

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

Estonia:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Estonia

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

[Glossary of Direct Investment Terms and Definitions](#)

DIRECT INVESTMENT IN ESTONIA

BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 12 weeks after the end of the reference period. In addition, monthly data are disseminated on total direct investment in Estonia with a timeliness of 6 weeks after the end of the reference period.

Revision Policy: The data are revised at the time of the release of the data for the following quarter, and again at the time of the release of the quarterly data for the first quarter of the following year. The data are considered to be final 12 months after their first release. However, further revisions may be made in the case of major methodological changes.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are collected on both an aggregate basis and an individual transactions basis, and reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of direct investment enterprises in Estonia. An international transactions reporting system (ITRS) is used as a secondary data source. Other data sources used include: (i) banking statistics from the database of the Bank of Estonia, (ii) information from the business register on changes in officially registered equity capital, (iii) information from the central depository for securities, and (iv) estimations. Press reports and bilateral data are used for cross-checking the data. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the ITRS's list of transactors, (iii) other statistical collection forms, (iv) registers maintained by corporate affairs and stock exchange authorities, and other departments within the Bank of Estonia, (v) the financial press and, (vi) the Central Business Register maintained by the Ministry of Justice.

Geographic Classification: Quarterly data showing country breakdowns are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 12 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. However, the transactor principle is used in the case of a small number of transactions obtained from the ITRS. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns of direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows into Estonia during 2000 (ranked in descending order) were: Sweden, Finland, the Netherlands, Liechtenstein, and Germany.

Industrial Classification: Quarterly data showing country breakdowns are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 12 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are compiled and are available on request, subject to confidentiality constraints, showing breakdowns of direct investment financial flows by industrial sector/regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in Estonia: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Estonia is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. However, although it is not considered to be a significant problem, it is possible that some reporting enterprises may lack complete information on the activities of related enterprises. Enterprises in Estonia are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not used to calculate earnings of direct investment enterprises. Specifically, (i) deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, most dividends and distributed branch profits are recorded on the date they are payable. However, dividends and distributed branch profits of a small number of reporters, involving insignificant amounts, are recorded on the date they are paid, rather than the date they are payable. In accordance with the international standards, dividends and distributed branch profits are recorded gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, most of the data are compiled on an accrual basis. However, interest income of a small number of reporters, involving insignificant amounts, are compiled on a paid basis, rather than an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. Financial derivatives are not applicable at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated financial intermediaries. Contrary to the international standards, the data do not include transactions associated with permanent debt between affiliated banks. However, these amounts are considered to be insignificant.

Treatment of Reverse Investment: Loan transactions involving reverse investment are treated in accordance with the international standards in the applicable situations. Assuming that the direct investment enterprise is a resident of Estonia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan transactions are recorded in accordance with the international standards as “Direct Investment in Estonia: Increase in Claims on Direct Investors”. Reverse investment involving equity transactions is not applicable, as the acquisition of equity by a direct investment enterprise in its direct investors is not permitted by law in Estonia except in specific cases, and generally a subsidiary cannot have an equity participation in its parent company. The situation of the direct investment enterprise owning at least 10 percent of its nonresident direct investor, and thereby establishing a direct investment relationship in its own right, therefore does not arise.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Estonia by nonresidents of construction enterprises. The operation in Estonia by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, is not applicable at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in Estonia by nonresidents at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established in Estonia by nonresidents are generally included in the direct investment data. SPEs established in Estonia by nonresidents that have the sole purpose of financial intermediation are not applicable at present.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings in Estonia by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: Not applicable. There is no expenditure related to natural resources exploration in Estonia by nonresidents at present.

Exchange Rate Conversion: Transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

DIRECT INVESTMENT IN ESTONIA

INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data are disseminated on (i) equity capital and reinvested earnings, and (ii) other capital, with a timeliness of 12 weeks after the end of the reference period.

Revision Policy: The data are revised at the time of the release of the data for the following quarter, and again at the time of the release of the quarterly data for the first quarter of the following year. The data are considered to be final 12 months after their first release.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of direct investment enterprises in Estonia. Secondary data sources used include: (i) banking statistics from the database of the Bank of Estonia, (ii) information from the business register on officially registered equity capital, (iii) information from the central depository for securities on the market value of listed companies, and (iv) estimations. The perpetual inventory method (a method for deriving position data from transactions data) is generally not used, except in rare instances when transactions have been identified in the international transactions reporting system (ITRS) for which there is no alternative source for the position data, such as transactions involving the sale and purchase of land and buildings by private individuals. Published sources, such as company accounts, and press reports, are used for cross-checking the data. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the ITRS's list of transactors, (iii) other statistical collection forms, (iv) registers maintained by corporate affairs and stock exchange authorities, and other departments within the Bank of Estonia, (v) the financial press and, (vi) the Central Business Register maintained by the Ministry of Justice.

Geographic Classification: Quarterly data showing country breakdowns are disseminated with a timeliness of 12 weeks after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Data on an “ultimate country” basis are also compiled, but not disseminated. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment in Estonia as at the end of 2000 (ranked in descending order) were: Sweden, Finland, the United States, Norway, and Denmark.

Industrial Classification: Quarterly data showing country breakdowns are disseminated with a timeliness of 12 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are compiled and are available on request, subject to confidentiality constraints, showing breakdowns by industrial sector/regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in Estonia: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Estonia is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. However, although it is not considered to be a significant problem, it is possible that some

reporting enterprises may lack complete information on the activities of related enterprises. Enterprises in Estonia are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Estonia.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. Financial derivatives are not applicable at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated financial intermediaries. Contrary to the international standards, the data do not include positions associated with permanent debt between affiliated banks. However, these amounts are considered to be insignificant.

Treatment of Reverse Investment: Loan positions involving reverse investment are treated in accordance with the international standards in the applicable situations. Assuming that the direct investment enterprise is a resident of Estonia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan positions are recorded in accordance with the international standards as "Liabilities: Direct Investment in Estonia: Claims on Direct Investors". Reverse investment involving equity positions is not applicable, as the acquisition of equity by a direct investment enterprise in its direct investors is not permitted by law in Estonia except in specific cases, and generally a subsidiary cannot have an equity participation in its parent company. The situation of the direct investment enterprise owning at least 10 percent of its nonresident direct investor, and thereby establishing a direct investment relationship in its own right, does not therefore arise.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Estonia by nonresidents of construction enterprises. The operation in Estonia by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, is not applicable at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in Estonia by nonresidents at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established in Estonia by nonresidents are generally included in the direct investment data. SPEs established in Estonia by nonresidents that have the sole purpose of financial intermediation, are not applicable at present.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings in Estonia by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: Not applicable. There is no expenditure related to natural resources exploration in Estonia by nonresidents at present.

Valuation: In accordance with the international standards, the data on equity capital are recorded primarily at market values, although some positions are recorded at book values. In the case of equity assets, financial institutions use the current market price as their book values, while enterprises use historical costs, adjusted by income calculated using the equity method. If the historical cost is higher than the market value, the data must be adjusted to the market value. For equity liabilities, the book values are the nominal values, adjusted to current market prices in the case of listed or traded securities. Contrary to the international standards, the data for other capital are reported primarily at book values, although some positions are recorded at market values. The book values used are the nominal values, adjusted to current market prices in the case of listed or traded bonds and money market instruments.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is primarily used to convert foreign currencies into the unit of account. However, in rare instances, such as those involving the holdings of land and buildings by individuals, the positions are converted at the exchange rate prevailing on the day the stocks were acquired.

ESTONIA: DIRECT INVESTMENT ABROAD
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 12 weeks after the end of the reference period. In addition, monthly data are disseminated on total direct investment in Estonia with a timeliness of 6 weeks after the end of the reference period.

Revision Policy: The data are revised at the time of the release of the data for the following quarter, and again at the time of the release of the quarterly data for the first quarter of the following year. The data are considered to be final 12 months after their first release. However, further revisions may be made in the case of major methodological changes.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are collected on both an aggregate basis and an individual transactions basis, and reporting requirements are compulsory.

Data Sources: The data are compiled from primarily quarterly enterprise surveys of residents with direct investment enterprises abroad. An international transactions reporting system (ITRS) is used as a secondary data source. Press reports, bilateral data, and published sources, such as company accounts, are used for cross-checking the data. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the ITRS's list of transactors, (iii) other statistical collection forms, (iv) registers maintained by corporate affairs and stock exchange authorities, and other departments within the Bank of Estonia, (v) the financial press, and (vi) the Central Business Register maintained by the Ministry of Justice.

Geographic Classification: Quarterly data showing country breakdowns are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 12 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. However, the transactor principle is used in the case of a small number of transactions obtained from the ITRS. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns of direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows from Estonia during 2000 (ranked in descending order) were: Latvia, Lithuania, Cyprus, Finland, and Russia.

Industrial Classification: Quarterly data showing country breakdowns are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 12 weeks after the end of the reference period. The data are based on the industry of the resident direct investor. However, it is planned to begin to disseminate data based on the industry of the nonresident direct investment enterprise, beginning with the data for 2003. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are compiled and are available on request, subject to confidentiality constraints, showing breakdowns of direct investment financial flows by industrial regions/regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. However, although it is not considered to be a significant problem, it is possible that some reporting enterprises may lack complete information on the activities of related enterprises. Enterprises in Estonia are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not used to calculate earnings of direct investment enterprises. Specifically, (i) deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, most dividends and distributed branch profits are recorded on the date they are payable. However, dividends and distributed branch profits of a small number of reporters, involving insignificant amounts, are recorded on the date they are paid, rather than the date they are payable. In accordance with the international standards, dividends and distributed branch profits are recorded gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned, but in the last quarter of the financial year of the individual enterprises.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, most of the data are compiled on an accrual basis. However, interest income of a small number of reporters, involving insignificant amounts, are compiled on a paid basis, rather than an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. Financial derivatives are not applicable at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated financial intermediaries. Contrary to the international standards, the data do not include transactions associated with permanent debt between affiliated banks. However, these amounts are considered to be insignificant.

Treatment of Reverse Investment: Loan transactions involving reverse investment are treated in accordance with the international standards in the applicable situations. Assuming that the direct investment enterprise is a resident of Estonia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan transactions are recorded in accordance with the international standards as “Direct Investment in Estonia: Increase in Claims on Direct Investors”. Reverse investment involving equity transactions is not applicable, as the acquisition of equity by a direct investment enterprise in its direct investors is not permitted by law in Estonia except in specific cases, and generally a subsidiary cannot have an equity participation in its parent company. The situation of the direct investment enterprise owning at least 10 percent of its nonresident direct investor, and thereby establishing a direct investment relationship in its own right, does not therefore arise.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Estonia residents of construction enterprises. The operation abroad by Estonian residents of mobile equipment, such as ships, aircraft, and drilling rigs, is not applicable at present.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Estonian residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established abroad by Estonian residents are generally included in the direct investment data. SPEs established abroad by Estonian residents that have the sole purpose of financial intermediation, are not applicable at present.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Estonian resident enterprises and individuals.

Treatment of Natural Resources Exploration: Not applicable. There is no expenditure related to natural resources exploration abroad by Estonian residents at present.

Exchange Rate Conversion: Transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

ESTONIA: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 12 weeks after the end of the reference period.

Revision Policy: The data are revised at the time of the release of the data for the following quarter, and again at the time of the release of the quarterly data for the first quarter of the following year. The data are considered to be final 12 months after their first release. However, further revisions may be made in the case of major methodological changes.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of residents with direct investment enterprises abroad. Secondary data sources used include: (i) banking statistics from the database of the Bank of Estonia, and (ii) estimations. The perpetual inventory method (a method for deriving position data from transactions data) is generally not used, except in rare instances when transactions have been identified in the international transactions reporting system (ITRS) for which there is no alternative source for the position data, such as transactions involving the sale and purchase of land and buildings by private individuals. Published sources, such as company accounts, and press reports, are also used for cross-checking the data. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the ITRS's list of transactors, (iii) other statistical collection forms, (iv) registers maintained by corporate affairs and stock exchange authorities, and other departments within the Bank of Estonia, (v) the financial press, and (vi) the Central Business Register maintained by the Ministry of Justice.

Geographic Classification: Quarterly data showing country breakdowns are disseminated with a timeliness of 12 weeks after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Data on an “ultimate country” basis are also compiled, but not disseminated. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment from Estonia as at the end of 2000 (ranked in descending order) were: Latvia, Lithuania, Cyprus, the Ukraine, and Russia.

Industrial Classification: Quarterly data showing country breakdowns are disseminated with a timeliness of 12 weeks after the end of the reference period. The data are based on the industry of the resident direct investor. However, it is planned to begin to disseminate data based on the industry of the nonresident direct investment enterprise, beginning with the data for 2003. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are compiled and are available on request, subject to confidentiality constraints, showing breakdowns by industrial sector/regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned

direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. However, although it is not considered to be a significant problem, it is possible that some reporting enterprises may lack complete information on the activities of related enterprises. Enterprises in Estonia are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, reinvested earnings are not recorded in the period in which they are earned, but in the last quarter of the financial year of the individual enterprises. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. Financial derivatives are not applicable at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated financial intermediaries. Contrary to the international standards, the data do not include positions associated with permanent debt between affiliated banks. However, these amounts are considered to be insignificant.

Treatment of Reverse Investment: Loan positions involving reverse investment are treated in accordance with the international standards in the applicable situations. Assuming that the direct investment enterprise is a resident of Estonia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan positions are recorded in accordance with the international standards as "Liabilities: Direct Investment in Estonia: Claims on Direct Investors". Reverse investment involving equity positions is not applicable, as the acquisition of equity by a direct investment enterprise in its direct investors is not permitted by law in Estonia except in specific cases, and generally a subsidiary cannot have an equity participation in its parent company. The situation of the direct investment enterprise owning at least 10 percent of its nonresident direct investor, and thereby establishing a direct investment relationship in its own right, does not therefore arise.

Treatment of Quasi-corporations: In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Estonian residents of construction enterprises. The operation abroad by Estonian residents of mobile equipment, such as ships, aircraft, and drilling rigs, is not applicable at present.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Estonian residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established abroad by Estonian residents are generally included in the direct investment data. SPEs established abroad by Estonian residents that have the sole purpose of financial intermediation, are not applicable at present.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings abroad by Estonian resident enterprises and individuals.

Treatment of Natural Resources Exploration: Not applicable. There is no expenditure related to natural resources exploration abroad by Estonian residents at present.

Valuation: Contrary to the international standards, the data are reported primarily at book values, rather than at market values. However, some positions are recorded at market values. In the case of equity assets, financial institutions use the current market price as their book values, while enterprises use historical costs, adjusted by income calculated using the equity method. If the historical cost is higher than the market value, the data must be adjusted to the market value. For equity liabilities, the book values are the nominal values, adjusted to current market prices in the case of listed or traded securities. In the case of the other capital data, the book values are

the nominal values adjusted to current market prices in the case of listed or traded bonds and money market instruments.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is primarily used to convert foreign currencies into the unit of account. However, in rare instances, such as those involving the holdings of land and buildings by individuals, the positions are converted at the exchange rate prevailing on the day the stocks were acquired.