

### III THEORETICAL CONCEPT, METHODOLOGY AND COMPILATION PRACTICES

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

#### BALANCE OF PAYMENTS

The balance of payments is by nature the consolidated income statement as well as the consolidated balance sheet of all institutional sectors of the economy. Corporate financial statements reflect the relations of a company with the external environment. Theoretically, the balance of payments has the same functions, the company being the national economy in its entirety and the rest of the world as its environment.

**The balance of payments is a statistical statement that systematically summarises economic transactions of a country conducted over a specific time period with the rest of the world. The period is usually a month, a quarter or a year.**

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

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

The current account is divided into four accounts<sup>6</sup>: *goods*, *services*, *income* and *current transfers*. The goods and services accounts include all sums receivable from selling goods and services as well as the sums payable for purchases. The income account reflects revenues related to the use and render for use of production factors (capital and labour). Transfers are all the remaining transactions related to the formation of gross disposable income of residents and are distinguishable from capital transfers.

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

The compilation of the balance of payments is not based on the territory of the compiling country. A balance of payments transaction is for the most part a transaction between a *resident* and a *non-resident*, not only movement of funds. The balance of payments is compiled on an *accrual basis*, i.e. the transaction is recorded at the time the transaction was concluded between parties or a change of

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<sup>6</sup> Separate chapters provide an overview of the definitions and entries related to the balance of payments statistics.

ownership took place, regardless of whether the respective amount has actually been received or paid. All balance of payments transactions are recorded at *market prices*.

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

**Table 3.1. Credit and debit**

	Increase in resources	Utilisation of resources
	CREDIT „+”	DEBIT „-”
<b>Current account</b>	Exports of goods	Imports of goods
	Exports of services	Imports of services
	Income inflow	Income outflow
	Transfers inflow	Transfers outflow
<b>Capital account</b>	Inflow of capital transfers	Outflow of capital transfers
<b>Financial account</b>	Decrease in external assets	Increase in external assets
	Increase in external liabilities	Decrease in external liabilities
<b>Reserve assets</b>	Decrease in reserve assets	Increase in reserve assets

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

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

## **INTERNATIONAL INVESTMENT POSITION**

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

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

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

The net investment position is positive when external assets exceed external liabilities, reflecting the net debt of the rest of the world to the country. *Negative* net investment position reflects the debt of the country to the rest of the world.

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

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

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

However, market prices of unquoted shares are not always available and indirect evaluation of market prices is complicated. Until 2006, Eesti Pank used the information in the Estonian Central Register of Securities for evaluating the liabilities of Estonian residents in case of unquoted shares. Since the respective information is generally not available in the investment position of the partner country, statistical asymmetries between countries may occur. Therefore, in order to achieve statistical consistency the EU working groups on statistics reached a consensus with regard to using only the own funds at book value (own capital divided by the number of shares) in case of unquoted shares. As a rule, own funds at book value tend to be lower than market prices. Eesti Pank has been using this method since the first quarter of 2007 (see "Adjustment of time series of balance of payments" p 7).

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

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

## **EXTERNAL DEBT**

External debt statistics is based on the external claims and liabilities recorded in the international investment position, which are debts in their nature, i.e. they have to be repaid. Direct and portfolio investment into equity capital, reinvested earnings (retained earnings/losses of previous periods and equity capital reserves) and financial derivatives are excluded from debt accounting. In addition, neither the gold reserves of the central bank nor the International Monetary Fund's *special drawing rights*<sup>7</sup> are included in the external debt.

The key external debt indicators are the following:

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

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<sup>7</sup> See Entries, Reserves.

Unlike the international investment position that reflects direct investment according to the *directional principle*, loans granted by resident direct investment companies to direct investors do not reduce direct investment liabilities, but are entered under assets in the balance sheet in debt accounting. Similarly, Estonian residents' loans granted by non-resident direct investment companies are not subtracted from Estonia's direct investment assets abroad but are added to debt liabilities instead.

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

## DEFINITIONS

- **C.i.f.** (cost, insurance, freight) price – an international delivery clause of goods, including the value of goods and the cost of insurance and transportation to the customs frontier of the importing country.
- **F.o.b.** (free on board) price – an international delivery clause of goods, including the value of goods and the cost of insurance and transportation to the customs frontier of the exporting country.
- **Institutional sectors** are divided into the following groups in the external sector statistics:
  - *General government* – state government and defence authorities under the authority of central and local governments; scientific, research, health, social care, educational, cultural and sports institutions, and state funds and foundations financed from a central or a local government budget;
  - *Central Bank* – Eesti Pank as the national central bank;
  - *Credit institutions* – companies as private bodies licensed by Eesti Pank the principal and permanent activities of which are to receive cash deposits and other repayable funds from the public and to grant loans for their own account and perform other operations listed in the Credit Institutions Act;
  - *Other sectors* – the remaining private sector (companies and households).
- **Financial leasing** – loan (lease transaction) for the acquisition of assets on the condition that the leased property remains in the ownership of the lessor until the amortisation of the loan and interests.
- **Short-term capital** – claims or liabilities with the maturity of up to one year (included).
- **Short-term position** – net investment position based on short-term external assets and liabilities. Conventionally, reserves of the central bank are considered short-term due to their nature.
- **Non-resident** – all other persons not covered by the term *resident*.
- **Long-term capital** – assets or liabilities with the contractual maturity of over one year.

- **Long-term position** – net investment position based on long-term external assets and liabilities. Conventionally, direct investment is considered long-term due to its nature.
- **Repurchase agreement** – borrowing against securities as collateral.
- **Resident:**
  - 1) state authorities and agencies of the Republic of Estonia in the broadest sense (legislative, executive and judicial power and their agencies, constitutional institutions), also local government units and their agencies;
  - 2) Estonia's diplomatic, consular and other official representative offices abroad, as well as other representative offices of Estonian agencies and organisations abroad not involved in economic or commercial activities;
  - 3) legal persons in public law and their agencies established by the laws of the Republic of Estonia;
  - 4) legal persons in private law registered in Estonia;
  - 5) organisations and associations of persons established and operating in Estonia and enjoying partial legal capacity that are not legal persons;
  - 6) branches and representations of foreign legal persons registered in Estonia;
  - 7) Estonian citizens residing in Estonia;
  - 8) aliens residing in Estonia with a permanent residence permit;
  - 9) aliens residing in Estonia with a temporary residence permit for at least one year;
  - 10) Estonian citizens studying or receiving medical treatment abroad, regardless of the length of studies or medical treatment;
  - 11) diplomats, military personnel, staff of consular and other representative offices as well as their family members staying abroad and enjoying immunity and diplomatic privileges;
  - 12) ship crews, seasonal and border workers, regardless of the duration of their residence on the territory of a foreign country;
  - 13) conventional business entities representing real estate located on Estonian territory (land together with its essential parts).

## ENTRIES

- **Trade account** – includes imports and exports of goods that contribute to the gross domestic product. Such imports and exports include:
  - imports for national consumption – goods imported for free circulation and paid by residents;
  - national exports – exports the sale of which provides receipts to residents;
  - imports of goods for processing and exports of processed goods.

Estonia's trade account is based on the *special trade system* of official trade statistics, registering goods exceeding free circulation<sup>8</sup>. Exports exclude re-exports of imported goods previously stored in customs warehouses or provisions for sea and air transport. Imports exclude customs warehousing

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<sup>8</sup> General trade system is also used, which registers movements of goods across customs frontiers. This system is not suitable for the compilation of the balance of payments, as it also includes the movement of goods of non-residents through Estonian customs warehouses.

of imported goods, yet reflect deliveries of goods from customs warehouses into free circulation and processing. As the official trade statistics and customs statistics do not comply with the balance of payments compilation principles (imports in c.i.f. prices, residency principle vs. territorial principle etc.), necessary supplements are added to the balance of payments. The most significant of them include:

- a) goods not declared in customs and not crossing frontiers but which are balance of payments transactions (e.g. fish caught in foreign waters);
- b) goods purchased for carriers abroad: fuel, provisions, merchandise, etc.;
- c) repair of capital goods purchased and sold;
- d) translation of imports into f.o.b. prices, i.e. separation of transportation and insurance costs;
- e) Consideration of price distortions upon exports of goods through customs warehouses and free zone;
- f) estimates of black economy.

As of 1 May 2004, foreign trade statistics is based on the combination of two reporting systems: trade with non-EU countries is still calculated on the basis of customs declarations submitted to the Tax and Customs Board (the so-called Extrastat), whereas intra-Community trade is registered through the so-called Intrastat survey organised by the Statistical Office (see [www.stat.ee/125965](http://www.stat.ee/125965)). While Extrastat still enables to apply the special trade system, which excludes trade through customs warehouses, then Intrastat does not allow filtering out goods that have moved through intermediate warehouses and that have not really entered Estonia's internal market, thus rather reflecting the principles of the general trade system. Therefore, the general level of both imports and exports of goods is higher than in earlier periods and that peculiarity has to be taken into account when comparing time series. Moreover, due to the structural differences between Intrastat reports and customs declarations it is no longer possible to distinguish with sufficient accuracy the so-called normal exports and imports from the imports of goods for processing and from the exports of processed goods.

- **Services account** reflects the services sold to and purchased from non-residents by Estonian residents:
  - *transportation* – passenger, freight and other transportation services by major modes of transport (marine, air, rail, road and other transport modes);
  - *travel services* – include expenditure on package tours of tourists and one-day visitors, as well as on goods and services in the country of destination. Besides the above items, travel services also include education and health costs in the country of destination. While generally residence abroad up to one year accounts as tourism, with students and those receiving health care in the country of destination there is no time limit. Tourism is distinguished from travel services by the fact that international passenger transport services that are regarded as tourism services according to international practice are recorded in the balance of payments under transportation services entries;
  - *communications services* – comprise charges for telecommunications services (TV and radio transmission, telegraph, telex and facsimile communications, satellite and cable television, e-mail etc.), postal and courier services (packaging, mailing, transportation, delivery of items, lease of letter boxes, etc.);
  - *construction services* – generally cover the cost of construction activities abroad by resident companies or of construction activities in Estonia by non-residents. Construction services, as

- a rule, include sites or installation to be completed within one year;
- *insurance services* – charges collected and paid upon conclusion of life and non-life insurance contracts, loss adjustment expenses, insurance expert assessments, etc. Non-life insurance premiums and claims payable are recorded under current transfers while life insurance premiums and payments are recorded in the financial account under other long-term capital;
  - *financial services* – financial intermediation services and auxiliary services (other than insurance) related to commissions and fees of banking and securities brokerage or to custodial services, clearing, depository services, financial consulting, etc.;
  - *computer and information services* – cover transactions related to fees for the use and development of databases, data processing and programming, hardware consultations, software implementation etc. as well as services of news agencies;
  - *royalties and licence fees* – receipts and payments for the use of copyrights, licenses, franchises, patents, industrial processes or other intellectual property;
  - *merchandising* – commissions and fees of commodity brokers and dealers. Trade services is the difference between the value of goods purchased by residents abroad and the value of these goods resold abroad during the same period. The goods must never cross the Estonian border;
  - *operational lease* – payments where the lessee uses the assets during the contract period and returns the assets to the lessor upon the expiry of the contract (*capital lease* – see below);
  - *miscellaneous business services* – services related to consulting (legal assistance, accounting, audit, management consulting, etc.), public relations and marketing (advertising, opinion polls, market research, etc.) or other technical services (waste management, environmental protection, architectural and engineering solutions, printing services, etc.);
  - *personal, cultural and recreational services* – audio-visual services related to radio, television and production of motion pictures, organising concerts and other events, fees to performers, organising exhibitions and museum exhibits, producer services and other sports, cultural and recreational services;
  - *government services not included elsewhere* – other services rendered by government institutions related to embassies and consular services, military and other public sector services, state fees and foreign aid received and provided as a service (for foreign aid see also *current transfers*).
- **Income account** reflects income related to the use and render for use of production factors (capital and labour). Income falls into two categories:
    - a) *compensation of employees* – gross wages earned abroad together with social transfers made by the employer under a labour contract with a duration of up to a year and paid to foreigners in Estonia;
    - b) *investment income* – generally reflecting income on foreign (direct, portfolio and other) investment assets and payable from foreign investment liabilities (*interests* and *dividends*). Since the period between the emergence of operating profit and payment of dividends may be long, the concept of *reinvested earnings* has been applied to record that profit in the balance of payments. *Reinvested earnings* – a proportional change equal to investment in the undistributed operating profit or loss of the investment company, which on the other hand

may be regarded as additional investment in the company. As reinvested earnings decrease when paying dividends, the concept of reinvested earnings can be regarded as accounting of dividends on an accrual basis. Such method of calculation is statistically complicated and necessary data are not always available. Therefore, for the sake of simplicity it has been agreed to use it only in case of direct investment relations, not portfolio investment.

Accounting income on realised and unrealised exchange rates and spreads are not recorded as income, because the balance of payments records movement of financial instruments at market prices. For accounting purposes, the latter comprises acquisition cost and realised exchange rate and/or price profit/loss. Furthermore, neither waivers and write-offs of uncollectible loans nor exceptional profit/loss are recorded under reinvested earnings.

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

- a) *general government;*
- b) *other sectors.*

General government transfers are the amounts related to the transfers received from and paid by the Estonian public sector. Other sectors' transfers include mostly cash flows related to insurance contracts and *workers' remittances* indicating remittances to the home country of outside workers (also migrants – persons who have lived and worked in a foreign country more than a year) in case they have been hired by a company in a foreign country.

- **Capital transfers** are unilateral, similarly to current transfers, but amounts received or paid have no direct impact on residents' gross disposable income. Common capital transfers include:
  - a) various grants from international funds to finance building infrastructure objects;
  - b) transfers of migrants;
  - c) acquisition of non-produced, non-financial intangible assets (intellectual property) and disposal thereof (franchises, patents, trademarks, industrial processes, etc.);
  - d) waivers or write-offs of debt.

The capital account records cash flows by two sectors:

- a) general government;
- b) other sectors.

- **Direct investment** in Estonia's balance of payments refers to investment involving a qualifying holding, which amounts to 10% or more of the equity capital of the investment company<sup>9</sup>. According

<sup>9</sup> The concept describes direct investment as financial resources applied leading to a qualifying holding and a casting vote of the investor in managing the direct investment enterprise, regardless of the actual holding. As such an approach does not ensure similar treatment of the investment in the investor and recipient country, the 10% criterion is recommended to avoid statistical errors (OECD Benchmark Definition of Foreign Direct Investment, 1996).

to international standards, lending and other investments between a company and an investor with a qualifying holding are also reflected as direct investment (except with financial intermediaries in case of whom only subordinated debt is recorded as direct investment).

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

The direct investment account includes the following items:

- a) *equity capital* of direct investment companies;
- b) *reinvested earnings* – proportional share of the direct investor in the operating profit or loss of a direct investment company;
- c) *other direct investment capital* – assets and liabilities related to lending, debt securities and trade credit between a direct investment company and a direct investor.

- **Portfolio 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, i.e. remaining below 10% of the equity capital of a company;
  - b) *debt security* – bond or money market instrument that proves the debt claim:
    - *bond* – a security proving the right of claim of its holder and containing the borrower's commitment to repay the loan to the creditor on the agreed date and pay the interests. As a rule, bonds are long-term instruments (with the maturity of over one year);
    - *money market instrument* – a highly liquid debt liability that is tradable in the money market, has a low interest and credit risk, and a maturity of up to one year.

Portfolio investments are recorded in the balance of payments by institutional sectors.

- **Financial derivative** – a security related to a financial instrument, index or commodity allowing trading in financial risks on markets, i.e. the right or obligation to buy, sell or exchange a financial asset in the future in an agreed amount and at an agreed price. Common financial derivatives include *options*, *forwards*, *futures*, and *swaps*. Financial derivatives are recorded in the balance of payments by institutional sectors, assets and liabilities separately.
- **Other investment** cover all other investments that are neither direct investment nor portfolio investment, nor related to financial derivatives:
  - *trade credit* – outstanding or unpaid amounts for goods and services and advance payments, recorded on an accrual basis in the balance of payments as well as in the international investment position;
  - *loans* – short-term and long-term lending of institutional sectors not related to direct investment. Loans also cover *capital lease* and *repurchase agreements*;
  - *currency and deposits* – foreign currency held by residents and their deposits in foreign credit institutions are recorded as assets. Estonian kroons held by non-residents and their deposits in Estonian credit institutions are recorded as liabilities;
  - *other assets and liabilities* – other overdue sums (accounts receivable and accounts payable, accrued expenses, etc.) recorded on an accrual basis, as well as other assets and liabilities

unrelated to other entries. In addition, life insurance premiums collected and disbursements made by insurance companies are recorded here.

- **Reserves** – gold and foreign exchange reserves of the central bank comprising assets backing the kroon in Estonia's monetary system. Reserves are usually highly liquid tradable external assets of the central bank, entered as:
  - a) *monetary gold* – gold held as reserve assets;
  - b) *SDRs (special drawing rights)* – units of account created by the International Monetary Fund. Their value is based on a basket of four currencies (USD, EUR, JPY, and GBP). An SDR account is generated for every IMF Member State and it is used for conducting loan transactions and several other related operations between a Member State and IMF;
  - c) *International Monetary Fund (IMF) reserve position* – contribution to the IMF and virtually a loan available to the Member State if required;
  - d) *foreign exchange* – foreign exchange or equal reserve assets: foreign currency and deposits, equity securities, bonds, money market instruments, and financial derivatives;
  - e) *other assets* – other liquid external assets.

## **BALANCE OF PAYMENTS COMPILATION SYSTEM**

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

- **survey system, transaction-based system;**
- **settlements system;**
- **administrative system.**

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

The *settlements system* is based on collection, coding and processing of international payments through resident banks. Based on the description of the transaction, clients, commercial institutions or the central bank attribute a transaction code to each incoming or outgoing payment in compliance with the balance of payments structure. The settlements system allows to collect detailed and operational information but is still limited, as cash flows do not reflect accrual approach, the description of a transaction or balance of payments code is often missing, sometimes netting occurs, and cash flows do not allow to estimate the positions. Owing to new EU legislation and economic globalisation, most countries of continental Europe are forced to replace the settlements system with a combined one.

The *administrative system* draws information from the data collected beforehand by various agencies. The use of this system requires full control over external transactions by the public sector. There are few

countries using solely administrative information for balance of payments purposes but almost all countries apply it to a greater or lesser extent. The biggest shortcoming of the administrative system lies in weak data quality control.

## **COMPILATION PRACTICES IN ESTONIA**

Estonia started compiling national balance of payments in 1992. Due to the weakness of the banking system at that time, the survey system was introduced. However, as this system is not flexible enough in the changing economic environment, the possibilities to apply the settlements system in compiling balance of payments were studied. The settlements system was launched in parallel to the survey system in 1994. Arising from the compilation of international investment position as of 1996, surveys have become more important. Above all, surveys facilitate collecting information on an accrual basis and other indicators not reflected in money flows (e.g. trade credit, reinvested earnings).

By now, Estonia has developed its own *mixed system* of compiling balance of payments. Two parallel databases are complementary and simplify error identification. The databases in combination with administrative information ensure higher quality of the documents (balance of payments, international investment position, etc.), which is usually quite difficult to achieve in very open economies of low concentration.

As regards other quarterly statistics on balance of payments and the external sector, the survey system supplemented with the information collected through the settlements system is of great importance. Besides monthly reports by the central bank, credit institutions and the general government, the settlements system supplemented by various econometric models is applied upon compiling monthly balances of payment. In order to meet the European Union requirements, Eesti Pank started to release initial monthly balance of payment indicators in 2002.

Currently, ten different surveys are in use for collecting quarterly data from more than 3,300 enterprises. The quarterly settlements system involves approximately 145,000 transactions significant for the compilation of the balance of payments. Data on these transactions are received through the so-called *open system*: the central bank gets information only on the debit or credit side of the foreign payment order. Only bank customers' payments are communicated. Banking sector transactions are recorded in the balance of payments based on banks' balance sheets, income statements and other financial reports.

In addition, information is obtained from multiple other channels: official trade statistics, the Central Register for Securities, Financial Supervision Authority, surveys conducted by Statistics Estonia, Ministry of Justice Centre of Registers, Real Property Price Statistics from the Estonian Land Board, accounting registers in Eesti Pank, public sector institutions, etc. Moreover, statistical surveys are conducted, assessments made and econometric methods applied. Table 3.2 provides an overview of the sources of information applied to compile balance of payments statistics.

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

Name of statement/report	Target group / content of statement/report	Frequency	Due date after accounting period	Sample size / No of data sources
<b>SURVEY SYSTEM</b>				
<b>Form 2</b>	Companies with foreign ownership	quarter	20 days	1,711
<b>Form 3</b>	Transport companies without foreign ownership	quarter	20 days	220
<b>Form 4</b>	Transport companies with foreign ownership	quarter	20 days	166
<b>Form 5</b>	Investment funds (management companies)	quarter	20 days	44
<b>Form 6</b>	Companies without foreign ownership	quarter	20 days	1,029
<b>Form 7</b>	Companies with foreign ownership and not engaged in foreign economic activities	quarter	20 days	55
<b>Form 9</b>	Insurance companies and intermediaries	quarter	20 days	18
<b>Form 10</b>	Other financial intermediaries	quarter	20 days	25
<b>SETTLEMENTS SYSTEM</b>				
<b>Settlements system reporting according to the procedure for declaring international payments</b>	Incoming international payments declared in credit institutions	15 days	7 days	10
	Outgoing international payments declared in credit institutions	15 days	21 days	10
	Consolidated report on international payments	month	7 days	10
<b>ADMINISTRATIVE INFORMATION</b>				
<b>CREDIT INSTITUTIONS</b>				
<b>Report on the balance of resources</b>	Data on resources deposited in credit institutions and loans granted to credit institutions by residence and other characteristic details	month	5 days	10
<b>Report on the balance of loans</b>	Loans issued by credit institutions by residence and other characteristic details	month	5 days	10
<b>Income statement</b>	Distribution of income and expenditure of credit institutions by residence	quarter	10 days	10
<b>Services provided to and purchased from non-residents</b>	Selected income and expenditure entries of credit institutions in the form of presentation extended to non-residents	quarter	10 days	10
<b>Statement of securities</b>	Detailed statement of securities portfolios of credit institutions by residence	month	5 days	10
<b>Statement of off-balance-sheet items</b>	Statement of off-balance-sheet activities of credit institutions	quarter	7 days	10
<b>Statement of custodial and investment services</b>	Statement of custodial and investment activities of credit institutions	quarter	7 days	10
<b>Statement of financial flows</b>	Transactions carried out by credit institutions with non-residents by principal balance sheet items	quarter	10 days	10
<b>EESTI PANK</b>				
<b>Balance of payments statement of Eesti Pank</b>	Accounting Department's statement of Eesti Pank's non-residents' balances of and changes in balance sheet entries, and changes in income statement entries of non-residents	month	5 days	1

Name of statement/report	Target group / content of statement/report	Frequency	Due date after accounting period	Sample size / No of data sources
<b>STATISTICS ESTONIA</b>				
<b>Official foreign trade statistics</b>	Processed, supplemented and categorised customs declaration data of the Customs Board by customs procedures and different characteristics	month	56 days	1
	Intra-Community trade report Intrastat			
<b>Tour operators' statement</b>	Exports and imports of travel agencies (intermediation of passenger transport services included); tourists received and sent by countries	quarter	2 months	1
<b>Accommodation establishments' statement</b>	Data on turnover and number of tourists serviced in accommodation establishments	quarter	2 months	1
<b>MINISTRY OF JUSTICE CENTRE OF REGISTERS AND INFOSYSTEMS</b>				
<b>Central Business Register, Non-Profit Associations and Foundations Register</b>	Data on legal persons registered in Estonia and their owners	month	1 month	1
<b>Land register database</b>	Statistics on real estate transactions related to non-residents	year	by agreement	1
<b>ESTONIAN CENTRAL REGISTER OF SECURITIES</b>				
<b>Central Register of Securities</b>	Statistics of securities issues registered in Estonian Central Register of Securities	month	10 days	1
<b>BORDER GUARD ADMINISTRATION</b>				
<b>Border crossing statistics</b>	Report on crossers of Estonia's border by citizenship	month	25 days	1
<b>MINISTRY OF FOREIGN AFFAIRS</b>				
<b>Statistics on diplomatic missions abroad</b>	Data on income, expenditure and assets of Estonian embassies and missions	quarter	1 month	1
<b>TAX AND CUSTOMS BOARD</b>				
<b>Tax statistics</b>	Data on taxes withheld from non-residents in Estonia and from residents abroad	year	as necessary	1
<b>TALLINN CITY OFFICE</b>				
<b>Statement of external assets and liabilities</b>	Statement of external loans, external assets, financial income and expenditure of City of Tallinn	quarter	1 month	1
<b>MINISTRY OF FINANCE</b>				
<b>Statement of external loans</b>	Statement of usage and servicing of state loans	month	10 days	1
<b>Statement of external assets</b>	Statement of balance and changes of assets of State Treasury	month	1 month	1
<b>OTHER</b>				
Open Estonian Foundation, Estonian Migration Foundation, Estonian Authors' Society, Estonian Unemployment Insurance Fund, Estonian Health Insurance Fund, Land Board, etc.				5-10

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

### **Legal basis for balance of payments statistics**

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

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

Besides the Eesti Pank Act, also the **Official Statistics Act** provides for the compilation of the balance of payments. Pursuant to subsection 4(2), Eesti Pank is the other main agency conducting official statistical surveys besides the Statistical Office. Eesti Pank and the respondents are to follow all the provisions of the Official Statistics Act related to conducting surveys, the obligation to submit data, data protection, data dissemination, and responsibilities of parties.

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

### **Confidentiality of data**

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

### **Dissemination and adjustment policy**

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

- **Data dissemination.** Balance of payments statistics together with press releases, analyses and statistical tables for 2006–2007 will be published on Eesti Pank's web site (<http://www.bankofestonia.info>) at noon on the dates specified in Table 3.3.

**Table 3.3. Release calendar**

<b>Balance of payments flash estimates</b>			
<b>2007</b>		<b>2008</b>	
January	14/3/2007	January	14/3/2008
February	13/4/2007	February	15/4/2008
March	15/5/2007	March	14/5/2008
April	12/6/2007	April	13/6/2008
May	12/7/2007	May	16/7/2008
June	13/8/2007	June	12/8/2008
July	12/9/2007	July	15/9/2008
August	12/10/2007	August	13/10/2008
September	9/11/2007	September	12/11/2008
October	12/12/2007	October	15/12/2008
November	18/1/2008	November	January 2009
December	13/2/2008	December	February 2009
<b>Quarterly balance of payments</b>			
2007		2008	
Quarter 1	26/6/2007	Quarter 1	30/6/2008
Quarter 2	24/9/2007	Quarter 2	29/9/2008
Quarter 3	27/12/2007	Quarter 3	22/12/2008
Quarter 4	31/3/2008	Quarter 4	March 2009
<b>International investment position</b>			
2007		2008	
As at 31/3/2007	26/6/2007	As at 31/3/2008	30/6/2008
As at 30/6/2007	24/9/2007	As at 30/6/2008	29/9/2008
As at 30/9/2007	27/12/2007	As at 30/9/2008	22/12/2008
As at 31/12/2007	31/3/2008	As at 31/12/2008	March 2009
<b>External debt</b>			
2007		2008	
As at 31/3/2007	26/6/2007	As at 31/3/2008	30/6/2008
As at 30/6/2007	24/9/2007	As at 30/6/2008	29/9/2008
As at 30/9/2007	27/12/2007	As at 30/9/2008	22/12/2008
As at 31/12/2007	31/3/2008	As at 31/12/2008	March 2009
<b>Foreign reserves / liquidity of foreign currency according to the standard data presentation form of IMF</b>			
<b>2007</b>		<b>2008</b>	
As at 31/12/2006	8/1/2007	As at 31/12/2007	8/1/2008
As at 31/1/2007	7/2/2007	As at 31/1/2008	7/2/2008
As at 28/2/2007	7/3/2007	As at 29/2/2008	7/3/2008
As at 30/3/2007	9/4/2007	As at 31/3/2008	7/4/2008
As at 30/4/2007	8/5/2007	As at 30/4/2008	8/5/2008
As at 31/5/2007	7/6/2007	As at 30/5/2008	6/6/2008
As at 29/6/2007	6/7/2007	As at 30/6/2008	7/7/2008
As at 31/7/2007	7/8/2007	As at 31/7/2008	7/8/2008
As at 31/8/2007	7/9/2007	As at 29/8/2008	5/9/2008
As at 28/9/2007	5/10/2007	As at 30/9/2008	7/10/2008
As at 31/10/2007	7/11/2007	As at 31/10/2008	7/11/2008
As at 30/11/2007	7/12/2007	As at 28/11/2008	5/12/2008
<b>Nominal and real exchange rate of the Estonian kroon</b>			
Monthly exchange rate is released on the 25 <sup>th</sup> day of the following month at the latest			
2008	30/9/2007	2009	30/9/2008

- **Adjustment policy.** Upon collection of additional information and changes in methodology, the data of previous periods is adjusted as follows:
  - a) *regular adjustment* – the data released on dates provided in Table 3.3 is preliminary and revised upon the release of preliminary statistics of the next periods. As a rule, adjusted annual data is published upon the release of the statistics of the first quarter of the following year and is considered final;
  - b) *extraordinary adjustment* – in exceptional cases, when significant errors and omissions have occurred or methodology changes render results incomparably, data can be adjusted retrospectively for more than a year, of which the public will be notified by a respective reference.
  
- **Unit of account and conversion.** The unit of account for the balance of payments and the international investment position is the Estonian kroon (EEK). Statistics released in other currencies (USD, EUR) is based on the following conversion:
  - *balance of payments flash estimate* – the monthly average exchange rate of the respective currency against the Estonian kroon;
  - *quarterly balance of payments* – the quarterly average exchange rate of the currency against the Estonian kroon;
  - *annual balance of payments* – the average exchange rates of four quarters (i.e. the annual balance of payments is the sum of quarterly balances converted into foreign currency);
  - *investment position* – the exchange rate on the compilation date or on the closest banking day.
  
- **Rounding.** Due to rounding, the total of sub-items is not always equal to the total of the consolidated entry.