

Eesti Pank
Bank of Estonia



Estonian Preliminary Balance of Payments for the First Quarter of 2007

2007

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SHORT OVERVIEW

- **Owing to the continuous strong domestic demand, the current account deficit of Estonia's balance of payments increased by nearly a third in the first quarter of 2007, year-on-year, accounting for 16.2% of the GDP of the last four quarters (see Table 1 and Figure 1)¹. In absolute value, the deficit stood at 9.7 billion kroons which is 0.3 billion kroons less than in the previous quarter.**
- **The current account deficit was again mainly boosted by the deficit on the goods account which increased by 2 billion kroons.**
- **The surplus on services and the deficit on income grew by a quarter.**
- **Foreign capital inflow occurred through direct as well as other investment.**
- **The balance of payments reserves decreased by 0.8 billion kroons.**

The deficit in the **goods account** – the largest component in the current account deficit – increased by over a quarter year-on-year, amounting to 9.2 billion kroons and accounting for nearly 17% of the first-quarter GDP. The exports of goods totalled 29.7 billion and imports 38.9 billion kroons, increasing by 4% and 9%, respectively, year-on-year. The increase in the deficit on transport vehicles, clothing, footwear and headgear, and chemical and metal products contributed the most to the goods account deficit.

The main export groups included electronic and oil products as well as timber and timber products. Electronic and oil products were also the largest import articles, followed by transport vehicles. The export and import volumes of both electronic and oil products decreased mainly on account of processing. The exports of food products and transport vehicles increased the fastest. The main import articles included transport vehicles as well as furniture. Transport vehicles and chemical products posted the largest deficits on the goods account. Timber and timber products had a surplus.

Estonia's main trading partner was the European Union, whose share amounted to nearly 67% of the exports and 74% of the imports of goods. Year-on-year, the share of EU countries in trade increased both in relative and absolute value. The share of the CIS members, Russia in particular, in exports has grown considerably year-on-year (the main export articles are food products, machinery and equipment). Finland, Sweden, Latvia, Russia and Togo were the largest export partners, and Finland, Russia, Germany, Sweden and Latvia the major import partners.

The surplus on the **services account** increased by a quarter year-on-year, amounting to 2.4 billion kroons. Year-on-year, the exports of services grew by 20% and the imports by 18%. The surplus on the services account was mainly boosted by transport services – the largest type of services. Their surplus grew 2.5 times. Financial and computer services also contributed somewhat to the surplus. The surplus on travel services and other business services, on the other hand, declined. The exports of travel services picked up mostly owing to the increase in sea transport and also inland transport. The surplus on the second largest type of services, namely travel services, decreased as the number of business travellers visiting Estonia declined and that of Estonians going abroad rose. The small surplus on construction services turned into a deficit. As regards the structure of the services account, the share of transport services grew slightly,

¹ The current account deficit without reinvested earnings, which include no actual movement of funds, constituted 11.5% of GDP.

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

Item	2003	2004	2005	2006					2007
	Total	Total	Total	Q1	Q2	Q3	Q4	Total	Q1
Current account	-15,429.4	-18,310.2	-17,353.7	-7,355.8	-7,847.9	-7,429.0	-9,462.4	-32,095.0	-9,723.2
Goods and services	-10,046.8	-11,937.6	-11,077.1	-5,180.2	-5,757.9	-5,939.2	-7,148.1	-24,025.4	-6,743.3
Goods	-21,522.3	-25,499.0	-24,044.8	-7,113.8	-9,471.5	-10,007.2	-10,130.9	-36,723.3	-9,158.3
credit (f.o.b.)	63,443.7	75,199.5	97,971.4	28,496.2	30,976.3	29,774.8	30,919.2	120,166.4	29,725.9
debit (f.o.b.)	-84,966.0	100,698.5	-122,016.3	-35,610.0	-40,447.8	-39,782.0	-41,050.1	-156,889.8	-38,884.2
Services	11,475.5	13,561.4	12,967.8	1,933.6	3,713.6	4,068.0	2,982.8	12,697.9	2,415.0
credit	30,674.0	35,703.4	40,200.7	8,295.8	11,063.0	12,726.8	11,306.1	43,391.8	9,926.0
debit	-19,198.5	-22,142.0	-27,233.0	-6,362.3	-7,349.4	-8,658.8	-8,323.3	-30,693.9	-7,511.0
Income	-7,252.0	-7,829.0	-7,077.3	-2,159.5	-2,615.3	-1,977.9	-2,672.2	-9,424.9	-2,747.7
credit	3,524.6	5,489.0	8,457.4	2,656.9	3,457.2	3,755.8	3,613.5	13,483.4	3,479.7
debit	-10,776.6	-13,317.9	-15,534.7	-4,816.4	-6,072.5	-5,733.7	-6,285.7	-22,908.3	-6,227.4
Transfers	1,869.4	1,456.3	800.6	-16.1	525.3	488.1	357.9	1,355.3	-232.2
credit	3,380.8	5,252.0	5,892.2	1,483.5	1,872.5	1,843.9	1,962.3	7,162.2	1,463.0
debit	-1,511.5	-3,795.6	-5,091.6	-1,499.7	-1,347.2	-1,355.7	-1,604.4	-5,806.9	-1,695.2
Capital and financial account (reserve assets excluded)	18,552.9	21,454.4	21,457.9	5,591.1	7,891.1	10,290.9	15,462.6	39,235.7	10,258.3
Capital account	977.8	1,149.8	1,240.3	1,251.6	724.3	1,236.1	1,470.7	4,682.6	421.9
Financial account	17,575.1	20,304.6	20,217.6	4,339.5	7,166.9	9,054.9	13,991.9	34,553.1	9,836.4
Direct investment	10,716.0	8,739.5	27,335.5	5,737.3	-607.7	510.9	1,634.2	7,274.7	4,365.2
Abroad	-2,149.2	-3,388.6	-7,939.6	-2,050.9	-3,982.1	-5,323.5	-2,350.7	-13,707.1	-3,439.2
In Estonia	12,865.3	12,128.1	35,275.1	7,788.2	3,374.4	5,834.4	3,984.8	20,981.8	7,804.5
Portfolio investment	2,431.6	9,027.1	-27,559.2	-12,620.4	-1,208.7	-6,784.7	3,784.1	-16,829.7	-1,477.3
Assets	-5,351.6	-4,851.0	-10,675.0	-5,766.4	-1,835.5	-7,623.6	-344.4	-15,569.9	-3,043.0
Equity securities	-1,028.9	-2,893.5	-4,848.9	-1,231.6	-1,059.8	-685.1	-1,607.6	-4,584.0	-2,177.5
Debt securities	-4,322.7	-1,957.6	-5,826.1	-4,534.9	-775.7	-6,938.6	1,263.1	-10,986.0	-865.5
Liabilities	7,783.2	13,878.2	-16,884.3	-6,854.0	626.7	839.0	4,128.5	-1,259.8	1,565.8
Equity securities	1,527.0	2,205.2	-16,352.3	-498.4	499.6	839.2	2,897.7	3,738.1	2,274.3
Debt securities	6,256.2	11,673.0	-532.0	-6,355.5	127.2	-0.3	1,230.7	-4,997.9	-708.6
Financial derivatives	-19.3	-8.3	-97.6	104.2	43.1	-42.0	-26.9	78.5	-149.3
Assets	-139.2	-35.1	13.5	96.8	-7.3	-67.5	-202.9	-180.9	-300.7
Liabilities	120.0	26.8	-111.1	7.4	50.4	25.5	176.0	259.4	151.5
Other investment	4,446.8	2,546.4	20,539.0	11,118.4	8,940.2	15,370.6	8,600.5	44,029.7	7,097.7
Assets	-2,284.6	-11,168.8	-10,373.4	-5,046.5	1,127.2	8,664.1	-4,410.3	334.6	-5,278.5
Long-term	-565.7	-6,052.6	5,636.5	-804.9	-1,519.3	-197.0	-532.8	-3,054.0	-586.5
Short-term	-1,718.9	-5,116.1	-16,009.9	-4,241.6	2,646.5	8,861.1	-3,877.5	3,388.6	-4,692.0
Liabilities	6,731.4	13,715.1	30,912.4	16,164.9	7,812.9	6,706.5	13,010.8	43,695.1	12,376.2
Long-term	4,309.1	3,740.5	15,396.8	4,667.5	12,787.7	-5,419.1	5,955.4	17,991.5	5,618.6
Short-term	2,422.3	9,974.7	15,515.6	11,497.4	-4,974.7	12,125.6	7,055.4	25,703.6	6,757.6
Errors and omissions	-811.4	281.2	779.7	490.4	1,762.1	346.7	-2,215.9	383.2	-1,268.5
Overall balance	2,312.1	3,425.4	4,883.9	-1,274.3	1,805.4	3,208.6	3,784.3	7,523.9	-733.3
Reserve assets	-2,312.1	-3,425.4	-4,883.9	1,274.3	-1,805.4	-3,208.6	-3,784.3	-7,523.9	733.3

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

whereas that of travel and other business services diminished. The total share of transport, travel and other business services in the services exports stood at nearly 85% and at 83% in the imports.

The share of the European Union in the exports of services was 67% and 71% in the imports. Estonia had the biggest surplus with Finland (1.2 billion kroons) and the biggest deficit with Egypt (0.3 billion kroons).

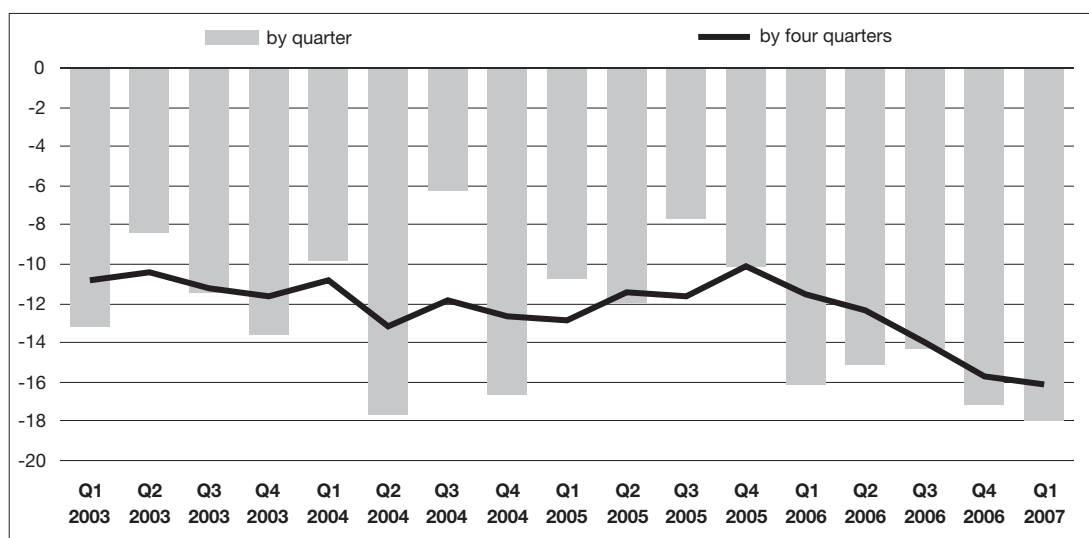


Figure 1. Current account deficit (% of GDP)

Total exports of goods and services, which are the direct components of GDP, grew slower than imports. As a result, the deficit on the goods and services account increased by nearly a third and constituted 12.4% of the first-quarter GDP (11.4% in the first quarter of 2006).

The **income account** deficit increased by a quarter, amounting to 2.7 billion kroons. The income earned by Estonian investors abroad and that earned by non-residents in Estonia both grew by nearly a third, reaching 3.5 and 6.2 billion kroons, respectively. Labour income comprised a third of the income earned by residents abroad, the rest being investment income. Slightly over half of the investment income was direct investment income, with reinvested earnings forming 86% of that. Residents received considerable income on foreign portfolio investment which doubled in volume year-on-year. The majority (96%) of non-residents income earned in Estonia, on the other hand, was investment income. Approximately 80% of non-residents' investment income was direct investment in Estonia, other investment accounted for 16% and the rest was portfolio investment. Reinvested earnings held the largest share (81%) also in non-residents' direct investment income.

88% of residents' investment income came from the European Union. Residents received investment income predominantly from Latvia, Lithuania, Cyprus and Germany. 75% of residents' investment income belonged to the investors in financial intermediation. The share of the investors in transport, storage and communications as well as public sector was smaller. The majority (87%) of non-residents who earned income on investment in Estonia were mostly from the EU, particularly from Sweden, Finland and the Netherlands, but also from the United States. Much of their investment income came from financial intermediation (39%) and real estate, renting and business activities, but also from manufacturing, wholesale and retail trade as well as transport, storage and communications.

The volume of **current transfers** paid exceeded the volume of transfers received by 0.2 billion kroons. The deficit was mainly caused by the increased volume of transfers paid by other sectors.

Net capital inflow was relatively strong in the first quarter of 2007. The surplus on the **capital and financial account** totalled 10.3 billion kroons, which is a third less than in the previous quarter. Capital inflow occurred mainly through direct and other investment.

The surplus on the **capital account** was 0.4 billion kroons, i.e. three times less than in the first and last quarter of 2006. The surplus decreased owing to the robust decrease in the sale of intangible assets.

The surplus on direct, portfolio and other investment, i.e. on the **FINANCIAL ACCOUNT**, stood at 9.8 billion kroons.

Direct investment inflow was 4.4 billion kroons bigger than outflow. Both foreign direct investment in Estonia as well as Estonia's direct investment abroad were large in volume, totalling 7.8 and 3.4 billion kroons, respectively.

Equity capital investment accounted for 10%, reinvested earnings for 50% and other direct investment capital for the rest of direct investment in Estonia. Nearly all direct investment in Estonia made in the first quarter of 2007 originated from the European Union countries, with half coming from Sweden and 23% from Finland. 43% of direct investment was made in financial intermediation, 37% in real estate, renting and business activities, and 14% in wholesale and retail trade.

Equity capital investment, reinvested earnings and other direct investment capital all held an equal share, i.e. a third, in residents' direct investment abroad. Year-on-year, the share of equity capital increased and that of the other two components decreased. 81% of residents' direct investment went to EU countries: mainly to Latvia (36%), Lithuania (26%) and also to Russia (10%). The most active foreign direct investors were those of financial intermediation (33%), real estate, renting and business activities (32%), transport, storage and communications, and wholesale and retail trade (13%).

The net outflow of **portfolio investment** amounted to 1.5 billion kroons. Portfolio investment assets increased by 3 billion and liabilities decreased by 1.6 billion kroons. The growth in assets was mainly driven by the increase in assets invested by investment funds in equity securities. As regards debt securities, the assets of the general government grew the most. Portfolio investment liabilities grew primarily owing to the rise in equity security liabilities of enterprises in other sectors. Debt security liabilities decreased particularly in the sector of credit institutions.

The net inflow of **other investment** was slightly smaller than in previous quarters, amounting to 7.1 billion kroons. Assets increased by 5.3 billion and liabilities by 12.4 billion kroons. The growth of assets mainly stemmed from the increased volume of other sectors' deposits with foreign banks and partly from the higher volume of loans issued to non-residents by credit institutions. Liabilities grew as a result of the increase in non-residents' deposits held with Estonian credit institutions and the rise in the loan liabilities of credit institutions.

CURRENT ACCOUNT

Strong domestic demand caused a slight deterioration in Estonia's external balance. In the first quarter of 2007, the current account deficit accounted for 16.2% of the GDP of the last four quarters. The external balance was mainly affected by the increase in the foreign trade deficit. The deficit in the goods and services account totalled 12.4% of the first-quarter GDP, having grown by 1 percentage point year-on-year. The current account deficit without reinvested earnings, which include no actual movement of funds, constituted 11.5% of GDP.

The EU Member States accounted for 69% of the credit turnover (68% in the first quarter of 2006) and 76% of the debit turnover (74%). The five most important partners in Estonia's credit turnover in the first quarter of 2007 were Finland, Sweden, Latvia, Russia and Germany (totalling 54% of the credit turnover). More or less the same countries were also the major partners in terms of debit turnover, although in different order: Finland, Russia, Germany, Sweden and Lithuania (totalling 59% of the debit turnover). Estonia's current account deficit was the biggest with Germany and Russia, whereas the highest surplus was registered with Togo and Latvia (see Table 2).

Goods

The goods account deficit of the balance of payments increased considerably in the first quarter of 2007 year-on-year, amounting to 9.2 billion kroons (see Table 3). Quarter-on-quarter, the deficit declined by 10%. The exports of goods stood at 29.7 billion and the imports in f.o.b. prices at 38.9 billion kroons.

According to the preliminary foreign trade statistics², goods exports totalled 29.4 billion and imports in c.i.f. prices 41.1 billion kroons (see Figure 3). In the last few quarters, the growth rates of exports and imports have slowed down compared with the same period of 2006. Imports outpaced exports year-on-year, whereas both imports and exports decreased quarter-on-quarter. The foreign trade deficit increased by 2.4 billion kroons year-on-year, amounting to 11.7 billion kroons.

The total **exports of goods** increased by only 4% but nearly all major groups of goods picked up much more quickly (see Table 4). The slowdown in total growth stemmed from lower exports of the two largest articles – mineral products, and machinery and equipment. The exports of food products and transport vehicles grew the most, i.e. by a third. The former was mainly boosted by higher exports of alcoholic beverages to Russia. The latter increased mostly owing to the exports of previously imported motor cars and their parts, which were channelled to Latvia and Lithuania. The exports of metals and metal products, chemical products, timber and timber products grew by 25%. The main export articles in terms of metals and metal products were scrap metal, flat-rolled products and various metal constructions. Countries of destination varied greatly: scrap metal was exported to Turkey; flat-rolled products to Poland, Lithuania, Finland and Sweden; steel constructions to Finland, Sweden and other countries. The exports of chemical products

² 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.

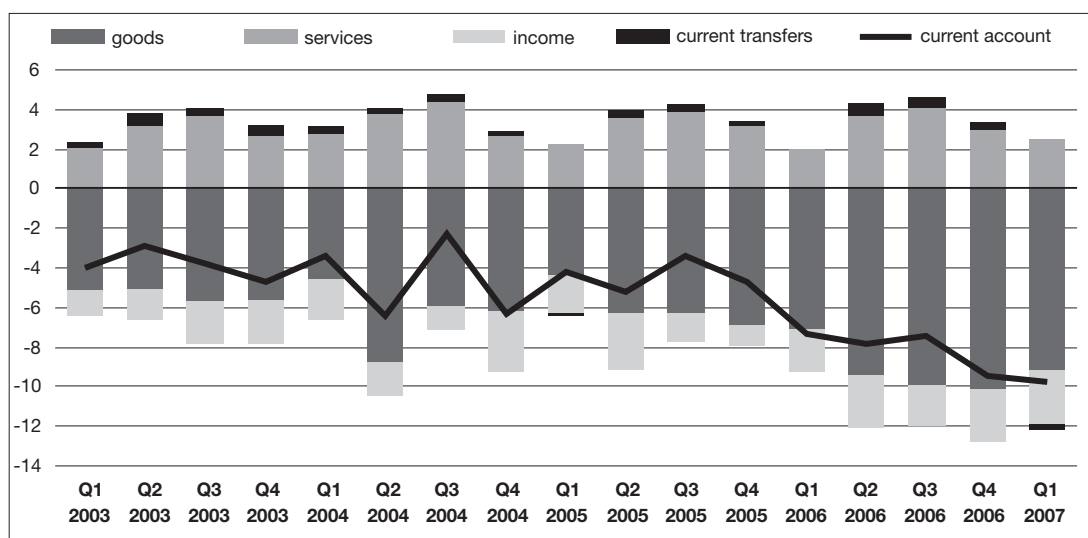


Figure 2. Current account structure (EEK bn)

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

	Q1 2006	Q4 2006	Q1 2007
EU-27	-7,871.6	-12,688.3	-10,766.8
Germany*	-3,089.5	-4,322.7	-3,440.9
Sweden	-382.5	-2,581.0	-1,807.1
Finland	-458.8	-1,954.9	-1,640.1
Poland	-1,046.5	-1,112.0	-1,387.2
Latvia	871.0	612.3	1,117.3
CIS	-3,552.7	-647.8	-2,734.0
Russia	-3,273.4	-570.2	-2,481.1
Belarus	-629.1	-192.1	-459.0
Kazakhstan	166.4	109.2	94.1
Other	4,068.5	3,873.7	3,777.7
Togo	0.0	1,182.0	2,235.4
Norway	506.0	716.9	761.0
USA	2,726.5	1,073.5	679.1
Switzerland	227.5	322.3	376.5
Egypt	-155.8	-222.5	-284.5
Total	-7,355.8	-9,462.4	-9,723.2

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

included plastic and plastic products, fertilizers, paints and putties, chemicals and medicines. The main countries of destination were Nordic and Baltic countries as well as Russia, the Netherlands, the United Kingdom, the United States and France. Approximately half of the exports of timber and timber products was unprocessed or little processed timber and the rest was mostly plywood and wooden construction components. The countries of destination were Scandinavia, Denmark and the United Kingdom. The exports of furniture and prefabricated buildings increased by 14% and were primarily channelled to Finland, Sweden, Norway, Denmark, Germany and the United Kingdom. The exports of mineral fuels decreased by a fifth. Nearly 90% of that comprised motor fuel, majority of which was fuel first imported to Estonia and

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 2003	14,308.4	-10.5	70.5	19,383.6	-6.7	83.0	-5,075.2
Q2 2003	16,065.8	12.3	67.0	21,144.0	9.1	81.6	-5,078.2
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	-5,624.2
2003 total	63,443.7	9.5	67.4	84,966.0	11.2	81.6	-21,522.3
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	82.3	-8,737.0
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	-6,193.1
2004 total	75,199.5	18.5	67.8	100,698.5	18.5	82.0	-25,499.0
Q1 2005	21,341.0	1.3	73.0	25,788.9	-5.4	82.0	-4,447.9
Q2 2005	23,531.0	10.3	69.5	29,865.3	15.8	81.6	-6,334.3
Q3 2005	25,278.2	7.4	69.9	31,578.4	5.7	81.9	-6,300.2
Q4 2005	27,821.3	10.1	71.5	34,783.6	10.1	81.5	-6,962.3
2005 total	97,971.5	30.3	70.9	122,016.2	21.2	81.8	-24,044.7
Q1 2006	28,496.2	2.4	77.5	35,610.0	2.4	84.8	-7,113.8
Q2 2006	30,976.3	8.7	73.7	40,447.8	13.6	84.6	-9,471.5
Q3 2006	29,774.8	-3.9	70.1	39,782.0	-1.6	82.1	-10,007.2
Q4 2006	30,919.2	3.8	73.2	41,050.1	3.2	83.1	-10,130.9
2006 total	120,166.5	22.7	73.5	156,889.9	28.6	83.6	-36,723.4
Q1 2007	29,725.9	-3.9	75.0	38,884.2	-5.3	83.8	-9,158.3

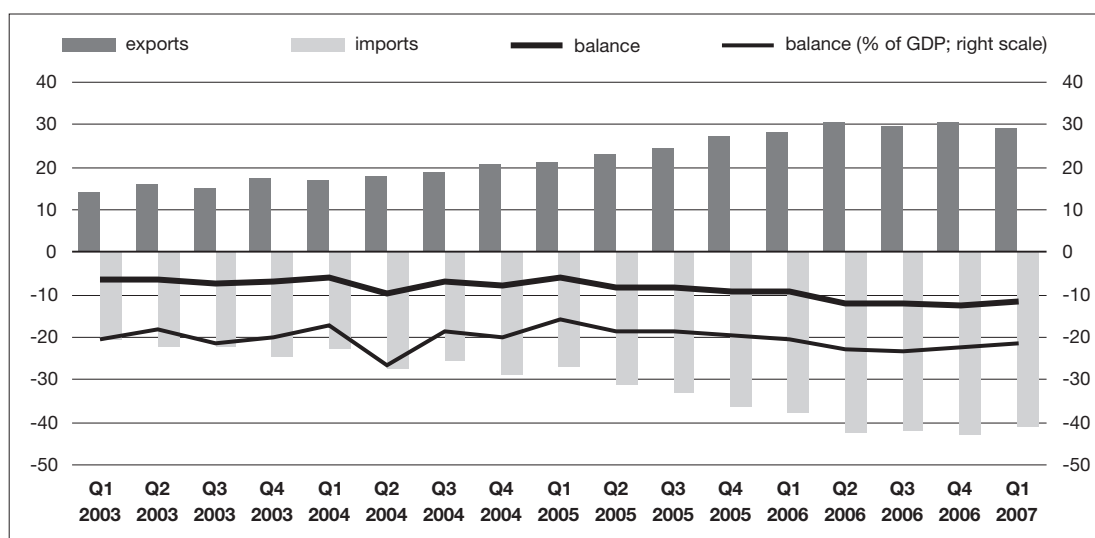


Figure 3. Estonia's foreign trade balance (EEK bn)

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
Food	1,803.7	2,629.4	2,388.6	6.4	8.5	8.1	-9.2	32.4
Mineral products	5,659.3	3,762.2	4,589.5	20.0	12.2	15.6	22.0	-18.9
Chemical products	1,679.9	2,331.2	2,098.1	5.9	7.6	7.1	-10.0	24.9
Clothing, footwear and headgear	2,169.9	2,041.3	1,991.1	7.7	6.6	6.8	-2.5	-8.2
Timber, paper and products	3,205.1	3,685.9	3,940.1	11.3	12.0	13.4	6.9	22.9
Metals and metal products	2,234.2	3,069.8	2,800.2	7.9	10.0	9.5	-8.8	25.3
Machinery and equipment	6,854.7	7,441.1	5,894.8	24.2	24.2	20.1	-20.8	-14.0
Transport vehicles	1,710.5	2,213.5	2,238.6	6.0	7.2	7.6	1.1	30.9
Furniture, toys, sporting goods	2,053.5	2,368.1	2,335.5	7.2	7.7	8.0	-1.4	13.7
Other	992.4	1,213.0	1,093.7	3.5	3.9	3.7	-9.8	10.2
Total	28,363.2	30,755.6	29,370.1	100.0	100.0	100.0	-4.5	3.6

then processed. This was a low-quality fuel imported from Russia and processed in Estonia yet which is not allowed to be exported to the European Union as it does not meet the quality requirements. Such fuel was mostly exported to Togo and the United States. The decrease in processed motor fuel was also the reason for lower exports of mineral products. As regards sold mineral products, the considerable rise in the sale of electricity to Finland should be mentioned. The rise occurred thanks to the new electric cable launched. Moreover, peat was exported to the Netherlands and Sweden. The share of the largest article in the exports of goods, namely machinery and equipment, decreased by 14%. Mobile equipment and their parts contributed the most to the decrease, since year-on-year, their exports declined by over two times, particularly as regards exports to Finland and Sweden. Cables and components of various machinery were exported mostly to Sweden and Finland. The exports of clothing, footwear and headgear decreased by 8% mostly because the exports of processed goods declined. The main articles included clothing, footwear and bed linen exported to Finland, Sweden, Latvia, Lithuania, Russia and the United Kingdom. The exports of various other goods (mostly medical and measuring equipment, orthopaedic aids) increased by 10% and went to Finland, Sweden, Germany and the United Kingdom.

The **imports of goods** grew by 9% year-on-year (see Table 5). Similarly to exports, also the imports of the two major groups – mineral products and machinery and equipment – decreased. The imports of other

Table 5. Imports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
Food	2,638.5	3,338.8	3,025.4	7.0	7.7	7.4	-9.4	14.7
Mineral products	7,539.6	5,516.8	6,549.6	20.0	12.8	16.0	18.7	-13.1
Chemical products	4,055.5	4,883.4	4,928.4	10.8	11.3	12.0	0.9	21.5
Clothing, footwear and headgear	2,511.4	2,896.2	2,901.5	6.7	6.7	7.1	0.2	15.5
Timber, paper and products	2,041.4	2,099.8	2,439.5	5.4	4.9	5.9	16.2	19.5
Metals and metal products	3,321.7	4,364.1	4,359.9	8.8	10.1	10.6	-0.1	31.3
Machinery and equipment	9,581.5	11,150.5	8,336.3	25.4	25.8	20.3	-25.2	-13.0
Transport vehicles	3,905.3	5,634.8	5,565.2	10.4	13.1	13.6	-1.2	42.5
Furniture, toys, sporting goods	763.9	1,207.5	1,038.9	2.0	2.8	2.5	-14.0	36.0
Other	1,334.1	2,051.5	1,915.9	3.5	4.8	4.7	-6.6	43.6
Total	37,692.8	43,143.4	41,060.5	100.0	100.0	100.0	-4.8	8.9

goods, on the other hand, increased considerably. The imports of mineral products declined by 13% mostly arising from weaker domestic consumption. The volume of motor fuel imported for processing remained unchanged. Motor fuel accounted for approximately 60% of mineral products and came from Russia. Moreover, gas was imported from Russia, electricity from Lithuania and Latvia, and bitumen from Russia and Sweden. The imports of machinery and equipment also decreased by 13% and again on account of domestic consumption. The assortment of machinery and equipment imported was very wide. Various machinery and mechanical equipment were purchased from Finland, Sweden and Germany; roadworks machinery from the United Kingdom, Belgium and Germany; computers from Lithuania and Latvia; components of mobile communication devices from Finland, Sweden, Germany and Latvia. The imports of the latter decreased in volume.

The exports of other goods (medical equipment, etc.) grew the fastest, namely by 44%. The imports of transport vehicles increased just about the same amount. The majority were motor cars and their components as well as trucks imported from Sweden, Germany and Finland. The imports of tractors from Germany, the Netherlands and Sweden. The imports of furniture, toys and sporting goods increased by more than a third. Furniture was purchased from Finland, Italy and Lithuania and lamps from Finland. The imports of metals and metal products grew by approximately a third and was mainly channelled to the internal market. The volume of metals imported for processing, however, decreased by 40%. Steel products, metal constructions and pipes were imported for free circulation primarily from Finland, Sweden, Germany and Russia. The imports of chemical products, timber and timber products, paper and paper products increased by 20%. The chemical products imported included medicines, paints and varnishes, fertilizers, cosmetic products, tyres, plastic products and various chemicals. The major exporting countries were Finland, Sweden, Germany, Russia, Latvia and Lithuania; Belgium, Hungary and Poland were the biggest exporters of medicines and China exported tyres to Estonia. The largest article in the imports of timber, timber products, paper and paper products was the unprocessed or little processed timber from Russia. Wooden construction components, paper and paper products were purchased from Finland, Sweden and Latvia. The imports of clothing, footwear and headgear, and food products increased by 15%. Clothing and footwear was imported mostly from the EU Member States and raw materials for the textile industry from the United States and Finland. The imports of food products included beverages (strong and low-alcohol beverages and soft drinks), coffee, confectionery and tobacco products, meat, fish, fruit and prepared animal feed. The major exporting countries were the EU Member States.

The **foreign trade deficit** increased by 25% year-on-year and amounted to 11.7 billion kroons (see Table 6). Transport vehicles, chemical products, machinery and equipment posted the largest deficits. The biggest deficit (1.1 billion kroons) occurred in the transport vehicles group. Clothing, footwear and headgear, metals and chemical products contributed nearly 0.5 billion kroons to the deficit. Two groups of goods – furniture and especially timber and timber products – posted a surplus.

By **groups of countries**, the **exports of goods** to the European Union increased by 6% and to the CIS by a third, whereas exports to other countries decreased (see Table 7). As regards EU Member States, exports to Finland, the biggest export partner, declined by nearly 10%, whereas exports to Latvia and Lithuania picked up strongly. Other major partners besides Finland included neighbouring Sweden, Latvia, Lithuania and also Germany. Russia, ranking fourth in terms of all countries, was the main destination of the exports to the CIS, as nearly a third more goods were exported there. The largest partner among other countries

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

	Q1 2006	Q4 2006	Q1 2007
Food	-834.8	-709.4	-636.8
Mineral products	-1,880.3	-1,754.6	-1,960.1
Chemical products	-2,375.6	-2,552.2	-2,830.3
Clothing, footwear and headgear	-341.5	-854.9	-910.4
Timber, paper and products	1,163.7	1,586.1	1,500.6
Metals and metal products	-1,087.4	-1,294.2	-1,559.7
Machinery and equipment	-2,726.8	-3,709.4	-2,441.5
Transport vehicles	-2,194.9	-3,421.3	-3,326.6
Furniture, toys, sporting goods	1,289.5	1,160.6	1,296.6
Other	-341.7	-838.5	-822.1
Total	-9,329.6	-12,387.8	-11,690.4

Table 7. Exports of goods by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
EU-27	18,573.0	19,870.3	19,629.7	65.5	64.6	66.8	-1.2	5.7
Finland	5,669.0	4,943.6	5,145.2	20.0	16.1	17.5	4.1	-9.2
Sweden	3,692.3	3,835.1	3,889.0	13.0	12.5	13.2	1.4	5.3
Latvia	2,175.9	3,002.3	3,094.4	7.7	9.8	10.5	3.1	42.2
Germany	1,468.0	1,437.1	1,469.2	5.2	4.7	5.0	2.2	0.1
Lithuania	1,143.3	1,625.7	1,427.4	4.0	5.3	4.9	-12.2	24.9
CIS	2,492.5	3,916.3	3,251.3	8.8	12.7	11.1	-17.0	30.4
Russia	1,802.1	3,074.8	2,563.6	6.4	10.0	8.7	-16.6	42.3
Ukraine	453.1	447.7	439.3	1.6	1.5	1.5	-1.9	-3.1
Kazakhstan	109.4	91.7	92.6	0.4	0.3	0.3	0.9	-15.4
Other	7,297.8	6,969.0	6,489.0	25.7	22.7	22.1	-6.9	-11.1
Togo		1,182.0	2,235.4	0.0	3.8	7.6	89.1	
USA	2,992.9	1,301.3	1,534.9	10.6	4.2	5.2	17.9	-48.7
Norway	684.5	827.5	906.0	2.4	2.7	3.1	9.5	32.4
Total	28,363.2	30,755.6	29,370.1	100.0	100.0	100.0	-4.5	3.5

was Togo (ranking fifth in terms of all countries) which imported processed motor fuel from Estonia. The United States and Norway followed. The exports of goods to these three countries comprised 72% of the total exports to other countries.

The **imports of goods** from the European Union increased the most (13%). Imports from the CIS grew by 3% and that from other countries declined by 11% (see Table 8). The top five of EU import partners was similar to export partners, only in a slightly different ranking. The biggest import partner was Finland. Almost 90% of the imports from the CIS came from Russia (second biggest import partner) with motor fuel constituting nearly half of it. Imports from other countries mainly came from China, the United States and Norway.

Foreign trade remained in deficit with the EU as well as the CIS (see Table 9). Deficit with the EU increased by 2.5 billion kroons and deficit with the CIS decreased by 0.6 billion kroons. As regards other countries, Estonia's goods exports exceeded imports by 3.1 billion kroons.

Table 8. Imports of goods by groups of countries*

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
EU-27	26,875.6	33,396.5	30,460.7	71.3	77.4	74.2	-8.8	13.3
Finland	6,339.9	7,993.4	6,785.6	16.8	18.5	16.5	-15.1	7.0
Germany	4,673.4	5,641.7	5,032.5	12.4	13.1	12.3	-10.8	7.7
Sweden	3,020.6	4,332.5	4,100.6	8.0	10.0	10.0	-5.4	35.8
Latvia	1,784.7	3,057.0	2,580.7	4.7	7.1	6.3	-15.6	44.6
Lithuania	2,803.1	2,231.0	2,269.8	7.4	5.2	5.5	1.7	-19.0
CIS	7,022.0	5,783.7	7,230.6	18.6	13.4	17.6	25.0	3.0
Russia	5,882.0	4,775.2	6,211.2	15.6	11.1	15.1	30.1	5.6
Belarus	710.9	422.5	531.7	1.9	1.0	1.3	25.8	-25.2
Ukraine	342.2	298.2	377.8	0.9	0.7	0.9	26.7	10.4
Other	3,795.2	3,963.2	3,369.2	10.1	9.2	8.2	-15.0	-11.2
China	608.3	1,070.3	784.3	1.6	2.5	1.9	-26.7	28.9
USA	345.1	566.0	589.5	0.9	1.3	1.4	4.2	70.8
Norway	290.4	223.2	288.8	0.8	0.5	0.7	29.4	-0.5
Total	37,692.8	43,143.4	41,060.5	100.0	100.0	100.0	-4.8	8.9

* Analysed by trading country.

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

	Q1 2006	Q4 2006	Q1 2007
EU-27	-8,302.6	-13,526.2	-10,831.0
CIS	-4,529.5	-1,867.4	-3,979.3
Other	3,502.6	3,005.8	3,119.8
Total	-9,329.6	-12,387.8	-11,690.4

Services

The surplus on the services account amounted to 2.4 billion kroons in the first quarter of 2007, decreasing by 19% quarter-on-quarter and increasing by 25% year-on-year (see Figure 4 and Table 10).

The year-on-year growth of services surplus mainly stemmed from the 2.5 times increase in the transport services surplus (see Table 11). The relatively rapid growth of services exports has included also computer and information services among the major categories of services. Their surplus accounts for as much as 6% of the total surplus on the services account. The surplus on travel services decreased by 63% and the balance of construction services turned negative, which in turn inhibited the growth of services surplus.

The exports of services amounted to 9.9 billion kroons in the first quarter of 2007, having grown by 20% year-on-year. The exports of transport services, particularly transport services for goods, increased faster than average (by 35% and 51%, respectively; see Table 12). The exports of computer and information services, which has so far been quite modest (3% of the total services exports), grew by 91% year-on-year.

The growth of services exports to non-EU countries was faster than average, reaching 32% in case of Russia and off-shore regions and 29% in case of Switzerland. As regards the EU countries, exports to Finland increased by 17%, to Latvia by 24% and to the United Kingdom by 13% (see Table 13).

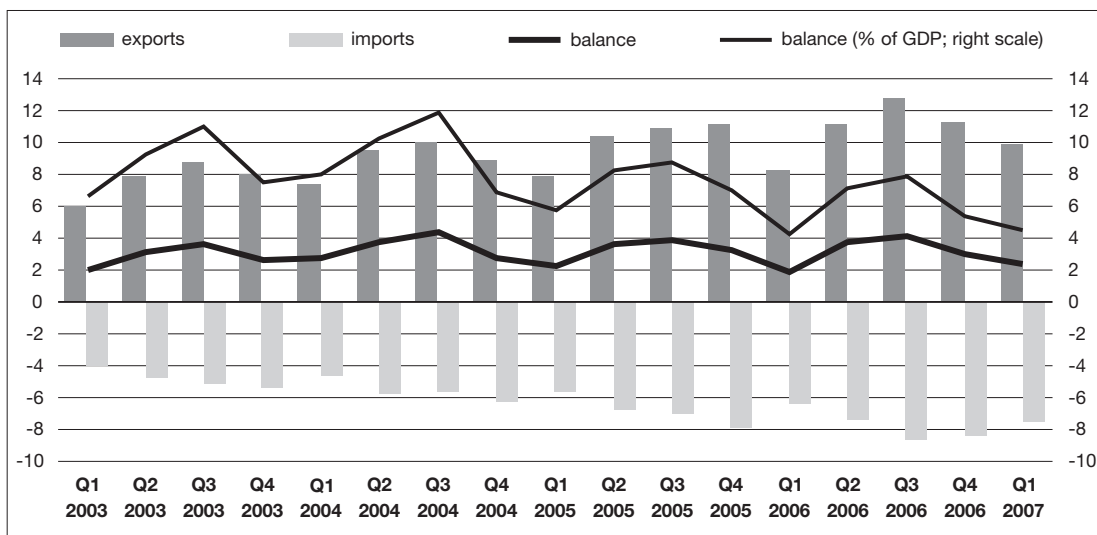


Figure 4. Services account (EEK bn)

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 2003	5,989.6	-12.7	29.5	3,957.5	-18.0	16.9	2,032.1	4.0
Q2 2003	7,913.9	32.1	33.0	4,771.5	20.6	18.4	3,142.4	54.6
Q3 2003	8,768.1	10.8	36.2	5,100.2	6.9	19.4	3,667.9	16.7
Q4 2003	8,002.4	-8.7	31.3	5,369.3	5.3	18.8	2,633.1	-28.2
2003 total	30,674.0	8.9	32.6	19,198.5	5.1	18.4	11,475.5	18.6
Q1 2004	7,334.1	-8.4	30.2	4,575.4	-14.8	17.5	2,758.7	4.8
Q2 2004	9,479.4	29.3	34.5	5,745.0	25.6	17.7	3,734.4	35.4
Q3 2004	9,986.6	5.4	34.2	5,633.7	-1.9	18.3	4,352.9	16.6
Q4 2004	8,903.3	-10.8	29.7	6,187.8	9.8	18.5	2,715.5	-37.6
2004 total	35,703.4	16.4	32.2	22,141.9	15.3	18.0	13,561.5	18.2
Q1 2005	7,892.4	-11.4	27.0	5,652.2	-8.7	18.0	2,240.2	-17.5
Q2 2005	10,336.4	31.0	30.5	6,712.4	18.8	18.4	3,624.0	61.8
Q3 2005	10,875.6	5.2	30.1	6,970.5	3.8	18.1	3,905.1	7.8
Q4 2005	11,096.2	2.0	28.5	7,893.9	13.2	18.5	3,202.3	-18.0
2005 total	40,200.6	12.6	29.1	27,229.0	23.0	18.2	12,971.6	-4.3
Q1 2006	8,295.8	-25.2	22.5	6,362.3	-19.4	15.2	1,933.5	-39.6
Q2 2006	11,063.0	33.4	26.3	7,349.4	15.5	15.4	3,713.6	92.1
Q3 2006	12,726.8	15.0	29.9	8,658.8	17.8	17.9	4,068.0	9.5
Q4 2006	11,306.1	-11.2	26.8	8,323.3	-3.9	16.9	2,982.8	-26.7
2006 total	43,391.7	7.9	26.5	30,693.8	12.7	16.4	12,697.9	-2.1
Q1 2007	9,926.0	-12.2	25.0	7,511.0	-9.8	16.2	2,415.0	-19.0

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
Transportation	562.8	1,399.2	1,407.4	29.1	46.9	58.3	0.6	150.1
Travel	557.8	927.0	206.1	28.8	31.1	8.5	-77.8	-63.1
Construction services	39.1	-223.0	-187.2	2.0	-7.5	-7.8	-16.1	-578.8
Computer and information services	66.1	139.5	151.8	3.4	4.7	6.3	8.8	129.7
Business services	776.7	722.1	619.3	40.2	24.2	25.6	-14.2	-20.3
Government services	-21.9	43.0	87.2	-1.1	1.4	3.6	102.8	-498.2
Other	-47.0	-25.0	130.4	-2.4	-0.8	5.4	-621.6	-377.4
Total	1,933.6	2,982.8	2,415.0	100.0	100.0	100.0	-19.0	24.9

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
Transportation	3,520.1	4,791.5	4,750.3	42.4	42.4	47.9	-0.9	34.9
freight	1,900.1	2,730.2	2,874.0	22.9	24.1	29.0	5.3	51.3
passenger	684.7	920.0	758.2	8.3	8.1	7.6	-17.6	10.7
other transport services	935.3	1,141.3	1,118.1	11.3	10.1	11.3	-2.0	19.5
Travel	1,912.1	2,703.8	1,821.2	23.0	23.9	18.3	-32.6	-4.8
Construction services	226.5	355.3	241.9	2.7	3.1	2.4	-31.9	6.8
Computer and information services	176.3	354.9	337.3	2.1	3.1	3.4	-5.0	91.3
Business services	1,845.9	2,333.7	1,913.7	22.3	20.6	19.3	-18.0	3.7
Government services	133.9	143.6	184.2	1.6	1.3	1.9	28.3	37.6
Other	481.0	623.3	677.4	5.8	5.5	6.8	8.7	40.8
Total	8,295.8	11,306.1	9,926.0	100.0	100.0	100.0	-12.2	19.7

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
EU-27	5,637.2	7,872.2	6,611.1	68.0	69.6	66.6	-16.0	17.3
Finland	2,354.9	3,384.5	2,748.1	28.4	29.9	27.7	-18.8	16.7
Sweden	695.9	759.4	671.1	8.4	6.7	6.8	-11.6	-3.6
United Kingdom	501.7	625.4	567.5	6.0	5.5	5.7	-9.3	13.1
Germany	404.9	639.9	448.2	4.9	5.7	4.5	-30.0	10.7
Latvia	341.1	495.3	422.9	4.1	4.4	4.3	-14.6	24.0
CIS	1,176.2	1,523.0	1,441.7	14.2	13.5	14.5	-5.3	22.6
Russia	940.1	1,256.6	1,236.2	11.3	11.1	12.5	-1.6	31.5
Ukraine	82.4	107.0	97.0	1.0	0.9	1.0	-9.3	17.7
Other	1,482.4	1,910.9	1,873.2	17.9	16.9	18.9	-2.0	26.4
Switzerland	388.5	486.6	499.2	4.7	4.3	5.0	2.6	28.5
offshore regions	368.4	369.3	485.2	4.4	3.3	4.9	31.4	31.7
USA	348.0	463.7	354.0	4.2	4.1	3.6	-23.7	1.7
Total	8,295.8	11,306.1	9,926.0	100.0	100.0	100.0	-12.2	19.7

The imports of services amounted to 7.5 billion kroons in the first quarter, increasing by 18% year-on-year (see Table 14). The imports of services were most driven by travel services, which increased by 19%, but also construction and business services, which grew by 2.3 times and 21%, respectively.

By country of origin, changes in services imports have remained relatively stable (see Table 15). In terms of turnover, neighbouring Finland, Sweden, Latvia and Russia as well as Germany contributed the most to import growth.

The surplus on **transport services** increased by two and a half times year-on-year and remained at the level of the fourth quarter of 2006, comprising over a half of the total surplus on the services account (see Figure 5 and Tables 11, 12 and 13). By transport types, maritime transport formed the largest share of transport services (see Figure 6). Its export volume was largely boosted by freight transport.

Table 14. Services imports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
Transportation	2,957.3	3,392.3	3,343.0	46.5	40.8	44.5	-1.5	13.0
freight	2,086.0	2,187.5	2,092.6	32.8	26.3	27.9	-4.3	0.3
passenger	301.9	360.2	428.9	4.7	4.3	5.7	19.1	42.1
other transport services	569.4	844.6	821.5	8.9	10.1	10.9	-2.7	44.3
Travel	1,354.3	1,776.8	1,615.1	21.3	21.3	21.5	-9.1	19.3
Construction services	187.4	578.3	429.1	2.9	6.9	5.7	-25.8	129.0
Computer and information services	110.2	215.3	185.6	1.7	2.6	2.5	-13.8	68.4
Business services	1,069.2	1,611.6	1,294.4	16.8	19.4	17.2	-19.7	21.1
Government services	155.8	100.6	96.9	2.4	1.2	1.3	-3.7	-37.8
Other	528.1	648.4	546.9	8.3	7.8	7.3	-15.7	3.6
Total	6,362.3	8,323.3	7,511.0	100.0	100.0	100.0	-9.8	18.1

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
EU-27	4,594.4	6,120.9	5,343.7	72.2	73.5	71.1	-12.7	16.3
Finland	1,295.7	1,603.2	1,524.1	20.4	19.3	20.3	-4.9	17.6
Germany	545.9	738.5	646.9	8.6	8.9	8.6	-12.4	18.5
Sweden	401.9	748.9	500.3	6.3	9.0	6.7	-33.2	24.5
Latvia	344.0	506.0	465.5	5.4	6.1	6.2	-8.0	35.3
United Kingdom	396.1	433.5	377.9	6.2	5.2	5.0	-12.8	-4.6
CIS	788.9	947.1	912.5	12.4	11.4	12.1	-3.7	15.7
Russia	604.4	679.7	746.3	9.5	8.2	9.9	9.8	23.5
Ukraine	57.5	94.2	89.3	0.9	1.1	1.2	-5.2	55.3
Other	979.0	1,255.3	1,254.8	15.4	15.1	16.7	-0.0	28.2
Egypt	172.2	237.0	296.6	2.7	2.8	3.9	25.1	72.2
USA	219.9	239.8	277.8	3.5	2.9	3.7	15.8	26.3
China	61.0	99.3	93.4	1.0	1.2	1.2	-5.9	53.1
Total	6,362.3	8,323.3	7,511.0	100.0	100.0	100.0	-9.8	18.1

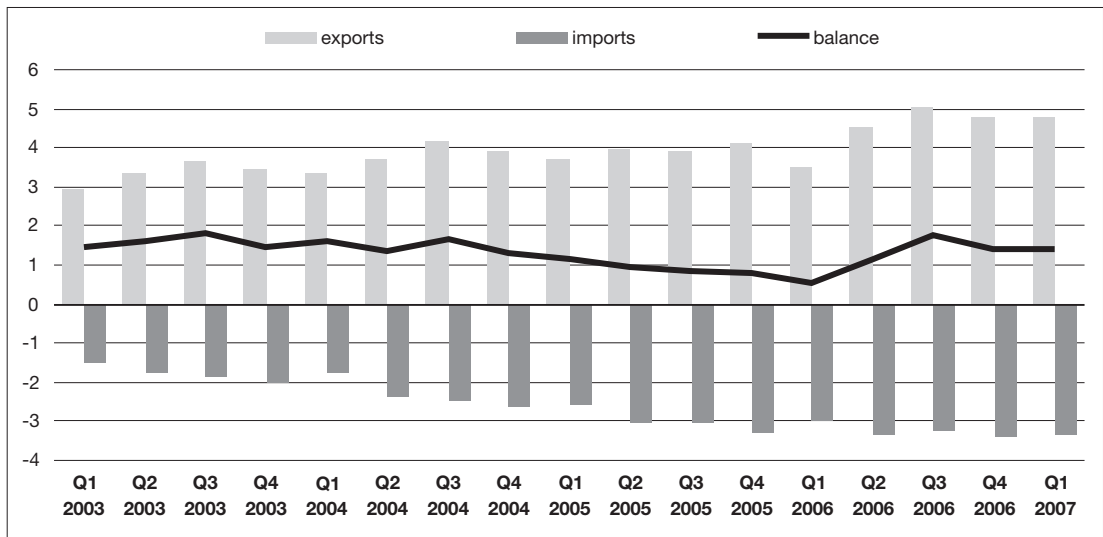


Figure 5. Transport services (EEK bn)

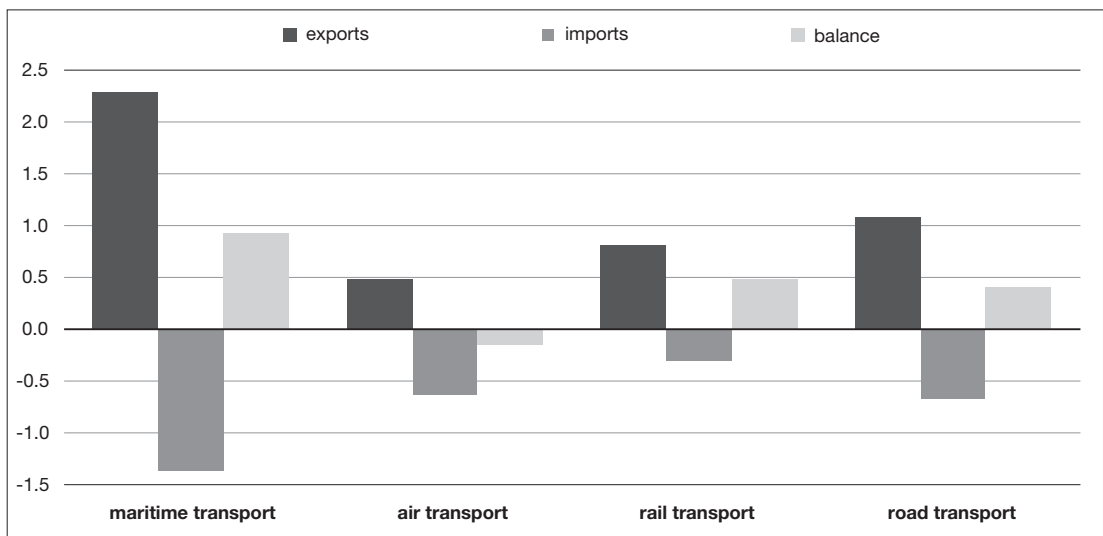


Figure 6. Transport services structure in the first quarter of 2007 by transport type (EEK bn)

The exports of transport services grew by 35% year-on-year owing to the rapid increase in the volume of transport services for goods. The decline in the volume of oil products transport was offset by the transit of coal that boosted the exports of maritime and rail transport services. The exports of transport services to the EU Member States increased by approximately 30% year-on-year, whereas exports to Finland grew by 26% (see Table 16). Also the share of transport services provided to the CIS (in particular Russia) rose. As regards other countries, the exports of transport services to Switzerland and off-shore regions increased the most.

Table 16. Transport services by groups of countries in the first quarter of 2007

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q1 2007 / Q1 2006		Volume (EEK m)	Share (%)	Change (%), Q1 2007 / Q1 2006
EU-27	3,017.2	63.5	29.7	EU-27	2,326.2	69.6	11.5
Finland	1,075.3	22.6	25.9	Finland	568.2	17.0	10.0
United Kingdom	347.4	7.3	72.8	Germany	351.2	10.5	8.3
Sweden	341.9	7.2	19.8	Latvia	220.8	6.6	33.0
Germany	248.7	5.2	15.4	Sweden	188.7	5.6	37.3
Cyprus	189.8	4.0	-15.6	United Kingdom	125.7	3.8	-3.2
CIS	676.2	14.2	49.2	CIS	525.5	15.7	22.1
Russia	647.3	13.6	57.1	Russia	455.7	13.6	21.5
Ukraine	19.7	0.4	-7.1	Belarus	29.0	0.9	-8.5
Other	1,056.9	22.2	42.8	Other	491.3	14.7	11.4
Switzerland	375.4	7.9	57.4	USA	89.2	2.7	25.6
offshore regions	339.4	7.1	113.7	offshore regions	83.7	2.5	-17.2
USA	146.0	3.1	-27.9	China	71.6	2.1	26.5
Total	4,750.3	100.0	34.9	Total	3,343.0	100.0	13.0

The imports of transport services gained 13% year-on-year. Imports from EU countries, especially Finland, accounted for 70% of that (see Tables 14 and 16). The imports of travel services from the CIS grew as well, with imports from Russia increasing by 22%. As for other countries, the United States, offshore regions and China were the largest exporters of transport services.

The exports of **travel services** declined by 5% year-on-year, while imports grew by 19% (see Figure 7). In terms of value, Estonian travel agencies sold 42% more package travels to Estonians than to visitors coming to Estonia. Exports were affected by the decrease in the number of Finnish and Swedish visitors

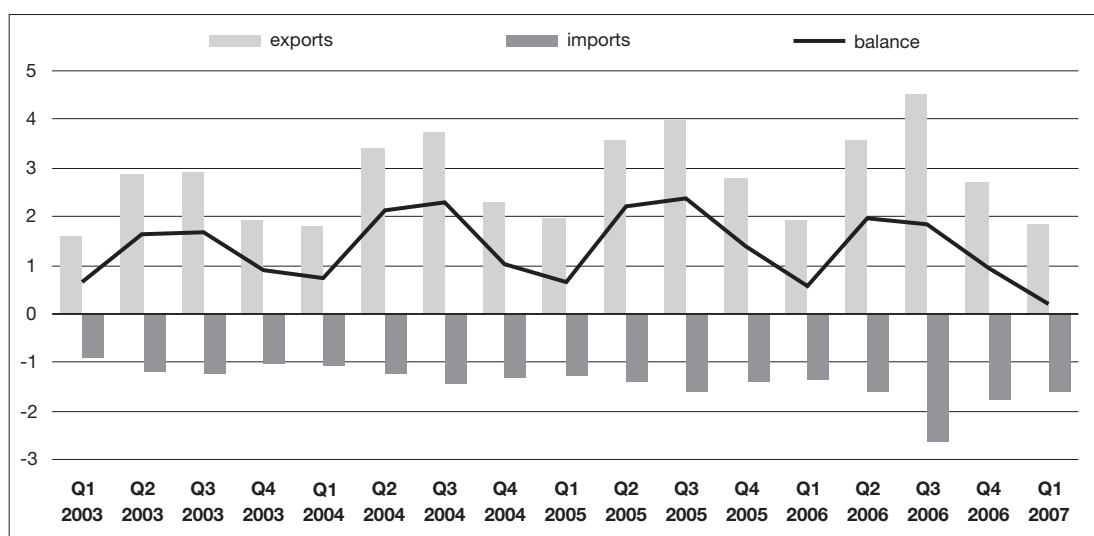


Figure 7. Travel services (EEK bn)

(6% and 7%, respectively). Exports to Russia, on the other hand, increased by 9%: the number of visitors from Russia grew by 16% year-on-year (see Table 17).

Estonian travel agencies served 12% more Estonians in the first quarter compared with the same period of 2006. The cost of trips grew even more – 54%. The main destinations were major ski resorts in Finland (20% of all trips; year-on-year growth 23%), Sweden (6% and 35%, respectively), France (4% and 66%) and Italy (4% and 18%). The most popular hot destinations included Egypt (14% of all trips; year-on-year growth 15%) and Turkey (1% and 57%, respectively). The number of trips to the United States increased as well (2% and 94%, respectively).

Table 17. Travel services by groups of countries in the first quarter of 2007

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q1 2007 / Q1 2006		Volume (EEK m)	Share (%)	Change (%), Q1 2007 / Q1 2006
EU-27	1,270.5	69.8	-9.4	EU-27	-1,034.1	64.0	12.9
Finland	873.0	47.9	-7.3	Finland	-369.7	22.9	15.9
Sweden	116.5	6.4	-6.2	United Kingdom	-76.4	4.7	-5.5
United Kingdom	80.3	4.4	0.8	Sweden	-67.1	4.2	4.7
Germany	43.0	2.4	19.7	Latvia	-65.6	4.1	36.9
CIS	439.8	24.1	10.8	CIS	-137.3	8.5	12.0
Russia	411.9	22.6	9.2	Russia	-106.9	6.6	25.6
Other	110.9	6.1	-1.7	Other	-443.7	27.5	40.5
Norway	48.1	2.6	-16.3	Egypt	-209.0	12.9	57.4
USA	18.7	1.0	2.2	USA	-72.0	4.5	111.5
				Thailand	-34.0	2.1	38.7
Total	1,821.2	100.0	-4.8	Total	-1,615.1	100.0	19.3

Income

The income account deficit increased by 25% year-on-year and stood at 2.7 billion kroons in the first quarter of 2007, i.e. 5.1% of GDP (see Table 18 and Figure 8). The deficit was primarily boosted by the growth of non-residents' income earned on direct and other investment in Estonia. Labour income witnessed net inflow, whereas investment income experienced net outflow. The income account of Estonia's balance of payments is largely affected by reinvested earnings which include no actual movement of funds. Excluding from the income account reinvested earnings, the income account was virtually balanced (see Table 19).

Income inflow amounted to 3.5 billion kroons. Year-on-year, it increased by nearly a third and remained more or less at the levels seen in the three previous quarters (see Table 20). 89% of the income earned by residents abroad came from EU countries (see Table 21). Labour income accounted for a third of the income inflow; the rest was investment income. Labour income grew by 7% and investment income by approximately 50%. Estonian residents earned labour income mostly in Finland (47% of the labour income inflow), the United Kingdom (17%), Sweden (8%) and Ireland (6%). 68% of the investment income inflow was direct investment income, with reinvested earnings forming 86% of that. The rest of income was earned on

Table 18. Income

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)
Q1 2003	678.2	4.9	-2036.8	-4.9	-1,358.6	-9.2
Q2 2003	1035.1	34.1	-2535.0	24.6	-1,499.9	18.8
Q3 2003	1172.8	-6.0	-3307.4	51.0	-2,134.5	126.5
Q4 2003	697.9	-1.1	-2945.6	23.0	-2,247.7	33.0
2003 total	3,584.1	6.3	-10,824.8	23.5	-7,240.7	34.3
Q1 2004	650.8	-4.0	-2601.8	27.7	-1,951.1	43.6
Q2 2004	1241.0	19.9	-3002.1	18.4	-1,761.0	17.4
Q3 2004	1915.0	63.3	-3079.7	-6.9	-1,164.7	-45.4
Q4 2004	1689.6	142.1	-4744.3	61.1	-3,054.7	35.9
2004 total	5,496.5	53.4	-13,427.9	24.0	-7,931.4	9.5
Q1 2005	1592.1	144.6	-3508.2	34.8	-1,916.1	-1.8
Q2 2005	1838.3	48.1	-4666.6	55.4	-2,828.2	60.6
Q3 2005	2757.7	44.0	-4195.1	36.2	-1,437.4	23.4
Q4 2005	2279.7	34.9	-3307.1	-30.3	-1,027.4	-66.4
2005 total	8,467.8	54.1	-15,676.9	16.7	-7,209.1	-9.1
Q1 2006	2656.9	66.9	-4816.4	37.3	-2,159.5	12.7
Q2 2006	3457.2	88.1	-6072.5	30.1	-2,615.3	-7.5
Q3 2006	3755.8	36.2	-5733.7	36.7	-1,977.9	37.6
Q4 2006	3613.5	58.5	-6285.7	90.1	-2,672.2	160.1
2006 kokku	13,483.4	59.2	-22,908.3	46.1	-9,424.9	30.7
Q1 2007	3,479.7	31.0	-6,227.4	29.3	-2,747.7	27.2

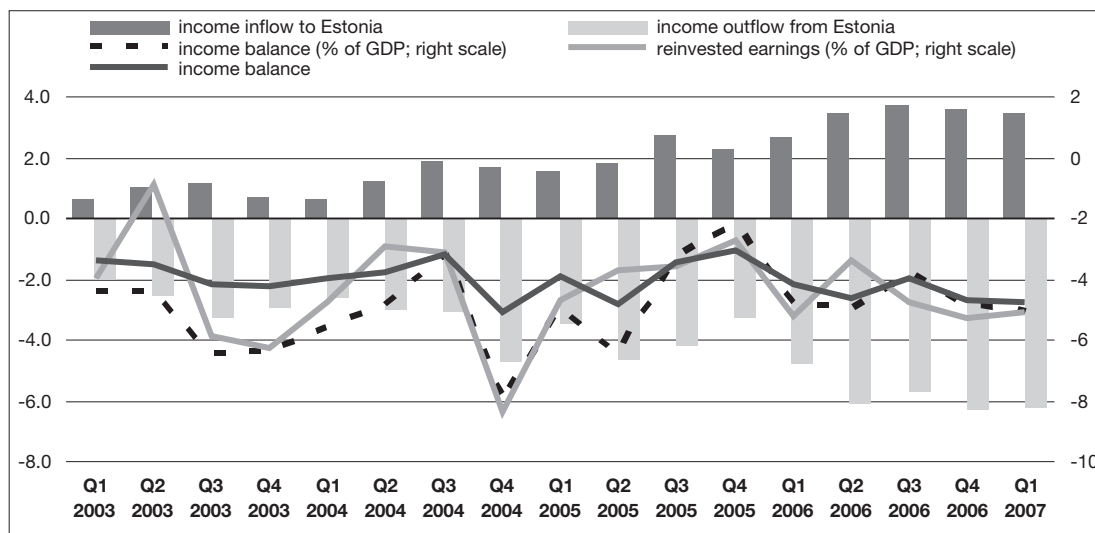


Figure 8. Income account (EEK bn)

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
Labour income	867.3	910.9	895.6	-40.2	-34.1	-32.6	-1.7	3.3
Investment income	-3,026.8	-3,583.1	-3,643.3	140.2	134.1	132.6	1.7	20.4
Income on direct investment	-2,766.9	-3,316.6	-3,494.7	128.1	124.1	127.2	5.4	26.3
income on equity	-2,646.4	-3,117.5	-3,294.5	122.5	116.7	119.9	5.7	24.5
reinvested earnings	-2,383.2	-2,898.2	-2,760.0	110.4	108.5	100.4	-4.8	15.8
dividends	-263.2	-219.3	-534.5	12.2	8.2	19.5	143.7	103.1
income on debt (interests)	-120.5	-199.1	-200.2	5.6	7.5	7.3	0.6	66.1
Income on portfolio investment	76.7	386.9	380.7	-3.6	-14.5	-13.9	-1.6	396.3
Income on other investment	-336.6	-653.4	-529.3	15.6	24.5	19.3	-19.0	57.2
Total	-2,159.5	-2,672.2	-2,747.7	100.0	100.0	100.0	2.8	27.2

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
Labour income	1,051.7	1,152.1	1,120.1	39.6	31.9	32.2	-2.8	6.5
Investment income	1,605.2	2,461.4	2,359.6	60.4	68.1	67.8	-4.1	47.0
Income on direct investment	986.3	1,590.2	1,269.3	37.1	44.0	36.5	-20.2	28.7
income on equity	923.3	1,469.9	1,151.0	34.8	40.7	33.1	-21.7	24.7
reinvested earnings	856.5	1,413.4	1,097.1	32.2	39.1	31.5	-22.4	28.1
dividends	66.7	56.4	53.9	2.5	1.6	1.5	-4.4	-19.2
income on debt (interests)	63.0	120.4	118.3	2.4	3.3	3.4	-1.7	87.8
Income on portfolio investment	358.4	602.4	631.8	13.5	16.7	18.2	4.9	76.3
Income on other investment	260.5	268.8	458.4	9.8	7.4	13.2	70.5	76.0
Total	2,656.9	3,613.5	3,479.7	100.0	100.0	100.0	-3.7	31.0

Table 21. Income by groups of countries in the first quarter of 2007

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q1 2007 / Q1 2006		Volume (EEK m)	Share (%)	Change (%), Q1 2007 / Q1 2006
EU-27	3,097.4	89.0	27.7	EU-27	5,405.8	86.8	9.8
Latvia	630.5	18.1	107.6	Sweden	2,047.7	32.9	31.2
Finland	487.4	14.0	-25.7	Finland	1,753.3	28.2	13.0
Lithuania	460.1	13.2	80.9	Netherlands	562.4	9.0	368.9
United Kingdom	363.9	10.5	39.3	United Kingdom	237.4	3.8	-41.7
CIS	148.0	4.3	140.3	CIS	75.8	1.2	-22.7
Russia	150.4	4.3	170.3	Russia	56.4	0.9	-33.3
Belarus	-6.0	-0.2		Ukraine	18.1	0.3	17.5
Other	234.3	6.7	45.4	Other	745.8	12.0	-23.9
USA	131.2	3.8	49.6	USA	514.6	8.3	177.8
offshore regions	27.5	0.8	0.0	offshore regions	101.2	1.6	38.9
Total	3,479.7	100.0	31.0	Total	6,227.4	100.0	29.3

portfolio and other investment (18% and 13%, respectively). Residents received investment income mostly in Latvia and Lithuania (45%) and to a lesser extent in Cyprus, Germany and the United Kingdom. The largest share of residents' investment income (74%) belonged to the investors of financial intermediation. The investors of transport, storage and communications and the public sector earned less (12% and 7%, respectively; see Figure 9).

Income outflow was 6.2 billion kroons, having also increased by nearly a third year-on-year (see Table 22). Approximately 87% of the income earned by non-residents in Estonia belonged to EU residents. Most of income outflow comprised investment income (96%), the rest being labour income. Labour income earned in Estonia increased by a fifth and investment income by nearly a third. In Estonia, mainly Finnish (43%), Swedish (17%), Russian (7%), Ukrainian and German residents earned on labour.

Similarly to residents' investment income earned abroad, direct investment also held the largest share (79%) of non-residents investment income earned in Estonia. Most of that was reinvested earnings (81%).

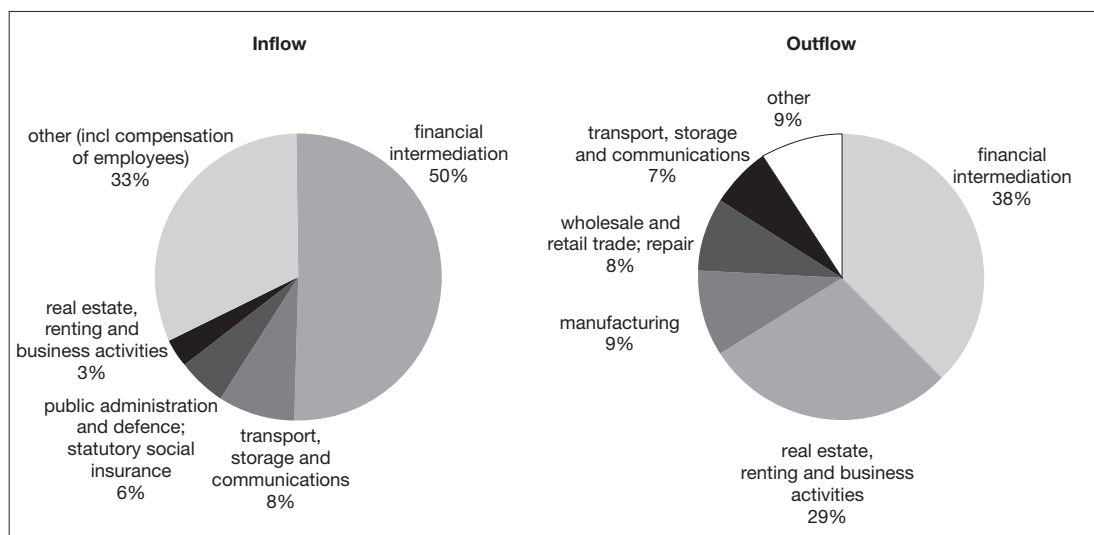


Figure 9. Inflow and outflow of income by fields of activity in the first quarter of 2007

Table 22. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2007 / Q4 2006	Q1 2007 / Q1 2006
Labour income	184.4	241.1	224.5	3.8	3.8	3.6	-6.9	21.7
Investment income	4,632.0	6,044.5	6,002.8	96.2	96.2	96.4	-0.7	29.6
Income on direct investment	3,753.2	4,906.8	4,764.0	77.9	78.1	76.5	-2.9	26.9
income on equity	3,569.7	4,587.4	4,445.5	74.1	73.0	71.4	-3.1	24.5
reinvested earnings	3,239.7	4,311.6	3,857.1	67.3	68.6	61.9	-10.5	19.1
dividends	329.9	275.8	588.4	6.8	4.4	9.4	113.3	78.4
income on debt (interests)	183.5	319.4	318.5	3.8	5.1	5.1	-0.3	73.6
Income on portfolio investment	281.7	215.6	251.1	5.8	3.4	4.0	16.5	-10.9
Income on other investment	597.1	922.2	987.7	12.4	14.7	15.9	7.1	65.4
Total	4,816.4	6,285.7	6,227.4	100.0	100.0	100.0	-0.9	29.3

13% of the investment income earned in Estonia was earned on other investment and 5% on portfolio investment. In Estonia, mostly Swedish and Finnish investors earned on investment (34% and 28%, respectively), and to a lesser extent also Dutch and US investors (both 9%). Non-residents earned income in Estonia primarily on financial intermediation (39%), real estate, renting and business activities (30%), and manufacturing (10%).

Current and capital transfers³

The current transfers account had a somewhat unusual balance in the first quarter of 2007 (as also in the first quarter of 2006) – namely a deficit of 0.2 billion kroons (see Table 23). This resulted from the 13% increase in transfers paid and the volume of transfers received remaining at the previous level. The inflow of current transfers was 1.5 billion kroons. Transfers of other sectors accounted for 60% of that, the rest being government transfers. Government transfers mostly comprised of allocations from the EU structural funds but also VAT, income and social tax receipts from non-residents. 75% of other sectors' transfers originated from EU countries (agricultural subsidies from the European Commission, and receipts from Sweden and Germany). Current transfers totalled 1.7 billion kroons with 57% being government transfers and the rest other sectors' transfers. Almost all government transfers were payments into the EU budget and VAT refunds. The growth of paid current transfers outpaced that of received transfers which can be explained by the more than 20% increase in other sectors' transfers, especially as regards transfers to EU countries (Finland, Germany, Sweden and the United Kingdom).

The surplus on **capital transfers** was 0.4 billion kroons. 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 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007
Current transfers	1,483.5	1,962.3	1,463.0	1,499.7	1,604.4	1,695.2	-16.1	357.9	-232.2
government transfers	565.3	853.9	577.6	897.4	991.6	962.4	-332.1	-137.7	-384.8
EU-27	522.8	778.4	533.6	886.6	967.4	937.0	-363.9	-189.0	-403.4
CIS	17.4	15.6	11.4	1.3	1.5	1.5	16.2	14.1	9.9
other	25.1	59.9	32.5	9.5	22.6	23.9	15.6	37.3	8.6
private transfers	918.3	1,108.4	885.4	602.2	612.8	732.9	316.0	495.6	152.6
EU-27	712.2	783.5	653.3	493.5	490.6	619.6	218.7	292.9	33.7
CIS	106.7	227.8	126.9	52.2	29.5	33.6	54.5	198.3	93.3
other	99.4	97.2	105.2	56.5	92.7	79.7	42.8	4.4	25.5
Capital transfers	412.9	1,142.0	400.1	83.1	2.3	39.3	329.8	1,140.5	360.8
government transfers	161.8	819.6	236.9	0.1	0.1	0.1	161.7	819.5	236.8
private transfers	251.1	323.2	163.2	83.0	2.2	39.2	168.1	321.0	124.0

³ 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).

FINANCIAL ACCOUNT

The surplus on the financial account⁴ was 9.8 billion kroons in the first quarter of 2007, having increased by a third quarter-on-quarter. Foreign capital inflow occurred in the form of direct and other investment.

Figures 10 and 11 show the structure of the financial account by categories and maturities.

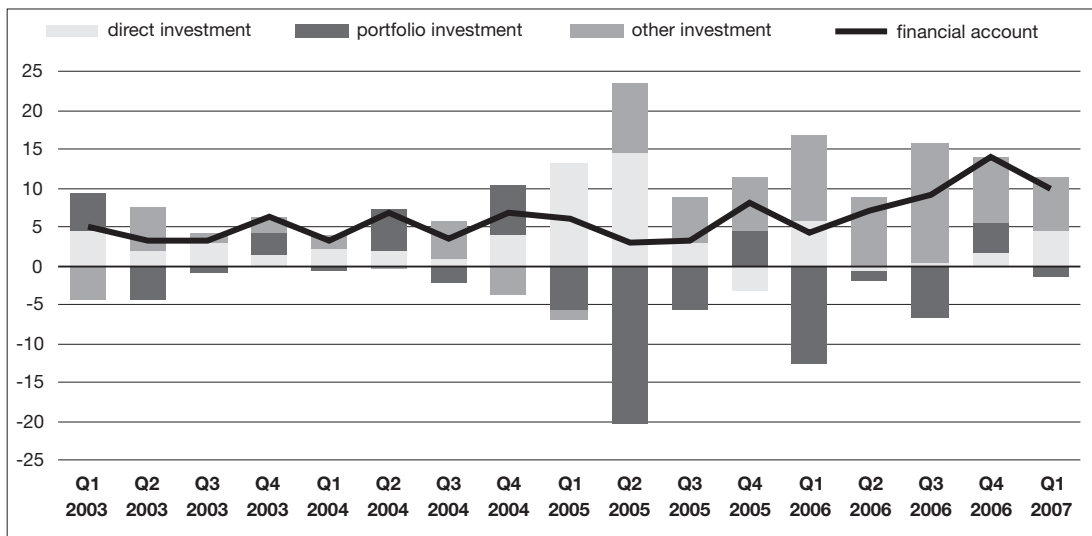


Figure 10. Changes in the structure of foreign investment capital flows (EEK bn)

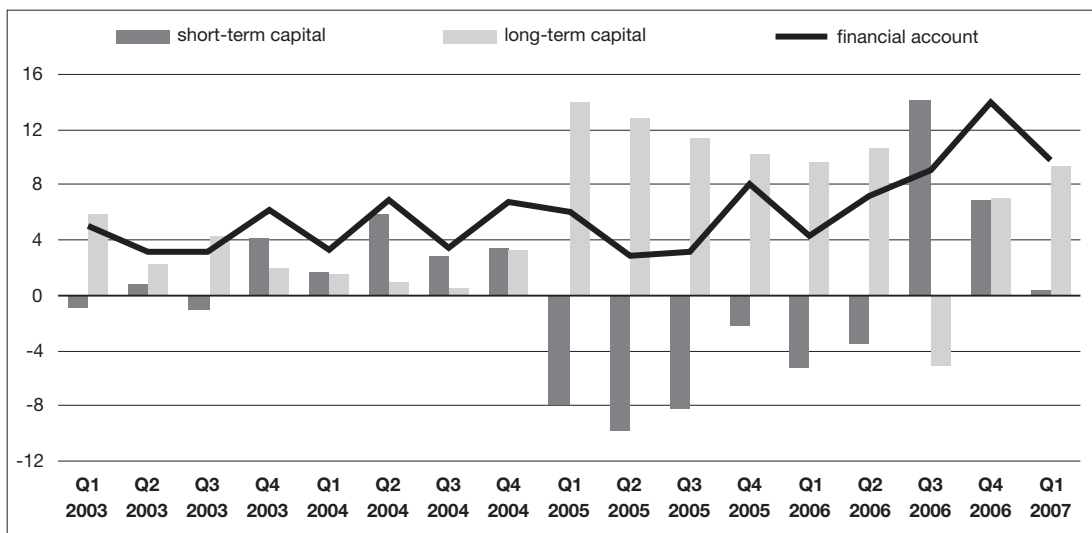


Figure 11. Maturity structure of the financial account (EEK bn)

⁴ Without reserve assets.

Direct investment

The surplus on direct investment totalled 4.4 billion kroons in the first quarter of 2007, accounting for 43% of the financial account surplus. Non-residents invested 7.8 billion kroons in Estonia and Estonian residents' direct investment abroad grew by 3.4 billion kroons (see Figure 12).

The inflow of **direct investment in Estonia** remained at the level of the first quarter of 2006. Quarter-on-quarter, growth almost doubled. The inflow consisted primarily of reinvested earnings (49%) and other direct investment liabilities (46%). Equity capital investment accounted for only 10% of total direct investment inflow. Highest incomes were earned in real estate, renting and business services (1.6 billion kroons) and financial intermediation (1.1 billion kroons). Other direct investment capital grew as much as in the first quarter of 2006. The balance of long- and short-term loan liabilities more than doubled quarter-on-quarter. Long-term loan liabilities grew significantly – the net outflow reached 3.4 billion kroons, with 2.1 billion kroons accounting for the subordinated debt of credit institutions (see Tables 24 and 25).

Swedish investors made nearly a half and Finnish investors 23% of direct investment. Since the net inflow of the trade credit liabilities of companies doing business with Russia was negative, also the balance of direct investment with Russia turned out negative. Direct investment in financial intermediation (43%), real estate, renting and business activities (37%), and wholesale and retail trade (14%) increased the most. The investors of EU countries invested 8.2 billion kroons (see Figure 14 and Table 26).

Direct investment abroad increased by 50% quarter-on-quarter. Equity capital investment formed 36%, other capital claims 38% and retained earnings 32% of the outflow of long-term investment. The long-term loan liabilities of subsidiaries and affiliated companies increased by 0.9 billion kroons, whereas loans granted by companies engaged in real estate, renting and business activities comprised a third of that (see Tables 27 and 28).

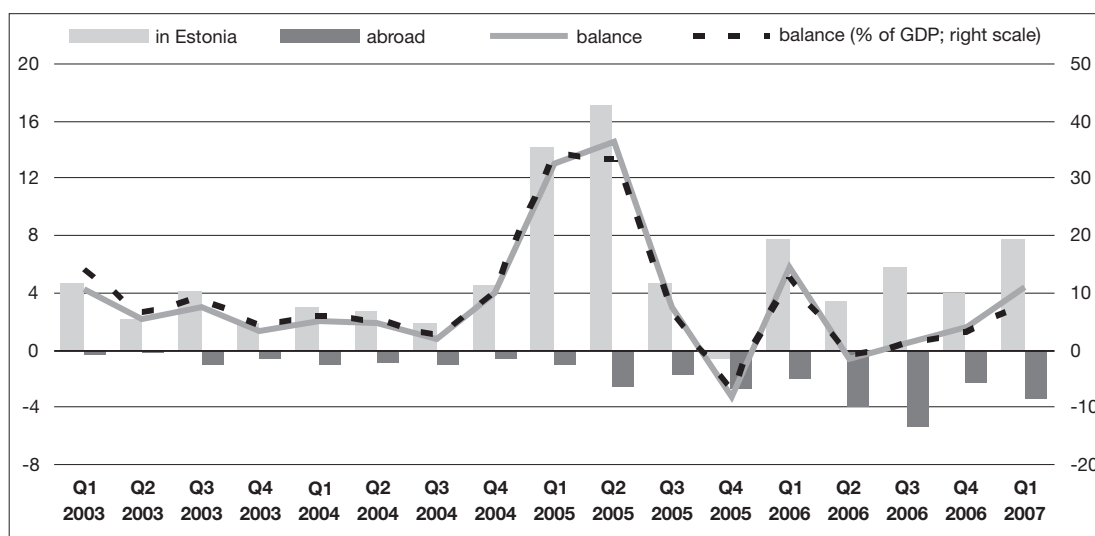


Figure 12. Direct investment (EEK bn)

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 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
2003 total	5,329.9	41.4	6,406.7	49.8	-1,334.0	-10.4	2,462.7	19.1	12,865.3	100.0
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	38.2	2,075.9	113.9	-729.9	-40.0	-219.0	-12.0	1,822.7	100.0
Q4 2004	1,198.5	26.3	3,642.5	79.8	733.4	16.1	-1,010.3	-22.1	4,564.2	100.0
2004 total	4,638.6	38.2	7,982.1	65.8	-1,454.0	-12.0	961.5	7.9	12,128.1	100.0
Q1 2005	12,634.1	89.4	2,181.9	15.4	-875.4	-6.2	191.6	1.4	14,132.2	100.0
Q2 2005	15,099.2	88.4	1,257.7	7.4	-450.3	-2.6	1,166.3	6.8	17,072.9	100.0
Q3 2005	306.5	6.6	2,913.5	63.1	-679.5	-14.7	2,080.2	45.0	4,620.8	100.0
Q4 2005	-80.6	14.6	1,858.4	-337.4	-8.9	1.6	-2,319.8	421.2	-550.8	100.0
2005 total	27,959.3	79.3	8,211.5	23.3	-2,014.0	-5.7	1,118.3	3.2	35,275.1	100.0
Q1 2006	1,146.6	14.7	3,239.7	41.6	-431.2	-5.5	3,833.0	49.2	7,788.2	100.0
Q2 2006	291.8	8.6	2,837.2	84.1	-877.4	-26.0	1,122.8	33.3	3,374.4	100.0
Q3 2006	821.7	14.1	3,867.5	66.3	-680.4	-11.7	1,825.7	31.3	5,834.4	100.0
Q4 2006	43.0	1.1	4,311.6	108.2	-2,476.6	-62.2	2,106.7	52.9	3,984.8	100.0
2006 total	2,303.2	11.0	14,256.0	67.9	-4,465.5	-21.3	8,888.2	42.4	20,981.8	100.0
Q1 2007	774.0	9.9	3,857.1	49.4	-405.9	-5.2	3,579.3	45.9	7,804.5	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
2003 total	408.4	246.3	1,010.7	498.7	5,155.6	2,667.1	3,020.9	3,726.9
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
2004 total	492.7	371.2	1,774.1	862.1	4,601.5	4,882.2	3,091.7	2,197.2
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	688.3	340.1	2,854.9	1,160.5	1,363.2	1,198.3
Q4 2005	409.1	143.0	797.5	553.5	2,239.7	2,581.7	951.1	1,422.9
2005 total	1,274.3	502.5	2,290.6	1,413.4	7,889.0	6,972.1	5,012.7	4,628.4
Q1 2006	410.8	85.2	690.9	674.5	5,276.3	967.8	432.9	906.1
Q2 2006	473.5	93.1	653.4	601.4	2,203.0	1,616.0	714.0	842.1
Q3 2006	317.8	62.8	709.6	458.2	3,345.3	1,518.4	1,160.3	1,021.7
Q4 2006	919.5	368.8	1,669.8	855.2	2,332.5	2,045.2	1,808.0	621.4
2006 total	2,121.6	609.9	3,723.7	2,589.2	13,157.0	6,147.4	4,115.2	3,391.2
Q1 2007	721.1	160.1	1,006.6	1,347.4	5,513.6	2,079.7	1,128.1	905.4

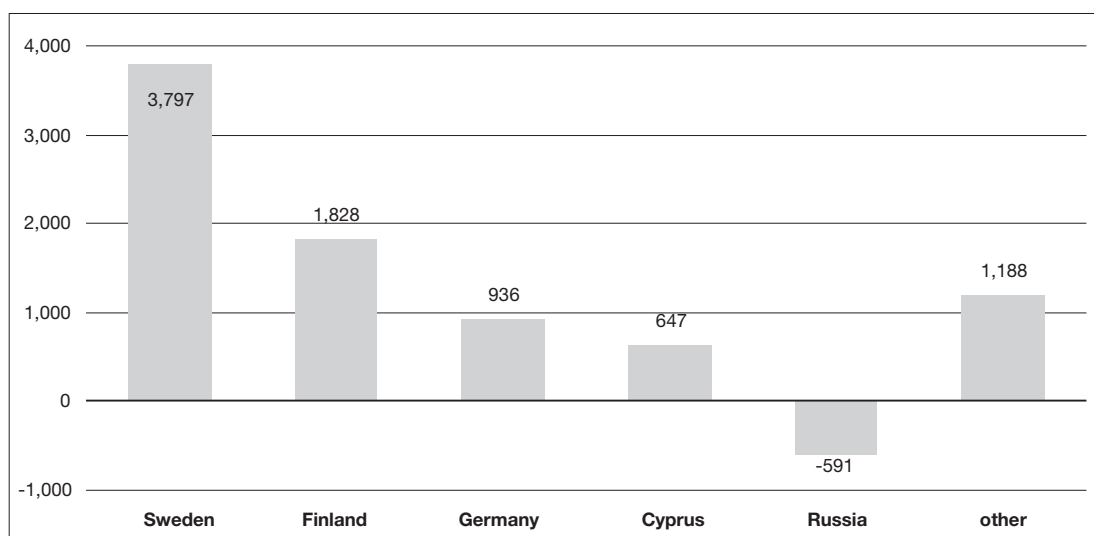


Figure 13. Direct investment in Estonia by countries in the first quarter of 2007 (EEK m)

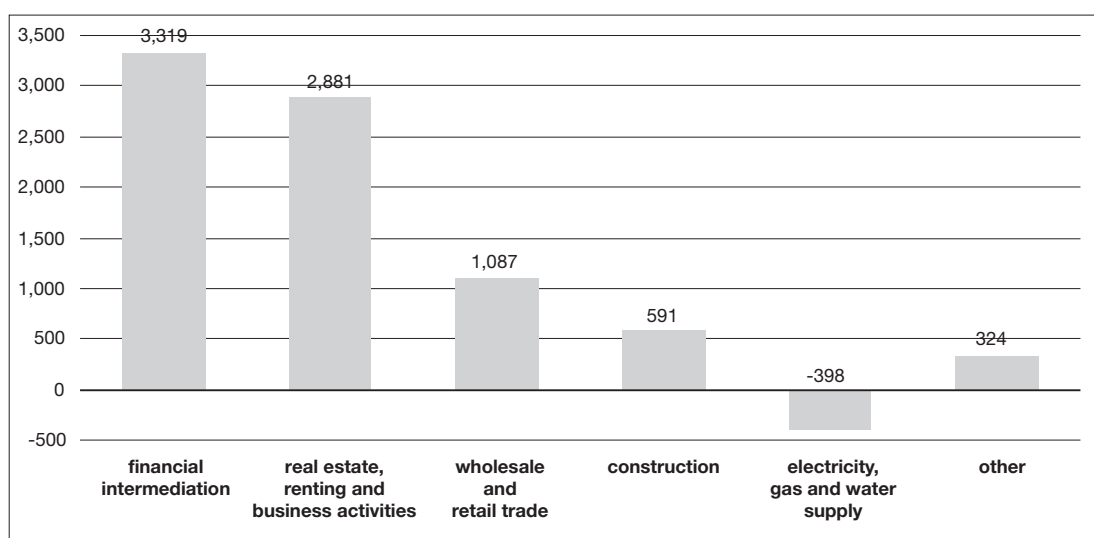


Figure 14. Direct investment in Estonia by fields of activities in the first quarter of 2007 (EEK m)

Table 26. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q4 2006	Q1 2007	Q4 2006	Q1 2007	Q1 2007 / Q4 2006
EU-27	4,607.1	8,231.8	115.6	105.5	78.7
CIS	1,049.7	-510.0	26.3	-6.5	-148.6
Other	-1,672.0	82.7	-42.0	1.1	-104.9
Total	3,984.8	7,804.5	100.0	100.0	95.9

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 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
2003 total	-1,060.0	49.3	-741.4	34.5	-645.8	30.0	297.9	-13.9	-2,149.2	100.0
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
2004 total	-2,175.2	64.2	-919.6	27.1	-434.2	12.8	140.3	-4.1	-3,388.6	100.0
Q1 2005	-423.5	41.2	-361.8	35.2	-206.0	20.0	-37.2	3.6	-1,028.5	100.0
Q2 2005	-2,570.5	100.5	351.1	-13.7	-457.8	17.9	118.9	-4.6	-2,558.3	100.0
Q3 2005	-441.4	26.4	-1,306.7	78.2	-88.7	5.3	165.6	-9.9	-1,671.2	100.0
Q4 2005	-1,719.9	64.1	-617.3	23.0	-389.1	14.5	44.7	-1.7	-2,681.5	100.0
2005 total	-5,155.3	64.9	-1,934.7	24.4	-1,141.6	14.4	292.0	-3.7	-7,939.6	100.0
Q1 2006	-366.6	17.9	-856.5	41.8	-855.3	41.7	27.6	-1.3	-2,050.9	100.0
Q2 2006	-2,071.9	52.0	-1,088.6	27.3	-1,059.6	26.6	238.1	-6.0	-3,982.1	100.0
Q3 2006	-2,897.8	54.4	-1,412.5	26.5	-1,386.2	26.0	373.0	-7.0	-5,323.5	100.0
Q4 2006	-540.6	23.0	-1,413.4	60.1	-518.3	22.0	121.6	-5.2	-2,350.7	100.0
2006 total	-5,876.9	42.9	-4,771.1	34.8	-3,819.4	27.9	760.3	-5.5	-13,707.1	100.0
Q1 2007	-1,221.7	35.5	-1,097.1	31.9	-1,312.4	38.2	192.0	-5.6	-3,439.2	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
Q1 2003	244.9	62.1	54.7	107.5	1.3	1.2	8.4	5.8
Q2 2003	233.3	73.8	131.7	78.4	1.5	0	38.4	22.1
Q3 2003	220.0	102.1	103.3	229.1	0.5	4.6	0.2	49.1
Q4 2003	408.9	478.6	182.4	88.8	0.8	5.8	37.3	21.7
2003 total	1,107.1	716.6	472.1	503.8	4.0	11.6	84.2	98.8
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
2004 total	934.9	1,232.5	952.4	368.9	17.9	61.3	27.9	37.1
Q1 2005	239.7	303.9	220.2	82.3	30.5	4.7	1.4	0.9
Q2 2005	378.6	195.8	649.7	312.3	29.7	2.5	2.2	7.9
Q3 2005	582.3	659.5	516.6	387.0	44.3	13.2	58.9	0.5
Q4 2005	941.2	329.5	324.0	325.8	5.2	40.4	42.4	15.6
2005 total	2,141.8	1,488.6	1,710.6	1,107.4	109.6	60.7	104.9	25.0
Q1 2006	767.4	500.5	329.0	482.7	78.8	20.4	2.1	0.4
Q2 2006	864.3	269.5	340.9	523.4	0.6	51.4	2.9	0.4
Q3 2006	2,431.7	527.2	276.8	267.1	20.3	20.5	9.4	4.0
Q4 2006	1,331.8	1,074.9	598.9	352.9	18.9	20.3	132.6	15.7
2006 total	5,395.2	2,372.1	1,545.6	1,626.1	118.6	112.7	147.0	20.5
Q1 2007	1,036.4	126.0	234.2	284.0	13.9	24.5	84.9	30.0

Investment in the Baltic States grew the most: by 36% in Latvia and by 26% in Lithuania (see Figure 15). Direct investment abroad were increased the most by companies engaged in financial intermediation (33%), real estate, renting and business activities (32%), transport, storage and communications (13%) and wholesale and retail trade (13%). 81% of the investment outflow was channelled to the EU and 13% to the CIS (see Figure 16 and Table 29).

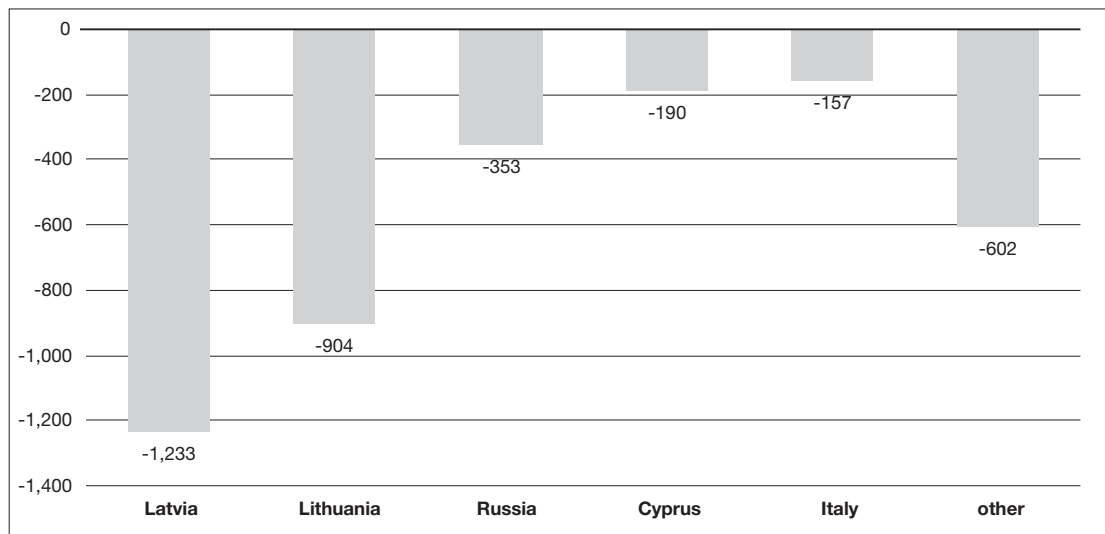


Figure 15. Direct investment abroad by countries in the first quarter of 2007 (EEK m)

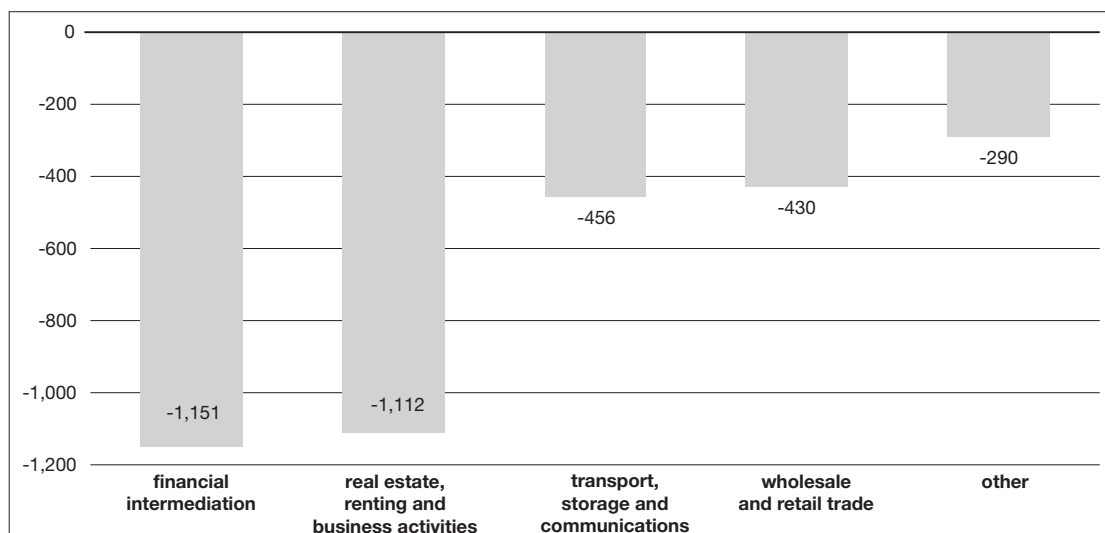


Figure 16. Direct investment abroad by fields of activity in the first quarter of 2007 (EEK m)

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q4 2006	Q1 2007	Q4 2006	Q1 2007	Q1 2007 / Q4 2006
EU-27	-2,152.6	-2,779.5	91.6	80.8	29.1
CIS	-293.5	-463.1	12.5	13.5	57.8
Other	95.4	-196.6	-4.1	5.7	-306.1
Total	-2,350.7	-3,439.2	100.0	100.0	46.3

Portfolio investment

The net outflow of portfolio investment was 1.5 billion kroons in the first quarter of 2007. Above all, this stemmed from the decrease in the portfolio investment liabilities of credit institutions as well as general government's and credit institutions' investments in debt securities (see Figure 17 and Table 30).

Portfolio investment liabilities increased by 1.6 billion kroons in the first quarter of 2007. Equity security liabilities increased by 2.3 billion kroons, whereas debt security liabilities decreased by 709 million kroons (see Table 31). Liabilities grew mainly owing to the rise in the equity security liabilities of enterprises in other sectors. By countries, portfolio investment liabilities to Finland increased the most, followed by Latvia, the Netherlands, Austria and Lithuania (see Table 32 and Figure 18).

Portfolio investment assets gained 3 billion kroons in the first quarter of 2007. Equity security assets increased by 2.2 billion kroons and debt security assets by 866 million kroons (see Table 33). The most investment in equity securities issued by non-residents was made by enterprises in other sectors, investing

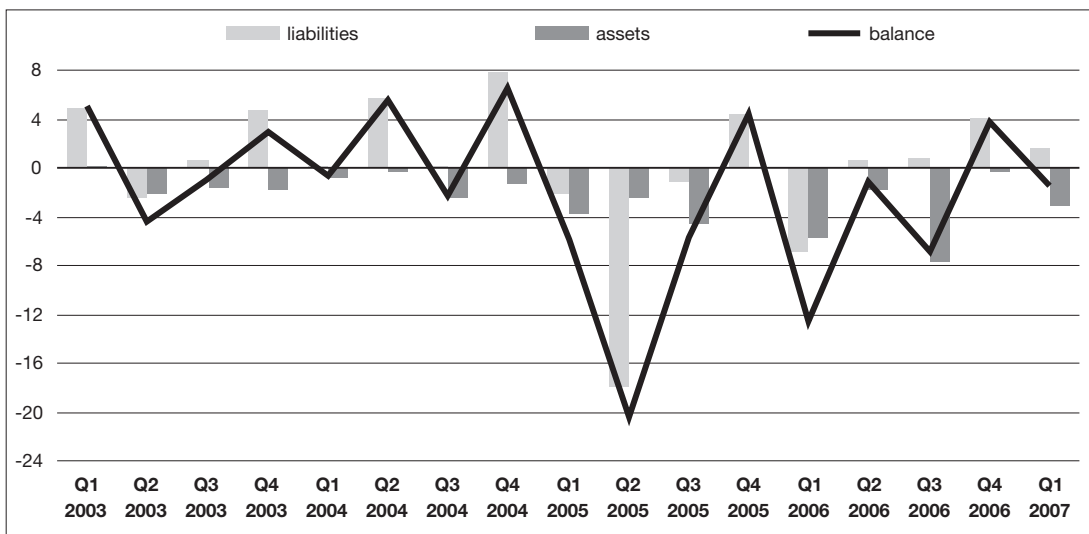


Figure 17. Portfolio investment (EEK bn)

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

	Assets			Liabilities			Balance		
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007
Equity securities	-1,231.6	-1,607.6	-2,177.5	-498.4	2,897.7	2,274.3	-1,730.0	1,290.1	96.8
central bank									
general government	-8.0	34.6	2.9				-8.0	34.6	2.9
credit institutions	-20.8	-49.0	63.7		22.9	19.1	-20.8	-26.1	82.8
other sectors	-1,202.8	-1,593.2	-2,244.1	-498.5	2,874.9	2,255.3	-1,701.3	1,281.7	11.2
Debt securities	-4,534.9	1,263.1	-865.5	-6,355.5	1,230.7	-708.6	-10,890.4	2,493.8	-1,574.1
central bank									
general government	-2,874.3	1,566.1	-545.8	22.3	881.2	31.0	-2,852.0	2,447.3	-514.8
credit institutions	-1,096.2	10.3	-241.2	-5,691.3	134.6	-1,197.7	-6,787.5	144.9	-1,438.9
other sectors	-564.3	-313.4	-78.3	-686.7	214.9	458.1	-1,251.0	-98.5	379.8
Total	-5,766.4	-344.4	-3,043.0	-6,854.0	4,128.5	1,565.8	-12,620.4	3,784.1	-1,477.2

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 2003	83.9	1.7	4,763.5	98.3	4,847.5	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
2003 total	1,526.9	19.6	6,256.2	80.4	7,783.2	100.0
Q1 2004	147.3	169.9	-60.5	-69.8	86.7	100.0
Q2 2004	459.6	8.0	5,293.4	92.0	5,753.1	100.0
Q3 2004	706.9	340.0	-499.0	-240.0	207.9	100.0
Q4 2004	891.4	11.4	6,939.1	88.6	7,830.4	100.0
2004 total	2,205.2	15.9	11,673.0	84.1	13,878.1	100.0
Q1 2005	-9,946.1	467.3	7,817.8	-367.3	-2,128.4	100.0
Q2 2005	-9,640.0	53.5	-8,372.9	46.5	-18,013.0	100.0
Q3 2005	483.6	-44.8	-1,564.2	144.8	-1,080.6	100.0
Q4 2005	2,750.3	63.4	1,587.3	36.6	4,337.7	100.0
2005 total	-16,352.2	96.8	-532.0	3.2	-16,884.3	100.0
Q1 2006	-498.4	7.3	-6,355.5	92.7	-6,854.0	100.0
Q2 2006	499.6	79.7	127.2	20.3	626.7	100.0
Q3 2006	839.2	100.0	-0.3	-0.0	839.0	100.0
Q4 2006	2,897.7	70.2	1,230.7	29.8	4,128.5	100.0
2006 total	3,738.1	-296.7	-4,997.9	396.7	-1,259.8	100.0
Q1 2007	2,274.3	145.2	-708.6	-45.3	1,565.8	100.0

Table 32. Structure of portfolio investment by groups of countries in the first quarter of 2007

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-2,578.5	1,373.4	84.7	87.7
CIS	-290.6	16.6	9.5	1.1
Other	-173.9	175.8	5.7	11.2
Total	-3,043.0	1,565.8	100.0	100.0

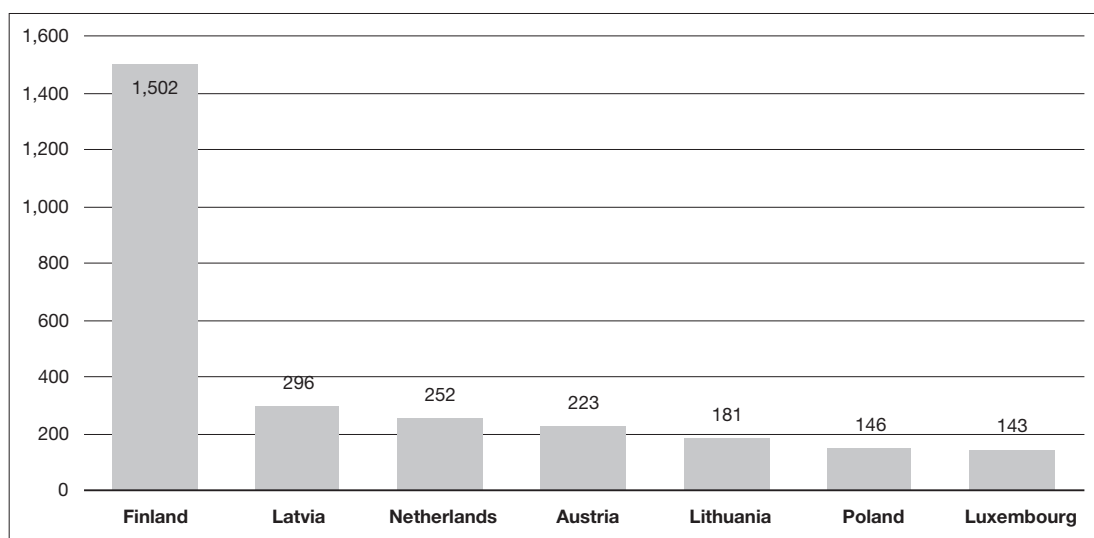


Figure 18. Increase in portfolio investment liabilities by countries in the first quarter of 2007 (EEK m)

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 2003	-124.5	-65.6	314.2	165.6	189.7	100.0
Q2 2003	-263.4	12.7	-1,811.4	87.3	-2,074.7	100.0
Q3 2003	-199.0	12.3	-1,424.9	87.7	-1,623.9	100.0
Q4 2003	-442.0	24.0	-1,400.6	76.0	-1,842.6	100.0
2003 total	-1,028.9	19.2	-4,322.7	80.8	-5,351.5	100.0
Q1 2004	-441.6	57.7	-324.1	42.3	-765.6	100.0
Q2 2004	-565.5	201.5	284.8	-101.5	-280.6	100.0
Q3 2004	-544.6	22.3	-1,898.4	77.7	-2,443.1	100.0
Q4 2004	-1,341.8	98.5	-19.9	1.5	-1,361.7	100.0
2004 total	-2,893.5	59.6	-1,957.6	40.4	-4,851.0	100.0
Q1 2005	-1,373.5	37.4	-2,302.0	62.6	-3,675.5	100.0
Q2 2005	-1,243.1	50.8	-1,206.2	49.2	-2,449.3	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
2005 total	-4,848.9	45.4	-5,826.0	54.6	-10,674.9	100.0
Q1 2006	-1,231.6	21.4	-4,534.9	78.6	-5,766.4	100.0
Q2 2006	-1,059.8	57.7	-775.7	42.3	-1,835.5	100.0
Q3 2006	-685.1	9.0	-6,938.6	91.0	-7,623.6	100.0
Q4 2006	-1,607.6	466.8	1,263.1	-366.8	-344.4	100.0
2006 total	-4,584.1	29.4	-10,986.1	70.6	-15,569.9	100.0
Q1 2007	-2,177.5	71.6	-865.5	28.4	-3,043.0	100.0

2.2 billion kroons in total. The general government invested 546 million kroons and credit institutions 241 million kroons in debt securities. By countries, Estonian residents mainly invested in France, Luxembourg, Austria, the Netherlands and Denmark (see Figure 19).

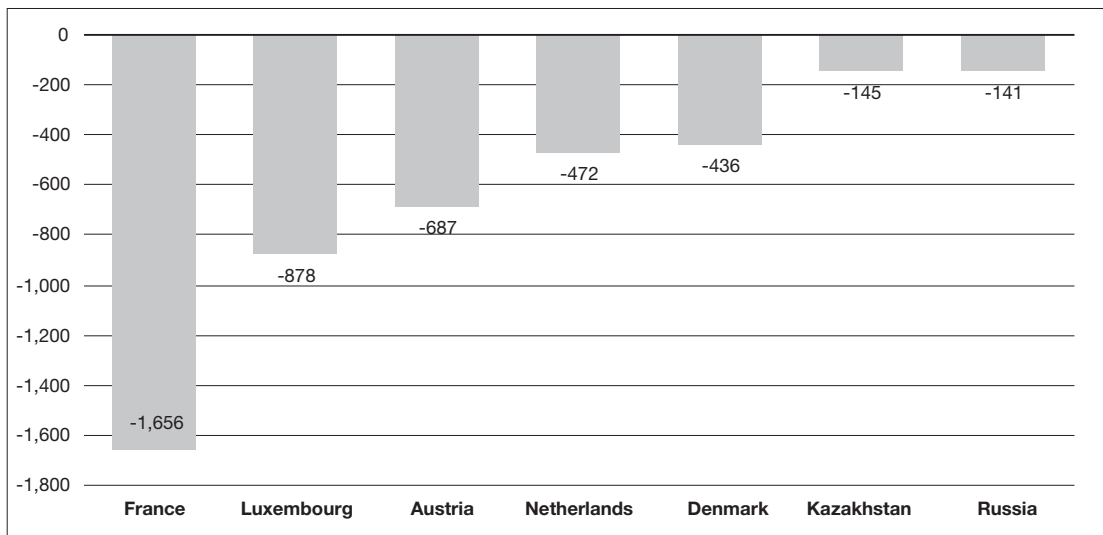


Figure 19. Increase in portfolio investment assets by countries in the first quarter of 2007 (EEK m)

Other investment

The net inflow of other investment reached 7.1 billion kroons in the first quarter. This resulted from the increase in non-residents' deposits in Estonian credit institutions and the rise in the loan liabilities of credit institutions (see Figure 20 and Table 34).

Other investment liabilities grew by 12.4 billion kroons (see Table 35). Loan liabilities experienced the strongest growth (by 8 billion kroons), followed by deposits (4.4 billion kroons) and other capital liabilities

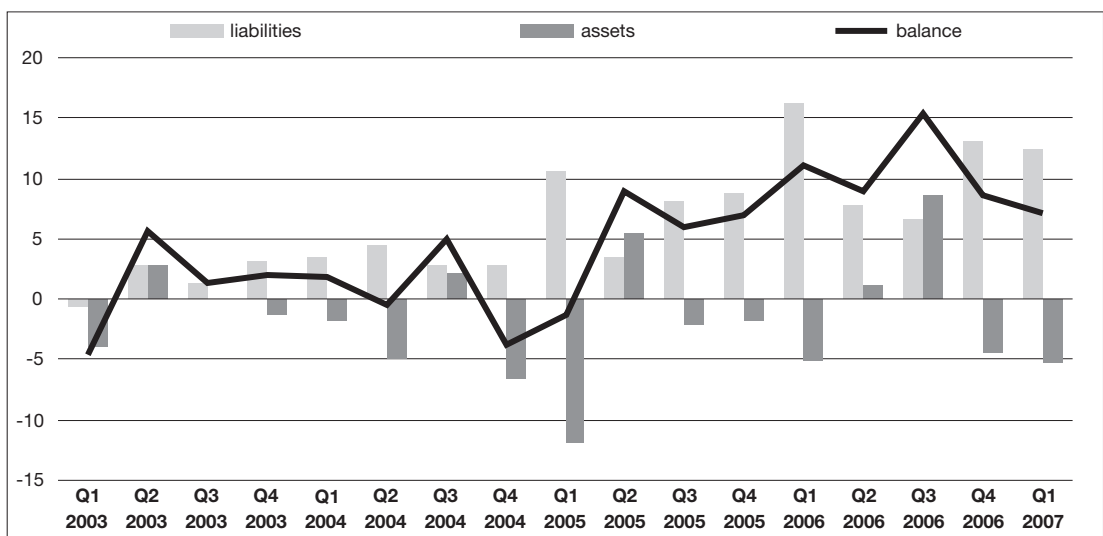


Figure 20. Other investment (EEK bn)

Table 34. Other investment by maturity (EEK m)

	Assets			Liabilities			Balance		
	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007
Long-term capital	-804.8	-532.7	-586.5	4,667.5	5,955.4	5,618.7	3,862.7	5,422.7	5,032.2
central bank	0.2	0.0	0.1						
general government	-15.9	0.0	-56.5	-39.3	0.3	31.5	-55.2	0.3	-25.0
credit institutions	-553.6	-719.6	-336.2	4,052.6	5,665.8	4,662.4	3,499.0	4,946.2	4,326.2
other sectors	-235.5	186.9	-193.9	654.2	289.3	924.8	418.7	476.2	730.9
Short-term capital	-4,241.5	-3,877.7	-4,691.9	11,497.3	7,055.4	6,757.6	7,255.8	3,177.7	2,065.7
central bank				52.5	350.0	1,250.7	52.5	350.0	1,250.7
general government	448.6	22.9	-152.1	-206.6	-363.5	0.0			
credit institutions	-3,392.1	-1,890.5	4.4	12,007.3	6,406.7	5,217.4	8,615.2	4,516.2	5,221.8
other sectors	-1,298.0	-2,010.1	-4,544.2	-355.9	662.2	289.5	-1,653.9	-1,347.9	-4,254.7
Total	-5,046.5	-4,410.3	-5,278.5	16,164.9	13,010.8	12,376.2	11,118.4	8,600.5	7,097.7

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 2003	44.5	-7.2	201.0	-32.4	-305.6	49.2	-560.9	90.3	-620.9	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	1,282.8	100.0
Q4 2003	21.0	0.7	703.7	22.0	2,453.8	76.7	22.8	0.7	3,201.2	100.0
2003 total	-115.7	-1.7	3,219.6	47.8	4,587.9	68.2	-960.3	-14.3	6,731.4	100.0
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	2,797.8	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
2004 total	625.2	4.6	4,564.6	33.3	8,804.7	64.2	-279.4	-2.0	13,715.2	100.0
Q1 2005	617.1	5.8	5,172.6	48.9	1,326.0	12.5	3,452.5	32.7	10,568.3	100.0
Q2 2005	1,103.9	32.1	1,515.1	44.0	2,694.0	78.3	-1,873.2	-54.5	3,439.8	100.0
Q3 2005	753.0	9.3	13,601.0	167.4	-5,790.8	-71.3	-440.5	-5.4	8,122.8	100.0
Q4 2005	-840.6	-9.6	4,385.2	49.9	4,724.1	53.8	512.8	5.8	8,781.6	100.0
2005 total	1,633.4	5.3	24,673.9	79.8	2,953.3	9.6	1,651.6	5.3	30,912.5	100.0
Q1 2006	-416.2	-2.6	9,328.6	57.7	5,605.6	34.7	1,646.9	10.2	16,164.9	100.0
Q2 2006	1,366.4	17.5	2,131.6	27.3	5,183.6	66.3	-868.7	-11.1	7,812.9	100.0
Q3 2006	1,734.6	25.9	383.9	5.7	5,022.7	74.9	-434.7	-6.5	6,706.5	100.0
Q4 2006	522.2	4.0	7,488.1	57.6	5,269.2	40.5	-268.8	-2.1	13,010.8	100.0
2006 total	3,207.0	7.3	19,332.2	44.2	21,081.1	48.2	74.7	0.2	43,695.1	100.0
Q1 2007	-555.2	-4.5	7,987.2	64.5	4,355.5	35.2	588.7	4.8	12,376.2	100.0

(589 million kroons). Trade credit liabilities decreased by 555 million kroons. The long-term loan liabilities of credit institutions grew by 4.7 billion and currency and deposits by 4.4 billion kroons. By countries, other investment liabilities to Sweden, Finland and the United Kingdom increased the most (see Figure 21 and Table 36).

Other investment assets rose by 5.3 billion kroons in the first quarter of 2007 (see Table 37). To the most extent, this resulted from a 3.2 billion kroon increase in deposit assets. Loan and trade credit assets

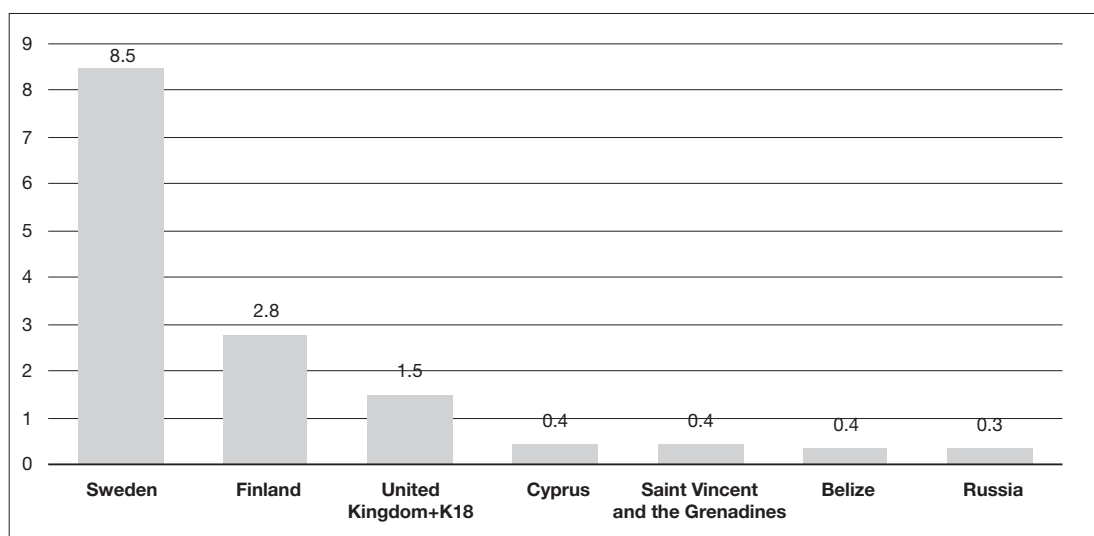


Figure 21. Increase in other investment liabilities by countries in the first quarter of 2007 (EEK m)

Table 36. Structure of other investment by groups of countries in the first quarter of 2007

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-3,855.7	12,960.8	73.0	104.7
CIS	-1,337.3	416.3	25.3	3.4
Other	-85.5	-1,000.9	1.6	-8.1
Total	-5,278.5	12,376.2	100.0	100.0

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 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	-27.0	2,349.2	82.7	1,353.3	47.6	-96.5	-3.4	2,840.4	100.0
Q3 2003	-31.6	-222.5	1,962.6	13,821.1	-612.6	-4,314.1	-1,304.3	-9,185.2	14.2	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
2003 total	-1,028.2	45.0	-3,520.4	154.1	2,209.4	-96.7	54.6	-2.4	-2,284.6	100.0
Q1 2004	-161.9	9.2	-1,010.0	57.3	-374.9	21.3	-217.0	12.3	-1,763.9	100.0
Q2 2004	-571.9	11.6	-2,436.1	49.5	-490.6	10.0	-1,419.8	28.9	-4,918.3	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	-6,649.6	100.0
2004 total	-1,032.0	9.2	-8,455.6	75.7	-1,545.1	13.8	-136.2	1.2	-11,168.8	100.0
Q1 2005	-832.8	7.0	-2,862.2	24.0	-3,745.7	31.4	-4,474.2	37.6	-11,914.9	100.0
Q2 2005	-757.4	-13.8	-3,418.4	-62.1	5,668.6	103.0	4,013.0	72.9	5,505.8	100.0
Q3 2005	-1,488.3	70.8	1,405.9	-66.9	-2,145.3	102.0	125.2	-6.0	-2,102.5	100.0
Q4 2005	1,121.4	-60.2	9,023.1	-484.6	-12,029.1	646.1	22.7	-1.2	-1,861.8	100.0
2005 total	-1,957.1	18.9	4,148.4	-40.0	-12,251.5	118.1	-313.3	3.0	-10,373.4	100.0
Q1 2006	-369.5	7.3	-2,328.7	46.1	-1,905.9	37.8	-442.4	8.8	-5,046.5	100.0
Q2 2006	-1,894.3	-168.1	1,771.7	157.2	1,273.7	113.0	-23.8	-2.1	1,127.2	100.0
Q3 2006	-287.0	-3.3	-586.2	-6.8	9,499.7	109.6	37.6	0.4	8,664.1	100.0
Q4 2006	-965.2	21.9	-1,327.7	30.1	-2,562.8	58.1	445.4	-10.1	-4,410.3	100.0
2006 total	-3,516.0	-1,051.1	-2,470.9	-738.7	6,304.7	1,884.8	16.8	5.0	334.5	100.0
Q1 2007	-867.9	16.4	-945.2	17.9	-3,200.0	60.6	-265.5	5.0	-5,278.5	100.0

grew by 945 and 868 million kroons, respectively. By countries, investment in the United Kingdom picked up the most, followed by Russia and Finland (see Figure 22). Table 38 provides a more detailed overview of loan capital assets and liabilities.

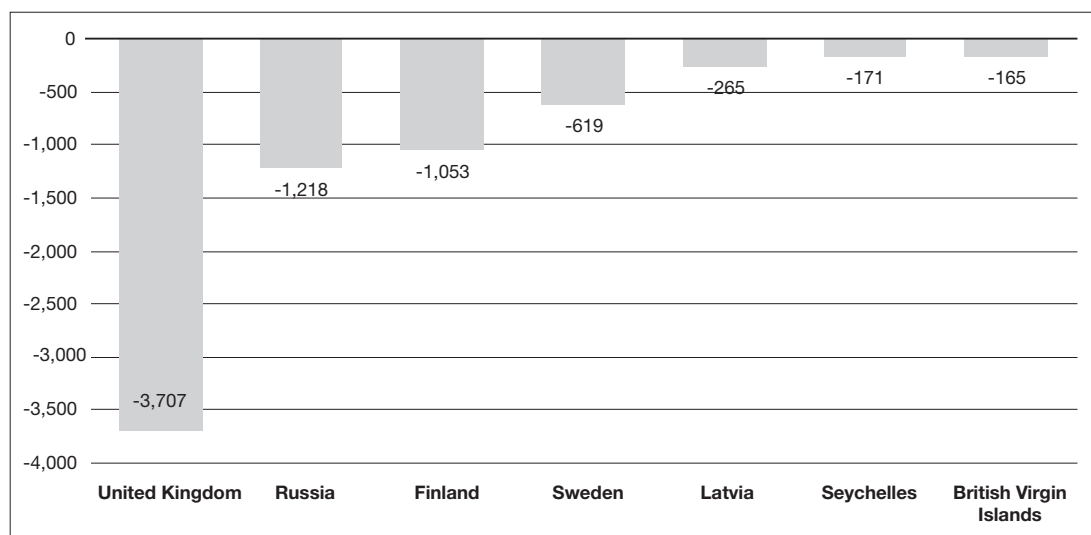


Figure 22. Increase in other investment assets by countries in the first quarter of 2007 (EEK m)

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	1,162.6
Q3 2003	-9,902.8	11,865.4	1,962.6	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
2003 total	-34,919.2	31,398.8	-3,520.4	30,076.6	-26,857.1	3,219.6
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	-2,436.1	10,151.5	-10,118.9	32.5
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
2004 total	-29,782.6	21,327.1	-8,455.6	45,446.8	-40,882.1	4,564.6
Q1 2005	-13,043.5	10,181.3	-2,862.2	16,454.1	-11,281.6	5,172.6
Q2 2005	-6,872.6	3,454.2	-3,418.4	23,181.1	-21,666.0	1,515.1
Q3 2005	-19,205.2	20,611.1	1,405.9	40,909.3	-27,308.3	13,601.0
Q4 2005	-38,435.7	47,458.8	9,023.1	44,892.6	-40,507.4	4,385.2
2005 total	-77,557.0	81,705.4	4,148.4	125,437.1	-100,763.3	24,673.9
Q1 2006	-24,363.2	22,034.6	-2,328.7	40,351.8	-31,023.2	9,328.6
Q2 2006	-5,514.4	7,286.1	1,771.7	38,396.8	-36,265.2	2,131.6
Q3 2006	-4,069.2	3,483.0	-586.2	41,859.0	-41,475.0	383.9
Q4 2006	-42,000.5	40,672.9	-1,327.7	62,259.6	-54,771.5	7,488.1
2006 total	-75,947.3	73,476.6	-2,470.9	182,867.2	-163,534.9	19,332.2
Q1 2007	-53,260.7	52,315.5	-945.2	72,413.5	-64,426.2	7,987.2

Reserve assets

The balance of payments reserves decreased by 733 billion kroons in the first quarter of 2007 (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 2006	Q4 2006	Q1 2007	Q1 2006	Q4 2006	Q1 2007
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,199.7	-870.5	1,141.1	94.1	23.0	155.6
Securities	75.7	-2,913.4	-406.1	5.9	77.0	-55.4
equity securities				0.0	0.0	0.0
bonds and notes	404.8	-592.5	-1,921.1	31.8	15.7	-262.0
money market instruments	-329.1	-2,320.9	1,515.0	-25.8	61.3	206.6
Financial derivatives		-1.0	0.1	0.0	0.0	0.0
Other assets	-1.1	0.6	-1.8	-0.1	-0.0	-0.2
Total	1,274.3	-3,784.3	733.3	100.0	100.0	100.0

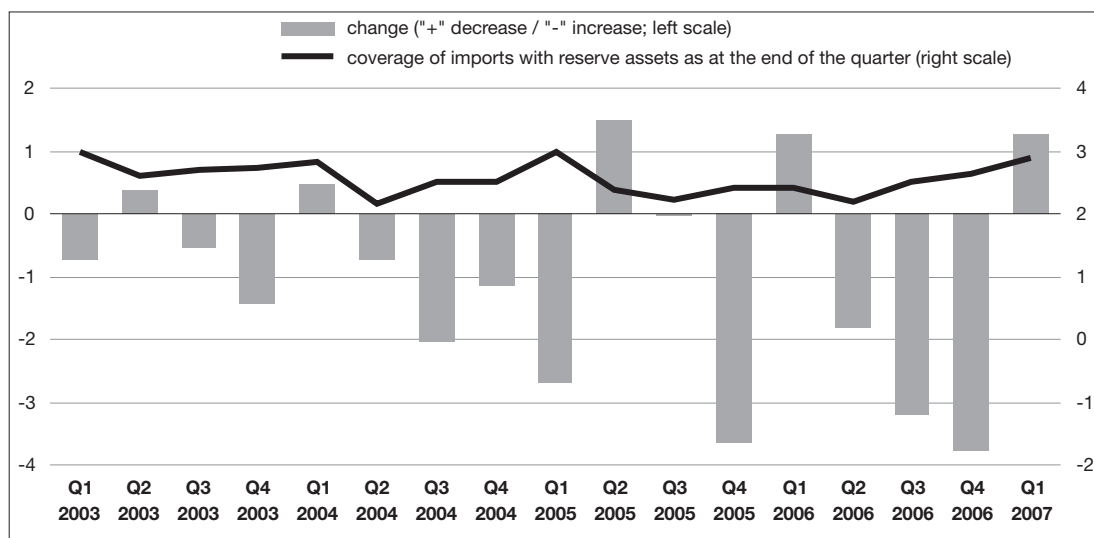


Figure 23. Changes in Estonia's gold and foreign exchange reserves (EEK bn) and coverage of goods imports without further processing (by months)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT⁵ as at 31 March 2007

During the first quarter of 2007, foreign investment into Estonia increased by 5% and amounted to 352 billion kroons at the end of the quarter (see Table 40). Nearly 53% thereof was invested in financial intermediation, 16% in real estate, renting and business activities, and to a lesser extent also in manufacturing, and wholesale and retail trade (see Table 41). Most of investment in Estonia came from Sweden (37%), Finland (23%), and the United Kingdom (9%).

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

	31/12/2006	%	31/03/2007	%
EXTERNAL ASSETS	184,282.3	100.0	198,471.9	100.0
Direct investment abroad	42,929.4	23.3	46,720.0	23.5
Equity capital and reinvested earnings	33,952.8	18.4	36,701.2	18.5
Other direct investment capital	8,976.6	4.9	10,018.9	5.0
Portfolio investment	57,655.5	31.3	62,091.7	31.3
Equity securities	21,247.5	11.5	24,660.1	12.4
Debt securities	36,408.0	19.8	37,431.7	18.9
Bonds and notes	26,250.4	14.2	26,532.8	13.4
Money market instruments	10,157.6	5.5	10,898.9	5.5
Financial derivatives	546.3	0.3	871.6	0.4
Other investment	49,996.0	27.1	55,911.0	28.2
Trade credit	12,824.0	7.0	14,458.4	7.3
Loans	22,074.3	12.0	22,900.0	11.5
Long-term	7,878.1	4.3	8,285.3	4.2
Short-term	14,196.2	7.7	14,614.8	7.4
Currency and deposits	13,954.8	7.6	17,252.6	8.7
Other assets	1,143.0	0.6	1,299.9	0.7
Reserve assets	33,155.2	18.0	32,877.5	16.6
EXTERNAL LIABILITIES	336,483.3	100.0	351,856.9	100.0
Direct investment in Estonia	150,465.6	44.7	147,240.7	41.8
Equity capital and reinvested earnings	129,666.0	38.5	123,061.0	35.0
Other direct investment capital	20,799.6	6.2	24,179.7	6.9
Portfolio investment	46,226.6	13.7	52,206.5	14.8
Equity securities	22,420.7	6.7	29,470.9	8.4
Debt securities	23,805.9	7.1	22,735.6	6.5
Bonds and notes	23,695.6	7.0	22,603.8	6.4
Money market instruments	110.3	0.0	131.8	0.0
Financial derivatives	394.3	0.1	547.1	0.2
Other investment	139,396.8	41.4	151,862.5	43.2
Trade credit	13,797.5	4.1	13,599.0	3.9
Loans	73,340.5	21.8	81,434.1	23.1
Long-term	58,854.5	17.5	64,548.6	18.3
Short-term	14,486.0	4.3	16,885.5	4.8
Currency and deposits	49,286.4	14.6	53,838.2	15.3
Other liabilities	2,972.4	0.9	2,991.2	0.9
NET INVESTMENT POSITION	-152,200.9		-153,385.0	
Long-term	-132,039.8		-129,992.1	
Short-term	-20,161.2		-23,392.8	

⁵ Since the first quarter of 2007, Eesti Pank applies the book value for the assessment of the international investment position of unlisted companies. For listed companies, the market price of financial markets is used. Upon delisting, the market price is converged towards the book value during the following four quarters (with the exception of Hansapank in case of whom the recalculation of the book value was carried out within two years from the first quarter of 2005 to the first quarter of 2007).

Table 41. Estonia's international investment position by fields of activity and countries (%)

Assets			Liabilities		
Fields of activity					
	31/12/2006	31/03/2007		31/12/2006	31/03/2007
Financial intermediation	63.9	62.0	Financial intermediation	52.0	52.7
Real estate, renting and business activities	9.3	10.6	Real estate, renting and business activities	15.8	16
Public administration and defence; statutory social insurance	9.8	9.5	Manufacturing	10.1	9.1
Wholesale and retail trade; repair	6.3	6.6	Wholesale and retail trade; repair	8.2	9.0
Manufacturing	3.8	4.0	Transport, storage and communications	6.0	5.5
Other	6.9	7.3	Other	7.9	7.7
Total	100.0	100.0	Total	100.0	100.0
Countries					
Germany	10.9	11.3	Sweden	37.0	36.7
Latvia	10.7	10.7	Finland	21.8	22.7
Lithuania	9.6	9.3	United Kingdom	9.3	8.9
Russia	8.2	8.5	Germany	3.5	3.7
United Kingdom	7.6	8.2	United States	2.8	2.6
Other	53.0	52.0	Other	25.6	25.4
Total	100.0	100.0	Total	100.0	100.0

The large inflow of portfolio investment and other capital (loans and cash) and the decrease in direct investment changed also the structure of **foreign investment in Estonia** by the end of the quarter. The portfolio investment position increased by 12% and the respective share accounted for nearly 15% of total foreign investment at the end of the quarter. Other investment grew by 9% and comprised 43% of foreign investment. The direct investment position decreased by 2%, accounting for approximately 42%, i.e. 147 billion kroons, of foreign investment (nearly 45% at the end of 2006). The most preferred fields of activity for **foreign direct investment in Estonia** were real estate, renting and business activities (32%), financial intermediation (26%), manufacturing (17%), and wholesale and retail trade (13%; see Table 42). Swedish investors made approximately 40% and Finnish investors over 25% of direct investment.

Table 42. Direct investment position by fields of activity and countries (%)

In Estonia			Abroad		
Fields of activity					
	31/12/2006	31/03/2007		31/12/2006	31/03/2007
Real estate, renting and business activities	29.8	31.7	Financial intermediation	38.0	37.0
Financial intermediation	28.1	26.2	Real estate, renting and business activities	31.8	32.5
Manufacturing	17.5	16.5	Transport, storage and communications	10.2	10.4
Wholesale and retail trade; repair	10.4	13.0	Wholesale and retail trade; repair	8.0	8.5
Transport, storage and communications	7.0	4.8	Manufacturing	3.8	3.9
Other	7.2	7.8	Other	8.2	7.7
Total	100.0	100.0	Total	100.0	100.0
Countries					
Sweden	39.5	38.3	Latvia	34.3	34.0
Finland	26.4	27.4	Lithuania	32.3	31.3
Netherlands	3.4	4.0	Russia	8.9	9.0
Norway	3.3	3.2	Cyprus	8.5	8.2
Germany	2.0	3.1	Finland	4.8	4.5
Other	25.4	24.0	Other	11.2	13.0
Total	100.0	100.0	Total	100.0	100.0

Estonian investment abroad increased by 8% quarter-on-quarter, amounting to 198 billion kroons. 62% of the investment abroad was made by financial intermediaries. Investors in the real estate, renting and business activities, public sector and wholesale and retail trade invested to a lesser extent. Estonian investors preferred to invest in Germany, the Baltic States, Russia, and the United Kingdom.

Compared to the end of 2006, the structure of investment abroad had not changed much by the end of the first quarter of 2007. The share of other investment increased and that of reserve assets decreased only slightly. The position of **foreign direct investment** grew by 9% quarter-on-quarter and accounted for 23.5% of the external assets. Portfolio investment increased at a similar pace and comprised nearly a third of the external assets. The most active foreign direct investors were those of financial intermediation (37%), real estate, renting and business activities (33%), and transport, storage and communications (10%; see Table 42). Estonian investors preferred to invest in the neighbouring countries: a third of direct investment went both to Latvia and Lithuania and 9% was channelled to Russia.

Due to the prevalence of external liabilities, Estonia's net investment position was negative by 153 billion kroons at the end of the first quarter of 2007, comprising 72% of the volume of the GDP of the last four quarters. 85% of the net investment position was long-term capital. Quarter-on-quarter, the share of short-term capital in the net investment position somewhat increased.

Estonia's gross external debt grew by 8% quarter-on-quarter. At the end of the quarter, it amounted to 215 billion kroons, being practically equal to the GDP of the last four quarters. The growth in the gross external debt was mainly boosted by credit institutions and the intercompany lending of direct investment companies. These debt liabilities increased by 9% and 12%, respectively. The debt liabilities of credit institutions comprised slightly over a half and those of other sectors over a fourth of the gross external debt. Estonia's net external debt (assets less liabilities) increased by 13% and constituted 63 billion kroons (29% of the GDP of the last four quarters; see Figure 24 and Table 43). The gross external debt

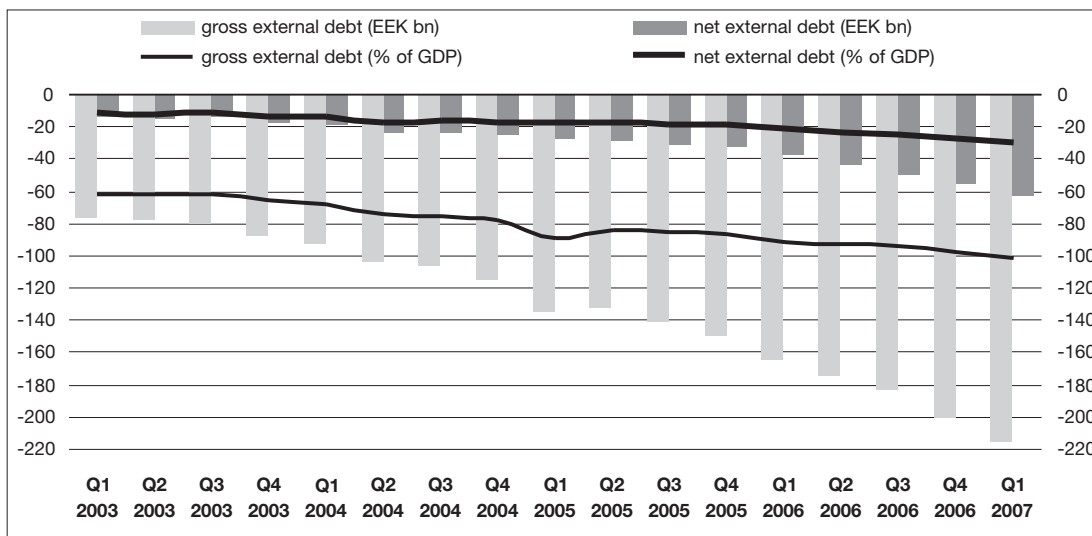


Figure 24. Estonia's gross and net external debt

accounted for 61% of the external liabilities. Leaving aside the intercompany lending of direct investment companies, long-term debt liabilities comprised 56% of the gross external debt. The share of long-term debt claims formed 38% of total debt claims.

Table 43. External debt (EEK m)

	31/12/2006	%	31/03/2007	%
LIABILITIES				
I. General government	4,713.4	2.4	4,771.4	2.2
Short-term				
Long-term	4,713.4	2.4	4,771.4	2.2
II. Monetary authorities (NCB)	459.1	0.2	1,728.8	0.8
Short-term	445.9	0.2	1,713.9	0.8
Long-term	13.2	0.0	14.9	0.0
III. Credit institutions	101,522.1	50.8	110,201.4	51.2
Short-term	47,668.0	23.9	52,610.7	24.4
Long-term	53,854.1	27.0	57,590.7	26.7
IV. Other sectors	56,508.1	28.3	57,896.6	26.9
Short-term	22,761.8	11.4	23,331.4	10.8
Long-term	33,746.3	16.9	34,565.2	16.1
V. Direct investment: intercompany lending	36,472.0	18.3	40,727.6	18.9
GROSS EXTERNAL DEBT	199,674.8	100.0	215,325.7	100.0
ASSETS				
I. General government	18,540.2	12.9	19,362.7	12.7
Short-term	4,342.7	3.0	4,302.6	2.8
Long-term	14,197.6	9.9	15,060.1	9.9
II. Monetary authorities (NCB)	33,079.8	23.0	32,785.6	21.5
Short-term	24,123.5	16.7	21,973.5	14.4
Long-term	8,956.4	6.2	10,812.1	7.1
III. Credit institutions	31,148.9	21.6	31,791.1	20.8
Short-term	22,445.7	15.6	22,841.4	15.0
Long-term	8,703.3	6.0	8,949.7	5.9
IV. Other sectors	36,693.0	25.5	42,167.3	27.6
Short-term	23,791.3	16.5	29,606.8	19.4
Long-term	12,901.8	9.0	12,560.5	8.2
V. Direct investment: intercompany lending	24,649.0	17.1	26,566.7	17.4
TOTAL ASSETS	144,111.1	100.0	152,673.4	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	13,826.8		14,591.3	
Short-term	4,342.7		4,302.6	
Long-term	9,484.1		10,288.7	
II. Monetary authorities (NCB)	32,620.8		31,056.8	
Short-term	23,677.6		20,259.6	
Long-term	8,956.4		10,812.1	
III. Credit institutions	-70,373.2		-78,410.2	
Short-term	-25,222.4		-29,712.0	
Long-term	-45,150.8		-48,289.7	
IV. Other sectors	-19,815.0		-15,729.3	
Short-term	1,029.5		6,275.4	
Long-term	-20,844.5		-22,004.8	
V. Direct investment: intercompany lending	-11,823.0		-14,160.8	
TOTAL NET EXTERNAL DEBT	-55,563.7		-62,652.3	