



SPRING 2010 REFORM BAROMETER - ESTONIA

1. SUMMARY TABLE

<u>Estonia</u>				<u>Rank among 29 **</u>			<u>Relative Gap</u>	
	2008	2009	Change	2008	2009	Change	EU 5 top performers 2009	Gap to EU 5 top performers 2009
GDP per capita (Purchasing Power Parity - PPP)	16729	14257	-14.8%	23	24	-1	LU, IE, NL, AT, BE	-58%
GDP per capita (€ at 2000 prices)	7648	6606	-13.6%	23	24	-1	LU, DK, SE, IE, UK	-81%
Labour Utilisation (Annual hours worked per capita)	935	789	-15.6%	1	8	-7	CY, SI, GR, CZ, PL	-11%
Annual hours worked per person employed	1969	1825	-7.3%	4	11	-7	GR, HU, PL, SI, CZ	-9%
Employment as % of labour force (100-unemployment rate)	94.5	86.4	-8.1	10	26	-16	NL, DK, AT, CY, LU	-9
Labour participation (labour force as % of active population)	74.0	73.7	-0.2	12	10	2	NL, DK, SE, DE, UK	-6
Dependency ratio (working age population as % of total population)	67.9	67.9	-0.1	16	15	1	SK, PL, CY, CZ, RO	-5
Labour Productivity (GDP per hour worked, in PPP)	17.7	17.9	1.0%	25	24	1	LU, BE, NL, FR, DE	-59%
Labour Productivity (GDP per hour worked, € at 2000 prices)	8.1	8.3	2.3%	25	23	2	LU, SE, BE, DK, FR	-82%
Capital deepening (capital stock per hour worked)*	N/A	N/A	N/A	N/A	N/A	N/A	IE, FR, LU, AT, SE	N/A
Total Factor Productivity (level of economic efficiency per hour worked)*	N/A	N/A	N/A	N/A	N/A	N/A	LU, UK, DK, SE, BE	N/A
Corporate Investment (private investment excluding non-residential, % GDP)	11.1	7.1	-4.0	19	24	-5	BE, RO, AT, DK, SK	-6.0
Current Account Balance (as % GDP)	-9.1	3.9	13.0	21	7	14	LU, SE, LV, DE, EE	-2.5
Export market share measured in volume relative to main 35 trading partners (from 2000)	4.2	10.4	6.3	14	12	2	RO, LT, HU, CZ, PL	-44.3
Unit labour Costs relative to main 35 trading partners (from 2000)	43.7	39.8	-3.9	27	27	0	DE, PL, AT, SE, GR	46.9
Government gross debt (as % GDP)	4.6	7.4	2.8	1	1	0	EE, LU, BG, RO, LT	-10.4
Net lending/net borrowing of general government (as % GDP)	-2.7	-3.0	-0.2	18	8	10	BG, DK, SE, LU, FI	-1.0
Required budgetary adjustment related to ageing (as % GDP)	N/A	-0.2	N/A	N/A	2	N/A	PL, EE, HU, BG, SE	-0.3
Public Investment (as % total public expenditure)	15.9	16.2	0.3	3	3	0	BG, RO, EE, CZ, PL	-0.2
Tax burden (as % GDP)	32.2	34.3	2.2	7	11	-4	LV, RO, IE, SK, LT	6.5

Note: Labour utilisation and productivity are a product of its sub-components.

* Rank refers to EU15 ** EU 27, Norway and Switzerland

2. PRIORITIES FOR REFORM: ANSWERS FROM ETTK (ESTONIA)

	1. Priority areas	2. Concrete Recommendations	3. Are the proposed recommendations already in the agenda of your Government?	
			Yes	No
Priority 1	Labour taxation to stimulate labour demand	Tax burden on labour must be reduced		v
Priority 2	Job protection and labour market segmentation/dualisation	With unemployment over 15% every saved job is crucial. More measures for unemployment reduction should be implemented.	v	
Priority 3	Business Environment - Regulatory barriers to entrepreneurship	More incentives needed promoting entrepreneurship - tax incentives, regulatory barriers still too high (labour taxes)	v	
Priority 4	R & D and Innovation	For sustainable economic growth, moving towards knowledge-based economy is essential. More systematic approach towards innovation and R&D is needed.	v	
Priority 5	Orientation and sustainability of public finances	Public consumption should be more conservative. During the next few years government budget is significantly supported by EU transfers. with diminishing EU support after few years, serious budget deficits could appear.	v	