

Eesti Pank
Bank of Estonia



Estonian Preliminary Balance of Payments for the Third Quarter of 2008

2009

CONTENTS

METHODOLOGICAL CHANGES IN THE COMPILATION OF THE BALANCE OF PAYMENTS STATISTICS FOR THE THIRD QUARTER OF 2008	4
SHORT OVERVIEW	5
CURRENT ACCOUNT	9
Goods.....	9
Services.....	15
Income.....	21
Current and capital transfers	24
FINANCIAL ACCOUNT	26
Direct investment	26
Portfolio investment.....	32
Financial derivatives.....	36
Other investment.....	37
Reserve assets.....	41
ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 September 2008	42

METHODOLOGICAL CHANGES IN THE COMPILATION OF THE BALANCE OF PAYMENTS STATISTICS FOR THE THIRD QUARTER OF 2008

1. Loans, currency and deposits of credit institutions

Following the recommendation of the European Central Bank¹, interbank loans are now recorded under currency and deposits (formerly under long- and short-term loans). Currency and deposits are treated as short-term capital, which is why the share of long-term capital in Estonia's international investment position has fallen considerably. In accordance with the adjustment policy of the balance of payments also the data for the second quarter of 2008 were revised. Later on (in June 2009) the time series will be adjusted retrospectively back to 2006.

1. General government assets and liabilities

The increase in general government assets and liabilities arises from a change in the methodology. Namely, now also transfers from EU funds are recorded under general government assets and liabilities on an accrual basis. In accordance with the adjustment policy of the balance of payments also the data for the second quarter of 2008 were revised. Later on (in June 2009) the time series of the balance of payments will be adjusted retrospectively back to 2007 and the time series of the international investment position back to 2005.

¹ Recommendation of the European Central Bank of 16 July 2004 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template (2004/C 292/05).

SHORT OVERVIEW

- The rapid decline of private consumption had a considerable impact on the current account deficit for the third quarter of 2008. The deficit decreased more than 50% compared to the same period of the previous year and comprised 7.5% of the third-quarter GDP (see Figure 1 and Table 1)². With regard to the GDP for the last four quarters, the deficit was 12%. In absolute value, the deficit amounted to 4.7 billion kroons. Quarter-on-quarter, the deficit decreased by a third.
- The deficit on goods and services (the direct components of GDP) as a ratio to GDP constituted 3.3% of the third-quarter GDP and 6% of the GDP for the last four quarters.
- The current account deficit has declined across all current account components, particularly on account of a decrease in the deficit on the goods account.
- Net capital inflow decreased substantially in the form of direct and other investment.
- The balance of payments reserves decreased by 1.9 billion kroons.

Fixed investment and consumption have undergone a steady decrease in the last quarters, which has also affected Estonia's **foreign trade balance** for the third quarter. The deficit on foreign trade — the largest component in the current account deficit — decreased by nearly a third year-on-year and totalled 7.4 billion kroons. The foreign trade deficit declined from 18% to 12% as a ratio to the third-quarter GDP. The exports of goods (in f.o.b. prices) grew 17% and imports (f.o.b.) 4% year-on-year. In absolute value, exports amounted to 35 and imports to nearly 43 billion kroons. Foreign trade deficit declined primarily owing to a significant decrease in the deficit on transport vehicles, machinery and equipment, and metals.

The main groups of export goods included machinery and equipment (21%; mostly electronic products), mineral and metal products (13%), and timber and timber products (11%). Machinery and equipment was also the largest import item (21%), followed by mineral products (18%), and chemical and metal products

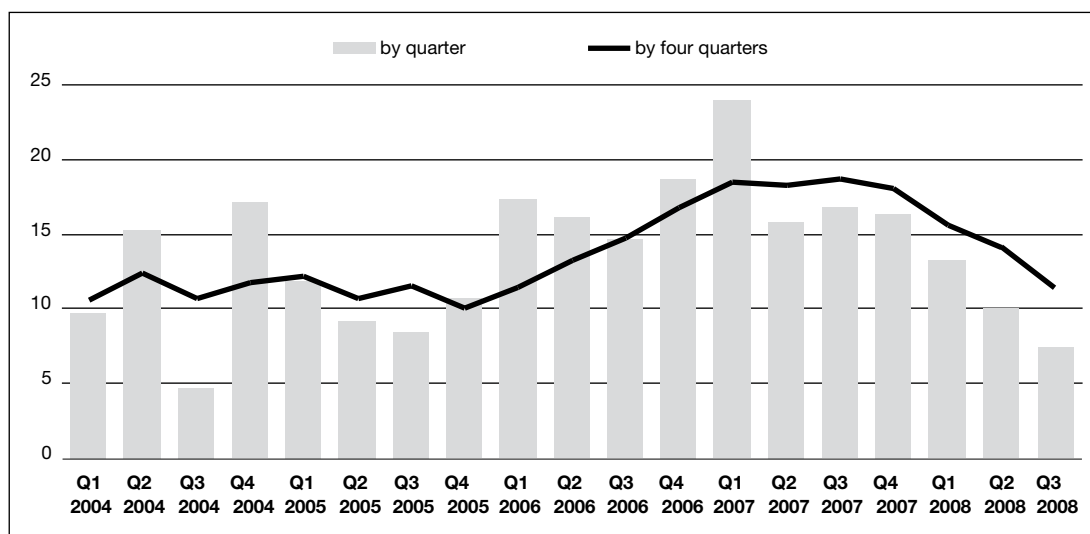


Figure 1. Current account deficit (% of GDP)

² The current account deficit without reinvested earnings, which involve no actual movement of funds, constituted 0.7% of the third-quarter GDP and 5.1% of the GDP for the last four quarters.

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

Item	2005	2006	2007					2008		
	Total	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Current account	-17,371.6	-34,303.4	-13,023.3	-9,453.4	-10,219.2	-10,468.0	-43,163.9	-7,853.4	-7,097.6	-4,711.1
Goods and services	-11,032.4	-24,231.4	-7,777.7	-6,397.9	-6,217.7	-6,567.2	-26,960.5	-4,033.4	-2,355.3	-2,054.0
Goods	-24,134.8	-37,515.5	-10,208.0	-11,070.9	-10,748.4	-9,994.5	-42,021.7	-7,737.4	-7,500.8	-7,431.2
credit (f.o.b.)	98,262.3	121,430.6	30,026.9	33,089.8	30,148.5	33,099.2	126,364.4	31,645.0	35,237.9	35,188.7
debit (f.o.b.)	-122,397.2	-158,946.1	-40,234.8	-44,160.7	-40,896.9	-43,093.7	-168,386.1	-39,382.4	-42,738.7	-42,619.8
Services	13,102.5	13,284.1	2,430.3	4,673.0	4,530.7	3,427.3	15,061.3	3,704.0	5,145.4	5,377.2
credit	40,228.7	43,597.9	10,195.0	13,225.8	13,789.5	12,845.0	50,055.3	11,844.9	13,930.8	15,301.2
debit	-27,126.2	-30,313.8	-7,764.7	-8,552.8	-9,258.8	-9,417.7	-34,994.0	-8,140.9	-8,785.4	-9,924.0
Income	-7,124.4	-10,768.2	-5,106.4	-3,752.6	-4,610.8	-4,519.0	-17,988.8	-5,077.2	-5,536.0	-3,313.1
credit	9,225.6	13,551.5	3,542.7	4,416.1	4,816.2	4,513.7	17,288.6	4,136.7	4,241.0	5,159.5
debit	-16,349.9	-24,319.8	-8,649.1	-8,168.6	-9,427.0	-9,032.6	-35,277.3	-9,213.9	-9,777.0	-8,472.5
Transfers	785.2	696.3	-139.2	697.1	609.3	618.1	1,785.4	1,257.3	793.7	655.9
credit	5,876.7	6,503.2	1,554.2	1,805.9	2,037.7	2,620.5	8,018.3	2,951.0	1,892.6	1,718.9
debit	-5,091.6	-5,806.9	-1,693.4	-1,108.8	-1,428.4	-2,002.4	-6,232.9	-1,693.8	-1,098.9	-1,063.0
Capital and financial account (reserve assets excluded)	21,208.3	41,204.7	11,838.5	8,139.2	16,373.9	6,475.1	42,826.7	10,151.1	10,119.4	3,731.9
Capital account	1,325.9	4,388.5	514.5	511.4	562.4	1,117.5	2,705.9	1,244.2	834.0	519.9
Financial account	19,882.3	36,816.2	11,324.0	7,627.8	15,811.5	5,357.6	40,120.8	8,906.8	9,285.5	3,212.0
Direct investment	27,321.7	8,577.5	5,376.9	408.5	1,515.5	5,368.3	12,669.1	4,226.7	3,015.6	1,230.4
Abroad	-8,699.5	-13,824.1	-3,619.8	-7,251.9	-4,191.4	-2,970.0	-18,033.0	-4,457.1	-1,621.0	-3,043.7
In Estonia	36,021.2	22,401.5	8,996.6	7,660.3	5,706.9	8,338.2	30,702.1	8,683.8	4,636.5	4,274.1
Portfolio investment	-27,688.4	-16,476.5	-1,212.7	-2,444.6	-1,979.3	-123.4	-5,760.1	473.3	2,424.7	-1,561.7
Assets	-10,818.4	-15,205.2	-3,666.8	-2,280.5	-3,357.7	821.0	-8,483.9	1,005.2	3,285.5	-1,202.0
Equity securities	-4,848.9	-4,567.7	-2,197.1	-2,831.2	-2,439.0	-129.9	-7,597.2	1,323.2	944.4	-145.7
Debt securities	-5,969.5	-10,637.5	-1,469.6	550.6	-918.6	950.9	-886.7	-318.0	2,341.1	-1,056.3
Liabilities	-16,870.0	-1,271.3	2,454.0	-164.1	1,378.3	-944.4	2,723.8	-531.9	-860.8	-359.8
Equity securities	-16,352.3	3,730.3	3,162.6	909.2	811.6	-1,667.7	3,215.7	-1,010.5	-236.7	-471.7
Debt securities	-517.8	-5,001.6	-708.6	-1,073.3	566.7	723.3	-491.9	478.7	-624.1	112.0
Financial derivatives	-97.6	78.5	-148.9	190.8	-485.3	-354.3	-797.8	793.5	-7.6	-579.3
Assets	13.5	-180.9	-300.4	121.1	-509.5	-191.1	-879.9	814.0	-56.8	-233.3
Liabilities	-111.1	259.4	151.5	69.7	24.2	-163.3	82.1	-20.5	49.2	-346.0
Other investment	20,346.6	44,636.8	7,308.7	9,473.1	16,760.6	467.1	34,009.6	3,413.2	3,852.8	4,122.6
Assets	-10,454.2	275.3	-4,819.0	-9,213.6	1,064.4	-9,649.2	-22,617.5	-786.8	-1,010.4	726.8
Long-term	5,636.5	-3,052.9	-758.4	-496.3	-250.3	-1,004.4	-2,509.4	-769.6	-356.7	-341.6
Short-term	-16,090.7	3,328.2	-4,060.6	-8,717.4	1,314.7	-8,644.8	-20,108.1	-17.2	-653.8	1,068.4
Liabilities	30,800.8	44,361.5	12,127.7	18,686.8	15,696.2	10,116.3	56,627.1	4,200.1	4,863.2	3,395.9
Long-term	15,396.8	17,979.9	5,603.7	12,693.5	8,588.8	5,569.0	32,455.0	21,359.0	1,854.1	833.6
Short-term	15,404.1	26,381.6	6,524.0	5,993.3	7,107.5	4,547.3	24,172.1	-17,159.0	3,009.1	2,562.2
Errors and omissions	1,047.3	622.6	451.4	1,369.6	-756.4	659.8	1,724.4	-362.5	697.2	-948.6
Overall balance	4,883.9	7,523.9	-733.3	55.4	5,398.3	-3,333.1	1,387.3	1,935.2	3,719.0	-1,927.8
Reserve assets	-4,883.9	-7,523.9	733.3	-55.4	-5,398.3	3,333.1	-1,387.3	-1,935.2	-3,719.0	1,927.8

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

(12%). Unlike the previous quarters, the third quarter saw a substantial decline in the imports of transport vehicles. Mineral products, chemical products and machinery and equipment had the largest deficits on the goods account. Timber and timber products posted a surplus.

The share of Estonia's main trading partner – the European Union – comprised 68% of the exports and 80% of the imports of goods. Finland, Sweden, Russia, Latvia and Lithuania were the largest export partners, and Finland, Germany, Latvia, Sweden and Lithuania the major import partners.

The surplus on the **services account** was 5.4 billion kroons, having increased about 20% year-on-year. Services exports grew 11% and imports 7%. The total share of transport, travel and other business services accounted for 85% of both the imports and exports of services. Growth in the surplus on transport services – the largest type of services – increased by more than a third. Growth was mainly driven by the surplus on other transport services and to a lesser extent by the freight transport surplus. Other business services also contributed to the services surplus, as the exports of these services rose by nearly a third, while imports remained unchanged. Poor summer weather boosted the imports of travel services. Consequently, the surplus on travel services – the second largest type of services – slightly declined compared to previous periods.

Total exports of goods and services, which are the direct components of GDP, grew 15% and imports 5%. Consequently, the deficit on goods and services decreased by three times.

The net outflow of **income** declined by almost a third and totalled 3.3 billion kroons. This was mainly caused by a fall in profits and a rise in losses. In addition, reinvested earnings on direct investment in Estonia decreased substantially as a result of dividend payments.

The income earned by Estonian residents abroad grew 7%, while the income earned by non-residents in Estonia declined 10%. Nearly 20% of Estonian residents' income earned abroad comprised labour income and the rest was investment income. The majority of non-residents' income earned in Estonia was investment income (96%). Approximately two thirds of both the residents' and non-residents' investment income was earned on direct investment. Reinvested earnings accounted for a large share of non-residents' direct investment income also in the third quarter, whereas residents drew large dividends on their foreign direct investment.

Non-residents' income on other investment (loans and deposits) increased further and reached 28% of total investment income (16% in the third quarter of 2007).

The volume of both the incoming and outgoing **current transfers** decreased year-on-year and the surplus was 0.6 billion kroons.

The surplus on the **capital account** remained close to the year-ago level, totalling 0.5 billion kroons.

The **financial account** posted a modest surplus of 3.2 billion kroons. Net capital inflow consisted of direct and other investment, whereas net outflow included mostly portfolio investment and financial derivatives.

Direct investment inflow was 1.2 billion kroons bigger than outflow in the third quarter. Foreign direct investment in Estonia amounted to 4.3 billion and Estonia's direct investment abroad to 3 billion kroons.

Owing to dividend payments, the share of reinvested earnings in residents' direct investment abroad dropped considerably, increasing the share of intercompany lending. Equity capital investment totalled 0.5 billion kroons.

The majority (84%) of non-residents' direct investment in Estonia were reinvested earnings.

The net outflow of **portfolio investment** was approximately 1.6 billion kroons. Portfolio investment assets increased by 1.2 billion and liabilities decreased by 0.4 billion kroons. The increase in assets (debt securities) was primarily driven by the general government, while the decrease in liabilities (equity securities) could mainly be attributed to other sectors.

The net outflow of **financial derivatives** was 0.6 billion kroons.

The net inflow of **other investment** amounted to 4.1 billion kroons. Portfolio investment assets decreased by 0.7 billion and liabilities increased by 3.4 billion kroons. As regards liabilities, the short-term and long-term loans of other sectors increased the most.

The balance of payments reserves decreased by 1.9 billion kroons.

CURRENT ACCOUNT

The rapid decline of domestic demand in the third quarter of 2008 brought along a considerable decrease in the current account deficit of Estonia's balance of payments. The deficit decreased by more than a half compared to the same period of the previous year and comprised 7.5% of the third-quarter GDP (see Figure 2). As a ratio to the GDP for the last four quarters, the **current account deficit was 12%**. The current account deficit has declined across all current account components, particularly on account of a decrease in the deficit on the goods account. The deficit on goods and services (the direct components of GDP) as a ratio to GDP constituted 3.3% of the third-quarter GDP and 6% of the GDP for the last four quarters.

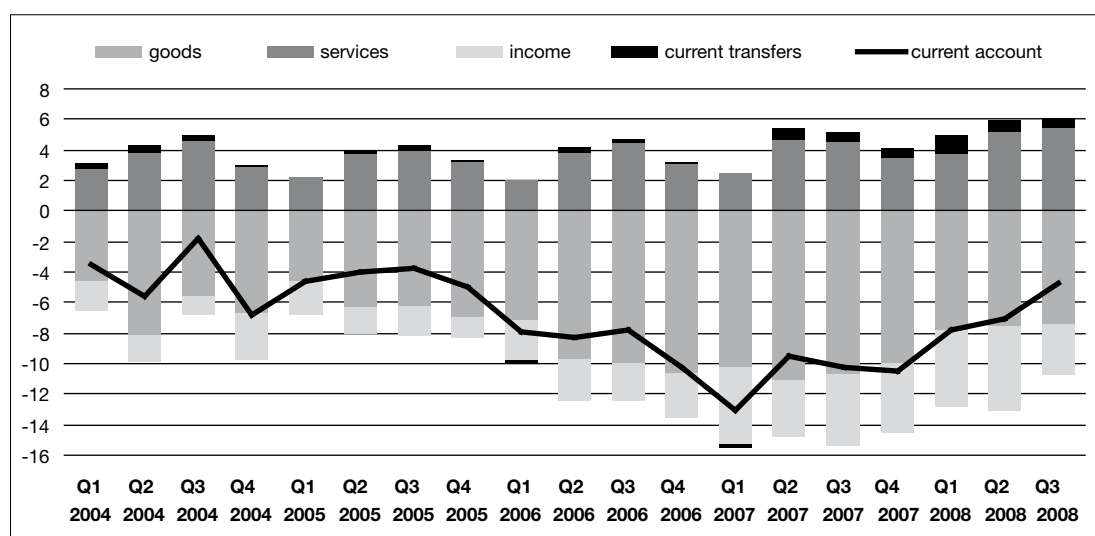


Figure 2. Current account structure (EEK bn)

Estonia traded mostly with the EU Member States, which accounted for 70% of the credit turnover and 82% of the debit turnover (see Table 2). The five most important partners in both the credit and debit turnover included Finland, Sweden, Latvia and Lithuania, plus Russia in terms of credit turnover and Germany in debit turnover. The share of the five largest trade partners was 57–58% in both cases. Estonia had the biggest current account surplus with Finland and the biggest deficit with Germany. Surpluses with Finland, Russia, the United States and Turkey, and deficits with Lithuania and Belarus increased considerably year-on-year. The large third-quarter surplus with Latvia shrank almost entirely.

Goods

The goods account deficit of the balance of payments decreased for the fifth consecutive quarters and totalled 7.4 billion kroons in the third quarter of 2008. Quarter-on-quarter the deficit declined only marginally, whereas year-on-year it decreased 31%, i.e. by 3.3 billion kroons (see Table 3). The exports of goods amounted to 35.2 billion kroons, having increased 17% year-on-year. The imports of goods (f.o.b.) decreased 4% and totalled 42.6 billion kroons.

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

	Q3 2007	Q2 2008	Q3 2008
EU-27	-12,584.2	-11,680.0	-10,876.4
Germany	-3,887.4	-4,212.8	-4,066.6
Sweden	-3,937.6	-4,067.6	-3,680.2
Finland	182.7	1,477.8	2,832.5
Poland	-1,514.7	-1,045.3	-1,276.3
Lithuania	-800.9	-1,692.4	-1,123.9
CIS	1,024.5	324.0	1,441.6
Russia	1,097.3	1,172.8	2,662.2
Belarus	-387.7	-1,065.0	-1,587.1
Ukraine	118.2	190.2	242.9
Other	1,340.5	4,258.4	4,723.7
United States	587.8	1,735.0	1,794.5
Norway	890.5	1,333.6	947.6
Turkey	11.9	247.5	786.2
China	-796.3	-726.4	-640.2
Switzerland	267.1	379.0	358.9
Total	-10,219.2	-7,097.6	-4,711.1

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

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 2004	16,930.6	-3.7	69.8	21,578.1	-7.0	82.5	-4,647.5
Q2 2004	17,961.0	6.1	65.4	26,101.1	21.0	82.1	-8,140.1
Q3 2004	18,735.0	4.3	65.0	24,350.1	-6.7	81.4	-5,615.2
Q4 2004	20,386.4	8.8	69.4	27,065.4	11.2	81.5	-6,679.0
2004 total	74,013.0	16.7	67.3	99,094.7	16.6	81.9	-25,081.7
Q1 2005	21,495.9	5.4	73.1	26,082.3	-3.6	82.2	-4,586.4
Q2 2005	23,611.5	9.8	69.5	29,986.9	15.0	81.8	-6,375.4
Q3 2005	25,340.6	7.3	70.0	31,597.3	5.4	82.1	-6,256.7
Q4 2005	27,814.3	9.8	71.5	34,730.7	9.9	81.5	-6,916.3
2005 total	98,262.3	32.8	71.0	122,397.2	23.5	81.9	-24,134.8
Q1 2006	28,849.3	3.7	77.6	36,064.3	3.8	85.1	-7,214.9
Q2 2006	31,320.9	8.6	73.8	41,026.9	13.8	84.9	-9,706.0
Q3 2006	30,074.4	-4.0	70.1	40,096.3	-2.3	82.7	-10,021.9
Q4 2006	31,186.0	3.7	73.3	41,758.7	4.1	83.4	-10,572.7
2006 total	121,430.6	23.6	73.6	158,946.1	29.9	84.0	-37,515.5
Q1 2007	30,026.9	-3.7	74.7	40,234.8	-3.6	83.8	-10,208.0
Q2 2007	33,089.8	10.2	71.4	44,160.7	9.8	83.8	-11,070.9
Q3 2007	30,148.5	-8.9	68.6	40,896.9	-7.4	81.5	-10,748.4
Q4 2007	33,099.2	9.8	72.0	43,093.7	5.4	82.1	-9,994.5
2007 total	126,364.4	4.1	71.6	168,386.1	5.9	82.8	-42,021.7
Q1 2008	31,645.0	-4.4	72.8	39,382.4	-8.6	82.9	-7,737.4
Q2 2008	35,237.9	11.4	71.7	42,738.7	8.5	82.9	-7,500.8
Q3 2008	35,188.7	-0.1	69.7	42,619.8	-0.3	81.1	-7,431.1

According to the preliminary **foreign trade statistics**³, goods exports totalled 34.1 billion and imports (c.i.f.) 44.5 billion kroons (see Figure 3). The foreign trade deficit stood at 10.4 billion kroons, having decreased by 2.8 billion kroons year-on-year. The large difference between the goods account of the balance of payments and the official foreign trade deficit arises, among other things, from an exceptional specification on the row of goods exports in the balance of payments. This was related to the 800 million kroons worth of fuel exports, which had been declared in imports for inward processing but was not recorded in exports.

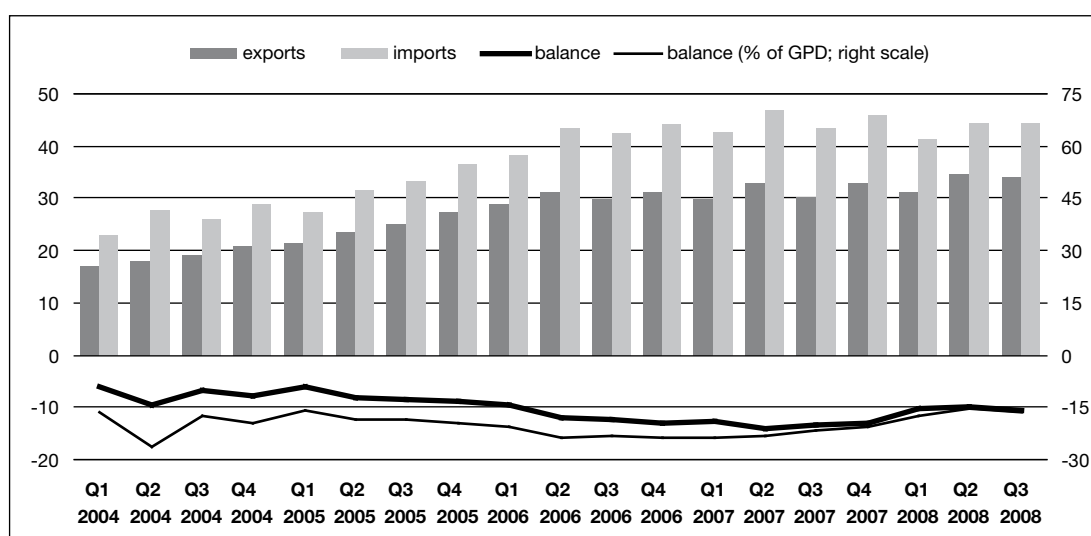


Figure 3. Estonia's foreign trade balance (EEK bn)

The largest group in **goods exports** was machinery and equipment with 21% (see Table 4). Their exports increased 15% year-on-year and included mainly electrical and electronic products (mobile communication devices, cables, electric motors) sent to Sweden, Finland and Russia.

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
Food	2,534.9	2,891.4	2,997.0	8.4	8.4	8.8	3.7	18.2
Mineral products	2,849.9	3,956.9	3,882.9	9.5	11.5	11.4	-1.9	36.2
Chemical products	2,543.0	2,953.7	3,219.1	8.5	8.5	9.4	9.0	26.6
Clothing, footwear and headgear	1,912.5	1,783.1	1,863.6	6.4	5.2	5.5	4.5	-2.6
Timber, paper and products	4,041.1	4,090.7	3,772.5	13.5	11.8	11.1	-7.8	-6.6
Metals and metal products	3,357.1	4,637.9	4,676.9	11.2	13.4	13.7	0.8	39.3
Machinery and equipment	6,311.6	7,434.9	7,267.9	21.0	21.5	21.3	-2.2	15.2
Transport vehicles	2,795.7	2,654.0	2,414.7	9.3	7.7	7.1	-9.0	-13.6
Furniture, toys and sporting goods	2,355.8	2,547.9	2,304.7	7.8	7.4	6.8	-9.5	-2.2
Other	1,319.4	1,598.3	1,689.0	4.4	4.6	5.0	5.7	28.0
Total	30,021.0	34,548.8	34,088.4	100.0	100.0	100.0	-1.3	13.5

³ The following analysis does not include the adjustments made to the goods account (repair of capital goods, provisions purchased from abroad, etc.) made by the Balance of Payments and Economic Statistics Department of Eesti Pank. Imports are in c.i.f. prices and analysed by the trading country.

As of the moment of accession, the terms "exports" and "imports" are only applicable in reference to trading with third countries, while the intrastat reporting system uses the terms "dispatch of goods" and "arrival of goods". Since the following analysis covers both intra-Community and non-Community trade, the terms "exports" and "imports" have still been used for the sake of simplicity and clarity.

The exports of metals and metal products witnessed robust growth of nearly 40%. Scrap and waste metals were exported to Turkey, galvanised steel products to Poland, Russia, Lithuania and Latvia, and iron constructions to Finland and Denmark. A third of the re-exports of mineral products, particularly motor fuels, was sent to the United States; other primary countries of destination were Finland and Latvia. The exports of electricity increased 60% year-on-year and were also channelled to Finland and Latvia.

The exports of timber and timber products declined 7%. One reason for that was the decreased imports of raw timber from Russia. Wooden construction components were exported to Sweden, Denmark, Finland and Japan; prefabricated wooden buildings to Norway and Germany; wooden furniture mainly to Finland; unprocessed or little processed timber to Finland, Sweden and the United Kingdom, and mechanical pulp to France, India and Germany.

The exports of chemical products increased 27% and mostly consisted of construction and repair materials (putties, mastics, paints and varnishes), nitrogen fertilizers, carbonic acids and plastic products sold to Russia, Latvia, Lithuania, Sweden and Finland. The exports of food picked up considerably, growing 18%. Spirits (previously imported from the United Kingdom and France) were exported to Russia; milk and dairy products (cheese, curds, cream) to Finland, Russia, Latvia, Italy and Germany; cooking oil to Latvia and Lithuania, and fish products to the neighbouring Finland, Sweden, Latvia and Lithuania as well as to Ukraine, Switzerland and Denmark. Transport vehicles (motor cars and spare parts, trailers and semi-trailers) were delivered to Russia, Latvia, Lithuania, Sweden and Finland. Ready-made men's and women's clothes, footwear and fur were exported to Finland, Latvia, Sweden, Russia and Lithuania.

The **imports of goods** grew only 3% year-on-year (see Table 5). Machinery and equipment are still also the largest import item and were purchased mainly from Finland, Germany and Sweden. Imports included mostly electrical and electronic components but also TV sets, computers, cranes, agricultural vehicles etc. The share of mineral products in imports has grown considerably. Motor fuel comprised 83% of the imports of mineral products and it was purchased from Lithuania, Belarus, Russia and Latvia for processing and re-exports as well as for the internal market. Natural gas was imported from Russia and oil products from Sweden and Lithuania. The imports of chemical goods mainly included hydrocarbons from Russia, used for fuel processing, and medicines from Germany, Latvia and Lithuania.

Table 5. Imports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
Food	4,167.0	4,393.3	5,015.1	9.6	9.9	11.3	14.2	20.4
Mineral products	4,954.9	6,837.0	7,840.1	11.4	15.4	17.6	14.7	58.2
Chemical products	5,045.1	5,676.4	5,483.5	11.7	12.8	12.3	-3.4	8.7
Clothing, footwear and headgear	2,981.0	2,651.1	2,998.3	6.9	6.0	6.7	13.1	0.6
Timber, paper and products	2,436.2	2,147.9	1,909.1	5.6	4.8	4.3	-11.1	-21.6
Metals and metal products	4,881.6	5,019.4	5,240.3	11.3	11.3	11.8	4.4	7.3
Machinery and equipment	9,972.4	9,669.7	9,469.7	23.0	21.7	21.3	-2.1	-5.0
Transport vehicles	5,862.3	5,392.4	3,888.2	13.5	12.1	8.7	-27.9	-33.7
Furniture, toys and sporting goods	1,073.8	997.7	988.5	2.5	2.2	2.2	-0.9	-8.0
Other	1,917.3	1,729.3	1,702.6	4.4	3.9	3.8	-1.5	-11.2
Total	43,291.7	44,514.4	44,535.4	100.0	100.0	100.0	0.0	2.9

The imports of metals and metal products contained various iron and steel products from Germany, Finland, Sweden, Latvia, Poland, Russia and Ukraine. Similar to the exports of food products, spirits were also the largest import item, purchased from the United Kingdom and France. Wine was imported from traditional wine countries (France, Chile, Italy, Spain, Germany) but also from Finland; pork was purchased from Denmark and Finland; coffee and sugar from Finland; pet food from Sweden and Germany; fish and tobacco products from Latvia.

The imports of transport vehicles have decreased by 2 billion kroons compared to the third quarter of 2007. Motor cars and spare parts, trucks, special-purpose motor vehicles and trailers were mostly imported from Germany, Sweden, Finland, Latvia and Poland. Footwear, knitwear and ready-made men's and women's clothes were imported from Latvia, Finland, Germany, China, Italy and Sweden. Timber imports declined 22% owing to decreased deliveries from Russia. Various interior design products (furniture, lamps etc.) were imported from Finland, Poland, Germany, China and Italy; medical equipment from Germany; glass and glass fibre from Finland and Poland.

The **foreign trade deficit** decreased 21% year-on-year and amounted to 10 billion kroons (see Table 6). Mineral products, chemical products and machinery and equipment had the largest deficits on the goods account. Timber and timber products posted a surplus.

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

	Q3 2007	Q2 2008	Q3 2008
Food	-1,632.1	-1,501.9	-2,018.1
Mineral products	-2,105.0	-2,880.0	-3,957.2
Chemical products	-2,502.2	-2,722.7	-2,264.5
Clothing, footwear and headgear	-1,068.5	-868.0	-1,134.7
Timber, paper and products	1,605.0	1,942.8	1,863.4
Metals and metal products	-1,524.4	-381.5	-563.4
Machinery and equipment	-3,660.9	-2,234.9	-2,201.7
Transport vehicles	-3,066.6	-2,738.4	-1,473.4
Furniture, toys and sporting goods	1,281.9	1,550.2	1,316.3
Other	-597.9	-131.1	-13.6
Total	-13,270.7	-9,965.6	-10,447.0

By **groups of countries**, the **exports** of goods to the European Union increased only 5% and thus the share of the EU in exports declined by 5 percentage points (see Table 7). Exports to Finland, Sweden and Germany gained, whereas exports to Latvia and Lithuania shrank. Exports to the CIS increased as much as 44% with exports to Russia growing 51%. That made Russia rank third among Estonia's export partners. Exports to other countries gained 30% with exports to the United States and Norway growing by over 2 times and 2.5 times, respectively. The top three also included Turkey.

The **imports of goods** from EU countries grew only 2% year-on-year (see Table 8). The top five import partners were Finland, Germany, Latvia, Sweden and Lithuania. Imports from the CIS increased 36% with imports from Belarus growing by over three times. The top three among other countries were China, the United States and Norway.

Foreign trade with the EU and the CIS was in deficit, whereas the latter's deficit decreased considerably (see Table 9). Major trade partners with trade surpluses included Sweden and France from among EU countries, Russia from the CIS, and the United States and Turkey from among other countries. Estonia had the biggest trade deficit with Germany, Lithuania and Belarus.

Table 7. Exports of goods by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
EU-27	22,029.5	24,360.8	23,186.5	73.4	70.5	68.0	-4.8	5.3
Finland	5,585.0	6,220.9	6,234.5	18.6	18.0	18.3	0.2	11.6
Sweden	3,944.0	4,885.3	4,507.4	13.1	14.1	13.2	-7.7	14.3
Latvia	3,808.5	3,174.9	3,452.7	12.7	9.2	10.1	8.7	-9.3
Germany	1,976.0	1,972.3	1,929.8	6.6	5.7	5.7	-2.2	-2.3
Lithuania	1,615.9	1,899.1	1,659.9	5.4	5.5	4.9	-12.6	2.7
CIS	3,515.4	4,108.2	5,077.8	11.7	11.9	14.9	23.6	44.4
Russia	2,647.1	3,108.9	3,995.3	8.8	9.0	11.7	28.5	50.9
Ukraine	493.4	571.1	606.3	1.6	1.7	1.8	6.2	22.9
Belarus	165.9	200.3	237.2	0.6	0.6	0.7	18.4	43.0
Other	4,476.1	6,079.8	5,824.1	14.9	17.6	17.1	-4.2	30.1
United States	932.4	2,122.8	1,984.9	3.1	6.1	5.8	-6.5	112.9
Norway	394.2	468.3	999.6	1.3	1.4	2.9	113.5	153.6
Turkey	1,015.3	1,327.2	946.4	3.4	3.8	2.8	-28.7	-6.8
Total	30,021.0	34,548.8	34,088.4	100.0	100.0	100.0	-1.3	13.5

Table 8. Imports of goods by groups of countries*

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
EU-27	35,142.2	36,250.6	35,807.4	81.2	81.4	80.4	-1.2	1.9
Finland	6,771.3	6,639.7	6,311.5	15.6	14.9	14.2	-4.9	-6.8
Germany	5,925.9	6,315.3	6,286.2	13.7	14.2	14.1	-0.5	6.1
Sweden	3,301.8	3,355.9	4,483.3	7.6	7.5	10.1	33.6	35.8
Lithuania	4,514.0	4,629.3	4,205.8	10.4	10.4	9.4	-9.1	-6.8
Latvia	3,573.2	4,498.9	4,018.3	8.3	10.1	9.0	-10.7	12.5
CIS	3,854.8	4,875.5	5,254.3	8.9	11.0	11.8	7.8	36.3
Russia	2,853.2	2,908.2	2,653.2	6.6	6.5	6.0	-8.8	-7.0
Belarus	549.0	1,187.7	1,866.3	1.3	2.7	4.2	57.1	239.9
Ukraine	338.1	489.7	482.2	0.8	1.1	1.1	-1.5	42.6
Other	4,294.7	3,388.3	3,473.7	9.9	7.6	7.8	2.5	-19.1
China	1,032.1	941.1	1,018.3	2.4	2.1	2.3	8.2	-1.3
United States	624.7	502.5	426.3	1.4	1.1	1.0	-15.2	-31.8
Norway	387.3	240.2	297.7	0.9	0.5	0.7	23.9	-23.1
Total	43,291.7	44,514.4	44,535.4	100.0	100.0	100.0	0.0	2.9

* Analysed by trading country.

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

	Q3 2007	Q2 2008	Q3 2008
EU-27	-13,112.7	-11,889.8	-12,620.9
CIS	-339.4	-767.4	-176.4
Other	181.4	2,691.6	2,350.3
Total	-13,270.7	-9,965.6	-10,447.0

Services

The surplus on the services account amounted to 5.4 billion kroons in the third quarter of 2008, having increased 3% quarter-on-quarter and 19% year-on-year (see Table 10).

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 2004	7,334.1	-8.4	30.2	4,588.3	-14.5	17.5	2,745.8	4.3
Q2 2004	9,495.3	29.5	34.6	5,684.2	23.9	17.9	3,811.1	38.8
Q3 2004	10,077.3	6.1	35.0	5,548.9	-2.4	18.6	4,528.4	18.8
Q4 2004	8,981.6	-10.9	30.6	6,149.3	10.8	18.5	2,832.3	-37.5
2004 total	35,888.3	17.0	32.7	21,970.7	14.4	18.1	13,917.6	21.3
Q1 2005	7,892.4	-12.1	26.9	5,659.8	-8.0	17.8	2,232.6	-21.2
Q2 2005	10,344.2	31.1	30.5	6,685.2	18.1	18.2	3,659.0	63.9
Q3 2005	10,884.5	5.2	30.0	6,903.6	3.3	17.9	3,980.9	8.8
Q4 2005	11,107.6	2.0	28.5	7,877.7	14.1	18.5	3,229.9	-18.9
2005 total	40,228.7	12.1	29.0	27,126.3	23.5	18.1	13,102.4	-5.9
Q1 2006	8,316.4	-25.1	22.4	6,338.5	-19.5	14.9	1,977.9	-38.8
Q2 2006	11,109.1	33.6	26.2	7,269.0	14.7	15.1	3,840.1	94.2
Q3 2006	12,813.7	15.3	29.9	8,417.0	15.8	17.3	4,396.7	14.5
Q4 2006	11,358.7	-11.4	26.7	8,289.3	-1.5	16.6	3,069.4	-30.2
2006 total	43,597.9	8.4	26.4	30,313.8	11.8	16.1	13,284.1	1.4
Q1 2007	10,195.0	-10.2	25.3	7,764.7	-6.3	16.2	2,430.3	-20.8
Q2 2007	13,225.8	29.7	28.6	8,552.8	10.1	16.2	4,673.0	92.3
Q3 2007	13,789.5	4.3	31.4	9,258.8	8.3	18.5	4,530.7	-3.0
Q4 2007	12,845.0	-6.8	28.0	9,417.7	1.7	17.9	3,427.3	-24.4
2007 total	50,055.3	14.8	29.4	34,994.0	15.4	18.2	15,061.3	13.4
Q1 2008	11,844.9	-7.8	27.2	8,140.9	-13.6	17.1	3,704.0	8.1
Q2 2008	13,930.8	17.6	28.3	8,785.4	7.9	17.1	5,145.4	38.9
Q3 2008	15,301.2	9.8	30.3	9,924.0	13.0	18.9	5,377.2	4.5

The net exports of services were record high in the third quarter: 8.5% of GDP (see Figure 4). Compared to 2007, growth in net exports was primarily stimulated by the 2.4 times increase in the surplus on business services as well as the 37% growth in the net exports of transport services (see Table 11). The surplus on transport services grew as a result of stronger exports and lower imports.

The services exports amounted to 15.3 billion kroons in the third quarter, increasing 11% year-on-year (see Table 12). Business and transport services made the largest contributions to growth (29% and 10% annual growth, respectively). The exports of construction services increased for the fourth consecutive quarter in an annual comparison.

Services exports to EU countries grew in proportion to total services exports (see Table 13). Exports to other countries was stronger than average. As regards EU partners, exports to Sweden and Germany increased faster than average.

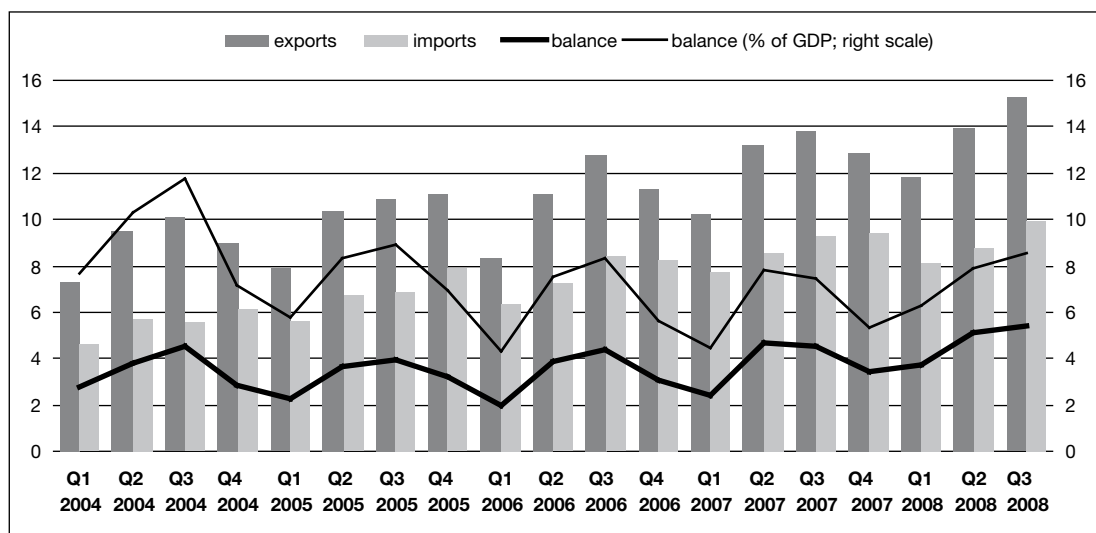


Figure 4. Services account (EEK bn)

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
Transportation	1,498.5	1,790.2	2,050.1	33.1	34.8	38.1	14.5	36.8
Travel services	1,705.2	1,718.6	1,553.3	37.6	33.4	28.9	-9.6	-8.9
Construction services	470.6	530.4	419.2	10.4	10.3	7.8	-21.0	-10.9
Computer and information services	224.8	176.6	92.6	5.0	3.4	1.7	-47.6	-58.8
Business services	483.3	731.5	1,147.5	10.7	14.2	21.3	56.9	137.4
Government services	8.4	30.5	-26.3	0.2	0.6	-0.5	-186.2	-413.1
Other	139.9	167.6	140.8	3.1	3.3	2.6	-16.0	0.6
Total	4,530.7	5,145.4	5,377.2	100.0	100.0	100.0	4.5	18.7

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
Transportation	5,252.6	5,383.6	5,785.7	38.1	38.6	37.8	7.5	10.1
freight	2,656.6	2,576.4	2,662.1	19.3	18.5	17.4	3.3	0.2
passanger	1,363.2	1,259.3	1,546.3	9.9	9.0	10.1	22.8	13.4
other transport services	1,232.8	1,547.9	1,577.3	8.9	11.1	10.3	1.9	27.9
Travel services	4,066.9	3,484.3	4,236.4	29.5	25.0	27.7	21.6	4.2
Construction services	633.8	776.9	746.9	4.6	5.6	4.9	-3.9	17.8
Computer and information services	412.5	418.4	454.8	3.0	3.0	3.0	8.7	10.3
Business services	2,352.2	2,732.1	3,027.0	17.1	19.6	19.8	10.8	28.7
Government services	152.0	134.1	142.4	1.1	1.0	0.9	6.2	-6.3
Other	919.5	1,001.4	908.0	6.7	7.2	5.9	-9.3	-1.3
Total	13,789.5	13,930.8	15,301.2	100.0	100.0	100.0	9.8	11.0

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
EU-27	9,915.5	10,029.4	10,775.6	71.9	72.0	70.4	7.4	8.7
Finland	4,209.0	4,279.2	4,310.3	30.5	30.7	28.2	0.7	2.4
Sweden	1,113.2	1,281.8	1,346.7	8.1	9.2	8.8	5.1	21.0
Germany	640.0	674.4	806.1	4.6	4.8	5.3	19.5	26.0
Latvia	899.1	651.9	788.8	6.5	4.7	5.2	21.0	-12.3
United Kingdom	722.9	755.4	731.3	5.2	5.4	4.8	-3.2	1.2
CIS	1,834.5	1,806.6	2,053.0	13.3	13.0	13.4	13.6	11.9
Russia	1,565.1	1,479.7	1,685.7	11.3	10.6	11.0	13.9	7.7
Ukraine	108.8	178.1	172.6	0.8	1.3	1.1	-3.1	58.6
Other	2,039.5	2,094.8	2,472.6	14.8	15.0	16.2	18.0	21.2
United States	404.8	437.9	526.2	2.9	3.1	3.4	20.2	30.0
offshore regions	502.2	382.8	521.4	3.6	2.7	3.4	36.2	3.8
Switzerland	324.0	482.9	476.9	2.3	3.5	3.1	-1.2	47.2
Total	13,789.5	13,930.8	15,301.2	100.0	100.0	100.0	9.8	11.0

The imports of services totalled 9.9 billion kroons in the third quarter, growing 7% year-on-year (see Table 14). The structure of imports has become more homogeneous: the share of transport services – the largest type of services – has declined, whereas that of travel services has risen. As regards other services, the imports of communication services posted the strongest growth (73%).

The imports of services from EU countries grew only slightly, as imports from Estonia's biggest trading partner Finland declined 6% year-on-year (see Table 15). As regards other major partners, services imports from the United States, Russia and Sweden increased 83%, 17% and 18%, respectively.

The **balance of transport services** comprised 38% of the services account in the third quarter, having grown 37% year-on-year, as the exports of transport services increased and the imports of transport services slightly decreased (see Figure 5 and Tables 11, 12 and 13).

Table 14. Services imports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
Transportation	3,754.1	3,593.4	3,735.6	40.5	40.9	37.6	4.0	-0.5
freight	2,443.8	2,382.5	2,347.5	26.4	27.1	23.7	-1.5	-3.9
passenger	381.2	308.9	534.7	4.1	3.5	5.4	73.1	40.3
other transport services	929.1	902.0	853.4	10.0	10.3	8.6	-5.4	-8.1
Travel	2,361.7	1,765.7	2,683.1	25.5	20.1	27.0	52.0	13.6
Construction services	163.2	246.5	327.7	1.8	2.8	3.3	32.9	100.8
Computer and information services	187.7	290.8	183.1	2.0	3.3	1.8	-37.0	-2.5
Business services	1,868.9	2,000.7	1,879.5	20.2	22.8	18.9	-6.1	0.6
Government services	143.6	103.6	168.7	1.6	1.2	1.7	62.8	17.5
Other	779.6	784.7	946.3	8.4	8.9	9.5	20.6	21.4
Total	9,258.8	8,785.4	9,924.0	100.0	100.0	100.0	13.0	7.2

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
EU-27	7,369.4	6,815.6	7,540.1	79.6	77.6	76.0	10.6	2.3
Finland	1,541.9	1,218.0	1,454.3	16.7	13.9	14.7	19.4	-5.7
Sweden	674.0	744.3	797.0	7.3	8.5	8.0	7.1	18.2
Germany	654.4	780.0	729.1	7.1	8.9	7.3	-6.5	11.4
Latvia	663.5	728.2	707.9	7.2	8.3	7.1	-2.8	6.7
Lithuania	420.2	438.6	505.3	4.5	5.0	5.1	15.2	20.3
CIS	777.9	894.2	932.0	8.4	10.2	9.4	4.2	19.8
Russia	533.6	649.9	624.1	5.8	7.4	6.3	-4.0	17.0
Ukraine	139.8	122.3	139.7	1.5	1.4	1.4	14.2	-0.1
Other	1,111.5	1,075.6	1,451.9	12.0	12.2	14.6	35.0	30.6
United States	254.2	275.9	465.9	2.7	3.1	4.7	68.9	83.3
Norway	138.9	106.1	179.8	1.5	1.2	1.8	69.5	29.4
offshore regions	205.3	106.5	143.6	2.2	1.2	1.4	34.8	-30.1
Total	9,258.8	8,785.4	9,924.0	100.0	100.0	100.0	13.0	7.2

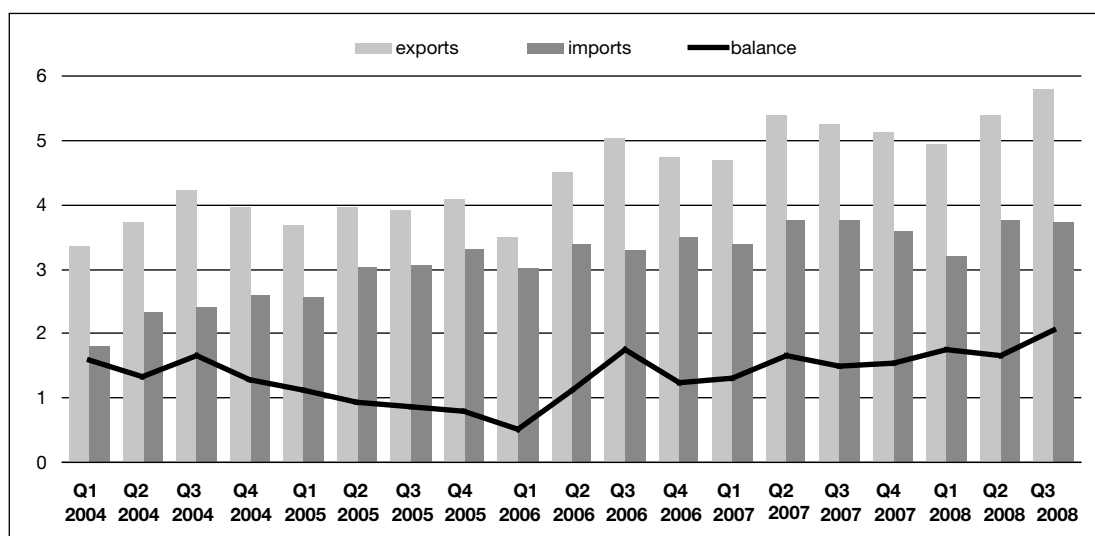


Figure 5. Transport services (EEK bn)

By transport types, maritime transport accounted for the largest share of transport services even though quantities declined on the previous year (see Figure 6). In the case of all other types of services, both the exports and imports increased in the third quarter. In comparison with road transport, the share of rail transport decreased also in the third quarter.

The exports of transport services added 10% year-on-year, mostly owing to passenger transport and other transport services (see Table 12). Freight transport remained at last year's levels. Transport services were mainly provided to EU countries. However, the share of Estonia's largest trading partner Finland in the exports of transport services slightly decreased in the third quarter (see Table 16). Exports to the CIS and other countries gained 11% and 30%, respectively.

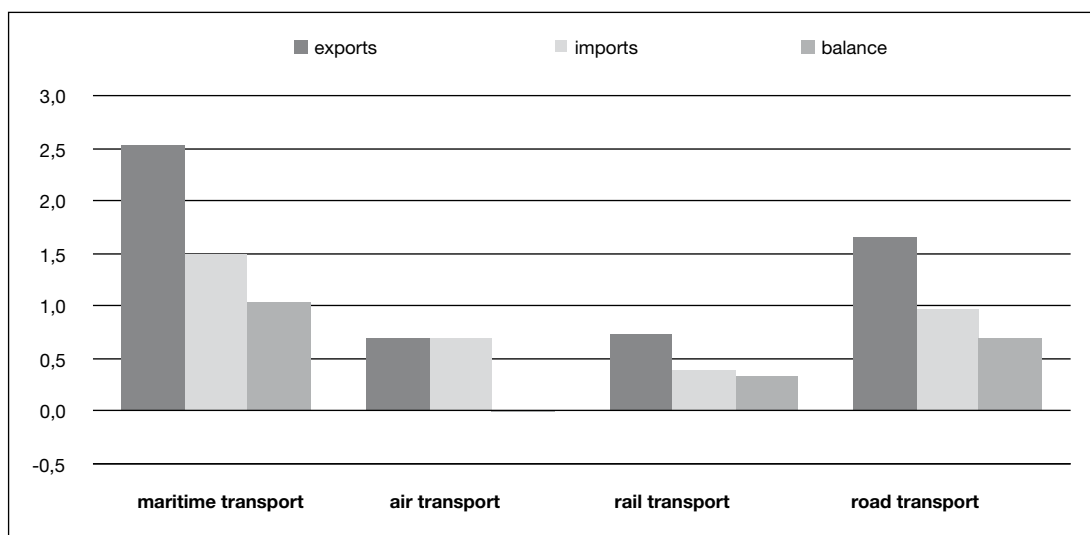


Figure 6. Transport services structure in the third quarter of 2008 by transport type (EEK bn)

Table 16. Transport services by groups of countries in the third quarter of 2008

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q3 2008 / Q3 2007		Volume (EEK m)	Share (%)	Change (%), Q3 2008 / Q3 2007
EU-27	3,837.4	66.3	5.1	EU-27	2,726.7	73.0	-4.4
Finland	1,211.4	20.9	-11.1	Finland	482.6	12.9	-10.0
Sweden	561.5	9.7	20.2	Germany	447.0	12.0	15.9
United Kingdom	394.1	6.8	-12.6	Sweden	327.3	8.8	13.5
Germany	359.2	6.2	38.3	Latvia	260.6	7.0	23.6
Latvia	230.7	4.0	9.2	Lithuania	193.2	5.2	24.0
CIS	812.2	14.0	11.4	CIS	393.2	10.5	22.6
Russia	750.1	13.0	14.0	Russia	265.2	7.1	13.9
Ukraine	39.8	0.7	-9.3	Belarus	76.8	2.1	45.7
Other	1,136.1	19.6	30.1	Other	615.7	16.5	5.8
Switzerland	331.0	5.7	91.0	United States	172.0	4.6	72.0
offshore regions	239.9	4.1	-20.4	offshore regions	127.2	3.4	-32.7
United States	184.2	3.2	39.7	China	109.3	2.9	15.7
Total	5,785.7	100.0	10.1	Total	3,735.6	100.0	-0.5

Total imports of transport services remained at the levels recorded in the third quarter of 2007 (see Table 14). Imports from EU countries, in particular Finland, decreased. This was offset by imports from other countries and the CIS (see Table 16).

Travel services are the best indicator of seasonality, since the number of foreign tourists rises considerably in the third quarter. In 2008 the number of visitors was boosted by Estonia's full accession to the Schengen visa agreement that provides for the free movement of people and was expanded in the second quarter to include also air passengers. The number of non-resident visitors increased 7% in the third quarter, compared to the same period last year. The exports of travel services grew only 4%, even though the number of tourists rose (see Table 17 and Figure 7). The exports of travel services to Sweden and Germany

Table 17. Travel services by groups of countries in the third quarter of 2008

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q3 2008 / Q3 2007		Volume (EEK m)	Share (%)	Change (%), Q3 2008 / Q3 2007
EU-27	3,289.4	77.6	8.0	EU-27	1,855.1	69.1	2.3
Finland	1,811.2	42.8	-0.6	Finland	325.7	12.1	-27.3
Sweden	368.0	8.7	52.3	Greece	196.6	7.3	-7.4
Germany	266.5	6.3	36.9	Italy	167.6	6.2	44.2
Latvia	169.9	4.0	2.2	Latvia	135.4	5.0	-21.2
CIS	546.6	12.9	-20.7	CIS	313.1	11.7	10.1
Russia	500.4	11.8	-21.7	Russia	206.3	7.7	1.7
Other	400.4	9.5	20.1	Other	514.9	19.2	95.0
United States	141.1	3.3	35.2	United States	196.3	7.3	280.8
Norway	108.4	2.6	-4.3	Turkey	110.6	4.1	60.1
Japan	23.5	0.6	6.4	Norway	39.0	1.5	-8.7
Total	4,236.4	100.0	4.2	Total	2,683.1	100.0	13.6

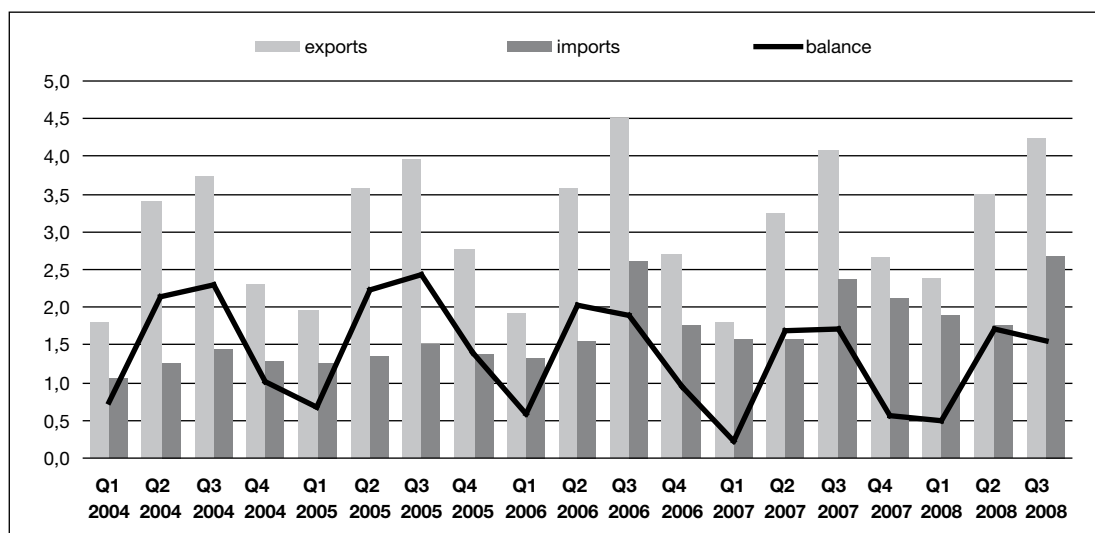


Figure 7. Travel services (EEK bn)

made the largest contribution to growth. The number of visitors from Finland, Estonia's largest trading partner, has declined year-on-year. Estonian travel agencies sold 23% less package travels to non-residents in the third quarter compared to the third quarter of 2007.

The imports of travel services grew 14% owing to Estonia's accession to the Schengen agreement. Although travel agencies sold 5% less package travels in the third quarter, the number of passengers and length of trips increased 10% and 14%, respectively. The number of trips to the United States posted strongest growth (6.2 times). The most popular destinations included also Spain (2.1 times growth), Italy (44%) and Turkey (60%). The number of trips to Bulgaria doubled year-on-year, making it a new popular destination. Trips to Finland continued to decrease.

Income

The net outflow of income decreased by nearly a third year-on-year and totalled 3.3 billion kroons in absolute terms (see Table 18). As a ratio to GDP, the deficit stood at 5.2%. Net outflow decreased primarily owing to a decrease in investment income, particularly direct investment income – losses increased, profits decreased and dividends on foreign investment were drawn (see Table 19). The income account deficit was still largely shaped by reinvested earnings, which include no actual movement of funds. Excluding reinvested earnings, the deficit on the income account turned into a nearly 1 billion

Table 18. Income

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)	Volume (EEK m)	Change compared to the previous period (%)
Q1 2004	649.6	-4.2	-2,601.9	27.7	-1,952.3	43.7
Q2 2004	1,238.9	19.7	-3,010.5	18.8	-1,771.6	18.1
Q3 2004	1,912.1	63.0	-3,081.2	-6.8	-1,169.1	-45.2
Q4 2004	1,686.4	141.6	-4,758.0	61.5	-3,071.6	36.7
2004 total	5,487.0	6.3	-13,451.6	23.5	-7,964.6	34.3
Q1 2005	1,590.3	-5.7	-3,768.3	-20.8	-2,178.1	-29.1
Q2 2005	2,597.8	63.4	-4,235.6	12.4	-1,637.7	-24.8
Q3 2005	2,757.7	6.2	-4,649.6	9.8	-1,891.9	15.5
Q4 2005	2,279.7	-17.3	-3,696.5	-20.5	-1,416.7	-25.1
2005 total	9,225.6	68.1	-16,349.9	21.5	-7,124.4	-10.5
Q1 2006	2,692.1	18.1	-5,241.3	41.8	-2,549.2	79.9
Q2 2006	3,516.1	30.6	-6,301.7	20.2	-2,785.6	9.3
Q3 2006	3,779.3	7.5	-6,251.4	-0.8	-2,472.1	-11.3
Q4 2006	3,564.0	-5.7	-6,525.3	4.4	-2,961.3	19.8
2006 total	13,551.5	46.9	-24,319.8	48.7	-10,768.2	51.1
Q1 2007	3,542.7	-0.6	-8,649.1	32.5	-5,106.4	72.4
Q2 2007	4,416.1	24.7	-8,168.6	-5.6	-3,752.6	-26.5
Q3 2007	4,816.2	9.1	-9,427.0	15.4	-4,610.8	22.9
Q4 2007	4,513.7	-6.3	-9,032.6	-4.2	-4,519.0	-2.0
2007 total	17,288.6	27.6	-35,277.3	45.1	-17,988.8	67.1
Q1 2008	4,136.7	-8.4	-9,213.9	2.0	-5,077.2	12.4
Q2 2008	4,241.0	2.5	-9,777.0	6.1	-5,536.0	9.0
Q3 2008	5,159.5	21.7	-8,472.5	-13.3	-3,313.0	-40.2

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
Labour income	831.3	-6,159.7	603.3	-18.0	111.3	-18.2	-109.8	-27.4
Investment income	-5,442.1	-6,159.7	-3,916.4	118.0	111.3	118.2	-36.4	-28.0
Income on direct investment	-5,114.9	-4,889.5	-2,673.0	110.9	88.3	80.7	-45.3	-47.7
income on equity	-4,819.2	-4,785.3	-2,457.8	104.5	86.4	74.2	-48.6	-49.0
reinvested earnings	-4,565.5	-4,482.7	-4,268.3	99.0	81.0	128.8	-4.8	-6.5
dividends	-253.7	-302.5	1,810.4	5.5	5.5	-54.6	-698.5	-813.6
income on debt (interests)	-295.8	-104.2	-215.1	6.4	1.9	6.5	106.4	-27.3
Income on portfolio investment	483.3	194.7	395.6	-10.5	-3.5	-11.9	103.2	-18.1
Income on other investment	-810.5	-1,465.0	-1,639.1	17.6	26.5	49.5	11.9	102.2
Total	-4,610.8	-5,536.0	-3,313.1	100.0	100.0	100.0	-40.2	-28.1

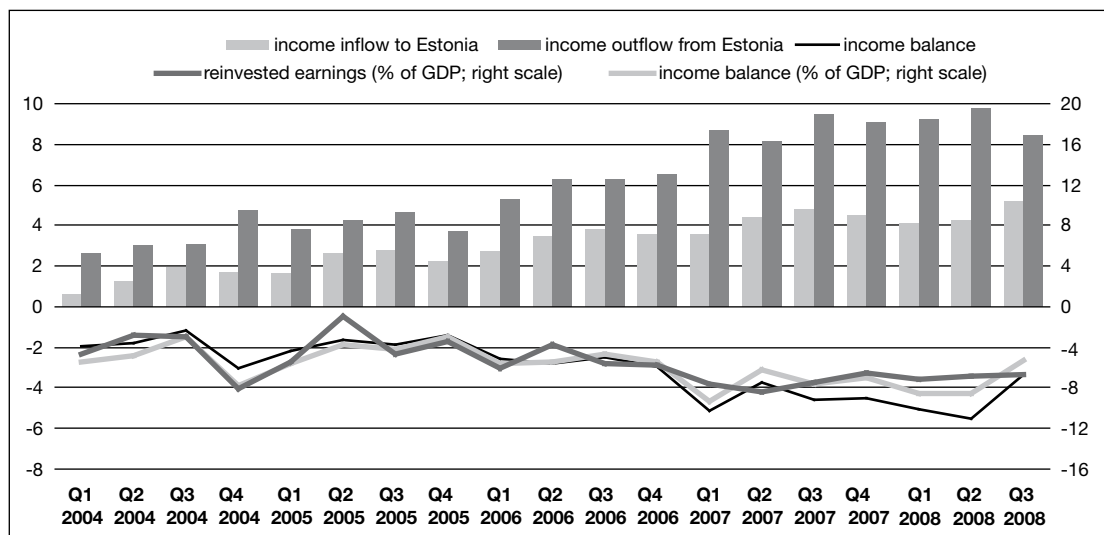


Figure 8. Income account (EEK bn)

kroon surplus (1.5% of GDP; see Figure 8). The net outflow of other investment (loans and deposits) increased by two times year-on-year. Labour income recorded net inflow, which decreased over 25%⁴.

Income inflow totalled 5.2 billion kroons, having increased 7% year-on-year (see Table 20). 90% of the inflow was related to EU countries, in particular Finland, Latvia and Lithuania (see Table 21). As regards CIS countries, income inflow from Ukraine increased whereas the inflow from Russia decreased. Income from other countries and offshore regions declined significantly. The share of labour income decreased and comprised 20% of total income. Nearly a half of labour income was earned in Finland and to a lesser extent in the United Kingdom, Ireland, Sweden and Latvia. Residents' income on foreign investment, especially direct investment, increased 14%. Reinvested earnings used to comprise the majority of both the residents' and non-residents direct investment income for quite some time. However, similar to the second

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
Labour income	1,101.3	929.3	909.1	22.9	21.9	17.6	-2.2	-17.5
Investment income	3,714.9	3,311.7	4,250.4	77.1	78.1	82.4	28.3	14.4
Income on direct investment	2,288.3	1,778.5	2,717.9	47.5	41.9	52.7	52.8	18.8
income on equity	2,104.7	1,510.1	2,382.2	43.7	35.6	46.2	57.8	13.2
reinvested earnings	2,010.9	-52.2	-664.7	41.8	-1.2	-12.9	1,173.4	-133.1
dividends	93.7	1,562.3	3,046.9	1.9	36.8	59.1	95.0	3,151.8
income on debt (interests)	183.6	268.4	335.7	3.8	6.3	6.5	25.1	82.8
Income on portfolio investment	766.8	815.0	847.8	15.9	19.2	16.4	4.0	10.6
Income on other investment	659.7	718.2	684.7	13.7	16.9	13.3	-4.7	3.8
Total	4,816.2	4,241.0	5,159.5	100.0	100.0	100.0	21.7	7.1

⁴ The decrease in labour income was largely due to the fact that people working abroad for a longer period (more than one year) become residents of the country of employment and their remittances to the country of origin are reflected under current transfers in the balance of payments.

Table 21. Income by groups of countries in the third quarter of 2008

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q3 2008 / Q3 2007		Volume (EEK m)	Share (%)	Change (%), Q3 2008 / Q3 2007
EU-27	4,663.7	90.4	6.1	EU-27	8,007.8	94.5	-8.4
Finland	1,464.1	28.4	33.8	Sweden	4,840.0	57.1	11.2
Latvia	843.1	16.3	-10.9	Finland	1,595.2	18.8	-36.1
Lithuania	824.0	16.0	10.1	Denmark	451.0	5.3	-8.1
United Kingdom	346.7	6.7	-22.2	United Kingdom	402.1	4.7	-18.2
CIS	265.5	5.1	75.7	CIS	199.3	2.4	15.9
Russia	114.1	2.2	-22.6	Russia	151.4	1.8	0.9
Ukraine	109.8	2.1	33287.5	Ukraine	35.7	0.4	71.8
Other	230.3	4.5	-14.6	Other	265.4	3.1	-48.2
United States	74.0	1.4	-41.2	Norway	95.4	1.1	-46.0
offshore regions	23.6	0.5	-55.0	offshore regions	102.0	1.2	32.0
Total	5,159.5	100.0	7.1	Total	8,472.5	100.0	-10.1

quarter, residents drew dividends on foreign direct investment also in the third quarter (3 billion kroons). 25% of the investment income inflow came from Finland, 20% from Lithuania and somewhat less from Latvia. The investors of financial intermediation⁵ earned 54% and the investors engaged in other business activities earned 27% of the investment income.

Although **income outflow** decreased 10%, it was still large and amounted to 8.5 billion kroons (see Table 22). 95% of the income earned in Estonia belonged to EU investors, in particular to Swedish and Finnish residents (see Table 21). Labour income constituted slightly less than 4% of non-residents' income earned in Estonia, the rest being investment income. Direct investment income comprised two thirds and other investment income a third of the investment income outflow. Income on direct investment in Estonia decreased over 25%, whereas income on other investment (loans issued) increased 60% year-on-year. Similar to residents, also non-residents drew dividends (1.2 billion kroons) for the second consecutive quarter. Mostly Swedish and Finnish investors earned on investment in Estonia (59% and 18%, respectively); investors from Denmark, the United Kingdom and Cyprus earned somewhat less. Approximately 70% of the investment income was earned on financial intermediation, 12% on manufacturing and 10% on wholesale and retail trade. Figure 9 shows the inflow and outflow of investment income by fields of activity.

Table 22. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2008 / Q2 2008	Q3 2008 / Q3 2007
Labour income	270.0	305.5	305.8	2.9	3.1	3.6	0.1	13.3
Investment income	9,157.0	9,471.5	8,166.8	97.1	96.9	96.4	-13.8	-10.8
Income on direct investment	7,403.2	6,668.0	5,390.9	78.5	68.2	63.6	-19.2	-27.2
income on equity	6,923.8	6,295.4	4,840.0	73.4	64.4	57.1	-23.1	-30.1
reinvested earnings	6,576.4	4,430.5	3,603.5	69.8	45.3	42.5	-18.7	-45.2
dividends	347.4	1,864.9	1,236.5	3.7	19.1	14.6	-33.7	255.9
income on debt (interests)	479.3	372.6	550.8	5.1	3.8	6.5	47.8	14.9
Income on portfolio investment	283.6	620.3	452.1	3.0	6.3	5.3	-27.1	59.4
Income on other investment	1,470.2	2,183.2	2,323.8	15.6	22.3	27.4	6.4	58.1
Total	9,427.0	9,777.0	8,472.5	100.0	100.0	100.0	-13.3	-10.1

⁵ Excluding insurance and pensions funds.

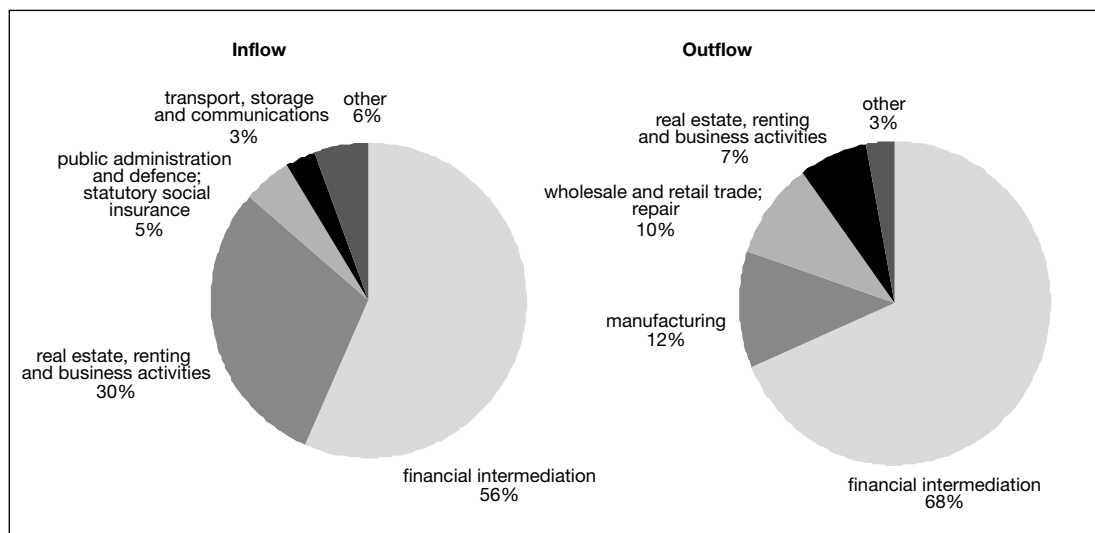


Figure 9. Inflow and outflow of income by fields of activity in the third quarter of 2008

Current and capital transfers⁶

The surplus on the current transfers account totalled 0.7 billion kroons in the third quarter of 2008, having increased 8% year-on-year (see Table 23).

The inflow of **current transfers** amounted to 1.7 billion kroons. Government transfers comprised 45% 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 totalled 1.1 billion kroons. 15% of that accounted for external aid from the European Commission and 17% for transfers by migrants employed abroad. The outflow of current transfers was 1.1 billion kroons. Government transfers constituted 51% of

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

	Incoming			Outgoing			Balance		
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008
Current transfers	2,037.7	1,892.6	1,718.9	1,428.4	1,098.9	1,063.0	609.3	793.7	655.9
government transfers	695.8	916.3	646.7	805.6	618.6	544.6	-109.8	297.7	102.1
EU-27	618.4	769.9	474.0	782.5	605.1	531.9	-164.1	164.8	-57.9
CIS	17.5	16.0	15.9	1.4	2.1	4.2	16.2	13.9	11.7
other	59.9	130.4	156.8	21.7	11.4	8.5	38.2	119.0	148.3
private transfers	1,341.9	976.3	1,072.2	622.8	480.4	518.4	719.1	496.0	553.8
EU-27	1,095.7	767.3	771.0	506.4	384.5	388.8	589.3	382.7	382.2
CIS	146.8	110.6	180.7	26.9	49.6	50.2	119.9	61.0	130.5
other	99.4	98.5	120.4	89.5	46.2	79.4	10.0	52.3	41.1
Capital transfers	740.9	890.1	550.1	163.8	16.0	21.7	577.1	874.1	528.4
government transfers	537.1	579.3	367.8	0.2	0.2	0.2	536.8	579.1	367.6
private transfers	203.8	310.8	182.3	163.6	15.8	21.5	40.3	295.0	160.9

⁶ 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).

that, the rest being transfers of other sectors. 87% of government transfers were compulsory payments into the EU budget. The rest were mostly refunds of VAT and some also external aid provided by Estonia. 23% of other sectors' transfers went to Finland, followed by Germany, the United Kingdom, Russia, Switzerland, Latvia and Sweden.

Capital transfers posted a surplus of 0.5 billion kroons, which was 8% lower compared to the surplus for the third quarter of 2007. Capital transfers into Estonia mainly comprised EU subsidies to the general government as well as to other sectors for various infrastructure objects.

FINANCIAL ACCOUNT

The financial account posted a rather modest surplus of 3.2 billion kroons. Net capital inflow consisted of direct and other investment, whereas net outflow included mostly portfolio investment and financial derivatives. Figures 10 and 11 show the structure of the financial account by categories and maturities.

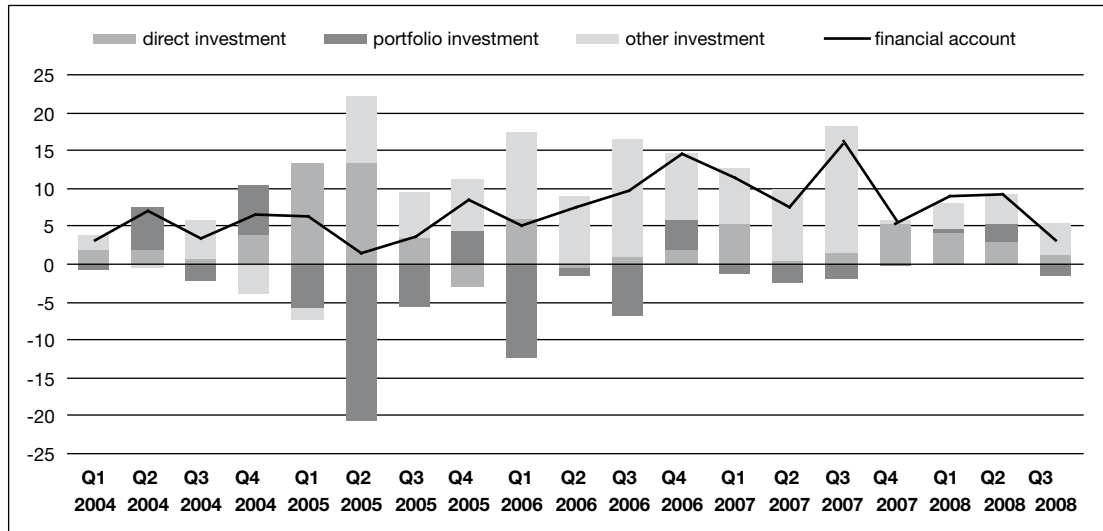


Figure 10. Changes in the structure of foreign investment capital flows (EEK bn)

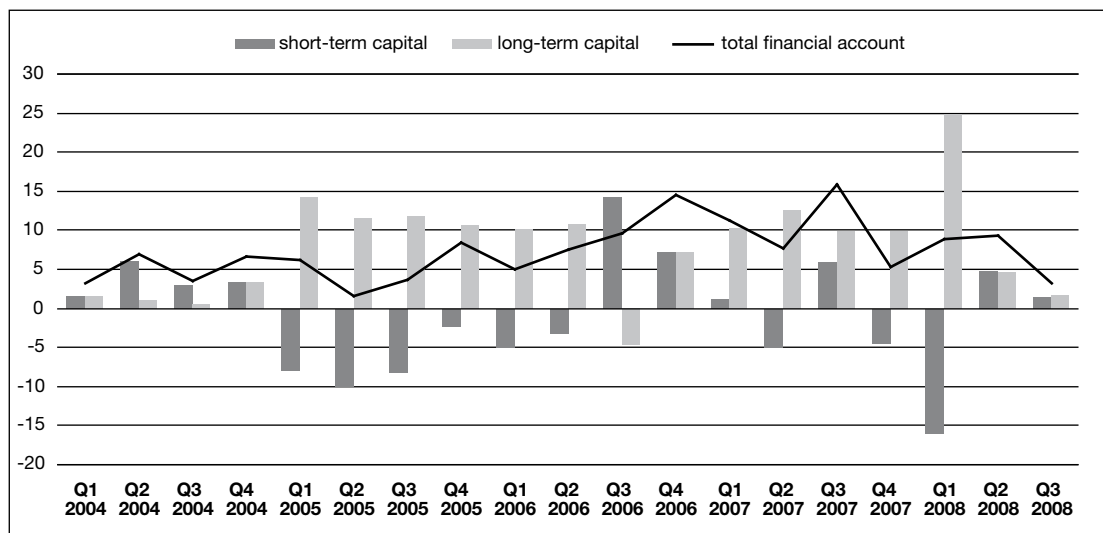


Figure 11. Maturity structure of the financial account (EEK bn)

Direct investment

The surplus on direct investment totalled 1.2 billion kroons in the third quarter of 2008, accounting for less than 25% of the financial account surplus. Non-residents invested 4.3 billion kroons in Estonia and Estonian residents' direct investment abroad grew by 3 billion kroons (see Figure 12).

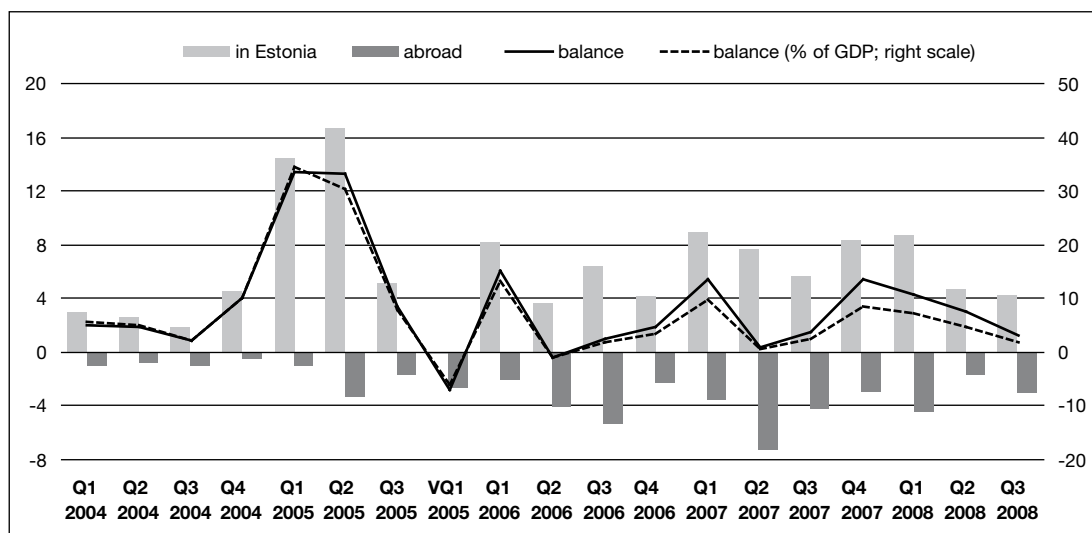


Figure 12. Direct investment (EEK bn)

Direct investment in Estonia remained almost unchanged quarter-on-quarter but decreased 25% year-on-year. Reinvested earnings accounted for 84% of total direct investment. The financial sector contributed over 75% (2.8 billion kroons) to total reinvested earnings. Over 0.25 billion kroons were reinvested in the production of chemicals and chemical products and in wholesale and retail trade. As regards other business activities, reinvested earnings were negative owing to the dividends drawn. Direct investment in equity capital brought 0.2 billion kroons to Estonia. The largest investment (0.4 billion kroons in total) were made in the field of hotels and restaurants. In wholesale and retail trade, non-residents decreased equity capital by 0.5 billion kroons. The intercompany debt liabilities of direct investment companies grew by 0.8 billion kroons from the second quarter. Intercompany debt claims channelled 0.5 billion kroons out of Estonia (see Tables 24 and 25).

75% of direct investment inflow came from Sweden. Norway ranked second with 2.3 billion kroons but most of that – as well as the 2.2 billion kroon outflow to Denmark – was related to the refinancing of an intercompany loan. This is also why the European Union is no longer the biggest investor among groups of countries (other countries are instead). As the Estonian banking sector is almost fully foreign-owned, the majority of foreign direct investment (in recent periods primarily reinvested earnings) has been channelled to the financial sector. The third quarter of 2008 was no exception: 56% of total direct investment went to financial institutions. Hotels and restaurants received 26% and other business activities 14% of the investment (see Figures 13 and 14 and Table 26).

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 2004	1,075.1	35.8	1,728.9	57.5	-682.1	-22.7	884.3	29.4	3,006.1	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	79.9	733.4	16.1	-1,017.0	-22.3	4,557.5	100.0
2004 total	4,638.6	38.5	7,982.1	66.2	-1,454.0	-12.1	894.2	7.4	12,060.9	100.0
Q1 2005	12,634.1	87.8	2,442.1	17.0	-875.4	-6.1	194.5	1.4	14,395.3	100.0
Q2 2005	15,099.2	90.7	826.7	5.0	-450.3	-2.7	1,176.6	7.1	16,652.3	100.0
Q3 2005	315.0	6.1	3,368.8	65.8	-679.5	-13.3	2,119.0	41.4	5,123.4	100.0
Q4 2005	-68.8	45.9	2,248.2	-1,501.3	-8.9	5.9	-2,320.3	1,549.4	-149.8	100.0
2005 total	27,979.5	77.7	8,885.8	24.7	-2,014.0	-5.6	1,169.9	3.2	36,021.2	100.0
Q1 2006	1,146.6	14.0	3,663.1	44.6	-430.6	-5.2	3,832.7	46.7	8,211.9	100.0
Q2 2006	291.8	8.1	3,064.9	85.0	-877.5	-24.3	1,127.5	31.3	3,606.7	100.0
Q3 2006	821.7	12.9	4,384.0	68.7	-680.4	-10.7	1,860.4	29.1	6,385.7	100.0
Q4 2006	-18.7	-0.4	4,535.9	108.1	-2,475.4	-59.0	2,155.3	51.4	4,197.2	100.0
2006 total	2,241.5	10.0	15,648.0	69.9	-4,463.9	-19.9	8,975.9	40.1	22,401.5	100.0
Q1 2007	486.5	5.4	5,243.3	58.3	-409.7	-4.6	3,676.5	40.9	8,996.6	100.0
Q2 2007	2,652.0	34.6	3,581.0	46.7	-1,689.2	-22.1	3,116.5	40.7	7,660.3	100.0
Q3 2007	-19.9	-0.3	6,576.4	115.2	-2,117.1	-37.1	1,267.4	22.2	5,706.9	100.0
Q4 2007	1,128.1	13.5	5,703.5	68.4	-2,172.7	-26.1	3,679.3	44.1	8,338.2	100.0
2007 total	4,246.7	13.8	21,104.3	68.7	-6,388.8	-20.8	11,739.8	38.2	30,702.1	100.0
Q1 2008	1,571.0	18.1	5,606.7	64.6	-1,086.6	-12.5	2,592.8	29.9	8,683.8	100.0
Q2 2008	474.1	10.2	4,430.5	95.6	-1,720.5	-37.1	1,452.3	31.3	4,636.5	100.0
Q3 2008	179.0	4.2	3,603.5	84.3	-384.7	-9.0	876.2	20.5	4,274.1	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
Q1 2004	120.6	76.7	480.1	148.1	842.8	718.4	575.5	320.6
Q2 2004	189.2	105.7	528.8	220.4	1,160.0	1,004.9	670.3	289.3
Q3 2004	72.8	37.4	342.2	293.3	1,285.2	1,401.2	949.5	723.9
Q4 2004	110.1	151.3	422.9	200.3	1,313.5	1,757.7	829.2	863.4
2004 total	492.7	371.2	1,774.1	862.1	4,601.5	4,882.2	3,024.5	2,197.2
Q1 2005	315.7	162.5	431.5	213.4	1,620.1	2,118.0	1,404.3	914.8
Q2 2005	213.3	115.9	373.2	306.4	1,174.3	1,111.9	1,294.0	1,079.1
Q3 2005	336.1	81.0	688.3	340.1	2,854.9	1,160.5	1,362.4	1,158.7
Q4 2005	409.1	143.0	797.5	553.5	2,239.7	2,581.7	950.6	1,422.9
2005 total	1,274.3	502.5	2,290.6	1,413.4	7,889.0	6,972.1	5,011.4	4,575.5
Q1 2006	410.2	85.1	690.9	674.5	5,445.0	967.8	432.9	906.1
Q2 2006	473.5	93.1	653.4	601.4	2,204.5	1,610.9	714.0	842.1
Q3 2006	317.4	62.4	709.7	458.2	3,346.8	1,482.8	1,159.8	1,021.7
Q4 2006	919.5	368.7	1,669.8	855.2	2,320.7	2,078.4	1,812.2	623.6
2006 total	2,120.5	609.3	3,723.7	2,589.2	13,317.0	6,139.9	4,119.0	3,393.4
Q1 2007	753.1	231.4	1,024.9	1,348.3	6,412.2	2,849.1	1,201.4	925.8
Q2 2007	670.3	279.3	2,737.7	787.3	4,408.2	1,389.8	1,580.9	1,773.8
Q3 2007	1,253.4	470.6	1,614.9	421.3	2,359.5	1,867.8	3,630.0	2,565.0
Q4 2007	1,107.2	249.8	2,546.1	1,333.2	4,850.9	3,035.4	1,726.3	1,103.9
2007 total	3,783.9	1,231.2	7,923.7	3,890.1	18,030.7	9,142.0	8,138.6	6,368.5
Q1 2008	767.3	354.8	1,404.4	1,152.6	3,757.0	2,044.9	1,868.4	1,012.0
Q2 2008	1,738.8	102.5	2,427.6	2,893.7	1,994.6	2,370.3	2,056.6	1,447.7
Q3 2008	664.0	1,222.1	2,412.6	1,312.6	4,121.1	4,633.6	3,037.2	1,686.0

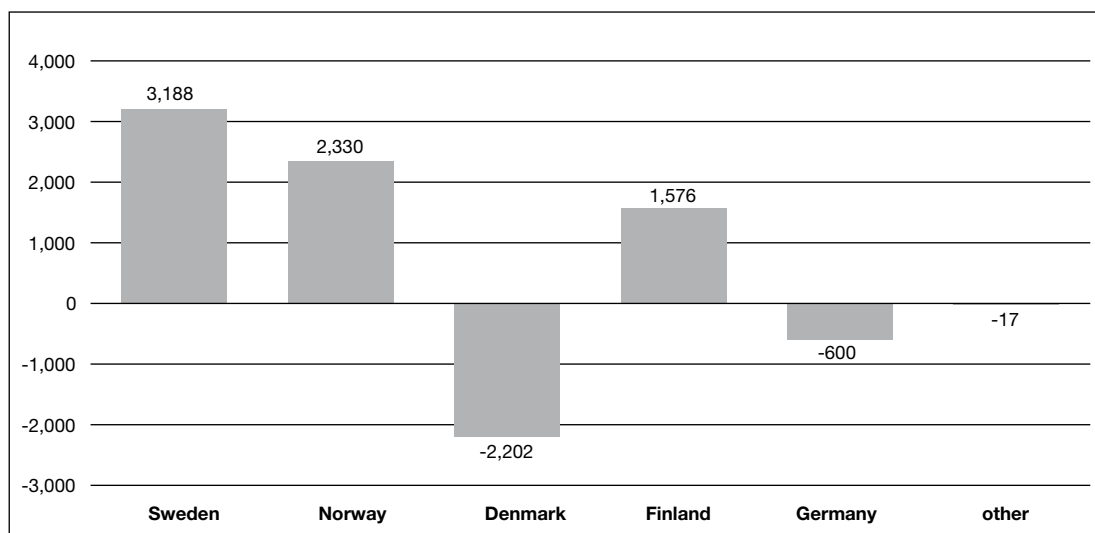


Figure 13. Direct investment in Estonia by countries in the third quarter of 2008 (EEK m)

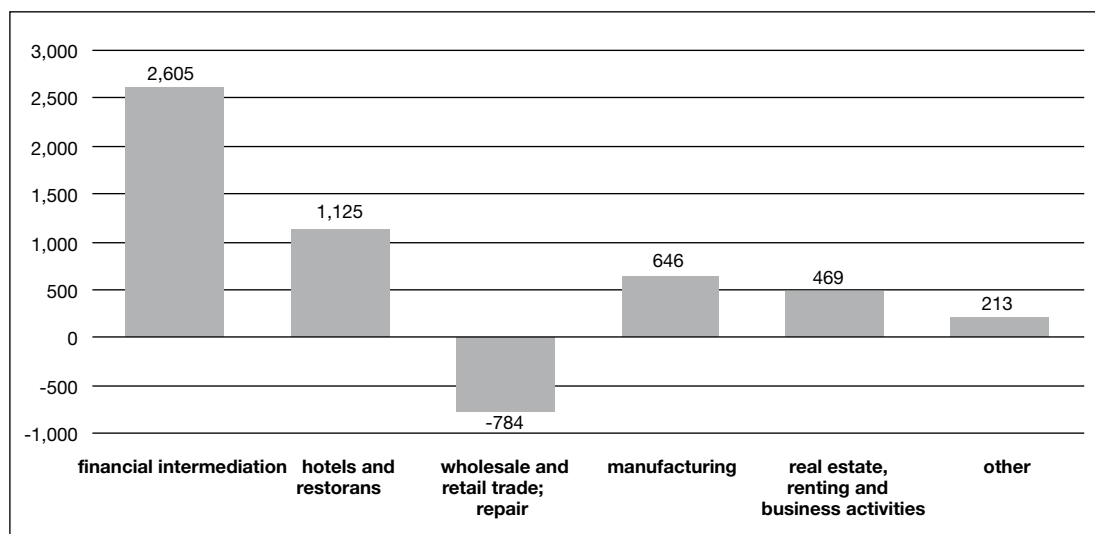


Figure 14. Direct investment in Estonia by fields of activities in the third quarter of 2008 (EEK m)

Table 26. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q2 2008	Q3 2008	Q2 2008	Q3 2008	Q3 2008 / Q2 2008
EU-27	4,096.5	1,631.5	88.4	38.2	-60.2
CIS	-78.5	112.1	-1.7	2.6	-242.9
Other	618.4	2,530.4	13.3	59.2	309.2
Total	4,636.5	4,274.1	100.0	100.0	-7.8

Direct investment abroad increased by almost two times quarter-on-quarter, but remained 25% lower year-on-year. Equity capital investment constituted nearly 15% of the investment outflow; retained proprietary income was negative for the second consecutive quarter because of the drawing of dividends. The assets of other direct investment capital increased, whereas the liabilities decreased. In sum, 3.2 billion kroons of capital was channelled out of Estonia. The majority of the outflow contained the assets and liabilities of trade credit. The loan liabilities of subsidiaries and affiliated companies increased by 0.4 billion kroons on the previous quarter, most of them being long-term liabilities. The loan liabilities of Estonian investors to foreign subsidiaries and affiliated companies decreased by 0.3 billion kroons. The largest investment went to financial institutions (see Tables 27 and 28).

Direct investment in Lithuania, Latvia and Finland increased in the third quarter: by 1.1, 0.8 and 0.6 billion kroons, respectively. Direct investment in Russia shrank by 0.4 billion kroons, which constitutes 12% of the total net direct investment. The investors of financial intermediation, other business activities and wholesale and retail trade made the largest investment (55%, 40% and 12%, respectively). The foreign direct investment of maritime transport companies decreased by 0.3 billion kroons. The majority (94%) of direct investment outflow remained in the European Union (see Figures 15 and 16, and Table 29).

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 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	77.5	-408.8	12.3	-457.8	13.8	118.9	-3.6	-3,318.2	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	59.3	-2,694.6	31.0	-1,141.6	13.1	292.0	-3.4	-8,699.5	100.0
Q1 2006	-366.6	17.6	-891.7	42.7	-855.7	41.0	27.6	-1.3	-2,086.5	100.0
Q2 2006	-2,071.9	51.2	-1,149.6	28.4	-1,059.4	26.2	238.1	-5.9	-4,042.9	100.0
Q3 2006	-2,897.8	54.0	-1,441.2	26.8	-1,404.2	26.1	373.0	-6.9	-5,370.2	100.0
Q4 2006	-558.7	24.0	-1,362.4	58.6	-524.9	22.6	121.6	-5.2	-2,324.5	100.0
2006 total	-5,895.1	42.6	-4,845.1	35.0	-3,844.3	27.8	760.3	-5.5	-13,824.1	100.0
Q1 2007	-1,277.4	35.3	-1,133.1	31.3	-1,368.9	37.8	159.7	-4.4	-3,619.8	100.0
Q2 2007	-6,747.7	93.0	1,402.1	-19.3	-1,667.9	23.0	-238.4	3.3	-7,251.9	100.0
Q3 2007	-930.9	22.2	-2,010.9	48.0	-2,456.3	58.6	1,206.7	-28.8	-4,191.4	100.0
Q4 2007	-1,378.3	46.4	-1,510.2	50.8	-433.7	14.6	352.2	-11.9	-2,970.0	100.0
2007 total	-10,334.3	57.3	-3,252.2	18.0	-5,926.8	32.9	1,480.3	-8.2	-18,033.0	100.0
Q1 2008	-838.2	18.8	-1,340.4	30.1	-2,679.9	60.1	401.3	-9.0	-4,457.1	100.0
Q2 2008	-735.8	45.4	52.2	-3.2	42.1	-2.6	-979.4	60.4	-1,621.0	100.0
Q3 2008	-472.2	15.5	664.7	-21.8	-2,758.5	90.6	-477.7	15.7	-3,043.7	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
Q1 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	91.0	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	934.8	1,232.5	952.4	368.9	17.9	61.2	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	767.9	500.6	329.0	482.7	78.8	20.4	2.1	0.4
Q2 2006	864.1	269.5	340.9	523.4	0.6	51.4	2.9	0.4
Q3 2006	2,432.4	527.6	294.5	267.1	20.3	20.5	9.4	4.0
Q4 2006	1,331.5	1,074.8	598.9	352.9	18.9	20.3	132.6	15.7
2006 total	5,395.8	2,372.4	1,563.4	1,626.1	118.6	112.7	147.0	20.5
Q1 2007	1,052.9	146.9	267.6	287.0	13.9	24.5	59.6	30.0
Q2 2007	1,464.5	954.2	605.8	235.3	2.8	56.6	163.5	8.6
Q3 2007	3,092.8	304.9	566.7	531.7	11.5	19.3	1,048.0	30.9
Q4 2007	838.2	631.4	619.3	364.0	72.2	14.1	399.3	39.9
2007 total	6,448.4	2,037.4	2,059.3	1,418.0	100.4	114.6	1,670.4	109.3
Q1 2008	2,643.0	790.4	486.4	446.8	141.2	49.5	205.4	308.5
Q2 2008	868.5	1,788.2	558.7	284.0	28.4	76.8	54.7	409.4
Q3 2008	1,023.3	610.1	524.0	490.4	25.0	32.9	119.3	417.2

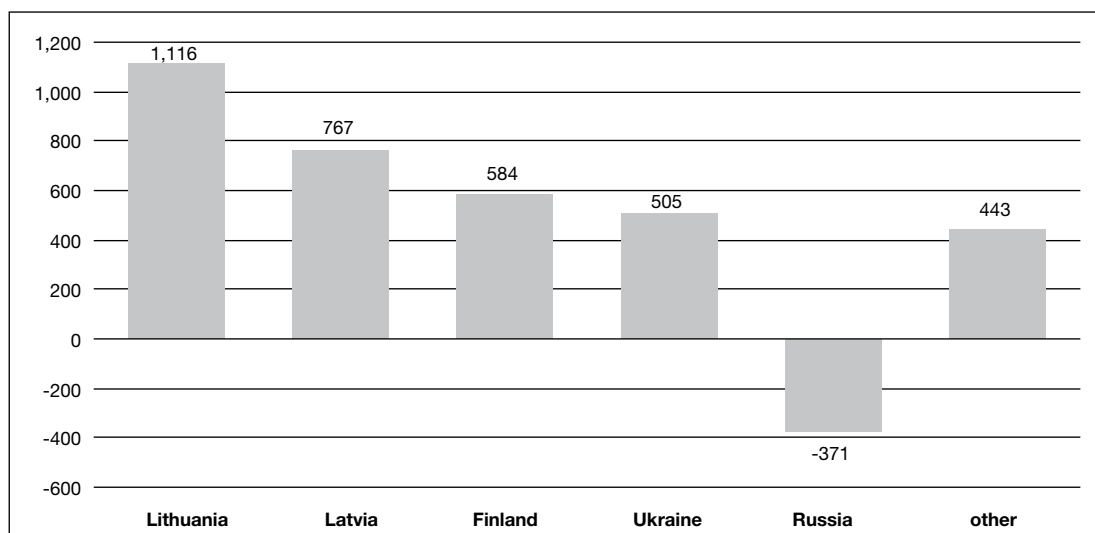


Figure 15. Direct investment abroad by countries in the third quarter of 2008 (EEK m)

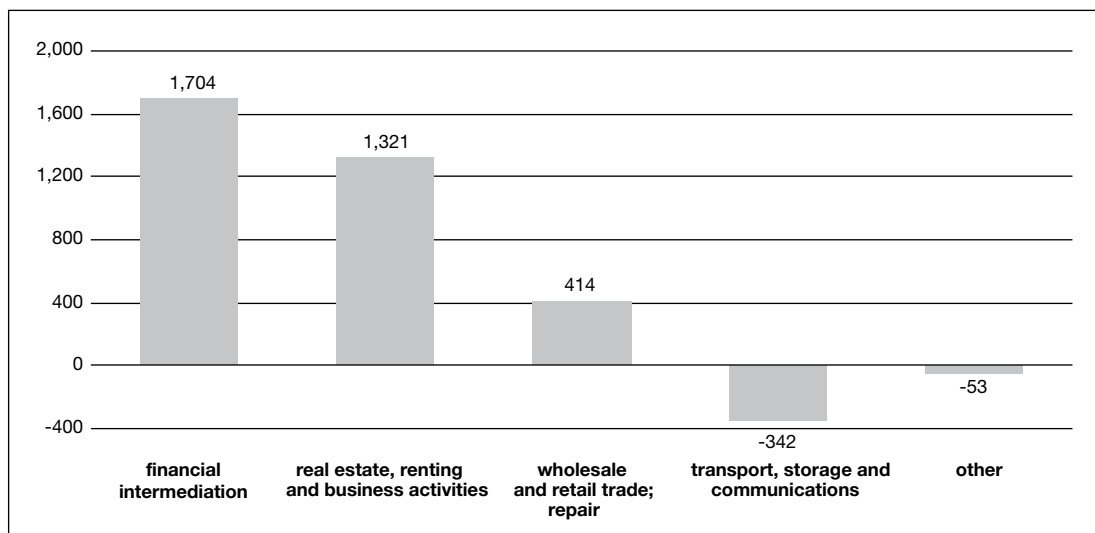


Figure 16. Direct investment abroad by fields of activity in the third quarter of 2008 (EEK m)

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q2 2008	Q3 2008	Q2 2008	Q3 2008	Q3 2008 / Q2 2008
EU-27	-2,728.3	-2,857.4	168.3	93.9	4.7
CIS	1,299.8	-169.8	-80.2	5.6	-113.1
Other	-192.4	-16.4	11.9	0.5	-91.5
Total	-1,621.0	-3,043.7	100.0	100.0	87.8

Portfolio investment

The net outflow of portfolio investment was 1.6 billion kroons in the third quarter of 2008. This resulted mainly from an increase in equity and debt security investment made by the general government, and a decrease in the equity security investment liabilities of enterprises in other sectors. At the same time, enterprises in other sectors increased their debt security investment (see Figure 17 and Table 30).

Portfolio investment liabilities declined by 360 million kroons in the third quarter (see Table 31). Debt security liabilities decreased the most – by 472 million kroons in total. The decline in equity security liabilities can be fully attributed to enterprises in other sectors. Debt security liabilities grew by 112 million kroons. The liabilities related to money market instruments constituted 15 million and debt security liabilities 97 million kroons of that. The general government increased its debt security liabilities by 135 million kroons, whereas credit institutions decreased their debt security liabilities by 90 million kroons. By countries, portfolio investment liabilities to the Netherlands, Cyprus, the United Kingdom, the United States and Denmark shrank the most (see Figure 8 and Table 32).

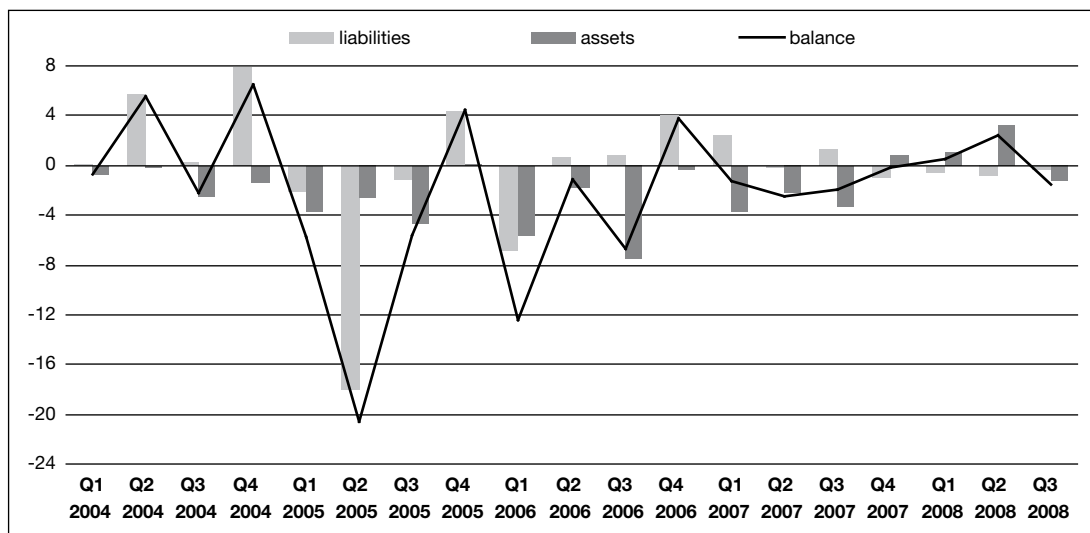


Figure 17. Portfolio investment (EEK bn)

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

	Assets			Liabilities			Balance		
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008
Equity securities	-2,439.0	944.4	-145.7	811.6	-236.7	-471.7	-1,627.4	707.7	-617.4
central bank									
general government	-172.6	220.0	-287.2				-172.6	220.0	-287.2
credit institutions	82.5	40.3	-1.2		-18.4	0.0	82.5	21.9	-1.2
other sectors	-2,349.1	684.2	142.6	811.6	-218.3	-471.7	-1,537.5	465.9	-329.1
Debt securities	-918.6	2,341.1	-1,056.3	566.7	-624.1	112.0	-351.9	1,717.0	-944.3
central bank									
general government	-3,254.5	1,895.8	-896.7	165.9	-47.4	135.0	-3,088.6	1,848.4	-761.7
credit institutions	1,813.9	1,252.5	35.9	11.4	-219.7	-86.5	1,825.3	1,032.8	-50.6
other sectors	522.0	-807.3	-195.5	389.6	-357.0	63.3	911.6	-1,164.3	-132.2
Total	-3,357.7	3,285.5	-1,202.0	1,378.3	-860.8	-359.8	-1,979.4	2,424.7	-1,561.8

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 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	-8,371.2	46.5	-18,011.2	100.0
Q3 2005	483.6	-45.2	-1,552.4	145.2	-1,068.8	100.0
Q4 2005	2,750.3	63.4	1,588.1	36.6	4,338.4	100.0
2005 total	-16,352.2	96.9	-517.7	3.1	-16,870.0	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	2,890.0	70.2	1,227.0	29.8	4,117.0	100.0
2006 total	3,730.4	-293.4	-5,001.6	393.4	-1,271.3	100.0
Q1 2007	3,162.6	128.9	-708.6	-28.9	2,454.0	100.0
Q2 2007	909.2	-554.1	-1,073.3	654.1	-164.1	100.0
Q3 2007	811.6	58.9	566.7	41.1	1,378.3	100.0
Q4 2007	-1,667.7	176.6	723.3	-76.6	-944.4	100.0
2007 total	3,215.7	118.1	-491.9	-18.1	2,723.8	100.0
Q1 2008	-1,010.5	190.0	478.7	-90.0	-531.9	100.0
Q2 2008	-236.7	27.5	-624.1	72.5	-860.8	100.0
Q3 2008	-471.7	131.1	112.0	-31.1	-359.8	100.0

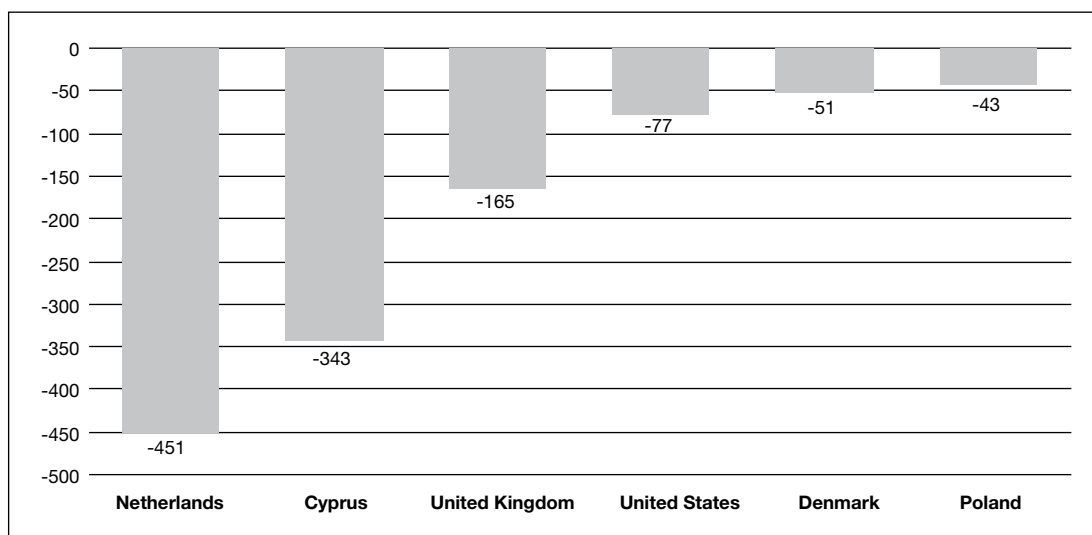


Figure 18. Decrease in portfolio investment liabilities by countries in the third quarter of 2008 (EEK m)

Table 32. Structure of portfolio investment by groups of countries in the third quarter of 2008

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-861.3	-221.2	71.7	61.5
CIS	271.0	-16.9	-22.5	4.7
Other	-611.7	-121.7	50.9	33.8
Total	-1,202.0	-359.8	100.0	100.0

Portfolio investment assets gained 1.2 billion kroons in the third quarter of 2008. Debt security investment comprised 1.1 billion and equity security investment 146 million kroons of that (see Table 33). The increase stemmed from general government's investment in debt and equity securities that grew by 934 and 287 million kroons, respectively. Investment funds invested 129 million kroons in foreign debt securities and 595 million kroons in foreign equity securities. Households' equity security investment decreased by 400 million kroons. By countries, Estonian residents' portfolio investment in Austria, France, the Netherlands, Norway and Ireland increased the most (see Figure 19).

Table 33. Structure of portfolio investment assets

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 2004	-441.6	57.5	-326.2	42.5	-767.7	100.0
Q2 2004	-565.5	307.8	381.7	-207.8	-183.7	100.0
Q3 2004	-544.6	22.3	-1,898.4	77.7	-2,443.1	100.0
Q4 2004	-1,341.8	97.1	-39.4	2.9	-1,381.2	100.0
2004 total	-2,893.5	60.6	-1,882.3	39.4	-4,775.7	100.0
Q1 2005	-1,373.5	37.2	-2,319.0	62.8	-3,692.5	100.0
Q2 2005	-1,243.1	48.3	-1,332.6	51.7	-2,575.7	100.0
Q3 2005	-1,467.8	31.8	-3,141.6	68.2	-4,609.4	100.0
Q4 2005	-764.5	-1,289.2	823.8	1,389.2	59.3	100.0
2005 total	-4,848.9	44.8	-5,969.4	55.2	-10,818.3	100.0
Q1 2006	-1,231.6	22.0	-4,375.5	78.0	-5,607.1	100.0
Q2 2006	-1,057.9	60.9	-679.6	39.1	-1,737.5	100.0
Q3 2006	-670.7	8.9	-6,905.6	91.1	-7,576.2	100.0
Q4 2006	-1,607.6	565.3	1,323.2	-465.3	-284.4	100.0
2006 total	-4,567.8	30.0	-10,637.5	70.0	-15,205.2	100.0
Q1 2007	-2,197.1	59.9	-1,469.6	40.1	-3,666.8	100.0
Q2 2007	-2,831.2	124.1	550.6	-24.1	-2,280.5	100.0
Q3 2007	-2,439.0	72.6	-918.6	27.4	-3,357.7	100.0
Q4 2007	-129.9	-15.8	950.9	115.8	821.0	100.0
2007 total	-7,597.2	89.5	-886.7	10.5	-8,484.0	100.0
Q1 2008	1,323.2	131.6	-318.0	-31.6	1,005.2	100.0
Q2 2008	944.4	28.7	2,341.1	71.3	3,285.5	100.0
Q3 2008	-145.7	12.1	-1,056.3	87.9	-1,202.0	100.0

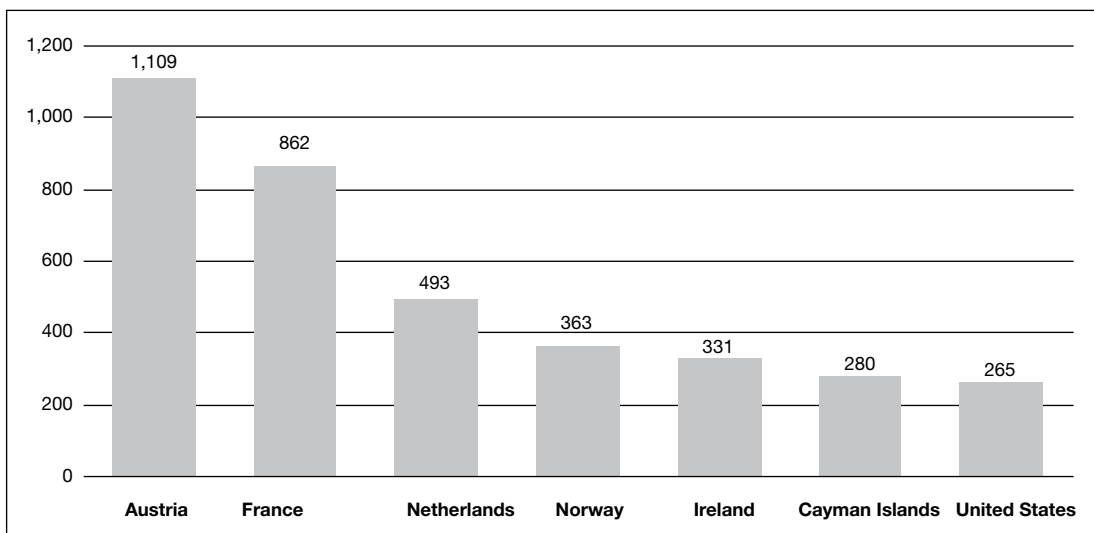


Figure 19. Increase in portfolio investment assets by countries in the third quarter of 2008 (EEK m)

Financial derivatives

The net outflow of financial derivatives was 0.6 billion kroons (see Figure 20). It was mainly credit institutions who invested in derivatives – as much as 233 million kroons. By countries, assets to Sweden, Denmark, Latvia and Germany grew the most. Liabilities shrank by 346 million kroons (credit institutions decreased their liabilities by 224 million and enterprises in other sectors by 117 million kroons). In terms of countries, liabilities to Sweden, Norway, Denmark and Lithuania declined the most.

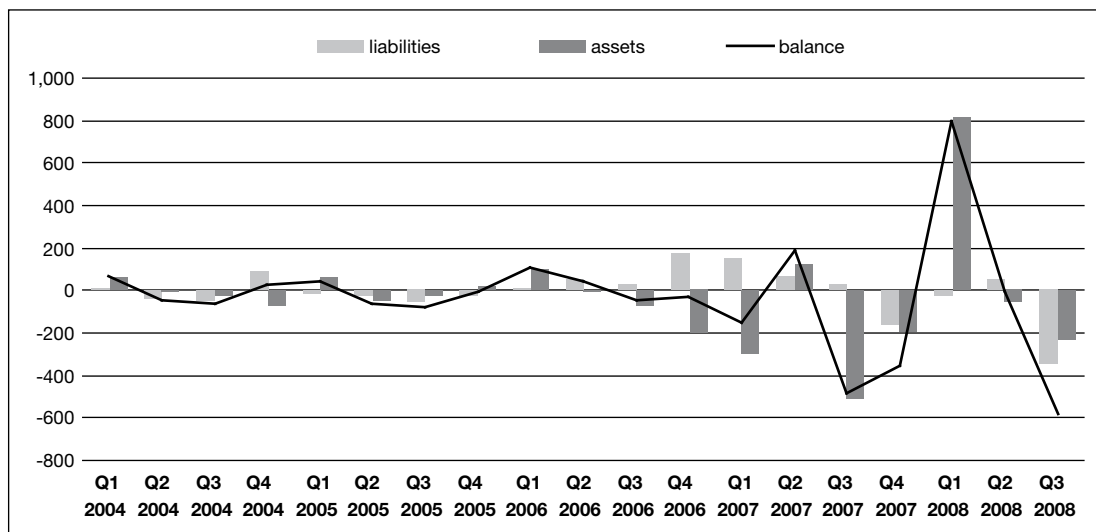


Figure 20. Financial derivatives (EEK m)

Other investment

The net inflow of other investment reached 4.1 billion kroons in the third quarter. This stemmed from an increase in the liabilities in the form of loans of enterprises in other sectors (see Figure 21 and Table 34).

Other investment liabilities grew by the total of 3.4 billion kroons (see Tables 35 and 38). Liabilities in the form of loans increased by 2.2 billion kroons, followed by trade credit and other capital liabilities with 781 and 725 million kroons, respectively. Liabilities in the form of deposits (include deposits as well as interbank lending) decreased by 313 million kroons⁷. Short-term capital liabilities grew as a result of an

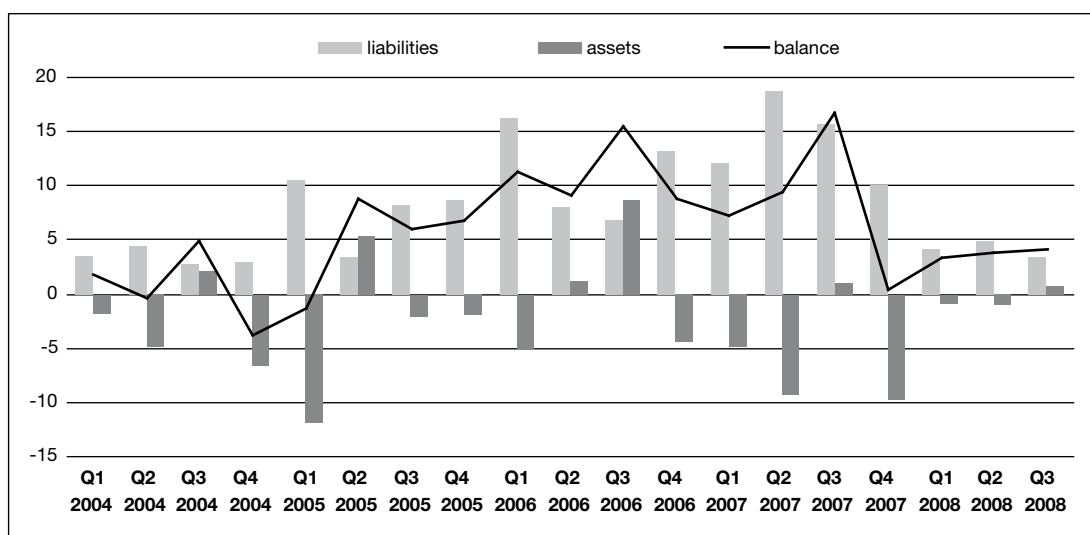


Figure 21. Other investment (EEK bn)

Table 34. Other investment by maturity (EEK m)

	Assets			Liabilities			Balance		
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008
Long-term capital	-250.2	-356.7	-341.6	8,588.6	1,854.2	833.7	8,338.4	1,497.5	492.1
central bank									
general government			-64.3	-201.8	-174.5	-53.7	-201.8	-174.5	-118.0
credit institutions	-195.2	81.5	-137.9	8,070.1	-1.8	-23.0	7,874.9	79.7	-160.9
other sectors	-55.0	-438.2	-139.4	720.3	2,030.5	910.4	665.3	1,592.3	771.0
Short-term capital	1,314.7	-653.8	1,068.6	7,107.5	3,009.0	2,562.1	8,422.2	2,355.2	3,630.7
central bank				739.3	-922.4	159.7	739.3	-922.4	159.7
general government	-7.7	-114.4	-71.0		104.4	-203.4	-7.7	-10.0	-274.4
credit institutions	3,224.3	983.2	-395.0	6,627.1	3,332.7	612.4	9,851.4	4,315.9	217.4
other sectors	-1,901.9	-1,522.6	1,534.6	-258.9	494.3	1,993.4	-2,160.8	-1,028.3	3,528.0
Total	1,064.4	-1,010.4	726.8	15,696.2	4,863.2	3,395.9	16,760.6	3,852.8	4,122.7

⁷ Owing to the adjustments for the second quarter of 2008, interbank loans have been recorded under *Other investment, currency and deposits* (see also *Methodological changes in the compilation of the balance of payments statistics for the third quarter of 2008* on pp 4). The ECB's guideline for euro area countries and recommendation for non-euro area countries provide for the distinction between *loans and currency and deposits* based on the nature of the borrower. This implies that loans granted by banks to non-banks and loans between non-banks are still recorded under loans, whereas interbank loans are recorded under deposits. Long-term liabilities comprise 50.8% and assets 6.5% of the liabilities related to currency and deposits under other investment.

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 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	49.0	1,326.0	12.6	3,444.7	32.6	10,560.4	100.0
Q2 2005	1,103.9	32.2	1,515.1	44.1	2,694.0	78.5	-1,881.0	-54.8	3,432.0	100.0
Q3 2005	753.0	9.3	13,601.0	167.6	-5,790.8	-71.4	-448.3	-5.5	8,114.9	100.0
Q4 2005	-840.6	-9.7	4,385.2	50.4	4,724.1	54.3	424.7	4.9	8,693.5	100.0
2005 total	1,633.4	5.3	24,673.9	80.1	2,953.3	9.6	1,540.1	5.0	30,800.8	100.0
Q1 2006	-416.2	-2.6	9,328.6	57.2	5,605.6	34.4	1,798.4	11.0	16,316.3	100.0
Q2 2006	1,366.4	17.2	2,131.6	26.8	5,183.6	65.1	-718.1	-9.0	7,963.5	100.0
Q3 2006	1,731.9	25.3	383.9	5.6	5,022.7	73.3	-283.1	-4.1	6,855.4	100.0
Q4 2006	503.4	3.8	7,387.1	55.9	5,269.2	39.8	66.5	0.5	13,226.3	100.0
2006 total	3,185.5	7.2	19,231.2	43.4	21,081.1	47.5	863.7	1.9	44,361.5	100.0
Q1 2007	-813.1	-6.7	7,996.3	65.9	4,355.5	35.9	589.0	4.9	12,127.7	100.0
Q2 2007	1,803.7	9.7	15,173.2	81.2	1,359.4	7.3	350.6	1.9	18,686.8	100.0
Q3 2007	-1,026.8	-6.5	9,901.7	63.1	7,805.5	49.7	-984.1	-6.3	15,696.2	100.0
Q4 2007	-247.8	-2.4	4,816.0	47.6	5,355.1	52.9	193.0	1.9	10,116.3	100.0
2007 total	-284.0	-0.5	37,887.2	66.9	18,875.5	33.3	148.5	0.3	56,627.0	100.0
Q1 2008	596.5	14.2	22,301.0	531.0	-18,686.3	-444.9	-11.1	-0.3	4,200.1	100.0
Q2 2008	1,237.9	25.5	212.5	4.4	3,432.9	70.6	-20.2	-0.4	4,863.2	100.0
Q3 2008	780.5	23.0	2,203.6	64.9	-313.1	-9.2	724.8	21.3	3,395.9	100.0

increase in trade credit liabilities, whereas growth in long-term capital liabilities was related to an increase in the loan liabilities of enterprises in other sectors. Other liabilities of credit institutions, recorded as short-term capital, increased by 612 million kroons. Long-term capital liabilities grew as a result of an increase in the loan liabilities of enterprises in other sectors. By countries, other investment liabilities to the British Virgin Islands, the United Kingdom, Russia, Finland and the Cayman Islands increased the most (see Table 36 and Figure 22).

Other investment assets decreased by 727 million kroons in the third quarter of 2008. The decrease resulted from a 4 billion kroon decline in the loan assets of credit institutions and other financial intermediaries (see Table 37). Assets related to deposits increased by 2.5 billion and assets related to trade credit by 958 million kroons. By countries, investment assets to Russia posted the strongest decline, followed by assets to Sweden, Denmark, Belgium and Norway (see Figure 23). Table 38 provides a more detailed overview of loan capital assets and liabilities.

Table 36. Structure of other investment by groups of countries in the third quarter of 2008

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-532.0	-975.5	-73.2	-28.7
CIS	1,993.8	1,123.8	274.3	33.1
Other	-735.0	3,247.6	-101.1	95.6
Total	726.8	3,395.9	100.0	100.0

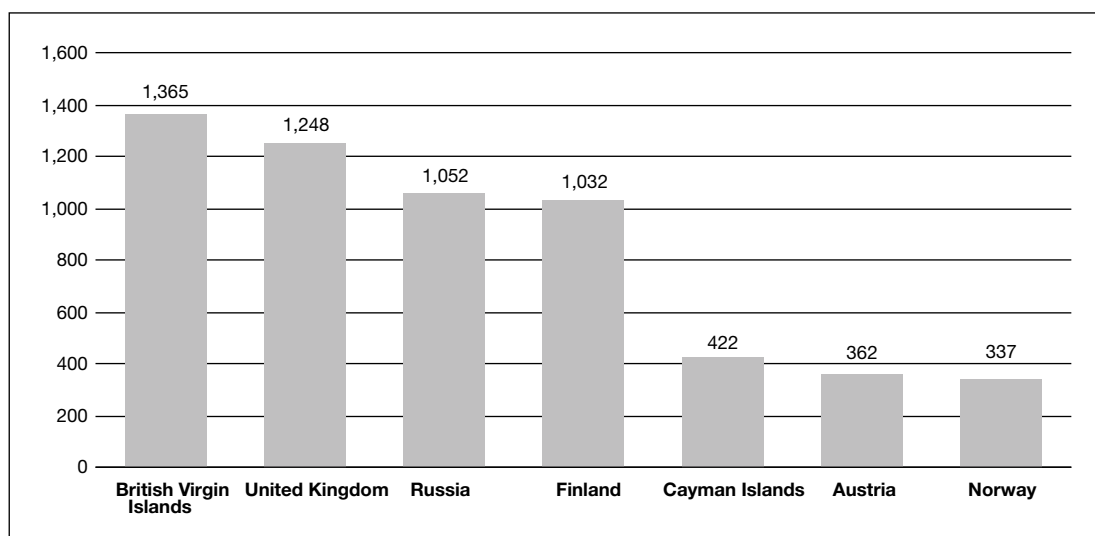


Figure 22. Increase in other investment liabilities by countries in the third quarter of 2008 (EEK m)

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 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	-14.0	-3,418.4	-63.1	5,582.9	103.0	4,013.0	74.0	5,420.1	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	-60.4	9,023.1	-485.9	-12,024.2	647.5	22.7	-1.2	-1,857.0	100.0
2005 total	-1,957.1	18.7	4,148.4	-39.7	-12,332.3	118.0	-313.3	3.0	-10,454.3	100.0
Q1 2006	-369.5	7.3	-2,328.7	46.1	-1,909.8	37.8	-442.4	8.8	-5,050.4	100.0
Q2 2006	-1,894.3	-168.2	1,771.7	157.3	1,272.9	113.0	-23.8	-2.1	1,126.5	100.0
Q3 2006	-322.1	-3.7	-614.5	-7.2	9,491.2	110.5	37.3	0.4	8,591.9	100.0
Q4 2006	-943.0	21.5	-1,324.4	30.2	-2,569.9	58.5	444.7	-10.1	-4,392.7	100.0
2006 total	-3,528.9	-1,281.8	-2,495.9	-906.6	6,284.4	2,282.7	15.8	5.7	275.3	100.0
Q1 2007	-214.8	4.5	-1,136.8	23.6	-3,218.6	66.8	-248.8	5.2	-4,819.0	100.0
Q2 2007	-604.0	6.6	-5,001.2	54.3	-2,183.8	23.7	-1,424.5	15.5	-9,213.6	100.0
Q3 2007	-739.5	-69.5	1,273.0	119.6	-902.9	-84.8	1,433.8	134.7	1,064.4	100.0
Q4 2007	733.1	-7.6	-5,224.9	54.1	-4,810.8	49.9	-346.5	3.6	-9,649.2	100.0
2007 total	-825.2	3.6	-10,089.9	44.6	-11,116.1	49.1	-586.0	2.6	-22,617.4	100.0
Q1 2008	-1,174.3	149.3	-1,054.2	134.0	1,283.5	-163.1	158.2	-20.1	-786.8	100.0
Q2 2008	-1,322.1	130.8	-558.3	55.3	1,458.8	-144.4	-588.8	58.3	-1,010.4	100.0
Q3 2008	-958.2	-131.8	3,961.9	545.1	-2,454.9	-337.8	177.9	24.5	726.8	100.0

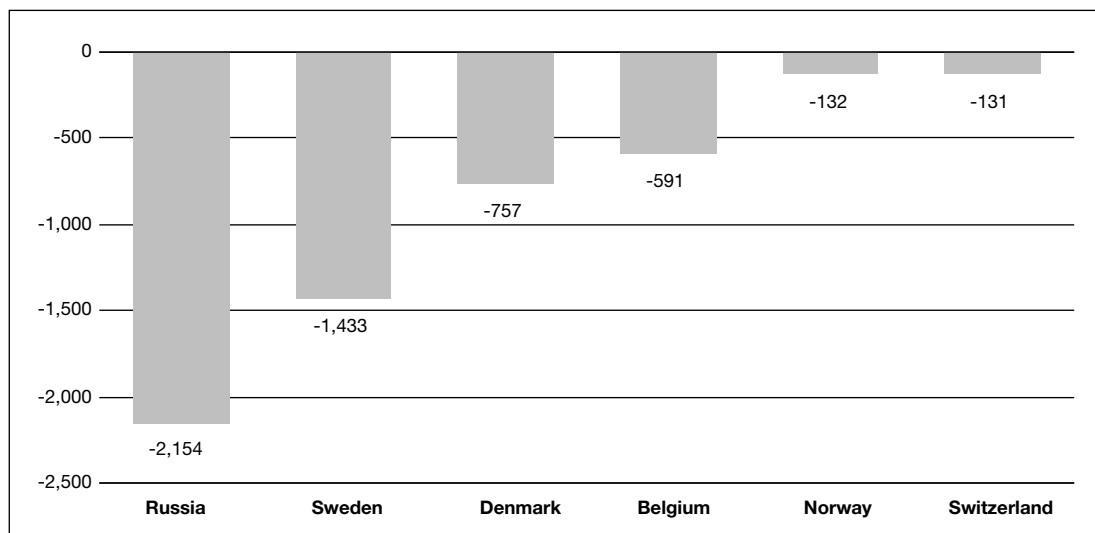


Figure 23. Decrease in other investment assets by countries in the third quarter of 2008 (EEK m)

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

	Assets			Liabilities		
	Grantings	Repayments	Balance	Drawings	Repayments	Balance
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	-4,097.5	3,483.0	-614.5	41,859.0	-41,475.0	383.9
Q4 2006	-42,001.4	40,677.0	-1,324.4	62,259.9	-54,872.8	7,387.1
2006 total	-75,976.5	73,480.7	-2,495.9	182,867.5	-163,636.2	19,231.2
Q1 2007	-53,466.9	52,330.2	-1,136.8	72,446.2	-64,449.9	7,996.3
Q2 2007	-90,414.2	85,413.0	-5,001.2	96,775.0	-81,601.8	15,173.2
Q3 2007	-116,748.6	118,021.6	1,273.0	109,856.4	-99,954.7	9,901.7
Q4 2007	-135,848.4	130,623.5	-5,224.9	84,583.5	-79,767.5	4,816.0
2007 total	-396,478.1	386,388.3	-10,089.9	363,661.1	-325,773.9	37,887.2
Q1 2008	-112,339.3	111,285.1	-1,054.2	125,290.4	-102,989.4	22,301.0
Q2 2008	-12,551.1	11,992.9	-558.3	29,496.8	-29,284.2	212.5
Q3 2008	-9,593.6	13,555.6	3,961.9	20,862.1	-18,658.4	2,203.6

Reserve assets

The balance of payments reserves decreased by 1.9 billion kroons in the third quarter of 2008 (see Table 39). Figure 24 provides an overview of the imports covered by reserve assets.

Table 39. Structure of changes in reserve assets

	Volume (EEK m)			Share (%)		
	Q3 2007	Q2 2008	Q3 2008	Q3 2007	Q2 2008	Q3 2008
Gold				0.0	0.0	0.0
Currency and deposits	-5,676.6	2,934.9	2,124.6	105.2	-78.9	110.2
Securities	280.7	-6,659.5	-1,205.3	-5.2	179.1	-62.5
equity securities				0.0	0.0	0.0
bonds and notes	-1,073.9	-2,759.5	-1,930.4	19.9	74.2	-100.1
money market instruments	1,354.6	-3,900.0	725.1	-25.1	104.9	37.6
Financial derivatives	-1.9	-0.4	0.4	0.0	0.0	0.0
Other assets	-0.4	6.1	1,008.1	0.0	-0.2	52.3
Total	-5,398.3	-3,719.0	1,927.8	100.0	100.0	100.0

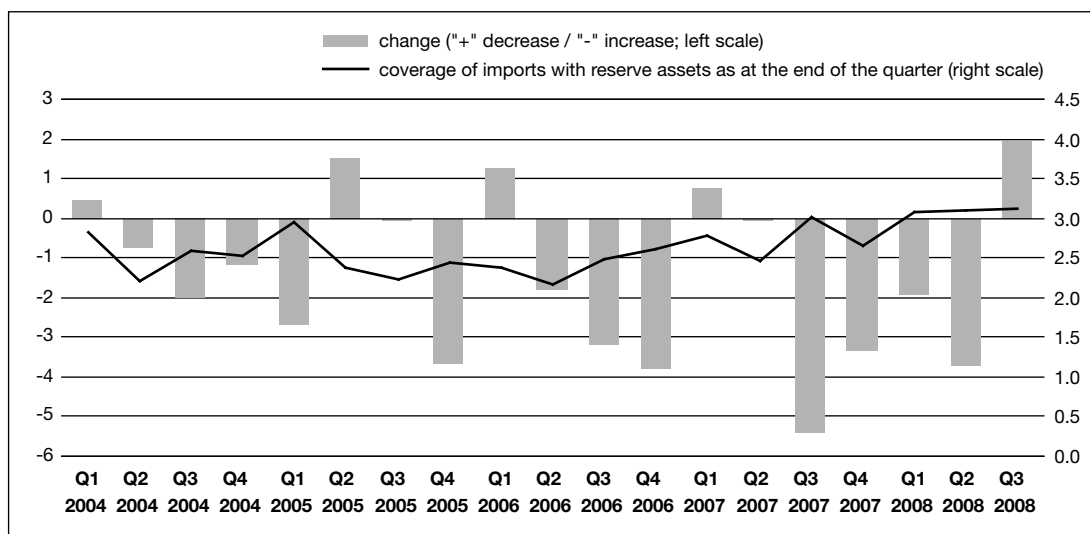


Figure 24. Changes in Estonia's gold and foreign exchange reserves (EEK bn) and coverage of imports of goods without further processing (by months)

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 September 2008

Foreign investment in Estonia increased marginally (0.4%) in the third quarter of 2008 and totalled 442 billion kroons (see Table 40). Nearly 60% thereof was invested in financial intermediation, 14% in real estate, renting and business activities, and somewhat less in wholesale and retail trade, and manufacturing (see Table 41). Most of the investment came from Sweden (36%) and Finland (21%).

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

	30/06/2008	%	30/09/2008	%
EXTERNAL ASSETS	247,326.8	100.0	247,020.6	100.0
Direct investment abroad	70,824.7	28.6	73,978.4	29.9
Equity capital and reinvested earnings	53,978.5	21.8	53,684.0	21.7
Other direct investment capital	16,846.3	6.8	20,294.4	8.2
Portfolio investment	58,636.0	23.7	55,537.9	22.5
Equity securities	23,948.4	9.7	19,692.2	8.0
Debt securities	34,687.5	14.0	35,845.7	14.5
Bonds and notes	23,434.6	9.5	24,530.9	9.9
Money market instruments	11,252.9	4.5	11,314.8	4.6
Financial derivatives	745.8	0.3	972.5	0.4
Other investment	76,669.6	31.0	76,380.0	30.9
Trade credit	17,652.0	7.1	18,624.1	7.5
Loans	19,147.7	7.7	15,432.1	6.2
Long-term	9,802.0	4.0	10,261.6	4.2
Short-term	9,345.8	3.8	5,170.6	2.1
Currency and deposits	36,513.0	14.8	39,408.1	16.0
Other assets	3,356.8	1.4	2,915.6	1.2
Reserve assets	40,450.8	16.4	40,151.8	16.3
EXTERNAL LIABILITIES	440,064.9	100.0	441,895.5	100.0
Direct investment in Estonia	186,238.6	42.3	186,654.5	42.2
Equity capital and reinvested earnings	159,571.4	36.3	159,200.1	36.0
Other direct investment capital	26,667.2	6.1	27,454.4	6.2
Portfolio investment	42,473.4	9.7	38,308.4	8.7
Equity securities	18,833.9	4.3	14,558.6	3.3
Debt securities	23,639.5	5.4	23,749.8	5.4
Bonds and notes	23,547.2	5.4	23,642.8	5.4
Money market instruments	92.2	0.0	107.1	0.0
Financial derivatives	595.7	0.1	241.2	0.1
Other investment	210,757.2	47.9	216,691.4	49.0
Trade credit	15,762.5	3.6	16,573.4	3.8
Loans	44,341.0	10.1	48,050.5	10.9
Long-term	33,268.3	7.6	34,242.9	7.7
Short-term	11,072.7	2.5	13,807.6	3.1
Currency and deposits	144,256.0	32.8	144,974.2	32.8
Other liabilities	6,397.7	1.5	7,093.3	1.6
NET INVESTMENT POSITION	-192,738.1		-194,874.9	
Long-term	-115,178.2		-111,792.9	
Short-term	-77,559.9		-83,082.0	

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

Assets			Liabilities		
Fields of activity					
	30/06/2008	30/09/2008		30/06/2008	30/09/2008
Financial intermediation	60.3	59.2	Financial intermediation	58.2	58.7
Real estate, renting and business activities	11.6	12.2	Real estate, renting and business activities	14.2	13.8
Public administration and defence; statutory social insurance	8.8	9.4	Wholesale and retail trade; repair	8.3	8.3
Wholesale and retail trade; repair	7.4	7.7	Manufacturing	7.5	7.5
Transport, storage and communications	4.9	4.8	Transport, storage and communications	4.8	4.5
Other	6.9	6.6	Other	7.0	7.2
Total	100.0	100.0	Total	100.0	100.0
Countries					
	30/06/2008	30/09/2008		30/06/2008	30/09/2008
Latvia	12.6	13.0	Sweden	37.3	36.4
Germany	11.0	11.4	Finland	20.2	20.7
Lithuania	10.0	10.7	United Kingdom	6.3	6.5
France	4.4	5.7	Denmark	6.7	6.2
United Kingdom	6.8	5.7	Netherlands	3.3	3.0
Other	55.2	53.6	Other	26.1	27.1
Total	100.0	100.0	Total	100.0	100.0

Quarter-on-quarter, the share of portfolio investment in the structure of foreign investment in Estonia decreased, whereas the share of other investment increased to the same extent. Other investment accounted for 49%, direct investment for 42% and portfolio investment for 9% of foreign investment in Estonia. Growth in foreign investment in Estonia was primarily inhibited by a 10% decline in portfolio investment resulting from a fall in market prices. The most preferred fields of activity for **foreign direct investment in Estonia** were financial intermediation (34%), real estate, renting and business activities (27%), manufacturing (15%), and wholesale and retail trade (12%; see Table 42). Nearly 40% of total direct investment in Estonia has been made by Swedish and 25% by Finnish investors. Investors from the Netherlands, Norway and Denmark have invested to a lesser extent.

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

In Estonia			Abroad		
Fields of activity					
	30/06/2008	30/09/2008		30/06/2008	30/09/2008
Financial intermediation	32.7	33.7	Financial intermediation	36.8	37.8
Real estate, renting and business activities	28.1	26.9	Real estate, renting and business activities	35.1	35.2
Manufacturing	14.3	14.6	Transport, storage and communications	12.0	10.9
Wholesale and retail trade; repair	12.6	12.1	Wholesale and retail trade; repair	6.1	6.6
Transport, storage and communications	5.4	5.2	Manufacturing	4.3	3.9
Other	6.8	7.5	Other	5.8	5.6
Total	100.0	100.0	Total	100.0	100.0
Countries					
	30/06/2008	30/09/2008		30/06/2008	30/09/2008
Sweden	38.6	39.0	Latvia	34.1	33.3
Finland	23.6	24.7	Lithuania	27.9	28.0
Netherlands	7.3	6.3	Cyprus	9.6	9.1
Norway	2.6	3.9	Finland	3.8	4.7
Denmark	3.9	2.8	Russia	5.3	4.6
Other	24.0	23.2	Other	19.2	20.2
Total	100.0	100.0	Total	100.0	100.0

Estonian investment abroad remained virtually unchanged from the second quarter and reached 247 billion kroons. Similar to the second quarter, financial intermediaries comprised the largest share (59%) of Estonian investment abroad. Investors in the public sector, real estate, renting and business activities, and wholesale and retail trade invested to a lesser extent (see Table 41). Estonian investors have invested in many different countries, Latvia, Germany, Lithuania, France and the United Kingdom being the most preferred destinations.

Compared to the end of the second quarter of 2008, the share of direct investment in the structure of Estonian investment abroad slightly rose and that of other investment fell, comprising 30% and 31%, respectively. The position of **direct investment abroad** increased 5%. The most active foreign direct investors were those of financial intermediation (38%) and real estate, renting and business activities (35%; see Table 42). The majority (nearly two thirds) of Estonian direct investment abroad has been channelled to the Baltic States, and some also to Cyprus, Finland and Russia. Estonia's direct investment position in Russia decreased further in the third quarter.

Estonia's net investment position was negative by 195 billion kroons at the end of the third quarter of 2008 due to the prevalence of external liabilities. 57% of the net investment position was long-term capital.⁸

Estonia's gross external debt increased 2% quarter-on-quarter and amounted to 294 billion kroons at the end of the third quarter, exceeding the GDP for the last four quarters by 17%. Credit institutions and other sectors made the largest contributions to growth, comprising 55% and 24% of the debt, respectively. The general government debt constituted only 2.5% of the gross debt.⁹ Estonia's net external debt (assets less liabilities) increased 3% and totalled 95 billion kroons (see Figure 25 and Table 43).

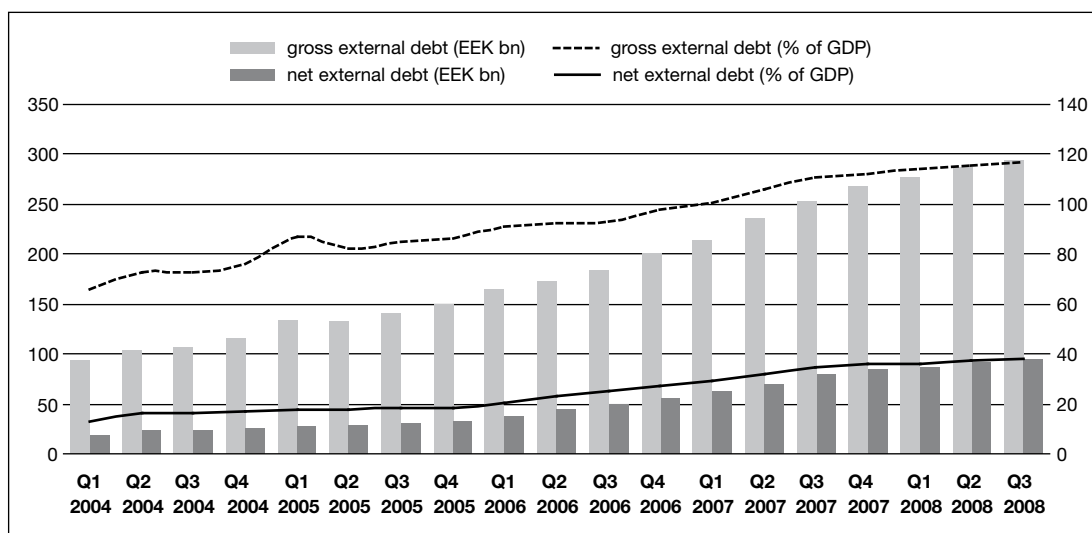


Figure 25. Estonia's gross and net external debt

⁸ Following the recommendations of the European Central Bank, interbank loans are now recorded under *Loans, currency and deposits* (formerly under long- and short-term loans). Loans, currency and deposits are treated as short-term capital, which is why the share of long-term capital in the net investment position has fallen considerably. See also *Methodological changes in the compilation of the balance of payments statistics for the third quarter of 2008* on pp 4.

⁹ The increased share of the general government debt, compared to earlier figures, arises from changes in the methodology. Now also transfers from EU funds are recorded under the general government debt on an accrual basis. See also *Methodological changes in the compilation of the balance of payments statistics for the third quarter of 2008* on pp 4.

Table 43. External debt (EEK m)

	30/06/2008	%	30/09/2008	%
LIABILITIES				
I. General government	7,326.2	2.6	7,204.1	2.5
Short-term	4,062.6	0.0	3,859.2	
Long-term	3,263.6	1.1	3,344.9	1.1
II. Monetary authorities (NCB)	298.5	0.1	1,619.1	0.6
Short-term	265.9	0.1	1,578.1	0.5
Long-term	32.6	0.0	41.1	0.0
III. Credit institutions	160,504.3	55.9	162,042.0	55.1
Short-term	76,238.1	26.5	74,192.6	25.2
Long-term	84,266.2	29.3	87,849.4	29.9
IV. Other sectors	66,267.7	23.1	69,576.0	23.7
Short-term	26,915.2	9.4	29,130.3	9.9
Long-term	39,352.5	13.7	40,445.7	13.8
V. Direct investment: intercompany lending	52,848.7	18.4	53,481.6	18.2
GROSS EXTERNAL DEBT	287,245.4	100.0	293,922.8	100.0
ASSETS				
I. General government	22,031.1	11.3	23,197.9	11.7
Short-term	8,048.3	4.1	8,098.2	4.1
Long-term	13,982.9	7.2	15,099.7	7.6
II. Monetary authorities (NCB)	40,294.2	20.7	40,015.1	20.2
Short-term	25,469.3	13.1	22,387.5	11.3
Long-term	14,824.8	7.6	17,627.6	8.9
III. Credit institutions	41,597.9	21.4	42,577.9	21.4
Short-term	32,444.0	16.7	34,187.7	17.2
Long-term	9,153.9	4.7	8,390.2	4.2
IV. Other sectors	47,710.2	24.5	46,431.7	23.4
Short-term	34,054.2	17.5	32,546.7	16.4
Long-term	13,656.0	7.0	13,885.0	7.0
V. Direct investment: intercompany lending	43,027.7	22.1	46,321.6	23.3
TOTAL ASSETS	194,661.2	100.0	198,544.2	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	14,705.0		15,993.8	
Short-term	3,985.7		4,239.0	
Long-term	10,719.3		11,754.8	
II. Monetary authorities (NCB)	39,995.6		38,395.9	
Short-term	25,203.4		20,809.4	
Long-term	14,792.2		17,586.5	
III. Credit institutions	-118,906.4		-119,464.1	
Short-term	-43,794.1		-40,004.9	
Long-term	-75,112.3		-79,459.1	
IV. Other sectors	-18,557.4		-23,144.3	
Short-term	7,139.0		3,416.4	
Long-term	-25,696.5		-26,560.7	
V. Direct investment: intercompany lending	-9,821.0		-7,160.0	
TOTAL NET EXTERNAL DEBT	-92,584.2		-95,378.7	

The net external debt accounted for approximately 38% of GDP. The gross external debt constituted 67% of total external liabilities. Leaving aside the intercompany lending of direct investment companies, long-term debt liabilities comprised 55% of the gross external debt. Long-term debt claims accounted for 36% of total debt claims.