Eesti Pank

ESTONIA'S BALANCE OF PAYMENTS FOR 2012

2013

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INTRODUCTION

In the first half of 2012, the lack of confidence in foreign markets worsened, affecting growth in Estonia's exporting sector, but GDP growth remained higher than the euro area average at 3.2%. Weak external demand was offset by private consumption and investment. Investment growth in the second half of the year was boosted by the use of income from the sale of emissions permits in the previous year for investment purposes, and by an increase in transfers from the European Union.

Estonia was also one of those small euro area countries where labour market indicators continued to improve, supporting growth in domestic demand. Another notable feature of the Estonian economy was that the decline in the lending portfolio of the real sector ended after three years and the volume of loans and leases given to companies and individuals increased during the year. Borrowing was encouraged by improved confidence and low interest rates.

Overall, the Estonian economy was developing in a more balanced way than it did in the period before the fall, with lower debt levels and higher savings among households. Wage growth was also better aligned with productivity.

There was a small deficit in the general government budget for 2012, but debt remained the smallest in the European Union despite increasing, reaching only 10.1% of GDP at the end of the year. It is important for external balance that the relation between gross savings in the general government and GDP be improved from the previous year

Savings in the private sector grew more slowly than investments in 2012 and this meant that the surplus in the goods and services account was slightly smaller than a year earlier. However, private sector savings were still larger than investments in fixed capital and spending on additional growth in assets. This meant there was no need to turn to external capital, and more capital flowed out than in during the year as a whole. For the first time in Estonia's short history, assets were larger than liabilities.

Tables 1.1 and 1.2 show Estonia's balance of payments and its key indicators.

Table 1.1. Estonia's balance of payments (EUR million)*

	2006	2007	2008	2009	2010	2011	2012
Current account	**-2,053.0**	**-2,562.5**	**-1,486.1**	**382.4**	**408.5**	**291.4**	**-310.0**
Goods and services	-1,413.8	-1,598.6	-725.8	712.3	1,068.6	994.0	437.6
Goods	-2,304.1	-2,640.8	-2,041.1	-697.1	-270.7	-328.0	-776.1
credit (f.o.b.)	7,774.0	8,132.2	8,490.1	6,354.2	8,769.0	12,050.3	12,586.6
debit (f.o.b.)	-10,078.1	-10,772.9	-10,531.2	-7,051.2	-9,039.7	-12,378.3	-13,362.7
Services	890.3	1,042.1	1,315.3	1,409.4	1,339.3	1,322.0	1,213.8
credit	2,870.9	3,289.2	3,600.8	3,219.3	3,441.4	3,986.8	4,256.2
debit	-1,980.6	-2,247.1	-2,285.5	-1,809.9	-2,102.1	-2,664.8	-3,042.5
Income	-687.9	-1,058.9	-883.8	-506.0	-893.5	-956.3	-986.6
credit	866.4	1,210.3	1,142.3	657.8	703.5	871.4	774.7
debit	-1,554.3	-2,269.2	-2,026.1	-1,163.8	-1,597.0	-1,827.7	-1,761.3
Current transfers	48.7	95.1	123.4	176.0	233.4	253.6	238.9
credit	419.8	471.1	430.4	451.2	552.1	610.3	614.1
debit	-371.1	-376.1	-307.0	-275.1	-318.7	-356.7	-375.2
Capital and financial account (reserve assets included)	**2,198.3**	**2,524.5**	**1,439.4**	**-455.3**	**-355.8**	**-372.5**	**314.7**
Capital account	288.6	173.8	212.5	485.7	505.2	669.5	606.3
Financial account (including reserve assets)	1,909.7	2,350.8	1,226.9	-941.0	-860.9	-1,041.9	-291.6
Direct investment	550.3	708.6	421.6	210.6	1,099.5	1,289.7	439.8
Abroad	-881.6	-1,276.5	-760.2	-1,113.9	-107.3	1,044.8	-740.8
In Estonia	1,431.9	1,985.0	1,181.8	1,324.5	1,206.8	244.9	1,180.5
Portfolio investment	-1,055.7	-368.0	506.2	-1,451.7	-462.1	1,150.9	-100.0
Assets	-974.5	-552.2	680.5	-489.5	-316.8	1,031.3	-269.1
Equity securities	-292.0	-491.4	261.8	-49.6	-303.8	102.0	-164.8
Debt securities	-682.5	-60.8	418.8	-439.9	-13.1	929.3	-104.3
Liabilities	-81.2	184.2	-174.3	-962.2	-145.3	119.6	169.1
Equity securities	238.5	225.8	-212.7	-93.6	30.0	-81.2	-116.5
Debt securities	-319.7	-41.6	38.3	-868.7	-175.3	200.8	285.5
Financial derivatives	5.0	-51.0	53.0	16.0	33.3	-39.7	68.4
Assets	-11.6	-56.5	43.1	18.4	-0.9	-22.8	92.6
Liabilities	16.6	5.5	9.8	-2.4	34.2	-16.9	-24.2
Other investment	2,891.1	2,150.8	749.1	219.4	-2,362.9	-3,429.9	-630.3
Assets	36.0	-1,485.2	-363.7	946.9	-1,291.5	-2,151.6	-1,668.2
Long-term	345.6	-210.2	-17.7	-39.8	-322.7	-68.7	-396.5
Short-term	-309.6	-1,275.1	-346.1	986.7	-968.8	-2,082.8	-1,271.7
Liabilities	2,855.2	3,636.0	1,112.8	-727.5	-1,071.4	-1,278.4	1,037.9
Long-term	1,614.6	2,967.1	-643.7	207.0	-1,356.0	-1,321.8	438.3
Short-term	1,240.6	669.0	1,756.5	-934.4	284.6	43.4	599.6
Reserve assets	-481.1	-89.6	-503.0	64.7	831.3	-12.9	-69.5
Errors and omissions	-145.2	38.0	46.8	72.9	-52.7	81.1	-4.7
Capital and financial account excluding reserve assets	*2,679.3*	*2,614.1*	*1,942.3*	*-520.0*	*-1,187.0*	*-359.5*	*384.2*
Financial account excluding reserve assets	*2,390.7*	*2,440.4*	*1,729.9*	*-1,005.7*	*-1,692.2*	*-1,029.0*	*-222.1*

* The data for previous periods have been adjusted following collection of additional data.

Table 1.2 Key indicators for the Estonian balance of payments

	2008	2009	2010	2011	2012
Current account balance (EUR m)	-1,486.1	382.4	408.5	291.4	-310.0
Current account (% of GDP)	-9.2	2.8	2.9	1.8	-1.8
Goods and services balance (% of GDP)	-4.5	5.2	7.5	6.2	2.6
Foreign trade turnover (% of GDP)	117.2	97.4	124.3	153.1	152.7
Goods exports as a ratio to imports (%)	-80.6	-90.1	-97.0	-97.4	-94.2
Reinvested earnings (net, % of GDP)	-4.5	-2.2	-5.7	-4.8	-6.0
Current account balance without reinvested earnings (% of GDP)	-4.6	5.0	8.6	6.6	4.2
Harmonised competitiveness index (based on CPI*)	122.7	124.7	121.1	122.7	122.4
Gross external debt (% of GDP)	-117.2	-125.0	-114.6	-95.6	-97.8
Net external debt (% of GDP)	-37.7	-34.6	-23.2	-5.1	2.0
General government external debt (% of GDP)	3.2	5.4	5.4	3.2	7.4
Direct investment position in Estonia (% of GDP)	72.5	84.8	87.2	82.2	86.3
Share of debt in the foreign liabilities position (%)	68.0	65.2	61.4	57.9	56.2
GDP (EUR m)	16,235.1	13,761.7	14,322.7	15,951.4	16,998.20
Real GDP growth (%)	-4.2	-14.1	3.3	8.3	3.2

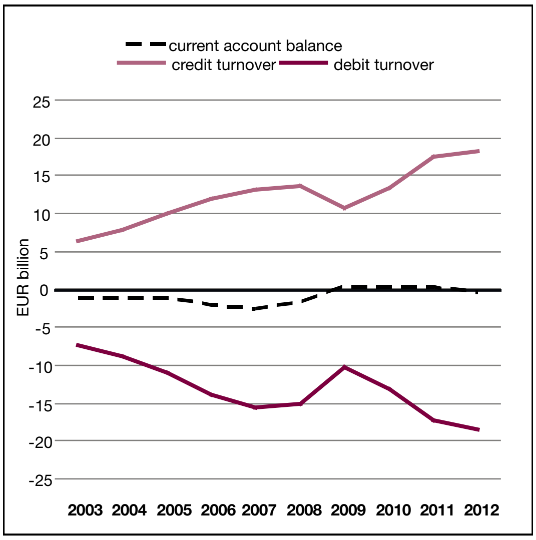
* calculations by the ECB

OVERVIEW

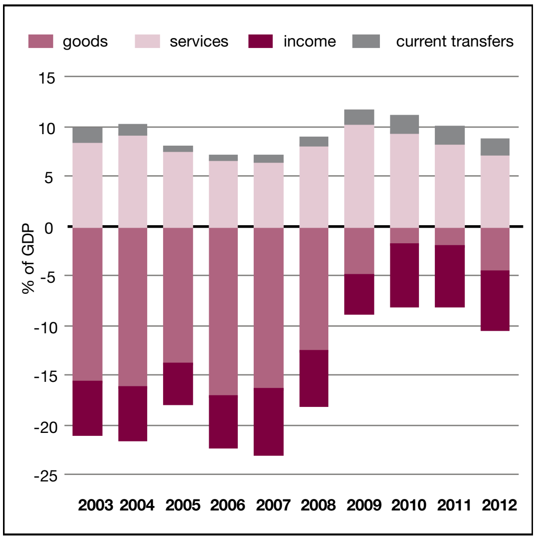
Current account

The Estonian current account had been in surplus for three years, but in 2012 it moved into deficit. The current account deficit of 310 million euros or 1.8% of GDP was almost entirely caused by the deficit in the goods account, which was more than twice the size of the deficit of 2011. Weaker external demand and stronger domestic demand led to moderate growth in exports and much faster growth in imports. The trade deficit grew mainly due to an increase in imports of investment goods. The other components of the current account – services, current transfers and income account balances – changed less. The surplus on goods and services totalled 438 million euros, or 2.6% of GDP. Estonia traded mostly with EU Member States, which accounted for 67% of the credit turnover and 81% of the debit turnover. Several of Estonia's major trade partners are not members of the economic and monetary union (EMU), and so the euro area provides a noticeably smaller proportion of the total turnover, with 32% of credit turnover and 38% of debit turnover.

Current account turnover and balance



Components of the current account



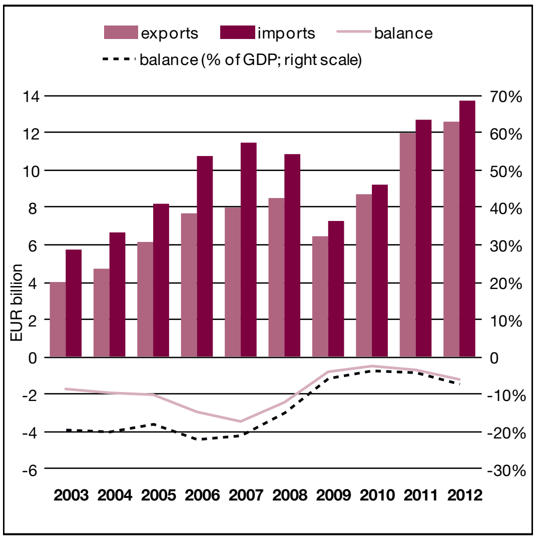
Goods

Imports and exports of goods reached their highest ever levels in 2012, with exports rising by 5% over the year to 12.6 billion euros, and imports increasing by 8% to 13.4 billion. The faster pace of growth in imports meant that the deficit in the goods account was twice as large as in 2011 at 776 million euros. The main drivers of the growth in exports were machinery and equipment and chemical products, while growth in imports was led by machinery and equipment, transport vehicles and chemical goods. Estonia's main trading partner, the European Union, took 65% of the exports and supplied 80% of the imports of goods.

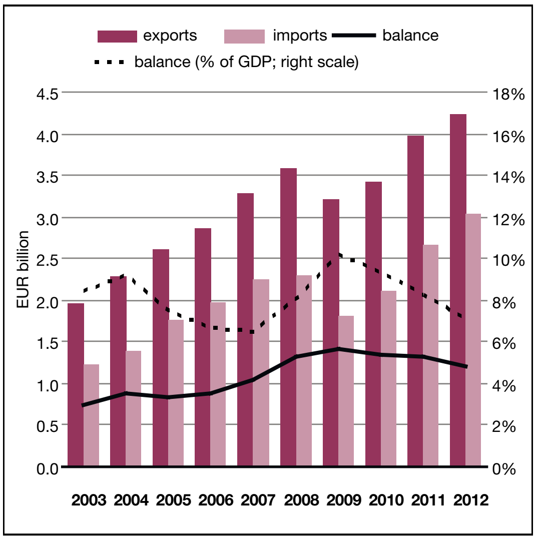
Services

The surplus on services decreased slightly in 2012 to 1.2 billion euros. Exports of services grew by 7% and imports by 14%. The faster growth in imports was mainly caused by purchases of transport services for bringing in imported goods. Exports were higher than imports in all the main categories of services except for construction and copyright and licensing payments. The largest surplus of exports over imports was, as usual, in travel, transport and other business services, which contributed 91% of the surplus in the services account. The share of EU countries totalled 67% in the exports and 80% in the imports of services.

Estonian foreign trade



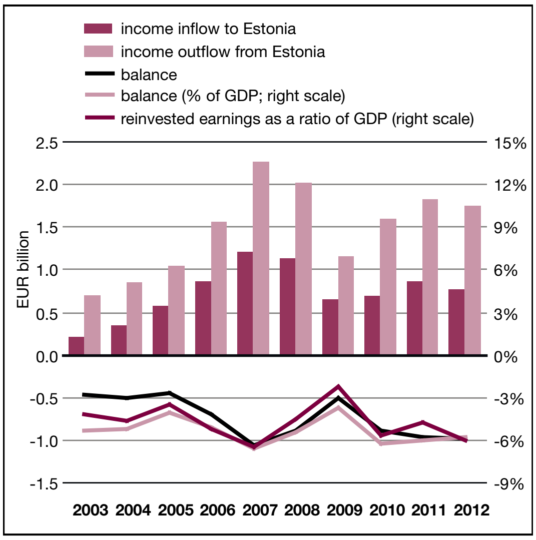
Services account



Income

Net outflows from the income account remained at around the same level as in the previous year, increasing by 3% and reaching 987 million euros. Labour income witnessed net inflow, whereas investment income experienced net outflow. In the net outflow of investment income (income on direct, portfolio and other investment), 86% consisted of reinvested earnings. The net outflow of income from direct investment was 1.2 billion euros and the net outflow of interest income from other investments in loans and deposits was 58 million euros. The portfolio investment inflow was 64 million euros bigger than outflow. EU countries were the source for 85% of the income of residents and non-residents.

Income account



Current transfers and the capital account

The surplus on current transfers fell by 6% from 2011 to 239 million euros in 2012. The inflow of capital transfers grew strongly and the surplus increased 22% year-on-year to 586 million euros.

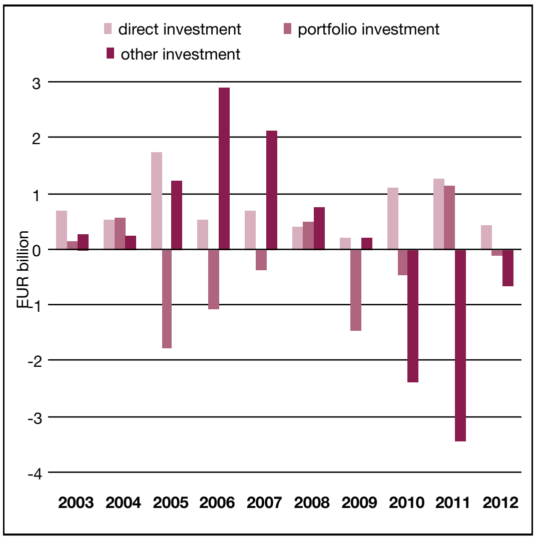
Financial account

Capital outflows from the financial account, including reserves, surpassed inflows by 292 million euros. The main channel for capital inflows was direct investment and for outflows it was other investments. The business sector with 453 million euros, the general government with 364 million euros and credit institutions with 130 million euros were net borrowers but the central bank and to a smaller extent households were net lenders, financing the outside world with 1.2 billion euros and 37 million euros respectively.

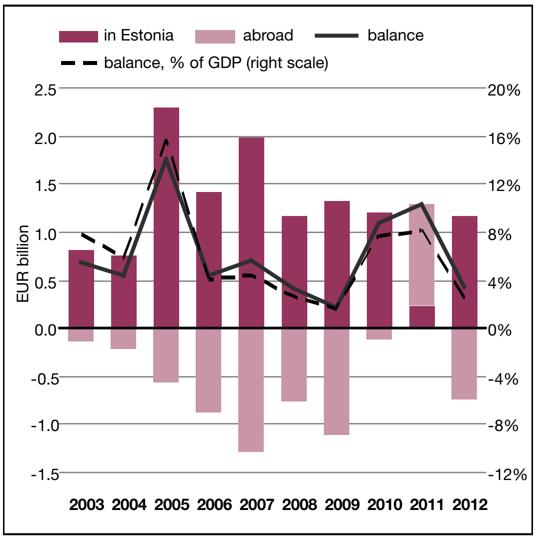
Direct investment

Inflows from direct investments surpassed outflows by 440 million euros. Direct investments in Estonia by non-residents grew to 1.2 billion euros and direct investments abroad by residents were 741 million euros. Almost 80% of the direct investments in Estonia by non-residents was reinvested profit, and one third was equity investment. To some extent, the loans were made to the same direct investors. In contrast, the largest part of the direct investment abroad by residents was as loan capital to subsidiary and associated companies, and a third of investments were in equity. Reinvested income abroad fell as dividends were taken out. Investments in Estonia were concentrated in financial services and maritime transport, while direct investment abroad was made by investors in maritime transport.

Sub-accounts of capital and financial accounts



Direct investment



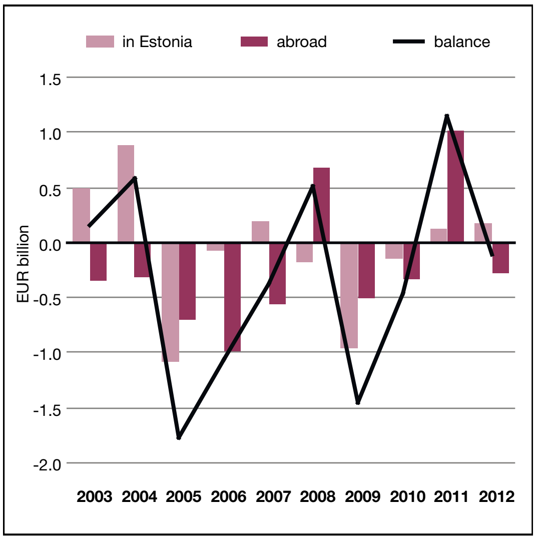
Portfolio investment

There was a net outflow of portfolio investment in 2012, which totalled 100 million euros. The net outflow was caused by other financial intermediaries, including pension funds investing in foreign instruments. The net inflow of financial derivatives amounted to 68 million euros.

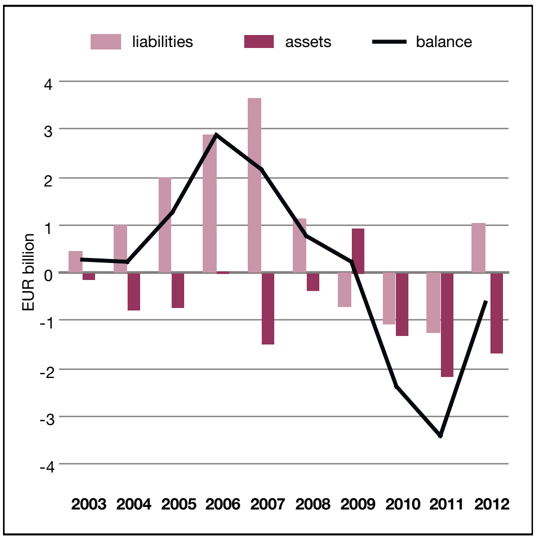
Other investments

The capital deficit was somewhat less in 2012 than in previous years at 630 million euros. This is a consequence of an increase in demand for investment and the actions of the central bank, where growth in claims on deposits indicates a surplus in the financial account over the current account due to transactions within the euro area.

Portfolio investment



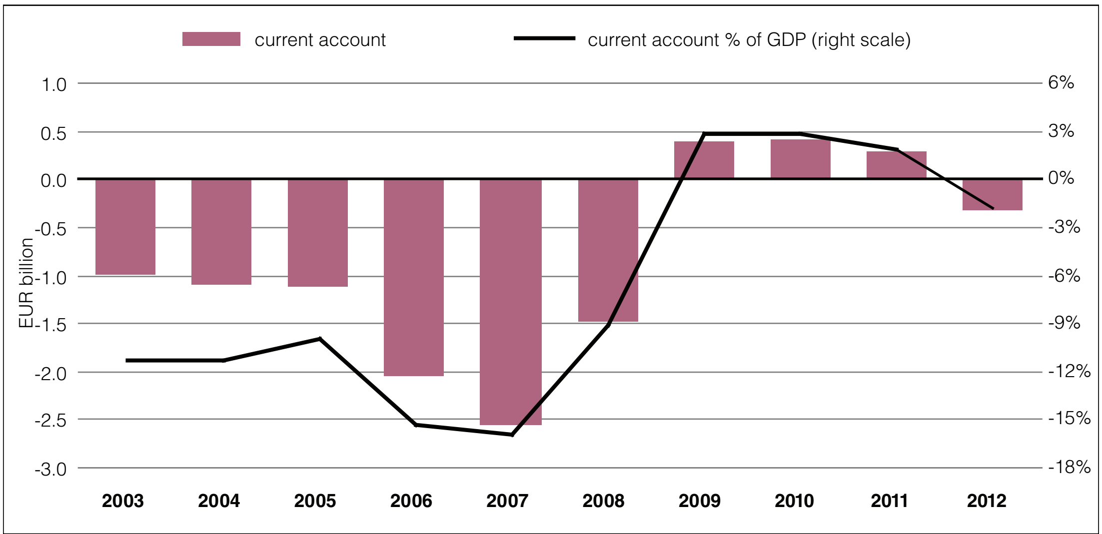
Other investment



CURRENT ACCOUNT

After three years of surplus, the current account saw a deficit in 2012 of 310 million euros, or 1.8% of GDP (see Figure 1.1). The deficit was mainly due to the increased deficit on the goods account, while the balances of the other components of the current account – services, income and current transfers – didn't change greatly. The foreign trade deficit more than doubled, largely in consequence of increased domestic demand for imported investment goods. If the net outflow of reinvested earnings, which is a book value, is excluded from the income account, the current account was in surplus by 4.2% of GDP in 2012, rather than in deficit.

Figure 1.1. Estonia's current account



Credit and debit turnovers in the current account still grew in 2012, but at a markedly slower rate than in 2011 and 2010, with credit turnover up by 4% on 2011 and debit turnover by 8%. Estonia traded mostly with EU Member States, which accounted for 67% of the credit turnover and 81% of the debit turnover. These figures have remained relatively stable over the years. The credit turnover with the European Union increased by 2% and the debit turnover by 8%. Sweden, Latvia, Lithuania and Russia are major trade partners for Estonia but are not members of the economic and monetary union (EMU), and so the euro area countries provide a noticeably smaller proportion of the total turnover than the EU total, with 32% of credit turnover and 38% of debit turnover. The five major partner countries accounted for 54% of both the credit turnover and the debit turnover, which was about the same as in 2011. Finland and Sweden led the lists for both turnovers, with Latvia fourth and Lithuania fifth. Russia was third in credit turnover and Germany was third in debit turnover. Estonia's highest current account surpluses were with Russia (902 million euros, see Table 1.3) and the United States (583 million euros), while the highest deficits were with Germany (892 million euros) and Poland (674 million euros). The surplus with Russia almost doubled during the year.

Table 1.3. Current account balance by groups of countries (EUR million)

	2011	2012
EU-27	**-1,785.3**	**-2,760.5**
Germany*	-849.3	-891.5
Poland	-649.6	-674.1
Lithuania	-321.2	-521.5
Netherlands	-190.6	-349.2
Finland	718.7	285.0
CIS	**575.4**	**873.0**
Russia	545.0	901.6
Belarus	-51.9	-117.3
Kazakhstan	25.3	91.6
Other countries	**1,501.2**	**1,577.4**
USA	639.9	583.1
China	-247.7	-379.6
Norway	239.2	256.1
Nigeria	391.2	168.5
Total	**291.4**	**-310.0**

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

Goods

Turnover in the goods account grew by less in 2012 than in 2011: exports of goods increased by 4.5% and totalled 12.6 billion euros, while imports grew by 8% to 13.4 billion euros (see Table 1.4). The trade deficit more than doubled due to the faster rate of import growth and reached 776 million euros, which is equal to 4.6% of annual GDP.

Table 1.4. Exports and imports of goods

	Goods – credit (f.o.b.)			Goods – debit (f.o.b.)			Balance (EUR m)
	Volume* (EUR m)	Change from previous period (%)	Share in total exports of goods and services (%)	Volume* (EUR m)	Change from previous period (%)	Share in total imports of goods and services (%)	
2003	4,054.8	9.5	67.4	5,430.3	11.2	81.6	-1,375.5
2004	4,764.2	17.5	67.5	6,333.3	16.6	81.9	-1,569.1
2005	6,347.9	33.2	70.8	7,898.0	24.7	81.7	-1,550.1
2006	7,774.0	22.5	73.0	10,078.1	27.6	83.6	-2,304.1
2007	8,132.2	4.6	71.2	10,772.9	6.9	82.7	-2,640.8
2008	8,490.1	4.4	70.2	10,531.2	-2.2	82.2	-2,041.1
2009	6,354.1	-25.2	66.4	7,051.2	-33.0	79.6	-697.1
2010	8,769.0	38.0	71.8	9,039.7	28.2	81.1	-270.7
2011	12,050.3	37.4	75.1	12,378.3	36.9	82.3	-328.0
2012	12,586.6	4.5	74.7	13,362.7	8.0	81.5	-776.1

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

According to preliminary foreign trade statistics for 2012[1], **goods exports** totalled 12.6 billion euros and imports in c.i.f. prices were 13.8 billion. The annual foreign trade deficit totalled 1.2 billion euros.

The **export of goods** increased across all groups of goods except mineral products (see Table 1.5). The main export items were again machinery and equipment, and their contribution to export growth was also the largest. The main goods in this group were mobile communications equipment and cables, sold principally to Sweden, and also to the USA and to a new market in Mexico. Road building machines were also supplied to Russia and various parts for electronic and machine production went to Finland and Russia. Exports of mineral products fell by 9% as the supply of imported motor fuels from Russia for processing fell. Fuels were delivered to the United States, Sweden and Nigeria, and electricity was sold to Latvia and Lithuania. The exports of timber and timber products increased slightly. Unprocessed and little processed timber was sold primarily to Sweden, Finland and Denmark; wooden houses to Norway and Germany; and wooden construction components and furniture to Sweden, Finland and Denmark.

Table 1.5. Exports by major groups of goods

	Volume (EUR m)		Share (%)		Change (%)
	2011	**2012**	**2011**	**2012**	**2012/2011**
Food	1,012.1	1,174.1	8.4	9.4	16.0
Mineral products	2,061.4	1,873.4	17.2	14.9	-9.1
Chemical products	914.7	1,029.7	7.6	8.2	12.6
Clothing, footwear and headgear	460.2	497.0	3.8	4.0	8.0
Timber, paper and products	1,240.7	1,247.4	10.3	9.9	0.5
Metals and metal products	1,030.5	1,041.3	8.6	8.3	1.0
Machinery and equipment	3,295.4	3,593.0	27.4	28.6	9.0
Transport vehicles	592.8	623.9	4.9	5.0	5.3
Furniture, toys, sporting goods	787.8	828.7	6.6	6.6	5.2
Other	618.3	641.1	5.1	5.1	3.7
Total	**12,013.9**	**12,549.5**	**100.0**	**100.0**	**4.5**

Total exports of food products grew by 16% year-on-year. In first place remained strong alcoholic beverages, which were imported from Great Britain and France and then sold on to Russia. Other food products like cheese and dairy products, fish and meat, cereals, and a variety of semi-finished products were mainly exported to Finland, Russia, Latvia and Lithuania. Metal products (steel products, iron constructions and waste metal) were exported to Finland, Turkey and Latvia and chemical products (mastics, putties, paints, varnishes, plastic products, ethers, and medicines) were exported to Russia, Latvia, Finland and Lithuania. The majority of exported transport vehicles were cars that were imported from Sweden and Germany and re-exported to Latvia, Lithuania and Russia. Car parts and accessories were sold to Sweden and Russia and trailers to Finland. Ready-made men's and women's clothes, footwear, sportswear, and other light industrial products (gold items, medical equipment, toughened-glass panes and glass products) were exported primarily to Finland, Russia, Latvia and Belgium.

The import of goods increased in most groups of goods except mineral and metal products (see Table 1.6). The largest contribution to the growth of imports came from machinery and equipment and transport

1 The analysis does not include the adjustments made to the goods account for repair of capital goods, provisions purchased from abroad and similar made by Eesti Pank. Imports are in c.i.f. prices and analysed by trading country.
Since Estonia's accession to the EU, the terms "exports" and "imports" are only applicable in reference to trade 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.

Table 1.6. Imports by major groups of goods

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
Food	1,260.7	1,360.8	9.9	9.9	7.9
Mineral products	2,277.1	2,137.2	17.9	15.5	-6.1
Chemical products	1,577.5	1,801.3	12.4	13.1	14.2
Clothing, footwear and headgear	685.9	740.0	5.4	5.4	7.9
Timber, paper and products	524.8	563.6	4.1	4.1	7.4
Metals and metal products	1,109.5	1,069.0	8.7	7.8	-3.7
Machinery and equipment	3,511.1	3,921.9	27.6	28.5	11.7
Transport vehicles	1,032.8	1,267.5	8.1	9.2	22.7
Furniture, toys, sporting goods	230.8	280.2	1.8	2.0	21.4
Other	511.0	620.4	4.0	4.5	21.4
Total	**12,721.2**	**13,761.8**	**100.0**	**100.0**	**8.2**

vehicles. Electronic products and semi-finished products were imported from Sweden, Finland, Germany, China and Poland. The import of transport vehicles grew by over 23%, mainly with the supply of vehicles and parts from Sweden and Germany. Purchases of railway rolling stock from Ukraine and ships from Finland were also significant. Mineral products (motor fuel for processing and domestic supply, natural gas and electricity) were purchased from Lithuania, Russia, Finland, Latvia and Belarus. The main items in the chemical products group were medicines from Lithuania and Latvia, chemicals for improving motor fuels from Russia, ethers from Holland and Belgium, car tyres from Poland and fertilisers from Finland.

The import of food products from the Baltic States has grown year by year, and fish, confectionary and chocolate products, and animal feed were bought from Latvia, and tobacco, fish products and non-alcoholic drinks from Lithuania. The largest import items among food products were again strong alcoholic beverages from the United Kingdom, France, Finland and the Netherlands. Various metal products were imported from Finland, Germany, Sweden and Poland; clothing and footwear from Latvia, Finland, Germany, China and Italy; and timber and timber products (sawn timber, veneer, paper and cardboard products) from Finland, Russia and Latvia.

The foreign trade deficit was 500 million euros higher than in 2011 and reached 1.2 billion euros (see Table 1.7). Transport vehicles, machinery and equipment and chemical products had the largest impact on the trade deficit, while timber and timber products, furniture and other industrial goods were in surplus.

Tabel 1.7. Foreign trade balance by major groups of goods (EUR m)

	2011	2012
Food	-248.6	-186.7
Mineral products	-215.8	-263.8
Chemical products	-662.8	-771.6
Clothing, footwear and headgear	-225.6	-243.0
Timber, paper and products	715.9	683.8
Metals and metal products	-79.0	-27.7
Machinery and equipment	-215.7	-328.9
Transport vehicles	-440.0	-643.6
Furniture, toys, sporting goods	557.0	548.6
Other	107.3	20.7
Total	**-707.3**	**-1,212.3**

Viewed by **groups of countries, exports of goods** increased to the EU and the CIS. (see Table 1.8). The share of goods exported to the EU was the same as in 2011. Machinery and equipment (primarily electronic products) comprised 30% of the exports to the EU, followed by timber and timber products, mineral products and food. Exports to the CIS increased by 15%. The leading place was taken by machinery and equipment with 38% of the exports to CIS countries, with chemical and food products following. Estonia's biggest trade partner in the CIS is Russia, which remained third in the overall export ranking. Exports to other countries fell slightly, with the USA, Norway and Nigeria the biggest trading partners and mineral products the largest group of goods.

The **import of goods** from members of the European Union increased, while the CIS and other countries remained at the level of 2011 (see Table 1.9). Machinery and equipment accounted for 30% of the imports of goods from EU countries, followed by chemical products, food products and mineral products. Mineral products (fuels and natural gas) provided 54% and transport vehicles 11% of the imports from CIS countries. Imports from other countries largely consisted of machinery and equipment (components of electronic products), and textile products.

Foreign trade with the EU was in deficit by 2.8 billion euros (see Table 1.10). Among the EU Member States, Estonia's biggest trade deficits were with Germany, Poland and Lithuania, and the largest surpluses were with Sweden, Denmark and Spain. The trade balance with CIS countries, principally Russia, improved significantly. Among the CIS countries, Estonia had trade deficits with Belarus and Ukraine only. Among other countries, Estonia had trade surpluses with the United States, Norway, Nigeria and Turkey, and the largest trade deficit was with China.

Table 1.8. Exports of goods by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
EU-27	**7,821.6**	**8,183.3**	**65.1**	**65.2**	**4.6**
Sweden	1,876.4	1,997.8	15.6	15.9	6.5
Finland	1,811.3	1,823.3	15.1	14.5	0.7
Latvia	957.8	1,096.8	8.0	8.7	14.5
Lithuania	549.6	675.3	4.6	5.4	22.9
Germany	550.4	565.9	4.6	4.5	2.8
CIS	**1,583.6**	**1,824.4**	**13.2**	**14.5**	**15.2**
Russia	1,312.5	1,515.4	10.9	12.1	15.5
Ukraine	105.7	118.6	0.9	0.9	12.2
Kazakhstan	48.3	86.1	0.4	0.7	78.1
Other	**2,608.7**	**2,541.9**	**21.7**	**20.3**	**-2.6**
USA	750.0	584.6	6.2	4.7	-22.1
Norway	361.5	421.7	3.0	3.4	16.7
Nigeria	391.4	177.0	3.3	1.4	-54.8
Total	**12,013.9**	**12,549.5**	**100.0**	**100.0**	**4.5**

Table 1.9. Imports of goods by groups of countries*

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
EU-27	**9,993.5**	**11,015.0**	**78.6**	**80.0**	**10.2**
Finland	1,605.9	1,981.1	12.6	14.4	23.4
Germany	1,306.6	1,410.1	10.3	10.2	7.9
Sweden	1,332.2	1,400.1	10.5	10.2	5.1
Latvia	1,363.1	1,315.6	10.7	9.6	-3.5
Lithuania	1,038.3	1,182.8	8.2	8.6	13.9
CIS	**1,376.1**	**1,383.6**	**10.8**	**10.1**	**0.5**
Russia	1,044.2	933.2	8.2	6.8	-10.6
Belarus	147.2	202.0	1.2	1.5	37.2
Ukraine	102.1	197.0	0.8	1.4	93.0
Other	**1,351.7**	**1,363.3**	**10.6**	**9.9**	**0.9**
China	454.8	479.4	3.6	3.5	5.4
Norway	142.5	183.7	1.1	1.3	28.9
USA	140.1	119.1	1.1	0.9	-15.0
Total	**12,721.2**	**13,761.8**	**100.0**	**100.0**	**8.2**

* Analysed by trading country.

Table 1.10. Foreign trade balance by groups of countries (EUR million)

	2011	2012
EU-27	-2,171.9	-2,831.6
CIS	207.5	440.7
Other countries	1,257.0	1,178.6
Total	**-707.3**	**-1,212.3**

Services

The surplus on the services account was 1.2 billion euros in 2012, similar to what it was a year earlier (see Table 1.11). The surplus from services stood at 7% of GDP. Exports of services made up 25% of the total exports of goods and services, a number that has fallen slightly over the years. Services imports made up 19% of the total imports of goods and services, a number that has been relatively

Table 1.11. Exports and imports of services

	Export			Import			Balance	
	Volume (EUR m)	Change from previous period (%)	Share in total turnover of goods and services (%)	Volume (EUR m)	Change from previous period (%)	Share in total turnover of goods and services (%)	Volume (EUR m)	Change from previous period (%)
2003	1,960.4	8.9	32.6	1,227.0	5.1	18.4	733.4	16.0
2004	2,293.7	17.0	32.5	1,403.1	14.3	18.1	890.7	21.4
2005	2,612.0	13.9	29.2	1,772.7	26.3	18.3	839.3	-5.8
2006	2,870.9	9.9	27.0	1,980.6	11.7	16.4	890.3	6.1
2007	3,289.2	14.6	28.8	2,247.1	13.5	17.3	1,042.1	17.0
2008	3,600.8	9.5	29.8	2,285.5	1.7	17.8	1,315.3	26.2
2009	3,219.3	-10.6	33.6	1,809.9	-20.8	20.4	1,409.4	7.1
2010	3,441.4	6.9	28.2	2,102.1	16.1	18.9	1,339.3	-5.0
2011	3,986.8	15.8	24.9	2,664.8	26.8	17.7	1,322.0	-1.3
2012	4,256.2	6.8	25.3	3,042.5	14.2	18.5	1,213.8	-8.2

stable. European Union countries consumed 67% of the exported services and 80% of the imported services were bought from these countries. The five major trade partners for both exports and imports were Finland, Sweden, Germany, Latvia and Russia, though in slightly different orders. These five countries accounted for 55% of exports of services and 47% of imports and Finland was the biggest partner for both imports and exports. The balance for services was positive with the majority of trade partners. The largest surpluses were with Finland (656 million euros) and Russia (314 million euros), while the largest deficits were with France (107 million euros) and Cyprus (83 million euros).

The surplus on the services account was mainly boosted by transport services, which made up 42% of the total surplus (46% in 2011, see Table 1.12). The surplus from exports of transport services fell by 17% year-on-year. The surplus from travel services was 28% of the total surplus and grew slightly during the year. In third place came other business services, which supplied 22% of the total surplus, up from 19% in the previous year. In general there was a surplus in most categories of service except transport of goods, copyright and licensing, leasing, and construction services. Construction services were in surplus in 2011 but were in deficit in 2012. The main reason for this was the extensive renovation work in the energy generating industry in Estonia.

Services exports increased by 7% from 2011 (see Table 1.13). A record 4.3 billion euros of services were provided to foreign countries. The structure of services exports has remained relatively stable, with

Table 1.12. Services balance by major categories

	Balance (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
Transport	607.2	505.9	45.9	41.7	-16.7
transport of goods	57.9	-12.1	4.4	-1.0	-120.9
transport of passengers	210.9	159.0	16.0	13.1	-24.6
other transport services	338.5	359.0	25.6	29.6	6.1
Travel	318.5	335.0	24.1	27.6	5.2
Construction services	58.2	-13.7	4.4	-1.1	-123.5
Computer and information services	70.4	96.3	5.3	7.9	36.8
Other business services	251.7	264.9	19.0	21.8	5.2
Government services	12.2	12.2	0.9	1.0	0.0
Other	3.8	13.1	0.3	1.1	244.7
Total	**1,322.0**	**1,213.8**	**100.0**	**100.0**	**-8.2**

Table 1.13. Services exports by major categories

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
Transport	1,553.8	1,668.2	39.0	39.2	7.4
transport of goods	694.7	799.1	17.4	18.8	15.0
transport of passengers	306.7	286.3	7.7	6.7	-6.7
other transport services	552.5	582.8	13.9	13.7	5.5
Travel	897.3	954.1	22.5	22.4	6.3
Construction services	237.1	244.6	5.9	5.7	3.2
Computer and information services	173.8	217.5	4.4	5.1	25.1
Other business services	825.8	859.1	20.7	20.2	4.0
Government services	35.7	38.4	0.9	0.9	7.6
Other	263.4	274.4	6.6	6.4	4.2
Total	**3,986.8**	**4,256.2**	**100.0**	**100.0**	**6.8**

transport services accounting for 40%, travel services for 22% and other business services for 20%. The latter include trade services, operational lease, legal assistance, accounting, management consulting, scientific and technical services and other professional services. Exports of services grew for the most part. The fastest growth was in computer and information services, which saw exports increase fourfold over the year. Year-on-year, transport services exports increased by 7%, travel services exports by 6% and other business services exports by 4%. The only falls were in communication services and copyright and licensing fees, which have low turnover.

Two thirds of exports of services went to EU member states, where sales were similar to those of the previous year (see Table 1.14). By far the most important buyer of services from Estonia was Finland, which took one quarter of the exports of services. The volume of exports to Finland also remained at the level of 2011. The structure of exports to Finland remained almost the same as a year before, with travel services making up 38%, transport services 29%, other business services 17% and construction services 12%. Exports of services to the CIS, primarily Russia, grew by 14% and accounted for 15% of total exports. Around half of the services sold to Russia were transport services, followed by travel services with 28% and other business services with 15%. Services exports to the other countries increased by about one third, making up 19% of total exports, with low-tax regions, the USA and Switzerland prominent. Exports to offshore regions were primarily made up of transport services and also to a smaller extent of computer and information services. Exports to the United States consisted mainly of transport, computer and other business services.

Services imports grew 14% year-on-year, to stand at 3 billion euros (see Table 1.15). Transport services accounted for 38% of services imports, while travel services and business services accounted for 20% each. The main driver of the growth in services imports was transport services, which increased by 22%, largely due to the costs associated with bringing ever-larger volumes of imported goods to the country. The fastest growth was, however, seen by construction services bought from abroad, which increased by almost half. Construction services were mainly bought from France and Germany and were largely in connection with the renovation work in the energy sector. Imports of computer and information services also grew at a faster rate, 18%, than earlier.

Table 1.14. Services exports by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
EU-27	**2,835.4**	**2,840.9**	**71.1**	**66.7**	**0.2**
Finland	1,085.4	1,083.4	27.2	25.5	-0.2
Sweden	329.5	331.4	8.3	7.8	0.6
Latvia	230.1	255.4	5.8	6.0	11.0
Germany	165.3	205.1	4.1	4.8	24.1
CIS	**541.0**	**617.8**	**13.6**	**14.5**	**14.2**
Russia	420.9	481.5	10.6	11.3	14.4
Kazakhstan	51.7	59.4	1.3	1.4	14.9
Ukraine	29.5	33.3	0.7	0.8	12.9
Other	**610.4**	**797.6**	**15.3**	**18.7**	**30.7**
offshore regions	185.2	231.5	4.6	5.4	25.0
USA	87.3	160.0	2.2	3.8	83.3
Switzerland	129.1	159.5	3.2	3.7	23.5
Total	**3,986.8**	**4,256.2**	**100.0**	**100.0**	**6.8**

Table 1.15. Services imports by major categories

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
Transport	946.6	1,162.3	35.5	38.2	22.8
transport of goods	636.8	811.2	23.9	26.7	27.4
transport of passengers	95.8	127.3	3.6	4.2	32.9
other transport services	214.0	223.8	8.0	7.4	4.6
Travel	578.8	619.1	21.7	20.3	7.0
Construction services	178.9	258.2	6.7	8.5	44.3
Computer and information services	103.4	121.1	3.9	4.0	17.1
Other business services	574.0	594.2	21.5	19.5	3.5
Government services	23.6	26.2	0.9	0.9	11.0
Other	259.6	261.2	9.7	8.6	0.6
Total	**2,664.8**	**3,042.5**	**100.0**	**100.0**	**14.2**

Table 1.16. Services imports by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
EU-27	**2,151.2**	**2,422.9**	**80.7**	**79.6**	**12.6**
Finland	425.6	427.8	16.0	14.1	0.5
Germany	269.4	279.9	10.1	9.2	3.9
Sweden	274.6	278.9	10.3	9.2	1.6
Latvia	240.3	270.4	9.0	8.9	12.5
CIS	**173.2**	**221.0**	**6.5**	**7.3**	**27.6**
Russia	131.4	167.5	4.9	5.5	27.5
Ukraine	15.7	24.5	0.6	0.8	56.1
Belarus	19.9	19.4	0.7	0.6	-2.5
Other	**340.4**	**398.6**	**12.8**	**13.1**	**17.1**
Norway	68.5	66.8	2.6	2.2	-2.5
China	48.1	60.0	1.8	2.0	24.7
USA	55.8	55.8	2.1	1.8	0.0
Total	**2,664.8**	**3,042.5**	**100.0**	**100.0**	**14.2**

As in 2011, 80% of services were bought from EU countries in 2012, and the volume of imports from those countries increased by 13% (see Table 1.16). The major partner countries in this were Finland, Germany, Sweden and Latvia. Purchases of services from the CIS, principally Russia, rose by 28%, and from other countries by 17%. The main purchases from Finland were travel, transport and other business services; from Germany it was transport, construction, travel and other business services; from Sweden transport services; from Latvia other business services and transport services; from Russia transport and travel services; from Norway travel services; from China transport services; and from the USA travel and transport services.

The surplus on transport services, which is one of the most important service types in the Estonian balance of payments' services account, was 17% lower in 2012 than in 2011 at 56 million euros (see Table 1.12 and Figures 1.2 and 1.3). The surplus mostly fell in the transport of goods and passengers and the usual surplus in transport of goods was replaced by a small deficit in 2012. The main contributor to the surplus in transport services was provided by other transport services, such as storage, packaging, navigation fees and rescue, which accounted for 71% of the surplus in transport services. Analysis of transport services across different types of transport shows that maritime and rail transport contributed roughly equally to the surplus with 270-280 million euros, while road transport contributed about half as much. Air transport was in deficit by 155 million euros, almost double the amount of the previous year.

Figure 1.2. Transport services

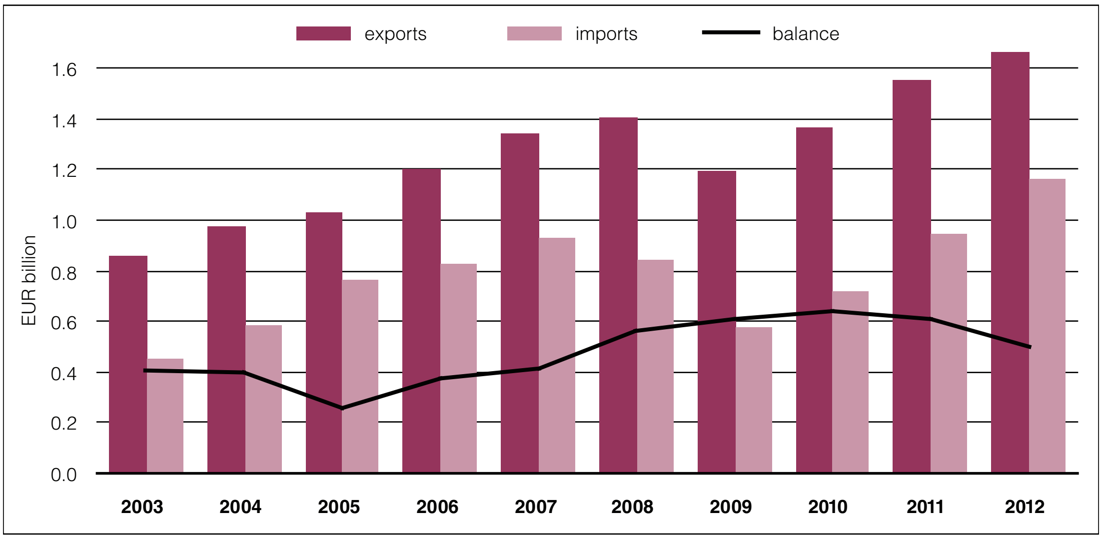
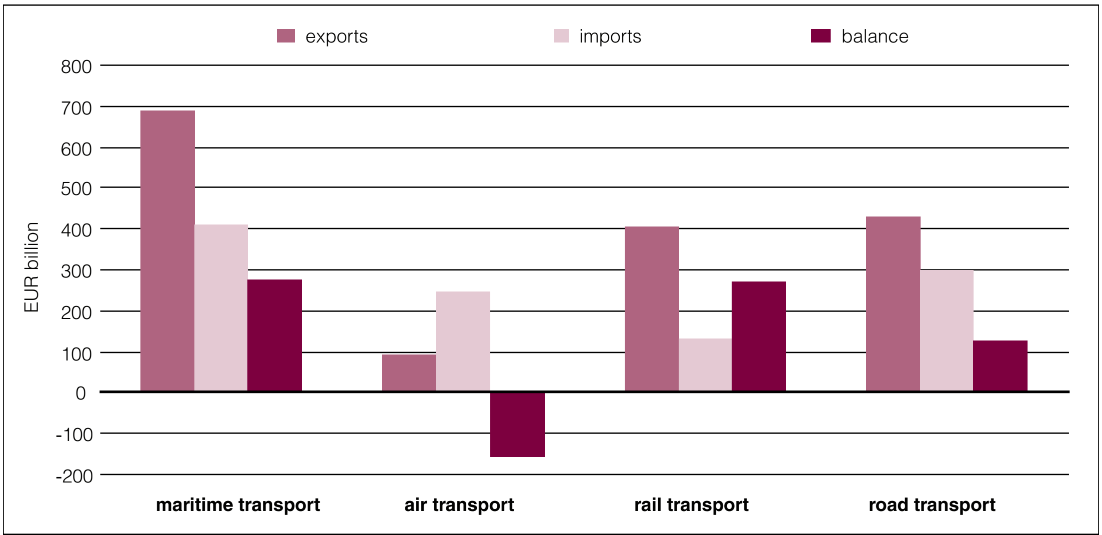


Figure 1.3. Transport services structure in 2012 by transport type



Exports of **transport services** grew 7% year-on-year, to stand at almost 1.7 billion euros (see Table 1.13). Freight transport comprised 48% of the exports of transport services, followed by other transport services at 35% and passenger transport at 17%. Exports of freight transport increased by 15% over the year and exports of other transport services increased by 6%, while exports of passenger transport fell by 7%. Across different types of transport, the largest increase in exports of transport services, of 14%, was in maritime transport, while rail and road transport increased by 6-7%. Air transport services fell by 16%, primarily due to a drop of one third in exports of passenger transport. Air freight and other transport services remained at around their levels of the previous year. The growth in exports of maritime and rail transport services was mainly in freight, and maritime transport was also boosted by other transport services. European Union countries took 61% of exports of transport services, 16% went to the CIS countries, primarily Russia, and 24% to other countries (see Table 1.17). Exports to the EU grew by 3%,

Table 1.17. Transport services by groups of countries in 2012

	Exports				Imports		
	Volume (EUR m)	Share (%)	Change (%), 2012/2011		Volume (EUR m)	Share (%)	Change (%), 2012/2011
EU-27	**1,010.7**	**60.6**	**2.9**	**EU-27**	**896.5**	**77.1**	**21.9**
Finland	310.7	18.6	-0.4	Sweden	130.8	11.3	22.6
Sweden	145.1	8.7	9.9	Finland	123.6	10.6	23.2
Latvia	96.1	5.8	28.4	Germany	115.3	9.9	16.5
United Kingdom	84.3	5.1	15.8	Latvia	81.5	7.0	12.8
Netherlands	77.1	4.6	-21.1	Lithuania	65.7	5.7	3.7
CIS	**258.3**	**15.5**	**-5.0**	**CIS**	**102.0**	**8.8**	**43.7**
Russia	229.7	13.8	2.9	Russia	75.8	6.5	56.2
Ukraine	9.2	0.6	-20.1	Belarus	11.9	1.0	-11.6
Other	**399.2**	**23.9**	**33.0**	**Other**	**163.8**	**14.1**	**16.8**
offshore regions	153.9	9.2	24.2	China	51.4	4.4	19.9
Switzerland	121.5	7.3	44.9	offshore regions	30.3	2.6	35.9
USA	40.5	2.4	39.2	Norway	17.6	1.5	28.4
Total	**1,668.2**	**100.0**	**7.4**	**Total**	**1,162.3**	**100.0**	**22.8**

while those to other countries, particularly offshore regions, Switzerland and the USA, grew by one third. The biggest buyers of transport services were Estonia's neighbours, Finland and Russia.

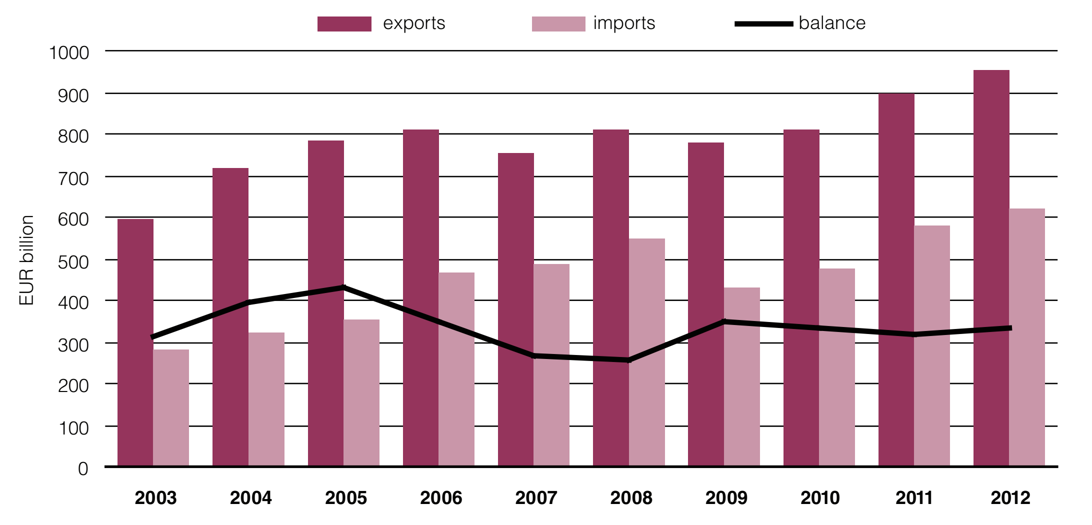
Imports of transport services increased by more than 20% to almost 1.2 billion euros (see Table 1.15). Freight transport accounted for 70% of the imports of transport services, and increased in volume by 27% during the year. The growth was largely caused by the cost of transport for bringing the record imports of goods to the country. The share of other transport services in imports of transport services was 19% and that of passenger transport was 11%. Imports of passenger transport increased by one third and imports of other transport services by 5%. The fastest growth in imports of transport services was in rail transport, which rose by 34%, followed by air, maritime and road transport at 24-27%. The EU supplied the largest share of the goods that were imported to Estonia, and this is why its share of imports of transport services is so high at 77%, increasing by one fifth during the year. Purchases of transport services from the CIS grew by almost half, mainly from Russia. Sweden and Finland held the lead position in transport services imports with 11% each of the total volume, followed by Germany, Latvia, Russia and Lithuania.

The exports of **travel services** totalled 954 million euros in 2012, which is 6% more than in 2011 (see Figure 1.4). Imports of travel services grew by 7% from a year ago to 619 million euros. The surplus on travel services was 335 million euros, or 2% of GDP.

In 2012, exports of travel services saw more than 5.3 million visits made to Estonia, which is about the same as in 2011. Visitors from the European Union made up 76% of this number, and their total was 6% less than in the previous year. Finland, the largest partner in this, supplied 3% fewer visitors, while the largest falls in visitor numbers were among those from the UK and Poland, down by 26%, and from Sweden and Italy, down by 20%. At the same time, the number of visitors from Russia rose by 31%, while the number coming from the USA increased by a factor of 2.2, largely through cruise ship passengers.

Despite the slight fall in visitor numbers, Finland remained Estonia's largest export partner for travel services with 43% of the total in financial terms. Russia followed with 14% and Germany moved up into third place with 6%, just ahead of Sweden (see Table 1.18). The share of travel services going to the EU fell over the year from 80% to 75%, while the share of the CIS rose from 12% to 15%.

Figure 1.4. Travel services



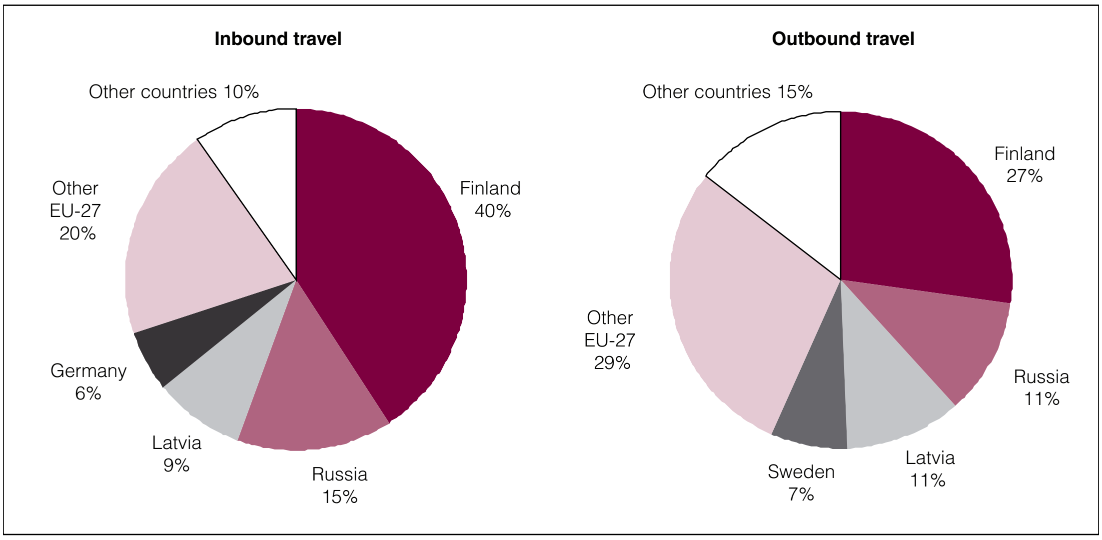
In 2012, imports of travel services saw Estonian residents visit foreign countries more than 3.8 million times, which is about the same as in the previous year. Neighbouring countries hosted 57% of the foreign trips, with 27% going to Finland, 11% each to Latvia and Russia, and 7% to Sweden (see Figure 1.5). A large number of these trips continued on into other countries. Single night stays accounted for 31% of the trips abroad. While the number of trips to other neighbouring countries increased, the number of visits to Russia fell by 29%. Among the main holiday destinations, France saw 22% more visitors than in the previous year, Italy 24% more and Spain 21% more.

The imports of travel services from the EU grew by 2% and those from the CIS by 9%. There was gross growth in imports of travel services only for other countries, which saw imports increase by an average of 30%.

Table 1.18. Travel services by groups of countries in 2012

	Exports				Imports		
	Volume (EUR m)	Share (%)	Change (%), 2012/2011		Volume (EUR m)	Share (%)	Change (%), 2012/2011
EU-27	**716.6**	**75.1**	**-0.6**	**EU-27**	**443.6**	**71.7**	**2.0**
Finland	410.0	43.0	-0.7	Finland	146.5	23.7	-15.8
Germany	59.1	6.2	20.9	Latvia	44.7	7.2	39.3
Sweden	57.2	6.0	-17.2	Germany	34.9	5.6	13.1
Latvia	38.3	4.0	-4.5	United Kingdom	34.6	5.6	-0.5
CIS	**144.9**	**15.2**	**31.3**	**CIS**	**52.8**	**8.5**	**9.1**
Russia	136.3	14.3	30.9	Russia	44.8	7.2	5.4
Ukraine	4.6	0.5	23.9	Ukraine	4.0	0.6	34.5
Other	**92.6**	**9.7**	**35.1**	**Other**	**122.7**	**19.8**	**28.5**
USA	27.4	2.9	94.5	Norway	28.6	4.6	22.4
Norway	21.4	2.2	21.4	Turkey	17.6	2.8	13.1
Canada	5.6	0.6	35.4	USA	13.3	2.1	19.7
Total	**954.1**	**100.0**	**6.3**	**Total**	**619.1**	**100.0**	**7.0**

Figure 1.5. International travel statistics by country in 2012



Income

The net outflow of income grew by 3% in 2012 to 987 million euros, or 5.8% of GDP (see Table 1.19). Both the income earned by Estonian residents abroad and the income earned by non-residents in Estonia fell. A distinctive feature of the Estonian balance of payments is the high share in the net outflow of income of reinvested earnings, which is a book value. This was the case in 2012, when the net outflow of reinvested earnings was 86% of the net outflow from the total income account (see Table 1.20). Reinvested earnings excluded, the income account actually saw a net inflow of income of 0.2% of GDP.

Of the two main components of income, labour income recorded a net inflow of 202 million euros, while investment income posted a net outflow of 1.2 billion euros. As the number of residents working abroad increased, the net inflow of labour income increased over the year by 6%. The net outflow of investment income (income on direct, portfolio and other investment), increased by 4% and mostly consisted of direct investment income, or reinvested earnings. The flows of income were small in portfolio and other

Table 1.19. Income

	Inflow		Outflow		Balance	
	Volume (EUR m)	Change from previous period (%)	Volume (EUR m)	Change from previous period (%)	Volume (EUR m)	Change from previous period (%)
2003	229.1	6.3	691.8	23.5	-462.8	34.3
2004	350.7	53.1	859.8	24.3	-509.1	10.0
2005	589.6	68.1	1,045.0	21.5	-455.3	-10.6
2006	866.4	46.9	1,554.3	48.7	-687.9	51.1
2007	1,210.3	39.7	2,269.2	46.0	-1,058.9	53.9
2008	1,142.3	-5.6	2,026.1	-10.7	-883.8	-16.5
2009	657.8	-42.4	1,163.8	-42.6	-506.0	-42.7
2010	703.5	7.0	1,597.0	37.2	-893.5	76.6
2011	871.4	23.9	1,827.7	14.4	-956.3	7.0
2012	774.7	-11.1	1,761.3	-3.6	-986.6	3.2

Table 1.20. Structure of income account

	Balance (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
Labour income	189.5	201.5	-19.8	-20.4	6.4
Investment income	-1,145.8	-1,188.1	119.8	120.4	3.7
Income on direct investment	-1,129.7	-1,194.3	118.1	121.1	5.7
income on equity	-1,121.9	-1,205.2	117.3	122.2	7.4
dividends	-355.3	-179.6	37.2	18.2	-49.4
reinvested earnings	-766.6	-1,025.6	80.2	104.0	33.8
income on debt (interests)	-7.7	10.9	0.8	-1.1	-241.2
Income on portfolio investment	94.4	64.1	-9.9	-6.5	-32.0
Income on other investment	-110.5	-58.0	11.6	5.9	-47.5
Total	**-956.3**	**-986.6**	**100.0**	**100.0**	**3.2**

investment (loans and deposits), the other components of investment income. The net outflow of other investment income, or interest income, was 58 million euros. The portfolio investment inflow was 64 million euros bigger than the outflow.

The **inflow of income** from labour and capital income earned abroad by residents dropped by 11% over the year to 775 million euros (see Table 1.21). EU countries provided 85% of the investment inflow (see Table 1.22), and this volume saw a drop of 18% over the year. The drop mainly happened in Lithuania, Finland, Latvia and Sweden. The inflow of income from the CIS and other countries was much more modest in volume but grew faster, with income earned in CIS countries more than doubling over the year. One third of the inflow of income was labour income, which rose by 7% during the year to 266 million euros. Estonian residents earned income mainly in Finland (47% of the total labour income inflow), and also in Sweden, the United Kingdom and the United States (7–8% each), and Germany and Norway (3-5%). Labour income from Russia rose 2.4 times year-on-year, while that from the USA rose by 70% and from Norway by 47%. Labour income from Sweden fell by almost one fifth.

The largest share of income inflows was accounted for by the 509 million euros of investment income, though this fell by 18% in 2012. Direct investment income made up 60% of the investment income inflow, portfolio investment income 22%, and interest income 18%. The fall in the inflow of investment income was above all a consequence of the fall of one quarter in the inflow of direct investment income. Dividends of 302 million euros were drawn from direct investments abroad, leading to a fall in reinvested earnings,

Table 1.21. Income inflow to Estonia

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
Labour income	248.0	265.5	28.5	34.3	7.0
Investment income	623.3	509.2	71.5	65.7	-18.3
Income on direct investment	402.4	305.3	46.2	39.4	-24.1
income on equity	343.5	248.7	39.4	32.1	-27.6
dividends	120.2	301.8	13.8	39.0	151.0
reinvested earnings	223.3	-53.1	25.6	-6.9	-123.8
income on debt (interests)	58.9	56.6	6.8	7.3	-3.8
Income on portfolio investment	135.9	113.9	15.6	14.7	-16.2
Income on other investment	85.0	90.0	9.8	11.6	6.0
Total	**871.4**	**774.7**	**100.0**	**100.0**	**-11.1**

Table 1.22. Income by groups of countries in 2012

	Inflow				Outflow		
	Volume (EUR m)	Share (%)	Change (%), 2012/2011		Volume (EUR m)	Share (%)	Change (%), 2012/2011
EU-27	**659.7**	**85.2**	**-18.2**	**EU-27**	**1,516.4**	**86.1**	**-12.1**
Cyprus	135.0	17.4	25.0	Sweden	534.3	30.3	-30.6
Lithuania	102.1	13.2	-49.1	Finland	339.5	19.3	6.8
Finland	96.9	12.5	-33.8	Netherlands	183.3	10.4	32.8
Latvia	94.5	12.2	-10.2	Lithuania	125.9	7.1	187.5
Sweden	35.7	4.6	-18.4	Denmark	57.5	3.3	-10.9
CIS	**68.0**	**8.8**	**116.5**	**CIS**	**80.5**	**4.6**	**17.3**
Russia	34.6	4.5	78.2	Russia	59.2	3.4	17.3
Belarus	18.4	2.4	4,696.3	Belarus	12.5	0.7	105.6
Ukraine	12.0	1.5	105.1	Ukraine	6.5	0.4	15.7
Other	**47.0**	**6.1**	**39.2**	**Other**	**164.5**	**9.3**	**5.6**
USA	23.2	3.0	45.8	Norway	49.6	2.8	40.6
Norway	8	1.0	50.5	offshore regions	47.1	2.7	41.4
offshore regions	3.6	0.5	15.3	USA	22.3	1.3	151.4
Total	**774.7**	**100.0**	**22.5**	**Total**	**1,761.3**	**100.0**	**-3.6**

while some earnings came from intra-group loans. Foreign equity and bonds brought in 114 million euros of income, which was 16% less than in 2011. Other investment income, or interest income, grew by 6% from 2011 and amounted to 90 million euros.

In 2011 investors in financial intermediation (excluding insurance and pension funds) earned the most abroad by receiving 35% of the investment income inflow, but in 2012 investors in water transport headed the list (see Figure 1.6). They received 22% of the inflow of investment income, and their inflows grew by 30% during the year. Income for investors in financial intermediation fell by almost 70% to make up 15% of inflows, due to a structural change in the banking sector in 2011. In second place for inflows of investment income were investors in head offices with 19% of the inflow, one tenth less than a year earlier.

Three countries supplied 63% of the investment income inflow: Cyprus with 26%, Lithuania with 20% and Latvia with 17%. The inflow of investment income from Cyprus grew by a quarter, while that from Latvia and particularly Lithuania contracted due to a structural change in the banking sector. The investment income from Cyprus was primarily earned by investors in maritime transport. Of the investment income earned in Lithuania, 49% came from investors in head offices, 23% from investors in insurance, and 14% from investors in financial intermediation (excluding insurance and pension funds). The income of the investors in head offices contracted by half, and that of investors in financial intermediation by 80% year-on-year. The investment income from Latvia was earned by investors in various fields. Investors in financial intermediation dominated, though their share of investment income earned in Latvia fell from 65% to 26%, and their total earnings fell by around two thirds. Investors in head offices were in second position with 23% of total income and growth of 60%. Real estate investors and insurance investors each earned 10% of the income, with income from insurance doubling over the year. Other investors who earned income in Latvia were investors in wood processing, wholesale, energy generation, warehousing and information.

Income outflow declined by 4% to 1.8 billion euros (see Table 1.23). EU countries received 86% of the outflow, the same figure as for the inflow, though the fall in the outflow was smaller at 12% from the

Table 1.23. Income outflow from Estonia

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
Labour income	-58.6	-64.0	3.2	3.6	9.2
Investment income	-1,769.1	-1,697.3	96.8	96.4	-4.1
Income on direct investment	-1,532.1	-1,499.6	83.8	85.1	-2.1
income on equity	-1,465.5	-1,453.9	80.2	82.5	-0.8
dividends	-475.6	-481.5	26.0	27.3	1.2
reinvested earnings	-989.9	-972.4	54.2	55.2	-1.8
income on debt (interests)	-66.6	-45.7	3.6	2.6	-31.4
Income on portfolio investment	-41.6	-49.7	2.3	2.8	19.6
Income on other investment	-195.5	-148.0	10.7	8.4	-24.3
Total	-1,827.7	-1,761.3	100.0	100.0	-3.6

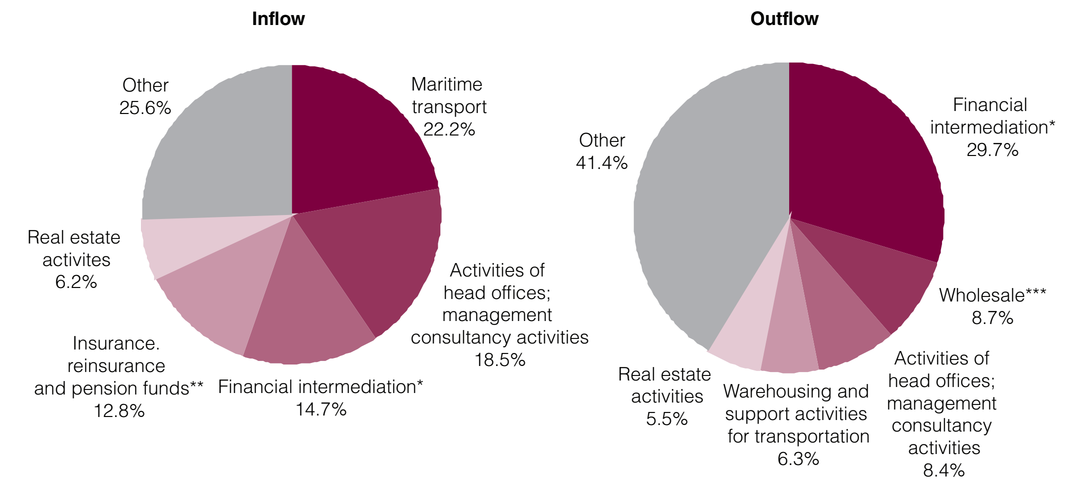
previous year. In contrast to the inflow, the outflow saw only a small role played by labour income at 4% or 64 million euros though this was 9% more than in 2011. The outflow of investment income was 1.7 billion euros, which was 2% less than a year before. In Estonia, labour income was primarily earned by Finnish, Latvian and Russian residents.

As in 2011, the largest share of the investment income outflow in 2012 came from direct investment income with 88% or 1.5 billion euros, followed by interest income with 9% and portfolio investment income with 3%. Year-on-year, the outflow of direct investment income fell by 2% and interest income by around 25%, while portfolio investment income went up by one fifth. The structure of the outflow of direct investment income was the same as in 2011, with reinvested income at 972 million euros accounting for 65% of the outflow, 482 million euros of dividends accounting for 32%, and interest payments on loans between direct investment companies accounting for the other 44 million euros or 3%. Outflows of both dividend income and reinvested earnings were close to what they were in the same quarter of the previous year, while interest income was one third lower. Reinvested earnings are a book value where no actual cash transactions happen. They are considered as a direct investment in Estonia and are recorded in the financial account of the balance of payments under direct investment inflow.

Foreign investors earned income from Estonia in very many different fields. In leading position was financial intermediation (excluding insurance and pension funds), which provided 30% of the investment income outflow, followed by wholesale with 9% and the activities of head offices with 8%, then warehousing and support activities for transportation, and real estate, each with 6% (see Figure 10). The income on investment in financial intermediation, activities of head offices, and warehousing and support activities for transportation shrank during the year, There was a noticeable rise in the outflow of investment income from operating leases, retail and wholesale.

Almost two thirds of the investment income earned in Estonia went to three countries, with Sweden taking 31% (43% in 2011), Finland 19% and the Netherlands 11%. The investment income outflow to Sweden fell by one third, mainly in relation to the structural change in the banking sector. Outflows of investment income to Finland increased by 8%, to the Netherlands by 33%, and to Lithuania by 300%. As they had in 2011, Swedish investors earned 57% of their income in Estonia in 2012 in financial intermediation (excluding insurance and pension funds) but the volume of this fell by a third. Next came investments in head offices with 11%, and production of computers and electronics with 6%, with both of these falling by half. As Finnish residents have invested widely in Estonia, their investment income is earned in a wide range

Figure 1.6. Inflow and outflow of investment income by fields of activity in 2012



* not including insurance and pension funds
** not including social insurance
***not including motor vehicles and motorcycles

of fields. As with Sweden, investors in financial intermediation ranked first with 14% of the total investment income earned in Estonia (23% in 2011), and they too saw the volume fall by one third year-on-year. Next came investors in wholesale at 12%, production of motor vehicles and trailers, and telecommunications at 6% each and so forth. Investment income from operating leases and retail increased many times over. Investments from the Netherlands were more concentrated, remaining mainly in three areas. Dutch investors earned 41% of their total investment income in Estonia from investment in warehousing and support activities for transportation, 19% from head office activities, and 11% from real estate activities. Income from warehousing and support activities for transportation fell, while income from head office activities tripled.

Current transfers and the capital account

The surplus on the current transfers account fell slightly from 2011 to 239 million euros in 2012 (see Table 1.24).

Table 1.24. Current and capital transfers by groups of countries (EUR million)

	Received		Paid		Balance	
	2011	2012	2011	2012	2011	2012
Current transfers	610.3	614.1	356.7	375.2	253.6	238.9
government transfers	256.9	181.8	194.5	211.2	62.3	-29.4
EU-27	245.0	172.3	177.7	199.6	67.3	-27.3
CIS	2.9	5.6	0.7	1.1	2.1	4.5
other	9.0	3.9	16.1	10.6	-7.1	-6.6
private transfers	353.5	432.3	162.1	164.0	191.3	268.3
EU-27	284.6	339.0	131.1	130.3	153.5	208.6
CIS	44.9	57.5	14.2	15.2	30.7	42.3
other	24.0	35.9	16.9	18.4	7.1	17.4
Capital transfers	484.6	586.5	4.3	0.1	480.3	586.4
government transfers	228.7	330.0	4.3	0.0	224.4	330.0
private transfers	255.9	256.5	0.0	0.1	255.9	256.5
Intangible assets	192.7	32.0	3.5	12.1	189.2	19.9

Current transfers to Estonia amounted to 614 million euros, of which 70% went to other sectors and less than one third to the general government. Of the transfers to the general government, 155 million euros or 85% were allocations from EU structural funds, while the rest were mostly tax payments by non-resident employees. Of the incoming current transfers to other sectors, 197 million euros or 46% was from EU structural funds, while transfers from migrants working abroad totalled 47 million euros or 11% of the total. The outflow of current transfers amounted to 375 million euros. The general government accounted for 56% of that, of which 85% or 179 million euros was Estonia's payment into the EU shared funds. As the current transfers received by the general government were smaller than the transfers paid out, the general government balance for 2012 was negative. However, the positive balance of other sectors increased by 40%.

The surplus on **capital transfers** grew 22% year-on-year and amounted to 586 million euros. The capital transfers into Estonia mainly comprised EU subsidies to the general government and also to other sectors for infrastructure.

The sales of CO2 emission quotas, which are recorded under **intangible assets**, provided Estonia with 32 million euros, which was markedly less than in 2011.

FINANCIAL ACCOUNT

The Estonian economy was again a net lender in 2012 with 292 million euros more going out from the financial account than came in. The business sector with 453 million euros, the government sector with 364 million euros and credit institutions with 130 million euros were net borrowers but the central bank and to a smaller extent households were net lenders, financing the outside world with 1.2 billion euros and 37 million euros respectively. The inflow of direct investment was higher than the outflow, but for portfolio and other investment the outflow was larger than the inflow. Figures 1.7 and 1.8 show the structure of the financial account by categories and maturities.

Figure 1.7. The structure of foreign investment capital flows

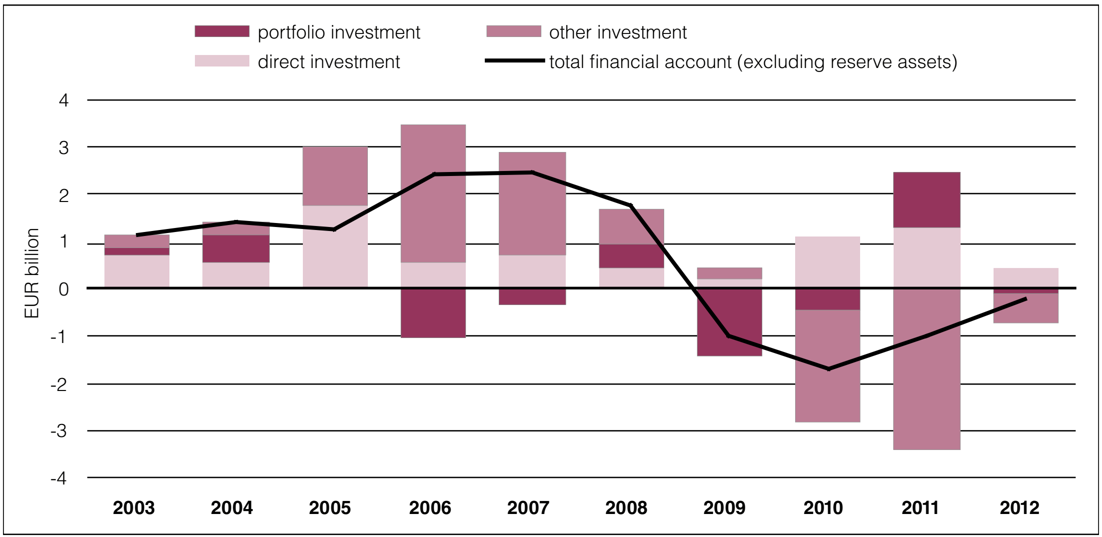
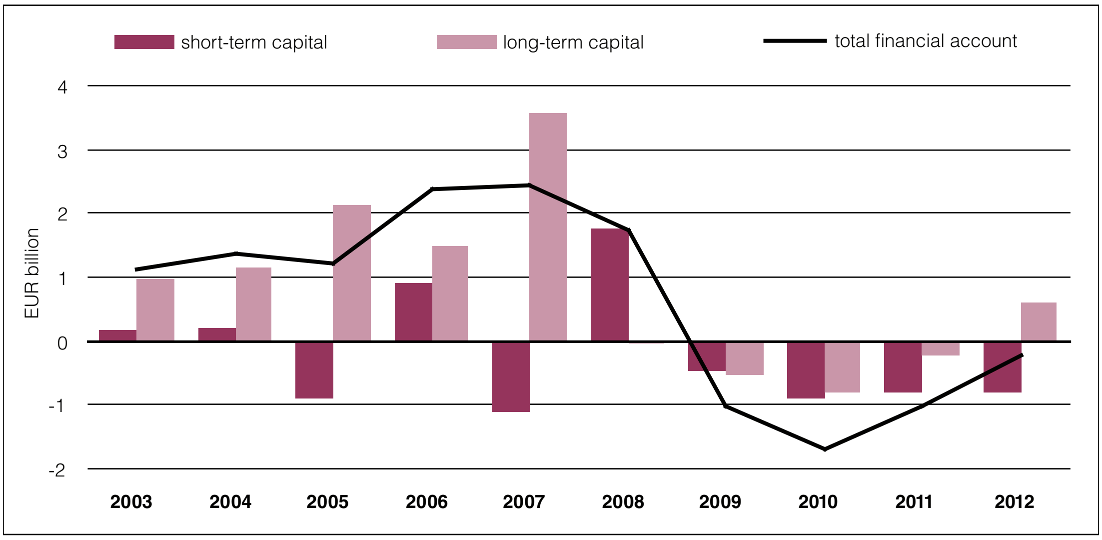


Figure 1.8. Maturity structure of the financial account

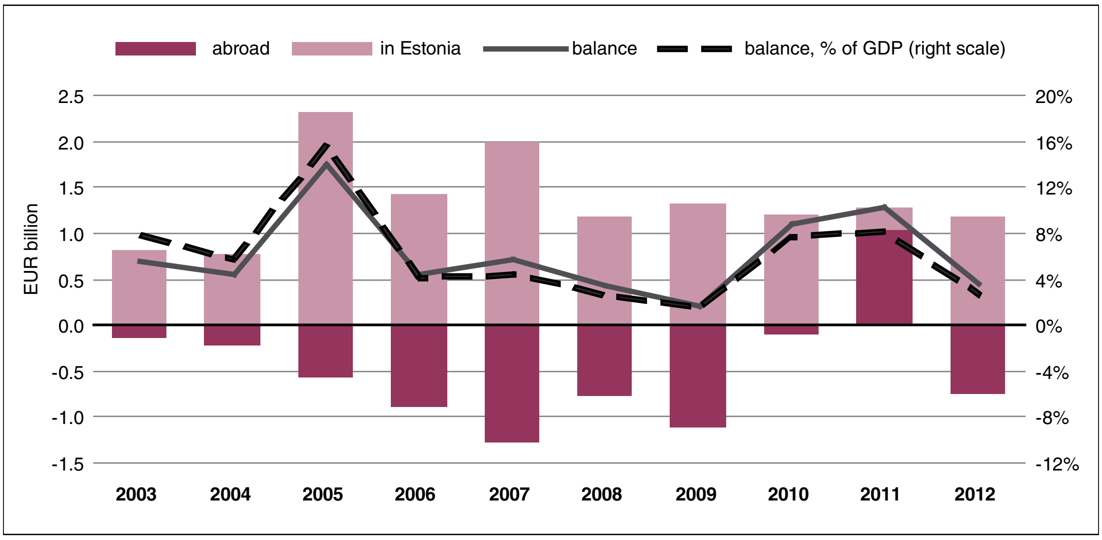


Direct investment

Direct investment had a surplus of 0.5 billion euros in 2012, which is only one third of its level of 2011. This amount can be seen as quite normal, as the level for the past couple of years hit record highs due to extraordinary events. Direct investment in Estonia by non-residents in 2012 totalled 1.2 billion and direct investment abroad by residents reached 0.7 billion euros (see Figure 1.9).

The inflow of **direct investments to Estonia** was five times higher than the record low seen in 2011 and was the same level as the inflows of 2010. The structure of investments showed that over 80% of direct investment in Estonia by non-residents came in the 972 million euros of reinvested earnings. This

Figure 1.9. Direct investment



amount could have been bigger, but foreign investors chose to withdraw 482 million euros in dividends. Reinvested earnings were 17 million euros or 2% less than in 2011, while distributed income increased by 6 million euros, or 1%. In 2012, financial intermediaries reinvested the most capital with 376 million euros, followed by wholesalers with 116 million euros and companies providing rental services with 58 million euros. Direct investors paid 379 million euros into Estonian corporate equity in 2012, of which 222 million went into financial intermediation companies. Equity investments in food production fell by 94 million euros following the buyback of companies from foreign investors. The increase in claims on direct investment companies led to an outflow of 168 million euros from Estonian companies, while liabilities, especially short-term loans, were reduced, resulting in an outflow of 3 million euros (see Tables 1.25 and 1.26).

The largest direct investors were Lithuania, Sweden and Finland, while smaller investments came from Norway, the Cayman Islands and Russia (see Figure 1.10). The inflow of foreign investment funds was largest for companies providing financial intermediation (see Figure 1.11). The direct investment of EU countries in Estonia increased by 708 million euros, while investment from non-EU and CIS countries was the largest for the past ten years (see Table 1.27).

Table 1.25. Structure of direct investment in Estonia

	Equity capital		Reinvested earnings		Other capital				Total	
					Assets		Liabilities			
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2003	340.6	41.4	409.5	49.8	-85.3	-10.4	157.4	19.1	822.2	100.0
2004	296.5	38.5	510.1	66.2	-92.9	-12.1	57.2	7.4	770.8	100.0
2005	1,788.2	77.5	567.9	24.6	-128.7	-5.6	79.9	3.5	2,307.3	100.0
2006	143.1	10.0	1,000.4	69.9	-285.3	-19.9	573.7	40.1	1,431.9	100.0
2007	273.2	13.8	1,366.9	68.9	-417.7	-21.0	762.5	38.4	1,985.0	100.0
2008	195.2	16.5	870.6	73.7	-125.3	-10.6	241.4	20.4	1,181.8	100.0
2009	1,219.1	92.0	408.4	30.8	-50.0	-3.8	-253.0	-19.1	1,324.5	100.0
2010	311.9	25.8	1,013.9	84.0	-232.3	-19.2	113.3	9.4	1,206.8	100.0
2011	-309.7	-126.4	989.9	404.2	-84.4	-34.5	-350.8	-143.2	244.9	100.0
2012	378.9	32.1	972.4	82.4	-167.9	-14.2	-3.0	-0.2	1,180.5	100.0

Table 1.26. Loan capital assets and liabilities to foreign direct investors (EUR million)

	Assets					Liabilities				
	Long-term		Short-term		Total	Long-term		Short-term		Total
	Gran-tings	Repay-ments	Gran-tings	Repay-ments	Balance	Drawings	Repay-ments	Drawings	Repay-ments	Balance
2003	26.1	15.7	64.6	31.9	43.1	329.5	170.5	193.1	238.2	113.9
2004	31.5	23.7	113.4	55.1	66.1	294.1	312.0	193.3	140.4	34.9
2005	81.4	32.1	146.4	90.3	105.4	504.2	440.5	320.3	292.4	91.6
2006	135.5	38.9	238.0	165.5	169.1	851.1	392.4	263.3	216.9	505.1
2007	246.7	78.3	510.8	248.6	430.6	1,152.7	586.4	516.5	406.9	675.8
2008	224.3	161.7	576.8	521.8	117.6	876.1	770.2	783.2	600.2	288.9
2009	170.2	131.2	388.4	372.8	54.6	567.3	734.5	631.2	611.5	-147.6
2010	82.2	210.0	769.0	445.6	195.5	742.6	466.7	424.1	653.9	46.1
2011	142.0	62.3	625.8	650.6	55.0	700.9	1,111.7	654.6	690.8	-446.9
2012	88.4	74.1	1,266.6	1,150.1	130.8	422.7	409.7	558.5	650.8	-79.3

Figure 1.10. Direct investment in Estonia by countries in 2012

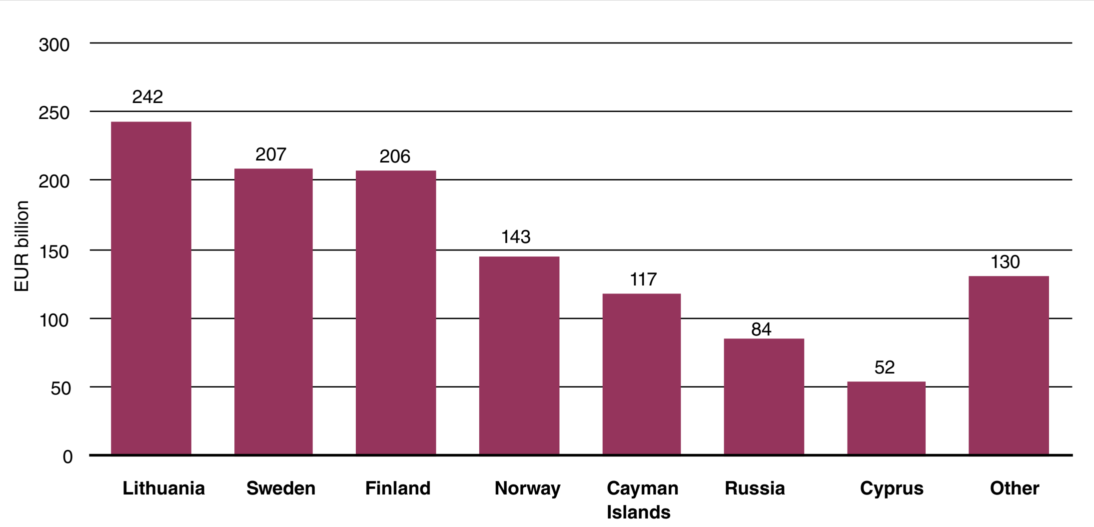
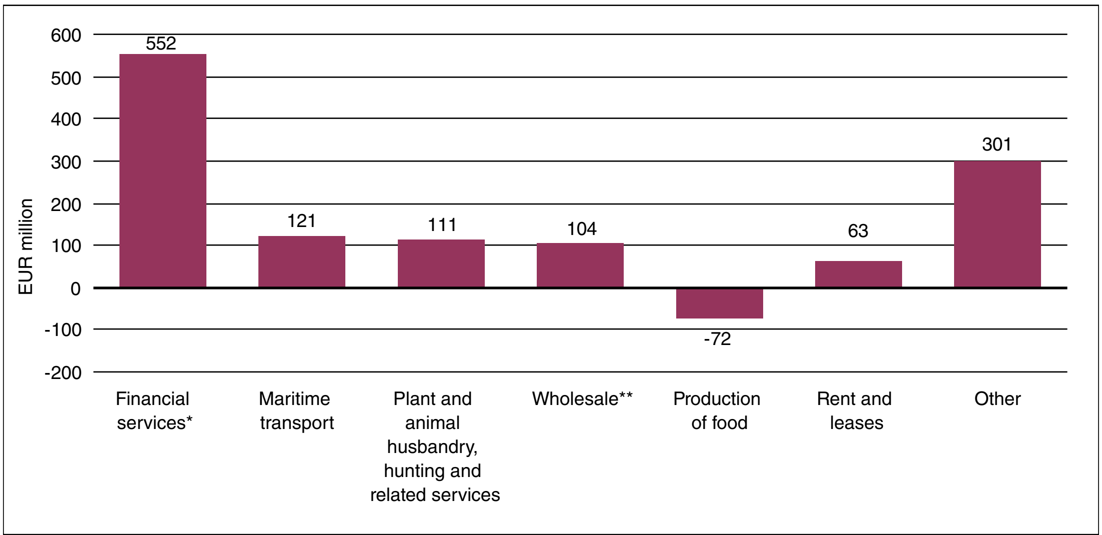


Figure 1.11. Direct investment in Estonia by fields of activities in 2012



* Not including insurance and pension funds
** Not including motor vehicles and motorcycles

Table 1.27. Direct investment in Estonia by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
EU-27	-138.4	707.8	-56.5	60.0	-611.4
CIS	59.8	111.3	24.4	9.4	86.2
Other	323.6	361.4	132.1	30.6	11.7
Total	244.9	1,180.5	100.0	100.0	382.0

Direct investment abroad increased by 741 million euros (see Table 1.28). The largest change was in claims on direct investment companies, which increased by 489 million euros. Estonian investment in the shares and equity capital of foreign subsidiaries rose by 243 million euros, with half coming from financial intermediation companies. Reinvested earnings from investments abroad were positive at 53 million euros, which is unusual, following large withdrawals of dividends of 302 million euros. Loans from subsidiaries brought 1 million euros into Estonia (see Table 1.29).

The largest increase in investments by Estonian direct investors was in investments in Cyprus, where 646 million euros went, much more than the 127 million that went to Lithuania or the 47 million to Latvia. Direct investments in Finland fell by 70 million euros, and those in Sweden by 50 million euros (see Figure 1.12). The money was taken abroad by investors in maritime transport. Investors in head office activities reduced their investments abroad by 56 million euros (see Figure 1.13). By groups of countries, 95% of investment went to EU countries, while investment in the CIS and other countries was smaller (see Table 1.30).

Table 1.28. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
					Assets		Liabilities			
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2003	-67.7	49.3	-47.4	34.5	-41.3	30.0	19.0	-13.9	-137.4	100.0
2004	-139.0	64.2	-58.8	27.1	-27.7	12.8	9.0	-4.1	-216.6	100.0
2005	-329.5	59.3	-172.2	31.0	-73.0	13.1	18.7	-3.4	-556.0	100.0
2006	-376.8	42.7	-309.6	35.1	-243.8	27.7	48.6	-5.5	-881.6	100.0
2007	-660.0	51.7	-324.8	25.4	-384.8	30.1	93.1	-7.3	-1,276.5	100.0
2008	-150.7	19.8	-136.7	18.0	-419.7	55.2	-53.0	7.0	-760.2	100.0
2009	-772.0	69.3	-99.0	8.9	-162.9	14.6	-80.0	7.2	-1,113.9	100.0
2010	-78.2	72.9	-197.1	183.7	70.4	-65.6	97.6	-91.0	-107.3	100.0
2011	1,347.3	129.0	-223.3	-21.4	-131.7	-12.6	52.6	5.0	1,044.8	100.0
2012	-242.9	32.8	53.1	-7.2	-489.4	66.1	-61.6	8.3	-740.7	100.0

Table 1.29. Loan capital assets and liabilities to foreign subsidiaries and associated companies (EUR million)

	Assets					Liabilities				
	Long-term		Short-term		Total	Long-term		Short-term		Total
	Grantings	Repayments	Grantings	Repayments	Balance	Drawings	Repayments	Drawings	Repayments	Balance
2003	70.8	45.8	30.2	32.2	32.2	0.3	0.7	5.4	6.3	6.3
2004	59.7	78.8	60.9	23.6	23.6	1.1	3.9	1.8	2.4	2.4
2005	136.9	95.1	109.3	70.8	70.8	7.0	3.9	6.7	1.6	1.6
2006	342.9	151.6	99.9	103.9	103.9	7.6	7.2	9.4	1.3	1.3
2007	408.3	130.8	133.5	95.4	95.4	6.4	7.3	107.3	7.0	7.0
2008	347.1	234.1	185.3	129.0	129.0	16.3	11.8	38.0	75.4	75.4
2009	397.6	197.5	226.7	158.4	158.4	11.1	5.6	10.0	72.3	72.3
2010	141.7	170.2	116.9	80.2	80.2	4.5	7.5	35.6	10.4	10.4
2011	207.2	194.1	119.5	91.1	91.1	5.6	5.2	15.8	40.7	40.7
2012	233.1	126.3	97.8	101.0	101.0	12.2	12.2	13.1	12.3	12.3

Figure 1.12. Direct investment abroad by countries in 2012

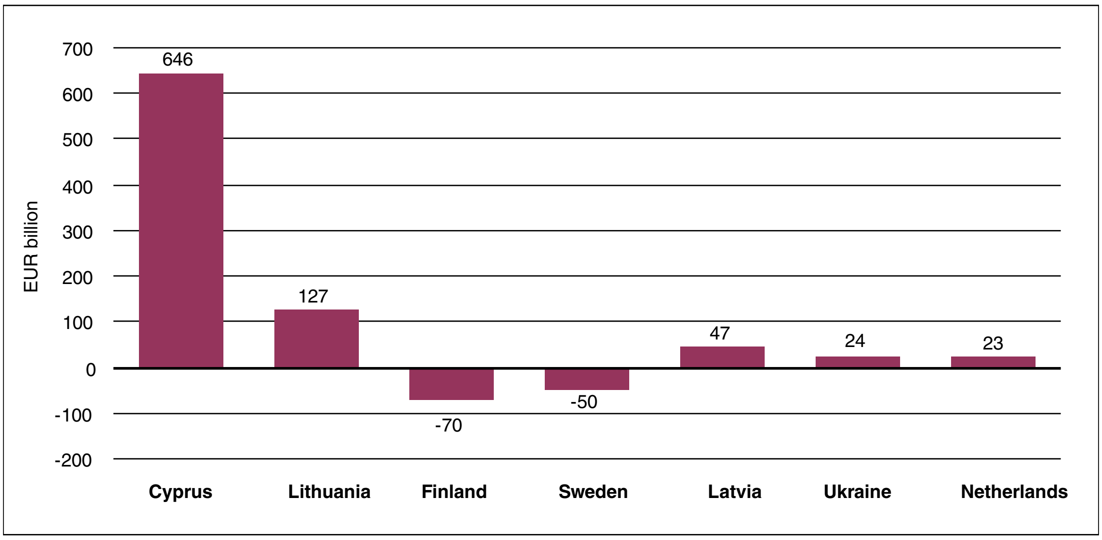
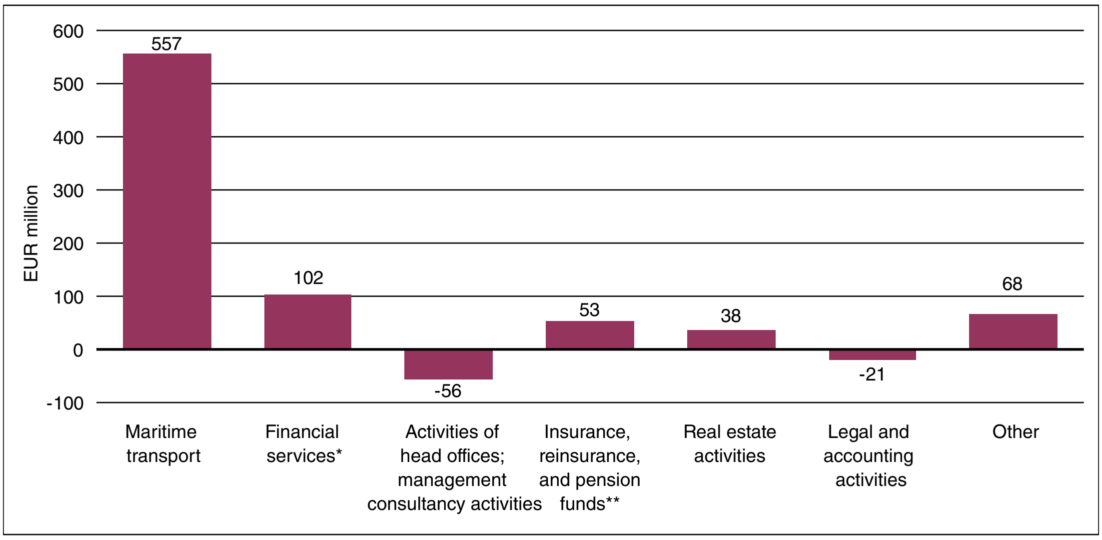


Figure 1.13. Direct investment abroad by fields of activity in 2012



* Not including insurance and pension funds

** Not including compulsory social insurance

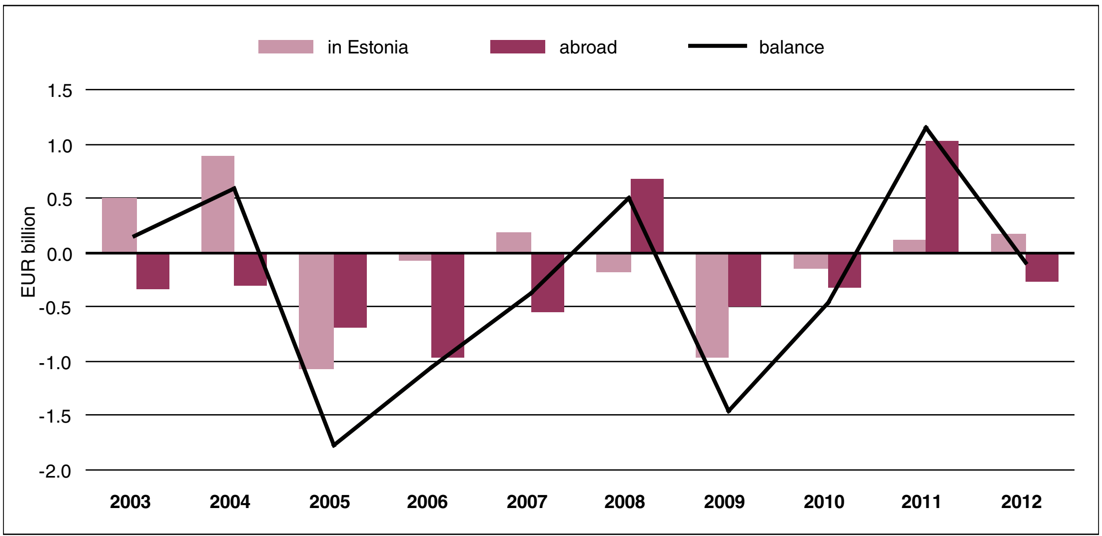
Table 1.30. Direct investment abroad by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	2011	2012	2011	2012	2012/2011
EU-27	1,173.9	-698.0	112.4	94.2	-159.5
CIS	-48.0	-30.6	-4.6	4.1	-36.4
Other	-81.1	-12.1	-7.8	1.6	-85.0
Total	**1,044.8**	**-740.7**	**100.0**	**100.0**	**-170.9**

Portfolio investment

The net outflow of portfolio investment was 100 million euros in 2012. The foreign money market investments of other financial intermediaries increased, including the investments of pension funds in foreign equity securities (see Figure 1.14 and Table 1.31). The equity investments of foreign portfolio investors in non-financial companies decreased.

Figure 1.14. Portfolio investment



Portfolio investment liabilities grew by 169 million euros in 2012 (see Table 1.32). By institutional sector, only the liabilities of companies in other sectors increased. While these companies reduced their liabilities from equity securities by 112 million euros, their debt-security liabilities increased by a total of 298 million euros. The reduction in equity security liabilities was caused by a fall in the investments of foreign portfolio investors, while the issuance of bonds by non-financial companies increased the debt-security liabilities. The contribution of other sectors in the period was modest. By countries, portfolio investment liabilities to Switzerland increased the most, followed by liabilities to Austria, France and Finland (see Figure 1.15 and Table 1.33).

Table 1.31. Portfolio investment by types of securities and sectors (EUR million)

	Assets		Liabilities		Balance	
	2011	2012	2011	2012	2011	2012
Equity securities	**102.0**	**-164.7**	**-81.2**	**-116.5**	**20.8**	**-281.2**
central bank	-	-15.7	-	-	-	-15.7
general government	-6.9	9.6	-	-	-6.9	9.6
credit institutions	0.1	0.9	-1.7	-4.7	-1.6	-3.8
other sectors	108.8	-159.7	-79.5	-111.7	29.3	-271.4
Debt securities	**929.3**	**-104.3**	**200.8**	**285.5**	**1,130.1**	**181.2**
central bank	639.5	-17.5	-	-	639.5	-17.5
general government	206.9	-7.0	-10.9	-11.2	196.0	-18.2
credit institutions	217.3	-10.4	-0.1	-1.6	217.2	-12.0
other sectors	-134.3	-69.4	211.9	298.2	77.6	228.8
Total	**1,031.3**	**-269.0**	**119.6**	**169.1**	**1,150.9**	**-99.9**

Table 1.32. Structure of portfolio investment liabilities

	Equity securities		Debt securities		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2003	97.6	19.6	399.8	80.4	497.4	100.0
2004	140.9	15.9	746.0	84.1	887.0	100.0
2005	-1.045.1	96.9	-33.1	3.1	-1.078.2	100.0
2006	238.5	-293.7	-319.7	393.7	-81.2	100.0
2007	225.8	122.6	-41.6	-22.6	184.2	100.0
2008	-212.7	122.0	38.3	-22.0	-174.3	100.0
2009	-93.5	9.7	-868.7	90.3	-962.2	100.0
2010	30.0	-20.6	-175.3	120.6	-145.3	100.0
2011	-81.2	-67.9	200.8	167.9	119.6	100.0
2012	-116.5	-68.9	285.5	168.8	169.1	100.0

Figure 1.15. Increase in portfolio investment liabilities by countries in 2012

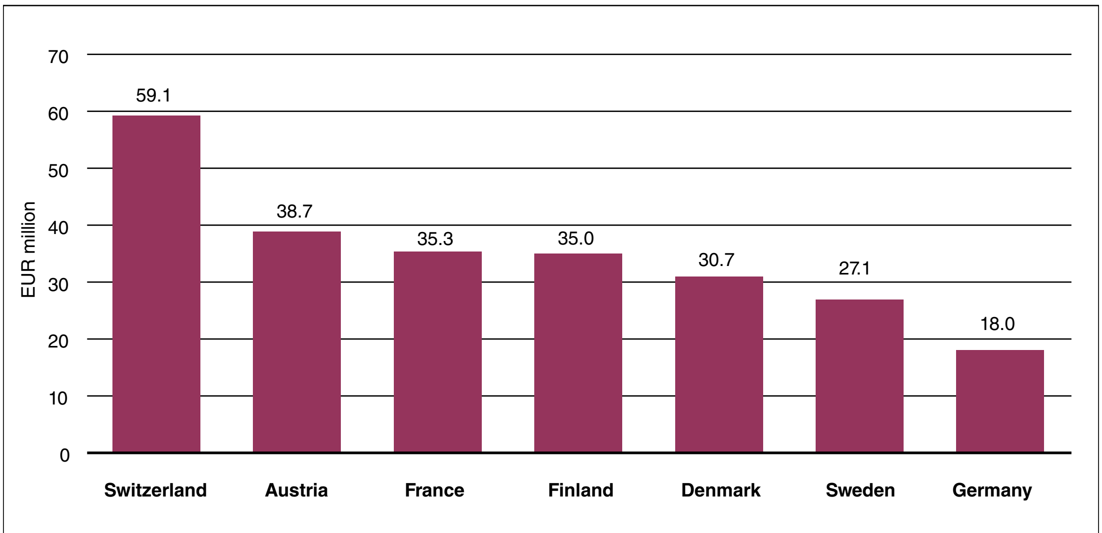


Table 1.33. Structure of portfolio investment by groups of countries

	Volume (EUR m)				Share (%)			
	Assets		Liabilities		Assets		Liabilities	
	2011	2012	2011	2012	2011	2012	2011	2012
EU-27	1,025.8	-250.2	150.4	111.0	99.5	93.0	125.8	65.6
CIS	32.2	5.1	-0.6	-2.3	3.1	-1.9	-0.5	-1.4
Other	-26.7	-23.9	-30.2	60.4	-2.6	8.9	-25.3	35.7
Total	**1,031.3**	**-269.0**	**119.6**	**169.1**	**100.0**	**100.0**	**100.0**	**100.0**

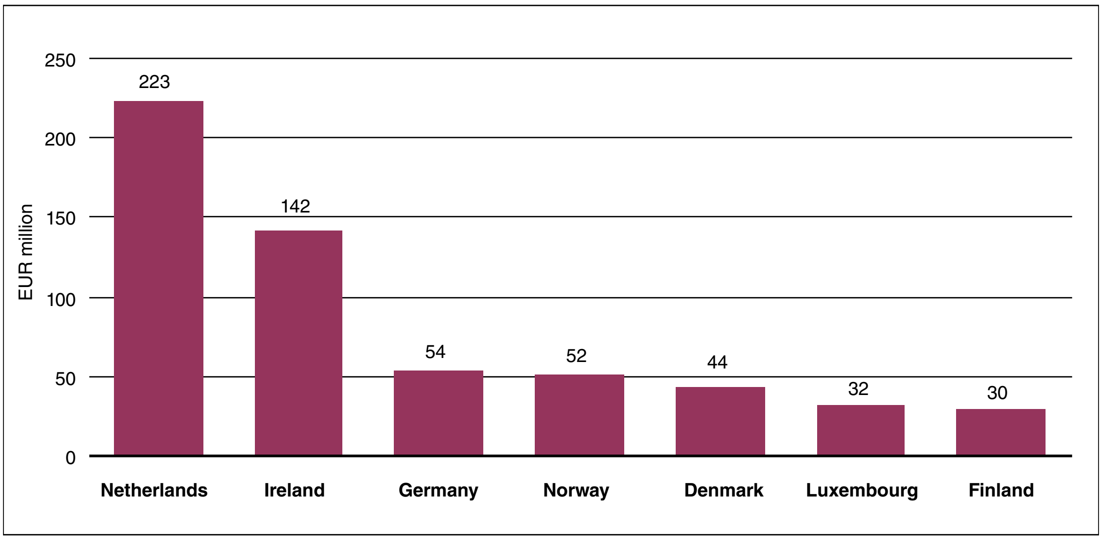
Portfolio investment assets grew by 269 million euros in the year (see Table 1.34). Equity security assets grew by 165 million euros, and debt security assets by 104 million euros. The growth in equity security assets was primarily driven by the investments of pension funds in investment and money market funds. In contrast to the previous year, the central bank also invested in equity securities issued in the euro area, increasing its assets by 16 million euros. All institutional sectors contributed to the increase in debt security assets. Investments grew particularly for other financial intermediaries, which increased their

Table 1.34. Structure of portfolio investment assets

	Equity securities		Debt securities		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2003	-65.8	19.2	-276.3	80.8	-342.0	100.0
2004	-184.9	60.6	-120.3	39.4	-305.2	100.0
2005	-309.9	44.8	-381.5	55.2	-691.4	100.0
2006	-292.0	30.0	-682.5	70.0	-974.5	100.0
2007	-491.4	89.0	-60.8	11.0	-552.2	100.0
2008	261.8	38.5	418.8	61.5	680.5	100.0
2009	-49.6	10.1	-439.9	89.9	-489.5	100.0
2010	-303.7	95.9	-13.0	4.1	-316.8	100.0
2011	102.0	9.9	929.3	90.1	1,031.3	100.0
2012	-164.7	61.2	-104.3	38.8	-269.0	100.0

assets by 66 million euros The central bank increased its assets by 18 million euros and credit institutions by 10 million as a result of investments in bonds. The general government increased its assets by 7 million euros through investments in money markets. By countries, primarily portfolio investment assets picked up to the Netherlands, Ireland, Germany and Norway (see Figure 1.16).

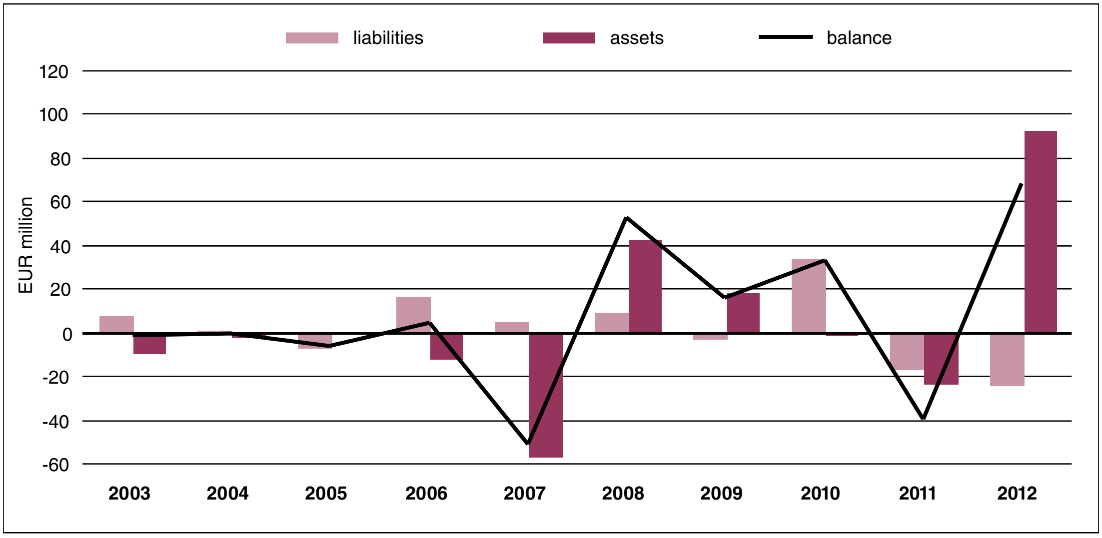
Figure 1.16. Increase in portfolio investment assets by countries in 2012



Financial derivatives

The net inflow of financial derivatives totalled 68 million euros in 2012 (see Figure 1.17). Assets related to financial derivatives shrank by 93 million euros in 2012, largely owing to a reduction in the investments in financial derivatives of non-financial companies. By country, assets to Sweden and the UK diminished the most. Financial derivative liabilities decreased by 24 million euros, also because of non-financial companies. By country, financial derivative liabilities to Sweden declined the most.

FIgure 1.17. Financial derivatives



Other investments

The net outflow of other investment totalled 630 million euros in 2012, of which 1.1 billion euros was the outflow of the other investment of the central bank (see Figure 1.18). Short-term capital also contributed to the net outflow (see Table 1.35).

Other investment liabilities grew by 1 billion euros over the year (see Table 1.36). Of these liabilities, 1.4 billion euros were from increased loan liabilities, 91 million euros were from liabilities related to other capital, and 16 million euros were in liabilities related to trade credit. Deposit liabilities fell by 509 million

Figure 1.18. Other investment

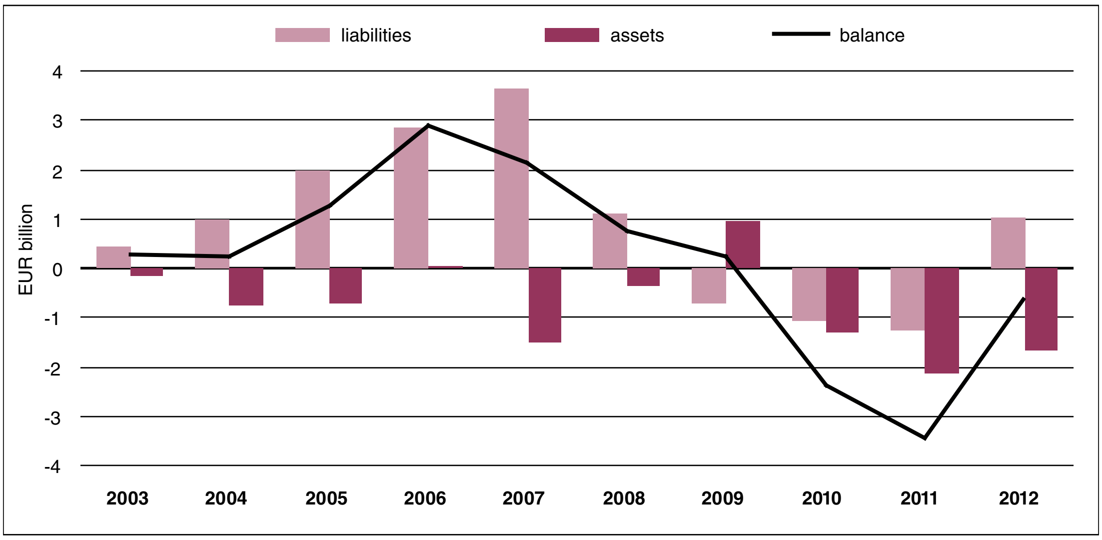


Table 1.35. Other investment by maturity (EUR million)

	Assets		Liabilities		Balance	
	2011	2012	2011	2012	2011	2012
Long-term capital	-68.9	-396.4	-1,321.8	438.4	-1,390.7	42.0
central bank	-184.1	-2.2	-	-	-184.1	-2.2
general government	-11.1	-402.0	-271.1	760.5	-282.2	358.5
credit institutions	32.0	195.1	-978.6	-1,061.4	-946.6	-866.3
other sectors	94.3	-187.3	-72.1	739.3	22.2	552.0
Short-term capital	-2,083.0	-1,271.5	43.3	599.7	-2,039.7	-671.8
central bank	-102.9	-1,115.9	-7.3	18.9	-110.2	-1,097.0
general government	-53.7	15.9	-0.9	-1.4	-54.6	14.5
credit institutions	-1,359.1	216.3	-214.5	552.7	-1,573.6	769.0
other sectors	-567.3	-387.8	266.0	29.5	-301.3	-358.3
Total	**-2,151.9**	**-1,667.9**	**-1,278.5**	**1,038.1**	**-3,430.4**	**-629.8**

Table 1.36. Structure of other investment liabilities

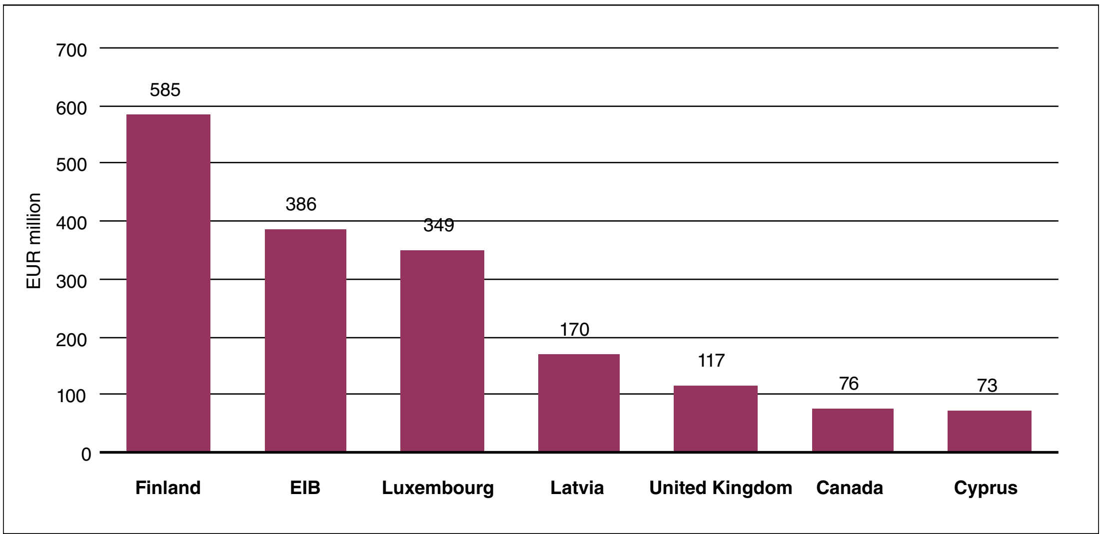
	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2003	-7.4	-1.7	205.8	47.8	293.2	68.2	-61.4	-14.3	430.2	100.0
2004	40.0	4.0	291.8	29.3	562.7	56.5	101.1	10.2	995.6	100.0
2005	104.4	5.3	1,577.1	80.3	188.8	9.6	92.8	4.7	1,963.1	100.0
2006	203.6	7.1	1,229.2	43.1	1,347.3	47.2	75.0	2.6	2,855.2	100.0
2007	-21.9	-0.6	2,443.3	67.2	1,206.4	33.2	8.3	0.2	3,636.0	100.0
2008	20.0	1.8	70.1	6.3	951.1	85.5	71.6	6.4	1,112.8	100.0
2009	-329.0	45.2	141.8	-19.5	-476.6	65.5	-63.7	8.8	-727.5	100.0
2010	375.0	-35.0	-35.2	3.3	-1,587.7	148.2	176.5	-16.5	-1,071.4	100.0
2011	160.2	-12.5	46.7	-3.7	-1,161.8	90.9	-323.6	25.3	-1,278.4	100.0
2012	15.6	1.5	1,440.5	138.8	-508.8	-49.0	90.6	8.7	1,037.9	100.0

euros. The loan liabilities were mainly long-term, with 724 million euros held by the general government and 592 million euros by non-financial companies. The general government's loan liabilities of 385 million euros come from a loan from the European Investment Bank for priority investments co-financed by the European Union. Loan liabilities to the European Financial Stability Facility (EFSF) increased by 341 million euros. As the obligation to redeem the debt to investors officially lies with the EFSF, guarantor countries like Estonia take the loan obligation to the EFSF as an other investment loan liability of the same amount. Non-financial companies increased their long-term loan liabilities in the fourth quarter in particular. Credit institutions reduced their liabilities related to deposits by 528 million euros. In geographical terms, other investment liabilities to Finland declined most, followed by liabilities to the European Investment Bank, Luxembourg and Latvia (see Figure 1.19 and Table 1.37).

Table 1.37. Structure of other investment assets by groups of countries

	Volume (EUR m)				Share (%)			
	Assets		Liabilities		Assets		Liabilities	
	2011	2012	2011	2012	2011	2012	2011	2012
EU-27	-1,909.0	-1,322.4	-1,987.8	1,016.8	88.7	79.3	155.5	98.0
CIS	-87.2	-89.5	62.2	61.4	4.1	5.4	-4.9	5.9
Other	-155.4	-256.3	647.2	-40.3	7.2	15.4	-50.6	-3.9
Total	**-2,151.6**	**-1,668.2**	**-1,278.4**	**1,037.9**	**100.0**	**100.0**	**100.0**	**100.0**

Figure 1.19. Growth in other investment liabilities in 2012 by countries and institutions



Other investment assets increased by 1.7 billion euros in 2012 (see Table 1.38). Deposit assets posted the strongest growth with 792 million euros, followed by assets related to loans, which increased by 481 million euros. Other capital grew by 202 million euros and trade credit assets by 193 million. The growth of 1.1 billion euros in the assets related to deposits at the central bank meant that the financial account was larger than the current account due to transactions within the euro area[2]. The growth of 341 million euros in the general government's loan assets comes from the claims arising through the EFSF on countries that have needed help. In geographical terms, investment assets increased most to the European Central Bank, followed by those to Finland, Denmark and Greece (see Figure 1.20). Table 1.39 gives a more detailed view of loan capital assets and liabilities.

Table 1.38. Structure of other investment assets

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2003	-65.7	45.0	-225.0	154.1	141.2	-96.7	3.5	-2.4	-146.0	100.0
2004	-66.0	8.8	-540.4	72.0	-98.8	13.2	-45.8	6.1	-750.9	100.0
2005	-125.1	17.6	265.1	-37.2	-788.2	110.7	-64.1	9.0	-712.2	100.0
2006	-225.5	-628.1	-161.8	-450.7	401.6	1,118.7	21.7	60.4	35.9	100.0
2007	-41.0	2.8	-645.0	43.4	-743.0	50.0	-56.2	3.8	-1,485.2	100.0
2008	-110.2	30.3	-128.0	35.2	-44.2	12.2	-81.4	22.4	-363.7	100.0
2009	170.3	18.0	129.9	13.7	697.0	73.6	-50.2	-5.3	946.9	100.0
2010	-381.0	29.5	-260.1	20.1	-485.3	37.6	-165.1	12.8	-1,291.5	100.0
2011	-176.5	8.2	-31.8	1.5	-1,664.8	77.4	-278.5	12.9	-2,151.6	100.0
2012	-193.0	11.6	-481.3	28.9	-792.1	47.5	-201.7	12.1	-1,668.2	100.0

2 Before Estonia joined the euro area, changes in the central bank's liquidity were shown in foreign currency reserves, but since joining, changes in the assets and liabilities of the central bank's TARGET account also need to be observed alongside the changes in foreign currency reserves. The increase in assets related to the euro area TARGET accounts indicates increased liquidity for the central bank. In the balance of payments these are recorded as other investment deposit items.

Figure 1.20. Increase in other investment assets by countries and institutions in 2012

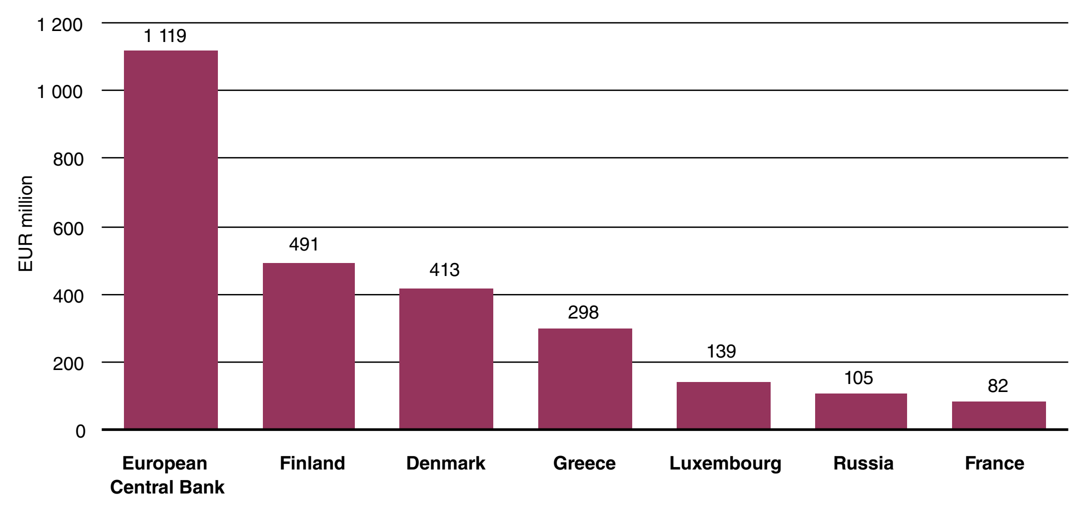


Table 1.39. Assets and liabilities of loan capital (EUR million)

	Assets			Liabilities		
	Grantings	**Repayments**	**Total**	**Drawings**	**Repayments**	**Total**
2003	-2,231.7	2,006.8	-225.0	1,922.2	-1,716.5	205.8
2004	-1,903.5	1,363.1	-540.4	2,904.6	-2,612.8	291.8
2005	-4,956.8	5,221.9	265.1	8,017.0	-6,439.9	1,577.1
2006	-4,858.1	4,696.3	-161.8	11,687.5	-10,458.3	1,229.2
2007	-25,339.9	24,694.8	-645.0	23,266.0	-20,822.7	2,443.3
2008	-3,066.8	2,938.9	-128.0	6,639.7	-6,569.6	70.1
2009	-1,495.5	1,625.4	129.9	3,420.2	-3,278.4	141.8
2010	-1,747.1	1,487.0	-260.1	2,666.4	-2,701.6	-35.2
2011	-1,115.4	1,083.6	-31.8	2,164.7	-2,117.9	46.7
2012	-6,176.9	5,695.5	-481.3	23,464.0	-22,023.5	1,440.5

Reserve assets

The reserve assets increased by 70 million euros in 2012 (see Table 1.40).

Table 1.40. Structure of reserve assets

	Volume (EUR m)		Share (%)	
	2011	**2012**	**2011**	**2012**
Gold	-	-	0.0	0.0
SDRs	0.0	0.0	0.0	0.0
Reserve position in the IMF	-	-9.0	0.0	12.9
Currency and deposits	0.0	-21.7	0.0	31.2
Securities	-13.6	-38.9	105.4	56.0
debt securities	-12.1	-46.2	93.8	66.5
money market instruments	-1.5	7.3	11.6	-10.5
Financial derivatives	0.7	0.1	-5.4	-0.1
Other assets	-	-	0.0	0.0
Total	**-12.9**	**-69.5**	**100.0**	**100.0**

II. ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT AS AT 31 DECEMBER 2012

Foreign investment in Estonia totalled 29.6 billion euros (74% more than GDP) at the end of 2012, having increased by 12% from the previous year (see Table 2.1). There were increases in the direct, portfolio and other investment positions.

Direct investment made up 49% of the structure of the foreign investment position, which was unchanged over the year. Other investments as loans and deposits made up 46% and portfolio investments 6%. Foreign investors have invested primarily in financial intermediation (excluding insurance and pension funds),

Table 2.1. Estonia's international investment position (EUR million)

	31/12/2011	Share (%)	31/12/2012	Share (%)	Change (%)
EXTERNAL ASSETS	**17,191.9**	**100.0**	**20,159.0**	**100.0**	**17.3**
Direct investment abroad	**3,655.4**	**26.5**	**4,456.4**	**21.3**	**21.9**
Equity capital and reinvested earnings	2,463.3	18.3	2,729.3	14.3	10.8
Other direct investment capital	1,192.2	8.3	1,727.1	7.0	44.9
Portfolio investment	**4,182.0**	**24.5**	**4,656.9**	**24.3**	**11.4**
Equity securities	1,606.6	9.8	1,903.4	9.3	18.5
Debt securities	2,575.4	14.7	2,753.5	15.0	6.9
Bonds and notes	1,949.9	9.1	2,187.2	11.3	12.2
Money market instruments	625.6	5.6	566.3	3.6	-9.5
Financial derivatives	**68.4**	**0.2**	**35.9**	**0.4**	**-47.6**
Other investment	**9,125.7**	**37.0**	**10,781.4**	**53.0**	**18.1**
Trade credit	1,644.4	9.3	1,854.5	9.6	12.8
Loans	1,726.8	9.8	2,196.5	9.8	27.2
Long-term	1,013.3	6.7	1,539.2	5.8	51.9
Short-term	713.5	3.0	657.4	4.1	-7.9
Currency and deposits	5,115.0	15.2	5,884.3	29.7	15.0
Other assets	639.5	2.7	846.1	3.9	32.3
Reserve assets	**160.4**	**11.7**	**228.5**	**0.9**	**42.4**
EXTERNAL LIABILITIES	**26,341.2**	**100.0**	**29,559.2**	**100.0**	**12.2**
Direct investment in Estonia	**13,108.6**	**46.8**	**14,666.7**	**48.9**	**11.9**
Equity capital and reinvested earnings	11,830.1	40.4	13,607.4	44.3	15.0
Other direct investment capital	1,278.6	6.4	1,059.3	4.7	-17.1
Portfolio investment	**1,337.1**	**5.3**	**1,834.7**	**5.0**	**37.2**
Equity securities	644.5	3.3	767.9	2.4	19.1
Debt securities	692.6	2.0	1,066.8	2.6	54.0
Bonds and notes	689.8	2.0	1,063.7	2.6	54.2
Money market instruments	2.8	0.0	3.1	0.0	11.6
Financial derivatives	**79.5**	**0.3**	**119.6**	**0.3**	**50.4**
Other investment	**11,816.0**	**47.6**	**12,938.3**	**45.7**	**9.5**
Trade credit	1,325.4	4.2	1,420.5	5.3	7.2
Loans	3,594.3	12.3	5,091.1	14.2	41.6
Long-term	2,902.7	8.7	4,011.9	11.6	38.2
Short-term	691.7	3.6	1,079.2	2.6	56.0
Currency and deposits	6,620.8	29.0	6,057.4	25.1	-8.5
Other liabilities	275.5	2.1	369.3	1.2	34.0
NET INVESTMENT POSITION	**-9,149.3**		**-9,400.2**		**2.7**
Long-term	**-11,952.0**		**-12,563.2**		**5.1**
Short-term	**2,802.8**		**3,163.0**		**12.9**
GROSS EXTERNAL DEBT	**15,249.6**		**16,621.8**		**9.0**
NET EXTERNAL DEBT	**-812.2**		**332.9**		**-141.0**
General government	**512.5**		**1,260.4**		**145.9**

which accounts for 37% of the total position in Estonia, and to a lesser extent in real estate related activities (9%), wholesale trade (6%), head office activities and energy generation (see Table 2.2). The largest change over the year was a fall of 4 percentage points in the share of financial intermediation in the total position. Two countries supplied 44% of the foreign investment position in Estonia, with 24% coming from Finland and 20% from Sweden, while the Netherlands, the United Kingdom and Luxembourg each provided 4-6%.

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

Assets			Liabilities		
Fields of activity					
	31/12/2011	31/12/2012		31/12/2011	31/12/2012
Financial intermediation*	39.9	38.0	Financial intermediation*	40.9	37.0
Insurance, reinsurance and pension funds**	9.1	9.3	Real estate activities	9.1	9.5
Public administration and defence; statutory social insurance	6.4	7.3	Wholesale***	6.1	6.0
Wholesale***	5.7	5.6	Activities of head offices; management consultancy activities	5.1	5.1
Maritime transport	3.5	5.6	Electricity, gas, steam and conditioned air supply	4.3	4.9
Other	35.4	34.1	Other	34.6	37.5
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2011	31/12/2012		31/12/2011	31/12/2012
European Central Bank	4.9	9.7	Finland	22.6	23.6
Finland	7.8	9.0	Sweden	24.1	20.0
Sweden	14.2	8.2	Netherlands	5.9	5.6
Cyprus	5.3	7.7	United Kingdom	4.7	4.5
Latvia	8.5	7.0	Luxembourg	3.1	4.3
Other	59.3	58.4	Other	39.5	41.9
Total	100.0	100.0	Total	100.0	100.0

* Not including insurance and pension funds
** Not including compulsory social insurance
*** Not including motor vehicles and motorcycles

Foreign direct investors have made a total of 14.7 billion euros of direct investment in Estonia. Nearly 22% of this has been invested in financial intermediation (excluding insurance and pension funds), 16% in real estate activities, 8% in head offices and 8% in wholesale (see Table 2.3). Half of the direct investment has come from Sweden and Finland and one tenth from the Netherlands. Financial intermediation (excluding insurance and pension funds) accounted for 53% of the Swedish direct investment position in Estonia, followed by head office activities with 9%, real estate activities with 7% and production of computers and electronics. Direct investment from Finland has gone into many different areas, with real estate activities taking the leading position with 27%, followed by wholesale with 10%, financial intermediation (excluding insurance and pension funds) with 6%, production of food with 5%, plant and animal husbandry, retail, telecommunications, production of beverages and wood processing with 4% each, and then others. Dutch direct investors have invested mainly in warehousing and support activities for transportation (27% of the position in Estonia), real estate related activities (18%), and activities of head offices (11%).

Estonian residents' investment abroad grew by 17% from a year ago to 20.2 billion euros at the end of 2012. The growth was mainly in direct and other investments, both of which increased by one fifth. Other investment was the largest part of the foreign position, accounting for 53%, followed by portfolio

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

Abroad			In Estonia		
Fields of activity					
	31/12/2011	31/12/2012		31/12/2011	31/12/2012
Maritime transport	15.0	24.8	Financial intermediation*	20.5	21.5
Activities of head offices; management consultancy activities	21.7	18.5	Real estate activities	15.7	16.3
Real estate activities	14.0	12.9	Wholesale**	7.9	7.8
Financial intermediation*	12.8	12.0	Activities of head offices; management consultancy activities	7.9	7.8
Wholesale**	6.8	5.8	Warehousing and support activities for transportation	5.2	5.0
Other	29.7	25.9	Other	42.8	41.5
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2011	31/12/2012		31/12/2011	31/12/2012
Cyprus	17.1	28.2	Sweden	28.3	26.9
Lithuania	22.0	20.9	Finland	23.6	23.6
Latvia	19.0	17.0	Netherlands	10.7	10.2
Russia	6.9	5.7	Norway	3.6	4.7
Ukraine	5.1	5.5	Russia	4.1	4.6
Other	29.8	22.7	Other	29.7	30.0
Total	100.0	100.0	Total	100.0	100.0

* Not including insurance and pension funds
** Not including motor vehicles and motorcycles

investment with 24% and direct investment with 22%. The rest was reserve assets and financial derivatives. The most active investors abroad were investors in financial intermediation, whose investments made up 38% of Estonia's total investment position abroad, followed by investors in insurance, the public sector, wholesale and maritime transport (see Table 2.2). The geographical spread of Estonian investments abroad is very wide. The European Central Bank rose to the top of the list for the first time with 10% of Estonia's total investment position abroad, while Finland, Sweden, Cyprus, Latvia and Lithuania each received 7-9% and Denmark, Russia, the Netherlands, Luxembourg, France, the USA and Germany 3-5% of the position.

Over time, Estonian investors have channelled 4.5 billion euros of **direct investment** abroad. Direct investments abroad have mainly gone to maritime transport, with 25% of the direct investment position abroad, followed by head offices (19%), real estate (13%), and financial intermediation (12%). Two thirds of the direct investment abroad has gone to three countries, with Cyprus receiving 28%, Lithuania 21% and Latvia 17%. The main investments in Cyprus have come from investors in maritime transport. Of the direct investments in Lithuania, 86% have been in four areas, with 32% of the position coming from investors in head offices, 23% from real estate investors, 17% from investors in insurance and 14% from financial intermediation (excluding insurance and pension funds). In Latvia, 68% of the position has also been in four areas, with the first three the same as in Lithuania. Investors in head offices have provided 31% of the direct investment position in Latvia, real estate investors 18% and insurance investors 10%, with 9% coming from direct investors in wholesale.

Estonia's gross external debt, that is the total external debt of all economic sectors in the country, increased by 9% to stand at 16.6 billion euros at the end of the year (see Table 2.4 and Figures

Table 2.4. Estonia's external debt (EUR million)

	31/12/2011	Share (%)	31/12/2012	Share (%)	Change (%)
LIABILITIES					
I. General government	**512.6**	**3.4**	**1,260.4**	**7.6**	**145.9**
Short-term	12.4	0.1	10.9	0.1	-12.1
Long-term	500.2	3.3	1,249.5	7.5	149.8
II. Monetary authorities (NCB)	**0.3**	**0.0**	**19.2**	**0.1**	**6300.0**
Short-term	0.3	0.0	19.2	0.1	6300.0
Long-term					
III. Credit institutions	**6,887.6**	**45.2**	**6,322.8**	**38.0**	**-8.2**
Short-term	4,336.6	28.4	4,826.4	29.0	11.3
Long-term	2,551.0	16.7	1,496.4	9.0	-41.3
IV. Other sectors	**5,108.2**	**33.5**	**6,402.7**	**38.5**	**25.3**
Short-term	2,054.5	13.5	2,555.3	15.4	24.4
Long-term	3,053.7	20.0	3,847.4	23.1	26.0
V. Direct investment: intra-group lending	**2,741.0**	**18.0**	**2,616.7**	**15.7**	**-4.5**
GROSS EXTERNAL DEBT	**15,249.6**	**100.0**	**16,621.8**	**100.0**	**9.0**
ASSETS					
I. General government	**1,091.9**	**7.6**	**1,478.6**	**8.7**	**35.4**
Short-term	506.8	3.5	564.9	3.3	11.5
Long-term	585.1	4.1	913.7	5.4	56.2
II. Monetary authorities (NCB)	**1,468.3**	**10.2**	**2,697.8**	**15.9**	**83.7**
Short-term	759.1	5.3	1,818.0	10.7	139.5
Long-term	709.2	4.9	879.8	5.2	24.1
III. Credit institutions	**4,128.3**	**28.6**	**3,691.1**	**21.8**	**-10.6**
Short-term	3,219.3	22.3	2,847.5	16.8	-11.5
Long-term	908.9	6.3	843.6	5.0	-7.2
IV. Other sectors	**5,094.3**	**35.3**	**5,802.8**	**34.2**	**13.9**
Short-term	3,629.9	25.1	4,097.9	24.2	12.9
Long-term	1,464.4	10.1	1,704.9	10.1	16.4
V. Direct investment: intra-group lending	**2,654.6**	**18.4**	**3,284.5**	**19.4**	**23.7**
TOTAL ASSETS	**14,437.4**	**100.0**	**16,954.7**	**100.0**	**17.4**
NET EXTERNAL DEBT (assets less liabilities)					
I. General government	**579.3**		**218.2**		**-62.3**
Short-term	494.5		554.0		12.0
Long-term	84.9		-335.8		-495.5
II. Monetary authorities (NCB)	**1,468.0**		**2,678.6**		**82.5**
Short-term	758.8		1,798.7		137.0
Long-term	709.2		879.8		24.1
III. Credit institutions	**-2,759.3**		**-2,631.6**		**-4.6**
Short-term	-1,117.3		-1,978.9		77.1
Long-term	-1,642.0		-652.7		-60.2
IV. Other sectors	**-13.9**		**-600.0**		**4216.5**
Short-term	1,575.4		1,542.6		-2.1
Long-term	-1,589.3		-2,142.5		34.8
V. Direct investment: intra-group lending	**-86.4**		**667.8**		**-872.9**
TOTAL NET EXTERNAL DEBT	**-812.2**		**332.9**		**-141.0**

Figure 2.1. Estonia's gross and net external debt

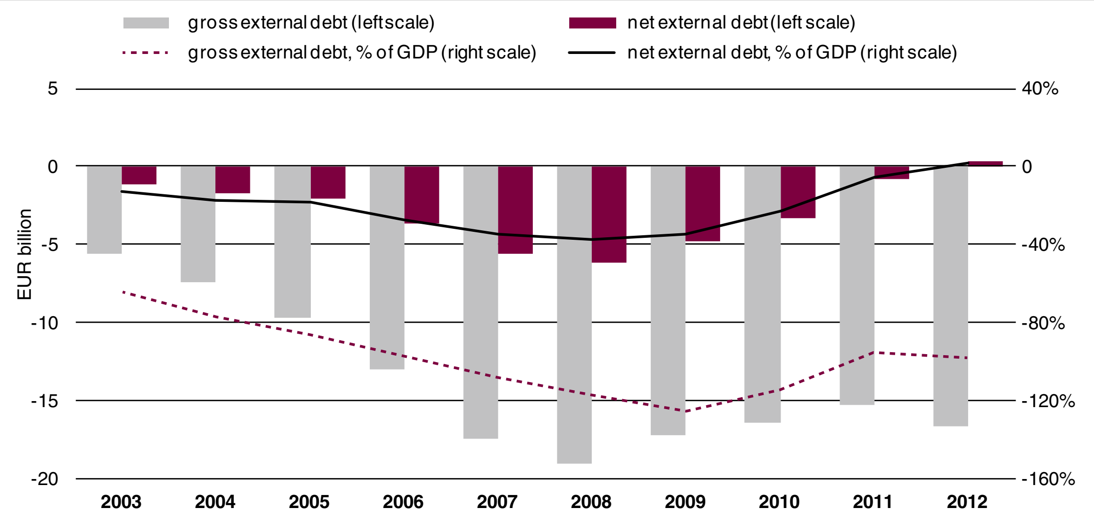
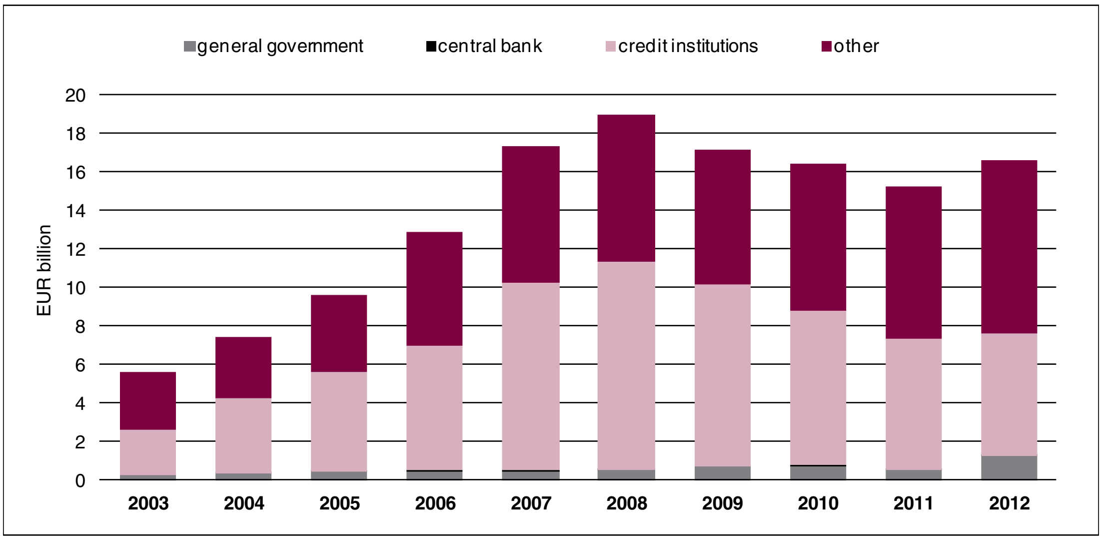


Figure 2.2. Estonia's gross external debt by economic sectors



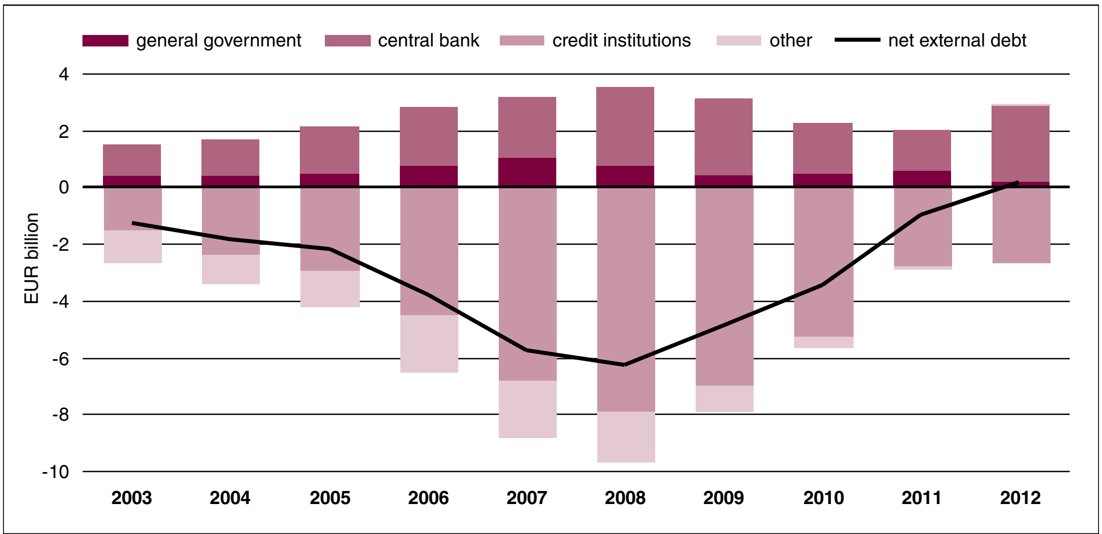
2.1 and 2.2). The gross external debt was boosted primarily by long-term loans to other sectors and the general government. The gross external debt was equal to 56% of total foreign investment in Estonia or to 98% of GDP. The general government debt more than doubled from the previous year to make up almost 8% of the gross external debt at the end of the year, having been 3% in 2011. The growth was partly in connection with the financial aid provided within the framework of the European Financial Stability Facility (EFSF)[3]. The share of gross external debt held by credit institutions continued to decline, from 45% at the end of the previous year to 38% at the end of 2012. The share held by other sectors increased and stood

3 Under the methodology used for the balance of payments, financial aid under the EFSF is reflected as an item of other investment on both the asset and liability sides, meaning it has no impact on the financial account. However, only loan obligations are considered as external debt and in this way the financial aid provided under the EFSF affects gross external debt.

at 39% at the end of the year. If the external debt of direct investment companies is added to this, as they are mainly in other sectors, then the external debt of other sectors makes up 54% of the gross external debt. Debts to Finland accounted for 24% of the total, and debts to Sweden for 14%.

Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia had a negative net international investment position (external assets less external liabilities) of 9.4 billion euros, which was 3% less than a year ago. At the end of 2011 external debt liabilities exceeded external debt assets to give net external debt of 0.8 billion euros, but at the end of 2012 the situation had reversed and external debt assets exceeded external debt liabilities by 0.3 billion euros (see Figure 2.3). The main contributors to making net external debt positive were the central bank and direct investment companies.

Figure 2.3. Estonia's net external debt by economic sectors



III THEORETICAL CONCEPTS, METHODOLOGY AND COMPILATION PRACTICES

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

BALANCE OF PAYMENTS

The balance of payments is the consolidated income statement of all the institutional sectors of the economy and of their consolidated balance sheet. Corporate financial statements reflect the relations of an individual company with its external environment, and in theory the balance of payments has the same function, the company being the national economy and the rest of the world its environment.

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

The balance of payments

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

The current account is divided into four sub-accounts: *goods, services, income* and *current transfers* (see Concepts and Explanations for Balance of Payment Statistics). The goods and services accounts cover all sums receivable from selling goods and services, and the sums payable for purchases. The income account reflects revenues from the use and availability of capital and labour as production factors. Current transfers are all the remaining transactions related to the formation of gross disposable income of residents and are distinguishable from capital transfers.

Sources of funds are divided between three accounts: *the capital account, the financial account* and *the reserve assets account*. The *capital account* mainly records transactions related to investment grants like the acquisition or disposal of intellectual property, or sales of CO_2 emission quotas; waivers of debt; and other international capital transfers not related to the formation of gross disposable income. The *financial account* reflects foreign investment in four main 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 based not on the territory of a country, but on the economic territory administered by the government of that country, within which persons, goods, services and capital move freely. The economic territory includes the national air-space, territorial waters and territorial enclaves abroad such as embassies, military bases or special zones. As a rule, a balance of payments transaction is a monetary or non-monetary transaction between a *resident* and a *non-resident*. A *resident* is an Estonian inhabitant with permanent residence or a natural person registered in Estonia. A *non-resident* is a legal entity or a natural person who is registered abroad and whose permanent residence is not in Estonia.

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

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

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

Table 3.1. Credit and debit

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

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

In accordance with 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.

THE INTERNATIONAL INVESTMENT POSITION

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

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

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

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

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

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

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

The international investment position indicators are period-end indicators.

EXTERNAL DEBT

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

Direct and portfolio investment in equity capital, reinvested earnings (retained earnings or losses from previous periods and equity capital reserves) and financial derivatives are excluded from the accounting of debt. The gold reserves of the central bank and the IMF's special drawing rights (SDR, see Concepts and Explanations for the Balance of Payment Statistics) are equally not part of the debt.

The key external debt indicators are:

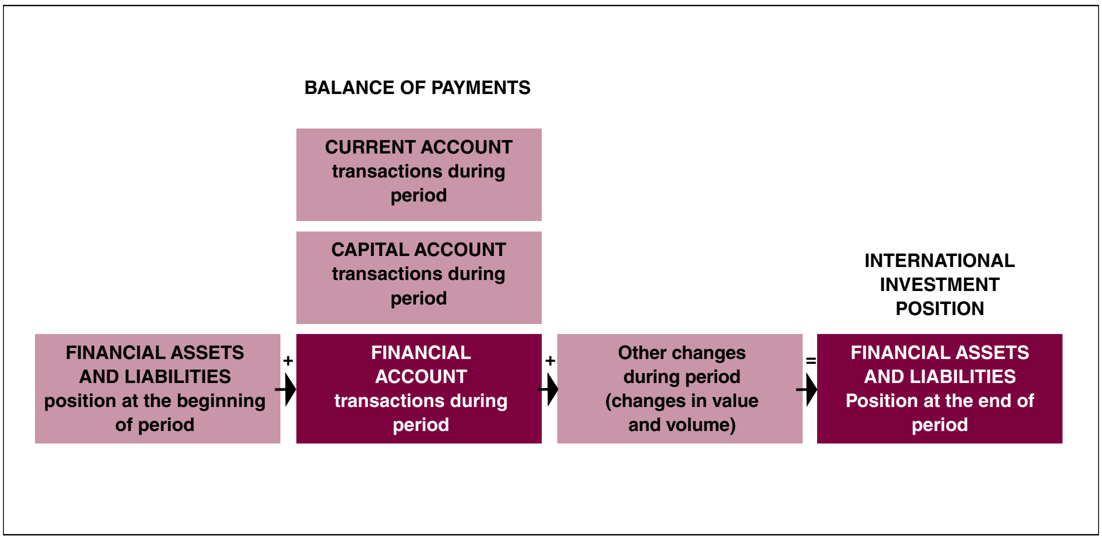
- **gross external debt** – the total of all external debt liabilities of all institutional sectors;
- **net external debt** – assets less liabilities, repayable by all institutional sectors.

Unlike the international investment position, where direct investment is shown using the *directional principle* (see Concepts and Explanations for the Balance of Payment Statistics), 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, loans granted to Estonian residents by non-resident direct investment companies are not subtracted from Estonia's direct investment assets abroad but are added to debt liabilities instead.

The external debt is divided into long-term and short-term debt. The long-term external debt is calculated from long-term debt-like assets and liabilities with a contractual maturity of over one year. The short-term debt contains debt capital with a maturity of one year or less.

The external debt indicators are period-end indicators.

THE RELATION BETWEEN THE BALANCE OF PAYMENTS AND THE INTERNATIONAL INVESTMENT POSITION



CONCEPTS AND EXPLANATIONS FOR THE BALANCE OF PAYMENTS STATISTICS

Institutional sectors

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

- *the central bank* – Eesti Pank;
- *the general government* – national governing and defence bodies 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 local government budget;
- *credit institutions* – companies as private bodies licensed by Eesti Pank, whose principal and permanent activities are to receive cash deposits and other repayable funds from the public and to grant loans on their own account and perform other operations listed in the Credit Institutions Act;
- *other sectors* – the remainder of the private sector, consisting of companies, households and non-profit institutions serving households.

Entries

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

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

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

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

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

From 1 May 2004 foreign trade statistics are based on a 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 Extrastat), whereas trade with other EU countries is registered through the Intrastat survey organised by the Statistical Office (see *www.stat.ee/125965*). While Extrastat still allows the use of the special trade system, which excludes trade through customs warehouses, Intrastat provides no way of excluding goods moving through intermediate warehouses that do not actually reach the Estonian domestic market, thus reflecting the principles of the general trade system. This means that the general level of imports and exports of goods is higher than in previous periods and this peculiarity has to be taken into account when comparing time series. Due to differences in the structure of Intrastat reports and customs declarations, it is no longer possible to draw a precise distinction between normal exports and imports and imports of goods for processing and exports of processed goods.

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

a) *transportation* – passenger, freight and other transportation services by major modes of transport (maritime, air, rail, road and other transport);

b) *travel services* – expenditure on package tours for tourists and one-day visitors, and on goods and services in the country of destination. As well as this, travel services also include education and health costs in the country of destination. While residence abroad for up to one year generally counts as tourism, there is no time limit for students or for those receiving health care in the country of destination. Tourism is distinguished from travel services by the fact that international passenger transport services that are regarded as tourism services in international practice are recorded in the balance of payments under transportation services;

c) *communications services* – charges for telecommunications services such as TV and radio transmission, telegraph, telex and facsimile communications, satellite and cable television, and email; and for postal and courier services such as packaging, mailing, transportation, delivery of items, and lease of letter boxes;

d) *construction services* – the cost of construction activities abroad by resident companies and construction activities in Estonia by non-resident companies. Construction services relate to projects or sites to be completed within one year;

e) *insurance services* – charges collected and paid when life and non-life insurance contracts are signed, loss adjustment expenses, insurance expert assessments and similar. Non-life insurance premiums and claims payable are recorded under current transfers, while life insurance premiums and payments are recorded in the financial account under other long-term capital;

f) *financial services* – financial intermediation services and auxiliary services (other than insurance) related to commissions and fees for banking and securities brokerage or to custodial services, clearing, depository services, financial consulting, etc;

g) *computer and information services* – transactions related to fees for the use and development of databases, data processing and programming, software and hardware consultations, software implementation, and services of news agencies;

h) *royalties and licence fees* – receipts and payments for the use of copyrights, licences, franchises, patents, industrial processes or other intellectual property;

i) *trade services* – 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 the same goods resold abroad in the same period. The goods must never cross the Estonian border;

j) *operational lease* – payments where the lessee uses the assets during the contract period and returns the assets to the lessor upon the expiry of the contract (see below for financial lease);
k) *miscellaneous business services* – consulting services such as legal assistance, accounting, audit and management consulting; public relations and marketing such as advertising, opinion polls and market research; or other technical services such as waste management, environmental protection, or architectural and engineering solutions;
l) *personal, cultural and recreational services* – audio-visual services related to radio, television and films; organisation of concerts and other events and fees to performers; organisation of exhibitions and museum exhibits; producer services; and other sports, cultural and recreational services;
m) *government services not included elsewhere* – other services rendered by government institutions related to embassies and consular services, military and other public sector services, state fees and foreign aid received and provided as a service (for foreign aid see also *current transfers*).

The income account reflects income from capital and labour as production factors used or available for use. Income falls into two categories:
a) *compensation of employees (labour income)* – gross wages earned abroad together with social transfers made by the employer under a labour contract with a duration of up to a year and paid to foreigners in Estonia;
b) *investment income* – *interests* and *dividends* received on foreign investment assets (direct, portfolio and other) and payable on foreign investment liabilities. 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 this profit in the balance of payments. *Reinvested earnings* is a proportional change equal to investment of the undistributed operating profit or loss of the investment company, which is recorded on the income account and also on the financial account as additional investment in the company. As reinvested earnings decrease when dividends are paid, the concept of reinvested earnings can be regarded as accounting of dividends on an accrual basis. Such a method of calculation is statistically complicated and the necessary data are not always available, so for the sake of simplicity it has been agreed that it should be used only for direct investment relations, not portfolio investment.

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

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

General government transfers are the amounts of the transfers received from and paid by the Estonian general government, including foreign aid used by the general government and Estonia's contribution to the EU budget. *Other sectors' transfers* are mostly cash flows from 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 who have lived and worked abroad for more than a year after being hired by a company in a foreign country.

The capital account consists of three parts:

a) *general government;*
b) *other sectors;*
c) *intangible assets.*

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

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

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

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

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

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

The direct investment account consists of the following items:

a) the *equity capital* of direct investment companies;
b) reinvested earnings – a part of the operating profit or loss of a direct investment company in proportion to direct investor's equity holding. Reinvested earnings does not cover profit or loss arising from changes in the valuation of assets.

c) *other direct investment capital* – assets and liabilities related to lending, debt securities and trade credit between a direct investment company and a direct investor.

Direct investment is considered to be long-term.

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

a) *equity security* – securities investment in equity capital not comprising a qualifying holding by remaining below 10% of the equity capital of a company;

b) *debt security* – a bond or money market instrument that proves a debt claim:

- *bond* – a security proving the right of claim of its holder and containing the borrower's commitment to repay the loan to the creditor on the agreed date and to pay the interest. As a rule, bonds are long-term instruments with a maturity of over one year;
- *money market instrument* – a highly liquid short-term debt liability that is tradable in the money market, and that has low interest, a low credit risk and a maturity of one year or less.

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

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

Other investment covers all other investment that is neither direct investment nor portfolio investment, nor related to financial derivatives:

- *trade credit* – outstanding or unpaid amounts for goods and services and advance payments, recorded on an accrual basis in the balance of payments and in the international investment position. Trade credit is considered to be short-term.
- *loans* – short-term (maturity of up to one year) and long-term (maturity of over one year) lending of institutional sectors not related to direct investment. Loans also include *financial leases*, which are loan or lease transactions for the acquisition of assets on the condition that the leased property remains in the ownership of the lessor until the amortisation of the loan and interests, and *repurchase transactions*, which are borrowings against securities as collateral;
- *currency and deposits* – foreign currency held by residents and their deposits in foreign credit institutions are recorded as assets. Non-residents' deposits in Estonian credit institutions are recorded as liabilities. Under the methodology of the European Central Bank, this item also includes the sectoral loan assets and liabilities of credit institutions and the central bank. Deposits may be short- or long-term, depending on the terms of depositing.
- *other assets and liabilities* – other sums overdue recorded on an accrual basis, such as accounts receivable and accounts payable or accrued expenses, and other assets and liabilities not related to other items. In addition, life insurance premiums collected and disbursements made by insurance companies are recorded here.

Reserve assets – the gold and foreign exchange reserves of a country, which are considered to be short-term capital. Reserve assets are usually highly liquid tradable external assets of the central bank, entered as:

a) *monetary gold* – gold held as reserve assets;
b) *SDRs (special drawing rights)* – units of account created by the International Monetary Fund. Their value is based on a basket of four currencies, USD, EUR, JPY, and GBP. An SDR account is generated for each IMF Member State for conducting loan transactions and several other related operations between Member States and the IMF;
c) *reserve position in the IMF* – the contribution of a Member State to the IMF and, if required, available to the Member State as a loan;
d) *foreign exchange* – foreign exchange or equal reserve assets: foreign currency and deposits, equity securities, bonds, money market instruments, and financial derivatives;
e) *other assets* – other liquid external assets.

THE BALANCE OF PAYMENTS COMPILATION SYSTEMS

Three fundamentally different systems are used around the world for compiling the balance of payments:

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

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

The **survey system** draws on information from various statistical surveys and studies. Both sampling and censuses are used, depending on the requirements, the area being studied 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 statistical surveys are expensive to conduct, they have a low response rate and they can take time. The survey system has been successfully used by English-speaking 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. Clients, commercial institutions or the central bank attribute a transaction code to each incoming or outgoing payment, describing the transaction in terms of the balance of payments structure. The settlements system allows detailed and prompt information to be collected, but the system is limited, as cash flows do not reflect the accrual approach; the description of a transaction or the balance of payments code is often missing; netting sometimes occurs; and cash flows do not allow the positions to be estimated. Many countries in continental Europe have replaced the settlements system with a combination of systems.

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

COMPILATION PRACTICES IN ESTONIA

Estonia started to compile its national balance of payments in 1992. First, the survey system was introduced owing to the weakness of the banking system back then. However, as this system is not flexible enough in a changing economic environment, ways of applying the settlements system were studied. Consequently, the settlements system was launched in parallel to the survey system in 1994. Once the international investment position started being compiled from 1996, surveys have gained more importance. Above all, surveys facilitate the collection of information on an accrual basis and of other indicators not reflected in money flows such as trade credit or reinvested earnings.

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

For the other quarterly statistics on the balance of payments and the external sector, the survey system supplemented with 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 is used together with various econometric models to compile the flash estimates of the monthly balances of payments. Eesti Pank started to release the flash estimate of the balance of payments in 1999 to meet EU requirements.

In 2012, six different surveys were used to collect quarterly data from more than 3,500 companies. The settlements system involves approximately 140,000 transactions a year that are significant for the compilation of the balance of payments. Data on these transactions are received through the *open system* where the central bank gets information only on the debit or credit side of the foreign payment order. Only the payments of the bank customers are submitted. Banking sector transactions recorded in the balance of payments are based on the banks' balance sheets, income statements and other financial reports.

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

Table 3.2. The scope of primary and consolidated data used for balance of payments compilation and the frequency of data collection

Name of statement or report	Target group / content of statement or report	Frequency	Deadline after reporting period	Sample size / No of data sources in 2011
SURVEY SYSTEM				
Form 2	Companies with foreign ownership	quarter	20 days	1985
Form 3	Transport companies without foreign ownership	quarter	20 days	244
Form 4	Transport companies with foreign ownership	quarter	20 days	228
Form 6	Companies without foreign ownership	quarter	20 days	1020
Form 9	Insurance companies and intermediaries	quarter	20 days	22
Form 10	Other financial intermediaries	quarter	20 days	95
SETTLEMENTS SYSTEM				
Settlements system reporting under the procedure for declaring international payments	Incoming international payments declared in credit institutions	15 days	25 days	13
	Outgoing international payments declared in credit institutions	15 days	8 days	13
ADMINISTRATIVE INFORMATION				
CREDIT INSTITUTIONS				
Report on the balance and turnovers of resources	Data on resources deposited in credit institutions and loans granted to credit institutions by 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 custodial and investment activities of credit institutions	quarter	15 days	16
Report on non-transactional financial flows	Non-transactional financial flows of credit institutions during the reporting period, excluding revaluations caused by exchange rate fluctuations	month	12 days	16
EESTI PANK				
Balance of payments statement of Eesti Pank	Financial Department's statement of balances of and changes in the balance sheet entries of non-residents with Eesti Pank, 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)			
Household Budget Survey	Data on expenditure abroad of tourists	quarter	120 days	1
Assets and liabilities related to general government's external aid	Accrual accounting of external aid	quarter	58 days	1
Accommodation establishments' statement	Data on turnover and number of tourists serviced 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 items 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 country	quarter	1 month	1
ESTONIAN CENTRAL REGISTER OF SECURITIES				
Central Register of Securities	Statistics on securities issues registered in the Estonian Central Register of Securities	month	20 days	1
BORDER GUARD ADMINISTRATION				
Border crossing statistics	Report on people crossing the 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				
Unemployment Insurance Fund, Health Insurance Fund, etc.				5–10

Several other national central banks beside Eesti Pank, including the central banks of Latvia, Lithuania, Sweden, and the Czech Republic, have started to apply the combined system described above of cash flows, surveys and administrative sources. With the approval of European Union institutions this model has recently also gained popularity in other European countries that so far had obtained information only from the cash-based system that was established at a time of tight capital controls.

THE LEGAL BASIS FOR BALANCE OF PAYMENTS STATISTICS AND DATA PROTECTION

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

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

In addition to the Eesti Pank Act, the **Official Statistics Act** (10/06/2010) also defines the compilation of the balance of payments, and under Subsection 8 (1), Eesti Pank must collect official statistics for the purpose of the balance of payments. Eesti Pank and the respondents are to follow all the provisions of the Official Statistics Act related to conducting surveys and submitting, protecting and disseminating data, and to parties' responsibilities. Under Subsections 39 (1) and (3), Eesti Pank has the right to demand data or to impose a penalty payment on companies that fail to submit data on time or that submit distorted data.

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

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

PRINCIPLES FOR THE DISSEMINATION AND REVISION OF DATA

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

Data dissemination. Balance of payments statistics, press releases, analyses and statistics tables are published on the Eesti Pank *website*.

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

- *Regular revision:*
  a) when quarterly data for Q2, Q3 and Q4 are first released, only the data for the previous quarter are revised;
  b) when Q1 is first released and Q4 is revised, data for all previous quarters are also revised if additional data have been received. The data are considered final after their integration into the input/output tables of the national accounts system, which can be up to five years.
  c) After the completion of the quarterly balance of payments, the monthly balances of payments are revised so that the total of the items of the three monthly balances of payments is equal to the total of the same items in that quarter's balance of payments.
- *Extraordinary revision:*
  a) in exceptional cases, when significant errors or omissions have occurred, the data for previous quarters may be revised extraordinarily;
  b) if changes in methodology or the data collection system render results incomparable, data can be revised retrospectively as far back as necessary;
  c) the general public is notified of extraordinary changes and the reasons for them in the press releases on the balance of payments and the international investment position.

Accounting period / month of release	Year T-1		Year T				Year T+1	
	-	Q4	Q1	Q2	Q3	Q4	Q1	-
September								
December								
March								
June								

Regular revision First release

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