







Weekly Briefing

Estonia economy briefing:
The expected internationalisation of economic advising
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The expected internationalisation of economic advising

After all, this current crisis was (and still is) of a different kind. A usual way to tackle a globally felt difficulty would be via international system-generated arrangements and activities. This time, with only a slight exaggeration of the situation, the countries were left out to battle the pandemic alone. Without the explicit knowledge about the nature of the virus, both science and local governance had to pull out all possible resources to eventually create a number of vaccines and arrange mass vaccinations. The global collapse has been avoided, but, arguably, **this is not** because of the UN-based international system and its agencies and other bureaucracies. Now, when the *status quo* is less positive towards the COVID-19 disaster, it is a good time for all sorts of globally-(in)visible international organisations/agencies to ‘wake up’ and exhibit the self-proclaimed necessity of their existence. Therefore, the pandemic’s general downhill is, inevitably, a not-to-be-missed moment to experience some sort of internationalisation of political and economic advising activity. For example, the *International Monetary Fund*’s (IMF) delegation was in Estonia on a virtual visit (from 26 April until 14 May) to tell the ‘story’ that the country “should support the economy while exiting the crisis, after which [it] needs a concrete plan to gradually restore budget buffers”¹. In the context of such a valuable advice, Madis Müller, Governor of *Eesti Pank* (Estonian Central Bank), keeping in mind his institution’s already existing estimate that “growth in the Estonian economy will pick up momentum in the second half of this year [...] forecasting [...] 2.7% for the year as a whole”, noted the following:

Once economic activity has recovered, it will certainly be appropriate to set the target of bringing government spending and revenues into line and moving towards a balanced budget as quickly as possible. The direction set in the most recent budget strategy is clearly appropriate. However, the return of the state finances to balance under the current plans would take substantially longer than in neighbouring countries. [...] We have to rebuild our buffers because this will not be the last crisis ever.²

The EU is also in the process of coming out from having a year-long lethargic dream. One may argue that the pandemic’s initial period will be remembered by many occurrences,

¹ ‘IMF: Estonia needs a plan to restore budget buffers’ in *ERR*, 17 May 2021. Available from [<https://news.err.ee/1608215629/imf-estonia-needs-a-plan-to-restore-budget-buffers>].

² Madis Müller as cited in ‘The IMF states that Estonia needs a robust plan for gradually rebuilding its fiscal buffers’, *Eesti Pank*, 17 May 2021. Available from [<https://www.eestipank.ee/en/press/imf-states-estonia-needs-robust-plan-gradually-rebuilding-its-fiscal-buffers-17052021>].

including the EU's dramatic failure to operationally coordinate the entity-wide response to the crisis. Encouragingly for the Member States, both the Commission and the Council of the EU are effectively back on track, and **EUR 173 million** of the entity's **top-up funds** 'landed' in Estonia, in accordance to the decision of the European Commission³. The idea is that the substantial funds must be used up quickly (within a month), since the money has the nature of being transferred under the Recovery Assistance for Cohesion and the Territories of Europe "to fight the coronavirus and mitigate the economic consequences of the crisis"⁴. Keit Pentus-Rosimannus (*Reform*), the country's Minister of Finance, underlined that "it is now possible for the ministries to quickly make all the necessary preparations for the payment of subsidies"⁵.

Evidently, the pandemic has successfully pushed the EU towards theorising and strategising – the cost of the delay has been huge, but better now than never. The Estonian context in the process is obvious – the country's e-solutions in the field of political economy made Estonia a champion of e-governance in the European continent and, to an extent, globally. Thus, the Estonian e-Governance Academy's 7th e-Governance Conference (this year, its title is 'A Digital Decade in One Year', and the event took virtual place from 18 until 20 May in Tallinn⁶), was featured by the announcement of **the three strategically important areas**, on which the EU will be focusing within **the next digital decade**. One of the conference-bound key speakers, Jutta Urpilainen, the European Commissioner for International Partnerships, while clearly emphasising that the focus must be 1) on digital skills and digitalisation in education, 2) a human-centric approach to digitalisation, and 3) digital identity development, highlighted the following:

This is [for] the first time [when] digitalisation is a defined priority. [...] Digitalisation must be at the heart of a sustainable recovery. Through joint partnerships and investments, we will bridge the digital divide and grow our digital economies. This requires multilateral governance and a human-centric approach with an emphasis on digital skills, e-governance and eID. [...] I admire Estonia, who excels in this field and with whom we work closely on the

³ 'Finance minister: €173 million EU top-up aid to be allocated within a month' in *ERR*, 20 May 2021. Available from [https://news.err.ee/1608219766/finance-minister-173-million-eu-top-up-aid-to-be-allocated-within-a-month].

⁴ 'Finance minister: €173 million EU top-up aid to be allocated within a month'.

⁵ Keit Pentus-Rosimannus as cited in 'Finance minister: €173 million EU top-up aid to be allocated within a month'.

⁶ 'A Digital Decade in One Year' in *The e-Governance Conference*. Available from [https://2021.egovconference.ee/].

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On the theme of digitalisation, if it is contextualised with the still ongoing pandemic, there is a particular development on Estonia's Covid-19 certificate. Andres Sutt (*Reform Party*), the country's Minister of Entrepreneurship and IT, confirmed that the certificate's domestic use (the extent of it) will be discussed by the Government Estonia on 27 May, while the question of its applicability in the context of cross-border regulations will be deliberated by the Estonian Ministers on 3 June⁸. The same Minister specified that "the electronic certificate of negative test result and recovery should be ready by the end of May"⁹ in Estonia. From the economic perspective, there is a hope that Commissioner Urpilainen's participation at the aforementioned e-Governance Conference can speed up the process of finding the EU-wide solution on generating the entity's common certificate – a high number of stagnating industries are desperately waiting for it. Speaking on the issue, Minister Sutt noted that "[t]here will be a sort of centralised solution enabling the recognition of different member countries' certificates, but details are still being worked out"¹⁰.

In the meantime, as reported, some former economists of the *European Central Bank* (ECB) publicly expressed their worry that "[t]he eurozone may be destined for a period of high inflation as mounting national debt levels dampen the ECB's willingness to raise interest rates quickly enough"¹¹. In the Estonian case, as reported by *Eesti Pank*, "[i]nflation remained at its high level of recent months in March", while "[t]he rise of 1.1 per cent in consumer prices was driven most by the higher electricity price, which was 18 per cent more than in March last year and contributed 0.6 percentage point to total inflation"¹². Closer to the summer time, a range for more recent figures will come, but the tendency shows that inflation in the country can still be below the average for the eurozone, confirming the Estonian economy's relative stability (see *Table 1* for more details).

⁷ Jutta Urpilainen as cited in 'EU commissioner: Digitalization is at the heart of sustainable recovery', *ERR*, 19 May 2021. Available from [<https://news.err.ee/1608217672/eu-commissioner-digitalization-is-at-the-heart-of-sustainable-recovery>].

⁸ Andres Sutt as cited in Henry-Laur Allik, 'Even vaccine deniers can get Covid-19 certificate', *Postimees*, 21 May 2021. Available from [<https://news.postimees.ee/7253976/even-vaccine-deniers-can-get-covid-19-certificate>].

⁹ Sutt in Allik.

¹⁰ Sutt in Allik.

¹¹ Johanna Treeck, 'Former ECB chief economists warn of eurozone debt trap if inflation comes back' in *Politico*, 14 May 2021. Available from [<https://www.politico.eu/article/former-ecb-chief-economists-warn-of-eurozone-debt-trap-inflation/>].

¹² Sulev Pert, 'Inflation will remain higher until the summer' in *Eesti Pank*, 8 April 2021. Available from [<https://www.eestipank.ee/en/press/inflation-will-remain-higher-until-summer-08042021>].

Table 1: Monthly economic indicators for Estonia (updated 20 May 2021)

	Source	Period	Amount	Change compared to previous period (%)	Change compared to same period of previous year (%)
1. Industry					
1.1. Volume index of industrial production (at constant prices, 2015=100; %) ^[1]	SA	03/21	-	-1.4	2.0
2. Consumption					
2.1. Turnover of retail trade enterprises (EUR m)	SA	03/21	656.5	10.6	4.3
2.2. New registration of passenger cars (pieces)	MNT	04/21	4,349.0	5.4	143.5
3. Price indices					
3.1. Consumer price index (%)	SA	04/21	-	0.4	1.9
3.2. Producer price index (%)	SA	04/21	-	1.6	6.8
3.3. Export price index (%)	SA	04/21	-	1.3	9.9
3.4. Import price index (%)	SA	03/21	-	1.6	3.5
3.5. Construction price index (%)	SA	03/21	-	0.2	0.6
3.6. Harmonised competitiveness indicator (%)	EKP	04/21	-	0.2	-0.0
4. Labour market and wages					
4.1. Registered unemployed	TK	04/21	55,865.0	-2.8	15.6
4.2. % of workforce ^[2]	TK	04/21	8.5	8.8	7.4
4.3. Average monthly gross wages and salaries (EUR)	SA	12/20	1,604.0	8.3	3.4
5. Estonian Institute of Economic Research confidence indicators ^[2]					
5.1. Industry confidence indicator	EKI	04/21	14	11	-33
5.2. Construction confidence indicator	EKI	04/21	5	2	-41
5.3. Retail trade confidence indicator	EKI	04/21	-2	0	-35
5.4. Consumer confidence indicator	EKI	04/21	-20	-17	-18
6. Foreign trade (special trade system)					
6.1. Exports (EUR m)	SA, EP	03/21	1,471.3	16.7	19.1
6.2. Imports (EUR m)	SA, EP	03/21	1,657.4	24.5	19.5
6.3. Balance (EUR m) ^[2]	SA, EP	03/21	-186.1	-70.2	-151.5
6.4. Foreign trade balance to exports (%) ^[2]	SA, EP	03/21	-12.7	-5.6	-12.3
7. Balance of payments flash estimate (by BPM6)					

	Source	Period	Amount	Change compared to previous period (%)	Change compared to same period of previous year (%)
7.1. Current account (EUR m) ^[2]	EP	03/21	-478.9	3.0	54.7
8. Accommodation					
8.1. Accommodated visitors (thousands)	SA	03/21	51.2	-48.7	-43.0
8.2. o/w foreign visitors (thousands)	SA	03/21	8.7	-30.3	-80.7

Notes:

^[1] Adjusted seasonally and with the number of working days

^[2] Instead of changes comparing to previous periods, absolute figures for the periods are shown by this indicator.

Source: SA - Statistical Office of Estonia; MNT – Estonian Road Administration EP – Eesti Pank; TK – Estonian Unemployment Insurance Fund; EKI – Estonian Institute of Economic Research; EKP – European Central Bank.¹³

¹³ *Eesti Pank*. Available from [<https://statistika.eestipank.ee/#/en/p/MAJANDUSKOOND/r/829/705>].