

11 March 2011



ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 31 December 2010

Foreign investment in Estonia totalled about 27 billion euros (185% of Estonia's GDP) at the end of 2010, having expanded 3% over the year (see Table 1).

Gross external debt stood at 62%, or 16.6 billion euros, of foreign investment in Estonia, having contracted 5% year-on-year. As a ratio of GDP, gross external debt decreased by 11 percentage points and was 14% larger than annual GDP (see Table 2 and Figure 1).

Table 1. Estonia's international investment position (EUR million)

	31/12/2009	%	31/12/2010	%
EXTERNAL ASSETS				
Direct investment abroad	4,595.7	30.7	4,512.4	27.7
Equity capital and reinvested earnings	3,073.6	20.6	2,989.9	18.4
Other direct investment capital	1,522.0	10.2	1,522.5	9.4
Portfolio investment	3,459.1	23.1	3,933.1	24.2
Equity securities	1,108.9	7.4	1,597.5	9.8
Debt securities	2,350.1	15.7	2,335.6	14.4
Bonds and notes	1,377.4	9.2	1,437.2	8.8
Money market instruments	972.7	6.5	898.4	5.5
Financial derivatives	29.6	0.2	33.6	0.2
Other investment	4,106.8	27.5	5,878.7	36.1
Trade credit	935.4	6.3	1,584.7	9.7
Loans	1,003.0	6.7	1,580.8	9.7
Long-term	683.3	4.6	1,085.7	6.7
Short-term	319.7	2.1	495.2	3.0
Currency and deposits	1,880.1	12.6	2,364.2	14.5
Other assets	288.3	1.9	349.0	2.1
Reserve assets	2,764.2	18.5	1,908.8	11.7
TOTAL EXTERNAL ASSETS	14,955.3	100.0	16,266.5	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	11,283.2	43.1	12,269.1	45.6
Equity capital and reinvested earnings	9,741.6	37.2	10,660.3	39.6
Other direct investment capital	1,541.6	5.9	1,608.8	6.0
Portfolio investment	1,284.1	4.9	1,457.2	5.4
Equity securities	587.8	2.2	912.0	3.4
Debt securities	696.3	2.7	545.2	2.0
Bonds and notes	689.7	2.6	541.4	2.0
Money market instruments	6.6	0.0	3.8	0.0
Financial derivatives	45.0	0.2	90.5	0.3
Other investment	13,542.5	51.8	13,083.6	48.6
Trade credit	617.9	2.4	1,140.2	4.2
Loans	3,101.5	11.9	3,421.8	12.7
Long-term	2,472.8	9.5	2,450.4	9.1
Short-term	628.7	2.4	971.3	3.6
Currency and deposits	9,265.3	35.4	7,738.7	28.8
Other liabilities	557.8	2.1	782.9	2.9
TOTAL EXTERNAL LIABILITIES	26,154.8	100.0	26,900.3	100.0
NET INTERNATIONAL INVESTMENT POSITION	-11,199.5		-10,633.8	

Estonian residents' investment abroad amounted to 16.3 billion euros at the end of 2010, having increased 9% over the year.

Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia's net investment position was negative by 10.6 billion euros, having decreased 5% year-on-year. Estonia's net external debt (assets less liabilities) declined 29% from the previous year to 3.6 billion euros. The ratio of net external debt to GDP was 25%.

The structure of foreign investment in Estonia changed considerably in 2010: the percentage of other investment shrank, while that of direct investment grew. At the end of 2010, other investment (trade credit,

Table 2. Estonia's external debt (EUR million)

	31/12/2009	%	31/12/2010	%
LIABILITIES				
I. General government	835.1	4.8	907.7	5.5
Short-term	0.1		0.2	
Long-term	835.0	4.8	907.5	5.5
II. Monetary authorities (NCB)	79.0	0.5	80.4	0.5
Short-term	11.5	0.1	8.3	0.1
Long-term	67.4	0.4	72.1	0.4
III. Credit institutions	9,404.9	54.1	8,003.7	48.3
Short-term	4,781.1	27.5	4,501.0	27.2
Long-term	4,623.8	26.6	3,502.7	21.2
IV. Other sectors	3,919.8	22.5	4,637.1	28.0
Short-term	1,277.1	7.3	2,148.6	13.0
Long-term	2,642.7	15.2	2,488.4	15.0
V. Direct investment: intercompany lending	3,150.8	18.1	2,929.7	17.7
GROSS EXTERNAL DEBT	17,389.5	100.0	16,558.5	100.0
ASSETS				
I. General government	1,163.8	9.4	1,071.8	8.3
Short-term	602.9	4.9	546.5	4.2
Long-term	560.9	4.5	525.3	4.1
II. Monetary authorities (NCB)	2,758.3	22.3	1,900.3	14.7
Short-term	2,353.0	19.1	1,654.8	12.8
Long-term	405.3	3.3	245.5	1.9
III. Credit institutions	2,469.7	20.0	2,761.1	21.3
Short-term	1,809.4	14.7	2,001.6	15.4
Long-term	660.3	5.3	759.5	5.9
IV. Other sectors	2,822.8	22.9	4,380.7	33.8
Short-term	1,820.1	14.7	3,001.0	23.2
Long-term	1,002.7	8.1	1,379.7	10.6
V. Direct investment: intercompany lending	3,131.2	25.4	2,843.5	21.9
TOTAL ASSETS	12,345.7	100.0	12,957.3	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	328.7		164.1	
Short-term	602.8		546.3	
Long-term	-274.1		-382.2	
II. Monetary authorities (NCB)	2,679.3		1,819.9	
Short-term	2,341.4		1,646.5	
Long-term	337.9		173.4	
III. Credit institutions	-6,935.2		-5,242.6	
Short-term	-2,971.7		-2,499.4	
Long-term	-3,963.5		-2,743.2	
IV. Other sectors	-1,097.0		-256.4	
Short-term	542.9		852.4	
Long-term	-1,639.9		-1,108.8	
V. Direct investment: intercompany lending	-19.6		-86.3	
TOTAL NET EXTERNAL DEBT	-5,043.9		-3,601.2	

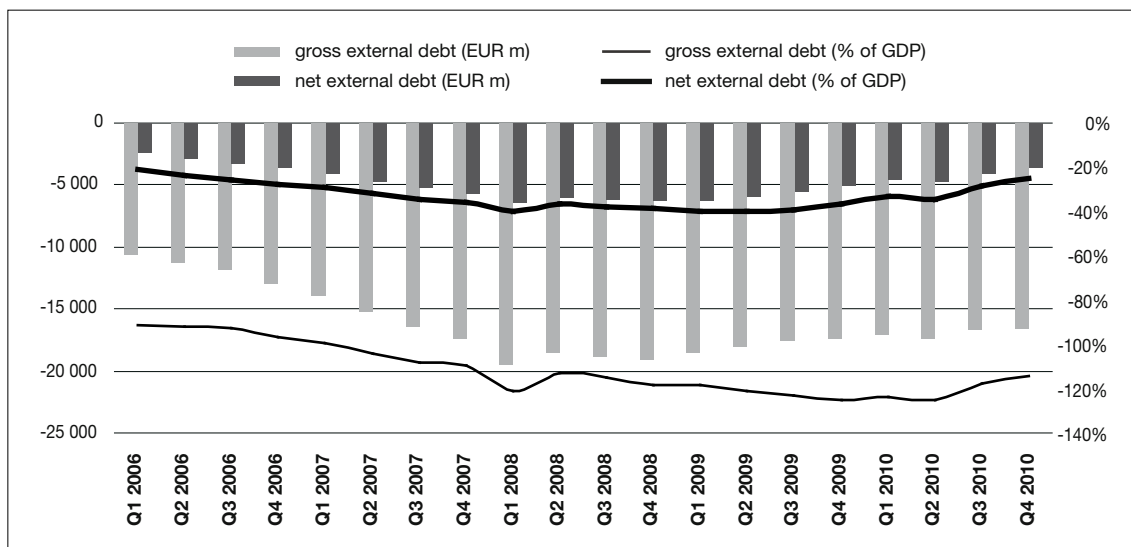


Figure 1. Estonia's gross and external debt

loans, currency and deposits) accounted for 49% and direct investment for 46% of foreign investment in Estonia, the rest being portfolio investment and financial derivatives. The foreign direct investment position increased 9% and that of portfolio investment 14% over the year. The position of other investment contracted 3%, mainly on account of currency and deposits. This was due to the lowering of the minimum reserve requirement, as banks used their free funds to reduce their debt burden.

The structure of **Estonia's investment abroad** changed too, primarily because of the lowering of the minimum reserve requirement for banks. Consequently, reserve assets shrank by almost a third and their share in the external asset position dropped to 12% at the end of 2010 from 19% at the end of 2009. The share of direct investment decreased by a few percentage points, whereas the percentage of other investment rose by around 9 percentage points. Direct investment accounted for 28%, portfolio investment for 24% and other investment for 36% of the external asset position. Growth in other investment can be attributed to an increase in trade credit and loan assets, and currency and deposit assets.

Estonia's **gross external debt** contracted largely because of a decline in the debt liabilities of credit institutions to 48% of the debt. The external debt of other sectors, on the other hand, increased by almost 20% and constituted 28% of the gross external debt. The intercompany lending between direct investment companies totalled 18%. The general government debt accounted for only about 6% of the gross external debt. 52% of the gross debt liabilities are related to Sweden and Finland, 60% being the debt liabilities of credit institutions. The net external debt can mainly be attributed to credit institutions and somewhat less to enterprises in other sectors, whose debt liabilities exceeded their debt assets. At the same time, the debt assets of the general government and the central bank exceeded their debt liabilities.

More detailed statistics on Estonia's international investment position and gross external debt is available on the website of Eesti Pank under *Statistical Indicators*.

Estonia's international investment position and gross external debt as at 31 March 2011 will be published on the website of Eesti Pank (<http://www.bankofestonia.ee>) on 9 June 2011 at noon.

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