

SHORT SURVEY

The deficit of the current account of Estonian preliminary balance of payments for the first quarter of 2002¹ amounted to 3.5 billion kroons. The surplus of the capital and financial account was almost similar – 3.6 billion kroons. Half of this came from the inflow of direct investments. The reserves of the balance of payments increased by nearly 0.8 billion kroons. The ratio of the current account deficit (average of the last four quarters) to the GDP was 7.9% (see Figure 1).

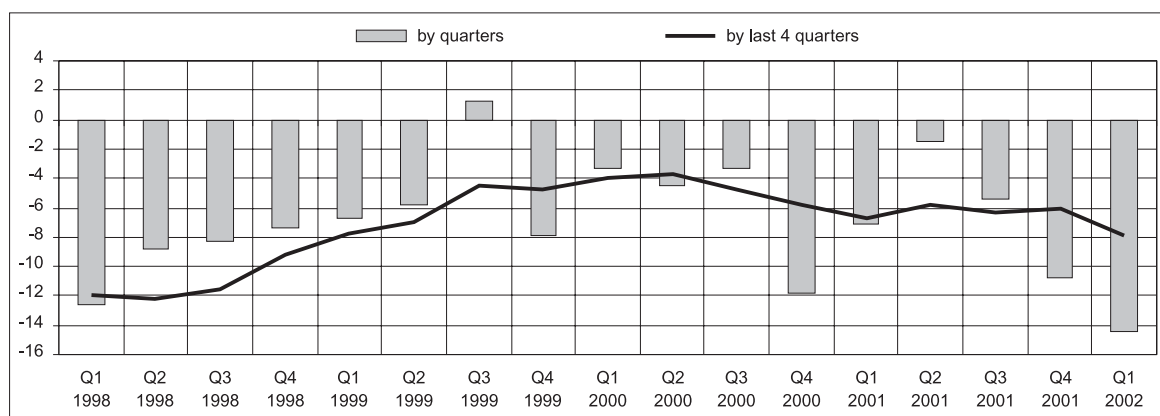


Figure 1. Current account balance to the GDP (%)

As usual, the **foreign trade balance** influenced the growth of the current account deficit the most (see Table 1). The foreign trade deficit was nearly 4 billion kroons, which remained unchanged against last quarter but up one billion kroons year-on-year. In absolute terms, both export and import of goods were below the respective volumes of the first quarter of 2001, mostly due to the sharp fall in the volume of processed goods (first of all, mobile equipment). The normal export of goods was nearly 6% and import for internal circulation grew by 11%. Faster increase of the goods import was partly related to the higher demand for investment goods. Estonia's main foreign trade partners are still the EU countries, although, year-on-year, their share decreased somewhat due to the fall in the volume of processed goods.

Due to seasonal factors, the surplus of the **services' balance** was smaller than usual in the first quarter of 2002, amounting to 1.4 billion kroons. This was also caused by faster growth

¹ The adjusted balance of payments for the first quarter of 2002 and the preliminary balance of payments for the second quarter will be published at the Eesti Pank Web site (<http://www.ee/epbe>) at noon on 23 September 2002.

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

	1998	1999	2000					2001					2002
	Total	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Current account	-6,760.2	-3,607.7	-664.8	-1,045.8	-731.0	-2,651.8	-5,093.4	-1,559.6	-401.2	-1,319.0	-2,631.0	-5,910.8	-3,495.0
Trade and services balance	-7,676.2	-3,755.4	-685.7	-587.3	217.2	-2,513.2	-3,569.0	-1,023.8	-289.6	-671.1	-1,660.5	-3,645.0	-2,571.8
Trade balance	-15,725.5	-12,096.9	-2,326.8	-3,460.0	-2,561.7	-4,795.1	-13,143.6	-3,041.1	-3,029.5	-3,789.0	-3,945.6	-13,805.2	-3,956.6
Goods: export f.o.b	37,786.3	36,995.2	12,260.9	13,495.8	14,026.6	16,562.6	56,345.9	16,192.4	15,965.0	12,301.8	14,183.2	58,642.4	13,093.0
Goods: import f.o.b	-53,511.8	-49,092.1	-14,587.7	-16,955.8	-16,588.3	-21,357.7	-69,489.5	-19,233.5	-18,994.5	-16,090.8	-18,128.8	-72,447.6	-17,049.6
Services: net	8,049.3	8,341.5	1,641.1	2,872.7	2,778.9	2,281.9	9,574.6	2,017.3	2,739.9	3,117.9	2,285.1	10,160.2	1,384.8
Services: credit	20,804.0	21,951.9	5,195.3	6,666.1	7,004.7	6,619.7	25,485.8	5,802.1	7,351.0	7,925.7	7,787.7	28,866.5	6,839.9
Services: debit	-12,754.7	-13,610.4	-3,554.2	-3,793.4	-4,225.8	-4,337.8	-15,911.2	-3,784.8	-4,611.1	-4,807.8	-5,502.6	-18,706.3	-5,455.1
Income: net	-1,164.0	-1,505.8	-459.6	-930.9	-1,446.0	-646.9	-3,483.4	-1,136.8	-915.9	-1,223.0	-1,650.4	-4,926.1	-1,525.2
Income: credit	1,871.8	1,964.3	324.1	539.4	570.6	573.9	2,008.0	594.6	657.3	707.6	1,035.2	2,994.7	620.8
Income: debit	-3,035.8	-3,470.1	-783.7	-1,470.3	-2,016.6	-1,220.8	-5,491.4	-1,731.4	-1,573.2	-1,930.6	-2,685.6	-7,920.8	-2,146.0
Transfers: net	2,080.0	1,653.5	480.5	472.4	497.8	508.3	1,959.0	601.0	804.3	575.1	679.9	2,660.3	602.0
Transfers: credit	2,424.2	2,257.5	593.3	577.1	624.5	659.9	2,454.8	724.0	923.1	711.6	815.4	3,174.1	781.0
Transfers: debit	-344.2	-604.0	-112.8	-104.7	-126.7	-151.6	-495.8	-123.0	-118.8	-136.5	-135.5	-513.8	-179.0
Capital and financial account	6,869.8	5,916.6	-1,033.2	2,301.6	1,824.1	4,419.6	7,512.1	-1,359.0	1,373.8	1,166.5	4,325.7	5,507.0	3,560.9
Capital account	25.2	17.8	63.7	111.6	56.4	46.8	278.5	16.3	44.6	11.4	17.7	90.0	39.0
Financial account	6,844.6	5,898.8	-1,096.9	2,190.0	1,767.7	4,372.8	7,233.6	-1,375.3	1,329.2	1,155.1	4,308.0	5,417.0	3,521.9
Direct investments	7,989.7	3,208.2	743.6	599.7	2,005.8	2,252.3	5,601.4	2,971.7	260.0	809.2	1,860.4	5,901.3	1,772.5
Abroad	-81.7	-1,239.8	-370.8	-661.0	40.2	-51.5	-1,043.1	-294.3	-1,327.3	-1,422.8	-483.9	-3,528.3	-287.4
Into Estonia	8,071.4	4,448.0	1,114.4	1,260.7	1,965.6	2,303.8	6,644.5	3,266.0	1,587.3	2,232.0	2,344.3	9,429.6	2,059.9
Portfolio investments	-23.4	156.0	210.4	3,069.7	-589.5	-835.7	1,854.9	1,323.4	243.3	298.6	-236.0	1,629.3	-964.8
Assets	-127.9	-1,894.9	516.3	1,278.3	-548.5	-673.1	573.0	-62.4	83.5	546.8	-339.1	228.8	-987.6
Equity securities	500.8	187.0	104.5	-4.7	-115.4	68.9	53.3	431.4	-5.9	-30.9	-158.1	236.5	-27.5
Debt securities	-628.7	-2,081.9	411.8	1,283.0	-433.1	-742.0	519.7	-493.8	89.4	577.7	-181.0	-7.7	-960.1
Liabilities	104.5	2,050.9	-305.9	1,791.4	-41.0	-162.6	1,281.9	1,385.8	159.8	-248.2	103.1	1,400.5	22.8
Equity securities	401.1	3,292.3	89.4	134.5	91.8	-854.5	-538.8	-1.9	502.6	-143.7	211.4	568.4	300.1
Debt securities	-296.6	-1,241.4	-395.3	1,656.9	-132.8	691.9	1,820.7	1,387.7	-342.8	-104.5	-108.3	832.1	-277.3
Other investments	-1,121.7	2,534.6	-2,050.9	-1,479.4	351.4	2,956.2	-222.7	-5,670.4	825.9	47.3	2,683.6	-2,113.6	2,714.2
Assets	-2,480.2	-1,651.2	-755.8	-2,856.8	-1,246.5	2,039.8	-2,819.3	-5,271.3	-1,974.2	481.0	1,562.7	-5,201.8	-1,067.9
Long-term	-786.5	421.8	-312.1	-145.7	-587.1	-63.8	-1,108.7	-536.4	-500.5	487.1	227.1	-322.7	261.1
Short-term	-1,693.7	-2,073.0	-443.7	-2,711.1	-659.4	2,103.6	-1,710.6	-4,734.9	-1,473.7	-6.1	1,335.6	-4,879.1	-1,329.0
Liabilities	1,358.5	4,185.8	-1,295.1	1,377.4	1,597.9	916.4	2,596.6	-399.1	2,800.1	-433.7	1,120.9	3,088.2	3,782.1
Long-term	1,258.4	1,691.5	-1,135.3	154.8	399.3	31.3	-549.9	695.5	838.0	139.6	141.3	1,814.4	973.8
Short-term	100.1	2,494.3	-159.8	1,222.6	1,198.6	885.1	3,146.5	-1,094.6	1,962.1	-573.3	979.6	1,273.8	2,808.3
Errors and omissions	16.8	-511.3	405.6	81.2	-822.6	187.6	-148.2	464.7	-294.9	-438.5	-57.7	-326.4	690.2
Overall balance	126.4	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	756.1
Reserve assets	-126.4	-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	-756.1

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

of the import of services (44%) as compared to their export (18%). The surplus of the most important category of services – transport – was more or less on the level of the first quarter of 2001, but the volume of their export and import was considerably larger (mostly due to higher turnover of rail transport). The share of transport services in the total turnover of services rose to nearly 60%. With the increase of living standards of Estonian residents their interest in traveling abroad is constantly increasing, therefore, the surplus of travel services balance was somewhat smaller than last year. However, the biggest role in the shrinking of the surplus of the services' balance was played by construction services as their large surplus of the first quarter of 2001 turned into a deficit in the first quarter of 2002.

The deficit of the **income balance** grew by nearly 400 million kroons year-on-year and amounted to 1.5 billion kroons. As before, the deficit of the income balance resulted from the growing profitability of foreign investments in Estonia – over 70% of the foreign investors'

income came from direct investments, of which two thirds was undistributed profit (reflected in books under inflow of direct investments) and nearly 30% was made up of dividends.

The surplus of the **transfers balance** was 0.6 billion kroons.

The surplus of the **CAPITAL AND FINANCIAL ACCOUNT** amounted to 3.6 billion kroons (in the first quarter of 2001 the balance was negative due to changes in the reserve requirements of credit institutions). The inflow of capital mostly occurred in the form of direct and other investments, while the outflow of portfolio investments exceeded their inflow.

Foreign **direct investments** into Estonia stood at 2.1 billion kroons in the first quarter, of which 25% were investments into share capital and 54% reinvested income. Investments mostly came from Sweden, Finland and the USA and were made mainly into the financial sector, transport, storage and communication and industry.

Direct investments of Estonian investors were practically unchanged year-on-year and made up nearly 300 million kroons. About half of direct investments abroad were in the form of loan capital, a third was share capital and the rest was reinvested income. Estonian direct investments were aimed at the Baltic countries and mostly into transport, storage and communication, real estate, banking, wholesale and retail trade.

The net outflow of **portfolio investments** made up nearly one billion kroons. Most of it was claims of the other sector debt securities and money market instruments of credit institutions. The balance of portfolio investment liabilities changed little as the growth of equity security liabilities was leveled off by the decrease of debt security liabilities. The other sector and credit institutions were the most active agents here.

The inflow of **other investments** exceeded their outflow by 2.7 billion kroons, with claims increasing 1.1 billion kroons and liabilities 3.8 billion kroons. The increase of claims was almost entirely related to short-term loans issued by credit institutions. 2.4 billion kroons of the liabilities increase resulted from the loans received and 1.3 billion kroons from cash and deposits.

The **RESERVES** of the balance of payments grew by nearly 0.8 billion kroons.

CURRENT ACCOUNT

In the first quarter of 2002 the current account deficit of the balance of payments increased for the second quarter in a row and amounted to 3.5 billion kroons. Besides, the balance of all major sub-balances deteriorated (see Figure 2): the surplus of the services balance decreased, foreign trade deficit and net outflow of income increased (the latter mainly due to seasonal factors).

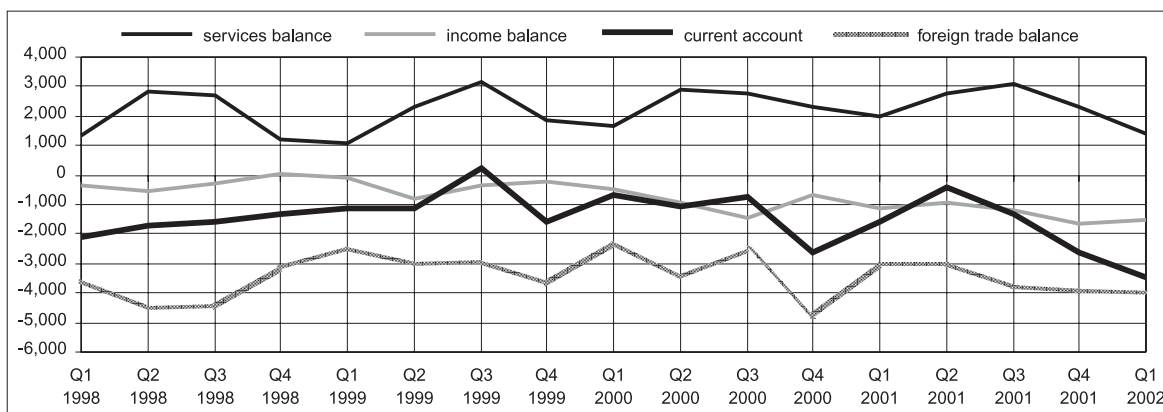


Figure 2. Comparison of the current account, foreign trade balance, income balance and services balance of the Estonian balance of payments (in f.o.b prices, EEK m)

The foreign trade deficit ratio to the GDP increased from 13.9% to 16.4%, year-on-year. Decline of external demand brought the export of goods down 20%, while import shrank by 11.4%. The total export and import of goods and services decreased as well, by 9.9 and 2.2%, respectively. Comparison of the current account balance and the dynamics of the effective real exchange rate of the Estonian kroon shows that although the real exchange rate of the kroon remained unchanged the deficit of the current account doubled (see Figure 3). The real exchange rate of the kroon, which indicates its relative strength against all major trade partners, has been fairly stable over the past two and a half years, fluctuating 5% at most around its equilibrium rate.

Although the decrease of the surplus of the services' balance is normal in the first quarter, the decline was unusually large in 2002 (see Figure 4).

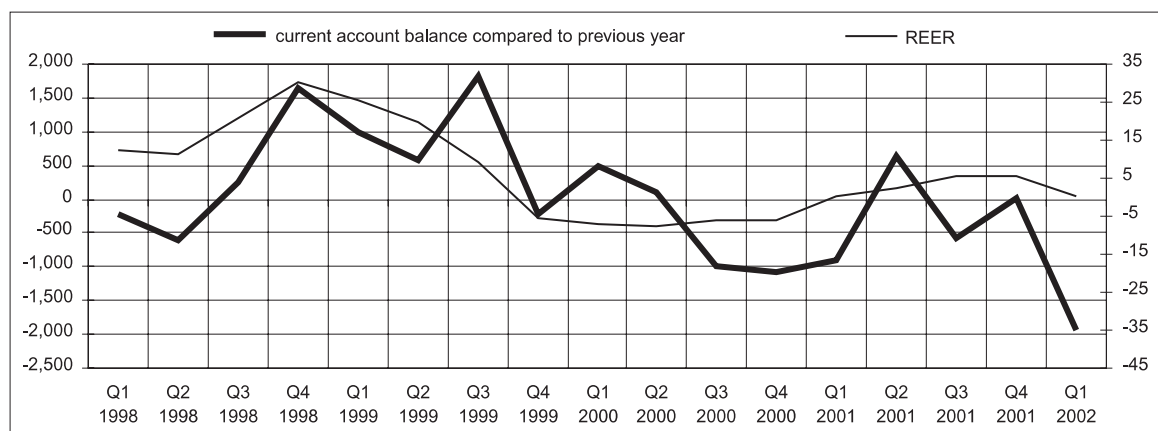


Figure 3. Current account balance (EEK m, the left scale) and annual change of REER (% , the right scale)

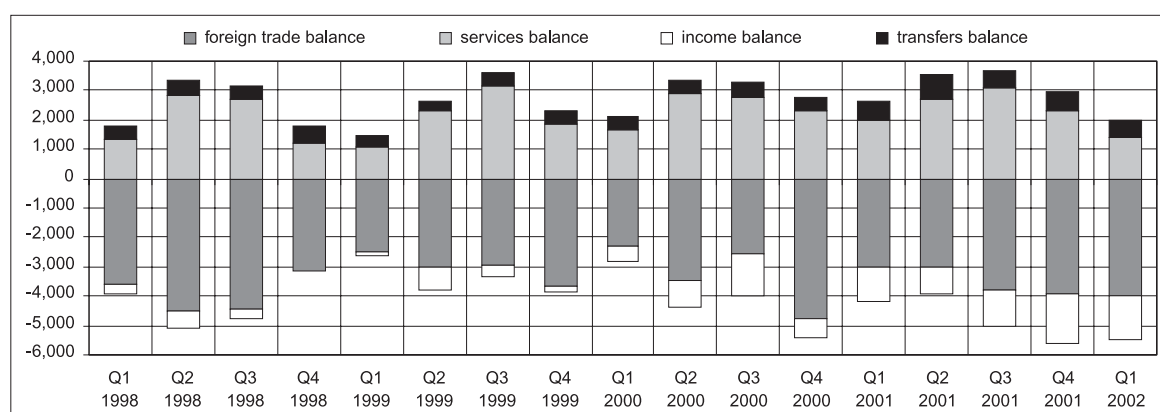


Figure 4. Structure of current account (EEK m)

Goods

The export of goods in the first quarter of 2002 (including adjustments related to the methodology of compiling the balance of payments) amounted to 13 billion kroons and import in f.o.b. prices was 17 billion kroons. Quarter-on-quarter, export was down 8% and import 6%; year-on-year, the drop was 19% and 11%, respectively (see Table 2). The foreign trade deficit was unchanged against the fourth quarter of 2001, but exceeded the deficit of the first quarter of 2001 by nearly one billion kroons, making up 4 billion kroons.

Table 2. Changes 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 (%)	
Q1 1998	9,120.9		68.4	12,738.8		81.7	-3,617.9
Q2 1998	9,750.7	6.9	63.0	14,259.6	11.9	83.1	-4,508.9
Q3 1998	9,017.7	-7.5	59.8	13,468.8	-5.5	80.0	-4,451.1
Q4 1998	9,897.0	9.8	67.4	13,044.6	-3.1	78.3	-3,147.6
1998	37,786.3	18.7	64.5	53,511.8	12.7	80.8	-15,725.5
Q1 1999	8,226.5	-16.9	67.5	10,720.6	-17.8	78.8	-2,494.1
Q2 1999	8,882.6	8.0	61.1	11,865.6	10.7	77.9	-2,983.0
Q3 1999	9,177.0	3.3	58.0	12,145.8	2.4	77.5	-2,968.8
Q4 1999	10,709.1	16.7	65.3	14,360.1	18.2	78.9	-3,651.0
1999	36,995.2	-2.1	62.8	49,092.1	-8.3	78.3	-12,096.9
Q1 2000	12,260.9	14.5	70.2	14,587.7	1.6	80.4	-2,326.8
Q2 2000	13,495.8	10.1	66.9	16,955.8	16.2	81.7	-3,460.0
Q3 2000	14,026.6	3.9	66.7	16,588.3	-2.2	79.7	-2,561.7
Q4 2000	16,562.6	18.1	64.5	21,357.7	28.8	83.1	-4,795.1
2000	56,345.9	52.3	66.8	69,489.5	41.5	81.4	-13,143.6
Q1 2001	16,192.4	-2.2	73.6	19,233.5	-9.9	83.6	-3,041.1
Q2 2001	15,965.0	-1.4	68.5	18,994.5	-1.2	80.5	-3,029.5
Q3 2001	12,301.8	-22.9	60.8	16,090.8	-15.3	77.0	-3,789.0
Q4 2001	14,183.2	15.3	64.6	18,128.8	12.7	76.7	-3,945.6
2001	58,642.4	4.1	67.0	72,447.6	4.3	79.5	-13,805.2
Q1 2002	13,093.0	-7.7	65.7	17,049.6	-6.0	75.8	-3,956.6

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

According to the **special trade statistics**², export of goods amounted to 12.9 billion kroons and import in c.i.f. prices was 17.7 billion kroons (see Figure 5). Year-on-year, foreign trade deficit increased by 0.9 billion kroons due to the decrease of export and constituted 4.8 billion kroons.

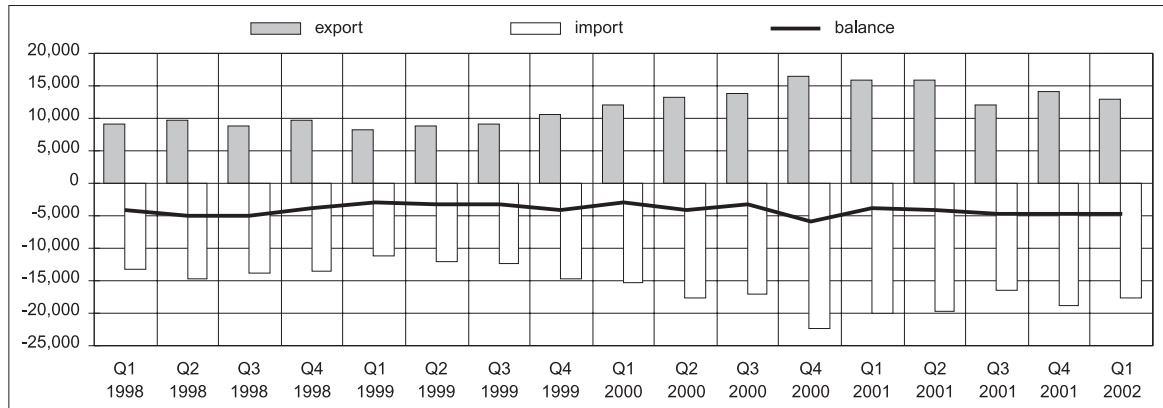


Figure 5. Estonia's foreign trade balance (EEK m)

The considerable decrease of the export and import of goods as compared to the first quarter of 2001 resulted from the shrinking of the volume of **processed goods** (mainly mobile communication equipment and parts) by almost two times (see Table 3). **Normal export**³ grew by 7%. The most important groups of goods were timber and timber products (unprocessed and little processed timber and wooden furniture), textile products (cotton and linen cloth, bed-linen and table cloths) and food products (fish and dairy products). The 11% growth of **import meant for domestic consumption** or normal import was affected the most by the considerable increase of the import of machinery and equipment (parts of metalworking machine-tools, alarm equipment, computers, etc) and transport vehicles (passenger cars and commercial vehicles and their parts).

Table 3. Estonia's special export and import by the breakdown of customs procedures

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Normal export	8,252.8	9,506.7	8,808.2	51.5	67.7	68.2	-7.3	6.7
Export of processed goods	7,767.3	4,528.2	4,097.9	48.5	32.3	31.8	-9.5	-47.2
Special export total	16,020.2	14,034.9	12,906.1	100.0	100.0	100.0	-8.0	-19.4
Import for free circulation	12,747.9	14,941.4	14,204.1	63.9	79.7	80.2	-4.9	11.4
Import of processed goods	7,212.1	3,806.1	3,514.8	36.1	20.3	19.8	-7.7	-51.3
Special import total	19,960.0	18,747.5	17,718.8	100.0	100.0	100.0	-5.5	-11.2

²The analysis below does not contain 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). Import is in c.i.f. prices and analysed by the trading country. Eesti Pank uses the special trade system in its foreign trade analyses, which means that export does not contain the re-export of imported goods previously stored in customs warehouses or provisions for sea and air transport. Import does not contain customs warehousing of imported goods, but reflects deliveries of goods from customs warehouses into free circulation and processing.

³Normal export – export of goods produced in Estonia and owned by Estonian legal entities; does not cover the export of goods processed in Estonia. Normal import – import of goods into Estonia for domestic consumption; does not include import of goods for processing.

Table 4. Special export by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Capital goods	4,842.6	1,591.6	1,310.4	30.2	11.3	10.2	-17.7	-72.9
Goods of intermediate consumption	7,551.7	8,114.0	7,638.9	47.1	57.8	59.2	-5.9	1.2
Consumer goods	3,498.6	4,121.0	3,752.5	21.8	29.4	29.1	-8.9	7.3
Other	127.2	208.2	204.3	0.8	1.5	1.6	-1.9	60.6
Total	16,020.2	14,034.9	12,906.1	100.0	100.0	100.0	-8.0	-19.4

In the **export of goods by end consumption** the share of capital goods decreased to 10% from 30% in the first quarter of 2001 (see Table 4). This was caused by the gradual decrease of the processing of mobile communication equipment since spring 2001, which diminished their export from 4 billion kroons to 0.7 billion kroons, year-on-year. Therefore, the share of goods of intermediate consumption and consumer goods increased in total export. Among the goods of intermediate consumption the most important were parts of mobile phones, the export of which was unchanged against the first quarter of 2001, unprocessed and little processed timber, cables, metal structures, parts of motor vehicles and wooden construction units. Of consumer goods, mostly furniture and furniture parts, fish products and ready-made clothes were exported.

The decrease of the **import of goods** was mostly caused by the 22% decline of the import of goods of intermediate consumption (see Table 5). The import of mobile phone parts dropped from 3.5 billion kroons to 0.3 billion kroons, but this was partly compensated by the 0.5 billion kroon delivery of parts of metalworking machine- tools. Of capital goods, Estonia imported alarm equipment, computers, mobile phones, commercial vehicles, tractors and road-building machinery. The most popular consumer goods were medicines, plastic and paper products and furniture.

Table 5. Special import by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Capital goods	3,082.4	3,686.7	3,135.2	15.4	19.7	17.7	-15.0	1.7
Goods of intermediate consumption	11,738.4	9,324.0	9,208.0	58.8	49.7	52.0	-1.2	-21.6
Consumer goods	3,674.6	4,240.9	3,848.0	18.4	22.6	21.7	-9.3	4.7
Other	1,464.7	1,495.9	1,527.6	7.3	8.0	8.6	2.1	4.3
Total	19,960.0	18,747.5	17,718.8	100.0	100.0	100.0	-5.5	-11.2

In the **foreign trade balance** the early-2001 surplus of capital goods was replaced by a deficit of the same magnitude (see Table 6). However, the deficit of consumer goods and goods of intermediate consumption decreased considerably.

Table 6. Foreign trade balance by end consumption (EEK m)

	Q1 2001	Q4 2001	Q1 2002
Capital goods	1,760.2	-2,095.1	-1,824.8
Goods of intermediate consumption	-4,186.7	-1,210.0	-1,569.1
Consumer goods	-175.9	-119.9	-95.5
Other	-1,337.5	-1,287.7	-1,323.4
Total	-3,939.9	-4,712.6	-4,812.7

By groups of countries, the year-on-year export decreased into the European Union and the so-called other countries, but increased into Central and Eastern Europe and the CIS countries (see Table 7). Finland – Estonia’s largest trade partner in the EU – maintained its leading position despite the fall of export volumes from 6 billion kroons to 3 billion kroons (mostly due to the decrease of the processing of mobile communication equipment). Sweden maintained its second place with 2 billion kroons, while export to Germany grew by 0.3 billion kroons and reached 1.3 billion kroons. Among Central and Eastern European countries the top three included Latvia, Lithuania and Poland; the leading position among the CIS countries belonged to Russia and Ukraine; among other countries Norway, the USA and Switzerland took the lead. 0.3 billion kroons of goods were stored into free trade zones to wait for exporting.

Table 7. Estonia’s special export by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
EU countries	11,758.2	9,259.5	8,945.0	73.4	66.0	69.3	-3.4	-23.9
Central and Eastern European countries	1,473.3	2,015.6	1,623.6	9.2	14.4	12.6	-19.5	10.2
CIS countries	559.0	748.6	591.0	3.5	5.3	4.6	-21.1	5.7
Other	1,792.7	1,405.8	1,484.2	11.2	10.0	11.5	5.6	-17.2
Customs-free zone ¹	436.9	605.3	262.4	2.7	4.3	2.0	-56.6	-39.9
Total	16,020.2	14,034.9	12,906.1	100.0	100.0	100.0	-8.0	-19.4

¹ Customs-free zone is singled out due to the fact that customs procedure code 78 (goods for exporting stored into customs-free zone), introduced in 1 November 1999, does not enable to determine the country of destination for exports in most cases.

Import of goods from the EU decreased as well (see Table 8). Import from Finland dropped from 8 billion kroons in the first quarter of 2001 to 4 billion kroons in the first quarter of 2002. Here, too, the decline was caused by the shrinking of mobile communication equipment processing in Estonia. Finland was followed by Germany, Sweden and Italy. Import from Italy increased by 0.7 billion kroons, the bulk of which was made up of the 0.5 billion kroon delivery of parts for metalworking machine- tools. Latvia, Lithuania and Poland dominated among Central and Eastern European countries, and Russia, Ukraine and Belarus among the CIS countries. Of other countries, biggest importers were Hong Kong, China, Japan, Norway, the USA and Switzerland.

The foreign trade balance was negative across all groups of countries (see Table 9).

Table 8. Estonia’s special import by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
EU countries	14,592.0	12,679.5	12,019.3	73.1	67.6	67.8	-5.2	-17.6
Central and Eastern European countries	1,979.4	2,185.2	2,047.6	9.9	11.7	11.6	-6.3	3.4
CIS countries	1,886.0	1,922.8	1,888.9	9.4	10.3	10.7	-1.8	0.2
Other	1,502.6	1,960.0	1,763.0	7.5	10.5	9.9	-10.0	17.3
Total	19,960.0	18,747.5	17,718.8	100.0	100.0	100.0	-5.5	-11.2

Table 9. Foreign trade balance by groups of countries (EEK m)

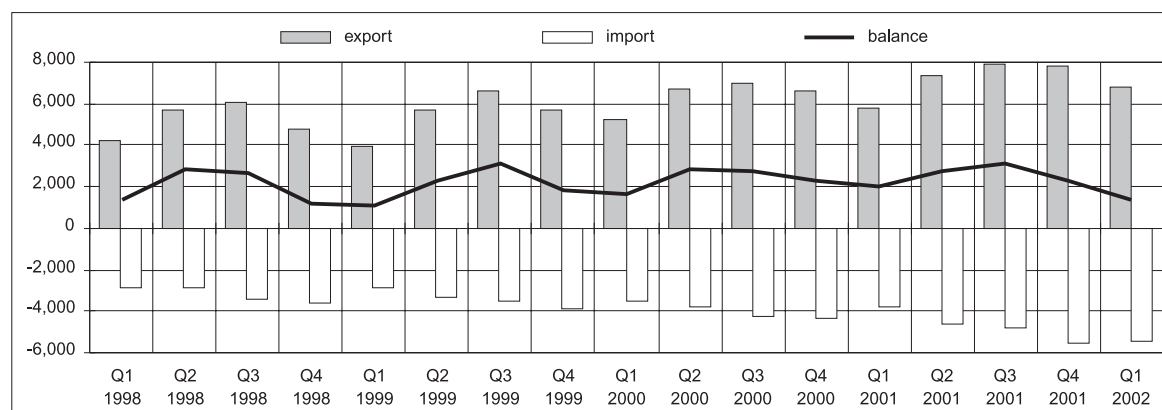
	Q1 2001	Q4 2001	Q1 2002
EU countries	-2,833.8	-3,420.0	-3,074.3
Central and Eastern European countries	-506.1	-169.5	-424.0
CIS countries	-1,327.0	-1,174.2	-1,297.9
Other	290.2	-554.1	-278.8
Customs-free zone	436.9	605.3	262.4
Total	-3,939.9	-4,712.6	-4,812.7

Services

The surplus of the services' balance amounted to 1.4 billion kroons in the first quarter of 2002, which is 31% down year-on-year (see Table 10). The export of services underwent a seasonal fall of 12%, while the import of services dropped by just 1%, or 10 percentage points less than the usual seasonal decline (see Figure 6).

Table 10. Services export and import

	Export			Import			Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Share in total goods and services balance (%)	Volume (EEK m)	Change compared to the previous period (%)	Share in total goods and services balance (%)	Volume (EEK m)	Change compared to the previous period (%)
Q1 1998	4,212.2	-15.7	31.6	2,860.2	-8.3	18.3	1,352.0	-28.1
Q2 1998	5,729.2	36.0	37.0	2,908.9	1.7	16.9	2,820.3	108.6
Q3 1998	6,069.7	5.9	40.2	3,376.1	16.1	20.0	2,693.6	-4.5
Q4 1998	4,792.9	-21.0	32.6	3,609.6	6.9	21.7	1,183.3	-56.1
Q1 1999	3,962.6	-17.3	32.5	2,887.6	-20.0	21.4	1,075.0	-9.2
Q2 1999	5,659.5	42.8	38.9	3,361.3	16.4	21.9	2,298.2	113.8
Q3 1999	6,648.3	17.5	42.0	3,517.9	4.7	22.5	3,130.4	36.2
Q4 1999	5,681.5	-14.5	34.7	3,843.6	9.3	21.2	1,837.9	-41.3
Q1 2000	5,195.3	-8.6	29.8	3,554.2	-7.5	19.6	1,641.1	-10.7
Q2 2000	6,666.1	28.3	33.1	3,793.4	6.7	18.3	2,872.7	75.0
Q3 2000	7,004.7	5.1	33.3	4,225.8	11.4	20.3	2,778.9	-3.3
Q4 2000	6,619.7	-5.5	28.6	4,337.8	2.7	16.9	2,281.9	-17.9
Q1 2001	5,802.1	-12.4	26.4	3,784.8	-12.7	16.4	2,017.3	-11.6
Q2 2001	7,351.0	26.7	31.5	4,611.1	21.8	19.5	2,739.9	35.8
Q3 2001	7,925.1	7.8	39.2	4,807.8	4.3	20.2	3,117.3	13.8
Q4 2001	7,787.7	-1.7	35.4	5,502.6	14.5	22.5	2,285.1	-26.7
Q1 2002	6,839.9	-12.2	34.3	5,455.1	-0.9	24.2	1,384.8	-39.4

**Figure 6. Services balance (EEK m)**

Year-on-year, all the major sub-balances of **the services balance** decreased (see Table 11): while the largest of them, the transport and travel services balance, fell only slightly (58 and 32 million kroons, respectively), then in other balances the decline was considerably larger (310 million kroons in construction services and 162 million kroons in government services).

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)		
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002
Transport services	1,199.6	1,346.3	1,141.9	59.5	58.9	82.5
Travel services	824.4	979.3	791.7	40.9	42.9	57.2
Construction services	254.3	226.6	-54.9	12.6	9.9	-4.0
Business services	58.8	27.9	-27.5	2.9	1.2	-2.0
Government services	-288.2	-340.2	-450.4	-14.3	-14.9	-32.5
Other	-31.6	45.2	-16.0	-1.6	2.0	-1.2
Total	2,017.3	2,285.1	1,384.8	100.0	100.0	100.0

The export of services increased by 18% year-on-year, only due to the 42% increase of transport services, since the export of other services decreased (except for the export of travel services, which showed a minimum growth). As a result, the share of transport services climbed to 61% in the total export of services (see Table 12).

Table 12. Services export by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Transport services	2,928.0	4,066.8	4,159.1	50.5	52.2	60.8	2.3	42.0
o/w freight	1,339.0	2,427.2	2,701.3	23.1	31.2	39.5	11.3	101.7
passenger	455.5	621.3	439.0	7.9	8.0	6.4	-29.3	-3.6
other transport services	1,133.5	1,018.3	1,018.8	19.5	13.1	14.9	0.0	-10.1
Travel services	1,523.5	1,745.5	1,561.0	26.3	22.4	22.8	-10.6	2.5
Construction services	313.2	600.8	153.8	5.4	7.7	2.2	-74.4	-50.9
Business services	760.8	967.0	699.7	13.1	12.4	10.2	-27.6	-8.0
Government services	28.5	61.0	27.5	0.5	0.8	0.4	-54.9	-3.5
Other	248.1	346.6	238.8	4.3	4.5	3.5	-31.1	-3.7
Total	5,802.1	7,787.7	6,839.9	100.0	100.0	100.0	-12.2	17.9

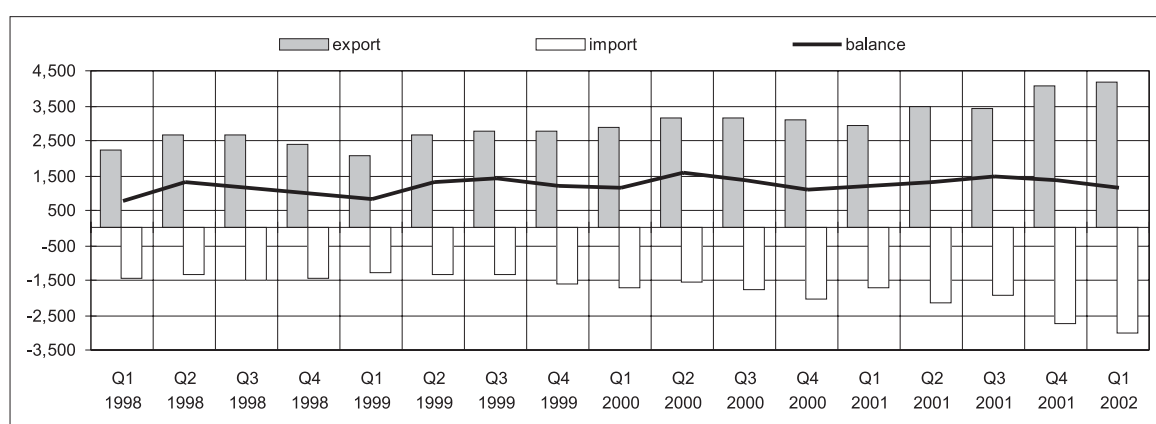
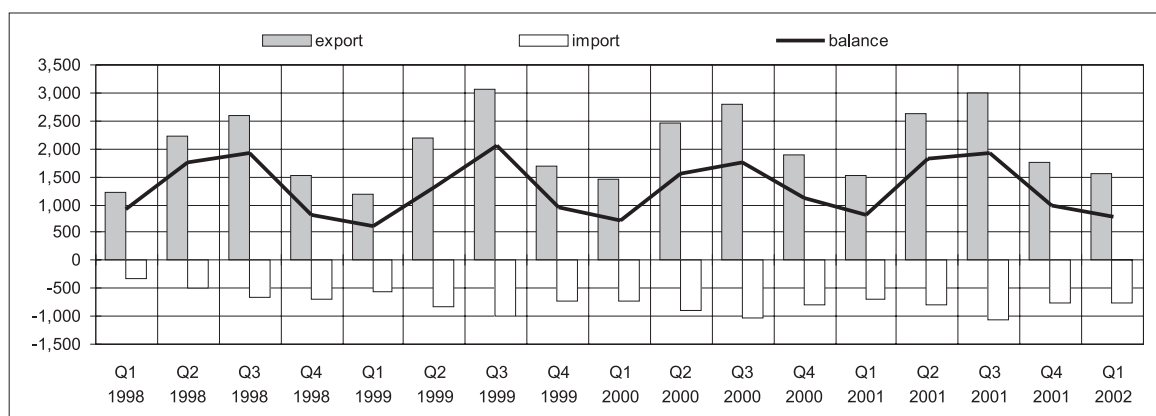
Compared to the first quarter of 2001, **the import of services** increased by 44% and this concerned all major categories of services (see Table 13). The 75% annual increase of the import of transport services had the biggest impact, although the 3.5-time growth of the import of construction services also contributed to the overall increase.

The rapid growth of the most important category of services – **transport** – resulted mostly from the increased cargo transport services: export doubled against the first quarter of 2001 and import was up 91% (see Figure 7). Changes in the passenger transport were smaller, with export down due to the decline of the market share of Estonian companies in sea transport.

The balance of **travel services** fell by 4% against the first quarter of 2001 (export was down 2.5% and import 10%; see Figure 8). The number of foreign tourists visiting Estonia decreased

Table 13. Services import by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Transport services	1,728.4	2,720.5	3,017.2	45.7	49.4	55.3	10.9	74.6
o/w freight	1,290.5	2,130.9	2,465.8	34.1	38.7	45.2	15.7	91.1
passenger	209.5	279.2	253.3	5.5	5.1	4.6	-9.3	20.9
other transport services	228.4	310.4	298.1	6.0	5.6	5.5	-4.0	30.5
Travel services	699.1	766.2	769.3	18.5	13.9	14.1	0.4	10.0
Construction services	58.9	374.2	208.7	1.6	6.8	3.8	-44.2	254.3
Business services	702.0	939.1	727.2	18.5	17.1	13.3	-22.6	3.6
Government services	316.7	401.2	477.9	8.4	7.3	8.8	19.1	50.9
Other	279.7	301.4	254.8	7.4	5.5	4.7	-15.5	-8.9
Total	3,784.8	5,502.6	5,455.1	100.0	100.0	100.0	-0.9	44.1

**Figure 7. Transport services balance (EEK m)****Figure 8. Travel services balance (EEK m)**

by 1.4% year-on-year. However, the number of foreigners serviced by travel agencies grew by 13%, mostly due to tourists from Finland and the CIS countries. The number of days spent by foreigners in Estonia increased by 9.3%. Improved living standard and discount campaigns of several agencies boosted the number of Estonians traveling abroad by 19%, although in money terms the turnover of agencies increased by just 3.2%. In addition to the neighbouring countries, the most popular destinations of Estonians were Spain, Austria, Great Britain and France.

Income

In the first quarter of 2002 the deficit of the income balance amounted to 1.5 billion kroons, being 34% larger than in 2001 (see Table 14). This indicates the profitability of companies owned by foreigners in Estonia, although quarter-on-quarter the net outflow of income dropped by 8% (see Figure 9). Almost the entire outflow of income concerned income from direct investments, since the net inflow of portfolio investment income and the net outflow of income from other investments were equal.

Table 14. Income balance (EEK m)

	Balance (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Income from direct investments	-1,188.8	-1,706.5	-1,565.1	104.6	103.4	102.6	-8.3	31.7
o/w income from equity	-1,144.1	-1,662.4	-1,519.1	100.6	100.7	99.6	-8.6	32.8
income from debt (interests)	-44.7	-44.1	-46.0	3.9	2.7	3.0	4.3	2.9
Income from portfolio investments	172.4	145.0	142.9	-15.2	-8.8	-9.4	-1.4	-17.1
Income from other investments	-136.1	-120.9	-125.1	12.0	7.3	8.2	3.5	-8.1
Other income	15.7	32.0	22.1	-1.4	-1.9	-1.4	-30.9	40.8
Total	-1,136.8	-1,650.4	-1,525.2	100.0	100.0	100.0	-7.6	34.2

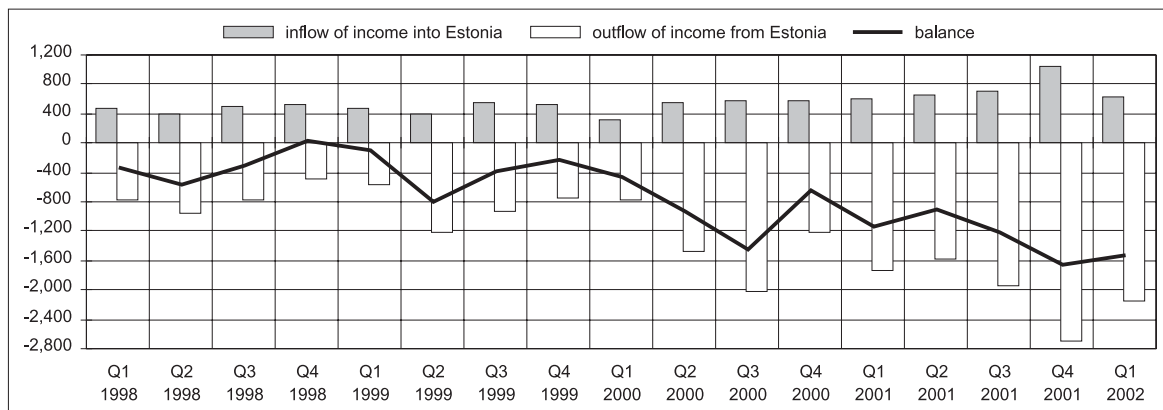


Figure 9. Income balance (EEK m)

The inflow of income amounted to 621 million kroons in the first quarter, up 4.4% year-on-year (see Table 15). While the rest of the changes were accidental by nature, the small inflow of income from direct investments has increased considerably over the past quarters.

Table 15. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Income from direct investments	26.0	229.2	93.4	4.4	22.1	15.0	-59.2	259.2
o/w income from equity	6.8	198.4	71.6	1.1	19.2	11.5	-63.9	952.9
income from debt (interests)	19.2	30.8	21.8	3.2	3.0	3.5	-29.2	13.5
Income from portfolio investments	306.0	593.0	323.9	51.5	57.3	52.2	-45.4	5.8
Income from other investments	243.1	177.8	177.0	40.9	17.2	28.5	-0.4	-27.2
Other income	19.5	35.2	26.5	3.3	3.4	4.3	-24.7	35.9
Total	594.6	1,035.2	620.8	100.0	100.0	100.0	-40.0	4.4

The outflow of income stood at 2.1 billion kroons in the first quarter, up 24% year-on-year (see Table 16). The outflow of one of the most important categories of income – direct investment income – grew faster than the average (36.5%), boosting the share of this category to 77% in the total outflow of income. Due to falling money market interest rates, the outflow of income from other investments decreased by 20%.

Table 16. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Income from direct investments	-1,214.8	-1,935.7	-1,658.5	70.2	72.1	77.3	-14.3	36.5
o/w income from equity	-1,150.9	-1,860.8	-1,590.7	66.5	69.3	74.1	-14.5	38.2
income from debt (interests)	-63.9	-74.9	-67.8	3.7	2.8	3.2	-9.5	6.1
Income from portfolio investments	-133.6	-448.0	-181.0	7.7	16.7	8.4	-59.6	35.5
Income from other investments	-379.2	-298.7	-302.1	21.9	11.1	14.1	1.1	-20.3
Other income	-3.8	-3.2	-4.4	0.2	0.1	0.2	37.5	15.8
Total	-1,731.4	-2,685.6	-2,146.0	100.0	100.0	100.0	-20.1	23.9

Transfers

The surplus of the transfers' balance amounted to 602 million kroons in the first quarter of 2002, unchanged against the first quarter of 2001. According to preliminary estimates, the credit of government transfers grew 6.6% year-on-year. The credit and debit of private transfers increased by 10.7% and 55%, respectively, bringing the balance down by 29.2%.

CAPITAL AND FINANCIAL ACCOUNT

The surplus of the capital and financial account was 3.6 billion kroons in the first quarter of 2002. The structure of the financial account by categories and maturity can be seen in Figures 10 and 11.

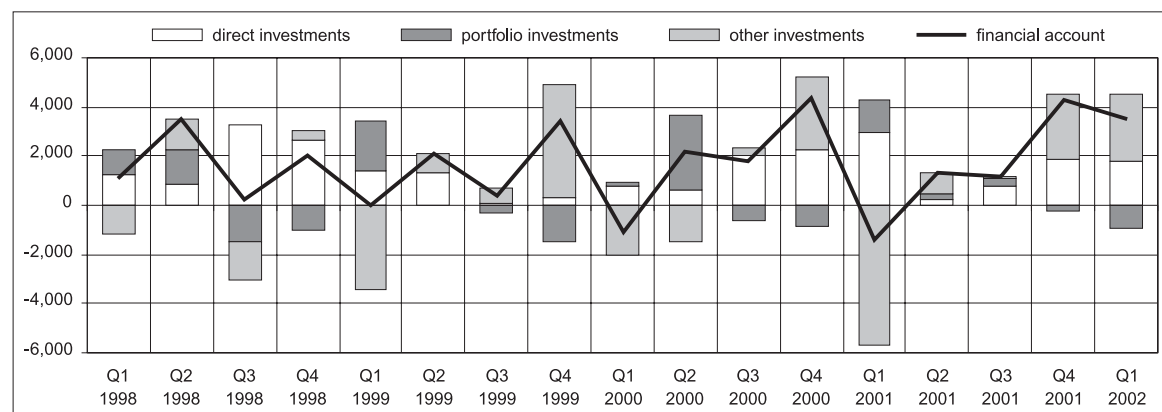


Figure 10. Changes in the structure of foreign investment capital flows (EEK m)

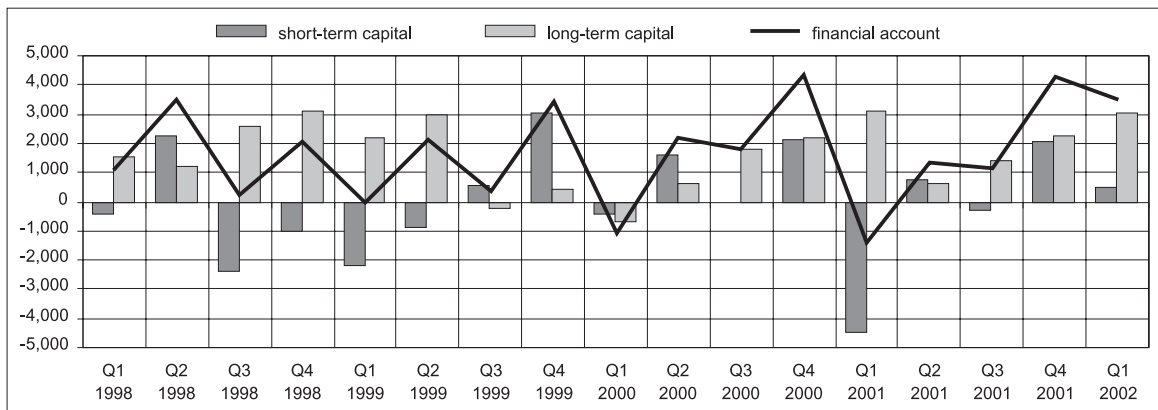


Figure 11. The maturity structure of financial sources (EEK m)

Direct Investments

The balance of direct investments was positive in the first quarter of 2002 and made up 1.8 billion kroons. Non-residents invested more than 2 billion kroons into Estonia and Estonian direct investments abroad grew by nearly 300 million kroons (see Table 17 and Figure 12). Half of the financial account surplus was made up of the net inflow of direct investments.

Table 17. Structure of direct investments

	Into Estonia						Abroad					
	EEK m			Share (%)			EEK m			Share (%)		
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002
Share capital	1,586.0	1,299.2	522.0	48.6	55.4	25.3	-80.8	-51.3	-90.1	27.5	10.6	31.4
Inflow	1,814.9	1,716.5	771.5	55.6	73.2	37.5	12.9	214.6	14.4	-4.4	-44.3	-5.0
Outflow	-228.9	-417.3	-249.5	-7.0	-17.8	-12.1	-93.7	-265.9	-104.5	31.8	54.9	36.4
Reinvested income	1,131.4	1,716.5	1,104.7	34.6	73.2	53.6	-5.1	-186.2	-64.7	1.7	38.5	22.5
Claims	-671.3	-942.2	-480.0	-20.6	-28.8	-14.7	-48.7	-232.5	-72.7	-1.5	-7.1	-2.2
Liabilities	1,802.7	2,658.7	1,584.7	55.2	81.4	48.5	43.6	46.3	8.0	1.3	1.4	0.2
Loan capital (net)	524.2	-598.4	-131.7	16.1	-25.5	-6.4	-200.7	-266.9	-126.3	68.2	55.2	43.9
Trade credit	-363.0	-274.9	-220.0	-11.1	-11.7	-10.7	-42.3	54.5	-117.1	14.4	-11.3	40.7
Short-term loans	528.9	-574.9	247.8	16.2	-24.5	12.0	-113.0	-290.7	-29.5	38.4	60.1	10.3
Long-term loans	358.3	251.4	-159.5	11.0	10.7	-7.7	-45.4	-30.7	20.3	15.4	6.3	-7.1
Other capital	24.4	-73.0	564.9	0.7	-3.1	27.4	-7.7	20.5	-6.3	2.6	-4.2	2.2
Total	3,266.0	2,344.3	2,059.9	100.0	100.0	100.0	-294.3	-483.9	-287.4	100.0	100.0	100.0

Foreign direct investments into Estonia were slightly smaller than in the fourth quarter of 2001. 25% of long-term financial investments were made into share capital. The growth of reinvested income continued at a stable rate and accounted for half of the inflow of direct investments. Other investments were large as well and their growth derived from the increase of unpaid dividends to foreign owners. The position of loan capital decreased by 0.1 billion kroons. Only the balance of short-term loans was positive, as liabilities to major investors increased by 350 million kroons. In long-term liabilities, repayments exceeded the increase of liabilities by nearly 0.2 billion kroons and debts of foreign investors for goods and services increased by a similar degree (see Figure 13).

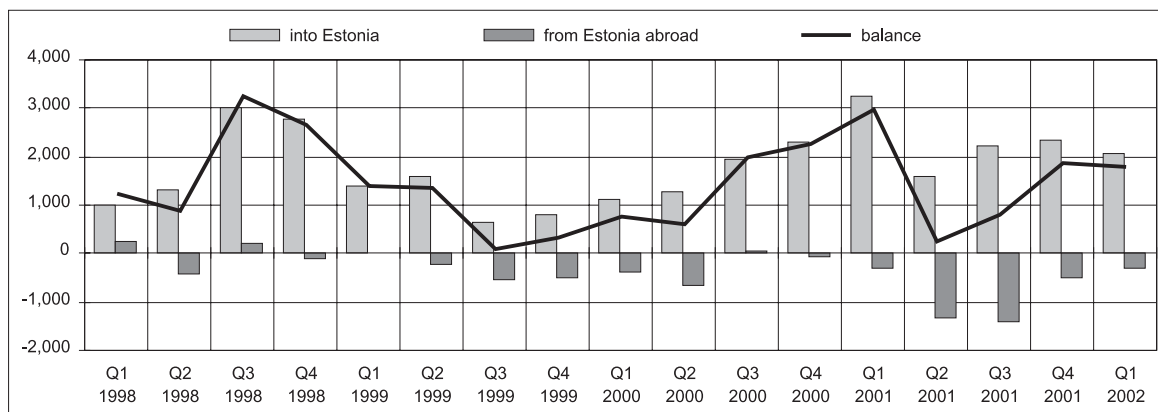


Figure 12. Direct investments (EEK m)

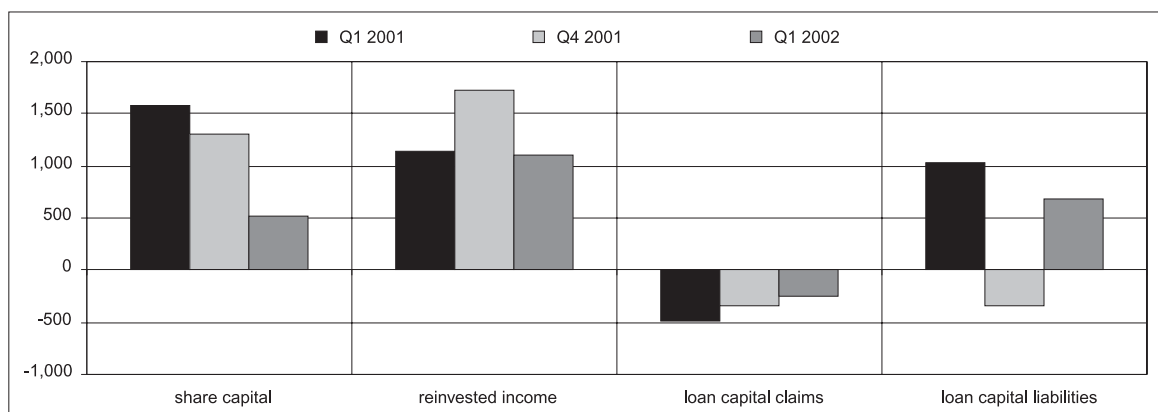


Figure 13. Structure of direct investments made into Estonia (EEK m)

The bulk of direct investments made into Estonia came from Finland and Sweden (60%) and over half of it was placed into the financial sector. Investments from the USA, Liechtenstein and the Netherlands increased considerably as well. The most popular spheres besides the financial sector were transport, storage and communication and manufacturing (see Figures 14 and 15).

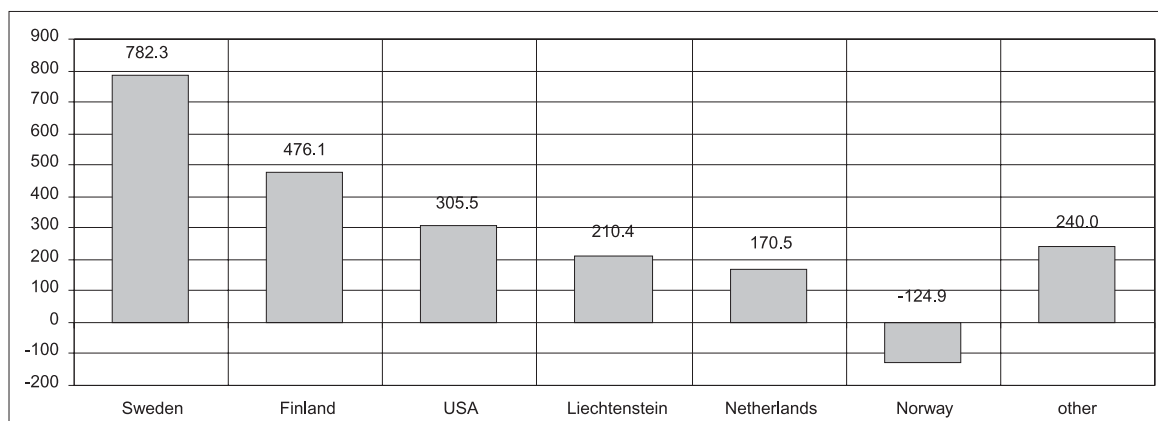


Figure 14. Structure of direct investments made into Estonia by countries in the 1st quarter of 2002 (EEK m)

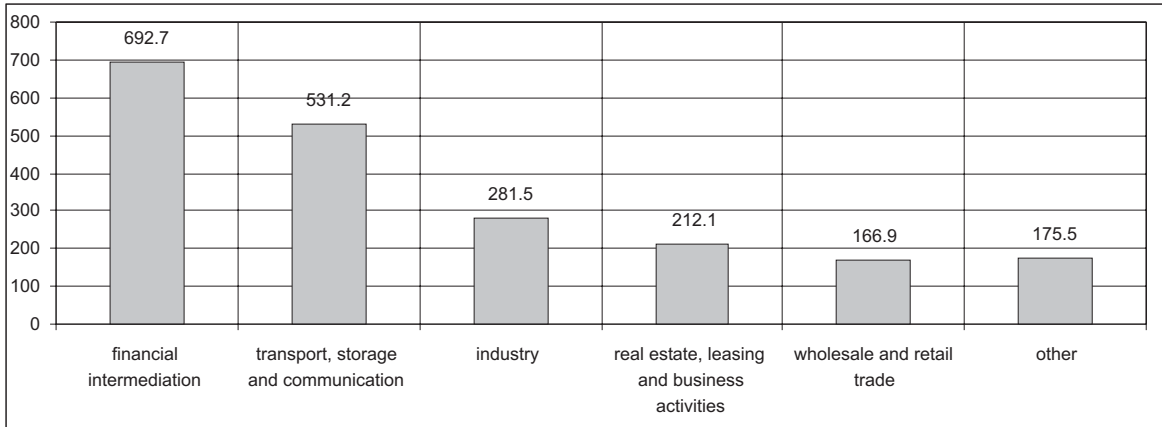


Figure 15. Structure of direct investments made into Estonia by spheres of activity in the 1st quarter of 2002 (EEK m)

Direct investments of Estonian businesses abroad remained unchanged against the first quarter of 2001. One third of direct investments were made into the share capital of affiliated/associated companies. The value of Estonian long-term financial investments abroad increased by 65 million kroons. Loan capital was characterised by extensive outflow of investments. Trade credit claims on affiliated/associated companies increased by 102 million kroons (see Figure 16).

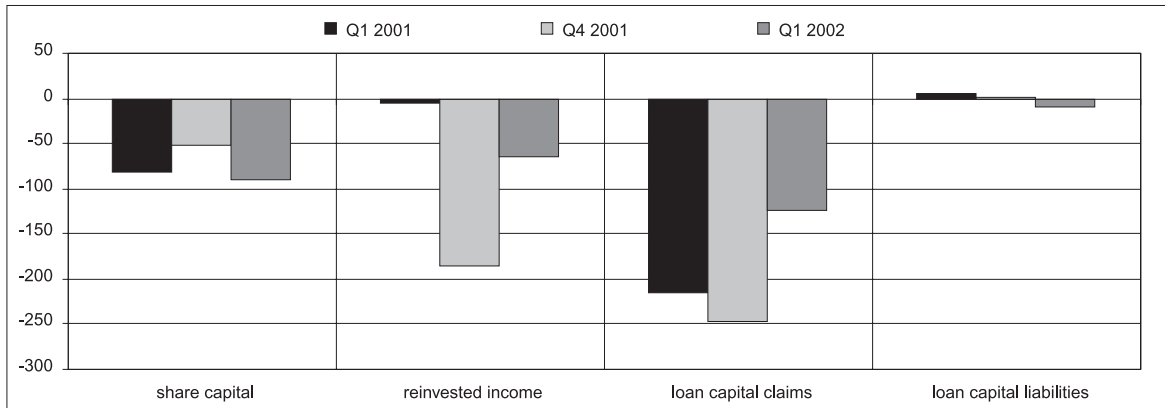


Figure 16. Structure of direct investments made abroad (EEK m)

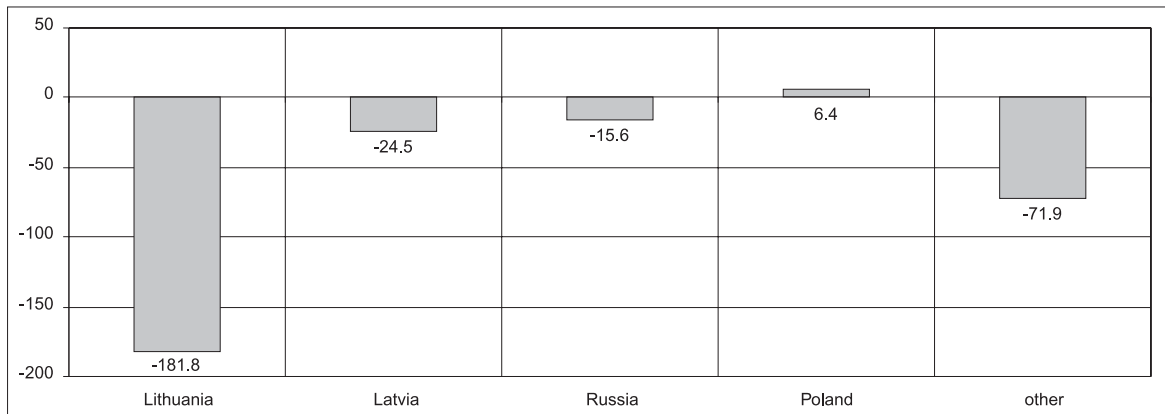


Figure 17. Structure of direct investments made abroad by countries in the 1st quarter of 2002 (EEK m)

The bulk of investments were still made into the Lithuanian economy, mostly industry. Foreign investments into transport, storage and communication, real estate, leasing and business services, finance, wholesale and retail trade increased by nearly equal amounts (see Figures 17 and 18).

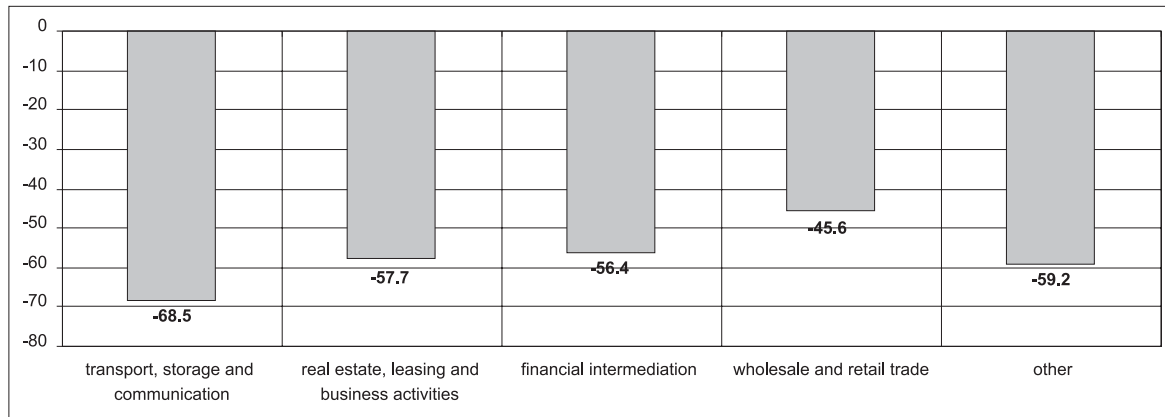


Figure 18. Structure of direct investments made abroad by spheres of activity in the 1st quarter of 2002 (EEK m)

Portfolio Investments

Net outflow of **portfolio investments** was 956 million kroons in the first quarter of 2002 and it was mostly related to the growth of debt security claims of credit institutions and undertakings of the other sector (see Figure 19 and Table 18).

Portfolio investment claims increased by 988 million kroons in the first quarter, or nearly tripled against the fourth quarter of 2001. This was due to the growing investments of credit institutions and the other sector undertakings into the debt instruments of non-residents (461 and 449 million kroons, respectively).

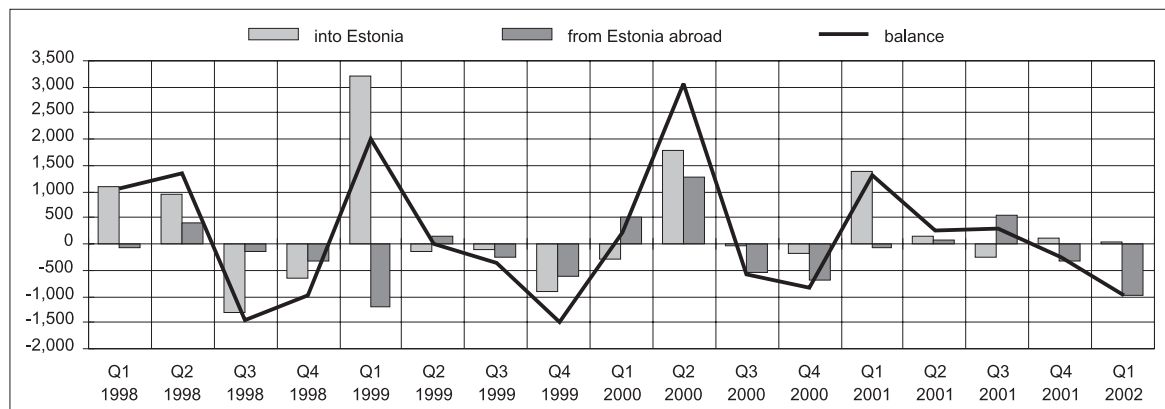


Figure 19. Portfolio investments (EEK m)

Table 18. Portfolio investments by types of securities and sectors of economy (EEK m)

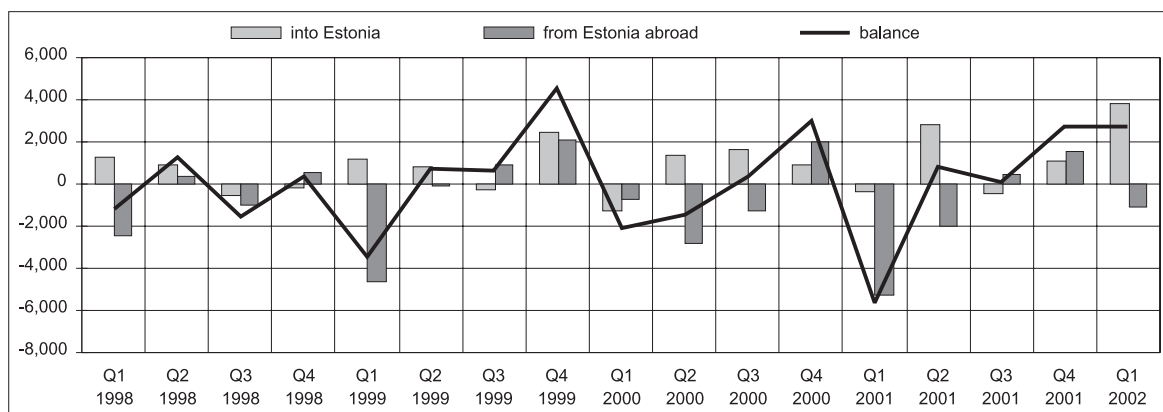
	Claims			Liabilities			Balance		
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002
Total portfolio investments	-62.4	-339.1	-987.6	1,385.8	103.1	22.8	1,323.4	-236.0	-964.8
Equity securities	431.4	-158.1	-27.5	-1.9	211.4	300.1	429.5	53.3	272.6
Credit institutions	396.8	-6.8	4.9	47.5	79.8	-161.9	444.3	73.0	-157.0
Other sectors	34.6	-151.3	-32.4	-49.4	131.6	462.0	-14.8	-19.7	429.6
Debt securities	-493.8	-181.0	-960.1	1,387.7	-108.3	-277.3	893.9	-289.3	-1,237.4
Central bank									
Government sector	-215.1	76.6	-50.1	-2.7	-57.1	-1.5	-217.8	19.5	-51.6
Credit institutions	-73.5	-6.5	-460.9	1,039.7	60.0	-198.4	966.2	53.5	-659.3
Other sectors	-205.2	-251.1	-449.1	350.7	-111.2	-77.4	145.5	-362.3	-526.5

Portfolio investment liabilities increased by 23 million kroons in the first quarter. The 462 million kroons equity investment of the other sector undertakings helped to maintain the positive balance of capital inflow. Resident businesses reduced their debt security liabilities to non-residents by 277 million kroons. This was mostly done by credit institutions and businesses of the other sector.

Other Investments

The surplus of **other foreign investment capital** flows amounted to 2.7 billion kroons in the first quarter of 2002, and was unchanged compared to the IV quarter of 2001. External claims increased by 1.1 and liabilities by 3.8 billion kroons (see Figure 20, Tables 19 and 20). Most of the changes concerned short-time capital.

The 1.1 billion kroons increase of **claims** derived from the short-term loans issued by credit institutions to non-residents (1.2 billion kroons); 148 million kroons worth of long-term loans were repaid in the first quarter of 2002. The deposits of residents in credit institutions abroad decreased by 150

**Figure 20. Other investments (EEK m)**

million kroons and this change in foreign assets mostly concerned businesses of the other sector. Trade credit claims increased by 260 million kroons in the first quarter.

Table 19. Other investments by type of capital (EEK m)

	Claims			Liabilities			Balance		
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002
Total	-5,271.3	1,562.7	-1,067.9	-399.1	1,120.9	3,782.1	-5,670.4	2,683.6	2,714.2
o/w trade credit	-301.4	-48.5	-260.2	-480.2	10.6	110.6	-781.6	-37.9	-149.6
loans	-1,655.6	26.4	-1,095.9	536.0	917.3	2,356.1	-1,119.6	943.7	1,260.2
deposits	-3,156.4	1,550.9	152.2	-315.9	50.8	1,340.0	-3,472.3	1,601.7	1,492.2
other	-157.9	33.9	136.0	-139.0	142.2	-24.6	-296.9	176.1	111.4

Table 20. Other investments by maturity (EEK m)

	Claims			Liabilities			Balance		
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002
Total	-5,271.3	1,562.7	-1,067.9	-399.1	1,120.9	3,782.1	-5,670.4	2,683.6	2,714.2
Long-term capital	-536.4	227.1	261.1	695.5	141.3	973.8	159.1	368.4	1,234.9
central bank	0.2		3.0		-1.4		0.2	-1.4	3.0
government sector				-43.0	-24.8	-13.3	-43.0	-24.8	-13.3
credit institutions	-154.7	-51.9	148.5	124.7	-411.5	208.9	-30.0	-463.4	357.4
other sectors	-381.9	279.0	109.6	613.8	579.0	778.2	231.9	858.0	887.8
Short-term capital	-4,734.9	1,335.6	-1,329.0	-1,094.6	979.6	2,808.3	-5,829.5	2,315.2	1,479.3
central bank	-37.0	-66.1	106.8	-59.3	-89.5	1,515.8	-96.3	-155.6	1,622.6
government sector	43.9	27.2	-31.9				43.9	27.2	-31.9
credit institutions	-3,969.2	-325.4	-1,220.6	-575.8	796.5	1,528.5	-4,545.0	471.1	307.9
other sectors	-772.6	1,699.9	-183.3	-459.5	272.6	-236.0	-1,232.1	1,972.5	-419.3

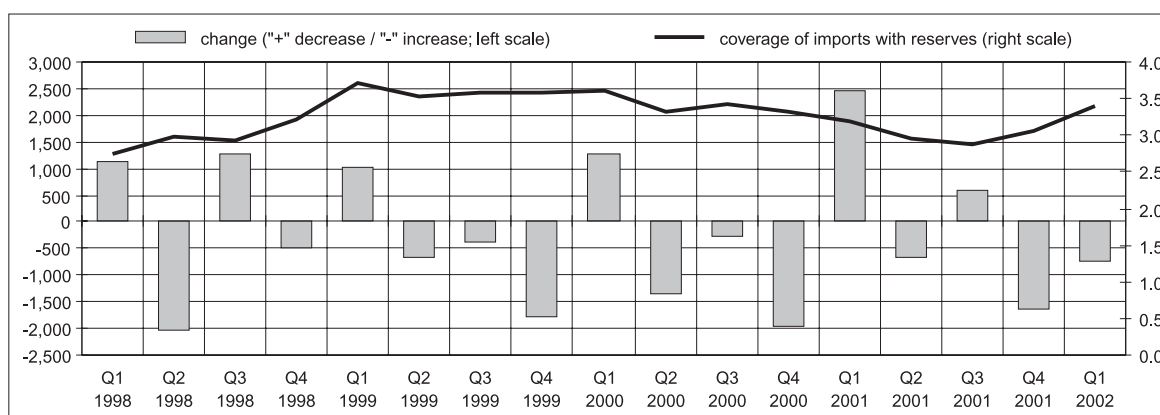
Liabilities of other investments increased by 3.8 billion kroons in the first quarter. More than one third of the growth came from the increase of non-residents' deposits in Estonian credit institutions (1.3 billion kroons), but large transactions of the central bank contributed as well. The growth of loans taken by banks and businesses of the other sector was also significant – 371 and 396 million kroons, respectively.

RESERVES

The inflow of capital into the capital and financial account exceeded the current account deficit in the first quarter; therefore, the balance of payments was positive and the gold and foreign currency reserves of Eesti Pank increased by 756 million kroons (see Table 21). As export of goods decreased quarter-on-quarter, the coverage of imports with reserves increased (see Figure 21).

Table 21. Structure of reserves change

	EEK m			Share (%)		
	Q1 2001	Q4 2001	Q1 2002	Q1 2001	Q4 2001	Q1 2002
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	2,285.4	88.3	-890.8	93.1	-5.4	117.8
Securities	166.9	-1,723.9	135.1	6.8	105.3	-17.9
Equity securities				0.0	0.0	0.0
Debt securities	-913.2	380.0	515.3	-37.2	-23.2	-68.2
Money market instruments	1,080.1	-2,103.9	-380.2	44.0	128.5	50.3
Other claims	1.6	-1.4	-0.4	0.1	0.1	0.1
Total	2,453.9	-1,637.0	-756.1	100.0	100.0	100.0

**Figure 21. Change of the Estonia's gold and foreign currency reserves (EEK m) and the coverage of imports (in quarters)**

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT

as of 31 March 2002

By the end of the first quarter of 2002 foreign investments made into Estonia totalled 118.1 billion kroons, of which 52.7% or 62.3 billion kroons were direct investments that do not contribute to the external debt (see Table 22). The economic sectors that attracted foreign investors the most were finance (26% of all direct investments), transport, storage and communication (23%) and manufacturing (20%; see Figure 22). The bulk of direct investment capital came from Sweden (36%) and Finland (29%; see Figure 23).

Table 22. Estonia's international investment position (EEK m)¹

	31.12.01	%	31.03.02	%
EXTERNAL ASSETS				
Direct investments abroad	7,815.7	15.1	8,024.9	14.6
share capital and reinvested income	5,058.8	9.8	5,160.4	9.4
other capital	2,756.9	5.3	2,864.5	5.2
Portfolio investments abroad	4,637.6	9.0	5,663.2	10.3
equity securities	398.2	0.8	419.8	0.8
debt securities	4,239.4	8.2	5,243.4	9.5
long-term	1,616.2	3.1	2,032.0	3.7
short-term	2,623.2	5.1	3,211.4	5.8
Financial derivatives	154.3	0.3	158.6	0.3
Other investments abroad	24,508.6	47.4	25,782.3	46.8
trade credit	4,990.4	9.7	5,383.0	9.8
loans	9,255.2	17.9	10,399.1	18.9
long-term	3,955.3	7.7	3,752.3	6.8
short-term	5,299.9	10.3	6,646.8	12.1
deposits	9,760.9	18.9	9,614.9	17.5
other assets	502.1	1.0	385.3	0.7
Reserves	14,552.5	28.2	15,436.8	28.0
TOTAL EXTERNAL ASSETS	51,668.7	100.0	55,065.8	100.0
EXTERNAL LIABILITIES				
Direct investments into Estonia	55,905.3	52.6	62,252.4	52.7
share capital and reinvested income	43,991.8	41.4	49,894.8	42.3
other capital	11,913.5	11.2	12,357.6	10.5
Portfolio investments into Estonia	13,521.2	12.7	14,972.1	12.7
equity securities	7,129.1	6.7	8,853.9	7.5
debt securities	6,392.1	6.0	6,118.2	5.2
long-term	6,334.9	6.0	6,059.4	5.1
short-term	57.2	0.1	58.8	0.0
Financial derivatives	112.1	0.1	110.8	0.1
Other investments into Estonia	36,689.9	34.5	40,754.9	34.5
trade credit	6,131.7	5.8	6,276.6	5.3
loans	19,853.9	18.7	22,379.8	19.0
long-term	15,512.9	14.6	16,555.1	14.0
short-term	4,341.0	4.1	5,824.7	4.9
deposits	8,099.9	7.6	9,440.0	8.0
other liabilities	2,604.4	2.5	2,658.5	2.3
TOTAL EXTERNAL LIABILITIES	106,228.5	100.0	118,090.2	100.0
NET INTERNATIONAL INVESTMENT POSITION	-54,559.8		-63,024.4	
short-term	4,703.3		3,209.3	
long-term	-59,263.1		-66,233.7	

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

The structure of foreign investments has changed little as compared to the end of 2001. In direct investments, the part of share capital and reinvested income has increased faster. The proportion of share capital and equity securities under portfolio investments increased as a result of the growth of capital inflow as well as the rise of stock prices.

Investments from Estonia abroad amounted to 55.1 billion kroons at the end of the first quarter. Nearly half of this was made up of loans and deposits and over a quarter of gold and foreign currency reserves of the central bank. The share of direct investments in

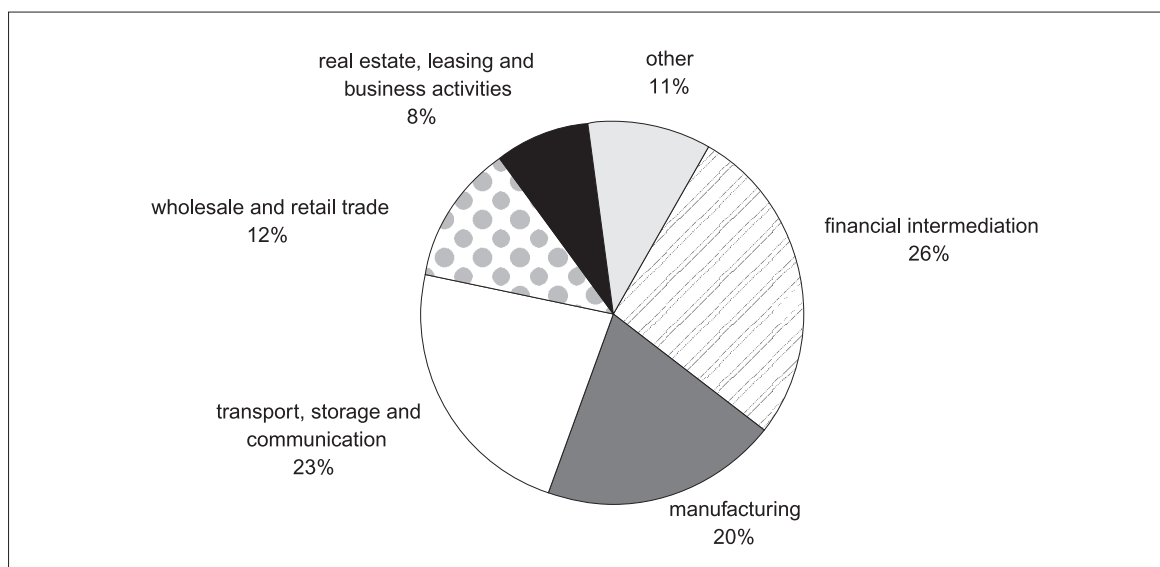


Figure 22. Direct investment position in Estonia by spheres of activity as of 31 March 2002

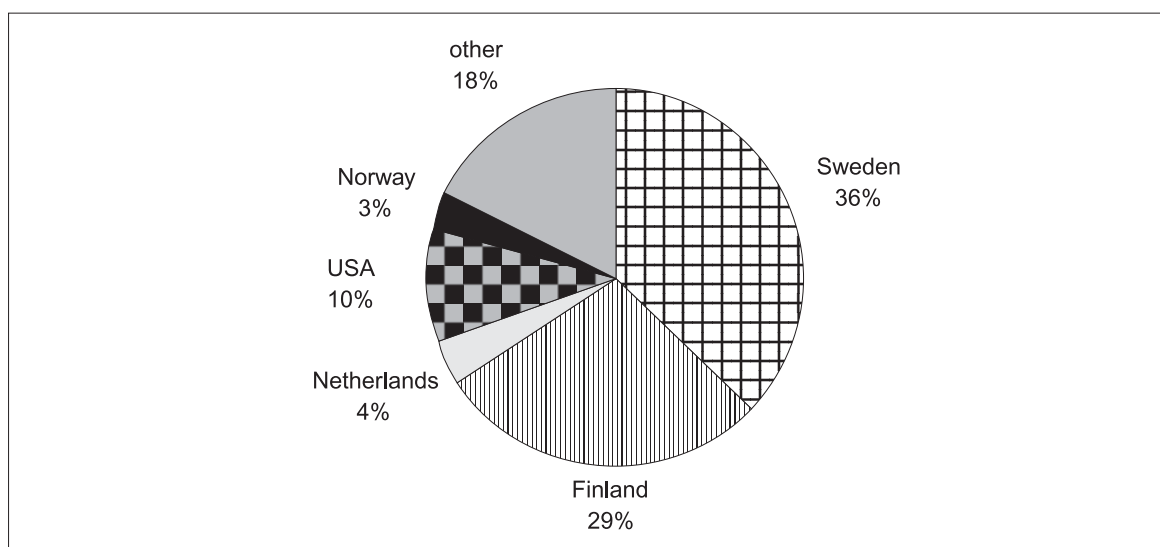


Figure 23. Direct investment position in Estonia by countries as of 31 March 2002

Estonia's total investments abroad was over 14%. Estonian investors prefer such economic sectors as finance (41% of all direct investments abroad) and real estate, leasing and business services (19%; see Figure 24). By countries the majority of direct investments were made into Lithuania (44%) and Latvia (35%; see Figure 25).

Due to the predominance of external liabilities, Estonia's net investment position at the end of the first quarter was negative by 63 billion kroons. On 31 March, Estonia's gross external debt amounted to 62.6 billion kroons and the net external debt (external debt claims minus external debt liabilities) stood at 9.9 billion kroons (approximately 10% of the expected GDP of the past four quarters; see Table 23). The dynamics of Estonia's gross external debt and net external debt can be seen from Figure 26.

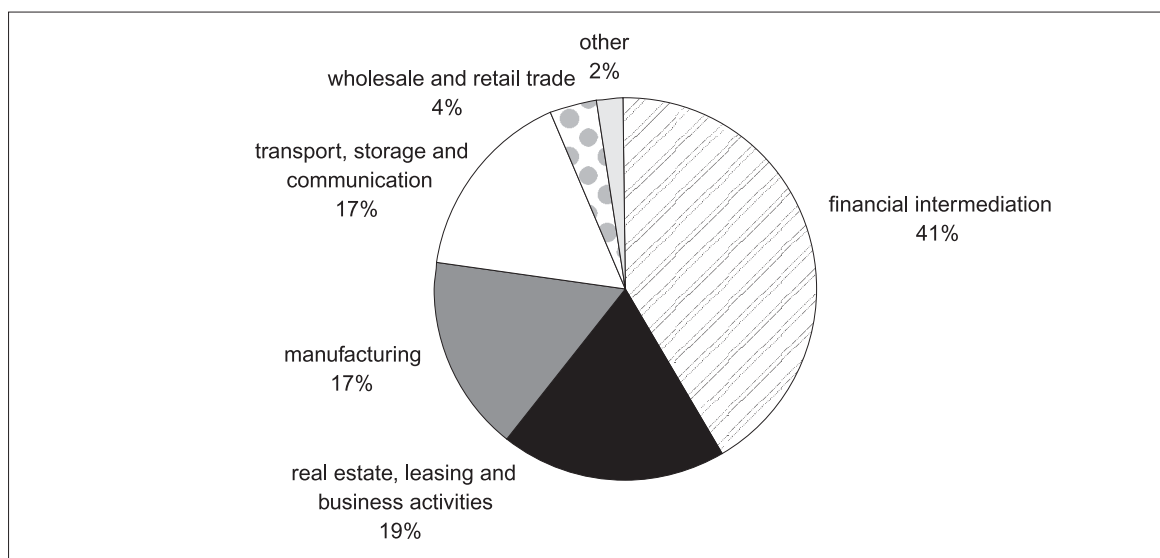


Figure 24. Estonia's direct investment position abroad by spheres of activity as of 31 March 2002

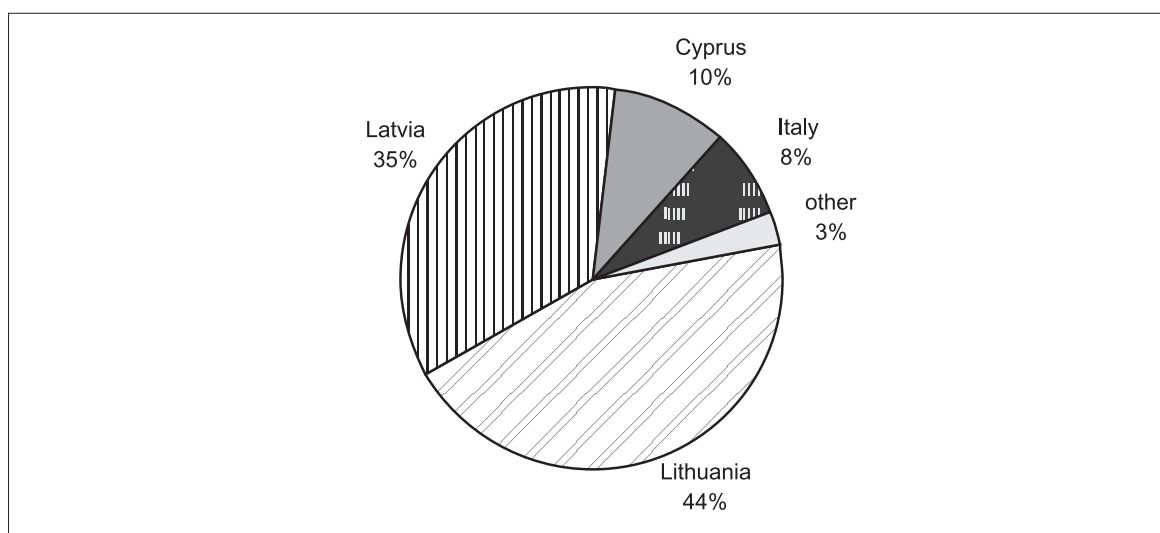


Figure 25. Estonia's direct investment position abroad by countries as of 31 March 2002

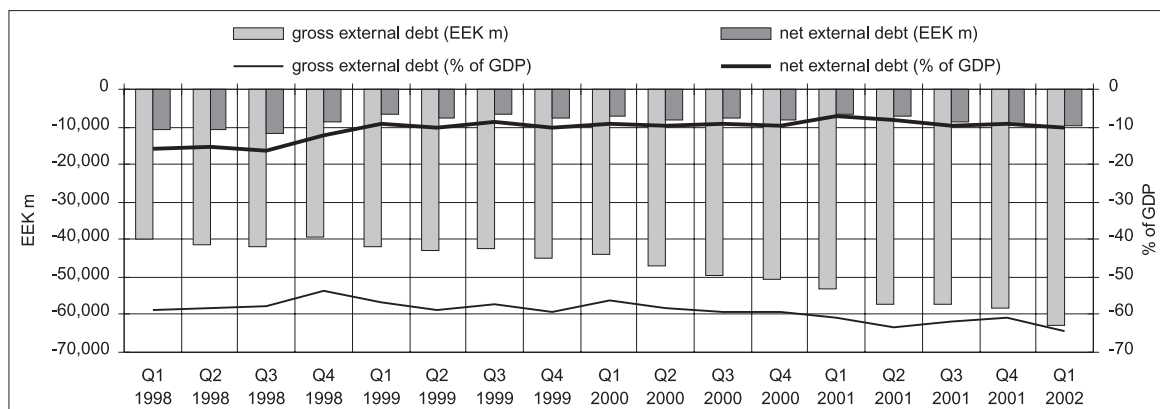


Figure 26. Estonia's gross and net external debt (EEK m, the left scale) and % of GDP (the right scale)

Table 23. External debt (EEK m)¹

	31.12.01	%	31.03.02	%
DEBT LIABILITIES				
Short-term	19,985.2	34.5	23,009.1	36.8
Government sector	0.0	0.0	0.0	0.0
Central bank	17.4	0.0	1,636.4	2.6
Credit institutions	11,162.1	19.2	12,692.1	20.3
Other sectors	8,805.7	15.2	8,680.6	13.9
Long-term	38,021.6	65.5	39,584.5	63.2
Government sector	2,985.6	5.1	2,976.5	4.8
Central bank	0.0	0.0	0.0	0.0
Credit institutions	8,821.7	15.2	8,836.0	14.1
Other sectors	26,214.3	45.2	27,772.0	44.4
GROSS EXTERNAL DEBT	58,006.8	100.0	62,593.6	100.0
CLAIMS				
Short-term	37,671.0	76.8	40,618.8	77.2
Government sector	1,734.6	3.5	1,819.4	3.5
Central bank	14,616.6	29.8	15,399.5	29.3
Credit institutions	11,787.4	24.0	13,460.0	25.6
Other sectors	9,532.4	19.4	9,939.9	18.9
Long-term	11,356.6	23.2	12,025.8	22.8
Government sector	0.0	0.0	0.0	0.0
Central bank	16.9	0.0	14.1	0.0
Credit institutions	1,289.8	2.6	1,150.6	2.2
Other sectors	10,049.9	20.5	10,861.1	20.6
CLAIMS TOTAL	49,027.6	100.0	52,644.6	100.0
NET EXTERNAL DEBT				
Short-term	17,685.8		17,609.7	
Government sector	1,734.6		1,819.4	
Central bank	14,599.2		13,763.1	
Credit institutions	625.3		767.9	
Other sectors	726.7		1,259.3	
Long-term	-26,665.0		-27,558.7	
Government sector	-2,985.6		-2,976.5	
Central bank	16.9		14.1	
Credit institutions	-7,531.9		-7,685.4	
Other sectors	-16,164.4		-16,910.9	
NET EXTERNAL DEBT TOTAL	-8,979.2		-9,949.0	

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

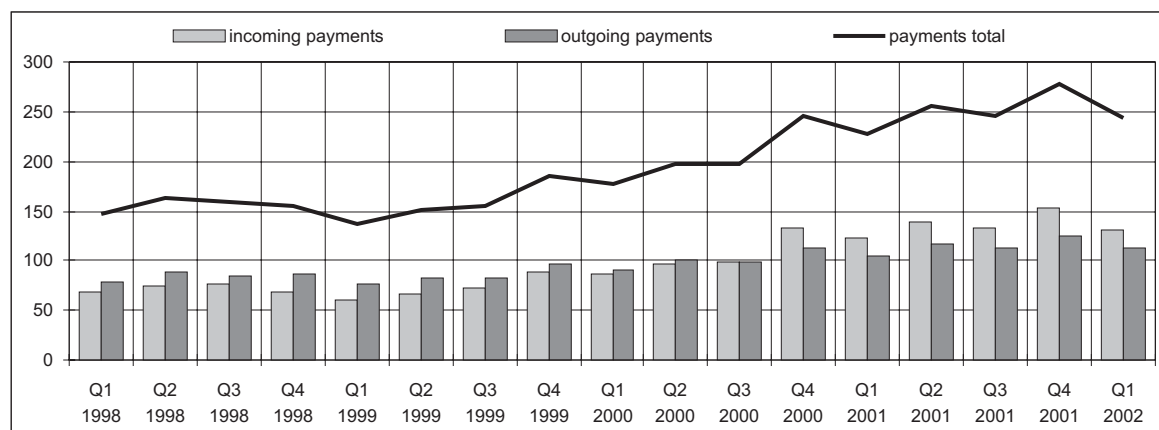
INTERNATIONAL TRANSACTIONS OF CUSTOMERS VIA THE ESTONIAN BANKING SYSTEM

Number and Turnover of Transactions

Due to seasonal factors, the number of international payments⁴ decreased in the first quarter of 2002 against the last quarter of 2001 – the number of incoming payments was down 14% and the number of outgoing payments dropped by 10% (see Table 24 and Figure 27). Year-on-year, however, the number of both incoming and outgoing payments increased almost equally (7–8%).

Table 24. Number of international payment transactions

	In thousands			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Incoming payments	123	153	132	-14	7
Outgoing payments	104	124	112	-10	8
Total	227	277	244	-12	7

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

The dynamics of the turnover of international payments was similar as well: quarter-on-quarter, the turnover of incoming payments decreased by 19% and that of outgoing payments fell by 8%, year-on-year the increase was 5% and 12%, respectively (see Table 25 and Figure 28). The average size of incoming payments was 155,800 kroons in the first quarter of 2002, which is 6% smaller than in the fourth quarter of 2001 but 1.5% larger than in the first quarter of 2001. The average size of outgoing payments was 201,400 kroons, exceeding the IV quarter of 2001 by 1.3% and the I quarter of 2001 by 4%.

Table 25. Turnover of international payment transactions

	EEK billion			Change (%)	
	Q1 2001	Q4 2001	Q1 2002	Q1 2002/ Q4 2001	Q1 2002/ Q1 2001
Incoming payments	19.5	25.4	20.5	-19	5
Outgoing payments	20.2	24.7	22.6	-8	12
Total	39.7	50.1	43.1	-14	9

⁴ International payments do not contain transactions between residents only and between non-residents only.

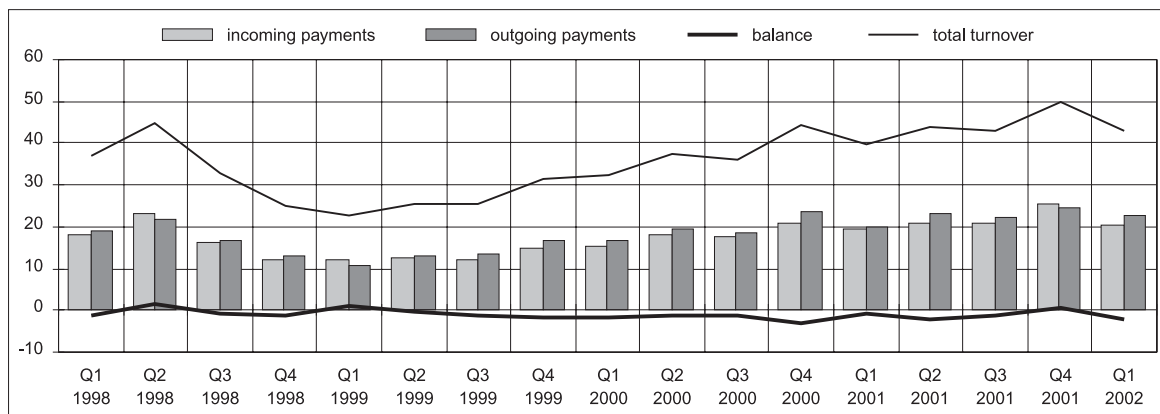


Figure 28. Turnover and balance of international payment transactions (EEK billion)

Use of Currencies⁵

By turnover, the ranking of major currencies used by Estonian commercial banks for international payments in the first quarter of 2002 underwent the changes expected due to the introduction of euro cash from 1 January 2002 (see Figure 29). After the withdrawal of the German mark and the Finnish markka from circulation their positions were overtaken by the euro, which increased its share by 11 percentage points quarter-on-quarter and accounted for 43% of the total turnover (see Figure 30). The share of the US dollar increased slightly (by 3 percentage points) as well. These two currencies together accounted for 81% of the turnover of international payments. The share of the Estonian kroon amounted to 11% of the total turnover, like in the fourth quarter of 2001. The share of the Swedish krona (3%), the British pound and the Russian rouble (both 1%) was unchanged as well, while the share of other currencies was considerably smaller, accounting for 3% of the total turnover.

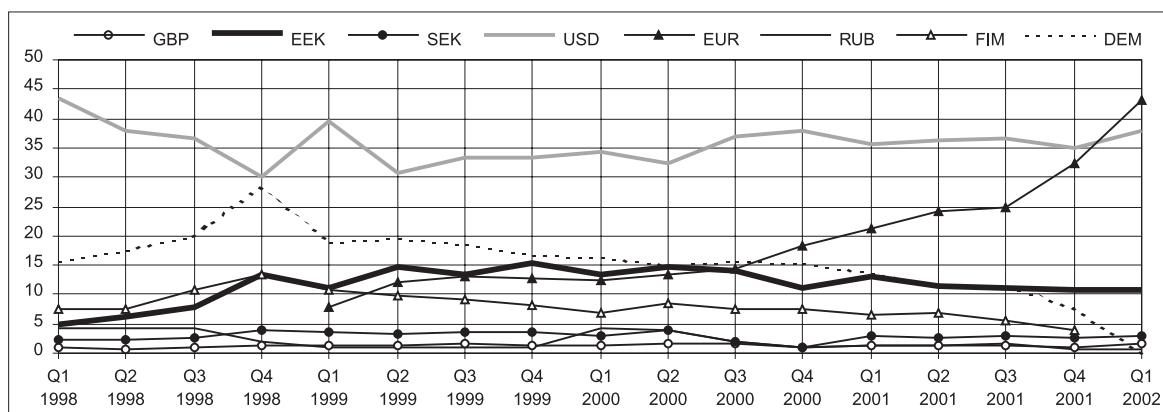


Figure 29. Currencies used in international payment transactions (%)

⁵ 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 available to Eesti Pank and their inclusion would thus considerably distort the actual picture.

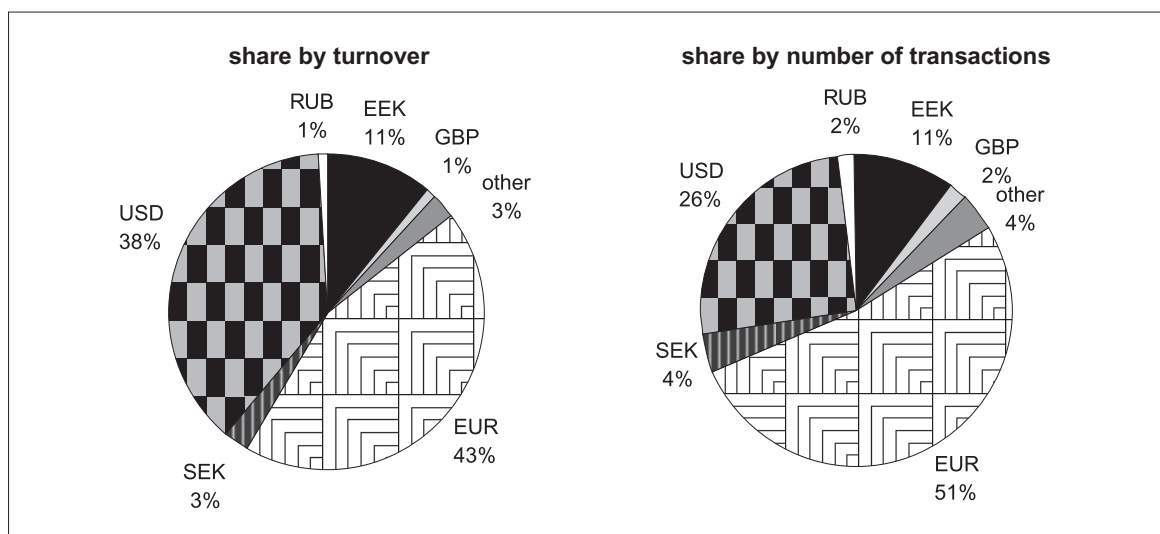


Figure 30. Use of major currencies by turnover and number of international payments

Over half of the payments were made in **euros** and the **US dollar** was used in only 26% of payments. The share of the **Estonian kroon** in the total number of transactions remained unchanged against the fourth quarter of 2001 (11%), just as it had been in the turnover of payments. The share of the **Swedish krona** (4%), the **Russian rouble** (2%) and the **British pound** (2%) remained unchanged as well. The rest of the currencies were used in less than 4% of the transactions.