume of long-term and short-term loans doubled year-on-year. Foreign subsidiaries and associated companies were granted credit in the amount 3.9 billion kroons while repayments amounted to 2.8 billion kroons (see Tables 1.28 and 1.29).

Table 1.28. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
					Assets		Liabilities			
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1996	-107.1	22.1	-147.2	30.4	-261.3	53.9	31.1	-6.4	-484.5	100.0
1997	-539.2	28.2	-88.5	4.6	-1,303.2	68.1	18.0	-0.9	-1,912.9	100.0
1998	-472.7	578.6	-2.7	3.3	386.7	-473.3	7.0	-8.6	-81.7	100.0
1999	-525.7	42.4	-115.7	9.3	-641.3	51.7	42.9	-3.5	-1,239.8	100.0
2000	-579.7	55.6	-65.9	6.3	-480.8	46.1	83.3	-8.0	-1,043.1	100.0
2001	-1,897.1	53.8	-305.2	8.7	-1,242.8	35.2	-83.2	2.4	-3,528.3	100.0
2002	-903.9	41.3	-665.5	30.4	-727.2	33.2	108.2	-4.9	-2,188.4	100.0
2003	-1,060.0	49.3	-741.4	34.5	-645.8	30.0	297.9	-13.9	-2,149.2	100.0
2004	-2,175.2	64.2	-919.6	27.1	-434.2	12.8	140.3	-4.1	-3,388.6	100.0
2005	-5,214.5	67.5	-1,930.8	25.0	-933.5	12.1	351.5	-4.5	-7,727.3	100.0

Table 1.29. Loan capital assets and liabilities to foreign subsidiaries and associated companies (EEK m)

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
2003	1,107.1	716.6	472.1	503.8	4.0	11.6	84.2	98.8
2004	934.8	1,232.5	952.4	368.9	17.9	61.2	27.9	37.1
2005	2,144.0	1,698.8	1,710.6	1,107.4	109.6	60.7	104.9	25.0

The largest investments went in Latvia (27%), Russia and Lithuania (22%; see Figure 1.11). The biggest investor was the financial intermediation sector (56%), followed by real estate, renting and business activities (14%), wholesale and retail trade (9%), and transport, storage and communications (7%). 66% of the outflow went to the European Union. 85% of that was channelled into the economies of the new Member States (see Table 1.30 and Figure 1.12).

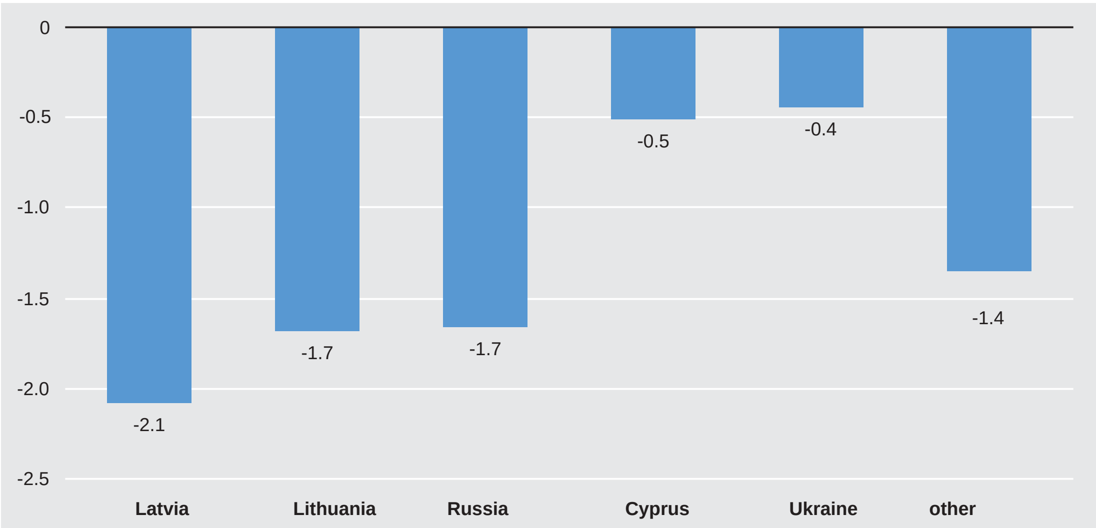


Figure 1.11. Direct investment abroad by countries in 2005 (EEK bn)

Table 1.30. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2004	2005	2004	2005	2005/2004
EU-25	-3,011.1	-5,062.5	88.9	65.5	68.1
EU-15	-650.7	-745.5	19.2	9.6	14.6
CIS	-356.7	-2,404.0	10.5	31.1	574.0
Other	-20.8	-260.8	0.6	3.4	1,153.8
Total	**-3,388.6**	**-7,727.3**	**100.0**	**100.0**	**128.0**

Figure 1.12. Direct investment abroad by fields of activity in 2005 (EEK bn)

Portfolio investment

The net outflow of **portfolio investment**[4] reached a record 27 billion kroons in 2005. Assets increased by 10.8 billion and liabilities decreased by 16.6 billion kroons (see Figure 1.13 and Table 1.31). By sectors, the outflow was most affected by transactions with credit institutions' equity securities, resulting in a net capital outflow of 22 billion kroons.

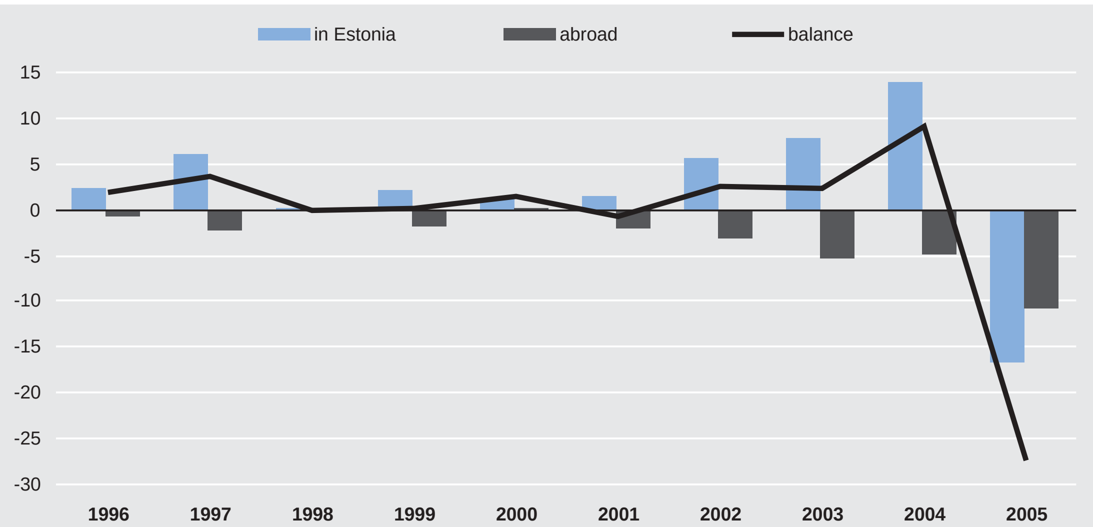


Figure 1.13. Portfolio investment (EEK bn)

[4] Except derivatives.

Table 1.31. Portfolio investment by types of securities and sectors (EEK m)

	Assets		Liabilities		Balance	
	2004	2005	2004	2005	2004	2005
Equity securities	**-2,893.5**	**-4,848.9**	**2,205.3**	**-16,179.6**	**-688.2**	**-21,028.5**
central bank		-3.4			0.0	-3.4
general government	-44.4	-8.7			-44.4	-8.7
credit institutions	-23.6	-124.4	144.5	-22,600.3	120.9	-22,724.7
other sectors	-2,825.5	-4,712.4	2,060.8	6,420.7	-764.7	1,708.3
Debt securities	**-1,882.2**	**-5,969.5**	**11,673.0**	**-414.6**	**9,790.8**	**-6,384.1**
central bank						0.0
general government	-612.1	-1,292.9	343.1	135.3	-269.0	-1,157.6
credit institutions	-469.0	-766.7	10,910.8	-3,192.2	10,441.8	-3,958.9
other sectors	-801.1	-3,909.9	419.1	2,642.3	-382.0	-1,267.6
Total	**-4,775.7**	**-10,818.4**	**13,878.3**	**-16,594.2**	**9,102.6**	**-27,412.6**

Portfolio investment liabilities decreased by 16.6 billion kroons in 2005, whereas 16.2 billion of that accounted for equity security liabilities and 0.4 billion kroons for debt security liabilities (see Table 1.32). Equity security liabilities decreased above all due to a decline in the liabilities of credit institutions (the takeover of Hansapank). The total net outflow of debt security liabilities was 0.4 billion kroons. The inflow of debt security liabilities was approximately 1.9 billion kroons and the outflow of money market instruments was 2.3 billion kroons. By countries, portfolio investment liabilities to EU Member States and the United States decreased the most (see Figure 1.14 and Table 1.33).

Portfolio investment assets increased by 10.8 billion kroons year-on-year in terms of both equity and debt securities (4.8 and 6 billion kroons, respectively; see Table 1.34). The most active investors in equity securities issued by non-residents were companies in other sectors, who invested the total of 4.7 billion kroons. Companies in other sectors also invested most in debt securities and money market instruments. The resulting capital outflow totalled 3.9 billion kroons; the general government followed with 1.3 billion kroons. By countries, portfolio investment went mainly to Austria, the United States and Belgium. By groups of countries, 72% of investment went to EU Member States (see Figure 1.15).

Table 1.32. Structure of portfolio investment liabilities

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1996	2,093.8	86.8	319.0	13.2	2,412.8	100.0
1997	1,763.6	29.5	4,210.8	70.5	5,974.4	100.0
1998	401.1	383.8	-296.6	-283.8	104.5	100.0
1999	3,292.3	160.5	-1,241.4	-60.5	2,050.9	100.0
2000	-538.8	-42.6	1,803.2	142.6	1,264.4	100.0
2001	568.4	39.6	866.8	60.4	1,435.2	100.0
2002	912.2	16.2	4,713.1	83.8	5,625.3	100.0
2003	1,526.9	19.6	6,256.2	80.4	7,783.1	100.0
2004	2,205.3	15.9	11,673.0	84.1	13,878.3	100.0
2005	-16,179.6	97.5	-414.6	2.5	-16,594.2	100.0

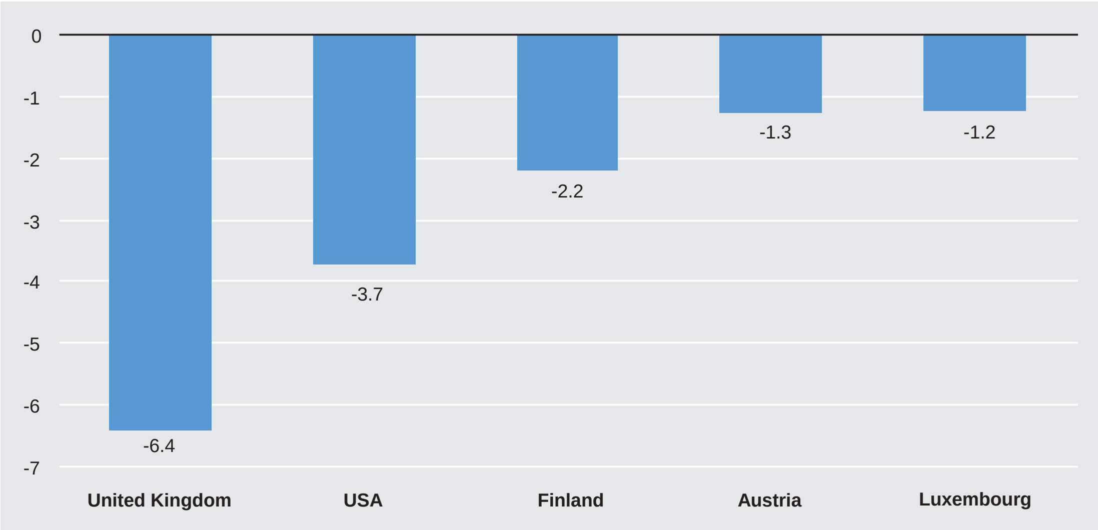


Figure 1.14. Decrease in portfolio investment liabilities by countries in 2005 (EEK bn)

Table 1.33. Structure of portfolio investment by groups of countries

	Volume (EEK m)				Share (%)			
	Assets		Liabilities		Assets		Liabilities	
	2004	2005	2004	2005	2004	2005	2004	2005
EU-25	-2,484.8	-7,750.8	13,117.4	-12,526.2	52.0	71.6	94.5	75.5
EU-15	-1,160.1	-4,941.2	13,554.6	-13,131.3	24.3	45.7	97.7	79.1
CIS	-184.4	-589.5	224.6	105.8	3.9	5.4	1.6	-0.6
Other	-2,106.5	-2,478.1	536.3	-4,173.8	44.1	22.9	3.9	25.2
Total	**-4,775.7**	**-10,818.4**	**13,878.3**	**-16,594.2**	**100.0**	**100.0**	**100.0**	**100.0**

Table 1.34. Structure of portfolio investment assets

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1996	-181.0	28.8	-447.4	71.2	-628.4	100.0
1997	-1,238.5	53.4	-1,080.8	46.6	-2,319.3	100.0
1998	500.8	-391.6	-628.7	491.6	-127.9	100.0
1999	187.0	-9.9	-2,081.9	109.9	-1,894.9	100.0
2000	53.3	34.8	99.8	65.2	153.1	100.0
2001	236.5	-11.3	-2,336.7	111.3	-2,100.2	100.0
2002	9.1	-0.3	-3,192.0	100.3	-3,182.9	100.0
2003	-1,028.9	19.2	-4,322.7	80.8	-5,351.6	100.0
2004	-2,893.5	60.6	-1,882.2	39.4	-4,775.7	100.0
2005	-4,848.9	44.8	-5,969.5	55.2	-10,818.4	100.0

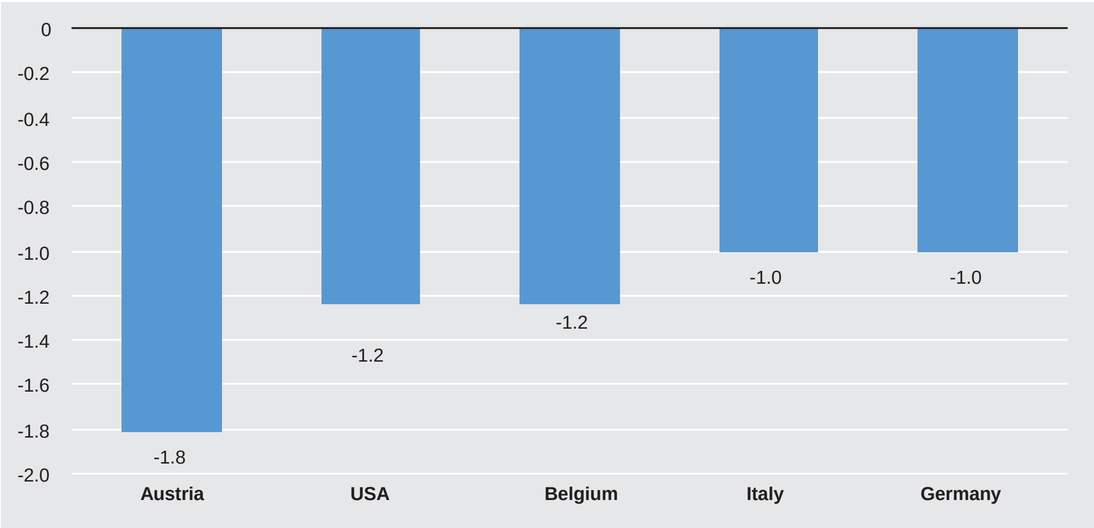


Figure 1.15. Increase in portfolio investment assets by countries in 2005 (EEK bn)

Other investment

The net inflow of **other investment** totalled nearly 20 billion kroons in 2005. Other investment liabilities increased by 30.6 billion and assets by 10.7 billion kroons (see Figure 1.16). Looking at the structure of other investment by maturity, the inflow of long-term capital stood at approximately 22 billion kroons (see Table 1.35), whereas the outflow of short-term other investment capital stood at 1.6 billion kroons. While in previous years the current account deficit had generally been financed on the account of direct or portfolio investment, then in 2005 the main source of financing was other investment capital.

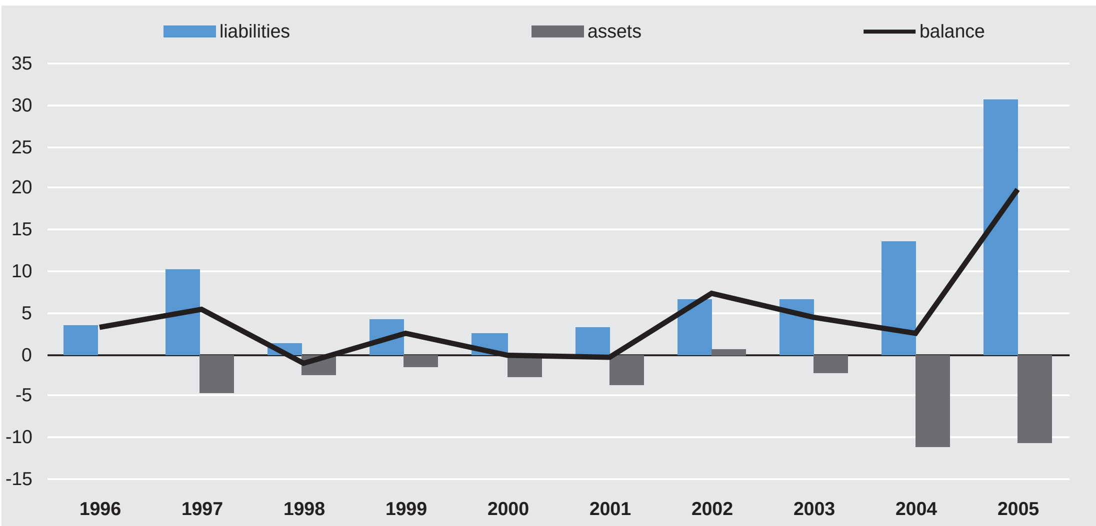


Figure 1.16. Other investment (EEK bn)

Table 1.35. Other investment by maturity (EEK m)

	Assets		Liabilities		Balance	
	2004	2005	2004	2005	2004	2005
Long-term capital	**-6,052.7**	**5,432.1**	**3,740.4**	**16,085.6**	**-2,312.3**	**21,517.7**
central bank	-10.5	-0.7			-10.5	-0.7
general government	-45.0	-60.9	-195.0	-178.3	-240.0	-239.2
credit institutions	-5,016.0	2,953.7	2,475.0	12,094.8	-2,541.0	15,048.5
other sectors	-981.2	2,540.0	1,460.4	4,169.1	479.2	6,709.1
Short-term capital	**-5,116.1**	**-16,139.0**	**9,974.7**	**14,580.1**	**4,858.6**	**-1,558.9**
central bank			189.6	-693.2	189.6	-693.2
general government	-119.3	-60.2			-119.3	-60.2
credit institutions	-3,347.2	-15,572.3	9,481.5	13,643.3	6,134.3	-1,929.0
other sectors	-1,649.6	-506.5	303.6	1,630.0	-1,346.0	1,123.5
Total	**-11,168.8**	**-10,706.9**	**13,715.1**	**30,665.7**	**2,546.3**	**19,958.8**

Other investment liabilities increased by 30.7 billion kroons year-on-year. The share of loan capital was 83% and that of deposits was nearly 10% (see Table 1.36). Liabilities grew across all sub-accounts. The inflow of other investment capital occurred mainly in the form of loans and deposits (25.5 and 2.9 billion kroons, respectively). The growth in trade credit and other investment liabilities contributed to capital inflow with 2.3 billion kroons. By groups of countries, other investment liabilities to the European Union grew the most, totalling 30.6 billion kroons. By countries, liabilities to Sweden, Finland and Germany increased the most (see Figure 1.17 and Table 1.37).

Other investment assets increased in 2005 and, as a result, capital outflow amounted to 10.7 billion kroons (see Table 1.38). Other investment assets grew mainly owing to deposits and trade credit, totalling 14 billion kroons. Loan assets decreased by 3.8 billion kroons. By countries, other investment assets to Lithuania, Sweden and Germany increased the most (see Figure 1.18). Table 1.39 provides a more detailed overview of loan capital assets and liabilities.

Table 1.36. Structure of other investment liabilities

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1996	426.7	12.6	1,723.7	50.7	1,232.3	36.3	14.8	0.4	3,397.5	100.0
1997	367.0	3.6	6,399.7	63.0	2,426.0	23.9	961.8	9.5	10,154.5	100.0
1998	-221.2	-16.3	290.0	21.3	365.5	26.9	924.2	68.0	1,358.5	100.0
1999	119.1	2.8	2,399.7	57.3	1,462.7	34.9	204.3	4.9	4,185.8	100.0
2000	1,080.9	41.6	-785.3	-30.2	1,955.4	75.3	345.6	13.3	2,596.6	100.0
2001	102.9	3.1	2,570.4	78.2	81.4	2.5	533.5	16.2	3,288.2	100.0
2002	781.1	11.6	1,963.3	29.2	3,763.5	55.9	225.4	3.3	6,733.3	100.0
2003	-115.7	-1.7	3,219.5	47.8	4,587.9	68.2	-960.3	-14.3	6,731.4	100.0
2004	625.2	4.6	4,564.6	33.3	8,804.7	64.2	-279.4	-2.0	13,715.1	100.0
2005	1,616.7	5.3	25,453.6	83.0	2,953.3	9.6	642.0	2.1	30,665.6	100.0

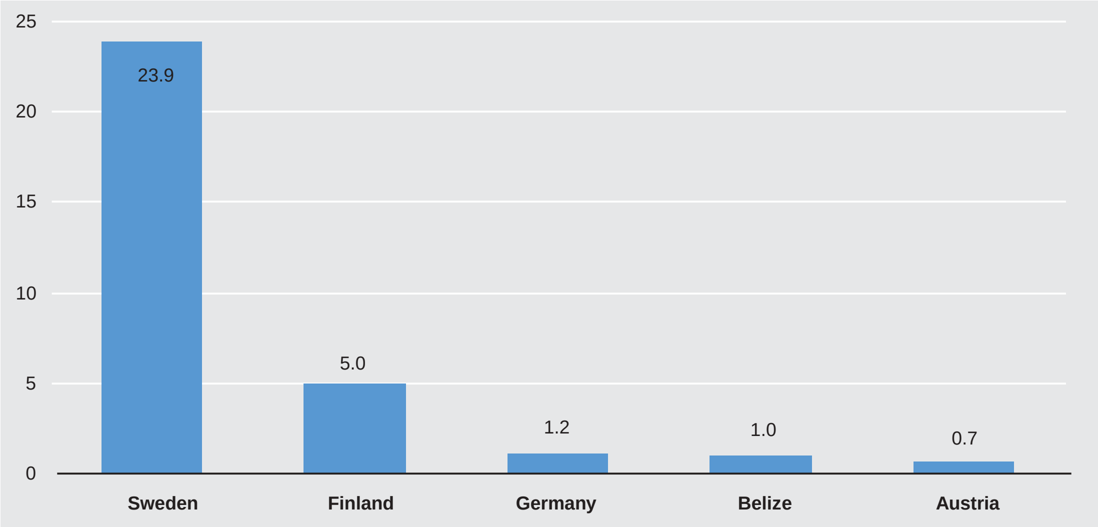


Figure 1.17. Increase in other investment liabilities by countries in 2005 (EEK bn)

Table 1.37. Structure of other investment by groups of countries

	Volume (EEK m)				Share (%)			
	Assets		Liabilities		Assets		Liabilities	
	2004	2005	2004	2005	2004	2005	2004	2005
EU-25	-9,117.3	-8,947.0	11,581.0	29,081.6	81.6	83.6	84.4	94.8
EU-15	-3,960.7	-4,377.7	9,695.4	29,738.7	35.5	40.9	70.7	97.0
CIS	-1,637.1	-518.0	955.1	541.1	14.7	4.8	7.0	1.8
Other	-414.4	-1,241.9	1,179.0	1,043.0	3.7	11.6	8.6	3.4
Total	**-11,168.8**	**-10,706.9**	**13,715.1**	**30,665.7**	**100.0**	**100.0**	**100.0**	**100.0**

Table 1.38. Structure of other investment assets

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
1996	-565.6	525.7	-16.5	15.3	590.3	-548.6	-115.8	107.6	-107.6	100.0
1997	-851.4	18.4	-1,633.3	35.2	-1,820.5	39.3	-330.3	7.1	-4,635.5	100.0
1998	-993.7	40.1	-542.2	21.9	-1,049.9	42.3	105.6	-4.3	-2,480.2	100.0
1999	-401.8	24.3	-57.4	3.5	-887.9	53.8	-304.1	18.4	-1,651.2	100.0
2000	-78.0	3.0	-2,814.0	106.7	-103.0	3.9	356.7	-13.5	-2,638.3	100.0
2001	-584.8	15.7	-2,278.9	61.3	-738.0	19.9	-115.0	3.1	-3,716.7	100.0
2002	1,047.6	150.7	-1,324.5	-190.5	742.6	106.8	229.4	33.0	695.1	100.0
2003	-1,028.2	45.0	-3,520.4	154.1	2,209.4	-96.7	54.6	-2.4	-2,284.6	100.0
2004	-1,032.0	9.2	-8,455.5	75.7	-1,545.1	13.8	-136.2	1.2	-11,168.8	100.0
2005	-1,977.4	18.5	3,835.2	-35.8	-12,251.5	114.4	-313.3	2.9	-10,707.0	100.0

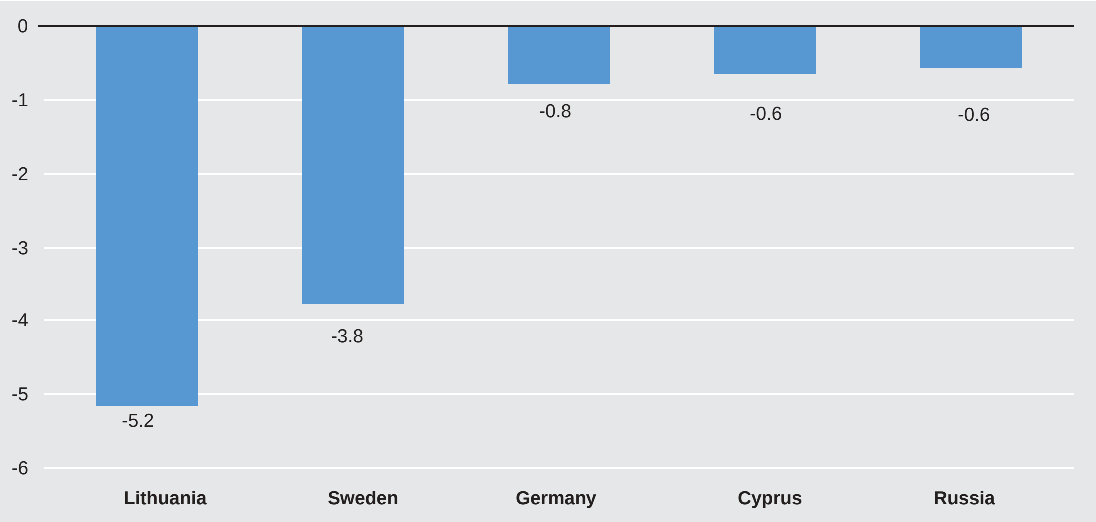


Figure 1.18. Increase in other investment assets by countries in 2005 (EEK bn)

Table 1.39. Assets and liabilities of loan capital (EEK m)

	Assets			Liabilities		
	Grantings	Repayments	Balance	Drawings	Repayments	Balance
2003	-34,919.2	31,398.9	-3,520.3	30,076.6	-26,857.1	3,219.5
2004	-29,782.7	21,327.1	-8,455.5	45,446.7	-40,882.1	4,564.6
2005	-77,660.1	81,495.3	3,835.2	126,231.3	-100,777.7	25,453.6

Reserve assets

The balance of payments reserves increased by 4.9 billion kroons in 2005 (see Table 1.40). Figure 1.19 gives an overview of the imports covered by reserve assets.

Table 1.40. Structure of reserve assets

	Volume (EEK m)		Change (%)	
	2004	2005	2004	2005
Gold	0.0	0.0	0.0	0.0
Currency and deposits	875.3	-389.5	-25.6	8.0
Securities	-4,272.7	-4,470.3	124.7	91.5
equity securities				
bonds and notes	-837.5	-1,870.6	24.4	38.3
money market instruments	-3,435.2	-2,599.7	100.3	53.2
Other assets	-28.0	-24.1	0.8	0.5
Total	**-3,425.4**	**-4,883.9**	**100.0**	**100.0**

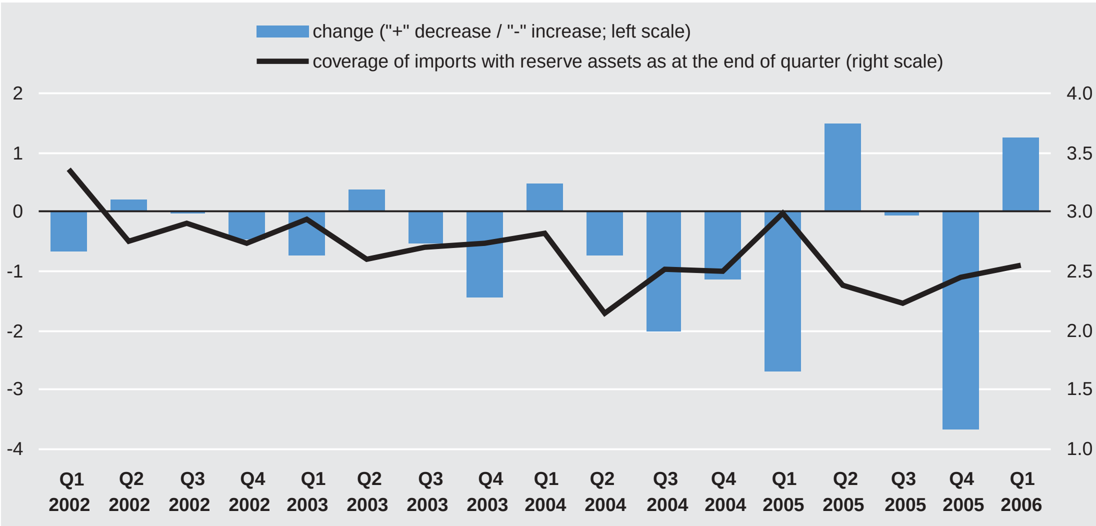


Figure 1.19. Changes in Estonia's gold and foreign exchange reserves (EEK bn) and coverage of goods imports (except goods for processing and processed goods) with reserve assets (by months)