



ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 June 2007

During the second quarter of 2007, foreign investment into Estonia increased by 8% and amounted to 387 billion kroons at the end of the quarter (see Table 1). 55% thereof was invested in financial intermediation, 15% in real estate, renting and business activities, and to a lesser extent also in wholesale

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

	31/03/2007	%	30/06/2007	%
EXTERNAL ASSETS				
Direct investment abroad	46,955.6	23.6	53,146.6	24.3
Equity capital and reinvested earnings	36,847.9	18.5	41,180.1	18.8
Other direct investment capital	10,107.7	5.1	11,966.5	5.5
Portfolio investment	62,370.7	31.4	66,700.5	30.5
Equity securities	24,705.5	12.4	29,698.5	13.6
Debt securities	37,665.3	19.0	37,002.0	16.9
Bonds and notes	26,753.9	13.5	25,411.0	11.6
Money market instruments	10,911.4	5.5	11,591.0	5.3
Financial derivatives	871.6	0.4	750.3	0.3
Other investment	55,654.3	28.0	65,057.5	29.8
Trade credit	13,939.9	7.0	14,877.3	6.8
Loans	23,137.6	11.6	28,075.7	12.9
Long-term	8,456.0	4.3	8,921.3	4.1
Short-term	14,681.6	7.4	19,154.4	8.8
Currency and deposits	17,296.5	8.7	19,432.6	8.9
Other assets	1,280.3	0.6	2,671.9	1.2
Reserve assets	32,877.5	16.5	32,822.5	15.0
TOTAL EXTERNAL ASSETS	198,729.6	100.0	218,477.4	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	153,935.4	43.0	162,995.2	42.1
Equity capital and reinvested earnings	129,558.2	36.2	136,828.9	35.4
Other direct investment capital	24,377.2	6.8	26,166.3	6.8
Portfolio investment	52,139.0	14.6	53,828.8	13.9
Equity securities	29,384.9	8.2	32,174.5	8.3
Debt securities	22,754.1	6.4	21,654.2	5.6
Bonds and notes	22,611.4	6.3	21,547.8	5.6
Money market instruments	142.8	0.0	106.4	0.0
Financial derivatives	556.1	0.2	627.4	0.2
Other investment	151,569.9	42.3	169,609.0	43.8
Trade credit	13,166.9	3.7	14,480.3	3.7
Loans	81,550.7	22.8	96,604.6	25.0
Long-term	64,647.9	18.0	77,339.9	20.0
Short-term	16,902.8	4.7	19,264.8	5.0
Currency and deposits	53,838.2	15.0	55,197.6	14.3
Other liabilities	3,014.1	0.8	3,326.5	0.9
TOTAL EXTERNAL LIABILITIES	358,200.4	100.0	387,060.3	100.0
NET INTERNATIONAL INVESTMENT POSITION	-159,470.8		-168,582.9	
Long-term	-136,158.8		-152,611.1	
Short-term	-23,312.0		-15,971.8	

and retail trade, and manufacturing (see Table 2). Most of investment in Estonia came from Sweden (38%), Finland (20%), and the United Kingdom (8%).

Table 2. International investment position by fields of activity and countries (%)

Assets			Liabilities		
Fields of activity					
	31/03/2007	30/06/2007		31/03/2007	30/06/2007
Financial intermediation	62.1	65.0	Financial intermediation	53.2	55.1
Real estate, renting and business activities	10.6	9.3	Real estate, renting and business activities	16.0	15.1
Public administration and defence; statutory social insurance	9.5	8.0	Wholesale and retail trade; repair	8.8	9.0
Wholesale and retail trade; repair	6.7	6.8	Manufacturing	9.0	8.6
Manufacturing	4.1	4.1	Transport, storage and communications	5.4	5.1
Other	7.0	6.8	Other	7.6	7.1
Total	100.0	100.0	Total	100.0	100.0
Countries					
Latvia	10.9	11.6	Sweden	37.4	38.2
Germany	11.2	11.4	Finland	22.4	19.9
Russia	8.8	9.2	United Kingdom	8.7	8.4
Lithuania	9.3	8.8	Denmark	1.1	4.2
United Kingdom	8.2	8.4	Germany	3.6	2.9
Other	51.6	50.6	Other	26.8	26.4
Total	100.0	100.0	Total	100.0	100.0

The large inflow of other capital (loans and deposits) continued in the second quarter, mostly in the form of long-term loans. As a result, other investment position increased by 12% quarter-on-quarter. Since the inflow of foreign direct investment and portfolio investment grew slower, the structure of **foreign investment in Estonia** also changed slightly by the end of the quarter. The share of other investment increased, whereas that of direct and portfolio investment decreased. Other investment accounted for 44%, direct investment for 42% and portfolio investment for 14% of external liabilities. **Foreign direct investment in Estonia** grew by 6%, quarter-on-quarter. The most preferred fields of activity included financial intermediation (30%), real estate, renting and business activities (30%), manufacturing (16%) and wholesale and retail trade (13%; see Table 3). 40% of direct investment came from Sweden and 26% from Finland.

Estonian investment abroad increased by 10%, quarter-on-quarter, amounting to 218 billion kroons. Financial intermediaries made 65% of the investment abroad. Investors in the public sector, real

Table 3. Direct investment position by fields of activity and countries (%)

In Estonia			Abroad		
Fields of activity					
	31/03/2007	30/06/2007		31/03/2007	30/06/2007
Financial intermediation	28.3	29.8	Financial intermediation	37.1	39.3
Real estate, renting and business activities	31.2	29.5	Real estate, renting and business activities	32.6	30.4
Manufacturing	15.9	15.7	Transport, storage and communications	10.3	10.7
Wholesale and retail trade; repair	12.4	12.7	Wholesale and retail trade; repair	8.3	8.0
Transport, storage and communications	4.6	4.7	Manufacturing	4.1	4.7
Other	7.6	7.6	Other	7.6	6.9
Total	100.0	100.0	Total	100.0	100.0
Countries					
Sweden	38.3	40.2	Latvia	34.1	36.9
Finland	27.4	25.5	Lithuania	31.1	29.1
Netherlands	4.0	3.8	Russia	9.0	9.0
Denmark	2.1	3.6	Cyprus	8.2	7.7
Norway	3.2	3.1	Finland	4.5	4.0
Other	25.0	23.8	Other	13.1	13.3
Total	100.0	100.0	Total	100.0	100.0

estate, renting and business activities, and wholesale and retail trade invested to a lesser extent. Estonian investors preferred to invest in Germany, the Baltic States, Russia, and the United Kingdom.

Compared to the end of the first quarter, the structure of external assets changed slightly as well: the share of other and direct investment increased, whereas that of portfolio investment decreased. Short-term loans issued to foreign borrowers grew faster than direct and portfolio investment. The position of **foreign direct investment** grew by 13% quarter-on-quarter and accounted for 25% of the external assets. Portfolio investment increased by 7% and formed a third of the external assets. The most active foreign direct investors were those of financial intermediation (39%), real estate, renting and business activities (30%), and transport, storage and communications (11%; see Table 3). Estonian investors preferred to invest in the neighbouring countries: Latvia (37%), Lithuania (29%) and Russia (9%).

Table 4. Estonia's external debt (EEK m)

	31/03/2007	%	30/06/2007	%
LIABILITIES				
I. General government	4,771.4	2.2	3,139.5	1.3
Short-term				
Long-term	4,771.4	2.2	3,139.5	1.3
II. Monetary authorities (NCB)	1,728.8	0.8	2,507.5	1.1
Short-term	1,713.9	0.8	2,493.5	1.1
Long-term	14.9	0.0	14.0	0.0
III. Credit institutions	110,201.4	51.3	126,560.3	53.8
Short-term	52,610.7	24.5	50,859.7	21.6
Long-term	57,590.7	26.8	75,700.6	32.2
IV. Other sectors	57,622.5	26.8	59,055.9	25.1
Short-term	22,950.5	10.7	25,065.3	10.7
Long-term	34,672.0	16.1	33,990.6	14.4
V. Direct investment: intercompany lending	40,584.3	18.9	43,967.6	18.7
GROSS EXTERNAL DEBT	214,908.3	100.0	235,230.8	100.0
ASSETS				
I. General government	19,016.6	12.5	17,612.5	10.7
Short-term	4,302.6	2.8	3,351.9	2.0
Long-term	14,714.0	9.7	14,260.5	8.7
II. Monetary authorities (NCB)	32,785.6	21.5	32,662.7	19.9
Short-term	21,973.5	14.4	21,616.8	13.1
Long-term	10,812.1	7.1	11,045.9	6.7
III. Credit institutions	31,791.1	20.9	43,229.4	26.3
Short-term	22,841.4	15.0	34,059.6	20.7
Long-term	8,949.7	5.9	9,169.8	5.6
IV. Other sectors	42,490.3	27.9	41,196.1	25.0
Short-term	29,191.9	19.2	28,548.2	17.4
Long-term	13,298.4	8.7	12,647.9	7.7
V. Direct investment: intercompany lending	26,314.8	17.3	29,767.8	18.1
TOTAL ASSETS	152,398.3	100.0	164,468.5	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	14,245.2		14,472.9	
Short-term	4,302.6		3,351.9	
Long-term	9,942.6		11,121.0	
II. Monetary authorities (NCB)	31,056.8		30,155.1	
Short-term	20,259.6		19,123.3	
Long-term	10,797.2		11,031.8	
III. Credit institutions	-78,410.2		-83,330.9	
Short-term	-29,769.3		-16,800.0	
Long-term	-48,640.9		-66,530.9	
IV. Other sectors	-15,132.2		-17,859.7	
Short-term	6,241.4		3,482.9	
Long-term	-21,373.5		-21,342.6	
V. Direct investment: intercompany lending	-14,269.5		-14,199.8	
TOTAL NET EXTERNAL DEBT	-62,510.0		-70,762.4	

Due to the prevalence of external liabilities, Estonia's net investment position was negative by 169 billion kroons at the end of the second quarter of 2007, comprising 72% of the GDP of the last four quarters. 90% of the net investment position was long-term capital. Quarter-on-quarter, its share in the net investment position increased.

Estonia's gross external debt grew by 9% quarter-on-quarter and reached 235 billion kroons by the end of the quarter, exceeding the GDP of the last four quarters by 4%. The growth in the gross external debt mainly stemmed from a 15% rise in credit institutions' debt liabilities (long-term liabilities accounted for a third of that rise). The debt liabilities of credit institutions comprised 54% and those of other sectors 25% of the gross external debt. The general government decreased its debt by a third. Estonia's net external debt (assets less liabilities) increased by 13% and amounted to 71 billion kroons (31% of the GDP of the last four quarters; see Table 4 and Figure 1). The gross external debt accounted for 61% of the external liabilities. Leaving aside the intercompany lending of direct investment companies, long-term debt liabilities comprised 59% of the gross external debt. The share of long-term debt claims formed 35% of total debt claims.

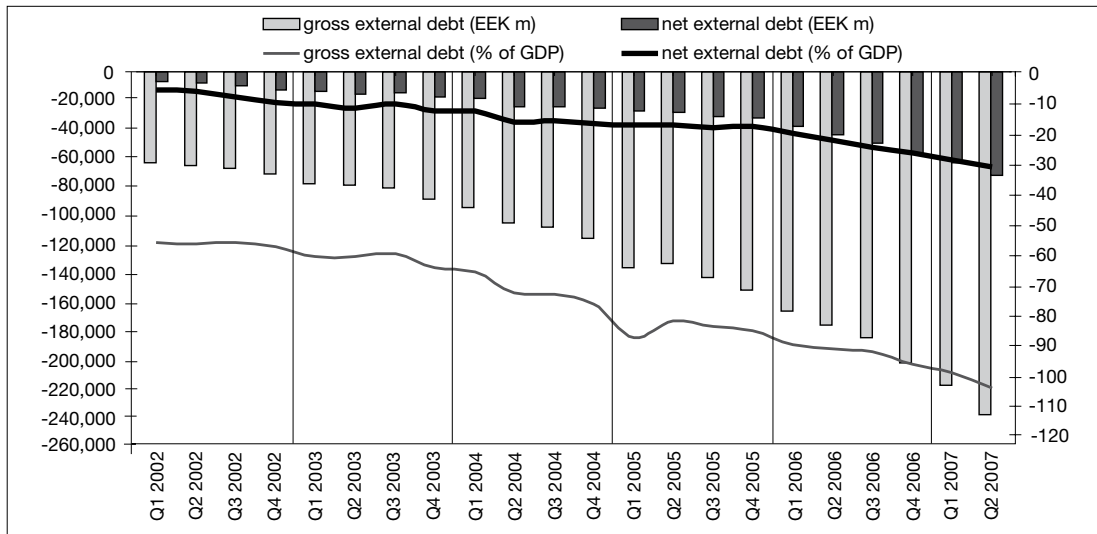


Figure 1. Estonia's gross and external debt

* * * * *

Estonia's international investment position and gross external debt as at 30 September 2007 will be published on the web site of Eesti Pank (<http://www.bankofestonia.info>) on 27 December 2007 at noon.

Please acknowledge the source when publishing or citing.

International and Public Relations Department of Eesti Pank