



# Estonia's Balance of Payments for 2011

2012

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# OVERVIEW

- Year 2011 was successful for Estonia in terms of foreign trade: the current account was in surplus for the third year in row, totalling 506 million euros, or 3.2% of GDP (see Table 1 and Figure 1).
- Year-on-year, the structure of the current account did not change considerably: trade deficit and the surplus on services decreased somewhat, while income net outflow increased.
- The first half of 2011 saw record growth in goods exports, but growth started to slow gradually in the second half due to the rapid deterioration of the external environment. However, the deterioration did not affect services exports yet.
- The surplus on goods and services in 2011 was 1.1 billion euros, or 6.7% of GDP, which is more or less the same as in 2010.
- The net outflow of capital, which started off in 2010, continued in 2011, partly owing to the current account surplus. The outflow included primarily the currency and deposits of credit institutions.
- Estonia's gross external debt shrank by 5% to 15.7 billion euros by the end of 2011. Gross external debt was 15% larger than GDP at the end of 2010, while 2% smaller than GDP at the end of 2011. Estonia's net external debt (assets less liabilities) decreased three-fold from a year ago to 7% of GDP, which is the lowest ratio of the past ten years.

## The structure of the current account did not change much

**Goods** exports outpaced imports year-on-year: exports grew by 38% and imports by 36% in 2011. Trade deficit contracted to 180 million euros, or 1% of GDP. Exports grew by record 54% in the first half of 2011, while growth slowed in the second half due to the deterioration of the general economic situation. Exports increased by 35% in the third quarter and by 16% in the fourth quarter, compared to the respective

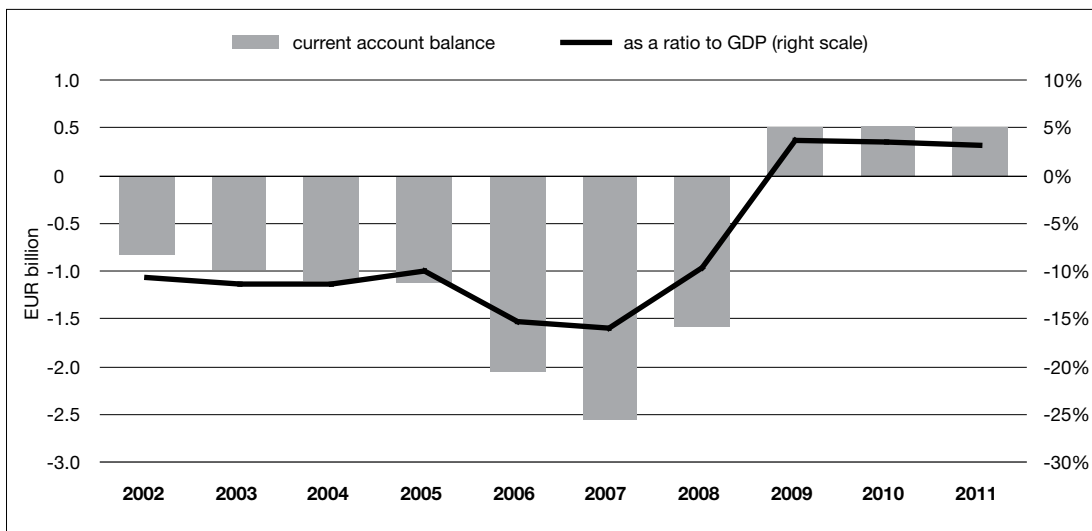


Figure 1. Current account balance

**Table 1. Estonia's balance of payments (EUR million)**

	2005	2006	2007	2008	2009	2010	2011
<b>Current account</b>	<b>-1116</b>	<b>-2,053.0</b>	<b>-2,562.5</b>	<b>-1,577.8</b>	<b>512.3</b>	<b>513.2</b>	<b>506.1</b>
Goods and services	-710.9	-1,413.7	-1,598.6	-878.8	799.1	1,062.2	1,075.1
Goods*	-1,550.1	-2,304.1	-2,640.8	-2,122.7	-559.1	-250.2	-180.4
credit (f.o.b.)	6,347.9	7,774.0	8,132.1	8,541.6	6,550.4	8,777.7	12,095.4
debit (f.o.b.)	-7,898.0	-10,078.1	-10,773.0	-10,664.2	-7,109.4	-9,028.0	-12,275.9
Services	839.3	890.3	1,042.1	1,243.9	1,358.2	1,312.2	1,255.5
credit	2,612.0	2,870.9	3,289.2	3,536.8	3,173.8	3,421.7	3,935.9
debit	-1,772.6	-1,980.6	-2,247.0	-2,292.9	-1,815.5	-2,109.3	-2,680.3
Income	-455.3	-688.0	-1,058.8	-878.5	-502.1	-805.5	-845.7
credit	589.5	866.3	1,210.3	1,147.6	660.1	685.8	848.0
debit	-1,044.9	-1,554.3	-2,269.2	-2,026.1	-1,162.2	-1,491.3	-1,693.7
Transfers	50.2	48.7	95.1	179.4	215.4	256.5	276.7
credit	375.6	419.8	471.1	502.3	502.1	592.0	656.8
debit	-325.5	-371.0	-376.0	-323.0	-286.6	-335.6	-380.2
<b>Capital and financial account (reserve assets excluded)</b>	<b>1,311.0</b>	<b>2,679.3</b>	<b>2,614.2</b>	<b>1,937.2</b>	<b>-450.7</b>	<b>-1,128.6</b>	<b>-332.6</b>
Capital account	84.7	288.6	173.7	201.7	483.5	518.6	599.4
Financial account	1,226.3	2,390.7	2,440.3	1,735.6	-934.1	-1,647.4	-932.0
Direct investment	1,751.2	550.3	708.5	421.6	208.4	1,062.1	1,175.8
Abroad	-556.0	-881.7	-1,276.5	-760.1	-1,114.7	-100.1	1,046.4
In Estonia	2,307.2	1,431.9	1,985.0	1,181.9	1,323.1	1,162.3	129.5
Portfolio investment	-1,769.5	-1,055.7	-368.0	507.5	-1,448.4	-440.6	1,126.2
Assets	-691.4	-974.5	-552.3	680.6	-486.1	-291.4	1,003.2
Equity securities	-310.0	-292.0	-491.4	261.8	-47.9	-301.8	106.3
Debt securities	-381.6	-682.4	-60.9	418.8	-438.2	10.4	896.9
Liabilities	-1,078.1	-81.1	184.2	-173.1	-962.2	-149.4	123.0
Equity securities	-1,045.1	238.4	225.9	-212.6	-93.6	10.9	-77.8
Debt securities	-33.1	-319.7	-41.6	39.6	-868.6	-160.1	200.7
Financial derivatives	-6.2	5.1	-50.9	52.9	14.1	31.6	-43.7
Assets	0.9	-11.6	-56.5	43.1	17.4	-1.9	-27.4
Liabilities	-7.2	16.5	5.5	9.8	-3.2	33.3	-16.3
Other investment	1,250.9	2,891.1	2,150.8	753.4	291.7	-2,300.4	-3,190.3
Assets	-712.1	36.0	-1,485.2	-362.7	954.7	-1,297.0	-2,145.1
Long-term	-268.5	345.5	-210.1	-17.5	-39.7	-321.6	-61.2
Short-term	-443.9	-309.6	-1,275.1	-345.2	994.5	-975.4	-2,083.9
Liabilities	1,963.1	2,855.2	3,636.1	1,116.3	-662.9	-1,003.6	-1,045.2
Long-term	696.9	1,614.6	2,967.1	-640.3	271.5	-1,287.2	-1,188.6
Short-term	1,266.1	1,240.6	669.0	1,756.5	-934.4	283.6	143.4
Errors and omissions	117.2	-145.3	38.0	143.5	-59.6	-215.6	-160.8
<b>Overall balance</b>	<b>312.2</b>	<b>481.1</b>	<b>89.6</b>	<b>503.0</b>	<b>2.1</b>	<b>-831.3</b>	<b>12.8</b>
<b>Reserve assets</b>	<b>-312.2</b>	<b>-481.1</b>	<b>-89.6</b>	<b>-503.0</b>	<b>-2.1</b>	<b>831.3</b>	<b>-12.8</b>

periods in 2010. Import growth slowed down too. In 2011, the imports and exports of goods grew in all major goods groups, in particular machinery and equipment, and mineral products (fuels). Trade deficit shrank, concerning mostly the goods groups of timber, paper and furniture, while the deficit on transport vehicles increased robustly.

The surplus on **services** decreased slightly – to 1.3 billion euros. Although the turnover of services has increased from year to year, the surplus on services has ranged between 1.2–1.3 billion euros over the

past four years. Services exports grew by 15% and imports by 27% year-on-year. Import growth was boosted, among other things, by the increased imports of transport services in relation to the delivery of strong growth in goods imports. The surplus on services decreased primarily because of construction services, as the imports of these services grew robustly.

**Income** outflow exceeded inflow by 846 million euros and this negative balance increased by 5% from a year ago. The majority of the income account turnover consisted of investment income. Non-residents' income on investment in Estonia exceeded residents' income on investment abroad by 1 billion euros. Dividends accounted for 28% and reinvested earnings for 54% of the non-residents' investment income. Estonian investors primarily earned income on direct and portfolio investment abroad (53% and 22% of the investment income, respectively). Given that the number of Estonian residents who work abroad is constantly growing, the surplus on labour income increased too, although the increase was not that significant in light of the inflow and outflow of investment income.

Compared to 2010, the use of EU subsidies increased further in 2011: the total surplus on current transfers and the capital account grew by 13% to 876 million euros.

EU Member States accounted for 68% of the credit turnover and for 80% of the debit turnover of the current account. The respective indicators for the monetary union were 34% and 35%. Year-on-year, the percentages of the EU and the monetary union have dropped by one percentage point.

### **The net outflow of capital continued, though to a lesser extent compared to 2010**

The outflow of capital (net lending) on the **financial account** exceeded inflow by 924 million euros, which is almost 60% less than in 2010. Net outflow included primarily other investment and totalled 3.2 billion euros. The outflow can be largely attributed to credit institutions. The net inflow of capital consisted of direct and portfolio investment.

The net inflow of **direct investment** increased by 10% to 1.2 billion euros. Foreign direct investment was somewhat exceptional in 2011: investment shrank considerably, by 1 billion euros, instead of traditional growth. This was primarily due to structural changes in the banking sector – the Latvian and Lithuanian subsidiaries of one major bank were brought under the direct control of their foreign parent bank. The changes also entailed a decline in equity capital – a component of direct investment – in Estonia. The above-mentioned large transactions had a considerable impact on the annual direct investment statistics. Consequently, foreign direct investment in Estonia increased only by 130 million euros from a year ago, while foreign direct investors reinvested here around 900 million euros of their direct investment income earned in Estonia.

The net inflow of **portfolio investment** was unexceptionally large at 1.1 billion euros. Portfolio investment assets decreased by 1 billion euros, while liabilities grew by 123 million euros. The decrease in assets (mainly money market instruments) concerned primarily the central bank<sup>1</sup> and the general government.

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<sup>1</sup> As Estonia adopted the euro on 1 January 2011, the external assets denominated in euros or external assets issued by euro area countries are no longer recorded under the gold and foreign exchange reserves of Eesti Pank. They are recorded either under portfolio or other investment, depending on the type of asset.

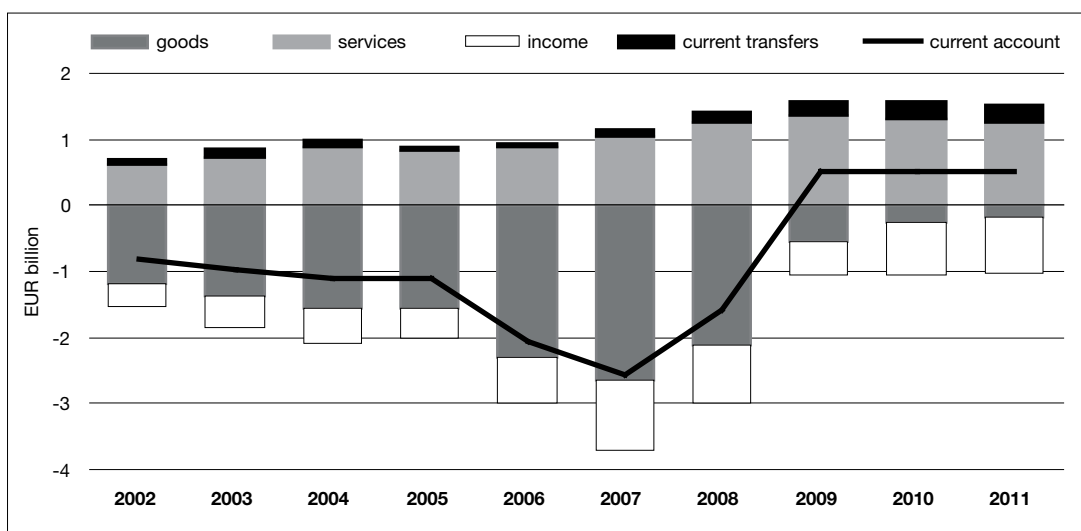
The outflow of **financial derivatives** was 44 million euros larger than inflow.

The outflow of **other investment** (trade credit, loans, currency and deposits) was large too, totalling 3.2 billion euros. Other investment assets increased by 2.1 billion euros and liabilities decreased by 1 billion euros, which can be mostly attributed to credit institutions.

Estonia's **gross external debt**, that is the total external debt of all economic sectors, contracted 5% to 16 billion euros and was 2% smaller than GDP, year-on-year. The external debt of credit institutions decreased the most, while the debt of other sectors increased. Year-on-year, net external debt contracted three-fold to 1.1 billion euros (7% of GDP), which is similar to the levels recorded ten years ago.

## CURRENT ACCOUNT

**The year 2011 was successful for Estonia in terms of foreign trade: the current account was in surplus for the third year in row, totalling 506 million euros, or 3.2% of GDP<sup>2</sup>** (see Figure 1). Similar surpluses were recorded also for 2009 and 2010 (see Table 1). The structure of the current account did not change much (see Figure 2). The first half of 2011 saw record growth in goods exports, but growth started to slow gradually in the second half due to the rapid deterioration of the external environment.



**Figure 2. Current account structure**

The credit turnover on the current account increased 30% and debit turnover 31%. Estonia traded mostly with EU Member States, which accounted for 68% of the credit turnover and 80% of the debit turnover. The respective indicators of the monetary union were 35% and 38%. Finland and Sweden were Estonia's major partners in terms of both credit and debit turnovers. The top five partners included also Latvia and Russia, in both turnovers, the United States in credit turnover and Germany in debit turnover. The five biggest partners accounted for 54% of the total turnover. Estonia had the largest current account surpluses with Finland and the United States. The surplus with Finland grew by 35% and the surplus with the United States by about 2.5-fold year-on-year. Estonia had the biggest current account deficits with Germany and Poland; both deficits increased 50% (see Table 2).

### Goods

**The turnover of the goods account continued rapid growth in 2011: both the exports and imports of goods surged from 2010 to record high levels at 38% and 36% respectively, totalling over 12 billion euros** (see Table 3). The turnover of goods posted particularly strong growth in the first half of the year when exports and imports increased over 54% and 50% respectively from the first half of 2010. The deterioration of the external environment in the second half of 2011 considerably inhibited growth in goods exports and imports. The goods account had a deficit of 180 million euros and constituted only 1% of the annual GDP.

<sup>2</sup> The current account surplus without reinvested earnings constituted 7.5% of GDP.

**Table 2. Current account balance by groups of countries (EUR million)**

	2010	2011
<b>EU-27</b>	<b>-1,089.3</b>	<b>-1,615.0</b>
Germany*	-564.5	-850.5
Finland	576.8	777.0
Poland	-420.3	-643.3
Latvia	-115.1	-337.0
Lithuania	-160.9	-336.8
<b>CIS</b>	<b>500.8</b>	<b>601.5</b>
Russia	346.3	564.8
Belarus	-36.3	-47.9
Kazakhstan	106.7	25.4
<b>Other</b>	<b>1,101.7</b>	<b>1,519.5</b>
USA	260.2	632.4
Nigeria	160.3	391.2
China	-166.6	-246.7
Norway	232.5	241.7
<b>Total</b>	<b>513.2</b>	<b>506.1</b>

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

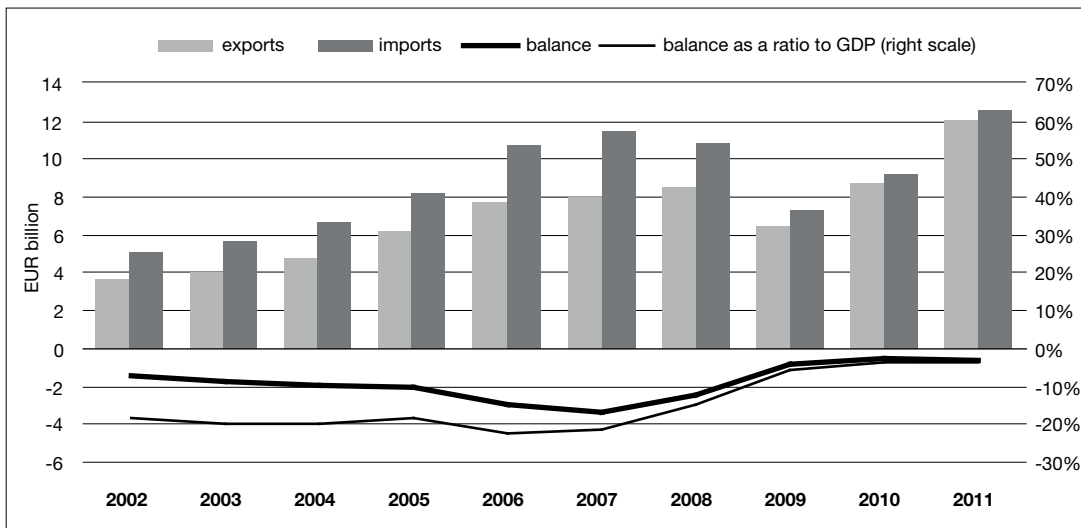
**Table 3. Exports and imports of goods**

	Goods – credit (f.o.b.)			Goods – debit (f.o.b.)			Volume* (EUR m)
	Volume* (EUR m)	Change from previous period (%)	Share in total exports of goods and services (%)	Volume* (EUR m)	Change from previous period (%)	Share in total exports of goods and services (%)	
2002	3,703.6	-1.4	66.7	4,883.1	5.6	85.7	-1,179.5
2003	4,054.8	9.5	67.4	5,430.3	11.2	81.6	-1,375.5
2004	4,764.2	17.5	67.5	6,333.3	16.6	81.9	-1,569.1
2005	6,347.9	33.2	70.8	7,898.0	24.7	81.7	-1,550.1
2006	7,774.0	22.5	73.0	10,078.1	27.6	83.6	-2,304.1
2007	8,132.2	4.6	71.2	10,772.9	6.9	82.7	-2,640.8
2008	8,541.5	5.0	70.7	10,664.2	-1.0	82.3	-2,122.7
2009	6,550.4	-23.3	67.4	7,109.5	-33.3	79.7	-559.1
2010	8,777.7	34.0	72.0	9,027.9	27.0	81.1	-250.2
2011	12,095.4	37.8	75.4	12,275.9	36.0	82.1	-180.4

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

According to the preliminary **foreign trade statistics**<sup>3</sup>, goods exports totalled 12 billion and imports in c.i.f. prices 12.6 billion euros in 2011 (see Figure 3). The annual foreign trade deficit totalled 590 million euros.

<sup>3</sup> The following analysis does not include the adjustments made by Eesti Pank on the goods account (repair of capital goods, provisions purchased from abroad, etc). Imports are in c.i.f. prices and analysed by the trading country. Since Estonia's accession to the EU, the terms "exports" and "imports" are only applicable in reference to trading with third countries, while the Intrastat reporting system uses the terms "dispatch of goods" and "arrival of goods". Since the following analysis covers both intra-Community and non-Community trade, the terms "exports" and "imports" have still been used for the sake of simplicity and clarity.



**Figure 3. Estonia's foreign trade balance**

**The exports of goods** increased significantly across all groups of goods. Growth was mainly boosted by the exports of machinery and equipment, and mineral products, but also metal and food products (see Table 4). The delivery of mobile communication devices – the primary export item in the group of machinery and equipment – to Sweden and the United States grew by over two-fold from 2010, but growth slowed rapidly in the fourth quarter of 2011. Motor fuel constituted 81% of the exports of mineral products and it was re-exported after processing in Estonia mostly to the third countries (the USA, Nigeria) and also to the Netherlands and France. The export growth of that goods group also slowed somewhat in the second half of 2011. The exports of metal products (steel products, iron constructions, scrap metal) were steady quarter-on-quarter, being delivered to Finland, Turkey and Sweden.

The exports of food products increased 22% from a year ago and reached a record high at 313 million euros in the fourth quarter of 2011. The biggest export items were spirits, cheese and other dairy products, fish and meat products, barley, rapeseeds and various prepared products. 20% of the food products were exported to Russia, and less to Finland, Latvia and Lithuania. Unprocessed and little processed timber

**Table 4. Exports by major groups of goods**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
Food	833.6	1,013.7	9.5	8.4	21.6
Mineral products	1,376.4	2,083.1	15.7	17.3	51.3
Chemical products	675.1	913.6	7.7	7.6	35.3
Clothing, footwear and headgear	392.1	454.3	4.5	3.8	15.9
Timber, paper and products	1,070.8	1,242.8	12.2	10.3	16.1
Metals and metal products	793.9	1,036.4	9.1	8.6	30.5
Machinery and equipment	1,978.5	3,305.2	22.6	27.5	67.1
Transport vehicles	572.7	593.8	6.5	4.9	3.7
Furniture, toys, sporting goods	667.4	789.2	7.6	6.6	18.2
Other	387.3	608.3	4.4	5.1	57.1
<b>Total</b>	<b>8,747.8</b>	<b>12,040.3</b>	<b>100.0</b>	<b>100.0</b>	<b>37.6</b>

was sold primarily to Sweden and Finland; wooden houses to Norway and Germany; wooden construction components to Sweden, Japan and Norway; and furniture to Finland and Denmark. The exports of chemical products gained momentum too and consisted primarily of construction materials (putties, mastics, paints, varnishes, etc.) and plastic products, which were sent to Russia, Latvia and Finland.

The exports of transport vehicles posted more or less similar results as in 2010. The exports of motor cars and spare parts increased 28% from 2010 and accounted for 55% of the total exports of transport vehicles. The biggest importers were Latvia, Sweden, Lithuania and Russia. Ready-made men's and women's clothes, footwear, sportswear, etc. and other industrial products (gold items, toughened-glass panes and glass products, medical equipment) were exported primarily to Finland, Russia and Sweden.

**The imports of goods** increased significantly across all groups of goods (see Table 5). Growth in goods imports was driven mainly by machinery and equipment and mineral products. The imports of components, leads, cables, etc. for the electronics industry increased almost two-fold and came from Poland, Sweden, China and Hungary. Mineral products (motor fuel for processing and domestic supply, natural gas and electricity) were purchased from Russia, Lithuania, Latvia and Finland. Goods import growth was also boosted by a nearly 1.6-fold increase in the imports of transport vehicles. Over 50% of that consisted of the imports of motor cars and spare parts from Sweden, Germany, Latvia, Finland and France. The largest import items in the group of chemical products were medicines and plastic products, purchased from Lithuania and Latvia, and car tyres from Poland and Germany. Food products (spirits and low-alcohol beverages, meat and fish products, pet food, chocolate and confectionary products) were imported primarily from Latvia, Finland and Lithuania; iron and steel products were purchased from Finland, Germany and Sweden. Clothing and footwear were imported from Latvia, Finland, Germany and China; timber and timber products (sawn timber, plywood, paper and cardboards) from Finland, Russia and Latvia.

**The foreign trade deficit** increased slightly from 2010 and totalled 0.6 billion euros (see Table 6). Timber and timber products, furniture and other industrial goods posted surpluses, while chemical products and transport vehicles had the largest deficits.

**The exports of goods** increased in terms of all **groups of countries** and major trade partners (see Table 7). The share of the EU in goods exports dropped somewhat, although total exports increased

**Table 5. Imports by major groups of goods**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
Food	1,022.5	1,239.4	11.1	9.8	21.2
Mineral products	1,614.2	2,277.7	17.4	18.0	41.1
Chemical products	1,256.3	1,574.7	13.6	12.5	25.3
Clothing, footwear and headgear	584.2	693.0	6.3	5.5	18.6
Timber, paper and products	481.6	525.2	5.2	4.2	9.1
Metals and metal products	825.4	1,105.7	8.9	8.8	34.0
Machinery and equipment	2,184.9	3,448.6	23.6	27.3	57.8
Transport vehicles	656.2	1,031.3	7.1	8.2	57.2
Furniture, toys, sporting goods	206.0	231.5	2.2	1.8	12.4
Other	419.2	501.8	4.5	4.0	19.7
<b>Total</b>	<b>9,250.4</b>	<b>12,628.9</b>	<b>100.0</b>	<b>100.0</b>	<b>36.5</b>

**Table 6. Foreign trade balance by major groups of goods (EUR million)**

	2010	2011
Food	-188.9	-225.7
Mineral products	-237.8	-194.6
Chemical products	-581.3	-661.1
Clothing, footwear and headgear	-192.1	-238.8
Timber, paper and products	589.2	717.6
Metals and metal products	-31.5	-69.4
Machinery and equipment	-206.3	-143.5
Transport vehicles	-83.4	-437.4
Furniture, toys, sporting goods	461.4	557.7
Other	-31.9	106.6
<b>Total</b>	<b>-502.7</b>	<b>-588.7</b>

**Table 7. Exports of goods by groups of countries**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
<b>EU-27</b>	<b>5,915.4</b>	<b>7,832.6</b>	<b>67.6</b>	<b>65.1</b>	<b>32.4</b>
Sweden	1,364.5	1,881.5	15.6	15.6	37.9
Finland	1,487.6	1,810.4	17.0	15.0	21.7
Latvia	779.6	957.4	8.9	8.0	22.8
Lithuania	437.4	555.0	5.0	4.6	26.9
Germany	454.7	545.6	5.2	4.5	20.0
<b>CIS</b>	<b>1,141.2</b>	<b>1,600.4</b>	<b>13.0</b>	<b>13.3</b>	<b>40.2</b>
Russia	844.4	1,325.4	9.7	11.0	57.0
Ukraine	88.4	105.9	1.0	0.9	19.7
Belarus	63.3	81.6	0.7	0.7	29.0
<b>Other</b>	<b>1,691.2</b>	<b>2,607.3</b>	<b>19.3</b>	<b>21.7</b>	<b>54.2</b>
USA	330.9	751.0	3.8	6.2	127.0
Nigeria	165.0	391.5	1.9	3.3	137.2
Norway	299.8	362.0	3.4	3.0	20.7
<b>Total</b>	<b>8,747.8</b>	<b>12,040.3</b>	<b>100.0</b>	<b>100.0</b>	<b>37.6</b>

by a third. Sweden ranked first among Estonia's EU export partners, mostly owing to robust growth in the exports of mobile communication devices in the first half of 2011. Machinery and equipment (primarily electronic products) comprised 30% of the exports to the EU, followed by timber and timber products, furniture, mineral products (motor fuels), metal and food products. Machinery and equipment accounted for as much as 35% of the exports to CIS countries; chemical and food products ranked second in volume. Estonia's biggest trade partner Russia remained third in export ranking. Among other countries the United States and Nigeria took the lead, as the re-exports of processed motor fuels from Estonia to these countries increased.

**The imports of goods** increased also in terms of all groups of countries and major trade partners (see Table 8). Finland was Estonia's biggest importer partner among EU countries. 30% of the imports of goods from EU countries consisted of machinery and equipment, followed by chemical products, fuels and food products. Mineral products (fuels, natural gas) prevailed at 68% in imports from CIS

**Table 8. Imports of goods by groups of countries\***

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
<b>EU-27</b>	<b>7,375.8</b>	<b>9,901.7</b>	<b>79.7</b>	<b>78.4</b>	<b>34.2</b>
Finland	1,374.1	1,584.7	14.9	12.5	15.3
Latvia	1,014.3	1,360.3	11.0	10.8	34.1
Sweden	1,009.0	1,336.2	10.9	10.6	32.4
Germany	1,042.7	1,287.2	11.3	10.2	23.4
Lithuania	724.2	1,032.8	7.8	8.2	42.6
<b>CIS</b>	<b>1,006.4</b>	<b>1,377.1</b>	<b>10.9</b>	<b>10.9</b>	<b>36.8</b>
Russia	762.8	1,044.2	8.2	8.3	36.9
Belarus	118.4	147.2	1.3	1.2	24.4
Ukraine	71.7	101.9	0.8	0.8	42.1
<b>Other</b>	<b>868.2</b>	<b>1,350.1</b>	<b>9.4</b>	<b>10.7</b>	<b>55.5</b>
China	281.6	454.7	3.0	3.6	61.5
Norway	128.5	142.5	1.4	1.1	10.9
USA	92.8	139.9	1.0	1.1	50.7
<b>Total</b>	<b>9,250.4</b>	<b>12,628.9</b>	<b>100.0</b>	<b>100.0</b>	<b>36.5</b>

\* Analysed by trading country.

countries, primarily Russia. Imports from other countries largely consisted of machinery and equipment (components of electronic products), textile products and transport vehicles.

Foreign trade was in deficit with the EU (see Table 9). Among EU countries, Estonia had the largest trade deficits with Germany, Poland, Lithuania and Latvia, and the largest surpluses with Sweden, Finland, France and Denmark. Trade balance with the CIS and other countries improved considerably. Among the CIS countries, Estonia had trade deficits with Belarus and Kazakhstan only. Among other countries, Estonia had trade surpluses with the United States, Norway and Turkey, and trade deficit with China.

**Table 9. Foreign trade balance by groups of countries (EUR million)**

	2010	2011
EU-27	-1,460.4	-2,069.2
CIS	134.8	223.4
Other	823.0	1,257.1
<b>Total</b>	<b>-502.7</b>	<b>-588.7</b>

## Services

**The surplus on the services account decreased slightly in 2011 and amounted to 1.3 billion euros** (see Figure 4). Although the turnover of services has increased from year to year, the surplus on services has ranged between 1.2–1.3 billion euros over the past four years. The recovery of the economy boosted both the exports and imports of goods, while services imports posted stronger growth owing to the cost of the delivery of increased goods imports (see Table 10). The share of services in the total turnover of goods and services shrank somewhat from 2010 and stood at 25%. Services accounted for 8% of GDP.

Transport, travel and other business services formed 90% of the total net exports of services in 2011 (see Table 11). The surplus on transport services declined by 3% from 2010, which was offset by 3% growth in the net exports of travel services and other business services.

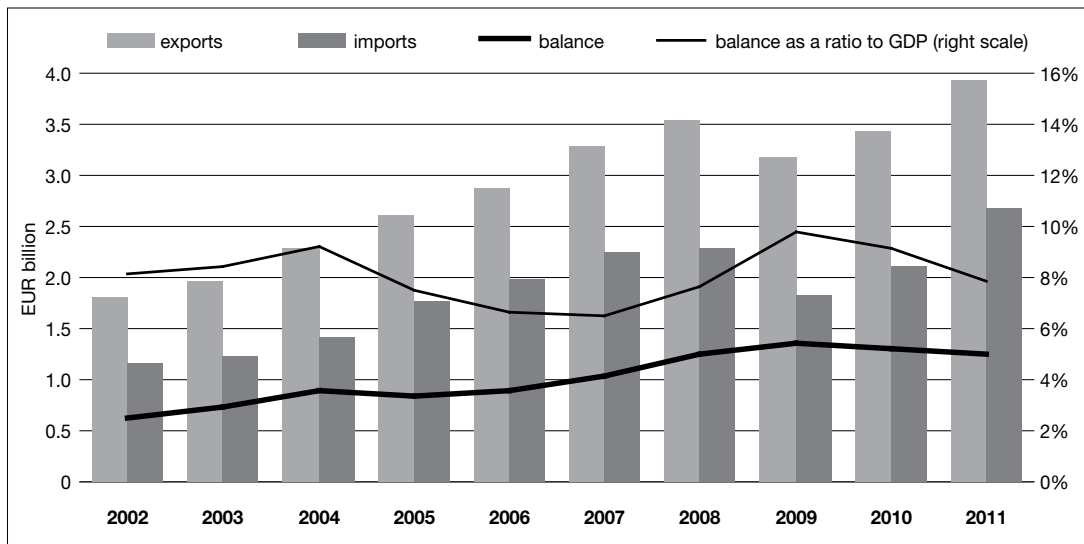


Figure 4. Services account

Table 10. Exports and imports of services

	Exports			Imports			Balance	
	Volume (EUR m)	Change from previous period (%)	Share in total turnover of goods and services (%)	Volume (EUR m)	Change from previous period (%)	Share in total turnover of goods and services (%)	Volume (EUR m)	Change from previous period (%)
2002	1,800.0	0.1	32.7	1,167.9	8.5	19.3	632.1	-12.4
2003	1,960.4	8.9	32.6	1,227.0	5.1	18.4	733.4	16.0
2004	2,293.7	17.0	32.5	1,403.0	14.3	18.1	890.7	21.4
2005	2,612.0	13.9	29.2	1,772.7	26.3	18.3	839.3	-5.8
2006	2,870.9	9.9	27.0	1,980.6	11.7	16.4	890.3	6.1
2007	3,289.2	14.6	28.8	2,247.1	13.5	17.3	1,042.1	17.0
2008	3,536.8	7.5	29.3	2,292.9	2.0	17.7	1,243.9	19.4
2009	3,173.8	-10.3	32.6	1,815.6	-20.8	20.3	1,358.2	9.2
2010	3,421.6	7.8	28.0	2,109.3	16.2	18.9	1,312.3	-3.4
2011	3,935.9	15.0	24.6	2,680.3	27.1	17.9	1,255.5	-4.3

Table 11. Services balance by major categories

	Balance (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
Transportation	613.4	596.3	46.7	47.5	-2.8
Travel	334.0	342.7	25.5	27.3	2.6
Construction services	79.7	13.8	6.1	1.1	-82.7
Computer and information services	82.1	76.3	6.3	6.1	-7.1
Business services	181.0	186.8	13.8	14.9	3.2
Government services	10.5	12.2	0.8	1.0	16.2
Other	11.6	27.4	0.8	2.1	137.3
<b>Total</b>	<b>1,312.3</b>	<b>1,255.5</b>	<b>100.0</b>	<b>100.0</b>	<b>-4.3</b>

The surpluses on minor types of services – government, communication, financial, personal, cultural and recreational services – increased too. The surplus on services contracted primarily on account of construction services, which was due to a robust increase in the imports of construction services. The decrease in surplus concerned also insurance services, computer and information services, royalties and licence fees.

**The exports of services** picked up in terms of most services, except for insurance services – by 15% in total (see Table 12). The exports of construction services, computer and information services, and transport services showed the highest growth rates at 47%, 17% and 16%, respectively. The exports of transport vehicles and also the total exports of services picked up mostly owing to the auxiliary transport services (dispatch, storage and logistics services, etc.)

The geographical distribution of services exports was similar to that in 2010: exports to EU and CIS countries picked up by 14% and 16% respectively (see Table 13). 70% of the services were exported to EU countries.

**Table 12. Services exports by major categories**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
Transportation	1,344.8	1,556.9	39.3	39.5	15.8
freight	639.1	698.1	47.5	44.8	9.2
passenger	263.0	306.4	19.6	19.7	16.5
other transport services	442.7	552.4	32.9	35.5	24.8
Travel	809.2	896.6	23.7	22.8	10.8
Construction services	161.5	236.9	4.7	6.0	46.7
Computer and information services	154.0	179.6	4.5	4.6	16.6
Business services	665.8	744.1	19.5	18.9	11.8
Government services	32.2	35.7	0.9	0.9	10.9
Other	254.1	286.1	7.4	7.3	12.6
<b>Total</b>	<b>3,421.6</b>	<b>3,935.9</b>	<b>100.0</b>	<b>100.0</b>	<b>15.0</b>

**Table 13. Services exports by groups of countries**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
<b>EU-27</b>	<b>2,417.5</b>	<b>2,756.3</b>	<b>70.7</b>	<b>70.0</b>	<b>14.0</b>
Finland	959.6	1,085.0	28.0	27.6	13.1
Sweden	272.0	328.5	7.9	8.3	20.8
Latvia	198.3	229.0	5.8	5.8	15.5
United Kingdom	137.7	173.1	4.0	4.4	25.7
<b>CIS</b>	<b>487.6</b>	<b>564.9</b>	<b>14.2</b>	<b>14.4</b>	<b>15.9</b>
Russia	371.5	447.0	10.9	11.4	20.3
Kazakhstan	62.4	51.7	1.8	1.3	-17.1
Belarus	24.1	31.6	0.7	0.8	31.1
<b>Other</b>	<b>516.5</b>	<b>614.7</b>	<b>15.1</b>	<b>15.6</b>	<b>19.0</b>
offshore regions	170.3	191.2	5.0	4.9	12.3
Switzerland	101.0	129.2	3.0	3.3	27.9
USA	80.7	108.4	2.4	2.8	34.3
<b>Total</b>	<b>3,421.6</b>	<b>3,935.9</b>	<b>100.0</b>	<b>100.0</b>	<b>15.0</b>

Finland, Russia and Sweden were the main export partners in 2011, just as in previous years. The United Kingdom became the fourth biggest partner in the group of EU countries, right ahead of the Netherlands that ranked fourth in 2010. Among other countries, exports to offshore regions, Switzerland and the United States increased almost 20%.

**The imports of services** grew much faster than exports in 2011, by 27% in total and in terms of all major types of services (see Table 14). The exports of construction services increased nearly by three-fold; the exports of computer and information services, and transport services posted growth at 44% and 31%, respectively. The latter's export growth was related to the delivery of imported goods.

The structure of services imports from major trade partners did not change much from 2010. The share of EU countries increased 28% from 2010 to 81% (see Table 15). The biggest trade partners were Finland, Germany and Sweden. Imports from the CIS mainly concerned Russia and increased 20% over the year. Services imports from other countries grew by 23%. Norway was the leading partner, as Estonia imported over two times more services (travel, architectural, design and other technical services) from there compared

**Table 14. Services imports by major categories**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
Transportation	731.3	960.6	34.7	35.8	31.4
freight	459.6	646.3	62.9	67.3	40.6
passenger	66.8	95.6	9.1	9.9	43.1
other transport services	204.9	218.7	28.0	22.8	6.7
Travel	475.2	553.9	22.5	20.7	16.6
Construction services	81.8	223.1	3.9	8.3	172.7
Computer and information services	72.0	103.3	3.4	3.9	43.5
Business services	484.7	557.3	23.0	20.8	15.0
Government services	21.7	23.6	1.0	0.9	8.8
Other	242.6	258.5	11.5	9.6	6.6
<b>Total</b>	<b>2,109.3</b>	<b>2,680.3</b>	<b>100.0</b>	<b>100.0</b>	<b>27.1</b>

**Table 15. Services imports by groups of countries**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
<b>EU-27</b>	<b>1,700.8</b>	<b>2,182.1</b>	<b>80.6</b>	<b>81.4</b>	<b>28.3</b>
Finland	373.2	425.0	17.7	15.9	13.9
Germany	140.4	294.5	6.7	11.0	109.8
Sweden	250.2	284.6	11.9	10.6	13.7
Latvia	214.6	246.3	10.2	9.2	14.8
<b>CIS</b>	<b>143.9</b>	<b>173.2</b>	<b>6.8</b>	<b>6.5</b>	<b>20.4</b>
Russia	110.9	132.3	5.3	4.9	19.3
Belarus	15.3	19.2	0.7	0.7	25.5
Ukraine	11.7	15.5	0.6	0.6	32.5
<b>Other</b>	<b>264.6</b>	<b>325.0</b>	<b>12.6</b>	<b>12.1</b>	<b>22.8</b>
Norway	30.6	66.0	1.5	2.5	115.7
USA	56.2	52.3	2.7	2.0	-6.9
China	33.1	47.7	1.6	1.8	44.1
<b>Total</b>	<b>2,109.3</b>	<b>2,680.3</b>	<b>100.0</b>	<b>100.0</b>	<b>27.1</b>

to 2010. Services imports from China (marine and air freight transport) outpaced imports from offshore regions, which were consequently left out of the top three of partners.

The surplus on **transport services** shrank by 3% in 2011 and constituted around 50% of the net exports of services (see Figures 5-6 and Table 11). Rail transport constituted the largest share of the net exports of transport services, followed by maritime and road transport. Air transport remained in deficit.

The exports of transport services grew by 16% year-on-year to 40% of the total exports of services (see Table 12). Approximately 50% of the exports consisted of freight transport (16% annual growth); other transport services and passenger transport posted 25% and 17% respectively. The exports of transport

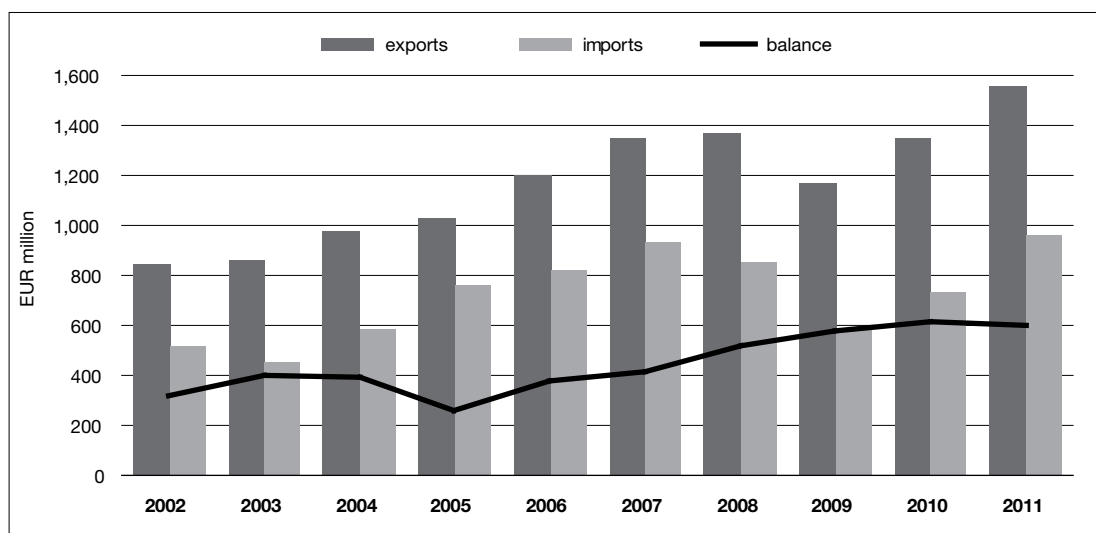


Figure 5. Transport services

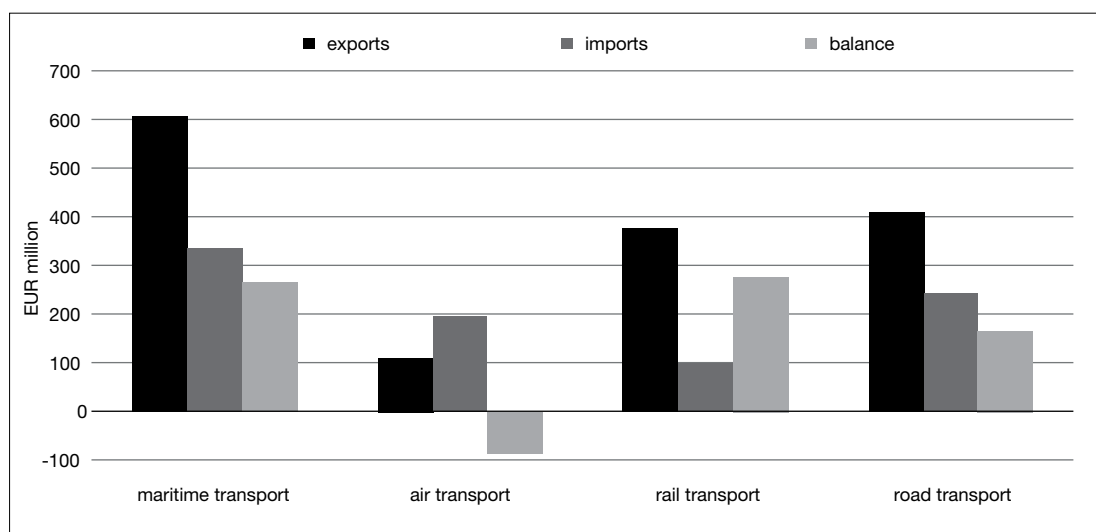


Figure 6. Transport services structure in 2011 by transport type

services to EU and CIS countries increased 9% and 25% respectively in 2011 (see Table 16). The top five of major EU partner countries were Finland, Sweden, the Netherlands, Latvia and the United Kingdom, but in a different ranking compared to 2010. Kazakhstan ranked second ahead of Belarus in terms of exports to CIS countries. Total exports to other countries picked up by 34%, with offshore regions, Switzerland and Norway ranking in the top at 54%, 40% and 24% respectively.

The imports of transport services increased 50% faster than exports in 2011 (see Table 14). Similar to exports, also the imports of transport services grew in terms of all groups of countries and major trade partners (see Table 16). The top five EU partners in transport services imports were Sweden, Finland, Germany, Latvia and Lithuania. Estonia's imports from these five trade partners accounted for around 50% of the total transport services needed for the delivery of goods. Russia and Belarus remained the largest import partners from the CIS. China, offshore regions and the United States were again the main import partners from among other countries.

**Table 16. Transport services by groups of countries in 2011**

	Exports				Imports		
	Volume (EUR m)	Share (%)	Change (%), 2011/2010		Volume (EUR mln)	Share (%)	Change (%), 2011/2010
<b>EU-27</b>	<b>978.2</b>	<b>62.8</b>	<b>10.0</b>	<b>EU-27</b>	<b>745.9</b>	<b>77.6</b>	<b>29.7</b>
Finland	311.2	20.0	10.1	Sweden	114.2	11.9	32.2
Sweden	131.9	8.5	16.8	Finland	100.2	10.4	26.8
Netherlands	97.2	6.2	-17.1	Germany	98.9	10.3	22.9
Latvia	74.5	4.8	9.6	Latvia	72.2	7.5	26.9
United Kingdom	72.7	4.7	30.1	Lithuania	62.5	6.5	32.1
<b>CIS</b>	<b>272.4</b>	<b>17.5</b>	<b>25.4</b>	<b>CIS</b>	<b>71.6</b>	<b>7.5</b>	<b>51.4</b>
Russia	223.8	14.4	18.0	Russia	49.8	5.2	72.3
Kazakhstan	19.4	1.2	88.3	Belarus	12.9	1.3	31.6
<b>Other</b>	<b>306.3</b>	<b>19.7</b>	<b>34.2</b>	<b>Other</b>	<b>143.1</b>	<b>14.9</b>	<b>31.6</b>
offshore regions	130.6	8.4	54.4	China	42.8	4.5	57.4
Switzerland	83.9	5.4	39.8	offshore regions	24.6	2.6	6.5
Norway	30.3	1.9	23.7	USA	16.7	1.7	28.5
<b>Total</b>	<b>1,556.9</b>	<b>100.0</b>	<b>15.8</b>	<b>Total</b>	<b>960.6</b>	<b>100.0</b>	<b>31.4</b>

The exports of **travel services** totalled almost 900 million euros in 2011, which is 11% more than in 2010 (see Figure 7). The imports of travel services grew by 17% from 2010 and amounted to 554 million euros. The surplus on travel services was 343 million euros, or over 2% of GDP.

The number of foreigners visiting Estonia rose by 13% from 2010 to around 5.3 million visitors in 2011 (see Figure 8). Visitors from EU and CIS countries accounted for 81% and 12% respectively of the total number. The number of visits by EU and CIS citizens increased 12% and 18% respectively from 2010. The majority of tourists (42%) came from Sweden; half of them stayed in Estonia for only one day. The spending of Finnish tourists formed 46% of the total exports of travel services (see Table 17). Tourists from Russia accounted for 11% of the total number of visits and their spending formed around 12% of the total exports of travel services. Sweden's respective figures were 6% and 8%. Among bigger countries, travel services exports from Russia and Germany increased the most at 17% and 50% respectively.

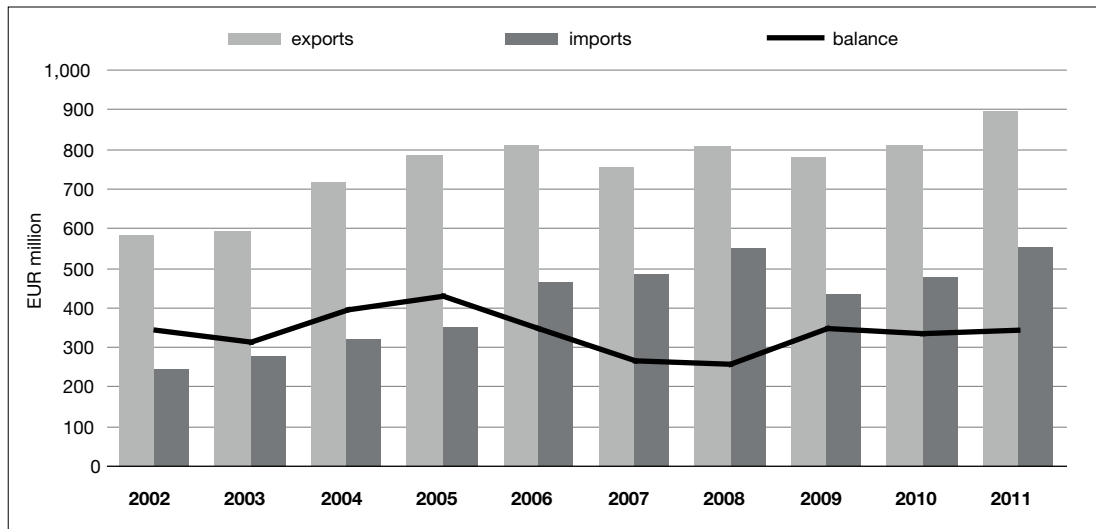


Figure 7. Travel services

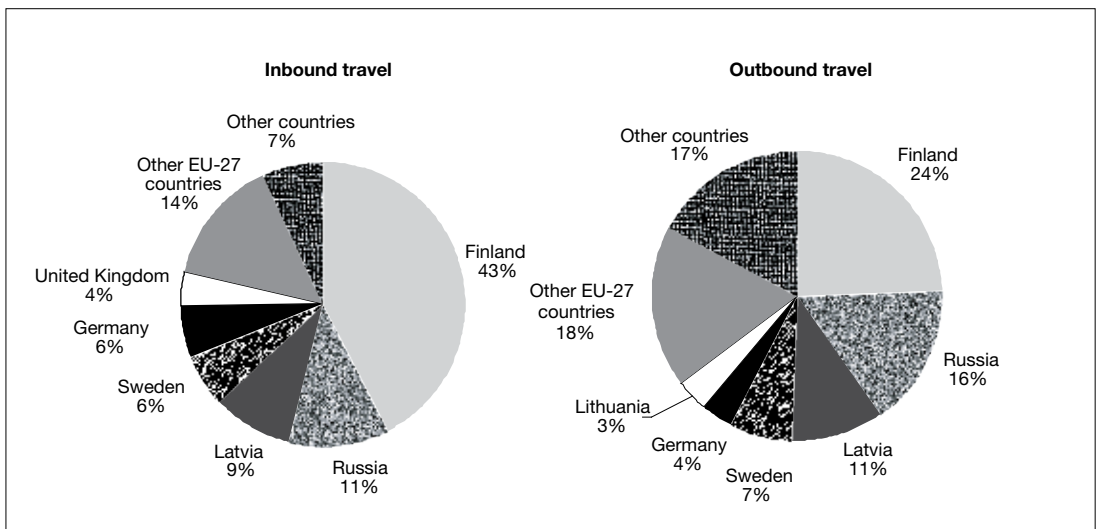


Figure 8. International travel statistics by countries in 2011

**Table 17. Travel services by groups of countries in 2011**

	Exports				Imports		
	Volume (EUR m)	Share (%)	Change (%), 2011/2010		Volume (EUR m)	Share (%)	Change (%), 2011/2010
<b>EU-27</b>	<b>719.3</b>	<b>80.2</b>	<b>8.2</b>	<b>EU-27</b>	<b>425.1</b>	<b>76.8</b>	<b>16.3</b>
Finland	412.5	46.0	0.1	Finland	170.5	30.8	10.0
Sweden	69.0	7.7	6.5	Latvia	38.5	7.0	-6.3
Germany	48.6	5.4	50.0	United Kingdom	32.3	5.8	55.8
Latvia	39.8	4.4	-3.3	Sweden	29.7	5.4	-28.8
<b>CIS</b>	<b>112.2</b>	<b>12.5</b>	<b>18.6</b>	<b>CIS</b>	<b>48.5</b>	<b>8.8</b>	<b>5.2</b>
Russia	105.8	11.8	16.5	Russia	42.9	7.7	4.9
Ukraine	3.7	0.4	52.3	Ukraine	2.9	0.5	6.5
<b>Other</b>	<b>65.1</b>	<b>7.3</b>	<b>30.2</b>	<b>Other</b>	<b>80.2</b>	<b>14.5</b>	<b>25.9</b>
Norway	17.4	1.9	30.4	Norway	20.9	3.8	96.9
USA	13.6	1.5	32.8	Turkey	14.0	2.5	54.5
Korea	4.3	0.5	36.7	USA	10.0	1.8	14.3
<b>Total</b>	<b>896.6</b>	<b>100.0</b>	<b>10.8</b>	<b>Total</b>	<b>553.8</b>	<b>100.0</b>	<b>16.5</b>

Estonian residents' trips to foreign countries totalled 3.8 million in 2011, which is 8% more than in 2010. The number of trips to EU countries increased 6% from 2010 and accounted for 67% of the total number of trips. Travels to CIS countries grew by 12% from a year ago and formed 18% of the total number of visits to foreign countries. Multiple-day trips constituted 70% of the total number of Estonian residents' trips abroad both in 2010 and 2011. Estonia's closest neighbours were the most popular countries of destination: trips to Finland, Russia, Latvia and Sweden constituted 24%, 16%, 11% and 7% respectively of the total of trips. The proximity of Finland, Russia, Latvia and Sweden was also the reason for the high percentages of one-day visits: 37%, 35%, 53% and 40% respectively. The spending of Estonian residents in Finland and Russia constituted 31% and 8% respectively of the total imports of travel services. The imports of travel services from Finland, the United Kingdom and Norway (the countries with the highest number of Estonian residents employed there) increased the most from a year ago: by 10%, 56% and 97% respectively.

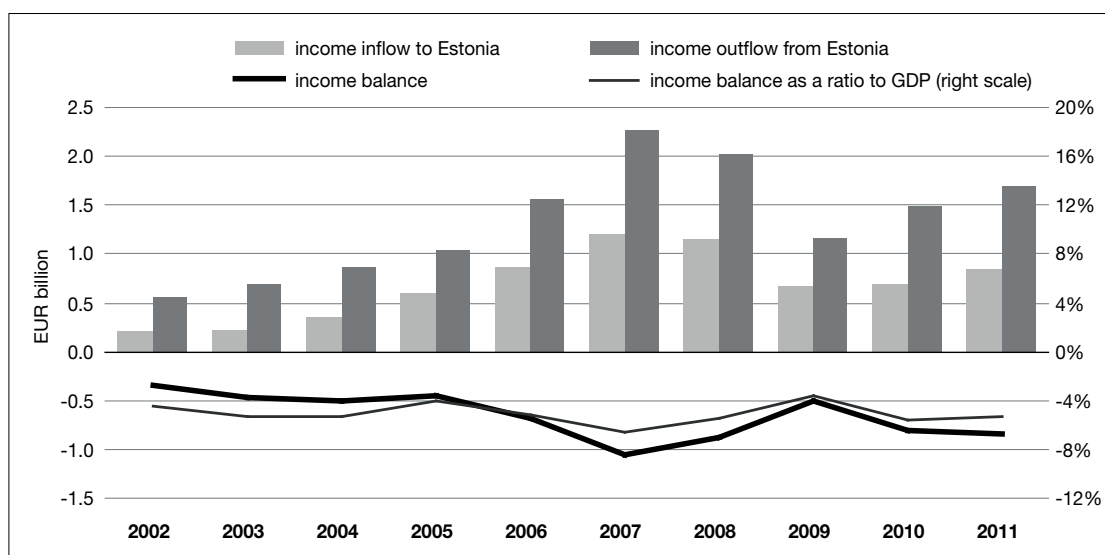
## Income

**The net outflow of income grew by 5% in 2011 to 846 million euros, or 5.3% of GDP** (see Table 18 and Figure 9). Reinvested earnings, which is a book value and does not involve any actual movement of funds, constituted a significant part of the income structure. Reinvested earnings excluded, the net outflow of income was 155 million euros, or 1% of GDP.

Labour income recorded a net inflow of 197 million euros, which increased about 50% from 2010 (see Table 19). The increase stemmed from the growing popularity of working abroad among residents. The net outflow of investment income, the main component of the income account, grew by 20% from a year ago to slightly over 1 billion euros. This was somewhat less than the record high in 2007 but more than the second largest outflow that was recorded in 2008. Direct and other investment incomes posted a net outflow, while portfolio investment witnessed net inflow. The majority of the net outflow of investment income consisted of direct investment income (1 billion euros), which increased 20% year-on-year. Reinvested earnings formed 67% and dividends 33% of the net outflow of direct investment income.

**Table 18. Income**

	Inflow		Outflow		Balance	
	Volume (EUR m)	Change from previous period (%)	Volume (EUR m)	Change from previous period (%)	Volume (EUR m)	Change from previous period (%)
2002	215.5	11.6	560.0	10.6	-344.5	10.0
2003	229.1	6.3	691.9	23.6	-462.8	34.3
2004	350.7	53.1	859.7	24.3	-509.0	10.0
2005	589.5	68.1	1,044.9	21.5	-455.4	-10.5
2006	866.3	47.0	1,554.3	48.8	-688.0	51.1
2007	1,210.3	39.7	2,269.2	46.0	-1,058.9	53.9
2008	1,147.6	-5.2	2,026.1	-10.7	-878.5	-17.0
2009	660.1	-42.5	1,162.2	-42.6	-502.1	-42.8
2010	685.8	3.9	1,491.3	28.3	-805.5	60.4
2011	848.0	23.7	1,693.7	13.6	-845.7	5.0



**Figure 9. Income account**

**Table 19. Structure of income account**

	Balance (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
Labour income	133.1	196.7	-16.5	-23.3	47.8
Investment income	-938.5	-1,042.3	116.5	123.3	11.1
Income on direct investment	-863.4	-1,032.9	107.2	122.1	19.6
income on equity	-853.9	-1,027.4	106.0	121.5	20.3
dividends	-105.9	-336.5	13.1	39.8	217.7
reinvested earnings	-748.0	-690.9	92.9	81.7	-7.6
income on debt (interests)	-9.5	-5.5	1.2	0.6	-41.9
Income on portfolio investment	65.5	91.2	-8.1	-10.8	39.2
Income on other investment	-140.6	-100.6	17.5	11.9	-28.4
<b>Total</b>	<b>-805.5</b>	<b>-845.7</b>	<b>100.0</b>	<b>100.0</b>	<b>5.0</b>

The net outflow of dividends grew by three-fold from 2010, while the net outflow of reinvested earnings shrank by 8%. The net inflow of portfolio investment income increased about 40%, while the net outflow of other investment income (interest income) contracted 28%.

**Income inflow** grew by around 25% from 2010 to 848 million euros (see Table 20). 93% of the investment inflow came from EU countries (see Table 21). Labour income constituted slightly over 25% of the income inflow, having increased 27% year-on-year to 256 million euros. About 50% of the labour income was earned in Finland and 11% in Sweden. Somewhat less labour income was earned in the United Kingdom, the United States, Germany and Latvia. The labour income earned in Finland grew by 25% over the year. The inflow of investment income increased 22% to 592 million euros in 2011. The majority (63%) of the investment income inflow consisted of direct investment. Direct investment income grew by 22%, portfolio investment income by 29% and other investment income by 16% from 2010. The inflow of direct investment income increased mainly owing to dividend payments, which doubled in volume. The inflow of reinvested earnings grew by 9% and constituted 52% of the direct investment income inflow.

**Table 20. Income inflow to Estonia**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
Labour income	201.7	256.2	28.5	26.3	27.0
Investment income	484.2	591.8	71.5	73.7	22.2
Income on direct investment	307.6	374.3	44.2	49.6	21.7
income on equity	242.6	316.0	30.1	40.8	30.3
dividends	62.5	120.2	14.9	8.5	92.3
reinvested earnings	180.1	195.9	15.2	32.3	8.7
income on debt (interests)	64.9	58.3	14.2	8.8	-10.3
Income on portfolio investment	102.9	132.1	17.1	14.1	28.5
Income on other investment	73.8	85.4	10.1	10.0	15.7
<b>Total</b>	<b>685.8</b>	<b>848.0</b>	<b>100.0</b>	<b>100.0</b>	<b>23.7</b>

**Table 21. Income by groups of countries in 2011**

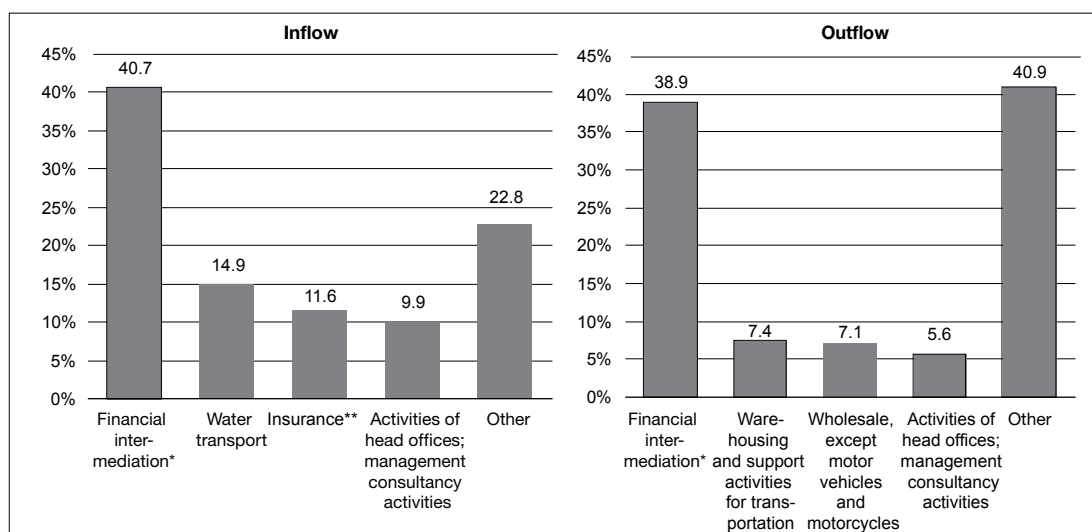
	Inflow				Outflow		
	Volume (EUR m)	Share (%)	Change (%), 2011/2010		Volume (EUR m)	Share (%)	Change (%), 2011/2010
<b>EU-27</b>	<b>785.3</b>	<b>92.6</b>	<b>22.4</b>	<b>EU-27</b>	<b>-1,459.0</b>	<b>86.1</b>	<b>6.1</b>
Lithuania*	174.2	20.5	31.1	Sweden	-735.5	43.4	-1.9
Finland	147.5	17.4	23.4	Finland	-297.4	17.6	11.1
Latvia	114.7	13.5	-10.0	Netherlands	-123.8	7.3	-21.4
Cyprus	108.0	12.7	-1.4	Denmark	-66.6	3.9	20.2
<b>CIS</b>	<b>25.0</b>	<b>2.9</b>	<b>26.0</b>	<b>CIS</b>	<b>-77.6</b>	<b>4.6</b>	<b>91.1</b>
Russia	12.2	1.4	97.4	Russia	-70.4	4.2	90.9
Ukraine	6.1	0.7	13.6	Ukraine	-4.4	0.3	293.0
Kazakhstan	2.7	0.3	3720.9	Belarus	-2.5	0.1	57.1
<b>Other</b>	<b>37.6</b>	<b>4.4</b>	<b>54.1</b>	<b>Other</b>	<b>-157.1</b>	<b>9.3</b>	<b>106.7</b>
USA	17.0	2.0	73.5	USA	-38.3	2.3	122.7
Norway	5.5	0.6	-36.0	Norway	-36.5	2.2	225.9
<b>Total</b>	<b>848.0</b>	<b>100.0</b>	<b>23.7</b>	<b>Total</b>	<b>-1,693.7</b>	<b>100.0</b>	<b>13.6</b>

\* Countries are ranked by the absolute value of the last period.

Slightly over 40% of the investment income was earned on financial intermediation (excluding insurance and pension funds), 15% on water transport and 12% on insurance (excluding social insurance; see Figure 10). The income of financial intermediation and water transport investors decreased nearly by 10%, while the income of insurance investors increased by a third. The income of investors in head office activities grew by as much as ten-fold and constituted 10% of the total investment income inflow (1% in 2010). The foreign investment income of real estate and wholesale investors increased by two- and four-fold respectively.

65% of the investment income inflow was related to three countries: Lithuania (29%), Latvia (18%) and Cyprus (18%). The investment income earned in Lithuania grew by a third, while the income inflow from Latvia and Cyprus shrank in 2011. About 60% of the investment income from Lithuania belonged to financial intermediation investors; the volume of income did not change from 2010. The investment income inflow from Lithuania consisted of mainly investment in head office activities, insurance and real estate. 60% of the investment income from Latvia again went to financial intermediation investors (88% in 2010), while its volume contracted by around 40%. The investment income of investors in head office activities and real estate in Latvia grew considerably in 2011 and formed 17% and 12% respectively of the total investment income earned there. Investors in water transport gained 83% of the investment income earned in Cyprus, which decreased somewhat from a year ago. Investment income inflow from France and Luxembourg increased significantly too.

**Income outflow** from Estonia grew by 14% from 2011 to 1.7 billion euros (see Table 22). 86% of the outflow went to EU countries. Labour income constituted only 4% of the income outflow, the rest being investment income. Year-on-year, the outflow of labour income shrank by 13%. The majority of the labour income earned in Estonia went to Finland, Latvia, Sweden and Germany. The labour income earned by Swedes in Estonia decreased by three-fold from 2010. Investment income grew by



**Figure 10. Inflow and outflow of investment income by fields of activity in 2011**

\* Except insurance and pension funding.

\*\* Except compulsory social insurance.

**Table 22. Income outflow from Estonia**

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
Labour income	-68.6	-59.5	5.3	3.8	-13.2
Investment income	-1,422.7	-1,634.2	94.7	96.2	14.9
Income on direct investment	-1,171.0	-1,407.2	59.2	79.6	20.2
income on equity	-1,096.6	-1,343.4	49.4	74.8	22.5
dividends	-168.4	-456.6	19.9	11.2	171.2
reinvested earnings	-928.2	-886.8	29.5	63.7	-4.5
income on debt (interests)	-74.4	-63.8	9.8	4.8	-14.3
Income on portfolio investment	-37.4	-40.9	6.5	2.5	9.6
Income on other investment	-214.4	-186.0	29.0	14.2	-13.2
<b>Total</b>	<b>-1,491.3</b>	<b>-1,693.7</b>	<b>100.0</b>	<b>100.0</b>	<b>13.6</b>

15% to 1.6 billion euros over the year. The outflow of investment income increased primarily owing to direct investment income, which gained 20% from 2010 and constituted 86% of the total outflow of investment income. Portfolio investment income grew somewhat, while other investment income shrank. Similar to the inflow, also the outflow of direct investment income grew on account of dividend payments, which increased by almost three-fold from a year ago. The outflow of reinvested earnings contracted 5% to 887 million euros, or 63% of the total outflow of direct investment income.

Foreign investors earned primarily on financial intermediation (excluding insurance and pension funds) in Estonia. Although the volume of that did not change much from 2010, its share in the investment income outflow dropped from 45% to 40% in 2011. Income on storage and auxiliary transport services, and wholesale both constituted 7% of the outflow. Investment income was earned in many other fields of activity too. For instance, considerable income was earned in wholesale, production of computers and electronic equipment, real estate activities, production of electrical equipment, retail, and motor vehicle sale.

70% of the investment income earned in Estonia belonged to three countries: Sweden (45%), Finland (17%) and the Netherlands (8%). Compared to 2010, the outflow of investment income to Sweden did not change in volume, while the outflow to Sweden increased 11% and that to the Netherlands decreased 20%. Around two thirds of the income of Swedish investors was earned on financial intermediation, but the volume of income shrank by 13% over the year. Income earned in the electronics industry, on the other hand, doubled and accounted for 9% of the total outflow to Sweden. Income on head office activities, which ranked third in volume, decreased by around 25%. Swedish investors earned considerably higher incomes in telecommunications, textile industry and motor vehicle sale – fields of activity that hold a smaller percentage of the total income outflow. Finnish investors earned income on many fields of activity, such as financial services, wholesale, production of motor vehicles and trailers, timber processing, real estate, production of electrical equipment, etc. Income on financial services, production of motor vehicles and trailers, and production of electrical equipment grew by 20%, over 50% and four-fold respectively. Dutch investors earned income mainly on storage and auxiliary transport services, which did not change much in volume from 2010 and accounted for 72% of the total investment income in 2011. Income on head office activities shrank by two-fold, while income on water supply grew by a third. Investors from Switzerland, Norway, the United States and Russia also increased their investment income in Estonia significantly.

## Current transfers and the capital account

**The surplus on the current transfers account increased 8% from 2010 to 277 million euros in 2011** (see Table 23).

**Current transfers** to Estonia totalled 657 million euros, of which 44% went to the general government. 186 million euros (67%) of the latter were allocations from EU structural funds, while the rest were mostly tax payments by non-resident employees. Transfers to other sectors totalled 367 million euros, of which 45% were EU structural funds and 12% transfers by migrants employed abroad. The outflow of current transfers was 380 million euros, with Estonia's payment to the EU budget accounting for almost half of that.

**The surplus on capital transfers increased 7% over the year to 410 million euros.** The capital transfers into Estonia mainly comprised EU subsidies to the general government and also to other sectors for infrastructure objects.

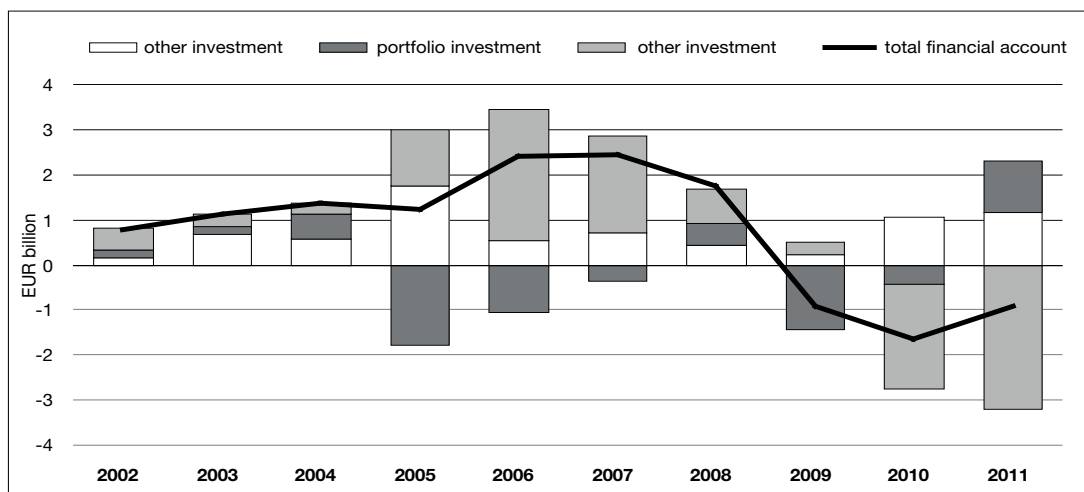
The sales of CO<sub>2</sub> emission quotas, which are recorded under **intangible assets**, provided Estonia with 193 million euros; that is 43% more than in 2010.

**Table 23. Current and capital transfers by groups of countries (EUR million)**

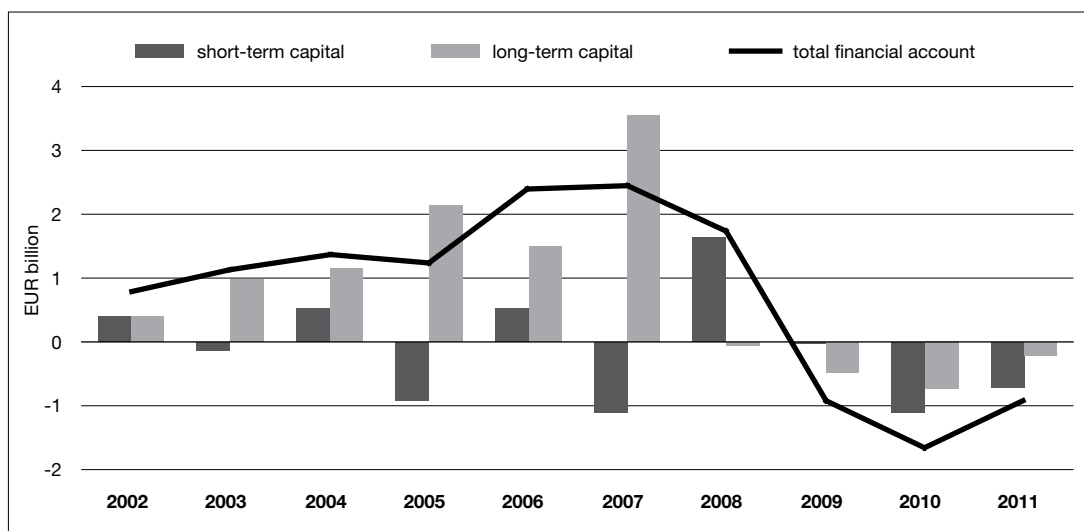
	Received		Paid		Balance	
	2010	2011	2010	2011	2010	2011
<b>Current transfers</b>	<b>592.0</b>	<b>656.8</b>	<b>335.6</b>	<b>380.2</b>	<b>256.4</b>	<b>276.7</b>
<b>government transfers</b>	<b>239.1</b>	<b>289.6</b>	<b>177.1</b>	<b>211.5</b>	<b>62.0</b>	<b>78.1</b>
EU-27	221.2	276.1	166.0	193.6	55.2	82.5
CIS	2.6	2.9	0.8	0.8	1.8	2.1
other	15.2	10.6	10.3	17.1	4.9	-6.5
<b>private transfers</b>	<b>353.0</b>	<b>367.3</b>	<b>158.6</b>	<b>168.7</b>	<b>194.4</b>	<b>198.5</b>
EU-27	271.4	289.7	127.7	137.7	143.7	152.0
CIS	46.6	51.0	4.3	14.2	42.3	36.8
other	35.0	26.6	26.6	16.9	8.4	9.7
<b>Capital transfers</b>	<b>389.4</b>	<b>410.3</b>	<b>6.0</b>	<b>0.0</b>	<b>383.5</b>	<b>410.3</b>
government transfers	198.2	179.2	0.2	0.0	198.1	179.2
private transfers	191.2	231.1	5.8	0.0	185.4	231.1
<b>Intangible assets</b>	<b>135.3</b>	<b>192.7</b>	<b>0.2</b>	<b>3.5</b>	<b>135.2</b>	<b>189.2</b>

## FINANCIAL ACCOUNT

**The net outflow of capital on the financial account, which started in 2010, continued also in 2011, though posting lower volumes than in 2009 at 0.9 billion euros.** The net outflow mainly consisted of other investment, while direct and portfolio investment recorded net inflows. Figures 11 and 12 show the structure of the financial account by categories and maturities.



**Figure 11. Changes in the structure of foreign investment capital flows**



**Figure 12. Maturity structure of the financial account**

### Direct investment

**Direct investment had a surplus of 1.2 billion euros in 2011, which is 10% more than in 2010.** Regardless of the relatively typical level of direct investment, 2011 witnessed some exceptional events that complicated the comparison of 2011 with previous years. Direct investment statistics for 2011 mainly reflects the extensive realisation of direct investment abroad and the reduction of capital in

Estonia, which both stemmed from structural changes in the banking sector. Consequently, non-residents' direct investment in Estonia increased by 130 million euros, while residents' direct investment abroad decreased by 1 billion euros (see Figure 13).

The inflow of **direct investment in Estonia** formed only 10% of the inflow in 2010. Despite the decline in equity capital and the increased withdrawal of loan capital from Estonia, profits of the enterprises remained at the same level as 2010. A total of 372 million euros of equity capital was withdrawn from direct investment companies, in particular financial intermediaries. Reinvested earnings totalled around 900 million euros, which is 4% less than in 2010. This balance of payments entry was primarily affected by financial intermediaries (232 million euros), storage and transportation companies (101 million euros) and wholesalers (92 million euros). The increase in claims to direct investment companies led to an outflow of 90 million euros from Estonian companies, while the decrease in liabilities (especially long-term loans) resulted in an outflow of 296 million euros (see Tables 24-25).

The largest direct investors were the Netherlands and Finland; the United States, Norway and Russia invested somewhat less (see Figure 14). Swedish and French investment in Estonia contracted. The outflow of foreign investment concerned mainly financial intermediation companies, while the largest inflows were recorded in real estate, storage and transportation, and chemical industry (see Figure 15). The direct investment of EU countries in Estonia shrank by 260 million euros, while investment from non-EU and CIS countries posted strongest growth over the past ten years (see Table 26).

**Direct investment abroad** contracted by 1 billion euros (see Table 27). Equity capital investment witnessed the largest change, as Estonian investors realised their investment for 1.3 billion euros. In 2011, around 200 million euros of reinvested earnings were channelled abroad (10% growth from 2010), of which 60% came from financial intermediaries. Loans to subsidiaries increased by 59 million and trade credit by 88 million euros (see Table 28).

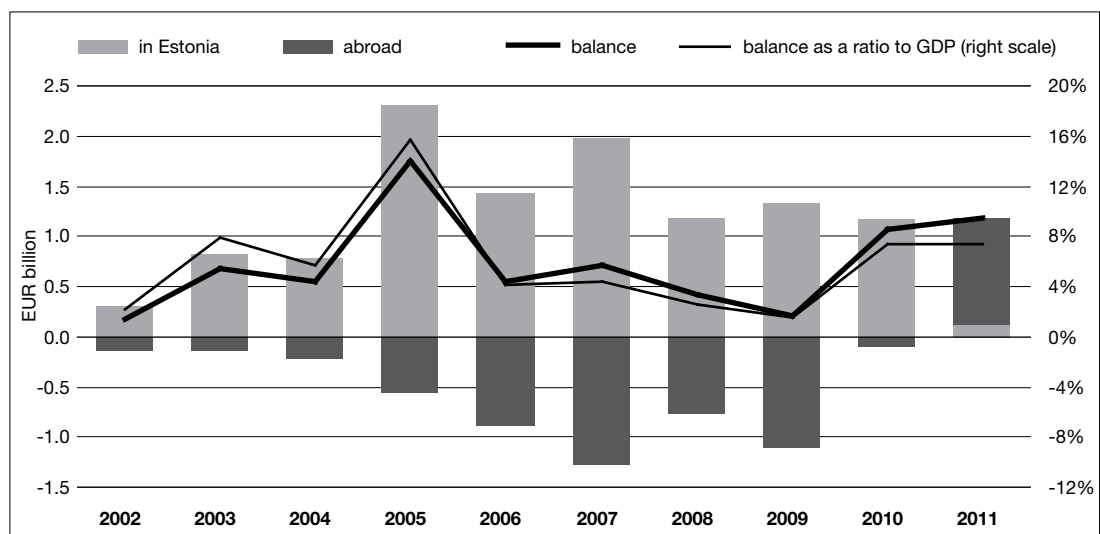


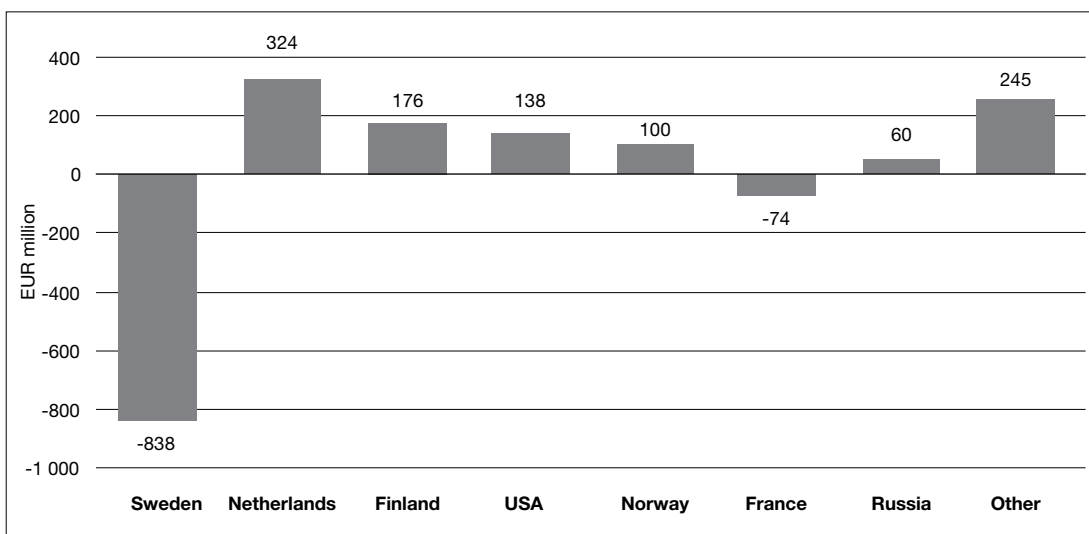
Figure 13. Direct investment

**Table 24. Structure of direct investment in Estonia**

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Assets		Liabilities		Volume (EUR m)	Share (%)
					Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)		
2002	52.5	17.1	215.4	70.2	-49.4	-16.1	88.3	28.8	306.8	100.0
2003	340.6	41.4	409.5	49.8	-85.3	-10.4	157.4	19.1	822.2	100.0
2004	296.5	38.5	510.1	66.2	-92.9	-12.1	57.2	7.4	770.8	100.0
2005	1,788.2	77.5	567.9	24.6	-128.7	-5.6	79.9	3.5	2,307.3	100.0
2006	143.1	10.0	1,000.4	69.9	-285.3	-19.9	573.7	40.1	1,431.9	100.0
2007	273.2	13.8	1,366.9	68.9	-417.7	-21.0	762.5	38.4	1,985.0	100.0
2008	195.2	16.5	870.6	73.7	-125.3	-10.6	241.4	20.4	1,181.8	100.0
2009	1,219.2	92.2	406.9	30.8	-50.0	-3.8	-253.0	-19.1	1,323.1	100.0
2010	348.6	30.0	928.2	79.9	-212.3	-18.3	97.8	8.4	1,162.3	100.0
2011	-371.9	-287.2	886.8	685.0	-89.5	-69.1	-296.0	-228.6	129.5	100.0

**Table 25. Loan capital assets and liabilities to foreign direct investors (EUR million)**

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
2003	26.1	15.7	64.6	31.9	329.5	170.5	193.1	238.2
2004	31.5	23.7	113.4	55.1	294.1	312.0	193.3	140.4
2005	81.4	32.1	146.4	90.3	504.2	440.5	320.3	292.4
2006	135.5	38.9	238.0	165.5	851.1	392.4	263.3	216.9
2007	246.7	78.3	510.8	248.6	1,152.7	586.4	516.5	406.9
2008	224.3	161.7	576.8	521.8	876.1	770.2	783.2	600.2
2009	170.2	131.2	388.4	372.8	567.3	734.5	631.2	611.5
2010	83.4	210.4	738.9	446.2	743.4	448.2	424.0	653.7
2011	136.2	52.0	622.8	650.3	680.0	1,070.3	634.7	665.2



**Figure 14. Direct investment in Estonia by countries in 2011**

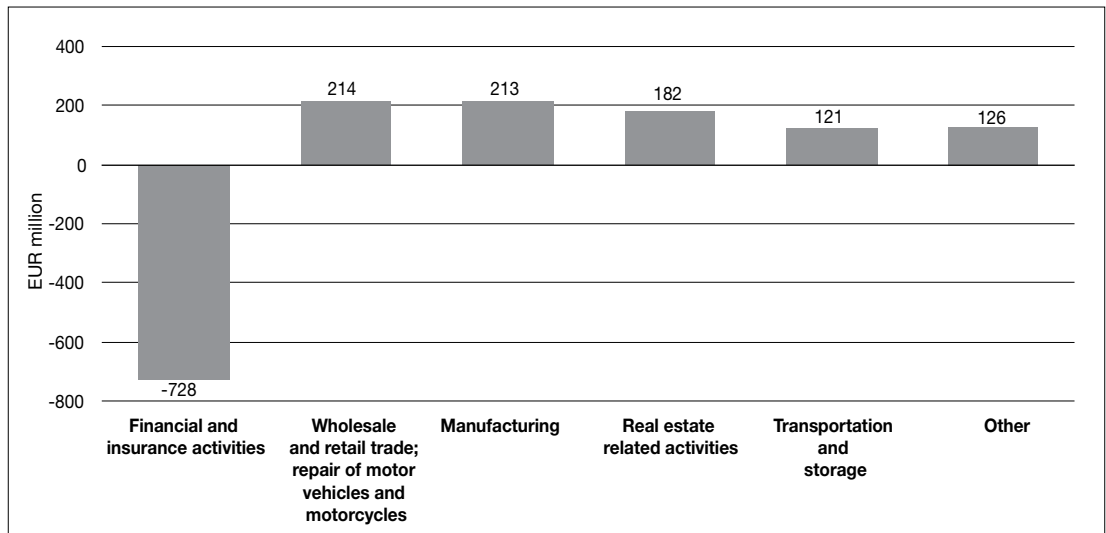


Figure 15. Direct investment in Estonia by fields of activity in 2011

Table 26. Direct investment in Estonia by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
EU-27	1,137.9	-257.9	97.9	-199.2	-122.7
CIS	4.8	70.5	0.4	54.4	1,376.4
Other	19.5	316.9	1.7	244.8	1,522.1
<b>Total</b>	<b>1,162.3</b>	<b>129.5</b>	<b>100.0</b>	<b>100.0</b>	<b>-88.9</b>

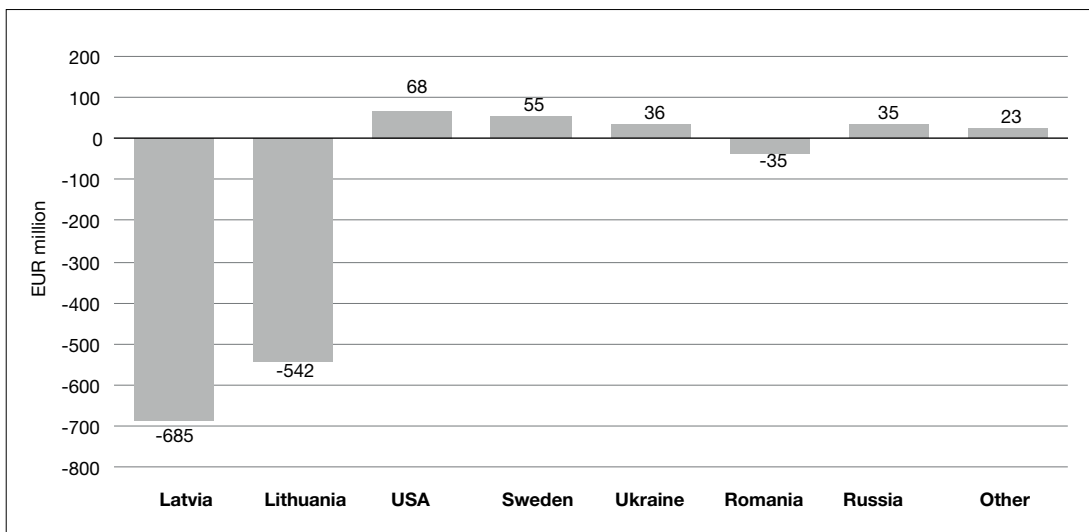
Table 27. Structure of direct investment abroad

	Equity capital		Reinvested earnings		Other capital				Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Assets		Liabilities		Volume (EUR m)	Share (%)
					Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)		
2002	-57.8	41.3	-42.5	30.4	-46.5	33.2	6.9	-4.9	-139.9	100.0
2003	-67.7	49.3	-47.4	34.5	-41.3	30.0	19.0	-13.9	-137.4	100.0
2004	-139.0	64.2	-58.8	27.1	-27.7	12.8	9.0	-4.1	-216.6	100.0
2005	-329.5	59.3	-172.2	31.0	-73.0	13.1	18.7	-3.4	-556.0	100.0
2006	-376.8	42.7	-309.6	35.1	-243.8	27.7	48.6	-5.5	-881.6	100.0
2007	-660.0	51.7	-324.8	25.4	-384.8	30.1	93.1	-7.3	-1,276.5	100.0
2008	-150.7	19.8	-136.7	18.0	-419.7	55.2	-53.1	7.0	-760.2	100.0
2009	-772.0	69.3	-99.8	8.9	-162.9	14.6	-80.0	7.2	-1,114.7	100.0
2010	-82.0	81.8	-180.1	179.9	69.0	-68.9	93.0	-92.8	-100.2	100.0
2011	1,333.0	127.4	-195.9	-18.7	-146.7	-14.0	55.9	5.3	1,046.4	100.0

**Table 28. Loan capital assets and liabilities to foreign subsidiaries and associated companies (EUR million)**

	Assets				Liabilities			
	Long-term		Short-term		Long-term		Short-term	
	Grantings	Repayments	Grantings	Repayments	Drawings	Repayments	Drawings	Repayments
2003	70.8	45.8	30.2	32.2	0.3	0.7	5.4	6.3
2004	59.7	78.8	60.9	23.6	1.1	3.9	1.8	2.4
2005	136.9	95.1	109.3	70.8	7.0	3.9	6.7	1.6
2006	342.9	151.6	99.9	103.9	7.6	7.2	9.4	1.3
2007	408.3	130.8	133.5	95.4	6.4	7.3	107.3	7.0
2008	347.1	234.1	185.3	129.0	16.3	11.8	38.0	75.4
2009	397.6	197.5	226.7	158.4	11.1	5.6	10.0	72.3
2010	141.6	170.2	116.9	80.2	4.5	7.5	31.0	10.4
2011	217.4	184.9	108.0	82.1	5.6	5.2	15.6	39.2

Estonian direct investment in its southern neighbouring countries shrank the most: by 685 million euros in Latvia and by 542 million euros in Lithuania (see Figure 16). Direct investment in the United States and Sweden on the other hand, expanded by 68 and 55 million euros respectively. Investors in financial intermediation withdrew funds from abroad. The largest investment was made by electricity, gas, steam and air conditioning suppliers, and storage and transportation companies (see Figure 17). By groups of countries, investment in EU countries was withdrawn, while investment in CIS and other countries were expanded (see Table 29).



**Figure 16. Direct investment abroad by countries in 2011**

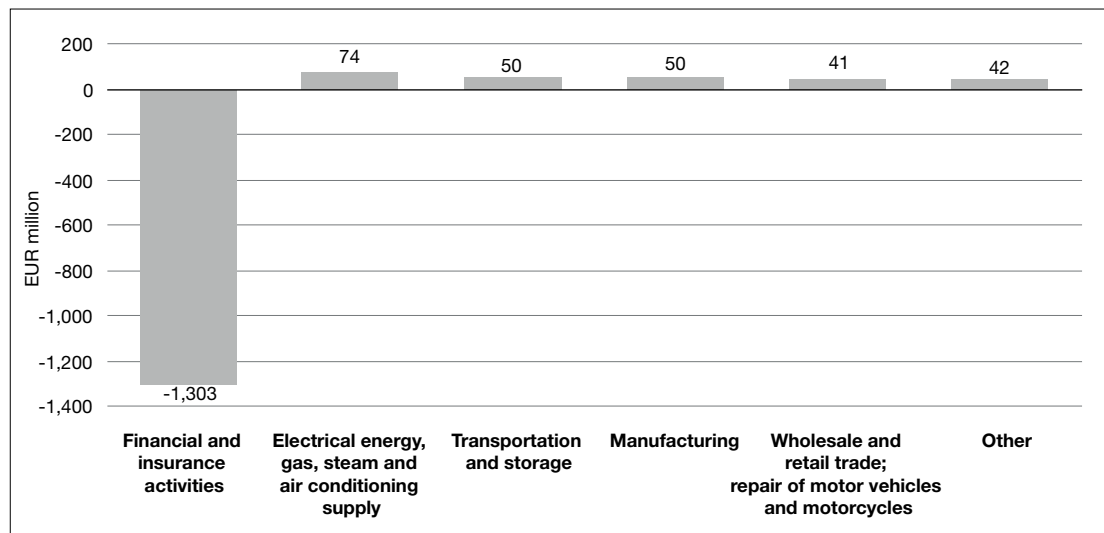


Figure 17. Direct investment abroad by fields of activity in 2011

Table 29. Direct investment abroad by groups of countries

	Volume (EUR m)		Share (%)		Change (%)
	2010	2011	2010	2011	2011/2010
EU-27	-122.9	1,194.2	122.7	114.1	-1,071.6
CIS	27.3	-64.3	-27.3	-6.1	-335.7
Other	-4.5	-83.5	4.5	-8.0	1,738.6
<b>Total</b>	<b>-100.2</b>	<b>1,046.4</b>	<b>100.0</b>	<b>100.0</b>	<b>-1,144.7</b>

## Portfolio investment

**The net inflow of portfolio investment totalled 1.1 billion euros in 2011. This resulted primarily from a decline in foreign debt security investment.** The decline can be attributed to the central bank, the general government as well as credit institutions (see Figure 18 and Table 30). Foreign investors invested in enterprises in other sectors.

**Portfolio investment liabilities** grew by 123 million euros in 2011 (see Table 31). By institutional sectors, only enterprises in other sectors increased their liabilities, in particular non-financial companies, whose liabilities grew by 214 million euros. The general government reduced its debt security liabilities by 11 million euros in 2011. Enterprises in other sectors reduced their equity security liabilities by 76 million euros. By countries, portfolio investment liabilities to Germany increased the most, followed by liabilities to the United Kingdom, Hong Kong and Lithuania (see Figure 19 and Table 32).

**Portfolio investment assets** shrank by 1 billion euros over the year (see Table 33). Equity security assets decreased by 106 million and debt security assets by 897 million euros. The latter stemmed mainly from a decline in the central bank's investment in money market instruments denominated in euros or issued in the euro area.

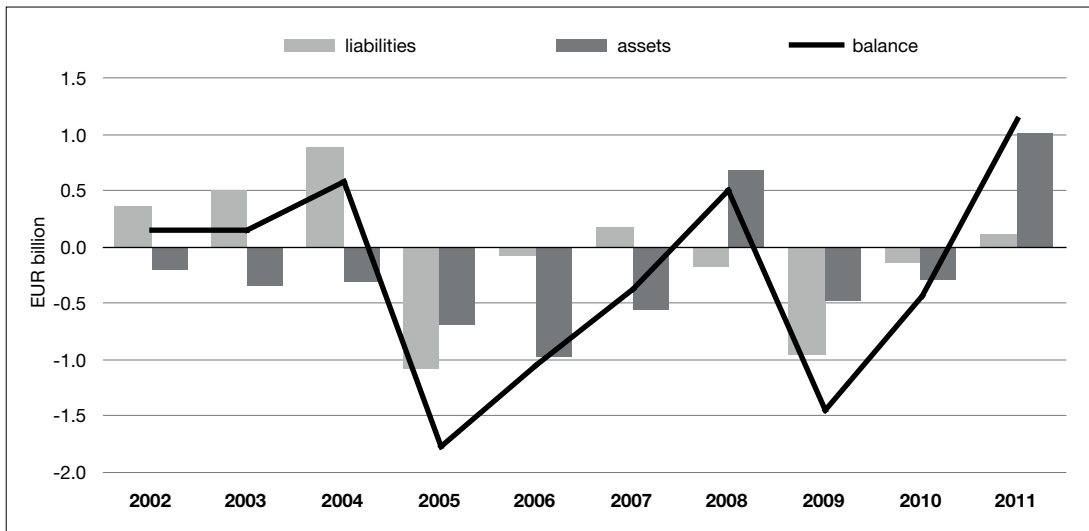


Figure 18. Portfolio investment

Table 30. Portfolio investment by types of securities and sectors (EUR million)

	Assets		Liabilities		Balance	
	2010	2011	2010	2011	2010	2011
<b>Equity securities</b>	<b>-301.8</b>	<b>106.3</b>	<b>10.8</b>	<b>-77.8</b>	<b>-291.0</b>	<b>28.5</b>
central bank	-	-	-	-	-	-
general government	8.8	-6.8	-	-	8.8	-6.8
credit institutions	-0.4	0.1	2.1	-1.7	1.7	-1.6
other sectors	-310.2	113.0	8.7	-76.1	-301.5	36.9
<b>Debt securities</b>	<b>10.4</b>	<b>896.9</b>	<b>-160.1</b>	<b>200.7</b>	<b>-149.7</b>	<b>1,097.6</b>
central bank	-	635.0	-	-	-	635.0
general government	9.9	184.9	-90.2	-10.9	-80.3	174.0
credit institutions	-79.5	216.7	-42.1	-0.1	-121.6	216.6
other sectors	80.0	-139.6	-27.8	211.8	52.2	72.2
<b>Total</b>	<b>-291.4</b>	<b>1,003.2</b>	<b>-149.3</b>	<b>123.0</b>	<b>-440.7</b>	<b>1,126.2</b>

Table 31. Structure of portfolio investment liabilities

	Equity securities		Debt securities		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2002	58.3	16.4	297.2	83.6	355.5	100.0
2003	97.6	19.6	399.8	80.4	497.4	100.0
2004	140.9	15.9	746.0	84.1	887.0	100.0
2005	-1,045.1	96.9	-33.1	3.1	-1,078.2	100.0
2006	238.5	-293.7	-319.7	393.7	-81.2	100.0
2007	225.8	122.6	-41.6	-22.6	184.2	100.0
2008	-212.7	122.9	39.6	-22.9	-173.0	100.0
2009	-93.5	9.7	-868.7	90.3	-962.2	100.0
2010	10.8	-7.2	-160.1	107.2	-149.3	100.0
2011	-77.8	-63.3	200.7	163.2	123.0	100.0

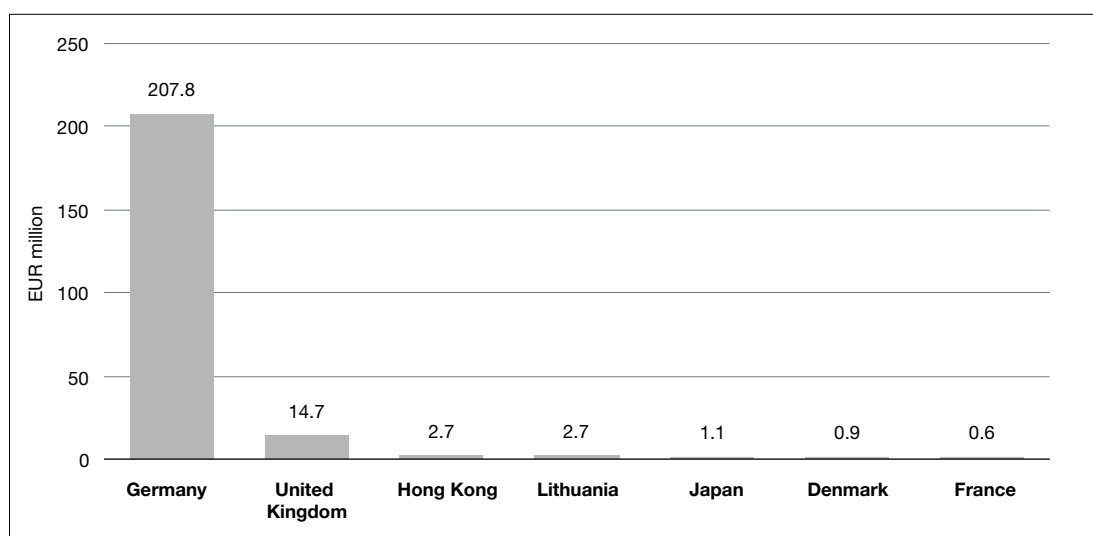


Figure 19. Increase in portfolio investment liabilities by countries in 2011

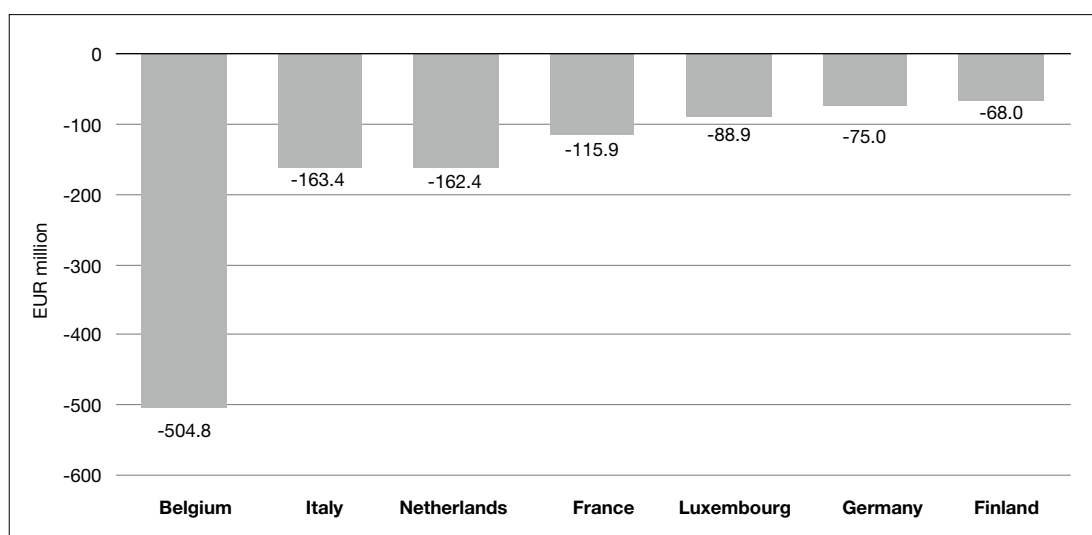
Table 32. Structure of portfolio investment by groups of countries

	Volume (EUR m)				Share (%)			
	Assets		Liabilities		Assets		Liabilities	
	2010	2011	2010	2011	2010	2011	2010	2011
EU-27	-264.5	1,018.8	-121.4	151.4	90.8	101.6	81.3	123.1
CIS	-1.2	11.5	3.2	-0.7	0.4	1.1	-2.1	-0.6
Other	-25.7	-27.1	-31.1	-27.7	8.8	-2.7	20.8	-22.5
<b>Total</b>	<b>-291.4</b>	<b>1,003.2</b>	<b>-149.3</b>	<b>123.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Table 33. Structure of portfolio investment assets

	Equity securities		Debt securities		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2002	0.6	-0.3	-204.0	100.3	-203.4	100.0
2003	-65.8	19.2	-276.3	80.8	-342.0	100.0
2004	-184.9	60.6	-120.3	39.4	-305.2	100.0
2005	-309.9	44.8	-381.5	55.2	-691.4	100.0
2006	-292.0	30.0	-682.5	70.0	-974.5	100.0
2007	-491.4	89.0	-60.8	11.0	-552.2	100.0
2008	261.8	38.5	418.8	61.5	680.5	100.0
2009	-47.9	9.9	-438.2	90.1	-486.1	100.0
2010	-301.8	103.6	10.4	-3.6	-291.4	100.0
2011	106.3	10.6	896.9	89.4	1,003.2	100.0

While the central bank's investment in money market instruments contracted by 893 million euros, its debt security investment grew by 258 million euros. Besides the central bank, also the general government and credit institutions reduced their investment in money market instruments: by 198 and 140 million euros respectively. Enterprises in other sectors increased their debt security investment by 140 million euros owing to pension and insurance funds. The foreign equity security assets of enterprises in other sectors decreased by 113 million euros, mainly owing to the operations of pension funds. By countries, primarily portfolio investment assets to Belgium, Italy, the Netherlands and France decreased (see Figure 20).



**Figure 20. Decrease in portfolio investment assets by countries in 2011**

### Financial derivatives

**The net outflow of financial derivatives totalled 44 million euros in 2011** (see Figure 21). Financial derivative assets grew by 27 million euros in 2011, largely owing to an increase in non-financial companies' investment in financial derivatives. By countries, assets to the United Kingdom and Denmark increased the most. Financial derivative liabilities decreased by 16 million euros, which was related to non-financial companies. By countries, liabilities to the United Kingdom increased the most.

### Other investment

**The net outflow of other investment totalled 3.2 billion euros in 2011. The outflow of investment related to credit institutions constituted 2.5 billion euros of that** (see Figure 22). The net outflow consisted of both long- and short-term capital (see Table 34).

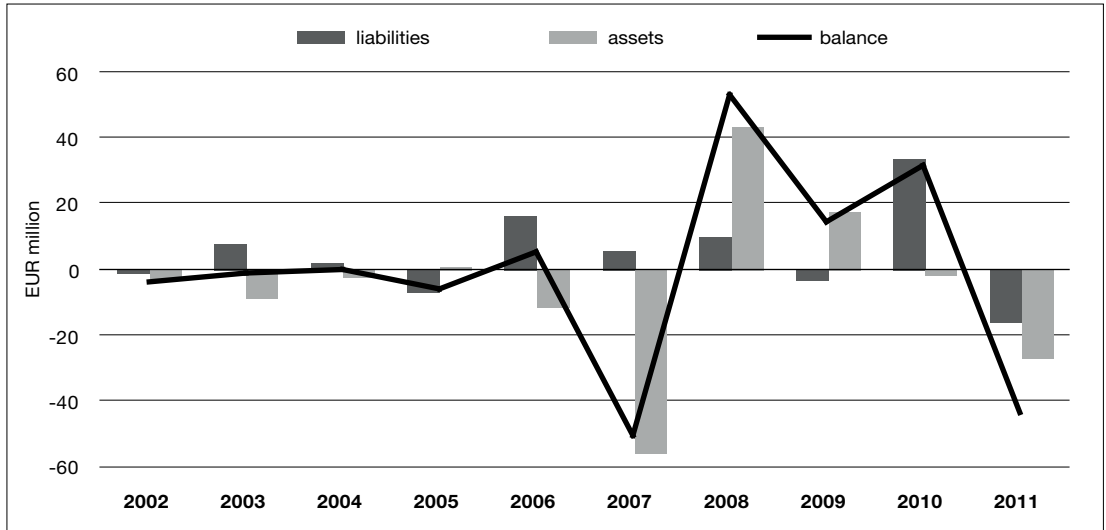


Figure 21. Financial derivatives

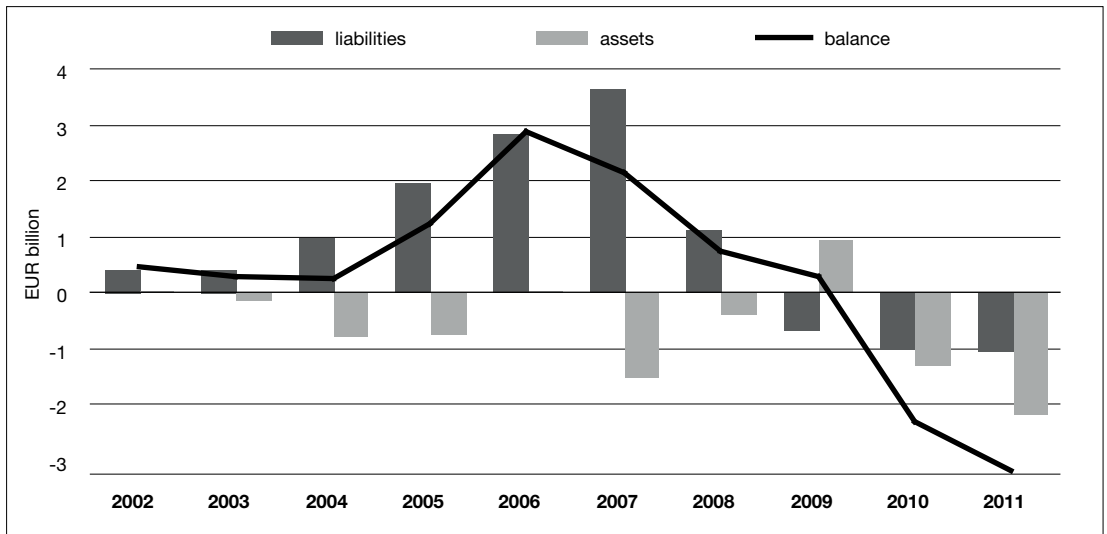


Figure 22. Other investment

**Table 34. Other investment by maturity (EUR million)**

	Assets		Liabilities		Balance	
	2010	2011	2010	2011	2010	2011
<b>Long-term capital</b>	<b>-321.5</b>	<b>-61.3</b>	<b>-1,287.2</b>	<b>-1,188.5</b>	<b>-1,608.7</b>	<b>-1,249.8</b>
central bank	0.0	-184.1	0.0	0.0	0.0	-184.1
general government	-3.0	-	95.4	-227.1	92.4	-227.1
credit institutions	6.7	32.0	-1,100.4	-978.6	-1,093.7	-946.6
other sectors	-325.2	90.8	-282.2	17.2	-607.4	108.0
<b>Short-term capital</b>	<b>-975.3</b>	<b>-2,083.8</b>	<b>283.7</b>	<b>143.4</b>	<b>-691.6</b>	<b>-1,940.4</b>
central bank	-	-91.7	7.2	-7.3	7.2	-99.0
general government	-14.4	-71.6	0.0	4.8	-14.4	-66.8
credit institutions	-200.1	-1,319.5	-342.5	-214.5	-542.6	-1,534.0
other sectors	-760.8	-601.0	619.0	360.4	-141.8	-240.6
<b>Total</b>	<b>-1,296.8</b>	<b>-2,145.1</b>	<b>-1,003.5</b>	<b>-1,045.1</b>	<b>-2,300.3</b>	<b>-3,190.2</b>

**Table 35. Structure of other investment liabilities**

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2002	49.9	11.6	125.5	29.2	240.5	55.9	14.4	3.3	430.3	100.0
2003	-7.4	-1.7	205.8	47.8	293.2	68.2	-61.4	-14.3	430.2	100.0
2004	40.0	4.0	291.8	29.3	562.7	56.5	101.1	10.2	995.6	100.0
2005	104.4	5.3	1,577.1	80.3	188.8	9.6	92.8	4.7	1,963.1	100.0
2006	203.6	7.1	1,229.2	43.1	1,347.3	47.2	75.0	2.6	2,855.2	100.0
2007	-21.9	-0.6	2,443.3	67.2	1,206.4	33.2	8.3	0.2	3,636.0	100.0
2008	20.0	1.8	73.6	6.6	951.1	85.2	71.6	6.4	1,116.2	100.0
2009	-329.0	49.6	139.8	-21.1	-476.6	71.9	3.0	-0.5	-662.8	100.0
2010	370.8	-37.0	34.6	-3.4	-1,587.7	158.2	178.8	-17.8	-1,003.5	100.0
2011	267.7	-25.6	99.3	-9.5	-1,161.8	111.2	-250.5	24.0	-1,045.2	100.0

**Other investment liabilities** declined by 1 billion euros from 2010. The loan/currency and deposit liabilities (including interbank loans) of credit institutions shrank by 1.2 billion euros<sup>4</sup> (see Table 35). About 50% of the decrease in liabilities occurred in January 2011, when Estonia joined the euro area and the required reserve ratio for credit institutions was lowered from 7% to 2%. Other capital liabilities decreased to, by 251 million euros in total. General government's liabilities constituted 223 million euros of that and consisted of EU funds not yet used. Growth in short-term capital was boosted by the 263 million-euro increase in the trade credit liabilities of enterprises in other sectors. The latter also expanded their loan liabilities by 121 million euros in 2011. By countries, other investment liabilities to Sweden posted the strongest decline of 1.6 billion euros, followed by liabilities to Denmark, Finland and Lithuania (see Figure 23 and Table 36).

<sup>4</sup> Interbank loans have been recorded under *Other investment – Loans/currency and deposits* since the data for the first quarter of 2008 (formerly under long- and short-term loans). The ECB's guideline for euro area countries and recommendation for non-euro area countries provide for the distinction between *loans and currency and deposits* based on the nature of the borrower. This implies that loans granted by banks to non-banks and loans between non-banks are still recorded under loans, whereas interbank loans are recorded under deposits.

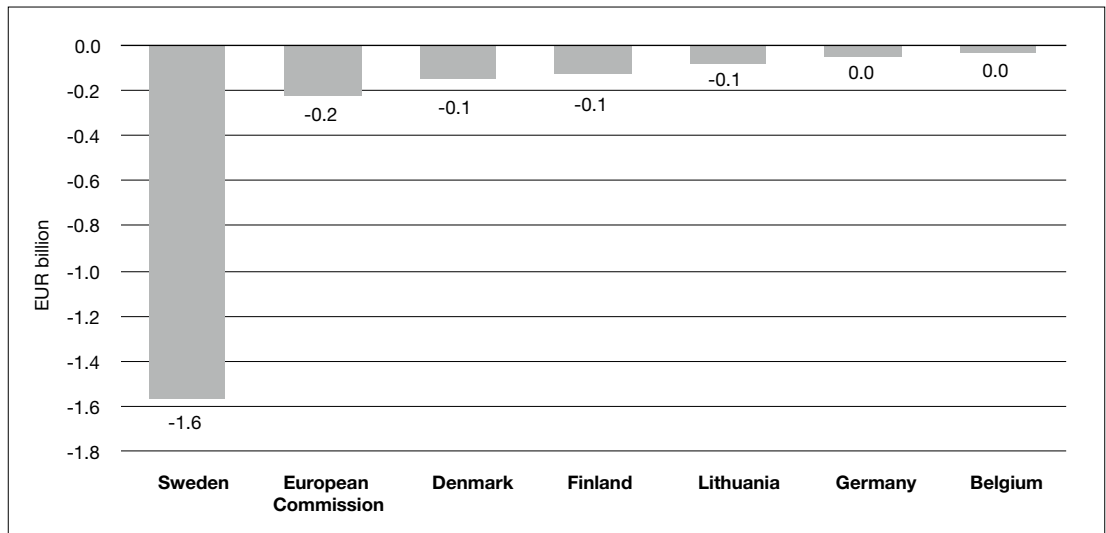


Figure 23. Decrease in other investment liabilities in 2011

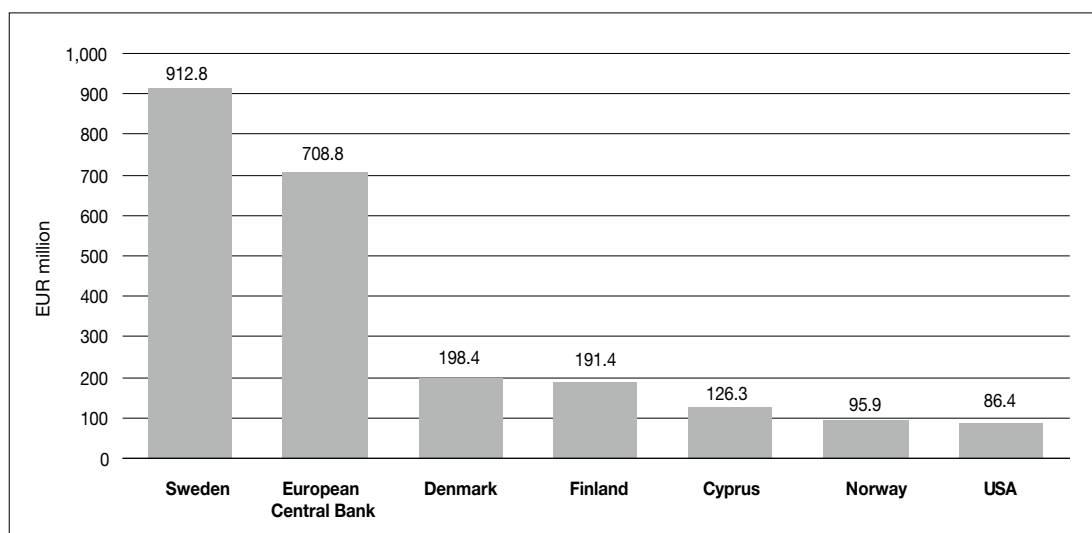
Table 36. Structure of other investment assets by groups of countries

	Volume (EUR m)				Share (%)			
	Assets		Liabilities		Assets		Liabilities	
	2010	2011	2010	2011	2010	2011	2010	2011
EU-27	-1,076.3	-1,869.0	-1,165.2	-1,881.2	83.0	87.1	116.1	180.0
CIS	-77.9	-128.3	61.5	207.2	6.0	6.0	-6.1	-19.8
Other	-142.7	-147.8	100.2	628.8	11.0	6.9	-10.0	-60.2
<b>Total</b>	<b>-1,296.9</b>	<b>-2,145.1</b>	<b>-1,003.5</b>	<b>-1,045.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Other investment assets** increased by 2.1 billion euros in 2011 (see Table 37). Deposit assets recorded strongest growth at 1.6 billion euros, followed by trade credit assets and other capital assets at 266 and 237 million euros respectively. The majority of these assets were short-term capital, except for the central bank's other capital assets, which grew by 184 million euros. Growth stemmed from Estonia's capital payment and the transfer of reserves to the European Central Bank after the adoption of the euro. Credit institutions placed 1.4 billion euros in short-term foreign deposits. Enterprises in other sectors invested in all types of capital. By countries, other investment assets to Sweden, Denmark, Finland and Cyprus increased the most (see Figure 24). Table 38 gives an overview of loan capital assets and liabilities.

**Table 37. Structure of other investment assets**

	Trade credit		Loans		Deposits		Other capital		Total	
	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)	Volume (EUR m)	Share (%)
2002	67.0	150.7	-84.7	-190.5	47.5	106.8	14.7	33.0	44.4	100.0
2003	-65.7	45.0	-225.0	154.1	141.2	-96.7	3.5	-2.4	-146.0	100.0
2004	-66.0	8.8	-540.4	72.0	-98.8	13.2	-45.8	6.1	-750.9	100.0
2005	-125.1	17.6	265.1	-37.2	-788.2	110.7	-64.1	9.0	-712.2	100.0
2006	-225.5	-628.1	-161.8	-450.7	401.6	1,118.7	21.7	60.4	35.9	100.0
2007	-41.0	2.8	-645.0	43.4	-743.0	50.0	-56.2	3.8	-1,485.2	100.0
2008	-110.2	30.4	-128.0	35.3	-43.3	11.9	-81.4	22.4	-362.8	100.0
2009	178.7	18.7	129.9	13.6	696.2	72.9	-50.2	-5.3	954.6	100.0
2010	-386.2	29.8	-260.1	20.1	-484.9	37.4	-165.8	12.8	-1,296.9	100.0
2011	-265.8	12.4	-34.1	1.6	-1,608.2	75.0	-237.0	11.0	-2,145.1	100.0



**Figure 24. Increase in other investment assets in 2011**

**Table 38. Assets and liabilities of loan capital (EUR million)**

	Assets			Liabilities		
	Grantings	Repayments	Total	Drawings	Repayments	Total
2003	-2,231.7	2,006.8	-225.0	1,922.2	-1,716.5	205.8
2004	-1,903.5	1,363.1	-540.4	2,904.6	-2,612.8	291.8
2005	-4,956.8	5,221.9	265.1	8,017.0	-6,439.9	1,577.1
2006	-4,858.1	4,696.3	-161.8	11,687.5	-10,458.3	1,229.2
2007	-25,339.9	24,694.8	-645.0	23,266.0	-20,822.7	2,443.3
2008	-3,066.8	2,938.9	-128.0	6,643.7	-6,570.1	73.6
2009	-1,495.5	1,625.4	129.9	3,418.1	-3,278.4	139.8
2010	-1,746.2	1,486.1	-260.1	2,668.6	-2,634.0	34.6
2011	-1,074.1	1,040.0	-34.1	2,103.8	-2,004.4	99.3

## Reserve assets

The reserve assets increased by 13 million euros in 2011 (see Table 39).

**Table 39. Structure of changes in reserve assets**

	Volume (EUR m)		Share (%)	
	2010	2011	2010	2011
Gold	-	-	-	-
SDRs	0.0	0.0	0.0	0.0
Reserve position in the IMF	0.0	-	0.0	-
Currency and deposits	5.8	0.0	0.7	0.0
Securities	878.0	-13.5	105.6	105.5
debt securities	133.5	-11.9	16.1	93.0
money market instruments	744.6	-1.5	89.6	11.7
Financial derivatives	-12.7	0.7	-1.5	-5.5
Other assets	-39.8	-	-4.8	-
<b>Total</b>	<b>831.3</b>	<b>-12.8</b>	<b>100.0</b>	<b>100.0</b>

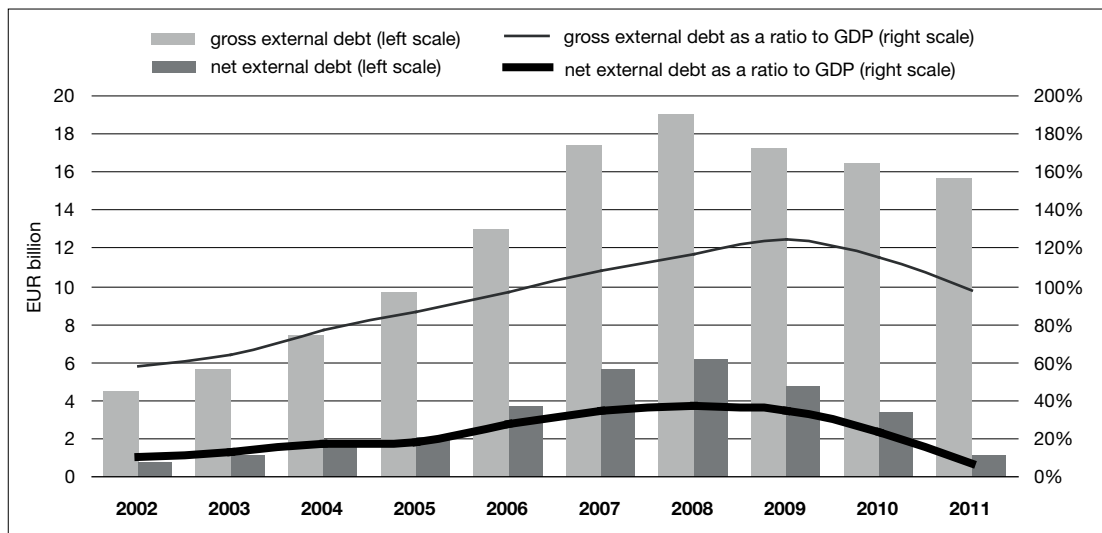
# ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT AS AT 31 DECEMBER 2011

Foreign investment in Estonia totalled 26.4 billion euros (65% more than GDP) at the end of 2011, having decreased only by 1% from the previous year (see Table 40).

Estonia's gross external debt, that is the total external debt of all economic sectors, comprised 59% or 15.7 billion euros of total direct investment in Estonia, having shrunk by 5% year-on-year. Gross external debt was 15% larger than GDP at the end of 2010, while only 2% larger than GDP at the end of 2011 (see Table 43 and Figure 25). Estonian residents' investment abroad grew by 5% from a year ago to 17.1 billion euros at the end of 2011. Due to the prevalence of foreign investment in Estonia over residents' investment abroad, Estonia had a negative net international investment position of 9.2 billion euros, which decreased by 11% from a year ago. Estonia's net external debt (assets less

**Table 40. Estonia's international investment position (EUR million)**

	31/12/2010	Share (%)	31/12/2011	Share (%)	Change (%)
<b>EXTERNAL ASSETS</b>	<b>16,278.5</b>	<b>100.0</b>	<b>17,130.5</b>	<b>100.0</b>	<b>5.2</b>
<b>Direct investment abroad</b>	<b>4,324.8</b>	<b>26.6</b>	<b>3,611.2</b>	<b>21.1</b>	<b>-16.5</b>
Equity capital and reinvested earnings	2,969.6	18.2	2,432.3	14.2	-18.1
Other direct investment capital	1,355.2	8.3	1,179.0	6.9	-13.0
<b>Portfolio investment</b>	<b>3,947.5</b>	<b>24.2</b>	<b>4,200.4</b>	<b>24.5</b>	<b>6.4</b>
Equity securities	1,594.3	9.8	1,607.9	9.4	0.9
Debt securities	2,353.2	14.5	2,592.5	15.1	10.2
Bonds and notes	1,457.4	9.0	1,967.2	11.5	35.0
Money market instruments	895.8	5.5	625.3	3.7	-30.2
<b>Financial derivatives</b>	<b>33.7</b>	<b>0.2</b>	<b>68.4</b>	<b>0.4</b>	<b>102.9</b>
<b>Other investment</b>	<b>6,063.7</b>	<b>37.2</b>	<b>9,090.0</b>	<b>53.1</b>	<b>49.9</b>
Trade credit	1,564.6	9.6	1,695.0	9.9	8.3
Loans	1,584.2	9.7	1,690.3	9.9	6.7
Long-term	1,089.9	6.7	983.4	5.7	-9.8
Short-term	494.3	3.0	706.9	4.1	43.0
Currency and deposits	2,480.4	15.2	5,091.0	29.7	105.3
Other assets	434.5	2.7	613.7	3.6	41.2
<b>Reserve assets</b>	<b>1,908.8</b>	<b>11.7</b>	<b>160.4</b>	<b>0.9</b>	<b>-91.6</b>
<b>EXTERNAL LIABILITIES</b>	<b>26,694.5</b>	<b>100.0</b>	<b>26,367.0</b>	<b>100.0</b>	<b>-1.2</b>
<b>Direct investment in Estonia</b>	<b>12,302.0</b>	<b>46.1</b>	<b>12,762.7</b>	<b>48.4</b>	<b>3.7</b>
Equity capital and reinvested earnings	10,658.7	39.9	11,514.6	43.7	8.0
Other direct investment capital	1,643.3	6.2	1,248.0	4.7	-24.1
<b>Portfolio investment</b>	<b>1,432.9</b>	<b>5.4</b>	<b>1,329.3</b>	<b>5.0</b>	<b>-7.2</b>
Equity securities	892.7	3.3	627.6	2.4	-29.7
Debt securities	540.2	2.0	701.7	2.7	29.9
Bonds and notes	536.3	2.0	698.9	2.7	30.3
Money market instruments	3.9	0.0	2.8	0.0	-29.0
<b>Financial derivatives</b>	<b>90.5</b>	<b>0.3</b>	<b>80.0</b>	<b>0.3</b>	<b>-11.6</b>
<b>Other investment</b>	<b>12,869.1</b>	<b>48.2</b>	<b>12,195.2</b>	<b>46.3</b>	<b>-5.2</b>
Trade credit	1,133.6	4.2	1,416.6	5.4	25.0
Loans	3,364.7	12.6	3,763.3	14.3	11.8
Long-term	2,392.5	9.0	3,075.4	11.7	28.5
Short-term	972.2	3.6	687.9	2.6	-29.2
Currency and deposits	7,738.7	29.0	6,620.7	25.1	-14.4
Other liabilities	632.2	2.4	394.5	1.5	-37.6
<b>NET INVESTMENT POSITION</b>	<b>-10,416.0</b>		<b>-9,236.6</b>		<b>-11.3</b>



**Figure 25. Estonia's gross and net external debt**

liabilities) contracted three-fold from the previous year to 1.1 billion euros. Net external debt-to-GDP ratio decreased from 24% to 7% year-on-year. The last such low ratio was recorded ten years ago.

The share of direct investment in **foreign investment in Estonia** increased by 2 percentage points from the previous year to 48%. The increase in investment concerned mainly equity direct investment, while the share of other investment dropped to 46% by the end of 2011. The rest were portfolio investment (5%) and financial derivatives. In terms of volume, the total investment position contracted only by 1%, primarily on account of other investment. The currency and deposit liabilities of credit institutions decreased by more than 1 billion euros, while the trade credit liabilities and long-term loan liabilities of other sectors increased. The direct investment position grew by 4% year-on-year.

Swedish and Finnish investors made the largest investment in Estonia: 24% and 22% respectively of the total investment position (see Table 41). Sweden's share dropped by 8 percentage points to 24% over the year as a result of a decline in the provision of financial services, which comprised 65% of Sweden's total investment position in Estonia in 2011 (76% in 2010). Finland's investment position in Estonia was more broad-based, but the provision of financial services prevailed here too, constituting 44% of Finland's total position. Estonia also attracted investment from the Netherlands, Russia, the United Kingdom and Germany. The main fields of investment were financial services, real estate related activities, wholesale, activities of head offices and management consultancy, and production of energy.

The position of direct investment in Estonia was relatively similar to the total investment position. The largest direct investment came from Sweden and Finland, constituting 53% of the direct investment position (see Table 42). The main fields of direct investment were financial intermediation and real estate related activities.

**Table 41. Estonia's international investment position by fields of activity and countries (%)**

Assets			Liabilities		
Fields of activity					
	31/12/2010	31/12/2011		31/12/2010	31/12/2011
Financial intermediation*	45.3	40.1	Financial intermediation*	45.3	41.3
Wholesale and retail trade**	5.4	11.4	Real estate activities	7.3	8.9
Insurance and pension funding***	9.4	9.1	Wholesale and retail trade**	5.5	8.6
Public administration and defence; statutory social insurance	7.1	6.3	Activities of head offices; management consultancy activities	4.8	4.7
Activities of head offices; management consultancy activities	4.9	5.2	Electrical energy, gas, steam and hot water supply	3.3	4.2
Other	27.9	27.9	Other	33.8	32.3
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2010	31/12/2011		31/12/2010	31/12/2011
Sweden	8.3	14.2	Sweden	32.3	23.9
Lithuania	12.1	9.5	Finland	22.1	22.4
Latvia	10.3	8.5	Netherlands	4.6	5.6
Finland	6.7	7.7	Russia	3.0	4.0
Cyprus	4.7	5.3	United Kingdom	3.5	3.9
Other	57.9	54.8	Other	34.5	40.2
Total	100.0	100.0	Total	100.0	100.0

\* Except insurance and pension funding.

\*\* Except motor vehicles and motorcycles.

\*\*\* Except compulsory social insurance.

**Table 42. Direct investment position by fields of activity and countries (%)**

in Estonia			Abroad		
Fields of activity					
	31/12/2010	31/12/2011		31/12/2010	31/12/2011
Financial intermediation*	28.3	20.7	Activities of head offices; management consultancy activities	15.0	21.0
Real estate activities	12.2	15.6	Water transport	12.4	15.2
Wholesale**	7.2	8.9	Real estate activities	11.9	14.3
Activities of head offices; management consultancy activities	7.8	7.4	Financial intermediation*	39.7	13.1
Warehousing and support activities for transportation	4.4	5.4	Wholesale**	5.5	11.4
Other	40.1	42.0	Other	15.5	25.0
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2010	31/12/2011		31/12/2010	31/12/2011
Sweden	35.0	28.7	Lithuania	29.6	20.9
Finland	23.4	23.8	Latvia	25.4	19.4
Netherlands	8.9	10.4	Cyprus	13.9	17.3
Russia	3.5	4.1	Finland	6.4	8.1
Norway	2.9	3.7	Russia	5.6	7.7
Other	26.3	29.3	Other	19.1	26.6
Total	100.0	100.0	Total	100.0	100.0

\* Except insurance and pension funding.

\*\* Except motor vehicles and motorcycles.

The structure of **Estonia's investment abroad** changed considerably in 2011. First, a structural change occurred in the banking sector: the Latvian and Lithuanian subsidiaries of one major bank were brought under the direct control of their foreign parent bank. Consequently, the direct investment position abroad contracted by 17% from a year ago and its share in the total position fell from 27% to 21%. Second, Estonia changed over to the euro,<sup>5</sup> which resulted in a sudden drop in the share of reserve assets and an increase in other investment. Other investment formed 53% of the total investment position at the end of 2011, with other investment abroad increasing by 50% year-on-year. Other investment growth was mainly driven by credit institutions, and somewhat also by the central bank. Portfolio investment accounted for 25% of Estonia's investment abroad and that ratio did not change from 2010.

Estonia has invested in a number of countries. In 2010, Lithuania attracted the largest investment (13% of Estonia's investment position abroad), while in 2011 Sweden took the lead with its share rising from 8% to 14% and the volume of investment almost doubling. Investment grew mostly as a result of two-fold growth in the investment made by financial intermediaries. The positions of Lithuania and Latvia, which ranked second and third, decreased in both relative and absolute terms. The changes in the positions of these three countries largely stemmed from the above-mentioned structural change in the Estonian banking sector. 40% of the investment abroad were made in financial intermediation, followed by wholesale, insurance and head office activities. Wholesale investors expanded their investment position abroad by more than two-fold from 2010.

Estonia's direct investment position abroad was slightly more concentrated than the total investment position abroad, as it concerned primarily three countries: Lithuania (21%), Latvia (19%) and Cyprus (17%). The direct investment position in Lithuania and Latvia shrank considerably year-on-year owing to the structural change in the Estonian banking sector. In 2010 the direct investment of financial intermediaries constituted 40% of the total direct investment position abroad, while in 2011 this ratio was 13%. Investors in head office activities ranked first in 2011, as their direct investment made up 20% of the total position. The direct investment of investors in water transport, real estate related activities and wholesale came next with 15%, 14% and 11% respectively.

**Estonia's gross external debt** shrank by 5% to 15.7 billion euros by the end of 2011 (see Figure 25). The debt contracted mostly owing to credit institutions and less to the general government and direct investment companies. The external debt of other sectors, on the other hand, increased by around 20%. The share of credit institutions in the gross external debt dropped from 49% to 44%, while the share of other sectors rose to 35% year-on-year. The share of the general government declined to 3%. At the end of 2010, 52% of the gross external debt was related to Sweden and Finland, but this ratio fell to 40% by the end of 2011. Credit institutions were liable for 60% of the debt to Sweden and Finland. Estonia's net external debt (assets less liabilities) decreased three-fold from a year ago to 1.1 billion euros.

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<sup>5</sup> As Estonia adopted the euro on 1 January 2011, the external assets denominated in euros or external assets issued by euro area countries are no longer recorded under the gold and foreign exchange reserves of Eesti Pank. They are recorded either under portfolio or other investment, depending on the type of asset.

Table 43. Estonia's external debt (EUR million)

	31/12/2010	Share (%)	31/12/2011	Share (%)	Change (%)
<b>LIABILITIES</b>					
<b>I. General government</b>	<b>754.1</b>	<b>4.6</b>	<b>527.6</b>	<b>3.4</b>	<b>-30.0</b>
Short-term	0.2	0.0	11.6	0.1	5768.5
Long-term	753.9	4.6	516.0	3.3	-31.6
<b>II. Monetary authorities (NCB)</b>	<b>80.4</b>	<b>0.5</b>	<b>73.8</b>	<b>0.5</b>	<b>-8.2</b>
Short-term	8.3	0.1	0.3	0.0	-96.8
Long-term	72.1	0.4	73.6	0.5	2.0
<b>III. Credit institutions</b>	<b>8,003.7</b>	<b>48.6</b>	<b>6,887.5</b>	<b>44.0</b>	<b>-13.9</b>
Short-term	4,501.0	27.3	4,336.6	27.7	-3.7
Long-term	3,502.7	21.3	2,550.9	16.3	-27.2
<b>IV. Other sectors</b>	<b>4,571.1</b>	<b>27.7</b>	<b>5,407.9</b>	<b>34.5</b>	<b>18.3</b>
Short-term	2,145.7	13.0	2,140.1	13.7	-0.3
Long-term	2,425.5	14.7	3,267.8	20.9	34.7
<b>V. Direct investment: intercompany lending</b>	<b>3,071.7</b>	<b>18.6</b>	<b>2,762.6</b>	<b>17.6</b>	<b>-10.1</b>
<b>GROSS EXTERNAL DEBT</b>	<b>16,481.0</b>	<b>100.0</b>	<b>15,659.5</b>	<b>100.0</b>	<b>-5.0</b>
<b>ASSETS</b>					
<b>I. General government</b>	<b>1,148.9</b>	<b>8.8</b>	<b>1,073.1</b>	<b>7.4</b>	<b>-6.6</b>
Short-term	584.4	4.5	499.7	3.4	-14.5
Long-term	564.5	4.3	573.4	3.9	1.6
<b>II. Monetary authorities (NCB)</b>	<b>1,900.3</b>	<b>14.5</b>	<b>1,530.7</b>	<b>10.5</b>	<b>-19.5</b>
Short-term	1,654.8	12.6	747.9	5.1	-54.8
Long-term	245.5	1.9	782.8	5.4	218.8
<b>III. Credit institutions</b>	<b>2,761.1</b>	<b>21.1</b>	<b>4,128.3</b>	<b>28.4</b>	<b>49.5</b>
Short-term	2,001.6	15.3	3,219.3	22.2	60.8
Long-term	759.5	5.8	908.9	6.3	19.7
<b>IV. Other sectors</b>	<b>4,506.3</b>	<b>34.4</b>	<b>5,105.7</b>	<b>35.1</b>	<b>13.3</b>
Short-term	3,102.2	23.7	3,642.9	25.1	17.4
Long-term	1,404.0	10.7	1,462.8	10.1	4.2
<b>V. Direct investment: intercompany lending</b>	<b>2,783.5</b>	<b>21.2</b>	<b>2,693.6</b>	<b>18.5</b>	<b>-3.2</b>
<b>TOTAL ASSETS</b>	<b>13,100.1</b>	<b>100.0</b>	<b>14,531.3</b>	<b>100.0</b>	<b>10.9</b>
<b>NET EXTERNAL DEBT (assets less liabilities)</b>					
<b>I. General government</b>	<b>394.8</b>		<b>545.6</b>		<b>38.2</b>
Short-term	584.2		488.2		-16.4
Long-term	-189.5		57.4		-130.3
<b>II. Monetary authorities (NCB)</b>	<b>1,819.9</b>		<b>1,456.9</b>		<b>-20.0</b>
Short-term	1,646.5		747.6		-54.6
Long-term	173.4		709.2		309.0
<b>III. Credit institutions</b>	<b>-5,242.6</b>		<b>-2,759.3</b>		<b>-47.4</b>
Short-term	-2,499.4		-1,117.3		-55.3
Long-term	-2,743.2		-1,642.0		-40.1
<b>IV. Other sectors</b>	<b>-64.9</b>		<b>-302.2</b>		<b>365.9</b>
Short-term	956.6		1,502.8		57.1
Long-term	-1,021.5		-1,805.0		76.7
<b>V. Direct investment: intercompany lending</b>	<b>-288.2</b>		<b>-69.0</b>		<b>-76.0</b>
<b>TOTAL NET EXTERNAL DEBT</b>	<b>-3,380.9</b>		<b>-1,128.2</b>		<b>-66.6</b>