

SHORT SURVEY

According to the 2001 preliminary balance of payments¹, the current account deficit remained on the level of the year 2000 accounting for 6.5% of the anticipated gross domestic product (GDP), testifying to the relative success of the Estonian economy in the conditions of the general decline of world economic growth. The goods and services balance deficit was the smallest since 1993 – 4.1% of the expected GDP. The inflow and outflow of direct investments were the biggest over the past decade. The continuing profitability of direct investments made into Estonia was the main reason for the 0.7 billion kroon increase of the current account deficit in 2001.

By quarters, the balance of the current account was mostly affected by seasonal factors. Traditionally, the deficit was the largest in the last quarter of the year, but unlike in the year 2000 it was not caused by increased demand for imported goods but rather, by the outflow of direct investment income and growth in the import of services (see Figure 1).

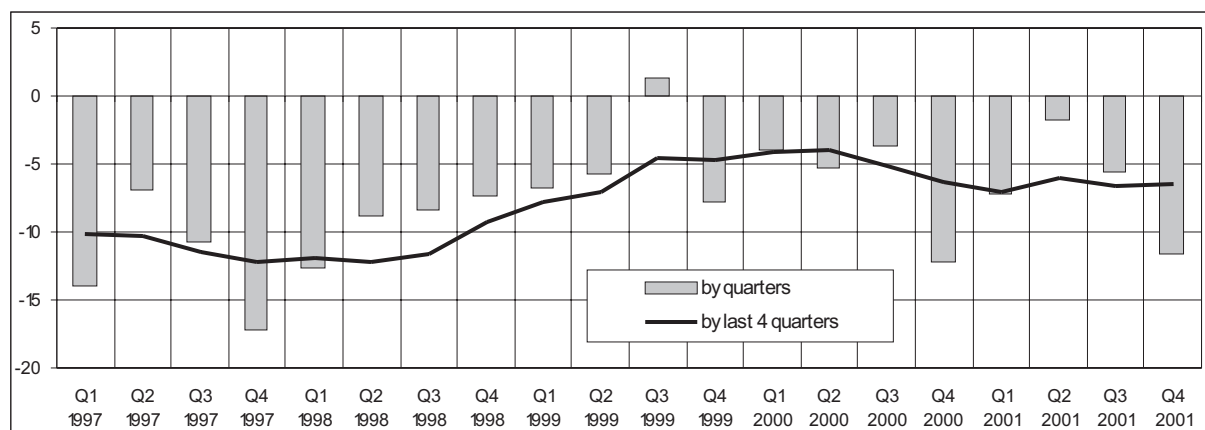


Figure 1. Current account balance to the GDP (%)

The net inflow of capital covered nearly 90% of the current account deficit, with the rest covered from reserves. Therefore, the overall balance of payments was negative (see Table 1). The decrease of reserves mostly resulted from the reform of the monetary policy operational framework². The turnover of goods and services exceeded the GDP by 1.8 times, which indicates the extent of openness of the Estonian economy.

¹ The adjusted balance of payments for the year 2001 and the preliminary balance of payments for the first quarter of 2002 will be published at the web site of Eesti Pank (<http://www.ee/epbe>) at noon on 17 June 2002.

² Credit institutions got an opportunity to use foreign assets for their reserve requirements, which reduced the reserves kept at Eesti Pank. Since 1 January 2001, credit institutions were allowed to meet 25% of their reserve requirements by euro denominated highly rated debt securities, which is meant to improve the smooth and effective functioning of the monetary system within the currency board. From 1 July, this possibility was raised to 50% of the reserve requirements. Before 2001 the banks had to meet their reserve requirements fully by kroon deposits kept with the central bank.

2 ESTONIAN PRELIMINARY BALANCE OF PAYMENTS FOR THE YEAR 2001

Table 1. Estonian balance of payments (EEK m)¹

	1999	2000					2001				
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Current account	-3,607.7	-758.4	-1,179.7	-796.7	-2,708.3	-5,443.1	-1,557.6	-431.0	-1,352.1	-2,822.8	-6,163.5
Trade and services balance	-3,755.4	-875.5	-817.3	55.4	-2,665.8	-4,303.2	-1,055.7	-357.7	-744.1	-1,813.7	-3,971.2
Trade balance	-12,096.9	-2,420.5	-3,594.0	-2,627.4	-4,851.6	-13,493.5	-3,004.9	-3,029.3	-3,795.4	-3,979.7	-13,809.3
Goods: export f.o.b	36,995.2	12,174.2	13,366.7	13,958.1	16,514.0	56,013.0	16,229.0	15,964.4	12,295.5	14,151.5	58,640.4
Goods: import f.o.b	-49,092.1	-14,594.7	-16,960.7	-16,585.5	-21,365.6	-69,506.5	-19,233.7	-18,993.7	-16,090.9	-18,131.2	-72,449.5
Services: net	8,341.5	1,545.0	2,776.7	2,682.8	2,185.8	9,190.3	1,949.0	2,671.6	3,051.3	2,166.0	9,837.9
Services: credit	21,951.9	5,195.3	6,666.1	7,004.7	6,619.7	25,485.8	5,802.1	7,351.0	7,924.6	7,714.0	28,791.7
Services: debit	-13,610.4	-3,650.3	-3,889.4	-4,321.9	-4,433.9	-16,295.5	-3,853.1	-4,679.4	-4,873.3	-5,548.0	-18,953.8
Income: net	-1,505.8	-459.6	-930.9	-1,446.0	-646.9	-3,483.4	-1,171.2	-945.9	-1,251.3	-1,755.9	-5,124.3
Income: credit	1,964.3	324.1	539.4	570.6	573.9	2,008.0	559.7	622.4	672.5	843.6	2,698.2
Income: debit	-3,470.1	-783.7	-1,470.3	-2,016.6	-1,220.8	-5,491.4	-1,730.9	-1,568.3	-1,923.8	-2,599.5	-7,822.5
Transfers: net	1,653.5	576.7	568.5	593.9	604.4	2,343.5	669.3	872.6	643.3	746.8	2,932.0
Transfers: credit	2,257.5	689.4	673.2	720.6	756.0	2,839.2	792.3	991.4	779.8	883.4	3,446.9
Transfers: debit	-604.0	-112.7	-104.7	-126.7	-151.6	-495.7	-123.0	-118.8	-136.5	-136.6	-514.9
Capital and financial account	5,916.6	-1,033.2	2,301.6	1,824.1	4,419.6	7,512.1	-1,330.4	1,411.3	1,158.3	4,101.7	5,340.9
Capital account	17.8	63.7	111.6	56.4	46.8	278.5	16.3	44.6	11.4	17.7	90.0
Financial account	5,898.8	-1,096.9	2,190.0	1,767.7	4,372.8	7,233.6	-1,346.7	1,366.7	1,146.9	4,084.0	5,250.9
Direct investments	3,208.2	743.6	599.7	2,005.8	2,252.3	5,601.4	3,004.6	296.9	883.6	1,926.7	6,111.8
Abroad	-1,239.8	-370.8	-661.0	40.2	-51.5	-1,043.1	-259.4	-1,280.0	-1,370.5	-331.5	-3,241.4
Into Estonia	4,448.0	1,114.4	1,260.7	1,965.6	2,303.8	6,644.5	3,264.0	1,576.9	2,254.1	2,258.2	9,353.2
Portfolio investments	156.0	210.4	3,069.7	-589.5	-835.7	1,854.9	1,323.4	633.6	263.6	-245.4	1,975.2
Assets	-1,894.9	516.3	1,278.3	-548.5	-673.1	573.0	-62.4	83.5	512.1	-351.0	182.2
Equity securities	187.0	104.5	-4.7	-115.4	68.9	53.3	431.4	-5.9	-65.6	-170.0	189.9
Debt securities	-2,081.9	411.8	1,283.0	-433.1	-742.0	519.7	-493.8	89.4	577.7	-181.0	-7.7
Liabilities	2,050.9	-305.9	1,791.4	-41.0	-162.6	1,281.9	1,385.8	550.1	-248.5	105.6	1,793.0
Equity securities	3,292.3	89.4	134.5	91.8	-854.5	-538.8	-1.9	502.5	-144.0	213.9	570.5
Debt securities	-1,241.4	-395.3	1,656.9	-132.8	691.9	1,820.7	1,387.7	47.6	-104.5	-108.3	1,222.5
Other investments	2,534.6	-2,050.9	-1,479.4	351.4	2,956.2	-222.7	-5,674.7	436.2	-0.3	2,402.7	-2,836.1
Assets	-1,651.2	-755.8	-2,856.8	-1,246.5	2,039.8	-2,819.3	-5,271.2	-1,974.2	484.6	1,712.0	-5,048.8
Long-term	421.8	-312.1	-145.7	-587.1	-63.8	-1,108.7	-536.3	-500.5	487.1	311.9	-237.8
Short-term	-2,073.0	-443.7	-2,711.1	-659.4	2,103.6	-1,710.6	-4,734.9	-1,473.7	-2.5	1,400.1	-4,811.0
Liabilities	4,185.8	-1,295.1	1,377.4	1,597.9	916.4	2,596.6	-403.5	2,410.4	-484.9	690.7	2,212.7
Long-term	1,691.5	-1,135.3	154.8	399.3	31.3	-549.9	695.5	447.6	136.0	158.8	1,437.9
Short-term	2,494.3	-159.8	1,222.6	1,198.6	885.1	3,146.5	-1,099.0	1,962.8	-620.9	531.9	774.8
Errors and omissions	-511.3	499.2	215.1	-756.9	244.1	201.5	434.1	-302.6	-397.2	358.1	92.4
Overall balance	1,797.6	-1,292.4	1,337.0	270.5	1,955.4	2,270.5	-2,453.9	677.7	-591.0	1,637.0	-730.2
Reserve assets	-1,797.6	1,292.4	-1,337.0	-270.5	-1,955.4	-2,270.5	2,453.9	-677.7	591.0	-1,637.0	730.2

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

The main reason of the **CURRENT ACCOUNT** deficit was again the negative **foreign trade balance**, which amounted to nearly 14 billion kroons and was slightly larger than in the year 2000. The ratio of the foreign trade deficit to the GDP fell from 15.8% to 14.4%. The robust growth of the foreign trade turnover seen in the year 2000 and based largely on the rapid increase of the volume and share of processed goods has died down. In 2001, the export of goods amounted to 59 billion kroons and import stood at 72 billion kroons, growing by 4–5% year-on-year. Due to the deterioration of the situation on the world market, the volume of processed goods shrank by half in the third quarter but began to increase again in the fourth quarter. In the end of the year the normal or end export and import increased considerably across almost all groups of goods, growing by 13–14% year-on-year. Estonia's major foreign trade partners were the European Union countries, which accounted for 70% of the trade turnover.

The surplus of the **services balance** increased by 7% in 2001 and amounted to nearly 10 billion kroons and like in the year 2000 compensated over 70% of the foreign trade deficit. The import of services increased somewhat faster than their export, by 16% and 13%, respectively. Transport

and travel services accounted for 73% of the total turnover of services. The most profitable among them were travel services the surplus of which amounted to 45% of their turnover (24% in transport services). A weighty contribution to the increase of the surplus came from construction services, the surplus of which more than doubled.

The last couple of years have been characterised by the rapid increase of the **income balance** deficit. In 2001, it amounted to 5.1 billion kroons, growing by nearly 50% against the year 2000. The increase of the deficit was mostly related to the growing profitability of foreign investments. Nearly 70% of the earnings of foreign investors were made up of direct investment income, from which 70% was undistributed profit (interpreted as inflow of direct investments) and 23% dividend payments.

The surplus of the **transfers balance** amounted to 2.9 billion kroons.

The **surplus of the CAPITAL AND FINANCIAL ACCOUNT** was 5.3 billion kroons or nearly 30% below the year 2000. The surplus of direct investments exceeded the balance of the capital and financial account by 0.8 billion kroons. The balance of portfolio investments was also positive, while other investments suffered capital outflow.

Foreign **direct investments** reached a record of 9.4 billion kroons. Direct investments of Estonian residents abroad were also record high, amounting to one third of the inflow of direct investments.

In the direct investments of non-residents into Estonia nearly 75% were investments into share capital, one fourth was related to the increase of loan and other liabilities to investors. Most of the investors came from Finland, Sweden and the Netherlands, the dominating sectors being finance, energy, gas and water supply, manufacturing and trade.

Nearly 60% of direct investments made abroad were spent on acquiring or increasing share capital. Lithuania dominated among the target countries and finance, industry and transport and communication among economic sectors.

The net inflow of **portfolio investments** amounted to 2 billion kroons, remaining close to the year 2000 level. The inflow of capital mostly occurred through the increase of liabilities: debt security liabilities increased by 1.3 billion kroons and equity security liabilities grew by 0.6 billion kroons. The increase of portfolio investment liabilities was mainly related to credit institutions, including their debt security issues in the first quarter.

The outflow of **other investments** exceeded their inflow by 2.8 billion kroons, unlike in the year 2000 when the inflow and outflow were more or less equal. Claims increased by 5 billion kroons and liabilities by 2.2 billion kroons. The increase of claims can mostly be attributed to the growth of the foreign assets of credit institutions, due to changes in the reserve requirement rules and enlivenment in short-term credits. The other sector deposits abroad also increased considerably. The growth of liabilities mostly stemmed from the long-term loans of the other sector, which increased by 1.8 billion kroons.

RESERVES of the balance of payments were down by 0.7 billion kroons.

CHANGES IN THE GENERAL ECONOMIC INDICATORS OF THE BALANCE OF PAYMENTS

Estonian economy reacted in a balanced way to the general slowdown of the world economy in 2001 and the accompanying drop in external demand. The export/import ratio of goods that had improved in the year 2000 was, however, maintained, despite the strengthening of the Estonian kroon (see Table 2).

Table 2. Internationally comparable general indicators of the balance of payments

	1995	1996	1997	1998	1999	2000	2001
Foreign trade turnover (% of GDP)	122.8	106.7	124.0	124.1	112.8	146.9	137.5
Export of goods to import of goods (%)	73.7	64.1	67.2	70.7	75.4	80.9	80.7
Nominal effective exchange rate of the kroon (% against the previous year)	125.3	100.0	97.2	108.8	117.1	97.3	101.3
Real effective exchange rate of the kroon (December 1992=100%)	128.6	141.0	145.7	164.3	176.3	169.6	173.0
Terms of trade	107.4	107.7	108.8	108.8	107.9	112.6	118.4
Overall balance of the balance of payments (change of external reserves; EEK m)	1,200.4	1,228.4	2,771.3	126.4	1,797.6	2,270.5	-730.2
Ratio of the external reserves change to GDP	2.9	2.3	4.3	0.2	2.4	2.7	-0.8
Balance of current account (EEK m)	-1,899.0	-4,806.9	-7,813.2	-6,752.0	-3,607.7	-5,443.1	-6,163.5
Current account without government transfers (EEK m)	-3,052.8	-5,812.2	-9,146.0	-8,306.3	-5,022.8	-7,343.5	-8,619.6
Current account deficit without government transfers (% of GDP)	7.6	11.1	14.3	11.3	6.6	8.6	9.0
Government transfers (net, EEK m)	1,153.8	1,005.3	1,332.8	1,554.3	1,415.1	1,900.4	2,456.1
Government transfers (% of GNP)	2.8	1.9	2.2	2.2	1.9	2.3	2.6
Estonia's total external debt (% of GDP)		30.6	57.4	55.2	56.2	59.2	60.8
External debt servicing (% of total exports)	1.1	3.3	1.6	1.2	1.1	1.3	1.0

The year 2001 was characterised by a considerable decrease of manufacturing in foreign trade turnover, continuing growth of earnings from foreign direct investments made into Estonia and the largest in- and outflow of direct investments of the past decade.

The surplus of direct investments covered the deficit of the current account almost entirely. Due to changes in the monetary policy operational framework the outflow of other investments increased, exceeding the portfolio investment inflow of capital by nearly 0.9 billion kroons. Therefore, the overall balance of payments was negative and the reserves of the central bank shrank by 730 million kroons.

The gross foreign debt of the economy (repayable external liabilities) increased and amounted to 61% of the expected GDP. However, the net foreign debt of the public sector decreased by 0.5 billion kroons and stood at 1.3 billion kroons at the end of the year. The sums spent on servicing the public sector foreign debt were below 1% of the total export of goods and services.

CURRENT ACCOUNT

2001 saw the continuation of tendencies that mostly started in the year 2000 (see Figure 2). The consumption spending of the current account exceeded current income by 6.16 billion

kroons (6.5% of the expected GDP), which roughly corresponds to the relative deficit of the year 2000. Seasonally, the current account deficit of the fourth quarter nearly equalled the sum of the deficits of the three previous quarters and this, too, resembled the dynamics of the year 2000.

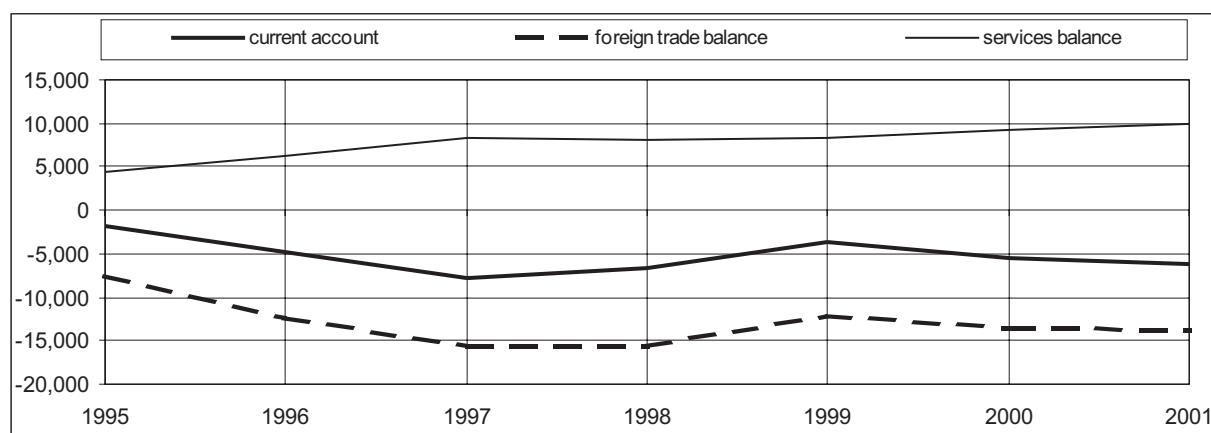


Figure 2. Comparison of the current account, foreign trade balance and services balance of the Estonian balance of payments (in f.o.b prices, EEK m)

The main component of the current account deficit – the foreign trade deficit – increased moderately over the year (by 315 million kroons). While at the same time the surplus of the services balance grew by almost 650 million kroons, the total deficit of the goods and services balance decreased from 4.3 billion kroons to 4 billion kroons. Like in the year 2000, the growing deficit of the income balance was responsible for most of the 0.7 billion kroons growth of the current account deficit.

Goods

The rapid development of foreign trade slowed down considerably year-on-year. The export of goods amounted to 58.5 billion kroons and import was 72.4 billion kroons (including the adjustments related to the methodology of the balance of payments; import in f.o.b prices), growing approximately 4% against the year 2000. The foreign trade deficit increased slightly compared to year 2000 and stood at 13.8 billion kroons (see Table 3).

The export of goods according to **special trade statistics**³ amounted to 57.5 billion kroons and import in c.i.f prices was 75.2 billion kroons (see Figure 3). The foreign trade deficit was 17.6 billion kroons, growing 0.9 billion kroons year-on-year.

The summer low of the Estonian foreign trade that led to a considerable drop in both export and import that culminated in the third quarter was compensated by a remarkable enlivenment of the trade turnover in the fourth quarter. This was caused by the growth of the so-called **normal export and import**⁴ in almost all groups of goods, as well as the big growth of the **export and import of processed goods** in such groups as machinery and equipment, clothes,

³ The analysis below does not contain the adjustments made in the foreign trade balance of the balance of payments by the Statistics Department of Eesti Pank (repair of capital goods, provisions bought abroad, etc). Imports is in c.i.f prices and analysed by the trading country, using the special trade system. In exports, possible price distortions have been taken into account while exporting goods through customs warehouses and free trade zones.

⁴ Normal export – export of goods manufactured in Estonia and belonging to Estonian legal entities; does not include the export of goods brought to Estonia for processing. Normal import – import of goods for Estonia's internal consumption; does not include import of goods for processing.

footwear and headgear, and metal products. Year-on-year, the import and export of processed goods, however, decreased, while normal export and import increased considerably, boosting trade turnover by 4% (see Table 4).

Table 3. Change in the special export and import of goods

	Special export			Special import			Balance (EEK m)
	Volume ¹ (EEK m)	Change compared to the previous period (%)	Share in total export of goods and services (%)	Volume ¹ (EEK m)	Change compared to the previous period (%)	Share in total import of goods and services (%)	
1993	10,762.7		70.8	12,687.7		78.7	-1,925.0
1994	15,828.5	47.1	70.4	20,444.4	61.1	79.4	-4,615.9
1995	19,428.2	22.7	66.0	27,043.7	32.3	82.6	-7,615.5
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	56,013.0	51.4	68.7	69,506.2	41.6	81.0	-13,493.2
2001	58,640.4	4.7	67.1	72,449.5	4.2	79.3	-13,809.1

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

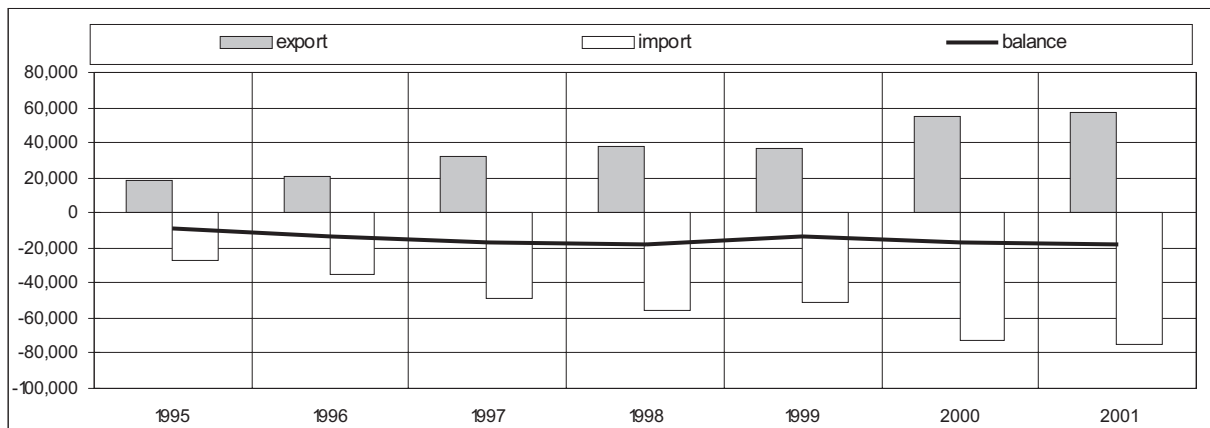


Figure 3. Estonian foreign trade balance (EEK m)

Table 4. Estonian special export and import by the breakdown of customs procedures

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
End export	31,765.9	35,463.0	57.2	61.7	11.6
Export of processed goods	23,736.4	22,055.3	42.8	38.3	-7.1
Special export total	55,502.3	57,518.3	100.0	100.0	3.6
Import for free circulation	49,596.3	56,309.8	68.7	74.9	13.5
Import of processed goods	22,639.9	18,850.4	31.3	25.1	-16.7
Special import total	72,236.2	75,160.2	100.0	100.0	4.0

The 12% annual increase of **normal export** can be attributed to growth in the export of food products (fish and fish products, dairy products), furniture, machinery and equipment (various parts, accessories, cables), clothes, footwear and headgear (cotton and linen fabrics, bed linen, etc) and accessories for motor vehicles (seatbelts). **Normal import** increased by 14% year-on-year and growth was recorded in all groups of goods. Transport vehicles (passenger cars), machinery

and equipment (computers, mobile phones and desk phones, cables), chemical products (medicines and plastic products), clothes, footwear and headgear (cotton and flax, footwear) and various food products contribution the most to the growth of import. The import and export of **processed goods** decreased due to the decline in the processing of mobile communication equipment and metal products, but the processing of clothes, footwear and headgear increased slightly.

By end consumption, the volume and share of capital goods decreased considerably **in export**, accounting for 19% of the special export (see Table 5). Mobile phones were still the most important article among capital goods, but various electrical appliances and trailers were also exported. The most important articles of intermediate consumption were unprocessed and little processed timber, parts of mobile phones, cables and metal structures. Of consumer goods, furniture and furniture components, fish products and ready-made clothes were exported.

Table 5. Special export by end consumption

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
Capital goods	13,954.4	10,681.4	25.1	18.6	-23.5
Goods of intermediate consumption	28,132.3	31,381.7	50.7	54.6	11.6
Consumer goods	12,724.4	14,818.6	22.9	25.8	16.5
Other	691.2	636.6	1.2	1.1	-7.9
Total	55,502.3	57,518.3	100.0	100.0	3.6

In import, too, the volume of capital goods went down, while that of intermediate consumption goods and consumer goods increased, resulting in the growth of the latter's share (see Table 6). Of capital goods, mostly alarm equipment, computers, commercial vehicles and mobile phones were imported. The import of the goods of intermediate consumption consisted mainly of electrical and electronics industry components and cables. The import of consumer goods covered pharmaceuticals, furniture, footwear, household paper, food products, etc.

Table 6. Special import by end consumption

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
Capital goods	13,888.2	12,864.7	19.2	17.1	-7.4
Goods of intermediate consumption	38,516.2	39,935.1	53.3	53.1	3.7
Consumer goods	14,162.1	15,915.6	19.6	21.2	12.4
Other	5,669.6	6,444.8	7.8	8.6	13.7
Total	72,236.2	75,160.2	100.0	100.0	4.0

In the foreign trade balance, the year 2000 small surplus of capital goods again turned into a large deficit (see Table 7), while the deficit of intermediate goods and consumer goods decreased.

Table 7. Foreign trade balance by end consumption (EEK m)

	2000	2001
Capital goods	66.2	-2,183.3
Goods of intermediate consumption	-10,383.9	-8,553.5
Consumer goods	-1,437.8	-1,097.0
Other	-4,978.4	-5,808.2
Total	-16,733.9	-17,642.0

Across the groups of countries, the share of the European Union decreased and accounted for nearly 70% of Estonia's total foreign trade, while trade with the Central and East European countries and the CIS countries enlivened (see Tables 8 and 9). Estonia's major trade partners in the European Union were Finland, Sweden, Germany, the Netherlands, Great Britain and Denmark; among the Central and East European countries – Latvia, Lithuania, Poland and Hungary; among the CIS countries – Russia, the Ukraine and Belarus; and among other countries – Norway, the USA, Japan, Hong Kong and South Korea.

Table 8. Estonian special export by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
EU countries	41,021.1	39,909.3	73.9	69.4	-2.7
Central and Eastern European countries	6,163.9	6,827.5	11.1	11.9	10.8
CIS countries	1,843.8	2,569.1	3.3	4.5	39.3
Other	4,293.7	5,941.4	7.7	10.3	38.4
Customs-free zone ¹	2,179.8	2,271.0	3.9	3.9	4.2
Total	55,502.3	57,518.3	100.0	100.0	3.6

¹ As of 31 October 1999 the customs procedure Code 72 (customs warehousing of goods for later export) became invalid. The same year a new procedure was introduced, Code 78 (storing of goods in the customs-free zone for later export). This change does not allow determine the country of destination for export.

Table 9. Estonian special import by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
EU countries	53,256.3	52,553.0	73.7	69.9	-1.3
Central and Eastern European countries	7,015.6	8,877.1	9.7	11.8	26.5
CIS countries	7,067.2	7,521.2	9.8	10.0	6.4
Other	4,897.1	6,208.9	6.8	8.3	26.8
Total	72,236.2	75,160.2	100.0	100.0	4.0

Year-on-year, the **foreign trade deficit** increased with the European Union and the Central and East European countries, but decreased with the CIS countries and other countries (see Table 10).

Table 10. Foreign trade balance

	2000	2001
EU countries	-12,235.2	-12,643.8
Central and Eastern European countries	-851.7	-2,049.6
CIS countries	-5,223.4	-4,952.1
Other	-602.9	-267.6
Customs-free zone	2,179.3	2,271.0
Total	-16,733.9	-17,642.0

Services

The surplus of the services balance amounted to 9.8 billion kroons in 2001 (see Figure 4 and Table 11), covering **71% of the foreign trade deficit**. Compared to the year 2000, the export and import of services increased at a considerably faster rate than the export and import of goods.

In the structure of the services balance, the share of travel and construction services increased, mostly on the account of transport services (see Table 12). Although travel and transport services still made up the weightiest part of the services balance, the rapid development of the turnover of construction services continued since 2000.

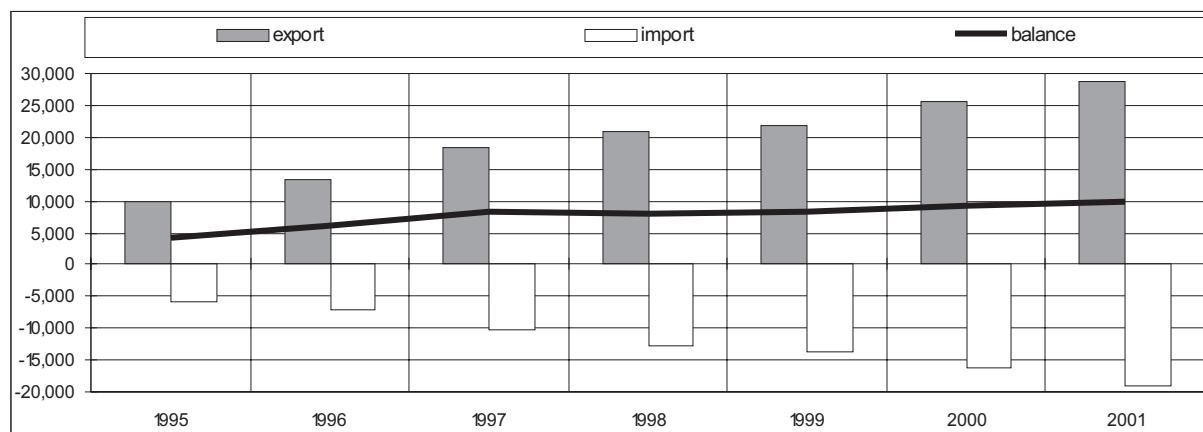


Figure 4. Estonian services balance (EEK m)

Table 11. Estonian services balance

	Export		Import		Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)
1993	4,434.3	81.7	3,437.2	78.2	997.1	95.0
1994	6,657.0	50.1	5,301.3	54.2	1,355.7	36.0
1995	10,022.9	50.6	5,692.6	7.4	4,330.3	219.4
1996	13,352.8	33.2	7,107.8	24.9	6,245.0	44.2
1997	18,366.7	37.5	10,134.0	42.6	8,232.7	31.8
1998	20,804.0	13.3	12,754.8	25.9	8,049.2	-2.2
1999	21,951.9	5.5	13,610.4	6.7	8,341.5	3.6
2000	25,485.8	16.1	16,295.5	19.7	9,190.3	10.2
2001	28,791.7	13.0	18,953.8	16.3	9,837.9	7.0

Table 12. Services balance by major categories

	Balance (EEK m)		Share (%)	
	2000	2001	2000	2001
Transport services	5,150.6	5,336.2	56.0	54.2
Travel services	5,127.8	5,544.8	55.8	56.4
Construction services	366.6	819.8	4.0	8.3
Business services	-158.9	-153.0	-1.7	-1.6
Government services	-1,470.2	-1,743.2	-16.0	-17.7
Other	174.4	33.3	1.9	0.3
Total	9,190.3	9,837.9	100.0	100.0

The **export of services** increased by 3.3 billion kroons or 13% in 2001 (see Table 13). The growth rate was above average in construction (which more than doubled) and business services export. The **import of services** increased by 16% in 2001, with above average growth registered in transport services (20%) and construction services (83%). The import of travel services decreased year-on-year (see Table 14).

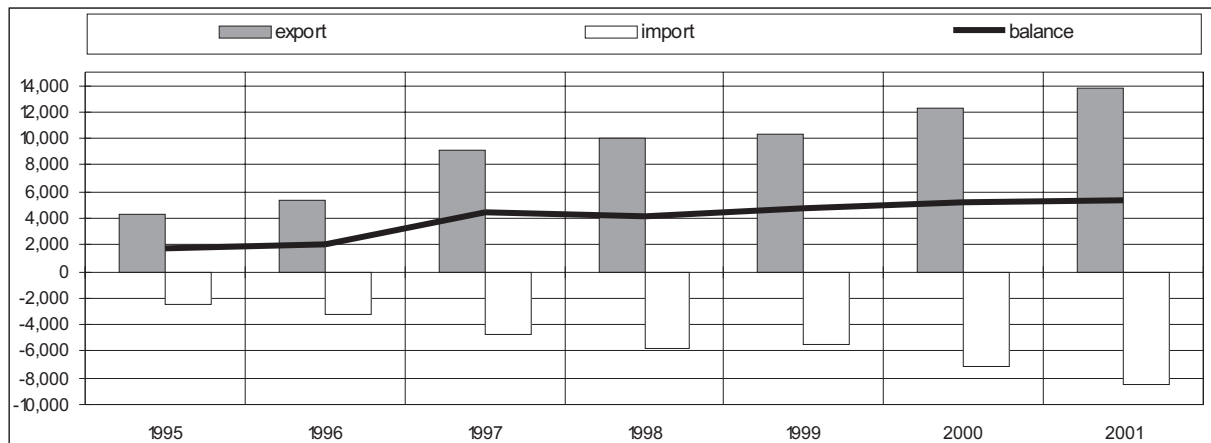
The **export of transport services** increased at the same rate as the total volume of services export. This was facilitated by the emergence of new transport service providers, particularly in the fourth quarter. The growth of passenger transport (6.6%) was slower than in the year 2000 (see Figure 5), and for the second consecutive year lagged behind the growth of import (29%). However, the volume of passenger transport export exceeded that of import by 1.6 billion kroons.

Table 13. Services export by major categories

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
Transport services	12,278.7	13,866.5	48.2	48.2	12.9
o/w freight	5,297.8	6,817.8	20.8	23.7	28.7
passenger	2,533.4	2,699.4	9.9	9.4	6.6
other transport services	4,447.5	4,349.3	17.5	15.1	-2.2
Travel services	8,585.8	8,895.8	33.7	30.9	3.6
Construction services	665.4	1,366.3	2.6	4.7	105.3
Business services	2,843.6	3,378.5	11.2	11.7	18.8
Government services	72.7	155.2	0.3	0.5	113.5
Other	1,039.6	1,129.4	4.1	3.9	8.6
Total	25,485.8	28,791.7	100.0	100.0	13.0

Table 14. Services import by major categories

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
Transport services	7,128.1	8,530.3	43.7	45.0	19.7
o/w freight	5,120.8	6,346.1	31.4	33.5	23.9
passenger	830.2	1,073.7	5.1	5.7	29.3
other transport services	1,177.1	1,110.5	7.2	5.9	-5.7
Travel services	3,458.0	3,351.0	21.2	17.7	-3.1
Construction services	298.8	546.5	1.8	2.9	82.9
Business services	3,002.5	3,531.5	18.4	18.6	17.6
Government services	1,542.9	1,898.4	9.5	10.0	23.0
Other	865.2	1,096.1	5.3	5.8	26.7
Total	16,295.5	18,953.8	100.0	100.0	16.3

**Figure 5. Transport services balance (EEK m)**

The growth of **travel services export** was relatively modest in 2001 (nearly 4%), while import decreased by the same degree (see Figure 6). One reason for the modest growth is methodological (adjustment of tourism statistics). The statistics of border crossing also indicates a decrease in the number of Finnish and Swedish tourists visiting (and spending money) in Estonia. The growth of travel services export resulted from the increase in the spending of visitors from other EU countries and Russia. The decrease of travel services import can be attributed to the development of local tourism and fine summer weather.

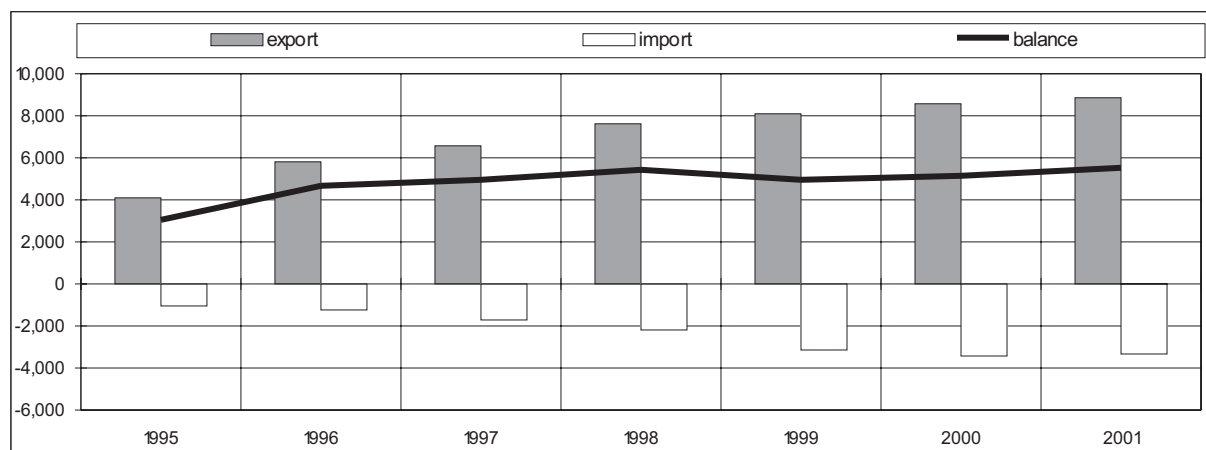


Figure 6. Travel services balance (EEK m)

Income

The deficit of the income balance stood at 5.1 billion kroons, growing by nearly 50% year-on-year. The increase came almost entirely from the growth of the outflow of direct investment income. The outflow of income was slowed down by the increase of surpluses in portfolio investment income and compensations to employees (wages and salaries paid to non-residents), although their share in the income balance was below 10% (see Table 15 and Figure 7).

Table 15. Estonian income balance (EEK m)

	Balance (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
Income from direct investments	-3,278.1	-5,165.4	94.1	100.8	57.6
o/w income from equity	-3,144.8	-4,951.1	90.3	96.6	57.4
income from debt (interests)	-133.3	-214.3	3.8	4.2	60.8
Income from portfolio investments	317.5	458.7	-9.1	-9.0	44.5
Income from other investments	-534.8	-510.4	15.4	10.0	-4.6
Other income	12.0	92.8	-0.3	-1.8	673.3
Total	-3,483.4	-5,124.3	100.0	100.0	47.1

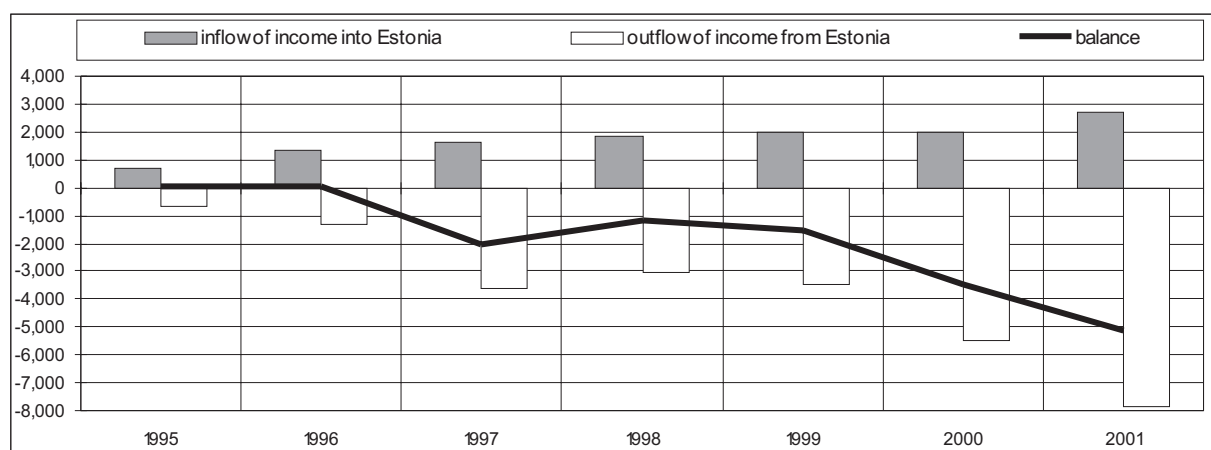


Figure 7. Estonia's income balance (EEK m)

The **inflow of income** to Estonia grew by 0.7 billion kroons or 34% and can mostly be attributed to the 58% increase of portfolio investment income. The 2.8 times increase of compensations paid to employees also had a favourable effect (see Table 16).

Table 16. Inflow of income into Estonia

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
Income from direct investments	223.8	158.7	11.1	5.9	-29.1
o/w income from equity	93.4	51.7	4.7	1.9	-44.6
income from debt (interests)	130.4	107.0	6.5	4.0	-17.9
Income from portfolio investments	1,028.4	1,621.4	51.2	60.1	57.7
Income from other investments	717.4	809.4	35.7	30.0	12.8
Other income	38.4	108.7	1.9	4.0	183.1
Total	2,008.0	2,698.2	100.0	100.0	34.4

The **outflow of income** from Estonia increased by 2.3 billion kroons or 43% (see Table 17). Here we must note that while income from the equity placed into Estonia in the form of direct investments amounted to 5 billion kroons, 3.8 billion kroons of it was not taken out of the country but was reinvested, boosting the companies own capital. This is an indication of the growing confidence in the Estonian economic environment and creates opportunities for expanding economic activity in Estonia.

Table 17. Outflow of income from Estonia

	Volume (EEK m)		Share (%)		Change (%)
	2000	2001	2000	2001	2001/2000
Income from direct investments	-3,501.9	-5,324.1	63.8	68.1	52.0
o/w income from equity	-3,238.2	-5,002.8	59.0	64.0	54.5
income from debt (interests)	-263.7	-321.3	4.8	4.1	21.8
Income from portfolio investments	-710.9	-1,162.7	12.9	14.9	63.6
Income from other investments	-1,252.2	-1,319.8	22.8	16.9	5.4
Other income	-26.4	-15.9	0.5	0.2	-39.8
Total	-5,491.4	-7,822.5	100.0	100.0	42.5

Transfers

The surplus of the transfers balance amounted to 2.9 billion kroons in 2001, growing by 0.6 billion kroons year-on-year. The bulk of the growth came from the surplus of government transfers. The debit and credit of private transfers increased by 9% and 10%, respectively, which left the surplus of private transfers on the level of year 2000.

CAPITAL AND FINANCIAL ACCOUNT

The surplus of the **capital and financial account** stood at 5.3 billion kroons. The balance of direct investments and portfolio investments had a surplus. Compared to the year 2000, the deficit of other investments increased notably, however. A picture of the financial account can be seen in Figures 8 and 9.

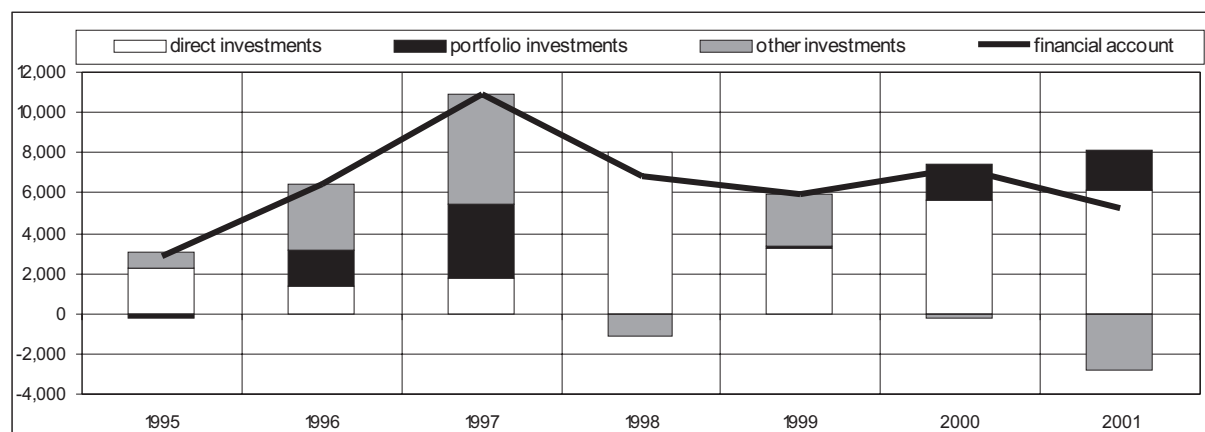


Figure 8. Changes in the structure of foreign investment capital flows (EEK m)

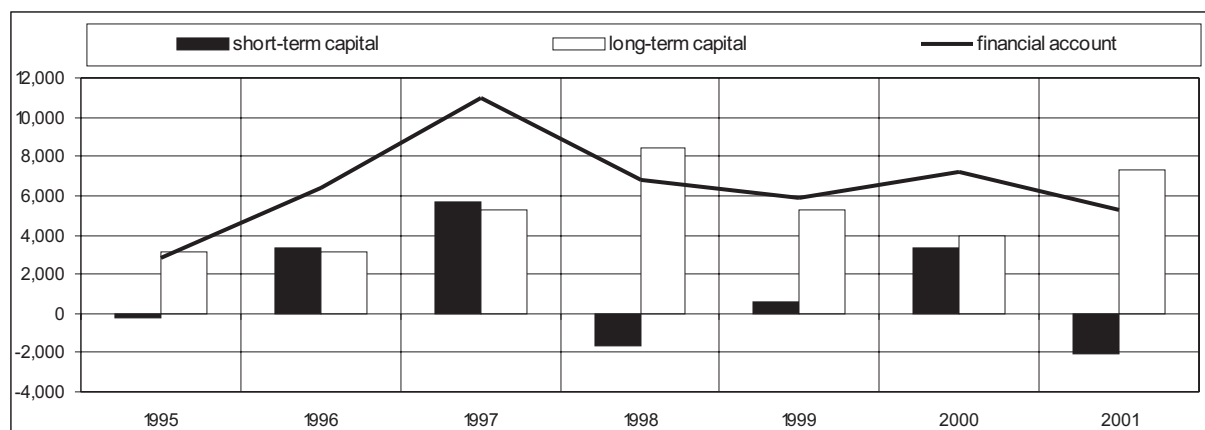


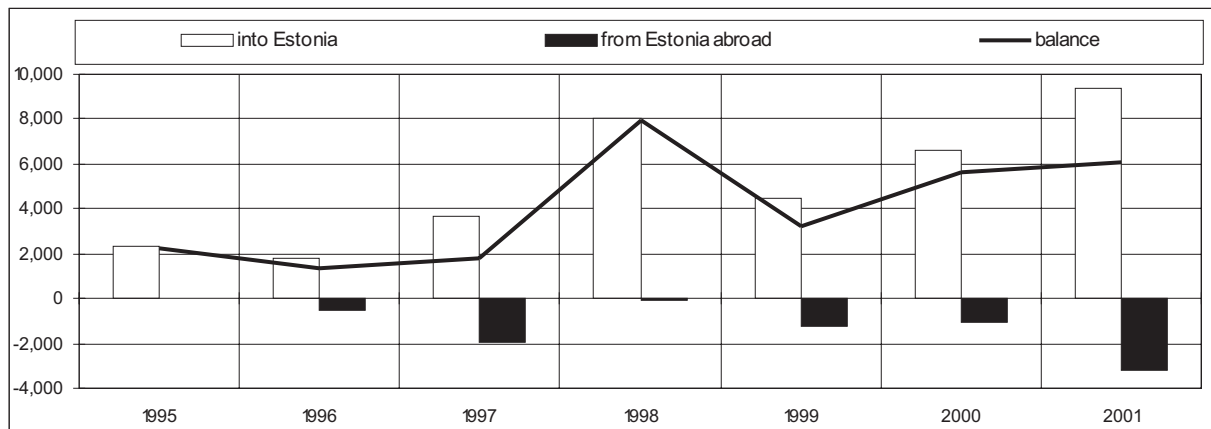
Figure 9. Changes in the maturity structure of source of funds (EEK m)

Direct Investments

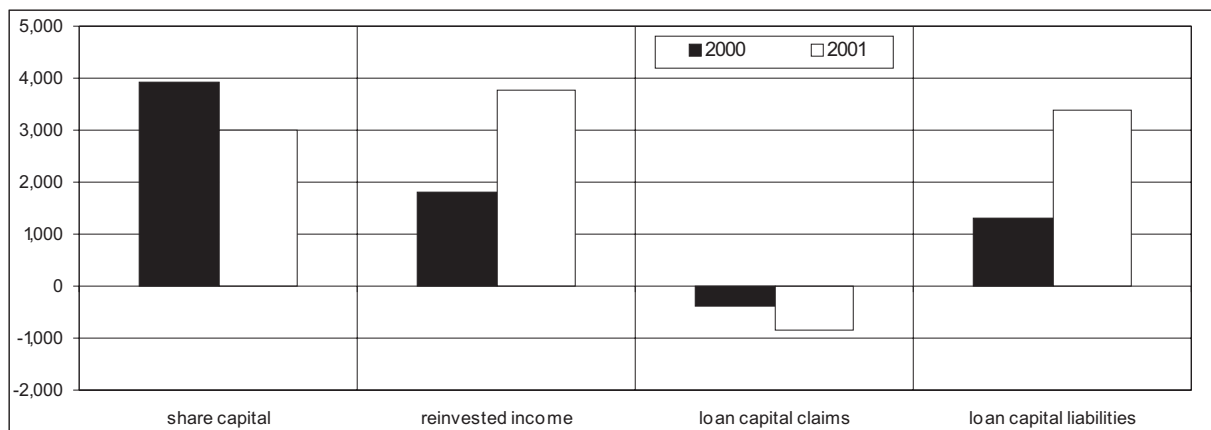
As far as **direct investments** are concerned, the year 2001 was a big success, expressed in record inflow and outflow of direct investments. The balance of direct investments had a surplus of 6.1 billion kroons in 2001. Non-residents invested 9.4 billion kroons in Estonia, Estonian investments abroad grew by 3.2 billion kroons (see Table 18 and Figure 10). Net flows of direct investments compensated the deficit of the current account almost entirely.

Table 18. Structure of direct investments

	Into Estonia				Abroad			
	EEK m		Share (%)		EEK m		Share (%)	
	2000	2001	2000	2001	2000	2001	2000	2001
Share capital	3,925.3	3,011.3	59.1	32.2	-579.7	-1,904.2	55.6	58.7
Inflow	5,210.2	4,279.1	78.4	45.8	625.7	263.3	-60.0	-8.1
Outflow	-1,284.9	-1,267.8	-19.3	-13.6	-1,205.4	-2,167.5	115.6	66.9
Reinvested income	1,815.2	3,782.4	27.3	40.4	-65.9	-14.7	6.3	0.5
Claims	-3,794.4	-3,908.0	-57.1	-58.8	-175.6	-218.7	-2.6	-3.3
Liabilities	5,609.6	7,690.4	84.4	115.7	109.7	204.0	1.7	3.1
Loan capital (net)	1,012.6	2,566.1	15.2	27.4	-310.4	-1,324.3	29.8	40.9
Trade credit	161.4	-417.2	2.4	-4.5	140.6	-174.2	-13.5	5.4
Short-term loans	744.5	1,849.3	11.2	19.8	-203.4	-569.2	19.5	17.6
Long-term loans	106.7	1,134.0	1.6	12.1	-247.6	-580.9	23.7	17.9
Other capital	-108.6	-6.6	-1.6	-0.1	-87.1	1.8	8.4	-0.1
Total	6,644.5	9,353.2	100.0	100.0	-1,043.1	-3,241.4	100.0	100.0

**Figure 10. Direct investments (EEK m)**

The **inflow of direct investments into Estonia** increased 41% year-on-year. One third of long-term investments was placed into the share capital of affiliated/associated businesses. Both reinvested income and inflow of loan capital doubled as compared to the year 2000. The biggest share of the inflow of direct investments was made up of the undistributed profit belonging to foreign owners (40%). The continuing growth of reinvested income points to Estonia's favourable investment climate. The largest profits were earned in manufacturing and financial intermediation. Net inflow of loan capital grew by 2.6 billion kroons, with long-term liabilities to direct investors growing most (see Figure 11).

**Figure 11. Structure of direct investments made into Estonia (EEK m)**

Nearly half of the direct investment inflow came from Finland and Sweden, but investments from the Netherlands, the USA and Great Britain also increased considerably. Financial intermediation, energy, gas and water supply and wholesale and retail trade were the most preferred spheres of activity. Financial investments into transport, storage and communication were also remarkable (see Figures 12 and 13).

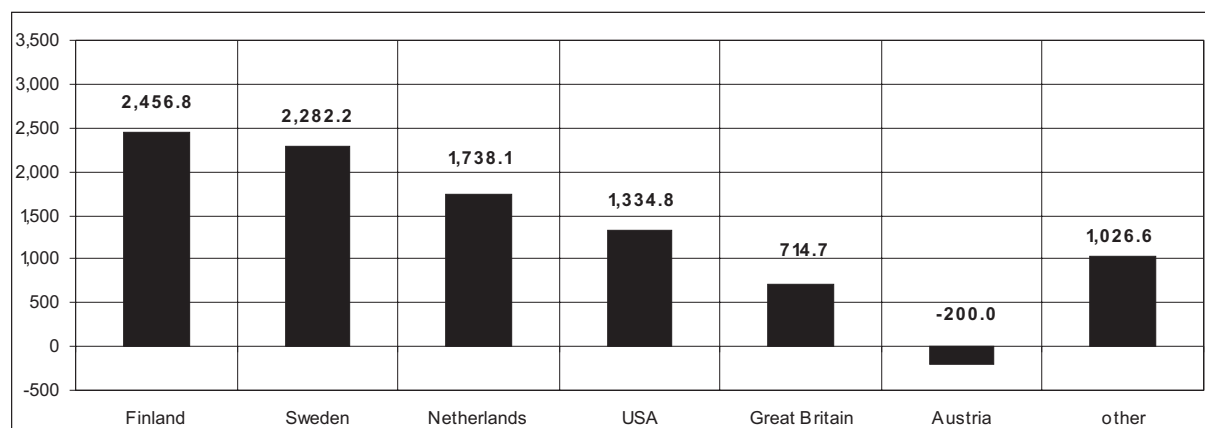


Figure 12. Structure of direct investments made into Estonia by countries in 2001 (EEK m)

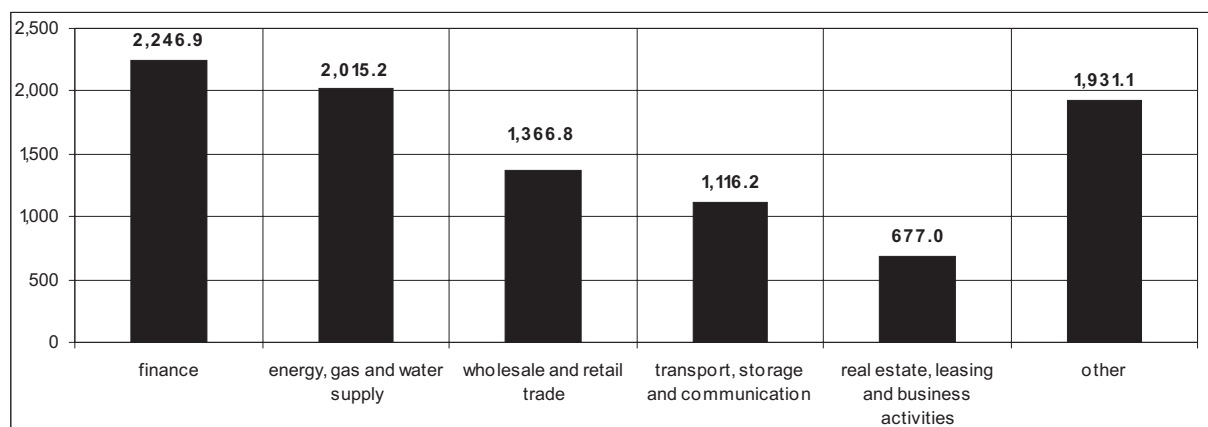


Figure 13. Structure of direct investments made into Estonia by spheres of activity in 2001 (EEK m)

Direct investments abroad by Estonian companies tripled year-on-year, reaching the highest level in the balance of payments history. Nearly 60% of the outflow increased the positions of resident businesses in the share capital of companies located abroad. The undistributed profit of foreign affiliated/associated companies had a surplus of 15 million kroons. More than 40% of the outflow of direct investments was made up of loan capital. Like in the year 2000, long- and short-time capital increased equally, but two times more. In trade credit, claims on affiliated/associated companies increased considerably (see Figure 14).

The most preferred investment target in 2001 was Lithuania, but Latvian affiliated/associated companies were topical as well. Besides the financial sector, direct investments also increased in real estate, leasing and business sectors and manufacturing (see Figures 15 and 16).

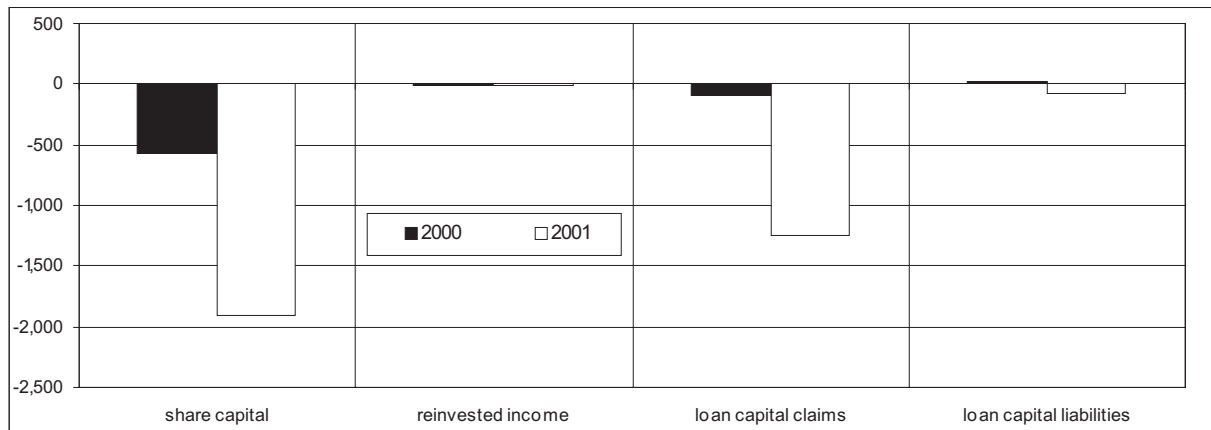


Figure 14. Structure of direct investments made abroad (EEK m)

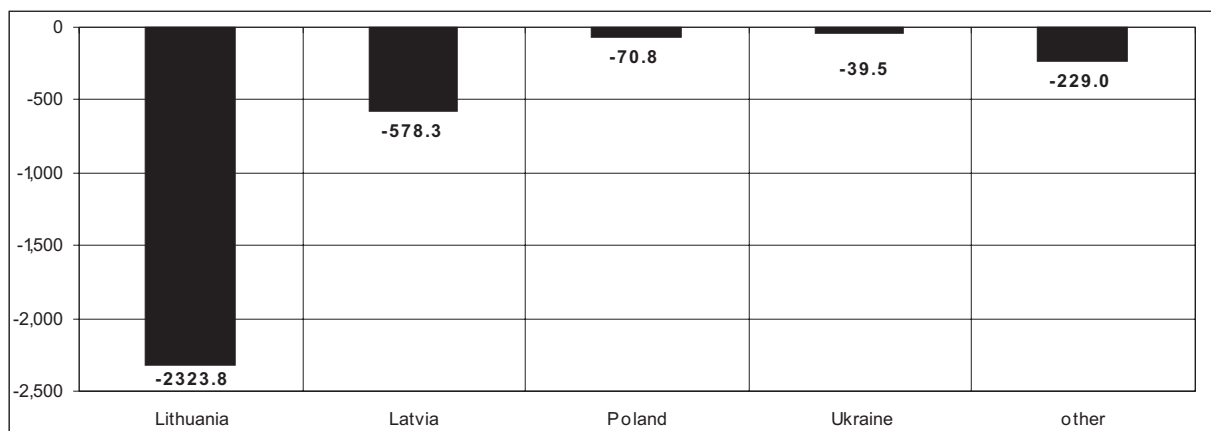


Figure 15. Structure of direct investments made abroad by countries in 2001 (EEK m)

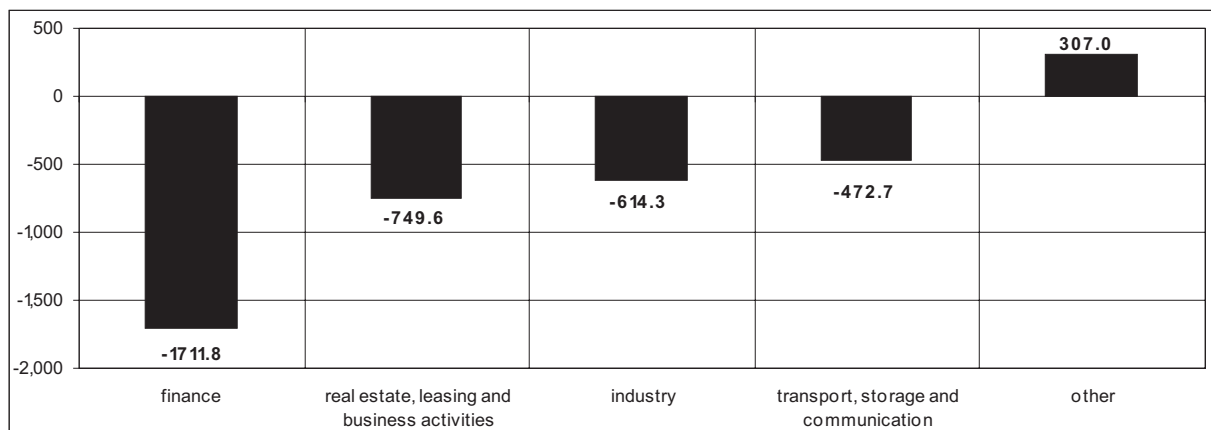


Figure 16. Structure of direct investments made abroad by spheres of activity in 2001 (EEK m)

Portfolio Investments

The net inflow of **portfolio investments** stood at 2 billion kroons in 2001, thus practically unchanged against the previous year (see Figure 17 and Table 19). The main reason for this kind of capital inflow was related to the growth of debt security liabilities, but also the growth of non-residents' investments into equity securities.

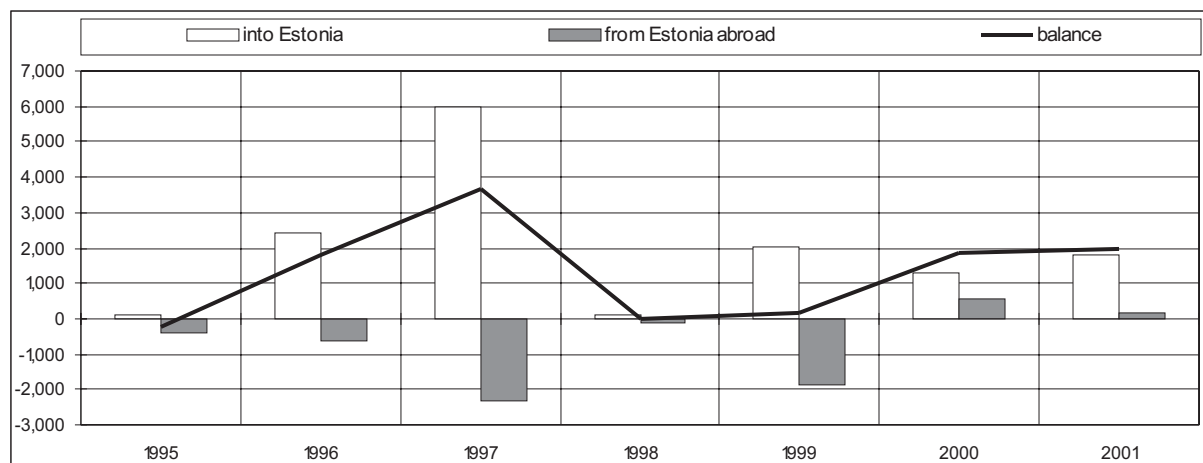


Figure 17. Portfolio investments (EEK m)

Table 19. Portfolio investments by types of securities and sectors of economy (EEK m)

	Claims		Liabilities		Balance	
	2000	2001	2000	2001	2000	2001
Total portfolio investments	573.0	182.2	1,281.9	1,793.0	1,854.9	1,975.2
o/w equity securities	53.3	189.9	-538.8	570.5	-485.3	760.4
credit institutions	-63.2	399.1	-674.9	429.1	-738.1	828.2
other sectors	116.7	-209.2	136.1	141.4	252.8	-67.8
debt securities	519.7	-7.7	1,820.7	1,222.5	2,340.4	1,214.8
central bank		81.8				81.8
government sector		-0.1	-69.7	-115.6	-69.7	-115.7
credit institutions	493.0	437.0	1,711.5	933.4	2,204.5	1,370.4
other sectors	26.7	-526.4	178.9	404.7	205.6	-121.7

Portfolio investment claims fell by 182 million kroons in 2001, mostly due to the decrease of credit institutions' investments in foreign debt and equity securities, by 437 and 399 million kroons, respectively. The equity and debt security claims of the other sector companies increased by 735 million kroons.

Portfolio investment liabilities increased capital inflow by approximately 1.8 billion kroons. The biggest change occurred in the debt security liabilities of credit institutions, which increased by 933 million kroons over the year. Debt securities were also issued by the other sector companies, for the total worth of 405 million kroons. Larger issues fell into the first half of the year and no major changes took place in the third and fourth quarters. The investments of non-residents into the equity securities of Estonian companies increased by 570 million kroons. Investments increased into equity securities of Estonian credit institutions, as well as other sector companies, by 429 and 141 million kroons, respectively.

Other Investments

The balance of other investments was approximately 2.8 billion kroons in the red in 2001 (see Figure 18 and Table 20), thus differing considerably from the year 2000 when in- and outflow of capital was nearly balanced. Last year's capital outflow was mainly caused by increased lending to non-residents, as well as growing deposits of the government sector, banks and other sector

companies in credit institutions abroad. This capital outflow due to the above-mentioned growth in foreign assets amounted to approximately 4.7 billion kroons. Inflow of investments mostly took the form of long-term capital (see Table 21).

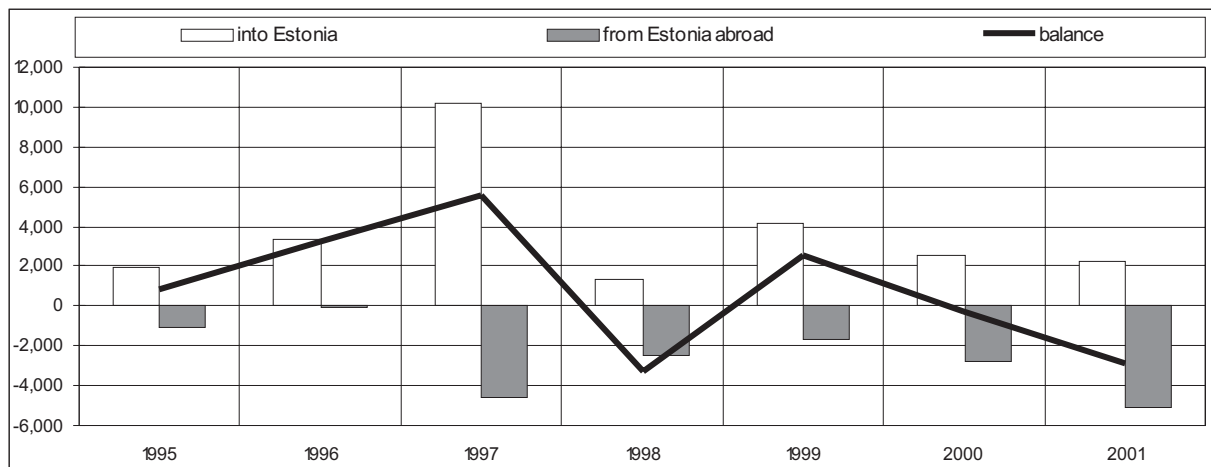


Figure 18. Other investments (EEK m)

Table 20. Other investments by type of capital (EEK m)

	Claims		Liabilities		Balance	
	2000	2001	2000	2001	2000	2001
Total	-2,819.3	-5,048.8	2,596.6	2,212.7	-222.7	-2,836.1
o/w trade credit	-78.0	-797.3	1,080.9	-85.2	1,002.9	-882.5
loans	-2,814.0	-2,183.4	-785.3	2,063.0	-3,599.3	-120.4
deposits	-284.0	-1,951.3	1,955.4	81.4	1,671.4	-1,869.9
other	356.7	-116.8	345.6	153.5	702.3	36.7

Table 21. Other investments by maturity (EEK m)

	Claims		Liabilities		Balance	
	2000	2001	2000	2001	2000	2001
Total	-2,819.3	-5,048.8	2,596.6	2,212.7	-222.7	-2,836.1
Long-term capital	-1,108.7	-237.8	-549.9	1,437.9	-1,658.6	1,200.1
central bank			-4.1	-2.9	-4.1	-2.9
government sector			-275.5	-128.2	-275.5	-128.2
credit institutions	-197.5	-127.0	-736.8	-206.9	-934.3	-333.9
other sectors	-911.2	-110.8	466.5	1,775.9	-444.7	1,665.1
Short-term capital	-1,710.6	-4,811.0	3,146.5	774.8	1,435.9	-4,036.2
central bank	-154.6	-205.7	36.4	-89.2	-118.2	-294.9
government sector	537.8	-305.1			537.8	-305.1
credit institutions	-894.9	-3,574.7	2,140.6	908.2	1,245.7	-2,666.5
other sectors	-1,198.9	-725.5	969.5	-44.2	-229.4	-769.7

Other investment claims grew by approximately 5 billion kroons. Like in the year 2000, claims mainly increased in the first two quarters (by 7.2 billion kroons) and decreased in the last two quarters by 2.2 billion kroons. Credit institutions' loans to non-residents grew by 2.8 billion kroons, the deposits of Estonian banks and companies abroad went up by 1.6 billion kroons. Changes in the rules of the reserve requirement also had a significant impact on the increase of credit institutions' foreign assets. Besides this, the government sector increased placements in foreign credit institutions by 0.3 billion kroons. Trade credit claims, too, increased considerably over the year, amounting to 0.7 billion kroons by the end of the year. Other claims increased by 116 million kroons.

Other investment liabilities grew by 2.2 billion kroons in 2001. The main reason for this was loans taken from non-residents by Estonian companies and credit institutions, which made up 1.8 and 0.4 billion kroons, respectively. Other liabilities increased by 153 million kroons and were mainly linked with the banking sector. Trade credit liabilities decreased but their impact was marginal in view of the general growth tendency.

RESERVES

The reserves of the balance of payments decreased by 730 million kroons in 2001, due to changes in the Estonian monetary policy framework. Therefore, the coverage of imports with the reserves slightly decreased in 2001 (see Figure 19).

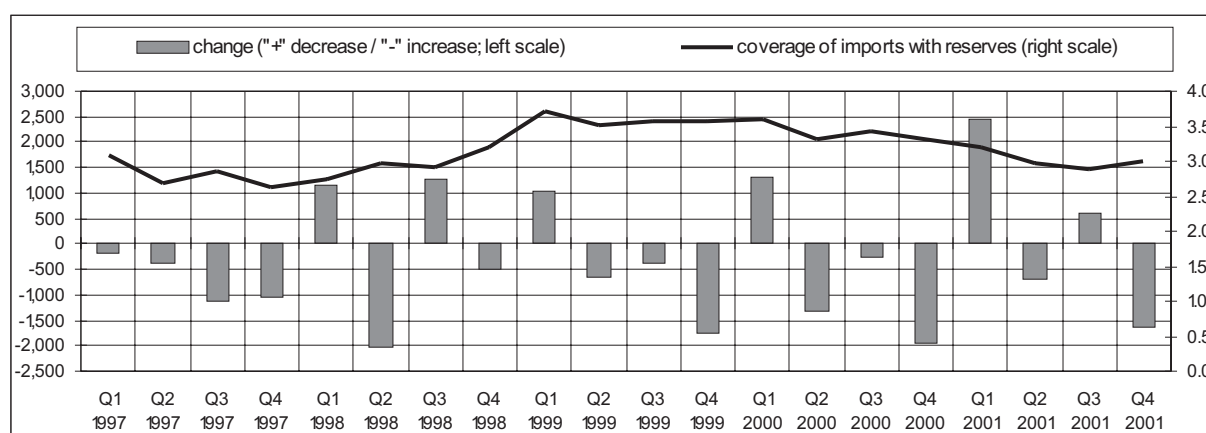


Figure 19. Change of the Estonian gold and foreign currency reserves (EEK m) and the coverage of imports (in quarters)

ESTONIAN INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT as of 31 December 2001

Favourable investment environment increased foreign investments made into Estonia in 2001 by nearly one sixth, bringing their total volume to 105.6 billion kroons by the end of the year (111% of the expected GDP). 53% of all foreign investments made into Estonia, or 55.8 billion kroons, were direct investments, most of which do not contribute to the external debt (see Table 22).

The sectors to attract foreign investors the most were finance (24% of FDI), transport, storage and communication (23%), and manufacturing (20%; see Figure 21). The bulk of direct investment capital has come from Sweden (40%), Finland (25%) and the USA (10%; see Figure 21). A number of investors have increased their direct investments at the expense of portfolio investments, and thus Estonia's portfolio investment liabilities in equity securities decreased slightly against end-2000, despite the surge of security prices.

Table 22. Estonian international investment position¹

	31.12.00	Share (%)	31.12.01	Share (%)
EXTERNAL ASSETS				
Direct investments abroad	4,357.6	9.9	7,586.4	14.8
share capital and reinvested income	2,917.9	6.6	4,829.5	9.4
other capital	1,439.7	3.3	2,756.9	5.4
Portfolio investments abroad	4,571.7	10.4	4,648.3	9.0
equity securities	444.2	1.0	408.9	0.8
debt securities	4,127.5	9.4	4,239.4	8.3
long-term	1,274.2	2.9	1,616.2	3.1
short-term	2,853.3	6.5	2,623.2	5.1
Financial derivatives	153.7	0.3	154.3	0.3
Other investments abroad	19,360.3	44.0	24,424.2	47.5
trade credit	3,860.8	8.8	4,961.8	9.7
loans	7,000.9	15.9	9,239.8	18.0
long-term	3,617.1	8.2	3,954.9	7.7
short-term	3,383.8	7.7	5,284.9	10.3
deposits	7,975.5	18.1	9,734.9	19.0
other assets	523.1	1.2	487.7	0.9
Reserves	15,522.9	35.3	14,552.5	28.3
TOTAL EXTERNAL ASSETS	43,966.2	100.0	51,365.7	100.0
EXTERNAL LIABILITIES				
Direct investments into Estonia	44,483.9	49.1	55,820.7	52.9
share capital and reinvested income	34,725.8	38.3	43,245.8	41.0
other capital	9,758.1	10.8	12,574.9	11.9
Portfolio investments into Estonia	12,807.1	14.1	13,497.0	12.8
equity securities	7,259.9	8.0	7,114.1	6.7
debt securities	5,547.2	6.1	6,382.9	6.0
long-term	5,260.4	5.8	6,325.7	6.0
short-term	286.8	0.3	57.2	0.1
Financial derivatives	171.1	0.2	112.1	0.1
Other investments into Estonia	33,187.4	36.6	36,129.5	34.2
trade credit	6,170.4	6.8	6,105.3	5.8
loans	16,973.3	18.7	19,332.3	18.3
long-term	13,921.5	15.4	15,493.7	14.7
short-term	3,051.8	3.4	3,838.6	3.6
deposits	8,018.7	8.8	8,099.9	7.7
other liabilities	2,025.0	2.2	2,592.0	2.5
TOTAL EXTERNAL LIABILITIES	90,649.5	100.0	105,559.3	100.0
NET INTERNATIONAL INVESTMENT POSITION	-46,683.3		-54,193.6	
short-term	3,347.8		5,195.4	
long-term	-50,031.1		-59,389.0	

¹ In accordance with the additional information received, data of earlier periods are adjusted accordingly.

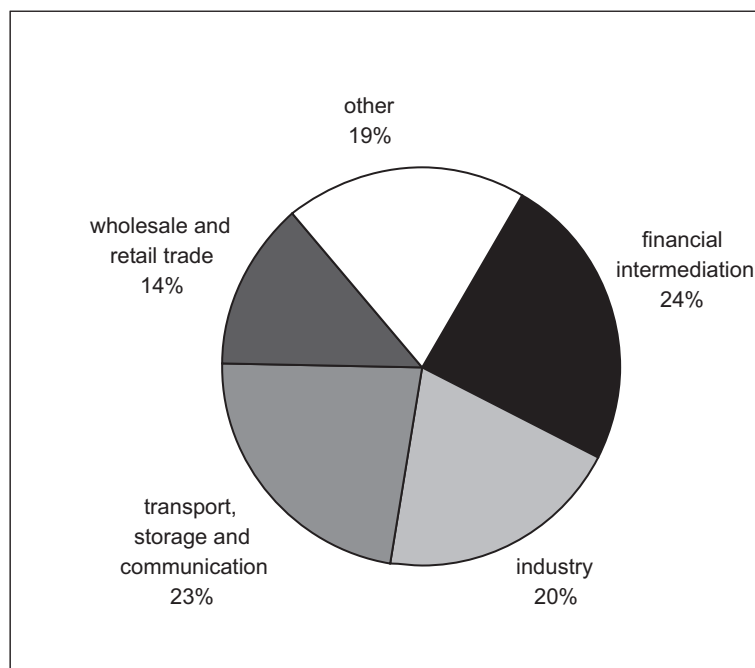


Figure 20. Direct investment position in Estonia by spheres of activity as of 31 December 2001

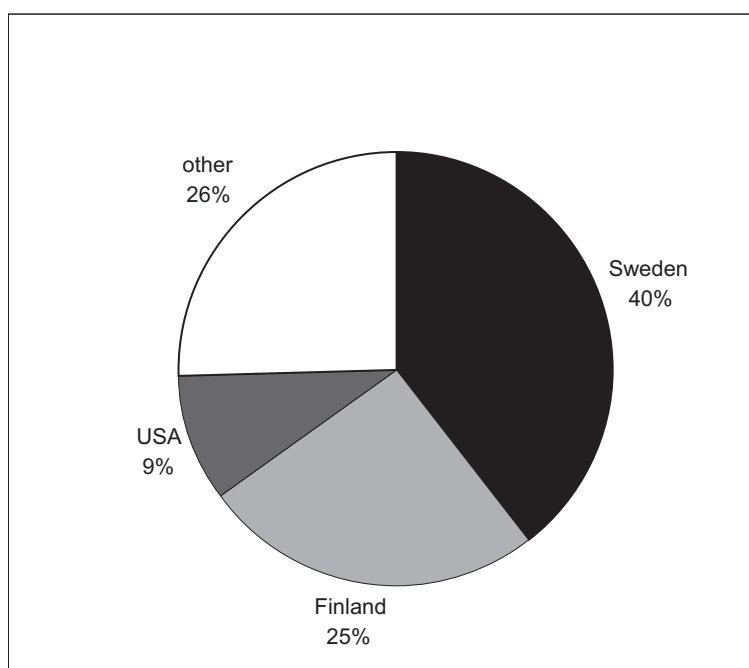


Figure 21. Direct investment position in Estonia by countries as of 31 December 2001

Estonian investments into foreign countries amounted to 51.4 billion kroons at the end of 2001. Nearly half of it was loans and deposits and over one quarter was made up of the gold and foreign currency reserves of the central bank. The share of direct investment capital is constantly increasing in Estonian investments abroad, rising from 10% to 15% over the past year. At the same time, the volume of direct investments abroad grew by 74%. The main economic sectors that attracted Estonian investors were finance (41% of all direct investments made abroad), real estate, leasing and business services (19%), manufacturing (18%) and transport, storage and communication (17%; see Figure 22). By countries, the biggest share of investments went into Lithuania (45%)

and Latvia (34%; see Figure 23). Changes in the monetary policy operational framework reduced the gold and foreign currency reserves of the central bank abroad by one billion kroons.

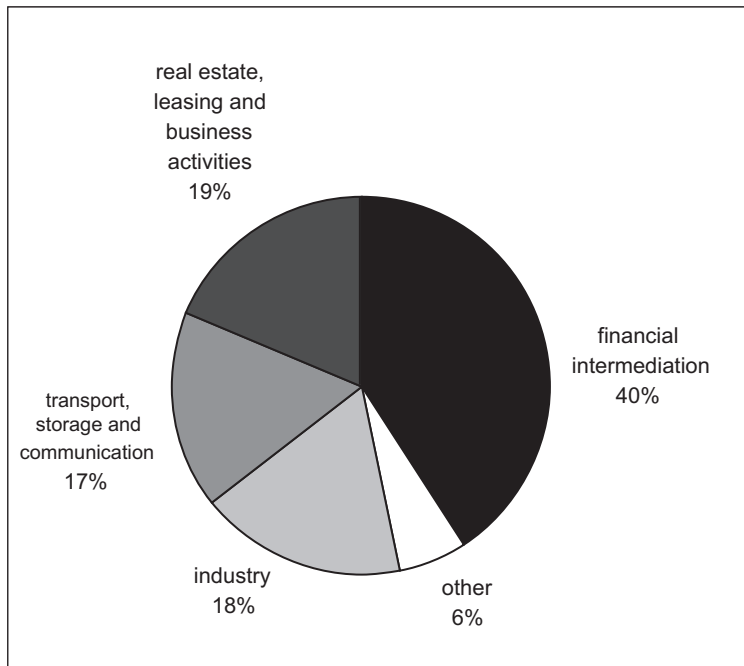


Figure 22. Estonian direct investment position abroad by spheres of activity as of 31 December 2001

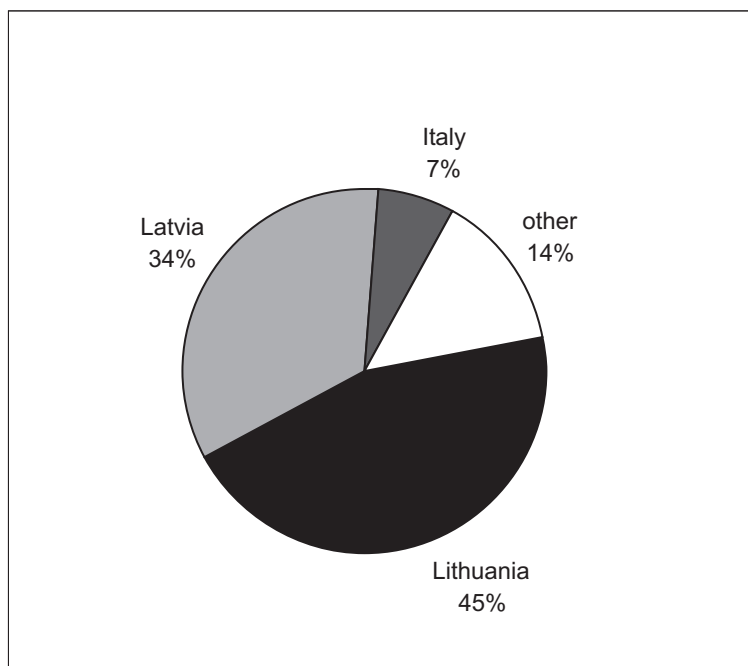


Figure 23. Estonian direct investment position abroad by countries as of 31 December 2001

Due to the dominance of external liabilities, Estonia's net investment position was negative by 54.2 billion kroons at the end of 2001 (56.9% of the expected GDP).

On 31 December, Estonia's gross external debt amounted to 58 billion kroons (60.8% of the expected GDP) and net external debt (debt-related external claims minus liabilities) stood at

9.2 billion kroons (less than 10% of the GDP; see Figure 24). Over the past year, long-term debt liabilities of the other sector have increased the most (see Table 23 and Figures 25). The net external debt of the government sector decreased by 0.5 billion kroons, to 1.3 billion kroons (see Figure 26).

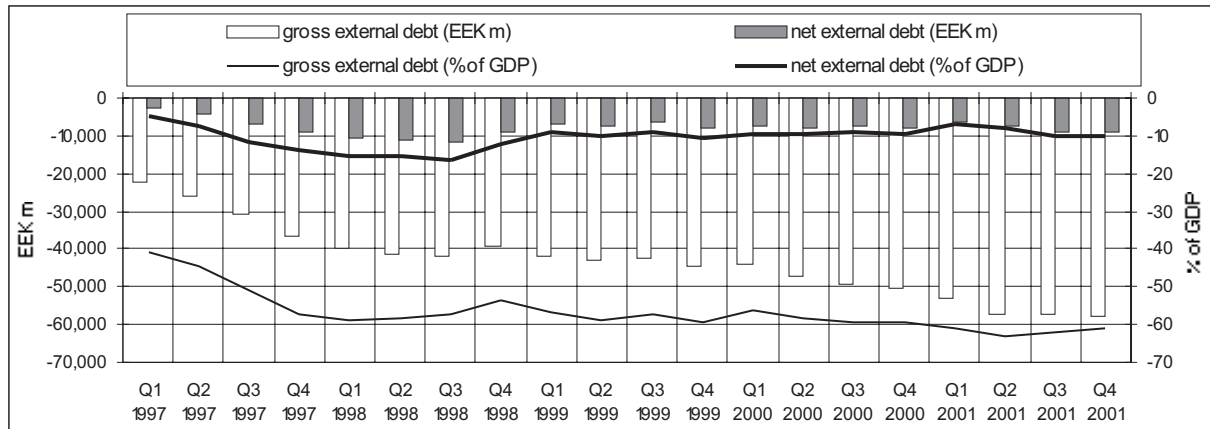


Figure 24. Estonian gross and net external debt (EEK m and % of GDP)

Table 23. External debt (EEK m)¹

	31.12.00	Share (%)	31.12.01	Share (%)
DEBT LIABILITIES				
Short-term	18,637.1	36.8	19,444.0	33.5
Government sector				
Central bank	49.9	0.1	17.4	0.0
Credit institutions	10,505.2	20.8	11,162.1	19.2
Other sectors	8,082.0	16.0	8,264.5	14.3
Long-term	31,940.7	63.2	38,546.6	66.5
Government sector	3,249.9	6.4	2,985.6	5.1
Central bank	2.6	0.0		
Credit institutions	7,862.5	15.5	8,821.7	15.2
Other sectors	20,825.7	41.2	26,739.3	46.1
GROSS EXTERNAL DEBT	50,577.8	100.0	57,990.6	100.0
CLAIMS				
Short-term	34,040.2	80.1	37,587.0	77.0
Government sector	1,471.0	3.5	1,734.6	3.6
Central bank	15,501.6	36.5	14,616.6	29.9
Credit institutions	8,545.7	20.1	11,787.4	24.1
Other sectors	8,521.9	20.1	9,448.4	19.3
Long-term	8,457.1	19.9	11,248.2	23.0
Government sector				
Central bank			16.9	0.0
Credit institutions	1,183.7	2.8	1,289.8	2.6
Other sectors	7,273.4	17.1	9,941.5	20.4
CLAIMS TOTAL	42,497.3	100.0	48,835.2	100.0
NET EXTERNAL DEBT				
Short-term	15,403.1		18,143.0	
Government sector	1,471.0		1,734.6	
Central bank	15,451.7		14,599.2	
Credit institutions	-1,959.5		625.3	
Other sectors	439.9		1,183.9	
Long-term	-23,483.6		-27,298.4	
Government sector	-3,249.9		-2,985.6	
Central bank	-2.6		16.9	
Credit institutions	-6,678.8		-7,531.9	
Other sectors	-13,552.3		-16,797.8	
NET EXTERNAL DEBT TOTAL	-8,080.5		-9,155.4	

¹ In accordance with the additional information received, data of earlier periods are adjusted accordingly.

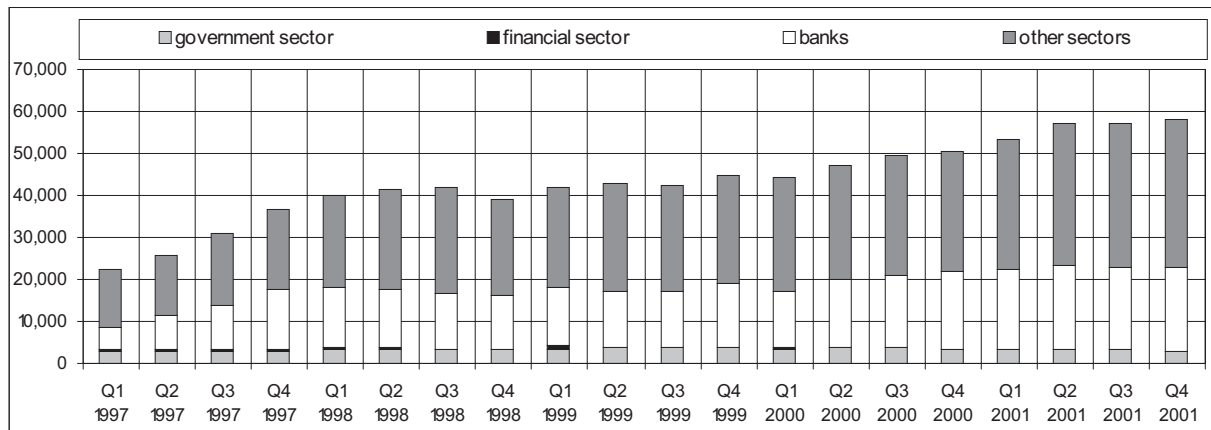


Figure 25. Estonian gross external debt by economic sectors (EEK m)

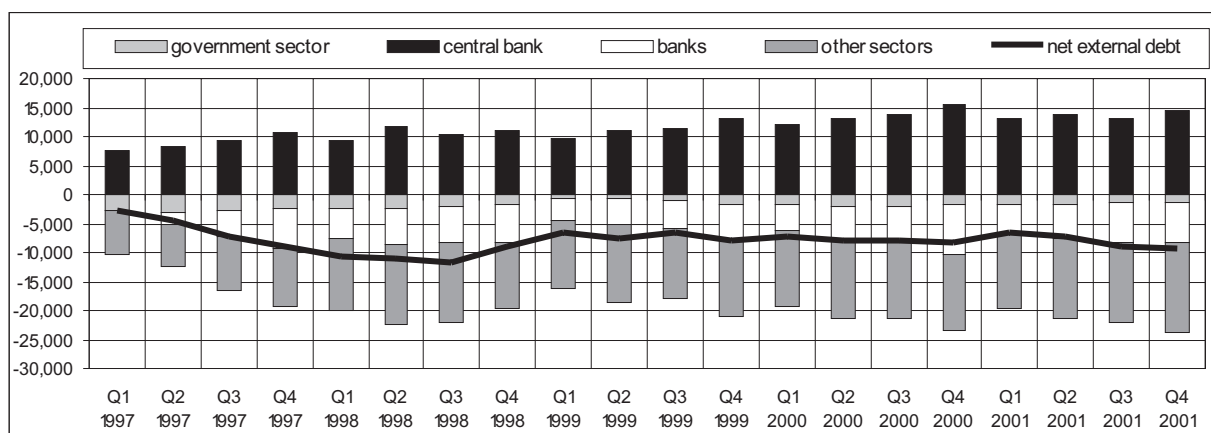


Figure 26. Estonian net external debt by spheres of activity (EEK m)

INTERNATIONAL TRANSACTIONS OF CUSTOMERS VIA THE ESTONIAN BANKING SYSTEM

Number and Turnover of Transactions

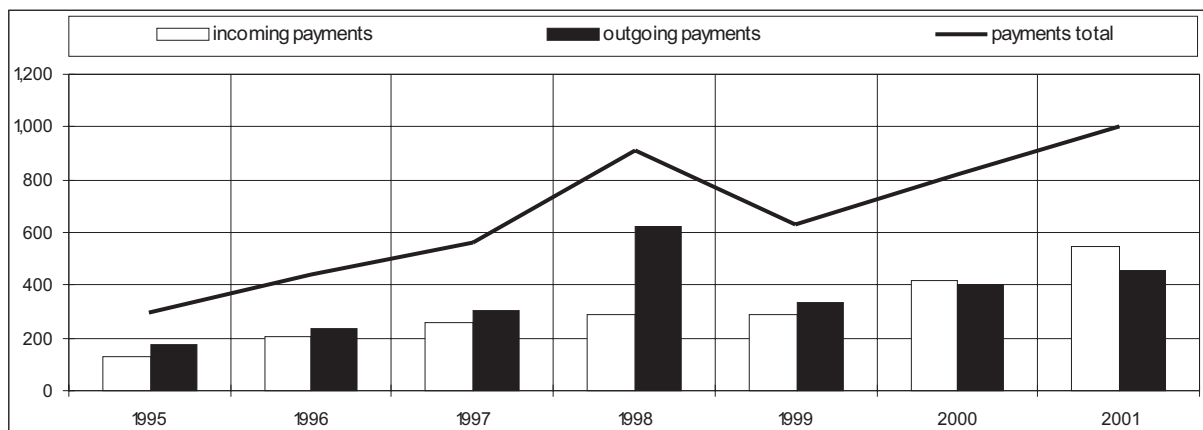
In 2001, the total number of **international payments**⁵ increased by nearly a quarter (see Table 24 and Figure 27), with incoming payments up 32% and outgoing payments, 14%. The number of incoming payments exceeded the number of outgoing payments by one fifth.

The **turnover of international payments** had a similar dynamics: year-on-year, the turnover of incoming payments increased by 21% and the turnover of outgoing payments was up 15% (see Table 25 and Figure 28). Like in the year 2000, the turnover of payments was larger in the last quarter of 2001.

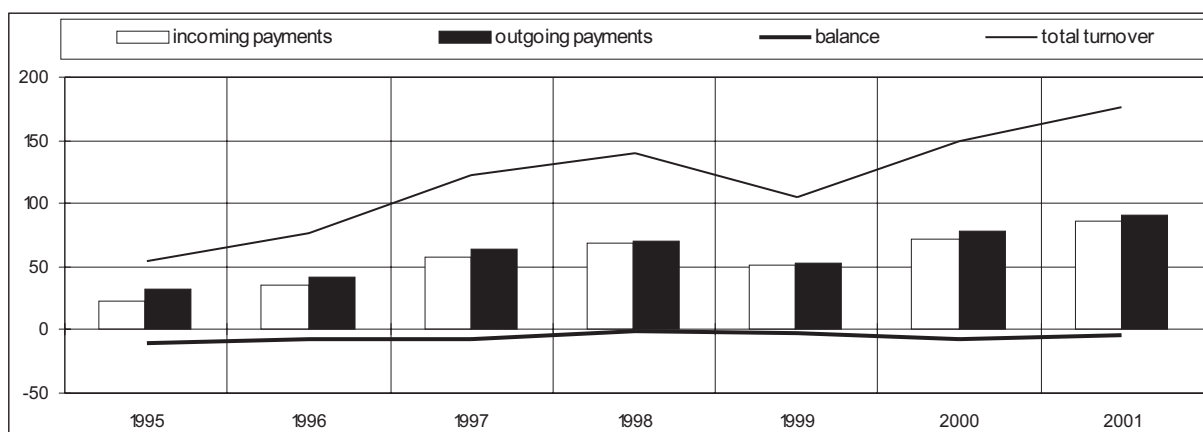
⁵ International payments do not contain transactions between residents only and between non-residents only.

Table 24. Number of international payment transactions

	In thousands		Change (%)
	2000	2001	2001/2000
Incoming payments	415	547	32
Outgoing payments	403	458	14
Total	818	1005	23

**Figure 27. Number of international payment transactions (in thousands)****Table 25. Turnover of international payment transactions**

	EEK billion		Change (%)
	2000	2001	2001/2000
Incoming payments	71.6	86.6	21.0
Outgoing payments	78.5	90.1	14.7
Total	150.1	176.7	17.7

**Figure 28. Turnover and balance of international payment transactions (EEK m)**

The **average size of an incoming payment** has been decreasing over the past three years and in 2001 it amounted to 158,300 kroons (172,700 kroons in 2000). The **average size of an outgoing payment** was 196,500 kroons, remaining close to the level of the year 2000 (195,000 kroons).

Use of Currencies⁶

By turnover, the ranking of major currencies used in international payments by Estonian commercial banks was the same as in the year 2000 (see Figures 29 and 30). The dominating currency was still the US dollar, which kept its position unchanged, accounting for 36% of the total turnover of payments. The most important change in the structure of currency use concerned the powerful rise of the euro, which increased its share from 15% to 26% year-on-year. The growing importance of the euro had the biggest impact on the German mark, the share of which dropped from 16% to 11%. The share of the Estonian kroon, the Finnish markka and the Russian rouble also decreased somewhat. The Estonian kroon accounted for 12%, the Finnish markka for 6%, the Swedish krona for 3% and the Russian rouble for 1.2% of international payments. The use of the euro in international payments increased particularly in the fourth quarter when its share climbed to 32%.

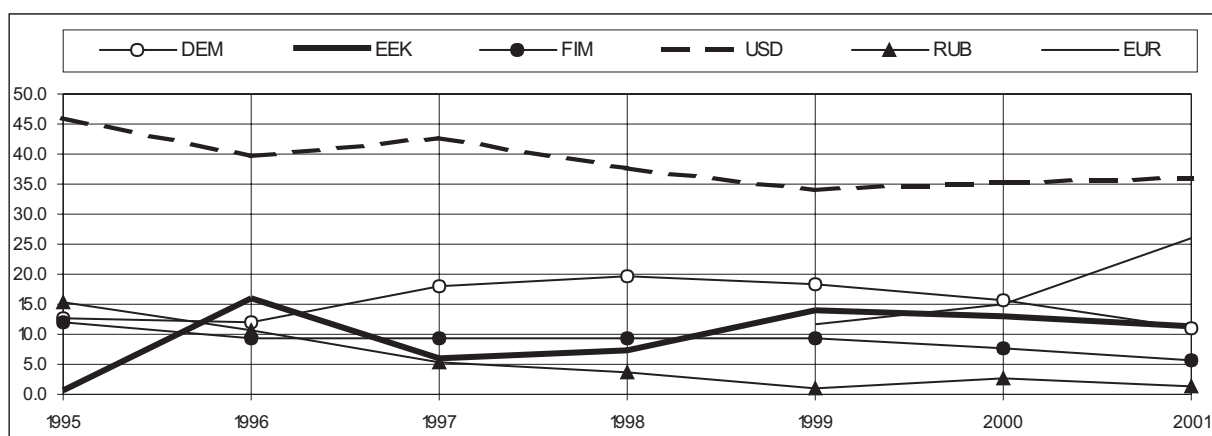


Figure 29. Currencies used in international payment transactions (%)

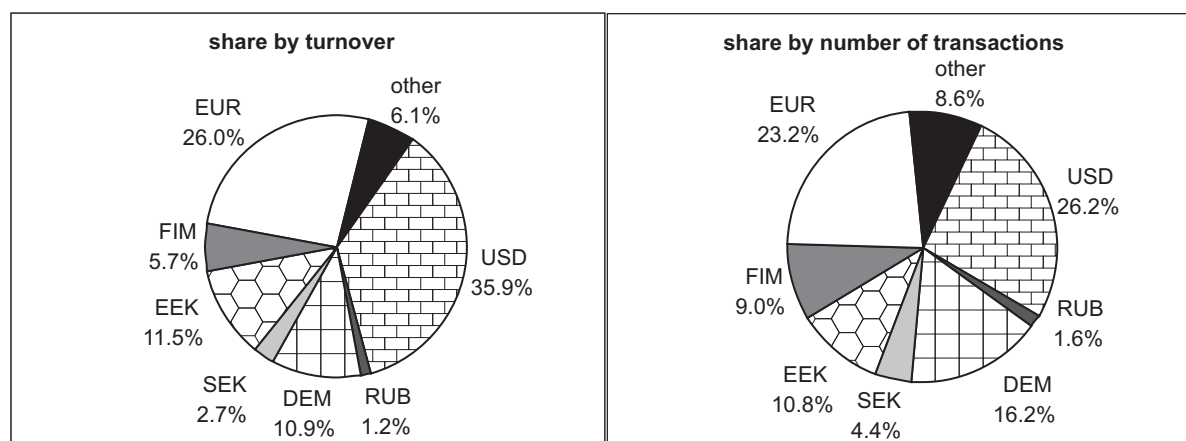


Figure 30. Use of major currencies by turnover and number of international payments in 2001 (%)

By the number of transactions, the use of currencies was similar to their share in turnover. The biggest increase (9 percentage points) was registered in transactions with the euro, which accounted

⁶ The analysis of transactions by currencies does not reflect payments below 100,000 kroons as these are given only in the Estonian kroons in the statistics of Eesti Pank and their inclusion would thus considerably distort the general picture.

for 30% of the total number of transactions in the fourth quarter and exceeded the use of the US dollar by 4 percentage points. The use of all other major currencies decreased slightly year-on-year.

By countries, the use of currencies in international payments varied (see Figure 31). The euro dominated in payments with **the European Economic and Monetary Union (EMU) countries** (36% of the number of transactions, 39% of the turnover). The ranking of the German mark, the Finnish markka, the Estonian kroon and the US dollar differed somewhat in the number of transactions (DEM 21%; FIM 19%; EEK 11%; USD 9%) and turnover (USD 15%; DEM 15%; FIM 14%; EEK 13.5%). The share of the euro in turnover increased by 14.7 percentage points on the account of the decrease of the share of the German mark (down 6.6 percentage points), the Finnish markka (4.7 percentage points), the Estonian kroons (1.7 percentage points) and the US dollar (0.7 percentage points). The share of the US dollar (15%) was comparable to that of the year 2000 (16%). **In transactions with offshore regions** mostly two currencies were used – the US dollar (50% of the number and 68% of the turnover of transactions) and the Estonian kroon (46% and 24%). Year-on-year, the use of the euro increased by 3 percentage points, while the use of the Estonian kroon decreased by 9 percentage points. In transactions with **other countries**, the dominating currency was the US dollar (39% of the number of transactions and 48% of the turnover), followed by the euro (16% and 18%), the German mark (13% and 9%) and the Estonian kroon (9% and 10%).

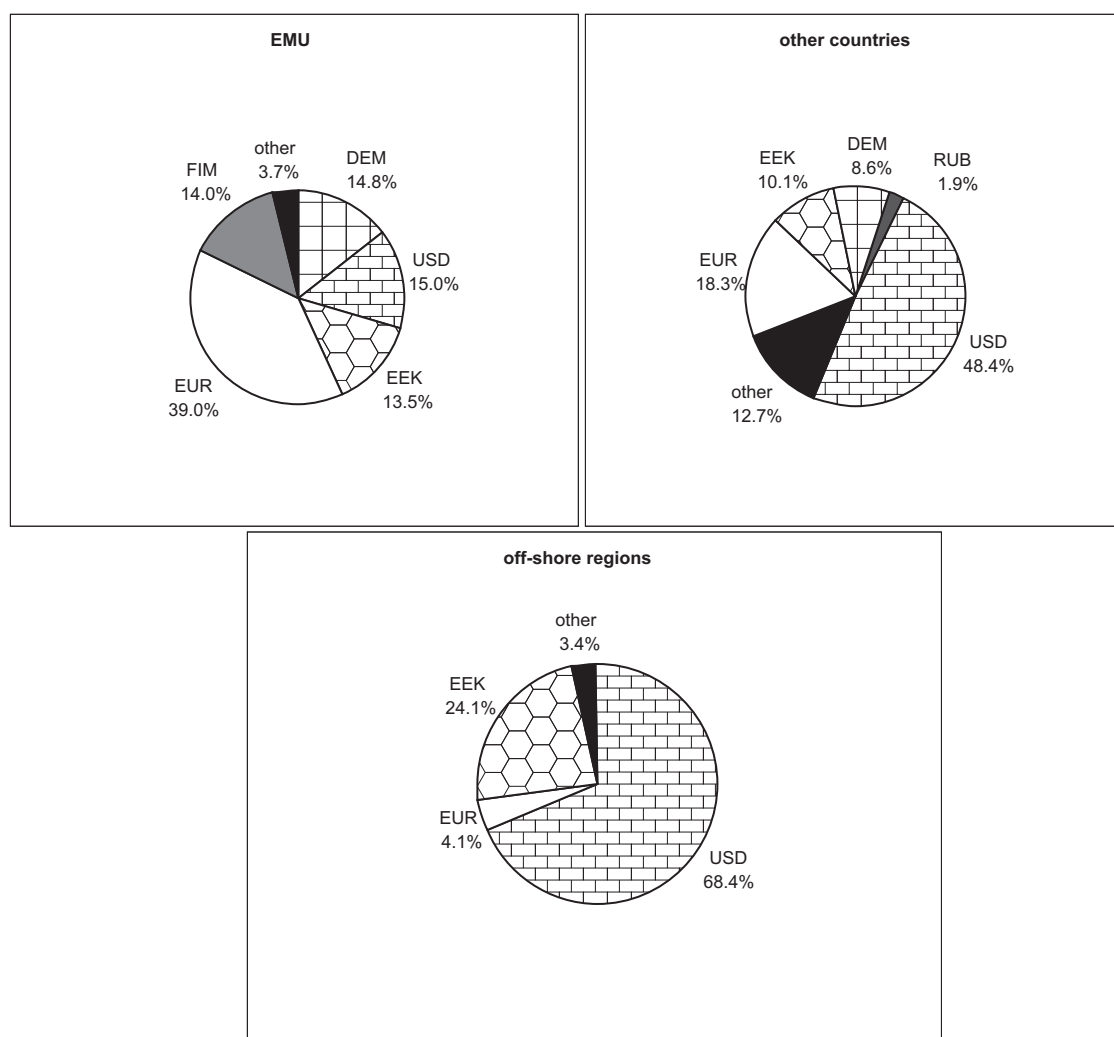


Figure 31. Currencies used in international payment transactions by countries in 2001 (%)