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EUROSÜSTEEM

Estonia's Balance of Payments for the Second Quarter of 2013

2013

OVERVIEW

(Based on preliminary data)

The Balance of Payments

The current account was almost in balance in the second quarter of 2013 as the deficit was only 24 million euros or 0.5% of the second-quarter GDP (see Table 1 and Figure 1).

The deficit in the **trade account**, the part of the **current account** with the largest turnover, fell by one tenth from the same quarter of the previous year. Goods exports grew by 4% and imports gained 3%. Processed goods, mainly motor fuels, saw a sharp reduction in both imports and exports, and if they are taken out from foreign trade, the rise in exports was 8% and that in imports was 9%. The main contributors to the reduction in the trade account deficit were wood and wood products and various manufactured goods. The surplus from imports and exports of **services** was down a quarter on the near-record levels seen in the second quarter of last year, mainly due to a fall in the surplus from transport services. The slowdown in the net outflows of **income** that started in the third quarter of 2012 continued as income earned by non-residents in Estonia shrank while income earned abroad by residents grew. In both cases the changes were mainly related to income from direct investment and the withdrawal of dividends typical of the second quarter. As the movement towards work abroad increased, so did the labour income earned abroad. **Current transfers** received exceeded transfers made due to subsidies from the EU.

The **capital account** was in surplus by around the same amount as in the second quarter of the previous year, almost entirely in consequence of the support from the EU Structural Funds for infrastructure development.

The financial account showed that in the second quarter of 2013 the Estonian economy was a net borrower, with capital inflows exceeding outflows by 48 million euros. The main channels for the net inflow were portfolio investment and, to a smaller extent, direct investment. The drivers of the net inflow of **portfolio investments** were the general government, which sold some of its bond holdings, and the business sector, which issued bonds to cover its investment needs. **Direct investment** unusually saw the investments made by Estonian residents abroad falling rather than growing, which was a result of the significant withdrawal of profit as dividends. There was a net outflow of capital from **other investment**, mainly through credit institutions but also to a smaller extent through the central bank. In recent years credit institutions have steadily reduced their external liabilities.

By institutional sector, the general government had 317 million euros of net inflows of capital through the financial account, and the business sector had 81 million euros. Credit institutions financed the outside world with 276 million euros and the central bank with 74 million euros.

Estonia's international investment position and gross external debt

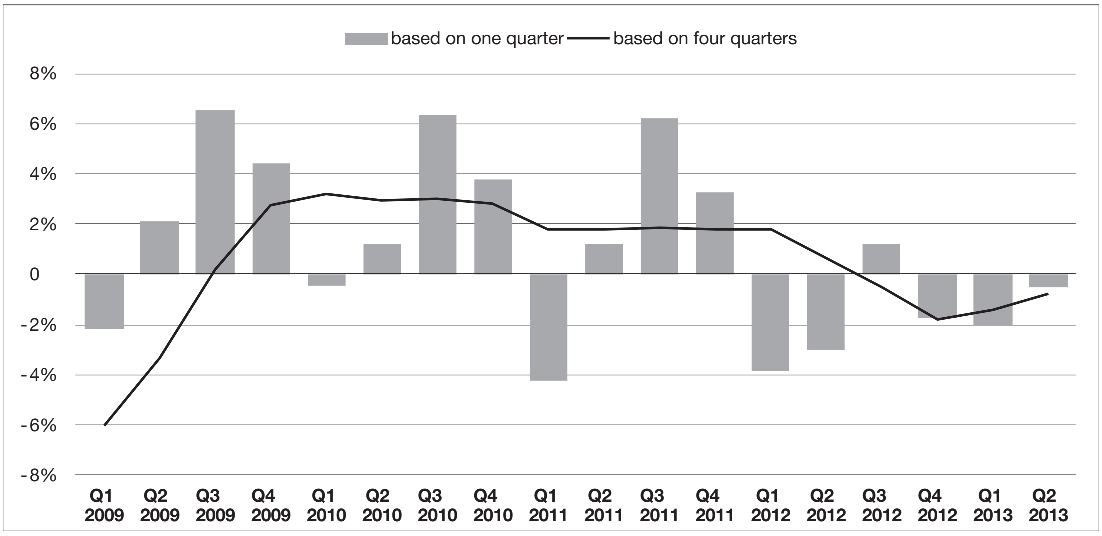
The volume and structure of the foreign investment position in Estonia and the investment position abroad from Estonia were essentially the same as at the end of the first quarter. For this reason there was no change in the net investment position (foreign assets minus foreign liabilities) and at the end of the second quarter of 2013 it was negative by 9.3 billion euros. Investments abroad by Estonian

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

Item	2011	2012					2013	
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
CURRENT ACCOUNT	**291.4**	**-153.2**	**-132.8**	**54.5**	**-78.5**	**-310.0**	**-87.7**	**-24.2**
Goods and services	994.0	48.5	173.0	225.0	-8.8	437.6	68.0	94.3
Goods	-328.0	-167.7	-231.2	-129.1	-248.1	-776.1	-166.5	-204.7
credit (f.o.b.)	12,050.3	3,005.8	3,102.0	3,306.0	3,172.7	12,586.6	2,966.3	3,213.3
debit (f.o.b.)	-12,378.3	-3,173.6	-3,333.2	-3,435.1	-3,420.9	-13,362.7	-3,132.7	-3,418.0
Services	1,322.0	216.2	404.2	354.0	239.4	1,213.8	234.4	299.0
credit	3,986.8	900.9	1,125.8	1,155.5	1,074.1	4,256.2	967.5	1,114.1
debit	-2,664.8	-684.7	-721.6	-801.5	-834.8	-3,042.5	-733.0	-815.1
Income	-956.3	-197.4	-354.0	-240.8	-194.4	-986.6	-156.0	-147.9
credit	871.4	186.4	162.0	219.7	206.7	774.7	215.3	253.1
debit	-1,827.7	-383.8	-515.9	-460.5	-401.0	-1,761.3	-371.3	-401.0
Transfers	253.6	-4.2	48.2	70.3	124.6	238.9	0.4	29.3
credit	610.3	108.0	131.2	151.5	223.4	614.1	122.6	126.7
debit	-356.7	-112.2	-83.1	-81.2	-98.7	-375.2	-122.3	-97.3
CAPITAL AND FINANCIAL ACCOUNT (reserve assets included)	**-372.4**	**3.9**	**313.6**	**117.3**	**-120.1**	**314.7**	**-31.6**	**192.9**
Capital account	669.5	93.9	137.3	191.1	184.1	606.3	106.0	145.3
Financial account (including reserve assets)	-1,041.9	-90.0	176.3	-73.7	-304.2	-291.6	-137.7	47.6
Direct investment	1,289.7	49.0	438.6	156.1	-203.9	439.8	-37.7	86.5
Abroad	1,044.8	-89.4	-102.0	-92.1	-457.2	-740.7	-111.9	31.6
In Estonia	244.9	138.4	540.6	248.2	253.2	1,180.5	74.3	54.8
Portfolio investment	1,150.9	-116.0	192.7	-245.1	68.5	-100.0	-1.0	209.3
Assets	1,031.3	-86.6	-102.2	-239.7	159.5	-269.0	10.4	65.0
Equity securities	102.0	-102.8	23.5	-5.4	-80.1	-164.7	-29.2	-153.8
Debt securities	929.3	16.2	-125.8	-234.3	239.6	-104.3	39.6	218.8
Liabilities	119.6	-29.5	294.9	-5.4	-90.9	169.1	-11.4	144.4
Equity securities	-81.2	-14.1	3.4	-8.7	-97.1	-116.5	-11.3	26.6
Debt securities	200.8	-15.4	291.5	3.3	6.1	285.5	-0.1	117.8
Financial derivatives	-39.7	26.7	12.4	21.5	7.9	68.4	2.7	-7.3
Assets	-22.8	44.1	26.4	0.2	21.9	92.6	9.2	-2.0
Liabilities	-16.9	-17.4	-14.0	21.2	-14.0	-24.2	-6.5	-5.3
Other investment	-3,429.9	3.6	-467.2	13.0	-179.6	-630.3	-79.9	-278.7
Assets	-2,151.6	-368.1	-508.9	-320.7	-470.5	-1,668.2	379.3	-448.4
Long-term	-68.7	-169.2	44.4	-60.6	-211.1	-396.5	0.4	-24.5
Short-term	-2,082.8	-198.9	-553.3	-260.2	-259.4	-1,271.7	379.0	-423.9
Liabilities	-1,278.4	371.6	41.7	333.7	290.8	1,037.9	-459.3	169.8
Long-term	-1,321.7	272.2	-478.9	164.6	480.4	438.3	-241.9	59.2
Short-term	43.4	99.5	520.6	169.1	-189.6	599.6	-217.4	110.5
Reserve assets	-12.9	-53.2	-0.2	-19.1	2.9	-69.5	-21.7	37.8
Errors and omissions	**81.1**	**149.2**	**-180.8**	**-171.8**	**198.7**	**-4.7**	**119.3**	**-168.7**
Capital and financial account without reserves	*-359.5*	*57.1*	*313.8*	*136.4*	*-123.0*	*384.3*	*-9.9*	*155.1*
Financial account without reserves	*-1,029.0*	*-36.8*	*176.5*	*-54.6*	*-307.1*	*-222.0*	*-115.9*	*9.8*

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

Figure 1. Estonia's current account in relation to GDP



residents (foreign assets) stood at 20.3 billion euros and investments in Estonia by non-residents (foreign liabilities) stood at 29.6 billion euros. About a quarter of the investments made abroad were direct investments, while half of the foreign investments in Estonia were direct investments.

Gross external debt[1] or the debt of all the economic sectors in the country was 16.5 billion euros, or 92% of Estonia's GDP for the year having grown by 2% during the quarter. The gross external debt increased owing to the general government and the business sector, but fell because of credit institutions. The general government[2] external debt was 1.4 billion euros having grown by 13% during the quarter to make up 8% of the total external debt. The net external debt (debt assets less debt liabilities) was positive for the fourth consecutive quarter, meaning that the foreign assets of the Estonian economic sectors were larger than their foreign liabilities by around 0.5 billion euros, or exactly the same amount as at the end of the previous quarter.

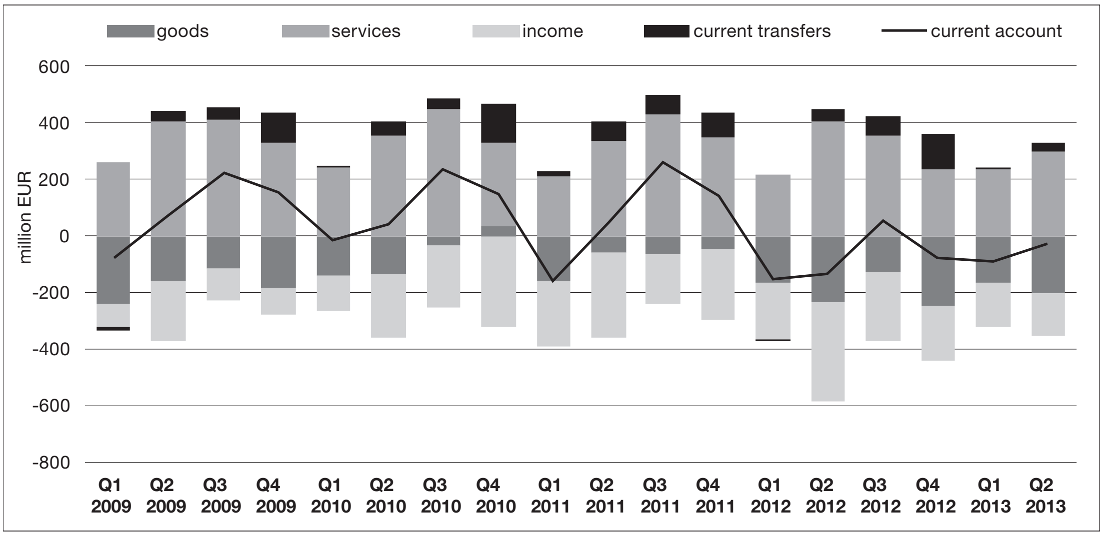
[1] The external debt does not include direct and portfolio investment in equity capital, reinvested earnings and financial derivatives.

[2] Central and local governments and social insurance funds for health and unemployment.

CURRENT ACCOUNT

The current account was almost in balance in the second quarter of 2013 as the deficit was only 24 million euros or 0.5% of the second-quarter GDP (see Figure 1). **The goods account deficit, the services surplus and the income account deficit all shrank** (see Figure 2). The main driver of the reduction in the current account deficit was a fall in the net outflow of income. The surplus on goods and services totalled 94 million euros, or 2% of the quarter's GDP, while the surplus of current transfers stood at 29 million euros. If the net outflow of reinvested earnings, which is a book value, is excluded from the income account, the current account was in surplus by 2% of GDP of the quarter, rather than in deficit.

Figure 2. Current account structure



The credit turnover in the current account was up 4% on the same quarter a year ago and the debit turnover was up 2%. The faster growth in the credit turnover was boosted by the faster growth in exports of goods than in imports of them and the faster growth of income inflows than income outflows. The share of European Union member states increased by 3-4 percentage points to 70% of credit turnover and 84% of debit turnover. The credit turnover with the European Union increased by 8% and the debit turnover by 6%. As four of Estonia's five major trade partners are not members of the euro area, the monetary union provides a much smaller proportion of the total turnover, with 33% of credit turnover and 39% of debit turnover. These figures were about the same in the second quarter of 2012. Exports to the euro area grew by 4% and imports from there by 3%. Four of the five major trade partners were the same in both in credit and debit turnover and were in the same positions, with Finland first, Sweden second, Latvia fourth and Lithuania fifth. Russia was third in credit turnover and Germany third in debit turnover. The five major partner countries accounted for 56% of the credit turnover and 54% of the debit turnover. Estonia's highest surpluses were the surplus with Russia, which had almost doubled over the year to 252 million euros (see Table 2), and that with Norway, which had grown 40% to 127 million euros. The widest deficits were 281 million euros with Germany and 231 million euros with Poland and these also grew significantly during the year.

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

	Q2 2012	Q1 2013	Q2 2013
EU-27	**-682.4**	**-589.1**	**-676.8**
Germany	-230.5	-234.9	-280.5
Poland	-136.7	-193.6	-231.1
Lithuania	-166.6	-6.6	-83.3
Finland	99.4	41.9	82.6
UK	-45.5	-49.5	-74.2
CIS	**103.2**	**177.2**	**341.8**
Russia	134.8	144.3	252.3
Uzbekistan	2.3	2.5	29.0
Kazakhstan	32.9	37.7	28.0
Other countries	**446.4**	**324.3**	**310.8**
Norway	92.0	103.1	126.9
China	-84.1	-103.7	-105.7
USA	112.5	108.3	105.7
Hong Kong	-17.5	-6.3	-27.1
Total	**-132.8**	**-87.7**	**-24.2**

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

Goods

In the second quarter of 2013 the surplus in the goods account was 12% lower than in the second quarter of the previous year, but it was 23% larger than in the first quarter and reached 205 million euros (see Table 3). Exports and imports of goods were higher than both a year earlier and a quarter earlier, with exports standing at 3.2 billion euros and imports at 3.4 billion.

According to the preliminary **foreign trade statistics**[3], goods exports totalled 3.2 billion and imports (c.i.f.) 3.5 billion euros (see Figure 3). The foreign trade deficit was 379 million euros.

Exports of goods were up on both the second quarter of 2012 and the first quarter of 2013 by a modest 2% (see Table 4). Growth in goods exports was restrained by mineral products, particularly by a sharp decline in the volume of re-exports of motor fuels that had been previously imported for processing to less than half of the level seen in the second quarter of 2012. The main contributors to the growth in exports were machinery and equipment, and wood and wood products, which saw major increases in exports from both comparison periods. Electronic goods such as mobile communications equipment, wiring systems, transformers, circuit breakers and panels made up 73% of machinery and equipment and were mainly sold to Sweden, Finland and Latvia, while road building machinery was exported to Russia. Wood and wood products like wooden houses or unprocessed or little processed wood went mainly to Scandinavia.

Exports of food products continued to increase, rising by 15% over the year. Exports of strong alcohol and beer to Russia and Finland remained in the leading position at the same level as a year earlier while

[3] The following analysis does not include the adjustments made by Eesti Pank to the goods account for repair of capital goods, goods purchased from abroad and so forth. Imports are in c.i.f. prices and are analysed by trading country.
As of the moment of accession, the terms “exports” and “imports” became applicable only 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. Exports and imports of goods

	Goods – credit (f.o.b.)			Goods – debit (f.o.b.)			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 imports of goods and services (%)	
Q1 2009	1,461.5	-28.8	67.7	1,700.4	-33.6	79.5	-239.0
Q2 2009	1,559.6	6.7	65.4	1,715.7	0.9	80.3	-156.1
Q3 2009	1,651.7	5.9	65.3	1,768.5	3.1	79.2	-116.7
Q4 2009	1,681.3	1.8	67.2	1,866.6	5.5	79.3	-185.2
2009 total	**6,354.1**	**-25.2**	**66.4**	**7,051.2**	**-33.0**	**79.6**	**-697.1**
Q1 2010	1,779.2	5.8	71.6	1,915.9	2.6	80.6	-136.6
Q2 2010	2,077.6	16.8	70.4	2,211.9	15.5	81.0	-134.3
Q3 2010	2,262.6	8.9	70.1	2,297.5	3.9	81.6	-34.8
Q4 2010	2,649.6	17.1	74.7	2,614.5	13.8	81.2	35.1
2010 total	**8,769.0**	**38.0**	**71.8**	**9,039.7**	**28.2**	**81.1**	**-270.7**
Q1 2011	2,746.4	3.7	78.2	2,904.6	11.1	83.9	-158.3
Q2 2011	3,184.3	15.9	76.2	3,242.0	11.6	83.1	-57.6
Q3 2011	3,064.4	-3.8	73.2	3,128.5	-3.5	81.9	-64.0
Q4 2011	3,055.1	-0.3	73.4	3,103.2	-0.8	80.3	-48.1
2011 total	**12,050.3**	**37.4**	**75.1**	**12,378.3**	**36.9**	**82.3**	**-328.0**
Q1 2012	3,005.8	-1.6	76.9	3,173.6	2.3	82.3	-167.7
Q2 2012	3,102.0	3.2	73.4	3,333.2	5.0	82.2	-231.2
Q3 2012	3,306.0	6.6	74.1	3,435.1	3.1	81.1	-129.1
Q4 2012	3,172.7	-4.0	74.7	3,420.9	-0.4	80.4	-248.1
2012 total	**12,586.6**	**4.5**	**74.7**	**13,362.7**	**8.0**	**81.5**	**-776.1**
Q1 2013	2,966.3	-6.5	74.3	3,132.7	-8.4	81.0	-166.4
Q2 2013	3,213.3	8.3	74.3	3,418.0	9.1	80.7	-204.7

Figure 3. Estonia's foreign trade balance

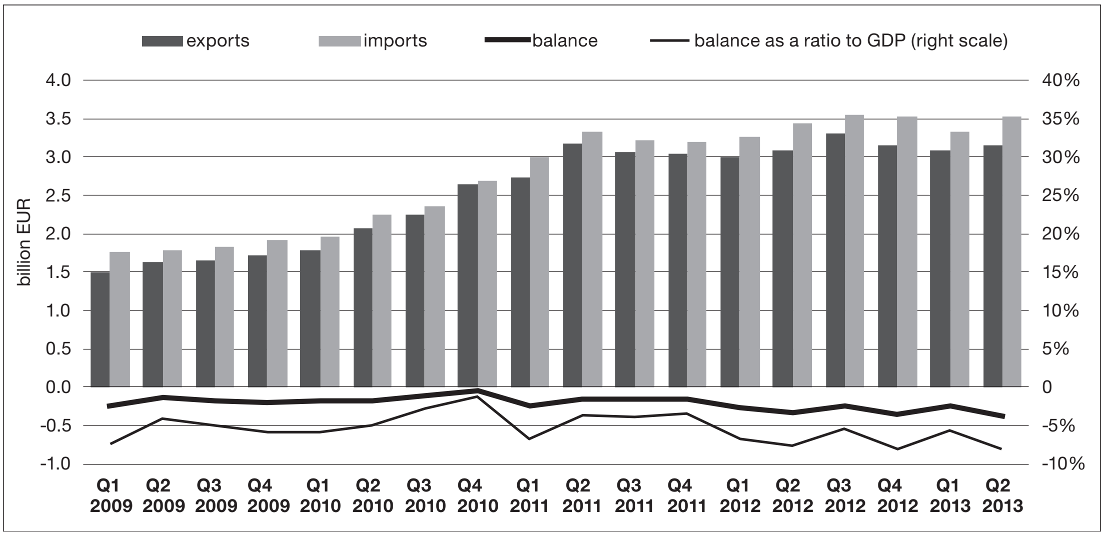


Table 4. Exports by major groups of goods

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
Food	247.8	281.8	286.0	8.0	9.1	9.1	1.5	15.4
Mineral products	445.0	331.9	314.5	14.4	10.7	10.0	-5.2	-29.3
Chemical products	245.9	275.4	277.8	8.0	8.9	8.8	0.8	13.0
Clothing, footwear and headgear	117.6	125.4	128.6	3.8	4.1	4.1	2.5	9.3
Timber, paper and products	321.6	337.2	361.6	10.4	10.9	11.5	7.2	12.4
Metals and metal products	296.9	208.1	223.0	9.6	6.7	7.1	7.2	-24.9
Machinery and equipment	891.5	862.7	932.3	28.8	27.9	29.5	8.1	4.6
Transport vehicles	171.4	295.1	189.8	5.5	9.6	6.0	-35.7	10.7
Furniture, toys, sporting goods	215.6	206.9	236.6	7.0	6.7	7.5	14.4	9.7
Other	137.2	164.2	205.0	4.4	5.3	6.5	24.8	49.4
Total	**3,090.5**	**3,088.9**	**3,155.2**	**100.0**	**100.0**	**100.0**	**2.1**	**2.1**

exports of dairy and fish products to Lithuania, Latvia and Russia grew strongly. Growing exports of chemical products (building materials, plastic products and nitrogenous fertilisers) to Russia, Latvia, Lithuania and Finland also had a positive impact on total exports. However, exports of metal products were much lower than a year earlier though iron constructions and other iron and steel products were sold to Finland, Turkey, Latvia, Sweden and Russia. Exports of transport vehicles, which had increased sharply in the first quarter due to the cross-border transfer of two large passenger ferries, returned to their normal level. Cars, car parts and trailers were mainly exported to neighbouring countries. Various textile and footwear products and other industrial goods such as gold and jewellery and medical equipment went to Russia, Finland, Latvia, Sweden and Cyprus.

Goods imports growth from both comparison periods was affected most by machinery and equipment, and food and chemical products, while imports of mineral products in the form of motor fuel for processing from Russia were down by a large amount, particularly in comparison to the second quarter of 2012 (see Table 5). The main items of machinery and equipment imported were for the production of electronics and came from Sweden, Germany, Finland and Poland. Various food products including alcoholic drinks,

Table 5. Imports by major groups of goods

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
Food	338.4	329.2	375.3	9.9	9.9	10.6	14.0	10.9
Mineral products	535.5	454.3	445.6	15.6	13.6	12.6	-1.9	-16.8
Chemical products	438.8	437.5	459.2	12.8	13.1	13.0	5.0	4.6
Clothing, footwear and headgear	168.5	198.8	176.3	4.9	6.0	5.0	-11.3	4.6
Timber, paper and products	148.0	147.9	157.1	4.3	4.4	4.4	6.2	6.1
Metals and metal products	291.5	251.3	253.1	8.5	7.5	7.2	0.7	-13.2
Machinery and equipment	952.7	906.5	1,050.8	27.8	27.2	29.7	15.9	10.3
Transport vehicles	347.4	384.0	363.3	10.1	11.5	10.3	-5.4	4.6
Furniture, toys, sporting goods	68.9	71.1	79.2	2.0	2.1	2.2	11.4	15.0
Other	136.8	151.4	174.6	4.0	4.5	4.9	15.4	27.6
Total	**3,426.6**	**3,332.0**	**3,534.5**	**100.0**	**100.0**	**100.0**	**6.1**	**3.2**

meat, chocolate and ready-to-eat pet food and chemical products such as medicines, car tyres, plastic products and pesticides were imported from Latvia, Lithuania, Finland, Poland, the Netherlands and Germany. In the transport vehicles category cars and goods vehicles were imported from Sweden, Germany, Latvia and France, while a ferry came from Finland and railway carriages from Poland. Various iron and steel products were bought from Finland, Sweden, Germany and Poland, and light industrial products such as ready-to-wear clothes, fabrics and footwear from Finland, Latvia, Germany, Italy and China. Little-processed wood products, veneers and paper products were bought from Russia, Latvia and Finland.

The foreign trade deficit increased both quarter-on-quarter and year-on-year, to stand at 379 million euros (see Table 6). Chemical products, transport vehicles and mineral products had the largest deficits on the goods account while wood and wood products and other manufactured goods posted the largest surpluses.

By **groups of countries, exports of goods** to the European Union were slightly down on the previous quarter but had climbed from the level of the second quarter of 2012 (see Table 7). Exports to Sweden, Latvia, Lithuania and Germany grew steadily and only those to Finland saw a decline from the previous quarter. This is a consequence of the very large one-off sale of passenger ferries in the first quarter of 2013. Russia was the leader amongst CIS countries and was in third place as a trading partner for total exports. Norway and the USA dominated among other countries. **Imports of goods** from EU countries and other countries grew and those from CIS countries fell (see Table 8). **Foreign trade** was in deficit only with the European Union (see Table 9). The largest trade surpluses were with Russia, Sweden, Norway and the USA, and the largest deficits were with Poland, Germany, Lithuania and China.

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

	Q2 2012	Q1 2013	Q2 2013
Food	-90.6	-47.4	-89.3
Mineral products	-90.5	-122.4	-131.0
Chemical products	-193.0	-162.1	-181.4
Clothing, footwear and headgear	-50.9	-73.4	-47.7
Timber, paper and products	173.6	189.3	204.5
Metals and metal products	5.4	-43.2	-30.0
Machinery and equipment	-61.2	-43.8	-118.5
Transport vehicles	-175.9	-88.9	-173.5
Furniture, toys, sporting goods	146.7	135.8	157.4
Other	0.4	12.9	30.4
Total	**-336.1**	**-243.1**	**-379.3**

Table 7. Exports of goods by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
EU-27	**2,030.6**	**2,245.5**	**2,200.8**	**65.7**	**72.7**	**69.8**	**-2.0**	**8.4**
Sweden	496.6	510.9	549.5	16.1	16.5	17.4	7.5	10.6
Finland	478.7	585.2	480.6	15.5	18.9	15.2	-17.9	0.4
Latvia	262.3	297.6	303.7	8.5	9.6	9.6	2.1	15.8
Lithuania	172.2	188.6	191.5	5.6	6.1	6.1	1.5	11.2
Germany	139.3	134.6	142.6	4.5	4.4	4.5	5.9	2.4
CIS	**434.4**	**349.0**	**431.8**	**14.1**	**11.3**	**13.7**	**23.7**	**-0.6**
Russia	353.7	291.9	372.3	11.4	9.4	11.8	27.5	5.3
Ukraine	30.0	24.9	25.5	1.0	0.8	0.8	2.8	-14.7
Kazakhstan	28.0	14.0	13.7	0.9	0.5	0.4	-2.2	-51.3
Other	**625.4**	**494.4**	**522.6**	**20.2**	**16.0**	**16.6**	**5.7**	**-16.4**
Norway	107.7	110.2	122.8	3.5	3.6	3.9	11.5	14.0
USA	103.7	99.7	101.3	3.4	3.2	3.2	1.6	-2.3
Turkey	42.7	29.4	35.1	1.4	1.0	1.1	19.3	-17.9
Total	**3,090.5**	**3,088.9**	**3,155.2**	**100.0**	**100.0**	**100.0**	**2.1**	**2.1**

Table 8. Imports of goods by groups of countries*

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
EU-27	**2,680.0**	**2,698.0**	**2,946.8**	**78.2**	**81.0**	**83.4**	**9.2**	**10.0**
Finland	483.3	558.6	510.1	14.1	16.8	14.4	-8.7	5.5
Sweden	348.3	341.7	381.4	10.2	10.3	10.8	11.6	9.5
Germany	357.3	331.0	365.5	10.4	9.9	10.3	10.4	2.3
Latvia	320.8	312.7	325.4	9.4	9.4	9.2	4.1	1.4
Lithuania	269.5	285.2	315.4	7.9	8.6	8.9	10.6	17.0
CIS	**426.5**	**305.3**	**240.0**	**12.4**	**9.2**	**6.8**	**-21.4**	**-43.7**
Russia	282.2	247.9	196.6	8.2	7.4	5.6	-20.7	-30.3
Ukraine	73.3	24.2	21.5	2.1	0.7	0.6	-11.2	-70.6
Belarus	62.4	29.8	20.0	1.8	0.9	0.6	-32.8	-67.9
Other	**320.0**	**328.7**	**347.7**	**9.3**	**9.9**	**9.8**	**5.8**	**8.6**
China	111.1	127.5	123.0	3.2	3.8	3.5	-3.5	10.7
USA	30.5	32.7	37.7	0.9	1.0	1.1	15.3	23.6
Hong Kong	24.8	24.4	31.8	0.7	0.7	0.9	30.4	28.1
Total	**3,426.6**	**3,332.0**	**3,534.5**	**100.0**	**100.0**	**100.0**	**6.1**	**3.2**

* Analysed by trading country.

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

	Q2 2012	Q1 2013	Q2 2013
EU-27	-649.4	-452.4	-746.0
CIS	7.9	43.6	191.8
Other	305.4	165.7	174.9
Total	**-336.1**	**-243.1**	**-379.3**

Services

The surplus on the services account was a quarter below its record level of the second quarter of 2012 and stood at 299 million euros (see Table 10). The services surplus was equal to about 6% of the quarter's GDP, having fallen by 3 percentage points year-on-year (see Figure 4). Exports and imports of services have been stable in recent quarters as a share of total exports and imports, accounting for 25-26% of exports and 18-19% of imports. EU member states took 65% of the exports of services, which was 4 percentage points less than a year before, but they supplied 80% of the services bought, which was a little more than in the second quarter of 2012. The five main trading partners for services have also remained relatively stable. The main partners for exports of services were Finland, Russia, Sweden, the UK and Latvia, and they took a total of 55% of all exports. Services were mainly purchased from Finland, Sweden, Latvia, Germany and the UK, which together supplied 47% of the total. The balance for services was positive with the majority of trade partners. The largest surplus was of 168 million euros with Finland, though this was 17% lower than a year previously, while the highest deficit was of 61 million euros with Germany, and this grew fourfold over the year.

The main cause of the decline in the **surplus on the services account** was the fall of one third in the surplus from transport services, with surpluses in passenger transport and other transport services falling (see Table 11). Goods transport remained in deficit for a fourth consecutive quarter. Transport services were responsible for one third of the fall in the services surplus. There was also a fall

Table 10. Exports and imports of services

	Exports			Imports			Balance	
	Volume (EUR m)	Change from previous period (%)	Share in total turnover of goods and services (%)	Volume (EUR m)	Change from previous period (%)	Share in total turnover of goods and services (%)	Volume (EUR m)	Change from previous period (%)
Q1 2009	696.7	-25.2	32.3	-437.2	-27.0	20.5	259.6	-22.0
Q2 2009	824.2	18.3	34.6	-420.2	-3.9	19.7	403.9	55.6
Qv 2009	876.5	6.4	34.7	-464.1	10.4	20.8	412.4	2.1
Q4 2009	821.8	-6.2	32.8	-488.4	5.2	20.7	333.5	-19.1
2009 total	**3,219.3**	**-10.6**	**33.6**	**-1,809.9**	**-20.8**	**20.4**	**1,409.4**	**7.1**
Q1 2010	704.7	-14.2	28.4	-462.5	-5.3	19.4	242.2	-27.4
Q2 2010	872.1	23.7	29.6	-517.3	11.9	19.0	354.8	46.5
Q3 2010	966.5	10.8	29.9	-517.1	0.0	18.4	449.4	26.7
Q4 2010	898.0	-7.1	25.3	-605.2	17.0	18.8	292.8	-34.8
2010 total	**3,441.4**	**6.9**	**28.2**	**-2,102.1**	**16.1**	**18.9**	**1,339.3**	**-5.0**
Q1 2011	767.2	-14.6	21.8	-557.0	-8.0	16.1	210.1	-28.2
Q2 2011	992.8	29.4	23.8	-657.3	18.0	16.9	335.5	59.7
Q3 2011	1,119.5	12.8	26.8	-690.8	5.1	18.1	428.7	27.8
Q4 2011	1,107.4	-1.1	26.6	-759.7	10.0	19.7	347.6	-18.9
2011 total	**3,986.8**	**15.8**	**24.9**	**-2,664.8**	**26.8**	**17.7**	**1,322.0**	**-1.3**
Q1 2012	900.9	-18.6	23.1	-684.7	-9.9	17.7	216.2	-37.8
Q2 2012	1,125.8	25.0	26.6	-721.6	5.4	17.8	404.2	86.9
Q3 2012	1,155.5	2.6	25.9	-801.5	11.1	18.9	354.0	-12.4
Q4 2012	1,074.1	-7.0	25.3	-834.8	4.2	19.6	239.4	-32.4
2012 total	**4,256.2**	**6.8**	**25.3**	**-3,042.5**	**14.2**	**18.5**	**1,213.8**	**-8.2**
Q1 2013	967.5	-9.9	24.6	-733.0	-12.2	19.0	234.4	-2.1
Q2 2013	1,114.1	15.2	25.7	-815.1	11.2	19.3	299.0	27.6

Figure 4. Services account

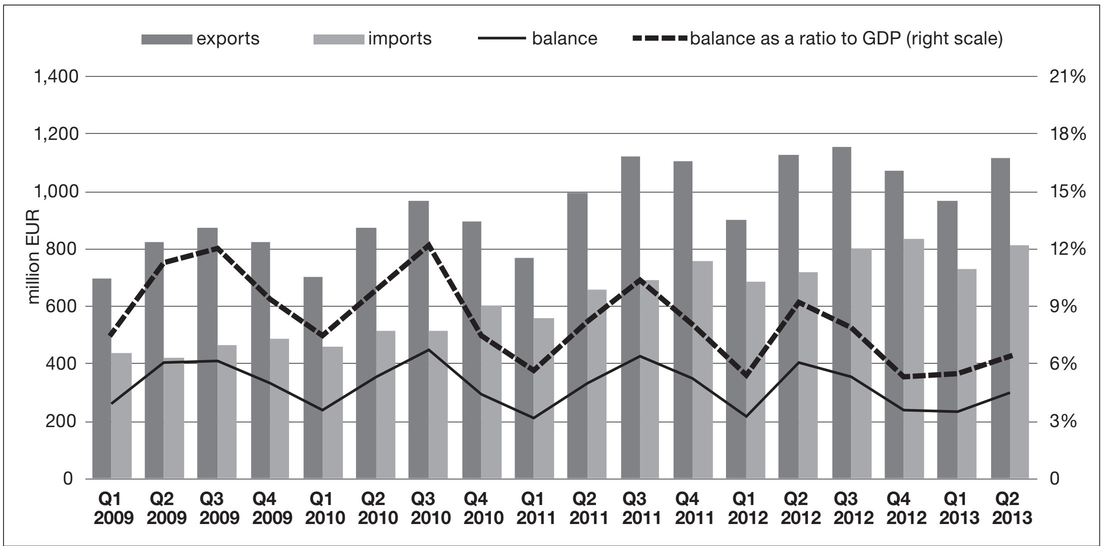


Table 11. Services balance by major categories

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
Transport	151.9	98.7	102.0	37.6	42.1	34.1	3.3	-32.9
transport of goods	9.9	-9.6	-5.9	2.5	-4.1	-2.0	-38.1	-159.8
transport of passengers	46.6	25.8	33.1	11.5	11.0	11.1	28.5	-28.9
other transport services	95.3	82.5	74.8	23.6	35.2	25.0	-9.4	-21.6
Travel	145.2	17.7	127.0	35.9	7.5	42.5	618.4	-12.5
Construction services	4.1	13.0	-9.9	1.0	5.6	-3.3	-176.3	-339.6
Computer and information services	36.6	22.8	13.8	9.0	9.7	4.6	-39.4	-62.3
Other business services	59.1	88.8	70.2	14.6	37.9	23.5	-21.0	18.7
Government services	3.6	3.2	2.3	0.9	1.4	0.8	-27.7	-34.5
Other	3.8	-9.7	-6.3	0.9	-4.1	-2.1	-35.0	-267.3
Total	**404.2**	**234.4**	**299.0**	**100.0**	**100.0**	**100.0**	**27.6**	**-26.0**

in the surplus on travel services, which is the second largest type of services. Despite this, travel services made the largest contribution to the services surplus, providing 43% of it. Other business services[4], the third most important group of services, saw its surplus increase. One cause of this was the reclassification of some computer and information technology companies as other business services under research and development activity. This resulted in a fall in the surplus from computer and information services. Construction services saw its earlier surplus turned into a deficit.

Services exports declined by 1% from the same quarter of the year before while imports grew (see Table 12). Despite falling somewhat, the volume of exports was still among the largest ever at 1.1 billion euros. The share of transport services in the structure of services exports fell slightly, while that of travel and other business services increased. The three types of service together made up 84% of exports of

[4] Other business services include trade services, operational lease, legal assistance, accounting, management consulting, scientific and technical services and other professional services.

Table 12. Services exports by major categories

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
Transport	431.8	389.4	411.9	38.4	40.2	37.0	5.8	-4.6
transport of goods	203.2	195.0	210.7	18.0	20.2	18.9	8.0	3.7
transport of passengers	78.9	57.1	69.0	7.0	5.9	6.2	20.7	-12.7
other transport services	149.7	137.3	132.2	13.3	14.2	11.9	-3.7	-11.7
Travel	292.5	180.5	310.6	26.0	18.7	27.9	72.1	6.2
Construction services	56.3	50.7	55.3	5.0	5.2	5.0	9.1	-1.7
Computer and information services	63.3	60.5	51.0	5.6	6.3	4.6	-15.7	-19.4
Other business services	202.8	217.5	213.0	18.0	22.5	19.1	-2.1	5.0
Government services	9.6	8.4	9.6	0.9	0.9	0.9	13.5	-0.7
Other	69.5	60.4	62.8	6.2	6.2	5.6	3.8	-9.7
Total	**1,125.8**	**967.5**	**1,114.1**	**100.0**	**100.0**	**100.0**	**15.2**	**-1.0**

services. Exports of transport services shrank by around 5%, mainly due to the drop in exports of passenger transport and other transport services. Exports of travel services increased by 6%. The growth in exports of other business services and the fall in exports of computer and information services was largely a result of the reclassification described earlier.

European Union countries bought 65% of the services sold, with Finland in the lead (see Table 13). The fall in total exports of services was caused by lower exports to European Union countries including Finland. Finland took 27% of the services exported, of which 48% were travel services, 25% were transport services, 15% were other business services and 8% were construction services. There was a fall of one tenth in the provision of transport services to Finland and of one fifth in the provision of construction services. Communication services drove exports to Sweden, transport services and computer and information services those to the UK, and other business services, mostly trade services, those to Lithuania. The decline in exports to Latvia was mostly caused by the drop in exports of transport services, communication services and other business services. Sales of services to CIS countries grew by more than

Table 13. Services exports by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
EU-27	**770.9**	**569.9**	**724.8**	**68.5**	**58.9**	**65.1**	**27.2**	**-6.0**
Finland	303.9	221.0	296.2	27.0	22.8	26.6	34.0	-2.5
Sweden	89.6	68.1	95.3	8.0	7.0	8.5	39.9	6.3
UK	54.7	31.3	64.1	4.9	3.2	5.8	104.8	17.3
Latvia	64.1	54.5	53.6	5.7	5.6	4.8	-1.6	-16.4
Lithuania	30.3	69.5	39.9	2.7	7.2	3.6	-42.6	31.5
CIS	**145.6**	**170.0**	**185.0**	**12.9**	**17.6**	**16.6**	**8.8**	**27.0**
Russia	110.6	133.0	102.3	9.8	13.7	9.2	-23.1	-7.5
Ukraine	8.5	-6.9	24.5	0.8	-0.7	2.2	-455.1	188.2
Other	**209.3**	**227.5**	**204.4**	**18.6**	**23.5**	**18.3**	**-10.1**	**-2.3**
USA	42.0	43.6	49.0	3.7	4.5	4.4	12.5	16.7
Norway	26.5	31.2	41.6	2.4	3.2	3.7	33.1	56.7
Switzerland	43.5	36.5	39.8	3.9	3.8	3.6	9.1	-8.5
Total	**1,125.8**	**967.5**	**1,114.1**	**100.0**	**100.0**	**100.0**	**15.2**	**-1.0**

a quarter following increased sales of services to Ukraine and Uzbekistan. The majority of exports of services to the CIS went to Russia, and the total volume of these exports was 8% smaller than in the second quarter of last year. This reduction came mainly in other business services, notably trading services, while sales of transport and travel services to Russia increased. Exports of services to the group of other countries fell slightly, though they grew strongly to the USA and Norway. Exports to the USA mainly grew in research and development services, and to a smaller extent in trade services, while growth in exports to Norway came mainly from construction services and other business services, notably trading services and architectural, design and other technical services.

Services imports increased by 13% from the same quarter of 2012 and totalled 815 million euros, also one of the highest figures ever recorded (see Table 14). In contrast to exports, all the main service types saw an increase in imports, with computer and information services, travel services and construction services growing at an accelerated rate. The structure of services imports has been relatively stable and the largest import items were transport services with 38% of total services imports, travel services with 23% and other business services with 18%.

Table 14. Services imports by major categories

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
Transport	279.9	290.7	309.9	38.8	39.7	38.0	6.6	10.7
transport of goods	193.2	204.6	216.6	26.8	27.9	26.6	5.9	12.1
transport of passengers	32.4	31.3	35.8	4.5	4.3	4.4	14.3	10.7
other transport services	54.3	54.8	57.5	7.5	7.5	7.1	4.9	5.7
Travel	147.3	162.8	183.5	20.4	22.2	22.5	12.7	24.6
Construction services	52.1	37.7	65.3	7.2	5.1	8.0	73.1	25.2
Computer and information services	26.7	37.8	37.2	3.7	5.2	4.6	-1.4	39.3
Other business services	143.7	128.7	142.8	19.9	17.6	17.5	11.0	-0.6
Government services	6.1	5.2	7.2	0.8	0.7	0.9	39.1	19.1
Other	65.7	70.2	69.1	9.1	9.6	8.5	-1.5	5.1
Total	**721.6**	**733.0**	**815.1**	**100.0**	**100.0**	**100.0**	**11.2**	**13.0**

EU countries provided 80% of the imports purchased, and the volume of these purchases was 16% more than a year earlier (see Table 15). The main partner for imports was Finland, which saw sales of services, mainly construction services, increase by one quarter. Transport and travel services led the growth in imports of services from Sweden, and transport services led for the UK. There was a fall in imports from Germany, mainly due to construction services. Imports of services from CIS countries fell by one fifth and this was mainly due to a fall in transport services purchased from Russia. A total of 20% more services were bought from other countries than in the second quarter of 2012. The main suppliers of these services were Norway, China and the United States. Norway mainly sold travel services, China transport services and the USA transport and travel services.

The surplus on **transport services**, which is the most important service type on the Estonian balance of payments' services account, fell by a third from the same quarter a year ago to 102 million euros (see Tables 11, 12 and 14 and Figures 5 and 6). The three sub-accounts for transport services – freight transport, passenger transport and other transport services – have long been in surplus, though since the third quarter of 2012 purchases of freight transport services have been slightly higher than sales. The

Table 15. Services imports by groups of countries

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
EU-27	**565.3**	**583.5**	**653.7**	**78.3**	**79.6**	**80.2**	**12.0**	**15.6**
Finland	102.6	106.9	128.6	14.2	14.6	15.8	20.3	25.4
Sweden	67.6	70.0	75.9	9.4	9.5	9.3	8.5	12.3
Latvia	64.5	60.4	67.0	8.9	8.2	8.2	10.8	3.8
Germany	69.7	54.7	63.7	9.7	7.5	7.8	16.4	-8.6
UK	39.8	40.9	44.7	5.5	5.6	5.5	9.2	12.3
CIS	**64.5**	**43.9**	**51.7**	**8.9**	**6.0**	**6.3**	**17.7**	**-19.9**
Russia	50.1	31.1	37.1	6.9	4.2	4.5	19.1	-25.9
Belarus	5.4	5.4	6.1	0.7	0.7	0.8	13.4	13.8
Other	**91.8**	**105.6**	**109.7**	**12.7**	**14.4**	**13.5**	**3.8**	**19.5**
Norway	18.5	14.8	17.3	2.6	2.0	2.1	17.2	-6.2
China	14.2	15.6	16.1	2.0	2.1	2.0	3.2	13.5
USA	13.9	14.3	14.5	1.9	2.0	1.8	1.6	4.8
Total	**721.6**	**733.0**	**815.1**	**100.0**	**100.0**	**100.0**	**11.2**	**13.0**

Figure 5. Transport services

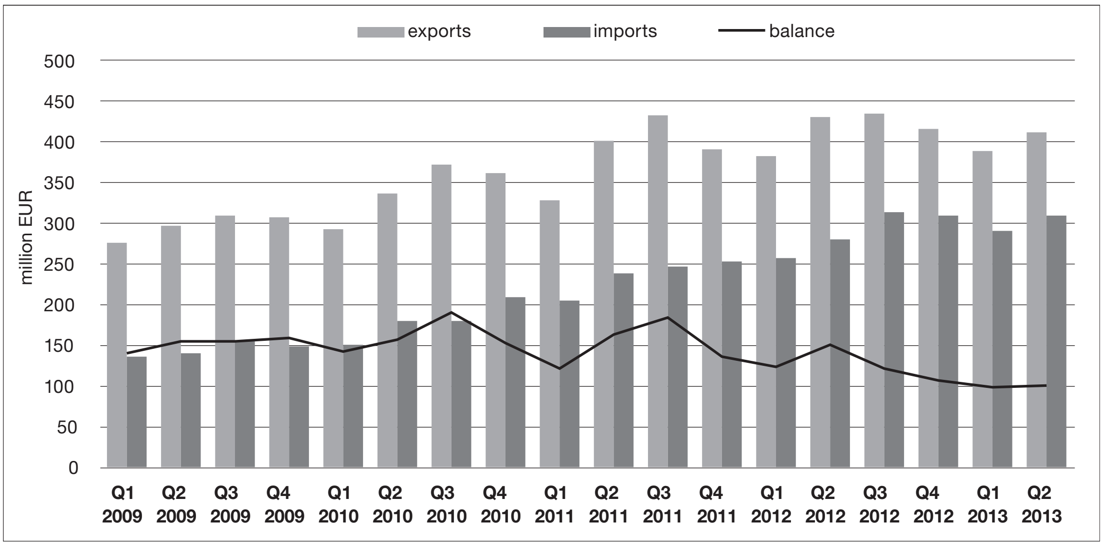
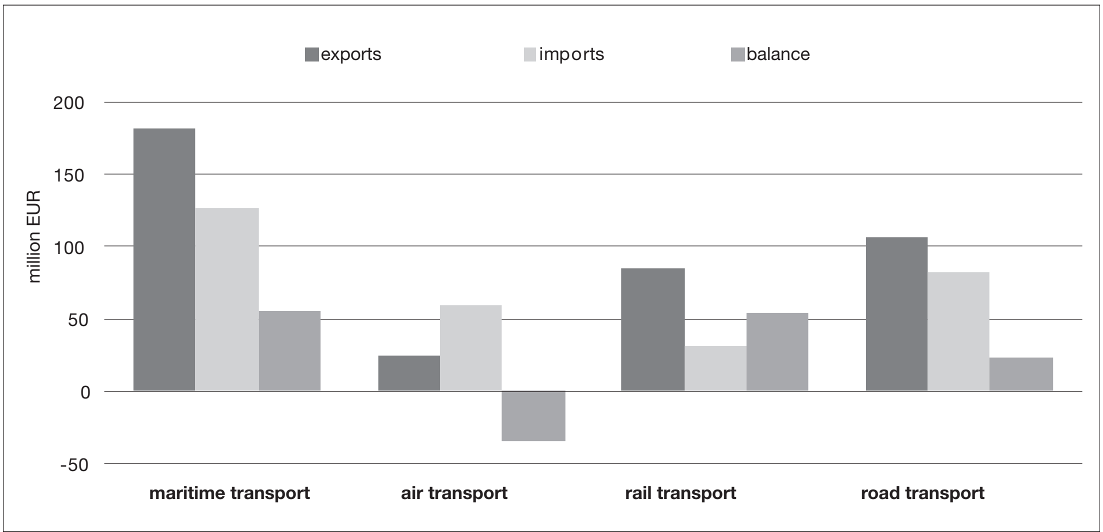


Figure 6. Transport services structure in Q2 2013 by transport type



surpluses in passenger transport and other transport services have decreased. Across different types of transport, maritime and rail transport contributed most to the surplus, with roughly equal amounts, while road transport contributed less (see Figure 6). Imports of air transport exceeded exports of it.

Exports of **transport services** fell by 5% to 412 million euros. Half of this amount was freight transport, one third was other transport services, and the rest was passenger transport. Exports of freight transport increased slightly, while those of passenger transport and other transport services declined. Exports of transport services via maritime, road and air transport remained at about the level of the same quarter in the previous year, but there was a fall of more than one fifth in exports by rail. European Union countries consumed 63% of the transport services, and the volume of these services was 3% smaller than in the second quarter of 2012 (see Table 16). CIS countries took 17% of total exports

Table 16. Transport services by groups of countries in Q2 2013

	Exports				Imports		
	Volume (EUR m)	Share (%)	Change (%), Q2 2013/ Q2 2012		Volume (EUR m)	Share (%)	Change (%), Q2 2013/ Q2 2012
EU-27	**258.2**	**62.7**	**-3.3**	**EU-27**	**246.6**	**79.6**	**17.9**
Finland	73.3	17.8	-11.6	Finland	39.3	12.7	30.0
Sweden	40.3	9.8	5.5	Sweden	39.0	12.6	17.3
UK	32.6	7.9	40.2	Germany	26.6	8.6	-0.1
Latvia	23.8	5.8	-13.8	Poland	20.3	6.6	55.3
Germany	16.5	4.0	-2.7	Latvia	18.3	5.9	-12.1
CIS	**69.0**	**16.8**	**6.6**	**CIS**	**21.3**	**6.9**	**-36.1**
Russia	58.4	14.2	4.3	Russia	12.7	4.1	-51.1
Belarus	4.7	1.1	46.4	Belarus	4.2	1.4	23.8
Other	**84.7**	**20.6**	**-15.4**	**Other**	**42.0**	**13.6**	**12.3**
Switzerland	31.2	7.6	-5.3	China	12.8	4.1	4.1
British Virgin Islands	17.7	4.3	-31.5	Norway	3.7	1.2	-5.8
Norway	8.4	2.0	22.1	USA	3.5	1.1	40.9
Total	**411.9**	**100.0**	**-4.6**	**Total**	**309.9**	**100.0**	**10.7**

of transport services, with Russia accounting for the majority, while other countries took a fifth of total exports. The two main purchasers of transport services remained Finland and Russia.

Imports of transport services increased by 11% to 310 million euros, of which freight transport accounted for 70%. This is largely a consequence of the dynamics of imports and of the need to buy in transport services to deliver those imports. The largest growth by volume was in imports of freight transport, followed by passenger transport and other transport services. Imports of maritime transport services increased by close to 40% and those by road increased by some 20%, but imports of rail transport services fell by one fifth and imports of air transport services also fell slightly. As the majority of goods are imported to Estonia from the European Union, 80% of imported transport services also came from there, which was almost a fifth more by volume than a year earlier. Imports of transport services from Russia fell by a half and the largest suppliers of transport services were Finland and Sweden.

There was a surplus of 127 million euros in **travel services**, but this was 13% lower than in the second quarter of 2012 as a result of much faster growth in imports of travel services than in exports (see Figure 7).

Exports of travel services amounted to 311 million euros, having increased 6% year-on-year (see Table 17). Estonia played host to 1.6 million visitors, 47% of whom stayed longer than one day. Some 71% of the visitors were from the countries neighbouring Estonia, namely Finland, Russia, Latvia and Sweden (see Figure 8). Cruise passengers started to arrive in the second quarter, meaning that single-day visitors were in the majority among visitors from the USA, Germany and Spain. While the visitors from the majority of large EU countries spent less money in Estonia than a year ago, the visitors from Finland spent 6% more. One reason for this may be that Estonians who have become long-term residents of Finland are considered as non-residents of Estonia under the methodology used for calculating visitors for the balance of payments and their spending in Estonia is considered as an export of travel services. The growth of 45% from the same time last year in exports of travel services to Russia is also worthy of particular note. Imports of travel services stood at 184 million euros in the second quarter, which was

Figure 7. Travel services

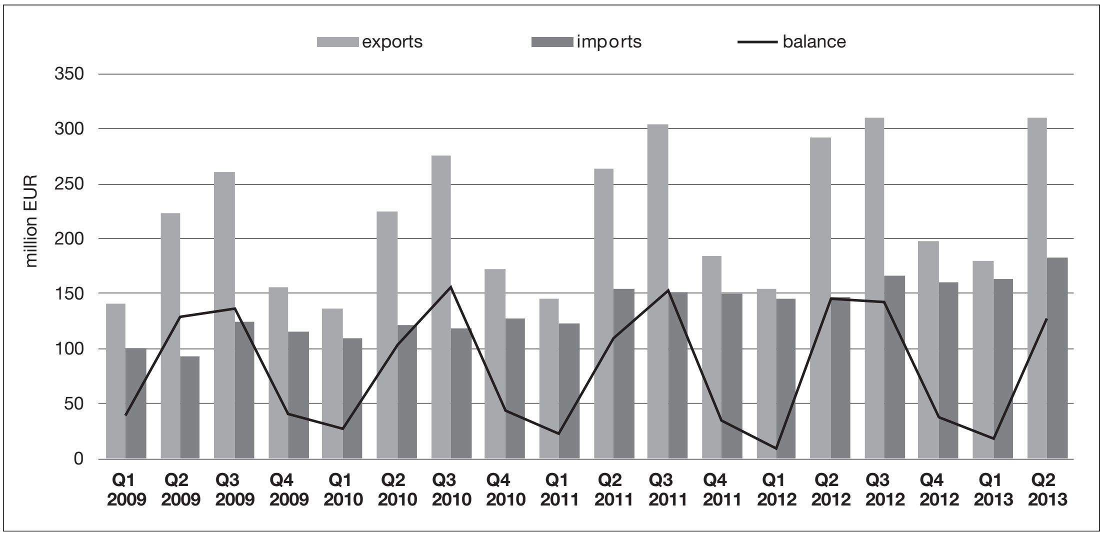
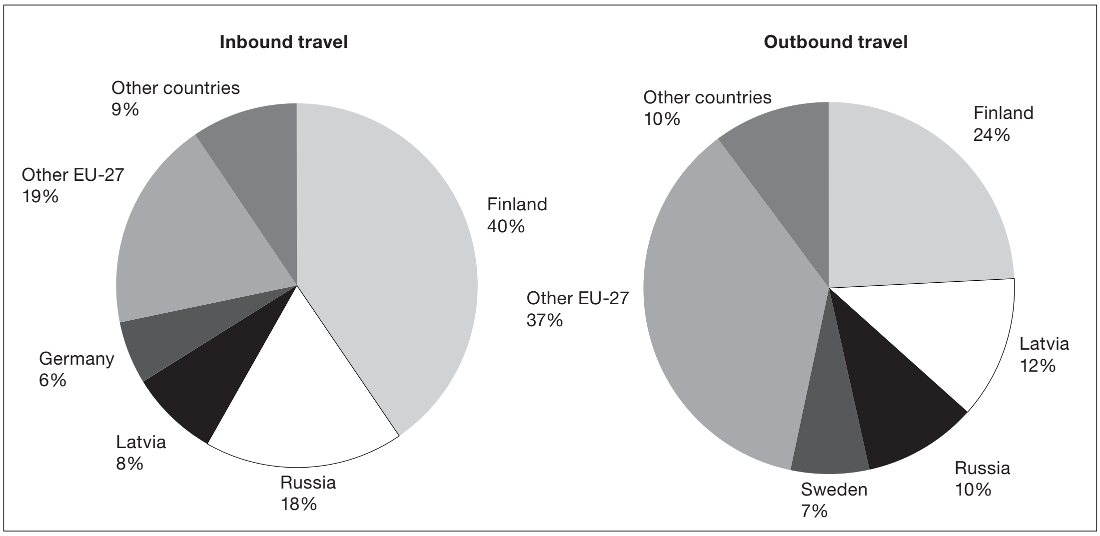


Table 17. Travel services by groups of countries in Q2 2013*

	Exports				Imports		
	Volume (EUR m)	Share (%)	Change (%), Q2 2013/ Q2 2012		Volume (EUR m)	Share (%)	Change (%), Q2 2013/ Q2 2012
EU-27	**240.8**	**77.5**	**2.1**	**EU-27**	**130.9**	**71.3**	**24.5**
Finland	141.9	45.7	5.9	Finland	38.4	20.9	9.2
Germany	20.6	6.6	-6.9	Latvia	16	8.7	37.3
Sweden	19.8	6.4	-2.6	Sweden	9.6	5.2	61.9
UK	10.1	3.3	-14.8	Germany	9.3	5.1	30.3
CIS	**41.2**	**13.3**	**45.9**	**CIS**	**15.7**	**8.6**	**12.0**
Russia	37.9	12.2	45.2	Russia	13.5	7.4	13.1
Other	**28.5**	**9.2**	**0.7**	**Other**	**36.9**	**20.1**	**30.8**
Norway	7.2	2.3	-4.4	Norway	10.6	5.8	28.2
USA	6.3	2.0	-27.2	Turkey	8.9	4.8	45.5
Total	**310.6**	**100.0**	**6.2**	**Total**	**183.5**	**100.0**	**24.6**

* Data from Eesti Pank, OÜ Positium LBS and Statistics Estonia

Figure 8. International travel statistics by countries in Q2 2013



25% more than in the same quarter of 2012. Estonian residents made 930,000 trips abroad, visiting single or multiple countries. Single day trips made up 25% of all visits and the most popular destinations were Finland, Russia and Latvia. The spread of destinations for Estonian trips is more evenly distributed than the spread of source countries for incoming visitors (see Figure 8). European Union countries hosted 73% of total visits made, and 78% of the imports of travel services by residents of Estonia came from there. Spain, Italy and Turkey remained the most popular holiday destinations.

Income

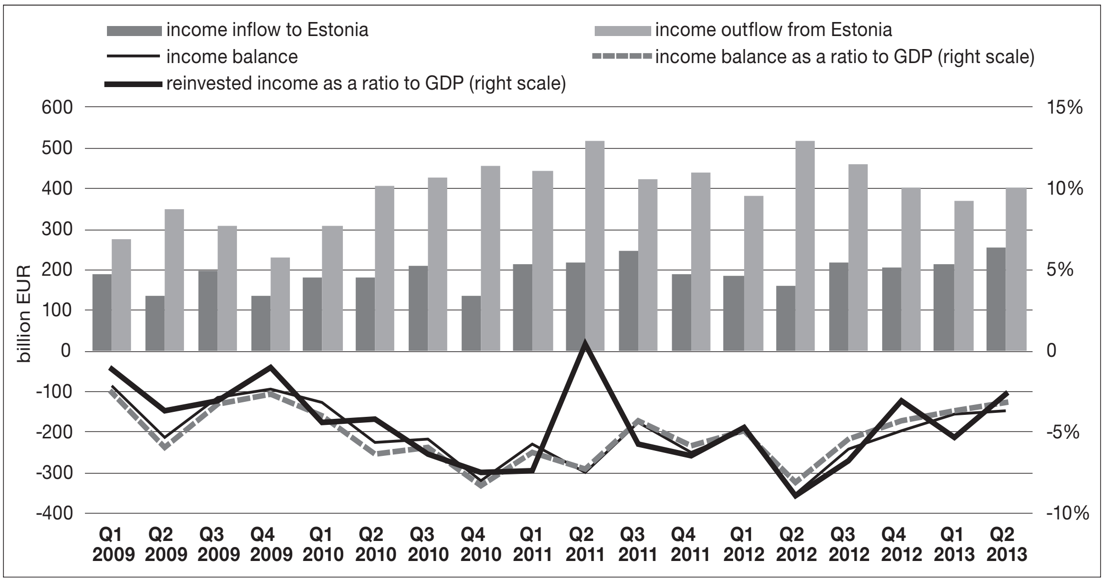
The decline in the net outflow of income witnessed in recent quarters continued. The net outflow in the second quarter of 2013 was less than half the record level seen in the second

quarter of 2012 and stood at 148 million euros, or 3% of the GDP for the quarter. Payment of dividends accounted for a large share of both outflows and inflows of income in the second quarter, which led to a decline in reinvested earnings (see Table 18 and Figure 9).

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 2009	189.2	38.7	-274.6	-21.4	-85.4	-59.9
Q2 2009	136.4	-30.5	-349.2	12.9	-212.8	88.4
Q3 2009	196.4	-5.4	-309.3	-5.1	-112.9	-4.6
Q4 2009	135.8	-28.2	-230.7	-16.0	-94.9	11.2
2009 total	**657.8**	**-42.4**	**-1,163.7**	**-42.6**	**-506.0**	**-42.7**
Q1 2010	180.3	0.2	-307.8	-24.3	-127.5	-43.8
Q2 2010	179.9	-13.7	-406.8	-4.6	-226.9	4.0
Q3 2010	208.4	53.5	-426.6	85.0	-218.2	130.0
Q4 2010	134.8	-25.3	-455.7	48.0	-320.9	151.7
2010 total	**703.5**	**6.9**	**-1,597.0**	**37.2**	**-893.5**	**76.6**
Q1 2011	215.0	-2.3	-444.9	-14.4	-230.0	-23.2
Q2 2011	220.1	-10.6	-519.6	23.0	-299.6	69.8
Q3 2011	246.1	82.6	-422.5	-7.3	-176.4	-45.0
Q4 2011	190.3	-11.5	-440.7	-0.9	-250.4	8.9
2011 total	**871.4**	**23.9**	**-1,827.7**	**14.4**	**-956.3**	**7.0**
Q1 2012	186.4	15.1	-383.8	-25.6	-197.4	-44.2
Q2 2012	162.0	-26.3	-515.9	12.0	-354.0	47.0
Q3 2012	219.7	15.5	-460.5	4.5	-240.8	-3.8
Q4 2012	206.7	10.9	-401.0	4.5	-194.4	-1.6
2012 total	**774.7**	**-11.1**	**-1,761.3**	**-3.6**	**-986.6**	**3.2**
Q1 2013	215.3	-14.9	-371.3	-7.4	-156.0	5.5
Q2 2013	253.1	22.5	-401.0	0.0	-147.9	-23.9

Figure 9. Income account



Of the two main components of income, labour income recorded a net inflow of 65 million euros, while investment income posted a net outflow of 213 million euros (see Table 19). The net inflow of labour income increased by around half from a year earlier as a consequence of the revival in the numbers of Estonian residents going to work abroad. At the same time the net outflow of investment income fell by the same amount. There were decreases in the net flows of direct, portfolio and other investment income.

Table 19. Structure of income account

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
Labour income	44.7	52.9	65.0	-12.6	-33.9	-43.9	22.8	45.3
Investment income	-398.7	-208.9	-212.9	112.6	133.9	143.9	1.9	-46.6
Income on direct investment	-396.7	-220.8	-218.0	112.1	141.6	147.4	-1.3	-45.1
income on equity	-401.8	-222.9	-225.2	113.5	142.9	152.3	1.0	-44.0
dividends	-9.3	5.7	-101.2	2.6	-3.7	68.5	-1,860.7	992.7
reinvested earnings	-392.6	-228.7	-124.0	110.9	146.6	83.8	-45.8	-68.4
income on debt (interests)	5.1	2.1	7.2	-1.4	-1.3	-4.9	243.5	41.1
Income on portfolio investment	16.5	17.0	11.4	-4.7	-10.9	-7.7	-33.0	-31.0
Income on other investment	-18.5	-5.1	-6.3	5.2	3.3	4.3	23.7	-66.0
Total	**-354.0**	**-156.0**	**-147.9**	**100.0**	**100.0**	**100.0**	**-5.2**	**-58.2**

The **inflow of income** from labour and investment income earned abroad by residents increased by around 60% over the year to 253 million euros (see Table 20). EU countries provided 87% of the inflow of income, which was 64% more than a year earlier (see Table 21). The income earned from CIS countries, mainly Russia, and from other countries also increased.

Labour income accounted for 31% of the income inflow and increased by 29% in volume. Estonian residents earned most in Finland, which supplied 65% of the labour income inflow, and they earned more than half as much again as a year previously. The next largest suppliers of labour income flows were the UK, Sweden, the USA, Germany and Norway, and labour income increased from most countries.

The remainder of the inflows of income was made up of investment income, which is income from direct, portfolio and other investment abroad. Investment income inflows increased by more than 70% in total, with direct investment income roughly tripling in volume to account for 71% of the total.

Table 20. Income inflow to Estonia

	Volume (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
Labour income	60.2	64.1	77.7	37.1	29.8	30.7	21.2	29.2
Investment income	101.8	151.2	175.4	62.9	70.2	69.3	16.0	72.2
Income on direct investment	46.1	100.3	124.1	28.5	46.6	49.1	23.8	169.2
income on equity	29.9	88.7	108.2	18.4	41.2	42.7	21.9	262.3
dividends	230.2	72.5	196.1	142.1	33.7	77.5	170.4	-14.8
reinvested earnings	-200.3	16.2	-87.9	-123.7	7.5	-34.7	-641.8	-56.1
income on debt (interests)	16.3	11.6	16.0	10.0	5.4	6.3	38.0	-1.8
Income on portfolio investment	33.4	27.9	29.5	20.6	13.0	11.7	5.7	-11.8
Income on other investment	22.3	23.0	21.7	13.7	10.7	8.6	-5.4	-2.3
Total	**162.0**	**215.3**	**253.1**	**100.0**	**100.0**	**100.0**	**17.5**	**56.2**

Table 21. Income by groups of countries in Q2 2013

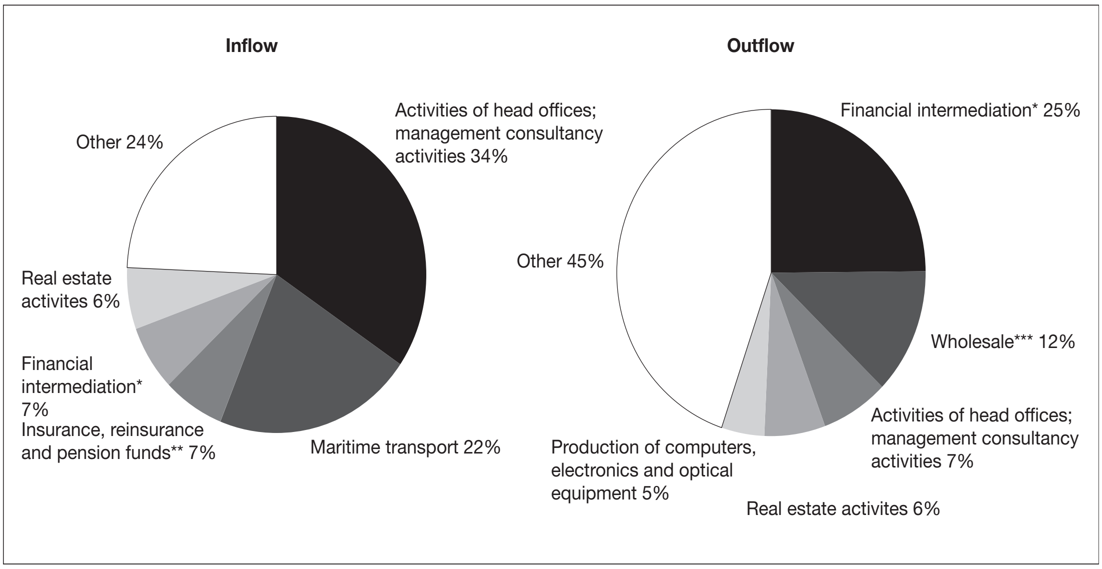
	Inflow				Outflow		
	Volume (EUR m)	Share (%)	Change (%) Q2 2013/ Q2 2012		Volume (EUR m)	Share (%)	Change (%) Q2 2013/ Q2 2012
EU-27	**219.7**	**86.8**	**64.0**	**EU-27**	**377.3**	**94.1**	**-22.0**
Latvia	37.8	15.0	137.5	Sweden	142.2	35.5	8.1
Cyprus	35.7	14.1	3.6	Finland	98.7	24.6	2.2
Lithuania	35.1	13.9	26.7	Netherlands	36.8	9.2	-31.6
Finland	28.5	11.3	-731.7	UK	23.4	5.8	108.2
CIS	**18.9**	**7.5**	**19.9**	**CIS**	**18.0**	**4.5**	**9.4**
Russia	11.9	4.7	89.9	Russia	14.3	3.6	15.6
Belarus	6.0	2.4	32.5	Belarus	2.8	0.7	55.2
Other	**14.4**	**5.7**	**17.8**	**Other**	**5.6**	**1.4**	**-64.9**
USA	4.8	1.9	-25.6	Switzerland	3.9	1.0	-607.9
Norway	3.7	1.5	59.3	Canada	-3.3	-0.8	-156.1
Total	**253.1**	**100.0**	**56.2**	**Total**	**401.0**	**100.0**	**-22.3**

Reinvested earnings dropped, as residents drew 196 million euros of dividends on foreign direct investment, leading to a reduction in reinvested income. There was also a decline in interest income and in income from portfolio investments abroad.

The most investment income from investments made abroad was earned by investors in head offices, who earned 35% of inflows of investment income (see Figure 10), followed by investors in marine transport, who earned 22%. The income earned by investors in other areas was lower.

Latvia, Cyprus and Lithuania provided 20% each of the investment income inflows, and the Netherlands provided 10%. The amount of investment income from Cyprus was about the same as a year

Figure 10. Inflow and outflow of investment income by fields of activity in Q2 2013



* not including insurance and pension funds
** not including social insurance
***not including motor vehicles and motorcycles

earlier, while the amounts coming from Latvia, the Netherlands, Italy, Russia and Sweden increased substantially. The rise in investment income earned from Latvia, Lithuania and the Netherlands was mainly due to investors in head offices, while increases in income from Cyprus and the Netherlands were from investors in maritime transport, and those in income from Italy came from investors in financial intermediation.

Income outflow, or the income earned in Estonia by non-residents, fell by more than a fifth to 401 million euros (see Table 22). Of this outflow, 94% went to EU countries. Investment income accounted for the great majority, or 97%, of this outflow, and it declined at the same speed as the total outflow of income. Labour income earned by non-residents in Estonia also fell and it continued to be primarily earned in Estonia by Finnish, Latvian and Russian residents.

Table 22. Income outflow from Estonia

	Balance (EUR m)			Share (%)			Change (%)	
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2013/ Q1 2013	Q2 2013/ Q2 2012
Labour income	15.5	11.2	12.7	3.0	3.0	3.2	13.4	-17.7
Investment income	500.5	360.1	388.2	97.0	97.0	96.8	7.8	-22.4
Income on direct investment	442.8	321.1	342.1	85.8	86.5	85.3	6.5	-22.7
income on equity	431.7	311.7	333.4	83.7	83.9	83.1	7.0	-22.8
dividends	239.5	66.8	297.3	46.4	18.0	74.2	345.4	24.2
reinvested earnings	192.2	244.9	36.0	37.3	66.0	9.0	-85.3	-81.2
income on debt (interests)	11.1	9.5	8.8	2.2	2.6	2.2	-7.6	-21.4
Income on portfolio investment	16.9	10.9	18.1	3.3	2.9	4.5	66.1	6.9
Income on other investment	40.7	28.0	28.0	7.9	7.6	7.0	-0.1	-31.2
Total	**515.9**	**371.3**	**401.0**	**100.0**	**100.0**	**100.0**	**8.0**	**-22.3**

The largest share of the outflow of investment income was the 88% made up by direct investment income, with smaller shares for portfolio income and interest income. The outflow of direct investment income fell by 23%, interest income fell by a third and the outflow of portfolio investment increased slightly. The outflow of direct investment was almost entirely accounted for by the payment of dividends of around 300 million euros.

Foreign investors in Estonia earned the largest share, 25%, of the total outflow of investment income from financial intermediation not including insurance and pension funds (see Figure 10), and they earned 12% from wholesale.

As before, 70% of the investment income earned in Estonia went to three countries, with Sweden receiving 36%, Finland 25% and the Netherlands 9%. Investment income flows to Sweden and Finland grew somewhat, while the flow to the Netherlands shrank by a third. Investors from the UK earned more than twice as much investment income from Estonia in the second quarter of 2013 as they did a year earlier, but there were significant falls in the income earned by investors from Lithuania, Latvia and Cyprus. Investors from the Netherlands mainly saw their income earned in Estonia fall on investments in transport and warehousing and in head offices. The drop in the income of Lithuanian investors was mainly due to a reduction in income from head office activities, while the main source of the rise in the income of investors from the UK was investment in real estate.

Current transfers and the capital account

The surplus on the current transfers account totalled 30 million euros in the second quarter of 2013, which was lower than a year earlier but notably higher than in the first quarter (see Table 23).

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

	Received			Paid			Balance		
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013
Current transfers	**131.2**	**122.6**	**126.7**	**83.1**	**122.3**	**97.3**	**48.2**	**0.4**	**29.3**
government transfers	**43.1**	**26.1**	**35.3**	**42.9**	**84.8**	**55.8**	**0.2**	**-58.7**	**-20.6**
EU-27	41.0	23.7	27.2	40.8	82.8	51.7	0.1	-59.1	-24.5
CIS	1.6	0.5	1.3	0.2	0.4	0.4	1.4	0.2	0.9
other	0.6	1.9	6.8	1.8	1.7	3.8	-1.3	0.2	3.0
private transfers	**88.1**	**96.5**	**91.4**	**40.2**	**37.4**	**41.5**	**47.9**	**59.0**	**49.9**
EU-27	66.2	77.5	67.5	33.3	28.5	32.7	32.8	49.0	34.8
CIS	15.0	11.1	15.4	2.8	2.7	2.1	12.3	8.3	13.3
other	6.9	7.9	8.6	4.1	6.2	6.7	2.8	1.7	1.9
Capital transfers	**137.2**	**87.3**	**145.4**	**0.1**	**0.1**	**0.0**	**137.2**	**87.2**	**145.4**
government transfers	81.1	36.5	61.5	-	-	-	81.1	36.5	61.5
private transfers	56.1	50.8	83.9	0.1	0.1	0.0	56.1	50.7	83.9
Intangible assets	**0.8**	**20.7**	**0.0**	**0.8**	**1.9**	**0.1**	**0.1**	**18.8**	**-0.1**

Estonia received 127 million euros in **current transfers**. The general government received 28% of the transfers, or 35 million euros, of which 87% was from the European Union's Structural Funds or other bilateral external aid. External aid from the Structural Funds covered 48% of the transfers received by other sectors. Remittances to Estonia from workers abroad made up 12% of the total at 11 million euros.

The outflow of current transfers stood at 97 million euros. Government transfers comprised 58% of that, or 56 million euros, of which 60% was Estonia's payment into the EU budget. Transfers abroad from other sectors totalled 42 million euros and were primarily channelled to the European Union, particularly Finland, the United Kingdom, Sweden and Germany.

The surplus in the **capital account** was 145 million euros and it grew significantly year on year and quarter on quarter. The capital transfers into Estonia mainly comprised EU subsidies to the general government and to other sectors for various infrastructure projects.

FINANCIAL ACCOUNT

In the second quarter of 2013 the Estonian economy was a net borrower, with capital inflows exceeding outflows by 48 million euros. The main channels for the net inflow were portfolio investment and, to a smaller extent, direct investment. There was a net outflow of capital from other investments. By institutional sector, the general government had 317 million euros of net inflows of capital through the financial account, and the business sector had 81 million euros. Credit institutions, however, financed the outside world with 276 million euros and the central bank did so with 74 million euros.

Figures 11 and 12 show the structure of the financial account by categories and maturities.

Figure 11. Changes in the structure of foreign investment capital flows

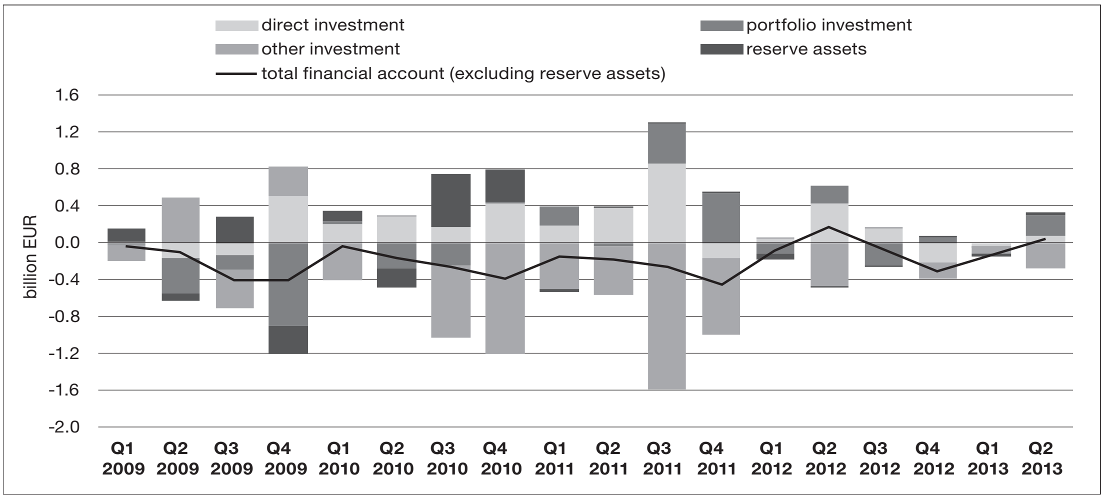
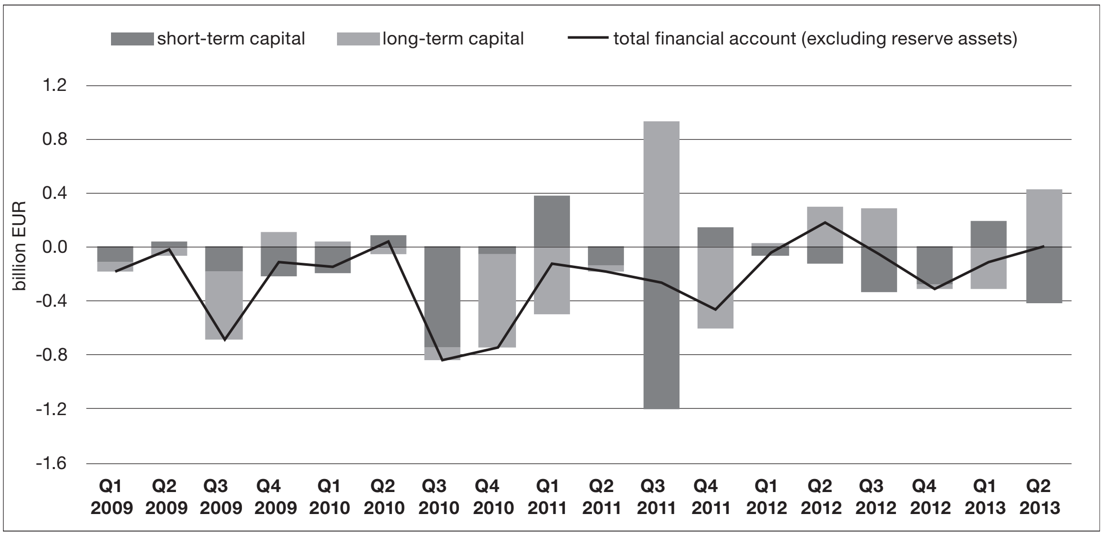


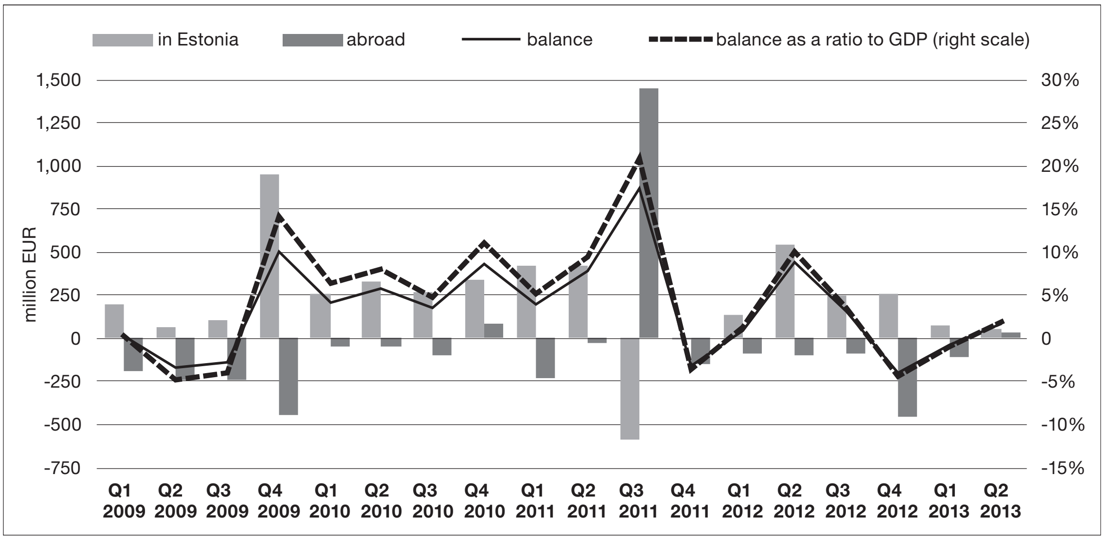
Figure 12. Maturity structure of the financial account (excluding reserve assets)



Direct investment

Direct investment had a surplus of 87 million euros in the second quarter of 2013. A large amount of profit was withdrawn during the quarter, leading to a reduction in reinvested earnings. Non-residents invested 55 million euros directly in Estonia and Estonian residents' direct investment abroad shrank by 32 million euros (see Figure 13).

Figure 13. Direct investment



The balance of the total of **direct investments in Estonia** was again positive for the sixth quarter in a row, though it was less than three quarters of the level of the first quarter of 2013. The largest inflows of direct investment came under other capital liabilities. Companies dealing in the activities of head offices received 40 million of the 85 million euros that came in. As the assets of direct investors increased at the same time by 83 million euros, of which 32 million euros was an asset of a retail company, 2 million euros of other capital remained in the Estonian economy. Investments of 17 million euros were made in share and equity capital and 36 million euros remained as reinvested earnings. The largest equity investments of 24 million euros went to companies making chemicals and chemical products. Reinvested income was one seventh of what it had been in the first quarter and its distribution between different activities was strongly affected by withdrawals of dividends. Reinvested income was at one fifth of its level of the second quarter of 2012. The intra-group debt liabilities of direct investment companies increased by 50 million euros from the first quarter of 2013. The increase in intra-group debt claims channelled 71 million euros out of Estonia (see Tables 24 and 25).

Direct investment from Finland grew most, by 41 million euros, followed by investment from Latvia, which grew by 35 million euros. Direct investment in Estonia from the Netherlands declined by 58 million euros, 49 million euros of which was due to the outflow of share and equity capital resulting from the purchase or repurchase of companies by Estonian investors. The majority of direct investment came from EU Member States, while investment from other countries fell (see Figure 14 and Table 26). Since the banks came under foreign control, the largest direct investments from quarter to quarter have come from reinvested income in the financial sector. The second quarter of 2013 was no exception to

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 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	108.6	102.7	182.0	172.0	-83.7	-79.1	-101.1	-95.6	105.8	100.0
Q4 2009	886.5	93.3	58.8	6.2	76.6	8.1	-71.3	-7.5	950.6	100.0
2009 total	**1,219.1**	**92.0**	**408.4**	**30.8**	**-50.0**	**-3.8**	**-253.0**	**-19.1**	**1,324.5**	**100.0**
Q1 2010	37.1	14.2	201.6	77.2	-19.7	-7.5	42.1	16.1	261.1	100.0
Q2 2010	-187.2	-56.2	191.4	57.5	-36.8	-11.0	365.5	109.8	332.9	100.0
Q3 2010	166.6	61.9	314.3	116.7	100.4	37.3	-312.2	-115.9	269.3	100.0
Q4 2010	295.4	86.0	306.6	89.3	-276.2	-80.4	17.8	5.2	343.5	100.0
2010 total	**311.8**	**25.8**	**1,013.9**	**84.0**	**-232.3**	**-19.2**	**113.3**	**9.4**	**1,206.8**	**100.0**
Q1 2011	23.1	5.5	343.3	81.5	-77.7	-18.5	132.5	31.5	421.1	100.0
Q2 2011	72.5	17.3	29.3	7.0	187.1	44.7	130.2	31.1	419.0	100.0
Q3 2011	-455.4	77.8	303.9	-51.9	-127.2	21.7	-306.6	52.4	-585.3	100.0
Q4 2011	50.1	-502.4	313.4	-3,144.1	-66.6	667.9	-306.9	3,078.7	-10.0	100.0
2011 total	**-309.7**	**-126.4**	**989.9**	**404.2**	**-84.4**	**-34.5**	**-350.8**	**-143.2**	**244.9**	**100.0**
Q1 2012	-15.0	-10.8	239.8	173.2	-81.8	-59.1	-4.6	-3.3	138.4	100.0
Q2 2012	330.6	61.2	192.2	35.6	93.9	17.4	-76.1	-14.1	540.6	100.0
Q3 2012	39.9	16.1	354.3	142.7	-102.3	-41.2	-43.6	-17.6	248.2	100.0
Q4 2012	23.4	9.2	186.1	73.5	-77.6	-30.6	121.3	47.9	253.2	100.0
2012 total	**378.9**	**32.1**	**972.4**	**82.4**	**-167.9**	**-14.2**	**-3.0**	**-0.2**	**1,180.5**	**100.0**
Q1 2013	-26.5	-35.7	244.9	329.8	-15.8	-21.2	-128.4	-172.9	74.3	100.0
Q2 2013	16.9	30.8	36.0	65.7	-83.0	-151.4	85.0	154.9	54.8	100.0

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

	Assets					Liabilities				
	Long-term		Short-term		Total	Long-term		Short-term		Total
	Grantings	Repay-ments	Grantings	Repay-ments	Balance	Drawings	Repay-ments	Drawings	Repay-ments	Balance
Q1 2009	30.3	8.5	115.4	98.6	38.6	193.3	131.3	173.1	206.6	28.6
Q2 2009	29.4	27.0	98.6	100.6	0.4	112.3	175.7	82.6	82.7	-63.5
Q3 2009	68.5	31.4	88.5	50.2	75.4	118.6	290.2	271.2	160.1	-60.5
Q4 2009	42.1	64.4	85.9	123.4	-59.8	143.1	137.4	104.3	162.2	-52.2
2009 total	**170.2**	**131.2**	**388.4**	**372.8**	**54.6**	**567.3**	**734.5**	**631.2**	**611.5**	**-147.6**
Q1 2010	21.1	8.0	75.4	67.4	21.0	133.0	96.3	66.1	64.8	38.0
Q2 2010	15.5	4.9	91.4	76.1	25.9	338.4	67.4	107.8	185.4	193.4
Q3 2010	27.4	184.0	170.2	118.3	-104.7	89.1	90.1	123.3	273.7	-151.5
Q4 2010	18.2	13.0	431.9	183.9	253.2	182.2	212.9	126.9	130.1	-33.8
2010 total	**82.2**	**210.0**	**769.0**	**445.6**	**195.5**	**742.6**	**466.7**	**424.1**	**653.9**	**46.1**
Q1 2011	24.5	10.6	155.1	98.7	70.4	172.2	73.2	393.4	360.4	131.9
Q2 2011	26.5	3.1	134.3	357.5	-199.8	194.9	135.4	98.3	106.6	51.1
Q3 2011	67.0	25.6	164.3	107.0	98.7	248.5	540.7	81.5	129.1	-339.8
Q4 2011	24.0	23.1	172.1	87.3	85.7	85.3	362.3	81.5	94.6	-290.2
2011 total	**142.0**	**62.3**	**625.8**	**650.6**	**55.0**	**700.9**	**1,111.7**	**654.6**	**690.8**	**-446.9**
Q1 2012	25.9	10.4	106.8	47.1	75.3	60.5	93.6	103.9	95.7	-24.9
Q2 2012	21.1	10.2	387.0	525.2	-127.2	85.8	139.2	88.9	204.2	-168.8
Q3 2012	20.2	9.5	495.8	412.1	94.4	79.0	85.8	236.4	201.3	28.2
Q4 2012	21.1	44.0	276.9	165.7	88.3	197.4	91.0	129.4	149.6	86.2
2012 total	**88.4**	**74.1**	**1,266.6**	**1,150.1**	**130.8**	**422.7**	**409.7**	**558.5**	**650.8**	**-79.3**
Q1 2013	29.7	6.5	155.5	158.1	20.7	64.4	98.2	92.7	92.3	-33.3
Q2 2013	28.4	22.2	220.1	155.4	70.8	104.7	80.6	90.4	64.4	50.1

Figure 14. Direct investment in Estonia by countries in Q2 2013

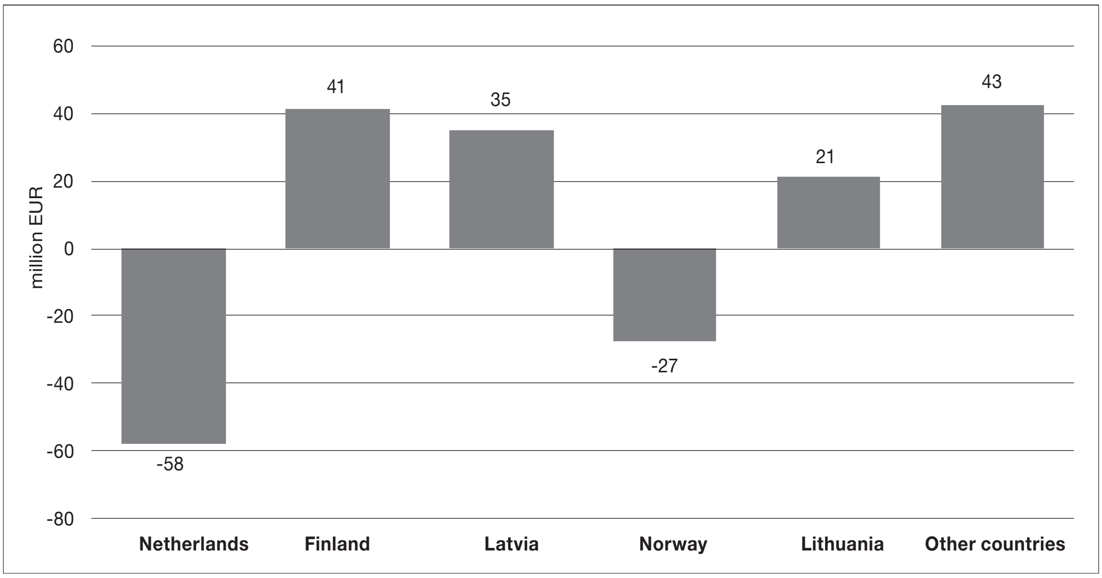


Table 26. Direct investment in Estonia by groups of countries

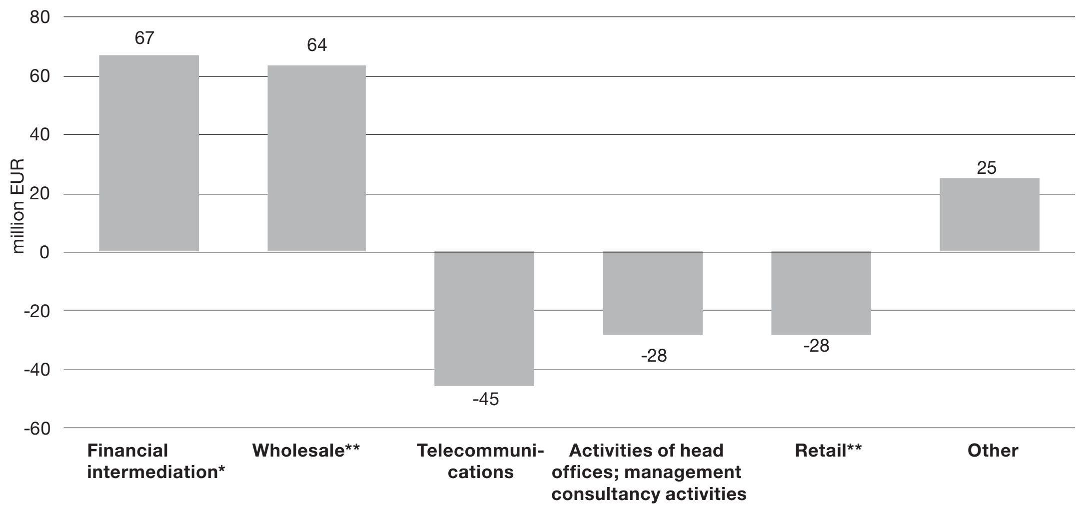
	Volume (EUR m)		Share (%)		Change (%)
	Q1 2013	Q2 2013	Q1 2013	Q2 2013	Q2 2013/ Q1 2013
EU-27	93.5	74.4	125.9	135.7	-20.4
CIS	6.7	-2.3	9.0	-4.2	-134.6
Other	-25.9	-17.3	-34.9	-31.5	-33.2
Total	**74.3**	**54.8**	**100.0**	**100.0**	**-26.1**

this as the largest share of total direct investment went to companies providing financial intermediation followed by investments in wholesale companies (see Figure 15).

Direct investment abroad shrank by 32 million euros in the second quarter of 2013. Equity capital investment shrank by 5 million euros and reinvested earnings by 88 million. Reinvested earnings were particularly affected by the withdrawal of 196 million euros in profits. Other capital assets and liabilities increased and this resulted in an outflow of 61 million euros. The loan liabilities of subsidiaries and affiliated companies declined by 2 million euros from the first quarter. The loan liabilities of Estonian investors to foreign subsidiaries and affiliates fell by 8 million euros (see Tables 27 and 28).

The largest direct investment went to Cyprus, which received 137 million euros, and Sweden, which received 28 million. Investment in Lithuania declined the most, by 116 million euros, followed by investment in Finland, which was down 86 million euros. The largest investments were made by investors in maritime transport, who invested 114 million euros. Investments by investors in head offices shrank by 57 million euros and those by investors in insurance fell by 56 million euros. The main investment destination was the CIS, while direct investment in the European Union decreased (see Table 29 and Figures 16 and 17).

Figure 15. Direct investment in Estonia by fields of activities in Q2 2013



* not including insurance and pension funds
**not including motor vehicles and motorcycles

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 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	102.1	-23.5	5.3	25.0	-5.6	8.0	-1.8	-445.6	100.0
2009 total	**-772.0**	**69.3**	**-99.0**	**8.9**	**-162.9**	**14.6**	**-80.0**	**7.2**	**-1,113.9**	**100.0**
Q1 2010	-9.9	19.0	-58.2	111.4	-43.1	82.4	59.0	-112.9	-52.2	100.0
Q2 2010	-10.9	25.1	-40.1	92.4	12.4	-28.5	-4.8	11.0	-43.4	100.0
Q3 2010	-53.5	56.7	-82.1	87.0	27.2	-28.9	14.0	-14.8	-94.3	100.0
Q4 2010	-3.9	-4.8	-16.6	-20.1	73.8	89.3	29.4	35.6	82.7	100.0
2010 total	**-78.2**	**72.9**	**-197.1**	**183.7**	**70.4**	**-65.6**	**97.6**	**-91.0**	**-107.3**	**100.0**
Q1 2011	-57.4	25.2	-72.8	32.0	-105.2	46.3	8.2	-3.6	-227.2	100.0
Q2 2011	-30.8	104.7	-45.5	154.5	6.0	-20.6	40.8	-138.7	-29.4	100.0
Q3 2011	1,480.5	102.1	-65.7	-4.5	21.4	1.5	13.7	0.9	1,449.8	100.0
Q4 2011	-45.0	30.3	-39.3	26.5	-54.0	36.4	-10.1	6.8	-148.4	100.0
2011 total	**1,347.3**	**129.0**	**-223.3**	**-21.4**	**-131.7**	**-12.6**	**52.6**	**5.0**	**1,044.8**	**100.0**
Q1 2012	-7.5	8.3	-50.6	56.6	5.1	-5.7	-36.4	40.7	-89.4	100.0
Q2 2012	-150.9	147.9	200.3	-196.4	-163.3	160.1	11.8	-11.6	-102.0	100.0
Q3 2012	-32.8	35.6	-51.2	55.5	-11.9	13.0	3.8	-4.1	-92.1	100.0
Q4 2012	-51.8	11.3	-45.4	9.9	-319.2	69.8	-40.7	8.9	-457.2	100.0
2012 total	**-242.9**	**32.8**	**53.1**	**-7.2**	**-489.4**	**66.1**	**-61.6**	**8.3**	**-740.7**	**100.0**
Q1 2013	-68.3	61.0	-16.2	14.5	-48.0	42.9	20.6	-18.4	-111.9	100.0
Q2 2013	4.9	15.5	87.9	278.0	-111.1	-351.2	49.9	157.7	31.6	100.0

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

	Assets					Liabilities				
	Long-term		Short-term		Total	Long-term		Short-term		Total
	Grantings	Repay-ments	Grantings	Repay-ments	Balance	Drawings	Repay-ments	Drawings	Repay-ments	Balance
Q1 2009	86.7	27.4	41.6	47.6	53.3	3.9	0.9	3.1	6.1	0.0
Q2 2009	197.3	32.2	40.7	21.3	184.5	0.9	2.0	3.9	60.1	-57.3
Q3 2009	45.9	44.8	24.2	23.3	2.0	4.0	1.4	1.6	2.5	1.7
Q4 2009	67.7	93.0	120.1	66.2	28.6	2.2	1.3	1.3	3.6	-1.3
2009 total	**397.6**	**197.5**	**226.7**	**158.4**	**268.4**	**11.1**	**5.6**	**10.0**	**72.3**	**-56.9**
Q1 2010	32.9	16.2	38.4	23.8	31.3	0.4	1.8	1.5	1.8	-1.7
Q2 2010	35.4	25.5	21.2	22.1	9.0	1.2	0.6	3.1	3.3	0.4
Q3 2010	24.9	28.2	30.1	16.6	10.1	0.3	1.9	0.7	0.5	-1.4
Q4 2010	48.6	100.3	27.2	17.7	-42.2	2.6	3.1	30.3	4.8	24.9
2010 total	**141.7**	**170.2**	**116.9**	**80.2**	**8.2**	**4.5**	**7.5**	**35.6**	**10.4**	**22.2**
Q1 2011	58.1	48.4	51.8	9.3	52.3	1.3	0.3	8.6	3.3	6.3
Q2 2011	52.8	58.4	14.2	15.7	-7.0	0.7	0.6	1.0	12.8	-11.6
Q3 2011	41.8	19.5	19.4	42.1	-0.5	1.8	2.5	1.7	23.4	-22.5
Q4 2011	54.5	67.8	34.1	24.1	-3.3	1.8	1.9	4.5	1.2	3.2
2011 total	**207.2**	**194.1**	**119.5**	**91.1**	**41.5**	**5.6**	**5.2**	**15.8**	**40.7**	**-24.5**
Q1 2012	33.9	25.7	28.2	19.1	17.4	1.6	4.3	4.8	4.3	-2.2
Q2 2012	129.2	16.2	23.0	11.4	124.7	0.2	3.8	1.4	3.7	-5.8
Q3 2012	40.2	41.2	20.7	20.4	-0.6	4.8	0.3	1.9	2.4	4.0
Q4 2012	29.7	43.3	25.7	50.2	-38.0	5.5	3.8	5.0	2.0	4.8
2012 total	**233.1**	**126.3**	**97.8**	**101.0**	**103.5**	**12.2**	**12.2**	**13.1**	**12.3**	**0.9**
Q1 2013	68.1	25.7	48.2	17.9	72.7	0.7	0.9	22.8	2.9	19.7
Q2 2013	41.3	45.5	39.8	37.6	-2.0	6.0	2.6	2.0	13.1	-7.8

Table 29. Direct investment abroad by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	Q1 2013	Q2 2013	Q1 2013	Q2 2013	Q2 2013/ Q1 2013
EU-27	-128.1	51.8	114.5	163.8	-140.4
CIS	23.1	-13.3	-20.7	-41.9	-157.3
Other	-6.9	-6.9	6.2	-21.9	-0.5
Total	**-111.9**	**31.6**	**100.0**	**100.0**	**-128.3**

Figure 16. Direct investment abroad by countries in Q2 2013

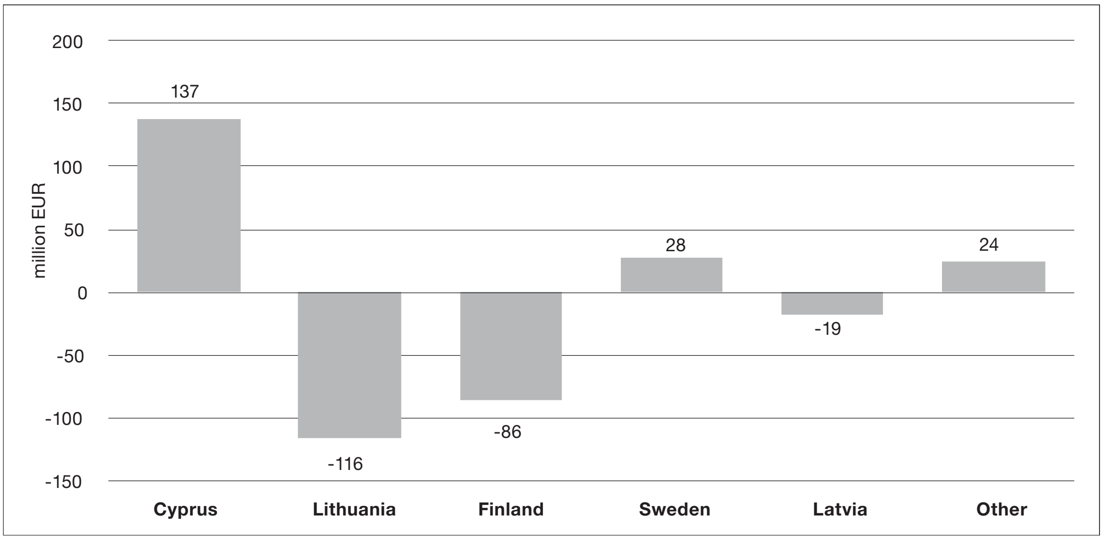
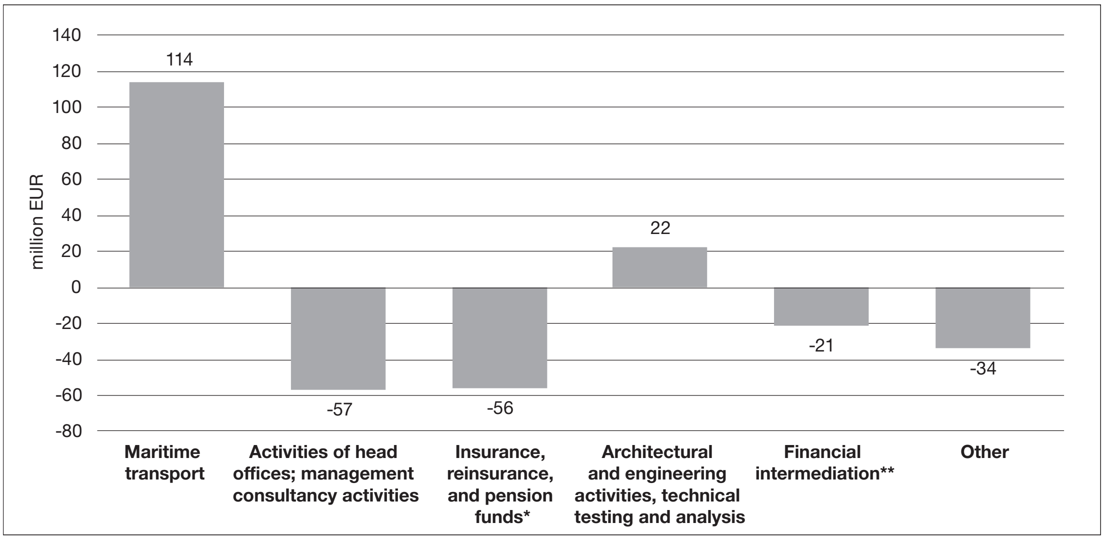


Figure 17. Direct investment abroad by fields of activity in Q2 2013



* not including compulsory social insurance
** not including insurance and pension funds

Portfolio investment

The net inflow of portfolio investment was 209 million euros in the second quarter of 2013. The main causes of the net inflow were a reduction in general government investment in foreign debt securities and bond emissions by companies in other sectors (see Figure 18 and Table 30).

Figure 18. Portfolio investment

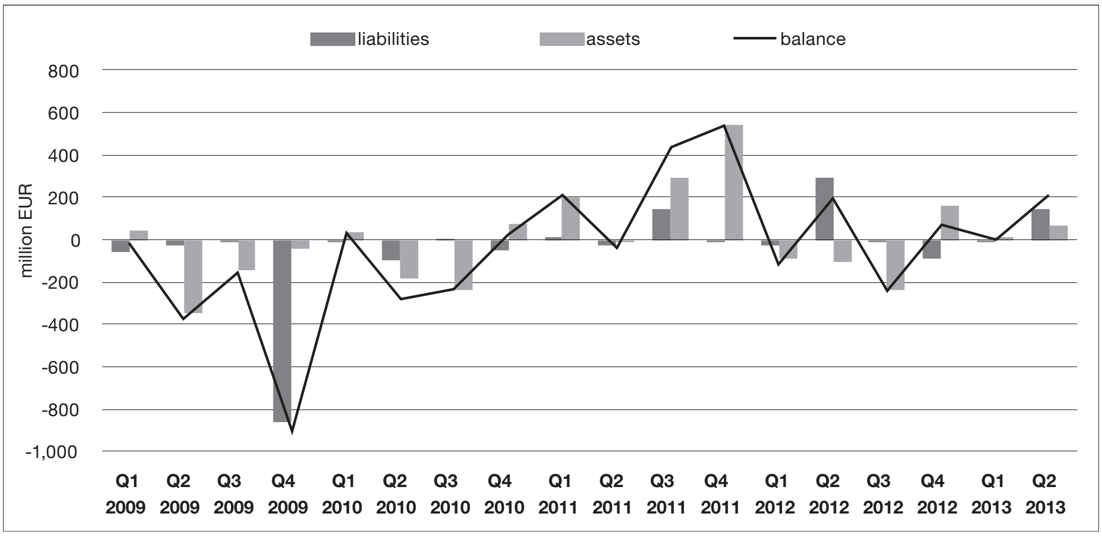


Table 30. Portfolio investment by types of securities and sectors (EUR million)

	Assets			Liabilities			Balance		
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013
Equity securities	**23.5**	**-29.2**	**-153.8**	**3.4**	**-11.3**	**26.6**	**26.9**	**-40.5**	**-127.2**
central bank	-5.0	-3.3	-2.5	-	-	-	-5.0	-3.3	-2.5
general government	9.6	-	-	-	-	-	9.6	-	-
credit institutions	0.6	1.0	0.1	-	-2.4	-	0.6	-1.4	0.1
other sectors	18.3	-27.0	-151.5	3.4	-8.9	26.6	21.7	-35.9	-124.9
Debt securities	**-125.8**	**39.6**	**218.8**	**291.5**	**-0.1**	**117.8**	**165.7**	**39.5**	**336.6**
central bank	24.9	-6.6	37.2	-	-	-	24.9	-6.6	37.2
general government	-133.2	93.2	93.3	-2.9	0.0	-2.6	-136.1	93.2	90.7
credit institutions	20.5	8.1	21.6	0.6	-1.0	-1.1	21.1	7.1	20.5
other sectors	-38.0	-55.1	66.8	293.7	0.9	121.5	255.7	-54.2	188.3
Total	**-102.2**	**10.4**	**65.0**	**294.9**	**-11.4**	**144.4**	**192.7**	**-1.0**	**209.4**

Portfolio investment liabilities grew by 144 million euros in the second quarter of 2013 (see Table 31). Like in the same quarter of the previous year, when liabilities last increased, companies in other sectors were emitting bonds. As the units of investment funds held by investors increased, so did their liabilities related to the equity commitments of those companies by a total of 27 million euros. The obligations of credit institutions and the general government did not change significantly during the quarter. By countries, portfolio investment liabilities to Norway increased the most, followed by liabilities to Sweden, Lithuania and Latvia (see Figure 19 and Table 32).

Portfolio investment assets decreased by 65 million euros in the quarter (see Table 33). Investment in foreign equity securities increased by around 154 million euros, while investment in debt securities declined by 219 million euros. As in the previous two quarters, the general government reduced its investments in foreign equity securities the most, and its volume of liabilities fell by a total of 93 million euros.

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 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	8.3	-830.0	-9.2	920.0	-1.0	100.0
Q2 2010	16.5	-17.2	-112.5	117.2	-96.0	100.0
Q3 2010	-0.8	-29.6	3.5	129.6	2.7	100.0
Q4 2010	6.1	-11.9	-57.2	111.9	-51.1	100.0
2010 total	**30.1**	**-20.7**	**-175.4**	**120.6**	**-145.4**	**100.0**
Q1 2011	0.1	0.9	11.5	99.1	11.6	100.0
Q2 2011	-21.6	72.7	-8.0	26.9	-29.7	100.0
Q3 2011	-28.8	-20.4	170.0	120.4	141.2	100.0
Q4 2011	-30.9	882.9	27.4	-782.9	-3.5	100.0
2011 total	**-81.2**	**-67.9**	**200.9**	**168.0**	**119.6**	**100.0**
Q1 2012	-14.1	47.8	-15.4	52.2	-29.5	100.0
Q2 2012	3.4	1.2	291.5	98.8	294.9	100.0
Q3 2012	-8.7	161.1	3.3	-61.1	-5.4	100.0
Q4 2012	-97.1	106.8	6.1	-6.7	-90.9	100.0
2012 total	**-116.5**	**-68.9**	**285.5**	**168.8**	**169.1**	**100.0**
Q1 2013	-11.3	99.1	-0.1	0.9	-11.4	100.0
Q2 2013	26.6	18.4	117.8	81.6	144.4	100.0

Figure 19. Increase in portfolio investment liabilities by countries in Q2 2013

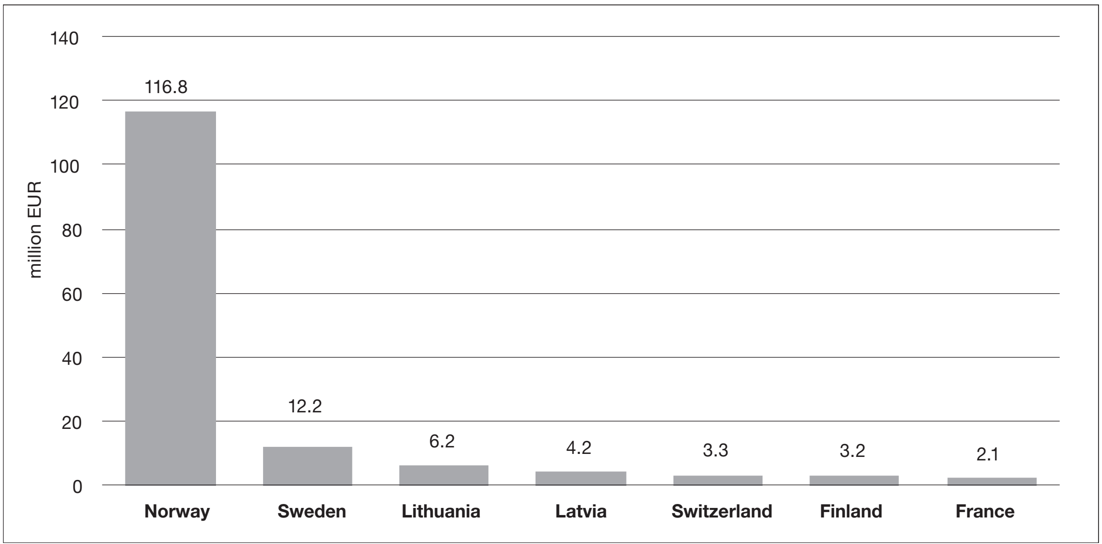


Table 32. Structure of portfolio investment by groups of countries in Q2 2013

	Volume (EUR m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	67.6	23.9	104.0	16.6
CIS	8.7	-0.1	13.4	-0.1
Other	-11.3	120.6	-17.4	83.5
Total	**65.0**	**144.4**	**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 2009	11.7	28.3	29.6	71.7	41.3	100.0
Q2 2009	-16.6	4.8	-328.6	95.2	-345.2	100.0
Q3 2009	-52.2	36.1	-92.4	63.9	-144.6	100.0
Q4 2009	7.6	-18.6	-48.5	118.6	-40.9	100.0
2009 total	**-49.5**	**10.1**	**-439.9**	**89.9**	**-489.4**	**100.0**
Q1 2010	-65.2	-201.2	97.5	300.9	32.4	100.0
Q2 2010	-169.1	92.5	-13.7	7.5	-182.9	100.0
Q3 2010	-9.7	4.1	-229.9	96.0	-239.5	100.0
Q4 2010	-59.8	-81.6	133.1	181.6	73.3	100.0
2010 total	**-303.8**	**95.9**	**-13.0**	**4.1**	**-316.7**	**100.0**
Q1 2011	8.1	4.0	193.2	95.9	201.4	100.0
Q2 2011	-15.2	190.0	7.2	-90.0	-8.0	100.0
Q3 2011	18.3	6.2	274.7	93.8	293.0	100.0
Q4 2011	90.7	16.6	454.2	83.4	544.9	100.0
2011 total	**101.9**	**9.9**	**929.3**	**90.1**	**1,031.3**	**100.0**
Q1 2012	-102.8	118.7	16.2	-18.7	-86.6	100.0
Q2 2012	23.5	-23.0	-125.8	123.1	-102.2	100.0
Q3 2012	-5.4	2.3	-234.3	97.7	-239.7	100.0
Q4 2012	-80.1	-50.2	239.6	150.2	159.5	100.0
2012 total	**-164.8**	**61.3**	**-104.3**	**38.8**	**-269.0**	**100.0**
Q1 2013	-29.2	-280.8	39.6	380.8	10.4	100.0
Q2 2013	-153.8	-236.6	218.8	336.6	65.0	100.0

Companies in other sectors increased their assets by 85 million euros, mainly as a result of investments in investment and money market fund units. The central bank reduced its foreign position by 35 million euros and credit institutions did so by 22 million euros. By countries, portfolio investment liabilities to the Netherlands fell the most, followed by liabilities to Italy, the USA and Germany (see Figure 20 and Table 32).

Financial derivatives

The net outflow of financial derivatives totalled 7 million euros in the second quarter of 2013 (see Figure 21). Financial derivative assets increased by 2 million euros, mainly due to companies in other sectors. By countries, assets to Norway increased the most. Liabilities related to derivative

Figure 20. Decrease in portfolio investment assets by countries in Q2 2013

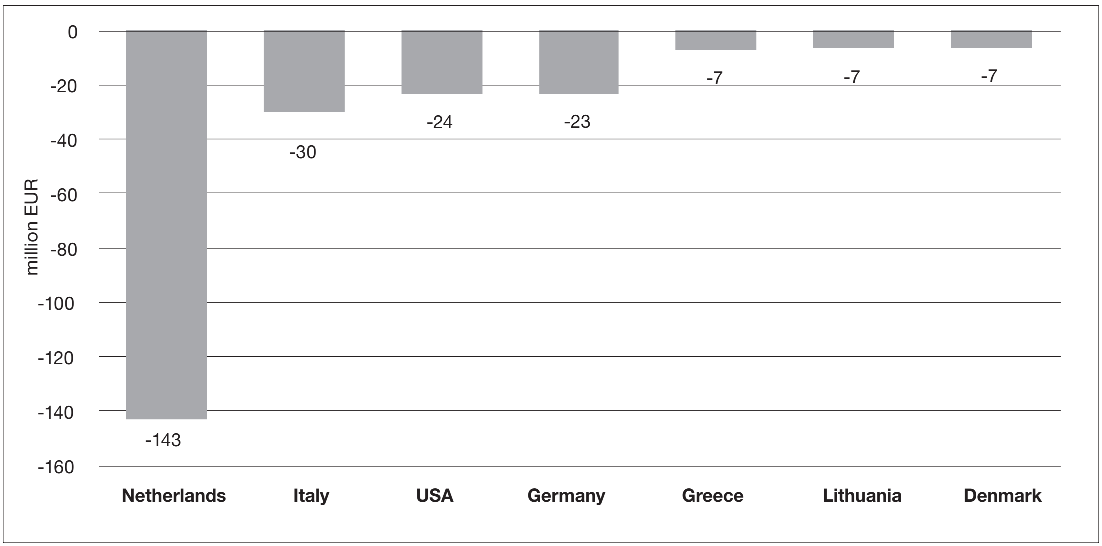
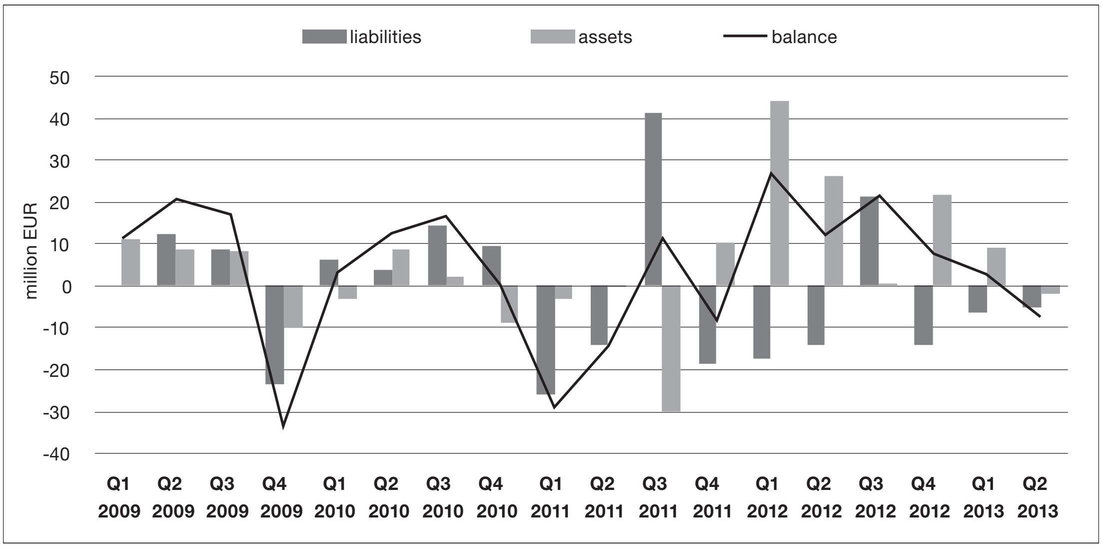


Figure 21. Financial derivatives



instruments fell in the quarter by 5 million euros, with credit institutions again making the largest contribution. By countries, liabilities to Cyprus and Denmark decreased the most.

Other investments

The net outflow of other investment stood at 279 million euros in the second quarter of 2013 (see Figure 22). The net outflow was a consequence of the outflow of short-term capital, which was trade credit for companies in other sectors, and of assets related to foreign invoices (see Table 34).

Figure 22. Other investment

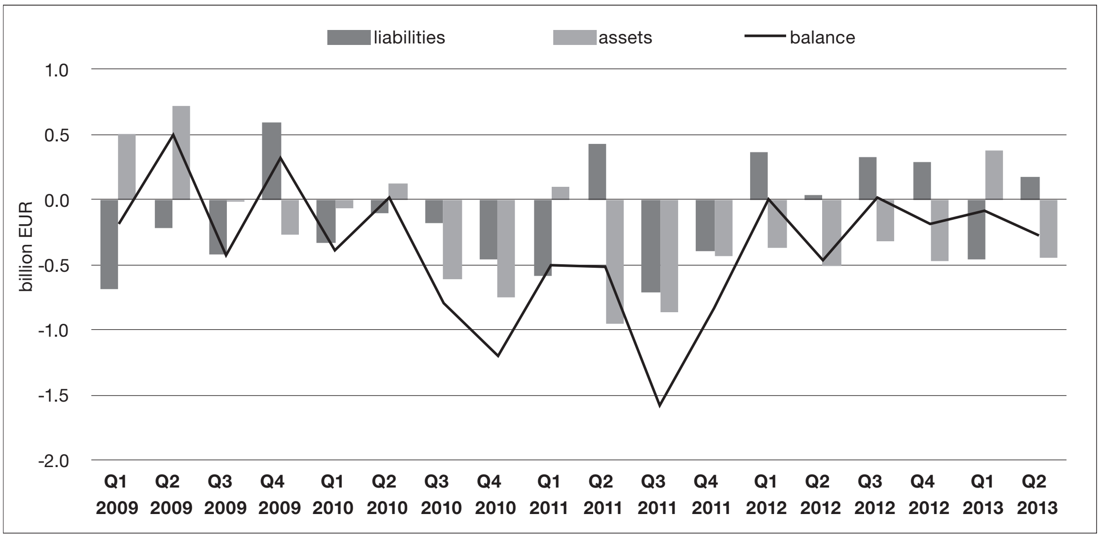


Table 34. Other investment by maturity (EUR million)

	Assets			Liabilities			Balance		
	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013	Q2 2012	Q1 2013	Q2 2013
Long-term capital	**44.4**	**0.4**	**-24.6**	**-479.0**	**-241.9**	**59.2**	**-434.6**	**-241.5**	**34.6**
central bank	0.3	0.6	0.2	-	-	-	0.3	0.6	0.2
general government	-123.8	-22.6	-90.8	132.8	-56.1	156.9	9.0	-78.7	66.1
credit institutions	260.4	38.6	70.0	-581.2	-132.4	-98.9	-320.8	-93.8	-28.9
other sectors	-92.5	-16.2	-4.0	-30.6	-53.4	1.2	-123.1	-69.6	-2.8
Short-term capital	**-553.2**	**379.1**	**-423.9**	**520.6**	**-217.4**	**110.4**	**-32.6**	**161.7**	**-313.5**
central bank	-82.6	266.5	-102.9	-27.3	34.9	-44.1	-109.9	301.4	-147.0
general government	51.2	10.9	156.5	-3.2	-9.1	3.8	48.0	1.8	160.3
credit institutions	-209.5	415.0	-102.1	451.6	-314.1	-167.5	242.1	100.9	-269.6
other sectors	-312.3	-313.3	-375.4	99.5	70.9	318.2	-212.8	-242.4	-57.2
Total	**-508.8**	**379.5**	**-448.5**	**41.6**	**-459.3**	**169.6**	**-467.2**	**-79.8**	**-278.9**

Other investment liabilities grew by 170 million euros over the quarter (see Table 35). It was only loan/currency and deposit liabilities, including interbank loans, that decreased during the quarter, by a total of 313 million euros[5]. Trade credit liabilities increased by 131 million euros, mainly due to companies in other sectors, which also increased their loan obligations by 175 million euros. General government liabilities grew by 161 million euros, which includes EU funds received during the period but not yet used and guarantees given to the EFSF. In geographical terms, other investment liabilities to the European Commission declined most, followed by liabilities to Sweden, Russia and Luxembourg (see Figure 23 and Table 36).

[5] Interbank loans have been recorded under Other investment – Loans/currency and deposits since the first quarter of 2008, having previously been 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 means 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 2009	-174.1	25.3	-6.3	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	22.8	-13.2	3.1	-183.2	43.7	-127.5	30.4	-419.4	100.0
Q4 2009	-50.6	-8.5	208.4	35.1	477.9	80.5	-41.7	-7.0	593.9	100.0
2009 total	**-329.0**	**45.2**	**141.8**	**-19.5**	**-476.6**	**65.5**	**-63.6**	**8.7**	**-727.5**	**100.0**
Q1 2010	163.5	-49.8	-21.4	6.5	-663.1	202.0	192.8	-58.7	-328.2	100.0
Q2 2010	153.0	-144.1	16.6	-15.6	-209.7	197.5	-66.1	62.2	-106.2	100.0
Q3 2010	61.7	-33.4	-24.4	13.2	-322.4	174.3	100.2	-54.2	-185.0	100.0
Q4 2010	-3.2	0.7	-6.0	1.3	-392.5	86.8	-50.4	11.1	-452.1	100.0
2010 total	**375.0**	**-35.0**	**-35.2**	**3.3**	**-1,587.7**	**148.2**	**176.5**	**-16.5**	**-1,071.5**	**100.0**
Q1 2011	170.3	-28.8	-90.4	15.3	-806.7	136.7	136.5	-23.1	-590.3	100.0
Q2 2011	70.5	16.5	-86.2	-20.2	319.7	74.9	122.9	28.8	426.9	100.0
Q3 2011	-4.2	0.6	105.2	-14.7	-455.3	63.7	-360.0	50.4	-714.3	100.0
Q4 2011	-76.4	19.1	118.1	-29.5	-219.4	54.8	-222.9	55.6	-400.7	100.0
2011 total	**160.2**	**-12.5**	**46.7**	**-3.7**	**-1,161.7**	**90.9**	**-323.5**	**25.3**	**-1,278.4**	**100.0**
Q1 2012	31.5	8.5	276.4	74.4	41.1	11.1	22.6	6.1	371.6	100.0
Q2 2012	115.6	277.2	49.6	118.9	-127.4	-305.5	3.9	9.4	41.7	100.0
Q3 2012	-1.7	-0.5	487.5	146.1	-110.2	-33.0	-41.9	-12.6	333.7	100.0
Q4 2012	-129.8	-44.6	627.0	215.6	-312.3	-107.4	106.0	36.5	290.8	100.0
2012 total	**15.6**	**1.5**	**1,440.5**	**138.8**	**-508.8**	**-49.0**	**90.6**	**8.7**	**1,037.8**	**100.0**
Q1 2013	33.1	-7.2	-14.0	3.0	-314.2	68.4	-164.2	35.8	-459.3	100.0
Q2 2013	130.6	76.9	225.1	132.6	-313.2	-184.5	127.3	75.0	169.8	100.0

Figure 23. Growth in other investment liabilities in Q2 2013

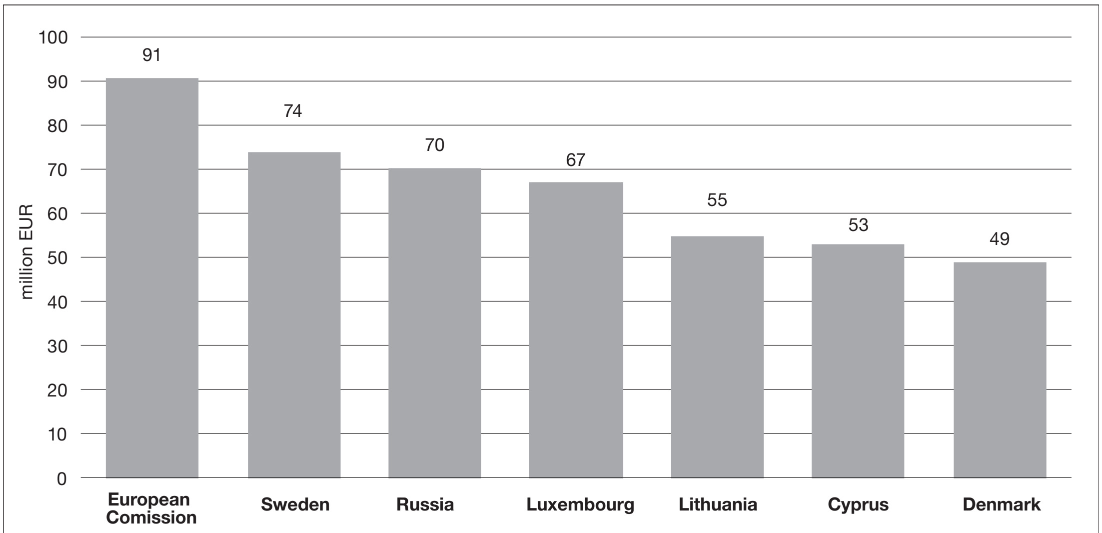


Table 36. Structure of other investment assets by groups of countries

	Volume (EUR m)		Share (%)	
	Assets	Liabilities	Assets	Liabilities
EU-27	-340.0	143.3	75.8	84.4
CIS	-76.9	84.3	17.1	49.6
Other	-31.5	-57.9	7.0	-34.1
Total	**-448.4**	**169.8**	**100.0**	**100.0**

Other investment assets grew by 448 million euros in the second quarter of 2013, mainly due to an increase in the short-term foreign assets of companies in other sectors (see Table 37). Those companies increased their trade credit assets by 193 million euros and put 177 million euros into foreign deposits. The central bank's currency and deposit assets increased by 103 million euros. Loan assets increased by 50 million euros as a result of the general government's activities, which principally reflects the guarantees given to the EFSF, just as loan liabilities do. The reduction of 92 million euros in other assets was related to the external assistance funds received from the European Union by the general government. In geographical terms, other investment capital increased most to Denmark, followed by the European Central Bank, Sweden and Greece (see Figure 24). Table 38 gives a more detailed view 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 2009	112.3	22.2	-27.6	-5.5	441.3	87.4	-21.1	-4.2	505.0	100.0
Q2 2009	6.9	1.0	378.1	52.7	337.5	47.1	-5.2	-0.7	717.3	100.0
Q3 2009	-3.9	300.0	-55.0	4,230.8	36.8	-2,830.8	20.7	-1,592.3	-1.3	100.0
Q4 2009	54.9	-20.0	-165.7	60.5	-118.6	43.3	-44.7	16.3	-274.1	100.0
2009 total	**170.2**	**18.0**	**129.8**	**13.7**	**697.0**	**73.6**	**-50.3**	**-5.3**	**946.9**	**100.0**
Q1 2010	-57.3	86.8	-193.6	293.3	189.1	-286.5	-4.2	6.4	-66.0	100.0
Q2 2010	-149.7	-119.8	153.8	123.0	123.5	98.8	-2.6	-2.1	125.0	100.0
Q3 2010	-123.8	20.4	-10.5	1.7	-437.2	72.2	-34.3	5.7	-605.7	100.0
Q4 2010	-50.2	6.7	-209.8	28.2	-360.7	48.4	-124.0	16.7	-744.7	100.0
2010 total	**-381.0**	**29.5**	**-260.1**	**20.1**	**-485.3**	**37.6**	**-165.1**	**12.8**	**-1,291.4**	**100.0**
Q1 2011	-123.2	-130.9	16.4	17.4	291.0	309.2	-90.2	-95.9	94.1	100.0
Q2 2011	-212.3	22.4	-72.9	7.7	-609.8	64.3	-53.0	5.6	-948.0	100.0
Q3 2011	-47.6	5.5	112.2	-13.0	-940.4	108.7	10.6	-1.2	-865.2	100.0
Q4 2011	206.5	-47.7	-87.5	20.2	-405.6	93.8	-145.8	33.7	-432.5	100.0
2011 total	**-176.6**	**8.2**	**-31.8**	**1.5**	**-1,664.8**	**77.4**	**-278.4**	**12.9**	**-2,151.6**	**100.0**
Q1 2012	-126.5	34.4	-169.5	46.0	-182.3	49.5	110.2	-29.9	-368.1	100.0
Q2 2012	-73.2	14.4	-288.6	56.7	-145.1	28.5	-2.0	0.4	-508.9	100.0
Q3 2012	-76.6	23.9	17.9	-5.6	-196.1	61.1	-65.9	20.5	-320.7	100.0
Q4 2012	83.2	-17.7	-41.1	8.7	-268.6	57.1	-244.0	51.9	-470.5	100.0
2012 total	**-193.1**	**11.6**	**-481.3**	**28.9**	**-792.1**	**47.5**	**-201.7**	**12.1**	**-1,668.2**	**100.0**
Q1 2013	-115.3	-30.4	-75.0	-19.8	448.7	118.3	121.0	31.9	379.3	100.0
Q2 2013	-192.7	43.0	-49.7	11.1	-297.5	66.3	91.4	-20.4	-448.4	100.0

Figure 24. Increase in other investment assets by country in Q2 2013

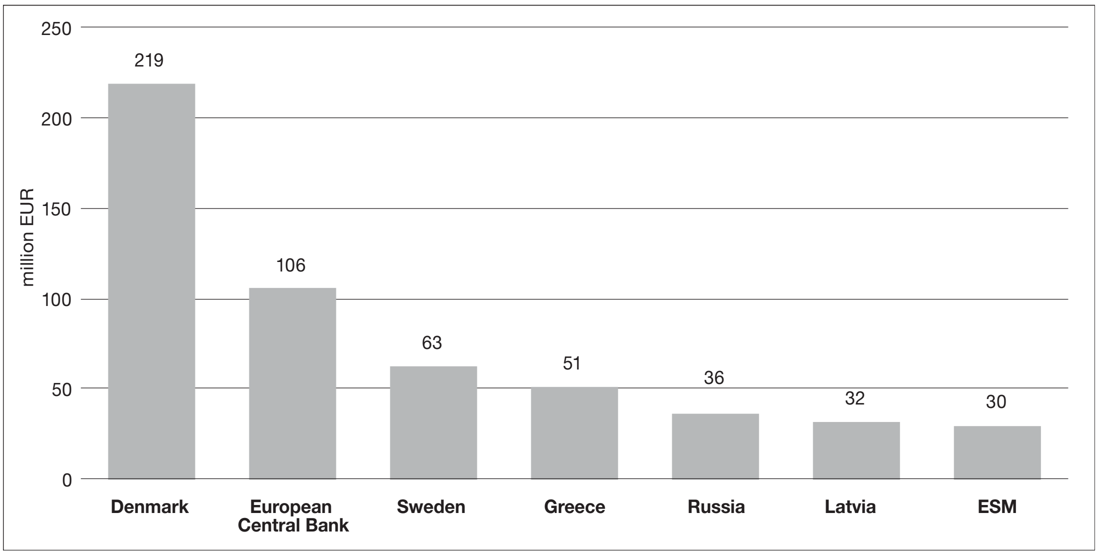


Table 38. Assets and liabilities of loan capital (EUR million)

	Assets			Liabilities		
	Grantings	Repayments	Total	Drawings	Repayments	Total
Q1 2009	-714.0	686.4	-27.6	928.9	-935.1	-6.3
Q2 2009	-213.0	591.1	378.1	628.2	-675.3	-47.1
Q3 2009	-138.0	83.0	-55.0	720.3	-733.5	-13.2
Q4 2009	-430.6	264.9	-165.7	1,142.8	-934.5	208.4
2009 total	**-1,495.6**	**1,625.4**	**129.8**	**3,420.2**	**-3,278.4**	**141.8**
Q1 2010	-886.4	692.8	-193.6	990.7	-1,012.2	-21.4
Q2 2010	-257.9	411.7	153.8	494.0	-477.4	16.6
Q3 2010	-148.9	138.5	-10.5	535.3	-559.7	-24.4
Q4 2010	-453.9	244.0	-209.8	646.4	-652.3	-6.0
2010 total	**-1,747.1**	**1,487.0**	**-260.1**	**2,666.4**	**-2,701.6**	**-35.2**
Q1 2011	-204.4	220.9	16.4	452.4	-542.8	-90.4
Q2 2011	-274.9	202.0	-72.9	503.6	-589.8	-86.2
Q3 2011	-218.5	330.7	112.2	661.9	-556.7	105.2
Q4 2011	-417.6	330.0	-87.5	546.7	-428.6	118.1
2011 total	**-1,115.4**	**1,083.6**	**-31.8**	**2,164.6**	**-2,117.9**	**46.7**
Q1 2012	-392.5	223.0	-169.5	735.1	-458.7	276.4
Q2 2012	-1,823.1	1,534.5	-288.6	5,170.2	-5,120.6	49.6
Q3 2012	-1,709.8	1,727.7	17.9	7,672.6	-7,185.0	487.5
Q4 2012	-2,251.4	2,210.3	-41.1	9,886.0	-9,259.1	627.0
2012 total	**-6,176.8**	**5,695.5**	**-481.3**	**23,463.9**	**-22,023.4**	**1,440.5**
Q1 2013	-1,449.1	1,374.0	-75.0	4,004.1	-4,018.1	-14.0
Q2 2013	-1,033.8	984.1	-49.7	2,661.2	-2,436.1	225.1

Reserve assets

The balance of payments reserve assets decreased by 38 million euros in the second quarter of 2013 (see Table 39).

Table 39. Structure of changes in reserve assets

	Volume (EUR m)			Share (%)		
	Q2 2012	**Q1 2013**	**Q2 2013**	**Q2 2012**	**Q1 2013**	**Q2 2013**
Gold	-	-	-	-	-	-
SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Reserve position in the IMF	0.0	-1.1	-1.1	0.0	5.1	-2.9
Currency and deposits	28.1	-29.5	51.2	-14,050.0	135.9	135.4
Securities	-28.4	8.8	-12.5	14,200.0	-40.6	-33.1
debt securities	-27.8	8.0	-12.5	13,900.0	-36.9	-33.1
money market instruments	-0.6	0.8	-	300.0	-3.7	0.0
Financial derivatives	0.1	0.1	0.2	-50.0	-0.5	0.5
Other assets	-	-	-	-	-	-
Total	**-0.2**	**-21.7**	**37.8**	**100.0**	**100.0**	**100.0**

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT AS AT 30 JUNE 2013

At the end of the second quarter of 2013, the total of foreign investment in Estonia stood at 29.7 billion euros, or 65% more than the GDP of the previous four quarters. This was almost unchanged during the quarter (see Table 40). Estonia's gross external debt grew by 2% to 16.5 billion euros from the first quarter and was 8% smaller than the GDP for the last four quarters (see Table 41 and Figures 25 and 26). The gross external debt was boosted primarily by the general government and other sectors. Estonia's debt assets in the outside world exceeded its debt liabilities for the fourth consecutive quarter. This means that Estonia's net external debt at the end of the second quarter was positive by around 0.4 billion euros, which was exactly the same as at the end of the first quarter.

The structure of the **foreign investment position in Estonia, or foreign liabilities**, was the same as that at the end of the first quarter, with direct investment supplying 51%, other investment

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

	31/03/2013	%	30/06/2013	%
EXTERNAL ASSETS	**20,043.3**	**100.0**	**20,277.0**	**100.0**
Direct investment abroad	**4,602.3**	**23.0**	**4,586.7**	**22.6**
Equity capital and reinvested earnings	2,814.8	14.0	2,747.0	13.5
Other direct investment capital	1,787.5	8.9	1,839.7	9.1
Portfolio investment	**4,793.2**	**23.9**	**4,642.1**	**22.9**
Equity securities	2,054.4	10.2	2,150.6	10.6
Debt securities	2,738.8	13.7	2,491.5	12.3
Bonds and notes	2,237.2	11.2	2,025.9	10.0
Money market instruments	501.6	2.5	465.5	2.3
Financial derivatives	**53.8**	**0.3**	**61.8**	**0.3**
Other investment	**10,343.3**	**51.6**	**10,783.0**	**53.2**
Trade credit	1,840.1	9.2	2,026.3	10.0
Loans	2,291.7	11.4	2,392.7	11.8
Long-term	1,570.9	7.8	1,601.8	7.9
Short-term	720.8	3.6	790.9	3.9
Currency and deposits	5,487.2	27.4	5,750.9	28.4
Other assets	724.4	3.6	613.1	3.0
Reserve assets	**250.7**	**1.3**	**203.4**	**1.0**
EXTERNAL LIABILITIES	**29,404.0**	**100.0**	**29,656.6**	**100.0**
Direct investment in Estonia	**14,872.9**	**50.6**	**15,023.0**	**50.7**
Equity capital and reinvested earnings	13,903.7	47.3	13,993.3	47.2
Other direct investment capital	969.2	3.3	1,029.7	3.5
Portfolio investment	**1,913.4**	**6.5**	**1,976.1**	**6.7**
Equity securities	840.6	2.9	806.0	2.7
Debt securities	1,072.9	3.6	1,170.1	3.9
Bonds and notes	1,069.6	3.6	1,169.3	3.9
Money market instruments	3.3	0.0	0.7	0.0
Financial derivatives	**96.1**	**0.3**	**96.0**	**0.3**
Other investment	**12,521.6**	**42.6**	**12,561.5**	**42.4**
Trade credit	1,496.3	5.1	1,621.0	5.5
Loans	5,028.1	17.1	5,246.8	17.7
Long-term	3,910.4	13.3	3,971.9	13.4
Short-term	1,117.6	3.8	1,274.9	4.3
Currency and deposits	5,779.1	19.7	5,345.9	18.0
Other liabilities	218.2	0.7	347.8	1.2
NET INVESTMENT POSITION	**-9,360.8**		**-9,379.6**	

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

	31/03/2013	%	30/06/2013	%
LIABILITIES				
I. General government	**1,195.3**	**7.4**	**1,353.4**	**8.2**
Short-term	14.0	0.1	17.8	0.1
Long-term	1,181.3	7.3	1,335.6	8.1
II. Monetary authorities (NCB)	**55.4**	**0.3**	**10.1**	**0.1**
Short-term	55.4	0.3	10.1	0.1
Long-term				
III. Credit institutions	**5,909.9**	**36.5**	**5,523.6**	**33.5**
Short-term	4,545.9	28.1	4,319.3	26.2
Long-term	1,364.0	8.4	1,204.3	7.3
IV. Other sectors	**6,434.0**	**39.7**	**6,844.4**	**41.5**
Short-term	2,693.6	16.6	2,990.4	18.1
Long-term	3,740.4	23.1	3,854.1	23.4
V. Direct investment: intercompany lending	**2,605.2**	**16.1**	**2,746.3**	**16.7**
GROSS EXTERNAL DEBT	**16,199.7**	**100.0**	**16,477.8**	**100.0**
ASSETS				
I. General government	**1,395.5**	**8.4**	**1,233.0**	**7.3**
Short-term	487.1	2.9	288.1	1.7
Long-term	908.4	5.5	944.9	5.6
II. Monetary authorities (NCB)	**2,459.8**	**14.8**	**2,478.2**	**14.6**
Short-term	1,581.9	9.5	1,631.9	9.6
Long-term	878.0	5.3	846.3	5.0
III. Credit institutions	**3,257.6**	**19.5**	**3,230.8**	**19.1**
Short-term	2,457.1	14.7	2,522.2	14.9
Long-term	800.5	4.8	708.6	4.2
IV. Other sectors	**6,127.5**	**36.8**	**6,446.9**	**38.0**
Short-term	4,302.9	25.8	4,665.6	27.5
Long-term	1,824.6	10.9	1,781.3	10.5
V. Direct investment: intercompany lending	**3,423.5**	**20.5**	**3,556.3**	**21.0**
TOTAL ASSETS	**16,664.0**	**100.0**	**16,945.2**	**100.0**
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	**200.2**		**-120.4**	
Short-term	473.1		270.4	
Long-term	-272.9		-390.7	
II. Monetary authorities (NCB)	**2,403.4**		**2,464.3**	
Short-term	1,526.5		1,621.8	
Long-term	876.9		842.5	
III. Credit institutions	**-2,652.3**		**-2,292.8**	
Short-term	-2,088.9		-1,797.1	
Long-term	-563.5		-495.7	
IV. Other sectors	**-306.4**		**-397.6**	
Short-term	1,609.3		1,675.2	
Long-term	-1,915.8		-2,072.8	
V. Direct investment: intercompany lending	**818.3**		**810.1**	
TOTAL NET EXTERNAL DEBT	**463.2**		**463.6**	

Figure 25. Estonia's gross and net external debt

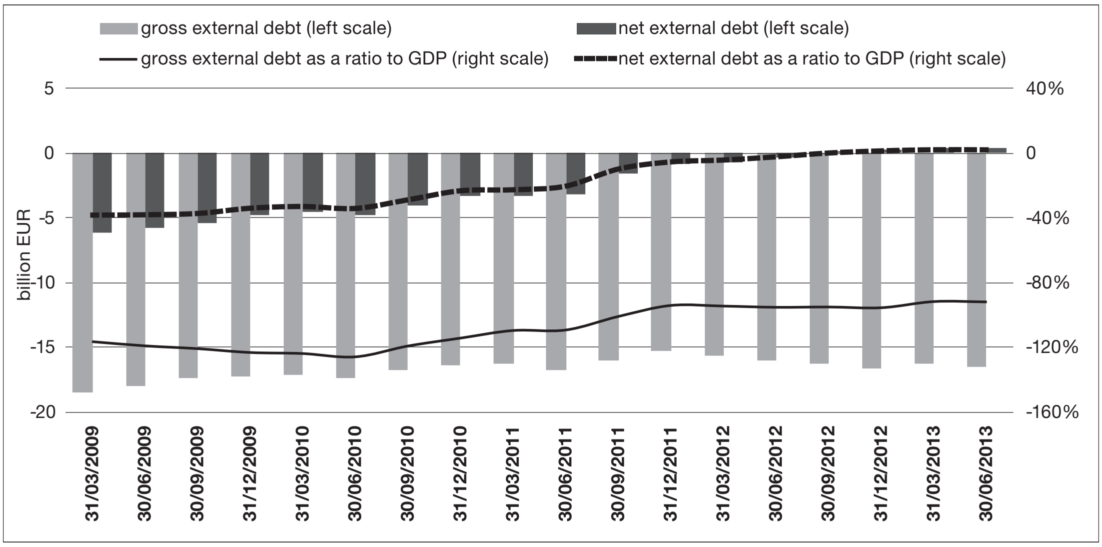
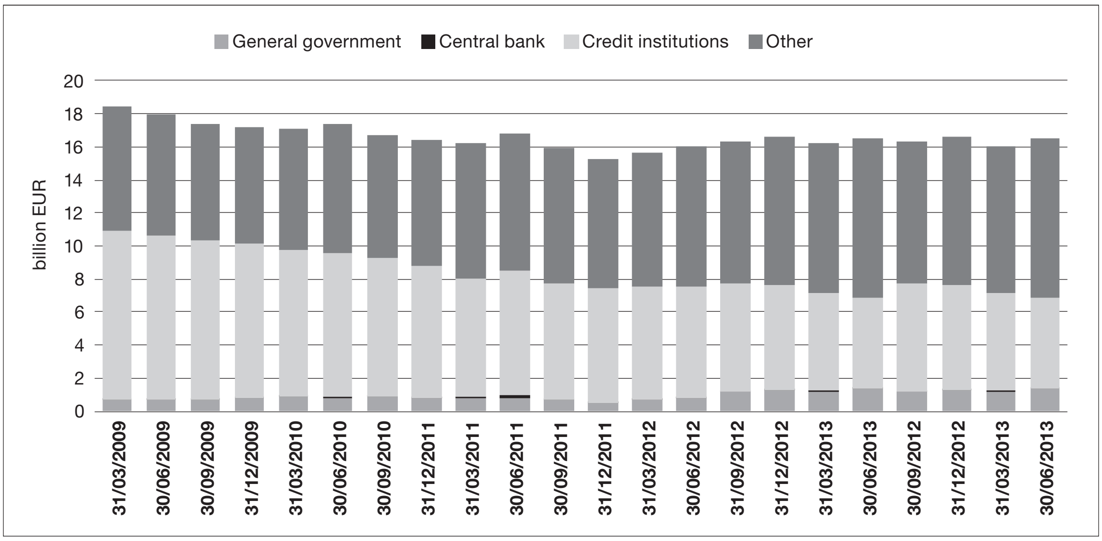


Figure 26. Estonia's gross external debt by economic sector



42% and portfolio investment most of the rest. The size of the direct and portfolio investment positions increased slightly during the quarter. Foreign investors have invested primarily in financial intermediation, putting 34% of the total position in Estonia there, (see Table 42), and to a smaller extent in wholesale trade, real estate activities, headquarters activities and energy supply. Finland and Sweden supplied 43% of the foreign investment position, followed by the Netherlands, the UK and Luxembourg.

Foreign investors have made a total of 15 billion euros of **direct investment** in Estonia. The main target for investment has been financial intermediation, which has received 22% of the total foreign direct investment position in Estonia, followed by real estate activities, wholesale trade, head offices and warehousing and auxiliary transport activities (see Table 43). Half of the direct investment

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

Assets			Liabilities		
Fields of activity					
	31/03/2013	**30/06/2013**		**31/03/2013**	**30/06/2013**
Financial intermediation*	36.0	35.7	Financial intermediation*	35.9	34.4
Insurance and pension funding**	9.6	9.5	Wholesale***	6.3	6.9
Public administration and defence; statutory social insurance	7.0	6.1	Real estate activities	5.7	5.7
Maritime transport	5.7	6.2	Activities of head offices; management consultancy activities	5.1	4.9
Wholesale***	5.7	5.9	Electrical energy, gas, steam and hot water supply	4.9	4.8
Other	36.1	36.7	Other	42.0	43.3
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/03/2013	**30/06/2013**		**31/03/2013**	**30/06/2013**
Sweden	9.6	9.8	Finland	23.4	22.8
Cyprus	7.8	8.5	Sweden	20.0	20.1
Finland	8.1	7.4	Netherlands	5.8	5.6
Latvia	6.9	6.8	UK	5.1	5.0
Lithuania	7.4	6.3	Luxembourg	4.4	4.6
Other	60.2	61.2	Other	41.3	42.0
Total	100.0	100.0	Total	100.0	100.0

* Not including insurance and pension funds
** Not including compulsory social insurance
*** Not including motor vehicles and motorcycles

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

Abroad			In Estonia		
Fields of activity					
	31/03/2013	**30/06/2013**		**31/03/2013**	**30/06/2013**
Maritime transport	24.0	26.6	Financial intermediation*	21.7	21.9
Activities of head offices; management consultancy activities	18.7	18.5	Real estate activities	8.9	8.9
Real estate activities	12.1	12.3	Wholesale**	8.3	8.5
Financial intermediation*	11.2	10.9	Activities of head offices; management consultancy activities	7.6	7.3
Wholesale**	7.3	7.0	Warehousing and support activities for transportation	4.5	4.4
Other	26.7	24.6	Other	48.9	48.9
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/03/2013	**30/06/2013**		**31/03/2013**	**30/06/2013**
Cyprus	27.8	30.9	Sweden	27.2	27.1
Lithuania	21.4	19.0	Finland	23.1	23.0
Latvia	17.2	17.1	Netherlands	10.3	9.9
Ukraine	5.9	6.1	Russia	4.6	4.9
Russia	4.6	4.8	Norway	4.8	4.6
Other	22.9	22.1	Other	30.0	30.6
Total	100.0	100.0	Total	100.0	100.0

* Not including insurance and pension funds
** Not including motor vehicles and motorcycles

has come from Sweden and Finland and one tenth from the Netherlands. Swedish investors have mainly focused on financial intermediation in Estonia, putting 53% of all their direct investment there, and to a lesser extent on head office activities, where they have put 9% of their investment. Direct investment from Finland has been spread across various areas, such as real estate activities, wholesale trade, financial intermediation, retail trade and telecommunications. Direct investment from the Netherlands has mainly gone into warehousing and auxiliary transport activities and head office activities.

Investment abroad by Estonian residents, or foreign assets, increased minimally during the quarter, like foreign liabilities, and reached 20.3 billion euros at the end of the quarter. Other investment took the largest share in the position abroad, accounting for 53%, followed by direct and portfolio investment with 23% each. There was a major fall in the portfolio investment and reserve asset positions during the second quarter while the other investment position increased. Investors in financial intermediation were particularly active abroad, accounting for 36% of all the foreign investment, followed by investors in insurance and pension funds, the public sector, maritime transport and wholesale trade (see Table 42). The main destinations for investment were mostly nearby countries – Sweden, Finland, Latvia and Lithuania – though Cyprus was also a major destination.

Over time, Estonian investors have channelled 4.6 billion euros of **direct investment** abroad. The largest direct investments abroad have gone to maritime transport, with 27% of the direct investment position abroad, followed by head offices, real estate, financial intermediation, and wholesale trade. Two thirds of all the direct investment has gone to three countries, Cyprus, Lithuania and Latvia. Direct investment in Cyprus has mainly been in marine transport, and to a smaller extent also in warehousing and transport, head offices and wholesale trade. Investors in head offices, real estate and financial intermediation have supplied 80% of the direct investment in Lithuania, while direct investment in Latvia has gone to many areas, though again investors in head offices, real estate and insurance have taken the lead.

Estonia's gross external debt was equal to 55% of the position of external investment in Estonia, and was 8% smaller than the GDP for the last four quarters (see Table 41 and Figures 25 and 26). The gross external debt increased by 2% in the quarter, driven mainly by other sectors and to a smaller extent by the general government. Credit institutions continued to reduce their external debt. The largest single share of the gross external debt was the 58% accounted for by the debts of other sectors, including the intra-group debts of direct investment companies. The debt of credit institutions accounted for one third of the gross external debt and that of general government for 8%. Debts to Finland accounted for 23% of the total, debts to Sweden for 13%, those to the UK for 7% and those to Luxembourg for 6%. There were also smaller external debts to several other countries.

Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia had a negative net **international investment position** (external assets less external liabilities) of 9 billion euros at the end of the quarter, which was the same as at the end of the previous quarter. Estonia also has large volumes of debt assets abroad and these have exceeded external debt liabilities for four consecutive quarters, meaning that Estonia's net external debt at the end of the second quarter of 2013 remained positive at around 0.5 billion euros, exactly the same amount as in the previous quarter.