

Eesti Pank
Bank of Estonia



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

2009

CONTENTS

SHORT OVERVIEW	4
CURRENT ACCOUNT	8
Goods.....	9
Services.....	14
Income.....	20
FINANCIAL ACCOUNT	25
Direct investment	26
Portfolio investment.....	31
Financial derivatives	35
Other investment.....	35
Reserve assets.....	40
ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 June 2009	41

SHORT OVERVIEW

- The ongoing global economic crisis and rapid easing in external and domestic demand had a major impact on the current account. The large deficits of the current account recorded for the past ten years, turned into a surplus of 2.6 billion kroons (4.9% of GDP) in the second quarter of 2009 (see Table 1 and Figure 1).¹
- The current account surplus was mainly caused by the rapidly declining trade deficit, but also by the improved balances of the other sub-accounts (services, income and current transfers).
- The exports of goods and services, direct components of GDP, exceeded their imports and the surplus on goods and services was 8.1% as a ratio of GDP. The imports of goods and services decreased faster than exports.
- The financial account recorded a modest net capital outflow as a result of changes in the external assets and liabilities.
- The gold and foreign exchange reserves increased by 1.2 billion kroons.

The trade account deficit decreased further in the second quarter as a result of the recession. The foreign trade deficit has shrunk from nearly 8 billion kroons in the second quarter of 2008 to only 1 billion kroons in the second quarter of 2009, constituting 2% of the second-quarter GDP. The decrease in trade deficit can largely be attributed to the trade of transport vehicles and machinery and equipment. Goods exports decreased 28% year-on-year and totalled 25 billion kroons in current prices. Goods imports contracted 38% and amounted to 26 billion kroons. Compared to the first quarter of 2009, exports increased 8% and imports grew 1%.

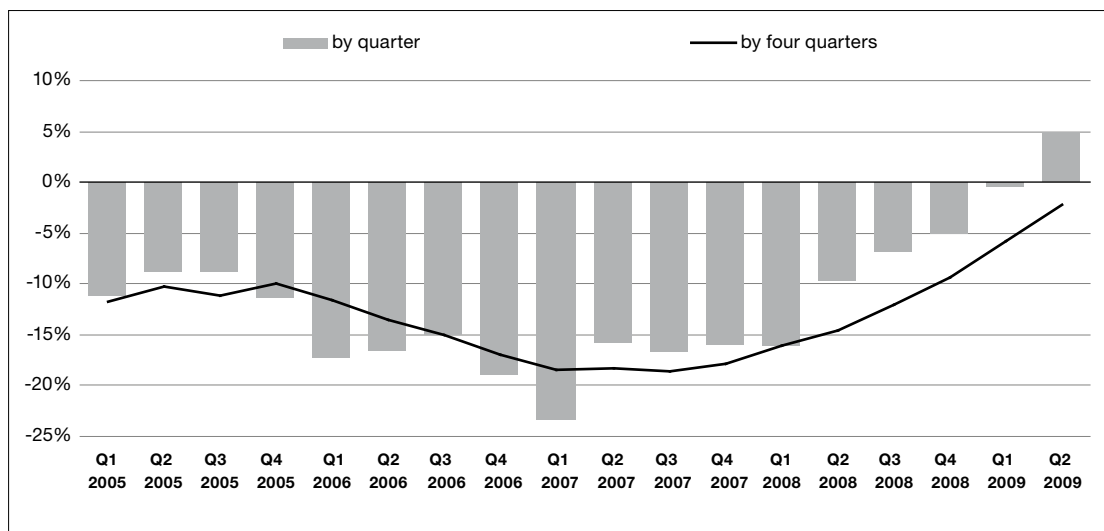


Figure 1. Current account deficit (% of GDP)

¹ The current account surplus without reinvested earnings, which involve no actual movement of funds, constituted 7.7% of the second-quarter GDP.

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

Item	2006	2007	2008				2009		
	Total	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
Current account	-35,010.1	-43,538.7	-9,670.0	-6,328.7	-4,402.6	-3,152.1	-23,553.4	-188.7	2,623.3
Goods and services	-25,005.4	-28,586.2	-4,157.9	-2,418.3	-1,666.7	-2,469.0	-10,711.9	820.4	4,375.4
Goods	-37,366.1	-43,581.0	-7,768.6	-7,551.5	-7,009.5	-7,051.7	-29,381.3	-2,778.9	-1,139.8
credit (f.o.b.)	121,430.6	126,534.2	31,811.4	35,045.5	34,725.2	31,978.7	133,560.8	23,428.3	25,326.4
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	-26,207.3	-26,466.2
Services	12,360.7	14,994.8	3,610.7	5,133.2	5,342.7	4,582.7	18,669.4	3,599.3	5,515.2
credit	43,610.5	50,065.4	11,839.7	13,922.4	15,303.9	14,174.1	55,240.1	10,642.7	12,604.3
debit	-31,249.8	-35,070.6	-8,229.0	-8,789.2	-9,961.2	-9,591.4	-36,570.7	-7,043.4	-7,089.2
Income	-10,766.2	-16,575.0	-5,493.0	-4,533.0	-3,494.4	-2,350.9	-15,871.4	-1,335.5	-2,619.8
credit	13,558.1	19,093.3	4,296.0	4,392.8	5,452.8	3,255.0	17,396.6	2,992.6	2,162.3
debit	-24,324.3	-35,668.4	-9,789.0	-8,925.9	-8,947.2	-5,605.9	-33,268.0	-4,328.1	-4,782.1
Transfers	761.5	1,622.5	-19.2	622.6	758.6	1,667.8	3,029.8	326.5	867.8
credit	6,568.5	7,610.8	1,674.6	1,721.6	1,823.0	3,001.4	8,220.7	1,888.2	1,683.9
debit	-5,806.9	-5,988.3	-1,693.8	-1,099.0	-1,064.5	-1,333.6	-5,190.8	-1,561.8	-816.1
Capital and financial account (reserve assets excluded)	41,431.3	42,261.0	11,456.3	8,932.0	4,162.8	8,258.4	32,809.5	-1,791.2	-555.0
Capital account	4,515.8	2,561.0	340.9	574.9	621.2	975.0	2,511.9	627.0	797.1
Financial account	36,915.4	39,700.0	11,115.4	8,357.1	3,541.7	7,283.4	30,297.6	-2,418.2	-1,352.1
Direct investment	8,613.1	11,344.1	4,405.2	1,296.8	1,779.0	1,831.5	9,312.5	167.8	-3,172.7
Abroad	-13,790.4	-19,912.0	-4,734.3	-1,884.1	-2,996.6	-1,685.1	-11,300.1	-2,698.1	-3,254.6
In Estonia	22,403.6	31,256.1	9,139.4	3,180.9	4,775.6	3,516.6	20,612.5	2,865.9	81.9
Portfolio investment	-16,476.5	-5,558.2	1,645.4	2,428.9	-1,910.8	5,691.0	7,854.5	-259.5	-5,861.6
Assets	-15,206.7	-8,440.6	1,572.0	3,288.7	-1,551.1	7,330.3	10,639.9	652.4	-5,396.3
Equity securities	-4,569.2	-7,688.8	1,539.9	947.6	-57.6	1,672.5	4,102.5	183.4	-247.3
Debt securities	-10,637.5	-751.8	32.1	2,341.1	-1,493.5	5,657.8	6,537.4	469.0	-5,149.0
Liabilities	-1,269.8	2,882.4	73.4	-859.8	-359.7	-1,639.2	-2,785.4	-912.0	-465.3
Equity securities	3,731.8	3,533.3	-1,007.7	-235.7	-471.8	-1,700.1	-3,415.3	-410.0	-109.3
Debt securities	-5,001.6	-650.9	1,081.1	-624.1	112.1	60.9	629.9	-502.0	-356.1
Financial derivatives	78.5	-797.8	792.0	-7.6	-579.3	623.2	828.5	160.1	314.7
Assets	-180.9	-883.4	812.5	-56.8	-233.3	152.2	674.6	163.2	132.4
Liabilities	259.4	85.6	-20.5	49.2	-346.0	471.0	153.9	-3.1	182.3
Other investment	44,700.3	34,711.9	4,272.9	4,639.0	4,252.8	-862.4	12,302.2	-2,486.6	7,367.6
Assets	562.4	-22,289.4	-1,867.9	-236.6	875.8	-4,433.2	-5,662.0	7,634.3	11,941.7
Long-term	-3,052.9	-2,509.2	-803.5	-342.6	-307.4	238.0	-1,215.4	264.0	101.1
Short-term	3,615.3	-19,780.2	-1,064.5	105.9	1,183.2	-4,671.3	-4,446.6	7,370.3	11,840.6
Liabilities	44,137.9	57,001.3	6,140.8	4,875.6	3,377.0	3,570.8	17,964.2	-10,120.9	-4,574.1
Long-term	17,690.5	32,869.7	800.3	1,901.4	637.1	-180.6	3,158.3	1,798.7	-2,359.4
Short-term	26,447.4	24,131.6	5,340.5	2,974.2	2,739.9	3,751.4	14,805.9	-11,919.6	-2,214.7
Errors and omissions	1,106.1	2,679.6	162.6	1,115.7	-1,688.1	-976.6	-1,386.4	-310.4	-884.3
Overall balance	7,527.3	1,401.9	1,948.9	3,719.0	-1,927.8	4,129.7	7,869.7	-2,290.3	1,184.1
Reserve assets	-7,527.3	-1,401.9	-1,948.9	-3,719.0	1,927.8	-4,129.7	-7,869.7	2,290.3	-1,184.1

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

Both the imports and exports of goods decreased across all major goods groups, except for mineral products, which increased 10% in terms of exports. The year-on-year decline in exports was primarily affected by machinery and equipment, metals and metal products, and timber and timber products. The imports of machinery and equipment, transport vehicles and metals decreased the most. Foreign trade posted a surplus in the groups of timber and timber products, furniture and other industrial goods.

Estonia's main trading partner – the European Union – contributed 68% of the exports and 78% of the imports of goods. Finland, Sweden, Latvia, Russia and the United States were the largest export partners, and Finland, Lithuania, Russia, Germany, Latvia and Sweden the major import partners.

The **services account** has held up relatively well given the current recession: the surplus on services increased slightly, year-on-year, and totalled 5.5 billion kroons. Compared to the first quarter of 2009, the surplus grew 50%. Services exports went down 10% and imports shrank 19% year-on-year. Transport, travel and other business services were the three major types of services also in the second quarter of 2009. The surplus on transport and other business services increased from the second quarter of 2008. Communications, computer and information services, which have a smaller turnover, also increased their surpluses. The earlier large surplus on construction services declined considerably.

The net outflow of **income** amounted to 2.6 billion kroons in the second quarter of 2009, being nearly two times smaller compared to the second quarter of 2008. This stemmed from falling profits, growing losses and the drawing of dividends, which in turn reduced reinvested earnings. The income earned by Estonian residents abroad declined 50% year-on-year and 25% quarter-on-quarter. Non-residents' income earned in Estonia also shrank 50% from the second quarter of 2008 but increased 11% from the first quarter of 2009.

Incoming **current and capital transfers** increased 6% year-on-year, whereas outgoing transfers decreased 28%. Consequently, the surpluses on current and capital transfers grew, reaching 0.9 and 0.8 billion kroons, respectively.

The modest net outflow of capital, which started in the first quarter of 2009, continued also in the second quarter. As a result, the **financial account** posted a deficit of 1.4 billion kroons. The net capital outflow mainly comprised portfolio and direct investment. As regards other investment capital, the inflow to Estonia exceeded the outflow to other countries.

The outflow of **direct investment** exceeded their inflow in the second quarter after a long time; the net outflow increased by 3.2 billion kroons. Foreign direct investment in Estonia contracted sharply and amounted to only 0.1 billion kroons. Estonian residents' direct investment abroad, on the other hand, totalled 3.3 billion kroons. Foreign direct investment in Estonia decreased by approximately 2.8 billion kroons quarter-on-quarter, whereas Estonia's direct investment abroad grew 20%.

Equity capital investment accounted for 1.7 billion kroons and reinvested earnings for 1.6 billion kroons of total direct investment in Estonia. Foreign direct investors increased the credit received from their direct investment companies located in Estonia (mostly enterprises in other sectors) by 2.4 billion kroons. Growth in direct investment abroad can largely be attributed to the increase in loans issued by investors to their foreign subsidiaries and associated companies.

The net outflow of **portfolio investment** amounted to 5.9 billion kroons. Portfolio investment assets increased by 5.4 billion and liabilities decreased by 0.5 billion kroons. Growth in assets concerned mainly credit institutions, whose money market assets increased by 6.1 billion kroons. General government's debt security assets, on the other hand, contracted by 1.2 billion kroons. Liabilities decreased primarily owing to a decline in the debt security liabilities of other sectors.

The net inflow of **financial derivatives** was nearly 0.3 billion kroons.

As regards **other investment**, the two preceding quarters witnessed a slight net outflow, whereas the second quarter of 2009 recorded the largest net inflow of the last couple of years with 7.4 billion kroons. Portfolio investment assets decreased by 11.9 billion and liabilities by 4.6 billion kroons. The decrease in assets (loans, currency and deposits) concerned primarily credit institutions. Liabilities contracted on account of other sectors' loans and credit institutions' currency and deposits.

The **gold and foreign exchange reserves** increased by 1.2 billion kroons.

CURRENT ACCOUNT

Given the weak external and domestic demand, the current account deficit turned into a surplus in the second quarter of 2009. The last time the current account posted a surplus was ten years ago. In the second quarter, the surplus totalled 2.6 billion kroons, i.e. 4.9% of GDP (see Figure 2). The surplus was mainly caused by the rapidly declining trade deficit, but also the improved balances of the other sub-accounts. The account of goods and services (the direct components of GDP) recorded a surplus and constituted 8.1% of GDP.

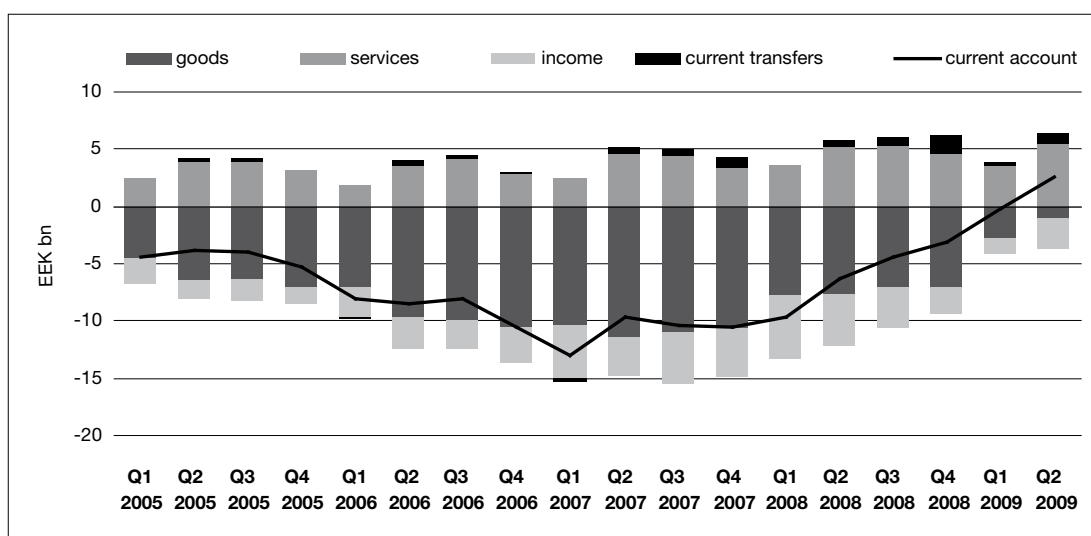


Figure 2. Current account structure

The credit turnover of the current account decreased 24% and debit turnover 36% year-on-year. Estonia traded mostly with the EU Member States, which accounted for 73% of the credit turnover and 80% of the debit turnover (see Table 2). The four most important partners were Finland, Sweden, Russia and Lithuania

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

	Q2 2008	Q1 2009	Q2 2009
EU-27	-10,553.9	-2,456.4	-1,109.6
Finland	1,646.9	3,406.8	2,523.1
Sweden	-3,218.5	-1,941.6	-1,402.7
Lithuania	-1,619.3	-682.2	-985.6
Germany	-4,188.9	-1,116.7	-884.9
Poland	-1,046.7	-676.1	-871.7
CIS	327.7	-375.7	-59.6
Ukraine	185.2	144.8	-357.9
Kazakhstan	177.0	191.2	284.2
Russia	1,135.6	-304.2	194.3
Other	3,897.6	2,643.4	3,792.6
USA	1,730.7	233.6	1,258.4
Nigeria	252.8	514.7	1,157.4
Norway	1,338.6	574.3	553.3
Switzerland	379.3	577.7	399.8
British Virgin Islands	114.6	218.5	236.5
Total	-6,328.7	-188.7	2,623.3

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

with regard to both the credit and debit turnover, only in a slightly different ranking. Latvia was the fifth biggest partner in terms of credit turnover and Germany in debit turnover. The share of the five largest trade partners was 54-55% in both cases. Estonia had the largest current account surplus with Finland and the biggest deficit with Sweden. Year-on-year, the surplus with Finland increased and the deficit with Sweden decreased 50%.

Goods

The trade account deficit, which had been decreasing since the second quarter of 2007, followed the downward trend also in the second quarter of 2009 and reached the record low of 1.1 billion kroons (see Table 3). A similar deficit was last witnessed at the beginning of 1994. The exports of goods were 25.3 billion kroons, having decreased 28% year-on-year; imports declined 38% and totalled 26.5 billion kroons. Quarter-on-quarter, exports grew 8% whereas imports remained unchanged from the previous quarter.

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	31,978.7	-7.9	69.3	39,030.3	-6.5	80.3	-7,051.6
2008 total	133,560.8	5.6	70.7	162,942.0	-4.2	81.7	-29,381.2
Q1 2009	23,428.3	-26.7	68.8	26,207.3	-32.9	78.8	-2,779.0
Q2 2009	25,326.4	8.1	66.8	26,466.2	1.0	78.9	-1,139.8

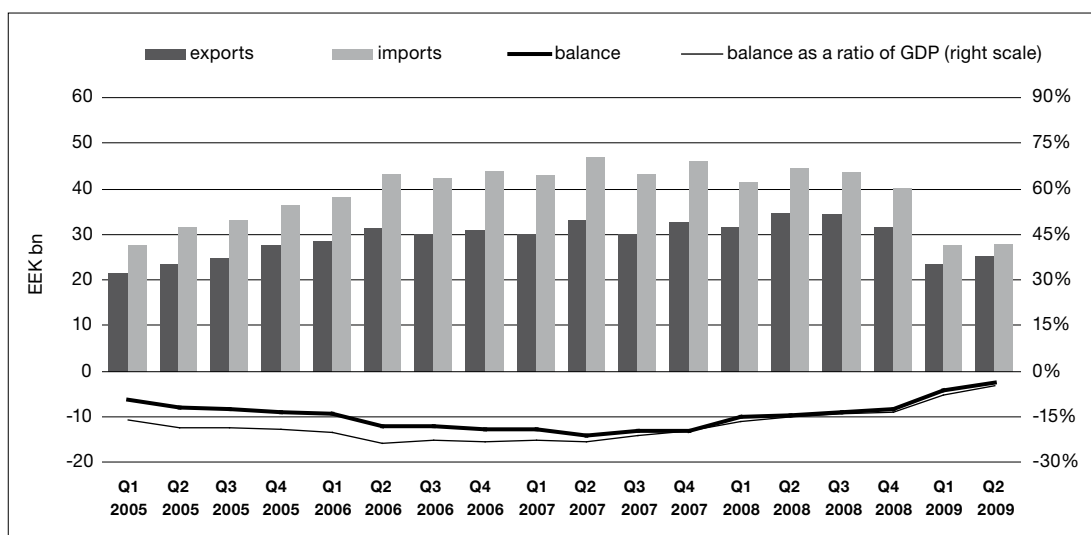


Figure 3. Estonia's foreign trade balance

According to the preliminary **foreign trade statistics**², goods exports totalled 25.2 billion and imports (c.i.f.) 27.8 billion kroons (see Figure 3). The foreign trade deficit contracted by 7 billion kroons year-on-year, and stood at 2.6 billion kroons.

Goods exports decreased across all goods groups, except for mineral products which posted a 10% growth in exports (see Table 4). Thus, the exports of mineral products ranked second after machinery and equipment. Motor fuels comprised 84% of the exported mineral products; most of it was imported for processing from Russia and Lithuania, and then re-exported to the United States and Nigeria. Electricity was sold to Latvia, Finland and Lithuania. The exports of machinery and equipment declined by a third.

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
Food	2,889.7	2,261.8	2,298.0	8.3	9.7	9.1	1.6	-20.5
Mineral products	4,136.8	3,020.5	4,567.0	11.9	13.0	18.1	51.2	10.4
Chemical products	2,954.6	1,845.9	2,048.4	8.5	7.9	8.1	11.0	-30.7
Clothing, footwear and headgear	1,797.6	1,386.7	1,220.7	5.2	6.0	4.9	-12.0	-32.1
Timber, paper and products	4,078.9	2,875.7	2,911.5	11.7	12.3	11.6	1.2	-28.6
Metals and metal products	4,637.7	2,225.8	2,119.1	13.3	9.6	8.4	-4.8	-54.3
Machinery and equipment	7,474.0	5,349.6	4,912.7	21.5	23.0	19.5	-8.2	-34.3
Transport vehicles	2,654.4	1,359.2	1,995.1	7.6	5.8	7.9	46.8	-24.8
Furniture, toys, sporting goods	2,528.4	1,965.5	2,074.7	7.3	8.4	8.2	5.6	-17.9
Other	1,604.2	1,012.8	1,019.8	4.6	4.3	4.1	0.7	-36.4
Total	34,756.4	23,303.5	25,167.1	100.0	100.0	100.0	8.0	-27.6

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

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

The exports of the biggest export item – mobile communication devices – have decreased 34% and that of electric cables as much as 72%, year-on-year. Electricity and electronic goods were primarily exported to Sweden and Finland.

The exports of timber and timber decreased by a billion kroons. Wooden construction components, little processed timber and mechanical pulp were exported to Finland, Sweden, Denmark, Germany and Norway. The exports of food products declined 20% with the exports of the former biggest export item – alcohol – decreasing by two times. Instead, the exports of cheese and curd products ranked first and went to Finland, Russia and Italy. Other food products (fish, meat and dairy products, beer, wine, etc.) were exported to the abovementioned three countries as well as to Latvia, Lithuania, Sweden, Germany and Ukraine. The exports of metal products decreased 50%. Iron constructions, waste metals and hot-rolled steel products were sold to Finland, Latvia, Sweden, Turkey and Germany. Russia, Lithuania, Latvia and Finland purchased chemical products (construction and repair materials, carbonic acids and plastic products).

The exports of transport vehicles have contracted mainly owing to lower imports of motor cars from Sweden, Germany and Finland. Nevertheless, the exports of motor cars and their parts accounted for nearly 50% of that goods group and went to Lithuania, Latvia, Germany and Russia. Moreover, trailers were sold to Finland and Sweden, and wagons to Russia. Prefabricated wooden buildings were delivered to Germany and Norway; furniture and other industrial goods to Finland, Germany, Sweden, Norway and the United Kingdom; textile products and footwear to Finland, Sweden, Latvia and Russia.

The **imports of goods** declined across all groups of goods (see Table 5). The imports of machinery and equipment, transport vehicles and metal products decreased the most – by half or even more. The imports of machinery and equipment decreased relatively evenly across different types of products. Electrical and electronic products, agricultural machinery and computers were imported from Finland, Sweden and Germany. The 60% decline in the imports of transport vehicles primarily stemmed from lower imports of motor cars from Sweden, Germany and Finland. Other import items from these countries included spare car parts, tractors and trucks. In addition, a plane was purchased from the United States. The imports of metals and metal products contained various iron and steel products from Finland, Germany, Sweden, Poland, Latvia and Russia.

Table 5. Imports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
Food	4,389.6	3,292.7	3,684.1	9.9	12.0	13.3	11.9	-16.1
Mineral products	6,777.7	5,166.4	5,651.8	15.2	18.8	20.4	9.4	-16.6
Chemical products	5,693.6	3,857.1	4,184.8	12.8	14.0	15.1	8.5	-26.5
Clothing, footwear and headgear	2,671.9	2,037.0	1,673.0	6.0	7.4	6.0	-17.9	-37.4
Timber, paper and products	2,157.1	1,291.3	1,388.4	4.8	4.7	5.0	7.5	-35.6
Metals and metal products	5,040.6	2,220.5	2,120.8	11.3	8.1	7.6	-4.5	-57.9
Machinery and equipment	9,646.3	5,753.7	5,127.4	21.7	21.0	18.5	-10.9	-46.8
Transport vehicles	5,383.2	1,647.0	2,146.6	12.1	6.0	7.7	30.3	-60.1
Furniture, toys, sporting goods	1,024.9	669.7	655.1	2.3	2.4	2.4	-2.2	-36.1
Other	1,737.6	1,524.2	1,134.0	3.9	5.6	4.1	-25.6	-34.7
Total	44,522.3	27,459.6	27,766.0	100.0	100.0	100.0	1.1	-37.6

Mineral products, in particular motor fuels, were imported from Russia and Lithuania both for domestic supply and processing. Fuels have been Estonia's largest import item since 2005; in the second quarter of 2009 they comprised 80% of the imports of mineral products and 16% of total imports. The largest import items in the food group were again spirits, which were purchased from Finland, the United Kingdom and France, and wine from the traditional wine exporters France, Spain and Chile. In addition, pork, sugar, ready-to-eat pet food, chocolate and other food products were imported.

Medicines were still the biggest import item among chemical products and were imported from Lithuania, Latvia, Germany, the Netherlands and Slovenia. Other chemical products (plastic products, binders, hydrocarbons, tyres, etc.) were purchased from Lithuania, Latvia, Germany, Finland, Poland, the Netherlands, Sweden and Russia. The deliveries of clothing consisted primarily of footwear and ready-made clothes from Latvia, Finland, Germany, Italy and China. The largest import items among timber products were little processed timber, paper, cardboard, toilet paper and paper towels, which were imported from Finland, Russia, Latvia and Sweden. Interior design products (furniture, lamps, etc.) were purchased from Finland, Poland, China and Latvia.

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

	Q2 2008	Q1 2009	Q2 2009
Food	-1,499.9	-1,031.0	-1,386.2
Mineral products	-2,640.9	-2,145.9	-1,084.8
Chemical products	-2,739.0	-2,011.1	-2,136.4
Clothing, footwear and headgear	-874.2	-650.3	-452.3
Timber, paper and products	1,921.8	1,584.4	1,523.2
Metals and metal products	-402.9	5.4	-1.7
Machinery and equipment	-2,172.3	-404.1	-214.7
Transport vehicles	-2,728.7	-287.8	-151.5
Furniture, toys, sporting goods	1,503.6	1,295.9	1,419.6
Other	-133.4	-511.4	-114.2
Total	-9,765.9	-4,156.1	-2,599.0

Table 7. Exports of goods by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
EU-27	24,541.4	16,558.3	17,159.5	70.6	71.1	68.2	3.6	-30.1
Finland	6,337.4	4,481.5	4,357.0	18.2	19.2	17.3	-2.8	-31.2
Sweden	4,903.0	3,450.9	2,987.6	14.1	14.8	11.9	-13.4	-39.1
Latvia	3,191.5	2,091.2	2,383.5	9.2	9.0	9.5	14.0	-25.3
Germany	1,903.2	1,484.8	1,585.4	5.5	6.4	6.3	6.8	-16.7
Lithuania	1,965.5	1,085.5	1,290.0	5.7	4.7	5.1	18.8	-34.4
CIS	4,109.7	2,486.0	2,805.2	11.8	10.7	11.1	12.8	-31.7
Russia	3,110.4	1,928.3	2,176.9	8.9	8.3	8.6	12.9	-30.0
Ukraine	571.1	258.8	288.5	1.6	1.1	1.1	11.5	-49.5
Belarus	200.3	128.1	170.4	0.6	0.5	0.7	33.1	-14.9
Other	6,105.3	4,259.2	5,202.4	17.6	18.3	20.7	22.1	-14.8
USA	2,122.8	515.7	1,703.0	6.1	2.2	6.8	230.2	-19.8
Nigeria	253.0	517.2	1,157.8	0.7	2.2	4.6	123.9	357.6
Norway	1,327.2	706.4	773.8	3.8	3.0	3.1	9.5	-41.7
Total	34,756.4	23,303.5	25,167.1	100.0	100.0	100.0	8.0	-27.6

The **foreign trade deficit** contracted 73% year-on-year and 37% quarter-on-quarter, amounting to 2.6 billion kroons (see Table 6). Chemical, food and mineral products had the largest deficits on the goods account. Timber and timber products and other consumer goods posted considerable surpluses. Metal products reached a balance, and the deficits on other goods groups diminished noticeably.

The **exports of goods** decreased across all **groups of countries**, even by a third with regard to the EU and CIS countries (see Table 7). Goods exports to EU countries, in particular Finland and Sweden, shrank the most. The biggest export partners were Finland, Sweden, Latvia, Russia and the United States.

The **imports of goods** also decreased across all groups of countries, in particular the EU members Germany, Finland and Russia (see Table 8). The top five import partners were Finland, Lithuania, Russia, Germany and Latvia.

The **foreign trade deficit** with the European Union decreased by 7 billion kroons, i.e. 61% (see Table 9). Estonia had the largest foreign trade surplus with Sweden, Finland and Denmark from among EU countries, Ukraine from among the CIS, and Nigeria and the United States from among other countries. Estonia had the biggest trade deficit with Lithuania, Germany and Poland.

Table 8. Imports of goods by groups of countries*

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
EU-27	36,294.1	20,869.6	21,684.8	81.5	76.0	78.1	3.9	-40.3
Finland	6,571.1	3,798.1	3,960.8	14.8	13.8	14.3	4.3	-39.7
Lithuania	4,567.4	2,470.7	3,065.0	10.3	9.0	11.0	24.1	-32.9
Germany	6,391.9	2,841.4	2,721.3	14.4	10.3	9.8	-4.2	-57.4
Latvia	3,357.0	2,510.2	2,470.7	7.5	9.1	8.9	-1.6	-26.4
Sweden	4,653.7	2,307.9	2,370.2	10.5	8.4	8.5	2.7	-49.1
CIS	4,840.3	3,928.7	3,284.8	10.9	14.3	11.8	-16.4	-32.1
Russia	2,921.4	2,953.4	2,838.5	6.6	10.8	10.2	-3.9	-2.8
Belarus	1,186.1	633.0	280.8	2.7	2.3	1.0	-55.6	-76.3
Ukraine	489.7	216.7	126.4	1.1	0.8	0.5	-41.6	-74.2
Other	3,387.9	2,661.3	2,796.5	7.6	9.7	10.1	5.1	-17.5
USA	502.5	347.3	675.8	1.1	1.3	2.4	94.6	34.5
China	941.0	727.8	471.1	2.1	2.7	1.7	-35.3	-49.9
Norway	251.2	361.3	464.2	0.6	1.3	1.7	28.5	84.8
Total	44,522.3	27,459.6	27,766.0	100.0	100.0	100.0	1.1	-37.6

* Analysed by trading country.

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

	Q2 2008	Q1 2009	Q2 2009
EU-27	-11,752.7	-4,311.3	-4,525.3
CIS	-730.6	-1,442.6	-479.6
Other	2,717.4	1,597.8	2,405.9
Total	-9,765.9	-4,156.1	-2,599.0

Services

Regardless of the recession, in the second quarter of 2009 the surplus on the services account slightly increased from the year-ago period and totalled 5.5 billion kroons (see Tables 10-11).

The higher surplus resulted primarily from the faster decline in the imports of transport and other services (the two major types of services) compared to their exports. The surplus on construction services decreased considerably year-on-year. However, compared to the first quarter of 2009, the net exports of services increased by a half because of seasonal factors. The services surplus accounted for 10% of GDP (see Figure 4).

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	14,174.2	-7.4	30.7	9,591.4	-3.7	19.7	4,582.7	-14.2
2008 total	55,240.2	10.3	29.3	36,570.7	4.3	18.3	18,669.3	24.5
Q1 2009	10,642.7	-24.9	31.2	7,043.4	-26.6	21.2	3,599.3	-21.5
Q2 2009	12,604.3	18.4	33.2	7,089.2	0.7	21.1	5,515.2	53.2

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
Transportation	1,785.7	1,933.0	2,172.7	34.8	53.7	39.4	12.4	21.7
Travel	1,655.7	609.3	1,604.8	32.3	16.9	29.1	163.4	-3.1
Construction services	533.8	31.1	119.7	10.4	0.9	2.2	284.9	-77.6
Computer and information services	177.5	260.9	250.4	3.4	7.3	4.5	-4.0	41.1
Business services	780.2	776.6	955.4	15.2	21.6	17.3	23.0	22.5
Government services	30.5	30.3	33.5	0.6	0.8	0.6	10.6	9.8
Other	169.8	-41.9	378.7	3.3	-1.2	6.9	1,003.8	123.0
Total	5,133.2	3,599.3	5,515.2	100.0	100.0	100.0	53.2	7.4

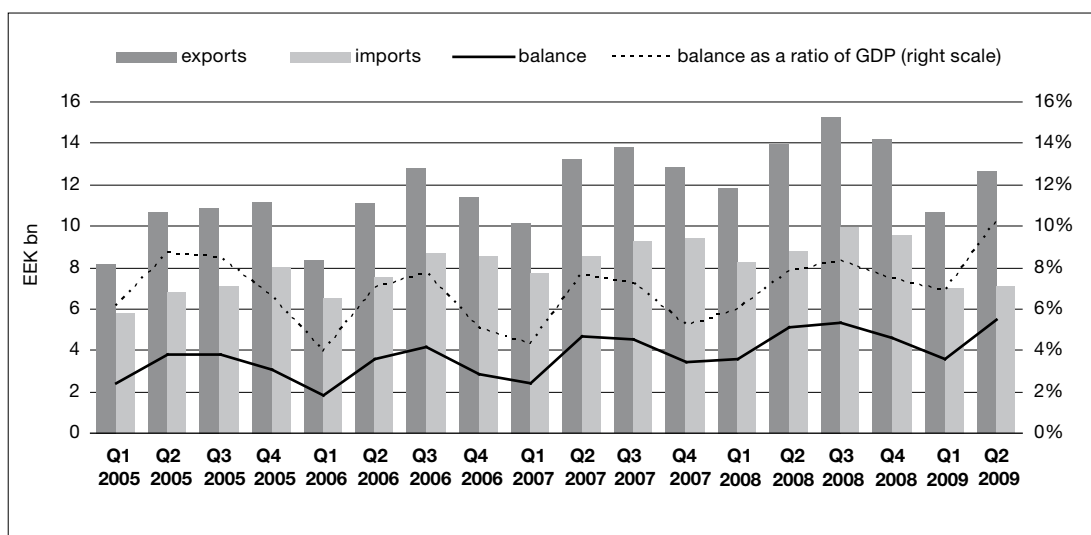


Figure 4. Services account

The exports of services shrank 10% year-on-year across nearly all types of services, except for communication, insurance, computer and information services that have also smaller turnovers (see Table 12). Similar to total services exports, also imports declined across all groups of countries (see Table 13). Regarding other countries, the fall in exports was less pronounced mostly owing to increased imports of services (in particular trade services) to offshore regions. The exports of services (mainly operational lease) to Kazakhstan increased by over two times, year-on-year.

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
Transportation	5,382.9	4,239.3	4,526.8	38.6	39.8	35.9	6.8	-15.9
freight	2,575.7	1,870.3	1,874.8	18.5	17.6	14.9	0.2	-27.2
passenger	1,259.3	713.8	1,149.9	9.0	6.7	9.1	61.1	-8.7
other transport services	1,547.9	1,655.2	1,502.1	11.1	15.5	11.9	-9.2	-3.0
Travel	3,478.1	2,185.6	3,356.7	25.0	20.5	26.6	53.6	-3.5
Construction services	780.3	527.0	538.7	5.6	5.0	4.3	2.2	-31.0
Computer and information services	468.3	461.8	503.4	3.4	4.3	4.0	9.0	7.5
Business services	2,724.1	2,354.7	2,575.8	19.6	22.1	20.4	9.4	-5.4
Government services	134.1	122.7	124.4	1.0	1.2	1.0	1.4	-7.2
Other	954.6	751.6	978.5	6.8	7.1	7.8	30.2	2.5
Total	13,922.4	10,642.7	12,604.3	100.0	100.0	100.0	18.4	-9.5

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
EU-27	10,021.2	7,309.5	9,049.3	72.0	68.7	71.8	23.8	-9.7
Finland	4,280.2	3,032.6	3,758.0	30.7	28.5	29.8	23.9	-12.2
Sweden	1,281.4	796.8	1,185.5	9.2	7.5	9.4	48.8	-7.5
Latvia	651.8	561.7	656.9	4.7	5.3	5.2	16.9	0.8
Germany	674.2	429.3	549.2	4.8	4.0	4.4	27.9	-18.5
United Kingdom	749.8	443.5	460.8	5.4	4.2	3.7	3.9	-38.5
CIS	1,806.4	1,484.5	1,558.4	13.0	13.9	12.4	5.0	-13.7
Russia	1,478.7	1,045.4	1,156.4	10.6	9.8	9.2	10.6	-21.8
Kazakhstan	91.6	203.0	219.6	0.7	1.9	1.7	8.2	139.7
Other	2,094.8	1,848.7	1,996.6	15.0	17.4	15.8	8.0	-4.7
offshore regions	383.2	530.9	536.4	2.8	5.0	4.3	1.0	40.0
Switzerland	482.9	505.5	492.9	3.5	4.7	3.9	-2.5	2.1
USA	437.9	278.6	346.7	3.1	2.6	2.8	24.4	-20.8
Total	13,922.4	10,642.7	12,604.3	100.0	100.0	100.0	18.4	-9.5

Services imports shrank 19% from the second quarter of 2008 and totalled 7.1 billion kroons (see Table 14). Imports decreased across all services, excluding construction services. Imports from EU countries declined more or less at the same pace than total imports and accounting for 76% of total services imports (see Table 15). In the group of EU countries, imports from Finland, Sweden and Germany increased the most. Services imports from other countries decreased 25% from the second quarter of 2008. Imports from the CIS (in particular Russia) declined 14%.

The **balance of transport services** comprised 39% of the services account in the second quarter of 2009, having increased over 20% year-on-year. The surplus increased, as the imports of transport services decreased faster than exports (see Figure 5 and Tables 11–13). Maritime transport accounted for the largest share of transport services and also made a significant contribution to the surplus on services. Air transport again posted a small deficit.

The exports of **transport services** decreased 16% year-on-year, mainly on account of freight transport services. 64% of the transport services were exported to EU countries, which is nearly 25% less than in the second quarter of 2008 (see Table 16). Exports to other countries, in particular the United States, declined to a smaller extent. Only exports to the CIS grew slightly from the second quarter of 2008.

The imports of transport services, particularly freight transport and auxiliary services, contracted 35% year-on-year. 75% of the transport services were imported from EU countries, but a third less than in the second quarter of 2008. Imports from the CIS decreased 50% and that from other countries, in particular China, declined more than 25% (see Tables 14 and 16).

Table 14. Services imports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
Transportation	3,597.3	2,306.4	2,354.1	40.9	32.7	33.2	2.1	-34.6
freight	2,382.6	1,557.8	1,410.0	27.1	22.1	19.9	-9.5	-40.8
passenger	309.3	233.2	301.3	3.5	3.3	4.2	29.2	-2.6
other transport services	905.4	515.4	642.8	10.3	7.3	9.1	24.7	-29.0
Travel	1,822.4	1,576.3	1,751.9	20.7	22.4	24.7	11.1	-3.9
Construction services	246.5	495.8	418.9	2.8	7.0	5.9	-15.5	69.9
Computer and information services	290.8	201.0	253.0	3.3	2.9	3.6	25.9	-13.0
Business services	1,943.9	1,578.0	1,620.4	22.1	22.4	22.9	2.7	-16.6
Government services	103.6	92.4	90.9	1.2	1.3	1.3	-1.6	-12.3
Other	784.7	793.5	600.0	9.0	11.3	8.4	-24.4	-23.5
Total	8,789.2	7,043.4	7,089.2	100.0	100.0	100.0	0.7	-19.3

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
EU-27	6,815.8	5,301.6	5,402.2	77.5	75.3	76.2	1.9	-20.7
Finland	1,216.5	863.0	957.8	13.8	12.3	13.5	11.0	-21.3
Latvia	741.0	689.7	630.0	8.4	9.8	8.9	-8.7	-15.0
Germany	743.8	392.9	526.2	8.5	5.6	7.4	33.9	-29.3
Sweden	749.3	664.0	516.0	8.5	9.4	7.3	-22.3	-31.1
Denmark	355.3	475.7	368.7	4.0	6.8	5.2	-22.5	3.8
CIS	895.4	735.9	770.8	10.2	10.4	10.9	4.7	-13.9
Russia	650.9	589.9	483.3	7.4	8.4	6.8	-18.1	-25.7
Belarus	78.6	43.9	83.2	0.9	0.6	1.2	89.5	5.9
Other	1,078.0	1,005.9	916.2	12.3	14.3	12.9	-8.9	-15.0
USA	282.5	245.6	236.2	3.2	3.5	3.3	-3.8	-16.4
Norway	105.5	85.4	103.5	1.2	1.2	1.5	21.2	-1.9
Turkey	93.2	30.7	94.7	1.1	0.4	1.3	208.5	1.6
Total	8,789.2	7,043.4	7,089.2	100.0	100.0	100.0	0.7	-19.3

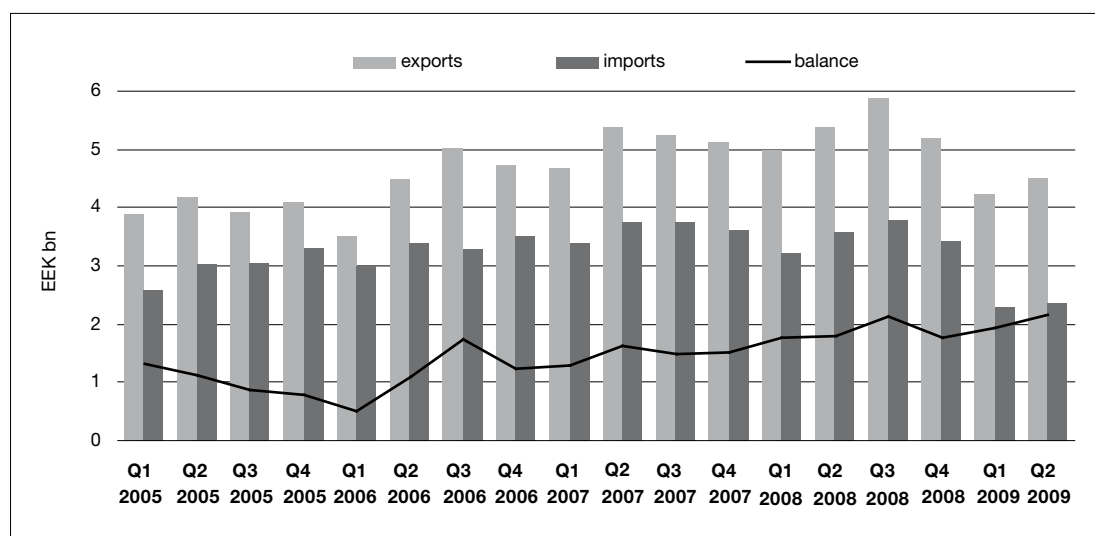


Figure 5. Transport services

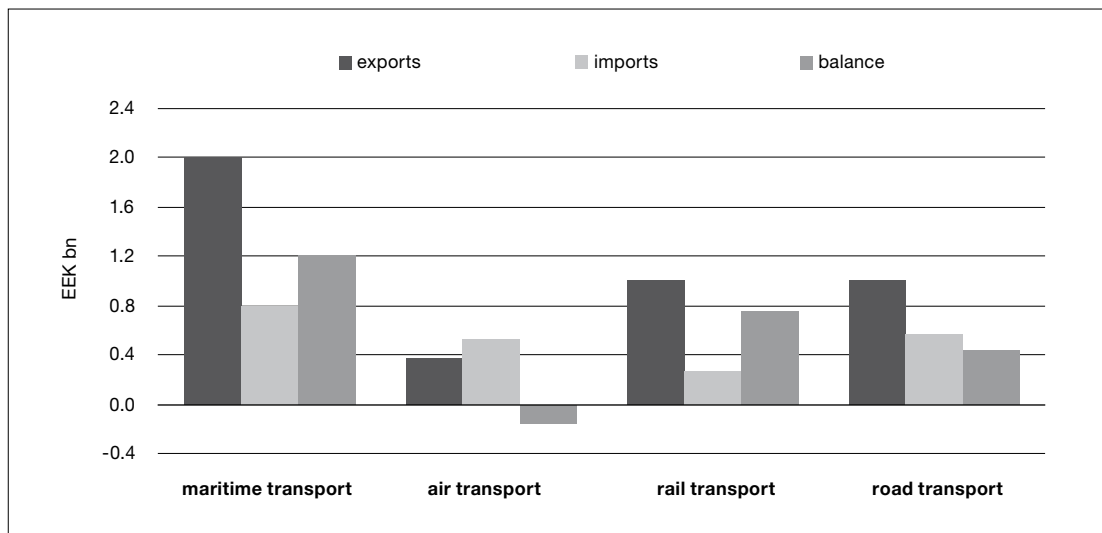


Figure 6. Transport services structure in the second quarter of 2009 by transport type

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

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q2 2009 / Q2 2008		Volume (EEK m)	Share (%)	Change (%), Q2 2009 / Q2 2008
EU-27	2,894,0	63,9	-22,1	EU-27	1 748,9	74,3	-33,5
Finland	1,020,9	22,6	-29,6	Finland	251,0	10,7	-16,1
Sweden	457,8	10,1	-6,5	Germany	248,1	10,5	-44,2
Germany	211,8	4,7	-28,4	Latvia	181,5	7,7	-27,9
Netherlands	209,6	4,6	6,4	Sweden	172,3	7,3	-41,9
Latvia	186,8	4,1	6,1	Lithuania	167,4	7,1	-19,9
CIS	678,4	15,0	2,4	CIS	227,2	9,7	-50,0
Russia	626,8	13,8	2,3	Russia	172,6	7,3	-49,8
Ukraine	19,7	0,4	-37,3	Belarus	25,0	1,1	-59,8
Other	954,4	21,1	-5,0	Other	378,0	16,0	-26,5
Switzerland	344,4	7,6	5,1	USA	78,1	3,3	-31,8
offshore regions	230,5	5,1	6,7	offshore regions	55,7	2,4	-37,8
USA	143,4	3,2	-7,8	China	49,9	2,1	-46,7
Total	4,526,8	100,0	-15,9	Total	2 354,1	100,0	-34,6

Year-on-year, the exports and imports of travel services decreased considerably less (both almost 4%) than the exports and imports of transport services (see Table 17). Consequently, the surplus on travel services declined 3%. The developments of travel services are largely determined by seasonality (see Figure 7).

The share of EU countries in the exports of travel services increased to 85%. Compared to the second quarter of 2008, 11% more visitors from the EU stayed at Estonian accommodation establishments in the second quarter of 2009. The number of visitors from Finland, however, increased only marginally. Travel expenditure per person has fallen.

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

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q2 2009 / Q2 2008		Volume (EEK m)	Share (%)	Change (%), Q2 2009 / Q2 2008
EU-27	2,842.2	84.7	2.7	EU-27	1,061.0	60.6	-19.0
Finland	1,847.6	55.0	8.6	Finland	212.3	12.1	-11.9
Sweden	346.9	10.3	7.7	Lativa	111.3	6.4	-32.0
United Kingdom	100.5	3.0	-9.1	Germany	109.6	6.3	-19.2
Germany	100.1	3.0	-39.6	Greece	89.2	5.1	28
CIS	259.7	7.7	-5.9	CIS	367.9	21.0	2.5
Russia	233.3	7.0	8.6	Russia	167.7	9.6	19.2
Other	254.8	7.6	-10.8	Other	323.0	18.4	6.5
Norway	74.5	2.2	-10.8	USA	64.0	3.7	19.1
USA	28.9	0.9	-70.0	Turkey	63.9	3.6	11.8
Total	3,356.7	100.0	-3.5	Total	1,751.9	100.0	-3.9

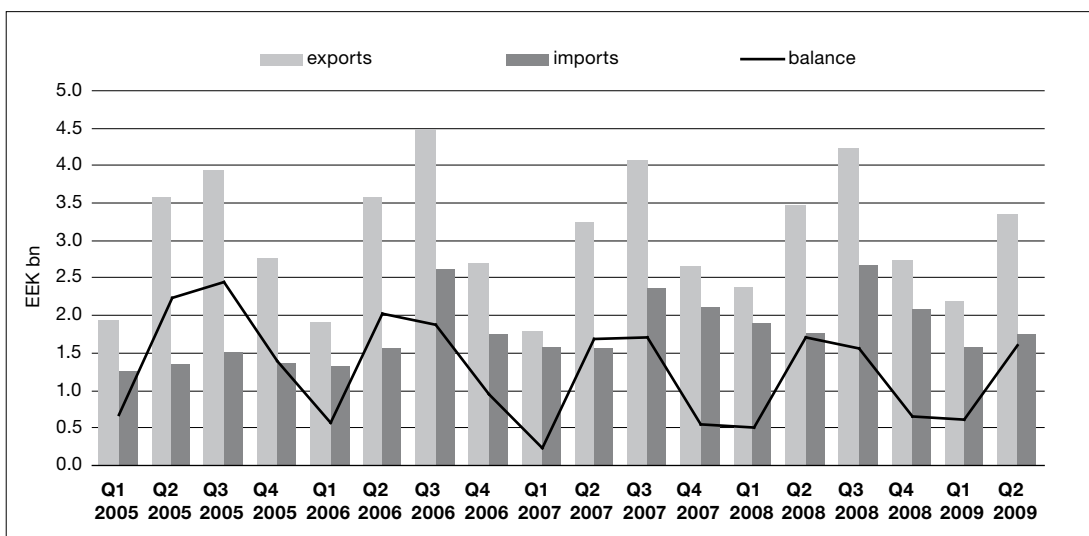


Figure 7. Travel services

The decline in travel services imports primarily stemmed from reduced opportunities for short-term and temporary employment abroad. As a result, also the expenditure of such employees abroad decreased. 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 11% and the number of passengers using the services of travel agencies dropped 13%, year-on-year. Trips to Finland and Spain diminished the most. At the same time, independent travelling and the use of the Internet for that purpose has gained more popularity and trips to Europe are often made without using the services of Estonian travel agencies. Regarding major destinations, year-on-year travel agencies sold more trips to the United States, Turkey and Greece in the second quarter of 2009.

Income

The net outflow of income decreased over 40% year-on-year and stood at 2.6 billion kroons in the second quarter of 2009 (see Table 18). As a ratio of GDP, the deficit was 4.9%. The net outflow decreased owing to the lower deficits of all types of income (income on direct, portfolio and other investment as well as labour income), in particular direct investment income (see Table 19). The latter declined because of growing losses, falling profits and the drawing of dividends, which in turn reduced reinvested earnings. Excluding from the income account reinvested earnings, which involve no actual movement of funds, the income account deficit declined to 1.1 billion kroons (2% of GDP; see Figure 8). Reinvested earnings comprised 50% of the net outflow of direct investment income. The net outflow of income on other investment (loans and deposits) decreased 37%, while net inflow declined 25% from the second quarter of 2008. However, compared to the first quarter of 2009, the net outflow of income increased by two times. This primarily stemmed from the increased net outflow of equity capital income (dividends and reinvested earnings).

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	3,255.0	-40.3	-5,605.9	-37.3	-2,350.9	-32.7
2008 total	17,396.6	-8.9	-33,268.0	-6.7	-15,871.4	-4.2
Q1 2009	2,992.6	-8.1	-4,328.1	-22.8	-1,335.5	-43.2
Q2 2009	2,162.3	-27.7	-4,782.1	10.5	-2,619.8	96.2

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
Labour income	655.5	536.2	475.2	-14.5	-40.1	-18.1	-11.4	-27.5
Investment income	-5,188.5	-1,871.7	-3,095.0	114.5	140.1	118.1	65.4	-40.3
Income on direct investment	-3,907.7	-802.3	-2,260.2	86.2	60.1	86.3	181.7	-42.2
income on equity	-3,804.8	-683.8	-2,257.3	83.9	51.2	86.2	230.1	-40.7
reinvested earnings	-3,495.5	-628.4	-1,556.7	77.1	47.0	59.4	147.7	-55.5
dividends	-309.3	-55.5	-700.6	6.8	4.2	26.7	1,162.9	126.5
income on debt (interests)	-102.9	-118.5	-2.9	2.3	8.9	0.1	-97.6	-97.2
Income on portfolio investment	197.1	402.5	96.8	-4.3	-30.1	-3.7	-75.9	-50.9
Income on other investment	-1,477.9	-1,471.9	-931.6	32.6	110.2	35.6	-36.7	-37.0
Total	-4,533.0	-1,335.5	-2,619.8	100.0	100.0	100.0	96.2	-42.2

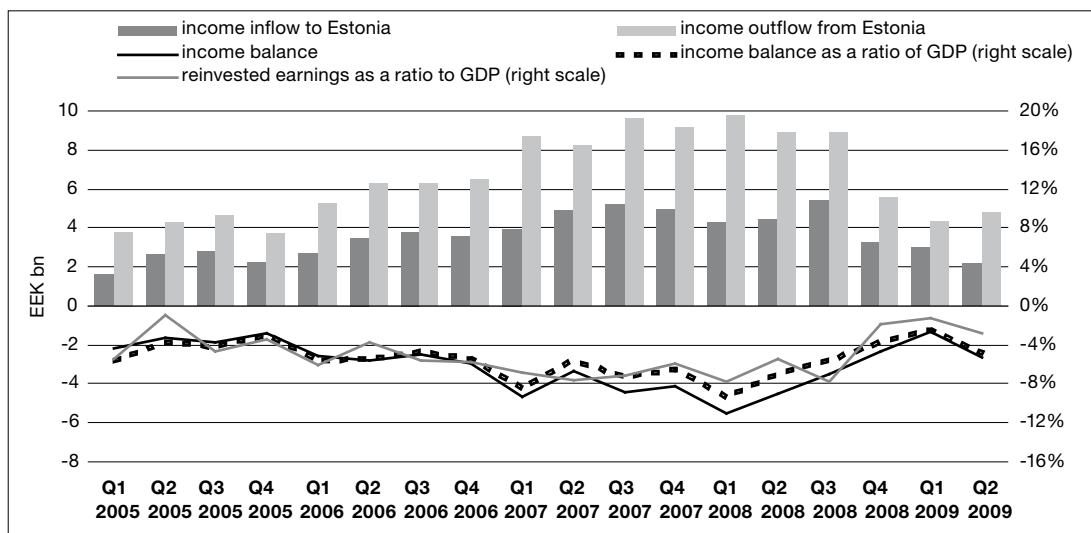


Figure 8. Income account

Income inflow declined 50% from the second quarter of 2008 and totalled 2.2 billion kroons (see Table 20). The majority of the inflow was related to EU countries, in particular Latvia, Lithuania and Cyprus (see Table 21). In the CIS, especially Ukraine, losses were run instead. The inflow of labour income shrank less compared to total income inflow, which is why the share of labour income in total income increased to 32%. 40% of labour income was earned in Finland and to a lesser extent in the United Kingdom, Sweden, Latvia and Ireland. Residents' income on foreign investment, in particular direct investment, decreased nearly 60%. Reinvested earnings dropped, as residents drew 1.1 billion kroons of dividends on foreign direct investment. Income on foreign portfolio investment and other investment contracted 40% and 63%, respectively. The majority of the investment income inflow came from Lithuania, Latvia and Cyprus. At the same time, significant losses were run in Ukraine and Finland. The majority of the investment income belonged financial intermediaries. The investors of transport, storage and communications earned somewhat less. The investors of real estate, renting and business activities witnessed losses abroad (see Figure 9).

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
Labour income	929.3	750.0	689.7	21.2	25.1	31.9	-8.0	-25.8
Investment income	3,463.5	2,242.6	1,472.6	78.8	74.9	68.1	-34.3	-57.5
Income on direct investment	1,927.5	1,281.9	714.2	43.9	42.8	33.0	-44.3	-62.9
income on equity	1,658.1	926.1	355.0	37.7	30.9	16.4	-61.7	-78.6
reinvested earnings	91.7	740.7	-707.2	2.1	24.8	-32.7	-195.5	-871.6
dividends	1,566.4	185.3	1,062.2	35.7	6.2	49.1	473.1	-32.2
income on debt (interests)	269.4	355.8	359.2	6.1	11.9	16.6	1.0	33.3
Income on portfolio investment	817.4	607.9	489.4	18.6	20.3	22.6	-19.5	-40.1
Income on other investment	718.6	352.7	269.0	16.4	11.8	12.4	-23.7	-62.6
Total	4,392.8	2,992.6	2,162.3	100.0	100.0	100.0	-27.7	-50.8

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

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q2 2009 / Q2 2008		Volume (EEK m)	Share (%)	Change (%), Q2 2009 / Q2 2008
EU-27	2,684.2	124.1	-33.6	EU-27	-4,569.5	95.6	-43.1
Latvia	788.6	36.5	-8.8	Sweden	-2,832.9	59.2	-32.6
Lithuania	638.3	29.5	-21.8	Finland	-869.0	18.2	-53.2
Cyprus	522.0	24.1	-8.2	Denmark	-342.5	7.2	-14.3
Germany	168.6	7.8	-40.5	Latvia	-134.0	2.8	285.8
CIS	-634.7	-29.4	-748.4	CIS	-122.6	2.6	-63.9
Russia	-34.1	-1.6	-124.6	Russia	-147.3	3.1	-51.2
Ukraine	-612.1	-28.3	-1370.2	Belarus	-2.4	0.1	-78.8
Other	112.8	5.2	-55.1	Other	-90.1	1.9	-83.8
USA	48.4	2.2	-45.7	Norway	-27.4	0.6	-78.0
offshore regions	16.3	0.8	-61.8	offshore regions	-75.0	1.6	-48.7
Total	2,162.3	100.0	-50.8	Total	-4,782.1	100.0	-43.4

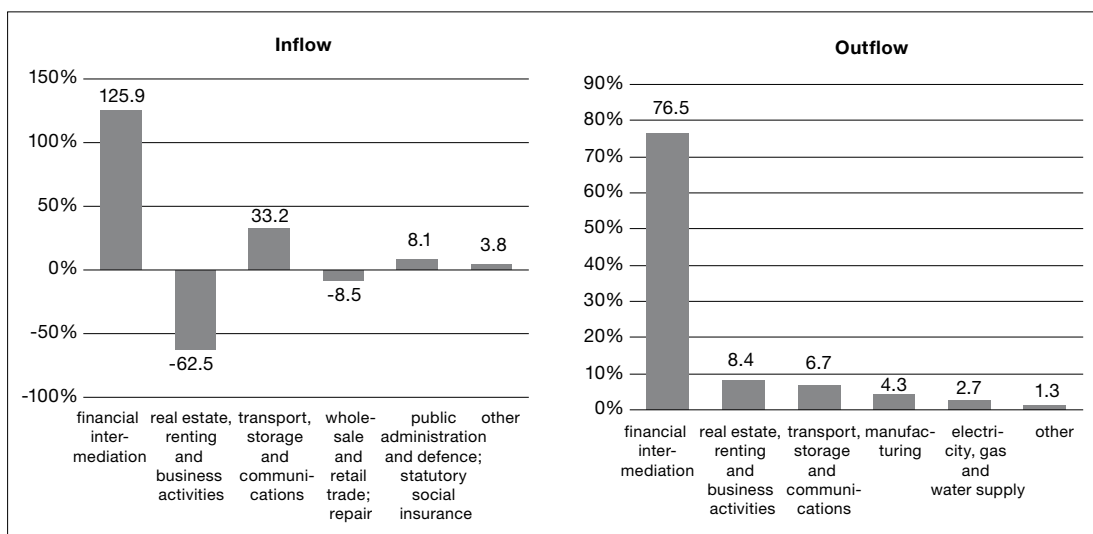


Figure 9. Inflow and outflow of investment income by fields of activity in the second quarter of 2009

Income outflow decreased by almost two times year-on-year and totalled 4.8 billion kroons (see Table 22). 96% of the income earned in Estonia belonged to EU investors, mainly Swedish but also Finnish residents (see Table 21). Labour income constituted nearly 5% of non-residents' income earned in Estonia, the rest being investment income. Direct investment income accounted for 65% and other investment income for 26% of the investment income outflow. Income on direct investment and other investment (loans issued) in Estonia both decreased approximately 50% year-on-year. Similar to residents, also non-residents drew a considerable amount of dividends (almost 1.8 billion kroons) from their direct investment companies located in Estonia. Mainly Swedish (59%) and Finnish investors (18%) earned on investment in Estonia. The largest share (77%) of investment income was earned in financial intermediation and somewhat less in the fields of real estate, renting and business activities; transport, storage and communications, and manufacturing (see Figure 9).

Table 22. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2009 / Q1 2009	Q2 2009 / Q2 2008
Labour income	-273.8	-213.8	-214.5	3.1	4.9	4.5	0.3	-21.7
Investment income	-8,652.0	-4,114.3	-4,567.6	96.9	95.1	95.5	11.0	-47.2
Income on direct investment	-5,835.2	-2,084.2	-2,974.4	65.4	48.2	62.2	42.7	-49.0
income on equity	-5,462.9	-1,609.9	-2,612.3	61.2	37.2	54.6	62.3	-52.2
reinvested earnings	-3,587.2	-1,369.1	-849.5	40.2	31.6	17.8	-38.0	-76.3
dividends	-1,875.7	-240.8	-1,762.8	21.0	5.6	36.9	632.0	-6.0
income on debt (interests)	-372.3	-474.3	-362.1	4.2	11.0	7.6	-23.6	-2.7
Income on portfolio investment	-620.3	-205.4	-392.6	6.9	4.7	8.2	91.1	-36.7
Income on other investment	-2,196.5	-1,824.6	-1,200.6	24.6	42.2	25.1	-34.2	-45.3
Total	-8,925.9	-4,328.1	-4,782.1	100.0	100.0	100.0	10.5	-46.4

Current and capital transfers³

The surplus on the current transfers account totalled 0.9 billion kroons in the second quarter of 2009 (see Table 23).

Current transfers to Estonia totalled 1.7 billion kroons. Government transfers amounted to 0.6 billion kroons and contained allocations from the EU structural funds (50%) as well as VAT, income and social tax receipts from non-residents. Transfers to other sectors totalled 1 billion kroons; 45% of that accounted for external aid from EU structural funds and 15% for transfers by migrants employed abroad. The outflow of current transfers amounted to 0.8 billion kroons. Government transfers comprised 57% of that, 76% (358 million kroons) of which was Estonia's payment into the EU budget. Other sectors' transfers abroad totalled 0.3 billion kroons and were channelled to the European Union (Finland, Germany, Sweden, the United Kingdom and Latvia).

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).

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

	Incoming			Outgoing			Balance		
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009
Current transfers	1,721.6	1,888.2	1,683.9	1,099.0	1,561.8	816.1	622.6	326.5	867.8
government transfers	701.3	677.8	637.4	618.6	1,117.0	467.7	82.7	-439.2	169.7
EU-27	632.8	481.6	564.9	605.1	1,056.4	423.7	27.8	-574.7	141.2
CIS	16.5	13.0	13.1	2.1	2.6	3.5	14.4	10.4	9.6
other	52.0	183.1	59.5	11.4	58.0	40.5	40.6	125.1	19.0
private transfers	1,020.3	1,210.5	1,046.4	480.4	444.8	348.4	539.9	765.7	698.1
EU-27	817.5	1,005.9	801.0	384.5	373.8	302.8	433.0	632.1	498.2
CIS	110.6	143.8	165.5	49.6	14.2	11.3	60.9	129.7	154.2
other	92.2	60.7	80.0	46.2	56.8	34.3	46.0	3.9	45.7
Capital transfers	631.0	646.5	794.9	16.0	9.2	1.2	615.0	637.4	793.7
government transfers	167.1	451.1	565.1	0.2	0.0	0.2	166.9	451.1	564.9
private transfers	463.8	195.4	229.8	15.8	9.2	1.0	448.0	186.2	228.8

The surplus on the **capital transfers** account was 0.7 billion kroons. 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 modest net outflow of capital, which started in the first quarter of 2009, continued also in the second quarter. As a result, the financial account posted a deficit of 1.4 billion kroons. The net outflow of capital mainly consisted of portfolio and direct investment. Regarding other investment, the inflow to Estonia exceeded the outflow. Figures 10 and 11 show the structure of the financial account by categories and maturities.

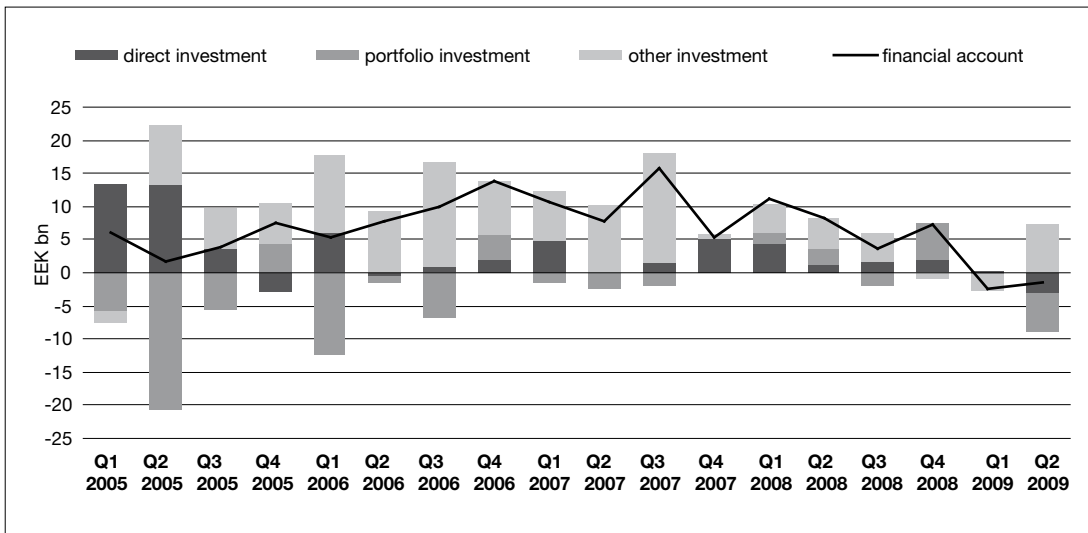


Figure 10. Changes in the structure of foreign investment capital flows

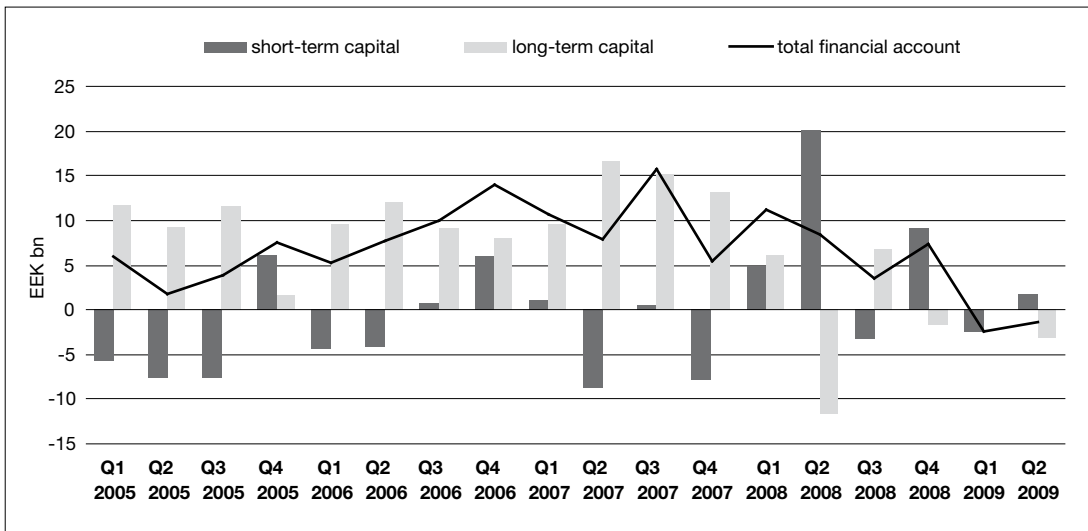


Figure 11. Maturity structure of the financial account

Direct investment

Direct investment had a deficit of 3.2 billion kroons in the second quarter of 2009. The deficit on the financial account totalled 1.4 billion kroons. Non-residents invested less than 100 million kroons in Estonia and Estonian residents' direct investment abroad grew by 3.3 billion kroons (see Figure 12).

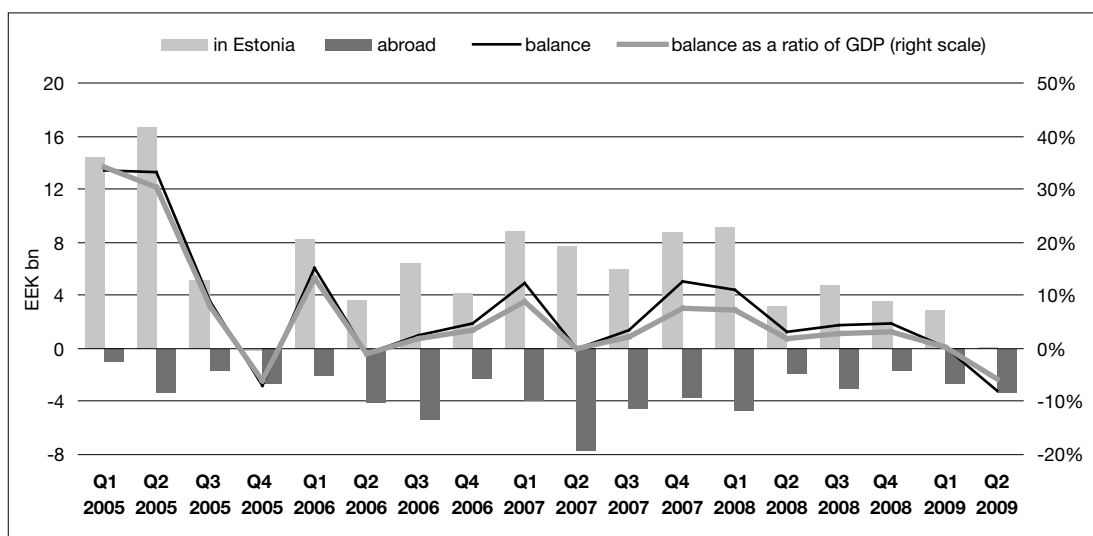


Figure 12. Direct investment

Direct investment in Estonia was the lowest of the past fifteen years with less than 0.1 billion kroons. Quarter-on-quarter, it decreased by 2.9 billion kroons, and year-on-year by 3.1 billion kroons, i.e. by 39 times. In total, 0.8 billion kroons were reinvested, which is 40% less than in the first quarter of 2009 and 80% less compared to the second quarter of 2008. The most reinvestment went to financial intermediation (2.1 billion kroons, i.e. as much as in the first quarter) and considerably less to insurance and auxiliary transport activities (0.2 and 0.1 billion kroons, respectively). In the second quarter, dividends were drawn from companies engaged in other business activities and reinvested earnings in that field showed a deficit of 1.2 billion kroons. Direct investment in equity capital brought 1.6 billion kroons to Estonia. One branch of the manufacturing industry was especially attractive for investors who put 0.7 billion kroons there. The intercompany debt liabilities of direct investment companies decreased by 1.1 billion kroons from the first quarter. Intercompany debt claims channelled 0.5 billion kroons out of Estonia (see Tables 24-25).

Sweden was the largest investor (0.6 billion kroons), followed by Finland (0.3 billion kroons). Direct investment of Norway and Luxembourg in Estonia both declined by 0.4 billion kroons. Regarding groups of countries, the European Union was the only investor providing an inflow of funds to Estonia, while the net investment of the CIS and other countries were negative. 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 second quarter of 2009 was no exception here: 2.4 billion kroons went to financial intermediaries, which exceeds total direct investment by 29 times (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	4,153.6	87.0	-236.4	-5.0	763.8	16.0	4,775.6	100.0
Q4 2008	1,033.7	29.4	1,649.8	46.9	1,285.3	36.5	-452.3	-12.9	3,516.6	100.0
2008 total	3,183.3	15.4	15,448.2	74.9	-1,903.4	-9.2	3,884.4	18.8	20,612.5	100.0
Q1 2009	1,783.9	62.2	1,369.1	47.8	-591.7	-20.6	304.6	10.6	2,865.9	100.0
Q2 2009	1,618.9	1,976.7	849.5	1,037.3	-705.4	-861.4	-1,681.0	-2,052.6	81.9	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Drawings	Repay-ments	Drawings	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	488.2	853.1	2,720.5	2,652.9	4,070.2	2,784.7	5,316.5	5,167.4
2008 total	3,482.9	2,530.1	8,977.8	8,126.0	13,766.8	11,966.1	12,379.2	9,336.8
Q1 2009	483.6	130.8	2,027.8	1,537.6	3,035.7	2,068.8	2,738.5	3,209.3
Q2 2009	473.9	116.0	1,546.8	1,432.1	1,670.5	2,771.3	1,246.2	1,273.2

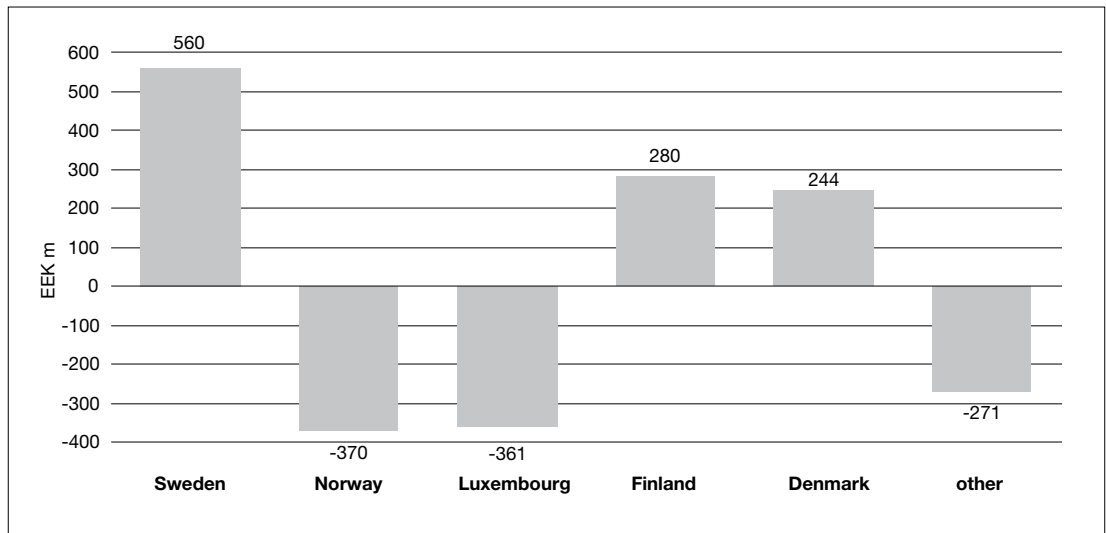


Figure 13. Direct investment in Estonia by countries in the second quarter of 2009

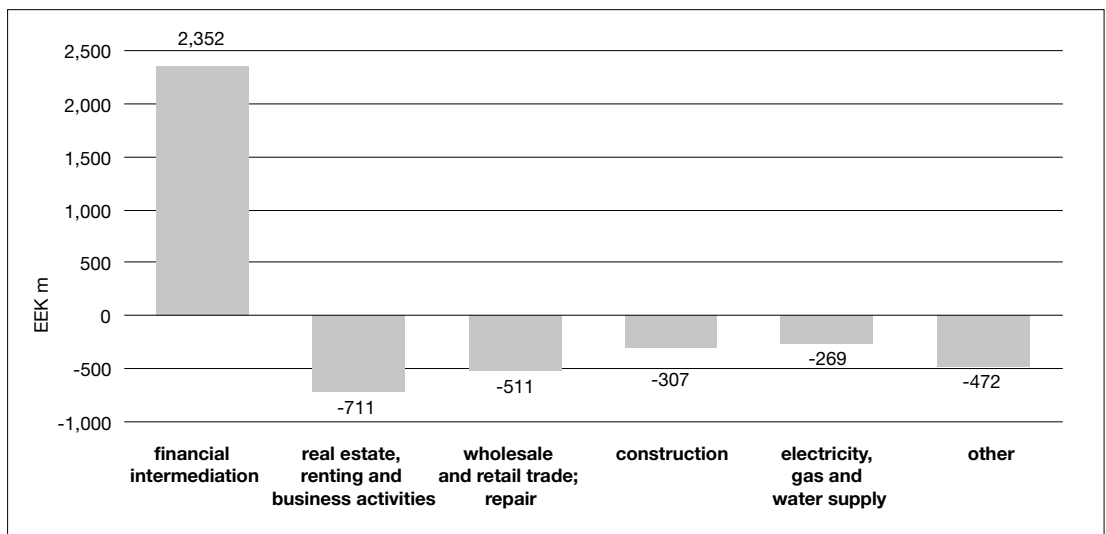


Figure 14. Direct investment in Estonia by fields of activities in the second quarter of 2009

Table 26. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q1 2009	Q2 2009	Q1 2009	Q2 2009	Q2 2009 / Q1 2009
EU-27	2,440.5	520.7	85.2	635.8	-78.7
CIS	51.1	-274.9	1.8	-335.7	-637.7
Other	374.3	-163.9	13.1	-200.1	-143.8
Total	2,865.9	81.9	100.0	100.0	-97.1

Direct investment abroad increased both quarter-on-quarter and year-on-year (21% and 73%, respectively). Equity capital investment comprised almost 15% of the direct investment outflow, whereas retained proprietary income turned negative as a result of the drawing of dividends (-0.7 billion kroons). Other capital assets and liabilities decreased and the outflow totalled 3.5 billion kroons. The loan liabilities of subsidiaries and affiliated companies increased by 2.4 billion kroons from the previous quarter, most of them being long-term liabilities. Financial intermediaries issued the most loans to subsidiaries. The loan liabilities of Estonian investors to foreign subsidiaries and affiliates decreased by 0.9 billion kroons (see Tables 27-28).

Investment in Latvia, Lithuania and Cyprus increased by 2.8, 0.7 and 0.6 billion kroons, respectively, whereas investment in Ukraine and Finland shrank by 0.5 and 0.4 billion kroons, respectively. The largest investors were financial intermediaries (97%), water transport companies (21%) and those engaged in the rental of machinery and equipment (13%). The majority of the direct investment outflow remained in the European Union (see Figures 15-16 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 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	-346.7	20.6	-474.6	28.2	-942.4	55.9	78.7	-4.7	-1,685.1	100.0
2008 total	-2,552.8	22.6	-1,268.3	11.2	-6,545.9	57.9	-933.0	8.3	-11,300.1	100.0
Q1 2009	-1,264.6	46.9	-740.7	27.5	-101.0	3.7	-591.8	21.9	-2,698.1	100.0
Q2 2009	-489.9	15.1	707.2	-21.7	-2,723.0	83.7	-749.0	23.0	-3,254.6	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	Repayments	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	665.1	447.4	1,286.4	789.6	60.4	131.3	218.4	45.3
2008 total	5,402.8	3,656.3	2,902.9	2,012.4	254.3	280.5	594.6	1,179.1
Q1 2009	1,346.9	427.8	410.3	716.7	61.3	13.7	48.7	95.7
Q2 2009	2,751.9	510.1	533.5	344.4	15.2	33.4	52.1	902.6

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q1 2009	Q2 2009	Q1 2009	Q2 2009	Q2 2009 / Q1 2009
EU-27	-2,815.1	-3,966.1	104.3	121.9	40.9
CIS	1.7	611.5	-0.1	-18.8	35,932.5
Other	115.3	100.0	-4.3	-3.1	-13.3
Total	-2,698.1	-3,254.6	100.0	100.0	20.6

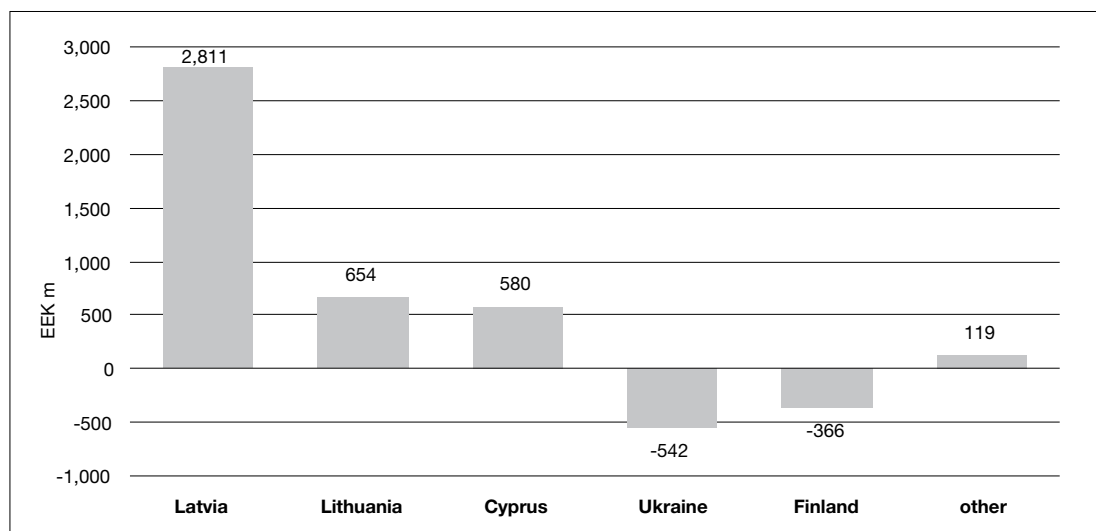


Figure 15. Direct investment abroad by countries in the second quarter of 2009

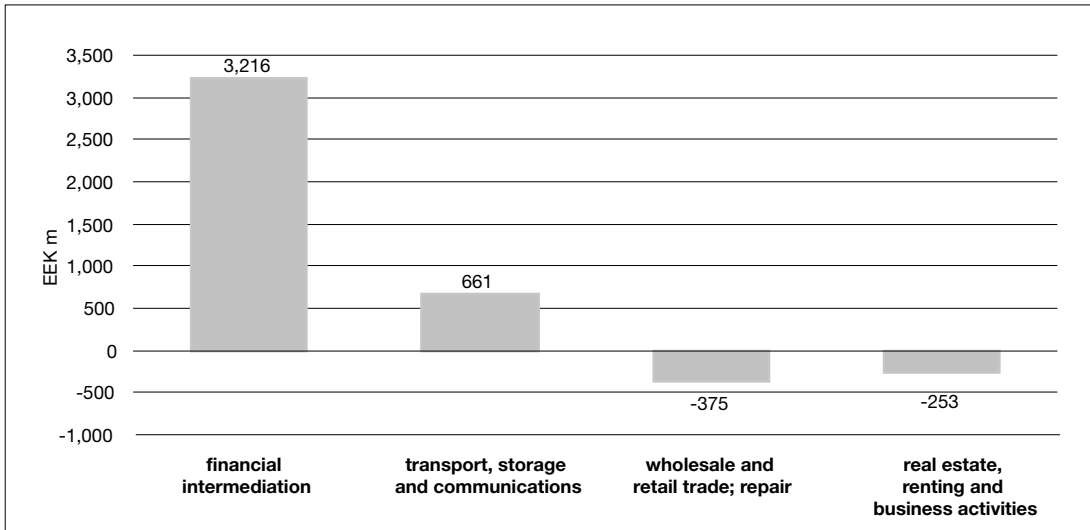


Figure 16. Direct investment abroad by fields of activity in the second quarter of 2009

Portfolio investment

The net outflow of portfolio investment was 5.8 billion kroons in the second quarter of 2009. This resulted primarily from an increase in the foreign debt security investment of credit institutions and equity security investment of enterprises in other sectors as well as a decrease in non-residents' investment in the equity securities of enterprises in other sectors (see Figure 17 and Table 30).

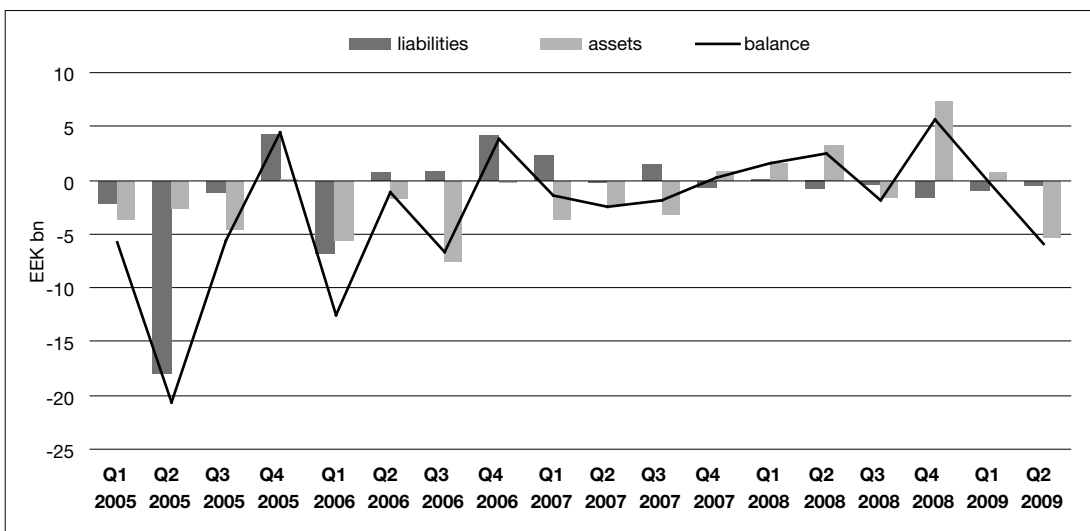


Figure 17. Portfolio investment

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

	Assets			Liabilities			Balance		
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009
Equity securities	947.6	183.4	-247.3	-235.7	-410.0	-109.3	711.9	-226.6	-356.6
central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
general government	220.0	25.7	190.8	0.0	0.0	0.0	220.0	25.7	190.8
credit institutions	40.3	-0.4	-4.4	-18.4	3.7	0.0	21.9	3.3	-4.4
other sectors	687.4	158.1	-433.7	-217.3	-413.7	-109.3	470.1	-255.6	-543.0
Debt securities	2,341.1	469.0	-5,149.0	-624.1	-502.0	-356.1	1,717.0	-33.0	-5,505.1
central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
general government	1,895.8	1,963.8	2,046.0	-47.4	614.9	-62.6	1,848.4	2,578.7	1,983.4
credit institutions	1,252.5	-1,644.3	-7,015.7	-219.7	-1,144.0	-48.4	1,032.8	-2,788.3	-7,064.1
other sectors	-807.3	149.6	-179.3	-357.0	27.1	-48.4	-1,164.3	176.7	-424.3
Total	3,288.7	652.4	-5,396.3	-859.8	-912.0	-465.3	2,428.9	-259.6	-5,861.6

Portfolio investment liabilities declined by 465 million kroons in the second quarter (see Table 31). Similar to the first quarter, both equity and debt security liabilities decreased in the second quarter (by 109 and 356 million kroons, respectively). The liabilities of non-financial companies declined the most. However, unlike in previous quarters, the liabilities of investment funds increased by 20 million kroons in total. By countries, portfolio investment liabilities to EU countries, in particular the Netherlands, Cyprus, Poland, Germany and Sweden, increased the most (see Figure 18 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	60.9	-3.7	-1,639.2	100.0
2008 total	-3,415.3	122.6	630.0	-22.6	-2,785.3	100.0
Q1 2009	-410.0	45.0	-502.0	55.0	-912.0	100.0
Q2 2009	-109.3	23.5	-356.1	76.5	-465.3	100.0

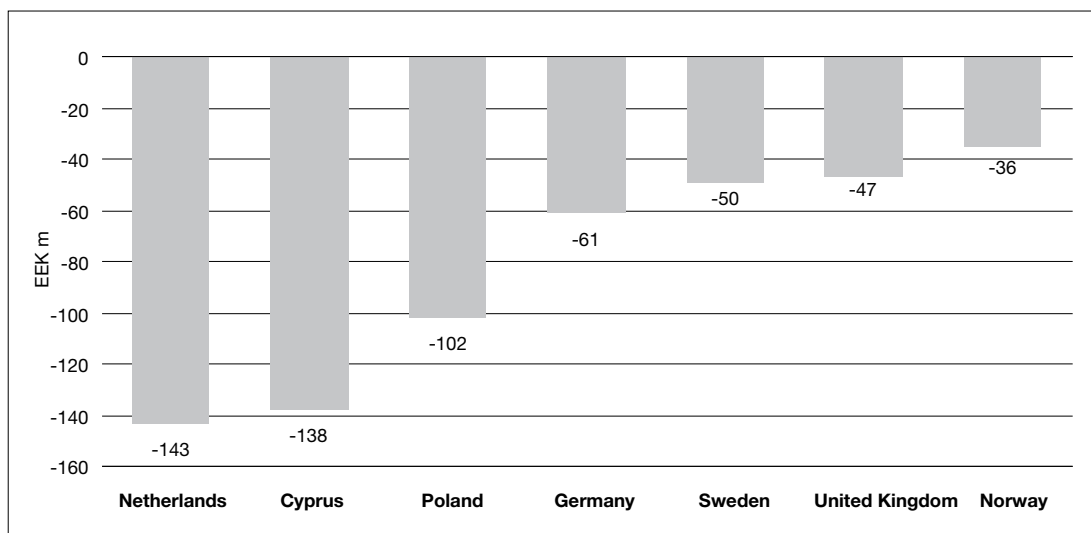


Figure 18. Decrease in portfolio investment liabilities by countries in the second quarter of 2009

Table 32. Structure of portfolio investment by groups of countries in the second quarter of 2009

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-5,911.7	-591.0	109.6	127.0
CIS	78.7	9.5	-1.5	-2.0
Other	436.7	116.2	-8.1	-25.0
Total	-5,396.3	-465.3	100.0	100.0

Portfolio investment assets grew by 5.4 billion kroons in the second quarter; equity security investment comprised 247 million and debt security assets 5.1 billion kroons of that (see Table 33). The latter stemmed from changes in the cash management of credit institutions – reverse-repo transactions with non-residents were replaced by investment in short-term debt securities. In total, the debt security assets of credit institutions increased by 7 billion kroons. The general government's debt security assets declined by further 2 billion kroons in the second quarter owing to the use of reserve assets to cover running costs. By countries, primarily portfolio investment assets to EU countries, in particular Ireland, Belgium, Denmark, Italy, Germany and Poland increased (see Figure 19 and Table 32).

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	183.4	28.1	469.0	71.9	652.4	100.0
Q2 2009	-247.3	4.6	-5,149.0	95.4	-5,396.3	100.0

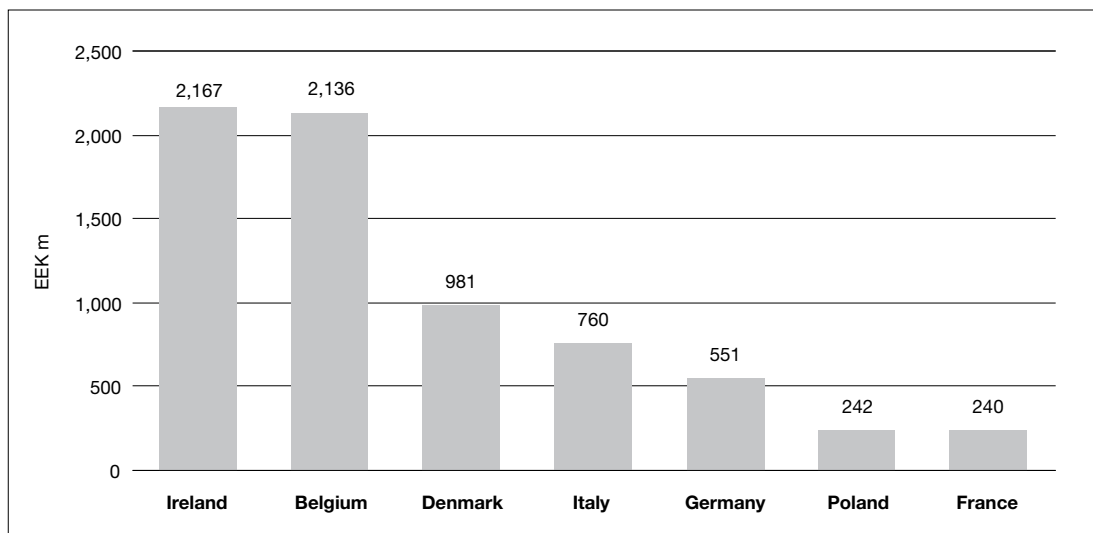


Figure 19. Increase in portfolio investment assets by countries in the second quarter of 2009

Financial derivatives

Financial derivative assets decreased by 132 million kroons in the second quarter of 2009, largely owing to a decline in the investment in derivatives by credit institutions and enterprises in other sectors (see Figure 20). By countries, assets to Sweden and Norway diminished the most. Financial derivative liabilities increased by 182 million kroons in the second quarter. The liabilities of credit institutions grew by 262 million kroons, whereas the liabilities of enterprises in other sector decreased by 57 million kroons. By countries, financial derivative liabilities to Latvia increased the most, followed by Sweden and the United Kingdom.

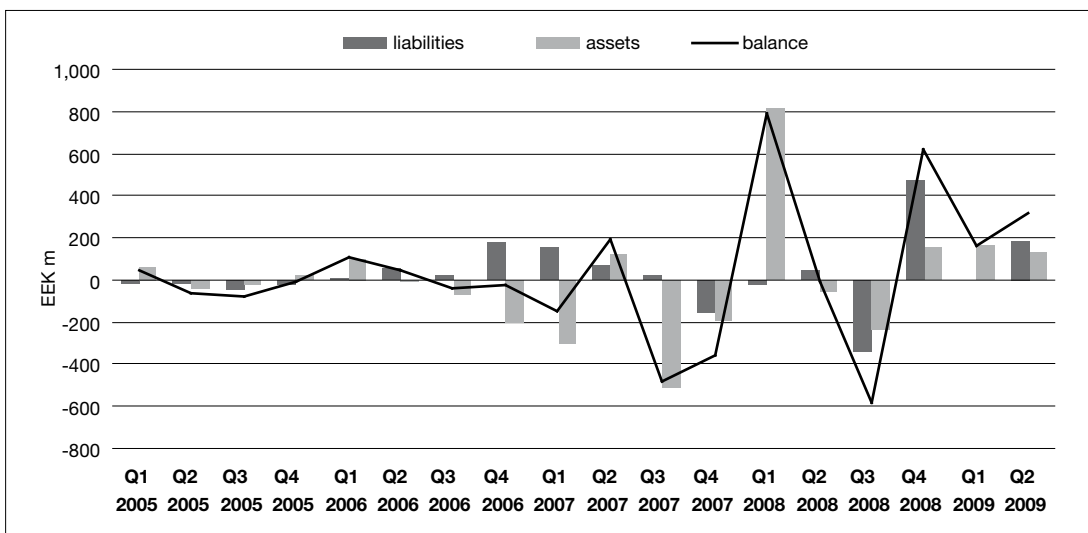


Figure 20. Financial derivatives

Other investment

The net inflow of other investment stood at 7.4 billion kroons in the second quarter of 2009 (see Figure 21). The net outflow of other investment mainly resulted from a decrease in the short-term capital assets of credit institutions (see Table 34).

Other investment liabilities declined by 4.5 billion kroons from the first quarter. Credit institutions' liabilities related to loans/currency and deposits (incl. interbank loans) accounted for 3.6 billion kroons and the liabilities of enterprises in other sectors for 1.9 billion kroons of the decline (see Table 35).⁴ The short-term liabilities of credit institutions decreased. The short-term capital liabilities of enterprises in other sectors grew by 976 million kroons, whereas long-term capital liabilities shrank by 2.9 billion kroons as a result of a drop

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.

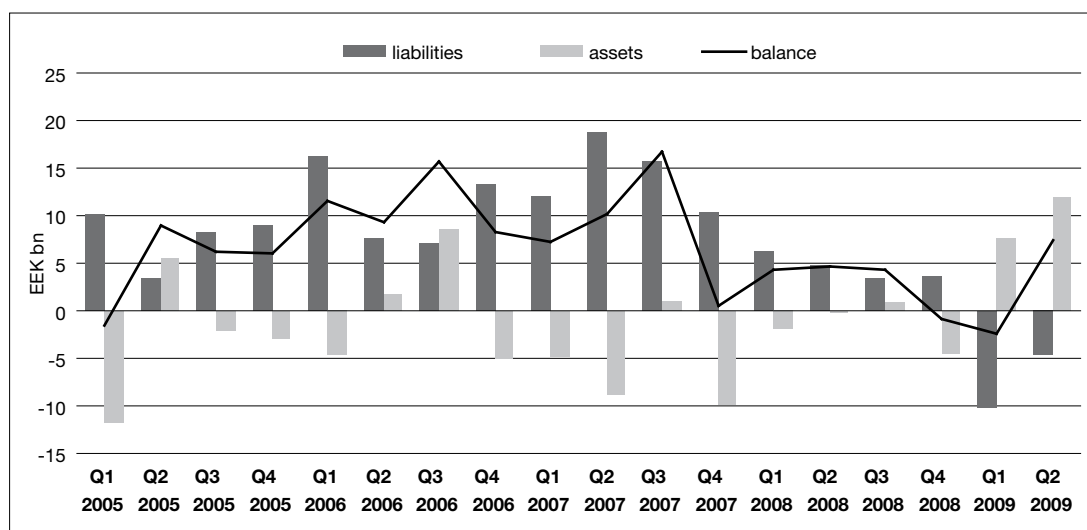


Figure 21. Other investment

Table 34. Other investment by maturity (EEK m)

	Assets			Liabilities			Balance		
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009
Long-term capital	-587.3	309.6	115.4	-12,443.2	-435.2	-148.6	-13,030.5	-125.6	-33.2
central bank	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
general government	0.0	-64.3	0.0	-70.0	1,842.9	539.4	-70.0	1,778.6	539.4
credit institutions	-163.3	164.0	184.7	-14,346.5	-2,257.1	2,206.5	-14,509.8	-2,093.1	2,391.2
other sectors	-424.0	210.4	-69.3	1,973.3	-21.0	-2,894.5	1,549.3	189.4	-2,963.8
Short-term capital	350.7	7,324.5	11,826.2	17,318.7	-9,686.2	-4,424.5	17,669.4	-2,361.7	7,401.7
central bank	0.0	0.0	0.0	-922.6	-36.4	58.0	-922.6	-36.4	58.0
general government	293.7	108.2	391.4	0.0	1.2	1.1	293.7	109.4	392.5
credit institutions	1,228.0	6,902.6	10,956.1	17,677.5	-7,192.5	-5,459.8	18,905.5	-289.9	5,496.3
other sectors	-1,171.0	313.7	478.7	563.8	-2,458.5	976.2	-607.2	-2,144.8	1,454.9
Total	-236.6	7,634.3	11,941.7	4,875.6	-10,120.9	-4,574.1	4,639.0	-2,486.6	7,367.6

in the loan liabilities of other financial intermediaries. General government liabilities increased by 540 million kroons in total. Other long-term capital liabilities contributed 570 million kroons to the increase, reflecting the EU funds received in the second quarter but not yet used. By countries, other investment liabilities to Sweden decreased the most – by 4.3 billion kroons – followed by Denmark and British Virgin Islands with 2.6 and 1 billion kroons, respectively (see Figure 22 and Table 36).

Table 35. Structure of other investment liabilities

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 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
Q4 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
Q4 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
Q4 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	-2,298.1	-64.4	-504.7	-14.1	7,427.5	208.0	-1,053.9	-29.5	3,570.8	100.0
2008 total	310.3	1.7	1,121.7	6.2	14,881.8	82.8	1,650.5	9.2	17,964.2	100.0
Q1 2009	-2,529.6	25.0	-34.2	0.3	-8,435.1	83.3	877.9	-8.7	-10,120.9	100.0
Q2 2009	-604.3	13.2	-1,342.7	29.4	-3,633.5	79.4	1,006.5	-22.0	-4,574.1	100.0

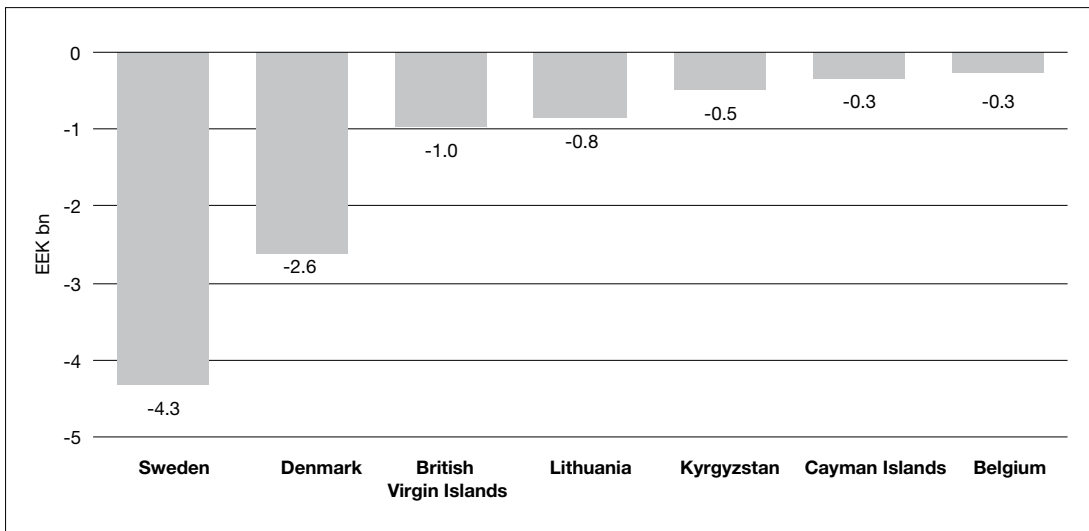


Figure 22. Decrease in other investment liabilities by countries in the second quarter of 2009

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

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	12,003.9	-4,773.6	100.5	104.4
CIS	711.1	-242.1	6.0	5.3
Other	-773.3	441.6	-6.5	-9.7
Total	11,941.7	-4,574.1	100.0	100.0

Table 37. Structure of other investment assets

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
Q1 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	1,520.8	-34.3	-2,767.8	62.4	-2,040.3	46.0	-1,145.8	25.8	-4,433.2	100.0
2008 total	-1,684.8	29.8	-1,966.3	34.7	-717.1	12.7	-1,293.7	22.8	-5,661.9	100.0
Q1 2009	1,695.2	22.2	-432.2	-5.7	7,097.9	93.0	-726.7	-9.5	7,634.3	100.0
Q2 2009	377.3	3.2	5,937.1	49.7	5,654.9	47.4	-27.5	-0.2	11,941.7	100.0

Other investment assets decreased by 11.9 billion kroons in the second quarter of 2009. 5.8 billion kroons of that arose from the replacement of reverse-repo transactions with investment in short-term debt securities (see Table 37). Loan liabilities declined by 5.9 billion kroons and the assets related to loans/currency and deposits by 5.7 billion kroons. Trade credit assets declined by 377 million kroons. By countries, other investment assets to the United Kingdom, Germany, Belgium and Latvia decreased the most (see Figure 23). Table 38 provides an overview of loan assets and liabilities.

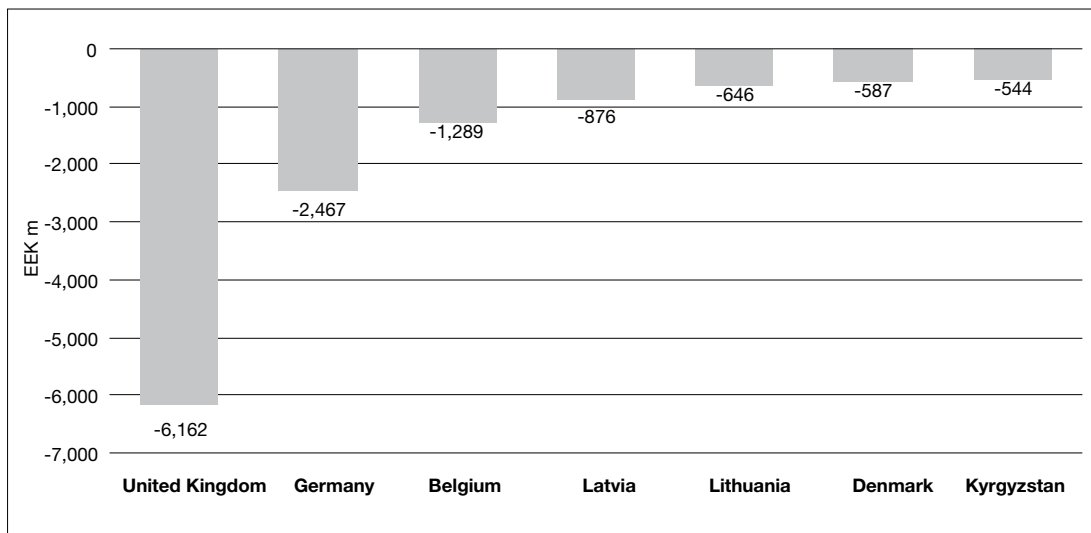


Figure 23. Decrease in other investment assets by countries in the second quarter of 2009

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	-11,659.3	8,891.5	-2,767.8	20,663.1	-21,167.8	-504.7
2008 total	-47,949.7	45,983.3	-1,966.3	103,834.8	-102,713.1	1,121.7
Q1 2009	-11,173.6	10,741.5	-432.2	14,715.5	-14,749.7	-34.2
Q2 2009	-3,223.7	9,160.8	5,937.1	12,563.7	-13,906.4	-1,342.7

Reserve assets

The balance of payments reserves increased by 1.2 billion kroons in the second quarter of 2009 (see Table 39). The coverage of imports with reserve assets has witnessed robust growth since the beginning of 2009 (assets are available for more than 5 months of imports). However, this is not due to a rapid increase in reserves but to a significant contraction in imports. Figure 24 provides an overview of the imports covered by reserve assets.

Table 39. Structure of changes in reserve assets

	Volume (EEK m)			Share (%)		
	Q2 2008	Q1 2009	Q2 2009	Q2 2008	Q1 2009	Q2 2009
Gold	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	2,934.9	1,379.5	-3,873.5	-78.9	60.2	327.1
Securities	-6,659.5	750.6	2,830.9	179.1	32.8	-239.1
equity securities	0.0	0.0	0.0	0.0	0.0	0.0
bonds and notes	-2759.5	360.0	8997.7	74.2	15.7	-759.9
money market instruments	-3900.0	390.7	-6166.8	104.9	17.1	520.8
Financial derivatives	-0.4	-2.0	0.9	0.0	-0.1	-0.1
Other assets	6.1	162.1	-142.5	-0.2	7.1	12.0
Total	-3,719.0	2,290.3	-1,184.1	100.0	100.0	100.0

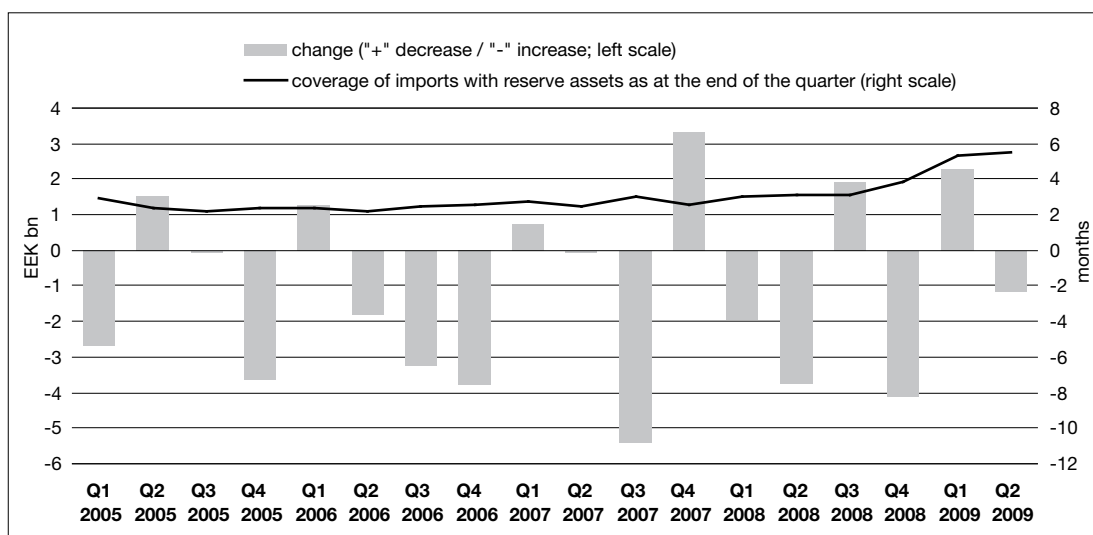


Figure 24. Changes in Estonia's gold and foreign exchange reserves and coverage of imports with reserve assets

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 June 2009

Direct investment in Estonia decreased by 14 billion kroons (3%) and totalled 407 billion kroons in the second quarter of 2009 (see Table 40). 57% of the direct investment was invested in financial intermediation, 16% in real estate, renting and business activities, 8% in manufacturing and 7% in wholesale and retail trade (see Table 41). Most of the investment came from Sweden (36%) and Finland (22%). The position of foreign investment in Estonia decreased for the third consecutive quarter, primarily owing to a decline in direct and other investment.

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

	31/03/2009	%	30/06/2009	%
EXTERNAL ASSETS	231,435.4	100.0	224,553.1	100.0
Direct investment abroad	74,733.6	32.3	72,264.2	32.2
Equity capital and reinvested earnings	52,778.2	22.8	46,872.5	20.9
Other direct investment capital	21,955.4	9.5	25,391.6	11.3
Portfolio investment	41,110.5	17.8	48,238.7	21.5
Equity securities	12,026.8	5.2	13,904.6	6.2
Debt securities	29,083.7	12.6	34,334.1	15.3
Bonds and notes	20,700.2	8.9	20,959.4	9.3
Money market instruments	8,383.5	3.6	13,374.7	6.0
Financial derivatives	669.5	0.3	525.5	0.2
Other investment	73,342.2	31.7	61,459.6	27.4
Trade credit	16,086.3	7.0	15,810.3	7.0
Loans	18,320.1	7.9	12,257.6	5.5
Long-term	9,708.7	4.2	9,484.8	4.2
Short-term	8,611.4	3.7	2,772.8	1.2
Currency and deposits	34,380.4	14.9	28,661.8	12.8
Other assets	4,555.3	2.0	4,730.0	2.1
Reserve assets	41,579.6	18.0	42,065.0	18.7
EXTERNAL LIABILITIES	421,758.0	100.0	407,417.1	100.0
Direct investment in Estonia	177,624.1	42.1	168,562.7	41.4
Equity capital and reinvested earnings	149,669.5	35.5	143,008.2	35.1
Other direct investment capital	27,954.6	6.6	25,554.5	6.3
Portfolio investment	31,479.7	7.5	31,523.6	7.7
Equity securities	7,344.3	1.7	7,834.3	1.9
Debt securities	24,135.4	5.7	23,689.3	5.8
Bonds and notes	24,021.9	5.7	23,576.3	5.8
Money market instruments	113.5	0.0	113.1	0.0
Financial derivatives	774.2	0.2	959.7	0.2
Other investment	211,880.0	50.2	206,371.1	50.7
Trade credit	12,519.3	3.0	11,826.3	2.9
Loans	46,915.3	11.1	45,301.6	11.1
Long-term	34,552.5	8.2	31,499.7	7.7
Short-term	12,362.8	2.9	13,801.9	3.4
Currency and deposits	144,902.7	34.4	140,519.7	34.5
Other liabilities	7,542.7	1.8	8,723.6	2.1
NET INVESTMENT POSITION	-190,322.6		-182,864.0	
Long-term	-111,856.6		-102,788.0	
Short-term	-78,466.0		-80,076.0	

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

Assets			Liabilities		
Fields of activity					
	31/03/2009	30/06/2009		31/03/2009	30/06/2009
Financial intermediation	59.2	58.9	Financial intermediation	57.7	57.0
Real estate, renting and business activities	14.2	14.4	Real estate, renting and business activities	15.4	15.5
Public administration and defence; statutory social insurance	7.7	6.8	Manufacturing	7.5	7.6
Wholesale and retail trade; repair	6.3	6.5	Wholesale and retail trade; repair	7.3	7.4
Transport, storage and communications	5.3	5.9	Transport, storage and communications	4.4	4.3
Other	7.3	7.5	Other	7.7	8.1
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/03/2009	30/06/2009		31/03/2009	30/06/2009
Latvia	13.7	13.0	Sweden	37.8	36.3
Lithuania	11.1	10.8	Finland	20.4	21.6
Germany	10.5	9.0	United Kingdom	6.3	6.4
Finland	6.2	6.4	Denmark	5.1	4.4
France	5.2	6.2	Netherlands	3.5	3.7
Other	53.3	54.5	Other	27.0	27.6
Total	100.0	100.0	Total	100.0	100.0

The structure of **foreign investment in Estonia** did not change considerably in the second quarter. The share of direct investment decreased slightly and that of other investment grew, accounting for 41% and 51%, respectively. In absolute terms, direct and other investment contracted. **Direct investment in Estonia** declined 5% from the first quarter and totalled 169 billion kroons at the end of the second quarter. The most preferred fields of activity for foreign direct investment were financial intermediation (33%), real estate, renting and business activities (27%), manufacturing (15%), and wholesale and retail trade (12%; see Table 42).

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

In Estonia			Abroad		
Fields of activity					
	31/03/2009	30/06/2009		31/03/2009	30/06/2009
Financial intermediation	34.9	32.8	Real estate, renting and business activities	37.0	38.9
Real estate, renting and business activities	25.3	26.6	Financial intermediation	36.6	33.5
Manufacturing	14.6	15.1	Transport, storage and communications	11.4	12.7
Wholesale and retail trade; repair	12.2	12.3	Wholesale and retail trade; repair	5.6	5.2
Transport, storage and communications	4.8	5.0	Manufacturing	3.7	3.8
Other	8.2	8.3	Other	5.7	5.9
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/03/2009	30/06/2009		31/03/2009	30/06/2009
Sweden	40.0	37.9	Latvia	31.5	30.3
Finland	22.2	23.5	Lithuania	28.3	28.0
Netherlands	7.5	8.1	Cyprus	10.3	11.4
Russia	3.5	3.7	Finland	5.3	4.9
Denmark	3.7	3.4	Russia	4.6	4.8
Other	23.1	23.5	Other	20.0	20.7
Total	100.0	100.0	Total	100.0	100.0

38% of direct investment in Estonia has been made by Swedish and 24% by Finnish investors. Investors from the Netherlands, Russia and Denmark have invested to a lesser extent.

The Estonian investment position abroad decreased 3% in the second quarter and amounted to nearly 225 billion kroons. 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 (13%, 11% and 9% of total Estonian investment abroad, respectively).

The structure of Estonia's foreign investment position changed significantly in the second quarter: the share of other investment decreased, whereas the share of portfolio investment increased. Both changes can mainly be attributed to credit institutions. The foreign direct investment position decreased 3% and totalled 72 billion kroons at the end of the second quarter. Direct investment accounted for 32%, other investment for 27% and portfolio investment for 22% of total foreign investment. The most active **foreign direct investors** were those of real estate, renting and business activities (39%), financial intermediation (34%), and transport, storage and communications (13%; 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 183 billion kroons at the end of the second quarter of 2009, having decreased 4% quarter-on-quarter. 56% of the net investment position was long-term capital.

Estonia's gross external debt contracted by 8 billion kroons (3%) in the second quarter of 2009 and totalled 281 billion kroons at the end of the quarter, exceeding GDP by 21%. The contraction can be ascribed to credit institutions, other sectors and intercompany lending between direct investment companies. Credit institutions contributed 55% of the gross external debt. The general government debt constituted 4% of the debt. Estonia's net external debt (assets less liabilities) decreased 6% and totalled 92 billion kroons (see Figure 25 and Table 43). The net external debt accounted for 40% of GDP.

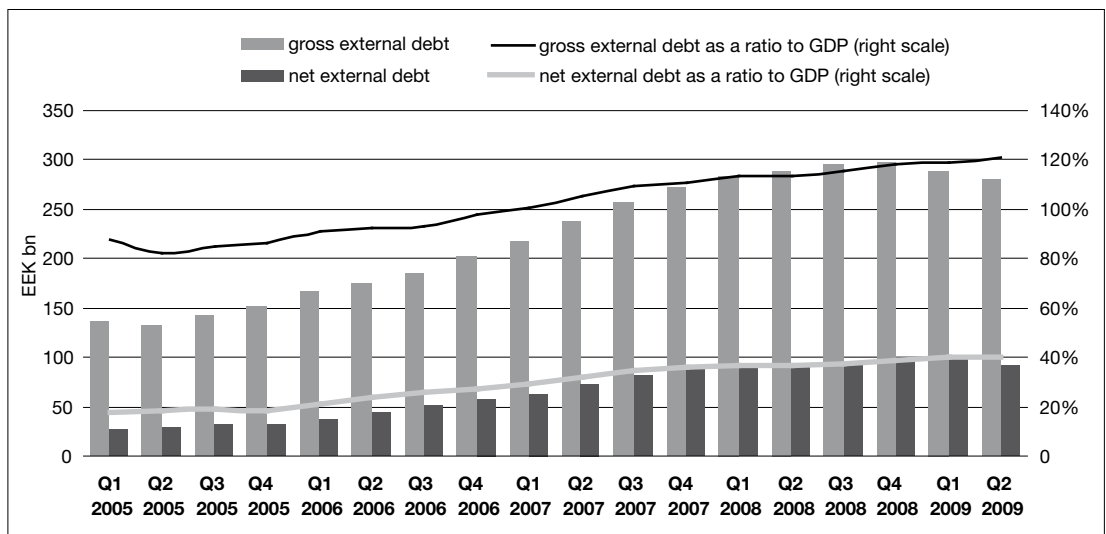


Figure 25. Estonia's gross and net external debt

The gross external debt comprised 69% of total external liabilities. Leaving aside the intercompany lending of direct investment companies, long-term debt liabilities accounted for 57% of the gross external debt. Long-term debt claims formed 27% of total debt claims.

Table 43. External debt (EEK m)

	31/03/2009	%	30/06/2009	%
LIABILITIES				
I. General government	10,130.1	3.5	10,608.0	3.8
Short-term	1.9	0.0	3.0	0.0
Long-term	10,128.3	3.5	10,605.0	3.8
II. Monetary authorities (NCB)	113.3	0.0	62.5	0.0
Short-term	112.0	0.0	62.2	0.0
Long-term	1.3	0.0	0.3	0.0
III. Credit institutions	159,826.1	55.2	155,772.7	55.4
Short-term	79,034.1	27.3	72,835.2	25.9
Long-term	80,792.0	27.9	82,937.5	29.5
IV. Other sectors	65,945.9	22.8	63,617.2	22.6
Short-term	25,200.2	8.7	26,180.3	9.3
Long-term	40,745.7	14.1	37,436.9	13.3
V. Direct investment: intercompany lending	53,462.4	18.5	51,114.8	18.2
GROSS EXTERNAL DEBT	289,477.8	100.0	281,175.2	100.0
ASSETS				
I. General government	17,502.0	9.1	15,063.5	8.0
Short-term	4,561.2	2.4	3,335.1	1.8
Long-term	12,940.8	6.8	11,728.4	6.2
II. Monetary authorities (NCB)	41,478.9	21.7	41,993.6	22.3
Short-term	27,502.7	14.4	37,816.7	20.0
Long-term	13,976.1	7.3	4,176.9	2.2
III. Credit institutions	41,402.2	21.6	37,183.0	19.7
Short-term	33,212.7	17.4	28,303.3	15.0
Long-term	8,189.4	4.3	8,879.8	4.7
IV. Other sectors	43,508.0	22.7	43,542.9	23.1
Short-term	31,634.6	16.5	31,129.9	16.5
Long-term	11,873.4	6.2	12,413.0	6.6
V. Direct investment: intercompany lending	47,463.1	24.8	50,951.9	27.0
TOTAL ASSETS	191,354.2	100.0	188,734.9	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	7,371.9		4,455.5	
Short-term	-656.0		-2,453.8	
Long-term	8,027.9		6,909.3	
II. Monetary authorities (NCB)	41,365.6		41,931.1	
Short-term	27,390.8		37,754.5	
Long-term	13,974.8		4,176.6	
III. Credit institutions	-118,423.9		-118,589.7	
Short-term	-45,821.3		-44,532.0	
Long-term	-72,602.6		-74,057.8	
IV. Other sectors	-22,437.9		-20,074.3	
Short-term	6,434.4		4,949.6	
Long-term	-28,872.3		-25,023.9	
V. Direct investment: intercompany lending	-5,999.2		-162.9	
TOTAL NET EXTERNAL DEBT	-98,123.6		-92,440.3	