

27 December 2005

ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 September 2005

In the third quarter of 2005, foreign investment into Estonia increased by 5%, amounting to 289.7 billion kroons by the end of the year (see Table 1). 55% thereof was invested in financial intermediation and to a lesser extent also in real estate, renting and business activities, manufacturing, and wholesale and retail trade (see Table 2). Most of investment in Estonia mainly came from Sweden (42%), Finland (19%), and the United Kingdom (11%).

Table 1. Estonia's international investment position (EEK m)

	30/06/2005	%	30/09/2005	%
EXTERNAL ASSETS				
Direct investment abroad	20,559.5	17.4	22,148.9	17.3
Equity capital and reinvested earnings	15,282.6	12.9	17,013.7	13.3
Other direct investment capital	5,276.9	4.5	5,135.2	4.0
Portfolio investment	31,224.9	26.4	36,568.7	28.6
Equity securities	8,030.8	6.8	10,357.4	8.1
Debt securities	23,194.2	19.6	26,211.4	20.5
Bonds and notes	14,293.5	12.1	14,740.6	11.5
Money market instruments	8,900.7	7.5	11,470.8	9.0
Financial derivatives	351.0	0.3	368.1	0.3
Other investment	43,957.4	37.2	46,291.0	36.2
Trade credit	8,544.1	7.2	10,211.1	8.0
Loans	28,406.4	24.0	27,015.5	21.1
Long-term	16,387.5	13.9	13,307.7	10.4
Short-term	12,018.8	10.2	13,707.9	10.7
Currency and deposits	5,888.9	5.0	8,069.5	6.3
Other assets	1,118.0	0.9	994.8	0.8
Reserve assets	22,049.9	18.7	22,113.1	17.3
TOTAL EXTERNAL ASSETS	118,142.7	100.0	127,849.7	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	158,947.8	57.6	162,959.9	56.3
Equity capital and reinvested earnings	143,347.6	51.9	146,831.3	50.7
Other direct investment capital	15,600.3	5.7	16,128.5	5.6
Portfolio investment	39,660.0	14.4	40,008.5	13.8
Equity securities	10,607.1	3.8	12,492.6	4.3
Debt securities	29,052.8	10.5	27,515.9	9.5
Bonds and notes	27,015.6	9.8	26,665.0	9.2
Money market instruments	2,037.2	0.7	850.8	0.3
Financial derivatives	206.7	0.1	156.5	0.1
Other investment	77,284.7	28.0	86,545.4	29.9
Trade credit	10,396.2	3.8	11,107.6	3.8
Loans	36,028.6	13.0	50,490.6	17.4
Long-term	30,065.5	10.9	36,122.8	12.5
Short-term	5,963.2	2.2	14,367.8	5.0
Currency and deposits	29,272.3	10.6	23,481.5	8.1
Other liabilities	1,587.6	0.6	1,465.7	0.5
TOTAL EXTERNAL LIABILITIES	276,099.2	100.0	289,670.2	100.0
NET INTERNATIONAL INVESTMENT POSITION	-157,956.5		-162,180.5	
Short-term	-137,595.1		-148,669.7	
Long-term	-20,361.4		-13,510.8	

Table 2. International investment position by fields of activity and countries (%) as at 30 September 2005

Claims		Liabilities	
Fields of activity			
Financial intermediation	68.4	Financial intermediation	55.4
Public administration and defence; statutory social insurance	11.8	Real estate, renting and business activities	10.6
Wholesale and retail trade; repair	6.5	Manufacturing	9.8
Real estate, renting and business activities	4.8	Wholesale and retail trade; repair	8.2
Transport, storage and communications	4.6	Transport, storage and communications	4.8
Other	3.9	Other	11.2
Total	100.0	Total	100.0
Countries			
Lithuania	15.7	Sweden	42.3
Germany	13.7	Finland	18.7
Latvia	9.4	United Kingdom	10.7
Russia	7.8	Germany	3.6
United Kingdom	5.7	USA	3.4
Other	47.7	Other	21.3
Total	100.0	Total	100.0

Quarter-on-quarter, the share of direct and portfolio investment in the structure of **foreign investment in Estonia** slightly decreased, whereas the share of other investment increased. By the end of the third quarter, direct investment amounted to 56.3%, i.e. 163 billion kroons, of the total investment (57.6% at the end of the second quarter). The share of portfolio investment was 13.8% and that of other investment was 29.9%. The most preferred fields of activity for **foreign direct investment in Estonia** were financial intermediation (46% of direct investment), real estate, renting and business activities (16%), manufacturing (13%), and wholesale and retail trade (9%; see Table 3). Swedish investors made 56% and Finnish investors 20% of the direct investment.

Table 3. Direct investment position by fields of activity and countries (%) as at 30 September 2005

In Estonia		Abroad	
Fields of activity			
Financial intermediation	46.3	Financial intermediation	45.4
Real estate, renting and business activities	15.8	Real estate, renting and business activities	24.3
Manufacturing	13.2	Transport, storage and communications	12.4
Wholesale and retail trade; repair	8.8	Wholesale and retail trade; repair	8.0
Transport, storage and communications	4.8	Manufacturing	4.3
Other	11.1	Other	5.6
Total	100.0	Total	100.0
Countries			
Sweden	56.1	Lithuania	31.6
Finland	19.6	Latvia	29.8
USA	3.4	Russia	14.2
Netherlands	2.4	Cyprus	10.5
Norway	2.0	Ukraine	4.1
Other	16.5	Other	9.8
Total	100.0	Total	100.0

Estonian investment abroad increased by 8%, amounting to 127.8 billion kroons. Financial intermediaries made 68% of the investment abroad. Investors of the public sector, wholesale and retail trade, and real estate, renting and business activities invested to a lesser extent. Estonian investors mainly preferred to invest in the Baltic States and Germany, and somewhat less in the United Kingdom and Russia.

Quarter-on-quarter, the share of portfolio investment in the structure of **investment abroad** increased, and that of other investment and reserve assets decreased by the end of the third quarter. Loans, deposits and the central bank's gold and foreign exchange reserves covered

54% of the external assets. The share of **foreign direct investment** was 17%. The most active foreign direct investors were those of financial intermediation (45%), real estate, renting and business activities (24%), and transport, storage and communications (see Table 3). Approximately a third of direct investment went both to Latvia and Lithuania. The share of direct investment in Russia continued to grow, comprising 14% of the total foreign direct investment (12% at the end of the second and 5.5% at the end of the first quarter).

Due to the prevalence of external liabilities, Estonia's net investment position of the third quarter of 2005 was negative by 162.2 billion kroons, exceeding the volume of the expected GDP based on the last four quarters by 4%. The share of long-term capital in the net investment position continued growth, amounting to nearly 92%.

Estonia's gross external debt increased by approximately 7% quarter-on-quarter, totalling 140.1 billion kroons on 30 September 2005 (90% of the expected GDP). The growth in the gross external debt arose mainly from a rise in long-term debt liabilities of credit institutions. Estonia's net investment position (claims less liabilities) constituted 30.5 billion kroons (19.5% of the expected GDP; see Table 4 and Figure 1).

Table 4. External debt (EEK m)

	31/06/2005	%	30/09/2005	%
LIABILITIES				
I. General government	4,095.8	3.1	4,088.7	2.9
Short-term				
Long-term	4,095.8	3.1	4,088.7	2.9
II. Monetary authorities (NCB)	200.9	0.2	314.3	0.2
Short-term	200.9	0.2	314.3	0.2
Long-term				
III. Credit institutions	65,533.3	50.0	71,936.6	51.4
Short-term	33,247.5	25.4	34,393.6	24.6
Long-term	32,285.8	24.6	37,542.9	26.8
IV. Other sectors	36,507.5	27.9	37,721.7	26.9
Short-term	13,352.3	10.2	14,257.3	10.2
Long-term	23,155.2	17.7	23,464.4	16.8
V. Direct investment: intercompany lending	24,740.1	18.9	26,021.5	18.6
GROSS EXTERNAL DEBT	131077.7	100.0	140082.8	100.0
CLAIMS				
I. General government	12,858.9	12.4	12,828.6	11.7
Short-term	6,237.2	6.0	6,532.0	6.0
Long-term	6,621.7	6.4	6,296.6	5.7
II. Monetary authorities (NCB)	23,292.5	22.5	22,018.2	20.1
Short-term	18,709.8	18.1	16,871.9	15.4
Long-term	4,582.6	4.4	5,146.2	4.7
III. Credit institutions	33,578.9	32.4	26,310.8	24.0
Short-term	23,777.2	23.0	14,901.3	13.6
Long-term	9,801.8	9.5	11,409.6	10.4
IV. Other sectors	25,158.4	24.3	28,912.2	26.4
Short-term	14,229.6	13.7	15,382.2	14.0
Long-term	10,928.8	10.6	13,530.0	12.3
V. Direct investment: intercompany lending	12,722.9	12.3	13,722.2	12.5
TOTAL CLAIMS	103,564.0	103.9	109,588.1	94.7
NET EXTERNAL DEBT (claims less liabilities)				
I. General government	8,705.6		10,840.1	
Short-term	6,521.3		8,724.7	
Long-term	2,184.3		2,115.4	
II. Monetary authorities (NCB)	21,817.2		21,765.6	
Short-term	16,671.0		16,261.5	
Long-term	5,146.2		5,504.1	
III. Credit institutions	-39,222.4		-47,015.8	
Short-term	-18,346.2		-16,678.6	
Long-term	-20,876.2		-30,337.2	
IV. Other sectors	-8,490.7		-5,091.3	
Short-term	1,463.5		3,484.3	
Long-term	-9,954.2		-8,575.5	
V. Direct investment: intercompany lending	-10,323.4		-10,993.3	
TOTAL NET EXTERNAL DEBT	-27,513.7		-30,494.7	

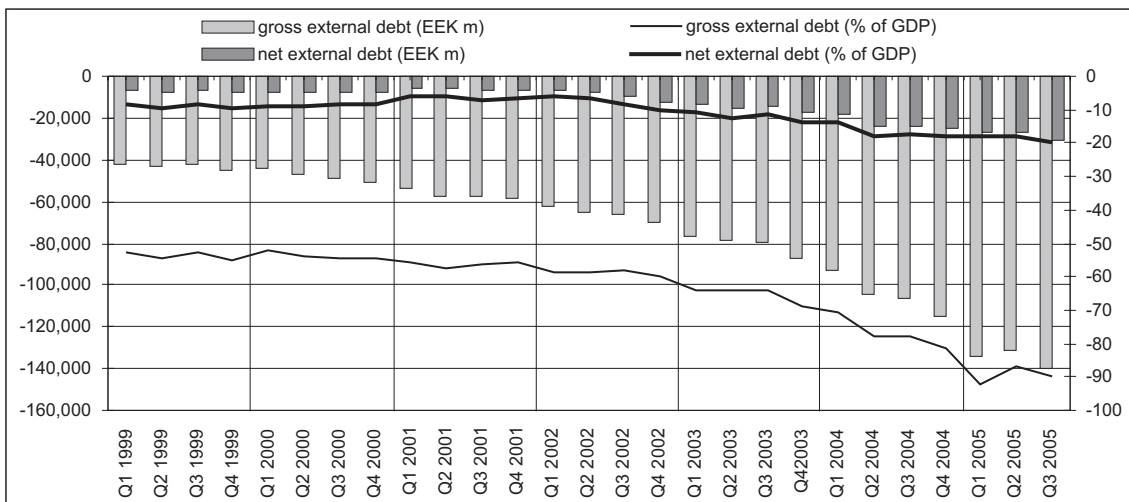


Figure 1. Estonia's gross and net external debt

The gross external debt amounted to 48% of the external liabilities. Leaving aside intercompany lending of direct investment companies, long-term debt liabilities accounted for 57% of the gross external debt. The share of long-term debt claims formed 40% of the total debt claims.

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Estonia's international investment position and gross external debt as at 31 December 2005 will be published on the web site of Eesti Pank (<http://www.eestipank.info>) on 27 March 2006 at noon.

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