Eesti Pank
Bank of Estonia

Estonia's Balance of Payments Yearbook 2009

Address
Estonia pst 13
15095 Tallinn

Phone
+372 668 0719

Fax
+372 668 0836

E-mail
info@eeestipank.ee
Web site
www.bankofestonia.ee

Subscriptions for publications of Eesti Pank
Phone: +372 668 0998
Fax: +372 668 0954
E-mail: publications@eestipank.ee

Executive editor: Kadri Põdra
Layout:Triinu Talve

CONTENTS

I. ESTONIA'S BALANCE OF PAYMENTS FOR 2009

INTRODUCTION

Estonia's economic developments in 2009 were shaped by the decline in domestic demand after the real estate boom and the sudden drop in global trade after the bankruptcy of Lehman Brothers. The value of goods and services exports stabilised already at the beginning of 2009, whereas domestic demand continued to shrank, at a slowing rate, until the end of the year. In annual terms, domestic demand contracted almost 25% on average.

The average annual drop in goods and services exports stood at 11%, but the sudden fall in external demand also had an indirect effect. Around half of the employees who lost their jobs came from the export sector, and the uncertain global economic outlook considerably reduced people's confidence. Fears about the future increased saving, with households' time deposits growing 3–4% over the year, regardless of the drop in incomes.

All this brought a change in the savings and investment ratio. The change stemmed entirely from the private sector, as government saving contracted further. The deficit on the current account declined until the summer of 2009 as a result of weak domestic demand and the relatively strong external demand. The surplus on the goods and services account grew to 8–9% in the second quarter as a ratio of the second-quarter GDP, and started to decline then. Changes in the trade terms also slightly contributed to the improvement of external balance. Although export prices fell for the first time since 2002, the drop in imported goods was bigger.

The total financial position of Estonia's economy strengthened in line with improving external balance and general government's fiscal position, and Estonian residents became net lenders in total terms. This change was clearly reflected in capital flows, and Estonian banks could start decreasing their liabilities to parent banks. By the end of 2009, the external debt of Estonian residents had shrunk about 9% since the beginning of the year.

The change in the savings and investment ratio was the primary, though not the only, determinant of capital flows. When the global financial crisis peaked, parent banks increased liquidity reserves in Estonia, which were withdrawn in the first half of 2009. Public finances were another determinant of capital flows, as the consolidated budget deficit was mainly financed from the reserves accumulated in the years of strong growth and the reserves invested in foreign securities. Even though the reserves accumulated in good times should have been bigger given the scale of the recession, the Estonian general government was still a net lender at the end of 2009. In addition, capital transfers from the EU budget constituted a considerable part of capital inflow.

Year-on-year, reserve assets remained virtually unchanged and the majority of capital flows was related to banks' and intragroup cash flows.

Tables 1.1 and 1.2 give an overview of Estonia's balance of payments and its key indicators.

Table 1.1. Estonia's balance of payments (EEK m)*

	2003	2004	2005	2006	2007	2008	2009
Current account	**-15,418.2**	**-17,134.1**	**-17,461.8**	**-32,122.9**	**-42,574.2**	**-24,531.8**	**9,822.0**
Goods and services	-10,046.8	-10,615.8	-11,122.5	-22,120.7	-27,862.0	-14,094.9	12,293.0
Goods	-21,522.3	-24,551.7	-24,254.5	-36,051.4	-42,717.2	-33,255.0	-8,759.2
credit (f.o.b.)	63,443.7	74,543.0	99,322.3	121,637.1	127,386.6	133,600.0	102,268.3
debit (f.o.b.)	-84,966.0	-99,094.7	-123,576.9	-157,688.5	-170,103.7	-166,855.0	-111,027.5
Services	11,475.5	13,936.0	13,132.0	13,930.7	14,855.1	19,160.1	21,052.2
credit	30,674.0	35,888.9	40,868.5	44,920.2	49,977.6	54,957.8	49,422.0
debit	-19,198.5	-21,952.9	-27,736.5	-30,989.5	-35,122.5	-35,797.6	-28,369.8
Income	-7,240.7	-7,965.3	-7,124.4	-10,763.7	-16,513.3	-13,467.3	-5,955.1
credit	3,584.1	5,487.0	9,225.6	13,556.0	19,119.5	18,290.5	10,544.4
debit	-10,824.8	-13,452.3	-16,349.9	-24,319.7	-35,632.9	-31,757.7	-16,499.5
Transfers	1,869.4	1,447.0	785.2	761.5	1,801.2	3,030.3	3,484.0
credit	3,380.8	5,242.6	5,876.8	6,568.5	7,610.8	8,221.1	8,056.0
debit	-1,511.5	-3,795.6	-5,091.6	-5,806.9	-5,809.6	-5,190.8	-4,572.0
Capital and financial account (reserve assets excluded)	**18,552.9**	**22,670.6**	**20,513.3**	**41,922.7**	**41,489.3**	**30,227.7**	**-8,230.1**
Capital account	977.8	1,076.6	1,325.9	4,515.8	2,561.0	2,617.3	6,010.0
Financial account	17,575.1	21,594.0	19,187.3	37,406.9	38,928.3	27,610.4	-14,240.1
Direct investment	10,716.0	8,672.2	27,401.5	8,609.6	11,194.6	6,568.9	1,561.3
Abroad	-2,149.2	-3,388.6	-8,699.5	-13,794.5	-19,958.8	-11,888.8	-17,356.1
In Estonia	12,865.3	12,060.9	36,101.0	22,404.1	31,153.3	18,457.7	18,917.3
Portfolio investment	2,431.6	9,102.5	-27,688.4	-16,517.6	-5,758.0	7,950.8	-22,562.8
Assets	-5,351.6	-4,775.7	-10,818.4	-15,247.7	-8,640.4	10,648.2	-7,544.8
Equity securities	-1,028.9	-2,893.5	-4,848.9	-4,569.2	-7,688.8	4,095.9	-748.3
Debt securities	-4,322.7	-1,882.2	-5,969.5	-10,678.6	-951.6	6,552.3	-6,796.5
Liabilities	7,783.2	13,878.2	-16,870.0	-1,269.8	2,882.4	-2,697.4	-15,018.0
Equity securities	1,527.0	2,205.2	-16,352.3	3,731.8	3,533.3	-3,327.3	-1,443.4
Debt securities	6,256.2	11,673.0	-517.8	-5,001.6	-650.9	629.9	-13,574.6
Financial derivatives	-19.3	-8.3	-97.6	78.5	-797.8	828.5	195.8
Assets	-139.2	-35.1	13.5	-180.9	-883.4	674.6	279.2
Liabilities	120.0	26.8	-111.1	259.4	85.6	153.9	-83.4
Other investment	4,446.8	3,827.7	19,571.8	45,236.4	34,289.5	12,262.2	6,565.6
Assets	-2,284.6	-11,749.5	-11,143.5	562.4	-22,301.6	-5,591.1	15,027.7
Long-term	-565.7	-6,052.6	-4,199.6	5,406.7	-3,288.4	-276.2	-619.8
Short-term	-1,718.9	-5,696.9	-6,943.9	-4,844.3	-19,013.3	-5,314.9	15,647.5
Liabilities	6,731.4	15,577.2	30,715.3	44,674.0	56,591.2	17,853.3	-8,462.1
Long-term	4,309.1	5,602.6	10,905.4	25,263.2	46,123.7	-9,629.6	6,102.8
Short-term	2,422.3	9,974.7	19,809.9	19,410.8	10,467.5	27,482.9	-14,564.9
Errors and omissions	-822.7	-2,111.2	1,832.4	-2,272.6	2,486.8	2,173.9	-1,559.7
Overall balance	**2,312.1**	**3,425.4**	**4,883.9**	**7,527.3**	**1,401.9**	**7,869.7**	**32.1**
Reserve assets	**-2,312.1**	**-3,425.4**	**-4,883.9**	**-7,527.3**	**-1,401.9**	**-7,869.7**	**-32.1**

* After additional information is received, data of the earlier periods have been updated accordingly.

** Due to Estonia's accession to the EU on 1 May 2004, the accounting system of the movement of goods between Estonia and other Member States changed considerably, which is why pre- and post-accession time series of foreign trade statistics are not directly comparable.

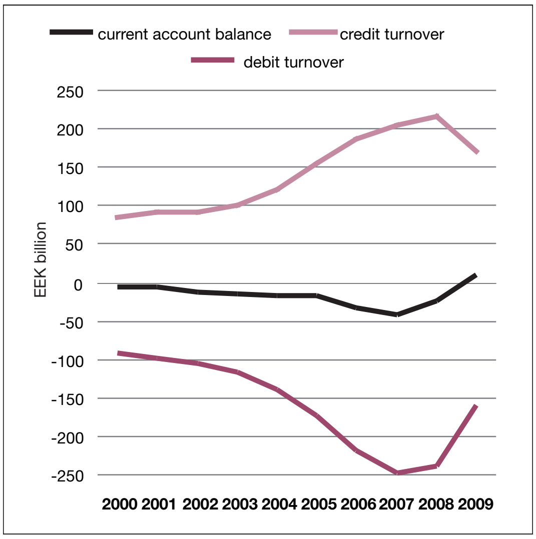
Table 1.2. Internationally comparable key balance of payments indicators

	2002	2003	2004	2005	2006	2007	2008	2009
Foreign trade turnover (% of GDP)	110.7	109.1	114.6	127.4	135.4	121.7	119.4	99.3
Goods exports/imports (%)	75.8	74.7	75.4	80.5	76.6	74.9	80.0	92.1
Nominal effective exchange rate (% compared to previous period)	102.1	103.6	101.0	100.3	99.5	100.9	101.6	104.7
Real effective exchange rate (% compared to previous period)	101.9	101.7	101.3	101.1	100.4	102.9	104.7	101.6
Terms of trade (ratio of exports and imports price indices)	112.2	121.6	122.4	119.6	119.4	124.2	122.4	124.5
Overall balance of balance of payments (change of external reserves; EEK m)	926.8	2,312.1	3,425.4	4,883.9	7,527.0	8,027.3	7,869.8	32.1
Change in external reserves (% of GDP)	0.8	1.7	2.3	2.8	3.6	3.3	3.1	0.0
Current account balance (EEK m)	-12,908.0	-15,418.2	-17,134.1	-17,461.8	-35,010.1	-42,574.2	-24,531.9	9,821.9
Current account balance without government transfers (EEK m)	-13,628.4	-16,638.8	-17,574.3	-17,062.0	-34,903.2	-42,500.8	-24,243.6	9,503.3
Current account balance without government transfers (% of GDP)	11.2	12.2	11.6	9.8	16.9	17.4	9.6	-4.4
Government transfers (net; EEK m)	720.4	1,220.6	440.2	-399.8	-106.9	-73.4	-288.3	318.6
Government transfers (% of GNP)	0.6	0.9	0.3	-0.2	-0.1	0.0	-0.1	0.2
Gross external debt (% of GDP)	57.9	64.5	75.8	85.4	96.8	111.0	118.4	126.7
External debt servicing (% of total exports)	1.7	0.3	0.2	0.6	0.2	1.0	0.3	0.1

OVERVIEW

Current account

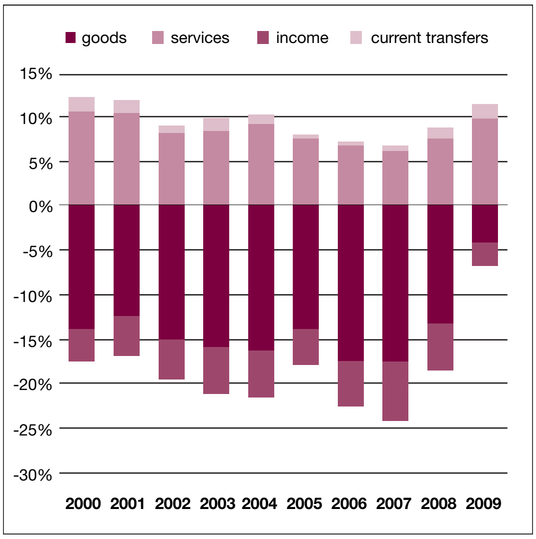
Domestic demand shrank faster than external demand, which had a significant effect on the current account in 2009. The deep current account deficit recorded in previous years turned into an almost 10 billion kroon surplus. The surplus accounted for 4.6% of GDP. The current account surplus primarily resulted from a rapid decrease in trade deficit but also a decline in the net outflow of income. The exports of goods and services, direct components of GDP, exceeded their imports and the surplus on goods and services was 5.7% as a ratio of GDP. The share of the EU in the credit as well as the debit turnover remained more or less unchanged from 2008 and 2007 at 72% and 82%, respectively.



Current account turnover and balance

Goods

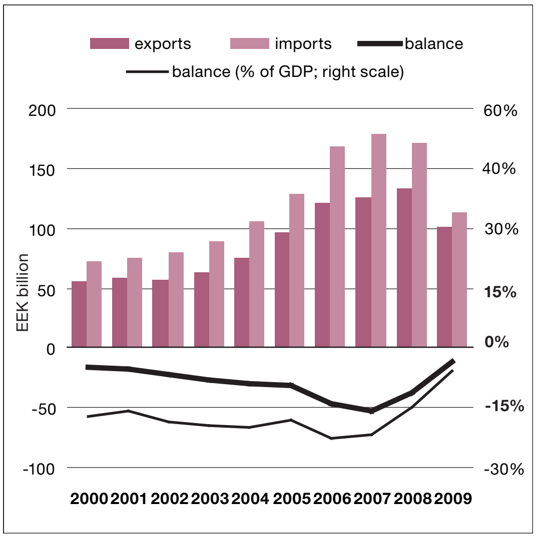
The deficit on the goods account for 2009 declined by almost four times from 2008 to 9 billion kroons. This accounted for only 4% of annual GDP. Goods exports shrank 25% and imports by a third to 102 and 111 billion kroons, respectively. The decease in trade deficit can largely be attributed to the goods groups of transport vehicles, machinery and equipment, and mineral products, as their deficits declined by 20 billion kroons in total. Estonia's main trading partner, the European Union, comprised 69% of the exports and 80% of the imports of goods.



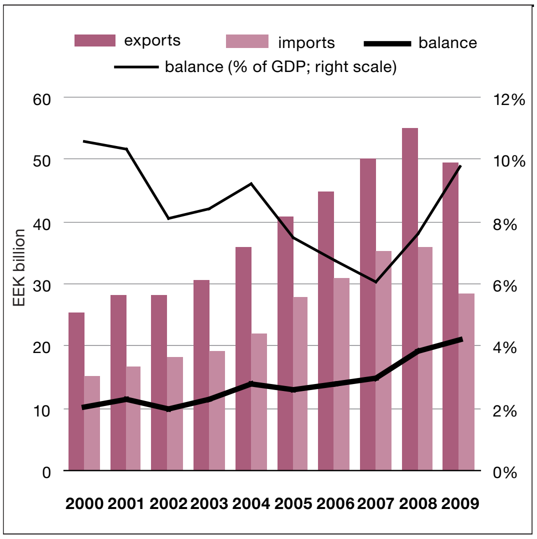
Current account components (% of GDP)

Services

The foreign trade of services performed relatively well in light of the difficult economic situation. Similar to trade, also the imports and exports of services contracted but the extent of contraction was smaller: exports dropped 10% and imports 21%. The surplus on services slightly increased, as imports declined faster than exports. The surplus on the services account was record high at 21 billion kroons in 2009. Transport, travel and other business services (trade, advertising, legal aid services, etc.), which are Estonia's three major types of services, comprised 87% of the surplus. The share of EU countries totalled 71% in the exports and 78% in the imports of services.



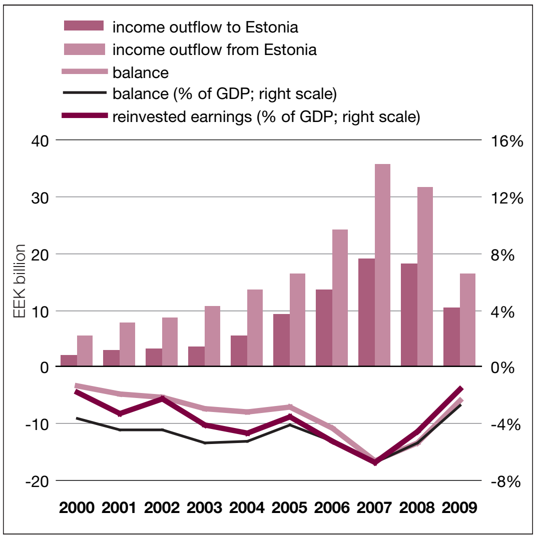
Estonia's external trade



Services account

Income

The net outflow of labour and capital income decreased by over two times in 2009 and stood at 6 billion kroons. The surplus on compensations of employees (labour income) reached 2.1 billion kroons, having declined 15% year-on-year. Capital income (investment income) accounted for the majority of the income account; non-residents' income earned in Estonia exceeded residents' income earned abroad by 8 billion kroons. The net outflow of investment income shrank by two times over the year. Direct investment income comprised 62% of both the inflow and outflow of investment income. The majority of residents' and non-residents' income was related to EU countries.



Income account

Current and capital transfers

The use of EU subsidies increased considerably in 2009, especially in the second half of the year. The majority of the subsidies came as capital transfers. The total surplus on current and capital transfers grew 70% year-on-year and stood at 9.5 billion kroons.

Financial account

The external sector surplus was not fully invested in Estonia and the earlier large capital net inflow was replaced by a net outflow. Consequently, the financial account had a deficit of 14 billion kroons. Estonia turned from net external borrower to net external lender. The net outflow of capital comprised primarily portfolio investment.

Direct investment

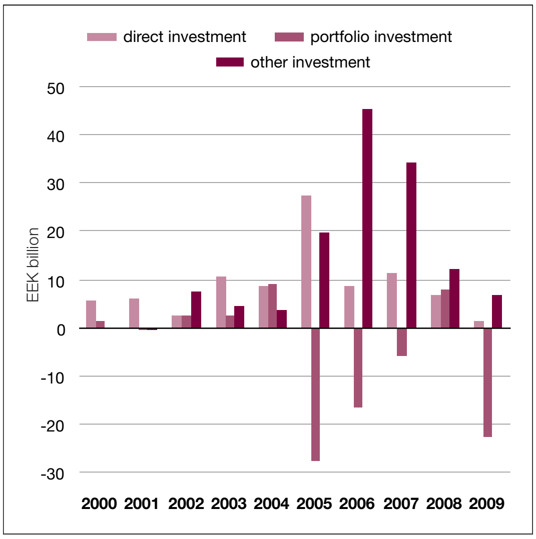
Direct investment inflow was 1.6 billion kroons bigger than outflow in 2009, which is significantly less than in previous years. At the same time, both the direct investment in Estonia and Estonia's direct investment abroad were relatively large, totalling as much as 18.9 and 17.4 billion kroons, respectively. The fourth quarter witnessed large direct investment in both directions, which were primarily related to equity capital investments made by credit institutions and other sectors.

Portfolio investment

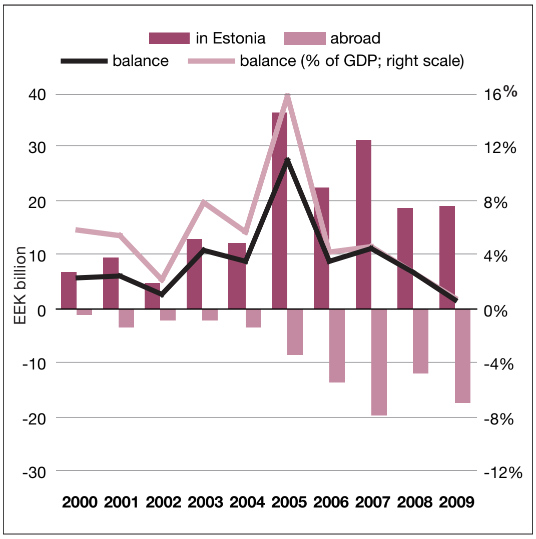
The net outflow of portfolio investment amounted to 22.6 billion kroons. Most of the outflow consisted of credit institutions' transactions, and resulted in an increase in the debt security assets and a decrease in debt security liabilities.

Other investment

The inflow of other investment (trade credit, loans and deposits) has shrunk considerably over the past three years. The net inflow of other investment was 6.6 billion kroons in 2009. Other investment assets declined by about 15 billion and liabilities by 8.5 billion kroons. The decrease

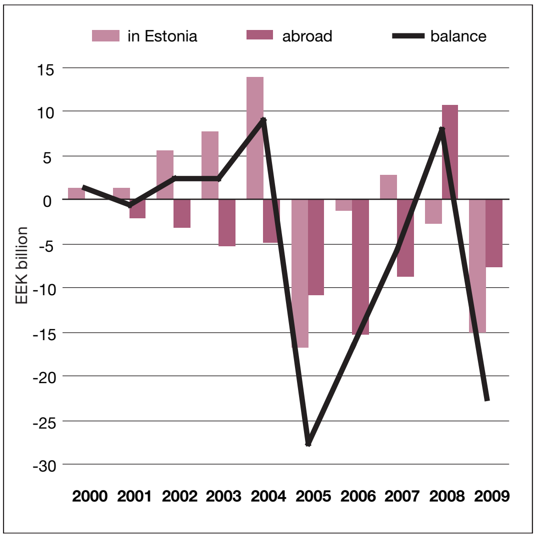


Sub-accounts of capital and financial accounts

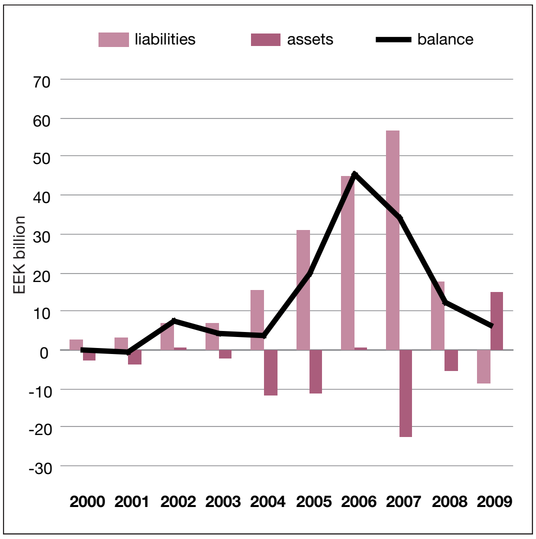


Direct investment

in both assets and liabilities can be attributed to a decline in the currency and deposits (incl. short-term loans) of credit institutions.



Portfolio investment



Other investment

CURRENT ACCOUNT

Domestic demand shrank faster than external demand, which had a significant effect on the current account in 2009. The large deficits of previous years were replaced by a surplus of almost 10 billion kroons. The surplus accounted for 4.6% of GDP (see Figure 1.1). The current account surplus primarily resulted from a rapid decrease in trade deficit but also a decline in the net outflow of income. The deficit on goods and services (the direct components of GDP) as a ratio of GDP was 5.7%. The exports of goods and services contracted 20% and imports 31%. Estonia made active use of grants from the EU budget – the surplus on current and capital transfers totalled over 9 billion kroons.

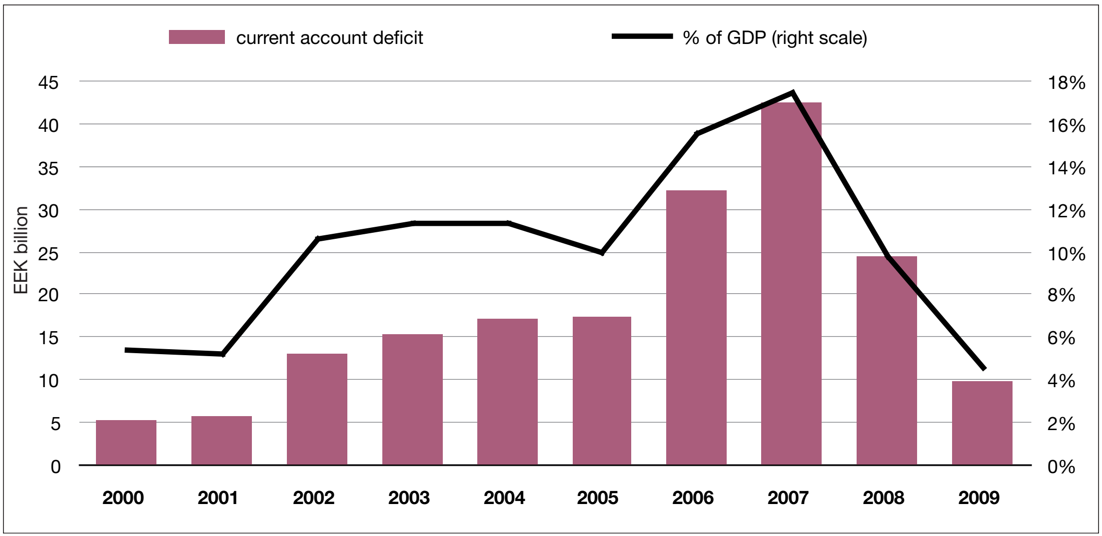


Figure 1.1. Estonia's current account deficit

The share of the EU in the credit and debit turnovers remained unchanged from 2008 and 2007 at 72% and 82%, respectively. The five most important partners were the same in both turnovers, with the only difference in the two leading countries. Finland was the biggest partner in terms of credit turnover with Sweden ranking second, whereas Sweden was the leader in terms of debit turnover with Finland ranking second. The other major partners were Latvia, Germany and Lithuania. The five major partner countries accounted for 50% of the credit turnover and 55% of the debit turnover. Estonia had the biggest current account surplus with Finland, Russia and the United States, whereas the highest deficit was registered with Sweden, Lithuania and Germany (see Table 1.3). Compared to 2008, the deficits with Sweden and Germany decreased by almost 20 billion kroons in total.

Goods

In light of the recession, the deficit on the **goods account** for 2009 decreased by 24 billion kroons (74%) from 2008 to 9 billion kroons (see Table 1.4). This accounted for around 4% of annual GDP. The exports of goods declined 24% year-on-year and amounted to 102 billion kroons. The imports of goods decreased by a third to 111 billion kroons.

Table 1.3. Current account balance by groups of countries (EEK m)

	2008	2009
EU-27	**-38,639.0**	**-8,393.5**
Finland*	11,133.6	12,637.6
Sweden	-13,954.4	-5,862.0
Lithuania	-4,634.6	-5,014.3
Germany	-14,925.0	-4,631.4
Poland	-5,000.2	-4,037.2
CIS	**1,541.2**	**3,728.2**
Russia	4,866.0	3,575.0
Belarus	-4,259.6	-1,240.5
Kazakhstan	448.1	923.8
Other	**12,565.9**	**14,487.3**
USA	4,885.5	3,275.1
Nigeria	1,068.9	2,943.1
Norway	4,366.6	2,683.3
Canada	923.6	2,127.8
Switzerland	1,249.0	1,756.9
Total	**-24,531.8**	**9,822.0**

* Countries are ranked by the absolute value of last period's current account balance.

Table 1.4. Imports and exports of goods

	Goods – credit (f.o.b.)			Goods – debit (f.o.b.)			Balance (EEK m)
	Volume* (EEK m)	Change compared to the previous period (%)	Share in total exports of goods and services (%)	Volume* (EEK m)	Change compared to the previous period (%)	Share in total exports of goods and services (%)	
2000	56,118.1	51.7	69.0	69,489.5	41.5	82.2	-13,371.4
2001	58,798.5	4.8	67.6	72,340.9	4.1	81.1	-13,542.4
2002	57,948.7	-1.4	67.3	76,404.0	5.6	80.7	-18,455.3
2003	63,443.7	9.5	67.4	84,966.0	11.2	81.6	-21,522.3
2004	74,543.0	17.5	67.5	99,094.7	16.6	81.9	-24,551.7
2005	99,322.3	33.2	70.8	123,576.9	24.7	81.7	-24,254.6
2006	121,637.1	22.5	73.0	157,688.5	27.6	83.6	-36,051.4
2007	127,386.6	4.7	71.8	170,103.7	7.9	82.9	-42,717.1
2008	133,600.0	4.9	70.9	166,855.0	-1.9	82.3	-33,255.0
2009	102,268.3	-23.5	67.4	111,027.5	-33.5	79.6	-8,759.2

* Data of the foreign trade account in the balance of payments.

According to preliminary **foreign trade statistics**[1], goods exports stood at 101.3 billion and imports in c.i.f. prices at 113.6 billion kroons in 2009. Both the imports and exports contracted significantly in the first quarter, whereas the second, third and fourth quarters witnessed moderate quarterly growth.

[1] The following analysis does not include the adjustments made to the goods account (repair of capital goods, provisions purchased from abroad, etc.) made by the Balance of Payments and Economic Statistics Department of Eesti Pank. Imports are in c.i.f. prices and analysed by the trading country.
As of the moment of accession, the terms "exports" and "imports" are only applicable in reference to trading with third countries, while the Intrastat reporting system uses the terms "dispatch of goods" and "arrival of goods". Since the following analysis covers both intra-Community and non-Community trade, the terms "exports" and "imports" have still been used for the sake of simplicity and clarity.

Compared to the boom period, when quarterly foreign trade deficit had totalled 12–14 billion kroons, the quarterly deficit figures for 2009 remained within 2–4 billion kroons and totalled 12.2 billion kroons on an annual basis.

The exports of goods declined nearly across all groups of goods (see Table 1.5). Only the exports of mineral products increased year-on-year, ranking second after machinery and equipment. 75% of the exports of mineral products comprised motor fuels imported from Russia and Lithuania for processing and then re-exported to the United States, Nigeria and Canada. The major factor contributing to the contraction of exports was the 31% decrease in the exports of machinery and equipment. Mobile communication devices and other electronic goods were exported to Sweden, Finland, Russia, Latvia and Germany. The exports of metals and metal products shrank nearly 50% and primarily consisted of metal constructions and steel products, sold to Finland, Sweden and Latvia. Timber and timber products (construction components, firewood, mechanical pulp, etc.) were exported to Finland, Sweden and Denmark; prefabricated wooden buildings went to Germany, Norway and the United Kingdom, and furniture mainly to Finland and Sweden.

Table 1.5. Exports by main groups of goods

	Volume (EEK m)		Share (%)		Change (%)
	2008	**2009**	**2008**	**2009**	**2009/2008**
Food	12,153.5	10,246.5	9.2	10.1	-15.7
Mineral products	16,063.9	16,956.6	12.1	16.7	5.6
Chemical products	11,318.8	8,810.8	8.5	8.7	-22.2
Clothing, footwear and headgear	7,094.9	5,154.9	5.4	5.1	-27.3
Timber, paper and products	15,155.0	12,121.1	11.4	12.0	-20.0
Metals and metal products	15,955.5	8,819.3	12.0	8.7	-44.7
Machinery and equipment	28,734.6	19,764.8	21.7	19.5	-31.2
Transport vehicles	10,403.8	6,607.4	7.9	6.5	-36.5
Furniture, toys, sporting goods	9,612.6	8,413.1	7.3	8.3	-12.5
Other	5,989.1	4,415.0	4.5	4.4	-26.3
Total	**132,481.7**	**101,309.4**	**100.0**	**100.0**	**-23.5**

The largest export items in the food group were again spirits, which were sold to Russia, Finland, Latvia and Lithuania. Other major export items included cheese, curds and other dairy products, frozen and canned fish as well as various prepared products, which were exported to the above countries and also Sweden, Germany, the Netherlands, Ukraine and Denmark. The exports of chemical products primarily consisted of construction materials (putties, mastics, paints, varnishes, etc.), carbonic acids and plastic products, sold to Russia, Poland and Lithuania. Compared to 2008, the re-exports of motor cars to Latvia, Finland, Sweden and Russia contracted considerably, which is why also the exports of transport vehicles decreased 36%. Textile products and footwear were exported to Finland, Sweden, Latvia and Russia.

The **imports of goods** declined significantly across all groups of goods (see Table 1.6). Imports contracted largely as a result of a considerable fall in the imports of machinery and equipment, transport vehicles and metals; mineral products were the biggest import items. Motor fuels were purchased for processing and internal supply from Russia, Lithuania, Belarus and Latvia; natural gas was imported from Russia and electricity from Lithuania and Latvia. The largest import items in the group of machinery and equipment included mobile communication devices and components of electronic equipment, which were purchased from Finland, Sweden and Germany. Chemical products (medicines, plastic products, tyres, etc.) were imported from Germany, Finland, Lithuania, Latvia and Poland.

Table 1.6. Imports by main groups of goods

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
Food	17,676.2	14,599.4	10.4	12.9	-17.4
Mineral products	27,147.2	22,227.2	15.9	19.6	-18.1
Chemical products	22,022.4	16,918.5	12.9	14.9	-23.2
Clothing, footwear and headgear	11,110.0	7,726.1	6.5	6.8	-30.5
Timber, paper and products	7,988.5	6,098.2	4.7	5.4	-23.7
Metals and metal products	18,220.8	8,764.3	10.7	7.7	-51.9
Machinery and equipment	36,812.8	21,930.1	21.6	19.3	-40.4
Transport vehicles	18,692.3	7,053.6	11.0	6.2	-62.3
Furniture, toys, sporting goods	4,034.8	2,873.8	2.4	2.5	-28.8
Other	6,783.8	5,359.1	4.0	4.7	-21.0
Total	**170,488.8**	**113,550.2**	**100.0**	**100.0**	**-33.4**

Similar to the exports of food products, spirits and wines were also the largest import item, purchased from the United Kingdom, Finland and France. Footwear, men's and women's clothes, knitwear and underwear were imported from the EU as well as China, Turkey and Pakistan. The imports of transport vehicles contracted 62% from 2008, mostly owing to the decreased imports of motor cars and spare parts from Sweden, Germany and Finland. Timber and paper were purchased from Finland, Russia and Latvia, and steel products from Finland, Germany and Sweden.

The **foreign trade deficit** decreased by 26 billion kroons (68%) from 2008 and totalled 12.2 billion kroons (see Table 1.7). Three groups of goods posted a surplus: timber and timber products, furniture and other industrial goods as well as metals and metal products. The deficit decreased primarily in the groups of transport vehicles, machinery and equipment, and mineral products.

The **exports of goods** decreased across all **groups of countries** (see Table 1.8). The main export partners in the EU were Finland, Sweden, Latvia, Germany and Lithuania. Machinery and equipment (primarily electronic products) comprised 22% of the exports to the EU, followed by timber and timber products, food and mineral products (motor fuels). Exports to the CIS consisted of food and chemical products, and machinery and equipment, with Russia, Ukraine and Belarus as the largest partners.

Table 1.7. Foreign trade balance by main groups of goods (EEK m)

	2008	2009
Food	-5,522.7	-4,352.9
Mineral products	-11,083.3	-5,270.6
Chemical products	-10,703.6	-8,107.6
Clothing, footwear and headgear	-4,015.1	-2,571.2
Timber, paper and products	7,166.5	6,022.9
Metals and metal products	-2,265.3	55.0
Machinery and equipment	-8,078.2	-2,165.3
Transport vehicles	-8,288.4	-446.2
Furniture, toys, sporting goods	5,577.9	5,539.3
Other	-794.7	-944.1
Total	**-38,007.1**	**-12,240.8**

Table 1.8. Exports of goods by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
EU-27	**92,290.5**	**70,009.6**	**69.7**	**69.1**	**-24.1**
Finland	24,350.0	18,814.0	18.4	18.6	-22.7
Sweden	18,290.5	12,693.0	13.8	12.5	-30.6
Latvia	13,199.7	9,623.0	10.0	9.5	-27.1
Germany	6,713.5	6,209.2	5.1	6.1	-7.5
Ltihuania	7,505.6	4,820.2	5.7	4.8	-35.8
CIS	**17,686.4**	**11,914.2**	**13.4**	**11.8**	**-32.6**
Russia	13,775.0	9,414.0	10.4	9.3	-31.7
Ukraine	2,206.1	1,130.7	1.7	1.1	-48.7
Belarus	850.2	592.5	0.6	0.6	-30.3
Other	**22,504.8**	**19,385.5**	**17.0**	**19.1**	**-13.9**
USA	6,374.2	4,287.3	4.8	4.2	-32.7
Norway	4,379.6	3,223.2	3.3	3.2	-26.4
Turkey	1,075.3	2,953.8	0.8	2.9	174.7
Total	**132,481.7**	**101,309.4**	**100.0**	**100.0**	**-23.5**

The top three among other countries were the United States, Norway and Nigeria. The majority of the exports to the United States and Nigeria consisted of motor fuels; Norway purchased timber products (furniture and log cabins) from Estonia.

The **imports of goods** also decreased across all groups of countries (see Table 1.9). The top five of EU countries included Finland, Lithuania, Latvia, Germany and Sweden. Imports from the EU primarily consisted of machinery and equipment, chemical and food products, and fuels. 66% of the imports from Russia consisted of motor fuels and natural gas. Motor fuel was imported also from Belarus and metal products from Ukraine. The top three among other countries were China, the United States and Norway. China exported electronic components and clothing to Estonia, the United States sold transport vehicles and Norway delivered motor fuel.

Foreign trade was in deficit with the EU as well as the CIS (see Table 1.10). As regards the EU Member States, Estonia had the biggest trade deficit with Lithuania, Germany and Poland, and the largest surplus with Finland, Sweden and Denmark. As regards the CIS, Estonia had the biggest deficit with Belarus and Russia, and a slight surplus with Ukraine. In terms of other countries, Estonia registered trade deficit with China and large surpluses with the United States, Canada and Norway.

Services

Although 2009 witnessed deep recession, the trade of services was relatively lively: the surplus on the **services account** totalled 21 billion kroons, having grown 10% from 2008. Although both the imports and exports of services declined from 2008, imports shrank two times faster than exports (see Table 1.11). As the turnover of goods decreased to a considerable extent, the share of services in the total turnover of goods and services slightly increased.

Table 1.9. Imports of goods by groups of countries*

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
EU-27	**136,016.1**	**91,221.8**	**79.8**	**80.3**	**-32.9**
Finland	24,096.4	16,553.8	14.1	14.6	-31.3
Lithuania	15,118.0	12,353.5	8.9	10.9	-18.3
Latvia	15,454.4	11,911.0	9.1	10.5	-22.9
Germany	22,779.4	11,791.6	13.4	10.4	-48.2
Sweden	17,060.4	9,518.0	10.0	8.4	-44.2
CIS	**20,695.4**	**12,215.2**	**12.1**	**10.8**	**-41.0**
Russia	13,024.7	9,347.2	7.6	8.2	-28.2
Belarus	4,979.5	1,847.7	2.9	1.6	-62.9
Ukraine	1,829.1	713.7	1.1	0.6	-61.0
Other	**13,777.3**	**10,113.2**	**8.1**	**8.9**	**-26.6**
China	3,634.7	2,274.1	2.1	2.0	-37.4
USA	2,011.6	1,575.6	1.2	1.4	-21.7
Norway	1,157.7	1,477.3	0.7	1.3	27.6
Total	**170,488.8**	**113,550.2**	**100.0**	**100.0**	**-33.4**

* Analysed by trading country.

Table 1.10. Foreign trade balance by groups of countries (EEK m)

	2008	2009
EU-27	-43,725.6	-21,212.2
CIS	-3,009.0	-301.0
Other	8,727.5	9,272.4
Total	**-38,007.1**	**-12,240.8**

Table 1.11. Exports and imports of services

	Exports			Imports			Balance	
	Volume (EEK m)	Change compared to the previous period (%)	Share in total turnover of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)	Share in total turnover of goods and services (%)	Volume (EEK m)	Change compared to the previous period (%)
2000	25,263.4	15.1	31.0	15,059.6	10.6	17.8	10,203.8	22.3
2001	28,135.4	11.4	32.4	16,840.6	11.8	18.9	11,294.8	10.7
2002	28,164.3	0.1	32.7	18,273.6	8.5	19.3	9,890.7	-12.4
2003	30,674.0	8.9	32.6	19,198.5	5.1	18.4	11,475.5	16.0
2004	35,888.9	17.0	32.5	21,952.9	14.3	18.1	13,936.0	21.4
2005	40,868.5	13.9	29.2	27,736.5	26.3	18.3	13,132.0	-5.8
2006	44,920.2	9.9	27.0	30,989.5	11.7	16.4	13,930.7	6.1
2007	49,977.6	11.3	28.2	35,122.5	13.3	17.1	14,855.1	6.6
2008	54,957.8	10.0	29.1	35,797.6	1.9	17.7	19,160.2	29.0
2009	49,422.0	-10.1	32.6	28,369.8	-20.7	20.4	21,052.2	9.9

In 2009 also the structure of the net exports of services changed (see Table 1.12). Transport, travel and other business services, which are Estonia's three major types of services, comprised 87% of the services surplus (80% in 2008). The net exports of construction services, on the other hand, declined around 60% from the previous year.

Table 1.12. Services balance by major categories

	Balance (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
Transportation	8,135.6	9,090.1	42.5	43.2	11.7
Travel	3,996.0	5,433.7	20.9	25.8	36.0
Construction services	2,759.1	1,144.5	14.4	5.4	-58.5
Computer and information services	820.0	1,051.9	4.3	5.0	28.3
Business services	3,195.9	3,704.3	16.6	17.6	15.9
Government services	24.6	111.5	0.1	0.5	353.3
Other	229.4	516.2	1.2	2.5	125.0
Total	**19,160.6**	**21,052.2**	**100.0**	**100.0**	**9.9**

Services exports decreased 10% from 2008 (see Table 1.13). This was due to a 15% fall in the exports of transport services to non-residents and a 40% decline in the exports of construction services. Given the general contraction in the economy, only the exports of computer and information services picked up 10% year-on-year.

Table 1.13. Services exports by major categories

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
Transportation	21,451.9	18,268.7	39.0	37.0	-14.8
freight	10,193.1	7,932.1	18.5	16.1	-22.2
passenger	4,757.4	3,965.4	8.7	8.0	-16.6
other transport services	6,501.4	6,371.2	11.8	12.9	-2.0
Travel	12,602.9	12,208.6	22.9	24.7	-3.1
Construction services	3,942.0	2,359.4	7.2	4.8	-40.1
Computer and information services	1,860.1	2,054.0	3.4	4.2	10.4
Business services	10,890.8	10,522.5	19.8	21.3	-3.4
Government services	545.2	509.6	1.0	1.0	-6.5
Other	3,664.9	3,499.2	6.7	7.0	-4.5
Total	**54,957.8**	**49,422.0**	**100.0**	**100.0**	**-10.1**

The geographical distribution of services exports was relatively similar to that in 2008 (see Table 1.14). The percentages of the EU and other countries remained the same, whereas the share of the CIS decreased. In absolute value, exports contracted across all groups of countries, in particular the CIS. The largest export partners were again Finland and Russia. The exports of operational lease to Kazakhstan increased by almost two times. Germany became the fourth biggest partner in the group of EU countries (in 2008: the United Kingdom).

The **imports of services** shrank considerably faster than exports in 2009, contracting by over 20% (see Table 1.15). The imports of transport, travel and other business services, which are Estonia's primary services in terms of imports, decreased 10–30% from 2008. The imports of transport services were, among other things, affected by a considerable fall in the imports of import goods. Only the imports of construction services picked up in 2009.

Table 1.14. Services exports by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
EU-27	**38,764.8**	**34,877.1**	**70.5**	**70.6**	**-10.0**
Finland	16,121.0	14,268.8	29.3	28.9	-11.5
Sweden	4,722.0	4,046.9	8.6	8.2	-14.3
Latvia	2,920.0	2,793.0	5.3	5.7	-4.3
Germany	2,533.3	2,112.3	4.6	4.3	-16.6
CIS	**7,723.1**	**6,663.5**	**14.1**	**13.5**	**-13.7**
Russia	6,346.5	4,977.9	11.5	10.1	-21.6
Kazakhstan	454.0	861.3	0.8	1.7	89.7
Ukraine	648.1	520.8	1.2	1.1	-19.6
Other	**8,469.9**	**7,881.4**	**15.4**	**15.9**	**-6.9**
offshore regions	1,747.4	2,233.5	3.2	4.5	27.8
Switzerland	2,020.7	1,872.4	3.7	3.8	-7.3
USA	1,657.7	1,416.4	3.0	2.9	-14.6
Total	**54,957.8**	**49,422.0**	**100.0**	**100.0**	**-10.1**

Table 1.15. Services imports by major categories

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
Transportation	13,316.3	9,178.6	37.2	32.4	-31.1
freight	8,638.9	5,554.1	24.1	19.6	-35.7
passenger	1,375.8	1,015.5	3.8	3.6	-26.2
other transport services	3,301.6	2,609.0	9.2	9.2	-21.0
Travel	8,606.9	6,774.9	24.0	23.9	-21.3
Construction services	1,182.8	1,214.9	3.3	4.3	2.7
Computer and information services	1,040.1	1,002.1	2.9	3.5	-3.7
Business services	7,695.0	6,818.2	21.5	24.0	-11.4
Government services	520.6	398.1	1.5	1.4	-23.5
Other	3,435.9	2,983.0	9.6	10.5	-13.2
Total	**35,797.6**	**28,369.8**	**100.0**	**100.0**	**-20.7**

The structure of services imports by groups of countries did not change much, year-on-year. EU countries accounted for 78% of the imports in 2009 (see Table 1.16). The imports of services from Finland, Estonia's largest trade partner, decreased over 20% year-on-year. Latvia's share in imports increased 10% from 2008, making Latvia the second major import partner from the EU after Sweden. Imports from the CIS shrank 21% from 2008; 72% of the services were purchased from Russia. Ukraine switched places with Belarus and was Estonia's third major import partner in 2009. The imports of services from other countries, in particular the United States, Egypt and Norway, decreased 27% year-on-year.

Table 1.16. Services imports by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
EU-27	**27,328.9**	**21,976.7**	**76.3**	**77.5**	**-19.6**
Finland	5,468.2	4,236.8	15.3	14.9	-22.5
Latvia	2,597.6	2,860.8	7.3	10.1	10.1
Sweden	2,939.5	2,353.7	8.2	8.3	-19.9
Germany	2,757.8	1,700.7	7.7	6.0	-38.3
CIS	**3,166.7**	**2,507.2**	**8.9**	**8.8**	**-20.8**
Russia	2,169.9	1,803.0	6.1	6.4	-16.9
Belarus	329.7	216.8	0.9	0.8	-34.2
Ukraine	509.9	207.3	1.4	0.7	-59.3
Other	**5,302.0**	**3,885.9**	**14.8**	**13.7**	**-26.7**
USA	1,271.7	968.9	3.6	3.4	-23.8
Egypt	723.6	459.6	2.0	1.6	-36.5
Norway	406.1	361.7	1.1	1.3	-10.9
Total	**35,797.6**	**28,369.8**	**100.0**	**100.0**	**-20.7**

The surplus on **transport services** increased 12% in 2009, as their imports declined faster than exports (see Figures 1.2 and Table 1.12). The surplus grew also on account of other transport services – various storage, logistics and intermediation services. The decline in goods exports, and especially imports, also caused a decrease in transport services. As regards different types of transport, the net exports of maritime transport accounted for the largest share of the balance of transport services, followed by rail and road transport (see Figure 1.3). Air transport remained in deficit.

The exports of transport services decreased 15% across all major groups of countries and the majority of countries in 2009 (see Tables 1.13 and 1.17). Finland was still the biggest importer of transport services in the group of EU countries, followed by Sweden; the exports of transport services to these two countries decreased. The exports of transport services to the Netherlands, on the other hand, picked up almost 40% from 2008, which made the Netherlands Estonia's third largest export partner among EU countries. Exports to the CIS contracted 8% and were almost entirely channelled to Russia. The ranking of other countries remained unchanged from 2008, with Switzerland as the leading export partner.

The imports of transport services shrank by nearly a third in 2009 (see Tables 1.15 and 1.17). The imports of transport services decreased across all types of services, especially freight transport. The imports of transport services decreased across all groups of countries and the majority of countries. Imports from the EU mainly originated from Finland and Germany; the major CIS partners were Russia and Belarus. As regards other countries, China, the United States and offshore regions held almost equal shares.

As the exports of **travel services** decreased less than imports in 2009 (3% and 21%, respectively), their surplus grew by 36% to 5.4 billion kroons (see Figure 1.4 and Table 1.18). The use of travel agencies' services for planning trips abroad decreased further in 2009: by 29% in terms of residents and by 20% in terms of non-residents. At the same time the number of residents' trips declined only 3%, whereas the number of non-residents' trips grew 2%. Independent travelling (including travel planning via the Internet), on the other hand, increased to a considerable extent.

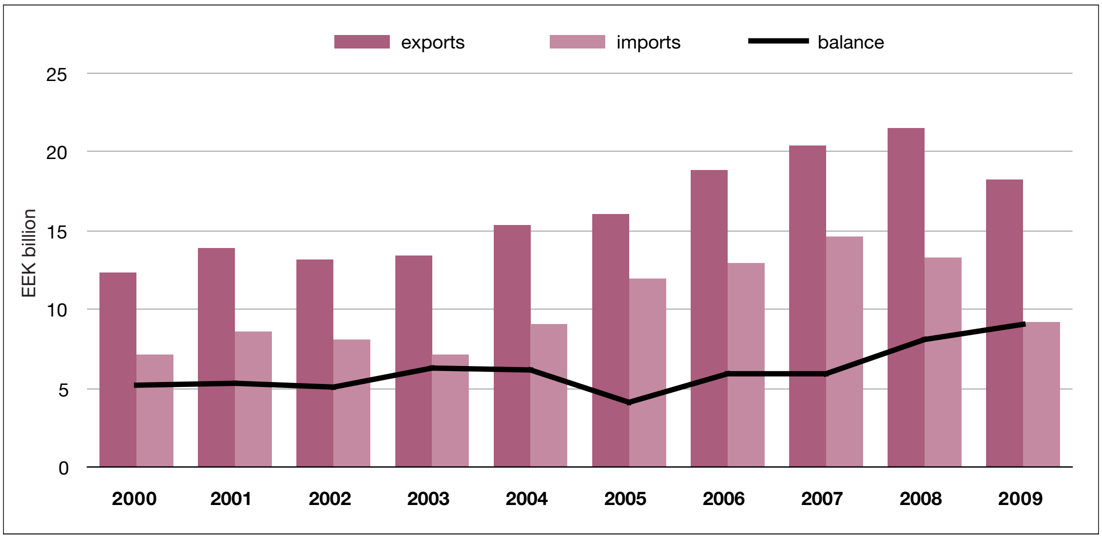


Figure 1.2. Transport services

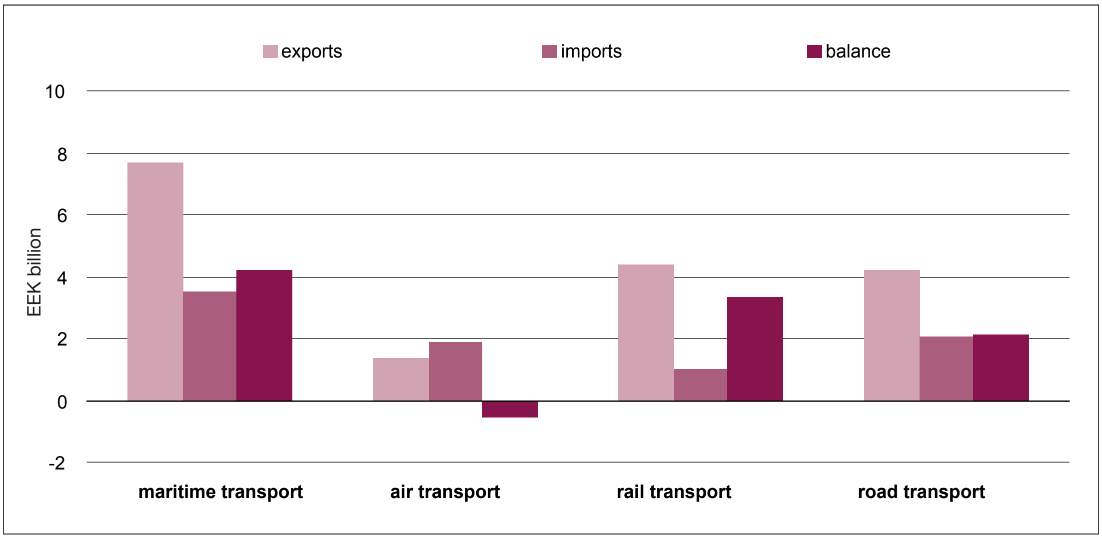


Figure 1.3. Structure of transport services in 2009 by type

Table 1.17. Transport services by groups of countries in 2009

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), 2009/2008		Volume (EEK m)	Share (%)	Change (%), 2009/2008
EU-27	**11,717.5**	**64.1**	**-17.1**	**EU-27**	**-7,055.4**	**76.9**	**-28.0**
Finland	4,120.5	22.6	-19.0	Finland	-1,445.0	15.7	37.7
Sweden	1,621.8	8.9	-13.4	Germany	-1,678.0	18.3	81.6
Netherlands	1,027.7	5.6	37.4	Latvia	-747.3	8.1	-0.5
Germany	816.8	4.5	-30.4	Sweden	-1,096.5	11.9	48.2
Latvia	751.7	4.1	-1.3	Lithuania	-738.2	8.0	8.1
CIS	**2,780.9**	**15.2**	**-8.1**	**CIS**	**-760.2**	**8.3**	**-44.5**
Russia	2,574.3	14.1	-7.5	Russia	-479.5	5.2	-49.5
Ukraine	70.6	0.4	-40.1	Belarus	-107.3	1.2	-56.0
Other	**3,770.3**	**20.7**	**-12.2**	**Other**	**-1,363.0**	**14.8**	**-0.5**
Switzerland	1,267.0	6.9	-12.3	China	-234.1	2.6	-35.4
offshore regions	1,000.1	5.5	-0.7	USA	-230.4	2.5	-50.8
USA	562.0	3.1	-2.9	offshore regions	-139.0	1.5	5.1
Total	**18,268.7**	**100.0**	**-14.8**	**Total**	**-9,178.6**	**100.0**	**-31.1**

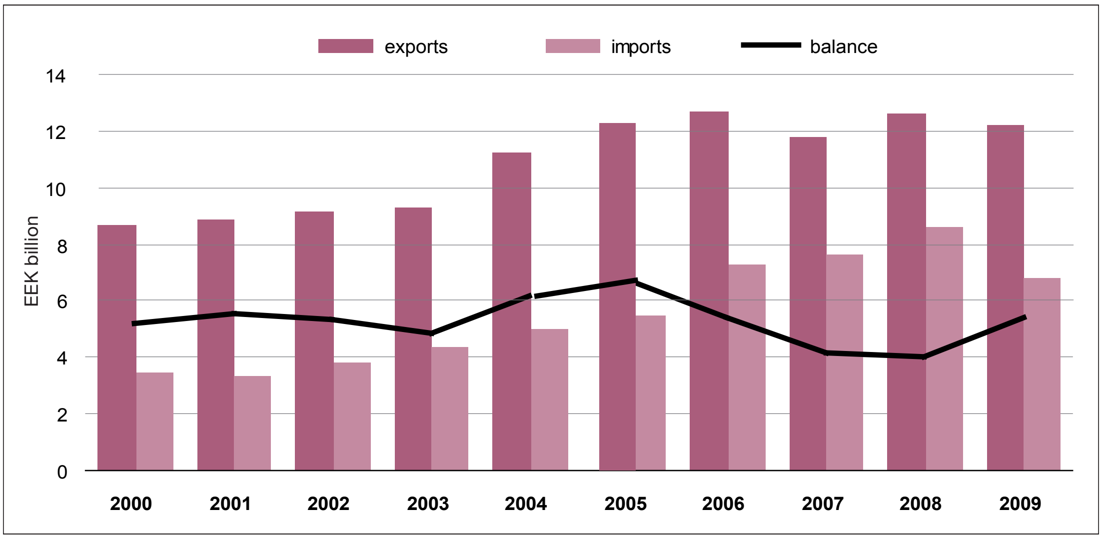


Figure 1.4. Travel services

Table 1.18. Travel services by groups of countries in 2009

	Exports				Imports		
	Volume (EEK m)	Share (%)	Change (%), 2009/2008		Volume (EEK m)	Share (%)	Change (%), 2009/2008
EU-27	**10,097.5**	**82.7**	**-4.0**	**EU-27**	**4,424.2**	**65.3**	**-25.5**
Finland	6,210.4	50.9	-4.4	Finland	1,283.8	18.9	-12.4
Sweden	854.6	7.0	-24.5	Latvia	654.4	9.7	31.5
Latvia	705.2	5.8	15.1	Sweden	319.0	4.7	-13.0
Germany	433.9	3.6	-17.0	Spain	283.9	4.2	-34.7
CIS	**1,313.1**	**10.8**	**31.6**	**CIS**	**1,054.7**	**15.6**	**30.6**
Russia	1,225.0	10.0	36.1	Russia	776.2	11.5	34.9
Ukraine	46.4	0.4	-22.3	Ukraine	76.1	1.1	-42.6
Other	**798.0**	**6.5**	**-18.3**	**Other**	**1,296.0**	**19.1**	**-30.4**
Norway	225.0	1.8	-25.5	Egypt	353.1	5.2	-41.1
USA	167.8	1.4	-46.6	Turkey	247.3	3.7	26.3
Korea	65.2	0.5	150.7	USA	219	3.2	-39.2
Total	**12,208.6**	**100.0**	**-3.1**	**Total**	**6,774.9**	**100.0**	**-21.3**

In total, 4.7 million foreigners visited Estonia in 2009. Half of them originated from Finland, 12% from Latvia and 10% from Russia. The recession entailed a drop in prices, which is why also travel expenditure per person decreased in 2009.

Estonian residents visited primarily Latvia, Lithuania, Finland and Sweden in 2009. As regards popular destinations, the number of trips to the United Kingdom, Germany and Turkey picked up. The number of trips to earlier popular destinations Egypt and Spain shrank by over a third. The number of long and expensive trips decreased, as did expenditures abroad.

Income

The **net outflow of labour and capital income** decreased by 2.3 times in 2009 and totalled 6 billion kroons, or 2.8% of GDP (see Table 1.19). The net outflow of income without reinvested earnings, which include no actual movement of funds, constituted 1.3% of GDP.

The **income account** reached record highs in 2007, when the largest incomes were earned both in Estonia and abroad. In 2008 the inflow and outflow of income increased only slightly (4–11%), whereas 2009 witnessed a robust decline. This was primarily due to a rapid fall in investment income. As regards the two main components of income – compensation of employees and investment income – the former posted net inflow and the latter net outflow. At the same time, both the net inflow of labour income and the net outflow of investment income decreased, though at a different pace at 15% and 49%, respectively (see Table 1.20).

The income account of Estonia's balance of payments has been largely affected by reinvested earnings, which are not subject to taxation in Estonia. Owing to the accounting methods, reinvested earnings include no actual movement of funds. The decrease in reinvested earnings was namely the reason for smaller net outflow of investment income. Lower reinvested earnings, in turn, stemmed from the falling profits and growing losses of direct investment companies as well as withdrawal of dividends. The net outflow of reinvested earnings shrank by 3.5 times from 2008 to 3.3 billion kroons. In 2008 reinvested earnings

Table 1.19. Income

	Inflow		Outflow		Balance	
	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)	Volume (EEK m)	Change compared to previous period (%)
2000	2,032.5	3.5	5,491.4	58.2	-3,458.9	129.7
2001	3,022.2	48.7	7,920.8	44.2	-4,898.6	41.6
2002	3,371.3	11.6	8,762.4	10.6	-5,391.1	10.1
2003	3,584.1	6.3	10,824.8	23.5	-7,240.7	34.3
2004	5,487.0	53.1	13,452.3	24.3	-7,965.3	10.0
2005	9,225.6	68.1	16,349.9	21.5	-7,124.3	-10.6
2006	13,556.0	46.9	24,319.7	48.7	-10,763.7	51.1
2007	19,119.5	41.0	35,632.9	46.5	-16,513.4	53.4
2008	18,290.5	-4.3	31,757.7	-10.9	-13,467.2	-18.4
2009	10,544.4	-42.4	16,499.5	-48.0	-5,955.1	-55.8

Table 1.20. Structure of income account

	Balance (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
Labour income	2,494.1	2,124.7	-18.5	-35.7	-14.8
Investment income	-15,961.3	-8,079.8	118.5	135.7	-49.4
Income on direct investment	-11,090.4	-5,101.4	82.4	85.7	-54.0
income on equity	-10,655.4	-4,984.0	79.1	83.7	-53.2
dividends	799.0	-1,716.2	-5.9	28.8	-314.8
reinvested earnings	-11,454.4	-3,267.8	85.1	54.9	-71.5
income on debt (interests)	-435.0	-117.4	3.2	2.0	-73.0
Income on portfolio investment	1,488.4	741.3	-11.1	-12.4	-50.2
Income on other investment	-6,359.3	-3,719.7	47.2	62.5	-41.5
Total	**-13,467.3**	**-5,955.1**	**100.0**	**100.0**	**-55.8**

accounted for 71% of the investment income, whereas in 2009 as much as 40%. The net inflow of income on portfolio investment and other investment (loans, deposits) decreased by two times compared to 2008.

Income inflow decreased slightly over 40% in 2009 to 10.5 billion kroons (see Table 1.21). The majority of residents' income earned abroad was related to EU countries (see Table 1.22). Although compensations of employees decreased 16%, its share in total income inflow increased to 29%, or 3 billion kroons. Compensations of employees declined primarily owing to the growing number of residents who have lost their jobs abroad. Estonian residents were employed mostly in Finland (43% of labour income inflow), the United Kingdom (11%), Sweden, Latvia and Norway. Compensations of employees earned in Ireland and Latvia shrank the most.

Residents' income on foreign investment decreased 50%. Direct investment income accounted for 62%, portfolio investment income for 24% and income on other investment for 14% of total investment income. Residents' income on foreign direct investment declined 47% and changed also in terms of structure. In 2008 residents drew a considerable amount of dividends, whereas in 2009 the three main components of direct investment (dividends, reinvested earnings and interests) accounted for more or less equal proportions of the total inflow of direct investment income. Direct investment income decreased mainly on account of dividend income, reinvested earnings shrank 25%, whereas income on reinvested earnings grew somewhat. Residents' portfolio and other investment incomes decreased 43% and 61%, respectively.

Table 1.21. Income inflow to Estonia

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
Labour income	3,591.3	3,001.9	19.6	28.5	-16.4
Investment income	14,699.1	7,542.5	80.4	71.5	-48.7
Income on direct investment	8,792.0	4,665.7	48.1	44.2	-46.9
income on equity	7,459.6	3,172.8	40.8	30.1	-57.5
dividends	5,320.4	1,566.2	29.1	14.9	-70.6
reinvested earnings	2,139.2	1,606.6	11.7	15.2	-24.9
income on debt (interests)	1,332.3	1,492.9	7.3	14.2	12.1
Income on portfolio investment	3,163.1	1,807.3	17.3	17.1	-42.9
Income on other investment	2,744.1	1,069.6	15.0	10.1	-61.0
Total	**18,290.5**	**10,544.4**	**100.0**	**100.0**	**-42.4**

Table 1.22. Income by groups of countries in 2009

	Inflow				Outflow		
	Volume (EEK m)	Share (%)	Change (%)		Volume (EEK m)	Share (%)	Change (%)
EU-27	**10,681.3**	**101.3**	**-37.5**	**EU-27**	**15,610.5**	**94.6**	**-46.5**
Lithuania	2,297.3	21.8	-19.4	Sweden	11,196.3	67.9	-36.0
Latvia	2,232.9	21.2	-34.6	Finland	1,386.6	8.4	-69.9
Cyprus	2,036.6	19.3	50.3	Netherlands	757.1	4.6	26.3
Finland	1,024.2	9.7	-74.7	Denmark	640.7	3.9	-61.1
Germany	602.9	5.7	-43.9	Germany	628.2	3.8	-20.5
CIS	**-615.9**	**-5.8**	**-333.2**	**CIS**	**240.0**	**1.5**	**-60.6**
Ukraine	-620.7	-5.9	1554.9	Russia	171.7	1.0	-61.4
Russia	-56.5	-0.5	-114.6	Ukraine	33.2	0.2	-66.3
Other	**479.0**	**4.5**	**-48.8**	**Other**	**648.9**	**3.9**	**-67.3**
USA	175.4	1.7	-48.7	offshore regions	257.6	1.6	-67.3
Norway	165.2	1.6	-42.0	USA	232.0	1.4	-45.2
offshore regions	43.7	0.4	-50.5	Norway	208	1.3	-26.0
Total	**10,544.4**	**100.0**	**-42.4**	**Total**	**16,499.5**	**100.0**	**-48.0**

62% of the investment income inflow was related to three countries: Lithuania, Latvia and Cyprus (see Table 1.22). 79% of the investment income inflow belonged to the investors of financial and insurance activities; investors of transportation and storage earned somewhat less (see Figure 1.5). Investors of wholesale and retail trade, and professional, scientific and technical activities suffered losses from foreign investment.

Income outflow declined 50% in 2009 and totalled 16.5 billion kroons (see Table 1.23). 95% of that belonged to EU countries, in particular Sweden. Compensations of employees comprised 5% of income outflow, having decreased 20% from 2008. In Estonia, primarily Finnish, Swedish and Latvian residents earned labour income. Non-residents' investment income earned in Estonia decreased by two times from 2008 and totalled 15.6 billion kroons. The structure of investment income outflow did not change much with the year: 63% of that was direct investment income, 7% was portfolio investment income and 31% was other investment income. As regards the different types of direct investment income, the proportion of reinvested earnings declined the most, by around three times: from 68% in 2008 to 50% in 2009.

About 70% of the investment income was earned by Swedish investors. The fall in investment income was largely related to Sweden's investment in financial and insurance activities, as 80% of non-residents'

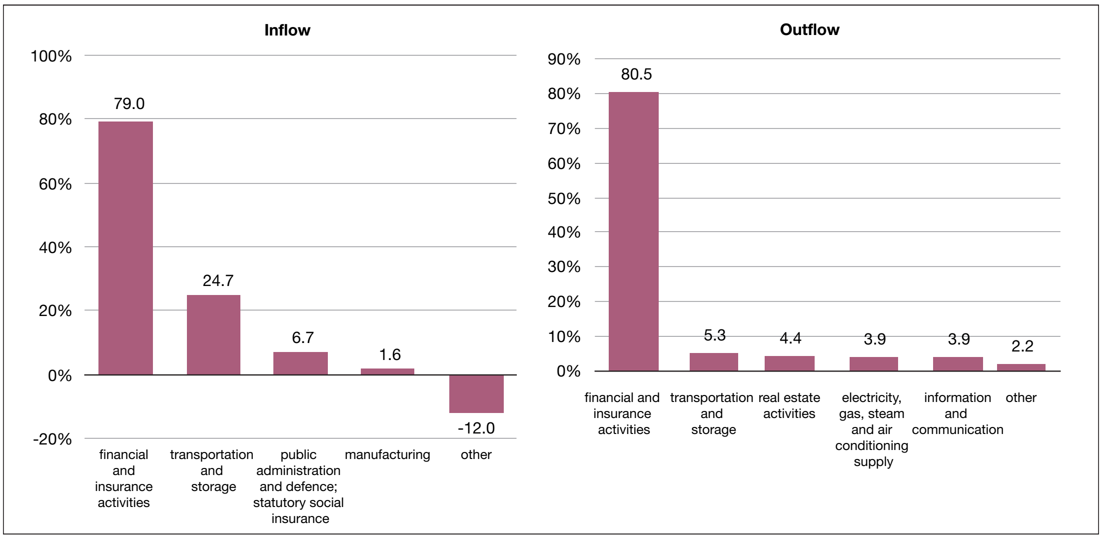


Figure 1.5. Inflow and outflow of investment income by fields of activity in 2009

Table 1.23. Income outflow from Estonia

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
Labour income	-1097.2	-877.155	3.5	5.3	-20.1
Investment income	-30,660.5	-15,622.3	96.5	94.7	-49.0
Income on direct investment	-19,882.4	-9,767.1	62.6	59.2	-50.9
income on equity	-18,115.1	-8,156.8	57.0	49.4	-55.0
dividends	-4,521.4	-3,282.4	14.2	19.9	-27.4
reinvested earnings	-13,593.6	-4,874.4	42.8	29.5	-64.1
income on debt (interests)	-1,767.4	-1,610.3	5.6	9.8	-8.9
Income on portfolio investment	-1,674.7	-1,066.0	5.3	6.5	-36.3
Income on other investment	-9,103.4	-4,789.2	28.7	29.0	-47.4
Total	**-31,757.7**	**-16,499.5**	**100.0**	**100.0**	**-48.0**

investment income was earned in that field of activity. Some income was earned also on transportation and storage, and real estate activities. In general, the majority of fields of activity witnessed decreased outflows of investment income and some even suffered losses (wholesale and retail trade). However, the outflow of investment income on transportation and storage increased in 2009.

Current and capital transfers[2]

The surplus on the current transfers account increased 15% in 2009 and totalled 3.5 billion kroons (see Table 1.24). The inflow of current transfers totalled 8.1 billion kroons, with the general government receiving

[2] Although capital transfers are reflected under the capital and financial account in the IMF methodology, the present analysis treats them together with current transfers. The distribution of European Union structural funds available for Estonia into current and capital transfers is not clearly distinguishable and is, therefore, based on the expert estimates of the Ministry of Financial Affairs, the Ministry of Agriculture, and Eesti Pank (according to the purpose of structural funds).

Table 1.24. Current and capital transfers by groups of countriesi

	Saadud (mln kr)		Makstud (mln kr)		Saldo (mln kr)	
	2008	2009	2008	2009	2008	2009
Current transfers	**8,221.1**	**8,056.0**	**5,190.8**	**4,572.0**	**3,030.3**	**3,484.0**
government transfers	**2,887.0**	**3,196.6**	**3,175.1**	**2,877.9**	**-288.1**	**318.7**
EU-27	2,584.8	2,599.4	3,105.5	2,684.9	-520.7	-85.5
CIS	69.4	47.2	10.3	11.6	59.1	35.7
other	232.8	550.0	59.3	181.4	173.6	368.5
private transfers	**5,334.1**	**4,859.3**	**2,015.7**	**1,694.0**	**3,318.4**	**3,165.3**
EU-27	4,149.9	3,797.4	1,597.0	1,398.0	2,552.9	2,399.3
CIS	736.0	735.5	182.1	71.6	553.8	664.0
other	448.2	326.4	236.6	224.4	211.6	102.0
Capital transfers	**2,824.1**	**6,015.7**	**143.4**	**15.3**	**2,680.7**	**6,000.4**
government transfers	1,090.5	3,852.1	0.4	0.2	1,090.1	3,851.9
private transfers	1,733.7	2,163.6	143.0	15.1	1,590.6	2,148.5

40% and other sectors 60% of that. 64% of the general government's current transfers were allocations from the EU structural funds and the rest were VAT, income and social tax receipts from non-residents. Other sectors received 4.9 billion kroons. 44% of that accounted for external aid from the European Commission and 13% for transfers by migrants employed abroad. The outflow of current transfers stood at 4.6 billion kroons, having decreased 12% from 2008. Government transfers comprised 63% of the outflow, 90% of which was Estonia's payment into the EU budget. The rest were mostly refunds of VAT and some also external aid provided by Estonia. 27% of other sectors' transfers went to Finland and less to Germany, Sweden, the United Kingdom and Latvia.

Capital transfers posted a surplus of 6 billion kroons, which was 3.3 billion kroons bigger compared to the surplus for 2008. The capital transfers into Estonia mainly comprised EU subsidies to the general government and also to other sectors for infrastructure objects.

FINANCIAL ACCOUNT

After a long period of being a net external borrower, in 2009 Estonia became a net external lender: the deficit on the **financial account** (excluding reserve assets) totalled 14.2 billion kroons. Figures 1.6 and 1.7 show the structure of the financial account by categories and maturities.

Direct investment

The inflow of **direct investment** grew by 2% and the outflow by almost 50% from 2008. Nevertheless, direct investment posted a surplus of 1.6 billion kroons. Non-residents' direct investment in Estonia totalled 18.9 billion and residents' direct investment abroad reached 17.4 billion kroons (see Figure 1.8).

[3] Without reserve assets.

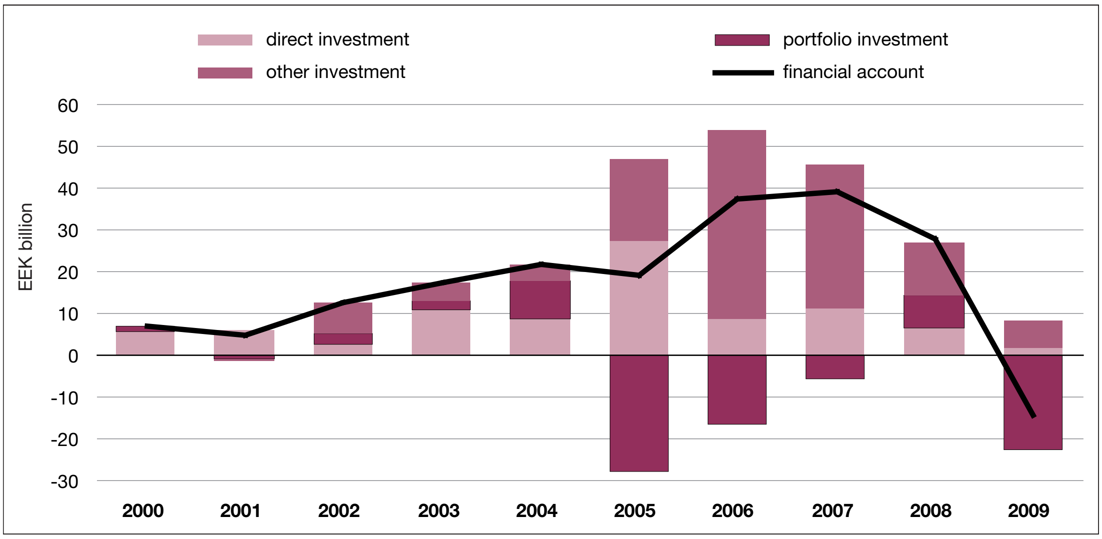


Figure 1.6. Structure of foreign investment capital flows

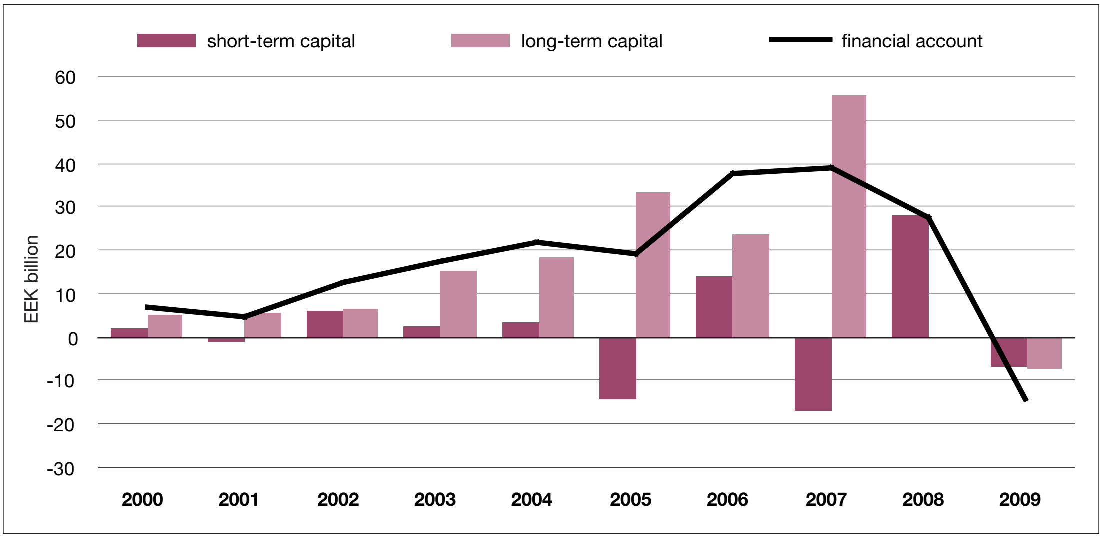


Figure 1.7. Maturity structure of the financial account

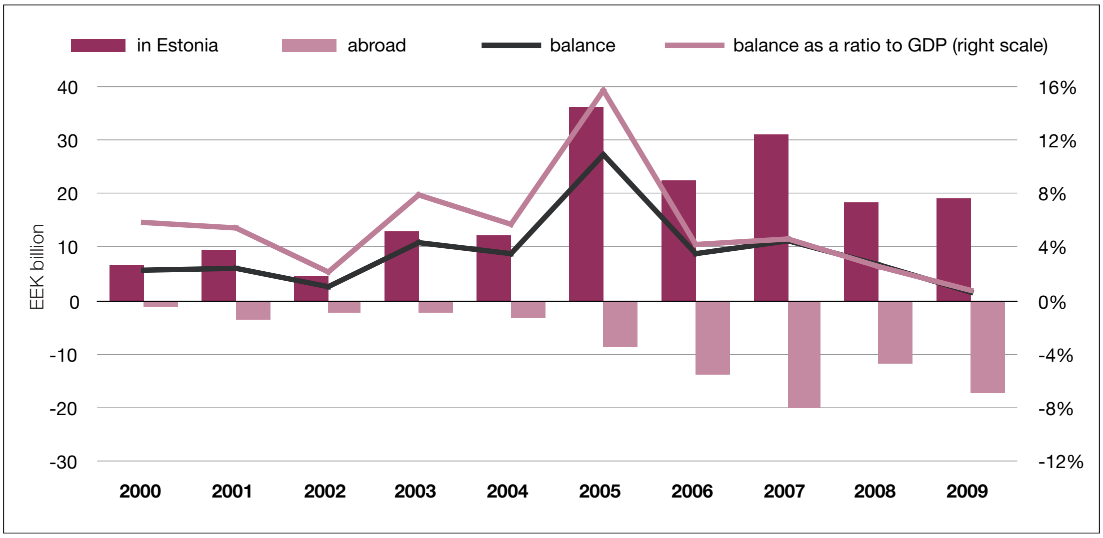


Figure 1.8. Direct investment

The inflow of **direct investment in Estonia** increased by 0.5 billion kroons, year-on-year. The structure of investment reflected an increased need for financing: the proportion of equity capital payments of direct investment companies was the largest and that of reinvested earnings one of the smallest of the past ten years. Equity capital payments totalled 19.3 billion kroons, with one third being channelled to financial intermediation and another third to head offices or management consultancy companies. Reinvested earnings totalled 4.9 billion kroons in 2009, constituting 36% of the respective figure for 2008. The reinvested earnings of financial intermediation, the main contributor to total reinvested earnings, decreased approximately 20%. Estonian companies registered outflows of direct investment capital as a result of liabilities paid (in particular long-term loans and trade credit) as well as an increase in assets concerning direct investment groups (see Tables 1.25 and 1.26).

Table 1.25. Structure of direct investment in Estonia

	Equity capital		Reinvested earnings		Other capital				Total	
					Assets		Liabilities			
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
2000	3,925.2	59.1	1,815.2	27.3	-397.2	-6.0	1,301.3	19.6	6,644.5	100.0
2001	3,641.4	38.6	3,878.9	41.1	-950.7	-10.1	2,860.3	30.3	9,429.9	100.0
2002	821.0	17.1	3,370.3	70.2	-772.5	-16.1	1,381.5	28.8	4,800.3	100.0
2003	5,329.9	41.4	6,406.7	49.8	-1,334.0	-10.4	2,462.7	19.1	12,865.3	100.0
2004	4,638.6	38.5	7,982.1	66.2	-1,454.0	-12.1	894.2	7.4	12,060.9	100.0
2005	27,979.5	77.5	8,885.8	24.6	-2,014.0	-5.6	1,249.7	3.5	36,101.0	100.0
2006	2,238.6	10.0	15,652.6	69.9	-4,463.5	-19.9	8,976.4	40.1	22,404.1	100.0
2007	4,275.0	13.7	21,482.3	69.0	-6,534.9	-21.0	11,930.9	38.3	31,153.3	100.0
2008	3,053.4	16.5	13,593.6	73.6	-1,961.0	-10.6	3,771.6	20.4	18,457.7	100.0
2009	19,256.6	101.8	4,874.4	25.8	-1,036.3	-5.5	-4,177.3	-22.1	18,917.3	100.0

Table 1.26. Loan capital assets and liabilities to foreign direct investors (EEK m)

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Drawings	Repay-ments	Drawings	Repay-ments
2003	408.4	246.4	1,010.7	498.7	5,155.6	2,667.1	3,020.9	3,726.9
2004	492.7	371.2	1,774.1	862.1	4,601.5	4,882.2	3,024.5	2,197.2
2005	1,274.3	502.5	2,290.6	1,413.4	7,889.0	6,892.3	5,011.4	4,575.5
2006	2,120.5	609.3	3,723.7	2,589.2	13,317.5	6,139.9	4,119.0	3,393.4
2007	3,860.6	1,225.7	7,993.0	3,890.1	18,035.2	9,175.9	8,081.7	6,367.2
2008	3,509.8	2,530.1	9,025.5	8,164.6	13,707.8	12,050.7	12,254.3	9,390.5
2009	2,662.9	2,053.6	6,311.7	5,847.8	8,793.6	11,554.7	9,820.7	9,567.3

The biggest direct investors were from Sweden (85%) and the Netherlands (10%). Investors from Finland, France and Russia invested to a lesser extent (see Figure 1.9). Direct investment from Luxembourg decreased as a result of loan repayments. Over two thirds of direct investment went to financial intermediation and almost 20% to companies providing head office services or management consultancy (see Figure 1.10). 97% of direct investment came from EU countries (see Table 1.27).

Direct investment abroad increased 46% from 2008 and totalled 17.4 billion kroons, thus exceeding the 2006 figures yet remaining below the record highs in 2007 (see Table 1.28). Similar to direct investment in Estonia, equity capital prevailed also in direct investment abroad, constituting 70% of residents' direct investment, with 80% of the latter coming from financial intermediation companies. Financial intermediaries also made the largest contribution to reinvested earnings. Changes in loans and trade credit granted to subsidiaries were modest in 2009 (see Table 1.29).

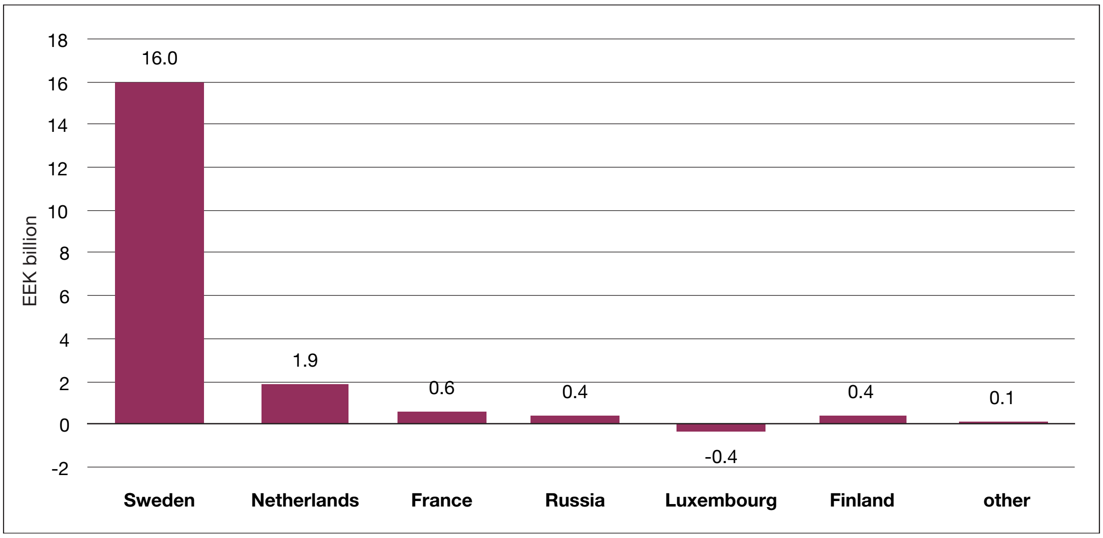


Figure 1.9. Direct investment in Estonia by countries in 2009

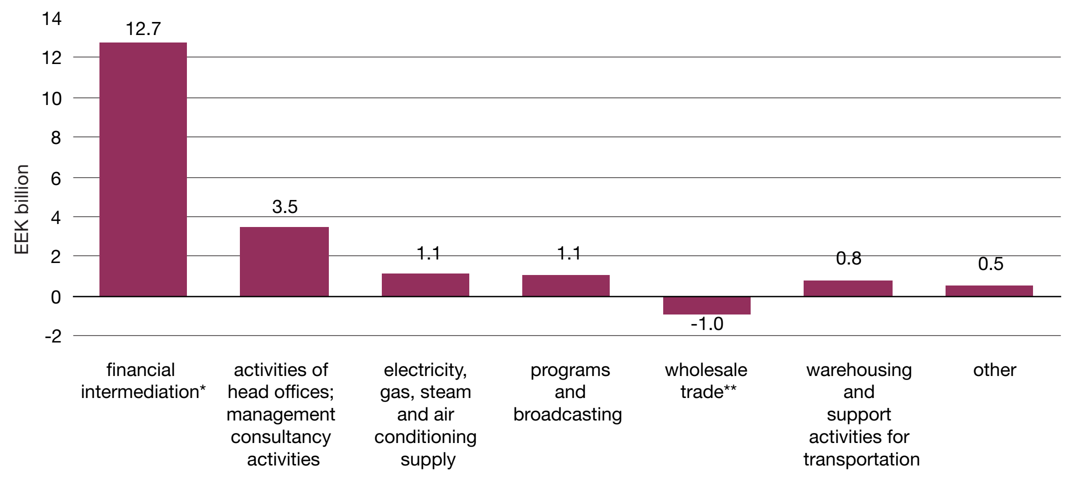


Figure 1.10. Direct investment in Estonia by fields of activity in 2009

* except insurance and pension funding
** except motor vehicles and motorcycles

Table 1.27. Direct investment in Estonia by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
EU-27	14,600.8	18,341.1	79.1	97.0	25.6
CIS	2,015.4	630.6	10.9	3.3	-68.7
Other	1,841.5	-54.4	10.0	-0.3	-103.0
Total	**18,457.7**	**18,917.3**	**100.0**	**100.0**	**2.5**

Table 1.28. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
					Assets		Liabilities			
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
2000	-579.6	55.5	-65.9	6.3	-481.0	46.1	83.1	-8.0	-1,043.4	100.0
2001	-1,897.1	53.8	-305.2	8.7	-1,242.7	35.2	-83.0	2.4	-3,528.1	100.0
2002	-903.9	41.3	-665.5	30.4	-727.2	33.2	108.0	-4.9	-2,188.6	100.0
2003	-1,060.0	49.3	-741.4	34.5	-645.8	30.0	297.9	-13.9	-2,149.2	100.0
2004	-2,175.2	64.2	-919.6	27.1	-434.2	12.8	140.3	-4.1	-3,388.6	100.0
2005	-5,155.3	59.3	-2,694.6	31.0	-1,141.6	13.1	292.0	-3.4	-8,699.5	100.0
2006	-5,895.5	42.7	-4,844.9	35.1	-3,814.4	27.7	760.3	-5.5	-13,794.5	100.0
2007	-10,324.1	51.7	-5,081.5	25.5	-6,010.4	30.1	1,457.2	-7.3	-19,958.8	100.0
2008	-2,357.7	19.8	-2,139.2	18.0	-6,561.7	55.2	-830.2	7.0	-11,888.8	100.0
2009	-12,174.1	70.1	-1,606.6	9.3	-2,323.9	13.4	-1,251.4	7.2	-17,356.1	100.0

Table 1.29. Loan capital assets and liabilities to foreign subsidiaries and associated companies (EEK m)

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repay-ments	Grantings	Repay-ments	Drawings	Repay-ments	Drawings	Repay-ments
2003	1,107.1	716.6	472.1	503.8	4.0	11.6	84.2	98.8
2004	934.8	1,232.5	952.4	368.9	17.9	61.2	27.9	37.1
2005	2,141.8	1,488.6	1,710.6	1,107.4	109.6	60.7	104.9	25.0
2006	5,365.4	2,372.7	1,563.8	1,626.1	118.6	112.7	147.0	20.5
2007	6,377.4	2,047.0	2,088.2	1,493.4	100.4	114.6	1,678.5	109.3
2008	5,426.1	3,663.5	2,898.9	2,018.1	254.3	184.1	594.6	1,179.1
2009	6,217.1	3,084.5	3,255.5	2,468.9	173.7	88.3	155.8	1,131.6

Estonian direct investors preferred to invest in Latvia and Lithuania who received 63% and 36% of direct investment, respectively (see Figure 1.11). Other investment destinations included Cyprus and the Netherlands. Direct investment in Ukraine and Finland contracted. Financial intermediaries accounted for 86% and insurance investors for 7% of foreign investment outflow (see Figure 1.12). By groups of countries, almost all direct investment was channelled to the EU (see Table 1.30).

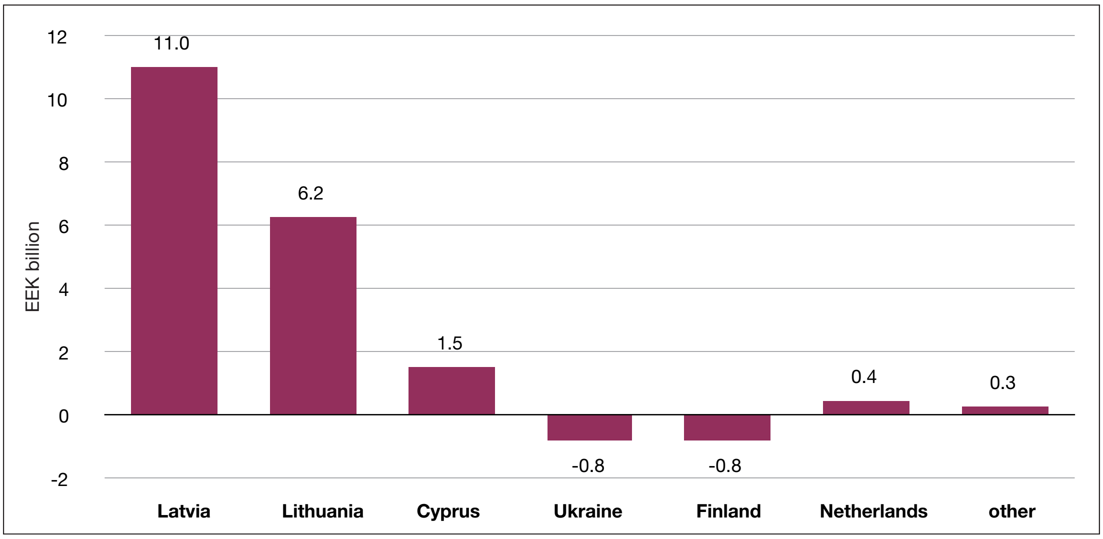


Figure 1.11. Direct investment abroad by countries in 2009

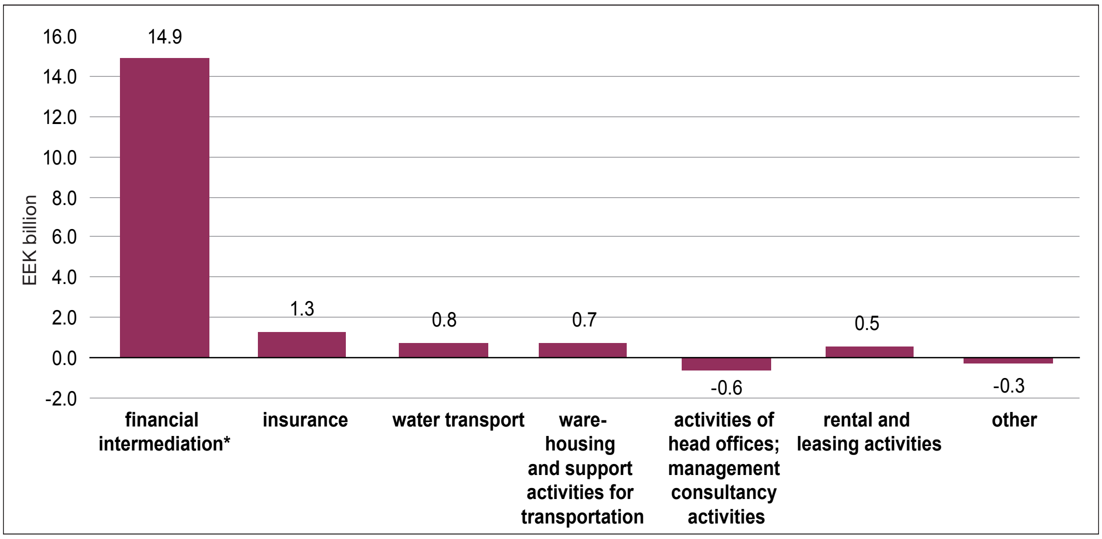


Figure 1.12. Direct investment abroad by fields of activity in 2009

* except insurance and pension funding

Table 1.30. Direct investment abroad by groups of countries

	Volume (EEK m)		Share (%)		Change (%)
	2008	2009	2008	2009	2009/2008
EU-27	-12,086.4	-18,539.2	101.7	106.8	53.4
CIS	715.4	786.0	-6.0	-4.5	9.9
Other	-517.8	397.1	4.4	-2.3	-176.7
Total	**-11,888.8**	**-17,356.1**	**100.0**	**100.0**	**46.0**

Portfolio investment

The **net outflow of portfolio investment** totalled 22.6 billion kroons in 2009, which primarily resulted from the repayment of debt securities issued by credit institutions to foreign investors. In addition, credit institutions invested in foreign debt securities (see Figure 1.13 and table 1.31).

Portfolio investment liabilities decreased by 15 billion kroons in 2009 (see Table 1.32). 13.3 billion kroons of that resulted from a decline in credit institutions' debt security liabilities. In addition, also the equity and debt security liabilities of enterprises in other sectors decreased. Equity security liabilities decreased by 1.4 billion kroons in total, while debt security liabilities declined by 721 million kroons. General government's debt security liabilities grew by 419 million kroons. By countries, portfolio investment liabilities to EU countries increased the most. The majority of that can be attributed to a drop in liabilities to the United Kingdom as well as a decline in liabilities to Germany, Cyprus, the Netherlands and Sweden (see Figure 1.14 and 1.33).

Portfolio investment assets increased by 7.5 billion kroons in 2009 (see Table 1.34). Equity security assets grew by 748 million kroons, while debt security assets increased by 6.8 billion kroons. The latter stemmed from changes in the sector of credit institutions – reverse-repo transactions with non-residents were replaced by investment in short-term debt securities.

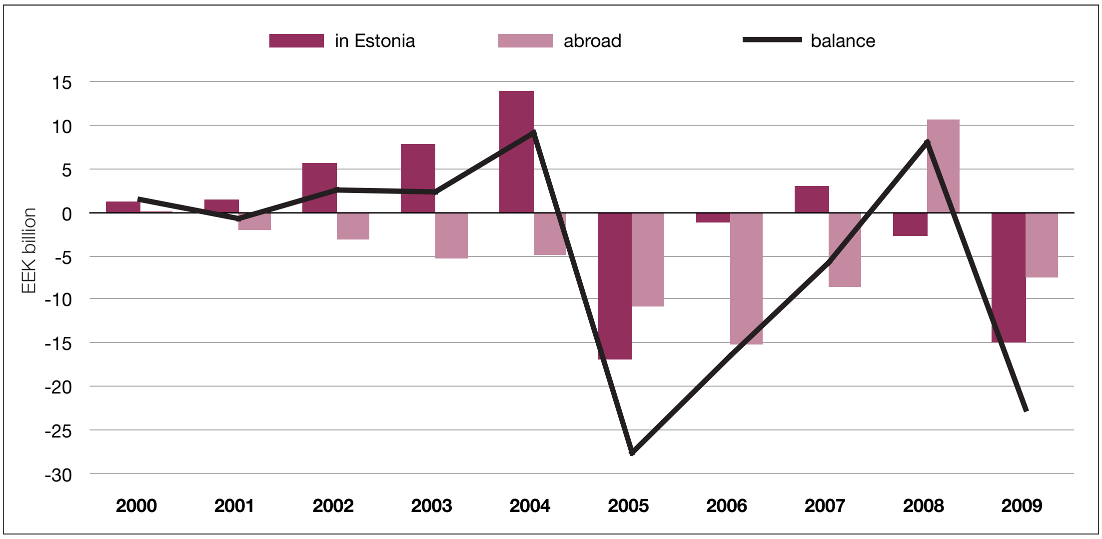


Figure 1.13. Portfolio investment

Table 1.31. Portfolio investment by types of securities and sectors (EEK m)

	Assets		Liabilities		Balance	
	2008	2009	2008	2009	2008	2009
Equity securities	**4,095.9**	**-748.3**	**-3,327.3**	**-1,443.4**	**768.6**	**-2,191.7**
central bank	–	–	–	–	–	–
general government	2.8	289.6	–	–	2.8	289.6
credit institutions	131.4	9.6	-40.2	3.7	91.2	13.3
other sectors	3,961.7	-1,047.5	-3,287.2	-1,447.1	674.5	-2,494.6
Debt securities	**6,552.3**	**-6,796.5**	**629.9**	**-13,574.6**	**7,182.2**	**-20,371.1**
central bank	–	–	–	–	–	–
general government	4,725.0	2,200.0	572.6	418.7	5,297.6	2,618.7
credit institutions	2,410.9	-7,556.3	-330.0	-13,272.1	2,080.9	-20,828.4
other sectors	-583.5	-1,440.2	387.4	-721.2	-196.1	-2,161.4
Total	**10,648.2**	**-7,544.8**	**-2,697.4**	**-15,018.0**	**7,950.8**	**-22,562.8**

Table 1.32. Structure of portfolio investment liabilities

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
2000	-538.8	-42.0	1,820.7	142.0	1,281.9	100.0
2001	568.4	40.6	832.1	59.4	1,400.5	100.0
2002	912.2	16.4	4,649.4	83.6	5,561.6	100.0
2003	1,527.0	19.6	6,256.2	80.4	7,783.2	100.0
2004	2,205.2	15.9	11,673.0	84.1	13,878.2	100.0
2005	-16,352.3	96.9	-517.8	3.1	-16,870.0	100.0
2006	3,731.8	-293.9	-5,001.6	393.9	-1,269.8	100.0
2007	3,533.3	122.6	-650.9	-22.6	2,882.4	100.0
2008	-3,327.3	123.4	629.9	-23.4	-2,697.4	100.0
2009	-1,443.4	9.6	-13,574.6	90.4	-15,018.0	100.0

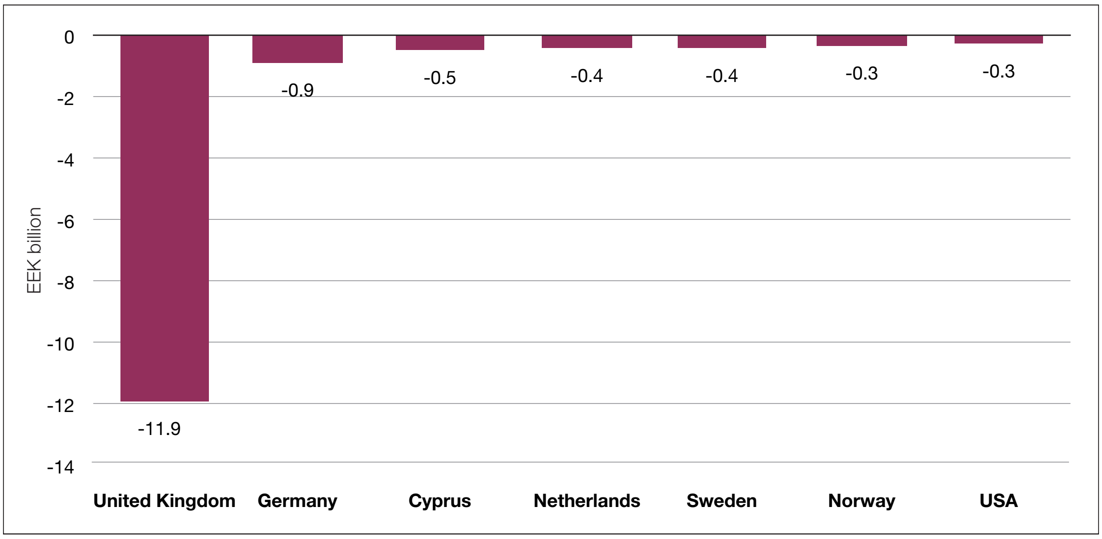


Figure 1.14. Decrease in portfolio investment liabilities by countries in 2009

Table 1.33. Structure of portfolio investment by groups of countries

	Volume (EEK m)				Share (%)			
	Assets		Liabilities		Assets		Liabilities	
	2008	2009	2008	2009	2008	2009	2008	2009
EU-27	9,417.1	-9,138.3	-2,429.2	-14,450.1	88.4	121.1	90.1	96.2
CIS	1,320.9	522.3	-56.2	-1.9	12.4	-6.9	2.1	0.0
Other	-89.8	1,071.2	-212.0	-566.0	-0.8	-14.2	7.9	3.8
Total	**10,648.2**	**-7,544.8**	**-2,697.4**	**-15,018.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 1.34. Structure of portfolio investment assets

	Equity securities		Debt securities		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
2000	53.3	34.8	99.8	65.2	153.1	100.0
2001	236.5	-11.3	-2,336.7	111.3	-2,100.2	100.0
2002	9.1	-0.3	-3,192.0	100.3	-3,182.9	100.0
2003	-1,028.9	19.2	-4,322.7	80.8	-5,351.6	100.0
2004	-2,893.5	60.6	-1,882.2	39.4	-4,775.7	100.0
2005	-4,848.9	44.8	-5,969.5	55.2	-10,818.4	100.0
2006	-4,569.2	30.0	-10,678.6	70.0	-15,247.7	100.0
2007	-7,688.8	89.0	-951.6	11.0	-8,640.4	100.0
2008	4,095.9	38.5	6,552.3	61.5	10,648.2	100.0
2009	-748.3	9.9	-6,796.5	90.1	-7,544.8	100.0

General government's debt security assets shrank by 2.2 billion kroons as a result of using reserve assets to cover running costs in the first half of the year. Enterprises in other sectors invested 1 billion kroons in foreign equity securities and 1.4 billion kroons in debt securities. The majority of other sectors' investment was made by investment funds and insurance companies. By countries, primarily portfolio investment assets to France, Italy, the Netherlands, Spain, Belgium and Finland increased (see Figure 1.15).

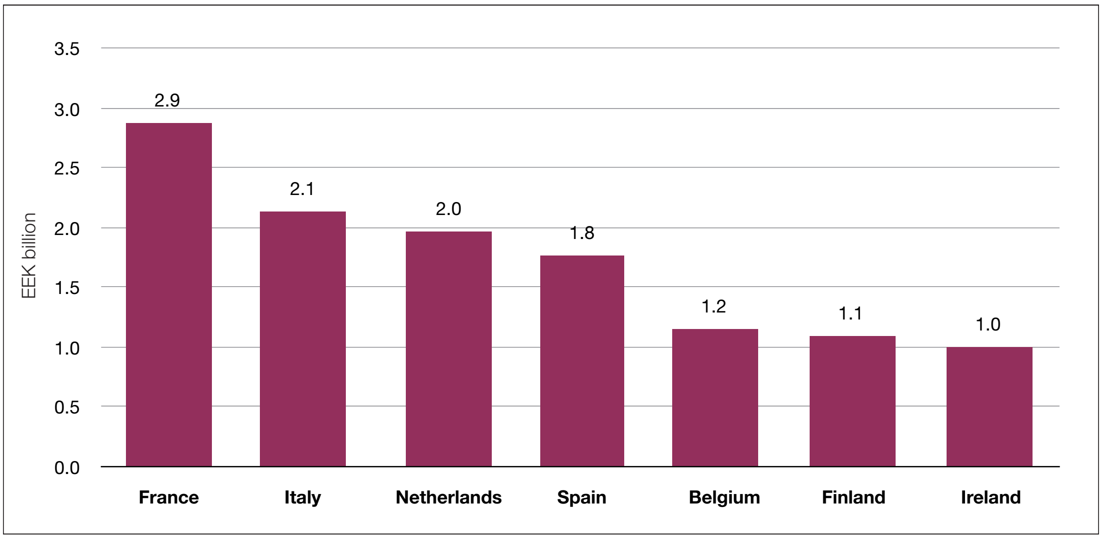


Figure 1.15. Decrease in portfolio investment assets by countries in 2009

Financial derivatives

Financial derivatives witnessed a moderate **net inflow** of 0.2 billion kroons in 2009. **Financial derivative assets** decreased by 279 million kroons (see Figure 1.16). This was largely caused by a decline in credit institutions' investment in derivatives. By countries, assets to Sweden, Norway and Finland diminished the most. **Financial derivative liabilities** shrank by 83 million kroons, which was due to a fall in credit institutions' liabilities. By countries, financial derivative liabilities to Denmark decreased the most.

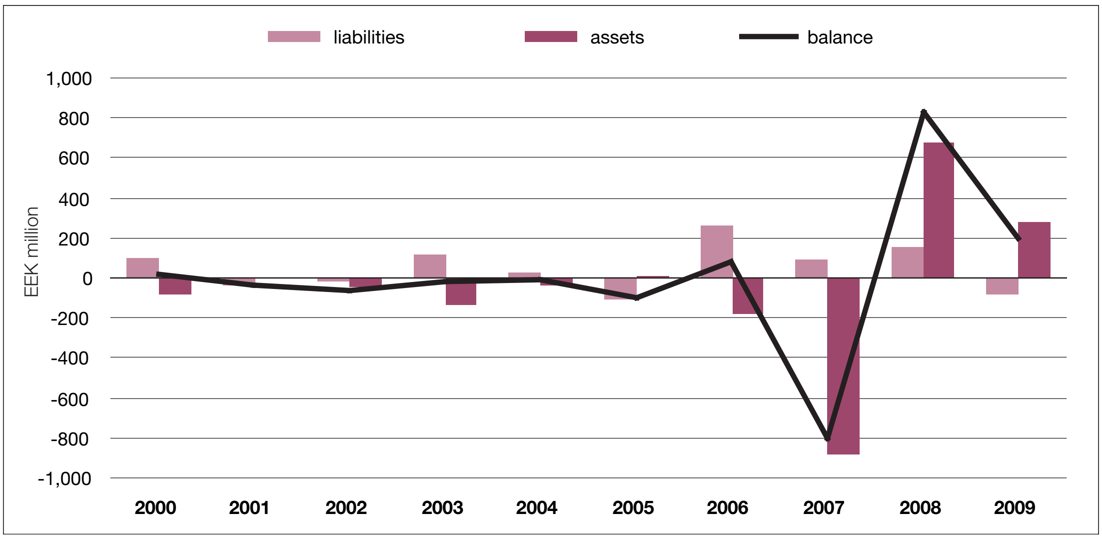


Figure 1.16. Financial derivatives

Other investment

The **net inflow of other investment** reached 6.6 billion kroons in 2009, with other investment assets decreasing by 15 billion kroons and liabilities by 8.5 billion kroons (see Figure 1.17). The majority of net inflow was long-term capital (see Table 1.35).

Other investment liabilities shrank primarily because of a 7.5 billion kroon decrease in credit institutions' liabilities related to loans/currency and deposits (incl. interbank loans)[3] and a 5.2 billion kroon decline in trade credit liabilities (see Table 1.36). Credit institutions' liabilities to parent banks decreased primarily in the first half of 2009, whereas the fourth quarter witnessed a decline in portfolio liabilities with the help of additional funds gained on other investment. Enterprises in other sectors reduced both long-term and short-term capital liabilities. The decrease in short-term liabilities stemmed from a decline in trade credit liabilities, while long-term liabilities shrank as a result of a decrease in the loan liabilities of other financial intermediaries. General government liabilities grew by 4.8 billion kroons with the year. The first half of 2009 witnessed growth in the EU funds received but not yet used, whereas the second half saw an increase in direct loan liabilities. By countries, primarily other investment liabilities to Sweden and Denmark contracted, followed by liabilities to Russia and British Virgin Islands (see Figure 1.18 and Table 1.37).

Other investment assets decreased by 15 billion kroons in 2009 (see Table 1.38). The decrease arose mainly from a 11.4 billion kroon drop in deposit assets. Nearly 50% of that drop stemmed from the replacement of reverse-repo transactions of credit institutions with investment in short-term debt securities. Trade credit assets and loan assets decreased by 2.9 and 2 billion kroons, respectively, in 2009.

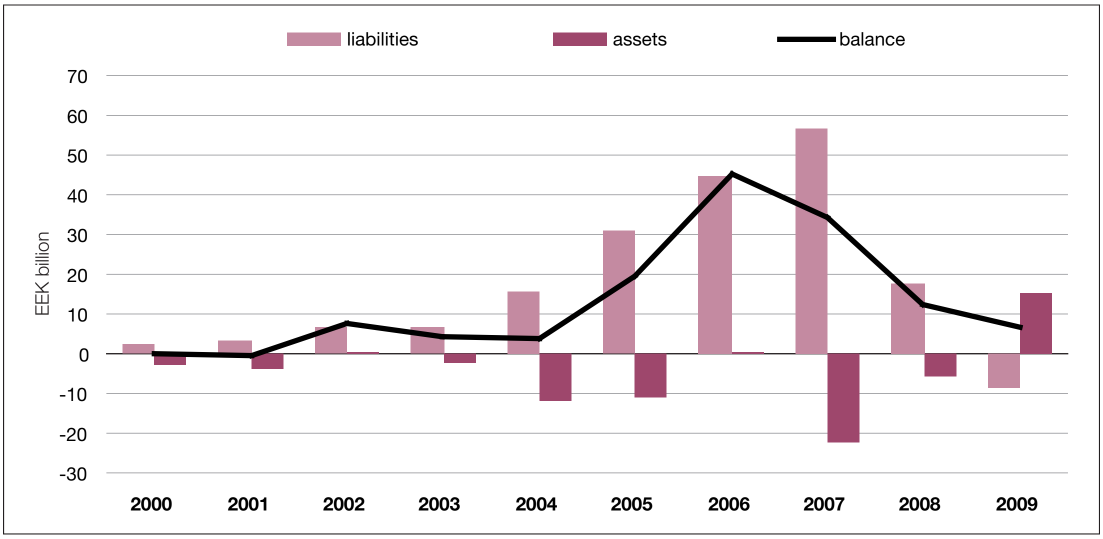


Figure 1.17. Other investment

[4] Interbank loans have been recorded under *Other investment – Loans/currency and deposits* since the data for the first quarter of 2008 (formerly under long- and short-term loans). The ECB's guideline for euro area countries and recommendation for non-euro area countries provide for the distinction between *loans* and *currency and deposits* based on the nature of the borrower. This implies that loans granted by banks to non-banks and loans between non-banks are still recorded under loans, whereas interbank loans are recorded under deposits. As at end-2009, long-term liabilities comprised 49.3% and assets 9% of the liabilities related to loans/currency and deposits under other investment.

Table 1.35. Other investment by maturity (EEK m)

	Assets		Liabilities		Balance	
	2008	2009	2008	2009	2008	2009
Long-term capital	**-276.2**	**-619.7**	**-9,629.6**	**6,102.8**	**-9,905.8**	**5,483.1**
central bank	3.5	-0.5	-	1,043.8	3.5	1,043.3
general government	-128.6	-88.0	1,189.2	4,841.3	1,060.6	4,753.3
credit institutions	720.8	427.5	-12,726.0	1,441.6	-12,005.2	1,869.1
other sectors	-871.9	-958.7	1,907.2	-1,223.9	1,035.3	-2,182.6
Short-term capital	**-5,315.0**	**15,647.5**	**27,482.9**	**-14,565.0**	**22,167.9**	**1,082.5**
central bank	-	-	-1,740.5	115.3	-1,740.5	115.3
general government	-1,326.3	-811.0	-1.4	1.1	-1,327.7	-809.9
credit institutions	-3,175.7	15,166.7	28,294.2	-10,522.2	25,118.5	4,644.5
other sectors	-813.0	1,291.8	930.6	-4,159.2	117.6	-2,867.4
Total	**-5,591.2**	**15,027.8**	**17,853.3**	**-8,462.2**	**12,262.1**	**6,565.6**

Table 1.36. Structure of other investment liabilities

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
2000	1,080.9	41.6	-785.3	-30.2	1,955.4	75.3	345.6	13.3	2,596.6	100.0
2001	102.9	3.1	2,570.4	78.2	81.4	2.5	533.5	16.2	3,288.2	100.0
2002	781.1	11.6	1,963.3	29.2	3,763.5	55.9	225.4	3.3	6,733.3	100.0
2003	-115.7	-1.7	3,219.5	47.8	4,587.9	68.2	-960.3	-14.3	6,731.4	100.0
2004	625.2	4.0	4,565.3	29.3	8,804.7	56.5	1,582.0	10.2	15,577.2	100.0
2005	1,633.6	5.3	24,676.0	80.3	2,953.3	9.6	1,452.4	4.7	30,715.3	100.0
2006	3,185.6	7.1	19,233.3	43.1	21,081.1	47.2	1,174.1	2.6	44,674.0	100.0
2007	-343.1	-0.6	38,231.9	67.6	18,875.5	33.4	-173.1	-0.3	56,591.2	100.0
2008	312.7	1.8	1,152.3	6.5	14,881.8	83.4	1,506.5	8.4	17,853.3	100.0
2009	-5,185.6	61.3	2,213.2	-26.2	-7,457.8	88.1	1,968.1	-23.3	-8,462.1	100.0

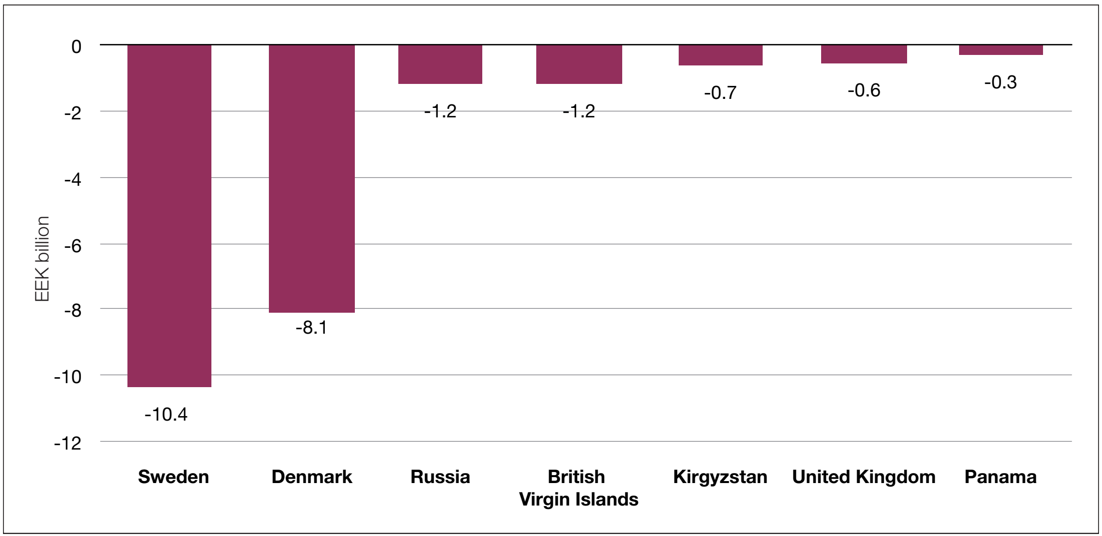


Figure 1.18. Increase in other investment liabilities by countries in 2009

Table 1.37. Structure of other investment by groups of countries

	Volume (EEK m)				Share (%)			
	Assets		Liabilities		Assets		Liabilities	
	2008	2009	2008	2009	2008	2009	2008	2009
EU-27	-7,460.7	13,872.1	13,680.9	-6,186.9	133.4	92.3	76.6	73.1
CIS	2,037.0	-726.1	2,642.3	-2,036.2	-36.4	-4.8	14.8	24.1
Other	-167.4	1,881.7	1,530.1	-239.0	3.0	12.5	8.6	2.8
Total	**-5,591.1**	**15,027.7**	**17,853.3**	**-8,462.1**	**100.0**	**100.0**	**100.0**	**100.0**

Table 1.38. Structure of other investment assets

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)	Volume (EEK m)	Share (%)
2000	-78.0	3.0	-2,814.0	106.7	-103.0	3.9	356.7	-13.5	-2,638.3	100.0
2001	-584.8	15.7	-2,278.9	61.3	-738.0	19.9	-115.0	3.1	-3,716.7	100.0
2002	1,047.6	150.7	-1,324.5	-190.5	742.6	106.8	229.4	33.0	695.1	100.0
2003	-1,028.2	45.0	-3,520.3	154.1	2,209.3	-96.7	54.6	-2.4	-2,284.6	100.0
2004	-1,032.0	8.8	-8,455.5	72.0	-1,545.1	13.2	-716.9	6.1	-11,749.5	100.0
2005	-1,957.1	17.6	4,148.4	-37.2	-12,332.3	110.7	-1,002.5	9.0	-11,143.5	100.0
2006	-3,529.0	-627.5	-2,531.9	-450.2	6,284.4	1,117.4	338.8	60.2	562.4	100.0
2007	-641.5	2.9	-10,105.5	45.3	-11,114.4	49.8	-440.2	2.0	-22,301.6	100.0
2008	-1,754.4	31.4	-2,002.4	35.8	-541.1	9.7	-1,293.2	23.1	-5,591.1	100.0
2009	2,896.7	19.3	2,043.5	13.6	11,424.0	76.0	-1,336.6	-8.9	15,027.7	100.0

Other capital assets, on the other hand, grew by 1.3 billion kroons. By countries, primarily other investment assets to Germany and the United Kingdom increased, followed by assets to Lithuania, Canada and Finland (see Figure 1.19). Table 1.39 provides a more detailed overview of loan capital assets and liabilities.

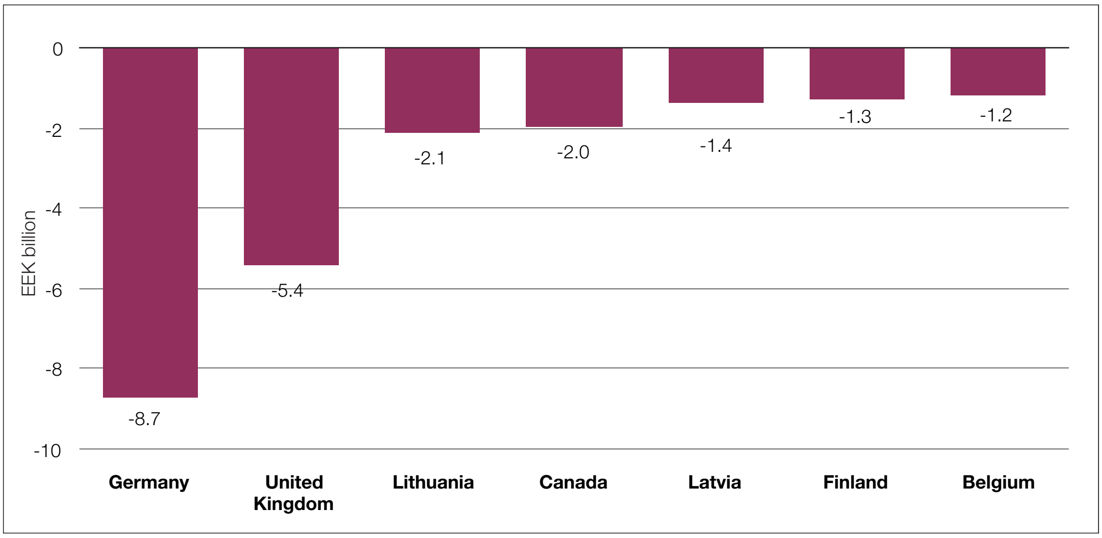


Figure 1.19. Decrease in other investment assets by countries in 2009

Table 1.39. Assets and liabilities of loan capital (EEK m)

	Assets			Liabilities		
	Grantings	Repayments	Total	Drawings	Repayments	Total
2003	-34,919.2	31,398.9	-3,520.3	30,076.6	-26,857.1	3,219.5
2004	-29,782.7	21,327.1	-8,455.5	45,447.4	-40,882.1	4,565.3
2005	-77,557.0	81,705.4	4,148.4	125,439.3	-100,763.3	24,676.0
2006	-76,012.5	73,480.6	-2,531.9	182,869.5	-163,636.2	19,233.3
2007	-396,495.8	386,390.3	-10,105.5	364,036.3	-325,804.4	38,231.9
2008	-47,985.7	45,983.3	-2,002.4	103,952.5	-102,800.2	1,152.3
2009	-23,391.2	25,434.7	2,043.5	53,517.1	-51,303.9	2,213.2

Reserve assets

Reserve assets remained unchanged in 2009, having increased by only 32 million kroons from 2008 (see Table 1.40). Figure 1.20 gives an overview of the imports covered by reserve assets.

Table 1.40. Structure of reserve assets

	Volume (EEK m)		Share (%)	
	2008	2009	2008	2009
Gold	–	–	–	–
SDRs	–	-1,044.2	–	3,253.0
Currency and deposits	-2,722.4	-1,901.9	34.6	5,924.9
Securities	-5,710.2	2,905.2	72.6	-9,050.5
bonds and notes	243.9	8,206.0	-3.1	-25,563.9
money market instruments	-5,954.1	-5,300.8	75.7	16,513.4
financial derivatives	0.7	-1.1	0.0	3.4
Other assets	562.1	9.9	-7.1	-30.8
Total	**-7,869.7**	**-32.1**	**100.0**	**100.0**

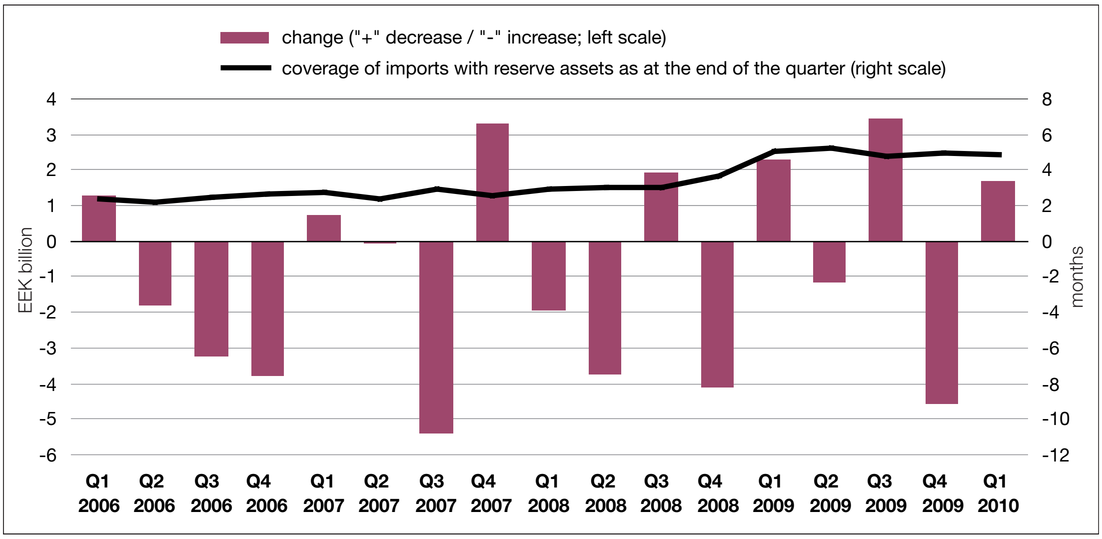


Figure 1.20. Changes in Estonia's gold and foreign exchange reserves and coverage of imports with reserve assets

II. ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT as at 31 December 2009

Foreign investment in Estonia totalled 409 billion kroons at the end of 2009, having decreased 7% year-on-year (see Table 2.1). Estonia's investment abroad amounted to 234 billion kroons, having declined 3% from 2008. Owing to the prevalence of external liabilities (position in Estonia) over external assets (position abroad), Estonia's net investment position was negative by 175 billion kroons at the end of 2009, having decreased 12% year-on-year. Estonia's gross external debt comprised 66% (272 billion kroons) of total external liabilities, having declined 9% from 2008. Although gross external

Table 2.1. Estonia's international investment position (EEK m)

	31/12/2008	Share (%)	31/12/2009	Share (%)	Change (%)
EXTERNAL ASSETS	**241,343.1**	**100.0**	**234,000.0**	**100.0**	**-3.0**
Direct investment abroad	**74,555.2**	**30.9**	**71,906.9**	**30.7**	**-3.6**
Equity capital and reinvested earnings	53,186.8	22.0	48,092.1	20.6	-9.6
Other direct investment capital	21,368.4	8.9	23,814.8	10.2	11.4
Portfolio investment	**42,375.4**	**17.6**	**54,122.7**	**23.1**	**27.7**
Equity securities	12,699.2	5.3	17,351.2	7.4	36.6
Debt securities	29,676.2	12.3	36,771.5	15.7	23.9
Bonds and notes	20,636.0	8.6	21,552.4	9.2	4.4
Money market instruments	9,040.2	3.7	15,219.2	6.5	68.4
Financial derivatives	**835.3**	**0.3**	**463.1**	**0.2**	**-44.6**
Other investment	**79,467.0**	**32.9**	**64,257.6**	**27.5**	**-19.1**
Trade credit	16,985.5	7.0	14,635.2	6.3	-13.8
Loans	18,080.5	7.5	15,694.3	6.7	-13.2
Long-term	9,882.7	4.1	10,691.7	4.6	8.2
Short-term	8,197.7	3.4	5,002.6	2.1	-39.0
Currency and deposits	40,587.6	16.8	29,416.7	12.6	-27.5
Other assets	3,813.4	1.6	4,511.4	1.9	18.3
Reserve assets	**44,110.3**	**18.3**	**43,249.8**	**18.5**	**-2.0**
EXTERNAL LIABILITIES	**439,446.7**	**100.0**	**409,234.1**	**100.0**	**-6.9**
Direct investment in Estonia	**185,732.0**	**42.3**	**176,544.1**	**43.1**	**-4.9**
Equity capital and reinvested earnings	157,970.6	35.9	152,422.8	37.2	-3.5
Other direct investment capital	27,761.4	6.3	24,121.3	5.9	-13.1
Portfolio investment	**32,731.1**	**7.4**	**20,092.1**	**4.9**	**-38.6**
Equity securities	8,225.3	1.9	9,197.8	2.2	11.8
Debt securities	24,505.8	5.6	10,894.3	2.7	-55.5
Bonds and notes	24,424.3	5.6	10,791.0	2.6	-55.8
Money market instruments	81.5	0.0	103.2	0.0	26.6
Financial derivatives	**767.4**	**0.2**	**703.5**	**0.2**	**-8.3**
Other investment	**220,216.3**	**50.1**	**211,894.4**	**51.8**	**-3.8**
Trade credit	14,073.7	3.2	9,668.2	2.4	-31.3
Loans	47,018.7	10.7	48,528.3	11.9	3.2
Long-term	37,874.1	8.6	38,691.0	9.5	2.2
Short-term	9,144.5	2.1	9,837.2	2.4	7.6
Currency and deposits	152,637.9	34.7	144,971.1	35.4	-5.0
Other liabilities	6,486.0	1.5	8,726.9	2.1	34.5
NET INVESTMENT POSITION	**-198,103.6**		**-175,234.1**		**-11.5**
Long-term	**-213,827.7**		**-197,645.4**		**-7.6**
Short-term	**15,724.0**		**22,411.3**		**42.5**
GROSS EXTERNAL DEBT	**297,917.0**		**272,087.2**		**-8.7**
NET EXTERNAL DEBT	**-97,999.4**		**-78,919.4**		**-19.5**
General government	11,712.1		5,142.6		-56.1

debt shrank in absolute terms, it increased as a ratio of GDP owing to the latter's decline. At the end of the year, gross external debt was 27% bigger than GDP (see Table 2.1 and Figure 2.1). Estonia's net external debt (assets less liabilities) contracted 20% year-on-year and amounted to 79 billion kroons. The ratio of net external debt to GDP declined somewhat and stood at 37%.

The **position of foreign investment in Estonia** decreased primarily because the portfolio investment position (equity and debt securities) declined by over 12 billion kroons, or around 40%. The direct investment position (investment in subsidiaries and affiliated companies) contracted 5% and the other investment position (currency and deposits, interbank loans) shrank 4%. Consequently, also the structure of the position changed: other investment accounted for 52%, direct investment for 43% and portfolio investment for 5% of the position at end-2009. About 60% of foreign investment came from Sweden and Finland (see Table 2.2). 56% of foreign investment was placed in financial and insurance activities, and more or less equal shares (7%) went to manufacturing, wholesale and retail trade, and real estate activities. The absolute and relative contribution of financial intermediation to the total position contracted significantly over the year. The geographical breakdown of direct investment in Estonia was similar to the total foreign investment position (see Table 2.3). Financial and insurance activities accounted for the largest share with 33%; the percentage of professional, scientific and technical activities increased significantly during the year to over 12%.

The structure of **Estonia's investment abroad** changed considerably, as the proportion of other investment declined, whereas that of portfolio investment increased. At the end of 2009, direct investment accounted for 31%, other investment for 28% and portfolio investment for 23% of the total position, the rest being reserve assets. Investors of financial and insurance activities, the public sector, and wholesale and retail trade contributed 63%, 8% and 6% to the total position, respectively. The geographical breakdown of investment was broad-based with Latvia (12%), Lithuania (11%) and Germany (8%) being the main targets. Investors of financial and insurance activities prevailed also in terms of direct investment abroad (42%), followed by investors of professional, scientific and technical activities, transportation and storage, and real estate activities (11–15%). Almost 60% of Estonia's direct investment abroad had been channelled to Latvia and Lithuania.

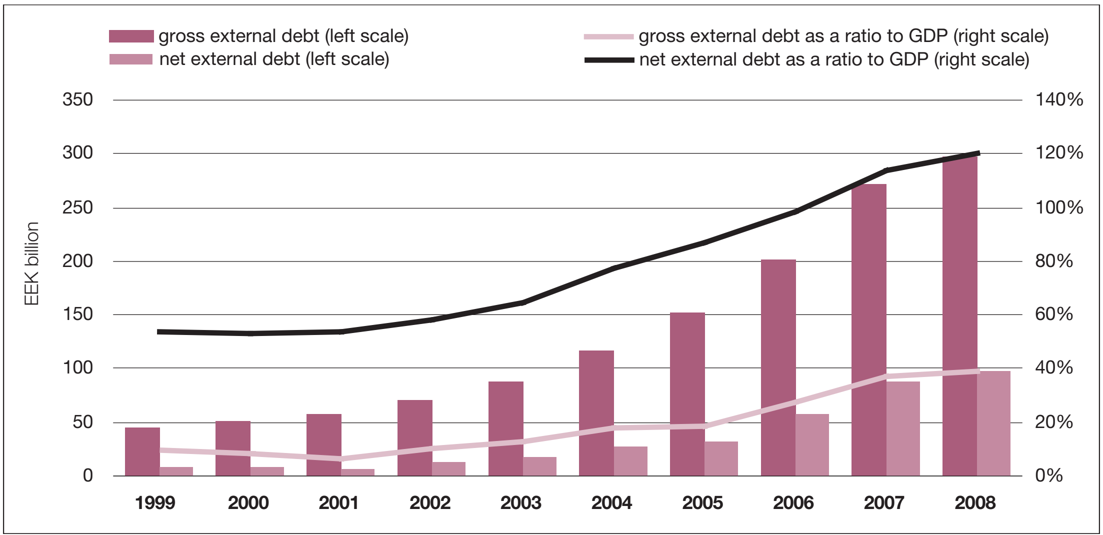


Figure 2.1. Estonia's gross and net external debt

Table 2.2. Estonia's international investment position by fields of activity and countries (%)

Assets			Liabilities		
Fields of activity					
	31/12/2008	**31/12/2009**		**31/12/2008**	**31/12/2009**
Financial and insurance activities	62.1	62.5	Financial and insurance activities	61.7	56.3
Public administration and defence; statutory social insurance	8.2	7.8	Manufacturing	6.9	7.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	6.8	6.3	Wholesale and retail trade; repair of motor vehicles and motorcycles	7.6	7.0
Professional, scientific and technical activities	5.7	5.3	Real estate activities	6.2	7.0
Transportation and storage	4.6	5.3	Professional, scientific and technical activities	4.5	6.3
Other	12.6	12.8	Other	13.1	15.9
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2008	**31/12/2009**		**31/12/2008**	**31/12/2009**
Latvia	13.1	11.8	Sweden	38.0	37.9
Lithuania	11.1	10.7	Finland	19.6	21.3
Germany	12.2	7.7	Netherlands	3.4	4.2
France	5.1	7.3	United Kingdom	6.4	3.6
Finland	5.8	6.0	Denmark	5.8	3.4
Other	52.7	56.5	Other	26.8	29.6
Total	100.0	100.0	Total	100.0	100.0

Table 2.3. Direct investment position by fields of activity and countries (%)

Abroad			In Estonia		
Fields of activity					
	31/12/2008	**31/12/2009**		**31/12/2008**	**31/12/2009**
Financial and insurance activities	42.7	41.6	Financial and insurance activities	37.6	32.5
Professional, scientific and tech-nical activities	16.6	15.0	Manufacturing	13.3	14.1
Transportation and storage	10.8	13.4	Professional, scientific and technical activities	8.1	12.4
Real estate activities	11.2	10.7	Real estate activities	11.7	12.1
Wholesale and retail trade; repair of motor vehicles and motor-cycles	5.4	6.1	Wholesale and retail trade; repair of motor vehicles and motorcycles	12.4	11.0
Other	13.3	13.2	Other	16.9	17.9
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2008	**31/12/2009**		**31/12/2008**	**31/12/2009**
Latvia	31.4	29.3	Sweden	38.7	39.6
Lithuania	27.8	27.7	Finland	22.0	22.6
Cyprus	9.8	12.1	Netherlands	7.2	9.0
Finland	6.6	6.1	Norway	3.1	3.4
Russia	4.4	4.8	Russia	3.5	3.0
Other	20.0	20.0	Other	25.6	22.5
Total	100.0	100.0	Total	100.0	100.0

The **gross external debt** shrank, mostly owing to credit institutions and less to other sectors as well as intercompany lending between direct investment companies (see Table 2.4). Credit institutions contributed 54% and other sectors around 23% to the gross external debt. The general government debt accounted for only about 5% of the gross external debt, being one of the lowest government debts in the EU. The net external debt can be mainly attributed to credit institutions, but somewhat also to other sectors, whose debt liabilities exceeded their debt assets by 109 and 17 billion kroons, respectively. Year-on-year, the net external debt of credit institutions and other sectors decreased 12% and 28%, respectively. At the same time, the debt assets of the general government and the central bank exceeded their debt liabilities by 5 and 42 billion kroons, respectively (primarily reserve assets).

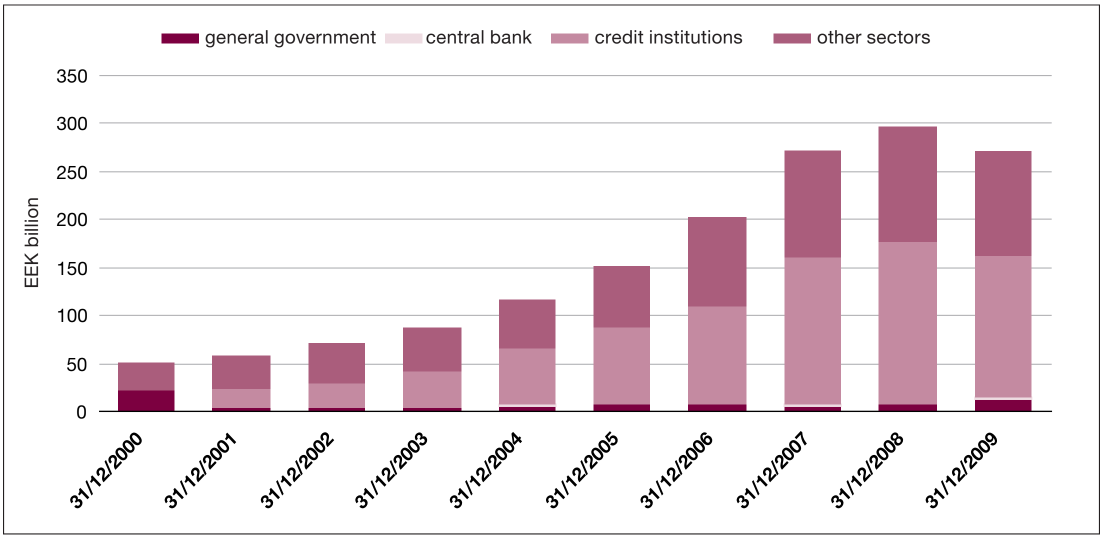


Figure 2.2. Estonia's gross external debt by sectors

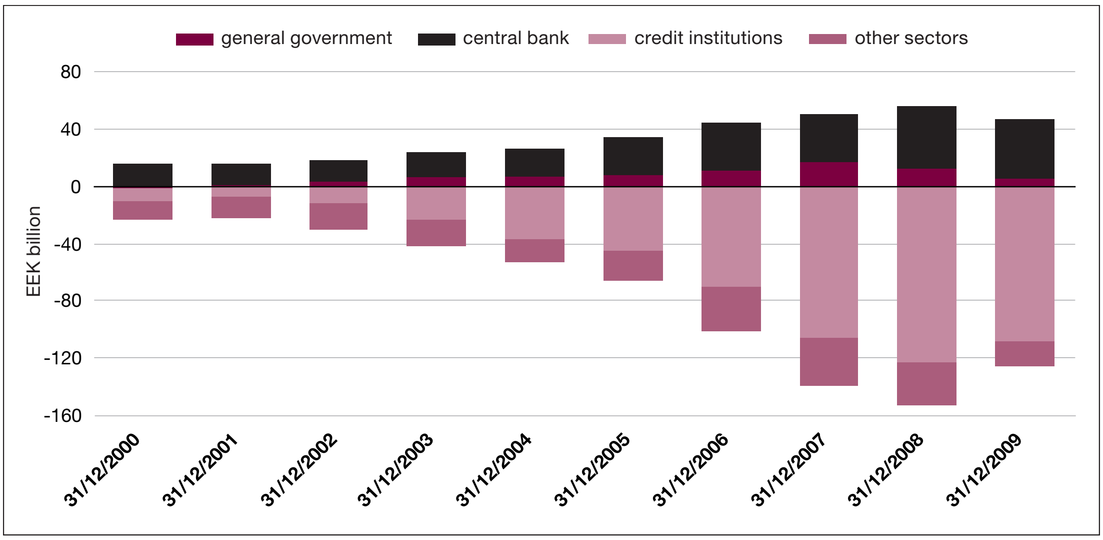


Figure 2.3. Estonia's net external debt by sectors

Table 2.4. External debt (EEK m)

	31/12/2008	Share (%)	31/12/2009	Share (%)	Change (%)
LIABILITIES					
I. General government	**7,805.2**	**2.6**	**13,066.2**	**4.8**	**67.4**
Short-term	0.7		1.8	0.0	
Long-term	7,804.4	2.6	13,064.4	4.8	67.4
II. Monetary authorities (NCB)	**112.3**	**0.0**	**1,235.8**	**0.5**	**1,000.4**
Short-term	112.3	0.0	180.6	0.1	60.8
Long-term			1,055.1	0.4	
III. Credit institutions	**169,715.6**	**57.0**	**147,155.0**	**54.1**	**-13.3**
Short-term	85,547.4	28.7	74,808.2	27.5	-12.6
Long-term	84,168.2	28.3	72,346.8	26.6	-14.0
IV. Other sectors	**67,089.0**	**22.5**	**61,331.7**	**22.5**	**-8.6**
Short-term	23,319.8	7.8	19,982.9	7.3	-14.3
Long-term	43,769.2	14.7	41,348.8	15.2	-5.5
V. Direct investment: intercompany lending	**53,195.0**	**17.9**	**49,298.6**	**18.1**	**-7.3**
GROSS EXTERNAL DEBT	**297,917.0**	**100.0**	**272,087.2**	**100.0**	**-8.7**
ASSETS					
I. General government	**19,517.3**	**9.8**	**18,208.8**	**9.4**	**-6.7**
Short-term	6,898.0	3.5	9,433.3	4.9	36.8
Long-term	12,619.3	6.3	8,775.5	4.5	-30.5
II. Monetary authorities (NCB)	**43,968.1**	**22.0**	**43,157.4**	**22.3**	**-1.8**
Short-term	29,741.5	14.9	36,815.7	19.1	23.8
Long-term	14,226.7	7.1	6,341.7	3.3	-55.4
III. Credit institutions	**46,340.8**	**23.2**	**38,642.1**	**20.0**	**-16.6**
Short-term	38,044.4	19.0	28,310.8	14.7	-25.6
Long-term	8,296.4	4.1	10,331.2	5.3	24.5
IV. Other sectors	**43,289.5**	**21.7**	**44,167.5**	**22.9**	**2.0**
Short-term	31,109.8	15.6	28,478.0	14.7	-8.5
Long-term	12,179.7	6.1	15,689.5	8.1	28.8
V. Direct investment: intercompany lending	**46,802.0**	**23.4**	**48,992.1**	**25.4**	**4.7**
TOTAL ASSETS	**199,917.7**	**100.0**	**193,167.9**	**100.0**	**-3.4**
NET EXTERNAL DEBT (assets less liabilities)					
I. General government	**11,712.1**		**5,142.6**		**-56.1**
Short-term	6,897.3		9,431.5		36.7
Long-term	4,814.9		-4,288.9		-189.1
II. Monetary authorities (NCB)	**43,855.8**		**41,921.6**		**-4.4**
Short-term	29,629.2		36,635.0		23.6
Long-term	14,226.7		5,286.6		-62.8
III. Credit institutions	**-123,374.8**		**-108,513.0**		**-12.0**
Short-term	-47,503.0		-46,497.4		-2.1
Long-term	-75,871.8		-62,015.6		-18.3
IV. Other sectors	**-23,799.6**		**-17,164.2**		**-27.9**
Short-term	7,790.0		8,495.1		9.1
Long-term	-31,589.5		-25,659.3		-18.8
V. Direct investment: intercompany lending	**-6,393.0**		**-306.4**		**-95.2**
TOTAL NET EXTERNAL DEBT	**-97,999.4**		**-78,919.4**		**-19.5**

III. THEORETICAL CONCEPT, METHODOLOGY AND COMPILATION PRACTICES

The IMF Balance of Payments Manual, 5th Edition, serves as a methodological basis for external sector statistics as well as for the Estonian model of balance of payments statistics. The following is an introduction to three basic documents (balance of payments, international investment position, and external debt) along with their main principles, content of entries, dissemination policy, and compilation practices.

BALANCE OF PAYMENTS

The balance of payments is the consolidated income statement as well as the consolidated balance sheet of all institutional sectors of the economy. 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 in its entirety 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 conducted over a specific time period with the rest of the world. The period is usually a month, a quarter or a year.

Since the balance of payments reflects transactions over a specific time period, the values of the balance of payments items are *flow indicators.*

The balance of payments includes the *current account*, reflecting income on foreign trade, and the *capital account, financial account* and *reserve assets*, reflecting current account financing, i.e. the structure of *external financial resources*.

The current account is divided into four accounts[4]: *goods, services, income* and *current transfers*. The goods and services accounts include all sums receivable from selling goods and services as well as the sums payable for purchases. The income account reflects revenues related to the use and render for use of production factors (capital and labour). Transfers are all the remaining transactions related to the formation of gross disposable income of residents and are distinguishable from capital transfers.

Sources of financing are divided between three accounts: the *capital account, financial account* and *reserve assets*. The *capital account* records mainly transactions related to investment grants (e.g. the acquisition/disposal of intellectual property), forgiveness of debt, and international capital transfers not related to the formation of gross disposable income. The *financial account* records foreign investment 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.

The compilation of the balance of payments is not based on the territory of the compiling country. As a rule, a balance of payment transaction is a monetary or non-monetary transaction between a *resident* and a *non-resident*. The balance of payments is compiled on an *accrual basis*, i.e. 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*.

---

[4] For the key terms and entries related to the balance of payments statistics see also other sections of the current overview.

The *double entry system* serves as the basis for compiling the balance of payments. Every recorded transaction is represented by two entries with equal values, but under different items and with opposite signs: *credit* (+) and *debit* (–). Credit reflects an increase in the financial resources available while debit reflects their utilisation (see Table 3.1).

Table 3.1. Credit and debit

	Increase in resources	**Utilisation 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
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 complicity and scope of the balance of payments make the collection of statistics always inaccurate. In order to balance the accounts, the inaccuracy is 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.

Since accounts are fully consolidated, the financial assets and liabilities of domestic sectors cancel each other 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. Therefore the investment position is not balanced.

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. *Negative* net investment position reflects the debt of the country to the rest of the world.

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

- all direct investment company's claims to direct investors are deducted from direct investment in Estonia (liabilities);
- all direct investors' liabilities to foreign direct investment companies are deducted from direct investment from Estonia (claims).

The same concepts and definitions as in the balance of payments are used in compiling the investment position. 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 for evaluating the liabilities of Estonian residents in case of unquoted shares. Since the respective information is generally not available in the investment position of the partner country, statistical asymmetries between countries may occur. Therefore, in order 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.

As international investment position reflects assets and resources as at a certain date, the values of investment position entries are *stock indicators*.

EXTERNAL DEBT

External debt statistics is based on the external claims and liabilities recorded in the international investment position, which are debts in their 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 debt accounting. Moreover, neither the gold reserves of the central bank nor the International Monetary Fund's special *drawing rights*[5] are included in the external debt.

The key external debt indicators are the following:

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

[5] See *Entries*: reserves.

Unlike the international investment position that reflects direct investment on the basis of the *directional principle*, 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.

Similar to the international investment position, the indicators reflecting the external debt are *stock indicators.*

KEY TERMS

- **C.i.f. (cost, insurance, freight) price** – an international delivery clause of goods, including the value of goods and the cost of insurance and transportation to the customs frontier of the importing country.

- **Financial leasing** – loan (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.

- **F.o.b. (free on board) price** – an international delivery clause of goods, including the value of goods and the cost of insurance and transportation to the customs frontier of the exporting country.

- **Institutional sectors** are divided into the following groups in the external sector statistics:

  - *central bank* – Eesti Pank as the national central bank;
  - *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 the principal and permanent activities of which 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 and households).

- **Long-term capital** – assets or liabilities with the contractual maturity of over one year.

- **Long-term position** – net investment position based on long-term external assets and liabilities. Conventionally, direct investment is considered long-term.

- **Non-resident** – all other persons not covered by the term resident.

- **Repurchase agreement** – borrowing against securities as collateral.

- **Resident**:
  1) state authorities and agencies of the Republic of Estonia in the broadest sense (legislative, executive and judicial power and their agencies, constitutional institutions), also local government units and their agencies;

2) Estonia's diplomatic, consular and other official representative offices abroad, as well as other representative offices of Estonian agencies and organisations abroad not involved in economic or commercial activities;
3) legal persons in public law and their agencies established by the laws of the Republic of Estonia;
4) legal persons registered in Estonia governed by private law;
5) organisations and associations of persons established and operating in Estonia and enjoying partial legal capacity that are not legal persons;
6) branches and agencies of foreign legal persons registered in Estonia;
7) Estonian citizens residing in Estonia;
8) foreigners residing in Estonia holding a permanent residence permit;
9) foreigners residing in Estonia holding a temporary residence permit for at least one year;
10) Estonian citizens studying or receiving medical treatment abroad, regardless of the length of studies or medical treatment;
11) diplomats, military personnel, employees of consulates and other official representative offices of the Republic of Estonia abroad that have been granted with immunity and diplomatic privileges, and their family members;
12) ship crews, seasonal and border workers, regardless of the duration of their residence on the territory of a foreign country;
13) conventional business entities representing real estate located on Estonian territory (land together with its essential parts).

- **Short-term capital** – assets or liabilities with the maturity of up to one year (included).

- **Short-term position** – net investment position based on short-term external assets and liabilities. Conventionally, reserves of the central bank are considered short-term.

ENTRIES

- **Trade account** – includes imports and exports of goods that contribute to the gross domestic product. Such imports and exports include:
  - imports for national consumption – imported goods paid for by residents;
  - national exports – revenues from exported goods belongs to residents;
  - imports of goods for processing and exports of processed goods.

Estonia's trade account is based on the *special trade system* of official trade statistics, registering goods exceeding free circulation[6]. 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, yet 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

[6] The *general trade system* is also used, which registers movements of goods across customs frontiers. This system is not suitable for the compilation of the balance of payments, as it also includes the movement of goods of non-residents through Estonian customs warehouses.

etc.), necessary supplements are added to the balance of payments. The most significant of them include:

a) goods not declared in customs and not crossing frontiers but which are balance of payments transactions (e.g. marine products caught in foreign waters; ships purchased or sold in foreign ports, etc.);
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) inclusion 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 Statistics Estonia (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. Therefore, owing to the large share of the European Union in Estonia's foreign trade, the general level of both imports and exports of goods is higher than in earlier periods and that peculiarity 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 the so-called normal exports and imports from the imports of goods for processing and from the exports of processed goods.

- **Services account** – reflects the services sold to and purchased from non-residents by Estonian residents:
  - *transportation* – passenger, freight and other transportation services by major modes of transport (marine, air, rail, road and other transport modes);
  - *travel services* – include expenditure on package tours of tourists and one-day visitors, as well as on goods and services in the country of destination. Besides the above items, travel services also include education and health costs in the country of destination. While generally residence abroad up to one year accounts as tourism, 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;
  - *communications services* – comprise 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.);
  - *construction services* – generally cover the cost of construction activities abroad by resident companies or of construction activities in Estonia by non-residents. Construction services, as a rule, include sites or installation to be completed within one year;
  - *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;

- *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.;
- *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. as well as services of news agencies;
- *royalties and licence fees* – receipts and payments for the use of copyrights, licenses, franchises, patents, industrial processes or other intellectual property;
- *merchanting* – commissions and fees of commodity brokers and dealers. Trade services is the difference between the value of goods purchased by residents abroad and the value of these goods resold abroad during the same period. The goods must never cross the Estonian border;
- *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 (*capital lease* – see below);
- *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, architectural and engineering solutions, printing services, etc.);
- *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;
- *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*).

- **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* – 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* – income on foreign (direct, portfolio and other) investment assets and payable from foreign investment liabilities (*interests and dividends*). Since 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 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 realised and unrealised exchange rates and spreads are not recorded as income, because the balance of payments records movement of financial instruments at market prices. For accounting purposes, the latter comprises the acquisition cost and the realised exchange rate and/or price profit/loss. Neither waivers and write-offs of uncollectible loans nor exceptional profit/loss are recorded under reinvested earnings.

- **Current transfers account** – includes all remaining transactions related to the accumulation of residents' disposable income but not recorded elsewhere under the current account. Current transfers are unilateral, i.e. 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 also 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 (see *Institutional sectors*), including the 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 (also migrants – 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.

- **Capital transfers** are unilateral, similarly to current transfers, but amounts received or paid have no direct impact on residents' gross disposable income. Common capital transfers include:
  a) use of international (primarily EU) funds to finance the construction of infrastructure objects;
  b) acquisition of non-produced, non-financial intangible assets (intellectual property) and disposal thereof (franchises, patents, trademarks, industrial processes, etc.);

The capital account records cash flows by two sectors:
  a) *general government;*
  b) *other sectors.*

- **Direct investment** in Estonia's balance of payments refers to investment amounting to 10% or more of the equity capital of the investment company.[7] This is an investment that entails a qualifying holding for the investor in the direct investment company. According to 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 in which an investor or direct investor has a qualifying holding.

[7] Direct investment is an investment that entails a qualifying holding and a casting vote of an investor in the management of a direct investment company, regardless of the actual holding. However, as such a definition does not ensure similar treatment of the investment in the investor and recipient country, the 10% criterion is recommended to avoid statistical errors (OECD Benchmark Definition of Foreign Direct Investment, 1996).

- *Direct investor* – an investor who has a qualifying holding in a direct investment company.

The direct investment account includes the following items:
a) *equity capital* of direct investment companies;
b) *reinvested earnings* – proportional share of the direct investor in the operating profit or loss of a direct investment company;
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.

- **Portfolio investmen**t account records, under assets and liabilities, securities investments 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 pay the interests. As a rule, bonds are long-term instruments (with the maturity of over one year);
  - *money market instrument* – a highly liquid 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 investments are 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. Common financial derivatives include *options, forwards, futures*, and *swaps*. Financial derivatives are recorded in the balance of payments by institutional sectors, assets and liabilities separately.

- **Other investment** cover 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 as well as in the international investment position;
  - *loans* – short-term and long-term lending of institutional sectors not related to direct investment. Loans also cover capital lease and repurchase agreements;
  - *currency and deposits* – foreign currency held by residents and their deposits in foreign credit institutions are recorded as assets. Estonian kroons held by non-residents and their deposits in Estonian credit institutions are recorded as liabilities;
  - *other assets and liabilities* – other overdue sums (accounts receivable and accounts payable, accrued expenses, etc.) recorded on an accrual basis, as well as other assets and liabilities unrelated to other entries. In addition, life insurance premiums collected and disbursements made by insurance companies are recorded here.

- **Reserves** – gold and foreign exchange reserves of the central bank comprising assets backing the kroon in Estonia's monetary system. Reserves 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 and it is used for conducting loan transactions and several other related operations between a Member State and IMF;
c) *International Monetary Fund (IMF) reserve position* – contribution to the IMF and virtually a loan available to the Member State if required.
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 SYSTEM

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

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

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 are not very operational. The survey system has been successfully introduced by Anglo-American countries like Australia, New Zealand, the United Kingdom, Ireland, the United States and Canada.

The *settlements system* is based on the collection, coding and processing of international payments through resident banks. Based on the description of the transaction, clients, commercial institutions or the central bank attribute a transaction code to each incoming or outgoing payment in compliance with the balance of payments structure. The settlements system allows to collect detailed and operational information but is still 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. Owing to new EU legislation and economic globalisation, most countries of continental Europe are forced to replace the settlements system with a combined one.

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

COMPILATION PRACTICES IN ESTONIA

Estonia started compiling national balance of payments in 1992. Due to the weakness of the banking system at that time, the survey system was introduced. However, as this system is not flexible enough in a changing economic environment, the possibilities to apply the settlements system in compiling balance of payments 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).

By now, Estonia has developed a *combined system* of compiling the balance of payments. Two parallel databases are complementary and simplify the identification of errors. The databases in combination with administrative information ensure higher quality of the external sector statistics (balance of payments, international investment position, etc.), 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, credit institutions and the general government, the settlements system supplemented by various econometric models is applied for the compilation of monthly balances of payment. In order to meet the European Union requirements, Eesti Pank started to publish monthly balance of payment flash estimates in 2002.

Currently, ten different surveys are in use. In 2008, quarterly data from approximately 3,300 entrepreneurs was collected through these surveys. The quarterly settlements system involves approximately 130,000 transactions 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 communicated. Banking sector transactions are recorded in the balance of payments based on 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 provides an overview of the sources of information applied to compile balance of payments statistics.

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

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 accounting period	Sample size / No of data sources in 2008
SURVEY SYSTEM				
Forms 2, 2F and 7	Companies with foreign ownership	quarter	20 days	1936
Form 3	Transport companies without foreign ownership	quarter	20 days	244
Form 4	Transport companies with foreign ownership	quarter	20 days	208
Form 5	Investment funds (management companies)	quarter	20 days	74
Forms 6 and 6F	Companies without foreign ownership	quarter	20 days	1142
Form 9	Insurance companies and intermediaries	quarter	20 days	21
Form 10	Other financial intermediaries	quarter	20 days	32
Forms 2, 2F and 7	Companies with foreign ownership	quarter	20 days	1936
SETTLEMENTS SYSTEM				
Settlements system reporting according to the procedure for declaring international payments	Incoming international payments declared in credit institutions	15 days	25 days	11
	Outgoing international payments declared in credit institutions	15 days	8 days	11
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 residence and other characteristic details	month	5 days	16
Report on the balance and turnovers of loans	Loans issued by credit institutions by residence and other characteristic details	month	5 days	16
Income statement	Breakdown of income and expenditure of credit institutions by residence	quarter	10 days	16
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	16
Statement of securities	Detailed statement of securities portfolios of credit institutions by residence	month	5 days	16
Statement of off-balance-sheet items	Statement of off-balance-sheet activities of credit institutions	quarter	30 days	16
Statement of asset management and investment services	Statement of asset management and investment activities of credit institutions	quarter	5 days	16
Report on non-transactional financial flows	Non-transactional financial flows of credit institutions during the reporting period, excl. revaluations caused by exchange rate fluctuations	month	12 days	16
EESTI PANK				
Balance of payments statement of Eesti Pank	Accounting 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 customs declaration data (Extrastat)	month	50 days	1
	Intra-Community trade report (Intrastat)			
Tour operators' statement	Imports and exports of travel agencies (incl. intermediation of passenger transport services); number of tourists received and sent by countries	quarter	50 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 by 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	by agreement	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 REGISTER OF SECURITIES				
Central Register of Securities	Statistics on securities issues registered in Estonian Central Register of Securities	month	20 days	1
BORDER GUARD ADMINISTRATION				
Border crossing statistics	Report on crossers of Estonian border by citizenship	month	25 days	1
MINISTRY OF FOREIGN AFFAIRS				
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 the State Treasury	month	1 month	1
OTHER				
Migration Foundation, Unemployment Insurance Fund, Health Insurance Fund, etc.				5–10

LEGAL BASIS FOR BALANCE OF PAYMENTS STATISTICS

Pursuant to Subsection 2(8) of the **Eesti Pank Act**, Eesti Pank is responsible for compiling the balance of payments of Estonia, the compilation being one of the basic functions of the central bank established by law.

Section 34 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 conducting cross-border economic transactions in the territory of Estonia.

Besides the Eesti Pank Act, also the **Official Statistics Act** provides for the compilation of the balance of payments. Pursuant to subsection 4(2), Eesti Pank is the other primary agency conducting official statistical surveys besides Statistics Estonia. Eesti Pank and the respondents are to follow all the provisions of the Official Statistics Act related to conducting surveys, the obligation to submit data, data protection, data dissemination, and responsibilities of parties. In autumn 2007, an amendment to the Official Statistics Act, providing for the right of Eesti Pank to apply penalty payments to companies failing to submit data on time or submit distorted data, entered into force.

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

CONFIDENTIALITY OF DATA

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

DISSEMINATION AND ADJUSTMENT POLICY

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 across statistics categories.

- **Data dissemination**. Balance of payments statistics together with press releases, analyses and statistical tables are published on Eesti Pank's web site (http://www.bankofestonia.ee).

- **Adjustment policy**. Upon collection of additional information and changes in methodology, the data of previous periods is adjusted as follows:

  - *Regular revisions*:

  a) when quarterly data for Q2, Q3 and Q4 are first released, only previous quarter is revised;
  b) when Q1 is first released and Q4 is revised, the previous quarters are revised as far as changes occurred. The data are considered final after their integration into the input/output tables of the national accounts system (in up to five years).

  - *extraordinary revisions*:

  a) in exceptional cases, when significant errors or omissions have occurred, necessary quarters may be revised outside regular revision policy;
  b) if changes in methodology or data collection system render results incomparably, data can be adjusted retrospectively back so far the methodology change is concerned, if possible;
  c) the general public is notified of extraordinary changes and their primary reasons in quarterly press release of BOP and IIP statistics.

- **Unit of account and conversion**. The unit of account for the balance of payments and the international investment position is the Estonian kroon (EEK). Statistics released in other currencies (USD, EUR) is based on the following conversion:
  - *balance of payments flash estimate* – the monthly average exchange rate of the respective currency against the Estonian kroon;
  - *quarterly balance of payments* – the quarterly average exchange rate of the currency against the Estonian kroon;
  - *annual balance of payments* – the average exchange rates of four quarters (i.e. the annual balance of payments is the sum of quarterly balances converted into foreign currency);
  - *investment position* – the exchange rate on the compilation date or on the closest banking day.

Rounding. Due to rounding, the total of sub-items is not always equal to the total of the consolidated entry.