



# PEAMINISTER

*Annual Speaker Luncheon*

*American Chamber of Commerce Estonia*

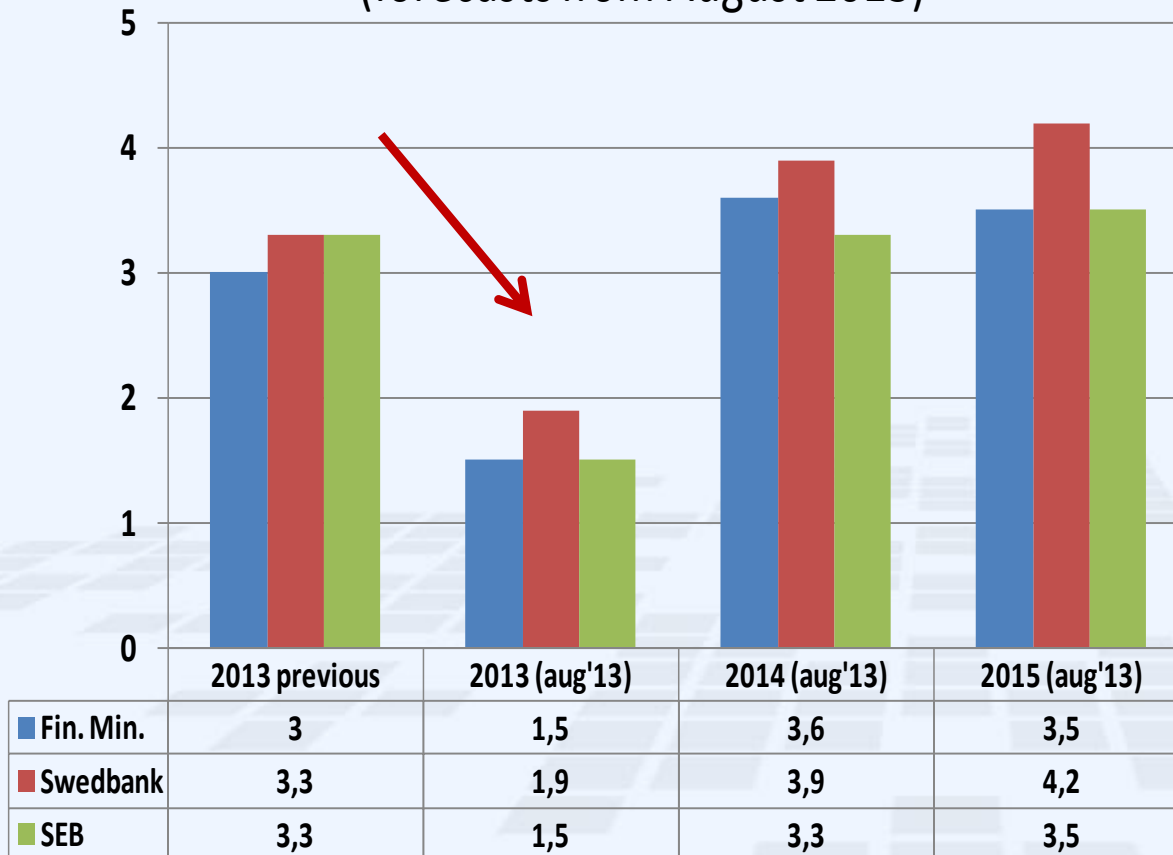
*September 6th, 2013*

*Tallinn*

# Recent forecasts:

## 2013 has been somewhat disappointing

Growth of GDP volume in Estonia  
(forecasts from August 2013)



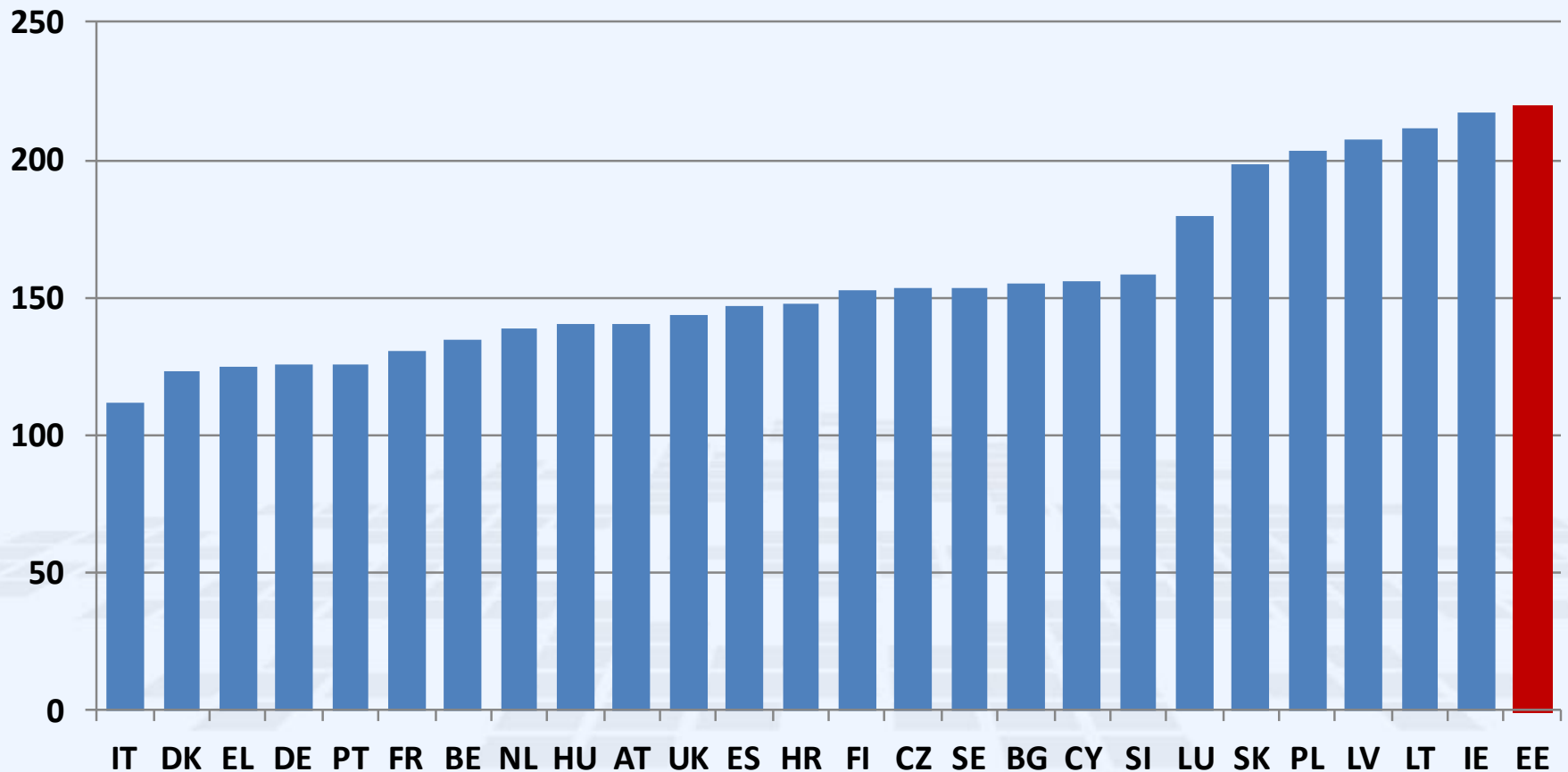
- *still among the handful best performers in the EU*

- *total tax revenues in 2013 better than expected*

- *stronger outlook also for EU from 2014*

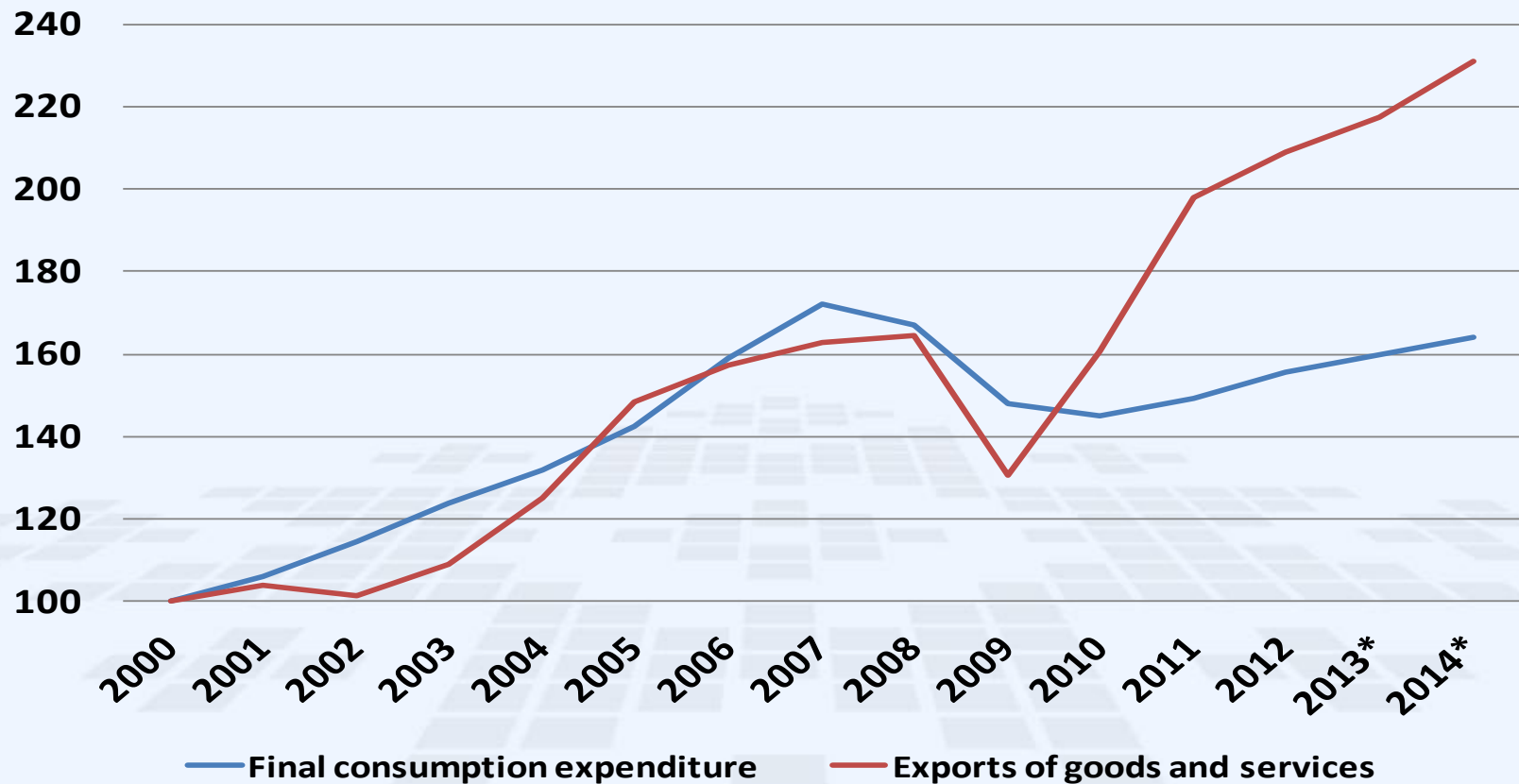
# Taking a longer view: One of the fastest growth since nineties

GDP volume 2012 (1995 = 100; Eurostat)



# Exports do increasingly outweigh domestic consumption in Estonia

GDP components (volumes; 2000 = 100; Eurostat)



# Structure of taxes favors investments

(% of GDP; average 2000-2011; Eurostat)

Taxes on consumption		Taxes on labour		Taxes on capital		Taxes as % of GDP	
EU27	11,1	EU27	19,7	EU27	8,4	EU27	39,2
EA17	10,8	EA17	20,7	EA17	8,2	EA17	39,8
DK	15,7	SE	28,5	LU	11,8	DK	48,7
HU	14,7	DK	25,5	UK	10,5	SE	47,6
BG	14,7	BE	23,9	IT	10,4	BE	44,3
SI	13,6	AT	23,8	FR	10,0	FI	43,9
CY	13,4	FI	22,9	CY	9,9	FR	43,6
FI	13,4	DE	22,5	BE	9,5	AT	42,7
MT	12,9	FR	22,4	ES	8,8	IT	41,6
SE	12,7	IT	20,8	EL	8,1	DE	38,9
<b>EE</b>	<b>12,6</b>	SI	20,0	IE	7,9	HU	38,6
PL	12,2	NL	20,0	MT	7,9	NL	38,4
PT	12,1	HU	18,9	PL	7,8	LU	37,9
AT	12,0	CZ	18,0	FI	7,6	SI	37,9
NL	11,9	<b>EE</b>	<b>16,8</b>	DK	7,5	UK	35,9
EL	11,9	ES	16,6	PT	7,2	CZ	34,7
RO	11,4	LU	15,5	AT	7,0	ES	34,6
UK	11,3	LV	14,5	NL	6,6	CY	34,4
FR	11,2	LT	14,5	SE	6,5	PL	33,0
LT	11,2	UK	14,2	CZ	6,3	EL	32,4
SK	11,2	SK	13,4	SK	6,2	<b>EE</b>	<b>31,8</b>
LV	11,1	PL	13,0	DE	5,9	PT	31,7
IE	11,0	EL	12,4	HU	5,0	MT	31,7
BE	10,9	PT	12,3	RO	5,0	SK	30,8
DE	10,6	RO	11,7	BG	4,6	BG	30,5
LU	10,5	BG	11,1	SI	4,3	IE	29,8
IT	10,4	CY	11,1	LV	3,2	LV	28,8
CZ	10,4	IE	10,9	LT	3,0	LT	28,6
ES	9,2	MT	10,8	<b>EE</b>	<b>2,4</b>	RO	28,1

EE 2013: 13,7%

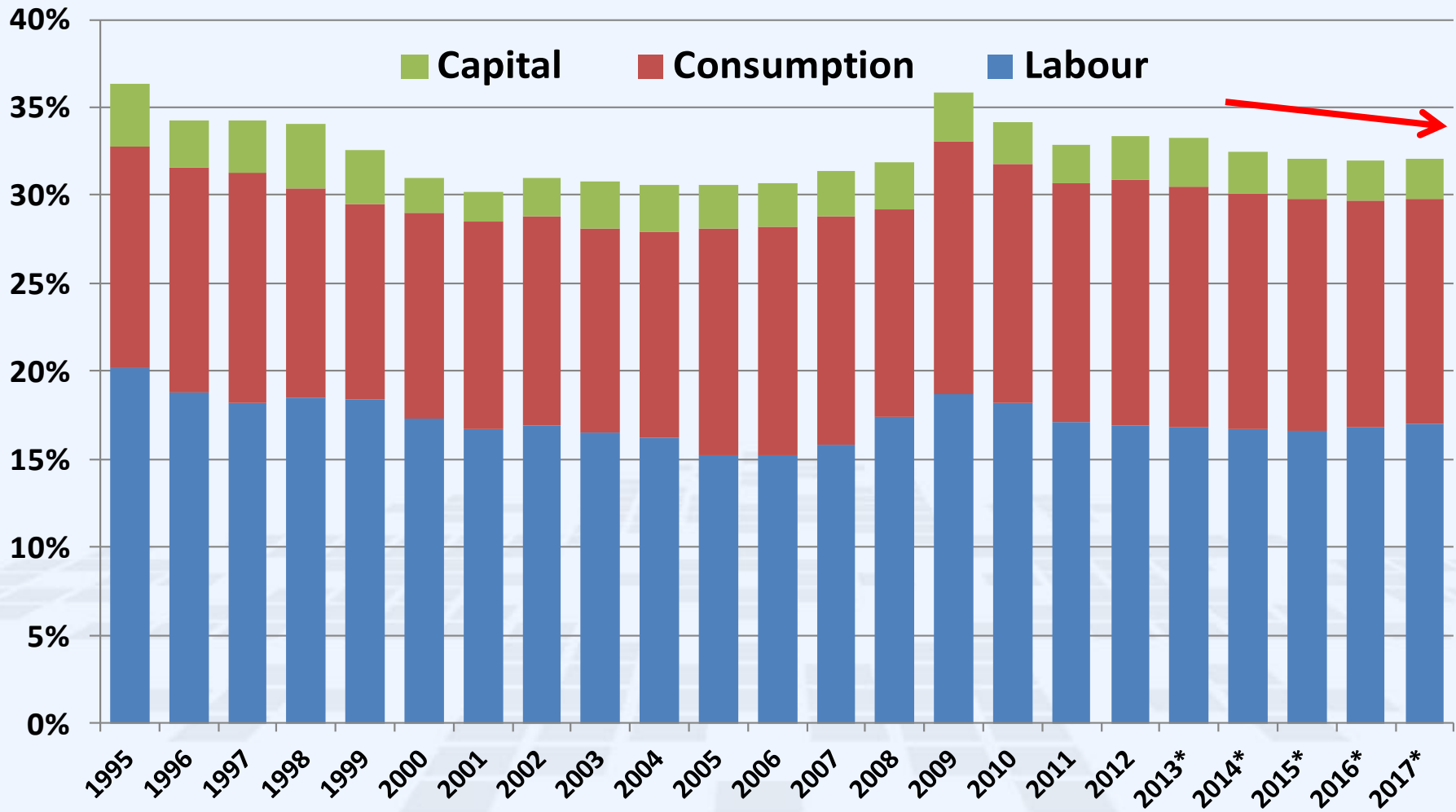
EE 2013: 16,8%

EE 2013: 2,8%

EE 2013: 33,3%

# Tax burden will ease to 32% by 2016

(% of GDP; Ministry of Finance)

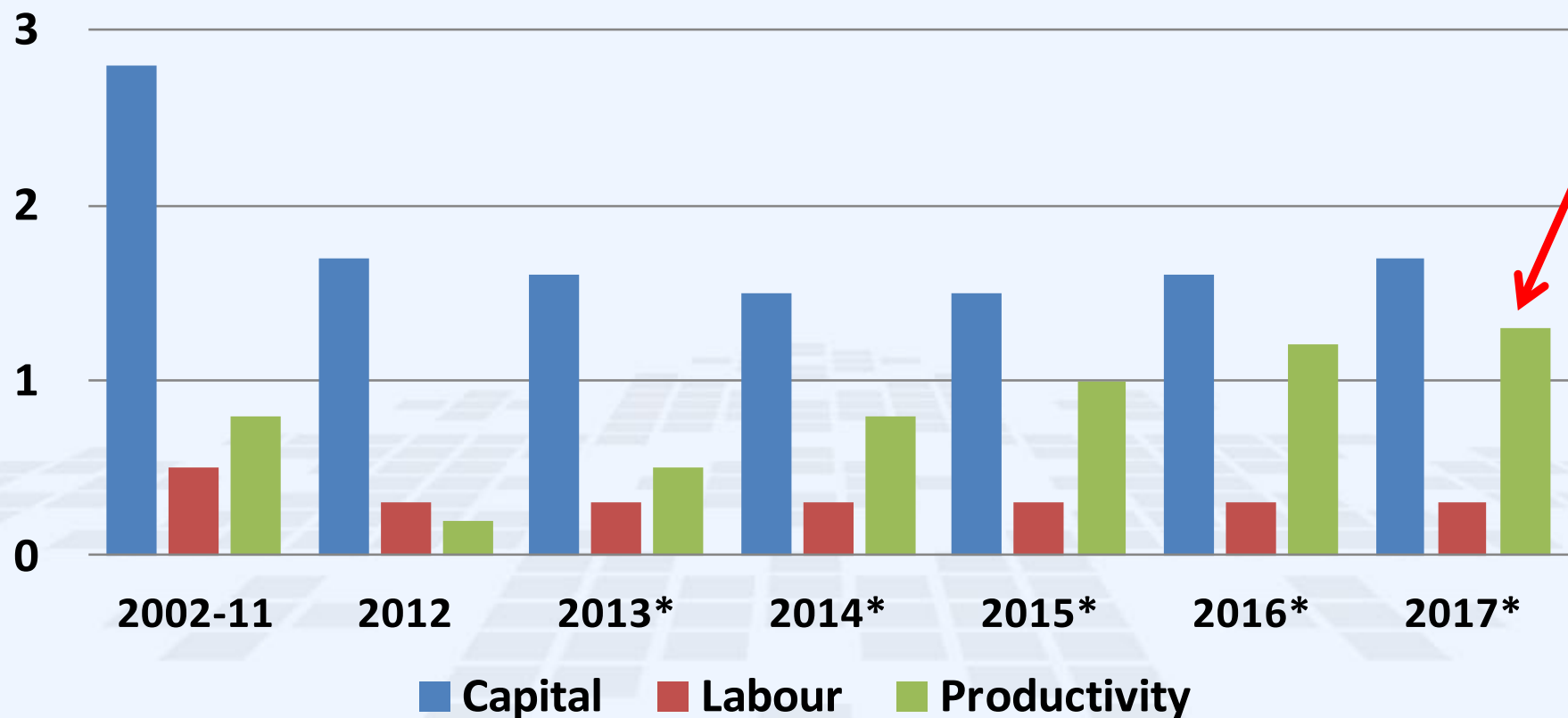


# Capital remains crucial for the growth

## Productivity should contribute more

### Contributions to the growth potential

(pp; Ministry of Finance, Estonia)



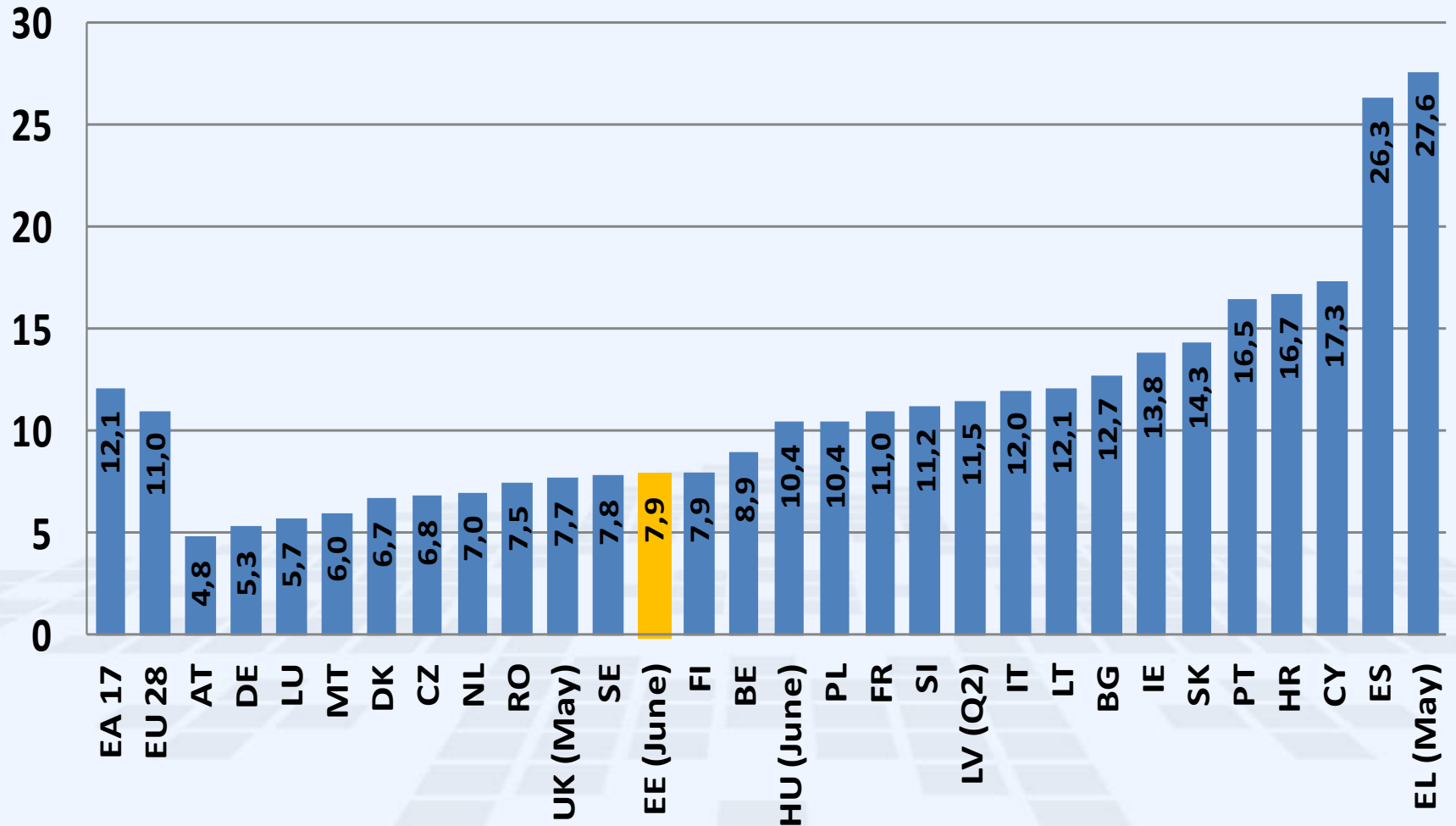
# The quantity of labour force is reaching its limits in Estonia

- Eurostat on unemployment in the EU (30 Aug 2013):
  - “The largest decreases were observed in Latvia (15.7% to 11.5% between the second quarters of 2012 and 2013) and Estonia (10.1% to 7.9% between June 2012 and June 2013).”
- ***Estonian employment is expected to stabilize at 635 thousands from 2014***



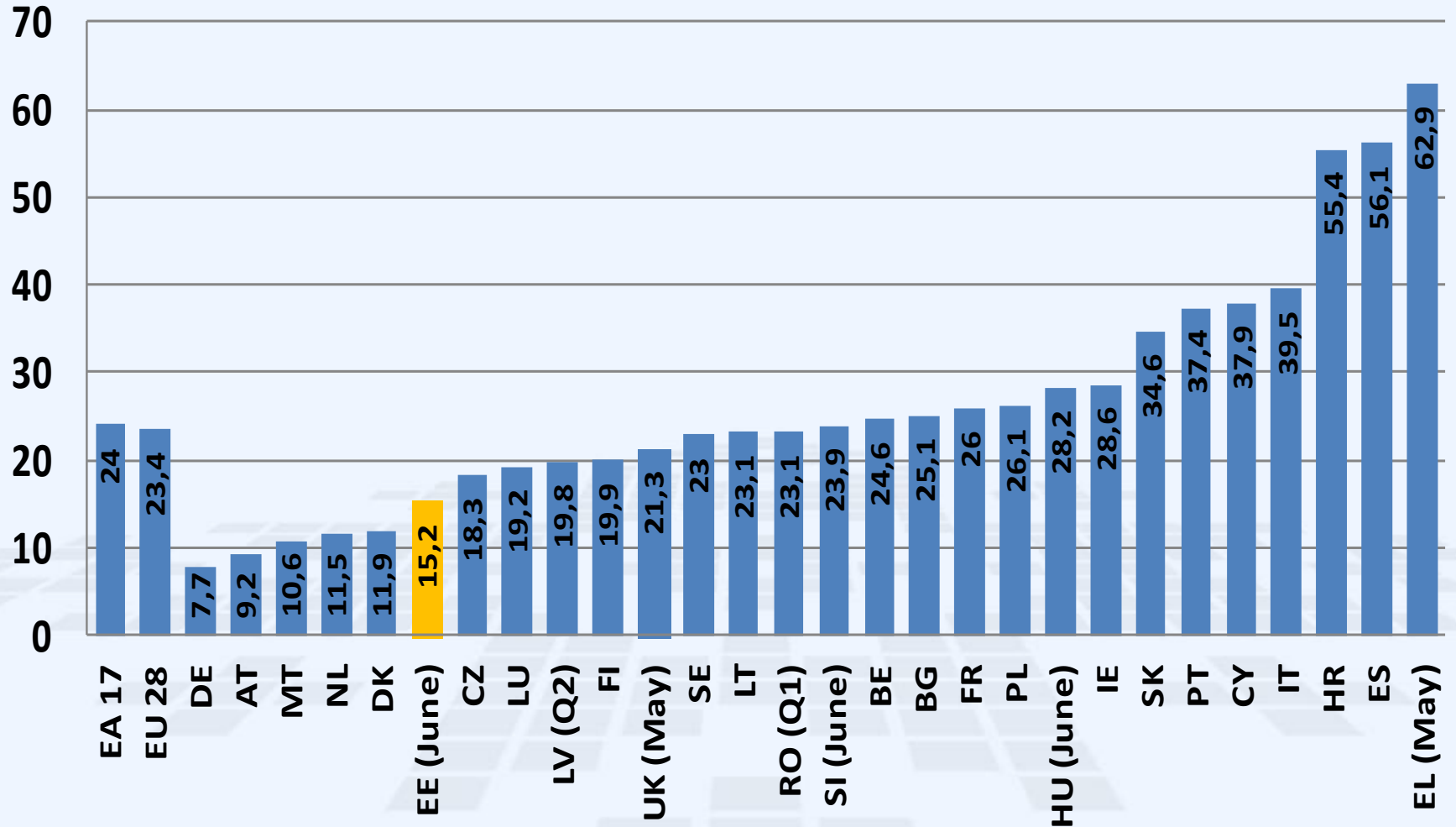
# Unemployment rate in July 2013

(%, seasonally adjusted, Eurostat)

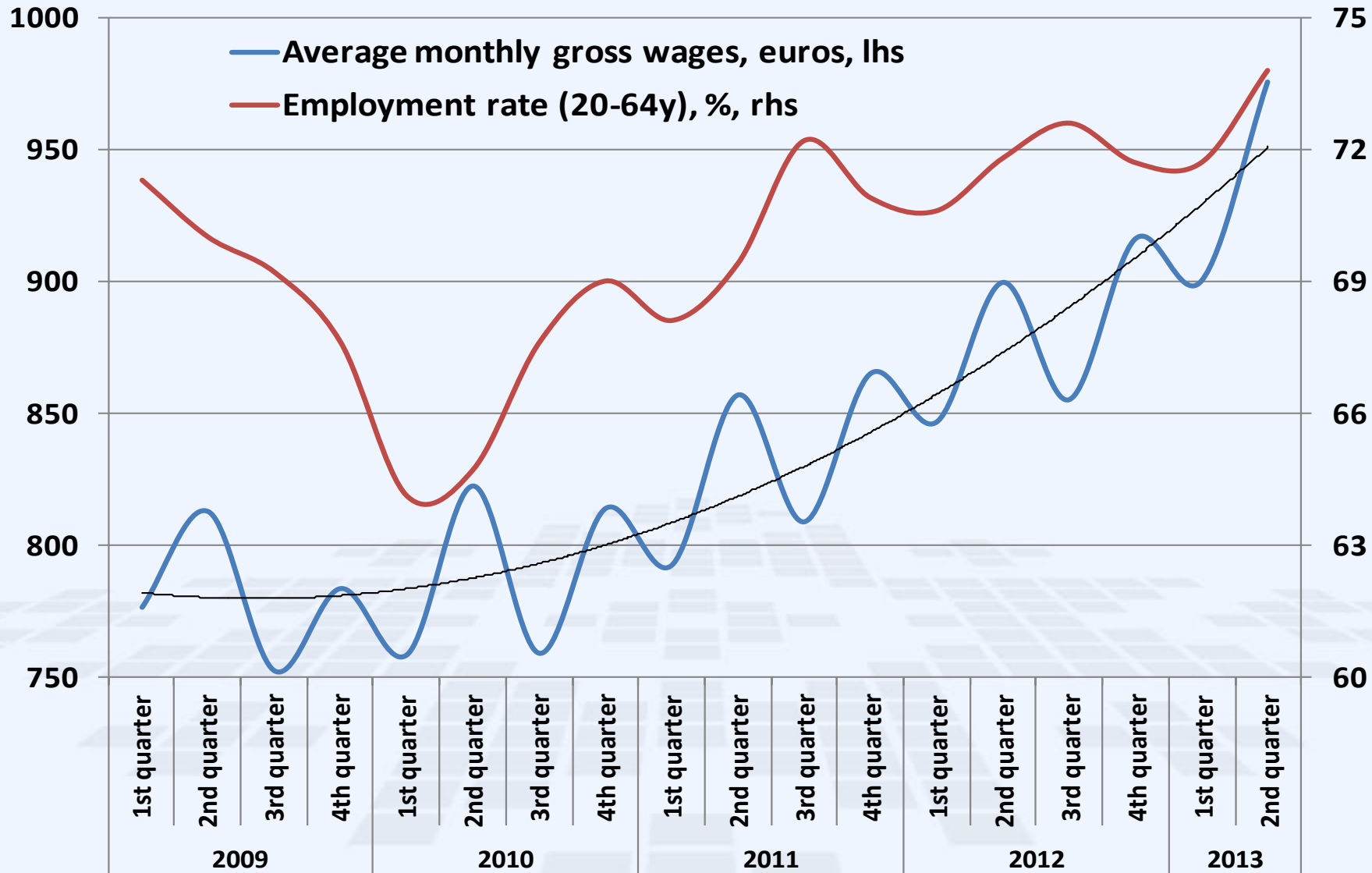


# Youth (under 25s) unemployment rate in July 2013

(%, seasonally adjusted, Eurostat)

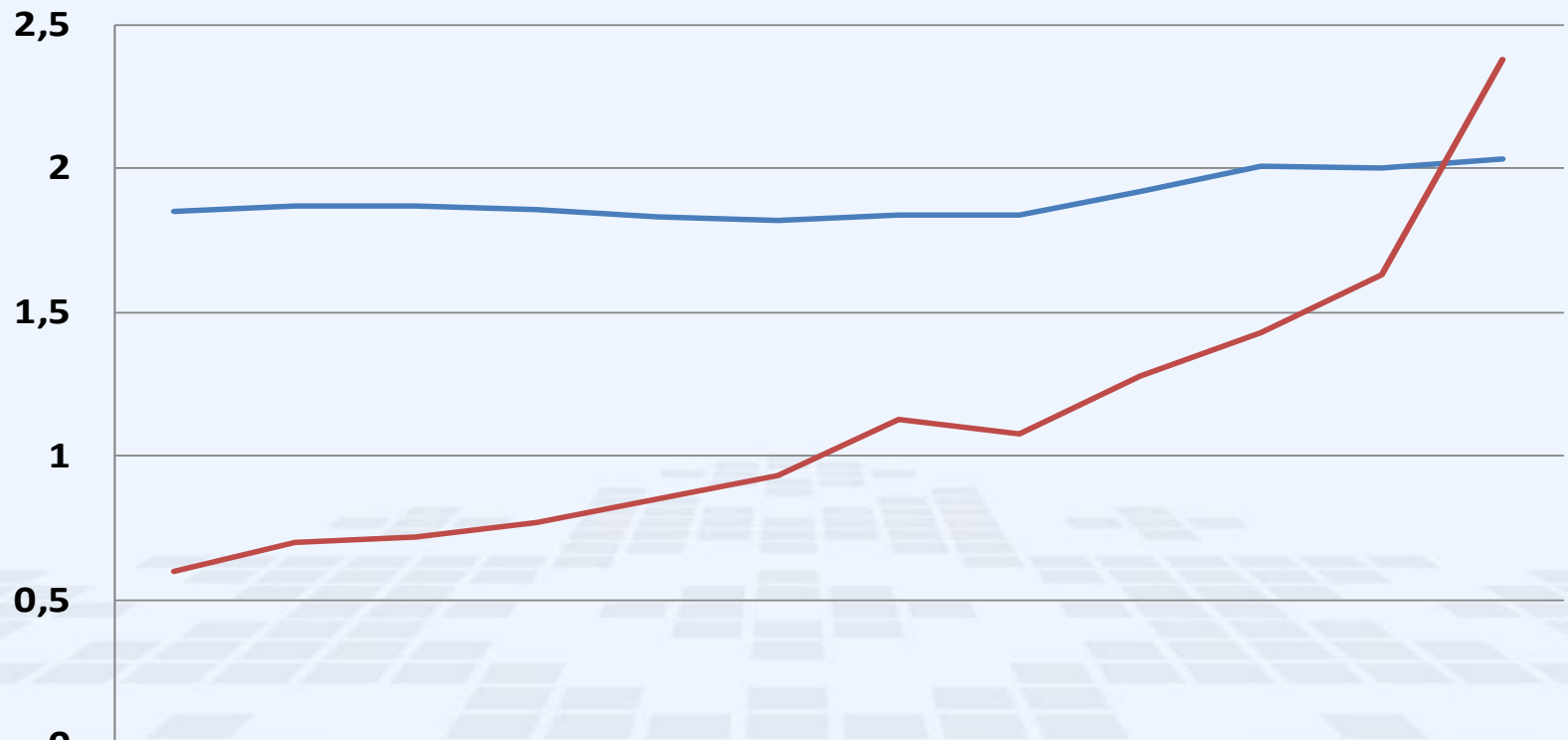


# Wages keep rising



# Productivity: research and development has been increasingly funded

Gross domestic expenditure on R&D (% of GDP; Eurostat)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
— EU 27	1,85	1,87	1,87	1,86	1,83	1,82	1,84	1,84	1,92	2,01	2	2,03
— Estonia	0,6	0,7	0,72	0,77	0,85	0,93	1,13	1,08	1,28	1,43	1,63	2,38

# Governments' agenda for competitiveness

- No compromises on fiscal prudence
- Growth enhancing structural reforms in education as well as labor and migration issues
- Advanced infrastructure in transport, energy and communications

# Selected reforms

- Higher education - performance grants in priority areas, practical training
- Upper secondary school network - investment program (24+50 mln EUR)
- Further development of the IT academy
- New European School in Tallinn
- Smart specialization – reassessment of programs for research, development and growth companies
- Completing the “last mile” of the high-speed internet network
- Rail Baltic – launching joint venture
- Capacity for work scheme – improved assessment and support
- Hospital network – revision of development plans

# Amendments to the Aliens Act

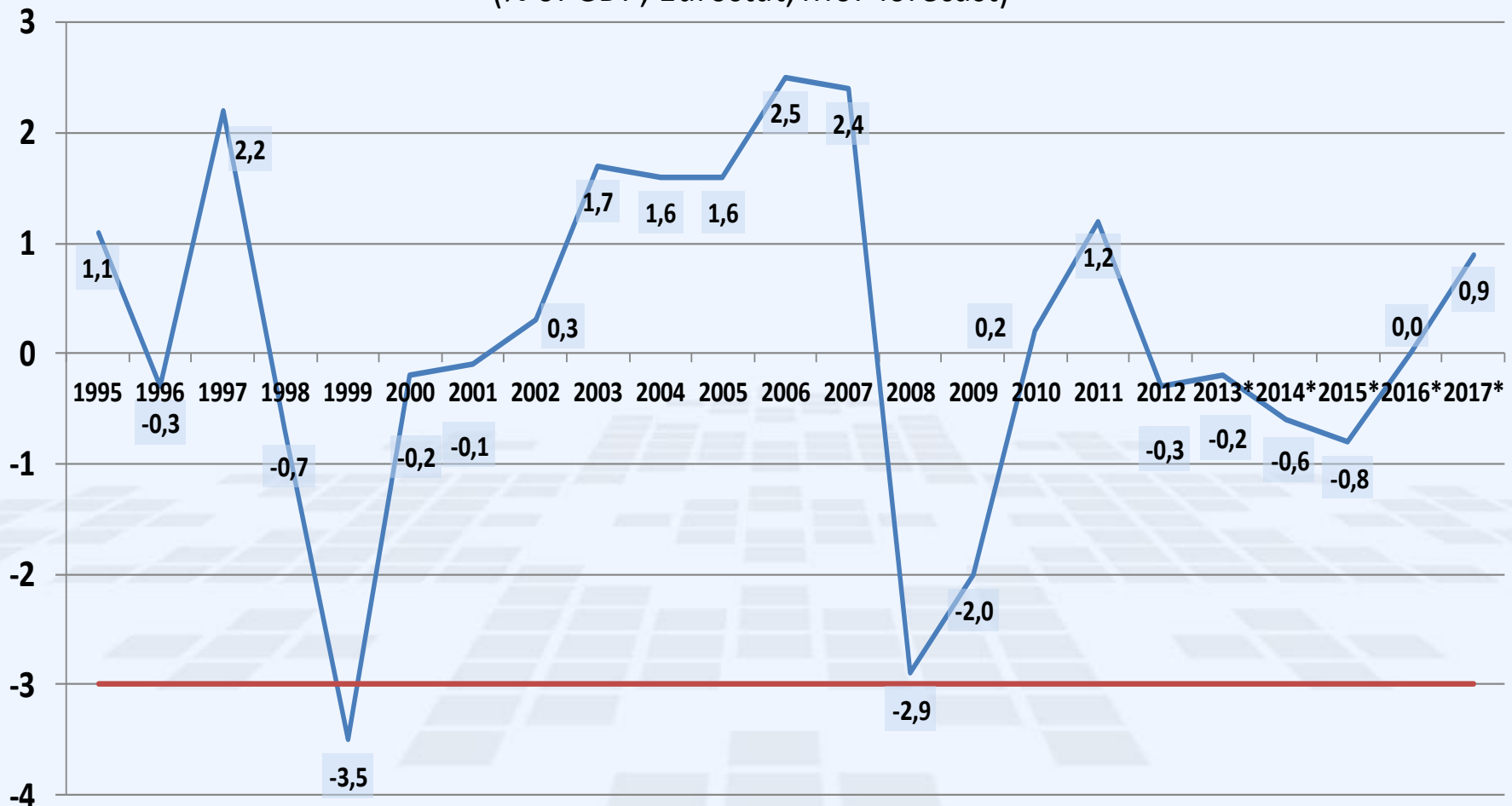
(September 2013)

- Increased international mobility for qualified labor and students
  - Simplified process takes 1 week instead of 3-6m
  - Short-term visa enough to start working and bring family
  - No need for the employer to advertise the vacancy for 3 weeks

# Credible business environment: Estonian public finances will stay in order

## Public balance in Estonia

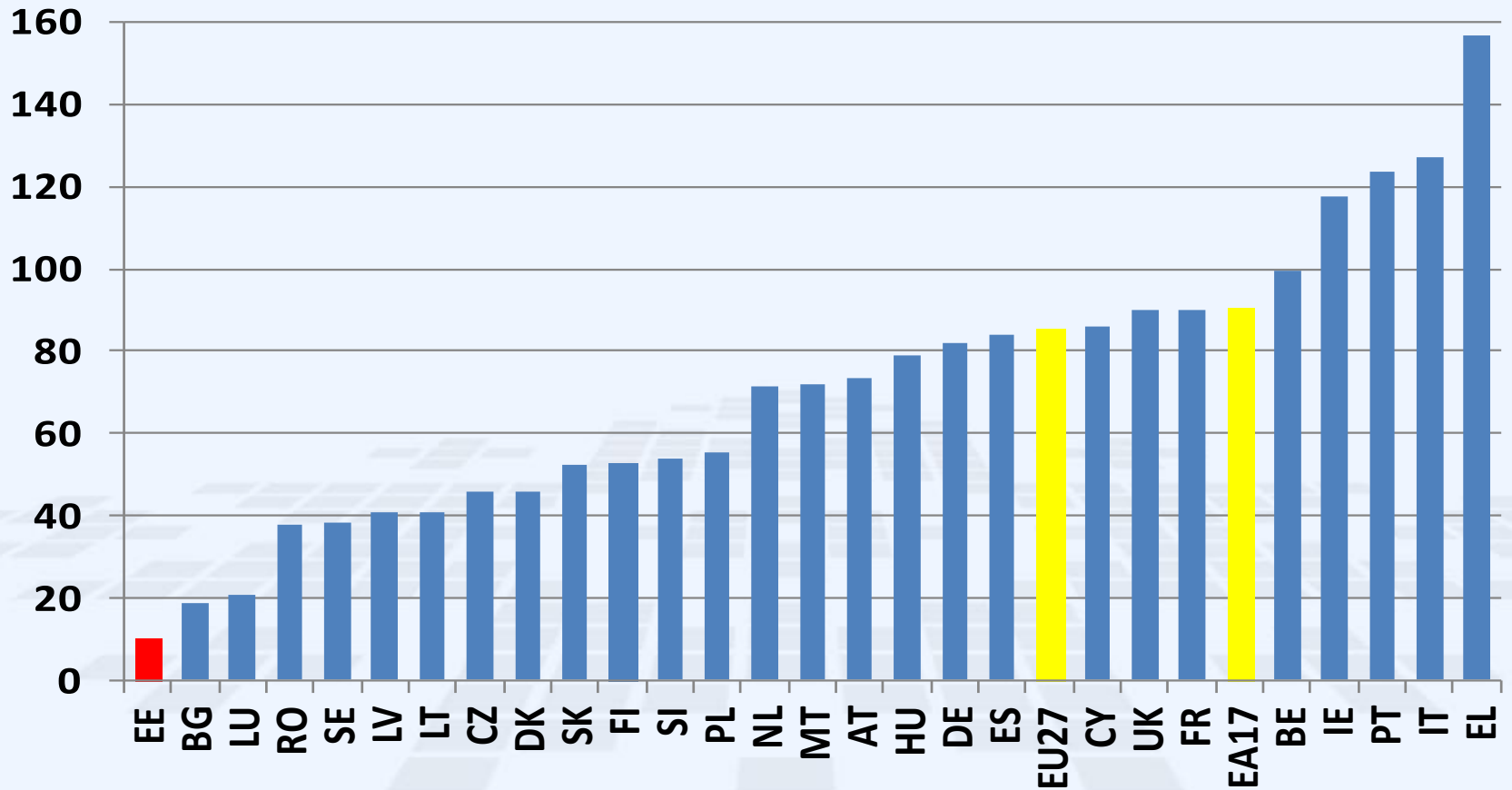
(% of GDP; Eurostat, MoF forecast)





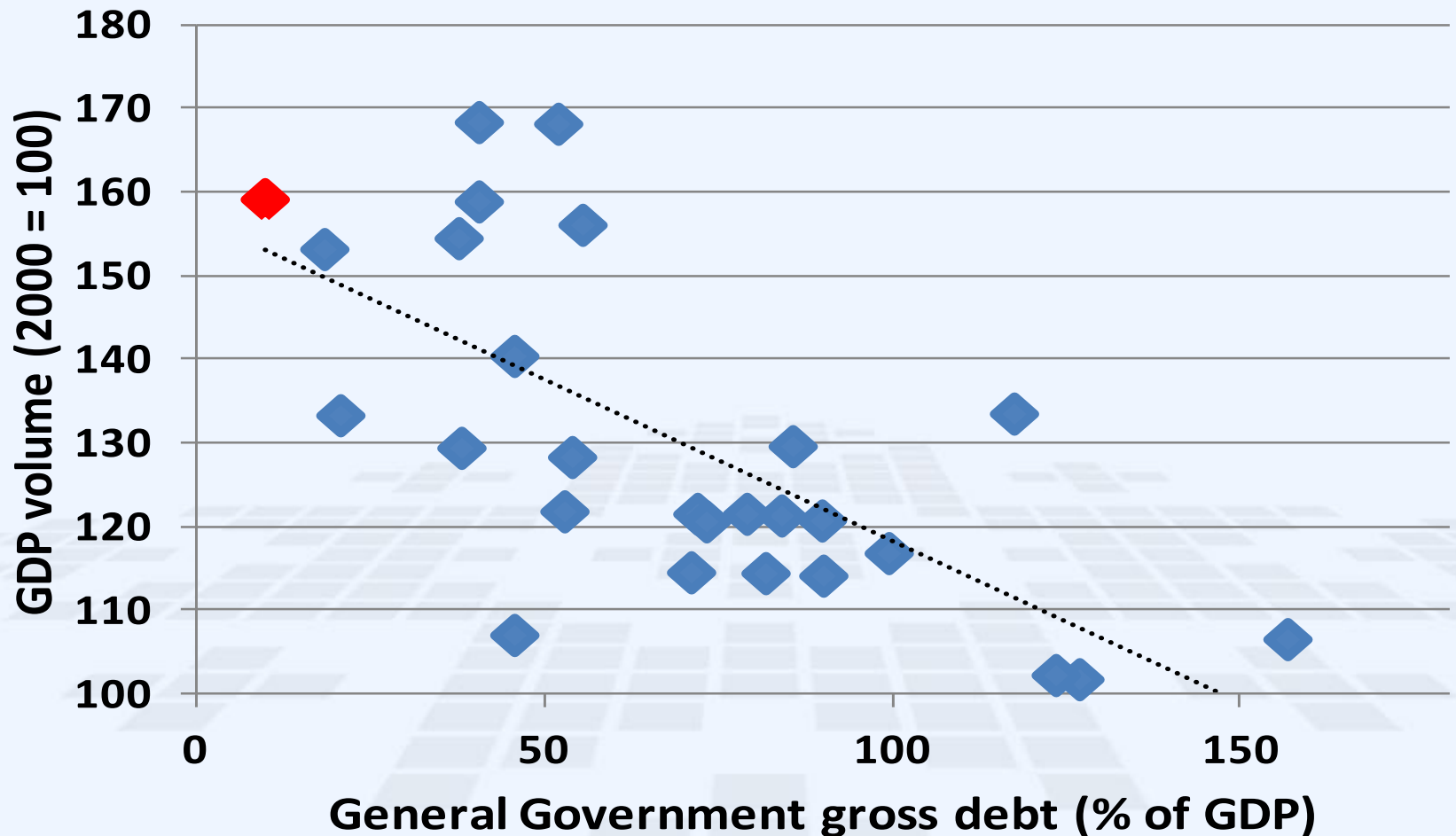
# We are proud of the lowest debt in the EU

General Government gross debt 2012  
(% of GDP; Eurostat)



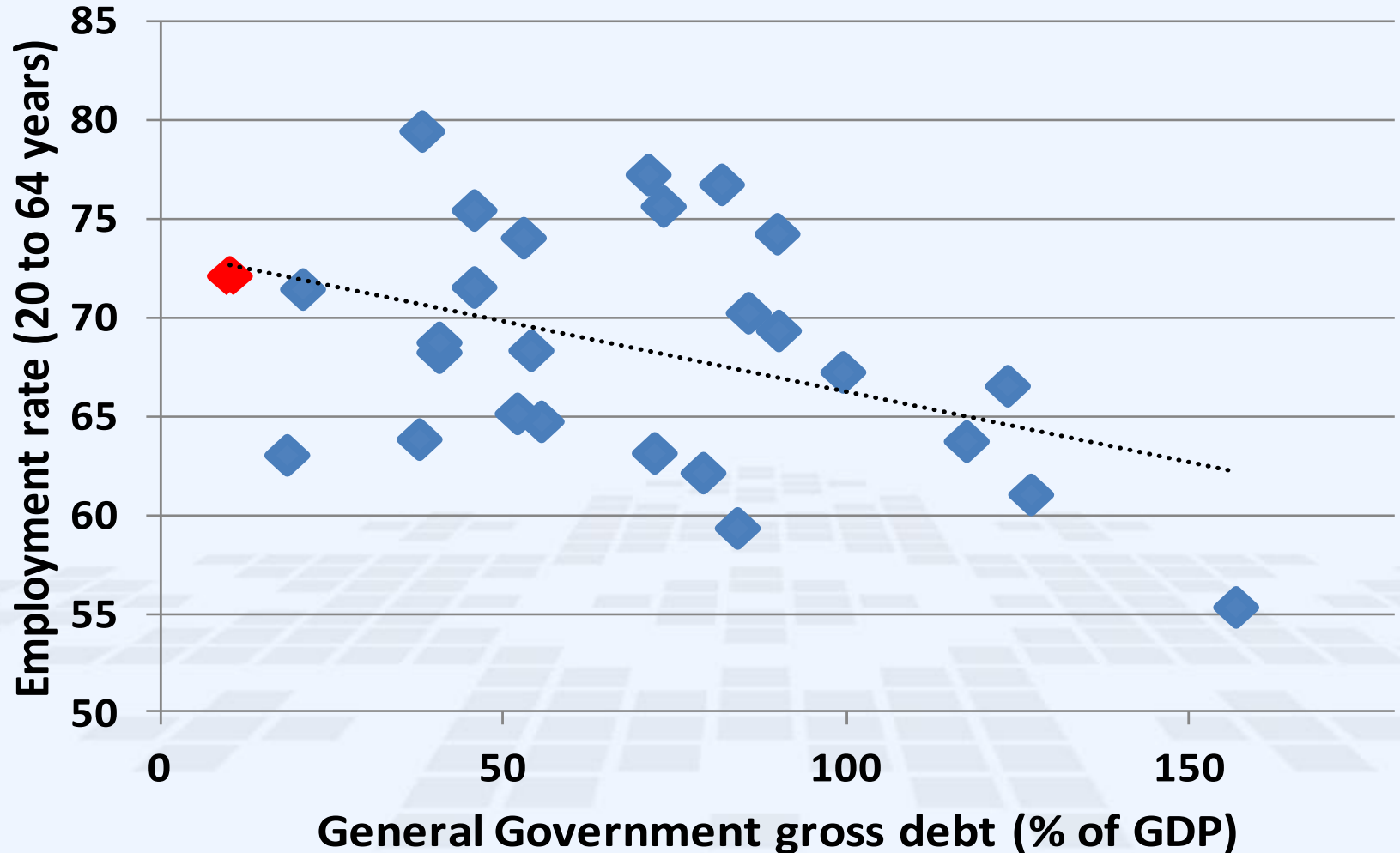
# High public debt has delivered neither growth ...

EU countries 2012: accumulated debt vs growth



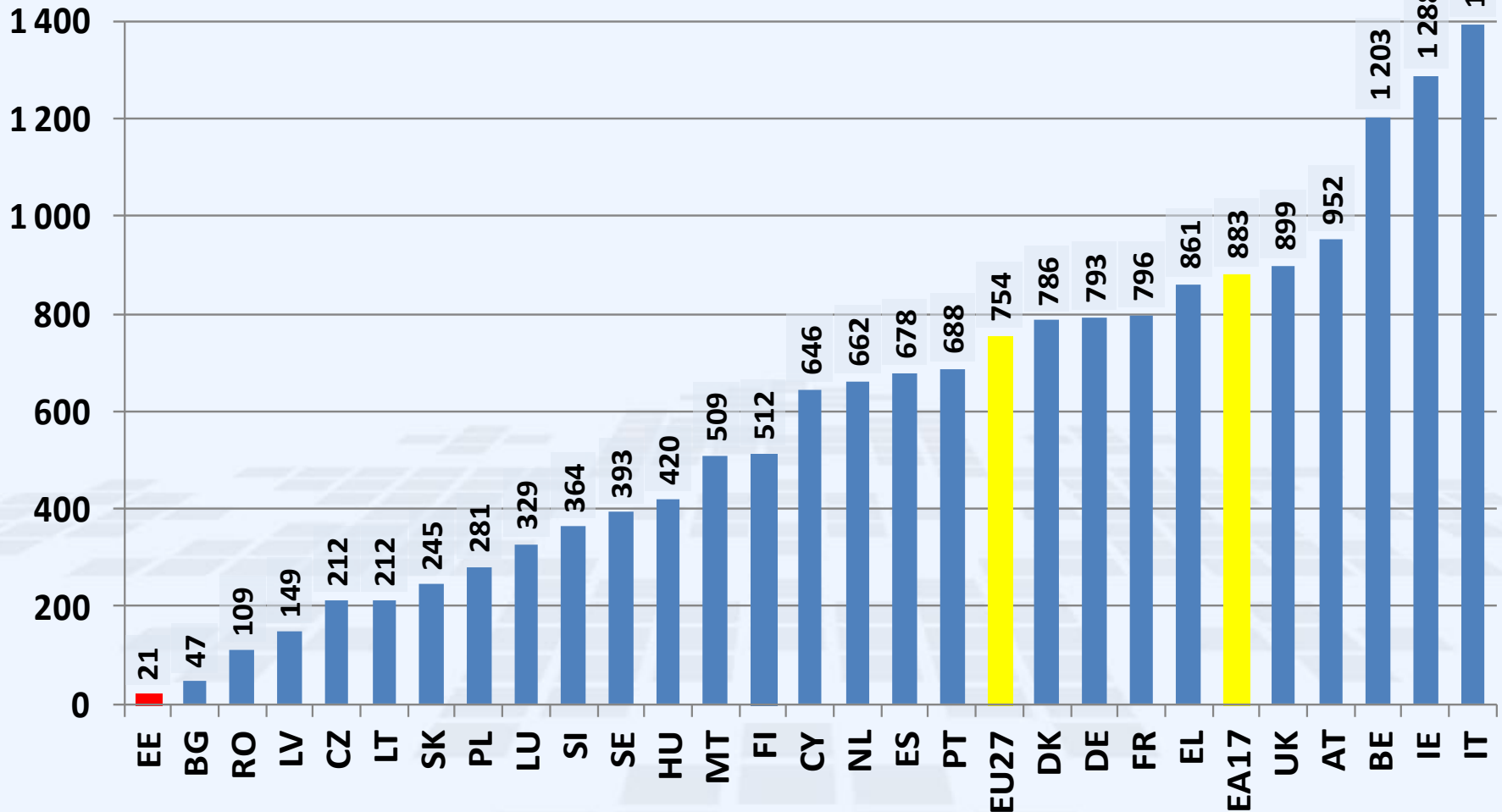
# ... nor employment

## EU countries 2012: debt vs employment



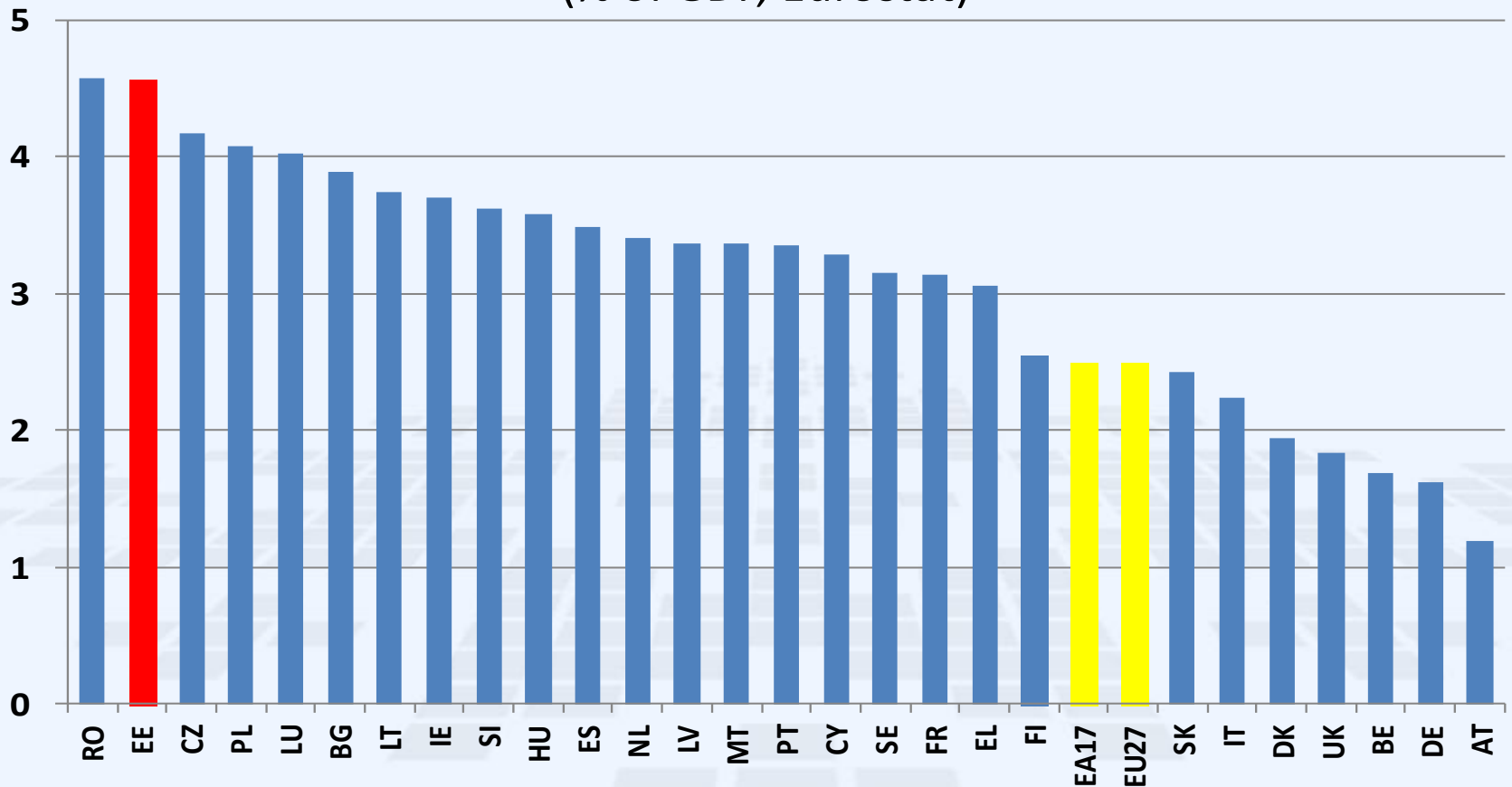
# High indebtedness is expensive

General Government interest payments per capita 2012, €



# Instead of paying interest Governments could invest more ...

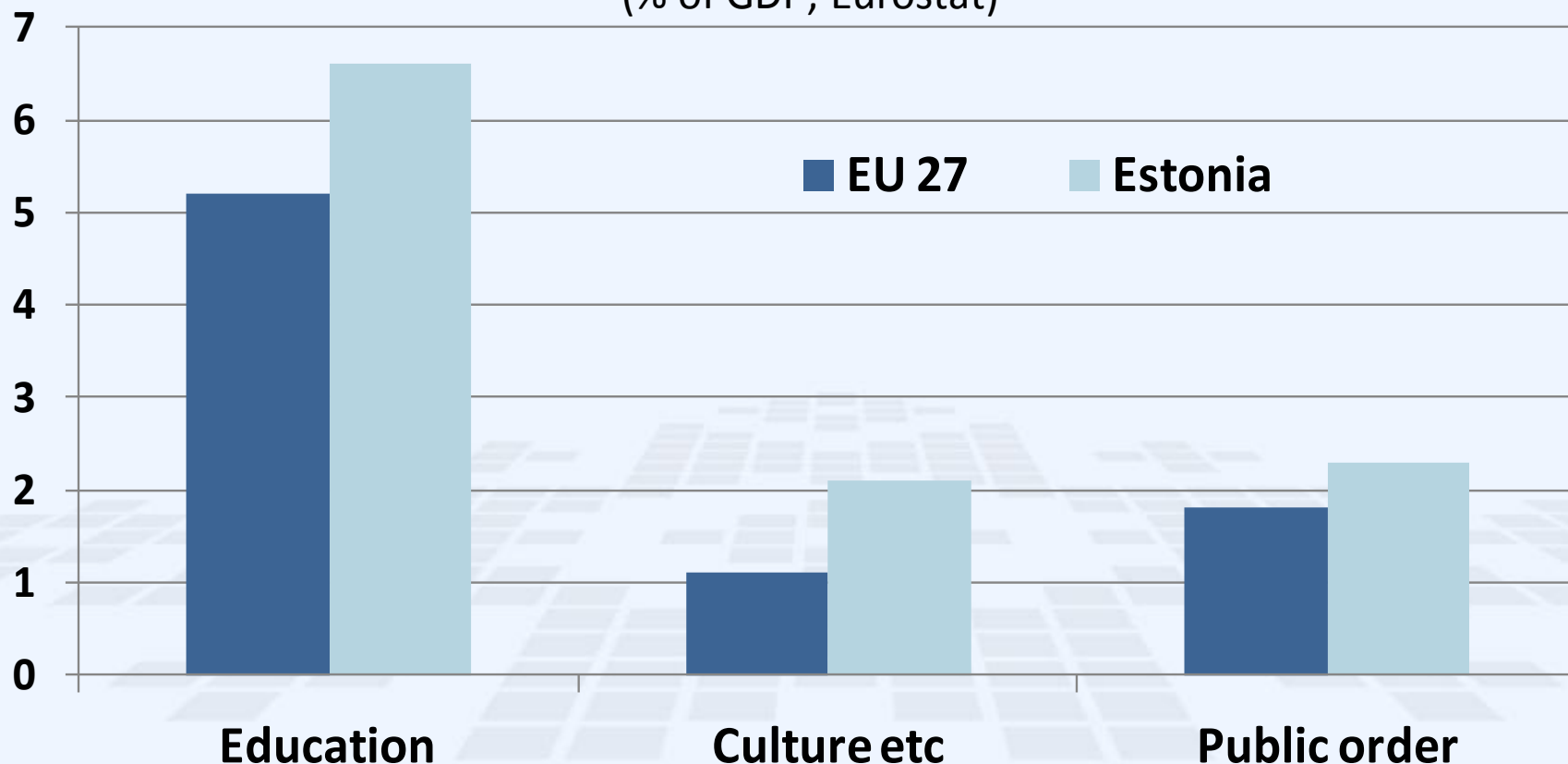
General Government fixed capital formation 2000 - 2012  
(% of GDP, Eurostat)



# ... and prioritize education, culture, public order etc.

## General Government expenditure 2000 - 2011

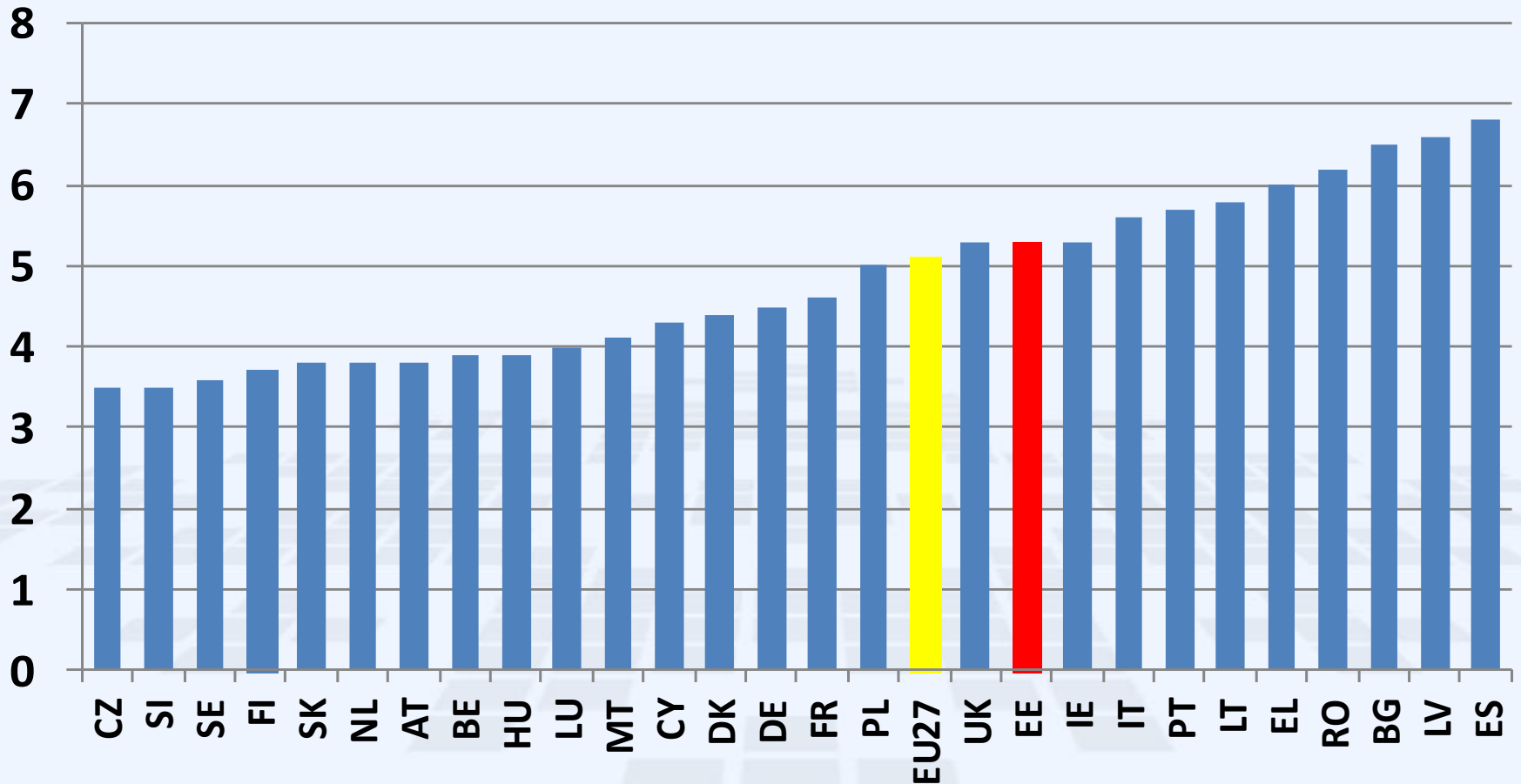
(% of GDP; Eurostat)



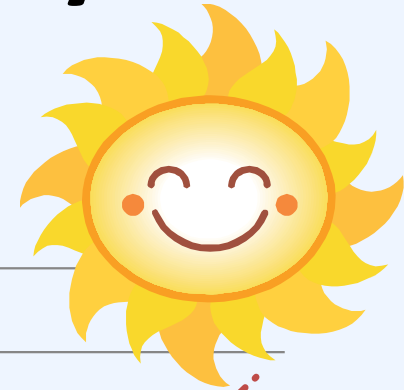
# Not so wild west!

## Inequality in Estonia is close to the EU average

S80/S20 income quintile share ratio 2011 (Eurostat)

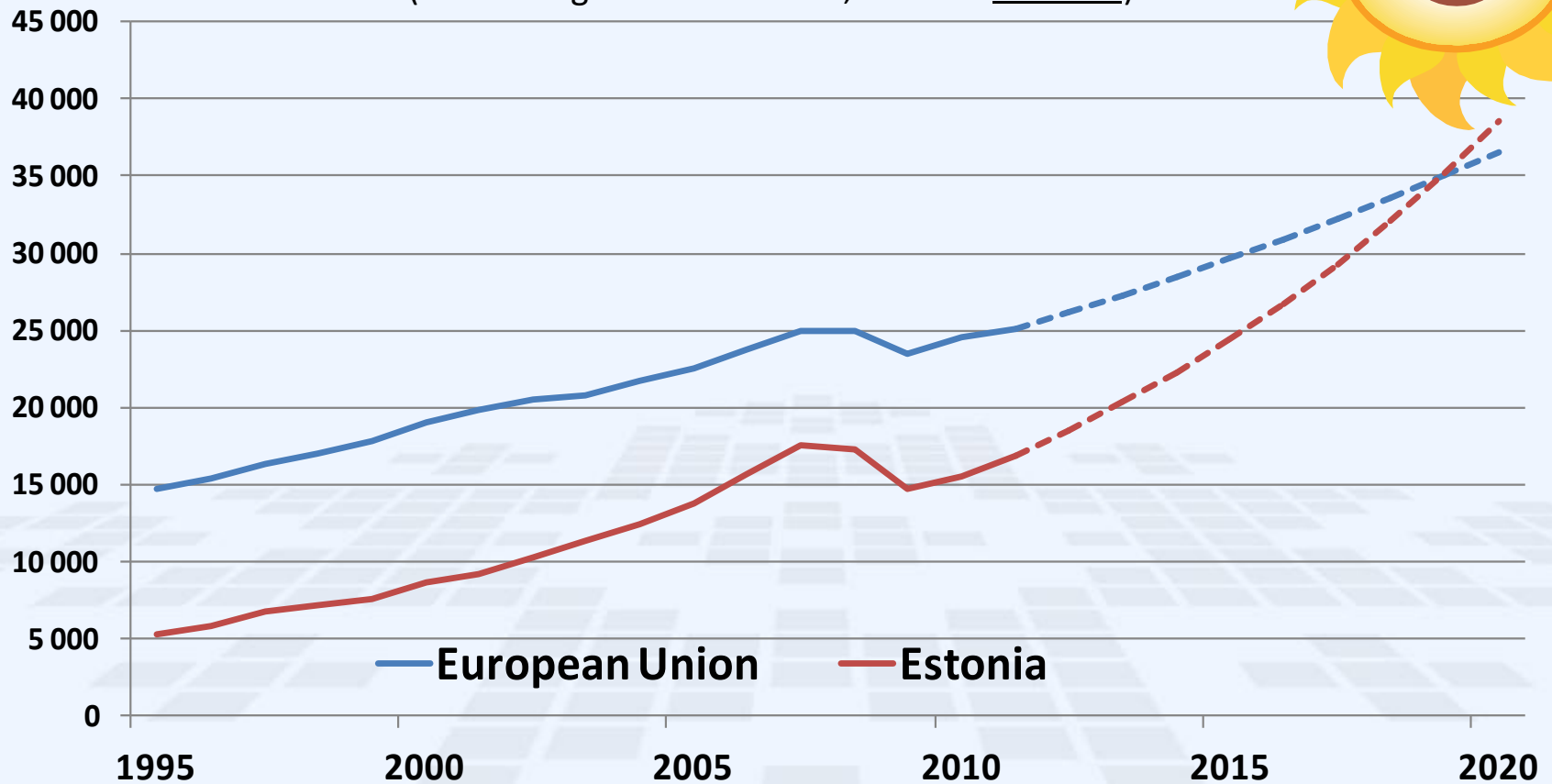


# “Optimism is our moral duty”



## GDP per capita

(Purchasing Power Standard; Eurostat + fiction)





**Thank you!**

