

COMMENTS ON THE ESTONIAN PRELIMINARY BALANCE OF PAYMENTS FOR THE THIRD QUARTER OF 2002

The deficit of Estonian third quarter balance of payments stood at 2.9 billion kroons, which amounted to approximately 10.6% of the estimated GDP of the same quarter and was, in absolute terms, 0.2 billion kroons smaller than the deficit of the second quarter. However, the current account deficit GDP ratio of the past 12 months climbed to nearly 11.4% (see Figure 1). The overall balance of payments had a small surplus and the gold and foreign currency reserves of the central bank increased by 26 million kroons (see Table 1).

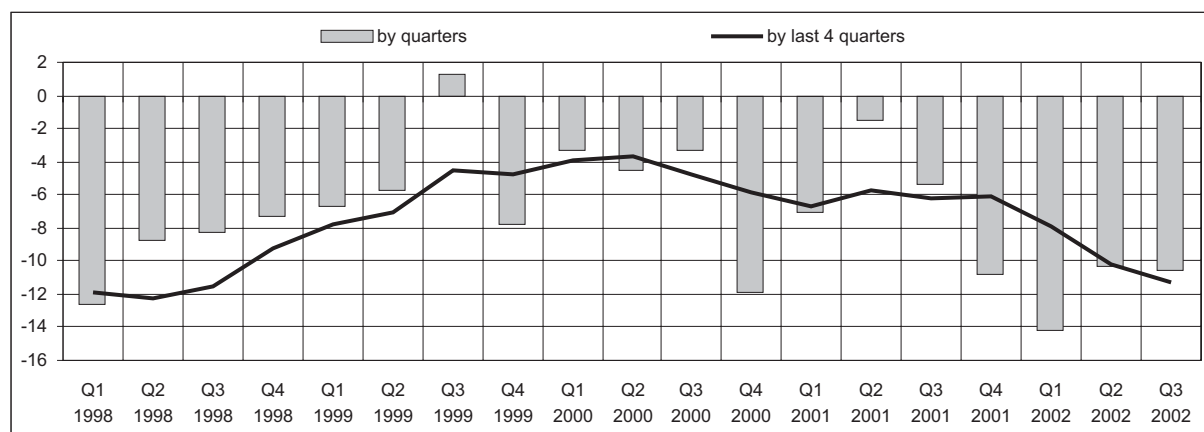


Figure 1. Current account balance to the GDP (%)

Against the background of the rest of the world, the preliminary balance of payments reflects rather rapid economic growth of Estonia, which, as we know, by a preliminary estimate was 7% in the third quarter. Due to noteworthy strengthening of domestic demand in Estonia since autumn 2001, trade balance deficit against GDP has steadily grown since the third quarter last year, reaching 18.4% from the earlier 15.4%.

The deficit of the **goods and services balance** increased compared to the second quarter and amounted to 2.4 billion kroons. The sustained high domestic demand and continuing weakness of the economies of Estonia's major trade partners were responsible for the 5-billion kroon foreign trade deficit for the second quarter in a row. Both export and import of goods decreased by 3–4% against the previous quarter. Compared to the third quarter of 2001, export was up 14% and import increased by 18%.

The export and import of **goods** decreased by 5% and 3%, respectively, due to the decline of normal export and import. The share of subcontracting in total exports was unchanged quarter-on-quarter, while its share in imports increased by 7%. Timber and timber products, machinery and equipment and products of the textile industry (the last mostly subcontracting) dominated in the export of goods. Import comprised mostly machinery, chemical products, clothing, footwear and headgear and transport vehicles. Import for subcontracting increased due to the growth of the import of intermediate consumption goods (mostly electronic components). Estonia's major trade partners were members of the European Union, which accounted for 67% of the total foreign trade.

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

	1998	1999	2000	2001					2002		
	Total	Total	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Current account	-6,760.2	-3,607.7	-5,093.4	-1,559.6	-401.2	-1,319.0	-2,631.0	-5,910.8	-3,421.1	-2,951.7	-2,859.1
Trade and services balance	-7,676.2	-3,755.4	-3,569.0	-1,023.8	-289.6	-671.1	-1,660.5	-3,645.0	-2,489.5	-2,138.0	-2,434.5
Trade balance	-15,725.5	-12,096.9	-13,143.6	-3,041.1	-3,029.5	-3,789.0	-3,945.6	-13,805.2	-3,908.2	-4,983.9	-4,923.7
Goods: export f.o.b	37,786.3	36,995.2	56,345.9	16,192.4	15,965.0	12,301.8	14,183.2	58,642.4	13,151.1	14,603.4	13,995.2
Goods: import f.o.b	-53,511.8	-49,092.1	-69,489.5	-19,233.5	-18,994.5	-16,090.8	-18,128.8	-72,447.6	-17,059.3	-19,587.3	-18,918.9
Services: net	8,049.3	8,341.5	9,574.6	2,017.3	2,739.9	3,117.9	2,285.1	10,160.2	1,418.7	2,845.9	2,489.2
Services: credit	20,804.0	21,951.9	25,485.8	5,802.1	7,351.0	7,925.7	7,787.7	28,866.5	6,887.5	9,268.1	8,769.6
Services: debit	-12,754.7	-13,610.4	-15,911.2	-3,784.8	-4,611.1	-4,807.8	-5,502.6	-18,706.3	-5,468.8	-6,422.2	-6,280.4
Income: net	-1,164.0	-1,505.8	-3,483.4	-1,136.8	-915.9	-1,223.0	-1,650.4	-4,926.1	-1,501.4	-1,383.7	-984.0
Income: credit	1,871.8	1,964.3	2,008.0	594.6	657.3	707.6	1,035.2	2,994.7	636.9	742.8	1,241.4
Income: debit	-3,035.8	-3,470.1	-5,491.4	-1,731.4	-1,573.2	-1,930.6	-2,685.6	-7,920.8	-2,138.3	-2,126.5	-2,225.4
Transfers: net	2,080.0	1,653.5	1,959.0	601.0	804.3	575.1	679.9	2,660.3	569.8	570.0	559.4
Transfers: credit	2,424.2	2,257.5	2,454.8	724.0	923.1	711.6	815.4	3,174.1	798.2	836.4	785.1
Transfers: debit	-344.2	-604.0	-495.8	-123.0	-118.8	-136.5	-135.5	-513.8	-228.4	-266.4	-225.7
Capital and financial account	6,869.8	5,916.6	7,512.1	-1,359.0	1,373.8	1,166.5	4,325.7	5,507.0	3,829.9	2,333.2	2,225.5
Capital account	25.2	17.8	278.5	16.3	44.6	11.4	17.7	90.0	39.0	46.1	30.2
Financial account	6,844.6	5,898.8	7,233.6	-1,375.3	1,329.2	1,155.1	4,308.0	5,417.0	3,790.9	2,287.1	2,195.3
Direct investments	7,989.7	3,208.2	5,601.4	2,971.7	260.0	809.2	1,860.4	5,901.3	1,728.5	281.1	-57.1
Abroad	-81.7	-1,239.8	-1,043.1	-294.3	-1,327.3	-1,422.8	-483.9	-3,528.3	-308.1	-884.6	-696.1
Into Estonia	8,071.4	4,448.0	6,644.5	3,266.0	1,587.3	2,232.0	2,344.3	9,429.6	2,036.6	1,165.7	639.0
Portfolio investments	-23.4	156.0	1,854.9	1,323.4	243.3	298.6	-236.0	1,629.3	-1,069.6	2,118.2	1,983.1
Assets	-127.9	-1,894.9	573.0	-62.4	83.5	546.8	-339.1	228.8	-1,108.4	83.5	-1,443.4
Equity securities	500.8	187.0	53.3	431.4	-5.9	-30.9	-158.1	236.5	-5.4	74.5	-50.3
Debt securities	-628.7	-2,081.9	519.7	-493.8	89.4	577.7	-181.0	-7.7	-1,103.0	9.0	-1,393.1
Liabilities	104.5	2,050.9	1,281.9	1,385.8	159.8	-248.2	103.1	1,400.5	38.8	2,034.7	3,426.5
Equity securities	401.1	3,292.3	-538.8	-1.9	502.6	-143.7	211.4	568.4	315.7	517.0	-103.6
Debt securities	-296.6	-1,241.4	1,820.7	1,387.7	-342.8	-104.5	-108.3	832.1	-276.9	1,517.7	3,530.1
Other investments	-1,121.7	2,534.6	-222.7	-5,670.4	825.9	47.3	2,683.6	-2,113.6	3,132.0	-112.2	269.3
Assets	-2,480.2	-1,651.2	-2,819.3	-5,271.3	-1,974.2	481.0	1,562.7	-5,201.8	-649.9	-664.7	2,367.6
Long-term	-786.5	421.8	-1,108.7	-536.4	-500.5	487.1	227.1	-322.7	274.1	95.5	-1,064.5
Short-term	-1,693.7	-2,073.0	-1,710.6	-4,734.9	-1,473.7	-6.1	1,335.6	-4,879.1	-924.0	-760.2	3,432.1
Liabilities	1,358.5	4,185.8	2,596.6	-399.1	2,800.1	-433.7	1,120.9	3,088.2	3,781.9	552.5	-2,098.3
Long-term	1,258.4	1,691.5	-549.9	695.5	838.0	139.6	141.3	1,814.4	963.2	-169.4	-887.8
Short-term	100.1	2,494.3	3,146.5	-1,094.6	1,962.1	-573.3	979.6	1,273.8	2,818.7	721.9	-1,210.5
Errors and omissions	16.8	-511.3	-148.2	464.7	-294.9	-438.5	-57.7	-326.4	246.6	392.6	659.9
Overall balance	126.4	1,797.6	2,270.5	-2,453.9	677.7	-591.0	1,637.0	-730.2	655.4	-225.9	26.3
Reserve assets	-126.4	-1,797.6	-2,270.5	2,453.9	-677.7	591.0	-1,637.0	730.2	-655.4	225.9	-26.3

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

No seasonal growth typical for the third quarter took place in **services** this year. Compared to the second quarter, the export and import of services decreased, as well as the surplus of the services balance. The surplus amounted to 2.5 billion kroons, down 20% compared to the third quarter of 2001 and 13% compared to the second quarter of 2002. The surplus of the most important categories of services – transport and travel services – decreased as compared to the same period of last year. The main reason for the decrease of the services balance surplus can be found in the construction services where last year's 0.3-billion kroon surplus turned into a 0.5-billion kroon deficit.

The **net outflow of income** amounted to 1 billion kroons in the third quarter. The bulk of it consisted of dividend payments to foreign direct investors, which in previous years has been done mostly in the second quarter.

The surplus of the **transfers balance** was unchanged at 0.6 billion kroons and was mostly made up of foreign aid and consumption-oriented government transfers related to preparations for EU membership.

The 2.2-billion kroon surplus of the **capital and financial account** consisted mostly of the inflow of portfolio investments.

The balance of **direct investments** was negative by 60 million kroons in the third quarter of 2002. The last time the outflow of direct investments exceeded their inflow was in the fourth quarter of 1997. Non-residents invested 640 million kroons into the Estonian economy, while Estonian residents increased their investments abroad by 700 million kroons.

Over half of Estonian direct investments abroad consisted of reinvested income, loan capital increased by a third. Investments were mostly made into Latvia and Lithuania and the most preferred sectors were transport, storage and communication as well as finance.

The net inflow of **portfolio investments** amounted to approximately 2 billion kroons in the third quarter. The inflow of capital was mostly based on the successful placement of debt securities on foreign financial markets by some other sector businesses and credit institutions. The total volume of such debt securities reached 3.5 billion kroons. The 1.4-billion kroon outflow of capital was mostly caused by the increased investments of the government sector and other sector companies into foreign debt securities.

The inflow of **other investments** exceeded their outflow by approximately 0.3 billion kroons. The inflow of capital resulted from the 2.4-billion kroons decrease in claims on non-residents and outflow was caused by the 2.1 billion kroons decrease of liabilities to non-residents. The decrease of claims was mostly related to the shrinking of the foreign assets of banks. Liabilities decreased due to the repurchase transactions of the central bank and repayment of the government and business sector loans.

CURRENT ACCOUNT

The three-billion-kroon deficit of the third quarter balance of payments increased yet the average relative deficit of the last four quarters (see Figure 1), bringing it to 11.3% of the GDP. Year-on-year, the current account deficit grew by 1.5 billion kroons.

The persistently high current account deficit was caused by the high level of the trade deficit, which amounted to 18.3% of the GDP (17.3% in the second quarter, 15.4% in the third quarter of 2001; see Figures 2 and 3). Against 2001, the export of goods has increased by 13.8% and import by 17.6%. The

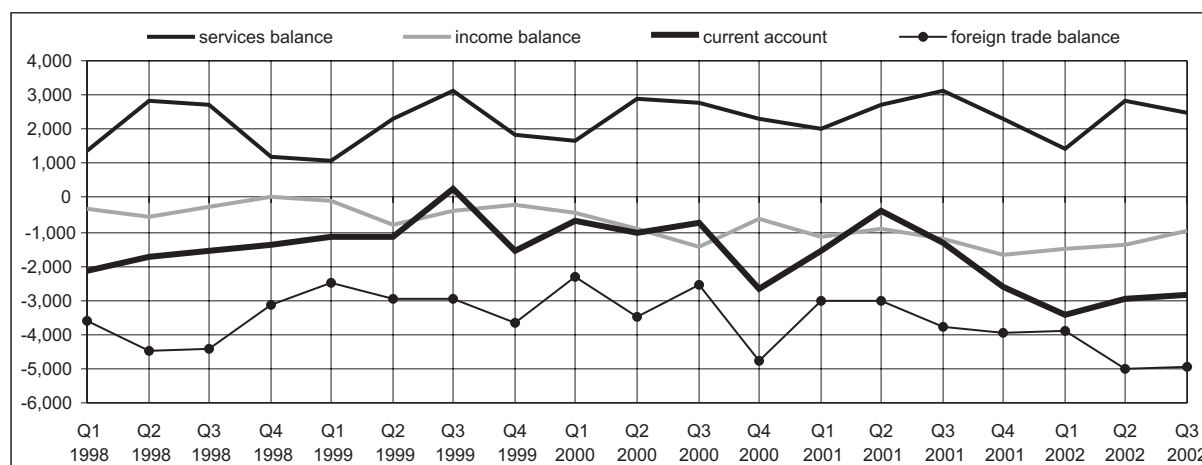


Figure 2. Comparison of the current account, foreign trade balance, income balance and services balance of the Estonian balance of payments (in f.o.b prices, EEK m)

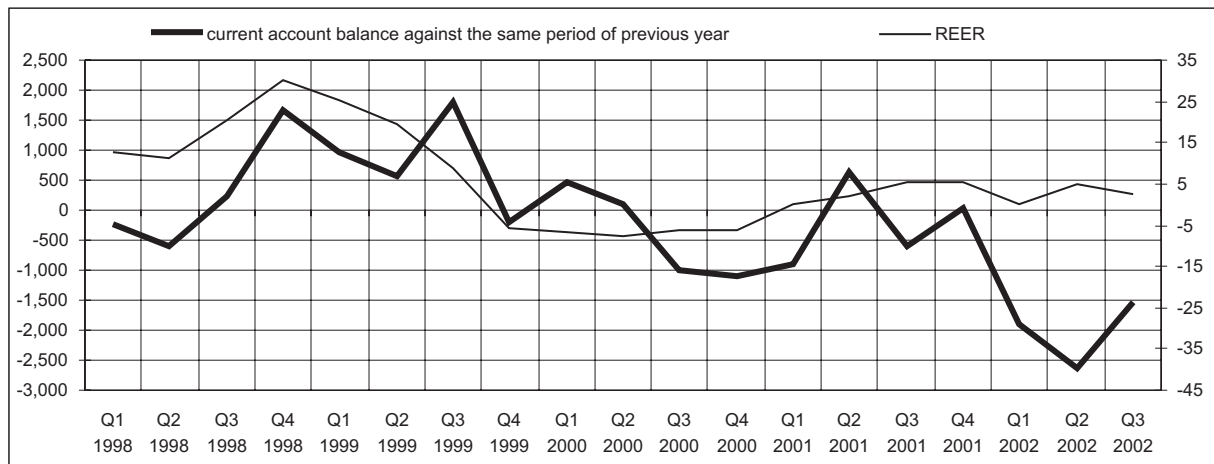


Figure 3. Annual change of the current account balance (EEK m, the left scale) and the real effective exchange rate of the kroon (base index)

large annual increase does not derive from strong external demand but from the low demand of the base period.

The shrinking of the services balance surplus by 0.6 billion kroons, year-on-year, also contributed to the deficit of the current account (see Figure 4). While seasonally the balance of goods and services is in the best shape in the third quarter (some years even showing a surplus), then in the third quarter of 2002 the balance of goods and services had a deficit of 2.4 billion kroons.

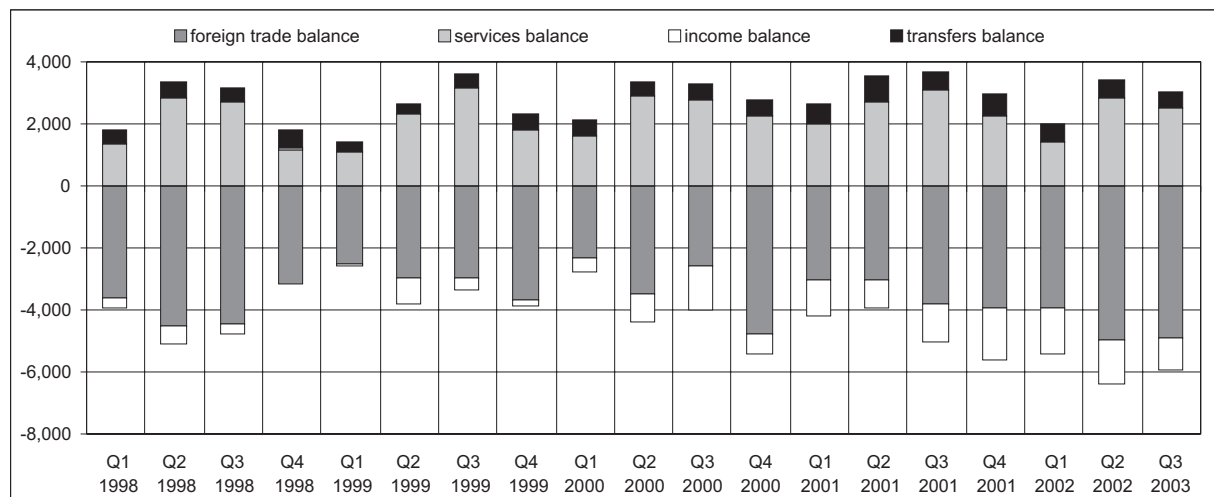


Figure 4. Current account structure (EEK m)

Goods

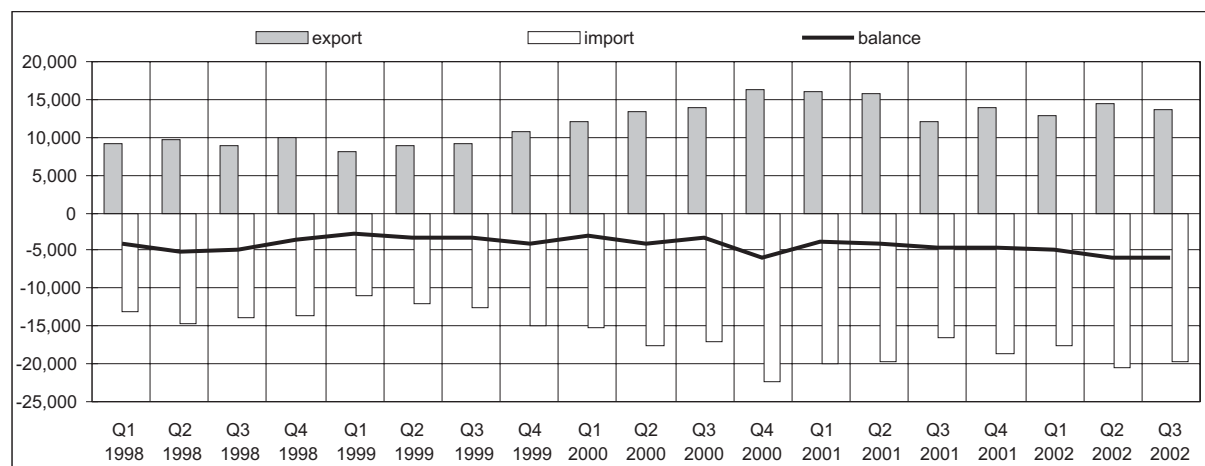
The export of goods amounted to 13.9 billion kroons in the third quarter of 2002 and import made up 18.9 billion kroons (see Table 2). Both export and import decreased by 3–4% quarter-on-quarter, but increased by 14 and 18%, respectively, against the third quarter of 2001. The foreign trade balance was negative by 5 billion kroons for the second consecutive quarter.

Table 2. Changes in the special export and import of goods

	Special export			Special import			Balance (EEK m)
	Volume ¹ (EEK m)	Change against the previous period (%)	Share in total export of goods and services (%)	Volume ¹ (EEK m)	Change against 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	13,151.1	-7.3	65.6	17,059.3	-5.9	75.7	-3,908.2
Q2 2002	14,603.4	11.0	61.2	19,587.3	14.8	75.3	-4,983.9
Q3 2002	13,995.2	-4.2	61.5	18,918.9	-3.4	75.1	-4,923.7

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

According to **special trade statistics**¹, the export of goods amounted to 13.6 and import in c.i.f. prices to 19.7 billion kroons (see Figure 5). The trade deficit increased by 1.5 billion kroons year-on-year and amounted to six billion kroons.

**Figure 5. Estonian foreign trade balance (EEK m)**

¹ The 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 analyzed 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.

The decrease of special export and import by respectively 5 and 3% quarter-on-quarter was caused by the fall in **normal export and import**² (see Tables 3 and 4). The high year-on-year growth rates can be attributed to the weak comparison basis – the third quarter of 2001 had one of the smallest foreign trade turnovers in the past two years.

Table 3. Special export by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Normal export	8,646.5	10,199.9	9,461.4	71.9	70.9	69.1	-7.2	9.4
Capital goods	415.0	553.3	514.3	3.5	3.8	3.8	-7.0	23.9
Goods of intermediate consumption	5,353.4	6,311.6	5,830.1	44.5	43.9	42.6	-7.6	8.9
Consumer goods	2,704.8	3,067.4	2,855.4	22.5	21.3	20.9	-6.9	5.6
Other	173.4	267.6	261.6	1.4	1.9	1.9	-2.2	50.9
Export of processed goods	3,372.9	4,189.7	4,222.6	28.1	29.1	30.9	0.8	25.2
Capital goods	913.3	845.6	1,246.9	7.6	5.9	9.1	47.5	36.5
Goods of intermediate consumption	1,618.7	2,354.8	2,005.1	13.5	16.4	14.7	-14.8	23.9
Consumer goods	840.7	985.7	918.3	7.0	6.8	6.7	-6.8	9.2
Other	0.3	3.7	52.3	0.0	0.0	0.4	1,328.9	20,232.6
Total	12,019.4	14,389.6	13,683.9	100.0	100.0	100.0	-4.9	13.8

Table 4. Special import by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Import for free circulation (normal import)	14,015.6	16,664.9	15,699.0	84.5	81.7	79.7	-5.8	12.0
Capital goods	2,384.3	2,880.8	2,783.1	14.4	14.1	14.1	-3.4	16.7
Goods of intermediate consumption	6,342.4	7,643.0	7,343.2	38.2	37.5	37.3	-3.9	15.8
Consumer goods	3,559.5	4,186.6	3,702.8	21.4	20.5	18.8	-11.6	4.0
Other	1,729.3	1,954.5	1,869.9	10.4	9.6	9.5	-4.3	8.1
Import of processed goods	2,579.8	3,731.1	3,997.7	15.5	18.3	20.3	7.1	55.0
Capital goods	460.3	830.8	890.7	2.8	4.1	4.5	7.2	93.5
Goods of intermediate consumption	1,859.4	2,602.5	2,857.0	11.2	12.8	14.5	9.8	53.7
Consumer goods	259.6	282.9	240.0	1.6	1.4	1.2	-15.2	-7.5
Other	0.5	14.9	10.0	0.0	0.1	0.1	-33.2	1,798.2
Total	16,595.3	20,396.0	19,696.7	100.0	100.0	100.0	-3.4	18.7

The decline of normal export was affected by all end consumption groups, especially by the decrease of the export of goods of intermediate consumption and consumer goods, which are the largest groups of goods. **Goods of intermediate consumption** were still dominated by timber and timber products – prefabricated buildings and building parts, parquetry, paper products, but also safety belts, paints and varnishes, metal structures and dairy products. The export of **consumer goods** consisted mainly of various furniture, food products (fish and dairy products) and textile products. The export of **capital goods** covered various mechanisms and trailers.

The export of processed goods has been relatively stable in the past 12 months. However, structural changes took place against the second quarter: the export and share of processed **goods of intermediate consumption and consumer goods** decreased considerably, while the export of **capital goods** increased. The processed capital goods mostly consisted of mobile phones the export of which was up 67% quarter-on-quarter. The goods of intermediate consumption included parts of communication equipment, metal structures and furs; consumer goods included products of the textile industry.

² Normal export – export of goods manufactured in Estonian 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.

Import for free circulation or normal import also decreased across all end consumption groups, with the import of consumer goods down the most – 12%. Under the **goods of intermediate consumption** mostly metal products, boilers, computer parts and parts of transport vehicles were imported. The import of **consumer goods** included medicines, furniture, footwear and household paper. **Capital goods** came from the transport vehicles group and included railway engines, commercial vehicles, tractors, tugboats and trailers. **Unspecified goods** generally consist of articles that cannot be unequivocally classified according to end consumption (passenger cars, for example, can be classified under capital goods as well as consumer goods; depending on the use, fuels can be classified under capital goods, goods of intermediate consumption or consumer goods, etc). Passenger cars and fuels made up 96% of goods in this group.

The 7% quarter-on-quarter increase of the **import of processed goods** raises hopes for the acceleration of the growth of the processing industry and related export in the next quarter. The import of processed goods consisted of traditional articles: parts of electronics industry, electrical appliances and various materials for the textile industry.

In the conditions of persistently high domestic demand, the **foreign trade deficit** stood at 6 billion kroons for the second consecutive quarter (see Table 5). The fast growth of the import of processed goods reduced the usual surplus of the balance of the processed goods both quarter-on-quarter and year-on-year. The deficit of the foreign trade balance unrelated to subcontracting amounted to 6.2 billion kroons.

Table 5. Foreign trade balance by end consumption (EEK m)

	Q3 2001	Q2 2002	Q3 2002
Balance of normal export and normal import	-5,369.1	-6,465.0	-6,237.6
Capital goods	-1,969.3	-2,327.5	-2,268.8
Goods of intermediate consumption	-989.1	-1,331.4	-1,513.1
Consumer goods	-854.8	-1,119.1	-847.4
Other	-1,555.9	-1,686.9	-1,608.3
Balance of export and import of processed goods	793.2	458.6	224.8
Capital goods	453.1	14.8	356.1
Goods of intermediate consumption	-240.7	-247.7	-851.9
Consumer goods	581.1	702.8	678.3
Other	-0.3	-11.3	42.3
Total	-4,575.9	-6,006.4	-6,012.8

Across groups of countries, the quarter-on-quarter **export** to the European Union decreased (see Table 6), but still accounted for 67% of the total export, and for 82% if we include the ten candidate countries. The three major export partners were still Finland, Sweden and Germany, which took 75% of the export of goods into the EU and 50% of the total export. Among Central and East European countries dominated our closest neighbours Latvia and Lithuania, followed by Hungary and Poland. Russia and Ukraine held the leading positions among the CIS countries. Other major trade partners included Norway and the USA. 0.4 billion kroons worth of goods waiting for export were stored into the free trade zone.

Table 6. Estonia's special export by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
EU countries	7,843.7	9,736.0	9,180.3	65.3	67.7	67.1	-5.7	17.0
Central and Eastern European countries	1,643.9	1,845.4	1,982.0	13.7	12.8	14.5	7.4	20.6
CIS countries	661.5	672.8	690.1	5.5	4.7	5.0	2.6	4.3
Other	1,252.0	1,600.6	1,437.6	10.4	11.1	10.5	-10.2	14.8
Customs-free zone	618.3	534.9	394.1	5.1	3.7	2.9	-26.3	-36.3
Total	12,019.4	14,389.6	13,683.9	100.0	100.0	100.0	-4.9	13.8

The import of **other goods** decreased across all groups of countries, increasing only from the so-called other countries (see Table 7) – first of all, the USA and Japan. The three leading EU countries were again Finland, Germany and Sweden, followed by the Netherlands, Denmark and Italy. Lithuania, Latvia and Poland dominated among the Central and Eastern European countries, Russia, Ukraine and Belarus led among the CIS countries. Major import partners among other countries, besides the USA and Japan, were also Hong Kong, China, Norway and Switzerland.

The **foreign trade balance** was negative in all groups of countries (see Table 8).

Table 7. Estonia's special import by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
EU countries	11,341.5	13,952.4	13,280.6	68.3	68.4	67.4	-4.8	17.1
Central and Eastern European countries	2,333.8	2,619.4	2,454.2	14.1	12.8	12.5	-6.3	5.2
CIS countries	1,689.7	1,809.8	1,692.1	10.2	8.9	8.6	-6.5	0.1
Other	1,230.5	2,014.5	2,269.8	7.4	9.9	11.5	12.7	84.5
Total	16,595.3	20,396.0	19,696.7	100.0	100.0	100.0	-3.4	18.7

Table 8. Foreign trade balance by groups of countries (EEK m)

	Q3 2001	Q2 2002	Q3 2002
EU countries	-3,497.8	-4,216.4	-4,100.4
Central and Eastern European countries	-689.9	-774.0	-472.2
CIS countries	-1,028.1	-1,137.0	-1,002.0
Other	21.6	-413.9	-832.2
Customs-free zone	618.3	534.9	394.1
Total	-4,575.9	-6,006.4	-6,012.8

Services

The surplus of the services balance amounted to 2.5 billion kroons in the third quarter of 2002, being 20% smaller than last year and down 12.5% quarter-on-quarter (see Table 9). While usually

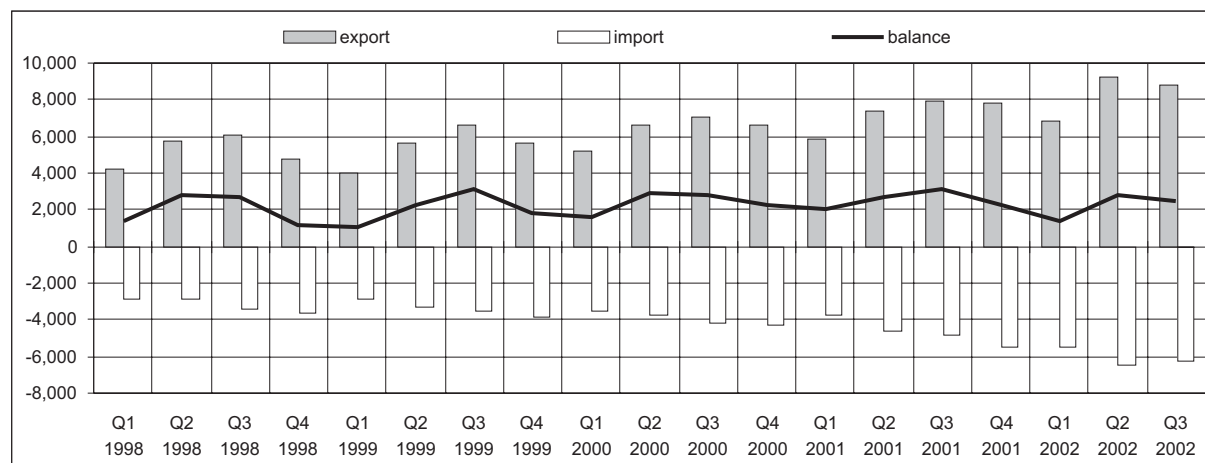


Figure 6. Services balance (EEK m)

the export and import of services increase in the third quarter of the year, then in 2002 the export of services dropped by 5.4% and import by 2.2%, quarter-on-quarter (see Figure 6).

Table 9. Services export and import

	Export			Import			Balance	
	Volume (EEK m)	Change against the previous period (%)	Share in total goods and services balance (%)	Volume (EEK m)	Change against the previous period (%)	Share in total goods and services balance (%)	Volume (EEK m)	Change against 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	6,887.5	-11.6	34.4	5,468.8	-0.6	24.3	1,418.7	-37.9
Q2 2002	9,268.1	34.6	38.8	6,422.2	17.4	24.7	2,845.9	100.6
Q3 2002	8,769.6	-5.4	38.5	6,280.4	-2.2	24.9	2,489.2	-12.5

Year-on-year, the **balance of services** improved in business and government services but deteriorated in all other services. The surplus of construction services turned into a 0.5 billion kroons deficit, which had the deepest impact on the services balance (see Table 10).

Table 10. Services balance by major categories

	Balance (EEK m)			Share (%)		
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002
Transport services	1,489.5	1,430.5	1,356.3	47.8	50.3	54.5
Travel services	1,923.0	1,732.3	1,895.8	61.7	60.9	76.2
Construction services	313.4	-19.3	-516.9	10.1	-0.7	-20.8
Business services	-219.1	-103.3	35.9	-7.0	-3.6	1.4
Government services	-424.6	-199.4	-360.1	-13.6	-7.0	-14.5
Other	35.7	5.1	78.2	1.1	0.2	3.1
Total	3,117.9	2,845.9	2,489.2	100.0	100.0	100.0

The **export of services** increased by 10.6% year-on-year (see Table 11). Only the export of transport services grew faster than average (by 26.3%).

The **import of services** was up 30.6% year-on-year (see Table 12), with transport and construction services growing faster than average (53.3% and 12.6 times, respectively).

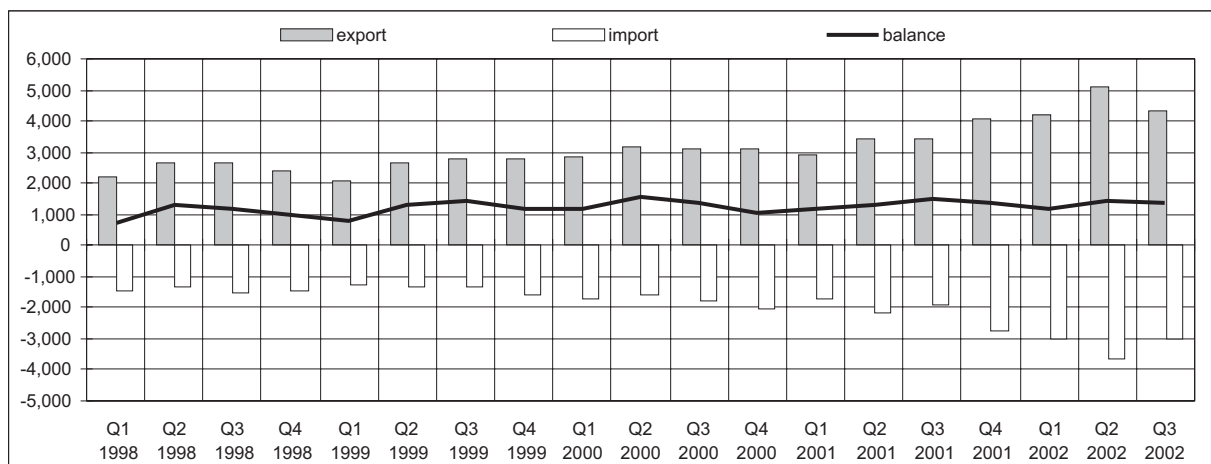
Table 11. Services export by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Transport services	3,433.5	5,082.5	4,336.7	43.3	54.8	49.5	-14.7	26.3
o/w freight	1,523.6	3,126.5	2,383.4	19.2	33.7	27.2	-23.8	56.4
passenger	843.6	835.9	982.8	10.6	9.0	11.2	17.6	16.5
other transport services	1,066.3	1,120.1	970.5	13.5	12.1	11.1	-13.4	-9.0
Travel services	3,000.5	2,722.2	3,114.8	37.9	29.4	35.5	14.4	3.8
Construction services	364.4	293.3	128.0	4.6	3.2	1.5	-56.4	-64.9
Business services	798.7	799.3	846.7	10.1	8.6	9.7	5.9	6.0
Government services	35.3	39.8	27.9	0.4	0.4	0.3	-29.9	-21.0
Other	293.3	331.0	315.3	3.7	3.6	3.6	-4.7	7.5
Total	7,925.7	9,268.1	8,769.4	100.0	100.0	100.0	-5.4	10.6

Table 12. Services import by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Transport services	1,944.0	3,652.0	2,980.4	40.4	56.9	47.5	-18.4	53.3
o/w freight	1,362.7	2,926.1	2,307.8	28.3	45.6	36.7	-21.1	69.4
passenger	288.6	363.3	326.3	6.0	5.7	5.2	-10.2	13.1
other transport services	292.7	362.6	346.3	6.1	5.6	5.5	-4.5	18.3
Travel services	1,077.5	989.9	1,219.0	22.4	15.4	19.4	23.1	13.1
Construction services	51.0	312.6	644.9	1.1	4.9	10.3	106.3	1,164.5
Business services	1,017.8	902.6	810.8	21.2	14.1	12.9	-10.2	-20.3
Government services	459.9	239.2	388.0	9.6	3.7	6.2	62.2	-15.6
Other	257.6	325.9	237.3	5.4	5.1	3.8	-27.2	-7.9
Total	4,807.8	6,422.2	6,280.4	100.0	100.0	100.0	-2.2	30.6

Estonia's most important category of services – **transport** – accounted for 50% of the total export of services and for 57% of the total import of services. The growth rate was the fastest in freight transport where export increased 56% and import 69%, year-on-year. While sea and air transport developed at a stable rate, in land transport the share of rail transport increased rapidly last year and the share of road transport fell considerably. Freight export by rail increased 13.3 times and import was up 3.4 times, year on year. At the same time, freight transport by road decreased – export dropped by 30% year-on-year and import fell by 34%. The dynamics of the export and import of transport services can be seen in Figure 7.

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

The balance of **travel services** amounted to 1.9 billion kroons in the third quarter and, year-on-year, the import of travel services increased faster than their export (by 13.1 and 3.8%, respectively; see Figure 8). The export of travel services exceeded 3.1 billion kroons in the third quarter. Travel agencies serviced 8% more foreign tourists and the total number of visiting days increased by 12%, year-on-year. The total number of foreigners who visited Estonia did not increase – the number of visitors from Russia and the USA decreased, while the share of visitors from other regions increased.

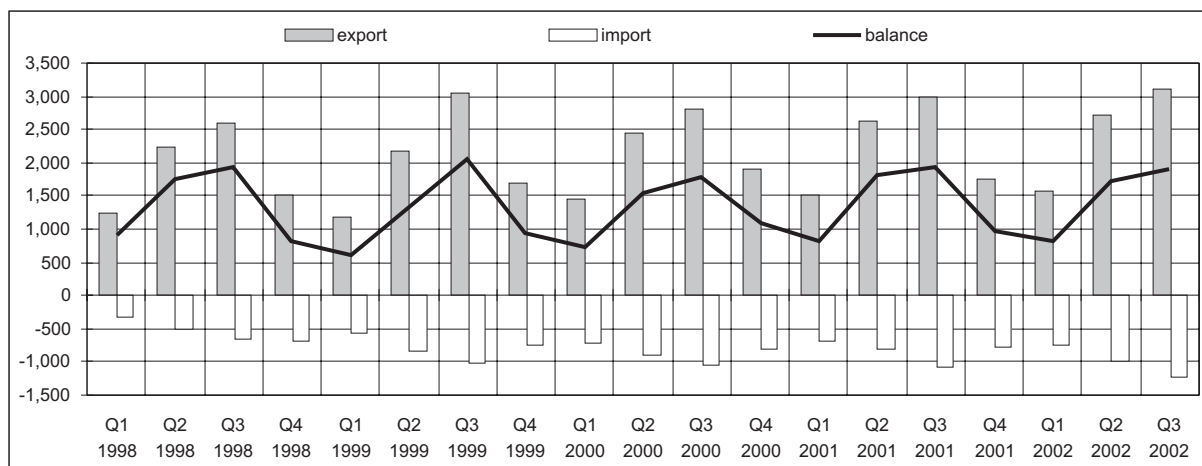


Figure 8. Travel services balance (EEK m)

The import of travel services amounted to 1.2 billion kroons and it increased by 13.1%, year-on-year. The number of Estonians travelling abroad increased by 12%. Among the most popular destinations for Estonian tourists, the number of visitors to Spain, Germany, Great Britain and the USA grew by more than 50%.

Income

In the third quarter of 2002, the deficit of the **income balance** stood at 1 billion kroons, dropping by 20% year-on-year (see Table 13). As compared to the second quarter, the net outflow of income has been decreasing for three quarters in a row (29% in the third quarter; see Figure 9). While the net outflow of direct investment income was unchanged against the respective period of last year, the total net outflow of income fell due to the increase in the inflow of portfolio investment income.

The **inflow of income** amounted to 1.2 billion kroons and was up 75% year-on-year (see Table 14). The inflow of direct investment income was faster than average, growing 2.1 times.

Table 13. Income balance (EEK m)

	Balance (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Income from direct investments	-1,249.9	-1,437.3	-1,250.6	102.2	103.9	127.1	-13.0	0.1
o/w income from equity	-1,196.8	-1,381.9	-1,188.2	97.9	99.9	120.8	-14.0	-0.7
income from debt (interests)	-53.1	-55.4	-62.4	4.3	4.0	6.3	12.6	17.5
Income from portfolio investments	145.2	126.1	300.2	-11.9	-9.1	-30.5	138.1	106.7
Income from other investments	-130.9	-90.6	-99.5	10.7	6.5	10.1	9.8	-24.0
Other income	12.6	18.1	65.9	-1.0	-1.3	-6.7	264.1	423.0
Total	-1,223.0	-1,383.7	-984.0	100.0	100.0	100.0	-28.9	-19.5

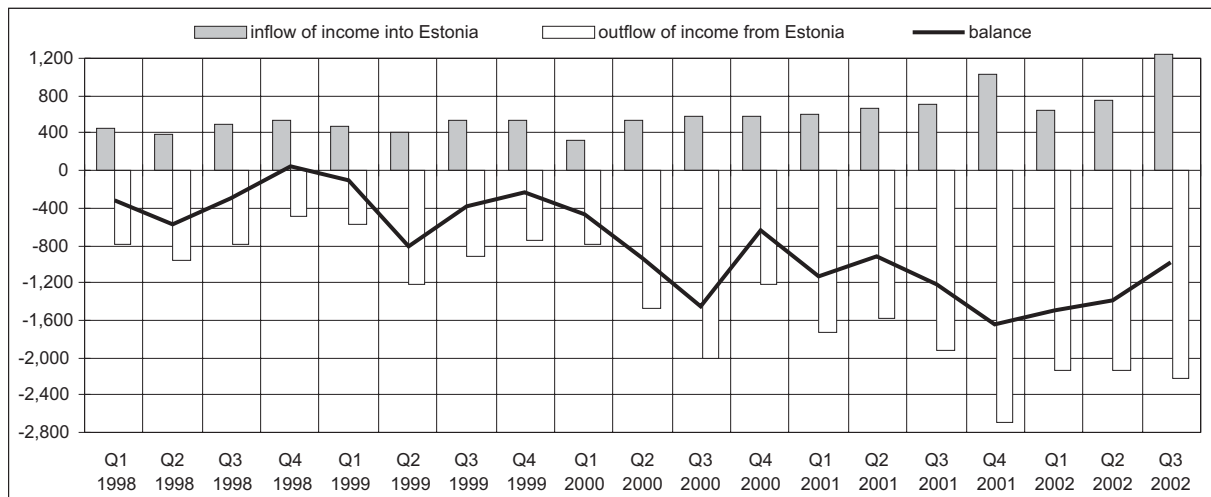


Figure 9. Income balance (EEK m)

Table 14. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Income from direct investments	197.0	98.3	421.5	27.8	13.2	34.0	328.8	114.0
o/w income from equity	168.3	71.9	395.9	23.8	9.7	31.9	450.6	135.2
income from debt (interests)	28.7	26.4	25.6	4.1	3.6	2.1	-3.0	-10.8
Income from portfolio investments	296.4	425.2	516.4	41.9	57.2	41.6	21.4	74.2
Income from other investments	195.8	197.3	230.1	27.7	26.6	18.5	16.6	17.5
Other income	18.4	22.0	73.4	2.6	3.0	5.9	233.6	298.9
Total	707.6	742.8	1,241.4	100.0	100.0	100.0	67.1	75.4

The **outflow of income** made up 2.2 billion kroons in the third quarter, growing by 15% year-on-year (see Table 15). The outflow of income from direct investments increased by 16%, due to larger dividend payments. The outflow of portfolio investment income related to debt securities increased by 74%.

Table 15. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Income from direct investments	-1,446.9	-1,535.6	-1,672.1	74.9	72.2	75.1	8.9	15.6
o/w income from equity	-1,365.1	-1,453.8	-1,584.1	70.7	68.4	71.2	9.0	16.0
income from debt (interests)	-81.8	-81.8	-88.0	4.2	3.8	4.0	7.6	7.6
Income from portfolio investments	-151.2	-299.1	-216.2	7.8	14.1	9.7	-27.7	43.0
Income from other investments	-326.7	-287.9	-329.6	16.9	13.5	14.8	14.5	0.9
Other income	-5.8	-3.9	-7.5	0.3	0.2	0.3	92.3	29.3
Total	-1,930.6	-2,126.5	-2,225.4	100.0	100.0	100.0	4.7	15.3

Transfers

The surplus of the transfers balance amounted to 560 million kroons in the third quarter and was unchanged against the two previous quarters of 2002, consisting mostly of foreign aid and government transfers aimed at preparations for joining the EU. Year-on-year, changes were insignificant as well.

CAPITAL AND FINANCIAL ACCOUNT

The surplus of the capital and financial account was 2.2 billion kroons in the third quarter of 2002. The structure of the financial account by categories and terms can be seen in Figures 10 and 11.

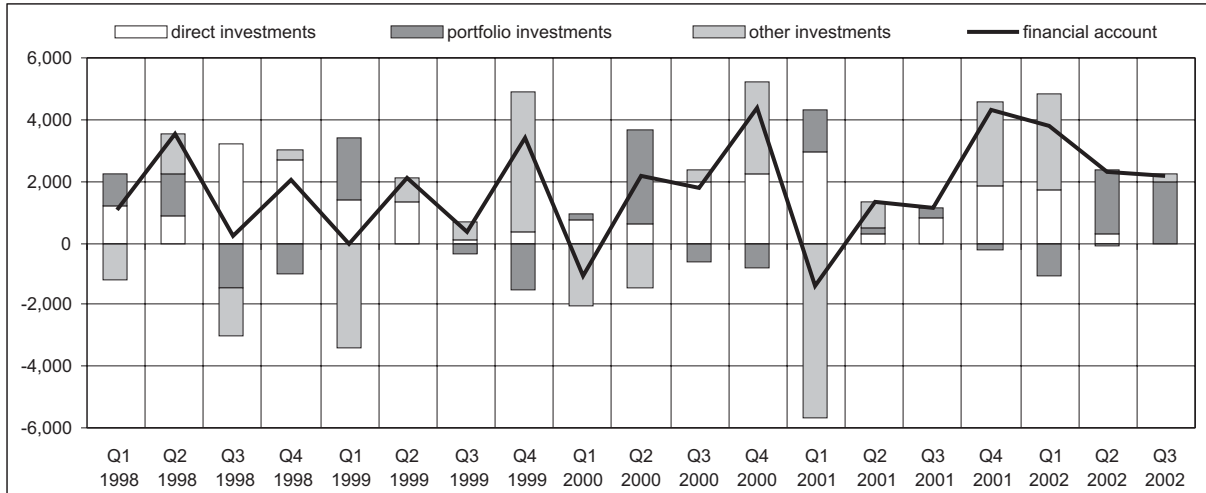


Figure 10. Changes in the structure of foreign investment capital flows (EEK m)

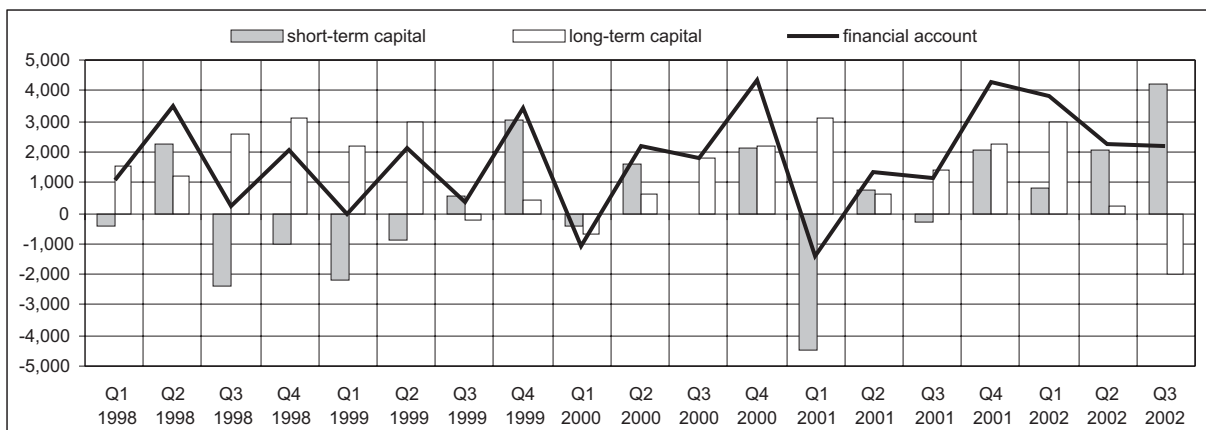


Figure 11. The maturity structure of financial sources (EEK m)

Direct Investments

The **balance of direct investments** was negative by 60 million kroons in the third quarter of 2002. The last time when the outflow of direct investments exceeded their inflow was in the fourth quarter of 1997. Non-residents invested 640 million kroons into Estonia and Estonian residents' investments abroad grew by 700 million kroons (see Table 16 and Figure 12).

Three-fourths of **direct investments made into** Estonia came from the increase of undistributed profits. The distribution of profits and payment of dividends continued in the third quarter. The continuing distribution of profits was also affected by the amendment of the Income Tax Act concerning the taxation of dividends, which took effect from 2003. The doubling of the outflow of equity owned by foreign partners was related to structural changes in ownership. The increase of long-term loan liabilities balanced out the outflow of short-term loan capital (see Figure 13).

Table 16. Structure of direct investments

	Into Estonia						Abroad					
	EKK m			Share (%)			EEK m			Share (%)		
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002
Share capital	362.4	383.9	43.7	16.2	32.9	6.8	-728.3	-281.3	-88.2	51.2	31.8	12.7
Inflow	565.6	640.4	693.2	25.3	54.9	108.5	46.6	17.8	19.4	-3.3	-2.0	-2.8
Outflow	-203.2	-256.5	-649.5	-9.1	-22.0	-101.6	-774.9	-299.1	-107.6	54.5	33.8	15.5
Reinvested income	1,253.3	274.4	474.0	56.2	23.5	74.2	-166.4	-52.2	-386.0	11.7	5.9	55.5
Claims	-485.7	-1,595.0	-1,533.2	-21.8	-71.5	-68.7	-197.5	-140.3	-394.1	-8.8	-6.3	-17.7
Liabilities	1,739.0	1,869.4	2,007.2	77.9	83.8	89.9	31.1	88.1	8.1	1.4	3.9	0.4
Loan capital (net)	841.6	785.6	-8.1	37.7	67.4	-1.3	-518.6	-533.1	-208.5	36.4	60.3	30.0
Trade credit	-176.8	113.8	-333.5	-7.9	9.8	-52.2	-181.2	-32.1	27.6	12.7	3.6	-4.0
Short-term loans	818.8	181.8	-36.7	36.7	15.6	-5.7	-62.9	76.8	-323.0	4.4	-8.7	46.4
Long-term loans	199.6	490.0	362.1	8.9	42.0	56.7	-274.5	-577.8	86.9	19.3	65.3	-12.5
Other capital	-225.3	-278.2	129.4	-10.1	-23.9	20.3	-9.5	-18.0	-13.4	0.7	2.0	1.9
Total	2,232.0	1,165.7	639.0	100.0	100.0	100.0	-1,422.8	-884.6	-696.1	100.0	100.0	100.0

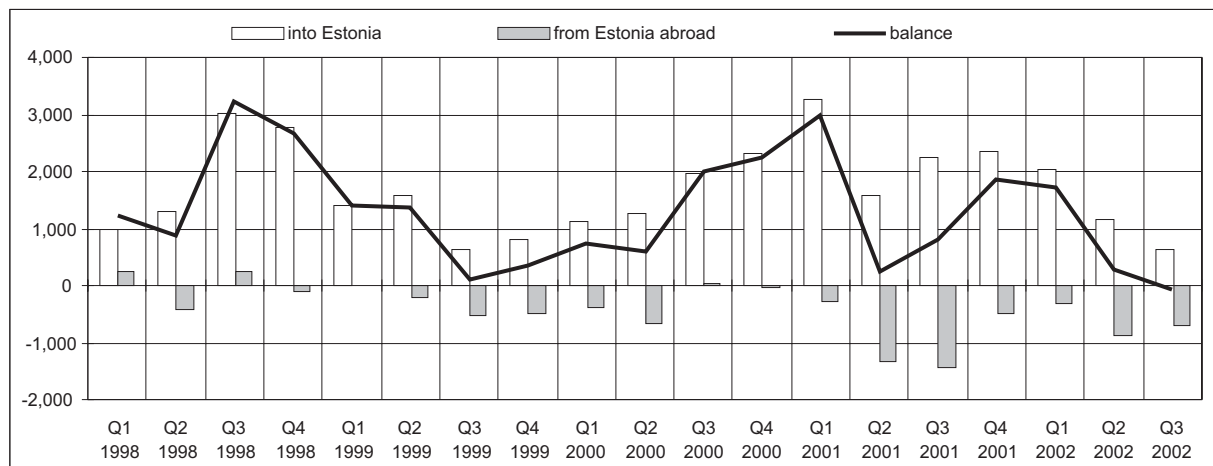


Figure 12. Direct investments (EEK m)

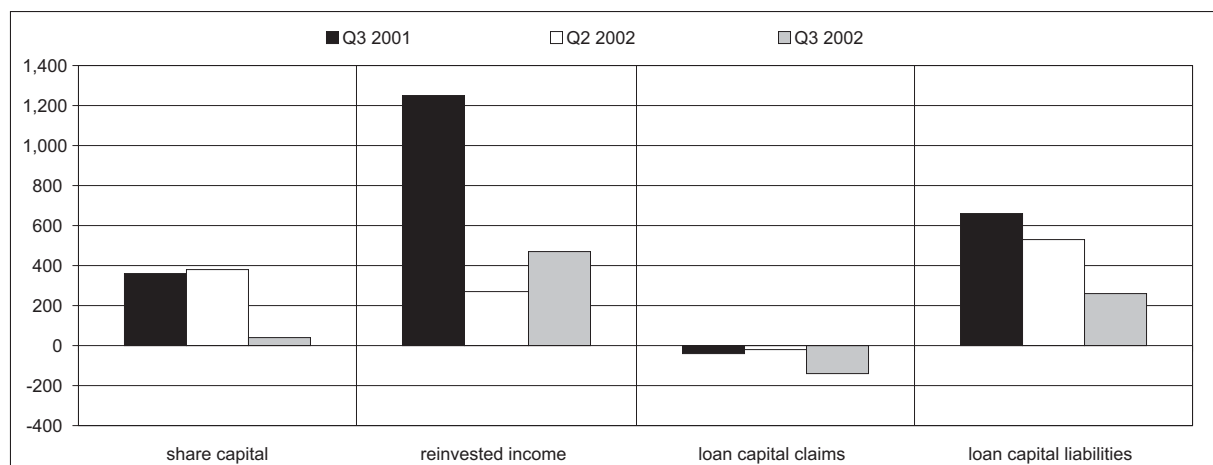


Figure 13. Structure of direct investments made into Estonia (EEK m)

Major investors traditionally came from Finland and Sweden. Investments from the US decreased considerably, mostly due to the withdrawal of dividends. The volume of direct investments increased the most in financial mediation and industry, and decreased in transport (see Figures 14 and 15).

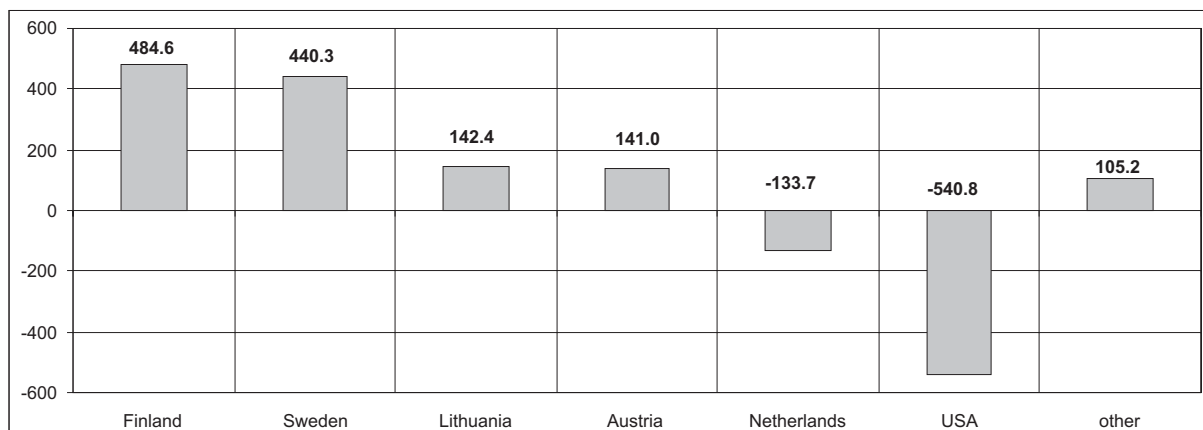


Figure 14. Structure of direct investments made into Estonia by countries in the 3rd quarter of 2002 (EEK m)

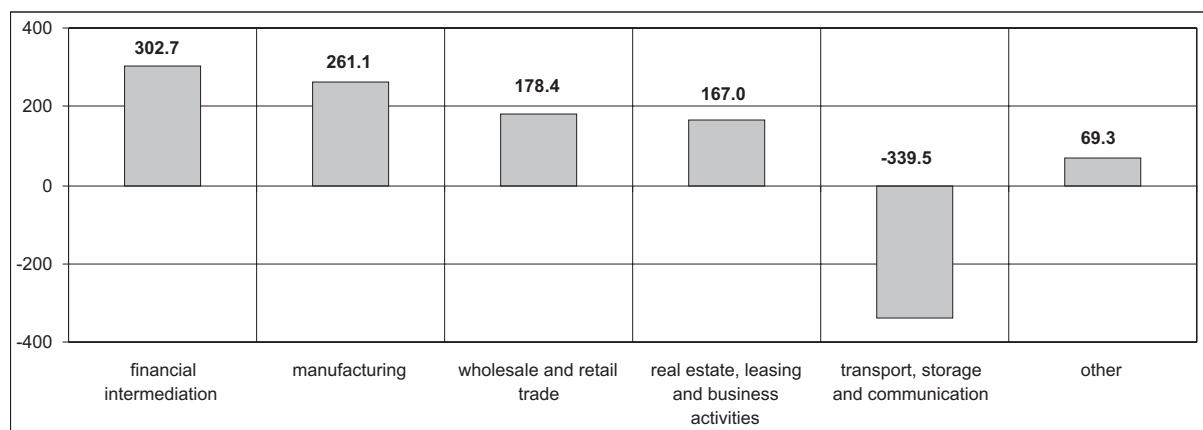


Figure 15. Structure of direct investments made into Estonia by spheres of activity in the 3rd quarter of 2002 (EEK m)

Like in the inflow of direct investments, the main reason for the outflow of investments was the growth of profits. Over a half of **direct investments placed abroad** were made up of reinvested income. The outflow of loan capital accounted for 30% of the investments made into affiliated/associated companies and it dropped considerably quarter-on-quarter. A marked increase was registered in the short-term claims on affiliated/associated companies. The increase of equity capital remained on the same level as in the first quarter of 2002 (see Figure 16).

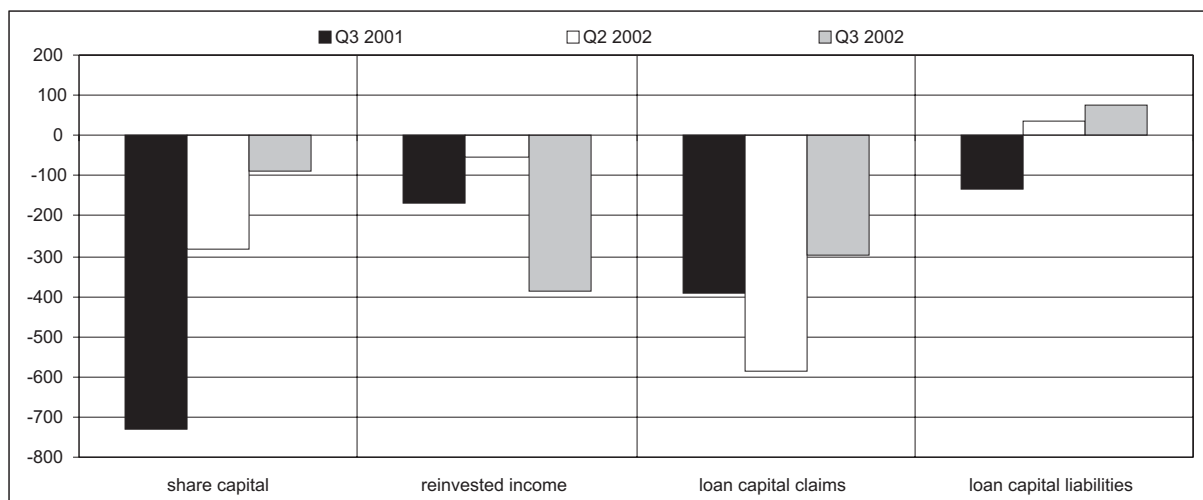


Figure 16. Structure of direct investments made abroad (EEK m)

Traditionally, investments were mostly made into Latvia and Lithuania and the main fields were transport, storage and communication as well as finance (see Figures 17 and 18).

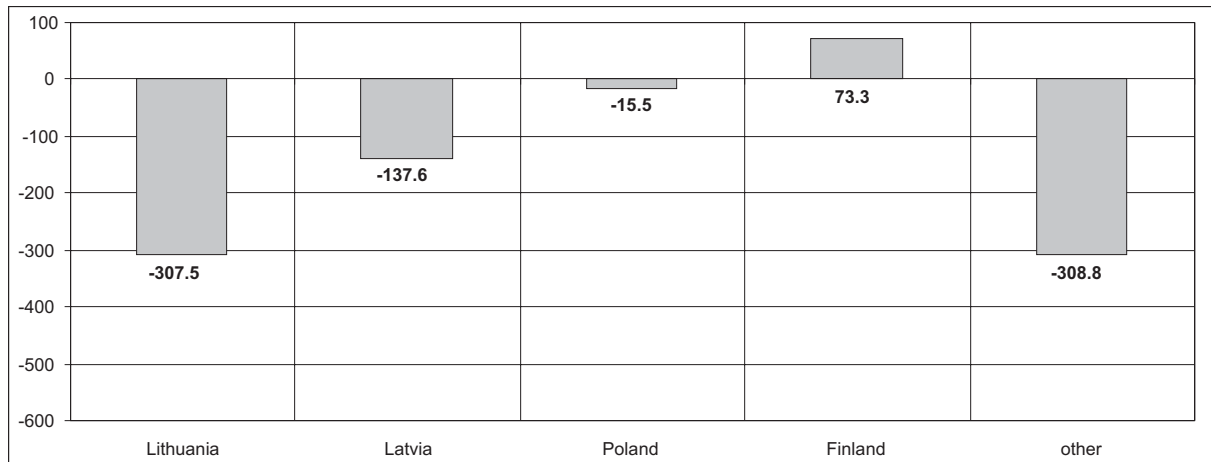


Figure 17. Structure of direct investments made abroad by countries in the 3rd quarter of 2002 (EEK m)



Figure 18. Structure of direct investments made abroad by spheres of activity in the 3rd quarter of 2002 (EEK m)

Portfolio Investments

The net inflow of **portfolio investments** amounted to approximately 2 billion kroons in the third quarter of 2002. The surplus of the investment balance was caused by the extensive increase of liabilities (see Figure 19 and Table 17).

Portfolio investments abroad increased by 1.4 billion kroons in the third quarter. The government sector placed 845 million kroons worth of free funds into debt securities issued by non-residents. The purchases of equity and debt securities (50 million and 450 million kroons, respectively) by the other sector companies also facilitated the growth of claims.

Portfolio investments into Estonia increased by 3.4 billion kroons in the third quarter. The exceptionally large inflow of capital in this form was related to the bonds issued by the energy sector and credit institutions.

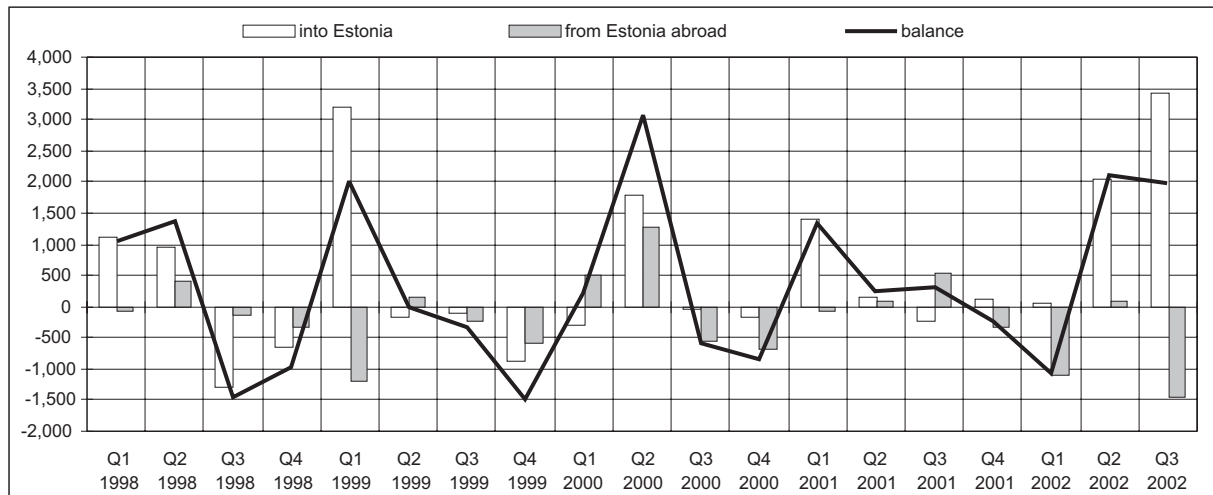


Figure 19. Portfolio investments (EEK m)

Table 17. Portfolio investments by types of securities and sectors of economy (EEK m)

	Claims			Liabilities			Balance		
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002
Total portfolio investments	546.8	83.5	-1,443.4	-248.2	2,034.7	3,426.5	298.6	2,118.2	1,983.1
Equity securities	-30.9	74.5	-50.3	-143.7	517.0	-103.6	-174.6	591.5	-153.9
Credit institutions	3.4	-3.6	2.5	-160.4	187.4	-32.2	-157.0	183.8	-29.7
Other sectors	-34.3	78.1	-52.8	16.7	329.6	-71.4	-17.6	407.7	-124.2
Debt securities	577.7	9.0	-1,393.1	-104.5	1,517.7	3,530.1	473.2	1,526.7	2,137.0
Central bank							0.0		0.0
Government sector	125.9	-417.5	-844.7	0.0	1,507.6		125.9	1,090.1	-844.7
Credit institutions	525.9	-29.8	-97.9	-8.7	6.2	444.2	517.2	-23.6	346.3
Other sectors	-74.1	456.3	-450.5	-95.8	3.9	3,085.9	-169.9	460.2	2,635.4

Other Investments

The inflow of **other investments** exceeded their outflow by 269 million kroons. In the third quarter, the claims of other investments decreased by 2.4 billion kroons and liabilities fell by 2.1 billion kroons (see Figure 20, Tables 18 and 19).

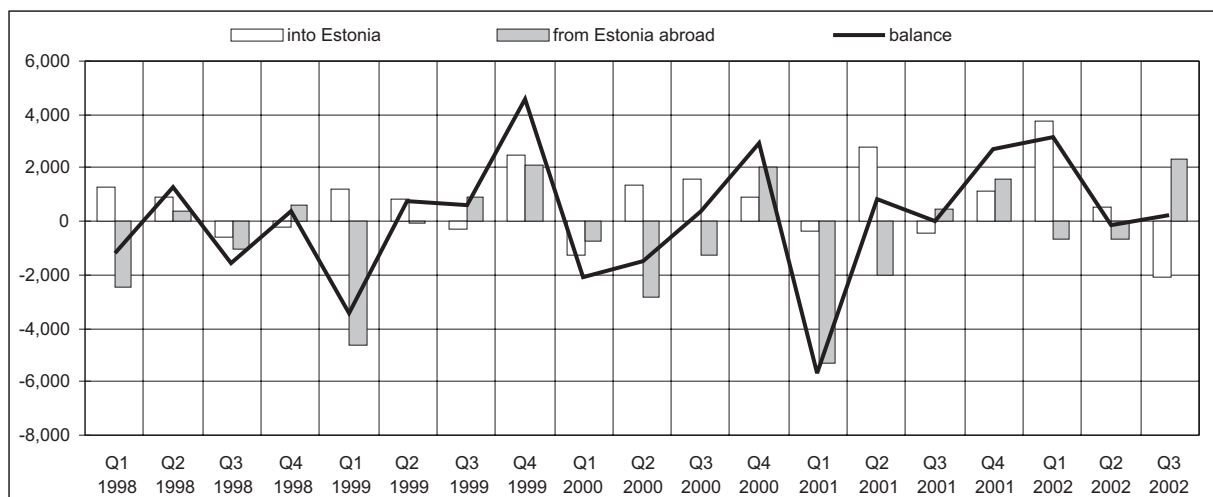


Figure 20. Other investments (EEK m)

Table 18. Other investments by type of capital (EEK m)

	Claims			Liabilities			Balance		
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002
Total	481.0	-664.7	2,367.6	-433.7	552.5	-2,098.3	47.3	-112.2	269.3
o/w trade credit	292.2	-202.2	-484.5	-417.4	876.8	869.3	-125.2	674.6	384.8
loans	-69.4	1,540.2	-332.8	750.0	-1,829.4	-1,919.2	680.6	-289.2	-2,252.0
deposits	134.4	-1,410.9	2,725.4	-752.1	775.3	-760.9	-617.7	-635.6	1,964.5
other	123.8	-591.8	459.5	-14.2	729.8	-287.5	109.6	138.0	172.0

Table 19. Other investments by maturity (EEK m)

	Claims			Liabilities			Balance		
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002
Total	481.0	-664.7	2,367.6	-433.7	552.5	-2,098.3	47.3	-112.2	269.3
Long-term capital	487.1	95.5	-1,064.5	139.6	-169.4	-887.8	626.7	-73.9	-1,952.3
central bank	2.9	-0.1	0.5				2.9	-0.1	0.5
government sector				28.0	-565.0	-345.4	28.0	-565.0	-345.4
credit institutions	28.8	-50.6	-225.3	40.9	374.1	17.3	69.7	323.5	-208.0
other sectors	455.4	146.2	-839.7	70.7	21.5	-559.7	526.1	167.7	-1,399.4
Short-term capital	-6.1	-760.2	3,432.1	-573.3	721.9	-1,210.5	-579.4	-38.3	2,221.6
central bank	86.9	-64.5	6.7	68.3	-478.0	-616.4	155.2	-542.5	-609.7
government sector	-463.9	-686.1	-470.2				-463.9	-686.1	-470.2
credit institutions	1,118.6	336.4	3,127.8	-691.0	966.8	-1,362.8	427.6	1,303.2	1,765.0
other sectors	-747.7	-346.0	767.8	49.4	233.1	768.7	-698.3	-112.9	1,536.5

Other investment claims decreased mostly due to the shrinking of residents' deposits in foreign credit institutions by 2.7 billion kroons; other claims decreased by 460 million kroons. The above-mentioned decrease of deposits abroad mostly resulted from the reduction of foreign assets by credit institutions and other sector businesses, which created capital inflow of 3.2 billion kroons in the third quarter. The trade credit claims increased by 480 million kroons and loans to non-residents grew by 330 million kroons.

Other investment liabilities decreased by 2.1 billion kroons in the third quarter. Residents cut their loan liabilities to non-residents by 1.9 billion kroons and the deposits of non-residents in Estonian credit institutions fell by 760 million kroons. On the liabilities side, only trade credit liabilities increased in the third quarter – by 870 million kroons.

RESERVES

The balance of payments as a whole was in balance in the third quarter of 2002 and the gold and foreign currency reserves of Eesti Pank increased by 26 million kroons (see Table 20). As the import of goods decreased quarter-on-quarter, the coverage of imports with reserves increased slightly (see Figure 21).

Table 20. Structure of reserves change

	EEK m			Share (%)		
	Q3 2001	Q2 2002	Q3 2002	Q3 2001	Q2 2002	Q3 2002
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	400.0	943.4	-829.8	67.7	417.6	3,155.1
Securities	191.2	-717.3	805.1	32.4	-317.5	-3,061.2
Equity securities				0.0	0.0	0.0
Debt securities	248.7	-891.5	-203.9	42.1	-394.6	775.3
Money market instruments	-57.5	174.2	1,009.0	-9.7	77.1	-3,836.5
Other claims	-0.2	-0.2	-1.6	0.0	-0.1	6.1
Total	591.0	225.9	-26.3	100.0	100.0	100.0

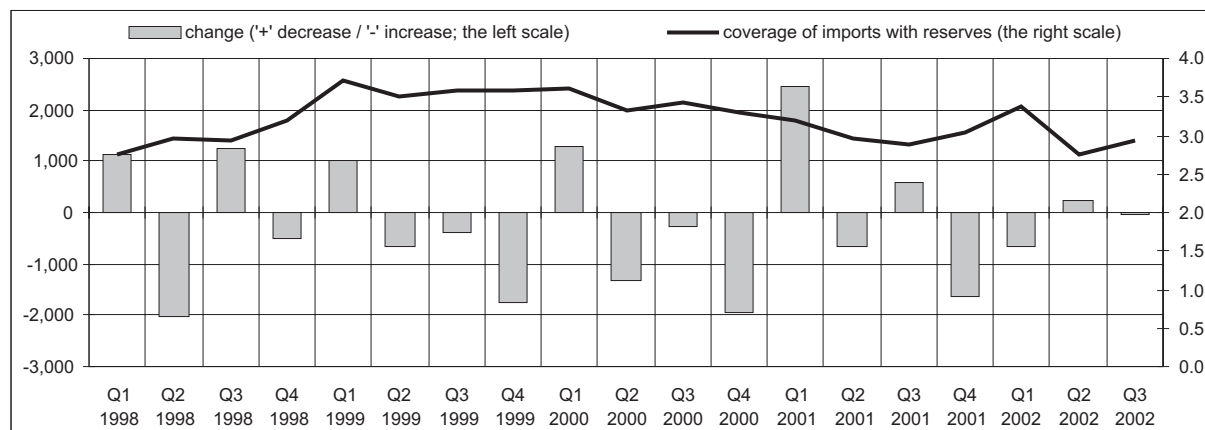


Figure 21. Change of the Estonia's gold and foreign currency reserves (EEK m) and the coverage of imports (in quarters)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT AS OF 30 SEPTEMBER 2002

By the end of the third quarter of 2002 the total volume of foreign investments made into Estonia amounted to 119.7 billion kroons, of which 52% or 61.9 billion kroons were direct investments that do not contribute to the external debt (see Table 21). Major FDI areas were finance (26% of total FDI), transport, storage and communication (21%) and manufacturing (also 21%; see Figure 22). The bulk of direct investments came from Sweden (41%) and Finland (26%; see Figure 23).

Besides direct investments, Estonia has attracted a considerable amount of other investments (loans, deposits, etc; 32%) and portfolio investments (16%). In the third quarter, the biggest increase occurred in portfolio investments, with capital placed mostly into long-term debt securities.

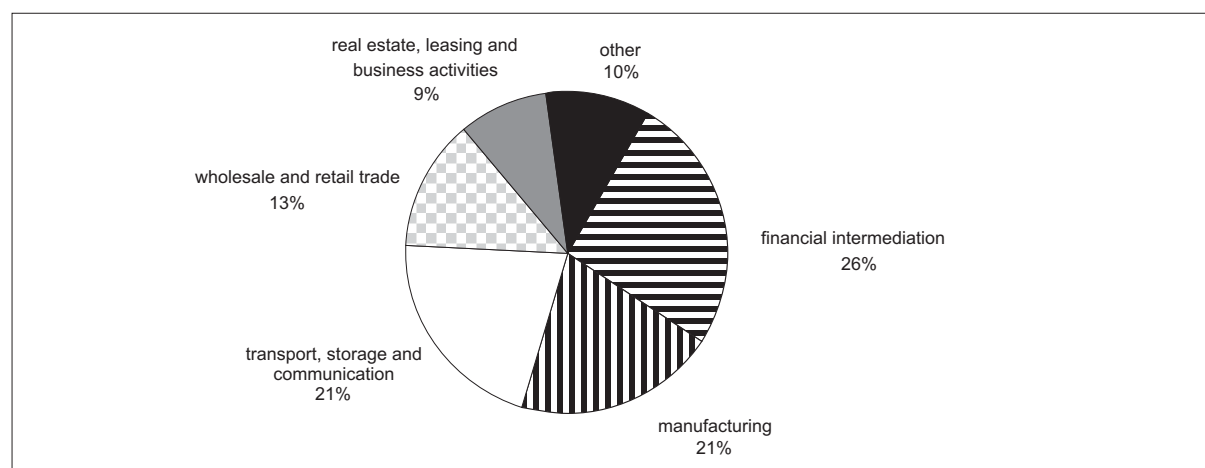


Figure 22. Direct investment position in Estonia by spheres of activity as of 30 September 2002

Table 21. Estonia's international investment position (EEK m)¹

	30.06.02	%	30.09.02	%
EXTERNAL ASSETS				
Direct investments abroad	8,945.1	15.0	9,785.7	16.4
share capital and reinvested income	5,494.0	9.2	5,999.7	10.1
other capital	3,451.1	5.8	3,786.0	6.4
Portfolio investments abroad	8,675.1	14.5	10,124.5	17.0
equity securities	389.4	0.7	404.5	0.7
debt securities	8,285.7	13.9	9,720.0	16.3
long-term	5,255.2	8.8	6,509.0	10.9
short-term	3,030.5	5.1	3,211.0	5.4
Financial derivatives	175.4	0.3	179.3	0.3
Other investments abroad	27,177.5	45.5	24,766.1	41.6
trade credit	5,317.7	8.9	5,873.2	9.9
loans	8,828.7	14.8	9,231.4	15.5
long-term	3,649.9	6.1	4,711.5	7.9
short-term	5,178.8	8.7	4,519.9	7.6
deposits	11,594.3	19.4	8,686.3	14.6
other assets	1,436.8	2.4	975.2	1.6
Reserves	14,772.9	24.7	14,740.4	24.7
TOTAL EXTERNAL ASSETS	59,746.0	100.0	59,596.0	100.0
EXTERNAL LIABILITIES				
Direct investments into Estonia	61,349.0	51.3	61,882.0	51.7
share capital and reinvested income	48,542.7	40.6	49,065.1	41.0
other capital	12,806.3	10.7	12,816.9	10.7
Portfolio investments into Estonia	17,060.3	14.3	19,087.9	15.9
equity securities	9,413.3	7.9	7,911.2	6.6
debt securities	7,647.0	6.4	11,176.7	9.3
long-term	7,590.1	6.4	11,155.3	9.3
short-term	56.9	0.0	21.4	0.0
Financial derivatives	118.1	0.1	121.5	0.1
Other investments into Estonia	40,981.7	34.3	38,603.9	32.3
trade credit	7,163.4	6.0	8,052.8	6.7
loans	20,303.6	17.0	18,314.6	15.3
long-term	16,459.2	13.8	15,627.4	13.1
short-term	3,844.4	3.2	2,687.2	2.2
deposits	10,215.3	8.5	9,454.4	7.9
other liabilities	3,299.4	2.8	2,782.1	2.3
TOTAL EXTERNAL LIABILITIES	119,509.1	100.0	119,695.3	100.0
NET INTERNATIONAL INVESTMENT POSITION	-59,763.1		-60,099.3	
short-term	1,387.5		-2,434.7	
long-term	-61,150.6		-57,664.6	

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

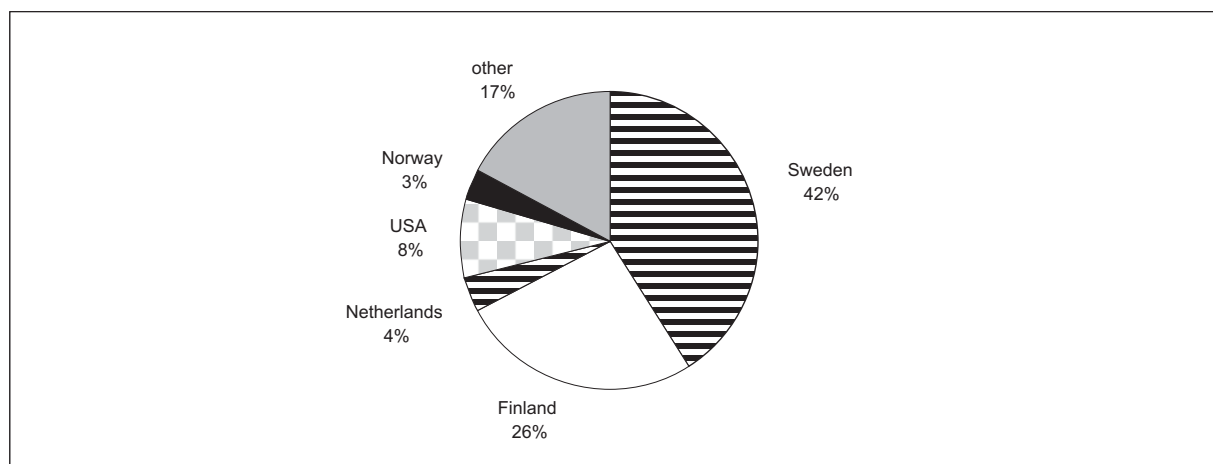


Figure 23. Direct investment position in Estonia by countries as of 30 September 2002

Estonian investments into foreign countries amounted to 59.6 billion kroons by the end of the third quarter. The bulk of it was made up of loans, deposits and the gold and foreign currency reserves of the central bank. Direct investments accounted for 16% of the total volume of investments made abroad. Estonian investors preferred such sectors as finance (39% of all direct investments made abroad), transport, storage and communication (22%) and real estate, leasing and business services (17%; see Figure 24). By countries, the majority of direct investments were made into Lithuania (42%) and Latvia (33%; see Figure 25).

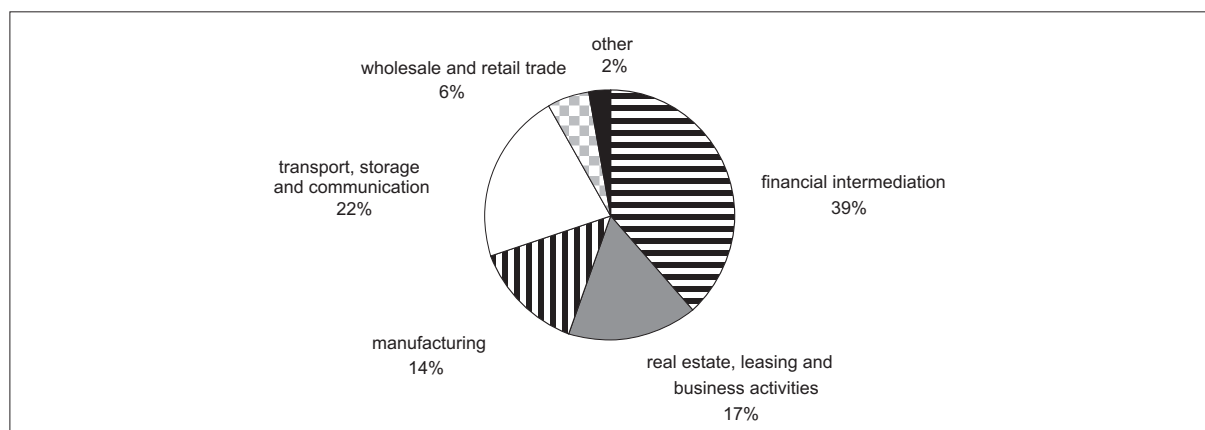


Figure 24. Estonia's direct investment position abroad by spheres of activity as of 30 September 2002

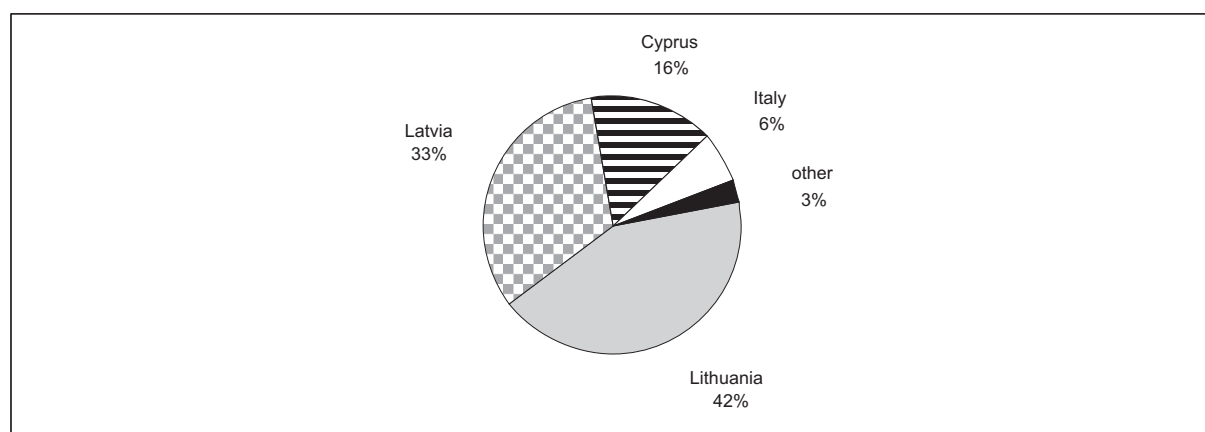


Figure 25. Estonia's direct investment position abroad by countries as of 30 September 2002

Due to the predominance of external liabilities, Estonia's net investment position was negative by 60.1 billion kroons at the end of the third quarter.

On 30 September, Estonia's total external debt amounted to 66.2 billion kroons (63.5% of the GDP of the past 12 months) and the net external debt (external debt claims minus external debt liabilities) stood at 9.6 billion kroons (9.2% of the GDP of the past 12 months; see Table 22). The dynamics of Estonia's total foreign debt and net foreign debt can be seen from Figure 26.

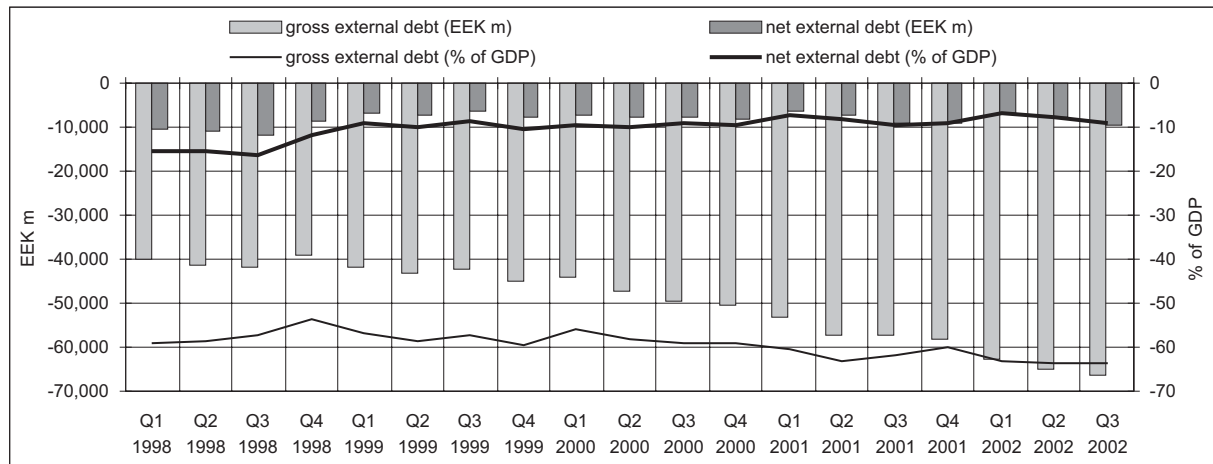


Figure 26. Estonia's gross and net external debt (EEK m, the left scale) and % of GDP (the right scale)

Table 22. External debt (EEK m)

	31.06.02	%	30.09.02	%
DEBT LIABILITIES				
Short-term	23,374.0	36.0	21,824.1	33.0
Government sector	0.0	0.0	0.0	0.0
Central bank	915.8	1.4	5.3	0.0
Credit institutions	13,678.6	21.1	12,280.3	18.6
Other sectors	8,779.6	13.5	9,538.5	14.4
Long-term	41,489.5	64.0	44,373.9	67.0
Government sector	3,766.6	5.8	3,408.8	5.1
Central bank	0.0	0.0	0.0	0.0
Credit institutions	9,228.9	14.2	9,726.1	14.7
Other sectors	28,494.0	43.9	31,239.0	47.2
GROSS EXTERNAL DEBT	64,863.5	100.0	66,198.0	100.0
CLAIMS				
Short-term	41,276.1	72.3	37,950.2	67.1
Government sector	2,923.7	5.1	3,295.3	5.8
Central bank	14,734.7	25.8	14,702.6	26.0
Credit institutions	13,646.2	23.9	10,649.1	18.8
Other sectors	9,971.5	17.5	9,303.2	16.4
Long-term	15,797.5	27.7	18,619.4	32.9
Government sector	1,721.9	3.0	2,566.6	4.5
Central bank	12.8	0.0	12.4	0.0
Credit institutions	1,175.8	2.1	1,382.5	2.4
Other sectors	12,887.0	22.6	14,657.9	25.9
CLAIMS TOTAL	57,073.6	100.0	56,569.6	100.0
NET EXTERNAL DEBT				
Short-term	17,902.1		16,126.1	
Government sector	2,923.7		3,295.3	
Central bank	13,818.9		14,697.3	
Credit institutions	-32.4		-1,631.2	
Other sectors	1,191.9		-235.3	
Long-term	-25,692.0		-25,754.5	
Government sector	-2,044.7		-842.2	
Central bank	12.8		12.4	
Credit institutions	-8,053.1		-8,343.6	
Other sectors	-15,607.0		-16,581.1	
NET EXTERNAL DEBT TOTAL	-7,789.9		-9,628.4	

INTERNATIONAL TRANSACTIONS OF CUSTOMERS VIA THE ESTONIAN BANKING SYSTEM

Number and Turnover of Transactions

The number of international payments³ decreased quarter-on-quarter and this concerned both incoming and outgoing payments (see Table 23 and Figure 27). The number of incoming payments decreased by 3%, while the number of outgoing payments fell by just 1%. Year-on-year, the number of both incoming and outgoing payments was up by more than 10%.

Table 23. Number of international payment transactions

	In thousands			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Incoming payments	133	153	148	-3	12
Outgoing payments	113	126	125	-1	11
Total	246	279	273	-2	11

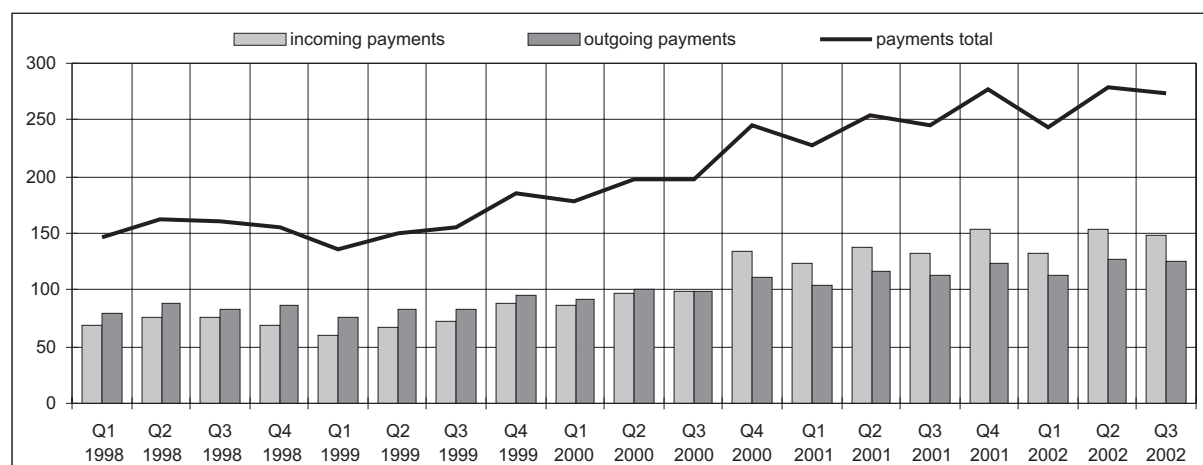


Figure 27. Number of international payment transactions (in thousands)

Despite the decrease of the number of international payments in the third quarter of 2002, the turnover of incoming payments of the customers of credit institutions increased by 4%. The turnover of outgoing payments was unchanged quarter-on-quarter. Year-on-year, the turnover of both incoming and outgoing payments increased by 21% (see Table 24 and Figure 28). The average size of incoming payments

Table 24. Turnover of international payment transactions

	EEK billion			Change (%)	
	Q3 2001	Q2 2002	Q3 2002	Q3 2002/ Q2 2002	Q3 2002/ Q3 2001
Incoming payments	21.0	24.4	25.3	4	21
Outgoing payments	22.1	26.8	26.8	0	21
Total	43.1	51.2	52.1	2	21

³ International payments do not contain transactions between residents only and between non-residents only.

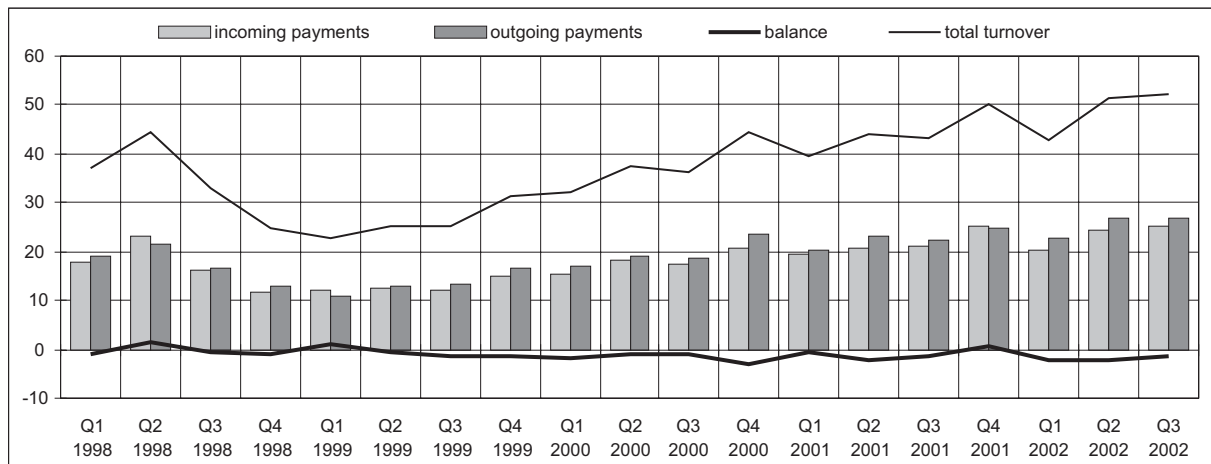


Figure 28. Turnover and balance of international payment transactions (EEK billion)

increased to 170,500 kroons; the average size of outgoing payments (215,100 kroons) changed little (in the second quarter of 2002, the respective figures were 159,300 and 212,500 kroons).

Use of Currencies⁴

In the turnover ranking of major currencies used by Estonian credit institutions for international payments in the third quarter of 2002 the share of the euro increased by 7 percentage points against the second quarter, accounting for 53% of the total turnover (see Figures 29 and 30). The rise of the euro reduced the share of the US dollar in international payments (32%) by 5 percentage points. The share of the Estonian kroon was unchanged at 9%. The share of other major currencies was also unchanged against the second quarter. The share of the Swedish krona amounted to 2% of the total turnover and the share of both the British pound and the Russian rouble was 1%. The share of other currencies combined amounted to just 2%.

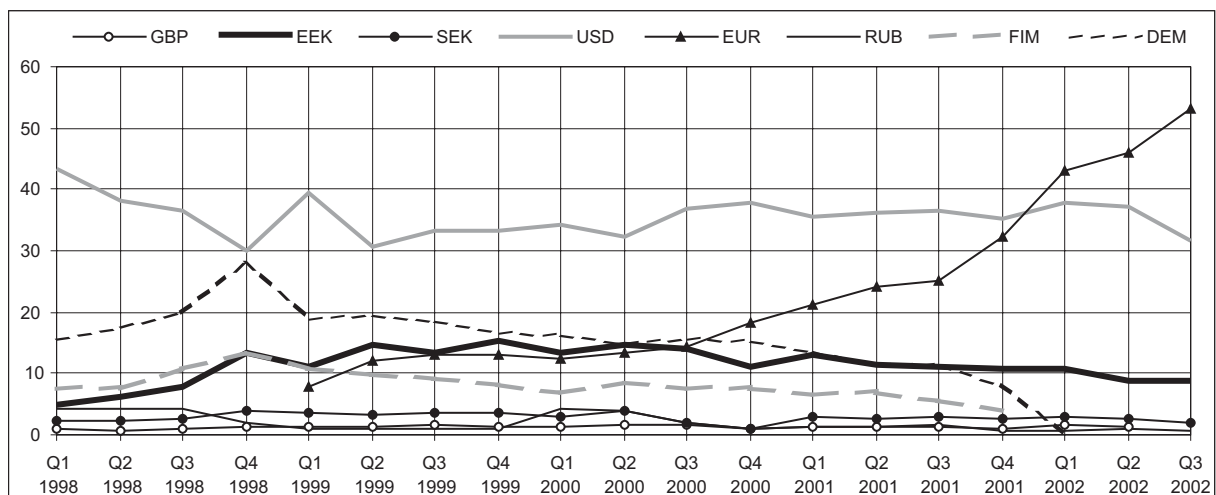


Figure 29. Currencies used in international payment transactions (%)

⁴ 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.

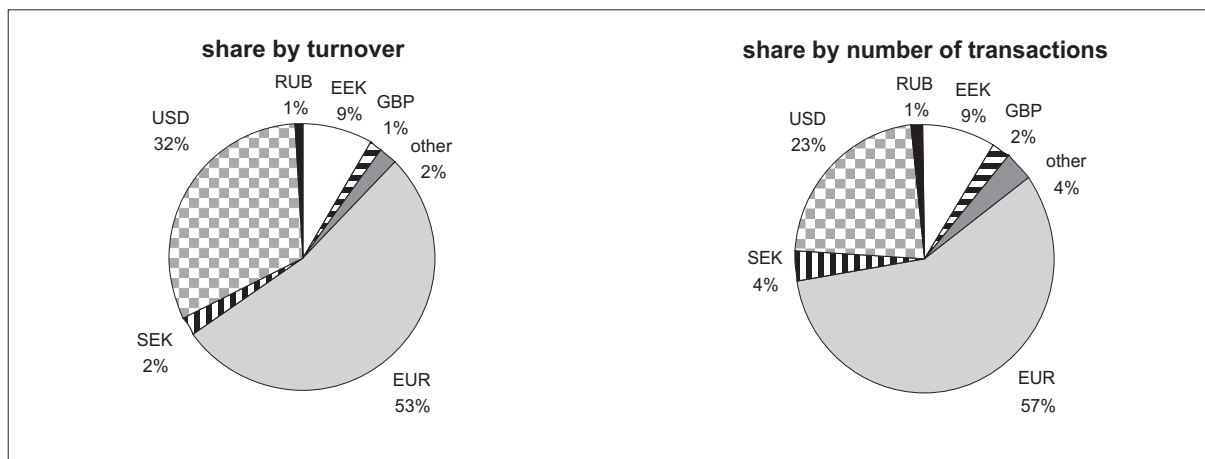


Figure 30. Use of major currencies by turnover and number of international payments

The number of payments made in euros increased by 2 percentage points in the third quarter of 2002 and accounted for over half of the total number of transactions. The share of the US dollar (23%) dropped by 1 percentage point and the share of the Estonian kroon (10%) remained stable. The share of other currencies in the number of transactions remained unchanged quarter-on-quarter, with the Swedish krona used in 4% of payments, the Russian rouble in 1% and the British pound in 2% of payments. The combined share of the rest of the currencies was 4%.