

Eesti Pank
Bank of Estonia



Estonia's Balance of Payments for the First Quarter of 2009

2009

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SHORT OVERVIEW

- The ongoing global economic crisis and rapid easing in external and domestic demand had a major impact on the current account deficit. The deficit had been decreasing for three consecutive quarters to finally reach a balance in the first quarter of 2009 (see Figure 1 and Table 1)¹.
- The current account balance was primarily supported by a considerable decrease in the deficit on the goods and income accounts.
- The exports of goods and services, direct components of GDP, exceeded their imports and the surplus on goods and services was 1.8% as a ratio of GDP. The exports of goods and services decreased faster than imports.
- The financial account had a net outflow of 2.7 billion kroons, arising primarily from a decrease in the assets and liabilities of other investment capital of credit institutions.
- The gold and foreign exchange reserves decreased by 2.3 billion kroons.

The **goods account** of the balance of payments has improved significantly as a result of the economic decline. The deficit on goods shrank to 2.6 billion kroons (5% of GDP) in the first quarter of 2009: down from nearly 8 billion kroons in the first and 7 billion kroons in the fourth quarter of 2008. The decrease in trade deficit can largely be attributed to the goods groups of transport vehicles and machinery and equipment. Goods exports shrank 25% year-on-year and totalled 23.7 billion kroons in the first quarter; imports declined 34% and amounted to 26.3 billion kroons.

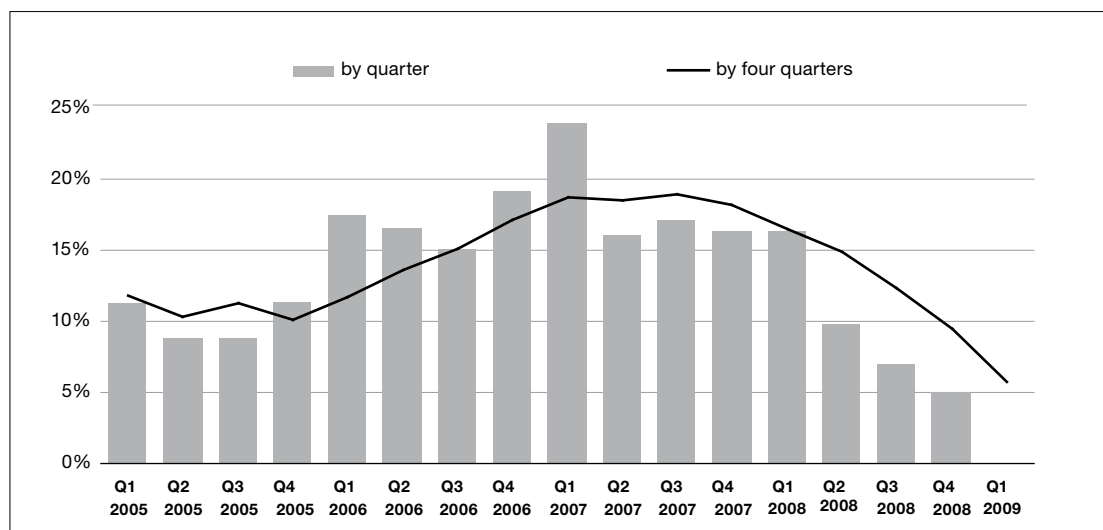


Figure 1. Current account deficit (% of GDP)

¹ The current account surplus without reinvested earnings, which involve no actual movement of funds, constituted 1.4% of the first-quarter GDP.

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

Item	2006	2007	2008				2009	
	Total	Total	Q1	Q2	Q3	Q4	Total	Q1
Current account	-35,010.1	-43,538.7	-9,670.0	-6,328.7	-4,402.6	-3,038.2	-23,439.5	-1.5
Goods and services	-25,005.4	-28,586.2	-4,157.9	-2,418.3	-1,666.7	-2,502.9	-10,745.8	926.1
Goods	-37,366.1	-43,581.0	-7,768.6	-7,551.5	-7,009.5	-7,002.8	-29,332.4	-2,648.8
credit (f.o.b.)	121,430.6	126,534.2	31,811.4	35,045.5	34,725.2	32,027.5	133,609.6	23,671.0
debit (f.o.b.)	-158,796.7	-170,115.3	-39,580.0	-42,597.0	-41,734.7	-39,030.3	-162,942.0	-26,319.8
Services	12,360.7	14,994.8	3,610.7	5,133.2	5,342.7	4,499.9	18,586.6	3,574.9
credit	43,610.5	50,065.4	11,839.7	13,922.4	15,303.9	14,159.8	55,225.8	10,639.4
debit	-31,249.8	-35,070.6	-8,229.0	-8,789.2	-9,961.2	-9,659.9	-36,639.2	-7,064.5
Income	-10,766.2	-16,575.0	-5,493.0	-4,533.0	-3,494.4	-2,203.1	-15,723.6	-1,267.8
credit	13,558.1	19,093.3	4,296.0	4,392.8	5,452.8	3,429.1	17,570.7	3,149.4
debit	-24,324.3	-35,668.4	-9,789.0	-8,925.9	-8,947.2	-5,632.3	-33,294.3	-4,417.3
Transfers	761.5	1,622.5	-19.2	622.6	758.6	1,667.8	3,029.8	340.2
credit	6,568.5	7,610.8	1,674.6	1,721.6	1,823.0	3,001.4	8,220.7	1,880.0
debit	-5,806.9	-5,988.3	-1,693.8	-1,099.0	-1,064.5	-1,333.6	-5,190.8	-1,539.9
Capital and financial account (reserve assets excluded)	41,431.3	42,261.0	11,456.3	8,932.0	4,162.8	7,557.5	32,108.6	-2,060.6
Capital account	4,515.8	2,561.0	340.9	574.9	621.2	975.0	2,511.9	627.0
Financial account	36,915.4	39,700.0	11,115.4	8,357.1	3,541.7	6,582.4	29,596.6	-2,687.6
Direct investment	8,613.1	11,344.1	4,405.2	1,296.8	1,779.0	1,881.9	9,362.8	776.3
Abroad	-13,790.4	-19,912.0	-4,734.3	-1,884.1	-2,996.6	-1,901.8	-11,516.8	-1,841.5
In Estonia	22,403.6	31,256.1	9,139.4	3,180.9	4,775.6	3,783.7	20,879.6	2,617.8
Portfolio investment	-16,476.5	-5,558.2	1,645.4	2,428.9	-1,910.8	5,691.0	7,854.5	-904.2
Assets	-15,206.7	-8,440.6	1,572.0	3,288.7	-1,551.1	7,330.3	10,639.9	652.9
Equity securities	-4,569.2	-7,688.8	1,539.9	947.6	-57.6	1,672.5	4,102.5	184.3
Debt securities	-10,637.5	-751.8	32.1	2,341.1	-1,493.5	5,657.8	6,537.4	468.6
Liabilities	-1,269.8	2,882.4	73.4	-859.8	-359.7	-1,639.3	-2,785.4	-1,557.1
Equity securities	3,731.8	3,533.3	-1,007.7	-235.7	-471.8	-1,700.1	-3,415.3	-452.8
Debt securities	-5,001.6	-650.9	1,081.1	-624.1	112.1	60.8	629.9	-1,104.4
Financial derivatives	78.5	-797.8	792.0	-7.6	-579.3	623.2	828.5	160.1
Assets	-180.9	-883.4	812.5	-56.8	-233.3	152.2	674.6	163.2
Liabilities	259.4	85.6	-20.5	49.2	-346.0	471.0	153.9	-3.1
Other investment	44,700.3	34,711.9	4,272.9	4,639.0	4,252.8	-1,613.7	11,550.9	-2,719.8
Assets	562.4	-22,289.4	-1,867.9	-236.6	875.8	-4,927.1	-6,155.8	7,523.3
Long-term	-3,052.9	-2,509.2	-803.5	-342.6	-307.4	239.9	-1,213.5	286.1
Short-term	3,615.3	-19,780.2	-1,064.5	105.9	1,183.2	-5,166.9	-4,942.3	7,237.1
Liabilities	44,137.9	57,001.3	6,140.8	4,875.6	3,377.0	3,313.3	17,706.7	-10,243.0
Long-term	17,690.5	32,869.7	800.3	1,901.4	637.1	-178.1	3,160.8	1,912.6
Short-term	26,447.4	24,131.6	5,340.5	2,974.2	2,739.9	3,491.5	14,546.0	-12,155.6
Errors and omissions	1,106.1	2,679.6	162.6	1,115.7	-1,688.1	-379.6	-789.4	-228.2
Overall balance	7,527.3	1,401.9	1,948.9	3,719.0	-1,927.8	4,139.6	7,879.7	-2,290.3
Reserve assets	-7,527.3	-1,401.9	-1,948.9	-3,719.0	1,927.8	-4,139.6	-7,879.7	2,290.3

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

Both the imports and exports of goods decreased considerably across all major groups of goods. The year-on-year decline in exports was primarily affected by metals and metal products, transport vehicles, machinery and equipment as well as timber and timber products. Imports decreased mostly on account of transport vehicles, machinery and equipment, and metals.

Estonia's main trading partner – the European Union – contributed 71% of the exports and 76% of the imports of goods. Finland, Sweden, Latvia and Russia were the largest export partners, and Finland, Germany, Latvia, Lithuania and Sweden the biggest import partners.

Services imports and exports have held up relatively well given the current recession: their surpluses remained at year-ago levels with 3.6 billion kroons. Quarter-on-quarter, the surplus on services decreased 20%. Services exports went down 10% and imports 14% year-on-year. The surplus on three major types of services – transport, travel and other business services – grew slightly both quarter-on-quarter and year-on-year. The earlier large surplus on construction services shrank to a minimum.

The net outflow of income declined for the third consecutive quarter and totalled 1.3 billion kroons in the first quarter of 2009. This stemmed from falling profits and growing losses, which in turn reduced reinvested earnings. The income earned by Estonian residents abroad declined 25% year-on-year and 8% quarter-on-quarter. The income earned by non-residents in Estonia decreased considerably more: 55% and 22%, respectively. Reinvested earnings still comprised the majority of both the residents' and non-residents' direct investment income (62% and 69%, respectively). However, in absolute terms, it declined by two times year-on-year and by four times quarter-on-quarter.

Incoming **current and capital transfers** increased 20% year-on-year, whereas outgoing transfers decreased 13%. Consequently, the surplus on current and capital transfers grew significantly, and reached 0.3 and 0.6 billion kroons, respectively.

The steady net inflow of capital was replaced by a net outflow in the first quarter of 2009, and the **financial account** posted a deficit of 2.7 billion kroons. The net outflow of capital mainly comprised other investment and to some extent also portfolio investment.

Direct investment inflow was 0.8 billion kroons bigger than outflow in the first quarter. Foreign direct investment in Estonia amounted to 2.6 billion and Estonia's direct investment abroad to 1.8 billion kroons. Foreign direct investment in Estonia decreased by nearly a third quarter-on-quarter, whereas Estonia's direct investment abroad remained broadly unchanged.

Equity capital investment accounted for 1.7 billion kroons, reinvested earnings for 1.6 billion kroons and growth in loans to direct investors for 0.7 billion kroons of total direct investment in Estonia. Reinvested earnings comprised 45% of foreign investment abroad, intercompany lending accounted for 43% and the rest was equity capital investment. Direct investment in Estonia was driven by the reinvested earnings of credit institutions; direct investment in real estate, renting and business activities, on the other hand, decreased. Reinvested earnings also made the largest contribution to residents' direct investment growth.

The net outflow of **portfolio investment** amounted to 0.9 billion kroons. Portfolio investment assets decreased by 0.7 billion and liabilities by 1.6 billion kroons. The decline in assets mainly concerned the general government whose money market assets diminished by 2.3 billion kroons. At the same time, the money market assets of credit institutions grew by 1.7 billion kroons. Liabilities decreased mainly owing to a decline in the debt security liabilities of credit institutions.

The net inflow of **financial derivatives** was nearly 0.2 billion kroons.

The net inflow of **other investment** amounted to 2.7 billion kroons. Portfolio investment assets decreased by 7.5 billion and liabilities by 10.2 billion kroons. It was primarily the credit institutions who reduced other investment assets and liabilities.

The gold and foreign exchange reserves decreased by 2.3 billion kroons.

CURRENT ACCOUNT

The continuous strong decline in external and domestic demand brought the current account close to a balance in the first quarter of 2009, as the deficit was only 1.5 million kroons (see Figure 1). The current account balance was primarily supported by a considerable decrease in the deficit on the goods and income accounts. The account of goods and services (the direct components of GDP) posted a surplus and constituted 1.8% of GDP.

Estonia traded mostly with the EU Member States, which accounted for 73% of the credit turnover and 79% of the debit turnover (see Table 2). The five most important partners were Finland, Sweden, Latvia, Russia and Germany with regard to both the credit and debit turnover, only in a slightly different ranking. The share of the five largest trade partners was 53–54% in both cases. Estonia had the biggest current account surplus with Finland and the biggest deficit with Sweden. The surplus with Finland increased by nearly three times and the deficit with Sweden decreased by 2.5 times, year-on-year.

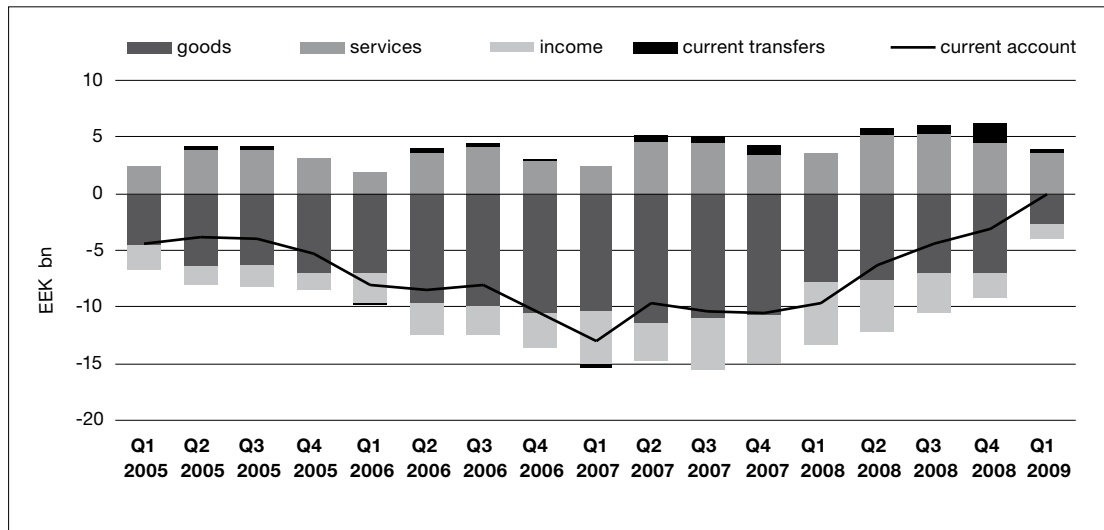


Figure 2. Current account structure

Goods

The trade account deficit, which had been decreasing since the second quarter of 2007, experienced a robust decline in the first quarter of 2009 in annual as well as quarterly terms, totalling 2.6 billion kroons (see Table 3). Goods exports shrank 25% year-on-year and totalled 23.7 billion kroons in the first quarter; imports declined 34% and amounted to 26.3 billion kroons.

According to the preliminary **foreign trade statistics**², goods exports totalled 23.5 billion and imports (c.i.f.) 27.6 billion kroons (see Figure 3). The foreign trade deficit contracted by nearly 6 billion kroons year-on-year, and stood at 4 billion kroons.

² The following analysis does not include the adjustments made to the goods account (repair of capital goods, provisions purchased from abroad, etc.) made by the Balance of Payments and Economic Statistics Department of Eesti Pank. Imports are in c.i.f. prices and analysed by the trading country.

As of the accession with the EU, 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.

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

	Q1 2008	Q4 2008	Q1 2009
EU-27	-12,383.7	-6,682.0	-2,472.4
Finland	1,226.7	4,076.1	3,377.6
Sweden	-4,764.2	-3,460.6	-1,883.4
Germany	-3,687.1	-2,425.8	-1,181.7
Poland	-1,214.7	-1,320.9	-695.2
Lithuania	-371.0	-1,432.5	-693.4
CIS	335.0	1,012.0	-319.4
Belarus	-449.9	-1,138.7	-466.2
Russia	656.6	1,890.0	-260.1
Kazakhstan	76.4	121.2	191.5
Other	2,378.8	2,631.8	2,790.4
Canada	581.7	121.0	971.2
Norway	1,056.8	696.7	676.0
Switzerland	257.6	375.9	564.5
China	-562.9	-644.3	-534.0
Nigeria	208.0	492.0	514.8
Total	-9,670.0	-3,038.2	-1.5

* 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 exports of goods and services (%)	
Q1 2005	21,760.9	6.1	72.7	26,267.6	-2.9	81.9	-4,506.7
Q2 2005	23,876.5	9.7	69.2	30,271.9	15.2	81.6	-6,395.4
Q3 2005	25,605.6	7.2	70.1	31,882.3	5.3	81.8	-6,276.7
Q4 2005	28,079.3	9.7	71.6	35,155.1	10.3	81.4	-7,075.7
2005 total	99,322.3	33.2	70.8	123,576.9	24.7	81.7	-24,254.5
Q1 2006	28,849.3	2.7	77.6	35,922.6	2.2	84.7	-7,073.3
Q2 2006	31,320.9	8.6	73.8	41,024.4	14.2	84.5	-9,703.5
Q3 2006	30,074.4	-4.0	70.1	40,093.7	-2.3	82.2	-10,019.3
Q4 2006	31,186.0	3.7	73.3	41,756.1	4.1	83.0	-10,570.1
2006 total	121,430.6	22.3	73.6	158,796.7	28.5	83.6	-37,366.1
Q1 2007	30,088.6	-3.5	74.7	40,485.8	-3.0	83.9	-10,397.3
Q2 2007	33,189.1	10.3	71.5	44,665.8	10.3	83.9	-11,476.7
Q3 2007	30,197.6	-9.0	68.6	41,210.4	-7.7	81.6	-11,012.9
Q4 2007	33,059.0	9.5	72.0	43,753.2	6.2	82.2	-10,694.2
2007 total	126,534.2	4.2	71.7	170,115.3	7.1	82.9	-43,581.0
Q1 2008	31,811.4	-3.8	72.9	39,580.0	-9.5	82.8	-7,768.6
Q2 2008	35,045.5	10.2	71.6	42,597.0	7.6	82.9	-7,551.5
Q3 2008	34,725.2	-0.9	69.4	41,734.7	-2.0	80.7	-7,009.5
Q4 2008	32,027.5	-7.8	69.3	39,030.3	-6.5	80.2	-7,002.8
2008 total	133,609.6	5.6	70.8	162,942.0	-4.2	81.6	-29,332.4
Q1 2009	23,671.0	-26.1	69.0	26,319.8	-32.6	78.8	-2,648.8

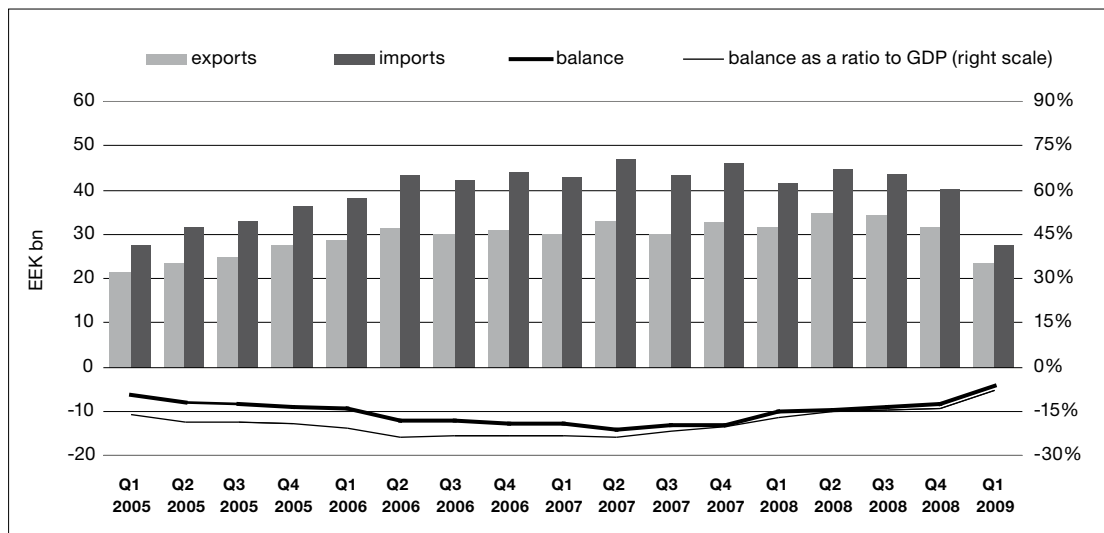


Figure 3. Estonia's foreign trade balance

The **exports of goods** declined across all groups of goods (see Table 4). The decline was mainly due to lower exports of metals, transport vehicles, machinery and equipment, and timber. The exports of metals and metal products shrank 40%. The exports of scrap and waste metals to Turkey and Egypt decreased 70% and that of galvanised steel products to Poland, Latvia and Lithuania declined 50%. At the same time, the exports of iron constructions to Finland, Germany and Denmark increased slightly. The re-exports of transport vehicles, particularly motor cars, to Latvia and Lithuania decreased 50%, mainly owing to a 77% decrease in the imports of cars. The exports of machinery and equipment decreased 20% owing to lower exports of electric motors, transformers and cables. The exports of mobile communication devices, on the other hand, increased slightly and were sent to Sweden, accounting for 20% of the total exports of machinery and equipment.

The exports of timber and timber products declined 30%. One reason for that was the decreased imports of raw timber from Russia and Ukraine. Wooden construction components were exported to Denmark, Japan, Sweden and Finland; wooden furniture to Finland; unprocessed or little processed timber to Finland, Sweden and Denmark, and prefabricated wooden buildings to Germany and Norway. The exports of spirits – the biggest item of food exports – to Russia decreased 60%, whereas the exports of other goods (mainly dairy and fish products) declined marginally or even increased somewhat. Other countries of destination besides Russia included Latvia, Finland, Lithuania, Germany and Ukraine.

The majority of the exports of mineral products comprised motor fuel, which was imported for processing from Russia, Lithuania and Belarus and then re-exported to Canada, Nigeria, the United States, Latvia and Sweden. The exports of electricity grew by over two times year-on-year, and was sent to Latvia and Finland. The deliveries of chemical products decreased 20%. The biggest export items were plastic products, construction and repair materials, carbonic acids, fertilizers and medicines, which were sold to Russia, Latvia, Sweden, Lithuania and Finland. The exports of textile products to Finland, Sweden, Latvia, Russia and Lithuania shrank 30% on account of all major export items (ready-made men's and women's clothes, footwear and bed linen).

The **imports of goods** also decreased across all goods groups, causing major structural changes among the goods groups (see Table 5). Similar to exports, also imports declined primarily on account of machinery and equipment, transport vehicles and metal products. The imports of transport vehicles contracted even 71% from the first quarter of 2008, and the percentage of that group of goods in total imports dropped from 14% to 6%. This was caused by the 77% (2 billion kroons) decline of imports of motor cars from Sweden, Germany and Finland. The imports of machinery and equipment decreased evenly across different types of products. The major import items were electronic products, which were purchased from Finland, Sweden and Germany. The imports of various metal products (iron and steel product for galvanisation and building of iron constructions) contracted by a half; the import partners included Estonia's neighbouring countries and France, Poland and China. As the imports of mineral products declined only 2%, its share in total imports ranked second with 20%.

Motor fuel from Russia, Lithuania, Belarus and Latvia accounted for 68% and natural gas from Russia for 25% of the imports of mineral products. The imports of chemical products decreased 26% and comprised medicines, plastic products and various raw materials for the chemical industry from Finland, Germany, Lithuania, Latvia and Poland. The imports of food products declined largely because of a 66% fall in the imports of strong spirits from the United Kingdom and Germany. The deliveries of clothing decreased by a third and consisted primarily of footwear and ready-made clothes from Latvia, Finland, Germany, Italy and China.

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
Food	2,708.9	3,424.9	2,278.4	8.6	10.8	9.7	-33.5	-15.9
Mineral products	3,221.3	4,605.9	3,070.0	10.2	14.5	13.1	-33.3	-4.7
Chemical products	2,345.8	2,698.4	1,843.8	7.5	8.5	7.9	-31.7	-21.4
Clothing, footwear and headgear	1,989.0	1,528.2	1,398.1	6.3	4.8	6.0	-8.5	-29.7
Timber, paper and products	4,181.9	3,234.9	2,916.4	13.3	10.2	12.4	-9.8	-30.3
Metals and metal products	3,731.6	2,954.8	2,236.9	11.9	9.3	9.5	-24.3	-40.1
Machinery and equipment	6,668.4	7,347.8	5,365.5	21.2	23.1	22.9	-27.0	-19.5
Transport vehicles	2,766.6	2,412.3	1,383.3	8.8	7.6	5.9	-42.7	-50.0
Furniture, toys, sporting goods	2,501.9	2,243.8	1,964.4	7.9	7.1	8.4	-12.5	-21.5
Other	1,370.2	1,338.2	1,007.8	4.4	4.2	4.3	-24.7	-26.5
Total	31,485.6	31,789.2	23,464.6	100.0	100.0	100.0	-26.2	-25.5

Table 5. Imports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
Food	3,950.8	4,517.3	3,301.8	9.5	11.2	12.0	-26.9	-16.4
Mineral products	5,352.0	7,854.2	5,251.5	12.9	19.5	19.0	-33.1	-1.9
Chemical products	5,306.3	5,268.8	3,895.4	12.8	13.1	14.1	-26.1	-26.6
Clothing, footwear and headgear	3,104.8	2,296.0	2,049.3	7.5	5.7	7.4	-10.7	-34.0
Timber, paper and products	2,114.7	1,740.7	1,289.7	5.1	4.3	4.7	-25.9	-39.0
Metals and metal products	4,334.2	3,531.3	2,230.7	10.4	8.8	8.1	-36.8	-48.5
Machinery and equipment	8,981.0	8,653.0	5,711.0	21.6	21.5	20.7	-34.0	-36.4
Transport vehicles	5,693.9	3,573.4	1,655.2	13.7	8.9	6.0	-53.7	-70.9
Furniture, toys, sporting goods	1,012.2	989.1	669.9	2.4	2.5	2.4	-32.3	-33.8
Other	1,672.1	1,843.9	1,528.6	4.0	4.6	5.5	-17.1	-8.6
Total	41,521.9	40,267.7	27,583.1	100.0	100.0	100.0	-31.5	-33.6

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

	Q1 2008	Q4 2008	Q1 2009
Food	-1,241.9	-1,092.4	-1,023.4
Mineral products	-2,130.7	-3,248.2	-2,181.5
Chemical products	-2,960.5	-2,570.4	-2,051.6
Clothing, footwear and headgear	-1,115.8	-767.8	-651.3
Timber, paper and products	2,067.2	1,494.2	1,626.7
Metals and metal products	-602.6	-576.5	6.2
Machinery and equipment	-2,312.6	-1,305.2	-345.5
Transport vehicles	-2,927.3	-1,161.1	-271.9
Furniture, toys, sporting goods	1,489.7	1,254.7	1,294.5
Other	-301.9	-505.7	-520.8
Total	-10,036.4	-8,478.4	-4,118.5

The imports of timber and timber products shrank mostly because of a 66% decrease in the deliveries from Russia. Various interior design products (furniture, lamps, etc.) were imported from Finland, Poland, China and Latvia; war firearms from France, and medical equipment from Sweden, Germany, the Netherlands and Finland.

The **foreign trade deficit** decreased almost 60% year-on-year and amounted to 4 billion kroons (see Table 6). Mineral, chemical and food products had the largest deficits on the goods account. Timber and timber products and other consumer goods had a surplus. Metal products reached a balance, and the deficits on other goods groups diminished considerably.

The **exports of goods** declined across all **groups of countries**, including the major trade partners, except for Canada (see Table 7). Goods exports to EU countries, in particular Finland and Sweden, suffered the most. The biggest export partners were Finland, Sweden, Latvia and Russia.

Table 7. Exports of goods by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
EU-27	23,079.0	21,126.8	16,698.0	73.3	66.5	71.2	-21.0	-27.6
Finland	5,683.6	5,869.0	4,421.7	18.1	18.5	18.8	-24.7	-22.2
Sweden	4,633.9	4,274.5	3,470.2	14.7	13.4	14.8	-18.8	-25.1
Latvia	3,566.6	2,935.2	2,130.7	11.3	9.2	9.1	-27.4	-40.3
Germany	1,656.1	1,439.9	1,507.8	5.3	4.5	6.4	4.7	-9.0
Lithuania	1,876.7	1,762.9	1,106.8	6.0	5.5	4.7	-37.2	-41.0
CIS	3,501.1	5,018.9	2,489.3	11.1	15.8	10.6	-50.4	-28.9
Russia	2,721.3	3,960.0	1,930.7	8.6	12.5	8.2	-51.2	-29.1
Ukraine	466.9	562.9	259.0	1.5	1.8	1.1	-54.0	-44.5
Belarus	174.6	241.0	128.3	0.6	0.8	0.5	-46.8	-26.5
Other	4,905.5	5,643.5	4,277.3	15.6	17.8	18.2	-24.2	-12.8
Canada	511.3	53.4	920.8	1.6	0.2	3.9	1,623.6	80.1
Norway	1,140.3	964.2	707.5	3.6	3.0	3.0	-26.6	-38.0
USA	731.6	1,535.0	517.2	2.3	4.8	2.2	-66.3	-29.3
Total	31,485.6	31,789.2	23,464.6	100.0	100.0	100.0	-26.2	-25.5

The **imports of goods** also declined across the groups of goods as well as major trade partners (see Table 8). again mostly EU countries, especially Finland and Germany. The top five import partners were Finland, Russia, Germany, Latvia and Lithuania.

The foreign trade deficit with the European Union decreased by 6 billion kroons and was nearly as big as the total trade balance deficit (see Table 9). Estonia had the largest foreign trade surplus with Sweden, Finland and Denmark from among EU countries, Ukraine and Azerbaijan from among the CIS countries, and Canada and Nigeria from among other countries. Estonia had the biggest trade deficit with Lithuania, Germany and Russia.

Table 8. Imports of goods by groups of countries*

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
EU-27	33,659.9	30,457.5	20,975.0	81.1,	75.6,	76.0,	-31.1,	-37.7,
Finland	6,098.3	5,320.6	3,793.9	14.7,	13.2,	13.8,	-28.7,	-37.8,
Germany	5,569.2	4,338.3	2,841.4	13.4,	10.8,	10.3,	-34.5,	-49.0,
Latvia	3,579.8	4,103.2	2,525.9	8.6,	10.2,	9.2,	-38.4,	-29.4,
Lithuania	3,051.8	3,506.6	2,494.2	7.3,	8.7,	9.0,	-28.9,	-18.3,
Sweden	4,660.3	3,449.7	2,367.2	11.2,	8.6,	8.6,	-31.4,	-49.2,
CIS	4,683.0	6,070.3	3,947.0	11.3,	15.1,	14.3,	-35.0,	-15.7,
Russia	3,376.2	4,157.6	2,971.7	8.1,	10.3,	10.8,	-28.5,	-12.0,
Belarus	625.5	1,368.4	633.0	1.5,	3.4,	2.3,	-53.7,	1.2,
Ukraine	548.5	308.9	216.7	1.3,	0.8,	0.8,	-29.9,	-60.5,
Other	3,179.1	3,739.8	2,661.2	7.7,	9.3,	9.6,	-28.8,	-16.3,
China	791.5	884.2	727.7	1.9,	2.2,	2.6,	-17.7,	-8.1,
Norway	288.5	405.3	361.2	0.7,	1.0,	1.3,	-10.9,	25.2,
USA	534.8	548.1	347.3	1.3,	1.4,	1.3,	-36.6,	-35.1,
Total	41,521.9	40,267.7	27,583.1	100.0,	100.0,	100.0,	-31.5,	-33.6,

* Analysed by trading country.

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

	Q1 2008	Q4 2008	Q1 2009
EU-27	-10,580.9	-9,330.8	-4,276.9
CIS	-1,181.9	-1,051.4	-1,457.7
Other	1,726.4	1,903.7	1,616.1
Total	-10,036.4	-8,478.4	-4,118.5

Services

The surplus on the services account in the first quarter of 2009 was more or less equal to the surplus in the first quarter of 2008 and totalled 3.6 billion kroons (see Table 10). The net exports of services remained at the year-ago level primarily owing to the surplus on travel services which almost doubled (see Table 11). The services surplus accounted for 7% of GDP (see Figure 4). Compared to the fourth quarter of 2008 the surplus decreased 20%.

The exports of services shrank 10% year-on-year and 25% quarter-on-quarter, mainly as a result of lower exports of construction and transport services (see Table 12). Exports to EU and CIS countries suffered

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 2005	8,179.7	-8.9	27.3	5,788.3	-5.9	18.1	2,391.4	-15.6
Q2 2005	10,632.5	30.0	30.8	6,812.3	17.7	18.4	3,820.2	59.7
Q3 2005	10,911.8	2.6	29.9	7,091.5	4.1	18.2	3,820.3	0.0
Q4 2005	11,144.4	2.1	28.4	8,044.3	13.4	18.6	3,100.1	-18.9
2005 total	40,868.4	13.9	29.2	27,736.4	26.3	18.3	13,132.0	-5.6
Q1 2006	8,319.5	-25.3	22.4	6,499.7	-19.2	15.3	1,819.9	-41.3
Q2 2006	11,112.3	33.6	26.2	7,516.7	15.6	15.5	3,595.6	97.6
Q3 2006	12,816.8	15.3	29.9	8,685.9	15.6	17.8	4,130.9	14.9
Q4 2006	11,361.9	-11.4	26.7	8,547.6	-1.6	17.0	2,814.3	-31.9
2006 total	43,610.5	6.7	26.4	31,249.9	12.7	16.4	12,360.7	-5.9
Q1 2007	10,175.9	-10.4	25.3	7,777.8	-9.0	16.1	2,398.0	-14.8
Q2 2007	13,229.2	30.0	28.5	8,574.1	10.2	16.1	4,655.1	94.1
Q3 2007	13,793.0	4.3	31.4	9,270.8	8.1	18.4	4,522.2	-2.9
Q4 2007	12,867.3	-6.7	28.0	9,447.8	1.9	17.8	3,419.5	-24.4
2007 total	50,065.4	14.8	28.3	35,070.5	12.2	17.1	14,994.8	21.3
Q1 2008	11,839.7	-8.0	27.1	8,228.9	-12.9	17.2	3,610.7	5.6
Q2 2008	13,922.4	17.6	28.4	8,789.2	6.8	17.1	5,133.2	42.2
Q3 2008	15,303.9	9.9	30.6	9,961.2	13.3	19.3	5,342.7	4.1
Q4 2008	14,159.8	-7.5	30.7	9,659.9	-3.0	19.8	4,499.9	-15.8
2008 total	55,225.8	10.3	29.2	36,639.2	4.5	18.4	18,586.5	24.0
Q1 2009	10,639.4	-24.9	31.0	7,064.5	-26.9	21.2	3,574.9	-20.6

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q4 2008	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
Transportation	1,772.2	1,739.0	1,887.0	49.1	38.6	52.8	8.5	6.5
Travel	375.1	655.5	706.8	10.4	14.6	19.8	7.8	88.4
Construction services	471.0	1,338.8	42.1	13.0	29.8	1.2	-96.9	-91.1
Computer and information services	201.7	167.8	257.7	5.6	3.7	7.2	53.6	27.8
Business services	714.3	647.3	789.0	19.8	14.4	22.0	21.9	10.5
Government services	32.2	-80.5	-42.7	0.9	-1.8	-1.2	-47.0	-232.6
Other	44.2	32.0	-65.0	1.2	0.7	-1.8	-303.1	-247.1
Total	3,610.7	4,499.9	3,574.9	100.0	100.0	100.0	-20.6	-1.0

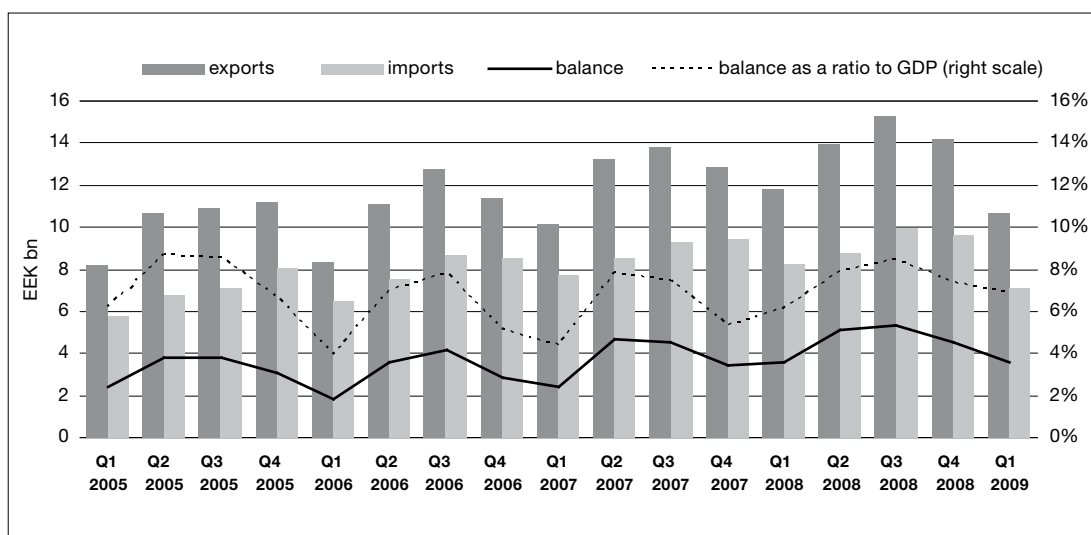


Figure 4. Services account

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
Transportation	4,998.1	5,164.3	4,145.7	42.2	36.5	39.0	-19.7	-17.1
freight	2,443.1	2,398.1	1,824.7	20.6	16.9	17.2	-23.9	-25.3
passenger	974.5	976.9	713.6	8.2	6.9	6.7	-27.0	-26.8
other transport services	1,580.5	1,789.3	1,607.4	13.4	12.7	15.1	-10.2	1.7
Travel	2,387.8	2,738.8	2,283.1	20.2	19.3	21.5	-16.6	-4.4
Construction services	669.4	1,745.4	538.0	5.6	12.3	5.0	-69.2	-19.6
Computer and information services	427.7	507.1	458.4	3.6	3.6	4.3	-9.6	7.2
Business services	2,404.7	2,834.5	2,347.7	20.3	20.0	22.1	-17.2	-2.4
Government services	127.8	185.6	122.7	1.1	1.3	1.1	-33.9	-4.0
Other	824.2	984.1	743.8	7.0	7.0	7.0	-24.4	-9.8
Total	11,839.7	14,159.8	10,639.4	100.0	100.0	100.0	-24.9	-10.1

the most, whereas exports to other countries remained at the previous level. In the group of EU countries, services exports to the United Kingdom and Germany decreased particularly rapidly (see Table 13).

The imports of services decreased more than exports, shrinking 14% year-on-year and 27% quarter-on-quarter, totalling 7.1 billion kroons (see Table 14). The decrease concerned almost all types of services, except for computer, information, construction and government services. Services imports from EU countries declined almost as much as total imports due to the large percentage of these countries in Estonia's imports – 75% of the services were purchased from the European Union (see Table 15). Imports from Estonia's biggest trading partner Finland decreased particularly sharply – by a third. Imports from other countries shrank nearly 25%, whereas imports from the CIS increased slightly (4%).

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
EU-27	8,318.5	9,169.7	7,285.8	70.3	64.8	68.5	-20.5	-12.4
Finland	3,468.4	3,797.4	3,028.1	29.3	26.8	28.5	-20.3	-12.7
Sweden	942.9	1,001.9	785.5	8.0	7.1	7.4	-21.6	-16.7
Latvia	665.7	795.5	698.6	5.6	5.6	6.6	-12.2	4.9
United Kingdom	674.3	588.0	417.2	5.7	4.2	3.9	-29.0	-38.1
Germany	536.5	543.6	400.0	4.5	3.8	3.8	-26.4	-25.4
CIS	1,723.0	2,892.1	1,550.8	14.6	20.4	14.6	-46.4	-10.0
Russia	1,411.5	2,472.9	1,102.5	11.9	17.5	10.4	-55.4	-21.9
Kazakhstan	95.3	153.6	203.1	0.8	1.1	1.9	32.2	113.1
Other	1,798.2	2,098.0	1,802.8	15.1	14.8	16.9	-14.1	0.3
offshore regions	424.7	442.9	513.9	3.6	3.1	4.8	16.0	21.0
Switzerland	446.4	628.1	494.7	3.8	4.4	4.6	-21.2	10.8
USA	313.1	375.5	282.4	2.6	2.7	2.7	-24.8	-9.8
Total	11,839.7	14,159.8	10,639.4	100.0	100.0	100.0	-24.9	-10.1

Table 14. Services imports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
Transportation	3,225.9	3,425.3	2,258.7	39.2	35.5	32.0	-34.1	-30.0
freight	2,214.2	2,317.5	1,552.9	26.9	24.0	22.0	-33.0	-29.9
passenger	288.2	290.4	193.3	3.5	3.0	2.7	-33.4	-32.9
other transport services	723.5	817.4	512.5	8.8	8.5	7.3	-37.3	-29.2
Travel	2,012.7	2,083.3	1,576.3	24.5	21.6	22.3	-24.3	-21.7
Construction services	198.4	406.6	495.8	2.4	4.2	7.0	21.9	149.9
Computer and information services	225.9	339.3	257.7	2.7	3.5	3.6	-24.0	14.1
Business services	1,690.4	2,187.2	1,558.7	20.5	22.6	22.1	-28.7	-7.8
Government services	95.5	266.1	165.4	1.2	2.8	2.3	-37.8	73.2
Other	780.1	952.1	751.9	9.5	9.8	10.7	-21.0	-3.6
Total	8,228.9	9,659.9	7,064.5	100.0	100.0	100.0	-26.9	-14.2

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
EU-27	6,200.3	7,134.5	5,315.1	75.3	73.9	75.2	-25.5	-14.3
Finland	1,271.1	1,560.4	857.7	15.4	16.2	12.1	-45.0	-32.5
Latvia	641.8	767.5	698.1	7.8	7.9	9.9	-9.0	8.8
Sweden	674.5	717.8	662.8	8.2	7.4	9.4	-7.7	-1.7
Denmark	211.3	283.0	472.7	2.6	2.9	6.7	67.0	123.7
Germany	536.5	646.5	395.8	6.5	6.7	5.6	-38.8	-26.2
CIS	704.2	1,022.8	728.9	8.6	10.6	10.3	-28.7	3.5
Russia	549.2	743.6	580.5	6.7	7.7	8.2	-21.9	5.7
Ukraine	83.8	165.0	65.8	1.0	1.7	0.9	-60.1	-21.5
Other	1,324.4	1,502.6	1,020.5	16.1	15.5	14.5	-32.1	-22.9
USA	275.5	286.1	252.9	3.3	3.0	3.6	-11.6	-8.2
Egypt	320.9	293.0	227.2	3.9	3.0	3.2	-22.5	-29.2
Norway	97.4	109.5	89.2	1.2	1.1	1.3	-18.5	-8.4
Total	8,228.9	9,659.9	7,064.5	100.0	100.0	100.0	-26.9	-14.2

The **balance of transport services** comprised 53% of the services account in the first quarter of 2009 (49% in the first quarter of 2008), having increased 7% year-on-year. The surplus increased, as the imports of transport services decreased faster than their exports (see Figure 5 and Tables 11–13). Although maritime transport accounted for the largest share of transport services, rail transport services had the biggest surplus, followed by maritime and road transport services. Air transport posted a deficit (see Figure 6).

The exports of transport services decreased 17% year-on-year, mainly on account of travel and freight transport services. Slightly over 60% of the transport services were imported to EU countries, though 25% less than in the first quarter of 2008 (see Table 16). Exports to the CIS increased 4%, whereas exports to other countries decreased to the same extent.

The imports of transport services declined 30% year-on-year, equally across passenger and freight transport as well as other supporting and auxiliary services. Nearly 70% of the transport services were imported

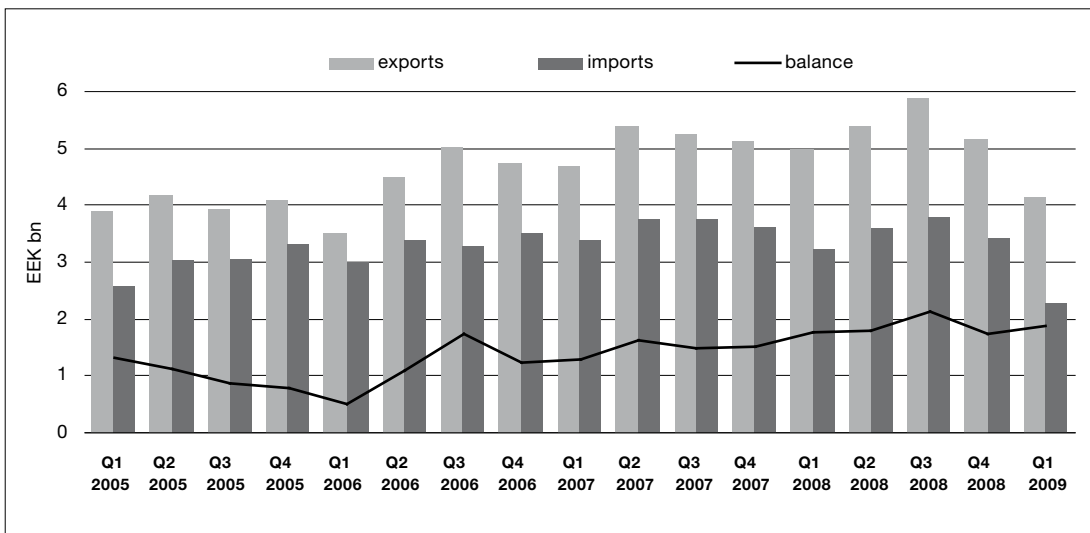


Figure 5. Transport services

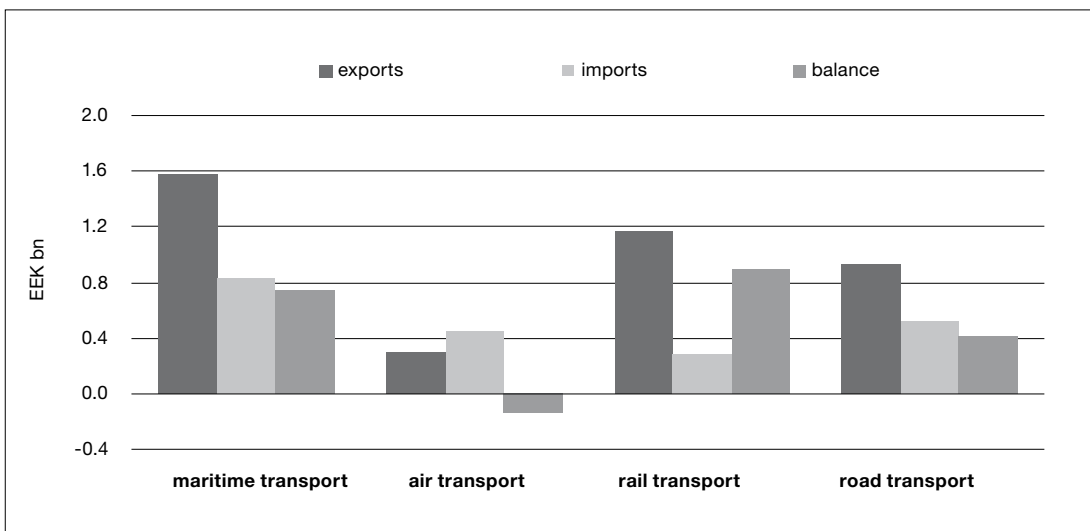


Figure 6. Transport services structure in the first quarter of 2009 by transport type

Table 16. Transport services by groups of countries in the first quarter of 2009

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q1 2009 / Q1 2008		Volume (EEK m)	Share (%)	Change (%), Q1 2009 / Q1 2008
EU-27	2,545.4	61.4	-24.8	EU-27	1,533.6	67.9	-33.8
Finland	900.6	21.7	-27.5	Germany	207.6	9.2	-49.7
Sweden	314.1	7.6	-20.7	Finland	199.4	8.8	-26.6
Netherlands	228.9	5.5	20.2	Latvia	177.1	7.8	-27.1
Latvia	175.8	4.2	12.0	Sweden	172.7	7.6	-30.5
Germany	166.1	4.0	-42.3	Lithuania	121.3	5.4	-23.1
CIS	669.0	16.1	4.0	CIS	361.4	16.0	-13.3
Russia	617.2	14.9	3.7	Russia	291.2	12.9	-13.8
Belarus	31.5	0.8	211.9	Kazakhstan	26.2	1.2	303.1
Other	931.3	22.5	-3.8	Other	363.7	16.1	-26.3
Switzerland	344.7	8.3	7.2	China	70.3	3.1	-2.2
offshore regions	250.2	6.0	-4.7	USA	63.6	2.8	-33.7
USA	94.1	2.3	-12.1	offshore regions	53.6	2.4	-47.2
Total	4,145.7	100.0	-17.1	Total	2,258.7	100.0	-30.0

from EU countries, but a third less than in the first quarter of 2008. Imports from CIS and other countries shrank too (see Tables 14 and 16).

The recession affected also **travel services**: both the imports and exports declined year-on-year. Exports decreased at a slower rate compared to imports – by 10% and 24%, respectively –, which almost doubled the surplus on travel services (see Table 17). The relatively large decline was partly due to the base effect, since the turnover of travel services was quite high in the first quarter of 2008, considering that it was the beginning of the year (see Figure 7).

The share of EU countries in the exports of travel services increased to 83% (74% in the first quarter of 2008). The number of overnight tourists diminished, but the number of business and shopping trips of

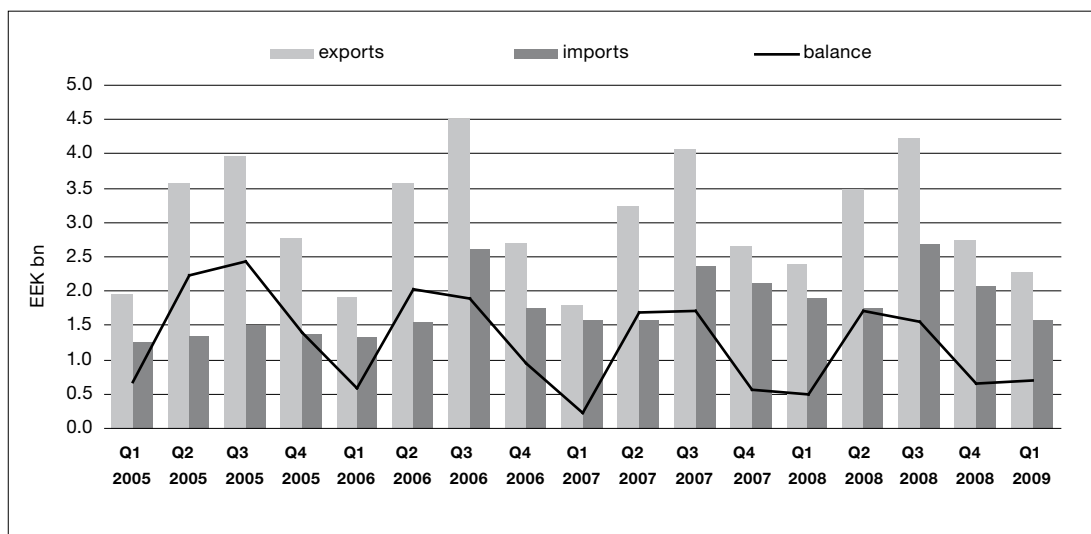


Figure 7. Travel services

Table 17. Travel services by groups of countries in the first quarter of 2009

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q1 2009 / Q1 2008		Volume (EEK m)	Share (%)	Change (%), Q1 2009 / Q1 2008
EU-27	1,885.2	82.6	6.7	EU-27	1,008.0	63.9	-24.8
Finland	1,208.0	52.9	-2.3	Finland	233.3	14.8	-53.7
Latvia	235.2	10.3	123.1	Latvia	217.3	13.8	125.9
Sweden	161.0	7.1	15.8	Sweden	106.7	6.8	35.9
United Kingdom	57.0	2.5	13.6	Hispaania	86.5	5.5	-5
CIS	285.0	12.5	-41.7	CIS	203.9	12.9	46.9
Russia	255.8	11.2	-44.1	Russia	169.5	10.8	57.0
Other	112.9	4.9	-14.6	Other	364.4	23.1	-31.7
Norway	37.6	1.6	-22.2	Egypt	177.4	11.3	-33.2
USA	27.3	1.2	-17.8	USA	59.7	3.8	-8.3
India	6.5	0.3	29.2	Turkey	18.2	1.2	61.4
Total	2,283.1	100.0	-10.4	Total	1,576.3	100.0	-24.3

one-day visitors grew. Based on the survey on border crossings, the majority of border crossers of Russian citizenship are actually Estonian residents. This explains the fall in travel services exported to Russia, whereas the statistics provided by Estonian accommodation establishments indicates a rise in the number of visitors from Russia.

The robust decline in travel services imports primarily stemmed from reduced opportunities for short-term and temporary employment abroad. Estonian residents made shorter and less expensive trips to abroad in the first quarter of 2009. The cost of tourism trips sold by travel agencies declined 34% and the number of passengers using the services of travel agencies dropped 44%, year-on-year. Estonians' trips to Finland, Egypt and Spain decreased the most. At the same time, independent travelling and the use of the Internet for that purposes has gained more popularity and trips to Europe are often made without using the services of Estonian travel agencies. Only the number of trips to the United States sold by travel agencies increased year-on-year as a result of establishing a visa waiver agreement between Estonia and the States.

Income

The net outflow of income declined for the third consecutive quarter and totalled 1.3 billion kroons in the first quarter of 2009 (see Table 18). As a ratio to GDP, the deficit stood at 2.4%.

Net outflow decreased primarily owing to a decrease in investment income, particularly direct investment income – losses increased and profits decreased, which in turn reduced reinvested earnings (see Table 19). Although the net outflow of investment income (including reinvested earnings) decreased by several times, it still accounted for a significant part of the income account. Excluding from the income account reinvested earnings, which involve no actual movement of funds, the income account deficit declined to 0.5 billion kroons (1% of GDP; see Figure 8). Reinvested earnings comprised 80% of the net outflow of direct investment income. The net outflow of income on other investment (loans and deposits) decreased 8% year-on-year. At the same time, portfolio investment income and labour income recorded a net inflow: the inflow of the former increased nearly 40%, while the inflow of the latter decreased slightly.

Table 18. Income

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)
Q1 2005	1,590.3	-5.7	-3,768.3	-20.8	-2,178.0	-29.1
Q2 2005	2,597.8	63.4	-4,235.6	12.4	-1,637.8	-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	-1,416.8	-25.1
2005 total	9,225.5	68.1	-16,350.0	21.5	-7,124.5	-10.5
Q1 2006	2,693.8	18.2	-5,241.3	41.8	-2,547.5	79.8
Q2 2006	3,517.7	30.6	-6,301.7	20.2	-2,784.0	9.3
Q3 2006	3,781.0	7.5	-6,251.4	-0.8	-2,470.4	-11.3
Q4 2006	3,565.6	-5.7	-6,529.8	4.5	-2,964.2	20.0
2006 total	13,558.1	47.0	-24,324.2	48.8	-10,766.1	51.1
Q1 2007	3,981.5	11.7	-8,666.5	32.7	-4,685.0	58.1
Q2 2007	4,915.1	23.4	-8,248.2	-4.8	-3,333.1	-28.9
Q3 2007	5,207.5	5.9	-9,621.9	16.7	-4,414.4	32.4
Q4 2007	4,989.2	-4.2	-9,131.8	-5.1	-4,142.6	-6.2
2007 total	19,093.3	40.8	-35,668.4	46.6	-16,575.1	54.0
Q1 2008	4,296.0	-13.9	-9,789.0	7.2	-5,493.0	32.6
Q2 2008	4,392.8	2.3	-8,925.9	-8.8	-4,533.1	-17.5
Q3 2008	5,452.8	24.1	-8,947.2	0.2	-3,494.4	-22.9
Q4 2008	3,429.1	-37.1	-5,632.3	-37.0	-2,203.2	-37.0
2008 total	17,570.7	-8.0	-33,294.4	-6.7	-15,723.7	-5.1
Q1 2009	3,149.4	-8.2	-4,417.3	-21.6	-1,267.9	-42.5

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
Labour income	578.7	628.2	538.0	-10.5	-28.5	-42.4	-14.4	-7.0
Investment income	-6,071.7	-2,831.4	-1,805.8	110.5	128.5	142.4	-36.2	-70.3
Income on direct investment	-4,945.3	-1,594.3	-930.9	90.0	72.4	73.4	-41.6	-81.2
income on equity	-4,876.5	-1,496.3	-810.9	88.8	67.9	64.0	-45.8	-83.4
reinvested earnings	-320.3	-445.5	-64.9	5.8	20.2	5.1	-85.4	-79.7
dividends	-4,556.2	-1,050.9	-746.0	82.9	47.7	58.8	-29.0	-83.6
income on debt (interests)	-68.8	-98.0	-119.9	1.3	4.4	9.5	22.4	74.3
Income on portfolio investment	354.2	506.8	488.8	-6.4	-23.0	-38.6	-3.5	38.0
Income on other investment	-1,480.5	-1,743.8	-1,363.8	27.0	79.2	107.6	-21.8	-7.9
Total	-5,493.0	-2,203.2	-1,267.9	100.0	100.0	100.0	-42.5	-76.9

Income inflow declined over 25% from the first quarter of 2008 and totalled 3.1 billion kroons (see Table 20). 94% of the income inflow was related to EU countries, in particular Latvia, Lithuania and Cyprus (see Table 21). In the CIS, especially Russia, losses were run instead of income. Income from other countries and offshore regions posted a modest decrease. The inflow of labour income shrank less compared to total income inflow, which is why the share of labour income in total income increased slightly to 24%. 40% of labour income was earned in Finland and to a lesser extent in the United Kingdom, Sweden and Latvia. Residents' income on foreign investment, especially direct investment, decreased 30%. Reinvested earnings comprised 62% of the inflow of direct investment income. Income on foreign portfolio investment and other investment diminished 7% and 36%, respectively. 25% of the investment income inflow came from

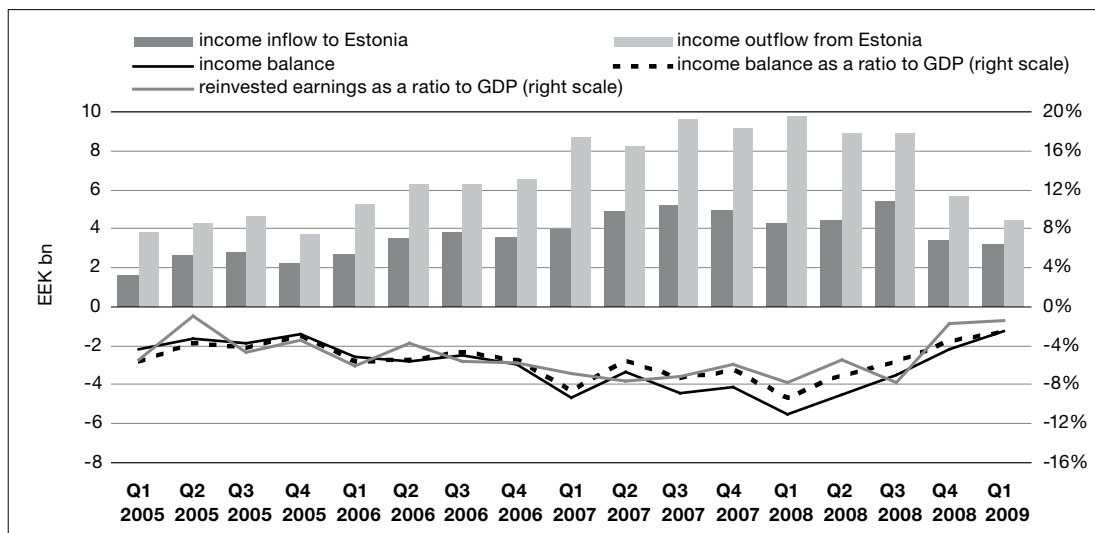


Figure 8. Income account

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q1 2008	Q4 2008	Q1 009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
Labour income	875.1	877.8	750.0	20.4	25.6	23.8	-14.6	-14.3
Investment income	3,420.9	2,551.3	2,399.4	79.6	74.4	76.2	-6.0	-29.9
Income on direct investment	2,048.4	1,118.3	1,332.6	47.7	32.6	42.3	19.2	-34.9
income on equity	1,727.6	746.9	996.7	40.2	21.8	31.6	33.5	-42.3
reinvested earnings	226.2	94.7	174.8	5.3	2.8	5.6	84.5	-22.7
dividends	1,501.4	652.1	821.9	34.9	19.0	26.1	26.0	-45.3
income on debt (interests)	320.8	371.5	335.8	7.5	10.8	10.7	-9.6	4.7
Income on portfolio investment	653.7	808.4	607.9	15.2	23.6	19.3	-24.8	-7.0
Income on other investment	718.8	624.6	459.0	16.7	18.2	14.6	-26.5	-36.1
Total	4,296.0	3,429.1	3,149.4	100.0	100.0	100.0	-8.2	-26.7

Table 21. Income by groups of countries in the first quarter of 2009

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q1 2009 / Q1 2008		Volume (EEK m)	Share (%)	Change (%), Q1 2009 / Q1 2008
EU-27	2,973.6	94.4	-24.1	EU-27	-4,162.7	94.2	12.9
Lithuania	635.3	20.2	-25.4	Sweden	-3,325.8	75.3	-36.1
Latvia	614.4	19.5	-43.9	Denmark	-240.2	5.4	-39.2
Cyprus	435.1	13.8	56.4	Netherlands	-216.9	4.9	-38.8
Finland	239.1	7.6	-29.5	Germany	-191.7	4.3	-5.9
CIS	-31.8	-1.0	-122.5	CIS	-50.4	1.1	-67.6
Russia	-47.0	-1.5	-138.4	Russia	-34.9	0.8	-68.4
Kazakhstan	8.7	0.3	405.3	Ukraine	-8.2	0.2	-78.4
Other	207.7	6.6	-11.7	Other	-204.2	4.6	-62.8
Norway	132.3	4.2	184.0	USA	-85.6	1.9	149.7
offshore regions	-10.4	-0.3	-127.3	offshore regions	-116.7	2.6	-34.0
Total	3,149.4	100.0	-26.7	Total	-4,417.3	100.0	-54.9

Lithuania, 23% from Latvia and 8% from Cyprus. The majority (82%) of the investment income belonged to financial intermediaries. The investors of transport, storage and communications earned somewhat less. The investors of real estate, renting and business activities, however, operated at a loss abroad.

Income outflow decreased by over two times year-on-year and totalled 4.4 billion kroons (see Table 22). 94% of the income earned in Estonia belonged to EU investors, in particular to Swedish residents (see Table 21). Labour income constituted nearly 5% of non-residents' income earned in Estonia, the rest being investment income. Direct investment income comprised slightly over 50% and other investment income 43% of the investment income outflow. Income on direct investment in Estonia decreased by three times, whereas income on other investment (loans issued) declined nearly 20% year-on-year. Reinvested earnings accounted for 69% of direct investment income. Mostly Swedish investors earned on investment in Estonia (78%); investors from Denmark and the Netherlands earned to a lesser extent. The majority of investment income was earned on financial intermediation and some also on real estate, renting and business activities. The outflow of the 1.3 billion-kroon income earned in manufacturing in the first quarter of 2008 turned into a 1 billion-kroon loss in the first quarter of 2009. 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 (%)	
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2009 / Q4 2008	Q1 2009 / Q1 2008
Labour income	296.5	249.6	212.0	3.0	4.4	4.8	-15.1	-28.5
Investment income	9,492.5	5,382.7	4,205.3	97.0	95.6	95.2	-21.9	-55.7
Income on direct investment	6,993.7	2,712.6	2,263.4	71.4	48.2	51.2	-16.6	-67.6
income on equity	6,604.1	2,243.2	1,807.7	67.5	39.8	40.9	-19.4	-72.6
reinvested earnings	546.5	540.2	239.7	5.6	9.6	5.4	-55.6	-56.1
dividends	6,057.6	1,703.0	1,568.0	61.9	30.2	35.5	-7.9	-74.1
income on debt (interests)	389.6	469.5	455.7	4.0	8.3	10.3	-2.9	17.0
Income on portfolio investment	299.5	301.6	119.1	3.1	5.4	2.7	-60.5	-60.2
Income on other investment	2,199.3	2,368.4	1,822.7	22.5	42.1	41.3	-23.0	-17.1
Total	9,789.0	5,632.3	4,417.3	100.0	100.0	100.0	-21.6	-54.9

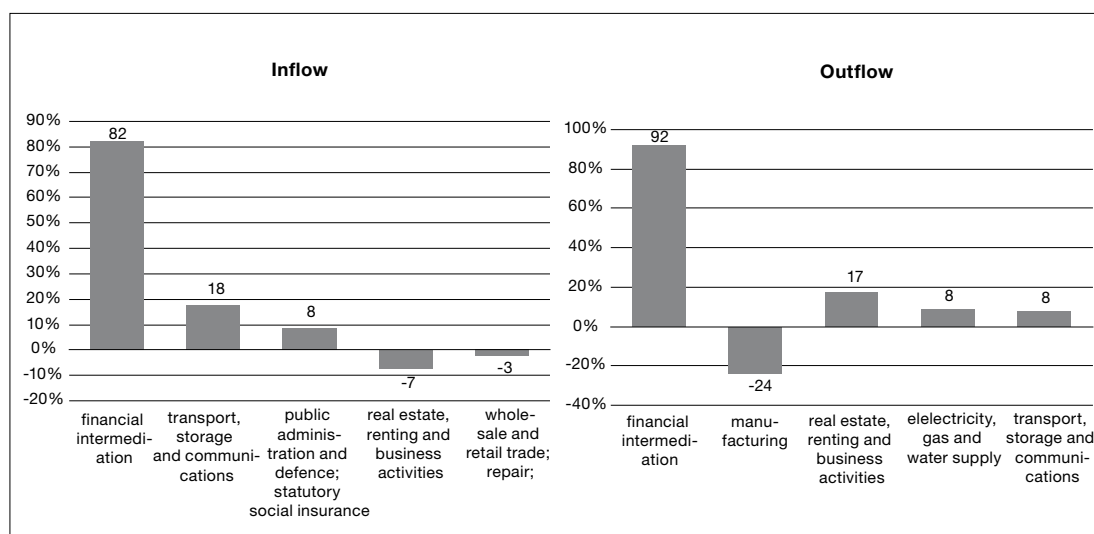


Figure 9. Inflow and outflow of investment income by fields of activity in the first quarter of 2009

Current and capital transfers³

The surplus on the current transfers account totalled 0.3 billion kroons in the first quarter of 2009 (see Table 23).

Current transfers to Estonia reached 1.9 billion kroons. Government transfers comprised slightly over a third of the current transfers and contained allocations from the EU structural funds (62%) as well as VAT, income and social tax receipts from non-residents. Other sectors' transfers to Estonia totalled 1.2 billion kroons, 55% of which were structural funds and 14% were transfers by migrants employed abroad. The outflow of current transfers stood at 1.5 billion kroons. Government transfers comprised 73% of that, 93% (1 billion kroons) of which was Estonia's payment into the EU budget. As a result of the large EU budget payment and scarce use of structural funds, the government transfers account had a deficit of 0.4 billion kroons. Estonia's external aid to other countries was extremely modest in the first quarter. Other sectors' transfers were mainly made to the EU (Germany, Finland, Sweden, the United Kingdom and Latvia).

The surplus on the **capital transfers** account was 0.6 billion kroons. Capital transfers into Estonia mainly comprised EU subsidies to the general government as well as to other sectors for various infrastructure objects.

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

	Incoming			Outgoing			Balance		
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009
Current transfers	1,674.6	3,001.4	1,880.0	1,693.8	1,333.6	1,539.9	-19.2	1,667.8	340.2
government transfers	572.6	1,006.6	677.0	1,152.7	859.2	1,117.0	-580.1	147.4	-440.0
EU-27	509.5	904.6	481.6	1,122.4	846.2	1,056.4	-612.9	58.4	-574.7
CIS	25.1	11.8	12.3	1.4	2.6	2.6	23.7	9.2	9.7
other	38.0	90.3	183.1	28.9	10.5	58.0	9.1	79.8	125.1
private transfers	1,102.0	1,994.8	1,203.0	541.1	474.4	422.9	560.9	1,520.4	780.1
EU-27	759.7	1,650.9	999.4	436.1	386.2	352.6	323.6	1,264.7	646.8
CIS	233.5	208.6	143.7	48.0	34.4	13.9	185.6	174.3	129.8
other	108.8	135.3	59.9	57.0	53.8	56.3	51.8	81.5	3.5
Capital transfers	439.2	997.2	646.5	97.4	8.3	9.2	341.8	988.9	637.4
government transfers	81.6	598.7	451.1	0.0	0.0	0.0	81.6	598.7	451.1
private transfers	357.6	398.4	195.4	97.4	8.3	9.2	260.2	390.1	186.2

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

FINANCIAL ACCOUNT

The steady inflow of capital was replaced by a net outflow in the first quarter of 2009, and the financial account posted a deficit of 2.7 billion kroons. The net outflow of capital mainly comprised other investment and to some extent also portfolio investment. Figures 10 and 11 show the structure of the financial account by categories and maturities.

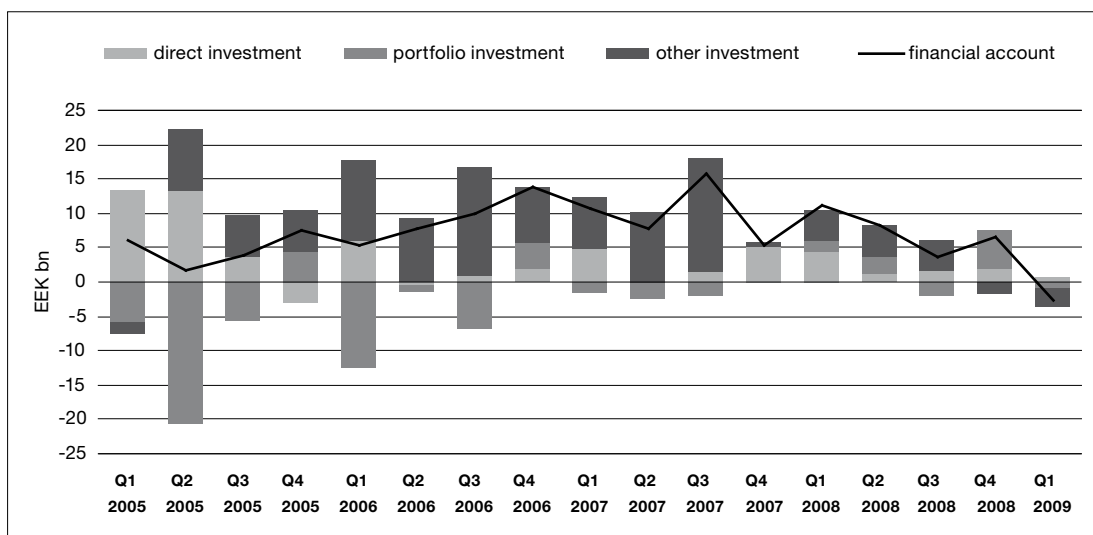


Figure 10. Changes in the structure of foreign investment capital flows (EEK bn)

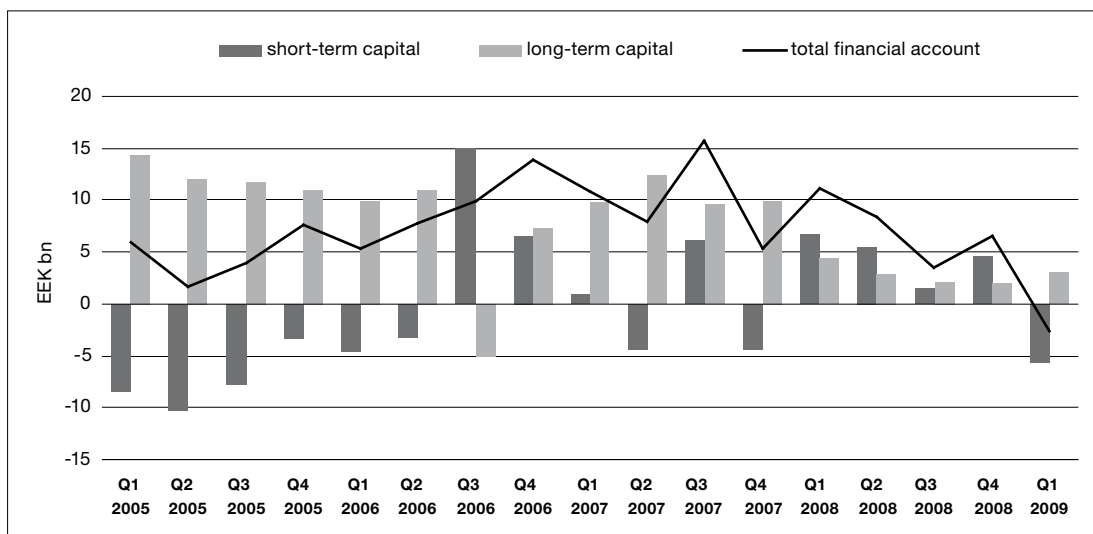


Figure 11. Maturity structure of the financial account

Direct investment

Direct investment had a surplus of 0.8 billion kroons in the first quarter of 2009. The financial account, however, had a 2.7 billion kroon deficit. Non-residents invested 2.6 billion kroons in Estonia and Estonian residents' direct investment abroad grew by 1.8 billion kroons (see Figure 12).

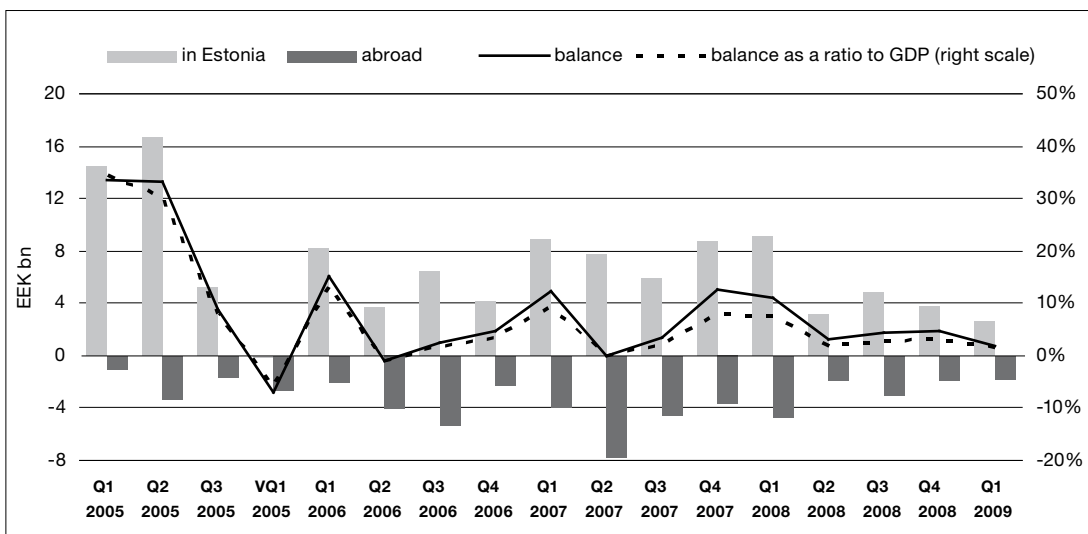


Figure 12. Direct investment

Direct investment in Estonia decreased by over third quarter-on-quarter and reached the levels of 2004 and the years before. Compared to the first quarter of 2008, direct investment decreased by over three times. Reinvested earnings accounted for 60% (1.6 billion kroons) of direct investment. Financial intermediaries reinvested 2.1 billion kroons; electricity, gas and water supply companies and those engaged in other business activities reinvested to a lesser extent. The reinvested earnings of food and beverage producers shrank the most (by 0.4 billion kroons), which primarily stemmed from the withdrawal of dividends. Equity capital investment in Estonia totalled 1.7 billion kroons. Largest investment – 0.7 billion kroons in total – went to wholesale and retail trade. The intercompany debt liabilities of direct investment companies decreased by 0.2 billion kroons from the fourth quarter of 2008. Intercompany debt claims channelled 0.5 billion kroons out of Estonia (see Tables 24-25).

Over 80% of the direct investment inflow came from Sweden, followed by France with 0.6 billion kroons. Cyprus's foreign direct investment in Estonia declined by 0.6 billion kroons. The European Union was the biggest investor (96%) in terms of groups of countries. Owing to the foreign ownership of banks operating in Estonia and reinvested earnings, financial intermediation has recorded the largest investment from quarter to quarter. The first quarter of 2009 was not an exception here: 75% of total direct investment went to financial intermediaries. The next in terms of investment volume were food and beverage production companies (41%) and electricity, gas, steam and hot water suppliers (23%). Investment in other business activities decreased considerably, mainly because of direct investors' repayments of loan commitments (see Figures 13-14 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 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	64.7	-679.5	-13.1	2,198.8	42.3	5,203.2	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	77.5	8,885.8	24.6	-2,014.0	-5.6	1,249.7	3.5	36,101.0	100.0
Q1 2006	1,146.6	14.0	3,663.1	44.6	-430.1	-5.2	3,832.7	46.7	8,212.3	100.0
Q2 2006	291.8	8.1	3,064.9	85.0	-877.6	-24.3	1,127.5	31.3	3,606.7	100.0
Q3 2006	821.7	12.9	4,384.0	68.7	-680.5	-10.7	1,860.4	29.1	6,385.6	100.0
Q4 2006	-21.5	-0.5	4,540.5	108.1	-2,475.4	-59.0	2,155.3	51.3	4,198.9	100.0
2006 total	2,238.6	10.0	15,652.5	69.9	-4,463.5	-19.9	8,975.9	40.1	22,403.6	100.0
Q1 2007	486.5	5.5	5,261.8	59.1	-486.9	-5.5	3,641.9	40.9	8,903.3	100.0
Q2 2007	2,652.2	34.2	3,661.9	47.3	-1,687.8	-21.8	3,117.6	40.3	7,743.9	100.0
Q3 2007	8.2	0.1	6,772.0	114.2	-2,116.2	-35.7	1,268.0	21.4	5,932.0	100.0
Q4 2007	1,128.1	13.0	5,807.4	66.9	-2,215.3	-25.5	3,956.7	45.6	8,676.9	100.0
2007 total	4,275.0	13.7	21,503.0	68.8	-6,506.2	-20.8	11,984.3	38.3	31,256.1	100.0
Q1 2008	1,583.7	17.3	6,057.6	66.3	-1,199.0	-13.1	2,697.2	29.5	9,139.4	100.0
Q2 2008	471.1	14.8	3,587.2	112.8	-1,753.2	-55.1	875.8	27.5	3,180.9	100.0
Q3 2008	94.7	2.0	4,163.6	87.0	-236.4	-5.0	763.8	16.0	4,775.6	100.0
Q4 2008	1,033.7	27.3	1,703.0	45.0	1,316.5	34.8	-269.5	-7.1	3,783.7	100.0
2008 total	3,183.3	15.2	15,501.3	74.2	-1,872.2	-9.0	4,067.2	19.5	20,879.6	100.0
Q1 2009	1,746.4	66.7	1,568.0	59.9	-493.0	-18.8	-203.6	-7.8	2,617.8	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Grantings	Repay-ments	Grantings	Repay-ments
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	1,080.7	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	6,892.3	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	831.9	231.4	1,024.9	1,348.3	6,412.2	2,883.7	1,201.4	925.8
Q2 2007	670.5	279.3	2,737.7	787.3	4,408.2	1,388.0	1,580.9	1,773.8
Q3 2007	1,253.3	470.6	1,614.9	421.3	2,359.5	1,867.2	3,630.0	2,565.0
Q4 2007	1,096.1	244.4	2,595.7	1,333.2	4,850.9	3,034.8	1,726.3	1,103.9
2007 total	3,851.7	1,225.7	7,973.2	3,890.1	18,030.7	9,173.8	8,138.6	6,368.5
Q1 2008	756.7	354.8	1,424.7	1,172.9	3,670.3	2,043.2	1,930.9	1,012.0
Q2 2008	1,624.3	102.5	2,427.4	2,894.2	1,813.6	2,504.4	2,070.9	1,463.5
Q3 2008	613.6	1,219.6	2,405.3	1,405.9	4,212.5	4,633.8	3,060.9	1,693.9
Q4 2008	487.2	853.1	2,720.5	2,652.9	3,963.2	2,821.2	5,316.3	5,102.6
2008 total	3,481.9	2,530.1	8,977.8	8,126.0	13,659.7	12,002.7	12,379.0	9,272.0
Q1 2009	419.3	84.7	2,013.0	1,572.9	1,820.7	2,017.5	3,533.2	3,204.6

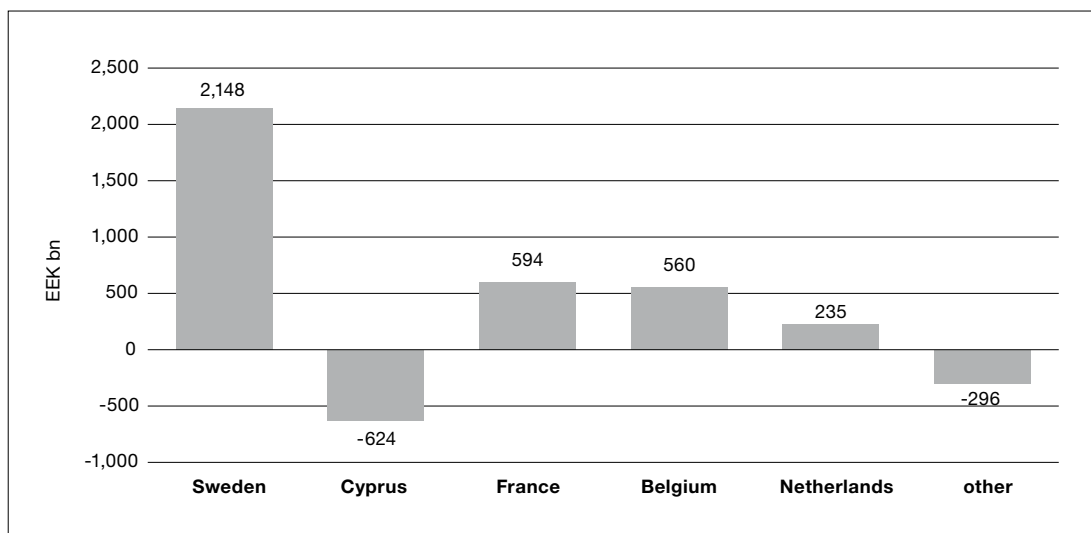


Figure 13. Direct investment in Estonia by countries in the first quarter of 2009

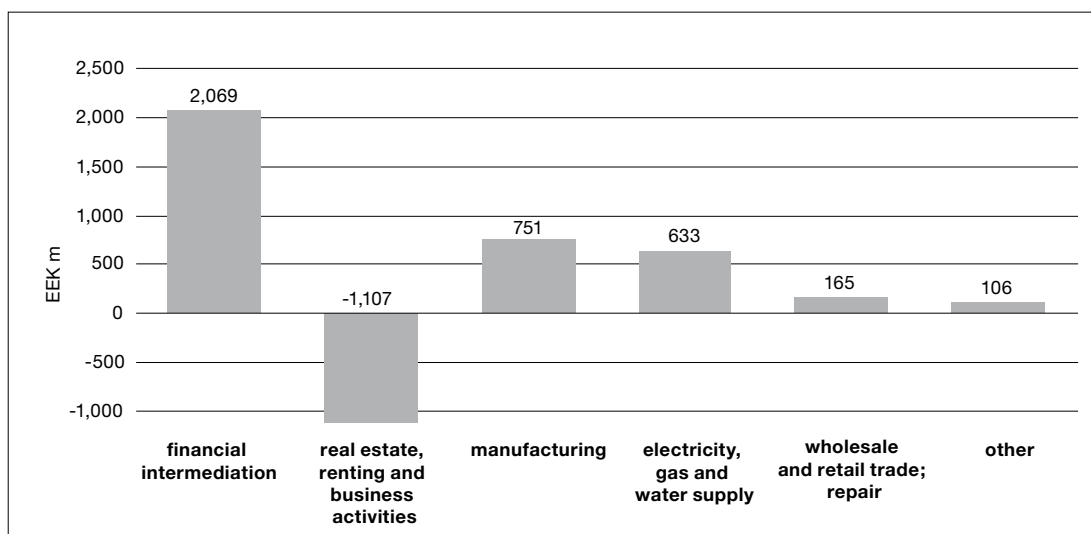


Figure 14. Direct investment in Estonia by fields of activities in the first quarter of 2009

Table 26. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q4 2008	Q1 2009	Q4 2008	Q1 2009	Q1 2009 / Q4 2008
EU-27	2,975.9	2,512.0	78.7	96.0	-15.6
CIS	1,160.9	52.6	30.7	2.0	-95.5
Other	-353.1	53.2	-9.3	2.0	-115.1
Total	3,783.7	2,617.8	100.0	100.0	-30.8

Direct investment abroad remained unchanged compared to the fourth quarter of 2008, but declined by nearly 2.5 times year-on-year. Equity capital investment comprised almost 12% of the direct investment outflow; the outflow of retained proprietary income was 0.8 billion kroons. Other capital assets grew, whereas liabilities diminished. In sum, 0.8 billion kroons of capital was channelled out of Estonia. The loan liabilities of subsidiaries and affiliated companies increased by 0.6 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 remained almost unchanged. The largest amounts of loans to subsidiaries were granted by real estate companies (see Tables 27-28).

Investment in Latvia, Lithuania and Cyprus increased by 1.1, 0.6 and 0.5 billion kroons, respectively. Direct investment in Finland shrank by 0.2 billion kroons, which constitutes 10% of the total net direct investment. The investors of financial intermediation, water transport and real estate made the largest investment (52%, 25% and 21%, respectively). The majority (99.5%) of the investment outflow remained in the European Union (see Table 29 and Figures 15-16).

Table 27. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Assets		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
Q1 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	-856.1	41.0	27.6	-1.3	-2,087.0	100.0
Q2 2006	-2,072.3	51.3	-1,149.6	28.4	-1,059.7	26.2	238.1	-5.9	-4,043.6	100.0
Q3 2006	-2,897.8	54.0	-1,441.2	26.8	-1,404.7	26.2	373.0	-6.9	-5,370.7	100.0
Q4 2006	-558.7	24.4	-1,362.4	59.5	-489.7	21.4	121.6	-5.3	-2,289.2	100.0
2006 total	-5,895.5	42.8	-4,844.9	35.1	-3,810.3	27.6	760.3	-5.5	-13,790.4	100.0
Q1 2007	-1,277.4	32.4	-1,566.9	39.8	-1,255.9	31.9	159.7	-4.1	-3,940.5	100.0
Q2 2007	-6,747.2	87.5	909.5	-11.8	-1,631.2	21.2	-237.8	3.1	-7,706.8	100.0
Q3 2007	-930.9	20.3	-2,397.4	52.3	-2,458.8	53.7	1,206.7	-26.3	-4,580.4	100.0
Q4 2007	-1,368.6	37.1	-1,986.4	53.9	-657.9	17.9	328.6	-8.9	-3,684.3	100.0
2007 total	-10,324.1	51.8	-5,041.3	25.3	-6,003.8	30.2	1,457.2	-7.3	-19,912.0	100.0
Q1 2008	-968.1	20.4	-1,501.4	31.7	-2,671.7	56.4	406.9	-8.6	-4,734.3	100.0
Q2 2008	-749.1	39.8	-91.7	4.9	-89.5	4.8	-953.8	50.6	-1,884.1	100.0
Q3 2008	-488.9	16.3	799.4	-26.7	-2,842.2	94.8	-464.8	15.5	-2,996.6	100.0
Q4 2008	-383.1	20.1	-652.1	34.3	-942.9	49.6	76.3	-4.0	-1,901.8	100.0
2008 total	-2,589.2	22.5	-1,445.8	12.6	-6,546.4	56.8	-935.4	8.1	-11,516.8	100.0
Q1 2009	-223.5	12.1	-821.9	44.6	-195.0	10.6	-601.0	32.6	-1,841.5	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Drawings	Repay-ments	Drawings	Repay-ments
Q1 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	864.7	269.7	340.9	523.4	0.6	51.4	2.9	0.4
Q3 2006	2,433.0	527.6	294.5	267.1	20.3	20.5	9.4	4.0
Q4 2006	1,296.1	1,074.8	598.9	352.9	18.9	20.3	132.6	15.7
2006 total	5,361.8	2,372.7	1,563.4	1,626.1	118.6	112.7	147.0	20.5
Q1 2007	975.3	158.8	279.5	324.6	13.9	24.5	59.6	30.0
Q2 2007	1,447.3	954.2	623.6	273.1	2.8	56.6	163.5	8.6
Q3 2007	3,095.4	305.2	566.7	531.7	11.5	19.3	1,048.0	30.9
Q4 2007	853.2	628.9	618.1	364.1	72.2	14.1	407.4	39.9
2007 total	6,371.1	2,047.0	2,087.8	1,493.4	100.4	114.6	1,678.5	109.3
Q1 2008	2,655.9	807.3	490.3	446.9	141.2	49.0	205.4	308.5
Q2 2008	990.8	1,788.2	557.8	284.0	28.4	67.6	54.7	414.6
Q3 2008	1,091.0	613.4	568.4	491.8	24.3	32.6	116.1	410.7
Q4 2008	657.9	446.1	1,285.8	789.1	60.4	131.1	218.4	45.3
2008 total	5,395.5	3,654.9	2,902.2	2,011.9	254.3	280.2	594.6	1,179.1
Q1 2009	1,190.7	414.5	384.7	559.5	64.4	13.7	35.9	94.8

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q4 2008	Q1 2009	Q4 2008	Q1 2009	Q1 2009 / Q4 2008
EU-27	-1,891.7	-1,862.3	99.5	101.1	-1.6
CIS	147.1	-3.8	-7.7	0.2	-102.6
Other	-157.2	24.6	8.3	-1.3	-115.7
Total	-1,901.8	-1,841.5	100.0	100.0	-3.2

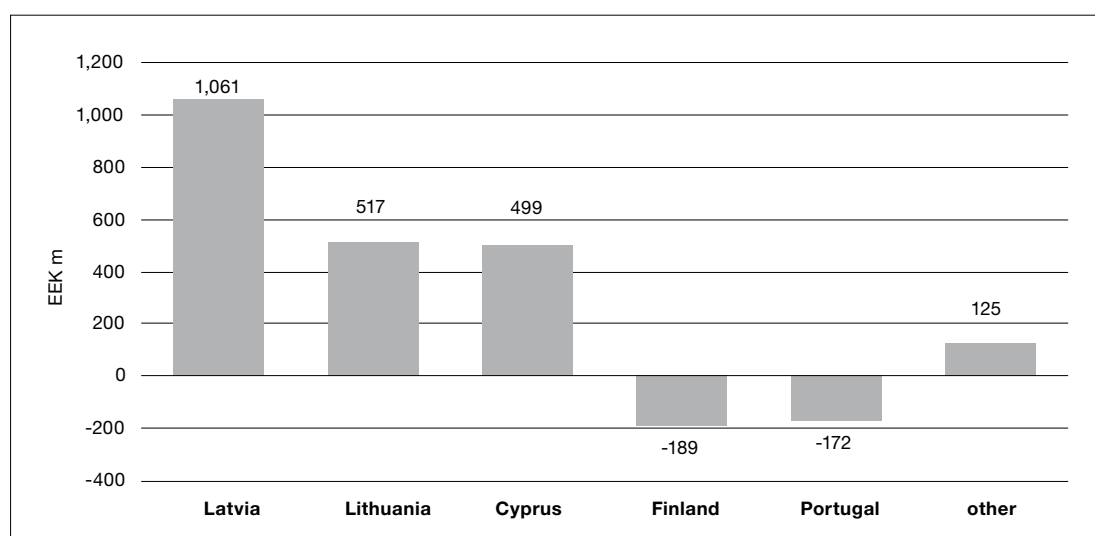


Figure 15. Direct investment abroad by countries in 2008

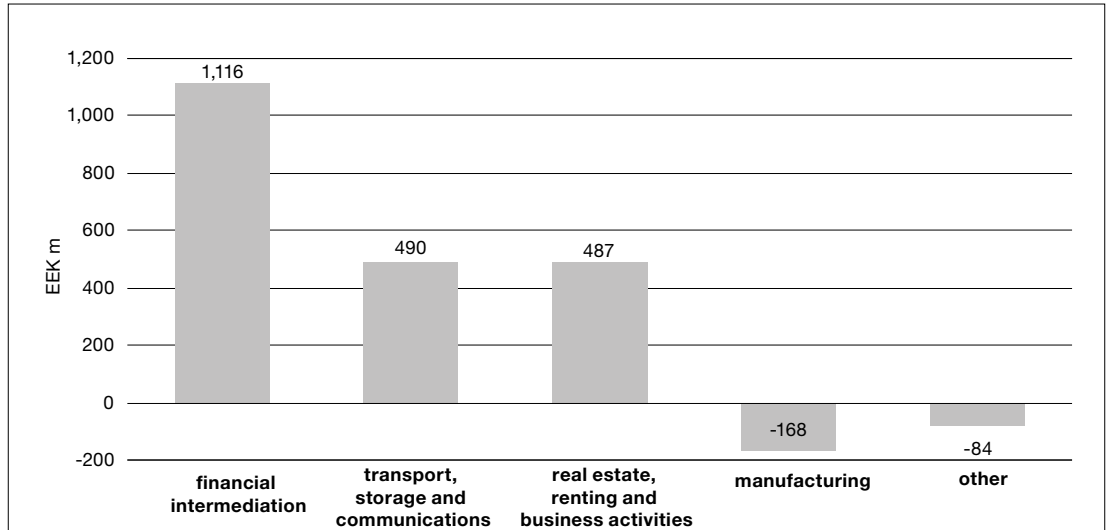


Figure 16. Direct investment abroad by fields of activity in the first quarter of 2009

Portfolio investment

The net outflow of portfolio investment totalled 900 million kroons in 2009. This resulted primarily from a decrease in general government's investment in debt securities as well as a decline in non-residents' investment in credit institutions' debt securities and equity securities of enterprises in other sectors (see Figure 17 and Table 30).

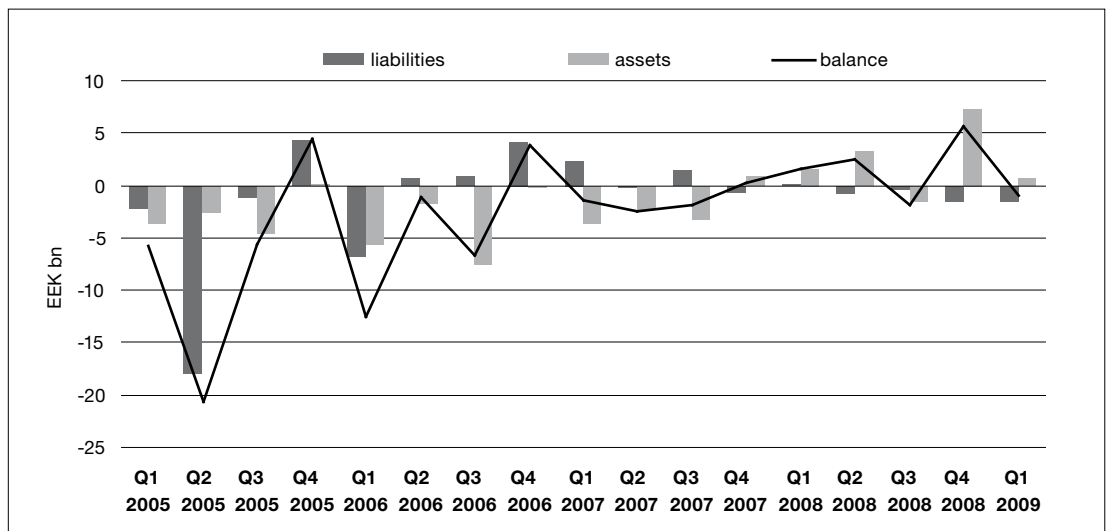


Figure 17. Portfolio investment

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

	Assets			Liabilities			Balance		
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009
Equity securities	1,539.9	1,672.5	184.3	-1,007.7	-1,700.1	-452.8	532.2	-27.6	-268.5
central bank									
general government	41.3	28.6	25.7				41.3	28.6	25.7
credit institutions	75.4	16.9	-0.4	-21.9	0.1	3.7	53.5	17.0	3.3
other sectors	1,423.1	1,627.0	159.0	-985.8	-1,700.2	-456.5	437.3	-73.2	-297.5
Debt securities	32.1	5,657.8	468.6	1,081.1	60.8	-1,104.4	1,113.2	5,718.6	-635.8
central bank									
general government	-804.0	4,952.3	1,963.8	621.4	-136.4	12.5	-182.6	4,815.9	1,976.3
credit institutions	1,339.7	-217.3	-1,644.3	-1.9	-22.1	-1,144.0	1,337.8	-239.4	-2,788.3
other sectors	-503.4	922.9	149.1	461.5	219.4	27.1	-41.9	1,142.3	176.2
Total	1,572.0	7,330.3	652.9	73.4	-1,639.3	-1,557.1	1,645.4	5,691.0	-904.2

Portfolio investment liabilities diminished by 1.6 billion kroons in the first quarter of 2009, as investment in local debt securities decreased (see Table 31). Compared to the fourth quarter of 2008, equity security investment liabilities decreased further – by 453 million kroons in total. In the fourth quarter of 2008 the liabilities of investment funds declined by 1 billion kroons, whereas in the first quarter of 2009 the liabilities decreased by 138 billion kroons. Debt security liabilities shrank by 1.1 billion kroons due to the repayment of debt securities issued by credit institutions. By countries, portfolio investment liabilities to EU countries (Germany, the United Kingdom) as well as to Norway and the United States decreased the most in the first quarter (see Figure 18 and Table 32).

Portfolio investment assets diminished by 653 million kroons in the first quarter; equity security investment comprised 184 million and debt security assets 469 million kroons of that (see Table 33). The investment of other sectors' enterprises in equity securities issued by non-residents decreased by 159 million kroons. Similar to the fourth quarter of 2008, general government's debt security assets declined also in the first quarter of 2009. In total, debt security assets diminished by 2 billion kroons due to the steady fall in Estonia's reserve assets. Credit institutions' investment in short-term foreign debt securities, on the other hand, increased by 1.6 billion kroons. By countries, primarily portfolio investment assets to Germany, Russia, Austria, Portugal and Russia decreased, whereas total assets to EU countries grew (see Figure 19 and Table 32).

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 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	2,891.5	70.2	1,227.0	29.8	4,118.5	100.0
2006 total	3,731.9	-293.9	-5,001.6	393.9	-1,269.8	100.0
Q1 2007	3,163.4	135.4	-827.7	-35.4	2,335.7	100.0
Q2 2007	910.5	-555.9	-1,074.4	655.9	-163.8	100.0
Q3 2007	812.8	59.0	565.7	41.0	1,378.5	100.0
Q4 2007	-1,353.5	202.6	685.5	-102.6	-668.0	100.0
2007 total	3,533.2	122.6	-650.9	-22.6	2,882.4	100.0
Q1 2008	-1,007.7	-1,372.9	1,081.1	1,472.9	73.4	100.0
Q2 2008	-235.7	27.4	-624.1	72.6	-859.8	100.0
Q3 2008	-471.8	131.2	112.1	-31.2	-359.7	100.0
Q4 2008	-1,700.1	103.7	60.8	-3.7	-1,639.3	100.0
2008 total	-3,415.3	122.6	629.9	-22.6	-2,785.4	100.0
Q1 2009	-452.8	29.1	-1,104.4	70.9	-1,557.1	100.0

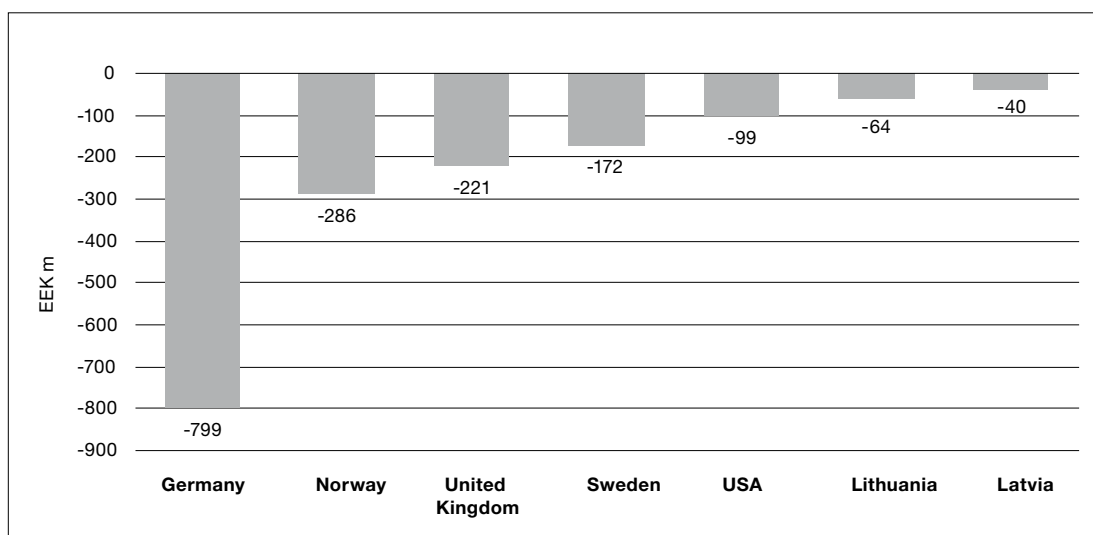


Figure 18. Decrease in portfolio investment liabilities by countries in the first quarter of 2009

Table 32. Structure of portfolio investment by groups of countries

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-454.5	-1 179.0	-69.6	75.7
CIS	639.5	12.1	97.9	-0.8
Other	467.9	-390.2	71.7	25.1
Total	652.9	-1 557.1	100.0	100.0

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 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	-1,609.1	562.8	1,323.2	-462.8	-285.9	100.0
2006 total	-4,569.3	30.0	-10,637.5	70.0	-15,206.7	100.0
Q1 2007	-2,197.7	59.2	-1,516.6	40.8	-3,714.3	100.0
Q2 2007	-2,832.5	124.4	556.4	-24.4	-2,276.1	100.0
Q3 2007	-2,442.2	74.3	-845.1	25.7	-3,287.3	100.0
Q4 2007	-216.4	-25.9	1,053.4	125.9	837.0	100.0
2007 total	-7,688.8	91.1	-751.9	8.9	-8,440.7	100.0
Q1 2008	1,539.9	98.0	32.1	2.0	1,572.0	100.0
Q2 2008	947.6	28.8	2,341.1	71.2	3,288.7	100.0
Q3 2008	-57.6	3.7	-1,493.5	96.3	-1,551.1	100.0
Q4 2008	1,672.5	22.8	5,657.8	77.2	7,330.3	100.0
2008 total	4,102.4	38.6	6,537.5	61.4	10,639.9	100.0
Q1 2009	184.3	28.2	468.6	71.8	652.9	100.0

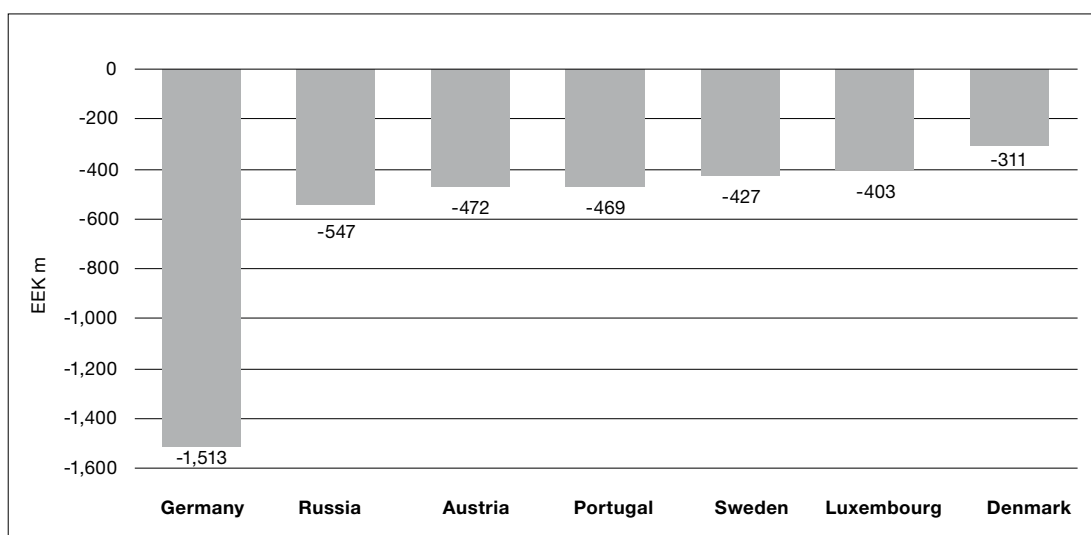


Figure 19. Decrease in portfolio investment assets by countries in the first quarter of 2009

Financial derivatives

Financial derivative assets decreased by 676 million kroons in the first quarter of 2009 (see Figure 20). This was largely caused by a decline in credit institutions' investment in derivatives.

By countries, assets to Sweden and Latvia diminished the most. Financial derivative liabilities remained virtually unchanged in the first quarter, since the liabilities of credit institutions decreased by 39 million kroons, whereas the liabilities of other sectors grew by 44 million kroons. In terms of countries, financial derivative liabilities to Finland and Germany increased the most.

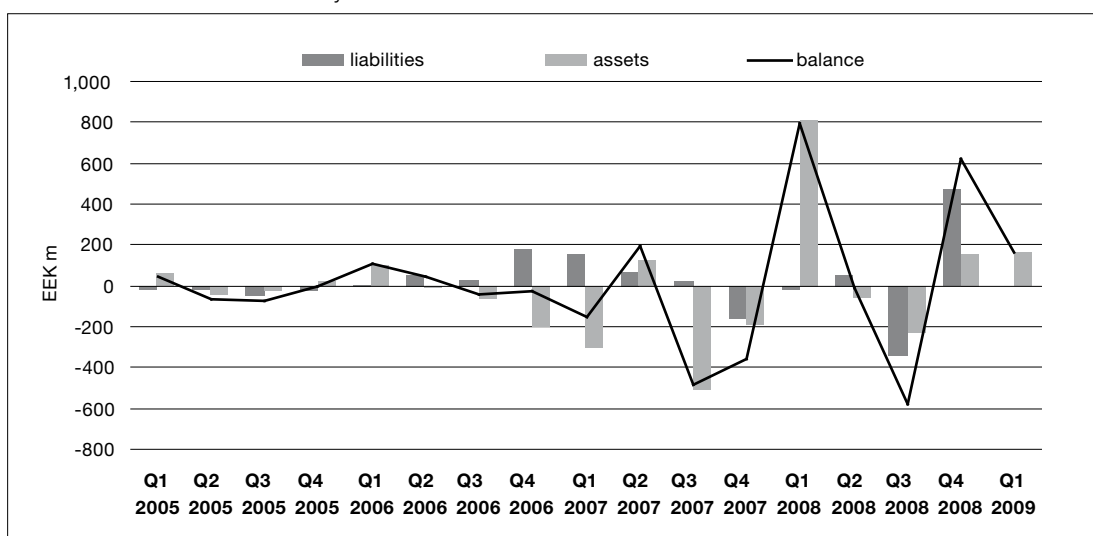


Figure 20. Financial derivatives

Other investment

The net outflow of other investment reached 2.7 billion kroons in the first quarter. The net outflow consisted mainly of the short-term capital of enterprises in other sectors and the long-term capital of credit institutions (see Figure 21 and Table 34).

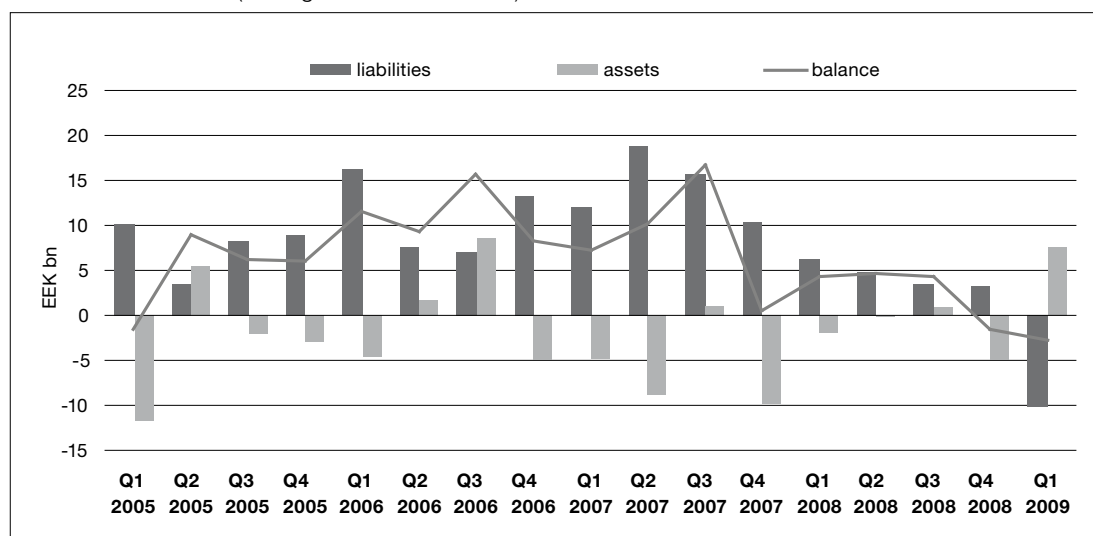


Figure 21. Other investment

Table 34. Other investment by maturity (EEK m)

	Assets			Liabilities			Balance		
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009
Long-term capital	-662.5	245.6	331.8	2,465.6	-3,847.8	-321.3	1,803.1	-3,602.2	10.5
central bank	3.5		-0.5						
general government	-64.3		-64.3	2,041.7	-398.2	1,842.5	1,977.4	-398.2	1,778.2
credit institutions	-226.2	210.7	164.0	1,641.6	-3,667.6	-2,257.1	1,415.4	-3,456.9	-2,093.1
other sectors	-375.5	34.9	232.6	-1,217.7	218.0	93.3	-1,593.2	252.9	325.9
Short-term capital	-1,205.3	-5,172.6	7,191.5	3,675.1	7,161.0	-9,921.9	2,469.8	1,988.4	-2,730.4
central bank				-4.3	-966.6	-35.9	-4.3	-966.6	-35.9
general government	-492.4	-965.9	-51.9		-1.4	1.2	-492.4	-967.3	-50.7
credit institutions	1,018.1	-3,989.1	6,902.6	2,547.6	11,126.2	-7,192.5	3,565.7	7,137.1	-289.9
other sectors	-1,731.0	-217.6	340.8	1,131.8	-2,997.2	-2,694.7	-599.2	-3,214.8	-2,353.9
Total	-1,867.9	-4,927.1	7,523.3	6,140.8	3,313.3	-10,243.0	4,272.9	-1,613.8	-2,719.7

Table 35. Structure of other investment liabilities

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 2005	617.1	6.1	5,172.6	50.9	1,326.0	13.0	3,054.7	30.0	10,170.4	100.0
Q2 2005	1,103.9	32.2	1,515.1	44.1	2,694.0	78.5	-1,880.7	-54.8	3,432.3	100.0
Q3 2005	753.0	9.2	13,601.0	165.8	-5,790.8	-70.6	-359.3	-4.4	8,204.0	100.0
Q3 2005	-840.6	-9.4	4,387.4	49.2	4,724.1	53.0	637.7	7.2	8,908.6	100.0
2005 total	1,633.4	5.3	24,676.1	80.3	2,953.3	9.6	1,452.4	4.7	30,715.3	100.0
Q1 2006	-416.2	-2.6	9,329.1	57.5	5,605.6	34.5	1,712.7	10.6	16,231.2	100.0
Q2 2006	1,366.4	18.1	2,132.1	28.3	5,183.6	68.8	-1,149.4	-15.3	7,532.8	100.0
Q3 2006	1,731.9	24.5	384.5	5.4	5,022.7	71.0	-63.2	-0.9	7,075.9	100.0
Q3 2006	503.4	3.8	7,387.6	55.6	5,269.2	39.6	137.8	1.0	13,298.1	100.0
2006 total	3,185.5	7.2	19,233.3	43.6	21,081.1	47.8	637.9	1.4	44,138.0	100.0
Q1 2007	-813.0	-6.7	7,993.7	65.9	4,355.5	35.9	588.1	4.9	12,124.3	100.0
Q2 2007	1,803.7	9.6	15,172.6	80.4	1,359.4	7.2	529.8	2.8	18,865.5	100.0
Q3 2007	-1,035.9	-6.6	10,222.0	65.4	7,805.5	49.9	-1,356.0	-8.7	15,635.6	100.0
Q3 2007	-297.9	-2.9	4,844.1	46.7	5,355.1	51.6	474.6	4.6	10,375.9	100.0
2007 total	-343.1	-0.6	38,232.4	67.1	18,875.5	33.1	236.5	0.4	57,001.3	100.0
Q1 2008	552.0	9.0	-744.8	-12.1	4,334.5	70.6	1,999.1	32.6	6,140.8	100.0
Q2 2008	1,300.2	26.7	162.7	3.3	3,432.9	70.4	-20.1	-0.4	4,875.6	100.0
Q3 2008	756.2	22.4	2,208.5	65.4	-313.1	-9.3	725.4	21.5	3,377.0	100.0
Q4 2008	-2,562.6	-77.3	-495.3	-14.9	7,427.5	224.2	-1,056.3	-31.9	3,313.3	100.0
2008 total	45.8	0.3	1,131.1	6.4	14,881.8	84.0	1,648.1	9.3	17,706.7	100.0
Q1 2009	-2,696.5	26.3	15.0	-0.1	-8,435.1	82.3	873.6	-8.5	-10,243.0	100.0

Other investment liabilities shrank by 10.2 billion kroons in the first quarter; credit institutions' liabilities related to loans/currency and deposits (incl. interbank loans) accounted for 8.4 billion kroons of that (see Table 35).⁴ The short-term liabilities of credit institutions decreased by 6.2 billion kroons and the long-term liabilities by 2.2 billion kroons. The decrease concerned primarily liabilities to parent banks. Also the short-term liabilities of enterprises in other sectors declined, with trade credit liabilities decreasing

⁴ Interbank loans have been recorded under *Other investment – Loans/currency and deposits* since the data for the first quarter of 2008 (formerly under long- and short-term loans). 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.

ing by 2.6 billion kroons. General government liabilities grew by 1.8 billion kroons, which includes also EU funds received during the period but not yet used. By countries, other investment liabilities to Sweden decreased the most – by 6.9 billion kroons – followed by Finland and Russia with 3.9 and 1.2 billion kroons, respectively (see Figure 22 and Table 36).

Other investment assets decreased by 7.5 billion kroons in the first quarter of 2009. This arose from a decline in deposits and trade credit assets by 7.1 and 1.6 billion kroons, respectively (see Table 37). Other capital and loan assets increased by 723 and 400 million kroons, respectively. In terms of countries, other investment assets to Germany, Lithuania, Canada and Denmark decreased the most (see Figure 23). Table 38 provides an overview of loan assets and liabilities.

Table 36. Structure of other investment by groups of countries in the first quarter of 2009

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	5,115.5	-8,434.8	68.0	82.3
CIS	-559.6	-1,332.4	-7.4	13.0
Other	2,967.4	-475.8	39.4	4.6
Total	7,523.3	-10,243.0	100.0	100.0

Table 37. Structure of other investment assets

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 2005	-832.8	7.1	-2,862.2	24.2	-3,745.7	31.7	-4,365.2	37.0	-11,805.9	100.0
Q2 2005	-757.4	-13.6	-3,418.4	-61.3	5,582.9	100.1	4,170.3	74.8	5,577.4	100.0
Q3 2005	-1,488.3	72.4	1,405.9	-68.4	-2,145.3	104.3	171.2	-8.3	-2,056.5	100.0
Q4 2005	1,121.4	-39.2	9,023.1	-315.7	-12,024.2	420.6	-978.8	34.2	-2,858.5	100.0
2005 total	-1,957.1	17.6	4,148.4	-37.2	-12,332.3	110.7	-1,002.5	9.0	-11,143.5	100.0
Q1 2006	-369.5	7.8	-2,328.7	49.2	-1,909.8	40.4	-124.3	2.6	-4,732.3	100.0
Q2 2006	-1,894.3	-108.6	1,771.7	101.5	1,272.9	73.0	594.4	34.1	1,744.7	100.0
Q3 2006	-322.1	-3.7	-614.5	-7.1	9,491.2	109.9	80.5	0.9	8,635.2	100.0
Q4 2006	-943.0	18.5	-1,360.4	26.8	-2,569.9	50.5	-211.8	4.2	-5,085.2	100.0
2006 total	-3,528.9	-627.5	-2,531.9	-450.2	6,284.4	1,117.4	338.8	60.2	562.4	100.0
Q1 2007	-213.5	4.4	-1,136.8	23.7	-3,218.6	67.0	-235.2	4.9	-4,804.1	100.0
Q2 2007	-604.4	6.9	-5,001.2	57.0	-2,183.8	24.9	-978.4	11.2	-8,767.9	100.0
Q3 2007	-740.2	-68.7	1,273.0	118.2	-902.9	-83.8	1,447.4	134.4	1,077.2	100.0
Q4 2007	916.6	-9.4	-5,228.3	53.4	-4,809.1	49.1	-673.9	6.9	-9,794.7	100.0
2007 total	-641.5	2.9	-10,093.3	45.3	-11,114.4	49.9	-440.1	2.0	-22,289.5	100.0
Q1 2008	-1,344.3	72.0	-2,656.6	142.2	2,185.6	-117.0	-52.7	2.8	-1,867.9	100.0
Q2 2008	-1,037.1	438.3	-542.6	229.3	1,524.4	-644.3	-181.3	76.6	-236.6	100.0
Q3 2008	-824.2	-94.1	4,000.7	456.8	-2,386.8	-272.5	86.1	9.8	875.8	100.0
Q4 2008	1,383.1	-28.1	-2,754.5	55.9	-2,391.4	48.5	-1,164.3	23.6	-4,927.1	100.0
2008 total	-1,822.5	29.6	-1,953.0	31.7	-1,068.2	17.4	-1,312.2	21.3	-6,155.8	100.0
Q1 2009	1,559.1	20.7	-398.5	-5.3	7,086.0	94.2	-723.4	-9.6	7,523.3	100.0

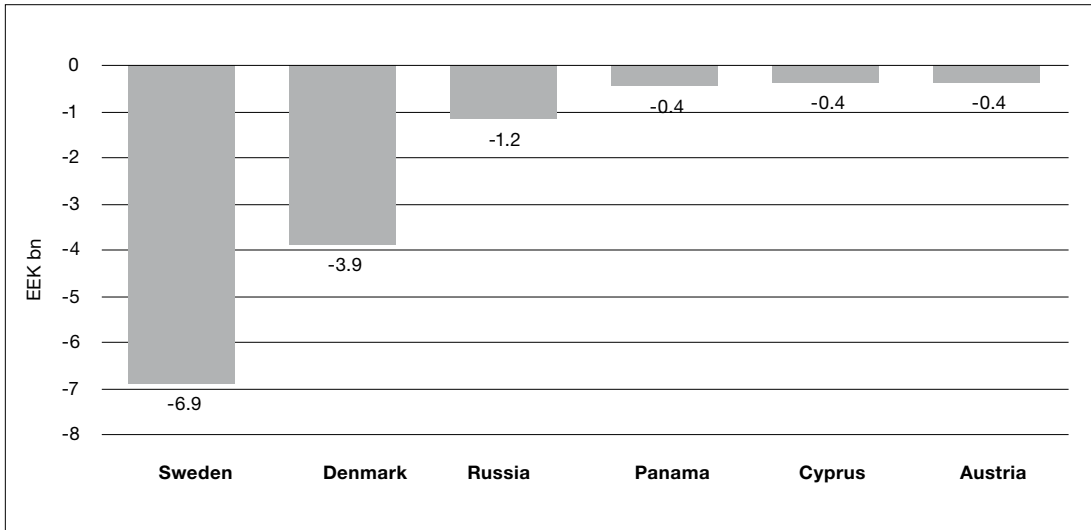


Figure 22. Decrease in other investment liabilities by countries in the first quarter of 2009

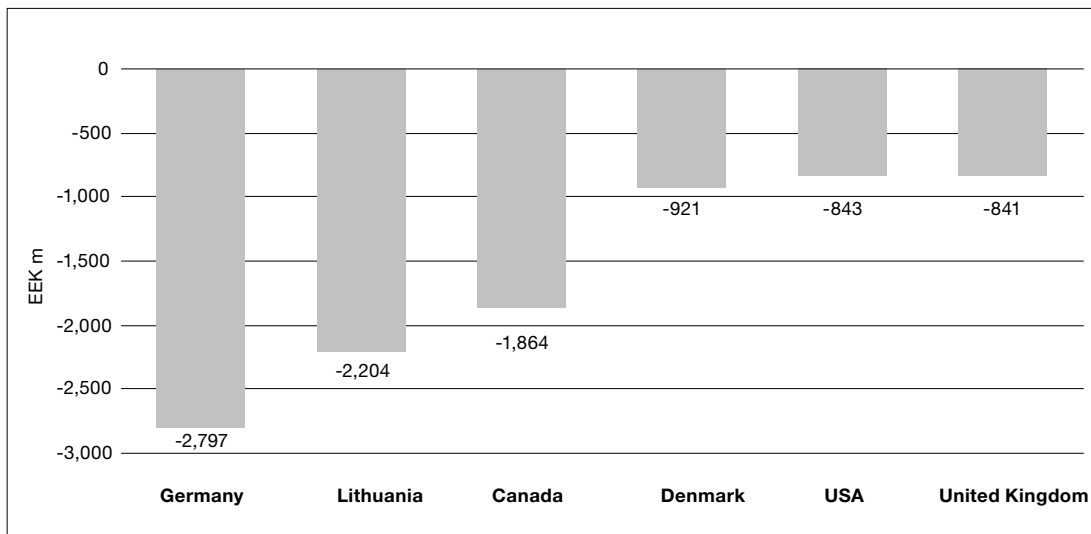


Figure 23. Decrease in other investment assets by countries in the first quarter of 2009

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

	Assets			Liabilities		
	Grantings	Repayments	Total	Drawings	Repayments	Total
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	44,894.7	-40,507.4	4,387.4
2005 total	-77,557.0	81,705.4	4,148.4	125,439.2	-100,763.3	24,676.1
Q1 2006	-24,363.2	22,034.6	-2,328.7	40,352.3	-31,023.2	9,329.1
Q2 2006	-5,514.4	7,286.1	1,771.7	38,397.3	-36,265.2	2,132.1
Q3 2006	-4,097.5	3,483.0	-614.5	41,859.5	-41,475.0	384.5
Q4 2006	-42,037.4	40,677.0	-1,360.4	62,260.4	-54,872.8	7,387.6
2006 total	-76,012.5	73,480.7	-2,531.9	182,869.5	-163,636.2	19,233.3
Q1 2007	-53,466.9	52,330.2	-1,136.8	72,446.7	-64,453.0	7,993.7
Q2 2007	-90,414.2	85,413.0	-5,001.2	96,778.5	-81,605.9	15,172.6
Q3 2007	-116,748.6	118,021.6	1,273.0	110,177.2	-99,955.3	10,222.0
Q4 2007	-135,853.8	130,625.5	-5,228.3	84,634.6	-79,790.4	4,844.1
2007 total	-396,483.5	386,390.3	-10,093.3	364,037.0	-325,804.6	38,232.4
Q1 2008	-14,168.5	11,511.9	-2,656.6	32,813.0	-33,557.8	-744.8
Q2 2008	-12,546.3	12,003.6	-542.6	29,475.8	-29,313.1	162.7
Q3 2008	-9,575.6	13,576.3	4,000.7	20,882.9	-18,674.4	2,208.5
Q4 2008	-11,635.9	8,881.4	-2,754.5	20,663.9	-21,159.3	-495.3
2008 total	-47,926.3	45,973.2	-1,953.0	103,835.6	-102,704.6	1,131.0
Q1 2009	-11,095.3	10,696.8	-398.5	14,675.9	-14,661.0	15.0

Reserve assets

The balance of payments reserves decreased by 2.3 billion kroons in the first quarter of 2009 (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 (%)		
	Q1 2008	Q4 2008	Q1 2009	Q1 2008	Q4 2008	Q1 2009
Gold				0.0	0.0	0.0
Currency and deposits	-3,760.9	-4,021.0	1,379.5	193.0	97.1	60.2
Securities	1,757.3	397.3	750.6	-90.2	-9.6	32.8
equity securities				0.0	0.0	0.0
bonds and notes	1112.2	3821.5	360.0	-57.1	-92.3	15.7
money market instruments	645.1	-3424.2	390.7	-33.1	82.7	17.1
Financial derivatives	0.7	0.0	-2.0	0.0	0.0	-0.1
Other assets	54.0	-515.9	162.1	-2.8	12.5	7.1
Total	-1,948.9	-4,139.6	2,290.3	100.0	100.0	100.0

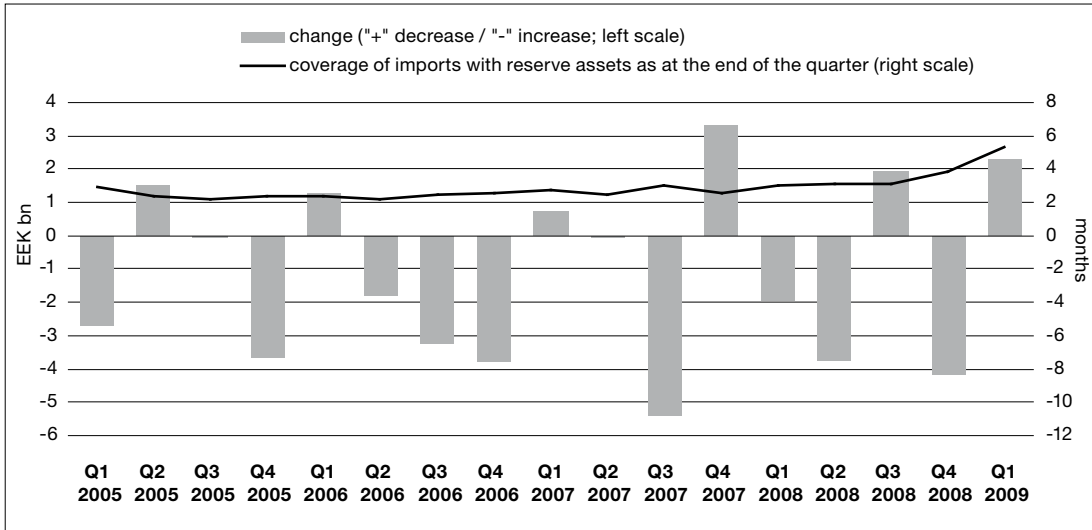


Figure 24. Changes in Estonia's gold and foreign exchange reserves and coverage of imports with reserve assets

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 31 March 2009

Direct investment in Estonia decreased by 10 billion kroons (2%) and totalled 420 billion kroons in the first quarter of 2009 (see Table 40). 58% of the direct investment was invested in financial intermediation, 15% in real estate, renting and business activities, nearly 8% in manufacturing and 7% in wholesale and retail trade (see Table 41). Most of the investment came from Sweden (38%) and Finland (20%). Foreign investment in Estonia has been decreasing for two successive quarters and primarily owing to a decline in other investment.

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

	31/12/2008	%	31/03/2009	%
EXTERNAL ASSETS	241,804.7	100.0	231,179.3	100.0
Direct investment abroad	74,245.6	30.7	74,153.4	32.1
Equity capital and reinvested earnings	52,923.7	21.9	52,076.9	22.5
Other direct investment capital	21,321.9	8.8	22,076.5	9.5
Portfolio investment	42,490.6	17.6	41,212.8	17.8
Equity securities	12,733.0	5.3	12,047.2	5.2
Other direct investment capital	29,757.6	12.3	29,165.6	12.6
Bonds and notes	20,636.0	8.5	20,700.2	9.0
Money market instruments	9,121.6	3.8	8,465.4	3.7
Financial derivatives	835.3	0.3	669.5	0.3
Other investment	80,057.3	33.1	73,564.0	31.8
Trade credit	17,053.7	7.1	16,437.3	7.1
Loans	18,109.0	7.5	18,271.8	7.9
Long-term	9,953.0	4.1	9,662.4	4.2
Short-term	8,156.0	3.4	8,609.4	3.7
Currency and deposits	41,062.2	17.0	34,285.4	14.8
Other assets	3,832.4	1.6	4,569.5	2.0
Reservvara	44,175.9	18.3	41,579.6	18.0
EXTERNAL LIABILITIES	430,415.7	100.0	420,538.4	100.0
Direct investment in Estonia	177,261.7	41.2	177,389.7	42.2
Equity capital and reinvested earnings	149,024.6	34.6	149,799.8	35.6
Other direct investment capital	28,237.0	6.6	27,589.9	6.6
Portfolio investment	32,373.7	7.5	30,874.0	7.3
Equity securities	7,965.5	1.9	7,438.6	1.8
Debt securities	24,408.2	5.7	23,435.4	5.6
Bonds and notes	24,326.7	5.7	23,321.9	5.5
Money market instruments	81.5	0.0	113.5	0.0
Financial derivatives	767.4	0.2	774.2	0.2
Other investment	220,013.0	51.1	211,500.5	50.3
Trade credit	13,857.4	3.2	12,140.5	2.9
Loans	46,976.3	10.9	46,888.4	11.1
Long-term	34,921.7	8.1	34,678.1	8.2
Short-term	12,054.6	2.8	12,210.3	2.9
Currency and deposits	152,637.9	35.5	144,902.7	34.5
Other liabilities	6,541.5	1.5	7,568.8	1.8
NET INVESTMENT POSITION	-188,611.0		-189,359.1	
Long-term	-110,383.6		-112,374.3	
Short-term	-78,227.4		-76,984.8	

The share of other investment in the structure of **foreign investment in Estonia** decreased to 50%, whereas the share of direct investment rose to 42%. In absolute terms, all types of investment (except for direct investment) contracted. Direct investment in Estonia totalled 177 billion kroons both at the end of the fourth quarter of 2008 and the first quarter of 2009. The most preferred fields of activity for **foreign direct investment in Estonia** were financial intermediation (35%), real estate, renting and business activities (25%), manufacturing (15%), and wholesale and retail trade 12% (see Table 42). 40% of direct investment in Estonia has been made by Swedish and 22% by Finnish investors. Investors from the Netherlands, Denmark and Russia have invested to a lesser extent. Estonian investment abroad shrank by 10 billion kroons (4%) and amounted to 231 billion kroons at the end of the first quarter. Similar to foreign direct investment in Estonia, most of Estonian investment abroad was channelled to financial intermediation (59%) and real estate, renting and business activities (14%). Estonian investors have invested in many different countries, Latvia, Lithuania and Germany being the most preferred destinations (14%, 11% and 11% of total Estonian investment abroad, respectively).

The changes in the structure of Estonia's foreign investment position were similar to the changes in the structure of foreign investment in Estonia. More specifically, the share of other investment decreased and that of direct investment increased; the total amount of direct investment remained virtually unchanged at 74 billion kroons. Both the other investment and direct investment comprised 32% of total foreign investment. The most active **foreign direct investors** were those of real estate, renting and business activities (38%), financial intermediation (36%), and transport, storage and communications 12% (see Table 42). Nearly 60% of Estonian investment abroad has been channelled to Latvia and Lithuania, and 11% to Cyprus.

Due to the prevalence of external liabilities, Estonia's net investment position was negative by 189 billion kroons at the end of the first quarter of 2009. 60% of the net investment position was long-term capital.

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

Assets			Liabilities		
Fields of activity					
	31/12/2008	31/03/2009		31/12/2008	31/03/2009
Financial intermediation	60.2	58.8	Financial intermediation	60.8	57.8
Real estate, renting and business activities	12.5	14.3	Real estate, renting and business activities	12.3	15.3
Public administration and defence; statutory social insurance	8.1	7.8	Manufacturing	7.2	7.5
Wholesale and retail trade; repair	7.3	6.2	Wholesale and retail trade; repair	7.8	7.2
Transport, storage and communications	5.0	5.5	Transport, storage and communications	4.8	4.5
Other	6.9	7.4	Other	7.1	7.7
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2008	31/03/2009		31/12/2008	31/03/2009
Latvia	13.2	13.7	Sweden	38.7	37.8
Lithuania	11.2	10.8	Finland	19.6	20.4
Germany	12.1	10.5	United Kingdom	6.3	6.3
United Kingdom	5.6	6.3	Denmark	5.9	5.1
Finland	5.4	6.2	Netherlands	3.3	3.4
Other	52.5	52.5	Other	26.2	27.0
Total	100.0	100.0	Total	100.0	100.0

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

In Estonia			Abroad		
Fields of activity					
	31/12/2008	31/03/2009		31/12/2008	31/03/2009
Financial intermediation	35.3	34.9	Real estate, renting and business activities	35.1	37.6
Real estate, renting and business activities	23.8	25.2	Financial intermediation	37.4	35.5
Manufacturing	14.3	14.7	Transport, storage and communications	11.4	11.8
Wholesale and retail trade; repair	12.6	12.1	Wholesale and retail trade; repair	6.5	5.4
Transport, storage and communications	6.1	4.7	Manufacturing	3.8	3.6
Other	7.9	8.4	Other	5.8	6.1
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2008	31/03/2009		31/12/2008	31/03/2009
Sweden	40.1	39.9	Latvia	32.0	31.6
Finland	22.2	22.3	Lithuania	28.1	27.6
Netherlands	7.2	7.3	Cyprus	9.8	10.7
Denmark	3.7	3.7	Finland	5.4	5.2
Russia	3.3	3.5	Russia	4.5	4.6
Other	23.5	23.3	Other	20.2	20.3
Total	100.0	100.0	Total	100.0	100.0

Estonia's gross external debt decreased by 10 billion kroons (3%) in the first quarter of 2009 and totalled 288 billion kroons at the end of the quarter, exceeding GDP by 19%. Credit institutions contributed the most to the decrease, comprising 56% of the debt. The general government debt constituted 3% of the debt. Estonia's net external debt (assets less liabilities) decreased 1% and totalled 96 billion kroons (see Figure 25 and Table 43). The net external debt accounted for 40% of GDP. The gross external debt accounted for 68% of total external liabilities. Leaving aside the intercompany lending of direct investment companies, long-term debt liabilities accounted for 56% of the gross external debt. Long-term debt claims formed a third of total debt claims.

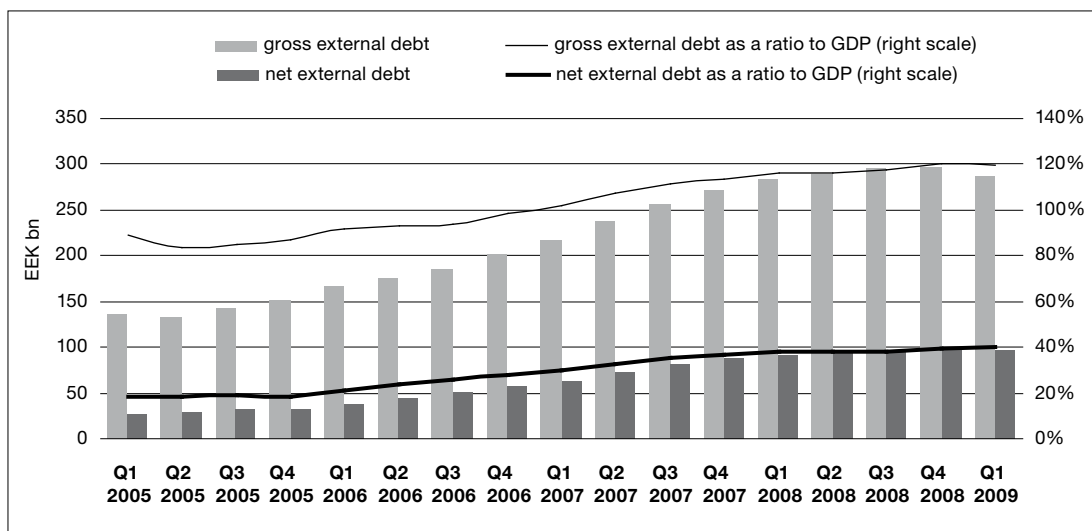


Figure 25. Estonia's gross and net external debt

Table 43. External debt (EEK m)

	31/12/2008	%	31/03/2009	%
LIABILITIES				
I. General government	7,671.1	2.6	9,527.3	3.3
Short-term	0.7	0.0	1.9	
Long-term	7,670.4	2.6	9,525.5	3.3
II. Monetary authorities (NCB)	139.5	0.0	113.3	0.0
Short-term	100.7	0.0	112.0	0.0
Long-term	38.8	0.0	1.3	0.0
III. Credit institutions	169,715.6	57.0	159,826.1	55.5
Short-term	85,547.4	28.7	79,034.1	27.5
Long-term	84,168.2	28.3	80,792.0	28.1
IV. Other sectors	66,895.0	22.5	65,469.2	22.7
Short-term	26,024.1	8.7	24,695.1	8.6
Long-term	40,870.9	13.7	40,774.1	14.2
V. Direct investment: intercompany lending	53,430.5	17.9	52,969.2	18.4
GROSS EXTERNAL DEBT	297,851.7	100.0	287,905.1	100.0
ASSETS				
I. General government	19,517.3	9.7	17,662.1	9.2
Short-term	6,898.0	3.4	4,721.3	2.5
Long-term	12,619.3	6.3	12,940.8	6.8
II. Monetary authorities (NCB)	44,019.9	22.0	41,478.9	21.6
Short-term	29,755.2	14.9	27,502.7	14.4
Long-term	14,264.7	7.1	13,976.1	7.3
III. Credit institutions	46,340.8	23.1	41,402.2	21.6
Short-term	38,044.4	19.0	33,212.7	17.3
Long-term	8,296.4	4.1	8,189.4	4.3
IV. Other sectors	43,961.3	21.9	43,651.6	22.8
Short-term	31,711.4	15.8	31,824.5	16.6
Long-term	12,249.9	6.1	11,827.1	6.2
V. Direct investment: intercompany lending	46,515.4	23.2	47,455.8	24.8
TOTAL ASSETS	200,354.6	100.0	191,650.5	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	11,846.1		8,134.8	
Short-term	3,517.6		-495.9	
Long-term	8,328.5		8,630.7	
II. Monetary authorities (NCB)	43,880.4		41,365.6	
Short-term	29,654.5		27,390.8	
Long-term	14,225.9		13,974.8	
III. Credit institutions	-123,374.8		-118,423.9	
Short-term	-47,503.0		-45,821.3	
Long-term	-75,871.8		-72,602.6	
IV. Other sectors	-22,933.7		-21,817.6	
Short-term	5,687.3		7,129.4	
Long-term	-28,621.0		-28,947.0	
V. Direct investment: intercompany lending	-6,915.1		-5,513.4	
TOTAL NET EXTERNAL DEBT	-97,497.1		-96,254.6	