
SHORT OVERVIEW

- **Current account deficit of the balance of payments for the third quarter of 2004 decreased two times from the quarter before and stood at 3.3 billion kroons.**
- **On the basis of the last four quarters, the current account deficit accounted for 14% of the expected GDP, and 9.2% based on the same quarter (see Table 1 and Figure 1)¹.**
- **The reduction in the current account deficit was affected by the decline in goods and income deficit and the growth in the surplus of the services account.**
- **Record high income that Estonian investors earned on foreign direct investment contributed to curbing the net outflow of income. The net outflow of income totalled 3.9% of the expected GDP (6.1% in the same quarter last year).**
- **Foreign capital inflow took place mainly through other investment.**
- **Balance of payments reserve assets grew by 2 billion kroons.**

The largest component of the **CURRENT ACCOUNT DEFICIT** was again the **goods account** with a shortfall of 6.8 billion kroons, which exceeded the respective figure a year ago by 1.1 billion kroons but decreased by an equal amount compared to the previous quarter. The deficit of the goods account was 19% of GDP. Goods exports amounted to 19.3 billion and imports to 26.1 billion kroons. The rise in the goods turnover compared to 2003 was brought about by the accession to the European Union as well as by a change in the reporting system, which is why foreign trade statistics before and after the accession are not directly comparable².

The main groups of export goods traditionally included machinery and equipment, timber and timber products, furniture and textile products. Machinery and equipment also dominated in imports with a 36% share in total imports. Chemical products, transport vehicles and metal products followed these.

Estonia's main trading partner was the enlarged European Union, whose share in the total turnover of goods declined slightly and amounted to 76%. Major partners were Finland, Sweden, Germany, Latvia and Lithuania, accounting for 57% of the exports and 52% of the imports.

The **services** surplus increased 13% year-on-year and totalled 4.3 billion kroons. Services exports grew by 11% and imports by 9%. The growth in the services surplus was most affected by travel services

¹ The current account deficit excluding reinvested earnings, which do not involve any real movement of funds, amounted to 8.7% of the expected GDP on the basis of the past four quarters.

² As of 1 May 2004 foreign trade statistics is based on the combination of two reporting systems: trade with non-EU countries is still calculated on the basis of customs declarations submitted to the Tax and Customs Board (the so-called Extrastat), whereas trade with other EU countries is registered through the so-called Intrastat survey organised by the Statistical Office (see www.stat.ee/125965). While Extrastat still allows the use of the special trade system, which excludes trade through customs warehouses, then Intrastat provides no way of excluding goods moving through intermediate warehouses that actually do not reach the Estonian domestic market, thus rather reflecting the principles of general trade system. Therefore, the general level of imports and exports of goods is higher than in previous periods, and this peculiarity has to be taken into account when comparing time series. Due to differences in the structure of Intrastat reports compared to customs declarations, a precise distinction between normal exports and imports and imports of goods for processing and exports of processed goods is no longer possible.

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

	2000	2001	2002	2003				2004			
	Total	Total	Total	I	II	III	IV	Total	I	II	III
Current account	-5,093.4	-5,889.5	-11,882.9	-4,546.6	-3,450.5	-3,416.6	-5,149.4	-16,563.1	-3,676.9	-6,689.4	-3,270.7
Goods 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	-1,822.6	-4,298.1	-2,519.1
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	-4,627.6	-8,040.0	-6,771.2
credit (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	18,451.2	19,332.5
debit (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	-21,532.8	-26,491.1	-26,103.7
Services	9,574.6	10,160.2	9,677.4	2,123.4	3,240.7	3,751.6	2,634.1	11,749.9	2,805.0	3,741.9	4,252.1
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	7,358.2	9,470.8	9,814.4
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	-4,553.2	-5,728.9	-5,562.3
Income	-3,483.4	-4,926.1	-5,423.1	-1,608.9	-1,886.9	-1,964.4	-2,476.5	-7,936.7	-2,201.3	-2,905.9	-1,390.7
credit	2,008.0	2,994.7	3,339.3	617.2	966.3	1,099.3	703.2	3,385.9	625.3	876.1	1,744.3
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	-2,826.5	-3,782.0	-3,135.0
Transfers	1,959.0	2,660.3	1,858.4	387.5	254.6	498.5	334.1	1,474.7	346.9	514.6	639.2
credit	2,454.8	3,174.1	2,876.3	741.0	573.5	802.4	757.9	2,874.8	812.9	1,191.1	1,377.8
debit	-495.8	-513.8	-1,017.9	-353.4	-318.9	-303.9	-423.8	-1,400.1	-466.0	-676.5	-738.6
Capital and financial account (reserve assets excluded)	7,273.2	4,863.1	12,739.6	5,230.2	3,389.8	3,611.3	6,748.5	18,979.7	3,119.3	7,326.7	4,350.9
Capital account	278.5	90.0	320.7	126.3	-6.3	257.8	171.2	549.0	27.7	154.7	554.5
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	3,091.6	7,172.0	3,796.4
Direct investment	5,601.4	5,901.3	2,611.8	4,322.2	2,186.0	2,622.5	1,301.6	10,432.2	1,651.7	2,529.9	554.2
Abroad	-1,043.1	-3,528.3	-2,188.4	-274.3	-219.7	-959.7	-584.8	-2,038.5	-1,004.1	-837.5	-1,681.8
In 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	2,655.8	3,367.4	2,236.0
Portfolio investment	1,417.5	-665.0	2,442.4	5,030.5	-4,470.1	-1,030.8	2,861.7	2,391.3	-780.5	5,637.5	-2,831.7
Assets	153.1	-2,100.2	-3,182.9	189.7	-2,074.7	-1,623.9	-1,842.6	-5,351.5	-769.0	-188.1	-2,439.5
Equity securities	53.3	236.5	9.1	-124.5	-263.4	-199.0	-442.0	-1,028.9	-441.7	-569.9	-585.1
Debt securities	99.8	-2,336.5	-3,192.0	314.2	-1,811.4	-1,424.9	-1,400.6	-4,322.7	-327.3	381.7	-1,854.5
Liabilities	1,264.4	1,435.2	5,625.3	4,840.8	-2,395.4	593.1	4,704.4	7,742.9	-11.5	5,825.7	-392.2
Equity securities	-538.8	568.4	912.2	109.6	680.2	544.8	151.9	1,486.5	68.4	376.8	144.6
Debt securities	1,803.2	866.8	4,713.1	4,731.2	-3,075.6	48.3	4,552.5	6,256.4	-80.0	5,448.8	-536.8
Financial derivatives	17.5	-34.7	-63.7	78.8	-7.8	-61.5	-28.8	-19.3	68.1	-42.6	-62.2
Assets	-77.8	-0.3	-43.2	-64.4	-4.7	-52.0	-18.0	-139.1	56.5	-5.5	-18.7
Liabilities	95.3	-34.4	-20.5	143.2	-3.1	-9.5	-10.7	119.9	11.7	-37.1	-43.5
Other investment	-41.7	-428.5	7,428.4	-4,327.7	5,688.0	1,823.3	2,442.8	5,626.5	2,152.3	-952.9	6,136.1
Assets	-2,638.3	-3,716.7	695.1	-3,696.8	2,809.7	225.2	-1,235.3	-1,897.2	-1,676.3	-4,892.3	2,972.0
Long-term	-1,108.7	-322.7	-1,083.0	131.0	-154.6	84.8	-622.4	-561.3	-1,152.0	-1,858.5	285.5
Short-term	-1,529.6	-3,394.0	1,778.1	-3,827.7	2,964.2	140.5	-612.9	-1,335.9	-524.4	-3,033.8	2,686.5
Liabilities	2,596.6	3,288.2	6,733.3	-630.9	2,878.3	1,598.1	3,678.1	7,523.6	3,828.7	3,939.4	3,164.1
Long-term	-549.9	1,814.4	1,829.0	1,368.5	485.0	1,109.4	1,264.2	4,227.2	690.9	288.2	-575.0
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	3,137.7	3,651.2	3,739.0
Errors and omissions	90.7	296.2	70.1	49.2	-318.8	336.1	-170.9	-104.5	89.2	87.7	937.5
Overall balance	2,270.5	-730.2	926.8	732.7	-379.6	530.8	1,428.1	2,312.1	-468.4	725.1	2,017.7
Reserve assets	-2,270.5	730.2	-926.8	-732.7	379.6	-530.8	-1,428.1	-2,312.1	468.4	-725.1	-2,017.7

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

** Estonia's accession to the EU on May 1, 2004 brought about a significant change in the calculation system of the movement of goods between Estonia and the other Member States. Thus, the time-series of foreign trade before and after the accession are not directly comparable.

and other business services. The transport services surplus decreased due to the abandoning of tax-free trade within the EU. The share of transport services in the structure of the services account turnover somewhat increased and the share of other business services declined, i.e. 45% and 15%, respectively. Travel services still accounted for 30% of the services turnover.

In the services sector, Estonia's major trading partners were the EU Member States, which accounted for 74% of the exports and 70% of the imports in the third quarter of 2004. Estonia's biggest surplus was with Finland (2 billion kroons).

The **income** deficit decreased in the third quarter of 2004 both from the same period last year as well as from the previous quarter, i.e. by 30% and two times, respectively, reaching 1.4 billion kroons (3.9% of the expected GDP). The main reason behind the decline in the net outflow was the record income

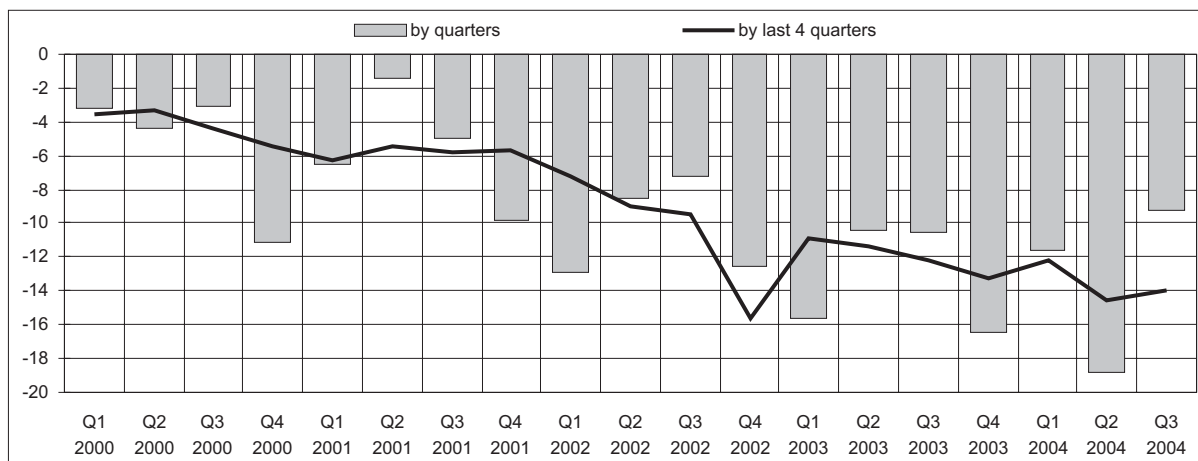


Figure 1. Current account deficit (% of GDP)

earned by Estonian investors on direct foreign investment (1.1 billion kroons). The income earned by non-residents on the capital invested in Estonia and on compensations of employees stood at 3.1 billion kroons while the residents' income on investment abroad totalled 1.7 billion kroons. 82% of non-residents' and 72% of residents' investment income came from direct investment, which was mainly reinvested earnings. Excluding reinvested earnings (which involved no real movement of funds) from the income account, the net outflow of income stood at 0.3 billion kroons.

Most of residents' income on investment came from Cyprus, Latvia and Lithuania. The share of the European Union was 85%. Financial intermediaries earned 40% and transport, storage and communications investors earned one third of the income. 94% of the income earned on investment into Estonia belonged to investors from the EU Member States (mainly Finland, Sweden, and the United Kingdom). Most of the income was earned on financial intermediation and manufacturing (both 27%), followed by transport, storage and communications (19%).

The surplus of the **transfers account** (both current and capital transfers) increased by more than a half. The growth was mainly related to transfers from the EU structural funds.

The positive balance of the **FINANCIAL ACCOUNT** decreased nearly two times from the second quarter of 2004 and amounted to 3.8 billion kroons. 0.6 billion kroons of that came from direct investment inflow and 6.1 billion kroons from the inflow of other investment. There was a net outflow of portfolio investment.

The modest net inflow of **direct investment** was caused by residents' increased direct investment abroad, which totalled 1.7 billion kroons in the third quarter. Non-residents' direct investment into Estonia increased by 2.2 billion kroons.

25% of direct investment inflow accounted for investment into equity capital, reinvested earnings amounted to 2.2 billion kroons. The biggest investors were from Scandinavia (Finland, Sweden) and the Netherlands. The share of the European Union in direct investment inflow was nearly 90%. Most investments were made into the real estate, renting and business activities, whole sale and retail trade as well as into manufacturing and financial intermediation.

Investment into equity capital accounted for nearly 0.8 billion kroons and reinvested earnings for 1 billion kroons of the 1.7 billion kroons of residents' direct investment capital. Investments went mainly to Latvia, Russia and Lithuania. The share of the European Union was 92%. The investors in the real estate, renting and business activities, financial intermediation, and transport, storage and communications made largest investments.

The net outflow of **portfolio investment** was 2.8 billion kroons. Portfolio investment claims increased by 2.4 billion and liabilities by 0.4 billion kroons. The claims increased mainly as a result of government sector investment into foreign debt securities.

The main source of capital inflow into the financial account was **other investment** with the net inflow of 6.1 billion kroons, while claims decreased by 3 and liabilities increased by 3.1 billion kroons. The movement in other investment took place mainly through credit institutions in the form of short-term capital.

CURRENT ACCOUNT

The current account deficit was 3.3 billion kroons in the third quarter of 2004, which was two times less than a quarter before. On the basis of the past four quarters, the current account deficit totalled 14% of the expected GDP, and 9.2% based on the same quarter. The reduction in the current account deficit was affected by the decline in goods and income deficit and the growth in the surplus of the services account (see Figure 2). Record high income that Estonian investors earned on foreign direct investment contributed most to curbing the net outflow of income.

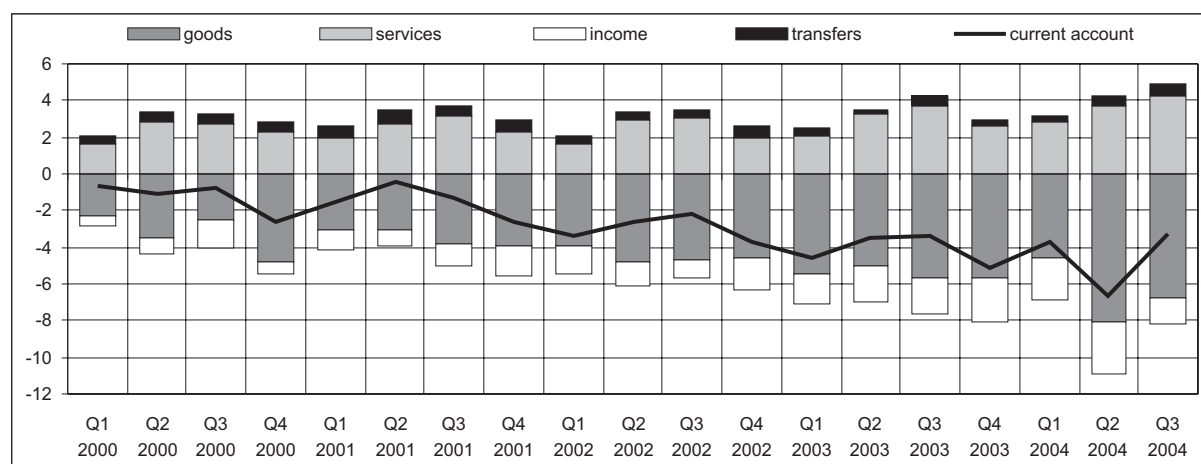


Figure 2. Current account structure (EEK bn)

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

	Q3 2003	Q2 2004	Q3 2004
EU-25*	-2,608.7	-6,410.4	-2,549.5
Germany**	-1,425.4	-2,576.7	-1,637.2
Latvia	616.4	639.3	856.1
Netherlands	-652.8	-479.3	-794.5
Cyprus	332.7	-186.6	698.7
Poland	-420.2	-699.3	-624.5
EU-15	-2,826.7	-5,773.1	-3,233.2
CIS	-1,661.8	-1,518.1	-362.3
Belarus	-234.3	-332.1	-273.0
Russia	-570.4	-990.9	-271.6
Ukraine	-858.6	-157.8	172.8
Other	853.9	1,239.1	-358.9
Japan	-203.3	-212.4	-1,078.0
USA	335.5	314.0	683.1
China	-80.6	-200.7	-667.9
Norway	368.4	525.2	579.5
Thailand	-21.5	-15.5	-540.6
Total	-3,416.6	-6,689.4	-3,270.7

* Here and below 15 EU Member States and 10 acceding countries have been analysed before 1 May 2004.

** Countries are ranked by the absolute value of last period's current account balance.

The European Union Member States (EU-25) accounted for 76% of both the credit and debit turnover of the current account. Estonia's five largest trading partners were Finland, Sweden, Latvia, Germany, and Russia, which accounted for 75% of the credit turnover and 72% of the debit turnover. In the third quarter of 2004, Estonia's current account deficit was the highest with Germany and Japan, while the highest surplus was registered with Latvia, Cyprus, and the United States (see Table 2).

Goods

The trade account of the balance of payments amounted to 6.8 billion kroons in the third quarter of 2004, which marked an improvement of 1.2 billion kroons from the quarter before, but was still a billion kroons larger than the respective figure in the third quarter of 2003 (see Table 3). Goods exports reached another record and amounted to 19.3 billion kroons, having grown by 5% quarter-on-quarter and by 25% year-on-year. Imports decreased by 2% quarter-on-quarter, but increased by 23% year-on-year, totalling 26 billion kroons. The rise in the goods turnover compared to 2003 was probably brought about by the accession to the European Union as well as by a change in the reporting system (transition to Intrastat reporting in declaring intra-Community trade), which is why foreign trade statistics before and after the accession are not directly comparable (see Footnote on page 3).

Table 3. Changes in the exports and imports of goods

	Goods – credit			Goods – debit			Balance (EEK m)
	Volume (EEK m)	Change compared to the previous period (%)	Share in total exports of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)	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	69.7	21,532.8	-7.3	82.5	-4,627.6
Q2 2004	18,451.2	9.1	66.1	26,491.1	23.0	82.2	-8,039.9
Q3 2004	19,332.5	4.8	66.3	26,103.7	-1.5	82.4	-6,771.2

According to **foreign trade statistics**³, goods exports totalled 19 billion and imports 27.6 billion kroons in c.i.f. prices (see Figure 3). Foreign trade deficit increased by 1.5 billion kroons year-on-year, totalling 8.6 billion kroons.

³ The analysis below does not contain adjustments made in the goods account 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.). Imports are in c.i.f. prices and analysed by the trading country.

The special trading system used for compiling the balance of payments prior to the accession to the EU is not fully applicable as of the accession since the Intrastat reporting system does not allow differentiation between general and special trade. Therefore, the impact of customs and intermediate warehouses has been eliminated only from trade with third countries.

As of the moment of accession, the terms "exports" and "imports" are only applicable in reference to trading with third countries, while the Intrastat system uses the terms "dispatch of goods" and "arrival of goods". Since the following analysis covers both intra-Community and non-Community trade, the terms "exports" and "imports" have still been used for the sake of simplicity and clarity.

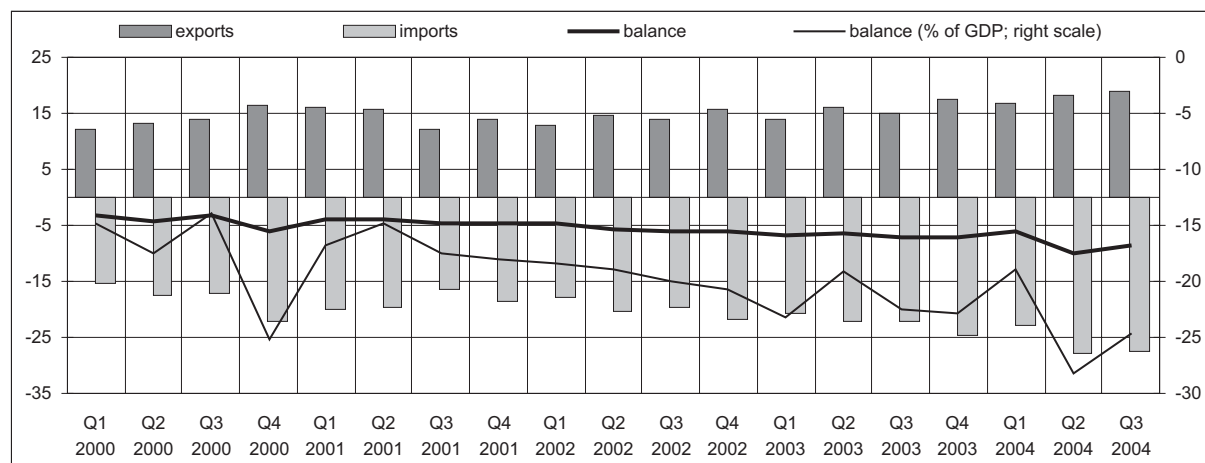


Figure 3. Estonia's foreign trade balance (EEK bn)

Exports of goods increased by 25% compared to the same period last year and across almost all main groups of goods (see Table 4). Machinery and equipment, mineral products and transport vehicles affected growth in exports most. As regards machinery, mobile telephones and phone parts, whose exports increased by more than 80% year-on-year and were channelled to Hungary, Sweden, Germany and Finland, constituted more than 60%. Even though 60% of the mineral goods exports accounted for the re-exports of motor fuel imported from Latvia and Lithuania prior to the EU accession to the United States and the European Union Member States, electricity sales to Latvia and Russia also increased from the quarter before as well as year-on-year, totalling 18% of the exports in this group of goods. The growth in transport vehicles exports was underpinned by the exports of motor cars and car parts imported prior to the accession – the cars went to Latvia and Lithuania and the parts to Sweden and Russia.

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
Food	1,167.2	1,361.5	1,226.4	7.7	7.5	6.5	-9.9	5.1
Mineral products	450.5	580.8	1,046.4	3.0	3.2	5.5	80.2	132.3
Chemical products	1,340.7	1,338.0	1,324.0	8.8	7.4	7.0	-1.0	-1.2
Clothing, footwear and headgear	2,093.0	1,966.0	2,145.0	13.8	10.9	11.3	9.1	2.5
Timber, paper and products	2,509.3	3,160.9	2,807.4	16.6	17.5	14.8	-11.2	11.9
Metals and metal products	1,422.9	1,467.2	1,527.3	9.4	8.1	8.0	4.1	7.3
Machinery and equipment	3,425.9	4,546.3	5,259.6	22.6	25.1	27.7	15.7	53.5
Transport vehicles	610.5	1,143.2	1,156.1	4.0	6.3	6.1	1.1	89.4
Furniture, toys, sporting goods	1,514.5	1,841.9	1,653.0	10.0	10.2	8.7	-10.3	9.1
Other	619.4	690.7	827.7	4.1	3.8	4.4	19.8	33.6
Total	15,153.8	18,096.5	18,972.9	100.0	100.0	100.0	4.8	25.2

Imports of goods also increased year-on-year across most of the main groups, except for transport vehicles whose imports decreased considerably from both periods of comparison (see Table 5). Import growth was mainly affected by the rise in the imports of machinery and equipment by 60% and, as a result, this group of goods accounted for 36% of total imports. The main import articles were mobile phones from Japan, Thailand, Finland, and Germany and electronics industry components and parts from the Netherlands, China, Japan, Sweden, and Finland. The machinery-equipment group was followed by chemical goods (medicines, plastic products, tyres) with a share of 11%, and transport vehicles (motor cars).

Table 5. Imports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
Food	2,004.5	2,832.5	2,284.0	9.0	10.1	8.3	-19.4	13.9
Mineral products	1,175.3	1,910.3	1,911.3	5.3	6.8	6.9	0.1	62.6
Chemical products	2,824.1	3,246.9	2,979.3	12.7	11.6	10.8	-8.2	5.5
Clothing, footwear and headgear	2,049.2	2,323.8	2,170.7	9.2	8.3	7.9	-6.6	5.9
Timber, paper and products	1,101.6	1,621.1	1,414.0	4.9	5.8	5.1	-12.8	28.4
Metals and metal products	2,185.9	3,032.8	2,608.4	9.8	10.8	9.4	-14.0	19.3
Machinery and equipment	6,128.1	7,323.7	9,840.8	27.5	26.2	35.6	34.4	60.6
Transport vehicles	3,418.1	3,780.2	2,906.9	15.3	13.5	10.5	-23.1	-15.0
Furniture, toys, sporting goods	499.8	646.9	533.0	2.2	2.3	1.9	-17.6	6.6
Other	931.7	1,281.0	957.4	4.2	4.6	3.5	-25.3	2.8
Total	22,318.2	27,999.2	27,605.8	100.0	100.0	100.0	-1.4	23.7

The annual growth in the **foreign trade deficit** was most affected by the increase in the negative balance of machinery and equipment by 1.9 billion kroons (see Table 6). Two groups of goods posted a surplus: timber and timber products, and furniture and other manufactured goods.

Table 6. Foreign trade balance by main groups of goods (EEK m)

	Q3 2003	Q2 2004	Q3 2004
Food	-837.3	-1,471.0	-1,057.6
Mineral products	-724.8	-1,329.5	-864.9
Chemical products	-1,483.4	-1,908.9	-1,655.3
Clothing, footwear and headgear	43.8	-357.8	-25.7
Timber, paper and products	1,407.7	1,539.8	1,393.4
Metals and metal products	-763.0	-1,565.6	-1,081.1
Machinery and equipment	-2,702.3	-2,777.4	-4,581.2
Transport vehicles	-2,807.6	-2,637.0	-1,750.8
Furniture, toys, sporting goods	1,014.7	1,194.9	1,120.0
Other	-312.3	-590.3	-129.7
Total	-7,164.4	-9,902.7	-8,632.9

By groups of countries, the **exports of goods** to the European Union as well as to other groups of countries increased (see Table 7). The enlarged European Union has become Estonia's largest trading partner, with the dispatch of goods increasing by 19% compared to the third quarter of 2003 and covering 77% of the total exports in the period under analysis. The biggest export partners were again Finland and Sweden, followed by Germany and Latvia and, surprisingly, Hungary. Exports to the CIS countries increased by 63%. The abolishment of double customs duties in trade with Russia has had a positive impact: exports to Russia increased by 75%, i.e. by 545 million kroons. The top three of other countries were the United States, Norway and Turkey.

Imports of goods increased from the European Union and decreased from the CIS countries (see Table 8). The top five partners were Finland, Germany, Sweden, Lithuania, and the Netherlands. Russia accounted for 76% of the total volume of the CIS countries, followed by Belarus and the Ukraine. Japan, China and Thailand dominated among other countries.

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

Table 7. Exports of goods by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
EU-25	12,310.2	14,867.3	14,645.1	81.2	82.2	77.2	-1.5	19.0
Finland	3,562.1	4,358.7	4,108.3	23.5	24.1	21.7	-5.7	15.3
Sweden	2,181.3	2,907.4	2,666.3	14.4	16.1	14.1	-8.3	22.2
Germany	1,528.4	1,365.9	1,601.8	10.1	7.5	8.4	17.3	4.8
Latvia	1,188.3	1,562.9	1,508.2	7.8	8.6	7.9	-3.5	26.9
Hungary	126.6	525.4	836.8	0.8	2.9	4.4	59.3	560.8
EU-15	9,940.7	11,679.1	11,186.4	65.6	64.5	59.0	-4.2	12.5
CIS	1,081.3	1,085.9	1,760.6	7.1	6.0	9.3	62.1	62.8
Russia	725.4	746.0	1,271.0	4.8	4.1	6.7	70.4	75.2
Ukraine	314.6	273.0	368.6	2.1	1.5	1.9	35.0	17.2
Other	1,762.3	2,143.3	2,567.2	11.6	11.8	13.5	19.8	45.7
USA	413.5	533.8	821.5	2.7	2.9	4.3	53.9	98.7
Norway	597.7	612.8	578.6	3.9	3.4	3.0	-5.6	-3.2
Turkey	19.2	66.6	214.0	0.1	0.4	1.1	221.5	1,014.8
Total	15,153.8	18,096.5	18,972.9	100.0	100.0	100.0	4.8	25.2

Table 8. Imports of goods by groups of countries*

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
EU-25	17,167.3	22,037.1	20,531.7	76.9	78.7	74.4	-6.8	19.6
Finland	4,886.0	6,427.1	5,852.7	21.9	23.0	21.2	-8.9	19.8
Germany	2,045.6	2,739.5	2,417.6	9.2	9.8	8.8	-11.7	18.2
Sweden	3,015.0	3,662.5	3,323.3	13.5	13.1	12.0	-9.3	10.2
Lithuania	909.9	1,402.6	1,119.5	4.1	5.0	4.1	-20.2	23.0
Netherlands	993.9	1,370.2	1,513.3	4.5	4.9	5.5	10.4	52.3
EU-15	14,072.9	17,601.9	16,221.5	63.1	62.9	58.8	-7.8	15.3
CIS	2,958.6	3,258.3	2,720.0	13.3	11.6	9.9	-16.5	-8.1
Russia	1,569.9	2,337.5	2,076.4	7.0	8.3	7.5	-11.2	32.3
Belarus	224.2	365.8	317.7	1.0	1.3	1.2	-13.2	41.7
Other	2,192.4	2,703.8	4,354.1	9.8	9.7	15.8	61.0	98.6
Japan	302.7	306.1	1,171.0	1.4	1.1	4.2	282.5	286.9
China	266.9	436.6	839.2	1.2	1.6	3.0	92.2	214.4
Thailand	23.9	33.5	554.0	0.1	0.1	2.0	1,554.4	2,222.1
Total	22,318.2	27,999.2	27,605.8	100.0	100.0	100.0	-1.4	23.7

* Analysed by trading country.

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

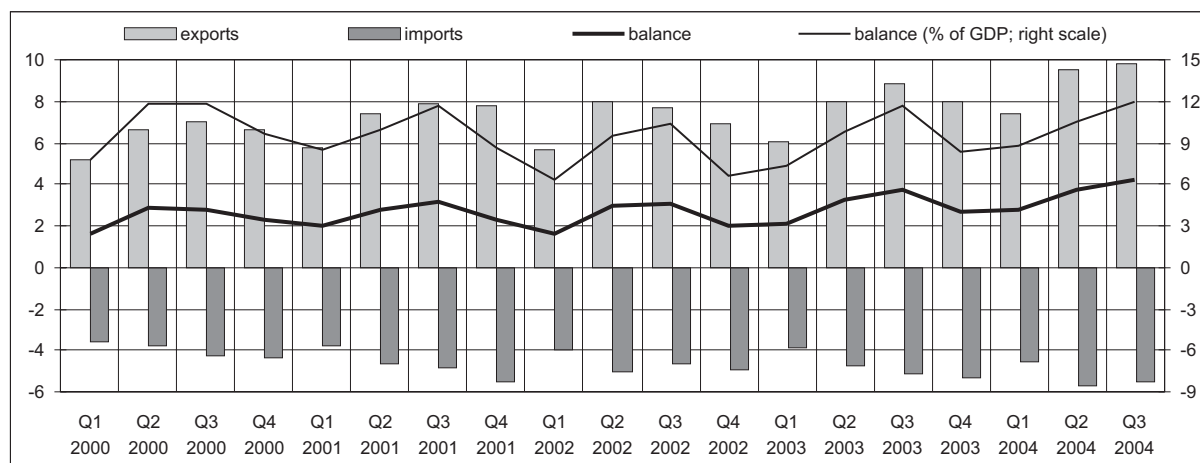
	Q3 2003	Q2 2004	Q3 2004
EU-25	-4,857.1	-7,169.8	-5,886.7
EU-15	-4,132.1	-5,922.8	-5,035.1
CIS	-1,877.2	-2,172.4	-959.4
Other	-430.0	-560.5	-1,786.9
Total	-7,164.4	-9,902.7	-8,632.9

Services

In the third quarter of 2004, the surplus of the services account was 4.3 billion kroons, up 13% year-on-year (see Table 10 and Figure 4). The surplus of the services account offset the foreign trade deficit by 63%.

Table 10. Exports and imports of services

	Exports			Imports			Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Share in total turnover of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)	Share in total turnover of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)
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	7,358.2	-2.0	30.3	4,553.2	-4.2	17.5	2,805.0	1.5
Q2 2004	9,470.8	28.7	33.9	5,728.9	25.8	17.8	3,741.9	33.4
Q3 2004	9,814.4	3.6	33.7	5,562.3	-2.9	17.6	4,252.1	13.6

**Figure 4. Changes in services (EEK bn)**

The services turnover usually peaks in summer periods due to seasonal factors. Above all, this applies to travel services, whose positive balance stood at 2.3 billion kroons in the period under analysis, accounting for 54% of the services account surplus. The balance increased by a third year-on-year (see Table 11). The positive balance of another important service category – transport services – shrank by 17%. The growth in the balance of services was also largely affected by the rise in the positive balance of business services.

Exports of services totalled 9.8 billion kroons in the third quarter, up 11% year-on-year (see Table 12). Exports of travel and transport services grew faster than average (by 17% and 13%, respectively). Exports of construction services declined by 29% compared to the last year.

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
Transportation	1,834.7	1,342.9	1,520.7	48.9	35.9	35.8	13.2	-17.1
Travel	1,722.1	2,096.5	2,284.9	45.9	56.0	53.7	9.0	32.7
Construction services	41.7	-121.1	45.6	1.1	-3.2	1.0	-137.7	9.4
Business services	25.2	404.1	315.6	0.6	10.8	7.4	-21.9	1,152.4
Government services	54.5	43.8	50.3	1.5	1.2	1.2	14.8	-7.7
Other	73.4	-24.3	35.0	2.0	-0.6	0.8	-244.0	-52.3
Total	3,751.6	3,741.9	4,252.1	100.0	100.0	100.0	13.6	13.3

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
Transportation	3,727.9	3,748.9	4,209.3	42.1	39.6	42.9	12.3	12.9
freight	1,921.1	2,240.8	2,407.2	21.7	23.7	24.5	7.4	25.3
passenger	890.3	645.9	924.6	10.1	6.8	9.4	43.1	3.9
other transport services	916.5	862.2	877.5	10.3	9.1	9.0	1.8	-4.3
Travel	2,977.9	3,373.8	3,484.8	33.6	35.6	35.5	3.3	17.0
Construction services	343.8	228.7	243.5	3.9	2.4	2.5	6.5	-29.2
Business services	1,263.2	1,541.4	1,296.2	14.3	16.3	13.2	-15.9	2.6
Government services	128.0	116.2	118.1	1.4	1.2	1.2	1.6	-7.7
Other	418.5	461.8	462.5	4.7	4.9	4.7	0.2	10.5
Total	8,859.3	9,470.8	9,814.4	100.0	100.0	100.0	3.6	10.8

Exports of services to the EU Member States increased essentially at the same rate as total services exports. Services exports to Sweden and Germany grew faster than average (by 20% and 16%, respectively). Among other countries, the CIS and offshore regions were the most significant (see Table 13). While services exports to the CIS countries increased by 34%, exports to the offshore regions decreased by 8%.

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
EU-25	6,262.3	6,335.2	6,892.3	70.7	66.9	70.2	8.8	10.1
Finland	2,889.7	2,868.4	3,143.6	32.6	30.3	32.0	9.6	8.8
United Kingdom	794.4	635.7	768.4	9.0	6.7	7.8	20.9	-3.3
Sweden	624.4	703.1	748.6	7.0	7.4	7.6	6.5	19.9
Germany	467.6	491.3	544.2	5.3	5.2	5.5	10.8	16.4
Latvia	338.8	453.6	386.8	3.8	4.8	3.9	-14.7	14.2
EU-15	5,520.6	5,477.2	6,076.7	62.3	57.8	61.9	10.9	10.1
CIS	753.0	1,063.5	1,010.4	8.5	11.2	10.3	-5.0	34.2
Russia	688.1	953.2	869.4	7.8	10.1	8.9	-8.8	26.3
Ukraine	39.7	75.4	94.1	0.4	0.8	1.0	24.8	137.0
Other	1,844.0	2,072.1	1,911.7	20.8	21.9	19.5	-7.7	3.7
offshore regions	669.8	906.4	617.2	7.6	9.6	6.3	-31.9	-7.9
USA	481.4	383.9	437.3	5.4	4.1	4.5	13.9	-9.2
Switzerland	206.4	365.3	431.8	2.3	3.9	4.4	18.2	109.2
Total	8,859.3	9,470.8	9,814.4	100.0	100.0	100.0	3.6	10.8

Imports of services stood at 5.6 billion kroons in the third quarter, up 9% year-on-year (see Table 14). The growth in services imports was most affected by transport services, above all freight services (annual growth of 42% and 67%, respectively), owing to an increase in goods imports.

Table 14. Services imports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
Transportation	1,893.1	2,406.0	2,688.7	37.1	42.0	48.3	11.7	42.0
freight	1,070.0	1,601.8	1,790.2	21.0	28.0	32.2	11.8	67.3
passenger	368.5	303.7	314.8	7.2	5.3	5.6	3.7	-14.6
other transport services	454.6	500.5	583.7	8.9	8.7	10.5	16.6	28.4
Travel	1,255.8	1,277.3	1,200.0	24.6	22.3	21.6	-6.1	-4.4
Construction services	302.0	349.8	197.9	5.9	6.1	3.6	-43.4	-34.5
Business services	1,237.9	1,137.3	980.7	24.2	19.9	17.6	-13.8	-20.8
Government services	73.5	72.4	67.8	1.4	1.3	1.2	-6.4	-7.8
Other	345.3	486.1	427.2	6.8	8.4	7.7	-12.1	23.7
Total	5,107.6	5,728.9	5,562.3	100.0	100.0	100.0	-2.9	8.9

Geographically, the changes were minor (see Table 15). Services imports from the EU countries grew by 9%, while imports from Latvia and Germany increased at a faster than average rate (by 56% and 24%, respectively). Among non-Community countries the growth in services imports was most affected by Russia, China and Japan (an increase of 26%, 3.2 times and 10.5 times, respectively).

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
EU-25	3,762.8	4,405.2	4,104.0	73.7	76.9	73.8	-6.8	9.1
Finland	1,166.0	1,158.1	1,120.1	22.8	20.2	20.1	-3.3	-3.9
Germany	445.9	776.8	554.2	8.7	13.6	10.0	-28.7	24.3
Sweden	357.9	442.7	363.4	7.0	7.7	6.5	-17.9	1.5
Latvia	213.5	277.1	332.8	4.2	4.8	6.0	20.1	55.9
United Kingdom	250.3	250.1	291.4	4.9	4.4	5.2	16.5	16.4
EU-15	3,082.6	3,679.6	3,374.9	60.4	64.2	60.7	-8.3	9.5
CIS	663.3	712.2	715.8	13.0	12.4	12.9	0.5	7.9
Russia	475.7	613.8	597.3	9.3	10.7	10.7	-2.7	25.6
Ukraine	132.5	56.0	56.4	2.6	1.0	1.0	0.7	-57.4
Other	681.5	611.5	742.5	13.3	10.7	13.3	21.4	9.0
USA	162.7	230.4	168.8	3.2	4.0	3.0	-26.7	3.7
China	26.2	42.4	83.2	0.5	0.7	1.5	96.2	217.6
Japan	6.6	22.6	69.6	0.1	0.4	1.3	208.0	954.5
Total	5,107.6	5,728.9	5,562.3	100.0	100.0	100.0	-2.9	8.9

The **transport services** surplus stood at 1.5 billion kroons in the third quarter of 2004, accounting for 36% of the total surplus of services (see Table 11). Year-on-year, the transport services surplus decreased by 17%, mainly due to the abandoning of tax-free trade on passenger ships within the EU.

The exports of transport services increased by 13% both from the quarter before and compared to the same period last year. Freight transport services maintained their major share in the transport services (see Table 12 and Figure 5). Exports of transport services to the EU Member States increased by 12% year-on-year (see Table 16). The biggest importer of transport services was again Finland. The continued import demand in the CIS countries and increasing crude oil and coal production volumes in Russia led to a rise in the volume of transport services imported by the CIS countries. Among other countries, the main trading partners were offshore regions.

Imports of transport services outpaced the growth in exports, increasing by 42% year-on-year and contributing to the decline in the surplus of transport services. The growth occurred due to freight and other transport services (see Table 14). Imports in passenger transport declined by 15% mainly in the sea and air transport sectors since the residents made more extensive use of domestic shipping lines and the

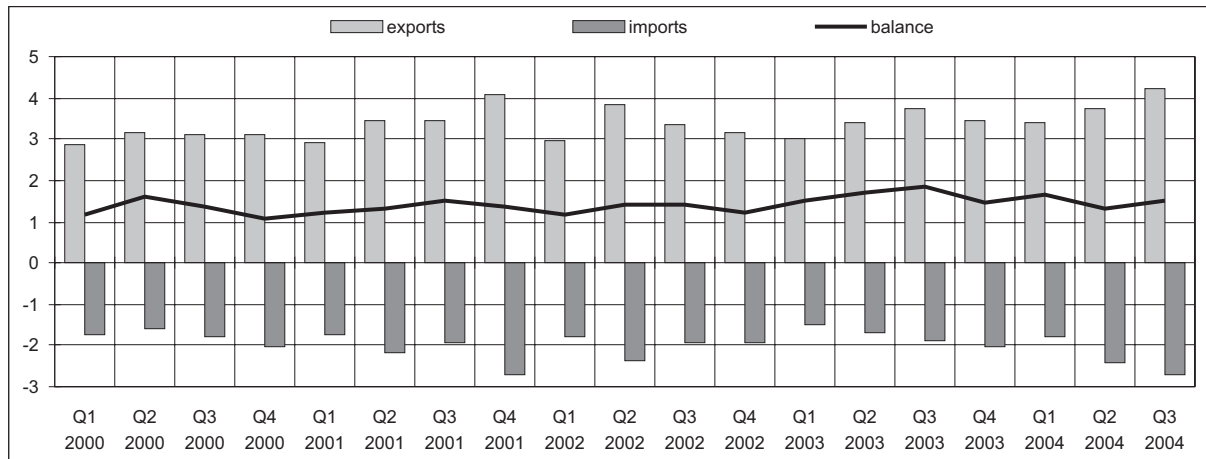


Figure 5. Transport services (EEK bn)

Table 16. Transport services by groups of countries in the third quarter of 2004

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q3 2004/ Q3 2003		Volume (EEK m)	Share (%)	Change (%), Q3 2004/ Q3 2003
EU-25	2,541.1	60.4	11.9	EU-25	1,827.8	68.0	42.6
Finland	799.4	19.0	-13.8	Finland	555.6	20.7	54.5
United Kingdom	522.1	12.4	9.4	Germany	268.2	10.0	53.8
Sweden	344.2	8.2	38.1	Sweden	165.5	6.2	30.9
Germany	244.6	5.8	50.3	Netherlands	106.1	3.9	58.8
Netherlands	160.5	3.8	50.1	Denmark	92.3	3.4	14.0
EU-15	2,335.8	55.5	10.1	EU-15	1,495.1	55.6	38.9
CIS	528.7	12.5	34.4	CIS	411.0	15.3	12.7
Russia	451.1	10.7	21.2	Russia	324.0	12.1	51.5
Ukraine	69.9	1.7	316.1	Ukraine	35.8	1.3	-66.7
Other	1,139.5	27.1	7.1	Other	449.9	16.7	82.7
offshore regions	525.1	12.5	-3.0	China	79.1	2.9	344.4
Switzerland	289.2	6.9	142.8	USA	76.3	2.8	30.9
USA	221.9	5.3	-13.0	Japan	63.6	2.4	3,247.4
Total	4,209.3	100.0	12.9	Total	2,688.7	100.0	42.0

average air fare has consistently fallen. Transport services were mainly bought from the European Union countries, including 21% from Finland, and from the CIS countries, above all from Russia. Among other countries, the biggest trading partner was China (see Table 16).

The share of sea transport in the third quarter of 2004 remained the highest both in exports and imports of transport services (see Figure 6).

The accession to the EU affected the exports of **travel services** favourably. Services exports grew by 18% year-on-year (see Figure 7 and Table 17) while the spendings of the visitors from the EU-15 countries rose by an equal amount on average.

Imports of travel services declined by 4% year-on-year, while services imports from the EU stayed at the 2003 level. The decline in Estonians' travel expenses in Finland has been brought about by specifications in the methods⁴. As regards other destinations, Estonians' travels to the United States and Norway have decreased while the number of trips to Egypt and Turkey has increased.

⁴ An increasing number of Estonians have found permanent jobs in Finland and hence become permanent residents there; therefore, their trips to Finland can no longer be treated as tourism.

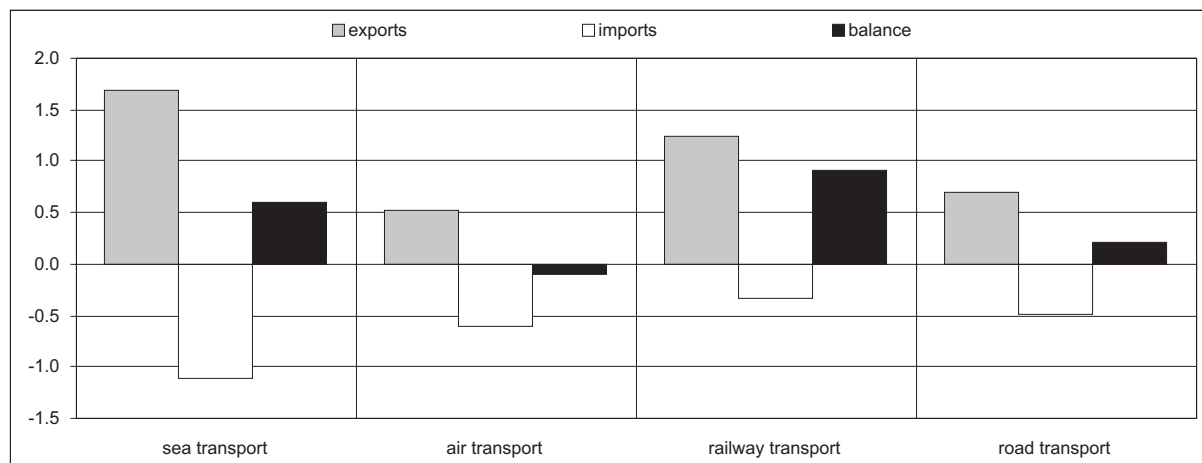


Figure 6. Transport services structure by transport type in the third quarter of 2004 (EEK bn)

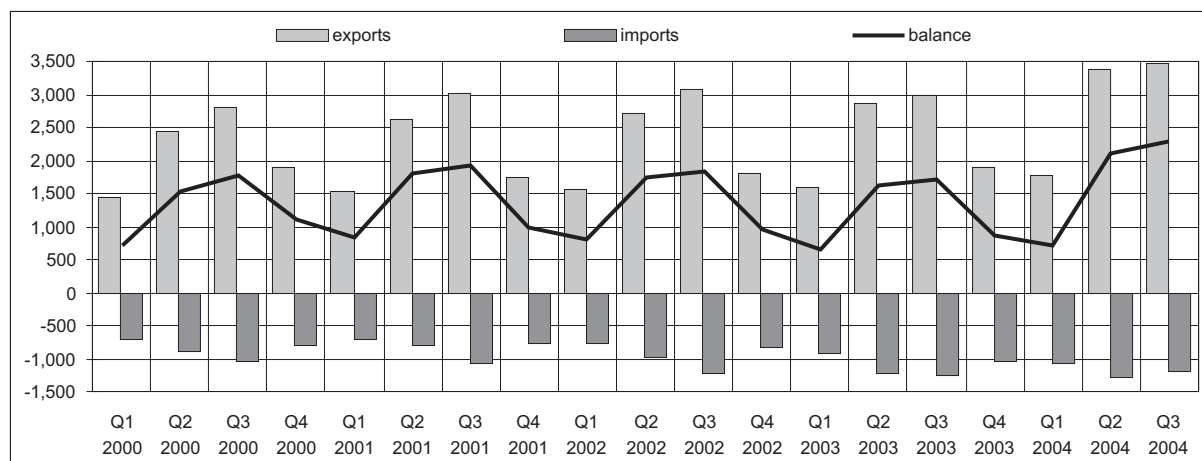


Figure 7. Travel services (EEK m)

Table 17. Travel services by groups of countries in the third quarter of 2004

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q3 2004/ Q3 2003		Volume (EEK m)	Share (%)	Change (%), Q3 2004/ Q3 2003
EU-25	2,956.5	84.8	16.9	EU-25	-898.3	74.9	-0.1
Finland	1,828.9	52.5	17.3	Finland	-133.7	11.1	-43.0
Sweden	270.7	7.8	21.0	Germany	-124.8	10.4	3.7
Germany	180.2	5.2	21.9	Latvia	-88.5	7.4	48.7
Latvia	172.5	4.9	15.0	United Kingdom	-85.5	7.1	26.9
EU-15	2,636.9	75.7	17.5	EU-15	-710.0	59.2	-6.1
CIS	236.9	6.8	8.8	CIS	-160.0	13.3	-4.9
Russia	224.1	6.4	7.9	Russia	-150.8	12.6	-1.9
Other	291.5	8.4	26.6	Other	-141.7	11.8	-24.9
USA	103.3	3.0	30.5	USA	-27.3	2.3	-12.2
Norway	86.6	2.5	22.2	Norway	-21.6	1.8	-29.6
Japan	16.5	0.5	3.5	Egypt	-17.6	1.5	469.4
Total	3,484.9	100.0	18.3	Total	-1,200.0	100.0	-4.4

Income

The deficit of the income account amounted to 1.4 billion kroons in the third quarter of 2004, having decreased two times from the preceding quarter and by nearly a third compared to the same period last year (see Table 18 and Figure 8). The decline in the deficit of the income account was related to an unusually large income inflow, which indicates an increase in the profitability of the investment made abroad by Estonian investors. The net outflow of income in the third quarter of 2004 totalled 3.9% of the expected quarterly GDP, while the net outflow of income in the first three quarters of the year amounted to 6.3% of the period's GDP. The main component of both income inflow and outflow was reinvested earnings, which involved no real movement of funds. The net outflow of income without reinvested earnings was 0.3 billion kroons (see Table 19).

Table 18. Changes in income

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)
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	625.3	-11.1	2,826.5	-11.1	-2,201.2	-11.1
Q2 2004	876.1	40.1	3,782.0	33.8	-2,905.9	32.0
Q3 2004	1,744.3	99.1	3,135.0	-17.1	-1,390.7	-52.1

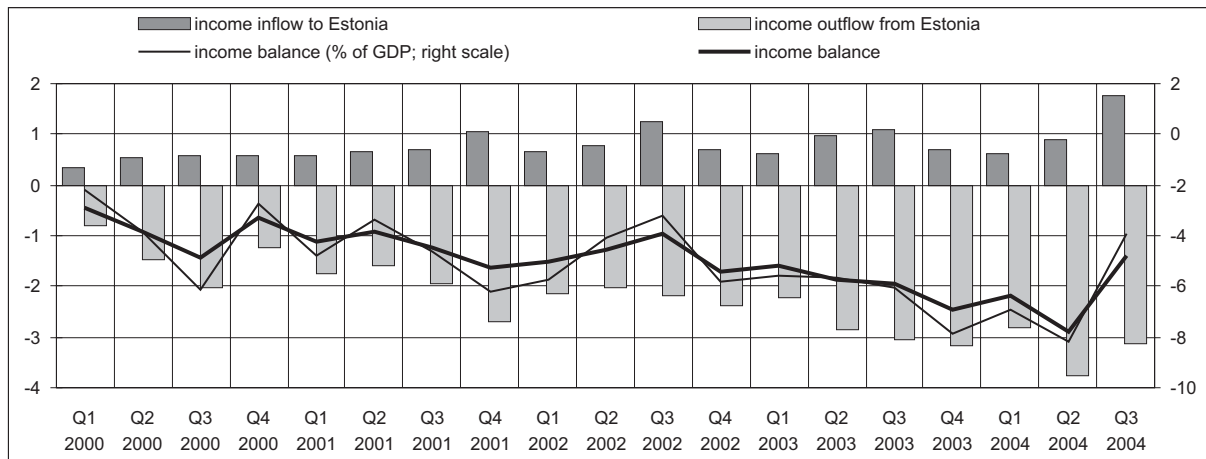


Figure 8. Income (EEK bn)

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
Income on direct investment	-1,938.3	-2,577.2	-1,469.0	98.7	88.7	105.6	-43.0	-24.2
income on equity	-1,871.6	-2,496.2	-1,370.1	95.3	85.9	98.5	-45.1	-26.8
reinvested earnings	-1,686.6	-1,730.1	-1,073.3	85.9	59.5	77.2	-38.0	-36.4
dividends	-185.0	-766.1	-296.8	9.4	26.4	21.3	-61.3	60.4
income on debt (interests)	-66.7	-81.0	-98.9	3.4	2.8	7.1	22.1	48.3
Income on portfolio investment	-14.2	-338.9	-23.7	0.7	11.7	1.7	-93.0	67.1
Income on other investment	-90.6	-172.1	-122.5	4.6	5.9	8.8	-28.8	35.2
Other income	78.6	182.2	224.4	-4.0	-6.3	-16.1	23.2	185.6
Total	-1,964.4	-2,905.9	-1,390.7	100.0	100.0	100.0	-52.1	-29.2

Most of the growth in the **income inflow** accounted for income on direct investment and above all reinvested earnings (see Table 20).

As regards income inflow according to geographical distribution (see Table 21), the EU countries had the largest share with 94%. Since Estonia's investment abroad has been mainly made into the recently acceded countries, the share of the EU-15 Member States in the income inflow was just 25%. The leading countries in the category of income inflow were Cyprus, Latvia and Lithuania. By fields of activity, investors of financial intermediation as well as transport, storage and communications held the lead in income inflow (by 40% and 33%, respectively; see Figure 9).

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
Income on direct investment	585.2	257.7	1,062.7	53.2	29.4	60.9	312.4	81.6
income on equity	551.3	220.8	1,043.2	50.2	25.2	59.8	372.5	89.2
reinvested earnings	528.1	-526.5	1,026.9	48.0	-60.1	58.9	-295.0	94.5
dividends	23.2	747.3	16.3	2.1	85.3	0.9	-97.8	-29.7
income on debt (interests)	33.8	36.9	19.5	3.1	4.2	1.1	-47.2	-42.3
Income on portfolio investment	241.3	245.1	240.7	22.0	28.0	13.8	-1.8	-0.2
Income on other investment	172.4	165.0	180.3	15.7	18.8	10.3	9.3	4.6
Other income	100.5	208.4	260.5	9.1	23.8	14.9	25.0	159.2
Total	1,099.3	876.1	1,744.3	100.0	100.0	100.0	99.1	58.7

Table 21. Income by groups of countries in the third quarter of 2004

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q3 2004/ Q3 2003		Volume (EEK m)	Share (%)	Change (%), Q3 2004/ Q3 2003
EU-25	1,635.6	93.8	67.4	EU-25	-2,667.8	85.1	4.0
Cyprus	573.7	32.9	57.3	Finland	-1,156.0	36.9	5.0
Latvia	387.2	22.2	113.1	Sweden	-728.9	23.3	-4.4
Lithuania	240.9	13.8	48.4	United Kingdom	-303.0	9.7	2.4
Finland	136.0	7.8	79.2	Netherlands	-187.5	6.0	12.5
EU-15	427.0	24.5	55.7	EU-15	-2,633.8	84.0	3.1
CIS	37.4	2.1	150.6	CIS	-59.4	1.9	-35.7
Russia	28.8	1.7	390.2	Russia	-67.1	2.1	-24.6
Ukraine	5.1	0.3	-39.8				
Other	71.2	4.1	-29.3	Other	-407.8	13.0	0.5
USA	43.9	2.5	1158.9	USA	-126.0	4.0	-11.1
offshore regions	16.0	0.9	214.2	offshore regions	-207.1	6.6	96.9
Total	1,744.3	100.0	58.7	Total	-3,135.0	100.0	-1.4

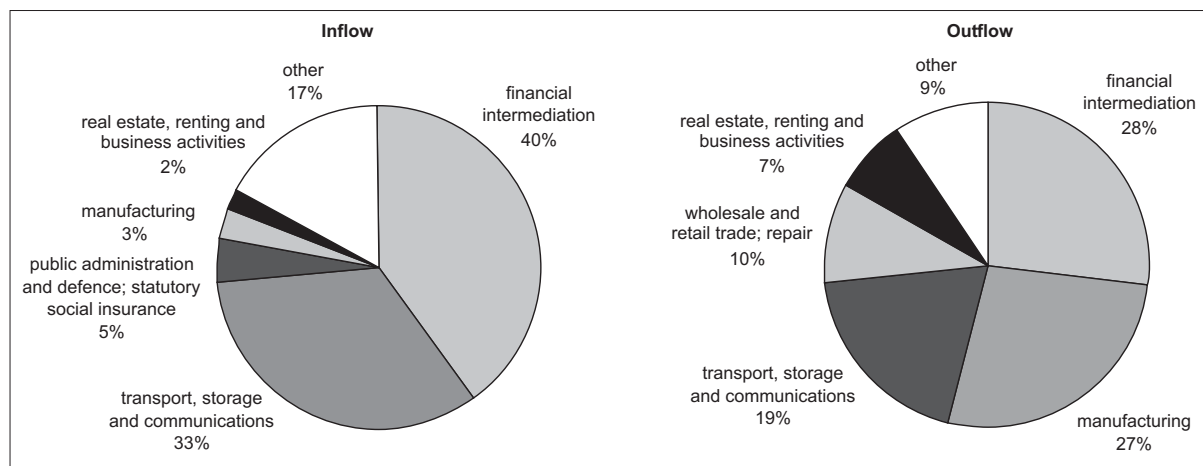


Figure 9. Inflow and outflow of income by fields of activity in the third quarter of 2004

The **outflow of income** increased by just 2% year-on-year, while there were practically no changes in the most important income component – direct investment income (mainly reinvested earnings; see Table 22). While more dividends were paid out compared to the last year, income on reinvested earnings even decreased.

Income outflow went mainly to the EU-15 Member States (84% of the total outflow); this is where the largest investments into Estonia also originate (Finland, Sweden, and the United Kingdom). While major income-receiving countries have increased their income from Estonia (except Sweden), the outflow of income to Russia has fallen by 25% and to the United States by 11% year-on-year. Most income on investment into Estonia was earned in financial intermediation, manufacturing and transport, storage and communications (see Figure 9).

Table 22. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2004/ Q2 2004	Q3 2004/ Q3 2003
Income on direct investment	-2,523.4	-2,834.8	-2,531.7	82.4	75.0	80.8	-10.7	0.3
income on equity	-2,422.9	-2,717.0	-2,413.3	79.1	71.8	77.0	-11.2	-0.4
reinvested earnings	-2,214.7	-1,203.5	-2,100.2	72.3	31.8	67.0	74.5	-5.2
dividends	-208.2	-1,513.4	-313.1	6.8	40.0	10.0	-79.3	50.4
income on debt (interests)	-100.5	-117.9	-118.4	3.3	3.1	3.8	0.4	17.8
Income on portfolio investment	-255.5	-584.0	-264.4	8.3	15.4	8.4	-54.7	3.5
Income on other investment	-262.9	-337.0	-302.7	8.6	8.9	9.7	-10.2	15.1
Other income	-21.9	-26.2	-36.1	0.7	0.7	1.2	37.8	64.8
Total	-3,063.7	-3,782.0	-3,135.0	100.0	100.0	100.0	-17.1	2.3

Current and Capital Transfers⁵

The surplus of the **current transfers** account was 0.6 billion kroons in the third quarter of 2004, up 28% year-on-year (see Table 23). The inflow of current transfers reached 1.4 billion kroons, of which funds channelled into the Estonian economy through the general government constituted 73% and included

⁵ Although capital transfers are reflected under the capital and financial account in the IMF methodology, the present analysis treats them together with current transfers. The distribution of European Union structural funds available for Estonia into current and capital transfers is not clearly distinguishable and is, therefore, based on the expert estimates of the Ministry of Financial Affairs, the Ministry of Agriculture, and Eesti Pank (according to the purpose of structural funds).

mainly allocations from the European Union structural funds and pension and other payments. 76% of the private transfers came from the EU Member States (Germany, Finland, Belgium, Sweden), followed by the United States and Canada. 63% of the outflow of current transfers was government transfers (payments into the EU budget and refund of value added tax). Private transfers were also mainly made to the European Union.

The surplus of the **capital transfers** account was 0.6 billion kroons. Most of the capital transfers to Estonia consisted of EU assistance to the general government for various infrastructure projects.

Table 23. Current transfers by groups of countries

	Received (EEK m)			Paid (EEK m)			Balance (EEK m)		
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004
Current transfers	802.4	1,191.1	1,377.8	303.9	676.5	738.6	498.5	514.6	639.2
government transfers	459.2	753.8	1,004.5	23.7	364.5	464.4	435.5	389.3	540.1
EU-25	288.9	601.1	889.7	21.0	326.5	459.8	267.9	274.6	429.9
EU-15	285.9	580.8	876.7	17.0	321.1	456.9	268.9	259.7	419.8
CIS	91.8	99.0	99.2	0.4	1.4	0.5	91.4	97.6	98.7
other	78.5	53.7	15.6	2.3	36.6	4.1	76.2	17.1	11.5
private transfers	343.2	437.3	373.3	280.2	311.9	274.2	63.0	125.4	99.1
EU-25	177.1	343.4	282.7	229.3	246.2	232.6	-52.2	97.2	50.1
EU-15	156.5	326.7	268.2	222.4	231.7	222.2	-65.9	95.0	46.0
CIS	12.7	6.9	8.8	8.2	15.8	17.1	4.5	-8.9	-8.3
other	153.4	87.0	81.8	42.7	49.9	24.5	110.7	37.1	57.3

FINANCIAL ACCOUNT

The surplus of the financial account⁶ in the third quarter of 2004 was 3.8 billion kroons, of which 0.6 billion kroons accounted for the inflow of direct investment and 6.1 billion kroons for other investment. As regards portfolio investment, there was a net outflow. Figures 10 and 11 provide an overview of the structure of the financial account by categories and maturities.

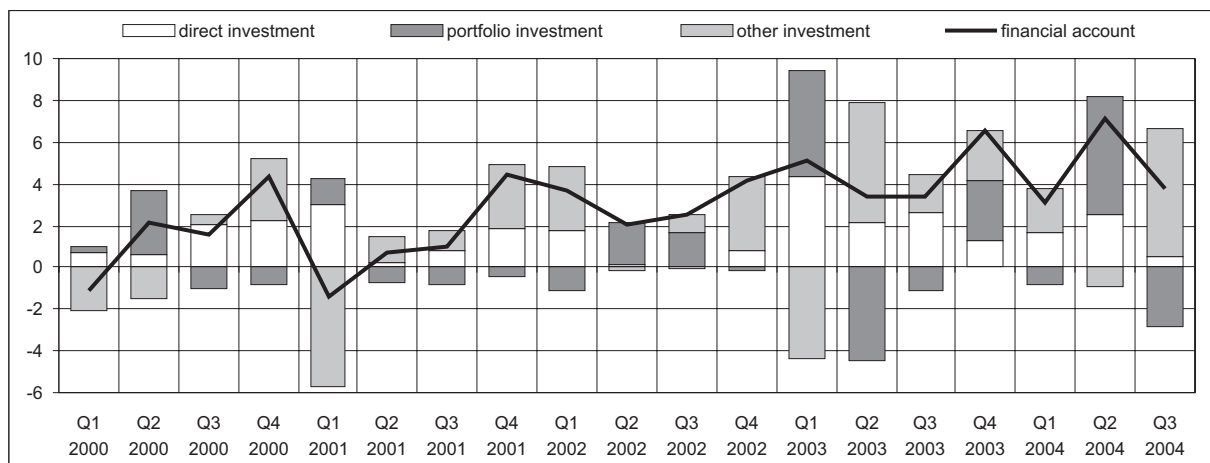


Figure 10. Changes in the structure of foreign investment capital flows (EEK bn)

⁶ Reserve assets excluded.

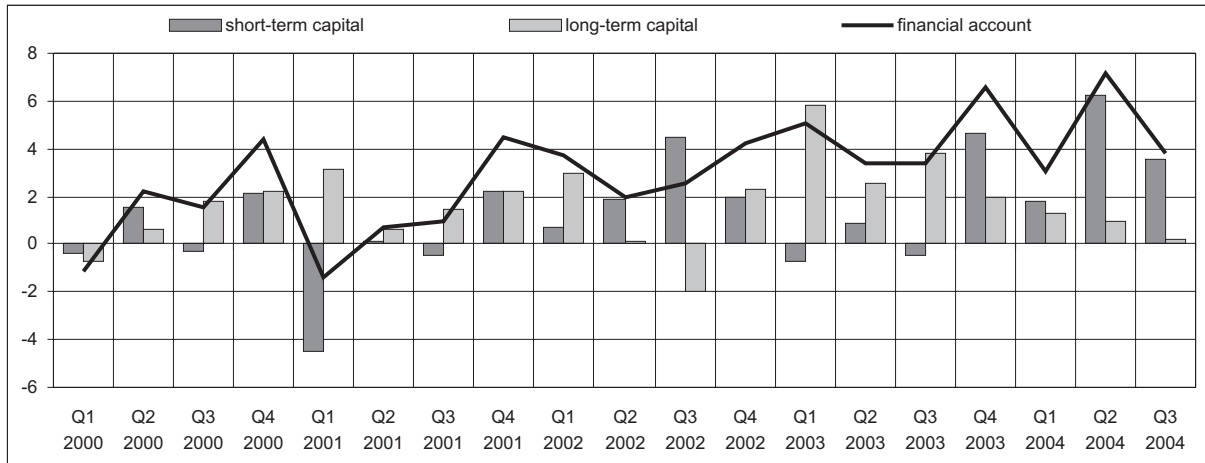


Figure 11. Maturity structure of financial account (EEK bn)

Direct Investment

The **balance of direct investment** was positive by 0.6 billion kroons in the third quarter of 2004, accounting for 31% of the financial account surplus. Non-residents invested 2.2 billion kroons into Estonia and Estonian residents' direct investment abroad increased by 1.7 billion kroons. The net inflow of direct investment covered 17% of the current account deficit. Direct investment constituted 1.6% of GDP (see Figure 12).

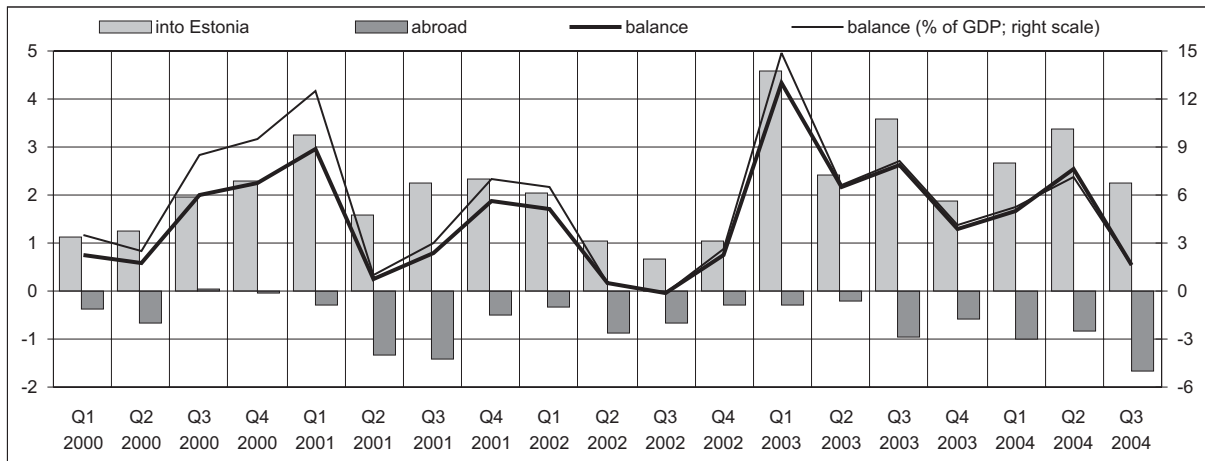


Figure 12. Direct investment (EEK bn)

The volume of **direct investment into Estonia** fell by a third, quarter-on-quarter, and stood at the level of the first quarter of 2004. Most of the direct investment inflow accounted for reinvested earnings of the third quarter, which increased two times compared to the previous period. Manufacturing, transport, storage and communications, and financial intermediation turned out to be more profitable than other areas. However, long-term investment into equity capital remained smaller by more than a half. Other capital claims to direct investors increased by 0.5 billion kroons, with debt for goods and/or services accounting for most of it. Liabilities increased by just 0.1 billion kroons, with gross debt arising from long-term and short-term loans growing by 1.1 and 0.8 billion kroons, respectively, while repayments stood at 0.9 billion and 0.6 billion kroons, respectively. Trade credit debt decreased by 0.3 billion kroons (see Tables 24 and 25).

Table 24. Structure of direct investment 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	557.3	21.0	1,922.1	72.4	-663.5	-25.0	839.8	31.6	2,655.8	100.0
Q2 2004	1,176.5	34.9	1,203.5	35.7	-779.0	-23.1	1,766.3	52.5	3,367.4	100.0
Q3 2004	536.9	24.0	2,100.2	93.9	-509.1	-22.8	107.9	4.8	2,236.0	100.0

Table 25. Loan capital claims and liabilities to foreign direct investors (EEK m)

	Claims				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
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	120.6	76.7	474.9	148.1	843.8	718.4	573.8	320.6
Q2 2004	189.2	105.7	528.8	220.4	1,829.5	1,006.5	529.1	289.3
Q3 2004	83.1	14.7	340.0	292.8	1,118.2	863.2	766.0	595.8

Direct investment into Finland (48%), Sweden (17%) and the Netherlands (9%) increased most. Long-term investment from EU countries increased by 2 billion kroons (88% of the inflow). Nearly 25% of the direct investment inflow came to the real estate, renting and business activities, followed by wholesale and retail trade (21%), manufacturing (15%) and financial intermediation (15%; see Table 26, Figures 13 and 14).

Table 26. Direct investment into Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q2 2004	Q3 2004	Q2 2004	Q3 2004	Q3 2004/Q2 2004
EU-25	2,348.0	1,975.7	69.7	88.4	-15.9
EU-15	2,058.4	1,938.4	61.1	86.7	-5.8
CIS	378.3	-134.3	11.2	-6.0	-135.5
Other	641.1	394.6	19.0	17.6	-38.4
Total	3,367.4	2,236.0	100.0	100.0	-33.6

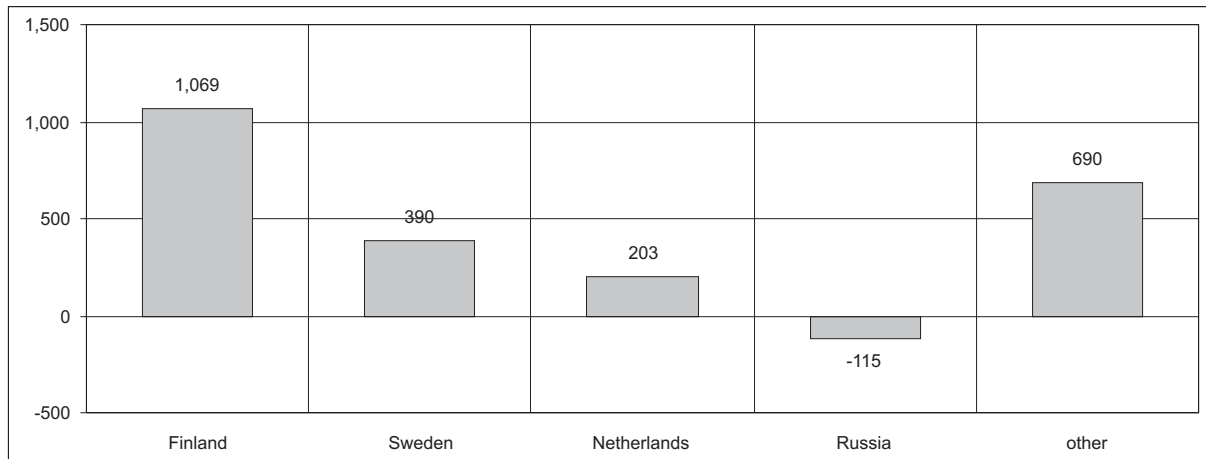


Figure 13. Direct investment into Estonia by countries in the third quarter of 2004 (EEK m)

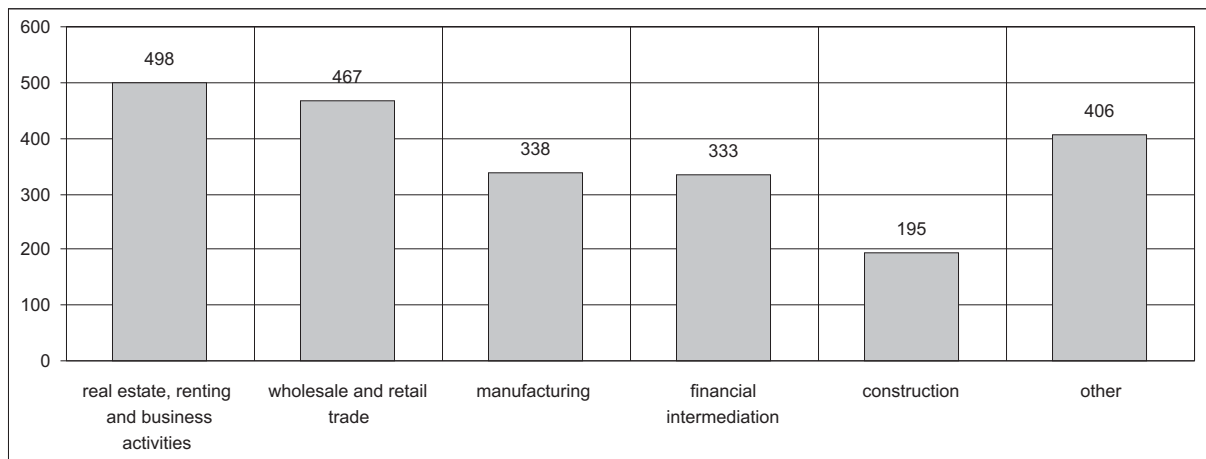


Figure 14. Direct investment into Estonia by fields of activity in the third quarter of 2004 (EEK m)

Residents' direct investment abroad turned out to be the highest ever in the history of compiling the current balance of payments. The outflow increased two times, quarter-on-quarter. Similarly to the inflow of direct investment, most of the outflow was reinvested earnings. Unlike the half a billion kroons decrease in reinvested earnings in the previous quarter arising from the distribution of dividends, the operating profit in the third quarter was more than one billion kroons. Highest income was earned in transportation and financial intermediation. As for other capital, there was a reflow of investment. Loan claim turnovers were nearly balanced. Debts for goods and/or services to subsidiaries and associated companies saw a modest rise (see Tables 27 and 28).

25% of the direct investment outflow again went to Latvia, followed by Russia (9%) and Lithuania (3%). The majority of subsidiaries and associated companies are located in the enlarged European Union, which received 92% of Estonian capital. This time the largest investments were made in the real estate, renting and business activities (31%), followed by transport, storage and communications (21%; see Table 29, Figures 15 and 16).

Table 27. Structure of direct investment 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	-111.8	11.1	-59.9	6.0	-804.8	80.2	-27.7	2.8	-1,004.1	100.0
Q2 2004	-1,461.5	174.5	526.5	-62.9	112.8	-13.5	-15.3	1.8	-837.5	100.0
Q3 2004	-789.3	46.9	-1,026.9	61.1	55.4	-3.3	79.0	-4.7	-1,681.8	100.0

Table 28. Loan capital claims and liabilities to foreign subsidiaries and associated companies (EEK m)

	Claims				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
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	171.2	179.1	86.0	59.9	0.3	3.3	7.3	12.2
Q2 2004	212.9	575.3	444.6	37.8	7.8	25.2	15.8	17.5
Q3 2004	124.5	164.0	121.2	91.3	3.5	0.9	1.6	6.3

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q2 2004	Q3 2004	Q2 2004	Q3 2004	Q3 2004/Q2 2004
EU-25	-691.6	-1,550.1	82.6	92.2	124.1
EU-15	-476.7	-584.5	56.9	34.8	22.6
CIS	-117.4	-124.0	14.0	7.4	5.6
Other	-28.5	-7.7	3.4	0.5	-73.0
Total	-837.5	-1,681.8	100.0	100.0	100.8

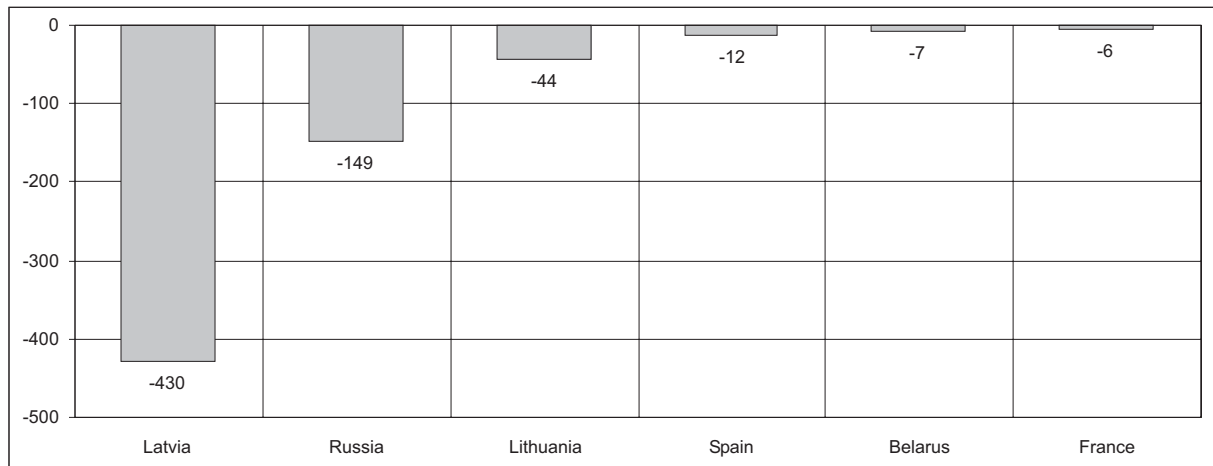


Figure 15. Direct investment abroad by countries in the third quarter of 2004 (EEK m)

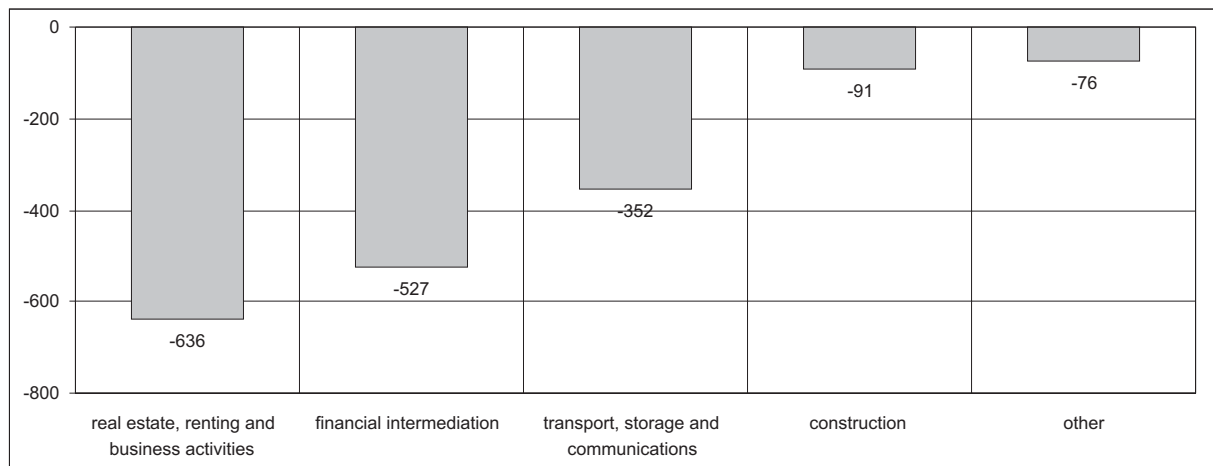


Figure 16. Direct investment abroad by fields of activity in the third quarter of 2004 (EEK m)

Portfolio Investment

The net inflow of **portfolio investment** reached 2.8 billion kroons in the third quarter of 2004, being most affected by general government investment into bonds issued by non-residents (see Table 30 and Figure 17).

Table 30. Portfolio investment by types of securities and sectors (EEK m)

	Claims			Liabilities			Balance		
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004
Equity securities	-199.0	-569.8	-585.0	544.8	376.8	144.6	345.8	-193.0	-440.4
general government	13.5	-50.0	-56.4				13.5	-50.0	-56.4
credit institutions	3.0	-13.5	14.8	71.9	-1.6	78.8	74.9	-15.1	93.6
other sectors	-215.5	-506.3	-543.4	472.9	378.4	65.8	257.4	-127.9	-477.6
Debt securities	-1,424.9	381.7	-1,854.5	48.3	5,448.9	-536.8	-1,376.6	5,830.6	-2,391.3
central bank									0.0
general government	-2,021.7	859.8	-1,553.1	0.6	419.4	2.8	-2,021.1	1,279.2	-1,550.3
credit institutions	1,117.1	-78.3	-67.3	52.3	5,047.3	-585.9	1,169.4	4,969.0	-653.2
other sectors	-520.3	-399.8	-234.1	-4.6	-17.8	46.3	-524.9	-417.6	-187.8
Total	-1,623.9	-188.1	-2,439.5	593.1	5,825.7	-392.2	-1,030.8	5,637.6	-2,831.7

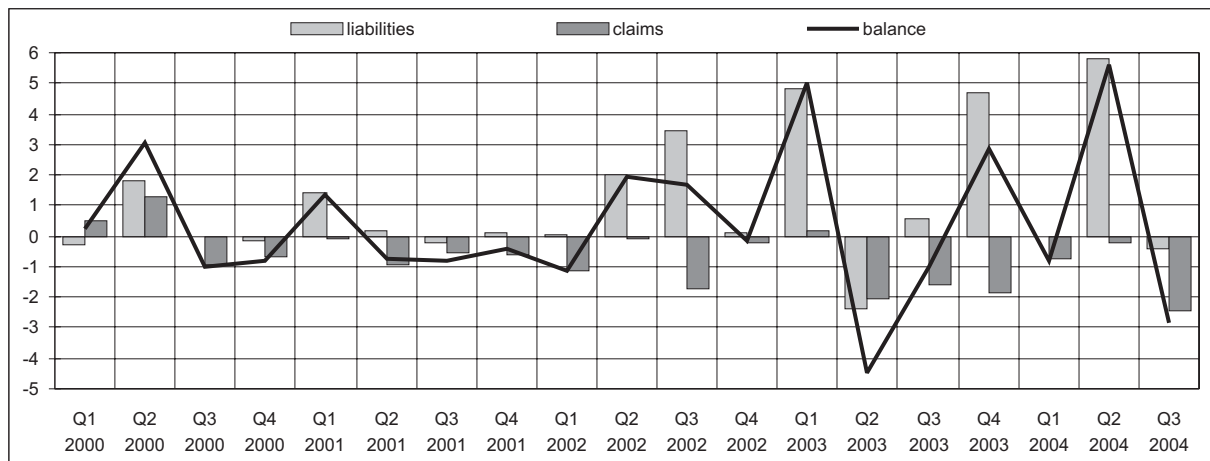


Figure 17. Portfolio investment (EEK bn)

Portfolio investment liabilities (see Table 31) decreased by 0.4 billion kroons. Residents reduced their debt securities liabilities to non-residents by 0.5 billion kroons, while equity securities grew by 0.1 billion kroons. The largest portfolio investors were the EU countries, particularly Germany and Luxembourg, while the United States was the biggest investor from outside the EU (see Figure 18 and Table 32).

Table 31. Structure of portfolio investment liabilities

	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	68.4	-589.7	-80.0	689.7	-11.6	100.0
Q2 2004	376.8	6.5	5,448.8	93.5	5,825.6	100.0
Q3 2004	144.6	-36.9	-536.8	136.9	-392.2	100.0

Portfolio investment claims (see Table 33) increased in the third quarter across both equity and debt securities and the arising capital outflow amounted to 2.4 billion kroons. The general government purchased bonds issued by non-residents for 1.5 billion kroons, enterprises in other sectors obtained bonds for 0.3 billion kroons. Residents' investment into foreign equity securities reached 0.5 billion kroons. By countries, portfolio investment went mainly to Germany, Ireland, and the Netherlands (see Figure 19).

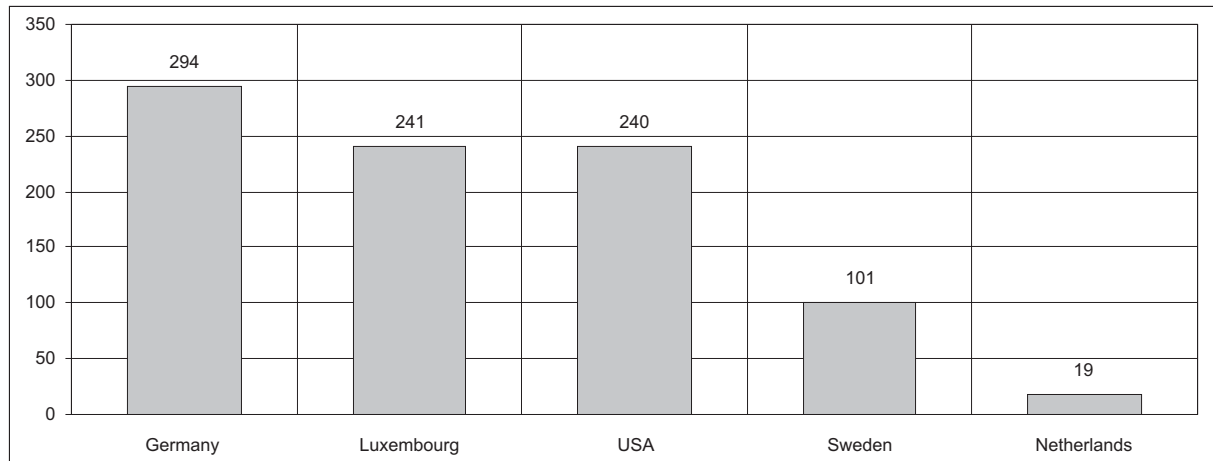


Figure 18. Increase in portfolio investment liabilities by countries in the third quarter of 2004 (EEK m)

Table 32. Structure of portfolio investment by groups of countries in the third quarter of 2004

	Volume (EEK m)		Share (%)	
	Claims	Liabilities	Claims	Liabilities
EU-25	-2,264.0	-491.4	92.8	125.3
EU-15	-1,982.1	-502.3		
CIS	-84.3	0.9	3.5	-0.2
Other	-91.2	98.3	3.7	-25.1
Total	-2,439.5	-392.2	100.0	100.0

Table 33. Structure of portfolio investment claims

	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	165.6	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	-441.7	57.4	-327.3	42.6	-769.0	100.0
Q2 2004	-569.9	302.8	381.7	-202.8	-188.2	100.0
Q3 2004	-585.1	24.0	-1,854.4	76.0	-2,439.5	100.0

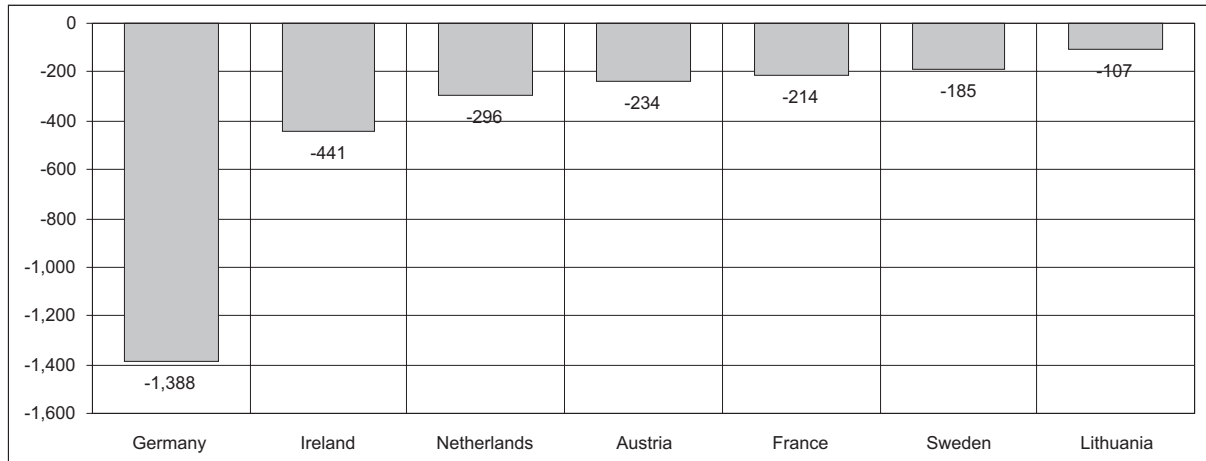


Figure 19. Increase in portfolio investment claims by countries in the third quarter of 2004 (EEK m)

Other Investment

The inflow of **other investment** totalled 6.1 billion kroons in the third quarter of 2004; liabilities increased by 3.1 billion and claims decreased by 3 billion kroons (see Figure 20 and Table 34).

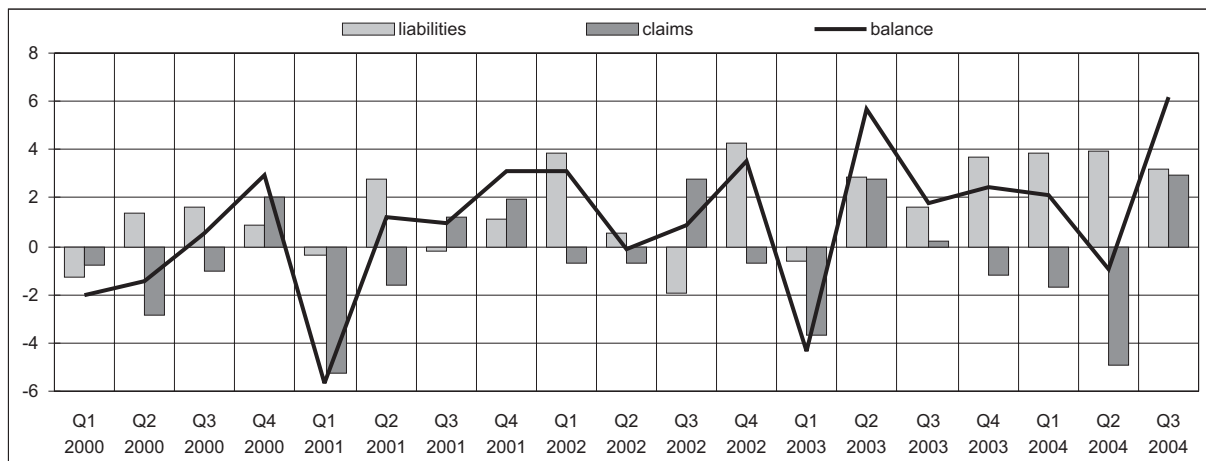


Figure 20. Other investment (EEK bn)

Table 34. Other investment by maturity (EEK m)

	Claims			Liabilities			Balance		
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004
Long-term capital	84.8	-1,858.5	285.6	1,109.5	288.2	-575.0	1,194.3	-1,570.3	-289.4
central bank	0.0	-10.8	0.2				0.0	-10.8	0.2
general government				74.0	-63.6	-46.5	74.0	-63.6	-46.5
credit institutions	-57.1	-1,736.3	-92.1	616.6	283.1	207.0	559.5	-1,453.2	114.9
other sectors	141.9	-111.4	377.5	418.9	68.7	-735.5	560.8	-42.7	-358.0
Short-term capital	140.4	-3,033.8	2,686.4	488.6	3,651.2	3,739.1	629.0	617.4	6,425.5
central bank				-227.2	-355.0	15.6	-227.2	-355.0	15.6
general government	-728.4	-469.9	716.0				-728.4	-469.9	716.0
credit institutions	690.2	-2,350.5	2,031.9	1,254.9	2,837.8	2,925.2	1,945.1	487.3	4,957.1
other sectors	178.6	-213.4	-61.5	-539.1	1,168.4	798.3	-360.5	955.0	736.8
Total	225.2	-4,892.3	2,972.0	1,598.1	3,939.4	3,164.1	1,823.3	-952.9	6,136.1

The growth in **other investment liabilities** (see Table 35) occurred across all components. Non-residents' deposits in Estonian credit institutions increased, amounting to 1.3 billion kroons in the third quarter. Across the whole year, however, the liabilities entry increased by 6.6 billion kroons. Capital inflow arising from the growth in trade credit, loans and other liabilities totalled nearly 1.8 billion kroons in the third quarter. By countries, other investment liabilities to the European Union countries (above all to Finland, Sweden and Latvia) increased most (see Figure 21 and Table 36).

Other investment claims (see Table 37) diminished mainly due to a decline in deposits in foreign credit institutions and a decrease in other claims, by 2.9 billion and 1.0 billion kroons, respectively. Capital outflow occurred in loans, where loans granted to non-residents increased by 1.2 billion kroons in the third quarter. By countries, other investment capital went mainly to Latvia, Sweden, and Luxembourg (see Figure 22). Table 38 provides a more detailed overview of loan capital claims and liabilities.

Table 35. Structure of other investment liabilities

	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	255.3	6.7	1,623.1	42.4	1,833.4	47.9	116.9	3.1	3,828.7	100.0
Q2 2004	1,105.5	28.1	-539.3	-13.7	3,418.3	86.8	-45.1	-1.1	3,939.4	100.0
Q3 2004	494.5	15.6	974.1	30.8	1,305.1	41.2	390.4	12.3	3,164.1	100.0

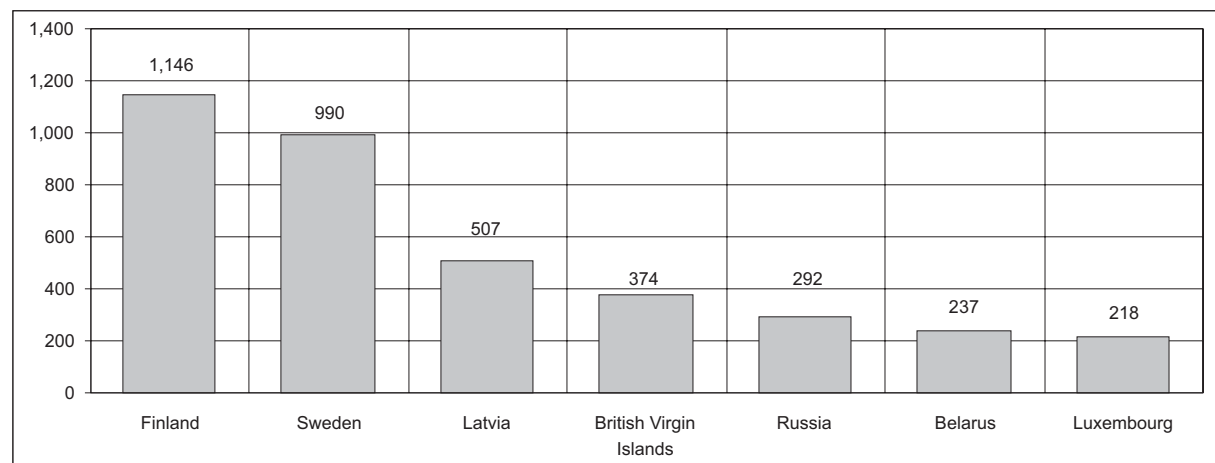


Figure 21. Increase in other investment liabilities by countries in the third quarter of 2004 (EEK m)

Table 36. Structure of other investment by groups of countries in the third quarter of 2004

	Volume (EEK m)		Share (%)	
	Claims	Liabilities	Claims	Liabilities
EU-25	434.0	2,296.7	14.6	72.6
EU-15	831.0	2,127.7		
CIS	48.3	602.3	1.6	19.0
Other	2,489.7	265.1	83.8	8.4
Total	2,972.0	3,164.1	100.0	100.0

Table 37. Structure of other investment claims

	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	48.2	-96.5	-3.4	2,809.8	100.0
Q3 2003	170.0	75.5	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	34.3	-3,520.3	185.6	2,214.5	-116.7	58.8	-3.1	-1,897.0	100.0
Q1 2004	-117.2	7.0	-1,007.3	60.1	-334.9	20.0	-216.9	12.9	-1,676.3	100.0
Q2 2004	-581.3	11.9	-2,434.5	49.8	-501.6	10.3	-1,374.8	28.1	-4,892.2	100.0
Q3 2004	298.7	10.1	-1,274.7	-42.9	2,915.8	98.1	1,032.2	34.7	2,972.0	100.0

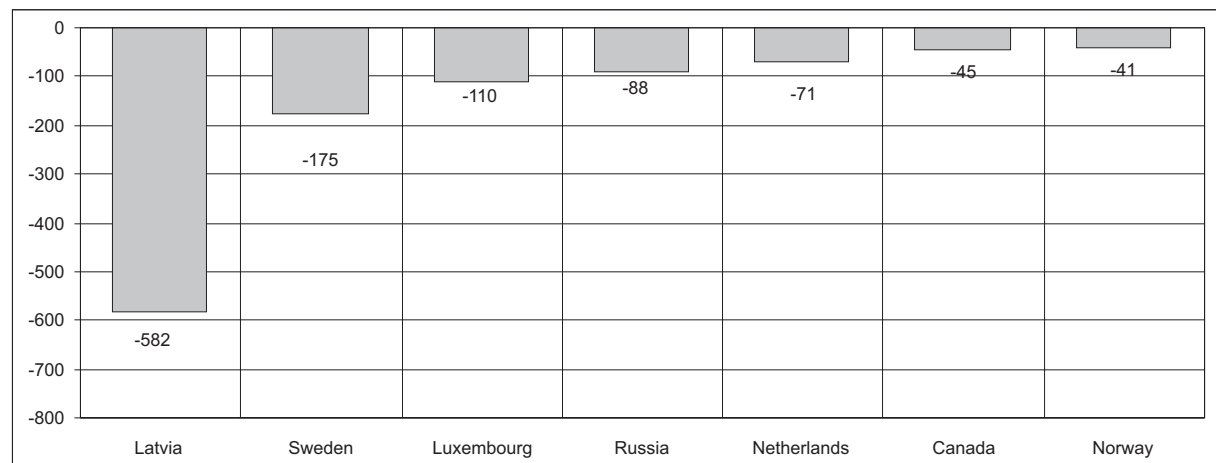

Figure 22. Increase in other investment claims by countries in the third quarter of 2004 (EEK m)

Table 38. Claims and liabilities of loan capital (EEK m)

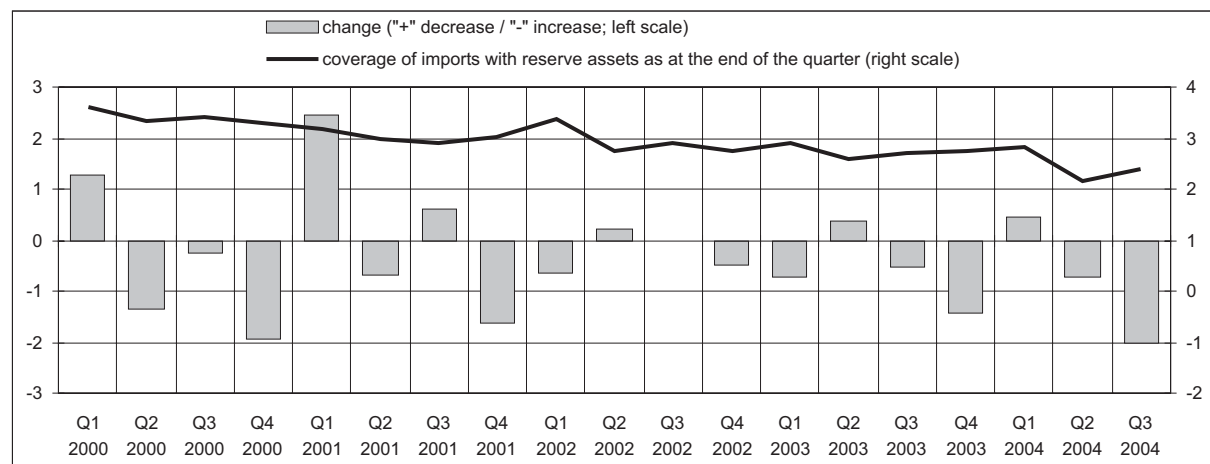
	Claims			Liabilities		
	Grantings	Repayments	Balance	Drawings	Repayments	Balance
Q1 2003	-11,076.1	4,739.0	-6,337.1	8,547.3	-8,356.3	191.0
Q2 2003	-8,846.0	11,195.2	2,349.2	6,448.5	-5,275.8	1,172.7
Q3 2003	-9,902.7	11,865.4	1,962.7	5,629.6	-4,567.3	1,062.3
Q4 2003	-5,094.3	3,599.2	-1,495.1	9,297.4	-8,588.1	709.3
2003 total	-34,919.1	31,398.8	-3,520.3	29,922.8	-26,787.5	3,135.3
Q1 2004	-6,699.8	5,692.5	-1,007.3	9,080.7	-7,457.6	1,623.1
Q2 2004	-8,217.9	5,783.4	-2,434.5	9,603.4	-10,142.7	-539.3
Q3 2004	-5,885.8	4,611.1	-1,274.7	9,258.0	-8,283.9	974.1

Reserve Assets

The balance of payments reserves increased by 2 billion kroons in the third quarter of 2004 (see Table 39). Figure 23 provides an overview of the imports covered by reserve assets.

Table 39. Structure of changes in reserve assets

	Volume (EEK m)			Share (%)		
	Q3 2003	Q2 2004	Q3 2004	Q3 2003	Q2 2004	Q3 2004
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-1,066.0	1,171.9	-978.6	200.8	-161.6	48.5
Securities	533.1	-1,894.5	-1,036.1	-100.4	261.3	51.4
equity securities				0.0	0.0	0.0
bonds and notes	236.6	234.2	-240.2	-44.6	-32.3	11.9
money market instruments	296.5	-2,128.7	-795.9	-55.9	293.6	39.4
Other claims	2.1	-2.5	-3.0	-0.4	0.3	0.1
Total	-530.8	-725.1	-2,017.7	100.0	100.0	100.0

**Figure 23. Change of Estonia's gold and foreign exchange reserves (EEK bn) and coverage of imports (by months)**

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT

as at 30 September 2004

By the end of the third quarter of 2004, foreign investment into Estonia totalled 195.9 billion kroons (see Table 40). Nearly half of them were made into financial intermediation and to a lesser extent also into transport, storage and communications, manufacturing, wholesale and retail trade (see Table 41). Most investments came from Sweden, Finland, and the United Kingdom.

Quarter-on-quarter, the share of other investment increased in the structure of foreign investment into Estonia, whereas the share of portfolio investment decreased. Direct investment constituted nearly half of the total investment, i.e. 94.9 billion kroons, portfolio investment formed a fifth, and other investment

Table 40. Estonia's international investment position (EEK m)

	30/06/2004	%	30/09/2004	%
EXTERNAL ASSETS	86,175.4	100.0	89,534.7	100.0
Direct investment abroad	14,677.3	17.0	16,289.2	18.2
Equity capital and reinvested earnings	10,046.8	11.7	11,864.5	13.3
Other direct investment capital	4,630.5	5.4	4,424.7	4.9
Portfolio investment	20,584.4	23.9	23,146.7	25.9
Equity securities	3,071.0	3.6	3,728.9	4.2
Debt securities	17,513.4	20.3	19,417.8	21.7
Bonds and notes	9,850.4	11.4	11,819.1	13.2
Money market instruments	7,663.0	8.9	7,598.7	8.5
Financial derivatives	282.6	0.3	301.2	0.3
Other investment	33,237.1	38.6	30,291.0	33.8
Trade credit	6,532.3	7.6	6,290.0	7.0
Loans	17,571.7	20.4	18,817.5	21.0
Long-term	8,521.4	9.9	8,223.0	9.2
Short-term	9,050.3	10.5	10,594.5	11.8
Currency and deposits	6,992.0	8.1	4,079.7	4.6
Other assets	2,141.1	2.5	1,103.8	1.2
Reserve assets	17,394.0	20.2	19,506.6	21.8
EXTERNAL LIABILITIES	189,781.6	100.0	195,880.1	100.0
Direct investment in Estonia	92,369.6	48.7	94,941.3	48.5
Share capital and reinvested earnings	75,947.6	40.0	78,897.8	40.3
Other direct investment capital	16,422.0	8.7	16,043.5	8.2
Portfolio investment	38,845.9	20.5	39,243.6	20.0
Equity securities	15,796.6	8.3	16,730.6	8.5
Debt securities	23,049.3	12.1	22,513.0	11.5
Bonds and notes	14,527.6	7.7	14,593.3	7.5
Money market instruments	8,521.7	4.5	7,919.7	4.0
Financial derivatives	185.7	0.1	142.1	0.1
Other investment	58,380.4	30.8	61,553.1	31.4
Trade credit	9,629.1	5.1	10,187.2	5.2
Loans	25,675.5	13.5	26,595.0	13.6
Long-term	22,600.4	11.9	22,028.7	11.2
Short-term	3,075.1	1.6	4,566.3	2.3
Currency and deposits	21,698.9	11.4	23,003.9	11.7
Other liabilities	1,376.9	0.7	1,767.0	0.9
NET INTERNATIONAL INVESTMENT POSITION	-103,606.2		-106,345.4	
Long-term	-81,897.3		-80,615.2	
Short-term	-21,708.9		-25,730.2	

slightly less than a third. The most preferred fields for **foreign direct investment into Estonia** were financial intermediation (31% of direct investment), manufacturing (17%), transport, storage and communications (16%), and wholesale and retail trade (15%; see Table 42). 67% of direct investment came from Sweden and Finland.

Estonian investment abroad totalled 89.5 billion kroons. Two thirds of the investment abroad were made by financial intermediaries. Investment abroad was also made by the public sector, transport, storage and communications, and manufacturing. Most of Estonian investment went to Lithuania, Germany and Latvia.

Quarter-on-quarter, the share of direct and portfolio investment and reserve assets increased in the structure of investment abroad while the share of other investment decreased. Loans, deposits and the central bank's gold and foreign exchange reserves covered 56% of the external assets. **Direct investment** accounted for 18% of investment abroad. The most active direct investors abroad were in financial intermediation (39%), transport, storage and communications (21%), and real estate, renting and business activities (19%). 82% of direct investment abroad were made into three countries – Lithuania, Latvia and Cyprus (see Table 42).

Table 41. Estonia's international investment position by fields of activity and countries (%) as at 30 September 2004

Claims		Liabilities	
Fields of activity			
Financial intermediation	67.3	Financial intermediation	49.6
Public administration and defence	12.6	Transport, storage and communications	10.9
Transport, storage and communications	6.4	Manufacturing	10.4
Manufacturing	5.4	Wholesale and retail trade	10.4
Wholesale and retail trade	5.0	Real estate, renting and business activities	8.0
Other	3.3	Other	10.7
Total	100.0	Total	100.0
Countries			
Lithuania	14.4	Sweden	28.0
Germany	14.0	Finland	20.9
Latvia	12.5	United Kingdom	12.9
France	7.7	Germany	6.7
Netherlands	7.1	USA	5.9
Other	44.3	Other	25.6
Total	100.0	Total	100.0

Table 42. Direct investment position by fields of activity and countries (%) as at 30 September 2004

In Estonia		Abroad	
Fields of activity			
Financial intermediation	31.2	Financial intermediation	39.3
Manufacturing	16.6	Transport, storage and communications	20.8
Transport, storage and communications	15.9	Real estate, renting and business activities	18.6
Wholesale and retail trade	14.9	Wholesale and retail trade	7.4
Real estate, renting and business activities	13.1	Manufacturing	7.0
Other	8.3	Other	6.9
Total	100.0	Total	100.0
Countries			
Sweden	41.8	Lithuania	37.8
Finland	25.5	Latvia	30.7
USA	4.8	Cyprus	13.5
Netherlands	3.4	Italy	5.8
Denmark	3.2	Finland	4.0
Other	21.3	Other	8.2
Total	100.0	Total	100.0

Due to the predominance of external liabilities, Estonia's net investment position was negative by 106.3 billion kroons at the end of the third quarter of 2004, amounting to 79% of expected GDP. 76% of the net investment position was long-term capital. The share of the latter has somewhat decreased over the past quarter.

On 30 September 2004, Estonia's gross external debt totalled 107.9 billion kroons (80.5% of the expected GDP) and the net external debt (assets less liabilities) stood at 26.5 billion kroons (some 20% of the expected GDP; see Table 43 and Figure 24). The gross debt amounted to 55% of the external liabilities. Leaving aside intercompany lending of direct investment companies, long-term debts accounted for 51% of the gross external debt. Debt assets mostly consisted of short-term capital.

Table 43. Net external debt (EEK m)

	30/06/2004	%	30/09/2004	%
LIABILITIES				
I. General government	4,040.2	3.8	3,996.5	3.7
Short-term				
Long-term	4,040.2	3.8	3,996.5	3.7
II. Monetary authorities (CNB)	27.1	0.0	46.4	0.0
Short-term	27.1	0.0	46.4	0.0
Long-term				
III. Credit institutions	48,480.4	46.1	51,019.6	47.3
Short-term	25,723.0	24.5	28,050.5	26.0
Long-term	22,757.4	21.7	22,969.1	21.3
IV. Other sectors	28,882.0	27.5	29,003.6	26.9
Short-term	12,298.3	11.7	13,099.1	12.1
Long-term	16,583.7	15.8	15,904.5	14.7
V. Direct investment: intercompany lending	23,636.1	22.5	23,879.6	22.1
GROSS EXTERNAL DEBT	105,065.8	100.0	107,945.7	100.0
ASSETS				
I. General government	10,290.0	12.9	11,134.5	13.7
Short-term	6,593.4	8.2	5,899.2	7.2
Long-term	3,696.6	4.6	5,235.3	6.4
II. Monetary authorities (CNB)	17,372.4	21.7	19,482.1	23.9
Short-term	14,418.4	18.0	16,265.5	20.0
Long-term	2,954.0	3.7	3,216.6	4.0
III. Credit institutions	19,612.0	24.5	17,728.3	21.8
Short-term	14,202.3	17.8	12,180.1	15.0
Long-term	5,409.7	6.8	5,548.2	6.8
IV. Other sectors	20,826.1	26.1	20,823.7	25.6
Short-term	11,516.5	14.4	11,518.9	14.1
Long-term	9,309.6	11.6	9,304.8	11.4
V. Direct investment: intercompany lending	11,844.6	14.8	12,260.8	15.1
TOTAL ASSETS	79,945.1	100.0	81,429.4	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	6,249.8		7,138.0	
Short-term	6,593.4		5,899.2	
Long-term	-343.6		1,238.8	
II. Monetary authorities (CNB)	17,345.3		19,435.7	
Short-term	14,391.3		16,219.1	
Long-term	2,954.0		3,216.6	
III. Credit institutions	-28,868.4		-33,291.3	
Short-term	-11,520.7		-15,870.4	
Long-term	-17,347.7		-17,420.9	
IV. Other sectors	-8,055.9		-8,179.9	
Short-term	-781.8		-1,580.2	
Long-term	-7,274.1		-6,599.7	
V. Direct investment: intercompany lending	-11,791.5		-11,618.8	
TOTAL NET EXTERNAL DEBT	-25,120.7		-26,516.3	

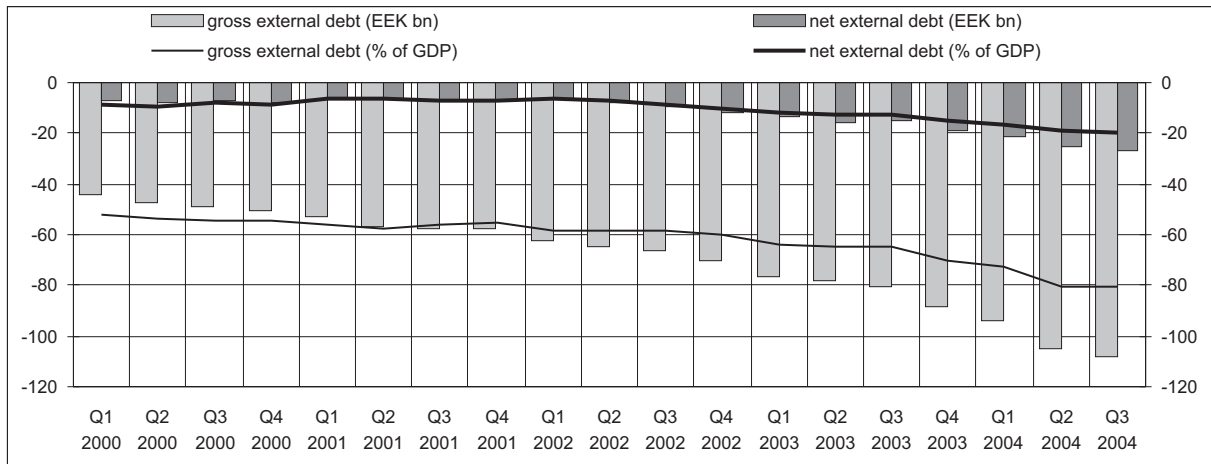


Figure 24. Estonia's gross and net external debt (EEK bn; left scale) and % of GDP (right scale)