

# TRADE IN VALUE ADDED: ESTONIA

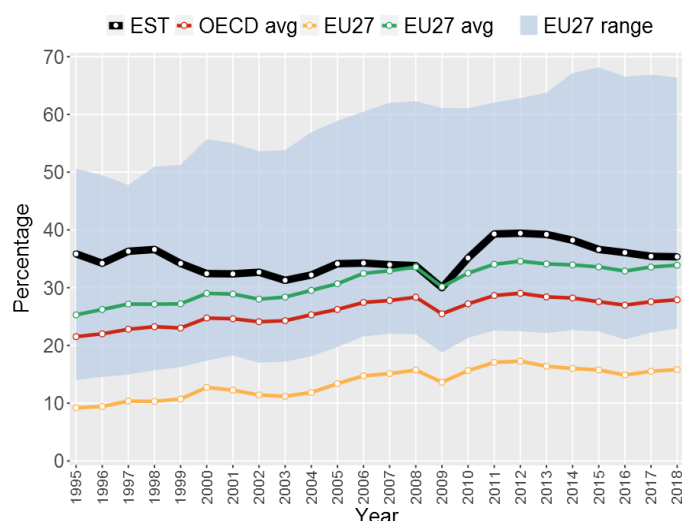
February 2022

Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Estonia, with a view to informing policy making for a range of areas including trade, innovation, and investment.

## Key findings

- ▶ Foreign content of Estonia’s exports declined between the 2011 peak and 2018, from 39.3% to 35.4%, but remained above the OECD average of 27.9%. Industries with high foreign content in their exports included *ICT and electronics* (73.5%), *Basic metals* (52.9%) and *Motor vehicles* (52.6%) (Figure 3a).
- ▶ Estonia’s manufacturing sector is strongly export-oriented, with 72.1% of all manufacturing value added being exported in 2018 (Figure 2). *Other transport equipment* (which includes *Shipbuilding, Air and spacecraft and Railroad equipment*) is the economic activity with the highest share (97.6%) of domestic value added in foreign final demand together with *ICT and electronics* (96.8%).
- ▶ While Finland, Sweden and Latvia were the largest export markets for Estonia in gross terms in 2018, the United States was the second largest final destination for Estonian value added - reflecting the role of EU partners in exporting Estonian value added to meet demand outside the EU (Figure 5). On the import side, Finland, the Russian Federation and Germany were the main trade partners of Estonia in 2018, both in gross and value-added terms.
- ▶ Services value added accounted for 60.7% of Estonia’s gross exports in 2018, with domestic services contributing 41.4% and foreign services contributing 19.3% (Figure 7). Direct exports of services were important for Estonia, with *Transport and storage* having been the main exporting industry - accounting for 17.1% of gross exports (Figure 3b). For manufactures, services value-added content was 37.1% of gross exports, with the highest share in *ICT and electronics* (42.7%).

**Figure 1. Foreign value-added content of gross exports**  
As a percent of total gross exports, 1995 to 2018



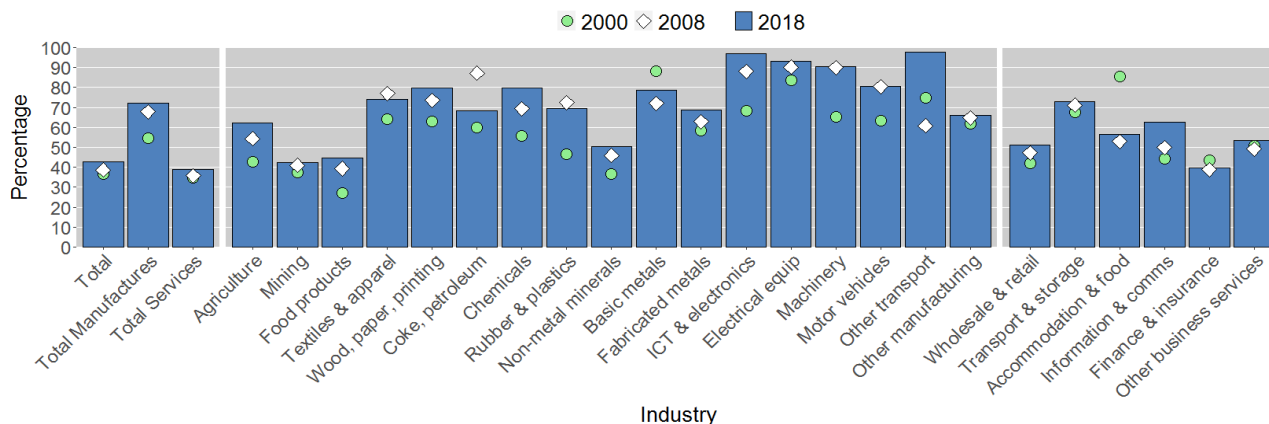
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Estonia’s exports is estimated to have increased from 33.8% to 35.4% - above the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 1.6 percentage points higher.

## The role of foreign final demand in domestic production

Overall, in 2018, 42.7% of Estonia's domestic value added was driven by foreign final demand, up from 38.7% in 2008. By industry, the shares ranged from *Other transport equipment* (97.6%) and *ICT and electronics* (96.8%) at the higher end to *Financial and insurance* (39.6%) at the lower end.

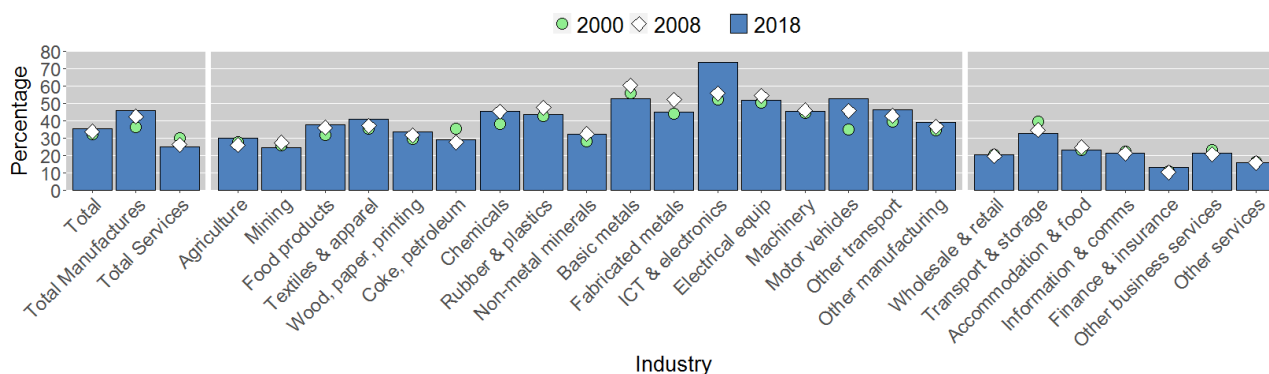
**Figure 2. Estonia - domestic value added in foreign final demand**  
As a percent of value added, by industry, 2000, 2008 and 2018



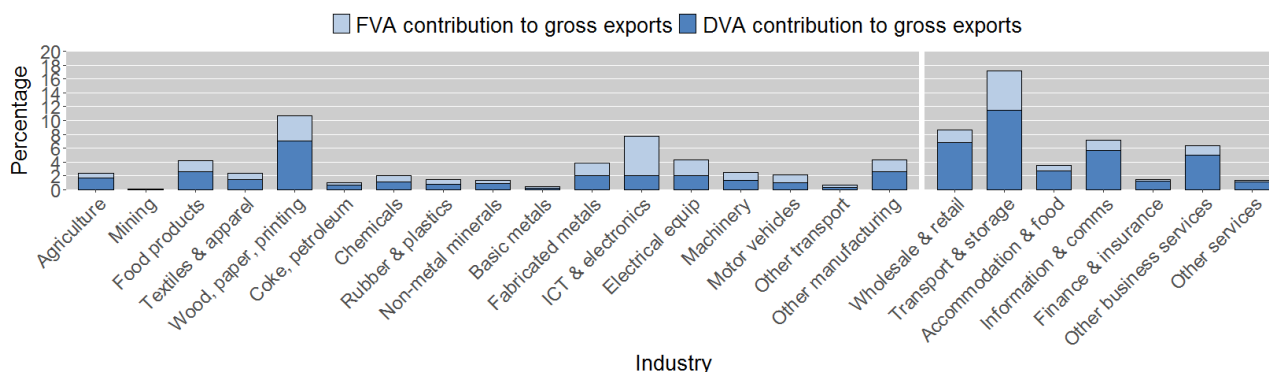
## The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *ICT and electronics* (73.5%), *Basic metals* (52.9%) and *Motor vehicles* (52.6%). *Transport and storage* generated the greatest source of domestic value-added content of exports in 2018, accounting for 11.5% of gross exports (Figure 3b), followed by *Wood and paper products* (7.1%) and *Wholesale and retail trade* (6.9%). The most foreign content in total exports came from *ICT and electronics* (5.7%).

**Figure 3a. Estonia - foreign value-added content of gross exports**  
As a percent of gross exports, by industry, 2000, 2008 and 2018

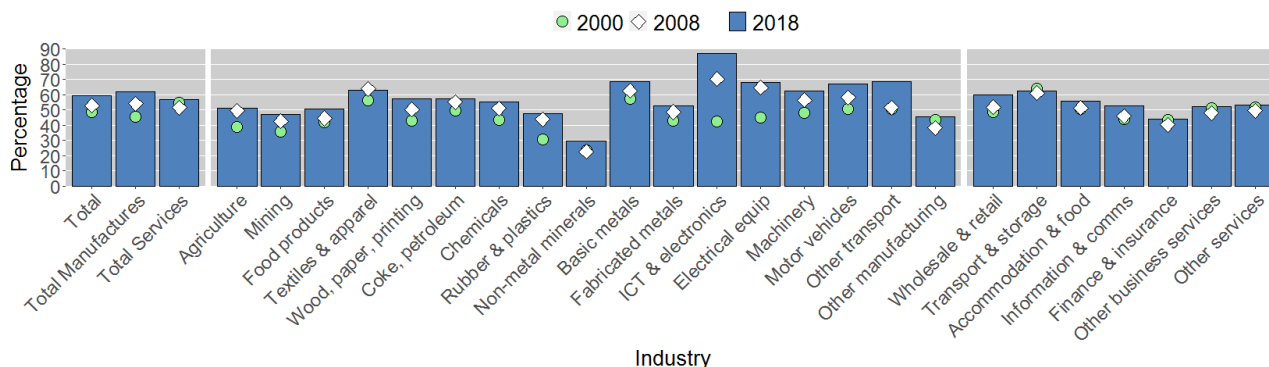


**Figure 3b. Estonia - industry share of domestic and foreign value-added content of gross exports**  
As a percent of total gross exports, 2018



Of the total value of Estonia's imports of intermediate goods and services in 2018, 59.5% was subsequently embodied in exports, significantly higher than the OECD average of 47.9%, and above the share in 2008 (52.7%). The originating industries with the highest shares of intermediate imports used in Estonia's exports were ICT and electronics (86.7%), Other transport equipment (68.6%), and Basic metals (68.5%).

**Figure 4. Estonia - imported intermediate inputs used for exports, by industry-origin of imports**  
As a percent of intermediate imports, 2000, 2008 and 2018

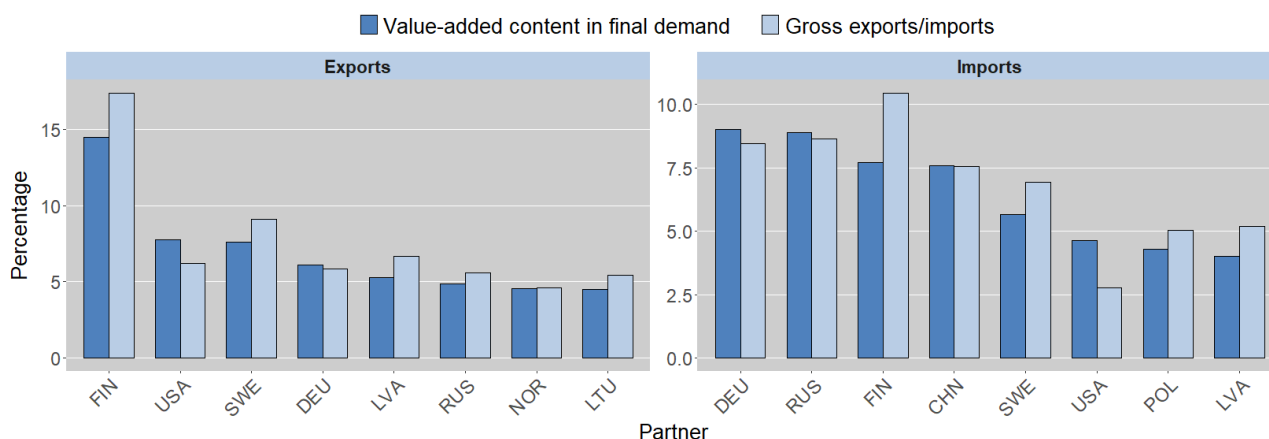


### Estonia: international flows of goods and services, main players

In gross terms, Finland (17.4%), Sweden (9.1%) and Latvia (6.7%) were the three most important Estonian export market destinations in 2018. The top three final destinations for Estonia's value added were Finland (14.5%), the United States (7.8%) and Sweden (7.6%).

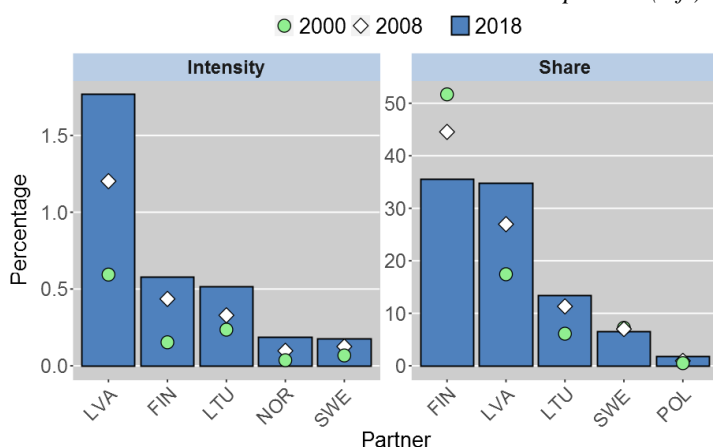
For imports in gross terms, Estonia's top three partners in 2018 were Finland (10.5%), the Russian Federation (8.6%) and Germany (8.4%), while in value-added terms, the top three were Germany (9%), the Russian Federation (8.9%) and Finland (7.7%).

**Figure 5 Estonia - exports and imports: main partners**  
As a percent of total gross and value-added exports and imports, 2018



**Figure 6. Estonia's domestic value-added content of manufactured imports, top 5 partners**

As a share of total Estonia's value added embodied in Estonia's imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of Estonia's domestic value added embodied in Estonia's manufactured imports (Figure 6, right) came from Finland (35.6%), Latvia (34.8%) and Lithuania (13.4%).

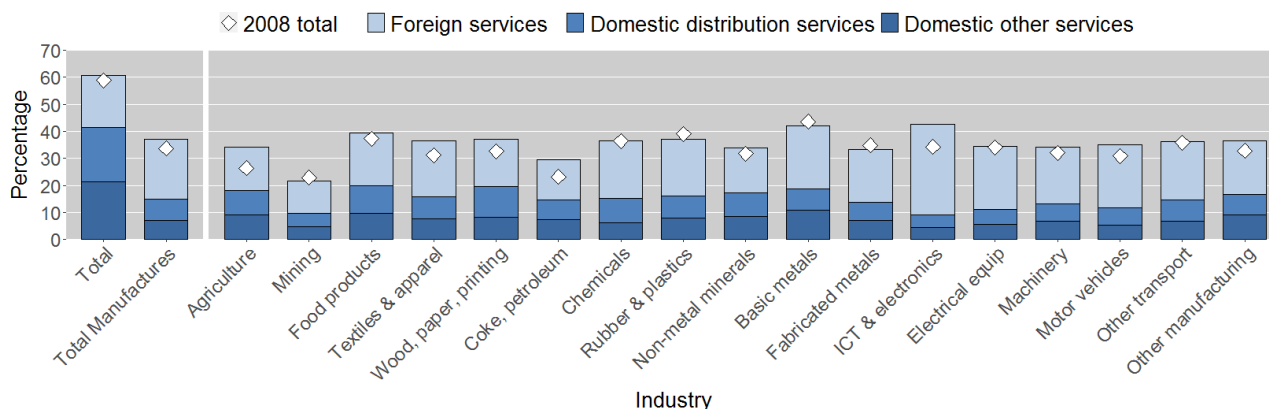
The trading partners with the highest shares of Estonia's value added in their exports of manufactures to Estonia (Figure 6, left) in 2018 were Latvia (1.8%), Finland (0.6%) and Lithuania (0.5%).

### The importance of services in international trade

Services are a major contributor to Estonia's economy, accounting for 60.7% of Estonia's gross exports in 2018 (Figure 7) - above the OECD average of 55.7%. Foreign services contributed 19.3% to the value of total gross exports. For manufactures, services value-added content was 37.1% of gross exports, with the highest shares in ICT and electronics (42.7%), Basic metals (42.1%) and Food and beverages (39.3%).

**Figure 7. Estonia - services content of gross exports**

As a percent of gross exports by industry, 2018



### Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: [www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf](http://www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf)
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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