

11 March 2013



ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT 31 DECEMBER 2012

At the end of 2012, total foreign investment in Estonia was 29.2 billion euros, which was 72% more than GDP, and 11% more than a year earlier (see table 1). Direct investment, portfolio investment and other investment positions all increased. The leading position in the external investment structure was held by direct investment, which accounted for 49% of all investment, the same as it had a year before, with other investments (loans and deposits) making up 45% and portfolio investments 6%. Total direct investments in

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

	31/12/2011	%	31/12/2012	%
EXTERNAL ASSETS				
Direct investment abroad	3,663.5	21.3	4,389.5	21.7
Equity capital and reinvested earnings	2,465.1	14.3	2,718.1	13.5
Other direct investment capital	1,198.4	7.0	1,671.3	8.3
Portfolio investment	4,182.2	24.3	4,673.1	23.1
Equity securities	1,607.0	9.3	1,916.7	9.5
Debt securities	2,575.2	15.0	2,756.4	13.6
Bonds and notes	1,949.9	11.3	2,188.6	10.8
Money market instruments	625.3	3.6	567.8	2.8
Financial derivatives	68.4	0.4	69.8	0.3
Other investment	9,120.2	53.0	10,837.5	53.7
Trade credit	1,650.5	9.6	1,863.5	9.2
Loans	1,691.2	9.8	2,238.7	11.1
Long-term	990.5	5.8	1,583.4	7.8
Short-term	700.6	4.1	655.3	3.2
Currency and deposits	5,110.3	29.7	5,903.2	29.2
Other assets	668.4	3.9	832.1	4.1
Reserve assets	160.4	0.9	228.5	1.1
TOTAL EXTERNAL ASSETS	17,194.7	100.0	20,198.4	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	12,927.9	48.9	14,268.6	48.9
Equity capital and reinvested earnings	11,692.2	44.3	13,217.1	45.3
Other direct investment capital	1,235.7	4.7	1,051.6	3.6
Portfolio investment	1,327.1	5.0	1,807.6	6.2
Equity securities	634.6	2.4	759.8	2.6
Debt securities	692.6	2.6	1,047.8	3.6
Bonds and notes	689.8	2.6	1,044.1	3.6
Money market instruments	2.8	0.0	3.7	0.0
Financial derivatives	80.1	0.3	119.5	0.4
Other investment	12,078.7	45.7	13,006.8	44.5
Trade credit	1,391.9	5.3	1,440.4	4.9
Loans	3,745.0	14.2	5,110.1	17.5
Long-term	3,058.9	11.6	4,414.2	15.1
Short-term	686.1	2.6	695.9	2.4
Currency and deposits	6,620.8	25.1	6,057.4	20.7
Other liabilities	321.0	1.2	398.8	1.4
TOTAL EXTERNAL LIABILITIES	26,413.9	100.0	29,202.6	100.0
NET INTERNATIONAL INVESTMENT POSITION	-9,219.2		-9,004.2	

Estonia from foreign investors stood at 14.3 billion euros, of which 22% had gone into financial services other than insurance and pension funds, 16% into real estate, 8% into headquarters activities, and another 8% into wholesale. Half of the direct investment had come from Sweden and Finland and one tenth from Holland.

Total investments abroad by Estonian residents increased over the year by 18% and stood at 20.2 billion euros at the end of the year. The foreign position increased mostly in direct and other investments, both of which increased by one fifth. Other investments made up 54% of the position, followed by portfolio investments at 23% and direct investments at 22%. The remainder of the investments were reserve assets and financial derivatives. Over time, Estonian investors have made **direct investments** abroad of 4.4 billion euros. Direct investments abroad have principally been in maritime transport, with 25% of total external

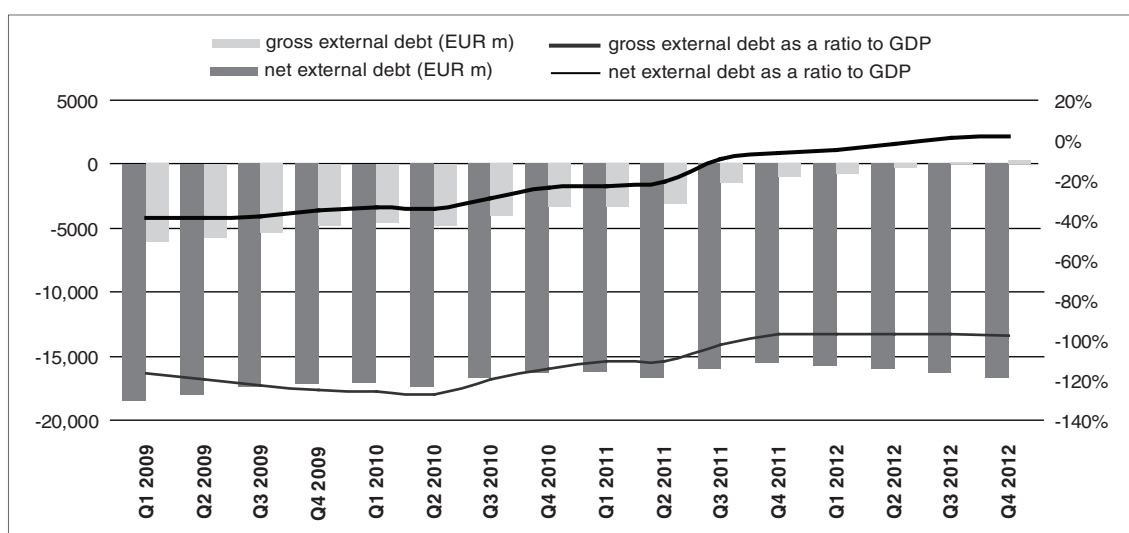
Table 2. Estonia's external debt (EUR million)

	31/12/2011	%	31/12/2012	%
LIABILITIES				
I. General government	538.8	3.5	1,263.3	7.6
Short-term	11.6	0.1	10.9	0.1
Long-term	527.2	3.4	1,252.5	7.5
II. Monetary authorities (NCB)	0.3	0.0	19.2	0.1
Short-term	0.3	0.0	19.2	0.1
Long-term				0.0
III. Credit institutions	6,887.6	44.4	6,322.8	38.0
Short-term	4,336.6	28.0	4,826.4	29.0
Long-term	2,551.0	16.5	1,496.4	9.0
IV. Other sectors	5,344.7	34.5	6,449.2	38.7
Short-term	2,113.7	13.6	2,190.3	13.1
Long-term	3,231.0	20.8	4,258.9	25.6
V. Direct investment: intercompany lending	2,732.3	17.6	2,604.5	15.6
GROSS EXTERNAL DEBT	15,503.6	100.0	16,659.0	100.0
ASSETS				
I. General government	1,114.7	7.7	1,500.0	8.8
Short-term	529.6	3.7	585.5	3.5
Long-term	585.1	4.0	914.4	5.4
II. Monetary authorities (NCB)	1,468.3	10.1	2,697.8	15.9
Short-term	747.9	5.2	1,818.0	10.7
Long-term	720.4	5.0	879.8	5.2
III. Credit institutions	4,128.3	28.5	3,691.1	21.8
Short-term	3,219.3	22.2	2,847.5	16.8
Long-term	908.9	6.3	843.6	5.0
IV. Other sectors	5,065.9	35.0	5,840.3	34.4
Short-term	3,624.3	25.0	4,091.0	24.1
Long-term	1,441.6	10.0	1,749.3	10.3
V. Direct investment: intercompany lending	2,695.0	18.6	3,224.2	19.0
TOTAL ASSETS	14,472.0	100.0	16,953.5	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	575.9		236.6	
Short-term	518.0		574.7	
Long-term	57.8		-338.0	
II. Monetary authorities (NCB)	1,468.0		2,678.6	
Short-term	747.6		1,798.7	
Long-term	720.4		879.8	
III. Credit institutions	-2,759.3		-2,631.6	
Short-term	-1,117.3		-1,978.9	
Long-term	-1,642.0		-652.7	
IV. Other sectors	-278.8		-608.9	
Short-term	1,510.6		1,900.7	
Long-term	-1,789.4		-2,509.6	
V. Direct investment: intercompany lending	-37.3		619.8	
TOTAL NET EXTERNAL DEBT	-1,031.6		294.5	

investment, then headquarters with 19%, real estate with 13% and financial services with 10%. Cyprus has received 29% of the direct investment, Lithuania 20% and Latvia 17%.

Estonia's gross external debt, which is the external debt of all the economic sectors in the country, grew during the year by 8% and stood at 16.7 billion euros at the end of the year (see Table 2 and Figure 1). **The main driver of the growth in gross external debt was long-term loans to other sectors and to the government sector.** The gross external debt accounted for 58% of total foreign investments in Estonia and made up 98% of GDP. The external liabilities of the government sector more than doubled during the year to make up almost 8% of gross external debt at the end of the year. The increase came partly within the framework of financial assistance provided through the European Financial Stability Fund (EFSF)¹. The share of credit institutions in gross external debt continued to decline, falling from 44% at the start of the year to 38% at the end of the year. The share of other sectors increased in response, reaching 39% at the end of the year. If the external debt of direct investment companies that usually come under other sectors is added to this, the external debt of other sectors accounted for 54% of gross external debt. Debts to Finland made up 24% of these liabilities, and debts to Sweden, 13%.

Figure 1. Estonia's gross and net external debt



Estonia's international investment position (foreign assets minus foreign liabilities) at the end of the year was negative by 9 billion euros, 2% less than one year earlier, because of the excess of foreign investment made in Estonia over investments made abroad by residents of Estonia. At the end of 2011 foreign debt liabilities exceeded foreign debt claims to give net external debt of almost 1 billion euros, but at the end of 2012 foreign debt claims exceeded foreign debt liabilities by 0.3 billion euros. The contributors to the emergence of positive net debt were principally the central bank and direct investment companies.

More detailed statistics on Estonia's international investment position and total external debt can be found on Eesti Pank's website under the heading "Statistics".

Estonia's international investment position and gross external debt on 31 March 2013 will be published on the Eesti Pank website (<http://www.eestipank.ee>) on 10 June 2013 at 12.00 midday.

¹ Financial assistance within the framework of the EFSF is counted under other investment for both loan assets and liabilities, and this has no effect on the financial account. However, only loan liabilities are considered in the calculation of external debt, and this means that the loan guarantees given to the EFSF can have an impact on gross external debt.