



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

2011

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OVERVIEW

(Based on preliminary data)

- The current account surplus for the second quarter of 2011 totalled 34 million euros, or 0.8% of the second-quarter GDP (see Table 1 and Figure 1). The surplus decreased somewhat year-on-year,¹ while the deficit for the first quarter of 2011 turned into a surplus again.
- The current account was mainly shaped by a decrease in the trade credit deficit and an increase in the net income outflow.
- Goods exports grew by 53% owing to strong external demand. Both exports and imports posted new record highs.
- The surplus on goods and services increased by over a third to 300 million euros, or 7.5% of the second-quarter GDP.
- Net income outflow grew by 60%, mostly owing to the withdrawal of dividends by foreign investors. The net outflow totalled 326 million euros, or 8.1% of the second-quarter GDP.
- The financial account witnessed further modest net outflow of capital
- Estonia's gross external debt increased 3% quarter-on-quarter to 16.8 billion euros, exceeding the GDP for the last four quarters by 10%. The net external debt, on the other hand, contracted.
- Estonia's gold and foreign exchange reserves increased by 8 million euros quarter-on-quarter.

Strong goods exports restored current account surplus

Trade deficit shrank by almost three times to 48 million euros, or 1.2% of GDP. Both the imports and exports of goods continued strong growth, with exports growing at a more rapid pace: the exports of

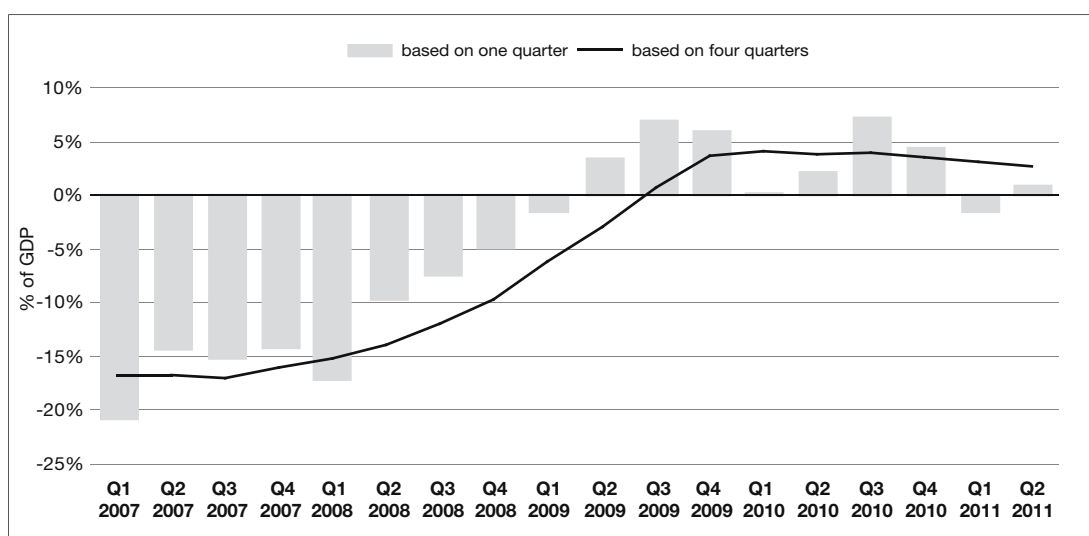


Figure 1. Current account deficit

¹ All comparisons have been drawn on an annual basis, if not indicated otherwise.

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

Item	2009	2010					2011	
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
Current account	512.3	5.7	74.1	264.5	168.9	513.1	-52.8	34.1
Goods and services	799.1	104.0	219.2	421.1	317.9	1,062.1	96.5	300.2
Goods*	-559.1	-130.6	-127.6	-22.9	30.9	-250.2	-112.6	-47.8
credit (f.o.b.)	6,550.4	1,780.2	2,080.1	2,268.0	2,649.3	8,777.7	2,752.2	3,174.4
debit (f.o.b.)	-7,109.5	-1,910.8	-2,207.7	-2,291.0	-2,618.4	-9,027.9	-2,864.7	-3,222.2
Services	1,358.2	234.5	346.7	444.0	287.0	1,312.3	209.0	348.0
credit	3,173.8	700.0	866.8	961.2	893.7	3,421.6	773.6	1,002.9
debit	-1,815.6	-465.4	-520.0	-517.2	-606.7	-2,109.3	-564.6	-654.9
Income	-502.1	-109.7	-203.8	-195.6	-296.4	-805.4	-200.8	-325.5
credit	660.1	179.4	178.0	207.6	120.8	685.9	218.1	213.3
debit	-1,162.2	-289.1	-381.8	-403.2	-417.2	-1,491.3	-418.9	-538.8
Transfers	215.4	11.4	58.7	39.0	147.4	256.4	51.5	59.3
credit	502.1	107.8	119.7	123.1	241.4	592.0	175.9	142.6
debit	-286.7	-96.4	-61.0	-84.2	-94.0	-335.6	-124.4	-83.3
Capital and financial account (reserve assets excluded)	-450.6	-107.5	128.4	-747.4	-402.1	-1,128.8	34.6	38.5
Capital account	483.4	66.5	75.7	93.3	283.1	518.6	142.9	105.4
Financial account	-934.1	-174.0	52.6	-840.8	-685.2	-1,647.4	-108.3	-66.9
Direct investment	208.4	200.0	305.4	151.7	405.0	1,062.1	194.6	411.3
Abroad	-1,114.7	-50.8	-43.8	-93.2	87.7	-100.2	-224.1	-28.5
In Estonia	1,323.1	250.9	349.2	244.9	317.3	1,162.3	418.7	439.8
Portfolio investment	-1,448.3	31.4	-288.7	-224.0	40.7	-440.6	210.9	-21.8
Assets	-486.1	32.1	-174.2	-225.9	76.6	-291.4	199.6	3.4
Equity securities	-47.9	-65.9	-169.1	-7.0	-59.8	-301.8	10.3	-12.9
Debt securities	-438.2	98.0	-5.1	-218.9	136.4	10.4	189.3	16.2
Liabilities	-962.2	-0.7	-114.5	1.8	-36.0	-149.3	11.3	-25.1
Equity securities	-93.6	8.6	-2.0	-1.7	6.0	10.8	-0.4	-17.4
Debt securities	-868.7	-9.2	-112.5	3.5	-41.9	-160.1	11.7	-7.7
Financial derivatives	14.1	2.8	12.5	16.9	-0.6	31.6	-30.6	-15.2
Assets	17.4	-3.2	8.7	2.4	-9.8	-1.8	-4.7	-1.2
Liabilities	-3.3	5.9	3.7	14.5	9.2	33.4	-26.0	-14.0
Other investment	291.7	-408.2	23.4	-785.3	-1,130.3	-2,300.5	-483.2	-441.2
Assets	954.6	-68.1	135.9	-596.9	-767.9	-1,296.9	68.0	-892.3
Long-term	-39.8	-149.5	-1.2	0.0	-170.9	-321.6	-124.5	37.7
Short-term	994.4	81.4	137.1	-596.9	-597.0	-975.4	192.6	-929.9
Liabilities	-662.8	-340.2	-112.5	-188.5	-362.4	-1,003.5	-551.3	451.1
Long-term	271.6	-44.5	-399.0	-101.8	-741.9	-1,287.2	-425.1	-165.7
Short-term	-934.4	-295.6	286.5	-86.7	379.4	283.6	-126.2	616.8
Errors and omissions	-59.6	-7.1	7.6	-92.8	-123.3	-215.6	43.0	-80.3
Overall balance	2.1	-109.0	210.0	-575.8	-356.5	-831.3	24.8	-7.7
Reserve assets	-2.1	109.0	-210.0	575.8	356.5	831.3	-24.8	7.7

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

goods increased 53% and imports 46%. Imports and exports were mainly boosted by machinery and equipment and somewhat less by mineral products (fuels). Foreign trade deficit contracted primarily because the deficit on mineral products decreased, while the surplus on timber, paper and products made thereof, and furniture and other goods increased. The deficit on transport vehicles, on the other hand, grew.

The surplus on **services** remained more or less unchanged from the second quarter of 2010 at 348 million euros. The exports of services grew by 16% and imports by 26%. Imports outpaced exports partly because of the cost of the delivery of stronger goods imports. The surpluses on transport and travel services, the two largest groups of services, increased to 81% of the total surplus on services. Other business services, which is the third biggest group of services, however shrank considerably because of merchanting services, thus inhibiting the growth in services surplus.

The net outflow of **income** showed vigorous growth at 60% to 326 million euros. 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 373 million euros, increasing by around two thirds. The net outflow of investment income was mainly driven by the withdrawal of dividends from foreign direct investment in Estonia, which accounted for 90% of the total net outflow of investment income. The income account was boosted by 80% growth in the surplus on labour income. Residents' income earned abroad exceeded non-residents' income earned in Estonia by 48 million euros, which shows that employment abroad has been picking up in the past few quarters.

Current and capital transfers totalled 164 million euros in the second quarter of 2011, which is around 25% 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).

Net capital outflow remained modest

The net outflow of capital on the **financial account** totalled 67 million euros in the second quarter of 2011. The inflow of capital involved mostly direct investment, while the outflow consisted of other investment.

Direct investment inflow was 411 million euros bigger than outflow. Direct investment in Estonia grew by 440 million euros. Two thirds of the growth were related to the flows of intercompany lending between direct investment companies: assets to direct investors decreased, while liabilities increased. Equity capital investment and reinvested earnings accounted for 16% and 17% of the direct investment inflow respectively. The low share of reinvested earnings is due to the large withdrawals of dividends. Residents' direct investment abroad increased by 29 million euros.

The outflow of **portfolio investment** was 22 million euros bigger than inflow. Portfolio investment assets grew by 3 million euros, while liabilities shrank by 25 million euros. There were considerable changes in the assets of debt and money market instruments. Debt security assets increased by 314 million euros, while money market instrument assets decreased by 330 million euros. This mainly concerned the assets of credit institutions and somewhat less the assets of the central bank.²

The outflow of **financial derivatives** was 15 million euros larger than inflow.

² 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.

Capital outflow in the form of **other investment** (trade credit, loans, currency and deposits) exceeded inflow by 441 million euros. Other investment assets increased by 892 million euros and liabilities by 451 million euros. It was primarily the currency and deposits of credit institutions that grew, and somewhat also the assets of the central bank, the general government and other sectors. The increase in liabilities concerned mostly the currency and deposits of credit institutions and the central bank, and somewhat less also other liabilities and trade credit. Loan liabilities, on the other hand, contracted.

Estonia's **gross external debt**, that is the total external debt of all economic sectors, increased 3% quarter-on-quarter to 16.8 billion euros, and was 10% larger than the GDP for the last four quarters. External debt was boosted by credit institutions and the central bank. Estonia's net external debt (debt assets less debt liabilities) shrank and accounted for around 21% of the GDP for the last four quarters.

Estonia's **gold and foreign exchange reserves** decreased by 8 million euros quarter-on-quarter.

CURRENT ACCOUNT

The current account surplus for the second quarter of 2011 totalled 34 million kroons, or 0.8% of the second-quarter GDP (see Figure 2). The surplus decreased somewhat year-on-year, while the deficit for the first quarter of 2011 turned into a surplus again. The current account was shaped by a decrease in the foreign trade deficit on one hand and by a considerable increase in net income outflow on the other hand. External demand remained strong and led to record growth in goods exports and a drop in the goods account deficit. Net income outflow increased as a result of withdrawing dividends this time, and not because of reinvested earnings. The surplus on goods and services was 7.5% of the second-quarter GDP.

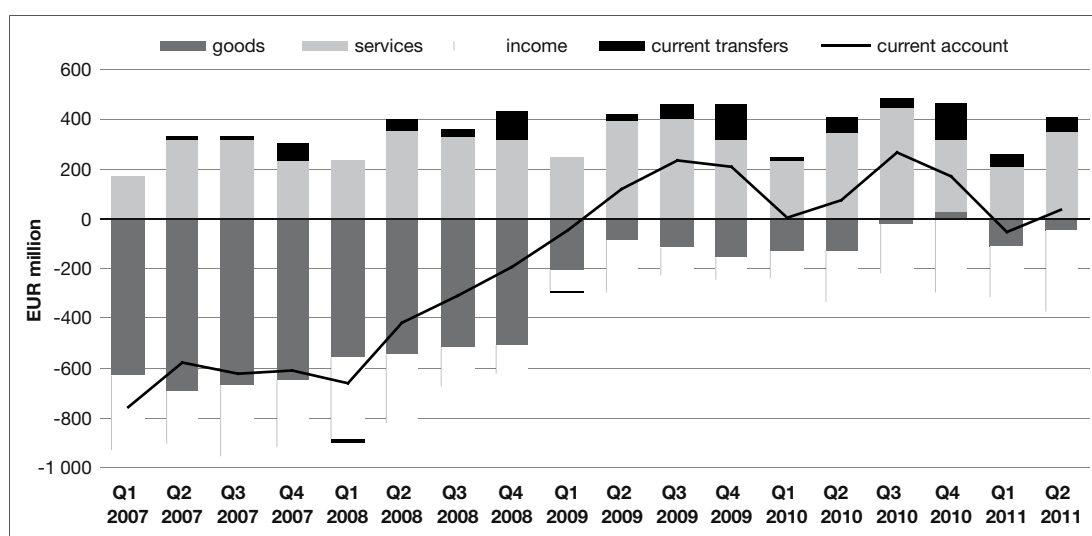


Figure 2. Current account structure

The credit turnover on the current account increased by 40% and debit turnover by 42% year-on-year. Estonia traded mostly with EU Member States, which accounted for 69% of the credit turnover and 79% of the debit turnover. The respective indicators with regard to the monetary union were both 35% (see Table 2). Five countries accounted for 53% of the credit turnover and for 57% of the debit turnover, with four of them, Finland, Sweden, Russia and Latvia, being the same in both terms from quarter to quarter. The fifth country usually varies. In the second quarter, the United States ranked fifth in terms of credit turnover and Germany in terms of debit turnover. Estonia had the highest surpluses with Finland (200 million euros) and the United States (181 million euros). The highest deficits were with Germany (234 million euros) and Poland (160 million euros). The surplus with the United States doubled, while the deficit with Germany increased 50% from a year ago.

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

	Q2 2010	Q1 2011	Q2 2011
EU-27	-282.8	-391.0	-400.2
Germany	-150.4	-187.0	-237.1
Finland	145.6	160.1	200.3
Poland	-86.7	-150.4	-159.9
Latvia	-40.3	-103.5	-143.7
Sweden	11.2	44.5	101.1
CIS	68.0	-8.1	13.2
Belarus	-16.0	-3.3	-17.4
Kazakhstan	12.0	3.9	12.6
Azerbaijan	1.8	1.3	4.6
Other	288.8	346.3	421.1
USA	99.2	188.5	180.7
Nigeria	53.3	111.4	178.5
China	-38.9	-95.5	-93.7
Turkey	15.6	4.2	25.8
Norway	39.8	61.9	25.6
Total	74.1	-52.8	34.1

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

Goods

The imports and exports of goods reached new record highs in the second quarter of 2011 at 3.17 and 3.22 billion euros respectively (see Table 3). The goods account deficit of the balance of payments contracted by over two times both quarter-on-quarter and year-on-year due to the stronger growth of goods exports, and totalled 48 million euros.

According to the preliminary **foreign trade statistics**³, goods exports totalled 3.2 billion and imports (c.i.f.) 3.3 billion kroons (see Figure 3). The foreign trade deficit shrank from the first quarter and also from a year before, and totalled 140 million euros.

Goods exports picked up 53%, that is by 1.1 billion euros, from a year ago. Machinery and equipment and mineral products again contributed the most with their exports doubling (see Table 4). The electronics industry prevailed in the group of machinery and equipment, as the deliveries of mobile communication devices (communication base stations, equipment, components) to Sweden more than tripled. In the group of mineral products, motor fuel contributed 85% to exports, first imported from Russia and Latvia for processing in Estonia and then re-exported to Nigeria, the United States and France, a new export destination. Timber products, mostly construction components and ligneous materials, were exported to Finland, Sweden, Germany and Denmark. The exports of log cabins increased 40% and was channelled to Norway, Germany and Denmark. Metal products (waste metals,

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

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

Table 3. Imports and exports of goods

	Goods – credit			Goods – debit			Balance (EUR m)
	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 (%)	
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	2,752.2	3.9	78.1	2,864.7	9.4	83.5	-112.6
Q2 2011	3,174.4	15.3	76.0	3,222.2	12.5	83.1	-47.8

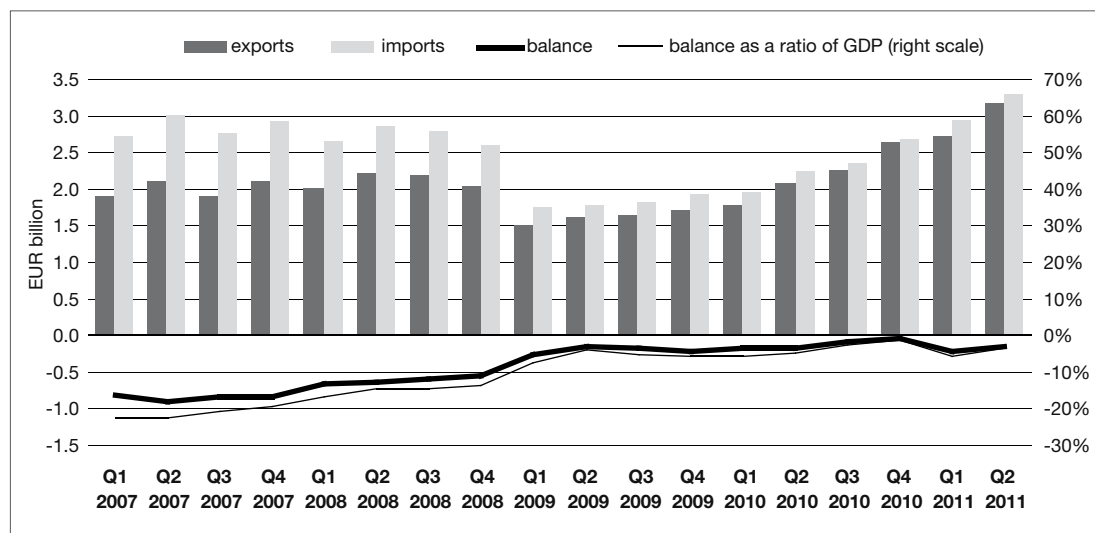


Figure 3. Estonia's foreign trade balance

Table 4. Exports by main groups of goods

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
Food	191.6	213.5	222.3	9.2	7.8	7.0	4.1	16.0
Mineral products	329.2	503.4	659.6	15.9	18.3	20.8	31.0	100.4
Chemical products	168.0	176.0	213.8	8.1	6.4	6.8	21.5	27.3
Clothing, footwear and headgear	92.3	112.8	107.4	4.4	4.1	3.4	-4.8	16.4
Timber, paper and products	278.0	291.0	341.0	13.4	10.6	10.8	17.2	22.7
Metals and metal products	224.1	206.6	274.8	10.8	7.5	8.7	33.0	22.6
Machinery and equipment	409.4	795.8	839.0	19.7	29.0	26.5	5.4	104.9
Transport vehicles	121.2	136.5	162.2	5.8	5.0	5.1	18.9	33.8
Furniture, toys, sporting goods	167.1	186.3	209.6	8.1	6.8	6.6	12.5	25.5
Other	93.2	123.7	137.8	4.5	4.5	4.4	11.4	47.8
Total	2,074.1	2,745.5	3,167.6	100.0	100.0	100.0	15.4	52.7

iron constructions and other iron and steel products) were sold to Turkey, Poland and Finland; chemical products (construction materials, plastic products, fertilisers) were exported to Russia, Latvia, Lithuania, Finland and Sweden.

While spirits have long been the biggest export item in the group of food products, being sold primarily to Russia, then in the second quarter of 2011 fish and dairy products ranked first in exports to closer neighbours, but also to Italy and Spain. The exports of transport vehicles picked up by a third, mainly owing to the strong growth in the imports of motor cars. Motor cars and spare parts were delivered to Latvia, Lithuania, Russia and Sweden; trailers to Sweden and Finland; yachts and other floating vessels to Norway and Sweden. Ready-made men's and women's clothes, footwear, underwear, etc. were exported mainly to the neighbouring countries: Finland, Sweden, Russia and Latvia.

The growth rate of **goods imports** was lower than that of exports, but was still around a billion euros (see Table 5). Machinery and equipment and mineral products were also the biggest contributors to import

Table 5. Imports by main groups of goods

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
Food	255.8	271.8	316.6	11.4	9.2	9.6	16.5	23.8
Mineral products	415.1	617.8	665.1	18.5	21.0	20.1	7.7	60.2
Chemical products	312.1	344.5	399.7	13.9	11.7	12.1	16.0	28.0
Clothing, footwear and headgear	136.8	169.5	160.2	6.1	5.7	4.8	-5.5	17.1
Timber, paper and products	119.9	122.5	144.5	5.3	4.2	4.4	17.9	20.5
Metals and metal products	212.4	262.1	284.3	9.5	8.9	8.6	8.4	33.9
Machinery and equipment	470.2	768.9	897.9	20.9	26.1	27.1	16.8	91.0
Transport vehicles	181.0	240.4	270.6	8.1	8.2	8.2	12.6	49.5
Furniture, toys, sporting goods	51.0	49.6	56.4	2.3	1.7	1.7	13.9	10.6
Other	92.1	101.5	112.5	4.1	3.4	3.4	10.8	22.2
Total	2,246.4	2,948.7	3,307.8	100.0	100.0	100.0	12.2	47.3

growth. Additionally, the imports of transport vehicles posted high growth rates for the second consecutive quarter. Estonia imported machinery and equipment for its electronics industry from Poland, China, Sweden, Hong Kong and Hungary, and roadworks machinery from the United Kingdom. Motor fuels were purchased from Russia, Latvia, Lithuania, Finland and Belarus for domestic supply as well as for processing and re-exports. The imports of transport vehicles were boosted mainly by deliveries of motor cars from Germany, Sweden, Latvia and Finland, and by a purchase of a ferryboat from Norway. Chemical products (medicines, plastic products, fertilisers, tyres, etc.) were imported from Finland, Germany, Latvia, Poland and Lithuania.

The largest import items were again strong and low-alcohol beverages from the United Kingdom, France, the Netherlands, Finland, Spain and Italy. Iron and steel products were purchased primarily from Germany, Finland and Sweden; textile products and footwear from Latvia, Finland, China, Germany and Italy; and timber and timber products from Russia, Finland and Latvia.

Foreign trade deficit shrank both quarter-on-quarter and year-on-year, totalling 140 million euros (see Table 6). Chemical products, transport vehicles and food products had the largest deficits, which increased from the previous quarter and also from the previous year. The deficits on mineral and metal products contracted significantly, while the traditional surpluses on timber and timber products, and other consumer goods grew.

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

	Q2 2010	Q1 2011	Q2 2011
Food	-64.2	-58.4	-94.4
Mineral products	-85.9	-114.4	-5.5
Chemical products	-144.2	-168.4	-185.8
Clothing, footwear and headgear	-44.5	-56.7	-52.8
Timber, paper and products	158.0	168.5	196.5
Metals and metal products	11.7	-55.6	-9.4
Machinery and equipment	-60.7	26.9	-58.9
Transport vehicles	-59.7	-103.9	-108.4
Furniture, toys, sporting goods	116.1	136.7	153.2
Other	1.2	22.2	25.3
Total	-172.2	-203.2	-140.2

The **exports of goods** increased in terms of all groups of countries (see Table 7). Year-on-year, stronger exports to EU countries, in particular to Sweden and Finland, could be noted. For the first time the top five of EU countries included France, with Estonia's exports there growing by four times and being comparable to exports to Germany. Russia ranked third among Estonia's trade partners and so exports to CIS countries picked up. The top three among other countries were the United States, Nigeria and Norway.

The **imports of goods** increased also in terms of **groups of goods** and major trade partners (see Table 8). Imports to Russia posted strongest growth, followed by imports to Latvia and Sweden.

Foreign trade with the EU and the CIS was in deficit (see Table 9). Estonia had the largest foreign trade surpluses with Sweden, France, Finland, Denmark and Spain from among EU countries, Azerbaijan and

Ukraine from among the CIS, and Nigeria, the United States and Norway from among other countries. Estonia had the biggest trade deficits with Germany, Poland, Latvia and Lithuania.

Table 7. Exports of goods by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
EU-27	1,401.0	1,805.9	2,088.8	67.5	65.8	65.9	15.7	49.1
Sweden	279.2	488.2	517.5	13.5	17.8	16.3	6.0	85.4
Finland	377.5	413.2	470.8	18.2	15.0	14.9	14.0	24.7
Latvia	183.1	171.0	215.5	8.8	6.2	6.8	26.0	17.7
France	35.2	92.3	142.9	1.7	3.4	4.5	54.8	305.9
Germany	115.3	122.1	141.7	5.6	4.4	4.5	16.1	22.9
CIS	238.0	307.1	352.7	11.5	11.2	11.1	14.9	48.2
Russia	189.2	240.5	284.0	9.1	8.8	9.0	18.1	50.1
Ukraine	21.2	23.0	25.2	1.0	0.8	0.8	9.3	18.6
Belarus	13.1	22.0	23.4	0.6	0.8	0.7	5.9	77.9
Other	435.1	632.5	726.0	21.0	23.0	22.9	14.8	66.9
USA	113.1	210.6	203.7	5.5	7.7	6.4	-3.3	80.2
Nigeria	54.4	112.1	178.5	2.6	4.1	5.6	59.2	228.3
Norway	67.6	77.6	89.8	3.3	2.8	2.8	15.8	33.0
Total	2,074.1	2,745.5	3,167.6	100.0	100.0	100.0	15.4	52.7

Table 8. Imports of goods by groups of countries*

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
EU-27	1,775.0	2,181.8	2,539.1	79.0	74.0	76.8	16.4	43.0
Finland	339.6	326.5	402.1	15.1	11.1	12.2	23.1	18.4
Latvia	251.2	291.1	375.1	11.2	9.9	11.3	28.8	49.3
Germany	261.5	298.0	351.4	11.6	10.1	10.6	17.9	34.4
Sweden	226.5	325.9	344.7	10.1	11.1	10.4	5.8	52.2
Lithuania	182.8	248.7	246.6	8.1	8.4	7.5	-0.8	34.9
CIS	253.7	399.7	422.9	11.3	13.6	12.8	5.8	66.7
Russia	195.5	309.3	342.2	8.7	10.5	10.3	10.7	75.0
Belarus	29.9	30.1	42.9	1.3	1.0	1.3	42.5	43.2
Ukraine	20.0	33.9	22.9	0.9	1.1	0.7	-32.5	14.4
Other	217.7	367.2	345.8	9.7	12.5	10.5	-5.8	58.9
China	60.1	134.0	125.6	2.7	4.5	3.8	-6.2	108.9
Norway	44.0	33.1	57.5	2.0	1.1	1.7	73.5	30.5
USA	24.4	28.8	33.6	1.1	1.0	1.0	16.8	37.8
Total	2,246.4	2,948.7	3,307.8	100.0	100.0	100.0	12.2	47.3

* Analysed by trading country.

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

	Q2 2010	Q1 2011	Q2 2011
EU-27	-374.0	-375.8	-450.3
CIS	-15.7	-92.6	-70.1
Other	217.4	265.3	380.2
Total	-172.2	-203.2	-140.2

Services

The surplus on the **services account** remained at the year-ago level at 348 million euros (see Tables 10-11). Both the imports and exports of services grew in the conditions of economic growth. Transport services and travel services, two major types of services, increased their surpluses to 47% and 35% respectively of the total surplus on the services account. Given the seasonality of the services account, the net exports of services was 66% larger than in the first quarter and comprised 8.7% 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	497.8	-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	2,247.1	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	465.4	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	1,515.6	-20.8	20.3	1,358.2	9.2
Q1 2010	700.0	-13.7	28.2	465.4	-5.0	19.6	234.6	-26.9
Q2 2010	866.7	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	3,421.6	7.8	28.0	2,109.3	16.2	18.9	1,312.3	-3.4
Q1 2011	773.6	-13.4	21.9	564.6	-6.9	16.5	209.0	-27.2
Q2 2011	1,002.9	29.6	24.0	654.9	16.0	16.9	348.0	66.5

Table 11. Services balance by major categories

	Balance (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
Transportation	148.2	117.8	161.7	42.8	56.4	46.5	37.3	9.1
Travel	104.1	23.6	120.0	30.0	11.3	34.5	408.5	15.3
Construction services	21.2	11.7	7.9	6.1	5.6	2.3	-32.5	-62.7
Computer and information services	21.2	16.5	24.0	6.1	7.9	6.9	45.5	13.2
Business services	37.6	37.5	18.2	10.8	17.9	5.2	-51.5	-51.6
Government services	2.8	2.8	3.2	0.8	1.3	0.9	14.3	14.3
Other	11.6	-0.8	13.0	3.4	-0.4	3.7	-1,725.0	12.1
Total	346.7	209.1	348.0	100.0	100.0	100.0	66.4	0.4

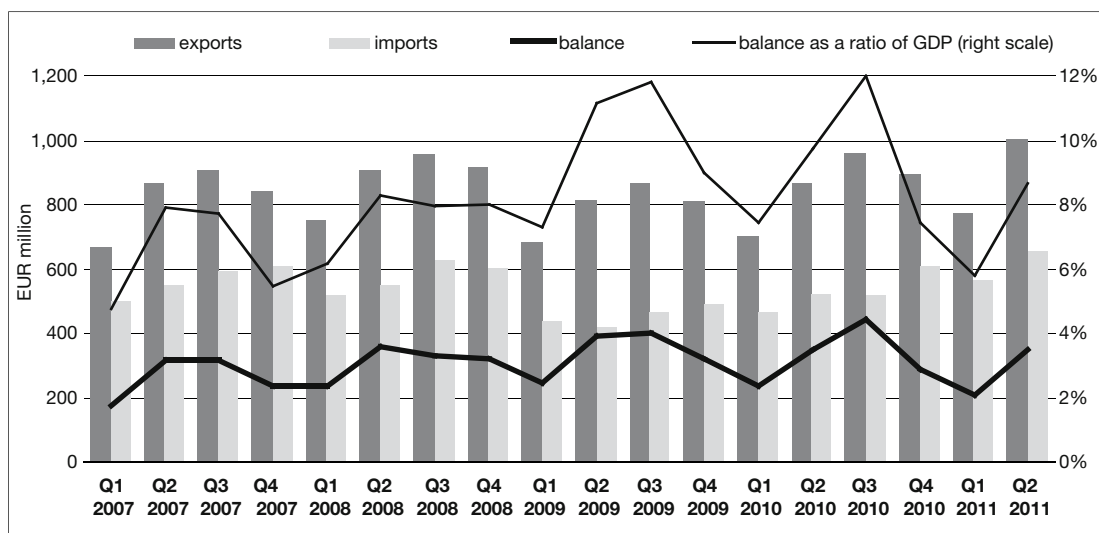


Figure 4. Services account

The **exports** of services increased to record 1 billion euros year-on-year in terms of the majority of services, especially freight transport, passenger transport and other auxiliary transport services, which grew by 16% in sales (see Table 12). The structure of services exports has been relatively stable. The biggest export item, the transport services, comprised 40% of total services exports. Travel services and other business services (goods intermediation, operational lease, legal assistance, management consulting, advertising, etc.) followed with 26% and 16% respectively. The exports of construction services witnessed the strongest growth at 40%. Quarter-on-quarter, exports picked up seasonally in terms of all major types of services. The exports of services picked up in terms of EU, CIS as well as other countries (see Table 13). 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. Services exports to other countries primarily targeted offshore regions.

Table 12. Services exports by major categories

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
Transportation	331.2	329.0	403.2	38.2	42.5	40.2	22.6	21.7
freight	153.6	153.1	174.8	17.7	19.8	17.4	14.2	13.8
passenger	68.5	53.4	84.7	7.9	6.9	8.5	58.6	23.6
other transport services	109.1	122.5	143.7	12.6	15.8	14.3	17.3	31.7
Travel	224.9	145.8	262.4	25.9	18.9	26.2	80.0	16.7
Construction services	37.5	39.2	52.4	4.3	5.1	5.2	33.7	39.7
Computer and information services	39.6	34.1	43.8	4.6	4.4	4.4	28.4	10.6
Business services	160.6	156.5	160.9	18.5	20.2	16.0	2.8	0.2
Government services	7.9	8.4	8.9	0.9	1.1	0.9	6.0	12.7
Other	65.1	60.6	71.3	7.6	7.8	7.1	17.6	9.6
Total	866.8	773.6	1,002.9	100.0	100.0	100.0	29.6	15.7

Table 13. Services exports by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
EU-27	621.9	528.2	719.2	71.7	68.3	71.7	36.2	15.6
Finland	256.5	200.0	297.6	29.6	25.9	29.7	48.8	16.0
Sweden	72.1	59.6	89.0	8.3	7.7	8.9	49.3	23.4
Latvia	48.3	47.7	51.6	5.6	6.2	5.1	8.2	6.8
Germany	33.7	24.3	42.5	3.9	3.1	4.2	74.9	26.1
United Kingdom	35.5	30.4	40.8	4.1	3.9	4.1	34.2	14.9
CIS	114.2	120.2	139.7	13.2	15.5	13.9	16.2	22.3
Russia	87.4	94.0	112.2	10.1	12.2	11.2	19.4	28.4
Kazakhstan	15.8	12.7	14.0	1.8	1.6	1.4	10.2	-11.4
Other	130.7	125.2	144.0	15.1	16.2	14.4	15.0	10.2
offshore regions	44.0	39.7	48.5	5.1	5.1	4.8	22.2	10.2
Switzerland	25.0	26.2	28.1	2.9	3.4	2.8	7.3	12.4
Norway	18.7	24.4	25.3	2.2	3.2	2.5	3.7	35.3
Total	866.8	773.6	1,002.9	100.0	100.0	100.0	29.6	15.7

Table 14. Services imports by major categories

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
Transportation	183.0	211.2	241.5	35.2	37.4	36.9	14.3	32.0
freight	115.4	142.2	164.8	22.2	25.2	25.2	15.9	42.8
passenger	16.1	22.9	22.1	3.1	4.1	3.4	-3.5	37.3
other transport services	51.5	46.1	54.6	9.9	8.1	8.3	18.4	6.0
Travel	120.9	122.2	142.4	23.2	21.6	21.7	16.5	17.8
Construction services	16.3	27.5	44.4	3.1	4.9	6.8	61.5	172.4
Computer and information services	18.4	17.6	19.8	3.6	3.1	3.0	12.5	7.6
Business services	123.1	119.0	142.7	23.7	21.1	21.8	19.9	15.9
Government services	5.2	5.6	5.7	1.0	1.0	0.9	1.8	9.6
Other	53.1	61.5	58.4	10.2	10.9	8.9	-5.0	9.9
Total	520.0	564.6	654.9	100.0	100.0	100.0	16.0	25.9

The **imports** of services grew by 25% from a year ago to 655 million euros, while the imports of major types of services posted stronger growth than exports (see Table 14). Quarter-on-quarter, services imports increased seasonally in terms of almost all major types of services, except for passenger transport. The imports of construction services picked up considerably 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 (37% of total services imports), travel services (22%) and other business services (22%).

The majority (80%) of services were imported from EU countries (see Table 15). Year-on-year, the imports of services from the EU increased over 25%. Services imports from Germany, the United Kingdom 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, Norway increased its share in the imports of services both quarter-on-quarter and year-on-year. China and the United States increased their market share mainly on account of offshore regions.

Table 15. Services imports by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
EU-27	415.3	457.1	525.2	79.9	81.0	80.2	14.9	26.5
Finland	89.5	89.0	106.4	17.2	15.8	16.2	19.6	18.9
Germany	35.2	46.2	73.9	6.8	8.2	11.3	60.0	109.9
Sweden	54.2	67.2	65.5	10.4	11.9	10.0	-2.5	20.8
Latvia	52.9	53.4	55.3	10.2	9.5	8.4	3.6	4.5
United Kingdom	21.5	24.1	34.2	4.1	4.3	5.2	41.9	59.1
CIS	37.7	37.5	43.6	7.2	6.6	6.7	16.3	15.6
Russia	29.3	28.1	33.8	5.6	5.0	5.2	20.3	15.4
Belarus	3.7	5.2	4.9	0.7	0.9	0.7	-5.8	32.4
Other	67.0	70.0	86.1	12.9	12.4	13.1	23.0	28.4
Norway	9.7	9.9	30.9	1.9	1.8	4.7	212.1	218.6
China	7.1	13.5	12.7	1.4	2.4	1.9	-5.9	78.9
USA	13.2	12.3	10.9	2.5	2.2	1.7	-11.4	-17.4
Total	520.0	564.6	654.9	100.0	100.0	100.0	16.0	25.9

The surplus on **transport services** comprised 47% of the surplus on the services account and totalled 162 million euros, having grown seasonally from the previous quarter and also from the previous year (see Figure 5 and Tables 11, 12 and 14). The recovery of the economy led to stronger goods imports, which in turn boosted the imports of freight transport and auxiliary services. Maritime transport accounted for the largest share (40%) of transport services. Nevertheless, rail transport, which is closer related to transit and holds a 20% share, made as large a contribution to the surplus as maritime transport. Air transport remained in slight deficit (see Figure 6).

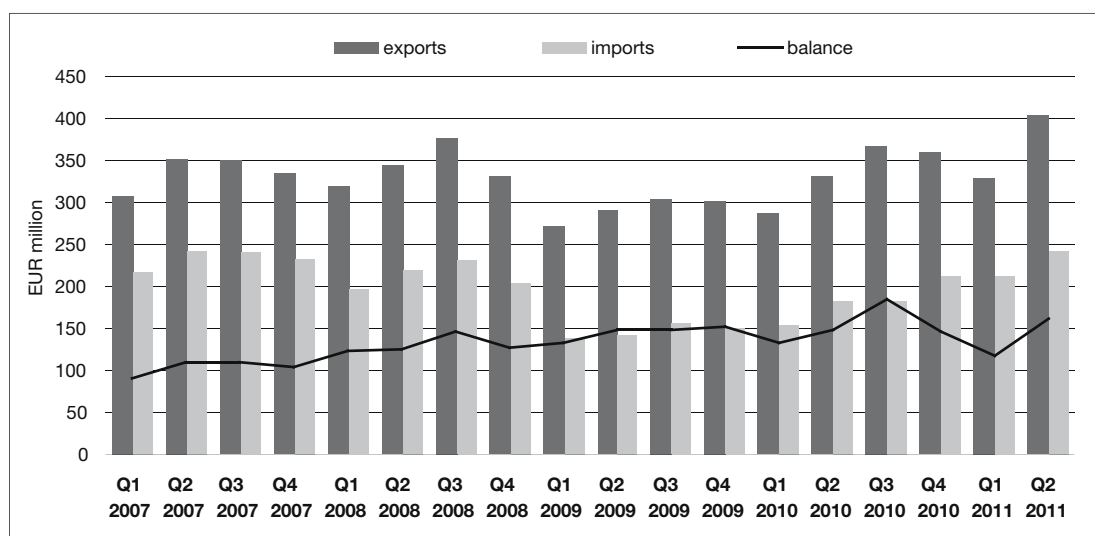


Figure 5. Transport services

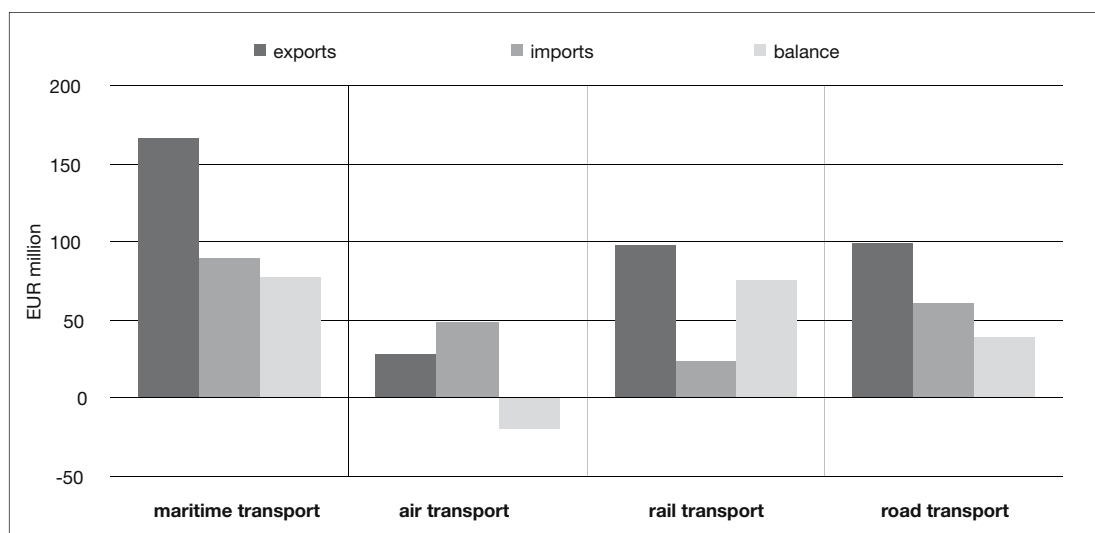


Figure 6. Transport services in the second quarter of 2011 by transport type

Total exports of transport services grew by 22% year-on-year. Freight transport comprised 43% of the exports of transport services, followed by other transport services at 36% and passenger transport at 21%. Exports were driven primarily by the stronger growth in transport services and passenger transport. The majority (64%) of transport services was sold to EU countries, with exports growing by 15% from a year ago (see Table 16). Finland was the biggest export partner, accounting for 21% of the transport services exports. CIS countries comprised 17% of the exports, while the majority of transport services were sold to Russia. The exports of transport services to other countries grew by 37% year-on-year; the main export partners included offshore regions, Switzerland and Norway.

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

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q2 2011/ Q2 2010		Volume (EEK m)	Share (%)	Change (%), Q2 2011/ Q2 2010
EU-27	258.7	64.2	14.8	EU-27	192.2	79.6	34.1
Finland	83.4	20.7	17.6	Sweden	27.8	11.5	43.3
Sweden	37.5	9.3	24.2	Finland	27.1	11.2	26.0
Netherlands	26.8	6.6	-10.4	Germany	25.8	10.7	28.4
Germany	19.3	4.8	37.9	Latvia	18.4	7.6	34.3
Latvia	18.7	4.6	9.4	Lithuania	15.6	6.5	21.9
CIS	68.7	17.0	36.0	CIS	14.9	6.2	26.3
Russia	56.1	13.9	19.6	Russia	9.9	4.1	43.5
Kazakhstan	7.3	1.8	329.4	Belarus	2.9	1.2	7.4
Other	75.8	18.8	37.1	Other	34.4	14.2	23.3
offshore regions	33.4	8.3	66.2	China	11.7	4.8	98.3
Switzerland	20.5	5.1	34.0	offshore regions	6.2	2.6	3.3
USA	7.3	1.8	23.7	USA	4.2	1.7	35.5
Total	403.2	100.0	21.7	Total	241.5	100.0	32.0

The imports of transport services constituted 37% of the total services imports and increased by around a third from a year ago. The imports of transport services also consisted of mainly freight transport, which increased 43%. Even though the share of passenger transport was low, its volume grew by 37% from a year ago (see Table 14). Nearly 80% of the transport services were imported from the EU, particularly from Finland, Germany and Sweden (see Table 16). 6% of the transport services were purchased from the CIS, primarily from Russia. Services imports from other countries picked up 23% from the previous year. The imports of transport services from China doubled, thus making China the biggest import partner.

The surplus on **travel services** grew by 15% from a year ago and totalled 120 million euros (see Figure 7). Travelling has gained popularity as indicated by the annual growth of 17% and 18% in exports and imports respectively (see Table 17). The structure of travel services by regions did not change much. The share of EU countries was more or less the same as a year ago: 83% in exports and 79% in imports.

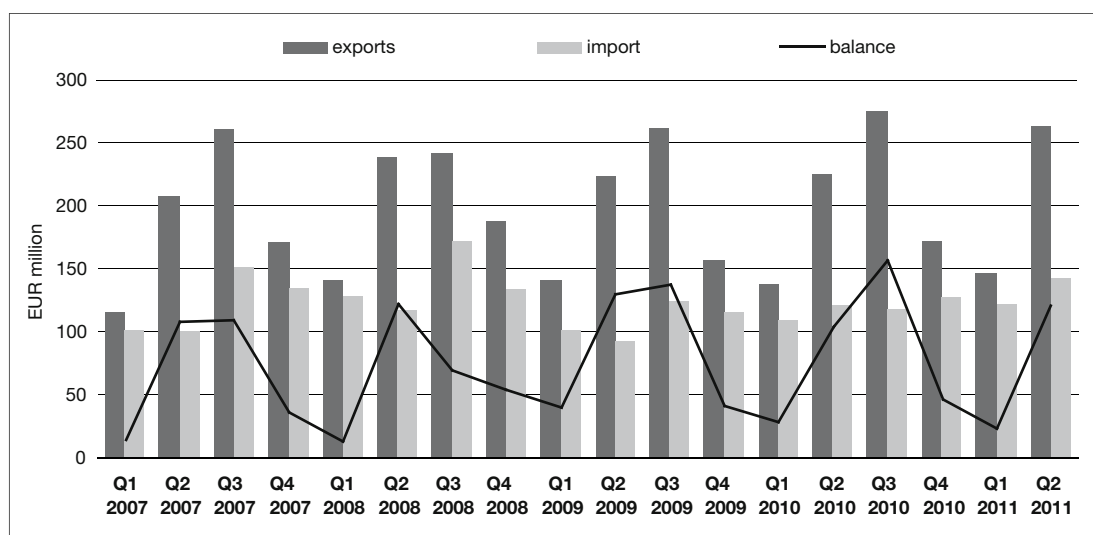


Figure 7. Travel services

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

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), Q2 2011/Q2 2010		Volume (EEK m)	Share (%)	Change (%), Q2 2011/Q2 2010
EU-27	218.2	83.2	14.2	EU-27	112.0	78.7	19.3
Finland	135.1	51.5	8.1	Finland	46.7	32.8	29.8
Sweden	21.9	8.3	12.9	United Kingdom	8.5	6.0	61.3
Germany	13.6	5.2	30.9	Sweden	8.2	5.8	-2.1
United Kingdom	11.4	4.3	74.0	Germany	7.8	5.5	45.6
CIS	26.3	10.0	29.6	CIS	15.8	11.1	28.5
Russia	24.6	9.4	28.1	Russia	13.4	9.4	22.1
Other	17.9	6.8	32.6	Other	14.6	10.3	-0.7
USA	4.8	1.8	48.0	Norway	4.2	2.9	3.0
Norway	4.6	1.8	44.9	Turkey	3.6	2.5	-1.2
Total	262.4	100.0	16.6	Total	142.4	100.0	17.8

* Based on data by Eesti Pank, OÜ Positium LBS and Statistics Estonia

The exports of travel services totalled 262 million euros with slightly over half of that comprising services sold to Finnish residents, which grew 8% in volume over the year (see Table 17). Although the volume of travel services sold to German and British residents was around ten times lower than the respective indicator for Finland, these volumes still increased considerably: by a third and by 75% respectively. The number of Finnish visitors in Estonia remained almost unchanged from the second quarter of 2010 and the number of tourists from Scandinavia rose by 5%, while the number of visitors from other EU countries grew by 54%. The exports of travel services to CIS and other countries picked up considerably too, by around a third, with Russia receiving over 90% of the travel services sold to the CIS. In the group of other countries, the United States and Norway purchased about 50% more travel services from Estonia than a year ago.

The imports of travel services amounted to 142 million euros. Around 80% of the travel services were imported from EU countries. This indicates a clear correlation with Estonian residents working abroad, given that more travel services were purchased from Finland, Sweden, the United Kingdom and Germany, the main employment destinations of Estonian inhabitants. The total imports of travel services from the EU increased 20%, with imports from the United Kingdom, Germany and Finland constituting over 60%, about 50% and around a third of that respectively. This may well have to do with the full opening of the EU labour market on 1 May 2011 for the latest member states. The imports of travel services from the CIS countries (almost entirely from Russia) grew by around 30%. Imports from other countries remained unchanged, with Norway and Turkey being the main trade partners.

Income

One of the most significant changes on the current account concerned the income account, which recorded a 60% higher net outflow year-on-year. This resulted from the increased profitability of foreign-owned companies and dividend payments. In the previous quarters the net outflow of income largely consisted of reinvested earnings, which includes no actual movement of funds; payment of dividends, on the other hand, involves actual movement of funds. In total terms, income outflow exceeded inflow by 326 million euros, that is 8.1% of GDP (see Table 18 and Figure 8).

Labour income recorded a net inflow of 48 million euros, while investment income posted a net outflow of 373 million euros (see Table 19). The surplus on labour income grew by 80% from a year ago due to the increased employment of Estonian residents abroad in the past few quarters. The net outflow of investment income (income on direct, portfolio and other investment) increased over 60%. Unlike in many previous quarters, when the majority of direct investment income was reinvested, in the second quarter of 2011 a lot of dividends were paid, in particular to non-resident direct investors. The net outflow of income as dividends constituted 90% of the net outflow of total investment income. Consequently, the share of reinvested earnings shrank to 9% of the net outflow of investment income. Portfolio investment witnessed a net inflow of 25 million euros, and other investment (interest income on loans and deposits) posted a net outflow of 28 million euros.

Income inflow increased 20% from the second quarter of 2010 and totalled 213 million euros (see Table 20). 94% of the income inflow was earned in EU countries, in particular Lithuania, Latvia and Finland (see Table 21). Labour income accounted for around 30% of the income inflow, having increased by over a third from a year ago.

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	218.1	80.5	-418.9	0.4	-200.8	-32.3
Q2 2011	213.3	-2.2	-538.8	28.6	-325.5	62.1

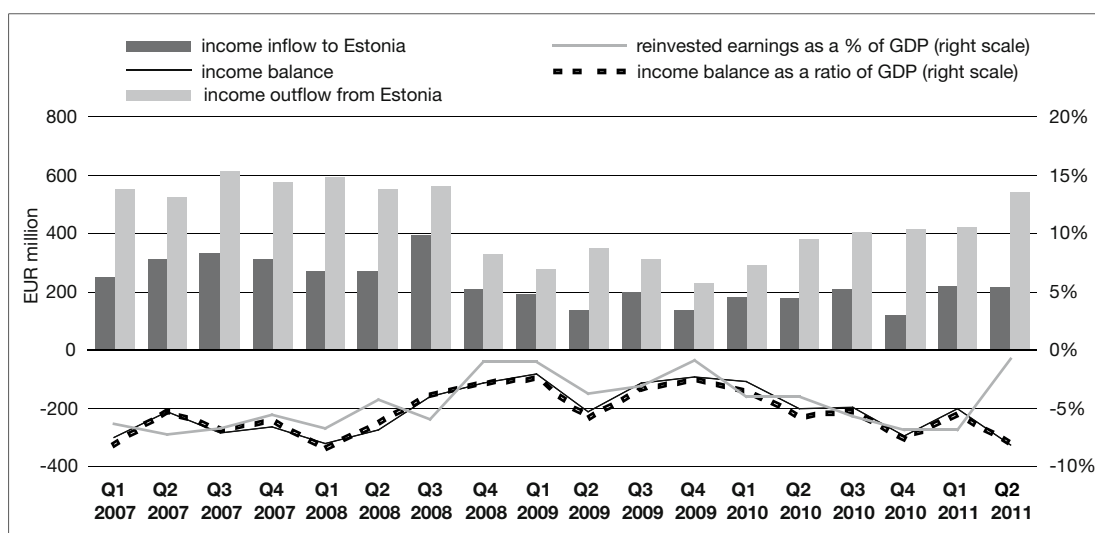


Figure 8. Income account

Table 19. Structure of income account

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
Labour income	26.5	46.0	47.5	-13.0	-22.9	-14.6	3.2	79.5
Investment income	-230.2	-246.9	-373.0	113.0	122.9	114.2	51.1	62.0
Income on direct investment	-209.8	-240.8	-370.2	102.9	119.9	113.4	53.7	76.5
income on equity	-209.5	-241.4	-368.1	102.8	120.2	112.7	52.5	75.7
dividends	-65.8	7.3	-335.4	32.3	-3.7	102.7	-4,673.0	409.9
reinvested earnings	-143.7	-248.7	-32.7	70.5	123.8	10.0	-86.9	-77.2
income on debt (interests)	-0.3	0.6	-2.2	0.1	-0.3	0.7	-480.2	638.4
Income on portfolio investment	10.8	21.5	25.0	-5.3	-10.7	-7.7	16.3	131.8
Income on other investment	-31.3	-27.6	-27.8	15.3	13.7	8.5	0.8	-11.1
Total	-203.8	-200.8	-325.5	100.0	100.0	100.0	62.6	60.3

Table 20. Income inflow to Estonia

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
Labour income	45.4	60.0	62.2	25.5	27.5	29.2	3.7	37.1
Investment income	132.6	158.0	151.1	74.5	72.5	70.8	-4.4	13.9
Income on direct investment	87.0	113.0	93.5	48.9	51.8	43.8	-17.3	7.5
income on equity	70.7	97.9	78.8	39.7	44.9	37.0	-19.5	11.6
dividends	32.4	27.5	37.9	18.2	12.6	17.8	37.9	17.0
reinvested earnings	38.3	70.5	41.0	21.5	32.3	19.2	-41.9	7.0
income on debt (interests)	16.3	15.1	14.6	9.2	6.9	6.9	-3.0	-10.3
Income on portfolio investment	27.4	26.8	37.9	15.4	12.3	17.8	41.4	38.3
Income on other investment	18.2	18.2	19.7	10.2	8.3	9.2	8.4	8.1
Total	178.0	218.1	213.3	100.0	100.0	100.0	-2.2	19.8

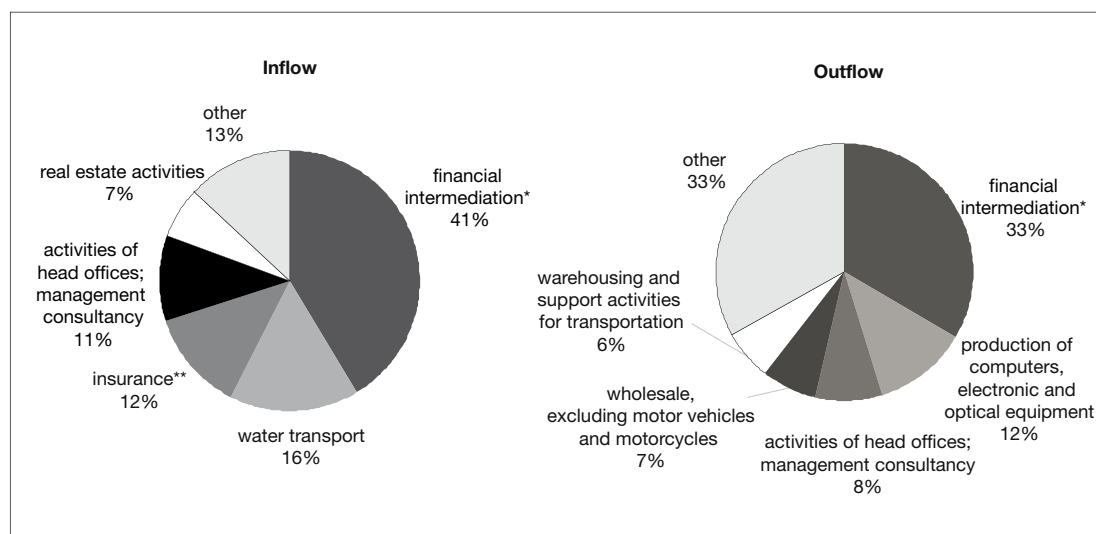
Table 21. Income by groups of countries in the second quarter of 2011

	Inflow				Outflow		
	Volume (EUR m)	Share (%)	Change (%), Q2 2011/ Q2 2010		Volume (EUR m)	Share (%)	Change (%), Q2 2011/ Q2 2010
EU-27	199.8	93.7	21.4	EU-27	-457.1	84.8	29.7
Lithuania	52.1	24.4	50.9	Sweden	-234.5	43.5	38.7
Latvia	30.4	14.3	-22.2	Finland	-92.9	17.2	21.8
Finland	28.9	13.5	94.0	Netherlands	-60.2	11.2	57.1
Cyprus	28.5	13.3	-1.0	Germany	-14.3	2.7	-17.0
CIS	4.5	2.1	-7.5	CIS	-28.0	5.2	185.0
Russia	3.5	1.6	-4.7	Russia	-27.1	5.0	211.4
Kazakhstan	0.8	0.4	199.6	Ukraine	-0.7	0.1	144.4
Other	9.0	4.2	-2.6	Other	-53.7	10.0	168.7
USA	3.0	1.4	37.0	Switzerland	-15.7	2.9	819.7
offshore regions	0.6	0.3	-54.0	offshore regions	-23.8	4.4	72.9
Total	213.3	100.0	19.0	Total	-538.8	100.0	41.0

Finland was the most popular employment destination, as 52% of the labour income inflow came from there. Year-on-year, labour income from Finland has grown by two thirds, which indicates the growing popularity of working there. Next in popularity are Sweden and the United Kingdom, both contributing 5% to total labour income inflow. Labour income earned in Sweden increased, while income from the United Kingdom and Ireland decreased. The inflow of investment income grew by 14% from the previous year. The majority (62%) of investment income was earned on foreign direct investment. Direct investment income increased 8% year-on-year, owing to dividend payments and slight growth in reinvested earnings. Reinvested earnings constituted 27% and dividends 25% of total investment income inflow. Income on foreign portfolio investment grew by around 40% and comprised 20% of the investment income inflow. The rest was interest income.

71% of the investment income came from three countries: Lithuania (34%), Latvia (19%) and Cyprus (18%). The inflow of investment income from Lithuania gained 50%, while income from Latvia contracted 20% and income from Cyprus remained the same. Investment in Finland and Belarus suffered losses. 41% of the investment income from abroad was earned on financial intermediation, 16% on water transport and 12% on insurance (see Figure 9).

Income outflow grew by 41% from the second quarter of 2010 (see Table 22). The majority (97%) of the outflow consisted of investment income, which was also the main reason for outflow growth. The outflow of labour income shrank by over 20%. Similar to income inflow, also the outflow was almost entirely related to EU countries (85%). Direct investment income accounted for 88% of the investment income outflow, having increased over 50% from a year ago. The outflow of direct investment income, and also total income, picked up owing to reinvested earnings, which increased by around four times from the previous year to 373 million euros. Dividends accounted for 71% of the investment income outflow, while the share of reinvested earnings dropped to 14%. Income on portfolio investment constituted only 2% and income on other investment 9%, both contracting in absolute terms.



* Excluding insurance and pension funds

** Excluding statutory social insurance

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

Table 22. Income outflow from Estonia

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2011/ Q1 2011	Q2 2011/ Q2 2010
Labour income	-18.9	-13.9	-14.7	5.0	3.3	2.7	5.3	-22.1
Investment income	-362.9	-404.9	-524.0	95.0	96.7	97.3	29.4	44.4
Income on direct investment	-296.7	-353.8	-463.7	77.7	84.5	86.1	31.1	56.3
income on equity	-280.1	-339.3	-446.9	73.4	81.0	82.9	31.7	59.5
dividends	-98.2	-20.1	-373.3	25.7	4.8	69.3	1,754.6	280.3
reinvested earnings	-182.0	-319.2	-73.6	47.7	76.2	13.7	-76.9	-59.6
income on debt (interests)	-16.6	-14.5	-16.8	4.4	3.5	3.1	15.6	1.1
Income on portfolio investment	-16.6	-5.3	-12.9	4.4	1.3	2.4	142.2	-22.6
Income on other investment	-49.5	-45.8	-47.5	13.0	10.9	8.8	3.7	-4.1
Total	-381.8	-418.9	-538.8	100.0	100.0	100.0	28.6	41.1

73% of the outflow of investment income went to investors in three countries: Sweden (44%), Finland (17%) and the Netherlands (12%). Year-on-year, the percentages of Swedish and Dutch investors increased about 50%, while the share of Finnish investors shrank by 20%. Russian investors, who ranked fourth, increased their income on investment in Estonia by around four times, and Swedish investors, ranking fifth, had a ten times higher income on investment. Foreign investors earned income in Estonia primarily on financial intermediation (33%), production of computers, electronic and optical equipment (12%), activities of head offices and management consultancy (8%), wholesale (7%) and storage (6%; see Figure 9). In total terms, the outflow of investment income increased in all the above-mentioned fields of activity, especially as regards the production of electronic and optical equipment.

Current transfers and the capital account

The surplus on the current transfers account totalled 59 million euros in the second quarter of 2011, having increased both quarter-on-quarter and year-on-year (see Table 23).

Current transfers to Estonia totalled 143 million euros, of which 47% went to the general government. A third of them were allocations from the EU structural funds and the rest were VAT, income and social tax receipts from non-residents. 36% of other sectors' transfers were external aid from EU structural funds and 13% were transfers by residents employed abroad. The outflow of current transfers amounted to 83 million euros, of which 29 million euros, or 35%, was Estonia's payment into the EU budget. Other sectors' transfers abroad totalled 43 million euros and were primarily channelled to the European Union, particularly to Finland, Germany, Sweden, the United Kingdom and Latvia.

The surplus on the **capital transfers** account was 105 million euros. The capital transfers into Estonia mainly comprised EU subsidies to the general government and also to other sectors for infrastructure objects.

The sales of CO₂ emission quotas, which are recorded under **intangible assets**, provided Estonia with 50 million euros.

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

	Incoming			Outgoing			Balance		
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011
Current transfers	119.7	175.9	142.6	61.0	124.4	83.3	58.7	51.5	59.3
government transfers	46.4	75.4	66.5	29.3	74.3	40.5	17.1	1.2	26.0
EU-27	41.8	72.0	62.0	28.2	66.4	38.8	13.5	5.5	23.2
CIS	1.0	0.7	0.6	0.2	0.2	0.2	0.8	0.5	0.4
other	3.6	2.8	3.9	0.9	7.7	1.6	2.7	-4.9	2.3
private transfers	73.3	100.5	76.1	31.7	50.1	42.7	41.6	50.4	33.4
EU-27	55.6	81.9	59.2	25.8	43.2	36.8	29.8	38.8	22.3
CIS	13.5	12.9	11.1	1.2	2.6	1.1	12.3	10.3	10.0
other	4.2	5.7	5.8	4.7	4.4	4.8	-0.5	1.3	1.0
Capital transfers	63.7	46.5	55.6	0.1	0.0	0.0	75.7	142.9	105.4
government transfers	32.6	4.4	27.8	0.1	-	-	32.5	4.4	27.8
private transfers	31.1	42.1	27.9	-	0.0	0.0	31.1	42.1	27.9
Intangible assets	12.1	96.4	49.8	-	-	0.1	12.1	96.4	49.8

FINANCIAL ACCOUNT

The net outflow of capital on the financial account continued in the second quarter of 2011, although in a somewhat more modest volume of 67 million euros. The net outflow of capital mainly comprised other investment and the inflow consisted of direct investment. Figures 10 and 11 show the structure of the financial account by categories and maturities.

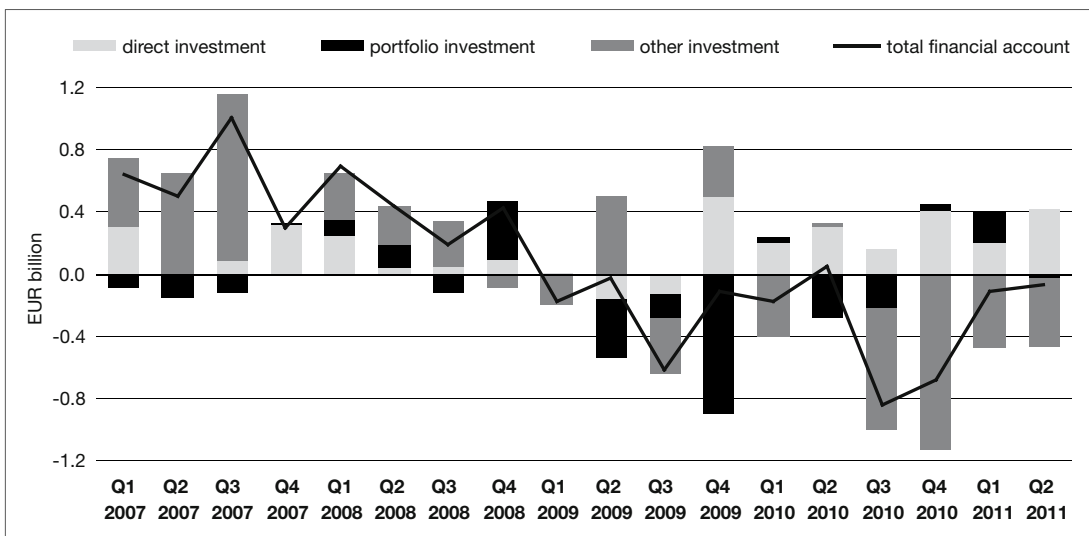


Figure 10. Changes in the structure of foreign investment capital flows

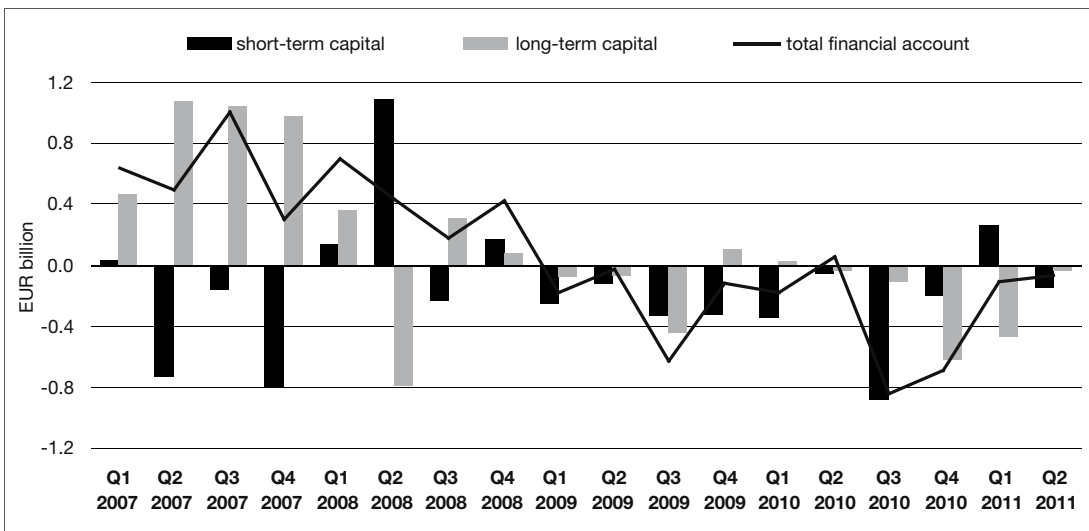


Figure 11. Maturity structure of the financial account

Direct investment

Direct investment had a surplus of 411 million euros in the second quarter of 2011. Non-residents invested 440 million euros in Estonia and Estonian residents' direct investment abroad grew by 29 million euros (see Figure 12).

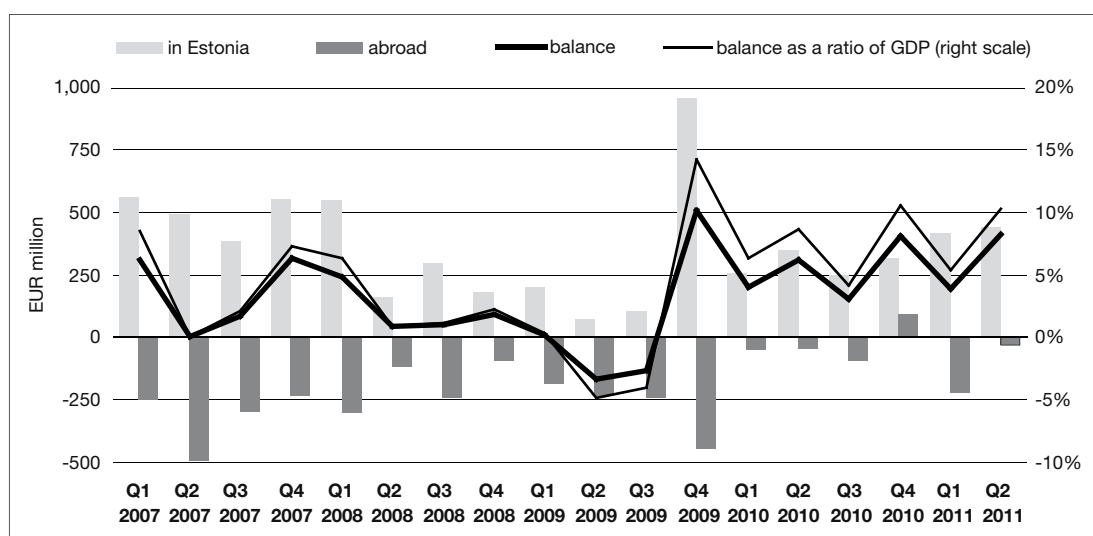


Figure 12. Direct investment

Direct investment in Estonia did not change much from the first quarter. In the first quarter of 2011, the primary source of direct investment was reinvested earnings, while in the second quarter direct investment in Estonia largely consisted of debts. The decline in debt claims and the rise in debt liabilities brought 175 and 119 million euros to Estonia respectively. Investors decided to withdraw 373 million euros of dividends, which lowered the volume of reinvested earnings to 74 million euros, merely a sixth of the total direct investment in Estonia in the second quarter. Reinvested earnings were channelled primarily in the production of computers, electronic and optical equipment (62 million euros) and also in transport and storage (28 million), and wholesale trade, excluding motor vehicles and motorcycles (26 million euros). Financial intermediaries suffered a loss of 107 million euros in terms of reinvested earnings. Net equity capital investment totalled 72 million euros in the second quarter. Equity capital payments were made in many fields of activity, in particular the production of chemicals and chemical products, with the payments totalling 64 million euros (see Tables 24-25).

308 million euros, or 70%, of the direct investment inflow came from Norway, followed by Finland at 162 million euros. Sweden's direct investment in Estonia were negative at -122 million euros. 95% of the direct investment came from outside the EU and the CIS. For the first time in the history of local banks being under foreign ownership, it was not the financial sector that received the biggest direct investment in the second quarter of 2011, but wholesale and retail trade instead, accounting for 307 million euros (70%) of total direct investment. Investment in manufacturing and in real estate activities came next at 33% and 28% respectively (see Figures 13-14 and Table 26).

Table 24. Structure of direct investment in Estonia

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Assets		Liabilities		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	26.0	6.2	319.2	76.2	-81.0	-19.3	154.5	36.9	418.7	100.0
Q2 2011	72.2	16.4	73.6	16.7	174.7	39.7	119.3	27.1	439.8	100.0

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

	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	24.9	10.6	155.3	97.6	167.8	72.0	391.5	360.3
Q2 2011	27.5	3.1	132.7	358.0	188.8	134.8	79.9	95.6

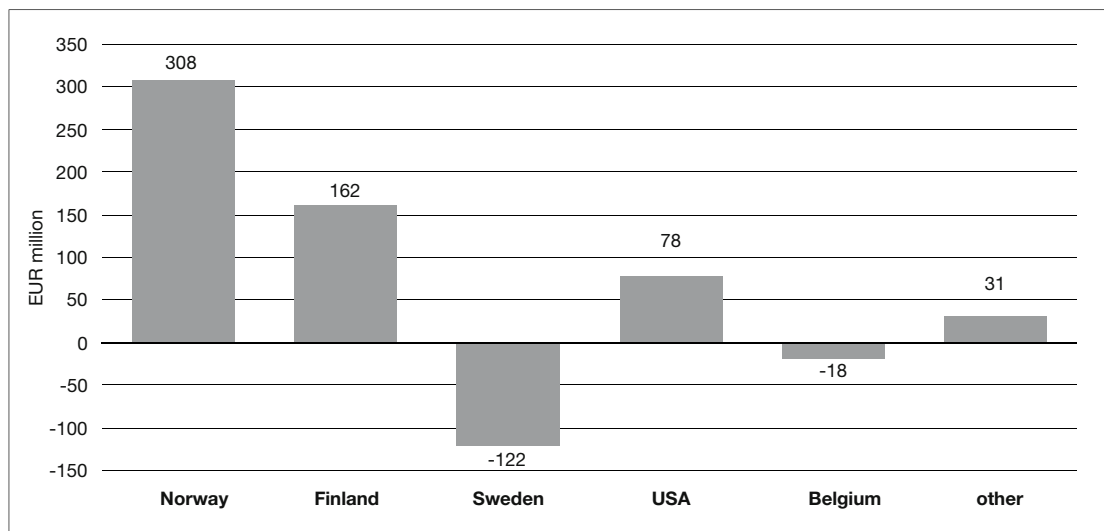


Figure 13. Direct investment in Estonia by countries in the second quarter of 2011

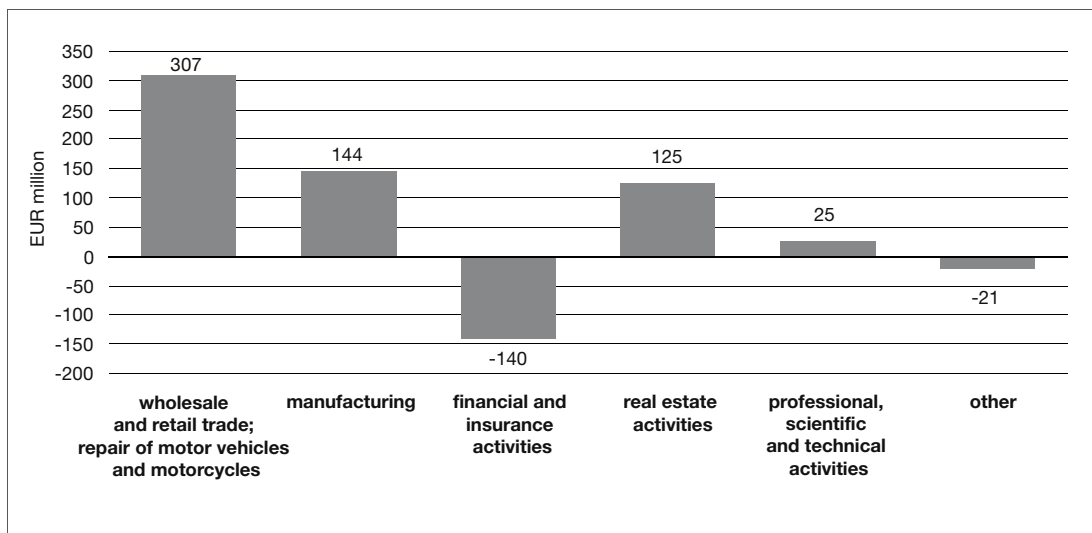


Figure 14. Direct investment in Estonia by fields of activity in the second quarter of 2011

Table 26. Direct investment in Estonia by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	Q1 2011	Q2 2011	Q1 2011	Q2 2011	Q2 2011/ Q1 2011
EU-27	409.4	13.8	97.8	3.1	-96.6
CIS	18.0	4.6	4.3	1.1	-74.1
Other	-8.6	421.3	-2.1	95.8	-4,975.2
Total	418.7	439.8	100.0	100.0	5.0

Direct investment abroad contracted both quarter-on-quarter and year-on-year. Equity and capital investment totalled 34 million euros, which is about 60% of the volume in the first quarter. The outflow of retained proprietary income was 41 million euros, while 38 million euros were withdrawn as dividends. Other capital assets to direct investment companies decreased, while liabilities increased, and so the inflow amounted to 46 million euros, coming mainly from increased trade credit liabilities. The loan liabilities of subsidiaries and affiliated companies grew by 4 million euros from the first quarter. The loan liabilities of Estonian investors to foreign subsidiaries and affiliates decreased by 12 million euros (see Tables 27-28).

The largest direct investment went to Lithuania, Latvia and Sweden at 59, 28 and 23 million euros respectively. The investors of financial intermediation, water transport and insurance made the largest investment: 44, 28 and 23 million euros respectively. The main investment target was the European Union, while investment in the CIS contracted owing to the receipt of trade credit assets to direct investment companies and the increase in liabilities (see Table 29 and Figures 15-16).

Table 27. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Assets		Liabilities		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	-57.9	25.8	-70.5	31.5	-104.6	46.7	8.9	-4.0	-224.1	100.0
Q2 2011	-33.9	119.1	-41.0	143.7	7.6	-26.8	38.8	-136.0	-28.5	100.0

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

	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	57.6	48.1	51.8	9.2	1.3	0.3	8.6	2.9
Q2 2011	52.1	56.2	12.5	12.3	0.7	0.6	0.8	12.8

Table 29. Direct investment abroad by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	Q1 2011	Q2 2011	Q1 2011	Q2 2011	Q2 2011/ Q1 2011
EU-27	-117.6	-81.3	52.5	285.2	-30.9
CIS	-37.1	48.0	16.6	-168.3	-229.2
Other	-69.3	4.8	30.9	-16.9	-106.9
Total	-224.1	-28.5	100.0	100.0	-87.3

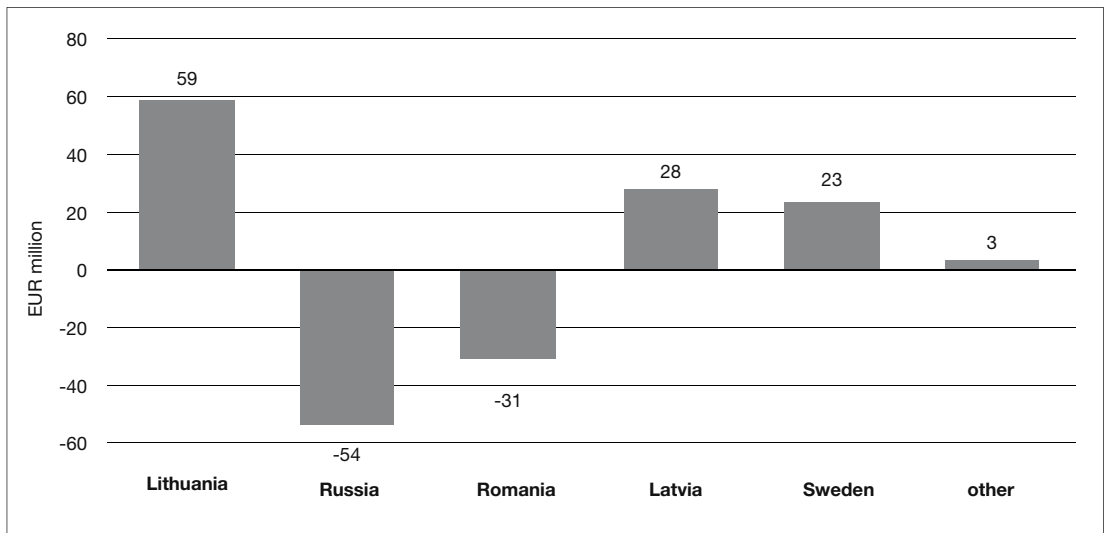


Figure 15. Direct investment abroad by countries in the second quarter of 2011

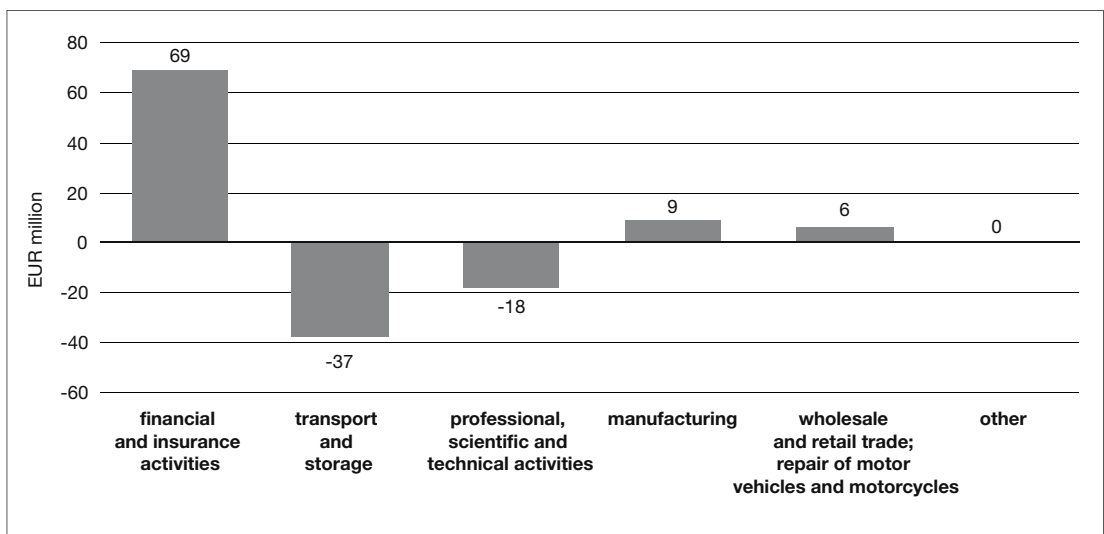


Figure 16. Direct investment abroad by fields of activity in the second quarter of 2011

Portfolio investment

The net outflow of portfolio investment was 22 million euros in the second quarter of 2011. The net outflow primarily consisted of foreign debt security investment made by credit institutions and insurance and pension funds. The liabilities of enterprises in other sectors to foreign investors witnessed a decline (see Figure 17 and Table 30).

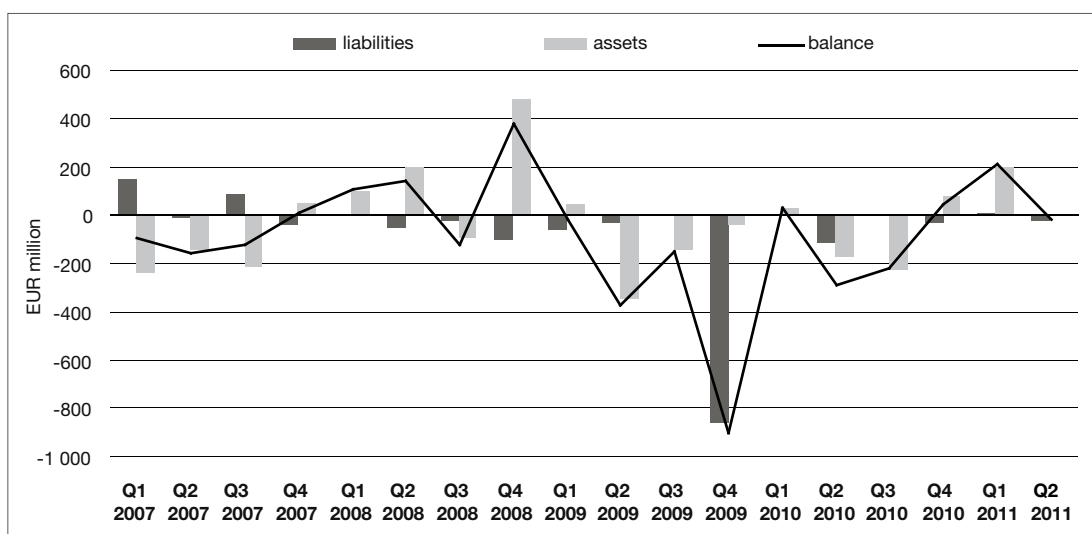


Figure 17. Portfolio investment

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

	Assets			Liabilities			Balance		
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011
Equity securities	-169.1	10.3	-12.9	-2.0	-0.4	-17.4	-171.1	9.9	-30.3
central bank	-	-	-	-	-	-	-	-	-
general government	-	-2.8	-7.5	-	-	-	-	-2.8	-7.5
credit institutions	-0.8	-4.7	-1.2	-	-	4.0	-0.8	-4.7	2.8
other sectors	-168.4	17.8	-4.1	-2.0	-0.4	-21.4	-170.4	17.4	-25.5
Debt securities	-5.1	189.3	16.2	-112.5	11.7	-7.7	-117.6	201.0	8.5
central bank	-	450.3	49.1	-	-	-	-	450.3	49.1
general government	-18.2	-44.2	34.3	-80.1	0.2	-2.8	-98.3	-44.0	31.5
credit institutions	-117.6	-66.3	-42.4	-28.1	3.5	-0.1	-145.7	-62.8	-42.5
other sectors	130.7	-150.6	-24.7	-4.1	8.0	-4.9	126.6	-142.6	-29.6
Total	-174.2	199.6	3.4	-114.5	11.3	-25.1	-288.7	210.9	-21.7

Portfolio investment liabilities shrank by 25 million euros in the second quarter of 2011 (see Table 31). In terms of institutional sectors, the liabilities of enterprises in other sectors decreased by 23 million euros in total. It was mainly equity security liabilities that shrank, due to lowering equity capital among other things. The equity security investment of credit institutions grew by 4 million euros. In total, the loan liabilities shrank by 8 million euros. In terms of countries, portfolio investment liabilities to Sweden contracted the most, followed by liabilities to Belgium, Liechtenstein and the United Kingdom (see Figure 18 and Table 32).

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	-0.4	-3.5	11.7	103.5	11.3	100.0
Q2 2011	-17.4	69.3	-7.7	30.7	-25.1	100.0

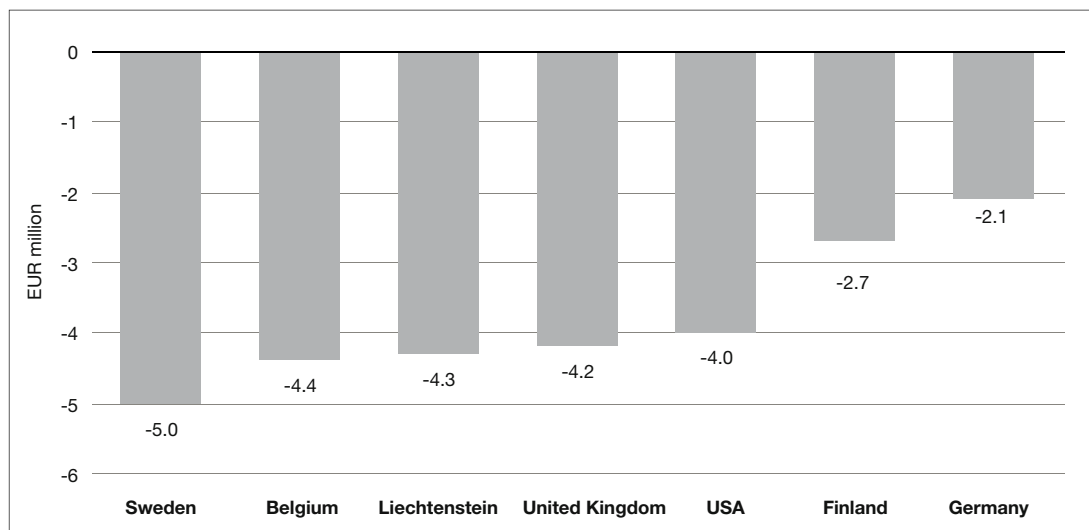


Figure 18. Decrease in portfolio investment liabilities by countries in the second quarter of 2011

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

	Volume (EUR m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-2.5	-17.2	-73.5	68.5
CIS	3.3	-0.5	97.1	2.0
Other	2.6	-7.4	76.5	29.5
Total	3.4	-25.1	100.0	100.0

Portfolio investment assets decreased by 3 million euros in the second quarter (see Table 33). Investment in foreign equity securities increased by 13 million euros, while investment in debt securities decreased by 16 million euros over the quarter. As in the first quarter, this again resulted from a decline in central bank's investment in money market instruments issued in the euro area or denominated in euro. The debt security investment of the central bank and the general government shrank by 49 and 34 million euros respectively. Credit institutions and insurance companies, on the other hand, increased their debt security investment by 42 and 23 million euros respectively. The growth of equity security assets relied on the general government's and pension funds' investment in the shares and units of investment and money market funds. By countries, primarily portfolio investment assets to EU countries, in particular Spain, France, the Netherlands and Finland, decreased (see Figure 19 and Table 32).

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	10.3	5.2	189.3	94.8	199.6	100.0
Q2 2011	-12.9	-379.4	16.2	476.5	3.4	100.0

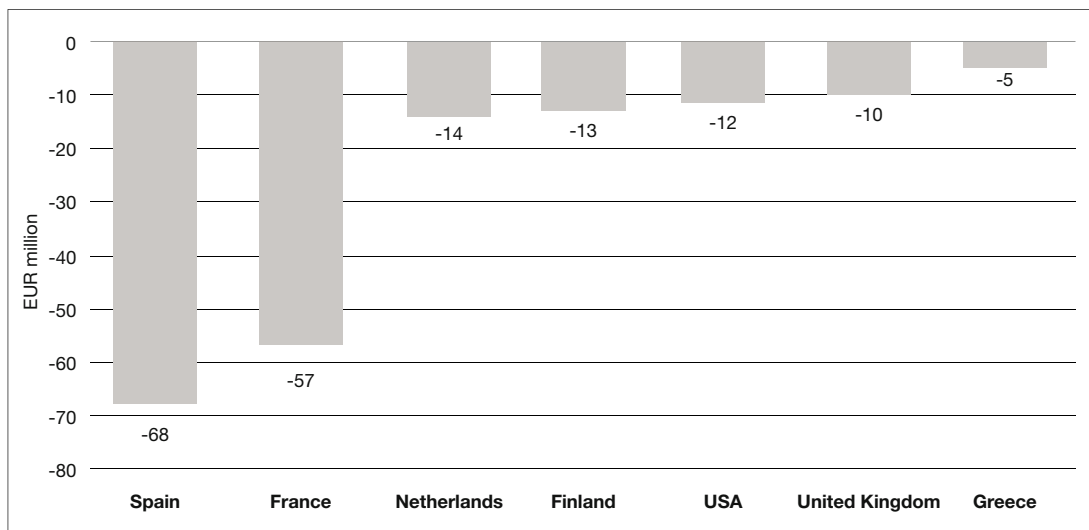


Figure 19. Decrease in portfolio investment assets by countries in the second quarter of 2011

Financial derivatives

The net outflow of financial derivatives totalled 15 million euros in the second quarter of 2011 (see Figure 20). Financial derivative assets grew by 1 million euros, mainly because enterprises in other sectors increased their investment. By countries, assets to the United Kingdom and Finland increased the most. Financial derivative liabilities contracted by 14 million euros, which again mainly concerned enterprises in other sectors. By countries, liabilities to the United Kingdom and Denmark decreased the most.

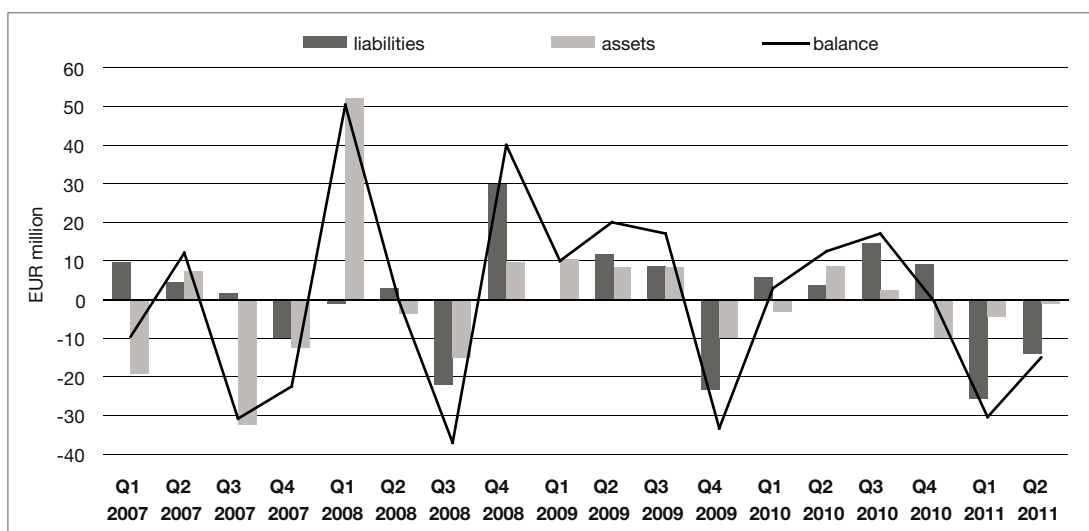


Figure 20. Financial derivatives

Other investment

The net outflow of other investment stood at 441 million euros in the second quarter of 2010 (see Figure 21). The net outflow primarily stemmed from an increase in the short-term capital assets of credit institutions and the central bank (see Table 34).

Other investment liabilities increased by 451 million euros from the first quarter. The loan/currency and deposit liabilities (including interbank loans) of credit institutions constituted 213 million euros of that,⁴ having undergone a steady increase in the last five quarters (see Table 35). In the second quarter

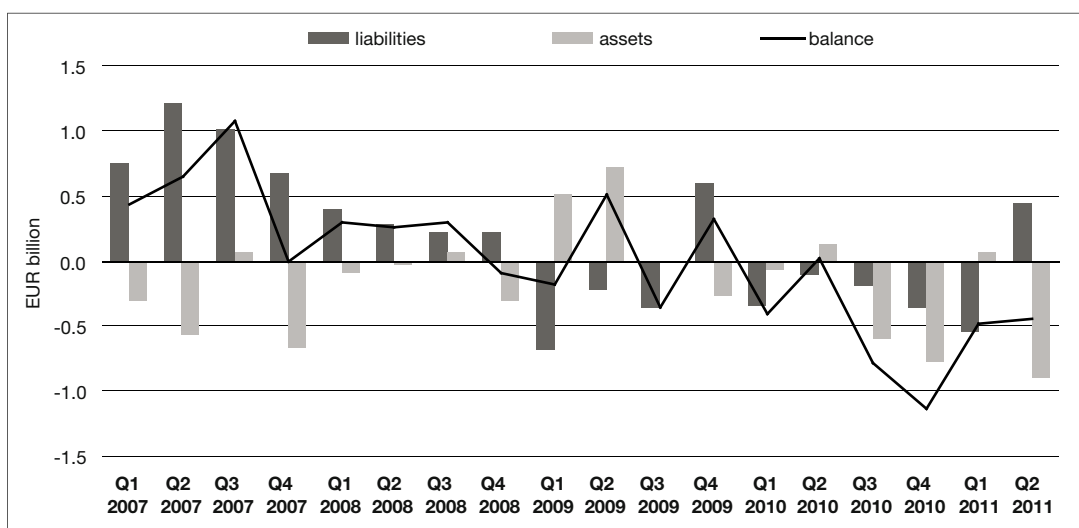


Figure 21. Other investment

Table 34. Other investment by maturity (EUR million)

	Liabilities			Assets			Balance		
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011
Long-term capital	-1.2	-124.5	37.6	-399.0	-425.0	-165.7	-400.2	-549.5	-128.1
central bank	-	-180.3	-0.3	0.0	0.0	0.0	0.0	-180.3	-0.3
general government	-	-	-	18.1	35.7	5.9	18.1	35.7	5.9
credit institutions	9.4	39.0	-0.7	-353.8	-458.7	-72.6	-344.4	-419.7	-73.3
other sectors	-10.6	16.8	38.6	-63.3	-2.0	-99.0	-73.9	14.8	-60.4
Short-term capital	137.2	192.3	-930.1	286.3	-126.2	616.8	423.5	66.1	-313.3
central bank	-	430.9	-107.3	33.2	56.8	106.5	33.2	487.7	-0.8
general government	26.0	27.4	-55.1	-0.1	0.0	3.0	25.9	27.4	-52.1
credit institutions	300.0	-183.1	-309.3	156.5	-326.1	420.2	456.5	-509.2	110.9
other sectors	-188.8	-82.9	-458.4	96.7	143.1	87.1	-92.1	60.2	-371.3
Total	135.9	68.0	-892.3	-112.5	-551.3	451.1	23.4	-483.3	-441.2

⁴ Interbank loans have been recorded under *Other investment – Loans/currency and deposits* since the data for the first quarter of 2008 (formerly under long- and short-term loans). The ECB's guideline for euro area countries and recommendation for non-euro area countries provide for the distinction between *loans* and *currency and deposits* based on the nature of the borrower. This implies that loans granted by banks to non-banks and loans between non-banks are still recorded under loans, whereas interbank loans are recorded under deposits.

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	192.8	-35.0	-96.6	17.5	-806.7	146.3	159.2	-28.9	-551.3	100.0
Q2 2011	77.4	17.2	-71.1	-15.8	319.7	70.9	125.2	27.8	451.1	100.0

also liabilities to foreign parent banks went up. In addition, credit institutions increased their other capital liabilities by a total of 130 million euros. The central bank's Intra-Eurosystem claims grew by 107 million euros. The trade credit liabilities of enterprises in other sectors increased by 81 million euros, which also boosted growth in short-term capital. At the same time, enterprises in other sectors decreased their loan liabilities by 73 million euros. In terms of countries, other investment liabilities to the European Central Bank increased the most, by 148 million euros. Liabilities to Finland grew by 110 million and those to Russia by 83 million euros (see Table 36 and Figure 22).

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

	Volume (EUR m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-510.9	135.9	57.3	30.1
CIS	-92.6	77.4	10.4	17.2
Other	-288.8	237.8	32.4	52.7
Total	-892.3	451.1	100.0	100.0

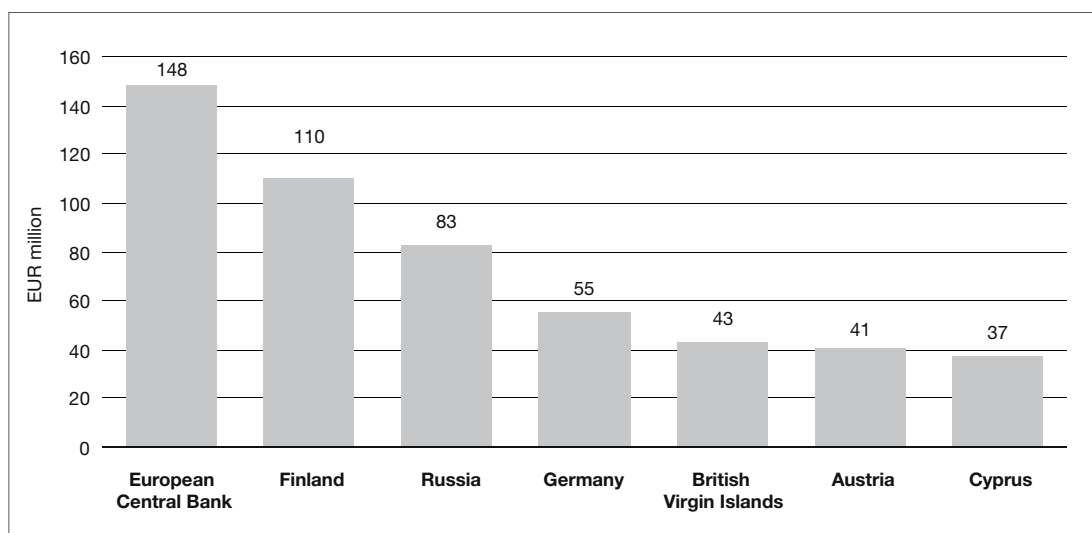


Figure 22. Decrease in other investment liabilities by countries in the second quarter of 2011

Other investment assets grew by 892 million euros in the second quarter of 2011, mainly due to an increase in the short-term capital assets of enterprises in other sectors (see Table 37). The trade credit assets, loan assets, external deposits and other capital assets of enterprises in other sectors went up by 195, 88, 87 and 47 million euros respectively. Credit institutions invested 289 million euros in short-term external deposits. The central bank's currency and deposit assets increased by 107 million euros. The latter includes the central bank's external deposits held in euros or in euro area countries. The general government's external accounts grew by 79 million euros, while its other assets declined by 31 million euros. By countries, other investment assets to Sweden, the United Kingdom, Norway, Denmark and France increased the most (see Figure 23). Table 38 gives an overview of loan capital assets and liabilities.

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	-143.0	-210.3	4.6	6.8	295.8	435.0	-89.4	-131.5	68.0	100.0
Q2 2011	-204.1	22.9	-73.0	8.2	-572.6	64.2	-42.5	4.8	-892.3	100.0

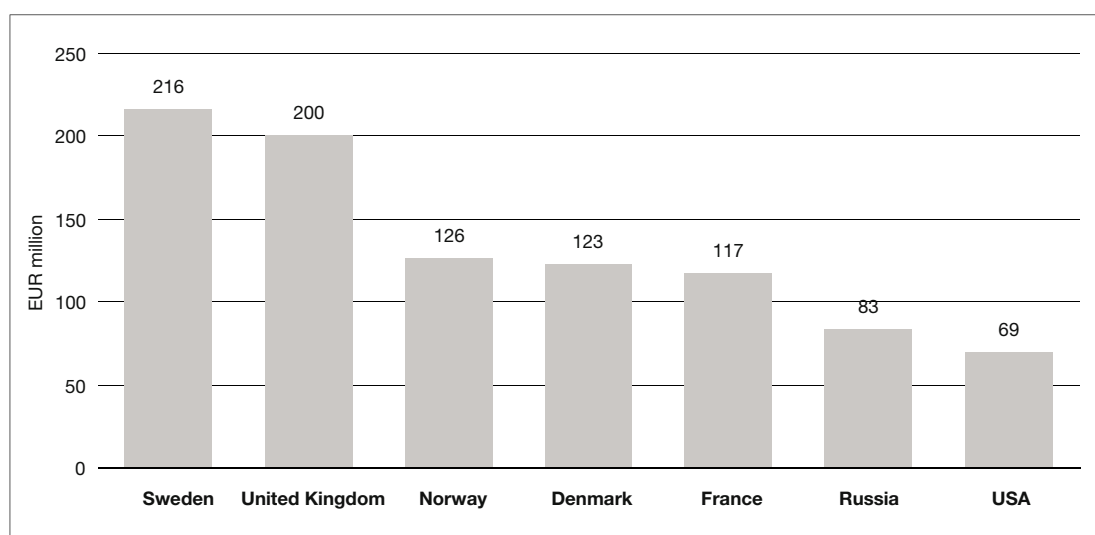


Figure 23. Decrease in other investment assets by countries in the second quarter of 2011

Table 38. Loan assets and liabilities (EUR million)

	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	-189.7	194.3	4.6	447.8	-544.4	-96.6
Q2 2011	-265.2	192.2	-73.0	524.7	-595.8	-71.1

Reserve assets

The balance of payments reserves decreased by 8 million euros in the second quarter of 2011 (see Table 39).

Table 39. Structure of changes in reserve assets

	Volume (EUR m)			Share (%)		
	Q2 2010	Q1 2011	Q2 2011	Q2 2010	Q1 2011	Q2 2011
Gold	-	-	-	-	-	-
SDRs	-	-	-	-	-	-
Currency and deposits	-59.9	-25.8	20.6	28.5	104.0	267.5
Securities	-179.5	0.9	-13.2	85.5	-3.6	-171.4
bonds and notes	24.8	1.0	-13.2	-11.8	-4.0	-171.4
money market instruments	-204.3	-0.2	-	97.3	0.8	-
Financial derivatives	0.6	0.2	0.3	-0.3	-0.8	3.9
Other assets	28.7	-	-	-13.7	-	-
Total	-210.0	-24.8	7.7	100.0	100.0	100.0

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT AS AT 30 JUNE 2011

Foreign investment in Estonia totalled 27.4 billion euros (180% of Estonia's annual GDP) at the end of the second quarter of 2011, which is around 3% more than in the quarter before (see Table 40). Gross external debt stood at 61%, or 16.8 billion euros, of foreign investment in Estonia, having grown by 3% quarter-on-quarter. As a ratio of GDP, gross external debt did not change quarter-on-quarter and was 10% bigger than annual GDP at the end of the second quarter (see Table 41 and Figure 24). The general government debt accounted for about 5% of the gross external debt. Estonian residents' investment abroad totalled 17.5 billion euros at the end of the second quarter, having increased 6% over the quarter. Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia's net investment position was negative by 9.9 billion euros, having decreased 2% quarter-on-quarter. The net external debt (assets less liabilities) shrank by 5% from the previous quarter to 3.1 billion kroons. The ratio of net external debt to GDP was about 21%.

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

	31/03/2011	%	30/06/2011	%
EXTERNAL ASSETS	16,508.7	100.0	17,468.5	100.0
Direct investment abroad	4,643.6	28.1	4,712.7	27.0
Equity capital and reinvested earnings	3,137.8	19.0	3,281.2	18.8
Other direct investment capital	1,505.8	9.1	1,431.5	8.2
Portfolio investment	5,109.9	31.0	5,075.1	29.1
Equity securities	1,861.9	11.3	1,835.0	10.5
Debt securities	3,247.9	19.7	3,240.1	18.5
Bonds and notes	1,730.5	10.5	2,039.7	11.7
Money market instruments	1,517.4	9.2	1,200.4	6.9
Financial derivatives	31.0	0.2	31.2	0.2
Other investment	6,561.1	39.7	7,493.3	42.9
Trade credit	1,552.5	9.4	1,783.4	10.2
Loans	1,658.7	10.0	1,749.5	10.0
Long-term	1,072.3	6.5	1,036.0	5.9
Short-term	586.4	3.6	713.5	4.1
Currency and deposits	2,839.1	17.2	3,406.8	19.5
Other assets	510.7	3.1	553.6	3.2
Reserve assets	163.2	1.0	156.2	0.9
EXTERNAL LIABILITIES	26,674.8	100.0	27,386.4	100.0
Direct investment in Estonia	12,544.8	47.0	12,979.2	47.4
Equity capital and reinvested earnings	10,902.2	40.9	11,075.7	40.4
Other direct investment capital	1,642.6	6.2	1,903.5	7.0
Portfolio investment	1,444.2	5.4	1,341.0	4.9
Equity securities	921.5	3.5	811.6	3.0
Debt securities	522.7	2.0	529.4	1.9
Bonds and notes	517.7	1.9	526.2	1.9
Money market instruments	4.9	0.0	3.2	0.0
Financial derivatives	67.3	0.3	53.5	0.2
Other investment	12,618.5	47.3	13,012.7	47.5
Trade credit	1,332.8	5.0	1,419.7	5.2
Loans	3,626.1	13.6	3,504.6	12.8
Long-term	2,968.7	11.1	2,857.3	10.4
Short-term	657.4	2.5	647.3	2.4
Currency and deposits	6,864.8	25.7	7,167.8	26.2
Other liabilities	794.7	3.0	920.6	3.4
NET INVESTMENT POSITION	-10,166.1		-9,917.8	

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

	31/03/2011	%	30/06/2011	%
LIABILITIES				
I. General government	790.0	4.9	803.8	4.8
Short-term	0.1	0.0	9.8	0.1
Long-term	789.9	4.9	794.0	4.7
II. Monetary authorities (NCB)	133.2	0.8	239.5	1.4
Short-term	64.0	0.4	170.9	1.0
Long-term	69.2	0.4	68.6	0.4
III. Credit institutions	7,188.7	44.3	7,519.1	44.9
Short-term	4,116.8	25.4	4,520.0	27.0
Long-term	3,071.9	18.9	2,999.1	17.9
IV. Other sectors	5,029.2	31.0	4,979.7	29.7
Short-term	2,052.3	12.7	2,105.7	12.6
Long-term	2,976.9	18.4	2,874.0	17.2
V. Direct investment: intercompany lending	3,079.2	19.0	3,214.1	19.2
GROSS EXTERNAL DEBT	16,220.4	100.0	16,756.2	100.0
ASSETS				
I. General government	1,142.6	8.9	1,185.3	8.7
Short-term	601.6	4.7	578.4	4.2
Long-term	541.0	4.2	606.9	4.5
II. Monetary authorities (NCB)	1,200.1	9.3	1,247.7	9.2
Short-term	739.6	5.7	772.3	5.7
Long-term	460.5	3.6	475.4	3.5
III. Credit institutions	2,934.0	22.7	3,275.5	24.0
Short-term	2,144.1	16.6	2,290.9	16.8
Long-term	789.9	6.1	984.5	7.2
IV. Other sectors	4,685.8	36.3	5,172.8	38.0
Short-term	3,202.6	24.8	3,666.8	26.9
Long-term	1,483.2	11.5	1,506.0	11.1
V. Direct investment: intercompany lending	2,942.5	22.8	2,742.1	20.1
TOTAL ASSETS	12,904.9	100.0	13,623.4	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	352.6		381.5	
Short-term	601.5		568.6	
Long-term	-248.9		-187.1	
II. Monetary authorities (NCB)	1,066.9		1,008.2	
Short-term	675.6		601.4	
Long-term	391.3		406.8	
III. Credit institutions	-4,254.7		-4,243.7	
Short-term	-1,972.8		-2,229.1	
Long-term	-2,282.0		-2,014.6	
IV. Other sectors	-343.4		193.1	
Short-term	1,150.3		1,561.2	
Long-term	-1,493.7		-1,368.0	
V. Direct investment: intercompany lending	-136.8		-472.0	
TOTAL NET EXTERNAL DEBT	-3,315.4		-3,132.8	

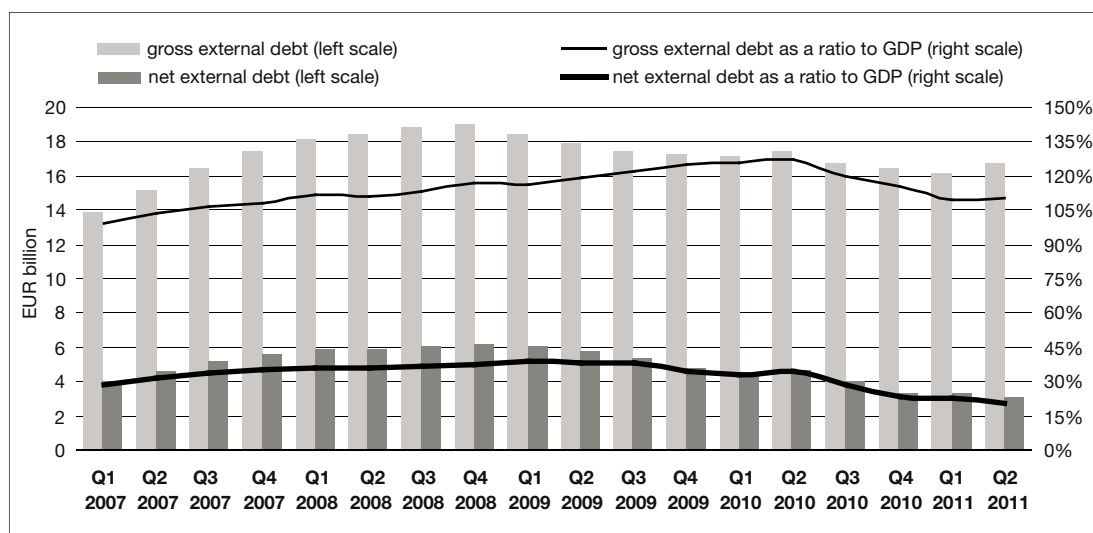


Figure 24. Estonia's gross and net external debt

The structure of **foreign investment in Estonia** did not change considerably in the second quarter. At the end of the quarter, direct investment accounted for 47% and other investment (trade credit, loans, currency and deposits) for 48% of foreign investment in Estonia, the rest being portfolio investment and financial derivatives. The direct investment position increased about 4% from the previous quarter, while the other investment position grew by 3%.

Swedish and Finnish investors made the largest investment in Estonia: 28% and 23%, 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 74% 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 44% of Finland's total position. Quarter-on-quarter, Finnish investment in real estate activities and production of beverages in Estonia picked up vigorously. Estonia also attracted investment from the Netherlands (storage, activities of head offices), the United Kingdom (financial services, electricity and gas supply) and Norway (retail trade, increasing by around four times from the first quarter). The position of direct investment in Estonia was relatively similar to the total foreign investment position (see Table 43). The top five also included Russia in the second quarter.

The structure of **Estonia's investment abroad** changed slightly: the percentages of portfolio and direct investment contracted, while the share of other investment increased. Other investment comprised 43%, portfolio investment 29% and direct investment 27% of the external asset position. Other investment growth was mainly driven by the loans of credit institutions and the trade credit of other sectors.

Estonian investors invested in a variety of countries, preferring the neighbouring countries: Lithuania (12% of total investment position abroad), Latvia (11%), Sweden (10%) and Finland (7%). The top five also included France (6%). Financial intermediaries prevailed in terms of sectors, constituting 41% of total investment position abroad. Next came 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 (32%), Latvia (26%) and Cyprus (13%).

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

Assets			Liabilities		
Fields of activity					
	31/03/2011	30/06/2011		31/03/2011	30/06/2011
Financial intermediation*	40.7	41.1	Financial intermediation*	45.7	45.4
Wholesale**	10.0	9.8	Real estate activities	7.7	8.1
Insurance***	9.8	9.5	Wholesale**	7.6	7.7
Public administration and defence; statutory social insurance	6.9	6.8	Activities of head offices; management consultancy	4.3	4.1
Activities of head offices; management consultancy	4.7	4.8	Retail trade, except motor vehicles and motorcycles	2.9	3.5
Other	27.8	28.0	Other	31.8	31.3
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/03/2011	30/06/2011		31/03/2011	30/06/2011
Lithuania	12.2	11.9	Sweden	29.9	27.7
Latvia	11.2	10.7	Finland	22.3	23.0
Sweden	8.7	9.7	Netherlands	4.9	4.4
Finland	7.4	7.2	United Kingdom	3.9	3.8
France	6.4	6.3	Norway	2.2	3.4
Other	54.1	54.2	Other	36.9	37.7
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					
	31/03/2011	30/06/2011		31/03/2011	30/06/2011
Financial intermediation*	28.0	25.9	Financial intermediation*	39.7	39.0
Real estate activities	12.9	13.9	Activities of head offices; management consultancy	15.0	14.1
Wholesale**	8.6	7.8	Water transport	12.4	11.8
Activities of head offices; management consultancy	6.7	6.4	Real estate activities	11.9	10.6
Retail trade, except motor vehicles and motorcycles	2.8	5.0	Wholesale**	5.5	8.9
Other	41.1	41.0	Other	15.7	15.6
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/03/2011	30/06/2011		31/03/2011	30/06/2011
Sweden	34.7	33.3	Lithuania	30.7	31.7
Finland	22.9	24.1	Latvia	25.5	26.4
Netherlands	9.4	8.4	Cyprus	13.0	12.6
Norway	2.5	4.9	Finland	6.3	6.3
Russia	3.5	3.4	Russia	5.6	4.3
Other	27.0	26.0	Other	18.9	18.6
Total	100.0	100.0	Total	100.0	100.0

* Excluding insurance and pension funds

** Excluding motor vehicles and motorcycles

Financial intermediaries accounted for 39% of the direct investment position abroad, followed by investors in the activities of head offices, water transport, real estate and wholesale.

Estonia's gross external debt grew by 536 million euros as a result of an increase in the short-term debt liabilities of credit institutions and the central bank. The debt liabilities of credit institutions accounted for 45% and those of other sectors for 30% of the gross external debt. The intercompany lending between direct investment companies constituted 19% and general government debt around 5% of the gross external debt. About 50% of the gross debt liabilities are related to Sweden and Finland, 58% being the debt liabilities of credit institutions. The net external debt can be mainly attributed to credit institutions and somewhat less to direct investment companies, whose debt liabilities exceeded their debt assets. The debt assets of the general government and the central bank exceeded their debt liabilities. While at the end of the first quarter the debt liabilities of other sectors slightly exceeded their debt assets, the situation was the opposite at the end of the second quarter.