

8 September 2011



## ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 June 2011

Foreign investment in Estonia totalled 27.4 billion euros (180% of Estonia's annual GDP) at the end of the second quarter of 2011, which is around 3% more than in the quarter before (see Table 1).

Gross external debt stood at 61%, or 16.8 billion euros, of foreign investment in Estonia, having grown by 3% quarter-on-quarter. As a ratio of GDP, gross external debt nearly did not change quarter-on-quarter and was 10% bigger than annual GDP at the end of the second quarter (see Table 2 and Figure 1). The general government debt accounted for about 5% of the gross external debt.

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

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

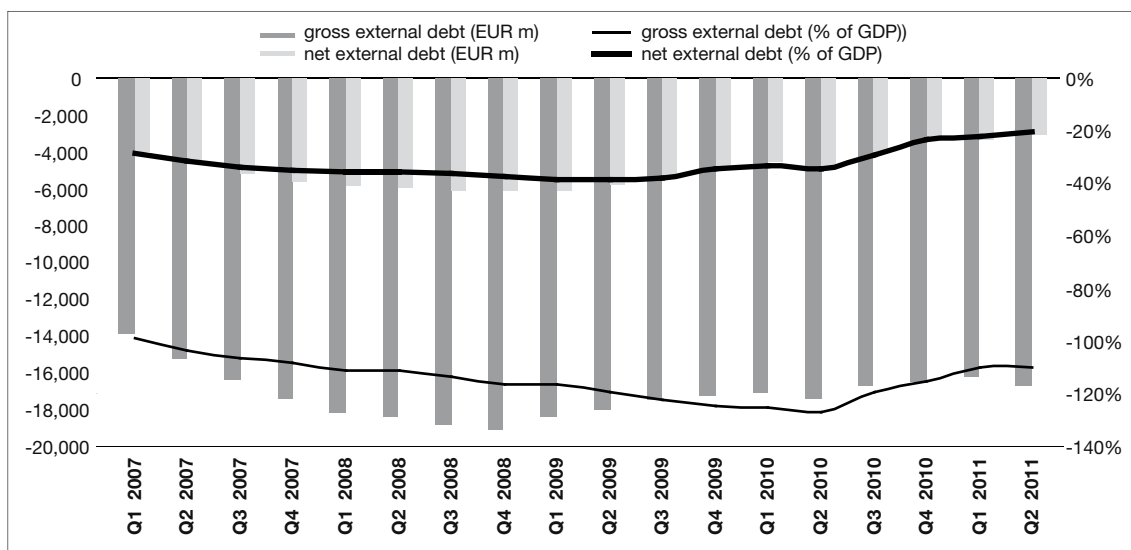
Estonian residents' investment abroad totalled 17.5 billion euros at the end of the second quarter, having increased 6% over the quarter.

Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia's net investment position was negative by 9.9 billion euros, having decreased 2% quarter-on-quarter. The net external debt (assets less liabilities) shrank by 5% from the previous quarter to 3.1 billion kroons. The ratio of net external debt to GDP was nearly 21%.

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

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

	31/03/2011	%	30/06/2011	%
<b>LIABILITIES</b>				
<b>I. General government</b>	<b>790.0</b>	<b>4.9</b>	<b>803.8</b>	<b>4.8</b>
Short-term	0.1	0.0	9.8	0.1
Long-term	789.9	4.9	794.0	4.7
<b>II. Monetary authorities (NCB)</b>	<b>133.2</b>	<b>0.8</b>	<b>239.5</b>	<b>1.4</b>
Short-term	64.0	0.4	170.9	1.0
Long-term	69.2	0.4	68.6	0.4
<b>III. Credit institutions</b>	<b>7,188.7</b>	<b>44.3</b>	<b>7,519.1</b>	<b>44.9</b>
Short-term	4,116.8	25.4	4,520.0	27.0
Long-term	3,071.9	18.9	2,999.1	17.9
<b>IV. Other sectors</b>	<b>5,029.2</b>	<b>31.0</b>	<b>4,979.7</b>	<b>29.7</b>
Short-term	2,052.3	12.7	2,105.7	12.6
Long-term	2,976.9	18.4	2,874.0	17.2
<b>V. Direct investment: intercompany lending</b>	<b>3,079.2</b>	<b>19.0</b>	<b>3,214.1</b>	<b>19.2</b>
<b>GROSS EXTERNAL DEBT</b>	<b>16220.4</b>	<b>100.0</b>	<b>16756.2</b>	<b>100.0</b>
<b>ASSETS</b>				
<b>I. General government</b>	<b>1,142.6</b>	<b>8.9</b>	<b>1,185.3</b>	<b>8.7</b>
Short-term	601.6	4.7	578.4	4.2
Long-term	541.0	4.2	606.9	4.5
<b>II. Monetary authorities (NCB)</b>	<b>1,200.1</b>	<b>9.3</b>	<b>1,247.7</b>	<b>9.2</b>
Short-term	739.6	5.7	772.3	5.7
Long-term	460.5	3.6	475.4	3.5
<b>III. Credit institutions</b>	<b>2,934.0</b>	<b>22.7</b>	<b>3,275.5</b>	<b>24.0</b>
Short-term	2,144.1	16.6	2,290.9	16.8
Long-term	789.9	6.1	984.5	7.2
<b>IV. Other sectors</b>	<b>4,685.8</b>	<b>36.3</b>	<b>5,172.8</b>	<b>38.0</b>
Short-term	3,202.6	24.8	3,666.8	26.9
Long-term	1,483.2	11.5	1,506.0	11.1
<b>V. Direct investment: intercompany lending</b>	<b>2,942.5</b>	<b>22.8</b>	<b>2,742.1</b>	<b>20.1</b>
<b>TOTAL ASSETS</b>	<b>12,904.9</b>	<b>100.0</b>	<b>13,623.4</b>	<b>100.0</b>
<b>NET EXTERNAL DEBT (assets less liabilities)</b>				
<b>I. General government</b>	<b>352.6</b>		<b>381.5</b>	
Short-term	601.5		568.6	
Long-term	-248.9		-187.1	
<b>II. Monetary authorities (NCB)</b>	<b>1,066.9</b>		<b>1,008.2</b>	
Short-term	675.6		601.4	
Long-term	391.3		406.8	
<b>III. Credit institutions</b>	<b>-4,254.7</b>		<b>-4,243.7</b>	
Short-term	-1,972.8		-2,229.1	
Long-term	-2,282.0		-2,014.6	
<b>IV. Other sectors</b>	<b>-343.4</b>		<b>193.1</b>	
Short-term	1,150.3		1,561.2	
Long-term	-1,493.7		-1,368.0	
<b>V. Direct investment: intercompany lending</b>	<b>-136.8</b>		<b>-472.0</b>	
<b>TOTAL NET EXTERNAL DEBT</b>	<b>-3,315.4</b>		<b>-3,132.8</b>	



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

and deposits) for about 48% of foreign investment in Estonia, the rest being portfolio investment and financial derivatives. The direct investment position increased about 4% from the previous quarter, while the other investment position grew by 3%.

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

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

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 September 2011 will be published on the website of Eesti Pank (<http://www.bankofestonia.ee>) on 9 December 2011 at noon.**

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