

ESTONIAN NEWS RELEASE

18 October 1993

Economy

The Estonian Institute for Market Research examines the situation in the national industry at the end of every quarter. The industry barometer compiled on the basis of the estimates by enterprises' specialists shows the current situation in industry and development trends. The September industry barometer was tenth and 152 enterprises took part in it. The third quarter has proved more successful in industry than expected. Regardless of the summer vacations 39% of the enterprises questioned have managed to increase their output level compared with the previous quarter, 37% retain the same level and 24% of the enterprises has reduced their production. In the sewing industry the production is restricted by the shortage of materials and skilled labour, as well as insufficient production capacities. The decline in building materials industry and engineering was due to low demand. The order portfolio in both branches is smaller than in the previous quarter. In the national industry as a whole the conjuncture problems are mentioned by 51% and the lack of credit (circulating media) by 36% of the enterprises as the main factors restraining the production. Still most of the enterprises are provided with orders until the end of the year. By export orders the third quarter has been more successful than the previous ones besides building materials industry also in sewing, textile and food industries. Expansion of foreign markets is expected by these industries also in the fourth quarter.

Foreign aid and loans

The World Bank has given Estonia a loan of 30 million dollars for the development of power engineering. The loan has been divided into five parts, from which the first four have been allocated for the reconstruction of heating systems in Tallinn, Tartu and Parnu and for the renovation of the Iru Thermal Power Station. The fifth part is meant for the re-equipment of boilerhouses in counties to heat them with local fuel. Madis Uurike, minister of finance and H. Duborg, vice president of the European Investments Bank signed on October 12 the financial collaboration agreement between the Republic of Estonia and the European Investments Bank. This will serve as the basis of future activity of the European Investments Bank in Estonia. In spring this year the European community consented to guarantee the loans for financing Baltic investment projects through the European Investments Bank within ECU 200 million during 3 years. On July 13 a resolution of the same contents was adopted by the board of the European Investments Bank. The loan resource has not been divided between countries in advance. The European Investments Bank will credit mainly investment projects in the field of infrastructure. By the help of the Investments Bank it will be possible also to cover local expenditures. The share of the bank is, as a rule, 50% of the total project cost, thus the rest should come from other sources.

Privatization

By the end of September 226,322,970 kroons worth of state property were privatized in Estonia. 1016 objects in all were sold. Till the end of August there were two structures occupied in privatization in Estonia. The Department of State property dealt mostly with the privatization of small businesses, using for that public competitive bidding. The total of 994 objects were sold by the Department of State property from 1991 till August this year. The former privatization enterprise sold large enterprises on competitive bidding with preliminary negotiations in writing. 22 objects with the total selling price of EEK 106,430,921 were sold in this way from June till September 1993. Buyers undertook to invest 96,069,800 kroons and provide 3872 jobs. Though the total selling price of all objects privatized was EEK 226 million, actually a much smaller sum has been received from the privatization. Most of the buyers are Estonian enterprises, who are allowed to make a down payment only of 20% and to pay the rest by installments.

The board of the Privatization Agency decided on its session on October 13 to conclude the privatization contracts of twelve more enterprises. These firms are RAS Tallinn Piano Factory, RAS Virulane, Tartu Bakery, Kohtla-Jarve Bakery, Tallinn Perfumery and Food Fat Combine, Rakvere Footwear Factory, RAS Sallis, RAS Polumeer, RAS Flora, Kohtla-Jarve Oil-Shale Chemistry fertilizer department, RAS Standard, and Tallinn Engineering Plant. Sum total of the contracts is EEK 150 million, plus guaranteed investments for approximately EEK 120 million. The board also discussed the repayment of the loan of Kehra Paber guaranteed by the government to the Finnish firm A.Ahlstrom OY and decided to cover the debt by privatizing the shares of Jarvakandi Klaas.

Entrepreneurship

As of September 21, there were 61,727 enterprises, institutions and organizations or the sites of operation entered in the Estonian enterprise register. From them 35,363 (57.3%) belong to private ownership. In the state ownership are only 8020 enterprises, institutions, organizations or their operation sites according to the Statistical Office, which makes 12.9% of their total number. Foreign countries own only 3.8 times less objects and foreign capital 2.2 times less than the Estonian state. In cooperative ownership there are 7723 objects. There are 20,806 enterprises, 1237 institutions, 890 organizations and 1122 sites of operation entered in the Estonian enterprise register. The biggest number of objects is registered in Tallinn (38.9%) and in Harju county (6.3%). Estonian entrepreneurs are active mainly in wholesale and retail trade, agriculture, hunting and forestry, manufacturing and real estate, renting and business services.

Banking

Interests on loans in Estonian commercial banks

Esttexpank	ca 48%
ERA-Bank	ca 30%
EVEA Bank	25% for clients of the bank 30-40% for other legal persons
Innovation Bank	ca 60%
Hansapank	22.43% (as of September 20-24, 1993)
Savings Bank	15-20% for individuals

	20-30% for legal persons
Rural Bank	20-36%
North-Estonian Bank	21.9%
Bank of Tallinn	36%
Bank of Industry	15-30%
Forexpank	18%
Investment Bank	15-17%
Social Bank	35% (double after expiration of the term of payment)
Bank of Keila	54%
Virumaa Commercial Bank	ca 36%
Nordpank	32%

Note: NOWE Bank did not agree to provide information, Tallinn Business Bank said the interests on loans are a commercial secret and American Bank did not respond to the facsimile.

As of August 1, the deposits of individuals totalled EEK 417.5 million at the Estonian Savings Bank. This is nearly 50% more than at the beginning of the year. According to the Statistical Office the number of deposits at the bank decreased from 1202 thousand to 1086 thousand in seven months. At the same time the average deposited sum increased from 236 kroons to 384 kroons. According to the minister of justice Kaido Kama the government passed on October 12 the decision to liquidate the Estonian Republican Bank of the USSR Bank of Industry and Construction, that was undone so far. According to the minister of justice the Estonian Commercial Bank of Industry and Construction has been using the property of the former Union bank without legal title. The government resolved to form a commission with the task to find out the fate of the property of the Estonian Republican Bank of the USSR Bank of Industry and Construction and determine in which way the Estonian Commercial Bank of Industry and Construction has to compensate the state for the income from the free use of its property. At the same time, Kama thinks, this process, where the state specifies its ownership in the presently operating commercial banks, should in no way be compared with the moratoriums of the banks. The activity of the Estonian Commercial Bank of Industry and Construction must go on, but in the course of it the state property in this enterprise will be specified and the rights of the state as an owner enforced. This will in no way affect the everyday operation of the bank, the minister emphasized. According to Kama the government will probably discuss next the participation of the state in the Social Bank, Rural Bank and some other banks are waiting their turn.

Real estate market

The following building plots are to be leased in Tallinn for up to 25 years:

1. For the construction of a trade centre:
66 St.Petersburg Road; 22,100 square metres,
taxable price EEK 1,326,000.
 2. For the construction of petrol stations:
167 Kadaka Ave. 1900 square metres,
taxable price EEK 133,000
- 4 Petroleumi Str. 2170 square metres
taxable price EEK 651,000

6 J.Smuuli Road 4200 square metres.

3. For the construction of public buildings:
6 plots at Lavamaa street 3240-4800 square metres,
taxable price EEK 874,800-1,296,000.

It is possible to get acquainted with the leasing terms and compensation obligations and submit applications at the land management department of the Tallinn City Government, 7 Vabaduse Square, room 317 until October 30. Information on telephone +372 266 63 08.

Business news

Of the investment of 2 million kroons made by the Finnish Rautaruukki OY in Parnu Profil 2/3 is covered by today already. Finns consider additional investments, because they are not doing so well in Denmark, Sweden and Germany. Eero Pokela, publicity chief of Rautaruukki OY and Jussi Peltola, marketing head of Rannila (belongs to the thin plate division of Rautaruukki OY), who visited Parnu experienced that the myth of the low purchasing power of the Estonian market was not true. Parnu Profil is one of the most advanced part of Rautaruukki OY: instead of the planned turnover of 1 million (from the beginning of the year till September) 2 million kroons were achieved for turnover.

The Polva Cultural Centre will organize a fair "South-East Estonian Entrepreneurship '93" in Polva on October 27-28. Its purpose is to bring together enterprising people and firms, develop entrepreneurship in South-East and South Estonia. 25 firms have been registered for the fair so far and it will be attended also by a delegation from the Bad-Seigenberg county from Germany. "South-East Estonian Entrepreneurship '93" is primarily a meeting place of producers, dealers and wholesalers are not expected at the fair.

Currency

The exchange rate of the Estonian kroon
on October 15, 1993

Country	Unit of money	Abbreviation	Rate
Australia	dollar	AUD	8.50336
Austria	schilling	ATS	1.13720
Belgium	franc	BEF	0.36368
Spain	peseta	ESB	0.09848
Netherlands	guilder	NLG	7.11160
Ireland	pound	IEP	18.73600
Italy	lira	ITL	0.00808
Japan	yen	JPY	0.12024
Canada	dollar	CAD	9.64640
Norway	kroner	NOK	1.81840
France	franc	FRF	2.26040
Sweden	krona	SEK	1.62320
Germany	mark	DEM	8.00000
Switzerland	franc	CHF	9.10800
Finland	markka	FIM	2.24720
United Kingdom	pound	GBP	19.56000
Denmark	kroner	DKK	1.96320
USA	dollar	USD	12.79520
ECU	ECU	XEU	15.11912

NOW AVAILABLE ARE SPECIAL REPORTS AND SERVICES CONCERNING ESTONIA

PRICING OF REPORTS AND SERVICES

Estonian Forest
Estonian Building Materials Industry
Estonian Industry
Foreign Economic Relations of Estonia
Estonian Agriculture
(Published in 1991 and 1992)

Price per copy \$5.50

Invest In The Future: The Future
Is Estonia
Science In Estonia
Estonia The New Tourist Destination
(Published in 1991 and 1992)

Price per copy \$20.00

Looking for partners/clients/suppliers of goods
(incl. preliminary negotiations)

ordinary request 2 weeks fee per one *
partner/client/supplier

urgent request 5 days fee per one*
partner/client/supplier

carrying out company
background studies

ordinary request 2 weeks per one company*
urgent request 5 days per one company*

Consulting in starting a
business in Estonia per hour*

Publishing services **ESTIMATES ON REQUEST**

Trademark design and creation of
advertising **ESTIMATES ON REQUEST**

* PLEASE CALL FOR SPECIAL PRICING

For information or to place an order contact:

John P. Tengström
Assistant Economic and Business Officer
Tilastokeskus - Statistics Finland
Annankatu 44
FIN-00101 Helsinki, Finland

Telephone: int+358+0+17342613
Facsimile: int+358+0+17342291