China-CEE Institute
中国—中东欧研究院

ISSN: 2560-1601

Vol. 28, No. 2 (EE)

April 2020

Weekly Briefing

Estonia economy briefing:

A multi-dimensional process to challenge the crisis: is ‘flight’ proceeding as normal?

E-MAP Foundation MTÜ

China-CEE Institute

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A multi-dimensional process to challenge the crisis: is 'flight' proceeding as normal?

There is a remarkable bit of data, reported by Mart Mägi, Director General at Statistics Estonia: "The mobility analysis showed that Estonian people stay 20 hours per day on average in their main location, their distance covered in one day has decreased from 27.5 kilometres to 17.6 kilometres, and their number of trips in one day away from the main location has decreased from 1.8 to 1.5"[1]. With the people of Estonia literally staying at home, how is then the country's economy performing? This would be an EUR 11 billion question… In fact, the question's monetary worth would be a bit higher, because, back in December 2019, the state budget's estimated annual income for 2020 was approved at the level of EUR 11.8 billion[2]. Needless to speculate of this issue now – the likelihood that the country will be in a position to generate the planned revenue is getting nullified by the COVID-19 crisis.

From the beginning of the pandemic, it was a matter of a couple of weeks for the Estonian Government to commence internal deliberations on what to do with the state budget, which was adopted, in historic terms, only 'yesterday'. On 6 April, the Bill on the State's Supplementary Budget for 2020 had its first hearing at the *Riigikogu*. In concrete details, the normative document provided for the Government-bound sector of the economy to have its nominal budget deficit at EUR 2.62 billion, including the cost of initiatives on economic support[3]. On the *macro*-level, the state budget is forecasted to have a nominal deficit of 10.1% of GDP, which will be accompanied by the structural deficit of 5.2% – self-explanatory, this is all due to a predictable economic recession to take place in Estonia during and after the crisis and, as a result of the recession, the planned budgetary revenue will be falling from the aforementioned EUR 11.8 billion to the more realistic **EUR 10.2 billion**[4].

The objectively necessary adjustments made to the budget are, usually, of generic nature, with a range of more concrete provisions to follow the main Bill later on. On 15 April, the

[1] Mart Mägi as cited in 'Statistics Estonia: people stay in one location 20 hours per day on average', *Statistics Estonia*, 9 April 2020. Available from [https://www.stat.ee/news-release-2020-047].
[2] 'Estonian parliament approves 2020 state budget' in *ERR*, 11 December 2020. Available from [https://news.postimees.ee/6847936/estonian-parliament-approves-2020-state-budget].
[3] 'The Bill on supplementary budget passed the first reading in the Riigikogu' in *Riigikogu*, 6 April 2020. Available from [https://www.riigikogu.ee/en/sitting-reviews/bill-supplementary-budget-passed-first-reading-riigikogu/].
[4] 'The Bill on supplementary budget passed the first reading in the Riigikogu'.

Riigikogu was set to voice (and approve) the Estonian Government's **first package of measures** to counterbalance the COVID-19-generated economic downturn. **Firstly**, the state is to suspend payments to the pensions-enhancing pension pillar from 1 December 2020 until 31 August 2021, meaning that "4% of people's social tax contribution that used to go toward their pension will now be paid into the state budget to help cover crisis expenses"[5].

Secondly, the duty on liquid gas will be lowered, making the price of bottled gas cheaper by 5% for private customers and by 12% for industrial consumption; in addition, the fact of lowering the duty on diesel fuel to the level that is currently existing in Lithuania (about EUR 0.15 per litre) will be impacting the budget by EUR 158.3 million in revenue reduction[6]. **Thirdly**, utilising the Rural Development Foundation's framework, the Estonian Government assigns EUR 200 million to the country's rural sector, facing plenty of critique from the main oppositional party, the 'reformists'. The **fourth** major element of the adopted package has the following two dimensions: a) the Estonian Unemployment Insurance Fund or *Töötukassa* is provided for compensating to the salaried workers 70% of their previous income (however, the figure should be no more than EUR 1,000 a month before taxes, but no less than the average salary); b) the Health Insurance Fund or *Haigekassa* is issued with EUR 206.1 million "for extraordinary expenses", which may be related to "the emergency situation, first contact care, nursing care, specialist care, ambulance and expenses of hospitals, on medicines and regarding sick leave"[7].

Additionally, the first package of measures is also focused on assisting Culture, Education, and Sport, while having a range of provisions on Police officers, Defence League, data protection, social benefits, and the country's penitentiary system. In a way, it appears that the Government has, in economic terms, a relatively clear picture of what/who needs help and where the help needs to be distributed to. Certainly, it is a natural feature of a healthy democratic political regime that a Government-issued proposal can be severely criticised by the opposition – objectively, if somebody like Jürgen Ligi, a high-profile member of the oppositional *Reform Party* and the country's former Minister of Finance, argued that the COVID-19 crisis has been, strategy wise, wrongly approached by the current Government[8], it represents a positive sign for

5 Anna Põld, Karel Reisenbuk, Loora-Elisabet Lomp, 'Crisis budget to be passed' in *Postimees*, 15 April 2020. Available from [https://news.postimees.ee/6950219/crisis-budget-to-be-passed].
6 Põld, Reisenbuk, Lomp.
7 Põld, Reisenbuk, Lomp.
8 Jürgen Ligi as cited in 'Ligi: kriisile on lähenetud strateegiliselt valesti', *ERR*, 29 April 2020. Available from [https://www.err.ee/1083577/ligi-kriisile-on-lahenetud-strateegiliselt-valesti].

the whole framework of Estonian governance. The Government may not like such a critique, but this would be also natural.

In the meantime, *KredEx*, an establishment of the Estonian Ministry of Economic Affairs and Communications that is assigned to be providing financial solutions and offering appropriate financing options in a changing economic environment, announced about its direct participation in the process of developing **a range of packages** to be based "on the different possible courses that the crisis may take"[9]. The factual side of the announcement 'tells' a positive 'story' for those businesses, which may require 'Emergency loan guarantee for issuing new loans' (it aims at allowing "new loans to companies under simplified conditions to provide liquidity")[10], 'Emergency loan guarantee to relax the repayment schedules of existing bank loans' (this option will work when "the bank relaxes the repayment schedule for an existing bank loan not backed by *KredEx*, or is willing to issue a new loan to the undertaking")[11], 'Extraordinary proportional guarantee for enterprises in the accommodation and catering sector, travel agencies and tour operators' (it focuses on enabling "new financing for enterprises operating in the accommodation and catering sector, travel agencies and tour operators")[12], and other financial help. Certainly, these measures in the *KredEx*-issued packages are very conditional, but, nevertheless, they are providing a formal as well as official framework for receiving financial assistance, even though it is not necessarily to be free of any interest. A high number of businesses are already getting engaged with *KredEx* to save their operational capacity and precious labour force in this difficult period. In plain digits, the first package of measures is featured by the state allocating EUR 1.5 billion at KredEx, allowing the organisation to offer hedging measures and loans at the level of EUR 3.5 billion, which will assist local businesses to raise up to EUR 4.5 billion of capital to successfully survive the crisis[13].

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9 'KredEx begins offering the first crisis measures in cooperation with banks' in *KredEx*. Available from [https://www.kredex.ee/en/koroona].

10 'Emergency loan guarantee for issuing new loans' in *KredEx*. Available from [https://www.kredex.ee/en/emergency-loan-guarantee-issuing-new-loans].

11 'Emergency loan guarantee to relax the repayment schedules of existing bank loans' in *KredEx*. Available from [https://www.kredex.ee/en/emergency-loan-guarantee-relax-repayment-schedules-existing-bank-loans].

12 'Extraordinary proportional guarantee for enterprises in the accommodation and catering sector, travel agencies and tour operators' in *KredEx*. Available from [https://www.kredex.ee/en/extraordinary-proportional-guarantee-enterprises-accommodation-and-catering-sector-travel-agencies].

13 'KredEx hakkab pakkuma kriisimeetmeid koroonaviiruse tõttu raskustesse sattuvate ettevõtete aitamiseks' in *KredEx*, 19 March 2020. Available from [https://www.kredex.ee/et/uudised/kredex-hakkab-pakkuma-kriisimeetmeid-koroonaviiruse-tottu-raskustesse-sattuvate-ettevotete].

On the labour force topic, on 26 April, the *Töötukassa* issued a report on 47,889 people who were registered as unemployed thus far – the figure, considering a modest level of the Estonian economy, represented 7.4% of the workforce[14]. Characteristically for the process, since the time when the state of emergency was introduced in Estonia due to the pandemic, the number of the registered unemployed increased by a total of 11,178 people[15], which is manageable for the economy by all means. Evidently, by the end of April, Estonia has been successfully avoiding a situation when the crisis-generated unemployment as a socio-economic phenomenon would have been out of control.

[14] 'Unemployment rate growth slowed last week' in *ERR*, 27 April 2020. Available from [https://news.err.ee/1082743/unemployment-rate-growth-slowed-last-week].
[15] 'Unemployment rate growth slowed last week'.