

Estonian Economy

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ESTONIAN ECONOMIC POLICY

- **On 13 December the Estonian parliament passed the state budget for 2007 with 57 votes in favor, 16 against and no abstentions.** The sum total of revenue in the 2007's budget is 75.91 billion kroons (EUR 4.85 b) and of expenses 74.78 billion kroons. Compared with the state budget for 2005, the revenue target in 2007's budget is 23 percent higher and that of expenses 21 percent higher. Tax revenue accounts for 60 billion kroons and non-tax revenue 15.7 billion kroons of the budget. There is 8.5 billion kroons EU money in the budget. In 2007 the state is planning to pay back foreign debts to the tune of 1.8 billion kroons.
- **The income tax rate in Estonia is set to 22 percent from Jan. 1, 2007 while the tax-exempt income remains at 2,000 kroons (EUR 128) a month.** According to calculations made by BNS, due to the lowering of the tax rate the average monthly net salary should grow by around 77 kroons. The calculation is based on a gross salary of 10,000 kroons and an employee's corresponding payments into the second pillar of the pension scheme. The unemployment insurance premium rate used for the calculation was 0.6 percent. The tax-exempt income will remain at 2006's level of 24,000 kroons a year or 2,000 kroons a month.
- **Estonia ranks 12th as measured by the Lisbon criteria among countries of the EU. According to a list drawn up by the World Economic Forum Estonia is the strongest performer among the 2004 entrants.** Estonia's information society is assessed as being among the top five in Europe, with a government that is among the world's best in terms of providing online government services, and a high Internet penetration, it appears from the survey. Estonia's enterprise environment ranks sixth overall, as it is a comparatively easy place to start a business, with a low regulatory burden. Of the countries that acceded the EU simultaneously with Estonia, Slovenia and Hungary, ranking 16th and 17th respectively, have improved their comparative performance since 2004. This implies that a number of these recent member countries are already closer to meeting the Lisbon goals than many of the original EU15 members, the compilers of the overview found. Measured by the Lisbon criteria, Denmark is the most competitive economy in the EU, followed by Finland and Sweden. Lithuania ranks 20th and Latvia 22nd in the list. Of candidate countries Croatia, Turkey and Romania were the top performers.
- **A study by the European Private Equity and Venture Capital Association (EVCA) showed that the situation of the Estonian economic environment remains below the EU average, bearing in mind the interests of venture capital.** Estonia, Latvia and Slovenia were included for the first time in the study and the indicators of the three countries all ranked below the European average. The position of Finland was slightly better than that of Estonia, but also below the European average. The Estonian tax and legal environment is unfavorable for the development of venture capital, mainly because of taxes established for institutional investors, EVCA said. Limited partners and fund managers, pension funds and insurance companies are still faced with quantitative restrictions and the country does not provide any tax incentives for investing in the asset class.
- **Consolidated revenues of the government sector in Estonia exceeded 20.5 billion kroons (EUR 1.3 b) in the third quarter of 2006, an increase of 23 percent compared to the same period 2005.** Government sector expenditures at the same time totaled 15.4 billion kroons, 2.2 billion kroons more on an annual comparison. In the first quarter of 2006 government sector revenues were 15 billion and in the second quarter, 19 billion kroons. Expenditures were 13.9 billion and 16.4 billion kroons respectively.
- **According to a financial forecast of the Bank of Estonia the central bank will earn 405.2 million kroons (EUR 25.89 mln) of profit in 2007.** According to the forecast the central bank will earn a net income of 1.1 billion kroons from financial deals with its foreign currency reserve, the Bank of Estonia said. At a meeting on 12 December the supervisory board of the central bank received an overview of the 2007's budget, which fell by 3.5

million kroons to 283.3 million kroons as compared with 2006's. The board recommended endorsement of the Bank of Estonia strategy for the years 2007-09, according to which the mission of the central bank is to ensure price stability in Estonia.

- **On 13 December president of the Bank of Estonia Andres Lipstok, CEO of the Financial Supervision Authority Raul Malmstein and Finance Minister Aivar Sõerd signed an agreement on cooperation in financial crisis management.** "Although a crisis jeopardizing the entire financial system is a rare occurrence it is essential in solving any crisis to have in place a previously agreed-upon framework of action on whose basis the institutions solving the crisis can work," the central bank said. The agreement underscores the primary responsibility of a bank's owners and management to bolster the bank's financial strength and shoulder the losses caused by a crisis. State liquidity or capital support is offered only in the event that private-sector solutions do not work or turn out to be insufficient.
- **Estonia needs to implement adequately tightened fiscal policies to offset demand-induced inflationary pressures and achieve sustainable convergence, the European Central Bank said in its latest convergence report.** According to the report released on 5 December, the Baltic state also needs to monitor closely the current credit growth fueling household consumption and current account deficit as they may indicate the risk of overheating. The ECB stresses also the importance of labor market flexibility and moderate wage increases. The convergence report analyzes the correspondence of national economies to the euro adoption requirements or Maastricht criteria and countries' legal frameworks. Besides Estonia, euro readiness of eight more European Union member states is reviewed.
- **In its quarterly comment, the Bank of Estonia mentioned, in addition to other indicators characterizing the Estonian economy, the circumstance that focus on real estate increased commercial banks' risks.** "The overly large share of real estate development and investments in the loan portfolio could become the main risk jeopardizing the banking sector," the central bank said. "Earlier on the real estate sector offered for the banks a splendid combination of risk and profit and made it possible for them to rapidly build up revenues. Strong dependence on the real estate market, however, increases the banks' vulnerability in case negative trends should develop on that market," the Bank of Estonia said. Although the annual growth in clients' deposits has been relatively high at 33 percent, the lion's share of the money the banks borrow comes from the commercial banks' mother companies in the Nordic countries.
- **On 18 December the Bank of Estonia announced that it is going to replenish its kroon banknote supplies as the switch to the euro has been postponed.** Initially the supply of the two- and 10-kroon banknotes is to be augmented. As of the end of November, 469.6 million kroon banknotes and coins worth a total of 11.245 billion kroons (EUR 0.72 b) are in circulation in Estonia
- **On 6 December the Estonian parliament passed unanimously a government-initiated bill of amendments to the Commercial Code which allows to shorten to two days the period of setting up a business.** The amendment makes it possible to process applications and make entries in the commercial register by an expedited procedure using an Internet portal. "This means that transactions carried out by the expedited procedure no longer necessitate an appointment with a notary public as persons are identified and transactions conducted by means of the Estonian ID card and digital signature," said Viljar Peep, head of the Justice Ministry's division of legal registers. Under the expedited procedure, a registration application is processed not later than the next workday after its receipt. The law shortens the usual processing period from 15 calendar days to five workdays. The expedited procedure can initially be applied to first entries of private limited companies, sole proprietors, and general and limited partnerships, and changing of entries of sole proprietors and incorporated entities including public limited companies and commercial associations.
- **On 14 December the Tallinn city council adopted the capital city's budget for 2007 with a volume of 6.6 billion kroons (EUR 422 mln), which is 1.2 billion kroons more than the main budget for 2006.** After the first reading, 108 proposals for amendments to the draft were submitted. During the second reading proposals worth approximately 30 million kroons were approved. For the final reading of the budget proposals for additional financing were submitted in the amount of roughly 110 million kroons, mainly on an account of an estimated surplus in the intake of income tax. The budget sets out more than 550 million kroons toward expenses related to public transport and 54 million kroons for the city to build 220 municipal apartments. For road construction and repair 640 million kroons have been earmarked, including 20 million kroons for the construction of bicycle roads.
- **On 19 December the board of the Confederation of Estonian Trade Unions approved the terms and conditions of a minimum pay agreement to be concluded with the employers' association.** The agreement stipulated that the government would set the national minimum pay from Jan. 1 at 3,600 kroons (EUR 230) a month and the minimum hourly pay, at 21.5 kroons. The unions regard a monthly minimum of 3,600 kroons as a noteworthy outcome because never before has minimum pay risen by 600 kroons at once. The biggest rise in previous years was by 320 kroons. "When we demanded 4,050 kroons in autumn we kept in mind the deal would be

struck at a lower level," said the chairman of the union organization, Harri Taliga. "Negotiations always mean compromises."

- **On 21 December the government endorsed the dividends to be paid by state-owned companies to the state in 2007. In all, state-owned and partially state-owned companies stand to pay 1.476 billion kroons (EUR 94.31 mln) into state coffers in dividends in 2007.** The biggest dividend is expected from the energy group Eesti Energia, which is due to pay one billion kroons. The port company Port of Tallinn is to pay a dividend of 300 million kroons. In some cases the Finance Ministry found that taking into consideration the respective company's capital structure and need for investment, the size of the dividend should be different from that put forward by the respective ministry. Dividends from state companies and partially state-owned companies in 2006 are projected to total 1.295 billion kroons. The state's income from dividend in 2005 was 852 million kroons and in 2004, 759 million kroons.

MAJOR ECONOMIC INDICATORS

- **Estonia's gross domestic product in the third quarter of 2006 was by 11.3 percent bigger than in the same period a year ago, the Statistical Office reports.** Measured in current prices, the third-quarter GDP was 52 billion kroons (EUR 3.32 b), and in constant 2000 prices, 40.1 billion kroons. Seasonally adjusted GDP in constant prices increased by 2.8 percent in comparison with the previous quarter. In the first and the second quarter of 2006 the Estonian economy grew by 11.7 percent. Economic growth was mainly powered by large domestic demand, the Statistical Office said.
- **The debt burden of the Estonian government sector in the third quarter of 2006, at 7.33 billion kroons (EUR 0.47 b), was nearly 5 percent smaller than at the same time in 2005.** At the end of the third quarter loans accounted for 5.21 billion kroons and bonds, 2.07 billion kroons of the government sector debt. A year earlier the corresponding figures were respectively 5.60 billion and 2.07 billion. The central government debt stood at 3.74 billion kroons compared to 3.90 billion kroons a year ago. The debt burden of local governments had declined to 3.65 billion kroons from 3.85 billion kroons at the end of Q3 of 2005.
- **The difference between payroll expenses in old and new member states of the EU is up to tenfold, with Germany having the biggest and Lithuania the smallest wage costs.** Wages and accompanying costs were studied by the auditing company Deloitte. By payroll expenditure including social taxes, Finland placed seventh among EU member states with annual wage costs per employee averaging 43,751 euros. The lowest wage costs were recorded in Lithuania where the annual average was 5,100 euros. Estonia and Slovenia, with payroll expenses per employee averaging 9,200 euros a year, were also at the bottom end of the scoreboard. Germany was found to have the highest wage costs at more than 50,000 euros per employee a year, followed by Denmark and Belgium.
- **Estonia's foreign trade deficit was 3.9 billion kroons (EUR 249.2 mln) in October compared to 3.1 billion kroons in the same month a year before and 3.3 billion kroons in September.** The foreign trade turnover was 24.3 billion kroons, preliminary figures of the Statistical Office show. The turnover increased by only 10 percent year-on-year but remained on the same level in comparison with September. In October exports totaled 10.2 billion kroons, up by 7 percent year-on-year but 2 percent less than in September. Imports in the sum of 14.1 billion kroons showed a growth of 12 percent year-on-year and 3 percent month-on-month. Some 66 percent of October's exports went to member states of the European Union and 13 percent, to CIS countries. A year ago the corresponding indicators were respectively 80 and 8 percent. The main destinations were Finland, which accounted for 16 percent of all exports, Sweden – 12 percent and Latvia – 10 percent. Import from EU countries made up 78 percent and from CIS countries 12 percent of all import. In October 2005 the corresponding figures were 76 and 11 percent, respectively. The leading country of import was Finland, accounting for 21 percent of the total. Imports from Germany made up 13 percent and from Russia, 10 percent.
- **According to a preliminary estimate by the Bank of Estonia, the current account deficit in the third quarter of 2006 accounted for 12.4 percent of the expected gross domestic product of the last four quarters.** Compared with the same period 2005, the current account shortfall to GDP ratio is up by about 3.5 percentage points, the central bank said. In absolute value, the deficit amounted to 6.6 billion kroons (EUR 0.42 b), exceeding the year-ago level by nearly 70 percent and remaining slightly below the level of the previous quarter. The current account shortfall was boosted in the first place by the widening of the foreign trade gap. The inflow of foreign capital was mostly in the form of other investment capital.
- **According to the data of Estonian Finance Ministry 54.7 billion kroons (EUR 3.5 b) or 101.1 percent of the tax revenues planned in the 2006 state budget and supplementary budget had flowed into state coffers by 28 December.** The tax revenue target of the 2006 state budget was met in full by 21 November. By 28 December also the tax revenues planned in the supplementary budget had come in, the ministry said today. While revenues from most taxes were above the target the intake of customs duties and tobacco excise had not yet reached the

planned amount. The inflow of alcohol excise surpassed expectations at 103.3 percent of the plan. Social tax and VAT receipts made up respectively 100.1 percent and 101.8 percent of the amount planned in the two budgets.

- **The Estonian Finance Ministry announced that 61.5 billion kroons which makes up 91.9 percent of the revenue planned for 2006 in the budget and one supplementary budget was paid into the state budget in January.** As of the end of November the state budget revenue was 7.2 billion kroons (EUR 460 mln) higher than expenses. Compared with January-November 2005 intake of revenue into the state budget increased by 24.8 percent. In 2005 revenue payments into the state budget by the end of November totaled 49.3 billion kroons. The tax revenue target of the state was met already by November 22, when 49.72 billion kroons of tax revenue was paid into the budget against the target of 49 billion kroons.
- **Average monthly pay in Estonia should according to forecasts rise to at least 10,000 kroons (EUR 640) in the final quarter of the year.** Strong economic growth has 2006 boosted Estonians' incomes at an unprecedented rate. By quarter, average salary has grown by 15-16.5 percent in comparison with 2005 and all signs indicate continued growth in the final months of the year as well. If in the last quarter of 2005 monthly wages averaged 8,690 kroons then at an annual growth rate of 15 percent the three-month average should cross the 10,000 kroon mark. In Q3 the average monthly pay reached 9,068 kroons. Hansapank forecasts average wages slightly below 10,000 kroons for the fourth quarter but the sum could be bigger, analyst Maris Lauri said.
- **Women's gross hourly wages in Estonia were 2005 25.4 percent lower than men's and the gap widened by 1.9 percent compared to the previous year, the Statistical Office reports.** In 2005 gross hourly wages averaged 55.22 kroons (EUR 3.53) for men and 41.22 kroons for women. Compared to 2004, men's hourly wages were up by 14.6 percent and women's, by 11.8 percent.
- **In November assets of the Bank of Estonia increased by five billion kroons or 16.3 percent, totaling 35.3 billion kroons (EUR 2.26 b) at the end of the month.** Gold and net foreign currency reserve stood at the end of November at 30.7 billion kroons, up by 2.3 billion kroons or 8 percent over the month. The central bank's unencumbered reserve grew by 43 million kroons or 1.2 percent, reaching 3.8 billion kroons.
- **Estonian enterprises' investments in capital assets totaled nearly 37 billion kroons (EUR 2.36 b) in 2005, an increase of 15 percent against the previous year.** More than half of the investments went into the construction and renovation of buildings and structures, data by the Statistical Office show. As before, the biggest investors were real estate, leasing and business activities companies which accounted for more than a fourth of the total investment. Companies had in 2005 assets worth 421 billion kroons of which capital assets formed the most or 59 percent.
- **The average interest rate on euro loans rose in November to 5.0 percent, up by 1.7 percent year-on-year, and the interest on kroon loans climbed 0.44 percentage points to 6.84 percent, the Bank of Estonia reports.** In October interest on euro-denominated loans averaged 4.91 percent and on kroon loans, 6.73 percent. In annual comparison, average interest on euro loans issued to private persons has risen by 1.41 percentage points to 4.90 percent, to businesses by 1.44 percentage points to 5.28 percent, and to government institutions by 1.32 percentage points to 4.06 percent. Interest on kroon loans to private persons has declined 3 percentage points to 9.69 percent. For government institutions, interest on loans pegged to the national currency grew 1.29 percentage points to 4.04 percent, and for businesses the average interest rate inched up 0.85 percentage points to 5.43 percent.
- **At the beginning of December 184 more people than a month earlier were registered as jobless in Estonia.** As of December 1, there were 12,203 unemployed residents registered with the Labor Market Board who made up 1.5 percent of the country's working age population (from age 16 to pension age), the Labor Market Board reports. Compared with December 1, 2005 the number had decreased by 46 percent. In November 15,236 people looked for work via the Labor Market Board and 1,352 people were registered as new unemployed. As of Dec. 1, the Labor Market Board had 1,319 young unemployed persons aged 16-24 on their books and those aged over 50 numbered 4,071.
- **In Estonia, in the third quarter of 2006 labor costs increased at a faster rate than productivity in comparison with the same period a year ago, it appears from data made available by the Statistical Office.** Productivity, or sales per employed person, increased 16 percent year-on-year. Labor costs per employed person meanwhile increased 21 percent. Overall, productivity in the third quarter of the year was 326,000 kroons per employed person based on net sales, up from 282,000 kroons in the same period a year ago. Productivity increased in all areas of business.

PRICES

- **The consumer price index in Estonia rose 4.6 percent year-in-year in November, the Statistical Office reports.** Compared with October, consumer prices were 0.8 percent higher on the average. In monthly comparison, prices of goods climbed 0.7 percent and of services, 0.9 percent. Month on month, the consumer

price index was in November most affected by increases in housing expenses, the cost of motor fuel and prices of flour products, the Statistical Office said.

- **The producer price index of industrial production in November 2006 was 0.6 percent higher than in October and 5.9 percent higher than in November 2005, Estonia's Statistical Office said.** Producer prices were up 4.1 percent year-on-year in energy, 6.1 percent in mining and 6.1 percent in manufacturing. Month-on-month, the increase was 0.6 percent both overall as well as in manufacturing. In energy it was 0.9 percent, whereas in mining it dropped 0.3 percent.

Further information is available:

<http://www.eestipank.info/pub/en/dokumendid/statistika/>

DEVELOPMENT BY SECTORS

BANKING

- **Assets of Estonian commercial banks grew in November by 11 billion kroons, reaching 231.85 billion kroons (EUR 14.81 b) at the end of the month, the central bank said.** The banks' assets have increased by 52.4 billion kroons over the past 12 months. Of banks' consolidated assets at the end of last month, claims to clients made up 171.98 billion, claims to credit institutions 20.96 billion and claims to the central bank 15.54 billion kroons. Commercial banks' loans to the government stood at 2.64 billion kroons, loans to financing institutions at 9.84 billion kroons, loans to companies at 80.58 billion kroons and loans to individuals at 76.25 billion kroons.
- **In Stockholm, on 18 December Leaders of the Estonian, Latvian, Lithuanian and Swedish central banks signed an agreement on cooperation to manage financial crises.** The accord improves the parties' readiness for close cooperation to deal with financial crises concerning crossborder banking groups, the Bank of Estonia said. The institutions responsible for financial stability in Estonia -- the central bank, Financial Supervision Authority and Finance Ministry -- signed a similar domestic agreement on Dec. 5. Both documents emphasize that the primary responsibility for resolving a crisis lies on the owners and management of the troubled bank or branch. Central banks will intervene only where the private solutions do not function or prove to be insufficient.
- **Swedish banks face no danger of crisis at the moment though risks are building in connection with the overheating Baltic market, the central bank said in a report released on 5 December.** SEB and Swedbank could be most exposed to risks posed by the Baltic market where household debt has grown more than 50 percent a year. However, a stress test showed they would cope with a downturn, the central bank noted. "At present these risks do not offer any threat to financial stability, but if they were reinforced, and in a different economic situation, the risks could be more tangible," it said.

TRANSPORT

- **On 6 December the Estonian lawmakers endorsed a bill on the repurchase of Eesti Raudtee (Estonian Railway) shares from Baltic Rail Services for the sum of 2.35 billion kroons (EUR 150 mln) with 56 votes in the second reading.** Thirteen members of the 101-strong legislature voted against the motion. There were no abstentions. Before that the parliament voted on amendments dumped by the standing Economic Affairs Committee. All the proposals were rejected by a majority. Earlier amendments introduced into the bill three provisions one of which stipulates that state-owned shares in the railway company can be sold only by a corresponding resolution of the parliament.
- **The operator of domestic passenger trains in Estonia, Edelaraudtee (Southwest Railway), and Minister of Economy and Communications Edgar Savisaar have signed an agreement on 2007's train services worth 165.6 million kroons (EUR 10.6 mln).** 2006's state subsidy to Edelaraudtee is 152 million kroons. Under the carriage contract, the annual service volume is 1.88 million train-kilometers or 12 percent more than in 2006, Edelaraudtee said. The expected number of passengers is 1.9 million 2006. In 2007 the company expects to carry more than two million passengers.
- **On 1 December Tallinna Autobussikoondis (Tallinn Bus Company, TAK) signed a contract on the purchase of 65 new city buses from Scania CV AB of Sweden.** The municipal bus company is going to buy in two years 65 buses of Scania's Omnalink range: 50 three-door short ones and 15 four-door articulated ones. Forty

short buses are due to be delivered by summer 2007 and the remaining 10 short and 15 articulated vehicles, in 2008.

- **Five buses serving Route 1A in Tallinn receive GPS positioning devices and by May 2008 all public transport vehicles of the capital city should have GPS.** This is a public transport information system: the bus is linked to a satellite and positions itself by means of the GPS device, the city government said. The system is supplied with the coordinates of stops and a prerecorded text which starts running when the bus reaches a stop. Voice information equipment announces stops, informs passengers when a bus enters another fare zone and gives advice on getting tickets. The same messages are simultaneously displayed on a text board. Deputy Mayor Jaanus Mutli said the satellite-based voice information system rules out human error in announcing stops.
- **Due to the temporary transfer of the passenger ferry Vana Tallinn to the Tallinn-Helsinki route, shipper Tallink will from January till April 2007 redirect passenger traffic between the Estonian port of Paldiski and Kapellskär in Sweden to the Tallinn-Stockholm line.** Cargo carriage on the Paldiski-Kapellskär route will during the same period be served by the freighter Regal Star, spokespeople for Tallink said. Vana Tallinn which till now carried both passengers and goods on the Paldiski-Kapellskär line will from January start serving the Tallinn-Helsinki route, substituting for Meloodia which has been chartered to the Mediterranean Sea until the arrival in April 2007 of a new passenger ferry, Star.

ENERGY

- **Eesti Energia (Estonian Energy) subsidiary Põhivõrk (National Grid) has been awarded the R4E (Recognized for Excellence) certificate highly valued in Europe.** The recognition followed the grid company's success in the quality management contest organized by the Enterprise Estonia foundation, Ministry of Economy and Communications and Estonian Association for Quality. As the Estonian contest is modeled on the same lines as the European contest, the result allowed Põhivõrk to apply for recognition on the European level as well, the company said. The R4E certificate proves that a company has made considerable progress in improving the quality of management and is on the way to organizational excellence. In addition to the R4E certificate, Põhivõrk's management system meets also the requirements of the ISO 9001, ISO 14001 and OHSAS 18001 standards.
- **On 19 December the energy council of the Estonian Academy of Sciences reviewed a draft of the national oil shale development plan, saying that it does not accept imposing a limit on the amount of oil shale to be extracted annually.** While positively evaluating the working version of the plan, the energy council didn't regard it as advisable to set the limit at 20 million tons annually, as planned by the work group, spokespeople for the energy council of the Academy of Science said. Explaining its stance, the energy council said that this limit has already been surpassed with the mining permits issued by now, while Estonia's need for energy is growing. This demand can for the time being be met only by using oil shale, because the opportunities for wider use of renewable sources of energy are limited, the energy council said.
- **On 21 December the Finnish energy group Fortum and the Swedish Vattenfall group signed an agreement according to which Vattenfall will sell 100 percent of the shares in its heat operations in Estonia and Latvia to Fortum.** Vattenfall will sell 100 percent of Vattenfall Estonia AS to Fortum Termest and 100 percent of the shares in Vattenfall Latvia SIA to Fortum Holding B.V., Fortum said. The transactions are subject to the approval of the Estonian and Latvian competition authorities. Fortum said the acquired company in Estonia provides district heat and natural gas in the city of Pärnu. Its district heat network is the fourth biggest in Estonia. The company's annual heat sales total 190 gigawatt-hours (GWh), net sales 5.4 million euros, and the number of personnel is 58. The district heat business in Pärnu will be integrated into the current countrywide heat operations of Fortum Termest.

IT

- **The Internet communications company Skype will in the first quarter of 2007 open a development center in the Czech capital Prague which expects to hire almost 30 specialists in a year; the center will be run out of Estonia.** Skype's principal development center with nearly 300 employees as well as the overall management of development work will remain in Estonia, the head of the firm's Estonian office, Sten Tamkivi, said. "The Prague office will provide our development engine with the necessary extra cylinder," he said.
- **One out of 10 Estonians, or 109,000 people aged 15-74 have made purchases via the Internet during the last six months, a survey by TNS Emor pollsters reveals.** Estonians shopped online mostly for clothes and books and subscribed to newspapers and magazines, TNS Emor observed. Compared to last fall, the number of Internet users has grown by 35,000. All told, 60 percent of Estonian residents aged 6-74 or 730,000 people use the web.

STOCK EXCHANGE

- **The jury of the Baltic Market Awards of the 2006 contest of Tallinn, Riga and Vilnius stock exchanges has awarded the telecommunications group Eesti Telekom for the Best Investor Relations of the Tallinn bourse.** TEO LT from Lithuania was awarded for the Best Investor Relations in the Baltic countries and Hansapank from Estonia won the title of Member of the Year, the Tallinn Stock Exchange said. The award for Best Investor Relations of the Riga Stock Exchange went to SAF Tehnika and the award for Best Investor Relations of the Vilnius Stock Exchange, to TEO LT. The purpose of the contest was to identify and encourage the best Baltic market participants. 2007 a new prize category will be introduced, The Most Visible Improvement Over the Year.

RETAIL

- **Retail sales by Estonia's retail trade enterprises in November, measured in constant prices, totaled 3.9 billion kroons (EUR 249.2 mln), an increase of 20 percent from the same month a year ago, the Statistical Office reports. Retail sales grew at a faster pace in 2006 than in 2005 when 14 percent growth was recorded.** Sales increased in all fields in the yearly comparison. Turnovers of stores of household goods and appliances and wardrobe items increased the most, by respectively 54 percent and 42 percent compared to November 2005. Compared to October 2006, retail sales by retail trade enterprises in constant prices decreased by 2 percent which is the usual run-up to the Christmas and end-of-year rush in December, the Statistical Office said.
- **The Latvian subsidiary of Estonia's Tallinna Kaubamaja (Tallinn Department Store) has bought from the German Lidl retail group 22 properties at ten locations in Latvia with 256 million kroons (EUR 16.35 mln) without tax.** The company finances the deal, intended for expansion of its Selver chain, by means of a Nordea Bank loan, Kaubamaja said. The area of the 22 properties, some of them adjacent, is nearly 80,000 square meters. The properties are located in Riga, Cesis, Jelgava, Jurmala, Liepaja, Rezekne, Salaspils and Tukums. "The main aim of the purchase is expansion of the Selver chain. The function of each concrete property will be decided in the course of more detailed analysis," said Paul Raudsepp, board chairman of Tallinna Kaubamaja.
- **Estonia's retailer Tallinna Kaubamaja is about to enter the car selling and service market by acquiring 100 percent of the car distributor Kia Auto.** The companies concluded the purchase and sale agreement on December 15. The deal is subject to approval by the Competition Board. Chief executive of Tallinna Kaubamaja Raul Puusepp told that selling cars is a new departure for the group. "The Selver chain is establishing new super- and hypermarkets in Estonia and soon in Latvia as well, which allows to chain to expand. At the same time the group needs to develop new business activities for further growth," Puusepp explained. Together with Kia Auto, the retail group is acquiring its subsidiaries Kia Auto in Lithuania and Ülemiste Autokeskus (Ülemiste Motor Center) in Estonia. Kia Auto has 19 marketers – eight in both Estonia and Lithuania and three in Latvia.

TOURISM

- **During October 169,000 tourists, of whom 35 percent were residents of Estonia, stayed at accommodation establishments of Estonia.** The number of tourists staying at accommodation establishments increased by 8 percent year-on-year, the Statistical Office said. The number of domestic tourists increased by 13,000 or 29 percent compared with October 2005. As usual, more than half of the accommodated foreign tourists, or 57 percent, came from Finland. The share of Finnish tourists at accommodation establishments decreased compared with October 2005, reflecting a declining trend that started in May 2005.