

ESTONIA: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE
(As of December 31, 2010)

	Date of latest observation	Date received	Frequency of Data ⁶	Frequency of Reporting ⁶	Frequency of publication ⁶	Memo Items:	
						Data Quality – Methodological soundness ⁷	Data Quality – Accuracy and reliability ⁸
Exchange Rates	Dec. 31, 2010	12/31/10	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Nov. 2010	12/06/10	M	M	M		
Reserves/Base Money	Nov. 2010	12/23/10	M	M	M	O, LO, LO, LO	O, O, O, NA
Broad Money	Nov. 2010	12/23/10	M	M	M		
Central Bank Balance Sheet	Nov. 2010	12/23/10	M	M	M		
Consolidated Balance Sheet of the Banking System	Nov. 2010	12/23/10	M	M	M		
Interest Rates ²	Dec. 31, 2010	12/31/10	D	W	W		
Consumer Price Index	Nov. 2010	12/07/10	M	M	M	O, O, O, O	LO, LO, O, LO
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	Nov. 2010	12/16/10	M	M	M	LO, LO, O, O	LO, LO, O, NO
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	Nov. 2010	12/16/10	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Q2 2010	9/23/10	Q	Q	Q		
External Current Account Balance	Q3 2010	12/9/10	Q	Q	Q	O, O, LO, O	O, O, O, O
Exports and Imports of Goods and Services	Oct. 2010	12/10/10	M	M	M		
GDP/GNP	Q3 2010	12/09/10	Q	Q	Q	O, O, O, LO	LO, LO, LO, LNO
Gross External Debt	Q3 2010	12/09/10	Q	Q	Q		
International Investment Position ⁹	Q3 2010	12/09/10	Q	Q	Q		

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).

⁷ Reflects the assessment provided in the data ROSC published on November 6, 2001 and based on the findings of the mission that took place during May 10-18, 2001 for the dataset corresponding to the variable in each row. For fiscal, also takes account of the 2009 Fiscal Transparency ROSC. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

⁸ Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation, and revision studies.

⁹ Includes external gross financial asset and liability positions vis-à-vis nonresidents.



INTERNATIONAL MONETARY FUND

Public Information Notice

EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No. 11/14
FOR IMMEDIATE RELEASE
February 2, 2011

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2010 Article IV Consultation with the Republic of Estonia

On January 31, 2011, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Estonia.¹

Background

On January 1, Estonia was successful in its all-out efforts to join the euro, while holding the distinction of being the only European Union country, aside from Sweden, whose fiscal deficit does not exceed the Maastricht limit.

Amidst a strengthening export-led recovery, economic growth recovered in 2010. Exports of intermediate inputs and capital goods have grown briskly, mirroring developments in Estonia's main trading partners. Domestic demand has remained subdued, nonetheless, with private consumption burdened by weak labor markets and household balance sheets weakened by the bursting of an earlier credit boom. While unemployment has declined from its peak of about 20 percent in early-2010 to about 15½ percent more recently, continued progress in job creation will likely be hampered by a lack of skilled workers in growing sectors.

Inflation has picked up in 2010 and, despite double-digit unemployment, so have wages. Prices have surprised on the upside reflecting global food and fuel prices. Core prices have also begun increasing but at a moderate rate. Recent wage increases have defied not only high unemployment but also increases in vacancies and long-term unemployment. These developments point to the difficulties mismatched skills pose to

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

resource reallocation in an otherwise flexible labor market. Regardless, business sector profitability has increased smartly in 2010 and Estonia's competitiveness has improved though it has yet to fully recover the losses experienced during the boom years.

Looking forward, growth is envisaged to gradually increase but remain below its pre-crisis rate. In its first year in the euro area, staff projects that Estonia's growth will accelerate from about 2½ percent in 2010 to about 3½ percent in 2011 as exports continue to propel growth. Inflation is also projected to rise from about 2¾ percent in 2010 to about 4 percent in 2011 reflecting the full-year impact of food and fuel price shocks. Core inflation should remain subdued. At end-2010, downside risks have become more prevalent with renewed tensions in global financial markets.

The key policy challenge that Estonia faces is to ensure that its economy remains on a sustainable growth path.

Executive Board Assessment

Executive Directors congratulated Estonia on its successful adoption of the euro—the result of sound macroeconomic policies and resolute commitment to fiscal discipline underpinning a long-standing currency board arrangement. Directors welcomed a return to export-led growth and the prospect of a further rebalancing of the economy. They noted the challenges ahead in maintaining growth while reducing high unemployment. Against this backdrop, Directors were reassured by the authorities' commitment to continue fiscal prudence, closely monitor price developments, improve the resilience of the financial system, and enhance productivity and external competitiveness, taking full advantage of the euro zone membership.

Directors supported the 2011 budget, which continues to rely on tight expenditure control. Strict adherence to the budget's spending limits would further enhance Estonia's credibility in its first year in the euro area. Directors concurred that Estonia has ample fiscal space for automatic stabilizers to operate up to the Maastricht limit, if downside risks materialize, with a few seeing scope for a more accommodative policy stance in support of economic activity in the short run.

Directors welcomed the authorities' medium-term goal of returning to budget surpluses to restore fiscal reserves and keep public debt at low levels. While achieving this target will require substantial expenditure compression, it will be important to protect education and investment spending, and at the same time continue to improve expenditure efficiency. Directors recommended considering revenue measures such as indirect and environmental taxes, if the need arises. Enhancing Estonia's medium-term fiscal framework and transparency would aid consolidation efforts and avert pro-cyclical fiscal policies.

Directors observed that the financial sector had weathered the crisis relatively well but risks remain from the earlier credit boom. Safeguarding stability in the context of continued global financial market tension and upcoming changes in regulations is a priority. While euro area membership is expected to help lessen liquidity risks, supervisory vigilance remains critical to maintain adequate bank provisioning and capitalization. Directors encouraged the authorities to do their utmost to ensure that the implementation of the new household debt restructuring law does not undermine

confidence in the rule of law or financial intermediation. They welcomed the 2010 Nordic-Baltic Memorandum of Understanding on crisis management, and looked forward to further progress in developing bank resolution frameworks in coordination with the relevant cross-border authorities.

Directors welcomed the “Estonia 2020” competitiveness strategy, noting that its prompt implementation should help boost employment and productivity. They encouraged continued efforts to promote resource reallocation to the tradable sector, facilitated by flexible labor markets and appropriate wage policies. These efforts should be complemented with education and retraining programs to address skill mismatches and improved capacity to absorb EU-structural funds for infrastructure and human capital development.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case. The [staff report](#) (use the free [Adobe Acrobat Reader](#) to view this pdf file) for the 2010 Article IV Consultation with Estonia is also available.