

Estonian Economy

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ESTONIAN ECONOMIC POLICY

- **On 31 May the Estonian government approved a state budget strategy for 2008-11 which plans a budget surplus in the amount of 4.8 billion kroons (EUR 306 million) for the next four years.** The strategy paper also puts in place the framework for drafting the 2008 budget, the government's spokespeople said. The budget strategy projects revenues of 415.5 billion kroons and expenditures in the amount of 410.7 billion kroons in 2008-11.
- **Commenting on a budget strategy the Estonian government adopted on 31 May, the governor of the central bank said it may not provide sufficient support for the country's economic policy goals.** The budget surplus target set down in the strategy for 2008-11, at 0.5 percent of gross domestic product, is substantially below the commitment made to the EU and its member countries last fall, Andres Lipstok said.
- **Estonia will stick to a conservative budget policy, Prime Minister Andrus Ansip vowed in a meeting with a visiting International Monetary Fund delegation on 10 May.** Bringing in surplus budgets and as quick accession to the Euro zone as possible will remain the government's goals also in coming years, the premier said. Ansip noted that the government plans to review excise tax rise timetables soon and bring forward some scheduled rises. He assured the IMF that Estonia's wish is to adopt the common currency at the first opportunity.
- **Estonia should continue budgeting with a surplus and make the rules governing the labor market more flexible, a delegation of the International Monetary Fund recommended in a meeting with members of the parliamentary Finance Committee on 8 May.** The chairman of the Finance Committee, Jürgen Ligi, told BNS that the IMF mentioned separately the need to make labor laws more flexible. The IMF expressed satisfaction with the overall state of the Estonian economy and economic policy. "On the whole, we are on the right track," Ligi said.
- **Strong policies are needed to help ease the adjustment of the economic growth rate to more sustainable rates, and labor and product market flexibility will be essential, a mission of the International Monetary Fund (IMF) said in the concluding statement of its Article IV Consultation with Estonia.** Estonia's enviable economic performance has been supported by prudent macroeconomic policies and increasing regional integration, the IMF mission said. "A solid currency board arrangement, a string of fiscal surpluses, and an open and liberal economic environment have been the basis for the most rapid convergence among new member states," the statement said.
- **The Moody's rating agency has published a report on Estonia, saying that the country's sovereign debt ratings are underpinned by solid growth, but the fast-growing Baltic state needs to contain economic imbalances.** Reuters quoted Moody's Investors Service saying that wage inflation could threaten Estonian competitiveness and that adoption of the Euro in 2011 was possible, but unlikely. Moody's added that the prospect of Euro adoption, even delayed, was a deterrent to destabilizing capital flows.
- **It will not be possible for any of the Baltic states to adopt the euro currency before 2010, the chief analyst at the DnB Nord banking group, Vadimas Titarenko, believes.** Speaking to BNS, Titarenko said a continued rise in prices is inevitable and therefore neither Estonia nor Latvia nor Lithuania would be able to switch to the common currency earlier. The main problem, according to Titarenko, is that the three countries have not set out a clear date when they intend to adopt the euro.
- **While Estonia's economic growth is gradually slowing down in line with the forecast, the danger that adaptation will be more abrupt than previously estimated has somewhat increased, the central bank said in its quarterly economic review.** The risks for the Estonian economy lie in price developments of the real estate

sector and growing tensions in the labor market. Besides, the current account deficit in the early part of this year was somewhat larger and inflation in recent months a little higher than expected, the Bank of Estonia said.

- **One has to keep an eye on the risks that the Baltic economies are faced with, yet a sudden slowdown is not likely in the region, Citigroup said in a recent survey dealing with Baltic banking.** "While it is right to look at the downside risks in the region, we do not subscribe to any 'hard-landing' scenarios for the Baltics. The region simply does not fit the model of a system nearing crisis point," Citicorp Research said in the survey dated June 12.
- **When the package of amendments to tax laws is implemented, taxpayers in Estonia will have 5.5 billion kroons (EUR 351 million) more at their disposal over the next four years, Finance Minister Ivari Padar said.** Speaking about the changes to tax laws that the government approved on 24 May, the minister said that on the one hand the changes will increase the excise tax rates for tobacco, alcohol and fuel. On the other hand, the overall tax burden will decrease as a result of lowering of the income tax rate, increasing the tax-free portion of personal income and exempting of additional income from taxation starting from the first child. A forecast by the Finance Ministry suggests that the state will get additional 159 million kroons next year as a result of raising the alcohol excise tax.
- **While the hikes in excise tax rates approved by the Estonian government are sure to boost inflation next year, the measure is justified in terms of economic policy and may take Estonia into the Euro zone, analysts speaking to Postimees said.** Maris Lauri, analyst at Hansabank, said that in view of the economy as a whole the steps taken by the government were correct and positive. "What the government could be reproached for is that such steps weren't taken a few years ago," she said.
- **On 14 June the Estonian parliament passed a package of amendments to laws on the income tax and excise duties.** The bill of amendments to the income tax law passed with votes 58 - 33. Amendments to the alcohol, tobacco and fuel excise duty laws, environmental charges law and roads law were approved with 56 votes for and 33 against, with two lawmakers abstaining. The amended income tax law lowers the personal income tax rate to 18 percent by 2011 and raises the tax-exempt income to 36,000 kroons (EUR 2,300) a year by the same time. Starting from next year, families become eligible for an additional exemption after the birth of their first child.
- **The Estonian Finance Ministry forecast that the current account shortfall would continue to increase this year, because domestic demand is still growing fast and problems of international competitiveness in labor-extensive branches of the economy are getting worse.** Also slowdown of economic growth on Estonia's export markets is having its effect, the Finance Ministry said in a comment on the current account figures for Q1.
- **At its Cabinet session on 17 May, the Estonian government approved proposals for the simplification of rules for the employment of foreigners.** Economic Affairs Minister Juhan Parts said that it did not mean any changes in immigration rules but only cutting down bureaucracy. Also according to the new rules it will be possible to bring into Estonia qualified labor that cannot be found in the country. A pay restriction will be set to the introduction of labor. The recipient of a short-term labor permit must be paid the average wages in the respective sector. For the recipient of a long-term labor permit the required pay will be set even higher, Parts said.
- **In order to be able to maintain growth, Estonia must increase the share of the population active on the labor market and improve the skills of workers, as well as increase productivity, EU Commissioner Joaquin Almunia said on 23 May.** Speaking at an international conference in Tallinn hosted by the Bank of Estonia, Almunia, the European Economic and Monetary Affairs Commissioner, said that shortage of labor was becoming a bottleneck for Estonia in its efforts to reach the EU average in terms of GDP per resident.
- **As of the end of May nearly 96 percent of the means of the EU's (EU) structural funds allocated to Estonia in the budget period 2004-2006 were covered with projects, it appeared from a Finance Ministry overview on the application of external resources.** "Looking at the situation today we can say that we can manage to use the 5.8 billion kroons (EUR 370 million) allocated for the years 2004-2006 in time and in accordance with the purpose," Finance Minister Ivari Padar said while giving an overview to the government on 7 June.
- **Maive Rute from Estonia, head of the European Commission's (EC) small enterprise policy directorate, said the fast rise in Estonian building prices had put the Commission on guard concerning issues of competition, the business daily Äripäev reported.** Rute, who visited Tallinn at the head of an EC delegation on 22 June, said more than last year problems of Estonia's macroeconomic and labor shortage had risen to the fore this year and competition policy and its supervision had surfaced as a new problem.
- **The confectionery maker Kalev is at the top of the list of most highly regarded companies in Estonia for the fifth year running, followed by Hansapank and the Saku Õlletehas brewery, it appears from a study TNS Emor pollsters conducted for the eighth time.** Of large state-owned companies, the national power utility Eesti Energia (Estonian Energy) ranking in shared 10th place enjoys the highest reputation.

- **The per capita GDP of Estonia measured using the purchasing power parity method has passed that of Portugal, figures released by the Central Intelligence Agency (CIA) in the middle of this month reveal.** On the basis of anticipated figures for 2006, Estonia ranks 55th in the world by purchasing power parity with a per-capita purchasing power of 20,300 US dollars per year. The respective figure for Portugal is 19,800 dollars, which puts the country in the 57th place.
- **Preliminary data of the EU (EU) countries' gross domestic product show that the gross domestic product of Estonia makes up 67 percent of the EU average.** Portugal is ahead of Estonia at 75 percent and Hungary just at Estonia's heels at 66 percent. In Latvian GDP per inhabitant is 58 percent and in Lithuania 56 percent of the EU average. The GDP figure is the highest in Luxembourg, 180 percent above the EU average. In Finland GDP per capita is 18 percent and in Sweden 21 percent higher than the EU average. The GDP per inhabitant is the lowest in Romania and Bulgaria where the figures are respectively 38 and 37 percent of the average for the EU.
- **Estonia's economy grew by 9.9 percent in Q1 this year against the same quarter in 2006, the Statistical Office reported.** The growth in constant prices was the highest in financial intermediation, the Statistical Office said. In addition to financial intermediation, economic growth was influenced by continued fast growth in the manufacturing industry, wholesale and retail trade and in transport, warehousing and communications. At current prices, gross domestic product totaled 54.3 billion kroons (EUR 3.5 b) and at constant prices of year 2000, 39.7 billion kroons.
- **Analysts find that the 9.9 percent economic growth in Estonia in Q1 met expectations and is positive. Hansabank Markets analyst Maris Lauri said the economic growth had started to slow down as expected.** She said it was positive as last year's growth of more than 9.9 percent was not favorable for long-term developments in the economy. "Talk about Estonia's overheating should die down now -- we can see that there have been corrections in economic developments," Lauri told BNS.
- **On 7 May the European Commission published its spring economic forecast according to which Estonia's economy should grow by 8.7 percent this year and 8.2 percent next year.** The average economic growth of the 27 EU countries should be 2.9 percent this year and 2 percent next year according to the European Commission's forecast. In Estonia the inflation will rise to 5.1 percent this year and to 5.3 percent next year according to the Commission's forecast.
- **On 20 May the European Bank for Reconstruction and Development published gross domestic product forecasts for the economies of eastern and central Europe, the Baltic states and CIS countries.** The EBRD projects 8.5 percent growth for the Estonian economy, 9.0 percent for the Latvian economy and 6.5 percent for the Lithuanian economy.
- **Estonia's economic growth will in the coming years slow to 7-8 percent and may for a couple of years drop to 5.5-6.5 percent, the governor of the central bank said before parliament when presenting the Bank of Estonia report for 2006.** The adoption of the European common currency euro is not real before 2011, Andres Lipstok stated again. To get ready for the transition to the euro, Estonia must avoid weakening its budget policy, the head of the central bank said. In the most general terms, the country needs to stick to the previous economic policy and refrain from making populist decisions, he said.
- **The Estonian economy is in for a soft landing, yet the landing will be somewhat faster and the landing slope somewhat steeper than was estimated before, Hansabank Markets said in its Baltic economic overview.** The reason for the steeper-than-expected landing is the faster-than-expected rise in wages and bonuses as a result of the economy's strong performance in the final quarter of last year, as well as the lengthy process of change of government that kept up domestic demand, Hansabank Markets said. According to the forecast the Estonian economy will grow 8.6 percent this year, compared with the earlier forecast of 9 percent by Hansabank Markets. The economy is expected to grow 6.9 percent in 2008 and 6.6 percent in 2009. In 2006, the Estonian economy grew 11.4 percent.
- **Analysts in Estonia regard the 5.5 percent annual inflation rate in April as in line with expectations and don't expect major changes in price rises over the next few months.** A slight slowdown in the price rise was expected, Maris Lauri, macroanalyst with Hansabank Markets, told BNS. "The rise in motor fuel prices was relatively modest and the 2006 comparison base higher than in March," she observed. The main factor that affected inflation this time around was the rise in food prices which has stayed strong for quite some time under the influence of both domestic and external factors, the analyst said.
- **At the end of April the jobless registered with the Estonian Labor Market Board numbered 13,687, down by 22.4 percent from the same time last year.** The number of registered unemployed formed 2.1 percent of the country's workforce aged 16 to pension age, the Labor Market Board said. From the end of March the number of registered jobless had dropped by 570.
- **There were 13,072 unemployed persons registered with the Estonian Labor Market Board at the end of May, 16-19 per cent fewer than at the same time last year and 4.5 percent fewer than at the end of the**

previous month. Registered unemployed accounted for 2 percent of the working age population from age 16 to pension age, the Labor Market Board said.

- **The unemployment rate in Estonia dropped to 5.3 percent in the first quarter of 2007, the Statistical Office said on 23 May.** The rate of unemployment was highest in northeastern Estonia (10.2 percent) and lowest in north Estonia (4.1 percent). According to data of the Labor Force Survey, there were 36,000 unemployed persons in Estonia in the first quarter of 2007, which is 17 percent less than at the same time last year.
- **The average monthly gross wages and salaries of full-time and part-time employees in Estonia rose 16.5 percent to 9,407 kroons (EUR 600) last year, the Statistical Office reports.** The average hourly gross pay increased 17.1 percent to 55.5 kroons. The last time gross wages and salaries grew by more than 16 percent was in 1997, the Statistical Office noted.
- **The average monthly gross wages and salaries of full-time and part-time employees in Estonia totaled 10,322 kroons (EUR 660) in the first quarter of 2007, marking a 20.1 percent rise over the same period a year ago, the Statistical Office said.** The average hourly gross wage totaled 62.02 kroons. Compared to the first quarter of 2006 the average hourly gross wage increased also by 20.1 percent. The average monthly gross wage increased the most in forestry (33.4 percent) and decreased only in fishing (3.1 percent).
- **In the first quarter of 2007 Estonian employers paid employees 9,314 kroons (EUR 595) a month on the average, it appears from statistics of the Tax and Customs Board.** The payments made to a total 605,495 persons in the three months added up to 16.9 billion kroons. In the final quarter of 2006 the average monthly payment was 9,313 kroons. With recipients numbering 612,384, the aggregate was 17.1 billion kroons.
- **According to preliminary information of the Estonian Tax and Customs Board private persons declared their last year's total income at nearly 61.2 billion kroons (EUR 3.9 b) which is 22 percent more than in 2005.** In all, 530,412 tax returns were filed to the Tax and Customs Board on the taxpayers' last year's incomes, 5.6 percent more than in 2005. More than 455,000 tax returns for 2006 were submitted via the Internet, 86 percent of all tax returns filed by individuals. Compared with the declaration of taxes for 2005 the number of e-tax returns increased by 11.6 percent.
- **According to Eurostat, the Estonian tax burden amounted to 30.9 percent of the gross domestic product (GDP) in 2005; the average tax burden in EU member countries is 39.6 percent of GDP.** Compared with 2004 the tax burden in Estonia fell by 0.5 percentage points in 2005. At the same time the average tax burden in EU member countries has risen by 0.4 percentage points.
- **According to a flash estimate of the Bank of Estonia the country's current account shortfall was 2.6 billion kroons (EUR 166 million) this March.** Compared with the same month last year the current account deficit was 8 percent lower but 25 percent higher than this February. The central bank said in its overview that the fall in the current account deficit was due to faster growth in credit turnover as compared with debit turnover -- the growth in credit turnover was 10 percent and in debit turnover 7 percent. The priority growth in credit turnover was mainly due to growth in the export of services.
- **A flash estimate of the Bank of Estonia puts the deficit of the current account of balance of payments in April at 5.6 billion kroons (EUR 357.8 million), up by 35.6 percent from March and 2.54-fold in comparison with April 2006.** The sharp increase in the current account shortfall was a once occurrence caused by the earnings distributed by credit institutions' foreign subsidiaries which was reflected also in the undistributed profit of domestic credit institutions, the central bank said.
- **The Bank of Estonia said the current account deficit in Q1 this year totaled 9,723 million kroons (EUR 621 million), 17.9 percent of the gross domestic product (GDP) during the period.** Year-on-year the current account deficit grew by nearly one third in Q1. The deficit during the last four quarters was 16.2 percent of GDP. The shortfall of the goods account, the main cause of the current account deficit, grew by one quarter year-on-year to 9,158 million kroons in Q1, making up 17 percent of the GDP during the same quarter.
- **According to preliminary information of the Estonian Statistical Office the shortfall of the Estonian foreign trade increased from 3.7 billion kroons last March to 4.6 billion kroons (EUR 294 million) in March 2007.** In March 2007 the foreign trade turnover was 25.2 billion kroons, of which 10.3 billion kroons was export and 14.9 billion kroons import. Compared with February the export of goods increased by 7 percent but fell by 3 percent against last March. Import went up by 16 percent against February and by 4 percent year on year in March.
- **The shortfall of Estonia's foreign trade was 4.5 billion kroons (EU 287 million) this April; in April 2006 the country's foreign trade deficit was four million and this March 4.7 billion kroons, the Statistical Office said.** According to preliminary information the turnover of Estonia's foreign trade was 24.9 billion kroons. The growth in the turnover against last April was by 7 percent. In April exports made up 10.2 and imports 14.7 billion kroons of the foreign trade turnover. Compared with last April, exports of goods increased by 6 percent and imports by 8 percent.

- **Estonia's gross external debt grew by 8 percent during Q1 against Q4 2006 to 215 billion kroons and is therefore more or less equal with the gross domestic product (GDP) of the last four quarters, the Bank of Estonia said.** The growth in the gross external debt was mainly boosted by credit institutions and the mediated lending of direct investment companies. These debt liabilities increased by 9 and 12 percent respectively.

PRICES

- **In the Estonian Finance Ministry's estimate, the excise tax rises planned by the government will raise the inflation rate by 1.5 percentage points, bringing the annual rise in consumer prices to 6.2 percent in 2008.** The price rise is expected to slow down in 2009 and reach the level of around 3 percent by 2010-2011, a spokeswoman for the Finance Ministry said. As a result of the sharp excise tax rises planned for next year, inflation in 2010-2011 would be lower than if the taxes were put up gradually, and the likelihood of Estonia meeting the Maastricht price stability criterion for the adoption of the common euro currency would be greater, the spokeswoman explained.
- **Consumer goods and services in Estonia were on the average 5.5 percent more expensive in April compared with the same month last year, the Statistical Office reports.** Administratively regulated prices went up by 2 percent and non-administered prices, 6.7 percent year-on-year. Month on month, the consumer price index climbed 0.6 percent.
- **The prices of consumer goods and services were 5.7 percent higher on the average this May in Estonia than in May 2006, the Statistical Office reported.** The hike in administratively regulated prices of goods and services was by 2.9 percent and in non-regulated prices by 6.7 percent. The biggest rise on year was in expenses on housing, which shot up by 13.8 percent. The cost of eating out and accommodation went up by 9.6 percent and of food and soft drinks by 7.8 percent.
- **A comparison of the average increase in wages and in the consumer price index in Estonia over the past five years reveals that wages have grown significantly faster than prices.** The gap between the wage index and the price index widened rapidly last year as a result of a fast increase in wages. According to the Statistical Office, the increase in the wage index surpassed the increase in the price index by 49 percent in December 2006. The comparison is based on increases in the indexes starting from the second quarter of 2001.

FOREIGN ECONOMIC RELATIONS

- **On 31 May the Estonian government gave the go-ahead to an economic cooperation agreement with Russia.** The purpose of the accord is to promote the development and strengthening of mutually beneficial economic ties, spokespeople for the government said. The approved agreement is a framework document that forms the basis of various forms of cooperation such as implementation of projects of interest to both sides, relations between chambers of commerce and industry and other trade organizations, interregional cooperation, etc.
- **The need for cooperation in the energy and energy security spheres was underlined at a meeting of economic affairs committees of the Estonian and Danish parliaments.** The economic affairs committees of the Estonian and Danish parliaments, meeting on 27 June, discussed the situation of the Estonian economic and labor market, transition to the euro, energy policy and tourism. In the energy sphere it is possible for Estonia to learn from Danish experience, as the share of renewable energy is above 20 percent in Denmark, said Urmas Klaas, chairman of the economic affairs committee in the Estonian parliament.

Further information is available:

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

DEVELOPMENT BY SECTORS

BANKING

- **Assets of Estonian commercial banks grew by 15.97 billion kroons (EUR 1.02 b) in April, amounting to 270.02 billion kroons at the end of the month, the Bank of Estonia said.** On year the banks' assets grew by 31.6 percent or 64.9 billion kroons. Of the banks consolidated balance sheet claims to clients amounted to 202.9 billion kroons, claims to crediting institutions to 22.4 billion kroons and to the central bank 14.7 billion kroons.
- **According to the Bank of Estonia the open net foreign currency position of Estonian banks strengthened by 42.2 billion kroons to 33.37 billion kroons (EUR 21.3 b) this April.** At the end of March the open net foreign currency position was 8.8 billion kroons in the red. Estonian banks' currency assets grew in April by 14.9 billion to 187.6 billion kroons, while currency liabilities increased by 9.7 billion to 137.5 billion kroons.
- **The International Monetary Fund (IMF) that completed its mission in Estonia on 14 May pointed out in its concluding statement that the Estonian Financial Supervisory Authority (FSA) jointly with Eesti Pank (EP) and commercial banks should conduct macroeconomic stress tests to supervise banks' credit standards.** IMF finds that it is necessary to continue to maintain careful supervision of bank's credit standards, internal controls and risk assessment methods. It said the FSA should conduct macroeconomic stress tests with the support of Eesti Pank and jointly with the large banks, in addition to the sensitivity analyses it already does.
- **Outstanding loans to private individuals issued by commercial banks in Estonia totaled 91.3 billion kroons (EUR 5.83 b) at the end of April, an increase of 57.9 percent over the same time a year ago.** In comparison with March, loans to individuals grew by 2.8 billion kroons or 3.1 percent, the central bank said. Loans to companies grew by 51.5 percent during the year to 92.1 billion kroons while loans to financing institutions fell by 17 percent to 16.8 billion kroons. Loans to the government stood at 2.79 billion kroons at the end of the month, virtually unchanged from the same time last year.
- **Estonia's Finance Minister Ivari Padar has been appointed chairman of the Board of Governors of the Nordic Investment Bank, the Finance Ministry said on 31 May.** Padar attended the annual meeting of NIB in Holmenkollen, Norway, and in line with the rotation principle was appointed head of the board for the next 12 months.

INDUSTRY

- **Industrial production in Estonia increased compared to February as well as compared to March of the previous year, the annual rate of increase being 7 percent, the Statistical Office said. Compared to February, the seasonally adjusted industrial production in Estonia increased 2 percent.** Compared to March 2006, industrial production increased 7 percent both in industry as a whole as well as in manufacturing. The growth was mainly influenced by a 4 percent increase in the production of food. The increase in food production in its turn was mainly influenced by an increase in the production of beverages, meat and dairy products.
- **Industrial production in Estonia increased in April 8 percent year-on-year, including a 6 percent growth in manufacturing, the Statistical Office reports.** By seasonally adjusted statistics, industrial production increased 1 percent compared to March. The growth in manufacturing was significantly influenced by increased output of electrical machines and appliances, chemical products and building materials. The production of building materials and chemical products grew mostly due to the increase of output for the domestic market linked to the continued fast development of the construction market. The production of electrical machinery increased both for exports and domestic market.
- **Production of industrial output in Estonia was in May 8.6 percent more expensive than in the same month last year, the Statistical Office said on 20 June.** Compared to April 2007, producer prices were up by 0.3 percent. In comparison with April the producer price index was influenced the most by an increase in prices in the manufacture of building materials, while in comparison with May 2006 it was influenced the most by an increase in prices in the manufacture of wood and wood products, of basic metals and fabricated metal products. The export price index grew by 0.8 percent compared to April and by 7.6 percent compared to May 2006. The import price index was up by 0.9 percent compared to April and by 3.3 percent against May 2006.
- **A positive environment in industry and trade in Estonia is expected to persist, the Estonian Institute of Economic Research (EKI) said.** Forecasts by industrial enterprises as regards the near future were positive in March, the Ministry of Economy and Communications said, citing a survey by the institute. According to the companies that took part in the survey the situation was similar to that of the same period a year ago. Companies were having a slightly larger number of orders than usual and expected an increase in the volume of output as well as an increase of the selling prices over the coming months. An optimistic mood was characteristic of most branches of the industry.

- **Three in four residents in Estonia prefer to buy foodstuffs made in Estonia, as appears from a survey carried out by the Estonian Institute of Economic Research.** The percentage of consumers preferring locally produced food peaked five or six years ago, hitting 87 percent. In 2007, 75 percent of respondents prefer food made in Estonia. Lia Lepane, sociologist with the Institute of Economic Research, said in her remarks to journalists on 23 May that preference for domestically produced food was not on a downtrend.
- **At the end of May the Estonian BLRT shipyard bought Finland's Turku Repair Yard Ltd., owner of the biggest dry dock in the Baltic Sea region.** Fjodor Berman, board chairman of the BLTR Group, told reporters today that BLTR is now able to serve the biggest ships sailing in the Baltic Sea at the Turku Repair Yard dry dock at Naantali.
- **Estonian shipbuilder BLRT has established a joint venture in Norway to start building smaller ships, the daily Postimees reports.** The new company is owned half and half by Norwegian Fiskerstrand Verft and a BLRT-owned shipyard in Klaipeda, Lithuania. The joint venture is called Fiskerstrand BLRT AS. Among the first ships to be built by the company will probably be ferries for Saaremaa Laevakompanii (Saaremaa Shipping Company, SLK). Fiskerstrand and SLK have already signed the contract for the first of the ferries, the daily says.

ENERGY

- **While competition and making of more options available to consumers are necessary for better organization of the energy market, Estonia has been against separating the generation and distribution of electric energy from each other in terms of corporate structures, European Commission Vice President Siim Kallas said.** The key to a better working of the energy market is separation of the business interests of generating units and distribution networks, which allows to stand up against the power of monopolies and keep the price of energy lower, Kallas said at an international conference hosted by the Bank of Estonia on Wednesday.
- **The Russian natural gas giant Gazprom should sell its interest in Eesti Gaas (Estonian Gas) because production and distribution of energy must be separated, says the competition commissioner of the EU, Neelie Kroes.** Production of energy has to be separate from intermediation in order to ensure competition, the visiting commissioner told reporters on 15 June. The aim is for investment decisions concerning different segments of the energy sector such as production and sale not to be made by one and the same management board, she explained.
- **According to a recently completed energy strategy of the Baltic states the existing capacities would suffice even after closure of the Lithuanian Ignalina nuclear power plant in 2009 but the need for the construction of new power plants also exists.** The maximum load of the Baltic countries' electricity market is presumed to be 6,000 megawatts in 2015. After the closure of the Ignalina power plant renewal of the Lithuanian thermal power plant and of power blocks at Estonia's Narva power plants as well as construction of modern combination power plants and of distant heating and industrial power plants will help maintain capacity.
- **Prime ministers of the Baltic states ruled at a meeting on 11 June to extend to Poland a formal invitation to join a project for the construction of a new nuclear power plant in Lithuania, spokespeople for the Estonian government report.** "Now we have to decide how powerful reactors we need and how interest in the company will be divided," said the head of the Estonian government, Andrus Ansip. Speaking at a high-level Baltic energy forum in the Latvian capital today, Ansip said only nuclear power will enable the Baltic states to be large energy producers without being large polluters.
- **Power companies of the Baltic countries are about to start preparations for disconnecting the Baltic electricity system from the Russian and hooking up with the European electricity system.** An agreement on launching a corresponding study on company level was signed by prime ministers of the three countries on 12 June. Research concerning the switch was carried out in 1998 and it showed the feasibility of the plan, chief executive of the national power utility Eesti Energia (Estonian Energy) Sandor Liive told reporters on 14 June.
- **The EU should mull imposing an import duty on electric energy produced in Russia so that Russian imports wouldn't have an unfair advantage in competition in the EU's open market, Estonian Economy and Communications Minister Juhan Parts has said.** "If Russian power suppliers can compete in the EU power market without carbon dioxide limitations, having fuel prices several times lower than in the EU, and having no need to invest into environmentally clean technologies, competition within the EU will be distorted," the Estonian minister said in his opening remarks at a conference of the International Council on Large Electric Systems (CIGRE) in Tallinn on 19 June.
- **The corner-stone will be laid to a biodiesel plant of AS Biodiesel Paldiski which will cost 350 million kroons (EUR 22.4 million) to build.** The plant, to be put up at the Paldiski South Port, will be have the capacity to produce more than 300 tons of biodiesel a day and it will be one of the biggest in the Baltic countries, a representative of the company said. According to earlier information the plant should be completed in November. The intended annual turnover of the plant will be 1.2 billion kroons.

ENVIRONMENT

- **The European Commission told Estonia on 4 May to slash its proposed cap on 2008-2012 industrial carbon dioxide (CO₂) emissions by nearly 50 percent in its latest move to shore up the emissions trading scheme.** The EU executive demanded Estonia limit emissions from companies covered by the scheme to 12.7 million tons annually, a 47.8 percent reduction from the country's original proposal.

IT

- **Estonia holds the leading position in the world by the use of Internet banking services with 79 percent of consumers using online banks at least once a week, a study by ACNielsen reveals.** As to Estonia's closest neighbors, in Norway 76 percent and in Finland and Poland each 69 percent of consumers use online banking services at least once a week. In Russia the corresponding indicator is 18 percent which places the country in the last but one position in the scoreboard.
- **Estonia ranks 24th among 181 countries of the world in the latest digital opportunity index published by the International Telecommunication Union; its Baltic neighbors Lithuania and Latvia placed 33rd and 46th, respectively.** A year ago Estonia placed 20th. The top five nations were South Korea, Japan, Denmark, Iceland and Singapore.
- **Some 65 percent of Estonia's residents aged 6-74, or 768,000 people use the Internet, it appears from a survey by TNS Emor pollsters.** Compared to last spring, the number of Internet users has grown by 34,000. One out of two Estonians aged 6-74 uses the Internet on at least five days of the week. The number of such people has increased by nearly 100,000 over the past year.
- **The number of users of the electronic functions of the Estonian ID card more than doubled during one year to reach 60,000.** More than 57,000 people have given a digital signature and 600 are by now using the mobile-ID service introduced on the market in May, the Certification Center said. Andres Kaarik, chairman of the council of the Look@world foundation, said on 23 May that the increase in the number of people using electronic functions of the ID card was attributable to several factors, such as the addition of new areas where the electronic functions can be used. The popularity of the option to vote online in the parliamentary elections earlier this year also surpassed expectations, as a little more than 30,000 people used the possibility to cast a vote on the Internet.
- **The e-billing portal Arved.ee launched by the information logistics company Itella has put Estonia in the first place in the use of e-billing by private individuals in Europe, Itella said.** Upon the launch of Arved.ee the share of e-billing in overall billing operations in Estonia was 4.5 percent. That figure has more than doubled by now to 10.5 percent, Itella's Managing Director Mait Sooruu said. Approximately 170,000 e-bills are sent via Itella per month, which make up 63 percent of all e-bills going to private individuals in Estonia.

RETAIL

- **Retail sales by retail trade enterprises in Estonia grew 25 percent in constant prices in March 2007 compared to March of the preceding year, the Statistical Office said.** The volume of retail sales of goods by retail trade enterprises in March came to 4.4 billion kroons (EUR 281 million). The rate of growth in the retail sales of goods was faster than in the preceding year, when the growth rate was 19 percent.
- **Retail sale of goods at constant prices by retail trade enterprises in Estonia grew in April 16 percent year-on-year, the Statistical Office reports.** Retail trade enterprises sold last month by retail 4.2 billion kroons' (EUR 268.4 million) worth of goods. Sales by groceries grew 11 percent in comparison with April 2006. Shops selling manufactured goods still posted the most robust sales growth at 21 percent, but the pace of growth slowed down compared to previous months. The slowdown was due to the smaller number of special offers.

TOURISM

- **A total of 147,000 tourists stayed at Estonian accommodation establishments this March, 7,000 more than a year ago, the Statistical Office said.** Residents of Estonia were more eager than the year before to use services of the country's accommodation establishments. Compared with March 2006, 5,900 more domestic visitors stayed at the accommodation establishments. In March 78,000 foreign visitors and 69,000 residents of Estonia used the services of the country's accommodation establishments.
- **In April 112,000 foreign tourists stayed at Estonian accommodation establishments which is 34,000 more than in March, data by the Statistical Office show.** The growth in tourist numbers was 44 percent in comparison with March and 5 percent compared to April 2006. The number of Norwegian tourists staying at Estonian accommodation establishments increased by nearly half, of Polish tourists by 42 percent, of Latvian tourists by 29 percent, and of Lithuanian tourists 16 percent year-on-year.