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EUROSÜSTEEM

# THE ESTONIAN BALANCE OF PAYMENTS, INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT FOR THE FIRST QUARTER 2013

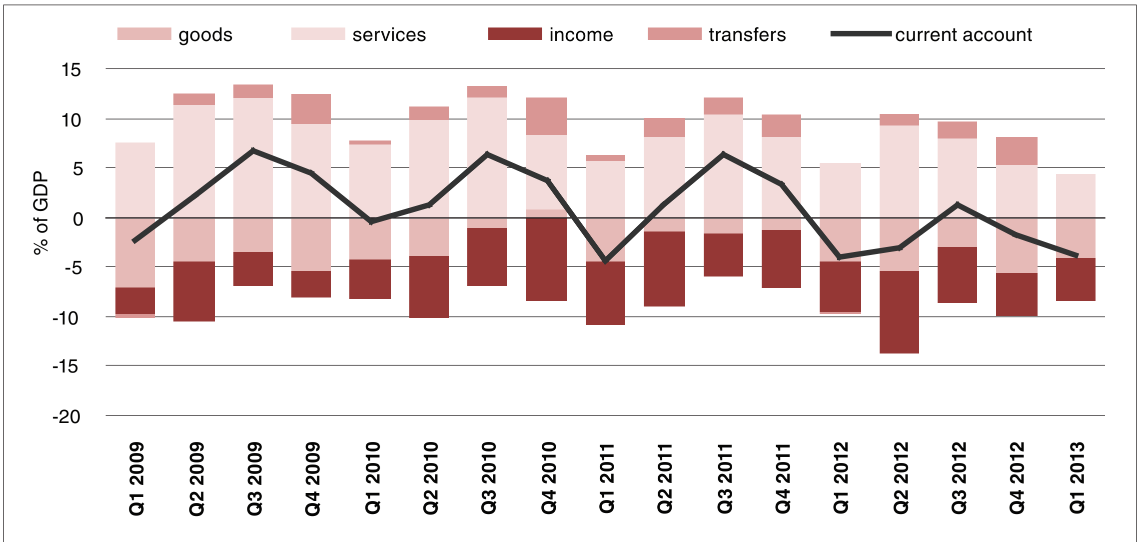
**(Based on preliminary data)[1]**

**In the first quarter of 2013 the current account deficit in the Estonian balance of payments was about the same as in the first quarter of 2012 at 159 million euros. The deficit was also the same as a ratio to GDP at 4% for the quarter** (see Table and Figure 1)**.**

**Table 1. Estonian balance of payments (million euros)**

| | I Q 2012 | I Q 2013 | 2012 | Last four quarters total |
|---|---|---|---|---|
| Current account | -153 | -159 | -310 | -316 |
| Goods | -168 | -167 | -776 | -775 |
| Services | 216 | 183 | 1214 | 1180 |
| Income | -197 | -177 | -987 | -966 |
| Current transfers | -4 | 1 | 239 | 244 |
| Capital account | 94 | 106 | 606 | 618 |
| Financial account (including reserve assets) | -90 | 109 | -292 | -93 |
| Direct investment | 49 | 47 | 440 | 438 |
| Portfolio investment | -116 | 87 | -100 | 103 |
| Financial derivatives | 27 | 3 | 68 | 44 |
| Other investments | 4 | -6 | -630 | -640 |
| Reserve assets | -53 | -22 | -70 | -38 |
| Errors and omissions | 149 | -56 | -5 | -210 |

**Figure 1. The structure of the current account**




[1] Comparisons are with data for the same period of the previous year unless otherwise stated.

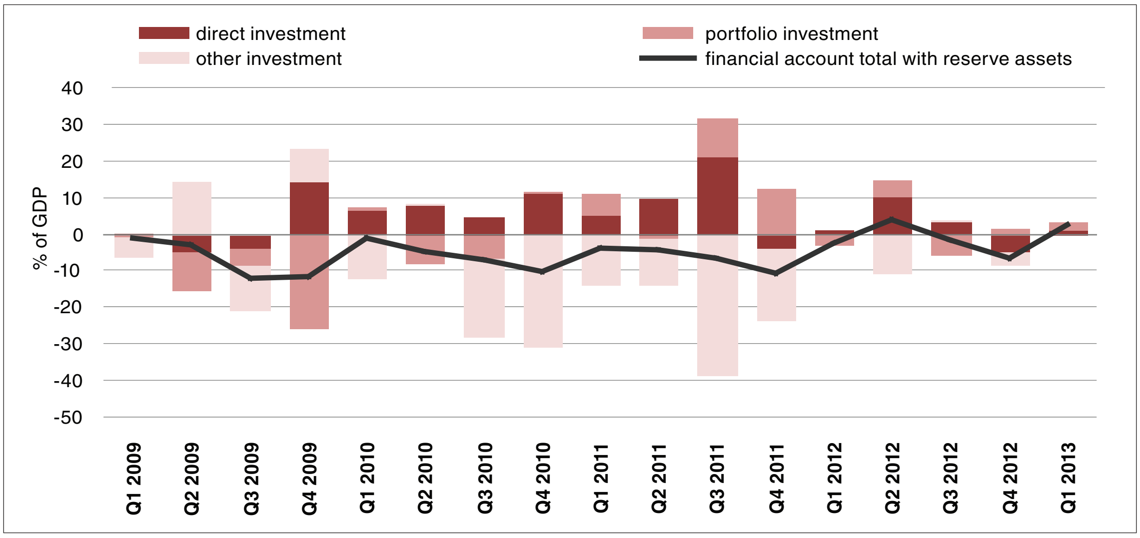
**The deficit in the *trade account*, the part of the current account with the largest turnover, remained the same at 167 million euros.** Both exports and imports of goods fell by 1% due to a sharp decline in the import and export of processed goods, notably motor fuels. **The surplus from imports and exports *of services*** fell by 15%, mainly as the surplus from transport services decreased. The slowdown in the **net outflows of *income*** was due to a faster reduction in the investment income earned by non-residents in Estonia than in the income earned by residents abroad. Although ***current transfers*** are as a rule substantially in surplus in the other quarters of the year because of EU subsidies, in the first quarter of the year the transfers sent and received are almost in balance. It was the same in the first quarter of 2013 because of the regular contributions to international organisations.

**The capital account** surplus was more than one tenth bigger than that of the first quarter of last year, and was mostly made up of subsidies from the EU structural funds for infrastructure development and partly from transfers received from the sale of  emission permits.

**The financial account**

**In the first quarter of 2013 the Estonian economy was a net borrower, with capital inflows exceeding outflows by 109 million euros.** The channels for net capital inflows were direct and portfolio investment, where investments in Estonia were larger than the direct and portfolio investments made abroad (see Figure 2). The inflows and outflows of other investments (loans and deposits) and derivatives were more or less in balance. By institutional sector, the central bank had 270 million euros of net inflows, credit institutions 62 million, and the general government 46 million. However, the business sector financed the outside world with 269 million euros.

**Figure 2. The structure of the financial account**

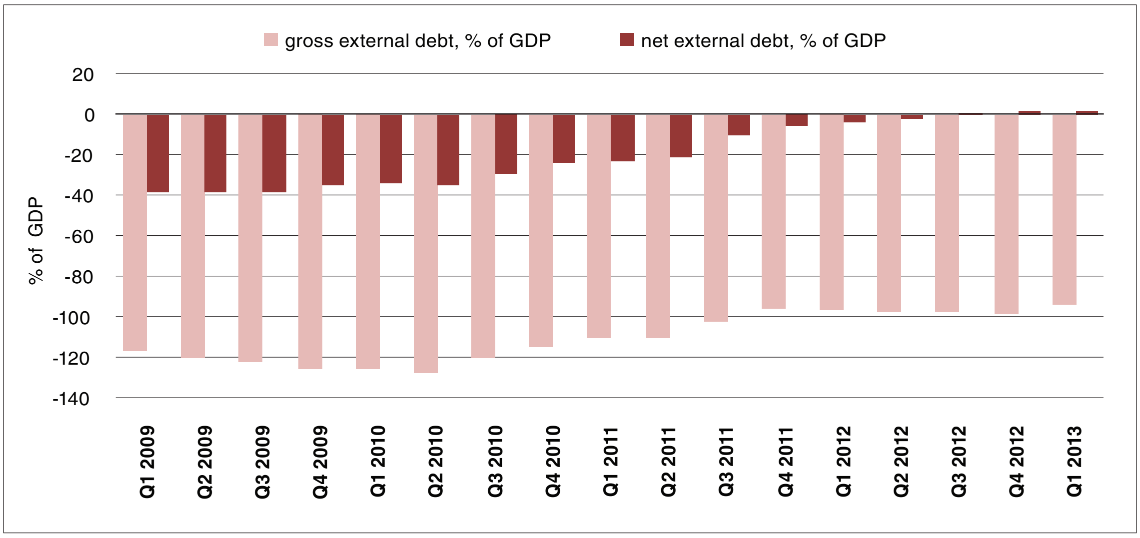



**Estonia's international investment position and gross external debt**

**The net investment position (foreign assets minus foreign liabilities) at the end of the first quarter of 2013 was negative by 10 billion euros, having increased by 6% during the quarter.** Investments abroad by Estonian residents (foreign assets) stood at 19 billion euros and investments in Estonia by non-residents (foreign liabilities) stood at 29 billion euros. About a quarter of the investments made abroad were direct investments, while half of the foreign investments in Estonia were direct investments.

**Gross external debt[2] or the debt of all the economic sectors in the country was 16 billion euros (93% of Estonia's GDP for the year), having fallen by 4% during the quarter** (see Figure 3)**. The gross external debt declined for all sectors except the central bank, and it fell the most for credit institutions.** The external debt of the general government[3] was 1.2 billion euros, having fallen by 5% in the quarter and making up 7% of the gross external debt. The net external debt (debt assets less debt liabilities) was positive for the third consecutive quarter, meaning that the foreign assets of the Estonian economic sectors were larger than their foreign liabilities by around 0.4 billion euros.

**Figure 3. Gross and net external debt**

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**More detailed information on Estonia's balance of payments, international investment position and external debt can be found on Eesti Pank's website (http://www.eestipank.ee).**

[2] External debt liabilities (does not include direct or portfolio investments in share capital, reinvested earnings or derivative instruments).

[3] Central and local governments and social insurance funds for health and unemployment.