



ESTONIA'S BALANCE OF PAYMENTS FOR THE THIRD QUARTER OF 2012

(Based on preliminary data)

- In the third quarter of 2012, Estonia's current account was once again in surplus and reached 39 million euros, which is equal to almost 1% of GDP for the quarter (see Table 1 and Figure 1). This was, however, substantially less than the record surplus that was reached in the same quarter last year.
- In the first three quarters of 2011 the current account surplus totalled 209 million euros, but in 2012 the figure for the three quarters showed a deficit of 179 million euros.
- The fall in the current account surplus in the third quarter of 2012 was driven by all the components of the account except current transfers, as there was both an increase in the deficit for imports and exports of goods and in net income outflows, and a drop in the surplus from services.
 - The main cause of the rise in the goods deficit was the increase in imports of heavy transport vehicles and various types of machinery.
 - The surplus in imports and exports of services mostly shrank as a consequence of the rise in purchases of transport services to bring the record imports of goods to the country.
 - The rise in the net outflow of income was mainly brought about by changes in reinvested income related to an increase in the investment income earned in Estonia by non-residents and a fall in the investment income earned abroad by residents of Estonia.
- The capital account surplus was 212 million euros. This was almost entirely made up of contributions from the EU budget for infrastructure development.
- The Estonian economy was a net lender in the third quarter with 109 million euros more going out from the financial account than came in.
 - Credit institutions and the government sector financed the rest of the world to the tune of 348 million euros,
 - while the business sector and the central bank saw cross-border flows more in the other direction, with inflows 239 million euros higher than outflows.
- The gross external debt of the Estonian economy grew by 1% in the quarter to 16.2 billion euros, which is 3% less than the GDP of the last four quarters. The main growth in the gross external debt came in the government sector. As loans abroad increased faster in the quarter than loans taken from abroad, Estonia's net foreign debt was positive for the first time, reaching 0.1 billion euros by the end of the quarter, or 0.6% of the GDP of the past four quarters.

A small surplus in the current account

Goods exports were 8% higher than in the third quarter of 2011 and imports were up by 11%. Volumes of both imports and exports were at record levels for the quarter. The main growth in exports was in mineral products,

Table 1. Estonia's balance of payments (EUR million)

Item	2010	2011					2012		
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Current account	419.4	-118.2	35.9	291.4	130.3	339.5	-107.9	-110.9	39.4
Goods and services	1,073.1	81.8	293.1	392.5	250.4	1,017.8	79.8	177.5	202.2
Goods	-266.6	-129.2	-42.6	-37.2	-12.5	-221.5	-148.3	-227.2	-150.9
credit (f.o.b.)	8,769.0	2,743.0	3,180.0	3,069.0	3,063.9	12,055.9	2,994.3	3,091.4	3,308.1
debit (f.o.b.)	-9,035.6	-2,872.2	-3,222.6	-3,106.2	-3,076.4	-12,277.4	-3,142.6	-3,318.6	-3,459.0
Services	1,339.7	211.0	335.7	429.7	262.9	1,239.2	228.2	404.8	353.1
credit	3,441.4	767.2	992.7	1,120.0	1,019.8	3,899.7	901.1	1,124.8	1,145.1
debit	-2,101.7	-556.2	-657.0	-690.3	-757.0	-2,660.4	-672.9	-720.0	-791.9
Income	-893.5	-224.6	-288.7	-168.3	-251.0	-932.6	-196.9	-346.7	-239.5
credit	703.3	212.6	218.0	243.1	187.8	861.6	186.0	158.1	213.1
debit	-1,596.9	-437.2	-506.8	-411.4	-438.8	-1,794.2	-382.9	-504.9	-452.6
Current transfers	239.8	24.7	31.4	67.2	130.9	254.3	9.2	58.4	76.7
credit	552.6	132.9	103.3	138.2	236.0	610.3	121.3	141.2	156.7
debit	-312.8	-108.1	-71.9	-71.0	-105.0	-356.1	-112.1	-82.8	-80.0
Capital and financial account (without reserve assets)	-1,176.9	83.3	-56.0	-125.9	-182.9	-281.4	101.1	266.3	103.2
Capital account	505.2	187.1	113.9	159.5	209.0	669.5	86.8	110.2	211.8
Financial account	-1,682.1	-103.7	-169.9	-285.4	-391.9	-950.9	14.3	156.1	-108.5
Direct investment	1,100.1	186.6	390.7	850.0	-193.3	1,234.1	55.7	481.0	143.1
Abroad	-107.1	-224.8	-27.8	1,450.5	-148.8	1,049.1	-85.5	-50.3	-93.4
In Estonia	1,207.3	411.5	418.5	-600.5	-44.5	185.0	141.2	531.3	236.6
Portfolio investment	-462.1	212.9	-37.6	434.9	541.7	1,151.9	-116.3	193.7	-232.4
Assets	-316.8	201.4	-8.0	293.0	545.2	1,031.5	-86.6	-101.2	-239.6
Equity securities	-303.8	8.1	-15.2	18.3	90.9	102.2	-102.8	23.5	-5.4
Debt securities	-13.0	193.2	7.2	274.7	454.2	929.3	16.2	-124.8	-234.1
Liabilities	-145.3	11.5	-29.6	141.9	-3.5	120.4	-29.7	294.9	7.2
Equity securities	30.0	0.0	-21.6	-28.0	-30.9	-80.5	-14.4	3.4	-8.8
Debt securities	-175.3	11.5	-8.0	170.0	27.4	200.8	-15.3	291.5	15.9
Financial derivatives	32.7	-29.2	-13.6	12.2	-8.2	-38.8	26.6	11.7	21.5
Assets	-0.9	-3.2	0.0	-29.8	10.4	-22.6	44.2	25.8	0.2
Liabilities	33.6	-26.0	-13.6	42.0	-18.6	-16.2	-17.5	-14.0	21.2
Other investment	-2,352.7	-474.1	-509.4	-1,582.6	-732.1	-3,298.1	48.3	-530.3	-40.7
Assets	-1,263.4	90.2	-932.0	-869.2	-499.6	-2,210.6	-292.7	-532.9	-301.5
Long-term	-322.5	-135.0	38.3	6.0	-2.8	-93.5	-154.9	-6.0	-61.3
Short-term	-940.8	225.2	-970.3	-875.2	-496.7	-2,117.1	-137.8	-526.9	-240.2
Liabilities	-1,089.4	-564.3	422.6	-713.4	-232.6	-1,087.6	341.0	2.6	260.8
Long-term	-1,361.2	-422.2	-162.6	-160.4	-445.2	-1,190.3	241.2	-514.2	91.4
Short-term	271.8	-142.1	585.2	-553.0	212.6	102.8	99.8	516.8	169.4
Errors and omissions	-73.8	59.6	12.5	-166.9	49.6	-45.3	60.0	-155.3	-123.6
Overall balance	-831.3	24.8	-7.7	-1.4	-3.0	12.8	53.2	0.2	19.1
Reserve assets	831.3	-24.8	7.7	1.4	3.0	-12.8	-53.2	-0.2	-19.1

chemicals and clothing, while exports of wood and metal products declined somewhat. Imports of goods grew in most categories of goods except metal products. There was rapid growth in imports of furniture and transport equipment, particularly railway rolling stock and ships. The trade deficit was four times larger than a year before at 151 million euros, which is equal to 3.4% of the GDP of the quarter. The causes of the growth in the deficit were mainly transport vehicles and machinery and equipment.

The surplus in imports and exports of services was down by almost a fifth on the previous year and stood at 353 million euros. Exports of services rose by 2% and imports by 15%. The faster growth in imports was mainly caused by purchases of transport services for bringing in imported goods. Exports were higher than imports in all the main categories of services except royalties and licence fees. The largest surplus of exports over imports was, as usual, in travel, transport and other business services, which contributed 95% of the surplus in the services account.

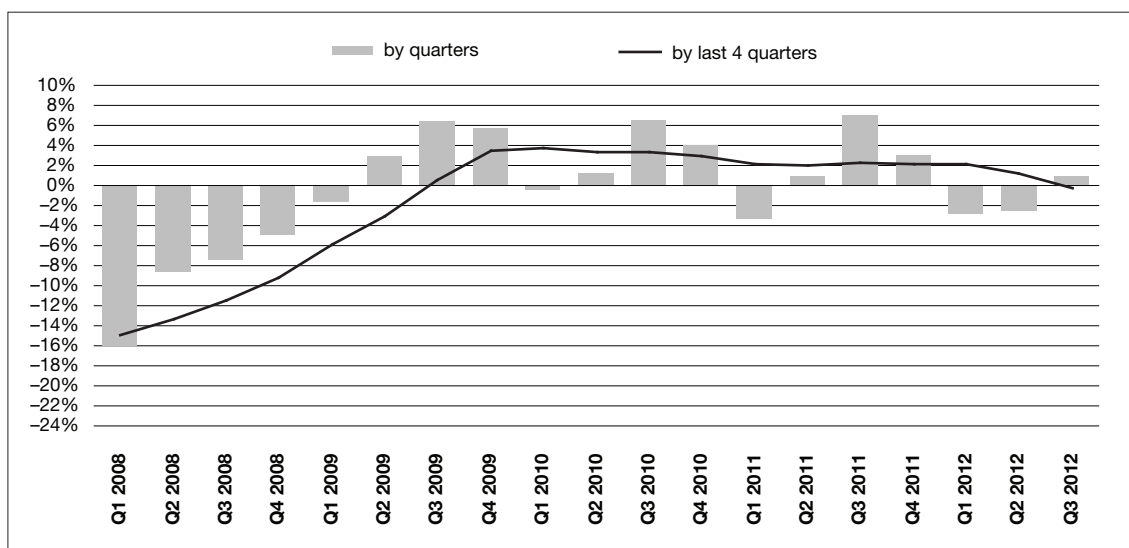


Figure 1. Current account balance (% of GDP)

In the third quarter the net outflow of the income account was more than 40% higher than a year earlier at 240 million euros. The reason for this was that income from labour and investments abroad by residents of Estonia fell by more than one tenth, while the income earned in Estonia by non-residents increased by the same amount. Net outflows of income were almost entirely reinvested earnings and are considered as direct investment inflows and are calculated for accounting purposes while no actual cash transactions happen.

The total surplus from current transfers and the capital account rose by more than a quarter and reached 289 million euros. The increase was driven by an increase in contributions from the EU budget.

Estonia was a net lender in the third quarter

The outflow of capital in the **financial account (excluding reserves) was larger than the inflow by 109 million euros.** The business sector and the central bank were net borrowers but credit institutions and the government sector were net lenders, financing the outside world with 292 and 56 million euros respectively.

Direct investment inflows surpassed outflows by 143 million euros. Non-residents' direct investment in Estonia grew by 237 million and residents' direct investment abroad by 93 million euros. The structure of direct investment in both directions saw reinvested profits playing an important role. Investments in Estonia were concentrated in financial services and wholesale. Direct investment abroad was made by investors in maritime transport and storage and transportation.

Outflows from portfolio investors exceeded inflows by 232 million euros. Foreign assets grew by 239 million euros. As in the previous quarter, the government sector was the biggest investor in foreign debt securities, with the total amount invested reaching 193 million euros. Credit institutions and the central bank increased their foreign holdings positions by 49 million and 20 million euros, respectively. Investment abroad by businesses of other sectors fell by a total of 22 million euros, mostly due to the activity of pension funds. Total foreign liabilities remained at around the same level as in the previous quarter.

Net inflows of derivatives were 22 million euros

The outflow of other investment (loans and deposits) was 41 million euros higher than the inflow. This came from the rise in both foreign assets and foreign liabilities, by 302 million and 261 million euros, respectively. The growth in assets mostly came from deposit accounts in credit institutions and the liabilities from increased government sector borrowing.

More detailed statistics on Estonia's balance of payments, international investment position and external debt can be found on Eesti Pank's website under the heading "Statistics". A longer analysis of the balance of payments with tables and figures will be published in Estonian on the website under the heading "**Publications**" on 27 December and in English on 31 December 2012.

The balance of payments for 2012 will be published on the Eesti Pank website (<http://www.eestipank.ee>) on 11 March 2013 at 12.00 midday.household sectors).