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# Estonian Preliminary Balance of Payments for the First Quarter of 2006

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## SHORT OVERVIEW

- **Estonia's fast economic growth accompanied by increased consumption and investment needs kept the current account deficit of Estonia's balance of payments high in the first quarter of 2006. The deficit accounted for 12% of the GDP of the last four quarters (see Table 1 and Figure 1)<sup>1</sup>. In absolute value, it was the highest quarterly deficit (6.9 billion kroons) outpacing by more than a half the first quarter 2005 deficit.**
- **The external balance was mainly affected by the foreign trade balance – exports increased fast yet imports outpaced that.**
- **Foreign capital inflow occurred mainly in the form of direct investment capital.**
- **The balance of payments reserves decreased by 1.3 billion kroons.**

The **goods account** had a deficit comparable to the current account deficit, namely 6.7 billion kroons, increasing minimally quarter-on-quarter and by 2.3 billion kroons year-on-year. The exports of goods amounted to 27.1 billion kroons and imports to 33.8 billion kroons, having grown 27% and 31%, respectively, year-on-year.

The main groups of export goods included electronic and timber products as well as fuel. Electronic products dominated also in imports, followed by fuel, chemical products, and transport vehicles. Machinery and equipment, chemical and mineral products, and transport vehicles mainly contributed to the deficit of the goods account; timber and timber products posted a surplus.

Estonia's main trading partner was the European Union, whose share amounted to nearly 70% of both the exports and imports of goods. Finland, Sweden, Latvia, Russia, the United States and Germany were the largest export partners, and Finland, Russia, Germany, Sweden and Lithuania the major import partners.

The surplus of the **services account** was 1.9 billion kroons, having decreased by nearly 0.3 billion kroons year-on-year. The exports of services grew 5% and the imports 12%. The surplus in services declined mainly owing to transport and travel services with their exports increasing and imports decreasing. As regards transport services, the surplus decreased mostly in sea and rail transport. The exports of trade services have been significantly increasing over the last quarters and so has the surplus in merchanting and other trade-related services. Transport services constituted 44%, travel services 22%, and other business services 20% of the total services turnover.

In the services sector, Estonia's major trading partners were the EU Member States, which accounted for 67% of the exports and 72% of the imports. Estonia had the biggest surplus with Finland (1.1 billion kroons) and the biggest deficit with Egypt (0.2 billion kroons).

Total exports of goods and services, which are the direct components of GDP, grew slower than imports. As a result, the deficit of the goods and services account increased from 5.9% in the first quarter of 2005 to 11.1% of the GDP of the last four quarters in the first quarter of 2006.

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<sup>1</sup> The current account deficit without reinvested earnings, which involve no actual movement of funds, constituted 7.5% of GDP of the last four quarters.

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

	2002	2003	2004	2005					2006
	Total	Total	Total	Q1	Q2	Q3	Q4	Total	Q1
<b>Current account</b>	<b>-12,908.0</b>	<b>-15,415.6</b>	<b>-18,351.6</b>	<b>-4,474.9</b>	<b>-5,230.9</b>	<b>-4,006.4</b>	<b>-4,426.2</b>	<b>-18,138.4</b>	<b>-6,937.6</b>
Goods and services	-8,564.6	-10,199.6	-11,918.7	-2,149.5	-2,823.2	-2,338.2	-3,356.9	-10,667.8	-4,767.3
Goods	-18,455.3	-21,666.7	-25,499.0	-4,366.8	-6,208.4	-6,166.0	-6,554.7	-23,295.8	-6,698.6
credit (f.o.b.)	57,948.7	63,443.7	75,199.5	21,409.6	23,606.6	25,320.7	27,811.2	98,148.2	27,079.4
debit (f.o.b.)	-76,404.0	-85,110.4	-100,698.5	-25,776.4	-29,815.0	-31,486.7	-34,366.0	-121,444.0	-33,778.0
Services	9,890.7	11,467.1	13,580.3	2,217.3	3,385.2	3,827.7	3,197.9	12,628.1	1,931.3
credit	28,164.3	30,674.0	35,666.4	7,872.9	10,098.5	10,796.6	11,068.2	39,836.2	8,265.0
debit	-18,273.6	-19,206.9	-22,086.1	-5,655.6	-6,713.3	-6,968.9	-7,870.3	-27,208.2	-6,333.7
Income	-5,391.1	-7,375.2	-7,950.9	-2,494.9	-2,976.4	-1,839.9	-1,418.2	-8,729.3	-2,149.5
credit	3,371.3	3,449.5	5,484.4	1,579.8	1,837.0	2,773.0	2,273.2	8,463.0	2,323.8
debit	-8,762.4	-10,824.8	-13,435.3	-4,074.6	-4,813.4	-4,612.9	-3,691.4	-17,192.3	-4,473.3
Transfers	1,047.7	2,159.2	1,518.0	169.5	568.7	171.6	348.8	1,258.7	-20.9
credit	2,065.6	3,670.7	5,276.7	1,398.1	1,670.3	1,350.4	1,848.6	6,267.4	1,430.1
debit	-1,017.9	-1,511.5	-3,758.7	-1,228.6	-1,101.5	-1,178.8	-1,499.8	-5,008.7	-1,451.0
<b>Capital and financial account (reserve assets excluded)</b>	<b>13,055.3</b>	<b>18,260.3</b>	<b>21,532.8</b>	<b>6,698.7</b>	<b>3,266.6</b>	<b>4,521.3</b>	<b>8,748.6</b>	<b>23,235.2</b>	<b>6,456.7</b>
Capital account	636.4	685.2	1,145.3	469.0	327.3	181.3	789.9	1,767.5	1,175.3
Financial account	12,418.9	17,575.1	20,387.5	6,229.7	2,939.3	4,340.0	7,958.7	21,467.6	5,281.4
Direct investment	2,611.8	10,716.0	8,746.9	13,786.5	15,458.3	2,654.5	-2,880.1	29,019.2	6,085.2
Abroad	-2,188.4	-2,149.2	-3,388.6	-892.2	-2,529.8	-1,642.1	-2,663.2	-7,727.3	-1,667.5
In Estonia	4,800.2	12,865.3	12,135.5	14,678.6	17,988.1	4,296.6	-216.9	36,746.4	7,752.7
Portfolio investment	2,442.4	2,431.6	9,102.6	-5,576.7	-20,959.0	-5,331.6	4,454.7	-27,412.6	-12,028.2
Assets	-3,182.9	-5,351.6	-4,775.7	-3,692.5	-2,575.7	-4,609.4	59.3	-10,818.4	-5,620.8
Equity securities	9.1	-1,028.9	-2,893.5	-1,373.5	-1,243.1	-1,467.8	-764.5	-4,848.9	-1,215.9
Debt securities	-3,192.0	-4,322.7	-1,882.2	-2,319.0	-1,332.6	-3,141.6	823.8	-5,969.5	-4,405.0
Liabilities	5,625.3	7,783.2	13,878.3	-1,884.2	-18,383.2	-722.2	4,395.4	-16,594.2	-6,407.4
Equity securities	912.2	1,526.9	2,205.3	-9,703.8	-10,127.2	842.0	2,809.3	-16,179.6	-64.5
Debt securities	4,713.1	6,256.2	11,673.0	7,819.5	-8,256.0	-1,564.2	1,586.1	-414.6	-6,342.9
Financial derivatives	-63.7	-19.3	-8.3	45.4	-62.8	-74.9	-5.3	-97.7	101.5
Assets	-43.2	-139.2	-35.1	61.9	-42.9	-24.7	19.3	13.5	96.8
Liabilities	-20.5	120.0	26.8	-16.5	-19.8	-50.2	-24.6	-111.2	4.7
Other investment	7,428.4	4,446.8	2,546.4	-2,025.4	8,502.7	7,092.0	6,389.5	19,958.8	11,122.9
Assets	695.1	-2,284.6	-11,168.8	-12,047.9	5,477.4	-2,127.6	-2,008.9	-10,706.9	-4,923.9
Long-term	-1,083.0	-565.7	-6,052.6	-1,961.8	-3,678.6	3,096.5	7,975.9	5,432.1	-851.5
Short-term	1,778.1	-1,718.9	-5,116.1	-10,086.1	9,156.1	-5,224.1	-9,984.8	-16,139.0	-4,072.3
Liabilities	6,733.3	6,731.4	13,715.1	10,022.5	3,025.3	9,219.6	8,398.3	30,665.7	16,046.7
Long-term	1,829.0	4,309.1	3,740.5	2,690.0	1,886.7	6,055.0	5,454.0	16,085.6	4,610.2
Short-term	4,904.3	2,422.3	9,974.7	7,332.5	1,138.6	3,164.6	2,944.3	14,580.1	11,436.5
Errors and omissions	779.5	-532.7	244.2	467.6	471.1	-471.1	-680.4	-212.8	-793.4
<b>Overall balance</b>	<b>926.8</b>	<b>2,312.1</b>	<b>3,425.4</b>	<b>2,691.4</b>	<b>-1,493.3</b>	<b>43.8</b>	<b>3,641.9</b>	<b>4,883.9</b>	<b>-1,274.3</b>
<b>Reserve assets</b>	<b>-926.8</b>	<b>-2,312.1</b>	<b>-3,425.4</b>	<b>-2,691.4</b>	<b>1,493.3</b>	<b>-43.8</b>	<b>-3,641.9</b>	<b>-4,883.9</b>	<b>1,274.3</b>

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

The deficit of the **income account** decreased 14%, amounting to 2.1 billion kroons. The income earned by Estonian investors abroad (credit turnover) grew by a half and reached 2.3 billion kroons. Labour income comprised 45% of that and the rest was investment income, half of which were reinvested earnings. The income earned by non-residents on the capital invested in Estonia and on compensations of employees

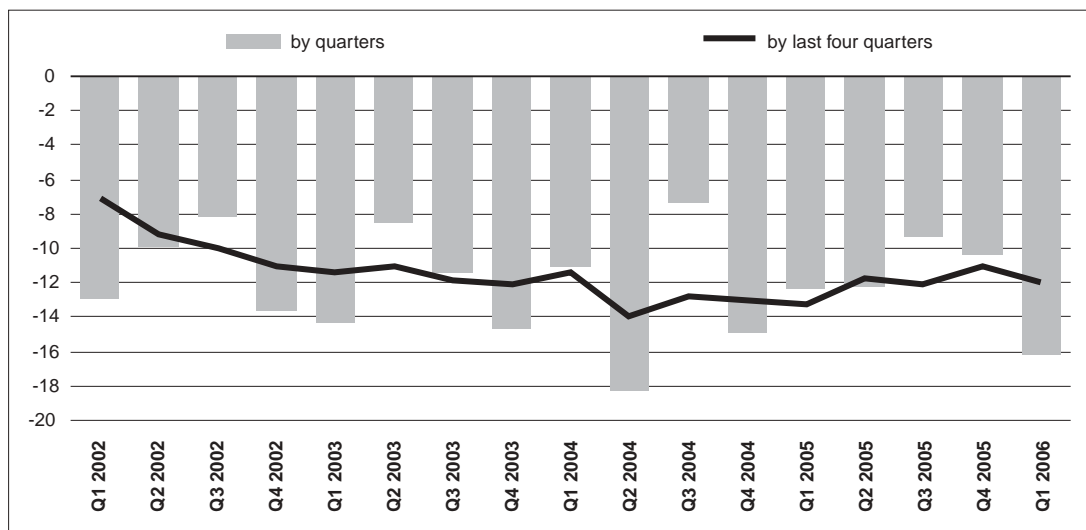


Figure 1. Current account deficit (% of GDP)

(debit turnover) stood at 4.5 billion kroons. 96% of non-residents' income came from investment income, which largely consisted of reinvested earnings (70% 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 0.1 billion kroons.

Accession to the EU and the free movement of workers contributed significantly to the labour income earned by residents abroad and by non-residents in Estonia: the former grew 56% and the latter 36%. 46% of residents' labour income was earned in Finland, 21% in the United Kingdom, 8% in Sweden, 7% in Ireland, and 5% in the United States. In Estonia, mainly Finnish (45%), Swedish (21%), Polish (9%), Ukrainian (9%), and Russian (9%) residents earned on labour income.

90% of residents' and non-residents' investment income came from the European Union: 32% of residents' investment income came from Latvia, 19% from Cyprus, and 16% from Lithuania; 33% of non-residents' investment income from Sweden and 25% from Finland. Investors of financial intermediation earned 66% of residents' investment income, the share of transport, storage and communications investors was 15% and the investors of real estate, renting and business activities accounted for 11%. 42% of non-residents' investment income was earned on financial intermediation, 14% on real estate, renting and business activities, 13% on manufacturing, and 10% on wholesale and retail trade.

The surplus of the **current transfers and capital account** nearly doubled year-on-year, amounting to 1.2 billion kroons. The growth can mainly be attributed to the capital account (sales of emission quotas), as the incoming and the outgoing transfers were almost balanced.

The surplus of the **FINANCIAL ACCOUNT** decreased by a third compared with the fourth quarter of 2005, constituting 5.3 billion kroons. Foreign capital inflow occurred mainly in the form of direct investment. The net outflow of portfolio investment and the net inflow of other investment were almost equal.

The positive balance of **direct investment** was 6.1 billion kroons. Foreign direct investment in Estonia increased by 7.8 billion and direct investment of Estonian residents abroad by 1.7 billion kroons.

Other direct investment capital accounted for 44%, reinvested earnings for 38%, and equity capital investment for 18% of the direct investment inflow. Direct investment mainly came from Sweden (62%) and Finland (15%); the share of the European Union reached 93%. 67% of direct investment was made in financial intermediation, 14% in real estate, renting and business activities, and 12% in wholesale and retail trade.

Like in the structure of non-residents' direct investment, reinvested earnings accounted for 38%, other direct investment capital for 54%, and equity capital investment only for 8% of residents' foreign direct investment. Most of the investment went to Cyprus (35%), Latvia (31%), and Lithuania (17%). The share of the European Union was 92%. The investors in transport, storage and communications (33%), financial intermediation (27%), real estate, renting and business activities (19%), and wholesale and retail trade (16%) made the largest investments.

The negative balance of **portfolio investment** was 12 billion kroons. Portfolio investment claims increased by 5.6 billion and liabilities decreased by 6.4 billion kroons, quarter-on-quarter. Claims increased mainly due to the general government's investments in debt securities and money market instruments, other sectors' investments in equity securities, and credit institutions' investments in money market instruments. Liabilities decreased primarily due to a decline in credit institutions' liabilities related to debt securities and money market instruments.

The net inflow of **other investment** amounted to 11.1 billion kroons. Compared with the last quarter of 2005, claims increased by 4.9 billion kroons, mainly owing to the increase in the short-term claims of credit institutions (loans, currency and deposits). Other investment liabilities grew by 16 billion kroons mostly as a result of the increase in long-term and short-term debt liabilities, currency and deposits, and other liabilities of credit institutions.

## CURRENT ACCOUNT

**Estonia's fast economic growth and increased consumption and investment needs kept the current account deficit of Estonia's balance of payments high in the first quarter of 2006. The deficit accounted for 12% of the GDP of the last four quarters. The external balance was mainly affected by the foreign trade balance, as the imports of goods grew faster than exports (see Figure 2). The current account deficit without reinvested earnings, which include no actual movement of funds, constituted 7.5% of the GDP of the last four quarters.**

The EU Member States accounted for 70% of the credit turnover and for 73% of the debit turnover. The five most important partners in Estonia's credit turnover in the first quarter of 2006 were Finland, Sweden, Latvia, Russia, and the United States (totalling 55% of the credit turnover); in case of debit turnover, Finland, Russia, Germany, Sweden, and Lithuania (totalling 59% of the debit turnover). Estonia's current account deficit was the biggest with Russia and Germany, whereas the highest surplus was registered with the United States and Gibraltar (see Table 2).

### Goods

**The goods account deficit of the balance of payments amounted to 6.7 billion kroons in the first quarter of 2006, which was 2.3 billion kroons more year-on-year, but about the same quarter-on-quarter (see Table 3). The deficit increased, as the imports of goods outpaced exports. The exports of goods stood at 27.1 billion and the imports in f.o.b. prices at 33.8 billion kroons.**

According to the preliminary **foreign trade statistics**<sup>2</sup>, goods exports totalled 26.9 billion and imports in c.i.f. prices 35.8 billion kroons (see Figure 3), having grown 27% and 32%, respectively, year-on-year. As imports outpaced exports, the foreign trade deficit increased by 2.2 billion kroons and reached 8.8 billion kroons.

The growth in **goods exports** occurred across all major groups of goods. The exports of mineral products and machinery and equipment grew the most, bringing along a change in the structure of exported goods (see Table 4). The exports of mineral products increased 2.5 times, year-on-year. Motor fuel accounted for nearly 90% of this export group, whereas 65% of the fuel was re-exported after processing in Estonia. The fuel was mainly channelled to non-EU countries: Gibraltar, the United States, and Canada. As the imports of fuels for processing outpaced their exports by 1.3 billion kroons, part of that fuel was presumably left in intermediate warehouses and will be exported in the following quarters. More than half of the machinery and equipment were mobile phones and their parts, whose exports increased 14% year-on-year and were channelled to Finland, Sweden, and Hungary. In addition, cables were exported to Finland, Sweden and Latvia, and details of various equipment to Finland. The exports of timber, timber products and furniture also grew robustly: railway sleepers to the UK and the US, timber construction components to Denmark, Sweden and Japan, prefabricated buildings to Norway and Germany, and firewood and furniture to Finland, Germany and

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<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.



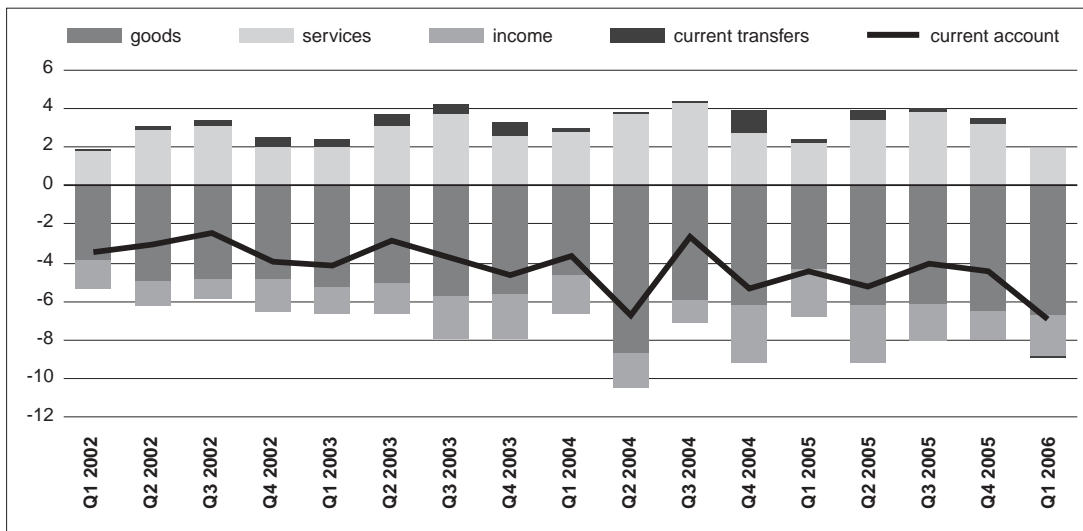


Figure 2. Current account structure (EEK bn)

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

	Q1 2005	Q4 2005	Q1 2006
<b>EU-25</b>	<b>-3,645.7</b>	<b>-4,321.4</b>	<b>-6,130.7</b>
Germany*	-2,100.9	-3,738.0	-2,890.6
Latvia	614.5	1,129.6	970.3
Poland	-613.5	-884.2	-878.2
Lithuania	-304.2	-591.2	-871.8
Netherlands	-614.5	-518.6	-754.5
<b>CIS</b>	<b>-1,392.6</b>	<b>-582.0</b>	<b>-3,540.9</b>
Russia	-1,112.4	-424.0	-3,321.8
Belarus	-254.9	-411.0	-629.0
Ukraine	-49.2	60.0	208.2
<b>Other</b>	<b>563.4</b>	<b>477.2</b>	<b>2,734.0</b>
USA	698.6	672.1	1,384.7
Gibraltar	290.8	615.7	1,360.0
Hong Kong	-545.9	-746.4	-626.0
Canada	40.5	556.7	622.4
Norway	507.5	559.1	511.7
<b>Total</b>	<b>-4,474.9</b>	<b>-4,426.2</b>	<b>-6,937.6</b>

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

Denmark. Clothing, footwear and headgear (men's and women's clothes, bed linen, footwear) was mainly exported to Finland and Sweden; metal products (hot galvanized steel, scrap metal, iron constructions) to Turkey, Finland, Denmark and Russia; chemical products (plastic products, nitrogen fertilizers, mastics-paints-polishes) to Latvia, Sweden, the United States and Russia. 63% of the exports of transport vehicles accounted for motor vehicles and their parts first imported from Finland and Germany to Estonia and then re-exported to Latvia, Lithuania and Sweden. Moreover, trailers were sold to Sweden and Finland, and carriages to Russia. Food products (mostly fish and dairy products and alcohol) were exported to Latvia, Russia, Lithuania, Finland, Germany, and Ukraine. The exports of "other goods" included cement to Latvia, toughened-glass panes and glass containers to Belgium, Germany and Latvia, and automatic equipment to Finland and Sweden.

Table 3. 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 2002	13,206.1	-7.5	70.1	17,079.5	-5.4	81.6	-3,873.4
Q2 2002	14,666.6	11.1	64.8	19,606.2	14.8	79.5	-4,939.6
Q3 2002	14,088.5	-3.9	64.6	18,939.2	-3.4	80.6	-4,850.7
Q4 2002	15,987.5	13.5	70.0	20,779.1	9.7	81.2	-4,791.6
<b>2002 total</b>	<b>57,948.7</b>	<b>-1.4</b>	<b>67.3</b>	<b>76,404.0</b>	<b>5.6</b>	<b>80.7</b>	<b>-18,455.3</b>
Q1 2003	14,308.4	-10.5	70.5	19,528.0	-6.0	83.1	-5,219.6
Q2 2003	16,065.8	12.3	67.0	21,144.0	8.3	81.6	-5,078.1
Q3 2003	15,480.4	-3.6	63.8	21,225.1	0.4	80.6	-5,744.7
Q4 2003	17,589.1	13.6	68.7	23,213.3	9.4	81.2	-5,624.3
<b>2003 total</b>	<b>63,443.7</b>	<b>9.5</b>	<b>67.4</b>	<b>85,110.4</b>	<b>11.4</b>	<b>81.6</b>	<b>-21,666.7</b>
Q1 2004	16,930.6	-3.7	69.8	21,578.1	-7.0	82.5	-4,647.5
Q2 2004	18,019.9	6.4	65.5	26,756.9	24.0	82.4	-8,737.1
Q3 2004	19,183.0	6.5	65.8	25,104.4	-6.2	81.7	-5,921.4
Q4 2004	21,066.0	9.8	70.3	27,259.1	8.6	81.5	-6,193.0
<b>2004 total</b>	<b>75,199.5</b>	<b>18.5</b>	<b>67.8</b>	<b>100,698.5</b>	<b>18.3</b>	<b>82.0</b>	<b>-25,499.0</b>
Q1 2005	21,409.6	1.6	73.1	25,776.4	-5.4	82.0	-4,366.8
Q2 2005	23,606.6	10.3	70.0	29,815.0	15.7	81.6	-6,208.4
Q3 2005	25,320.7	7.3	70.1	31,486.7	5.6	81.9	-6,166.0
Q4 2005	27,811.2	9.8	71.5	34,366.0	9.1	81.4	-6,554.7
<b>2005 total</b>	<b>98,148.2</b>	<b>30.5</b>	<b>71.1</b>	<b>121,444.0</b>	<b>20.6</b>	<b>81.7</b>	<b>-23,295.8</b>
Q1 2006	27,079.4	-2.6	76.6	33,778.0	-1.7	84.2	-6,698.6

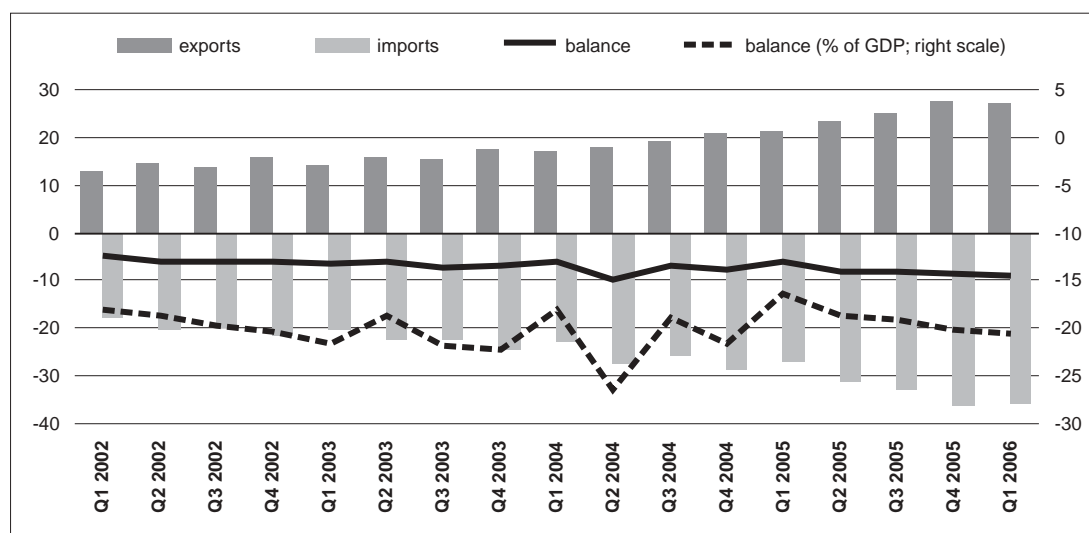


Figure 3. Estonia's foreign trade balance (EEK bn)

**Table 4. Exports by main groups of goods**

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
Food	1,506.0	2,122.2	1,763.6	7.1	7.7	6.5	-16.9	17.1
Mineral products	1,616.1	2,529.5	4,234.0	7.6	9.2	15.7	67.4	162.0
Chemical products	1,433.1	1,944.3	1,790.4	6.8	7.1	6.6	-7.9	24.9
Clothing, footwear and headgear	2,169.8	2,093.3	2,236.3	10.2	7.6	8.3	6.8	3.1
Timber, paper and products	2,955.0	3,221.4	3,219.0	13.9	11.7	12.0	-0.1	8.9
Metals and metal products	1,992.9	2,459.2	2,044.6	9.4	8.9	7.6	-16.9	2.6
Machinery and equipment	5,621.9	7,954.0	6,682.4	26.5	28.9	24.8	-16.0	18.9
Transport vehicles	1,320.5	1,793.0	1,760.8	6.2	6.5	6.5	-1.8	33.4
Furniture, toys, sporting goods	1,868.8	2,265.8	2,197.3	8.8	8.2	8.2	-3.0	17.6
Other	739.5	1,143.0	998.8	3.5	4.2	3.7	-12.6	35.1
<b>Total</b>	<b>21,223.7</b>	<b>27,525.7</b>	<b>26,927.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-2.2</b>	<b>26.9</b>

The growth rate of **goods imports** was much higher than that of exports, compared to the first quarter of 2005, whereas imports also increased across all groups of goods (see Table 5). Similarly to exports, also the growth and structure of imports was mainly affected by the increase in the imports of machinery and equipment. Motor fuel accounted for 88% of the imports of mineral products. 63% of that came from Russia and 20% from Lithuania. Nearly 70% of the motor fuel was imported for processing. Estonia also brought natural gas from Russia. 68% of the imports of machinery and equipment (from Finland, Sweden, Germany, Hong Kong, Singapore, Japan) comprised electrical and electronic equipment and their components (incl. mobile phones) for processing as well as for the internal market. In addition, computers were purchased from Lithuania and Sweden, and roadworks machinery and their components from Sweden and Belgium. The imports of chemical products included medicines from Denmark, Germany, Poland and Belgium; plastic products from Finland, Germany and Lithuania; fertilizers from Russia, and tyres from Sweden, Poland and Latvia. The imports of metals mostly comprised steel products from Turkey, Finland and Russia; the imports of transport vehicles included mainly motor and commercial vehicles from Finland and Germany, and spare parts from Sweden and Finland. The imports of clothing, footwear and headgear mainly consisted of footwear and men's and women's clothes from various EU countries. As regards food products, the biggest import articles were alcohol from Finland, the United Kingdom and France, coffee from Finland, and cigarettes from Lithuania. Raw wood and plywood from Russia and furniture from Finland, Poland and Italy dominated in the group of timber products.

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
Food	2,324.8	3,020.2	2,418.4	8.5	8.3	6.8	-19.9	4.0
Mineral products	2,350.8	4,041.7	6,255.3	8.6	11.2	17.5	54.8	166.1
Chemical products	3,206.2	4,051.4	4,161.6	11.8	11.2	11.6	2.7	29.8
Clothing, footwear and headgear	2,182.2	2,455.5	2,584.9	8.0	6.8	7.2	5.3	18.5
Timber, paper and products	1,699.7	1,807.2	1,973.9	6.2	5.0	5.5	9.2	16.1
Metals and metal products	2,978.8	3,432.5	3,311.6	11.0	9.5	9.3	-3.5	11.2
Machinery and equipment	8,309.7	11,517.6	9,101.1	30.5	31.8	25.4	-21.0	9.5
Transport vehicles	2,622.1	3,550.8	3,765.3	9.6	9.8	10.5	6.0	43.6
Furniture, toys, sporting goods	555.5	856.8	799.3	2.0	2.4	2.2	-6.7	43.9
Other	973.2	1,439.2	1,393.5	3.6	4.0	3.9	-3.2	43.2
<b>Total</b>	<b>27,203.1</b>	<b>36,172.7</b>	<b>35,764.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-1.1</b>	<b>31.5</b>

The **foreign trade deficit** increased 48% year-on-year and amounted to 8.8 billion kroons (see Table 6). The surplus of timber and timber products, furniture and other manufactured goods remained at the level of the first quarter of 2005, whereas the deficit of the rest of goods groups grew considerably.

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

	Q1 2005	Q4 2005	Q1 2006
Food	-818.7	-898.0	-654.8
Mineral products	-734.7	-1,512.2	-2,021.4
Chemical products	-1,773.0	-2,107.1	-2,371.2
Clothing, footwear and headgear	-12.4	-362.1	-348.6
Timber, paper and products	1,255.3	1,414.3	1,245.1
Metals and metal products	-985.9	-973.2	-1,267.0
Machinery and equipment	-2,687.8	-3,563.6	-2,418.8
Transport vehicles	-1,301.7	-1,757.8	-2,004.4
Furniture, toys, sporting goods	1,313.2	1,409.0	1,398.0
Other	-233.7	-296.2	-394.7
<b>Total</b>	<b>-5,979.4</b>	<b>-8,647.1</b>	<b>-8,837.7</b>

By **groups of countries**, the **exports of goods** to the European Union as well as to other groups of countries increased (see Table 7). Exports to the EU countries grew the slowest, which is why the share of the EU in goods exports decreased by approximately 10 percentage points. The major partners were Finland, Sweden, Latvia, Germany, and Lithuania. Exports to former CIS countries increased by more than a half (exports to Russia grew 47%). Exports to other countries increased the fastest, the top three being the United States, Gibraltar and Norway.

The **imports of goods** from all groups of countries increased as well, whereas the imports from CIS countries grew the fastest (see Table 8). The share of the European Union decreased by nearly 5 percentage points; the top five included Finland, Germany, Sweden, Lithuania, and Latvia. Imports from Russia increased two times, i.e. by 3 billion kroons. Belarus and Ukraine followed. Hong Kong, China and Japan dominated among other countries.

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
<b>EU-25</b>	<b>16,578.0</b>	<b>20,898.1</b>	<b>18,539.0</b>	<b>78.1</b>	<b>75.9</b>	<b>68.8</b>	<b>-11.3</b>	<b>11.8</b>
Finland	5,060.2	7,771.8	5,860.3	23.8	28.2	21.8	-24.6	15.8
Sweden	3,085.6	3,258.4	3,674.8	14.5	11.8	13.6	12.8	19.1
Latvia	1,599.5	2,432.3	2,232.5	7.5	8.8	8.3	-8.2	39.6
Germany	1,649.3	1,463.1	1,395.5	7.8	5.3	5.2	-4.6	-15.4
Lithuania	874.1	1,282.6	1,175.3	4.1	4.7	4.4	-8.4	34.5
<b>CIS</b>	<b>1,585.6</b>	<b>2,614.2</b>	<b>2,498.5</b>	<b>7.5</b>	<b>9.5</b>	<b>9.3</b>	<b>-4.4</b>	<b>57.6</b>
Russia	1,229.4	1,977.2	1,808.1	5.8	7.2	6.7	-8.5	47.1
Ukraine	260.8	407.0	453.1	1.2	1.5	1.7	11.3	73.7
Kazakhstan	24.2	86.6	109.4	0.1	0.3	0.4	26.4	351.6
<b>Other</b>	<b>3,060.1</b>	<b>4,013.3</b>	<b>5,889.8</b>	<b>14.4</b>	<b>14.6</b>	<b>21.9</b>	<b>46.8</b>	<b>92.5</b>
USA	969.4	716.6	1,600.2	4.6	2.6	5.9	123.3	65.1
Gibraltar	289.7	617.8	1,357.2	1.4	2.2	5.0	119.7	368.5
Norway	606.4	815.5	686.1	2.9	3.0	2.5	-15.9	13.1
<b>Total</b>	<b>21,223.7</b>	<b>27,525.7</b>	<b>26,927.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-2.2</b>	<b>26.9</b>

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
<b>EU-25</b>	<b>20,229.1</b>	<b>26,950.2</b>	<b>24,885.4</b>	<b>74.4</b>	<b>74.5</b>	<b>69.6</b>	<b>-7.7</b>	<b>23.0</b>
Finland	5,279.5	6,921.0	6,277.4	19.4	19.1	17.6	-9.3	18.9
Germany	3,675.3	4,855.6	4,112.5	13.5	13.4	11.5	-15.3	11.9
Sweden	2,511.7	2,959.0	2,685.6	9.2	8.2	7.5	-9.2	6.9
Lithuania	1,456.9	2,225.7	2,332.9	5.4	6.2	6.5	4.8	60.1
Latvia	1,183.4	1,769.6	1,665.6	4.4	4.9	4.7	-5.9	40.8
<b>CIS</b>	<b>3,602.6</b>	<b>4,673.6</b>	<b>7,048.2</b>	<b>13.2</b>	<b>12.9</b>	<b>19.7</b>	<b>50.8</b>	<b>95.6</b>
Russia	2,964.4	3,680.8	5,908.0	10.9	10.2	16.5	60.5	99.3
Belarus	287.1	475.8	710.9	1.1	1.3	2.0	49.4	147.6
Ukraine	273.9	434.6	342.5	1.0	1.2	1.0	-21.2	25.1
<b>Other</b>	<b>3,371.4</b>	<b>4,548.9</b>	<b>3,831.3</b>	<b>12.4</b>	<b>12.6</b>	<b>10.7</b>	<b>-15.8</b>	<b>13.6</b>
Hong Kong	548.1	783.4	657.5	2.0	2.2	1.8	-16.1	20.0
China	480.5	819.4	610.7	1.8	2.3	1.7	-25.5	27.1
Japan	607.8	721.5	431.2	2.2	2.0	1.2	-40.2	-29.1
<b>Total</b>	<b>27,203.1</b>	<b>36,172.7</b>	<b>35,764.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-1.1</b>	<b>31.5</b>

\* Analysed by trading country.

**Foreign trade** remained in deficit with the EU and CIS countries (see Table 9). As regards the EU Member States, Estonia had a surplus of goods with Sweden, Latvia and the United Kingdom, with Ukraine and Kazakhstan from CIS countries, and with the United States, Gibraltar, Norway and Canada as for other countries.

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

	Q1 2005	Q4 2005	Q1 2006
EU-25	-3,651.1	-6,052.0	-6,346.4
CIS	-2,017.0	-2,059.4	-4,549.7
Other	-311.3	-535.6	2,058.4
<b>Total</b>	<b>-5,979.4</b>	<b>-8,647.1</b>	<b>-8,837.7</b>

## Services

**The surplus of the services account amounted to 1.9 billion kroons in the first quarter of 2006, decreasing 13% over the year** (see Figure 4 and Table 10). The decrease in the turnover of services compared to the last quarter of 2005 is a customary seasonal change, although this year the decrease was bigger than usual.

The surplus of the services account declined because the positive balances of transport and travel services decreased 50% and 22%, respectively, and the positive balance of government services turned negative (see Table 11). However, the surplus of business services doubled and the negative balance of construction services turned positive, which prevented the services account surplus from decreasing even more.

The **exports of services** totalled 8.3 billion kroons in the first quarter, having increased 5% year-on-year (the exports of goods grew 27% over the same period). 42% of the services exports accounted for transport services, although their share decreased significantly year-on-year (see Table 12). The exports of both travel and business services formed 23%, whereas the exports of the latter grew 51% year-on-year. The exports of construction and government services decreased 17% and 29%, respectively.

The exports of services to neighbouring countries grew faster than average: to Sweden 20%, to Russia 12%, and to Finland 6% (see Table 13). As regards less important trade partners, Switzerland should be mentioned with the services exports to that country increasing 22%.

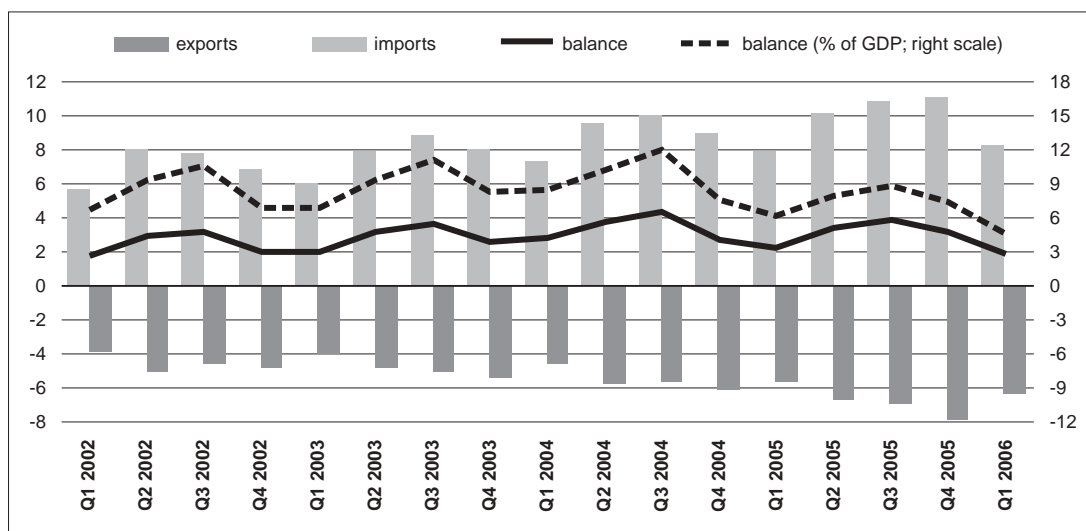


Figure 4. Services account (EEK bn)

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 2002	5,631.2	-20.9	29.9	3,848.7	-16.2	18.4	1,655.7	-27.5
Q2 2002	7,959.8	41.4	35.2	5,043.2	31.0	20.5	2,961.0	78.8
Q3 2002	7,712.6	-3.1	35.4	4,555.3	-9.7	19.4	3,107.2	4.9
Q4 2002	6,860.7	-11.0	30.0	4,826.4	6.0	18.8	1,953.5	-37.1
<b>2002 total</b>	<b>28,164.3</b>	<b>0.1</b>	<b>32.7</b>	<b>18,273.6</b>	<b>8.5</b>	<b>19.3</b>	<b>9,677.4</b>	<b>-12.4</b>
Q1 2003	5,989.6	-12.7	29.5	3,959.8	-18.0	16.9	2,029.8	3.9
Q2 2003	7,913.9	32.1	33.0	4,773.7	20.6	18.4	3,140.2	54.7
Q3 2003	8,768.1	10.8	36.2	5,102.5	6.9	19.4	3,665.6	16.7
Q4 2003	8,002.4	-8.7	31.3	5,370.8	5.3	18.8	2,631.6	-28.2
<b>2003 total</b>	<b>30,674.0</b>	<b>8.9</b>	<b>32.6</b>	<b>19,206.8</b>	<b>5.1</b>	<b>18.4</b>	<b>11,467.2</b>	<b>18.5</b>
Q1 2004	7,334.1	-8.4	30.2	4,561.4	-15.1	17.5	2,772.7	5.4
Q2 2004	9,479.4	29.3	34.5	5,731.0	25.6	17.6	3,748.4	35.2
Q3 2004	9,969.1	5.2	34.2	5,619.8	-1.9	18.3	4,349.3	16.0
Q4 2004	8,883.7	-10.9	29.7	6,173.9	9.9	18.5	2,709.8	-37.7
<b>2004 total</b>	<b>35,666.3</b>	<b>16.3</b>	<b>32.2</b>	<b>22,086.1</b>	<b>15.0</b>	<b>18.0</b>	<b>13,580.2</b>	<b>18.4</b>
Q1 2005	7,872.9	-11.4	26.9	5,655.6	-8.4	18.0	2,217.3	-18.2
Q2 2005	10,098.5	28.3	30.0	6,713.3	18.7	18.4	3,385.2	52.7
Q3 2005	10,796.6	6.9	29.9	6,968.9	3.8	18.1	3,827.7	13.1
Q4 2005	11,068.2	2.5	28.5	7,870.3	12.9	18.6	3,197.9	-16.5
<b>2005 total</b>	<b>39,836.2</b>	<b>11.7</b>	<b>28.9</b>	<b>27,208.1</b>	<b>23.2</b>	<b>18.3</b>	<b>12,628.1</b>	<b>-7.0</b>
Q1 2006	8,265.0	-25.3	23.4	6,333.7	-19.5	15.8	1,931.3	-39.6

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
Transportation	1,133.5	778.2	566.2	51.1	24.4	29.3	-27.2	-50.0
Travel	664.7	1,389.8	521.8	30.0	43.6	27.0	-62.5	-21.5
Construction services	-84.6	297.4	47.4	-3.8	9.3	2.5	-84.1	-156.1
Business services	393.1	757.7	832.8	17.7	23.8	43.1	9.9	111.9
Government services	79.3	30.8	-48.1	3.6	1.0	-2.5	-256.1	-160.7
Other	31.3	-67.3	11.3	1.4	-2.1	0.6	-116.7	-64.1
<b>Total</b>	<b>2,217.3</b>	<b>3,186.6</b>	<b>1,931.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-39.4</b>	<b>-12.9</b>

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
Transportation	3,691.2	4,067.8	3,492.3	46.9	36.8	42.3	-14.1	-5.4
freight	2,118.8	2,270.0	1,794.2	26.9	20.6	21.7	-21.0	-15.3
passenger	569.9	761.2	690.6	7.2	6.9	8.4	-9.3	21.2
other transport services	1,002.5	1,036.6	1,007.5	12.7	9.4	12.2	-2.8	0.5
Travel	1,949.7	2,762.5	1,894.7	24.8	25.0	22.9	-31.4	-2.8
Construction services	271.6	1,189.9	226.4	3.4	10.8	2.7	-81.0	-16.6
Business services	1,257.9	2,270.2	1,896.0	16.0	20.6	22.9	-16.5	50.7
Government services	151.6	114.4	107.7	1.9	1.0	1.3	-5.9	-29.0
Other	550.8	640.4	648.0	7.0	5.8	7.8	1.2	17.6
<b>Total</b>	<b>7,872.9</b>	<b>11,045.3</b>	<b>8,265.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-25.2</b>	<b>5.0</b>

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
<b>EU-25</b>	<b>5,226.1</b>	<b>7,224.6</b>	<b>5,566.3</b>	<b>66.4</b>	<b>65.4</b>	<b>67.3</b>	<b>-23.0</b>	<b>6.5</b>
Finland	2,210.3	3,426.4	2,347.9	28.1	31.0	28.4	-31.5	6.2
Sweden	570.8	825.1	686.0	7.3	7.5	8.3	-16.9	20.2
United Kingdom	583.3	501.3	507.4	7.4	4.5	6.1	1.2	-13.0
Germany	392.3	575.4	401.7	5.0	5.2	4.9	-30.2	2.4
Latvia	329.3	454.1	329.1	4.2	4.1	4.0	-27.5	-0.1
<b>CIS</b>	<b>1,008.5</b>	<b>1,960.8</b>	<b>1,225.9</b>	<b>12.8</b>	<b>17.8</b>	<b>14.8</b>	<b>-37.5</b>	<b>21.6</b>
Russia	835.9	1,650.5	932.2	10.6	14.9	11.3	-43.5	11.5
Kazakhstan	42.1	128.4	142.4	0.5	1.2	1.7	10.9	238.2
<b>Other</b>	<b>1,638.3</b>	<b>1,859.9</b>	<b>1,472.8</b>	<b>20.8</b>	<b>16.8</b>	<b>17.8</b>	<b>-20.8</b>	<b>-10.1</b>
Switzerland	320.7	628.2	390.6	4.1	5.7	4.7	-37.8	21.8
offshore regions	690.2	338.2	362.2	8.8	3.1	4.4	7.1	-47.5
USA	325.3	490.4	337.0	4.1	4.4	4.1	-31.3	3.6
<b>Total</b>	<b>7,872.9</b>	<b>11,045.3</b>	<b>8,265.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-25.2</b>	<b>5.0</b>

The **imports of services** amounted to 6.3 billion kroons in the first quarter, increasing 12% year-on-year (see Table 14). The imports of transport, business and government services grew faster than average (14%, 23% and 2.2 times, respectively). The structure of services imports did not change much: transport services accounted for 46%, travel services for 22% and business services for 17% of total services imports.

As regards the country of origin, services imports from non-EU countries increased faster than average: from Russia 34%, from the United States 18% and from Norway 71% (see Table 15). As regards the EU countries, imports from the United Kingdom and Finland grew faster than average (17% in both cases).

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
Transportation	2,557.7	3,301.2	2,926.1	45.2	42.0	46.2	-11.4	14.4
freight	1,571.5	2,277.5	2,050.3	27.8	29.0	32.4	-10.0	30.5
passenger	243.5	316.7	304.4	4.3	4.0	4.8	-3.9	25.0
other transport services	632.7	707.1	571.4	11.2	9.0	9.0	-19.2	-9.7
Travel	1,285.0	1,372.7	1,372.9	22.7	17.5	21.7	0.0	6.8
Construction services	356.2	892.5	179.0	6.3	11.4	2.8	-80.0	-49.8
Business services	864.9	1,512.6	1,063.0	15.3	19.2	16.8	-29.7	22.9
Government services	72.3	83.6	155.8	1.3	1.1	2.5	86.4	115.4
Other	629.5	707.7	636.9	11.1	9.0	10.1	-10.0	1.2
<b>Total</b>	<b>5,655.6</b>	<b>7,858.7</b>	<b>6,333.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-19.4</b>	<b>12.0</b>

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

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
<b>EU-25</b>	<b>4,196.1</b>	<b>5,960.6</b>	<b>4,537.1</b>	<b>74.2</b>	<b>75.8</b>	<b>71.6</b>	<b>-23.9</b>	<b>8.1</b>
Finland	1,098.5	1,676.0	1,287.7	19.4	21.3	20.3	-23.2	17.2
Germany	633.7	1,077.1	521.7	11.2	13.7	8.2	-51.6	-17.7
United Kingdom	359.3	484.0	419.3	6.4	6.2	6.6	-13.4	16.7
Sweden	397.4	583.1	392.7	7.0	7.4	6.2	-32.7	-1.2
Latvia	371.9	487.5	351.3	6.6	6.2	5.5	-27.9	-5.5
<b>CIS</b>	<b>607.4</b>	<b>792.7</b>	<b>753.9</b>	<b>10.7</b>	<b>10.1</b>	<b>11.9</b>	<b>-4.9</b>	<b>24.1</b>
Russia	469.5	638.7	626.8	8.3	8.1	9.9	-1.9	33.5
Ukraine	62.2	53.6	57.6	1.1	0.7	0.9	7.5	-7.4
<b>Other</b>	<b>852.1</b>	<b>1,105.4</b>	<b>1,042.7</b>	<b>15.1</b>	<b>14.1</b>	<b>16.5</b>	<b>-5.7</b>	<b>22.4</b>
USA	190.7	289.9	224.9	3.4	3.7	3.6	-22.4	17.9
Egypt	181.3	122.8	170.1	3.2	1.6	2.7	38.5	-6.2
Norway	45.9	62.7	78.5	0.8	0.8	1.2	25.2	71.0
<b>Total</b>	<b>5,655.6</b>	<b>7,858.7</b>	<b>6,333.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-19.4</b>	<b>12.0</b>

The surplus of **transport services** declined to the lowest level of the last four years in the first quarter of 2006, accounting for only 29% of the services account balance (see Figure 5 and Tables 11, 12, 14). Organising transport between other countries gained ground. This inhibited the growth of transport services exports and boosted the imports of transport services. Renting unmanned transport vehicles to other countries continued, particularly in the rail transport sector. By transport types, maritime transport formed the largest share of transport services (see Figure 6). Its export volume was largely boosted by passenger transport.



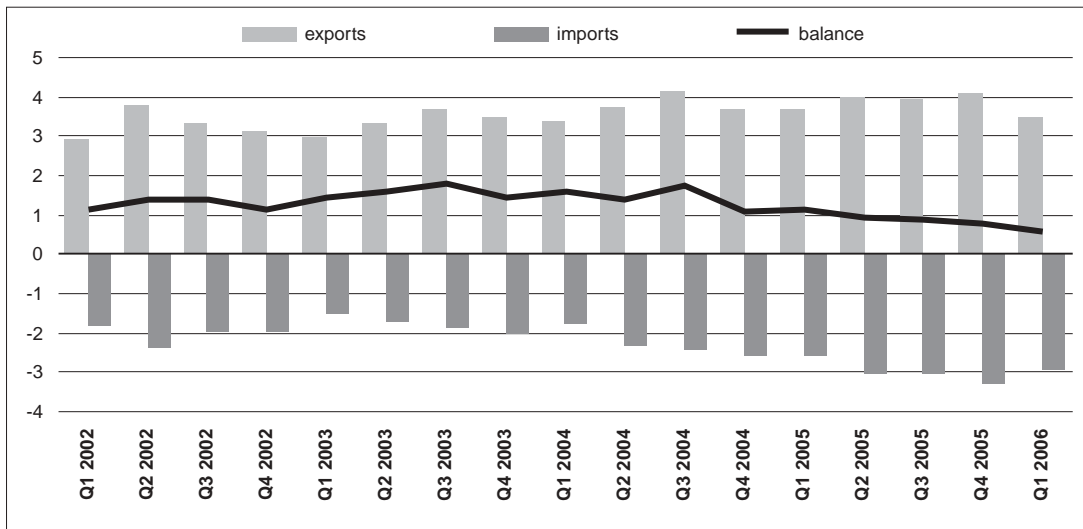


Figure 5. Transport services (EEK bn)

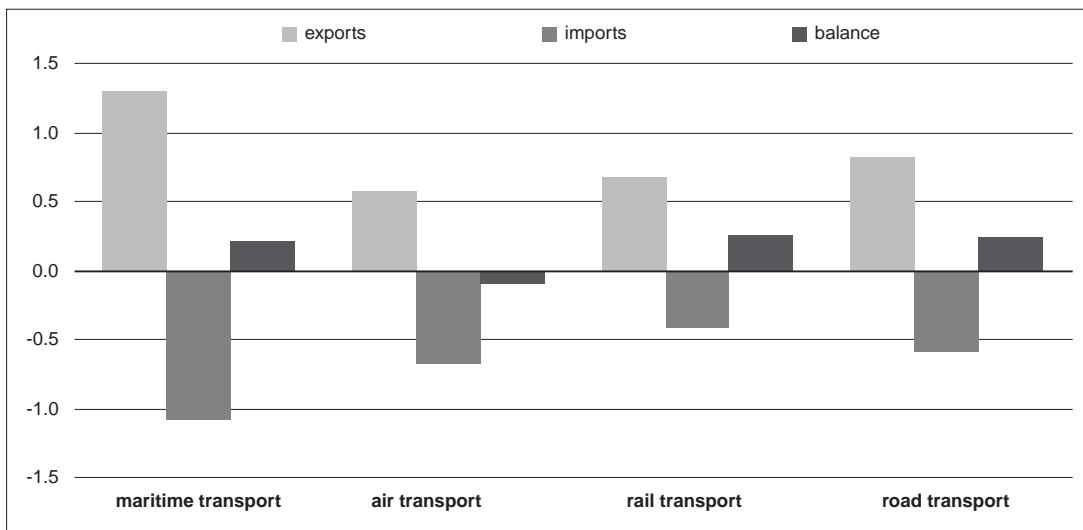


Figure 6. Transport services structure in the first quarter of 2006 by transport type (EEK bn)

The exports of transport services decreased 5% year-on-year but still formed a considerable part in the services exports (42%). The decrease in the transport volume of oil products, particularly crude oil, inhibited the growth of goods transport in the rail transport sector. Transit operations were carried out mainly through ports and the volume of transit remained at last year's level. The exports of transport services to the EU increased, whereas exports to offshore countries decreased. Finland was again the biggest importer of transport services; Cyprus stood out for the fastest growth rate (see Table 16).

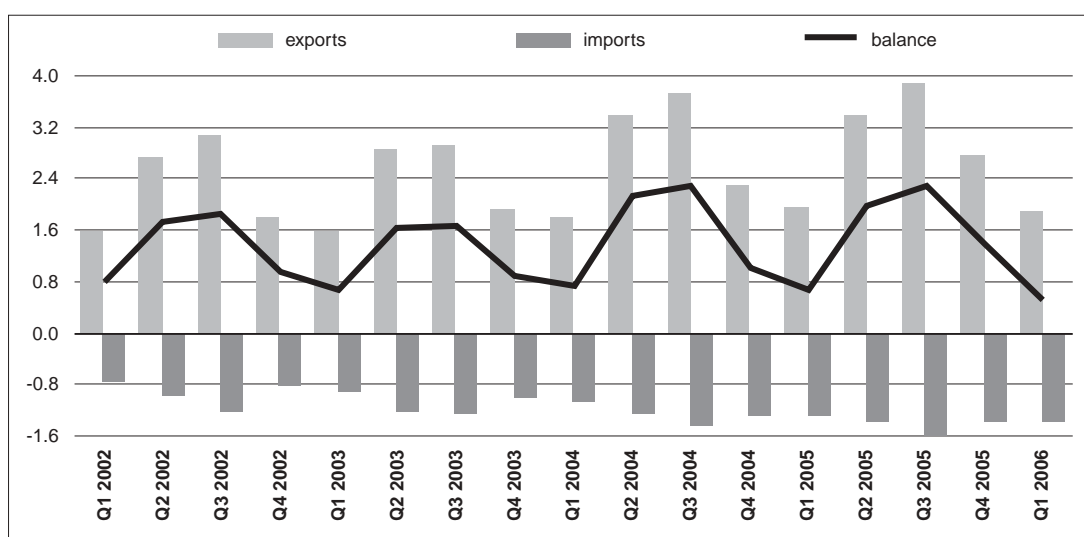
The imports of transport services increased year-on-year, and accounted for 46% of the services account. Transport services were purchased mostly from the EU countries, particularly Finland. The volume of transport

services purchased from Denmark added significantly year-on-year. From Russia, 40% more transport services were bought, compared to the first quarter of 2005. As for other countries, offshore regions, the United States and China were the largest exporters of transport services.

**Table 16. Transport services by groups of countries in the first quarter of 2006**

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q1 2006 / Q1 2005		Volume (EEK m)	Share (%)	Change (%), Q1 2006 / Q1 2005
<b>EU-25</b>	<b>2,310.8</b>	<b>66.2</b>	<b>8.2</b>	<b>EU-25</b>	<b>2,038.6</b>	<b>69.7</b>	<b>14.9</b>
Finland	857.2	24.5	12.8	Finland	505.5	17.3	6.3
Sweden	279.1	8.0	22.3	Germany	298.4	10.2	17.9
Cyprus	223.7	6.4	314.3	Latvia	170.5	5.8	-2.5
Germany	212.7	6.1	-6.8	Denmark	155.4	5.3	55.1
United Kingdom	199.8	5.7	-41.6	United Kingdom	143.8	4.9	9.4
<b>CIS</b>	<b>440.3</b>	<b>12.6</b>	<b>3.1</b>	<b>CIS</b>	<b>439.2</b>	<b>15.0</b>	<b>23.3</b>
Russia	401.0	11.5	6.3	Russia	387.0	13.2	38.8
Ukraine	21.1	0.6	17.2	Belarus	29.6	1.0	-11.1
<b>Other</b>	<b>741.2</b>	<b>21.2</b>	<b>-34.3</b>	<b>Other</b>	<b>448.3</b>	<b>15.3</b>	<b>4.8</b>
Switzerland	240.5	6.9	-2.1	offshore regions	101.7	3.5	4.1
USA	200.5	5.7	6.9	USA	73.3	2.5	2.7
offshore regions	155.9	4.5	-72.8	China	56.8	1.9	19.3
<b>Total</b>	<b>3,492.3</b>	<b>100.0</b>	<b>-5.4</b>	<b>Total</b>	<b>2,926.1</b>	<b>100.0</b>	<b>14.4</b>

The exports of **travel services** declined 3% year-on-year, whereas imports grew 7% (see Figure 7). Exports decreased for the first time in the first quarter of 2006, against the backdrop of previous annual growths (see Table 17). This stemmed from the high basis of comparison as well as from the decrease in the number of visitors from the EU Member States. Though also the total number of visitors from Finland declined, their expenditure made in Estonia increased slightly compared to the previous year. The number of visitors from non-EU countries (especially Russia) increased.



**Figure 7. Travel services (EEK bn)**

Table 17. Travel services by groups of countries in the first quarter of 2006

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q1 2006 / Q1 2005		Volume (EEK m)	Share (%)	Change (%), Q3 2005 / Q3 2004
<b>EU-25</b>	<b>1,387.5</b>	<b>73.2</b>	<b>-9.2</b>	<b>EU-25</b>	<b>-926.9</b>	<b>67.5</b>	<b>3.7</b>
Finland	942.1	49.7	3.8	Finland	-330.4	61.1	2.3
Sweden	120.8	6.4	-23.0	United Kingdom	-80.9	-7.7	-9.3
United Kingdom	79.4	4.2	-39.0	Spain	-66.8	-17.5	-10.2
Latvia	60.4	3.2	-47.8	Sweden	-65.1	-28.1	14.8
<b>CIS</b>	<b>394.2</b>	<b>20.8</b>	<b>20.8</b>	<b>CIS</b>	<b>-124.0</b>	<b>9.0</b>	<b>-1.5</b>
Russia	374.4	19.8	18.9	Russia	-164.9	12.0	-7.8
<b>Other</b>	<b>113.0</b>	<b>6.0</b>	<b>17.8</b>	<b>Other</b>	<b>-322.0</b>	<b>23.5</b>	<b>21.2</b>
Norway	55.4	2.9	91.9	Egypt	-131.7	9.6	4.8
USA	18.4	1.0	15.7	USA	-35.8	2.6	-15.1
China	5.1	0.3	16.7	Thailand	-24.3	1.8	51.9
<b>Total</b>	<b>1,894.7</b>	<b>100.0</b>	<b>-2.8</b>	<b>Total</b>	<b>-1,372.9</b>	<b>100.0</b>	<b>6.8</b>

The imports of travel services grew for several reasons: the number of Estonians' trips abroad increased 10% and increasingly more Estonians found a job in a foreign country. According to the balance of payments methodology, the daily expenditure of employees in the work period are recorded under travel expenses. According to travel companies, the most popular destinations for Estonians in the first quarter included winter sports resorts in Finland, Sweden and Austria, as well as Egypt and Spain (the Canary Islands).

## Income

**The income account deficit was 2.1 billion kroons in the first quarter of 2006, having decreased 14% year-on-year** (see Table 18 and Figure 8). The income account deficit formed 5% of the quarterly GDP and almost a third of the current account deficit. Excluding from the income account reinvested earnings, which involve no actual movement of funds, the income account had a surplus of 0.1 billion kroons.

The income account deficit declined year-on-year mostly because the surplus of labour income increased 61% and the deficit of direct and portfolio investment income decreased 3% and 87%, respectively (see Table 19).

**Income inflow** grew 47% year-on-year; the inflow of direct investment income formed 78% and labour income inflow (under "other income" in Table 20) 56% of that. Reinvested earnings accounted for 82% of direct investment income.

**Income outflow** increased 10% year-on-year, with the 66% growth in other investment income (loan and deposit interests, etc.) and 9% growth in direct investment income contributing the most (see Table 22). Reinvested earnings accounted for 85% of direct investment income.

The EU countries held the largest share (89–90%) both in the inflow and outflow of income. Finland and Latvia accounted for the largest shares (22% and 18%, respectively) in the income inflow, whereas the shares of Sweden and Finland in the income outflow were even greater (32% and 26%, respectively; see Table 21).

Table 18. Income

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)
Q1 2002	646.3	-38.0	2,142.8	-20.2	-1,496.5	-9.1
Q2 2002	771.6	19.4	2,033.8	-5.1	-1,262.2	-15.7
Q3 2002	1,248.0	61.7	2,190.6	7.7	-942.6	-25.3
Q4 2002	705.4	-43.5	2,395.2	9.3	-1,689.8	79.3
<b>2002 total</b>	<b>3,371.3</b>	<b>11.6</b>	<b>8,762.4</b>	<b>10.6</b>	<b>-5,391.1</b>	<b>10.1</b>
Q1 2003	644.6	-8.6	2,036.8	-15.0	-1,392.2	-17.6
Q2 2003	1,001.4	55.4	2,535.0	24.5	-1,533.6	10.2
Q3 2003	1,139.2	13.8	3,307.4	30.5	-2,168.2	41.4
Q4 2003	664.3	-41.7	2,945.6	-10.9	-2,281.3	5.2
<b>2003 total</b>	<b>3,449.5</b>	<b>2.3</b>	<b>10,824.8</b>	<b>23.5</b>	<b>-7,375.3</b>	<b>36.8</b>
Q1 2004	647.7	-2.5	2,601.8	-11.7	-1,954.1	-14.3
Q2 2004	1,238.8	91.3	3,002.1	15.4	-1,763.3	-9.8
Q3 2004	1,912.0	54.3	3,081.2	2.6	-1,169.2	-33.7
Q4 2004	1,686.0	-11.8	4,750.2	54.2	-3,064.2	162.1
<b>2004 total</b>	<b>5,484.5</b>	<b>59.0</b>	<b>13,435.3</b>	<b>24.1</b>	<b>-7,950.8</b>	<b>7.8</b>
Q1 2005	1,579.8	-6.3	4,074.6	-14.2	-2,494.9	-18.6
Q2 2005	1,837.0	16.3	4,813.4	18.1	-2,976.4	19.3
Q3 2005	2,773.0	51.0	4,612.9	-4.2	-1,839.9	-38.2
Q4 2005	2,273.2	-18.0	3,691.4	-20.0	-1,418.2	-22.9
<b>2005 total</b>	<b>8,463.0</b>	<b>54.3</b>	<b>17,192.3</b>	<b>28.0</b>	<b>-8,729.3</b>	<b>9.8</b>
Q1 2006	2,323.8	2.2	4,473.3	21.2	-2,149.5	51.6

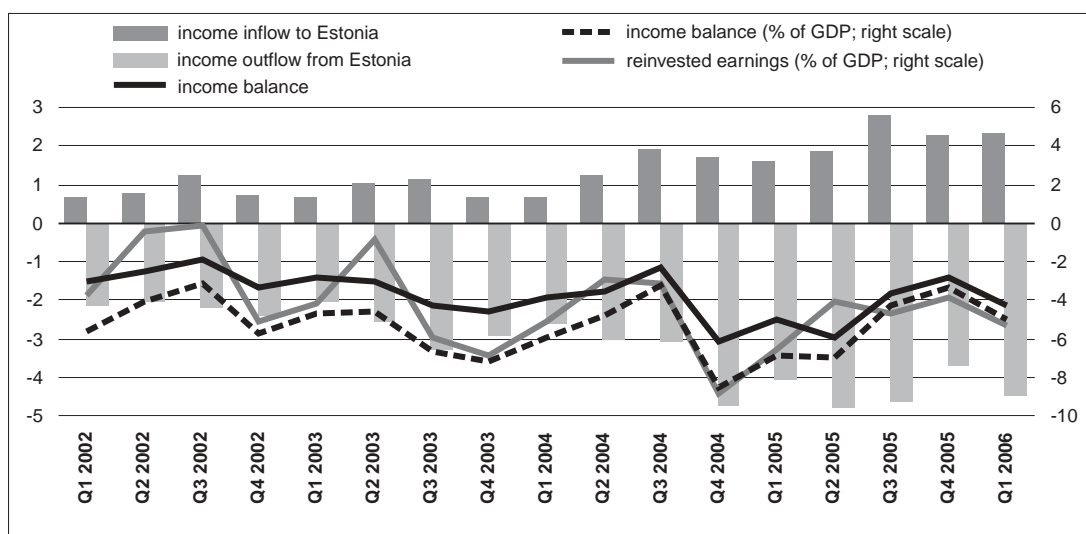


Figure 8. Income account (EEK bn)

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
Income on direct investment	-2,693.8	-1,817.0	-2,624.6	108.0	128.1	122.1	44.5	-2.6
income on equity	-2,622.0	-1,781.6	-2,528.2	105.1	125.6	117.6	41.9	-3.6
reinvested earnings	-2,386.6	-1,630.3	-2,267.0	95.7	115.0	105.5	39.1	-5.0
dividends	-235.4	-151.3	-261.2	9.4	10.7	12.2	72.6	10.9
income on debt (interests)	-71.8	-35.4	-96.4	2.9	2.5	4.5	172.5	34.3
Income on portfolio investment	-183.5	-79.2	-24.2	7.4	5.6	1.1	-69.4	-86.8
Income on other investment	-157.3	-294.2	-368.0	6.3	20.7	17.1	25.1	133.9
Other income	539.8	772.2	867.4	-21.6	-54.4	-40.4	12.3	60.7
<b>Total</b>	<b>-2,494.9</b>	<b>-1,418.2</b>	<b>-2,149.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>51.6</b>	<b>-13.8</b>

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
Income on direct investment	439.5	819.6	782.7	27.8	36.1	33.7	-4.5	78.1
income on equity	405.0	693.5	711.6	25.6	30.5	30.6	2.6	75.7
reinvested earnings	361.8	613.3	644.9	22.9	27.0	27.8	5.1	78.2
dividends	43.2	80.1	66.8	2.7	3.5	2.9	-16.7	54.5
income on debt (interests)	34.5	126.1	71.0	2.2	5.5	3.1	-43.7	105.9
Income on portfolio investment	263.9	207.1	261.6	16.7	9.1	11.3	26.3	-0.9
Income on other investment	201.1	280.3	227.8	12.7	12.3	9.8	-18.7	13.3
Other income	675.2	966.2	1,051.7	42.7	42.5	45.3	8.9	55.8
<b>Total</b>	<b>1,579.8</b>	<b>2,273.2</b>	<b>2,323.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.2</b>	<b>47.1</b>

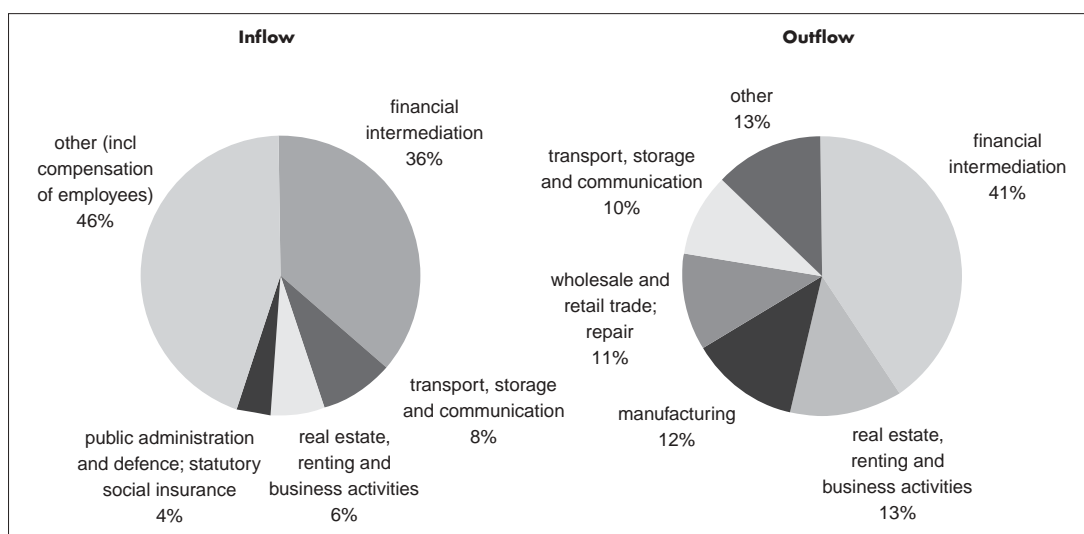
Table 21. Income by groups of countries in the first quarter of 2006

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q1 2006 / Q1 2005		Volume (EEK m)	Share (%)	Change (%), Q1 2006 / Q1 2005
<b>EU-25</b>	<b>2,078.3</b>	<b>89.4</b>	<b>56.2</b>	<b>EU-25</b>	<b>4,027.2</b>	<b>90.0</b>	<b>15.0</b>
Finland	504.2	21.7	63.2	Sweden	1,445.5	32.3	74.3
Latvia	423.2	18.2	81.9	Finland	1,169.2	26.1	22.9
Cyprus	235.8	10.1	125,323.9	United Kingdom	391.3	8.7	17.3
United Kingdom	230.6	9.9	353.0	Germany	315.3	7.0	86.6
<b>CIS</b>	<b>96.4</b>	<b>4.1</b>	<b>189.5</b>	<b>CIS</b>	<b>132.7</b>	<b>3.0</b>	<b>-16.0</b>
Russia	90.3	3.9	94.0	Russia	118.3	2.6	9.0
Ukraine	8.4	0.4	-45.5	Ukraine	15.5	0.3	106.6
<b>Other</b>	<b>149.1</b>	<b>6.4</b>	<b>-31.0</b>	<b>Other</b>	<b>313.4</b>	<b>7.0</b>	<b>-24.3</b>
USA	67.1	2.9	-58.0	offshore regions	128.9	2.9	74.7
offshore regions	27.5	1.2	-12.1	USA	95.8	2.1	-48.9
<b>Total</b>	<b>2,323.8</b>	<b>100.0</b>	<b>47.1</b>	<b>Total</b>	<b>4,473.3</b>	<b>100.0</b>	<b>9.8</b>

**Table 22. Income outflow from Estonia**

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2006 / Q4 2005	Q1 2006 / Q1 2005
Income on direct investment	3,133.4	2,636.6	3,407.3	76.9	71.4	76.2	29.2	8.7
income on equity	3,027.0	2,475.1	3,239.8	74.3	67.0	72.4	30.9	7.0
reinvested earnings	2,748.4	2,243.7	2,911.9	67.5	60.8	65.1	29.8	5.9
dividends	278.6	231.4	327.9	6.8	6.3	7.3	41.7	17.7
income on debt (interests)	106.3	161.5	167.5	2.6	4.4	3.7	3.7	57.5
Income on portfolio investment	447.5	286.3	285.8	11.0	7.8	6.4	-0.2	-36.1
Income on other investment	358.4	574.5	595.8	8.8	15.6	13.3	3.7	66.3
Other income	135.4	194.0	184.4	3.3	5.3	4.1	-5.0	36.1
<b>Total</b>	<b>4,074.6</b>	<b>3,691.4</b>	<b>4,473.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>21.2</b>	<b>9.8</b>

By fields of activity, household labour income formed the largest part of income, followed by the financial sector (see Figure 9). Financial intermediation prevailed in income outflow (41% of total income outflow), followed by real estate, renting and business activities, manufacturing, wholesale and retail trade, and transport, storage and communications (all 10–13%).



**Figure 9. Inflow and outflow of income by fields of activity in the first quarter of 2006**

### Current and Capital Transfers<sup>3</sup>

**For the first time, the current transfers account had a small deficit in the first quarter of 2006** (see Table 23), **which resulted from the smaller than usual receipt of EU funds.** The inflow of current

<sup>3</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).

transfers amounted to 1.4 billion kroons and divided more or less equally between the general government and other sectors. Government transfers mostly comprised of allocations from the EU structural funds but also VAT, income and social tax receipts from non-residents. 81% of other sectors' transfers came from EU Member States (agricultural subsidies from the European Commission, transfers from Germany, Belgium, Sweden and Finland). The outflow of current transfers amounted to 1.5 billion kroons. Government transfers accounted for 60% of that (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 United Kingdom).

The surplus of **capital transfers** was 0.3 billion kroons. The capital transfers into Estonia mainly comprised EU subsidies to the general government as well as to other sectors for various infrastructure objects.

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

	Received			Paid			Balance		
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006
<b>Current transfers</b>	<b>1,398.1</b>	<b>1,848.6</b>	<b>1,430.3</b>	<b>1,228.6</b>	<b>1,499.8</b>	<b>1,451.0</b>	<b>169.5</b>	<b>348.8</b>	<b>-20.8</b>
<b>government transfers</b>	<b>726.3</b>	<b>1,445.0</b>	<b>725.6</b>	<b>820.7</b>	<b>983.8</b>	<b>865.9</b>	<b>-94.4</b>	<b>461.2</b>	<b>-140.3</b>
EU-25	621.8	1,251.4	618.0	808.6	970.3	857.7	-186.8	281.1	-239.8
CIS	99.1	68.9	88.8	0.8	1.3	1.6	98.3	67.7	87.3
other	5.3	124.6	18.8	11.2	12.2	6.6	-5.9	112.4	12.2
<b>private transfers</b>	<b>671.8</b>	<b>403.6</b>	<b>704.7</b>	<b>407.9</b>	<b>516.0</b>	<b>585.1</b>	<b>263.9</b>	<b>-112.4</b>	<b>119.6</b>
EU-25	601.2	275.2	572.3	333.7	396.2	480.3	267.5	-121.0	92.0
CIS	11.7	26.0	35.6	13.3	54.8	50.4	-1.5	-28.7	-14.8
other	58.8	102.3	96.8	61.0	65.0	54.5	-2.2	37.4	42.4
<b>Capital transfers</b>	<b>482.7</b>	<b>647.7</b>	<b>330.3</b>	<b>24.4</b>	<b>3.2</b>	<b>64.3</b>	<b>458.4</b>	<b>644.4</b>	<b>266.0</b>
government transfers	475.7	646.3	187.9	0.0	0.0	0.0	475.7	646.3	187.9
private transfers	7.0	1.3	142.5	24.4	3.2	64.3	-17.4	-1.9	78.2

## FINANCIAL ACCOUNT

The surplus of the financial account was 5.3 billion kroons in the first quarter of 2006. Foreign capital inflow occurred mainly in the form of direct investment. The net outflow of portfolio investment and the net inflow of other investment were more or less equal. Figures 10 and 11 show the structure of the financial account by categories and maturities.

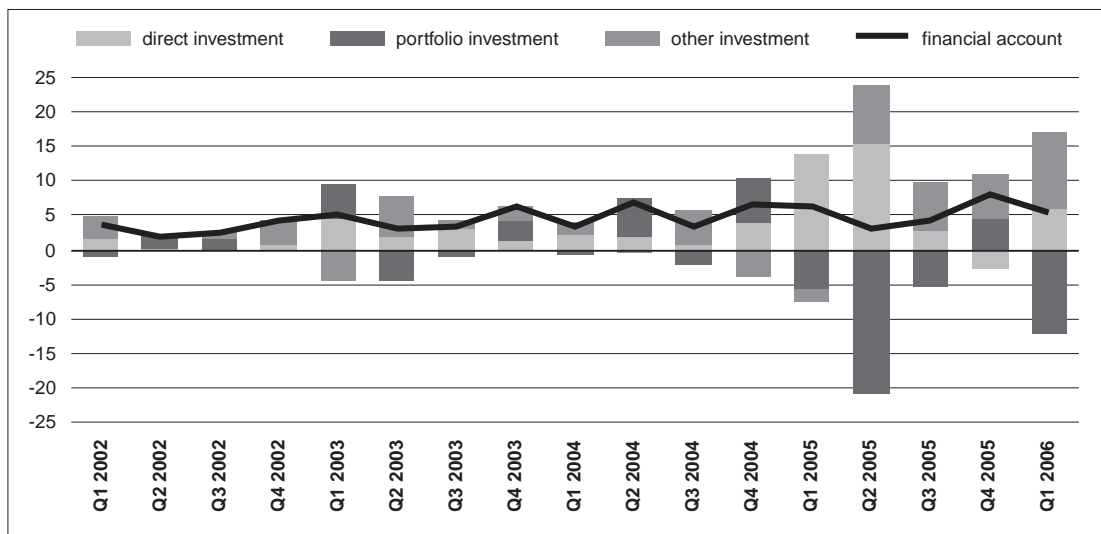


Figure 10. Changes in the structure of foreign investment capital flows (EEK bn)

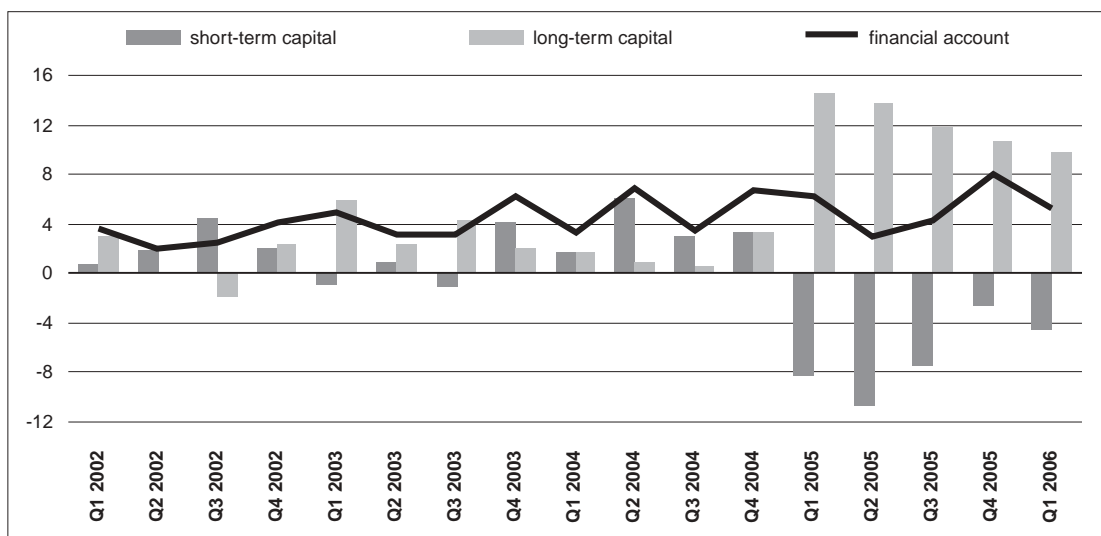


Figure 11. Maturity structure of the financial account (EEK bn)



## Direct Investment

The balance of direct investment was positive by 6.1 billion kroons in the first quarter of 2006, exceeding the financial account surplus by 15%. Non-residents invested 7.8 billion kroons in Estonia and Estonian residents' direct investment abroad grew 1.7 billion kroons (see Figure 12).

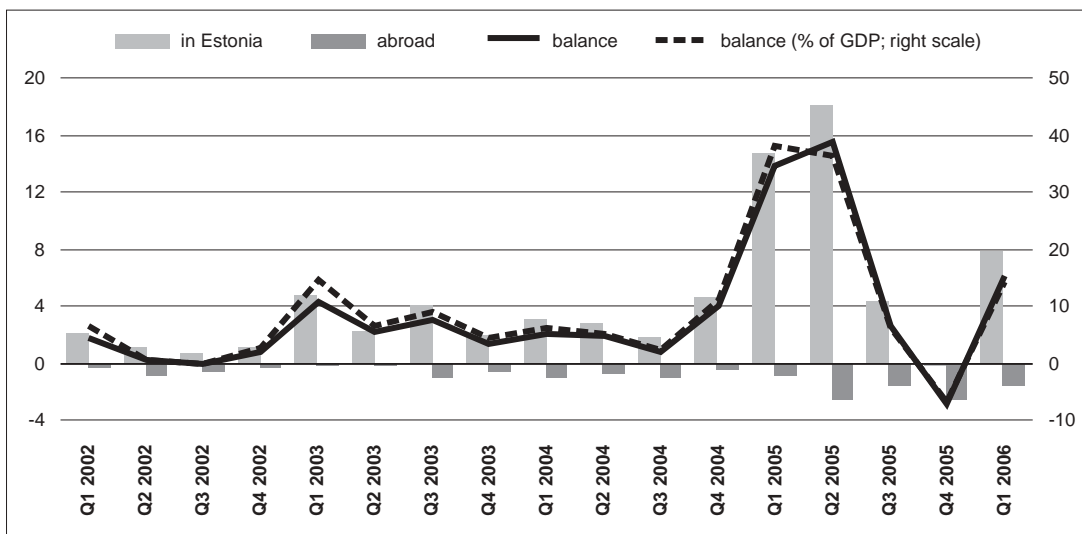


Figure 12. Direct investment (EEK bn)

Unlike the previous quarter, when the **inflow of direct investment** remained negative, in the first quarter of 2006 the net flow of direct investment in Estonia was again positive. Half of the inflow came from equity capital investment and the rest accounted for an increase in the loan liabilities to foreign shareholders. The growth of reinvested earnings remained at earlier levels, increasing by 2.9 billion kroons. Highest income was earned in financial intermediation. Other liabilities to foreign direct investors grew by 3.8 billion kroons, most of which was the subordinated debt of credit institutions<sup>4</sup>. Direct investors granted long-term and short-term loans in the total amount of over 5 billion kroons and the total amount of respective repayments was 1.8 billion kroons (see Tables 24 and 25).

The biggest investors were Sweden (62%), Finland (15%), Norway (8%), and Germany (4%). Russia's direct investment decreased mainly owing to a decline in the trade credit. The share of the EU Member States was 93%, whereas the investments of CIS countries decreased by 0.5 billion kroons (see Figure 13 and Table 26). Two thirds of the direct investment inflow were placed in financial intermediation. In real estate, renting and business activities, and wholesale and retail trade, direct investment increased by a quarter (see Figure 14).

<sup>4</sup> According to the balance of payments methodology, debt flows between the financial intermediaries in direct investment relationships are generally recorded under "other investment", except for the subordinated debt, which is treated as direct investment.

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 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	2,202.9	113.0	-389.5	-20.0	-476.7	-24.4	1,949.7	100.0
<b>2003 total</b>	<b>5,329.9</b>	<b>41.4</b>	<b>6,406.7</b>	<b>49.8</b>	<b>-1,334.0</b>	<b>-10.4</b>	<b>2,462.7</b>	<b>19.1</b>	<b>12,865.3</b>	<b>100.0</b>
Q1 2004	1,075.1	35.1	1,728.9	56.4	-682.1	-22.2	944.8	30.8	3,066.7	100.0
Q2 2004	1,669.3	62.4	534.7	20.0	-775.4	-29.0	1,245.9	46.6	2,674.5	100.0
Q3 2004	695.7	38.1	2,077.5	113.9	-729.9	-40.0	-219.0	-12.0	1,824.3	100.0
Q4 2004	1,198.5	26.2	3,648.4	79.8	733.4	16.0	-1,010.3	-22.1	4,570.0	100.0
<b>2004 total</b>	<b>4,638.6</b>	<b>38.2</b>	<b>7,989.5</b>	<b>65.8</b>	<b>-1,454.0</b>	<b>-12.0</b>	<b>961.5</b>	<b>7.9</b>	<b>12,135.5</b>	<b>100.0</b>
Q1 2005	12,614.1	85.9	2,748.4	18.7	-875.4	-6.0	191.6	1.3	14,678.6	100.0
Q2 2005	15,867.5	88.2	1,404.5	7.8	-450.3	-2.5	1,166.3	6.5	17,988.1	100.0
Q3 2005	314.5	7.3	3,327.1	77.4	-647.5	-15.1	1,302.5	30.3	4,296.6	100.0
Q4 2005	-114.3	52.7	2,243.7	-1,034.4	-29.2	13.5	-2,317.1	1,068.3	-216.9	100.0
<b>2005 total</b>	<b>28,681.8</b>	<b>78.1</b>	<b>9,723.7</b>	<b>26.5</b>	<b>-2,002.4</b>	<b>-5.4</b>	<b>343.3</b>	<b>0.9</b>	<b>36,746.4</b>	<b>100.0</b>
Q1 2006	1,387.5	17.9	2,911.9	37.6	-323.8	-4.2	3,777.2	48.7	7,752.7	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>3,020.9</b>	<b>3,726.9</b>
Q1 2004	120.6	76.7	480.1	148.1	842.6	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>371.2</b>	<b>1,774.1</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	162.5	431.5	213.4	1,620.1	2,118.0	1,404.3	917.8
Q2 2005	213.3	115.9	373.2	306.4	1,174.3	1,111.9	1,294.0	1,089.4
Q3 2005	336.1	81.0	656.4	340.1	2,072.6	1,165.5	1,362.9	1,192.9
Q4 2005	411.1	141.8	794.3	553.5	2,239.7	2,582.2	953.6	1,417.6
<b>2005 total</b>	<b>1,276.3</b>	<b>501.3</b>	<b>2,255.5</b>	<b>1,413.4</b>	<b>7,106.6</b>	<b>6,977.6</b>	<b>5,014.8</b>	<b>4,617.7</b>
Q1 2006	476.9	216.4	532.3	522.3	4,608.9	972.2	464.3	860.9

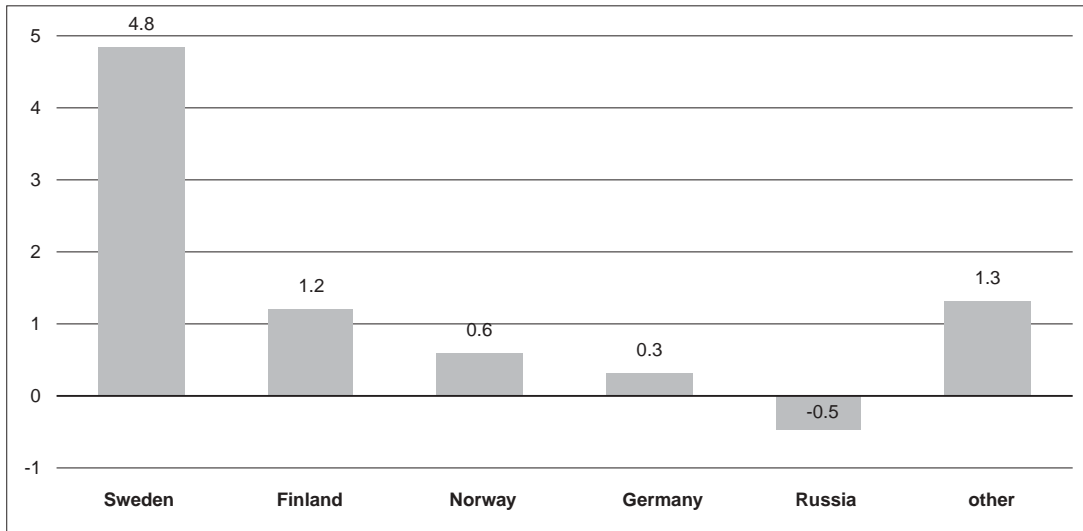


Figure 13. Direct investment in Estonia by countries in the first quarter of 2006 (EEK bn)

Table 26. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q4 2005	Q1 2006	Q4 2005	Q1 2006	Q1 2006 / Q4 2005
EU-25	474.3	7,242.2	-218.7	93.4	1,426.9
CIS	-487.6	-472.6	224.8	-6.1	-3.1
Other	-203.6	983.1	93.9	12.7	-582.9
<b>Total</b>	<b>-216.9</b>	<b>7,752.7</b>	<b>100.0</b>	<b>100.0</b>	<b>-3,674.3</b>

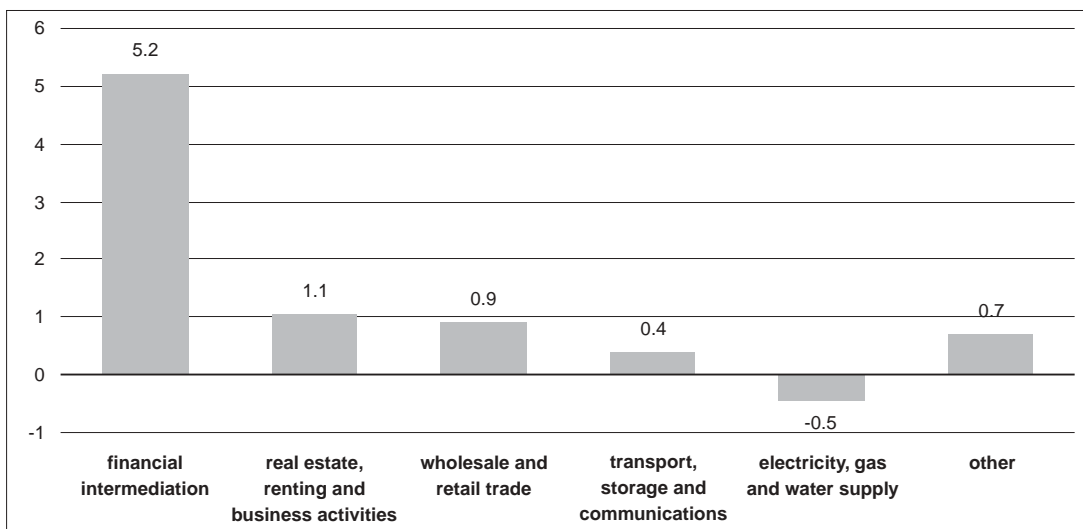


Figure 14. Direct investment in Estonia by fields of activities in the first quarter of 2006 (EEK bn)

**Direct investment abroad** decreased by nearly 1 billion kroons quarter-on-quarter, yet exceeded the last year's figure twice. Half of the direct investment outflow boosted the liabilities of subsidiaries and associated companies to direct investors. The reinvested earnings of Estonian enterprises stood<sup>5</sup> at over 0.6 billion kroons. The flows of short-term and long-term loan assets were almost in balance, causing one billion kroons worth of cross-border cash flows (see Tables 27 and 28).

35% of foreign direct investment went to Cyprus, followed by Latvia (31%), Lithuania (17%), and Finland (4%; see Figure 15). 92% of the outflow went to EU Member States (see Table 29). The transport, storage and communications companies made a third of the investment, followed by financial intermediation (27%), real estate, renting and business activities (19%), and wholesale and retail trade (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 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	-423.5	47.5	-361.8	40.6	-69.7	7.8	-37.2	4.2	-892.2	100.0
Q2 2005	-2,570.5	101.6	351.1	-13.9	-429.3	17.0	118.9	-4.7	-2,529.8	100.0
Q3 2005	-441.4	26.9	-1,306.7	79.6	-59.6	3.6	165.6	-10.1	-1,642.1	100.0
Q4 2005	-1,779.1	66.8	-613.3	23.0	-375.0	14.1	104.2	-3.9	-2,663.2	100.0
<b>2005 total</b>	<b>-5,214.5</b>	<b>67.5</b>	<b>-1,930.8</b>	<b>25.0</b>	<b>-933.5</b>	<b>12.1</b>	<b>351.5</b>	<b>-4.5</b>	<b>-7,727.3</b>	<b>100.0</b>
Q1 2006	-137.3	8.2	-644.9	38.7	-863.9	51.8	-21.5	1.3	-1,667.5	100.0

<sup>5</sup> As of 2006, a proportional share of the profits or loss (resulting directly from economic activities) of a subsidiary or an associated company is recorded as reinvested earnings of foreign direct investment. Earlier, changes in the equity capital of a subsidiary or an associated company calculated according to the equity method were recorded as reinvested earnings. By now, the respective indicator has been brought in line with international balance of payments standards.

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>4.0</b>	<b>11.6</b>	<b>84.3</b>	<b>98.8</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>37.1</b>
Q1 2005	241.9	442.4	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	582.3	688.5	516.6	387.0	44.3	13.2	58.9	0.5
Q4 2005	941.2	343.6	324.0	325.8	5.2	40.4	42.4	15.6
<b>2005 total</b>	<b>2,144.0</b>	<b>1,698.8</b>	<b>1,710.6</b>	<b>1,107.4</b>	<b>109.7</b>	<b>60.8</b>	<b>104.9</b>	<b>25.0</b>
Q1 2006	806.5	521.3	331.2	475.3	78.8	20.4	1.9	0.4

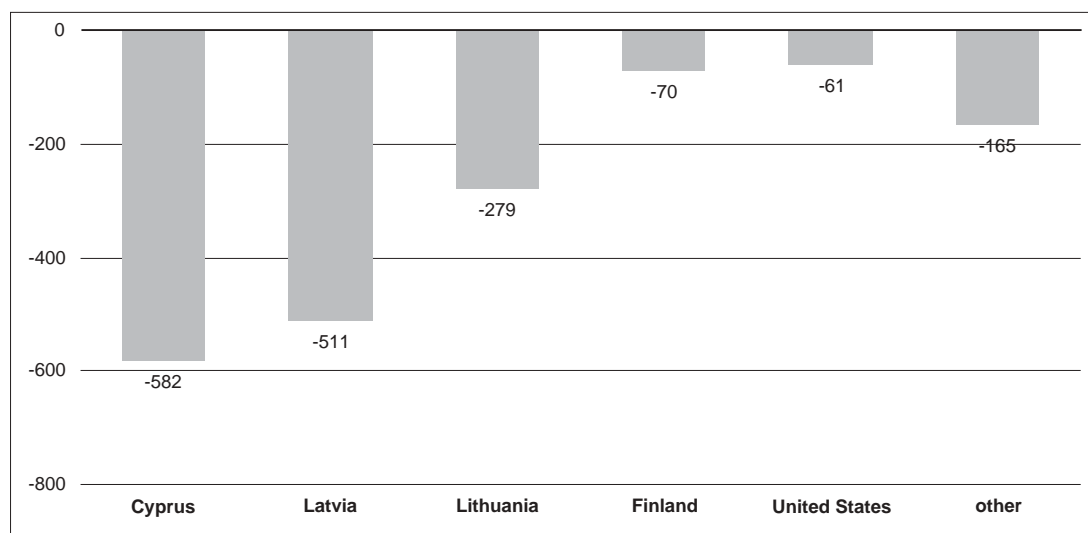


Figure 15. Direct investment abroad by countries in the first quarter of 2006 (EEK m)

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q4 2005	Q1 2006	Q4 2005	Q1 2006	Q1 2006 / Q4 2005
EU-25	-2301.9	-1531	86.4	91.8	-33.5
CIS	-262.9	-28	9.9	1.7	-89.3
Other	-98.4	-108.5	3.7	6.5	10.3
<b>Total</b>	<b>-2663.2</b>	<b>-1667.5</b>	<b>100.0</b>	<b>100.0</b>	<b>-37.4</b>

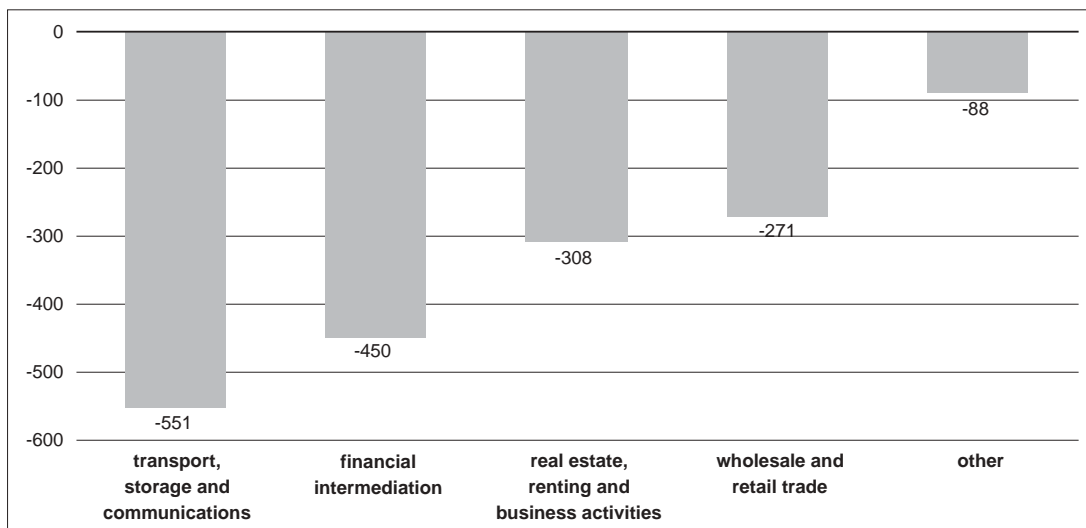


Figure 16. Direct investment abroad by fields of activity in the first quarter of 2006 (EEK m)

### Portfolio Investment

The net outflow of portfolio investment was 12 billion kroons in the first quarter of 2006. Residents' investments in the financial instruments issued by non-residents increased considerably, but the main reason for capital outflow was still related to the decrease in portfolio investment liabilities (see Figure 17 and Table 30).

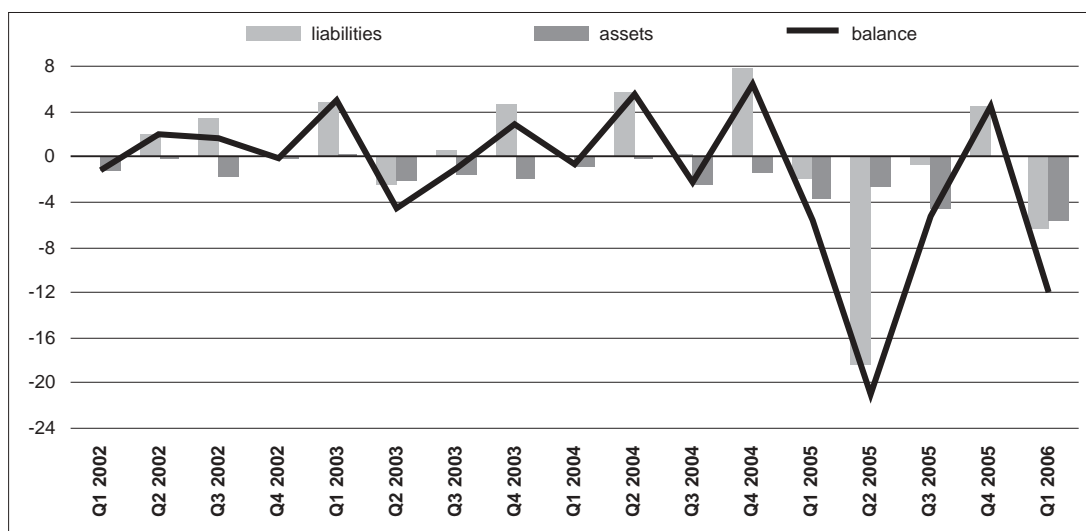


Figure 17. Portfolio investment (EEK bn)

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

	Assets			Liabilities			Balance		
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006
<b>Equity securities</b>	<b>-1,373.5</b>	<b>-764.5</b>	<b>-1,215.8</b>	<b>-9,703.7</b>	<b>2,809.3</b>	<b>-64.5</b>	<b>-11,077.2</b>	<b>2,044.8</b>	<b>-1,280.3</b>
central bank								0.0	0.0
general government	0.1	-3.1	-8.0				0.1	-3.1	-8.0
credit institutions	-63.9	8.1	-20.8	-10,886.5			-10,950.4	8.1	-20.8
other sectors	-1,309.7	-769.5	-1,187.0	1,182.8	2,809.3	-64.5	-126.9	2,039.8	-1,251.5
<b>Debt securities</b>	<b>-2,319.1</b>	<b>823.6</b>	<b>-4,404.8</b>	<b>7,819.4</b>	<b>1,586.1</b>	<b>-6,342.9</b>	<b>5,500.3</b>	<b>2,409.7</b>	<b>-10,747.7</b>
central bank									0.0
general government	-1,710.0	2,415.4	-2,718.6	53.1	115.2	23.5	-1,656.9	2,530.6	-2,695.1
credit institutions	-7.2	-405.3	-1,096.2	7,734.3	-444.9	-5,691.3	7,727.1	-850.2	-6,787.5
other sectors	-601.9	-1,186.5	-590.0	32.0	1,915.8	-675.1	-569.9	729.3	-1,265.1
<b>Total</b>	<b>-3,692.6</b>	<b>59.1</b>	<b>-5,620.6</b>	<b>-1,884.3</b>	<b>4,395.4</b>	<b>-6,407.4</b>	<b>-5,576.9</b>	<b>4,454.5</b>	<b>-12,028.0</b>

Portfolio investment liabilities declined by 6.4 billion kroons in the first quarter of 2006. This was related to the decrease in the debt securities liabilities of credit institutions and enterprises in other sectors (see Table 31). As regards equity securities, only transactions with enterprises in other sectors were carried out, whereas capital outflow remained at the modest level of 64 million kroons. By countries, portfolio investment liabilities to the EU Member States and Norway decreased the most (see Table 32 and Figure 18).

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 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	4,763.5	98.3	4,847.4	100.0
Q2 2003	733.8	-30.4	-3,147.4	130.4	-2,413.6	100.0
Q3 2003	563.1	89.2	68.0	10.8	631.1	100.0
Q4 2003	146.1	3.1	4,572.1	96.9	4,718.2	100.0
<b>2003 total</b>	<b>1,526.9</b>	<b>19.6</b>	<b>6,256.2</b>	<b>80.4</b>	<b>7,783.1</b>	<b>100.0</b>
Q1 2004	147.3	169.7	-60.5	-69.7	86.8	100.0
Q2 2004	459.6	8.0	5,293.4	92.0	5,753.0	100.0
Q3 2004	707.1	339.8	-499.0	-239.8	208.1	100.0
Q4 2004	891.3	11.4	6,939.1	88.6	7,830.4	100.0
<b>2004 total</b>	<b>2,205.3</b>	<b>15.9</b>	<b>11,673.0</b>	<b>84.1</b>	<b>13,878.3</b>	<b>100.0</b>
Q1 2005	-9,703.8	515.0	7,819.5	-415.0	-1,884.3	100.0
Q2 2005	-10,127.2	55.1	-8,256.0	44.9	-18,383.2	100.0
Q3 2005	842.0	-116.6	-1,564.2	216.6	-722.2	100.0
Q4 2005	2,809.3	63.9	1,586.1	36.1	4,395.4	100.0
<b>2005 total</b>	<b>-16,179.7</b>	<b>97.5</b>	<b>-414.6</b>	<b>2.5</b>	<b>-16,594.3</b>	<b>100.0</b>
Q1 2006	-64.5	1.0	-6,342.9	99.0	-6,407.4	100.0

Table 32. Structure of portfolio investment by groups of countries in the first quarter of 2006

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-25	-4,699.1	-6,176.7	83.6	96.4
CIS	-302.6	15.4	5.4	-0.2
Other	-619.1	-246.1	11.0	3.8
<b>Total</b>	<b>-5,620.8</b>	<b>-6,407.4</b>	<b>100.0</b>	<b>100.0</b>

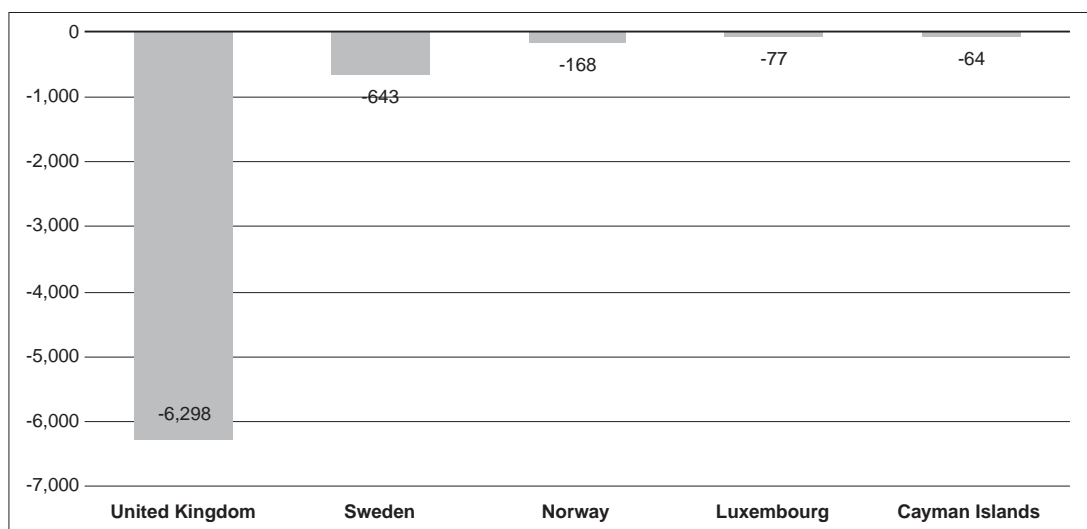


Figure 18. Decrease in portfolio investment liabilities by countries in the first quarter of 2006 (EEK m)

**Portfolio investment assets** (see Table 33) increased by 5.6 billion kroons quarter-on-quarter, with equity securities by 1.2 billion and debt securities for 4.4 billion kroons. Primarily, enterprises in other sectors invested in equity securities issued by non-residents in the total amount of 1.1 billion kroons, whereas the general government invested the most in debt securities (2.7 billion kroons). By countries, Estonian residents mainly invested in France, Germany, and the Netherlands (see Figure 19).

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 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	-441.6	57.5	-326.2	42.5	-767.8	100.0
Q2 2004	-565.5	307.7	381.7	-207.7	-183.8	100.0
Q3 2004	-544.6	22.3	-1,898.4	77.7	-2,443.0	100.0
Q4 2004	-1,341.8	97.1	-39.4	2.9	-1,381.2	100.0
<b>2004 total</b>	<b>-2,893.5</b>	<b>60.6</b>	<b>-1,882.3</b>	<b>39.4</b>	<b>-4,775.8</b>	<b>100.0</b>
Q1 2005	-1,373.5	37.2	-2,319.0	62.8	-3,692.5	100.0
Q2 2005	-1,243.1	48.3	-1,332.6	51.7	-2,575.7	100.0
Q3 2005	-1,467.8	31.8	-3,141.6	68.2	-4,609.4	100.0
Q4 2005	-764.5	-1,289.2	823.8	1,389.2	59.3	100.0
<b>2005 total</b>	<b>-4,848.9</b>	<b>44.8</b>	<b>-5,969.4</b>	<b>55.2</b>	<b>-10,818.3</b>	<b>100.0</b>
Q1 2006	-1,215.9	21.6	-4,405.0	78.4	-5,620.9	100.0



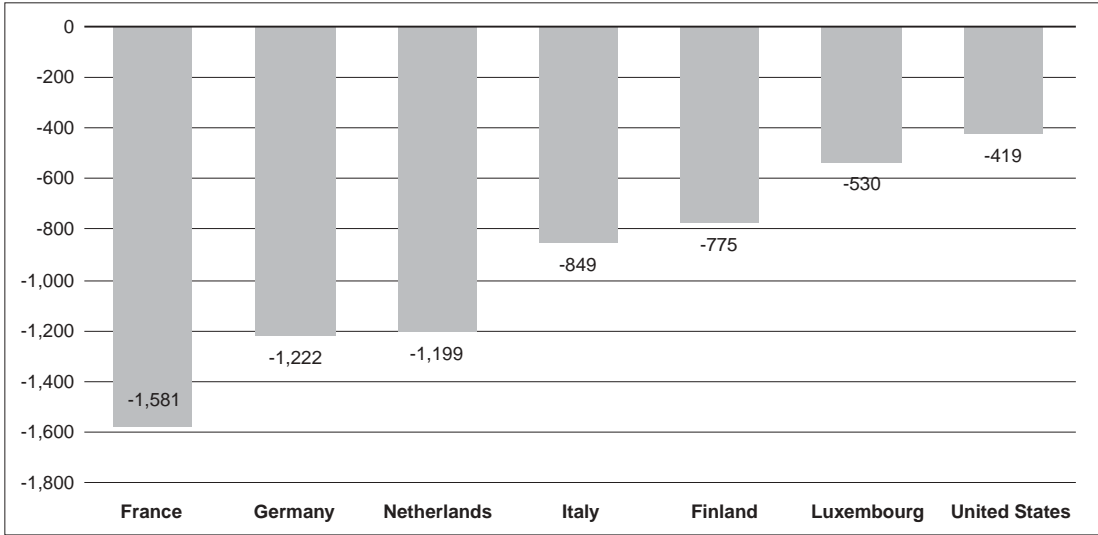


Figure 19. Increase in portfolio investment assets by countries in the first quarter of 2006 (EEK m)

### Other Investment

The net inflow of other investment reached 11 billion kroons in the first quarter, thus offsetting almost completely the outflow of portfolio investment. The inflow of other investment capital mainly occurred in the form of short-term capital (see Figure 20 and Table 34).

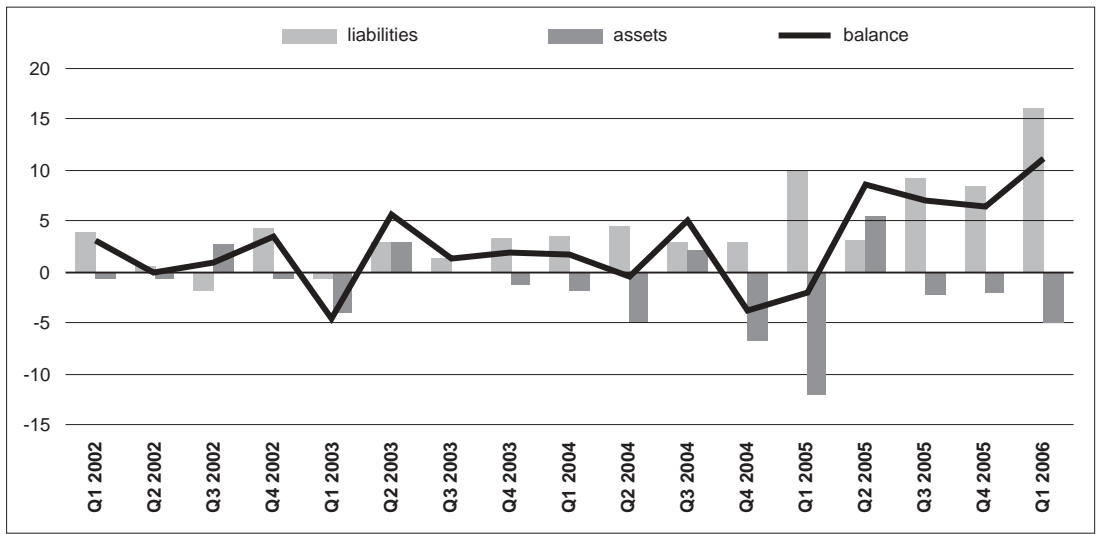


Figure 20. Other investment (EEK bn)

Table 34. Other investment by maturity (EEK m)

	Assets			Liabilities			Balance		
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006
<b>Long-term capital</b>	<b>-1,961.8</b>	<b>7,975.9</b>	<b>-851.5</b>	<b>2,690.0</b>	<b>5,453.9</b>	<b>4,610.0</b>	<b>728.2</b>	<b>13,429.8</b>	<b>3,758.5</b>
central bank	-0.3		0.2				-0.3	0.0	0.2
general government	-15.9		-15.9	-254.8	-335.4	-39.2	-270.7	-335.4	-55.1
credit institutions	-1,685.1	1,911.5	-553.6	-181.8	6,546.2	4,053.1	-1,866.9	8,457.7	3,499.5
other sectors	-260.5	6,064.4	-282.2	3,126.6	-756.9	596.1	2,866.1	5,307.5	313.9
<b>Short-term capital</b>	<b>-10,086.2</b>	<b>-9,984.8</b>	<b>-4,072.4</b>	<b>7,332.5</b>	<b>2,944.4</b>	<b>11,436.7</b>	<b>-2,753.7</b>	<b>-7,040.4</b>	<b>7,364.3</b>
central bank				-23.5	-299.9	52.6	-23.5	-299.9	52.6
general government	418.9	-510.7	448.6				418.9	-510.7	448.6
credit institutions	-8,837.2	-13,001.9	-3,392.1	6,371.0	4,481.3	12,007.3	-2,466.2	-8,520.6	8,615.2
other sectors	-1,667.9	3,527.8	-1,128.9	985.0	-1,237.0	-623.2	-682.9	2,290.8	-1,752.1
<b>Total</b>	<b>-12,048.0</b>	<b>-2,008.9</b>	<b>-4,923.9</b>	<b>10,022.5</b>	<b>8,398.3</b>	<b>16,046.7</b>	<b>-2,025.5</b>	<b>6,389.4</b>	<b>11,122.8</b>

**Other investment liabilities** grew by the total of 16 billion kroons (see Table 35). The increase in liabilities mostly owed to the growth of loan liabilities by 9.2 billion kroons, followed by deposits with 5.6 billion and other capital liabilities with 1.9 billion kroons. Other investment capital liabilities to Sweden and Finland increased the most by countries and to EU Member States by groups of countries (see Table 36 and Figure 21).

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 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	201.0	-32.4	-305.6	49.2	-560.9	90.3	-621.0	100.0
Q2 2003	502.9	17.5	1,162.6	40.5	1,139.1	39.7	63.7	2.2	2,868.3	100.0
Q3 2003	-684.1	-53.3	1,152.3	89.8	1,300.6	101.4	-485.9	-37.9	1,282.9	100.0
Q4 2003	21.0	0.7	703.7	22.0	2,453.8	76.7	22.8	0.7	3,201.3	100.0
<b>2003 total</b>	<b>-115.7</b>	<b>-1.7</b>	<b>3,219.6</b>	<b>47.8</b>	<b>4,587.9</b>	<b>68.2</b>	<b>-960.3</b>	<b>-14.3</b>	<b>6,731.5</b>	<b>100.0</b>
Q1 2004	-41.7	-1.2	1,652.4	46.4	1,833.4	51.5	116.2	3.3	3,560.3	100.0
Q2 2004	1,108.1	24.6	32.5	0.7	3,418.3	75.7	-45.6	-1.0	4,513.3	100.0
Q3 2004	-159.1	-5.7	1,316.7	47.1	1,305.0	46.6	335.1	12.0	2,797.7	100.0
Q4 2004	-282.1	-9.9	1,563.0	55.0	2,248.0	79.0	-685.1	-24.1	2,843.8	100.0
<b>2004 total</b>	<b>625.2</b>	<b>4.6</b>	<b>4,564.6</b>	<b>33.3</b>	<b>8,804.7</b>	<b>64.2</b>	<b>-279.4</b>	<b>-2.0</b>	<b>13,715.1</b>	<b>100.0</b>
Q1 2005	617.1	6.2	5,167.8	51.6	1,326.0	13.2	2,911.6	29.1	10,022.5	100.0
Q2 2005	1,104.0	36.5	1,517.3	50.2	2,694.0	89.0	-2,290.0	-75.7	3,025.3	100.0
Q3 2005	752.6	8.2	14,383.3	156.0	-5,790.8	-62.8	-125.6	-1.4	9,219.5	100.0
Q4 2005	-857.0	-10.2	4,385.2	52.2	4,724.1	56.3	146.0	1.7	8,398.3	100.0
<b>2005 total</b>	<b>1,616.7</b>	<b>5.3</b>	<b>25,453.6</b>	<b>83.0</b>	<b>2,953.3</b>	<b>9.6</b>	<b>642.0</b>	<b>2.1</b>	<b>30,665.6</b>	<b>100.0</b>
Q1 2006	-666.2	-4.2	9,201.5	57.3	5,605.6	34.9	1,905.8	11.9	16,046.7	100.0

Table 36. Structure of other investment by groups of countries in the first quarter of 2006

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-25	-2,283.7	14,310.3	46.4	89.2
CIS	-2,090.0	-326.3	42.4	-2.0
Other	-550.2	2,062.7	11.2	12.9
<b>Total</b>	<b>-4,923.9</b>	<b>16,046.7</b>	<b>100.0</b>	<b>100.0</b>

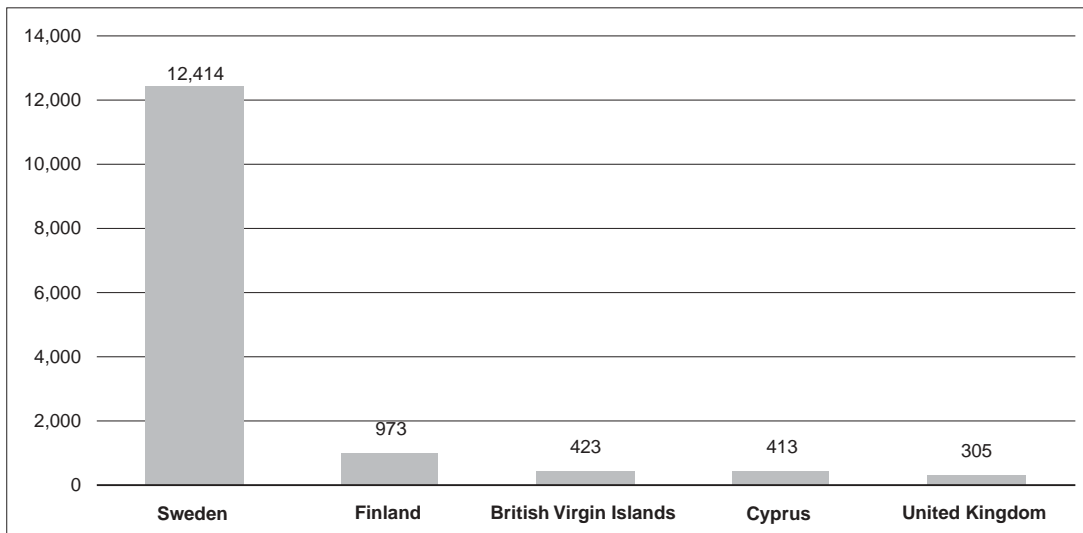


Figure 21. Increase in other investment liabilities by countries in the first quarter of 2006 (EEK m)

**Other investment assets** grew across all sub-accounts by the total of 4.9 billion kroons in the first quarter of 2006 (see Table 37). Loan and deposit assets increased the most – by 2.3 and 1.6 billion kroons, respectively. By countries, other investment capital was mainly channelled to Germany, Russia and Cyprus (see Figure 22). Table 38 provides a more detailed overview of loan capital assets and liabilities.

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 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	-832.8	6.9	-2,995.2	24.9	-3,745.7	31.1	-4,474.2	37.1	-12,047.9	100.0
Q2 2005	-757.4	-13.8	-3,446.7	-62.9	5,668.6	103.5	4,013.0	73.3	5,477.5	100.0
Q3 2005	-1,484.5	69.8	1,377.0	-64.7	-2,145.3	100.8	125.2	-5.9	-2,127.6	100.0
Q4 2005	1,097.3	-54.6	8,900.2	-443.0	-12,029.1	598.8	22.7	-1.1	-2,008.9	100.0
<b>2005 total</b>	<b>-1,977.4</b>	<b>18.5</b>	<b>3,835.3</b>	<b>-35.8</b>	<b>-12,251.5</b>	<b>114.4</b>	<b>-313.3</b>	<b>2.9</b>	<b>-10,706.9</b>	<b>100.0</b>
Q1 2006	-575.8	11.7	-2,335.4	47.4	-1,570.1	31.9	-442.6	9.0	-4,923.9	100.0

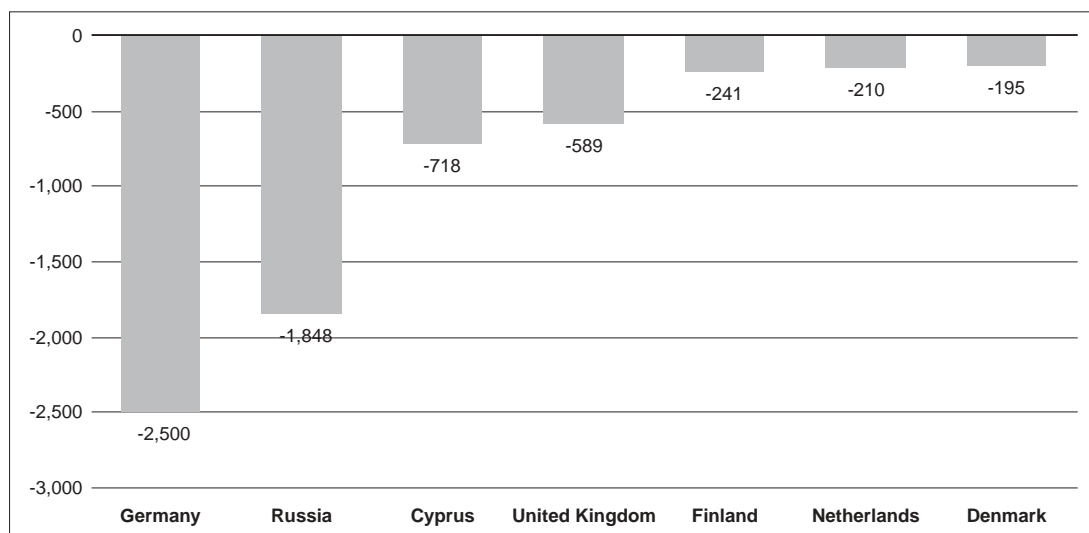


Figure 22. Increase in other investment assets by countries in the first quarter of 2006 (EEK m)

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	8,564.7	-8,363.7	201.0
Q2 2003	-8,846.0	11,195.2	2,349.2	6,465.1	-5,302.6	1,162.5
Q3 2003	-9,902.7	11,865.4	1,962.7	5,733.2	-4,580.9	1,152.3
Q4 2003	-5,094.3	3,599.2	-1,495.1	9,313.6	-8,609.9	703.7
<b>2003 total</b>	<b>-34,919.1</b>	<b>31,398.8</b>	<b>-3,520.3</b>	<b>30,076.6</b>	<b>-26,857.1</b>	<b>3,219.5</b>
Q1 2004	-6,702.8	5,692.8	-1,010.0	9,121.4	-7,469.0	1,652.4
Q2 2004	-8,219.5	5,783.5	-2,436.0	10,151.5	-10,118.9	32.6
Q3 2004	-5,910.9	4,610.8	-1,300.1	9,621.4	-8,304.7	1,316.7
Q4 2004	-8,949.4	5,240.0	-3,709.4	16,552.5	-14,989.5	1,563.0
<b>2004 total</b>	<b>-29,782.6</b>	<b>21,327.1</b>	<b>-8,455.5</b>	<b>45,446.8</b>	<b>-40,882.1</b>	<b>4,564.7</b>
Q1 2005	-13,037.8	10,042.6	-2,995.2	16,451.5	-11,283.8	5,167.7
Q2 2005	-6,872.4	3,425.7	-3,446.7	23,195.6	-21,678.3	1,517.3
Q3 2005	-19,205.0	20,582.0	1,377.0	41,691.7	-27,308.3	14,383.4
Q4 2005	-38,544.9	47,445.0	8,900.1	44,892.6	-40,507.4	4,385.2
<b>2005 total</b>	<b>-77,660.1</b>	<b>81,495.3</b>	<b>3,835.2</b>	<b>126,231.4</b>	<b>-100,777.8</b>	<b>25,453.6</b>
Q1 2006	-24,340.6	22,005.2	-2,335.4	40,109.5	-30,908.0	9,201.5

## Reserve Assets

The balance of payments reserves decreased by 1.3 billion kroons in the first quarter of 2006 (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 (%)		
	Q1 2005	Q4 2005	Q1 2006	Q1 2005	Q4 2005	Q1 2006
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-2,784.6	-2,220.3	1,199.7	103.5	61.0	94.1
Securities	103.5	-1,427.0	75.7	-3.8	39.2	5.9
equity securities				0.0	0.0	0.0
bonds and notes	-845.5	-231.9	404.8	31.4	6.4	31.8
money market instruments	949.0	-1,195.1	-329.1	-35.3	32.8	-25.8
Other assets	-10.4	5.3	-1.1	0.4	-0.1	-0.1
<b>Total</b>	<b>-2,691.5</b>	<b>-3,642.0</b>	<b>1,274.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

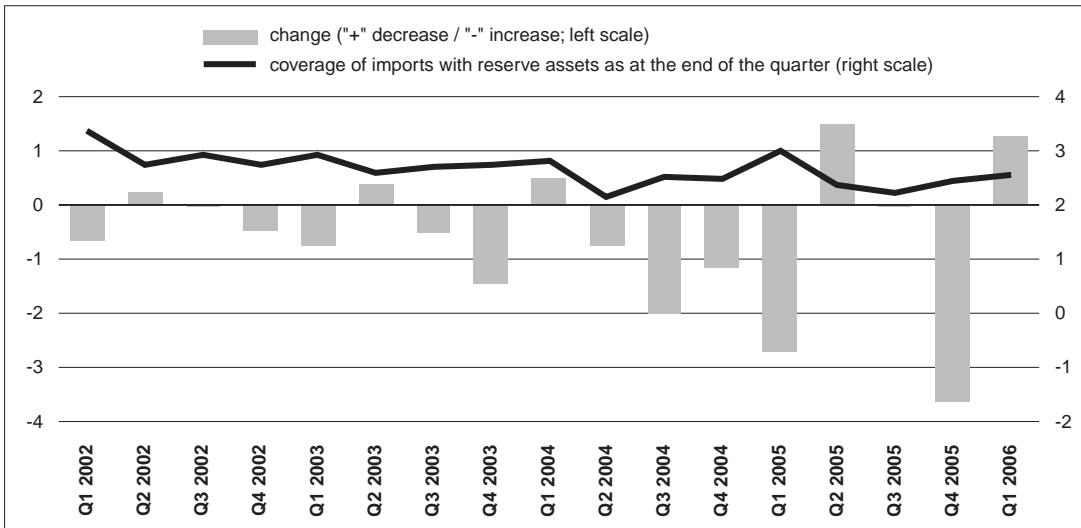


Figure 23. Changes in Estonia's gold and foreign exchange reserves (EEK bn) and coverage of imports (by months)

## ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 31 March 2006

During the first quarter of 2006, foreign investment in Estonia increased 5% and amounted to 325.3 billion kroons at the end of the quarter (see Table 40). 58% 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 came from Sweden (45%), Finland (19%), and the United Kingdom (9%).

Compared to the end of 2005, a few changes had occurred in the structure of foreign investment in Estonia by the end of the first quarter of 2006: the share of portfolio investment had decreased and

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

	31/12/2005	%	31/03/2006	%
<b>EXTERNAL ASSETS</b>	<b>141,588.1</b>	<b>100.0</b>	<b>153,903.1</b>	<b>100.0</b>
<b>Direct investment abroad</b>	<b>26,119.2</b>	<b>18.4</b>	<b>28,259.6</b>	<b>18.4</b>
Equity capital and reinvested earnings	20,210.4	14.3	21,566.1	14.0
Other direct investment capital	5,908.8	4.2	6,693.6	4.3
<b>Portfolio investment</b>	<b>39,180.7</b>	<b>27.7</b>	<b>45,784.1</b>	<b>29.7</b>
Equity securities	13,425.9	9.5	15,808.6	10.3
Debt securities	25,754.8	18.2	29,975.4	19.5
Bonds and notes	15,062.6	10.6	16,907.9	11.0
Money market instruments	10,692.2	7.6	13,067.5	8.5
<b>Financial derivatives</b>	<b>360.1</b>	<b>0.3</b>	<b>223.6</b>	<b>0.1</b>
<b>Other investment</b>	<b>50,155.2</b>	<b>35.4</b>	<b>55,236.3</b>	<b>35.9</b>
Trade credit	8,996.3	6.4	9,713.7	6.3
Loans	20,151.1	14.2	22,344.3	14.5
Long-term	5,357.6	3.8	6,012.2	3.9
Short-term	14,793.5	10.4	16,332.1	10.6
Currency and deposits	20,038.9	14.2	21,669.3	14.1
Other assets	969.0	0.7	1,509.1	1.0
<b>Reserve assets</b>	<b>25,773.0</b>	<b>18.2</b>	<b>24,399.5</b>	<b>15.9</b>
<b>EXTERNAL LIABILITIES</b>	<b>308,880.4</b>	<b>100.0</b>	<b>325,274.0</b>	<b>100.0</b>
<b>Direct investment in Estonia</b>	<b>168,174.2</b>	<b>54.4</b>	<b>175,615.9</b>	<b>54.0</b>
Equity capital and reinvested earnings	154,608.5	50.1	157,404.5	48.4
Other direct investment capital	13,565.7	4.4	18,211.4	5.6
<b>Portfolio investment</b>	<b>44,795.6</b>	<b>14.5</b>	<b>37,526.9</b>	<b>11.5</b>
Equity securities	15,805.9	5.1	14,916.7	4.6
Debt securities	28,989.7	9.4	22,610.2	7.0
Bonds and notes	28,512.8	9.2	22,600.3	6.9
Money market instruments	477.0	0.2	9.8	0.0
<b>Financial derivatives</b>	<b>132.3</b>	<b>0.0</b>	<b>137.0</b>	<b>0.0</b>
<b>Other investment</b>	<b>95,778.3</b>	<b>31.0</b>	<b>111,994.2</b>	<b>34.4</b>
Trade credit	10,590.1	3.4	10,095.6	3.1
Loans	55,264.4	17.9	64,455.8	19.8
Long-term	42,042.9	13.6	46,521.0	14.3
Short-term	13,221.5	4.3	17,934.8	5.5
Currency and deposits	28,205.6	9.1	33,810.8	10.4
Other liabilities	1,718.3	0.6	3,632.0	1.1
<b>NET INVESTMENT POSITION</b>	<b>-167,282.3</b>		<b>-171,370.9</b>	
Long-term	-163,468.1		-170,741.8	
Short-term	-3,824.2		-629.1	

**Table 41. Estonia's international investment position by fields of activity and countries (%) as at 31 March 2006**

Assets		Liabilities	
<b>Fields of activity</b>			
Financial intermediation	69.2	Financial intermediation	58.4
Public administration and defence; statutory social insurance	9.9	Real estate, renting and business activities	9.3
Real estate, renting and business activities	6.2	Manufacturing	9.0
Wholesale and retail trade; repair	5.3	Wholesale and retail trade; repair	6.9
Manufacturing	4.0	Transport, storage and communications	4.7
Other	5.4	Other	11.7
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>
<b>Countries</b>			
Lithuania	14.3	Sweden	45.0
Germany	14.2	Finland	18.8
Latvia	9.4	United Kingdom	8.8
Russia	8.6	Germany	3.3
France	5.3	USA	2.6
Other	48.2	Other	21.5
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

that of other investment had increased. At the end of March 2006, direct investment accounted for 54% (175.6 billion kroons) of total investment. The share of portfolio investment fell from 14.5% to 11.5% and that of other investment rose from 31% to 34.4%. The share of portfolio investment declined mainly because of the decrease in debt securities liabilities. The volume of other investment grew by nearly a fifth. The most preferred fields of activity for **foreign direct investment in Estonia** were financial intermediation (43%), real estate, renting and business activities (23%), and transport, storage and communications (12%; see Table 42). Swedish investors made 54% and Finnish investors 20% of the direct investment.

**Estonian investment abroad increased 9%, amounting to 153.9 billion kroons.** Financial intermediaries made 69% of the investment abroad. Investors of the public sector, real estate, renting and business activities, and wholesale and retail trade invested to a lesser extent. Estonian investors preferred to invest in the Baltic States, Germany, and Russia.

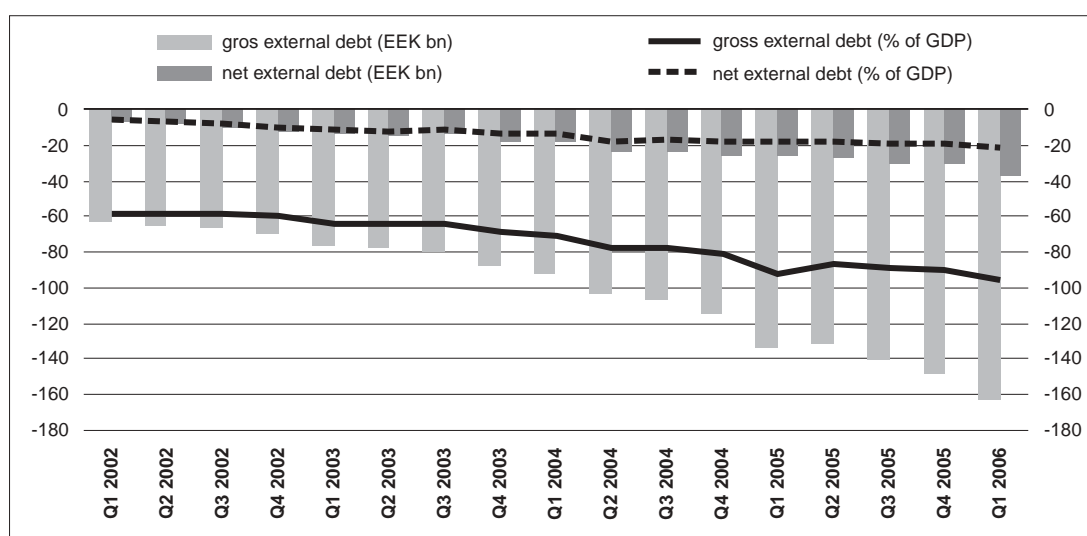
Quarter-on-quarter, the share of portfolio investment slightly increased in the structure of **investment abroad** and that of reserve assets decreased. Loans, deposits and the central bank's gold and foreign exchange reserves covered about 52% of the external assets. The share of **foreign direct investment** formed 18%. The most active foreign direct investors were those of financial intermediation (47%), real estate, renting and business activities (14%), and manufacturing (13%; see Table 42). Approximately a third of direct investment went both to Latvia and Lithuania. The share of direct investment in Russia accounted for 14% of total foreign direct investment.

**Due to the prevalence of external liabilities, Estonia's net investment position was negative by 171 billion kroons at the end of the first quarter of 2006, which was somewhat less than the volume of the GDP of the last four quarters.** The share of long-term capital in the net investment position continued growth, forming nearly 100% of that.

**Estonia's gross external debt increased 10%, amounting to 163.4 billion kroons on 31 March 2006 (95% of GDP).** The gross external debt grew mostly owing to the increase in short-term debt liabilities. Estonia's net external debt (assets less liabilities) constituted 36.6 billion kroons (21% of GDP; see Figure 24 and Table 43). The gross external debt amounted to a half of the external liabilities. Leaving aside the intercompany lending of direct investment companies, long-term debt liabilities accounted for 53% of the gross external debt. The share of long-term debt claims formed 35% of total debt claims.

**Table 42. Direct investment position by fields of activity and countries (%) as at 31 March 2006**

In Estonia		Abroad	
<b>Fields of activity</b>			
Financial intermediation	42.6	Financial intermediation	46.7
Real estate, renting and business activities	22.6	Real estate, renting and business activities	14.4
Transport, storage and communications	11.8	Manufacturing	12.9
Wholesale and retail trade; repair	7.6	Activities of households	8.5
Activities of households	5.2	Wholesale and retail trade; repair	8.0
Other	10.2	Other	9.5
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>
<b>Countries</b>			
Sweden	53.8	Lithuania	30.3
Finland	20.2	Latvia	30.2
Norway	2.7	Russia	14.0
Netherlands	2.6	Cyprus	9.7
USA	2.4	Finland	3.5
Other	18.3	Other	12.3
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>



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



Table 43. External debt (EEK m)

	31/12/2005	%	31/03/2006	%
<b>LIABILITIES</b>				
<b>I. General government</b>	<b>3,928.2</b>	<b>2.6</b>	<b>3,896.1</b>	<b>2.4</b>
Short-term		0.0		
Long-term	3,928.2	2.6	3,896.1	2.4
<b>II. Monetary authorities (NCB)</b>	<b>48.4</b>	<b>0.0</b>	<b>82.4</b>	<b>0.1</b>
Short-term	48.4	0.0	82.4	0.1
Long-term		0.0		0.0
<b>III. Credit institutions</b>	<b>82,529.9</b>	<b>55.5</b>	<b>92,870.8</b>	<b>56.8</b>
Short-term	38,512.5	25.9	50,500.6	30.9
Long-term	44,017.4	29.6	42,370.2	25.9
<b>IV. Other sectors</b>	<b>38,261.6</b>	<b>25.7</b>	<b>37,753.5</b>	<b>23.1</b>
Short-term	12,967.5	8.7	12,654.6	7.7
Long-term	25,294.1	17.0	25,099.0	15.4
<b>V. Direct investment: intercompany lending</b>	<b>23,986.7</b>	<b>16.1</b>	<b>28,829.7</b>	<b>17.6</b>
<b>GROSS EXTERNAL DEBT</b>	<b>148,754.8</b>	<b>100.0</b>	<b>163,432.5</b>	<b>100.0</b>
<b>ASSETS</b>				
<b>I. General government</b>	<b>12,995.7</b>	<b>11.0</b>	<b>15,241.4</b>	<b>12.0</b>
Short-term	7,902.4	6.7	8,687.5	6.8
Long-term	5,093.3	4.3	6,553.9	5.2
<b>II. Monetary authorities (NCB)</b>	<b>25,735.6</b>	<b>21.8</b>	<b>24,352.8</b>	<b>19.2</b>
Short-term	20,046.9	17.0	19,161.6	15.1
Long-term	5,688.7	4.8	5,191.2	4.1
<b>III. Credit institutions</b>	<b>36,254.8</b>	<b>30.7</b>	<b>41,239.6</b>	<b>32.5</b>
Short-term	21,322.0	18.1	25,914.0	20.4
Long-term	14,932.8	12.7	15,325.6	12.1
<b>IV. Other sectors</b>	<b>26,637.1</b>	<b>22.6</b>	<b>28,708.5</b>	<b>22.6</b>
Short-term	16,165.8	13.7	17,743.6	14.0
Long-term	10,471.3	8.9	10,964.9	8.6
<b>V. Direct investment: intercompany lending</b>	<b>16,329.8</b>	<b>13.8</b>	<b>17,311.9</b>	<b>13.6</b>
<b>TOTAL ASSETS</b>	<b>117,952.9</b>	<b>100.0</b>	<b>126,854.3</b>	<b>100.0</b>
<b>NET EXTERNAL DEBT (assets less liabilities)</b>				
<b>I. General government</b>	<b>9,067.5</b>		<b>11,345.4</b>	
Short-term	7,902.4		8,687.5	
Long-term	1,165.1		2,657.9	
<b>II. Monetary authorities (NCB)</b>	<b>25,687.2</b>		<b>24,270.5</b>	
Short-term	19,998.5		19,079.2	
Long-term	5,688.7		5,191.2	
<b>III. Credit institutions</b>	<b>-46,275.1</b>		<b>-51,631.3</b>	
Short-term	-17,190.5		-24,586.7	
Long-term	-29,084.6		-27,044.6	
<b>IV. Other sectors</b>	<b>-11,624.5</b>		<b>-9,045.0</b>	
Short-term	3,198.3		5,089.0	
Long-term	-14,822.8		-14,134.0	
<b>V. Direct investment: intercompany lending</b>	<b>-7,656.9</b>		<b>-11,517.8</b>	
<b>TOTAL NET EXTERNAL DEBT</b>	<b>-30,801.8</b>		<b>-36,578.2</b>	

