

### 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 the 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 financing sources*.

The current account is divided into four accounts<sup>4</sup>: *goods*, *services*, *income*, and *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 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

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<sup>4</sup> Separate chapters provide an overview of the definitions and entries related to the balance of payments statistics.

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 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 with different arithmetic 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	Decrease in 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 claims	Increase in external claims
	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 claims* 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 claims exceed external liabilities, reflecting the net debt of the rest of the world to the country. The *negative* net investment position reflects the debt of the country to the rest of the world.

It has been agreed to record claims 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.

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/loss 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 special drawing rights<sup>5</sup> are included in the external debt.

The key external debt indicators are the following:

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

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 the liabilities' side of 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 claims abroad but are added to debt liabilities instead.

Similarly 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.

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<sup>5</sup> See Entries, Reserves p 46

- **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 care, social care, educational, cultural and sports institutions, and state funds and foundations financed from a central or a local government budget;
  - *Monetary institutions* – Eesti Pank as the national central bank;
  - *Credit institutions* – companies as private bodies licensed by Eesti Pank the principal and permanent activities 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 (inclusive).
- **Short-term position** – net investment position based on short-term external claims 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 definition *resident*.
- **Long-term capital** – claims or liabilities with the contractual maturity of over one year.
- **Long-term position** – net investment position based on long-term external claims and liabilities. Conventionally, direct investment are considered long-term due to their nature.
- **Repurchase agreement** – borrowing against securities as collateral.
- **Resident:**
  - 1) state bodies and agencies of the Republic of Estonia in the broadest sense (legislative, executive and judicial power, and their agencies, constitutional institutions), as well as local governments 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>6</sup>. Exports exclude re-exports of imported goods previously stored in customs warehouses or provisions for sea and air transport. Imports exclude customs warehousing of imported goods, yet reflect deliveries of goods from customs warehouses into free circulation and processing. As the official trade statistics and customs statistics do not comply with the balance of payments compilation principles (imports in c.i.f. prices, residency principle vs. territorial principle 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) taking into account 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 to filter 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 sufficiently accurately 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 significant modes of transport (marine, air 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 care 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

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<sup>6</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.

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, longer projects are treated as direct investment;
  - *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. The value of 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 enter the customs territory of the compiling state;
  - *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 together with social transfers earned abroad 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 claims and payable from foreign investment liabilities (interests, dividends and other proprietary income). Investment income also includes *reinvested earnings* reflected as

direct investment, being a proportional change equal to investment in the undistributed profit of the investment company.

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.

- **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 money 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. *Workers' remittances* recorded under other sectors indicate 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. Major 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) debt forgiveness or write-offs.

The capital account records money flows by two sectors:

- a) *general government capital transfers*;
- b) *capital transfers by 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>7</sup>. According 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.

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<sup>7</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).

The direct investment account falls into the following categories:

- a) *equity capital* of direct investment companies;
  - b) *reinvested earnings* – direct investor's proportional share calculated by equity method in the operating profit or loss of a direct investment company;
  - c) *other direct investment capital* – claims and liabilities related to lending, debt securities and trade credit between a direct investment company and a direct investor.
- **Portfolio investment** account records, under claims and liabilities, securities investments that fall into the following categories:
    - a) *equity securities* – securities investment into equity capital not comprising a qualifying holding, i.e. remaining below 10% of the fixed capital of a company;
    - b) *debt securities* – bonds and money market instruments that prove the debt claim.
      - *bonds* – securities proving the right of claim of their holders containing the borrower's commitment to repay the loan to the creditor on the agreed date and pay interest. As a rule, bonds are long-term instruments;
      - *money-market instruments* – treasury bills, certificates of deposit, commercial papers or other short-term securities that are usually discountable (i.e. whose notional principal amount is repaid to the investor by the issuer upon maturity and whose interest is the difference of the issue price and the repurchase price). As a rule, money market instruments are short-term.

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

- **Financial derivatives** are securities related to a financial instrument, index or commodity allowing trading in financial risks on markets. Major financial derivatives are *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) 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). Each IMF member has a SDR account for borrowing and other related operations between the member state and the IMF;

c) *International Monetary Fund (IMF) reserve position* – contribution to the IMF that is a loan in character available to the member state, if necessary;

d) *foreign exchange* – foreign exchange or equal reserve assets: foreign currency and deposits, equity securities, bonds, money market instruments, and financial derivatives;

d) *other claims* – other liquid external assets (also financial derivatives).

## BALANCE OF PAYMENTS COMPILATION SYSTEM

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

- **survey system;**
- **settlements system, cash-based 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 USA, and Canada are among successful users of the survey system.

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: money flows do not reflect accrual approach, the description of a transaction or balance of payments code is often missing, netting appears, and money flows do not allow to estimate positions. Pure settlements system is being pushed out by the mixed system in most countries of continental Europe.

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 larger or smaller extent. The major 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 sufficiently flexible in the changing economic environment, the possibilities to apply the settlements system upon compiling the 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 significant. 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 provide the documents (balance of payments, international investment position etc.) with better quality, the latter usually being quite complicated in very open economies of low concentration (see Figure 3.1).

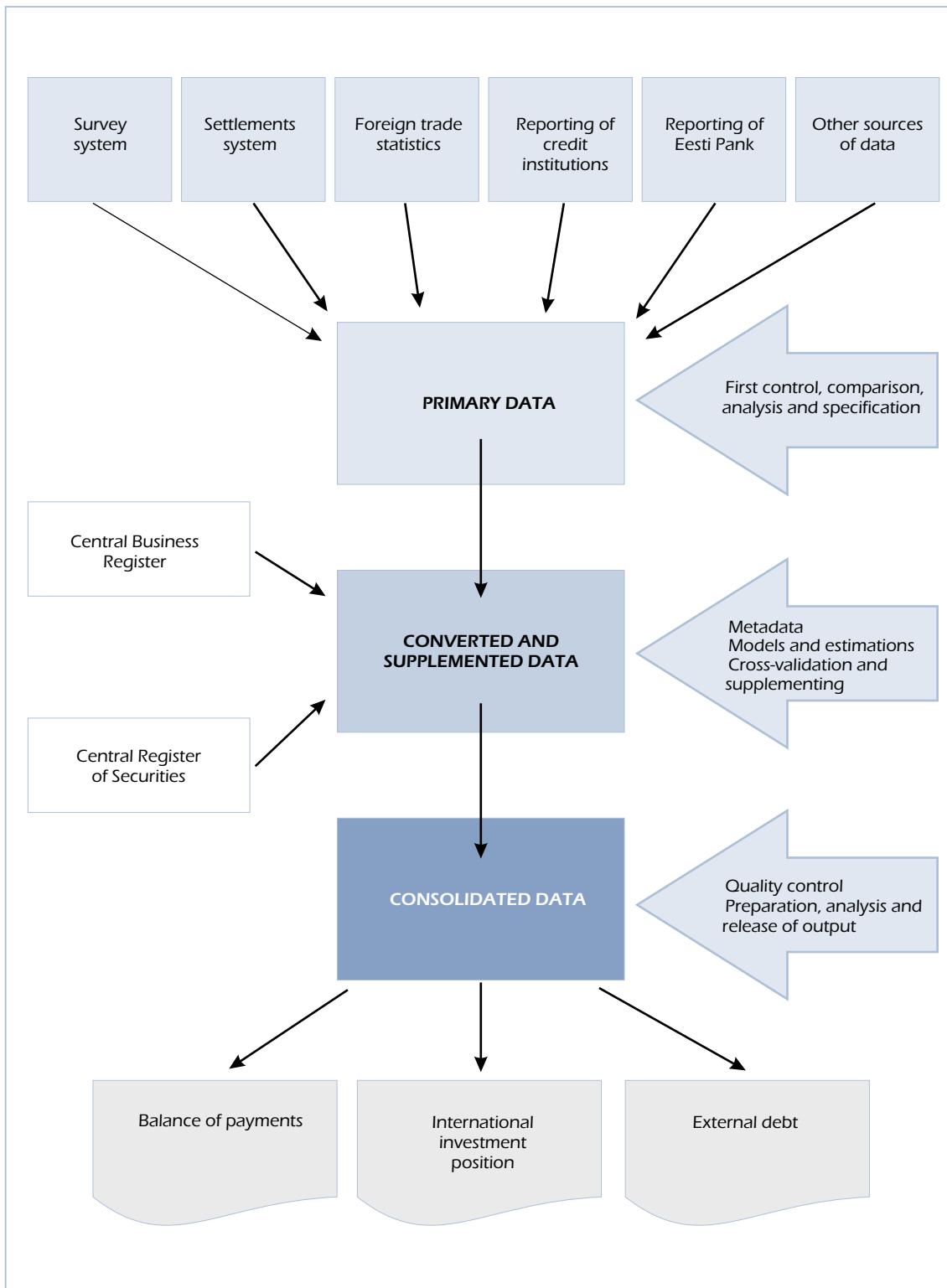


Figure 3.1. Balance of payments compilation system

Regarding other quarterly statistics on balance of payments and the external sector, the survey system supplemented with the information collected through the settlements system is significant. Besides monthly reports by the central bank, credit institutions and the government sector, 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, collecting quarterly information from more than 3,200 enterprises. The quarterly settlements system involves approximately 80,000 transactions significant for the compilation of the balance of payments, the information on which is 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 clients' payments are communicated. Banking sector transactions are recorded in the balance of payments based on banks' balance sheets, income statements and other financial reports.

Apart from the above, information is obtained from multiple other channels: official trade statistics, the Central Register for Securities, Financial Supervision Authority, surveys conducted by the Statistical Office of Estonia, Ministry of Justice Centre of Registers, accounting registers in Eesti Pank, public sector institutions etc. In addition, 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 the compilation of the balance of payments and data receipt frequency**

Name of report	Target group / content of the 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	1,630
<b>Form 3</b>	Transport companies without foreign ownership	quarter	20 days	225
<b>Form 4</b>	Transport companies with foreign ownership	quarter	20 days	155
<b>Form 5</b>	Investment funds (management companies)	quarter	20 days	34
<b>Form 6</b>	Companies without foreign ownership	quarter	20 days	1,005
<b>Form 7</b>	Companies with foreign ownership and not engaged in foreign economic activities	quarter	20 days	62
<b>Form 9</b>	Insurance companies and intermediaries	quarter	20 days	20
<b>Form 10</b>	Other financial intermediaries	quarter	20 days	24
<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	9
	Outgoing international payments declared in credit institutions	15 days	21 days	9
	Consolidated report on international payments	month	7 days	9
<b>ADMINISTRATIVE INFORMATION</b>				
<b>CREDIT INSTITUTIONS</b>				
<b>Balances of resources report</b>	Balances of selected liabilities entries of the balance sheet of credit institutions by residency and in detailed presentation	month	5 days	9
<b>Balances of loans report</b>	Balances of selected claims entries of the balance sheet of credit institutions by residency and in detailed presentation	month	5 days	9
<b>Income statement</b>	Distribution of income and expenditure of credit institutions by residency	quarter	10 days	9
<b>Services rendered to and purchased from non-residents</b>	Selected income and expenditure entries of credit institutions in presentation extended to non-residents	quarter	10 days	9

Name of report	Target group / content of the report	Frequency	Due date after accounting period	Sample size/ No of data sources
<b>Securities report</b>	Detailed report of the securities portfolios of credit institutions by residency	month	5 days	9
<b>Off-balance-sheet items report</b>	Report of the off-balance-sheet activities of credit institutions	quarter	7 days	9
<b>Custodial and investment services report</b>	Report of the custodial and investment activities of credit institutions	quarter	7 days	9
<b>Transactional financial flow report</b>	Report of the transactional changes in the non-residents' balances of the balance sheet entries of credit institutions	quarter	10 days	9
<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 the balance sheet entries, and changes in the income statement entries of non-residents	month	5 days	1
<b>STATISTICAL OFFICE OF ESTONIA</b>				
<b>Official foreign trade statistics</b>	Processed, supplemented and categorised customs declaration data of the Customs Board by customs procedures and different features	month	56 days	1
	Intra-Community trade report INTRASTAT			
<b>Tour operators' report</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' report</b>	Data on the turnover and number of tourists serviced in accommodation establishments	quarter	2 months	1
<b>MINISTRY OF JUSTICE CENTRE OF REGISTERS</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	as necessary	1
<b>ESTONIAN CENTRAL REGISTER OF SECURITIES</b>				
<b>Central Register of Securities</b>	Statistics of securities issues registered in the Estonian Central Register of Securities	month	10 days	1
<b>BORDER GUARD ADMINISTRATION</b>				
<b>Border crossing statistics</b>	Report of the crossers of the Estonian border by their citizenship	month	25 days	1
<b>MINISTRY OF FOREIGN AFFAIRS</b>				
<b>Statistics on diplomatic missions abroad</b>	Data on the income, expenditure and assets of the 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>Foreign claims and liabilities statement</b>	Statement of the external loans, external assets, financial income and expenditure of Tallinn City	quarter	1 month	1
<b>MINISTRY OF FINANCE</b>				
<b>External loans report</b>	Report of the usage and servicing of state loans	month	10 days	1
<b>External assets report</b>	Report of the balance of assets of the State Treasury and changes occurred	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 central banks (including the central banks of Latvia, Lithuania, Sweden, and the Czech Republic) have started to apply the mixed system above (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 Base for Balance of Payments Statistics

In accordance with 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 pursuant to the law.

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

Apart from 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 the parties.

Balance of payments reporting by Estonian credit institutions is also regulated by respective regulations 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 individual 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 of the data, dissemination periodicity, and timeliness across statistics categories.

- **Data dissemination.** Balance of payments statistics together with press releases, analyses and statistical tables for 2005–2006 will be published on Eesti Pank's web site (<http://www.bankofestonia.info>) at noon on the dates specified in Table 3.3.
- **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.

**Table 3.3. Calendar of data publication**

<b>Balance of payments flash estimates</b>			
<b>Year 2005</b>		<b>Year 2006</b>	
January	16/03/05	January	14/03/06
February	13/04/05	February	11/04/06
March	13/05/05	March	15/05/06
April	13/06/05	April	09/06/06
May	15/07/05	May	12/07/06
June	12/08/05	June	11/08/06
July	12/09/05	July	11/09/06
August	13/10/05	August	10/10/06
September	14/11/05	September	10/11/06
October	13/12/05	October	12/12/06
November	12/01/06	November	January 07
December	12/02/06	December	February 07
<b>Quarterly balance of payments</b>			
<b>Year 2005</b>		<b>Year 2006</b>	
Quarter 1	27/06/05	Quarter 1	26/06/06
Quarter 2	26/09/05	Quarter 2	25/09/06
Quarter 3	27/12/05	Quarter 3	25/12/06
Quarter 4	27/03/06	Quarter 4	March 07
<b>International investment position</b>			
<b>Year 2005</b>		<b>Year 2006</b>	
As at 31/03/05	27/06/05	As at 31/03/06	26/06/06
As at 30/06/05	26/09/05	As at 30/06/06	25/09/06
As at 30/09/05	27/12/05	As at 30/09/06	25/12/06
As at 31/12/05	27/03/06	As at 31/12/06	March 07
<b>External debt</b>			
<b>Year 2005</b>		<b>Year 2006</b>	
As at 31/03/05	27/06/05	As at 31/03/06	26/06/06
As at 30/06/05	26/09/05	As at 30/06/06	25/09/06
As at 30/09/05	27/12/05	As at 30/09/06	25/12/06
As at 31/12/05	27/03/06	As at 31/12/06	March 07
<b>Publication calendar</b>			
Year 2006	30/09/05	Year 2007	30/09/06