

9 June 2011



## ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 31 March 2011

Foreign investment in Estonia totalled about 27 billion euros (178% of Estonia's annual GDP) at the end of the first quarter of 2011, just as much a quarter before (see Table 1).

Gross external debt stood at 61%, or 16.3 billion euros, of foreign investment in Estonia, having contracted 1.4% quarter-on-quarter. As a ratio of GDP, gross external debt decreased by 5 percentage points and was about 9% larger than annual GDP (see Table 2 and Figure 1).

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

	31/12/2010	%	31/03/2011	%
<b>EXTERNAL ASSETS</b>				
<b>Direct investment abroad</b>	<b>4,324.8</b>	<b>26.6</b>	<b>4,610.2</b>	<b>28.0</b>
Equity capital and reinvested earnings	2,969.6	18.2	3,113.7	18.9
Other direct investment capital	1,355.2	8.3	1,496.6	9.1
<b>Portfolio investment</b>	<b>3,947.5</b>	<b>24.2</b>	<b>5,072.1</b>	<b>30.8</b>
Equity securities	1,594.3	9.8	1,861.4	11.3
Debt securities	2,353.2	14.5	3,210.7	19.5
Bonds and notes	1,457.4	9.0	1,699.8	10.3
Money market instruments	895.8	5.5	1,510.9	9.2
<b>Financial derivatives</b>	<b>33.7</b>	<b>0.2</b>	<b>31.8</b>	<b>0.2</b>
<b>Other investment</b>	<b>6,063.7</b>	<b>37.2</b>	<b>6,570.4</b>	<b>39.9</b>
Trade credit	1,564.6	9.6	1,588.1	9.7
Loans	1,584.2	9.7	1,650.4	10.0
Long-term	1,089.9	6.7	1,072.5	6.5
Short-term	494.3	3.0	578.0	3.5
Currency and deposits	2,480.4	15.2	2,831.1	17.2
Other assets	434.5	2.7	500.8	3.0
<b>Reserve assets</b>	<b>1,908.8</b>	<b>11.7</b>	<b>163.2</b>	<b>1.0</b>
<b>TOTAL EXTERNAL ASSETS</b>	<b>16,278.5</b>	<b>100.0</b>	<b>16,447.8</b>	<b>100.0</b>
<b>EXTERNAL LIABILITIES</b>				
<b>Direct investment in Estonia</b>	<b>12,302.0</b>	<b>46.1</b>	<b>12,524.5</b>	<b>46.9</b>
Equity capital and reinvested earnings	10,658.7	39.9	10,900.2	40.8
Other direct investment capital	1,643.3	6.2	1,624.4	6.1
<b>Portfolio investment</b>	<b>1,432.9</b>	<b>5.4</b>	<b>1,435.9</b>	<b>5.4</b>
Equity securities	892.7	3.3	920.9	3.4
Debt securities	540.2	2.0	514.9	1.9
Bonds and notes	536.3	2.0	510.0	1.9
Money market instruments	3.9	0.0	5.0	0.0
<b>Financial derivatives</b>	<b>90.5</b>	<b>0.3</b>	<b>67.2</b>	<b>0.3</b>
<b>Other investment</b>	<b>12,869.1</b>	<b>48.2</b>	<b>12,671.3</b>	<b>47.5</b>
Trade credit	1,133.6	4.2	1,279.4	4.8
Loans	3,364.7	12.6	3,733.0	14.0
Long-term	2,392.5	9.0	3,068.9	11.5
Short-term	972.2	3.6	664.1	2.5
Currency and deposits	7,738.7	29.0	6,864.8	25.7
Other liabilities	632.2	2.4	794.1	3.0
<b>TOTAL EXTERNAL LIABILITIES</b>	<b>26,694.5</b>	<b>100.0</b>	<b>26,698.9</b>	<b>100.0</b>
<b>NET INTERNATIONAL INVESTMENT POSITION</b>	<b>-10,416.0</b>		<b>-10,251.1</b>	

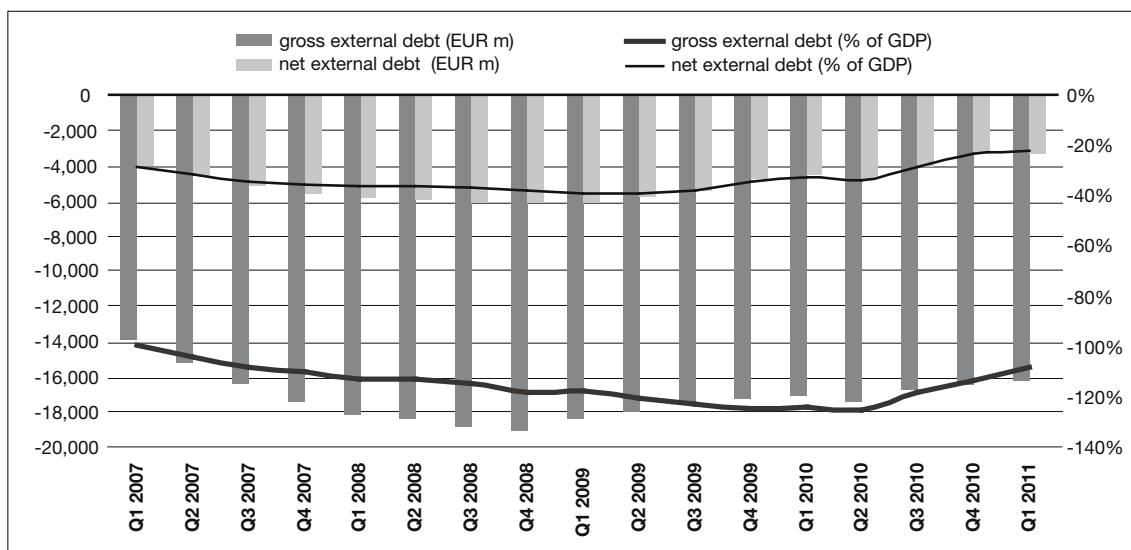
Estonian residents' investment abroad totalled 16.4 billion euros at the end of the first quarter, having increased 1% over the quarter.

Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia's net investment position was negative by 10.3 billion euros, having decreased around 2% quarter-on-quarter. The net external debt (assets less liabilities) shrank by 1% from the previous quarter to 3.4 billion kroons. The ratio of net external debt to GDP was about 23%.

The structure of foreign investment in Estonia did not change considerably in the first quarter. At the end of the quarter, direct investment accounted for 47% and other investment (trade credit, loans, currency and

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

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



**Figure 1. Estonia's gross and external debt**

deposits) for about 48% of foreign investment in Estonia, the rest being portfolio investment and financial derivatives. The direct investment position increased 2% from the previous quarter, while the other investment position contracted 2%.

The structure of **Estonia's investment abroad** changed considerably over the quarter, as the percentages of reserve assets dropped significantly, while that of portfolio and direct investment grew. This resulted from the adoption of the euro in Estonia on 1 January 2011. From 1 January 2011, the external assets denominated in euros or external assets issued by euro area countries are no longer recorded under the gold and foreign exchange reserves of Eesti Pank. They are recorded either under portfolio or other investment, depending on the type of asset. Consequently, the percentage of reserve assets in the external asset position fell to 1% in the first quarter of 2011 from 12% at the end of 2010. Other investment comprised 40%, portfolio investment 31% and direct investment 28% of the external asset position.

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

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

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**Estonia's international investment position and gross external debt as at 30 June 2011 will be published on the website of Eesti Pank (<http://www.bankofestonia.ee>) on 8 September 2011 at noon.**

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