

9 December 2011



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

Foreign investment in Estonia totalled 26.4 billion euros (169% of Estonia's annual GDP) at the end of the third quarter of 2011, 4% less than in the quarter before (see Table 1).

Gross external debt was 61%, or 16 billion euros, of foreign investment in Estonia, having contracted 5% quarter-on-quarter. Gross external debt was 10% larger than annual GDP at the end of the second quarter, while only 2% larger at the end of the third quarter (see Table 2 and Figure 1). General government debt accounted for 4% of the gross external debt.

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

	30/06/2011	%	30/09/2011	%
EXTERNAL ASSETS				
Direct investment abroad	4,716.0	27.0	3,438.8	20.0
Equity capital and reinvested earnings	3,277.0	18.7	2,318.7	13.5
Other direct investment capital	1,439.0	8.2	1,120.0	6.5
Portfolio investment	5,105.8	29.2	4,651.1	27.1
Equity securities	1,834.3	10.5	1,606.7	9.4
Debt securities	3,271.5	18.7	3,044.4	17.7
Bonds and notes	2,071.1	11.8	2,026.6	11.8
Money market instruments	1,200.4	6.9	1,017.8	5.9
Financial derivatives	31.4	0.2	67.6	0.4
Other investment	7,473.6	42.7	8,856.1	51.6
Trade credit	1,784.4	10.2	1,842.6	10.7
Loans	1,728.2	9.9	1,628.9	9.5
Long-term	1,035.7	5.9	1,011.2	5.9
Short-term	692.5	4.0	617.7	3.6
Currency and deposits	3,407.7	19.5	4,844.7	28.2
Other assets	553.2	3.2	539.9	3.1
Reserve assets	156.2	0.9	161.8	0.9
TOTAL EXTERNAL ASSETS	17,482.9	100.0	17,175.5	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	13,068.4	47.7	12,618.2	47.9
Equity capital and reinvested earnings	11,019.8	40.2	11,071.4	42.0
Other direct investment capital	2,048.6	7.5	1,546.8	5.9
Portfolio investment	1,336.7	4.9	1,357.8	5.2
Equity securities	811.7	3.0	681.7	2.6
Debt securities	525.0	1.9	676.1	2.6
Bonds and notes	521.8	1.9	673.3	2.6
Money market instruments	3.2	0.0	2.8	0.0
Financial derivatives	53.7	0.2	97.2	0.4
Other investment	12,920.5	47.2	12,280.1	46.6
Trade credit	1,389.8	5.1	1,396.7	5.3
Loans	3,442.3	12.6	3,538.9	13.4
Long-term	2,828.2	10.3	2,946.3	11.2
Short-term	614.1	2.2	592.6	2.2
Currency and deposits	7,167.8	26.2	6,777.9	25.7
Other liabilities	920.7	3.4	566.5	2.1
TOTAL EXTERNAL LIABILITIES	27,379.3	100.0	26,353.4	100.0
NET INTERNATIONAL INVESTMENT POSITION	-9,896.4		-9,177.9	

Estonian residents' investment abroad shrank by 2% from the second quarter to 17.2 billion euros at the end of the third quarter.

Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia had a negative net investment position of 9.2 billion euros, which decreased 7% quarter-on-quarter. Net external debt (assets less liabilities) shrank by more than double-fold from the second quarter to 1.3 billion euros. Net external debt-to-GDP ratio decreased from 21% to 9% quarter-on-quarter. The last such low ratio was recorded in 2002.

Estonian investment abroad included 48% of direct investment, just as much as in the second quarter. The share of other investment declined slightly to 47%. The rest were portfolio investment and financial deriva-

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

	30/06/2011	%	30/09/2011	%
LIABILITIES				
I. General government	803.8	4.8	637.2	4.0
Short-term	9.8	0.1	9.3	0.1
Long-term	794.0	4.7	627.9	3.9
II. Monetary authorities (NCB)	239.5	1.4	79.0	0.5
Short-term	170.9	1.0	7.3	0.0
Long-term	68.6	0.4	71.7	0.4
III. Credit institutions	7,519.1	44.8	7,088.8	44.4
Short-term	4,520.0	26.9	4,218.5	26.4
Long-term	2,999.1	17.9	2,870.3	18.0
IV. Other sectors	4,883.1	29.1	5,151.2	32.3
Short-term	2,042.6	12.2	2,040.8	12.8
Long-term	2,840.5	16.9	3,110.4	19.5
V. Direct investment: intercompany lending	3,332.0	19.9	3,011.7	18.9
GROSS EXTERNAL DEBT	16,777.6	100.0	15,968.0	100.0
ASSETS				
I. General government	1,189.5	8.7	1,107.0	7.6
Short-term	578.4	4.2	525.8	3.6
Long-term	611.2	4.5	581.2	4.0
II. Monetary authorities (NCB)	1,247.7	9.2	1,232.8	8.4
Short-term	772.3	5.7	534.5	3.7
Long-term	475.4	3.5	698.2	4.8
III. Credit institutions	3,275.5	24.1	4,326.3	29.5
Short-term	2,290.9	16.8	3,287.1	22.5
Long-term	984.5	7.2	1,039.2	7.1
IV. Other sectors	5,180.2	38.0	5,389.6	36.8
Short-term	3,647.4	26.8	3,904.1	26.7
Long-term	1,532.7	11.3	1,485.5	10.1
V. Direct investment: intercompany lending	2,722.4	20.0	2,584.9	17.7
TOTAL ASSETS	13,615.3	100.0	14,640.6	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	385.7		469.8	
Short-term	568.6		516.5	
Long-term	-182.8		-46.7	
II. Monetary authorities (NCB)	1,008.2		1,153.7	
Short-term	601.4		527.2	
Long-term	406.8		626.5	
III. Credit institutions	-4,243.7		-2,762.5	
Short-term	-2,229.1		-931.3	
Long-term	-2,014.6		-1,831.2	
IV. Other sectors	297.1		238.4	
Short-term	1,604.8		1,863.3	
Long-term	-1,307.7		-1,625.0	
V. Direct investment: intercompany lending	-609.6		-426.8	
TOTAL NET EXTERNAL DEBT	-3,162.2		-1,327.4	

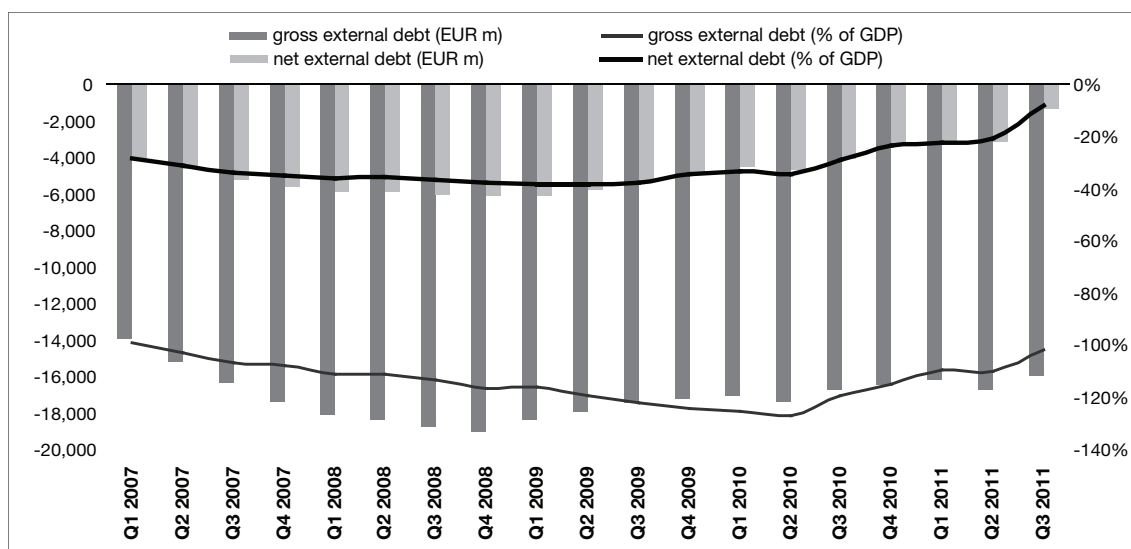


Figure 1. Estonia's gross and external debt

tives, with their shares increasing a bit. Direct investment in Estonia shrank by 3%, mostly in the segment of credit institutions, and other investment in Estonia contracted by 5%, which mainly concerned the central bank and the general government.

The structure of Estonia's investment **abroad** changed considerably in the third quarter: the percentage of direct investment decreased, while the percentage of other investment rose. Direct investment abroad made up 27% of Estonia's total investment position at the end of the second quarter, while only 20% at the end of the third quarter. The percentage of other investment increased from 43% to 52%. Both changes can be largely attributed to credit institutions and structural changes in that sector in the third quarter, when the Latvian and Lithuanian subsidiaries of one major bank were brought under the direct control of their foreign parent bank. In terms of volume, Estonia's direct investment abroad shrank by more than 25%, while other investment grew by nearly 20%. Portfolio investment accounted for 27% of Estonia's investment abroad.

Estonia's **gross external debt** contracted by 5% over the quarter to 16 billion euros. All economic sectors, particularly credit institutions and direct investment companies, reduced their foreign debt liabilities in the third quarter. The external debt of credit institutions constituted 44% of gross external debt, remaining almost unchanged from the second quarter. Other sectors accounted for about a third of gross external debt, with their percentage rising over the quarter. The debt liabilities of direct investment companies comprised 19% of gross external debt. The share of the general government dropped to 4%. 44% of gross external debt was related to Sweden and Finland (47% at the end of the second quarter), of which 60% were the debt liabilities of credit institutions. The rapid decline in net external debt can be mostly attributed to credit institutions.

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 31 December 2011 will be published on the website of Eesti Pank (<http://www.bankofestonia.ee>) on 9 March 2012 at noon.

Please acknowledge the source when publishing or citing.

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