
SHORT SURVEY

- **Robust inflow of external funds and the related investment activity and private consumption still keep Estonia's current account deficit high.**
- **The 2003 current account deficit amounted to 15.9 billion kroons or 13.7% of the GDP, up 2.7 billion kroons year-on-year (see Table 1 and Figure 1).**
- **One reason for the growth of the deficit was the foreign trade balance: despite export growth the import of goods considerably outstripped their export.**
- **The size of the current account deficit was also affected by the income earned from investments made into Estonia by foreign investors, which was particularly large in 2003 – the net outflow of income amounted to 6.4% of the GDP.**
- **The surplus of the services balance increased considerably.**
- **Direct investments accounted for 53% of the net inflow of foreign capital, whereas 32% was made up of other investment capital.**
- **Reserves of the balance of payments increased by 2.3 billion kroons.**

The largest component of the **CURRENT ACCOUNT** – the deficit of the **foreign trade balance** – increased by 3.5 billion kroons year-on-year, totalling 21.7 billion kroons. In ratio of the GDP, the foreign trade deficit surged to nearly 19%. The export of goods increased by 9% and normal export¹ even by 12%. Export increased across practically all groups of goods, with the exception of food and clothes, footwear and headgear. The growth was the fastest in the normal export of such groups as machinery and equipment, chemical products, metal and mineral products. Due to stably high domestic demand, import increased by 12% and import of goods for free circulation by nearly 16% (mainly at the cost of capital goods and transport vehicles). The import and export of processed goods grew moderately, which led to the slight drop in their share in the foreign trade turnover. Almost 60% of processed goods consisted of machinery and equipment, while clothes, footwear and headgear accounted for 20%.

Estonia's major trade partners included EU member countries, which accounted for 68% of export and 63% of import. Active import of goods took place from the Central and Eastern European countries and the CIS countries.

The surplus of the **services balance** increased by nearly 50% last year and amounted to 11.8 billion kroons. Export of services grew by 9%, while import fell 5%. The growth of the services balance surplus was most affected by the transport, construction and government services sub-balances. All three showed a decline of the import turnover, which boosted the surplus of transport services and reduced the deficit of the construction and government services. Construction services were also affected by exceptionally high import in 2002 due to the reconstruction of the energy sector. Transport and travel services made up nearly 70% of the turnover of the services balance.

The deficit of the **income balance** was record high, amounting to 7.5 billion kroons. Income earned by non-residents from capital invested in Estonia and from the use of labour totalled 10.9 billion kroons. Income of Estonian residents from investments abroad stood at 3.4 billion kroons. Income earned from direct investments accounted for nearly 80% of the income earned by non-residents from their investments, and three fourths of it was reinvested, which does not involve any real movement of money. For residents, the respective indicator was 43%. Although this, too, was mostly reinvested income, the share of income from dividends increased considerably.

The surplus of the **transfers** balance was 1.6 billion kroons.

The positive balance of the **CAPITAL AND FINANCIAL ACCOUNT** increased by 4.7 billion kroons year-on-year and amounted to a record 18.3 billion kroons. 53% of this was the inflow of direct investments, the rest was portfolio and other investments.

¹ Export without goods processed in Estonia.

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

	1999	2000	2001	2002	2003				
	Total	Total	Total	Total	I	II	III	IV	Total
Current account	-3,607.7	-5,093.4	-5,889.5	-13,212.5	-4,405.4	-3,363.8	-3,204.0	-4,914.3	-15,887.5
Trade and services balance	-3,755.4	-3,569.0	-3,623.7	-10,106.7	-3,274.8	-1,832.8	-1,808.0	-2,996.1	-9,911.7
Trade balance	-12,096.9	-13,143.6	-13,783.9	-18,224.2	-5,425.9	-5,103.8	-5,686.8	-5,518.5	-21,735.0
Goods: export f.o.b	36,995.2	56,345.9	58,667.1	58,099.5	14,292.5	16,019.7	15,489.8	17,605.1	63,407.1
Goods: import f.o.b	-49,092.1	-69,489.5	-72,451.0	-76,323.7	-19,718.4	-21,123.5	-21,176.6	-23,123.6	-85,142.1
Services: net	8,341.5	9,574.6	10,160.2	8,117.5	2,151.1	3,271.0	3,878.8	2,522.4	11,823.3
Services: credit	21,951.9	25,485.8	28,866.5	28,279.7	6,027.4	7,942.7	8,959.0	7,967.1	30,896.2
Services: debit	-13,610.4	-15,911.2	-18,706.3	-20,162.2	-3,876.3	-4,671.7	-5,080.2	-5,444.7	-19,072.9
Income: net	-1,505.8	-3,483.4	-4,926.1	-5,483.1	-1,554.9	-1,822.7	-1,931.1	-2,227.8	-7,536.5
Income: credit	1,964.3	2,008.0	2,994.7	3,279.3	617.2	966.8	1,099.1	698.3	3,381.4
Income: debit	-3,470.1	-5,491.4	-7,920.8	-8,762.4	-2,172.1	-2,789.5	-3,030.2	-2,926.1	-10,917.9
Transfers: net	1,653.5	1,959.0	2,660.3	2,377.3	424.3	291.7	535.1	309.6	1,560.7
Transfers: credit	2,257.5	2,454.8	3,174.1	3,395.2	741.0	574.1	802.7	689.4	2,807.2
Transfers: debit	-604.0	-495.8	-513.8	-1,017.9	-316.7	-282.4	-267.6	-379.8	-1,246.5
Capital and financial account	5,916.6	7,273.2	4,863.1	13,593.0	5,291.1	3,255.3	3,816.5	5,911.5	18,274.4
Capital account	17.8	278.5	90.0	320.7	126.3	-6.3	257.8	170.7	548.5
Financial account	5,898.8	6,994.7	4,773.1	13,272.3	5,164.8	3,261.6	3,558.7	5,740.8	17,725.9
Direct investments	3,208.2	5,601.4	5,901.3	2,611.8	4,174.0	1,734.9	2,538.8	1,232.8	9,680.5
Abroad	-1,239.8	-1,043.1	-3,528.3	-2,188.4	-274.3	-443.0	-954.6	-476.1	-2,148.0
Into Estonia	4,448.0	6,644.5	9,429.6	4,800.2	4,448.3	2,177.9	3,493.4	1,708.9	11,828.5
Portfolio investments	156.0	1,435.0	-699.7	3,203.6	5,076.4	-4,593.3	-1,081.6	2,812.1	2,213.6
Assets	-1,894.9	153.1	-2,100.2	-2,358.0	177.4	-2,081.4	-1,571.0	-1,857.3	-5,332.3
Equity securities	187.0	53.3	236.5	9.1	-119.7	-261.9	-177.7	-414.8	-974.1
Debt securities	-2,081.9	99.8	-2,336.7	-2,367.1	297.1	-1,819.5	-1,393.3	-1,442.5	-4,358.2
Liabilities	2,050.9	1,281.9	1,400.5	5,561.6	4,899.0	-2,511.9	489.4	4,669.4	7,545.9
Equity securities	3,292.3	-538.8	568.4	912.2	89.1	571.5	502.7	145.7	1,309.0
Debt securities	-1,241.4	1,820.7	832.1	4,649.4	4,809.9	-3,083.4	-13.3	4,523.7	6,236.9
Other investments	2,534.6	-41.7	-428.5	7,456.9	-4,085.6	6,120.0	2,101.5	1,695.9	5,831.8
Assets	-1,651.2	-2,638.3	-3,716.7	723.6	-3,547.1	3,057.3	375.1	-1,457.9	-1,572.6
Long-term	421.8	-1,108.7	-322.7	-1,083.0	130.6	-155.0	84.8	-611.6	-551.2
Short-term	-2,073.0	-1,529.6	-3,394.0	1,806.6	-3,677.7	3,212.3	290.3	-846.3	-1,021.4
Liabilities	4,185.8	2,596.6	3,288.2	6,733.3	-538.5	3,062.7	1,726.4	3,153.8	7,404.4
Long-term	1,691.5	-549.9	1,814.4	1,829.0	1,460.7	656.5	1,140.8	140.4	3,398.4
Short-term	2,494.3	3,146.5	1,473.8	4,904.3	-1,999.2	2,406.2	585.6	3,013.4	4,006.0
Errors and omissions	-511.3	90.7	296.2	546.3	-152.9	-271.1	-81.7	431.0	-74.7
Overall balance	1,797.6	2,270.5	-730.2	926.8	732.8	-379.6	530.8	1,428.2	2,312.2
Reserve assets	-1,797.6	-2,270.5	730.2	-926.8	-732.8	379.6	-530.8	-1,428.2	-2,312.2

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

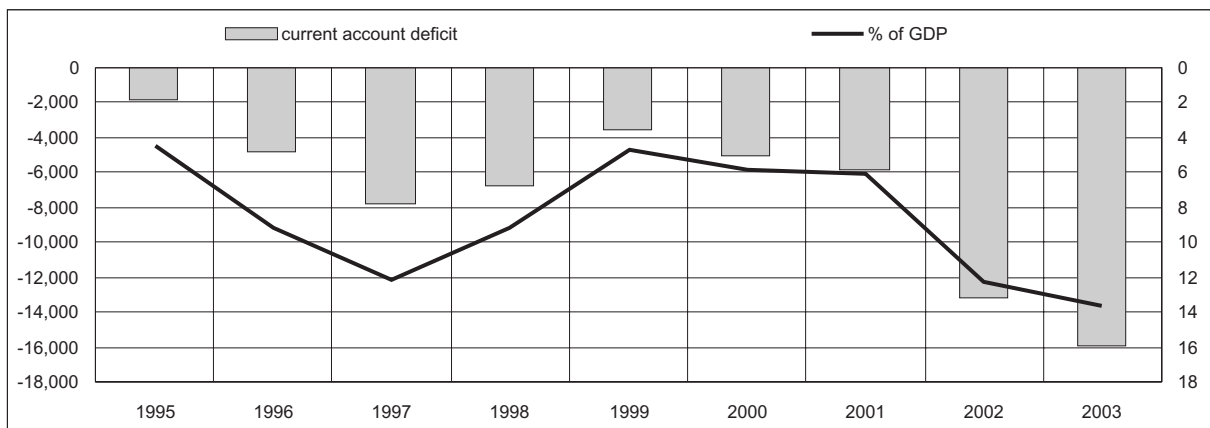


Figure 1. Current account balance (EEK m and % of GDP)

The net inflow of **direct investments** stood at 9.7 billion kroons. Non-residents invested 11.8 billion kroons into Estonia and residents made 2.1 billion kroons worth of direct investments abroad.

Over half of direct investments made into Estonia came from the increase of undistributed profit. Investments into share capital increased considerably. Nearly 80% of direct investments came from two countries – Finland (47%) and Sweden (31%). The most popular areas were wholesale and retail trade, which absorbed nearly 40% of total direct investments, followed by manufacturing industry (17%), real estate, leasing and business activities (15%) and financial intermediation (14%).

The structure of direct investments made by Estonian residents abroad changed little. The main components were share capital (43%) and undistributed profits (34%). Over half of direct investments were made into Lithuania (53%), the rest mainly into Latvia and Cyprus. The dominating areas were financial intermediation (38%), transport, storage and communication (35%) and wholesale and retail trade (17%).

Like in 2002, net inflow of **portfolio investments** (2.2 billion kroons) was seen in 2003, but the turnover was much bigger. Claims of portfolio investments increased by 5.3 billion kroons – mostly thanks to the bonds bought by the government sector. Liabilities increased by 7.5 billion kroons, mainly due to debt securities issued by credit institutions.

Although the net inflow of **other investment capital** was somewhat smaller in 2003 than it had been in 2002, it was still remarkable and totalled 5.8 billion kroons. Claims increased by 1.6 billion and liabilities by 7.4 billion kroons. Movement of other investments mostly occurred through credit institutions, with short- and long-term capital both accounting for half of the net movement.

CHANGES IN THE BALANCE OF PAYMENTS

STATISTICS METHODOLOGY

In connection with the adoption of EU statistics requirements, Eesti Pank has introduced the regional (country) breakdown, which has resulted in adjustments in the data on **transport services and foreign trade**.

- **Foreign trade balance – import of goods:**

In the foreign trade statistics, which is based on data collected at the customs border, and used for the foreign trade balance and partially also the transport services balance of the balance of payments, the import of goods is given in c.i.f. prices. Besides the cost of the goods, this price also includes the transport and insurance costs to the customs border of the importing country, ie Estonia. Under the international methodology, the **import of goods has to be expressed in f.o.b. prices in the balance of payments**. This means that costs related to the transport and insurance of goods will be separated from the cost of goods and reflected in the transport and insurance services accounts in the balance of payments. As Eesti Pank did not draw up the services balance by countries until now, a uniform average rate was applied when transforming c.i.f. prices into f.o.b. prices, which was based on the data received from companies included in the samples of the balance of payments questionnaire system. In order to implement the EU required country dimension, the uniform rate was abandoned and an individual rate was calculated for each import partner country. This rate was based on those declarations of the customs statistics where the respective data had been indicated. The new, weighted average rate of transport and insurance costs turned out somewhat higher than the average rate, which pointed to a certain **overrating of import** as compared to the old methodology. Therefore, it was necessary to adjust the data of the first three quarters of 2003, which decreased by an estimated 200 million kroons per quarter.

- **Transport services – debit:**

In the transport costs, which are calculated by the above method, processed goods were excluded, besides the share of resident carriers, in the interests of a more precise entry and the transport cost rate was divided across the countries by categories of transport. The new approach showed that the import of services had previously been somewhat overestimated (by approximately 150 million kroons per quarter). Since previously imported transport services were divided across the categories of transport by export, the change also leads to reclassification of entries under air, rail and road transport.

- **Balance of current transfers – government transfers – credit:**

Estimates on foreign aid, used until 2002 for the lack of real data, were replaced with reported data, which turned out smaller than the estimates. Due to receiving more representative information, part of transactions earlier entered under the government sector current transfers are now shown as government transfers of the capital account (investments into environmental protection, infrastructure, etc received in the form of foreign aid).

CURRENT ACCOUNT

The tendencies of the previous year continued in 2003: small export demand and large import demand increased the current account deficit even further and boosted it to 13.7% of the GDP.

The persistently high deficit was caused by the 19% increase of the foreign trade deficit and the 37% rise in the deficit of the income balance. Further growth of the deficit was prevented by the 46% increase of the surplus of the services balance as compared to 2002 (see Figure 2). The brisk inflow of foreign capital fully compensated the current account deficit and boosted the gold and foreign currency reserve of Eesti Pank by 2.3 billion kroons.

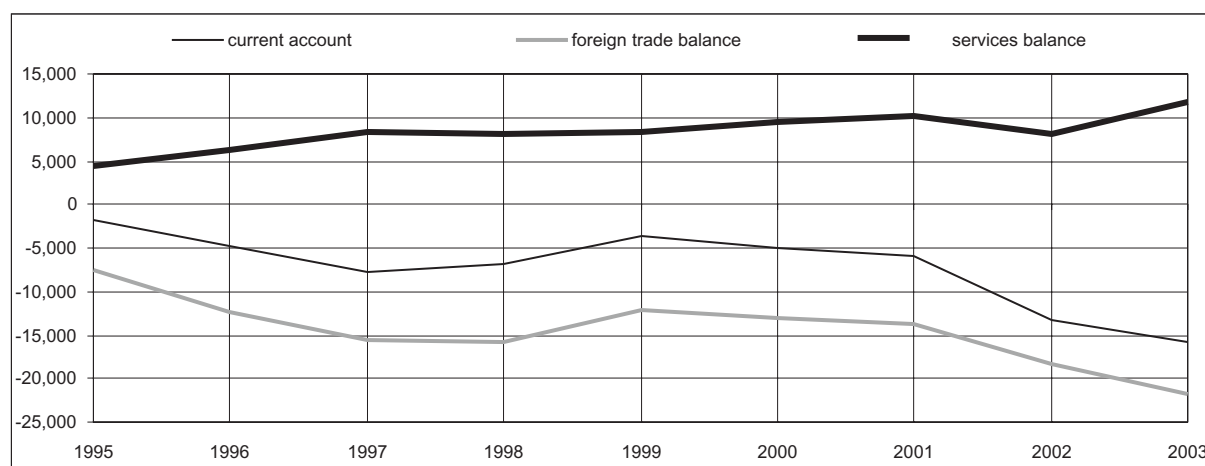


Figure 2. Comparison of the current account, foreign trade balance, income balance and services balance of the Estonian balance of payments (in f.o.b prices, EEK m)

Table 2. Internationally comparable BOP key indicators

	1996	1997	1998	1999	2000	2001	2002	2003
Foreign trade turnover (% of GDP)	106.7	123.9	124.2	112.8	144.0	133.9	124.4	127.9
Export and import ratio (%)	64.1	67.1	70.7	75.4	81.4	80.8	76.2	74.4
Nominal effective exchange rate of the kroon (% against the previous year)	99.9	97.2	108.8	117.1	97.3	101.3	102.0	103.6
Real effective exchange rate of the kroon (% against the previous year)	109.7	103.3	110.4	107.3	96.2	102.0	101.9	101.7
Terms of trade	107.7	108.8	108.8	107.9	112.6	118.4	112.2	121.6
Overall balance of the balance of payments (change of external reserves, EEK m)	1,228.4	2,771.3	126.4	1,797.6	2,270.5	-730.2	926.8	2,312.2
Ratio of the external reserves change to GDP (%)	2.3	4.3	0.2	2.4	2.6	-0.7	0.9	2.0
Current account balance (EEK m)	-4,806.9	-7,810.2	-6,760.2	-3,607.7	-5,093.4	-5,889.5	-13,212.5	-15,887.5
Current account balance deficit without government transfers (EEK m)	-5,812.2	-9,143.0	-8,314.5	-5,022.8	-6,609.3	-8,072.8	-15,257.5	-16,981.8
Current account deficit without government transfers (% of GDP)	11.1	14.3	11.3	6.6	7.6	8.2	14.1	14.6
Government transfers (net, EEK m)	1,005.3	1,332.8	1,554.3	1,415.1	1,515.9	2,183.3	2,045.0	420.6
Government transfers (% of GNP)	1.9	2.1	2.1	1.9	1.8	2.3	2.0	1.0
Estonia's total external debt (% of GDP)	35.8	57.4	53.3	58.7	57.9	59.3	65.0	74.8
External debt servicing (% from total exports)	3.3	1.6	1.2	1.1	1.3	1.0	1.7	0.3

The terms of trade became more favourable for Estonia on foreign markets in 2003 (export prices rose and import prices dropped year-on-year) although the Estonian kroon strengthened against other currencies (see Table 2). The deficit of the income balance increased, since the inflow of income to Estonia rose only slightly while the outflow increased by 25%.

The structure of the current account can be seen in Figure 3.

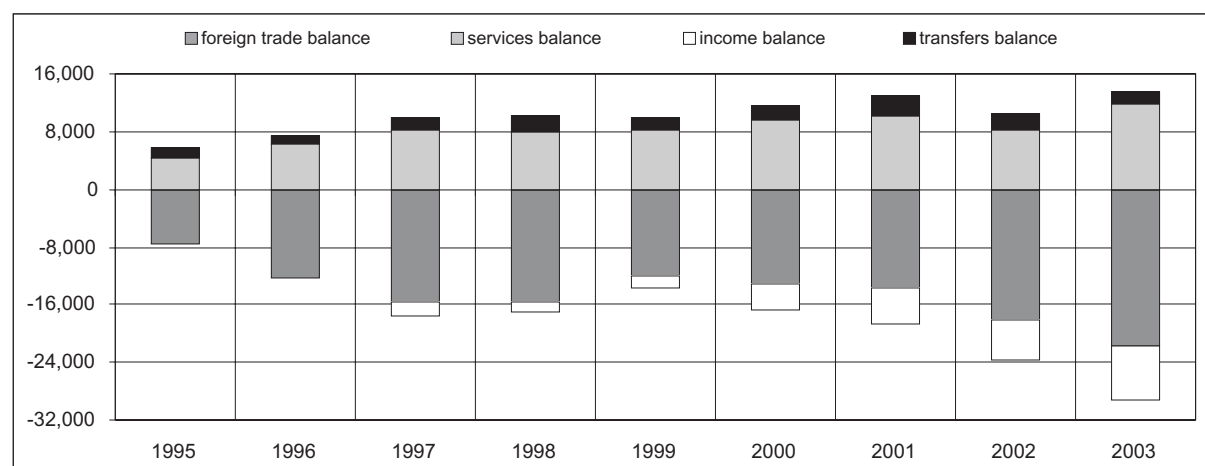


Figure 3. Current account structure (EEK m)

Goods

In 2003, foreign trade deficit increased by 3.5 billion kroons year-on-year, totalling 21.7 billion kroons (see Table 3). Although the export of goods grew by 9% – reaching record 63.4 billion kroons – high domestic demand boosted import by 12%, to record 85.1 billion kroons (in f.o.b. prices).

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

	Special exports			Special imports			Balance (EEK)
	Volume ¹ (EEK m)	Change compared to the previous year (%)	Share in total export of goods and services (%)	Volume ¹ (EEK m)	Change compared to the previous year (%)	Share in total import of goods and services (%)	
1995	19,428.2	22.7	66.0	27,043.7	32.3	82.6	-7,615.5
1996	21,833.4	12.4	62.1	34,121.6	26.2	82.8	-12,288.2
1997	31,846.5	45.9	63.4	47,499.3	39.2	82.4	-15,652.8
1998	37,786.3	18.7	64.5	53,511.8	12.7	80.8	-15,725.5
1999	36,995.2	-2.1	62.8	49,092.1	-8.3	78.3	-12,096.9
2000	56,345.9	52.3	68.9	69,489.5	41.5	81.4	-13,143.6
2001	58,667.1	4.1	67.0	72,451.0	4.3	79.5	-13,783.9
2002	58,099.5	-1.0	67.3	76,323.7	5.3	79.1	-18,224.2
2003	63,406.9	9.1	67.2	85,142.1	11.6	81.7	-21,735.2

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

Export according to **special trade statistics**² totalled 62.4 billion kroons and import in c.i.f. prices was 89.7 billion kroons. The foreign trade deficit amounted to 27.3 billion kroons (see Figure 4).

Export of goods surged by nearly 10%, with both normal export³ and export of processed goods up in the overall structure of exports (by 12% and 5%, respectively; see Table 4).

² The analysis below does not contain adjustments made in the foreign trade balance of the balance of payments by the Balance of Payments and Economic 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.

³ Normal export – export of goods manufactured in Estonia and belonging to Estonian legal entities; does not include the export of goods brought to Estonia for processing. Normal import – import of goods for Estonia's internal consumption; does not include import of goods for processing.

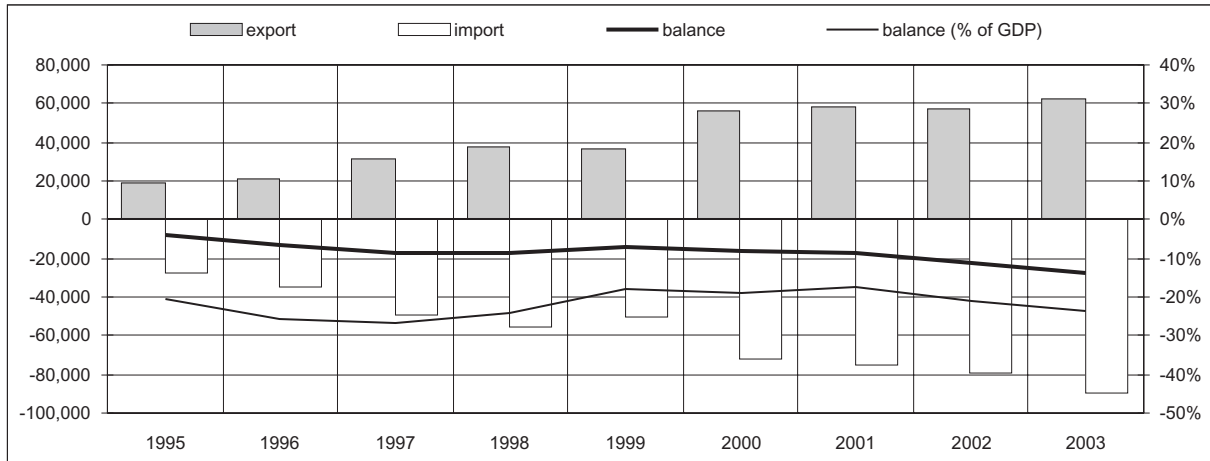


Figure 4. Estonian foreign trade balance (EEK m)

Table 4. Special export by end consumption

	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2003/2002
Normal export:	38,966.1	43,610.3	68.5	69.9	11.9
Capital goods	2,116.2	2,589.6	3.7	4.2	22.4
Goods of intermediate consumption	23,830.2	27,055.9	41.9	43.4	13.5
Consumer goods	12,032.6	12,813.7	21.2	20.5	6.5
Other	987.1	1,151.0	1.7	1.8	16.6
Export of processed goods:	17,897.0	18,783.7	31.5	30.1	5.0
Capital goods	4,658.2	4,262.7	8.2	6.8	-8.5
Goods of intermediate consumption	9,196.1	10,511.7	16.2	16.8	14.3
Consumer goods	3,873.8	3,721.2	6.8	6.0	-3.9
Other	168.9	287.9	0.3	0.5	70.5
Total	56,863.1	62,393.9	100.0	100.0	9.7

The volume of **normal export** increased in all groups of final consumption by a total of 4.6 billion kroons, mostly thanks to the increase of the export of intermediate consumption and consumer goods. Goods of intermediate consumption mostly included timber products: sleepers, prefabricated wooden houses and components, as well as unprocessed timber and firewood. On a positive note it should be mentioned that the share of unprocessed timber is constantly decreasing in export and the share of processed timber is increasing. Under the goods of intermediate consumption also metal structures, car accessories, paints, etc were exported from Estonia. Furniture and its components, fish and dairy products, textile products, footwear, medicines and plastic products dominated in the export of consumer goods. Export of capital goods included trailers, containers, lifting and loading mechanisms, metal moulds and various instruments.

The three major groups in the export of **processed goods** were machinery, clothes, footwear and headgear and metals. The export of machinery increased by 4% and that of metals by 18%, while the export of clothes, footwear and headgear fell by 5%. Over half of the processed goods were made up of intermediate consumption goods – components of electronics and machine-building and metal products. The export of capital goods consisted mostly of mobile communication equipment, whereas consumer goods mostly included products of the textile industry.

The import of goods increased by 13% in 2003 (see Table 5), with normal import or import for free circulation growing by 16%, while import for processing remained approximately on the same level as in 2002.

The volume of **normal import** increased across all groups of final consumption, growing by a total of 10 billion kroons. More than half of this came from the growth of the capital goods import. The most remarkable change as compared to 2002 was the import of railway cars worth 3.8 billion kroons. Besides these, computers, trucks, farming and road construction machinery and mobile phones were imported. The import of intermediate consumption goods included parts of motor vehicles, natural gas, unprocessed timber, metal products, components of machinery, etc. Medicines and other chemical products, food, footwear, ready-made clothes and household electronic devices dominated in the import of consumer goods. Other goods traditionally included passenger cars and motor fuel, which

Table 5. Special import by end consumption

	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2003/2002
Import for free circulation (normal import)	63,580.7	73,653.6	80.0	82.1	15.8
Capital goods	11,136.1	16,397.6	14.0	18.3	47.2
Goods of intermediate consumption	29,535.8	32,262.2	37.2	36.0	9.2
Consumer goods	15,672.4	16,421.7	19.7	18.3	4.8
Other	7,236.4	8,572.1	9.1	9.6	18.5
Import of manufactured goods	15,886.3	16,072.2	20.0	17.9	1.2
Capital goods	3,571.0	2,546.3	4.5	2.8	-28.7
Goods of intermediate consumption	11,176.5	12,417.8	14.1	13.8	11.1
Consumer goods	1,082.5	1,061.6	1.4	1.2	-1.9
Other	56.3	46.5	0.1	0.1	-17.4
Total	79,467.0	89,725.8	100.0	100.0	12.9

are hard to define by final consumption. The import of passenger cars increased by 22% in 2003 and amounted to 4.6 billion kroons. The import of motor fuel increased by 8% year-on-year, totalling 3.4 billion kroons.

Import for processing increased insignificantly year-on-year and its share in special import dropped from 20% to 18%. The bulk of processed goods were intermediate consumption goods, such as components of electrical and electronic appliances, raw material for the textile industry and metals.

The foreign trade deficit increased by 21% year-on-year and totalled 27.3 billion kroons (see Table 6). The surplus of the processed goods balance increased by 0.7 billion kroons, whereas the deficit of normal export and import balance increased by 5.8 billion kroons, mostly due to the growth of capital goods import.

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

	2002	2003
Balance of normal export and normal import	-24,614.6	-30,043.3
Capital goods	-9,019.9	-13,808.0
Goods of intermediate consumption	-5,705.6	-5,206.3
Consumer goods	-3,639.8	-3,608.0
Other	-6,249.3	-7,421.0
Balance of export and import of processed goods	2,010.8	2,711.4
Capital goods	1,087.3	1,716.4
Goods of intermediate consumption	-1,980.3	-1,906.1
Consumer goods	2,791.3	2,659.7
Other	112.5	241.4
Total	-22,603.9	-27,331.9

Across groups of countries, export to the EU, Central and Eastern European countries increased, as well as export to the CIS countries (see Table 7). Growth was the biggest in the export to EU countries, with Estonia's three major trade partners – Finland, Sweden and Germany – accounting for 75% of the export volume in this group and 85% of the growth. Among Central and Eastern European countries, the leading position belonged to Latvia, Lithuania, Hungary and Poland. Among the CIS countries, Russia and the Ukraine accounted for 95% of export. Norway, the USA and China dominated among other countries.

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

	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2003/2002
EU countries	38,625.3	42,668.6	67.9	68.4	10.5
Central and Eastern European countries	7,732.8	8,657.6	13.6	13.9	12.0
CIS countries	2,882.0	3,744.1	5.1	6.0	29.9
Other	6,344.7	7,220.2	11.2	11.6	13.8
Customs-free zone	1,278.3	103.4	2.2	0.2	-91.9
Total	56,863.1	62,393.9	100.0	100.0	9.7

Import of goods increased across all groups of countries (see Table 8). Import from the CIS countries increased by 60%, thanks to the above-mentioned purchases of railway cars from Russia and the Ukraine. Deliveries from Central and Eastern European countries (Latvia, Lithuania, Poland) increased by 23%. Import from the EU grew by 5% and major trade partners were still Finland, Germany and Sweden. The top three among other countries was made up of Japan, China and the USA.

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

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

	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2003/2002
EU countries	53 331,6	56 147,6	67,1	62,6	5,3
Central and Eastern European countries	9 956,4	12 194,6	12,5	13,6	22,5
CIS countries	7 517,6	12 042,0	9,5	13,4	60,2
Other	8 661,4	9 341,6	10,9	10,4	7,9
Total	79 467,0	89 725,8	100,0	100,0	12,9

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

	2002	2003
EU countries	-14,706.3	-13,479.0
Central and Eastern European countries	-2,223.6	-3,537.0
CIS countries	-4,635.6	-8,297.9
Other	-2,316.7	-2,121.4
Customs-free zone	1,278.3	103.4
Total	-22,603.9	-27,331.9

Services

The surplus of the services balance amounted to 11.8 billion kroons in 2003, up 46% year-on-year (see Figure 5 and Table 10). This, primarily, shows the weakness of the year 2002 as a comparison basis, as in 2002 the surplus of the services balance covered just 45% of the foreign trade deficit, whereas in 2003 the respective indicator was 54%, which corresponds to the usual level of previous years.

The main change in the **structure of the services balance** in 2003 concerned the considerable decrease of the share of transport and travel services and the surplus of the government and business services balance, which replaced previous deficit (see Table 11). The deficit of the construction services fell considerably.

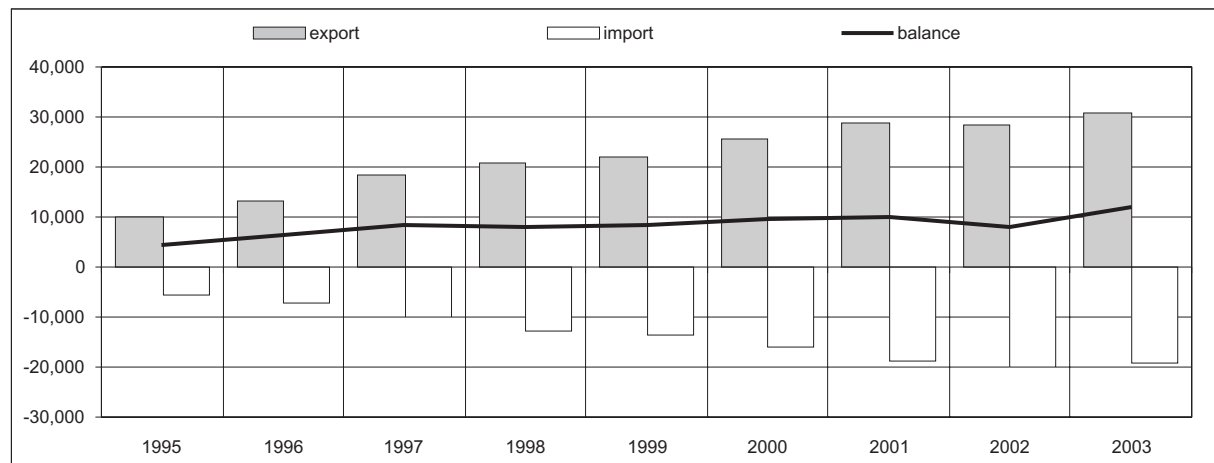


Figure 5. Services balance

Table 10. Services export and import

	Export		Import		Balance	
	Volume (EEK m)	Change compared to the previous year (%)	Volume (EEK m)	Change compared to the previous year (%)	Volume (EEK m)	Change compared to the previous year (%)
1993	4,434.3	81.7	3,437.2	78.2	997.1	95.0
1994	6,657.0	50.1	5,301.3	54.2	1,355.7	36.0
1995	10,022.9	50.6	5,692.6	7.4	4,330.3	219.4
1996	13,352.8	33.2	7,107.8	24.9	6,245.0	44.2
1997	18,366.7	37.5	10,134.0	42.6	8,232.7	31.8
1998	20,804.0	13.3	12,754.8	25.9	8,049.2	-2.2
1999	21,951.9	5.5	13,610.4	6.7	8,341.5	3.6
2000	25,485.8	16.1	15,911.2	16.9	9,574.6	14.8
2001	28,866.5	13.3	18,706.3	17.6	10,160.2	6.1
2002	28,279.7	-2.0	20,162.2	7.8	8,117.5	-20.1
2003	30,896.2	9.3	19,072.9	-5.4	11,823.3	45.7

Table 11. Services balance by major categories

	Balance (EEK m)		Share (%)	
	2002	2003	2002	2003
Transport services	5,206.5	6,515.7	64.1	55.1
Travel services	5,340.7	5,086.6	65.8	43.0
Construction services	-917.8	-107.4	-11.3	-0.9
Business services	-146.0	120.2	-1.8	1.0
Government services	-1,418.7	171.6	-17.5	1.5
Other	52.8	36.6	0.7	0.3
Services: net	8,117.5	11,823.3	100.0	100.0

Export of services increased by 9% in 2003 (see Table 12). The export of business and other services increased considerably. The export of transport services increased by 2%, mostly on account of the freight transport, which in turn was dominated by rail transport and other services. Only the export of construction services decreased year-on-year (9%).

Table 12. Services export by major categories

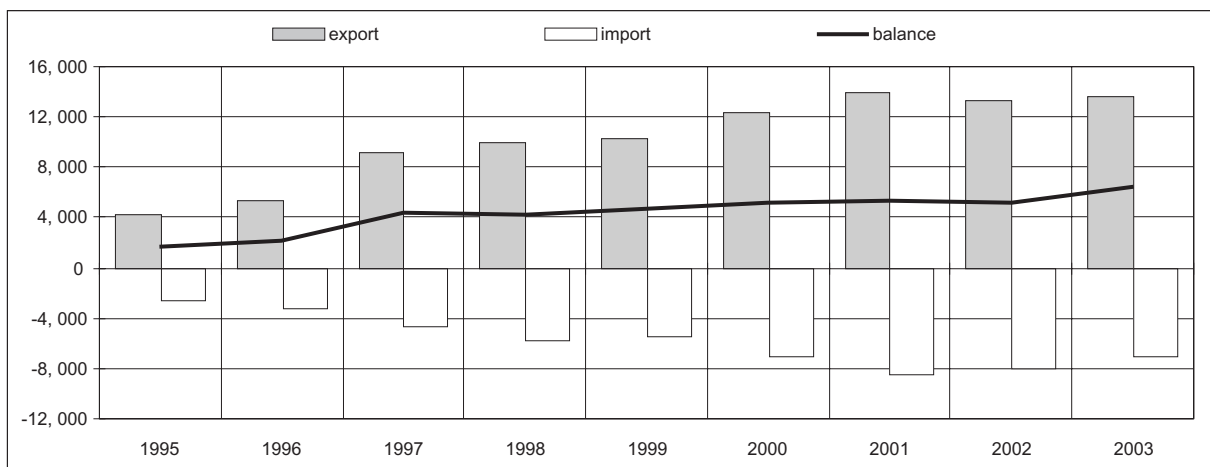
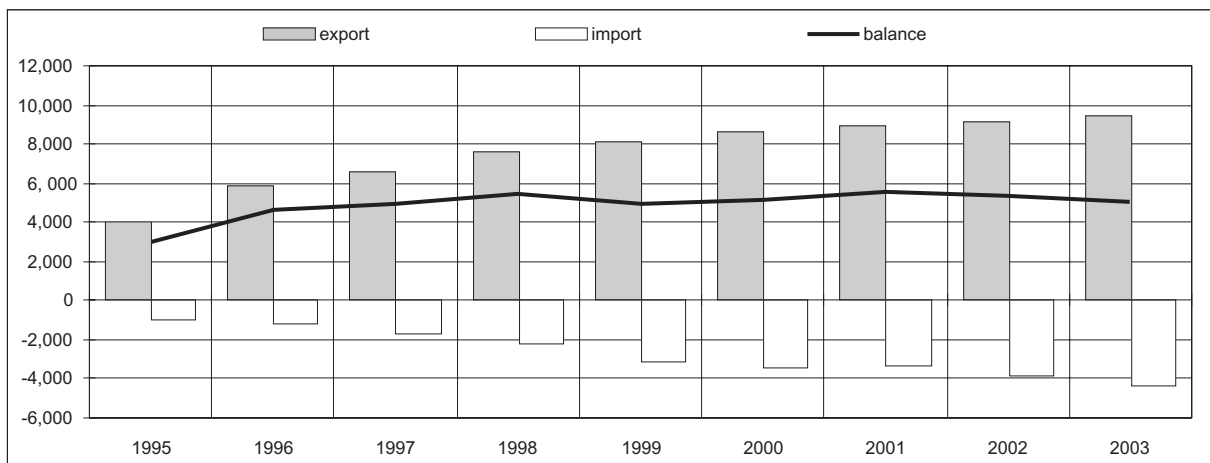
	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2003/2002
Transport services	13,290.3	13,597.8	47.0	44.0	2.3
o/w freight	6,174.9	7,052.8	21.8	22.8	14.2
passenger	2,979.5	2,920.6	10.5	9.5	-2.0
other transport services	4,135.9	3,624.4	14.6	11.7	-12.4
Travel services	9,148.8	9,418.5	32.4	30.5	2.9
Construction services	1,289.4	1,176.1	4.6	3.8	-8.8
Business services	3,236.8	4,746.9	11.4	15.4	46.7
Government services	126.8	474.9	0.4	1.5	274.5
Other	1,187.6	1,482.0	4.2	4.8	24.8
Total	28,279.7	30,896.2	100.0	100.0	9.3

Import of services fell by 5% in 2003, which was one of the factors that contributed to the growth of the services balance. The import of government services decreased the most – by 80%. The import of construction services went down by 42% and the import of transport services by 12%, mainly due to the 23% decline in the import of freight transport services (see Table 13).

Transport services accounted for more than half of the services balance in 2003 (see Figure 6). Like in 2002, the export and import of most transport services decreased in the last quarter of the year. Due to the changes in the balance of payments methodology, major shifts took place in air and rail transport services (see Changes in the Balance Of Payments Statistics Methodology). The positive balance of **air transport** turned negative, despite the

Table 13. Services import by major categories

	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2003/2002
Transport services	8,083.8	7,082.1	40.1	37.1	-12.4
o/w freight	5,528.7	4,263.3	27.4	22.4	-22.9
passenger	1,223.1	1,259.2	6.1	6.6	3.0
other transport services	1,332.0	1,559.6	6.6	8.2	17.1
Travel services	3,808.1	4,332.0	18.9	22.7	13.8
Construction services	2,207.2	1,283.5	10.9	6.7	-41.8
Business services	3,382.8	4,626.7	16.8	24.3	36.8
Government services	1,545.5	303.3	7.7	1.6	-80.4
Other	1,134.8	1,445.3	5.6	7.6	27.4
Total	20,162.2	19,072.9	100.0	100.0	-5.4

**Figure 6. Transport services balance (EEK m)****Figure 7. Travel services balance (EEK m)**

successful export of freight transport services. The increased number of air passengers was unable to boost the export of passenger transport services (-1%), due to discount prices of air tickets.

The balance of **rail transport** (freight) developed a surplus. Investments into the rolling stock, auxiliary and other services boosted the export of transport services considerably in 2003. Freight transport export was favourably affected also by the difficult ice conditions in Russia's Gulf of Finland ports, which increased considerably the rail transport volumes of raw materials from Russia.

Sea transport still held the leading position among transport categories, regardless of the fact that the balance of sea transport services remained practically unchanged against the 2002 level. For the first time, oil transit through Estonian ports fell in 2003, whereas exports of unprocessed timber rose.

Export of **travel services** has reached certain stability, growing by an annual average of 3% over the past three years. The number of foreign tourists also increased by 3%, mostly on account of short-time visitors arriving by sea. The number of Finnish and American visitors continued to decline, whereas the number of tourists from Scandinavian countries and the CIS countries increased.

The rapid growth of travel services import that had begun in 2002 continued in 2003 (14%), which cut the surplus of the travel services balance by 5% (see Figure 7). In 2003, Estonians made 1.7 million trips abroad and the number of visits to all major destination countries increased.

Income

The deficit of the income balance amounted to a record 7.5 billion kroons in 2003, up 37% year-on-year (see Table 14 and Figure 8). The growth of the deficit can be attributed to the 27% increase of direct investment income deficit, as well as the surplus of portfolio investment income turning into deficit.

Table 14. Income balance (EEK m)

	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2002/2003
Income from direct investments	-5,714.3	-7,277.3	100.8	96.6	27.4
o/w income from equity	-5,478.3	-7,020.5	96.4	93.2	28.2
income from debt (interests)	-236.0	-256.8	4.3	3.4	8.8
Income from portfolio investments	485.6	-272.4	-9.3	3.6	-156.1
Income from other investments	-418.5	-368.2	10.4	4.9	-12.0
Other income	164.1	381.4	-1.9	-5.1	132.4
Income: net	-5,483.1	-7,536.5	100.0	100.0	37.4

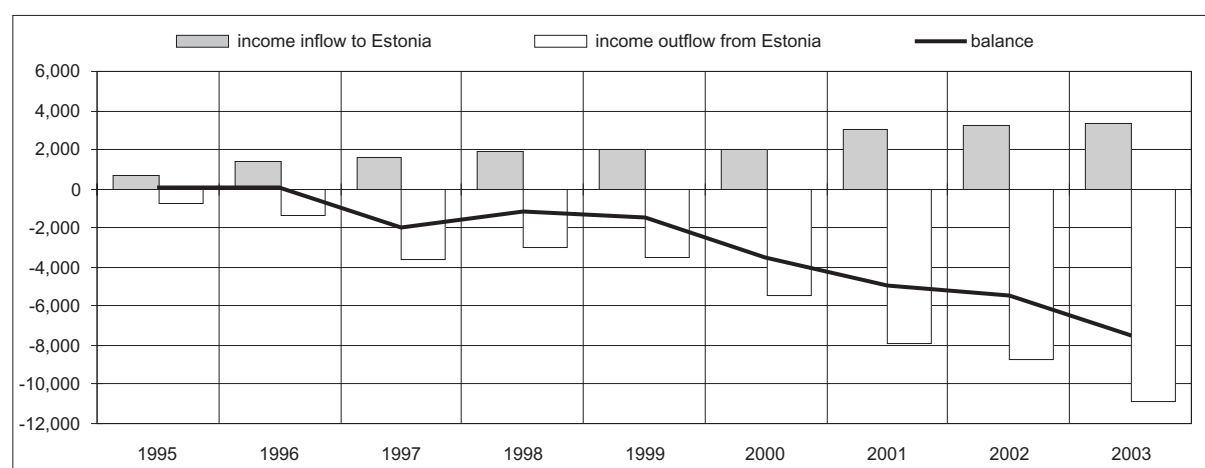


Figure 8. Income balance (EEK m)

Inflow of income into Estonia increased by just 3% (see Table 15). Inflow of income from direct investments surged by 50%, whereas inflow from portfolio investments fell by nearly 40%. Compensations of Estonians working abroad increased 2.3 times year-on-year.

Outflow of income from Estonia increased by 25% compared to 2002 (see Table 16), with the outflow of direct investment income above the average (30%). Nearly 75% of direct investments were reinvested in Estonia – 6.3 billion kroons or nearly double the amount of 2002. No real movement of funds takes place in case of reinvestments.

Table 15. Income inflow to Estonia

	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2002/2003
Income from direct investments	840.8	1,266.5	15.2	37.5	50.6
o/w income from equity	732.7	1,153.5	11.7	34.1	57.4
income from debt (interests)	108.1	113.0	3.6	3.3	4.5
Income from portfolio investments	1,435.3	869.7	54.1	25.7	-39.4
Income from other investments	812.4	812.8	27.0	24.0	0.0
Other income	190.8	432.4	3.6	12.8	126.6
Total	3,279.3	3,381.4	100.0	100.0	3.1

Table 16. Income outflow from Estonia

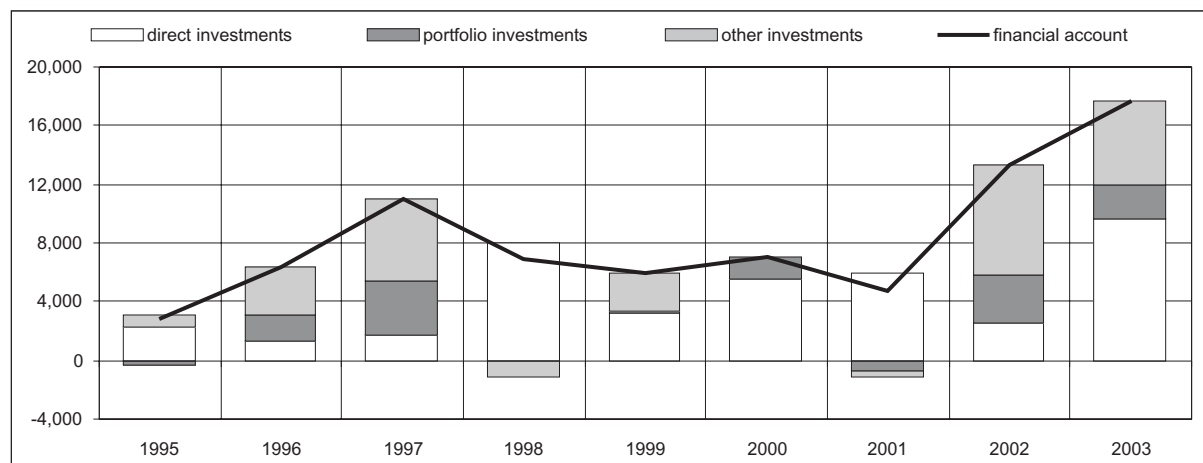
	Volume (EEK m)		Share (%)		Change (%)
	2002	2003	2002	2003	2002/2003
Income from direct investments	-6,555.1	-8,543.8	68.4	78.3	30.3
o/w income from equity	-6,211.0	-8,174.0	64.4	74.9	31.6
income from debt (interests)	-344.1	-369.8	4.1	3.4	7.5
Income from portfolio investments	-949.7	-1,142.1	14.7	10.5	20.3
Income from other investments	-1,230.9	-1,181.0	16.7	10.8	-4.1
Other income	-26.7	-51.0	0.2	0.5	91.0
Total	-8,762.4	-10,917.9	100.0	100.0	24.6

Transfers

The surplus of the transfers balance stood at 1.6 billion kroons in 2003, decreasing by 0.8 billion kroons year-on-year. The balance of government transfers dropped nearly two times (see Changes in the Balance of Payments Statistics Methodology). The surplus of private transfers increased by 40% and as a result the share of private transfers increased in the transfers balance.

CAPITAL AND FINANCIAL ACCOUNT

The capital and financial account had a record surplus in 2003. Over half of it was made up of the net inflow of direct investments; the rest came from the net inflow of portfolio and other investments. The structure of the financial account by categories and maturities can be seen in Figures 9 and 10.

**Figure 9. Changes in the structure of foreign investment capital flows (EEK m)**

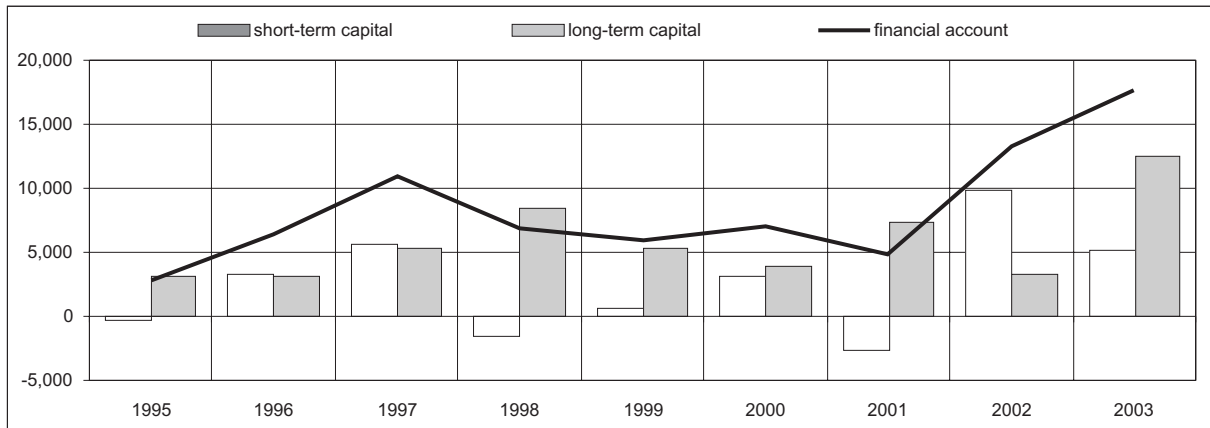


Figure 10. The maturity structure of financial sources (EEK m)

Direct Investments

The balance of direct investments had a surplus of 9.7 billion kroons in 2003, constituting more than half of the financial account surplus. Non-residents invested 11.8 billion kroons into Estonia and Estonian residents' direct investments abroad stood at 2.1 billion kroons (see Table 17 and Figure 11). The net inflow of direct investments covered 60% of the current account deficit.

Table 17. Structure of direct investments

	Into Estonia				Abroad			
	EEK m		Share (%)		EEK m		Share (%)	
	2002	2003	2002	2003	2002	2003	2002	2003
Share capital	821.0	4,460.9	17.1	37.7	-903.9	-918.0	41.3	42.7
Inflow	3,361.2	8,139.0	70.0	68.8	126.1	414.3	-5.8	-19.3
Outflow	-2,540.2	-3,678.1	-52.9	-31.1	-1,030.0	-1,332.3	47.1	62.0
Reinvested income	3,370.3	6,313.8	70.2	53.4	-665.5	-733.3	30.4	34.1
Claims	-5,009.0	-6,427.2	-104.3	-54.3	-837.6	-1,068.6	38.3	49.7
Liabilities	8,379.3	12,741.0	174.6	107.7	172.1	335.3	-7.9	-15.6
Loan capital (net)	171.5	740.6	3.6	6.3	-583.7	-481.0	26.7	22.4
Trade credit	-549.4	-125.8	-11.4	-1.1	-146.9	-161.2	6.7	7.5
Short-term loans	-1,257.9	-1,276.6	-26.2	-10.8	558.3	66.2	-25.5	-3.1
Long-term loans	1,978.8	2,143.0	41.2	18.1	-995.1	-386.0	45.5	18.0
Other capital	437.4	313.2	9.1	2.6	-35.3	-15.7	1.6	0.7
Total	4,800.2	11,828.5	100.0	100.0	-2,188.4	-2,148.0	100.0	100.0

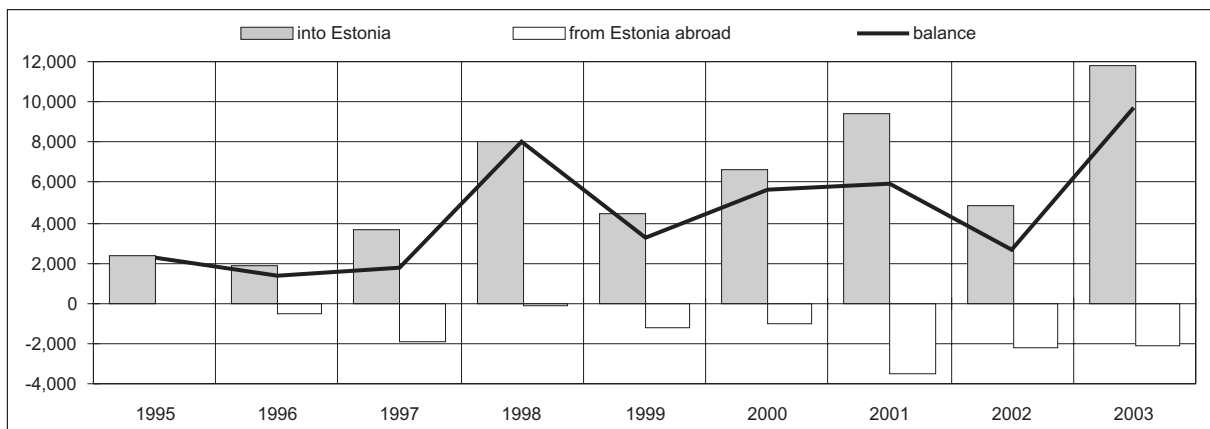


Figure 11. Direct investments (EEK m)

In 2003, a record amount of direct investments were made into Estonia. Long-term investments increased 1.5 times year-on-year. The main sources of growth were the doubling of the volume of reinvested income and quadrupling of the share capital. Half of the inflow of long-term investments was made up of non-residents' reinvested income and 38% consisted of income earned from the sale of shares. The growth of reinvested income was remarkable in the second half of the year (4.3 billion kroons). The biggest incomes were earned in the industrial sector. Net inflow of long-term loan liabilities amounted to 2.1 billion kroons. Like in 2002, short-term loan liabilities and trade credit decreased, by 1.4 billion kroons (see Figure 12).

Nearly half of direct investments came from **Finland**, followed by Sweden (31%), Great Britain (6%) and Germany (4%; see Figure 13).

Long-term investments of the EU countries in Estonia increased by 10.2 billion kroons (87%). The most preferred sectors were **wholesale and retail trade** (38%), next came manufacturing industry (17%), real estate, leasing and business (15%; see Figure 14).

Direct investments into affiliated/associated companies abroad remained on the same level as in 2002. 43% of the outflow went into shares and 0.7 billion kroons was reinvested into the business activities of affiliated/associated companies. The bulk of the net outflow of loan capital was made up of the increase of long-term loan claims (see Figure 15).

The most preferred investment target was still **Lithuania** (53%), followed by Latvia (17%) and Cyprus (12%; see Figure 16). Biggest investments were made into **financial intermediation** (38%) and transport, storage and communication (35%; see Figure 17). 70% of investments were made into the EU accession countries.

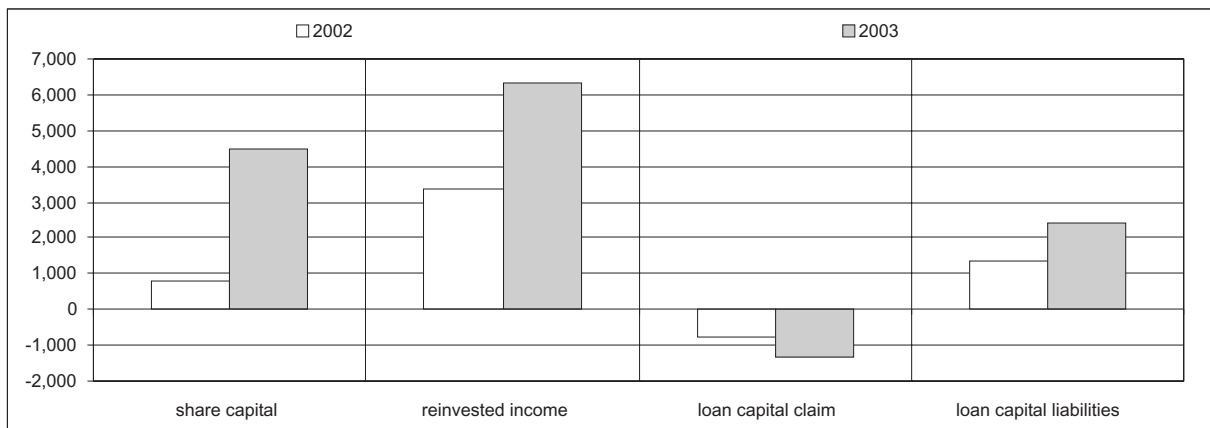


Figure 12. Structure of direct investments made into Estonia (EEK m)

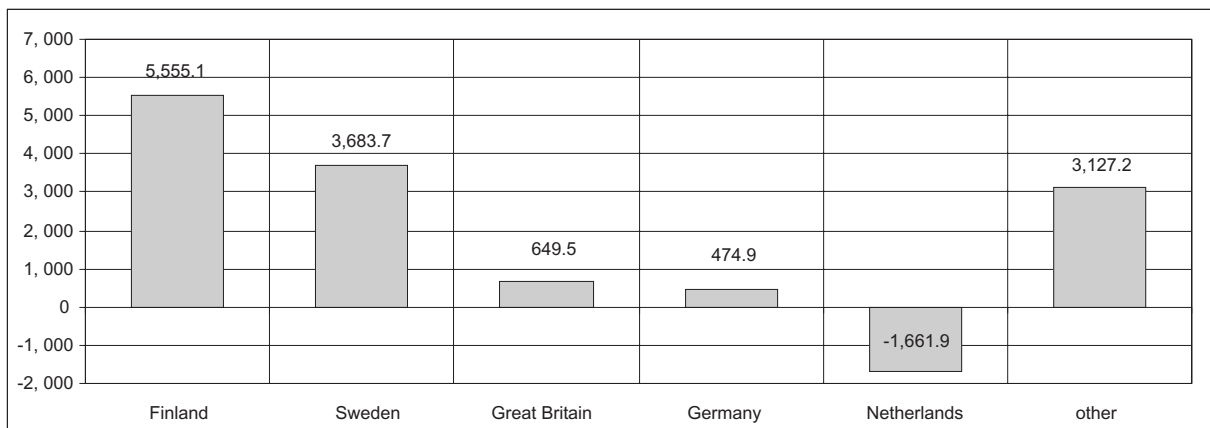


Figure 13. Structure of direct investments made into Estonia by countries in 2003 (EEK m)

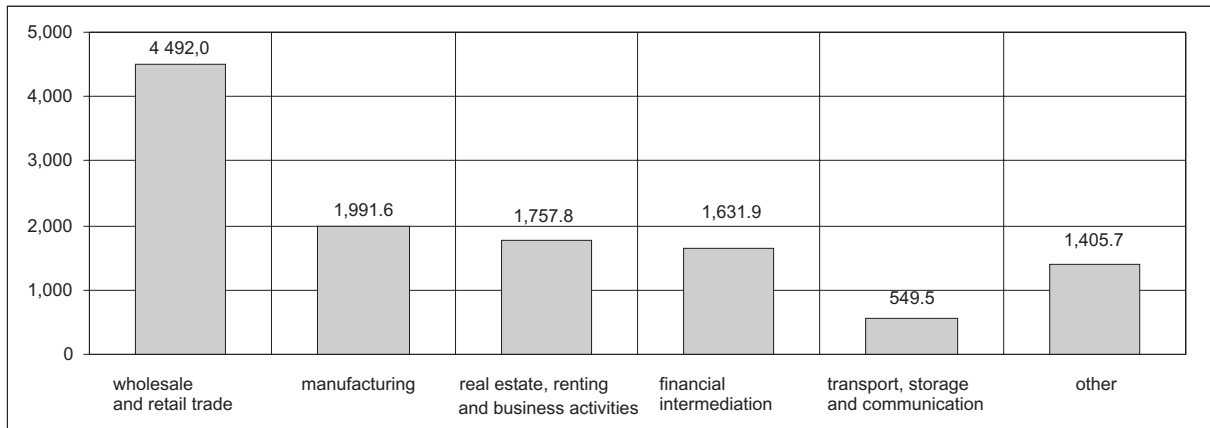


Figure 14. Structure of direct investments made into Estonia by spheres of activity in 2003 (EEK m)

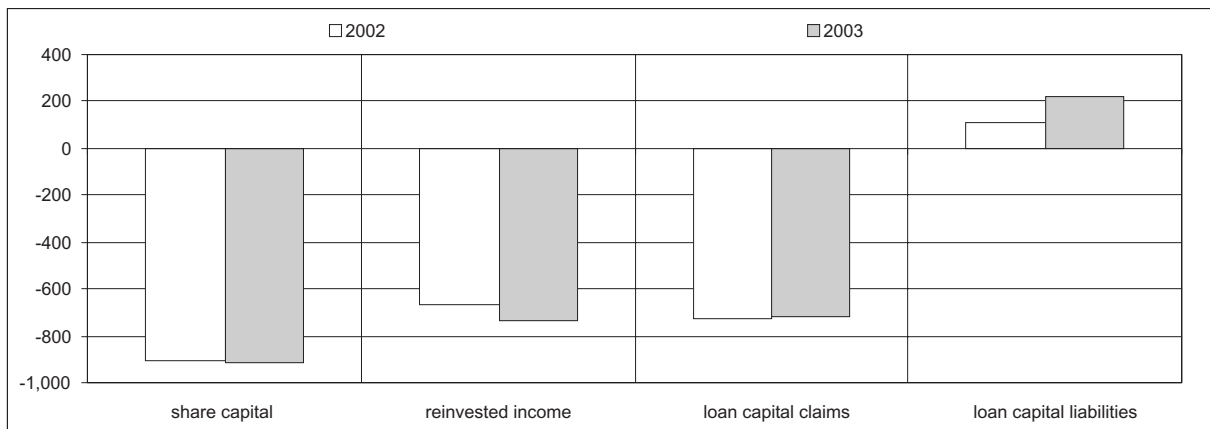


Figure 15. Structure of direct investments made abroad (EEK m)

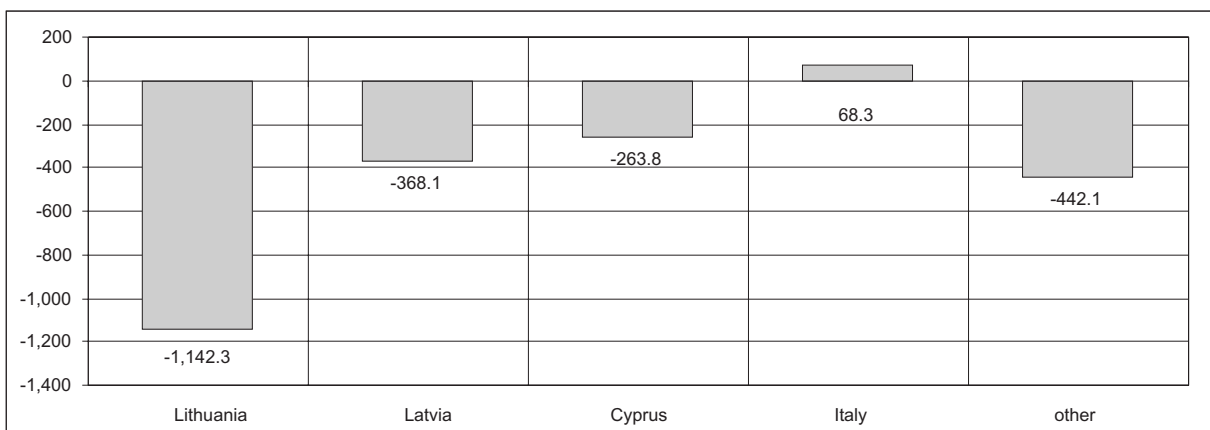


Figure 16. Structure of direct investments made abroad by countries in 2003 (EEK m)

Portfolio Investments

The net inflow of portfolio investments amounted to 2.2 billion kroons in 2003, down by more than one billion kroons against 2002 (see Figure 18 and Table 18). The surplus of the investment inflow can mostly be attributed to the large-scale debt security issues of residents on financial markets abroad.

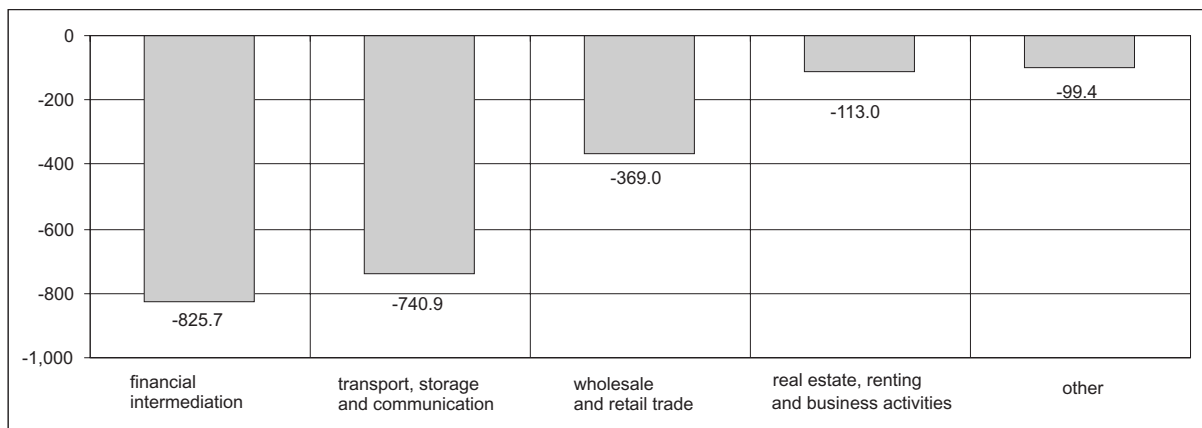


Figure 17. Structure of direct investments made abroad by spheres of activity in 2003 (EEK m)

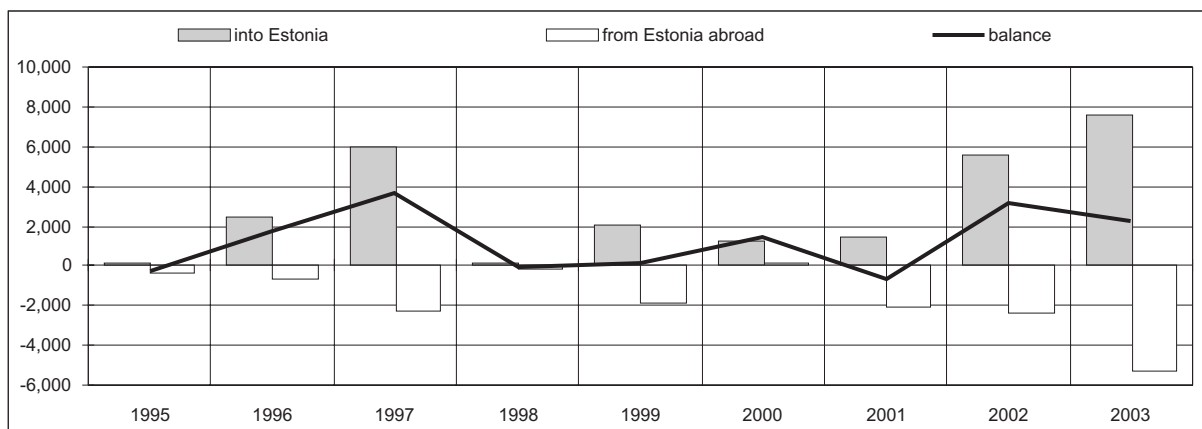


Figure 18. Portfolio investments (EEK m)

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

	Claims		Liabilities		Balance	
	2002	2003	2002	2003	2002	2003
Total portfolio investments	-2,358.0	-5,332.3	5,561.6	7,545.9	3,203.6	2,213.6
Equity securities	9.1	-974.1	912.2	1,309.0	921.3	334.9
Government sector		-57.0				-57.0
Credit institutions	13.0	-5.4	105.7	76.0	118.7	70.6
Other sectors	-3.9	-911.7	806.5	1,233.0	802.6	321.3
Debt securities	-2,367.1	-4,358.2	4,649.4	6,236.9	2,282.3	1,878.7
Central bank						
Government sector	-2,464.0	-4,183.8	1,448.6	-88.7	-1,015.4	-4,272.5
Credit institutions	-56.0	1,075.8	189.4	6,624.6	133.4	7,700.4
Other sectors	152.9	-1,250.2	3,011.4	-299.0	3,164.3	-1,549.2

Portfolio investments abroad increased by 5.3 billion kroons in 2003. The growth was mostly based on government and other sector companies' investments into the debt securities issued by non-residents (4.1 billion and 1.2 billion kroons, respectively). Residents also invested into foreign equity securities, for the total sum of nearly one billion kroons.

Portfolio investments into Estonia increased by 7.5 billion kroons, thanks to the considerable upsurge of non-residents' investments into equity and debt securities. Investments into debt securities issued by credit institutions increased by approximately 6.6 billion kroons year-on-year. In case of equity securities, non-residents preferred other sector companies, which received 1.2 billion kroons.

Other Investments

The balance of other investments showed a surplus of 5.8 billion kroons in 2003 (see Figure 19 and Table 19). Capital inflow can be attributed to the remarkable increase of other investment liabilities. Claims of other investment capital grew by approximately 1.6 billion kroons and liabilities were up 7.4 billion kroons. The inflow of investments mostly took the form of short-term capital (see Table 20).

Other investments abroad increased in 2003 and resulted in a capital outflow of approximately 1.6 billion kroons. Loans granted to non-residents by credit institutions and other sector companies increased by nearly 3.5 billion kroons. The 0.2 billion kroons increase of other claims also contributed to the outflow of other investment capital. Capital outflow was offset to some degree by the 2.3 billion kroons fall of residents' deposits abroad.

Other investments into Estonia increased by 7.4 billion kroons in 2003. Non-residents' deposits in Estonian credit institutions increased considerably, resulting in a capital inflow of nearly 4.6 billion kroons. The growth of liabilities and the related capital inflow was also supported by the flows of trade credit and loan capital, which amounted to 2.7 billion and 0.8 billion kroons, respectively.

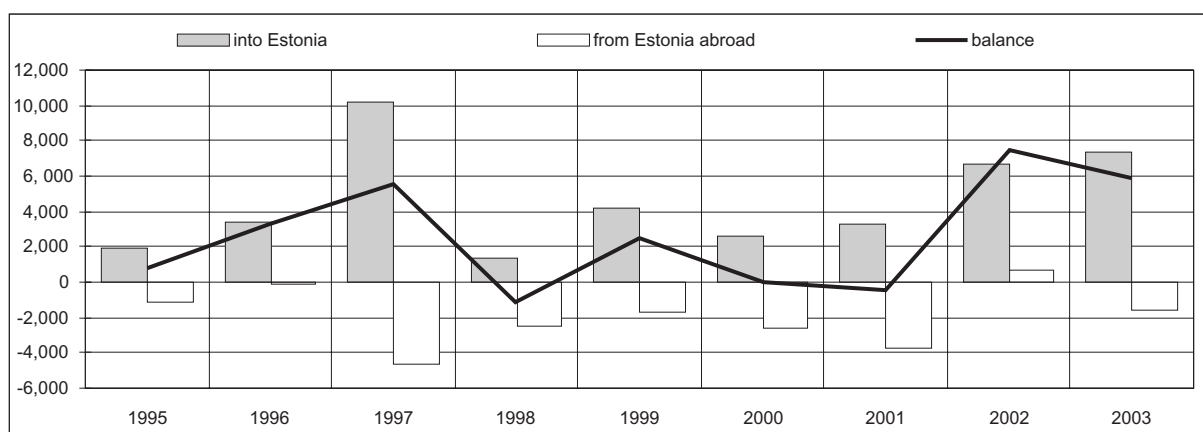


Figure 19. Other investments (EEK m)

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

	Claims		Liabilities		Balance	
	2002	2003	2002	2003	2002	2003
Total	723.6	-1,572.6	6,733.3	7,404.4	7,456.9	5,831.8
o/w trade credit	1,089.5	-149.8	781.1	820.0	1,870.6	670.2
loans	-1,324.5	-3,549.2	1,963.3	2,764.7	638.8	-784.5
deposits	729.2	2,338.3	3,763.5	4,588.0	4,492.7	6,926.3
other	229.4	-211.9	225.4	-768.3	454.8	-980.2

Table 20. Other investments by maturity (EEK m)

	Claims		Liabilities		Balance	
	2002	2003	2002	2003	2002	2003
Long-term capital	-1,083.0	-551.2	1,829.0	3,398.4	746.0	2,847.2
Central bank	4.8				4.8	0.0
Government sector			-883.9	421.7	-883.9	421.7
Credit institutions	-156.8	-301.6	1,638.3	2,938.8	1,481.5	2,637.2
Other sectors	-931.0	-249.6	1,074.6	37.9	143.6	-211.7
Short-term capital	1,806.6	-1,021.4	4,904.3	4,006.0	6,710.9	2,984.6
Central bank	-53.3		646.1	576.4	592.8	576.4
Government sector	-324.6	558.2			-324.6	558.2
Credit institutions	-345.3	-1,295.4	4,045.4	1,751.0	3,700.1	455.6
Other sectors	2,529.8	-284.2	212.8	1,678.6	2,742.6	1,394.4
Total	723.6	-1,572.6	6,733.3	7,404.4	7,456.9	5,831.8

Reserves

Reserves of the balance of payments increased by 2.3 billion kroons in 2003. Coverage of imports with the reserves is illustrated in Figure 20.

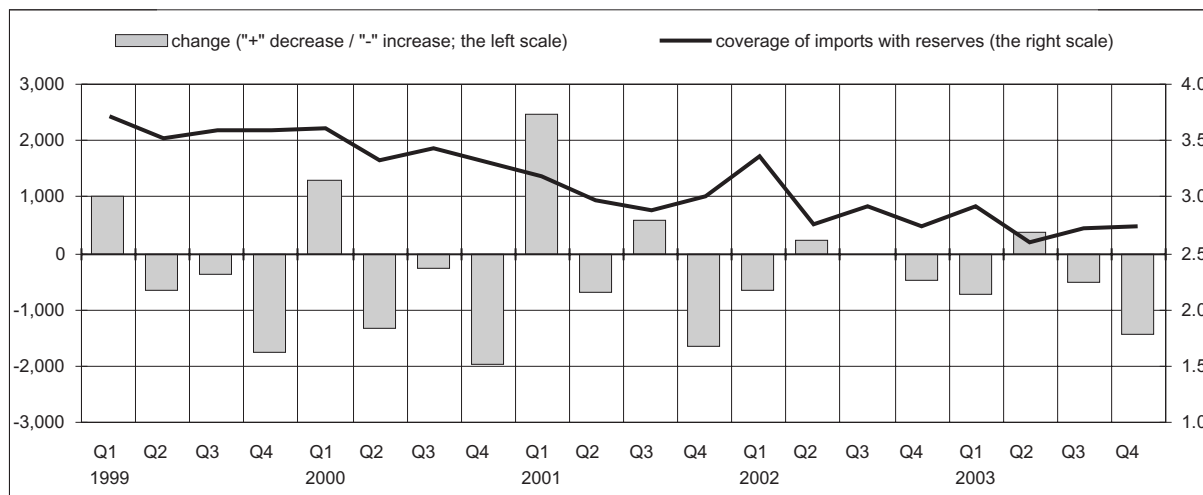


Figure 20. Change of the Estonia's gold and foreign currency reserves (EEK m) and the coverage of imports (in quarters)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT as of 31 December 2003

At the end of 2003, the volume of foreign investments made into Estonia totalled 159.9 billion kroons, up 25% year-on-year. Like at the end of 2002, half of it, or 80.3 billion kroons were direct investments, which do not contribute to the external debt (see Table 21). The bulk of foreign investments was made into financial intermediation (30% of direct investments), manufacturing (18%), transport, storage and communication (17%) and wholesale and retail trade (15%; see Figure 21). 70% of direct investments came from two countries – Sweden (43%) and Finland (27%; see Figure 22).

Besides direct investments, a considerable amount of investments have been made into Estonia in the form of other investments (loans, deposits, etc; 31%) and portfolio investments (18%). Compared to the end of 2002, the share of portfolio investments has slightly increased on the account of the share of other investments decreasing.

Estonian investments into foreign countries increased by 20% year-on-year and amounted to 73.2 billion kroons at the end of 2003. 58% of it was made up of loans, deposits and the gold and foreign currency reserve of the central bank. The share of direct investments in the total volume of investments abroad stood at 17%. Here, too, the share of portfolio investments increased as the share of other investments decreased. Preference was given to such areas as financial intermediation (40% of total direct investments abroad), transport, storage and communication (25%), as well as real estate, leasing and business activities (19%; see Figure 23). 73% of Estonian foreign investments have been made into other Baltic countries – 45% to Lithuania and 28% to Latvia (see Figure 24).

Due to the predominance of external liabilities, Estonia's net investment position was negative by 86.7 billion kroons at the end of 2003, amounting to nearly 75% of the GDP. 86% of the net investment position was made up of long-term capital. Compared to 2002, the share of short-term capital in the net investment position increased slightly.

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

	31.12.02	Share (%)	31.12.03	Share (%)	Change (%)
EXTERNAL ASSETS					
Direct investments abroad	10,097.6	16.6	12,451.3	17.0	23.3
share capital and reinvested earnings	6,635.8	10.9	8,839.2	12.1	33.2
other capital	3,461.8	5.7	3,612.1	4.9	4.3
Portfolio investments abroad	12,308.4	20.2	17,990.7	24.6	46.2
equity securities	549.2	0.9	1,573.4	2.2	186.5
debt securities	11,759.2	19.3	16,417.3	22.4	39.6
long-term	7,806.0	12.8	8,435.8	11.5	8.1
short-term	3,953.2	6.5	7,981.5	10.9	101.9
Financial derivatives	194.2	0.3	333.5	0.5	71.7
Other investments abroad	23,328.4	38.3	25,201.9	34.4	8.0
trade credit	4,199.4	6.9	4,507.1	6.2	7.3
loans	10,646.3	17.5	14,249.1	19.5	33.8
long-term	5,073.3	8.3	5,624.4	7.7	10.9
short-term	5,573.0	9.1	8,624.7	11.8	54.8
deposits	7,872.1	12.9	5,615.9	7.7	-28.7
other assets	610.6	1.0	829.8	1.1	35.9
Reserves	14,984.9	24.6	17,183.6	23.5	14.7
Total external assets	60,913.5	100.0	73,161.0	100.0	20.1
EXTERNAL LIABILITIES					
Direct investments into Estonia	63,127.3	49.8	80,258.7	50.2	27.1
share capital and reinvested earnings	50,915.4	40.2	66,384.1	41.5	30.4
other capital	12,211.9	9.6	13,874.6	8.7	13.6
Portfolio investments into Estonia	20,596.4	16.2	29,411.4	18.4	42.8
equity securities	9,483.1	7.5	11,756.7	7.4	24.0
debt securities	11,113.3	8.8	17,654.7	11.0	58.9
long-term	11,097.1	8.8	12,956.7	8.1	16.8
short-term	16.2	0.0	4,698.0	2.9	28900.0
Financial derivatives	88.7	0.1	208.7	0.1	135.3
Other investments into Estonia	42,967.9	33.9	49,984.7	31.3	16.3
trade credit	6,763.8	5.3	7,849.6	4.9	16.1
loans	21,715.2	17.1	24,212.5	15.1	11.5
long-term	17,556.2	13.8	20,913.8	13.1	19.1
short-term	4,159.0	3.3	3,298.7	2.1	-20.7
deposits	11,863.6	9.4	16,447.3	10.3	38.6
other liabilities	2,625.3	2.1	1,475.3	0.9	-43.8
Total external liabilities	126,780.3	100.0	159,863.5	100.0	26.1
incl debts	70,257.4	55.4	86,887.3	54.4	23.7
Net international investment position	-65,866.8		-86,702.5		31.6
short-term	-6,930.3		-12,054.1		73.9
long-term	-58,936.5		-74,648.4		26.7
NET EXTERNAL DEBT	-12,802.2		-19,143.7		49.5
o/w government sector	3,044.6		6,969.6		128.9

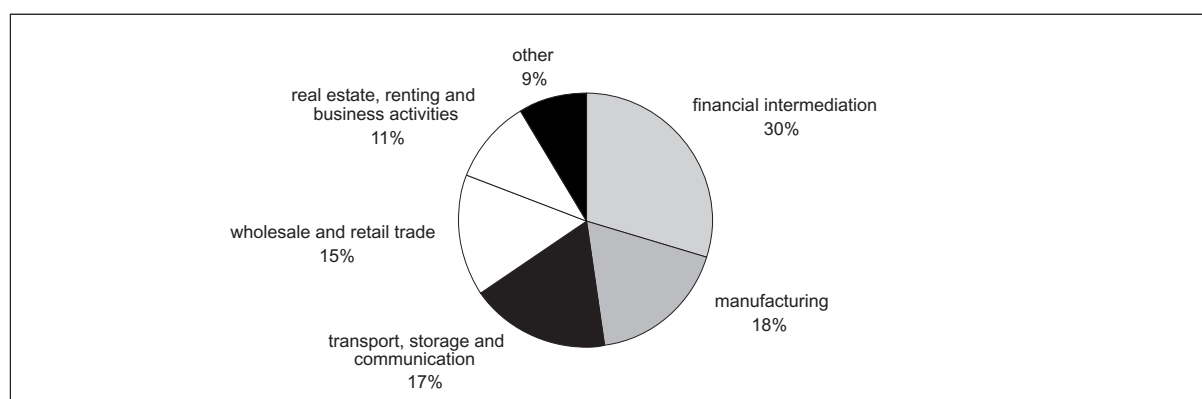


Figure 21. Direct investment position in Estonia by spheres of activity as of 31 December 2003

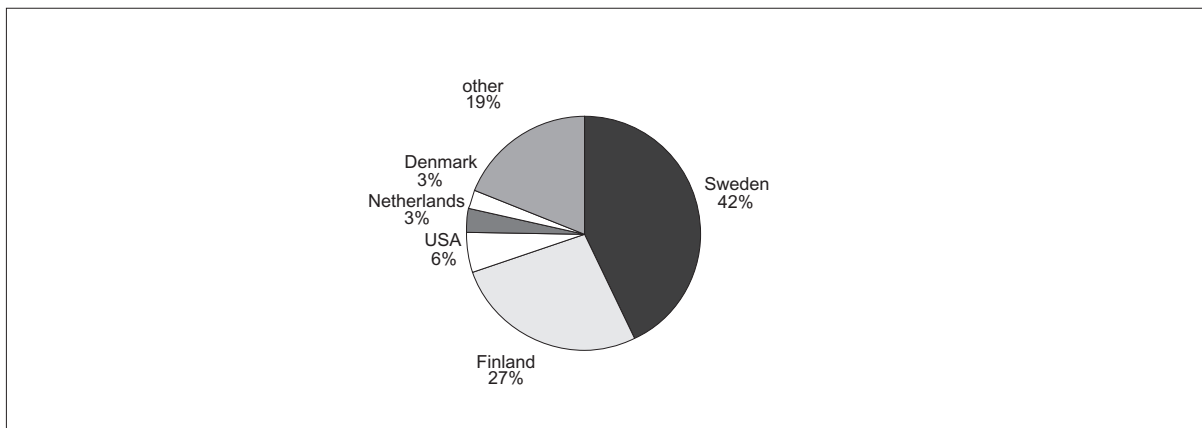


Figure 22. Direct investment position in Estonia by countries as of 31 December 2003

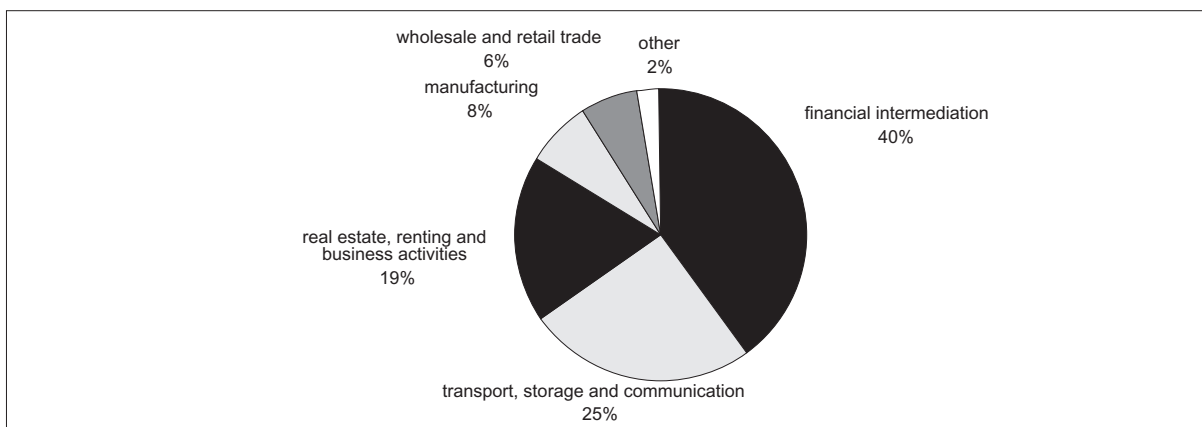


Figure 23. Estonia's direct investment position abroad by spheres of activity as of 31 December 2003

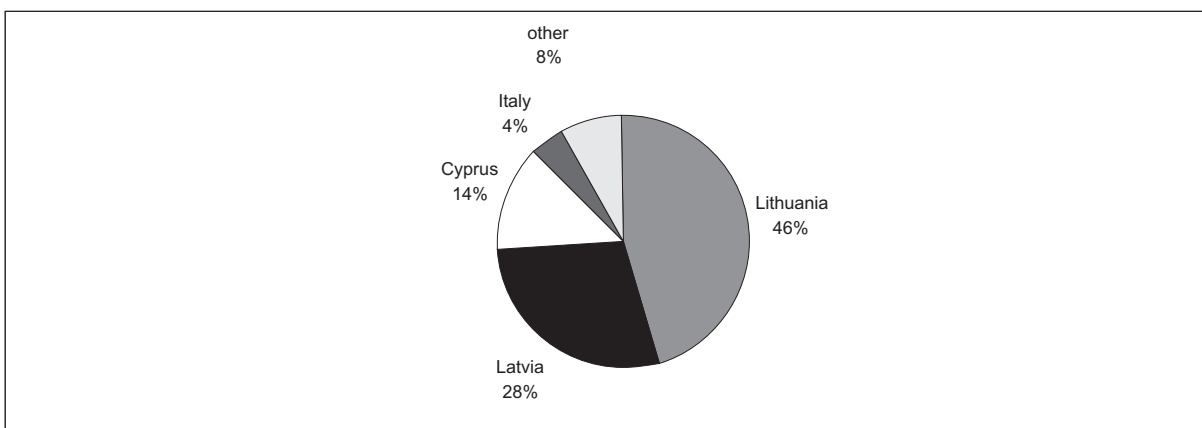


Figure 24. Estonia's direct investment position abroad by countries as of 31 December 2003

Table 22. External debt (EEK m)

	31.12.02	Share (%)	31.12.03	Share (%)
DEBT LIABILITIES				
I. Government	3,383.2	4.8	3,718.2	4.3
Short-term				
Long-term	3,383.2	4.8	3,718.2	4.3
II. Monetary authorities (CNB)	255.5	0.4	485.1	0.6
Short-term	255.5	0.4	485.1	0.6
Long-term				
III. Banks	25,941.8	36.9	37,270.4	42.9
Short-term	12,831.3	18.3	19,238.9	22.1
Long-term	13,110.5	18.7	18,031.5	20.8
IV. Other sectors	24,500.7	34.9	26,165.7	30.1
Short-term	8,741.6	12.4	10,836.9	12.5
Long-term	15,759.1	22.4	15,328.8	17.6
V. Direct investments: Inter-company debts	16,176.2	23.0	19,247.9	22.2
GROSS EXTERNAL DEBT	70,257.4	100.0	86,887.3	100.0
CLAIMS				
I. Government	6,427.8	11.2	10,687.8	15.8
Short-term	1,939.7	3.4	6,397.9	9.4
Long-term	4,488.1	7.8	4,289.9	6.3
II. Monetary authorities (CNB)	14,955.6	26.0	17,150.3	25.3
Short-term	10,791.8	18.8	14,256.0	21.0
Long-term	4,163.8	7.2	2,894.3	4.3
III. Banks	14,104.7	24.5	14,523.4	21.4
Short-term	12,815.0	22.3	12,921.2	19.1
Long-term	1,289.7	2.2	1,602.2	2.4
IV. Other sectors	14,541.0	25.3	16,396.7	24.2
Short-term	7,402.6	12.9	8,177.9	12.1
Long-term	7,138.4	12.4	8,218.8	12.1
V. Direct investments: Inter-company debts	7,426.1	12.9	8,985.4	13.3
CLAIMS TOTAL	57,455.2	100.0	67,743.6	100.0
NET EXTERNAL DEBT				
I. Government	3,044.6		6,969.6	
Short-term	1,939.7		6,397.9	
Long-term	1,104.9		571.7	
II. Monetary authorities (CNB)	14,700.1		16,665.2	
Short-term	10,536.3		13,770.9	
Long-term	4,163.8		2,894.3	
III. Banks	-11,837.1		-22,747.0	
Short-term	-16.3		-6,317.7	
Long-term	-11,820.8		-16,429.3	
IV. Other sectors	-9,959.7		-9,769.0	
Short-term	-1,339.0		-2,659.0	
Long-term	-8,620.7		-7,110.0	
V. Direct investments: Inter-company debts	-8,750.1		-10,262.5	
NET EXTERNAL DEBT TOTAL	-12,802.2		-19,143.7	

On 31 December 2003, Estonia's gross external debt amounted to 86.9 billion kroons (nearly 75% of the GDP) and the net external debt (debt-related external claims minus liabilities) stood at 19.1 billion kroons (16.5% of the GDP; see Table 22).

Year-on-year, the share of debt liabilities in ratio to the GDP increased by nearly ten percentage points. Leaving aside intra-group debts of direct investment companies, long-term liabilities accounted for 55% of the total debt. Debt claims mostly consisted of short-term capital (73%). The dynamics of the gross and net external debt can be seen in Figure 25. The share of short-term capital increased slightly in both debt liabilities and claims.

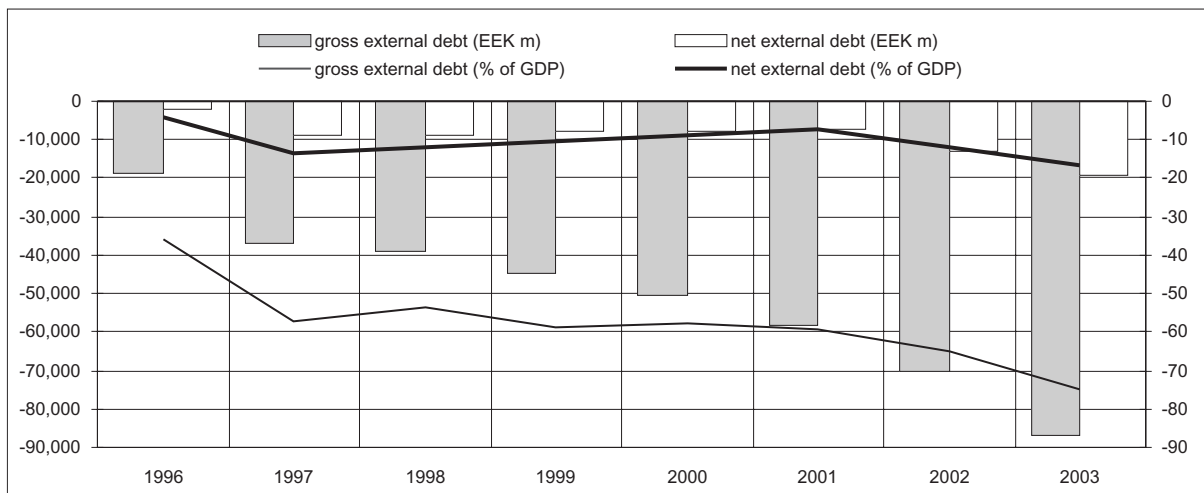


Figure 25. Estonia's gross and net external debt (EEK m, the left scale, and % of GDP, the right scale)