



AUTUMN 2010 ECONOMIC OUTLOOK FOR ESTONIA: ANSWERS FROM ETTK

MAIN FORECAST

Annual % change	2010	2011
Real GDP growth	-0.3	0.4
Consumer price inflation	1.7	1.6
Unemployment rate	20.2	20.8
Employment growth	-2.4	-0.4
government net lending (% of GDP)	-9.4	-7.0
gross public debt (% of GDP)	63.0	71.0
current account balance (% of GDP)	-5.1	-4.2

Components of aggregate demand - in real terms

Annual % change		
Private consumption	1.1	0.5
Public consumption	-1.4	-2.0
Investment (Gross Fixed Capital Formation)	-6.8	-2.6
Private non-residential investment	4.3	3.1
Exports	9.0	6.6
Imports	4.7	2.2

ECONOMIC SENTIMENT

	Positive	Negative	Unchanged
Trend in business climate over the next 6 months			Industry Services

	Positive	Negative	Unchanged
Trend in profitability over the next 6 months			Industry Services

	Increase (faster pace)	Increase (slower pace)	Unchanged	Decrease (slower pace)	Decrease (faster pace)
Investment intentions over the next 6 months			Industry Services		

	Global demand	Domestic demand	Cost of finance	Availability of finance	Company Profitability	Capacity Utilisation
Influence on companies' investment decisions	positive	negative	negative	negative	neutral	negative

	Replacement	Extension	Rationalisation	Innovation
Driving force behind investment decisions in the next 6 months	positive	negative	positive	neutral

	Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months
Overall trend in employment	Down	Down	Down	Same



ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

Compared to 6 months ago, cost/access to finance has been...	sharply up / restrained	up / more difficult	same	down / easier
<i>for SMEs</i>		Access	Cost	
<i>for larger companies (>250 employees)</i>			Cost Access	
Over the next 6 months, cost /access to finance will be...	sharply up / restrained	up / more difficult	same	down / easier
<i>for SMEs</i>			Cost Access	
<i>for larger companies (>250 employees)</i>			Cost Access	
Measures to alleviate current financial difficulties for SMEs	Very important effect	Very limited effect	Moderate effect	
	Measures to improve bank lending capacity	Facilitating access to capital markets (corporate bonds and stock markets)	Improving conditions for equity financing	


POLICY MIX

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate</i> yes	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is..</i>					
	<i>adequate</i>	<i>inadequate</i>			
<i>Consistency between fiscal and monetary policies</i>		yes			
	<i>excellent commitment</i>	<i>satisfactory commitment</i>	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Regarding the sustainability of public finances, government shows ...</i>			yes		
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Exit Strategies</i>					
<i>Tight fiscal rules and more effective institutions</i>			yes		
<i>Greater efficiency of public administrations</i>				yes	
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private partnerships</i>					yes
<i>Reform of pension systems</i>				yes	
<i>Improved efficiency of healthcare sector</i>				yes	
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Entry Strategies</i>					
<i>More and better-targeted education and training</i>				yes	
<i>More and better targeted R&D and innovation efforts</i>				yes	
<i>Prioritisation of infrastructure investments</i>				yes	
<i>Growth enhancing tax reforms</i>				yes	
	<i>respect the 3% limit</i>	<i>be in balance</i>			
<i>In 2015, the government deficit will...</i>	yes	no			