III. THEORETICAL CONCEPT, METHODOLOGY AND COMPILATION PRACTICES

The IMF Balance of Payments Manual, 5th Edition, is the methodological basis for external sector statistics and the Estonian model of balance of payments statistics. The following introduces three basic documents – the balance of payments, the international investment position, and the external debt – and their key definitions, dissemination policy, and compilation practices.

BALANCE OF PAYMENTS

The balance of payments is the consolidated income statement of all institutional sectors of the economy on the one hand, and their consolidated balance sheet on the other. Corporate financial statements reflect the relations of a company with the external environment. Theoretically, the balance of payments has the same functions, the company being the national economy and the rest of the world as its environment.

The balance of payments is a statistical statement that systematically summarises economic transactions of a country with the rest of the world in a certain period, usually a month, a quarter or a year.

The balance of payments

- describes the formation of gross domestic product (GDP), gross national product (GNP) and gross domestic income (GDI) on the *current account*;
- reflects the structure of external financial resources on *the capital account, the financial account* and *the reserve assets;*
- helps assess the external trade position of a country in comparison with other countries;
- helps explain the causes of changes in the foreign exchange reserves;
- serves as a source document for making the monetary and economic-policy decisions of a country.

The current account is divided into four sub-accounts: *goods, services, income* and *current transfers* (see "Balance of payments terms and definitions" below). The goods and services accounts include all sums receivable from selling goods and services, and the sums payable for purchases. The income account reflects revenues related to the use and render for use of production factors (capital and labour). Current transfers are all the remaining transactions that are related to the formation of gross disposable income of residents and are distinguishable from capital transfers.

The sources of financing are divided between three accounts: *the capital account, the financial account* and *the reserve assets.* The capital account records mainly transactions that are related to investment grants (e.g. the acquisition/disposal of intellectual property; sales of CO_2 emission quotas), waiver of debt, and other international capital transfers not related to the formation of gross disposable income. The *financial account* records foreign investments that are classified into four major categories: *direct investment, portfolio investment, financial derivatives* and *other investment*. In Estonia, reserve assets reflect changes in the gold and foreign exchange reserves of the central bank.[5]

[5] As Estonia adopted the euro on 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.

The compilation of the balance of payments is not based on the territory of a country, but its economic territory, administered by the government of that country, within which persons, goods, services and capital move freely. The economic territory includes the national air-space, territorial waters and territorial enclaves abroad (embassies, military bases, special zones, etc.) As a rule, a balance of payment transaction is a monetary or non-monetary transaction between a *resident* and a *non-resident*. Resident is an Estonian inhabitant with a permanent residence or a natural person registered in Estonia. *Non-resident* is a legal entity or a natural person who is registered abroad and whose permanent residence is not Estonia.

As the balance of payments reflects transactions in a specific period, the values of the balance of payments items are *flow indicators*.

The balance of payments is compiled on an accrual basis: the transaction is recorded at the time the transaction was concluded between parties or a change of ownership took place, regardless of whether the respective amount has actually been received or paid. All balance of payments transactions are recorded at *market prices.*

The balance of payments is compiled on the basis of the *double entry system*. Every recorded transaction is represented by two entries with equal values, but under different items and with opposite signs: *credit* (+) and *debit* (–). Credit shows an increase in the financial resources available, while debit indicates the use of these resources (see Table 3.1).

Table 3.1. Credit and debit

	Increase in resources	Use of resources
	CREDIT **"+"**	**DEBIT** **"–"**
Current account	Exports of goods	Imports of goods
	Exports of services	Imports of services
	Income inflow	Income outflow
	Transfers inflow	Transfers outflow
Capital account	Inflow of capital transfers	Outflow of capital transfers
	Increase in tangible assets	Decrease in tangible assets
Financial account	Decrease in external assets	Increase in external assets
	Increase in external liabilities	Decrease in external liabilities
Reserve assets	Decrease in reserve assets	Increase in reserve assets

In the ideal case, the net balance of all entries in the statement is zero. The collection of statistics always includes inaccuracies due to the complicity and scope of the balance of payments. In order to balance the accounts, these inaccuracies are reflected under the entry *errors and omissions*.

Pursuant to the Special Data Dissemination Standard, the current account and the capital account record debit and credit turnovers separately. Only *net entries* (sums of debit and credit entries) are recorded on the financial account and the reserves account.

INTERNATIONAL INVESTMENT POSITION

International investment position is a consolidated balance sheet of the external assets and liabilities of all institutional sectors of a country as at the balance sheet date at market prices.

As the accounts are fully consolidated, the financial assets and liabilities of domestic sectors cancel each other out and the international investment position refers to the *external assets* and *external liabilities* of a country as a whole. The investment position differs from the traditional balance sheet in not considering the real assets and equity of Estonian residents. That is why the investment position is not balanced.

The net investment position is the difference between the external assets and external liabilities of all institutional sectors of a country.

The net investment position is *positive* when external assets exceed external liabilities, reflecting the net debt of the rest of the world to the country. A *negative* net investment position reflects the debt of the country to the rest of the world. The net investment position is divided into long-term and short-term positions. The long-term net investment position is calculated on the basis of long-term assets and liabilities with a contractual maturity of over one year. The short-term position includes capital with a maturity of less than one year.

The investment position is compiled by using the same concepts and definitions as in the balance of payments. The basic principles are *accounting on an accrual basis* and *valuation at market prices* on the day of compiling the position.

However, market prices of unquoted shares are not always available and indirect evaluation of market prices is complicated. Until 2006, Eesti Pank used the information in the Estonian Central Register of Securities to evaluate the liabilities of Estonian residents in case of unquoted shares. As respective information is generally not available in the investment position of the partner country, statistical asymmetries between countries may occur. To achieve statistical consistency, the EU working groups on statistics reached a consensus with regard to using only the own funds at book value (own capital divided by the number of shares) in case of unquoted shares. As a rule, own funds at book value tend to be lower than market prices. Eesti Pank has been using that method since the beginning of 2007.

For listed companies, market prices are used. For unlisted companies, market value is applied to the quarter when the delisting occurs and then converged towards the own funds at book value during the following four quarters.

The international investment position is based on indicators as at end-period.

EXTERNAL DEBT

External debt statistics is based on the external assets and liabilities recorded in the international investment position, which are debts in nature, meaning that they have to be repaid.

Direct and portfolio investment in equity capital, reinvested earnings (retained earnings/losses of previous periods and equity capital reserves) and financial derivatives are excluded from the accounting of debt. Neither does the debt include the central bank's gold reserves nor the IMF's special drawing rights (see "Balance of payments terms and definitions").

The key external debt indicators are the following:

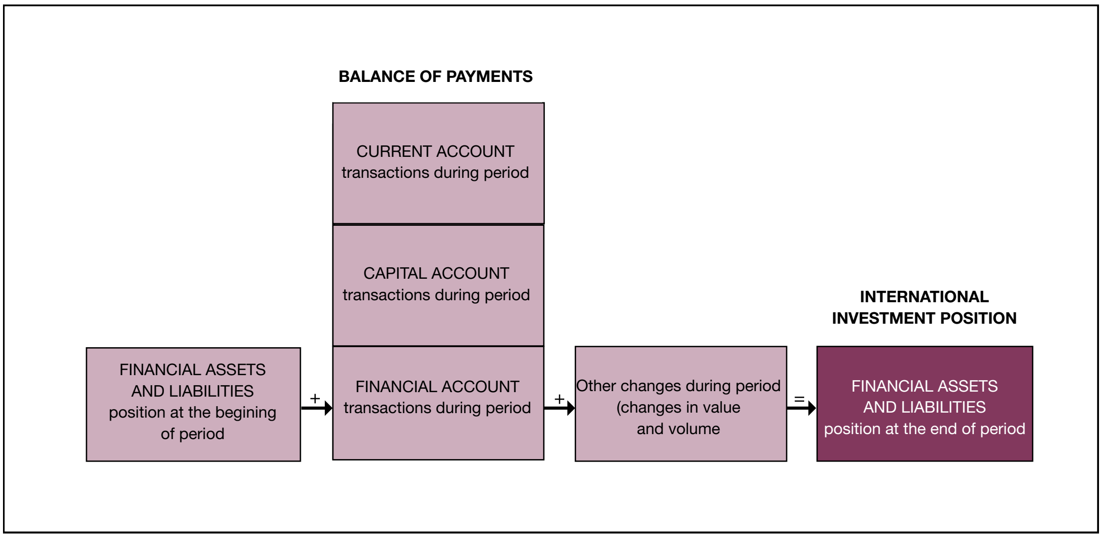
- **gross external debt** – the total of external debt liabilities of all institutional sectors;
- **net external debt** – assets less liabilities, repayable by all institutional sectors.

Unlike the international investment position that reflects direct investment on the basis of the *directional principle* (see "Balance of payments terms and definitions"), loans granted by resident direct investment companies to direct investors do not reduce direct investment liabilities, but are recorded under assets in the balance sheet in debt accounting. Similarly, Estonian residents' loans granted by non-resident direct investment companies are not subtracted from Estonia's direct investment assets abroad but are added to debt liabilities instead.

The external debt is divided into long- and short-term debts. The long-term external debt is calculated on the basis of long-term debt-like assets and liabilities with a contractual maturity of over one year. The short-term position includes debt capital with a maturity of less than one year.

The external debt is based on indicators as at end-period.

The relation between the balance of payments and the international investment position



BALANCE OF PAYMENTS TERMS AND DEFINITIONS

Institutional sectors

Some balance of payments entries, the international investment position and the external debt are compiled and published by institutional sectors, which are as follows:

- *the central bank* – Eesti Pank;
- *the general government* – state government and defence authorities under the authority of central

and local governments; scientific, research, health, social care, educational, cultural and sports institutions, and state funds and foundations financed from a central or a local government budget;

- *credit institutions* – companies as private bodies, licensed by Eesti Pank, whose principal and permanent activities are to receive cash deposits and other repayable funds from the public and to grant loans for their own account and perform other operations listed in the Credit Institutions Act;
- *other sectors* – the remaining private sector (companies, households and non-profit institutions serving households).

Entries

The current account reflects the formation of income from foreign trade and is divided into four sub-accounts: goods, services, income and current transfers.

The goods account consists of goods exports and imports that contribute to the formation of GDP. Such imports and exports include:

- imports for national consumption – imported goods paid for by residents;
- national exports – revenues from exported goods belong to residents;
- imports of goods for processing and exports of processed goods.

Estonia's foreign trade account is based on the *special trade system* of official trade statistics, where goods are recorded when they leave the free circulation area. Exports exclude the re-exports of imported goods previously stored in customs warehouses or provisions for sea and air transport. Imports exclude customs warehousing of imported goods, but reflect deliveries of goods from customs warehouses into free circulation and processing. As the official trade statistics and customs statistics do not comply with the balance of payments compilation principles (imports in c.i.f. prices, residency principle vs. territorial principle etc.), necessary supplements are added to the balance of payments. The most significant of them include:

a) goods that are not declared in customs and not crossing frontiers but that are balance of payments transactions (e.g. marine products caught in foreign waters; ships purchased or sold in foreign ports);
b) goods purchased for carriers abroad: fuel, provisions, merchandise, etc.;
c) purchase and sale of repair services for capital goods;
d) translation of imports into f.o.b. prices, i.e. subtraction of transportation and insurance costs from the total cost of a good and recording of these costs on the services account;
e) consideration of price distortions upon exports of goods through customs warehouses and free zone;
f) estimates of black economy.

As of 1 May 2004, foreign trade statistics is based on the combination of two reporting systems: trade with non-EU countries is still calculated on the basis of customs declarations submitted to the Tax and Customs Board (the so-called Extrastat), whereas intra-Community trade is registered through the so-called Intrastat survey organised by the Statistical Office (see www.stat.ee). While Extrastat still enables to apply the special trade system, which excludes trade through customs warehouses, then Intrastat does not allow filtering out goods that have moved through intermediate warehouses and that have not really entered Estonia's internal market, thus rather reflecting the principles of the general trade system. Owing to the large share of EU countries in Estonia's foreign trade, the general level of the exports and imports goods is higher than in earlier periods, which has to be taken into account when comparing time series. Moreover, due to the structural differences between Intrastat reports and customs declarations it is no longer possible to distinguish with sufficient accuracy "customary" exports and imports from the imports of goods for processing and from the exports of processed goods.

The services account reflects the services sold to and purchased from non-residents by Estonian residents:

a) *transportation* – passenger, freight and other transportation services by major modes of transport (marine, air, rail, road and other transport modes);
b) *travel services* – expenditure on package tours of tourists and one-day visitors, and on goods and services in the country of destination. Besides the above items, travel services include education and health costs in the country of destination. While generally residence abroad up to one year accounts as tourism, then with students and those receiving health care in the country of destination there is no time limit. Tourism is distinguished from travel services by the fact that international passenger transport services that are regarded as tourism services (according to international practice) are recorded in the balance of payments under transportation services entries;
c) *communications services* – charges for telecommunications services (TV and radio transmission, telegraph, telex and facsimile communications, satellite and cable television, e-mail etc.), postal and courier services (packaging, mailing, transportation, delivery of items, lease of letter boxes, etc.);
d) *construction services* – the cost of resident companies' construction activities abroad and non-resident companies' construction activities in Estonia. Construction services concern objects or sites to be completed within one year;
e) *insurance services* – charges collected and paid upon conclusion of life and non-life insurance contracts, loss adjustment expenses, insurance expert assessments, etc. Non-life insurance premiums and claims payable are recorded under current transfers, while life insurance premiums and payments are recorded in the financial account under other long-term capital;
f) *financial services* – financial intermediation services and auxiliary services (other than insurance) related to commissions and fees of banking and securities brokerage or to custodial services, clearing, depository services, financial consulting, etc.;
g) *computer and information services* – cover transactions related to fees for the use and development of databases, data processing and programming, software and hardware consultations, software implementation, etc., and services of news agencies;
h) *royalties and licence fees* – receipts and payments for the use of copyrights, licenses, franchises, patents, industrial processes or other intellectual property;
i) *merchanting* – commissions and fees of commodity brokers and dealers. Merchanting is the difference between the value of goods purchased by residents abroad and the value of these goods resold abroad in the same period. The goods must never cross the Estonian border;
j) *operational lease* – payments where the lessee uses the assets during the contract period and returns the assets to the lessor upon the expiry of the contract (*Financial lease* – see under *Other investment*);
k) *miscellaneous business services* – services related to consulting (legal assistance, accounting, audit, management consulting, etc.), public relations and marketing (advertising, opinion polls, market research, etc.) or other technical services (waste management, environmental protection, archi-

tectural and engineering solutions, printing services, etc.);

l) *personal, cultural and recreational services* – audio-visual services related to radio, television and production of motion pictures, organising concerts and other events, fees to performers, organising exhibitions and museum exhibits, producer services and other sports, cultural and recreational services;

m) *government services not included elsewhere* – other services rendered by government institutions related to embassies and consular services, military and other public sector services, state fees and foreign aid received and provided as a service (for foreign aid see also *Current transfers*).

The income account reflects income related to the use and render for use of production factors (capital and labour). Income falls into two categories:

a) *compensation of employees (labour income)* – gross wages earned abroad together with social transfers made by the employer under a labour contract with a duration of up to a year and paid to foreigners in Estonia;

b) *investment income* – interests and dividends received on foreign (direct, portfolio and other) investment assets and payable on foreign investment liabilities. As the period between the emergence of operating profit and payment of dividends may be long, the concept of *reinvested earnings* has been applied to record that profit in the balance of payments. *Reinvested earnings* – a proportional change equal to investment in the undistributed operating profit or loss of the investment company, which is recorded on the income account but also on the financial account as additional investment in the company. As reinvested earnings decrease when paying dividends, the concept of reinvested earnings can be regarded as accounting of dividends on an accrual basis. Such a method of calculation is statistically complicated and the necessary data are not always available. Therefore, for the sake of simplicity it has been agreed to use it only in case of direct investment relations, not portfolio investment.

Accounting income on the revaluation of financial assets and liabilities, including waivers and write-offs of uncollectible loans, are not recorded on the income account.

The current transfers account includes all remaining transactions related to the accumulation of residents' disposable income but not recorded under any other item of the current account. Current transfers are unilateral, which means that there is no consignment or service following (or preceding) the transfer and neither is it income for the use of production factors. Current transfers are usually related to taxes, fines, subsidies, donations, inheritance, membership fees, insurance premiums, and indemnities. Current transfers include the cost of goods and services received or provided as foreign aid as offsetting entries. The current transfers account records cash flows by two institutional sectors:

a) general government;
b) other sectors.

General government transfers are the amounts related to the transfers received from and paid by the Estonian general government, including foreign aid used by the general government and Estonia's contribution to the EU budget. *Other sectors' transfers* include mostly cash flows related to insurance contracts, foreign aid used by other sectors (including the aid coming through the general government), and *workers' remittances* indicating remittances to the home country of outside workers (persons who have lived and worked in a foreign country more than a year) in case they have been hired by a company in a foreign country.

The capital account consists of three components:

a) *capital transfers of the general government;*
b) *capital transfers of other sectors;*
c) *intangible assets.*

Capital transfers are unilateral, similarly to current transfers, but the amounts received or paid have no direct impact on residents' gross disposable income. Capital transfers related to the use of international (primarily EU) funds to finance the construction of infrastructure objects are the most common. Intangible assets are related to the acquisition of non-produced non-financial assets (intellectual property) and disposal thereof (franchises, patents, trademarks, industrial processes, CO_2 quotas, etc.).

The financial account reflects the financial resources of the current account, that is foreign investment, which are divided into four categories: *direct investment, portfolio investment, financial derivatives* and *other investment.*

Direct investment in Estonia's balance of payments refers to investment that involves a qualifying holding, which amounts to at least 10% of the equity capital of the investment company. Based on international standards, lending and other investment between a company and an investor with a qualifying holding are also reflected as direct investment (except with financial intermediaries in case of whom only subordinated debt is recorded as direct investment).

- *Direct investment company* – a company controlled or influenced by an investor (with direct or indirect holding of at least 10%) that is a resident of another country.
- *Direct investor* – a natural or legal non-resident who has a direct or indirect holding of at least 10% of the voting shares or equity.

It has been agreed to record assets and liabilities between the direct investment company and the direct investor in the balance of payments on the basis of the directional principle:

- On the consolidated row of direct investment in Estonia (liabilities), all direct investment company's claims to direct investors are deducted from direct investment in Estonia.
- On the consolidated row of Estonian direct investment abroad (assets), all direct investors' liabilities to foreign direct investment companies are deducted from Estonian direct investment abroad.

The direct investment account consists of the following items:

a) *equity capital* of direct investment companies;
b) *reinvested earnings* – a part of the operating profit or loss of a direct investment company in proportion to direct investor's equity holding. Reinvested earnings do not include the cost or expenditure related to changes in the value of assets;
c) *other direct investment capital* – assets and liabilities related to lending, debt securities and trade credit between a direct investment company and a direct investor.

Direct investment is considered to be long-term.

The portfolio investment account records, under assets and liabilities, securities investment that fall into the following categories:

a) *equity security* – securities investment in equity capital not comprising a qualifying holding, i.e. remaining below 10% of the equity capital of a company;
b) *debt security* – bond or money market instrument that proves the debt claim:
- *bond* – a security proving the right of claim of its holder and containing the borrower's commitment to repay the loan to the creditor on the agreed date and to pay the interests. As a rule, bonds are long-term instruments with the maturity of over one year;
- *money market* instrument – a highly liquid short-term debt liability that is tradable in the money market, has a low interest and credit risk, and a maturity of up to one year.

Portfolio investment is recorded in the balance of payments by institutional sectors.

Financial derivative – a security related to a financial instrument, index or commodity allowing trading in financial risks on markets, i.e. the right or obligation to buy, sell or exchange a financial asset in the future in an agreed amount and at an agreed price. The most common financial derivatives are *options, forwards, futures* and *swaps*. Financial derivatives are recorded in the balance of payments by institutional sectors, with assets and liabilities shown separately. Financial derivatives are considered to be short-term.

Other investment covers all other investments that are neither direct investment nor portfolio investment, nor related to financial derivatives:
- *Trade credit* – outstanding or unpaid amounts for goods and services and advance payments, recorded on an accrual basis in the balance of payments and in the international investment position. Trade credit is considered to be short-term.
- *Loans* – short-term (maturity up to one year) and long-term (maturity over one year) lending of institutional sectors not related to direct investment. Loans include also financial lease (loan or lease transaction for the acquisition of assets on the condition that the leased property remains in the ownership of the lessor until the amortisation of the loan and interests) and repurchase transactions (borrowing against securities as collateral);
- *currency and deposits* – foreign currency held by residents and their deposits in foreign credit institutions are recorded as assets. Non-residents' deposits in Estonian credit institutions are recorded as liabilities. Based on the methodology of the European Central Bank, this item includes also the sectoral loan assets and liabilities of credit institutions and the central bank. Deposits may be short- or long-term, depending on the terms of depositing.
- *other assets and liabilities* – other sums overdue (accounts receivable and accounts payable, accrued expenses, etc.) recorded on an accrual basis, and other assets and liabilities not related to other items. In addition, life insurance premiums collected and disbursements made by *insurance companies* are recorded here.

Reserve assets – gold and foreign exchange reserves of a country that are considered to be short-term capital. Reserve assets are usually highly liquid tradable external assets of the central bank, entered as:
a) *monetary gold* – gold held as reserve assets;
b) SDRs (special drawing rights) – units of account created by the International Monetary Fund. Their

value is based on a basket of four currencies (USD, EUR, JPY, and GBP). An SDR account is generated for every IMF Member State for conducting loan transactions and several other related operations between a Member State and IMF;

c) *reserve position in the IMF* – contribution of a Member State to the IMF and, if required, available to the Member State as a loan;

d) *foreign exchange* – foreign exchange or equal reserve assets: foreign currency and deposits, equity securities, bonds, money market instruments, and financial derivatives;

e) *other assets* – other liquid external assets.

BALANCE OF PAYMENTS COMPILATION SYSTEMS

Three fundamentally different systems are used in the world for the compilation of balance of payments:

- survey system or transaction-based system;
- settlements system or cash-based system;
- administrative system.

In addition, a variety of combinations of these systems are used.

The survey system draws on information from various statistical surveys and studies. Both sampling and census are used, depending on the requirements, field of study and peculiarities of a specific country. The structure of the questionnaire follows either the balance of payments structure or the structure of financial statements and accounting principles. The advantage of the survey system lies in its flexibility but, on the other hand, statistical surveys are expensive to conduct, they have a low response rate and they are not very prompt. Anglo-American countries Australia, New Zealand, the United Kingdom, Ireland, the United States and Canada use the survey system.

The settlements system is based on the collection, coding and processing of international payments through resident banks. Clients, commercial institutions or the central bank attribute transaction codes to each incoming or outgoing payment, based on the description of the transaction, that are in compliance with the balance of payments structure. The settlements system allows to collect detailed and prompt information, but the system is limited, as cash flows do not reflect accrual approach, the description of a transaction or balance of payments code is often missing, sometimes netting occurs, and cash flows do not allow to estimate the positions. Many countries in continental Europe have replaced the settlements system with a combination of systems.

The administrative system draws information from the data collected beforehand by different administrative agencies. The use of this system requires full control over external transactions by the public sector. There are few countries that use solely administrative information for their balance of payments but almost all countries apply it to a greater or lesser extent in addition to the survey and settlement systems. The biggest shortcoming of the administrative system lies in weak data quality control.

COMPILATION PRACTICES IN ESTONIA

Estonia started to compile its national balance of payments in 1992. First, the survey system was introduced owing to the weakness of the banking system back then. However, as this system is not flexible enough in the changing economic environment, options to apply the settlements system were studied. Consequently, the settlements system was launched in parallel to the survey system in 1994. Arising from the compilation of international investment position as of 1996, surveys have gained more importance. Above all, surveys facilitate collecting information on an accrual basis and other indicators not reflected in money flows (e.g. trade credit, reinvested earnings).

Today, Estonia is using a **combined system** to compile the balance of payments. Two parallel databases complement each other and facilitate the identification of errors. The databases in combination with administrative information ensure higher quality of the balance of payments statistics (balance of payments, international investment position and external debt), which is usually quite difficult to achieve in highly open economies of low concentration.

As regards other quarterly statistics on balance of payments and the external sector, the survey system supplemented with the information collected through the settlements system is of great importance. In addition to the monthly reports of the central bank (balance of payments flash estimates), credit institutions and the general government, the settlements system together with various econometric models are used to compile monthly balances of payments. Eesti Pank started to release the flash estimate of monthly balance of payments in 1999 in line with the requirements of the European Central Bank.

Currently, seven different surveys are used to collect quarterly data from more than 3,500 enterprises. The settlements system involves approximately 140,000 transactions over a year that are significant for the compilation of the balance of payments. Data on these transactions are received through the so-called *open system*: the central bank gets information only on the debit or credit side of the foreign payment order. Only bank customers' payments are submitted. Banking sector transactions are recorded in the balance of payments on the basis of banks' balance sheets, income statements and other financial reports.

In addition, information is obtained from multiple other channels: official trade statistics, the Central Register for Securities, Financial Supervision Authority, surveys conducted by Statistics Estonia, Ministry of Justice Centre of Registers, Real Property Price Statistics from the Estonian Land Board, accounting registers in Eesti Pank, government institutions, etc. Moreover, statistical surveys are conducted, assessments made and econometric models applied. Table 3.2 shows the sources of information that are used

Table 3.2. Scope of primary and consolidated data used for balance of payments compilation and frequency of data collection

Name of statement/report	Target group / content of statement/report	Frequency	Due date after accoun-ting period	Sample size / No of data sources in 2011
SURVEY SYSTEM				
Forms 2 and 7	Companies with foreign ownership	quarter	20 days	1,985
Form 3	Transport companies without foreign ownership	quarter	20 days	244
Form 4	Transport companies with foreign ownership	quarter	20 days	228
Form 6	Companies without foreign ownership	quarter	20 days	1,020
Form 9	Insurance companies and intermediaries	quarter	20 days	22
Form 10	Other financial intermediaries	quarter	20 days	95

Name of statement/report	Target group / content of statement/report	Frequency	Due date after accoun-ting period	Sample size / No of data sources in 2011
SETTLEMENTS SYSTEM				
Settlements system reporting according to the procedure for declaring interna-tional payments	Incoming international payments declared in credit institutions	15 days	25 days	13
	Outgoing international payments declared in credit institutions	15 days	8 days	13
ADMINISTRATIVE INFORMATION				
CREDIT INSTITUTIONS				
Report on the balance and turnovers of resources	Data on resources deposited in credit institutions and loans granted to credit institutions by resi-dence and other characteristic details	month	5 days	19
Report on the balance and turnovers of loans	Loans issued by credit institutions by residence and other characteristic details	month	5 days	19
Income statement	Breakdown of income and expenditure of credit institutions by residence	quarter	10 days	19
Services provided to and purchased from non-residents	Selected income and expenditure entries of credit institutions in the form of presentation extended to non-residents	quarter	10 days	19
Statement of securities	Detailed statement of securities portfolios of credit institutions by residence	month	5 days	19
Statement of off-balance-sheet items	Statement of off-balance-sheet activities of credit institutions	quarter	30 days	19
Statement of asset management and investment services	Statement of custodial and investment activities of credit institutions	quarter	15 days	19
Report on non-transactional financial flows	Non-transactional financial flows of credit institu-tions during the reporting period, excluding revalu-ations caused by exchange rate fluctuations	month	12 days	19
EESTI PANK				
Balance of payments statement of Eesti Pank	Financial Department's statement of Eesti Pank's non-residents' balances of and changes in balance sheet entries, and changes in income statement entries of non-residents	month	5 days	1
STATISTICS ESTONIA				
Official trade statistics	Processed, supplemented and categorised cus-toms declaration data (Extrastat)	month	50 days	1
	Intra-Community trade report (Intrastat)			
Household Budget Survey	Data on tourists' expenditure abroad	quarter	120 days	1
Assets and liabilities related to general government's external aid	Accrual accounting of external aid	quarter	58 days	1
Accommodation establishments' statement	Data on turnover and number of tourists serviced in accommodation establishments	month	40 days	1
MINISTRY OF JUSTICE, CENTRE OF REGISTERS AND INFOSYSTEMS				
Central Business Register, Non-Profit Associations and Foundations Register	Data on legal persons registered in Estonia and their owners	month	1 month	1
Land Register Database	Data on real estate objects belonging to non-residents	year	as agreed	1
LAND BOARD				
Land Board's database of real estate transactions	Transactions with real estate purchased by or transferred to non-residents by countries	quarter	1 month	1
ESTONIAN CENTRAL SECURITIES DEPOSITORY				
Central Register of Securities	Statistics on securities issues registered in the Estonian Central Securities Depository	month	20 days	1
BORDER GUARD ADMINISTRATION				
Border crossing statistics	Report on crossers of Estonian border by citizen-ship	month	25 days	1
MINISTRY OF FOREIGN AFFAIRS				

Name of statement/report	Target group / content of statement/report	Frequency	Due date after accounting period	Sample size / No of data sources in 2011
Statistics on diplomatic missions abroad	Data on income, expenditure and assets of Estonian embassies and missions	quarter	45 days	1
TAX AND CUSTOMS BOARD				
Tax statistics	Data on taxes withheld from non-residents in Estonia and from residents abroad	year	as necessary	1
CITY OFFICES OF TALLINN AND TARTU				
Statement of external assets and liabilities	Statement of external loans, external assets, financial income and expenditure of Tallinn and Tartu	quarter	45 days	2
MINISTRY OF FINANCE				
Statement of external loans	Statement of use and servicing of state loans	month	10 days	1
Statement of external assets	Statement of balance and changes of assets of State Treasury	month	1 month	1
OTHER				
Unemployment Insurance Fund, Health Insurance Fund, etc.	5–10			5–10

to compile balance of payments statistics.

Besides Eesti Pank, several other national central banks (Latvia, Lithuania, Sweden, the Czech Republic) use the above-described combined system (cash flows + surveys + administrative sources). With the approval of European Union institutions, this model has been gaining popularity also in other European countries that had been obtaining information only from the cash-based system, established under tight capital control.

LEGAL BASIS FOR BALANCE OF PAYMENTS STATISTICS AND PROTECTION OF DATA

Pursuant to Clause 2 (2)6) of the **Eesti Pank Act**, Eesti Pank is responsible for compiling the balance of payments of Estonia, which is one of the key tasks of the central bank.

Subsection 34 (1) of this Act entitles Eesti Pank to obtain, free of charge, the information necessary for drawing up Estonia's balance of payments from all state and local government agencies and legal persons that conduct cross-border economic transactions in the territory of Estonia.

Besides the Eesti Pank Act, also the **Official Statistics Act** (10/06/2010) sets out the compilation of the balance of payments. Pursuant to Subsection 8 (1), Eesti Pank conducts official statistics for the purpose of the balance of payments. Eesti Pank and the respondents are to follow all the provisions of the Official Statistics Act related to conducting surveys and submitting, protecting and disseminating data, and parties' responsibilities. Subsections 39 (1) and (3) set out that Eesti Pank has the right to issue a precept or to impose a penalty payment to companies who fail to submit data on time or submit distorted data.

Balance of payments reporting by Estonian credit institutions is also regulated by relevant decrees issued by the Governor of Eesti Pank.

Pursuant to the law, Eesti Pank ensures full organisational, information technological and physical protection of all individual data. Data are used for statistical purposes only and are disseminated in aggregate form without identifiable features.

PRINCIPLES FOR THE DISSEMINATION AND REVISION OF DATA

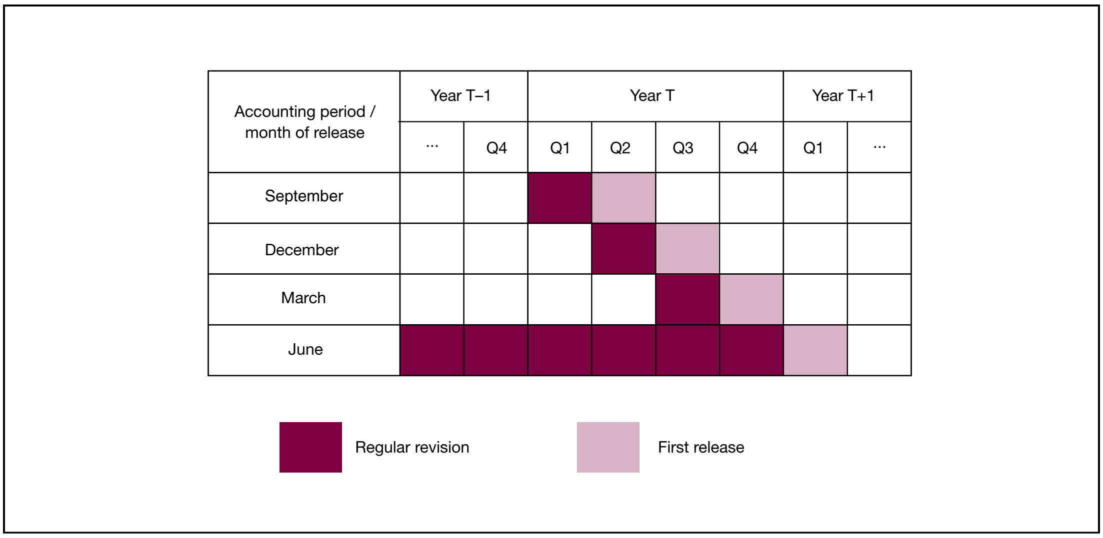
The Special Data Dissemination Standard (SDDS) of the International Monetary Fund, which Estonia joined in October 1998, serves as a basis for the dissemination of statistical data. The standard sets minimum requirements for the content, frequency and time of data dissemination by statistics categories.

Data dissemination. Balance of payments statistics, press releases, analyses and statistics tables are published on Eesti Pank's (http://www.statistika.eestipank.ee/?lng=en#treeMenu/AVALEHT).

Data revision principles. Upon collection of additional information and changes in methodology, the data of previous periods are revised as follows:

- *Regular revision:*

a) when quarterly data for Q2, Q3 and Q4 are first released, only the data for the previous quarter are revised;
b) when Q1 is first released and Q4 is revised, also data for all previous quarters are revised in case additional data have been received. The data are considered final after their integration into the input/output tables of the national accounts system (in up to five years).
c) after the completion of quarterly balance of payments, the monthly balance of payments are revised so that the total of the items of three months' balance of payments would be equal to the total of



the respective items of that quarterly balance of payments.

- *Extraordinary revision:*

a) in exceptional cases, when significant errors or omissions have occurred, the data for previous quarters may be revised extraordinarily;

b) when changes in methodology or data collection system render results incomparably, data can be revised retrospectively as far back as relevant in terms of the methodological change;
c) the general public is notified of extraordinary changes and reasons in the press releases on the balance of payments and the international investment position.

Unit of account. As of 1 January 2011, euro is the unit of account in the balance of payments, the international investment position and the external debt. All retrospective time series of the external sector have been converted into euros at 1 EUR = 15.6466 EEK.