

Eesti Pank
Bank of Estonia



Estonian Preliminary Balance of Payments for the Third Quarter of 2007

2007

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SHORT OVERVIEW

- The decline in private consumption and investment activity in the third quarter of 2007 entailed a decrease in the deficit on goods and services, which are the direct components of GDP. The deficit decreased by 1.6 billion kroons year-on-year and constituted 10.1% of the GDP of the last four quarters.
- Foreign direct investment income continued the rapid growth witnessed in previous quarters.
- The current account deficit remained unchanged compared to the previous quarter and accounted for 16.2% of the GDP of the last four quarters in the third quarter of 2007 (see Table 1 and Figure 1)
- Based on the same quarter, the current account deficit stood at 13.9% of GDP in the third quarter and totalled 8.6 billion kroons in absolute value.
- Foreign capital inflow occurred primarily through other investment capital.
- The balance of payments reserves increased by 5.4 billion kroons.

Domestic demand slowed also in the third quarter and was accompanied by slightly improving external balance. The deficit in the **goods account** – the largest component in the current account deficit – amounted to 9 billion kroons. It was 10% lower year-on-year and 7% lower quarter-on-quarter. The foreign trade deficit declined by 4 percentage points and constituted 15% of the third-quarter GDP. Exports amounted to 30 billion kroons, and imports of goods to 39 billion kroons. Both the imports and exports of goods remained more or less at the year-ago level, but decreased by 8% compared to the second quarter. The biggest change in the structure of imports and exports was the threefold decrease in the motor fuel imported for processing and then exported. Excluding processed goods, the exports

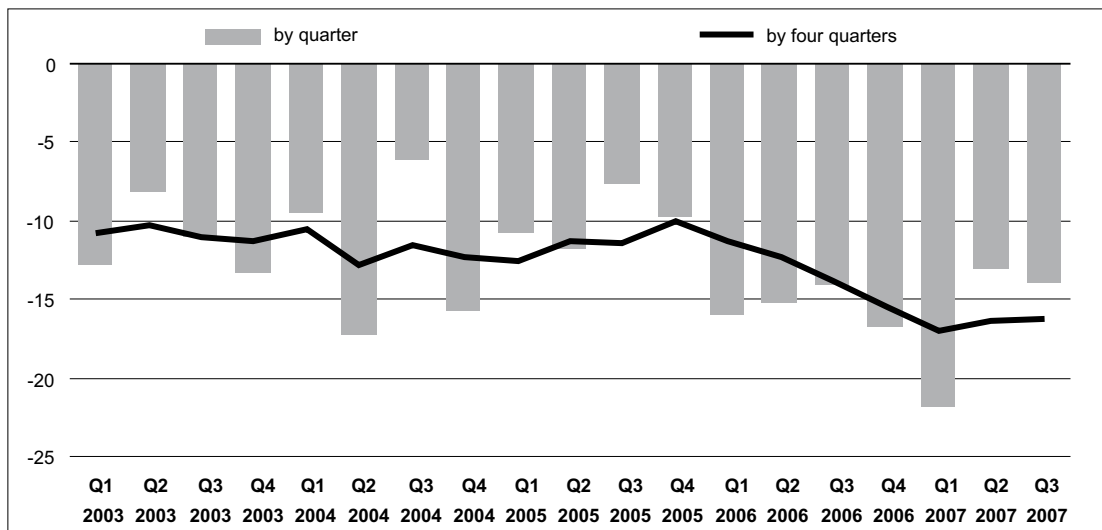


Figure 1. Current account deficit (% of GDP)

¹ The current account deficit without reinvested earnings, which involve no actual movement of funds, constituted 9.7% of the GDP of the last four quarters and 7.2% of the third-quarter GDP.

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

Item	2004	2005	2006					2007		
	Total	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Current account	-18,310.2	-17,353.7	-7,355.8	-7,847.9	-7,429.0	-9,462.4	-32,095.0	-12,027.8	-7,922.4	-8,595.6
Goods and services	-11,937.6	-11,077.1	-5,180.2	-5,757.9	-5,939.2	-7,148.1	-24,025.4	-7,177.3	-4,905.7	-4,378.3
Goods	-25,499.0	-24,044.8	-7,113.8	-9,471.5	-10,007.2	-10,130.9	-36,723.3	-9,530.5	-9,673.7	-9,012.6
credit (f.o.b.)	75,199.5	97,971.4	28,496.2	30,976.3	29,774.8	30,919.2	120,166.4	29,556.5	32,918.7	30,205.4
debit (f.o.b.)	-100,698.5	-122,016.3	-35,610.0	-40,447.8	-39,782.0	-41,050.1	-156,889.8	-39,087.0	-42,592.4	-39,218.0
Services	13,561.4	12,967.8	1,933.6	3,713.6	4,068.0	2,982.8	12,697.9	2,353.2	4,768.0	4,634.3
credit	35,703.4	40,200.7	8,295.8	11,063.0	12,726.8	11,306.1	43,391.8	10,129.7	13,220.6	14,195.1
debit	-22,142.0	-27,233.0	-6,362.3	-7,349.4	-8,658.8	-8,323.3	-30,693.9	-7,776.5	-8,452.7	-9,560.8
Income	-7,829.0	-7,077.3	-2,159.5	-2,615.3	-1,977.9	-2,672.2	-9,424.9	-4,618.8	-3,629.1	-4,231.4
credit	5,489.0	8,457.4	2,656.9	3,457.2	3,755.8	3,613.5	13,483.4	3,394.4	3,971.2	4,689.6
debit	-13,317.9	-15,534.7	-4,816.4	-6,072.5	-5,733.7	-6,285.7	-22,908.3	-8,013.2	-7,600.3	-8,920.9
Transfers	1,456.3	800.6	-16.1	525.3	488.1	357.9	1,355.3	-231.8	612.5	14.0
credit	5,252.0	5,892.2	1,483.5	1,872.5	1,843.9	1,962.3	7,162.2	1,463.3	1,722.3	1,418.1
debit	-3,795.6	-5,091.6	-1,499.7	-1,347.2	-1,355.7	-1,604.4	-5,806.9	-1,695.1	-1,109.8	-1,404.0
Capital and financial account (reserve assets excluded)	21,454.4	21,457.9	5,591.1	7,891.1	10,290.9	15,462.6	39,235.7	11,538.9	7,845.1	14,844.0
Capital account	1,149.8	1,240.3	1,251.6	724.3	1,236.1	1,470.7	4,682.6	421.9	803.7	315.9
Financial account	20,304.6	20,217.6	4,339.5	7,166.9	9,054.9	13,991.9	34,553.1	11,117.0	7,041.4	14,528.1
Direct investment	8,739.5	27,335.5	5,737.3	-607.7	510.9	1,634.2	7,274.7	5,290.8	330.9	281.7
Abroad	-3,388.6	-7,939.6	-2,050.9	-3,982.1	-5,323.5	-2,350.7	-13,707.1	-3,488.6	-6,849.5	-4,363.8
In Estonia	12,128.1	35,275.1	7,788.2	3,374.4	5,834.4	3,984.8	20,981.8	8,779.4	7,180.5	4,645.5
Portfolio investment	9,027.1	-27,559.2	-12,620.4	-1,208.7	-6,784.7	3,784.1	-16,829.7	-1,141.2	-2,445.8	-1,901.3
Assets	-4,851.0	-10,675.0	-5,766.4	-1,835.5	-7,623.6	-344.4	-15,569.9	-3,642.3	-2,280.5	-3,974.0
Equity securities	-2,893.5	-4,848.9	-1,231.6	-1,059.8	-685.1	-1,607.6	-4,584.0	-2,197.1	-2,831.0	-2,654.0
Debt securities	-1,957.6	-5,826.1	-4,534.9	-775.7	-6,938.6	1,263.1	-10,986.0	-1,445.2	550.5	-1,320.1
Liabilities	13,878.2	-16,884.3	-6,854.0	626.7	839.0	4,128.5	-1,259.8	2,501.1	-165.2	2,072.7
Equity securities	2,205.2	-16,352.3	-498.4	499.6	839.2	2,897.7	3,738.1	3,209.7	909.2	1,496.6
Debt securities	11,673.0	-532.0	-6,355.5	127.2	-0.3	1,230.7	-4,997.9	-708.6	-1,074.4	576.1
Financial derivatives	-8.3	-97.6	104.2	43.1	-42.0	-26.9	78.5	-148.9	190.8	-490.2
Assets	-35.1	13.5	96.8	-7.3	-67.5	-202.9	-180.9	-300.4	121.1	-514.3
Liabilities	26.8	-111.1	7.4	50.4	25.5	176.0	259.4	151.5	69.7	24.2
Other investment	2,546.4	20,539.0	11,118.4	8,940.2	15,370.6	8,600.5	44,029.7	7,116.3	8,965.5	16,637.8
Assets	-11,168.8	-10,373.4	-5,046.5	1,127.2	8,664.1	-4,410.3	334.6	-4,967.2	-9,444.8	1,053.0
Long-term	-6,052.6	5,636.5	-804.9	-1,519.3	-197.0	-532.8	-3,054.0	-757.2	-486.3	-384.5
Short-term	-5,116.1	-16,009.9	-4,241.6	2,646.5	8,861.1	-3,877.5	3,388.6	-4,210.0	-8,958.5	1,437.5
Liabilities	13,715.1	30,912.4	16,164.9	7,812.9	6,706.5	13,010.8	43,695.1	12,083.5	18,410.3	15,584.8
Long-term	3,740.5	15,396.8	4,667.5	12,787.7	-5,419.1	5,955.4	17,991.5	5,588.3	12,725.5	8,643.3
Short-term	9,974.7	15,515.6	11,497.4	-4,974.7	12,125.6	7,055.4	25,703.6	6,495.3	5,684.7	6,941.5
Errors and omissions	281.2	779.7	490.4	1,762.1	346.7	-2,215.9	383.2	-244.4	132.6	-850.1
Overall balance	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	5,398.3
Reserve assets	-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	-5,398.3

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

of goods grew by 12% and imports by 5% year-on-year. The foreign trade deficit was boosted mainly by motor fuels, as their deficit decreased by nearly 1 billion kroons. The foreign trade turnover exceeded GDP by 13% (by a third in the third quarter of 2006).

The primary groups of export goods included machinery and equipment (mostly electronic products),

timber and timber products and metal products. Electronic products were also the largest import items, followed by transport vehicles and chemical products. Excluding processing, the imports and exports of goods grew across all groups of goods, except machinery and equipment. Machinery and equipment, transport vehicles and chemical products posted the largest deficits on the goods account. Timber and timber products had a surplus.

The share of Estonia's main trading partner – the European Union – grew considerably, comprising 73% of the exports and 80% of the imports of goods. The share of other countries declined in exports and that of the CIS in imports (owing to a drop in the turnover of motor fuels). Finland, Sweden, Latvia, Russia and Lithuania were the largest export partners, and Finland, Germany, Sweden, Lithuania and Latvia the major import partners.

The surplus on the **services account** increased by 14% year-on-year and amounted to 4.6 billion kroons. Year-on-year, the exports of services grew by 12% and the imports by 10%. The surplus on the services account was primarily enhanced by construction services, which posted a surplus of nearly half a billion kroons instead of the previous deficit. Other major services accounts changed little. The total share of transport, travel and other business services accounted for 85–87% of both the imports and exports of services.

The share of EU countries reached 72% in the exports and 79% in the imports of services. Estonia had the biggest surplus with Finland (2.8 billion kroons) and the biggest deficit with Greece (0.3 billion kroons).

Total exports of goods and services, which are the direct components of GDP, grew by approximately 5%, whereas imports remained at the previous level. Therefore, the deficit decreased from 11% to 7% of the third-quarter GDP.

The profitability of non-residents' investment in Estonia, in particular direct investment, is reflected in the more than twofold year-on-year growth in the net outflow of **income**. Income outflow exceeded inflow by 4.2 billion kroons. The income earned by Estonian investors abroad grew by 25% and the income earned by non-residents in Estonia increased by more than a half, reaching 4.7 and 8.9 billion kroons, respectively. Labour income comprised a fourth of the income earned by residents abroad. The rest was investment income with reinvested earnings constituting a half of that. 97% of the income earned by non-residents in Estonia was investment income, 70% of that being reinvested earnings. Non-residents' income on other investment in Estonia increased by two times and composed 17% of the investment income.

Approximately 70% of residents' investment income came from the European Union: mostly from Latvia, Finland and Lithuania. Financial intermediaries earned 62% and real estate, renting and business activities investors 23% of the income. The majority (92%) of non-residents who earned income on investment in Estonia were mostly from the EU, particularly from Sweden and Finland (71% of the investment income). Much of their investment income came from financial intermediation (50%) and also from manufacturing, real estate, renting and business activities as well as wholesale and retail trade.

The amount of **current transfers** paid and received was almost similar to the year-ago level, namely 1.4 billion kroons. The amount of incoming transfers declined by nearly a fourth, while that of outgoing transfers remained almost unchanged.

The surplus on the **capital and financial account** totalled 14.8 billion kroons in the third quarter of 2007. The large inflow of foreign capital occurred primarily through other investment capital and via credit institutions. The surplus on the **capital account** declined by four times year-on-year, totalling 0.3 billion kroons, and was mostly comprised of transfers received by the general government. The latter grew by 14% year-on-year. The large surplus on the capital account in the third quarter of 2007, which was driven by the sales of intangible assets, declined to zero in 2007.

The surplus on the **financial account** reached 14.5 billion kroons.

Direct investment inflow was only 0.3 billion kroons bigger than outflow. Both foreign direct investment in Estonia and Estonia's direct investment abroad were large in volume, totalling 4.3 and 4.6 billion kroons, respectively.

In the third quarter of 2006 equity capital investment constituted over a half of Estonian residents' direct investment abroad, whereas in the third quarter of 2007 their share dropped to 25%. Reinvested earnings accounted for 43% of direct investment. Intercompany lending grew as well and composed nearly a third of direct investment abroad. Almost 80% of residents' direct investment went to EU countries, whereas the destinations were quite different this time. A third of direct investment went to Lithuania, 17% to Italy and 13% to Bulgaria. The most active foreign direct investors were those of financial intermediation and real estate, renting and business activities.

The structure of non-residents' direct investment in Estonia experienced major changes as well. Foreign direct investors decreased their investment in Estonia by 0.7 billion kroons both as regards equity capital and other investment. Non-residents' reinvested earnings, on the other hand, reached a record high of 6.1 billion kroons. The majority of direct investment in Estonia came from the EU, particularly from Sweden and Finland. Luxembourg – a newcomer among foreign direct investors – made a considerable contribution, whereas Latvia's share declined owing to the change of the owner country of an investment object. Approximately 60% of direct investment was made in financial intermediation and 23% in manufacturing.

The net outflow of **portfolio investment** amounted to 1.9 billion kroons. Portfolio investment assets increased by 4 billion and liabilities by 2.1 billion kroons. The growth in assets was mainly driven by the increase in assets invested by investment funds in foreign equity securities and by the general government in money market instruments. Portfolio investment liabilities grew primarily owing to the rise in equity security liabilities of other financial intermediaries and enterprises in other sectors.

Recently, Estonia has been witnessing higher investment in **derivatives**. Their net outflow was 0.5 billion kroons in the third quarter, including primarily investments made by credit institutions and other sectors.

The net inflow of **other investment** reached a record high of 16.6 billion kroons. Assets increased by a billion and liabilities by 15.6 billion kroons. The growth of liabilities was driven by credit institutions. Their loan liabilities grew by 7.9 billion kroons and non-residents' currency and deposits by 7.8 billion kroons.

The balance of payments reserves increased by 5.4 billion kroons.

CURRENT ACCOUNT

The decline in private consumption and investment activity entailed a decrease in the deficit on goods and services. The return on foreign direct investment, on the other hand, remained strong, reflecting an intense income outflow. Consequently, the current account deficit remained unchanged compared to the previous quarter and accounted for 16.2% of the GDP of the last four quarters (see Figure 2). Based on the same quarter, the current account deficit stood at 13.9% of GDP in the third quarter and totalled 8.6 billion kroons in absolute value. The current account deficit without reinvested earnings, which involve no actual movement of funds, constituted 9.7% of the GDP of the last four quarters and 7.2% of the third-quarter GDP.

The EU-27 accounted for 75% of the credit turnover and for 82% of the debit turnover. The five most important partners in Estonia's credit turnover were Finland, Latvia, Sweden, Russia and Lithuania, totalling 59% of the credit turnover. More or less the same countries – Finland, Sweden, Germany, Latvia and Lithuania – were the major partners also in terms of debit turnover and comprising 56% of that. Estonia's current account deficit was the biggest with Germany and Sweden; the highest surplus was registered with Latvia and Russia (see Table 2).

Goods

The goods account deficit of the balance of payments amounted to 9 billion kroons in the third quarter of 2007. It was 10% lower year-on-year and 7% lower quarter-on-quarter (see Table 3). The exports of goods totalled 30 billion kroons and imports in f.o.b. prices 39 billion kroons, remaining close to the year-ago levels. Compared to the second quarter, the biggest change in the structure of imports and exports was the threefold decrease in the motor fuel imported for processing and then exported. Excluding processed goods, exports grew by 12% and imports by 5%. The foreign trade deficit declined by 4 percentage points year-on-year and constituted 15% of the third-quarter GDP. The foreign trade turnover exceeded GDP by 13%.

According to the preliminary foreign trade statistics², goods exports totalled 30 billion as well. Imports in c.i.f. prices were 41 billion kroons (see Figure 3). The foreign trade deficit, which had been around 12 billion kroons for five consecutive quarters, decreased a little in the third quarter and amounted to 11 billion kroons.

Exports of goods increased, year-on-year, in most of the major groups, except for mineral products (incl. motor fuels) and machinery and equipment (see Table 4). The latter was also the biggest group, comprising a fifth of total goods exports. Timber, timber products and metal products followed. The exports of transport vehicles grew the most; i.e., by over a third. A large share of this group's exports comprised of motor cars and their parts imported from EU countries and then exported to Latvia and Lithuania. Components of motor vehicles (incl. safety belts) were sent to Sweden and Russia; trailers to Finland, Sweden and Rus-

² The following analysis does not include the adjustments made to the goods account (repair of capital goods, provisions purchased from abroad, etc) made by the Balance of Payments and Economic Statistics Department of Eesti Pank. Imports are in c.i.f. prices and analysed by the trading country. As of the moment of accession, the terms "exports" and "imports" are only applicable in reference to trading with third countries, while the Intrastat reporting system uses the terms "dispatch of goods" and "arrival of goods". Since the following analysis covers both intra-Community and non-Community trade, the terms "exports" and "imports" have still been used for the sake of simplicity and clarity.

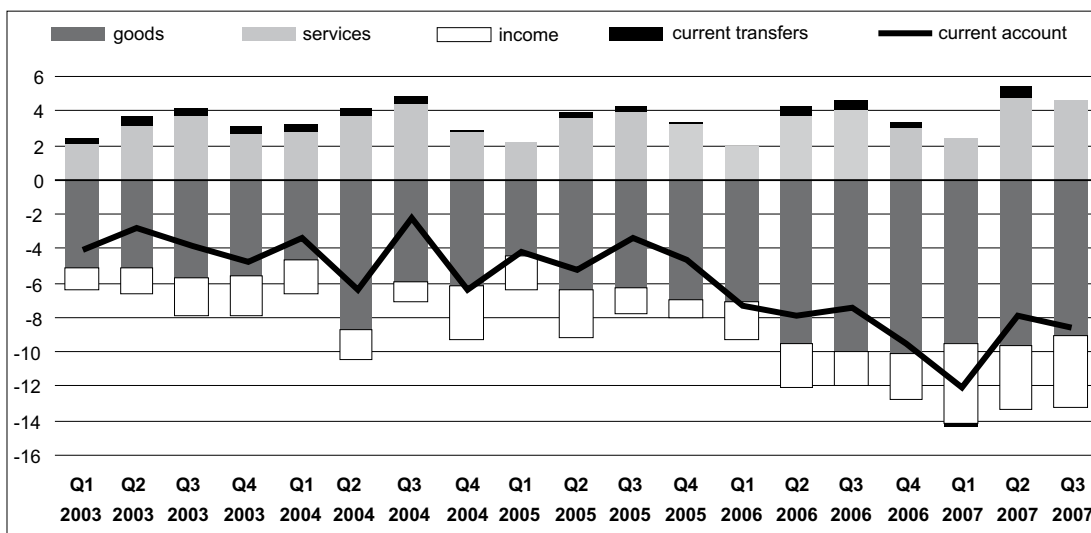


Figure 2. Current account structure (EEK bn)

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

	Q3 2006	Q2 2007	Q3 2007
EU-27	-9,556.8	-10,016.4	-10,937.2
Germany*	-3,974.2	-3,823.0	-3,682.9
Sweden	-1,775.3	-2,544.8	-3,050.5
Latvia	1,311.1	1,788.5	1,730.6
Poland	-1208.7	-1,303.0	-1244.7
Italy	-686.8	-1,253.6	-836.1
CIS	-2,409.1	-2,386.3	1,071.2
Russia	-1,996.0	-1,579.7	1,163.7
Belarus	-344.3	-600.4	-389.6
Ukraine	-205.2	-125.4	139.7
Other	4,536.9	4,480.3	1,270.4
Norway	822.7	987.0	881.2
China	235.3	-615.9	-794.2
USA	1,261.9	1,734.3	618.4
United Arab Emirates	15.5	26.8	380.8
Hong Kong	-531.4	-340.7	-308.4
Total	-7,429.0	-7,922.4	-8,595.6

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

sia; and yachts and motorboats to Finland, Sweden and Latvia. The imports of food products, timber and timber products, and paper and paper products increased by nearly 25%. The largest export item among food products was spirits, which was sent to Russia and some also to Finland. Milk powder was exported to Germany; cheese to Russia, Finland, and Italy; non-alcoholic beverages to Latvia and Lithuania, and fish products to Finland, the Netherlands and Denmark. The other main export items besides unprocessed and little processed timber included railway sleepers, plywood, construction components, mechanical pulp and various paper products. The target countries were Finland, Sweden, the United Kingdom, Germany, Denmark, France and Italy. Furniture was exported to Finland, Sweden and the United Kingdom, and prefabricated

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	18,019.8	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	32,918.7	11.4	71.3	42,592.4	9.0	-83.4	-9,673.7
Q3 2007	30,205.6	-8.2	68.0	39,218.0	-7.9	-80.4	-9,012.4

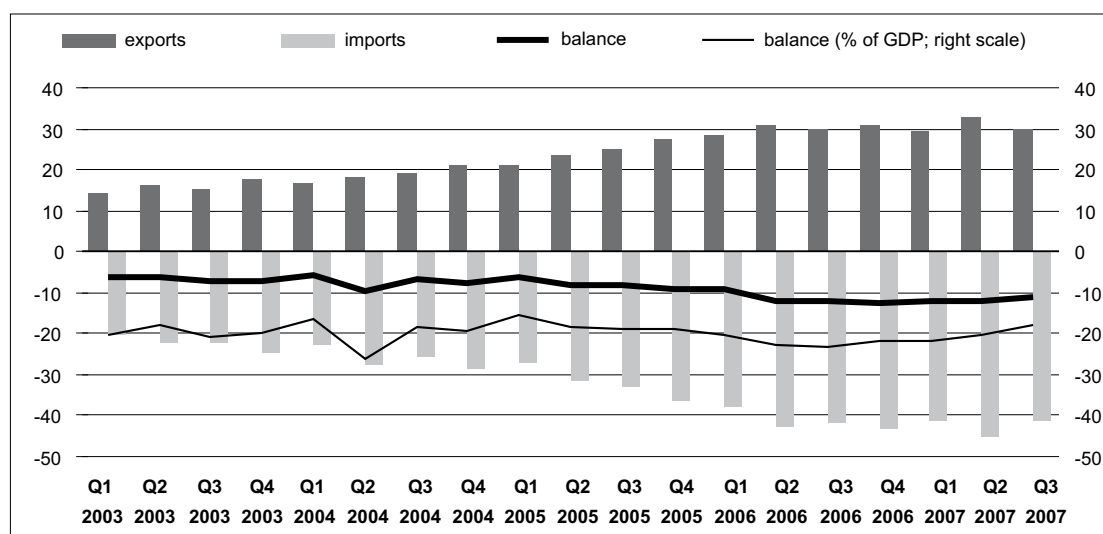


Figure 3. Estonia's foreign trade balance (EEK bn)

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
Food	1,976.5	2,496.9	2,514.1	6.7	7.6	8.4	0.7	27.2
Mineral products	4,571.7	4,883.5	2,833.8	15.4	14.9	9.4	-42.0	-38.0
Chemical products	2,150.5	2,540.6	2,525.6	7.3	7.7	8.4	-0.6	17.4
Clothing, footwear and headgear	1,877.3	1,970.3	2,041.3	6.3	6.0	6.8	3.6	8.7
Timber, paper and products	3,333.3	4,456.1	4,129.0	11.3	13.6	13.8	-7.3	23.9
Metals and metal products	2,910.6	3,310.9	3,233.6	9.8	10.1	10.8	-2.3	11.1
Machinery and equipment	7,493.0	6,541.7	6,240.5	25.3	19.9	20.8	-4.6	-16.7
Transport vehicles	2,038.3	2,789.1	2,776.4	6.9	8.5	9.2	-0.5	36.2
Furniture, toys, sporting goods	2,062.7	2,574.8	2,423.5	7.0	7.8	8.1	-5.9	17.5
Other	1,202.2	1,295.3	1,305.3	4.1	3.9	4.3	0.8	8.6
Total	29,616.1	32,859.3	30,023.2	100.0	100.0	100.0	-8.6	1.4

wooden buildings to Norway and Switzerland. The exports of the largest group of goods in terms of volume – machinery and equipment – decreased by 17% because of the 25% decline in the exports of electronic products. The main export items were mobile communication devices, cables as well as components of mechanical and electrical machinery and equipment, which were mostly channelled to Finland and Sweden. The exports of metals and metal products increased by 10%. The largest export items included flat-rolled iron products (to Lithuania, Latvia, Russia, Poland, Ukraine and Finland); scrap metal (to Turkey and Korea) and scrap metal (to Finland, Denmark and Norway). The exports of mineral products – the second largest group a year ago – decreased by nearly 40% mostly owing to the threefold decline in the re-exports of motor fuel imported from Russia for processing. The exports of mineral products (excluding processing), on the other hand, increased. Most of the motor fuels were exported to non-EU countries (the United States, the United Arab Emirates and Taiwan). The exports of electricity increased by three times year-on-year, and went to Finland and Latvia. Peat was exported to the Netherlands, Spain and Italy. The exports of chemical products increased by nearly a fifth. Construction and repair materials (putties, mastics, paints, varnishes) were primarily exported to Russia, plastic products to Finland and Sweden, and various acids to the United States, Germany and the Netherlands. Ready-made men's and women's clothes and footwear were sold to Finland, Sweden, Latvia, Lithuania and Russia, and fur to Turkey and Finland.

Similar to exports, also the **imports of goods** increased in most of the major groups, except for mineral products and machinery and equipment (see Table 5). Machinery and equipment formed the largest group also in goods imports, followed by transport vehicles and chemical products. The structure of goods imports was the most affected by the nearly 40% decline in the imports of mineral products, which was mainly due to the robust decrease in the motor fuel imported from Russia for processing. Excluding processed goods, the imports of mineral products remained at the previous year's level and originated primarily from Lithuania. Motor fuels accounted for 80% of that goods group. The exports of the largest goods group, machinery and equipment, decreased by 10%. Electrical and electronic products were purchased from Finland, Sweden, Germany, Hong Kong and China; roadworks machinery from Belgium, Germany and the United Kingdom; computers from Lithuania, Finland and Germany, and cables from Sweden and Lithuania. The imports of timber and timber and paper products grew the most – namely by 25%. Unprocessed timber, sleepers, plywood and wood panels were primarily purchased from Russia and, to a lesser extent, from Latvia and Finland. The imports of transport vehicles increased by 8% year-on-year but decreased by nearly a fifth

Table 5. Imports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
Food	3,083.6	3,541.0	3,233.4	7.4	7.8	7.9	-8.7	4.9
Mineral products	6,926.8	6,199.9	4,382.5	16.6	13.6	10.7	-29.3	-36.7
Chemical products	4,875.4	5,583.2	5,182.9	11.7	12.2	12.6	-7.2	6.3
Clothing, footwear and headgear	2,767.8	2,901.5	3,157.4	6.6	6.4	7.7	8.8	14.1
Timber, paper and products	1,977.4	3,209.9	2,435.9	4.7	7.0	5.9	-24.1	23.2
Metals and metal products	3,997.1	4,997.3	4,694.0	9.6	10.9	11.4	-6.1	17.4
Machinery and equipment	10,457.6	9,526.9	9,450.7	25.0	20.9	23.0	-0.8	-9.6
Transport vehicles	5,146.6	6,644.3	5,553.1	12.3	14.6	13.5	-16.4	7.9
Furniture, toys, sporting goods	908.4	1,186.4	1,107.6	2.2	2.6	2.7	-6.6	21.9
Other	1,680.9	1,863.2	1,943.2	4.0	4.1	4.7	4.3	15.6
Total	41,821.6	45,653.7	41,140.7	100.0	100.0	100.0	-9.9	-1.6

quarter-on-quarter. 56% 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, Sweden and the Netherlands. The imports of furniture and sporting goods increased by a fifth. Furniture was purchased from Finland, Poland and Italy, and lamps from Finland. The imports of chemical products included medicines from Germany, Latvia, Lithuania, Hungary and the Netherlands; tyres from Japan and Germany; plastic and various plastic products from Latvia, Lithuania, Germany and Sweden. The imports of metal products increased by nearly a fourth and comprised of various iron and steel products from Finland, Sweden, Russia, Germany, Taiwan and the United States. Similar to the exports of food products, spirits were also the largest import item, followed by wines. Alcohol was purchased from the leading wine exporters (France, Spain, Italy and Chile) as well as from Finland. Other major import items were non-alcoholic beverages, sugar and coffee.

The **foreign trade deficit** decreased year-on-year, mainly owing to the 0.8 billion kroon decline in the deficit on mineral products (see Table 6). The deficit on food products and transport vehicles also decreased slightly. Imports exceeded exports also in terms of machinery and equipment, transport vehicles and chemical products. Two groups of goods again posted surpluses: timber and timber products, and furniture and other industrial goods, whereas the surpluses increased further.

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

	Q3 2006	Q2 2007	Q3 2007
Food	-1,107.1	-1,044.1	-719.3
Mineral products	-2,355.2	-1,316.4	-1,548.7
Chemical products	-2,724.9	-3,042.6	-2,657.2
Clothing, footwear and headgear	-890.5	-931.2	-1,116.1
Timber, paper and products	1,355.9	1,246.3	1,693.0
Metals and metal products	-1,086.5	-1,686.4	-1,460.4
Machinery and equipment	-2,964.6	-2,985.3	-3,210.2
Transport vehicles	-3,108.3	-3,855.2	-2,776.6
Furniture, toys, sporting goods	1,154.4	1,388.4	1,315.9
Other	-478.7	-567.9	-637.9
Total	-12,205.5	-12,794.4	-11,117.5

By **groups of countries**, the **exports of goods** to the European Union increased by 16% and thus the share of the EU in exports rose by approximately 10 percentage points to 73% (see Table 7). The major partners were Finland, Sweden, Latvia, Lithuania and Germany. Exports to the CIS increased by 9%, whereas exports to Russia grew by 75%, ranking Russia again fourth among the export countries. Exports to other countries declined by 40%, largely owing to the above-mentioned robust decrease in motor fuel processing. The top three among other countries were Norway, the United States and Turkey.

The **imports of goods** from the European Union increased by 6% and boosted EU's share to 80% (see Table 8). The top five import partners were Finland, Germany, Sweden, Latvia and Lithuania. Imports from

Table 7. Exports of goods by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
EU-27	18,968.7	22,429.3	22,013.0	64.0	68.3	73.3	-1.9	16.0
Finland	5,223.0	5,722.0	5,668.9	17.6	17.4	18.9	-0.9	8.5
Sweden	3,506.2	4,075.8	4,012.9	11.8	12.4	13.4	-1.5	14.5
Latvia	2,740.6	3,755.9	3,764.6	9.3	11.4	12.5	0.2	37.4
Lithuania	1,540.9	1,843.6	1,939.2	5.2	5.6	6.5	5.2	25.8
Germany	1,436.1	1,705.2	1,641.7	4.8	5.2	5.5	-3.7	14.3
CIS	3,243.6	3,412.2	3,528.7	11.0	10.4	11.8	3.4	8.8
Russia	2,435.0	2,669.6	2,655.6	8.2	8.1	8.8	-0.5	9.1
Ukraine	463.8	449.3	496.2	1.6	1.4	1.7	10.4	7.0
Belarus	198.8	96.1	165.9	0.7	0.3	0.6	72.7	-16.5
Other	7,403.8	7,017.7	4,481.4	25.0	21.4	14.9	-36.1	-39.5
Norway	811.4	1,072.5	1,015.8	2.7	3.3	3.4	-5.3	25.2
USA	1,555.5	2,065.7	936.1	5.3	6.3	3.1	-54.7	-39.8
Turkey	284.2	382.1	394.2	1.0	1.2	1.3	3.1	38.7
Total	29,616.1	32,859.3	30,023.2	100.0	100.0	100.0	-8.6	1.4

Table 8. Imports of goods by groups of countries*

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
EU-27	31,091.5	34,767.4	32,992.7	74.3	76.2	80.2	-5.1	6.1
Finland	8,122.0	7,916.0	6,726.1	19.4	17.3	16.3	-15.0	-17.2
Germany	5,190.9	5,649.1	5,638.0	12.4	12.4	13.7	-0.2	8.6
Sweden	3,544.0	4,557.1	4,096.9	8.5	10.0	10.0	-10.1	15.6
Lithuania	2,714.9	2,848.8	3,182.9	6.5	6.2	7.7	11.7	17.2
Latvia	2,303.6	2,875.7	3,138.2	5.5	6.3	7.6	9.1	36.2
CIS	6,780.3	7,129.8	3,854.7	16.2	15.6	9.4	-45.9	-43.1
Russia	5,404.3	5,505.5	2,853.1	12.9	12.1	6.9	-48.2	-47.2
Belarus	576.4	669.2	548.9	1.4	1.5	1.3	-18.0	-4.8
Ukraine	317.9	622.0	338.2	0.8	1.4	0.8	-45.6	6.4
Other	3,949.9	3,756.5	4,293.3	9.4	8.2	10.4	14.3	8.7
China	871.5	896.3	1,032.1	2.1	2.0	2.5	15.1	18.4
USA	480.2	525.7	624.9	1.1	1.2	1.5	18.9	30.1
Japan	438.2	355.3	472.3	1.0	0.8	1.1	32.9	7.8
Total	41,821.6	45,653.7	41,140.7	100.0	100.0	100.0	-9.9	-1.6

* Analysed by trading country.

the CIS declined abruptly, whereas 50% of the decline can be attributed to the decrease in motor fuel imported from Russia for processing. When a year ago Russia ranked second after Finland among Estonia's import partners, in the third quarter of 2007 it had dropped to the sixth position. 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). The deficit with EU countries was almost equal to the total foreign trade deficit. A year ago, the trade balance with the CIS posted a 3.5 billion kroon deficit, whereas in the third quarter of 2007 it totalled 326 million kroons, having decreased by ten times. As regards other countries, the foreign trade balance was in a small surplus. Estonia had the biggest trade surplus with Norway (0.8 billion kroons) and the biggest deficit with Germany (4 billion kroons).

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

	Q3 2006	Q2 2007	Q3 2007
EU-27	-12,122.8	-12,338.1	-10,979.6
CIS	-3,536.7	-3,717.6	-326.0
Other	3,453.9	3,261.2	188.1
Total	-12,205.5	-12,794.4	-11,117.5

Services

The surplus on the services account amounted to 4.6 billion kroons in the third quarter of 2007, having decreased by 3% quarter-on-quarter and increased by 14% year-on-year (see Figure 4).

The turnover of services, exports in particular, largely 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

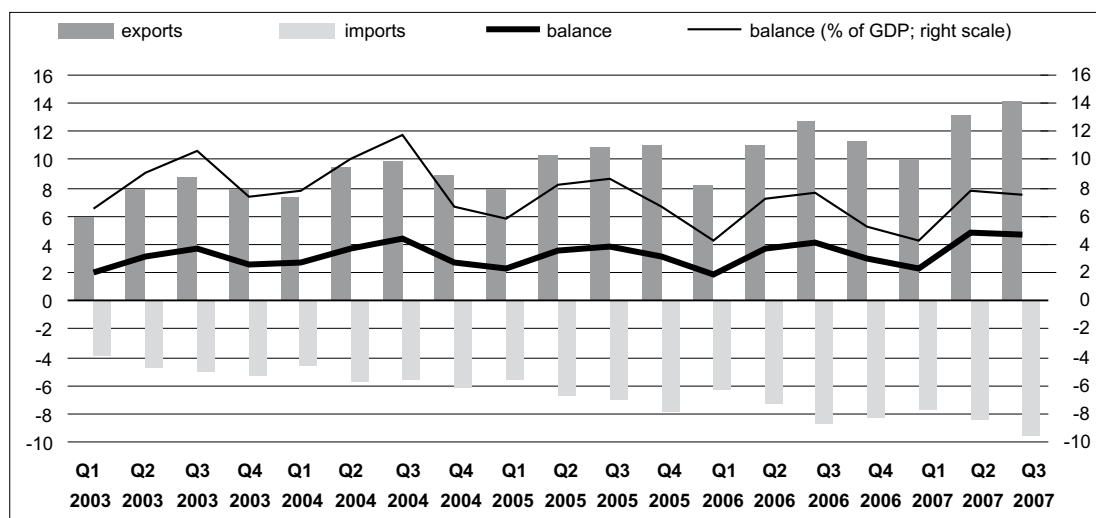


Figure 4. Services account (EEK bn)

until 2004 and declined during 2005–2006. In 2007, it started to rise again (see Table 10).

The year-on-year growth in the surplus on the services account primarily stemmed from the deficit of construction services turning into a surplus. Exports of other major services declined (see Table 11).

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	13,220.6	30.5	28.7	8,452.7	8.7	16.6	4,768.0	102.6
Q3 2007	14,195.1	7.4	32.0	9,560.8	13.1	19.6	4,634.3	-2.8

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
Transportation	1,782.7	1,805.7	1,656.3	43.8	37.9	35.7	-8.3	-7.1
Travel	1,861.3	1,709.8	1,727.1	45.8	35.9	37.3	1.0	-7.2
Construction services	-293.6	427.2	469.2	-7.2	9.0	10.1	9.8	-259.8
Computer and information services	222.5	184.9	223.1	5.5	3.9	4.8	20.7	0.2
Business services	401.4	505.6	385.8	9.9	10.6	8.3	-23.7	-3.9
Government services	49.2	-66.4	-12.1	1.2	-1.4	-0.3	-81.7	-124.7
Other	44.4	201.2	185.0	1.1	4.2	4.0	-8.1	316.4
Total	4,068.0	4,768.0	4,634.3	100.0	100.0	100.0	-2.8	13.9

Services exports stood at 14.2 billion kroons in the third quarter, having grown by 12% year-on-year, whereas the exports of construction and business services posted stronger growth: by 2.4 times and 19%, respectively (see Table 12). For the first time, the exports of travel services and passenger transport experienced a decline compared to the previous year.

Geographically, the growth of services exports to non-EU countries was stronger than average, reaching 34% in the case of Russia, 21% in the case of Switzerland and 28% in the case of offshore regions. The exports of services to the EU countries grew by 7.5%; exports to Latvia and the United Kingdom were above average, reaching 71% and 30%, respectively (see Table 13).

The imports of services amounted to 9.6 billion kroons in the third quarter, having increased by 10% year-on-year (see Table 14). Imports were driven by the 13% growth of the imports of transport services. The growth of services imports was broad-based as it comprised insurance, communications as well as financial services.

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
Transportation	5,026.2	5,458.7	5,311.0	39.5	41.3	37.4	-2.7	5.7
freight	2,505.7	2,763.0	2,719.7	19.7	20.9	19.2	-1.6	8.5
passenger	1,495.5	1,205.6	1,342.6	11.8	9.1	9.5	11.4	-10.2
other transport services	1,025.1	1,490.2	1,248.7	8.1	11.3	8.8	-16.2	21.8
Travel	4,501.0	3,274.2	4,488.3	35.4	24.8	31.6	37.1	-0.3
Construction services	265.1	647.5	632.9	2.1	4.9	4.5	-2.3	138.7
Computer and information services	340.5	347.4	411.1	2.7	2.6	2.9	18.3	20.7
Business services	1,891.5	2,467.0	2,256.3	14.9	18.7	15.9	-8.5	19.3
Government services	133.9	142.2	152.0	1.1	1.1	1.1	6.9	13.5
Other	568.4	883.5	943.6	4.5	6.7	6.6	6.8	66.0
Total	12,726.8	13,220.6	14,195.1	100.0	100.0	100.0	7.4	11.5

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
EU-27	9,494.1	9,461.2	10,208.8	74.6	71.6	71.9	7.9	7.5
Finland	4,515.9	4,082.2	4,384.8	35.5	30.9	30.9	7.4	-2.9
Sweden	1,013.1	1,046.5	1,046.4	8.0	7.9	7.4	-0.0	3.3
Latvia	514.4	599.0	881.2	4.0	4.5	6.2	47.1	71.3
United Kingdom	588.3	1,005.0	764.2	4.6	7.6	5.4	-24.0	29.9
Germany	664.1	562.3	733.1	5.2	4.3	5.2	30.4	10.4
CIS	1,437.2	1,367.4	1,827.8	11.3	10.3	12.9	33.7	27.2
Russia	1,176.5	1,122.1	1,576.9	9.2	8.5	11.1	40.5	34.0
Kazakhstan	110.3	74.7	97.2	0.9	0.6	0.7	30.1	-11.9
Other	1,795.5	2,392.0	2,158.5	14.1	18.1	15.2	-9.8	20.2
offshore regions	394.5	482.3	503.4	3.1	3.6	3.5	4.4	27.6
USA	352.4	423.8	425.6	2.8	3.2	3.0	0.4	20.8
Norway	330.4	303.3	386.0	2.6	2.3	2.7	27.3	16.8
Total	12,726.8	13,220.6	14,195.1	100.0	100.0	100.0	7.4	11.5

Table 14. Services imports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
Transportation	3,243.5	3,653.0	3,654.7	37.5	43.2	38.2	0.0	12.7
freight	2,170.1	2,396.8	2,376.0	25.1	28.4	24.9	-0.9	9.5
passenger	389.3	335.9	351.2	4.5	4.0	3.7	4.6	-9.8
other transport services	684.2	920.3	927.4	7.9	10.9	9.7	0.8	35.5
Travel	2,639.8	1,564.4	2,761.1	30.5	18.5	28.9	76.5	4.6
Construction services	265.1	220.3	163.7	3.1	2.6	1.7	-25.7	-38.2
Computer and information services	340.5	162.6	188.0	3.9	1.9	2.0	15.6	-44.8
Business services	1,891.5	1,961.5	1,870.5	21.8	23.2	19.6	-4.6	-1.1
Government services	84.7	208.6	126.3	1.0	2.5	1.3	-39.4	49.1
Other	193.7	682.3	796.4	2.2	8.1	8.3	16.7	311.2
Total	8,658.8	8,452.7	9,560.8	100.0	100.0	100.0	13.1	10.4

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
EU-27	6,616.5	6,499.6	7,533.9	76.4	76.9	78.8	15.9	13.9
Finland	1,651.7	1,407.4	1,552.5	19.1	16.7	16.2	10.3	-6.0
Germany	1,118.6	666.0	662.8	12.9	7.9	6.9	-0.5	-40.7
Latvia	491.1	466.2	658.7	5.7	5.5	6.9	41.3	34.1
Sweden	547.1	631.2	650.3	6.3	7.5	6.8	3.0	18.9
United Kingdom	538.7	542.2	548.2	6.2	6.4	5.7	1.1	1.8
CIS	1,017.9	785.7	786.7	11.8	9.3	8.2	0.1	-22.7
Russia	794.8	567.7	536.5	9.2	6.7	5.6	-5.5	-32.5
Ukraine	106.1	112.2	144.0	1.2	1.3	1.5	28.3	35.7
Other	1,024.4	1,167.4	1,240.2	11.8	13.8	13.0	6.2	21.1
USA	205.9	249.6	250.6	2.4	3.0	2.6	0.4	21.7
Norway	93.6	125.9	144.0	1.1	1.5	1.5	14.4	53.8
Turkey	74.8	114.6	134.4	0.9	1.4	1.4	17.3	79.7
Total	8,658.8	8,452.7	9,560.8	100.0	100.0	100.0	13.1	10.4

By country of origin, among major partners imports from Russia have declined by 33% (see Table 15). The imports of services from EU countries grew faster than average (by 14%). As for other countries, services imports from the United States and Turkey should be highlighted, growing by 22% and 80%, respectively.

The **balance of transport services** accounted for slightly over a third of the total services account in the third quarter, having decreased by 7% year-on-year. As the transit business has been facing some problems, the surplus on transport services decreased further quarter-on-quarter (see Figure 5 and Tables 11–13).

By transport types, maritime transport formed the largest share of transport services, with freight transport contributing the most to exports. The imports as well as exports of passenger transport declined by 10%

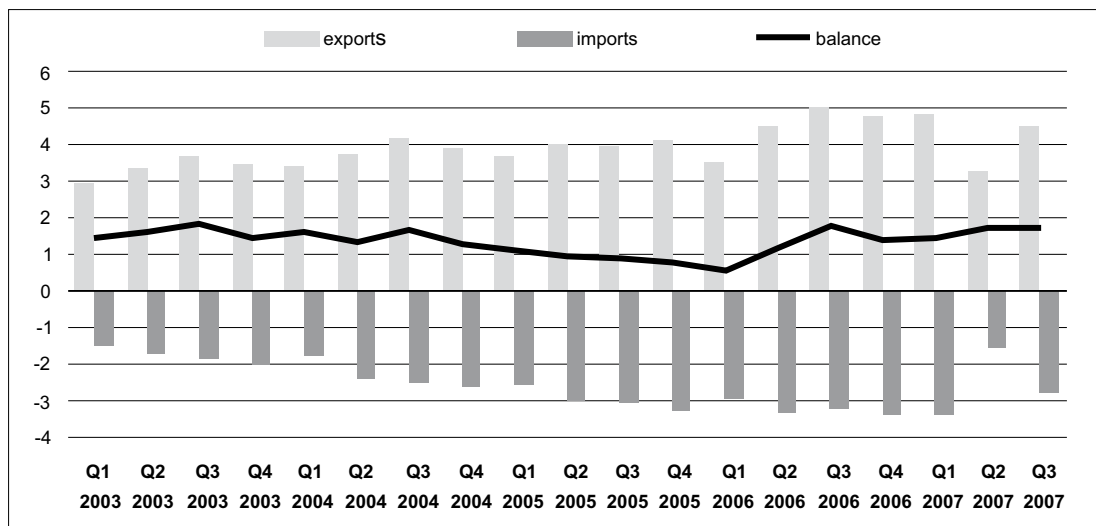


Figure 5. Transport services (EEK bn)

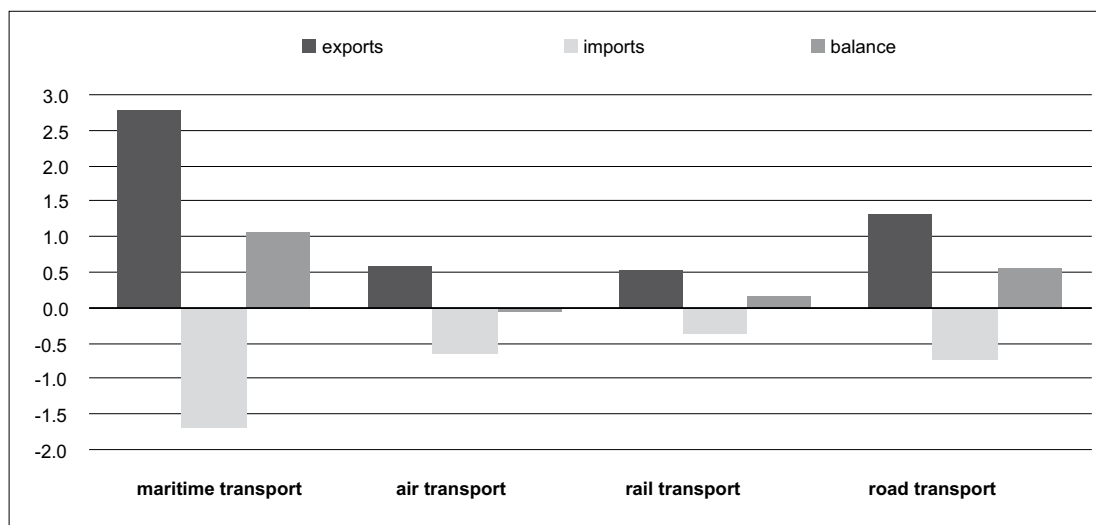


Figure 6. Transport services structure in the third quarter of 2007 by transport type (EEK bn)

year-on-year. The growth of freight transport also boosted the share of road transport in the structure of transport services (see Figure 6).

Although year-on-year the exports of transport services increased by 6%, the decreased transport and transit of oil products, coal and timber had an adverse impact on export growth. Exports of transport services to EU countries, Finland in particular, diminished by 4% (see Table 16). The share of the CIS countries in the exports of transport services stood at 14% and increased by 50% year-on-year. The largest importers of transport services among other countries included offshore regions and the United States who purchased more than 25% of the total of transport services.

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

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q3 2007 / Q3 2006		Volume (EEK m)	Share (%)	Change (%), Q3 2007 / Q3 2006
EU-27	3,654.2	68.8	-4.0	EU-27	2,760.7	75.5	12.4
Finland	1,362.8	25.7	-19.6	Finland	527.8	14.4	-20.8
Sweden	467.0	8.8	1.9	Germany	372.4	10.2	0.3
United Kingdom	449.8	8.5	51.4	Sweden	286.8	7.8	57.3
Germany	260.5	4.9	-4.6	United Kingdom	231.0	6.3	96.6
Latvia	210.9	4.0	130.7	Latvia	202.7	5.5	11.3
CIS	735.0	13.8	48.6	CIS	319.1	8.7	-14.0
Russia	688.7	13.0	56.6	Russia	232.8	6.4	-21.4
Ukraine	22.4	0.4	-25.6	Belarus	51.2	1.4	80.9
Other	921.8	17.4	27.3	Other	574.9	15.7	37.8
offshore regions	300.4	5.7	52.6	offshore regions	189.0	5.2	82.4
USA	180.8	3.4	44.3	USA	95.0	2.6	106.5
Switzerland	170.4	3.2	-31.1	China	94.5	2.6	11.3
Total	5,311.0	100.0	5.7	Total	3,654.7	100.0	12.7

The imports of transport services gained 12% year-on-year. Imports from EU countries, mainly Finland, accounted for the majority of that (see Tables 14 and 16). The imports of transport services from the CIS declined, with imports from Russia decreasing by 21%. As for other countries, offshore regions, the United States and China were the largest exporters of transport services.

The exports of **travel services** remained virtually at the previous year's level (see Figure 7 and Table 17). The number of visitors to Estonia fell by approximately 5%. In terms of value, Estonian travel agencies sold 3% less package travels to foreigners. However, the number of visitors staying for several days increased by 2%. By country of origin, travel services exports became more uniform as the number of Finnish tourists, which used to comprise nearly a half of all visitors, declined by 6%. So did the number of Swedes and Brits. Earlier, the number of Russian tourists was expected to decline. Instead, border

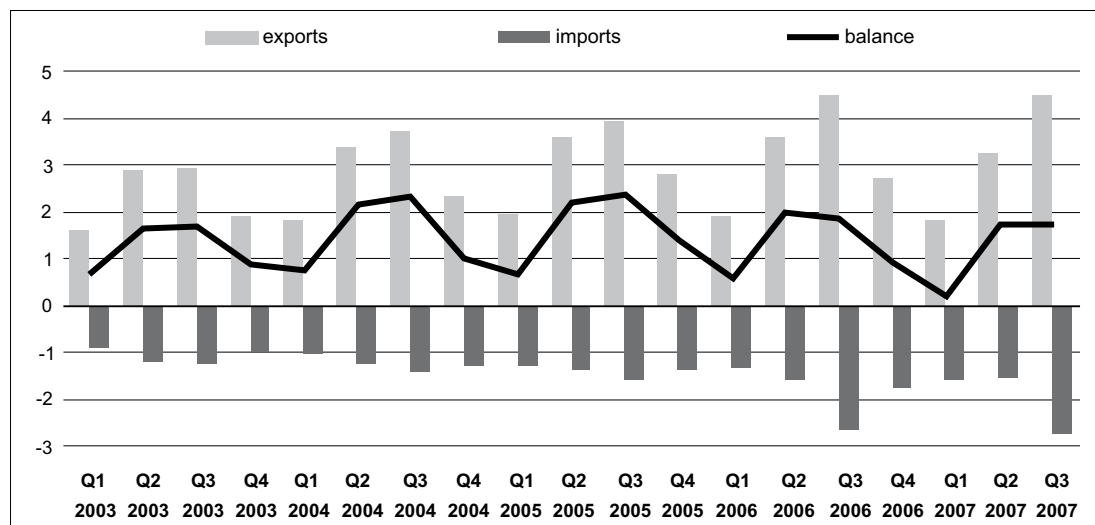


Figure 7. Travel services (EEK bn)

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

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q3 2007 / Q3 2006		Volume (EEK m)	Share (%)	Change (%), Q3 2007 / Q3 2006
EU-27	3,415.1	76.1	-5.0	EU-27	2,110.4	76.4	8.3
Finland	1,998.7	44.5	-6.2	Finland	470.6	17.0	20.5
Germany	287.6	6.4	20.2	Greece	297.2	10.8	70.1
Sweden	258.0	5.7	-29.4	Latvia	176.3	6.4	51.6
United Kingdom	156.2	3.5	-17.7	Italy	162.7	5.9	79.4
EU-15	3,102.9	69.1	-6.8	EU-15	1,688.3	61.1	-1.8
CIS	707.2	15.8	18.6	CIS	293.5	10.6	-31.2
Russia	651.0	14.5	16.8	Russia	206.2	7.5	-28.2
Other	366.0	8.2	18.3	Other	357.2	12.9	35.5
Norway	116.1	2.6	-3.1	Turkey	97.4	3.5	78.5
USA	114.2	2.5	51.7	USA	53.0	1.9	0.0
Japan	22.8	0.5	42.2	Norway	47.5	1.7	67.1
Total	4,488.3	100.0	-0.3	Total	2,761.1	100.0	4.6

crossings indicated a rise in that figure, even though the number of tourists using the services of travel agencies dropped by 34%.

Imports of travel services increased by 5% year-on-year. Estonian travel agencies sold 6% more package travels to Estonians compared to the second quarter, and the total cost of travels purchased rose by 4%. Evidently, the cool Estonian summer drove more Estonians abroad, increasing the number of trips to Greece (by 49%), Turkey (75%) and Italy (35%) as well as to Bulgaria (3.3 times) and Egypt (2.2 times).

Income

The income account deficit increased by more than two times year-on-year and amounted to 4.2 billion kroons, i.e. 6.9% of GDP (see Table 18 and Figure 8). The deficit was boosted by the 70% increase in the net outflow of reinvested earnings, which was equal to the total income account deficit. Excluding from the income account reinvested earnings, which include no actual movement of funds, the inflow and outflow of income were practically equal in terms of value, reaching 2.8 billion kroon (see Table 19). Labour income witnessed net inflow, whereas investment income experienced net outflow. As regards direct, portfolio and other investment – the three components of investment income – only portfolio investment had a surplus.

Income inflow was 4.7 billion kroons, having increased by a fourth year-on-year and by almost a fifth quarter-on-quarter (see Table 20). 90% of the income earned abroad came from EU countries (see Table 21). Labour income accounted for 25% of the income inflow; the rest was investment income. Residents' income on foreign investment increased by a half, whereas labour income decreased by a fifth. The decrease in labour income inflow was related to the fact that some Estonian residents working abroad became residents of their country of location. Estonian residents earned labour income mostly in Finland (37%), the United Kingdom (16%) and Ireland (12%). The majority (60%) of residents' investment income was direct investment income and the rest was portfolio and other investment income (loans and deposits). Reinvested earnings accounted for approximately 90% of direct investment income. Residents received investment

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	-6.1	-8,013.2	27.5	-4,618.8	72.8
Q2 2007	3,971.2	17.0	-7,600.3	-5.2	-3,629.1	-21.4
Q3 2007	4,689.6	18.1	-8,920.9	17.4	-4,231.4	16.6

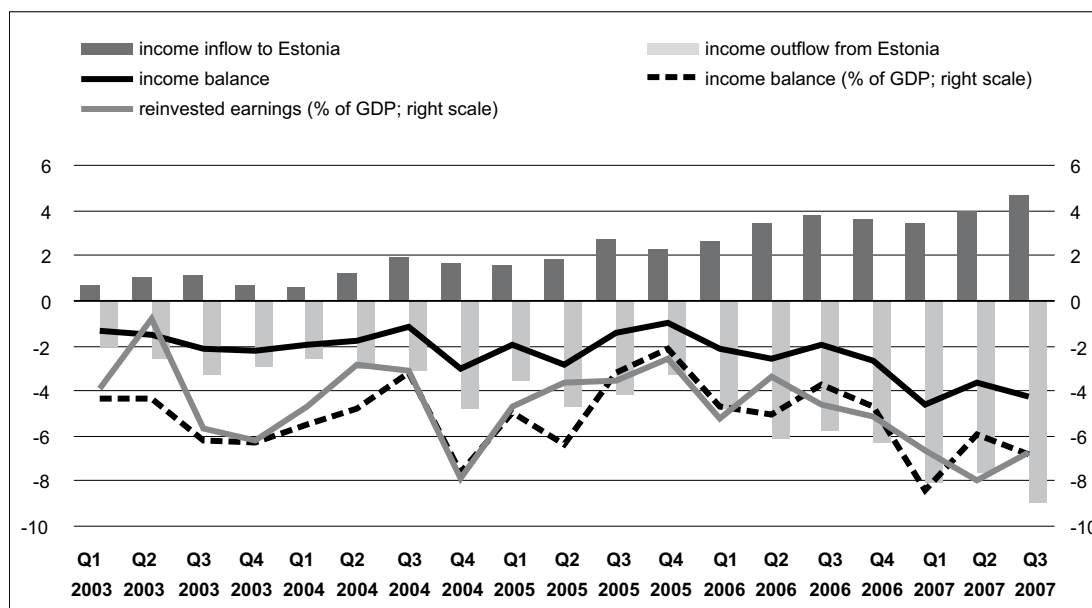


Figure 8. Income account (EEK bn)

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
Labour income	1,143.1	958.2	832.6	-57.8	-26.4	-19.7	-13.1	-27.2
Investment income	-3,121.0	-4,587.4	-5,064.0	157.8	126.4	119.7	10.4	62.3
Income on direct investment	-3,001.3	-3,929.1	-4,737.2	151.7	108.3	112.0	20.6	57.8
income on equity	-2,832.7	-3,693.4	-4,452.6	143.2	101.8	105.2	20.6	57.2
reinvested earnings	-2,454.9	-4,854.8	-4,175.9	124.1	133.8	98.7	-14.0	70.1
dividends	-377.8	1,161.4	-276.7	19.1	-32.0	6.5	-123.8	-26.8
income on debt (interests)	-268.7	-235.8	-284.6	13.6	6.5	6.7	20.7	5.9
Income on portfolio investment	318.0	45.7	483.1	-16.1	-1.3	-11.4	957.1	51.9
Income on other investment	-437.6	-703.9	-809.9	22.1	19.4	19.1	15.1	85.1
Total	-1,977.9	-3,629.1	-4,231.4	100.0	100.0	100.0	16.6	113.9

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
Labour income	1,425.1	1,212.5	1,101.3	37.9	30.5	23.5	-9.2	-22.7
Investment income	2,330.7	2,758.7	3,588.2	62.1	69.5	76.5	30.1	54.0
Income on direct investment	1,546.7	1,404.6	2,164.7	41.2	35.4	46.2	54.1	40.0
income on equity	1,453.9	1,270.8	1,978.5	38.7	32.0	42.2	55.7	36.1
reinvested earnings	1,412.5	-1,839.6	1,889.7	37.6	-46.3	40.3	-202.7	33.8
dividends	41.3	3,110.4	88.8	1.1	78.3	1.9	-97.1	115.0
income on debt (interests)	92.8	133.8	186.2	2.5	3.4	4.0	39.2	100.6
Income on portfolio investment	506.1	799.0	766.6	13.5	20.1	16.3	-4.1	51.5
Income on other investment	278.0	555.2	656.9	7.4	14.0	14.0	18.3	136.3
Total	3,755.8	3,971.2	4,689.6	100.0	100.0	100.0	18.1	24.9

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

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q3 2007 / Q3 2006		Volume (EEK m)	Share (%)	Change (%), Q3 2007 / Q3 2006
EU-27	4,260.8	90.9	28.3	EU-27	8,203.7	92.0	57.2
Finland	1,106.6	23.6	47.2	Sweden	3,655.9	41.0	48.7
Latvia	898.6	19.2	14.7	Finland	2,637.5	29.6	57.0
Lithuania	602.6	12.8	25.5	United Kingdom	497.3	5.6	23.4
United Kingdom	445.5	9.5	46.9	Denmark	490.3	5.5	801.3
CIS	172.3	3.7	-15.8	CIS	149.8	1.7	27.5
Russia	165.7	3.5	9.3	Russia	125.2	1.4	35.1
Ukraine	3.1	0.1	-71.1	Ukraine	20.9	0.2	-12.4
Other	256.5	5.5	45.4	Other	567.4	6.4	21.1
USA	125.7	2.7	10.2	Canada	36.2	0.4	-6.4
offshore regions	34.7	0.7	29.5	offshore regions	129.2	1.4	26x
Total	4,689.6	100.0	14.5	Total	8,920.9	100.0	30.8

income mostly in Latvia (22%), Finland (20%) and Lithuania (17%). As regards investment income earned abroad, investors of financial intermediation and real estate, renting and business activities received the majority of that: 62% and 23%, respectively.

Income outflow reached a record 8.9 billion kroons, having increased by more than a half year-on-year and by almost a fifth quarter-on-quarter (see Table 22). Similar to inflow, also more than 90% of the outflow was related to the investments of EU countries in Estonia. 97% of the income earned by non-residents in Estonia was investment income, which increased by nearly 60% year-on-year. Direct investment income accounted for 80%, other investment income for 17% and portfolio investment for the remainder of the outflow. Similar to residents' direct investment income, reinvested earnings also accounted for 90% of non-residents' direct investment income earned in Estonia. Estonia's constantly growing gross external debt is also reflected in the twofold increase in other investment income outflow. Mainly Swedish (42%) and Finnish investors (29%) earned on investment in Estonia. Half of the income was earned on financial intermediation, 15% on manufacturing, 13% on real estate, renting and business activities, and 11% on wholesale and retail trade (see Figure 9).

Table 22. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2007 / Q2 2007	Q3 2007 / Q3 2006
Labour income	282.1	254.2	268.8	4.9	3.3	3.0	5.7	-4.7
Investment income	5,451.7	7,346.1	8,652.2	95.1	96.7	97.0	17.8	58.7
Income on direct investment	4,548.0	5,333.7	6,901.9	79.3	70.2	77.4	29.4	51.8
income on equity	4,286.6	4,964.1	6,431.0	74.8	65.3	72.1	29.6	50.0
reinvested earnings	3,867.5	3,015.2	6,065.5	67.5	39.7	68.0	101.2	56.8
dividends	419.1	1,948.9	365.5	7.3	25.6	4.1	-81.2	-12.8
income on debt (interests)	261.4	369.6	470.8	4.6	4.9	5.3	27.4	80.1
Income on portfolio investment	188.1	753.3	283.6	3.3	9.9	3.2	-62.4	50.8
Income on other investment	715.5	1,259.1	1,466.8	12.5	16.6	16.4	16.5	105.0
Total	5,733.7	7,600.3	8,920.9	100.0	100.0	100.0	17.4	55.6

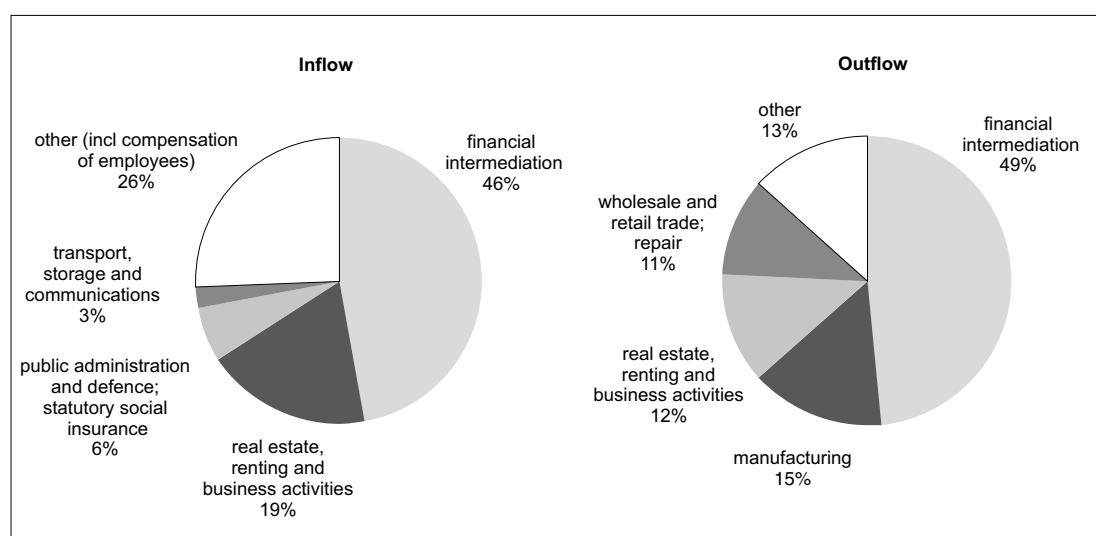


Figure 9. Inflow and outflow of income by fields of activity in the third quarter of 2007

Current and capital transfers³

The current transfers account was virtually balanced in the third quarter of 2007, as both incoming and outgoing transfers totalled 1.4 billion kroons (see Table 23).

The inflow of current transfers was divided between the general government and other sectors. Government transfers formed 44% of the current transfers and contained allocations from the EU structural funds as well as VAT, income and social tax receipts from non-residents. Transfers to other sectors amounted to 0.8 billion kroons. 17% of that consisted of external aid from the European Commission; 17% of transfers by migrants employed abroad; 16% of fines and compensations, and the rest were transfers by private individuals. 56% of the outflow was government transfers, the rest being transfers of other sectors. 72% of government transfers were compulsory payments into the EU budget; the remainder was mostly refunds of VAT. Other sectors' transfers were also made mostly to EU countries. Major recipients included Finland, Germany, the United Kingdom and Sweden.

Capital transfers posted a surplus of 0.3 billion kroons, which remained considerably below the levels recorded a year before and in the previous quarter. 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)

	Incoming			Outgoing			Balance		
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007
Current transfers	1,843.9	1,722.3	1,418.1	1,355.7	1,109.8	1,404.0	488.1	612.5	14.0
government transfers	751.2	712.2	626.8	660.3	482.6	779.8	90.8	229.6	-153.0
EU-27	703.2	592.7	549.6	648.3	454.9	756.8	54.9	137.8	-207.2
CIS	15.6	25.5	17.4	2.2	2.4	1.4	13.5	23.1	16.0
other	32.3	94.0	59.9	9.8	25.3	21.7	22.5	68.7	38.2
private transfers	1,092.7	1,010.1	791.3	695.4	627.2	624.2	397.3	382.9	167.1
EU-27	733.0	757.1	545.0	592.4	531.1	507.8	140.6	226.0	37.2
CIS	166.5	167.1	146.8	25.3	34.8	26.9	141.2	132.3	119.9
other	193.2	85.9	99.4	77.7	61.4	89.5	115.5	24.5	9.9
Capital transfers	605.7	857.7	494.5	19.8	19.6	163.8	585.9	838.1	330.7
government transfers	421.1	705.3	479.2	0.6	0.0	0.2	420.5	705.3	479.0
private transfers	184.6	152.4	15.3	19.2	19.6	163.6	165.4	132.8	-148.3

³ Although capital transfers are reflected under the capital and financial account in the IMF methodology, the present analysis treats them together with current transfers. The distribution of European Union structural funds available for Estonia into current and capital transfers is not clearly distinguishable and is, therefore, based on the expert estimates of the Ministry of Financial Affairs, the Ministry of Agriculture, and Eesti Pank (according to the purpose of structural funds).

FINANCIAL ACCOUNT

The surplus on the financial account⁴ was 14.5 billion kroons in the third quarter of 2007. The large inflow of foreign capital occurred primarily through other investment capital and via credit institutions.

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

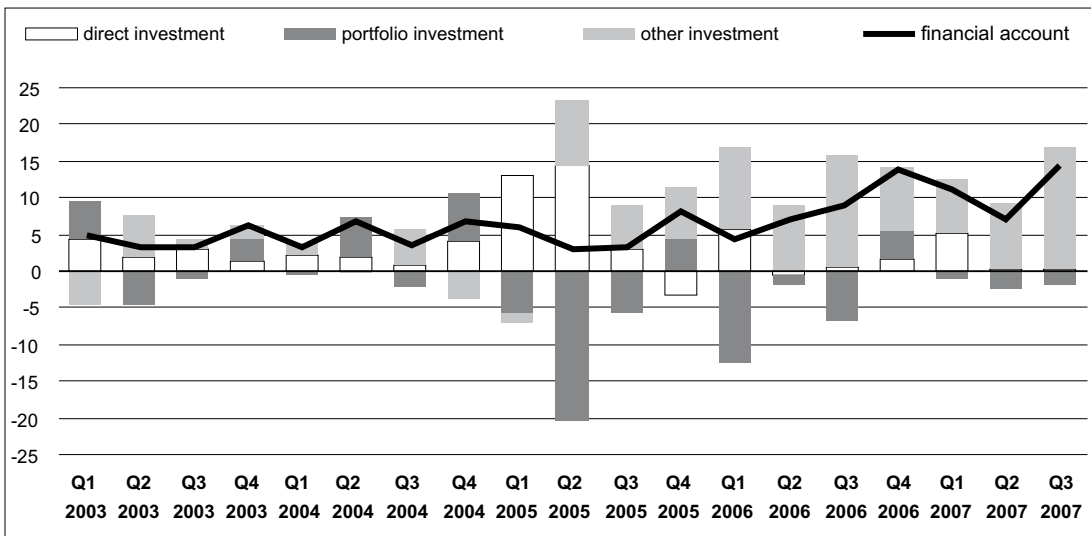


Figure 10. Changes in the structure of foreign investment capital flows (EEK bn)

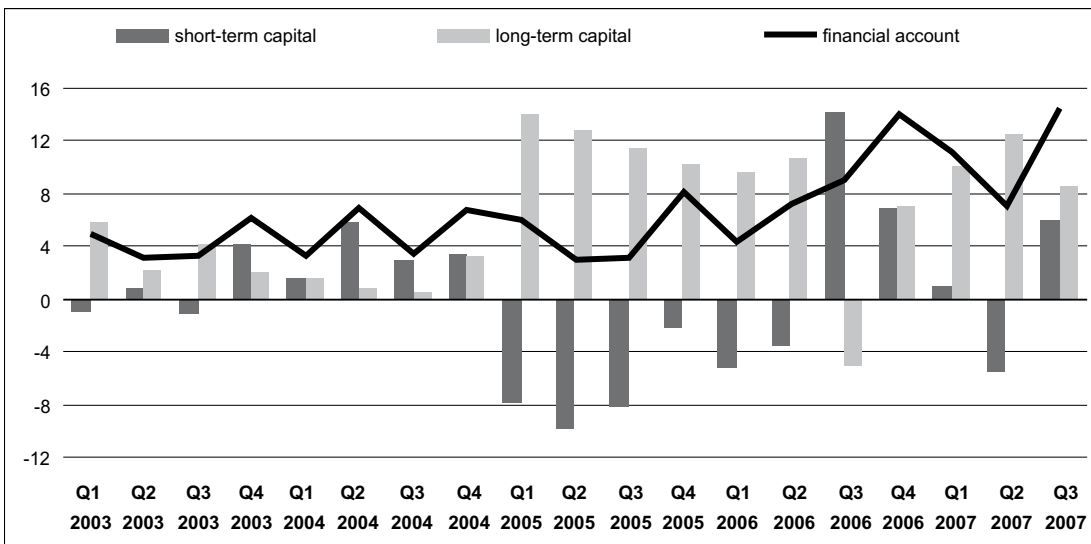


Figure 11. Maturity structure of the financial account (EEK bn)

⁴ Without reserve assets.

Direct investment

Direct investment posted a 0.3 billion kroon surplus in the third quarter of 2007 and accounted for almost 2% of the financial account surplus. Non-residents invested 4.6 billion kroons in Estonia and Estonian residents' direct investment abroad grew by 4.4 billion kroons (see Figure 12).

The inflow of **direct investment in Estonia** decreased by 35% quarter-on-quarter and by 20% year-on-year. All in all, the inflow of additional direct investment was lower than the profits earned by already operating direct investment companies. Equity capital investment and net loan capital were negative (0.7 and 0.3 billion kroons, respectively). Reinvested earnings witnessed a record high (6.1 billion kroons) in the history of compiling Estonia's balance of payments. Highest incomes were earned in the fields of financial intermediation (2.5 billion), manufacturing (1.2 billion) and real estate, renting and business activities (1 billion kroons). As regards other direct investment capital, both assets and liabilities increased – mostly on account of loan capital, whereas the liabilities of direct investors to subsidiaries and affiliated companies registered in Estonia exceeded their assets. The loan liabilities of direct investors increased by 1.9 billion and assets by 1.6 billion kroons. Largest reverse direct investments were recorded in the sector of real estate development and between accommodation and catering companies. Wholesale and retail companies as well as financial intermediaries increased significantly their loan liabilities to shareholders (see Tables 24 and 25).

Approximately two thirds of direct investment inflow came from Sweden. Moreover also Luxembourg, Finland and the Netherlands increased their holdings considerably: by 33%, 26% and 21%, respectively. The substantial decrease in Latvia's direct investment was primarily related to the change of foreign shareholders in one company – Latvia's major holding was transferred to Luxembourg. As in previous periods, direct investment in financial intermediation (59%), manufacturing (23%), construction (11%) and wholesale and retail trade (9%) increased the most also in the third quarter. The direct investment of EU countries totalled 4.7 billion kroons, exceeding the total inflow by 1 percentage point (see Figures 13–14 and Table 26).

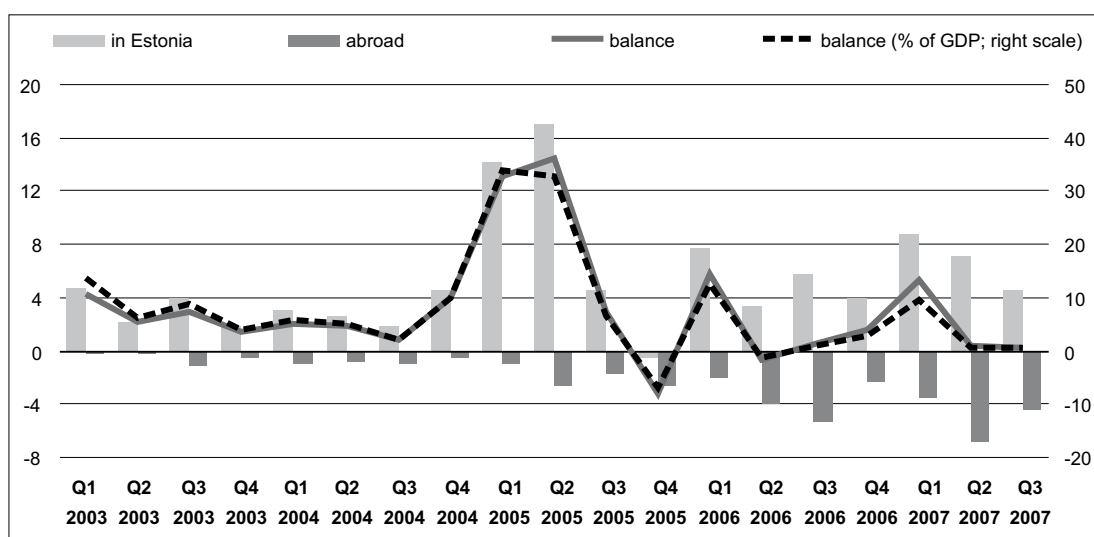


Figure 12. Direct investment (EEK bn)

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	2,652.8	36.9	3,015.2	42.0	-1,580.6	-22.0	3,093.0	43.1	7,180.5	100.0
Q3 2007	-716.4	-15.4	6,065.5	130.6	-2,064.7	-44.4	1,361.1	29.3	4,645.5	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Drawings	Repay-ments	Drawings	Repay-ments
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	670.7	279.4	2,737.7	870.8	4,376.6	1,400.7	1,583.7	1,773.8
Q3 2007	1,038.5	295.8	1,582.2	385.8	2,298.3	1,698.6	3,610.6	2,564.1

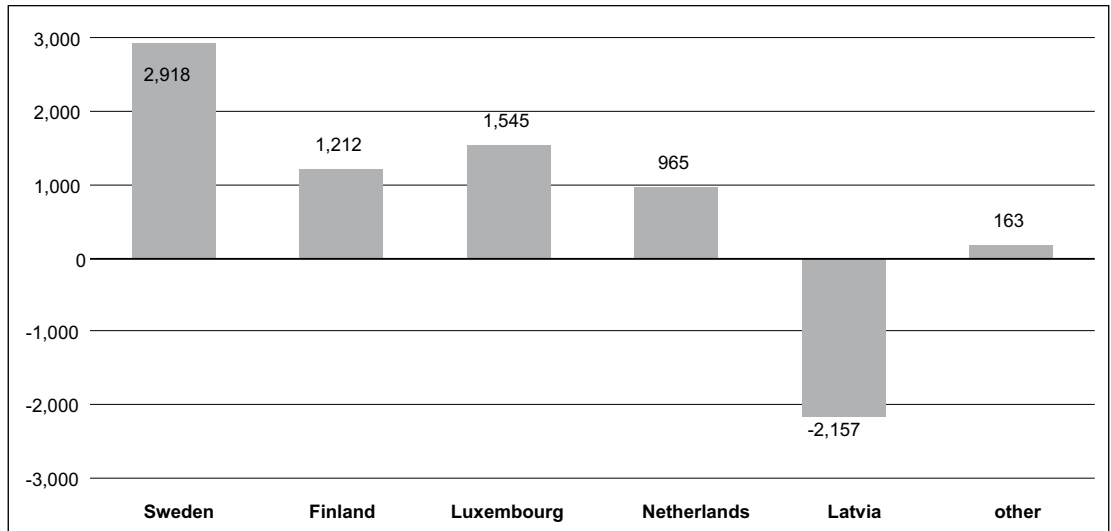


Figure 13. Direct investment in Estonia by countries in the third quarter of 2007 (EEK m)

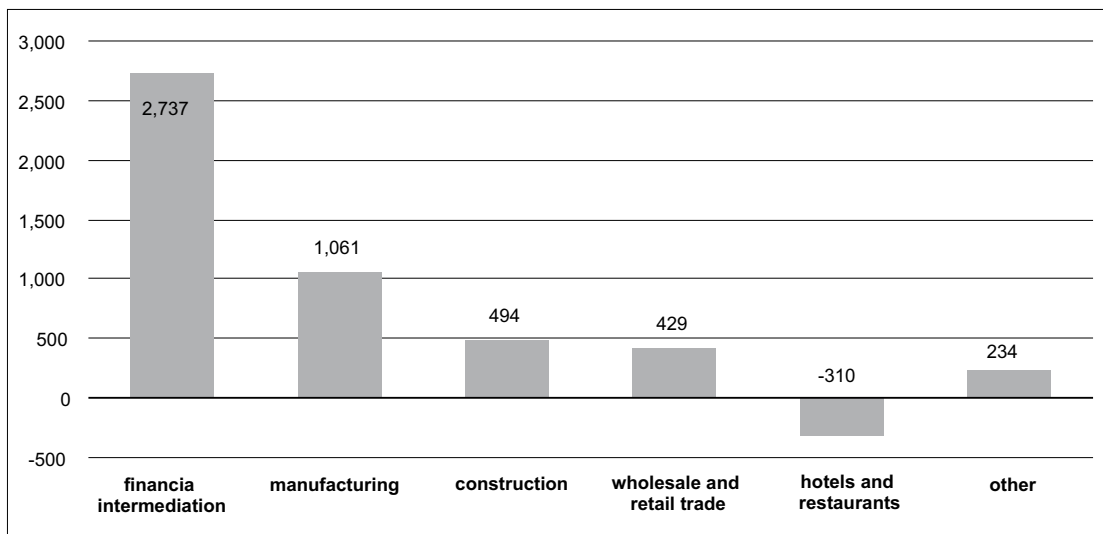


Figure 14. Direct investment in Estonia by fields of activities in the third quarter of 2007 (EEK m)

Table 26. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q2 2007	Q3 2007	Q2 2007	Q3 2007	Q3 2007 / Q2 2007
EU-27	7,827.2	4,694.5	109.0	101.1	-40.0
CIS	26.4	104	0.4	2.2	293.9
Other	-673.1	-153	-9.4	-3.3	-77.3
Total	7,180.5	4,645.5	100.0	100.0	-35.3

Direct investment abroad registered a decline of 2.5 billion kroons year-on-year and 1 billion kroons quarter-on-quarter. Given that direct investment was above the usual level in both periods, the decline was rather marginal. Equity capital investment accounted for nearly 70% of the outflow, whereas two thirds of that was proprietors' income not withdrawn. Other capital assets exceeded liabilities by 1.3 billion kroons. The loan liabilities of subsidiaries and affiliated companies grew by 2.7 billion kroons, with most of them being long-term liabilities. The loan liabilities of long-term Estonian investors to foreign subsidiaries and affiliated companies, on the other hand, increased by 1 billion kroons. The biggest net lenders and borrowers were holding companies (see Tables 27 and 28).

Two thirds of direct investment outflow went to Latvia. In addition, direct investment in Italy and Finland increased (by 17% and 9%, respectively) and Estonia is also exploring new investment opportunities in Bulgaria (13%). The investors of financial intermediaries and real estate, renting and business activities made the largest investments (59% and 46% growth, respectively). 79% of the investment outflow was channelled to the EU and 12% to the CIS (see Table 29 and Figures 15–16).

Table 27. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Assets		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
Q1 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	-6,781.1	99.0	1,839.6	-26.9	-1,671.8	24.4	-236.3	3.4	-6,849.5	100.0
Q3 2007	-1,151.5	26.4	-1,889.7	43.3	-2,430.4	55.7	1,107.7	-25.4	-4,363.8	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	Repay-ments	Grantings	Repay-ments	Drawings	Repay-ments	Drawings	Repay-ments
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	1,469.4	954.0	598.8	235.3	2.8	56.6	163.5	8.6
Q3 2007	3,086.1	305.8	522.0	522.9	11.5	57.0	1,048.0	30.9

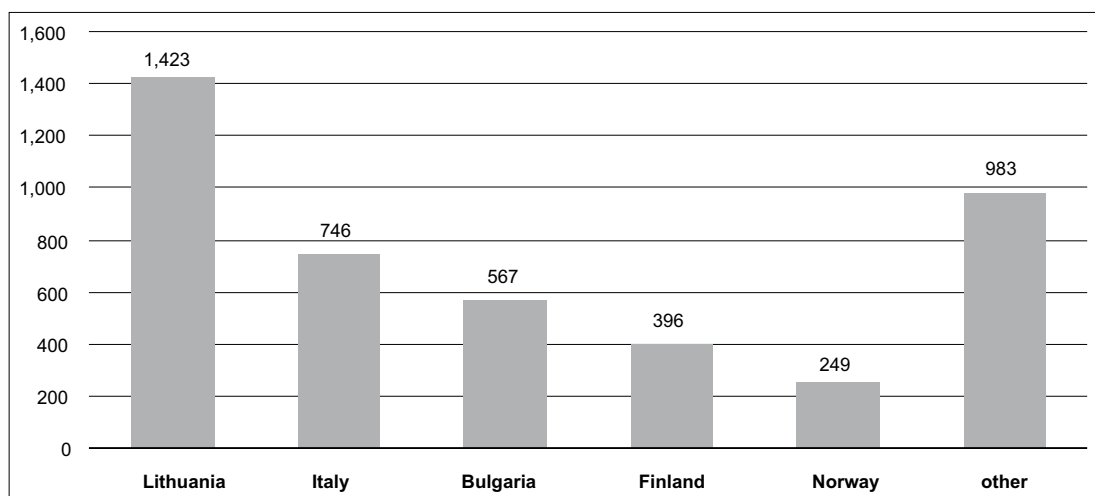


Figure 15. Direct investment abroad by countries in the third quarter of 2007 (EEK m)

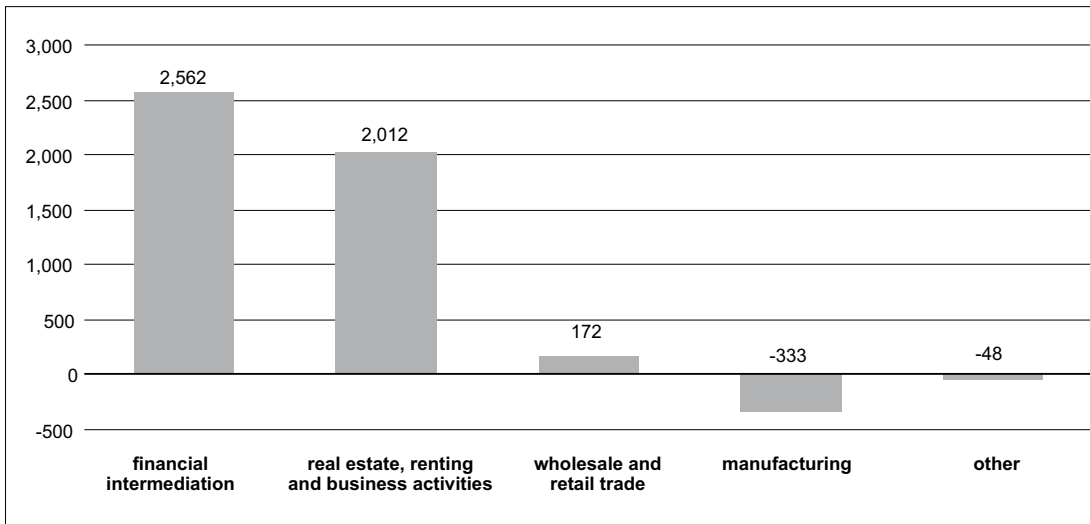


Figure 16. Direct investment abroad by fields of activity in the third quarter of 2007 (EEK m)

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q2 2007	Q3 2007	Q2 2007	Q3 2007	Q3 2007 / Q2 2007
EU-27	-5,868.4	-3,444.7	85.7	78.9	-41.3
CIS	-743.2	-508.4	10.9	11.7	-31.6
Other	-237.9	-410.7	3.5	9.4	72.6
Total	-6,849.5	-4,363.8	100.0	100.0	-36.3

Portfolio investment

The net outflow of portfolio investment was 1.9 billion kroons in the third quarter of 2007. Above all, this stemmed from government investments in debt securities and equity security investments of enterprises in other sectors (see Figure 17 and Table 30).

Portfolio investment liabilities increased by 2.1 billion kroons in the third quarter of 2007. Equity security liabilities grew by 1.5 billion kroons and debt security liabilities by 576 million kroons (see Table 31). Liabilities grew mainly owing to the rise in the equity security liabilities of enterprises in other sectors. By countries, portfolio investment liabilities to Poland, Lithuania, Finland and the United States increased the most (see Figure 18 and Table 32).

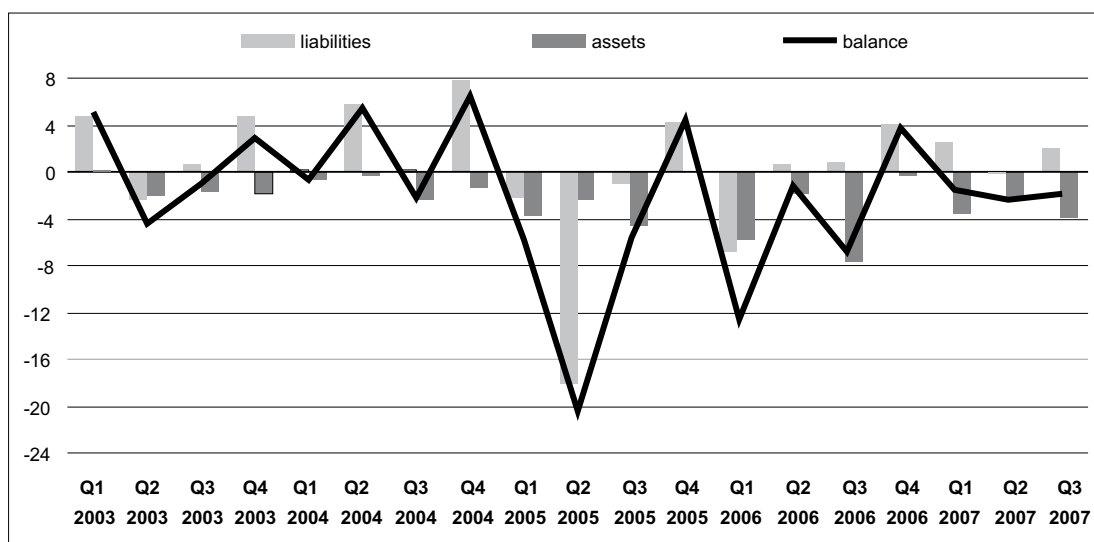


Figure 17. Portfolio investment (EEK bn)

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

	Assets			Liabilities			Balance		
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007
Equity securities	-685.1	-2,831.0	-2,654.0	839.2	909.2	1,496.6	154.1	-1,921.8	-1,157.4
central bank									
general government	-250.5	64.0	-172.6				-250.5	64.0	-172.6
credit institutions	-35.6	-19.5	82.5		2.6		-35.6	-16.9	82.5
other sectors	-399.0	-2,875.5	-2,564.0	839.3	906.6	1,496.6	440.3	-1,968.9	-1,067.4
Debt securities	-6,938.6	550.5	-1,320.1	-0.3	-1,074.4	576.1	-6,938.9	-523.9	-744.0
central bank									
general government	-4,596.7	1,306.1	-3,254.5	18.9	-1,596.7	165.9	-4,577.8	-290.6	-3,088.6
credit institutions	-1,491.0	-1,265.0	1,813.9	0.3	196.5	11.4	-1,490.7	-1,068.5	1,825.3
other sectors	-851.0	509.4	120.5	-19.4	325.7	399.0	-870.4	835.1	519.5
Total	-7,623.6	-2,280.5	-3,974.0	839.0	-165.2	2,072.7	-6,784.6	-2,445.7	-1,901.3

Portfolio investment assets gained nearly 4 billion kroons in the third quarter of 2007. Equity security assets increased by 2.7 billion and debt security assets by 1.3 billion kroons (see Table 33). Primarily, enterprises in other sectors (particularly investment funds) invested in equity securities issued by non-residents, whereas the general government invested the most in debt securities – in the total amount of 2.6 and 3.3 billion kroons, respectively. By countries, Estonian residents mainly invested in Austria, France, Luxembourg and Finland (see Figure 19).

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	909.2	-550.4	-1,074.4	650.4	-165.2	100.0
Q3 2007	1,496.6	72.2	576.1	27.8	2,072.7	100.0

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

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-4,385.0	1,537.0	110.3	74.2
CIS	-125.3	9.2	3.2	0.4
Other	536.3	526.5	-13.5	25.4
Total	-3,974.0	2,072.7	100.0	100.0

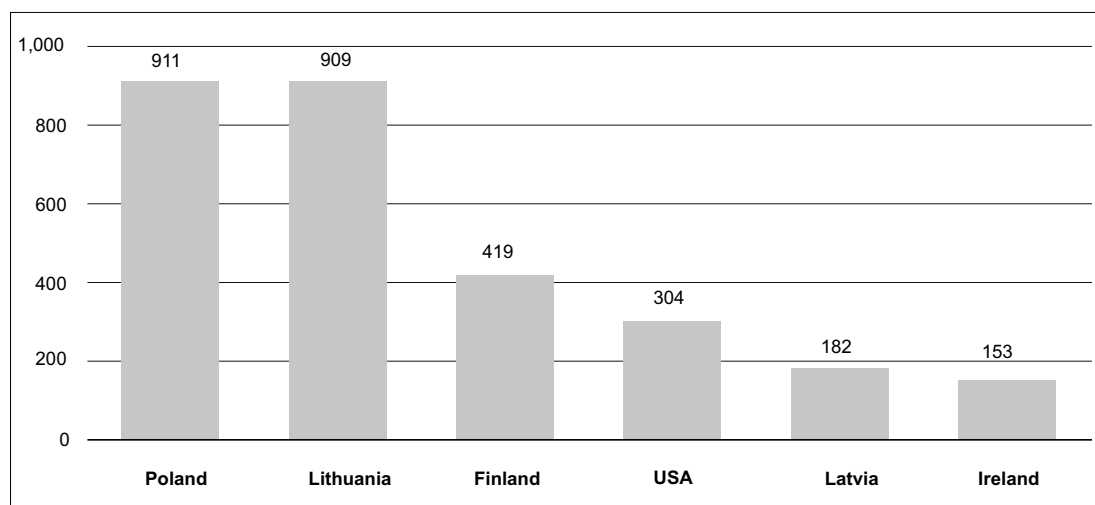


Figure 18. Increase in portfolio investment liabilities by countries in the third quarter of 2007 (EEK m)

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	-2,831.0	124.1	550.5	-24.1	-2,280.5	100.0
Q3 2007	-2,654.0	66.8	-1,320.1	33.2	-3,974.0	100.0

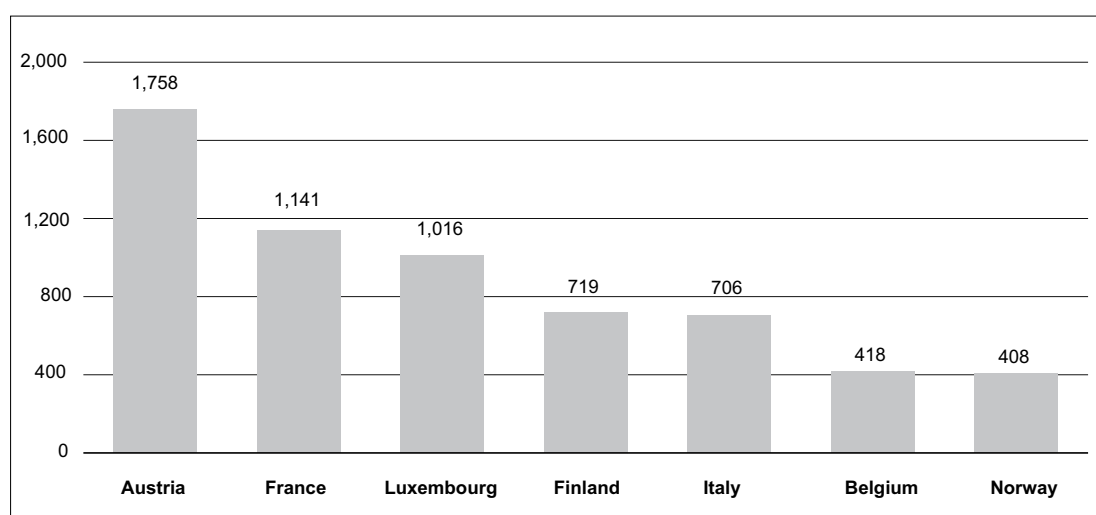


Figure 19. Increase in portfolio investment assets by countries in the third quarter of 2007 (EEK m)

Other investment

The net inflow of other investment reached 16.6 billion kroons in the third quarter; mostly owing to the long-term loans borrowed by credit institutions (see Figure 20 and Table 34).

Other investment liabilities increased by 15.6 billion kroons. Loan liabilities experienced the strongest growth, by 9.8 billion kroons; deposit liabilities followed with 7.8 billion kroons (see Table 35). Trade credit and other capital liabilities, however, decreased by 1.1 billion and 985 million kroons, respectively. Credit

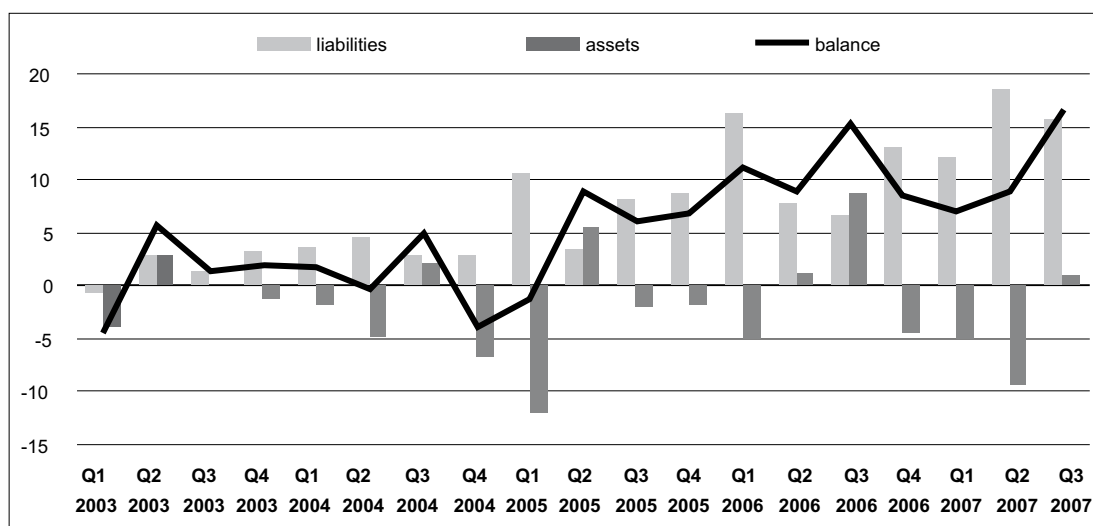


Figure 20. Other investment (EEK bn)

Table 34. Other investment by maturity (EEK m)

	Assets			Liabilities			Balance		
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007
Long-term capital	-197.0	-486.3	-384.5	-5,419.1	12,725.5	8,643.2	-5,616.1	12,239.2	8,258.7
central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
general government	-40.6	0.0	0.0	41.4	-35.2	-201.8	0.8	-35.2	-201.8
credit institutions	-98.9	-314.3	-195.2	-12,767.7	13,691.2	8,070.1	-12,866.6	13,376.9	7,874.9
other sectors	-57.5	-172.0	-189.3	7,307.2	-930.5	774.9	7,249.7	-1,102.5	585.6
Short-term capital	8,861.0	-8,958.5	1,437.7	12,125.5	5,684.7	6,941.7	20,986.5	-3,273.8	8,379.4
central bank	0.0	0.0	0.0	-20.9	715.9	739.3	-20.9	715.9	739.3
general government	426.7	16.3	-7.7	-803.4	0.0	0.0	-376.7	16.3	-7.7
credit institutions	9,765.4	-9,893.7	3,224.3	6,275.7	2,492.2	6,627.1	16,041.1	-7,401.5	9,851.4
other sectors	-1,331.1	918.9	-1,778.9	6,674.1	2,476.6	-424.7	5,343.0	3,395.5	-2,203.6
Total	8,664.0	-9,444.8	1,053.2	6,706.4	18,410.2	15,584.9	15,370.4	8,965.4	16,638.1

institutions' long-term loan liabilities increased by 8 billion kroons, whereas non-residents' deposits with credit institutions gained 7.8 billion kroons. Other investment capital liabilities to Sweden, Denmark, Finland and Austria increased the most by countries and thus to EU Member States by groups of countries (see Figure 21 and Table 36).

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	1,493.9	8.1	15,205.2	82.6	1,359.4	7.4	351.8	1.9	18,410.3	100.0
Q3 2007	-1,072.4	-6.9	9,836.8	63.1	7,805.5	50.1	-985.1	-6.3	15,584.8	100.0

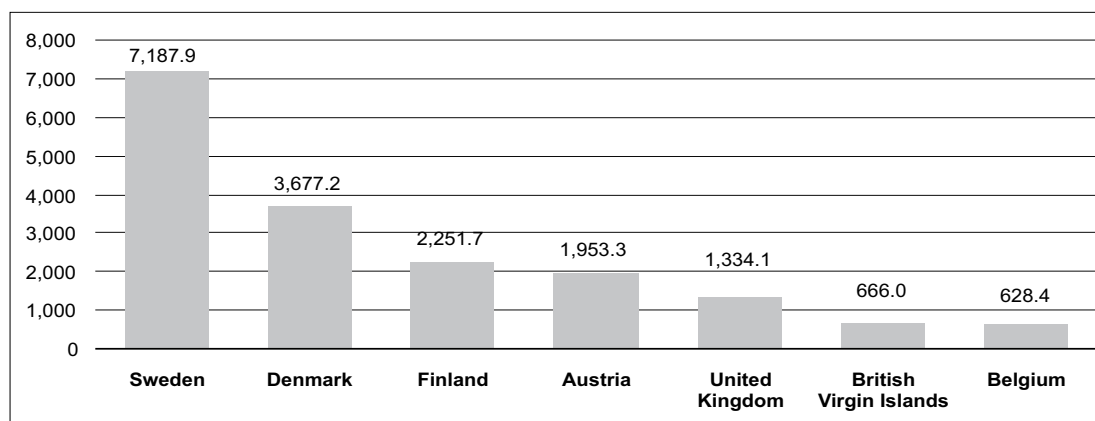


Figure 21. Increase in other investment liabilities by countries in the third quarter of 2007 (EEK m)

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

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-2,612.2	16,219.0	-248.1	104.1
CIS	2,888.6	-663.7	274.3	-4.3
Other	776.6	29.5	73.8	0.2
Total	1,053.0	15,584.8	100.0	100.0

Other investment assets decreased by 1.1 billion kroons in the third quarter of 2007 (see Table 37). Assets declined by 1.4 billion kroons both in terms of loans and other capital but grew in terms of deposits and trade credit (by 912 and 800 million kroons, respectively). By countries, other investment assets to Russia, Germany, Finland and France decreased the most (see Figure 22). Table 38 provides a more detailed overview of loan capital assets and liabilities.

Table 37. Structure of other investment assets

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 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	-886.2	9.4	-4,988.4	52.8	-2,145.7	22.7	-1,424.5	15.1	-9,444.8	100.0
Q3 2007	-800.0	-76.0	1,376.6	130.7	-911.6	-86.6	1,388.0	131.8	1,053.0	100.0

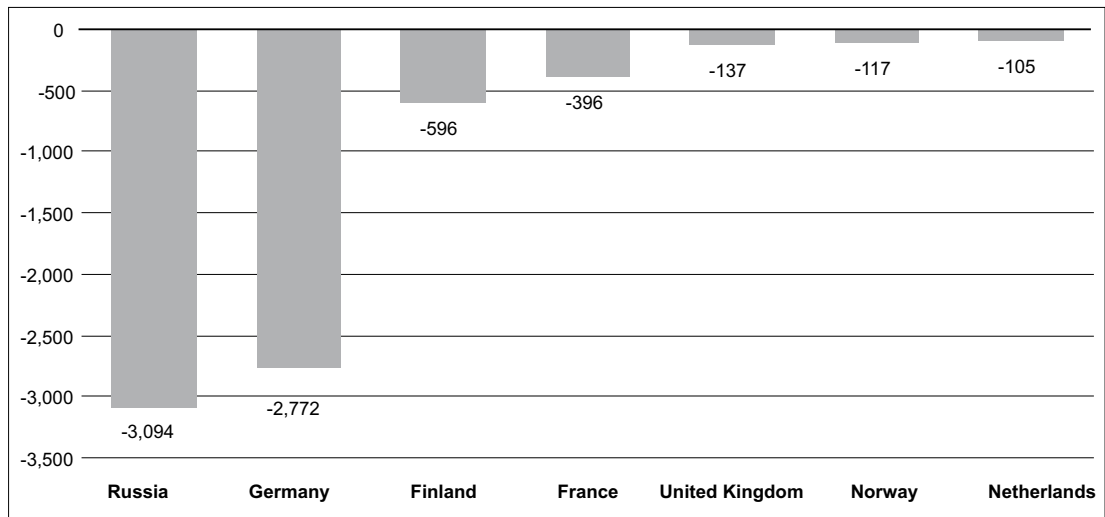


Figure 22. Decrease in other investment assets by countries in the third quarter of 2007 (EEK m)

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	-90,400.8	85,412.5	-4,988.4	96,807.0	-81,601.8	15,205.2
Q3 2007	-116,641.1	118,017.8	1,376.6	109,766.4	-99,929.6	9,836.8

Reserve assets

The balance of payments reserves increased by 5.4 billion kroons in the third 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 (%)		
	Q3 2006	Q2 2007	Q3 2007	Q3 2006	Q2 2007	Q3 2007
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-2,489.6	340.5	-5,676.6	77.6	-614.6	105.2
Securities	-717.3	-399.0	280.7	22.4	720.2	-5.2
equity securities	0.0	0.0	0.0	0.0	0.0	0.0
bonds and notes	-843.7	-464.2	-1073.9	26.3	837.9	19.9
money market instruments	126.4	65.2	1354.6	-3.9	-117.6	-25.1
Financial derivatives		0.2	-1.9	0.0	-0.4	0.0
Other assets	-1.8	3.0	-0.4	0.1	-5.4	0.0
Total	-3,208.6	-55.4	-5,398.3	100.0	100.0	100.0

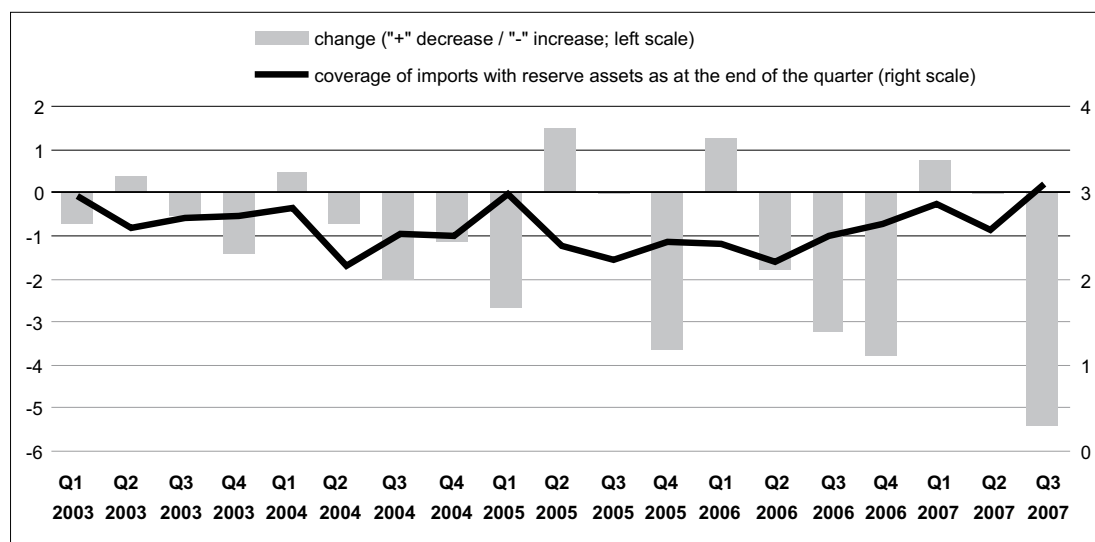


Figure 23. Changes in Estonia's gold and foreign exchange reserves (EEK bn) and coverage of goods imports without further processing (by months)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 September 2007

During the third quarter of 2007, foreign investment in Estonia increased by 5% and amounted to 409 billion kroons at the end of the quarter (see Table 40). 57% thereof was invested in financial intermediation, 14% in real estate, renting and business activities, and to a lesser extent also in wholesale and retail trade, manufacturing, and transport, storage and communications (see Table 41). Nearly 40% of investment came from Sweden and 20% from Finland.

The large inflow of other investment capital (loans and deposits) continued also in the third quarter, with its share in foreign investment in Estonia rising to 45%. The inflow of other investment primarily took place

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

	30/6/2007	%	30/9/2007	%
EXTERNAL ASSETS	218,836.8	100.0	231,801.5	100.0
Direct investment abroad	53,215.4	24.3	57,721.3	24.9
Equity capital and reinvested earnings	41,317.4	18.9	44,536.0	19.2
Other direct investment capital	11,898.1	5.4	13,185.3	5.7
Portfolio investment	67,072.6	30.6	70,788.5	30.5
Equity securities	29,795.0	13.6	32,225.1	13.9
Debt securities	37,277.6	17.0	38,563.4	16.6
Bonds and notes	25,443.5	11.6	24,953.2	10.8
Money market instruments	11,834.0	5.4	13,610.2	5.9
Financial derivatives	750.3	0.3	1,264.2	0.5
Other investment	64,976.0	29.7	63,642.2	27.5
Trade credit	14,747.8	6.7	15,604.5	6.7
Loans	28,040.1	12.8	26,407.3	11.4
Long-term	8,915.1	4.1	9,048.0	3.9
Short-term	19,125.0	8.7	17,359.3	7.5
Currency and deposits	19,503.9	8.9	20,347.4	8.8
Other assets	2,684.3	1.2	1,282.9	0.6
Reserve assets	32,822.5	15.0	38,385.3	16.6
EXTERNAL LIABILITIES	388,190.6	100.0	409,167.4	100.0
Direct investment in Estonia	163,706.6	42.2	168,837.3	41.3
Equity capital and reinvested earnings	137,971.6	35.5	143,665.7	35.1
Other direct investment capital	25,735.0	6.6	25,171.5	6.2
Portfolio investment	53,900.3	13.9	54,432.5	13.3
Equity securities	32,172.5	8.3	32,117.6	7.8
Debt securities	21,727.8	5.6	22,314.9	5.5
Bonds and notes	21,621.3	5.6	22,198.1	5.4
Money market instruments	106.4	0.0	116.8	0.0
Financial derivatives	627.4	0.2	662.5	0.2
Other investment	169,956.3	43.8	185,235.0	45.3
Trade credit	14,812.9	3.8	13,719.7	3.4
Loans	96,603.8	24.9	106,160.4	25.9
Long-term	77,377.9	19.9	85,972.6	21.0
Short-term	19,225.9	5.0	20,187.8	4.9
Currency and deposits	55,197.6	14.2	63,003.2	15.4
Other liabilities	3,342.0	0.9	2,351.7	0.6
NET INVESTMENT POSITION	-169,353.8		-177,365.9	
Long-term	-153,265.3		-162,862.0	
Short-term	-16,088.5		-14,503.9	

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

Assets			Liabilities		
Fields of activity					
	30/6/2007	30/9/2007		30/6/2007	30/9/2007
Financial intermediation	65.1	63.8	Financial intermediation	55.0	57.0
Real estate, renting and business activities	9.3	9.6	Real estate, renting and business activities	15.1	14.2
Public administration and defence; statutory social insurance	7.9	8.9	Wholesale and retail trade; repair	9.1	8.8
Wholesale and retail trade; repair	6.9	6.9	Manufacturing	5.0	4.8
Manufacturing	4.1	4.1	Transport, storage and communications	3.6	3.5
Other	6.7	6.7	Other	12.2	11.7
Total	100.0	100.0	Total	100.0	100.0
Countries					
Latvia	11.7	11.6	Sweden	38.1	38.2
United Kingdom	8.4	10.2	Finland	19.9	19.7
Lithuania	8.8	9.3	United Kingdom	8.4	8.1
Germany	11.4	8.4	Denmark	4.2	5.1
Russia	9.2	7.3	Germany	2.9	2.4
Other	50.5	53.2	Other	26.5	26.5
Total	100.0	100.0	Total	100.0	100.0

via credit institutions. The shares of direct and portfolio investment in the investment position decreased slightly and accounted for 41% and 13%, respectively. In absolute terms, all investment positions increased.

Direct investment in Estonia grew by 3% quarter-on-quarter, totalling 169 billion kroons at the end of the quarter. The most preferred fields of activity included financial intermediation (31%), real estate, renting and business activities (28%), manufacturing (16%) and wholesale and retail trade (13%; see Table 42).

Estonian investment abroad increased by 6% quarter-on-quarter and amounted to 232 billion kroons. Financial intermediaries made 64% of the investment abroad. Investors in real estate, renting and business activities, the public sector, and wholesale and retail trade invested to a lesser extent. Estonian investors invested in various countries. Nearly 12% of investment went to Latvia, 10% to the United Kingdom, 9% to Lithuania, followed by Germany, Russia, Finland, France, the Netherlands, Sweden, the United States, Luxembourg etc.

The structure of external assets changed, as the share of reserves in the external asset position rose considerably and that of direct investment gained slightly. The volume of derivatives assets, which had so far grown modestly, increased by nearly two times quarter-on-quarter, comprising 0.5 % of the external assets. Derivatives assets grew in credit institutions as well as other sectors. The position of **foreign direct investment** increased by 8% quarter-on-quarter and accounted for 25% of the external assets. The most active foreign direct investors were those of financial intermediation (41%) and real estate, renting and business activities (31%; see Table 42). Estonian investors preferred to invest in the neighbouring countries: Latvia (34%) and Lithuania (29%).

Due to the prevalence of external liabilities, Estonia's net investment position was negative by 177 billion kroons at the end of the third quarter of 2007, comprising 75% of the GDP of the last four quarters. 92% of the net investment position was long-term capital.

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

In Estonia			Abroad		
Fields of activity					
	30/6/2007	30/9/2007		30/6/2007	30/9/2007
Financial intermediation	29.8	30.7	Financial intermediation	39.5	40.9
Real estate, renting and business activities	29.4	28.4	Real estate, renting and business activities	30.4	31.2
Manufacturing	15.7	15.8	Transport, storage and communications	10.6	9.2
Wholesale and retail trade; repair	12.7	12.7	Wholesale and retail trade; repair	8.0	7.5
Transport, storage and communications	4.3	4.3	Manufacturing	4.5	4.3
Other	8.1	8.1	Other	7.0	6.9
Total	100.0	100.0	Total	100.0	100.0
Countries					
Sweden	40.1	40.0	Latvia	36.9	34.1
Finland	25.7	25.4	Lithuania	29.0	28.9
Netherlands	4.4	5.0	Russia	9.2	8.2
Denmark	3.6	3.9	Cyprus	7.7	7.4
Norway	3.1	2.8	Finland	4.0	4.3
Other	23.1	22.9	Other	13.2	17.1
Total	100.0	100.0	Total	100.0	100.0

Estonia's gross external debt grew by 8% quarter-on-quarter and reached 254 billion kroons by the end of the quarter, exceeding the GDP of the last four quarters by 8%. The gross external debt grew primarily owing to the increase in the long-term debt liabilities of credit institutions. The debt liabilities of credit institutions comprised 56% and those of other sectors 24% of the gross external debt. Estonia's net external debt (assets less liabilities) increased by 12% quarter-on-quarter and totalled 79 billion kroons (nearly 34% of the GDP of the last four quarters; see Table 43 and Figure 24). The gross external debt formed 62% of external liabilities. Leaving aside intercompany lending of direct investment companies, long-term debt liabilities accounted for 62% of the gross external debt. The majority of debt assets were short-term.

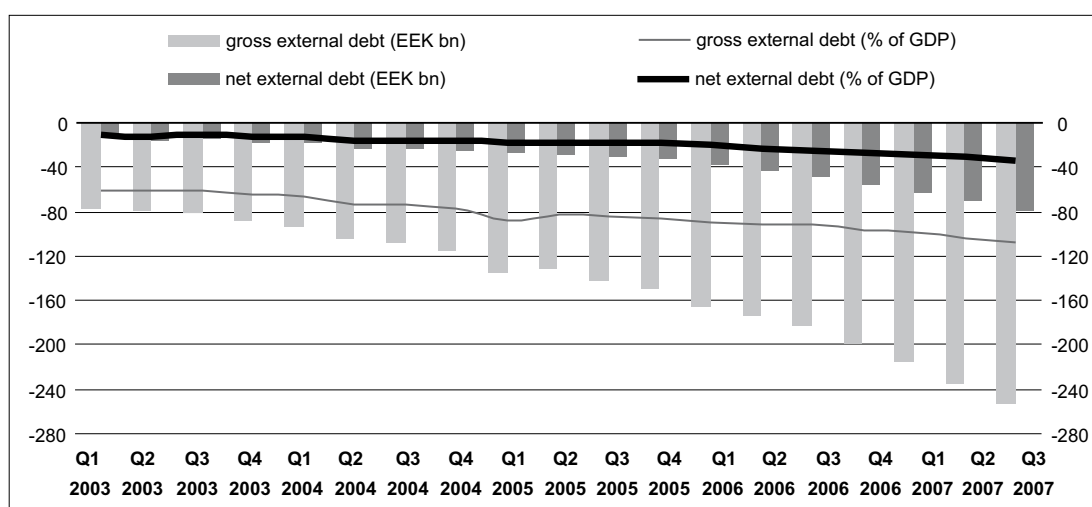


Figure 24. Estonia's gross and net external debt

Table 43. External debt (EEK m)

	30/6/2007	%	30/9/2007	%
LIABILITIES				
I. General government	3,139.5	1.3	3,103.6	1.2
Short-term		0.0		
Long-term	3,139.5	1.3	3,103.6	1.2
II. Monetary authorities (NCB)	2,507.5	1.1	3,142.8	1.2
Short-term	2,493.5	1.1	3,127.9	1.2
Long-term	14.0	0.0	14.9	0.0
III. Credit institutions	126,689.1	53.9	141,380.1	55.7
Short-term	50,859.7	21.6	51,211.0	20.2
Long-term	75,829.5	32.2	90,169.1	35.5
IV. Other sectors	59,347.9	25.2	59,923.4	23.6
Short-term	25,374.6	10.8	24,790.4	9.8
Long-term	33,973.3	14.4	35,133.0	13.9
V. Direct investment: intercompany lending	43,531.6	18.5	46,105.6	18.2
GROSS EXTERNAL DEBT	235,215.7	100.0	253,655.5	100.0
ASSETS				
I. General government	17,449.6	10.6	20,737.7	11.9
Short-term	3,157.8	1.9	5,930.6	3.4
Long-term	14,291.8	8.7	14,807.0	8.5
II. Monetary authorities (NCB)	32,662.7	19.8	38,251.7	21.9
Short-term	21,616.8	13.1	26,052.4	14.9
Long-term	11,045.9	6.7	12,199.3	7.0
III. Credit institutions	43,229.4	26.3	38,156.4	21.9
Short-term	34,059.6	20.7	28,642.4	16.4
Long-term	9,169.8	5.6	9,514.0	5.5
IV. Other sectors	41,553.1	25.2	43,290.3	24.8
Short-term	28,910.1	17.6	31,118.5	17.8
Long-term	12,643.0	7.7	12,171.9	7.0
V. Direct investment: intercompany lending	29,694.7	18.0	34,119.4	19.5
TOTAL ASSETS	164,589.5	100.0	174,555.4	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	14,310.1		17,634.0	
Short-term	3,157.8		5,930.6	
Long-term	11,152.2		11,703.4	
II. Monetary authorities (NCB)	30,155.1		35,108.9	
Short-term	19,123.3		22,924.5	
Long-term	11,031.8		12,184.4	
III. Credit institutions	-83,459.7		-103,223.7	
Short-term	-16,800.0		-22,568.6	
Long-term	-66,659.7		-80,655.1	
IV. Other sectors	-17,794.8		-16,633.1	
Short-term	3,535.5		6,328.1	
Long-term	-21,330.2		-22,961.2	
V. Direct investment: intercompany lending	-13,836.9		-11,986.2	
TOTAL NET EXTERNAL DEBT	-70,626.2		-79,100.1	