EESTI PANK
EUROSÜSTEEM

Estonia's Balance of Payments for the First Quarter of 2011

2011

CONTENTS

METHODOLOGICAL CHANGES IN THE BALANCE OF PAYMENTS FOR THE FIRST QUARTER OF 2011

The central bank's external assets

As Estonia adopted the euro on 1 January 2011, the external assets denominated in euros or external assets issued by euro area countries are no longer recorded under the gold and foreign exchange reserves of Eesti Pank. They are recorded either under portfolio or other investment, depending on the type of asset.

OVERVIEW

(Based on preliminary data)

- **Estonia's current account, which had run surpluses for eight consecutive quarters, posted a deficit in the first quarter of 2011 that amounted to 63 million euros, or 1.7% of the first-quarter GDP (see Table 1 and Figure 1).**
- **Estonia's gross external debt decreased by 1.4 % quarter-on-quarter to 16.3 billion euros, exceeding the GDP for the last four quarters by 9%.**
- **The main reason for the current account turning into a deficit was the increase in the profitability of foreign-owned companies and the resulting double year-on-year growth in their reinvested earnings, which are recorded as net income outflow on the current account.**
- **Excluding these reinvested earnings, the current account was in surplus, which accounted for 5.2% of the first-quarter GDP.**
- **External demand remained strong, facilitating rapid growth in goods exports, which recorded the highest level for the past twenty years.**
- **The surplus on goods and services declined by 10% year-on-year to 92 million euros, or 2.5% of the first-quarter GDP.**
- **The surplus on the current transfers and capital account grew by 2.5 times to around 200 million euros.**
- **The financial account witnessed further modest net outflow of capital.**
- **Estonia's gold and foreign exchange reserves increased by 25 million euros quarter-on-quarter.**

Economic recovery led the current account into a deficit

Trade deficit shrank by 10% from the first quarter of 2010 to 117 million euros, or 3.2% of GDP. Both the imports and exports of goods picked up, whereas exports grew at a more rapid pace: exports increased 54% and imports 50%. Imports and exports were both boosted by machinery and equipment and somewhat less by mineral products (fuels). Foreign trade deficit contracted primarily because of the

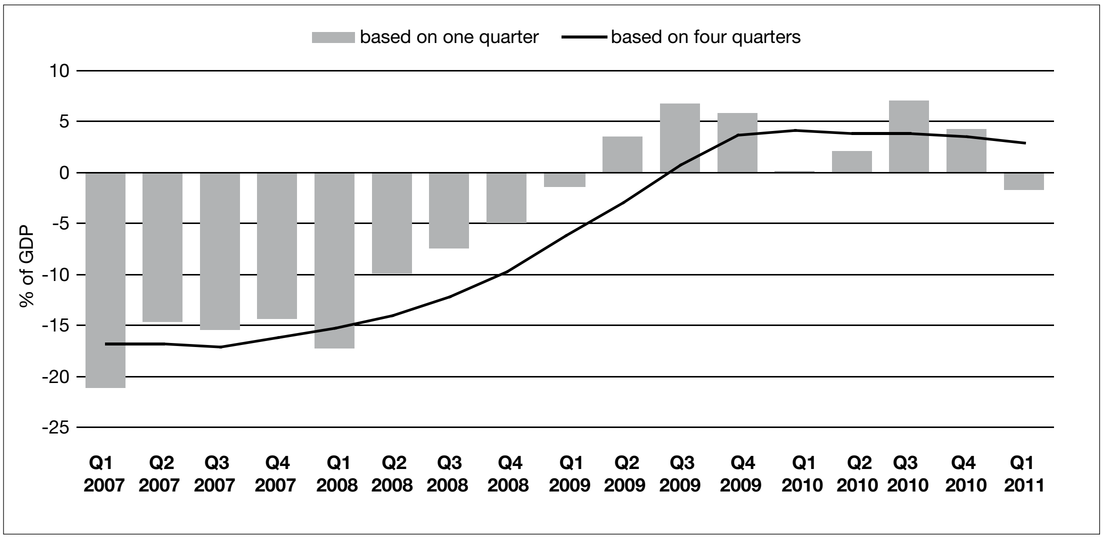

Figure 1. Current account deficit

Table 1. Estonia's balance of payments (EUR million)*

Item	2008	2009	2010					2011
	Total	Total	Q1	Q2	Q3	Q4	Total	Q1
Current account	**-1,577.8**	**512.3**	**5.7**	**74.1**	**264.5**	**168.9**	**513.1**	**-62.6**
Goods and services	-878.8	799.1	104.0	219.2	421.1	317.9	1,062.1	91.9
Goods*	-2,122.7	-559.1	-130.6	-127.6	-22.9	30.9	-250.2	-117.2
credit (f.o.b.)	8,541.5	6,550.4	1,780.2	2,080.1	2,268.0	2,649.3	8,777.7	2,743.5
debit (f.o.b.)	-10,664.2	-7,109.5	-1,910.8	-2,207.7	-2,291.0	-2,618.4	-9,027.9	-2,860.8
Services	1,243.9	1,358.2	234.5	346.7	444.0	287.0	1,312.3	209.1
credit	3,536.8	3,173.8	700.0	866.8	961.2	893.7	3,421.6	769.7
debit	-2,292.9	-1,815.6	-465.4	-520.0	-517.2	-606.7	-2,109.3	-560.6
Income	-878.4	-502.1	-109.7	-203.8	-195.6	-296.4	-805.4	-205.9
credit	1,147.7	660.1	179.4	178.0	207.6	120.8	685.9	219.8
debit	-2,026.1	-1,162.2	-289.1	-381.8	-403.2	-417.2	-1,491.3	-425.7
Transfers	179.4	215.4	11.4	58.7	39.0	147.4	256.4	51.4
credit	502.3	502.1	107.8	119.7	123.1	241.4	592.0	175.8
debit	-322.9	-286.7	-96.4	-61.0	-84.2	-94.0	-335.6	-124.4
Capital and financial account (reserve assets excluded)	**1,937.2**	**-450.6**	**-107.5**	**128.4**	**-747.4**	**-402.1**	**-1,128.8**	**71.1**
Capital account	201.7	483.4	66.5	75.7	93.3	283.1	518.6	142.9
Financial account	1,735.5	-934.1	-174.0	52.6	-840.8	-685.2	-1,647.4	-71.8
Direct investment	421.6	208.4	200.0	305.4	151.7	405.0	1,062.1	232.3
Abroad	-760.2	-1,114.7	-50.8	-43.8	-93.2	87.7	-100.2	-194.7
In Estonia	1,181.8	1,323.1	250.9	349.2	244.9	317.3	1,162.3	427.0
Portfolio investment	507.5	-1,448.3	31.4	-288.7	-224.0	40.7	-440.6	182.5
Assets	680.5	-486.1	32.1	-174.2	-225.9	76.6	-291.4	202.2
Equity securities	261.8	-47.9	-65.9	-169.1	-7.0	-59.8	-301.8	12.8
Debt securities	418.8	-438.2	98.0	-5.1	-218.9	136.4	10.4	189.4
Liabilities	-173.0	-962.2	-0.7	-114.5	1.8	-36.0	-149.3	-19.7
Equity securities	-212.7	-93.6	8.6	-2.0	-1.7	6.0	10.8	0.0
Debt securities	39.6	-868.7	-9.2	-112.5	3.5	-41.9	-160.1	-19.7
Financial derivatives	52.9	14.1	2.8	12.5	16.9	-0.6	31.6	-30.7
Assets	43.1	17.4	-3.2	8.7	2.4	-9.8	-1.8	-4.6
Liabilities	9.8	-3.3	5.9	3.7	14.5	9.2	33.4	-26.1
Other investment	753.5	291.7	-408.2	23.4	-785.3	-1,130.3	-2,300.5	-456.0
Assets	-362.8	954.6	-68.1	135.9	-596.9	-767.9	-1,296.9	126.3
Long-term	-17.7	-39.8	-149.5	-1.2	0.0	-170.9	-321.6	-124.3
Short-term	-345.1	994.4	81.4	137.1	-596.9	-597.0	-975.4	250.6
Liabilities	1,116.3	-662.8	-340.2	-112.5	-188.5	-362.4	-1,003.5	-582.3
Long-term	-640.2	271.6	-44.5	-399.0	-101.8	-741.9	-1,287.2	-394.8
Short-term	1,756.5	-934.4	-295.6	286.5	-86.7	379.4	283.6	-187.5
Errors and omissions	143.5	-59.6	-7.1	7.6	-92.8	-123.3	-215.6	16.3
Overall balance	**503.0**	**2.1**	**-109.0**	**210.0**	**-575.8**	**-356.5**	**-831.3**	**24.8**
Reserve assets	**-503.0**	**-2.1**	**109.0**	**-210.0**	**575.8**	**356.5**	**831.3**	**-24.8**

* The data for previous periods have been adjusted upon collection of additional data.

deficit on machinery and equipment turned into a surplus. The surplus on timber, paper and products made thereof and furniture increased, while the deficit on transport vehicles grew as well.

The surplus on the **services account** decreased also by 10% to 209 million euros. The exports of services grew by 10% and imports by 20%. Imports outpaced exports partly because of the cost of the delivery of stronger goods imports. The surplus was mainly boosted by transport services, other business services and travel services, with their surpluses making up 57%, 18% and 11% respectively of the total surplus on the services account.

The greatest change on the current account concerned **labour and capital income**, whose net outflow doubled and totalled 206 million euros in the first quarter of 2011. The majority of the income account turnover consisted of capital income on foreign investment. Non-residents' income on investment in Estonia exceeded residents' income on investment abroad by 251 million euros, increasing around 80%. Investment income growth largely stemmed from retained profits, or reinvested earnings, as the calculated net outflow of reinvested earnings doubled. The income account was boosted by a 40% growth in the surplus on labour income. Residents' income earned abroad exceeded non-residents' income earned in Estonia by 45 million euros, which shows that employment abroad has picked up.

Current and capital transfers totalled 194 million euros in the first quarter of 2011, which is 2.5 times more than a year ago. The majority of the transfers came from EU structural funds for infrastructure investments and from the sale of intangible assets (emission quotas).

The net outflow of capital continued, though at a modest pace

The net outflow of capital on the **financial account** totalled 72 million euros in the first quarter of 2011. Direct and portfolio investment recorded a net inflow of capital, while other investment posted a net outflow.

Direct investment inflow was 232 million euros bigger than outflow. Direct investment in Estonia grew by 427 million euros. 75% of the growth was related to reinvested earnings, which are recorded as income outflow on the current account. Equity capital investment accounted for 6% of the direct investment inflow. Residents' direct investment abroad increased by 195 million euros. The structure of these investment slightly differed from the structure of non-residents' direct investment in Estonia: equity direct investment constituted 30% and reinvested earnings and intercompany lending between cross-border groups both 35% of the total direct investment in the first quarter of 2011.

Portfolio investment inflow was 182 million euros bigger than outflow. Portfolio investment assets decreased by 202 million euros, mainly because of a decline in the debt security assets of the central bank. Portfolio investment liabilities contracted by 20 million euros, mainly on account of debt securities issued by other sectors.

The net outflow of **financial derivatives** totalled 31 million euros.

The outflow of capital in the form of **other investment** (trade credit, loans, currency and deposits) exceeded inflow by 456 million euros. Other investment assets shrank by 126 million and liabilities by 582 million euros. Assets contracted primarily on account of central bank's currency and deposits.

The trade credit assets of other sectors and the currency and deposit assets of credit institutions increased. Other investment liabilities declined mainly because of a drop in the currency and deposit liabilities of credit institutions, when the latter made their loan repayments. However, trade credit liabilities grew.

Estonia's **gross external debt**, that is the total external debt of all economic sectors, contracted 1.4% quarter-on-quarter to 16.3 billion euros and was 9% larger than the GDP for the last four quarters.

Estonia's **gold and foreign exchange reserves** increased by 25 million euros quarter-on-quarter.

CURRENT ACCOUNT

The surplus on the current account, which had lasted for eight quarters in a row, turned into a deficit of 63 million euros, or 1.7% of the first-quarter GDP (see Figure 2). The main reason for the current account turning into a deficit was the growth in the profitability of foreign-owned companies, as reflected by a sudden increase in the outflow of net income. This, in turn, can be attributed to reinvested earnings, which involve no actual movement of funds. Excluding these reinvested earnings, the current account was in surplus, which accounted for 5.2% of the first-quarter GDP. External demand remained strong and led to record growth in goods exports. The surplus on goods and services was 2.5% of the first-quarter GDP.

The credit turnover on the current account increased by 41% and debit turnover by 44% year-on-year. Estonia traded mostly with EU Member States, which accounted for 69% of the credit turnover and 78% of the debit turnover. The respective indicators with regard to the monetary union were both 33% (see Table 2). Five countries accounted for 52% of the credit turnover and 55% of the debit turnover, while four of them were the same in both terms: Finland, Sweden, Russia and Latvia. The fifth country in credit turnover was the United States, and Germany in debit turnover. Estonia had the highest surpluses with the United States (187 million euros) and Finland (150 million euros). The highest deficits were with Germany (190 million euros) and Poland (150 million euros). The surplus with the United States tripled, while the deficits with Germany and Poland doubled from the first quarter of 2010.

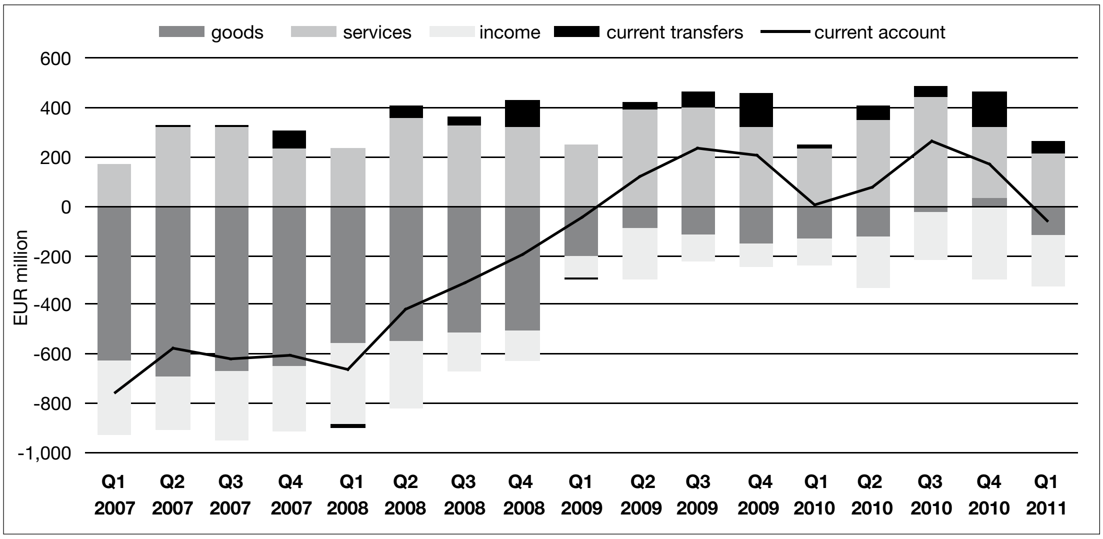

Figure 2. Current account structure

Table 2. Current account balance by groups of countries (EUR million)*

	Q1 2010	Q4 2010	Q1 2011
EU-27	**-208.9**	**-329.6**	**-394.4**
Germany	-105.1	-161.3	-190.0
Finland	144.8	100.0	149.9
Poland	-74.6	-135.8	-149.8
Latvia	-48.8	-50.2	-97.3
Sweden	-108.4	-31.3	-69.9
CIS	**-23.6**	**242.6**	**-14.1**
Russia	-35.3	129.6	-12.4
Ukraine	5.2	7.4	-9.2
Kazakhstan	-1.3	96.1	3.9
Other	**238.2**	**255.8**	**345.9**
USA	54.8	65.5	187.3
Nigeria	61.5	33.9	111.4
China	-33.6	-73.6	-95.0
Norway	23.1	85.3	62.1
British Virgin Islands	24.4	9.5	18.4
Total	**5.7**	**168.9**	**-62.6**

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

Goods

The small surplus on the goods account in the fourth quarter of 2010 turned into a deficit of 117 million euros in the first quarter of 2011. This stemmed from the stronger growth in goods imports compared to exports (see Table 3). Exports increased 4% quarter-on-quarter and 54% year-on-year and totalled 2.7 billion euros; imports grew by 9% and 50% respectively to 2.9 billion euros.

According to the preliminary **foreign trade statistics**[1], goods exports totalled 2.7 billion and imports (c.i.f.) 2.9 billion euros (see Figure 3). The foreign trade deficit contracted both quarter-on-quarter and year-on-year, and amounted to 209 million euros.

Goods exports increased by around one billion euros from the first quarter of 2010, mostly owing to two groups of goods: the exports of machinery and equipment grew by 2.5 times and that of mineral products by 28% (see Table 4). As regards machinery and equipment, the exports of mobile communication devices and their spare parts and electronic products picked up considerably, with Sweden and Finland as the main traditional partners, and the United States and Russia as the new major export markets. 82% of the exports of mineral products comprised motor fuel, which Estonia imported for processing primarily from Russia, Lithuania, Latvia and Poland, and then re-exported to Nigeria, the United States and France. Electricity was sold to Finland, Lithuania and Latvia.

Timber products (wooden houses and construction components, unprocessed and little processed timber, furniture, mechanical pulp, kraft paper, etc.) were exported to Sweden, Finland, Denmark, Germany and

[1] 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.

Table 3. Imports and exports of goods

	Goods – credit			Goods – debit			
	Volume (EUR m)	Change from previous period (%)	Share in total exports of goods and services (%)	Volume (EUR m)	Change from previous period (%)	Share in total exports of goods and services (%)	Balance (EUR m)
Q1 2007	1,934.2	-1.8	74.3	2,562.8	-3.4	83.7	-628.5
Q2 2007	2,134.5	10.4	71.1	2,829.5	10.4	83.7	-695.1
Q3 2007	1,940.6	-9.1	68.1	2,609.0	-7.8	81.5	-668.4
Q4 2007	2,122.8	9.4	71.6	2,771.7	6.2	82.0	-648.8
2007 total	**8,132.2**	**4.6**	**71.2**	**10,772.9**	**6.9**	**82.7**	**-2,640.8**
Q1 2008	2,031.7	-4.3	73.0	2,588.9	-6.6	83.4	-557.2
Q2 2008	2,238.9	10.2	71.1	2,784.3	7.5	83.4	-545.4
Q3 2008	2,218.7	-0.9	69.9	2,730.3	-1.9	81.4	-511.7
Q4 2008	2,052.3	-7.5	69.1	2,560.7	-6.2	81.0	-508.4
2008 total	**8,541.5**	**5.0**	**70.7**	**10,664.2**	**-1.0**	**82.3**	**-2,122.7**
Q1 2009	1,510.2	-26.4	68.8	1,713.4	-33.1	79.6	-203.2
Q2 2009	1,642.5	8.8	66.9	1,728.7	0.9	80.4	-86.2
Q3 2009	1,667.0	1.5	65.8	1,781.5	3.1	79.3	-114.5
Q4 2009	1,730.7	3.8	68.1	1,885.8	5.9	79.4	-155.2
2009 total	**6,550.4**	**-23.3**	**67.4**	**7,109.5**	**-33.3**	**79.7**	**-559.1**
Q1 2010	1,780.2	2.9	71.8	1,910.8	1.3	80.4	-130.6
Q2 2010	2,080.1	16.8	70.6	2,207.7	15.5	80.9	-127.6
Q3 2010	2,268.0	9.0	70.2	2,291.0	3.8	81.6	-22.9
Q4 2010	2,649.3	16.8	74.8	2,618.4	14.3	81.2	30.9
2010 total	**8,777.7**	**34.0**	**72.0**	**9,027.9**	**27.0**	**81.1**	**-250.2**
Q1 2011	2,743.5	3.6	78.1	2,860.8	9.3	83.6	-117.2

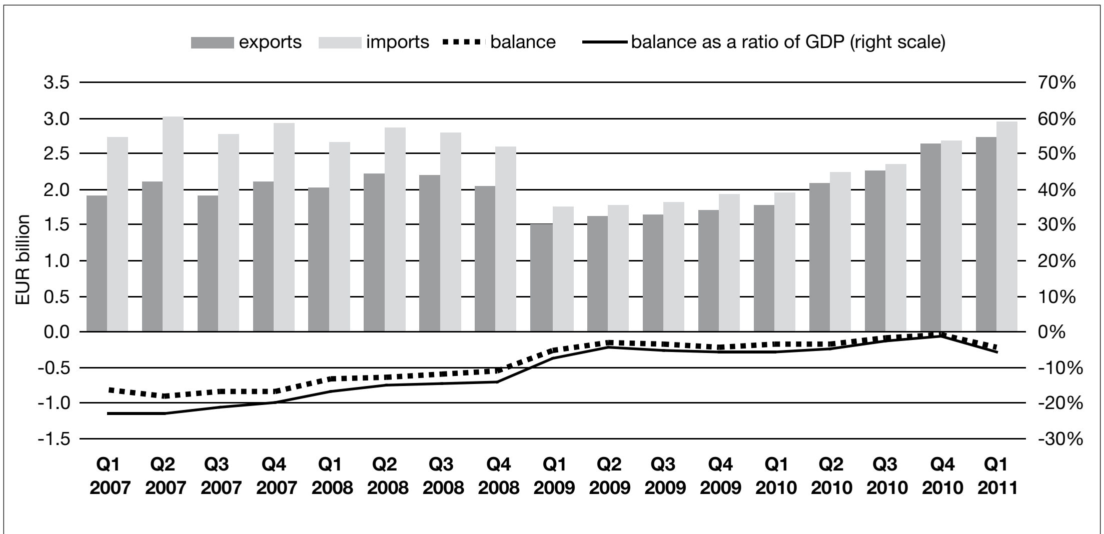

Figure 3. Estonia's foreign trade balance

Table 4. Exports by main groups of goods

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
Food	165.7	270.1	210.5	9.3	10.2	7.7	-22.0	27.1
Mineral products	394.2	338.4	503.4	22.2	12.8	18.4	48.8	27.7
Chemical products	129.5	189.3	178.4	7.3	7.2	6.5	-5.7	37.8
Clothing, footwear and headgear	86.7	104.1	113.4	4.9	3.9	4.1	9.0	30.8
Timber, paper and products	232.1	295.6	294.8	13.1	11.2	10.8	-0.3	27.0
Metals and metal products	136.6	211.7	209.0	7.7	8.0	7.6	-1.3	53.0
Machinery and equipment	326.2	714.3	794.4	18.4	27.0	29.0	11.2	143.6
Transport vehicles	89.7	223.3	132.4	5.0	8.4	4.8	-40.7	47.5
Furniture, toys, sporting goods	140.8	187.6	184.5	7.9	7.1	6.7	-1.6	31.0
Other	75.3	111.1	114.3	4.2	4.2	4.2	2.9	51.8
Total	**1,776.8**	**2,645.6**	**2,735.3**	**100.0**	**100.0**	**100.0**	**3.4**	**53.9**

Norway; food products (alcohol, dairy, meat and fish products, cereals and prepared products) were sold mainly to Russia, Latvia, Finland and Lithuania. As regards metal products, iron and steel products were exported to Finland, Sweden, Latvia, Poland and Russia. Chemical products (construction materials, carbonic acids, plastic products), transport vehicles (motor cars and spare parts, trailers and vans), and ready-made men's and women's clothes, footwear, underwear, etc. were exported mainly to the neighbouring countries: Finland, Russia, Latvia and Sweden.

Goods imports grew also by one billion euros (see Table 5). Similar to exports, import growth mainly concerned machinery and equipment and mineral products, but also transport vehicles. The imports of machinery and equipment from Sweden, China, Finland, Germany and Poland doubled as a result of deliveries to the electronics industry. The imports of mineral products grew by 43% owing to motor fuel imported from Russia, Lithuania, Latvia and Poland for processing and for internal supply. The largest import items of chemical products were medicines, pneumatic tyres and plastic products, purchased from Germany, Finland, Latvia, Lithuania and Poland.

Table 5. Imports by main groups of goods

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
Food	216.0	285.0	269.0	11.1	10.6	9.1	-5.6	24.5
Mineral products	431.8	399.6	616.7	22.1	14.8	20.9	54.3	42.8
Chemical products	269.3	348.0	352.4	13.8	12.9	12.0	1.3	30.8
Clothing, footwear and headgear	140.2	151.8	170.2	7.2	5.6	5.8	12.1	21.5
Timber, paper and products	105.0	138.1	125.1	5.4	5.1	4.2	-9.4	19.1
Metals and metal products	153.7	240.1	267.5	7.9	8.9	9.1	11.4	74.1
Machinery and equipment	368.4	744.7	755.7	18.9	27.7	25.7	1.5	105.1
Transport vehicles	125.1	203.4	241.6	6.4	7.6	8.2	18.8	93.1
Furniture, toys, sporting goods	43.0	62.5	49.5	2.2	2.3	1.7	-20.8	15.1
Other	101.5	118.6	96.7	5.2	4.4	3.3	-18.5	-4.8
Total	**1,954.0**	**2,691.8**	**2,944.5**	**100.0**	**100.0**	**100.0**	**9.4**	**50.7**

Food products (alcohol, pork, ready-to-eat pet food, chocolate, etc.) were purchased mainly from Latvia, Lithuania and Finland, and metal products (iron and steel products for galvanisation and for iron constructions) from Germany, Finland and Sweden. The imports of transport vehicles picked up 93% due to the double growth in the imports of motor cars from Sweden, Germany and Latvia, and the purchase of a plane from Canada. Textile products and footwear were imported from Latvia, China, Finland, Germany and Italy; timber and timber products from Finland, Latvia and Russia; and furniture and lamps primarily from Finland.

The **foreign trade deficit** increased by 18% year-on-year and amounted to 209 million euros (see Table 6). Chemical and mineral products and transport vehicles had the largest deficits on the goods account. Timber and timber products and other consumer goods posted considerable surpluses.

The **exports of goods** increased in terms of all **groups of countries** (see Table 7). Exports to EU countries picked up the most, in particular exports to Sweden, which doubled from a year ago. Exports to CIS countries grew as well, especially exports to Russia, which ranked third among Estonia's export

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

	Q1 2010	Q4 2010	Q1 2011
Food	-50.3	-14.9	-58.5
Mineral products	-37.5	-61.2	-113.3
Chemical products	-139.8	-158.7	-174.0
Clothing, footwear and headgear	-53.5	-47.7	-56.8
Timber, paper and products	127.1	157.6	169.8
Metals and metal products	-17.1	-28.4	-58.5
Machinery and equipment	-42.2	-30.4	38.7
Transport vehicles	-35.4	19.9	-109.2
Furniture, toys, sporting goods	97.8	125.1	135.0
Other	-26.2	-7.6	17.6
Total	**-177.1**	**-46.2**	**-209.2**

Table 7. Exports of goods by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
EU-27	**1,242.6**	**1,769.8**	**1,793.5**	**69.9**	**66.9**	**65.6**	**1.3**	**44.3**
Sweden	244.7	493.3	490.0	13.8	18.6	17.9	-0.7	100.2
Finland	316.1	420.1	409.6	17.8	15.9	15.0	-2.5	29.6
Latvia	152.7	219.2	175.1	8.6	8.3	6.4	-20.1	14.7
Germany	94.1	130.8	121.9	5.3	4.9	4.5	-6.8	29.6
Lithuania	81.8	125.1	116.7	4.6	4.7	4.3	-6.7	42.7
CIS	**178.8**	**409.9**	**308.9**	**10.1**	**15.5**	**11.3**	**-24.6**	**72.7**
Russia	141.3	260.1	242.2	8.0	9.8	8.9	-6.9	71.3
Ukraine	15.4	26.9	23.1	0.9	1.0	0.8	-14.2	50.3
Belarus	11.9	23.1	22.1	0.7	0.9	0.8	-4.5	85.1
Other	**355.4**	**465.8**	**632.8**	**20.0**	**17.6**	**23.1**	**35.9**	**78.1**
USA	69.2	93.7	210.6	3.9	3.5	7.7	124.8	204.3
Nigeria	61.7	35.6	112.1	3.5	1.3	4.1	214.7	81.8
Norway	55.9	90.2	77.8	3.1	3.4	2.8	-13.8	39.0
Total	**1,776.8**	**2,645.6**	**2,735.3**	**100.0**	**100.0**	**100.0**	**3.4**	**53.9**

partners. As regards other countries, the United States took the lead with exports there growing by three times.

The **imports of goods** increased also in terms of groups of goods and major trade partners (see Table 8). Imports from Sweden, Germany, Russia and China picked up the most.

Foreign trade with the EU and the CIS was in deficit (see Table 9). Estonia had the largest foreign trade surplus with Sweden, Finland, France and Denmark from among EU countries, Moldova from among the CIS, and the United States and Nigeria from among other countries. Estonia had the biggest trade deficit with Germany, Poland, Lithuania, Latvia, China and Russia.

Table 8. Imports of goods by groups of countries*

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
EU-27	**1,506.4**	**2,152.5**	**2,178.6**	**77.1**	**80.0**	**74.0**	**1.2**	**44.6**
Finland	283.6	379.8	332.3	14.5	14.1	11.3	-12.5	17.2
Sweden	194.4	321.9	329.7	9.9	12.0	11.2	2.4	69.6
Germany	202.3	297.8	301.0	10.4	11.1	10.2	1.1	48.8
Latvia	223.8	273.5	289.5	11.5	10.2	9.8	5.8	29.3
Lithuania	162.1	192.7	249.0	8.3	7.2	8.5	29.2	53.6
CIS	**271.2**	**270.5**	**399.6**	**13.9**	**10.0**	**13.6**	**47.7**	**47.3**
Russia	226.8	206.0	309.2	11.6	7.7	10.5	50.1	36.4
Ukraine	14.9	24.7	33.9	0.8	0.9	1.2	37.4	127.9
Belarus	12.2	37.8	30.1	0.6	1.4	1.0	-20.3	146.0
Other	**176.3**	**268.8**	**366.2**	**9.0**	**10.0**	**12.4**	**36.3**	**107.7**
China	46.7	100.0	133.7	2.4	3.7	4.5	33.8	186.6
Canada	3.2	3.6	45.2	0.2	0.1	1.5	1,145.4	1,319.3
Norway	44.0	23.9	33.0	2.3	0.9	1.1	38.1	-24.9
Total	**1,954.0**	**2,691.8**	**2,944.5**	**100.0**	**100.0**	**100.0**	**9.4**	**50.7**

* Analysed by trading country.

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

	Q1 2010	Q4 2010	Q1 2011
EU-27	-263.8	-382.6	-385.1
CIS	-92.4	139.4	-90.7
Other	179.0	197.0	266.6
Total	**-177.1**	**-46.2**	**-209.2**

Services

The surplus on the services account decreased by 10% from a year ago to 209 million euros (see Tables 10-11). The surplus was caused by services imports outpacing exports, partly because of the cost of the delivery of stronger goods imports. The surplus was mainly boosted by transport services, other business services and travel services, with their surpluses making up 57%, 18% and 11% respectively of the total surplus on the services account. Compared to the fourth quarter of 2010, the net exports of services was 27% lower in the first quarter of 2011 and comprised 5.6% of GDP (see Figure 4).

Table 10. Exports and imports of servicest

	Exports			Imports			Balance	
	Volume (EUR m)	Change from previous period (%)	Share in total exports of goods and services (%)	Volume (EUR m)	Change from previous period (%)	Share in total imports of goods and services (%)	Volume (EUR m)	Change from previous period (%)
Q1 2007	670.2	-9.8	25.7	497.7	-7.8	16.3	172.4	-15.1
Q2 2007	866.4	29.3	28.9	549.2	10.3	16.3	317.2	84.0
Q3 2007	910.0	5.0	31.9	593.2	8.0	18.5	316.8	-0.1
Q4 2007	842.6	-7.4	28.4	606.9	2.3	18.0	235.7	-25.6
2007 total	**3,289.2**	**14.6**	**28.8**	**2,247.0**	**13.5**	**17.3**	**1,042.1**	**17.0**
Q1 2008	751.9	-10.8	27.0	515.3	-15.1	16.6	236.6	0.4
Q2 2008	910.5	21.1	28.9	552.9	7.3	16.6	357.6	51.1
Q3 2008	954.4	4.8	30.1	623.8	12.8	18.6	330.6	-7.6
Q4 2008	919.9	-3.6	30.9	600.9	-3.7	19.0	319.0	-3.5
2008 total	**3,536.7**	**7.5**	**29.3**	**2,292.9**	**2.0**	**17.7**	**1,243.8**	**19.4**
Q1 2009	684.5	-25.6	31.2	439.3	-26.9	20.4	245.2	-23.2
Q2 2009	813.6	18.9	33.1	421.1	-4.1	19.6	392.5	60.1
Q3 2009	865.0	6.3	34.2	465.3	10.5	20.7	399.6	1.8
Q4 2009	810.7	-6.3	31.9	489.8	5.3	20.6	320.9	-19.7
2009 total	**3,173.8**	**-10.3**	**32.6**	**1,815.5**	**-20.8**	**20.3**	**1,358.2**	**9.2**
Q1 2010	700.0	-13.7	28.2	465.4	-5.0	19.6	234.5	-26.9
Q2 2010	866.8	23.8	29.4	520.0	11.7	19.1	346.7	47.8
Q3 2010	961.2	10.9	29.8	517.2	-0.6	18.4	444.0	28.1
Q4 2010	893.7	-7.0	25.2	606.7	17.3	18.8	287.0	-35.4
2010 total	**3,421.7**	**7.8**	**28.0**	**2,109.3**	**16.2**	**18.9**	**1,312.2**	**-3.4**
Q1 2011	769.7	-13.9	21.9	560.6	-7.6	16.4	209.1	-27.1

Table 11. Services balance by major categories

	Balance (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
Transportation	133.5	146.4	119.6	56.9	51.0	57.2	-18.3	-10.4
Travel	27.7	45.6	24.0	11.8	15.9	11.5	-47.4	-13.4
Construction services	12.3	23.4	11.7	5.2	8.2	5.6	-50.0	-4.9
Computer and information services	20.2	23.1	18.4	8.6	8.0	8.8	-20.3	-8.9
Business services	40.6	51.8	37.5	17.3	18.0	17.9	-27.6	-7.6
Government services	2.6	3.5	2.8	1.1	1.2	1.3	-20.0	7.7
Other	-2.4	-6.8	-4.9	-0.9	-2.3	-2.3	-27.8	106.7
Total	**234.5**	**287.0**	**209.1**	**100.0**	**100.0**	**100.0**	**-27.1**	**-10.8**

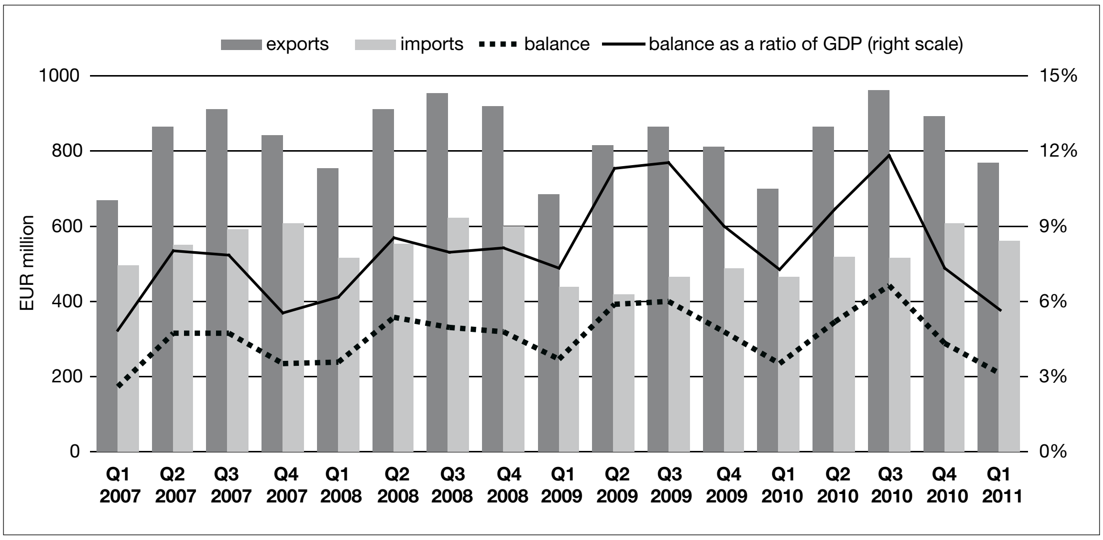

Figure 4. Services account

The **exports of services** increased to 770 million euros year-on-year in terms of the majority of services, especially freight transport, passenger transport and other auxiliary transport services, which grew by 10% in sales (see Table 12). The structure of services exports has been relatively stable. The biggest export item, transport services, comprised around 43% of total services exports, followed by other business services (intermediation of goods, operational lease, legal assistance, management consulting, advertising, etc.) with 20% and travel services with 19%. The exports of construction services posted the strongest growth with around 40%. The exports of services picked up in terms of EU, CIS as well as other countries (see Table 13). Quarter-on-quarter, exports declined seasonally in the first quarter of 2011 in terms of all major types of services, except for auxiliary transport services. The majority of services exports went to EU countries, especially Finland. As regards Estonia's services exports to the CIS group, Russia was still in the lead. Regarding other countries, services exports to offshore regions increased the most.

The **imports of services** grew by 20% from a year ago to 561 million euros, while the imports of major types of services posted stronger growth than exports (see Table 14). Quarter-on-quarter, services imports

Table 12. Services exports by major categories

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011 / Q4 2010	Q1 2011 / Q1 2010
Transportation	287.4	358.7	327.1	41.1	40.1	42.5	-8.8	13.8
freight	144.1	177.0	149.5	20.6	19.8	19.4	-15.5	3.7
passenger	43.2	68.6	53.5	6.2	7.7	7.0	-22.0	23.8
other transport services	100.1	113.1	124.1	14.3	12.6	16.1	9.7	24.0
Travel	137.0	172.3	145.8	19.6	19.3	18.9	-15.4	6.4
Construction services	28.4	50.8	39.2	4.1	5.7	5.1	-22.8	38.0
Computer and information services	35.2	43.1	36.0	5.0	4.8	4.7	-16.5	2.3
Business services	147.3	193.6	156.8	21.0	21.7	20.4	-19.0	6.4
Government services	7.6	9.2	8.4	1.1	1.0	1.1	-8.7	10.5
Other	57.1	66.0	56.4	8.1	7.4	7.3	-14.6	-1.2
Total	**700.0**	**893.7**	**769.7**	**100.0**	**100.0**	**100.0**	**-13.9**	**10.0**

Table 13. Services exports by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011 / Q4 2010	Q1 2011 / Q1 2010
EU-27	**482.4**	**622.5**	**528.7**	**68.9**	**69.7**	**68.7**	**-15.1**	**9.6**
Finland	174.3	242.3	200.9	24.9	27.1	26.1	-17.1	15.3
Sweden	49.2	71.8	59.4	7.0	8.0	7.7	-17.3	20.7
Latvia	45.6	51.2	47.8	6.5	5.7	6.2	-6.6	4.8
Netherlands	31.4	39.8	37.3	4.5	4.5	4.8	-6.3	18.8
United Kingdom	28.0	36.0	28.9	4.0	4.0	3.8	-19.7	3.2
CIS	**104.2**	**133.5**	**115.8**	**14.9**	**14.9**	**15.0**	**-13.3**	**11.1**
Russia	81.0	101.5	89.6	11.6	11.4	11.6	-11.7	10.6
Kazakhstan	12.9	15.8	12.7	1.8	1.8	1.7	-19.6	-1.6
Other	**113.4**	**137.7**	**125.2**	**16.2**	**15.4**	**16.3**	**-9.1**	**10.4**
offshore regions	38.5	41.7	39.6	5.5	4.7	5.1	-5.0	2.9
Switzerland	24.5	27.3	26.4	3.5	3.1	3.4	-3.3	7.8
Norway	14.5	29.1	24.1	2.1	3.3	3.1	-17.2	66.2
Total	**700.0**	**893.7**	**769.7**	**100.0**	**100.0**	**100.0**	**-13.9**	**10.0**

Table 14. Services imports by major categories

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
Transportation	154.0	212.3	207.4	33.1	35.0	37.0	-2.3	34.7
freight	96.3	132.5	139.9	20.7	21.8	25.0	5.6	45.3
passenger	14.5	21.1	21.7	3.1	3.5	3.9	2.8	49.7
other transport services	43.2	58.7	45.8	9.3	9.7	8.1	-22.0	6.0
Travel	109.3	126.6	121.8	23.5	20.9	21.7	-3.8	11.4
Construction services	16.0	27.4	27.5	3.4	4.5	4.9	0.4	71.9
Computer and information services	15.0	20.0	17.6	3.2	3.3	3.1	-12.0	17.3
Business services	106.7	141.8	119.2	22.9	23.3	21.3	-15.9	11.7
Government services	4.9	5.8	5.6	1.1	1.0	1.0	-3.4	14.3
Other	59.5	72.8	61.5	12.8	12.0	11.0	-15.6	3.3
Total	**465.4**	**606.7**	**560.6**	**100.0**	**100.0**	**100.0**	**-7.6**	**20.4**

contracted seasonally in terms of almost all major types of services, except for freight and passenger transport. The imports of construction services picked up both quarter-on-quarter and year-on-year. The structure of services imports was similar to that of exports: the largest import items were transport services (35% of total services imports), travel services (22%) and other business services (21%).

The majority of services (81%) were purchased from EU countries, with imports from the EU increasing almost 25% from a year ago (see Table 15). Services imports from Germany, Finland and Sweden recorded the strongest growth. Imports from the CIS, in particular Russia, grew slightly both quarter-on-quarter and year-on-year. In terms of other countries, the share of China in services imports increased further: although it was still low, it grew significantly over the past quarters. China and Norway increased their market share mainly on account of offshore regions and the United States.

The surplus on **transport services** comprised 57% of the surplus on the services account and totalled 120 million euros, having declined both quarter-on-quarter and year-on-year, owing to the stronger

Table 15. Services imports by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
EU-27	**365.9**	**498.7**	**454.9**	**78.6**	**82.2**	**81.1**	**-8.8**	**24.3**
Finland	65.0	122.5	89.1	14.0	20.2	15.9	-27.3	37.1
Sweden	54.0	71.8	67.4	11.6	11.8	12.0	-6.1	24.8
Latvia	48.9	62.2	52.9	10.5	10.3	9.4	-15.0	8.2
Germany	29.4	41.0	46.4	6.3	6.8	8.3	13.2	57.8
Cyprus	27.0	33.7	30.1	5.8	5.6	5.4	-10.7	11.5
CIS	**35.2**	**35.3**	**37.0**	**7.6**	**5.8**	**6.6**	**4.8**	**5.1**
Russia	26.9	27.1	28.1	5.8	4.5	5.0	3.7	4.5
Belarus	3.3	4.4	4.7	0.7	0.7	0.8	6.8	42.4
Other	**64.3**	**72.7**	**68.7**	**13.8**	**12.0**	**12.3**	**-5.5**	**6.8**
China	6.0	11.8	13.4	1.3	1.9	2.4	13.6	123.3
USA	15.0	13.4	12.3	3.2	2.2	2.2	-8.2	-18.0
Norway	6.9	7.9	9.9	1.5	1.3	1.8	25.3	43.5
Total	**465.4**	**606.7**	**560.6**	**100.0**	**100.0**	**100.0**	**-7.6**	**20.4**

growth in imports (see Figure 5 and Tables 11, 12 and 14). The economic recovery led to stronger goods imports, which in turn boosted the imports of freight transport and auxiliary services. Maritime transport accounted for the largest share of transport services. Rail transport, which is closely related to transit, made a larger contribution to the surplus than road transport. Air transport remained in slight deficit (see Figure 6).

Total exports of transport services grew by 14% year-on-year. Freight transport comprised 46% of the exports of transport services, followed by other transport services at 38% and passenger transport at 16%. Exports were boosted by the rapid growth of the two latter transport services. Year-on-year, both the passenger transport and transit-related auxiliary transport services increased by 25% in terms of exports. The majority (63%) of transport services was sold to EU countries, with exports growing 9% from a year ago (see Table 16). Finland was the biggest export partner, accounting for 20% of the transport

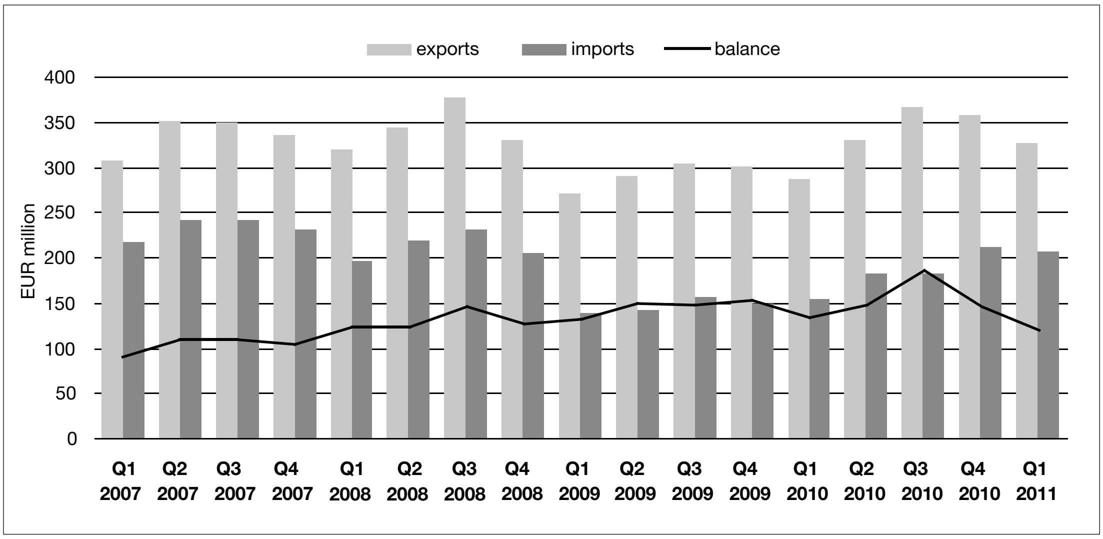

Figure 5. Transport services

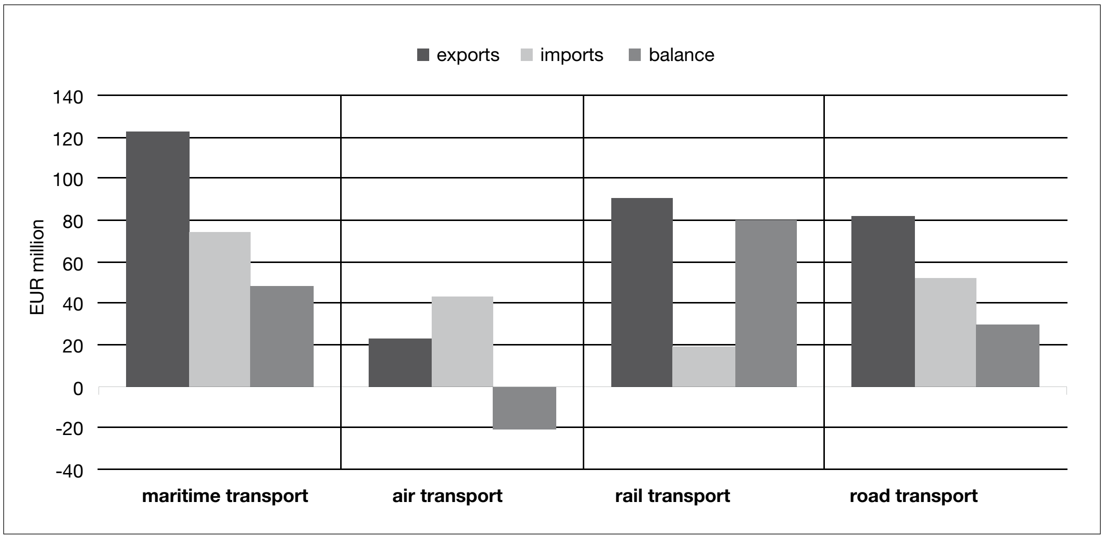

Figure 6. Transport services in the first quarter of 2011 by transport type

Table 16. Transport services by groups of countries in the first quarter of 2011

	Exports				Imports		
	Volume (EUR m)	Share (%)	Change (%), Q1 2011/ Q1 2010		Volume (EUR m)	Share (%)	Change (%), Q1 2011/ Q1 2010
EU-27	**205.4**	**62.8**	**9.4**	**EU-27**	**159.4**	**76.9**	**31.7**
Finland	65.7	20.1	17.7	Sweden	26.6	12.8	45.4
Netherlands	28.7	8.8	10.4	Germany	21.3	10.3	33.1
Sweden	25.6	7.8	34.0	Finland	20.5	9.9	26.5
Latvia	13.6	4.2	21.4	Lithuania	13.5	6.5	31.1
United Kingdom	12.2	3.7	0.0	Poland	13.1	6.3	122.0
CIS	**60.0**	**18.3**	**38.6**	**CIS**	**14.7**	**7.1**	**22.5**
Russia	48.3	14.8	21.1	Russia	9.5	4.6	37.7
Kazakhstan	5.7	1.7	256.3	Belarus	2.7	1.3	35.0
Other	**61.7**	**18.9**	**9.6**	**Other**	**33.3**	**16.0**	**58.6**
offshore regions	27.6	8.4	32.7	China	12.4	6.0	175.6
Switzerland	16.6	5.1	4.4	offshore regions	5.1	2.5	37.8
USA	6.5	2.0	-26.1	USA	3.4	1.6	70.0
Total	**327.1**	**100.0**	**13.8**	**Total**	**207.4**	**100.0**	**34.7**

services exports. CIS countries comprised 18% of the exports, while the majority of transport services were sold to Russia. The exports of transport services to other countries grew by 10% year-on-year; the main export partners included offshore regions, Switzerland and the United States.

The imports of transport services constituted 37% of the total services imports and increased by over a third from a year ago. The imports of transport services consisted of mainly freight transport, which increased by almost 50%. The share of passenger transport, although low, grew also by 50% from a year earlier (see Tables 14 and 16). Nearly 80% of the transport services were imported from the EU, particularly from Sweden, Germany and Finland. Imports from the CIS posted 7%, with 5% coming from Russia and some from Belarus. The imports of transport services from other countries picked up by as much as 59% from a year earlier, with China (6%), offshore regions and the United States being the largest import partners.

The dynamics of **travel services** recorded usual seasonal changes, especially as regards exports, while the seasonal changes in imports were somewhat less pronounced (see Figure 7). The exports of travel services grew by 6% and imports by 11% year-on-year (see Table 17).

EU countries still held the largest share with 78% in travel services exports, but exports to the CIS, posted strongest growth at 18% year-on-year, with Russia's share at 16%. The increased spending of Russian tourists in Estonia was affected by the growing popularity of spending a longer vacation in Estonia around New Year's Eve. Finland remained the biggest partner with 45% of the total exports of travel services going there, but the number of tourists from other EU countries rose too. The number

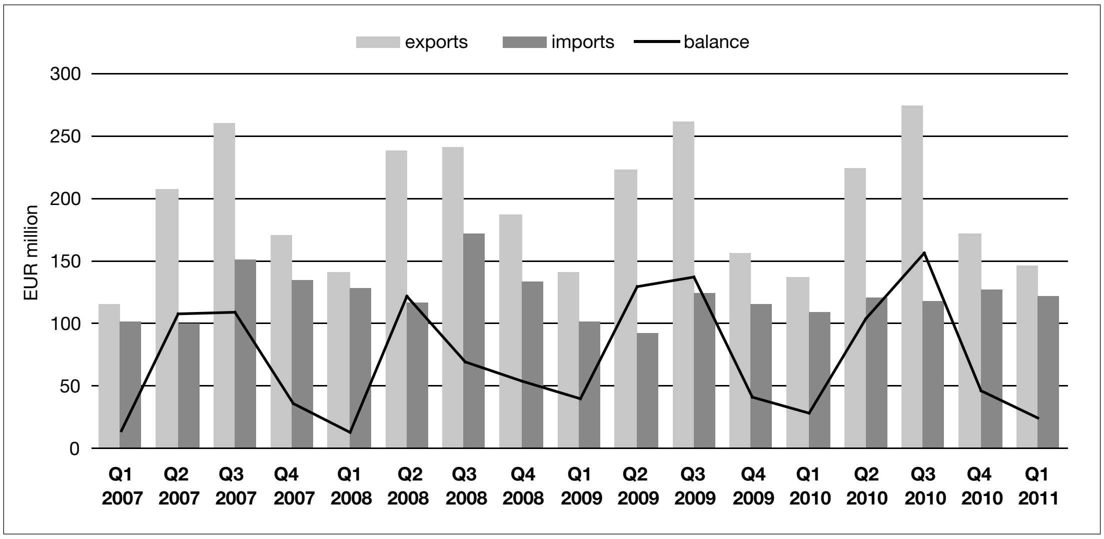

Figure 7. Travel services

Table 17. Travel services by groups of countries in the first quarter of 2011

	Exports				Imports		
	Volume (EUR m)	Share (%)	Change (%), Q1 2011/ Q1 2010		Volume (EUR m)	Share (%)	Change (%), Q1 2011/ Q1 2010
EU-27	**113.8**	**78.1**	**3.4**	**EU-27**	**96.6**	**79.3**	**27.6**
Finland	65.5	44.9	0.7	Finland	38.9	31.9	65.7
Latvia	13.0	8.9	-2.7	Latvia	12.6	10.3	38.0
Sweden	10.4	7.1	-1.8	Sweden	10.6	8.7	30.6
United Kingdom	5.5	3.8	37.4	United Kingdom	6.9	5.7	24.2
CIS	**25.0**	**17.1**	**17.9**	**CIS**	**8.2**	**6.7**	**-35.4**
Russia	23.8	16.3	16.4	Russia	7.3	6.0	-37.4
Other	**7.0**	**4.8**	**22.8**	**Other**	**17.0**	**14.0**	**-18.7**
Norway	2.1	1.4	7.1	Norway	4.3	3.5	200.8
USA	1.2	0.8	23.7	USA	2.4	2.0	3.0
Total	**145.8**	**100.0**	**6.4**	**Total**	**121.8**	**100.0**	**11.4**

of tourists from the neighbouring Finland, Sweden and Latvia remained unchanged or slightly dropped, while the number of tourists from other EU countries, such as the United Kingdom and Germany, recorded higher growth rates.

The opposite was witnessed in the imports of travel services: imports from EU countries picked up 28% from a year ago, while imports from CIS and other countries shrank 35% and 19% respectively. Countries where Estonian residents have found employment, such as Finland, Sweden, Norway and the United Kingdom, were visited more frequently and for a longer period of time. Trips to Scandinavia can be partly explained by winter sports, while the number of trips to sunny destinations, which used to be popular in previous years, dropped in the first quarter of 2011.

Income

The greatest change on the current account concerned the income account, which recorded an almost double net outflow of income, which caused also the deficit on the current account. The large outflow stemmed from an increase in corporate profitability, in particular reinvested earnings, which involve no actual movement of funds. In total terms, income outflow exceeded inflow by 206 million euros, that is 5.6% of GDP (see Table 18 and Figure 8).

Table 18. Income

	Inflow		Outflow		Balance	
	Volume (EUR m)	Change from previous period (%)	Volume (EUR m)	Change from previous period (%)	Volume (EUR m)	Change from previous period (%)
Q1 2007	251.2	11.7	-550.0	32.7	-298.8	58.0
Q2 2007	313.1	24.7	-524.6	-4.6	-211.4	-29.2
Q3 2007	331.7	5.9	-615.4	17.3	-283.7	34.2
Q4 2007	314.3	-5.2	-579.2	-5.9	-264.9	-6.6
2007 total	**1,210.3**	**41.1**	**-2,269.2**	**46.5**	**-1,058.9**	**53.4**
Q1 2008	268.5	-14.5	-593.0	2.4	-324.5	22.5
Q2 2008	272.7	1.6	-548.5	-7.5	-275.8	-15.0
Q3 2008	396.9	45.5	-558.7	1.9	-161.8	-41.3
Q4 2008	209.5	-47.2	-325.9	-41.7	-116.4	-28.1
2008 total	**1,147.7**	**-5.2**	**-2,026.1**	**-10.7**	**-878.4**	**-17.0**
Q1 2009	190.1	-9.2	-274.6	-15.7	-84.4	-27.5
Q2 2009	136.6	-28.2	-349.2	27.2	-212.6	151.8
Q3 2009	196.5	43.8	-309.3	-11.4	-112.9	-46.9
Q4 2009	136.9	-30.3	-229.1	-25.9	-92.2	-18.3
2009 total	**660.1**	**-42.5**	**-1,162.2**	**-42.6**	**-502.1**	**-42.8**
Q1 2010	179.4	31.0	-289.1	26.2	-109.7	18.9
Q2 2010	178.0	-0.8	-381.8	32.1	-203.8	85.8
Q3 2010	207.6	16.6	-403.2	5.6	-195.6	-4.0
Q4 2010	120.8	-41.8	-417.2	3.5	-296.4	51.6
2010 total	**685.9**	**3.9**	**-1,491.3**	**28.3**	**-805.4**	**60.4**
Q1 2011	219.8	81.9	-425.7	2.0	-205.9	-30.5

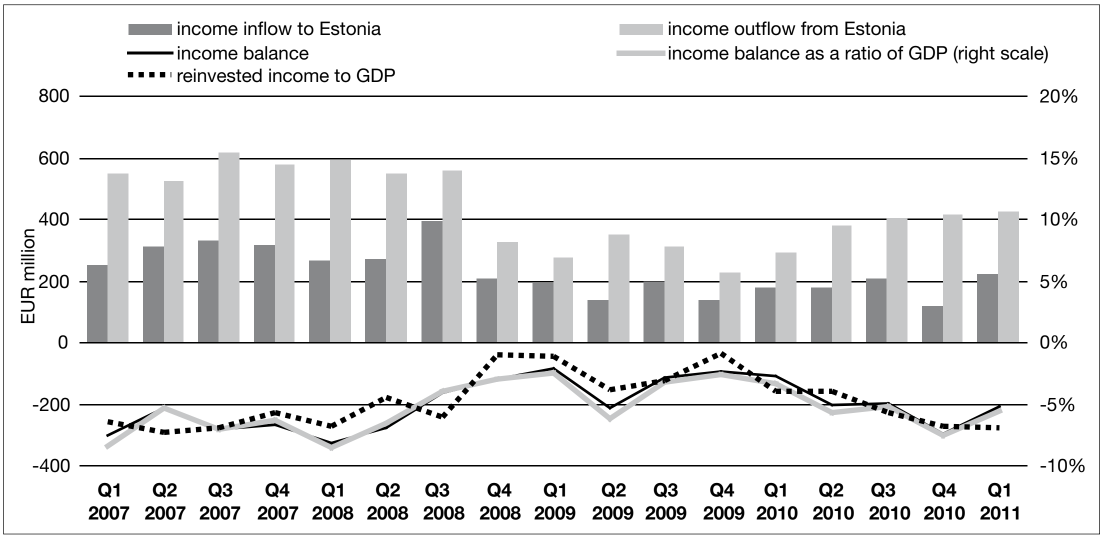

Figure 8. Income account

Labour income recorded a net inflow of 46 million euros, while investment income posted a net outflow of 251 million euros (see Table 19). The surplus on labour income grew by over 40% from the first quarter of 2010, which shows that employment abroad has gained momentum. The net outflow of investment income increased by almost 80%. The estimated net outflow of reinvested earnings exceeded the net outflow of total investment income by 2%. Year-on-year, the net outflow of reinvested earnings doubled. Excluding reinvested earnings from the income account calculation, the net income outflow would be a net income inflow of 51 million euros, or 1.4% of GDP (see Figure 8). Portfolio investment witnessed a net inflow of 22 million euros, and other investment (interest income on loans and deposits) posted a net outflow of 24 million euros. The former grew by 25%, while the latter declined by a third year-on-year.

Income inflow increased by over 20% from the first quarter of 2010 and totalled 220 million euros (see Table 20). 93% of the income came from EU countries (see Table 21). Labour income increased by a third from a year ago and constituted slightly over 25% of total income inflow. Finland was the most popular employment destination, as 47% of the labour income inflow came from there. Year-on-year, this figure rose by almost 50%, which shows the growing popularity of working in Finland. Next in popularity are the United Kingdom and Sweden, contributing 10% and 8% respectively to the labour income inflow. Although the share of labour income earned in Russia is still relatively low, it has increased by four times. The inflow of investment income (income on direct, portfolio and other investment) grew by almost 20% from a year earlier. The majority (70%) of investment income was earned on foreign direct investment. Direct investment income increased by 22% year-on-year, owing to dividend payments and growth in reinvested earnings. Reinvested earnings constituted 43% of the total inflow of investment income. Income on foreign portfolio investment and other investment grew by 12% and 17% respectively.

80% of the investment income came from three countries, Lithuania (45%), Cyprus (18%) and Latvia (16%), while inflows from all three picked up, especially as regards investment income earned in Lithuania (64%). Investment in Finland posted a loss from the first quarter of 2010. 56% of the investment income from abroad was earned on financial intermediation, 15% on water transport and 10% on insurance (see Figure 9).

Table 19. Structure of income account

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
Labour income	32.2	30.9	45.5	-29.3	-10.4	-22.1	47.1	41.3
Investment income	-141.8	-327.3	-251.4	129.3	110.4	122.1	-23.2	77.2
Income on direct investment	-123.9	-305.4	-249.1	112.9	103.0	121.0	-18.4	101.1
income on equity	-120.5	-304.0	-249.5	109.8	102.6	121.2	-17.9	107.1
dividends	6.3	-38.1	7.4	-5.7	12.9	-3.6	-119.5	18.5
reinvested earnings	-126.8	-265.9	-257.0	115.5	89.7	124.8	-3.3	102.7
income on debt (interests)	-3.4	-1.4	0.4	3.1	0.5	-0.2	-127.7	-111.4
Income on portfolio investment	17.0	17.3	21.5	-15.5	-5.8	-10.4	24.2	26.5
Income on other investment	-34.9	-39.2	-23.7	31.9	13.2	11.5	-39.5	-32.1
Total	**-109.7**	**-296.4**	**-205.9**	**100.0**	**100.0**	**100.0**	**-30.5**	**87.7**

Table 20. Income inflow to Estonia

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011 / Q4 2010	Q1 2011 / Q1 2010
Labour income	45.2	50.7	59.6	25.2	42.0	27.1	17.5	31.9
Investment income	134.2	70.1	160.2	74.8	58.0	72.9	128.5	19.4
Income on direct investment	91.9	25.2	111.9	51.2	20.9	50.9	343.6	21.8
income on equity	75.3	7.6	96.9	42.0	6.3	44.1	1,176.4	28.7
dividends	18.2	3.7	27.6	10.1	3.0	12.5	652.4	51.5
reinvested earnings	57.1	3.9	69.3	31.8	3.2	31.5	1,665.7	21.4
income on debt (interests)	16.6	17.6	15.0	9.3	14.6	6.8	-14.8	-9.6
Income on portfolio investment	24.0	25.4	26.8	13.4	21.0	12.2	5.5	11.8
Income on other investment	18.3	19.5	21.5	10.2	16.1	9.8	10.3	17.3
Total	**179.4**	**120.8**	**219.8**	**100.0**	**100.0**	**100.0**	**82.0**	**22.5**

Table 21. Income by groups of countries in the first quarter of 2011

	Inflow				Outflow		
	Volume (EUR m)	Share (%)	Change (%), Q1 2011/ Q1 2010		Volume (EUR m)	Share (%)	Change (%), Q1 2011/ Q1 2010
EU-27	**203.9**	**92.8**	**20.0**	**EU-27**	**-396.6**	**93.2**	**46.3**
Lithuania	72.8	33.1	63.9	Sweden	-231.1	54.3	45.1
Cyprus	29.5	13.4	10.9	Finland	-70.1	16.5	113.6
Latvia	28.4	12.9	6.5	Netherlands	-35.4	8.3	1.3
Finland	26.1	11.9	-7.1	Denmark	-15.3	3.6	56.9
CIS	**4.0**	**1.8**	**-6.3**	**CIS**	**-18.5**	**4.3**	**117.1**
Russia	1.3	0.6	17.2	Russia	-17.3	4.1	122.0
Belarus	0.9	0.4	382.9	Ukraine	-0.7	0.2	157.5
Other	**11.9**	**5.4**	**122.0**	**Other**	**-10.6**	**2.5**	**10.9**
Switzerland	3.5	1.6	673.0	USA	-2.6	0.6	-4.4
offshore regions	1.1	0.5	-322.1	offshore regions	-3.7	0.9	87.8
Total	**219.8**	**100.0**	**22.4**	**Total**	**-425.7**	**100.0**	**47.3**

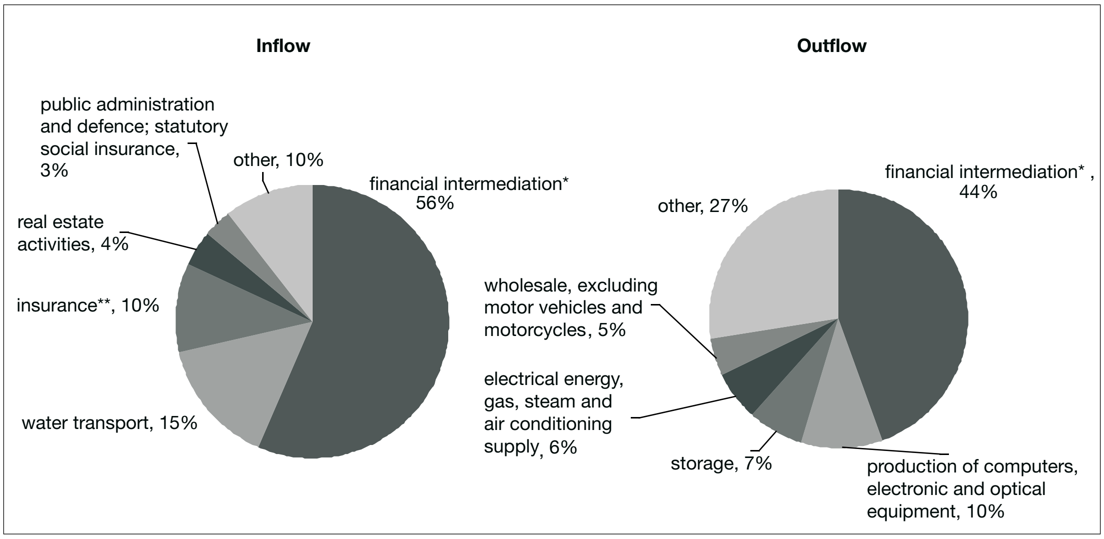

Figure 9. Inflow and outflow of investment income by fields of activity in the first quarter of 2011

* Excluding insurance and pension funds
** Excluding statutory social insurance

Income outflow increased by almost 50% year-on-year (see Table 22). The majority (97%) of the outflow consisted of investment income. The outflow of labour income grew by 9%. As income inflow, also the outflow was almost entirely related to EU countries (93%). Direct investment income increased by two thirds from a year ago and accounted for 88% of the investment income outflow. The outflow of direct investment income, and also total income, picked up owing to reinvested earnings, which increased by around 80% year-on-year and by 21% quarter-on-quarter to 326 million euros. Reinvested earnings constituted 79% of the outflow of investment income. Income on portfolio investment accounted for only slightly more than 1% and income on other investment for 11%, both contracting in absolute terms.

As in the inflow of investment income, the outflow of investment income went to investors in three countries: Sweden (56%), Finland (16%) and the Netherlands (9%). Year-on-year, the income of Finnish

Table 22. Income outflow from Estonia

	Volume (EUR m)			Share (%)			Change (%)	
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2011/ Q4 2010	Q1 2011/ Q1 2010
Labour income	-13.0	-19.8	-14.1	4.5	4.8	3.3	-28.7	8.5
Investment income	-276.1	-397.4	-411.6	95.5	95.3	96.7	3.6	49.1
Income on direct investment	-215.8	-330.6	-361.1	74.7	79.2	84.8	9.2	67.3
income on equity	-195.8	-311.6	-346.4	67.7	74.7	81.4	11.2	77.0
dividends	-11.9	-41.8	-20.1	4.1	10.0	4.7	-51.8	69.0
reinvested earnings	-183.9	-269.8	-326.3	63.6	64.7	76.6	20.9	77.5
income on debt (interests)	-20.1	-19.1	-14.6	6.9	4.6	3.4	-23.2	-27.0
Income on portfolio investment	-7.0	-8.1	-5.3	2.4	1.9	1.2	-34.4	-23.8
Income on other investment	-53.3	-58.7	-45.2	18.4	14.1	10.6	-23.0	-15.1
Total	**-289.1**	**-417.2**	**-425.7**	**100.0**	**100.0**	**100.0**	**2.0**	**47.3**

investors more than doubled, while also Swedish and Dutch investors gained on their investments in Estonia. Foreign investors earned income in Estonia primarily on financial intermediation (44%), production of computers, electronic and optical equipment (10%), storage (7%), and electricity and gas supply (6%; see Figure 9). Year-on-year, investment income on the production of computers and electronic and optical equipment picked up by over ten times, and income on financial intermediation and storage by 20%.

Current transfers and the capital account

The surplus on the current transfers account totalled 51 million euros in the first quarter of 2011 (see Table 23). Current transfers to Estonia totalled 176 million euros. Government transfers comprised 43% of the current transfers and contained allocations from the EU structural funds and VAT, income and social tax receipts from non-residents. Other sectors' transfers to Estonia totalled 100 million euros, 54% of which were structural funds and 11% were transfers from migrants employed abroad. The outflow of current transfers stood at 124 million euros. Government transfers comprised 60% of that, of which 86%, or around 63 million euros, was Estonia's payment into the EU budget. Regardless of the large budget payment that is typical of the first quarter, government transfers recorded a small surplus. Other sectors' transfers abroad totalled 50 million euros and were primarily channelled to the European Union (Finland, the United Kingdom, Germany and Sweden).

The surplus on the **capital transfers** account was 47 million euros in the first quarter. The capital transfers into Estonia mainly comprised EU subsidies to the general government and also to other sectors for infrastructure objects.

The sales of CO_2 emission quotas, which are recorded under intangible assets, provided Estonia with 96 million euros.

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

	Incoming			Outgoing			Balance		
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011
Current transfers	**107.8**	**241.4**	**175.8**	**96.4**	**94.0**	**124.4**	**11.4**	**147.4**	**51.4**
government transfers	**40.3**	**106.1**	**75.4**	**62.2**	**44.4**	**74.3**	**-21.9**	**61.7**	**1.2**
EU-27	36.0	100.9	72.0	58.8	40.0	66.4	-22.8	60.9	5.6
CIS	0.5	0.7	0.7	0.2	0.2	0.2	0.3	0.5	0.5
other	3.8	4.5	2.8	3.3	4.2	7.7	0.5	0.3	-4.9
private transfers	**67.5**	**135.3**	**100.4**	**34.2**	**49.6**	**50.1**	**33.3**	**85.7**	**50.2**
EU-27	53.4	110.8	81.8	27.1	38.4	43.1	26.4	72.4	38.7
CIS	5.7	16.0	12.9	1.0	1.2	2.6	4.7	14.8	10.3
other	8.3	8.5	5.6	6.2	10.0	4.4	2.2	-1.5	1.3
Capital transfers	**66.5**	**288.9**	**142.9**	**0.0**	**5.9**	**0.0**	**66.5**	**283.1**	**142.9**
government transfers	33.2	98.1	4.4	0.0	0.1	-	33.2	98.1	4.4
private transfers	33.3	94.3	42.1	-	5.8	0.0	33.3	88.5	42.1
Intangible assets	**-**	**96.4**	**96.4**	**-**	**-**	**-**	**-**	**96.4**	**96.4**

FINANCIAL ACCOUNT

The net outflow of capital continued in the first quarter of 2011, although at a more modest rate, and amounted to 72 million euros. Net capital outflow consisted of other investment, while net capital inflow included direct and portfolio investment. Figures 10 and 11 show the structure of the financial account by categories and maturities.

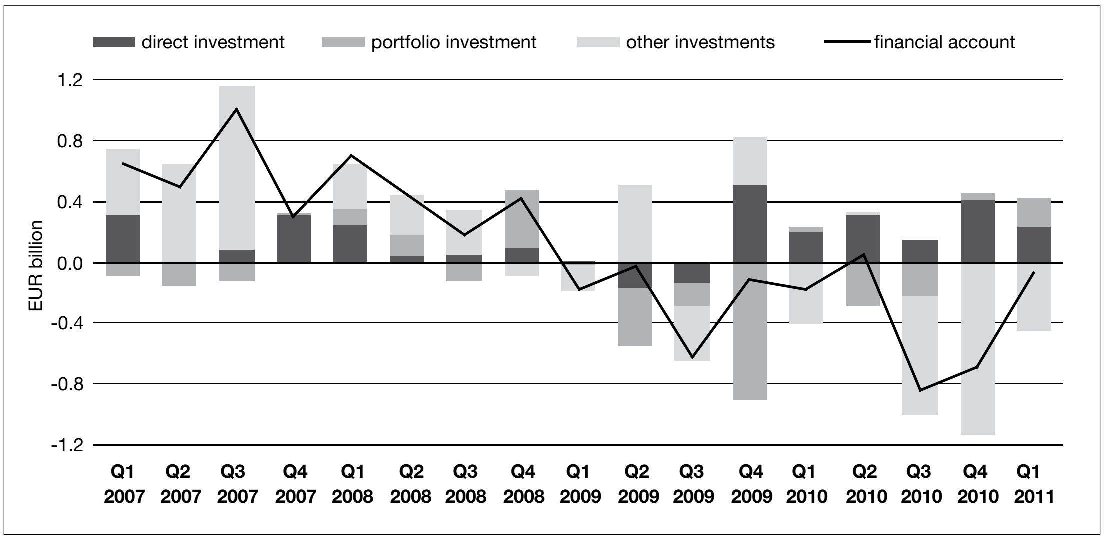

Figure 10. Changes in the structure of foreign investment capital flows

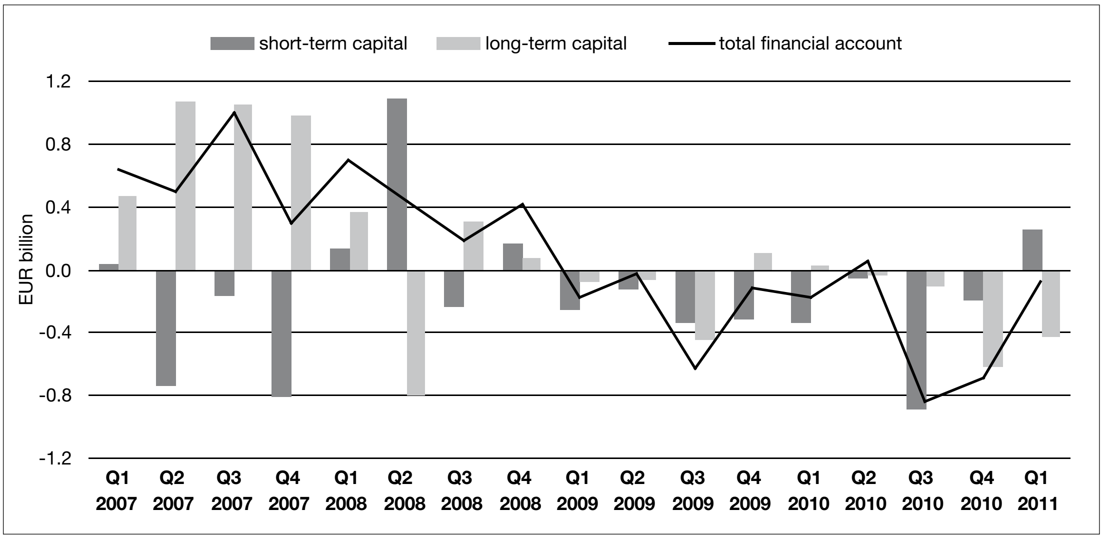

Figure 11. Maturity structure of the financial account

Direct investment

Direct investment had a surplus of 232 million euros in the first quarter of 2011. Non-residents invested 427 million euros in Estonia and Estonian residents' direct investment abroad grew by 195 million euros (see Figure 12).

The total of **direct investment in Estonia** increased by over a third quarter-on-quarter because of a rise in the profits of local direct investment companies, that is the reinvested earnings. Reinvested earnings amounted to 326 million euros in the first quarter of 2011, or 75% of total direct investment in Estonia. Reinvested earnings were channelled primarily in financial intermediation (144 million euros) and somewhat less in the production of computers, electronic and optical equipment (43 million euros) and transport and storage (20 million euros). Net equity capital investment totalled 26 million euros. Equity capital payments were made in many fields of activity, in particular real estate, where such payments totalled 8 million euros. The intercompany debt liabilities of direct investment companies increased by 153 million euros from the fourth quarter of 2010. Intercompany debt claims channelled 18 million euros out of Estonia (see Tables 24-25).

Around 75% (185 million euros) of the direct investment inflow came from the Netherlands, followed by Sweden and Finland with 131 and 56 million euros respectively. In terms of groups of countries, 96% of the 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 first quarter of 2011 was no exception: 47% of total direct investment went to financial intermediaries and insurance companies. 28% of the direct investment was made in transport and storage, and 6% in professional, scientific and technical activities (see Figures 13-14 and Table 26).

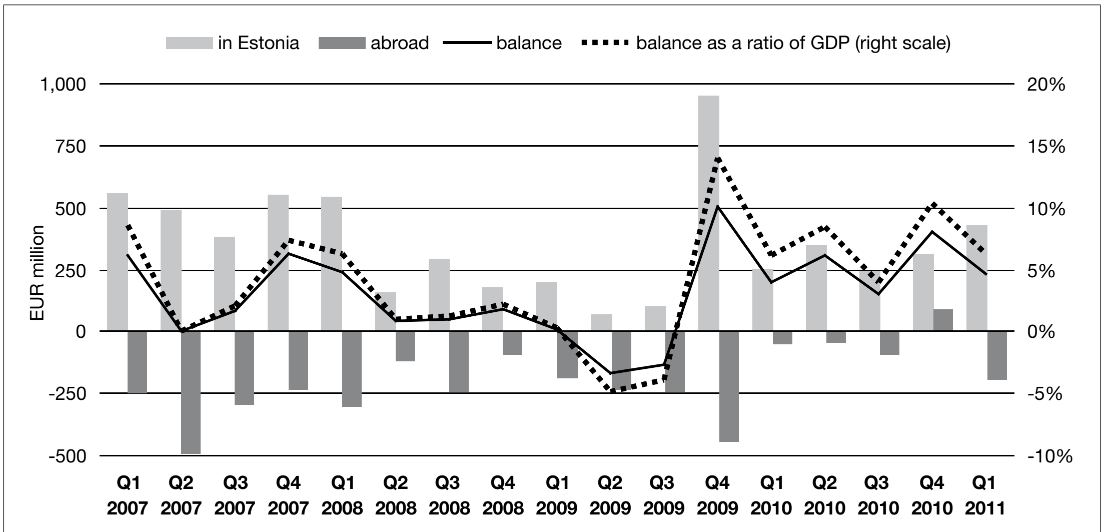

Figure 12. Direct investment

Table 24. Structure of direct investment in Estonia

	Equity capital		Reinvested earnings		Other capital				Total	
					Assets		Liabilities			
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
Q1 2007	31.1	5.5	332.3	59.1	-32.3	-5.7	230.7	41.1	561.9	100.0
Q2 2007	169.5	34.5	232.0	47.2	-107.9	-21.9	198.3	40.3	491.9	100.0
Q3 2007	0.5	0.1	433.6	113.9	-134.7	-35.4	81.1	21.3	380.5	100.0
Q4 2007	72.1	13.1	369.0	67.0	-142.8	-25.9	252.4	45.8	550.7	100.0
2007 total	**273.2**	**13.8**	**1,366.9**	**68.9**	**-417.7**	**-21.0**	**762.5**	**38.4**	**1,985.0**	**100.0**
Q1 2008	101.8	18.6	355.2	65.0	-76.9	-14.1	166.3	30.4	546.5	100.0
Q2 2008	29.7	18.6	189.0	118.7	-113.3	-71.1	53.9	33.8	159.3	100.0
Q3 2008	-3.0	-1.0	252.4	85.8	-13.8	-4.7	58.7	20.0	294.3	100.0
Q4 2008	66.7	36.7	74.0	40.7	78.6	43.3	-37.5	-20.6	181.8	100.0
2008 total	**195.2**	**16.5**	**870.6**	**73.7**	**-125.3**	**-10.6**	**241.4**	**20.4**	**1,181.8**	**100.0**
Q1 2009	120.3	60.6	84.4	42.5	-24.8	-12.5	18.7	9.4	198.6	100.0
Q2 2009	103.7	149.2	83.3	119.9	-18.1	-26.1	-99.3	-143.0	69.5	100.0
Q3 2009	108.8	102.7	182.0	171.8	-83.7	-79.0	-101.1	-95.4	105.9	100.0
Q4 2009	886.5	93.4	57.3	6.0	76.6	8.1	-71.3	-7.5	949.1	100.0
2009 total	**1,219.2**	**92.2**	**406.9**	**30.8**	**-50.0**	**-3.8**	**-253.0**	**-19.1**	**1,323.1**	**100.0**
Q1 2010	40.5	16.1	183.9	73.3	-19.7	-7.8	46.2	18.4	250.9	100.0
Q2 2010	-170.6	-48.9	182.0	52.1	-36.8	-10.5	374.6	107.3	349.2	100.0
Q3 2010	167.0	68.2	292.6	119.5	100.5	41.0	-315.2	-128.7	244.9	100.0
Q4 2010	311.7	98.2	269.8	85.0	-256.4	-80.8	-7.8	-2.5	317.3	100.0
2010 total	**348.6**	**30.0**	**928.2**	**79.9**	**-212.3**	**-18.3**	**97.8**	**8.4**	**1,162.3**	**100.0**
Q1 2011	25.6	6.0	326.3	76.4	-77.5	-18.1	152.6	35.7	427.0	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
Q1 2007	54.3	14.8	65.5	86.2	409.9	184.3	74.7	59.2
Q2 2007	42.9	17.9	175.0	50.3	281.8	88.7	100.1	113.4
Q3 2007	79.5	30.1	103.2	26.9	150.9	119.4	232.0	163.9
Q4 2007	70.1	15.6	167.2	85.2	310.2	194.1	109.8	70.5
2007 total	**246.7**	**78.3**	**510.8**	**248.6**	**1,152.7**	**586.4**	**516.5**	**406.9**
Q1 2008	48.5	22.7	91.2	75.0	235.1	134.9	121.2	64.7
Q2 2008	104.2	6.5	156.2	185.0	115.9	159.6	129.2	93.5
Q3 2008	39.2	77.9	155.5	91.1	268.3	296.1	195.1	109.6
Q4 2008	32.4	54.5	174.0	170.8	256.8	179.5	337.7	332.3
2008 total	**224.3**	**161.7**	**576.8**	**521.8**	**876.1**	**770.2**	**783.2**	**600.2**
Q1 2009	30.3	8.5	115.4	98.6	193.3	131.3	173.1	206.6
Q2 2009	29.4	27.0	98.6	100.6	112.3	175.7	82.6	82.7
Q3 2009	68.5	31.4	88.5	50.2	118.6	290.2	271.2	160.1
Q4 2009	42.1	64.4	85.9	123.4	143.1	137.4	104.3	162.2
2009 total	**170.2**	**131.2**	**388.4**	**372.8**	**567.3**	**734.5**	**631.2**	**611.5**
Q1 2010	21.1	8.0	75.4	67.4	137.9	96.3	66.1	64.8
Q2 2010	15.5	4.9	91.4	76.1	338.4	58.8	108.3	185.4
Q3 2010	27.4	184.0	170.2	118.3	85.2	88.9	122.9	273.7
Q4 2010	19.4	13.4	401.9	184.5	182.0	204.3	126.8	129.9
2010 total	**83.4**	**210.4**	**738.9**	**446.2**	**743.4**	**448.2**	**424.0**	**653.7**
Q1 2011	25.1	10.5	150.8	97.6	167.5	66.4	380.6	360.3

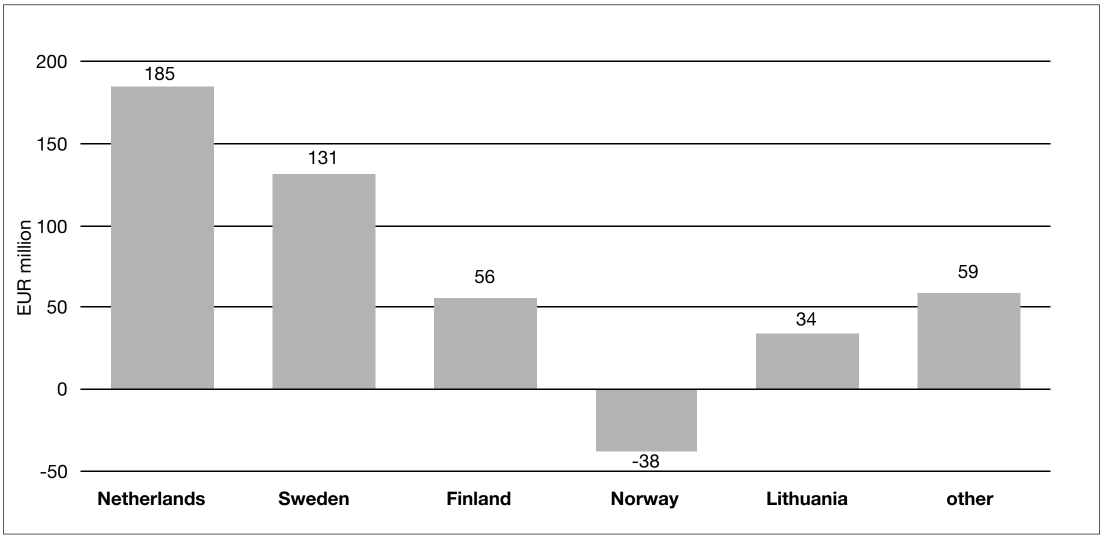

Figure 13. Direct investment in Estonia by countries in the first quarter of 2011

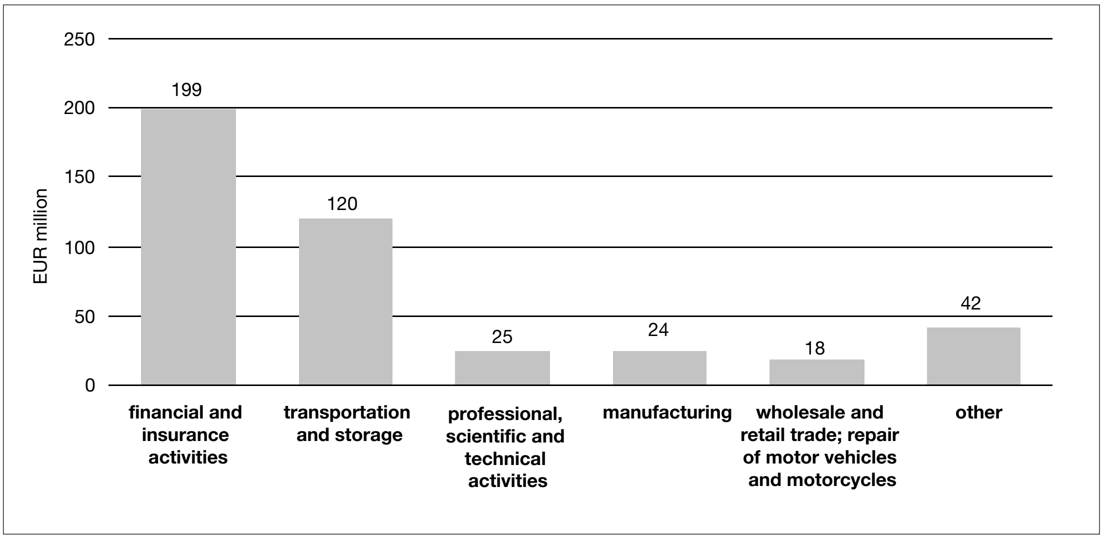

Figure 14. Direct investment in Estonia by fields of activity in the first quarter of 2011

Table 26. Direct investment in Estonia by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	Q4 2010	Q1 2011	Q4 2010	Q1 2011	Q1 2011/ Q4 2010
EU-27	370.5	408.8	116.8	95.7	10.3
CIS	-11.1	21.4	-3.5	5.0	-292.6
Other	-42.1	-3.2	-13.3	-0.7	-92.4
Total	**317.3**	**427.0**	**100.0**	**100.0**	**34.6**

Equity capital investment comprised almost 30% of the direct investment outflow; the outflow of retained proprietary income was 69 million euros. Other capital assets and liabilities increased and the outflow totalled 68 million euros. The loan liabilities of subsidiaries and affiliated companies grew by 79 million euros from the previous quarter, most of them being short-term liabilities. The loan liabilities of Estonian investors to foreign subsidiaries and affiliates decreased by 10 million euros (see Tables 27-28).

The largest direct investment went to Lithuania (67 million euros), the United States (60 million euros) and Latvia (42 billion euros). The investors of financial intermediation and electrical energy, gas, steam and air conditioning supply made the largest investments (36% and 24% growth respectively). The main investment target was the European Union that accounted for 59% of Estonia's direct investment abroad (see Table 29 and Figures 15-16).

Table 27. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
					Assets		Liabilities			
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
Q1 2007	-81.6	32.4	-100.1	39.7	-80.4	31.9	10.2	-4.1	-251.9	100.0
Q2 2007	-431.2	87.5	58.1	-11.8	-104.4	21.2	-15.2	3.1	-492.7	100.0
Q3 2007	-59.5	20.2	-154.9	52.5	-157.9	53.5	77.1	-26.1	-295.2	100.0
Q4 2007	-87.6	37.0	-127.9	54.0	-42.2	17.8	21.0	-8.9	-236.7	100.0
2007 total	**-660.0**	**51.7**	**-324.8**	**25.4**	**-384.8**	**30.1**	**93.1**	**-7.3**	**-1,276.5**	**100.0**
Q1 2008	-63.7	21.0	-94.8	31.2	-171.4	56.4	26.0	-8.6	-303.8	100.0
Q2 2008	-47.9	40.0	-4.7	3.9	-6.5	5.5	-60.5	50.6	-119.6	100.0
Q3 2008	-31.2	12.8	-2.5	1.0	-181.1	74.1	-29.7	12.1	-244.5	100.0
Q4 2008	-7.9	8.6	-34.8	37.8	-60.7	65.8	11.2	-12.1	-92.2	100.0
2008 total	**-150.7**	**19.8**	**-136.7**	**18.0**	**-419.7**	**55.2**	**-53.1**	**7.0**	**-760.2**	**100.0**
Q1 2009	-81.4	42.9	-48.1	25.4	-21.8	11.5	-38.2	20.2	-189.6	100.0
Q2 2009	-32.4	13.6	49.2	-20.7	-204.9	86.1	-49.8	20.9	-238.0	100.0
Q3 2009	-203.2	84.4	-76.5	31.8	38.9	-16.1	0.1	0.0	-240.8	100.0
Q4 2009	-455.0	101.9	-24.2	5.4	25.0	-5.6	8.0	-1.8	-446.3	100.0
2009 total	**-772.0**	**69.3**	**-99.8**	**8.9**	**-162.9**	**14.6**	**-80.0**	**7.2**	**-1,114.7**	**100.0**
Q1 2010	-9.9	19.6	-57.1	112.3	-42.8	84.2	59.0	-116.1	-50.8	100.0
Q2 2010	-13.1	29.9	-38.3	87.4	12.4	-28.3	-4.8	11.0	-43.8	100.0
Q3 2010	-53.6	57.5	-80.8	86.7	27.3	-29.2	14.0	-15.0	-93.2	100.0
Q4 2010	-5.4	-6.1	-3.9	-4.5	72.1	82.3	24.8	28.3	87.7	100.0
2010 total	**-82.0**	**81.8**	**-180.1**	**179.9**	**69.0**	**-68.9**	**93.0**	**-92.8**	**-100.2**	**100.0**
Q1 2011	-57.1	29.3	-69.3	35.6	-78.7	40.4	10.4	-5.3	-194.7	100.0

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

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
Q1 2007	62.4	10.1	17.9	20.7	0.9	1.6	3.8	1.9
Q2 2007	92.6	61.0	39.9	17.5	0.2	3.6	10.4	0.5
Q3 2007	198.6	19.5	36.2	34.0	0.7	1.2	67.0	2.0
Q4 2007	54.6	40.2	39.5	23.3	4.6	0.9	26.0	2.5
2007 total	**408.3**	**130.8**	**133.5**	**95.4**	**6.4**	**7.3**	**107.3**	**7.0**
Q1 2008	169.9	51.6	31.8	28.6	9.0	3.1	13.1	19.7
Q2 2008	63.8	114.3	35.8	18.2	1.8	4.3	3.5	26.5
Q3 2008	70.1	39.2	34.9	31.4	1.6	2.1	7.4	26.2
Q4 2008	43.4	29.1	82.7	50.8	3.9	2.2	14.0	2.9
2008 total	**347.1**	**234.1**	**185.3**	**129.0**	**16.3**	**11.8**	**38.0**	**75.4**
Q1 2009	86.7	27.4	41.6	47.6	3.9	0.9	3.1	6.1
Q2 2009	197.3	32.2	40.7	21.3	0.9	2.0	3.9	60.1
Q3 2009	45.9	44.8	24.2	23.3	4.0	1.4	1.6	2.5
Q4 2009	67.7	93.0	120.1	66.2	2.2	1.3	1.3	3.6
2009 total	**397.6**	**197.5**	**226.7**	**158.4**	**11.1**	**5.6**	**10.0**	**72.3**
Q1 2010	32.9	16.2	38.4	23.8	0.4	1.8	1.5	1.8
Q2 2010	35.4	25.5	21.2	22.1	1.2	0.6	3.1	3.3
Q3 2010	24.9	28.2	30.1	16.6	0.3	1.9	0.7	0.5
Q4 2010	48.5	100.3	27.2	17.7	2.6	3.1	25.6	4.8
2010 total	**141.6**	**170.2**	**116.9**	**80.2**	**4.5**	**7.5**	**31.0**	**10.4**
Q1 2011	57.1	47.5	51.8	9.1	1.3	0.3	8.6	2.9

Table 29. Direct investment abroad by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	Q4 2010	Q1 2011	Q4 2010	Q1 2011	Q1 2011/ Q4 2010
EU-27	33.7	-114.9	38.5	59.0	-440.6
CIS	44.8	-15.4	51.1	7.9	-134.3
Other	9.1	-64.5	10.4	33.1	-805.4
Total	**87.7**	**-194.7**	**100.0**	**100.0**	**-322.1**

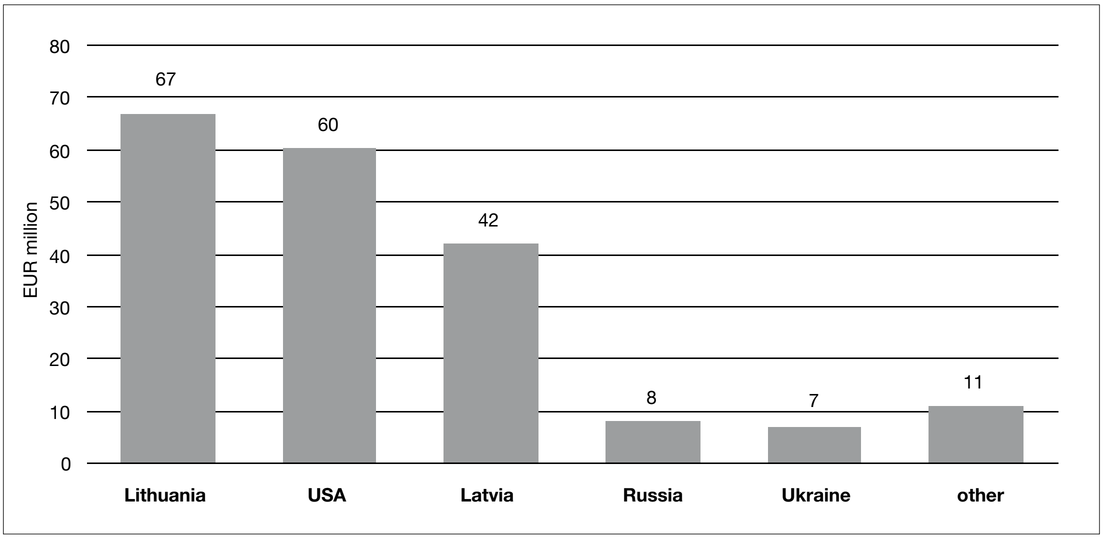

Figure 15. Direct investment abroad by countries in the first quarter of 2011

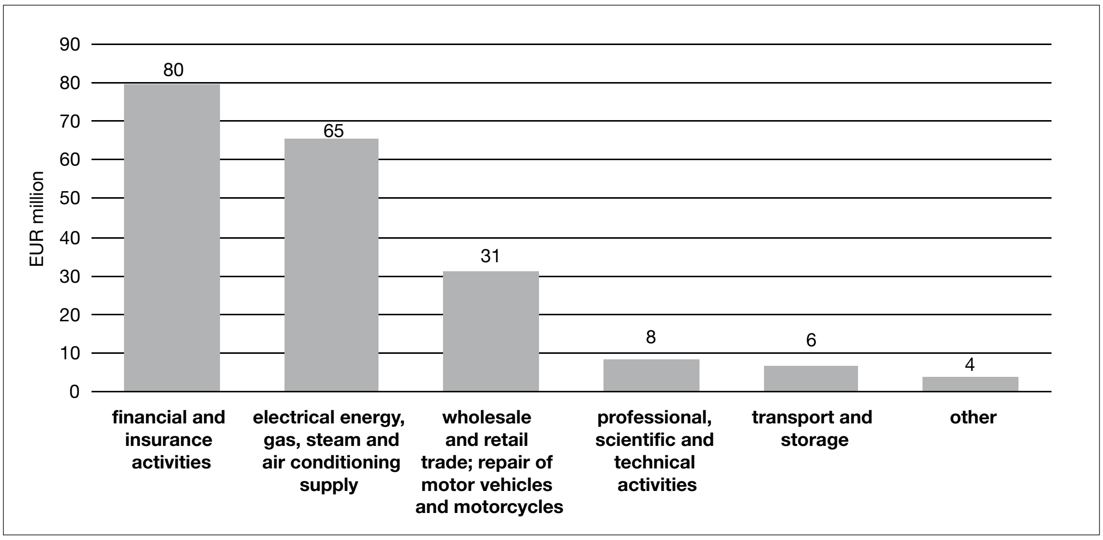

Figure 16. Direct investment abroad by fields of activity in the first quarter of 2011

Portfolio investment

The net inflow of portfolio investment was 183 million euros in the first quarter of 2011. The net inflow resulted mainly from a decrease in the external assets of the central bank and pension funds. The central bank reduced its foreign investment portfolio, in particular money market instruments. In pension funds primarily equity security investment contracted (see Figure 17 and Table 30).

Portfolio investment liabilities shrank by 20 million euros in the first quarter of 2011 (see Table 31). In terms of institutional sectors, the liabilities of enterprises in other sectors decreased by 23 million

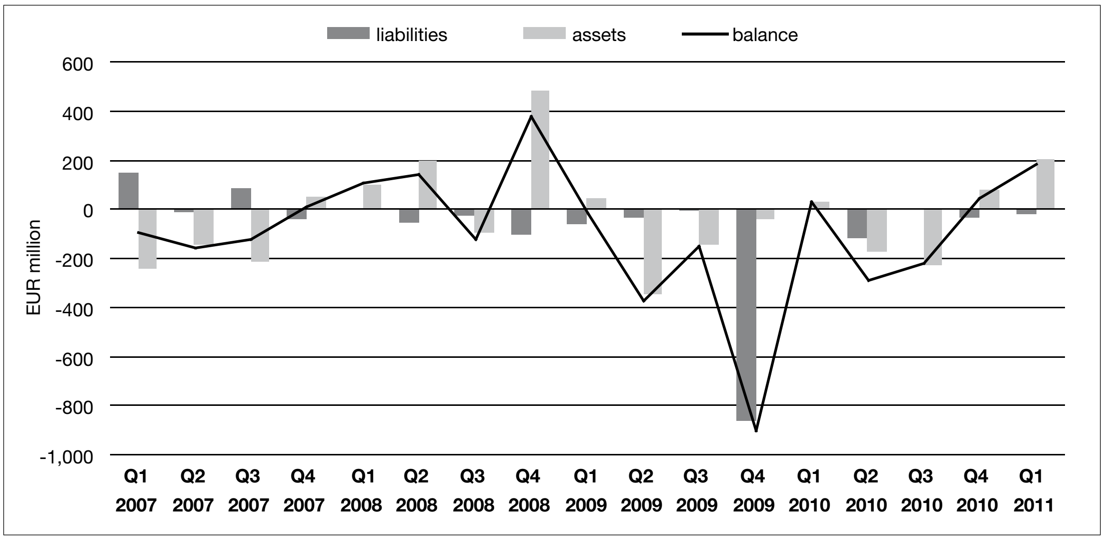

Figure 17. Portfolio investment

Table 30. Portfolio investment by types of security and sectors (EUR m)

	Assets			Liabilities			Balance		
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011
Equity securities	**-65.9**	**-59.8**	**12.8**	**8.6**	**6.0**	**-**	**-57.3**	**-53.8**	**12.8**
central bank	-	-	-	-	-	-	-	-	-
general government	-5.9	13.7	-2.8	-	-	-	-5.9	13.7	-2.8
credit institutions	-	0.2	-4.7	-	3.1	-	-	3.3	-4.7
other sectors	-60.1	-73.6	20.2	8.6	2.8	-	-51.5	-70.8	20.2
Debt securities	**98.0**	**136.4**	**189.4**	**-9.2**	**-41.9**	**-19.7**	**88.8**	**94.5**	**169.7**
central bank	-	-	450.3	-	-	-	-	-	450.3
general government	133.7	8.9	-44.2	0.6	-9.9	0.2	134.3	-1.0	-44.0
credit institutions	-11.5	97.8	-66.3	-16.7	0.2	3.5	-28.2	98.0	-62.8
other sectors	-24.4	29.8	-150.4	6.9	-32.2	-23.3	-17.5	-2.4	-173.7
Total	**32.1**	**76.6**	**202.2**	**-0.7**	**-35.9**	**-19.7**	**31.4**	**40.7**	**182.5**

Table 31. Structure of portfolio investment liabilities

	Equity securities		Debt securities		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
Q1 2007	202.2	135.4	-52.9	-35.4	149.3	100.0
Q2 2007	58.2	-554.3	-68.7	654.3	-10.5	100.0
Q3 2007	51.9	58.9	36.2	41.1	88.1	100.0
Q4 2007	-86.5	202.6	43.8	-102.6	-42.7	100.0
2007 total	**225.8**	**122.6**	**-41.6**	**-22.6**	**184.2**	**100.0**
Q1 2008	-64.4	-1,370.2	69.1	1,470.2	4.7	100.0
Q2 2008	-15.1	27.5	-39.9	72.5	-55.0	100.0
Q3 2008	-30.0	127.7	6.5	-27.7	-23.5	100.0
Q4 2008	-103.1	103.9	3.9	-3.9	-99.2	100.0
2008 total	**-212.6**	**122.9**	**39.6**	**-22.9**	**-173.0**	**100.0**
Q1 2009	-27.7	46.1	-32.4	53.9	-60.1	100.0
Q2 2009	-7.2	23.8	-23.1	76.2	-30.3	100.0
Q3 2009	8.6	-102.4	-17.0	202.4	-8.4	100.0
Q4 2009	-67.3	7.8	-796.1	92.2	-863.4	100.0
2009 total	**-93.6**	**9.7**	**-868.6**	**90.3**	**-962.2**	**100.0**
Q1 2010	8.6	-1,228.6	-9.2	1,314.3	-0.7	100.0
Q2 2010	-2.0	1.7	-112.5	98.3	-114.5	100.0
Q3 2010	-1.7	-94.4	3.5	194.4	1.8	100.0
Q4 2010	6.0	-16.7	-41.9	116.7	-35.9	100.0
2010 total	**10.9**	**-7.3**	**-160.1**	**107.2**	**-149.3**	**100.0**
Q1 2011	0.0	0.0	-19.7	100.0	-19.7	100.0

euros as a result of the partial or full repayment of debt securities. The debt security liabilities of credit institutions and the general government increased slightly. Equity security liabilities remained unchanged from the previous quarter. In terms of countries, portfolio investment liabilities to the United States contracted the most, followed by liabilities to Cyprus, the Netherlands and Kuwait (see Figure 18 and Table 32).

Portfolio investment assets decreased by 202 million euros in the first quarter (see Table 33). Investment in foreign equity securities shrank by 14 million euros and investment in debt securities by 218 million euros over the quarter. This stemmed from a decline in the central bank's investment in euros or in euro area money market instruments. Central bank's money market assets decreased by a total of 399 million euros and debt security assets by 51 million euros. The foreign equity security assets of enterprises in other sectors decreased by 20 million euros as a result of the operations of pension funds. Pension funds and insurance companies increased their debt security investment by 160 million euros. The debt security investment of credit institutions grew by 66 million euros. By countries, primarily portfolio investment assets to EU countries, in particular Belgium, but also the Netherlands, Finland and Luxembourg decreased (see Figure 19 and Table 32).

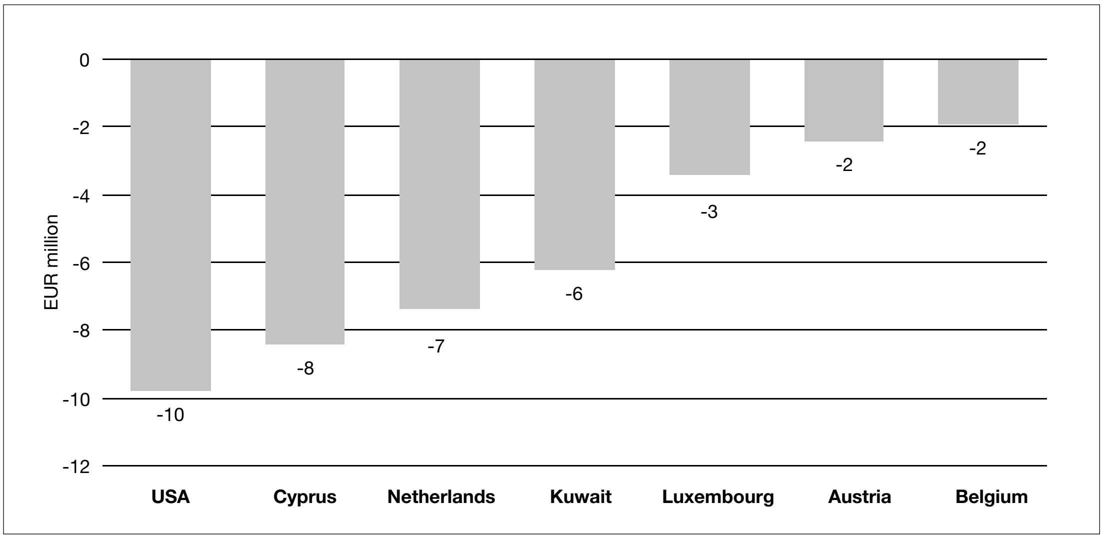

Figure 18. Decrease in portfolio investment liabilities by countries in the first quarter of 2011

Table 32. Structure of portfolio investment by groups of countries in the first quarter of 2011

	Volume (EUR m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	232.4	-2.9	114.9	14.7
CIS	-7.9	0.2	-3.9	-1.0
Other	-22.3	-17.0	-11.0	86.3
Total	**202.2**	**-19.7**	**100.0**	**100.0**

Table 33. Structure of portfolio investment assets

	Equity securities		Debt securities		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
Q1 2007	-140.5	57.6	-103.6	42.4	-244.1	100.0
Q2 2007	-181.0	122.5	33.3	-22.5	-147.7	100.0
Q3 2007	-156.1	73.4	-56.7	26.6	-212.8	100.0
Q4 2007	-13.8	-26.4	66.1	126.4	52.3	100.0
2007 total	**-491.4**	**89.0**	**-60.9**	**11.0**	**-552.3**	**100.0**
Q1 2008	98.4	97.3	2.7	2.7	101.1	100.0
Q2 2008	60.6	30.4	138.5	69.6	199.1	100.0
Q3 2008	-3.7	3.7	-95.4	96.3	-99.1	100.0
Q4 2008	106.5	22.2	373.0	77.8	479.5	100.0
2008 total	**261.8**	**38.5**	**418.8**	**61.5**	**680.6**	**100.0**
Q1 2009	11.7	28.3	29.6	71.7	41.3	100.0
Q2 2009	-16.6	4.8	-329.1	95.2	-345.7	100.0
Q3 2009	-51.1	36.1	-90.6	63.9	-141.7	100.0
Q4 2009	8.1	-20.3	-48.1	120.3	-40.0	100.0
2009 total	**-47.9**	**9.9**	**-438.2**	**90.1**	**-486.1**	**100.0**
Q1 2010	-65.9	-205.3	98.0	305.3	32.1	100.0
Q2 2010	-169.1	97.1	-5.1	2.9	-174.2	100.0
Q3 2010	-7.0	3.1	-218.9	96.9	-225.9	100.0
Q4 2010	-59.8	-78.1	136.4	178.1	76.6	100.0
2010 total	**-301.8**	**103.6**	**10.4**	**-3.6**	**-291.4**	**100.0**
Q1 2011	12.8	6.3	189.4	93.7	202.2	100.0

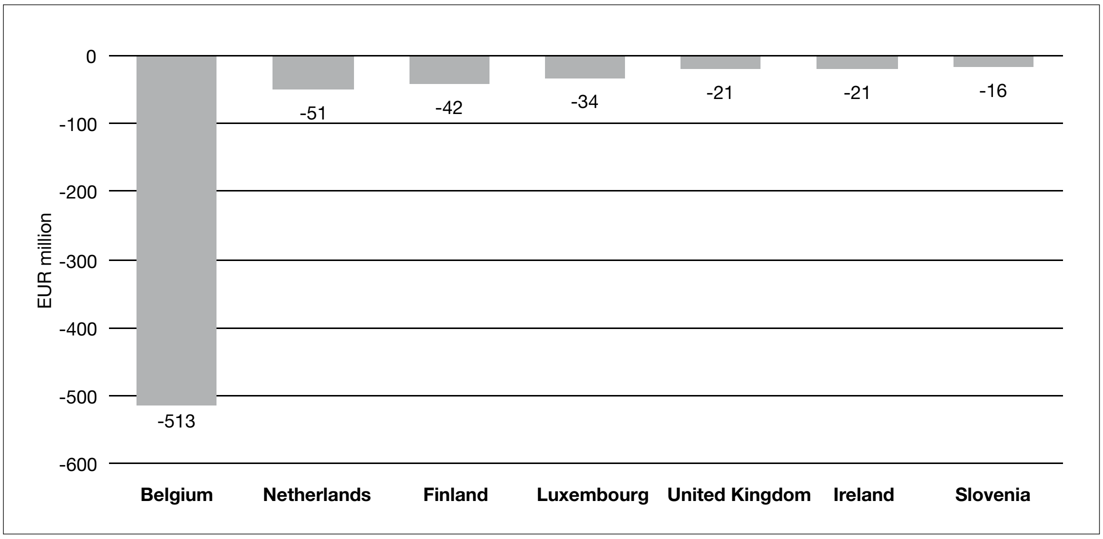

Figure 19. Decrease in portfolio investment assets by countries in the first quarter of 2011

Financial derivatives

The net outflow of financial derivatives totalled 31 million euros in the first quarter of 2011 (see Figure 20). Financial derivative assets increased by 5 million euros, with the central bank, credit institutions and enterprises in other sectors all increasing their investments. By countries, assets to Germany and Austria increased the most. Financial derivative liabilities contracted by 26 million euros, which mainly concerned enterprises in other sectors. By countries, liabilities to the United Kingdom and Sweden decreased the most.

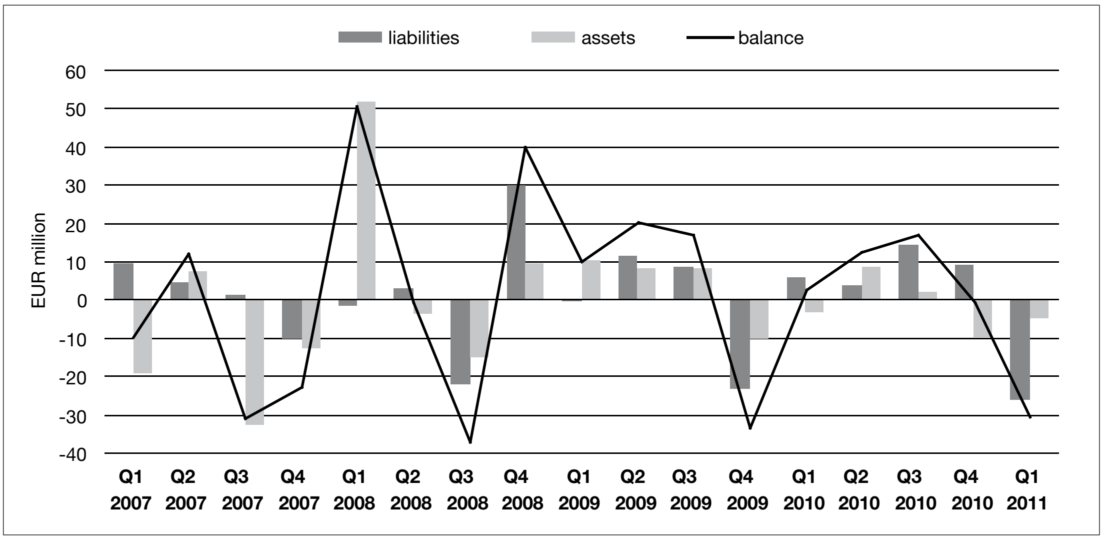

Figure 20. Financial derivatives

Other investment

The net outflow of other investment stood at 456 million euros in the first quarter of 2010 (see Figure 21). The net outflow mainly stemmed from a decline in credit institutions' short- and long-term liabilities to their parent banks (see Table 34).

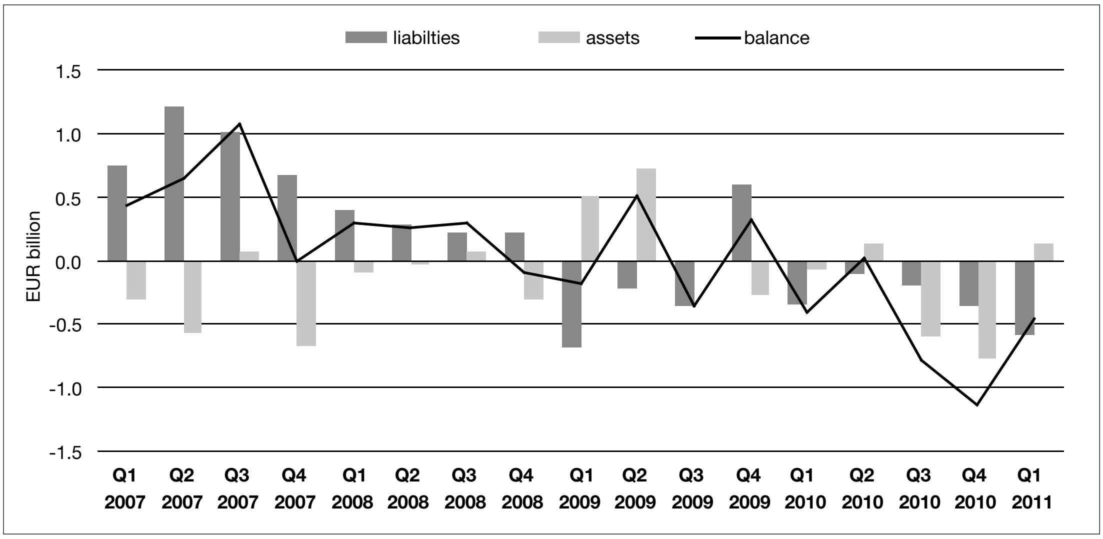

Figure 21. Other investment

Table 34. Other investment by maturity (EUR m)

	Liabilities			Assets			Balance		
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011
Long-term capital	**-149.5**	**-170.8**	**-124.3**	**-44.5**	**-741.9**	**-394.7**	**-194.0**	**-912.7**	**-519.0**
central bank	-	0.0	-180.3	0.0	0.0	0.0	0.0	0.0	-180.3
general government	-1.5	-	-	99.6	-64.0	35.7	98.1	-64.0	35.7
credit institutions	-6.3	-11.0	39.0	-131.3	-485.3	-458.7	-137.6	-496.3	-419.7
other sectors	-141.7	-159.8	17.0	-12.8	-192.6	28.3	-154.5	-352.4	45.3
Short-term capital	**81.4**	**-597.1**	**250.6**	**-295.5**	**379.5**	**-187.5**	**-214.1**	**-217.6**	**63.1**
central bank	-	-	430.9	5.2	-35.2	56.8	5.2	-35.2	487.7
general government	29.4	-65.6	27.4	0.1	0.0	0.0	29.5	-65.6	27.4
credit institutions	127.6	-158.7	-183.1	-437.4	77.5	-326.1	-309.8	-81.2	-509.2
other sectors	-75.6	-372.8	-24.6	136.6	337.2	81.8	61.0	-35.6	57.2
Total	**-68.1**	**-767.9**	**126.3**	**-340.0**	**-362.4**	**-582.2**	**-408.1**	**-1,130.3**	**-455.9**

Other investment liabilities contracted by 582 million euros quarter-on-quarter. The loan/currency and deposit liabilities (including interbank loans) of credit institutions shrank by 870 million euros[2] (see Table 35). Most of this took place in January 2011, when Estonia joined the euro area and the required reserve ratio for credit institutions was reduced from 7% to 2%. Moreover, the liabilities of credit institutions to their foreign parent banks and their loan liabilities to the non-bank sector decreased by 30 million euros. The other liabilities of credit institutions, on the other hand, increased by 115 million euros. The trade credit liabilities of enterprises in other sectors grew by 132 million euros. General government liabilities increased by 36 million euros, which includes EU funds received during the period but not yet used. In terms of countries, other investment liabilities to Sweden decreased by 720 million euros, while liabilities to Denmark declined by 91 million and those to Germany by 83 million euros (see Figure 22 and Table 36).

Other investment assets shrank by 126 million euros in the first quarter (see Table 37). This resulted from a drop in the currency and deposit assets of the central bank by 431 million euros, which also includes central bank's assets in euros or assets to euro area countries. Other capital assets increased by 82 million euros in the first quarter, with central bank's assets growing by 180 million euros. This was related to Estonia's capital payment and to the transfer of reserves to the European Central Bank after

Table 35. Structure of other investment liabilities

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
Q1 2007	-52.0	-7.0	510.9	68.6	278.4	37.4	7.1	1.0	744.4	100.0
Q2 2007	115.3	9.5	969.6	80.0	86.9	7.2	39.7	3.3	1,211.5	100.0
Q3 2007	-66.2	-6.6	653.3	64.8	498.9	49.4	-77.0	-7.6	1,008.9	100.0
Q4 2007	-19.0	-2.8	309.5	46.1	342.3	51.0	38.5	5.7	671.3	100.0
2007 total	**-21.9**	**-0.6**	**2,443.3**	**67.2**	**1,206.5**	**33.2**	**8.3**	**0.2**	**3,636.1**	**100.0**
Q1 2008	35.3	8.9	-47.6	-12.0	277.0	70.1	130.7	33.1	395.4	100.0
Q2 2008	83.1	30.0	10.3	3.7	219.4	79.2	-35.8	-12.9	277.0	100.0
Q3 2008	47.9	21.4	150.7	67.3	-20.0	-8.9	45.2	20.2	223.8	100.0
Q4 2008	-146.3	-66.5	-39.8	-18.1	474.7	215.7	-68.5	-31.1	220.1	100.0
2008 total	**20.0**	**1.8**	**73.6**	**6.6**	**951.1**	**85.2**	**71.6**	**6.4**	**1,116.3**	**100.0**
Q1 2009	-174.1	25.3	-6.2	0.9	-539.1	78.5	32.7	-4.8	-686.8	100.0
Q2 2009	-8.8	4.1	-47.1	21.9	-232.2	107.9	72.9	-33.9	-215.2	100.0
Q3 2009	-95.5	27.0	-14.3	4.0	-183.2	51.8	-60.7	17.2	-353.7	100.0
Q4 2009	-50.6	-8.5	207.4	35.0	477.9	80.6	-41.8	-7.1	592.8	100.0
2009 total	**-329.0**	**49.6**	**139.8**	**-21.1**	**-476.6**	**71.9**	**3.1**	**-0.5**	**-662.9**	**100.0**
Q1 2010	154.2	-45.3	-25.1	7.4	-663.1	194.9	193.8	-57.0	-340.2	100.0
Q2 2010	151.0	-134.2	10.0	-8.9	-209.7	186.4	-63.8	56.7	-112.5	100.0
Q3 2010	59.9	-31.8	-26.5	14.1	-322.4	171.0	100.5	-53.3	-188.5	100.0
Q4 2010	5.7	-1.6	76.2	-21.0	-392.5	108.3	-51.8	14.3	-362.4	100.0
2010 total	**370.8**	**-36.9**	**34.6**	**-3.4**	**-1,587.7**	**158.2**	**178.7**	**-17.8**	**-1,003.6**	**100.0**
Q1 2011	132.0	-22.7	-66.1	11.4	-806.7	138.5	158.5	-27.2	-582.3	100.0

[2] 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.

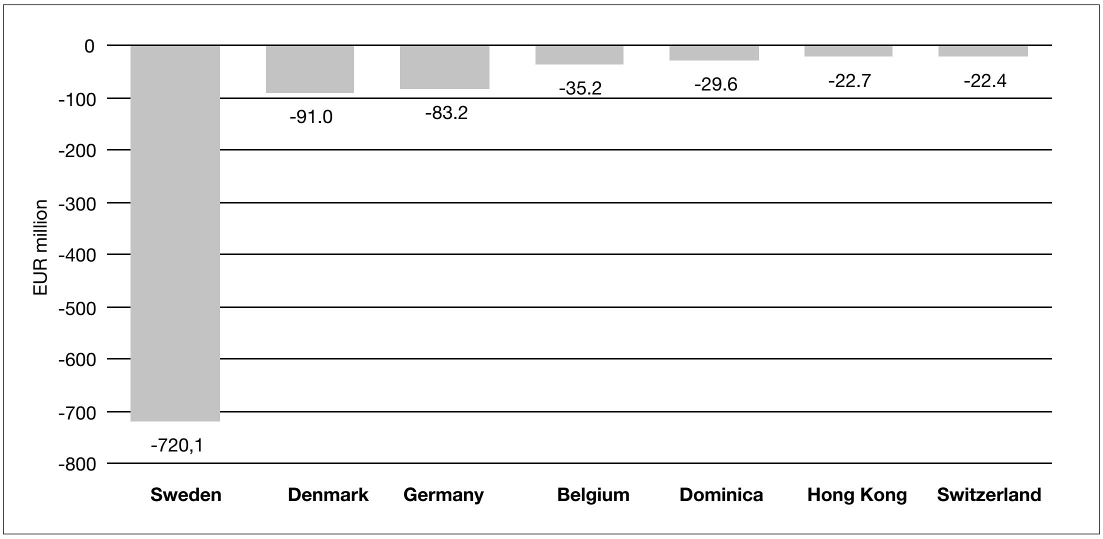

Figure 22. Decrease in other investment liabilities by countries in the first quarter of 2011

Table 36. Structure of other investment by groups of countries in the first quarter of 2011

	Volume (EUR m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	3.5	-720.3	2.8	123.7
CIS	34.2	44.9	27.1	-7.7
Other	88.6	93.1	70.2	-16.0
Total	**126.3**	**-582.3**	**100.0**	**100.0**

Table 37. Structure of other investment assets

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
Q1 2007	-13.6	4.4	-72.7	23.6	-207.1	67.3	-14.5	4.7	-307.9	100.0
Q2 2007	-38.6	6.8	-319.6	56.5	-144.8	25.6	-62.5	11.1	-565.6	100.0
Q3 2007	-47.3	-75.3	81.4	129.6	-59.8	-95.2	88.5	140.9	62.8	100.0
Q4 2007	58.6	-8.7	-334.2	49.5	-331.3	49.1	-67.7	10.0	-674.5	100.0
2007 total	**-40.9**	**2.8**	**-645.1**	**43.4**	**-743.0**	**50.0**	**-56.2**	**3.8**	**-1,485.2**	**100.0**
Q1 2008	-85.9	88.6	-169.8	175.2	136.1	-140.5	22.7	-23.4	-96.9	100.0
Q2 2008	-66.0	255.8	-34.9	135.3	86.5	-335.3	-11.3	43.8	-25.8	100.0
Q3 2008	-57.4	-82.5	255.5	367.1	-135.5	-194.7	6.9	9.9	69.6	100.0
Q4 2008	99.2	-32.0	-178.9	57.8	-130.3	42.1	-99.7	32.2	-309.6	100.0
2008 total	**-110.1**	**30.4**	**-128.1**	**35.3**	**-43.2**	**11.9**	**-81.4**	**22.4**	**-362.7**	**100.0**
Q1 2009	118.3	23.2	-27.6	-5.4	441.3	86.4	-21.0	-4.1	511.0	100.0
Q2 2009	6.9	1.0	378.1	52.7	337.6	47.1	-5.2	-0.7	717.4	100.0
Q3 2009	-3.9	185.7	-55.0	2,619.0	36.0	-1,714.3	20.7	-985.7	-2.1	100.0
Q4 2009	57.3	-21.1	-165.7	61.0	-118.6	43.7	-44.7	16.5	-271.6	100.0
2009 total	**178.6**	**18.7**	**129.8**	**13.6**	**696.3**	**72.9**	**-50.2**	**-5.3**	**954.7**	**100.0**
Q1 2010	-58.1	85.3	-193.6	284.3	189.1	-277.7	-5.4	7.9	-68.1	100.0
Q2 2010	-138.1	-101.6	153.7	113.1	123.7	91.0	-3.4	-2.5	135.9	100.0
Q3 2010	-114.8	19.2	-10.5	1.8	-437.2	73.2	-34.4	5.8	-596.9	100.0
Q4 2010	-75.1	9.8	-209.7	27.3	-360.5	46.9	-122.6	16.0	-767.9	100.0
2010 total	**-386.1**	**29.8**	**-260.1**	**20.1**	**-484.9**	**37.4**	**-165.8**	**12.8**	**-1,297.0**	**100.0**
Q1 2011	-93.1	-73.7	5.1	4.0	296.0	234.4	-81.7	-64.7	126.3	100.0

the adoption of the euro. Enterprises in other sectors invested a total of 8 million euros in the first quarter. The trade credit assets and loan assets of other sectors increased by 92 and 34 million euros respectively, while currency and deposits abroad and other assets decreased by 94 and 24 million euros respectively. General government's other assets contracted by 29 million euros. By countries, other investment assets to the United Kingdom, Lithuania, Russia and Luxembourg decreased the most (see Figure 23). Table 38 provides an overview of loan capital assets and liabilities.

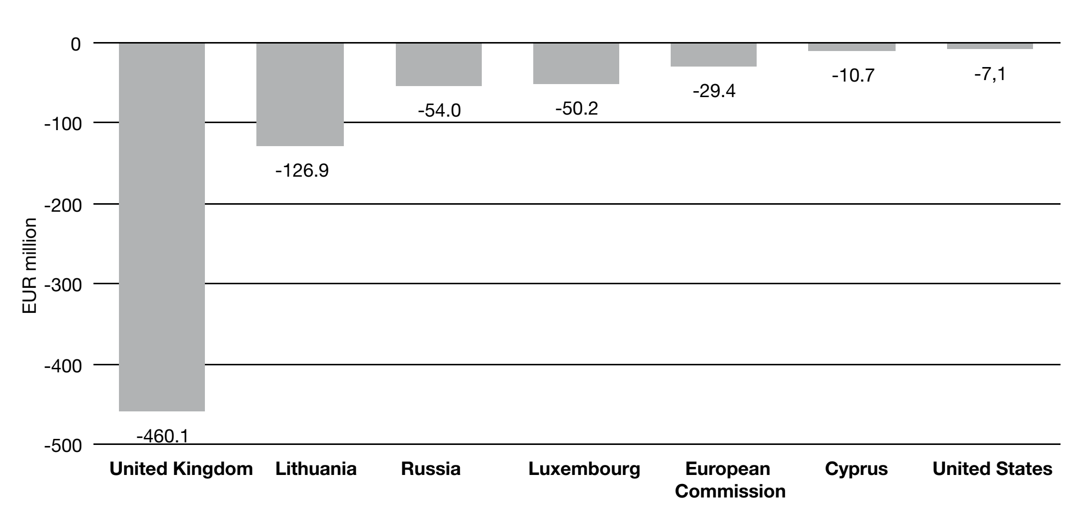

Figure 23. Decrease in other investment assets by countries in the first quarter of 2011

Table 38. Loan assets and liabilities (EUR m)

	Assets			Liabilities		
	Grantings	Repayments	Total	Drawings	Repayments	Total
Q1 2007	-3,417.2	3,344.5	-72.7	4,630.2	-4,119.3	510.9
Q2 2007	-5,778.5	5,458.9	-319.6	6,185.1	-5,215.6	969.6
Q3 2007	-7,461.5	7,543.0	81.4	7,041.6	-6,388.3	653.3
Q4 2007	-8,682.6	8,348.5	-334.2	5,409.1	-5,099.5	309.5
2007 total	**-25,339.8**	**24,694.9**	**-645.1**	**23,266.0**	**-20,822.7**	**2,443.3**
Q1 2008	-905.5	735.7	-169.8	2,097.2	-2,144.7	-47.6
Q2 2008	-802.1	767.2	-34.9	1,883.8	-1,873.5	10.3
Q3 2008	-612.1	867.7	255.5	1,343.3	-1,192.6	150.7
Q4 2008	-747.1	568.3	-178.9	1,319.5	-1,359.4	-39.8
2008 total	**-3,066.8**	**2,938.9**	**-128.1**	**6,643.8**	**-6,570.2**	**73.6**
Q1 2009	-714.0	686.4	-27.6	928.9	-935.1	-6.2
Q2 2009	-213.0	591.1	378.1	628.2	-675.3	-47.1
Q3 2009	-138.0	83.0	-55.0	719.2	-733.5	-14.3
Q4 2009	-430.6	264.9	-165.7	1,141.8	-934.5	207.4
2009 total	**-1,495.6**	**1,625.4**	**129.8**	**3,418.1**	**-3,278.4**	**139.8**
Q1 2010	-886.4	692.8	-193.6	987.0	-1,012.1	-25.1
Q2 2010	-257.8	411.5	153.7	487.2	-477.2	10.0
Q3 2010	-148.9	138.5	-10.5	533.1	-559.5	-26.5
Q4 2010	-453.0	243.3	-209.7	661.3	-585.2	76.2
2010 total	**-1,746.1**	**1,486.1**	**-260.1**	**2,668.6**	**-2,634.0**	**34.6**
Q1 2011	-189.1	194.2	5.1	439.9	-506.0	-66.1

Reserve assets

The balance of payments reserves increased by 25 million euros in the first quarter of 2011 (see Table 39).

Table 39. Structure of changes in reserve assets

	Volume (EUR m)			Share (%)		
	Q1 2010	Q4 2010	Q1 2011	Q1 2010	Q4 2010	Q1 2011
Gold	-	-	-	-	-	-
SDRs	-	-	-	-	-	-
Currency and deposits	128.0	-21.2	-25.8	117.4	-5.9	104.0
Securities	-19.1	491.2	0.9	-17.5	137.8	-3.6
equity securities	-	-	-	-	-	-
bonds and notes	58.3	18.7	1.0	53.5	5.2	-4.0
money market instruments	-77.3	472.5	-0.2	-70.9	132.5	0.8
Financial derivatives	-0.2	-6.5	0.2	-0.2	-1.8	-0.8
Other assets	0.3	-107.0	-	0.3	-30.0	-
Total	**109.0**	**356.5**	**-24.8**	**100.0**	**100.0**	**100.0**

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT AS AT 31 MARCH 2011

Foreign investment in Estonia totalled about 27 billion euros (178% of Estonia's annual GDP) at the end of the first quarter of 2011, just as much a quarter before (see Table 40). Gross external debt stood at 61%, or 16.3 billion euros, of foreign investment in Estonia, having contracted 1.4% quarter-on-quarter. As a ratio of GDP, gross external debt decreased by 5 percentage points and was 9% larger than annual GDP (see Table 41 and Figure 24). Estonian residents' investment abroad increased by 1% quarter-on-quarter and totalled 16.5 billion euros at the end of the first quarter. Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia's net investment position was negative by 10.2 billion euros, having decreased around 2% quarter-on-quarter. The net external debt (assets less liabilities) shrank by 1% from the previous quarter to 3.4 billion kroons. The ratio of net external debt to GDP was about 23%.

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

	31/12/2010	%	31/03/2011	%
EXTERNAL ASSETS	**16,278.5**	**100.0**	**16,477.0**	**100.0**
Direct investment abroad	**4,324.8**	**26.6**	**4,610.2**	**28.0**
Equity capital and reinvested earnings	2,969.6	18.2	3,113.7	18.9
Other direct investment capital	1,355.2	8.3	1,496.6	9.1
Portfolio investment	**3,947.5**	**24.2**	**5,101.3**	**31.0**
Equity securities	1,594.3	9.8	1,862.6	11.3
Debt securities	2,353.2	14.5	3,238.7	19.7
Bonds and notes	1,457.4	9.0	1,727.8	10.5
Money market instruments	895.8	5.5	1,510.9	9.2
Financial derivatives	**33.7**	**0.2**	**31.8**	**0.2**
Other investment	**6,063.7**	**37.2**	**6,570.4**	**39.9**
Trade credit	1,564.6	9.6	1,588.1	9.6
Loans	1,584.2	9.7	1,650.4	10.0
Long-term	1,089.9	6.7	1,072.5	6.5
Short-term	494.3	3.0	578.0	3.5
Currency and deposits	2,480.4	15.2	2,831.1	17.2
Other assets	434.5	2.7	500.8	3.0
Reserve assets	**1,908.8**	**11.7**	**163.2**	**1.0**
EXTERNAL LIABILITIES	**26,694.5**	**100.0**	**26,698.9**	**100.0**
Direct investment in Estonia	**12,302.0**	**46.1**	**12,524.5**	**46.9**
Equity capital and reinvested earnings	10,658.7	39.9	10,900.2	40.8
Other direct investment capital	1,643.3	6.2	1,624.4	6.1
Portfolio investment	**1,432.9**	**5.4**	**1,435.9**	**5.4**
Equity securities	892.7	3.3	920.9	3.4
Debt securities	540.2	2.0	514.9	1.9
Bonds and notes	536.3	2.0	510.0	1.9
Money market instruments	3.9	0.0	5.0	0.0
Financial derivatives	**90.5**	**0.3**	**67.2**	**0.3**
Other investment	**12,869.1**	**48.2**	**12,671.3**	**47.5**
Trade credit	1,133.6	4.2	1,279.4	4.8
Loans	3,364.7	12.6	3,733.0	14.0
Long-term	2,392.5	9.0	3,068.9	11.5
Short-term	972.2	3.6	664.1	2.5
Currency and deposits	7,738.7	29.0	6,864.8	25.7
Other liabilities	632.2	2.4	794.1	3.0
NET INVESTMENT POSITION	**-10,416.0**		**-10,221.9**	

Table 41. Estonia's external debt (EUR m)

	31/12/2010	%	31/03/2011	%
LIABILITIES				
I. General government	**754.1**	**4.6**	**790.0**	**4.9**
Short-term	0.2	0.0	0.1	0.0
Long-term	753.9	4.6	789.9	4.9
II. Monetary authorities (NCB)	**80.4**	**0.5**	**133.2**	**0.8**
Short-term	8.3	0.1	64.0	0.4
Long-term	72.1	0.4	69.2	0.4
III. Credit institutions	**8,003.7**	**48.6**	**7,188.7**	**44.2**
Short-term	4,501.0	27.3	4,116.8	25.3
Long-term	3,502.7	21.3	3,071.9	18.9
IV. Other sectors	**4,571.1**	**27.7**	**5,074.3**	**31.2**
Short-term	2,145.7	13.0	2,004.9	12.3
Long-term	2,425.5	14.7	3,069.4	18.9
V. Direct investment: intercompany lending	**3,071.7**	**18.6**	**3,068.6**	**18.9**
GROSS EXTERNAL DEBT	**16,481.0**	**100.0**	**16,254.8**	**100.0**
ASSETS				
I. General government	**1,148.9**	**8.8**	**1,142.6**	**8.9**
Short-term	584.4	4.5	601.6	4.7
Long-term	564.5	4.3	541.0	4.2
II. Monetary authorities (NCB)	**1,900.3**	**14.5**	**1,200.1**	**9.3**
Short-term	1,654.8	12.6	739.6	5.7
Long-term	245.5	1.9	460.5	3.6
III. Credit institutions	**2,761.1**	**21.1**	**2,934.0**	**22.7**
Short-term	2,001.6	15.3	2,144.1	16.6
Long-term	759.5	5.8	789.9	6.1
IV. Other sectors	**4,506.3**	**34.4**	**4,685.9**	**36.3**
Short-term	3,102.2	23.7	3,205.2	24.8
Long-term	1,404.0	10.7	1,480.7	11.5
V. Direct investment: intercompany lending	**2,783.5**	**21.2**	**2,940.8**	**22.8**
TOTAL ASSETS	**13,100.1**	**100.0**	**12,903.4**	**100.0**
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	**394.8**		**352.6**	
Short-term	584.2		601.5	
Long-term	-189.5		-248.9	
II. Monetary authorities (NCB)	**1,819.9**		**1,066.9**	
Short-term	1,646.5		675.6	
Long-term	173.4		391.3	
III. Credit institutions	**-5,242.6**		**-4,254.7**	
Short-term	-2,499.4		-1,972.7	
Long-term	-2,743.2		-2,282.0	
IV. Other sectors	**-64.9**		**-388.4**	
Short-term	956.6		1,200.3	
Long-term	-1,021.5		-1,588.7	
V. Direct investment: intercompany lending	**-288.2**		**-127.8**	
TOTAL NET EXTERNAL DEBT	**-3,380.9**		**-3,351.4**	

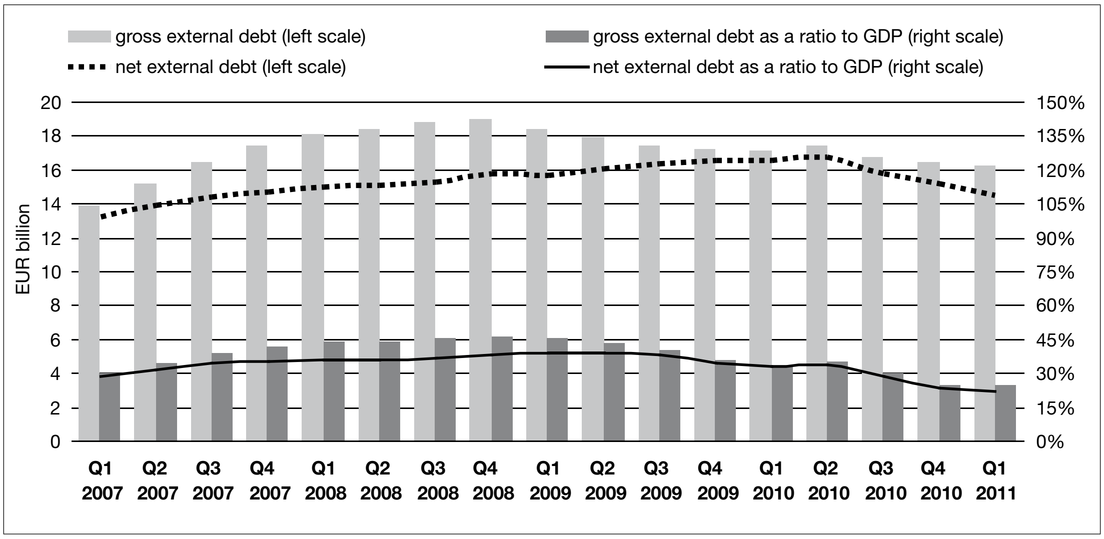

Figure 24. Estonia's gross and net external debt

The structure of **foreign investment in Estonia** did not change considerably in the first quarter. At the end of the quarter, direct investment accounted for 47% and other investment (trade credit, loans, currency and deposits) for about 48% of foreign investment in Estonia, the rest being portfolio investment and financial derivatives. The direct investment position increased 2% from the previous quarter, while the other investment position contracted 2%.

Swedish and Finnish investors made the largest investment in Estonia: 30% and 22%, respectively, of the total investment position (see Table 42). Sweden's share dropped by over 5 percentage points over the quarter as a result of a decline in the provision of financial services, which comprised 75% of Sweden's total investment position in Estonia. Finland's investment position in Estonia was more broad-based, but the provision of financial services prevailed here too, constituting 43% of Finland's total position. Quarter-on-quarter, Finland's investment in the Estonian timber industry picked up considerably, and somewhat less was invested in wholesale and retail trade. Estonia also attracted investment from the Netherlands (storage, activities of head offices and financial services), the United Kingdom (electricity and gas supply) and Russia (wholesale, which doubled from the previous quarter).

The position of direct investment in Estonia was relatively similar to the total investment position (see Table 43). Cyprus came to the top five in terms of countries, and real estate activities, activities of head offices and storage added in terms of sectors.

The structure of **Estonia's investment abroad** changed considerably over the quarter, as the percentages of reserve assets dropped significantly, while that of portfolio and direct investment grew. This resulted from the adoption of the euro on 1 January 2011 (see also *Methodological changes in the balance of payments for the first quarter of 2011*). Consequently, the percentage of reserve assets in the external asset position fell to 1% in the first quarter of 2011 from 12% at the end of 2010. Other investment comprised 40%, portfolio investment 31% and direct investment 28% of the external asset position.

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

Assets			Liabilities		
Fields of activity					
	31/12/2010	**31/03/2011**		**31/12/2010**	**31/03/2011**
Financial intermediation*	45.3	40.7	Financial intermediation*	48.0	45.4
Wholesale**	5.4	10.1	Wholesale**	5.5	7.9
Insurance***	9.4	9.8	Real estate activities	7.3	7.7
Public administration and defence; statutory social insurance	7.1	6.9	Activities of head offices; management consultancy	4.8	4.2
Activities of head offices; management consultancy	4.9	4.6	Electrical energy, gas, steam and air conditioning supply	3.3	3.2
Other	28.0	27.9	Other	31.1	31.6
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2010	**31/03/2011**		**31/12/2010**	**31/03/2011**
Lithuania	12.1	12.2	Sweden	32.3	29.8
Latvia	10.3	11.2	Finland	22.1	22.4
Sweden	8.3	8.7	Netherlands	4.6	4.9
Finland	6.7	7.4	United Kingdom	3.5	3.7
France	5.2	6.4	Russia	3.0	3.4
Other	57.4	54.1	Other	34.5	35.7
Total	100.0	100.0	Total	100.0	100.0

* Excluding insurance and pension funds
** Excluding motor vehicles and motorcycles
*** Excluding statutory social insurance

Table 43. Estonia's direct investment position by fields of activity and countries (%)

In Estonia			Abroad		
Fields of activity					
	31/12/2010	**31/03/2011**		**31/12/2010**	**31/03/2011**
Financial intermediation*	28.3	27.6	Financial intermediation*	39.7	37.8
Real estate activities	12.2	12.8	Activities of head offices; management consultancy	15.0	14.2
Wholesale**	7.2	8.4	Water transport	12.4	11.5
Activities of head offices; management consultancy	7.8	6.6	Real estate activities	11.9	10.7
Storage	4.4	4.9	Wholesale**	5.5	8.5
Other	40.1	39.7	Other	15.7	17.2
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2010	**31/03/2011**		**31/12/2010**	**31/03/2011**
Sweden	35.0	34.7	Lithuania	29.6	31.0
Finland	23.4	22.9	Latvia	25.4	25.6
Netherlands	8.9	9.6	Cyprus	13.9	13.1
Russia	3.5	3.8	Finland	6.4	6.2
Cyprus	2.7	2.9	Russia	5.6	5.0
Other	26.5	26.1	Other	19.0	19.1
Total	100.0	100.0	Total	100.0	100.0

* Excluding insurance and pension funds
** Excluding motor vehicles and motorcycles

Estonian investors invested in a variety of countries, but still preferred the neighbouring countries: Lithuania (12% of total investment position abroad), Latvia (11%), Sweden (9%) and Finland (7%). The top five included also France. Financial intermediaries prevailed in terms of sectors, as they accounted for 41% of total investment position abroad, followed by investors in wholesale trade, insurance, the public sector and activities of head offices.

Estonia's direct investment position abroad was slightly more concentrated, as it concerned primarily three countries: Lithuania (30%), Latvia (26%) and Cyprus (13%). Financial intermediaries accounted for 38% of the direct investment position abroad, followed by the investors in the activities of head offices, water transport, real estate and wholesale.

Estonia's gross external debt contracted by 226 million euros, mainly because of a 10% decline in the debt security liabilities of credit institutions to 44% of the debt. The external debt of other sectors, on the other hand, increased by 11% and constituted 31% of the gross external debt. The intercompany lending between direct investment companies totalled 19%. The general government debt accounted for only about 5% of the gross external debt. About 50% of the gross debt liabilities are related to Sweden and Finland, 60% being the debt liabilities of credit institutions. The net external debt can be mainly attributed to credit institutions and somewhat less to enterprises in other sectors, whose debt liabilities exceeded their debt assets. At the same time, the debt assets of the general government and the central bank exceeded their debt liabilities.