

Eesti Pank
Bank of Estonia



Estonian Preliminary Balance of Payments for the Second Quarter of 2007

2007

CONTENTS

ADJUSTMENT OF ESTONIA'S PRELIMINARY BALANCE OF PAYMENTS FOR THE FIRST QUARTER OF 2007	4
SHORT OVERVIEW	5
CURRENT ACCOUNT	9
Goods	9
Services	15
Income	21
Current and capital transfers	25
FINANCIAL ACCOUNT	26
Direct investment	27
Portfolio investment	32
Other investment	35
Reserve assets	39
ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 June 2007	40

ADJUSTMENT OF ESTONIA'S PRELIMINARY BALANCE OF PAYMENTS FOR THE FIRST QUARTER OF 2007

In accordance with the adjustment policy of the balance of payments and collection of additional information and changes in methodology, the data of previous periods are adjusted as follows:

- The data of the previous quarter is subject to regular adjustment upon the publication of the preliminary balance of payments for the following quarter in case additional information has been received;
- Extraordinary adjustment is carried out in exceptional cases: on the occasion of significant errors and omissions, receipt of important data as well as in case of changes in methodology.

Upon the compilation of the balance of payments for the second quarter of 2007, the data of the previous quarter were revised as usual. The revision was greater than usual due to the adjustments introduced during the specification of some large-scale transactions. The changes concerned direct and portfolio investment income on the current account and equity securities of direct and portfolio investment on the financial account.

The adjustments in portfolio investment income and portfolio investment were primarily related to the recognition of capitalization issues by companies in portfolio investment, which was not included in the first-quarter balance of payments due to insufficient data. According to international standards, capitalization issues to non-residents made on disposable owner's equity (dividends on shares) are subject to recording both under income in the current account and under equity capital in the financial account. Unlike direct investment, in the case of which foreign direct investors' share of income on disposable owner's equity is recognised on accrual basis as reinvested earnings, no such current records are kept on portfolio investment – the share of income belonging to portfolio investors is recorded in the income account upon paying dividends.

Item	Value of the earlier item (EEK m)	Value of the adjusted item (EEK m)	Extent of adjustment (EEK m)
Current account / income / portfolio investment / income on equity (dividends) / other sectors / debit	-36.5	-1,011.3	-975.4
Financial account / portfolio investment / liabilities / equity securities / other sectors	2,255.2	3,190.6	935.4

Major changes in direct investment items related to reinvested earnings arose from the more accurate recognition of the retained profits/losses of companies and the adjustment of preliminary data by them:

Item	Value of the earlier item (EEK m)	Value of the adjusted item (EEK m)	Extent of adjustment (EEK m)
Current account / income / direct investment / income on equity / reinvested earnings / debit	-3,857.1	-4,658.3	-801.2
Financial account / direct investment in Estonia / reinvested earnings	3,857.1	4,658.3	801.2

SHORT OVERVIEW

- **In the second quarter of 2007, the current account deficit decreased to 16.6% based on the GDP of the last four quarters, compared to the 17% of the first quarter (see Table 1 and Figure 1)¹.**
- **Based on the same quarter, the current account deficit stood at 14% of GDP in the second quarter.**
- **In absolute value, the deficit amounted to 8.5 billion kroons.**
- **Year-on-year, the surplus on services increased by a fifth and the surplus on current transfers by a fourth.**
- **The deficit in the goods account remained virtually unchanged.**
- **Foreign capital inflow mainly occurred through other investment capital.**
- **The balance of payments reserves remained at the previous year's level.**

The second-quarter slowdown in the growth of domestic demand was accompanied by slightly improving external balance. The deficit in the **goods account** – the largest component in the current account deficit – amounted to 9.7 billion kroons. In terms of volume, it was similar to the deficit recorded in the previous quarter as well as in the second quarter of 2006, reaching 16% of the GDP of the second quarter of 2007. The growth of goods exports outpaced imports both quarter-on-quarter and year-on-year. Exports totalled 32.9 billion and imports 42.6 billion kroons, increasing by 6% and 5%, respectively, year-on-year.

The main groups of export goods included machinery and equipment (mostly electronic products), mineral products, timber and timber products, and metal products. Electronic products were also the largest import articles, followed by transport vehicles, mineral and chemical products. Machinery and equipment, chemical products and transport vehicles posted the largest deficits on the goods account. Timber and timber products posted a surplus.

The share of Estonia's main trading partner – the European Union – grew slightly, comprising 68% of the exports and 76% of the imports of goods. Finland, Sweden, Latvia, Russia and the United States were the largest export partners, and Finland, Germany, Russia, Sweden and Latvia the major import partners.

The surplus on the **services account** increased by a fifth year-on-year and amounted to 4.4 billion kroons. Both the exports and imports of services grew more or less at a similar pace, year-on-year (18–19%). The surplus on the services account was mainly boosted by transport services – the largest type of services – whose surplus increased by 40%. The surplus on transport services was caused by marine, rail as well as road transport. Year-on-year, the services surplus was also boosted by construction services, whose deficit turned into a 0.4 billion surplus, and to a lesser extent by computer, information and financial services. The surplus on travel services and other business services, on the other hand, declined. The surplus on travel services diminished because their exports decreased slightly and imports increased.

The April riots in Tallinn brought along a decline in the exports of freight and passenger transport by rail and road. Nevertheless, the exports of other supporting and auxiliary transport services by rail and road increased.

¹The current account deficit without reinvested earnings, which involve no actual movement of funds, constituted 10.4% of the GDP of the last four quarters and 5.8% of the second-quarter 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	Q2
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	-12,027.8	-8,548.7
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	-7,177.3	-5,215.7
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	-9,530.5	-9,662.3
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	29,556.5	32,914.3
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	-39,087.0	-42,576.6
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	2,353.2	4,446.6
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	10,129.7	13,143.6
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	-7,776.5	-8,697.0
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	-4,618.8	-3,985.0
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	3,394.4	3,959.7
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	-8,013.2	-7,944.7
Transfers	1,869.4	1,456.3	800.6	-16.1	525.3	488.1	357.9	1,355.3	-231.8	652.0
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	1,463.3	1,762.6
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	-1,695.1	-1,110.7
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	11,538.9	7,435.1
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	690.4
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	11,117.0	6,744.8
Direct investment	10,716.0	8,739.5	27,335.5	5,737.3	-607.7	510.9	1,634.2	7,274.7	5,290.8	874.9
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	-3,488.6	-6,776.0
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	8,779.4	7,650.9
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	-1,141.2	-2,880.1
Assets	-5,351.6	-4,851.0	-10,675.0	-5,766.4	-1,835.5	-7,623.6	-344.4	-15,569.9	-3,642.3	-2,069.6
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	-2,197.1	-2,742.2
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	-1,445.2	672.6
Liabilities	7,783.2	13,878.2	-16,884.3	-6,854.0	626.7	839.0	4,128.5	-1,259.8	2,501.1	-810.6
Equity securities	1,527.0	2,205.2	-16,352.3	-498.4	499.6	839.2	2,897.7	3,738.1	3,209.7	274.5
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	-1,085.0
Financial derivatives	-19.3	-8.3	-97.6	104.2	43.1	-42.0	-26.9	78.5	-148.9	190.6
Assets	-139.2	-35.1	13.5	96.8	-7.3	-67.5	-202.9	-180.9	-300.4	121.1
Liabilities	120.0	26.8	-111.1	7.4	50.4	25.5	176.0	259.4	151.5	69.6
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	7,116.3	8,559.3
Assets	-2,284.6	-11,168.8	-10,373.4	-5,046.5	1,127.2	8,664.1	-4,410.3	334.6	-4,967.2	-9,362.7
Long-term	-565.7	-6,052.6	5,636.5	-804.9	-1,519.3	-197.0	-532.8	-3,054.0	-757.2	-486.4
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	-4,210.0	-8,876.3
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	12,083.5	17,922.1
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	5,588.3	12,739.6
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	6,495.3	5,182.5
Errors and omissions	-811.4	281.2	779.7	490.4	1,762.1	346.7	-2,215.9	383.2	-244.4	1,169.0
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	55.4
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	-55.4

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

As a result, the surplus on these services remained virtually at the level of the previous quarter.

As regards the structure of services exports, the share of construction services increased robustly (from 2% to 5% of total exports), whereas that of travel services decreased. In services imports, the share of transport, travel and construction services declined, whereas that of business services grew (largely on account of operational lease). The total share of transport, travel and other business services accounted for 85% of both the exports and imports of services.

The share of EU countries reached 72% in the exports and 78% in the imports of services. Estonia had the

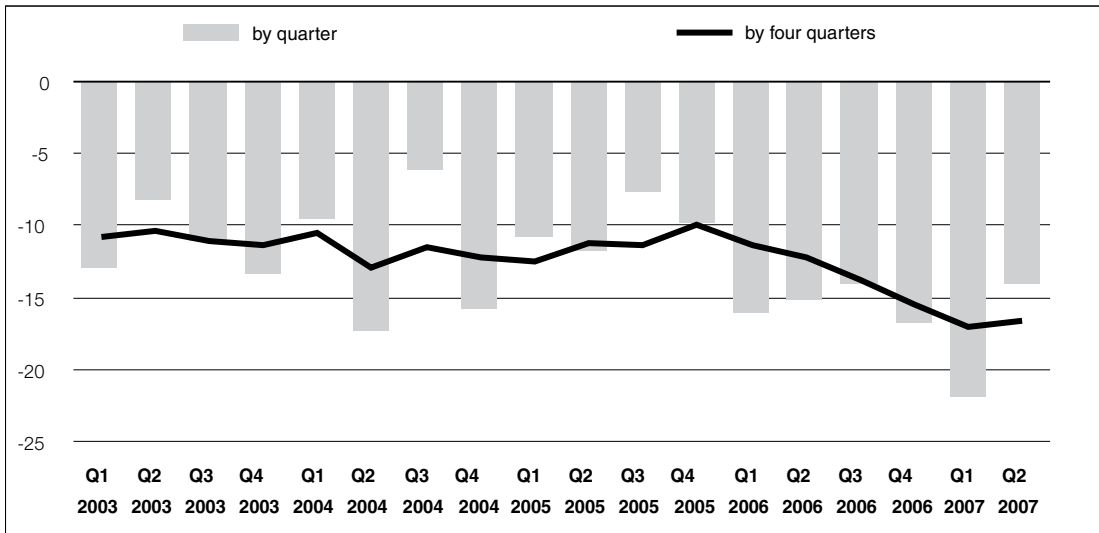


Figure 1. Current account deficit (% of GDP)

biggest surplus with Finland (2.6 billion kroons) and the biggest deficit with Cyprus (0.5 billion kroons).

Total exports of goods and services, which are the direct components of GDP, grew slightly faster than imports. Consequently, the deficit decreased by approximately 10% year-on-year and accounted for 8.6% of the second-quarter GDP (11.1% in the second quarter of 2006).

The **income account** deficit increased by a half, amounting to 4 billion kroons. The income earned by Estonian investors abroad grew by 15% and the income earned by non-residents in Estonia increased by nearly a third, reaching 4 and 7.9 billion kroons, respectively. Labour income comprised slightly less than a third of the income earned by residents abroad (i.e. less also year-on-year), the rest being investment income. Half of the investment income was direct investment income. In the second quarter, mostly credit institutions but also companies in other sectors paid dividends – altogether 3 billion kroons. Residents' investment income on portfolio and direct investment abroad increased considerably as well and doubled in volume, year-on-year. As regards the income earned by non-residents in Estonia, 97% was investment income, whereas 71% of that was earned on direct investment in Estonia. Reinvested earnings accounted for 60% of non-residents' direct investment income. Non-residents' income on portfolio investment in Estonia increased by 2.6 times and accounted for 14% of the investment income. The share of income on other investment stood at 15%.

87% of residents' investment income came from the European Union: mostly from Latvia, Lithuania and Cyprus. 75% of residents' investment income belonged to the investors in financial intermediation. The majority (89%) of non-residents who earned income on investment in Estonia were mostly from the EU, particularly from Sweden, Finland and the United Kingdom. Much of their investment income came from financial intermediation (42%) and also from manufacturing, wholesale and retail trade, and real estate, renting and business activities.

The volume of **current transfers** paid exceeded the volume of transfers received by approximately 0.7 billion kroons. Both incoming and outgoing current transfers decreased slightly.

The surplus on the **capital and financial account** totalled 7.4 billion kroons in the second quarter of 2007. Capital inflow occurred mainly through other investment and to some extent also through direct investment.

The surplus on the **capital account** was 0.7 billion kroons and was mostly comprised of transfers received by the general government. Last year's large receipts from the sale of intangible fixed assets declined to zero.

The surplus on the **financial account** reached 6.7 billion kroons.

Direct investment inflow was 0.9 billion kroons bigger than outflow. Both foreign direct investment in Estonia as well as Estonia's direct investment abroad were relatively large in volume, totalling 7.7 and 6.8 billion kroons, respectively.

In the second quarter of 2006 reinvested earnings formed 84% of the direct investment in Estonia, whereas in the second quarter of 2007 the structure of direct investment changed significantly. Equity capital investment accounted for a third, reinvested earnings for 41% and other direct investment capital for 25% of the direct investment. 92% of direct investment in Estonia originated from EU countries, with 40% coming from Sweden, a third from Finland and a fifth from Denmark. 63% of direct investment was made in financial intermediation, 19% in manufacturing and 11% in wholesale and retail trade.

The structure of residents' direct investment abroad experienced major changes as well. Equity capital investment reached 6.7 billion kroons, which is over three times more than in the second quarter of 2006. Owing to the distribution of dividends, the retained profits of foreign subsidiaries and affiliated companies decreased considerably. 87% of residents' direct investment went to EU countries: mainly to Latvia (54%) and Lithuania (15%) and also to Russia, Finland and the United Kingdom. The most active foreign direct investors were those of financial intermediation (48%), real estate, renting and business activities (23%), and transport, storage and communications (12%).

The net outflow of **portfolio investment** amounted to 2.9 billion kroons. Assets grew by 2.1 billion kroons, whereas liabilities declined by 0.8 billion kroons. The growth in assets was largely driven by the 2.7 billion krown increase in assets invested by investment funds in equity securities. Liabilities decreased primarily due to a decline in general government's debt security liabilities.

The net inflow of **other investment** remained at the level seen in the previous quarters, totalling 8.6 billion kroons. Assets (mostly short-term) increased by 9.4 billion and liabilities (mostly long-term) by 17.9 billion kroons. The growth of assets mainly stemmed from the increased volume of loans issued to non-residents by credit institutions and the higher volume of deposits with foreign banks. The growth of liabilities was also driven by credit institutions whose loan liabilities increased by 14.5 billion kroons.

CURRENT ACCOUNT

The second-quarter slowdown in the growth of domestic demand was accompanied by slightly improving external balance. The current account deficit decreased to 16.6% of the GDP of the last four quarters, compared to the 17% of the first quarter. Based on the same quarter, the current account deficit stood at 14% of GDP in the second quarter. The largest component of the current account deficit was again the goods account, which has posted relatively stable deficits in recent quarters (see Figure 2). The surpluses on services and transfers accounts increased. The deficit in the goods and services account totalled 8.6% of the second-quarter GDP, having decreased by 2.5 percentage points year-on-year. The current account deficit without reinvested earnings, which involve no actual movement of funds, constituted 10.4% of the GDP of the last four quarters and 5.8% of the second-quarter GDP.

The EU Member States accounted for 71% of the credit turnover and for 78% of the debit turnover. The five most important partners in Estonia's credit turnover in the second quarter of 2007 were Finland, Sweden, Latvia, Russia and Lithuania (totalling 55% of the credit turnover). The major partners in terms of debit turnover were Finland, Sweden, Germany, Russia and Lithuania (totalling 58% of the debit turnover). Estonia's current account deficit was the biggest with Germany and Sweden, whereas the highest surplus was registered with Latvia and the United States (see Table 2).

Goods

The goods account deficit of the balance of payments amounted to 9.7 billion kroons and remained more or less unchanged, both quarter-on-quarter and year-on-year (see Table 3). The exports of goods amounted to 32.9 billion kroons and imports in f.o.b. prices to 42.6 billion kroons, having grown quite modestly year-on-year – by 6% and 5%, respectively.

According to the preliminary foreign trade statistics², goods exports totalled 32.7 billion and imports in c.i.f. prices 44.9 billion kroons (see Figure 3). The foreign trade deficit, which has remained approximately at the same level for the last five consecutive quarters, amounted to 12.2 billion kroons.

Exports of goods increased year-on-year across most of the main groups, except for machinery and equipment and mineral products (see Table 4). Goods export growth was mainly boosted by the 25% increase in the exports of timber and timber products. The main export articles besides unprocessed and little processed timber were railway sleepers, plywood, construction components and various paper products. The target countries were Finland, Sweden, the United Kingdom, Germany and Denmark. Prefabricated wooden buildings were exported to Norway and Germany, and furniture to Finland, Denmark and Sweden. The exports of the largest group of goods in terms of volume – machinery and equipment – decreased by 14% because of the 65% decline in the exports of electronic products. At the same time, the exports of several other articles (lifting and loading equipment and their parts, transformers, cable sets for transport

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 Intra-stat 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.

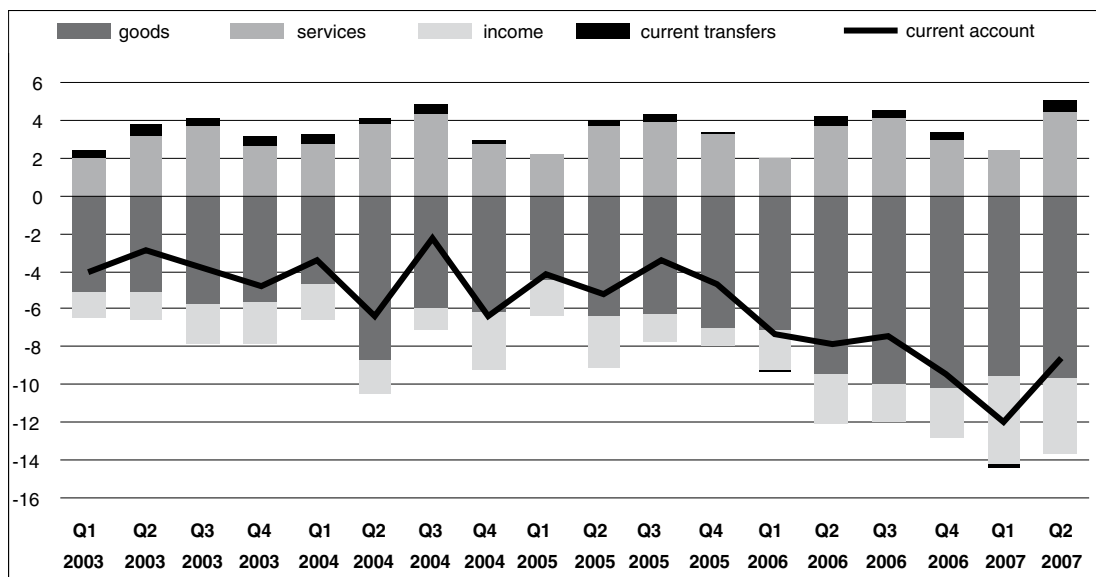


Figure 2. Current account structure (EEK bn)

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

	Q2 2006	Q1 2007	Q2 2007
EU-27	-8,457.4	-12,844.2	-10,552.3
Germany*	-3,197.7	-3,479.6	-3,946.7
Sweden	-1,506.9	-2,427.5	-2,539.9
Latvia	864.9	999.0	1,805.2
Poland	-1,181.2	-1,437.7	-1,304.2
Italy	-991.4	-999.9	-1,243.9
CIS	-3,672.6	-2,537.3	-2,445.0
Russia	-3,292.9	-2,292.4	-1,638.4
Belarus	-390.4	-457.9	-600.8
Ukraine	163.0	74.2	-140.9
Other	4,282.1	3,353.7	4,448.6
USA	1,839.3	615.8	1,740.1
Togo	0.3	2,235.4	1,704.4
Norway	713.0	690.8	985.2
China	105.4	-428.4	-614.9
Switzerland	257.5	416.7	477.8
Total	-7,847.9	-12,027.8	-8,548.7

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

vehicles) grew considerably. Major exporters included Finland and Sweden as well as Russia and Saudi Arabia. The exports of the second largest group of goods – mineral products – decreased by 9% mostly owing to the 10% decline in the re-exports of motor fuel imported for processing from Russia. The volume of exported fuel was nevertheless remarkable and accounted for 85% of the total exports of that group. Most of the fuel was exported to non-EU countries (the United States and Togo). The exports of electricity increased by over three times year-on-year and went to Finland and Latvia. The exports of metals and metal products increased by a fifth. The main export articles included iron constructions (to Denmark and Norway), scrap metal (to Turkey) and hot-rolled steel products (to Poland, Latvia, Lithuania and Ukraine). The exports of transport vehicles grew by a third. Nearly half of the exports of that group comprised of mo-

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	-5,078.1
Q3 2003	15,480.4	-3.6	63.8	21,225.1	0.4	80.6	-5,744.7
Q4 2003	17,589.1	13.6	68.7	23,213.3	9.4	81.2	-5,624.3
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	-8,737.1
Q3 2004	19,183.0	6.5	65.8	25,104.4	-6.2	81.7	-5,921.4
Q4 2004	21,066.0	9.8	70.3	27,259.1	8.6	81.5	-6,193.0
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	-6,300.3
Q4 2005	27,821.3	10.1	71.5	34,783.6	10.1	81.5	-6,962.3
2005 total	97,971.4	30.3	70.9	122,016.3	21.2	81.8	-24,044.8
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	120,166.4	22.7	73.5	156,889.8	28.6	83.6	-36,723.3
Q1 2007	29,556.5	-4.4	74.5	39,087.0	-4.8	83.4	-9,530.5
Q2 2007	32,914.3	11.4	71.5	42,576.6	8.9	83.0	-9,662.3

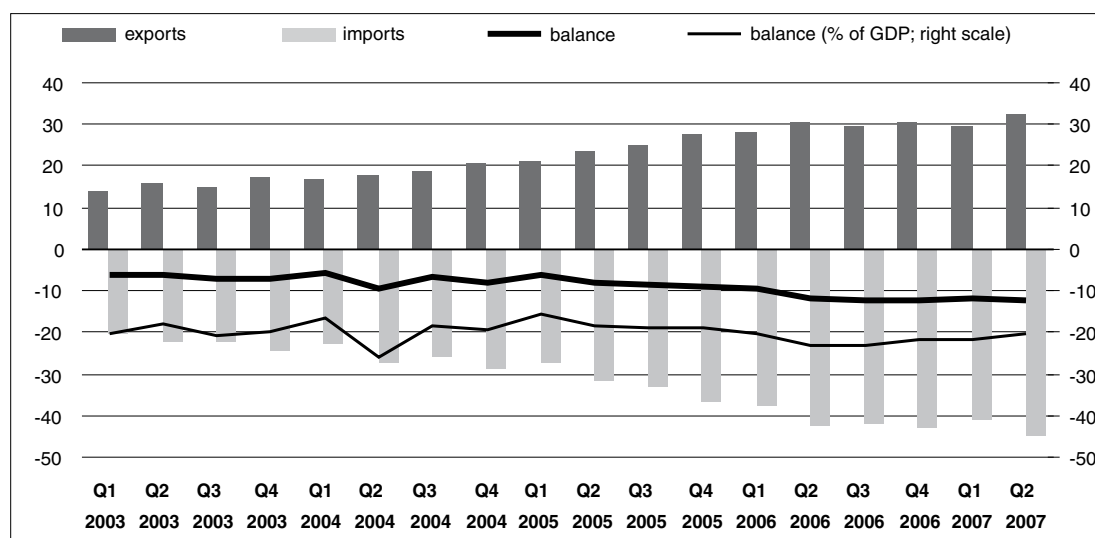


Figure 3. Estonia's foreign trade balance (EEK bn)

tor cars imported from EU countries and then exported to the neighbouring Latvia, Lithuania, Sweden and Russia. Components of motor vehicles (incl. safety belts) were sent to Sweden and Russia, trailers to Finland and Sweden, and motorboats to Finland, Sweden, Russia and Latvia. The exports of chemical products decreased by a fifth. Various construction and repair materials (putties, mastics, paints, varnishes) were exported to Russia and Latvia, plastic products to Finland, Sweden, the Netherlands and Latvia, carbonic

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
Food	1,993.7	2,385.8	2,343.4	6.5	8.1	7.2	-1.8	17.5
Mineral products	5,368.5	4,586.9	4,886.7	17.4	15.6	15.0	6.5	-9.0
Chemical products	2,107.6	2,065.7	2,540.0	6.8	7.0	7.8	23.0	20.5
Clothing, footwear and headgear	1,865.6	1,960.6	1,970.5	6.1	6.7	6.0	0.5	5.6
Timber, paper and products	3,602.5	3,911.1	4,445.8	11.7	13.3	13.6	13.7	23.4
Metals and metal products	2,753.9	2,843.4	3,344.2	8.9	9.7	10.2	17.6	21.4
Machinery and equipment	7,638.6	6,022.8	6,541.2	24.8	20.5	20.0	8.6	-14.4
Transport vehicles	2,079.9	2,263.8	2,738.4	6.8	7.7	8.4	21.0	31.7
Furniture, toys, sporting goods	2,217.2	2,295.6	2,541.0	7.2	7.8	7.8	10.7	14.6
Other	1,157.3	1,080.1	1,299.1	3.8	3.7	4.0	20.3	12.3
Total	30,784.8	29,415.9	32,650.3	100.0	100.0	100.0	11.0	6.1

acids to the United States and the Netherlands, and nitrogen fertilizers to the United Kingdom and France. The biggest export article among food products was spirits, which was sent to Russia and some also to Finland. Other food products (milk and dairy products, fish products and coffee) were exported to Latvia, Lithuania, Germany and the Netherlands. Ready-made men's and women's clothes, T-shirts, underwear and footwear were mostly sold to Finland, Sweden, Latvia, Lithuania and Russia. Various other products (glass and cement products, high-precision instruments etc.) were exported to Finland, Latvia, Germany and Russia.

Imports of goods increased by 5% mainly owing to the 20% growth in the imports of transport vehicles (see Table 5). 58% of the imports of that goods group comprised of motor cars purchased from Finland, Sweden, Germany and the United Kingdom. In addition, vans, tractors and components of motor vehicles were imported from Germany and Sweden. The exports of the largest goods group, machinery and equipment, decreased by 14%. Moreover, electrical and electronic products, roadworks machinery and computers were purchased Finland, Germany and Sweden. The imports of mineral products decreased by 10% year-on-year. The volume of motor fuel imported from Russia for processing declined by 15% and that from Lithuania by 32%. As regards chemical products, the imports of medicines grew by 28% and originated from Latvia, Lithuania, Germany and Belgium. Various plastic products were purchased from Germany and Ireland, antifreezes from Germany and tyres from Germany, Poland and Latvia. The imports

Table 5. Imports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
Food	3,086.0	3,139.6	3,460.2	7.2	7.6	7.7	10.2	12.1
Mineral products	6,968.3	6,560.5	6,193.6	16.3	15.9	13.8	-5.6	-11.1
Chemical products	4,776.0	4,933.3	5,543.0	11.2	12.0	12.3	12.4	16.1
Clothing, footwear and headgear	2,419.1	2,885.9	2,884.8	5.7	7.0	6.4	-0.0	19.3
Timber, paper and products	2,295.5	2,430.4	3,170.5	5.4	5.9	7.1	30.5	38.1
Metals and metal products	4,002.9	4,361.3	4,996.1	9.4	10.6	11.1	14.6	24.8
Machinery and equipment	10,819.4	8,410.7	9,286.0	25.4	20.4	20.7	10.4	-14.2
Transport vehicles	5,280.9	5,600.9	6,371.3	12.4	13.6	14.2	13.8	20.6
Furniture, toys, sporting goods	894.9	1,034.8	1,153.7	2.1	2.5	2.6	11.5	28.9
Other	2,097.7	1,909.5	1,839.6	4.9	4.6	4.1	-3.7	-12.3
Total	42,640.6	41,266.8	44,898.8	100.0	100.0	100.0	8.8	5.3

of metal products increased by a fourth and comprised of various iron and steel products from Finland, Sweden, Russia and Germany. Similar to the exports of food products, spirits were also the main import article, followed by wines. Alcohol was purchased from the leading wine exporters (France, Spain, Italy, and Chile) as well as from Finland and the Netherlands. Other major import articles were pork, sugar and tobacco products. The imports of timber and timber products increased by 38%. Unprocessed timber, sleepers, plywood and paper products were primarily purchased from Russia with imports increasing by a half, but also from Finland, Latvia, Sweden and Germany. Footwear, ready-made men's and women's clothes and underwear were mostly imported from Finland, Latvia, Germany, Sweden and Italy. Interior design products (furniture, lamps etc.) were purchased from Finland, Poland and Italy.

The **foreign trade deficit** increased by 3% year-on-year and amounted to 12.2 billion kroons (see Table 6). Transport vehicles posted the largest deficits, followed by chemical products and machinery and equipment. Two groups of goods posted a surplus: timber and timber products, and furniture and other industrial goods.

By **groups of countries**, the **exports of goods** to the European Union increased by 11% and thus the share of the EU in exports increased by 3 percentage points (see Table 7). Exports to the Baltic States grew especially vigorously: by 46% to Latvia and by 29% to Lithuania. Other major import partners included Finland, Sweden and Germany. Exports to the CIS increased by 17%, whereas exports to Russia grew by 24% ranking Russia as the fourth among export countries. Exports to other countries fell by 10%. The top three among other countries were the United States, Togo and Norway. As exports to Togo consisted only of the re-exports of fuel processed in Estonia, it is highly likely that the actual export target was some other country (the United Kingdom or the United States).

The **imports of goods** from the European Union increased by 9% and boosted EU's share in goods imports to 76% (see Table 8). The top five import partners were Finland, Germany, Sweden, Latvia and Lithuania. Imports from Russia slightly declined, whereas imports from Belarus and Ukraine grew considerably. Russia was the third largest import partner after Finland and Germany. The top three among other countries were China, the United States and Japan.

Foreign trade with the EU and the CIS remained in deficit (see Table 9). Major trade partners with positive trade balances included Togo (with a surplus of 1.7 billion kroons), the United States (1.5 billion kroons) as well as Latvia and Norway (both 0.8 billion kroons).

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

	Q2 2006	Q1 2007	Q2 2007
Food	-1,092.3	-753.8	-1,116.8
Mineral products	-1,599.8	-1,973.5	-1,306.9
Chemical products	-2,668.3	-2,867.6	-3,003.0
Clothing, footwear and headgear	-553.5	-925.3	-914.3
Timber, paper and products	1,307.0	1,480.7	1,275.3
Metals and metal products	-1,248.9	-1,517.9	-1,651.9
Machinery and equipment	-3,180.8	-2,387.9	-2,744.8
Transport vehicles	-3,201.1	-3,337.1	-3,632.9
Furniture, toys, sporting goods	1,322.3	1,260.9	1,387.3
Other	-940.4	-829.4	-540.4
Total	-11,855.8	-11,850.9	-12,248.5

Table 7. Exports of goods by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
EU-27	20,040.5	19,677.0	22,215.5	65.1	66.9	68.0	12.9	10.9
Finland	5,961.1	5,076.7	5,753.0	19.4	17.3	17.6	13.3	-3.5
Sweden	3,662.8	3,951.1	4,148.7	11.9	13.4	12.7	5.0	13.3
Latvia	2,504.9	3,080.9	3,662.0	8.1	10.5	11.2	18.9	46.2
Lithuania	1,382.7	1,418.9	1,778.9	4.5	4.8	5.4	25.4	28.7
Germany	1,637.7	1,482.5	1,648.6	5.3	5.0	5.0	11.2	0.7
CIS	2,916.0	3,250.3	3,414.8	9.5	11.0	10.5	5.1	17.1
Russia	2,158.6	2,563.1	2,672.1	7.0	8.7	8.2	4.3	23.8
Ukraine	483.3	439.3	449.3	1.6	1.5	1.4	2.3	-7.0
Kazakhstan	49.3	92.6	99.4	0.2	0.3	0.3	7.4	101.8
Other	7,828.3	6,488.6	7,020.1	25.4	22.1	21.5	8.2	-10.3
USA	2,147.2	1,534.9	2,065.7	7.0	5.2	6.3	34.6	-3.8
Togo	0.3	2,235.4	1,704.4	0.0	7.6	5.2	-23.8	502,989.2
Norway	854.6	906.0	1,073.6	2.8	3.1	3.3	18.5	25.6
Total	30,784.8	29,415.9	32,650.3	100.0	100.0	100.0	11.0	6.1

Table 8. Imports of goods by groups of countries*

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
EU-27	31,279.1	30,652.7	34,013.7	73.4	74.3	75.8	11.0	8.7
Finland	7,611.9	6,810.7	7,736.4	17.9	16.5	17.2	13.6	1.6
Germany	4,935.9	5,066.1	5,630.7	11.6	12.3	12.5	11.1	14.1
Sweden	3,925.6	4,085.7	4,439.5	9.2	9.9	9.9	8.7	13.1
Latvia	2,304.8	2,619.2	2,853.8	5.4	6.3	6.4	9.0	23.8
Lithuania	2,933.4	2,305.1	2,770.8	6.9	5.6	6.2	20.2	-5.5
CIS	6,932.4	7,245.4	7,128.9	16.3	17.6	15.9	-1.6	2.8
Russia	5,643.2	6,226.0	5,504.6	13.2	15.1	12.3	-11.6	-2.5
Belarus	571.2	531.7	669.2	1.3	1.3	1.5	25.9	17.1
Ukraine	339.8	377.8	622.0	0.8	0.9	1.4	64.7	83.0
Other	4,429.1	3,368.7	3,756.2	10.4	8.2	8.4	11.5	-15.2
China	881.3	784.8	896.2	2.1	1.9	2.0	14.2	1.7
USA	528.0	589.5	525.7	1.2	1.4	1.2	-10.8	-0.4
Japan	481.5	246.8	355.3	1.1	0.6	0.8	44.0	-26.2
Total	42,640.6	41,266.8	44,898.8	100.0	100.0	100.0	8.8	5.3

* Analysed by trading country.

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

	Q2 2006	Q1 2007	Q2 2007
EU-27	-11,238.6	-10,975.7	-11,798.3
CIS	-4,016.4	-3,995.1	-3,714.1
Other	3,399.1	3,119.9	3,263.8
Total	-11,855.8	-11,850.9	-12,248.5

Services

The surplus on the services account amounted to 4.4 billion kroons in the second quarter of 2007, having increased by 89% quarter-on-quarter and by 20% year-on-year (see Figure 4 and Table 10).

The purchase and sale of services depends on the season and usually grows considerably in the second and third quarters. The share of services in the exchange of goods and services increased until 2004 and declined during 2005–2006. This year the share of services in the total turnover of goods and services has been growing again.

The surplus on the services account increased year-on-year, mostly as a result of the deficit of construction services turning into a surplus and a rapid rise in the surplus of computer and information services (by 40% and 41%, respectively; see Table 11). The growth of the surplus on the services account was inhibited by a 18% decrease in the surplus on travel services.

The exports of services amounted to 13.1 billion kroons in the second quarter of 2007, having grown by 19% year-on-year. The exports of construction and business services increased faster than average: by 2.8 times and 33%, respectively (see Table 12). In absolute terms, services exports were mostly boosted by the exports of transport services, in particular freight transport, growing by 20% and 17%, respectively.

Geographically, the growth of services exports to non-EU countries was faster than average, reaching 27% in case of Russia, 75% in case of Switzerland and 24% in case of off-shore regions. As regards the EU countries, the exports of services to the United Kingdom increased by 69% and to Latvia by 25% (see Table 13). Services exports to Finland, the largest trade partner, grew by 9%.

The imports of services amounted to 8.7 billion kroons in the second quarter, increasing by 18% year-on-year

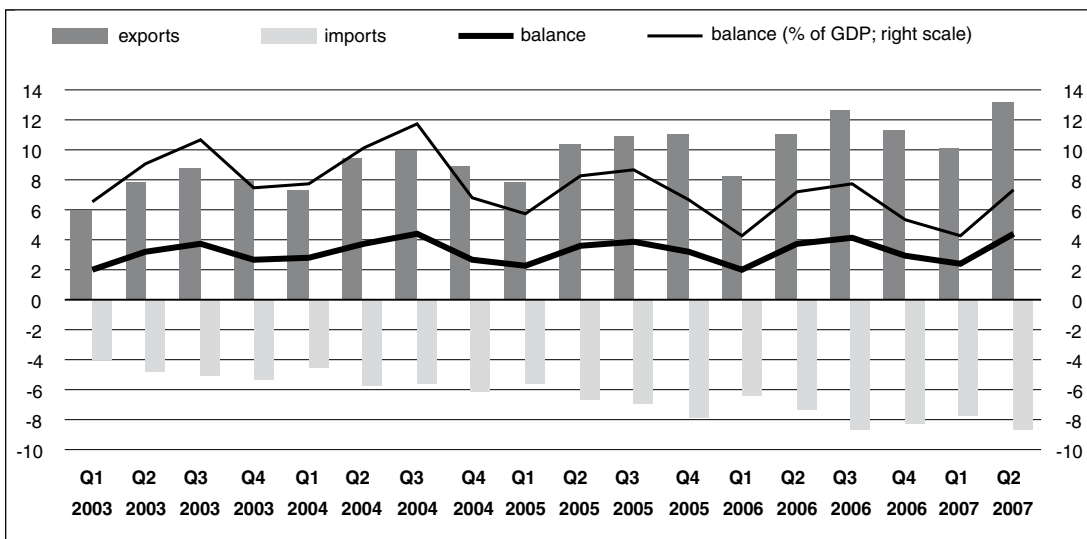


Figure 4. Services account (EEK bn)

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	10,129.7	-10.4	25.5	7,776.5	-6.6	16.6	2,353.2	-21.1
Q2 2007	13,143.6	29.8	28.5	8,697.0	11.8	17.0	4,446.6	89.0

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
Transportation	1,160.4	1,448.8	1,618.9	31.2	61.6	36.4	11.7	39.5
Travel	1,983.3	188.3	1,627.2	53.4	8.0	36.6	764.2	-18.0
Construction services	-114.1	-187.2	439.3	-3.1	-8.0	9.9	-334.7	-485.0
Computer and information services	121.4	151.0	171.4	3.3	6.4	3.9	13.5	41.2
Business services	525.8	511.2	464.9	14.2	21.7	10.5	-9.1	-11.6
Government services	63.6	87.2	-66.4	1.7	3.7	-1.5	-176.1	-204.4
Other	-26.8	153.9	191.3	-0.7	6.5	4.3	24.3	-813.8
Total	3,713.6	2,353.2	4,446.6	100.0	100.0	100.0	89.0	19.7

(see Table 14). Imports were most driven by business services, which increased by 84%, but also travel and transport services, which grew by 22% and 13%, respectively.

By country of origin, among major partners imports from Russia have declined – by 29% (see Table 15). The imports of services from EU countries grew faster than average (23%), whereas Cyprus became the third biggest import partner (7.7 times increase compared to 2006). As for other countries, services imports from the United States and Turkey should be highlighted, growing by 33% and 2.2 times, respectively.

Transport services accounted for less than a half of the services account but nevertheless increased by 40% compared to the second quarter of 2006. Although the transit business has been facing some problems, the surplus on transport services increased by 12% also quarter-on-quarter (see Figure 5 and Tables 11, 12 and 13). By transport types, maritime transport formed the largest share of transport services. Its export volume was largely boosted by other transport services and freight transport. The exports of passenger transport grew by more than 50% seasonally, but the annual growth of both sold and purchased services remained only close to 8% (see Figure 6).

The exports of transport services grew by 20% year-on-year. The continuous decline in the volume of oil products transport was offset by the transit of coal. The exports of transport services to EU countries increased by 11% year-on-year; exports to Finland kept growing (see Table 16). The volume of transport

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
Transportation	4,505.0	4,831.4	5,408.6	40.7	47.7	41.2	11.9	20.1
freight	2,353.8	2,794.7	2,747.3	21.3	27.6	20.9	-1.7	16.7
passenger	1,081.0	756.9	1,168.4	9.8	7.5	8.9	54.4	8.1
other transport services	1,070.2	1,279.8	1,492.9	9.7	12.6	11.4	16.7	39.5
Travel	3,578.1	1,803.4	3,275.0	32.3	17.8	24.9	81.6	-8.5
Construction services	237.0	241.9	653.6	2.1	2.4	5.0	170.2	175.8
Computer and information services	261.4	337.6	285.6	2.4	3.3	2.2	-15.4	9.3
Business services	1,826.8	2,026.7	2,433.8	16.5	20.0	18.5	20.1	33.2
Government services	136.4	184.2	142.2	1.2	1.8	1.1	-22.8	4.3
Other	518.3	704.5	944.8	4.7	7.0	7.2	34.1	82.3
Total	11,063.0	10,129.7	13,143.6	100.0	100.0	100.0	29.8	18.8

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
EU-27	8,282.2	6,622.3	9,411.8	74.9	65.4	71.6	42.1	13.6
Finland	3,720.3	2,741.8	4,043.7	33.6	27.1	30.8	47.5	8.7
Sweden	948.1	671.8	1,039.4	8.6	6.6	7.9	54.7	9.6
United Kingdom	593.3	565.3	1,001.9	5.4	5.6	7.6	77.2	68.9
Latvia	484.9	436.5	604.5	4.4	4.3	4.6	38.5	24.7
Germany	737.1	448.2	563.1	6.7	4.4	4.3	25.6	-23.6
CIS	1,121.5	1,563.2	1,360.9	10.1	15.4	10.4	-12.9	21.3
Russia	881.7	1,354.5	1,119.5	8.0	13.4	8.5	-17.3	27.0
Ukraine	93.2	99.5	126.4	0.8	1.0	1.0	27.0	35.6
Other	1,659.3	1,944.2	2,370.9	15.0	19.2	18.0	21.9	42.9
Switzerland	382.6	567.9	667.5	3.5	5.6	5.1	17.5	74.5
offshore regions	385.8	485.0	477.6	3.5	4.8	3.6	-1.5	23.8
USA	363.5	354.5	426.2	3.3	3.5	3.2	20.2	17.2
Total	11,063.0	10,129.7	13,143.6	100.0	100.0	100.0	29.8	18.8

Table 14. Services imports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
Transportation	3,344.6	3,382.6	3,789.8	45.5	43.5	43.6	12.0	13.3
freight	2,222.7	2,130.0	2,416.5	30.2	27.4	27.8	13.5	8.7
passenger	349.4	429.0	321.4	4.8	5.5	3.7	-25.1	-8.0
other transport services	772.5	823.6	1,051.9	10.5	10.6	12.1	27.7	36.2
Travel	1,354.3	1,615.1	1,647.8	18.4	20.8	18.9	2.0	21.7
Construction services	187.4	429.1	214.3	2.5	5.5	2.5	-50.1	14.4
Computer and information services	110.2	164.7	170.1	1.5	2.1	2.0	3.3	54.4
Business services	1,069.2	1,515.5	1,968.9	14.5	19.5	22.6	29.9	84.1
Government services	155.8	96.9	207.6	2.1	1.2	2.4	114.2	33.2
Other	1,127.9	572.6	698.5	15.3	7.4	8.0	22.0	-38.1
Total	7,349.4	7,776.5	8,697.0	100.0	100.0	100.0	11.8	18.3

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
EU-27	5,483.5	5,701.6	6,746.4	74.6	73.3	77.6	18.3	23.0
Finland	1,323.3	1,531.9	1,455.0	18.0	19.7	16.7	-5.0	10.0
Germany	944.6	649.2	789.2	12.9	8.3	9.1	21.6	-16.5
Cyprus	83.0	383.9	639.3	1.1	4.9	7.4	66.5	670.2
Sweden	483.3	501.7	634.6	6.6	6.5	7.3	26.5	31.3
United Kingdom	368.8	384.6	575.5	5.0	4.9	6.6	49.6	56.0
CIS	949.0	810.4	781.8	12.9	10.4	9.0	-3.5	-17.6
Russia	795.3	655.3	566.1	10.8	8.4	6.5	-13.6	-28.8
Ukraine	78.8	85.5	110.9	1.1	1.1	1.3	29.7	40.7
Other	916.9	1,264.5	1,168.8	12.5	16.3	13.4	-7.6	27.5
USA	190.4	279.3	253.3	2.6	3.6	2.9	-9.3	33.0
Turkey	52.2	29.9	114.6	0.7	0.4	1.3	283.3	119.5
China	85.8	93.5	93.6	1.2	1.2	1.1	0.1	9.1
Total	7,349.4	7,776.5	8,697.0	100.0	100.0	100.0	11.8	18.3

services sold to the CIS, in particular Russia, grew as well. The share of other countries in the exports of transport services stood at 22% and increased by 59% year-on-year. Most of the services were rendered to Switzerland and off-shore regions.

The imports of transport services gained 13% year-on-year. Imports from EU countries, mainly Finland, accounted for 76% of that (see Tables 14 and 16). The imports of transport services from the CIS declined, with imports from Russia decreasing by 24%. As for other countries, offshore regions, China and the United States were the largest exporters of transport services.

The exports of **travel services** declined by 9% year-on-year, while imports grew by 22% (see Figure 7). In terms of value, Estonian travel agencies sold 7.5% more package travels to foreigners compared to 2006.

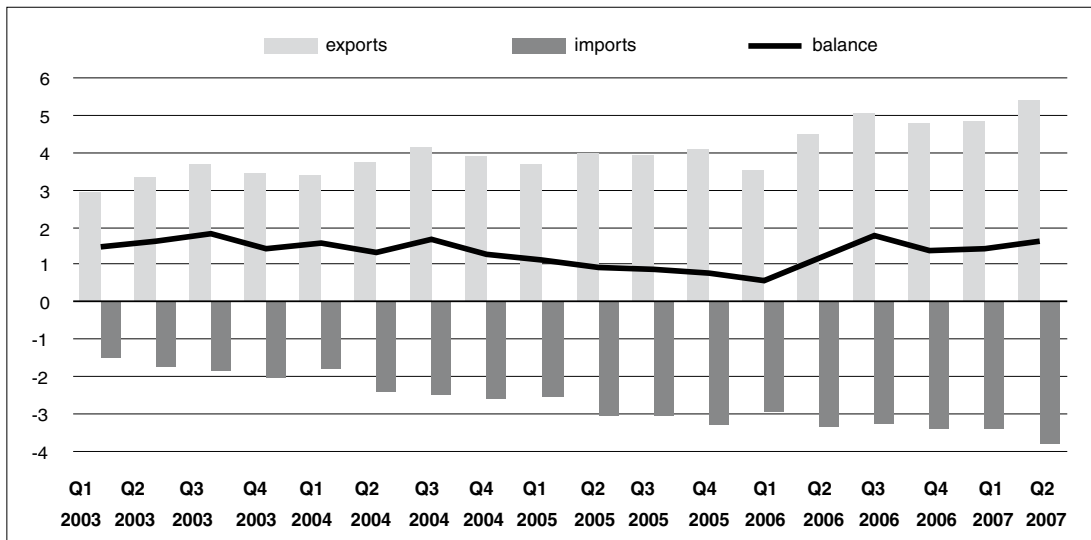


Figure 5. Transport services (EEK bn)

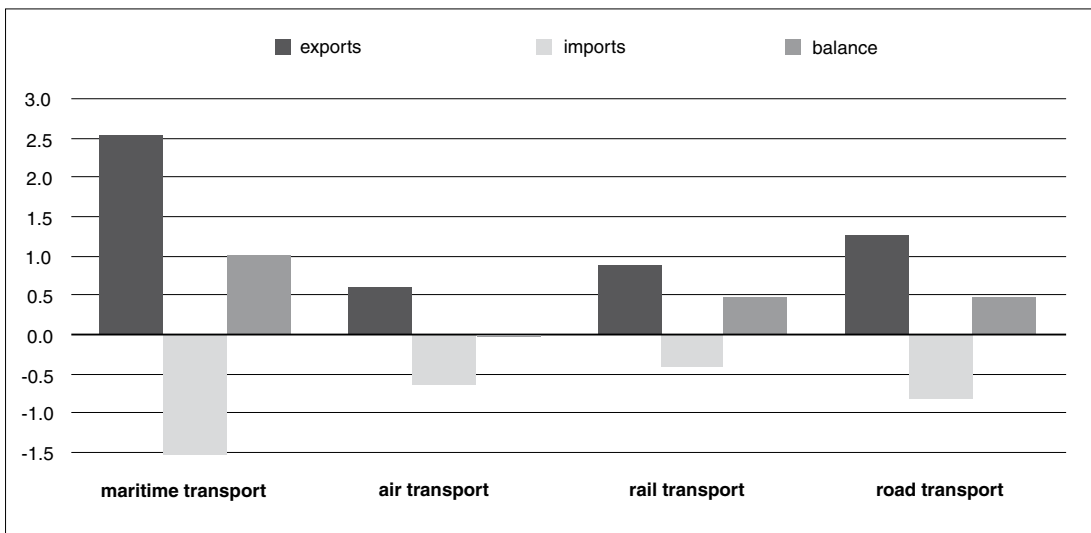


Figure 6. Transport services structure in the second quarter of 2007 by transport type (EEK bn)

However, the number of visitors staying for several days and spending more decreased by 9%. Services exports primarily declined on account of Finnish tourists (by 16% year-on-year). Earlier, the number of Russian tourists was expected to decline. Instead, border crossings indicated a rise in that figure and also the number of tourists using the services of travel agencies remained stable (see Table 17).

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

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q2 2007 / Q2 2006		Volume (EEK m)	Share (%)	Change (%), Q2 2007 / Q2 2006
EU-27	3,650.7	67.5	10.7	EU-27	2,893.9	76.4	18.3
Finland	1,341.0	24.8	24.9	Finland	684.6	18.1	6.7
United Kingdom	476.0	8.8	56.7	Germany	496.4	13.1	28.1
Sweden	453.1	8.4	6.1	Sweden	219.2	5.8	9.4
Germany	288.8	5.3	-31.4	United Kingdom	208.9	5.5	93.2
Denmark	177.2	3.3	16.1	Latvia	205.6	5.4	-3.8
CIS	548.0	10.1	22.3	CIS	395.9	10.4	-16.6
Russia	492.0	9.1	23.8	Russia	313.2	8.3	-23.7
Ukraine	40.8	0.8	79.7	Belarus	41.6	1.1	82.5
Other	1,209.9	22.4	59.4	Other	500.0	13.2	17.8
Switzerland	511.1	9.4	127.4	offshore regions	134.2	3.5	39.6
offshore regions	293.9	5.4	34.2	China	83.1	2.2	2.8
USA	154.6	2.9	-3.5	USA	81.0	2.1	35.2
Total	5,408.6	100.0	20.1	Total	3,789.8	100.0	13.3

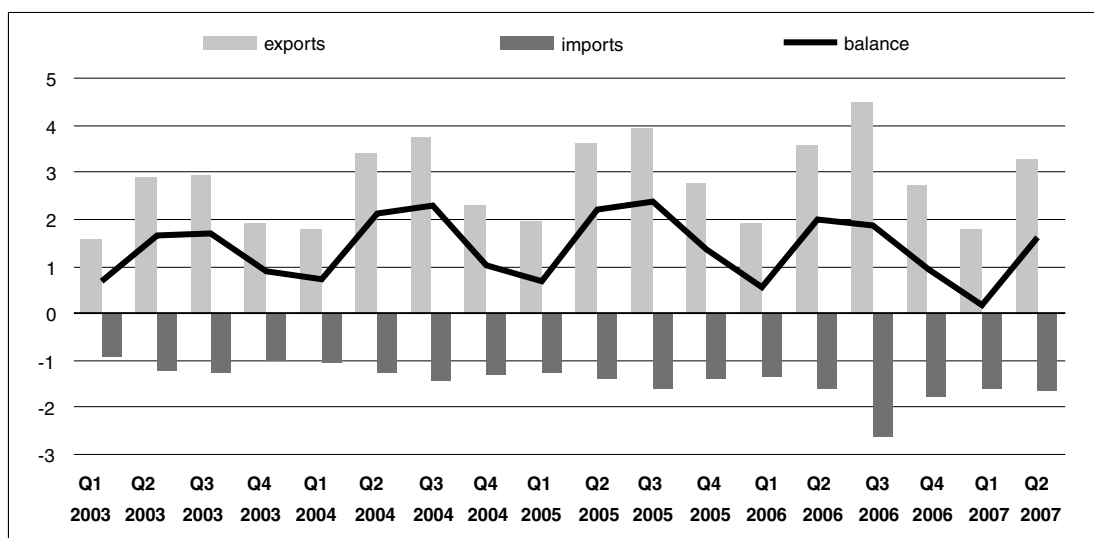


Figure 7. Travel services (EEK bn)

The imports of travel services increased rapidly year-on-year: Estonian travel agencies sold 11% more package travels to Estonians and the total cost of travels purchased grew by even 66%. The most common countries of destination included Finland (the number of visits increased by 10% and the imports of travel services by 6%) and Sweden (20% and 31%, respectively). New popular destinations were Greece and Turkey with 2.9 and 2.5 times more visits, respectively, compared to 2006.

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

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q2 2007 / Q2 2006		Volume (EEK m)	Share (%)	Change (%), Q2 2007 / Q2 2006
EU-27	2,596.9	79.3	-14.4	EU-27	-1,211.2	73.5	12.9
Finland	1,703.2	52.0	-15.8	Finland	-244.9	14.9	5.9
Sweden	299.0	9.1	6.0	Germany	-160.7	9.8	-26.4
United Kingdom	97.9	3.0	-39.7	Sweden	-89.7	5.4	31.0
Latvia	81.6	2.5	-29.1	United Kingdom	-89.0	5.4	-9.8
CIS	449.3	13.7	26.0	CIS	-122.7	7.4	12.0
Russia	416.6	12.7	27.7	Russia	-95.6	5.8	-41.3
Other	228.8	7.0	3.3	Other	-313.9	19.0	37.5
Norway	69.4	2.1	-4.8	Turkey	-83.6	5.1	173.5
USA	62.1	1.9	-27.2	USA	-61.5	3.7	44.8
				Egypt	-53.9	3.3	60.5
Total	3,275.0	100.0	-8.5	Total	-1,647.8	100.0	3.3

Income

The income account deficit increased by 50% year-on-year and stood at nearly 4 billion kroons in the second quarter of 2007, i.e. 6.5% of GDP (see Table 18 and Figure 8). The deficit was mainly boosted by the net outflow of investment income, which increased by a third, i.e. the tripling of the net outflow of reinvested earnings. 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 (5 billion kroons), the income account posted a 1 billion kroon surplus (see Table 19).

Income inflow stood at 4 billion kroons, having increased by 15–17% both quarter-on-quarter and year-on-year (see Table 20). 88% 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. The former decreased by 3% year-on-year, whereas the latter increased by 25%. Estonian residents earned labour income mostly in Finland (35% of the labour income inflow), the United Kingdom (21%) and Ireland (10%). The structure of investment income inflow changed significantly, as mostly credit institutions but also companies in other sectors paid a record amount of dividends – over 3 billion kroons. As a result, retained profits (retained earnings) decreased. Income on portfolio and other investment almost doubled: the former accounted for 20% and the latter for 14% of income. Residents received investment income mostly in Latvia (27%), Lithuania (25%) and Cyprus (16%). 75% of residents' investment income belonged to the investors of financial intermediation; 17% went to the investors of transport, storage and communications (see Figure 9).

Income outflow was 7.9 billion kroons, having increased by nearly a third year-on-year (see Table 22). Approximately 90% of the income earned by non-residents in Estonia belonged to EU residents. Most of income outflow comprised investment income (97%), the rest being labour income.

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	-2,036.8	-4.9	-1,358.6	-9.2
Q2 2003	1,035.1	34.1	-2,535.0	24.6	-1,499.9	18.8
Q3 2003	1,172.8	-6.0	-3,307.4	51.0	-2,134.5	126.5
Q4 2003	697.9	-1.1	-2,945.6	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	-2,601.8	27.7	-1,951.1	43.6
Q2 2004	1,241.0	19.9	-3,002.1	18.4	-1,761.0	17.4
Q3 2004	1,915.0	63.3	-3,079.7	-6.9	-1,164.7	-45.4
Q4 2004	1,689.6	142.1	-4,744.3	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	1,592.1	144.6	-3,508.2	34.8	-1,916.1	-1.8
Q2 2005	1,838.3	48.1	-4,666.6	55.4	-2,828.2	60.6
Q3 2005	2,757.7	44.0	-4,195.1	36.2	-1,437.4	23.4
Q4 2005	2,279.7	34.9	-3,307.1	-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	2,656.9	66.9	-4,816.4	37.3	-2,159.5	12.7
Q2 2006	3,457.2	88.1	-6,072.5	30.1	-2,615.3	-7.5
Q3 2006	3,755.8	36.2	-5,733.7	36.7	-1,977.9	37.6
Q4 2006	3,613.5	58.5	-6,285.7	90.1	-2,672.2	160.1
2006 total	13,483.4	59.2	-22,908.3	46.1	-9,424.9	30.7
Q1 2007	3,394.4	27.8	-8,013.2	66.4	-4,618.8	113.9
Q2 2007	3,959.7	14.5	-7,944.7	30.8	-3,985.0	52.4

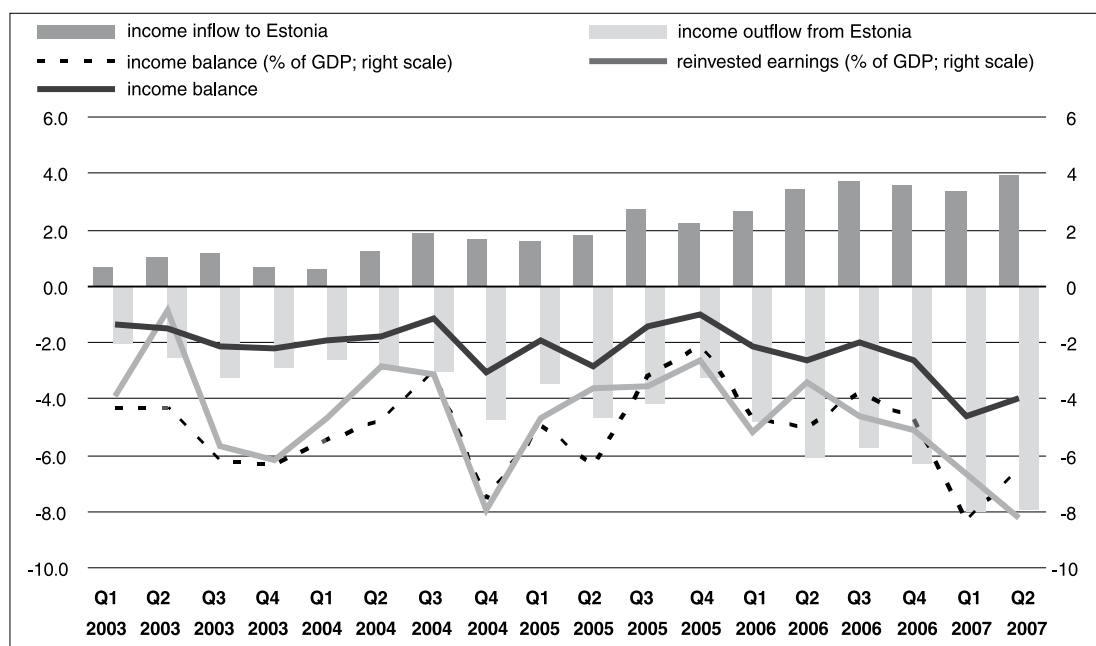


Figure 8. Income account (EEK bn)

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
Labour income	1,038.7	894.9	958.5	-39.7	-19.4	-24.1	7.1	-7.7
Investment income	-3,654.0	-5,513.6	-4,943.4	139.7	119.4	124.1	-10.3	35.3
Income on direct investment	-3,197.1	-4,391.6	-4,062.9	122.2	95.1	102.0	-7.5	27.1
income on equity	-3,061.3	-4,195.4	-3,822.8	117.1	90.8	95.9	-8.9	24.9
reinvested earnings	-1,748.6	-3,660.6	-5,006.7	66.9	79.3	125.6	36.8	186.3
dividends	-1,312.7	-534.8	1,183.9	50.2	11.6	-29.7	-321.4	-190.2
income on debt (interests)	-135.9	-196.2	-240.1	5.2	4.2	6.0	22.4	76.7
Income on portfolio investment	45.0	-594.8	-277.5	-1.7	12.9	7.0	-53.3	-716.7
Income on other investment	-501.8	-527.2	-603.0	19.2	11.4	15.1	14.4	20.2
Total	-2,615.3	-4,618.8	-3,985.0	100.0	100.0	100.0	-13.7	52.4

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
Labour income	1,248.8	1,120.2	1,212.5	36.1	33.0	30.6	8.2	-2.9
Investment income	2,208.4	2,274.2	2,747.3	63.9	67.0	69.4	20.8	24.4
Income on direct investment	1,461.9	1,181.9	1,389.0	42.3	34.8	35.1	17.5	-5.0
income on equity	1,389.1	1,051.6	1,258.5	40.2	31.0	31.8	19.7	-9.4
reinvested earnings	1,088.6	997.6	-1,852.3	31.5	29.4	-46.8	-285.7	-270.2
dividends	300.5	53.9	3,110.8	8.7	1.6	78.6	5,671.4	935.2
income on debt (interests)	72.8	130.3	130.6	2.1	3.8	3.3	0.2	79.4
Income on portfolio investment	463.2	631.8	799.5	13.4	18.6	20.2	26.5	72.6
Income on other investment	283.4	460.6	558.8	8.2	13.6	14.1	21.3	97.2
Total	3,457.2	3,394.4	3,959.7	100.0	100.0	100.0	16.7	14.5

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

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q2 2007 / Q2 2006		Volume (EEK m)	Share (%)	Change (%), Q2 2007 / Q2 2006
EU-27	3,497.2	88.3	3.4	EU-27	7,058.0	88.8	33.5
Latvia	841.5	21.3	24.8	Sweden	3,094.9	39.0	54.9
Lithuania	705.8	17.8	17.4	Finland	1,833.5	23.1	15.3
United Kingdom	457.6	11.6	60.2	United Kingdom	727.3	9.2	86.8
Cyprus	431.1	10.9	38.1	Netherlands	375.8	4.7	150.1
CIS	213.2	5.4	-195.6	CIS	166.3	2.1	-13.2
Russia	222.8	5.6	-195.3	Russia	124.8	1.6	-25.1
Belarus	-28.1	-0.7	713.2	Ukraine	30.4	0.4	39.4
Other	249.3	6.3	45.4	Other	720.4	9.1	21.1
USA	120.2	3.0	10.9	USA	123.9	1.6	25.3
offshore regions	31.3	0.8	-67.8	offshore regions	275.2	3.5	-7.3
Total	3,959.7	100.0	14.5	Total	7,944.7	100.0	30.8

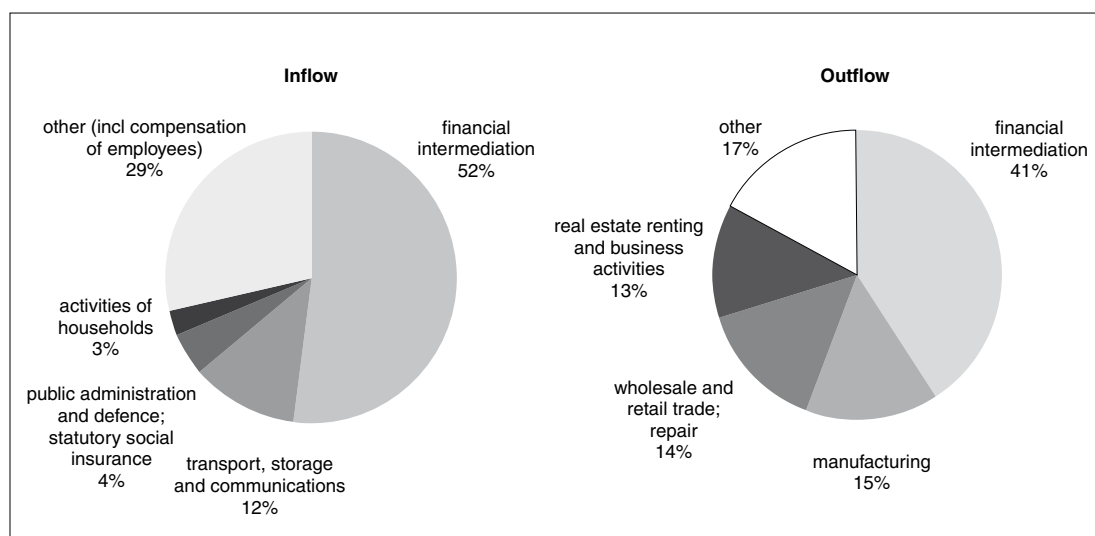


Figure 9. Inflow and outflow of income by fields of activity in the second quarter of 2007

Table 22. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2007 / Q1 2007	Q2 2007 / Q2 2006
Labour income	210.1	225.3	254.0	3.5	2.8	3.2	12.7	20.9
Investment income	5,862.4	7,787.9	7,690.7	96.5	97.2	96.8	-1.2	31.2
Income on direct investment	4,659.0	5,573.4	5,451.9	76.7	69.6	68.6	-2.2	17.0
income on equity	4,450.4	5,247.0	5,081.3	73.3	65.5	64.0	-3.2	14.2
reinvested earnings	2,837.2	4,658.3	3,154.4	46.7	58.1	39.7	-32.3	11.2
dividends	1,613.2	588.7	1,926.9	26.6	7.3	24.3	227.3	19.4
income on debt (interests)	208.6	326.5	370.6	3.4	4.1	4.7	13.5	77.7
Income on portfolio investment	418.2	1,226.7	1,077.0	6.9	15.3	13.6	-12.2	157.5
Income on other investment	785.2	987.8	1,161.8	12.9	12.3	14.6	17.6	48.0
Total	6,072.5	8,013.2	7,944.7	100.0	100.0	100.0	-0.9	30.8

Labour income earned in Estonia increased by a fifth and investment income by nearly a third. In Estonia, mainly Finnish (34%), Russian (17%) and Swedish (15%) residents earned on labour income.

The majority (71%) of non-residents income earned in Estonia was direct investment income. Typical of the second quarter, dividends were paid, in the total amount of 2 billion kroons. Income on non-residents' portfolio and other investment in Estonia grew significantly as well: by 2.6 times and 48%, respectively. 14% of the investment income earned in Estonia was earned on portfolio investment and 15% on other investment. In Estonia, mostly Swedish and Finnish investors earned on investment (40% and 23%, respectively), and to a lesser extent also UK investors (9%). Non-residents earned income in Estonia primarily on financial intermediation (42%), manufacturing (15%), wholesale and retail trade (15%), and real estate, renting and business activities (13%).

Current and capital transfers³

The surplus on the **current transfers** account was 0.7 billion kroons in the second quarter of 2007, remaining at the year-ago level (see Table 23). The inflow of current transfers totalled 1.8 billion kroons and was divided equally between the general government and other sectors. Government transfers formed 41% of the current transfers and contained allocations from the EU structural funds as well as VAT, income and social tax receipts from non-residents. Other sectors received a billion kroons. 42% of that accounted for external aid from the European Commission and 13% for fines and compensations. The outflow of current transfers was 1.1 billion kroons. Government transfers constituted 43% of that, the rest being transfers of other sectors. 80% of government transfers were compulsory payments into the EU budget; the rest were mostly refunds of VAT. Other sectors' transfers were also made mostly to EU countries. Major recipients included Finland, Germany, the United Kingdom and Sweden.

The surplus on **capital transfers** was 0.7 billion kroons and exceeded the figure for the second quarter of 2006 twice. Capital transfers into Estonia mainly comprised EU subsidies to the general government for various infrastructure objects.

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

	Received			Paid			Balance		
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007
Current transfers	1,872.5	1,463.3	1,762.6	1,347.2	1,695.1	1,110.7	525.3	-231.8	652.0
government transfers	855.0	577.9	724.1	672.0	962.4	482.6	183.0	-384.5	241.5
EU-27	825.3	533.7	602.3	664.1	937.0	454.9	161.2	-403.3	147.4
CIS	18.1	11.6	25.9	1.2	1.5	2.4	16.9	10.2	23.5
other	11.5	32.5	95.9	6.7	23.9	25.3	4.9	8.6	70.6
private transfers	1,017.5	885.4	1,038.5	675.2	732.7	628.1	342.3	152.7	410.4
EU-27	791.7	653.3	785.5	540.3	619.6	531.9	251.4	33.7	253.5
CIS	124.2	126.9	167.1	37.1	33.4	34.8	87.1	93.5	132.3
other	101.6	105.2	85.9	97.8	79.7	61.4	3.9	25.5	24.5
Capital transfers	404.0	400.1	715.5	62.1	39.3	19.6	341.9	360.7	695.9
government transfers	161.4	236.9	705.3	0.1	0.1	0.0	161.3	236.8	705.3
private transfers	242.6	163.2	10.2	62.0	39.2	19.6	180.6	124.0	-9.4

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 totalled 6.7 billion kroons in the second quarter of 2007. Foreign capital inflow mainly occurred through other investment capital.

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

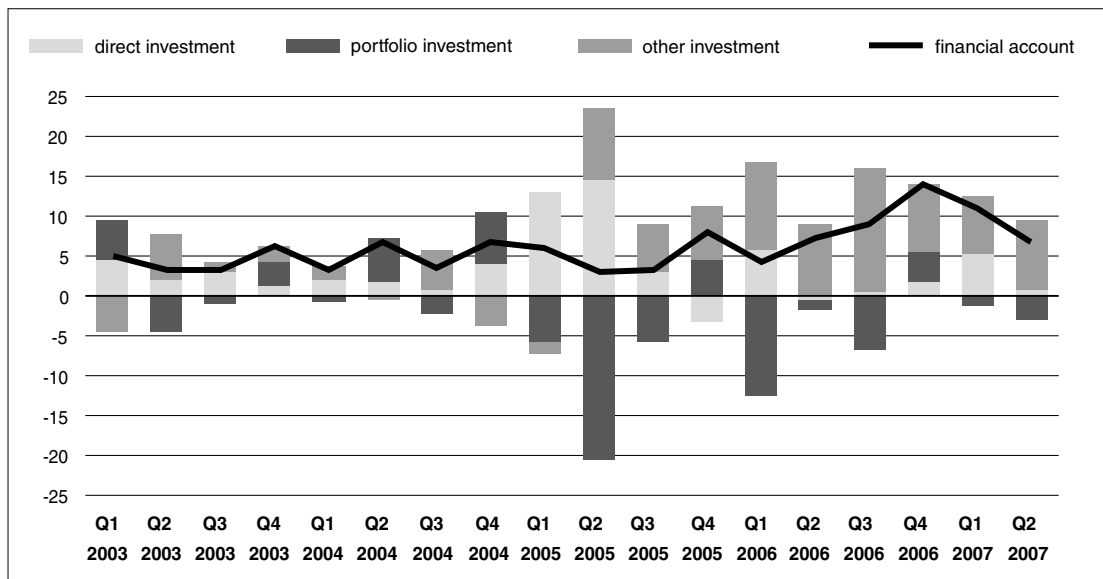


Figure 10. Changes in the structure of foreign investment capital flows (EEK bn)

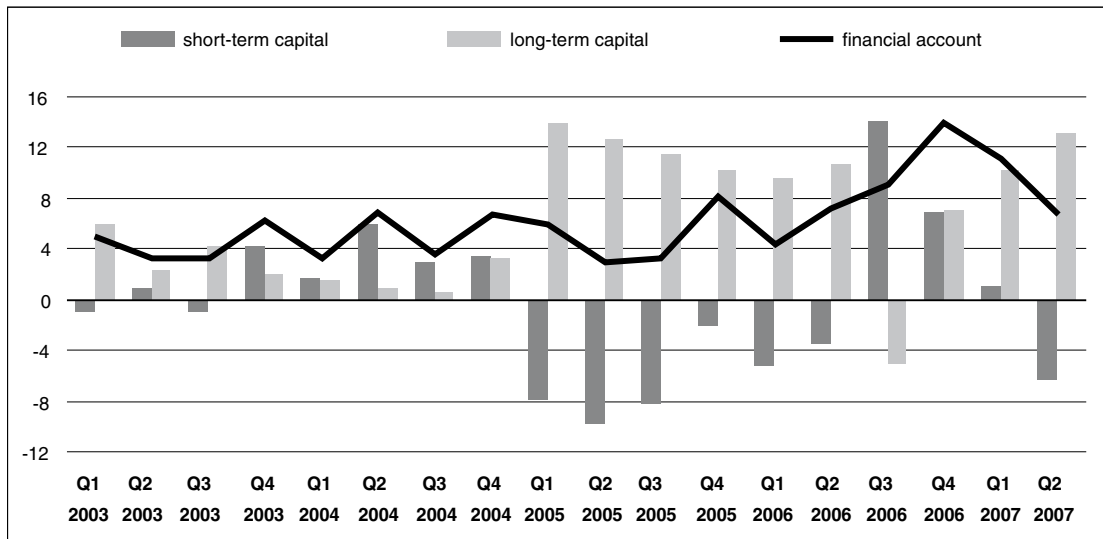


Figure 11. Maturity structure of the financial account (EEK bn)

⁴ Without reserve assets.

Direct investment

The surplus on direct investment totalled 0.9 billion kroons in the second quarter of 2007, accounting for 13% of the financial account surplus. Non-residents invested 7.7 billion kroons in Estonia and Estonian residents' direct investment abroad grew by 6.8 billion kroons (see Figure 12).

The inflow of **direct investment** in Estonia was only a billion kroons less than in the first quarter of 2007. Year-on-year, growth more than doubled. A third of direct investment was equity capital investment, which grew considerably compared to the previous two years. Since proprietary income is usually withdrawn in the second quarter, the year-on-year growth of reinvested earnings remained lower. Highest incomes were earned in financial intermediation (1.8 billion kroons), manufacturing (0.9 billion) and trade (0.8 billion). As regards other direct investment capital, both assets and liabilities increased. Short-term loan assets of foreign subsidiaries and affiliated companies grew by 2 billion kroons and long-term loan liabilities to foreign investors by 3 billion kroons. Similar to the first quarter, the subordinated debt of credit institutions accounted for a significant part in the increasing debt of local companies also in the second quarter (see Tables 24 and 25).

Swedish and Finnish direct investment in Estonia grew by over two thirds. The investment volume of Danish and Russian companies also increased remarkably: by 18% and 11%, respectively. Nearly two thirds of direct investment inflow went to financial intermediation. Manufacturing saw a 19% increase in foreign investment and trade witnessed 11% growth. The investors of EU countries invested 7 billion kroons, which constituted 92% of the total direct investment inflow (see Figures 13 and 14, and Table 26).

Direct investment abroad posted a record in terms of volume in the history of compiling Estonia's balance of payments. Equity capital investment grew by 4.8 billion kroons: the equity capital of subsidiaries or affiliated companies was increased by 6.7 billion kroons and retained profits decreased by 1.9 billion kroons owing to the withdrawal of proprietary income. The loan liabilities of subsidiaries and affiliated companies

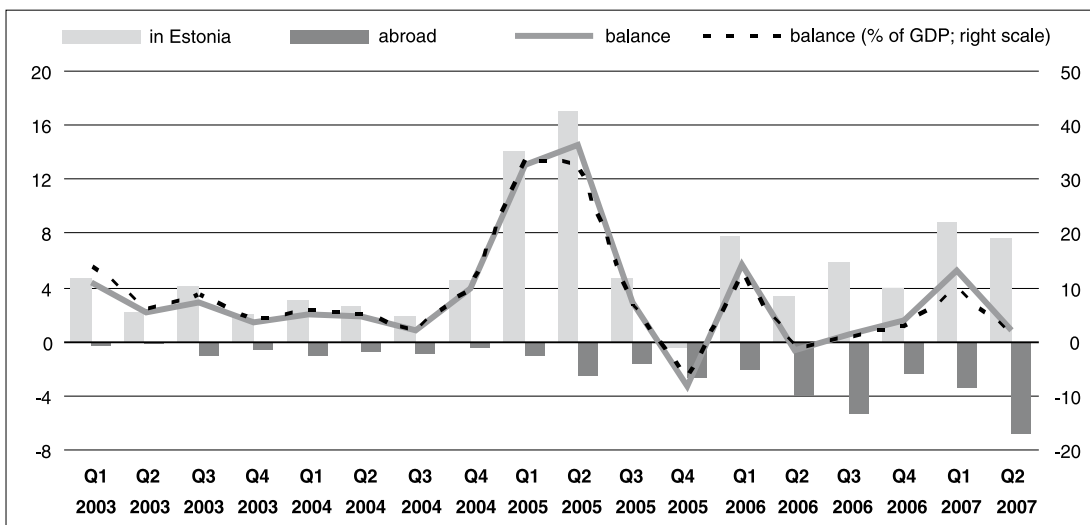


Figure 12. Direct investment (EEK bn)

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	811.4	9.2	4,658.3	53.1	-381.8	-4.3	3,691.5	42.0	8,779.4	100.0
Q2 2007	2,577.1	33.7	3,154.4	41.2	-1,629.8	-21.3	3,549.1	46.4	7,650.9	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	732.5	231.8	1,032.2	1,347.4	6,404.4	2,818.9	1,190.7	925.8
Q2 2007	673.4	255.4	2,724.0	869.2	4,274.8	1,315.3	1,525.7	1,539.3

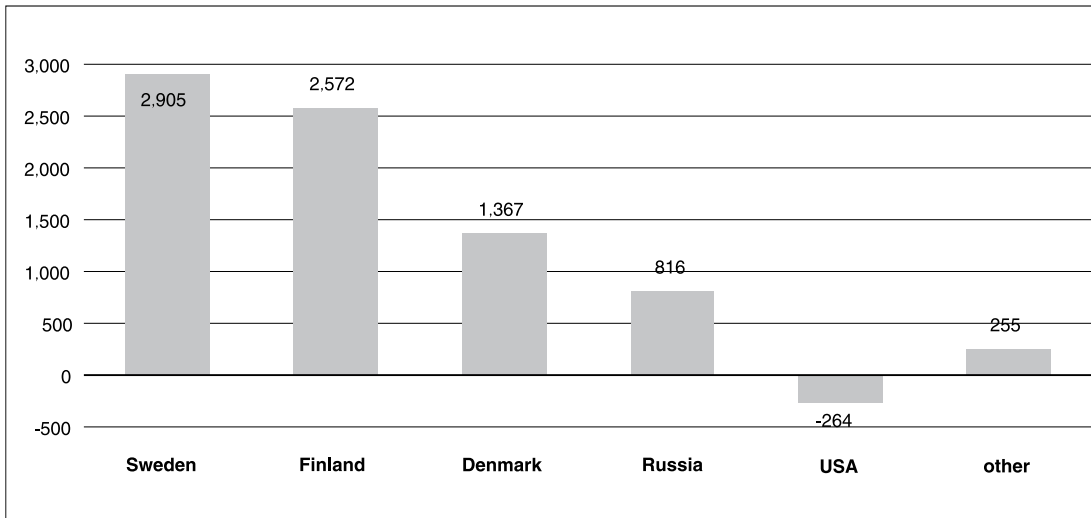


Figure 13. Direct investment in Estonia by countries in the second quarter of 2007 (EEK m)

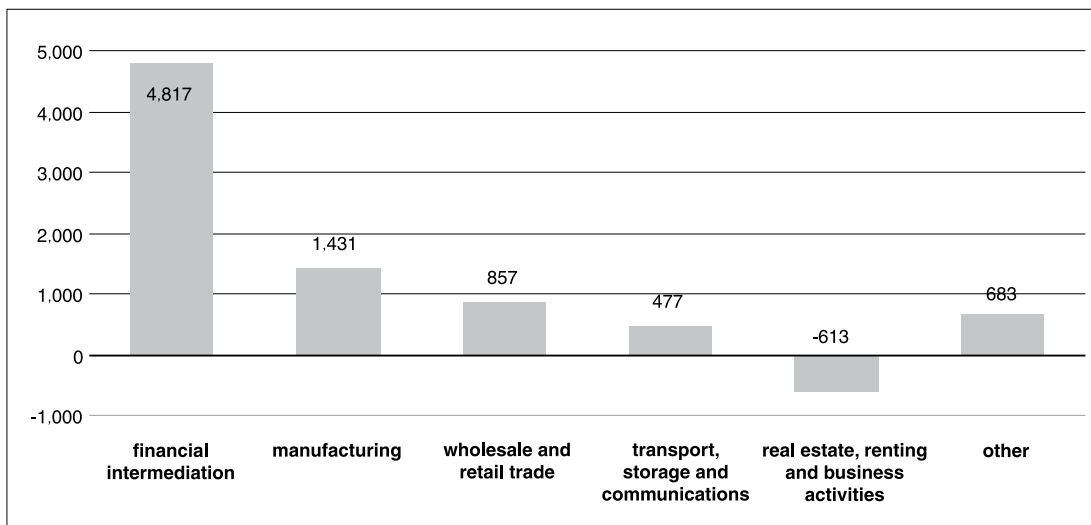


Figure 14. Direct investment in Estonia by fields of activities in the second quarter of 2007 (EEK m)

Table 26. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q1 2007	Q2 2007	Q1 2007	Q2 2007	Q2 2007 / Q1 2007
EU-27	8,946.4	7,005.6	101.9	91.6	-21.7
CIS	-501.3	842.3	-5.7	11.0	-268.0
Other	334.3	-197.0	3.8	-2.6	-158.9
Total	8,779.4	7,650.9	100.0	100.0	-12.9

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	-1,289.8	37.0	-997.6	28.6	-1,365.9	39.2	164.7	-4.7	-3,488.6	100.0
Q2 2007	-6,670.1	98.4	1,852.3	-27.3	-1,652.9	24.4	-305.3	4.5	-6,776.0	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	1,050.6	146.8	267.3	286.9	13.9	24.5	59.6	30.0
Q2 2007	1,470.7	947.5	592.7	234.2	2.8	67.2	163.2	12.9

grew by 1.7 billion kroons, most of which were liabilities for goods and services. The position of long-term loan assets increased by 0.5 billion kroons; the biggest net lenders were again companies engaged in real estate, renting and other business activities. The liabilities of Estonian company owners to subsidiaries and affiliated companies decreased by 0.3 billion kroons and were, similar to assets, mostly related to trade credit (see Tables 27 and 28).

Over half of direct investment outflow went to Latvia. Estonian investment in Lithuania grew by 15% and in Russia and Finland by 7%. The investors of finance (48%), real estate, renting and business activities (24%), transport, storage and communications (12%), and manufacturing (8%) made the largest investments. 87% of the investment outflow was channelled to the EU and 10% to the CIS (see Figures 15 and 16 and Table 29).

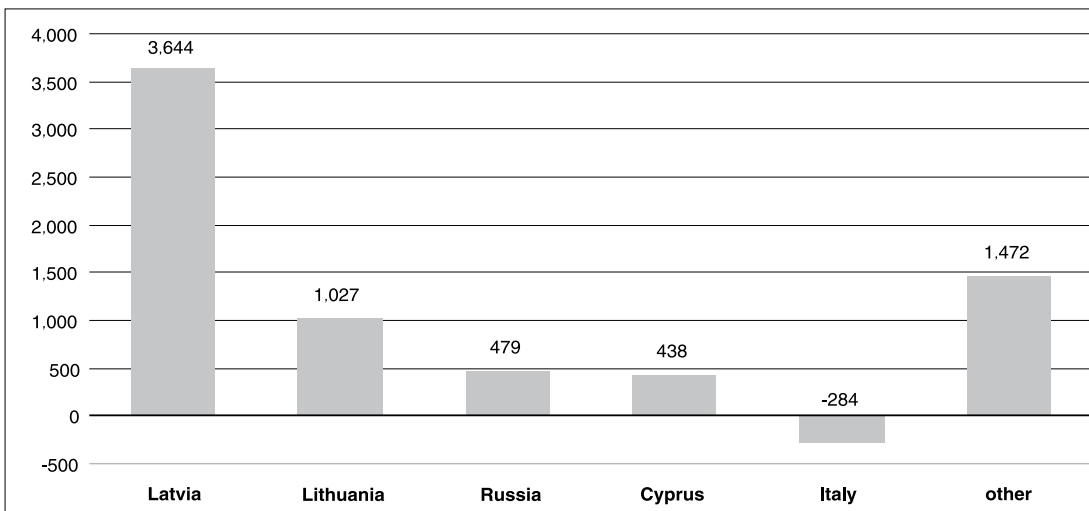


Figure 15. Direct investment abroad by countries in the first quarter of 2007 (EEK m)

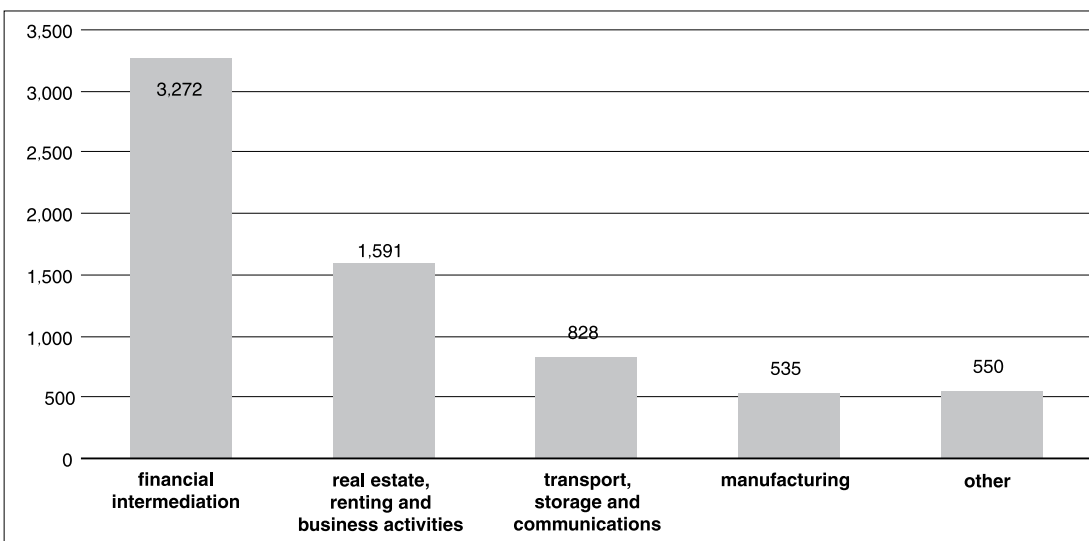


Figure 16. Direct investment abroad by fields of activity in the second quarter of 2007 (EEK m)

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q1 2007	Q2 2007	Q1 2007	Q2 2007	Q2 2007 / Q1 2007
EU-27	-2,744.9	-5,877.0	78.7	86.7	114.1
CIS	-541.8	-666.5	15.5	9.8	23.0
Other	-201.9	-232.5	5.8	3.4	15.2
Total	-3,488.6	-6,776.0	100.0	100.0	94.2

Portfolio investment

The net outflow of portfolio investment was 2.9 billion kroons in the second quarter of 2007. Above all, this stemmed from the equity security investments of enterprises in other sectors as well as credit institutions' debt security investments (see Figure 17 and Table 30).

Portfolio investment liabilities decreased by 810 million kroons in the second quarter of 2007. Debt security liabilities decreased by 1.1 billion kroons, whereas equity security liabilities increased by 275 million kroons (see Table 31). The decline in liabilities arose from a decrease in general government's debt security liabilities. By countries, portfolio investment liabilities to Germany and the United States diminished the most (see Table 32 and Figure 18).

Portfolio investment assets gained 2.1 billion kroons in the second quarter of 2007. Equity security assets increased by 2.7 billion kroons and debt security assets by 670 million kroons (see Table 33). Primarily, enterprises in other sectors (particularly investment funds) invested in equity securities issued

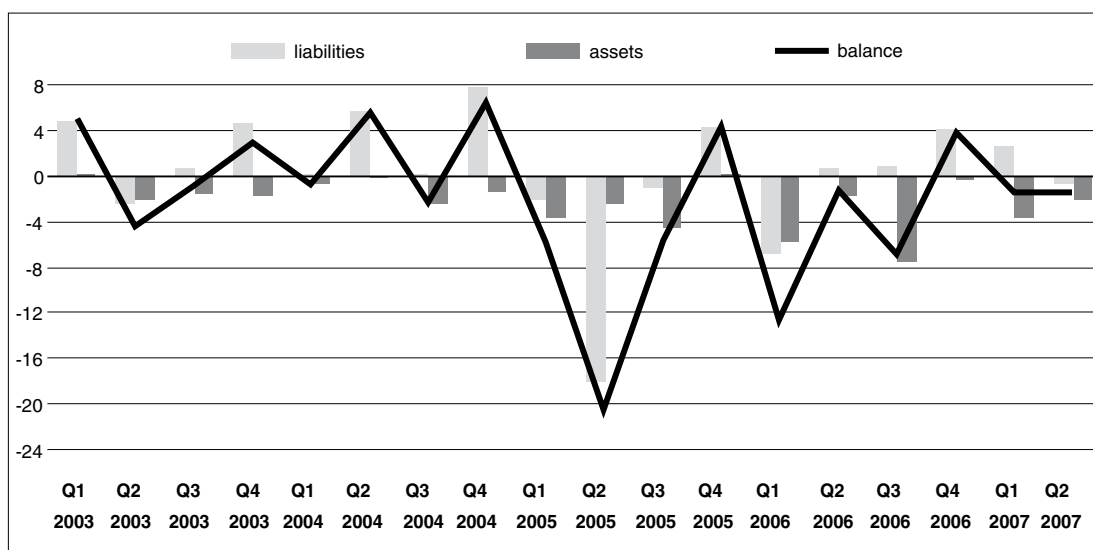


Figure 17. Portfolio investment (EEK bn)

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

	Assets			Liabilities			Balance		
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007
Equity securities	-1,059.8	-2,197.1	-2,742.2	499.6	3,209.7	274.5	-560.2	1,012.6	-2,467.7
central bank									
general government	56.7	2.9	64.0				56.7	2.9	64.0
credit institutions	99.3	63.7	-19.5	2.3	19.1	2.6	101.6	82.8	-16.9
other sectors	-1,215.7	-2,263.7	-2,786.7	497.3	3,190.5	271.9	-718.4	926.8	-2,514.8
Debt securities	-775.7	-1,445.2	672.6	127.2	-708.6	-1,085.0	-648.5	-2,153.8	-412.4
central bank									
general government	-119.4	-545.8	1,306.1	-66.4	31.0	-1,596.7	-185.8	-514.8	-290.6
credit institutions	-100.2	-241.2	-1,265.0	49.7	-1,197.7	209.2	-50.5	-1,438.9	-1,055.8
other sectors	-556.1	-658.2	631.4	143.9	458.1	302.5	-412.2	-200.1	933.9
Total	-1,835.5	-3,642.3	-2,069.6	626.7	2,501.1	-810.6	-1,208.8	-1,141.2	-2,880.2

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	3,209.7	128.3	-708.6	-28.3	2,501.1	100.0
Q2 2007	274.5	-33.9	-1,085.0	133.9	-810.6	100.0

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

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-2,021.6	-77.9	97.7	9.6
CIS	-545.0	-14.7	26.3	1.8
Other	497.0	-718.0	-24.0	88.6
Total	-2,069.6	-810.6	100.0	100.0

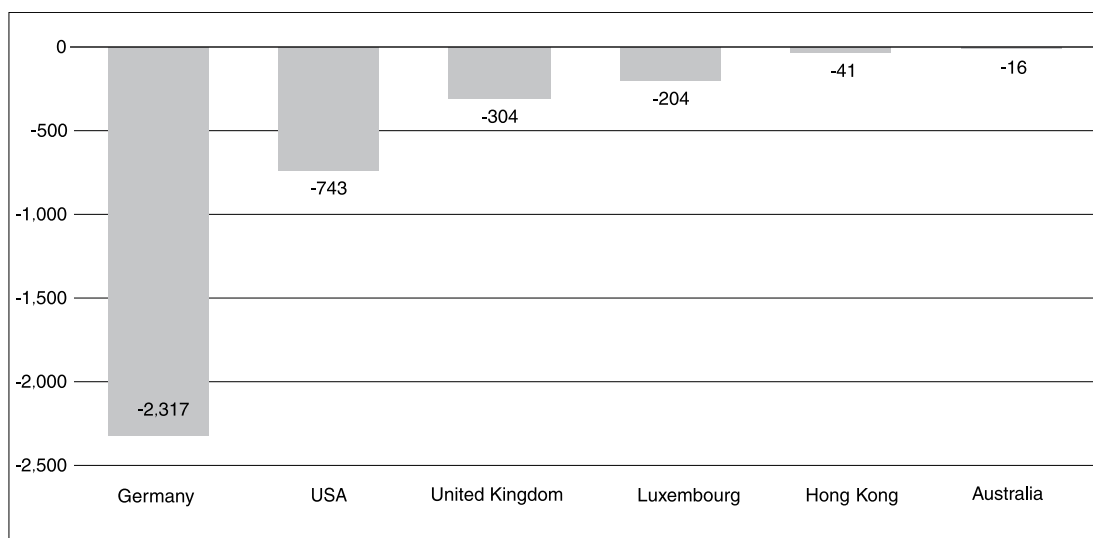


Figure 18. Increase in portfolio investment liabilities by countries in the second quarter of 2007 (EEK m)

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	-2,197.1	60.3	-1,445.2	39.7	-3,642.3	100.0
Q2 2007	-2,742.2	132.5	672.6	-32.5	-2,069.6	100.0

by non-residents, whereas the general government invested the most in debt securities – in the total amount of 2.8 and 1.3 billion kroons, respectively. By countries, Estonian residents mainly invested in Belgium, Finland, Austria and the United States (see Figure 19).

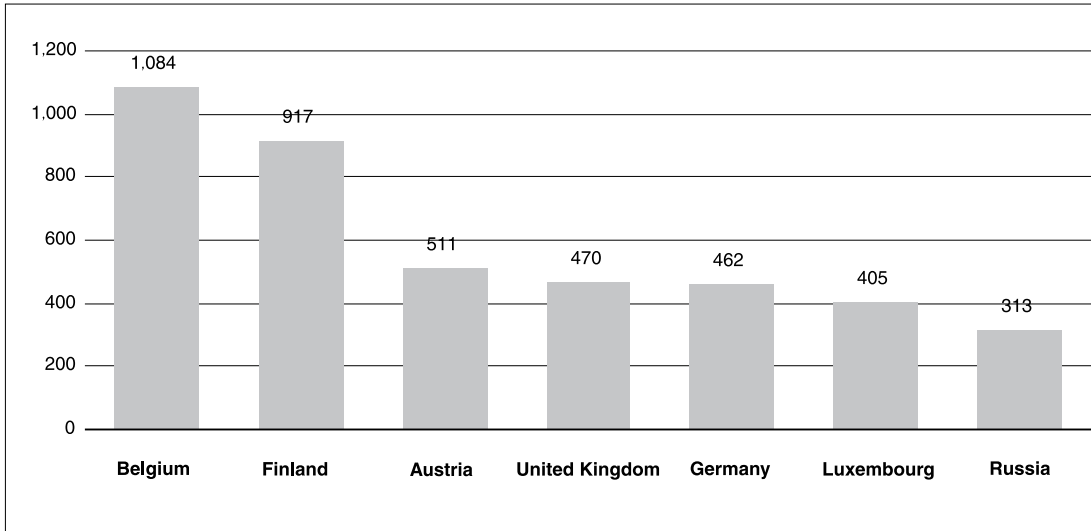


Figure 19. Increase in portfolio investment assets by countries in the second quarter of 2007 (EEK m)

Other investment

The **net inflow of other investment** reached 8.6 billion kroons in the second quarter, mostly owing to the long-term loans borrowed by credit institutions (see Figure 20 and Table 34).

Other investment liabilities increased by 17.9 billion kroons. Loan liabilities experienced the strongest growth (by 15.2 billion kroons), followed by deposits (1.4 billion) and trade credit liabilities (1.1 billion; see Table 35). Credit institutions' long-term loan liabilities grew by 13.7 billion kroons, whereas short-term loan

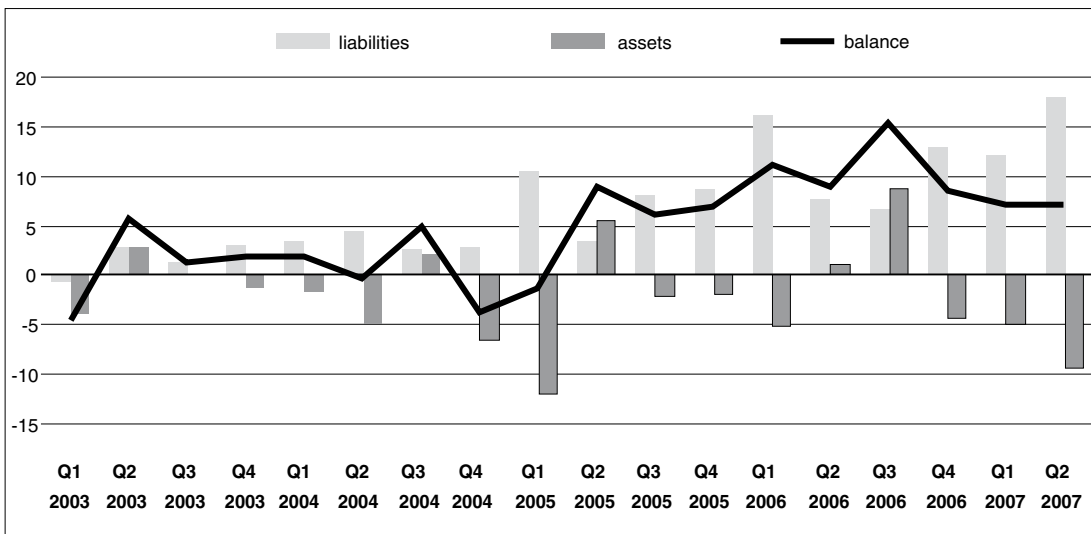


Figure 20. Other investment (EEK bn)

Table 34. Other investment by maturity (EEK m)

	Assets			Liabilities			Balance		
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007
Long-term capital	-1,519.3	-757.2	-486.4	12,787.7	5,588.3	12,739.4	11,268.4	4,831.1	12,253.0
central bank	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
general government	0.0	-56.5	0.0	-35.8	31.5	-35.2	-35.8	-25.0	-35.2
credit institutions	-970.6	-336.2	-314.3	11,949.5	4,662.4	13,691.2	10,978.9	4,326.2	13,376.9
other sectors	-548.7	-364.6	-172.1	874.0	894.4	-916.6	325.3	529.8	-1,088.7
Short-term capital	2,646.4	-4,209.9	-8,876.3	-4,974.9	6,495.2	5,182.5	-2,328.5	2,285.3	-3,693.8
central bank	0.0	0.0	0.0	-3.8	1,250.7	715.9	-3.8	1,250.7	715.9
general government	-469.8	-152.1	16.3	502.0	0.0	0.0	32.2	-152.1	16.3
credit institutions	5,062.8	4.4	-9,893.7	-8,038.3	5,217.4	2,492.2	-2,975.5	5,221.8	-7,401.5
other sectors	-1,946.6	-4,062.2	1,001.1	2,565.2	27.1	1,974.4	618.6	-4,035.1	2,975.5
Total	1,127.2	-4,967.2	-9,362.7	7,812.9	12,083.5	17,922.1	8,940.1	7,116.3	8,559.4

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	-844,8	-7,0	7 983,9	66,1	4 355,5	36,0	589,0	4,9	12 083,5	100,0
Q2 2007	1 057,7	5,9	15 169,0	84,6	1 359,4	7,6	336,1	1,9	17 922,1	100,0

liabilities increased by nearly 800 million kroons. Non-residents' deposits with credit institutions grew by 1.4 billion kroons. Other investment capital liabilities to Sweden, Denmark, Latvia and Russia increased the most by countries and to EU Member States by groups of countries (see Figure 21 and Table 36).

Other investment assets rose by 9.4 billion kroons in the second quarter of 2007. Assets increased across all sub-types but the highest growth figures were posted by loan and deposit assets – 5 and 2 billion kroons, respectively (see Table 37). Other capital assets grew by 1.4 billion and trade credit

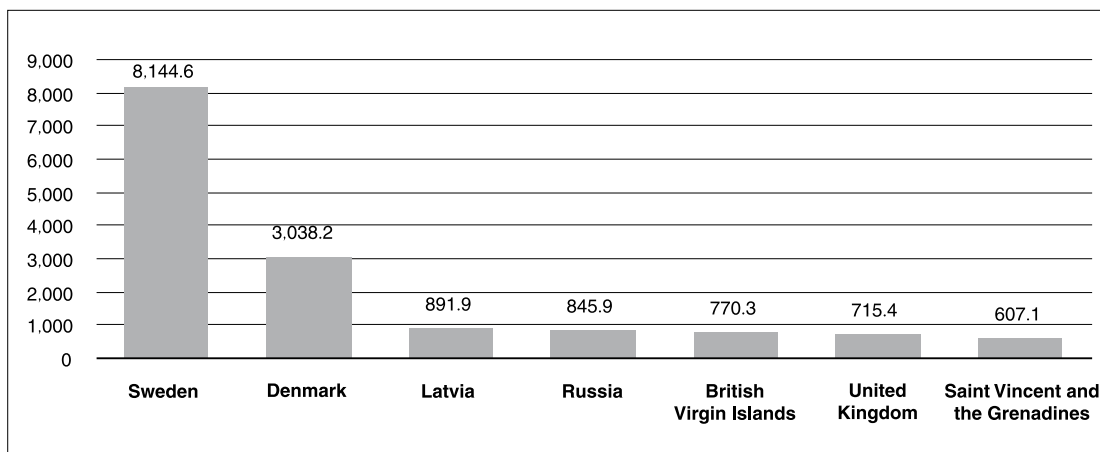


Figure 21. Increase in other investment liabilities by countries in the second quarter of 2007 (EEK m)

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

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-5,369.0	14,795.8	57.3	82.6
CIS	-1,848.9	886.8	19.7	4.9
Other	-2,144.8	2,239.5	22.9	12.5
Total	-9,362.7	17,922.1	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	-360.2	7.3	-1,149.0	23.1	-3,208.8	64.6	-249.2	5.0	-4,967.2	100.0
Q2 2007	-929.0	9.9	-4,974.3	53.1	-2,047.9	21.9	-1,411.6	15.1	-9,362.7	100.0

assets by 900 million kroons. By countries, other investment assets to Germany, Russia, Sweden and the United Kingdom increased the most (see Figure 22). Table 38 provides a more detailed overview of loan capital assets and liabilities.

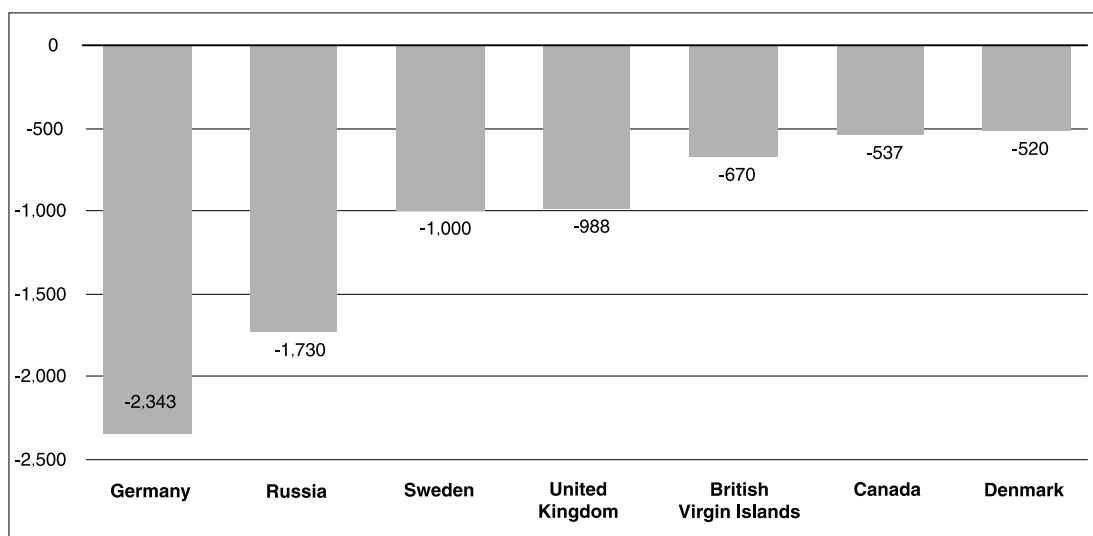


Figure 22. Increase in other investment assets by countries in the second quarter of 2007 (EEK m)

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	-53,467.2	52,318.2	-1,149.0	72,453.7	-64,469.8	7,983.9
Q2 2007	-90,396.9	85,422.6	-4,974.3	96,824.4	-81,655.4	15,169.0

Reserve assets

The balance of payments reserves increased by 55 million kroons in the second 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 (%)		
	Q2 2006	Q1 2007	Q2 2007	Q2 2006	Q1 2007	Q2 2007
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	654.3	1,141.1	340.5	-36.2	155.6	-614.6
Securities	-2,462.5	-406.1	-399.0	136.4	-55.4	720.2
equity securities				0.0	0.0	0.0
bonds and notes	-2372.9	-1921.1	-464.2	131.4	-262.0	837.9
money market instruments	-89.6	1515.0	65.2	5.0	206.6	-117.6
Financial derivatives		0.1	0.2	0.0	0.0	-0.4
Other assets	2.8	-1.8	3.0	-0.2	-0.2	-5.4
Total	-1,805.4	733.3	-55.4	100.0	100.0	100.0

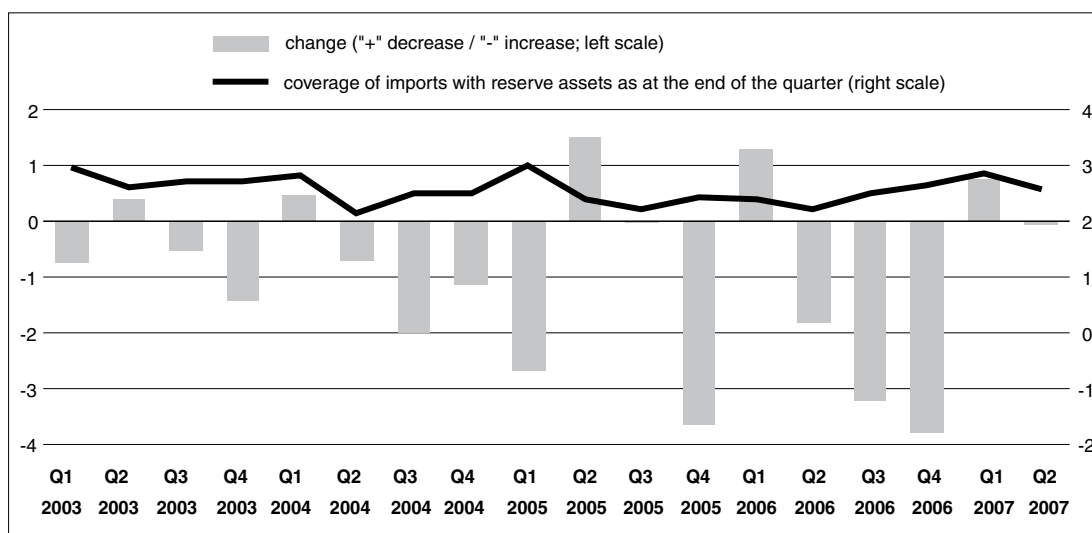


Figure 23. Changes in Estonia's gold and foreign exchange reserves (EEK bn) and coverage of goods imports without further processing (by months)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT⁵ as at 30 June 2007

During the second quarter of 2007, foreign investment in Estonia increased by 8% and amounted to 387 billion kroons at the end of the quarter (see Table 40). 55% thereof was invested in financial intermediation, 15% in real estate, renting and business activities, and to a lesser extent also in wholesale and retail trade, and manufacturing (see Table 41). Most of investment in Estonia came from Sweden (38%), Finland (20%), and the United Kingdom (8%).

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

	31/03/2007	%	30/06/2007	%
EXTERNAL ASSETS	198,729.6	100.0	218,477.4	100.0
Direct investment abroad	46,955.6	23.3	53,146.6	23.5
Equity capital and reinvested earnings	36,847.9	18.4	41,180.1	18.5
Other direct investment capital	10,107.7	4.9	11,966.5	5.0
Portfolio investment	62,370.7	31.3	66,700.5	31.3
Equity securities	24,705.5	11.5	29,698.5	12.4
Debt securities	37,665.3	19.8	37,002.0	18.9
Bonds and notes	26,753.9	14.2	25,411.0	13.4
Money market instruments	10,911.4	5.5	11,591.0	5.5
Financial derivatives	871.6	0.3	750.3	0.4
Other investment	55,654.3	27.1	65,057.5	28.2
Trade credit	13,939.9	7.0	14,877.3	7.3
Loans	23,137.6	12.0	28,075.7	11.5
Long-term	8,456.0	4.3	8,921.3	4.2
Short-term	14,681.6	7.7	19,154.4	7.4
Currency and deposits	17,296.5	7.6	19,432.6	8.7
Other assets	1,280.3	0.6	2,671.9	0.7
Reserve assets	32,877.5	18.0	32,822.5	16.6
EXTERNAL LIABILITIES	358,200.4	100.0	387,060.3	100.0
Direct investment in Estonia	153,935.4	44.7	162,995.2	41.8
Equity capital and reinvested earnings	129,558.2	38.5	136,828.9	35.0
Other direct investment capital	24,377.2	6.2	26,166.3	6.9
Portfolio investment	52,139.0	13.7	53,828.8	14.8
Equity securities	29,384.9	6.7	32,174.5	8.4
Debt securities	22,754.1	7.1	21,654.2	6.5
Bonds and notes	22,611.4	7.0	21,547.8	6.4
Money market instruments	142.8	0.0	106.4	0.0
Financial derivatives	556.1	0.1	627.4	0.2
Other investment	151,569.9	41.4	169,609.0	43.2
Trade credit	13,166.9	4.1	14,480.3	3.9
Loans	81,550.7	21.8	96,604.6	23.1
Long-term	64,647.9	17.5	77,339.9	18.3
Short-term	16,902.8	4.3	19,264.8	4.8
Currency and deposits	53,838.2	14.6	55,197.6	15.3
Other liabilities	3,014.1	0.9	3,326.5	0.9
NET INVESTMENT POSITION	-159,470.8		-168,582.9	
Long-term	-136,158.8		-152,611.1	
Short-term	-23,312.0		-15,971.8	

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					
	31/03/2007	30/06/2007		31/03/2007	30/06/2007
Financial intermediation	62.1	65.0	Financial intermediation	53.2	55.1
Real estate, renting and business activities	10.6	9.3	Real estate, renting and business activities	16	15.1
Public administration and defence; statutory social insurance	9.5	8.0	Wholesale and retail trade; repair	8.8	9
Wholesale and retail trade; repair	6.7	6.8	Manufacturing	9.0	8.6
Manufacturing	4.1	4.1	Transport, storage and communications	5.4	5.1
Other	7.0	6.8	Other	7.6	7.1
Total	100.0	100.0	Total	100.0	100.0
Countries					
Latvia	10.9	11.6	Sweden	37.4	38.2
Germany	11.2	11.4	Finland	22.4	19.9
Russia	8.8	9.2	United Kingdom	8.7	8.4
Lithuania	9.3	8.8	Denmark	1.1	4.2
United Kingdom	8.2	8.4	Germany	3.6	2.9
Other	51.6	50.6	Other	26.8	26.4
Total	100.0	100.0	Total	100.0	100.0

The large inflow of other capital (loans and deposits) continued in the second quarter, mostly in the form of long-term loans. As a result, other investment position increased by 12% quarter-on-quarter. Since the inflow of foreign direct investment and portfolio investment grew slower, the structure of **foreign investment in Estonia** also changed slightly by the end of the quarter. The share of other investment increased, whereas that of direct and portfolio investment decreased. Other investment accounted for 44%, direct investment for 42% and portfolio investment for 14% of external liabilities. **Direct investment in Estonia** grew by 6%, quarter-on-quarter. The most preferred fields of activity included financial intermediation (30%), real estate, renting and business activities (30%), manufacturing (16%) and wholesale and retail trade (13%; see Table 42). 40% of direct investment came from Sweden and 26% from Finland.

Estonian investment abroad increased by 10% quarter-on-quarter, amounting to 218 billion kroons. Financial intermediaries made 65% of the investment abroad. Investors in the public sector, real estate, renting and business activities, and wholesale and retail trade invested to a lesser extent. Estonian investors preferred to invest in Germany, the Baltic States, Russia, and the United Kingdom.

Compared to the end of the first quarter, the structure of external assets changed slightly as well: the share of other and direct investment increased, whereas that of portfolio investment decreased. Short-term loans issued to foreign borrowers grew faster than direct and portfolio investment. The position of **foreign direct investment** grew by 13% quarter-on-quarter and accounted for 25% of the external assets. Portfolio investment increased by 7% and formed a third of the external assets. The most active foreign direct investors were those of financial intermediation (39%), real estate, renting and business activities (30%), and transport, storage and communications (11%; see Table 42). Estonian investors preferred to invest in the neighbouring countries: Latvia (37%), Lithuania (29%) and Russia (9%).

Due to the prevalence of external liabilities, Estonia's net investment position was negative by 169 billion kroons at the end of the second quarter of 2007, comprising 72% of the GDP of the

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

In Estonia			Abroad		
Fields of activity					
	31/03/2007	30/06/2007		31/03/2007	30/06/2007
Financial intermediation	28.3	29.8	Financial intermediation	37.1	39.3
Real estate, renting and business activities	31.2	29.5	Real estate, renting and business activities	32.6	30.4
Manufacturing	15.9	15.7	Transport, storage and communications	10.3	10.7
Wholesale and retail trade; repair	12.4	12.7	Wholesale and retail trade; repair	8.3	8.0
Transport, storage and communications	4.6	4.7	Manufacturing	4.1	4.7
Other	7.6	7.6	Other	7.6	6.9
Total	100.0	100.0	Total	100.0	100.0
Countries					
Sweden	38.3	40.2	Latvia	34.1	36.9
Finland	27.4	25.5	Lithuania	31.1	29.1
Netherlands	4	3.8	Russia	9	9.0
Denmark	2.1	3.6	Cyprus	8.2	7.7
Norway	3.2	3.1	Finland	4.5	4.0
Other	25.0	23.8	Other	13.1	13.3
Total	100.0	100.0	Total	100.0	100.0

last four quarters. 90% of the net investment position was long-term capital. Quarter-on-quarter, its share in the net investment position increased.

Estonia's gross external debt grew by 9% quarter-on-quarter and reached 235 billion kroons by the end of the quarter, exceeding the GDP of the last four quarters by 4%. The growth in the gross external debt mainly stemmed from a 15% rise in credit institutions' debt liabilities (long-term liabilities accounted for a third of that rise). The debt liabilities of credit institutions comprised 54% and those of other sectors 25% of the gross external debt. The general government decreased its debt by a third. Estonia's net external debt (assets less liabilities) increased by 13% and constituted 71 billion kroons (31% of the

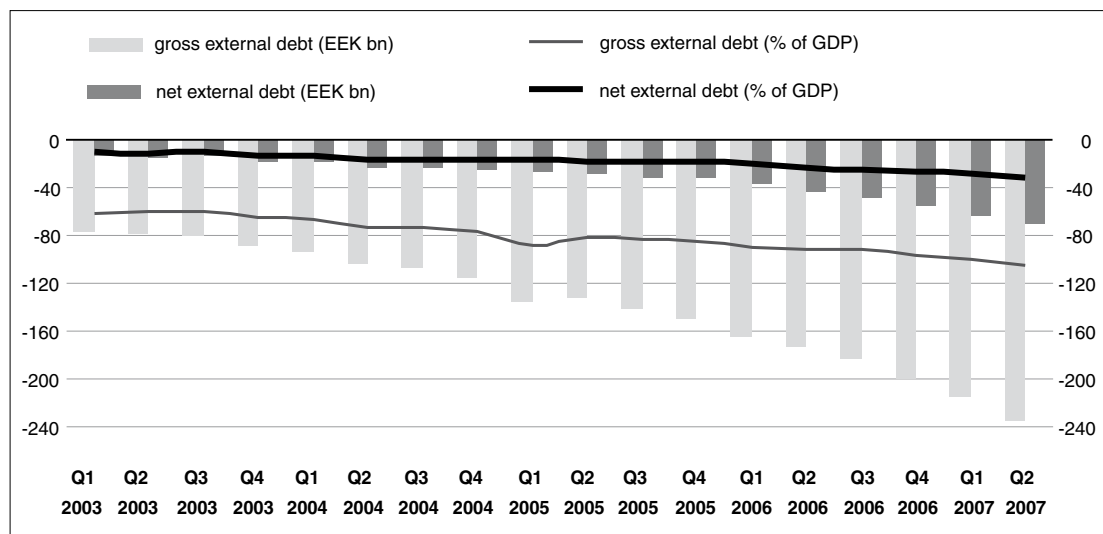


Figure 24. Estonia's gross and net external debt

GDP of the last four quarters; see Figure 24 and Table 43). The gross external debt accounted for 61% of the external liabilities. Leaving aside the intercompany lending of direct investment companies, long-term debt liabilities comprised 59% of the gross external debt. The share of long-term debt claims formed 35% of total debt claims.

Table 43. External debt (EEK m)

	31/03/2007	%	30/06/2007	%
LIABILITIES				
I. General government	4,771.4	2.2	3,139.5	1.3
Short-term		0.0		
Long-term	4,771.4	2.2	3,139.5	1.3
II. Monetary authorities (NCB)	1,728.8	0.8	2,507.5	1.1
Short-term	1,713.9	0.8	2,493.5	1.1
Long-term	14.9	0.0	14.0	0.0
III. Credit institutions	110,201.4	51.3	126,560.3	53.8
Short-term	52,610.7	24.5	50,859.7	21.6
Long-term	57,590.7	26.8	75,700.6	32.2
IV. Other sectors	57,622.5	26.8	59,055.9	25.1
Short-term	22,950.5	10.7	25,065.3	10.7
Long-term	34,672.0	16.1	33,990.6	14.4
V. Direct investment: intercompany lending	40,584.3	18.9	43,967.6	18.7
GROSS EXTERNAL DEBT	214,908.3	100.0	235,230.8	100.0
ASSETS				
I. General government	19,016.6	12.5	17,612.5	10.7
Short-term	4,302.6	2.8	3,351.9	2.0
Long-term	14,714.0	9.7	14,260.5	8.7
II. Monetary authorities (NCB)	32,785.6	21.5	32,662.7	19.9
Short-term	21,973.5	14.4	21,616.8	13.1
Long-term	10,812.1	7.1	11,045.9	6.7
III. Credit institutions	31,791.1	20.9	43,229.4	26.3
Short-term	22,841.4	15.0	34,059.6	20.7
Long-term	8,949.7	5.9	9,169.8	5.6
IV. Other sectors	42,490.3	27.9	41,196.1	25.0
Short-term	29,191.9	19.2	28,548.2	17.4
Long-term	13,298.4	8.7	12,647.9	7.7
V. Direct investment: intercompany lending	26,314.8	17.3	29,767.8	18.1
TOTAL ASSETS	152,398.3	100.0	164,468.5	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	14,245.2		14,472.9	
Short-term	4,302.6		3,351.9	
Long-term	9,942.6		11,121.0	
II. Monetary authorities (NCB)	31,056.8		30,155.1	
Short-term	20,259.6		19,123.3	
Long-term	10,797.2		11,031.8	
III. Credit institutions	-78,410.2		-83,330.9	
Short-term	-29,769.3		-16,800.0	
Long-term	-48,640.9		-66,530.9	
IV. Other sectors	-15,132.2		-17,859.7	
Short-term	6,241.4		3,482.9	
Long-term	-21,373.5		-21,342.6	
V. Direct investment: intercompany lending	-14,269.5		-14,199.8	
TOTAL NET EXTERNAL DEBT	-62,510.0		-70,762.4	