

Eesti Pank
Bank of Estonia



Estonia's Balance of Payments for the Second Quarter of 2010

2010

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OVERVIEW

- Global economic revival stimulated also Estonia's foreign trade. Consequently, Estonia's foreign trade deficit increased slightly and the current account surplus decreased somewhat year-on-year.
- The current account surplus for the second quarter of 2010 totalled 1.3 billion kroons, or 2.4% of the second-quarter GDP (see Figure 1 and Table 1). As a ratio of the GDP for the last four quarters, the current account surplus for the same period stood at 4.1%¹. Quarter-on-quarter, the current account surplus grew in the second quarter.
- The imports of services grew faster than their exports in the second quarter, bringing the surplus on services into a small decline in annual terms.
- The surpluses on current and capital transfers totalled 1.9 billion kroons. The use of EU funds accounted for the majority of transfers.
- The net outflow of capital on the financial account, which had lasted for five quarters in a row, turned into a modest net inflow of 0.5 billion kroons. Direct investment was the primary channel for capital inflow, whereas capital outflow occurred mainly in the form of portfolio investment, both being almost equal in terms of amount.
- Estonia's gross external debt increased by 3 billion kroons (1%) from the first quarter.
- The gold and foreign exchange reserves grew by 3.3 billion kroons quarter-on-quarter.

Current account remained in surplus

Trade deficit increased slightly from the second quarter of 2009 to 2 billion kroons, or 3.5% of the second-quarter GDP. Both the exports and imports of goods picked up, by 28% and 29% respectively. Excluding processed goods (primarily mineral products), the exports of goods grew faster than imports in relative

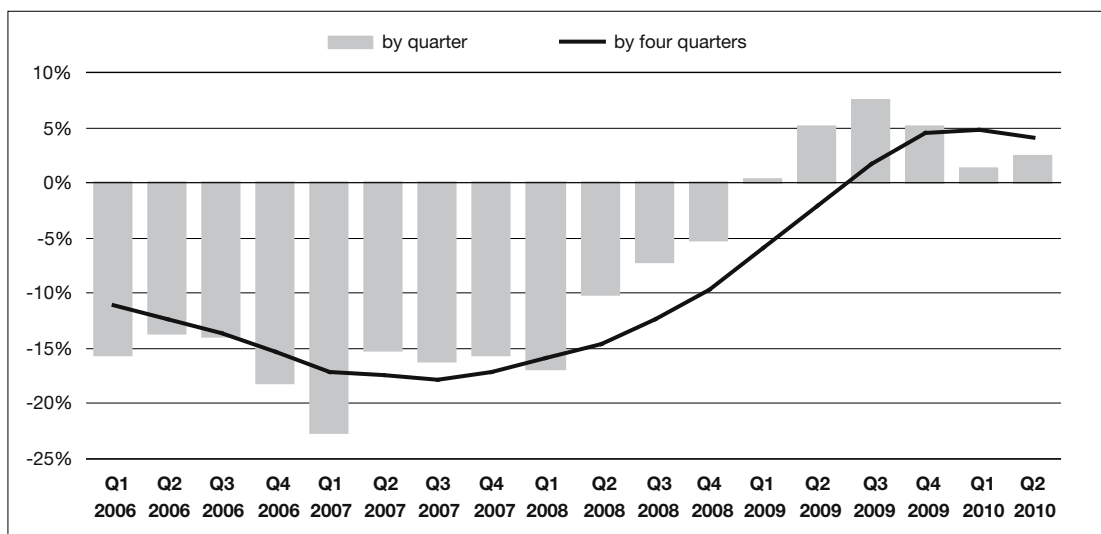


Figure 1. Current account deficit (% of GDP)

¹ Annualised current account surplus without reinvested earnings constituted 6.7% of GDP.

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

	2008	2009					2010	
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
Current account	-24,531.8	151.6	2,765.4	4,027.1	2,877.8	9,822.0	675.6	1,332.6
Goods and services	-14,094.9	682.4	4,835.9	4,475.4	2,299.3	12,293.0	2,017.3	3,507.0
Goods	-33,255.0	-3,105.7	-1,265.0	-1,728.9	-2,659.6	-8,759.2	-1,675.0	-1,974.0
credit (f.o.b.)	133,600.0	23,626.1	25,673.3	26,021.1	26,947.8	102,268.3	28,177.3	32,733.4
debit (f.o.b.)	-166,855.0	-26,731.8	-26,938.3	-27,750.0	-29,607.5	-111,027.5	-29,852.3	-34,707.3
Services	19,160.1	3,788.1	6,100.8	6,204.3	4,959.0	21,052.2	3,692.3	5,480.9
credit	54,957.8	10,652.2	12,681.5	13,464.5	12,623.7	49,422.0	10,942.1	13,395.1
debit	-35,797.6	-6,864.1	-6,580.7	-7,260.2	-7,664.8	-28,369.8	-7,249.8	-7,914.2
Income	-13,467.3	-864.1	-2,719.8	-1,188.9	-1,182.3	-5,955.1	-1,875.2	-2,895.9
credit	18,290.5	3,017.5	2,170.1	3,135.8	2,221.0	10,544.4	2,800.4	2,823.7
debit	-31,757.7	-3,881.5	-4,889.9	-4,324.7	-3,403.3	-16,499.5	-4,675.6	-5,719.6
Transfers	3,030.3	333.3	649.3	740.6	1,760.8	3,484.0	533.5	721.5
credit	8,221.1	1,888.3	1,736.2	1,817.1	2,614.4	8,056.0	2,027.5	1,651.7
debit	-5,190.8	-1,555.0	-1,086.9	-1,076.5	-853.6	-4,572.0	-1,494.0	-930.2
Capital and financial account (reserve assets excluded)	30,227.7	-2,372.1	152.9	-7,780.4	1,769.5	-8,230.1	-4,039.6	1,656.4
Capital account	2,617.3	627.0	816.1	1,954.1	2,612.7	6,010.0	2,137.1	1,190.4
Financial account	27,610.4	-2,999.1	-663.2	-9,734.6	-843.2	-14,240.1	-6,176.7	466.0
Direct investment	6,568.9	-288.7	-3,052.4	-2,453.2	7,355.7	1,561.3	2,192.2	4,372.0
Abroad	-11,888.8	-2,732.4	-3,723.3	-3,770.9	-7,129.5	-17,356.1	-1,853.1	-640.7
In Estonia	18,457.7	2,443.6	670.8	1,317.7	14,485.2	18,917.3	4,045.3	5,012.7
Portfolio investment	7,950.8	-268.4	-5,876.6	-2,344.4	-14,073.4	-22,562.8	419.8	-4,573.9
Assets	10,648.2	646.2	-5,408.0	-2,217.5	-565.4	-7,544.8	429.7	-2,759.7
Equity securities	4,095.9	183.4	-258.8	-800.0	127.1	-748.3	-1,101.6	-2,645.7
Debt securities	6,552.3	462.8	-5,149.2	-1,417.5	-692.6	-6,796.5	1,531.2	-114.0
Liabilities	-2,697.4	-914.6	-468.6	-126.9	-13,508.0	-15,018.0	-9.9	-1,814.2
Equity securities	-3,327.3	-412.6	-112.5	134.8	-1,053.2	-1,443.4	134.2	-57.6
Debt securities	629.9	-502.0	-356.1	-261.7	-12,454.8	-13,574.6	-144.0	-1,756.6
Financial derivatives	828.5	160.1	314.7	268.1	-547.1	195.8	44.4	137.5
Assets	674.6	163.2	132.4	133.7	-150.1	279.2	-49.3	87.0
Liabilities	153.9	-3.1	182.3	134.3	-397.0	-83.4	93.6	50.5
Other investment	12,262.2	-2,602.1	7,951.1	-5,205.0	6,421.6	6,565.6	-8,833.0	530.4
Assets	-5,591.1	7,728.8	11,556.0	-9.7	-4,247.4	15,027.7	-640.5	2,547.6
Long-term	-276.2	312.7	97.8	-421.1	-609.2	-619.8	-2,400.8	-29.1
Short-term	-5,314.9	7,416.1	11,458.1	411.4	-3,638.2	15,647.5	1,760.3	2,576.8
Liabilities	17,853.3	-10,331.0	-3,604.8	-5,195.2	10,669.0	-8,462.1	-8,192.6	-2,017.3
Long-term	-9,629.6	-447.2	1,884.5	-3,319.8	7,985.3	6,102.8	-398.0	934.2
Short-term	27,482.9	-9,883.8	-5,489.3	-1,875.4	2,683.7	-14,564.9	-7,794.5	-2,951.4
Errors and omissions	2,173.9	-69.8	-1,734.2	297.8	-53.5	-1,559.7	1,658.4	296.9
Overall balance	7,869.7	-2,290.3	1,184.1	-3,455.5	4,593.8	32.1	-1,705.7	3,286.0
Reserve assets	-7,869.7	2,290.3	-1,184.1	3,455.5	-4,593.8	-32.1	1,705.7	-3,286.0

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

terms (32% and 27% respectively). Timber and timber products, machinery and equipment, and metals and metal products made the largest contributions to export and import growth.

Services surplus declined by 0.6 billion kroons from a year-ago period to 5.5 billion kroons. The surplus decreased as a result of stronger growth in services imports (20%) compared to growth in exports (6%). Transport, travel and other business services, which are Estonia's three major types of services,

comprised 84% of the surplus. The surplus declined mainly on account of other business services (operational lease, merchanting and other professional activities) and communication services, while the surplus on construction, computer and information services increased.

The net outflow of **labour and capital income** slightly exceeded the year-ago level and totalled 2.9 billion kroons. The surplus on labour income grew 10% to 0.5 billion kroons. Capital income on foreign investment accounted for the majority of the income account, with non-residents' income on investment in Estonia exceeding residents' income on investment abroad by 3.4 billion kroons. This was 7% more than in the second quarter of 2009. Reinvested earnings comprised 61% of the net outflow of investment income.

The active use of EU subsidies, which had started in the second half of 2009, continued also in the second quarter of 2010. Most of the subsidies came as capital transfers. The total surplus on **current and capital transfers** grew by almost a third year-on-year and stood at 1.9 billion kroons.

EU Member States accounted for 70% of the credit turnover and 81% of the debit turnover of the current account. The respective indicators of the monetary union were 37% and 38%.

The net outflow of capital turned into a net inflow

The net outflow of capital on the **financial account**, which had lasted for five quarters in a row, turned into a modest net inflow of 0.4 billion kroons in the second quarter of 2010. The inflow of direct investment was more or less equal to the outflow of portfolio investment.

Direct investment inflow was 4.4 billion kroons bigger than outflow. Direct investment in Estonia grew by 5 billion kroons, while Estonian residents' direct investment abroad increased by 0.6 billion kroons. Foreign direct investors reduced their direct equity capital investment in Estonia and considerably increased lending to their direct investment companies. Reinvested earnings from Estonia grew by around three times. Residents' direct investment abroad almost entirely consisted of reinvested earnings.

The outflow of **portfolio investment** exceeded inflow by 4.6 billion kroons. Assets grew by 2.8 billion kroons, whereas liabilities declined by 1.8 billion kroons.

The inflow and outflow of **financial derivatives** was almost balanced.

The inflow of capital in the form of **other investment** (trade credit, loans, currency and deposits) exceeded outflow by 0.5 billion kroons. Other investment assets declined by 2.5 billion kroons, which can largely be attributed to a drop in the currency, deposits and loan assets of credit institutions. Other sectors increased their trade credit assets. Other investment liabilities decreased by 2 billion kroons: even though trade credit liabilities of other sectors increased, the currency and deposit liabilities and other financial liabilities of credit institutions declined at the same time. In total terms, loan liabilities remained more or less unchanged from the first quarter.

Estonia's **gross external debt** grew 1% from the first quarter and totalled 269 billion kroons. Growth stemmed primarily from intercompany lending between direct investment companies.

The **gold and foreign exchange reserves** grew by 3.3 billion kroons quarter-on-quarter.

CURRENT ACCOUNT

Global economic revival stimulated Estonia's economic activity. Consequently, Estonia's foreign trade deficit increased slightly and the current account surplus decreased somewhat. The current account surplus for the second quarter of 2010 totalled 1.3 billion kroons, or 2.4% of the second-quarter GDP (see Figure 2). As a ratio of the GDP for the last four quarters, the current account surplus for the same period stood at 4.1%².

The credit turnover of the current account increased 20% and debit turnover grew 25% year-on-year. Estonia traded mostly with EU Member States, which accounted for 70% of the credit turnover and 21% of the debit turnover.

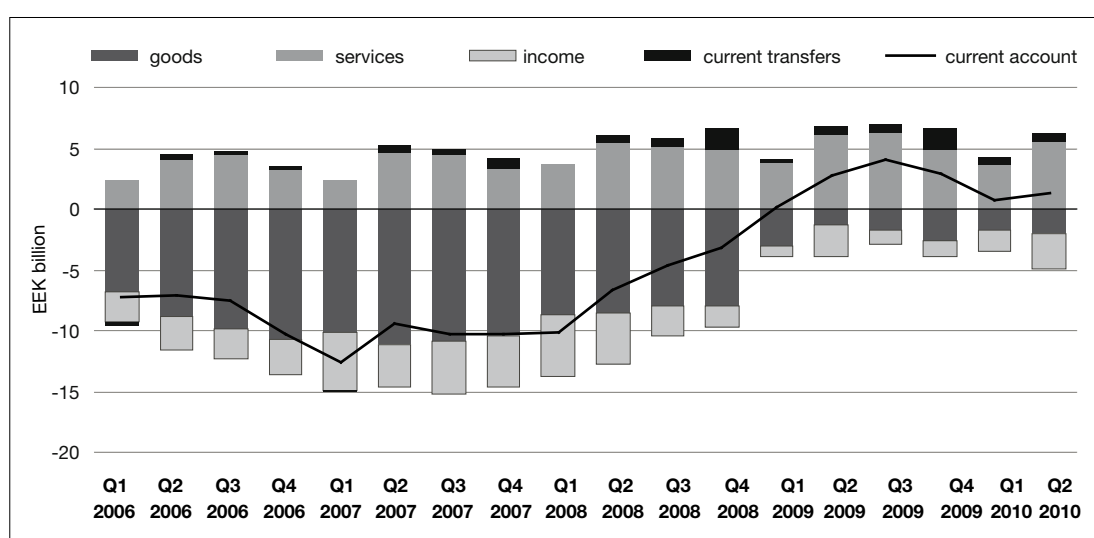


Figure 2. Current account structure

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

	Q2 2010	Q1 2010	Q2 2009
EU-27	-1,348.7	-2,677.9	-4,311.4
Germany	-754.2	-1,463.9	-2,161.1
Finland	2,653.5	2,106.8	2,157.7
Poland	-900.4	-1,150.5	-1,577.4
Sweden	-1,566.8	-1,637.9	-1,410.7
Lithuania	-985.3	-477.0	-737.5
CIS	177.2	-408.4	1,082.1
Russia	393.7	-615.5	890.3
Belarus	-101.6	3.3	-248.2
Kazakhstan	261.6	-20.8	191.2
Other	3,936.9	3,761.8	4,561.9
USA	1,254.3	867.6	1,551.6
Nigeria	1,157.6	962.1	834.4
Norway	576.4	384.7	654.4
China	-241.4	-528.0	-607.8
British Virgin Islands	268.5	381.4	292.8
Total	2,765.4	675.6	1,332.6

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

² Annualised current account surplus without reinvested earnings constituted 6.7% of GDP.

The respective indicators of the monetary union were 37% and 38%. Four countries accounted for 50% of both the credit and debit turnovers, while three of them (Finland, Sweden and Latvia) were the same in both terms. Russia was the fourth biggest partner in terms of credit turnover and Germany in debit turnover. Estonia had the largest current account surplus with Finland (2.2 billion kroons) and the highest deficit with Germany (also 2.2 billion kroons). Compared to the second quarter of 2009, the surplus with Finland contracted 20%, whereas the deficit with Germany tripled.

Goods

The deficit on the goods account stood at 2 billion kroons in the second quarter of 2010, having grown by 0.3 billion kroons from the first quarter of 2010 and by 0.7 billion kroons from the second quarter of 2009 (see Table 3). Both the imports and exports of goods posted record highs after the boom at 32.7 and 34.7 billion kroons. Goods exports increased 28% and imports 29% from the year-ago period, while quarter-on-quarter growth was 16% in both terms.

Table 3. Imports and exports of goods

	Goods – credit			Goods – debit			Balance (EEK m)
	Volume (EEK m)	Change compared to previous period (%)	Share in total exports of goods and services (%)	Volume (EEK m)	Change compared to previous period (%)	Share in total exports of goods and services (%)	
Q1 2006	28,870.8	2.8	76.8	35,646.0	1.4	84.7	-6,775.2
Q2 2006	31,950.7	10.7	73.5	40,736.3	14.3	84.6	-8,785.6
Q3 2006	29,993.5	-6.1	69.6	39,806.4	-2.3	82.2	-9,812.9
Q4 2006	30,822.1	2.8	72.6	41,499.8	4.3	83.1	-10,677.7
2006 total	121,637.1	22.5	73.0	157,688.5	27.6	83.6	-36,051.4
Q1 2007	30,300.6	-1.7	74.9	40,484.5	-2.4	83.9	-10,183.9
Q2 2007	33,433.6	10.3	71.6	44,658.5	10.3	83.9	-11,224.9
Q3 2007	30,400.7	-9.1	68.8	41,207.6	-7.7	81.6	-10,807.0
Q4 2007	33,251.7	9.4	72.2	43,753.1	6.2	82.2	-10,501.4
2007 total	127,386.6	4.7	71.8	170,103.7	7.9	82.9	-42,717.2
Q1 2008	31,786.9	-4.4	73.2	40,501.3	-7.4	83.4	-8,714.4
Q2 2008	35,026.3	10.2	71.3	43,561.7	7.6	83.5	-8,535.4
Q3 2008	34,711.2	-0.9	70.0	42,720.7	-1.9	81.4	-8,009.4
Q4 2008	32,075.6	-7.6	69.1	40,071.4	-6.2	81.0	-7,995.9
2008 total	133,600.0	4.9	70.9	166,855.0	-1.9	82.3	-33,255.0
Q1 2009	23,626.1	-26.3	68.9	26,731.8	-33.3	79.6	-3,105.7
Q2 2009	25,673.3	8.7	66.9	26,938.3	0.8	80.4	-1,265.0
Q3 2009	26,021.1	1.4	65.9	27,750.0	3.0	79.3	-1,728.9
Q4 2009	26,947.8	3.6	68.1	29,607.5	6.7	79.4	-2,659.6
2009 total	102,268.3	-23.5	67.4	111,027.5	-33.5	79.6	-8,759.2
Q1 2010	28,177.3	4.6	72.0	29,852.3	0.8	80.5	-1,675.0
Q2 2010	32,733.4	16.2	71.0	34,707.3	16.3	81.4	-1,974.0

According to the preliminary **foreign trade statistics**³, goods exports totalled 32,1 billion and imports (c.i.f.) 35.3 billion kroons (see Figure 3). The foreign trade deficit contracted both quarter-on-quarter and year-on-year, and reached 3.2 billion kroons.

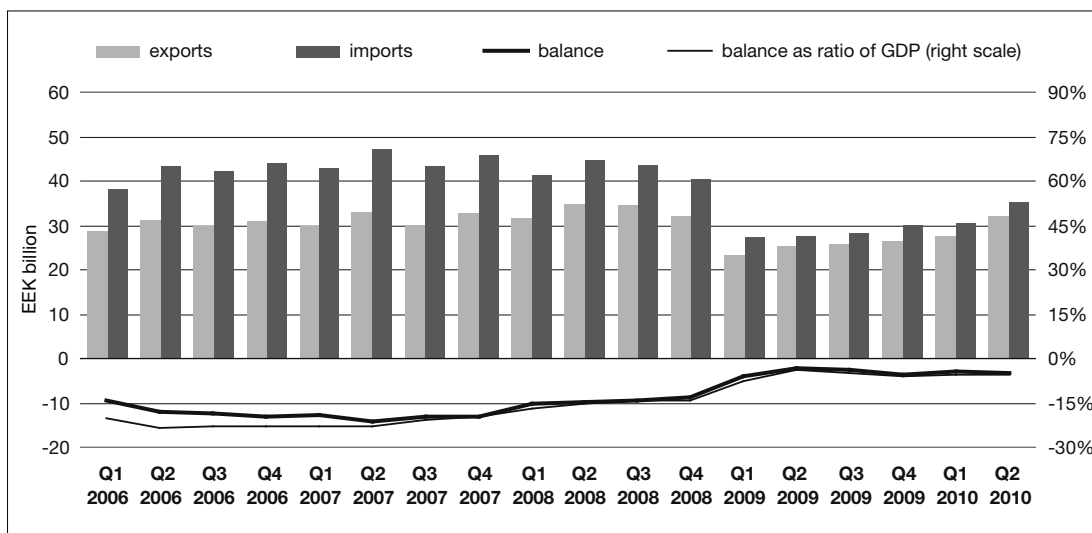


Figure 3. Estonia's foreign trade balance

Goods exports increased in terms of all main groups of goods year-on-year, except for transport vehicles (see Table 4). The 26% growth in exports stemmed from a sudden hike in the exports of metals and metal products, timber and timber products, and machinery and equipment. 20% of metal exports consisted of scrap and waste metals, while exports increased by more than 2.5 times. The second biggest metal

Table 4. Exports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
Food	2,331.8	2,567.5	2,996.4	9.2	9.3	9.3	16.7	28.5
Mineral products	4,846.7	6,168.7	5,122.1	19.0	22.3	16.0	-17.0	5.7
Chemical products	2,051.2	2,011.3	2,618.1	8.1	7.3	8.2	30.2	27.6
Clothing, footwear and headgear	1,215.2	1,329.5	1,356.3	4.8	4.8	4.2	2.0	11.6
Timber, paper and products	2,970.4	3,582.1	4,309.3	11.7	13.0	13.4	20.3	45.1
Metals and metal products	2,113.9	2,151.7	3,519.1	8.3	7.8	11.0	63.5	66.5
Machinery and equipment	4,845.9	4,932.7	6,125.8	19.0	17.8	19.1	24.2	26.4
Transport vehicles	1,984.1	1,530.7	1,973.6	7.8	5.5	6.1	28.9	-0.5
Furniture, toys, sporting goods	2,069.1	2,203.0	2,628.6	8.1	8.0	8.2	19.3	27.0
Other	1,017.7	1,163.9	1,460.9	4.0	4.2	4.5	25.5	43.5
Total	25,446.0	27,641.1	32,110.1	100.0	100.0	100.0	16.2	26.2

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

As of the moment of accession, the terms "exports" and "imports" are only applicable in reference to trading with third countries, while the Intrastat reporting system uses the terms "dispatch of goods" and "arrival of goods". As 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.

export item were hot-rolled steel products, with exports growing about three times, followed by metal constructions and other iron and steel products. Metal products were delivered to Finland, Turkey, Latvia, Sweden and Russia. Timber and timber products (unprocessed and little processed wood, construction components, firewood, mechanical pulp) were exported mainly to Finland, Sweden, Germany, Norway and the United Kingdom. The exports of prefabricated buildings grew 44% and were channelled to Germany, Norway, Denmark, the United Kingdom and France; furniture was exported primarily to Finland and Sweden. The exports of machinery and equipment, the biggest export item, contracted 26% and consisted mostly of electrical and electronic products, which were sold to Sweden, Finland and Russia. 80% of the exports of mineral products traditionally consisted of motor fuels that were imported from Russia, Lithuania, Latvia and Poland for processing in Estonia and then re-exported to the United States, Nigeria, Latvia and Pakistan. Electricity was sold to Finland, Latvia and Lithuania.

The exports of food products picked up considerably. Spirits were sold to Russia and Finland; dairy and fish products were exported to Russia, Lithuania, Latvia, Finland and Iceland. The exports of chemical products to Russia, Latvia, Finland and Lithuania also grew significantly. The main export items were construction materials (mixtures, mastics, paints, etc.), plastic products, carbonic acids and medicines. The exports of transport vehicles remained at the previous year's level, and 50% of that consisted of the re-exports of motor cars and spare parts to Latvia, Russia, Lithuania, Sweden and France. Trailers were sold to Finland and Sweden, and yachts to Sweden. Textile products and footwear was sold to Finland, Sweden, Russia and Latvia. Toughened-glass panes and glass packaging were exported to Belgium and Finland, and gold items to Finland, Sweden and Latvia.

Goods imports were boosted by all groups of goods, in particular machinery and equipment, mineral products, and metals and metal products (see Table 5). The imports of machinery and equipment consisted mostly of electrical and electronic products and components, but also computers, agricultural machinery, etc. The major partners were Sweden, Finland, Germany, Latvia and China. The biggest import items among mineral products were motor fuels from Russia, Lithuania, Finland and Latvia (both for processing and domestic supply), natural gas from Russia, and electricity from Latvia and Finland. The imports of metal products consisted of iron and steel products from Germany, Finland, Sweden, Latvia and Poland. Chemical products (medicines, plastic products, fertilizers, car tyres) were imported from Germany, Finland, Latvia, Lithuania and Poland; various food products (spirits and low-alcohol beverages, pork, pet food, canned fish, etc.) were primarily purchased from EU countries.

Table 5. Imports by main groups of goods

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
Food	3,745.6	3,383.1	3,992.2	13.6	11.1	11.3	18.0	6.6
Mineral products	5,347.8	6,763.5	6,650.6	19.4	22.2	18.8	-1.7	24.4
Chemical products	4,177.5	4,184.7	4,848.7	15.1	13.7	13.7	15.9	16.1
Clothing, footwear and headgear	1,693.7	2,215.8	2,164.4	6.1	7.3	6.1	-2.3	27.8
Timber, paper and products	1,422.7	1,646.7	1,897.1	5.2	5.4	5.4	15.2	33.3
Metals and metal products	2,074.6	2,330.7	3,256.1	7.5	7.6	9.2	39.7	56.9
Machinery and equipment	5,163.3	5,727.4	7,355.0	18.7	18.8	20.8	28.4	42.4
Transport vehicles	2,133.0	1,954.7	2,839.0	7.7	6.4	8.0	45.2	33.1
Furniture, toys, sporting goods	697.2	662.0	782.5	2.5	2.2	2.2	18.2	12.2
Other	1,166.4	1,658.1	1,537.5	4.2	5.4	4.4	-7.3	31.8
Total	27,621.9	30,526.8	35,323.0	100.0	100.0	100.0	15.7	27.9

The imports of transport vehicles increased 33% from the second quarter of 2009 and 45% from the first quarter of 2010, but growth was mainly boosted by one-off transactions, such as the purchase of ferries from Norway. The imports of motor cars and spare parts from Sweden, Germany and Poland also gained momentum, especially compared to the first quarter of 2010. Wagons were purchased from Belarus and Ukraine. Clothing, footwear and fabrics were imported from Latvia, Finland, China, Germany and Italy, and raw materials for the timber industry from Russia, Finland and Latvia. Furniture and lamps were purchased from Finland and Italy, gold items from Switzerland, and medical equipment from Germany and Finland.

The **foreign trade deficit** increased 48% year-on-year and amounted to 3.2 billion kroons (see Table 6). Timber and timber products, furniture and other consumer goods, and metal products posted considerable surpluses. Chemical products had a deficit of over 2 billion kroons; mineral products and machinery and equipment also posted deficits.

The **exports of goods** increased across all **groups of countries** and the majority of major partner countries (see Table 7). Growth was primarily driven by increased exports to EU countries, in particular Finland, Sweden and Latvia. The biggest export partners were Finland, Sweden, Russia and Latvia.

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

	Q2 2009	Q1 2010	Q2 2010
Food	-1,413.8	-815.6	-995.9
Mineral products	-501.1	-594.8	-1,528.5
Chemical products	-2,126.3	-2,173.4	-2,230.6
Clothing, footwear and headgear	-478.5	-886.3	-808.2
Timber, paper and products	1,547.7	1,935.4	2,412.1
Metals and metal products	39.3	-179.0	263.0
Machinery and equipment	-317.5	-794.7	-1,229.2
Transport vehicles	-148.9	-424.0	-865.4
Furniture, toys, sporting goods	1,371.9	1,541.0	1,846.1
Other	-148.7	-494.3	-76.6
Total	-2,175.9	-2,885.7	-3,212.9

Table 7. Exports of goods by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
EU-27	17,448.2	19,287.1	21,548.2	68.6	69.8	67.1	11.7	23.5
Finland	4,536.7	4,898.7	5,801.6	17.8	17.7	18.1	18.4	27.9
Sweden	3,031.6	3,812.1	4,330.5	11.9	13.8	13.5	13.6	42.8
Latvia	2,297.4	2,345.9	2,813.3	9.0	8.5	8.8	19.9	22.5
Germany	1,651.9	1,476.1	1,802.6	6.5	5.3	5.6	22.1	9.1
Lithuania	1,272.8	1,269.2	1,626.9	5.0	4.6	5.1	28.2	27.8
CIS	2,784.7	2,803.1	3,746.4	10.9	10.1	11.7	33.7	34.5
Russia	2,157.4	2,216.0	2,977.8	8.5	8.0	9.3	34.4	38.0
Ukraine	287.7	240.7	335.7	1.1	0.9	1.0	39.4	16.6
Belarus	170.3	186.9	206.9	0.7	0.7	0.6	10.7	21.6
Other	5,213.1	5,550.9	6,815.5	20.5	20.1	21.2	22.8	30.7
USA	1,703.0	1,085.4	1,779.9	6.7	3.9	5.5	64.0	4.5
Norway	769.3	875.3	1,059.3	3.0	3.2	3.3	21.0	37.7
Nigeria	1,158.0	964.6	850.6	4.6	3.5	2.6	-11.8	-26.5
Total	25,446.0	27,641.1	32,110.1	100.0	100.0	100.0	16.2	26.2

The **imports of goods** also increased in terms of groups of countries and major partners, except the United States (see Table 8), with imports from Finland, Latvia, Germany and Sweden, the biggest trade partners, contributing the most.

Foreign trade with the EU and the CIS was in deficit (see Table 9). Trade partners with largest trade surpluses included Sweden, Finland, Denmark and the United Kingdom from among EU countries, Uzbekistan and Azerbaijan from the CIS, and the United States, Nigeria and Pakistan from among other countries. Estonia had the biggest trade deficit with Germany, Poland, Lithuania and Latvia.

Table 8. Imports of goods by groups of countries*

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
EU-27	21,853.8	23,523.8	27,946.2	79.1	77.1	79.1	18.8	27.9
Finland	4,027.4	4,594.3	5,524.4	14.6	15.0	15.6	20.2	37.2
Germany	2,693.4	2,998.3	3,917.3	9.8	9.8	11.1	30.7	45.4
Latvia	2,655.7	3,516.1	3,907.5	9.6	11.5	11.1	11.1	47.1
Sweden	2,340.3	2,961.1	3,501.0	8.5	9.7	9.9	18.2	49.6
Lithuania	3,036.8	2,505.5	2,854.8	11.0	8.2	8.1	13.9	-6.0
CIS	2,990.8	4,244.0	3,971.1	10.8	13.9	11.2	-6.4	32.8
Russia	2,571.5	3,548.6	3,061.5	9.3	11.6	8.7	-13.7	19.1
Belarus	252.1	191.4	468.5	0.9	0.6	1.3	144.8	85.9
Ukraine	126.4	232.6	312.3	0.5	0.8	0.9	34.3	147.0
Other	2,777.4	2,758.9	3,405.7	10.1	9.0	9.6	23.4	22.6
China	471.0	730.1	941.1	1.7	2.4	2.7	28.9	99.8
Norway	466.3	688.1	689.0	1.7	2.3	2.0	0.1	47.7
USA	675.8	301.4	381.7	2.4	1.0	1.1	26.6	-43.5
Total	27,621.9	30,526.8	35,323.0	100.0	100.0	100.0	15.7	27.9

* Analysed by trading country.

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

	Q2 2009	Q1 2010	Q2 2010
EU-27	-4,405.5	-4,236.7	-6,398.0
CIS	-206.1	-1,440.9	-224.7
Other	2,435.7	2,791.9	3,409.8
Total	-2,175.9	-2,885.7	-3,212.9

Services

The surplus on the services account slightly decreased from the second quarter of 2009 to 5.5 billion kroons (see Tables 10-11). The lower surplus resulted primarily from considerably stronger growth in imports (20%) compared to exports (6%). Transport and travel services comprised 75% of the surplus. The surplus declined primarily on account of other business services, communication and travel services. Compared to the first quarter of 2010, the net exports of services were 48% higher because of seasonality and comprised about 10% of GDP in the second quarter of 2010 (see Figure 4).

The **exports of services** increased year-on-year in terms of the majority of services, especially transport services (freight and other auxiliary transport services), computer and information services, and financial services.

Table 10. Exports and imports of services

	Exports			Imports			Balance	
	Volume (EEK m)	Change compared to previous period (%)	Share in total exports of goods and services (%)	Volume (EEK m)	Change compared to previous period (%)	Share in total imports of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)
Q1 2006	8,712.0	-21.8	23.2	6,463.5	-19.7	15.3	2,248.5	-27.5
Q2 2006	11,504.6	32.1	26.5	7,434.8	15.0	15.4	4,069.8	81.0
Q3 2006	13,079.2	13.7	30.4	8,642.8	16.2	17.8	4,436.4	9.0
Q4 2006	11,624.4	-11.1	27.4	8,448.3	-2.3	16.9	3,176.0	-28.4
2006 total	44,920.2	9.9	27.0	30,989.5	11.7	16.4	13,930.7	6.1
Q1 2007	10,132.6	-12.8	25.1	7,787.4	-7.8	16.1	2,345.1	-26.2
Q2 2007	13,229.2	30.6	28.4	8,593.1	10.3	16.1	4,636.1	97.7
Q3 2007	13,792.9	4.3	31.2	9,276.6	8.0	18.4	4,516.3	-2.6
Q4 2007	12,823.0	-7.0	27.8	9,465.3	2.0	17.8	3,357.6	-25.7
2007 total	49,977.6	11.3	28.2	35,122.5	13.3	17.1	14,855.1	6.6
Q1 2008	11,666.3	-9.0	26.8	8,045.2	-15.0	16.6	3,621.1	7.8
Q2 2008	14,132.9	21.1	28.7	8,629.6	7.3	16.5	5,503.3	52.0
Q3 2008	14,842.8	5.0	30.0	9,738.0	12.8	18.6	5,104.8	-7.2
Q4 2008	14,315.8	-3.6	30.9	9,384.8	-3.6	19.0	4,930.9	-3.4
2008 total	54,957.8	10.0	29.1	35,797.6	1.9	17.7	19,160.1	29.0
Q1 2009	10,652.2	-25.6	31.1	6,864.1	-26.9	20.4	3,788.1	-23.2
Q2 2009	12,681.5	19.1	33.1	6,580.7	-4.1	19.6	6,100.8	61.1
Q3 2009	13,464.5	6.2	34.1	7,260.2	10.3	20.7	6,204.3	1.7
Q4 2009	12,623.7	-6.2	31.9	7,664.8	5.6	20.6	4,959.0	-20.1
2009 total	49,422.0	-10.1	32.6	28,369.8	-20.7	20.4	21,052.2	9.9
Q1 2010	10,942.1	-13.3	28.0	7,249.8	-5.4	19.5	3,692.3	-25.5
Q2 2010	13,395.1	22.4	29.0	7,914.2	9.2	18.6	5,480.9	48.4

Table 11. Services balance by major categories

	Balance (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
Transportation	2,333.5	1,969.9	2,257.8	38.2	53.4	41.2	14.6	-3.2
Travel	2,027.9	580.9	1,842.8	33.2	15.7	33.6	217.2	-9.1
Construction services	216.3	190.6	322.5	3.6	5.2	5.9	69.2	49.1
Computer and information services	251.4	310.1	325.1	4.1	8.4	5.9	4.8	29.3
Business services	975.5	620.2	517.2	16.0	16.8	9.5	-16.6	-47.0
Government services	33.5	41.3	43.2	0.6	1.1	0.8	4.6	29.0
Other	262.7	-20.7	172.3	4.3	-0.6	3.1	-931.5	-34.4
Total	6,100.8	3,692.3	5,480.9	100.0	100.0	100.0	48.4	-10.2

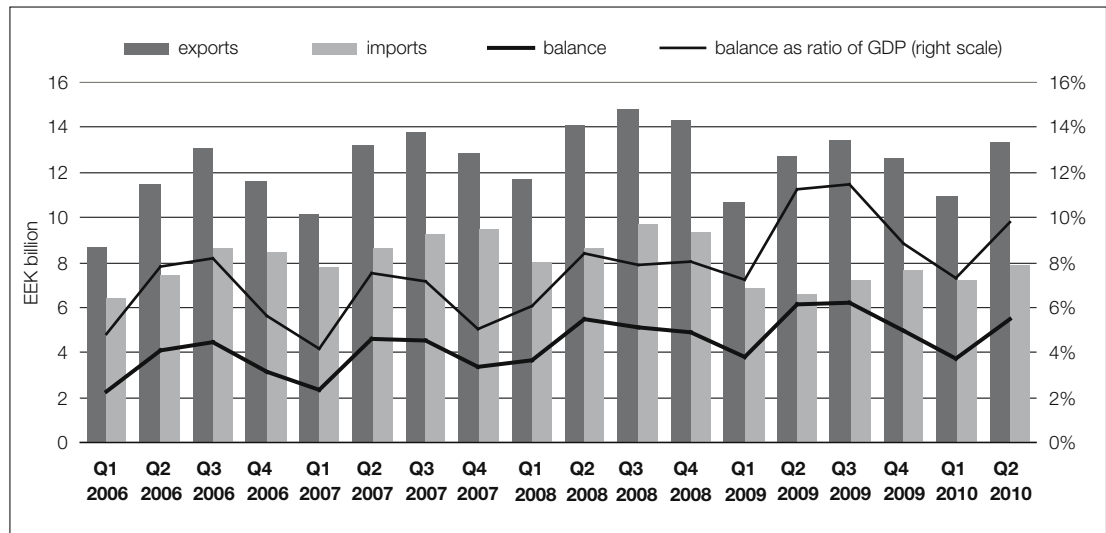


Figure 4. Services account

The exports of passenger transport and miscellaneous business services decreased year-on-year. Exports grew seasonally from the first quarter of 2010 in terms of all types of services (see Table 12). The majority of services exports went to EU countries, especially Finland. Year-on-year, the share of Sweden in exports slightly dropped, whereas the share of Netherlands rose considerably. Regarding Estonia's services exports to the CIS group, Russia was still in the lead. Services exports to Kazakhstan grew 12%, mainly owing to an increase in operational lease. Services exports to other countries remained more or less at the year-ago level in total terms. Exports to offshore regions increased by a third, whereas exports to Switzerland and the United States contracted (see Table 13).

The **imports of services** increased from the second quarter of 2009 largely owing to transport services. This was mainly due to an increase in the imports of freight transport services needed for the delivery of imported goods. Other business services, travel services and communication services contributed somewhat less to import growth. The imports of construction services decreased (see

Table 12. Services exports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
Transportation	4,554.6	4,423.8	5,127.9	35.9	40.4	38.3	15.9	12.6
freight	1,904.4	2,188.4	2,352.7	15.0	20.0	17.6	7.5	23.5
passenger	1,149.9	672.5	1,069.0	9.1	6.1	8.0	59.0	-7.0
other transport services	1,500.3	1,562.9	1,706.2	11.8	14.3	12.7	9.2	13.7
Travel	3,481.6	2,264.8	3,509.0	27.4	20.7	26.2	54.9	0.8
Construction services	565.0	441.6	577.8	4.5	4.0	4.3	30.8	2.3
Computer and information services	507.4	545.4	611.3	4.0	5.0	4.6	12.1	20.5
Business services	2,582.4	2,258.8	2,436.7	20.4	20.6	18.2	7.9	-5.6
Government services	124.4	118.3	124.1	1.0	1.1	0.9	4.9	-0.2
Other	866.1	889.4	1,008.3	6.8	8.0	7.5	13.4	16.4
Total	12,681.5	10,942.1	13,395.1	100.0	100.0	100.0	22.4	5.6

Table 13. Services exports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
EU-27	9,064.1	7,584.5	9,606.3	71.5	69.3	71.7	26.7	6.0
Finland	3,733.8	2,806.4	3,970.4	29.4	25.6	29.6	41.5	6.3
Sweden	1,199.5	768.4	1,099.7	9.5	7.0	8.2	43.1	-8.3
Latvia	658.3	710.7	750.2	5.2	6.5	5.6	5.6	14.0
Netherlands	293.7	490.3	585.6	2.3	4.5	4.4	19.4	99.4
United Kingdom	465.6	440.3	542.3	3.7	4.0	4.0	23.2	16.5
CIS	1,602.9	1,596.6	1,770.5	12.6	14.6	13.2	10.9	10.5
Russia	1,203.5	1,225.2	1,329.1	9.5	11.2	9.9	8.5	10.4
Kazakhstan	219.6	202.4	246.9	1.7	1.8	1.8	22.0	12.4
Other	2,014.5	1,761.0	2,018.3	15.9	16.1	15.1	14.6	0.2
offshore regions	514.0	602.7	687.8	4.1	5.5	5.1	14.1	33.8
Switzerland	493.8	383.9	394.9	3.9	3.5	2.9	2.9	-20.0
USA	385.2	313.8	374.4	3.0	2.9	2.8	19.3	-2.8
Total	12,681.5	10,942.1	13,395.1	100.0	100.0	100.0	22.4	5.6

Table 14. Services imports by major categories

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
Transportation	2,221.0	2,453.9	2,870.1	33.7	33.8	36.2	17.0	29.2
freight	1,330.0	1,534.6	1,799.3	20.2	21.1	22.7	17.2	35.3
passenger	237.5	245.5	271.1	3.6	3.4	3.4	10.4	14.1
other transport services	653.5	673.8	799.7	9.9	9.3	10.1	18.7	22.4
Travel	1,453.7	1,683.8	1,666.2	22.1	23.2	21.1	-1.0	14.6
Construction services	348.7	251.0	255.3	5.3	3.5	3.2	1.7	-26.8
Computer and information services	256.0	235.3	286.2	3.9	3.2	3.6	21.6	11.8
Business services	1,606.9	1,638.6	1,919.5	24.4	22.6	24.3	17.1	19.5
Government services	90.9	77.0	81.0	1.4	1.1	1.0	5.2	-10.9
Other	603.5	910.2	835.9	9.2	12.6	10.6	-8.2	38.5
Total	6,580.7	7,249.8	7,914.2	100.0	100.0	100.0	9.2	20.3

Table 14). 79% of the services were purchased from EU countries, with imports growing 22% year-on-year. Import growth concerned all major EU partners, in particular Sweden. Services imports from the CIS remained at the year-ago level, whereas imports from Russia grew 20%. Imports from other countries, especially offshore regions and Norway, increased 25% year-on-year (see Table 15).

The surplus on **transport services** accounted for 41% of the services account and stood at 2.3 billion kroons, having decreased 3% year-on-year (see Figure 5 and Tables 11–13). The decrease was due to the imports of transport services growing faster than exports (29% and 13% respectively). Maritime transport accounted for the largest share (42%) of transport services, followed by road and rail transport (20–22%). Air transport, on the other hand, still posted a deficit (see Figure 6).

The exports of transport services grew primarily owing to freight transport, which accounted for about 50% of total transport services exports. The majority (68%) of transport services was sold to EU countries, with exports growing 20% from the second quarter of 2009 (see Table 16).

Table 15. Services imports by groups of countries

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
EU-27	5,117.7	5,704.7	6,247.5	77.8	78.7	78.9	9.5	22.1
Finland	943.0	1,009.0	1,205.2	14.3	13.9	15.2	19.4	27.8
Latvia	619.7	765.1	853.1	9.4	10.6	10.8	11.5	37.7
Sweden	487.1	853.8	829.8	7.4	11.8	10.5	-2.8	70.4
Germany	477.9	439.7	534.2	7.3	6.1	6.7	21.5	11.8
Cyprus	356.6	422.5	431.0	5.4	5.8	5.4	2.0	20.9
CIS	627.3	555.2	624.9	9.5	7.7	7.9	12.6	-0.4
Russia	381.1	421.1	467.0	5.8	5.8	5.9	10.9	22.5
Belarus	74.6	51.6	57.7	1.1	0.7	0.7	11.8	-22.7
Other	835.7	989.9	1,041.8	12.7	13.6	13.2	5.2	24.7
USA	239.0	227.8	212.3	3.6	3.1	2.7	-6.8	-11.2
offshore regions	68.7	94.5	130.6	1.0	1.3	1.7	38.2	90.1
Norway	95.9	108.2	126.6	1.5	1.5	1.6	17.0	32.0
Total	6,580.7	7,249.8	7,914.2	100.0	100.0	100.0	9.2	20.3

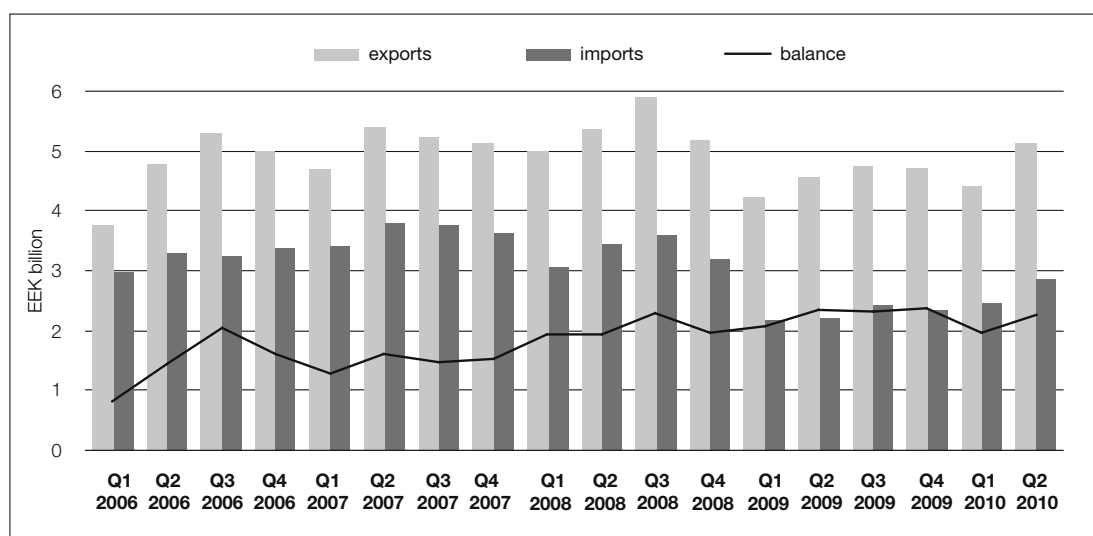


Figure 5. Transport services

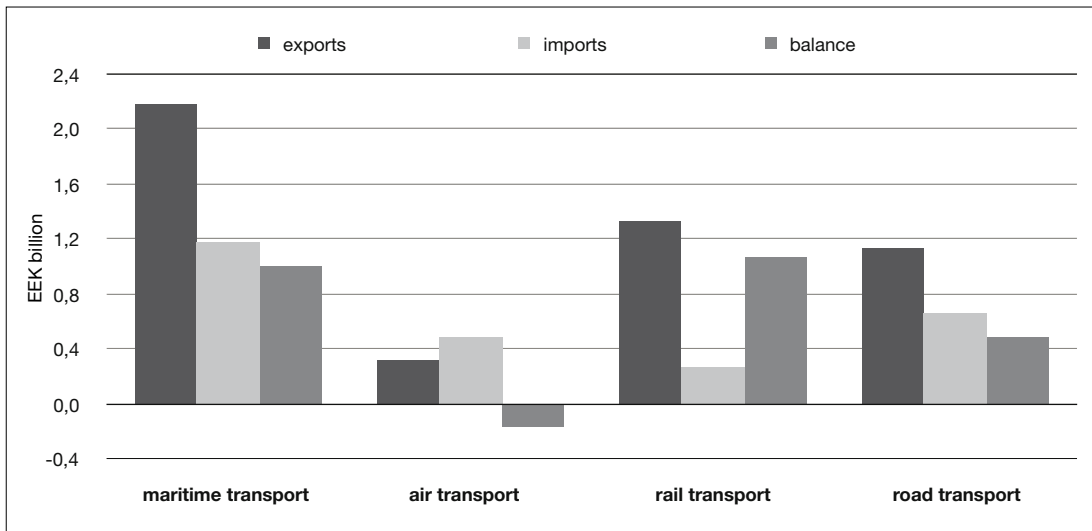


Figure 6. Transport services in the second quarter of 2010 by transport type

Finland was the biggest export partner with 22%, whereas exports to the Netherlands posted the strongest growth. The CIS accounted for 15% of the total exports of transport services with most of it being exported to Russia. The exports of transport services to other countries declined 10% year-on-year; the main export partners included offshore regions, Switzerland and the United States.

The imports of transport services comprised 36% of total services imports. The majority of imported transport services was freight transport (see Tables 14 and 16). The share of EU countries in the imports of transport services did not change from 78% in the second quarter of 2009, although the volume of services

Table 16. Transport services by groups of countries in the second quarter of 2010

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q2 2010 / Q2 2009		Volume (EEK m)	Share (%)	Change (%), Q2 2010 / Q2 2009
EU-27	3,484.4	67.9	19.3	EU-27	2,234.1	77.8	30.4
Finland	1,103.3	21.5	6.2	Finland	338.9	11.8	35.0
Netherlands	465.8	9.1	122.2	Sweden	314.9	11.0	84.6
Sweden	461.7	9.0	0.5	Germany	298.7	10.4	18.5
Latvia	272.2	5.3	44.4	Latvia	208.6	7.3	51.3
Germany	213.6	4.2	0.8	Lithuania	198.2	6.9	8.5
CIS	780.8	15.2	15.1	CIS	199.7	7.0	33.5
Russia	726.3	14.2	16.1	Russia	115.2	4.0	19.1
Kazakhstan	26.4	0.5	576.9	Belarus	41.7	1.5	61.0
Other	862.7	16.9	-9.8	Other	436.3	15.2	21.9
offshore regions	314.6	6.1	35.8	offshore regions	93.1	3.2	65.7
Switzerland	239.0	4.7	-30.7	China	91.5	3.2	84.1
USA	139.0	2.7	-3.1	Norway	58.7	2.0	44.6
Total	5,127.9	100.0	12.6	Total	2,870.1	100.0	29.2

increased by about a third year-on-year. Regarding EU countries, primarily Sweden and Latvia increased their shares, both in the field of maritime transport. As regards the CIS, the majority of transport services were imported from Russia (4% of total transport services imports). Offshore regions and China were the biggest import partners from among other countries.

The exports of **travel services** increased 1% from the second quarter of 2009 and imports grew 15%. This caused a 9% decline in the surplus on travel services. Quarter-on-quarter, the surplus increased by more than three times because of seasonality, which plays an important role in the developments of travel services, in particular tourism services (see Figure 7). The share of EU countries in the exports and imports of travel services was 85% and 74% respectively.

The destinations of exported travel services changed quite significantly in the second quarter of 2010. The exports of travel services to EU countries remained close to the year-ago level, whereas exports to the CIS, primarily Russia, increased 6% and exports to other countries decreased 17% (see Table 17). The number of visitors from Finland, Germany and Russia rose year-on-year, whereas the number of tourists from the United Kingdom, Norway and Latvia dropped. The total number of tourists was approximately the same as in the second quarter of 2009.

Estonians' expenses abroad grew largely as a result of the increased length of trips, which can be assessed with the help of a new methodology⁴. Estonian residents made 8% more trips abroad year-on-year, while the number of days spent on a trip increased 21%. The number of residents employed abroad has declined from the second quarter of 2009. Finland, Latvia, Russia and Sweden were traditionally the main destinations of Estonian residents. Popular destinations of spring vacations included Turkey, Norway and Spain, whereas Egypt lost popularity.

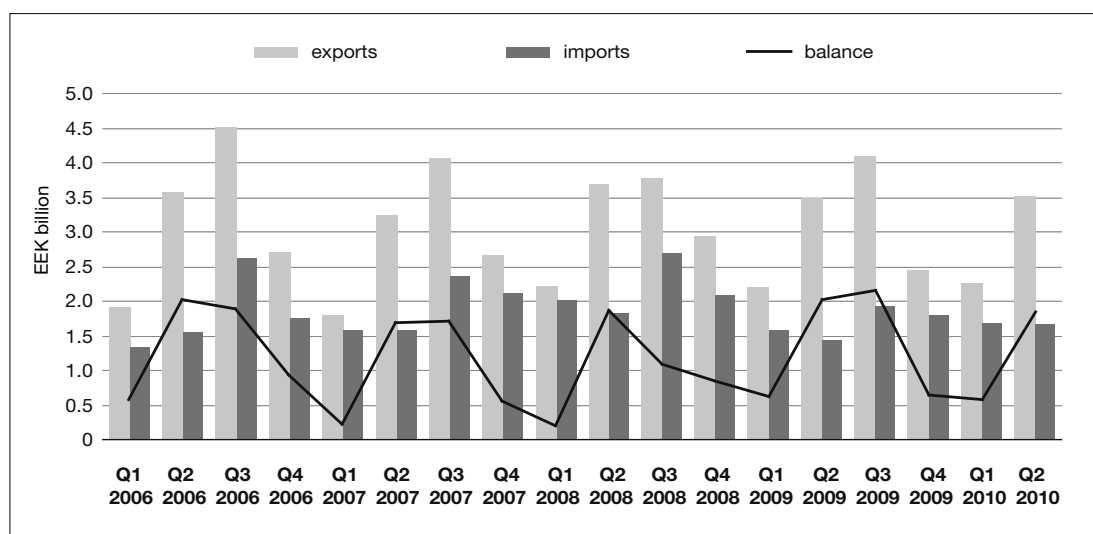


Figure 7. Travel services

⁴ Mobile positioning.

Table 17. Travel services by groups of countries in the second quarter of 2010

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q2 2010 / Q2 2009		Volume (EEK m)	Share (%)	Change (%), Q2 2010 / Q2 2009
EU-27	2,980.2	84.9	1.8	EU-27	1,234.3	74.1	38.3
Finland	1,958.1	55.8	8.6	Finland	367.0	22.0	72.6
Sweden	288.9	8.2	-19.2	Latvia	177.8	10.7	20.1
Germany	163.2	4.7	29.9	Sweden	101.9	6.1	-22.8
Latvia	145.1	4.1	-12.4	Germany	80.7	4.8	5.6
CIS	319.7	9.1	6.5	CIS	196.3	11.8	-34.8
Russia	300.9	8.6	8.7	Russia	173.3	10.4	23.3
Other	209.1	6.0	-17.4	Other	235.6	14.1	-9.6
USA	50.9	1.5	-22.1	Turkey	71.6	4.3	36.6
Norway	49.4	1.4	-35.6	Norway	40.6	2.4	114.8
Total	3,509.0	100.0	0.8	Total	1,666.2	100.0	14.6

Income

The improvement of the Estonian economic situation was reflected also in a slight increase in net income outflow. The outflow grew around 7% from the second quarter of 2009 and more than 50% from the first quarter of 2010. In total terms, income outflow exceeded inflow by 2.9 billion kroons, that is 5.2% of GDP (see Table 18). Labour income recorded a 0.5 billion

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 2006	2,693.2	18.1	-5,240.1	41.8	-2,546.9	79.8
Q2 2006	3,517.3	30.6	-6,299.2	20.2	-2,781.9	9.2
Q3 2006	3,780.5	7.5	-6,250.8	-0.8	-2,470.3	-11.2
Q4 2006	3,565.0	-5.7	-6,529.6	4.5	-2,964.6	20.0
2006 total	13,556.0	46.9	-24,319.7	48.7	-10,763.7	51.1
Q1 2007	3,980.2	11.6	-8,665.8	32.7	-4,685.6	58.1
Q2 2007	4,902.0	23.2	-8,242.9	-4.9	-3,340.9	-28.7
Q3 2007	5,232.7	6.7	-9,633.4	16.9	-4,400.7	31.7
Q4 2007	5,004.6	-4.4	-9,090.8	-5.6	-4,086.1	-7.1
2007 total	19,119.5	41.0	-35,632.9	46.5	-16,513.3	53.4
Q1 2008	4,283.8	-14.4	-9,296.6	2.3	-5,012.8	22.7
Q2 2008	4,374.6	2.1	-8,592.3	-7.6	-4,217.8	-15.9
Q3 2008	6,292.2	43.8	-8,742.9	1.8	-2,450.7	-41.9
Q4 2008	3,339.9	-46.9	-5,125.8	-41.4	-1,786.0	-27.1
2008 total	18,290.5	-4.3	-31,757.7	-10.9	-13,467.3	-18.4
Q1 2009	3,017.5	-9.7	-3,881.5	-24.3	-864.1	-51.6
Q2 2009	2,170.1	-28.1	-4,889.9	26.0	-2,719.8	214.8
Q3 2009	3,135.8	44.5	-4,324.7	-11.6	-1,188.9	-56.3
Q4 2009	2,221.0	-29.2	-3,403.3	-21.3	-1,182.3	-0.6
2009 total	10,544.4	-42.4	-16,499.5	-48.0	-5,955.1	-55.8
Q1 2010	2,800.4	26.1	-4,675.6	37.4	-1,875.2	58.6
Q2 2010	2,823.7	0.8	-5,719.6	22.3	-2,895.9	54.4

kroon net inflow, while investment income posted a 3.4 billion kroon net outflow (see Table 19). Over 90% of the net investment income outflow was direct investment, with dividends and reinvested earnings forming over one third and two thirds of that respectively. Year-on-year, the net outflow of dividends and reinvested earnings grew around 60% and 20%, respectively, in the second quarter of 2010. Excluding from the income account reinvested earnings, which involve no actual movement of funds, net income outflow declined to 0.8 billion kroons, or 1.5% of GDP (see Figure 8). The net outflow of other investment income (interest income on loans and deposits) shrank even more, by around 50% from the second quarter of 2009.

Table 19. Structure of income account

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2010	Q1 2010	Q2 2009	Q2 2010	Q1 2010	Q2 2009	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
Labour income	475.3	516.5	524.2	-17.5	-27.5	-18.1	1.5	10.3
Investment income	-3,195.0	-2,391.7	-3,420.0	117.5	127.5	118.1	43.0	7.0
Income on direct investment	-2,362.5	-2,104.8	-3,102.5	86.9	112.2	107.1	47.4	31.3
income on equity	-2,363.8	-2,050.6	-3,101.3	86.9	109.4	107.1	51.2	31.2
dividends	-644.4	103.1	-1,019.4	23.7	-5.5	35.2	-1,088.6	58.2
reinvested earnings	-1,719.4	-2,153.7	-2,081.9	63.2	114.9	71.9	-3.3	21.1
income on debt (interests)	1.3	-54.2	-1.2	0.0	2.9	0.0	-97.8	-189.3
Income on portfolio investment	97.3	265.3	176.0	-3.6	-14.1	-6.1	-33.7	80.9
Income on other investment	-929.9	-552.2	-493.6	34.2	29.4	17.0	-10.6	-46.9
Total	-2,719.8	-1,875.2	-2,895.9	100.0	100.0	100.0	54.4	6.5

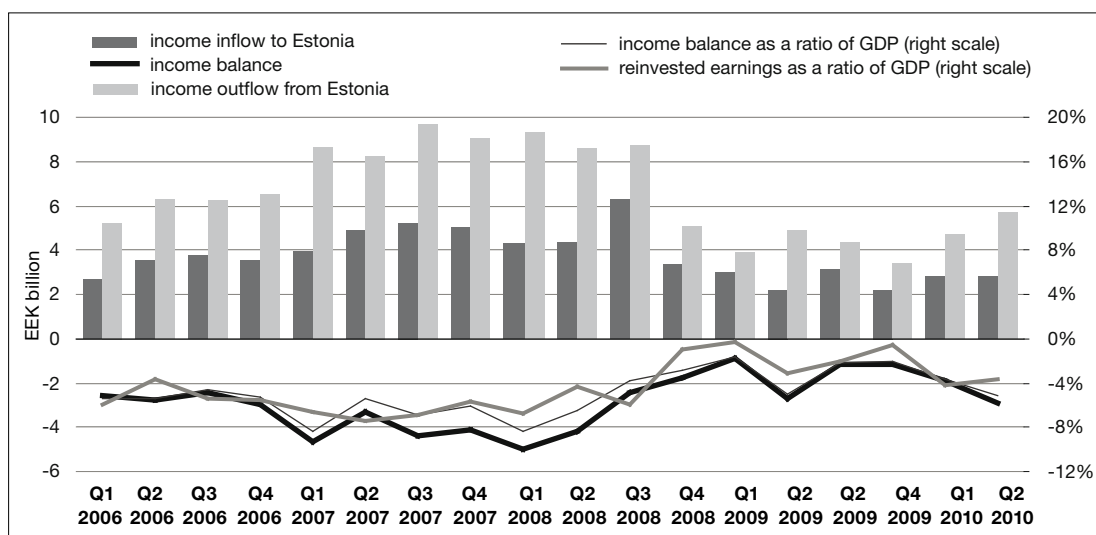


Figure 8. Income account

Income inflow increased 30% year-on-year to 2.8 billion kroons, remaining at the level recorded in the first quarter of 2010 (see Table 20). 93% of income inflow was earned in EU countries (see Table 21). Labour income accounted for 25% of total income inflow, having increased 8% year-on-year. Finland was the most popular employment destination with 43% labour income inflow coming from there; the United Kingdom followed with 12%. Somewhat less was earned in Latvia, Sweden and Ireland. Investment income inflow

Table 20. Income inflow to Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2010	Q1 2010	Q2 2009	Q2 2010	Q1 2010	Q2 2009	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
Labour income	690.4	722.7	743.3	31.8	25.8	26.3	2.8	7.7
Investment income	1,479.7	2,077.7	2,080.4	68.2	74.2	73.7	0.1	40.6
Income on direct investment	719.1	1,421.0	1,362.1	33.1	50.7	48.2	-4.1	89.4
income on equity	354.0	1,162.4	1,113.8	16.3	41.5	39.4	-4.2	214.7
dividends	1,123.1	284.8	499.5	51.8	10.2	17.7	75.4	-55.5
reinvested earnings	-769.2	877.7	614.2	-35.4	31.3	21.8	-30.0	-179.9
income on debt (interests)	365.2	258.6	248.3	16.8	9.2	8.8	-4.0	-32.0
Income on portfolio investment	489.5	374.8	436.6	22.6	13.4	15.5	16.5	-10.8
Income on other investment	271.1	282.0	281.7	12.5	10.1	10.0	-0.1	3.9
Total	2,170.1	2,800.4	2,823.7	100.0	100.0	100.0	0.8	30.1

Table 21. Income by groups of countries in the second quarter of 2010

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%), Q2 2010 / Q2 2009		Volume (EEK m)	Share (%)	Change (%), Q2 2010 / Q2 2009
EU-27	2,626.7	93.0	-1.8	EU-27	-5,235.2	91.5	12.1
Latvia	600.3	21.3	-24.9	Sweden	-2,586.3	45.2	-16.2
Lithuania	569.2	20.2	-10.8	Finland	-1,172.8	20.5	48.9
Cyprus	450.0	15.9	-13.4	Netherlands	-608.2	10.6	701.9
Finland	249.3	8.8	-373.7	Germany	-259.5	4.5	119.3
CIS	63.0	2.2	-110.2	CIS	-158.4	2.8	49.3
Russia	45.9	1.6	-363.8	Russia	-148.3	2.6	23.8
Georgia	9.7	0.3	2,678.3	Ukraine	-4.4	0.1	-172.8
Other	94.2	3.3	-18.4	Other	-148.0	2.6	-30.9
Norway	37.6	1.3	-5.9	USA	-73.7	1.3	144.2
offshore regions	20.5	0.7	24.0	offshore regions	-205.7	3.6	619.6
Total	2,823.7	100.0	30.1	Total	-5,719.6	100.0	17.0

grew 41% year-on-year, but remained virtually unchanged quarter-on-quarter. The majority (65%) of investment income inflow consisted of income on foreign direct investment, which almost doubled year-on-year. Dividend drawings decreased by over two times and totalled 0.5 billion kroons. In the second quarter of 2009 losses were gained on direct investment, whereas in the second quarter of 2010 profits were made – reinvested earnings totalled 0.6 billion kroons. Income on foreign portfolio investment declined, while income on other investment slightly increased.

75% of investment income was earned in three countries: Lithuania, Latvia and Cyprus. Investment income from Germany and the Netherlands decreased by two times. In the second quarter of 2009 losses were gained on direct investment in Russia, whereas in the second quarter of 2010 profits were recorded. 53% of investment income earned abroad belonged to financial intermediaries, 20% to investors of transport and storage, and 12% to investors of professional, scientific and technical activities.

Income outflow grew 17% from the second quarter of 2009 (see Table 22). The majority (96%) of the outflow consisted of investment income. Labour income outflow remained practically at the year-ago level. Similar to income inflow, also the outflow was almost entirely related to EU countries (92%). Direct investment

Table 22. Income outflow from Estonia

	Volume (EEK m)			Share (%)			Change (%)	
	Q2 2010	Q1 2010	Q2 2009	Q2 2010	Q1 2010	Q2 2009	Q2 2010 / Q1 2010	Q2 2010 / Q2 2009
Labour income	-215.2	-206.2	-219.1	4.4	4.4	3.8	6.3	1.8
Investment income	-4,674.7	-4,469.4	-5,500.4	95.6	95.6	96.2	23.1	17.7
Income on direct investment	-3,081.6	-3,525.8	-4,464.6	63.0	75.4	78.1	26.6	44.9
income on equity	-2,717.7	-3,213.0	-4,215.1	55.6	68.7	73.7	31.2	55.1
dividends	-1,767.5	-181.6	-1,518.9	36.1	3.9	26.6	736.2	-14.1
reinvested earnings	-950.3	-3,031.4	-2,696.1	19.4	64.8	47.1	-11.1	183.7
income on debt (interests)	-363.8	-312.8	-249.5	7.4	6.7	4.4	-20.2	-31.4
Income on portfolio investment	-392.1	-109.4	-260.6	8.0	2.3	4.6	138.1	-33.6
Income on other investment	-1,201.0	-834.2	-775.3	24.6	17.8	13.6	-7.1	-35.4
Total	-4,889.9	-4,675.6	-5,719.6	100.0	100.0	100.0	22.3	17.0

income accounted for 81% of the investment income outflow, having grown 50% year-on-year. Portfolio investment income constituted 5% and other investment income 14% of the outflow, both having declined by a third year-on-year. The outflow of direct investment income (and total income) increased mainly as a result of almost triple growth in reinvested earnings, which totalled 2.7 billion kroons.

The income of Finnish and Dutch investors increased considerably year-on-year, whereas that of Swedish investors shrank. Foreign investors earned income in Estonia primarily on financial and insurance activities (49%), manufacturing (15%), transport and storage (9%), and wholesale and retail trade (8%; see Figure 9). Investment income on financial and insurance activities decreased 25% from the second quarter of 2009, whereas income on manufacturing and transport and storage increased by three and two times respectively. In the second quarter of 2009 losses were gained in wholesale and retail trade, whereas the second quarter of 2010 saw considerable profits of over 0.4 billion kroons.

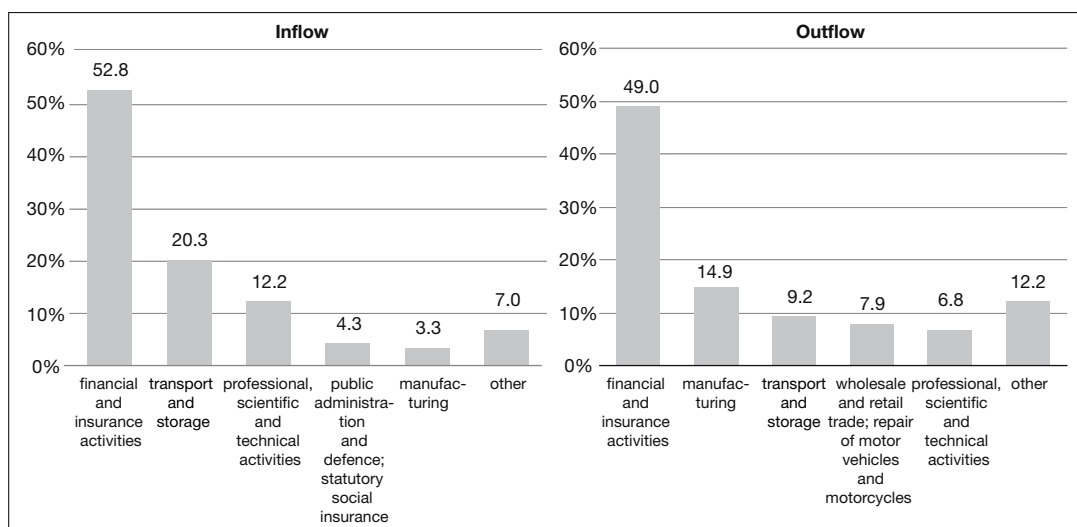


Figure 9. Inflow and outflow of investment income by fields of activity in the second quarter of 2010

Current and capital transfers⁵

The surplus on the current transfers account totalled 0.7 billion kroons in the second quarter of 2010 (see Table 23).

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

	Incoming			Outgoing			Balance		
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010
Current transfers	1,736.2	2,027.5	1,651.7	1,086.9	1,494.0	930.2	649.3	533.5	721.5
government transfers	673.5	791.9	630.0	741.0	971.1	448.8	-67.5	-179.2	181.2
EU-27	598.6	704.8	542.4	697.0	917.8	431.6	-98.5	-213.0	110.8
CIS	12.9	7.4	15.3	3.5	2.4	2.8	9.4	5.0	12.5
other	62.1	79.7	72.2	40.5	50.8	14.4	21.6	28.8	57.8
private transfers	1,062.6	1,235.6	1,021.8	345.8	522.9	481.4	716.8	712.7	540.3
EU-27	817.1	1,015.9	706.6	300.2	411.6	391.4	517.0	604.3	315.2
CIS	165.5	89.1	248.9	11.3	15.5	18.6	154.2	73.6	230.3
other	80.0	130.6	66.2	34.3	95.8	71.4	45.7	34.8	-5.1
Capital transfers	813.9	2,145.7	1,003.4	1.2	0.8	0.0	812.7	2,145.0	1,003.4
government transfers	577.6	1,297.8	616.9	0.2	0.8	0.0	577.4	1,297.0	616.9
private transfers	236.3	847.9	386.6	1.0	0.0	0.0	235.3	847.9	386.6

The inflow of **current transfers** totalled 1.7 billion kroons. Government transfers accounted for 38% of the inflow with 55% of them being allocations from the EU structural funds and the rest being VAT, income and social tax receipts from non-residents. Transfers to other sectors totalled 1 billion kroons; 25% of that accounted for external aid from EU structural funds and 15% for transfers by migrants employed abroad. The outflow of current transfers stood at 0.9 billion kroons. Slightly less than 50% of the transfers were general government transfers, of which 96%, or around 0.4 billion kroons, was Estonia's payment into the EU budget. Other sectors' transfers abroad totalled 0.5 billion kroons and were primarily channelled to the European Union, particularly Finland, Sweden, Germany, Cyprus and the United Kingdom.

The surplus on the **capital transfers** account was 1 billion kroons. The capital transfers into Estonia mainly comprised EU subsidies to the general government and also to other sectors for infrastructure objects.

⁵ Although capital transfers are reflected under the capital and financial account in the IMF methodology, the present analysis treats them together with current transfers. The distribution of European Union structural funds available for Estonia into current and capital transfers is not clearly distinguishable and is, therefore, based on the expert estimates of the Ministry of Financial Affairs, the Ministry of Agriculture, and Eesti Pank (according to the purpose of structural funds).

FINANCIAL ACCOUNT

There was a significant change in the financial account in the second quarter of 2010: the net outflow of capital, which had lasted for five quarters, turned into a modest net inflow of 0.5 billion kroons. The primary channel of inflow was direct investment, whereas the outflow consisted of portfolio investment, both being more or less equal in volume. The structure of the financial account by categories and maturities can be seen in Figures 10 and 11.

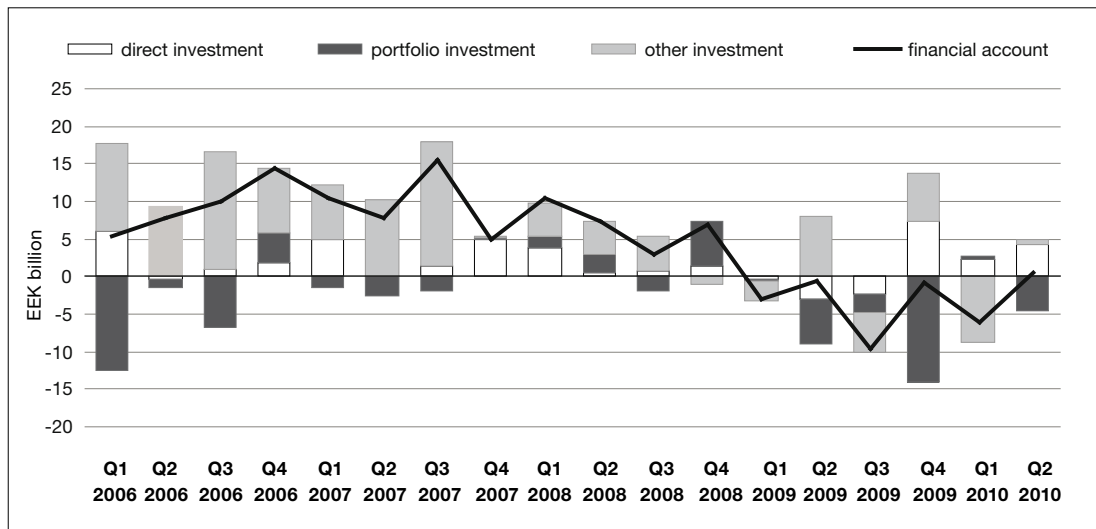


Figure 10. Changes in the structure of foreign investment capital flows

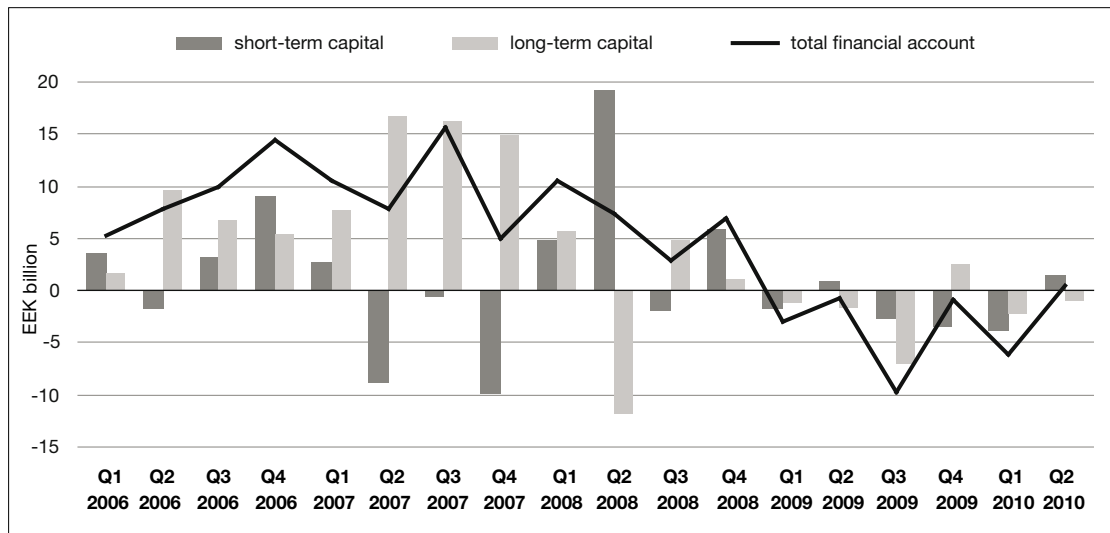


Figure 11. Maturity structure of the financial account

Direct investment

Direct investment had a surplus of 4.4 billion kroons in the second quarter of 2010. Non-residents invested 5 billion kroons in Estonia and Estonian residents' direct investment abroad grew by 0.6 billion kroons (see Figure 12).

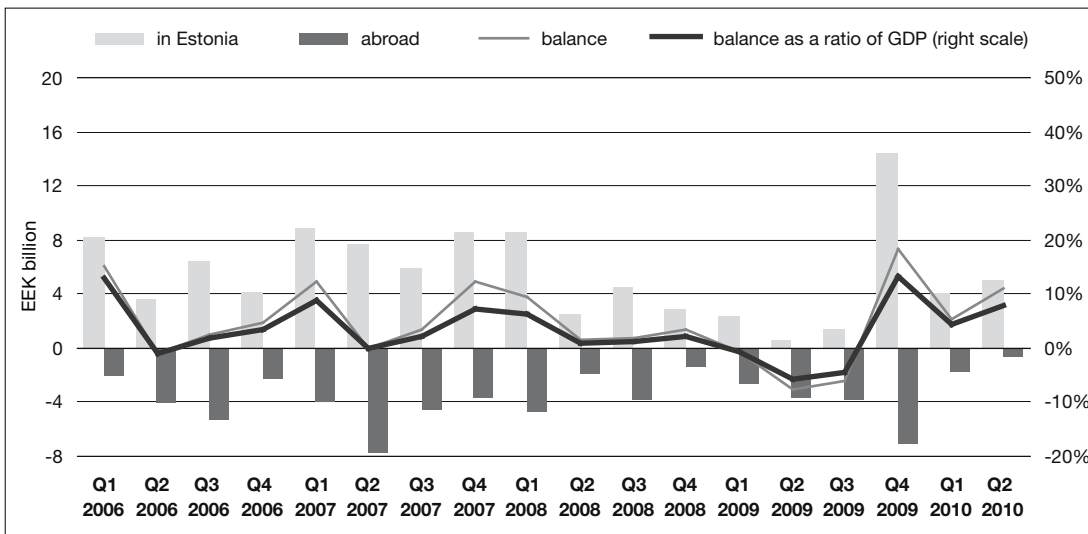


Figure 12. Direct investment

Direct investment in Estonia grew almost 25% quarter-on-quarter, which largely stemmed from higher than average inflow of other direct investment capital in the form of loans. Growth was more than seven-fold compared to the second quarter of 2009. Reinvested earnings accounted for over 50%, or 2.7 billion kroons, of direct investment. Financial intermediaries reinvested 1.8 billion kroons; companies engaged in transport and storage and timber industry reinvested less. The net amount of equity capital investment stood at -1.4 billion kroons in the second quarter of 2010, which resulted from the transition of the investment made in information and communications to resident owners. The largest equity capital inflow occurred in financial intermediation and totalled 0.7 billion kroons. The intercompany debt liabilities of direct investment companies increased by 4.3 billion kroons from the first quarter of 2010. Intercompany debt claims channelled 0.6 billion kroons out of Estonia (see Tables 24 and 25).

50%, or 2.5 billion kroons, of direct investment inflow came from Sweden, followed by Finland with 2 billion kroons and Lithuania with 0.3 billion kroons. In terms of groups of countries, direct investment came from the European Union. Owing to the foreign ownership of banks operating in Estonia and reinvested earnings, financial intermediation has been recording the biggest investment from quarter to quarter. The second quarter of 2010 was no exception – the majority of total direct investment went to financial intermediaries. Investment in manufacturing, and transport and storage followed in terms of volume. The net amount declined as a result of the above-mentioned outflow of investment in the field of information and communications (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 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	-58.9	2,155.8	51.3	4,199.4	100.0
2006 total	2,238.6	10.0	15,652.6	69.9	-4,463.5	-19.9	8,976.4	40.1	22,404.1	100.0
Q1 2007	486.5	5.5	5,261.8	59.4	-504.9	-5.7	3,610.1	40.8	8,853.5	100.0
Q2 2007	2,652.2	34.3	3,661.9	47.4	-1,687.8	-21.8	3,102.9	40.1	7,729.2	100.0
Q3 2007	8.2	0.1	6,784.3	113.9	-2,107.1	-35.4	1,268.7	21.3	5,954.1	100.0
Q4 2007	1,128.1	13.1	5,774.2	67.0	-2,235.0	-25.9	3,949.2	45.8	8,616.6	100.0
2007 total	4,275.0	13.7	21,482.3	69.0	-6,534.9	-21.0	11,930.9	38.3	31,153.3	100.0
Q1 2008	1,593.3	18.6	5,558.3	65.0	-1,203.1	-14.1	2,602.3	30.4	8,550.8	100.0
Q2 2008	464.6	18.8	2,940.3	119.1	-1,772.1	-71.8	836.6	33.9	2,469.4	100.0
Q3 2008	-47.4	-1.0	3,926.9	85.7	-216.1	-4.7	919.1	20.1	4,582.5	100.0
Q4 2008	1,042.9	36.5	1,168.2	40.9	1,230.3	43.1	-586.4	-20.5	2,855.0	100.0
2008 total	3,053.4	16.5	13,593.6	73.6	-1,961.0	-10.6	3,771.6	20.4	18,457.7	100.0
Q1 2009	1,862.5	76.2	897.9	36.7	-621.9	-25.4	305.1	12.5	2,443.6	100.0
Q2 2009	1,622.2	241.8	950.3	141.7	-283.9	-42.3	-1,617.8	-241.2	670.8	100.0
Q3 2009	1,904.8	144.6	2,302.7	174.8	-1,309.8	-99.4	-1,580.0	-119.9	1,317.7	100.0
Q4 2009	13,867.0	95.7	723.6	5.0	1,179.3	8.1	-1,284.7	-8.9	14,485.2	100.0
2009 total	19,256.6	101.8	4,874.4	25.8	-1,036.3	-5.5	-4,177.3	-22.1	18,917.3	100.0
Q1 2010	633.3	15.7	3,031.4	74.9	-212.0	-5.2	592.7	14.7	4,045.3	100.0
Q2 2010	-1,373.7	-27.4	2,696.1	53.8	-586.4	-11.7	4,276.7	85.3	5,012.7	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
Q1 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	2,321.2	2,078.4	1,812.2	623.6
2006 total	2,120.5	609.3	3,723.7	2,589.2	13,317.5	6,139.9	4,119.0	3,393.4
Q1 2007	849.9	231.4	1,024.9	1,348.3	6,413.3	2,883.7	1,168.5	925.8
Q2 2007	670.5	279.3	2,737.7	787.3	4,408.5	1,388.0	1,565.9	1,773.8
Q3 2007	1,244.2	470.6	1,614.9	421.3	2,360.5	1,867.6	3,630.0	2,565.0
Q4 2007	1,096.1	244.4	2,615.5	1,333.2	4,853.0	3,036.7	1,717.3	1,102.6
2007 total	3,860.6	1,225.7	7,993.0	3,890.1	18,035.2	9,175.9	8,081.7	6,367.2
Q1 2008	758.7	354.8	1,426.8	1,172.9	3,678.4	2,111.0	1,895.7	1,012.0
Q2 2008	1,630.3	102.5	2,443.6	2,894.2	1,813.9	2,497.1	2,021.9	1,463.5
Q3 2008	614.1	1,219.6	2,432.6	1,425.2	4,197.6	4,633.6	3,053.2	1,715.5
Q4 2008	506.8	853.1	2,722.6	2,672.2	4,017.9	2,809.0	5,283.5	5,199.6
2008 total	3,509.8	2,530.1	9,025.5	8,164.6	13,707.8	12,050.7	12,254.3	9,390.5
Q1 2009	474.1	132.9	2,040.5	1,542.9	3,037.5	2,053.7	2,708.7	3,232.6
Q2 2009	459.5	422.0	1,543.5	1,574.4	1,748.4	2,803.9	1,292.3	1,293.5
Q3 2009	1,071.3	491.2	1,384.6	785.4	1,857.0	4,540.8	4,243.5	2,504.5
Q4 2009	658.1	1,007.4	1,343.0	1,945.1	2,150.6	2,156.3	1,576.3	2,536.8
2009 total	2,662.9	2,053.6	6,311.7	5,847.8	8,793.6	11,554.7	9,820.7	9,567.3
Q1 2010	389.3	133.6	1,033.3	1,055.2	2,057.7	1,524.3	1,024.0	1,013.4
Q2 2010	269.5	134.9	1,517.9	1,182.4	5,262.3	956.6	1,668.9	2,905.2

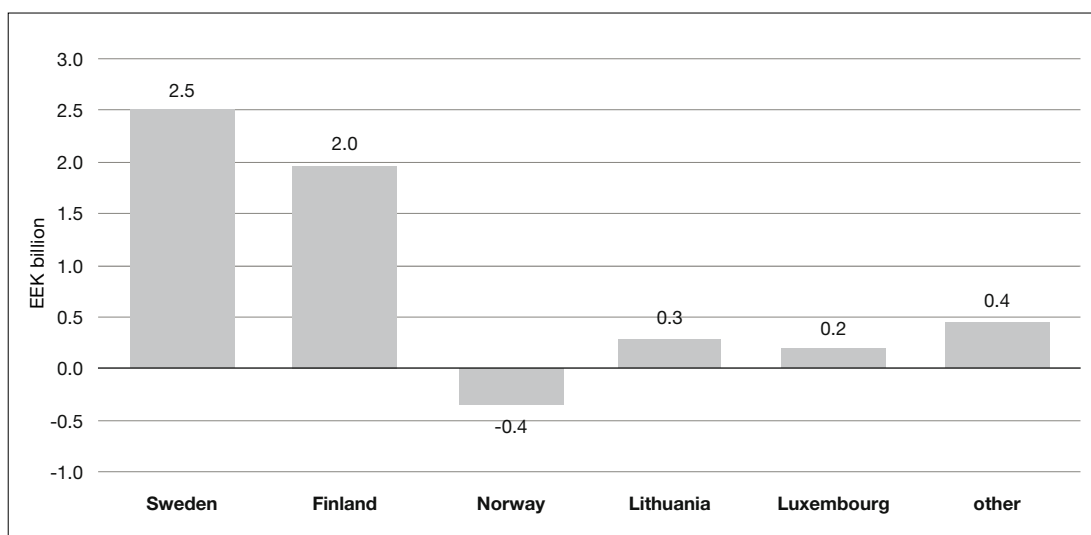


Figure 13. Direct investment in Estonia by countries in the second quarter of 2010

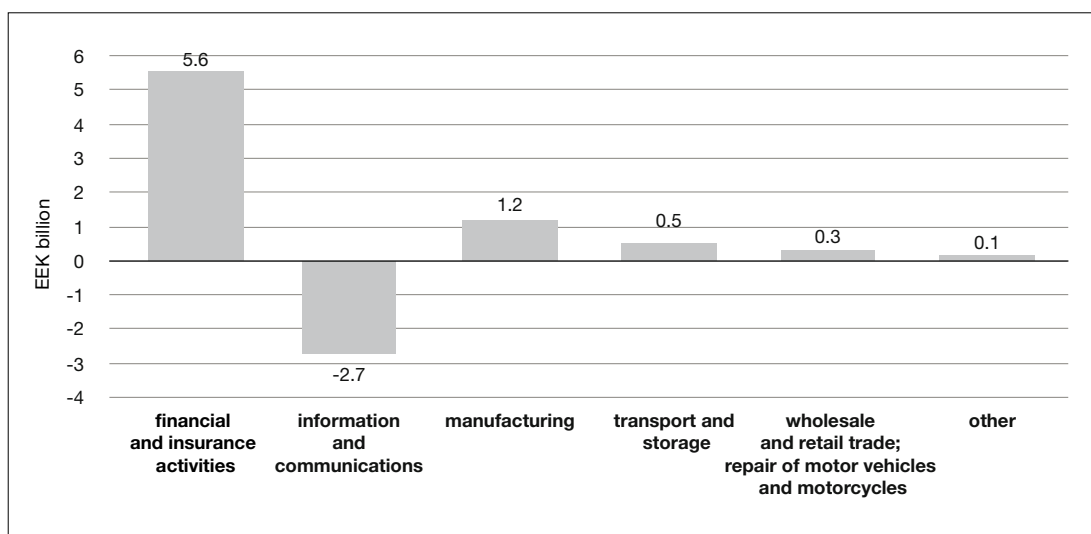


Figure 14. Direct investment in Estonia by fields of activities in the second quarter of 2010

Table 26. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q1 2010	Q2 2010	Q1 2010	Q2 2010	Q2 2010 / Q1 2010
EU-27	3,415.9	5,097.9	84.4	101.7	49.2
CIS	102.7	18.6	2.5	0.4	-81.9
Other	526.8	-103.7	13.0	-2.1	-119.7
Total	4,045.3	5,012.7	100.0	100.0	23.9

Direct investment abroad contracted by over three times from the first quarter of 2010 and by almost six times from the second quarter of 2009. Equity capital investment comprised almost 19% of the direct investment outflow; the outflow of retained proprietary income was 0.6 billion kroons. Other

capital assets and liabilities decreased, and in total there was a 0.1 billion kroon inflow to Estonia. The loan liabilities of subsidiaries and affiliated companies increased by 0.2 billion kroons from the first quarter, most of them being long-term liabilities. The loan liabilities of Estonian investors to foreign subsidiaries and affiliates remained almost unchanged (see Tables 27-28).

Investment in Finland shrank by 0.5 billion kroons, whereas investment in Latvia in Lithuania increased by 0.4 and 0.3 billion kroons respectively. The investors of financial intermediaries and professional, scientific and technical activities made the largest investments (81% and 42% growth respectively). The direct investment of wholesale and retail trade investors decreased by 0.1 billion kroons. The majority (59%) of the investment outflow remained in the European Union (see Table 29 and Figures 15-16).

Table 27. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Assets		Liabilities		Volume (EEK m)	Share (%)
					Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)		
Q1 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	51.2	-1,149.6	28.4	-1,060.4	26.2	238.1	-5.9	-4,044.3	100.0
Q3 2006	-2,897.8	53.9	-1,441.2	26.8	-1,406.4	26.2	373.0	-6.9	-5,372.4	100.0
Q4 2006	-558.7	24.4	-1,362.4	59.5	-491.4	21.4	121.6	-5.3	-2,290.9	100.0
2006 total	-5,895.5	42.7	-4,844.9	35.1	-3,814.4	27.7	760.3	-5.5	-13,794.5	100.0
Q1 2007	-1,277.4	32.4	-1,567.0	39.7	-1,257.5	31.9	159.7	-4.1	-3,942.1	100.0
Q2 2007	-6,747.2	87.5	909.5	-11.8	-1,632.8	21.2	-237.8	3.1	-7,708.3	100.0
Q3 2007	-930.9	20.2	-2,423.2	52.6	-2,460.5	53.4	1,206.7	-26.2	-4,607.9	100.0
Q4 2007	-1,368.6	37.0	-2,000.7	54.1	-659.7	17.8	328.6	-8.9	-3,700.4	100.0
2007 total	-10,324.1	51.7	-5,081.5	25.5	-6,010.4	30.1	1,457.2	-7.3	-19,958.8	100.0
Q1 2008	-996.0	21.0	-1,482.7	31.2	-2,681.1	56.4	406.9	-8.6	-4,752.9	100.0
Q2 2008	-749.0	40.1	-73.0	3.9	-97.2	5.2	-947.3	50.8	-1,866.5	100.0
Q3 2008	-488.9	12.8	-38.6	1.0	-2,834.1	74.1	-464.4	12.1	-3,826.1	100.0
Q4 2008	-123.7	8.6	-544.9	37.8	-949.2	65.8	174.5	-12.1	-1,443.3	100.0
2008 total	-2,357.7	19.8	-2,139.2	18.0	-6,561.7	55.2	-830.2	7.0	-11,888.8	100.0
Q1 2009	-1,269.6	46.5	-753.3	27.6	-111.2	4.1	-598.3	21.9	-2,732.4	100.0
Q2 2009	-474.4	12.7	769.2	-20.7	-3,239.4	87.0	-778.6	20.9	-3,723.3	100.0
Q3 2009	-3,179.5	84.3	-1,197.3	31.8	604.6	-16.0	1.3	0.0	-3,770.9	100.0
Q4 2009	-7,250.6	101.7	-425.2	6.0	422.0	-5.9	124.3	-1.7	-7,129.5	100.0
2009 total	-12,174.1	70.1	-1,606.6	9.3	-2,323.9	13.4	-1,251.4	7.2	-17,356.1	100.0
Q1 2010	-155.3	8.4	-877.7	47.4	-871.7	47.0	51.5	-2.8	-1,853.1	100.0
Q2 2010	-123.0	19.2	-614.2	95.9	172.7	-27.0	-76.2	11.9	-640.7	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Drawings	Repayments	Drawings	Repay-ments
Q1 2006	767.9	500.6	329.0	482.7	78.8	20.4	2.1	0.4
Q2 2006	865.4	269.7	340.9	523.4	0.6	51.4	2.9	0.4
Q3 2006	2,434.5	527.6	294.7	267.1	20.3	20.5	9.4	4.0
Q4 2006	1,297.6	1,074.8	599.2	352.9	18.9	20.3	132.6	15.7
2006 total	5,365.4	2,372.7	1,563.8	1,626.1	118.6	112.7	147.0	20.5
Q1 2007	976.7	158.8	279.6	324.6	13.9	24.5	59.6	30.0
Q2 2007	1,448.7	954.2	623.8	273.1	2.8	56.6	163.5	8.6
Q3 2007	3,097.0	305.2	566.7	531.7	11.5	19.3	1,048.0	30.9
Q4 2007	855.0	628.9	618.1	364.1	72.2	14.1	407.4	39.9
2007 total	6,377.4	2,047.0	2,088.2	1,493.4	100.4	114.6	1,678.5	109.3
Q1 2008	2,657.7	807.3	497.8	446.9	141.2	49.0	205.4	308.5
Q2 2008	992.6	1,788.2	560.8	284.0	28.4	67.6	54.7	414.6
Q3 2008	1,097.2	613.4	546.0	491.8	24.3	32.6	116.1	410.7
Q4 2008	678.6	454.6	1,294.3	795.4	60.4	34.9	218.4	45.3
2008 total	5,426.1	3,663.5	2,898.9	2,018.1	254.3	184.1	594.6	1,179.1
Q1 2009	1,356.6	428.1	416.8	745.3	61.0	13.7	48.7	95.7
Q2 2009	3,086.9	503.8	637.2	333.3	14.9	31.9	61.5	940.9
Q3 2009	718.4	697.8	378.9	365.2	62.8	22.4	24.5	38.8
Q4 2009	1,055.2	1,454.8	1,822.6	1,025.1	35.0	20.3	21.1	56.2
2009 total	6,217.1	3,084.5	3,255.5	2,468.9	173.7	88.3	155.8	1,131.6
Q1 2010	561.8	248.1	534.9	371.7	6.4	28.7	24.1	28.7
Q2 2010	541.0	367.9	329.5	345.6	14.4	8.6	49.0	46.6

Table 29. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	Q1 2010	Q2 2010	Q1 2010	Q2 2010	Q2 2010 / Q1 2010
EU-27	-1,409.6	-378.8	76.1	59.1	-73.1
CIS	-385.5	-165.0	20.8	25.7	-57.2
Other	-58.0	-96.9	3.1	15.1	67.0
Total	-1,853.1	-640.7	100.0	100.0	-65.4

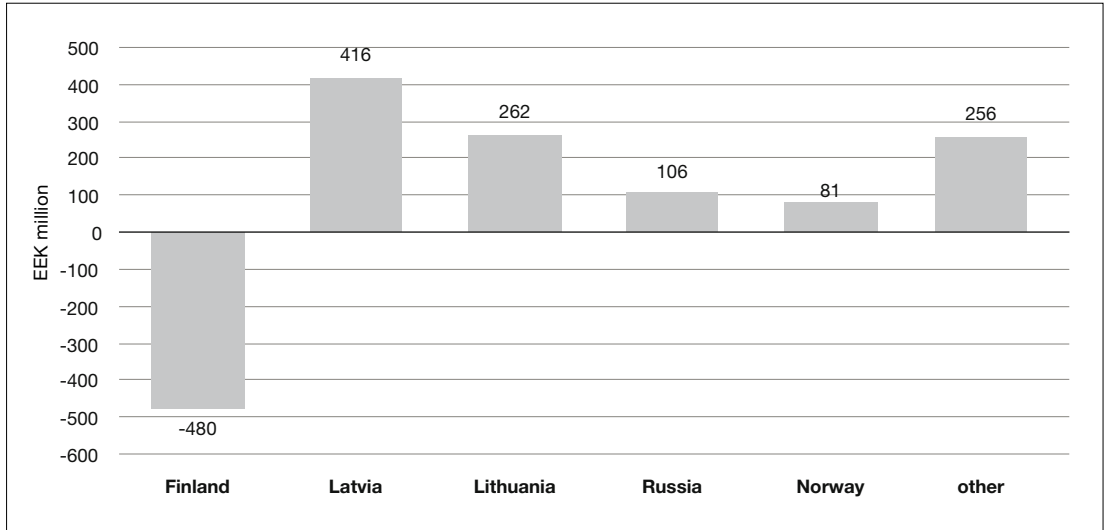


Figure 15. Direct investment abroad by countries in the second quarter of 2010

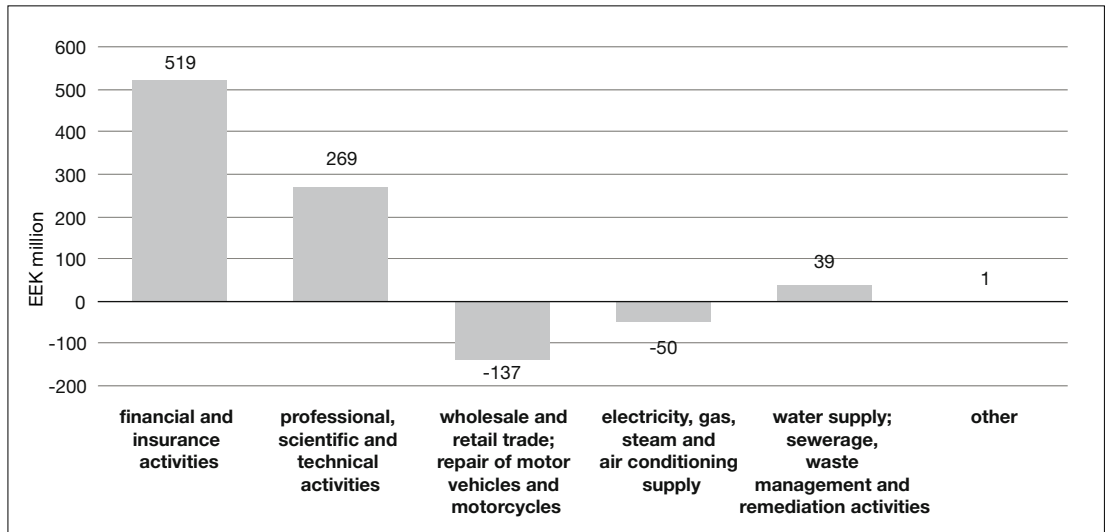


Figure 16. Direct investment abroad by fields of activity in the second quarter of 2010

Portfolio investment

The net outflow of portfolio investment was 4.6 billion kroons in the second quarter of 2010. The outflow was primarily caused by equity security assets and debt security liabilities. Foreign equity security investment of other sectors increased, while debt security liabilities of the general government decreased in the second quarter of 2010 (see Figure 17 and Table 30).

Portfolio investment liabilities declined by 1.8 billion kroons in the second quarter (see Table 31). In terms of institutional sectors, general government debt security liabilities decreased by 1.3 billion kroons in total and were replaced by liabilities to a domestic investor. The debt security liabilities of credit institutions declined by 440 million kroons, mainly as a result of repayment of debt securities. Enterprises in other sectors decreased both equity and debt security liabilities by 60 million kroons. By countries, portfolio

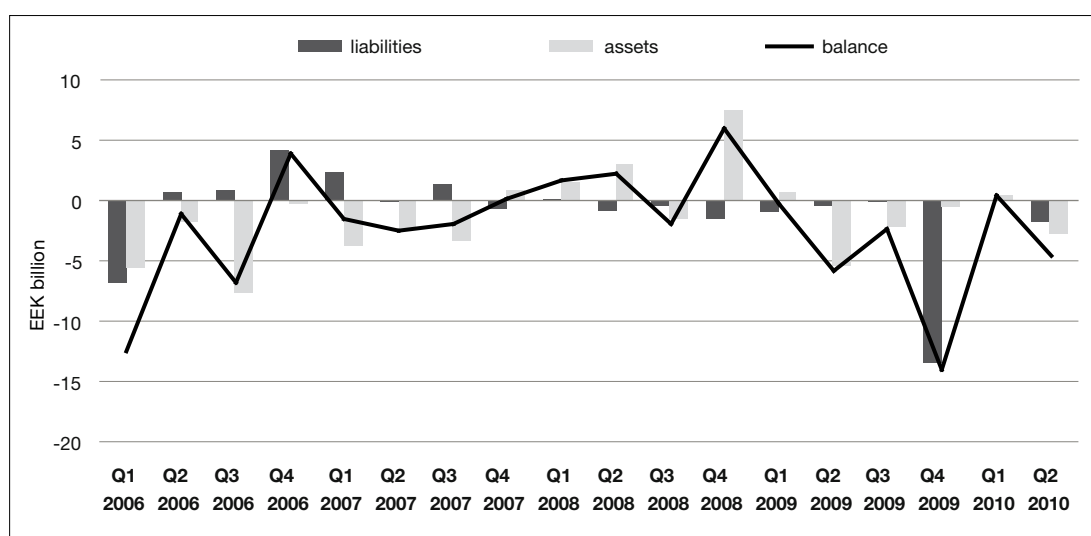


Figure 17. Portfolio investment

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

	Assets			Liabilities			Balance		
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010
Equity securities	-258.8	-1,101.6	-2,645.7	-112.5	134.2	-57.6	-371.3	-967.4	-2,703.3
central bank	-	-	-	-	-	-	-	-	-
general government	190.8	-91.7	-	-	-	-	190.8	-91.7	-
credit institutions	-4.4	-0.4	-12.1	-	-	-	-4.4	-0.4	-12.1
other sectors	-445.2	-1,009.4	-2,633.5	-112.5	134.2	-57.6	-557.7	-875.2	-2,691.1
Debt securities	-5,149.2	1,531.2	-114.0	-356.1	-144.0	-1,756.6	-5,505.3	1,387.2	-1,870.6
central bank	-	-	-	-	-	-	-	-	-
general government	2,073.9	2,092.4	-285.2	-62.6	8.8	-1,254.0	2,011.3	2,101.2	-1,539.2
credit institutions	-7,015.7	-179.2	-1,839.0	-48.4	-260.9	-440.2	-7,064.1	-440.1	-2,279.2
other sectors	-207.4	-381.9	2,010.2	-245.0	108.1	-62.5	-452.4	-273.8	1,947.7
Total	-5,408.0	429.7	-2,759.7	-468.6	-9.9	-1,814.2	-5,876.6	419.8	-4,573.9

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 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	-236.3	27.5	-624.1	72.5	-860.4	100.0
Q3 2008	-469.6	131.4	112.1	-31.4	-357.5	100.0
Q4 2008	-1,613.8	103.9	60.9	-3.9	-1,552.9	100.0
2008 total	-3,327.4	123.4	630.0	-23.4	-2,697.4	100.0
Q1 2009	-412.6	45.1	-502.0	54.9	-914.6	100.0
Q2 2009	-112.5	24.0	-356.1	76.0	-468.6	100.0
Q3 2009	134.8	-106.2	-261.7	206.2	-126.9	100.0
Q4 2009	-1,053.2	7.8	-12,454.8	92.2	-13,508.0	100.0
2009 total	-1,443.5	9.6	-13,574.6	90.4	-15,018.1	100.0
Q1 2010	134.2	-1,355.6	-144.0	1,454.5	-9.9	100.0
Q2 2010	-57.6	3.2	-1,756.6	96.8	-1,814.2	100.0

investment liabilities to Finland contracted the most, followed by liabilities to Sweden, Luxembourg, the Cayman Islands and the British Virgin Islands. Total liabilities to EU countries decreased by 1.7 billion kroons. In terms of other countries, liabilities to offshore regions shrank the most (see Figure 18 and Table 32).

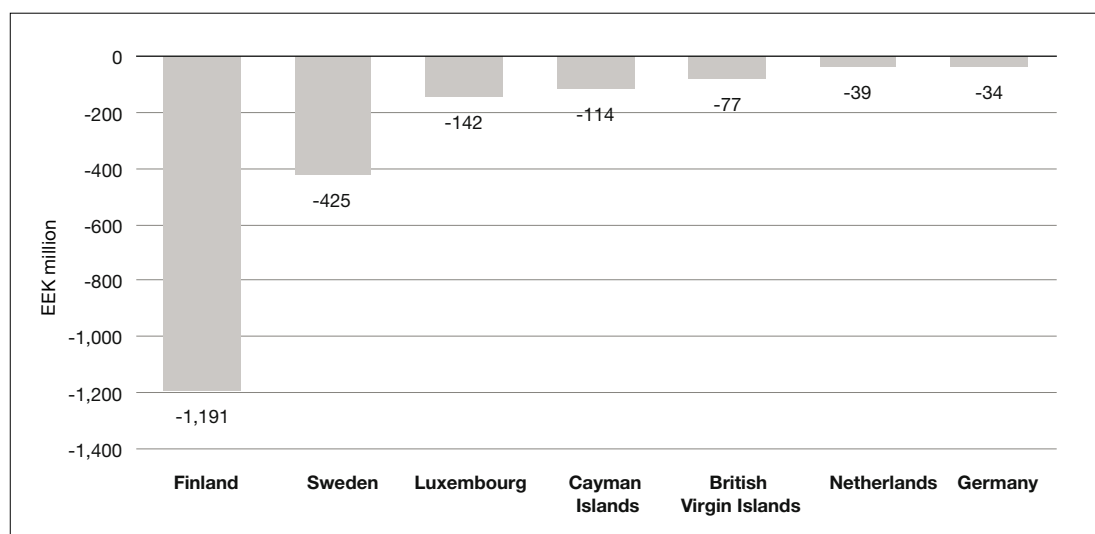


Figure 18. Decrease in portfolio investment liabilities by countries in the second quarter of 2010

Table 32. Structure of portfolio investment by groups of countries in the second quarter of 2010

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-2,353.3	-1,730.1	85.3	95.4
CIS	-11.4	74.9	0.4	-4.1
Other	-395.0	-159.0	14.3	8.8
Total	-2,759.7	-1,814.2	100.0	100.0

Portfolio investment assets increased by 2.8 billion kroons in the second quarter of 2010 (see Table 33). Investment in foreign equity securities grew by 2.6 billion kroons and investment in debt securities by 114 million kroons. As regards enterprises in other sectors, investment and pension funds replaced 2.2 billion kroons of debt security investment with equity security investment. Investments in equity securities were also made by insurance companies (215 million kroons). Credit institutions and the general government invested in debt securities, 1.8 billion and 285 million kroons respectively. Credit institutions invested primarily in foreign money market instruments, while reducing reverse-repo transactions. By countries, portfolio investment assets to France increased the most, followed by assets to Luxembourg, Denmark, the Netherlands and the United States (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 2006	-1,231.6	21.9	-4,383.2	78.1	-5,614.8	100.0
Q2 2006	-1,057.9	60.7	-686.1	39.3	-1,743.9	100.0
Q3 2006	-670.7	8.8	-6,928.6	91.2	-7,599.3	100.0
Q4 2006	-1,609.1	555.4	1,319.3	-455.4	-289.7	100.0
2006 total	-4,569.3	30.0	-10,678.6	70.0	-15,247.7	100.0
Q1 2007	-2,197.7	57.5	-1,621.1	42.5	-3,818.8	100.0
Q2 2007	-2,832.5	122.6	521.4	-22.6	-2,311.1	100.0
Q3 2007	-2,442.2	73.4	-886.7	26.6	-3,328.8	100.0
Q4 2007	-216.4	-26.4	1,034.7	126.4	818.4	100.0
2007 total	-7,688.8	89.0	-951.7	11.0	-8,640.3	100.0
Q1 2008	1,539.9	97.3	42.4	2.7	1,582.3	100.0
Q2 2008	947.6	30.4	2,166.9	69.6	3,114.6	100.0
Q3 2008	-57.6	3.7	-1,492.9	96.3	-1,550.6	100.0
Q4 2008	1,665.9	22.2	5,835.9	77.8	7,501.8	100.0
2008 total	4,095.8	38.5	6,552.3	61.5	10,648.1	100.0
Q1 2009	183.4	28.4	462.8	71.6	646.2	100.0
Q2 2009	-258.8	4.8	-5,149.2	95.2	-5,408.0	100.0
Q3 2009	-800.0	36.1	-1,417.5	63.9	-2,217.5	100.0
Q4 2009	127.1	-22.5	-692.6	122.5	-565.4	100.0
2009 total	-748.3	9.9	-6,796.5	90.1	-7,544.7	100.0
Q1 2010	-1,101.6	-256.4	1,531.2	356.3	429.7	100.0
Q2 2010	-2,645.7	95.9	-114.0	4.1	-2,759.7	100.0

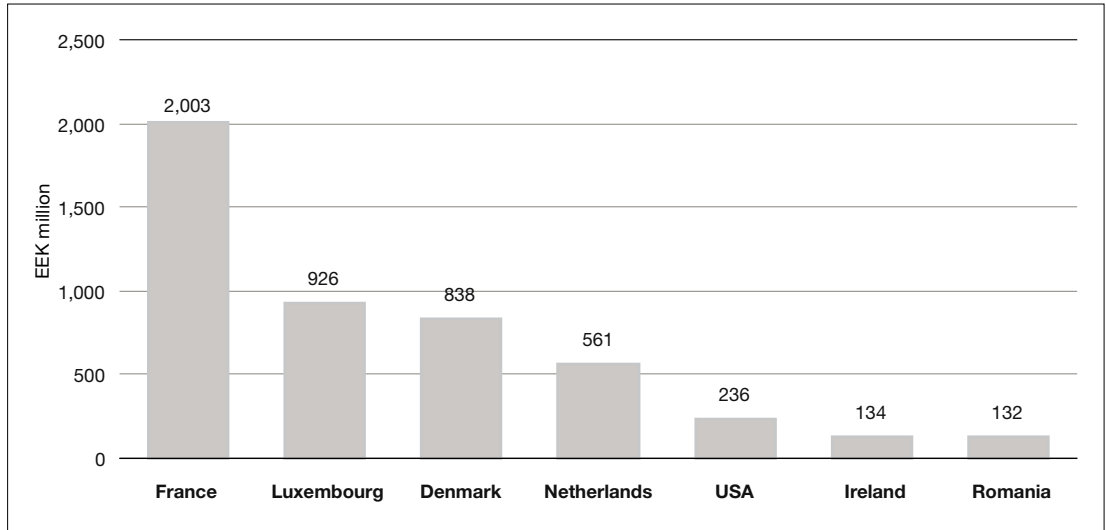


Figure 19. Increase in portfolio investment assets by countries in the second quarter of 2010

Financial derivatives

Financial derivative assets decreased by 87 million kroons in the second quarter of 2010 (see Figure 20). This was largely caused by a decline in credit institutions' investment in derivatives. By countries, assets to Finland and Sweden diminished the most.

Financial derivative liabilities increased by 51 million kroons in the second quarter, especially as regards the liabilities of enterprises in other sectors. By countries, liabilities to Denmark and Sweden grew the most.

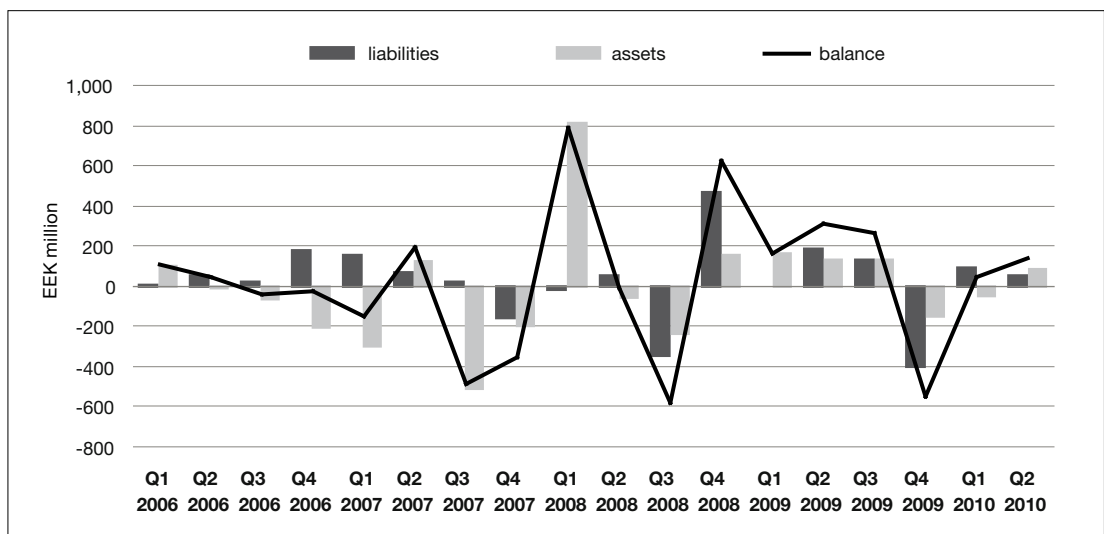


Figure 20. Financial derivatives

Other investment

The net inflow of other investment stood at 530 million kroons in the second quarter of 2010 (see Figure 21). The net inflow mainly resulted from a decline in the short-term capital assets of credit institutions (see Table 34).

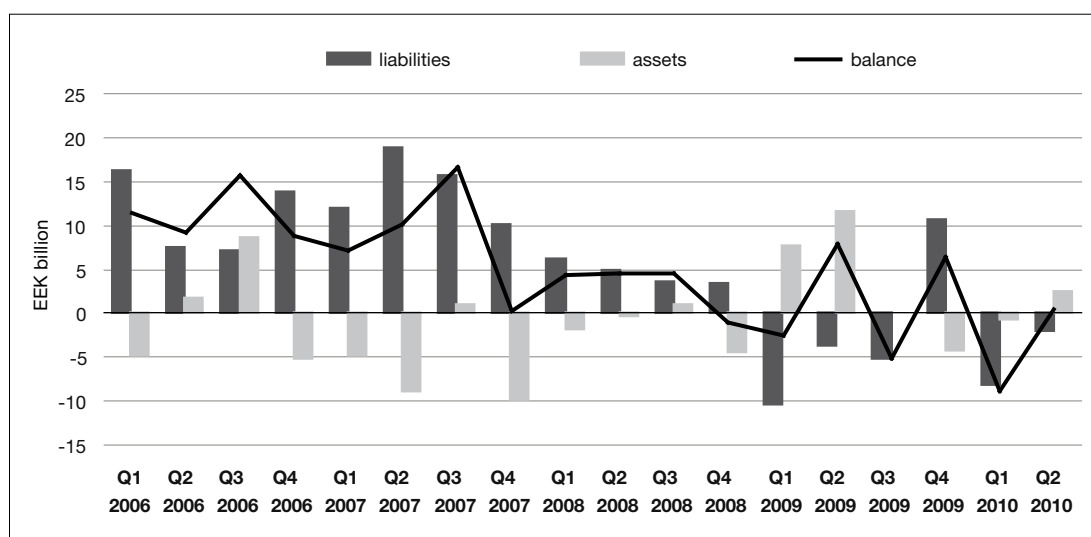


Figure 21. Other investment

Table 34. Other investment by maturity (EEK m)

	Assets			Liabilities			Balance		
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010
Long-term capital	97.8	-2,339.3	-42.2	1,884.7	-2,431.2	-6,247.7	1,982.5	-4,770.5	-6,289.9
central bank	-	-	-	-	0.0	0.4	-	-	-
general government	-	-23.7	-	467.4	-293.4	735.7	467.4	-317.1	735.7
credit institutions	184.7	-98.0	146.3	2,206.5	-2,054.6	-5,535.8	2,391.2	-2,152.6	-5,389.5
other sectors	-86.9	-2,217.6	-188.5	-789.2	-83.2	-1,448.0	-876.1	-2,300.8	-1,636.5
Short-term capital	11,457.9	1,698.9	2,589.9	-5,489.5	-5,761.6	4,230.5	5,968.4	-4,062.7	6,820.4
central bank	-	-	-	57.1	80.3	520.5	57.1	80.3	520.5
general government	360.3	864.1	415.0	1.1	0.9	-1.1	361.4	865.0	413.9
credit institutions	10,956.1	1,998.2	4,693.4	-5,459.8	-6,844.8	2,448.3	5,496.3	-4,846.6	7,141.7
other sectors	141.5	-1,163.4	-2,518.5	-87.9	1,002.0	1,262.8	53.6	-161.4	-1,255.7
Total	11,556.0	-640.5	2,547.6	-3,604.8	-8,192.6	-2,017.3	7,951.2	-8,833.1	530.3

Other investment liabilities shrank by 2 billion kroons in total quarter-on-quarter. Credit institutions' liabilities related to loans/currency and deposits (incl. interbank loans) decreased by 3.3 billion kroons (see Table 35).⁶ Other capital liabilities decreased by 579 million kroons in total, which can be attributed to credit institutions. The liabilities of enterprises in other sectors declined by 185 million

⁶ 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.

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 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	3.6	7,387.6	53.4	5,269.2	38.1	673.9	4.9	13,834.2	100.0
2006 total	3,185.5	7.1	19,233.3	43.1	21,081.1	47.2	1,174.0	2.6	44,674.1	100.0
Q1 2007	-813.0	-6.8	7,993.7	66.7	4,355.5	36.3	454.1	3.8	11,990.3	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	10,222.2	65.4	7,805.5	49.9	-1,356.0	-8.7	15,635.9	100.0
Q4 2007	-297.9	-2.9	4,843.4	48.0	5,355.1	53.0	199.0	2.0	10,099.6	100.0
2007 total	-343.1	-0.6	38,231.9	67.6	18,875.5	33.4	-173.1	-0.3	56,591.3	100.0
Q1 2008	552.0	9.0	-744.9	-12.1	4,334.5	70.6	2,000.6	32.6	6,142.3	100.0
Q2 2008	1,300.3	26.8	162.7	3.4	3,432.9	70.8	-44.4	-0.9	4,851.5	100.0
Q3 2008	749.8	21.3	2,357.8	67.0	-313.1	-8.9	727.2	20.6	3,521.7	100.0
Q4 2008	-2,289.4	-68.6	-623.4	-18.7	7,427.5	222.5	-1,176.9	-35.3	3,337.9	100.0
2008 total	312.7	1.8	1,152.2	6.5	14,881.8	83.4	1,506.5	8.4	17,853.4	100.0
Q1 2009	-2,724.1	26.4	-31.3	0.3	-8,435.1	81.6	859.5	-8.3	-10,331.0	100.0
Q2 2009	-136.9	3.8	-734.5	20.4	-3,633.5	100.8	900.1	-25.0	-3,604.8	100.0
Q3 2009	-1,490.5	28.7	-219.2	4.2	-2,866.5	55.2	-619.0	11.9	-5,195.2	100.0
Q4 2009	-834.0	-7.8	3,198.3	30.0	7,477.2	70.1	827.5	7.8	10,669.0	100.0
2009 total	-5,185.5	61.3	2,213.3	-26.2	-7,457.9	88.1	1,968.1	-23.3	-8,462.0	100.0
Q1 2010	1,289.0	-15.7	-266.6	3.3	-10,375.0	126.6	1,159.9	-14.2	-8,192.6	100.0
Q2 2010	2,132.5	-105.7	-289.1	14.3	-3,281.4	162.7	-579.3	28.7	-2,017.3	100.0

kroons in the second quarter. The drop in the long-term loan liabilities of leasing companies caused a 2.4 billion kron decrease in the loan liabilities of enterprises in other sectors. General government liabilities grew by 735 million kroons in total, which includes primarily EU funds received during the period but not yet used. In terms of countries, other investment liabilities to Denmark and Sweden decreased the most, by 4 and 3.2 billion kroons respectively, followed by liabilities to Austria, Belgium and Belize (see Table 36 and Figure 22).

Other investment assets fell by 2.5 billion kroons in the second quarter (see Table 37). The assets of credit institutions decreased by 4.8 billion kroons, of which loan assets accounted for 2.9 billion and deposit assets for 2.2 billion kroons. The other investment assets of the general government also declined by 415 million kroons, mainly as a result of a fall in other capital assets. Enterprises in other sectors invested 2.7 billion kroons, with trade credit and loan assets increasing by 2 billion and 436 million kroons respectively.

Table 36. Structure of other investment by groups of countries in the second quarter of 2010

	Volume (EEK m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	3,909.5	-1,417.3	153.5	70.3
CIS	-751.2	272.5	-29.5	-13.5
Other	-610.7	-872.5	-24.0	43.3
Total	2,547.6	-2,017.3	100.0	100.0

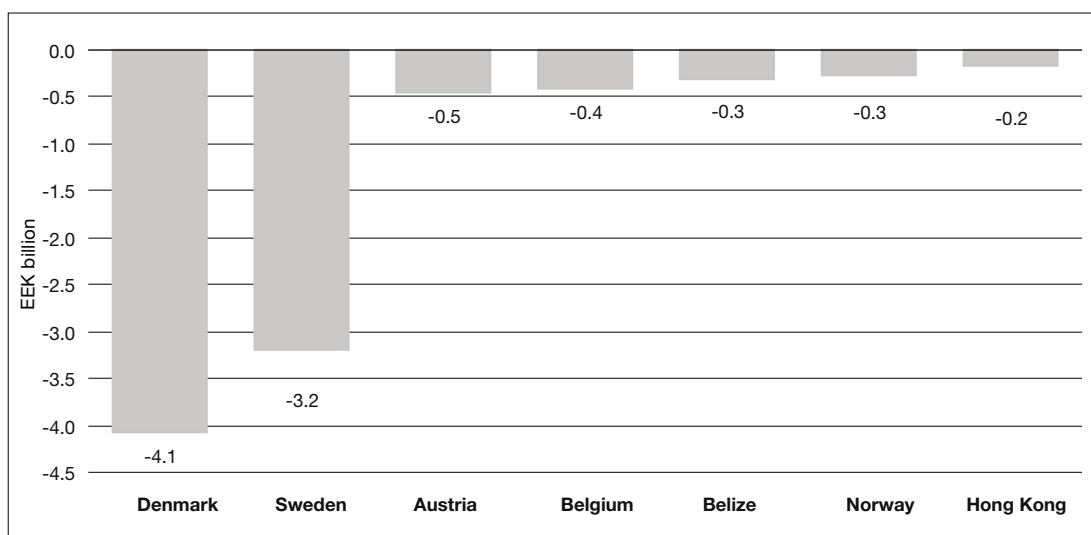


Figure 22. Decrease in other investment liabilities by countries in the second quarter of 2010

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 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	-5,001.5	57.0	-2,183.8	24.9	-978.4	11.2	-8,768.1	100.0
Q3 2007	-740.2	-69.3	1,263.7	118.3	-902.9	-84.5	1,447.4	135.5	1,067.9	100.0
Q4 2007	916.6	-9.4	-5,231.0	53.4	-4,809.1	49.1	-673.9	6.9	-9,797.3	100.0
2007 total	-641.5	2.9	-10,105.6	45.3	-11,114.4	49.8	-440.1	2.0	-22,301.6	100.0
Q1 2008	-1,344.3	72.0	-2,656.4	142.3	2,185.6	-117.0	-52.2	2.8	-1,867.3	100.0
Q2 2008	-1,033.2	263.6	-545.9	139.3	1,368.4	-349.1	-181.3	46.3	-392.0	100.0
Q3 2008	-897.5	-83.6	3,998.3	372.2	-2,112.7	-196.7	86.1	8.0	1,074.2	100.0
Q4 2008	1,520.7	-34.5	-2,798.4	63.5	-1,982.5	45.0	-1,145.8	26.0	-4,406.1	100.0
2008 total	-1,754.3	31.4	-2,002.4	35.8	-541.2	9.7	-1,293.2	23.1	-5,591.2	100.0
Q1 2009	1,850.7	23.9	-431.2	-5.6	7,036.0	91.0	-726.7	-9.4	7,728.8	100.0
Q2 2009	108.4	0.9	5,916.3	51.2	5,620.2	48.6	-88.8	-0.8	11,556.0	100.0
Q3 2009	-62.8	647.4	-857.5	8,840.2	589.3	-6,075.3	321.2	-3,311.3	-9.7	100.0
Q4 2009	1,000.4	-23.6	-2,584.1	60.8	-1,821.4	42.9	-842.3	19.8	-4,247.4	100.0
2009 total	2,896.7	19.3	2,043.5	13.6	11,424.1	76.0	-1,336.6	-8.9	15,027.7	100.0
Q1 2010	-973.6	152.0	-3,022.8	471.9	3,020.3	-471.6	335.6	-52.4	-640.5	100.0
Q2 2010	-1,937.0	-76.0	2,438.3	95.7	1,962.6	77.0	83.8	3.3	2,547.6	100.0

By countries, primarily other investment assets to Germany and the United Kingdom increased, followed by assets to Austria and the Netherlands (see Figure 23). Table 38 provides an overview of loan capital assets and liabilities.

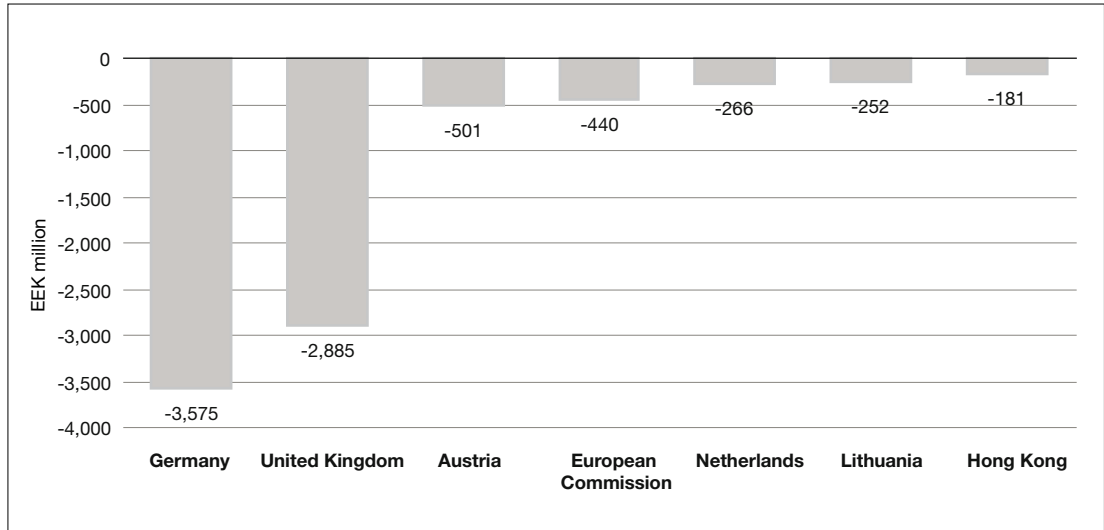


Figure 23. Decrease in other investment assets by countries in the second quarter of 2010

Table 38. Loan assets and liabilities (EEK m)

	Assets			Liabilities		
	Grantings	Repayments	Total	Drawings	Repayments	Total
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	-90,414.4	85,413.0	-5,001.5	96,778.5	-81,605.9	15,172.6
Q3 2007	-116,757.9	118,021.6	1,263.7	110,177.2	-99,955.0	10,222.2
Q4 2007	-135,856.5	130,625.5	-5,231.0	84,633.9	-79,790.4	4,843.4
2007 total	-396,495.7	386,390.3	-10,105.6	364,036.3	-325,804.3	38,231.9
Q1 2008	-14,168.3	11,511.9	-2,656.4	32,813.1	-33,558.0	-744.9
Q2 2008	-12,549.5	12,003.6	-545.9	29,476.1	-29,313.4	162.7
Q3 2008	-9,578.0	13,576.3	3,998.3	21,017.4	-18,659.6	2,357.8
Q4 2008	-11,689.9	8,891.5	-2,798.4	20,645.9	-21,269.3	-623.4
2008 total	-47,985.7	45,983.3	-2,002.4	103,952.5	-102,800.3	1,152.2
Q1 2009	-11,171.0	10,739.8	-431.2	14,612.3	-14,643.6	-31.3
Q2 2009	-3,332.6	9,248.8	5,916.3	9,831.5	-10,566.0	-734.5
Q3 2009	-2,159.5	1,302.0	-857.5	11,257.8	-11,477.0	-219.2
Q4 2009	-6,728.1	4,144.0	-2,584.1	17,815.5	-14,617.2	3,198.3
2009 total	-23,391.2	25,434.6	2,043.5	53,517.1	-51,303.8	2,213.3
Q1 2010	-13,840.1	10,817.3	-3,022.8	15,564.0	-15,830.6	-266.6
Q2 2010	-3,936.7	6,375.0	2,438.3	7,104.7	-7,393.8	-289.1

Reserve assets

The balance of payments reserves increased by 3.3 billion kroons in the second quarter of 2010 (see Table 39). Figure 24 gives an overview of the imports covered by reserve assets.

Table 39. Structure of changes in reserve assets

	Volume (EEK m)			Share (%)		
	Q2 2009	Q1 2010	Q2 2010	Q2 2009	Q1 2010	Q2 2010
Gold	-	-	-	-	-	-
Currency and deposits	-3,873.5	2,002.6	-936.5	327.1	117.4	28.5
Securities	2,830.9	-298.6	-2,808.1	-239.1	-17.5	85.5
equity securities	-	-	-	-	-	-
bonds and notes	8997.7	911.5	388.5	-759.9	53.4	-11.8
money market instruments	-6166.8	-1210.0	-3196.6	520.8	-70.9	97.3
Financial derivatives	0.9	-2.8	9.8	-0.1	-0.2	-0.3
Other assets	-142.5	4.4	448.8	12.0	0.3	-13.7
Total	-1,184.1	1,705.7	-3,286.0	100.0	100.0	100.0

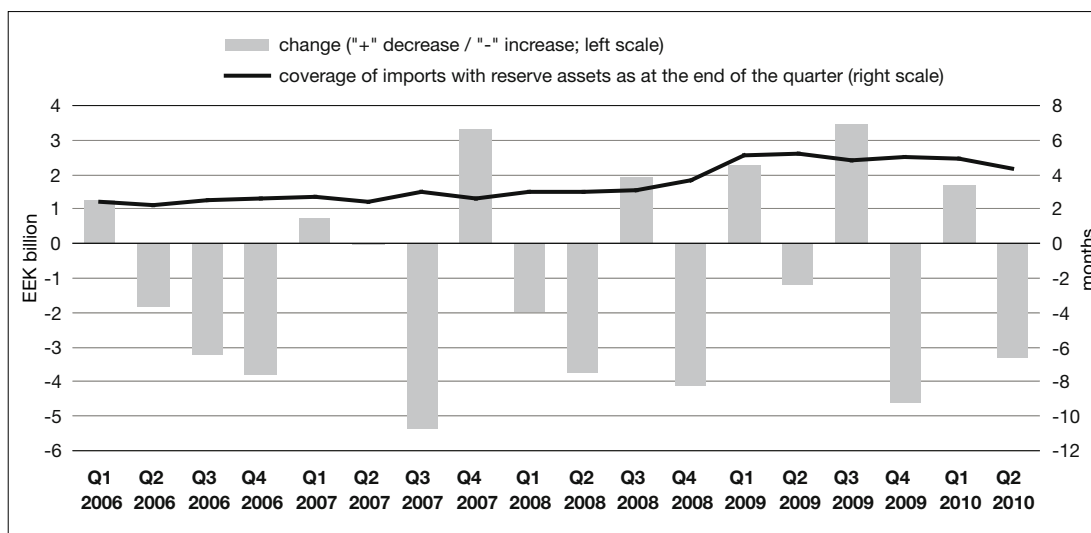


Figure 24. Changes in Estonia's gold and foreign exchange reserves and coverage of imports with reserve assets

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 June 2010

Foreign investment in Estonia did not change from the first quarter of 2010 and totalled 420 billion kroons at the end of the second quarter (see Table 40). Estonia's investment abroad amounted to 245 billion kroons, having grown 2% from the first quarter. Owing to the prevalence of external liabilities (position in Estonia) over external assets (position abroad), Estonia's net investment position was negative by 176 billion kroons at the end of the second quarter of 2010. Estonia's gross external debt comprised 269 billion kroons (64%) of total external liabilities, having increased 1% from the first quarter. As a ratio of GDP, gross external debt did not change quarter-on-quarter and was 24% bigger than GDP at the end of the second quarter (see Table 41 and Figure 25). The net external debt (assets less liabilities) increased 2% from the first quarter to 73 billion kroons. The ratio of net external debt to GDP stood at 34%.

The structure of **foreign investment in Estonia** did not change considerably in the second quarter. Other investment (trade credit, loans, currency and deposits) accounted for 50% and direct investment

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

	31/03/2010	%	30/06/2010	%
EXTERNAL ASSETS	240,717.0	100.0	244,701.5	100.0
Direct investment abroad	70,029.6	29.1	70,598.7	28.9
Equity capital and reinvested earnings	44,571.3	18.5	45,620.6	18.6
Other direct investment capital	25,458.2	10.6	24,978.2	10.2
Portfolio investment	55,092.4	22.9	57,036.0	23.3
Equity securities	19,657.3	8.2	21,565.3	8.8
Debt securities	35,435.1	14.7	35,470.7	14.5
Bonds and notes	21,730.4	9.0	19,119.1	7.8
Money market instruments	13,704.7	5.7	16,351.6	6.7
Financial derivatives	530.1	0.2	444.8	0.2
Other investment	73,399.5	30.5	71,491.8	29.2
Trade credit	18,809.8	7.8	20,711.7	8.5
Loans	23,163.3	9.6	21,485.2	8.8
Long-term	14,506.8	6.0	14,660.8	6.0
Short-term	8,656.5	3.6	6,824.3	2.8
Currency and deposits	26,734.3	11.1	25,204.8	10.3
Other assets	4,692.1	1.9	4,090.2	1.7
Reserve assets	41,665.4	17.3	45,130.2	18.4
EXTERNAL LIABILITIES	420,274.2	100.0	420,260.5	100.0
Direct investment in Estonia	185,798.2	44.2	188,211.9	44.8
Equity capital and reinvested earnings	159,379.1	37.9	157,960.6	37.6
Other direct investment capital	26,419.1	6.3	30,251.3	7.2
Portfolio investment	23,445.6	5.6	20,710.4	4.9
Equity securities	12,599.5	3.0	11,604.5	2.8
Debt securities	10,846.1	2.6	9,105.8	2.2
Bonds and notes	10,704.3	2.5	9,025.0	2.1
Money market instruments	141.8	0.0	80.8	0.0
Financial derivatives	846.9	0.2	904.3	0.2
Other investment	210,183.5	50.0	210,433.9	50.1
Trade credit	12,678.0	3.0	14,892.7	3.5
Loans	52,149.4	12.4	52,602.9	12.5
Long-term	40,146.2	9.6	41,055.9	9.8
Short-term	12,003.1	2.9	11,547.0	2.7
Currency and deposits	135,495.8	32.2	133,489.7	31.8
Other liabilities	9,860.4	2.3	9,448.6	2.2
NET INVESTMENT POSITION	-179,557.2		-175,559.1	

for 45% of foreign investment in Estonia, the rest being portfolio investment and financial derivatives. Quarter-on-quarter, the position of direct investment increased 2%, that of portfolio investment decreased 12%, whereas the position of other investment remained unchanged.

Table 41. External debt (EEK m)

	31/03/2010	%	30/06/2010	%
LIABILITIES				
I. General government	12,782.5	4.8	12,263.1	4.6
Short-term	2.6	0.0	1.6	0.0
Long-term	12,779.8	4.8	12,261.5	4.6
II. Monetary authorities (NCB)	1,396.4	0.5	2,013.4	0.7
Short-term	302.2	0.1	841.4	0.3
Long-term	1,094.2	0.4	1,172.0	0.4
III. Credit institutions	138,895.9	52.2	136,645.9	50.8
Short-term	68,854.6	25.9	72,566.9	27.0
Long-term	70,041.3	26.3	64,079.0	23.8
IV. Other sectors	67,954.9	25.6	68,617.3	25.5
Short-term	24,920.3	9.4	26,249.4	9.8
Long-term	43,034.6	16.2	42,367.9	15.8
V. Direct investment: intercompany lending	44,847.9	16.9	49,274.1	18.3
GROSS EXTERNAL DEBT	265,877.5	100.0	268,813.9	100.0
ASSETS				
I. General government	15,263.7	7.9	15,047.8	7.7
Short-term	6,483.6	3.3	7,028.1	3.6
Long-term	8,780.1	4.5	8,019.6	4.1
II. Monetary authorities (NCB)	41,522.8	21.4	44,947.0	22.9
Short-term	35,962.8	18.5	39,608.9	20.2
Long-term	5,560.0	2.9	5,338.2	2.7
III. Credit institutions	37,402.8	19.3	34,880.1	17.8
Short-term	27,868.6	14.3	25,219.6	12.9
Long-term	9,534.1	4.9	9,660.5	4.9
IV. Other sectors	56,151.6	28.9	57,021.5	29.1
Short-term	35,710.4	18.4	38,384.5	19.6
Long-term	20,441.2	10.5	18,637.0	9.5
V. Direct investment: intercompany lending	43,887.1	22.6	44,001.0	22.5
TOTAL ASSETS	194,227.9	100.0	195,897.5	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	2,481.2		2,784.7	
Short-term	6,481.0		7,026.5	
Long-term	-3,999.8		-4,241.9	
II. Monetary authorities (NCB)	40,126.4		42,933.7	
Short-term	35,660.5		38,767.5	
Long-term	4,465.9		4,166.2	
III. Credit institutions	-101,493.1		-101,765.8	
Short-term	-40,985.9		-47,347.3	
Long-term	-60,507.2		-54,418.5	
IV. Other sectors	-11,803.2		-11,595.8	
Short-term	10,790.2		12,135.1	
Long-term	-22,593.4		-23,730.9	
V. Direct investment: intercompany lending	-960.8		-5,273.1	
TOTAL NET EXTERNAL DEBT	-71,649.6		-72,916.4	

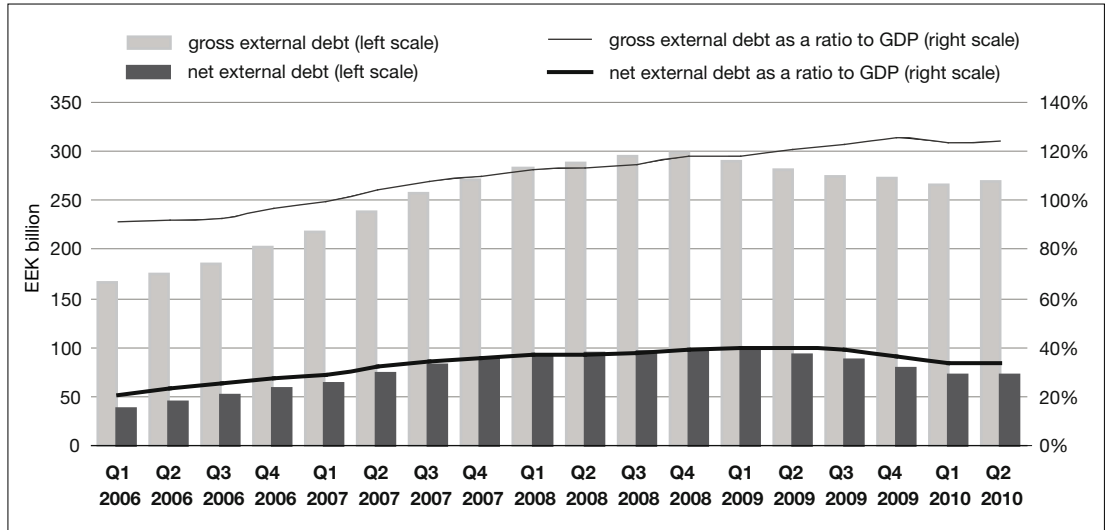


Figure 25. Estonia's gross and net external debt

The structure of Estonia's **investment abroad** did not change in terms of direct and portfolio investment, which accounted for 29% and 23% respectively, whereas the share of other investment slightly declined (29%). External assets grew primarily as a result of an 8% increase in reserve assets, which comprised 18% of total investment abroad.

Tables 42 and 43 give an overview of external assets and liabilities, and direct investment assets and liabilities by countries and fields of activity.

The debt liabilities of credit institutions accounted for 51% and those of other sectors for 25% of Estonia's **gross external debt**. The intercompany lending between direct investment companies constituted 18%, general government debt 5% and central bank debt around 1% of the gross external debt. The small increase in gross debt arose from the 10% growth in the intercompany lending of direct investment companies. 56% of the gross debt liabilities are related to Sweden and Finland, 64% being the debt liabilities of credit institutions. The net external debt can mainly be attributed to credit institutions, and somewhat less to enterprises in other sectors and direct investment companies, whose debt liabilities exceeded their debt assets by 102, 12 and 5 billion kroons respectively. At the same time, the debt assets of the general government and the central bank exceeded their debt liabilities by 3 and 43 billion kroons, respectively (primarily reserve assets in the latter's case).

Table 42. Estonia's international investment position by fields of activity and countries (%)

Assets			Liabilities		
Fields of activity					
	31/03/2010	30/06/2010		31/03/2010	30/06/2010
Financial and insurance activities	60.9	60.0	Financial and insurance activities	52.6	52.6
Wholesale and retail trade; repair of motor vehicles	6.3	6.5	Manufacturing	8.6	9.0
Public administration and defence; statutory social insurance	6.4	6.2	Wholesale and retail trade; repair of motor vehicles	7.5	7.7
Transport and storage	5.8	5.7	Real estate activities	7.2	7.1
Manufacturing	4.8	5.3	Professional, scientific and technical activities	6.7	6.1
Other	15.7	16.3	Other	17.4	17.5
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/03/2010	30/06/2010		31/03/2010	30/06/2010
Lithuania	11.8	11.4	Sweden	35.7	35.0
Latvia	10.6	10.4	Finland	21.4	22.3
Finland	7.0	6.7	Netherlands	4.2	4.0
France	4.8	5.6	United Kingdom	3.5	3.7
Netherlands	3.7	5.5	Russia	2.9	3.0
Other	62.1	60.4	Other	32.3	32.0
Total	100.0	100.0	Total	100.0	100.0

Table 43. Direct investment position by fields of activity and countries (%)

In Estonia			Abroad		
Fields of activity					
	31/03/2010	30/06/2010		31/03/2010	30/06/2010
Financial and insurance activities	31.1	32.5	Financial and insurance activities	42.6	41.4
Manufacturing	14.3	14.8	Transport and storage	15.2	15.2
Real estate activities	12.3	12.1	Professional, scientific and technical activities	12.8	14.5
Professional, scientific and technical activities	12.5	11.2	Real estate activities	10.8	10.7
Wholesale and retail trade; repair of motor vehicles	10.7	10.9	Wholesale and retail trade; repair of motor vehicles	6.0	6.0
Other	19.1	18.6	Other	12.6	12.1
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/03/2010	30/06/2010		31/03/2010	30/06/2010
Sweden	37.5	36.9	Lithuania	28.3	27.9
Finland	22.7	23.4	Latvia	26.7	26.0
Netherlands	8.6	8.1	Cyprus	13.1	13.1
Russia	3.7	3.7	Finland	7.0	6.2
Norway	3.5	3.2	Russia	5.5	5.7
Other	23.9	24.6	Other	19.4	21.0
Total	100.0	100.0	Total	100.0	100.0