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## SHORT OVERVIEW

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- **Despite a slight recovery in global economic activity, Estonia's current account deficit was still high in the third quarter of 2005, amounting to 11.6% of the GDP of the last four quarters (see Table 1 and Figure 1)<sup>1</sup>. In absolute value, the deficit was 3 billion kroons, which is 1.1 billion kroons more, year-on-year, and nearly 2 billion kroons less, quarter-on-quarter.**
- **External balance was affected by fast export growth as well as large imports of capital goods arising from high investment activity.**
- **Foreign capital inflow occurred mainly in the form of direct and other investment capital.**
- **The balance of payments reserves increased slightly.**

The **goods account** had a deficit of 5.7 billion kroons, which slightly increased year-on-year and decreased by 0.5 billion kroons quarter-on-quarter, accounting for 14% of GDP. The exports of goods amounted to 24.7 billion and imports to 30.4 billion kroons.

The main groups of export goods included electronic and metal products, as well as timber, timber products and furniture. Electronic products dominated also in imports, followed by chemical products, transport vehicles, and metal products.

Estonia's main trading partner was the European Union, whose share amounted to 77% of the exports and imports of goods. Finland, Sweden, Latvia, Russia and Germany were the largest export partners, and Finland, Germany, Sweden, Russia and Lithuania the major import partners.

The surplus of the **services account** was 3.9 billion kroons, having decreased by nearly half a billion kroons, year-on-year. The dynamics of the services turnover was mainly driven by transport services, whereas the imports of transport services grew and exports decreased slightly. Transport services constituted 39%, travel services 31%, and other business services 15% of the total services turnover. The turnover of construction services increased significantly – the volume of exports more than doubled and that of imports grew over three times. The share of construction services in the services turnover increased from 3% in the third quarter of 2004 to 7% in the third quarter of 2005.

In the services sector, Estonia's major trading partners were the EU Member States, which accounted for 71% of the exports and 75% of the imports. Estonia had the biggest surplus with Finland (2.6 billion kroons) and Russia (0.7 billion kroons), and the biggest deficit with Germany (0.3 billion kroons).

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<sup>1</sup> The current account deficit without reinvested earnings, which involve no actual movement of funds, constituted 6.2% of the GDP of the last four quarters. Unlike the balance of payments press release of 27 December 2005, the present overview does not include the expected GDP indicator of the third quarter but the real GDP indicator published on 29 December 2005.

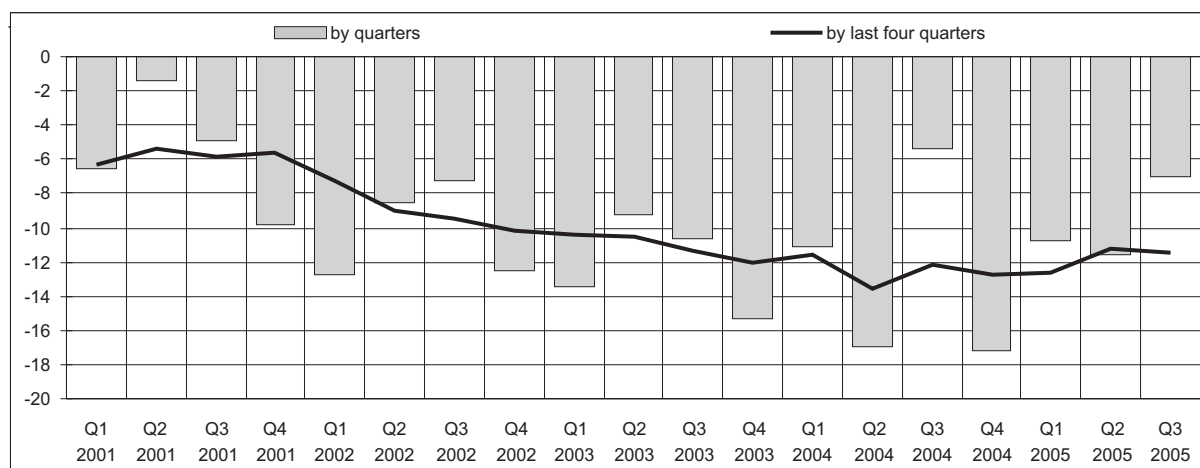
**Table 1. Estonia's balance of payments (EEK m)\***

	2002	2003	2004					2005		
	Total	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
<b>Current account</b>	<b>-11,882.9</b>	<b>-15,401.9</b>	<b>-3,625.7</b>	<b>-6,217.5</b>	<b>-1,924.9</b>	<b>-6,194.9</b>	<b>-17,963.0</b>	<b>-3,920.8</b>	<b>-4,961.2</b>	<b>-3,037.5</b>
Goods and services	-8,318.2	-9,700.5	-1,776.8	-4,526.2	-1,132.3	-3,629.4	-11,064.7	-1,973.4	-2,755.0	-1,770.4
Goods	-17,995.6	-21,483.1	-4,568.2	-8,348.4	-5,525.8	-6,360.8	-24,803.2	-4,213.9	-6,150.1	-5,695.8
credit (f.o.b.)	58,333.6	63,599.8	16,952.4	18,124.9	19,254.4	20,729.3	75,061.0	21,643.5	23,737.2	24,705.7
debit (f.o.b.)	-76,329.2	-85,082.8	-21,520.6	-26,473.3	-24,780.1	-27,090.1	-99,864.2	-25,857.4	-29,887.3	-30,401.5
Services	9,677.4	11,782.6	2,791.4	3,822.2	4,393.5	2,731.4	13,738.5	2,240.5	3,395.1	3,925.4
credit	28,279.7	30,819.9	7,330.0	9,469.9	9,924.7	8,866.7	35,591.3	7,888.2	10,085.1	10,800.6
debit	-18,602.3	-19,037.3	-4,538.6	-5,647.7	-5,531.2	-6,135.3	-21,852.8	-5,647.7	-6,690.0	-6,875.2
Income	-5,423.1	-7,411.2	-2,226.0	-2,197.9	-1,389.4	-3,166.2	-8,979.6	-2,219.0	-2,843.2	-1,425.1
credit	3,339.3	3,422.1	640.0	1,231.1	1,904.3	1,678.3	5,453.6	1,561.9	1,800.0	2,589.9
debit	-8,762.4	-10,833.3	-2,866.0	-3,429.0	-3,293.7	-4,844.5	-14,433.2	-3,780.8	-4,643.2	-4,015.0
Transfers	1,858.4	1,709.7	377.2	506.6	596.8	600.7	2,081.2	271.5	636.9	158.0
credit	2,876.3	3,221.4	851.1	1,388.9	1,487.0	2,007.7	5,734.7	1,349.0	1,646.8	1,262.0
debit	-1,017.9	-1,511.7	-473.9	-882.3	-890.1	-1,407.0	-3,653.4	-1,077.5	-1,009.9	-1,104.0
<b>Capital and financial account (reserve assets excluded)</b>	<b>12,739.6</b>	<b>18,232.9</b>	<b>3,534.8</b>	<b>7,544.1</b>	<b>4,290.7</b>	<b>7,077.8</b>	<b>22,447.3</b>	<b>6,548.0</b>	<b>2,697.9</b>	<b>3,769.5</b>
Capital account	320.7	655.7	27.7	154.7	554.5	317.8	1,054.7	462.8	321.1	174.9
Financial account	12,418.9	17,577.2	3,507.1	7,389.4	3,736.2	6,760.0	21,392.6	6,085.1	2,376.7	3,594.7
Direct investment	2,611.8	10,716.7	2,344.7	2,205.7	1,068.1	4,104.3	9,722.7	13,274.1	14,836.0	2,041.4
Abroad	-2,188.4	-2,149.2	-1,007.9	-834.5	-988.9	-557.3	-3,388.6	-997.4	-2,524.3	-1,643.7
In Estonia	4,800.2	12,865.9	3,352.5	3,040.3	2,057.0	4,661.6	13,111.3	14,271.5	17,360.3	3,685.1
Portfolio investment	2,442.4	2,431.7	-700.4	5,628.1	-2,228.7	6,431.5	9,130.5	-5,338.0	-20,648.4	-5,263.1
Assets	-3,182.9	-5,351.6	-767.7	-183.7	-2,419.0	-1,381.2	-4,751.6	-3,507.3	-2,422.9	-4,463.6
Equity securities	9.1	-1,028.9	-441.6	-565.5	-544.6	-1,341.8	-2,893.5	-1,237.6	-1,194.9	-1,469.2
Debt securities	-3,192.0	-4,322.7	-326.2	381.7	-1,874.3	-39.4	-1,858.1	-2,269.7	-1,227.9	-2,994.5
Liabilities	5,625.3	7,783.3	67.3	5,811.8	190.2	7,812.7	13,882.1	-1,830.7	-18,225.5	-799.4
Equity securities	912.2	1,526.9	147.3	459.6	707.1	891.3	2,205.3	-9,703.8	-10,127.2	764.9
Debt securities	4,713.1	6,256.3	-80.0	5,352.2	-516.9	6,921.4	11,676.8	7,873.0	-8,098.4	-1,564.4
Financial derivatives	-63.7	-19.3	68.1	-42.6	-62.2	28.3	-8.3	46.8	-62.8	-73.1
Assets	-43.2	-139.2	56.5	-5.5	-18.7	-67.4	-35.1	63.3	-42.9	-22.9
Liabilities	-20.5	120.0	11.7	-37.1	-43.5	95.7	26.8	-16.5	-19.8	-50.2
Other investment	7,428.4	4,448.1	1,794.7	-401.9	4,959.0	-3,804.1	2,547.8	-1,897.8	8,252.0	6,889.4
Assets	695.1	-2,284.6	-1,763.9	-4,918.3	2,163.0	-6,649.6	-11,168.8	-11,945.4	5,277.0	-2,202.6
Long-term	-1,083.0	-565.7	-1,154.6	-1,903.9	250.0	-3,244.1	-6,052.6	-1,825.9	-3,678.6	3,063.2
Short-term	1,778.1	-1,718.9	-609.3	-3,014.4	1,913.0	-3,405.5	-5,116.1	-10,119.6	8,955.7	-5,265.9
Liabilities	6,733.3	6,732.7	3,558.6	4,516.4	2,796.0	2,845.5	13,716.5	10,047.6	2,974.9	9,092.0
Long-term	1,829.0	4,310.4	690.0	1,001.2	-514.1	2,563.5	3,740.6	2,689.3	1,889.9	5,961.3
Short-term	4,904.3	2,422.3	2,868.6	3,515.2	3,310.1	282.0	9,975.9	7,358.3	1,085.0	3,130.7
Errors and omissions	70.1	-518.9	-377.5	-601.5	-348.0	268.1	-1,058.9	64.3	770.1	-688.3
<b>Overall balance</b>	<b>926.8</b>	<b>2,312.1</b>	<b>-468.4</b>	<b>725.1</b>	<b>2,017.7</b>	<b>1,151.0</b>	<b>3,425.4</b>	<b>2,691.4</b>	<b>-1,493.3</b>	<b>43.8</b>
<b>Reserve assets</b>	<b>-926.8</b>	<b>-2,312.1</b>	<b>468.4</b>	<b>-725.1</b>	<b>-2,017.7</b>	<b>-1,151.0</b>	<b>-3,425.4</b>	<b>-2,691.4</b>	<b>1,493.3</b>	<b>-43.8</b>

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

The **income account** deficit remained close to the year-ago level, amounting to 1.4 billion kroons. The income earned by Estonian investors abroad (credit turnover) grew 36% and reached a record 2.6 billion kroons. Labour income comprised 25% of that and the rest was investment income, mostly earnings reinvested in the transport sector and credit institutions. The income earned by non-residents on the capital invested in Estonia and on compensations of employees stood at 4 billion kroons. 96% of non-residents' income came from investment income, which largely consisted of reinvested earnings (69% of the total income). Excluding from the income account reinvested earnings, which involve no actual movement of funds, the income account had a surplus of 50 million kroons.

The majority of residents' income earned on investment and compensations of employees came from Cyprus, the Baltic States, Finland, and the UK (76% in total). Financial intermediaries earned 35% and transport, storage and communications investors 33% of the income. 88% of income on investment in Estonia belonged to investors from the EU Member States, mostly Finland and Sweden, accounting



**Figure 1. Current account deficit (% of GDP)**

for 67% of the total income. The majority of the income was earned on financial intermediation (34%), manufacturing (20%), real estate, renting and business activities, and wholesale and retail trade (12-13%).

The surplus of the **transfers account** (current and capital transfers) decreased three times, year-on-year. The incoming transfers declined by nearly a third and the outgoing transfers grew by a quarter. The surpluses of both transfers accounts decreased mainly because the volume of transfers received by the general government almost doubled.

The positive balance of the **FINANCIAL ACCOUNT** increased by half quarter-on-quarter, constituting 3.6 billion kroons. Foreign capital inflow occurred in the form of direct and other investment.

The positive balance of **direct investment** was 2 billion kroons. Foreign direct investment in Estonia increased by 3.7 and direct investment of Estonian residents abroad by 1.6 billion kroons.

Reinvested earnings accounted for 76% of the direct investment inflow; the rest was mostly direct investment capital. Direct investment mainly came from Finland (58%), Sweden (25%), and Russia. A quarter of direct investment was made in financial intermediation, a fifth in transport, storage and communications, and wholesale and retail trade.

Like in the structure of non-residents' direct investment, reinvested earnings accounted for 80% of residents' foreign direct investment. Most of the investment went to Cyprus (41%), Latvia (24%), and Lithuania (15%). The share of the European Union was 85%. The investors in transport, storage and communications (42%), financial intermediation (29%), and wholesale and retail trade (12%) made the largest investments.

The negative balance of **portfolio investment** was 5.3 billion kroons. Portfolio investment claims increased by 4.5 billion and liabilities decreased by 0.8 billion kroons, quarter-on-quarter. Claims increased mainly due to the general government's investments in money market instruments and other sectors' investments in foreign equity securities. Liabilities decreased primarily due to a decline in credit institutions' liabilities related to money market instruments.

The net inflow of **other investment** amounted to 6.9 billion kroons. Claims increased by 2.2 billion kroons, quarter-on-quarter. Long-term claims decreased by 3.1 billion kroons, whereas short-term claims increased by 5.3 billion kroons mostly on account of currency and deposits of credit institutions and trade credit claims of other sectors. Other investment liabilities grew by 9.1 billion kroons mainly as a result of an increase in long-term and short-term debt liabilities of credit institutions.

## CURRENT ACCOUNT

Against the background of a slight recovery in global economic activity, Estonia's current account deficit remained high in the third quarter of 2005, amounting to 11.4% of the GDP of the last four quarters. On one hand, the external balance was affected by fast export growth, and on the other hand, by large imports of capital goods arising from high investment activity (see Figure 2). The current account deficit without reinvested earnings, which include no actual flow of funds, stood at 6.1% of GDP.

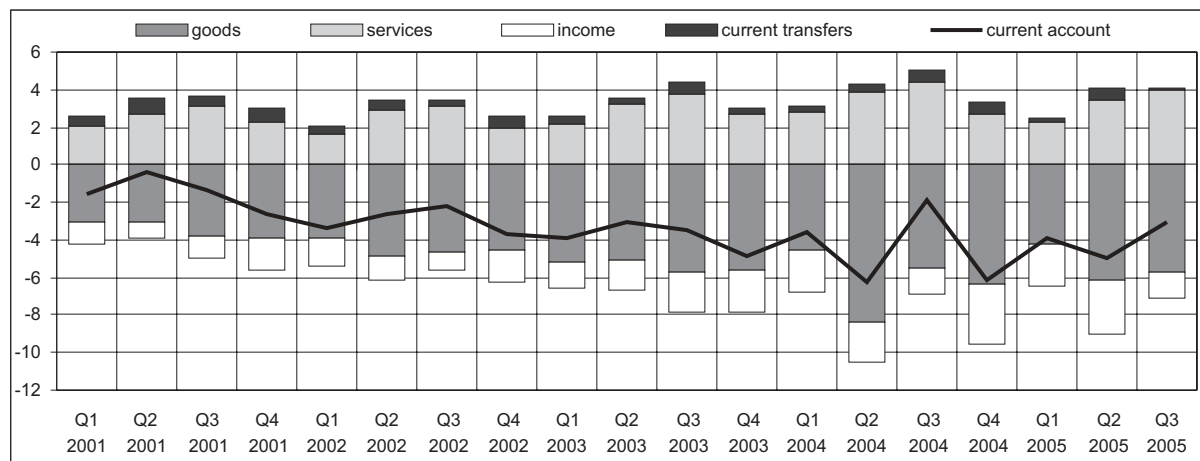


Figure 2. Current account structure (EEK bn)

EU Member States (EU-25) accounted for the majority of the current account turnover – 76% of the credit turnover and 79% of the debit turnover. The five most significant partners were Finland, Sweden, Russia, Latvia and Germany (totalling 61% of the credit turnover); regarding debit turnover, also Finland, Germany, Sweden, Russia plus Lithuania (58%). In the third quarter of 2005, Estonia's current account deficit was the biggest with Germany and Poland while the largest surplus was registered with Finland and Latvia (see Table 2).

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

	Q3 2004	Q2 2005	Q3 2005
<b>EU-25</b>	<b>-3,152.3</b>	<b>-4,413.3</b>	<b>-3,224.7</b>
Germany*	-1,571.9	-3,321.4	-3,384.3
Finland	-323.1	1,184.1	2,349.8
Latvia	579.5	1,033.5	1,182.0
Poland	-655.3	-830.1	-957.0
Cyprus	679.4	123.4	923.5
<b>EU-15</b>	<b>-3,503.5</b>	<b>-4,194.6</b>	<b>-4,413.6</b>
<b>CIS</b>	<b>-105.5</b>	<b>-936.8</b>	<b>299.4</b>
Belarus	-273.4	-406.9	-392.1
Russia	-76.3	-767.6	242.3
Ukraine	214.0	95.7	222.4
<b>Other</b>	<b>1,332.9</b>	<b>388.9</b>	<b>-112.2</b>
Japan	-337.5	-368.8	-605.0
Hong Kong	-254.3	-433.0	-576.0
China	-422.0	-429.0	-543.2
USA	862.0	244.7	483.6
Norway	537.7	583.4	424.6
<b>Total</b>	<b>-1,924.9</b>	<b>-4,961.2</b>	<b>-3,037.5</b>

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

## Goods

The goods account deficit of the balance of payments stood at 5.7 billion kroons in the third quarter of 2005, having slightly increased year-on-year, but declining by 0.5 billion kroons quarter-on-quarter (see Table 3). Both the exports and imports of goods again reached record highs and totalled 24.7 and 30.4 billion kroons, respectively, having risen 28% and 23%, year-on-year, and 4% and 2%, quarter-on-quarter.

**Table 3. Changes in the imports and exports 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 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
<b>2001 total</b>	<b>58,667.1</b>	<b>4.1</b>	<b>67.0</b>	<b>72,451.0</b>	<b>4.3</b>	<b>79.5</b>	<b>-13,783.9</b>
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
<b>2002 total</b>	<b>58,333.6</b>	<b>-0.6</b>	<b>67.3</b>	<b>76,329.2</b>	<b>5.4</b>	<b>80.4</b>	<b>-17,995.6</b>
Q1 2003	14,335.5	-11.4	70.4	19,491.5	-6.1	83.3	-5,156.0
Q2 2003	16,111.1	12.4	66.9	21,154.2	8.5	81.7	-5,043.1
Q3 2003	15,530.7	-3.6	63.8	21,219.5	0.3	80.7	-5,688.8
Q4 2003	17,622.4	13.5	68.8	23,217.6	9.4	81.3	-5,595.2
<b>2003 total</b>	<b>63,599.7</b>	<b>9.0</b>	<b>67.4</b>	<b>85,082.8</b>	<b>11.5</b>	<b>81.7</b>	<b>-21,483.1</b>
Q1 2004	16,952.4	-3.8	69.8	21,520.6	-7.3	82.6	-4,568.2
Q2 2004	18,124.9	6.9	65.7	26,473.3	23.0	82.4	-8,348.4
Q3 2004	19,254.4	6.2	66.0	24,780.1	-6.4	81.8	-5,525.7
Q4 2004	20,729.3	7.7	70.0	27,090.1	9.3	81.5	-6,360.8
<b>2004 total</b>	<b>75,061.0</b>	<b>18.0</b>	<b>67.8</b>	<b>99,864.1</b>	<b>17.4</b>	<b>82.0</b>	<b>-24,803.1</b>
Q1 2005	21,643.5	4.4	73.3	25,857.4	-4.6	82.1	-4,213.9
Q2 2005	23,737.2	9.7	70.2	29,887.3	15.6	81.7	-6,150.1
Q3 2005	24,705.7	4.1	69.6	30,401.5	1.7	81.6	-5,695.8

According to the **foreign trade statistics**<sup>2</sup>, goods exports totalled 24.1 billion and imports in c.i.f. prices 32.1 billion kroons (see Figure 3). Although the foreign trade deficit increased by nearly a billion kroons year-on-year, it declined slightly from the second quarter, amounting to 8.0 billion kroons.

The growth rate of **goods exports** remained high: exports increased 27% on the third quarter of 2004 and 3% on the previous quarter (see Table 4). The year-on-year growth was most affected by increased exports of machinery and equipment, and mineral and metal products. In the group of machinery and equipment, mobile communication devices and their parts ranked first, having grown 40% year-on-year and being exported mainly to Finland, Sweden and Hungary. The main article in the mineral products group was again the re-exports of motor fuel: nearly a half of the motor fuel imported from Lithuania,

<sup>2</sup> The following analysis does not include the adjustments made to the goods account (repair of capital goods, provisions purchased from abroad, etc.) made by the Balance of Payments and Economic Statistics Department of Eesti Pank. Imports are in c.i.f. prices and analysed by the trading country. As of the moment of accession, the terms “exports” and “imports” are only applicable in reference to trading with third countries, while the Intrastat reporting 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.

The special trade system used for drawing up the balance of payments prior to the accession to the EU has not been applicable to the same extent as of the moment of accession since the Intrastat reporting system does not provide for making the difference between general and special trade. Thus, the impact of customs or intermediate warehouses has been eliminated only from trading with third countries, whereas in trading with EU countries also the movement of goods through intermediate warehouses has been registered.

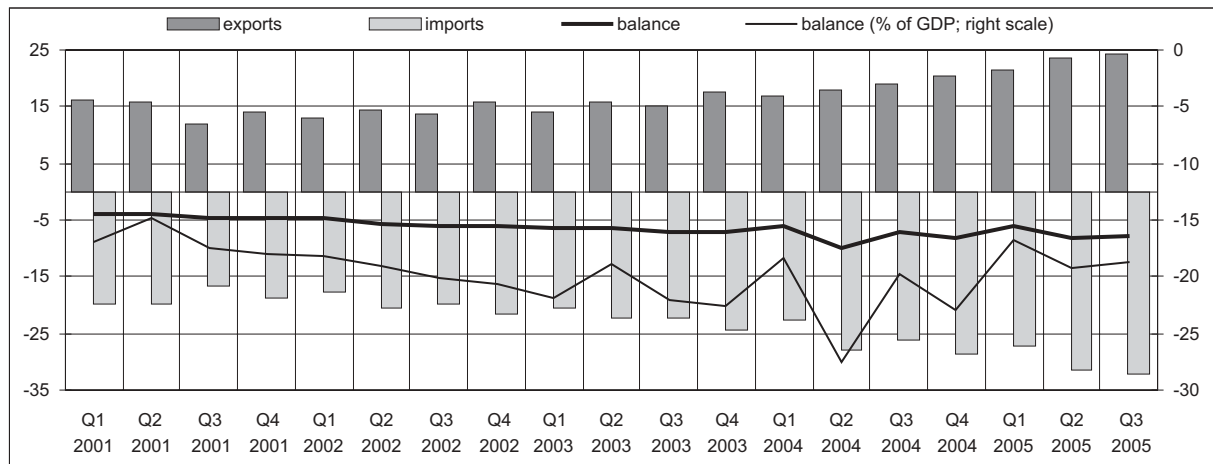


Figure 3. Estonia's foreign trade balance (EEK bn)

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q2 2004
Food	1,451.6	1,760.8	1,539.9	7.6	7.5	6.4	-12.5	6.1
Mineral products	1,053.8	1,502.7	1,698.4	5.5	6.4	7.0	13.0	61.2
Chemical products	1,346.4	1,830.0	1,826.0	7.1	7.8	7.6	-0.2	35.6
Clothing, footwear and headgear	2,012.4	2,067.8	1,976.9	10.6	8.8	8.2	-4.4	-1.8
Timber, paper and products	2,718.2	3,472.1	3,048.9	14.3	14.8	12.6	-12.2	12.2
Metals and metal products	1,503.5	1,913.2	2,014.0	7.9	8.2	8.3	5.3	34.0
Machinery and equipment	5,282.7	6,104.7	7,435.0	27.8	26.0	30.8	21.8	40.7
Transport vehicles	1,171.7	1,719.9	1,654.5	6.2	7.3	6.9	-3.8	41.2
Furniture, toys, sporting goods	1,660.1	2,049.2	1,859.5	8.7	8.7	7.7	-9.3	12.0
Other	829.3	1,050.0	1,071.1	4.4	4.5	4.4	2.0	29.2
<b>Total</b>	<b>19,029.7</b>	<b>23,470.4</b>	<b>24,124.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.8</b>	<b>26.8</b>

Russia and Belarus was exported to several EU Member States, Gibraltar, and the United States. The sale of another traditional article, electricity, to Latvia grew 66% year-on-year; in that quarter electricity was also sold to Lithuania for the first time. As regards metal products, mainly metal constructions were exported to Finland and Denmark, steel products to Ukraine, Latvia and Lithuania, and scrap metal to Turkey and India. The exports of timber, timber products and furniture increased 12%. The main export articles were prefabricated structures, furniture and furniture components, construction components, unprocessed or little-processed timber, and firewood; the countries of destination were Finland, Sweden, the UK, Norway and Germany. Textile products (ready-made clothes, furs, footwear) were exported mainly to Finland and Sweden; various foodstuffs (fish and dairy products, alcohol, and bottled water) were exported mainly to neighbouring countries (Latvia, Lithuania, Finland, and Russia) but also to other European countries. The exports of chemical products were dominated by plastic products, nitrogen fertilisers and paints, polishes and putties; the countries of destination were the United States, Latvia, Russia, and Sweden. The exports of transport vehicles increased 40% year-on-year, mainly because of re-exports to Latvia and Lithuania of motor cars and their parts imported mostly from Finland, Germany, the UK, and France. Additionally, wagons were sold to Russia.

Though the growth rate of **goods imports** was outpaced by that of exports, it still amounted to 23% compared to the third quarter of 2004 and to 2% compared to the previous quarter (see Table 5). The growth in imports was mainly affected by machinery and equipment, chemical and mineral products. In the group of machinery and equipment, parts of electrical and electronic goods as well as computers prevailed with European (Finland, Germany, Sweden) and Asia countries (Hong Kong, Japan, Singapore, China) as points of destination. Chemical imports accounted mostly for medicines (from

Germany, Belgium, Latvia, Poland, and Finland), various plastic products (from Finland, Sweden, Germany, Latvia, and Lithuania), car tires (from Sweden, Poland, Finland), and other. Over 80% of minerals imports accounted for motor fuel from Lithuania, Russia and Belarus, followed by natural gas from Russia and other oil products from Sweden and Lithuania. 64% of the imports of transport vehicles comprised motor cars and their parts (from Finland, Germany, the UK, France), but also lorries, tractors and trailers were supplied. The imports of metal products were dominated by steel products brought in for processing and domestic supply (partner countries were Finland, the United States and Russia) and metal pipes and constructions (Russia, Germany). In the group of clothing, footwear and headgear, footwear from Germany, Finland and the Netherlands, as well as raw fur skins, fabrics and ready-made clothes were imported. As for foodstuffs, spirits and low-alcohol beverages were imported from Finland and France, sugar from Poland and Finland, coffee from Finland, etc. Timber and timber products mainly comprised unprocessed timber and plywood from Russia.

**Table 5. Imports by main groups of goods**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
Food	2,297.6	2,876.4	2,516.8	8.8	9.1	7.8	-12.5	9.5
Mineral products	1,916.3	2,711.0	2,740.9	7.3	8.6	8.5	1.1	43.0
Chemical products	2,932.9	3,905.8	3,906.0	11.2	12.4	12.2	0.0	33.2
Clothing, footwear and headgear	2,263.9	2,292.1	2,544.9	8.7	7.3	7.9	11.0	12.4
Timber, paper and products	1,386.4	1,937.9	1,625.5	5.3	6.1	5.1	-16.1	17.2
Metals and metal products	2,930.1	3,347.9	3,152.4	11.2	10.6	9.8	-5.8	7.6
Machinery and equipment	7,969.0	8,874.9	10,416.3	30.6	28.1	32.4	17.4	30.7
Transport vehicles	2,894.5	3,667.3	3,133.2	11.1	11.6	9.8	-14.6	8.2
Furniture, toys, sporting goods	534.1	756.0	721.7	2.0	2.4	2.2	-4.5	35.1
Other	958.7	1,208.2	1,353.7	3.7	3.8	4.2	12.0	41.2
<b>Total</b>	<b>26,083.7</b>	<b>31,577.4</b>	<b>32,111.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>1.7</b>	<b>23.1</b>

**External trade** posted a surplus in two traditional groups of goods – timber and timber products, and furniture (see Table 6). The positive balance of both groups increased slightly.

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

	Q3 2004	Q2 2005	Q3 2005
Food	-846.0	-1,115.6	-976.9
Mineral products	-862.4	-1,208.3	-1,042.5
Chemical products	-1,586.5	-2,075.8	-2,080.1
Clothing, footwear and headgear	-251.6	-224.3	-568.0
Timber, paper and products	1,331.8	1,534.2	1,423.4
Metals and metal products	-1,426.6	-1,434.7	-1,138.4
Machinery and equipment	-2,686.4	-2,770.2	-2,981.4
Transport vehicles	-1,722.9	-1,947.4	-1,478.7
Furniture, toys, sporting goods	1,125.9	1,293.3	1,137.9
Other	-129.4	-158.2	-282.6
<b>Total</b>	<b>-7,054.0</b>	<b>-8,107.0</b>	<b>-7,987.3</b>

**By groups of countries, the goods exports** to the EU increased 27%; exports to the CIS countries grew 30% and to other countries 22% (see Table 7). EU Member States accounted for 77% of the goods exports; the major trade partners were Finland, Sweden, Latvia, Germany, and Lithuania. The share of the CIS countries grew mainly on account of Russia, followed by Ukraine and Kazakhstan. Norway and the United States ranked ahead of other countries.

**Goods imports** also increased across all groups of countries (see Table 8). The top five trade partners included Finland, Germany, Sweden, Russia, and Lithuania.

**Foreign trade** balance was negative across all groups of countries (see Table 9). Estonia posted a surplus in trading with Latvia, Finland, and Sweden.

**Table 7. Exports of goods by groups of countries**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
<b>EU-25</b>	<b>14,635.9</b>	<b>18,635.1</b>	<b>18,617.5</b>	<b>76.9</b>	<b>79.4</b>	<b>77.2</b>	<b>-0.1</b>	<b>27.2</b>
Finland	4,134.8	5,875.1	6,923.0	21.7	25.0	28.7	17.8	67.4
Sweden	2,610.5	3,374.0	2,890.4	13.7	14.4	12.0	-14.3	10.7
Latvia	1,578.0	2,102.7	2,341.5	8.3	9.0	9.7	11.4	48.4
Germany	1,582.2	1,427.0	1,371.6	8.3	6.1	5.7	-3.9	-13.3
Lithuania	917.4	1,106.4	1,217.7	4.8	4.7	5.0	10.1	32.7
<b>EU-15</b>	<b>10,987.2</b>	<b>14,365.6</b>	<b>14,414.7</b>	<b>57.7</b>	<b>61.2</b>	<b>59.8</b>	<b>0.3</b>	<b>31.2</b>
<b>CIS</b>	<b>1,750.9</b>	<b>1,911.2</b>	<b>2,275.5</b>	<b>9.2</b>	<b>8.1</b>	<b>9.4</b>	<b>19.1</b>	<b>30.0</b>
Russia	1,261.3	1,400.0	1,682.4	6.6	6.0	7.0	20.2	33.4
Ukraine	368.6	301.6	366.5	1.9	1.3	1.5	21.5	-0.6
Kazakhstan	27.1	66.2	116.7	0.1	0.3	0.5	76.4	331.1
<b>Other</b>	<b>2,642.9</b>	<b>2,924.1</b>	<b>3,231.1</b>	<b>13.9</b>	<b>12.5</b>	<b>13.4</b>	<b>10.5</b>	<b>22.3</b>
Norway	581.5	683.5	687.7	3.1	2.9	2.9	0.6	18.3
USA	821.1	656.7	652.1	4.3	2.8	2.7	-0.7	-20.6
Gibraltar	31.1	284.0	305.1	0.2	1.2	1.3	7.4	881.4
<b>Total</b>	<b>19,029.7</b>	<b>23,470.4</b>	<b>24,124.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.8</b>	<b>26.8</b>

**Table 8. Imports of goods by groups of countries\***

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
<b>EU-25</b>	<b>20,561.6</b>	<b>24,530.2</b>	<b>24,720.3</b>	<b>78.8</b>	<b>77.7</b>	<b>77.0</b>	<b>0.8</b>	<b>20.2</b>
Finland	5,897.9	6,401.2	6,339.0	22.6	20.3	19.7	-1.0	7.5
Germany	3,263.6	4,342.6	4,655.8	12.5	13.8	14.5	7.2	42.7
Sweden	2,518.7	2,977.2	2,648.9	9.7	9.4	8.2	-11.0	5.2
Lithuania	1,552.3	1,944.2	2,021.6	6.0	6.2	6.3	4.0	30.2
Latvia	1,279.1	1,495.7	1,542.8	4.9	4.7	4.8	3.1	20.6
<b>EU-15</b>	<b>16,026.3</b>	<b>19,223.8</b>	<b>19,622.5</b>	<b>61.4</b>	<b>60.9</b>	<b>61.1</b>	<b>2.1</b>	<b>22.4</b>
<b>CIS</b>	<b>2,868.0</b>	<b>3,682.9</b>	<b>2,996.9</b>	<b>11.0</b>	<b>11.7</b>	<b>9.3</b>	<b>-18.6</b>	<b>4.5</b>
Russia	2,223.2	2,847.0	2,316.7	8.5	9.0	7.2	-18.6	4.2
Belarus	318.5	442.0	419.0	1.2	1.4	1.3	-5.2	31.6
Ukraine	251.5	259.9	188.3	1.0	0.8	0.6	-27.6	-25.1
<b>Other</b>	<b>2,654.1</b>	<b>3,364.3</b>	<b>4,394.3</b>	<b>10.2</b>	<b>10.7</b>	<b>13.7</b>	<b>30.6</b>	<b>65.6</b>
China	589.4	614.4	782.2	2.3	1.9	2.4	27.3	32.7
Japan	421.6	452.5	720.7	1.6	1.4	2.2	59.3	71.0
Hong Kong	284.3	454.5	628.2	1.1	1.4	2.0	38.2	121.0
<b>Total</b>	<b>26,083.7</b>	<b>31,577.4</b>	<b>32,111.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>1.7</b>	<b>23.1</b>

\* Analysed by trading country.

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

	Q3 2004	Q2 2005	Q3 2005
EU-25	-5,925.7	-5,895.1	-6,102.8
EU-15	-5,039.1	-4,858.2	-5,207.7
CIS	-1,117.1	-1,771.7	-721.4
Other	-11.2	-440.2	-1,163.2
<b>Total</b>	<b>-7,054.0</b>	<b>-8,107.0</b>	<b>-7,987.3</b>

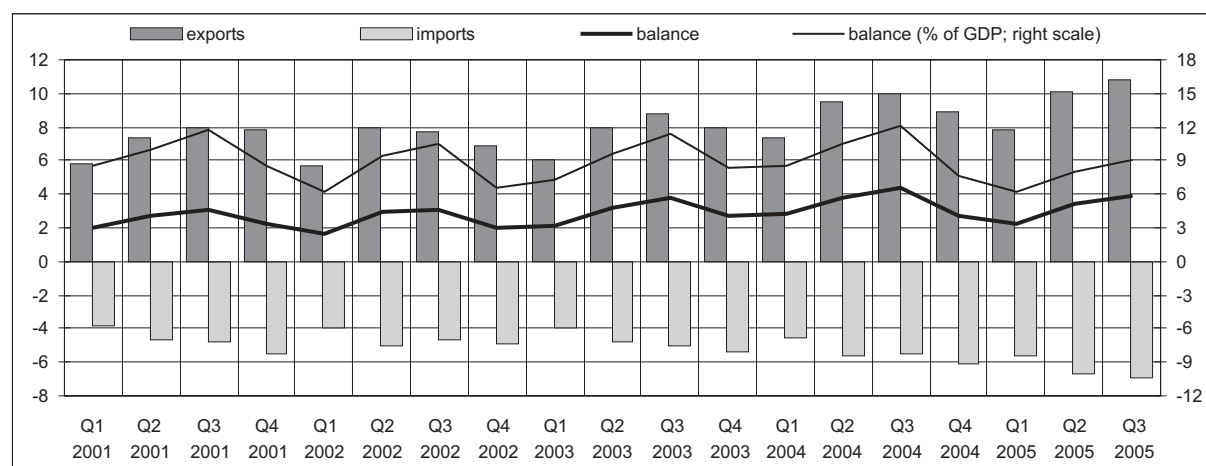
## Services

The surplus of the services account amounted to 3.9 billion kroons in the third quarter of 2005, having declined 11% year-on-year (see Table 10). The surplus of the services account offset the foreign trade deficit by 69%. The services account surplus was smaller for the third consecutive quarter, year-on-year (see Figure 4).



**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 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
<b>2001 total</b>	<b>28,866.5</b>	<b>13.3</b>	<b>33.0</b>	<b>18,706.3</b>	<b>17.6</b>	<b>20.5</b>	<b>10,160.2</b>	<b>6.1</b>
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
<b>2002 total</b>	<b>28,279.7</b>	<b>-2.0</b>	<b>32.7</b>	<b>18,602.3</b>	<b>-0.6</b>	<b>19.6</b>	<b>9,677.4</b>	<b>-4.8</b>
Q1 2003	6,030.4	-12.5	29.6	3,902.2	-21.0	16.7	2,128.2	8.9
Q2 2003	7,969.2	32.2	33.1	4,737.1	21.4	18.3	3,232.1	51.9
Q3 2003	8,818.5	10.7	36.2	5,065.7	6.9	19.3	3,752.8	16.1
Q4 2003	8,001.8	-9.3	31.2	5,332.2	5.3	18.7	2,669.6	-28.9
<b>2003 total</b>	<b>30,819.9</b>	<b>9.0</b>	<b>32.6</b>	<b>19,037.2</b>	<b>2.3</b>	<b>18.3</b>	<b>11,782.7</b>	<b>21.8</b>
Q1 2004	7,330.0	-8.4	30.2	4,538.6	-14.9	17.4	2,791.4	4.6
Q2 2004	9,469.9	29.2	34.3	5,647.7	24.4	17.6	3,822.2	36.9
Q3 2004	9,924.7	4.8	34.0	5,531.2	-2.1	18.2	4,393.5	14.9
Q4 2004	8,866.7	-10.7	30.0	6,135.3	10.9	18.5	2,731.4	-37.8
<b>2004 total</b>	<b>35,591.3</b>	<b>15.5</b>	<b>32.2</b>	<b>21,852.8</b>	<b>14.8</b>	<b>18.0</b>	<b>13,738.5</b>	<b>16.6</b>
Q1 2005	7,888.2	-11.0	26.7	5,647.7	-7.9	18.0	2,240.5	-18.0
Q2 2005	10,085.1	27.9	29.8	6,690.0	18.5	18.3	3,395.1	51.5
Q3 2005	10,800.6	7.1	30.4	6,875.2	2.8	18.4	3,925.4	15.6

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

Travel services have the largest impact on the seasonality of the services account. The positive balance of this sub-account of 2.3 billion kroons accounted for 60% of the surplus of the services account, having grown 4% year-on-year (see Table 11). The decrease in the positive balance of another important category of services – transport services – was largely of statistical nature<sup>3</sup>. The third important category was business services, whose positive balance increased 2.4 times, year-on-year.

<sup>3</sup> According to the policy of adjusting Eesti Pank's balance of payments statistics, only the data of the preceding quarter is initially adjusted, when appropriate, upon publishing the quarterly balance of payments. The data of earlier periods are adjusted for the preliminary annual balance of payments. The transport services data covering the second quarter of 2005 have been adjusted; the data of the third quarter of 2004 will be adjusted for the preliminary balance of payments of 2005 published on 26 June 2006. Thus, the transport services data of the third quarters of 2005 and 2004 are not fully comparable for the time being.

**Table 11. Services balance by major categories**

	Balance (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
Transportation*	1,728.3	946.4	921.4	39.3	27.9	23.5	-2.6	-46.7
Travel	2,255.7	1,969.4	2,340.4	51.3	58.0	59.6	18.8	3.8
Construction services	34.6	-53.5	-107.2	0.8	-1.6	-2.7	100.4	-409.8
Business services	298.9	524.8	710.7	6.8	15.5	18.1	35.4	137.8
Government services	40.8	50.5	23.5	0.9	1.5	0.6	-53.5	-42.4
Other	35.2	-42.5	36.6	0.8	-1.3	0.9	-186.1	4.0
<b>Total</b>	<b>4,393.5</b>	<b>3,395.1</b>	<b>3,925.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>15.6</b>	<b>-10.7</b>

\* See Footnote 3 p 13.

**Services exports** amounted to 10.8 billion kroons in the third quarter, having increased 9% year-on-year (see Table 12). Growth in the fields of construction and business services was faster than average (2.3 times and 32%, respectively). The accession to the European Union led to fast growth in travel and transport services exports in 2004. In 2005, because of the high level of the reference period, the growth has been stabilizing regarding both travel and passenger transport services (annual growth of 6% and 9%, respectively).

**Table 12. Services exports by major categories**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
Transportation*	4,142.3	3,966.9	3,918.4	41.7	39.3	36.3	-1.2	-5.4
freight	2,341.6	1,983.4	2,051.9	23.6	19.7	19.0	3.5	-12.4
passenger	922.2	925.7	1,006.6	9.3	9.2	9.3	8.7	9.2
other transport services	878.5	1,057.8	859.9	8.9	10.5	8.0	-18.7	-2.1
Travel	3,683.2	3,340.4	3,899.1	37.1	33.1	36.1	16.7	5.9
Construction services	232.5	407.5	529.8	2.3	4.0	4.9	30.0	127.9
Business services	1,286.0	1,690.5	1,700.3	13.0	16.8	15.7	0.6	32.2
Government services	118.1	117.6	108.7	1.2	1.2	1.0	-7.6	-8.0
Other	462.6	562.2	644.3	4.7	5.6	6.0	14.6	39.3
<b>Total</b>	<b>9,924.7</b>	<b>10,085.1</b>	<b>10,800.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>7.1</b>	<b>8.8</b>

\* See Footnote 3 p 13.

Services exports to the EU and CIS countries grew faster than total services exports, year-on-year (see Table 13). As regards the EU Member States, services exports to Sweden and Finland increased faster than average (28% and 18%, respectively). Services exports to other countries decreased.

**Table 13. Services exports by groups of countries**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
<b>EU-25</b>	<b>6,753.0</b>	<b>7,208.0</b>	<b>7,666.0</b>	<b>68.0</b>	<b>71.5</b>	<b>71.0</b>	<b>6.4</b>	<b>13.5</b>
Finland	3,172.4	3,538.1	3,749.2	32.0	35.1	34.7	6.0	18.2
Sweden	702.0	786.1	895.4	7.1	7.8	8.3	13.9	27.5
Germany	559.7	597.1	654.8	5.6	5.9	6.1	9.7	17.0
United Kingdom	767.2	632.1	545.6	7.7	6.3	5.1	-13.7	-28.9
Latvia	328.1	414.1	436.6	3.3	4.1	4.0	5.4	33.1
<b>EU-15</b>	<b>6,055.0</b>	<b>6,371.5</b>	<b>6,702.5</b>	<b>61.0</b>	<b>63.2</b>	<b>62.1</b>	<b>5.2</b>	<b>10.7</b>
<b>CIS</b>	<b>1,383.9</b>	<b>1,270.2</b>	<b>1,543.1</b>	<b>13.9</b>	<b>12.6</b>	<b>14.3</b>	<b>21.5</b>	<b>11.5</b>
Russia	1,221.3	1,034.8	1,288.8	12.3	10.3	11.9	24.5	5.5
Kazakhstan	28.2	126.6	130.7	0.3	1.3	1.2	3.2	363.5
<b>Other</b>	<b>1,787.8</b>	<b>1,606.9</b>	<b>1,591.5</b>	<b>18.0</b>	<b>15.9</b>	<b>14.7</b>	<b>-1.0</b>	<b>-11.0</b>
USA	444.5	453.7	497.2	4.5	4.5	4.6	9.6	11.9
offshore regions	609.6	398.2	363.9	6.1	3.9	3.4	-8.6	-40.3
Switzerland	415.0	352.6	279.0	4.2	3.5	2.6	-20.9	-32.8
<b>Total</b>	<b>9,924.7</b>	<b>10,085.1</b>	<b>10,800.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>7.1</b>	<b>8.8</b>

**Services imports** amounted to 6.9 billion kroons in the third quarter, having outpaced exports year-on-year (24%; see Table 14). The growth in services imports was most affected by transport and travel services (annual growth 24% in both categories). Underpinned by fast growth in goods imports, the imports of freight transport services also went up 26%.

**Table 14. Services imports by major categories**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
Transportation*	2,414.1	3,020.4	2,997.0	43.6	45.1	43.6	-0.8	24.1
freight	1,559.4	1,972.8	1,957.3	28.2	29.5	28.5	-0.8	25.5
passenger	277.0	275.4	299.0	5.0	4.1	4.3	8.6	7.9
other transport services	577.7	772.2	740.7	10.4	11.5	10.8	-4.1	28.2
Travel	1,252.1	1,370.9	1,558.7	22.6	20.5	22.7	13.7	24.5
Construction services	349.8	461.1	637.0	6.3	6.9	9.3	38.1	82.1
Business services	1,139.1	1,165.6	989.6	20.6	17.4	14.4	-15.1	-13.1
Government services	98.8	67.1	85.2	1.8	1.0	1.2	27.0	-13.8
Other	277.3	604.9	607.7	5.0	9.0	8.8	0.5	119.1
<b>Total</b>	<b>5,531.2</b>	<b>6,690.0</b>	<b>6,875.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.8</b>	<b>24.3</b>

\* See Footnote 3 p 13.

Geographically, changes were minor (see Table 15). Services imports from EU Member States grew in line with total services imports (23% and 24%, respectively); services imports from Sweden and Germany (65% and 62%, respectively) increased faster than average. Regarding other countries, services imports have become more even and growth has been faster in trading with smaller countries.

**Table 15. Services imports by groups of countries**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
<b>EU-25</b>	<b>4,183.2</b>	<b>4,917.0</b>	<b>5,157.4</b>	<b>75.6</b>	<b>73.5</b>	<b>75.0</b>	<b>4.9</b>	<b>23.3</b>
Finland	1,121.5	1,083.1	1,194.6	20.3	16.2	17.4	10.3	6.5
Germany	585.9	958.4	949.6	10.6	14.3	13.8	-0.9	62.1
Sweden	374.8	514.4	619.4	6.8	7.7	9.0	20.4	65.3
Latvia	345.1	423.6	422.1	6.2	6.3	6.1	-0.4	22.3
United Kingdom	319.6	427.5	410.3	5.8	6.4	6.0	-4.0	28.4
<b>EU-15</b>	<b>3,453.2</b>	<b>4,046.4</b>	<b>4,025.8</b>	<b>62.4</b>	<b>60.5</b>	<b>58.6</b>	<b>-0.5</b>	<b>16.6</b>
<b>CIS</b>	<b>667.4</b>	<b>841.7</b>	<b>742.0</b>	<b>12.1</b>	<b>12.6</b>	<b>10.8</b>	<b>-11.8</b>	<b>11.2</b>
Russia	569.5	708.4	621.0	10.3	10.6	9.0	-12.3	9.0
Ukraine	37.3	51.8	61.3	0.7	0.8	0.9	18.3	64.3
<b>Other</b>	<b>680.6</b>	<b>931.3</b>	<b>975.8</b>	<b>12.3</b>	<b>13.9</b>	<b>14.2</b>	<b>4.8</b>	<b>43.4</b>
USA	175.4	221.5	206.1	3.2	3.3	3.0	-7.0	17.5
Turkey	67.5	84.5	113.3	1.2	1.3	1.6	34.1	67.9
Norway	67.8	78.8	93.8	1.2	1.2	1.4	19.0	38.3
<b>Total</b>	<b>5,531.2</b>	<b>6,690.0</b>	<b>6,875.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.8</b>	<b>24.3</b>

The surplus of **transport services** accounted for nearly a quarter of the services account balance in the third quarter of 2005 (see Tables 11, 12, 14, and Figure 5). Even though the turnover of freight transport services exceeded that of passenger transport, most of the income was earned on the latter with exports exceeding imports by 0.7 billion kroons. The exports and imports of passenger transport grew at a stable rate of 9% both from the preceding quarter and the same quarter a year before. Most of the rise in turnover came from passenger transport by sea. The exports of freight transport by road also continued to grow (see Figure 6).

The exports of transport services to EU Member States accounted for 69% of the total exports of transport services (see Table 16). The exports of transport services to Finland amounted to 25% of total exports. As regards new EU Member States, the share of Cyprus grew most year-on-year.

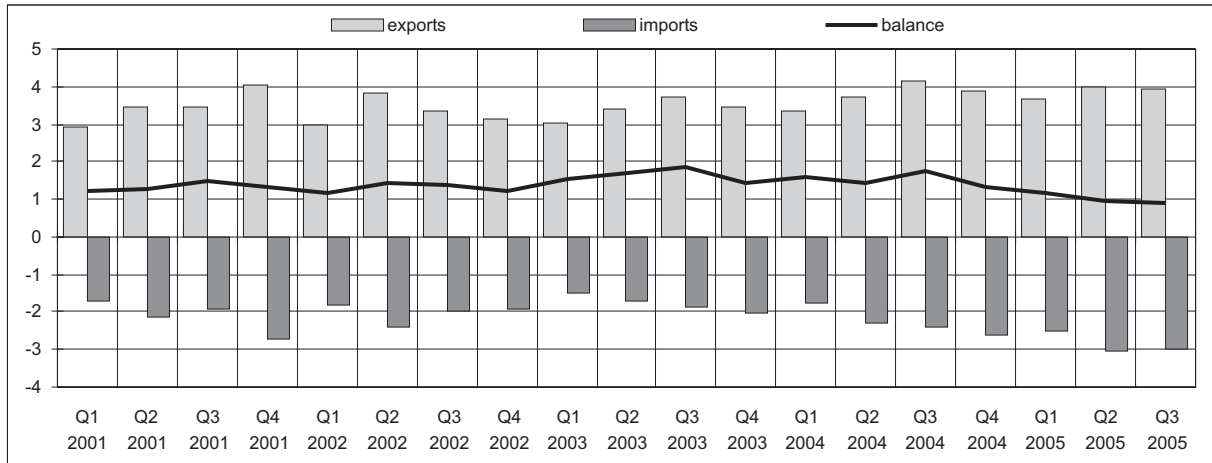


Figure 5. Transport services (EEK bn)

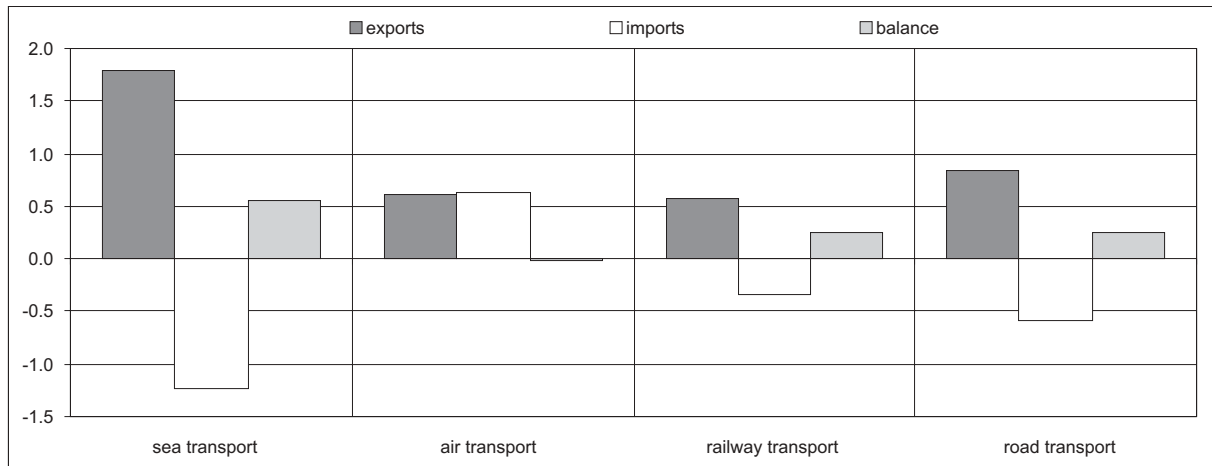


Figure 6. Transport services structure in the third quarter of 2005 by transport type (EEK bn)

Table 16. Transport services by groups of countries in the third quarter of 2005

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q3 2005 / Q3 2004		Volume (EEK m)	Share (%)	Change (%), Q3 2005 / Q3 2004
<b>EU-25</b>	<b>2,705.1</b>	<b>69.0</b>	<b>6.7</b>	<b>EU-25</b>	<b>2,133.9</b>	<b>71.2</b>	<b>22.7</b>
Finland	984.8	25.1	23.8	Finland	524.3	17.5	3.3
Sweden	367.9	9.4	6.9	Germany	334.5	11.2	34.4
United Kingdom	303.5	7.7	-42.2	Latvia	185.6	6.2	64.1
Germany	260.7	6.7	7.3	Sweden	179.6	6.0	6.9
Cyprus	138.6	3.5	176.0	United Kingdom	175.4	5.9	97.0
<b>EU-15</b>	<b>2,356.4</b>	<b>60.1</b>	<b>1.0</b>	<b>EU-15</b>	<b>1,667.2</b>	<b>55.6</b>	<b>18.4</b>
<b>CIS</b>	<b>447.9</b>	<b>11.4</b>	<b>-13.3</b>	<b>CIS</b>	<b>402.4</b>	<b>13.4</b>	<b>13.6</b>
Russia	412.1	10.5	-6.8	Russia	319.1	10.6	10.8
Ukraine	21.9	0.6	-67.2	Belarus	58.2	1.9	132.1
<b>Other</b>	<b>813.9</b>	<b>20.8</b>	<b>-25.4</b>	<b>Other</b>	<b>460.7</b>	<b>15.4</b>	<b>43.9</b>
USA	257.1	6.6	26.0	USA	97.4	3.2	42.4
offshore regions	162.4	4.1	-68.6	offshore regions	86.0	2.9	72.7
Switzerland	160.2	4.1	-41.1	China	73.9	2.5	34.4
<b>Total</b>	<b>3,918.4</b>	<b>100.0</b>	<b>-5.4</b>	<b>Total</b>	<b>2,997.0</b>	<b>100.0</b>	<b>24.1</b>

The imports of transport services from EU Member States slightly outpaced exports to these countries, accounting for 71% of the total imports of transport services. As regards other countries, the largest transport service providers were the United States, China, and offshore regions.

The exports of **travel services** increased 6% (see Figure 7). While the total number of foreign visitors to Estonia went up 13% year-on-year, the number of visitors that used the services of Estonian travel agencies increased threefold. Since the tourists that use the services of travel agencies spend less money on site compared to those who travel on their own, it also affected growth in the total exports of travel services. Year-on-year, the Swedes spent 3% more in Estonia in the third quarter of 2005, the Finns 6%, the Latvians 14%, and the Russians 23% (see Table 17).

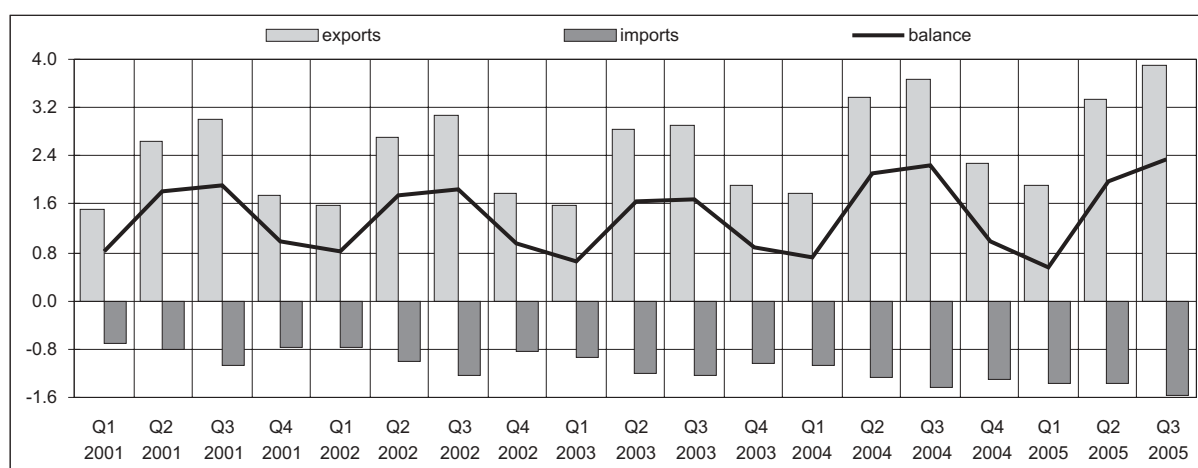


Figure 7. Travel services (EEK bn)

Table 17. Travel services by groups of countries in the third quarter of 2005

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q3 2005 / Q3 2004		Volume (EEK m)	Share (%)	Change (%), Q3 2005 / Q3 2004
<b>EU-25</b>	<b>2,885.9</b>	<b>74.0</b>	<b>2.0</b>	<b>EU-25</b>	<b>-1,069.6</b>	<b>68.6</b>	<b>1.5</b>
Finland	1,987.4	51.0	6.1	Finland	-184.9	11.9	2.3
Sweden	231.3	5.9	3.2	Germany	-159.5	10.2	-9.3
Germany	156.5	4.0	-20.8	United Kingdom	-104.3	6.7	-10.2
Latvia	129.4	3.3	13.5	Sweden	-98.5	6.3	14.8
<b>EU-15</b>	<b>2,659.5</b>	<b>68.2</b>	<b>1.4</b>	<b>EU-15</b>	<b>-889.5</b>	<b>57.1</b>	<b>3.1</b>
<b>CIS</b>	<b>747.0</b>	<b>19.2</b>	<b>23.2</b>	<b>CIS</b>	<b>-216.6</b>	<b>13.9</b>	<b>29.6</b>
Russia	718.3	18.4	23.0	Russia	-164.9	10.6	5.0
<b>Other</b>	<b>266.2</b>	<b>6.8</b>	<b>7.3</b>	<b>Other</b>	<b>-272.5</b>	<b>17.5</b>	<b>31.7</b>
USA	123.5	3.2	-0.6	Turkey	-80.6	5.2	74.1
Norway	48.2	1.2	-16.2	USA	-48.4	3.1	16.3
Canada	17.1	0.4	1.1	Switzerland	-20.7	1.3	-13.0
<b>Total</b>	<b>3,899.1</b>	<b>100.0</b>	<b>5.9</b>	<b>Total</b>	<b>-1,558.7</b>	<b>100.0</b>	<b>9.2</b>

The imports of travel services and the total number of travels (border-crossings) both grew 9%, year-on-year. 20% more people used the services of Estonian travel agencies when going abroad. However, due to the decline in travel costs the imports of travel agencies' travel services decreased 15%, year-on-year. Across the most popular countries of destination, the spending of Estonians grew 2% in Finland, 5% in Russia, 15% in Sweden, 16% in the United States, 74% in Turkey, and 76% in Greece. Estonians' spending has declined in Germany (9%), and the UK (10%).

## Income

Income account deficit stood at 1.4 billion kroons in the third quarter of 2005, having declined 50% from the second quarter and remaining close to the year-ago level (see Table 18 and Figure 8). Income inflow increased 36% and outflow 22%, year-on-year. The income account of Estonia's balance of payments is largely affected by reinvested earnings, which involve no actual movement of funds. Excluding reinvested earnings, the income account posted a surplus of 50 million kroons in the third quarter of 2005 (after being more or less balanced the year before; see Table 19).

Table 18. Changes in income

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)
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
<b>2001 total</b>	<b>2,994.7</b>	<b>49.1</b>	<b>7,920.8</b>	<b>44.2</b>	<b>-4,926.1</b>	<b>41.4</b>
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
<b>2002 total</b>	<b>3,339.3</b>	<b>11.5</b>	<b>8,762.4</b>	<b>10.6</b>	<b>-5,423.1</b>	<b>10.1</b>
Q1 2003	637.7	-8.6	2,003.1	-16.4	-1,365.4	-19.6
Q2 2003	994.6	56.0	2,616.1	30.6	-1,621.5	18.8
Q3 2003	1,132.3	13.8	3,286.0	25.6	-2,153.7	32.8
Q4 2003	657.4	-41.9	2,928.1	-10.9	-2,270.7	5.4
<b>2003 total</b>	<b>3,422.0</b>	<b>2.5</b>	<b>10,833.3</b>	<b>23.6</b>	<b>-7,411.3</b>	<b>36.7</b>
Q1 2004	640.0	-2.6	2,866.0	-2.1	-2,226.0	-2.0
Q2 2004	1,231.1	92.4	3,429.0	19.6	-2,197.9	-1.3
Q3 2004	1,904.3	54.7	3,293.7	-3.9	-1,389.4	-36.8
Q4 2004	1,678.3	-11.9	4,844.5	47.1	-3,166.2	127.9
<b>2004 total</b>	<b>5,453.7</b>	<b>59.4</b>	<b>14,433.2</b>	<b>33.2</b>	<b>-8,979.5</b>	<b>21.2</b>
Q1 2005	1,561.9	-6.9	3,780.8	-22.0	-2,218.9	-29.9
Q2 2005	1,800.0	15.2	4,643.2	22.8	-2,843.2	28.1
Q3 2005	2,589.9	43.9	4,015.0	-13.5	-1,425.1	-49.9

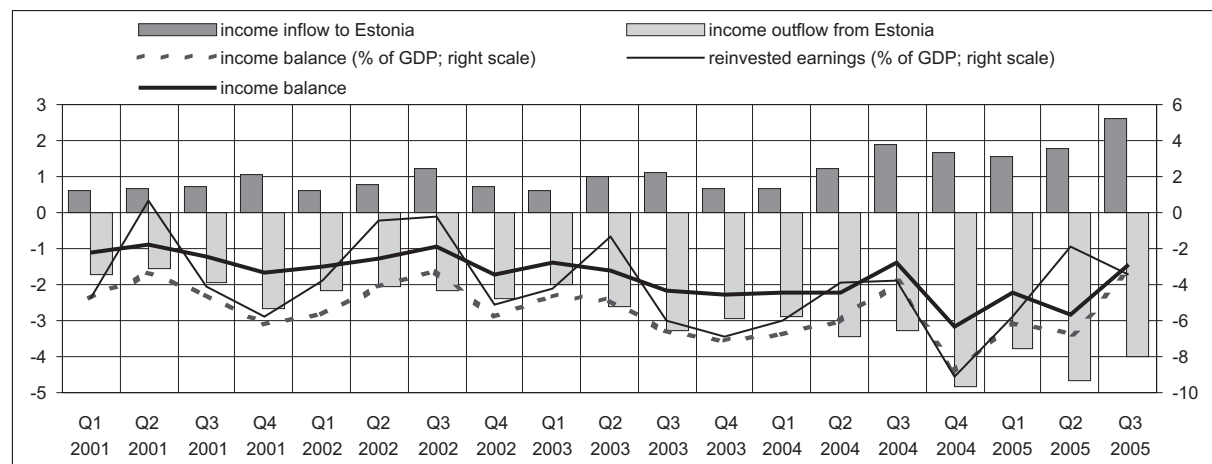


Figure 8. Income (EEK bn)

**Table 19. Structure of income account**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
Income on direct investment	-1,769.3	-3,025.9	-1,789.8	127.3	106.4	125.6	-40.9	1.2
income on equity	-1,680.1	-2,941.0	-1,727.7	120.9	103.4	121.2	-41.3	2.8
reinvested earnings	-1,383.0	-1,524.7	-1,475.4	99.5	53.6	103.5	-3.2	6.7
dividends	-297.1	-1,416.3	-252.4	21.4	49.8	17.7	-82.2	-15.0
income on debt (interests)	-89.3	-84.8	-62.1	6.4	3.0	4.4	-26.8	-30.5
Income on portfolio investment	37.0	-237.6	61.0	-2.7	8.4	-4.3	-125.7	64.9
Income on other investment	-107.4	-165.0	-206.1	7.7	5.8	14.5	24.9	91.9
Other income	450.3	585.3	509.8	-32.4	-20.6	-35.8	-12.9	13.2
<b>Total</b>	<b>-1,389.4</b>	<b>-2,843.2</b>	<b>-1,425.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-49.9</b>	<b>2.6</b>

**Income inflow** stood at a record high of 2.6 billion kroons. Direct investment income accounted for more than a half of residents' income on investment abroad (55%; see Table 20). 92% of that was reinvested earnings.

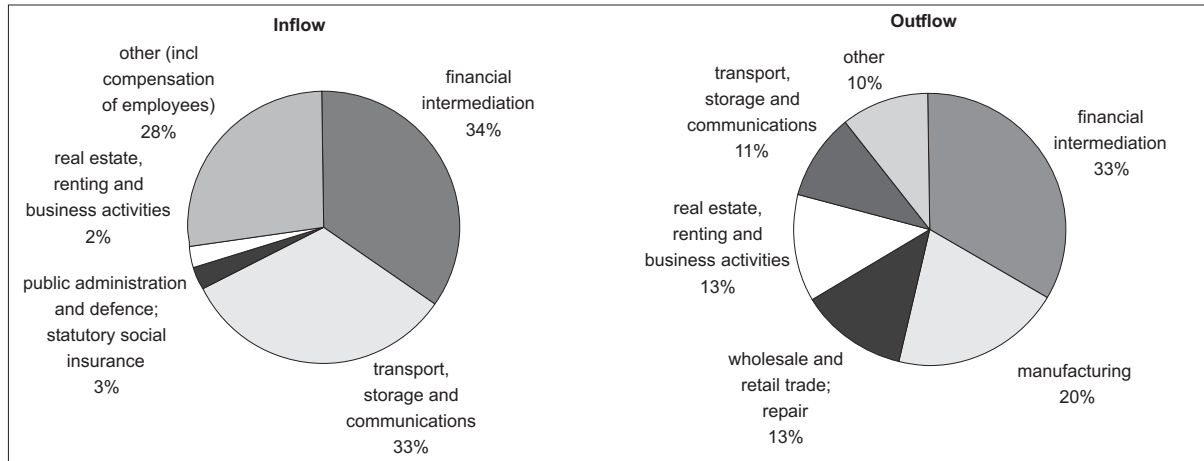
**Table 20. Income inflow to Estonia**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
Income on direct investment	964.4	565.7	1,424.5	50.6	31.4	55.0	151.8	47.7
income on equity	943.5	523.9	1,348.3	49.5	29.1	52.1	157.4	42.9
reinvested earnings	927.3	-350.8	1,309.1	48.7	-19.5	50.5	-473.2	41.2
dividends	16.3	874.7	39.2	0.9	48.6	1.5	-95.5	140.5
income on debt (interests)	20.8	41.8	76.3	1.1	2.3	2.9	82.5	266.8
Income on portfolio investment	230.0	279.7	262.4	12.1	15.5	10.1	-6.2	14.1
Income on other investment	197.6	228.5	242.4	10.4	12.7	9.4	6.1	22.7
Other income	512.4	726.0	660.6	26.9	40.3	25.5	-9.0	28.9
<b>Total</b>	<b>1,904.3</b>	<b>1,800.0</b>	<b>2,589.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>43.9</b>	<b>36.0</b>

Most of residents' income on investment abroad came from EU Member States (91%; see Table 21). Since Estonian investment abroad has been mainly channelled into new EU Member States, the share of old Member States in the income inflow was just 31%. Cyprus, Latvia and Lithuania held the largest share. As regards fields of activity, the most important were financial intermediation and transport, storage and communications (35% and 33%, respectively; see Figure 9).

**Table 21. Income by groups of countries in the third quarter of 2005**

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q3 2005 / Q3 2004		Volume (EEK m)	Share (%)	Change (%), Q3 2005 / Q3 2004
<b>EU-25</b>	<b>2,343.1</b>	<b>90.5</b>	<b>33.3</b>	<b>EU-25</b>	<b>3,541.1</b>	<b>88.2</b>	<b>19.3</b>
Cyprus	798.9	30.8	39.3	Sweden	1,413.0	35.2	41.8
Latvia	369.4	14.3	12.5	Finland	1,292.1	32.2	7.4
Lithuania	352.4	13.6	89.4	United Kingdom	286.3	7.1	5.8
Finland	248.3	9.6	-13.7	Netherlands	159.0	4.0	-9.5
<b>EU-15</b>	<b>800.6</b>	<b>30.9</b>	<b>21.1</b>	<b>EU-15</b>	<b>3,467.9</b>	<b>86.4</b>	<b>21.1</b>
<b>CIS</b>	<b>100.6</b>	<b>3.9</b>	<b>103.2</b>	<b>CIS</b>	<b>181.8</b>	<b>4.5</b>	<b>241.1</b>
Russia	98.9	3.8	124.8	Russia	200.0	5.0	151.3
Kazakhstan	1.2	0.0	1200.0				
<b>Other</b>	<b>146.2</b>	<b>5.6</b>	<b>49.8</b>	<b>Other</b>	<b>292.1</b>	<b>7.3</b>	<b>7.5</b>
USA	107.2	4.1	47.8	Norway	117.8	2.9	2845.0
offshore regions	11.6	0.4	-37.5	USA	112.1	2.8	-6.9
<b>Total</b>	<b>2,589.9</b>	<b>100.0</b>	<b>36.0</b>	<b>Total</b>	<b>4,015.0</b>	<b>100.0</b>	<b>21.9</b>



**Figure 9. Inflow and outflow of income by fields of activity in the third quarter of 2005**

**Income outflow** stood at 4 billion kroons (see Table 22). 69% of non-residents' income earned in Estonia was reinvested earnings.

**Table 22. Income outflow from Estonia**

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2005 / Q2 2005	Q3 2005 / Q3 2004
Income on direct investment	2,733.7	3,591.6	3,214.3	83.0	77.4	80.1	-10.5	17.6
income on equity	2,623.6	3,465.0	3,076.0	79.7	74.6	76.6	-11.2	17.2
reinvested earnings	2,310.2	1,173.9	2,784.5	70.1	25.3	69.4	137.2	20.5
dividends	313.4	2,291.0	291.5	9.5	49.3	7.3	-87.3	-7.0
income on debt (interests)	110.1	126.6	138.3	3.3	2.7	3.4	9.2	25.6
Income on portfolio investment	193.0	517.3	201.4	5.9	11.1	5.0	-61.1	4.4
Income on other investment	304.9	393.5	448.5	9.3	8.5	11.2	14.0	47.1
Other income	62.0	140.8	150.8	1.9	3.0	3.8	7.1	143.2
<b>Total</b>	<b>3,293.7</b>	<b>4,643.2</b>	<b>4,015.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-13.5</b>	<b>21.9</b>

Income outflow accounted for mainly old EU Member States (Finland, Sweden, the UK; see Table 21). Since Sweden recently increased its share in Estonia's banking sector, income outflow to Sweden grew 42% year-on-year. As regards non-EU countries, the 2.5 times increase in income outflow to Russia is noteworthy. Investments made by other CIS countries in Estonia produced losses.

By fields of activity, the financial sector had the largest share (34%) in income outflow, followed by manufacturing (20%), wholesale and retail trade (13%), and real estate, renting and business activities (13%).

## Current and Capital Transfers<sup>4</sup>

**The surplus of 0.2 billion kroons of the current transfers account in the third quarter of 2005 was relatively modest, having declined considerably year-on-year as well as quarter-on-quarter** (see Table 23). The inflow of current transfers totalled 1.3 billion kroons. 57% of that accounted for the funds

<sup>4</sup> 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).



channelled into the Estonian economy via the general government (primarily allocations from the EU structural funds as well as VAT, income and social tax receipts). The inflow of other sectors' transfers amounted to 0.5 billion kroons. 70% of the transfers were made from EU Member States (agricultural subsidies from the European Commission, transfers from Germany, Finland, Belgium, and the UK), followed by the United States with 20%. The general government accounted for 62% of the outflow of current transfers (payments into the EU budget and refunds of value added tax). Other sectors' transfers were also mainly made to the EU (Finland, Germany, Sweden, and the UK).

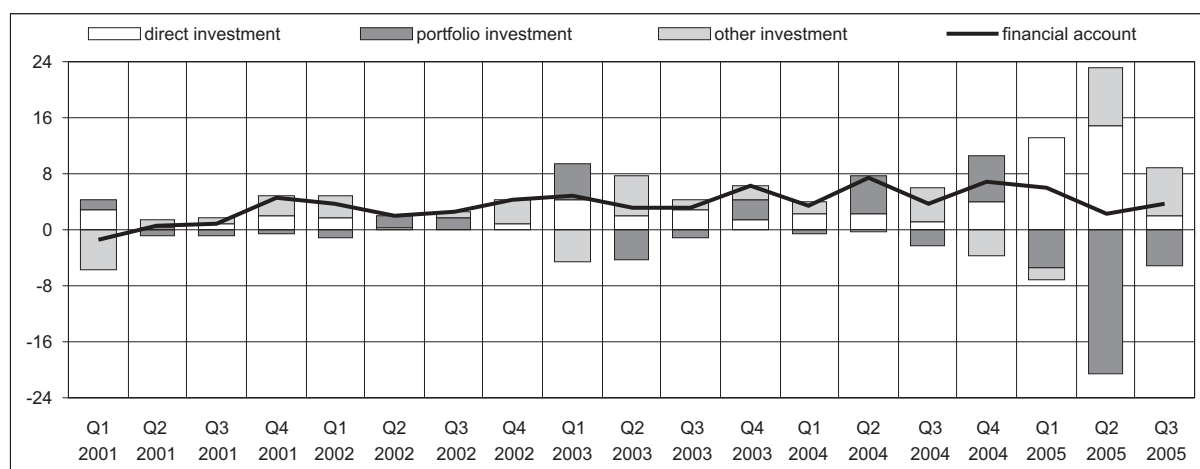
**Capital transfers** account posted a surplus of 0.2 billion kroons. Capital transfers into Estonia mainly comprised EU subsidies to the general government for various infrastructure objects.

**Table 23. Current transfers by groups of countries (EEK m)**

	Received			Paid			Balance		
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005
<b>Current transfers</b>	<b>1,487.0</b>	<b>1,646.8</b>	<b>1,262.0</b>	<b>890.1</b>	<b>1,009.9</b>	<b>1,104.0</b>	<b>596.8</b>	<b>636.9</b>	<b>158.0</b>
<b>government transfers</b>	<b>1,110.9</b>	<b>701.5</b>	<b>714.2</b>	<b>465.0</b>	<b>564.6</b>	<b>688.3</b>	<b>645.9</b>	<b>136.9</b>	<b>25.9</b>
EU-25	962.0	596.0	603.4	459.8	559.6	680.6	502.1	36.4	-77.2
EU-15	943.9	568.3	568.5	457.0	551.6	675.7	486.9	16.7	-107.3
CIS	102.6	101.7	100.5	0.6	0.9	0.8	102.0	100.8	99.7
other	46.3	3.8	10.3	4.5	4.2	6.9	41.8	-0.4	3.4
<b>private transfers</b>	<b>376.1</b>	<b>945.3</b>	<b>547.8</b>	<b>425.2</b>	<b>445.3</b>	<b>415.7</b>	<b>-49.1</b>	<b>500.0</b>	<b>132.1</b>
EU-25	282.8	839.2	384.4	384.4	365.0	326.7	-101.6	474.2	57.6
EU-15	268.4	824.3	374.3	369.3	339.3	307.9	-101.0	485.0	66.4
CIS	8.8	12.3	11.6	15.7	21.3	24.2	-6.8	-9.0	-12.6
other	84.4	93.8	151.8	25.1	59.0	64.7	59.3	34.8	87.1

## FINANCIAL ACCOUNT

The surplus of the financial account<sup>5</sup> stood at 3.6 billion kroons in the third quarter of 2005. Foreign capital inflow included direct and other investment. Figures 10 and 11 show the structure of the financial account by categories and maturities.



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

<sup>5</sup> Without reserve assets.

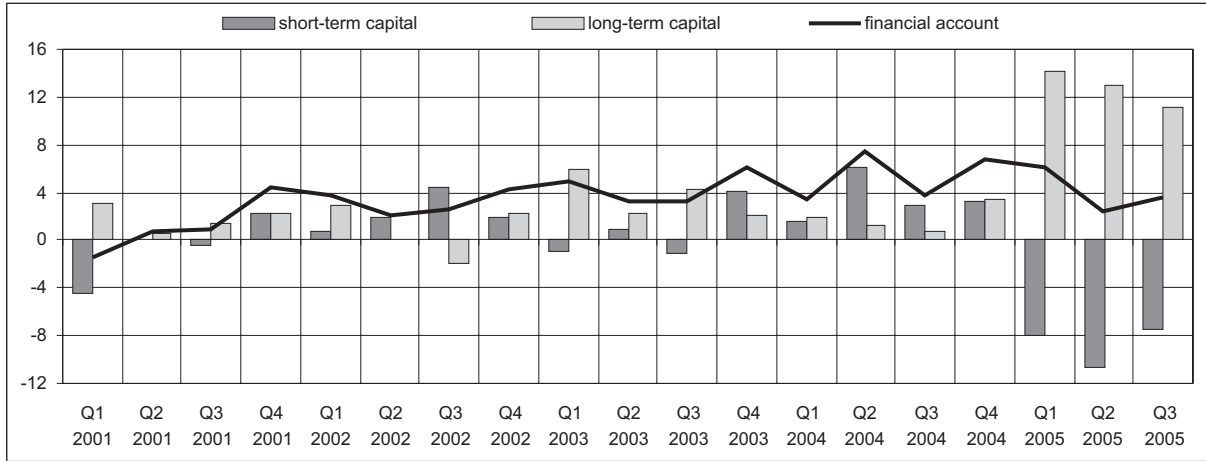


Figure 11. Maturity structure of the financial account (EEK bn)

### Direct Investment

The balance of direct investment was positive by 2 billion kroons in the third quarter of 2005, accounting for 57% of the financial account surplus. Non-residents invested 3.7 billion kroons in Estonia while Estonian residents' direct investment abroad grew 1.6 billion kroons (see Figure 12).

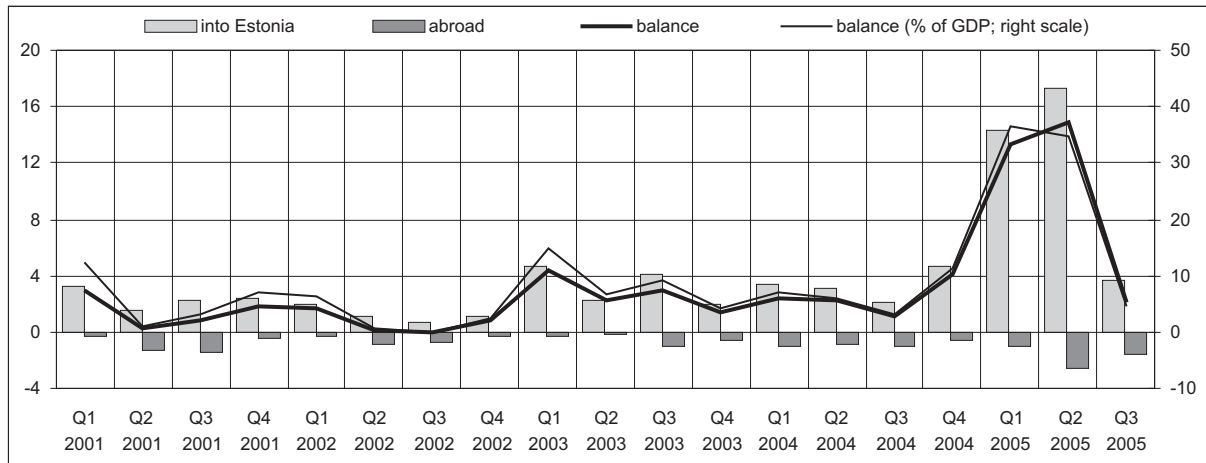


Figure 12. Direct investment (EEK bn)

Compared to the exceptionally large volume of direct investment in the first half of 2005 (buying up the shares of Hansapank), the third quarter's volume remained quite modest. 76% of the growth in direct investment accounted for reinvested earnings (2.8 billion kroons). The largest profits were made in financial intermediation and manufacturing. Equity capital investments accounted for just 6% of direct investment. Other liabilities to foreign direct investors increased 1.3 billion kroons, majority of which were long-term loans. More than 3.4 billion kroons in long-term and short-term loans were received from direct investors with the total sum of repayments standing at 2.3 billion kroons (see Tables 24 and 25).

The largest investors were Finland (58%), Sweden (25%), Russia (23%), and Germany (15%). The share of EU Member States was 85%; investors from the CIS countries invested 0.8 billion kroons (see Table 26 and Figure 13). A fourth of the direct investment inflow was channelled into financial intermediation; in the fields of wholesale and retail trade, and transport, storage and communications direct investment increased by more than a fifth (see Figure 14).

**Table 24. Structure of direct investment in Estonia**

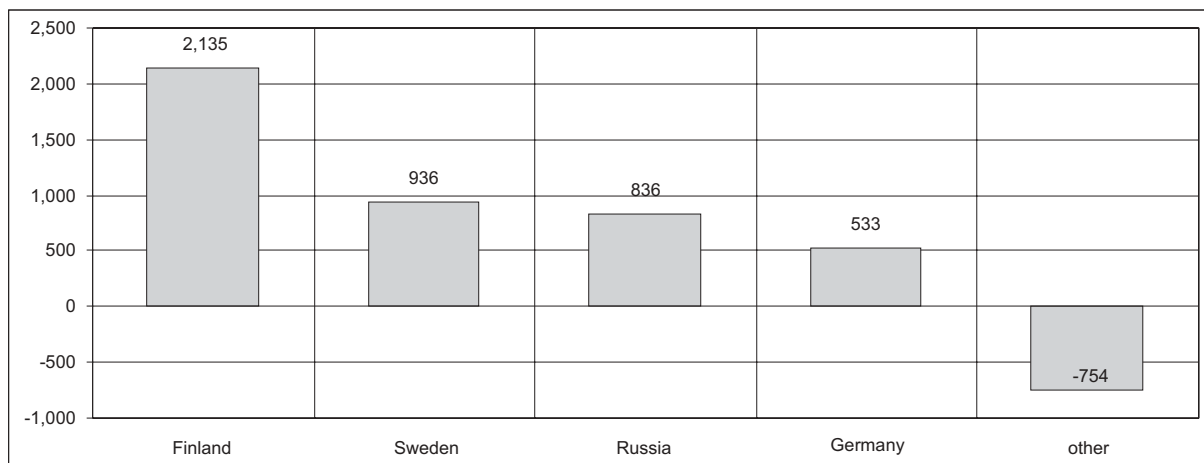
	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Assets		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
Q1 2001	1,586.0	48.6	1,131.4	34.6	-489.2	-15.0	1,037.8	31.8	3,266.0	100.0
Q2 2001	393.6	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
<b>2001 total</b>	<b>3,641.2</b>	<b>38.6</b>	<b>3,878.9</b>	<b>41.1</b>	<b>-950.7</b>	<b>-10.1</b>	<b>2,860.2</b>	<b>30.3</b>	<b>9,429.6</b>	<b>100.0</b>
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
<b>2002 total</b>	<b>821.0</b>	<b>17.1</b>	<b>3,370.3</b>	<b>70.2</b>	<b>-772.6</b>	<b>-16.1</b>	<b>1,381.5</b>	<b>28.8</b>	<b>4,800.2</b>	<b>100.0</b>
Q1 2003	2,320.8	49.7	1,299.8	27.8	-207.0	-4.4	1,259.1	26.9	4,672.7	100.0
Q2 2003	596.5	27.2	429.9	19.6	-167.7	-7.6	1,333.8	60.8	2,192.6	100.0
Q3 2003	1,799.7	44.4	2,474.1	61.1	-569.9	-14.1	346.4	8.6	4,050.3	100.0
Q4 2003	612.9	31.4	2,203.5	113.0	-389.5	-20.0	-476.7	-24.4	1,950.3	100.0
<b>2003 total</b>	<b>5,329.9</b>	<b>41.4</b>	<b>6,407.3</b>	<b>49.8</b>	<b>-1,334.1</b>	<b>-10.4</b>	<b>2,462.7</b>	<b>19.1</b>	<b>12,865.9</b>	<b>100.0</b>
Q1 2004	1,075.1	32.1	2,014.7	60.1	-682.1	-20.3	944.8	28.2	3,352.5	100.0
Q2 2004	1,669.3	54.9	900.5	29.6	-775.4	-25.5	1,245.9	41.0	3,040.3	100.0
Q3 2004	695.7	33.8	2,310.2	112.3	-729.9	-35.5	-219.0	-10.6	2,057.0	100.0
Q4 2004	1,198.5	25.7	3,739.8	80.2	733.4	15.7	-1,010.2	-21.7	4,661.6	100.0
<b>2004 total</b>	<b>4,638.6</b>	<b>35.4</b>	<b>8,965.1</b>	<b>68.4</b>	<b>-1,454.0</b>	<b>-11.1</b>	<b>961.6</b>	<b>7.3</b>	<b>13,111.3</b>	<b>100.0</b>
Q1 2005	12,523.1	87.7	2,474.9	17.3	-946.2	-6.6	219.7	1.5	14,271.5	100.0
Q2 2005	15,467.9	89.1	1,173.9	6.8	-449.6	-2.6	1,168.0	6.7	17,360.3	100.0
Q3 2005	212.5	5.8	2,784.5	75.6	-597.7	-16.2	1,285.8	34.9	3,685.1	100.0

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

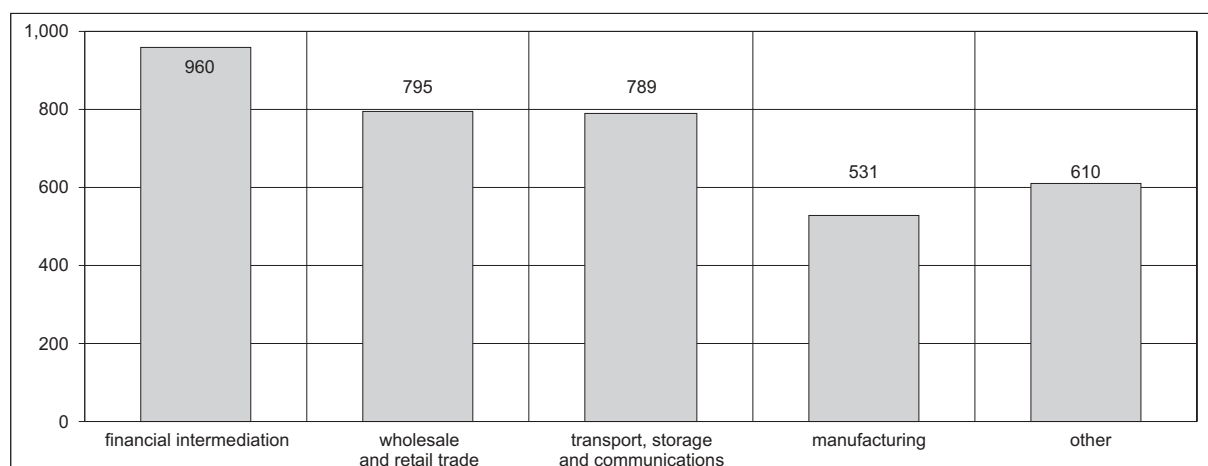
	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
Q1 2003	68.8	69.9	98.3	79.7	816.3	418.8	858.2	444.3
Q2 2003	97.0	75.1	321.8	195.9	1,044.2	509.4	1,354.0	1,336.8
Q3 2003	84.5	48.1	258.0	50.1	1,943.9	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
<b>2003 total</b>	<b>408.4</b>	<b>246.3</b>	<b>1,010.7</b>	<b>498.7</b>	<b>5,155.6</b>	<b>2,667.1</b>	<b>3,020.8</b>	<b>3,726.9</b>
Q1 2004	120.6	76.7	480.1	148.1	842.8	718.4	636.0	320.6
Q2 2004	189.2	105.7	528.8	220.4	1160	1004.9	670.3	289.3
Q3 2004	72.8	37.4	342.2	293.3	1285.2	1401.2	949.5	723.9
Q4 2004	110.1	151.3	422.9	200.3	1,313.5	1,757.7	835.9	863.4
<b>2004 total</b>	<b>492.7</b>	<b>371.1</b>	<b>1,774.0</b>	<b>862.1</b>	<b>4,601.5</b>	<b>4,882.2</b>	<b>3,091.7</b>	<b>2,197.2</b>
Q1 2005	315.7	162.8	431.5	213.4	1,619.2	2,109.9	1,395.5	937.4
Q2 2005	213.3	115.9	373.2	306.4	1,173.9	1,106.2	1,294.0	1,089.4
Q3 2005	340.7	81.0	594.2	339.4	2,085.7	1,162.7	1,354.1	1,187.4

**Table 26. Direct investment into Estonia by groups of countries**

	Volume (EEK m)		Share (%)		Change (%)
	Q2 2005	Q3 2005	Q2 2005	Q3 2005	Q3 2005 / Q2 2005
EU-25	16,395.0	3,136.3	94.4	85.1	-80.9
EU-15	16,597.3	3,136.0	95.6	85.1	-81.1
CIS	479.8	814.5	2.8	22.1	69.8
Other	485.5	-265.7	2.8	-7.2	-154.7
<b>Total</b>	<b>17,360.3</b>	<b>3,685.1</b>	<b>100.0</b>	<b>100.0</b>	<b>-78.8</b>



**Figure 13. Direct investment in Estonia by countries in the third quarter of 2005 (EEK m)**



**Figure 14. Direct investment in Estonia by fields of activities in the third quarter of 2005 (EEK m)**

**Direct investment abroad** decreased by nearly a billion kroons quarter-on-quarter, but outpaced the outflow year-on-year. The main force behind growth was the exceptionally large volume of reinvested earnings (1.3 billion kroons), accounting for 80% of direct investment. Equity capital investment in foreign subsidiaries and associated companies increased by a fourth. The flows of short-term and long-term loan assets maintained a balance, creating cross-border cash flows worth more than a billion kroons (see Tables 27 and 28).

40% of the direct investment abroad went to Cyprus this time, followed by Latvia (24%), Lithuania (15%), and Russia (8%). 85% of the outflow went to EU Member States, whereas 1.4 billion kroons of that went to new EU members (see Table 29 and Figure 15). The largest investments were made by transport, storage and communications investors (42%), followed by financial intermediaries (29%), wholesale and retail trade (14%) and construction investors (9%; see Figure 16).

**Table 27. Structure of direct investment abroad**

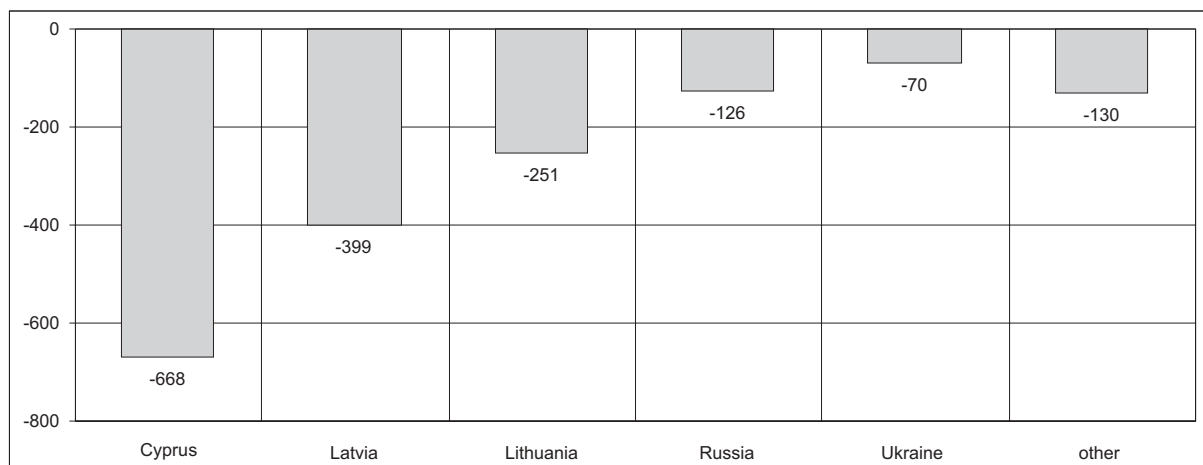
	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Assets		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
Q1 2001	-80.8	27.5	-5.1	1.7	-214.4	72.9	6.0	-2.0	-294.3	100.0
Q2 2001	-1,036.7	78.1	52.5	-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
<b>2001 total</b>	<b>-1,897.1</b>	<b>53.8</b>	<b>-305.2</b>	<b>8.7</b>	<b>-1,242.8</b>	<b>35.2</b>	<b>-83.2</b>	<b>2.4</b>	<b>-3,528.3</b>	<b>100.0</b>
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
<b>2002 total</b>	<b>-903.9</b>	<b>41.3</b>	<b>-665.5</b>	<b>30.4</b>	<b>-727.2</b>	<b>33.2</b>	<b>108.2</b>	<b>-4.9</b>	<b>-2,188.4</b>	<b>100.0</b>
Q1 2003	-80.7	29.4	-72.0	26.2	-193.2	70.4	71.6	-26.1	-274.3	100.0
Q2 2003	111.9	-51.2	-134.2	61.4	-321.8	147.3	125.7	-57.6	-218.4	100.0
Q3 2003	-282.9	26.3	-528.1	49.1	-228.7	21.3	-35.0	3.3	-1,074.7	100.0
Q4 2003	-808.3	138.9	-7.1	1.2	97.9	-16.8	135.7	-23.3	-581.9	100.0
<b>2003 total</b>	<b>-1,060.0</b>	<b>49.3</b>	<b>-741.4</b>	<b>34.5</b>	<b>-645.8</b>	<b>30.0</b>	<b>297.9</b>	<b>-13.9</b>	<b>-2,149.2</b>	<b>100.0</b>
Q1 2004	-102.8	10.2	-67.0	6.6	-804.0	79.8	-34.1	3.4	-1,007.9	100.0
Q2 2004	-1,458.4	174.8	526.5	-63.1	112.6	-13.5	-15.3	1.8	-834.5	100.0
Q3 2004	-508.9	51.5	-927.3	93.8	92.3	-9.3	354.9	-35.9	-988.9	100.0
Q4 2004	-105.2	18.9	-451.9	81.1	165.0	-29.6	-165.2	29.6	-557.3	100.0
<b>2004 total</b>	<b>-2,175.2</b>	<b>64.2</b>	<b>-919.6</b>	<b>27.1</b>	<b>-434.2</b>	<b>12.8</b>	<b>140.3</b>	<b>-4.1</b>	<b>-3,388.6</b>	<b>100.0</b>
Q1 2005	-408.5	41.0	-362.0	36.3	-190.4	19.1	-36.6	3.7	-997.4	100.0
Q2 2005	-2,570.5	101.8	350.8	-13.9	-425.4	16.9	120.9	-4.8	-2,524.3	100.0
Q3 2005	-442.5	26.9	-1,309.1	79.6	-25.5	1.6	133.4	-8.1	-1,643.7	100.0

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

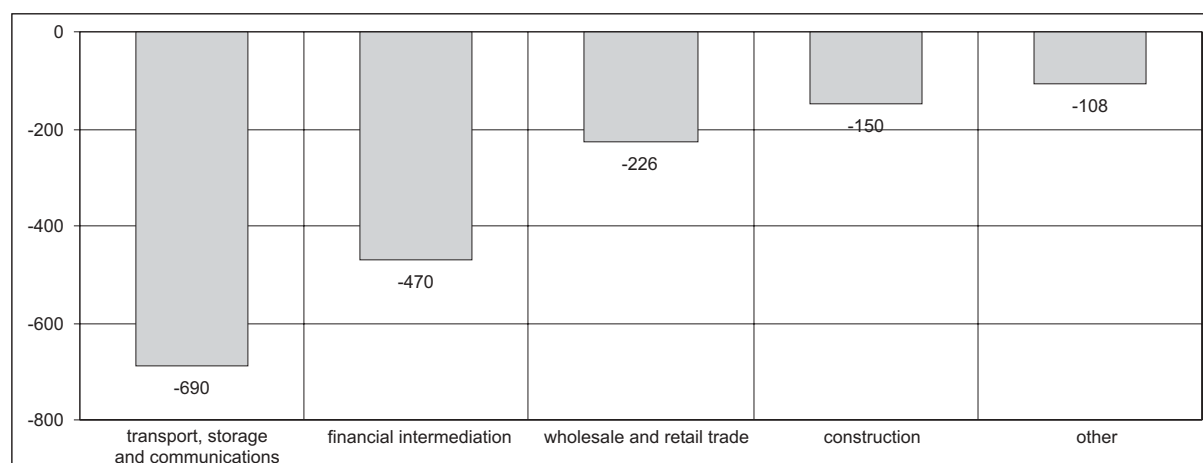
	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
Q1 2003	244.9	62.1	54.7	107.5	1.3	1.2	8.4	5.8
Q2 2003	233.3	73.8	131.7	78.4	1.5	0	38.4	22.1
Q3 2003	220.0	102.1	103.3	229.1	0.5	4.6	0.2	49.1
Q4 2003	408.9	478.6	182.4	88.8	0.8	5.8	37.3	21.7
<b>2003 total</b>	<b>1,107.1</b>	<b>716.6</b>	<b>472.1</b>	<b>503.8</b>	<b>4.1</b>	<b>11.6</b>	<b>84.3</b>	<b>98.7</b>
Q1 2004	171.2	180.1	86.2	59.9	0.3	3.3	7.3	12.2
Q2 2004	212.9	575.3	444.8	37.8	7.8	25.2	15.8	17.5
Q3 2004	134.5	193.2	122.1	91	3.5	0.9	1.6	6.3
Q4 2004	416.3	283.9	299.2	180.2	6.3	31.9	3.2	1.2
<b>2004 total</b>	<b>934.9</b>	<b>1,232.5</b>	<b>952.3</b>	<b>368.9</b>	<b>17.9</b>	<b>61.3</b>	<b>27.9</b>	<b>37.2</b>
Q1 2005	239.7	303.9	220.2	82.3	30.5	4.7	1.4	0.9
Q2 2005	378.6	224.3	649.7	312.3	29.7	2.5	2.2	7.9
Q3 2005	579.2	688.5	515.8	413.1	44.3	13.2	32.8	0.5

**Table 29. Direct investment abroad by groups of countries**

	Volume (EEK m)		Share (%)		Change (%)
	Q2 2005	Q3 2005	Q2 2005	Q3 2005	Q3 2005 / Q2 2005
EU-25	-761.8	-1,397.0	30.2	85.0	83.4
EU-15	-74.5	-44.8	3.0	2.7	-39.9
CIS	-1,744.6	-211.9	69.1	12.9	-87.9
Other	-18.9	-34.8	0.7	2.1	84.1
<b>Total</b>	<b>-2,525.3</b>	<b>-1,643.7</b>	<b>100.0</b>	<b>100.0</b>	<b>-34.9</b>



**Figure 15. Direct investment abroad by countries in the third quarter of 2005 (EEK m)**



**Figure 16. Direct investment abroad by fields of activity in the third quarter of 2005 (EEK m)**

## Portfolio Investment

The net outflow of portfolio investment stood at 5.3 billion kroons in the third quarter of 2005, mainly due to residents' large investments in debt securities issued by non-residents (see Figure 17 and Table 30).

**Portfolio investment liabilities** decreased by nearly 0.8 billion kroons (see Table 31). Residents reduced their debt security liabilities to non-residents and the resulting capital outflow amounted to 1.6 billion kroons. Non-residents invested 0.8 billion kroons in Estonian equity securities. By countries, portfolio investment liabilities to EU Member States and the United States decreased the most (see Figure 18 and Table 32).

**Portfolio investment assets** increased 4.5 billion kroons in the third quarter of 2005 (see Table 33). The assets increased mainly due to residents' investments in foreign debt securities in the total amount of 3 billion kroons. Investments were also made in equities issued by non-residents and the resulting capital outflow amounted to 1.5 billion kroons. By countries, Estonian residents mainly invested in Germany, the UK, and Belgium (see Figure 19).

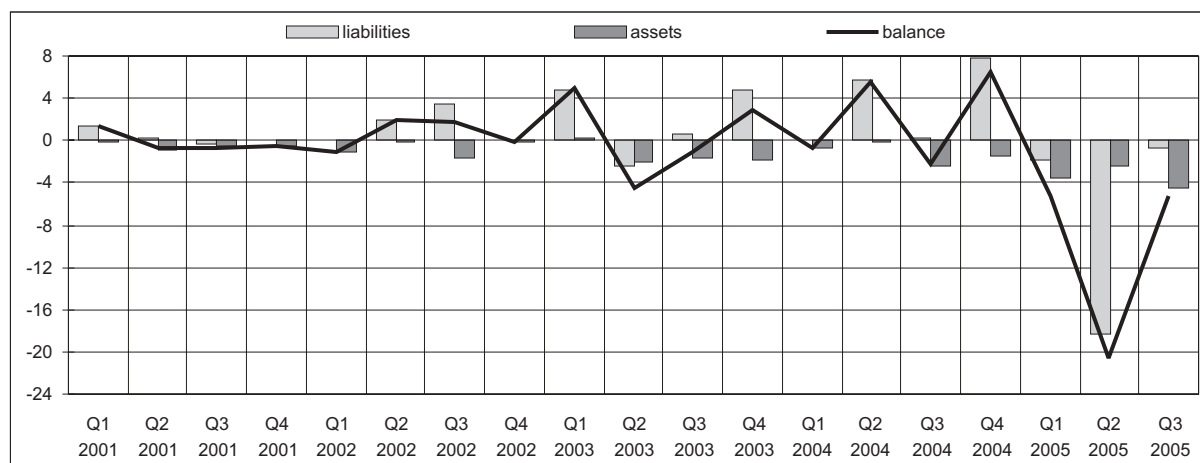


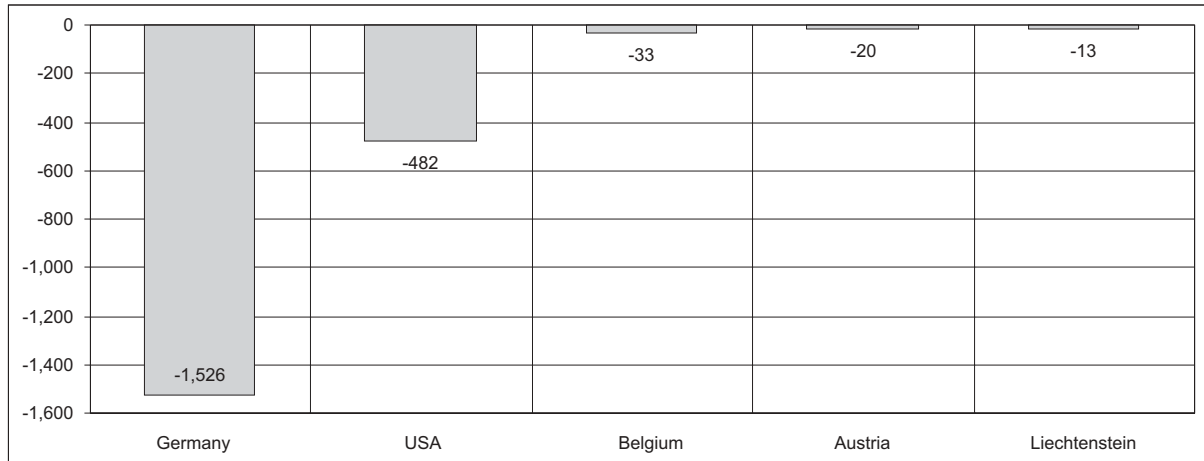
Figure 17. Portfolio investment (EEK bn)

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

	Assets			Liabilities			Balance		
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005
<b>Equity securities</b>	<b>-544.6</b>	<b>-1,195.0</b>	<b>-1,469.1</b>	<b>707.1</b>	<b>-10,127.2</b>	<b>764.9</b>	<b>162.5</b>	<b>-11,322.2</b>	<b>-704.2</b>
central bank		-3.4						-3.4	0.0
general government	-15.8	-5.3	-0.4				-15.8	-5.3	-0.4
credit institutions	14.8	-3.3	-65.2	78.8	-11,675.4	-38.4	93.6	-11,678.7	-103.6
other sectors	-543.6	-1,183.0	-1,403.5	628.3	1,548.2	803.3	84.7	365.2	-600.2
<b>Debt securities</b>	<b>-1,874.4</b>	<b>-1,228.0</b>	<b>-2,994.5</b>	<b>-516.9</b>	<b>-8,098.3</b>	<b>-1,564.4</b>	<b>-2,391.3</b>	<b>-9,326.3</b>	<b>-4,558.9</b>
central bank									0.0
general government	-1,560.4	74.6	-2,071.4	22.7	4.7	7.9	-1,537.7	79.3	-2,063.5
credit institutions	-67.3	-254.3	-99.9	-585.9	-8,480.7	-2,000.9	-653.2	-8,735.0	-2,100.8
other sectors	-246.7	-1,048.3	-823.2	46.3	377.7	428.6	-200.4	-670.6	-394.6
<b>Total</b>	<b>-2,419.0</b>	<b>-2,423.0</b>	<b>-4,463.6</b>	<b>190.2</b>	<b>-18,225.5</b>	<b>-799.5</b>	<b>-2,228.8</b>	<b>-20,648.5</b>	<b>-5,263.1</b>

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 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
<b>2001 total</b>	<b>568.4</b>	<b>40.6</b>	<b>832.1</b>	<b>59.4</b>	<b>1,400.5</b>	<b>100.0</b>
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
<b>2002 total</b>	<b>912.2</b>	<b>16.4</b>	<b>4,649.4</b>	<b>83.6</b>	<b>5,561.6</b>	<b>100.0</b>
Q1 2003	83.9	1.7	4,731.2	98.3	4,815.1	100.0
Q2 2003	733.8	-31.3	-3,075.6	131.3	-2,341.8	100.0
Q3 2003	563.1	92.1	48.3	7.9	611.4	100.0
Q4 2003	146.1	3.1	4,552.5	96.9	4,698.6	100.0
<b>2003 total</b>	<b>1,526.9</b>	<b>19.6</b>	<b>6,256.4</b>	<b>80.4</b>	<b>7,783.3</b>	<b>100.0</b>
Q1 2004	147.3	218.9	-80.0	-118.9	67.3	100.0
Q2 2004	459.6	7.9	5,352.2	92.1	5,811.8	100.0
Q3 2004	707.1	371.8	-516.9	-271.8	190.2	100.0
Q4 2004	891.3	11.4	6,921.4	88.6	7,812.7	100.0
<b>2004 total</b>	<b>2,205.3</b>	<b>15.9</b>	<b>11,676.7</b>	<b>84.1</b>	<b>13,882.0</b>	<b>100.0</b>
Q1 2005	-9,703.8	530.0	7,873.0	-430.0	-1,830.8	100.0
Q2 2005	-10,127.2	55.6	-8,098.4	44.4	-18,225.6	100.0
Q3 2005	764.9	-95.7	-1,564.4	195.7	-799.5	100.0



**Figure 18. Decrease in portfolio investment liabilities by countries in the third quarter of 2005 (EEK m)**

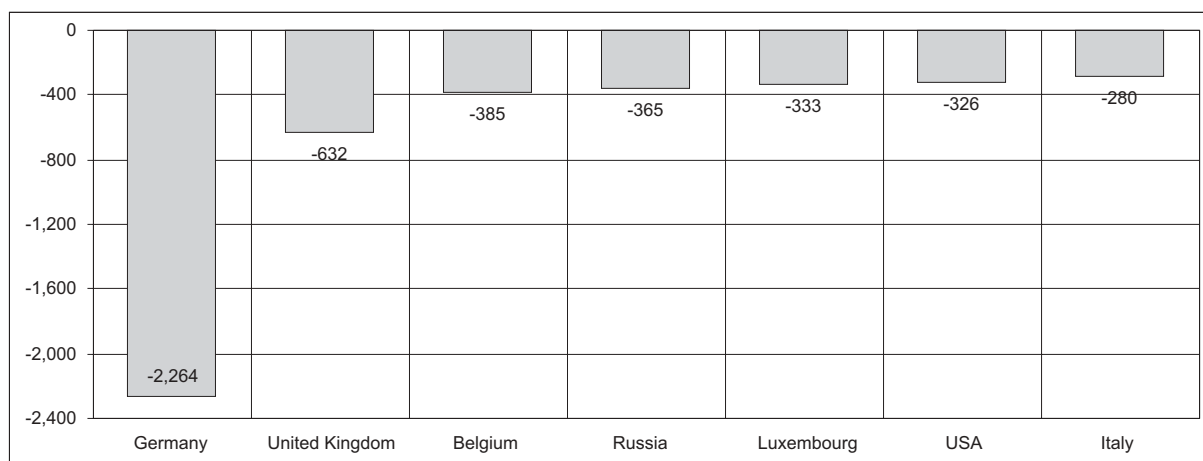
**Table 32. Structure of portfolio investment by groups of countries in the third quarter of 2005**

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-25	-3,697.6	-349.7	82.8	43.7
EU-15	-3,374.6	-638.2	75.6	79.8
CIS	-372.1	3.3	8.3	-0.4
Other	-393.9	-453.0	8.8	56.7
<b>Total</b>	<b>-4,463.6</b>	<b>-799.4</b>	<b>100.0</b>	<b>100.0</b>

**Table 33. Structure of portfolio investment assets**

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
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
<b>2001 total</b>	<b>236.5</b>	<b>-11.3</b>	<b>-2,336.7</b>	<b>111.3</b>	<b>-2,100.2</b>	<b>100.0</b>
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
<b>2002 total</b>	<b>9.1</b>	<b>-0.3</b>	<b>-3,192.0</b>	<b>100.3</b>	<b>-3,182.9</b>	<b>100.0</b>
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
<b>2003 total</b>	<b>-1,028.9</b>	<b>19.2</b>	<b>-4,322.7</b>	<b>80.8</b>	<b>-5,351.6</b>	<b>100.0</b>
Q1 2004	-441.7	57.5	-326.2	42.5	-767.9	100.0
Q2 2004	-565.5	307.7	381.7	-207.7	-183.8	100.0
Q3 2004	-544.6	22.5	-1,874.3	77.5	-2,418.9	100.0
Q4 2004	-1,341.8	97.1	-39.4	2.9	-1,381.2	100.0
<b>2004 total</b>	<b>-2,893.6</b>	<b>60.9</b>	<b>-1,858.2</b>	<b>39.1</b>	<b>-4,751.8</b>	<b>100.0</b>
Q1 2005	-1,237.6	35.3	-2,269.7	64.7	-3,507.3	100.0
Q2 2005	-1,194.9	49.3	-1,227.9	50.7	-2,422.8	100.0
Q3 2005	-1,469.2	32.9	-2,994.5	67.1	-4,463.7	100.0

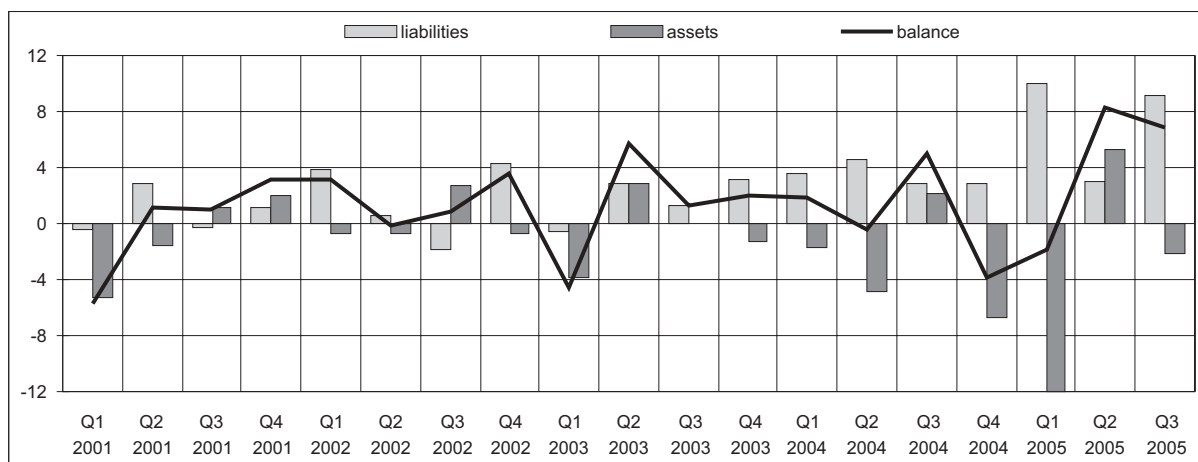




**Figure 19. Increase in portfolio investment assets by countries in the third quarter of 2005 (EEK m)**

## Other Investment

The net inflow of other investment totalled 6.9 billion kroons in the third quarter of 2005. Other investment assets increased 2.2 billion and liabilities 9.1 billion kroons (see Figure 20 and Table 34).



**Figure 20. Other investment (EEK bn)**

**Table 34. Other investment by maturity (EEK m)**

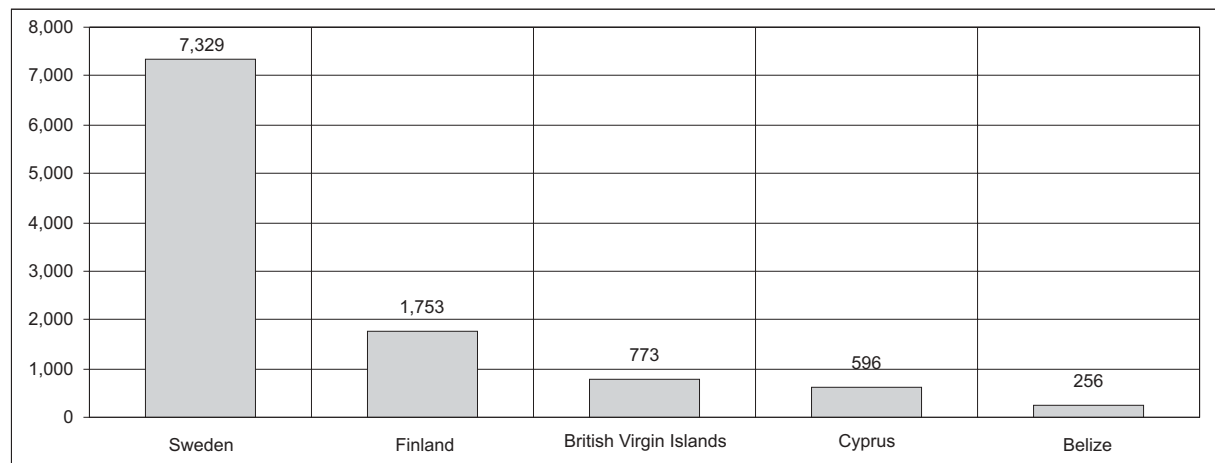
	Assets			Liabilities			Balance		
	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005
<b>Long-term capital</b>	<b>250.0</b>	<b>-3,678.6</b>	<b>3,063.2</b>	<b>-514.2</b>	<b>1,889.9</b>	<b>5,961.4</b>	<b>-264.2</b>	<b>-1,788.7</b>	<b>9,024.6</b>
central bank	0.2	-0.4					0.2	-0.4	0.0
general government		-4.4	-40.6	-46.7	427.8	-15.0	-46.7	423.4	-55.6
credit institutions	-92.1	-1,555.2	4,282.6	207.0	-87.8	5,818.2	114.9	-1,643.0	10,100.8
other sectors	341.9	-2,118.6	-1,178.8	-674.5	1,549.9	158.2	-332.6	-568.7	-1,020.6
<b>Short-term capital</b>	<b>1,913.0</b>	<b>8,955.7</b>	<b>-5,265.8</b>	<b>3,310.2</b>	<b>1,085.0</b>	<b>3,130.7</b>	<b>5,223.2</b>	<b>10,040.7</b>	<b>-2,135.1</b>
central bank				15.6	-439.6	69.9	15.6	-439.6	69.9
general government	400.2	41.2	-9.6				400.2	41.2	-9.6
credit institutions	2,031.9	9,069.9	-2,803.5	2,925.2	236.5	2,554.5	4,957.1	9,306.4	-249.0
other sectors	-519.1	-155.4	-2,452.7	369.4	1,288.1	506.3	-149.7	1,132.7	-1,946.4
<b>Total</b>	<b>2,163.0</b>	<b>5,277.1</b>	<b>-2,202.6</b>	<b>2,796.0</b>	<b>2,974.9</b>	<b>9,092.1</b>	<b>4,959.0</b>	<b>8,252.0</b>	<b>6,889.5</b>

**Other investment liabilities** increased 9.1 billion kroons (see Table 35). The rise in liabilities was most affected by loans taken by residents from non-residents totalling 14.3 billion kroons. Capital outflow resulted mainly from a decrease in non-residents' deposits in Estonian credit institutions (5.8 billion kroons). By countries, other investment liabilities to Sweden, Finland, and various offshore regions grew the most (see Figure 21 and Table 36).

**Other investment assets** increased 2.2 billion kroons over the third quarter (see Table 37). Deposits and trade credit assets increased 2.2 billion and 1.5 billion kroons, respectively. At the same time, loan and other capital assets decreased by the total of 1.5 billion kroons. By countries, other investment assets to Lithuania, Russia, and Sweden increased the most (see Figure 22). Table 38 provides a more detailed overview of loan capital assets 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 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
<b>2001 total</b>	<b>102.9</b>	<b>3.1</b>	<b>2,570.4</b>	<b>78.2</b>	<b>81.4</b>	<b>2.5</b>	<b>533.5</b>	<b>16.2</b>	<b>3,288.2</b>	<b>100.0</b>
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
<b>2002 total</b>	<b>781.1</b>	<b>11.6</b>	<b>1,963.3</b>	<b>29.2</b>	<b>3,763.5</b>	<b>55.9</b>	<b>225.4</b>	<b>3.3</b>	<b>6,733.3</b>	<b>100.0</b>
Q1 2003	44.5	-7.2	199.7	-32.1	-305.6	49.1	-560.9	90.1	-622.3	100.0
Q2 2003	502.9	17.5	1,165.4	40.6	1,139.1	39.7	63.7	2.2	2,871.1	100.0
Q3 2003	-684.1	-53.4	1,150.6	89.8	1,300.6	101.5	-485.9	-37.9	1,281.2	100.0
Q4 2003	21.0	0.7	705.2	22.0	2,453.8	76.6	22.8	0.7	3,202.8	100.0
<b>2003 total</b>	<b>-115.7</b>	<b>-1.7</b>	<b>3,220.9</b>	<b>47.8</b>	<b>4,587.9</b>	<b>68.1</b>	<b>-960.3</b>	<b>-14.3</b>	<b>6,732.8</b>	<b>100.0</b>
Q1 2004	-41.7	-1.2	1,650.1	46.4	1,833.4	51.5	116.7	3.3	3,558.5	100.0
Q2 2004	1,108.1	24.5	34.9	0.8	3,418.3	75.7	-44.9	-1.0	4,516.4	100.0
Q3 2004	-159.1	-5.7	1,315.0	47.0	1,305.0	46.7	335.1	12.0	2,796.0	100.0
Q4 2004	-282.1	-9.9	1,564.7	55.0	2,248.0	79.0	-685.1	-24.1	2,845.5	100.0
<b>2004 total</b>	<b>625.2</b>	<b>4.6</b>	<b>4,564.7</b>	<b>33.3</b>	<b>8,804.7</b>	<b>64.2</b>	<b>-278.2</b>	<b>-2.0</b>	<b>13,716.4</b>	<b>100.0</b>
Q1 2005	641.1	6.4	5,167.2	51.4	1,326.0	13.2	2,913.3	29.0	10,047.6	100.0
Q2 2005	1,105.4	37.2	1,520.5	51.1	2,694.0	90.6	-2,345.0	-78.8	2,974.9	100.0
Q3 2005	689.9	7.6	14,321.5	157.5	-5,790.8	-63.7	-128.5	-1.4	9,092.1	100.0



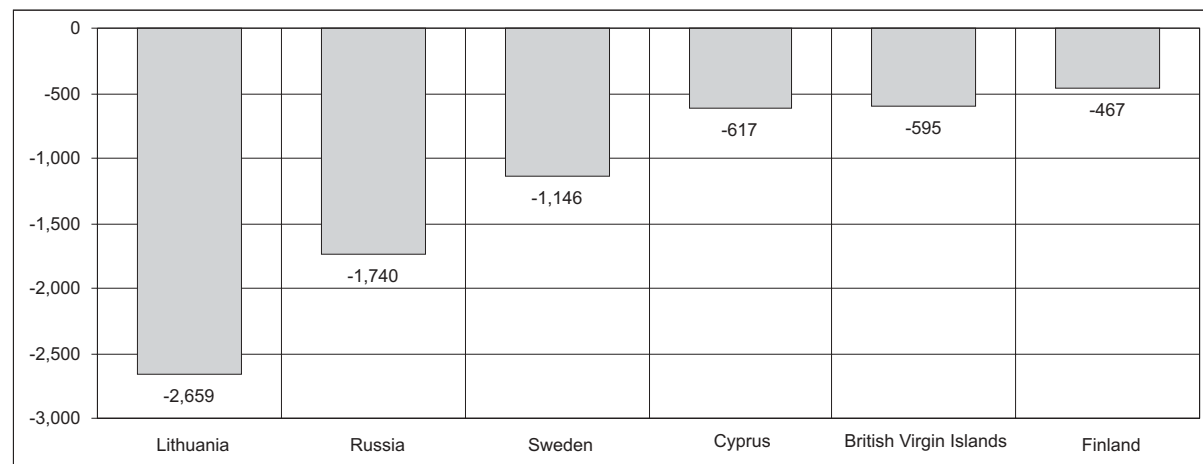
**Figure 21. Increase in other investment liabilities by countries in the third quarter of 2005 (EEK m)**

**Table 36. Structure of other investment by groups of countries in the third quarter of 2005**

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-25	67.4	8,259.4	-3.1	90.8
EU-15	-1,699.3	7,824.5	77.1	86.1
CIS	-1,863.2	30.8	84.6	0.3
Other	-406.8	801.8	18.5	8.8
<b>Total</b>	<b>-2,202.6</b>	<b>9,092.0</b>	<b>100.0</b>	<b>100.0</b>

**Table 37. Structure of other investment assets**

	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 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
<b>2001 total</b>	<b>-584.8</b>	<b>15.7</b>	<b>-2,278.9</b>	<b>61.3</b>	<b>-738.0</b>	<b>19.9</b>	<b>-115.0</b>	<b>3.1</b>	<b>-3,716.7</b>	<b>100.0</b>
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
<b>2002 total</b>	<b>1,047.6</b>	<b>150.7</b>	<b>-1,324.5</b>	<b>-190.5</b>	<b>742.6</b>	<b>106.8</b>	<b>229.4</b>	<b>33.0</b>	<b>695.1</b>	<b>100.0</b>
Q1 2003	-901.1	23.1	-6,337.1	162.2	3,367.7	-86.2	-35.8	0.9	-3,906.3	100.0
Q2 2003	-765.5	-26.9	2,349.2	82.7	1,353.3	47.6	-96.5	-3.4	2,840.5	100.0
Q3 2003	-31.6	-224.1	1,962.6	13,919.1	-612.6	-4,344.7	-1,304.3	-9,250.4	14.1	100.0
Q4 2003	670.0	-54.3	-1,495.1	121.3	-1,899.0	154.0	1,491.2	-121.0	-1,232.9	100.0
<b>2003 total</b>	<b>-1,028.2</b>	<b>45.0</b>	<b>-3,520.4</b>	<b>154.1</b>	<b>2,209.4</b>	<b>-96.7</b>	<b>54.6</b>	<b>-2.4</b>	<b>-2,284.6</b>	<b>100.0</b>
Q1 2004	-161.9	9.2	-1,010.0	57.3	-374.9	21.3	-217.0	12.3	-1,763.8	100.0
Q2 2004	-571.9	11.6	-2,436.1	49.5	-490.6	10.0	-1,419.8	28.9	-4,918.4	100.0
Q3 2004	-91.7	-4.2	-1,300.1	-60.1	2,533.9	117.1	1,020.9	47.2	2,163.0	100.0
Q4 2004	-206.5	3.1	-3,709.4	55.8	-3,213.5	48.3	479.7	-7.2	-6,649.7	100.0
<b>2004 total</b>	<b>-1,032.0</b>	<b>9.2</b>	<b>-8,455.6</b>	<b>75.7</b>	<b>-1,545.1</b>	<b>13.8</b>	<b>-136.2</b>	<b>1.2</b>	<b>-11,168.9</b>	<b>100.0</b>
Q1 2005	-874.5	7.3	-2,859.0	23.9	-3,745.8	31.4	-4,466.0	37.4	-11,945.3	100.0
Q2 2005	-860.0	-16.3	-3,445.9	-65.3	5,568.6	105.5	4,014.4	76.1	5,277.1	100.0
Q3 2005	-1,510.4	68.6	1,377.8	-62.6	-2,199.7	99.9	129.7	-5.9	-2,202.6	100.0

**Figure 22. Increase in other investment assets by countries in the third quarter of 2005 (EEK m)**

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

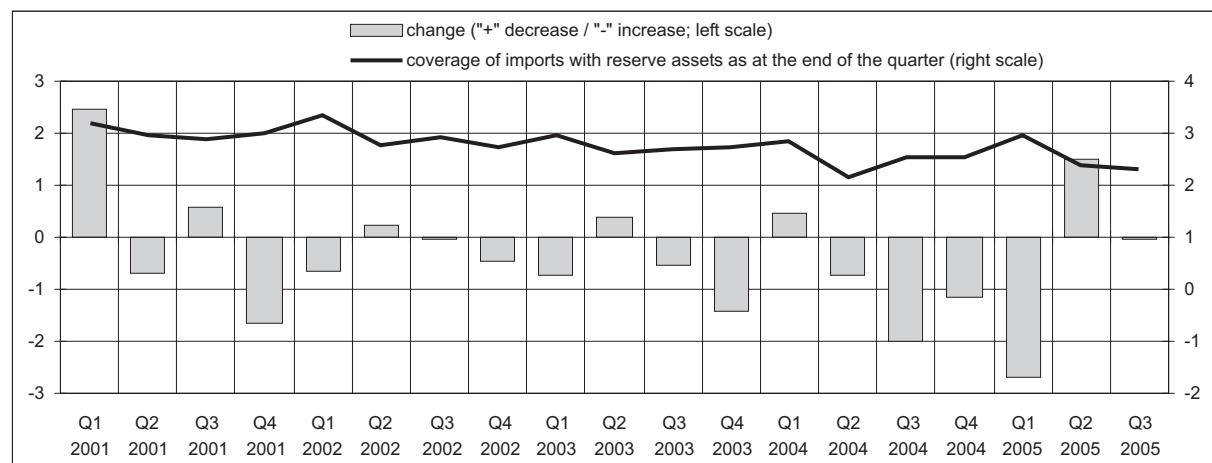
	Assets			Liabilities		
	Grantings	Repayments	Balance	Drawings	Repayments	Balance
Q1 2003	-11,076.1	4,739.0	-6,337.1	8,547.9	-8,348.2	199.7
Q2 2003	-8,846.0	11,195.2	2,349.2	6,449.4	-5,284.0	1,165.4
Q3 2003	-9,902.7	11,865.4	1,962.7	5,717.6	-4,566.9	1,150.7
Q4 2003	-5,094.3	3,599.2	-1,495.1	9,297.6	-8,592.4	705.2
<b>2003 total</b>	<b>-34,919.1</b>	<b>31,398.8</b>	<b>-3,520.3</b>	<b>30,012.5</b>	<b>-26,791.5</b>	<b>3,221.0</b>
Q1 2004	-6,702.8	5,692.8	-1,010.0	9,105.6	-7,455.4	1,650.2
Q2 2004	-8,219.5	5,783.5	-2,436.0	10,135.7	-10,100.7	35.0
Q3 2004	-5,910.9	4,610.8	-1,300.1	9,606.2	-8,291.2	1,315.0
Q4 2004	-8,949.4	5,240.0	-3,709.4	16,536.8	-14,972.1	1,564.7
<b>2004 total</b>	<b>-29,782.6</b>	<b>21,327.1</b>	<b>-8,455.5</b>	<b>45,384.3</b>	<b>-40,819.4</b>	<b>4,564.9</b>
Q1 2005	-13,039.7	10,180.7	-2,859.0	16,435.7	-11,268.5	5,167.2
Q2 2005	-6,871.6	3,425.7	-3,445.9	23,182.0	-21,661.5	1,520.5
Q3 2005	-19,169.9	20,547.7	1,377.8	41,617.9	-27,296.4	14,321.5

## Reserve Assets

The balance of payments reserves increased by approximately 44 million kroons in the third quarter of 2005 (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 2004	Q2 2005	Q3 2005	Q3 2004	Q2 2005	Q3 2005
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-978.6	3,141.5	1,473.8	48.5	210.4	-3,364.8
Securities	-1,036.1	-1,635.0	-1,511.8	51.4	-109.5	3,451.6
equity securities				0.0	0.0	0.0
bonds and notes	-240.2	-412.9	-380.4	11.9	-27.7	868.5
money market instruments	-795.9	-1,222.1	-1,131.4	39.4	-81.8	2,583.1
Other assets	-3.0	-13.2	-5.8	0.1	-0.9	13.2
<b>Total</b>	<b>-2,017.7</b>	<b>1,493.3</b>	<b>-43.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

## ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT

— as at 30 September 2005 —

In the third quarter of 2005, foreign investment in Estonia increased 5%, amounting to 289.7 billion kroons at the end of the quarter (see Table 40). 55% thereof was invested in financial intermediation and to a lesser extent also in real estate, renting and business activities, manufacturing, and wholesale and retail trade (see Table 41). Most of investment in Estonia mainly came from Sweden (42%), Finland (19%), and the UK (11%).

Quarter-on-quarter, the share of direct and portfolio investment in the structure of foreign investment in Estonia slightly decreased, whereas the share of other investment increased. By the end of the third quarter, direct investment amounted to 56.3%, i.e. 163 billion kroons, of total investment (57.6% at the end of the second quarter). The share of portfolio investment was 13.8% and that of other investment was 29.9%. The most preferred fields of activity for foreign direct investment in Estonia were

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

	30/06/2005	%	30/09/2005	%
<b>EXTERNAL ASSETS</b>	<b>118,142.7</b>	<b>100.0</b>	<b>127,849.7</b>	<b>100.0</b>
<b>Direct investment abroad</b>	<b>20,559.5</b>	<b>17.4</b>	<b>22,148.9</b>	<b>17.3</b>
Equity capital and reinvested earnings	15,282.6	12.9	17,013.7	13.3
Other direct investment capital	5,276.9	4.5	5,135.2	4.0
<b>Portfolio investment</b>	<b>31,224.9</b>	<b>26.4</b>	<b>36,568.7</b>	<b>28.6</b>
Equity securities	8,030.8	6.8	10,357.4	8.1
Debt securities	23,194.2	19.6	26,211.4	20.5
Bonds and notes	14,293.5	12.1	14,740.6	11.5
Money market instruments	8,900.7	7.5	11,470.8	9.0
<b>Financial derivatives</b>	<b>351.0</b>	<b>0.3</b>	<b>368.1</b>	<b>0.3</b>
<b>Other investment</b>	<b>43,957.4</b>	<b>37.2</b>	<b>46,291.0</b>	<b>36.2</b>
Trade credit	8,544.1	7.2	10,211.1	8.0
Loans	28,406.4	24.0	27,015.5	21.1
Long-term	16,387.5	13.9	13,307.7	10.4
Short-term	12,018.8	10.2	13,707.9	10.7
Currency and deposits	5,888.9	5.0	8,069.5	6.3
Other assets	1,118.0	0.9	994.8	0.8
<b>Reserve assets</b>	<b>22,049.9</b>	<b>18.7</b>	<b>22,113.1</b>	<b>17.3</b>
<b>EXTERNAL LIABILITIES</b>	<b>276,099.2</b>	<b>100.0</b>	<b>289,670.2</b>	<b>100.0</b>
<b>Direct investment in Estonia</b>	<b>158,947.8</b>	<b>57.6</b>	<b>162,959.9</b>	<b>56.3</b>
Equity capital and reinvested earnings	143,347.6	51.9	146,831.3	50.7
Other direct investment capital	15,600.3	5.7	16,128.5	5.6
<b>Portfolio investment</b>	<b>39,660.0</b>	<b>14.4</b>	<b>40,008.5</b>	<b>13.8</b>
Equity securities	10,607.1	3.8	12,492.6	4.3
Debt securities	29,052.8	10.5	27,515.9	9.5
Bonds and notes	27,015.6	9.8	26,665.0	9.2
Money market instruments	2,037.2	0.7	850.8	0.3
<b>Financial derivatives</b>	<b>206.7</b>	<b>0.1</b>	<b>156.5</b>	<b>0.1</b>
<b>Other investment</b>	<b>77,284.7</b>	<b>28.0</b>	<b>86,545.4</b>	<b>29.9</b>
Trade credit	10,396.2	3.8	11,107.6	3.8
Loans	36,028.6	13.0	50,490.6	17.4
Long-term	30,065.5	10.9	36,122.8	12.5
Short-term	5,963.2	2.2	14,367.8	5.0
Currency and deposits	29,272.3	10.6	23,481.5	8.1
Other liabilities	1,587.6	0.6	1,465.7	0.5
<b>NET INVESTMENT POSITION</b>	<b>-157,956.5</b>		<b>-162,180.5</b>	
<b>Long-term</b>	<b>-137,595.1</b>		<b>-148,669.7</b>	
<b>Short-term</b>	<b>-20,361.4</b>		<b>-13,510.8</b>	

financial intermediation (46% of direct investment), real estate, renting and business activities (16%), manufacturing (13%), and wholesale and retail trade (9%; see Table 42). Swedish investors made 56% and Finnish investors 20% of direct investment.

**Table 41. Estonia's international investment position by fields of activity and countries (%) as at 30 September 2005**

Assets		Liabilities	
Fields of activity			
Financial intermediation	68.4	Financial intermediation	55.4
Public administration and defence; statutory social insurance	11.8	Real estate, renting and business activities	10.6
Wholesale and retail trade; repair	6.5	Manufacturing	9.8
Real estate, renting and business activities	4.8	Wholesale and retail trade; repair	8.2
Transport, storage and communications	4.6	Transport, storage and communications	4.8
Other	3.9	Other	11.2
Total	100.0	Total	100.0
Countries			
Lithuania	15.7	Sweden	42.3
Germany	13.7	Finland	18.7
Latvia	9.4	United Kingdom	10.7
Russia	7.8	Russia	3.6
United Kingdom	5.7	USA	3.4
Other	47.7	Other	21.3
Total	100.0	Total	100.0

**Table 42. Direct investment position by fields of activity and countries (%) as at 30 September 2005**

In Estonia		Abroad	
Fields of activity			
Financial intermediation	46.3	Financial intermediation	45.4
Real estate, renting and business activities	15.8	Real estate, renting and business activities	24.3
Manufacturing	13.2	Transport, storage and communications	12.4
Wholesale and retail trade; repair	8.8	Wholesale and retail trade; repair	8.0
Transport, storage and communications	4.8	Manufacturing	4.3
Other	11.1	Other	5.6
Total	100.0	Total	100.0
Countries			
Sweden	56.1	Lithuania	31.6
Finland	19.6	Latvia	29.8
USA	3.4	Russia	14.2
Netherlands	2.4	Cyprus	10.5
Norway	2.0	Ukraine	4.1
Other	16.5	Other	9.8
Total	100.0	Total	100.0

**Estonian investment abroad increased 8%, amounting to 127.8 billion kroons.** Financial intermediaries made 68% of investment abroad. Investors of the public sector, wholesale and retail trade, and real estate, renting and business activities invested to a lesser extent. Estonian investors mainly preferred to invest in the Baltic States and Germany, and somewhat less in the UK and Russia.

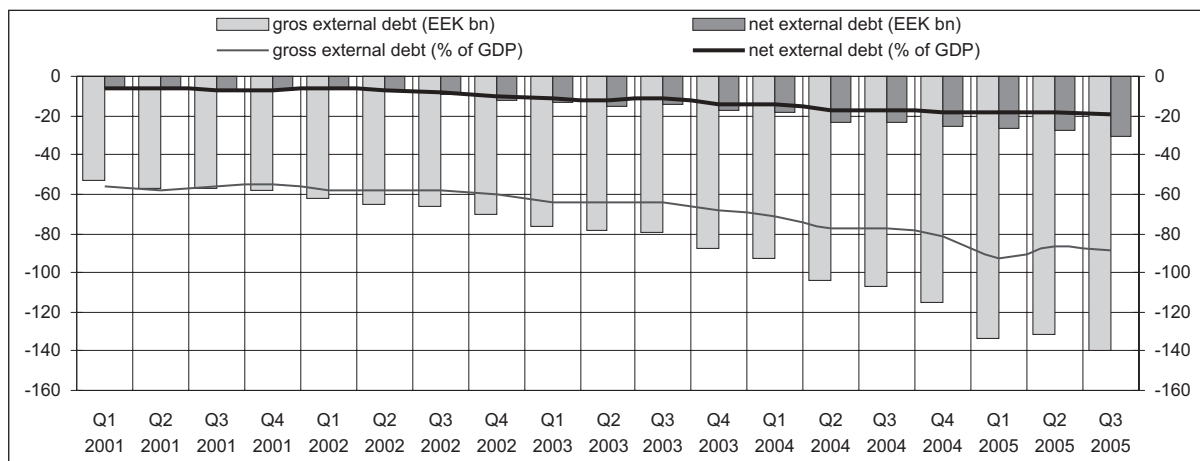
Quarter-on-quarter, the share of portfolio investment in the structure of **investment abroad** increased, and that of other investment and reserve assets decreased by the end of the third quarter. Loans, deposits and the central bank's gold and foreign exchange reserves covered 54% of the external assets. The share of **foreign direct investment** was 17%. The most active foreign direct investors were those of financial intermediation (45%), real estate, renting and business activities (24%), and transport, storage and communications (see Table 42). Approximately a third of direct investment went both to Latvia and Lithuania. The share of direct investment in Russia continued to grow, comprising 14% of total foreign direct investment (12% at the end of the second and 5.5% at the end of the first quarter).

Due to the prevalence of external liabilities, Estonia's net investment position of the third quarter of 2005 was negative by 162.2 billion kroons, exceeding the volume of GDP based on the last four quarters by 2%. The share of long-term capital in the net investment position continued growth, amounting to nearly 92%.

Estonia's gross external debt increased approximately 7% quarter-on-quarter, totalling 140.1 billion kroons on 30 September 2005 (nearly 89% of GDP). The increase in the gross external debt arose mainly from a rise in long-term debt liabilities of credit institutions. Estonia's net external debt (claims less liabilities) constituted 30.5 billion kroons (19.3% of GDP; see Table 43 and Figure 24). The gross external debt formed 48% of external liabilities. Leaving aside intercompany lending of direct investment companies, long-term debt liabilities accounted for 57% of the gross external debt. The share of long-term debt assets in total debt assets was 40%.

**Table 43. External debt (EEK m)**

	30/06/2005	%	30/09/2005	%
<b>LIABILITIES</b>				
<b>I. General government</b>	<b>4,095.8</b>	<b>3.1</b>	<b>4,088.7</b>	<b>2.9</b>
Short-term				
Long-term	4,095.8	3.1	4,088.7	2.9
<b>II. Monetary authorities (NCB)</b>	<b>200.9</b>	<b>0.2</b>	<b>314.3</b>	<b>0.2</b>
Short-term	200.9	0.2	314.3	0.2
Long-term				
<b>III. Credit institutions</b>	<b>65,533.3</b>	<b>50.0</b>	<b>71,936.6</b>	<b>51.4</b>
Short-term	33,247.5	25.4	34,393.6	24.6
Long-term	32,285.8	24.6	37,542.9	26.8
<b>IV. Other sectors</b>	<b>36,507.5</b>	<b>27.9</b>	<b>37,721.7</b>	<b>26.9</b>
Short-term	13,352.3	10.2	14,257.3	10.2
Long-term	23,155.2	17.7	23,464.4	16.8
<b>V. Direct investment: intercompany lending</b>	<b>24,740.1</b>	<b>18.9</b>	<b>26,021.5</b>	<b>18.6</b>
<b>GROSS EXTERNAL DEBT</b>	<b>131,077.7</b>	<b>100.0</b>	<b>140,082.8</b>	<b>100.0</b>
<b>ASSETS</b>				
<b>I. General government</b>	<b>12,858.9</b>	<b>12.4</b>	<b>12,828.6</b>	<b>11.7</b>
Short-term	6,237.2	6.0	6,532.0	6.0
Long-term	6,621.7	6.4	6,296.6	5.7
<b>II. Monetary authorities (NCB)</b>	<b>23,292.5</b>	<b>22.5</b>	<b>22,018.2</b>	<b>20.1</b>
Short-term	18,709.8	18.1	16,871.9	15.4
Long-term	4,582.6	4.4	5,146.2	4.7
<b>III. Credit institutions</b>	<b>33,578.9</b>	<b>32.4</b>	<b>26,310.8</b>	<b>24.0</b>
Short-term	23,777.2	23.0	14,901.3	13.6
Long-term	9,801.8	9.5	11,409.6	10.4
<b>IV. Other sectors</b>	<b>25,158.4</b>	<b>24.3</b>	<b>28,912.2</b>	<b>26.4</b>
Short-term	14,229.6	13.7	15,382.2	14.0
Long-term	10,928.8	10.6	13,530.0	12.3
<b>V. Direct investment: intercompany lending</b>	<b>12,722.9</b>	<b>12.3</b>	<b>13,722.2</b>	<b>12.5</b>
<b>TOTAL ASSETS</b>	<b>103,564.0</b>	<b>103.9</b>	<b>109,588.1</b>	<b>94.7</b>
<b>NET EXTERNAL DEBT (assets less liabilities)</b>				
<b>I. General government</b>	<b>8,705.6</b>		<b>10,840.1</b>	
Short-term	6,521.3		8,724.7	
Long-term	2,184.3		2,115.4	
<b>II. Monetary authorities (NCB)</b>	<b>21,817.2</b>		<b>21,765.6</b>	
Short-term	16,671.0		16,261.5	
Long-term	5,146.2		5,504.1	
<b>III. Credit institutions</b>	<b>-39,222.4</b>		<b>-47,015.8</b>	
Short-term	-18,346.2		-16,678.6	
Long-term	-20,876.2		-30,337.2	
<b>IV. Other sectors</b>	<b>-8,490.7</b>		<b>-5,091.3</b>	
Short-term	1,463.5		3,484.3	
Long-term	-9,954.2		-8,575.5	
<b>V. Direct investment: intercompany lending</b>	<b>-10,323.4</b>		<b>-10,993.3</b>	
<b>TOTAL NET EXTERNAL DEBT</b>	<b>-27,513.7</b>		<b>-30,494.7</b>	



**Figure 24. Estonia's gross and net external debt**