

Estonian Economy

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Estonian firms can apply for subcontracting work in Iraq

Estonian firms may have the opportunity of applying for subcontracting work in the reconstruction of Iraq financed by the United States Department of Defense and the international development agency USAID. Nancy J. Nelson, a representative of the United States embassy, has told that although under law only U.S. firms can apply for contracting work in the Iraq tenders, an exception may be made to the Iraq procurements. "Estonia has the advantage of having been an ally of the United States in the war and I am appealing to interested companies to report themselves." Nelson said.

Moody's upgrades long-term rating of Tallinn

The international rating agency *Moody's* has upgraded the long-term foreign currency debt rating of the City of Tallinn by one notch to A3. *Moody's* noted that the rating outlook is stable. *Moody's Investors Service* said that the upgrading reflects improvement in the city's macroeconomic indicators and institutional environment in the process of acceding to the European Union. The agency is of the opinion that Tallinn's varied and growing economic potential will secure the city a significant income base in future as well.

ESTONIAN ECONOMIC POLICY

The new Estonian government is planning to bring the budget strategy drawn up under the previous government into line with the new coalition agreement to ensure implementation of its intended tax reforms. Finance Minister Tõnis Palts from Res Publica said the ministry was already dealing with the issue and would ask other ministries to give assessments to its plan. The new government is planning to lower the present 26 percent flat income tax to 20 percent in three years and to raise the tax-free minimum income from 1,000 kroons (EUR 64) to 2,000 kroons a month during the same period, to introduce maternity pay, partly cancel student loans and to retain the present income base for local self-governments.

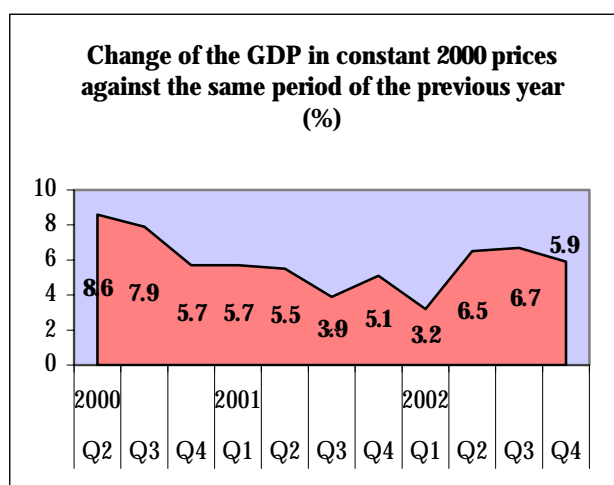
The right-of-center coalition government has set itself the goal to save half a billion kroons (EUR 32 mln) next year by cutting administrative

expenses. Taavi Veskimägi, a senior finance policy maker of Res Publica, said that while the goal was to save as much as possible, 500 million kroons was a fully realistic goal. Apart from the extra money to be received by saving on administrative costs, the coalition counts with an annual four to five billion kroons from economic growth that will help finance its costly promises. Veskimägi mentioned EU funding as another source. According to his forecast, Estonia's state budget will total at least 59.3 billion kroons in 2007 compared with 38.4 billion kroons this year. Veskimägi said the cost of the two promises seen as the most expensive - the tax reform and introduction of the so-called mother's pay - is expected not to exceed 1.5 billion kroons next year.

MAJOR ECONOMIC INDICATORS

GDP

The Bank of Estonia forecasts the growth in the Estonian gross domestic product in 2003 at 4.4 percent. The Bank of Estonia said the central bank lowered the forecast on the basis of worsening outlooks of the external environment, as a result of which the economic growth will remain nearly one percentage point below the potential, while being still considerably higher than in the euro zone. *Hansabank Markets*, however, forecasts Estonia's 2003 economic growth at 5.5 percent. Regardless of the modest growth of the world and particularly European economy *Hansapank* forecasts continued favorable economic developments in the Baltic countries.



Source: Statistical Office of Estonia

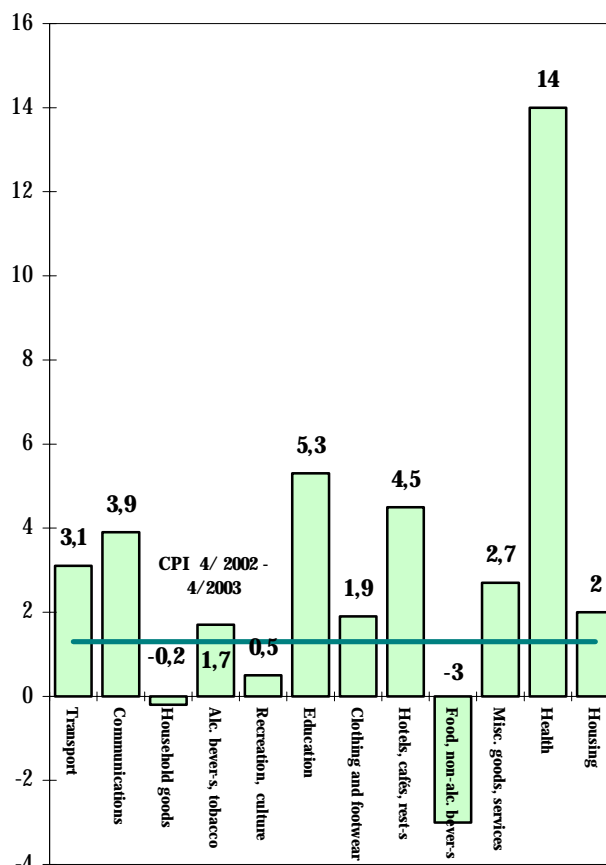
PRICES

The percentage change of the consumer price index in April 2003 compared to March was -0.2%. The price change was as follows: goods -0.1%, food, alcohol and tobacco 0.2%, manufactured goods -0.4%, and services -0.3%. In April 2003 compared to March the consumer price index was mainly influenced by special offers of mobile communication services, by decrease in the prices of motor fuel and by seasonal increase in the prices of vegetables. On average, the prices of goods and services in April 2003 were 1.3% higher than in April 2002. Administered prices changed 3.0% and non-administered prices 0.6%.

In Q1 the consumer price index in Estonia grew by only 0.1 percentage point more than in the euro-zone, or by 2.4 percent compared with Q1 of 2002. The rise in prices in Q1 was mainly due to housing, clothing and footwear, and communication and health services becoming more expensive. A drop was recorded only in prices of food and nonalcoholic beverages, which was 3.1 percent, due to a decline in prices of meat and dairy products and fruit and vegetables. The CPI rose in Q1 by 1.3 percent against Q4 of 2002. The y-on-y growth in the CPI of the euro-zone is estimated at 2.3 percent. A slowdown in the inflation rate is forecast for the second quarter as prices

of both oil and food are expected to drop. In Estonia the pace of inflation is likely to pick up in the second quarter mostly on account of the low base of May and June 2002. Estonia is also largely dependent on inflation trends of the euro-zone, because the CPI here is increasingly affected by changes in non-regulated prices.

Change of the CPI by commodity groups, April 2002 - April 2003, %



Source: Statistical Office of Estonia

The construction price index in Estonia rose by 1.5 percent in Q1 of 2003 compared with Q4 of 2002. In comparison with 2002, construction prices were up by 3.7 percent. The Q1 rise in the index was mostly due to labor becoming more expensive. The q-on-q rise in the cost of labor was 4.3 percent. Construction machines became 0.1 percent more expensive and the cost of material rose by 0.4 percent. Compared with Q1 of 2002, labor cost 8.3 percent more, machines were 6.2 percent more expensive and building materials cost 1.6 percent more.

	March. 2003 - April 2003	April 2002 - April 2003
Consumer price index	-0.2%	1.3%
Producer price index	-0.1%	0.8%
Export price index	0.2%	2.0%
Import price index	0.5%	-1.0%

Source: Statistical Office of Estonia; Bank of Estonia

FOREIGN TRADE

Share of countries in Estonian foreign trade (%) in February 2003

Exports		
Country of destination	2/2003	3/2003
Finland	24.9	28.4
Sweden	16.3	16.1
Germany	10.5	9.9
Latvia	6.9	8.1
UK	4.1	4.3
Denmark	4.7	3.7
Russia	3.1	3.4
Lithuania	3.1	3.2
Norway	3.9	3.1
Netherlands	3.7	2.9

Imports		
Country of origin	2/2002	3/2003
Finland	15.8	14.5
Germany	11.7	11.0
Russia	9.6	10.0
Sweden	8.9	8.8
China	4.3	4.6
USA	3.3	4.1
Ukraine	4.5	4.1
Italy	3.1	3.9
Japan	3.5	3.4
Poland	2.9	3.3

Source: Statistical Office of Estonia

The value of Estonia's foreign trade by special trade system in March 2003 was 12.8 billion kroons (11.1 billion kroons in February), of which exports was 5.1 billion kroons (40 percent) and imports was 7.7 billion kroons (60 percent). The trade deficit was 2.6 billion kroons. Compared to February 2003 exports increased 18 percent. Normal exportation (excludes re-exportation after inward processing and exportation for processing) increased 16 percent and exports after inward processing in Estonia increased 20 percent. Exports increased 8 percent in March 2003 compared to March 2002. In March the share of EU countries in exports was 71 percent (in February also 71 percent). Exports to CIS countries formed 5 percent of total exports (in February also 5 percent). Compared to February 2003 there was an increase mainly in the exports of machinery and equipment (by 297 million kroons), of wood and products thereof (by 96 million kroons), of transport equipment (by 88 million kroons), of metals and products thereof (by 67 million kroons). At the same time, there was a remarkable decrease only in the exports of agricultural products and food preparations (by 19 million kroons). Compared to February 2003 imports increased 15 percent. Imports for home use

increased 15 percent and imports for inward processing increased 14 percent. Imports increased 17 percent in March 2003 compared to March 2002.

FISCAL POLICY

Estonian state budget revenues in the first four months of this year were 12.5 billion kroons (EUR 0.8 b), making up 32.53 percent of the year's target. Last year the budget was 30 percent full after four months. Revenue intake in April amounted to 3,262 million kroons or 8.49 percent of the projected 12-month total.

The Bank of Estonia total assets decreased by 763 million kroons (EUR 49 mln) or 4.4 percent in April, totaling 16,438 million kroons at the end of the month. The bank's gold and net foreign currency reserves totaled 16,172 million kroons at the end of April; over the month, the reserve decreased by 766 billion kroons of 4.5 percent.

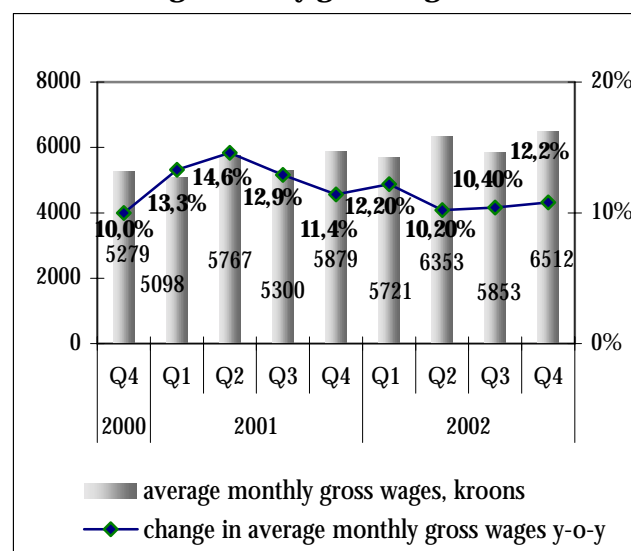
Budget turnover, balance sheet volume of the CB, reserves backing the kroon

	30.04.2003	31.03-30.04 2003
Revenue of the State budget	8,857 million (32.53%)	3,262 million (8.49%)
Total assets of CB	16,171 million	-4.4%
Gold and foreign currency reserves of CB	16,437 million	-4.5%

Source: Ministry of Finance; Bank of Estonia

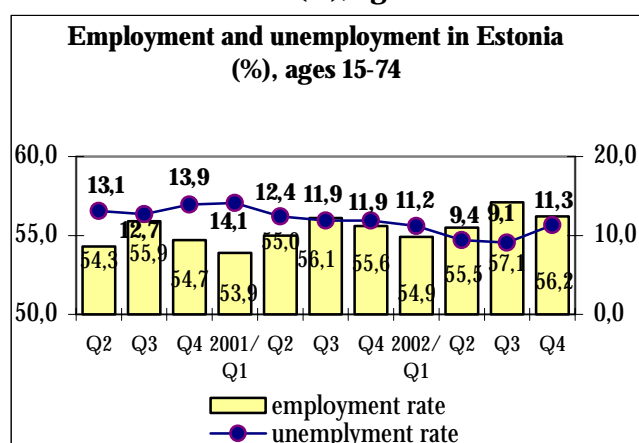
LABOUR MARKET

Average monthly gross wages in Estonia



Source: Statistical Office of Estonia

Employment and unemployment in Estonia (%), ages 15-74



Source: Statistical Office of Estonia

47,523 jobless, or 5.8 percent of the country's working age population, were looking for work through employment agencies in Estonia in March. Compared with February, the number of registered job-seekers grew by 1.3 percent, but showed a y-on-y decline of 10.5 percent. The jobless registered for the first time in March numbered 5,387, a drop of 9.5 percent from February.

DEVELOPMENT BY SECTORS

BUSINESS ACTIVITY

The aggregate net sales of enterprises operating in Estonia totaled 303.6 billion kroons (EUR 19.4 b) in 2002, 13 percent more than in 2001. In Q4, the sales amounted to 81.2 billion kroons, up 11 percent y-on-y. The sales increased the most last year in the sphere of public health and social maintenance, construction and in the hotel and restaurant business. The increase in labor costs in these spheres was also the highest. Altogether, the Estonian enterprises' labor costs increased by 13 percent last year. The enterprises invested 21 billion kroons into fixed assets last year, 5 percent more than in 2001. The biggest investors were processing industry, and shipping, warehousing and communications enterprises. In Q4 of 2002, there were 26,618 enterprises producing goods or providing non-financial services. Of all the enterprises 34 percent specialized in trade, 21 percent in real estate, leasing and business and 21 percent in the processing industry. Enterprises producing goods and providing non-financial services last year employed at total of 386,000 people. The enterprises accounted for 73 percent of the surplus value produced in Estonia. By the sphere of activity, the biggest producers of surplus value were enterprises operating in the processing industry, trade and shipping and communications sectors.

IT

Estonian companies are hiring less IT specialists and increasingly often prefer to buy the service from outside, a survey by the Emor company that charted the IT situation of businesses found. The number of companies that have chosen IT outsourcing has doubled in the past couple of years. The number of such companies increased from

approximately 7,100 in 2001 to 14,800 companies this year.

Microsoft is to open its office in Estonia. Earlier operations in the country were coordinated via the Riga office.

Estonia has to date 107 wireless Internet or wifi areas of which 62 are in Tallinn. Of the 62 wireless Internet areas in Tallinn, 22 provide a pay service and 40 are free. Forty-two of Tallinn's wifi areas are located in the city center. Estonia's second-largest city Tartu has 13 wifi areas, of which three provide a pay service. The southern Valga County has six wireless Internet areas, Pärnu four, and the Hiiumaa, Läänemaa, Viljandi and Harjumaa regions, three each. 6.8 percent of all wireless Internet areas in Europe are located in Estonia, although 1.4 million Estonians make up only 0.2 percent of the continent's population of 728 million.

BANKING

On 14 April, the board chairman of the Estonian Financial Supervision Authority, Andres Trink, and his Swedish counterpart Ingrid Bonde signed an agreement on cooperation in banking supervision. The accord calls for intensifying exchanges of information and cooperation in supervision over banks, including keeping an eye on market risks, liquidity and capital adequacy, in prevention of money laundering and solving of banking crises.

The number of Estonian banks' online clients increased by 21,584 in April to 716,089. 3,029 new clients subscribed to the banks' telephone services, bringing the total number of such clients to 222,159.

The international rating agency *Fitch Ratings* has upgraded *Hansabank's* individual rating by one notch to B/C. The rating action reflects *Hansabank's* strong track

record of profitability, healthy asset quality, conservative risk management and the rapid and effective integration of the *Lithuanian Savings Bank* into *Hansabank Group*. The long- and short-term foreign currency ratings of the bank remained at A- and F2 respectively.

Hansapank Group's Q1 profit numbers met analysts' expectations, and a decline in costs makes up for profit margins that were smaller than predicted. *Hansapank Group* posted in Q1 of 2003 a pre-tax profit of 562.4 million kroons (EUR 36 mln) and a net profit of 540.9 million kroons. The group's interest income reached 798.5 million kroons (interest margin 3.81 percent) and net income from fees and commissions was 358.7 million kroons.

Ühispank, which belongs to the *SEB* group, posted growth in profit by 37 pct y-on-y from 83 million kroons (EUR 5.3 million) to 132 million (EUR 8.4 mln), thanks to increased effectiveness. The operating profit increased by 29 percent y-on-y and amounted to 145.2 million kroons. Operating income increased by 12 percent, while operating expenses declined by one percent. The ratio of operating expenses and income fell to 51.5 percent compared with 58 percent last year.

Ühispank reacted on 16 April to a campaign launched by *Nordea Bank*, lowering the interest on housing loans to 3.93 percent. *Nordea Bank* lowered its housing loan interest from 4.95 percent to 3.95 percent in a campaign lasting until 11 May.

The Latvian *Parex Bank*, which so far had a representation in Estonia, has set up a subsidiary, *Parex Credit*, to serve primarily Estonian private clients. *Parex Credit* will continue as an independent retail loan and leasing institution also after the bank opens in Tallinn a branch providing all banking services.

A group of Norwegian investors are seeking to buy the shares in *Preatoni Pank* in Estonia, owned by Italian businessman Ernesto Preatoni. The plan is to conduct the deal via *OÜ Hansahouse*.

Volumes of Estonia's major investment funds increased in April. *Hansa Money Market Fund*, *Ühispank Money Market Fund* and *Hansa Interest Fund* had volumes larger than a billion kroons (EUR 63.9 mln). The portfolio of *Hansa Interest Fund* grew last month by 286.55 million kroons to a total of 1,351.92 million kroons. The fund's per annum yield was 3.52 percent. *Ühispank Money Market Fund* stood at the end of April at 1,303.96 million kroons compared with 1,278.05 million a month earlier. The fund's 30-day yield was 2.45 and per annum yield, 2.99 percent. *Hansapank's Money Market Fund* posted an increase of 174.06 million kroons to 1,113.23 million kroons at the end of last month. The yield per 30 days was 2.55 percent and per annum 2.91 percent.

INSURANCE

Estonian life insurance companies collected 115.1 million kroons (EUR 7.35 mln) of premiums

in Q1, 17.3 percent more than in the same period last year. The life insurance companies paid out 20.86 million kroons in claim settlements in the three months. In March the life insurance companies collected 41.3 million kroons premiums and settled claims to the tune of 6.14 million kroons. The sum of collected premiums was the highest in *Hansapank Kindlustus (Hansapank Insurance)* - 49.2 million kroons, with the claim settlement sum totaling 15.3 million kroons. *Ühispanka Elukindlustus (Ühispank Life Assurance)* collected 28.4 million kroons premiums and paid out 2.7 million kroons in claim settlements in the three months. The premiums collected by *Seesam Elukindlustus* made up 17 million kroons and its claim settlements 1.7 million kroons. *ERGO Elukindlustus* collected 12.6 million kroons of premiums and paid out one million kroons in claim settlements. The respective figures for *Sampo Elukindlustus* were 7.9 million and 156,000 kroons.

Estonian non-life insurance companies and the Third Party Liability Motor Insurance Fund collected a total of 519.36 million kroons (EUR 33.19 mln) premiums in Q1 2003, nearly 24 percent more than in the same period last year. In the three months the companies paid out 268.64 million kroons in claim settlements. In March the sum of the collected non-life premiums was 162.4 million kroons and of claim settlements 94.9 million kroons. *If Eesti Kindlustus (If Estonian Insurance)* collected the biggest sum of non-life premiums in the three months -- 190.5 million kroons, and made claim settlements to the tune of 92.3 million kroons during that period. *ERGO Insurance* and *Seesam* collected in Q1 respectively 136.9 million and 70.3 million kroons of premiums and paid out respectively 74.3 million and 44.8 million kroons in claim settlements. The sum of premiums collected by *Salva Kindlustus* in Q1 totaled 54.2 million kroons and its claim settlements 22.7 million kroons. *Nordea Kindlustus* and *Inges Kindlustus* collected 23.5 million and 18.2 million kroons respectively.

INDUSTRY

Industrial production in Estonia in March 2003 increased 1.5 percent over February, the increase in manufacturing being 0.9 percent. Sales of industrial production in March reached 5.177 billion kroons (EUR 331 mln), of which sales of output of the manufacturing sector made up 4.271 billion kroons. The respective estimated figures for the first three months of the year were 14.626 billion and 11.783 billion kroons. According to seasonally adjusted data, output increased in energy production by 5.5 percent over February 2003, but decreased by 8.8 percent in mining.

The Tallinn-based garment maker *Baltika Grupp* has signed an agreement with the Finnish *RIVERCO* retail chain on selling products of Baltika's *Monton* brand in Finland. *RIVERCO* will start to sell *Monton* clothes in August, being the first chain in Finland to take on the brand.

The sale of articles of clothing increased substantially in Estonia in 2002, with the rise in sales by specialized stores reaching 36 percent. According to figures provided by the Estonian Garment and Textile Association, the output of garments and textile increased 7.1 percent last year. In terms of turnover the increase was 10.5 percent in the garment industry and 5.2 percent in the textile industry.

The northeast Estonia-based *AS Silmet*, supplier of rare metals to various industries, had to lay off nearly 200 people last year as lower world market prices cut heavily into its sales and profit. The sales of *AS Silmet* fell from 600 million kroons (EUR 38 mln) in 2001 to just over 400 million kroons (EUR 26 mln) in 2002.

The Tallinn-based furniture maker *AS Standard* earned a profit of 2.6 million kroons (EUR 0.166 mln) on sales of 124.8 million kroons in 2002. As far as *Standard's* operations are concerned, the profit could have been as big, but the bankruptcy of the company's Finnish dealer resulted in a loss of 2.6 million kroons.

The sports goods and furniture maker *AS Viisnurk* earned a net profit of 586,000 kroons (EUR 37,400) on sales of 91.197 million kroons in Q1 of 2003. In the same period last year, the company made a loss of 1.1 million kroons on sales of 81.8 million kroons.

AS Norma, a company of the Swedish car safety equipment making group *Autoliv*, earned a profit of 22.1 million kroons in Q1 of 2003, which is 48 percent less than in the same period last year. Sales turnover of the *Norma* group totaled 207.6 million kroons, a decline of 10 percent.

Sales turnover of Estonia's largest sawmill *Imavere* in Q1 of 2003 was 221.5 million kroons (EUR 14.15 mln), down by 1.6 million kroons from the same period a year earlier. Export accounted for 124.6 million kroons of aggregate sales. Compared with Q1 of 2002, export showed a growth of almost 9.4 percent.

The U.S. concern *Smead Manufacturing Company* has taken over a number of subsidiaries of the Norwegian *Lindegaard* concern, among them a paper mill in Kohila.

FOOD INDUSTRY

Thirty-seven food companies in Estonia have filed applications with the Agricultural Registers and Information Board for investment support from the European Union's pre-accession agricultural instrument SAPARD. The 37 companies are seeking support for a total of 55 projects, including 27 projects in the dairy industry, 16 in the meat industry and 12 in the fishery industry.

Milk production in Estonia dropped 11 percent and production of eggs was down seven percent in the first quarter of this year compared with the same period a year ago. The sale of livestock and poultry for slaughter increased nine percent y-on-y. In Q1 of 2003, 133,700 tons of milk (150,400 tons in Q1 of 2002) and 59.8 million eggs (64.5 million in Q1 of 2002) were

produced in Estonia. 22,700 live weight tons of livestock and poultry were slaughtered in holdings or sold for slaughter to meat processing enterprises, compared with 20,800 tons in Q1 of 2002.

The *Valio Eesti AS* dairy firm made 1.2 million kroons (EUR 767,000) of loss in Q1, while sales of the company increased by 11.2 percent or 5.8 million kroons to 55.8 million kroons y-on-y.

Estonian firms' output of beer and vodka grew significantly in March 2003 in comparison with the same month a year ago. Breweries produced 7.26 million liters of beer in March, up by 27.6 percent from February and 20.8 percent y-on-y. The volume of vodka and liqueur produced in March reached 1.33 million liters, showing an increase of seven percent compared with the previous month and 46.6 percent against March 2002.

The Q1 sales of Estonia's *AS Tartu Õlletehas* (*Tartu Brewery*) fell to 4.73 million euros from 4.89 million euros in the same period last year. The decline in sales was by 3.5 percent to 10.3 million liters.

A.Le Coq Tartu Õlletehas (*A. Le Coq Tartu Brewery*) is set to make investments worth about 50 million kroons (EUR 3.2 mln) in 2003, with the emphasis on product overhaul, expansion of capacity and new technologies.

ENERGY

Eesti Gaas (*Estonian Gas*) earned a profit of 63.1 million kroons (EUR 4.03 mln) on sales of 456.5 million kroons in Q1 of 2003. Profit increased by nearly 16 million kroons against the same period last year, when the company netted 47.3 million kroons on sales 368.9 million kroons.

Eesti Energia, the Estonian state-owned energy company, exported about seven times more electricity to Latvia during the first three months of 2003 than it did in the same period last year. The company exported 415 gigawatt-hours of electric energy to Latvia during January-March.

CONSTRUCTIONS

The Ministry of Economic Affairs and Communications has signed a EUR 0.46 million agreement with the Danish company *COWI A/S* as part of the preparations for reconstruction of a section of the Tallinn-Narva road. Three quarters of the cost of the agreement will be covered by the European Union's ISPA assistance program.

Linstow International is going to invest 37 million euros in the *Ülemiste Shopping Center* to be built near a major intersection of roads south of Tallinn center not far from the airport. Construction of what will be the largest shopping center in Estonia began on 2 April, and contractor *NCC Ehitus OÜ* (*NCC Construction*) must complete the work by March next year.

Merko Ehitus (*Merko Construction*) group posted net sales of 467.4 million kroons (EUR 29.85 mln) and a

net profit of 28.2 million kroons, 50 percent more than in the same period last year. The y-on-y increase in the firm's sales was by 59 percent.

COMMUNICATIONS

The Estonian Communications Board is expecting the mobile phone firms *Tele2*, *EMT* and *Radiolinja* to make bids for third general mobile communication (UMTS) licenses by July 11; the issue of licenses will be decided by August 1.

EMT, the largest Estonian mobile telephone operator, intends to invest 200 million kroons (EUR 13 mln) into the third generation mobile communications network, aiming at 30 percent coverage in seven years as set out in the license terms.

Eesti Telekom, the leading provider of telecommunications services in Estonia, earned a net profit of 39.1 million kroons (EUR 2.5 mln) on total revenues of 1.106 billion kroons in Q1 of 2003. Net profit before taxes was about 319 million kroons, income tax on dividends amounted to 280 million kroons.

Tele2 has made roaming available to users of its *Smart* and *Ultra* prepaid cards also outside the Baltic states, being the first Estonian mobile operator to do so. In the future, Smart and Ultra cards can be used everywhere in Western and Central Europe and in many Eastern European and Asian countries.

Baltic sales of the *TV3* chain of television stations of Sweden's *Modern Times Group (MTG)* grew to 55.5 million Swedish kronor in Q1 of 2003 from 43.3 million kronor in the same period of 2002, marking an increase of 28 percent. The market share of *TV3* in the Baltic states in terms of viewing time was 33 percent in Q1.

TRANSPORT

In the period from January to April this year 99,921 passengers flew on *Estonian Air* regular flights, 21 percent more than in the same period last year. 29,161 passengers were carried this April, 20 percent more than in April 2002. The average load factor of *Estonian Air* flights was 54 percent. The load factor was the highest on flights to Paris and Hamburg, 83 percent and 78 percent respectively.

Austrian Airlines informed its cooperation partners in Estonia that the firm was to suspend flights on the Tallinn-Vienna line for three months starting from the end of April. Estonians' travel opportunities will not suffer from the discontinuation of the Vienna line because *Czech Airlines* has started flying from Tallinn to Prague and *Estonian Air* has launched regular flights between the Estonian capital and Paris.

The Finnish road transport committee has proposed to its Estonian counterpart to set up a joint Nordic alliance to defend common interests against a similar bloc of Central European countries.

Saaremaa Laevakompanii (Saaremaa Shipping Company) earned an unconsolidated, unaudited net profit of 1.8 million kroons (EUR 115,000) on sales of 77.1 million kroons in 2002. The operator of ferries between the mainland and Estonia's large western islands had posted net sales of 73.4 million kroons and a net profit of 4.8 million kroons for 2001.

Estonia's *AS Pärnu Sadam (Port of Pärnu)* reported that due to difficult ice conditions the freight turnover of the port dropped by 33 percent against the respective 2002 figure, totaling 319,605 tons. The export volume of the *Port of Pärnu* in Q1 this year totaled 319,542 tons and the import volume 63,000 tons. In Q1 2002 the freight turnover of the port was 475,131 tons.

The *Eesti Loots (Estonian Pilot)* company has declared the Finnish *Marine Alutec's* offer winner of a public procurement tender for three fast pilot boats; the cost of one boat will be up to 8.5 million kroons (EUR 0.54 mln).

Shipment of freight by Estonia's railway during March set a new monthly record of recent history with 3.89 million tons, which is 120,000 tons more than the previous record. Freight shipment in Q1 of the year increased 6.53 percent over the same period a year ago and totaled 10.86 million tons. Shipment by trains of the privatized rail company *Eesti Raudtee (Estonian Railway)* made up 79.8 percent of the total, marking an increase of more than 14.2 percent.

AGRICULTURE

Estonia's new agriculture minister Tiit Tammsaar affirmed the necessity of taking steps to protect pork producers. Along with issues related to pork imports and protection of Estonian farmers, Tammsaar sees preparation for joining the European Union, above all from the legislative aspect, as his first and key task in the job.

TOURISM

Delayed opening of the fast boat season lowered the hotel occupancy rate in Tallinn in April, but in May the hotels are hoping to achieve higher occupancy than last year. The occupancy rate of the big hotels was about 10 percentage points lower than in April 2002. If in April 2002 the average occupancy rate was 75 percent, then this April it was down to 63 percent.

Estonia's *Tallinna Sadam (Port of Tallinn)* will receive 235 cruise ships this season, 70 ships more than in the previous year. Tallinn is the second most popular cruise harbor in the Baltic Sea after Copenhagen, ahead of Stockholm, Helsinki as well as St Petersburg. A high percentage of the cruises start in Copenhagen.

New owners of the *Tallinn Olympic Yachting Center (TOP)*, who acquired the complex last year, have invested 50 million kroons (EUR 3.19 mln) in

renovating the *Pirita TOP SPA Hotel*, the renovated hotel opened its doors on 30 April.

TRADE

To compete with the German retail chain *Lidl* that is seeking to enter the Estonian market, the *Säästumarket* chain of discount stores promises to increase the proportion of its own brands and make wholesale purchases for the entire Baltic chain in order to lower prices by 10-15 percent from the present level of food prices in Estonia.

Kesko Food AS, the Estonian subsidiary of the Finnish *Kesko* group, earned a net profit of 7.389 million kroons (EUR 0.47 mln) in 2001, compared with a loss

of 24.275 million kroons in the year before. The net sales of *Kesko Food*, which comprises *Kesko Food AS*, the discounter operator *AS Kadaka Säästumarket* and the real estate management company *Kimmivaravalduse AS*, totaled 2.826 billion kroons.

The consolidated profit of the Estonian paper wholesaler *MAP Eesti* grew to nine million kroons (EUR 0.58 mln) in 2002 from 8.3 million kroons in the year before. Sales went up from 163.1 million to 175 million kroons.

The Finnish wholesaler of technocommunications goods *Omninen* intends to invest 3.6 million euros over the next three years in order to increase its Baltic sales twofold.

FOREIGN ECONOMIC RELATIONS

Bank of Estonia President Vahur Kraft attended the spring meeting of the International Monetary Fund's International Monetary and Financial Committee (IMFC) and the World Bank's Development Committee on 12-13 April. The key topics discussed during the IMFC meeting were the global economy outlook, prevention and solution of financial crises and support to economic development of low-income countries.

Eased terms for the export of several categories of farm products from Estonia to

Poland will step into effect on 1 May under a decision of the joint committee of the Estonian-Polish free trade. The new trade regime abolishes certain import duties and introduces additional tariff quotas for a number of products that are of interest for Estonian farmers, such as dairy and meat products, juices and confectionery products. The agreement allows to intensify economic cooperation between the two countries already before their membership in