
SHORT OVERVIEW

- **The accelerating export growth and the accompanying strengthening of Estonia's position on the world market has slightly improved the external balance.**
- **The current account deficit of the balance of payments for the first quarter of 2004 amounted to 3.5 billion kroons, i.e. 10.9% of the expected GDP. Year-on-year, the deficit was 1.1 billion kroons less (see Table 1 and Figure 1).**
- **The current account deficit was affected by a decrease in the foreign trade deficit and the growth of the services balance surplus.**
- **Income from foreign investments into Estonia remained large, and the net outflow of income amounted to 6.3% of the expected GDP.**
- **Direct investments accounted for half of the net inflow of foreign capital.**
- **The balance of payments reserves decreased by 0.5 billion kroons.**

The largest component of the **CURRENT ACCOUNT** deficit – **foreign trade balance** deficit – decreased by 0.8 billion kroons year-on-year, totalling 4.6 billion kroons. In ratio to GDP the deficit fell from 19% to 15%. Exports of goods increased by 18%. Exports increased across all groups of goods. The increase was the highest in the normal exports¹ of transport vehicles, machinery and equipment, chemical products, and metal products. Timber and paper products and furniture (nearly 40%), machinery and equipment, chemical products, and food dominated in normal exports. Due to high domestic demand, imports increased by 9%, including imports for free circulation by nearly 11% (mostly at the cost of consumer goods). The increase in the imports of goods for processing was modest, while their exports grew by 25% (machinery and equipment, metal products, transport vehicles). Almost 60% of the goods for processing consisted of machinery and equipment, while clothing accounted for 15% and metal products for 10%.

Estonia's major trade partners were the old EU members² with their share accounting for 68% of exports and 61% of imports. Three countries – Finland, Sweden, and Germany – accounted for nearly three fourths of trade with the EU. Estonia's exports to the old and new EU members amounted to 84% and imports from those countries to 75%.

The surplus of the **services balance** increased 40% year-on-year and amounted to nearly 3 billion kroons. Services exports grew by 24% and imports by 17%. The growth of the services balance surplus was most affected by other business services. The turnover of construction services decreased by half. Transport services accounted for 45% of the services balance turnover, the share of travel services amounted to 25%, and other business services to 22%.

¹ Normal exports – exports of goods manufactured in Estonia and belonging to Estonian legal entities; does not include the exports of goods for processing. Normal imports – imports of goods for Estonia's domestic consumption; does not include the imports of goods for processing.

² Here and below the EU countries denote the 15 countries that were members of the union in the period analysed (Q1 2004); the ten countries that joined the EU on 1 May 2004 are referred to as accession countries.

The old EU members were Estonia's major trade partners also in the services sector, although their share was somewhat smaller: in the first quarter of 2004, 53% of services were exported to and 63% imported from those countries. Adding the new members since May 1, the respective indicators were 63% and 77%. Estonia's biggest surplus was with Finland (1.2 billion kroons) and Russia (0.6 billion kroons).

The deficit of the **income balance** increased 25% year-on-year and amounted to 2 billion kroons, i.e. 6.3% of the expected GDP. Quarter-on-quarter, the deficit decreased by nearly 20%. Income earned by non-residents on capital invested in Estonia and on compensations of employees stood at 2.8 billion kroons (income debit), while income of residents from investments abroad totalled 0.8 billion kroons (income credit). 82% of non-residents' investment income came from direct investments, and 84% of it was reinvested, which means that no actual movement of funds took place. For residents, income from direct investments accounted for 46% of the total investment income and over 80% of it was reinvested.

64% of the investment income of residents came from Latvia and Lithuania. The share of the EU in the investment income of residents accounted for just 26%. 72% of the income was earned on financial intermediation. 78% of income earned on investments into Estonia belonged to investors from the EU Member States (mostly Finland, Sweden, and the United Kingdom). Here, too, most of the income was earned on financial intermediation (32%), followed by manufacturing, transport, storage and communications, wholesale and retail trade, and electricity, gas, and water supply.

The surplus of the **transfers balance** totalled 0.2 billion kroons.

The positive balance of the **CAPITAL AND FINANCIAL ACCOUNT** decreased twofold year-on-year and amounted to 2.6 billion kroons. Half of it was made up of the inflow of direct investments, and the other half was the inflow of other investments. Portfolio investments were characterised by net outflow.

The net inflow of **direct investments** remained the same quarter-on-quarter and totalled 1.3 billion kroons. Non-residents invested 2.6 billion kroons in Estonia, and residents invested 1.2 billion kroons abroad.

80% of direct investments into Estonia were contributed to the increase in reinvested earnings and 20% to the increase in share capital. Over 90% of direct investments into Estonia came from the EU countries, with Finland accounting for 49% and Sweden for 20%. The most popular area was wholesale and retail trade, which made up over 30% of direct investments. Next came financial intermediation (22%) and manufacturing (13%).

Loan capital dominated in the structure of residents' direct investments abroad, accounting for 71%. Share capital and reinvested earnings accounted for 19% and 10% respectively. More than half of direct investments were made to Cyprus (55%), while the rest went to Latvia (23%) and Lithuania (13%). The share of the old EU members was practically non-existent in the first quarter. The dominating areas were transport, storage, and communications (49%), financial intermediation (21%), and real estate, leasing, and business activities (11%).

While the first quarter of 2003 saw an intensive inflow (bond issues of credit institutions on foreign financial markets) of **portfolio investments, including financial derivatives**, the turnover in the first quarter of 2004 was modest, and the net outflow of portfolio investments amounted to nearly 0.8 billion kroons. Portfolio investment claims increased by 0.8 billion kroons, mostly due to debt securities received by credit institutions. Liabilities increased only slightly.

The net inflow of **other investments** amounted to 2 billion kroons, being the main channel of capital inflow. Claims increased by 1.7 billion kroons, and liabilities grew by 3.7 billion kroons. The movement of other investments mainly took place through credit institutions and for the most part in the form of short-term capital.

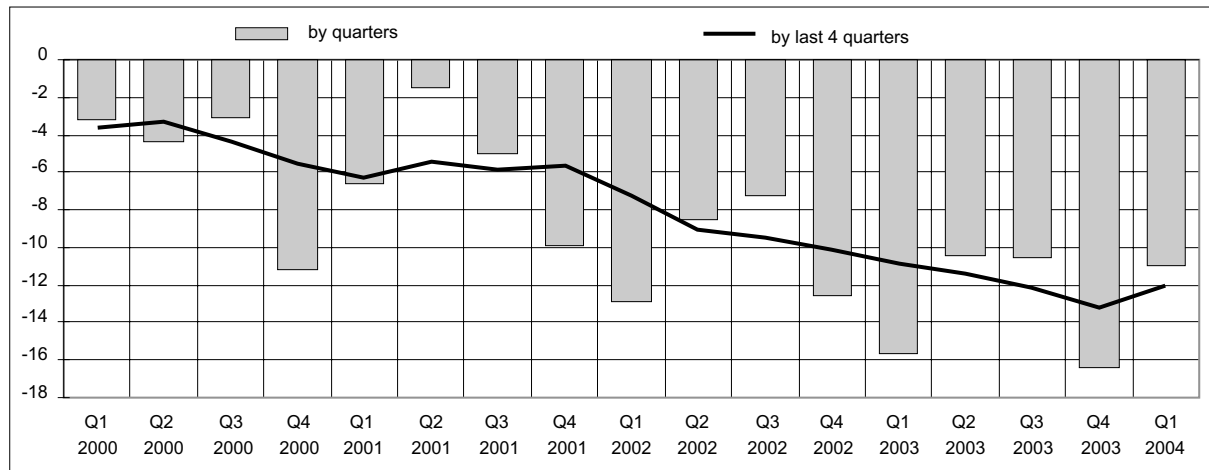


Figure 1. Current account balance (% of GDP)

Table 1. Estonia's balance of payments (EEK m)*

Item	2000	2001	2002	2003					2004
	Total	Total	Total	Q1	Q2	Q3	Q4	Total	Q1
Current account	-5,093.4	-5,889.5	-11,882.9	-4,546.6	-3,450.5	-3,416.6	-5,149.4	-1,6563.1	-3,461.0
Trade and services	-3,569.0	-3,623.7	-8,318.2	-3,325.3	-1,818.2	-1,950.7	-3,007.0	-10,101.1	-1,656.0
Goods	-13,143.6	-13,783.9	-17,995.6	-5,448.6	-5,058.9	-5,702.3	-5,641.1	-21,850.9	-4,627.7
Goods: export f.o.b.	56,345.9	58,667.1	58,333.6	14,329.4	16,095.2	15,518.8	17,590.3	63,533.8	16,905.2
Goods: import f.o.b.	-69,489.5	-72,451.0	-76,329.2	-19,778.1	-21,154.1	-21,221.1	-23,231.4	-85,384.7	-21,532.9
Services: net	9,574.6	10,160.2	9,677.4	2,123.4	3,240.7	3,751.6	2,634.1	11,749.9	2,971.7
Services: credit	25,485.8	28,866.5	28,279.7	6,027.3	7,942.6	8,859.3	7,985.4	30,814.4	7,523.9
Services: debit	-15,911.2	-18,706.3	-18,602.3	-3,903.9	-4,701.8	-5,107.6	-5,351.3	-19,064.6	-4,552.2
Income: net	-3,483.4	-4,926.1	-5,423.1	-1,608.9	-1,886.9	-1,964.4	-2,476.5	-7,936.7	-2,012.3
Income: credit	2,008.0	2,994.7	3,339.3	617.2	966.3	1,099.3	703.2	3,385.9	801.1
Income: debit	-5,491.4	-7,920.8	-8,762.4	-2,226.1	-2,853.2	-3,063.7	-3,179.7	-11,322.7	-2,813.4
Transfers	1,959.0	2,660.3	1,858.4	387.5	254.6	498.5	334.1	1,474.7	207.3
Transfers: credit	2,454.8	3,174.1	2,876.3	741.0	573.5	802.4	757.9	2,874.8	673.7
Transfers: debit	-495.8	-513.8	-1,017.9	-353.4	-318.9	-303.9	-423.8	-1,400.1	-466.4
Capital and financial account	7,273.2	4,863.1	12,739.6	5,230.2	3,389.8	3,611.3	6,748.5	18,979.7	2,601.7
Capital account	278.5	90.0	320.7	126.3	-6.3	257.8	171.2	549.0	38,195.0
Financial account	6,994.7	4,773.1	12,418.9	5,103.8	3,396.1	3,353.5	6,577.3	18,430.7	2,574.0
Direct investments	5,601.4	5,901.3	2,611.8	4,322.2	2,186.0	2,622.5	1,301.6	10,432.2	1,314.3
Abroad	-1,043.1	-3,528.3	-2,188.4	-274.3	-219.7	-959.7	-584.8	-2,038.5	-1,214.0
Into Estonia	6,644.5	9,429.6	4,800.2	4,596.4	2,405.8	3,582.2	1,886.4	12,470.7	2,528.3
Portfolio investments	1,435.0	-699.7	2,378.7	5,109.3	-4,477.9	-1,092.3	2,832.9	2,372.0	-750.0
Assets	153.1	-2,100.2	-3,182.9	189.7	-2,074.7	-1,623.9	-1,842.6	-5,351.6	-781.4
Equity securities	53.3	236.5	9.1	-124.5	-263.4	-199.0	-442.0	-1,028.9	-435.4
Debt securities	99.8	-2,336.7	-3,192.0	314.2	-1,811.4	-1,424.9	-1,400.6	-4,322.7	-346.0
Liabilities	1,281.9	1,400.5	5,561.6	4,919.6	-2,403.2	531.6	4,675.6	7,723.6	31.4
Equity securities	-538.8	568.4	912.2	109.6	680.2	544.8	151.9	1,486.5	63.4
Debt securities	1,820.7	832.1	4,649.4	4,810.0	-3,083.4	-13.2	4,523.7	6,237.1	-31.9
Other investments	-41.7	-428.5	7,428.4	-4,327.7	5,688.0	1,823.3	2,442.8	5,626.5	2,009.6
Assets	-2,638.3	-3,716.7	695.1	-3,696.8	2,809.7	225.2	-1,235.3	-1,897.2	-1,655.0
Long-term	-1,108.7	-322.7	-1,083.0	131.0	-154.6	84.8	-622.4	-561.3	-1,151.1
Short-term	-1,529.6	-3,394.0	1,778.1	-3,827.7	2,964.2	140.5	-612.9	-1,335.9	-503.9
Liabilities	2,596.6	3,288.2	6,733.3	-630.9	2,878.3	1,598.1	3,678.1	7,523.6	3,664.6
Long-term	-549.9	1,814.4	1,829.0	1,368.5	485.0	1,109.4	1,264.2	4,227.2	581.0
Short-term	3,146.5	1,473.8	4,904.3	-1,999.4	2,393.3	488.7	2,413.8	3,296.4	3,083.6
Errors and omissions	90.7	296.2	70.1	49.2	-318.8	336.1	-170.9	-104.5	390.9
Overall balance	2,270.5	-730.2	926.8	732.7	-379.6	530.8	1,428.1	2,312.1	-468.4
Reserve assets	-2,270.5	730.2	-926.8	-732.7	379.6	-530.8	-1,428.1	-2,312.1	468.4

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

CURRENT ACCOUNT

The acceleration of export growth in the first quarter of 2004 and the resulting strengthening of the market position helped to improve Estonia's external balance – the current account deficit fell by nearly 25% year-on-year and amounted to 3.5 billion kroons, i.e. 10.9% of GDP. Decrease in the foreign trade deficit as well as increase in the surplus of services balance both contributed to the shrinking of the current account deficit (see Figures 2 and 3). Intensive net outflow of income continued though.

The EU countries accounted for 62–63% of the credit and debit turnover of the current account, while the share of the enlarged EU (EU-25) was 77%. Estonia's five most important foreign trade partners were Finland, Sweden, Germany, Latvia, and Russia, which accounted for 60% of the credit turnover and 40% of the debit turnover. In the first quarter of 2004, Estonia's current account deficit was the highest with Germany and Russia, whereas the highest surplus was registered with Sweden and Latvia (see Table 2).

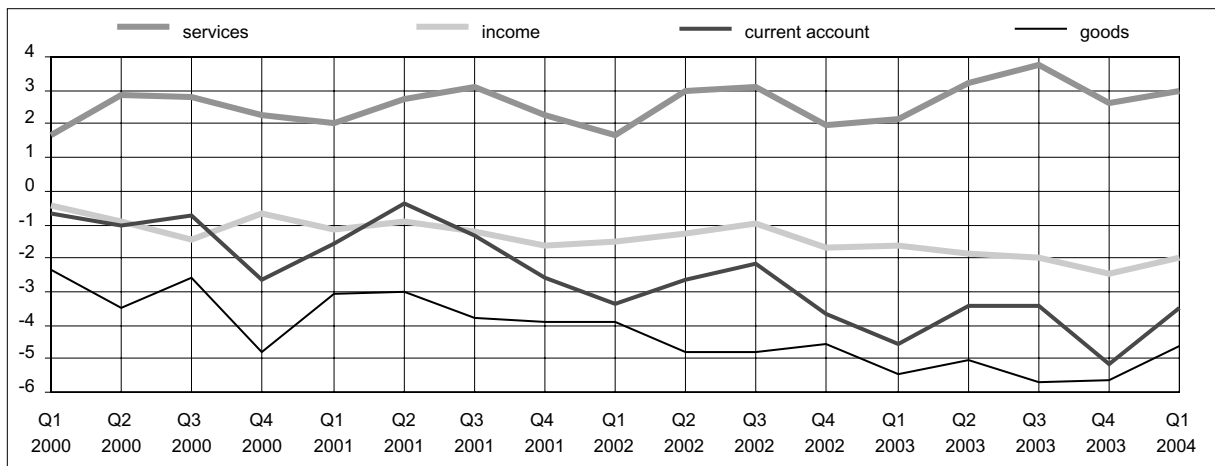


Figure 2. Comparison of current account, trade balance, income balance and services balance of Estonia's balance of payments (in f.o.b. prices, EEK bn)

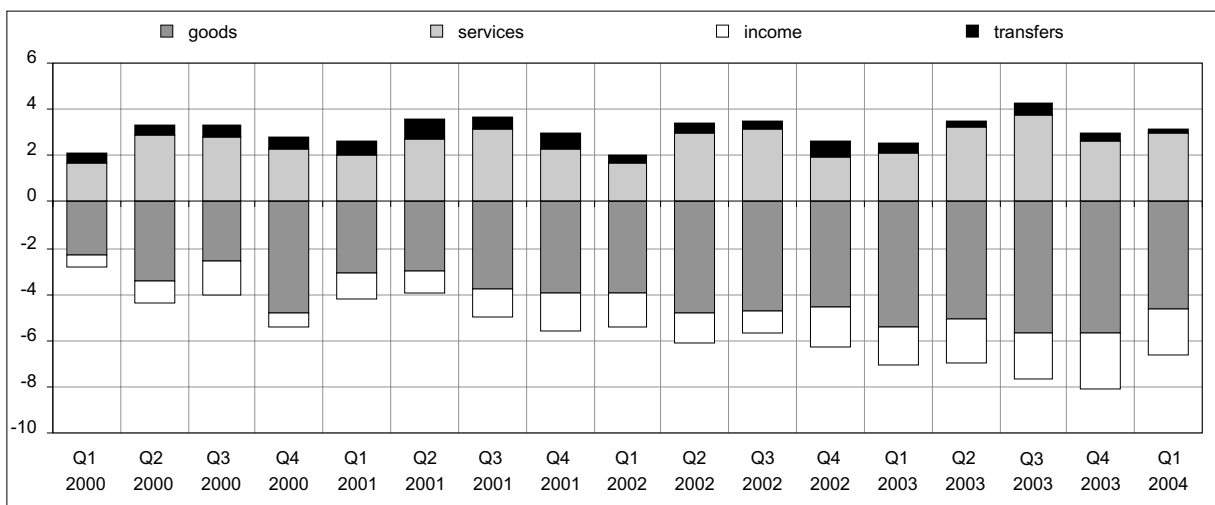


Figure 3. Current account structure (EEK bn)

Table 2. Current account balance by groups of countries (EEK m)

	Q1 2003	Q4 2003	Q1 2004
European Union	-1,874.0	-1,871.0	-1,710.2
Germany	-936.7	-1,250.7	-1,181.6
Netherlands	-601.8	-920.6	-480.5
Italy	-401.0	-464.1	-402.8
Belgium	-261.7	-406.1	-365.6
Sweden	-260.1	-140.0	446.5
Accession countries	-709.7	-648.8	-150.3
Poland	-501.4	-521.0	-504.4
Latvia	344.3	294.7	377.8
Hungary	110.6	33.3	362.8
CIS	-1,742.7	-1,984.0	-1,211.8
Russia	-1,115.4	-998.2	-1,072.9
Belarus	-174.5	-221.8	-205.7
Ukraine	-443.5	-763.8	83.5
Other	-220.2	-645.7	-388.7
British Virgin Islands	540.5	550.5	541.7
Norway	154.4	389.0	357.3
Japan	-267.2	-344.3	-292.4
China	-189.9	-217.1	-269.2
USA	106.3	139.1	183.0
Total	-4,546.6	-5,149.4	-3,461.0

Goods

The trade account of the balance of payments was more favourable to Estonia in the first quarter of 2004 than usually: the exports of goods amounted to 16.9 billion kroons (see Table 3), exceeding the annual growth of imports by volume (2.6 billion kroons) as well as by growth rate (18%). The imports of

Table 3. Changes in the exports and imports of goods

	Special exports			Special imports			Balance (EEK m)
	Volume ¹ (EEK m)	Change compared to the previous year (%)	Share in total exports of goods and services (%)	Volume ¹ (EEK m)	Change compared to the previous year (%)	Share in total imports of goods and services (%)	
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 total	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 total	58,667.1	4.1	67.0	72,451.0	4.3	79.5	-13,783.9
Q1 2002	13,156.1	-7.3	69.9	17,060.8	-5.9	81.0	-3,904.7
Q2 2002	14,766.6	12.2	64.8	19,587.5	14.8	79.5	-4,820.9
Q3 2002	14,238.5	-3.6	64.8	18,920.5	-3.4	80.4	-4,682.0
Q4 2002	16,172.4	13.6	70.1	20,760.4	9.7	80.8	-4,588.0
2002 total	58,333.6	-0.6	67.3	76,329.2	5.4	80.4	-17,995.6
Q1 2003	14,329.4	-11.4	70.4	19,778.1	-4.7	83.5	-5,448.7
Q2 2003	16,095.2	12.3	67.0	21,154.1	7.0	81.8	-5,058.9
Q3 2003	15,518.8	-3.6	63.7	21,221.1	0.3	80.6	-5,702.3
Q4 2003	17,590.3	13.3	68.8	23,231.4	9.5	81.3	-5,641.1
2003 total	63,533.7	8.9	67.3	85,384.7	11.9	81.7	-21,851.0
Q1 2004	16,905.2	-3.9	69.2	21,532.9	-7.3	82.5	-4,627.7

¹ Data of foreign trade in the balance of payments.

goods increased by 9%, i. e. 1.7 billion kroons, year-on-year and stood at 21.5 billion kroons. The exports and imports of goods both decreased quarter-on-quarter, by 4% and 7% respectively. With exports growing faster than imports, trade deficit fell by 0.8 billion kroons and amounted to 4.6 billion kroons.

According to the **special trade system**³ the exports of goods totalled 16.8 billion kroons and the imports in c.i.f. prices were 22.8 billion kroons (see Figure 4). Foreign trade deficit decreased considerably, compared to both the fourth and the first quarter of 2003, and amounted to 6 billion kroons.

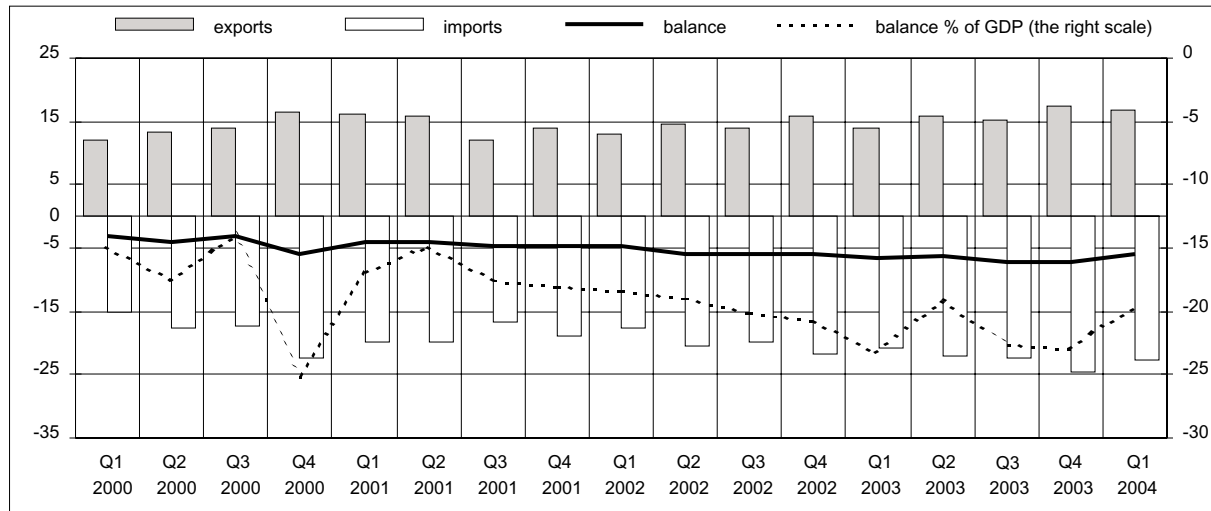


Figure 4. Estonia's foreign trade balance (EEK bn)

The annual 20% growth of **special exports** resulted from an increase in normal exports (17%) as well as in exports of goods for processing (25%). Quarter-on-quarter, exports were down 4%, due to a decline in normal exports of intermediate and consumer goods (see Table 4). The exports of goods for processing remained unchanged. Year-on-year, **special imports** increased considerably slower than exports: normal imports grew by 11% and imports of goods for processing by 6% (see Table 5). Quarter-on-quarter, special imports were down 7%: imports for free circulation (i.e. normal imports) shrank by 6% and imports of goods for processing fell by 12%.

The jump in the **exports of goods** for processing year-on-year was mostly caused by growth in the exports of mobile communication device parts, which fall under the group of intermediate goods, and

Table 4. Special exports by final consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
Normal exports	9,547.3	11,815.1	11,204.5	68.0	67.8	66.7	-5.2	17.4
capital goods	496.4	810.4	845.9	3.5	4.7	5.0	4.4	70.4
intermediate goods	5,796.7	7,174.9	6,857.6	41.3	41.2	40.8	-4.4	18.3
consumer goods	2,965.3	3,549.3	3,199.6	21.1	20.4	19.0	-9.9	7.9
other	288.9	280.5	301.3	2.1	1.6	1.8	7.4	4.3
Exports of processed goods	4,488.4	5,599.1	5,597.9	32.0	32.2	33.3	0.0	24.7
capital goods	1,288.5	1,413.7	1,407.0	9.2	8.1	8.4	-0.5	9.2
intermediate goods	2,197.8	3,129.8	3,178.5	15.7	18.0	18.9	1.6	44.6
consumer goods	949.8	975.0	921.3	6.8	5.6	5.5	-5.5	-3.0
other	52.3	80.6	91.0	0.4	0.5	0.5	13.0	74.2
Total	14,035.7	17,414.2	16,802.3	100.0	100.0	100.0	-3.5	19.7

³ The analysis below does not contain adjustments made in the foreign trade balance by the Balance of Payments and Economic Statistics Department of Eesti Pank (repair of capital goods, provisions bought abroad, etc). Imports are 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 the re-exports of imported goods previously stored in customs warehouses or provisions for sea and air transport are not included in exports. Imports exclude customs warehousing of imported goods, yet reflect deliveries of goods from customs warehouses into free circulation and processing.

Table 5. Special imports by final consumption

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
Imports for free circulation (normal imports)	16,852.1	19,904.1	18,696.3	81.5	81.2	82.1	-6.1	10.9
capital goods	3,694.4	4,568.9	3,777.1	17.9	18.6	16.6	-17.3	2.2
intermediate goods	7,594.4	8,538.8	8,567.3	36.7	34.8	37.6	0.3	12.8
consumer goods	3,529.6	4,652.7	4,275.4	17.1	19.0	18.8	-8.1	21.1
other	2,033.5	2,143.6	2,076.5	9.8	8.7	9.1	-3.1	2.1
Imports of processed goods	3,831.9	4,615.5	4,077.7	18.5	18.8	17.9	-11.7	6.4
capital goods	667.0	732.4	503.0	3.2	3.0	2.2	-31.3	-24.6
intermediate goods	2,903.5	3,573.6	3,330.3	14.0	14.6	14.6	-6.8	14.7
consumer goods	244.8	300.0	235.2	1.2	1.2	1.0	-21.6	-3.9
other	16.6	9.5	9.2	0.1	0.0	0.0	-2.3	-44.4
Total	20,684.0	24,519.6	22,774.0	100.0	100.0	100.0	-7.1	10.1

metals, amounting to 850 million kroons. The same groups of goods also secured the 6% growth in the **imports of goods for processing**.

Normal exports increased across all final consumption groups compared to the first quarter of 2003. The fastest growth was registered in **capital goods** (railway cars, trailers, electric motors), whereas **intermediate goods** (mostly unprocessed and little processed timber and timber products) had the biggest impact. Besides various timber products, the main groups of intermediate goods included car accessories (safety belts), metal structures, chemical products, and textile industry products. **Exports of consumer goods** mainly consisted of furniture and furniture elements, fish and dairy products, and textile industry products.

The 11% growth of **normal imports** (imports for free circulation) can mostly be attributed to intermediate and consumer goods. The largest groups of **intermediate goods** imports included natural gas, unprocessed timber, motor vehicle parts, and metal products. **Capital goods** imports included transport vehicles (wagons, trucks, tractors), and machinery and equipment (computers, mobile phones, and other means of communication). **Consumer goods** included medicines, furniture, household paper, plastic products, footwear, etc. The imports of motor cars classified as **other goods** increased by 13% year-on-year, whereas the imports of motor fuel decreased by 11%.

Foreign trade deficit decreased by 680 million kroons and totalled 6 billion kroons (see Table 6). The surplus of goods for processing increased by nearly 0.9 billion kroons year-on-year and amounted to 1.5 billion kroons; the deficit of foreign trade account unrelated to subcontracting was more or less unchanged, amounting to 7.5 billion kroons.

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

	Q1 2003	Q4 2003	Q1 2004
Balance of normal exports and normal imports	-7,304.8	-8,089.0	-7,491.8
capital goods	-3,198.1	-3,758.5	-2,931.2
intermediate goods	-1,797.8	-1,363.9	-1,709.7
consumer goods	-564.3	-1,103.4	-1,075.8
other	-1,744.6	-1,863.2	-1,775.2
Balance of exports and imports of processed goods	656.4	983.6	1,520.2
capital goods	621.5	681.3	904.0
intermediate goods	-705.7	-443.8	-151.8
consumer goods	705.0	675.0	686.2
other	35.6	71.1	81.8
Total	-6,648.3	-7,105.4	-5,971.7

By groups of countries, the exports of goods to the EU increased, as well as to other groups (see Table 7). The three major export partners were still Finland, Sweden and Germany, accounting for 77% of exports to the EU and 52% of total exports. The top four of the accession countries included Latvia, Lithuania, Hungary, and Poland, with exports to the Baltic countries growing by more than 300 million kroons (22%). Among the CIS countries, the top two included Russia and the Ukraine, while Norway and the USA dominated among other countries.

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
European Union	9,935.8	11,875.9	11,440.4	70.8	68.2	68.1	-3.7	15.1
Finland	3,862.5	4,633.7	4,214.8	27.5	26.6	25.1	-9.0	9.1
Sweden	2,222.4	2,642.4	3,010.0	15.8	15.2	17.9	13.9	35.4
Germany	1,400.7	1,799.3	1,569.0	10.0	10.3	9.3	-12.8	12.0
Accession countries	1,913.9	2,477.3	2,638.4	13.6	14.2	15.7	6.5	37.9
Latvia	978.8	1,185.9	1,173.5	7.0	6.8	7.0	-1.1	19.9
Lithuania	438.7	639.0	557.5	3.1	3.7	3.3	-12.8	27.1
Poland	157.5	171.4	171.0	1.1	1.0	1.0	-0.2	8.5
CIS	674.2	1,003.1	903.4	4.8	5.8	5.4	-9.9	34.0
Russia	418.8	636.3	560.0	3.0	3.7	3.3	-12.0	33.7
Ukraine	227.0	293.6	289.7	1.6	1.7	1.7	-1.3	27.6
Other	1,511.8	2,057.8	1,820.2	10.8	11.8	10.8	-11.5	20.4
USA	364.8	392.5	370.2	2.6	2.3	2.2	-5.7	1.5
Norway	504.4	575.3	562.0	3.6	3.3	3.3	-2.3	11.4
Total	14,035.7	17,414.2	16,802.3	100.0	100.0	100.0	-3.5	19.7

Imports of goods also increased across all groups of countries (see Table 8). The top of EU countries included Finland, Germany, Sweden, and the Netherlands, while Latvia, Lithuania, and Poland dominated among the accession countries. Imports from the Baltic countries increased by the same degree as exports to these countries, i.e. 22%. Imports of goods from Russia grew by a quarter, whereas imports from the Ukraine fell by nearly 50%. Top importers among other countries were Japan, China, the USA, and Norway.

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

Table 8. Estonia's special imports by groups of countries¹

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
European Union	12,758.4	15,087.0	13,861.5	61.7	61.5	60.9	-8.1	8.6
Finland	4,385.0	5,051.7	4,646.8	21.2	20.6	20.4	-8.0	6.0
Sweden	2,057.5	2,390.9	2,282.5	9.9	9.8	10.0	-4.5	10.9
Germany	2,473.8	3,162.2	2,909.2	12.0	12.9	12.8	-8.0	17.6
Accession countries	3,102.2	3,352.5	3,303.4	15.0	13.7	14.5	-1.5	6.5
Latvia	860.5	996.8	1,082.5	4.2	4.1	4.8	8.6	25.8
Lithuania	794.7	990.2	932.4	3.8	4.0	4.1	-5.8	17.3
Poland	725.6	697.5	676.4	3.5	2.8	3.0	-3.0	-6.8
CIS	2,812.8	3,489.2	3,046.8	13.6	14.2	13.4	-12.7	8.3
Russia	1,893.2	2,127.5	2,368.4	9.2	8.7	10.4	11.3	25.1
Ukraine	712.7	1,068.9	390.7	3.4	4.4	1.7	-63.5	-45.2
Other	2,010.6	2,591.0	2,562.4	9.7	10.6	11.3	-1.1	27.4
USA	285.0	272.6	355.7	1.4	1.1	1.6	30.5	24.8
Norway	187.2	209.3	232.6	0.9	0.9	1.0	11.1	24.3
Total	20,684.0	24,519.6	22,774.0	100.0	100.0	100.0	-7.1	10.1

¹ Analysed by trading country

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

	Q1 2003	Q4 2003	Q1 2004
European Union	-2,822.6	-3,211.1	-2,421.0
Finland	-522.5	-418.0	-432.1
Sweden	164.9	251.6	727.5
Germany	-1,073.1	-1,363.0	-1,340.2
Accession countries	-1,188.3	-875.1	-665.1
Latvia	118.4	189.1	90.0
Lithuania	-356.0	-351.2	-374.9
Poland	-568.1	-526.2	-505.4
CIS	-2,138.6	-2,486.0	-2,143.4
Russia	-1,474.4	-1,491.3	-1,808.4
Ukraine	-485.6	-775.4	-101.0
Other	-498.8	-533.2	-742.2
USA	79.9	119.8	14.4
Norway	317.3	365.9	329.4
Total	-6,648.3	-7,105.4	-5,971.7

Services

The surplus of the services balance amounted to 3 billion kroons in the first quarter of 2004, up by 40% year-on-year (see Table 10, Figure 5). The surplus of the services balance offset foreign trade deficit by 64%.

Year-on-year, the share of transport, travel and construction services decreased in the services balance surplus and the share of business services increased (see Table 11).

Table 10. Exports and imports of services

	Exports			Imports			Balance	
	Volume (EEK m)	Change compared to the previous year (%)	Share in total goods and services balance (%)	Volume (EEK m)	Change compared to the previous year (%)	Share in total goods and services balance (%)	Volume (EEK m)	Change compared to the previous year (%)
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
2000 total	25,485.8	16.1	31.1	15,911.2	16.9	18.6	9,574.6	14.8
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
2001 total	28,866.5	13.3	33.0	18,706.3	17.6	20.5	10,160.2	6.1
Q1 2002	5,653.4	-27.4	30.1	3,997.7	-27.3	19.0	1,655.7	-27.5
Q2 2002	8,004.7	41.6	35.2	5,043.7	26.2	20.5	2,961.0	78.8
Q3 2002	7,730.1	-3.4	35.2	4,622.9	-8.3	19.6	3,107.2	4.9
Q4 2002	6,891.5	-10.8	29.9	4,938.0	6.8	19.2	1,953.5	-37.1
2002 total	28,279.7	-2.0	32.7	18,602.3	-0.6	19.6	9,677.4	-4.8
Q1 2003	6,027.3	-12.5	29.6	3,903.9	-20.9	16.5	2,123.4	8.7
Q2 2003	7,942.6	31.8	33.0	4,701.8	20.4	18.2	3,240.7	52.6
Q3 2003	8,859.3	11.5	36.3	5,107.6	8.6	19.4	3,751.6	15.8
Q4 2003	7,985.4	-9.9	31.2	5,351.3	4.8	18.7	2,634.1	-29.8
2003 total	30,814.4	9.0	32.7	19,064.6	2.5	18.3	11,749.9	21.4
Q1 2004	7,523.9	-5.8	30.8	4,552.2	-14.9	17.5	2,971.7	12.8

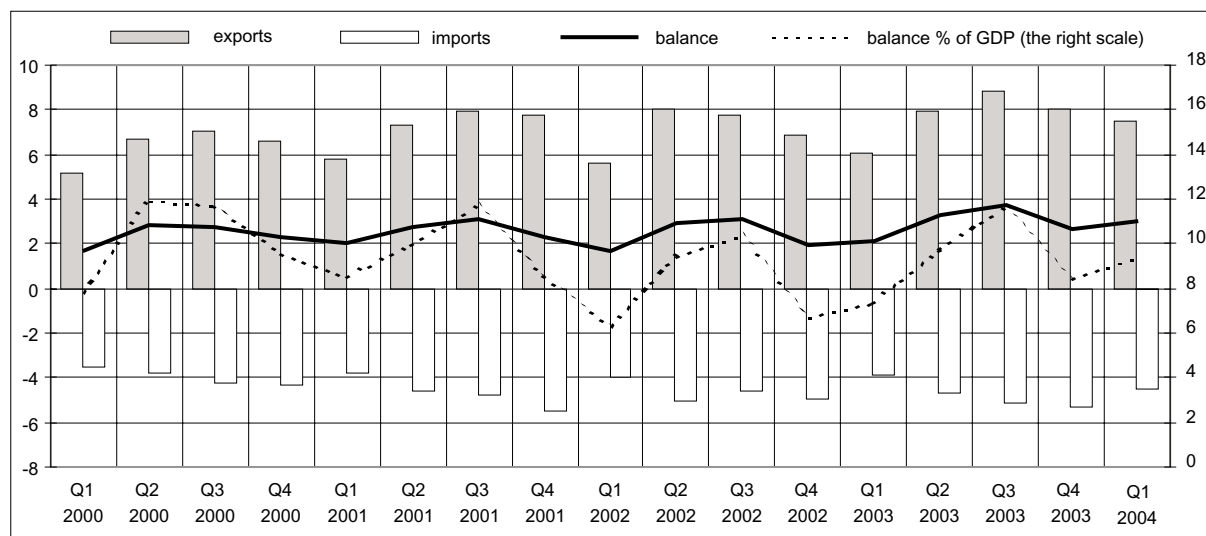


Figure 5. Changes in services balance (EEK bn)

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
Transport services	1,515.2	1,437.4	1,656.5	71.4	54.6	55.7	15.2	9.3
Travel services	645.1	878.1	716.3	30.4	33.3	24.1	-18.4	11.0
Construction services	-97.0	68.0	-20.2	-4.6	2.6	-0.7	-129.7	-79.2
Business services	-38.9	284.6	588.6	-1.8	10.8	19.8	106.8	-1,613.1
Government services	42.6	19.1	49.7	2.0	0.7	1.7	160.2	16.7
Other	56.4	-53.1	-19.2	2.7	-2.0	-0.6	-63.8	-134.0
Total	2,123.4	2,634.1	2,971.7	100.0	100.0	100.0	12.8	40.0

Exports of services totalled 7.5 billion kroons in the first quarter, up 25% year-on-year (see Table 12). The volume of business services grew by 2.1 times, but the increase in transport and travel services volume was below average, i.e. 15% and 13%, respectively. Over half (53%) of the services exports went to the EU countries, with Finland accounting for 28% of the total exports of services. Accession countries accounted for 10% and Russia for 13% of the total exports of services (see Table 13).

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
Transport services	3,005.8	3,466.3	3,467.3	49.9	43.4	46.1	0.0	15.4
freight	1,543.1	1,955.3	2,013.6	25.6	24.5	26.8	3.0	30.5
passenger	481.4	750.1	564.6	8.0	9.4	7.5	-24.7	17.3
other transport services	981.3	760.9	889.1	16.3	9.5	11.8	16.8	-9.4
Travel services	1,576.9	1,908.7	1,781.4	26.2	23.9	23.7	-6.7	13.0
Construction services	228.2	430.7	140.4	3.8	5.4	1.9	-67.4	-38.5
Business services	783.8	1,638.7	1,628.8	13.0	20.5	21.6	-0.6	107.8
Government services	110.7	118.7	124.9	1.8	1.5	1.7	5.2	12.8
Other	321.9	422.3	381.1	5.3	5.3	5.1	-9.8	18.4
Total	6,027.3	7,985.4	7,523.9	100.0	100.0	100.0	-5.8	24.8

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
European Union	3,211.9	4,529.0	3,988.3	53.3	56.7	53.0	-11.9	24.2
Finland	1,756.7	2,541.9	2,107.9	29.1	31.8	28.0	-17.1	20.0
United Kingdom	327.8	501.6	457.3	5.4	6.3	6.1	-8.8	39.5
Germany	300.3	411.9	445.1	5.0	5.2	5.9	8.1	48.2
Sweden	349.4	476.4	423.6	5.8	6.0	5.6	-11.1	21.2
Accession countries	534.5	671.2	722.5	8.9	8.4	9.6	7.7	35.2
Latvia	226.6	309.0	265.9	3.8	3.9	3.5	-14.0	17.3
Lithuania	111.7	159.1	139.3	1.9	2.0	1.9	-12.4	24.7
CIS	727.9	845.4	1,029.2	12.1	10.6	13.7	21.7	41.4
Russia	653.6	781.3	953.9	10.8	9.8	12.7	22.1	45.9
Ukraine	59.9	24.8	44.9	1.0	0.3	0.6	80.8	-25.1
Other	1,533.0	1,939.8	1,783.9	25.8	24.3	23.7	-8.0	14.9
offshore areas	661.7	699.3	595.4	11.0	8.8	7.9	-14.9	-10.0
USA	277.0	463.1	401.4	4.6	5.8	5.3	-13.3	44.9
Switzerland	340.1	295.0	304.7	5.6	3.7	4.0	3.3	-10.4
Total	6,027.3	7,985.4	7,523.9	100.0	100.0	100.0	-5.8	24.8

Imports of services totalled over 4.5 billion kroons in the first quarter, growing by a sixth year-on-year (see Table 14). Growth was above average in transport services (22%) and business services (26%), whereas the imports of construction services decreased by more than two times. The share of the EU countries (63%) was even bigger in the services imports than in exports, with Finland accounting for a fifth of the total imports of services (see Table 15). Among other countries, Russia and Latvia were on the top of the list, with 8% and 5%, respectively.

Table 14. Services imports by major categories

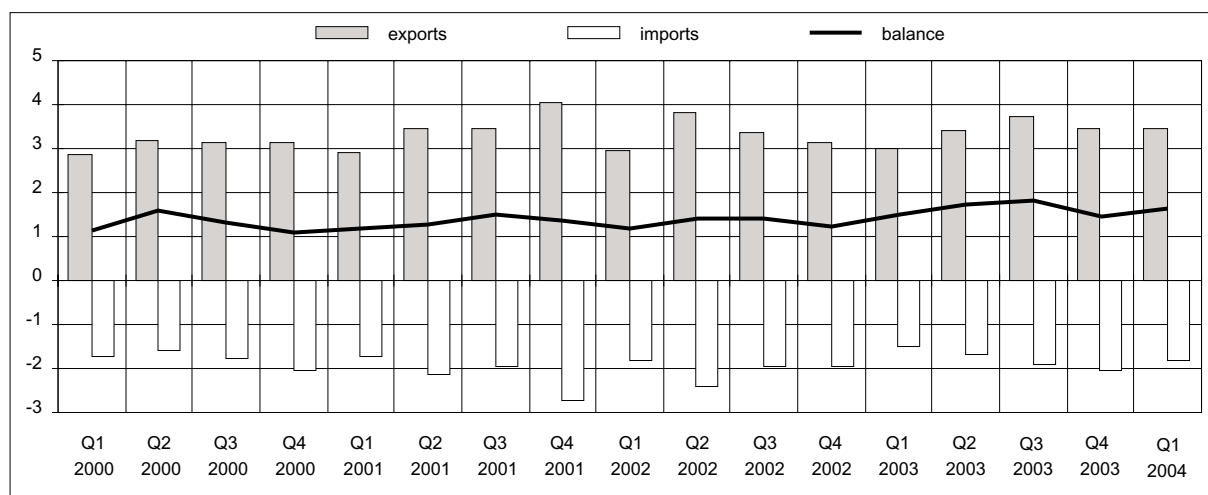
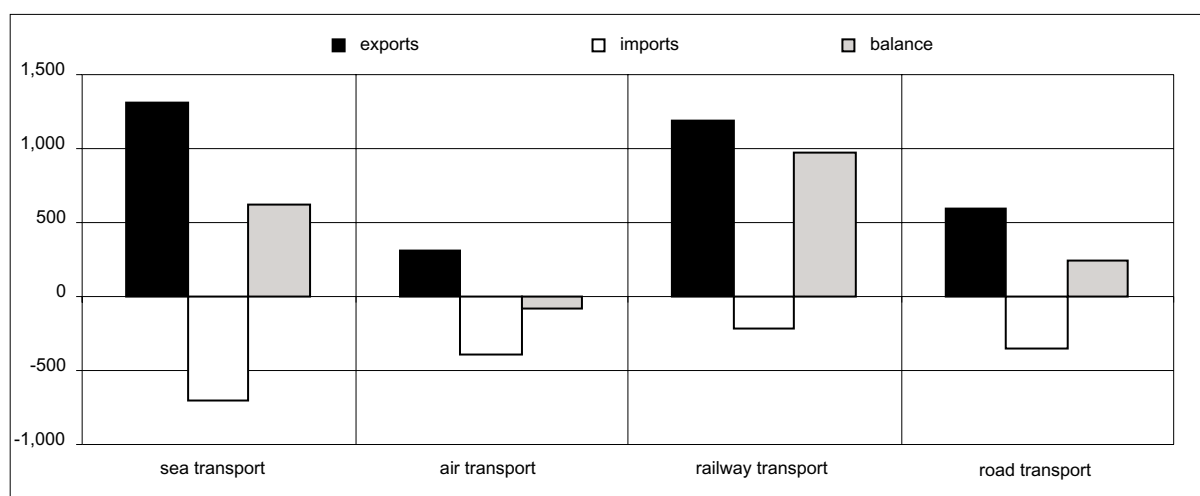
	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
Transport services	1,490.6	2,028.9	1,810.8	38.2	37.9	39.8	-10.7	21.5
freight	949.6	1,260.7	1,177.4	24.3	23.6	25.9	-6.6	24.0
passenger	210.7	344.3	232.8	5.4	6.4	5.1	-32.4	10.5
other transport services	330.3	423.9	400.6	8.5	7.9	8.8	-5.5	21.3
Travel services	931.8	1,030.5	1,065.0	23.9	19.3	23.4	3.3	14.3
Construction services	325.3	362.7	160.6	8.3	6.8	3.5	-55.7	-50.6
Business services	822.7	1,354.2	1,040.2	21.1	25.3	22.9	-23.2	26.4
Government services	68.2	99.5	75.2	1.7	1.9	1.7	-24.4	10.3
Other	265.3	475.5	400.4	6.8	8.9	8.8	-15.8	50.9
Total	3,903.9	5,351.3	4,552.2	100.0	100.0	100.0	-14.9	16.6

The exports of **transport services** increased by 15% year-on-year, imports were up 22% and the surplus grew by 9% (see Figure 6).

The exports of freight transport services increased the most on railways (31%; see Table 12), since investments of transit companies into the rolling stock and railway infrastructure increased the capacity of the railway, improved the quality of service and efficiency. The exports of other transport services increased considerably (17%), affected mostly by the growth of other rail transport services, including leasing of wagons. The imports of freight transport and other transport services increased by approximately 20% year-on-year, whereas the imports of passenger transport services increased by 10%.

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
European Union	2,426.1	3,175.5	2,843.0	62.1	59.3	62.5	-10.5	17.2
Finland	985.2	1,054.1	908.5	25.2	19.7	20.0	-13.8	-7.8
Germany	252.0	415.5	412.2	6.5	7.8	9.1	-0.8	63.5
United Kingdom	136.3	291.5	330.5	3.5	5.4	7.3	13.4	142.6
Sweden	220.9	435.8	301.0	5.7	8.1	6.6	-30.9	36.3
Accession countries	505.9	809.3	671.3	13.0	15.1	14.7	-17.1	32.7
Latvia	159.2	295.3	237.4	4.1	5.5	5.2	-19.6	49.2
Cyprus	151.5	193.0	149.6	3.9	3.6	3.3	-22.5	-1.3
CIS	483.5	537.0	452.8	12.4	10.0	9.9	-15.7	-6.3
Russia	395.6	416.9	377.8	10.1	7.8	8.3	-9.4	-4.5
Ukraine	47.9	60.8	40.7	1.2	1.1	0.9	-33.1	-15.1
Other	488.4	829.3	585.1	12.5	15.5	12.9	-29.4	19.8
USA	115.1	308.1	172.8	2.9	5.8	3.8	-43.9	50.2
Norway	87.2	120.0	61.2	2.2	2.2	1.3	-49.0	-29.8
Egypt	6.0	10.3	51.2	0.2	0.2	1.1	398.0	758.6
Total	3,903.9	5,351.3	4,552.2	100.0	100.0	100.0	-14.9	16.6

**Figure 6. Transport services balance (EEK bn)****Figure 7. Structure of transport services by categories in the 1st quarter of 2004 (EEK m)**

The share of sea transport was the highest in both exports and imports of transport services in the first quarter of 2004 (see Figure 7).

Transport services (mainly freight transport services) were mostly exported to and imported from the EU countries. As to exports, countries with a low tax rate also played an important role.

The EU countries were the main export and import partners also in passenger transport services (see Tables 16 and 17).

Table 16. Exports and imports of freight transport services by groups of countries in the 1st quarter of 2004

	Exports		Imports		Balance	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
European Union	781.3	38.8	705.4	59.9	75.9	9.1
United Kingdom	206.0	10.2	35.4	3.0	170.5	20.4
Finland	173.4	8.6	192.2	16.3	-18.8	-2.2
Germany	122.4	6.1	140.2	11.9	-17.8	-2.1
Sweden	112.9	5.6	59.6	5.1	53.4	6.4
Netherlands	47.5	2.4	80.6	6.8	-33.2	-4.0
Accession countries	121.1	6.0	157.5	13.4	-36.4	-4.4
Latvia	47.5	2.4	44.1	3.7	3.4	0.4
Cyprus	39.0	1.9	5.3	0.4	33.7	4.0
Lithuania	18.4	0.9	32.5	2.8	-14.1	-1.7
Poland	8.4	0.4	45.0	3.8	-36.6	-4.4
Hungary	4.9	0.2	7.0	0.6	-2.0	-0.2
CIS	428.6	21.3	193.2	16.4	235.4	28.2
Russia	414.7	20.6	155.2	13.2	259.5	31.0
Ukraine	11.5	0.6	13.2	1.1	-1.7	-0.2
Other	682.7	33.9	121.4	10.3	561.3	67.1
British Virgin Islands	422.5	21.0	0.0	0.0	422.5	50.5
USA	120.5	6.0	33.4	2.8	87.1	10.4
Switzerland	86.5	4.3	14.5	1.2	72.0	8.6
Total	2,013.6	100.0	1,177.4	100.0	836.2	100.0

Table 17. Exports and imports of passenger transport services by groups of countries in the 1st quarter of 2004

	Exports		Imports		Balance	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
European Union	582.2	93.5	156.2	67.1	371.9	112.1
Finland	388.1	68.7	62.3	26.7	325.8	98.2
Sweden	68.1	12.1	23.7	10.2	44.4	13.4
Germany	20.3	3.6	11.6	5.0	8.6	2.6
Denmark	18.0	3.2	1.4	0.6	16.6	5.0
United Kingdom	17.0	3.0	9.5	4.1	7.5	2.3
Accession countries	11.8	2.1	11.7	5.0	0.1	0.0
Lithuania	6.6	1.2	2.4	1.0	4.2	1.3
Latvia	3.3	0.6	2.7	1.2	0.6	0.2
CIS	12.6	2.2	3.1	1.3	9.6	2.9
Russia	11.1	2.0	2.7	1.1	8.4	2.5
Ukraine	1.5	0.3	0.2	0.1	1.4	0.4
Other	12.0	2.1	61.9	26.6	-49.8	-15.0
USA	5.0	0.9	12.9	5.5	-7.8	-2.4
Norway	5.0	0.9	1.4	0.6	3.6	1.1
Total	564.6	100.0	232.8	100.0	331.8	100.0

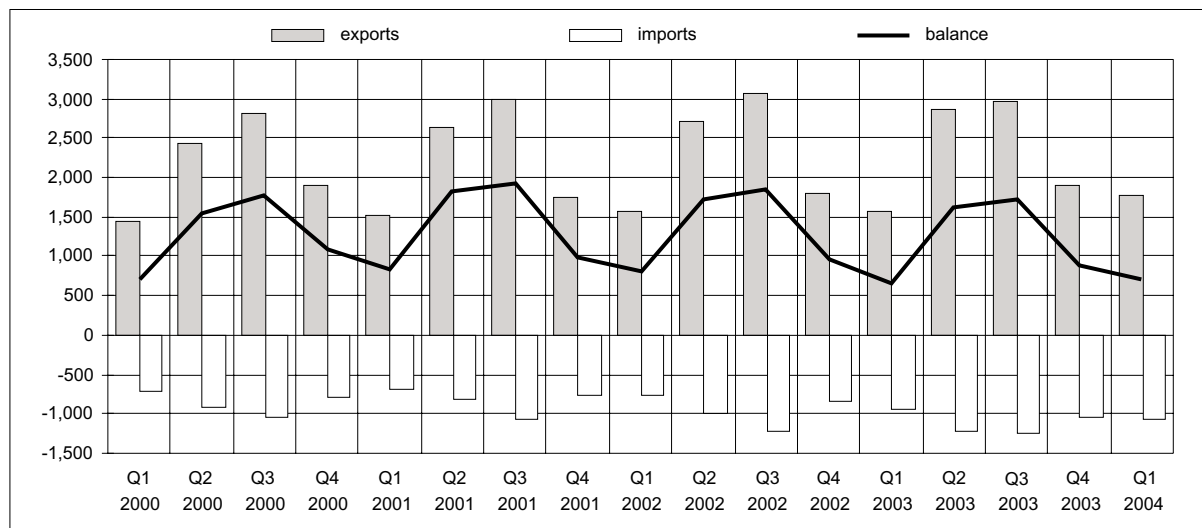


Figure 8. Travel services balance (EEK m)

Both the exports and imports of **travel services** increased fast year-on-year, growing by 13% and 14%, respectively (see Figure 8).

The growth of exports was affected by Estonia becoming better known in Europe as well as by more favourable ice conditions on the Gulf of Finland compared to last year. The number of tourists visiting Estonia increased by 10% year-on-year, with the number of tourists from Finland up 21%. The number of Scandinavian tourists increased by 23% and the number of tourists from other EU countries was up 28%. The three top spenders in Estonia (see Table 18) were tourists from Finland (55% of travel services exports), Russia (15%), and Sweden (6%).

The growth of travel services imports shows wider travel opportunities for Estonians – the number of Estonians visiting foreign countries increased by 11% year-on-year and the trips became longer and more expensive. The number of trips to EU countries (Austria, France, and Belgium) increased the most, but Egypt and the USA became new popular destinations. The biggest number of trips was made to Germany, Finland, and the United Kingdom.

Table 18. Travel services by groups of countries in the 1st quarter of 2004

Exports of travel services			Imports of travel services		
	Volume (EEK m)	Share (%)		Volume (EEK m)	Share (%)
European Union	1,216.3	68.3	European Union	-634.6	59.6
Finland	977.4	54.9	Germany	-126.7	11.9
Sweden	104.8	5.9	Finland	-114.0	10.7
Germany	38.6	2.2	United Kingdom	-112.4	10.6
United Kingdom	27.6	1.6	Sweden	-55.1	5.2
Accession countries	188.9	10.6	Accession countries	-172.3	16.2
Latvia	77.8	4.4	Latvia	-75.7	7.1
Lithuania	47.9	2.7	Poland	-38.1	3.6
CIS	284.7	16.0	CIS	-67.2	6.3
Russia	268.9	15.1	Russia	-63.9	6.0
Other	91.4	5.1	Other	-190.9	17.9
Norway	27.2	1.5	USA	-48.0	4.5
USA	27.0	1.5	Egypt	-32.3	3.0
Japan	3.7	0.2	Norway	-14.1	1.3
Total	1,781.4	100.0	Total	-1,065.0	100.0

Income

The deficit of the income balance stood at 2 billion kroons in the first quarter of 2004 (see Table 19, Figure 9), up 25% year-on-year and down nearly 20% quarter-on-quarter. The main component of the income deficit was reinvested earnings, which do not involve any real movement of funds (see Table 20).

Table 19. Changes in income

	Inflow		Outflow		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 (%)
Q1 2000	324.1	-8.6	783.7	-7.5	-459.6	-10.7
Q2 2000	539.4	66.4	1,470.3	87.6	-930.9	102.5
Q3 2000	570.6	5.8	2,016.6	37.2	-1,446.0	55.3
Q4 2000	573.9	0.6	1,220.8	-39.5	-646.9	-55.3
2000 total	2,008.0	16.1	5,491.4	16.9	-3,483.4	14.8
Q1 2001	594.6	3.6	1,731.4	41.8	-1,136.8	75.7
Q2 2001	657.3	10.5	1,573.2	-9.1	-915.9	-19.4
Q3 2001	707.6	7.7	1,930.6	22.7	-1,223.0	33.5
Q4 2001	1,035.2	46.3	2,685.6	39.1	-1,650.4	34.9
2001 total	2,994.7	49.1	7,920.8	44.2	-4,926.1	41.4
Q1 2002	638.8	-38.3	2,142.8	-20.2	-1,504.0	-8.9
Q2 2002	763.1	19.5	2,033.8	-5.1	-1,270.7	-15.5
Q3 2002	1,239.5	62.4	2,190.6	7.7	-951.1	-25.2
Q4 2002	697.9	-43.7	2,395.2	9.3	-1,697.3	78.5
2002 total	3,339.3	11.5	8,762.4	10.6	-5,423.1	10.1
Q1 2003	617.2	-11.6	2,226.1	-7.1	-1,608.9	-5.2
Q2 2003	966.3	56.6	2,853.2	28.2	-1,886.9	17.3
Q3 2003	1,099.3	13.8	3,063.7	7.4	-1,964.4	4.1
Q4 2003	703.2	-36.0	3,179.7	3.8	-2,476.5	26.1
2003 total	3,386.0	1.4	11,322.7	29.2	-7,936.7	46.3
Q1 2004	801.1	13.9	2,813.4	-11.5	-2,012.3	-18.7

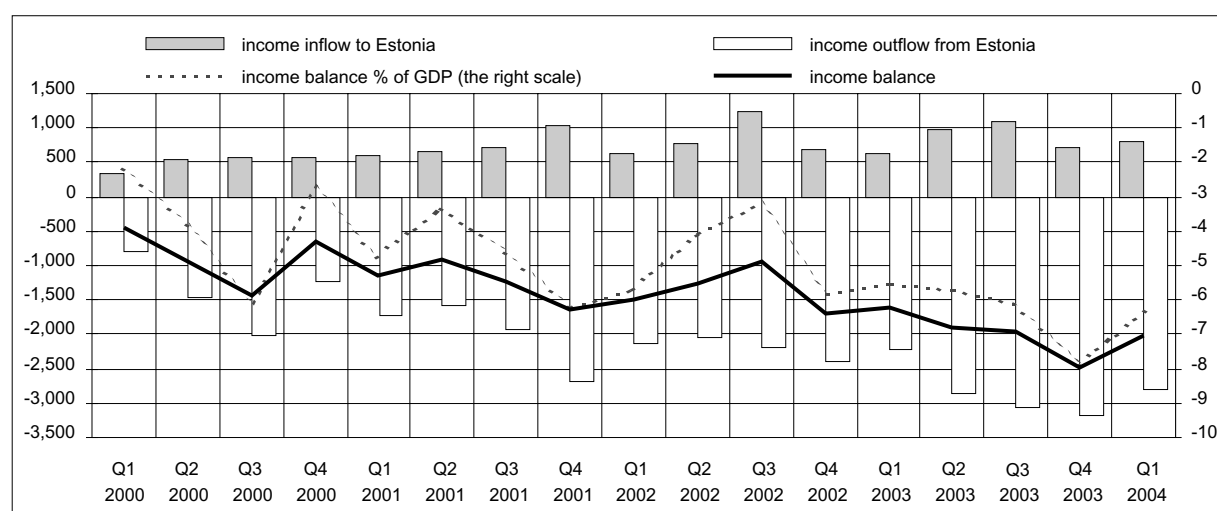


Figure 9. Income balance (EEK m)

Table 20. Structure of income balance

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
Income from direct investments	-1,588.2	-2,579.5	-1,992.5	98.7	104.2	99.0	-22.8	25.5
income from equity	-1,510.5	-2,480.6	-1,921.4	93.9	100.2	95.5	-22.5	27.2
reinvested earnings	-1,398.0	-2,399.2	-1,692.5	86.9	96.9	84.1	-29.5	21.1
dividends	-112.5	-81.4	-228.9	7.0	3.3	11.4	181.2	103.5
income from debt (interests)	-77.7	-98.8	-71.1	4.8	4.0	3.5	-28.0	-8.5
Income from portfolio investments	-21.5	72.5	-7.4	1.3	-2.9	0.4	-110.2	-65.6
Income from other investments	-80.6	-74.5	-1,52.1	5.0	3.0	7.6	104.2	88.7
Other income	81.4	104.9	139.7	-5.1	-4.2	-6.9	33.2	71.6
Total	-1,608.9	-2,476.5	-2,012.3	100.0	100.0	100.0	-18.7	25.1

Inflow of income increased by 30% year-on-year, with inflow of direct investment income tripling (see Table 21). The growth of direct investment income led to changes in the structure of income inflow – there was a sharp increase in the share of direct investment income (of which 81% was reinvested earnings) and income from other investments decreased correspondingly. Changes in other categories of income offset one another – the growth of compensations of employees and portfolio investment income compensated the decrease in other investment income. Since most of the Estonian investments abroad have been made into Latvia and Lithuania, investment income mostly came from those countries (33% and 17%, respectively; see Table 22). Finland, Sweden and Germany dominated among the EU member countries.

Table 21. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
Income from direct investments	96.6	57.4	291.0	15.7	8.2	36.3	407.0	201.2
income from equity	77.7	34.4	264.1	12.6	4.9	33.0	667.7	239.9
reinvested earnings	72.0	7.1	235.4	11.7	1.0	29.4	3,215.5	226.9
dividends	5.7	27.2	28.7	0.9	3.9	3.6	5.5	403.6
income from debt (interests)	18.9	23.0	26.9	3.1	3.3	3.4	17.0	42.3
Income from portfolio investments	201.8	283.7	218.8	32.7	40.3	27.3	-22.9	8.4
Income from other investments	214.6	237.8	124.7	34.8	33.8	15.6	-47.6	-41.9
Other income	104.2	124.3	166.6	16.9	17.7	20.8	34.0	59.9
Total	617.2	703.2	801.1	100.0	100.0	100.0	13.9	29.8

Table 22. Income by groups of countries

	Inflow			Outflow			
	Volume (EEK m)	Share (%)	Change, Q1 2004 / Q1 2003 (%)	Volume (EEK m)	Share (%)	Change, Q1 2004 / Q1 2003 (%)	
European Union	312.3	39.0	20.3	European Union	-2,167.9	77.1	26.4
Finland	87.6	10.9	21.1	Finland	-798.9	28.4	95.7
Sweden	71.4	8.9	47.7	Sweden	-562.6	20.0	-21.1
Germany	57.7	7.2	-16.1	United Kingdom	-314.6	11.2	5.0
Ireland	21.1	2.6	4.3	France	-145.8	5.2	110.0
Accession countries	415.2	51.8	36.1	Accession countries	-152.4	5.4	672.0
Latvia	266.5	33.3	114.8	Cyprus	-82.1	2.9	1,442.5
Lithuania	138.9	17.3	-17.3	Latvia	-54.6	1.9	1,067.0
CIS	29.4	3.7	178.0	CIS	-119.5	4.2	66.5
Russia	15.0	1.9	398.1	Russia	-119.3	4.2	79.1
Ukraine	14.4	1.8	93.6				
Other	44.2	5.5	5.3	Other	-373.5	13.3	-11.0
USA	26.5	3.3	77.0	USA	-129.5	4.6	83.9
Switzerland	3.7	0.5	-5.1	offshore areas	-105.5	3.8	26.3
Total	801.1	100.0	29.8	Total	-2,813.4	100.0	26.4

Outflow of income increased by 26% year-on-year and reached over 2.8 billion kroons in the first quarter of 2004. The entire growth of income outflow resulted from direct investment income (see Table 23). Most of it (84%, i.e. 1.9 billion kroons) were reinvested earnings of foreign direct investors, which does not involve any real outflow of funds. In the case of direct investment income, real outflow of money only concerned dividends paid (258 million kroons). Changes in other income categories were minor and varied. EU member countries Finland, Sweden and the United Kingdom earned the highest income from investments into Estonia (78%; see Table 22). By fields of activity (see Figure 10), highest income was earned from investments into financial intermediation (32% of income outflow), manufacturing industry (16%), and transport, storage and communications (15%).

Table 23. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2004 / Q4 2003	Q1 2004 / Q1 2003
Income from direct investments	1,684.8	2,636.9	2,283.5	75.7	82.9	81.2	-13.4	35.5
income from equity	1,588.2	2,515.0	2,185.5	71.3	79.1	77.7	-13.1	37.6
reinvested earnings	1,470.1	2,406.3	1,928.0	66.0	75.7	68.5	80.1	31.1
dividends	118.2	108.7	257.5	5.3	3.4	9.2	236.9	117.9
income from debt (interests)	96.6	121.9	98.0	4.3	3.8	3.5	-19.6	1.4
Income from portfolio investments	223.3	211.2	226.2	10.0	6.6	8.0	7.1	1.3
Income from other investments	295.2	312.2	276.8	13.3	9.8	9.8	-11.3	-6.2
Other income	22.8	19.4	26.9	1.0	0.6	1.0	38.7	18.0
Total	2,226.1	3,179.7	2,813.4	100.0	100.0	100.0	-11.5	26.4

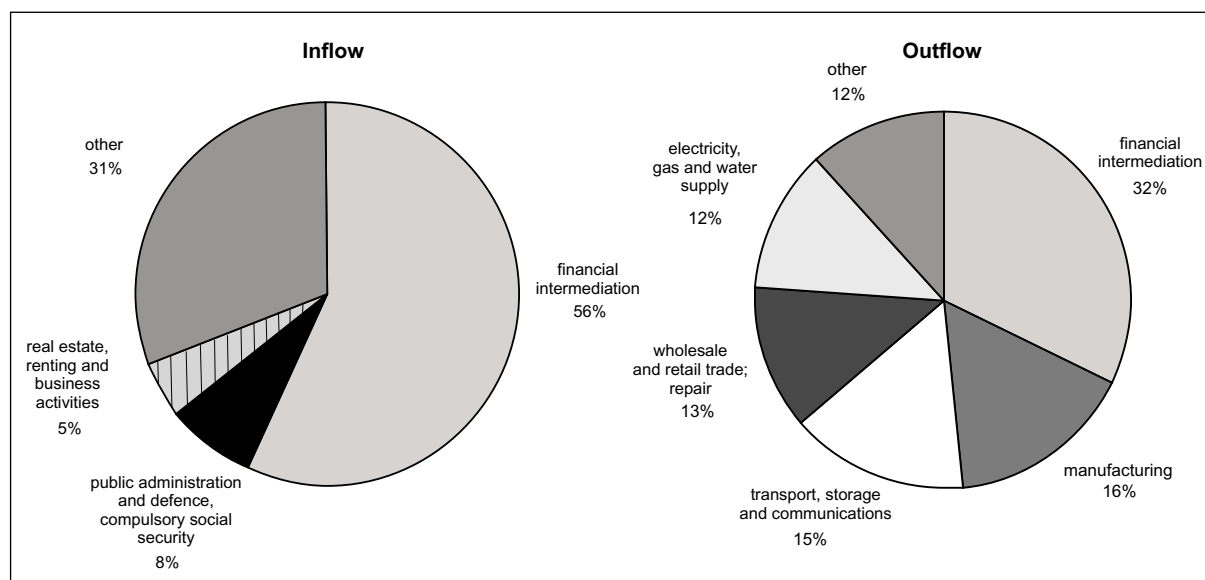


Figure 10. Inflow and outflow of income by fields of activity in the 1st quarter of 2004

Current and Capital Transfers

The surplus of the current transfers balance amounted to slightly over 200 million kroons in the first quarter of 2004, down by nearly 50% year-on-year (see Table 24). As to incoming transfers, 37% were

sums received by the government, consisting mostly of EU assistance as well as pensions and other payments. Transfers of other sectors were divided between the EU and the CIS countries (the Ukraine). Transfers of the other sectors to EU countries (the United Kingdom, Germany, Finland, Sweden) dominated the transfers made from Estonia.

Capital transfers mainly consisted of EU assistance to the general government for various infrastructure projects.

Table 24. Current transfers by groups of countries

	Received (EEK m)			Paid (EEK m)			Balance (EEK m)		
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004
Current transfers	741.0	757.9	673.7	353.4	423.8	466.4	387.5	334.1	207.3
government transfers	353.4	332.9	251.4	58.4	94.5	11.7	295.0	238.4	239.7
European Union	289.9	252.3	134.6	50.5	60.9	37.0	239.4	191.4	130.9
accession countries	4.0	5.7	7.3	1.5	19.9	2.1	2.5	-14.2	5.2
CIS	5.3	7.0	11.0	0.4	1.2	0.5	4.9	5.8	10.5
other	54.2	67.8	98.5	6.0	12.5	5.5	48.2	55.3	93.0
private transfers	387.5	425.0	422.3	295.0	329.3	454.7	92.5	95.7	-32.4
European Union	194.4	188.8	192.5	212.7	223.5	388.1	-18.3	-34.7	-195.6
accession countries	32.7	78.2	16.4	11.5	6.6	11.4	21.2	71.6	5.0
CIS	20.8	12.8	161.9	11.9	8.9	9.9	8.9	3.9	152.0
other	139.6	145.2	51.4	58.8	90.2	45.2	80.8	55.0	6.2

FINANCIAL ACCOUNT

The surplus of the financial account was 2.6 billion kroons in the first quarter of 2004. Nearly half of it was based on the inflow of direct investments and the rest on the inflow of other investments. Portfolio investments were characterised by net outflow. The structure of the financial account by categories and maturity can be seen in Figures 11 and 12.

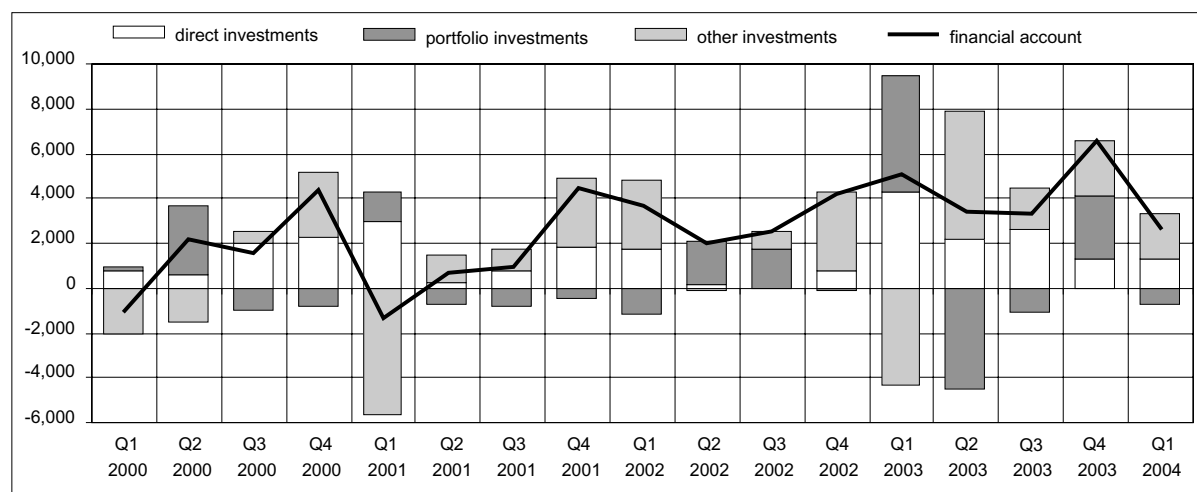


Figure 11. Changes in the structure of foreign investment capital flows (EEK m)

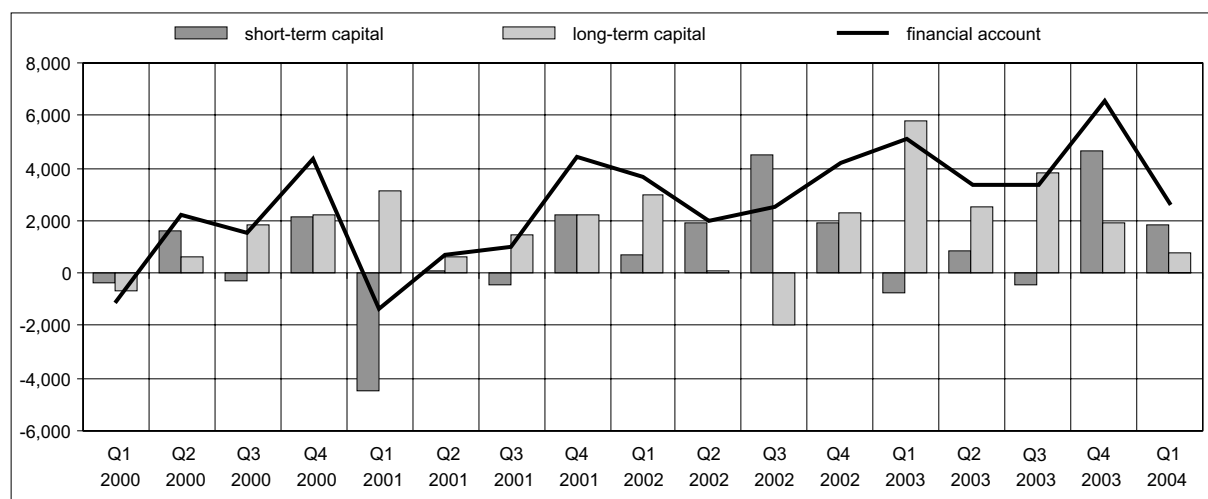


Figure 12. Maturity structure of financial account (EEK m)

Direct Investments

The balance of direct investments was positive by 1.3 billion kroons in the first quarter of 2004, accounting for 43% of the financial account surplus. Non-residents invested 2.5 billion kroons in Estonia and Estonian residents' direct investments abroad grew by 1.2 billion kroons (see Figure 13). The net inflow of direct investments covered 38% of the current account deficit.

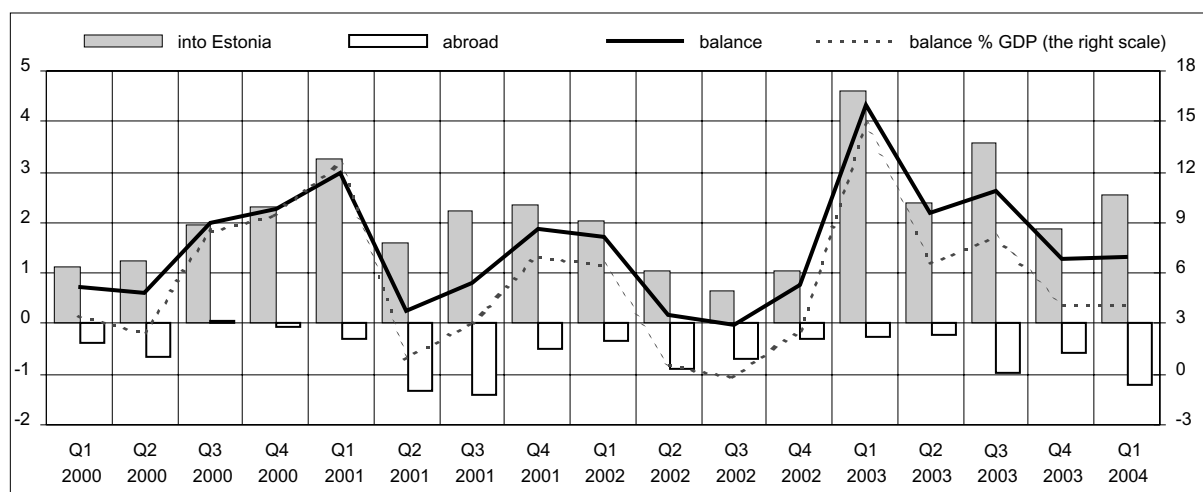


Figure 13. Direct investments (EEK bn)

The volume of **direct investments into Estonia** increased by 34% quarter-on-quarter. The inflow of direct investments mostly consisted of investments into equity capital. The main growth component was reinvested earnings of non-residents (76% of direct investments into Estonia), which was yet smaller than the profit of the previous period. Next periods are thus probably going to see an extensive outflow of income in the form of dividends. Equal profits were earned in the industrial, transport, storage and communications sectors as well as in trade. Other capital claims to direct investors increased by more than 0.5 billion kroons. Direct investors received 475 million kroons of short-term loans from Estonian-

based affiliates and subsidiaries. Liabilities of other direct investment capital increased by 0.6 billion kroons, with gross debts of long-term and short-term loans growing by 849 million kroons and 652 million kroons, respectively (see Tables 25 and 26).

Table 25. Structure of direct investments into Estonia

	Share capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Claims		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
Q1 2000	588.6	52.8	301.6	27.1	-236.9	-21.3	461.1	41.4	1,114.4	100.0
Q2 2000	526.6	41.8	202.3	16.0	37.5	3.0	494.3	39.2	1,260.7	100.0
Q3 2000	1,197.7	60.9	861.0	43.8	-123.0	-6.3	29.9	1.5	1,965.6	100.0
Q4 2000	1,612.4	70.0	450.3	19.5	-74.9	-3.3	316.0	13.7	2,303.8	100.0
2000 total	3,925.3	59.1	1,815.2	27.3	-397.3	-6.0	1,301.3	19.6	6,644.5	100.0
Q1 2001	1,586.0	48.6	1,131.4	34.6	-489.2	-15.0	1,037.8	31.8	3,266.0	100.0
Q2 2001	393.6	24.8	-222.3	-14.0	-82.8	-5.2	1,498.8	94.4	1,587.3	100.0
Q3 2001	362.4	16.2	1,253.3	56.2	-40.3	-1.8	656.6	29.4	2,232.0	100.0
Q4 2001	1,299.2	55.4	1,716.5	73.2	-338.4	-14.4	-333.0	-14.2	2,344.3	100.0
2001 total	3,641.2	38.6	3,878.9	41.1	-950.7	-10.1	2,860.2	30.3	9,429.6	100.0
Q1 2002	554.7	27.3	1,087.8	53.5	-269.8	-13.3	661.7	32.5	2,034.4	100.0
Q2 2002	388.9	36.7	180.8	17.1	-14.3	-1.4	503.7	47.6	1,059.1	100.0
Q3 2002	49.3	7.5	439.0	67.0	-195.1	-29.8	362.3	55.3	655.5	100.0
Q4 2002	-171.9	-16.4	1,662.7	158.2	-293.4	-27.9	-146.2	-13.9	1,051.2	100.0
2002 total	821.0	17.1	3,370.3	70.2	-772.6	-16.1	1,381.5	28.8	4,800.2	100.0
Q1 2003	2,074.3	45.1	1,470.1	32.0	-207.0	-4.5	1,259.1	27.4	4,596.5	100.0
Q2 2003	614.2	25.5	625.4	26.0	-167.7	-7.0	1,333.8	55.4	2,405.7	100.0
Q3 2003	1,590.9	44.4	2,214.7	61.8	-569.9	-15.9	346.4	9.7	3,582.1	100.0
Q4 2003	346.2	18.4	2,406.3	127.6	-389.5	-20.6	-476.7	-25.3	1,886.3	100.0
2003 total	4,625.6	37.1	6,716.5	53.9	-1,334.0	-10.7	2,462.7	19.7	12,470.7	100.0
Q1 2004	492.8	19.5	1,928.0	76.3	-520.3	-20.6	627.8	24.8	2,528.3	100.0

Table 26. Loan capital claims and liabilities to foreign direct investors (EEK m)

	Claims				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Granting	Repayment	Granting	Repayment	Receiving	Repayment	Receiving	Repayment
Q1 2003	68.8	69.9	98.3	79.7	816.3	418.8	858.2	444.3
Q2 2003	97.0	75.1	321.8	195.9	1,044.2	509.4	1,354.0	1,336.8
Q3 2003	84.5	48.1	258.0	50.1	1,943.9	501.4	400.5	1,420.5
Q4 2003	158.1	53.2	332.6	173.0	1,351.2	1,237.5	408.1	525.3
2003 total	408.4	246.3	1,010.7	498.7	5,155.6	2,667.1	3,020.8	3,726.9
Q1 2004	107.4	76.7	474.9	147.2	848.5	740.6	561.6	320.7

Nearly half of the inflow of direct investments came from Finland, followed by Sweden (20%), Germany (8%), and Latvia (5%). Long-term investments of EU countries in Estonia increased by 2.3 billion kroons (92% of the inflow). The most preferred fields of activity were wholesale and retail trade (32%), financial intermediation (22%), and manufacturing (13%; see Figures 14 and 15, and Table 27).

Direct investments into foreign subsidiaries and associated companies doubled as compared to the previous period. Most of the direct investments abroad consisted of other capital investments, of which trade credit claims increased by 0.8 billion kroons. The turnover, granting and repayments of loans were

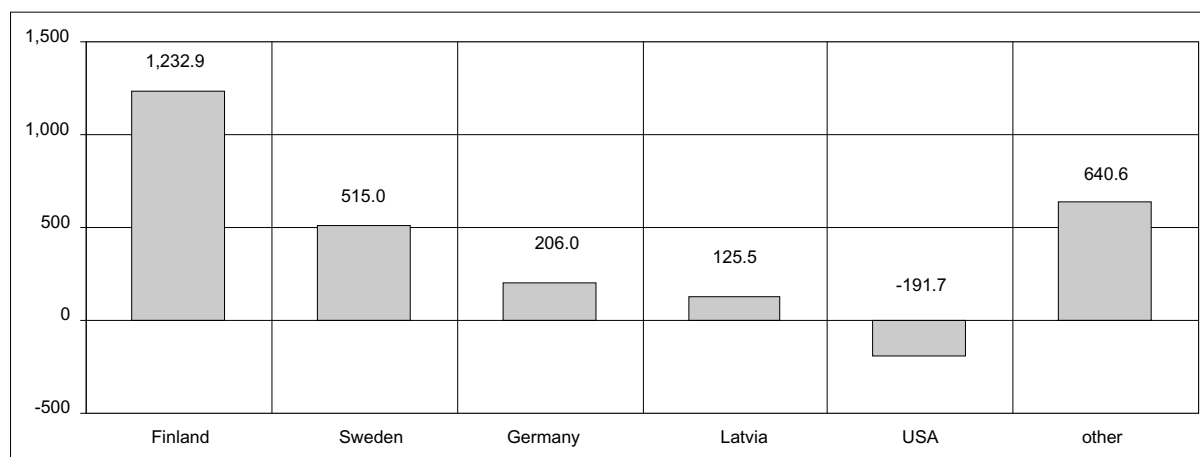


Figure 14. Direct investments into Estonia by countries in the 1st quarter of 2004 (EEK m)

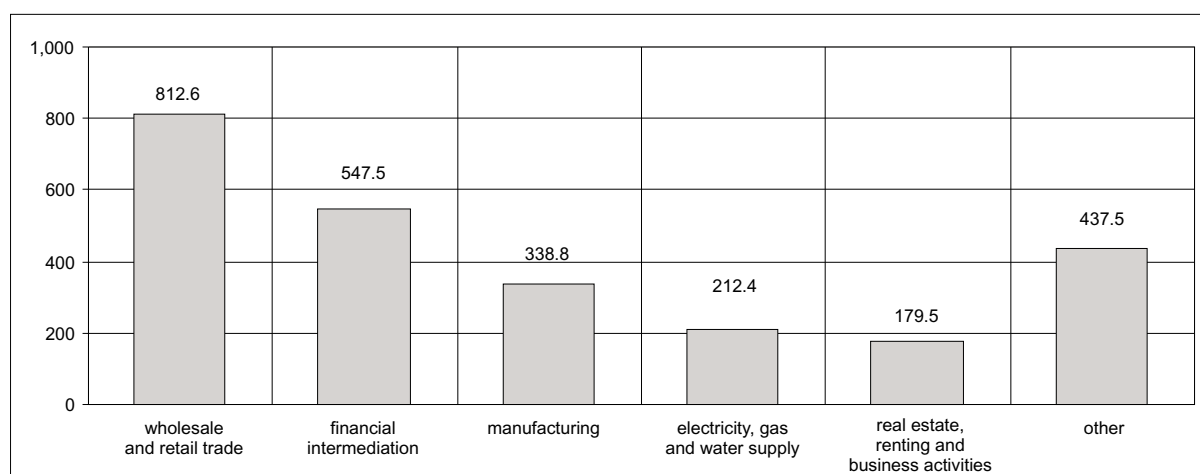


Figure 15. Direct investments into Estonia by fields of activity in the 1st quarter of 2004 (EEK m)

Table 27. Direct investments into Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q4 2003	Q1 2004	Q4 2003	Q1 2004	Q1 2004 / Q4 2003
European Union	1,275.6	2,333.9	67.6	92.3	83.0
Accession countries	302.1	56	16.0	2.2	-81.5
CIS	-16.9	-26.1	-0.9	-1.0	54.4
Other	325.6	164.5	17.3	6.5	-49.5
Total	1,886.4	2,528.3	100.0	100.0	34.0

in balance as a whole. Turnovers of short-term loans were exceptionally large. 29% of the outflow went into equity capital. The considerable increase in reinvested earnings came from the financial sector, which is successful abroad, and wholesale and retail trade companies (see Tables 28 and 29).

More than half of the outflow of direct investments went into Cyprus (55%), followed by Latvia (23%) and Lithuania (13%). The majority of affiliates and subsidiaries are located in the countries that joined the EU on May 1, which received 91% of Estonian investments. Biggest investments were made into transport, storage and communications, and financial intermediation (see Figures 16 and 17, and Table 30).

Table 28. Structure of direct investments abroad

	Share capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Claims		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
Q1 2000	-250.6	67.6	26.9	-7.3	-159.0	42.9	11.9	-3.2	-370.8	100.0
Q2 2000	-577.6	87.4	-9.5	1.4	-98.6	14.9	24.7	-3.7	-661.0	100.0
Q3 2000	230.5	573.4	-61.5	-153.0	-169.0	-420.4	40.2	100.0	40.2	100.0
Q4 2000	18.0	-35.0	-21.8	42.3	-54.2	105.2	6.5	-12.6	-51.5	100.0
2000 total	-579.7	55.6	-65.9	6.3	-480.8	46.1	83.3	-8.0	-1,043.1	100.0
Q1 2001	-80.8	27.5	-5.1	1.7	-214.4	72.9	6.0	-2.0	-294.3	100.0
Q2 2001	-1,036.7	78.1	52.5	-4.0	-388.0	29.2	44.9	-3.4	-1,327.3	100.0
Q3 2001	-728.3	51.2	-166.4	11.7	-393.6	27.7	-134.5	9.5	-1,422.8	100.0
Q4 2001	-51.3	10.6	-186.2	38.5	-246.8	51.0	0.4	-0.1	-483.9	100.0
2001 total	-1,897.1	53.8	-305.2	8.7	-1,242.8	35.2	-83.2	2.4	-3,528.3	100.0
Q1 2002	-83.4	26.1	-82.7	25.9	-141.3	44.3	-11.9	3.7	-319.3	100.0
Q2 2002	-283.5	31.8	-50.6	5.7	-591.2	66.4	34.3	-3.8	-891.0	100.0
Q3 2002	-79.5	11.6	-384.8	56.1	-308.9	45.0	86.9	-12.7	-686.3	100.0
Q4 2002	-457.5	156.8	-147.4	50.5	314.2	-107.7	-1.1	0.4	-291.8	100.0
2002 total	-903.9	41.3	-665.5	30.4	-727.2	33.2	108.2	-4.9	-2,188.4	100.0
Q1 2003	-80.7	29.4	-72.0	26.2	-193.2	70.4	71.6	-26.1	-274.3	100.0
Q2 2003	110.5	-50.3	-134.2	61.1	-321.8	146.4	125.7	-57.2	-219.8	100.0
Q3 2003	-167.9	17.5	-528.1	55.0	-228.7	23.8	-35.0	3.6	-959.7	100.0
Q4 2003	-811.2	138.7	-7.1	1.2	97.9	-16.7	135.7	-23.2	-584.7	100.0
2003 total	-949.3	46.6	-741.4	36.4	-645.8	31.7	298.0	-14.6	-2,038.5	100.0
Q1 2004	-122.5	10.1	-235.4	19.4	-828.8	68.3	-27.2	2.2	-1,214.0	100.0

Table 29. Loan capital claims and liabilities to foreign subsidiaries and associated companies (EEK m)

	Claims				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Granting	Repayment	Granting	Repayment	Receiving	Repayment	Receiving	Repayment
Q1 2003	244.9	62.1	54.7	107.5	1.3	1.2	8.4	5.8
Q2 2003	233.3	73.8	131.7	78.4	1.5	0	38.4	22.1
Q3 2003	220.0	102.1	103.3	229.1	0.5	4.6	0.2	49.1
Q4 2003	408.9	478.6	182.4	88.8	0.8	5.8	37.3	21.7
2003 total	1,107.1	716.6	472.1	503.8	4.1	11.6	84.3	98.7
Q1 2004	174.8	179.5	666.3	685.0	1.7	0.5	12.2	7.3

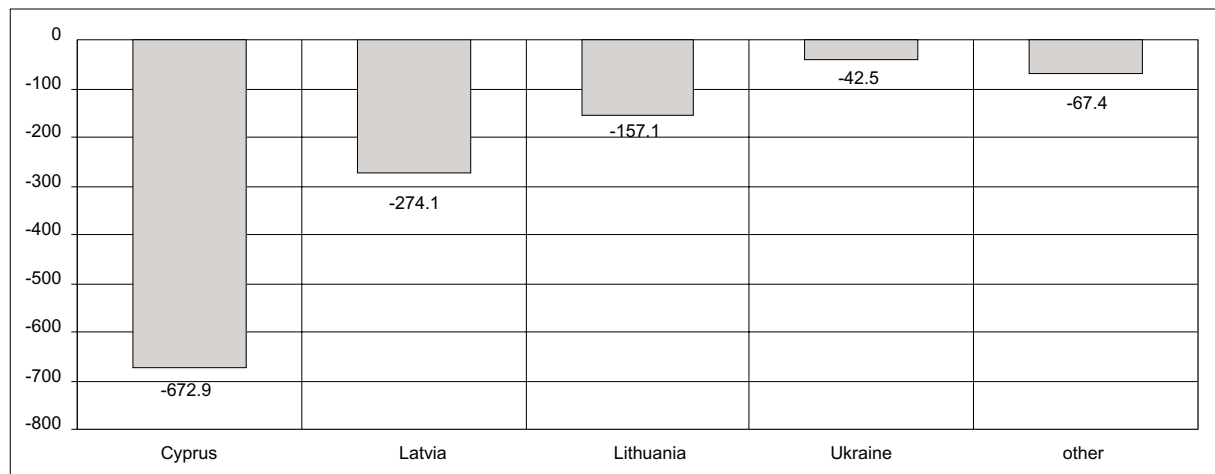


Figure 16. Direct investments abroad by countries in the 1st quarter of 2004 (EEK m)

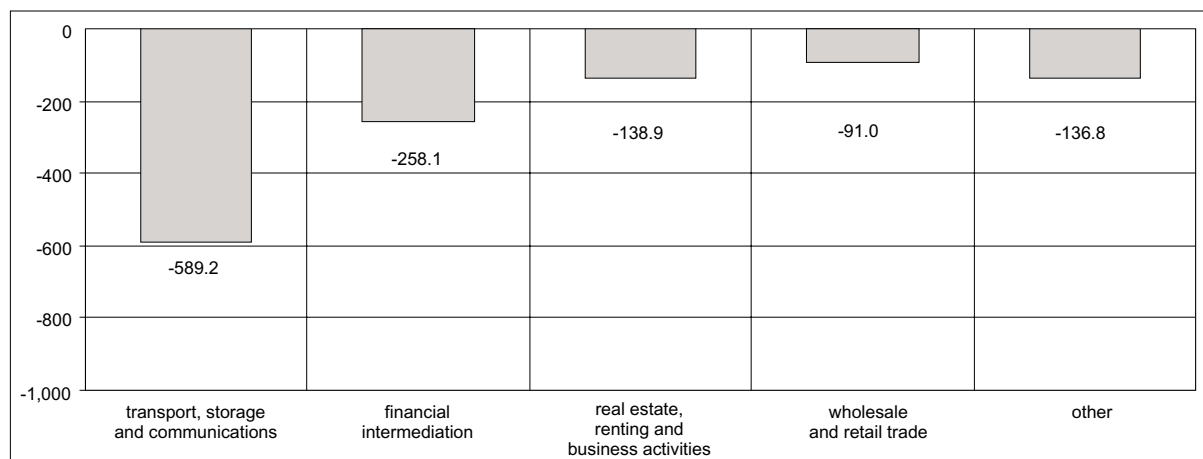


Figure 17. Direct investments abroad by fields of activity in the 1st quarter of 2004 (EEK m)

Table 30. Direct investments abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q4 2003	Q1 2004	Q4 2003	Q1 2004	Q1 2004 / Q4 2003
European Union	102.9	-44.3	-17.6	3.6	-143.1
Accession countries	-593.6	-1,106.8	101.5	91.2	86.5
CIS	-99.8	-49.8	17.1	4.1	-50.1
Other	5.7	-13.1	-1.0	1.1	-329.8
Total	-584.8	-1,214	100.0	100.0	107.6

Portfolio Investments

The net outflow of **portfolio investments**⁴ amounted to nearly 806 million kroons in the first quarter of 2004, resulting from the increase in portfolio investment claims as well as the decrease in liabilities, by 781 million and 25 million kroons, respectively (see Figure 18 and Table 31).

Portfolio investments into Estonia decreased by 25 million kroons in the first quarter of 2004 (see Table 32). Non-residents invested 63 million kroons into Estonian equity securities but reduced investments into debt securities by 88 million kroons. By groups of countries, the EU members and accession countries reduced their investments the most (by 329 million kroons and 120 million kroons, respectively). The

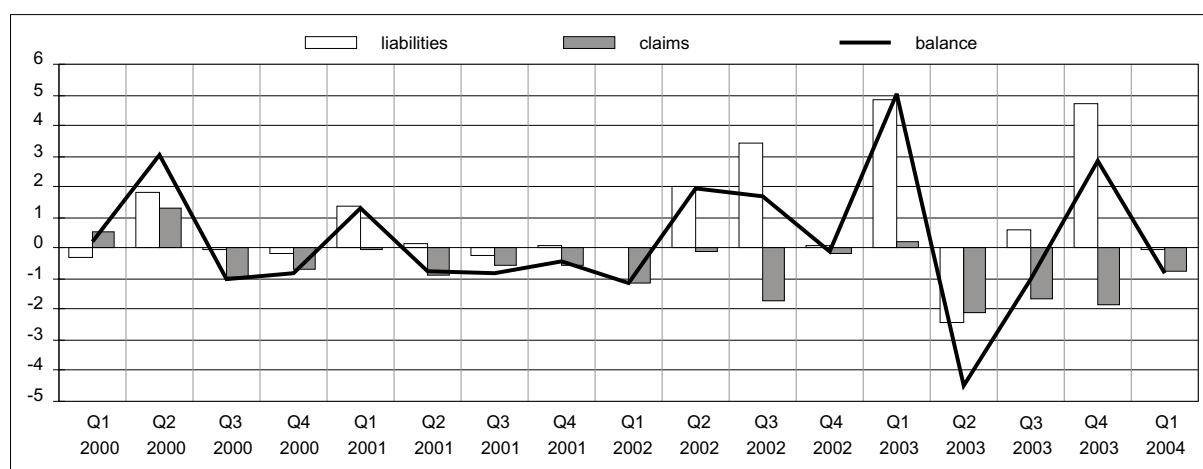


Figure 18. Portfolio investments (EEK bn)

⁴ Excluding financial derivatives.

Table 31. Portfolio investments by types of securities and sectors (EEK m)

	Claims				Liabilities			Balance		
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	
Total	189.7	-1,842.6	-781.4	4,840.8	4,704.3	-24.7	5,030.5	2,861.7	-806.1	
Equity securities	-124.5	-442.0	-435.4	109.6	151.9	63.4	-14.9	-290.1	-372.0	
general government		12.6	0.4					12.6	0.4	
credit institutions	4.7	-8.3	-14.6	30.1	-23.2	44.7	34.8	-31.5	30.1	
other sectors	-129.2	-446.3	-421.2	79.5	175.1	18.7	-49.7	-271.2	-402.5	
Debt securities	314.2	-1,400.6	-346.0	4,731.2	4,552.4	-88.1	5,045.4	3,151.8	-434.1	
central bank							0.0		0.0	
general government	-4.5	-1,223.7	3.0	1.7	-31.3	0.3	-2.8	-1,255.0	3.3	
credit institutions	31.3	-9.4	-134.1	4,730.0	4,582.3	43.2	4,761.3	4,572.9	-90.9	
other sectors	287.4	-167.5	-214.9	-0.5	1.4	-131.6	286.9	-166.1	-346.5	

outflow was offset by the inflow of portfolio investments from other countries to the total sum of 422 million kroons (see Table 33). The biggest portfolio investments came from the United Kingdom and the USA, followed by Finland and Sweden (see Figure 19).

Portfolio investments abroad increased by nearly 0.8 billion kroons in the first quarter (see Table 34). Residents invested 435 million kroons into equity securities issued by non-residents and 346 million kroons into debt securities. Preference was given to accession countries and other countries, and to a lesser extent the CIS countries (see Table 33). Biggest investments were made into Ireland and the Netherlands, followed by France and Italy (see Figure 20).

Table 32. Structure of portfolio investments into Estonia

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 2000	89.4	-29.2	-395.3	129.2	-305.9	100.0
Q2 2000	134.5	7.5	1,656.9	92.5	1,791.4	100.0
Q3 2000	91.8	-223.9	-132.8	323.9	-41.0	100.0
Q4 2000	-854.5	525.5	691.9	-425.5	-162.6	100.0
2000 total	-538.8	-42.0	1,820.7	142.0	1,281.9	100.0
Q1 2001	-1.9	-0.1	1,387.7	100.1	1,385.8	100.0
Q2 2001	502.6	314.5	-342.8	-214.5	159.8	100.0
Q3 2001	-143.7	57.9	-104.5	42.1	-248.2	100.0
Q4 2001	211.4	205.0	-108.3	-105.0	103.1	100.0
2001 total	568.4	40.6	832.1	59.4	1,400.5	100.0
Q1 2002	299.2	1,341.7	-276.9	-1,241.7	22.3	100.0
Q2 2002	517.0	25.4	1,517.7	74.6	2,034.7	100.0
Q3 2002	-103.6	-3.0	3,530.1	103.0	3,426.5	100.0
Q4 2002	199.6	255.6	-121.5	-155.6	78.1	100.0
2002 total	912.2	16.4	4,649.4	83.6	5,561.6	100.0
Q1 2003	109.6	2.3	4,731.2	97.7	4,840.8	100.0
Q2 2003	680.2	-28.4	-3,075.6	128.4	-2,395.4	100.0
Q3 2003	544.8	91.9	48.3	8.1	593.1	100.0
Q4 2003	151.9	3.2	4,552.5	96.8	4,704.4	100.0
2003 total	1,486.5	19.2	6,256.4	80.8	7,742.9	100.0
Q1 2004	63.4	-256.7	-88.1	356.7	-24.7	100.0

Table 33. Structure of portfolio investments by groups of countries in the 1st quarter of 2004

	Volume (EEK m)		Share (%)	
	Claims	Liabilities	Claims	Liabilities
European Union	-8.4	-329.3	1.1	1,333.2
Accession countries	-272.9	-120.4	34.9	487.4
CIS	-49.9	2.3	6.4	-9.3
Other	-450.2	422.7	57.6	-1,711.3
Total	-781.4	-24.7	100.0	100.0

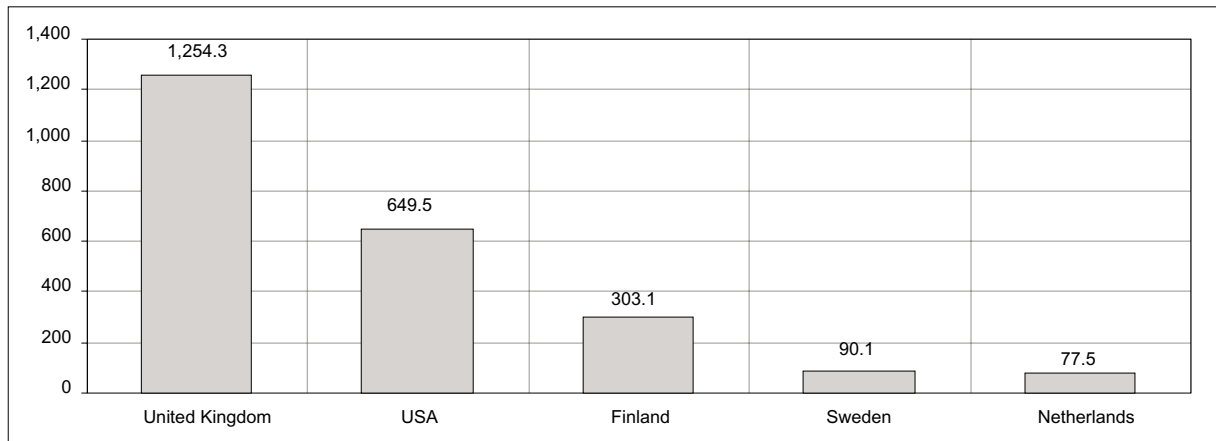


Figure 19. Portfolio investments into Estonia by countries in the 1st quarter of 2004 (EEK m)

Table 34. Structure of portfolio investments abroad

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 2000	104.5	20.2	411.8	79.8	516.3	100.0
Q2 2000	-4.7	-0.4	1,283.0	100.4	1,278.3	100.0
Q3 2000	-115.4	11.9	-853.0	88.1	-968.4	100.0
Q4 2000	68.9	-10.2	-742.0	110.2	-673.1	100.0
2000 total	53.3	34.8	99.8	65.2	153.1	100.0
Q1 2001	431.4	-691.3	-493.8	791.3	-62.4	100.0
Q2 2001	-5.9	0.6	-902.2	99.4	-908.1	100.0
Q3 2001	-30.9	5.7	-511.8	94.3	-542.7	100.0
Q4 2001	-158.1	26.9	-428.9	73.1	-587.0	100.0
2001 total	236.5	-11.3	-2,336.7	111.3	-2,100.2	100.0
Q1 2002	-5.4	0.5	-1,155.4	99.5	-1,160.8	100.0
Q2 2002	74.5	-84.6	-162.6	184.6	-88.1	100.0
Q3 2002	-52.4	3.0	-1,678.8	97.0	-1,731.2	100.0
Q4 2002	-7.6	3.7	-195.2	96.3	-202.8	100.0
2002 total	9.1	-0.3	-3,192.0	100.3	-3,182.9	100.0
Q1 2003	-124.5	-65.6	314.2	165.5	189.7	100.0
Q2 2003	-263.4	12.7	-1,811.4	87.3	-2,074.8	100.0
Q3 2003	-199.0	12.3	-1,424.9	87.7	-1,623.9	100.0
Q4 2003	-442.0	24.0	-1,400.6	76.0	-1,842.6	100.0
2003 total	-1,028.9	19.2	-4,322.7	80.8	-5,351.6	100.0
Q1 2004	-435.4	55.7	-346.0	44.3	-781.4	100.0

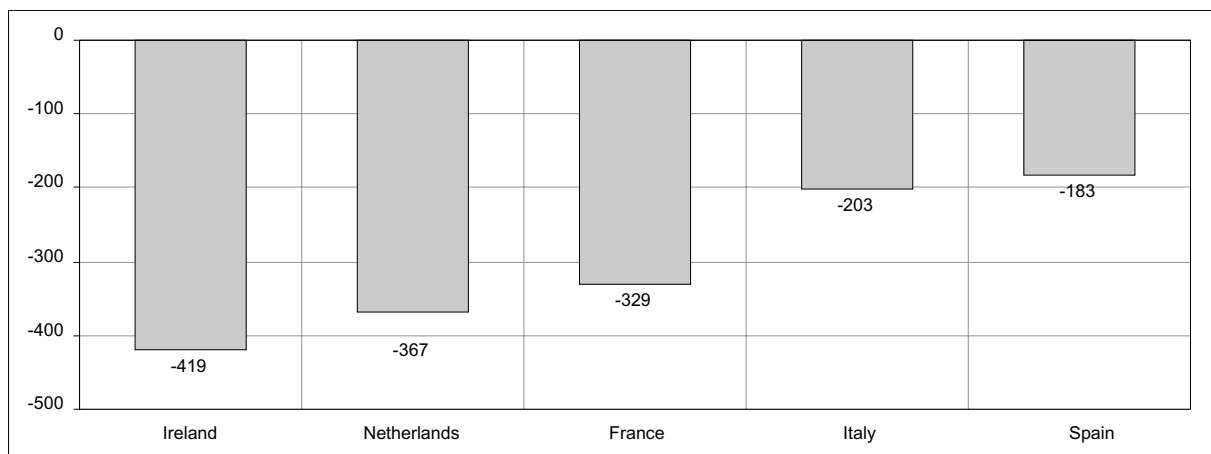


Figure 20. Portfolio investments abroad by countries in the 1st quarter of 2004 (EEK m)

Other Investments

The inflow of **other investments** exceeded their outflow by 2 billion kroons in the first quarter of 2004, with liabilities of other investments growing by 3.7 billion kroons and claims by 1.7 billion kroons (see Figure 21, Table 35).

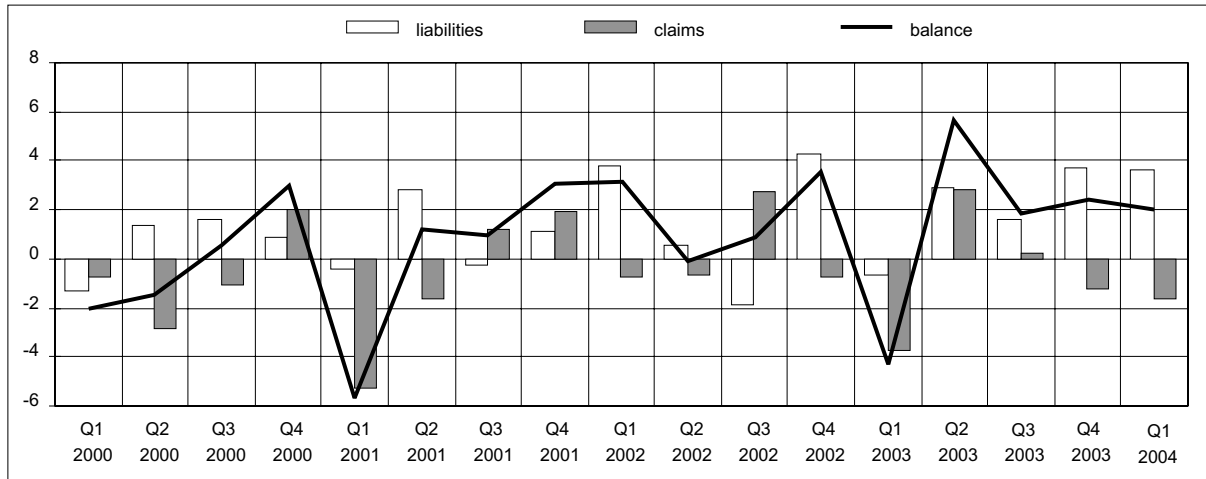


Figure 21. Other investments (EEK bn)

Table 35. Other investments by maturity (EEK m)

	Claims			Liabilities			Balance		
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004
Total	-3,696.8	-1,235.8	-1,654.9	-630.9	3,678.1	3,664.5	-4,327.7	2,442.3	2,009.6
Long-term capital	130.9	-622.9	-1,151.1	1,368.5	1,264.2	581.0	1,499.4	641.3	-570.1
central bank	0.3		-0.3				0.3	0.0	-0.3
general government				-4.6	52.3	-34.1	-4.6	52.3	-34.1
credit institutions	-219.3	-118.2	-840.2	1,210.0	75.0	152.7	990.7	-43.2	-687.5
other sectors	349.9	-504.7	-310.6	163.1	1,136.9	462.4	513.0	632.2	151.8
Short-term capital	-3,827.7	-612.9	-503.8	-1,999.4	2,413.9	3,083.5	-5,827.1	1,801.0	2,579.7
central bank				115.7	592.7	-68.9	115.7	592.7	-68.9
general government	95.4	688.5	-15.8				95.4	688.5	-15.8
credit institutions	-3,415.1	-2,043.0	-253.1	-2,240.2	2,063.8	3,041.1	-5,655.3	20.8	2,788.0
other sectors	-508.0	741.6	-234.9	125.1	-242.6	111.3	-382.9	499.0	-123.6

Other investment liabilities increased by 3.7 billion kroons in the first quarter (see Table 36). Due to the growth of liabilities, the inflow of loan capital stood at 1.5 billion kroons and deposits of non-residents in Estonian credit institutions increased considerably (by 1.8 billion kroons). The growth of trade credit and other liabilities totalled 0.3 billion kroons. By groups of countries, the inflow of other investment capital mostly originated from the EU and accession countries, amounting to 2.5 billion and 1.0 billion kroons, respectively (see Table 37). Most of the other investments into Estonia came from Sweden and Cyprus, followed by the USA and Finland (see Figure 22).

Other investment claims increased by nearly 1.7 billion kroons in the first three months of 2004 (see Table 38). The biggest impact came from the outflow of loan capital and other capital (1.0 million and 0.2 billion kroons, respectively). By groups of countries, most of the investments went into the EU

countries (0.9 billion kroons), followed by accession countries (0.7 billion kroons) and the CIS countries (0.4 billion kroons; see Table 37). Estonians' biggest investments were made into Germany, Sweden, and Latvia (see Figure 23). Changes in loan capital claims and liabilities can be seen in Table 39.

Table 36. Structure of other investments into Estonia

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 2000	-21.0	1.6	-1,550.5	119.7	395.6	-30.5	-119.2	9.2	-1,295.1	100.0
Q2 2000	465.9	33.8	229.2	16.6	599.1	43.5	83.2	6.0	1,377.4	100.0
Q3 2000	191.6	12.0	182.8	11.4	1,180.5	73.9	43.0	2.7	1,597.9	100.0
Q4 2000	444.4	48.5	353.2	38.5	-219.8	-24.0	338.6	36.9	916.4	100.0
2000 total	1,080.9	41.6	-785.3	-30.2	1,955.4	75.3	345.6	13.3	2,596.6	100.0
Q1 2001	-480.2	-1,655.6	536.0	-134.3	-315.9	79.2	-139.0	34.8	-399.1	100.0
Q2 2001	789.9	-614.2	367.1	13.1	1,098.6	39.2	544.5	19.4	2,800.1	100.0
Q3 2001	-217.4	-69.4	750.0	-320.9	-752.1	321.8	-14.2	6.1	-233.7	100.0
Q4 2001	10.6	26.4	917.3	81.8	50.8	4.5	142.2	12.7	1,120.9	100.0
2001 total	102.9	3.1	2,570.4	78.2	81.4	2.5	533.5	16.2	3,288.2	100.0
Q1 2002	160.2	4.2	2,313.4	60.6	1,340.0	35.1	3.0	0.1	3,816.6	100.0
Q2 2002	877.2	155.9	-1,821.3	-323.6	775.3	137.8	731.6	130.0	562.8	100.0
Q3 2002	1,049.1	-54.9	-1,911.0	100.0	-760.9	39.8	-287.7	15.1	-1,910.5	100.0
Q4 2002	-1,305.4	-30.6	3,382.2	79.3	2,409.1	56.5	-221.5	-5.2	4,264.4	100.0
2002 total	781.1	11.6	1,963.3	29.2	3,763.5	55.9	225.4	3.3	6,733.3	100.0
Q1 2003	44.5	-7.1	191.0	-30.3	-305.6	48.4	-560.8	88.9	-630.9	100.0
Q2 2003	502.9	17.5	1,172.7	40.7	1,139.1	39.6	63.6	2.2	2,878.3	100.0
Q3 2003	-278.9	-17.5	1,062.3	66.5	1,300.6	81.4	-485.9	-30.4	1,598.1	100.0
Q4 2003	492.4	13.4	709.3	19.3	2,453.8	66.7	22.7	0.6	3,678.2	100.0
2003 total	760.9	10.1	3,135.3	41.7	4,587.9	61.0	-960.4	-12.8	7,523.7	100.0
Q1 2004	170.0	4.6	1,525.0	41.6	1,833.4	50.0	136.1	3.7	3,664.5	100.0

Table 37. Structure of other investments by groups of countries in the 1st quarter of 2004

	Volume (EEK m)		Share (%)	
	Claims	Liabilities	Claims	Liabilities
European Union	-951.3	2,461.7	57.5	67.2
Accession countries	-740.6	1,023.7	44.7	27.9
CIS	-396.9	193.9	24.0	5.3
Other	433.8	-14.7	-26.2	-0.4
Total	-1,655.0	3,664.6	100.0	100.0

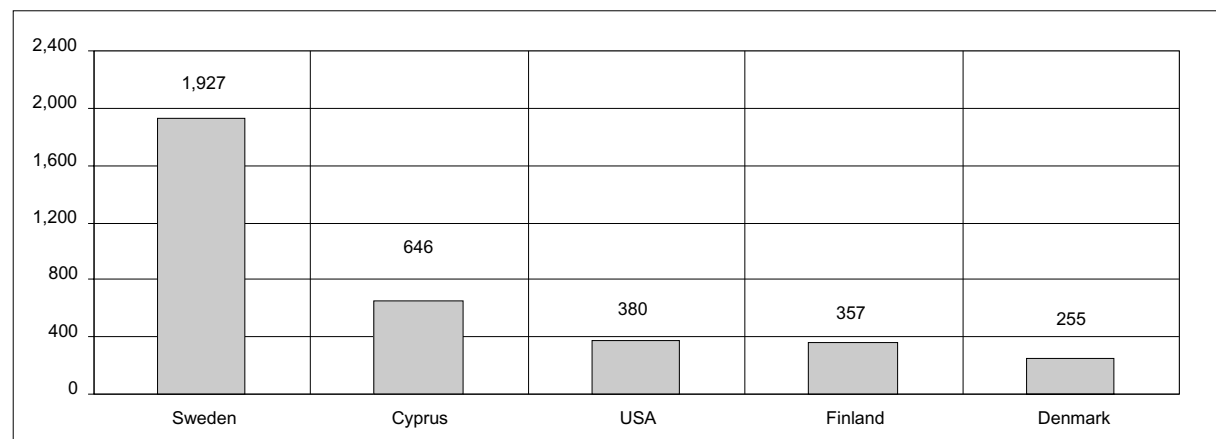


Figure 22. Other investments into Estonia by countries in the 1st quarter of 2004 (EEK m)

Table 38. Structure of other investments abroad

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 2000	-117.5	15.5	-403.8	53.4	-543.4	71.9	308.9	-40.9	-755.8	100.0
Q2 2000	-4.7	0.2	-795.3	27.8	-1,926.8	67.4	-130.0	4.6	-2,856.8	100.0
Q3 2000	-189.2	17.8	-1,281.2	120.2	255.9	-24.0	149.0	-14.0	-1,065.5	100.0
Q4 2000	233.4	11.4	-333.7	-16.4	2,111.3	103.5	28.8	1.4	2,039.8	100.0
2000 total	-78.0	3.0	-2,814.0	106.7	-103.0	3.9	356.7	-13.5	-2,638.3	100.0
Q1 2001	-301.4	-1,655.6	-1,655.6	31.4	-3,156.4	59.9	-157.9	3.0	-5,271.3	100.0
Q2 2001	-777.1	-614.2	-580.3	36.3	-128.0	8.0	-114.8	7.2	-1,600.2	100.0
Q3 2001	342.2	-69.4	-69.4	-5.8	802.0	66.9	123.8	10.3	1,198.6	100.0
Q4 2001	151.5	26.4	26.4	1.3	1,744.4	89.2	33.9	1.7	1,956.2	100.0
2001 total	-584.8	15.7	-2,278.9	61.3	-738.0	19.9	-115.0	3.1	-3,716.7	100.0
Q1 2002	-22.8	3.2	-1,081.9	153.4	392.2	-55.6	7.2	-1.0	-705.3	100.0
Q2 2002	-208.2	31.0	1,540.6	-229.1	-1,413.1	210.1	-591.8	88.0	-672.5	100.0
Q3 2002	-464.6	-16.7	-329.0	-11.8	3,121.2	112.3	452.1	16.3	2,779.7	100.0
Q4 2002	1,743.2	-246.6	-1,454.2	205.7	-1,357.7	192.1	361.9	-51.2	-706.8	100.0
2002 total	1,047.6	150.7	-1,324.5	-190.5	742.6	106.8	229.4	33.0	695.1	100.0
Q1 2003	-691.6	18.7	-6,337.1	171.4	3,367.7	-91.1	-35.8	1.0	-3,696.8	100.0
Q2 2003	-796.2	-28.3	2,349.2	83.6	1,353.3	48.4	-96.5	-3.4	2,809.8	100.0
Q3 2003	170.0	75.7	1,962.6	871.5	-607.5	-269.8	-1,299.9	-577.2	225.2	100.0
Q4 2003	667.8	-54.1	-1,495.0	121.0	-1,899.0	153.7	1,491.0	-120.7	-1,235.2	100.0
2003 total	-650.0	34.4	-3,520.3	185.6	2,214.5	-116.7	58.8	-3.1	-1,897.0	100.0
Q1 2004	-97.2	5.9	-1,012.6	61.2	-328.2	19.8	-216.9	13.1	-1,654.9	100.0

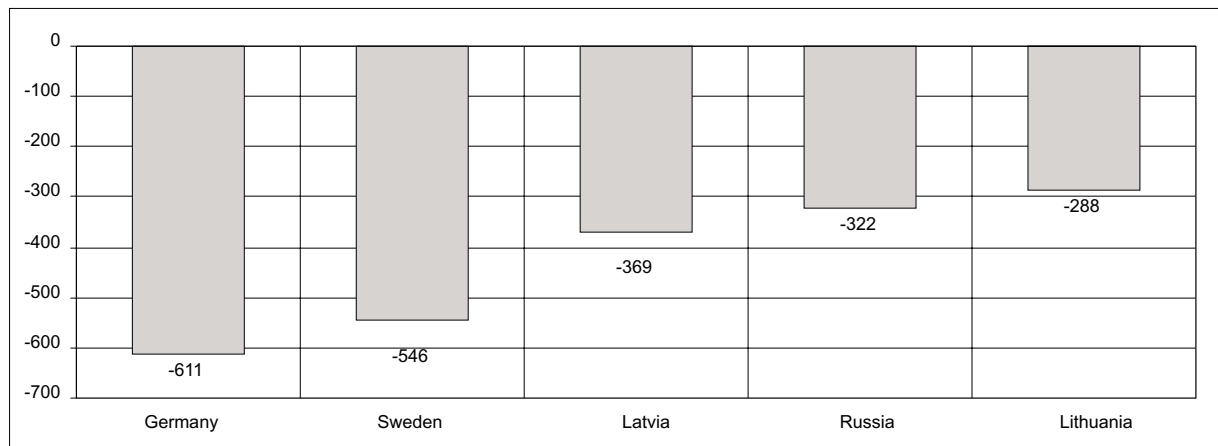


Figure 23. Other investments abroad by countries in the 1st quarter of 2004 (EEK m)

Table 39. Claims and liabilities of loan capital (EEK m)

	Claims			Liabilities		
	Granting	Repayment	Balance	Receiving	Repayment	Balance
Q1 2003	-11,076.1	4,739.0	-6,337.1	8,547.3	-8,356.3	191.0
Q2 2003	-8,846.0	11,195.2	2,349.2	6,448.5	-5,275.8	1,172.7
Q3 2003	-9,902.7	11,865.4	1,962.7	5,629.6	-4,567.3	1,062.3
Q4 2003	-5,094.3	3,599.2	-1,495.1	9,297.4	-8,588.1	709.3
Total 2003	-34,919.1	31,398.8	-3,520.3	29,922.8	-26,787.5	3,135.3
Q1 2004	-6,700.2	5,687.6	-1,012.6	-7,437.0	8,962.0	1,525.0

RESERVES

The inflow of capital on the capital and financial account did not cover the current account deficit in the first quarter of 2004 and, as a result, the reserves of the balance of payments shrank by 468 million kroons (see Table 40). The coverage of imports with reserves is shown in Figure 24.

Table 40. Structure of changes in reserves

	Volume (EEK m)			Share %		
	Q1 2003	Q4 2003	Q1 2004	Q1 2003	Q4 2003	Q1 2004
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-2,917.9	-2,296.1	1,541.0	398.2	160.8	329.0
Securities	2,189.6	885.3	-1,054.3	-298.8	-62.0	-225.1
equity securities				0.0	0.0	0.0
bonds and notes	792.5	48.9	-273.8	-108.1	-3.4	-58.5
money market instruments	1,397.1	836.4	-780.6	-190.7	-58.6	-166.7
Other claims	-4.5	-17.4	-18.3	0.6	1.2	-3.9
Total	-732.8	-1,428.2	468.4	100.0	100.0	100.0

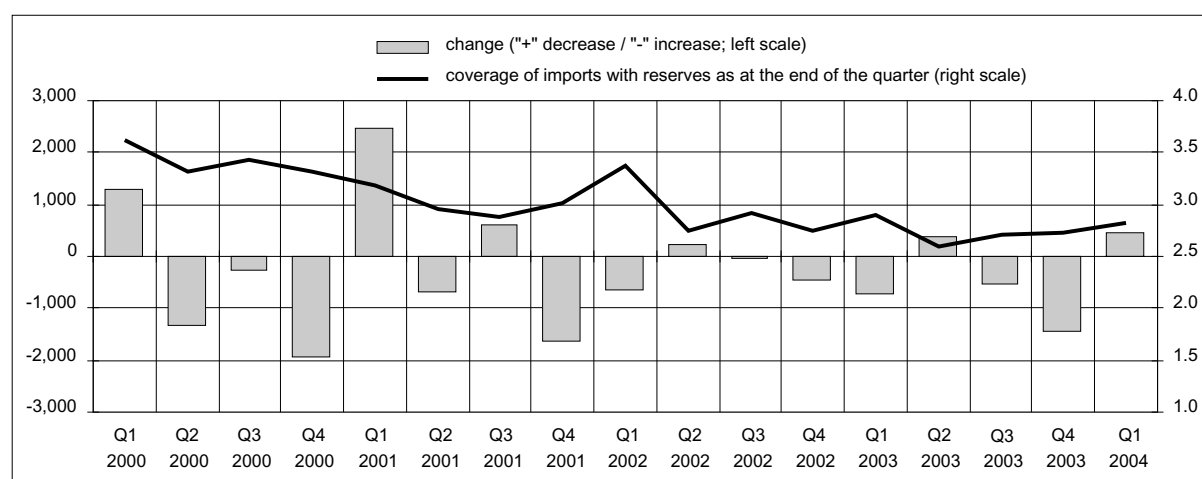


Figure 24. Change of Estonia's gold and foreign exchange reserves (EEK m) and coverage of imports (by months)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT as at 31 March 2004

By the end of the first quarter of 2004, foreign investment made into Estonia totalled 173.3 billion kroons (see Table 41). Nearly half of it was made into financial intermediation and considerably less into transport, storage, and communications, manufacturing, and wholesale and retail trade (see Table 42). Most of the investments came from Sweden, Finland, and the United Kingdom.

The structure of foreign investments into Estonia did not change quarter-on-quarter: half of it, i.e. 86.7 billion kroons, were direct investments, a third were other investments, and a fifth were portfolio investments. The most preferred areas for **foreign direct investment into Estonia** were financial intermediation (30% of all direct investments), transport, storage, and communications (19%), manufacturing (17%), and wholesale and retail trade (15%; see Table 43). 70% of direct investments came from Sweden and Finland.

Estonian investments abroad totalled 78.1 billion kroons. Two thirds of the investments abroad were made by financial intermediaries. Investments abroad were also made by the public sector, transport, storage and communications, manufacturing, and wholesale and retail trade companies. Most of the Estonian investments went to Germany, Lithuania, and Latvia.

Table 41. Estonia's international investment position (EEK m)

	31/12/03	%	31/03/04	%
EXTERNAL ASSETS				
Direct investments abroad	12,668.0	17.0	13,878.7	17.8
Share capital and reinvested earnings	8,862.0	11.9	9,251.1	11.8
Other capital	3,806.0	5.1	4,627.6	5.9
Portfolio investments abroad	18,459.6	24.7	19,441.2	24.9
Equity securities	1,905.4	2.6	2,498.1	3.2
Debt securities	16,554.2	22.2	16,943.1	21.7
Long-term	8,361.9	11.2	10,435.5	13.4
Short-term	8,192.3	11.0	6,507.6	8.3
Financial derivatives	333.5	0.4	277.0	0.4
Other investments	26,005.0	34.8	27,819.9	35.6
Trade credit	5,430.1	7.3	5,648.9	7.2
Loans	14,216.1	19.0	15,239.2	19.5
Long-term	5,621.7	7.5	6,784.6	8.7
Short-term	8,594.4	11.5	8,454.6	10.8
Deposits	5,793.7	7.8	6,155.0	7.9
Other assets	565.1	0.8	776.8	1.0
Reserves	17,183.6	23.0	16,701.6	21.4
TOTAL EXTERNAL ASSETS	74,649.7	100.0	78,118.4	100.0
EXTERNAL LIABILITIES				
Direct investments into Estonia	80,792.3	50.3	86,672.5	50.0
Share capital and reinvested earnings	65,983.6	41.0	71,482.5	41.2
Other capital	14,808.7	9.2	15,190.0	8.8
Portfolio investments into Estonia	29,453.3	18.3	32,225.5	18.6
Equity securities	11,783.6	7.3	14,658.7	8.5
Debt securities	17,669.7	11.0	17,566.8	10.1
Long-term	12,971.7	8.1	13,183.2	7.6
Short-term	4,698.0	2.9	4,383.6	2.5
Financial derivatives	208.7	0.1	208.0	0.1
Other investments	50,324.7	31.3	54,234.5	31.3
Trade credit	8,076.3	5.0	8,500.8	4.9
Loans	24,529.4	15.3	26,094.3	15.1
Long-term	21,506.0	13.4	22,233.2	12.8
Short-term	3,023.4	1.9	3,861.1	2.2
Deposits	16,447.3	10.2	18,280.7	10.5
Other liabilities	1,271.7	0.8	1,358.7	0.8
TOTAL EXTERNAL LIABILITIES	160,779.0	100.0	173,340.5	100.0
NET INTERNATIONAL INVESTMENT POSITION	-86,129.3		-95,222.1	
short-term	-10,495.2		-17,428.1	
long-term	-75,634.1		-77,794.0	

Table 42. Estonia's international investment position by fields of activity and countries (%) as at 31 March 2004

Claims		Liabilities	
Fields of activity			
Financial intermediation	65.8	Financial intermediation	47.3
Public administration and defence	13.7	Transport, storage and communications	13.1
Transport, storage and communications	7.3	Manufacturing	11.3
Manufacturing	5.9	Wholesale and retail trade	10.6
Wholesale and retail trade	5.2	Real estate, renting and business activities	6.8
Other	2.1	Other	10.9
Total	100.0	Total	100.0
Countries			
Germany	16.3	Sweden	29.8
Lithuania	15.7	Finland	21.7
Latvia	11.1	United Kingdom	13.8
United Kingdom	7.0	USA	6.2
Netherlands	6.9	Germany	5.0
Other	43.0	Other	23.5
Total	100.0	Total	100.0

Table 43. Direct investments by fields of activity and countries (%) as at 31 March 2004

In Estonia		Abroad	
Fields of activity			
Financial intermediation	30.3	Financial intermediation	37.2
Transport, storage and communications	18.5	Transport, storage and communications	26.5
Transport, storage and communications	17.0	Manufacturing	17.6
Manufacturing	15.1	Wholesale and retail trade	7.6
Wholesale and retail trade	10.6	Real estate, renting and business activities	7.1
Other	8.5	Other	4.0
Total	100.0	Total	100.0
Countries			
Germany	44.0	Sweden	42.1
Lithuania	25.6	Finland	28.0
Latvia	5.3	United Kingdom	17.4
United Kingdom	2.6	USA	4.0
Netherlands	2.5	Germany	2.8
Other	20.0	Other	5.7
Total	100.0	Total	100.0

Quarter-on-quarter, the share of direct investments and other investments increased slightly in the structure of investments abroad, whereas the share of reserves decreased. Loans, deposits, and the central bank's gold and foreign exchange reserves covered 57% of foreign claims. **Direct investments** accounted for 18% of all investments abroad. The most active direct investors were in financial intermediation (37%), transport, storage, and communications (26.5%), and real estate, leasing, and business activities (18%). Nearly 90% of all direct investments abroad were made into three countries – Lithuania, Latvia, and Cyprus (see Table 43).

Due to the large share of external liabilities, Estonia's net investment position was negative by 95.2 billion kroons at the end of the first quarter of 2004, amounting to 74% of the expected GDP. 82% of the net investment position was made up of long-term capital, the share of which has somewhat decreased over the past quarter.

On 31 March 2004, Estonia's gross external debt amounted to 93.1 billion kroons (72% of the expected GDP) and the net external debt (debt-related external claims minus liabilities) stood at 20.9 billion kroons (16% of the expected GDP; see Table 44 and Figure 25). The gross debt amounted to 54% of the external liabilities. Leaving aside intra-group debts of direct investment companies, long-term debts accounted for 55% of the gross debt. Debt claims mostly consisted of short-term capital.

Table 44. External debt (EEK m)

	31/12/03	%	31/03/04	%
DEBT LIABILITIES				
I. General government	3,718.2	4.2	3,684.4	4.0
Short-term				
Long-term	3,718.2	4.2	3,684.4	4.0
II. Monetary authorities (CNB)	485.1	0.5	366.1	0.4
Short-term	485.1	0.5	366.1	0.4
Long-term				
III. Banks	37,075.1	41.9	40,312.4	43.3
Short-term	19,043.7	21.5	20,701.3	22.2
Long-term	18,031.4	20.4	19,611.1	21.1
IV. Other sectors	26,716.0	30.2	27,438.4	29.5
Short-term	10,779.9	12.2	11,031.5	11.9
Long-term	15,936.1	18.0	16,406.9	17.6
V. Direct investments: intra-group debts	20,529.1	23.2	21,254.4	22.8
GROSS EXTERNAL DEBT	88,523.5	100.0	93,055.7	100.0
CLAIMS				
I. General government	10,688.2	15.4	10,680.0	14.8
Short-term	6,398.3	9.2	5,886.8	8.2
Long-term	4,289.9	6.2	4,793.2	6.6
II. Monetary authorities (CNB)	17,150.3	24.8	16,665.5	23.1
Short-term	14,256.0	20.6	13,442.3	18.6
Long-term	2,894.3	4.2	3,223.2	4.5
III. Banks	14,218.0	20.5	15,446.7	21.4
Short-term	12,615.8	18.2	11,781.0	16.3
Long-term	1,602.2	2.3	3,665.7	5.1
IV. Other sectors	17,641.7	25.5	18,624.7	25.8
Short-term	9,499.5	13.7	9,807.3	13.6
Long-term	8,142.2	11.8	8,817.4	12.2
V. Direct investments: intra-group debts	9,526.4	13.8	10,692.0	14.8
CLAIMS TOTAL	69,224.6	100.0	72,108.9	100.0
NET EXTERNAL DEBT				
I. General government	6,970.0		6,995.6	
Short-term	6,398.3		5,886.8	
Long-term	571.7		1,108.8	
II. Monetary authorities (CNB)	16,665.2		16,299.4	
Short-term	13,770.9		13,076.2	
Long-term	2,894.3		3,223.2	
III. Banks	-22,857.1		-24,865.7	
Short-term	-6,427.9		-8,920.3	
Long-term	-16,429.2		-15,945.4	
IV. Other sectors	-9,074.3		-8,813.7	
Short-term	-1,280.4		-1,224.2	
Long-term	-7,793.9		-7,589.5	
V. Direct investments: intra-group debts	-11,002.7		-10,562.4	
NET EXTERNAL DEBT TOTAL	-19,298.9		-20,946.8	

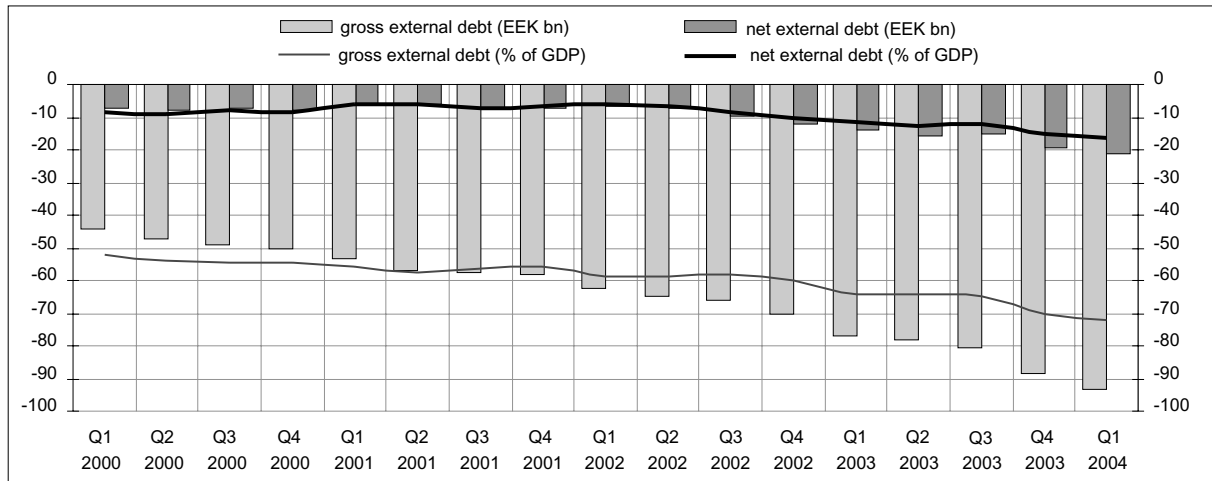


Figure 25. Estonia's gross and net external debt (EEK bn; the left scale) and % of GDP (the right scale)