

8 June 2012



ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 31 March 2012

Foreign investment in Estonia totalled 27 billion euros (66% more than GDP) at the end of the first quarter of 2012, having increased 2% from the previous quarter (see Table 1).

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

	31/12/2011	%	31/03/2012	%
EXTERNAL ASSETS				
Direct investment abroad	3,663.5	21.3	3,768.0	21.1
Equity capital and reinvested earnings	2,465.1	14.3	2,521.1	14.1
Other direct investment capital	1,198.4	7.0	1,246.9	7.0
Portfolio investment	4,182.2	24.3	4,404.8	24.7
Equity securities	1,607.0	9.3	1,809.7	10.1
Debt securities	2,575.2	15.0	2,595.1	14.5
Bonds and notes	1,949.9	11.3	2,089.0	11.7
Money market instruments	625.3	3.6	506.2	2.8
Financial derivatives	68.4	0.4	49.4	0.3
Other investment	9,120.2	53.0	9,417.9	52.8
Trade credit	1,650.5	9.6	1,768.5	9.9
Loans	1,691.2	9.8	1,831.1	10.3
Long-term	990.5	5.8	1,129.3	6.3
Short-term	700.6	4.1	701.7	3.9
Currency and deposits	5,110.3	29.7	5,303.0	29.7
Other assets	668.4	3.9	515.4	2.9
Reserve assets	160.4	0.9	212.1	1.2
TOTAL EXTERNAL ASSETS	17,194.7	100.0	17,852.3	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	12,927.9	48.9	13,142.5	48.6
Equity capital and reinvested earnings	11,692.2	44.3	12,027.5	44.5
Other direct investment capital	1,235.7	4.7	1,115.0	4.1
Portfolio investment	1,327.1	5.0	1,379.2	5.1
Equity securities	634.6	2.4	687.8	2.5
Debt securities	692.6	2.6	691.4	2.6
Bonds and notes	689.8	2.6	688.3	2.5
Money market instruments	2.8	0.0	3.1	0.0
Financial derivatives	80.1	0.3	88.0	0.3
Other investment	12,078.7	45.7	12,418.3	45.9
Trade credit	1,391.9	5.3	1,484.7	5.5
Loans	3,745.0	14.2	4,026.7	14.9
Long-term	3,058.9	11.6	3,310.4	12.2
Short-term	686.1	2.6	716.4	2.7
Currency and deposits	6,620.8	25.1	6,594.1	24.4
Other liabilities	321.0	1.2	312.8	1.2
TOTAL EXTERNAL LIABILITIES	26,413.9	100.0	27,028.0	100.0
NET INTERNATIONAL INVESTMENT POSITION	-9,219.2		-9,175.7	

The structure of Estonia's foreign investment position did not change much during the quarter. Direct investment accounted for nearly a half of the total investment, 46% was other investment (loans, currency and deposits) and the rest were portfolio investment and financial derivatives. Foreign direct investors have invested the most in financial intermediaries and insurance companies, manufacturing, real estate related activities and retail and wholesale trade.

Estonian residents' investment abroad grew by 4% from the previous quarter, to 17.9 billion euros at the end of the quarter. Here, too, the position structure did not change: other investment accounted for 53%

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

	31/12/2011	%	31/03/2012	%
LIABILITIES				
I. General government	538.8	3.5	686.1	4.3
Short-term	11.6	0.1	9.3	0.1
Long-term	527.2	3.4	676.8	4.3
II. Monetary authorities (NCB)	0.3	0.0	27.4	0.2
Short-term	0.3	0.0	27.4	0.2
Long-term				0.0
III. Credit institutions	6,887.6	44.4	6,794.4	43.0
Short-term	4,336.6	28.0	4,295.6	27.2
Long-term	2,551.0	16.5	2,498.9	15.8
IV. Other sectors	5,344.7	34.5	5,601.7	35.5
Short-term	2,113.7	13.6	2,239.0	14.2
Long-term	3,231.0	20.8	3,362.7	21.3
V. Direct investment: intercompany lending	2,732.3	17.6	2,674.0	16.9
GROSS EXTERNAL DEBT	15,503.6	100.0	15,783.7	100.0
ASSETS				
I. General government	1,114.7	7.7	998.4	6.7
Short-term	529.6	3.7	352.7	2.4
Long-term	585.1	4.0	645.7	4.3
II. Monetary authorities (NCB)	1,468.3	10.1	1,545.2	10.3
Short-term	747.9	5.2	681.4	4.6
Long-term	720.4	5.0	863.8	5.8
III. Credit institutions	4,128.3	28.5	4,308.2	28.8
Short-term	3,219.3	22.2	3,318.9	22.2
Long-term	908.9	6.3	989.3	6.6
IV. Other sectors	5,065.9	35.0	5,282.4	35.4
Short-term	3,624.3	25.0	3,824.2	25.6
Long-term	1,441.6	10.0	1,458.1	9.8
V. Direct investment: intercompany lending	2,695.0	18.6	2,805.9	18.8
TOTAL ASSETS	14,472.0	100.0	14,940.0	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	575.9		312.3	
Short-term	518.0		343.4	
Long-term	57.8		-31.1	
II. Monetary authorities (NCB)	1,468.0		1,517.7	
Short-term	747.6		654.0	
Long-term	720.4		863.8	
III. Credit institutions	-2,759.3		-2,486.3	
Short-term	-1,117.3		-976.7	
Long-term	-1,642.0		-1,509.6	
IV. Other sectors	-278.8		-319.3	
Short-term	1,510.6		1,585.3	
Long-term	-1,789.4		-1,904.6	
V. Direct investment: intercompany lending	-37.3		131.9	
TOTAL NET EXTERNAL DEBT	-1,031.6		-843.7	

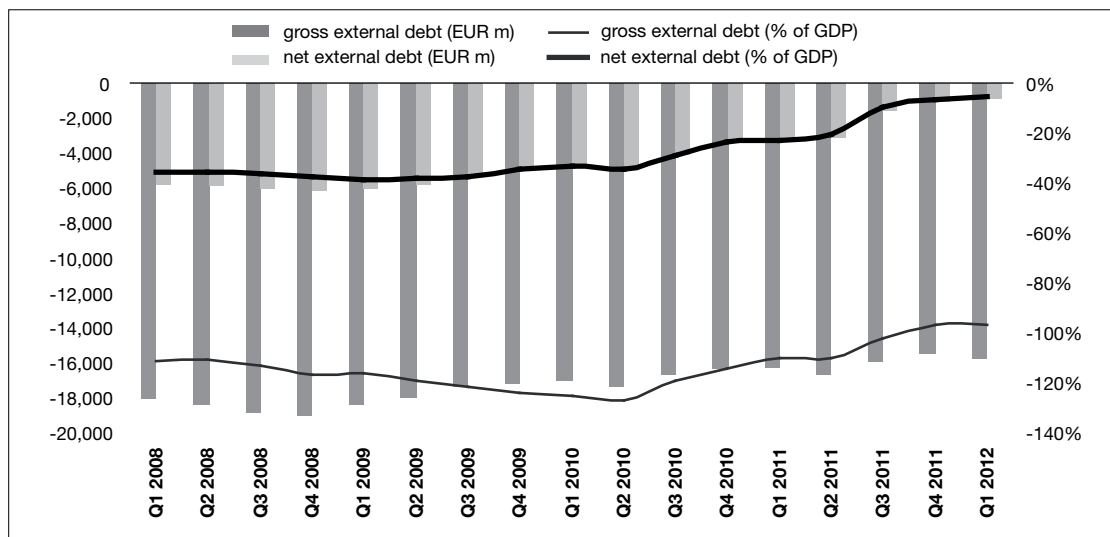


Figure 1. Estonia's gross and external debt

of Estonia's investment abroad, portfolio investment accounted for a quarter, and direct investment made up a fifth. Direct foreign investment has mainly been made in the activities of head offices, water transport, financial and insurance activities, and real estate related activities.

Estonia's gross external debt, that is, the total external debt of all economic sectors, comprised 58% or 15.8 billion euros of total foreign investment in Estonia, having increased by 2% quarter-on-quarter. The growth was owing to other sectors and the general government sector. As a ratio of GDP, gross external debt was 97% at the end of the quarter (see Table 2 and Figure 1). 43% of the gross external debt was made up by the debt liabilities of credit institutions, which decreased somewhat over the quarter. The debt liabilities of other sectors accounted for about 36% of the gross external debt and intercompany lending of direct investment companies for 17%. General government debt was just 4% of the gross external debt, having increased somewhat from the previous quarter. 40% of the gross external debt was related to Sweden and Finland.

Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia had a negative net international investment position of 9.2 billion euros, which remained relatively close to the previous quarter's level. Estonia's net external debt (assets less liabilities) contracted by about a fifth over the quarter, standing at 0.8 billion euros (that is, nearly 5% of GDP). The last time the ratio of net external debt to GDP was at such a low level was in the second half of 1990s. The shrinkage was primarily due 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 30 June 2012 will be published on the website of Eesti Pank (www.bankofestonia.ee) on 7 September 2012 at noon.

