
SHORT SURVEY

- **The robust inflow of external funds and the related active investment along with private consumption still keep Estonia's current account deficit high.**
- **The current account deficit of the third quarter balance of payments amounted to 3.9 billion kroons or 14.9% of the expected GDP of the last four quarters, up 1.1 billion kroons year-on-year and stable against the second quarter of 2003 (see Table 1).**
- **The increase of the deficit was caused by 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 distribution of income earned from foreign investments, which was as intensive in the third quarter as it had been in the second quarter.**
- **The shortage of domestic savings was covered from foreign loans and the net inflow of direct investments.**
- **The reserves of the balance of payments increased by 0.7 billion kroons.**

The largest component of the **CURRENT ACCOUNT** deficit – **the deficit of the foreign trade balance** – increased by 1.1 billion kroons year-on-year, totalling 5.9 billion kroons. In ratio of the GDP this indicator surged to nearly 20%. The export of goods increased by 10% and normal export¹ even by 15%. Export increased across practically all groups of goods. The growth was the fastest in such groups as machinery and equipment (up by nearly 50%) and metals and chemical products (up by nearly a third). Import increased by 13% as a result of the constantly high domestic demand, and import for free circulation climbed by 18% (mainly at the cost of capital goods and transport vehicles). The import and export of processed goods fell by 2–3%, which led to the drop of 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 were members of the European Union, accounting for 66% of export and 63% of import. Importing of goods from the CIS countries remained active.

The surplus of the **services balance**² increased by a third and amounted to 3.3 billion kroons. Export of services increased by 10%, while their import was unchanged year-on-year. The growth of the services balance surplus was most affected by the construction and government services sub-balances, which changed from deeply negative in the third quarter of 2002 to positive in the same period 2003. Transport and travel services made up 71% of the turnover of the services balance.

¹ Export without goods processed in Estonia.

² Due to the development and improvement of the balance of payment methodology, changes were introduced in the registration of transport services data. Thus, the balance of payments no longer reflects the turnover of carriage of goods between third countries and only the commission earned from such activity is recorded under other transport services.

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

	1999	2000	2001	2002					2003		
	Total	Total	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Current account	-3,607.7	-5,093.4	-5,889.5	-3,441.4	-2,740.4	-2,741.3	-4,289.4	-13,212.5	-4,976.3	-3,823.7	-3,876.5
Trade and services balance	-3,755.4	-3,569.0	-3,623.7	-2,487.2	-2,000.8	-2,316.4	-3,302.3	-10,106.7	-3,816.3	-2,203.1	-2,558.4
Trade balance	-12,096.9	-13,143.6	-13,783.9	-3,905.2	-4,843.1	-4,786.9	-4,689.0	-18,224.2	-5,617.1	-5,111.2	-5,857.3
Goods: export f.o.b	36,995.2	56,345.9	58,667.1	13,154.0	14,743.7	14,132.3	16,069.5	58,099.5	14,318.9	16,153.7	15,521.2
Goods: import f.o.b	-49,092.1	-69,489.5	-72,451.0	-17,059.2	-19,586.8	-18,919.2	-20,758.5	-76,323.7	-19,936.0	-21,264.9	-21,378.5
Services: net	8,341.5	9,574.6	10,160.2	1,418.0	2,842.3	2,470.5	1,386.7	8,117.5	1,800.8	2,908.1	3,298.9
Services: credit	21,951.9	25,485.8	28,866.5	5,653.4	8,004.7	7,730.1	6,891.5	28,279.7	5,889.2	7,712.5	8,508.8
Services: debit	-13,610.4	-15,911.2	-18,706.3	-4,235.4	-5,162.4	-5,259.6	-5,504.8	-20,162.2	-4,088.4	-4,804.4	-5,209.9
Income: net	-1,505.8	-3,483.4	-4,926.1	-1,504.0	-1,290.7	-951.1	-1,737.3	-5,483.1	-1,549.4	-1,892.4	-1,903.9
Income: credit	1,964.3	2,008.0	2,994.7	638.8	743.1	1,239.5	657.9	3,279.3	622.3	951.4	1,004.2
Income: debit	-3,470.1	-5,491.4	-7,920.8	-2,142.8	-2,033.8	-2,190.6	-2,395.2	-8,762.4	-2,171.7	-2,843.8	-2,908.1
Transfers: net	1,653.5	1,959.0	2,660.3	549.8	551.1	526.2	750.2	2,377.3	389.4	271.8	585.8
Transfers: credit	2,257.5	2,454.8	3,174.1	798.2	836.4	785.1	975.5	3,395.2	740.2	557.8	827.2
Transfers: debit	-604.0	-495.8	-513.8	-248.4	-285.3	-258.9	-225.3	-1,017.9	-350.8	-286.0	-241.4
Capital and financial account	5,916.6	7,273.2	4,863.1	3,887.6	2,151.0	2,694.0	4,860.4	13,593.0	5,840.9	3,288.7	3,755.0
Capital account	17.8	278.5	90.0	138.0	46.1	121.2	15.4	320.7	135.7	-6.3	179.8
Financial account	5,898.8	6,994.7	4,773.1	3,749.6	2,104.9	2,572.8	4,845.0	13,272.3	5,705.2	3,295.0	3,575.2
Direct investments	3,208.2	5,601.4	5,901.3	1,715.1	168.1	-30.8	759.4	2,611.8	4,250.4	1,523.2	1,682.5
Abroad	-1,239.8	-1,043.1	-3,528.3	-319.3	-891.0	-686.3	-291.8	-2,188.4	-289.7	-408.2	-940.8
Into Estonia	4,448.0	6,644.5	9,429.6	2,034.4	1,059.1	655.5	1,051.2	4,800.2	4,540.1	1,931.4	2,623.3
Portfolio investments	156.0	1,435.0	-699.7	-1,138.5	2,046.5	1,795.4	500.2	3,203.6	5,104.5	-4,352.5	-1,241.4
Assets	-1,894.9	153.1	-2,100.2	-1,160.8	11.8	-1,631.1	422.1	-2,358.0	258.7	-1,882.4	-1,546.9
Equity securities	187.0	53.3	236.5	-5.4	74.5	-52.4	-7.6	9.1	41.4	-161.4	-161.0
Debt securities	-2,081.9	99.8	-2,336.7	-1,155.4	-62.7	-1,578.7	429.7	-2,367.1	217.3	-1,721.0	-1,385.9
Liabilities	2,050.9	1,281.9	1,400.5	22.3	2,034.7	3,426.5	78.1	5,561.6	4,845.8	-2,470.1	305.5
Equity securities	3,292.3	-538.8	568.4	299.2	517.0	-103.6	199.6	912.2	103.1	659.9	318.3
Debt securities	-1,241.4	1,820.7	832.1	-276.9	1,517.7	3,530.1	-121.5	4,649.4	4,742.7	-3,130.0	-12.8
Other investments	2,534.6	-41.7	-428.5	3,173.0	-109.7	808.2	3,585.4	7,456.9	-3,649.7	6,124.3	3,134.1
Assets	-1,651.2	-2,638.3	-3,716.7	-643.6	-672.5	2,718.7	-679.0	723.6	-3,314.5	3,101.8	1,395.1
Long-term	421.8	-1,108.7	-322.7	274.8	95.9	-1,058.9	-394.8	-1,083.0	146.3	-153.8	1,139.9
Short-term	-2,073.0	-1,529.6	-3,394.0	-918.4	-768.4	3,777.6	-284.2	1,806.6	-3,460.8	3,255.6	255.2
Liabilities	4,185.8	2,596.6	3,288.2	3,816.6	562.8	-1,910.5	4,264.4	6,733.3	-335.2	3,022.5	1,739.0
Long-term	1,691.5	-549.9	1,814.4	976.7	-161.3	-890.6	1,904.2	1,829.0	683.4	662.5	1,259.3
Short-term	2,494.3	3,146.5	1,473.8	2,839.9	724.1	-1,019.9	2,360.2	4,904.3	-1,018.6	2,360.0	479.7
Errors and omissions	-511.3	90.7	296.2	209.2	363.5	73.6	-100.0	546.3	-225.2	184.7	734.7
Overall balance	1,797.6	2,270.5	-730.2	655.4	-225.9	26.3	471.0	926.8	639.4	-350.3	613.2
Reserve assets	-1,797.6	-2,270.5	730.2	-655.4	225.9	-26.3	-471.0	-926.8	-639.4	350.3	-613.2

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

The deficit of the **income balance** set another record, amounting to 1.9 billion kroons. Income earned by non-residents from capital invested in Estonia and from the use of workforce stood at 2.9 billion kroons. Similar income of residents, earned mainly from capital, amounted to 1 billion kroons. Income earned from direct investments accounted for nearly 82% of the income of non-residents and mostly consisted of reinvested income, which does not involve any real movement of money (in the third quarter of 2002 income was mostly earned in the form of dividends) since this is reflected on the financial account as FDI inflow. For residents, the respective indicator has increased from 36% to 67% year-on-year, and it, too, mostly consisted of reinvested income.

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

The positive balance of the **CAPITAL AND FINANCIAL ACCOUNT** stood at 3.8 billion kroons, of which nearly half was the inflow of direct investments and the rest was capital inflow in the form of other investments.

The net inflow of **direct investments** amounted to 1.7 billion kroons. Non-residents invested 2.6 billion kroons in Estonia and Estonian residents made 0.9 million kroons worth of direct investments abroad.

Over two thirds of direct investments made into Estonia came from the increase of undistributed profit and investments into fixed capital increased substantially as well. Thirty per cent of direct investments came from Great Britain, while nearly a quarter originated from Sweden, followed by more or less equal contributions (10–13%) from investors in Italy, Germany and Finland. The most popular areas were real estate and renting and business services, which absorbed nearly 60% of direct investments, followed by financial intermediation with 18% and transport, storage and communication with 13%.

Like in the third quarter of 2002, the main component in direct investments made by Estonian residents was undistributed profit, which accounted for 60%. Investments into fixed capital and loan capital each accounted for 20% of direct investments by residents. Nearly half of direct investments were made into Cyprus and the rest went mostly to Lithuania and Latvia. The dominating areas were transport, storage and communication (nearly 50%), financial intermediation (16%) and manufacturing (13%).

Unlike in the third quarter of 2002, which was characterised by the net inflow of **portfolio investments**, the third quarter of 2003 witnessed a reverse process – portfolio investments into foreign countries exceeded the volume of portfolio investments made into Estonia by 1.2 billion kroons. The net outflow of capital can mostly be attributed to the growth of the government sector debt security claims by 2 billion kroons and the decrease of the credit institutions' claims by 1 billion kroons.

Like in the second quarter, the considerable inflow of **other investment capital** continued in the third quarter. The net inflow amounted to 3.1 billion kroons, which mainly consisted of long-term capital received mostly by credit institutions and other sectors through the decrease of claims as well as the increase of liabilities.

CURRENT ACCOUNT

The deficit of the third quarter balance of payments current account amounted to 3.9 billion kroons (13.2% of GDP), which is up 41% year-on-year and boosted the four-quarter average deficit to 14.9% of the GDP (see Figure 1).

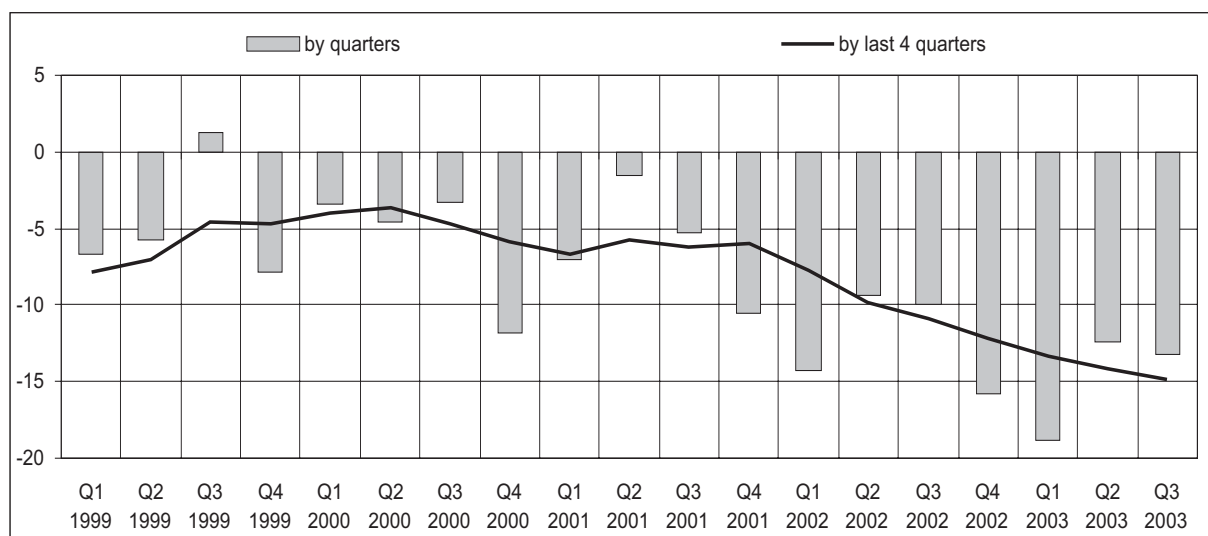


Figure 1. Current account balance to the GDP (%)

The persistently high current account deficit derived from the increase of the foreign trade and income balance deficits, which grew respectively by 1.1 billion and 1.0 billion kroons year-on-year. The increase of the surplus of the services and transfers balances was insufficient to compensate for this deficit (see Figures 2 and 3).

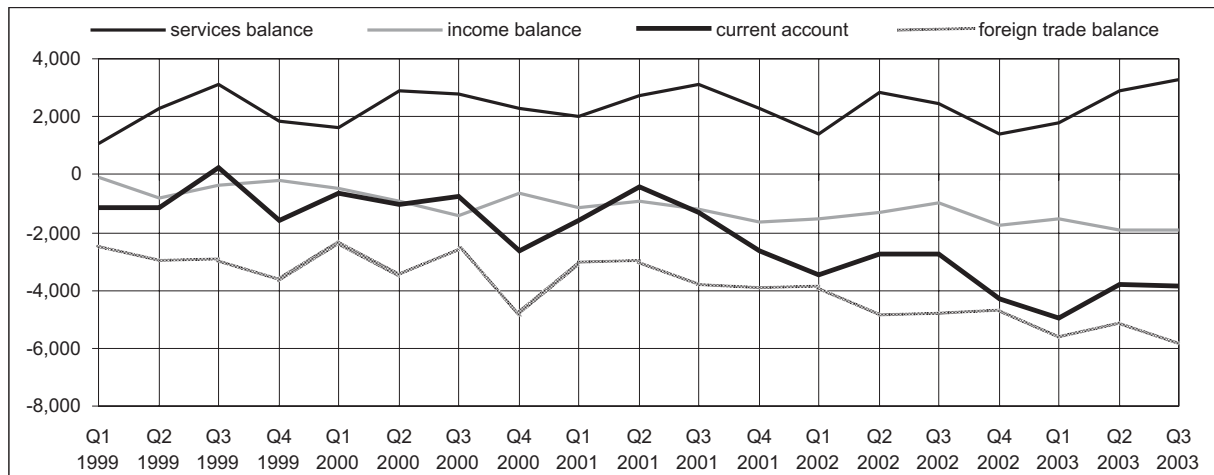


Figure 2. Comparison of the current account, foreign trade balance, income balance and services balance of the Estonian balance of payments (in f.o.b prices, EEK m)

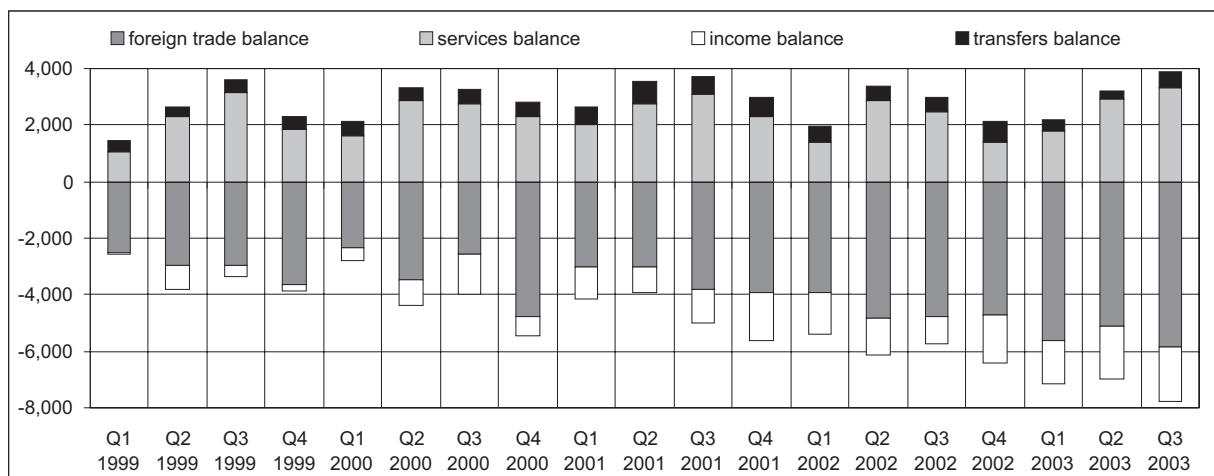


Figure 3. Current account structure (EEK m)

The terms of trade were favourable for Estonian goods on foreign markets (export prices were higher than in 2002, while import prices were lower) but the increase of imports outstripped the increase of exports by 3 percentage points. The increase of the income balance deficit resulted from the decrease of income inflow, as well as the growth of income outflow.

Goods

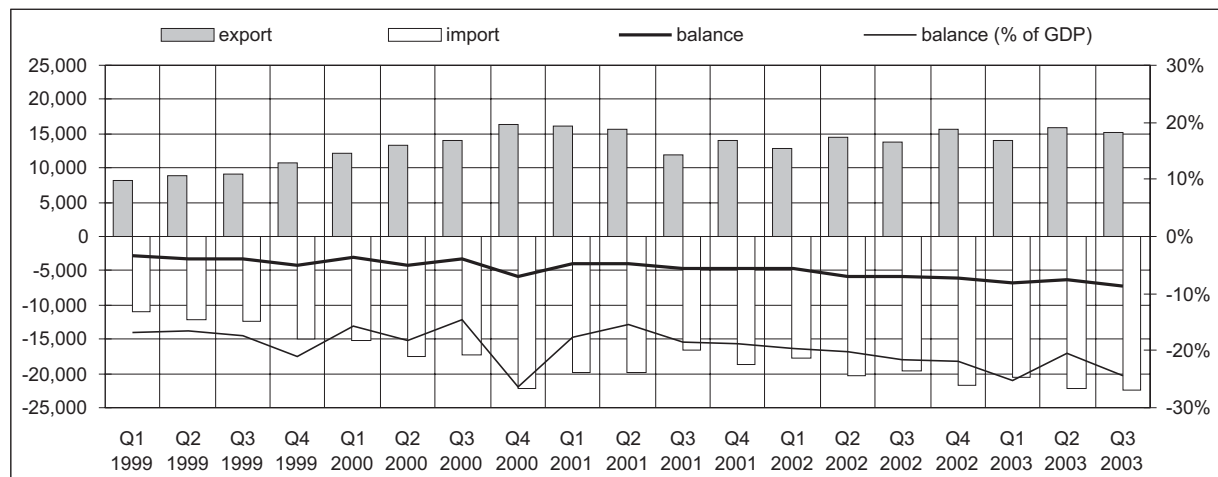
In the third quarter of 2003, foreign trade deficit increased by nearly one billion kroons quarter-on-quarter, totalling 5.9 billion kroons (see Table 2). The export of goods increased by 10% and amounted to 15.5 billion kroons. The import of goods reached a record 21.4 billion kroons, growing by 13%. Quarter-on-quarter, the export of goods fell by 4%, whereas import remained unchanged.

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

	Special export			Special import			Balance (EEK m)
	Volume* (EEK m)	Change against the previous period (%)	Share in total export of goods and services (%)	Volume* (EEK m)	Change against the previous period (%)	Share in total import of goods and services (%)	
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	16,192.8	-2.2	73.6	19,233.9	-9.9	83.6	-3,041.1
Q2 2001	15,967.7	-1.4	68.5	18,994.9	-1.2	80.5	-3,027.2
Q3 2001	12,306.9	-22.9	60.8	16,093.5	-15.3	77.0	-3,786.6
Q4 2001	14,199.7	15.4	64.6	18,128.7	12.6	76.7	-3,929.0
2001	58,667.1	4.1	67.0	72,451.0	4.3	79.5	-13,783.9
Q1 2002	13,154.0	-7.4	69.9	17,059.2	-5.9	80.1	-3,905.2
Q2 2002	14,743.7	12.1	64.8	19,586.8	14.8	79.1	-4,843.1
Q3 2002	14,132.3	-4.1	64.6	18,919.2	-3.4	78.2	-4,786.9
Q4 2002	16,069.5	13.7	70.0	20,758.5	9.7	79.0	-4,689.0
2002	58,099.5	-1.0	67.3	76,323.7	5.3	79.1	-18,224.2
Q1 2003	14,318.9	-10.9	70.9	19,936.0	-4.0	83.0	-5,617.1
Q2 2003	16,153.7	12.8	67.7	21,264.9	6.7	81.6	-5,111.2
Q3 2003	15,521.2	-3.9	64.6	21,378.5	0.5	80.4	-5,857.3

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

Export according to **special trade statistics**³ totalled 15.1 billion kroons and import in c.i.f. prices was 22.3 billion kroons (see Figure 4). The foreign trade deficit increased both against the second quarter of 2003 as well as the third quarter of 2002 and amounted to a record 7.2 billion kroons.


Figure 4. Estonian foreign trade balance (EEK m)

³ 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.

The 10% annual increase of **special export** mainly resulted from the growth of normal export² across all groups of end-use consumption (see Table 3). The export of goods processed in Estonia fell by 2%. Quarter-on-quarter, special export was down 5%, with seasonal factors (the holiday season) dragging down both normal export and the export of processed goods. The 13% annual increase of **special import** was based on the 18% growth of normal import, with the import of goods to be processed down by 3% (see Table 4). Quarter-on-quarter, the import of goods was unchanged and only the import of goods to be processed edged slightly up.

Table 3. Special export by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
Normal export	9,504.6	11,312.1	10,960.1	69.1	71.4	72.5	-3.1	15.3
Capital goods	519.3	654.4	627.8	3.8	4.1	4.2	-4.1	20.9
Intermediate goods	5,854.6	7,288.3	6,797.0	42.6	46.0	44.9	-6.7	16.1
Consumer goods	2,865.3	3,087.8	3,230.6	20.8	19.5	21.4	4.6	12.7
Other	265.4	281.6	304.7	1.9	1.8	2.0	8.2	14.8
Export of processed goods	4,249.0	4,539.9	4,164.5	30.9	28.6	27.5	-8.3	-2.0
Capital goods	1,248.6	938.6	625.0	9.1	5.9	4.1	-33.4	-49.9
Intermediate goods	2,012.1	2,619.6	2,566.7	14.6	16.5	17.0	-2.0	27.6
Consumer goods	919.9	906.4	892.9	6.7	5.7	5.9	-1.5	-2.9
Other	68.5	75.3	79.8	0.5	0.5	0.5	6.1	16.6
Total	13,753.6	15,852.0	15,124.6	100.0	100.0	100.0	-4.6	10.0

Table 4. Special import by end consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
Import for free circulation (normal import)	15,697.1	18,464.9	18,443.5	79.7	83.1	82.6	-0.1	17.5
Capital goods	2,783.5	3,965.8	4,178.8	14.1	17.9	18.7	5.4	50.1
Intermediate goods	7,341.8	8,091.8	8,038.0	37.3	36.4	36.0	-0.7	9.5
Consumer goods	3,701.9	4,097.0	4,142.2	18.8	18.4	18.6	1.1	11.9
Other	1,869.9	2,310.3	2,084.5	9.5	10.4	9.3	-9.8	11.5
Import of processed goods	3,997.6	3,743.4	3,880.3	20.3	16.9	17.4	3.7	-2.9
Capital goods	890.8	565.7	579.9	4.5	2.5	2.6	2.5	-34.9
Intermediate goods	2,856.9	2,912.2	3,028.7	14.5	13.1	13.6	4.0	6.0
Consumer goods	240.0	256.3	260.4	1.2	1.2	1.2	1.6	8.5
Other	10.0	9.2	11.3	0.1	0.0	0.1	22.9	13.1
Total	19,694.6	22,208.3	22,323.8	100.0	100.0	100.0	0.5	13.3

The export of processed goods decreased by just 2% year-on-year, but the structure of exports changed – the export of capital goods shrunk by two times, whereas the export of intermediate goods increased by 28%. The former was mainly caused by the 0.6 billion kroons decline in the export of mobile phones and the latter was due to the growing export of components used in the electronics industry and processed metals. The **import of goods to be processed** in Estonia decreased thanks to the fall in the capital goods export (electrical appliances). Mostly components of the electrical and electronics industry and raw materials for light industry were imported to Estonia for processing.

The 15% annual increase of **normal export**⁴ was achieved thanks to the even growth of export across all groups of final consumption. The biggest contribution came from the 16% surge in the export of timber and

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

timber products as well as furniture components in the export of **intermediate goods**. The export of **consumer goods** increased by 13% and mostly consisted of furniture, food (fish and dairy products) and output of the textile industry. The share of **capital goods** in normal export remained below 5%.

Import for free circulation or normal import exceeded the increase of normal export by 2 percentage points and totalled 22.3 billion kroons. The rapid growth resulted mainly from the import of **capital goods**, which increased by 50% or 1.4 billion kroons. Mostly transport vehicles and machinery and equipment (railway cars, tractors, computers, mobile phones, farm machinery) were imported under capital goods. Deliveries of railway cars accounted for 28% or 1.2 billion kroons of the total import of capital goods. The import of **intermediate goods** increased by 10% and consisted mainly of car parts, metal, timber and plastic products, etc. The import of **consumer goods** surged by 12%, made up of medicines, furniture, footwear, plastic products and food. The import of passenger cars, classified under **other goods**, increased by 21%, whereas the import of motor fuel remained on the level of 2002.

Foreign trade deficit increased by nearly 1.3 billion kroons year-on-year and totalled 7.2 billion kroons (see Table 5). The surplus of processed goods export increased slightly and amounted to 0.3 billion kroons; the deficit of foreign trade activity unrelated to subcontracting stood at 7.5 billion kroons.

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

	Q3 2002	Q2 2003	Q3 2003
Balance of normal export and normal import	-6,192.5	-7,152.8	-7,483.4
Capital goods	-2,264.2	-3,311.3	-3,551.0
Intermediate goods	-1,487.2	-803.5	-1,241.0
Consumer goods	-836.6	-1,009.2	-911.6
Other	-1,604.5	-2,028.8	-1,779.8
Balance of export and import of processed goods	251.4	796.5	284.2
Capital goods	357.8	372.9	45.1
Intermediate goods	-844.8	-292.6	-461.9
Consumer goods	679.9	650.1	632.5
Other	58.5	66.1	68.6
Total	-5,941.0	-6,356.3	-7,199.2

Across groups of countries, the export of goods to the EU increased the most – by 8% (see Table 6). The EU plus acceding countries accounted for 81% of Estonia's export. The three major export partners were still Finland, Sweden and Germany, accounting for 73% of export to the EU and for nearly half of the total export. Among Central and Eastern European countries, the leading position belonged to Latvia and Lithuania, with export to these countries up 16% year-on-year. Norway and the United States dominated among other countries. Among the CIS countries, the top two included Russia and the Ukraine, with export growing by 50 and 66%, respectively⁵.

Import of goods was most affected by the growth of import from the CIS countries (see Table 7) and particularly the Ukraine where the above-mentioned railway cars were bought from. Import of goods from the current and future EU member countries increased as well, accounting for 78% of the total import. Finland, Germany, Sweden and the Netherlands dominated among the EU countries and Latvia, Lithuania and Poland among the Central and Eastern European countries. Among other countries, major importers included Japan, Hong Kong, the USA, China, Norway and Switzerland.

⁵ The growth is partly due to improved statistics. As no destination country had to be declared in case of goods stored in free trade zones waiting to be exported (ie the destination country could have been both Estonia and a foreign country), part of export was undefined by destination country in 2000–2002. Previous experience allows us to assume that in these years a considerable part of undefined goods were exported from free trade zones to Russia and the Ukraine, thus increasing the actual share of these countries in Estonian total export (see Eesti Pank Bulletin No 4 (57), 2000). Requirements of the Customs Board and higher awareness of customs declarants have considerably improved the declaration of destination countries in 2003.

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
EU countries	9,200.0	10,954.7	9,915.0	66.9	69.1	65.6	-9.5	7.8
Central and Eastern European countries	1,993.4	2,020.7	2,319.9	14.5	12.7	15.3	14.8	16.4
CIS countries	717.2	995.7	1,077.3	5.2	6.3	7.1	8.2	50.2
Other	1,446.1	1,876.9	1,806.8	10.5	11.8	11.9	-3.7	24.9
Customs-free zone	396.9	3.9	5.6	2.9	0.0	0.0	41.8	-98.6
Total	13,753.6	15,852.0	15,124.6	100.0	100.0	100.0	-4.6	10.0

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
EU countries	13,278.8	14,221.4	14,080.8	67.4	64.0	63.1	-1.0	6.0
Central and Eastern European countries	2,454.4	2,995.8	3,074.6	12.5	13.5	13.8	2.6	25.3
CIS countries	1,691.8	2,786.9	2,955.6	8.6	12.5	13.2	6.1	74.7
Other	2,269.7	2,204.2	2,212.8	11.5	9.9	9.9	0.4	-2.5
Total	19,694.6	22,208.3	22,323.8	100.0	100.0	100.0	0.5	13.3

Foreign trade balance was negative for all groups of countries (see Table 8).

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

	Q3 2002	Q2 2003	Q3 2003
EU countries	-4,078.8	-3,266.7	-4,165.8
Central and Eastern European countries	-461.0	-975.1	-754.7
CIS countries	-974.5	-1,791.1	-1,878.3
Other	-823.6	-327.3	-406.0
Customs-free zone	396.9	3.9	5.6
Total	-5,941.0	-6,356.3	-7,199.2

Services

The surplus of the services balance amounted to 3.3 billion kroons in the third quarter of 2003, up by a third year-on-year and by 3% quarter-on-quarter (see Table 9). The share of services in the goods and services balance was seasonally high in the third quarter, accounting for 35% of exports and 20% of imports.

The surplus of the services balance increased year-on-year mainly thanks to improvements in the balances of less dominating services – the deficit of construction and government services balances turned into a surplus, whereas the surplus of major services such as transport and travel services decreased (see Table 10).

Export of services increased by 10% year-on-year (see Figure 5 and Table 11), with export volume of major services practically unchanged (export of transport services was up 2% and export of travel services was down 1%). Business services can also be regarded among major services since they accounted for 14% of the total export of services and increased by 38% year-on-year.

Year-on-year, the import of services decreased by 1%. The drop was caused by a drastic decline in the import of construction and government services. The import of travel services also decreased slightly, whereas the import of transport services grew by 8% year-on-year (see Table 12). The share of business services in the import of services increased by 45%.

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 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	7,925.7	7.8	39.2	4,807.8	4.3	23.0	3,117.9	13.8
Q4 2001	7,787.7	-1.7	35.4	5,502.6	14.5	23.3	2,285.1	-26.7
Q1 2002	5,653.4	-27.4	30.1	4,235.4	-23.0	19.9	1,418.0	-37.9
Q2 2002	8,004.7	41.6	35.2	5,162.4	21.9	20.9	2,842.3	100.4
Q3 2002	7,730.1	-3.4	35.4	5,259.6	1.9	21.8	2,470.5	-13.1
Q4 2002	6,891.5	-10.8	30.0	5,504.8	4.7	21.0	1,386.7	-43.9
Q1 2003	5,889.2	-14.5	29.1	4,088.4	-25.7	17.0	1,800.8	29.9
Q2 2003	7,712.5	31.0	32.3	4,804.4	17.5	18.4	2,908.1	61.5
Q3 2003	8,508.8	10.3	35.4	5,209.9	8.4	19.6	3,298.9	13.4

Table 10. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
Transport services	1,403.0	1,362.5	1,335.2	56.8	46.9	40.5	-2.0	-4.8
Travel services	1,838.7	1,667.5	1,829.4	74.4	57.3	55.5	9.7	-0.5
Construction services	-514.9	-115.2	31.1	-20.8	-4.0	0.9	-127.0	-106.0
Business services	42.0	-37.8	-1.0	1.7	-1.3	0.0	-97.4	-102.4
Government services	-362.4	63.7	60.9	-14.7	2.2	1.8	-4.4	-116.8
Other	64.1	-32.6	43.3	2.6	-1.1	1.3	-232.8	-32.4
Total	2470.5	2908.1	3298.9	100	100	100	13.4	33.5

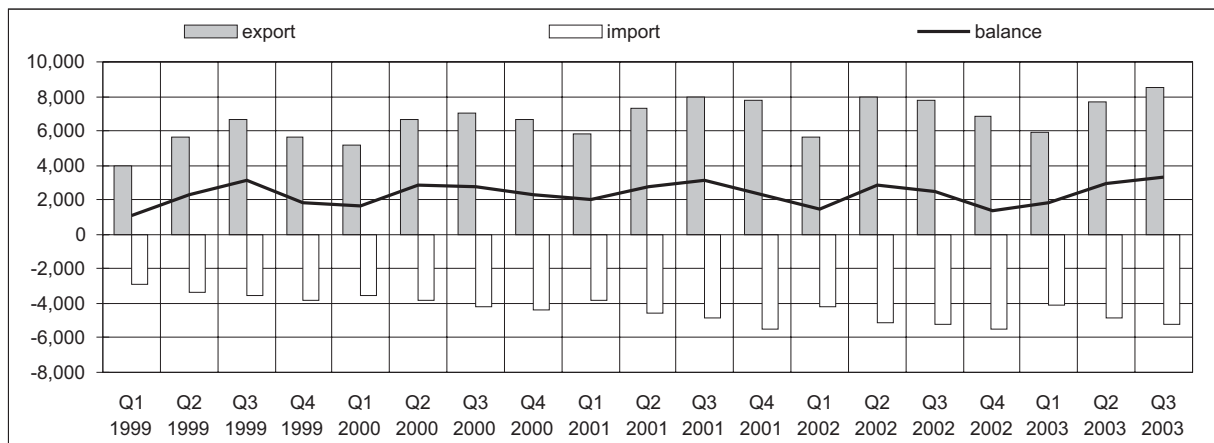


Figure 5. Services balance (EEK m)

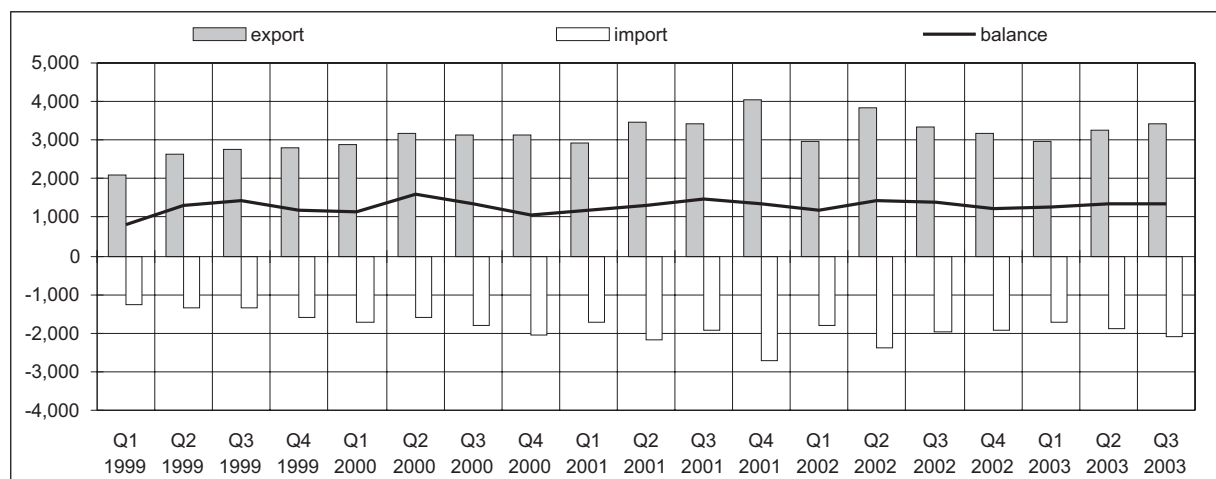
Table 11. Services export by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
Transport services	3,353.3	3,238.6	3,432.5	43.4	42.0	40.3	6.0	2.4
o/w freight	1,394.2	1,342.7	1,496.7	18.0	17.4	17.6	11.5	7.4
passenger	982.8	722.5	748.4	12.7	9.4	8.8	3.6	-23.9
other transport services	976.3	1,173.4	1,187.4	12.6	15.2	14.0	1.2	21.6
Travel services	3,068.5	2,809.7	3,041.3	39.7	36.4	35.7	8.2	-0.9
Construction services	130.0	169.7	336.7	1.7	2.2	4.0	98.4	159.0
Business services	850.6	1,057.6	1,172.4	11.0	13.7	13.8	10.9	37.8
Government services	25.4	125.5	134.4	0.3	1.6	1.6	7.1	429.1
Other	302.3	311.4	391.5	3.9	4.0	4.6	25.7	29.5
Total	7,730.1	7,712.5	8,508.8	100.0	100.0	100.0	10.3	10.1

Table 12. Services import by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
Transport services	1,950.3	1,876.1	2,097.3	37.1	39.0	40.3	11.8	7.5
o/w freight	1,277.7	1,291.8	1,433.5	24.3	26.9	27.5	11.0	12.2
passenger	326.3	330.2	392.9	6.2	6.9	7.5	19.0	20.4
other transport services	346.3	254.1	270.9	6.6	5.3	5.2	6.6	-21.8
Travel services	1,229.8	1,142.2	1,211.9	23.4	23.8	23.3	6.1	-1.5
Construction services	644.9	284.9	305.6	12.3	5.9	5.9	7.3	-52.6
Business services	808.6	1,095.4	1,173.4	15.4	22.8	22.5	7.1	45.1
Government services	388.0	61.8	73.5	7.4	1.3	1.4	18.9	-81.1
Other	238.0	344.0	348.2	4.5	7.2	6.7	1.2	46.3
Total	5,259.6	4,804.4	5,209.9	100.0	100.0	100.0	8.4	-0.9

Transport services are Estonia's most important category of services, accounting for 40% of both export and import of services. The export and import of transport services increased quarter-on-quarter as well as year-on-year, with import up by 12 and 8%, respectively, and export growing by 6 and 2%. As a result, the surplus of transport services decreased by 2% against the second quarter of 2003 and by 5% against the third quarter of 2003 (see Figure 6).

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

In the export of transport services, export by sea decreased by 14%, while export by other means of transport (railway) increased by a third. The growth of transport services import was mostly due to the increase of cargo transport by rail.

The export, import and balance of **travel services** were practically unchanged year-on-year (see Figure 7). The slight decrease in the **export of travel services** was caused by the change in the structure of visitors: the number of tourists visiting Estonia increased by 2% year-on-year, mostly on the account of one-day visitors (including cruise tourists) and private visitors, who spend less in Estonia than business visitors. The number of tourists from the Nordic countries and Central Europe increased, whereas the number of visitors from the USA and Canada decreased.

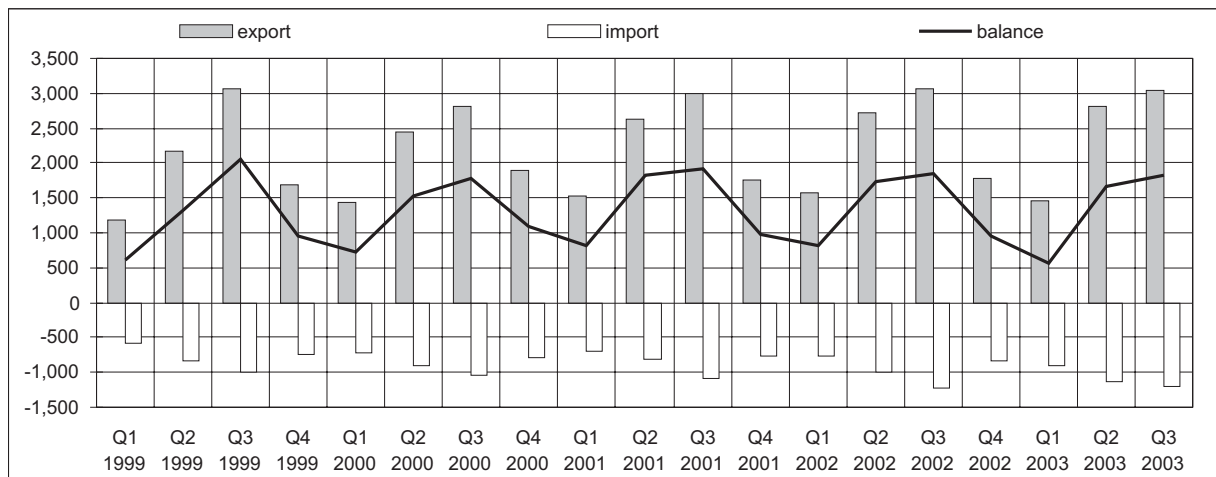


Figure 7. Travel services balance (EEK m)

The slight decrease in the **import of travel services** resulted from the drop of spendings in the destination country, supported by the relative strengthening of the Estonian kroon. Among the major destination countries, the number of Estonians visiting Greece and Italy increased the most.

Income

The income balance had a record deficit in the third quarter of 2003 – 1.9 billion kroons. This is about two times larger than in the third quarter of 2002 and approximately the same as in the second quarter of 2003 (see Table 13 and Figure 8). The bulk of the net outflow of income (93%) took the form of income from direct investments.

Inflow of income amounted to one billion kroons in the third quarter, being 20% smaller than in the same period in 2002 (see Table 14). The decline was most noticeable in income from portfolio investments (down 72%) and other investments (down 32%). Direct investment income, however, increased by 44%, indicating the success of Estonian investors abroad.

Table 13. Income balance (EEK m)

	Balance (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
Income from direct investments	-1,217.7	-1,531.1	-1,771.8	128.0	80.9	93.1	15.7	45.5
o/w income from equity	-1,155.3	-1,485.6	-1,715.5	121.5	78.5	90.1	15.5	48.5
income from debt (interests)	-62.4	-45.5	-56.3	6.6	2.4	3.0	23.7	-9.8
Income from portfolio investments	300.2	-352.7	-107.0	-31.6	18.6	5.6	-69.7	-135.6
Income from other investments	-99.5	-104.5	-109.2	10.5	5.5	5.7	4.5	9.7
Other income	65.9	95.9	84.1	-6.9	-5.1	-4.4	-12.3	27.6
Total	-951.1	-1,892.4	-1,903.9	100.0	100.0	100.0	0.6	100.2

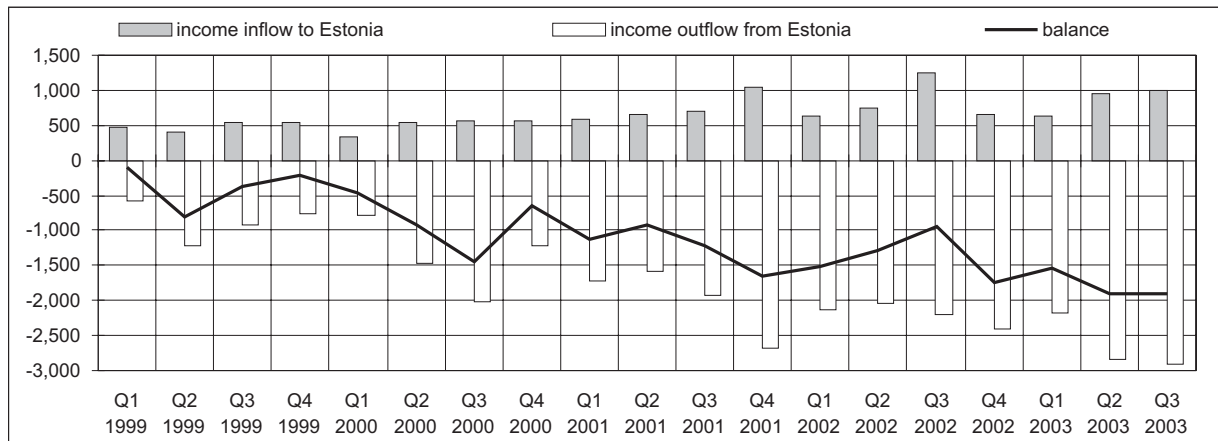


Figure 8. Income balance (EEK m)

Table 14. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
Income from direct investments	419.6	532.7	604.5	33.9	56.0	60.2	13.5	44.1
o/w income from equity	394.0	496.2	571.3	31.8	52.2	56.9	15.1	45.0
income from debt (interests)	25.6	36.5	33.2	2.1	3.8	3.3	-9.0	29.7
Income from portfolio investments	516.4	135.1	143.7	41.7	14.2	14.3	6.4	-72.2
Income from other investments	230.1	180.2	155.6	18.6	18.9	15.5	-13.7	-32.4
Other income	73.4	103.4	100.4	5.9	10.9	10.0	-2.9	36.8
Total	1,239.5	951.4	1,004.2	100.0	100.0	100.0	5.5	-19.0

Outflow of income set a record in the third quarter, totalling 2.9 billion kroons and growing by 33% year-on-year and by 2% quarter-on-quarter (see Table 15). The outflow rate was above average for direct investment income (45%). The bulk of it was reinvested income (2.1 billion kroons), which does not involve any real movement of funds. However, in the third quarter of 2002 non-resident direct investors withdrew income mostly in the form of dividends, while the share of reinvested income was smaller.

Table 15. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2003/ Q2 2003	Q3 2003/ Q3 2002
Income from direct investments	-1,637.3	-2,063.8	-2,376.3	74.7	72.6	81.7	15.1	45.1
o/w income from equity	-1,549.3	-1,981.8	-2,286.8	70.7	69.7	78.6	15.4	47.6
income from debt (interests)	-88.0	-82.0	-89.5	4.0	2.9	3.1	9.1	1.7
Income from portfolio investments	-216.2	-487.8	-250.7	9.9	17.2	8.6	-48.6	16.0
Income from other investments	-329.6	-284.7	-264.8	15.0	10.0	9.1	-7.0	-19.7
Other income	-7.5	-7.5	-16.3	0.3	0.3	0.6	117.3	117.3
Total	-2,190.6	-2,843.8	-2,908.1	100.0	100.0	100.0	2.3	32.8

Transfers

The surplus of the transfers balance amounted to approximately 0.6 billion kroons in the third quarter, more than doubling quarter-on-quarter and up 11% against the third quarter of 2002. Year-on-year, the surplus of private transfers increased, whereas the surplus of government transfers decreased. While the credit ratio of government and private transfers was 56:44, the bulk of transfers debit was made up of private transfers.

CAPITAL AND FINANCIAL ACCOUNT

The third quarter 3.7 billion kroons surplus of the capital and financial account was based on the inflow of direct investments and other investments. A considerable outflow occurred in portfolio investments.

The structure of the financial account by categories and maturity can be seen in Figures 9 and 10.

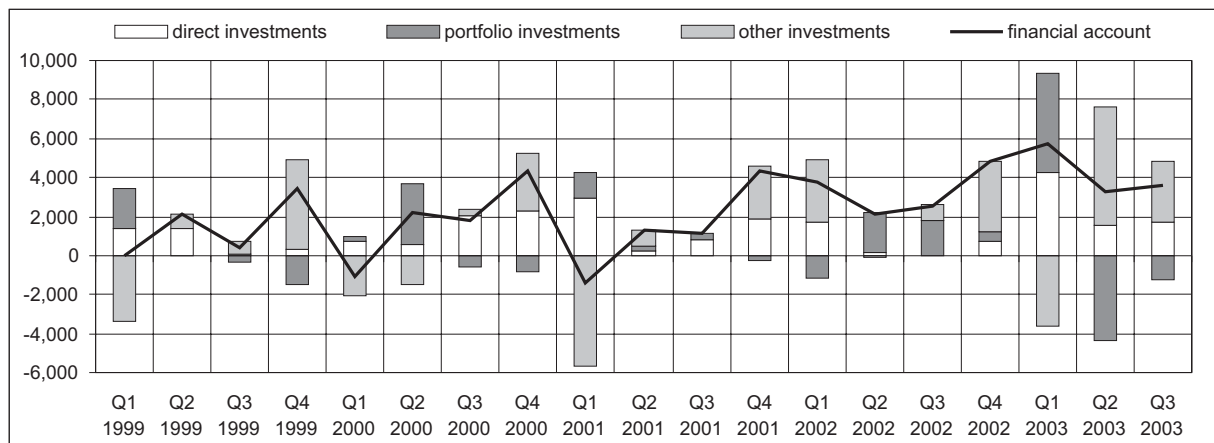


Figure 9. Changes in the structure of foreign investment capital flows (EEK m)

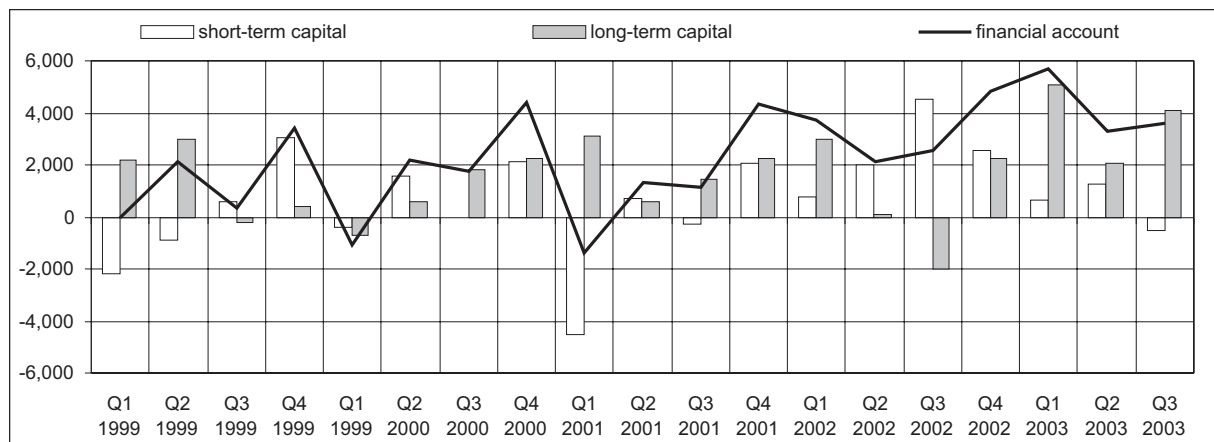


Figure 10. The maturity structure of financial sources (EEK m)

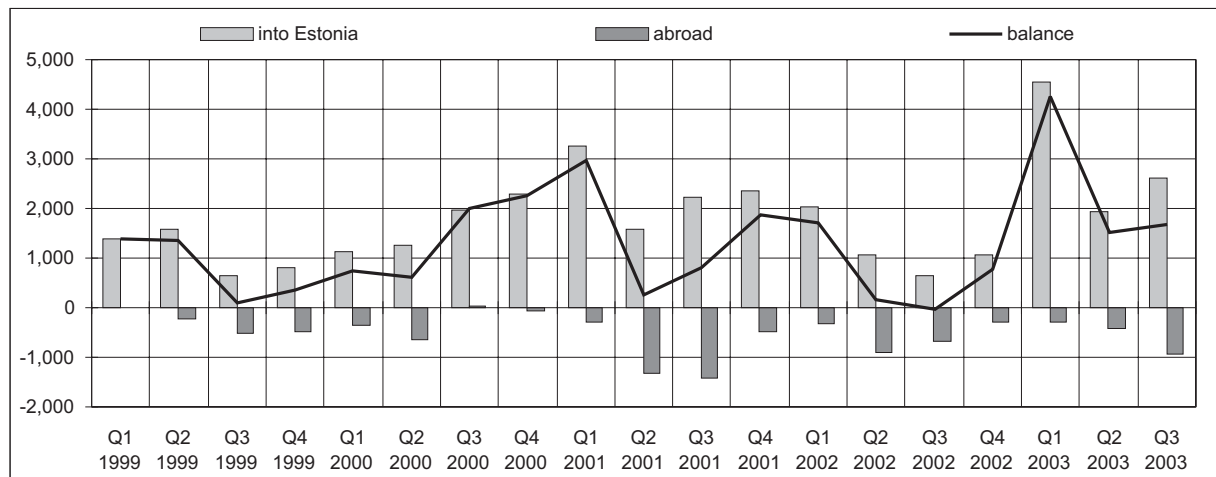
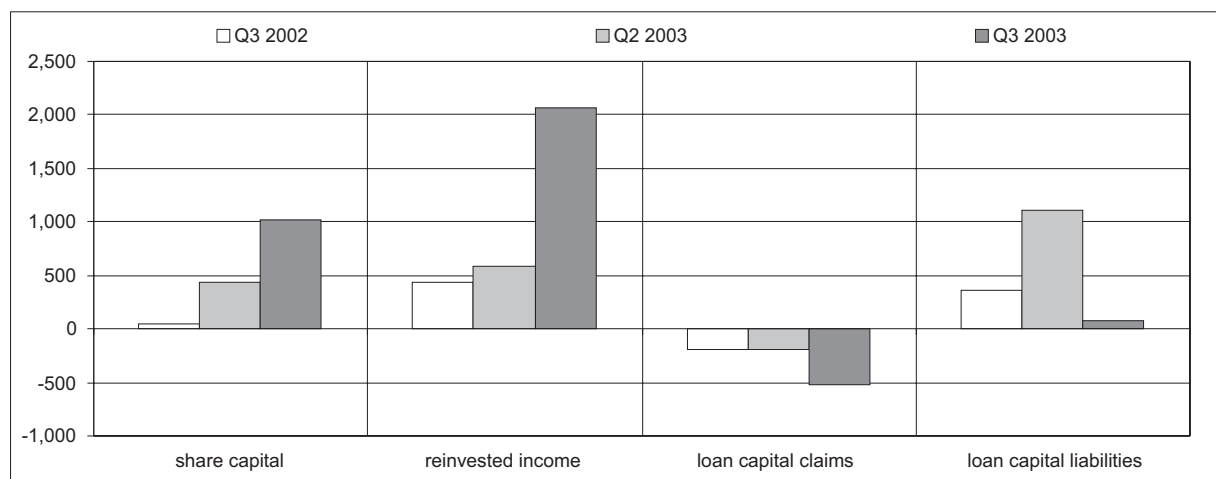
Direct Investments

The balance of direct investments was positive by 1.7 billion kroons in the third quarter of 2003, accounting for nearly half of the financial account surplus. Non-residents invested 2.6 billion kroons in Estonia and Estonian residents' direct investments abroad grew by 0.9 billion kroons (see Table 16 and Figure 11).

The volume of **direct investments made into Estonia** increased by 36% quarter-on-quarter. A third of direct investments consisted of the inflow of share capital. The increase of reinvested income was remarkable in the third quarter, since the distribution of dividends had been mostly decided in the previous quarter (see Figure 12).

Table 16. Structure of direct investments

	Into Estonia						Abroad					
	EEK m			Share (%)			EEK m			Share (%)		
	Q3 2002	Q2 2003	Q2 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003
Share capital	49.3	440.4	1,016.1	7.5	22.8	38.7	-79.5	122.3	-190.1	11.6	-30.0	20.2
Inflow	698.8	906.8	1,625.7	106.6	47.0	62.0	20.8	219.4	130.2	-3.0	-53.7	-13.8
Outflow	-649.5	-466.4	-609.6	-99.1	-24.1	-23.2	-100.3	-97.1	-320.3	14.6	23.8	34.0
Reinvested income	439.0	578.5	2,059.1	67.0	30.0	78.5	-384.8	-134.7	-562.3	56.1	33.0	59.8
Claims	-1,585.7	-2,272.4	-1,037.7	-241.9	-117.7	-39.6	-394.1	-192.9	-593.7	57.4	47.3	63.1
Liabilities	2,024.7	2,850.9	3,096.8	308.9	147.6	118.0	9.3	58.2	31.4	-1.4	-14.3	-3.3
Loan capital (net)	53.5	638.3	-326.8	8.2	33.0	-12.5	-208.6	-409.5	-170.1	30.4	100.3	18.1
Trade credit	-334.0	414.0	-212.8	-51.0	21.4	-8.1	23.6	-214.7	-153.8	-3.4	52.6	16.3
Short-term loans	-43.2	-98.1	-1,208.2	-6.6	-5.1	-46.1	-323.3	-38.2	84.8	47.1	9.4	-9.0
Long-term loans	430.7	322.4	1,094.2	65.7	16.7	41.7	91.1	-156.6	-101.1	-13.3	38.4	10.7
Other capital	113.7	274.2	-125.1	17.3	14.2	-4.8	-13.4	13.7	-18.3	2.0	-3.4	1.9
Total	655.5	1,931.4	2,623.3	100.0	100.0	100.0	-686.3	-408.2	-940.8	100.0	100.0	100.0

**Figure 11. Direct investments (EEK m)****Figure 12. Structure of direct investments made into Estonia (EEK m)**

Biggest profits were earned in the industrial sector. Net inflow of long-term loan liabilities stood at 1.1 billion kroons and repayments of short-term loans exceeded the increase of additional liabilities by nearly the same amount. Direct investors' debts for goods and services increased.

In the third quarter, the biggest investor was Great Britain (30%), followed by Sweden, Italy and Germany. Investments of EU countries totalled 2.3 billion kroons (88%). The most preferred sectors were real estate, renting and business services (see Figures 13 and 14).

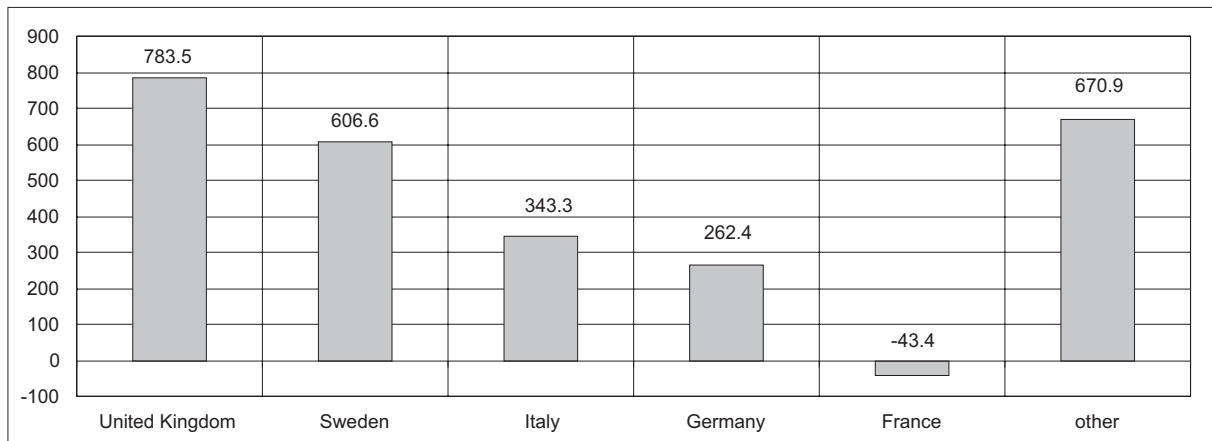


Figure 13. Structure of direct investments made into Estonia by countries in the 3rd quarter of 2003 (EEK m)

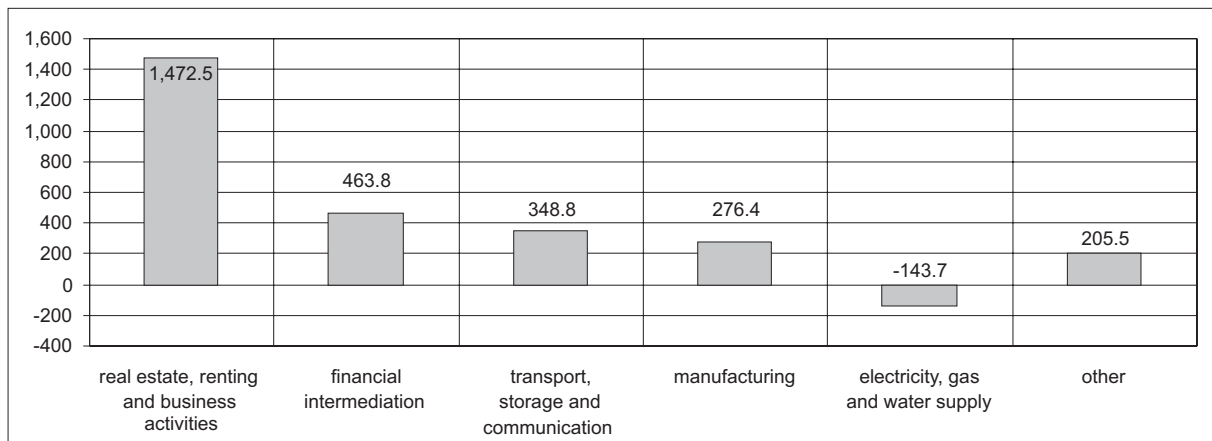


Figure 14. Structure of direct investments made into Estonia by spheres of activity in the 3rd quarter of 2003 (EEK m)

Direct investments into affiliated/associated companies abroad doubled as compared to the previous period. 80% of the outflow of direct investments went into equity capital. Share capital increased by 0.2 billion kroons and more than 0.5 billion kroons was reinvested into the business activities of affiliated/associated companies abroad. The bulk of loan capital outflow was made up of trade credit and the claims of long-term loans increased by 0.1 billion kroons (see Figure 15).

The largest net outflow of direct investments concerned Cyprus and, traditionally, investments increased into Latvia and Lithuania. Investments were mostly made into transport, storage and communication, finance, manufacturing and wholesale and retail trade (see Figures 16 and 17).

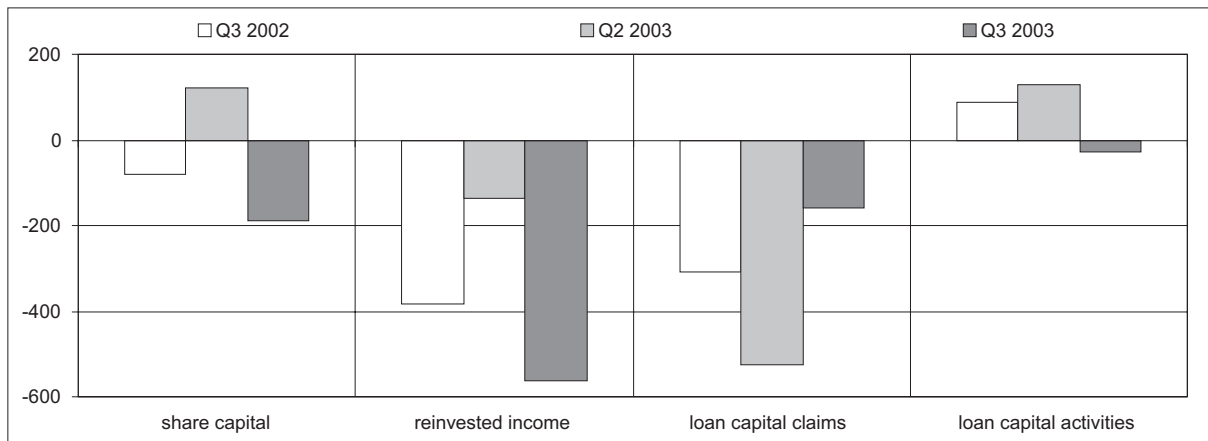


Figure 15. Structure of direct investments made abroad (EEK m)

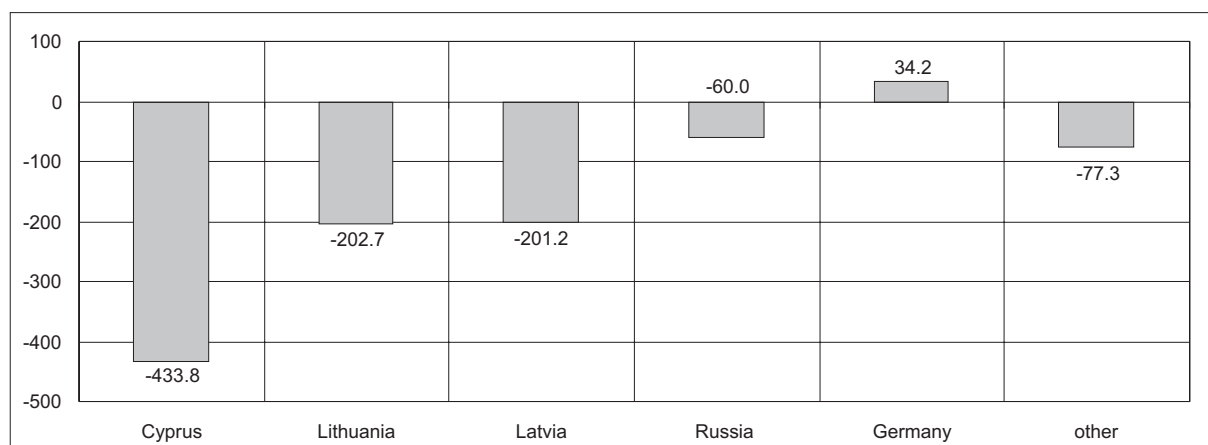


Figure 16. Structure of direct investments made abroad by countries in the 3rd quarter of 2003 (EEK m)

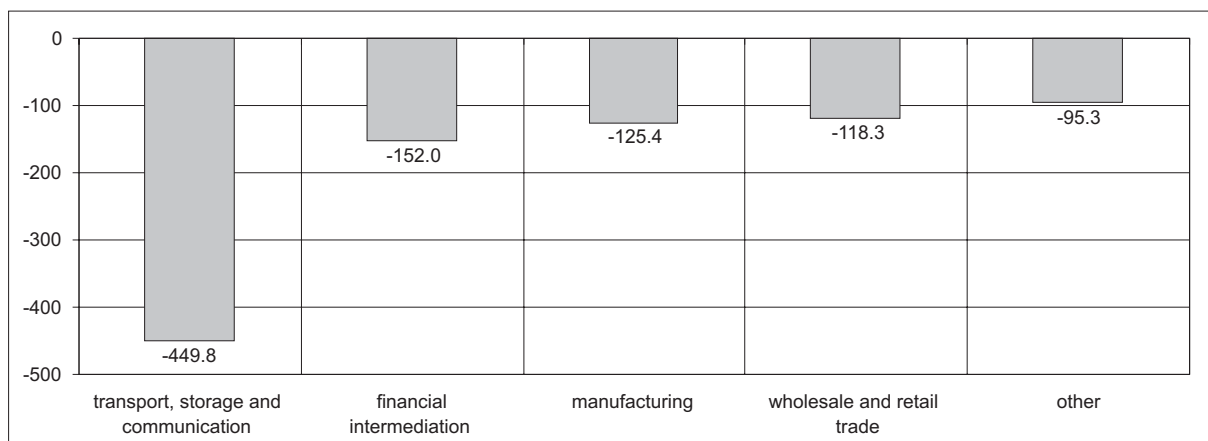


Figure 17. Structure of direct investments made abroad by spheres of activity in the 3rd quarter of 2003 (EEK m)

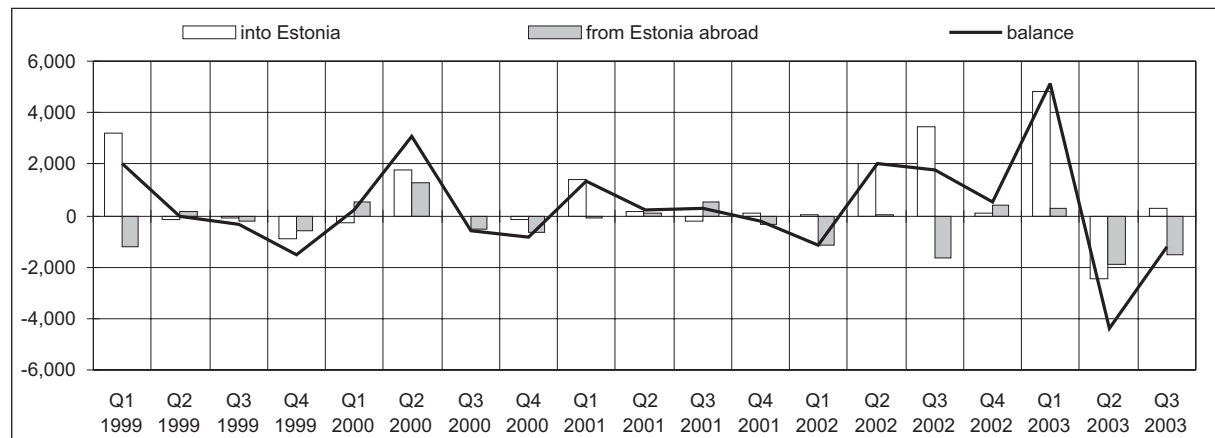
Portfolio Investments

In the third quarter of 2003, the net outflow of **portfolio investments** totalled 1.2 billion kroons and was mostly related to Estonian residents' investments into foreign debt securities (see Table 17).

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

	Claims			Liabilities			Balance		
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003
Portfolio investments total	-1,631.1	-1,882.4	-1,546.9	3,426.5	-2,470.1	305.5	1,795.4	-4,352.5	-1,241.4
Equity securities	-52.4	-161.4	-161.0	-103.6	659.9	318.3	-156.0	498.5	157.3
Government sector		-83.1	13.5					-83.1	13.5
Credit institutions	2.5	-4.3	3.3	-32.2	141.3	72.1	-29.7	137.0	75.4
Other sectors	-54.9	-74.0	-177.8	-71.4	518.6	246.2	-126.3	444.6	68.4
Debt securities	-1,578.7	-1,721.0	-1,385.9	3,530.1	-3,130.0	-12.8	1,951.4	-4,851.0	-1,398.7
Central bank							0.0		0.0
Government sector	-1,030.3	-914.7	-2,021.8		-59.7	0.6	-1,030.3	-974.4	-2,021.2
Credit institutions	-97.9	-64.8	1,124.8	444.2	-2,774.3	-9.3	346.3	-2,839.1	1,115.5
Other sectors	-450.5	-741.5	-488.9	3,085.9	-296.0	-4.1	2,635.4	-1,037.5	-493.0

Portfolio investments abroad increased by 1.5 billion kroons. Residents' investments into foreign debt securities grew by 1.4 billion kroons and investments into equity securities increased by 0.2 billion kroons. Largest investments into foreign debt securities were made by the government sector – 2 billion kroons. Credit institutions were the only ones to reduce foreign debt security claims in the third quarter, which resulted in a capital inflow of 1.1 billion kroons (see Figure 18).

**Figure 18. Portfolio investments (EEK m)**

Portfolio investments into Estonia increased by 0.3 billion kroons in the third quarter. The biggest contribution came from non-residents' investments into the equity securities of credit institutions and companies of other sectors, equalling 0.1 billion and 0.2 billion kroons, respectively.

Other Investments

Net inflow of **other investments** amounted to 3.1 billion kroons in the third quarter (see Figure 19 and Tables 18 and 19).

Claims decreased by 1.4 billion kroons over the quarter. Non-residents repaid a total of 1.6 billion kroons of loans to credit institutions and loan claims of other sectors decreased by 1.3 billion kroons.

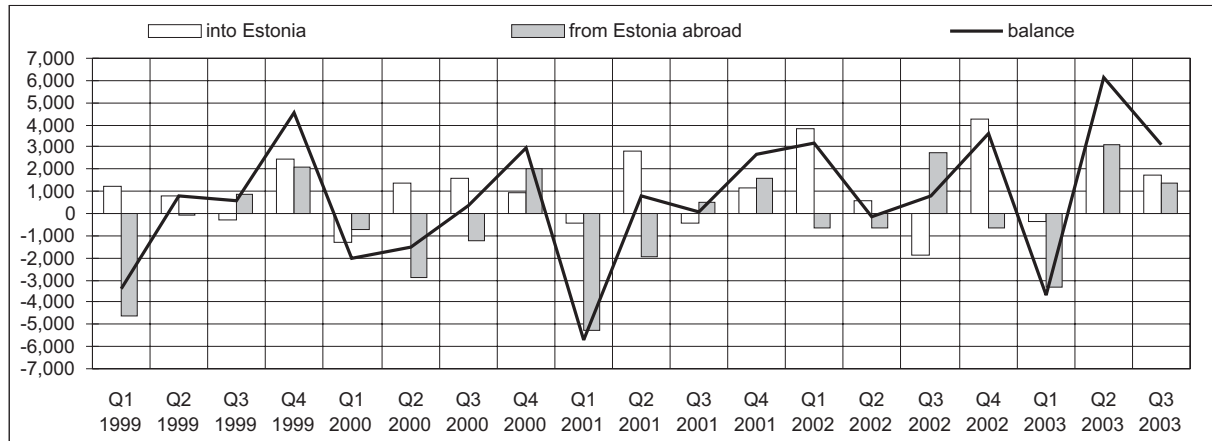


Figure 19. Other investments (EEK m)

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

	Claims			Liabilities			Balance		
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003
Total	2,718.7	3,101.8	1,395.1	-1,910.5	3,022.5	1,739.0	808.2	6,124.3	3,134.1
o/w trade credit	-525.6	-571.8	306.4	1,049.1	495.8	-230.5	523.5	-76.0	75.9
loans	-329.0	2,343.5	3,015.1	-1,911.0	1,280.3	1,143.6	-2,240.0	3,623.8	4,158.7
deposits	3,121.2	1,426.6	-629.1	-760.9	1,139.2	1,300.4	2,360.3	2,565.8	671.3
other	452.1	-96.5	-1,297.3	-287.7	107.2	-474.5	164.4	10.7	-1,771.8

Table 19. Other investments by maturity (EEK m)

	Claims			Liabilities			Balance		
	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003	Q3 2002	Q2 2003	Q3 2003
Total	2,718.7	3,101.8	1,395.1	-1,910.5	3,022.5	1,739.0	808.2	6,124.3	3,134.1
Long-term capital	-1,058.9	-153.8	1,139.9	-890.6	662.5	1,259.3	-1,949.5	508.7	2,399.2
Central bank	0.5						0.5	0.0	0.0
Government sector				-345.4	300.0	74.0	-345.4	300.0	74.0
Credit institutions	-225.3	93.0	-56.8	17.3	1,083.3	616.8	-208.0	1,176.3	560.0
Other sectors	-834.1	-246.8	1,196.7	-562.5	-720.8	568.5	-1,396.6	-967.6	1,765.2
Short-term capital	3,777.6	3,255.6	255.2	-1,019.9	2,360.0	479.7	2,757.7	5,615.6	734.9
Central bank	6.7			-616.4	43.6	-222.0	-609.7	43.6	-222.0
Government sector	-79.2	502.8	-730.4				-79.2	502.8	-730.4
Credit institutions	3,127.8	3,777.7	691.7	-1,362.8	477.2	1,254.7	1,765.0	4,254.9	1,946.4
Other sectors	722.3	-1,024.9	293.9	959.3	1,839.2	-553.0	1,681.6	814.3	-259.1

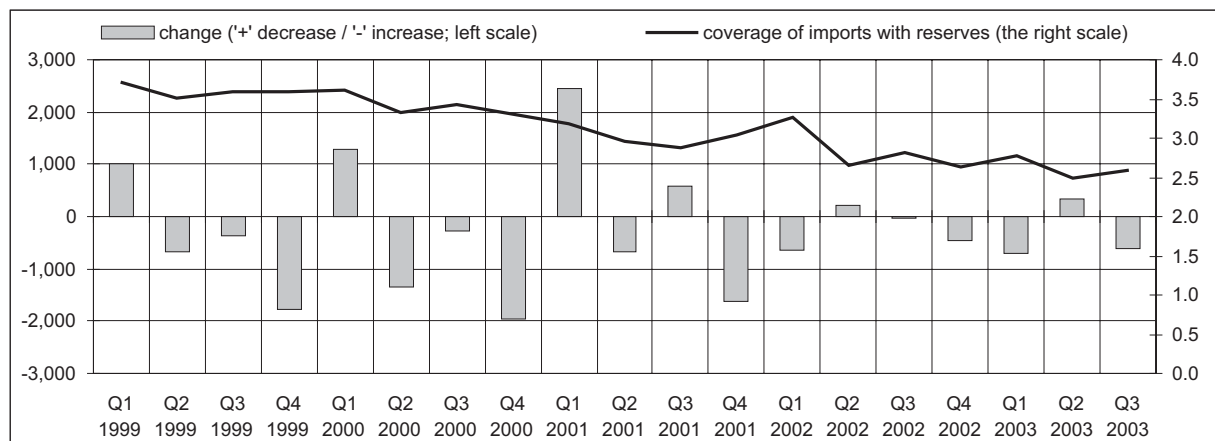
Other investment liabilities increased by 1.7 billion kroons in the third quarter. Loan liabilities were up 1.1 billion kroons and deposits of non-residents in Estonian credit institutions grew by 1.3 billion kroons. Trade credit liabilities and other liabilities decreased by 0.2 and 0.4 billion kroons, respectively.

RESERVES

Reserves of the balance of payments increased by 0.6 billion kroons in the third quarter (see Table 20). The coverage of imports with reserves is shown in Figure 20.

Table 20. Structure of changes in reserves (EEK m)

	Q3 2002	Q2 2003	Q3 2003
Gold	0.0	0.0	0.0
Cash and deposits	-829.8	9,107.1	-1,066.2
Securities	805.1	-8,745.9	521.8
Equity securities		0.0	
Debt securities	-203.9	-14.2	238.5
Money market instrument	1,009.0	-8,731.7	283.3
Other claims	-1.6	-10.9	-68.8
Total	-26.3	350.3	-613.2

**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 30 September 2003

At the end of the third quarter of 2003, the volume of foreign investments made into Estonia totalled 152.6 billion kroons. 54% of it or 81.8 billion kroons were **direct investments**, which do not contribute to the external debt (see Table 21). The bulk of foreign investments were made into financial intermediation (28% of direct investments), transport, storage and communication (19%), manufacturing (18%) and wholesale and retail trade (16%; see Figure 21). Nearly 70% of direct investments came from two countries – Sweden (39%) and Finland (28%; see Figure 22).

Besides **direct investments**, a considerable amount of capital has been placed in Estonia in the form of **other investments** (loans, deposits, etc – 31%) and **portfolio investments** (15%). Quarter-on-quarter, the share of portfolio investments decreased somewhat as the share of direct investments increased.

Estonian investments into foreign countries increased quarter-on-quarter and amounted to 67.5 billion kroons at the end of the third quarter. 57% 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 18%. Preference was given to such areas as financial intermediation (37%

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

	31.06.03	Share (%)	30.09.03	Share (%)
EXTERNAL ASSETS				
Direct investments abroad	11,203.8	17.2	12,277.6	18.2
share capital and reinvested earnings	7,339.0	11.2	8,261.5	12.2
other capital	3,864.8	5.9	4,016.1	6.0
Portfolio investments abroad	14,703.9	22.5	16,349.1	24.2
equity securities	859.1	1.3	1,120.0	1.7
debt securities	13,844.8	21.2	15,229.1	22.6
long-term	6,898.2	10.6	7,540.4	11.2
short-term	6,946.6	10.6	7,688.7	11.4
Financial derivatives	264.0	0.4	315.5	0.5
Other investments abroad	23,777.9	36.4	22,671.9	33.6
trade credit	5,269.9	8.1	5,125.7	7.6
loans	14,710.3	22.5	11,756.8	17.4
long-term	5,118.9	7.8	3,982.3	5.9
short-term	9,591.4	14.7	7,774.5	11.5
deposits	3,108.6	4.8	3,802.1	5.6
other assets	689.1	1.1	1,987.3	2.9
Reserves	15,288.5	23.4	15,881.8	23.5
Total external assets	65,238.1	100.0	67,495.0	100.0
EXTERNAL LIABILITIES				
Direct investments into Estonia	76,540.0	52.7	81,794.2	53.6
share capital and reinvested earnings	61,695.2	42.4	67,208.5	44.0
other capital	14,844.8	10.2	14,585.7	9.6
Portfolio investments into Estonia	22,753.3	15.7	23,221.5	15.2
equity securities	10,231.3	7.0	10,660.5	7.0
debt securities	12,522.0	8.6	12,561.0	8.2
long-term	12,457.9	8.6	12,503.0	8.2
short-term	64.1	0.0	58.0	0.0
Financial derivatives	228.8	0.2	219.4	0.1
Other investments into Estonia	45,822.3	31.5	47,373.0	31.0
trade credit	7,563.5	5.2	7,288.9	4.8
loans	22,692.3	15.6	23,692.5	15.5
long-term	19,129.0	13.2	20,288.9	13.3
short-term	3,563.3	2.5	3,403.6	2.2
deposits	12,697.3	8.7	13,997.6	9.2
other liabilities	2,869.2	2.0	2,394.0	1.6
Total external liabilities	145,344.4	100.0	152,608.1	100.0
Net international investment position	-80,106.3		-85,112.2	
short-term	-6,505.3		-5,677.2	
long-term	-73,601.0		-79,435.0	

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

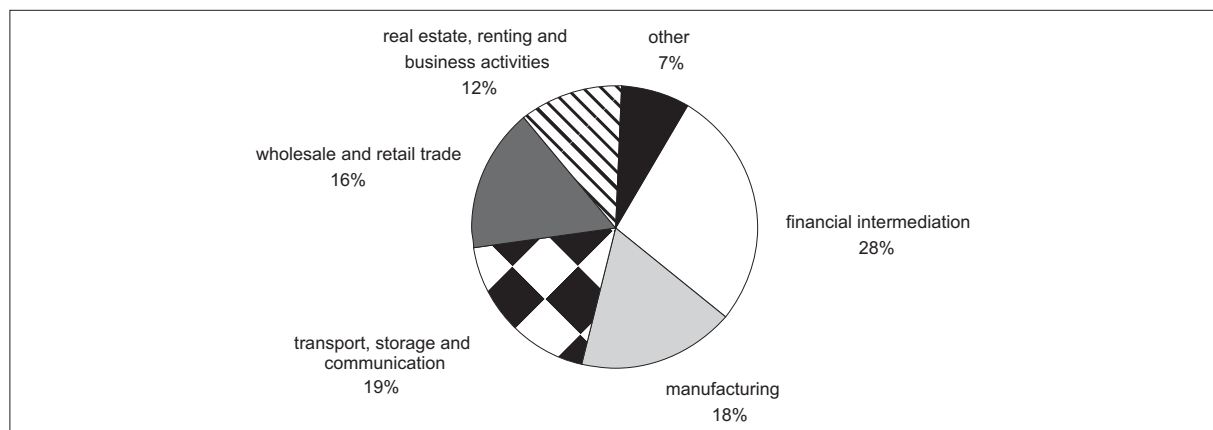


Figure 21. Direct investment position in Estonia by spheres of activity as of 30 September 2003

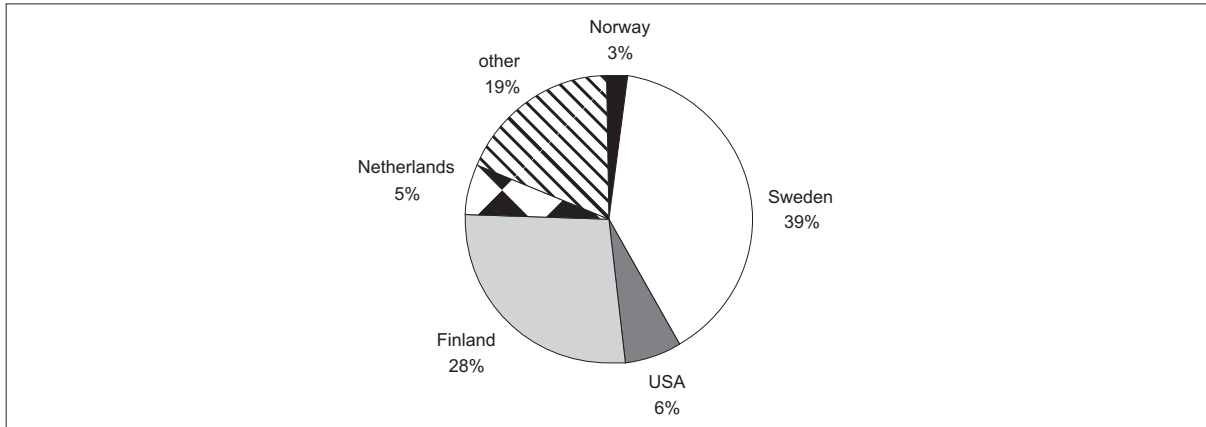


Figure 22. Direct investment position in Estonia by countries as of 30 September 2003

of total direct investments abroad), transport, storage and communication (25%), as well as real estate, renting and business services (20%; see Figure 23). 71% of Estonian foreign investments have been made into the other Baltic countries – 43% to Lithuania and 28% to Latvia (see Figure 24).

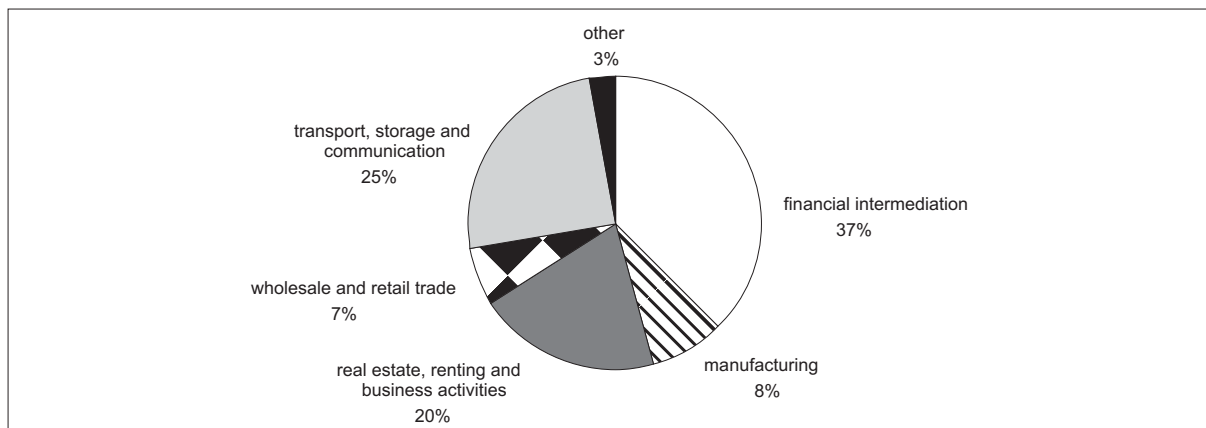


Figure 23. Estonia's direct investment position abroad by spheres of activity as of 30 September 2003

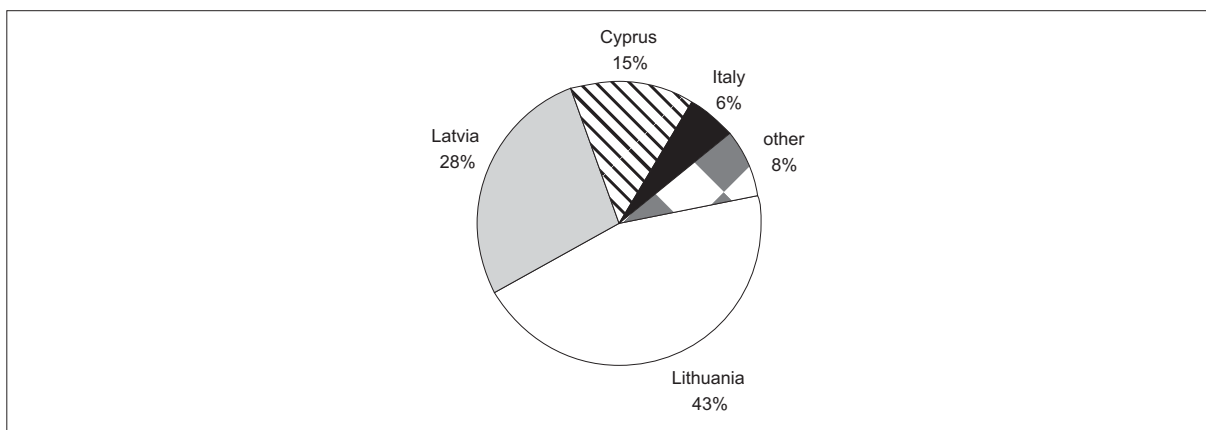


Figure 24. Estonia's direct investment position abroad by countries as of 30 September 2003

Due to the dominance of external liabilities, Estonia's net investment position was negative by 85.1 billion kroons or 73% of the expected GDP at the end of the third quarter of 2003. 93% of the net investment position was made up of long-term capital.

On 30 September 2003, Estonia's gross external debt amounted to 79.6 billion kroons (69% of the expected GDP) and the net external debt (debt-related external claims minus liabilities) stood at 16.8 billion kroons (14.5% of the expected GDP; see Table 22).

Table 22. External debt (EEK m)

	30.06.03	Share (%)	30.09.03	Share (%)
DEBT LIABILITIES				
I. Government	3,622.6	4.7	3,697.1	4.6
Short-term				
Long-term	3,622.6	4.7	3,697.1	4.6
II. Monetary authorities (CNB)	208.3	0.3	31.7	0.0
Short-term	208.3	0.3	31.7	0.0
Long-term				
III. Banks	28,435.6	36.5	30,359.2	38.1
Short-term	11,119.9	14.3	12,381.1	15.6
Long-term	17,315.7	22.2	17,978.1	22.6
IV. Other sectors	26,077.8	33.5	25,846.0	32.5
Short-term	11,058.3	14.2	10,366.9	13.0
Long-term	15,019.5	19.3	15,479.1	19.4
V. Direct investments: Inter-company debts	19,491.4	25.0	19,684.7	24.7
GROSS EXTERNAL DEBT	77,835.7	100.0	79,618.7	100.0
CLAIMS				
I. Government	7,307.1	11.9	10,096.9	16.1
Short-term	4,132.2	6.7	6,867.4	10.9
Long-term	3,174.9	5.2	3,229.5	5.1
II. Monetary authorities (CNB)	15,259.0	24.9	15,846.1	25.2
Short-term	11,932.8	19.4	12,789.2	20.3
Long-term	3,326.2	5.4	3,056.9	4.9
III. Banks	13,872.6	22.6	12,106.0	19.3
Short-term	12,442.5	20.3	10,619.0	16.9
Long-term	1,430.1	2.3	1,487.0	2.4
IV. Other sectors	16,431.3	26.8	15,686.4	25.0
Short-term	8,967.3	14.6	8,827.9	14.0
Long-term	7,464.0	12.2	6,858.5	10.9
V. Direct investments: Inter-company debts	8,511.4	13.9	9,115.1	14.5
CLAIMS TOTAL	61,381.4	100.0	62,850.5	100.0
NET EXTERNAL DEBT				
I. Government	3,684.5		6,399.8	
Short-term	4,132.2		6,867.4	
Long-term	-447.7		-467.6	
II. Monetary authorities (CNB)	15,050.7		15,814.4	
Short-term	11,724.5		12,757.5	
Long-term	3,326.2		3,056.9	
III. Banks	-14,563.0		-18,253.2	
Short-term	1,322.6		-1,762.1	
Long-term	-15,885.6		-16,491.1	
IV. Other sectors	-9,646.5		-10,159.6	
Short-term	-2,091.0		-1,539.0	
Long-term	-7,555.5		-8,620.6	
V. Direct investments: Inter-company debts	-10,980.0		-10,569.6	
NET EXTERNAL DEBT TOTAL	-16,454.3		-16,768.2	

Leaving aside inter-company debts, long-term debts accounted for 62% of the total debt. Debt claims mostly consisted of short-term capital (73%). The dynamics of the Estonian gross and net external debt can be seen in Figure 25.

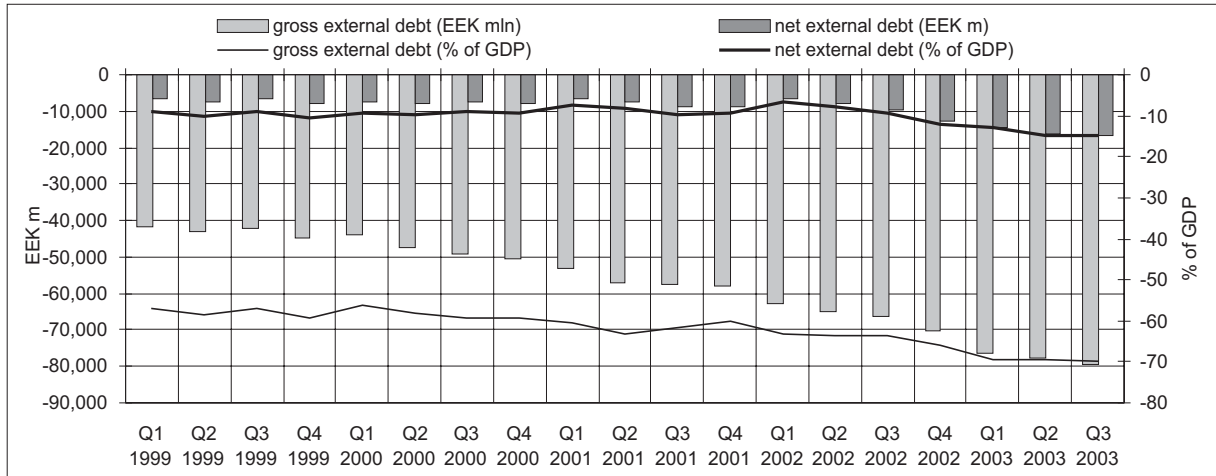


Figure 25. Estonia's gross and net external debt (EEK m, the left scale) and % of GDP (the right scale)