



ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 31 March 2008

In the first quarter of 2008, foreign investment in Estonia increased by 2% and amounted to 429 billion kroons at the end of the quarter (see Table 1). Nearly 60% thereof was invested in financial intermediation and to a lesser extent in real estate, renting and business activities, wholesale and retail trade, and manufacturing (see Table 2). Most of the investment came from Sweden (39%) and Finland (19%).

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

	31/12/2007	%	31/3/2008	%
EXTERNAL ASSETS				
Direct investment abroad	63,681.1	26.3	68,044.7	27.8
Equity capital and reinvested earnings	50,291.7	20.7	52,309.3	21.4
Other direct investment capital	13,389.4	5.5	15,735.5	6.4
Portfolio investment	68,787.1	28.4	63,465.7	26.0
Equity securities	31,253.5	12.9	25,783.6	10.5
Debt securities	37,533.7	15.5	37,682.1	15.4
Bonds and notes	23,503.3	9.7	25,294.5	10.3
Money market instruments	14,030.4	5.8	12,387.6	5.1
Financial derivatives	1,466.5	0.6	930.4	0.4
Other investment	73,492.4	30.3	74,931.9	30.7
Trade credit	14,831.4	6.1	16,547.8	6.8
Loans	31,632.3	13.0	32,394.7	13.3
Long-term	9,723.9	4.0	10,264.3	4.2
Short-term	21,908.3	9.0	22,130.3	9.1
Currency and deposits	25,271.9	10.4	24,093.7	9.9
Other assets	1,756.9	0.7	1,895.8	0.8
Reserve assets	35,025.1	14.4	37,066.3	15.2
TOTAL EXTERNAL ASSETS	242,452.3	100.0	244,439.1	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	177,311.3	42.0	183,770.1	42.8
Equity capital and reinvested earnings	150,657.2	35.7	155,881.8	36.3
Other direct investment capital	26,654.1	6.3	27,888.3	6.5
Portfolio investment	48,809.5	11.6	43,946.3	10.2
Equity securities	25,858.2	6.1	20,520.1	4.8
Debt securities	22,951.3	5.4	23,426.2	5.5
Bonds and notes	22,886.6	5.4	23,312.6	5.4
Money market instruments	64.7	0.0	113.6	0.0
Financial derivatives	502.9	0.1	493.0	0.1
Other investment	195,387.5	46.3	200,756.0	46.8
Trade credit	13,541.4	3.2	14,438.7	3.4
Loans	110,910.6	26.3	135,184.6	31.5
Long-term	89,889.6	21.3	113,338.3	26.4
Short-term	21,021.0	5.0	21,846.3	5.1
Currency and deposits	68,358.3	16.2	48,601.8	11.3
Other liabilities	2,577.2	0.6	2,530.9	0.6
TOTAL EXTERNAL LIABILITIES	422,011.3	100.0	428,965.3	100.0
NET INTERNATIONAL INVESTMENT POSITION	-179,559.0		-184,526.3	
Long-term	-170,063.6		-193,213.1	
Short-term	-9,495.4		8,686.9	

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

Assets			Liabilities		
Fields of activity					
	31/12/2007	31/3/2008		31/12/2007	31/3/2008
Financial intermediation	63.5	61.4	Financial intermediation	59.1	58.6
Real estate, renting and business activities	10.2	11.3	Real estate, renting and business activities	13.3	14.6
Public administration and defence; statutory social insurance	9.0	9.4	Wholesale and retail trade; repair	8.6	8.2
Wholesale and retail trade; repair	6.9	6.8	Manufacturing	8.0	7.9
Transport, storage and communications	3.8	4.3	Transport, storage and communications	4.5	4.3
Other	6.6	6.8	Other	6.5	6.4
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2007	31/3/2008		31/12/2007	31/3/2008
Latvia	11.6	11.9	Sweden	38.4	39.2
Lithuania	9.9	10.5	Finland	19.8	19.3
Germany	11.4	10.4	United Kingdom	7.1	6.9
United Kingdom	7.6	8.3	Denmark	5.7	6.5
Russia	7.1	6.7	Netherlands	2.6	3.0
Other	52.4	52.2	Other	26.4	25.1
Total	100.0	100.0	Total	100.0	100.0

The structure of **Estonia's foreign investment position** did not change considerably in the first quarter. The position of foreign direct investment grew by nearly 4% and accounted for 43% of total investment in Estonia. Growth in the inflow of other capital (loans and deposits) started to decrease in the second half of 2007 and continued to slow also in the first quarter of 2008. Quarter-on-quarter, inflow increased 3% and constituted 47% of total external liabilities. The portfolio investment position decreased 10% and accounted for 10% of total investment. The most preferred fields of activity for foreign direct investment in Estonia were financial intermediation (33%), real estate, renting and business activities (28%), manufacturing (15%), and wholesale and retail trade (13%; see Table 3). 40% of direct investment came from Sweden and nearly 25% from Finland.

Estonian investment abroad posted modest growth with only 1% (244 billion kroons). Financial intermediaries made 61% of the investment abroad. Investors in the real estate, renting and business activities, and the public sector invested to a lesser extent. Estonian investors preferred to invest in the Baltic States, Germany, the United Kingdom and Russia.

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

In Estonia			Abroad		
Fields of activity					
	31/12/2007	31/3/2008		31/12/2007	31/3/2008
Financial intermediation	33.2	32.5	Financial intermediation	40.0	39.8
Real estate, renting and business activities	26.8	28.0	Real estate, renting and business activities	31.6	34.1
Manufacturing	14.6	14.8	Transport, storage and communications	9.6	10.6
Wholesale and retail trade; repair	13.4	12.6	Wholesale and retail trade; repair	8.2	5.6
Transport, storage and communications	4.2	4.7	Manufacturing	4.4	4.1
Other	7.8	7.4	Other	6.2	5.8
Total	100.0	100.0	Total	100.0	100.0
Countries					
	31/12/2007	31/3/2008		31/12/2007	31/3/2008
Sweden	39.3	40.0	Latvia	33.6	32.3
Soome	24.9	22.9	Lithuania	30.0	30.6
Netherlands	5.6	6.4	Cyprus	7.9	8.1
Denmark	4.4	4.7	Russia	8.3	7.9
Russia	2.6	2.8	Finland	4.0	4.0
Other	23.2	23.2	Other	16.2	17.1
Total	100.0	100.0	Total	100.0	100.0

Quarter-on-quarter, the share of direct investment in the structure of investment abroad slightly increased, whereas that of portfolio investment decreased. Other investment grew only 2% and comprised nearly a third of total external assets. The portfolio investment position decreased 8%. The position of **foreign direct investment** increased 7% quarter-on-quarter and accounted for 28% of total external assets. The most active foreign direct investors were those of financial intermediation (40%) and real estate, renting and business activities (34%; see Table 3). Estonian investors preferred to invest in the neighbouring countries: about two thirds of direct investment went to Latvia and Lithuania.

Due to the prevalence of external liabilities, Estonia's net investment position was negative by 185 billion kroons at the end of the first quarter of 2008, including primarily long-term capital.

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

	31/12/2007	%	31/3/2008	%
LIABILITIES				
I. General government	3,451.5	1.3	3,484.2	1.3
Short-term				
Long-term	3,451.5	1.3	3,484.2	1.3
II. Monetary authorities (NCB)	1,316.9	0.5	1,262.0	0.5
Short-term	1,304.4	0.5	1,242.0	0.4
Long-term	12.5	0.0	20.0	0.0
III. Credit institutions	152,972.3	57.0	156,357.0	56.4
Short-term	55,628.6	20.7	57,367.5	20.7
Long-term	97,343.6	36.2	98,989.6	35.7
IV. Other sectors	60,598.2	22.6	63,079.0	22.8
Short-term	24,985.3	9.3	26,612.1	9.6
Long-term	35,612.9	13.3	36,466.9	13.2
V. Direct investment: intercompany lending	50,245.1	18.7	53,087.6	19.1
GROSS EXTERNAL DEBT	268,584.0	100.0	277,269.8	100.0
ASSETS				
I. General government	21,759.1	11.9	22,995.4	12.1
Short-term	7,279.0	4.0	7,019.7	3.7
Long-term	14,480.1	7.9	15,975.6	8.4
II. Monetary authorities (NCB)	34,889.5	19.1	36,886.9	19.4
Short-term	21,144.4	11.6	24,421.5	12.8
Long-term	13,745.1	7.5	12,465.4	6.5
III. Credit institutions	46,548.2	25.5	43,900.3	23.1
Short-term	36,711.6	20.1	34,647.1	18.2
Long-term	9,836.6	5.4	9,253.2	4.9
IV. Other sectors	42,697.8	23.3	45,700.6	24.0
Short-term	31,229.6	17.1	32,845.3	17.2
Long-term	11,468.2	6.3	12,855.2	6.8
V. Direct investment: intercompany lending	36,980.4	20.2	40,934.8	21.5
TOTAL ASSETS	182,874.9	100.0	190,418.0	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	18,307.6		19,511.2	
Short-term	7,279.0		7,019.7	
Long-term	11,028.6		12,491.5	
II. Monetary authorities (NCB)	33,572.5		35,624.9	
Short-term	19,839.9		23,179.6	
Long-term	13,732.6		12,445.4	
III. Credit institutions	-106,424.1		-112,456.7	
Short-term	-18,917.0		-22,720.4	
Long-term	-87,507.1		-89,736.3	
IV. Other sectors	-17,900.4		-17,378.4	
Short-term	6,244.4		6,233.3	
Long-term	-24,144.8		-23,611.7	
V. Direct investment: intercompany lending	-13,264.7		-12,152.8	
TOTAL NET EXTERNAL DEBT	-85,709.0		-86,851.8	

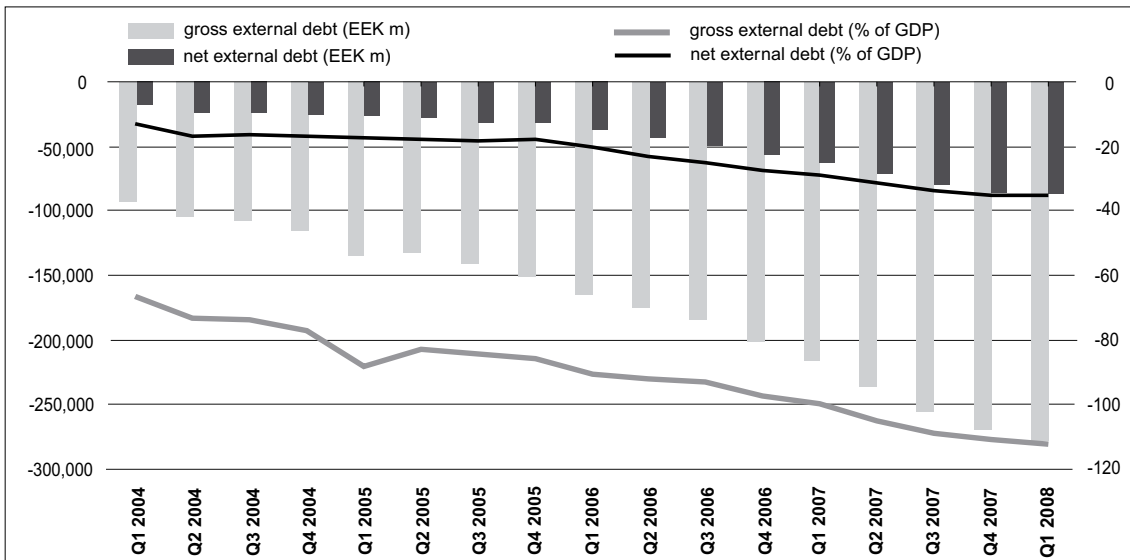


Figure 1. Estonia's gross and net external debt

Estonia's gross external debt increased by 3% year-on-year and amounted to 277 billion kroons at the end of the first quarter, exceeding GDP by 12%. Gross external debt was increased equally by credit institutions, other sectors as well as intercompany lending of direct investment companies. The external debt of credit institutions accounted for 56% and that of other sectors for 25% of the gross external debt. The general government debt constituted only 1% of total debt liabilities. Estonia's net external debt (assets less liabilities) increased 1% and amounted to 87 billion kroons (see Table 4 and Figure 1). The net external debt comprised 35% of GDP and remained on end-2007 level. The gross external debt accounted for 65% of total external liabilities. Leaving aside the intercompany lending of direct investment companies, long-term debt liabilities composed 62% of the gross external debt. The share of long-term debt claims formed 34% of total debt claims.

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Estonia's international investment position and gross external debt as at 30 June 2008 will be published on the web site of Eesti Pank (<http://www.bankofestonia.info>) on 29 September 2008 at noon.

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