

# Estonian Economy

---

ESTONIAN ECONOMIC POLICY .....	1	BANKING.....	6
MAJOR ECONOMIC INDICATORS .....	3	TRANSPORTS .....	6
PRICES.....	5	ENERGY.....	7
FOREIGN ECONOMIC RELATIONS .....	5	AGRICULTURE.....	7
DEVELOPMENT BY SECTORS .....	6	IT .....	8
		INDUSTRY .....	8

## ESTONIAN ECONOMIC POLICY

- **On 20 September the Estonian government approved the draft state budget for 2008 with revenues projected at 96.4 billion kroons (EUR 6.2 b) and expenditures at 93.6 billion kroons.** Compared to this year, the budget will grow by 18.8 billion kroons or 25.17 percent. The priorities of the 2008 budget are internal security, education, social affairs and development of infrastructure, the governmental press service said. The budget has been planned to have a surplus of 2.7 billion kroons and the government sector surplus, at 1.3 percent of gross domestic product or 3.6 billion kroons.
- **On 23 August, commenting on forecasts of steep rises in the tax burden Prime Minister Andrus Ansip said that the present government had not promised to lower the tax burden.** "We have agreed in the coalition that we will not raise the general tax burden but we do not want to make the state much thinner than it is. We will keep the general tax burden at the level where it is at present," Ansip told reporters.
- **Answering a question at a seminar on investment Estonian Economic Affairs Minister Juhan Parts said that the government's view was not to change the corporate tax system.** Speaking at a seminar of the British-Estonian trade chamber, Parts said that the present system could be in contradiction with the vision of the European Commission but the government would not change the corporate income tax system.
- **Estonian Finance Minister Ivari Padar said that an even stricter budget position would have to be taken considering the present inflation.** "In using revenue flowing in above the target and in planning the next year's budget we must step very cautiously and conservatively -- it is necessary to take an even stricter budget position in order not to flare out the price rise even further," Padar said. The minister also drew attention to the fact that although growth in lending was gradually slowing down, banks could take an even more serious stance concerning growth in their loan portfolios.
- **In a comment on the state budget talks Estonian Finance Minister Ivari Padar said the surplus of the next year's government sector budget would be at least one percent of the GDP.** "It is clear the budget will be drawn up with a surplus that is at least twice higher than the 0.5 percent of GDP promised in the spring," Padar told BNS on 7 September. "We proceed from the financial plan agreed on concerning the budget strategy in the spring and a certain amount of additional funds can also be expected from sums to flow in according to the summer forecast."
- **The Estonian government spent 178 million kroons from its reserve in H1.** Finance Minister Ivari Padar said that the biggest part of the allocations from the government's reserve were expenses in connection with the late April disturbances and the sugar penalty. "The government allocated 20 million kroons to compensate damages to private persons in the course of the late April disturbances," Padar said.
- **Estonia and the European Commission have agreed on the priorities for the use of the 3.4 billion kroons (EUR 217 mln) to be allocated to Estonia as part of the EU Cohesion Policy over the years 2007-2013.** Under the agreement, Estonia would use the money to boost growth of the economy and employment, strengthening of human capital and reducing regional differences, the European Commission said. The EU commissioner for employment and social affairs, Vladimir Spidla, said that the Estonian strategy reflects the country's resolve to improve the quality and effectiveness of investments made in human resources.
- **Commenting on employment data for the second quarter, the Estonian Finance Ministry said on 15 August that employment has started to decline in several sectors and one has to get ready for more difficult times.**  
A constant reduction is taking place first and foremost in agriculture, forestry, hunting and fishing. The wood sector

has been under particular strain as a result of restrictions on logging volumes in Estonia and difficulties with Russian imports, the ministry said.

- **On 10 September Hansabank Markets analyst Maris Lauri told BNS that the bank was planning to lower the country's economic growth forecast for both this and the next year.** "We will certainly lower the economic growth forecast for this and the next year, in all likelihood to the vicinity of 7-8 percent for this year and lower still for the next year," Lauri said. The bank's earlier forecast was of 8.6 percent economic growth this year and 6.9 percent in 2008. Commenting on this year's Q2 GDP growth forecast of 7.3 percent, Lauri said that the result had been as expected, although in domestic demand growth in consumption and investments was distributed somewhat more favorably than had been hoped for, or growth in consumption was lower and growth in investments was higher.
- **Estonia's state budget for the next year calls for a cautious approach, being based on optimistic economic expectations, a leading analyst says; she also criticizes the planned public sector wage growth.** "The Finance Ministry's summer forecast obviously could not take into account a significant economic slowdown that became apparent in August and September. Furthermore, the outside environment has lately become more problematic," Hansabank Markets analyst Maris Lauri told BNS. In her words, the question whether the government has given serious thought to what is to be done if things don't go according to its optimistic expectations remains without an answer. "It would be good to see genuine risk scenarios – for instance, if tax revenues fell short of expectations during two months the budget would instantly be reviewed," she said.
- **The threat of overheating in the Baltic countries remains, although a soft landing is still our main scenario, the economic research unit of the Scandinavian banking group SEB said in its latest survey.** Growth will slow modestly in the Baltic countries, but overheating risks remain. Although credit growth has eased slightly, inflation and current account deficits remain at high levels, the survey said.
- **In a recently published report, Standard & Poor's Rating Services forecasts soft landing after a period of very fast growth.** "Under our baseline scenario, the Baltic credit bubble should start to slowly deflate beginning in the fourth quarter of this year," said Standard & Poor's credit analyst Frank Gill. "This outlook, however, hinges on the expectation that the European Central Bank /.../ will continue to tighten monetary policy, and that the Baltic authorities will avoid further fiscal stimulus to their respective economies." Standard & Poor's notes that such actions would allow current account deficits across the region to decline to more sustainable levels, while wage growth would begin to converge toward current rates of productivity growth.
- **On 12 September the international rating agency Moody's Investors Service said it had changed the outlooks on Estonia's and Latvia's long-term foreign and local currency debt from positive to stable.** The changes were prompted by worsening macroeconomic imbalances that have eroded the upside potential for the sovereign ratings of both countries in the foreseeable future. In addition, persistently high inflation makes their accession to the euro zone unlikely within the next several years, Moody's said. Moody's affirmed Estonia's long-term debt rating at A1 and Latvia's at A2. The short-term foreign and local currency ratings were not affected by the change in outlooks.
- **According to a European Monetary Union convergence report published by the Fitch rating agency on Friday, Estonia's accession to the euro zone will be postponed at least until 2012.** The agency said that rising inflation and macroeconomic imbalances would delay euro adoption until 2012 for Estonia, and 2013 for Lithuania and Latvia. Excise tax rises, supply shocks and real income and price level convergence, in combination with fixed nominal exchange rates, will make it difficult to fulfill the inflation criterion, so even longer delays are possible, Fitch said.
- **According to the world economic freedom index drawn up by the Fraser Institute of Canada, Estonia ranks eighth in the list on the basis of data for 2005.** In the previous study drawn up on the basis of data for 2004 Estonia ranked 12th together with Austria, Finland, the Netherlands and the United Arab Emirates. This year the institute assessed the level of Estonia's economic freedom with 8.0 points, 0.3 percent higher than last year.
- **In its recent study of the world countries' business climate the World Bank ranked Estonia as No 17, while Singapore holds the top position for the second year running.** According to the World Bank study there are 12 companies registered per each 100 resident in Estonia." Of former socialist countries, it is the simplest to go into business in Estonia," the bank said. Besides, the World Bank specially mentioned Skype as a company established in Estonia that has become the world leader in its specific sphere.
- **The British business magazine fDi and Financial Times Business have named Estonian Prime Minister Andrus Ansip fDi Personality of the Year 2007 - Europe.** "We have been very impressed with the business-friendly economic and tax policies which you have pursued during your time in office and which have contributed to Estonia's highly attractive investment environment, impressive GDP growth, booming export sector and technological prowess," fDi magazine said.

## MAJOR ECONOMIC INDICATORS

- **Estonia's annual economic growth rate was 7.3 percent in the second quarter of 2007, according to a flash estimate by the Statistical Office.** The seasonally adjusted GDP growth rate compared to the first quarter of the year was 1.0 percent, measured in constant prices. Deceleration of economic growth continued in the second quarter, as in the first quarter of this year Estonia's GDP still grew at an annual rate of 9.8 percent. While economic growth continued to be fast, a slowdown occurred in constant prices primarily as a result of slower value-added growth in manufacturing, wholesale, transport and storage.
- **Data about Estonia's GDP growth in the second quarter corresponds to the estimate that the economy is making a soft landing, the Bank of Estonia said.** On 14 August the Statistical Office published its initial estimate according to which the rate of annual economic growth in Estonia in the second quarter was 7.3 percent. In the first quarter of this year Estonia's GDP still grew at an annual rate of 9.8 percent.
- **According to the Finance Ministry's summer forecast Estonia's economy will this year grow by 8.1 percent and next year's growth figure will be 7 percent.** In the spring the ministry forecast economic growth of 9.2 percent for this year and of 8.3 percent for next year. The Finance Ministry said in its overview that as before, economic growth was based on domestic demand and export, although the growth rates of these figures were slowing down.
- **In a report on the outlooks of the Estonian economy published on 25 September, Danske Markets said it estimates the economic growth rate of Estonia to slow down to 4.5 percent next year.** Annual GDP growth this year is expected to amount to 7.6 percent, Danske said. The rate of growth is due to drop to 4.2 percent in 2009. Analysts at Danske said they saw significant risks of a downward correction even in that estimate, particularly if the crisis in Latvia deepens.
- **Against the backdrop of a slowdown in economic growth, productivity in Estonia grew 5.9 percent in the second quarter of this year while the rate of real growth of wages was 14.6 percent.** The figures show that wages are growing more than two times faster than productivity, the Finance Ministry said. The ministry said that a trend like this cannot continue for long since it is cutting the margins for businesses.
- **According to the summer forecast of the Estonian Finance Ministry the rate of inflation will be 6.1 percent this year and will grow to 7.4 percent next year.** In the spring the ministry forecast the figures stand respectively at 4.9 and 5.2 percent. The ministry said in its overview that if inflation in the three EU countries with the lowest inflation would be around three percent also in the future, it would be difficult for Estonia to meet the Maastricht price stability criterion until 2011.
- **The Estonian Finance Ministry estimates that the tax burden will rise to 32.2 percent of gross domestic product in 2007 and 32.8 percent of GDP next year.** Last year the tax burden was 30.7 percent of GDP. The tax burden is expected to inch up to 32.9 percent of GDP in 2009 but start falling thereafter and revert to the 2007 level by 2011. The government aims to shift the tax burden from taxation of income to taxing consumption, use of natural resources and environmental pollution, an explanatory letter to the 2008 state budget bill says.
- **According to a forecast by the Estonian Finance Ministry the sum total of the state budget will next year rise by 16.2 percent against this year's expected revenue intake to 96.25 million kroons (EUR 6.1 b).** The ministry forecasts that in 2008-2011 the budget will be within 1.8 to 12.2 percent of the GDP. According to the ministry's forecast the Estonian state budget would be in the range of 109.2 billion kroons in 2009, 118.5 billion kroons in 2010 and 126.8 billion kroons in 2011. The ministry's forecast for this year's state budget is 82.28 million kroons.
- **The current surplus of the Estonian state budget, the difference between revenues and expenditures, is slightly above three billion kroons (EUR 192 mln) at present, the Finance Ministry said.** As of the end of June revenues of the state budget were 1.7 billion kroons higher than expenditures. As of August 1, 37.6 billion kroons, 62.4 percent of the annual tax revenue target, had been paid into the state budget. Inflow of non-tax revenue by the same date totaled 7.4 billion kroons, 47.2 percent of the target, a spokesman for the Finance Ministry said.
- **Estonia's central government budget surplus forms already 1.9 percent of the expected GDP and it is possible to have a surplus this year equal to 3.8 percent from 2006, Estonian Prime Minister Andrus Ansip told Reuters in an interview.** According to figures by the Finance Ministry, the size of the surplus was three billion kroons at the end of July. On 14 August Ansip said that he was optimistic about the economic slowdown without a hard landing, and that inflationary pressures which derailed the Baltic state's euro bid, would ease.
- **The Estonian Finance Ministry said that 45 billion kroons (EUR 2.87 b), 59.3 percent of this year's revenue target, was paid into the Estonian state budget in January-July.** Compared with January-July 2006 revenue intake increased by 20.6 percent – by the same time last year 37.3 billion kroons was paid into the state budget, the Finance Ministry said. As of the end of July, income of the state budget surpassed expenditures by 3.1 billion kroons. Tax revenue payments into the state budget totaled 37.6 billion kroons by the end of July, 6.5 billion

kroons was received in July. Altogether, tax revenue inflow in January-July accounted for 62.4 percent of the annual target.

- **Estonia's foreign trade deficit totaled 3.4 billion kroons (EUR 217 mln) in July, down from 4.7 billion kroons in July 2006 and 3.8 billion kroons in June this year, the Statistical Office said.** The turnover of foreign trade was 23.4 billion kroons, an increase of 4 percent over July 2006 and up 8 percent from June 2007, according to tentative figures.
- **The long-term unemployment rate fell to 2.8 percent in Estonia in 2006; the average for the EU (EU) was 3.6 percent last year, the Statistical Office said.** Estonia's fast economic growth has influenced also unemployment figures. As the percentage of unemployment has fallen, also the long-term unemployment rate, i.e. the percentage of those having looked for work for a year or longer among the gainfully employed, has declined. Compared with 2002 long-term unemployment fell by nearly a half by 2006. This is a good figure even in comparison with the EU average. If long-term unemployment has only been falling in Estonia in the recent years, then the EU average has remained within four percent.
- **There were 12,887 unemployed registered with the Estonian Labor Market Board as of the end of July, 2 percent of the labor force from age 16 to pension age.** Compared with June 30, there were 247 people more registered at the end of June. But against August 1 the number of jobless fell by 4.3 percent, the Labor Market Board said. The board registered 2,159 new unemployed in July.
- **At the end of August, 12,927 unemployed were registered with the Estonian Labor Market Board, making up 2 percent of the labor force from age 16 to pension age.** Against September 1, 2006 the number of unemployed was down by 1.3 percent, the Labor Market Board said.
- **The unemployment rate in Estonia dropped to 5 percent in the second quarter of 2007, decreasing the most in the country's northeast, the Statistical Office said.** The quarterly unemployment rate was lower than in the first quarter of this year (5.3 percent) or in the second quarter of 2006 (6.2 percent). The unemployment rate in Estonia has halved over the past three years -- from 10 percent in the second quarter of 2004 to 5 percent in the second quarter of 2007.
- **According to a study of the International Labor Organization Estonia was among average countries in terms of labor productivity on the basis of purchase power parity last year.** According to the study released on 2 September every working Estonian produced 43,232 US dollars value added to the country's gross domestic product in 2006. Among the 36 countries the study embraced this gives Estonia the 14<sup>th</sup> place and sets it ahead, for example, of Germany and Switzerland.
- **Speaking on the Radio Estonia Vikerraadio program on 28 September, Prime Minister Andrus Ansip said that real growth in wages in Estonia would be by seven percent.** The prime minister said that relying on the forecasts of experts the nominal growth in the wages would be by 14 percent and the inflation would go up by 7 per cent next year.
- **The average monthly gross wage of full-time and part-time employees of enterprises, institutions and organizations in Estonia was 11,549 kroons (EUR 738) in the second quarter of 2007, the Statistical Office said.** The average hourly gross wages and salaries totaled 66.50 kroons in the same period. Compared to the second quarter of 2006, average monthly gross wages and salaries were by 21.2 percent and average hourly gross wages and salaries by 20.1 percent higher.
- **According to the Statistical Office the average wages of the private sector were higher than those of the public sector for the first time last year in Estonia since the reestablishment of independence.** In 2006 the gross wages rose by 17.9 percent to 9,430 kroons (EUR 602.5) in the private sector compared with the previous year while in the public sector the figure climbed by 12.8 percent to 9,345 kroons.
- **On 6 August the Statistical Office released figures for the average wages by county during Q1; in Tallinn the average gross wages grew by 20 percent on year to 12,174 kroons (EUR 778).** Last year the average gross wages in Tallinn were 10,164 kroons monthly and by the last quarter of the year the figure grew to 11,851 kroons. In the metropolitan Harju County, including Tallinn, the wages also grew by one month and amounted to 11,983 kroons in Q1. The annual growth in gross wages was the fastest in Viljandi County, by 28 percent to 8,691 kroons monthly. The average gross monthly wages were the lowest in the East-Viru County where it grew by about 17 percent on year and amounted to 7,324 kroons monthly in Q1.
- **The Estonian Finance Ministry has forecast that the average gross wages this year will be 11,258 kroons (EUR 719) a month, 20.4 percent more than the average wages of 9,351 kroons a month last year.** According to the ministry's forecast the gross monthly wages will climb to nearly 13,000 kroons in 2008, to 14,688 kroons in 2009, to 16,289 kroons in 2010 and to 17,918 kroons in 2011. Real growth in wages will peak this year, when the real income of people will rise by an average of 13.5 percent; in the next years the real growth in wages will be between 6 and 7.5 percent.
- **The average old-age pension in Estonia in the second quarter of this year was 3,515 kroons (EUR 225) a month, a 12 percent increase over the same time a year ago and over the first quarter of 2007, the**

**Statistical Office said.** The average pension in the second quarter of last year was 3,131 kroons, and 3,126 kroons in the first quarter of this year.

## PRICES

- **The rise in consumer prices this July was by 6.4 percent on year in Estonia, the Statistical Office said.** The prices of goods were 4.3 percent higher on year, of which the rise in the prices of groceries was by 6.7 percent and of manufactured goods by 2.2 percent. The hike in the prices of services was 10.5 percent. In the same period the prices of administratively regulated goods and services went up by 5.1 percent and non-regulated prices by 6.8 percent. The biggest influencers of the index were higher prices of housing expenses and food items.

## FOREIGN ECONOMIC RELATIONS

- **EU Commissioner Jacques Barrot found that a solution for the problem of crossing of the Estonian-Russian border should be linked to Russia's bid to become a member of WTO.** "We should make use of Russia's desire to join the World Trade Organization (WTO) and demand that it follow certain rules," Barrot told a press conference on 10 September. In Barrot's opinion the long border crossing lines were the fault of Russian customs workers' insufficient competence, corruption and political reasons.
- **Estonia returned the European Commission nearly 41 million kroons (EUR 2.6 mln) of PHARE money that had been misused or applied contrary to rules, but fraud makes up less than 10 percent of discovered violations, the business daily Äripäev reports.** The amount of structural fund support that has to be refunded because of violations will become clear in 2009. The 3.5 million kroons of support to cohesion fund projects which Estonia had to pay back was deducted by the European Commission from aid allocated to the country later.

---

Further information is available:

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

---

## DEVELOPMENT BY SECTORS

### BANKING

- **The aggregate profit of Estonian commercial banks in the first seven months of 2007 totaled 5.143 billion kroons (EUR 329 mln), marking a 2.6-fold increase over the same period a year ago.** Assets of Estonian commercial banks increased 44 percent during the year to 290 billion kroons at the end of July, figures by the central bank show.
- **The open net foreign exchange position of Estonian banks strengthened in July by 817 million kroons to 33.94 billion kroons (EUR 2.17 b), figures by the central bank show.** At the end of June the open net foreign exchange position was 33.12 billion kroons and a month earlier, 32.89 billion kroons. In July Foreign currency assets of Estonian banks declined by 876 million kroons to 199.71 billion kroons while foreign currency liabilities increased by 121 million kroons to 151.28 billion kroons.
- **According to the Bank of Estonia the average interest rate on euro loans climbed to 5.93 percent as of the end of July, the highest level since it stood at 6.24 percent at the end of October 2001.** The average interest rate on kroon loans grew to 8.44 percent as of the end of July, the highest level since the end of March 2002, when it stood at 6.24 percent.
- **Estonian commercial banks had 1,439,445 Internet banking clients as of the end of July, 25,525 more than as of the end of June.** The number of users of the banks' telephone banking services increased to 410,312 by the end of the month. As of the end of July Hansabank's Internet bank, Hanza.net, had 756,923 users, 17,546 more than in the previous month. SEB Eesti Ühispank had 446,088 U-Net and 39,410 U-Net Business users as of the end of the month, respectively 2,817 and 615 more than at the end of the previous month.
- **Estonia's major commercial banks had by the end of July issued 1,696,126 bankcards of which 1,267,701 were debit and 428,425 credit cards.** Compared to the end of June, the number of debit cards was up by 5,003 and that of credit cards, by 6,933. The market leader Hansapank had issued 858,374 debit and 261,067 credit cards by the end of last month.
- **On 3 August the international rating agency Fitch Ratings affirmed the Estonia-based Hansabank's previous ratings with a stable outlook.** Fitch affirmed the long-term issuer default rating at A, short-term IDR at F1, individual rating at B/C, and support rating at 1. Hansa's long- and short-term and support ratings reflect the extremely high potential of support from Swedbank, its 100 percent shareholder, the rating agency said. Hansa's individual rating takes into account the bank's strong franchise across all three Baltic countries and strong profitability, as well as the risk from the extremely high loan growth seen over a number of years.
- **Hansabank, the largest banking group in the Baltic countries has filed an application to become a remote member of the Warsaw stock exchange.** A remote member enjoys immediate access to the stock exchange's trading system but doesn't need to have a representation in Poland. Membership of the Warsaw stock exchange will rather make it simpler for Estonian investors to invest, via Hansabank, in shares listed in Poland. Trading as such has been taking place already for a long time, said Mihkel Torim, specialist on equities markets at Hansabank Markets.

### TRANSPORTS

- **Eesti Raudtee (Estonian Railway) received an average of 19.3 trains from Russia every 24 hours in July, down by 1.2 trains from June and by 13.2 trains from July 2006.** The number declined by a few trains in the second half of the month after Russia's deputy prime minister had reportedly given orders to further curb Estonia-bound shipments, a spokesman for the state-owned rail company said. In May Eesti Raudtee accepted daily on the average 23 trains from Russia on the border and in June the number declined to 20.5. During the same months last year, the daily number of trains from Russia averaged respectively 32.3 and 30.
- **Estonian ports handled 3.28 million tons of freight in July, which is 24.3 percent less than in the same month a year ago, figures by the Statistical Office show.** The decline compared with June 2007 was 13.5 percent. Ports loaded 2.57 million tons of cargoes, a drop of 31.4 percent compared to July 2006. Compared to June, loading of cargoes was down by 13.9 percent.
- **Estonia should lay down a limit beyond which it no longer makes sense to develop ports and the railway, Prime Minister Andrus Ansip said on 16 August.** "In developing our ports we shouldn't choose only the expansionist way -- to devour more and more to get bigger all the time. I think it would be rational if we laid down a certain limit, developing the port beyond which is no longer advisable for the country," Ansip told reporters. The direction in which transit is going and the fluctuations in volumes are a well-known fact, and it doesn't make sense to pay any price whatever to prevent transit bottlenecks in ports and on the railway, because that is not in the interest of the taxpayer, said the prime minister.

- **Scandinavian Airlines System (SAS) would like in the near future to merge the Estonian and Latvian aviation companies, Estonian Air and Airbaltic, the German paper Handelsblatt reported.** SAS managing director Mats Jansson told the paper that the company was now holding talks with the Estonian and Latvian governments with the purpose of becoming majority owner of the two companies.
- **The customs officers of the Russian northwestern region have drawn up a black list of 29 Estonian transport firms that are given unfair treatment at border crossing, the daily Postimees wrote.** The companies in the "black list" of which the paper has a copy, are subject to special treatment at border checkpoints and their vehicles can only move to the destination escorted by a rapid reaction forces' special convoy. The convoy escorts the vehicles to their destination, a bonded station. According to the carriers the costs of escorting from Ivangorod to St. Petersburg rose from 4,000 to 8,000 rubles (EUR 229) a few days ago. The cost of escorting to Moscow is said to be 600 to 800 euros.

## ENERGY

- **On 27 September Estonia dealt a blow to Russian-German gas consortium Nord Stream, partially owned by Russian giant Gazprom, refusing to approve surveys in Estonian waters for a planned Baltic Sea pipeline.** The decision was reached at a cabinet meeting, Mart Laar, head of the Pro Patria-Res Publica Union, one of the Estonian coalition's three parties, told AFP. "Estonia had no other choice but to decline the Nord Stream request, especially taking into account the enormous environmental risks and also security risks that the construction of a Russian-German pipeline in Estonian waters will mean to us," Laar said. Estonian unease about the project mounted after Russian officials announced that the pipeline construction site and future maintenance operations could be protected by the Russian navy.
- **Estonian Economic Affairs Minister Juhan Parts and Finnish Trade and Industry Minister Mauri Pekkarinen, meeting on 21 August, found it was necessary to continue preparations to the building of another electricity cable connecting the two countries, Estlink 2.** "Building of the new cable is necessary for better functioning of the common electricity market and improvement of the electricity supply security in the Baltic Sea area," Parts said. The ministers stated that it was necessary to make additional analyses concerning functioning of the Baltic and Nordic countries' common electricity market.
- **On 11 September the head of the Estonian government confirmed Estonia's interest in Finland's sixth nuclear reactor and Estlink 2 power cable at a meeting with his Finnish counterpart in the island of Saaremaa.** Estonia is interested in energy cooperation and the launch of the Estlink 2 power cable, Andrus Ansip told reporters after the meeting. "We are naturally interested in participating in the construction of Finland's sixth nuclear reactor," the prime minister said. Also the chairman of the board of Eesti Energia (Estonian Energy) Sandor Liive expressed his company's interest in participation.
- **Estonian Economic Affairs Minister Juhan Parts told the daily Postimees that Finnish partners' agreement with Estonia's participation in the new Finnish nuclear power plant would have to be achieved within a year, because the northern neighbors' parliament should debate the issue in 2009.** "We are very much interested in achieving Finland's political support to Estonian companies' involvement, as well as the support of companies that have invested into Finnish nuclear power plants by now," Parts said.
- **On 18 September the Constitutional Committee of the Estonian parliament withheld support for a bill initiated by the oppositional Center Party proposing to hold a referendum on the country's participation in a new nuclear power plant to be built at Ignalina, Lithuania.** The issue concerns the state's energy security in which it is rather dangerous to rely on yes-no emotions, the chairman of the panel, Väino Linde from the ruling Reform Party, told BNS. Furthermore, participation in a nuclear power plant project may in his words not be a question that can be put to a referendum under the Constitution. "It's apparently populism, after all, that prompts the Center Party to make such a proposal," the Reformist lawmaker said.
- **On 28 August Standard & Poor's Ratings Services (S&P) said it had revised the outlook on the Estonian state-owned integrated electric utility Eesti Energia AS to negative from stable to reflect the risks to credit quality due to its possible participation in a nuclear power plant in Lithuania.** The ratings agency affirmed Eesti Energia's A-long-term corporate credit rating, citing its strong business risk profile supported by its transmission and distribution monopolies and its dominant position in electricity generation and supply in Estonia.

## AGRICULTURE

- **On 16 August the Estonian government on approved the allocation of 72.8 million kroons (EUR 4.65 mln) in additional investment support to agriculture.** The government with its ruling endorsed the European Commission's decision from July 13 whereby the Commission agreed to changes in the breakdown of different support items. The decision cuts the size of investment support for the improvement of processing and marketing of agricultural produce, aid for diversification of economic activities, integrated land improvement, restoration and

development of villages, forestry, and advisory and dissemination of information services by 4.65 million euros, taking that sum to bridge the gap in investment support for agricultural production.

## IT

- **Fastcompany.com, the web site of the business magazine Fast Company, has chosen Tallinn as one of the world's 30 Fast Cities in the category of innovators of urban life.** Microlink, Skype and Delfi were named as Tallinn's fast companies. The list of 30 consists mostly of North American cities. Among the cities closer to Tallinn also the Swedish capital Stockholm is listed. "Being in the list of the world's 30 Fast Cities confirms once again that Estonia's advanced information technology level is noticeable also in world competition," Microlink CEO Enn Saar said. Fastcompany.com recognizes the internetization level of Tallinn, noting that almost 58 percent of residents use the Internet, with connection rates among the cheapest in Europe.
- **The creator of the technical solution of Estonia's electronic voting system, Tarvi Martens, has become the second Estonian to be honored under The Outstanding Young Persons of the World program of Junior Chamber International.** Junior Chamber International recognizes every year ten young individuals under 40 years of age who excel in business, social life or personal development, the Estonian branch of the organization said. An international panel of judges selected the ten 2007 honorees from a field of 157 entries received from 42 countries. The first Estonian to be honored by JCI was Mart Laar as the youngest prime minister of a European democracy in 2003.

## INDUSTRY

- **It cost 8.7 percent more to produce industrial output in Estonia this July than in the same month last year; month on month the cost of production increased by 0.5 percent, the Statistical Office said.** Month on month, the producer price index was affected by more than the average in July due to rising prices in the food and beverages industry. Against July 2006 the growth in producer prices was the highest in wood processing and in the manufacture of timber products.