

Ministry of Economic Affairs and Communications • Ministry of Finance

ECONOMIC SURVEY OF ESTONIA 2012

Tallinn 2013

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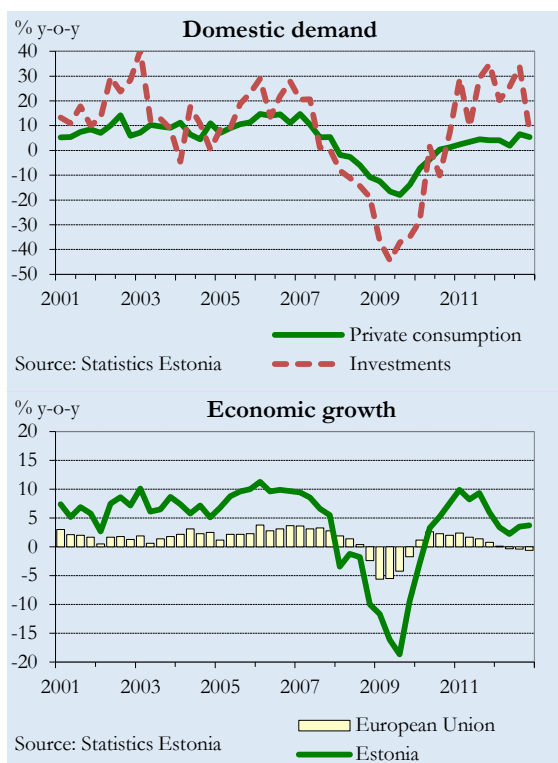
Abbreviations in text:

y-o-y – year-over year

r.s. – right scale

* – preliminary, short term statistics

The year 2012 was successful for Estonian economy by several indicators. **The economic growth** was one of the fastest in the EU, inflation decreased, unemployment continued to decrease, employment increased and the increase of real wages accelerated. Economic growth slowed to 3.2% compared to the previous year. The growth was hindered most by the manufacturing industry which depends on foreign demand, where value added decreased by 3.5%. The growth of GDP was supported by economic sectors that are mostly aimed towards domestic demand, primarily the fields of construction and communication which contributed 1.4 percentage points to the growth. The increase of value added in transportation and storage, administrative and support service activities, and domestic trade also had a significant impact. Last year, the volume of Estonian gross product remained only 4% below its peak in 2007.



The increase of **domestic demand** continued strongly in 2012 as well, even though its speed of increase slowed to 7.6% compared to the 10% of the previous year. Investments contributed the most to the increase of demand. In addition to the investments of the enterprising sector which had begun to grow rapidly in 2011, the increase of investments of the government sector amounted to a whole 40% in 2012. This was connected to using CO₂ quota sales revenue in construction and transportation projects improving energy efficiency and to the culmination of using EU structural funds due to the approaching end of the accounting period. The 18% increase of investments by companies was

The macroeconomic situation

equally supported by constructing buildings and facilities and placement of capital in machinery and equipment. Residents' investments in housing increased by 16% but the construction of private homes formed a significantly larger proportion than before. The construction of apartment buildings did not yet show any increase and by square metres, they were built five times less in 2012 than at the peak of the construction boom five years ago. Despite the relatively rapid growth, the level of housing investments still remains nearly 40% below its previous peak and investments of companies into buildings and facilities only formed a half of the previous highest level. At the same time, the investments of companies into machinery and equipment as well as computing devices already clearly exceeded the level before the recession. The increase of private consumption was 4.5% in 2012 and unlike the previous year, the growth was somewhat broader. The growth rate of consumption of consumable goods and services increased and the growth rate for durable goods decreased, although it still significantly exceeded the average growth rate of consumption. For example, the growth rate for both food products and leisure goods and services increased over the year. While the private consumption average still remained below the economic boom level by 15%, the previous peak was nearly met for durable goods, at the same time semi-durable goods were still purchased 25% less in 2012 compared to the previous peak. Due to continued quick growth of consumption and investments, the level of domestic demand increased to 99% of the GDP in 2012.

Developments of the external environment became more complicated last year due to the weakening of the global economic situation and the continued European debt crisis. Euro zone's economy turned towards a decline and the demand rate of main trade partners decreased significantly. This limited growth options for Estonian industrial enterprises and resulted in the growth of **exporting** goods and services slowing to 5.6% in 2012. Estonian export grew faster compared to foreign demand, indicating the continued growth of our export's market share on target markets. Out of groups of goods, machinery and equipment led the growth, providing nearly half of the increase of exporting goods. The exports of food and chemical products were also extensive. At the same time, export volumes began to decrease in some groups of goods (e.g. metals) due to weakening foreign demand. Due to high investment activity, the growth of imports exceeded exports in 2012 and resulted in the worsening of external balance. The importing of capital goods is an indication for it, having increased twice as fast last year as total imports.

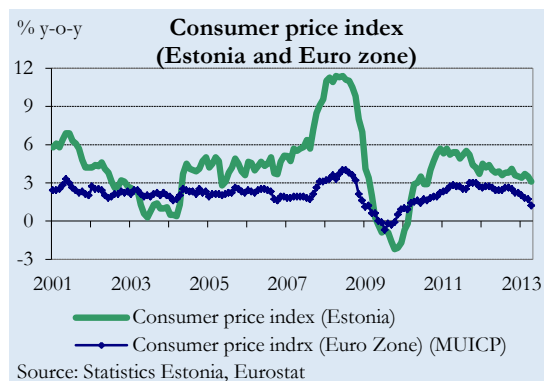
In 2012, external balance was influenced by the weakening external environment which limited exports and on the other side, strong internal demand which was supported by active investment activities. In total, this resulted in **current account** going into deficit (-1.2% of the GDP). In addition, the rapid growth of transportation and construction services contributed to the increase of deficit of the current account, causing the excess of services to decrease.

Inflation slowed from the 5% of 2011 to 3.9% in 2012. In 2012, external factors influenced prices the most due to high costs of raw products and the weakened euro. Housing costs increased by 9%, nearly half of which consisted of the increase of heating costs due to high fuel prices on foreign markets. The other main influencing factor was food, which still became more expensive to a smaller extent compared to last year due to the slowing increase of raw food prices on foreign markets. Rise in food prices was caused by the rise in garden product prices in the second half of the year, which was characteristic to the entire Euro zone. Although the rise in fuel prices slowed to 2% at the end of last year, fuel appreciated by 9% in total last year, also contributing to inflation. Core inflation, which reflects the effect of domestic factors, increased to an extent (to 2.8%) but was still subdued despite a broad increase in wages. Despite the opening of the electricity market at the beginning of 2013, inflation did not accelerate in January. Although the effect of rise in electricity prices was remarkable on inflation (0.9%), its effect was balanced by seasonal discounts and the cheapening of some services.

Average **unemployment rate** decreased to 10.2% in 2012, i.e. there were approximately 71 thousand unemployed people, which is over 16 thousand less than the year before. The rate of decreasing unemployment slowed compared to 2011 – the decrease of unemployment was limited by low demand as well as increasing lack of qualified labour.

Speedy increase of **employment** continued in 2012, although positive developments slowed towards the end of the year. The number of employed people increased by 15 thousand people in 2012 compared to the previous year (a total of 624.4 thousand people were employed) i.e. the increase of total employment slowed to 2.5% (in 2011 the growth was 6.7%). The fields with quicker increase of employment were administrative and supporting activities as well as information and communications, at the same time the largest number of employed people went to education. Employment decreased the most in the mining industry and manufacturing industry. The decrease of employment in the manufacturing industry was caused by the decrease of export orders in the second half of the year. Estonian working-age population aged 15-74 has decreased since 2007 but thanks to the constant increase of interest in participating in the job market, the workforce, i.e. the

total of employed and unemployed people has not decreased so far. Last year the increase of participation rate on the job market slowed, but the employment rate, i.e. the proportion of employed people in the workforce continued to increase. This has also resulted in the decrease of unemployment. Real increase of productivity continued to slow in 2012, increase remained at 0.7% in the total count for the year. The increase of average **gross monthly wages** accelerated to 5.9% in 2012 and the increase was more even by fields of economic activities compared to the past. The increase of real wages accelerated compared to last year thanks to the slowing of inflation, reaching 1.9% in total for the year. Increase of wages was most rapid in construction, where quick employment growth occurred already last year, but it manifested a little later in wage pressures. Wages also rose more rapidly than average in the field of art and entertainment, energetics and manufacturing industry, but for the second year in a row, wage growth remained near only one per cent in transportation and storage due to intense competition.



Government budgetary position was in deficit in 2012, the deficit reached 46.3 million Euros or 0.3% of the GDP. The central government finished the year with a deficit of 0.7% of the GDP, local governments were also in deficit of 0.2% of the GDP. Social insurance funds were in surplus of 0.7% of the GDP. Budgetary deficit was among other things caused by costs incidental to international emissions allowances investments.

The national budget received 4.8 billion Euros in tax revenue in 2012 and the **tax burden** was 33.3% of the GDP. The largest proportion was labour taxes

(16.9% of the GDP), followed by consumer taxes (14.0% of the GDP) and capital taxes (2.4% of the GDP).

General government debt reached 10.1% of the GDP as of the end of 2012, having increased by 3.9 percentage points during the year. The reasons for the increase of debt burden were primarily the increase of loans granted by European Financial Stability Facility (ESFS) and using the credit limit of

European Investment Bank for co-financing structural funds. Out of the total debt of 1,724 million euros, the central government debt together with EFSF influence formed 1,159 million euros, i.e. 67% (incl. EFSF influence 355 million euros), the share of local governments was 564 million euros, which was 25 million euros more than in 2011. Compared to other EU member states, Estonian debt level continues to be the lowest.

Spring 2013 forecast of the Ministry of Finance

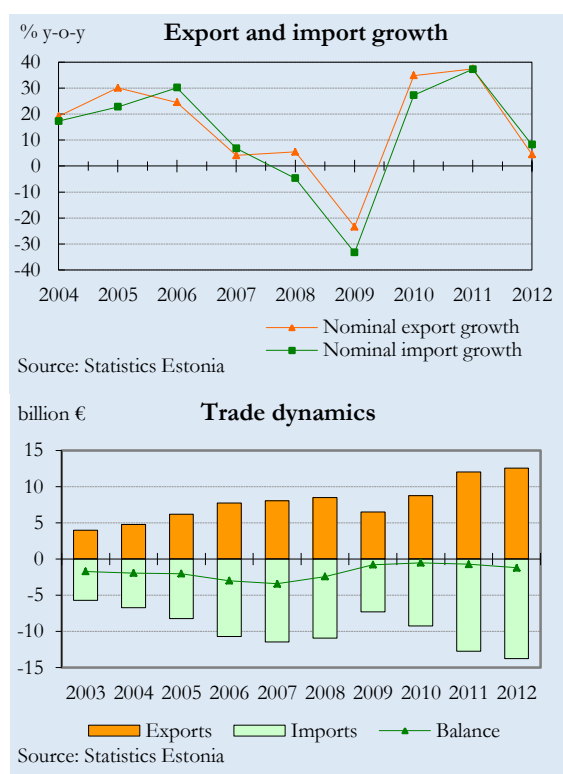
%	2012	2013*	2014*	2015*	2016*	2017*
1. Growth of real GDP	3.2	3.0	3.6	3.5	3.5	3.5
2. Growth of nominal GDP	6.6	6.6	6.8	6.6	6.5	6.4
2a. GDP in nominal terms (bln €)	17.0	18.1	19.4	20.6	22.0	23.4
5. Consumer price index	3.9	3.4	2.8	2.8	2.8	2.7
7. Employment (15–74-year-old, thousands)	624	626	629	629	629	629
8. Growth of employment	2.5	0.3	0.4	0.0	0.0	0.0
10. Unemployment rate	10.2	8.9	8.3	7.8	7.4	6.8
11. Average monthly wage (€)	884	937	997	1059	1122	1189
12. Real growth of average monthly wage	1.9	2.5	3.5	3.3	3.1	3.2
12a. Nominal growth of average monthly wage	5.9	6.0	6.4	6.2	6.0	6.0
15. Current account (% of GDP)	-1.2	-1.2	-1.3	-2.1	-2.9	-3.1

Foreign trade

After the rapid growth of 2011, the trade of 2012 saw a moderate development. Exports increased by 4.5 per cent and imports by 8.2 per cent, again obtaining record results in absolute volumes. As a result of preferential growth of imports, the trade deficit increased to 1.2 billion euros.

The Estonian economy is largely dependent on the well-being of exports, which is primarily influenced by the economic development of our main trade partners. Both the slowing of global economic activity and the recession of the Euro zone ravaged by austerity measures brought the economies of target markets important for Estonian exports into a slump in 2012, thereby significantly weakening foreign demand. The import demand of our closest markets Latvia, Lithuania and Russia still remained strong and Estonian exporters managed to significantly increase the sale of their goods to those markets.

The decrease of export demand also significantly slowed the growth of imports in 2012, because due to Estonia's small size, a lot of semi-manufactured articles and materials are imported for manufacturing export goods. At the same time, domestic demand remained strong, mainly relying on high investment activity, increasing the imports of capital goods. The decrease of unemployment and increase of wages also promoted the growth of private consumption, increasing the imports of consumer goods.



In 2012, the trade turnover was 26.3 billion euros, which was 6.4% more than last year. Export volume was 12.5 billion and import volume 13.8 billion euros. Due to the quicker growth of imports, the share of exports decreased by one percentage point to 48% in the total turnover of trade.

In 2012, the growth of export and import prices also slowed significantly, caused both by the decrease of demand on foreign markets and the decrease in prices of raw goods. Export prices rose by 1.8% of the average over the year and import prices rose by 4.1%, decreasing the real growth of exports to 2.6% and the real growth of imports to 4.0%.

The trade balance deficit remained moderate in 2012 in the conditions of weak foreign demand and relatively strong domestic demand, but still rose nearly two times compared to last year. The increase of deficit was most led by means of transport (-0.64 billion euros), chemical products (-0.48 billion euros) and machinery and equipment (-0.33 billion euros). Trade continued to produce a bigger surplus in wood and wood products (0.61 billion euros) and furniture, pillows, covers and log houses (0.55 billion euros). Out of most important trade partners, Estonia had a positive balance with Sweden and Russia, 0.6 billion euros for both. Largest deficits were in trade with Germany (-0.8 billion euros) and Poland (-0.7 billion euros).

In 2013, we can predict a small increase in trade balance deficit, as the preferential growth of imports before exports will continue. Half of the experts of the Estonian Institute of Economic Research (EKI) expected the trade balance of March 2013 in six months to remain approximately the same, a third predicted the increase of deficit and a fifth thought that the balance will improve.

Exports

Despite a very high comparison basis and the continued worsening of the situation on foreign markets, Estonian exporters managed to increase their export volumes in 2012. While exports increased within 10% in the first quarter, a small decline took place in the second quarter. Exports turned towards the increase again in the following quarters with 8% and 4% respectively, but this was already partially aided by the lower comparison basis of the year before.

In 2012, exports increased by most commodity groups, only the shipping of mineral products and products made of rocks, ceramics and glass decreased somewhat. Machinery and equipment

continued to contribute the most to export growth, as their exports increased by 9% in the year and their share in total exports rose to 29%. The most important export articles of this commodity group were mobile communication devices, insulated electric wires and power distribution devices which had mostly been manufactured in Estonia. At the same time, nearly a third of the exports of machinery and equipment was formed by re-exports.

Exports of the second most significant commodity group, mineral products, decreased by nearly a tenth over the year. This was largely caused by the drop of exporting fuels imported for processing. At the same time, exports of electricity decreased as well, caused by a significant decrease of sales to Finland; however, the supply to Latvia and Lithuania increased over the year.

Export growth was also pulled back by the commodity group of metals and metal products on the third place of volumes, where the exports increased minimally over the year (1%). The most important exported goods of this group continued to be ferrous waste and scrap, metal constructions and processed steel. While the exports of the first two products grew notably over the year, the exports of steel dropped by more than a third, caused by the decrease of foreign demand.

The exports of wood and wood products which had given its third place to the group of metals again in 2011 remained on the same level with the previous year in 2012. Exports of lumber and construction details saw a small growth, at the same time the sale of unprocessed wood to foreign markets decreased.

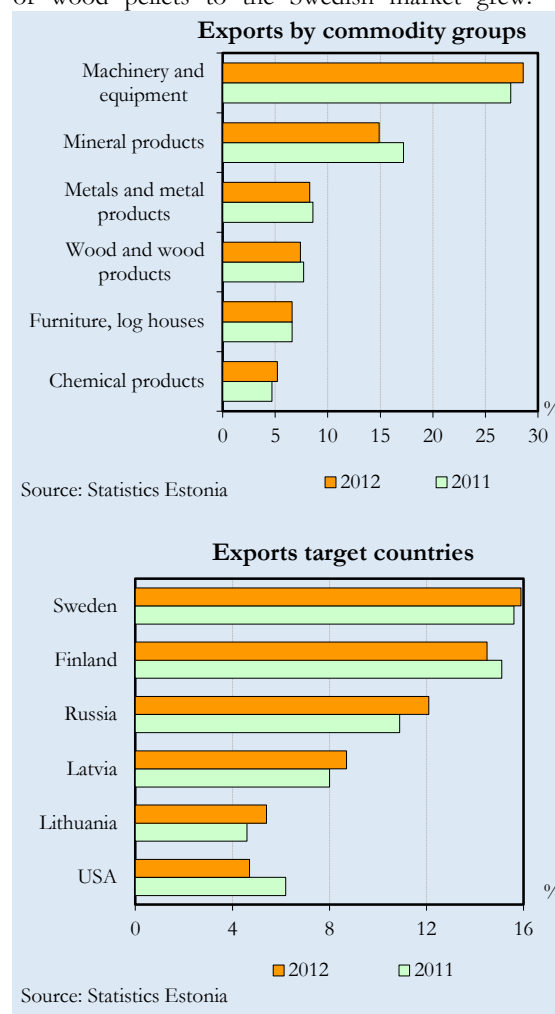
The exports of other industrial goods increased at the same rate as total exports. Companies in the furniture industry and producers of pillows and comforters could not increase their exports due to insufficient demand. At the same time, the exports of log houses indicated a relatively strong growth of 12%, as sales to Norway, their primary market, increased by nearly a half thanks to the economic situation improving in the latter. Exports of log houses to Germany as the second largest market increased as much as their total sale to foreign markets.

In 2012, the share of the European Union in Estonian total exports remained on the same level as the previous year, reaching 66%. The sale of goods to EU internal market only grew 4% over the year, caused primarily by the spreading of the Southern European financial crisis and the notable worsening of the economic situation of Sweden and Finland, Estonia's more important export partners. At the same time, exports to CIS countries grew by another 15%, raising their share in total exports to 15% as well. This was mainly supported by lasting import demand for Estonian goods in Russia, receiving 83% of products directed to CIS. Exports increased drastically in Kazakhstan, 1.8 times, and by 12% to the Ukraine. Exports only decreased in NAFTA countries, where goods were sold 5% less than a year earlier. This was caused by the more than 20% drop of exports to the United States, caused by the decrease of sale of fuels and mobile communication devices. At the same time,

exports to Canada increased by nearly a half, however, the growth was derived only from processed crude oil products.

Sweden, which had claimed the first place in 2011, also remained the largest target market of Estonian exports in 2012, receiving 16% of total exports similarly to last year. Export growth to Sweden slowed to 7%, which was significantly slower than last year. Machinery and equipment continued to form more than half of sales to Sweden, but their exports grew by only 2% in the year. Mobile communication devices formed the main part of slowing the growth.

Weak demand affected the exports of mobile communication devices via Sweden. However, the exports of mineral products increased drastically (1.6 times), caused by the significant increase in sales of fuel oil. The exports of the third most significant commodity group, wood and wood products, was in a slight decline. Exports of unprocessed wood and construction details decreased over the year, at the same time the sale of wood pellets to the Swedish market grew.



While exports to Sweden still indicated growth in 2012, exports to Finland remained on last year's level. The effect of the European financial crisis on Finland's economy was notably stronger,

causing demand for Estonian goods to drop. Machinery and equipment, having the biggest proportion, was exported as much as last year; however, metals and metal products as well as furniture and lighting fixtures were sold 4–5% more. Those three commodity groups in total formed half of total exports to Finland.

Growth of exports to Russia also slowed significantly in 2012, but still remained around the relatively strong 16%. This rose Russia's share in Estonian total exports to 12%. Growth of exports was primarily supported by machinery and equipment (share 39%), their sale increased by nearly a quarter over the year. At the same time, the majority of exports of this commodity group was re-exports, of which the biggest share was still soil treatment mechanisms manufactured in Great Britain. Chemical products formed 17% of exports to Russia and agricultural products, food products and beverages formed a total of 15%. While the sale of chemical products and food products and beverages rose equally by nearly a quarter, the exports of animal products decreased by a fifth. The latter was caused by Russia prohibiting the imports of live pigs from April 2012.

Exports to Latvia also indicated a strong growth of 15% in 2012, led by agricultural products and food products as well as means of transport, together forming a third of total exports. The exports of machinery and equipment which had indicated strong growth the year before did not increase significantly. Thanks to an even faster growth of exports (23%), Lithuania rose to fifth place, pushing back both the United States of America and Germany. Strong growth of exports to Lithuania was supported by mineral fuels (electricity) and machinery and equipment.

According to predictions, foreign demand will remain weaker than the year before in the first half of 2013, which was also indicated by the results of the first quarter for foreign trade. Exports only rose in January and were already in slight decline during the next two months. Exports can be expected to liven in the second half of the year, supported by the better state of the economy of other Baltic states and the Nordic countries. The experts of Estonian Institute of Economic Research also already had better expectations for the further development of exports in March 2013 than they had at the end of last year. Three quarters of experts predicted the increase of export volumes in six months and nearly a fifth believes that the volume will remain the same.

Imports

Imports remained on the increase during all quarters of 2012, although the growth rate fell to 3 per cent in the second quarter; however, all other quarters saw a growth of 9–11 per cent. The quicker growth of imports before exports was caused primarily by continued high investment activity. At the same time, private consumption sped up as well, reflected by good indicators in retail trade. However, the weakening of foreign demand decreased the imports of raw goods and intermediate products.

In 2012, the imports of most commodity groups increased, only the imports of metal and metal products, mineral fuels and vegetable products was in a slight decline. The import growth was most supported by machinery and equipment as well as means of transport. The latter also indicated the quickest growth of 23% out of most important commodity groups. Although the largest share of imported means of transport was formed by cars and their accessories, the growth was accelerated by the steep increase of railway car imports.

The share of machinery and equipment in imported goods was 29% similarly to exports and their imports increased by 12% over the year. The articles with biggest share in this commodity group were mobile communication equipment. Other goods with bigger import volumes were integrated circuits, various electric wires and cables, and shovel loaders.

Imports of mineral fuels decreased by 6% in 2012 compared to last year. The decline was caused by the decrease of imported oil products for processing. At the same time, more fuels were bought for free circulation than a year earlier and the imports of electricity even increased by nearly a half.

Out of more important commodity groups, chemical products indicated the second largest import growth after means of transport (17%), raising those to fourth place on the list. The growth was primarily supported by various organic chemicals which formed nearly a quarter of imported chemical products. Another quarter was formed of imported medication and a tenth of paints and varnishes.

The imports of metals and metal products were in slight decline in 2012 (-4%). The imports of unprocessed steel decreased, at the same time the imports of ferrous metal products and non-ferrous metals increased somewhat. The imports of foodstuffs and beverages has increased by the year, the growth of last year amounted to a tenth. The largest share in this group belonged to beverages, out of which strong alcohol and wines formed the main part.

In 2012, the share of the European Union in Estonia's total imports rose to 80% and importing of goods from EU member states increased by 10% over the year, which was 6 percentage points more than the growth of exports. Due to that, trade deficit with the EU increased by a third to 2.7 billion euros. The share of CIS countries remained within 10%, their import volumes did also not increase compared to 2011. However, a large decline of nearly 40% occurred in imports from NAFTA countries. This was caused by a 7-fold decrease of imports from Canada due to a purchase of planes a year earlier.

The share of Finland as Estonia’s largest import partner rose to 14% in 2012. Imports of goods from Finland rose by 24% over the year, which was the biggest growth compared to other main source countries for Estonian imports. The growth was most supported by mineral fuels and means of equipment, for which imports increased 1.9 and 2.4times respectively over the year. Oil products formed the largest part of the fuel group, but the imports of electricity grew the fastest (3 times). Purchasing planes was the cause for the rapid growth of means of transport. Machinery and equipment continued to hold the largest share, but they dropped by 5 percentage points to 23% over the year. Their import volume remained on the level of last year.

In 2012, Germany restored its usual second place in the list of countries by imports, although imports from there grew significantly slower than imports from Finland over the year, reaching 8%. At the same time, imports from Sweden had an even smaller growth of 5% and imports from Latvia decreased by 4%, reducing Sweden to third and Latvia to fourth place. Lithuania and Russia also switched places, caused partly by the change of supply chain for fuels imported for processing.

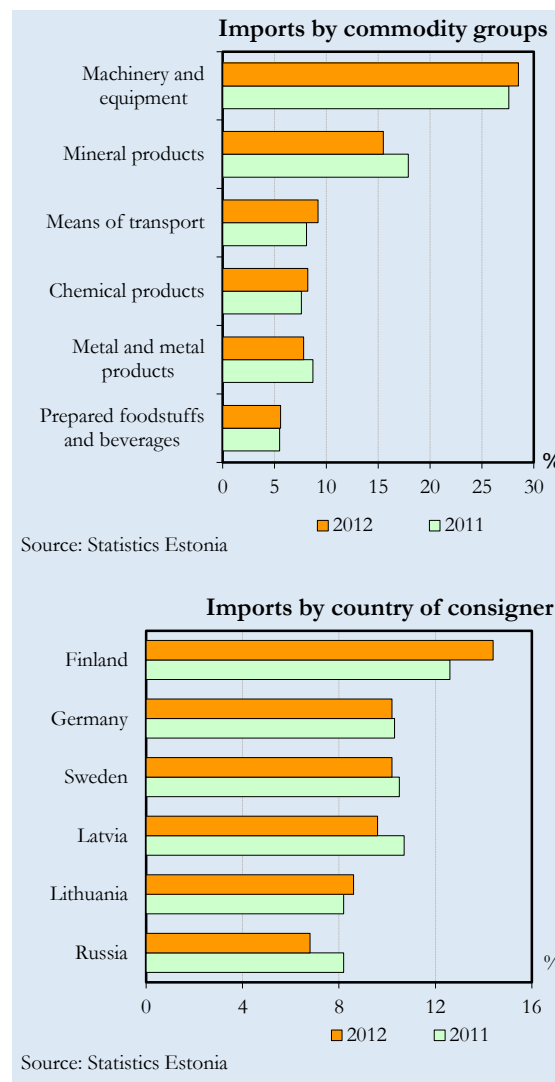
Machinery and equipment were still imported from Germany the most (share 28%) but their imports did not increase over the year. Out of the more important commodity groups, chemical products, which were imported more by a third, had the quickest growth. Their nomenclature is broad but the imports of organic chemicals grew faster. The imports of cars also increased on the same level as total imports, but metals and metal products were purchased a tenth less.

The three commodity groups with the largest share in Swedish imports were the same as groups from Germany, but the proportion of machinery and equipment reached a half. Articles with bigger volumes were integrated circuits and mobile communication devices. Cars formed 15% of total imports and they were imported a tenth more than last year. The imports of metals and metal products did not increase over the year.

The decrease of Latvia was primarily caused by the imports of mineral fuels having decreased by a half, at the same time the imports of chemical products also decreased by nearly a fifth. Agricultural products and food products as well as machinery and equipment held equal share of 19% in imports, their importation grew 15% and nearly 40% respectively over the year.

The import growth will remain low similarly to exports in 2013 according to predictions, as raw goods and

intermediate products do not need to be purchased as much due to low export demand. At the same time, imports may grow somewhat faster than exports, supported by increased company investments into machinery and equipment. Three quarters of experts of the Estonian Institute of Economic Research also predicted the growth of import volumes in six months, an equal 13% of them expected the volumes to remain the same or to decrease. According to initial data of the Statistics Office, imports increased by only 2% in the first quarter, which was half of the growth of exports.



Manufacturing industry

Over 5500 companies operate in Estonian manufacturing industry, most of them are small and medium in size. There are over 200 companies with at least 100 employees, but half of the employees of the industrial sector are employed in them. The largest companies are, for example, the producer of mobile communication network devices Ericsson Eesti AS, producer of electric devices ABB AS, manufacturer of cable ties PKC Eesti AS, group for ship construction and metal processing BLRT Grupp AS, wood processor Stora Enso Eesti AS, producer of car safety systems (seat belts) AS Norma, and AS Rakvere Lihakombinaat (meat processing).

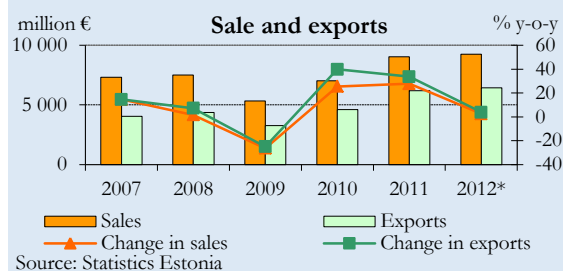
In Estonia, the relative importance of the industrial sector in the economy is somewhat higher than the average of the European Union. The Estonian manufacturing industry creates approximately the same share of total value added than, for example, Finland or Sweden (approx. 16%). However, the relative importance of people employed in manufacturing industry in Estonia is one of the highest in the European Union (about a fifth), indicating that in general, other countries manage to create more value added with the same number of employees.

The manufacturing industry as a whole is the largest employer in Estonia, nearly every fifth employed person works in that field. However, the number of employees has still decreased over the past ten years and the increase of productivity has caused the growth of manufacturing. New jobs have been created in the metal industry and manufacturing electric appliances, the electronics industry has grown the most in production volumes. The industrial sectors with the most employees are the wood processing industry, metal industry and food production. The recession resulted in a decrease of jobs but the manufacturing industry was also one of the first where the situation improved and additional jobs were created again. Exports played an important role in recovery. The sector is strongly dependent on foreign markets which receive 70% of the production. The main export markets are Finland and Sweden, which have also provided the majority (over 60%) of foreign investments into Estonian manufacturing industry.

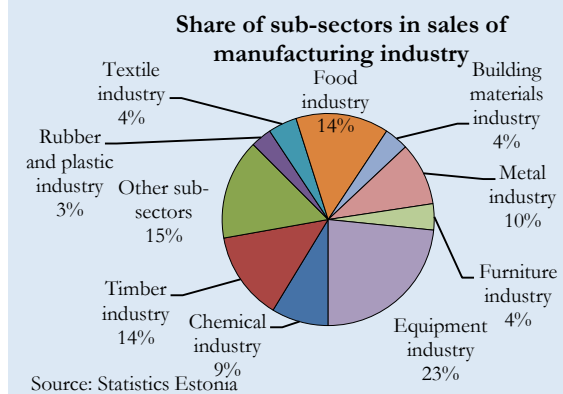
The number of employees in the manufacturing industry is not predicted to change significantly in the upcoming years but more labour-intensive sectors are likely to see a continued decrease of employment. Jobs are presumed to be added in fields that create higher value added (electronics). The basis for competitiveness will still remain to be increasing productivity, which presumes continued investments both into machinery and equipment and into people as well as developing products and improving working arrangements.



Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

In 2012, production volumes of the manufacturing industry remained on the record level of the previous year. There were no big changes in the number of employees either, but the wages rose rather rapidly. Companies were more cautious about making investments. According to predictions for the future, the sector expects a rather modest development also in 2013.

After the rapid growth in 2011, the production volume of the manufacturing industry remained nearly unchanged in 2012, production increased by 0.5% over the year. Production volumes did also not progress in the European Union as a whole, only some countries managed to increase the production volume by 5% or more over the year (Slovakia, Latvia, Lithuania). Sales revenue increased by 2.5% over the year in Estonian companies of the manufacturing industry thanks to export growth. The sale on the domestic market remained on the level of last year.

General standstill of demand was felt in many sectors. Faster growth was seen in drink production (production volume increased 12% over the year) and fuel oils (10%). On the other hand, the production of metal products decreased by 8% and the production of transport equipment by 7%, but in general, changes of production volumes in sectors were limited to a few percentage points. Bigger positive and negative changes were primarily related to developments in the export markets.

According to the labour force survey which also reflects employment abroad, the number of people employed in the manufacturing industry decreased nearly by 3% in 2012. The decrease mainly characterised the second half of the year where problems with decreasing demand began to deepen again. At the same time, according to the data of the companies, additional jobs were also added to the manufacturing industry in 2012; according to preliminary statistics, the number of employed people increased approximately 3%. Employment mainly increased in the wood processing industry, chemical and oil industry, metal industry, production of electrical appliances, and the machinery industry. The decrease of the number of employed people continued in the textile industry.

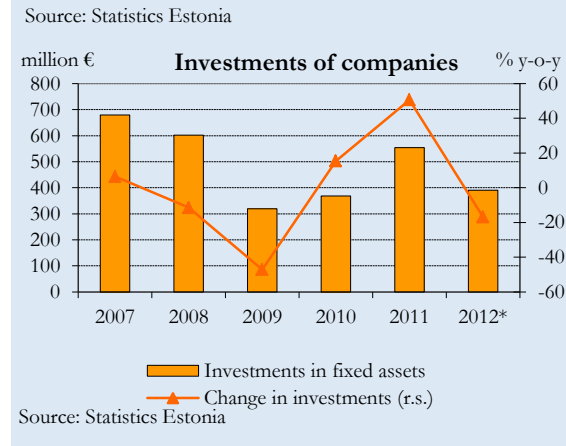
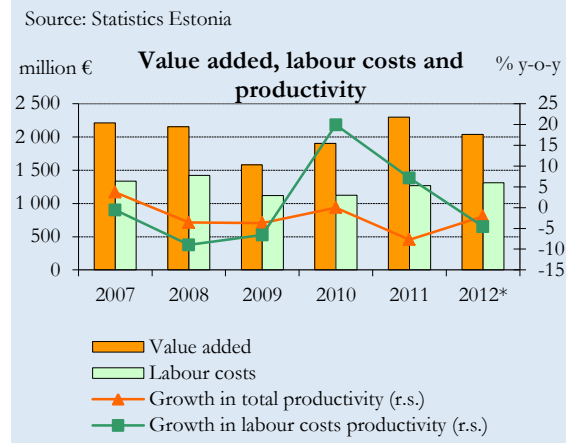
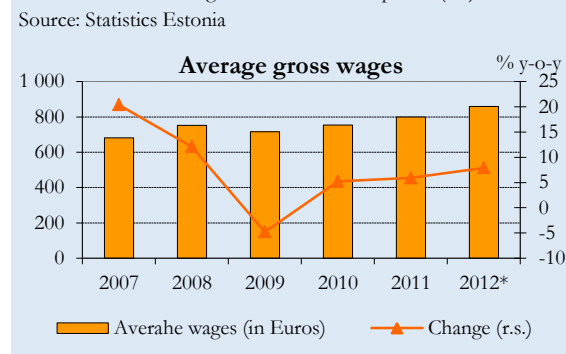
Average wages in the manufacturing industry grew by 7.9% over the year, i.e. somewhat faster than the Estonian average. Labour costs of companies grew in the same proportion. The growth of aggregate costs was more modest but still exceeded the increase of revenue. This resulted in the decrease of profit by a few percentage points. The indicators of productivity also generally remained somewhat below the indicators of 2011.

Producer prices of the manufacturing industry grew by 2% over the year, i.e. essentially as much as the average in EU countries. Faster appreciation characterised the food processing industry (5.8%) and the chemical industry (7%) same as the year before.

Investments in tangible fixed assets by companies in the manufacturing industry were over a tenth less than the year before. Capital investments in fixed assets dropped in several industrial sectors (in absolute terms more so in larger branches like the wood processing industry and electronics industry), developments in the food processing industry and oil industry were more positive. About 70% of investments were placed in machinery and equipment. The second most important object of investment was buildings and facilities, those received more investments than the year before. More means of transport were also acquired.

Companies' evaluations on the economic situation were somewhat weaker than in 2011. According to a survey by the Estonian Institute of Economic Research, companies' confidence worsened in the manufacturing industry at the end of the year. The situation did improve in early 2013, but this is a regular seasonal change. There were fewer orders than usual, orders ensured work for a shorter period than the year before, entrepreneurs increasingly often highlighted insufficient demand as a problem. Despite that, labour shortage was mentioned as well, more than a tenth of those surveyed referred to it. On the positive side, competitiveness increased both in Estonia and on foreign markets according to entrepreneurs.

At the beginning of 2013, conjunctural indicators of several EU countries increased, especially predictive indicators, at the same time the situation did not yet see any real improvement. Therefore it can be expected that the growth of the manufacturing industry will also remain moderate in Estonia but thanks to the increase of production capacities, more positive developments can also be expected in some branches.

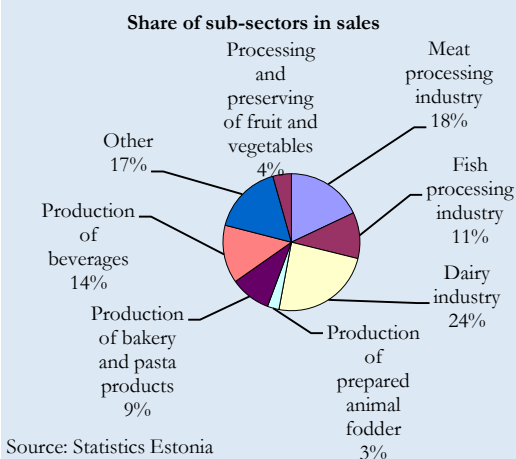
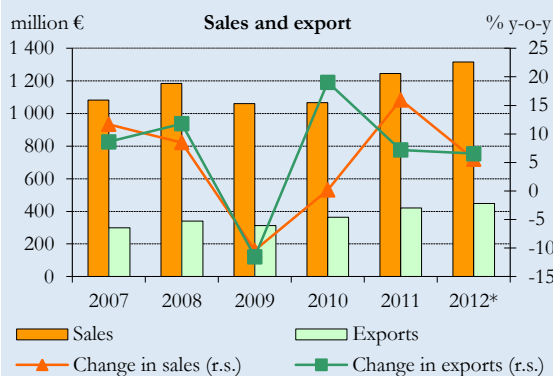
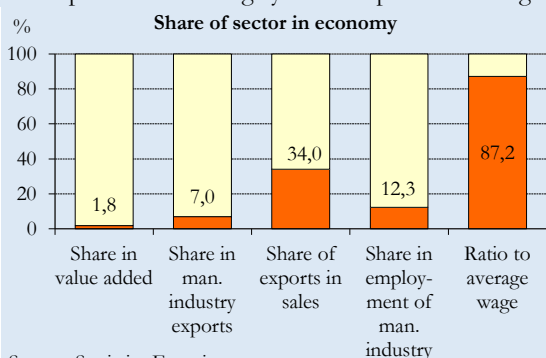


Production of food and drink

The food processing industry is one of the largest industrial sectors of Estonia by production volume with its more than 1.6 billion euros in turnover, being the main field of activity for more than 400 companies. With the increase of competitiveness, the proportion of export in the sector has reached more than a third of turnover. 14,500 people in total are employed in food and drink production.

Companies of the food processing industry are located all over Estonia relatively evenly. The largest companies of all Estonian regions also include companies that produce food. The largest company in the industrial sector out of meat processing industries is AS Rakvere Lihakombinaat in Lääne-Viru County, somewhat smaller ones are the Atria group in Southern Estonia and poultry producer AS Tallegg. Largest baking industry companies are Fazer Eesti AS, AS Eesti Pagar and AS Leibur. Larger companies of the food processing industry also include drink producers AS Saku Õlletehas in Harju County and AS A. Le Coq in Tartu County, out of milk industries there are Valio Eesti AS and TERE AS. The largest fish processor is AS Paljassaare Kalatööstus operating in Harju County and the largest producer of sweets is AS KALEV.

Production of food and drinks is relatively competitive in Estonia, which has rather benefited the companies' development. The narrowness of the domestic market has directed a lot of companies to look towards foreign markets and this has raised the proportion of export in sales revenue to the highest level of the past 20 years. Further development occurs largely at the expense of foreign markets.



The year 2012 was relatively successful in food and drink production. Sale on foreign markets went well and the total sale in the sector grew over twice more than average.

The food processing industry consists of two larger sectors: food production and drink production. Drink production, which has shown modest growth earlier, grew faster than food products thanks to significantly accelerated export last year, but still remained below the levels before the recession. Growth is hindered mainly by the weak domestic market which received 3.4% more sales last year compared to the year before that.

While the sector was harassed by rise in input prices in 2011, last year was easier on the sector in that regard. The purchase price of milk dropped more than 7% in the year. At the same time, the purchase prices of beef and pork rose by 14% and 8% respectively. Although crop yield has been the best in recent years, purchase prices of grain increased 13% due to strong foreign demand. The increase in both raw goods and labour prices resulted in a 5.8% growth of producer prices. At the same time, more intensive competition in drink production has forced companies to put in more effort and producer prices dropped by 2.4% over the year in that field.

Approx. 36% of production is exported in food processing and this percentage has increased by the year. The proportion of export did decrease somewhat after the Russian recession of 1997 but the slump has now passed and even the peaks of that time have been exceeded. In 2012, the export of food products and drinks produced in Estonia increased 11%, reaching 529 million euros. The largest proportion in the sector export is formed by milk products which provided 27% of the total sector export. The largest export partner of last year was Finland, which received over a fifth of the production. At the same time, export to largest trade partners increased the most in the direction of Latvia,

where sales volumes increased 30% with the year. The main growth in Latvia came from the sale of confectionery, milk and fish industry products. This also slowed the growth of producer prices which increased by 1.4% last year.

Milk production, which holds the largest relative importance in the food processing industry, was characterised by the decrease of production volumes in 2012. Sales volumes decreased by 4% over the year and production volumes calculated in constant prices a little over 5%. Out of commodity groups, the production of butter decreased by 38% and the production of drinking milk nearly by 4%. At the same time, cheese production increased by 2.2 thousand tons, i.e. 5.4%. Although production volumes decreased, the effectiveness of the sector increased. The total profit of the sector increased 2-3 times over the year and productivity per employed person grew over 40%, exceeding Estonia's average. At the same time, the number of companies decreased by 2 and the number of employed people by more than 6%. More than 40% of milk industry export is formed by cheese and its export grew 6% over the year. At the same time, the export of milk and whole cream has significantly increased. The sale of this commodity group has increased 27% on foreign markets over the year and its relative share in total export grew to 38%. Rapid growth was mainly facilitated by sales increase to Latvia. The largest target group for export of the milk production industry in 2012 was Lithuania which provided a little over a quarter of export sales revenue. In general, export to Baltic States increased last year, remained stable in Scandinavia and decreased in Western Europe.

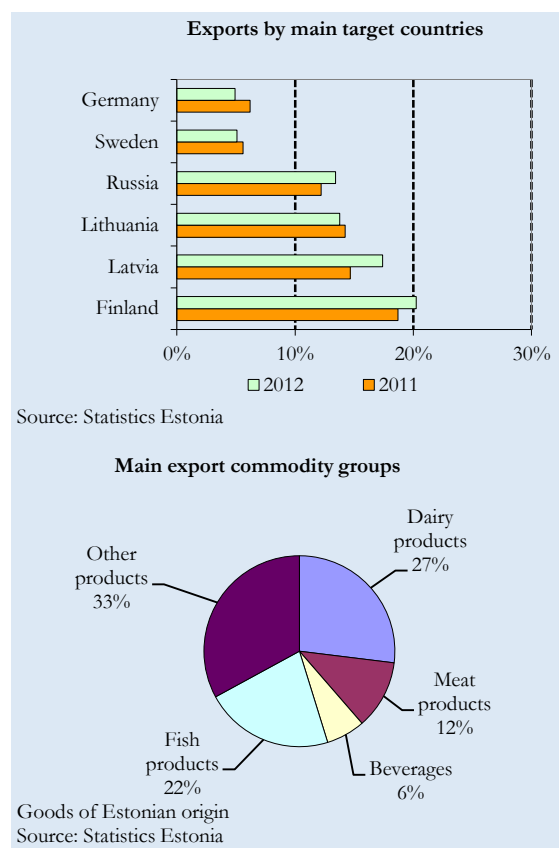
The year 2012 turned out to be relatively quiet for the meat processing industry. Production volumes decreased by a few percentage points over the year but the sale remained almost the same. At the same time, similarly to the milk processing industry, the meat processing industry also saw a significant increase of work productivity. Productivity per employed person grew by nearly a third over the year and reached approx. three quarters of the Estonian average. At the same time, the total profit of meat processing industries increased nearly 4 times. The number of employed people dropped by a few percentage points in the sector over the year. The largest export markets of the meat processing industry are Latvia, Finland and Russia and the main export commodity goods are various sausages and canned goods as well as fresh or chilled pork.

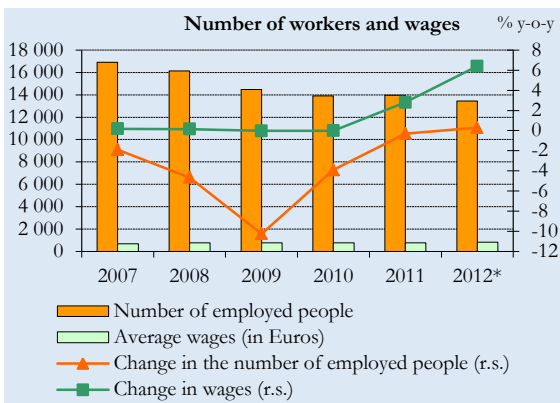
The growth of the drink industry accelerated notably in 2012. Largely thanks to export which grew by more than a quarter, the total sales of the sector increased by a little over 8%. At the same time, sales to the domestic market increased by only a few percentage points. In total, export occurred for more than 40 million euros in the drink industry and the largest target market was Latvia, where sales increased

by nearly a tenth over the year. At the same time, Poland has risen to become the third target market where sales increased more than 9 times over the year, this thanks to producing malt beer. The export increase of the whole sector indeed mostly grew at the expense of light alcohol, because the sale of both beer and cider grew significantly on foreign markets. The share of beer in the export of the whole sector reached nearly 50. Despite the success of drink production on foreign markets, the total profit of companies decreased 8% over the year. At the same time, labour costs rose by nearly 7% and productivity per employed person decreased 6% in the sector over the year.

The year 2012 turned out to be relatively successful for producers of bakery and pasta products. Total sale increased by nearly 9% supported by export which grew by more than a third. At that, sales to the domestic market grew nearly half as fast. Employment in the sector decreased a little and with that, productivity per employed person increased by approx. a tenth. At the same time, total profit of the sector increased by more than a quarter.

Sales of the fish processing industry increased by over a tenth in 2012. Unlike the previous year, sales to the domestic market grew significantly faster than export. Regardless, sale on foreign markets forms three quarters of the sector's sales. The biggest commodity groups in export of 2012 were frozen fish and shrimp with the main target markets being Germany and Russia. Fish products were exported more to the Ukraine and Finland.

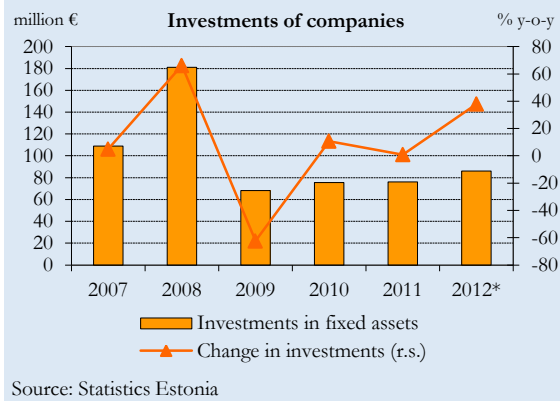
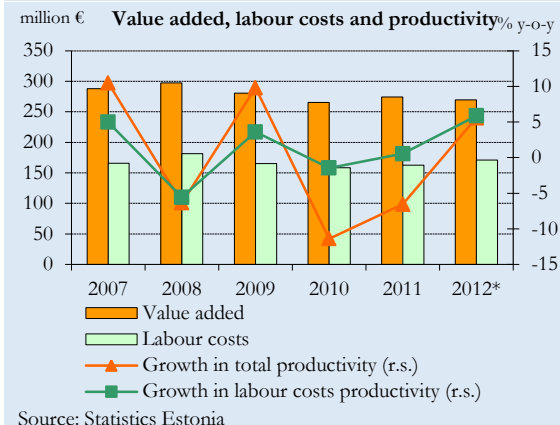
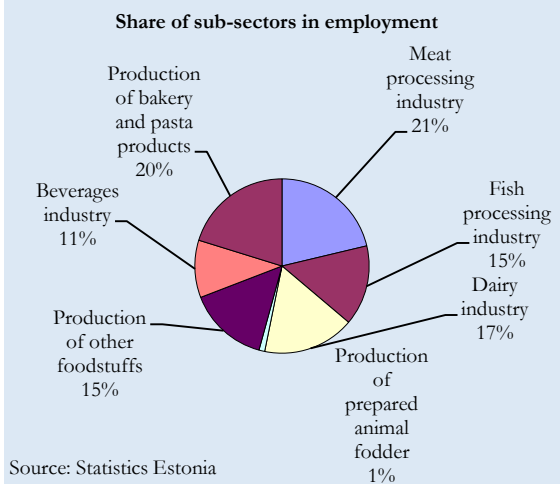




Employment in food and drink production remained on the same level last year compared to the year 2011. Out of larger sub-sectors, employment grew fastest in fish processing (+7%) and dropped in bakery and pasta production (-5%). Average salary increased a little faster in the food processing industry compared to the Estonian average but in total, the wages still remain below the Estonian average.

Food and drink producers increased investments by nearly 40% in the year 2012, more than half of which went into machinery and equipment. Nearly a quarter of investments were made by bakery and pasta producers whose investments grew more than twice over the year.

Companies surveyed by the Estonian Institute of Economic Research had a positive attitude towards the future in the middle of 2013, although confidence was lower than at the same time last year. The level of application of production capacities remained below the level of the previous year in both drink and food production and insufficient demand was highlighted as a factor hindering production.

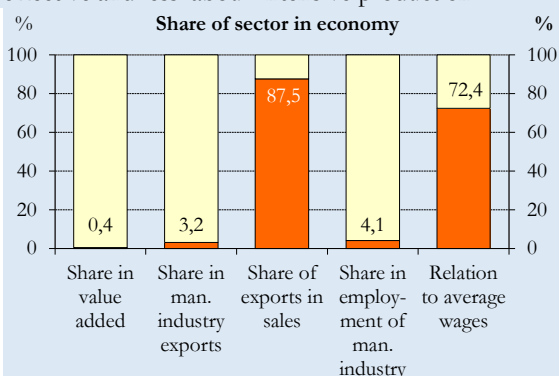


Textile production

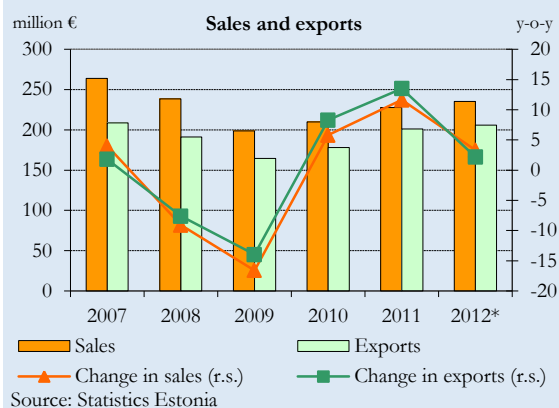
The Estonian textile industry is an industrial sector directed mainly towards export which covers more than 200 companies. In recent years, the sector's structure has undergone significant changes which has enabled productivity to rise quite close to the Estonian average from very low levels.

Large companies of the textile industry can be found all over Estonia. The largest producer of ready-made textile products is AS Wendre in Pärnu County. Out of home textile producers, AS Mivar-Viva and AS Toom Tekstiil in Viljandi County and Hilding Anders Baltic AS in Harju County are the largest, carpets and carpeting are produced by AS Mistra-Autex in Harju County. The largest finisher of textiles is Qualitex AS in Pärnu County.

The centre of Estonian textile industry has moved from Narva to Central and Western Estonia over recent years. The selection of products has changed as well and the main focus has moved to producing comforters and pillows. Tightening employment will likely continue in the sector in the upcoming periods and it will move towards a more effective and less labour-intensive production.

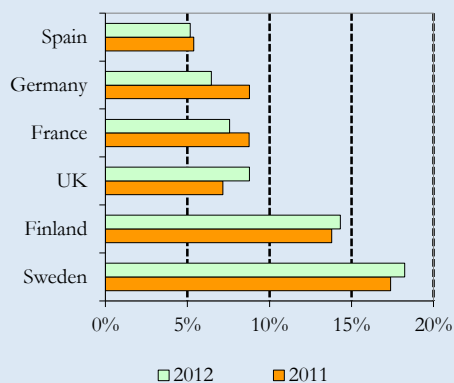


Source: Statistics Estonia



Source: Statistics Estonia

Exports by main target countries



Source: Statistics Estonia

The growth of production volumes of the textile industry stopped in 2012. Sales did increase by a few percentage points but the production volume in constant prices remained nearly unchanged compared to the previous situation.

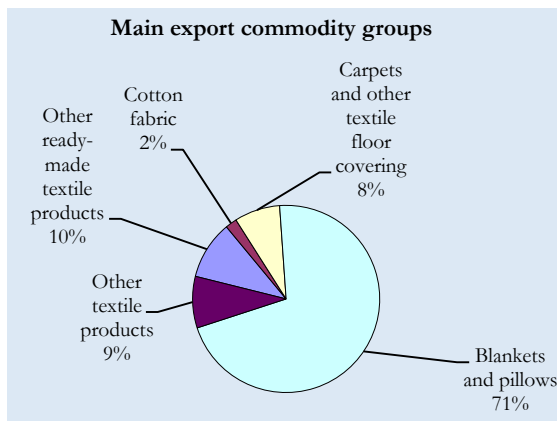
The development of the Estonian textile industry has mainly depended on competitiveness on foreign markets. The relative importance of export in the sales of the textile industry's production has been high and in 2012, it reached 87.5%. At the same time, production is strongly concentrated and nearly half of the turnover of the entire sector comes from one company.

The export geography of the textile industry has remained fairly unchanged in recent years. Nearly a third of export goes to Finland and Sweden, Great Britain has risen as the third market. The main export article of the textile industry is comforters and pillows which form over 70% of the sector's export and the share of which has increased every year. Out of bigger target markets, sales have increased both in Finland and Sweden. In addition, export to the United States of America has been doubled. Out of other larger commodity groups, export of carpets increased by a little over a tenth.

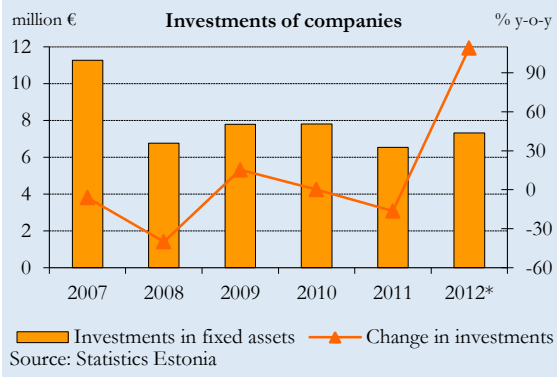
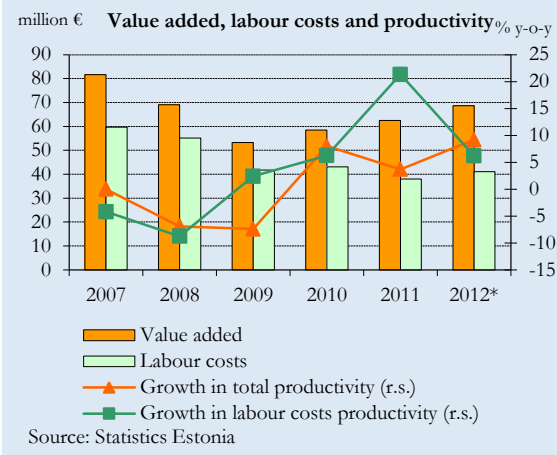
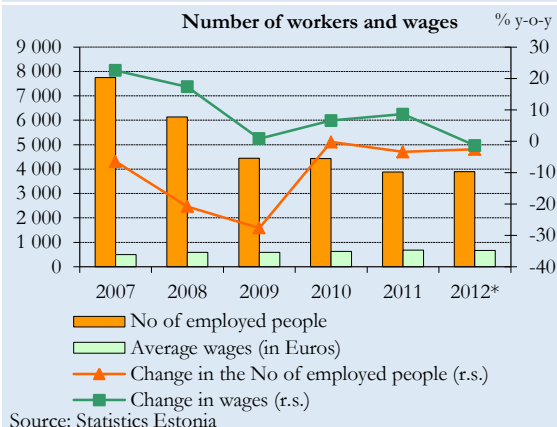
The decrease of number of employees continued in the textile industry also in 2012. The number of employed people decreased by 3% but this sector regardless forms a significantly larger share of total employment than for example in Nordic countries. At the same time, the textile industry was the only sub-sector of the processing industry where wages dropped last year, decreasing to 72.4% of the Estonian average. Keeping expenses under control helped the sector to increase total profits by a little over a fifth and productivity per employed person increased by more than a tenth.

Evaluations of companies in the textile industry were fairly negative about preceding months in the spring of 2013, but future was already seen in a more positive light. At the same time, over a quarter of companies in the sector highlighted labour shortage as a hindrance for production. The number of such companies amounted to a tenth on average in the industry. Therefore it is clearly evident that the lower

than average wage level strongly hinders the finding of new employees and with that also the sector's development. At the same time the level of application of production capacities was a little higher than the same time last year.



Goods of Estonian origin
Source: Statistics Estonia

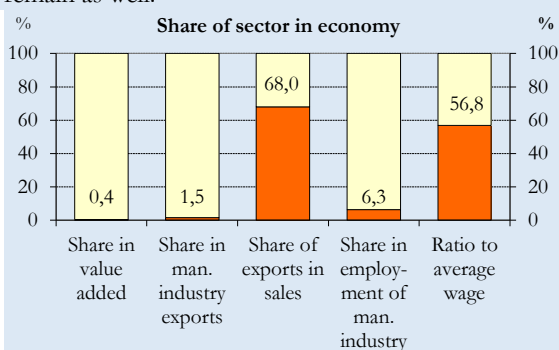


Production of wearing apparel

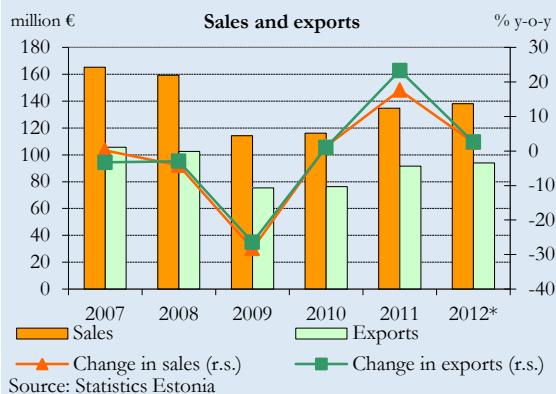
There are more than 400 companies operating in the Estonian wearing apparel industry and the sector employs approx. 6,000 people. In recent years, several changes have taken place in the sector, the number of employed people has decreased more than twice in less than ten years and producing work clothes has become increasingly more prevalent in the production. Foreign countries are the main target market for the sector.

Larger companies in the wearing apparel industry are producer of work clothes OÜ PVMp-Ex in Haapsalu, AS Baltika and producer of children's clothes OÜ Lenne in Tallinn and the companies AS Sangar and AS Ilves-Extra in Tartu.

So far, the wearing apparel industry has largely relied on cheap labour but the more time passes, the smaller this competitive benefit becomes. Therefore, the chain of values must move from simple handicraft to the levels of design and sales. At the moment, the market itself forces such changes the most. Single positive examples have also begun to appear already, where the design is produced by Estonians and this production can be successfully sold abroad. At the same time, it is also understandable that producing a proper brand takes time and in addition to hard work, talented people are also required. In upcoming years, companies that invest more into developing their products are more likely to see success, but good opportunities to be successful with sub-contracting will definitely remain as well.

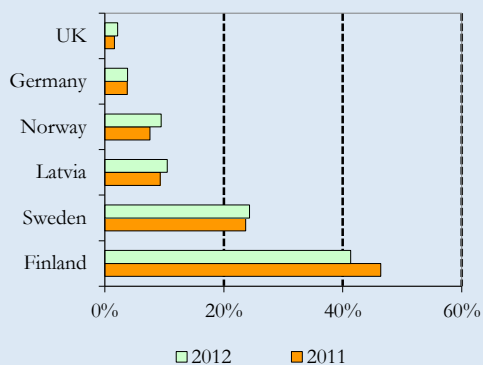


Source: Statistics Estonia



Source: Statistics Estonia

Exports by main target countries



Source: Statistics Estonia

The year 2012 turned out to be a year of stabilisation for the wearing apparel industry. After the leap of the year before last, both sale and export grew by a few percentage points last year.

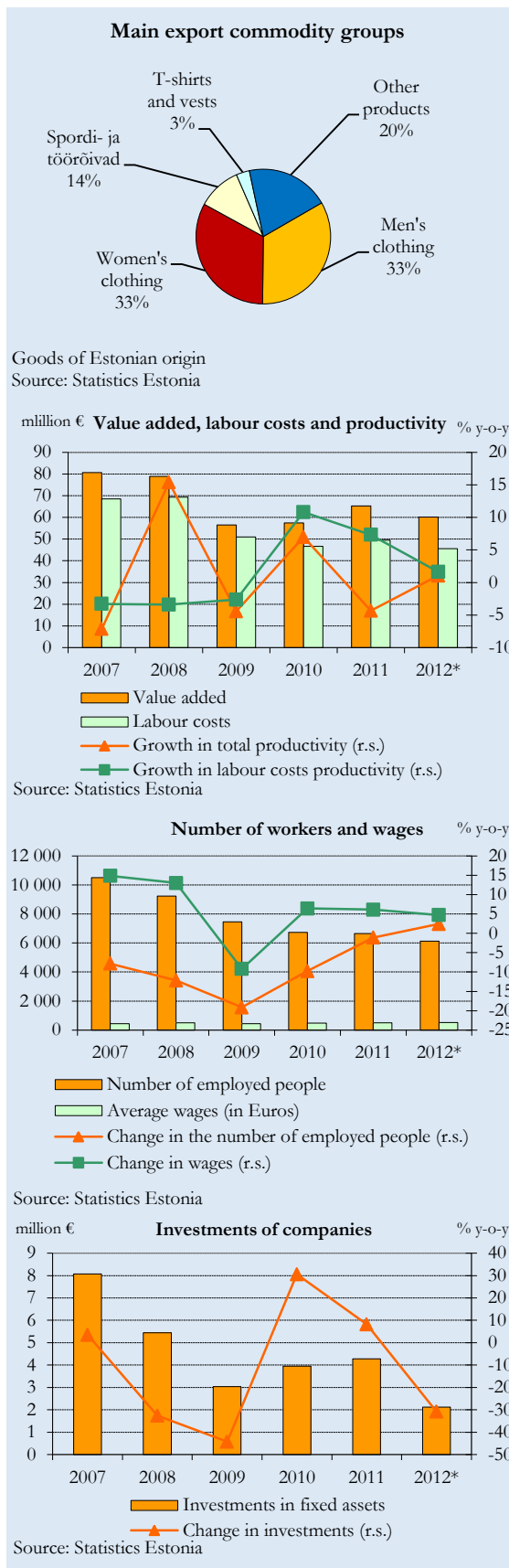
After relatively complicated years of recession, the sales of the wearing apparel industry have indicated growth over recent years but they still remain far from old peaks. Last year the total production volume of the textile industry formed less than three quarters of the volumes of 2007.

Both the export and the domestic market grew at mostly equal speed in 2012. The production of wearing apparel is mostly directed at foreign markets, selling over two thirds of the production there. Out of larger target markets, export dropped both in Finland and Sweden. At that, Finland received nearly a fifth less in export than a year before. Export to Great Britain grew in equal proportion. Out of larger commodity groups, the export of work clothes dropped by a quarter over the year but the sale of men's and women's clothing was also fairly weak.

The number of employed people remained unchanged in the wearing apparel industry in 2012. At the same time, average wages continued to rise, increasing by 5% over the year. Regardless, the average wage of the sector still remains well below the country's average and finding employees was therefore complicated. Value added per employed person did also not increase in the sector, forming less than a half of Estonian average last year and due to non-existent growth the gap continued to widen. In addition, the growth of profit of the sector also slowed, increasing less than a tenth over the year.

Investments in fixed assets dropped by nearly a third in the wearing apparel industry over the year. The drop was caused by decreased investments both into constructing and renovating buildings and facilities, and into machinery and equipment. Investments in machinery and equipment still formed the largest share, providing two thirds of total investments.

Evaluations of companies in the wearing apparel industry surveyed by the Estonian Institute of Economic Research were relatively positive about the near future in the spring of 2013. Nearly half of the respondents expected production volumes to grow and the number of employees was mostly expected to be stabilised. Existing orders ensured production for three months, which was a little higher than same time last year.

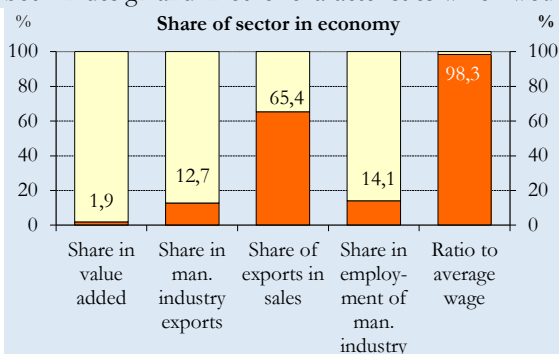


Wood processing

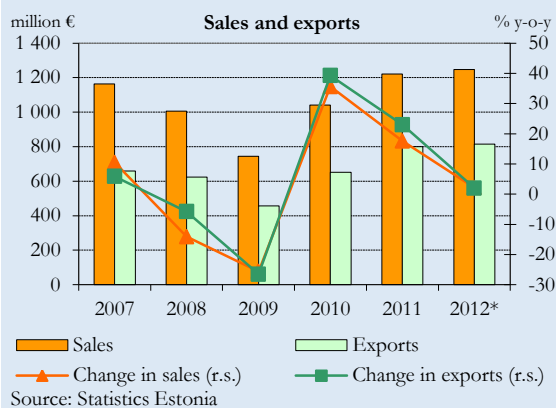
Wood is one of the most important natural resources in Estonia next to oil shale and contributes significantly to the balancing of foreign trade balance. Wood processing is one of Estonia's largest industrial sectors. Nearly a thousand companies are involved in wood processing and producing wood products, employing more than 14,000 people. Rapid growth that occurred after the recession has stopped but the sector has still come relatively close to the volumes of the economic boom.

The product selection for the wood processing industry is very varied, starting from producing and processing sawn timber and ending with manufacturing wooden houses, windows and doors. The majority of workers are employed in JELD-WEN Eesti AS, which produces wooden doors and windows, in Stora Enso AS which produces sawn and planed timber and laminated timber beams, and in AS Technomar & Adrem which produces hardwood floors, packages and cable drums. Other large companies are also AS Viljandi Aken ja Uks, which is involved in producing wooden doors, windows, window shutters and their frames, as well as veneer and plywood producers UPM-Kymmene Otepää AS and Balti Spoon AS. Particle board is produced by Repo Vabrikud AS and fibreboard by Skano Group AS.

The wood industry has developed well over the past years and the selection of products has become more varied. Statistics indicate that the structure of export is changing from logs and timber to products with a higher value. At the same time, there is plenty of room for development in those product groups and products can be developed both in design and in other characteristics which would help keep even more value added in Estonia.

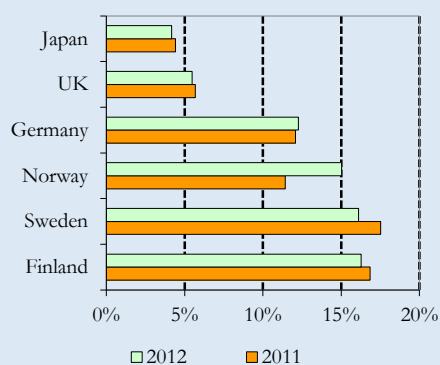


Source: Statistics Estonia



Source: Statistics Estonia

Exports by main target countries



Source: Statistics Estonia

Stabilisation occurred in the wood processing industry in 2012. Compared to the year before, the growth of production volumes slowed even more, at that the domestic market grew a little faster than export.

While export still led the growth of the sector in 2011, the domestic market was stronger last year. Global economy remained fairly weak and this also showed in export volumes. At the same time, economic growth exceeding the European average and the restoration of the real estate market remained in Estonia, resulting in increased domestic demand for the sector's products. In total, the sector's sales grew by 2.2% over the year and sales to the domestic market grew by 2.6%. At that, production volumes calculated as constant prices grew 1.8% over the year, this mainly thanks to a strong first half of the year.

Rising raw goods prices, which had characterised the preceding years, stopped, and according to price statistics of the interim storage by State Forest Management Centre, wood prices dropped by 7.1% last year. The main price drop occurred at the expense of various species of pulpwood. Pine, fir and birch pulpwood cheapened by 17-18% over the year. The only species of paper wood to get more expensive by a few percentage points was domestically processed aspen pulpwood. The rise of prices of pine and fir logs remained around a few percentage points. One reason for the dropped prices was the decrease of price of wood used for heating due to decreased demand in plants of Narva, as wood suitable for paper was also partly used up there. At that, wood chips used for heating in particular cheapened by nearly a fifth over the year. At the same time, other inputs mostly became more expensive. In total, the producer prices of the sector grew by 0.6% over the year.

The growth of wages accelerated significantly in the wood processing industry in 2012, exceeding the Estonian average. In total, wages in the sector grew

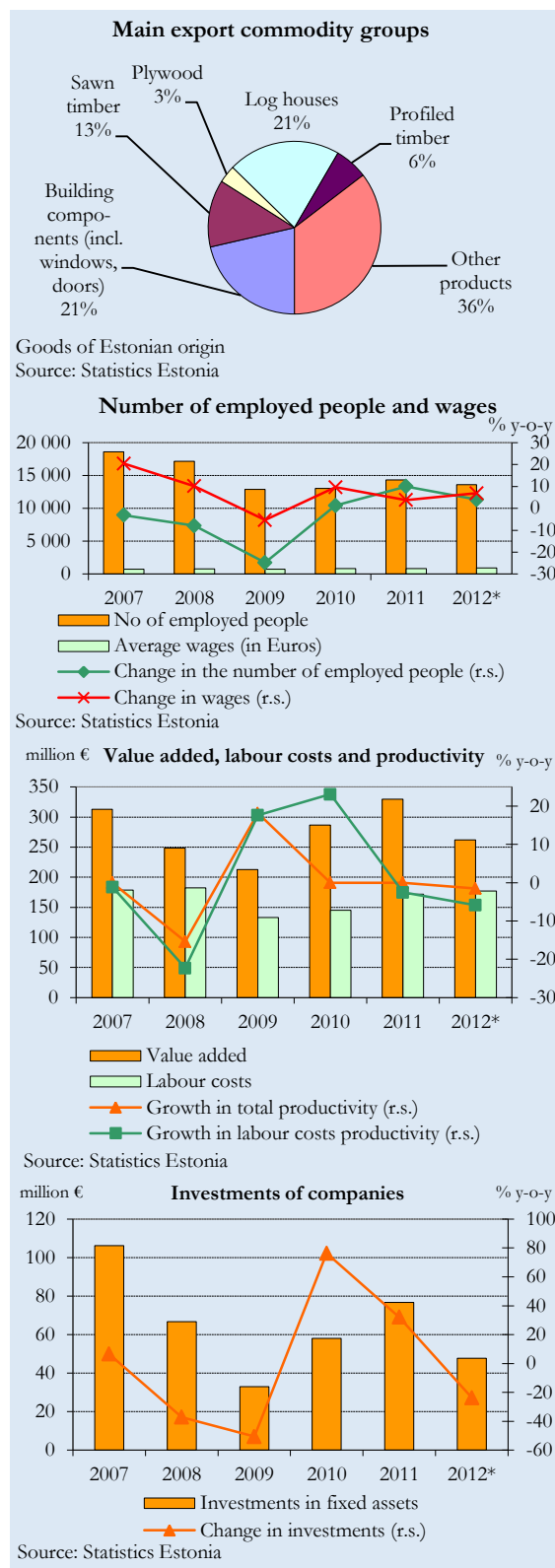
nearly twice as fast as the year before, i.e. nearly 7%. At the same time, the growth of people employed in the sector slowed somewhat and employment increased by 4% over the year. At that, work load also increased, where the number of hours worked by employees increased by 4.6%. Despite the large work load, hourly productivity actually decreased somewhat. The business profit of the sector decreased as well, which in turn resulted in the growth of value added stopping and the drop of value added per employee by a few percentage points. In addition, the productivity of both hourly and work expenses decreased compared to the year before last. Total profitability decreased by over a tenth.

Export has always played an important role for the Estonian wood processing industry, forming over two thirds of the sale. The main export partners in 2012 were Finland and Sweden, which received nearly a third of total export, however, at the same time total volumes decreased across both countries. Swedish exports met a bigger decrease, therefore Finland became the largest target market of the sector again. Sales to Norway grew rapidly, receiving a third more in sales compared to the year before, i.e. for nearly 135 million euros. Another strong growing market was Latvia, where production was sold for 28 million euros, which was 36% more than a year earlier.

Out of larger commodity groups, the segment of wooden houses continued a vigorous growth, where export increased by 11% over the year, with Norway still being its main target market. In total, export of houses to Norway grew by more than 20 million euros and already reached 72 million euros last year. At the same time, the Danish market, which had grown rapidly the year before last, had a steep decline and export to it dropped from 14 million to 1.5 million. Estonia exports construction details in the same volume as wooden houses (windows, doors, laminated timber etc.) and their export remained nearly unchanged compared to the year before. Bigger target markets for this commodity group are the Scandinavian countries and Japan, where laminated wood is mainly sold.

Investments, which had grown rapidly after the recession, dropped by nearly a quarter in 2012. Although land was purchased for twice as much money as one year earlier, there was a decline for other types of investment. Over a half of investments were made into machinery and equipment, dropping by a little more than a fifth. Buildings and facilities were acquired for a whole 79% less than the year before. At that, the level of application of production capacities remained at 80%, the same level as the year before, which is higher than the Estonian average and mostly refers to the possibility that investments will increase again in upcoming years.

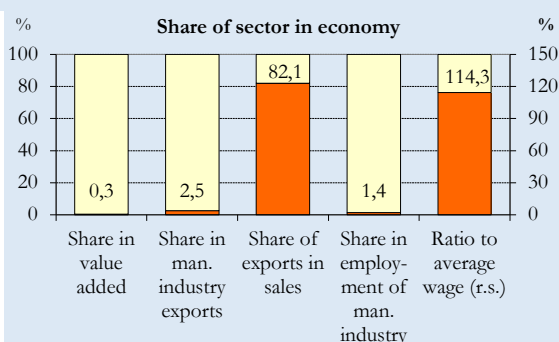
The expectations of enterprisers surveyed by the Estonian Institute of Economic Research were slightly more negative in the spring of 2013 compared to the year before. Sales in final months were assessed as fairly strong but the weakness stemmed from orders. Nearly a fifth of companies questioned also planned to decrease the number of employees in the following months.



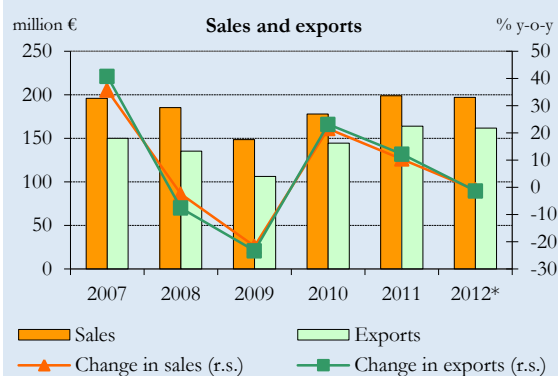
Production of paper pulp, paper and paper products

The paper processing industry has long-time traditions in Estonian economy and is a fairly consolidated industrial sector. Estonia has nearly 60 companies involved in producing paper, cellulose or paper products which employ approx. 1,400 people. The main output for the sector is export markets which receive over 82% of the production, the relative importance of the domestic market has decreased by the year.

Two companies form the backbone of the sector in Estonia: wood pulp producer AS Estonian Cell with nearly 67 million euros in turnover and paper and cardboard producer Horizon Tselluloosi ja Paberi AS with a turnover of similar proportions. Together they provide over two thirds of the sector's sales revenue. The competitiveness of both large companies and with them also that of the entire sector on the whole depends largely on foreign markets. So far the companies have been fairly successful and the recession has also influenced them less. At the same time, global trends will affect the sector more in the future, like the decrease of demand for paper and paper production moving to countries with cheaper energy and more lax environmental norms.

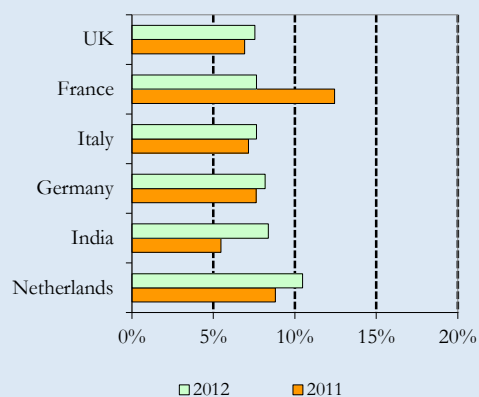


Source: Statistics Estonia



Source: Statistics Estonia

Exports by main target



Source: Statistics Estonia

The growth of sales volumes stopped in the paper processing industry in 2012 and the sales dropped by a percentage point. Foreign markets indicated weakness a lot, but the domestic market remained stable.

Although the sales of the paper market dropped in 2012, production volumes measured in constant prices increased by a few percentage points. At that, producer prices dropped in the same extent, indicating that the market is fairly sensitive and the increase of expenses cannot be immediately transferred to final prices. Increased efficiency characterised both large companies of the sector last year, which continued to execute rather sizable reconstruction plans that had been initiated earlier.

The fate of Estonian Cell, one of the largest companies in the sector, was similar to the sector's average – production volumes did increase but sales revenue remained on the same level as the year before. At the same time, the company considered energy prices which had increased by nearly a quarter to be a problem, attempting to decrease its effect with process innovation. Constant updating of technology is in fact one of the reasons why competitiveness has been maintained. In general, the year was rather poor for the sector in Europe.

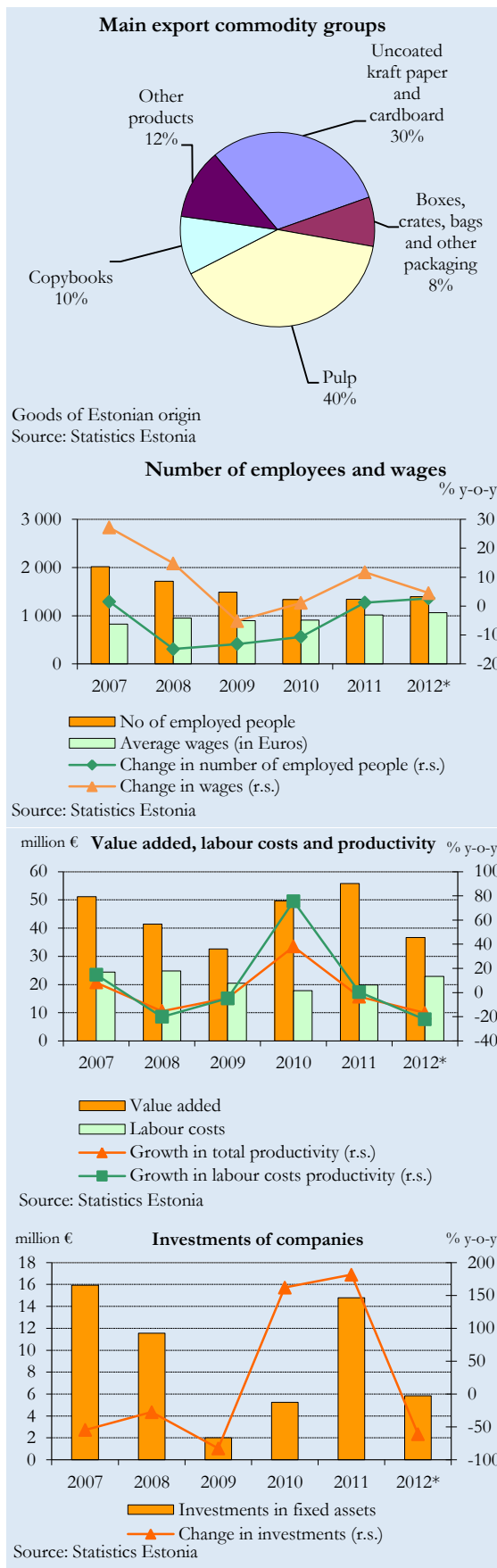
82% of the production of the paper processing industry gets exported. The biggest target countries for export largely depend on the activities of Estonian Cell, as the company's export forms approx. 40% of the entire branch's export. Due to wood pulp, the export geography of the sector has also changed significantly. Sales of wood pulp to France dropped 43% over the year but rose over 50% to India, thereby raising India to be the second most important target country of the entire sector. Nearly a third of export of the paper processing industry was mainly formed by uncoated kraft paper and cardboard produced by Horizon Tselluloosi ja Paberi AS with its export reducing by 7% over the year and the main target market continues to be Egypt.

The recession of 2011 was followed by the growth of employment in the paper processing industry by a few percentage points last year. At the same time, the

growth of wages slowed to 4.5%, which remained a little below the Estonian average. Regardless, the average wage of the sector remained one of the highest among the sub-sectors of the manufacturing industry. However, the increase of number of employed people was not accompanied by sufficient growth of profits and indicators of productivity dropped by 15% and productivity of work expenses by more than a fifth.

Investments into fixed assets dropped over 60% last year, primarily at the expense of machinery and equipment. At the same time, buildings and facilities were acquired for nearly three times as much money compared to the year before. When looking at the plans of large companies of the sector, increased investments can again be expected in 2013.

Companies of the paper processing industry surveyed by the Estonian Institute of Economic Research in the spring of 2013 were more positive about the future than the year before. The level of application of production capacities was also higher than it was last year, indicating that there is plenty of work and the year 2013 may be better than the last.

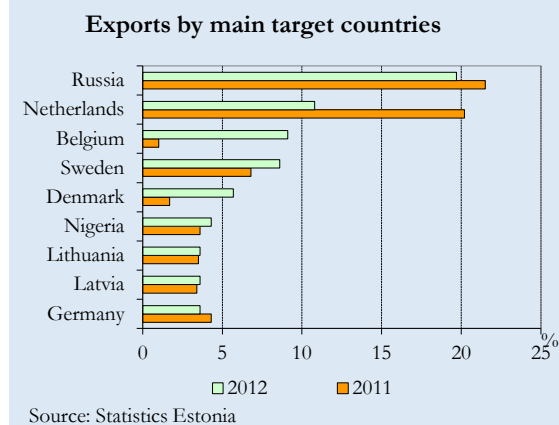
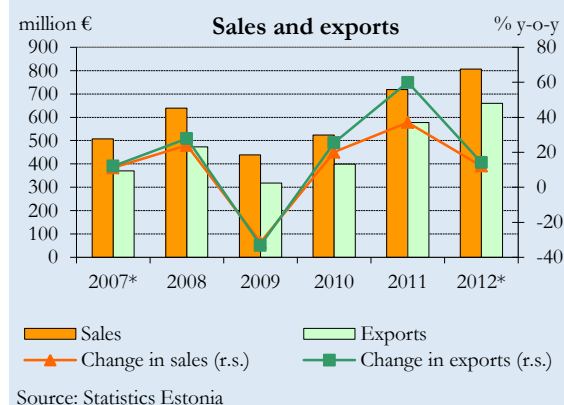
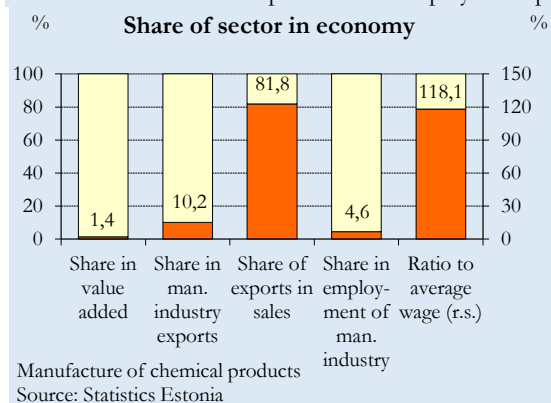


Production of chemicals and chemical products

The unique part of the Estonian chemical industry is industry based on oil shale, but the majority of the sector is still formed by other sub-branches, for example construction or domestic chemicals. The chemical industry is a capital-intensive field of operations, the growth of production volumes has not resulted in a significant increase of jobs. Despite improved productivity, backwardness compared to developed countries is still significant.

There are about a hundred companies of the chemical industry active in Estonia. Over a half of the chemical industry is located in Ida-Viru County, nearly a third of employees work in Tallinn and Harju County. The largest companies of the chemical industry are VKG Oil AS, Kiviõli Keemiatööstuse OÜ and Eesti Energia Õlitööstus AS (producing shale oil), Akzo Nobel Baltics AS, AS Tikkurila and AS Eskaro (paints and varnishes), Molycorp Silmet AS (rare metals), AS Novotrade Invest (processing oil products), OÜ Krimelte and Henkel Makroflex AS (mounting foams), Eastman Specialties AS (benzoic acid, sodium benzoate, plasticizers), AS Nitrofert (mineral fertilisers, ammonia and carbamide), Orica Eesti OÜ (explosives) and AS Takeda Pharma (medication).

Large investments in the oil industry create new jobs but in general there is no expected significant growth of employment in the sector. The growth of production volumes will also mostly depend on increased productivity in the future. The need to increase efficiency stems from the appreciation of production input, increased expenses related to environmental protection also play an important part in the chemical industry.



The chemical industry¹ in 2012 showed relatively rapid growth of production in the oil processing industry, other branches had a slight set-back. Rise in prices helped increase sales revenue. Additional jobs were created in the sector, investments remained on a high level. A growth of the sector's production volumes can be expected in 2013.

Oil production grew by nearly a tenth in 2012. Eesti Energia finished the new oil plant at the end of the year but its starting process will still take time. The year 2012 was the first year of working with full capacity for the latest oil plant of VKG. Thanks to higher prices, the sales revenue of the oil industry grew by a fifth, whereas exports grew by more than a quarter.

The production volumes of both chemical products and pharmaceutical products were lower than last year by a few percentage points. At the same time, sales revenue also increased in those branches due to the rise in prices. Producer prices of chemical products grew by 7% over the year. Similarly to the oil industry, sales were mostly led by exports in other branches of the chemical industry.

Shale oils contributed more to the growth of exports, but that was thanks to increased prices, mastics also added a share. Over the year, the export of rare earth metals and benzoic acid decreased more financially. Shale oil was directed more to Belgium instead of the Netherlands, which strongly altered those countries' positions in export statistics, the change of supply chains of oil also influenced exports to Russia and

¹ In addition to producing chemicals and chemical products (EMTAK 20), this sector also covers the production of fuel oil (EMTAK 19) and the production of basic pharmaceutical products and medical preparations (EMTAK 21).

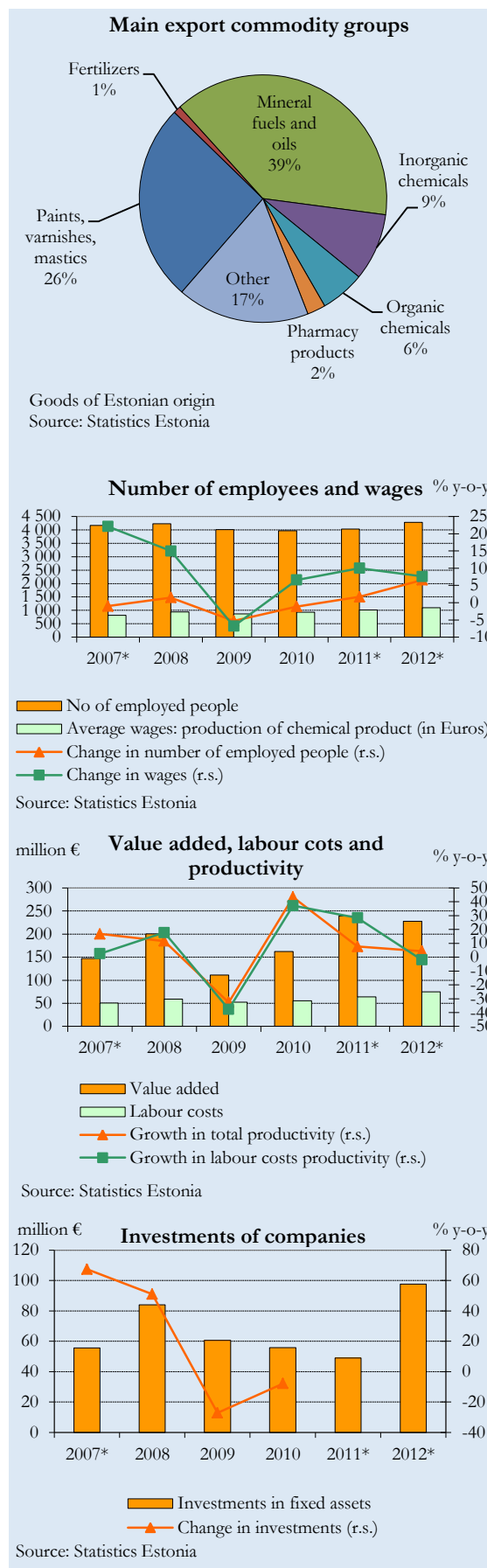
Denmark. Exports were more stable for other chemical products.

The number of employees in the chemical industry grew by 7% over the year. Larger branches, the oil industry and the production of chemical products contributed to the rising number of employees. The number of jobs increased in the oil industries due to increased production capacities. Work load also increased somewhat (number of working hours per employee). Due to the number of employees and rise in wages, labour costs of companies increased by nearly a fifth. The biggest growth occurred in the oil industry where labour costs increased by a quarter. The increase of companies' total costs was more moderate and it corresponded more with the changes in sales revenue. The companies' profit increased both in the oil industry and the pharmaceutical industry but the increase of production costs exceeded the increase of sales revenue in producing chemical products. The profitability rate of the oil industry remained continually high.

Indicators of productivity generally improved in all branches, except for the indicators of the productivity of labour costs. At the same time, labour costs only form about a tenth of total expenses. Based on value added, the productivity of the pharmaceutical industry improved the most, the production of chemical products indicated a decline compared to last year's indicators similarly to the drop of profits. For value added per employee and total costs, the oil industry still has the highest indicator.

In the production of chemical products, investments rose over 15% in 2012. The majority was directed into machinery and equipment as well as buildings and facilities. The largest investments in the chemical industry were continually made in oil production. At the end of the year, construction works of the new oil plant of Eesti Energia ended, VKG started the construction of a next plant in August. As there are few companies in this field, complete statistical data have not been published. Investments into the oil industry in three quarters of the year exceeded the whole year's investments of companies producing chemical products almost three times. The data for the pharmaceutical industry is also patchy, but based on the numbers published, it can be presumed that investments were significantly more moderate in 2012 than they had been a year earlier.

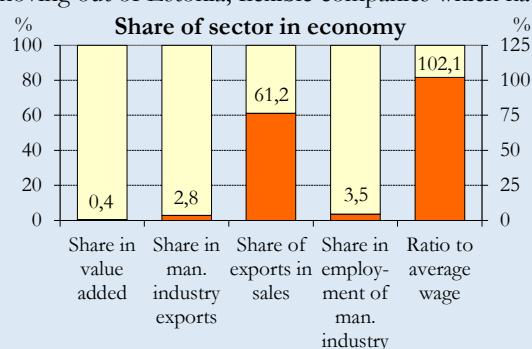
The sentiment of producers of chemical products on the economic situation of 2012 was similar to the previous year based on the survey of the Estonian Institute of Economic Research. Opinions on demand improved at the end of the year, the period covered by orders increased. Growth of production volumes is expected for 2013 mostly thanks to increased production capacities in the oil industry and the restarting of the formerly largest chemical company Nitrofert at the end of 2012 after three years of standstill in production.



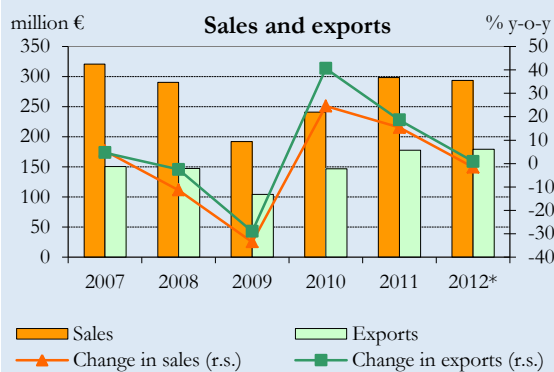
Production of rubber and plastic products

The products of the rubber and plastics industry are being used in many fields – from the food processing industry (packaging) to the car industry or construction materials. The Estonian rubber and plastics industry is formed by nearly 200 companies of mostly small and medium size. The larger companies are Pipelife Eesti AS (plastic pipes), AS Estiko-Plastar (plastic sheet and plastic bags), AS Plasto (plastic windows), Promens AS, Talent Plastics Tallinn AS (plastic products for the car industry), Trelleborg Industrial Products Estonia OÜ (rubber and metal details for the car and machinery industry), Greiner Packaging AS (plastic packaging), OÜ Merinvest (rubber O-rings, membranes) and AS Balteco (bathtubs). The largest companies are located in Tallinn and Harju County (half of the employees) and in Tartu County (approx. 15% of the employees) but Hiiumaa and Saaremaa also have fairly many workers.

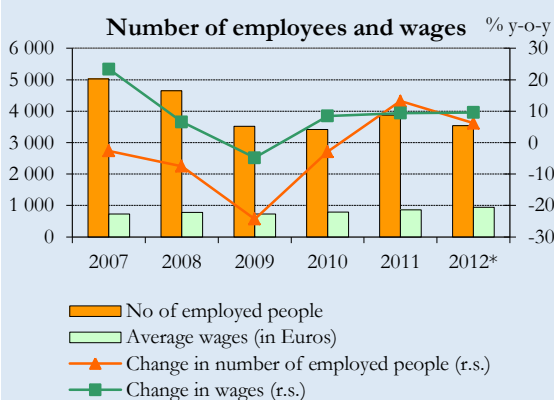
In the future, the rubber and plastics industry may expect an increase in the number of jobs. Production will become more complicated and more labour-intensive activities will be replaced with machines. Mass production is currently moving out of Estonia, flexible companies which have focused on smaller batches have the best prospects.



Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

The situation in the rubber and plastics industry was a little poorer than in the year 2011. Production volumes dropped a little, the companies' economic results were weaker and the enterprisers' evaluations were also more moderate than the year before. Future assessments also showed no optimism.

Production volumes for the production of rubber and plastic products decreased by 4% in 2012. Due to the rise in producer prices (3.4%), the decrease of sales revenue was somewhat smaller. Export volumes remained essentially on the level of the previous year but less production was sold to the domestic market than in the year before.

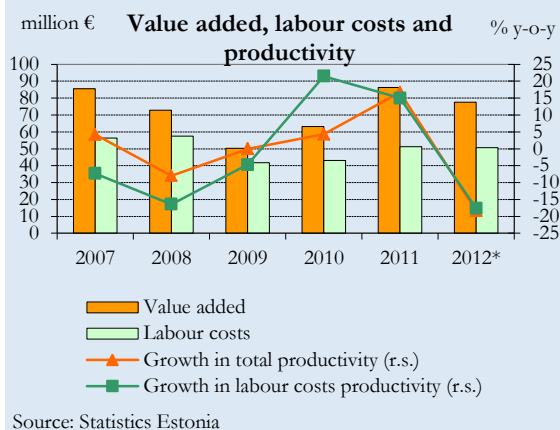
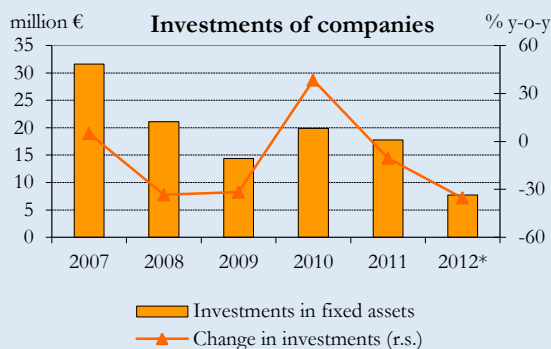
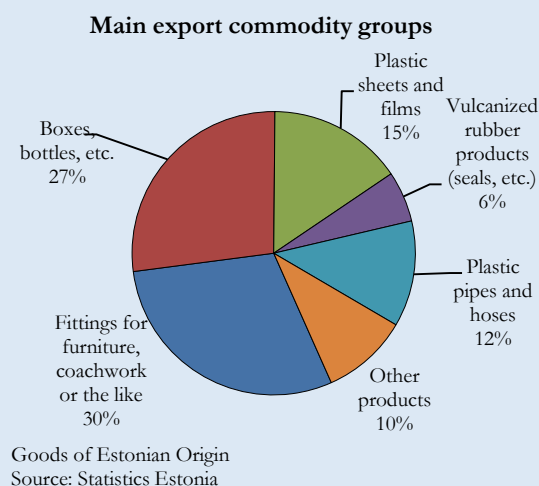
Out of main target markets, sales in 2012 significantly declined to Sweden (by a fifth) and to Norway, and to Finland to some extent. The exports of rubber washers and other seals to Sweden dropped steeply. Developments in Latvia (boxes and cases, air tires) and Lithuania were more positive, where exports, were in addition to the above, also supported by plastic pipes and hoses as well as bags and packages.

According to preliminary statistics, the number of employees working in the rubber and plastics industry increased by 6% over the year. As the data of the previous year differ significantly between final and preliminary statistics, then actual developments may have been much more modest. Relatively rapid increase in wages continued in the sector, which can indicate changes occurring in the structure of jobs – the proportion of specialists is increasing. Labour costs of companies increased in the same proportion as total expenses (by about a tenth), i.e. a little faster than sales revenue. Therefore, profits decreased compared to the year 2011 but the profitability rate was still fairly close to the average level of previous years. Due to the decrease of profits, value added also decreased, resulting in the indicators of profitability worsening as well.

Investments of the rubber and plastics industry into tangible fixed assets decreased by more than a third according to initial data, final data may notably change this picture based on earlier adjustments. According to preliminary statistics, nearly 70% of

investments were made into machinery and equipment. Capital investments in buildings and facilities decreased relatively the most.

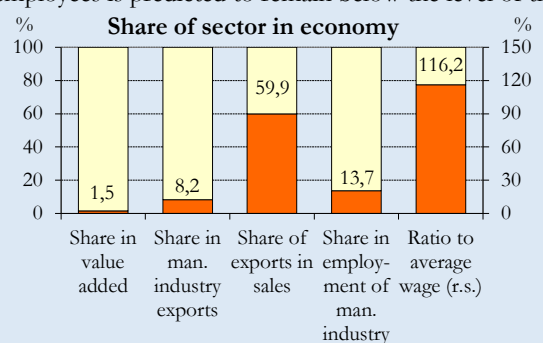
The opinions of enterprisers who participated in the survey conducted by the Estonian Institute of Economic Research reflected the developments shown in economic indicators. Demand was lower than usual, especially for export orders. Insufficient demand was a problem for four fifths of the enterprisers. Assessments given in early 2013 indicated an even worse situation.



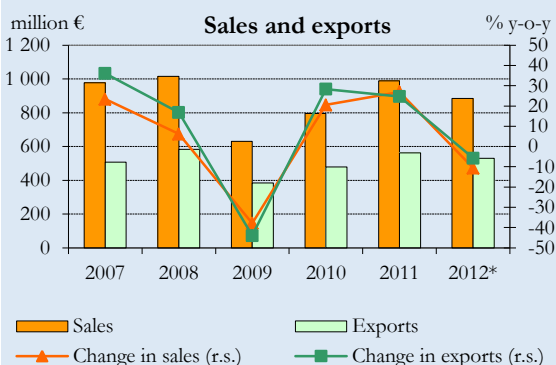
Production of metal and metal products

The metal processing industry is related to several fields, for example the production of machinery and equipment, and construction. Over 11,000 people are employed in Estonian companies of metal industry, therefore being one of the largest industries after the food processing industry and wood industry. Nearly a thousand companies operate in the field. Metal processing industry is concentrated in Tallinn and its vicinity (over a half of the employees) and in Ida-Virumaa (nearly a fifth of employees). The larger companies are AS Kohimo, Cargotec Estonia AS, OÜ BLRT Marketex, AS Remeksi Keskus, AS E-Profiil (metal structures), ArcelorMittal Tallinn OÜ (galvanised steel), Ruukki Products AS, AS Saku Metall (construction structures), Eesti Energia Tehnoloogiatööstus AS (producing and servicing products for power plants), AS Hanza Mechanics Tartu, AS Favor, AQ Lasertool OÜ, Metalliset Eesti AS (metal processing) and Metaprint AS (producing metal containers).

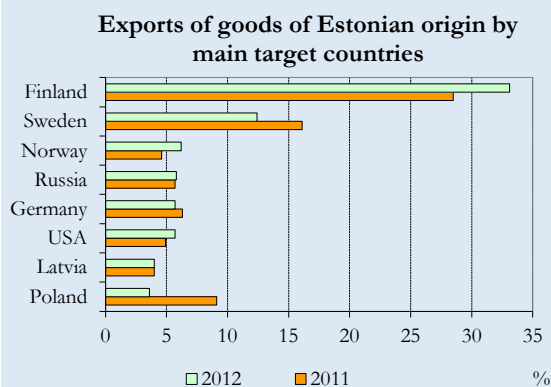
In the long term, the metal industry can expect a continued growth of production volumes, export may be its main spearhead. The growth of production volumes is presumed to also result in an increase of jobs but the number of employees is predicted to remain below the level of the economic boom.



* Production of metal products
Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

In 2012, the metal industry was one of the industries with the largest drop in production volumes, at the same time preliminary statistics indicate a rising number of jobs. The poorer outlook for the construction sector also influence the metal industry, therefore other output is being sought.

Production volumes dropped by 8% in the metal industry in 2012. Production decreased both for metals and metal products. A steeper drop was seen in sales on the domestic market but exports decreased as well. Prices did not change significantly over the year, at the same time producer prices kept moving up slowly with each quarter. Import prices for metals remained on the same level as the year before, metal products imported into Estonia were more expensive than in 2011.

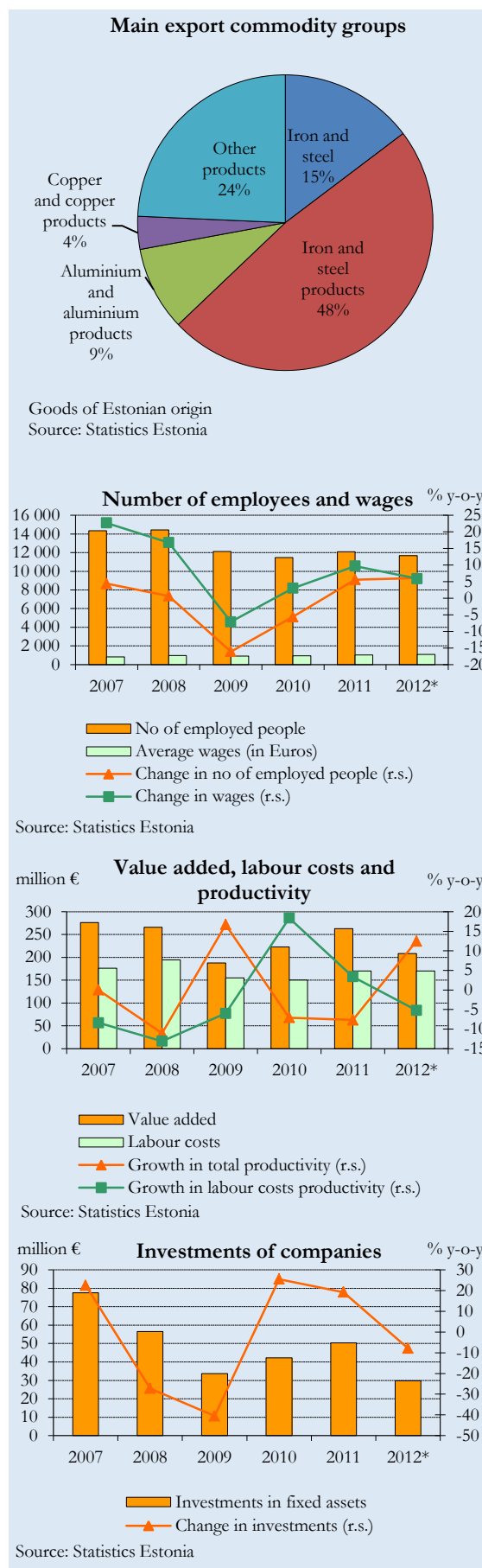
In exports of products of Estonian origin, the sale of iron and steel dropped by 50%, caused by the decrease of sales of rolled steel. This strongly influenced the sales volumes for Sweden and Poland. For other main export partners, sale remained on the level of the year before or decreased. Instead of sheet steel, metal structures became the main export article, with its sales increasing to an extent.

The number of employees in the metal industry increased by 6% over the year, due to the sector's size the metal industry was the biggest provider of additional jobs in the manufacturing industry. Wages increased at the same rate as Estonia's average. As production volumes decreased, the work load also decreased. Companies' total expenses dropped almost at the same speed as sales, total profits still remained nearly a fifth below that of 2011. The indicators of profitability dropped as well, only the ratio between value added and total expenses improved

Investments were a little smaller in production of metal products than a year earlier. In the other branch, the significantly smaller metal production, clear comparison cannot be made due to missing data, but existing data indicate a bigger decline in the field. Capital investments of producers of metal products in machinery and equipment remained on the same level as the year before, forming over 70%

of total investments. Investments in buildings and facilities dropped somewhat.

The confidence indicator compiled by the Estonian Institute of Economic Research, based on enterprisers' evaluations, was lower in the metal industry in 2012 than the year before. Orders dropped below the usual level at the end of the year, the situation improved somewhat in the first months of 2013. Increase was mostly seen in expectations for future (incl. the increased wish to increase the number of employees) but evaluations on the current situation were still relatively pessimistic. As the perspectives of the construction sector are poorer due to the decrease of so-called CO₂ funds, this will influence the producers of construction metal structures for the domestic market. Due to that, companies are mostly focusing on other fields (for example mechanical engineering).

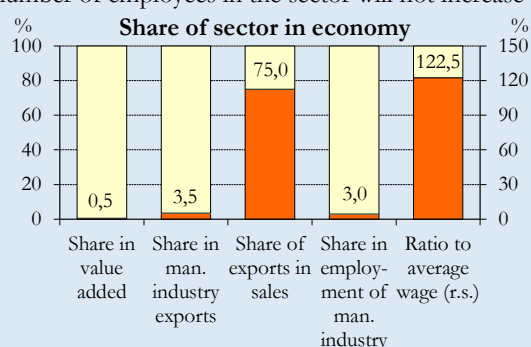


Production of machinery and equipment

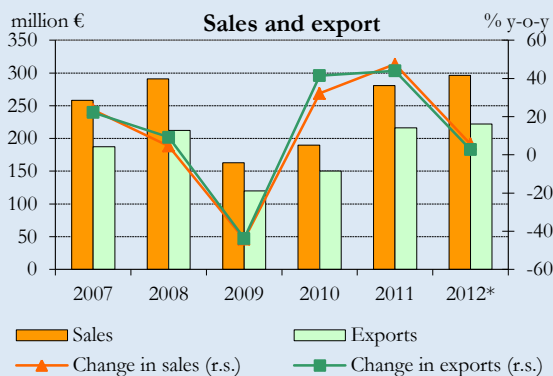
Production volumes of the machinery industry grew rapidly before the global recession but with the crisis, producers of investment goods were strongly affected, incl. mechanical engineering. Today the sector has recovered from the crisis in regards to production volumes but the growth has been achieved with a smaller number of employees. The development of the machinery industry is mainly influenced by foreign markets, the majority of production is exported.

There are approximately 150 small and medium-sized producers of machinery and equipment operating in Estonia. The larger companies of the machinery industry are AS Hekotek (wood processing devices), AS Fors MW, OÜ Palmse Mehaanikakoda (forest trailers, log hoists), AS Sami (construction hoists, forestry vehicles), AS Finmec, AS „Rauameister“ (handling and lifting devices and their parts), OÜ JOT Eesti (production automatics), AS Paide Masinatehas (various equipment for the machinery industry) and Metos AS (catering kitchen equipment). Smaller companies still dominate the sector. Larger companies are located in Tallinn and Harju County, but the machinery industry is represented in nearly every Estonian region.

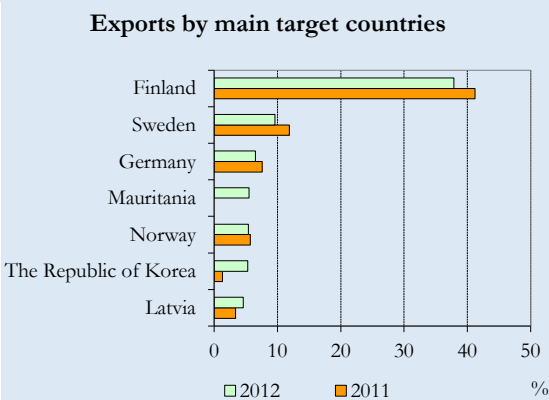
According to predictions, both the exports of the machinery industry and sales to the domestic market will grow in the long run. The growth of production volumes largely depends on increased productivity and therefore the number of employees in the sector will not increase significantly.



Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

The growth of production volumes continued in the machinery industry, the number of employees increased and investments grew. The situation worsened somewhat at the end of the year, which also reflected in decreased orders.

In 2012, the machinery industry produced nearly 5% more than the year before, at the same time the growth mostly relied on the good result of the start of the year. As producer prices remained stable, the sales volume also increased at the same rate as production. Sales on the domestic market grew faster than exports but the majority still goes to foreign markets.

The main export market was Finland, receiving more production in 2012 than in the previous year. Sales also predominantly increased for other main target countries, Sweden and Russia showed a small decline. The main products of the machinery industry are lifting and handling devices and their parts, the sales of this commodity group increased.

According to preliminary statistics, the number of employed persons grew rapidly in the machinery industry. At the same time, due to adjustments of data from the year before give grounds to believe that actual developments were more modest and more in line with changes in production volumes. Rise in wages continued to keep the sector in one of the highest ranks for wages of industrial sectors, resulting from rather high wages of skilled workers.

When the number of working hours grew faster than the number of workers in the first half of the year, then the work load could be seen to decrease in the second half of the year. Labour expenses increased at the same rate as sales revenue but the growth of total expenses was faster and the companies' total profit remained somewhat below the result of the previous year. The indicators of productivity were also somewhat lower than the year before.

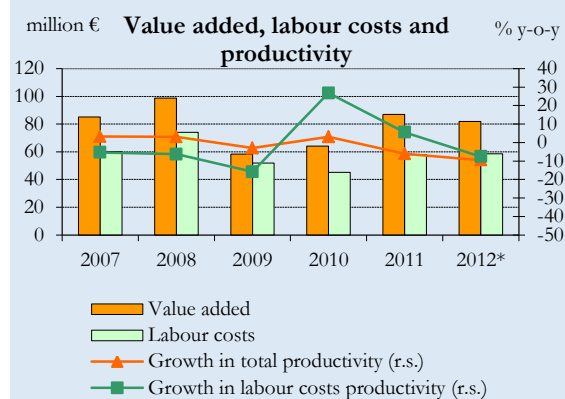
Companies' investments exceeded last year's level by nearly a fifth. The growth was caused by constructing and renovating buildings and facilities (a large drop

the year before), significantly more funds were also directed to means of transport, but this can be considered an exceptional event. Investments into machinery and equipment dropped but still formed a half of all investments in total.

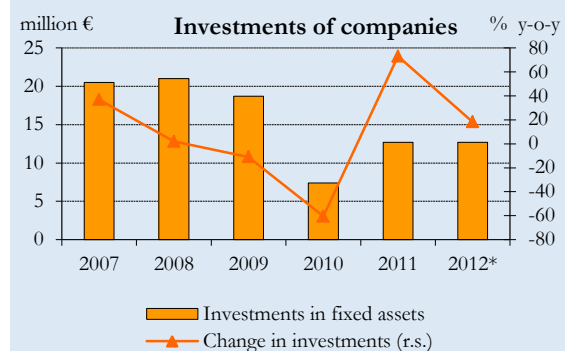
According to companies of the machinery industry, the economic conjuncture was relatively good but the situation worsened at the end of the year. Based on the survey by the Estonian Institute of Economic Research, orders and the rate of using production capacities decreased at the end of the year. The situation did improve somewhat at the start of 2013, but it does not indicate a significant turn for the better.



Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

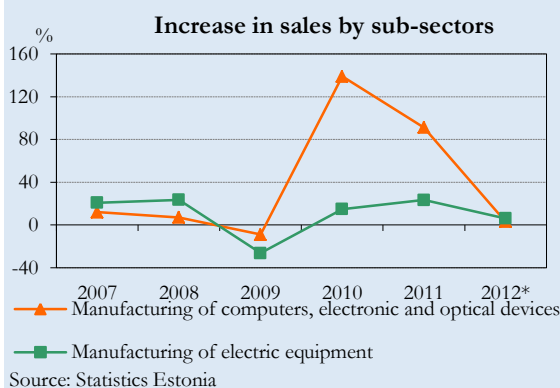
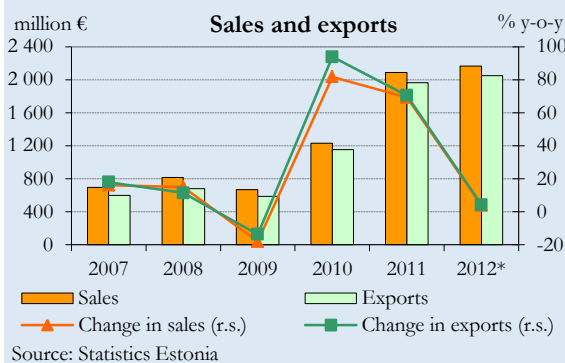
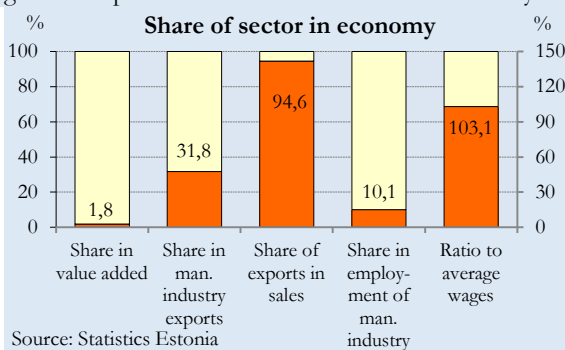
Production of electronic and electrical equipment

The production of electronic and electrical equipment has been one of the fastest developing industrial sectors in Estonia. The sales volume of companies grew four and a half times between 2005 and 2012. The growth of production volumes has been achieved at the expense of introducing new products with a higher value added to the market and increased production. Employment has varied over the years, but there has not been a significant change from 2005 to 2012. The sector is strongly oriented towards the foreign markets, the majority of larger companies are based on foreign capital. In reality, nearly 200 companies operate in the production of electronic and electric devices.

The production of electronic and electrical equipment is characterised by geographic concentration to Tallinn and its vicinity, at the same time it also significantly influences regional development. The electronics industry has been one of the largest provider of new jobs in Saaremaa, Pärnu, Sindi, Elva and Koeru.

The production of electronic and electrical equipment is divided into two branches. In the production of computers, electronic and optical devices, the largest companies are Ericsson Eesti AS (produces mobile communication network devices), Enics Eesti AS (electronic parts for industrial and medical devices) and Scanfil OÜ (telecommunication devices) and out of computer manufacturers, the largest is AS Ordi. Unlike the general direction of the branch, the sale of computers is mostly directed to the domestic market. In production of electrical equipment, the company with largest sales revenue is ABB AS, which manufactures electrical distribution devices and power generators as its main field of activity. Other larger companies are Ensto Ensek AS (electrical distribution devices and control apparatus), AS Konesko (electric engines and devices) and AS Draka Keila Cables (cables).

In 2010–2011 the production of electronic and electrical equipment saw a phase of rapid growth. The worsening of the economic climate on foreign markets in 2012 negatively influenced the sector's development as well and the growth of production volumes slowed considerably.



After two years of extremely speedy development, the sector of electronic and electrical equipment stabilised in 2012. Production volumes remained on the level of the previous year, sales and exports grew within 4 per cent over the year. Due to that, the number of employees did not change significantly either.

When the year 2010 was a year of recovering from the crisis for the production of electronic and electrical equipment and 2011 was a year of rapid growth, then certain stability was achieved in the sector in 2012. Production grew by one percentage point in constant prices over the year, growths of sales and exports in current prices reached 3.8% and 4.2% respectively. At the same time, neither producer nor export prices grew compared to the previous year in the sector, but dropped somewhat, therefore the growth occurred from increased volumes. Export prices of electronic equipment have remained on the decline for the past two years, the prices of electrical equipment, however, have been more stable.

In the sales of the sector of electronic and electrical equipment in 2012, three quarters were provided by the production of computers, electronic and optical equipment, and a quarter by the production of electrical equipment. The sale of the former is mainly directed towards the foreign market and largely depends on the economic state of Estonia's more important trade partners. Approximately 80% of electrical equipment are exported.

The exports of the branch of electronic and optical devices grew by 3.5% in 2012, which was a significantly slower growth than a year earlier. Partially, this was caused by extremely high base of comparison of the previous year, at the same time foreign demand also weakened. In the first half of

2011, Ericsson Eesti managed to drastically grow the exports of mobile communication devices due to the natural disaster in Japan which put a lot of its electronics companies to a halt, the distribution of markets stabilised in the second half of the year. In 2012, mobile communication devices continued to hold the biggest proportion in the exports of the electronics industry, forming 85% of total exports.

The growth of exports also slowed in the production of electrical equipment but exceeded the growth of the electronics industry more than twice and reached 7.4%. With a significantly lower base of comparison, it was easier to achieve growth in this sector in the conditions of worsening demand. In the exports of electrical equipment, wire sets for cars and other insulated electrical wires, power distribution units, static transformers and AC motors and generators held the most relative importance.

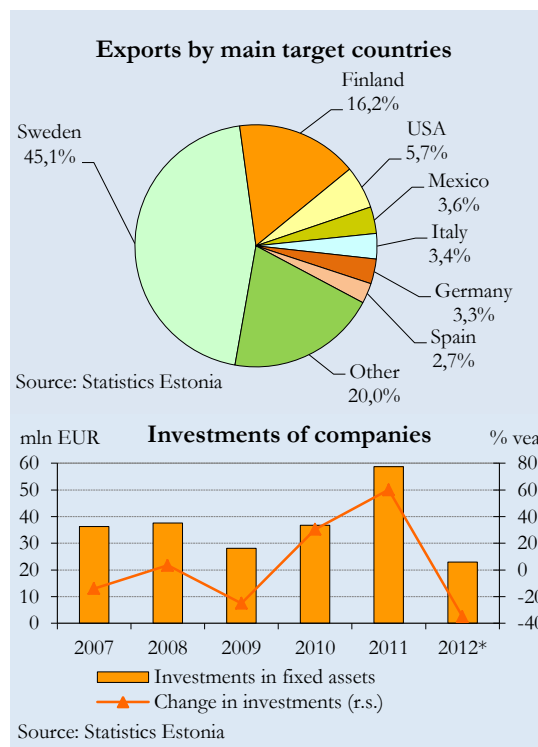
In 2012, nearly a half of exports of electronic and electrical equipment still went to Sweden, but the growth slowed sharply, remaining at only three per cent. Out of Swedish exports, 80% was formed by mobile communication devices, their exports grew by 5% over the year. The range of other more important export goods also remained the same: wire sets for cars, insulated electric wires used in telecommunication, and power distribution units. Faster developments occurred on exports to Finland, which grew by nearly a fifth and raised Finland's share in total exports of the sector to 16%. Electrical equipment was sold to Finland the most, especially static transformers, power distribution devices, parts of electric engines and generators, and insulated electric wires. Exports to the United States of America, which had grown vigorously in 2011, had a decline of nearly a third caused by mobile communication devices. Mexico rose to the top of exports of the sector as a new country, receiving a steep increase in exports of mobile communication devices. As the market in the USA declined, Ericsson managed to sell more production to its neighbouring country.

After two years of strong investment activity, investments dropped by a third in the production of electronic and electrical equipment in 2012. Investments in machinery and equipment continued to hold the largest share of 80% but they received 40% less financial means than the year earlier. 15% of total investments went into buildings and facilities and 2% each for means of transport, computers, and land. Investments in branches divided 59% and 41% respectively, where production of electronics met a decline of nearly a half and an increase of 8% occurred in the production of electrical equipment.

Companies of electronic and electrical equipment production could not significantly increase the number of employees in the conditions of worsened foreign demand and the sector's employment increased by only 2.7% over the year according to enterprising statistics. However, according to the data

by the labour force survey, the number of employees in the sector decreased by 16%. Although productivity dropped in the sector over the year, pressure for wages remained and average wages rose by 5.5% to 958 euros, continuing to remain above the Estonian average salary. Due to that, the productivity of labour expenses on the basis of value added also dropped in the sector.

In the first quarter of the year 2013, the production volume of electronic and electrical equipment indicated a rise of a tenth but this only relied on the electronics industry. The confidence of companies of electronic and optical devices who participated in the survey by the Estonian Institute of Economic Research in March has improved, this was influenced by the expected growth of production and export volumes. Changes in sales prices of the branch and number of employees were not predicted. The confidence indicator for the production of electrical equipment was the highest in March as a large number of companies in this branch expected an increase in production volumes for the next three months. At the same time, sales prices of the products remain the same but the number of employees was wished to increase. In the opinion of enterprisers of both branches, insufficient demand was the only hindrance for the development of production.



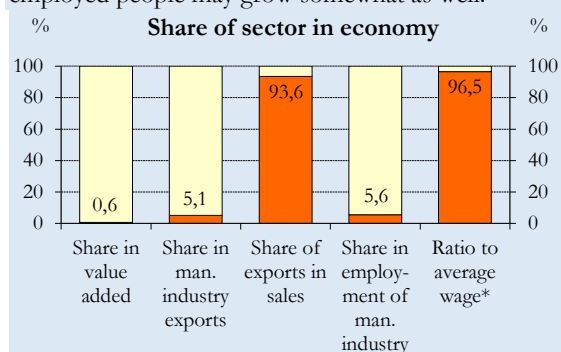


Production of transport equipment

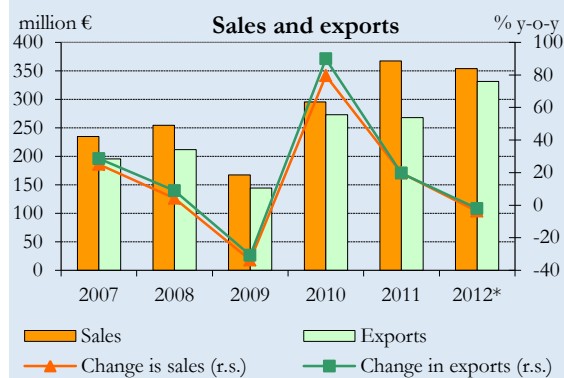
The production of transport equipment depends mostly on foreign demand, the majority of the sector's sales is formed by export. Due to the economic recession, both the sales to the domestic market and exports dropped heavily but it was also followed by quick recovery.

There are over a hundred companies of producing transport equipment in Estonia. The largest are AS Norma (car safety systems, seat belts), PKC Eesti AS (cable ties for the car industry), Stoneridge Electronics AS (electronic devices for the car industry), AS Respo Haagised and AS Bestnet (trailers), OÜ Tarmetec (accessory equipment for cars), Universal Industries OÜ (mufflers), Baltic Workboats AS (aluminium ships), AS Luksusjaht (plastic yachts and powerboats), Loks Laevatehase AS (ships and floating structures). Many companies of ship construction or repairs are reflected under the field of activity of repairs for machinery and equipment, for example BLRT Grupp AS and several of its subsidiaries. Larger companies have mostly condensed to Tallinn and Harju County (three quarters of the employees in the sector), Tartu and Saare counties also stand out.

According to long-term predictions, exports will bring up sales volumes in the future, the role of the domestic market is moderate. Increased productivity is the reason for the growth of production volumes as the lack of qualified labour and growth of labour expenses forces to focus on more expensive products, but the number of employed people may grow somewhat as well.



*Production of motor vehicles and trailers
Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

In 2012, demand in production of transport equipment decreased but the number of employed people remained stable. Prospects for 2013, especially regarding activities related to the car industry, are not particularly positive.

The production of transport equipment decreased by 6-7% over the year, the decline characterised both the production of motorized vehicles and other means of transport. Foreign trade statistics indicate varied export developments in companies' data – for motorized vehicles and their parts, the sale of goods of Estonian origin to foreign markets remained rather strong, sales decreased for other means of transport. As the data rely on different approaches, the foreign trade statistics cannot be unambiguously transferred to describe the companies' situation, but it should still indicate the outlines of most important developments.

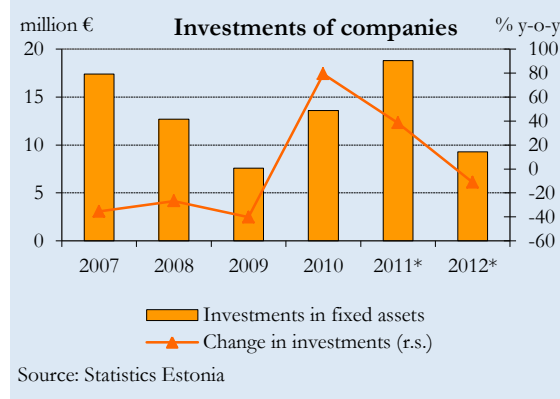
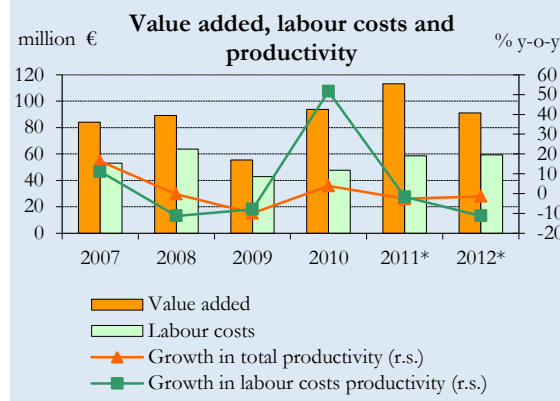
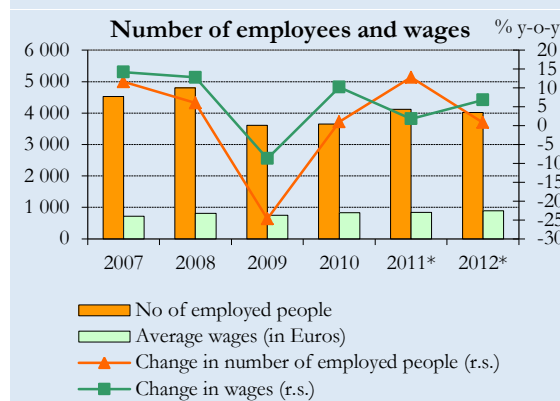
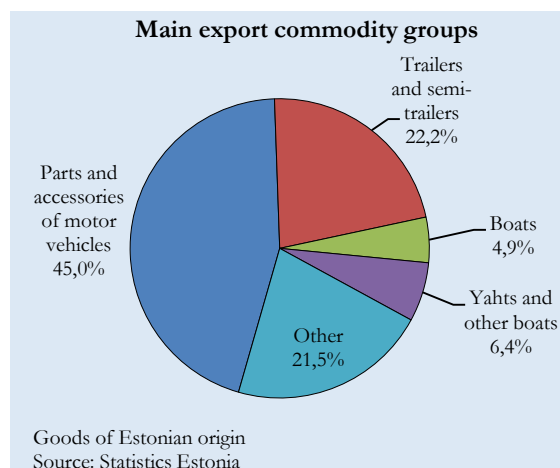
According to export statistics, no big changes occurred in the sales of motorized vehicles and their parts across the main trade partners, but the sale of other means of transport strongly decreased to Finland, Sweden and Norway. The largest export article is seat belts, their sales remained somewhat below the volumes of the year before. At the same time, the export of other parts of motorized vehicles increased, incl. the sale of airbags. The export of trailers was also more successful than last year. However, floating structures met a steep decline in sales.

The number of employed people remained unchanged in the production of transport equipment. The number of jobs decreased a little in the branch of motorized vehicles but it was compensated by creating jobs in the production of other means of transport. At the same time, the growth may be derived from the fact that in 2012, a larger number of companies were covered by statistics than the year before. Labour costs increased in both branches. Total expenses still dropped in the production of motorized vehicles together with production volumes, but the producers of motorized vehicles

also had to give up a little in profits. The profitability rate still remained on a rather high level. However, that cannot be said for producers of other means of transport, where total profits formed only a few percentage points of sales revenue. Productivity indicators generally decreased a little over the year, only the productivity of labour costs dropped by more than a tenth.

According to initial data, investments into fixed assets dropped by a third over the year in the production of motorized vehicles. In the production of other means of transport, more funds were presumably allocated to fixed assets, but due to insufficient data, the comparisons are not precise. Nearly 70% of investments were directed to machinery and equipment.

The year 2013 started with a continued decline for the European car market and car industry, this also influences the Estonian industry to a certain extent. There was a certain recovery in April but this is not yet basis to talk about changes in trends. The production volumes of Estonian producers of transport equipment were also in a slight negative in early 2013. The general economic conjuncture is relatively poor and therefore the entire year can be expected to provide relatively moderate results.

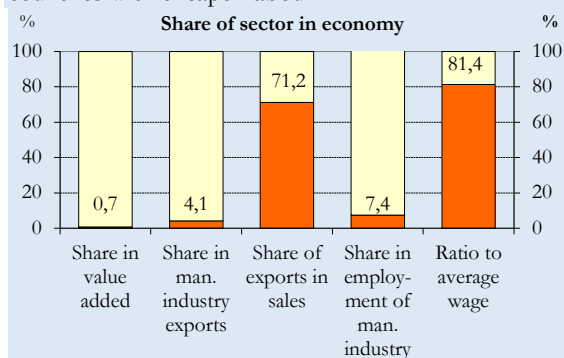


Production of furniture

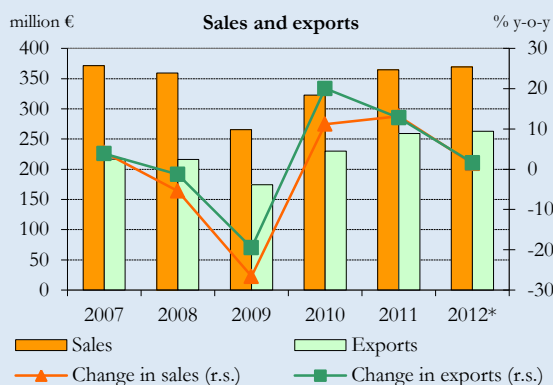
Nearly 600 companies are involved in furniture production in Estonia, employing over 7,000 people. The furniture industry is a sector with long traditions in Estonia where the number of companies has continued to increase over the past three years. The majority are micro-enterprises, being important employers in rural areas, but there are also large companies with over 250 workers active in the sector.

The furniture manufacturing industries largest by the number of employees are mostly located in Harju County and south-eastern Estonia. In 2012, the largest furniture manufacturers were the producer of soft furniture AS Bellus Furniture, producer of office furniture AS Standard, producer of furniture parts Flexa Eesti AS and manufacturer of wooden furniture Valga Gomab Mööbel AS.

The production of the furniture industry has been associated with sub-contracting a lot in recent years, but as years pass, our own brands develop more as well, enabling it to earn more profit and leave more value added created in the product's value chain into Estonia. In upcoming years, success will favour the companies which can on one hand produce effectively but on the other hand bring something new to the market that cannot be brought from Asian countries with cheaper labour.

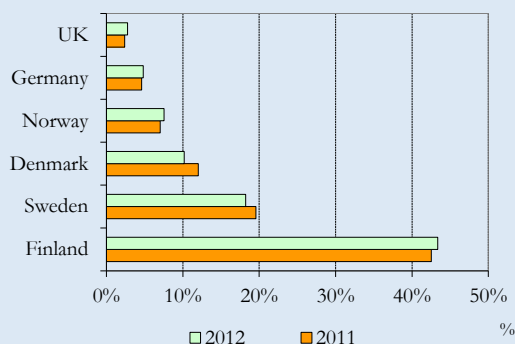


Source: Statistics Estonia



Source: Statistics Estonia

Exports by main target countries



Source: Statistics Estonia

The rapid growth in the furniture industry that occurred in previous years stopped last year and sales growth remained within a few percentage points. Production volumes measured in constant prices dropped by a few percentage points at the same time.

When sales to the domestic market grew faster than export in 2011, then last year the roles switched. The growth of several input prices also raised producer prices which increased by 3.5%. The causes for rise for prices were the increase of energy prices on one hand but also increased labour costs on the other hand.

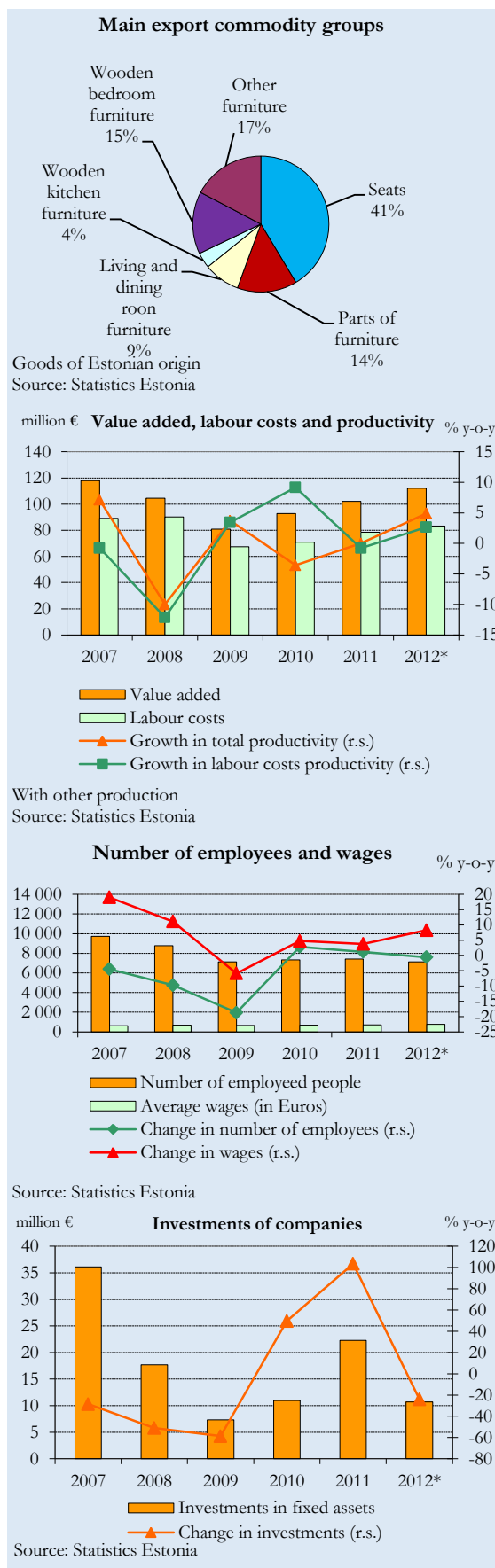
Successful competing on foreign markets plays an important part in furniture production. Nearly three quarters of production is exported and that has increased every year. As Estonians primarily prefer locally made furniture, export exceeds import significantly in this sector and the foreign trade balance is positive. The main target countries are the Nordic countries, which received over 80% of the entire sector's export in 2012. When export to Scandinavian countries mostly decreased, the new growth came from Eastern Europe. Latvia, Russia and the Ukraine, which had had a small proportion thus far, showed a good growth, i.e. the sector has moved to markets with faster growth.

The growth of employment stopped in 2012 in the furniture industry but the growth of wages was faster than the Estonian average. The growth of labour costs did bring the productivity of labour costs down but total value added per employed person still grew by nearly a tenth in the sector. Total profit also turned towards growth, increasing by nearly a fifth over the year. Besides the overall growth of productivity, it is positive that hourly productivity could also be raised, this indicator being relatively low in Estonian industry compared to the European average.

Investment activity in the furniture industry dropped by nearly a quarter in 2012. A year earlier, investments had grown rapidly and now the speed was slowed to ground risks. Nearly two thirds of

investments were made into machinery and equipment and those dropped by more than a quarter. At the same time, more investments were made into means of transport, constructing and reconstructing buildings and facilities compared to the year before.

The results of the survey by the Estonian Institute of Economic Research revealed that companies of the furniture industry were somewhat less confident in the spring of 2013 than at the same time the year before. Both export and total orders were lower than usual and growth of production volumes was not expected in the near future. The application level of production capacities had also dropped over the year, which is why it is possible that this year investment volumes will continue to remain moderate.



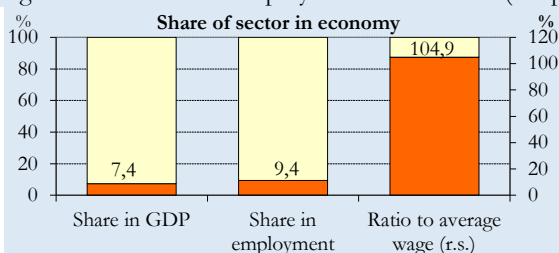
The construction sector

The Estonian construction sector has been largely oriented towards the domestic market and therefore it is mainly influenced by Estonia's general economic development. Export of the construction sector has also become active in the years of the economic recession. Although the construction sector reacts to changes in economy with inertia, the speed of recovering trust and therefore also the market are significantly smaller than the contraction and changes of the market in other economic sectors, investments into real estate are often postponed in uncertain times. Volumes grew faster in good times and as the economic growth slows, construction volumes decrease noticeably. The economic crisis influenced the economic results of the construction sector and fields dependent on it such as spatial planning, designing, real estate development, etc. very strongly.

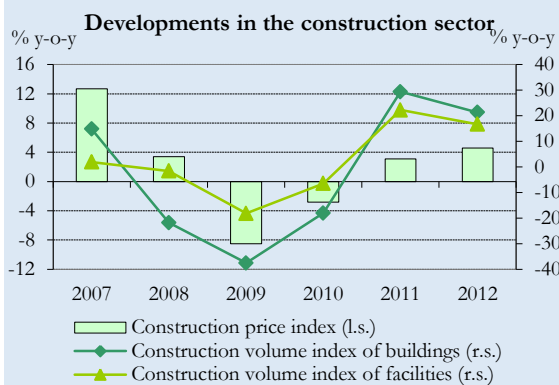
In two past years, the drop of demand by the private sector was significantly compensated by the reconstruction of nearly 500 public facilities as more energy-efficient, financed by the sale of emission units (AAUs). Various support measures to reconstruct dwelling houses to be more energy-efficient also contributed, encouraging residents to invest in their real estate. The project of reconstructing public buildings has essentially ended by today and the supporting of renovating apartment buildings continues in a significantly decreased extent. The construction project of water and sewerage lines of densely populated areas and the project of district heating boiler plants and utility lines executed by the Environmental Investment Centre are also ending to a large extent. The increase of demand by the private sector is likely unable to compensate for the drop of demand caused by the end or decrease of those means in upcoming years.

In 2011, there were nearly 8,000 construction companies in Estonia, 90% of them were micro-enterprises with fewer than 10 employees. The largest companies performing general construction works of buildings in Estonia are Skanska AS, OÜ Astlanda Ehitus, AS YIT Ehitus and AS Ehitusfirma Rand ja Tuulberg. Road construction is largely contributed to by AS MERKO EHITUS, Nordecon AS, AS Teede REV-2 and Lemminkäinen Eesti AS.

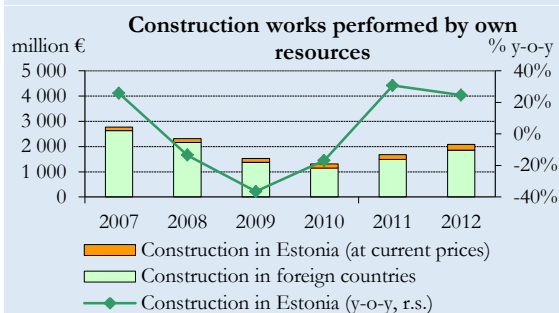
As was predicted, the construction sector began to stabilise slowly after the down period, which will not result in a significant increase of employment in the sector (the productivity of labour will increase).



Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

In 2012, the construction sector was still in a slump compared to the years before the crisis but signs of improvement could be seen in most indicators, primarily the construction volume indexes of buildings and facilities, and in wages and productivity. At the same time, improvement has largely been stimulated by various support measures by the state, which have ended or contracting in 2013. State orders can be expected to resume in the construction sector only in 2015 when the structural funds of the new period open up. The activating of the construction market is also somewhat illustrated by the increase of number of building permits issued for constructing dwelling houses. The number of permits issued for constructing non-dwelling houses has remained on the same level in the past three years. The enterprisers operating on the construction market assess their confidence and outlook as more positive in 2012 than in 2011 but they started to drop towards the end of the year.

In 2012, Estonian construction companies built for a total of 3.03 billion euros, which was 20% more compared to the previous year. In Estonia, construction works were made in 2012 for 2.77 billion euros in total and for 0.26 billion euros in foreign countries. Companies built with their own forces for a total of 2.08 billion euros, subcontracting was used for the rest. The volume of construction works performed in Estonia grew by 28.4% compared to 2011 and the volume of construction works outside the country grew by 3.7%.

In 2012, the construction market included a total of 6,842 active companies according to preliminary statistics, which was about 500 more than a year ago. At the same time, this mostly reflects the re-dividing of companies into smaller and more specialised ones, not the general growth of the market. The financial indicators of construction companies also showed better results in 2012 already: profit was earned in 275 million euros in total, which was 1.6 times more than in 2011; total productivity based on net value added increased by 11% and labour productivity grew by 21%. The value added of the sector grew by a whole 36% over the year.

Investment activities activated significantly in 2012 on the construction market, which could be expected after several years of a slump, at the same time this was also partly backed by finances of State Real Estate Ltd. Investments grew by a total of 1.6 times in the construction sector compared to the year 2011. Investments for acquiring, constructing and renovating buildings grew even more rapidly, increasing 3.6 times over the year. Construction companies' investments into means of transport also grew rapidly (1.9 times). However, investments for buying machinery and equipment and for obtaining land were not increased much, growths were only 6% and 2%. Computer systems were improved or updated a third less than the year before.

In 2012, the construction sector employed a total of 58.7 thousand people according to the labour force survey, which remained on the same level with the previous year but was even smaller than the number of people who had found work in the construction sector in 2006. Due to the extensive outflow of labour from the construction sector during the economic recession, the construction sector remained the third largest economic sector by the number of employed people in 2012. Despite the decrease of the number of employees, the average wages in the construction sector exceeded the average wage level in Estonia. In 2012, the average gross wages of a person working in the construction sector was 923 euros per month, which was 11% more than the year before.

After the drop in 2009-2010, construction prices continued to rise in 2012, growing by 4.6% over the year. At the same time, the described rise in prices does not mean a significant increase of margins for construction enterprisers, but rather the restoration of normal prices which consider risks, etc. Prices of construction machinery and labour expenses grew faster (7.2% and 6.3% respectively), the rise in prices for construction materials reached 3.7%. The year 2012 did not turn out very beneficial for producers of construction materials, the production of construction materials increased by only nearly 2% in constant prices.

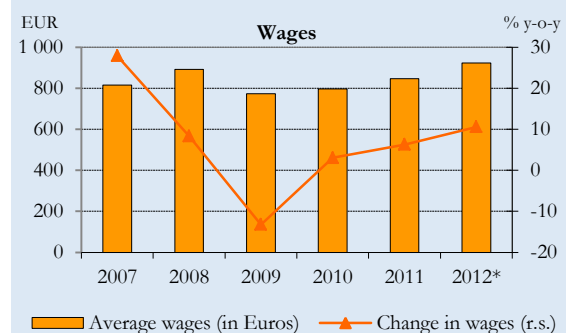
In 2012, a total of 5,450 building permits were issued to buildings (both residential and non-residential houses) with usable floor space of 1,306 thousand

square metres, which was 210 permits more than in 2011. Authorisations for use were issued 2,830 in total with usable floor space of 707 thousand square metres, this being 192 permits more than the previous year.

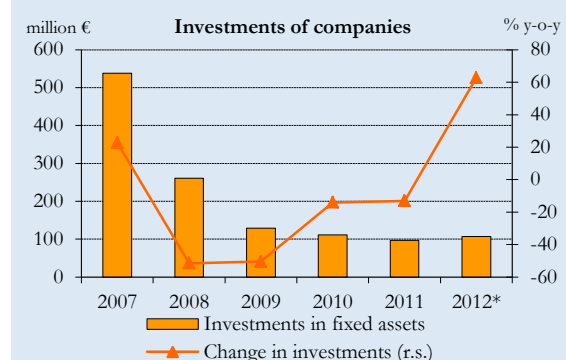
1,990 new or renovated dwelling spaces were completed and adopted for use in 2012, with total usable floor space of 233 thousand square metres. Authorisations for use were issued 4% more for residential houses than last year but compared to the year 2008, their number still remains twice as small.



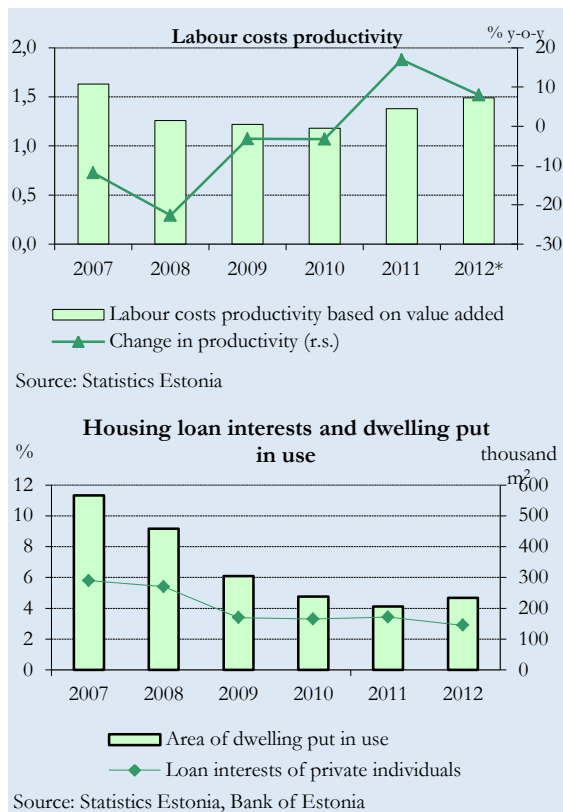
Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia



Authorisations for use were issued most often for one-family houses, their number increased by a fifth over the year. The average size of dwelling spaces authorised for use also continued to increase, indicating the growth of housing quality. In addition to larger cities like Tallinn and Tartu, housings were adopted for use also in Pärnu County. Housings were primarily adopted into use by private owners and the private and non-profit sector. At the same time, the number of new municipal housings authorised for use grew significantly and reached the level of the year 2008. As the economy stabilised, new building permits were issued for constructing residential houses in a total of 3,035 in 2012, which was 7% more than in 2011, enabling to build 326 thousand square metres of new residential area.

In 2012, 2,415 building permits were issued to construct non-residential buildings, which remained on the same level as the previous year. The usable area of new planned non-residential buildings reached 981 thousand square metres and the volume 6,423 cubic metres, growing equally by a third over the year. Building permits to construct non-residential buildings were regionally most often issued in Harju County (686 permits), at the same time the total number of permits in Ida-Viru and Pärnu counties formed two thirds of Harju County's indicator. By fields of activity, building permits for non-residential spaces were more often issued for constructing agricultural, accommodation and industrial buildings.

After a five-year drop, the number of non-residential spaces adopted into use in 2012 showed an increase of 17%, reaching 840 new buildings. Usable floor

space of non-residential spaces permitted into use formed a total of 473.6 thousand square metres and the volume was 3,532 thousand cubic metres, increasing 45% and 83% respectively over the year. By areas, the most non-residential spaces were continually adopted into use in Harju and Ida-Viru counties. By purpose, agricultural and fish processing facilities as well as trading facilities held the largest relative importance.

In 2012, a total of 7,385 building permits were issued for erecting, expanding, renovating and demolishing buildings and 4,300 facilities were granted into use. Over the year both the number of building permits necessary for building facilities and the number of objects granted into use increased. Building permits were most often issued for constructing water and sewerage pipe systems (2,739) and communication and power lines (2,520). In 2012, the majority of objects granted into use were communication and power lines (1,963). More permits for constructing new infrastructure objects were issued in Harju County (2,402), Pärnu County (774) and Tartu County (669) and facilities were also adopted into use most often in those same counties.

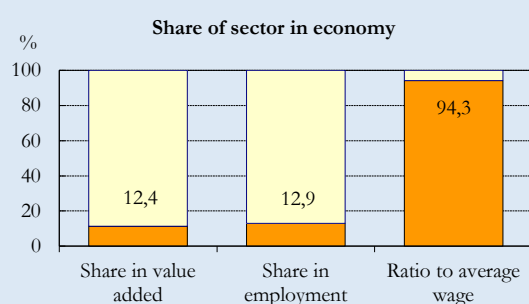
The prospects and confidence of construction enterprisers were better in March 2013 than at the end of last year according to the survey by the Estonian Institute of Economic Research, but compared to the year before the situation on the construction market had worsened. Construction enterprisers highlighted insufficient demand as the main hindrance. Construction of non-residential buildings was in a worse state than usual, the situation was improving in the construction of residential houses and for constructing facilities, even more orders than usual were being expected. The enterprisers did hope for an increase in construction volumes for the summer period, but this is only a seasonal increase, not the improvement of the overall situation.

Domestic trade

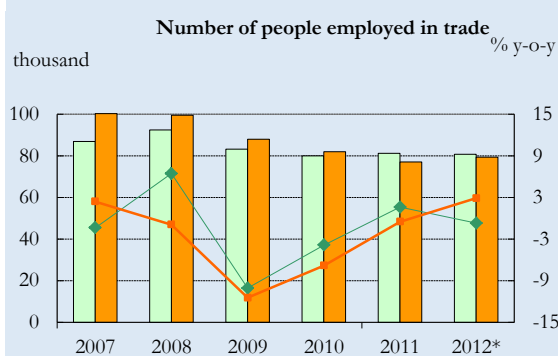
The trade sector consists of retail and wholesale companies, including companies dealing in motorized vehicles and their parts, i.e. vehicle trading companies. 12.4% of value added is created in trade and it employs 81,000 people in 13,000 companies. The domestic market, which dropped notably during the crisis, has turned towards growth again and last year it was already one of the biggest contributors to GDP growth. Large foreign store chains continue to expand to the Estonian market, giving reason to guess that Estonia appears attractive and solvent enough.

Bigger retail establishment in Estonia are ETK (consisting of Maksimarket, Konsum, A&O), Maxima Eesti OÜ, Tallinna Kaubamaja AS (Selver), AS Prisma Peremarket, Rimi Eesti Food AS (Rimi, Säästumarket) and AS OG Elektra. Estonia's relatively small market is fairly fractured between several big chains and nobody has gained a dominant position on the market.

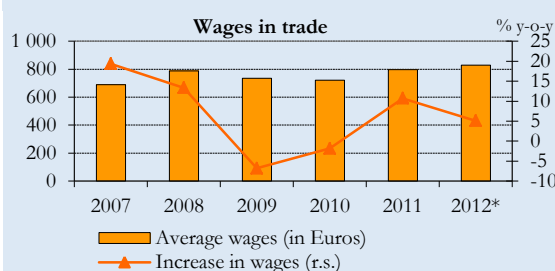
Past years have been beneficial for domestic trade and sales volumes have strongly increased. Besides conventional trade, other means of purchase like the Internet are increasingly appearing alongside it. So far the average Estonian buys from the Internet two times less than the average European but the niche is growing quickly. The extending network of package machines has also contributed to online shopping, having made the whole process significantly more convenient.



Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

The growth of domestic trade accelerated even more in 2012, the first half-year was especially strong, the basic level was already higher in the second half-year and the growth slowed down. At the same time, sales volumes remain somewhat smaller compared to the years of the economic boom.

Estonian retail sale has increasingly concentrated into large store chains. In 2012, the majority of retail turnover of stores of unspecialised food products was provided by five store chains: Selver, Maxima, the ETK group, Rimi (incl. Säästumarket) and Prisma. The sales revenue of Rimi as the biggest chain of those reached 360 million euros last year and that of Prisma as the smallest chain reached 178 million euros. At that, Prisma raised its turnover by nearly a fifth over the year. The sales revenue of OG Elektra was already significantly smaller than that of Prisma.

The adding of new sales are got a strong push in 2012. Two times more trading facilities were added over the year and their floor space increased by 94%. A total of 84 new trading facilities with a total area of 68,000 m² received an authorisation for use last year. At the same time, 69,000 m² of trading area was renovated and over 200,000 m² of trading area was added via extensions. Therefore it can be said that when 2011 was mainly characterised by renovations, last year already saw more bold investments and more expanding. One of the strongest expanders was Maxima, which has moved increasingly more into the segment of larger stores and opened several XX-format stores last year, also planning to continue expanding this year. Rimi opened a new hypermarket in Viljandi and renovated some of the other stores, but at the same time closed one Säästumarket and turned two Säästumarkets into Rimis. Rimi also announced that the concept of Säästumarket will no longer be developed. Selver also continued to expand rather strongly, opening 3 supermarkets, one corner store and also 2 gourmet stores last year. Rimi's resignation from developing Säästumarkets and Selver's expansion in the segment of gourmet products shows that store chains no longer consider

offering the cheapest price as most important, but see more potential in the increase of more solvent consumers. Current trends are expected to continue in 2013 and most large store chains have already announced that they plan to continue opening new stores.

The rapid rise in wages in trading that had begun in 2011 slowed somewhat and remained near the Estonian average last year. A year earlier, wage growth had been led by the labour deficit which plagued the sector but the situation improved somewhat in 2012 and the amount of labour accompanied the sales growth of volumes of trade. Although enterprising statistics indicate a small increase of the number of employed people and the labour survey a small decline, then there was no significant change in the number of employed people in the sector. At that, the number of employed people grew a little faster than working hours according to enterprising statistics, indicating that the work load decreased for employees of the sector. This trend can also be expected to continue in the future as the average Estonian currently works significantly more hours than the average European and in the long perspective those rates can be expected to draw closer together. At the same time, the growth of labour costs was rapid and therefore the indicators of productivity remained on a fairly same level with the previous year even though work productivity per employee grew by 6%. Growth of work productivity was faster in the first half of the year, in the second year the fairly high base level of the previous year began to show its influence, causing the growths to slow down.

The sales period of stock of goods increased by one day in 2012 compared to the previous year, i.e. 2.6%. At the same time, the value of goods purchased for sale was 13.6% bigger than the year before at the end of all quarters. It can be seen that together with increased turnover, traders have also increased stock of goods more boldly but at the same time they did not let the sales period of stock of goods increase significantly. Trade margin increased marginally during this period, reaching an average of 16.95%.

Investments continued on the rise in the trade sector last year as well and a third more finances were invested in fixed assets than a year before. Over two fifths of investments were made into machinery and equipment, which was over 80% more than the year before. Investing in acquiring land grew the most, receiving over twice as many funds as the year before.

Retail

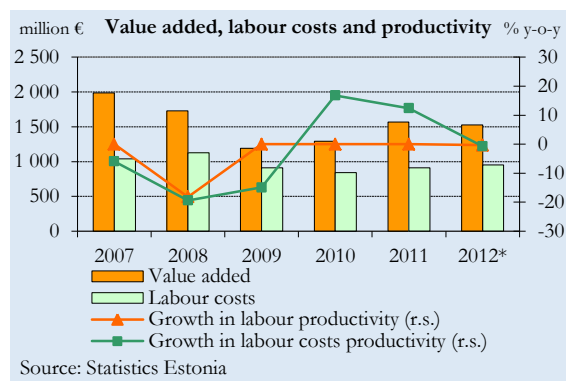
The first half of the year 2012 brought nearly twice as much growth for retail companies than during the same period of the previous year, but the growth nonetheless slowed somewhat in the second half of the year. Sales volumes in constant prices grew by a total of 7%, at that the growth of volumes reached 8.5% in the first half of the year. Rise in prices

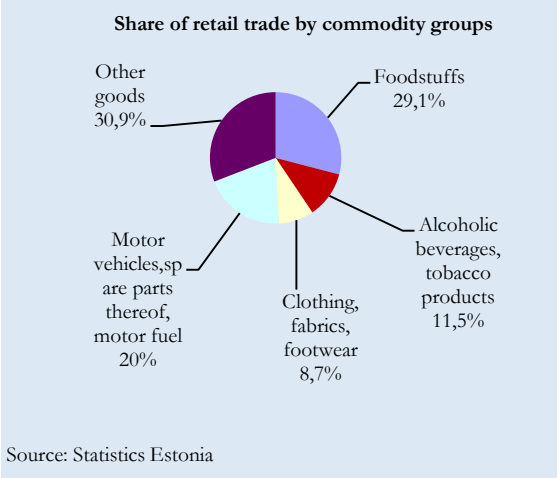
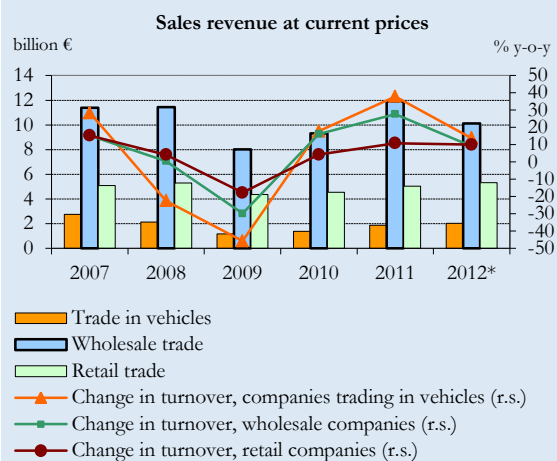
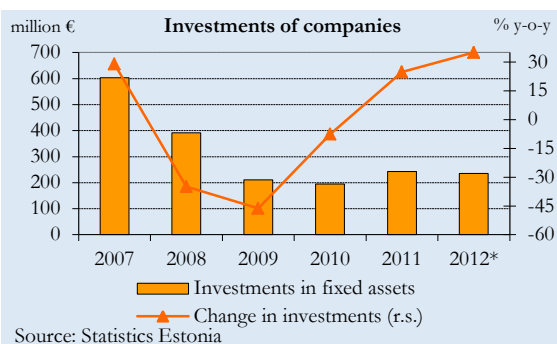
calmed down and sales revenue calculated in current prices of companies grew a little slower than the year before, increasing by 11%.

The total retail sales volume of 2012 was 4.6 billion euros. 4.3 billion out of that was sales of retail trade companies and the rest was related to vehicle trade. Growth was faster for manufactured goods where the retail sale of textile products, clothes, footwear and leather goods grew by nearly 14% over the year. At the same time, the growth of retail sale of household effects, household appliances, hard goods and construction materials slowed, remaining below 3% over the year. The growth of retail sale of pharmaceutical and medical goods, cosmetics and toiletries was stronger than average, having indicated a decline a year earlier, the volumes now grew by nearly 16% over the year. Only the retail sale of used goods in stores and other retail outside of stores decreased by a few percentage points. The group of those stores had grown rapidly in previous years and now that the consumer has become wealthier, used goods are bought less. Nearly half of all retail is formed by the sale of food products in specialised shops or sale in unspecialised shops dominated by food products. The growth of sales volumes remained nearly a half slower than average. The sale of food products was hindered by the faster than average rise in prices that continued in this commodity group.

Indicators of productivity also continued to improve in retail trade in 2012. Revenue grew faster than expenses and total profit increased by more than 60% in the sector. The growth of work productivity also continued, increasing by nearly 14% over the year but still remaining nearly a half lower than the Estonian average in total.

Although the year 2012 was successful for retail trade companies and fairly decent growth has also continued in the first half of 2013, caution should be exercised for the future. Economic growth has stopped in neighbouring countries and if Estonian export markets do poorly, this will also reach our consumers with some delay.





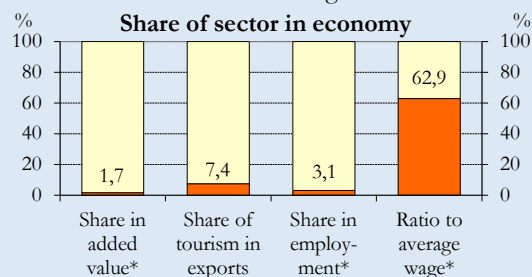
Tourism

The share of the tourism industry in Estonian GDP and employment is 6-7% considering indirect impacts, tourism is an important contributor to export revenue. Estonian tourism industry largely relies on foreign visitors who account for about 70% of all overnight stays at accommodation places. A large share of foreign visitors (nearly a fifth) is formed by Finnish one-day visitors, at the same time the number of visits from other countries has increased faster and dependency on the Finnish market has decreased.

The main tourist magnet is Tallinn, which has concentrated a large part of companies of the tourist industry. Interest in other regions has also increased year by year, facilitated by the addition of rehabilitation centres, accommodation and other service establishments.

Nearly 600 accommodation establishments are operating in Estonia (and in addition, a large number of self-employed persons and companies with another activity provided as its main field of activity), there are around fifteen hundred restaurants and over 300 travel agencies and organisers. The larger accommodation establishments are Hotell Olümpia AS, AS Sokotel (Hotel Viru), OÜ TLG Hotell (Tallink, Piritä TOP SPA Hotel). Out of restaurants, the largest ones are Premier Restaurants Eesti AS (McDonald's), AS Hesburger and Baltic Restaurants Estonia AS. The larger travel agencies and organisers are AS ESTRAVEL, Novatours OÜ, OÜ TEZ Tour, OÜ GoAdventure and OÜ Aurinko. Nearly 60% of workers of the tourism sector work in Tallinn enterprisers; Tartu and Pärnu can be highlighted out of other regions but the tourism industry is represented across Estonia.

In the future, travelling can be expected to increase, which will also support Estonian companies. Demand is presumed to increase both in domestic and foreign tourism but the long-term growth will be slower than before. The growth of supply means an increased need in the tourism sector for additional labour. As income increases, both domestic tourism and the number of trips abroad will increase in the long run. The tourism policy endeavours to increase the duration of travelling in Estonia and distribute demand seasonally and geographically.



* indicators characterise the accommodation and catering companies not the whole tourism sector

Source: Statistics Estonia



Source: Bank of Estonia

In 2012 the tourism sector continued to grow. The number of foreign tourists and people who had stayed a night at accommodation places as well as export revenue reached new records. The economic results of companies of the sector were good, the number of jobs also increased. In the world, including in Europe an increased demand is predicted for tourism services for 2013 and the Estonian tourism sector will presumably move in the same direction. The situation with airline connections is expected to worsen.

Despite the poor economic situation, travelling increased in Europe in 2012, although the growth slowed in the other half of the year. Tourism demand increased in Estonia for both domestic and foreign tourism. Airline traffic increased but due to curtailing in Estonian Air, it had a partly temporary nature.

Value added created in accommodation and catering increased by 7% in constant prices over the year. Therefore the sector grew two times faster than the economy for the third consecutive year. The increase of value added characterised both branches, also the travel agencies and travel organisers. The growth was even faster in actual prices, as increased demand also enabled it to raise prices. Prices of accommodation services grew by an average of 9% over the year, the rise in prices was more moderate for catering.

The growth of imports of tourism services exceeded the growth of exports in 2012, therefore the balance surplus of tourism services was a little smaller (-6%) than the year before. Thanks to tourism services, Estonia received 500 million euros more money than went out with imports. The surplus of travel services (accommodation, expenses in Estonia) increased but

there was a decline in transport services due to air transport – less export revenue was earned compared to the previous year, at the same time expenses on services of foreign companies increased.

The number of accommodations and overnight stays in accommodation facilities reached another record in 2012. The number of accommodated people reached 2.8 million which was 4.2% more than a year earlier. The number of overnight stays grew more modestly, (2.7%), causing the number of overnight stays per accommodated person to drop a little as well (to 1.95 nights). The demand of domestic tourists grew more for the first time in several years, but foreign tourists also provided more work for accommodation places.

What was positive was the bigger growth of demand outside of the summer high season. This helped to distribute demand more evenly over the season and provided a more stable income for accommodation enterprises.

Demand increased nearly all over Estonia. When Tallinn has usually gained the most from the increase of the market, then the number of overnight stays in Tallinn decreased by nearly 1% in 2012. The number of accommodated people did grow in the same proportion but people stayed in accommodation places for a shorter time.

The number of beds in accommodation places increased by nearly 3% over the year. Larger growth characterised Southern and Middle Estonian areas, where the growth rate exceeded 8%. In general, counties where accommodation options improved more also received more customers. The average rate of bed occupancies grew to 37%.

Prices of accommodation services rose quite strongly. The average cost of a day reached 31 euros which was nearly 9% higher than a year earlier. The rise in prices still stopped over the year.

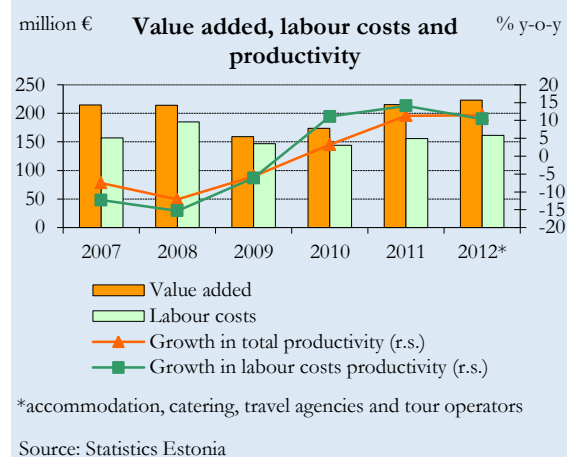
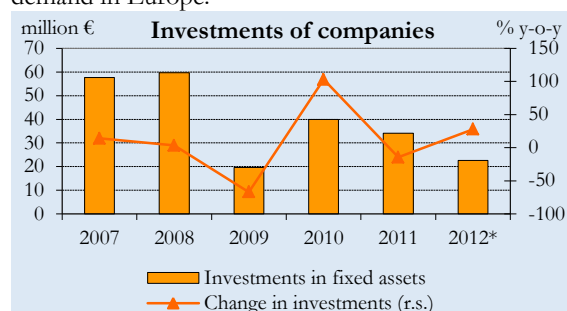
Based on the labour force survey, the number of people employed in accommodation and catering remained mostly unchanged. At the same time, based on enterprise statistics the number of people employed in the catering sector grew over 5% over the year, by a few percentage points in accommodation and by more than a tenth in travel agencies and travel organisers (also includes data regarding booking, etc.) after modest developments in earlier years.

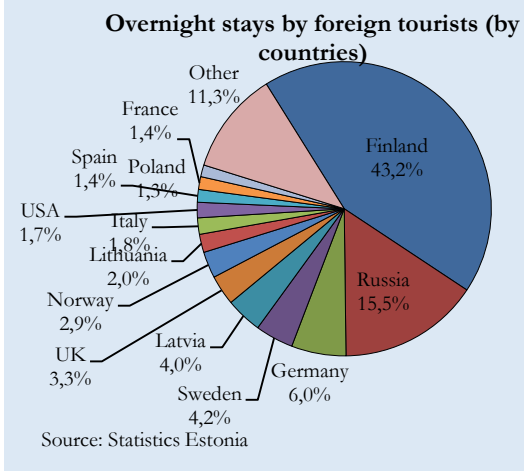
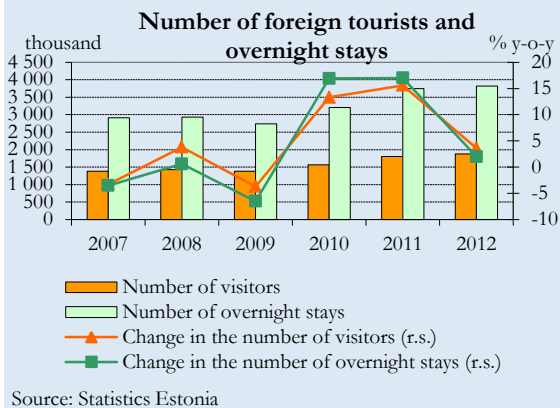
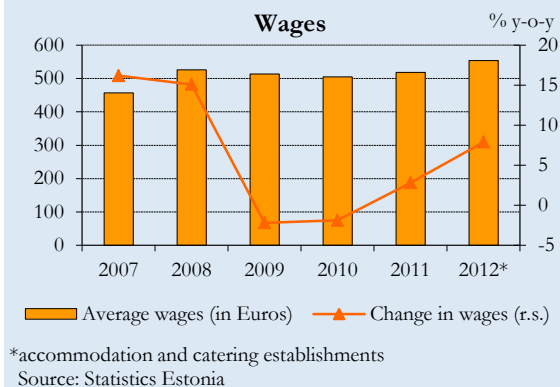
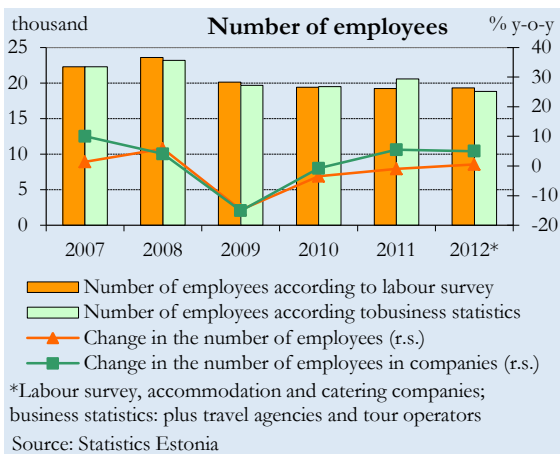
The average wage in the accommodation and catering sector grew a little more than the Estonian average (nearly 8%). The wage growth slowed somewhat at the end of the year. Due to the increase of the number of employed people, labour costs grew more in catering and travel companies. Labour costs play a more important role in accommodation and catering, where they form a quarter of total costs. Revenues grew a little faster than costs in all sub-sectors, profit growth reached several tens per cent. Profitability rate reached back to the level before the crisis. The

relatively fast growth of value added helped to improve productivity indicators.

Initial data refer to a strong growth of investments in accommodation establishment. Due to later adjustments of data, it can be presumed that the actual change may not have been as big. Investments in catering and travel agencies remained on the level of the previous year. In accommodation establishments, over 60% of capital investments were directed to construction and renovation. Travel agencies spent half of investments on acquiring buildings, catering companies invested the most in machinery and equipment and inventory.

Enterprisers' evaluations on 2012 according to the survey by the Estonian Institute of Economic Research were better than in tourism establishments last year. The situation did not change in accommodation and catering very significantly over the year or the evaluations were a little more modest, but still positive. The prevailing attitudes at the start of 2013 do not indicate notable changes either. The data of the first months show continued growth in the accommodation sector. The World Tourism Organisation predicts a 2-3 per cent increase in demand in Europe.





Inbound tourism

After the rapid growth of exports of tourism services in 2011, the growth remained under 3% in 2012. Visitors' spending in Estonia increased by 6%, at the same time the revenue of transport services decreased in the same proportion, primarily due to the drop in export revenue for air transportation.

Foreigners took an approximate of 5.3 million trips to Estonia, which is a little more than a year earlier. At the same time the number of several-day visits and the duration of trips increased by about 3%. The number of one-day visits decreased, primarily of those from Finland. More visitors were added from Russia as well as from the USA (one-day visits).

For one-day visitors, the results are strongly influenced by cruise tourism. 440 thousand cruise travellers visited Tallinn over the year, which was about as much as the year before. Cruise travellers value Tallinn quite highly, the travellers' expenses are also a big bigger than on average in Europe (56.7 euros per traveller).

Tourism was supported by improved airline connections. 2.2 million passengers passed Tallinn Airport, i.e. 15% more than a year earlier, but due to curtailments in Estonian Air, the final months were ended in a negative and its influence will also carry over to 2013.

While nearly 2.7 million trips were taken to Estonia with overnight stays, there were nearly 1.9 million foreign tourists who spent a night in Estonian places of accommodation, i.e. a large share of tourists stay with friends or relatives or have a residence in Estonia. The number of people who spent nights in accommodation places may also reflect tourists several times, because tourists travelling around Estonia may use the services of several places of accommodation. The number of accommodated foreign tourists grew by 3.6% over the year, the increase of overnight stays remained to a few percentage points.

The accommodation places felt the increase of demand by Russian tourists the most. Over the year, the number of overnight stays by Russian tourists grew by a quarter. Latvia and the USA can also be brought out on the positive side. The decrease of demand characterised the markets of Great Britain and Scandinavian countries.

Russian tourists increased work for accommodation places nearly everywhere in Estonia but by numbers, companies in Tallinn and Ida-Viru County won the most clients. The decrease of the number of Finnish tourists mostly affected accommodation places in Tallinn and Saaremaa. Those were also the regions where the drop of demand of foreign tourists was the biggest by numbers, the relative drop of demand remained within 1% in Tallinn. Demand of foreign visitors mostly increased elsewhere in Estonia, visiting increased the most in Tartu County.

Over 70% of foreign tourists who used the services of places of accommodation were on a holiday trip, a fifth was on a business trip. In both cases, the number of accommodated people and overnight stays increased more than average. However, the number of foreigners who stayed in accommodation places for another reason, for example on the purpose of treatment, decreased, but the demand of foreign tourists did not change significantly in rehabilitation centres.

According to Port of Tallinn the city expects a record number of cruise travellers in 2013 (485 thousand), the number of so-called turnaround travellers who start or end a cruise in Tallinn will increase to 16 thousand. However, there are fewer airline connections than in 2012. Although new airlines will also enter the Estonian market, it will not balance the curtailing of flights related to Estonian Air and in total, the number of plane travellers is expected to decrease. The start of the year 2013 was continually positive for accommodation companies but expectations regarding the near future were somewhat more conservative than a year earlier.

Domestic tourism

Residents of Estonia are the largest target group for accommodation places, forming about a third of all customers. When Estonian residents have held the first place for the number of accommodated people for the last seven years, then Finland was also passed with the number of overnight stays in 2012.

The number of Estonian residents who spent a night in accommodation places grew somewhat faster than foreign visitors in 2012, over 5%. The number of accommodated people exceeded the record before the crisis, at the same time the number of overnight stays still remained a bit below the record level. The number of overnight stays increased over 4% over the year.

For Estonian residents, people on a holiday trip form over a half of accommodated people. Using accommodation services for purposes of work and other reasons is more widespread compared to foreigners. In 2012, the number of holiday travellers increased more (nearly 9%). The number of Estonian residents increased by nearly a tenth in rehabilitation centres but the average duration of overnight stays was shorter and the number of overnight stays increased by only a few percentage points.

The accommodation places in Pärnu, Tartu County and Lääne County gained the most from the travels of Estonian residents. Similarly to foreign tourists, interest in Tallinn decreased somewhat. A year earlier, a lot of events took place in Tallinn related to the title of the culture capital, which partly explains the drop of visits that occurred in 2012.

The start of 2013 was better than in the previous year in Estonia both on the job market and according to

the residents' evaluations, the demand of domestic tourists also continued to grow in places of accommodation. Should the economic recession in the European Union last any longer, it will unfortunately also affect Estonia, which would leave its mark on travelling.



Outbound tourism

Residents of Estonia made approximately 3.8 million foreign trips in 2012, which was 1% more than a year before. 70% of trips lasted for several days, with an average duration of 4.3 days, which was a little more than a year earlier.

The number of trips to Finland grew the most, half of it was thanks to one-day trips. Finland trips form over a quarter of all foreign travels. Travelling to nearby countries like Latvia, Lithuania, Sweden and Norway also increased significantly. Out of farther destinations, increased travelling to Spain, Italy and France can also be highlighted. Out of popular holiday destinations, travelling to Turkey decreased, at the same time trips were longer and the number of visited days increased in total.

A significant drop occurred in the direction of Russia, where the number of visits dropped by about a quarter. Nearly half of it was caused by the decrease of one-day visits. This was partly affected by border control for fuel which had tightened mid-year, decreasing the shipping of fuel from Russia. Although trips with overnight stays were also taken less, the duration of travels got significantly longer and measured in days, residents of Estonia spent more time in Russia than in 2011.

The growth of imports of tourism services was quite rapid in 2012 as well (9%). The imports of travel services increased more modestly (5%), at the same time the imports of passengers' transport increased by a third.

Travelling abroad is largely influenced by the same factors as the domestic market – the general economic situation, expectations for future. The start of the year showed a drop of travels to Russia. In the middle of the year, the effect of fuel control on the number of passengers is expected to disappear. In total, the duration of trips has still increased across nearly all more important countries.

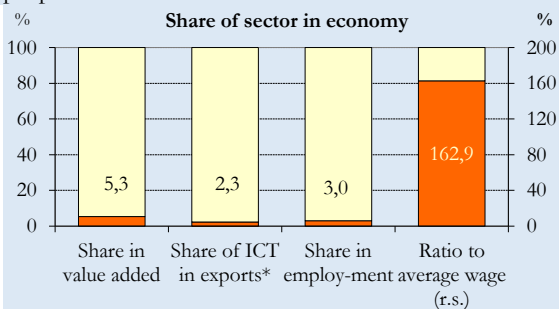
Information and communications

Information and communications sector includes publishing, also publishing software, producing movies and audio recordings, radio and television broadcasting, incl. the production and broadcasting of radio and television programmes, telecommunication, information technology and information-related activities. The sector of information and communications technology (ICT) involves, in addition to most fields of service mentioned above, also the wholesale of information and communications equipment and the repairs of computers and communication devices, also the electronic components and printed circuit boards of the manufacturing industry, computers and external devices of computers, communication devices, household electronics, and companies producing magnetic and optic data carriers. Due to the availability of data, the following description of the sector’s development is mostly based on companies of information and communications. The manufacturing industry part of the ICT sector is covered by the overview of the electronics industry.

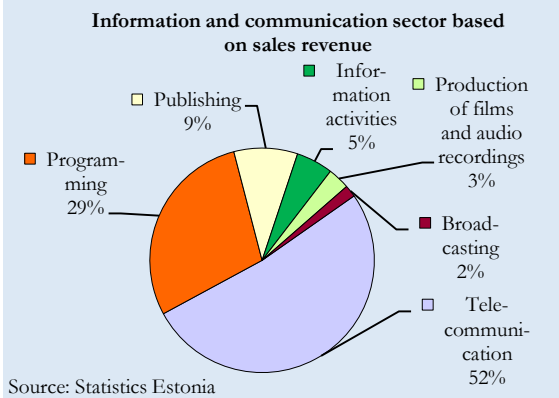
Nearly 19 thousand people are employed in companies of the sector, forming 3% of all employment. 75% of them are employed in service, the rest are in production. The sector’s contribution to the economy is significant, as it supports the development of other economic branches through the use of IT products and services. The contribution of information and communications services in creating value added is comparable to the average of OECD countries. Companies of the sector are able to pay significantly higher wages than the Estonian average, the productivity indicators of the labour are also above average.

In 2012, over 3,000 companies were active in the field of information and communications. Most of them are micro-companies of the field of information technology (programming, consulting and other activities) with fewer than ten employees. Over a half of companies in information and communications were active in programming, an equal seventh in producing movies, video films and audio recordings, and information-related activities. A tenth was active in publishing and 6% of companies were active in telecommunications.

The largest providers of mobile communication services are AS EMT, Tele2 Eesti AS and Elisa Eesti AS. In addition, leading companies of telecommunications are Elion Ettevõtted AS, AS Starman and AS STV, which provide telecommunication services, OÜ Top Connect, which mediates communication services, and Viasat AS, which provides satellite services. Most important companies in the software industry are Skype Technologies OÜ and OÜ Playtech Estonia, which provide software products and related comprehensive solutions to leading game operators of the world. The largest companies in publishing newspapers are AS Postimees, AS Eesti Ajalehed and AS Äripäev. The bigger companies in the field of radio broadcasting and information-related activities (data processing, web hosting) are AS Trio LSL, and AS Ekspress Hotline and AS Andmevara, respectively, the proportions of their turnovers still remain below the larger companies of the sector.



* based on Balance of Payments statistics
Source: Statistics Estonia



Source: Statistics Estonia

Rapid recovery from the global economic crisis transferred to the sector of information and communications over the past two years. Sales revenue of the sector grew both last year and the year before, exceeding the level before the crisis.

Telecommunication companies earned over a half of all sales revenue of the sector in 2012, which has also been characteristic of this sector in previous years. Nearly a third of the sector’s sales revenue was formed by programming and a tenth by publishing. Other fields of activity had a smaller proportion.

The total sales revenue of companies in the information and communications sector reached 1.46 billion euros in 2012, which is somewhat higher than the sales revenue of 1.42 billion in 2011. When sales revenue dropped in the sector during the economic recession and the sales revenues of both 2010 and 2009 could not exceed the limit of 1.38 billion euros reached in 2008, then sales revenue has restored rapidly in recent years and indicators preceding the recession have been exceeded.

While the modest growth of sales revenue in 2012 can be deemed satisfactory, the indicators of productivity have dropped. In 2012, the total productivity of companies based on value added decreased by 7.3% and the productivity of personnel

costs by 11.8%. The productivity of personnel costs began to drop already in 2011, reversing the growth trend that occurred during the recession. The drop in total productivity in 2012 occurred for the first time after the crisis.

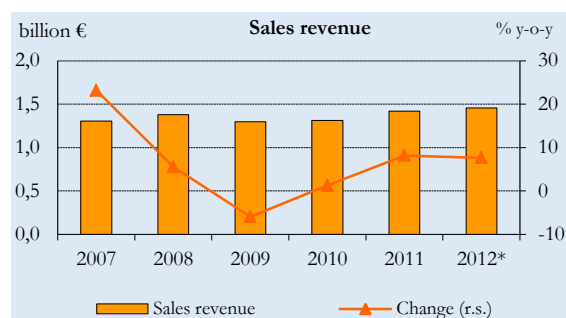
The growth of labour costs has occurred as the result of recruiting new employees, not due to the improvement of negotiation position of new employees and the resulting pressure for wages. In 2012, the number of employees in the information and communications sector reached 18,600 people, at the same time there were 12,400 employees in the sector in 2010. The peak before the recession was 15,300 employees in 2008. In 2012, the number of employees in companies of information and communications grew by 11.4% and in 2011, by 34.7%. At the same time, the growth of average nominal salary of the sector has remained moderate in recent years. In 2012, the average gross wages of the sector were 1,432 euros and in 2011, 1,369 euros, meaning the average real wages decreased. In 2008–2010, average wages remained a little below 1,300 euros.

These indicators show that companies of information and communications may have created thousands of new jobs in recent years, but at the same time they have not managed to apply these employees as effectively as before. To a certain extent, this is inevitable with such a rapid growth of the number of employees, as the development of skills of new employees and adopting new work processes takes time.

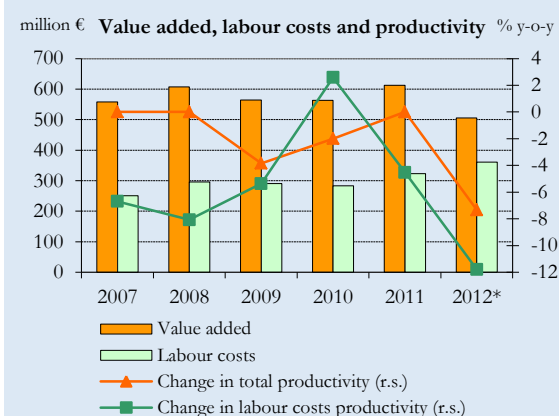
The eagerness of information and communications companies to invest has increased in the years following the recession. In 2012, investments grew by nearly 24%. Biggest investments in fixed assets are continually made in companies operating in telecommunications, reaching 79% of all investments of companies of information and communications in 2012. To compare, in 2010 the investments of telecommunication companies formed 83% of all investments of the information and communications sector in fixed assets. The second largest field of activity of the sector in regards to investments was programming (16%). To compare, in 2010 the proportion of programming was nearly 9% of all investments in the information and communications sector in fixed assets.

While sales revenue, labour costs, value added, and investments reflect the supply side of the information and communications sector, then in addition it is also necessary to look at the demand side, which is for example characterised by indicators of internet connections, use of internet, mobile communications and computers. Connections and usage influence both the suppliers of infrastructure and content, as different companies of information and communications are in mutual dependence in this regard. Users do create significant content by exploiting ICT infrastructure, by for example sending

e-mails or using social networks. But obviously, the content and services created by information and communications companies helps to increase use in addition to what is created by the users.



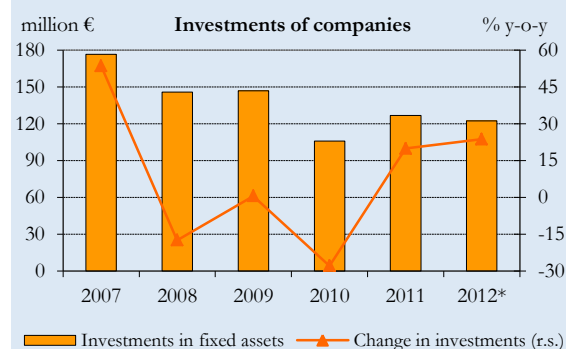
Source: Statistics Estonia



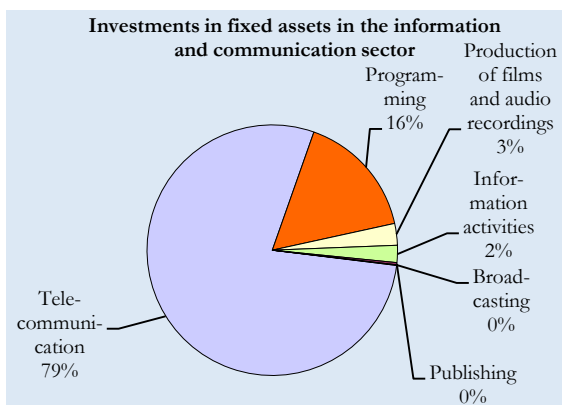
Source: Statistics Estonia



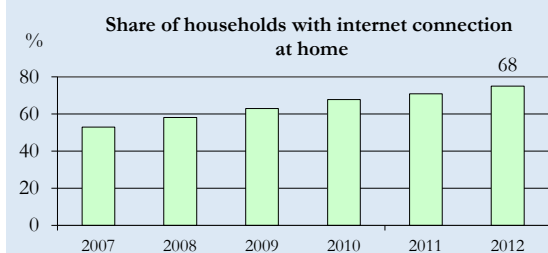
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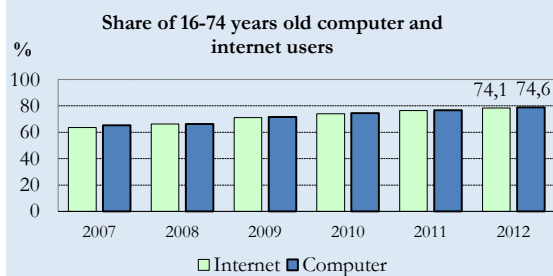
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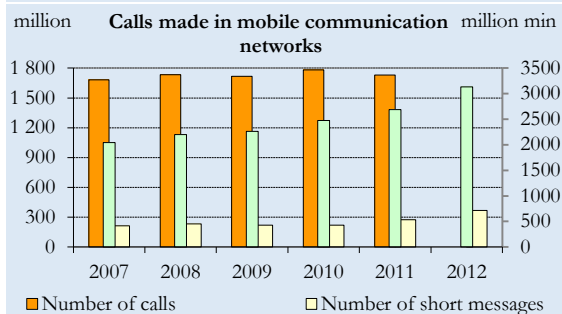
Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia



Source: Statistics Estonia

The use of IT devices has grown constantly. The number of households with domestic internet connection reached 75% in 2012, having been 71% in 2011 and only 53% in 2007. There were more 16–74-year-old users of the internet and computers than before – their share of population increased to 78%–79% in 2012, compared to the 77% of the year before. Five years earlier, the share of users of computers and the internet was 64–65%. Mobile communications are characterised by the increase of duration of calls and number of text messages (in 2012, the Statistical Office no longer published data on the number of calls). In 2012, the duration of calls was 3,131 million minutes and 368 million text

messages were sent. In 2011, those indicators were 2,689 million minutes and 273 million text messages, respectively. The duration of calls also grew constantly during the economic recession, there was a small decline in sending text messages in that time.

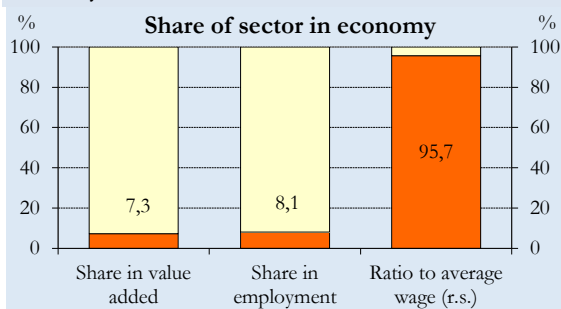
To sum up, it can be said that the demand side has been characterised by growth also during the economic recession. In the supply side, the recession influenced the sales turnover and employment of information and communications companies. Those have recovered in recent years and exceeded the indicators preceding the recession. At the same time, the efficiency of information and communications companies has dropped as the result of rapid recruitment of employees. Improving productivity is important for the future of the sector's companies, which can occur via the increased efficiency of work processes and developing the quality of products and services.

Transport

The Estonian transport system includes railroad, road, maritime, inland waterway and air transport, city electricity transport and transport through pipelines. A total of 40,000 people are employed in the transport sector, i.e. approx. 8% of all employed. Transport contributes significantly to the export revenues and balances Estonian foreign trade balance.

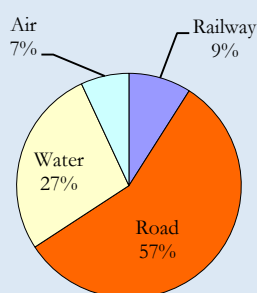
In passenger transport on land, Tallinna Linnatranspordi AS has the largest capacity, serving bus lines in Tallinn, besides serving bus lines the company also manages electric transport services in Tallinn. In addition to those, electric transport services are also provided by Elektriraudtee AS in Estonia. In 2012, the group Eesti Raudtee divided into a separate infrastructure company in the field of railroad transport and EVR Cargo, which had separated from it, became the largest company of railroad carriage of goods in Estonia. In the field of carriage of goods, the leading logistics companies are AS Schenker, DSV Transport AS and Transpoint International (EST) AS. The largest company of the entire transport sector is AS Tallink Group, operating in maritime carriage of passengers and goods, which grew to be the biggest ship company on the Baltic Sea after obtaining the shares of Silja Line. The most important provider of port services is AS Tallinna Sadam, which operates as the owner and manager of Muuga Harbour, Old City Harbour, Paldiski South Harbour, Paljassaare Harbour and Saaremaa Harbour. The largest company in the field of air transport is AS Estonian Air, which operates in international carriage of passengers and goods.

Similarly to the rest of economy, employment in the transport sector has been rising slightly in recent years, which also continued in 2012. Further developments regarding employment largely depend on the overall fate of the economy.

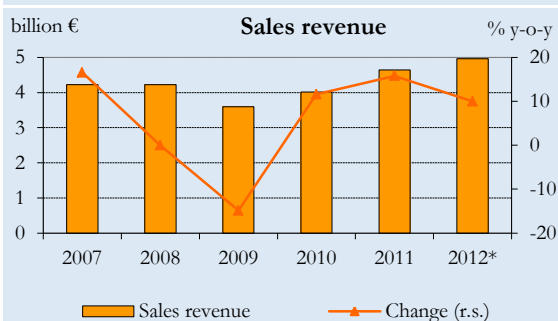


Source : Statistics Estonia

Estonian transport based on sales revenues



Source: Statistics Estonia



Source: Statistics Estonia

In 2012, the volumes and revenue of Estonian transport companies continued to recover from the slump caused by the crisis. Growth could be seen for most types of carriage, except for railroad transport, which declined for both passenger carriage and carriage of goods.

The total capacity of Estonian ports decreased in 2012 compared to the previous year after three years of increase in the volume of loading and unloading of goods. At the same time, carriage of goods by Estonian maritime companies transport increased slightly. More people visited Estonian ports with passenger ships than the year before.

In 2012, a total of 43.3 million tons of goods were loaded and unloaded in Estonian ports, which was 10% less than the previous year. Loaded and unloaded transit goods amounted to 29.7 million tons, decreasing by 14% over the year. The main reason for the decreasing volumes was the development of Russian ports and the decrease of liquid bulk transported. Refined oil products continued to form the most important group of goods, but the growth of this group remained below the average, causing the share of oil products to drop to 58%.

The number of cargo ships that passed through ports decreased by 2% compared to the year 2011. There were fewer liquid bulk vessels as well as dry bulk vessels. However, there were more container ships in ports than the year before. In total, 4,975 cargo ships arrived in Estonian ports in 2012.

Estonian main ports had the most active carriage of goods between ports of the USA, Finland, the Netherlands, Sweden, Russia and Singapore. The main ports of Estonia received the most goods from ports of Finland, Russia and Latvia. Estonian main

ports sent the most goods to the ports of the USA, the Netherlands and Finland.

9.2 million passengers passed through Estonian ports in international carriage and 2 million passengers in domestic regular carriage in 2012. The number of passengers in international carriage has been growing constantly in the past five years. 4.8 million passengers arrived in ports from abroad and 4.4 million were dispatched abroad.

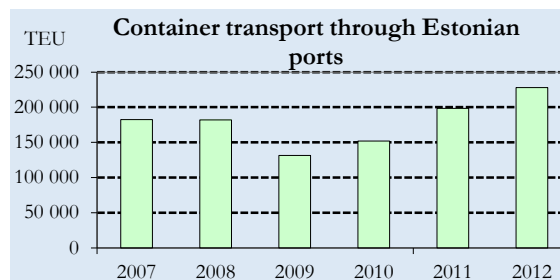
In international carriage, there were 4% more passengers than in 2011. This was influenced by the growth in numbers of passengers arrived from Finland and dispatched to Finland. The number of cruise tourists arrived in Estonia was 425 thousand, which is a few percentage points less than the year before. However, new turnaround tourism has developed rapidly, where cruise tourists arrive in Estonia by plane and keep travelling on cruise liners.

In 2012, 26.2 million tons of goods were carried on the infrastructure of AS Eesti Raudtee, 19.9 million of which came from transit carriage, 1.3 million from exports and 1.4 million tons from imports. The largest was the share of oil and oil products, which formed 59% of total volume, this was followed by oil shale with 13.5% and fertilizers with 12%. Domestic carriage formed 4 million tons. The carriage volume of the year 2012 was 14.4% smaller than in 2011. In 2012, the operations of the company were influenced the most by the separation of the group, resulting in AS Eesti Raudtee becoming a purely infrastructural company responsible for the construction, management and maintenance of railroad infrastructure, including traffic management. At the same time, AS EVR Cargo became the largest independent company operating in railroad carriage of goods in Estonia. As with the infrastructure of AS Eesti Raudtee in general, the carriage volume of AS EVR Cargo was also on the increase in the first half of 2012, but turned towards a slight decline in the second half of the year.

Several reconstruction works disturbed the carriage of passengers on the railroad in 2012, which has caused the comfort of passengers, travel times and the reliability of service to suffer. At the same time, the arrival of new trains will significantly improve both travelling conditions and the time of travel. The number of passengers on the railroad decreased by 7% over the year, reaching 4.4 million people. Most train trips were undertaken on domestic lines, foreign trips formed only 2%, but the number of passengers participating in foreign carriage grew by 16% compared to last year.

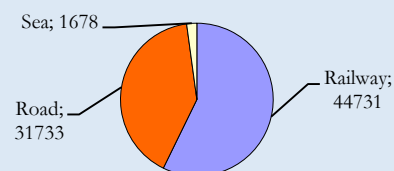
In 2012, air transport showed a strong increased in both carriage of goods and passengers. Carriage of goods via Estonian airports grew by 30% over the year and reached 23.9 thousand tons. The number of air passengers grew half as fast, which is also a good indicator. A total of 2.25 million people used the airports, most of whom were passengers on foreign

flights. The relative importance of passengers in domestic flights is marginal (2%), their number decreased by 13% compared to the year 2011.



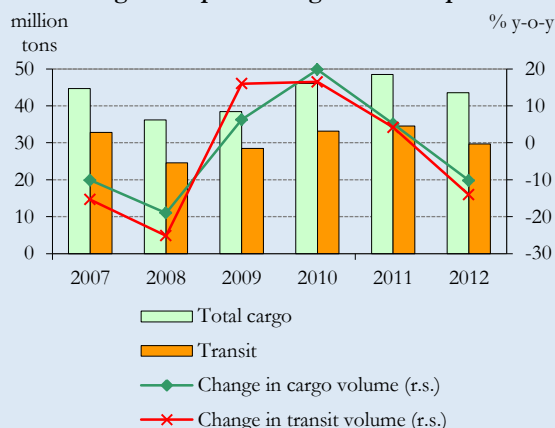
Source: Statistics Estonia

Cargo transport of Estonian companies by modes of transport (th tons)

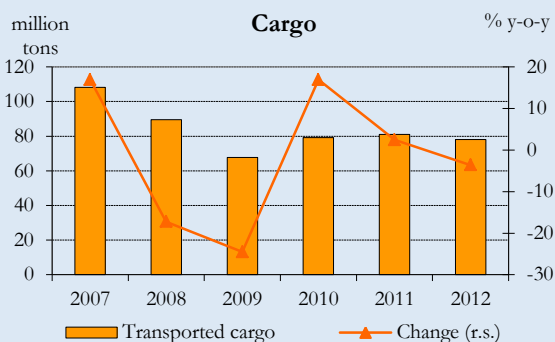


Source: Statistics Estonia

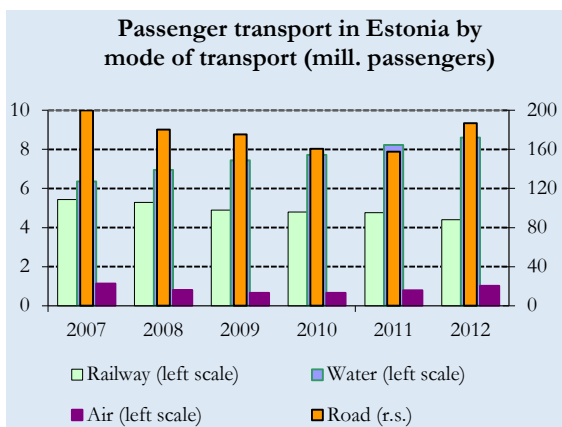
Cargo transport through Estonian ports



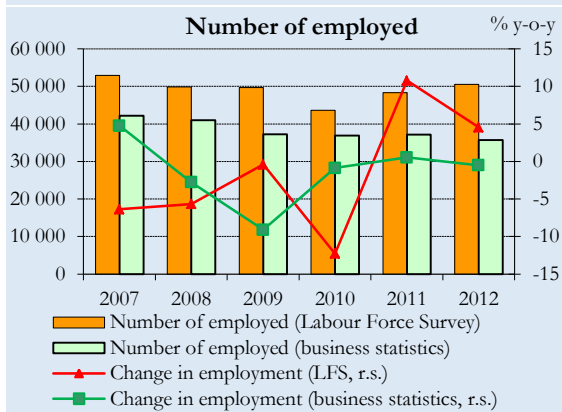
Source: Statistics Estonia



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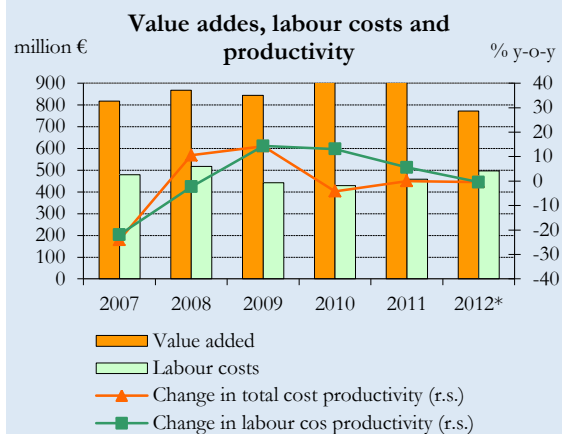
Source: Statistics Estonia



Source: Statistics Estonia



Allikas: Eesti Statistikaamet



Source: Statistics Estonia

A positive trend is the development of small airports, but the largest air gate in Estonia by far continues to be Tallinn airport, which was used by 2.2 million passengers in 2012 and through which the majority of goods was also shipped.

Carriage of goods of Estonian road transport companies saw a small growth of 2% in 2012 but in total, road carriage decreased by 5% over the year. The carriage capacity was 31.3 million tons, of which international carriage formed a sixth. Carriage turnover decreased by a total of 2% compared to the previous year, including 4% in foreign carriage.

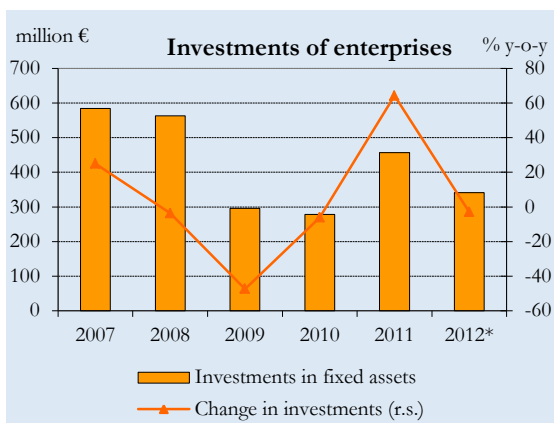
After several years of decline, the carriage of passengers in road transport showed a growth of nearly a fifth in 2012. The total number of passengers was 186.4 million, 85% of them were passengers of city transport, whose number increased by nearly a quarter. While the situation in county lines, which had been in a slump in 2009, improved in the two following years, then the number of passengers decreased again by 6% to 17.9 million in 2012. Similarly to 2011, a growth of passengers by 14% continued in international lines, raising their number to 633 thousand.

According to the Labour Force Survey, employment continued to increase in the transport sector in 2012 (incl. supportive activities of carriage and storage), but not as fast as in the previous year. At the same time, the number of employed people in carriage and storage remained on the level of the previous year according to enterprising statistics.

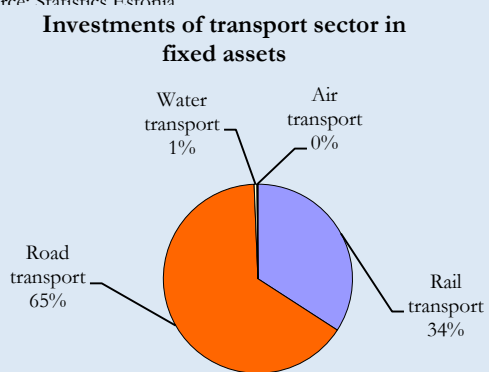
When the average gross wages exceeded average wages in Estonia in the transport sector in 2008–2010, the rise in wages remained significantly below the average growth in the next two years. In 2012, the average gross wages of the field of activity of transport and storage was 849 euros, being 4 percentage points below the Estonian average salary.

After the high investment activity of the previous year, investments did not increase in transport and storage in 2012, but were in a slight decline. Investments in railroad carriage did increase steeply, but there was a decline of 15% in water transport. 43% of total investments went to acquiring means of transport, 30% to acquire, construct and reconstruct buildings, and 25% to purchase machinery and equipment.

Due to the strong deceleration of economic growth and the resulting low demand (incl. export demand), no significant growth is forecast for the transport sector in 2013. Both the carriage of passengers and goods should remain on the level of the previous years in general, a slight decline is also not precluded. The transport sector can be expected to liven again in 2014, which should be supported by the faster economic growth. Bigger changes can also be expected in carriage of passengers when new trains will be adopted for use, which can result in significant changes on the transport market.



Source: Statistics Estonia



Source: Statistics Estonia

Annexes

Annex 1. Trade with associations of countries

Association of countries	Volume (million €)				Share (%)				Change (y-o-y)	
	Exports		Imports		Exports		of countries		Exports	Imports
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
EU	7 961	8 278	9 993	11 015	66,3	66,0	78,6	80,0	4,0	10,2
CIS	1 587	1 829	1 377	1 386	13,2	14,6	10,8	10,1	15,2	0,6
EFTA	421	482	246	288	3,5	3,8	1,9	2,1	14,6	17,2
NAFTA	810	773	218	133	6,7	6,2	1,7	1,0	-4,6	-39,2
Associations in total	10 778	11 362	11 835	12 822	89,7	90,5	93,0	93,2	5,4	8,3
Estonia total	12 014	12 550	12 721	13 762	100,0	100,0	100,0	100,0	4,5	8,2

Source: Statistics Estonia

Annex 2. Export commodity groups by main target countries in 2012 (%)

Commodity group	Sweden	Finland	Russia	Latvia	Lithuania	USA	Germany	Norway	Netherlands	Denmark	Total share
Live animals and animal products	3,3	15,3	15,5	16,0	14,3	0,3	5,9	1,8	3,1	2,7	78,1
Vegetable products	5,4	26,1	2,5	10,9	2,8		10,1	4,2	1,8	10,8	74,6
Animal and vegetable fats and oils	0,0	3,0	1,2	38,3	40,7		7,1	0,2	0,0	3,1	93,6
Prepared foodstuffs; beverages; tobacco	4,7	20,6	30,0	18,1	8,4	0,1	0,7	1,0	0,7	1,9	86,2
Mineral products	10,4	3,2	2,5	7,2	6,5	17,3	0,8	0,1	7,0	2,5	57,5
Chemical products	3,7	6,2	38,7	12,6	8,9	3,0	2,5	0,4	2,3	0,6	78,8
Plastics and articles thereof, rubber products	13,4	18,8	8,7	15,5	11,7	1,8	8,9	3,4	0,5	1,8	84,5
Leather, fur skins and articles thereof	2,1	33,4	21,3	8,5	3,4	0,1	0,9	0,3	0,2	0,1	70,3
Wood and articles of wood	18,2	18,0	0,9	4,7	1,7	0,6	9,1	8,2	2,2	8,5	72,2
Pulp and articles thereof	8,9	12,4	7,5	4,4	4,5	0,2	4,9	8,4	8,0	1,6	60,8
Textiles and textile articles	16,9	21,9	14,4	15,8	9,0	0,5	4,7	4,7	0,5	1,4	89,7
Footwear, headgear, umbrellas	6,3	22,8	16,3	17,7	14,4	0,9	0,1	5,1	0,0	0,2	83,7
Articles of stone; ceramic products and glassware	9,1	33,0	9,3	10,2	6,3	0,3	2,2	6,1	0,2	0,1	76,9
Precious stones, precious metals, jewellery	7,8	7,9	0,6	14,9	2,3	0,0	1,7	6,0	5,5	1,6	48,1
Metals and metal products	9,0	23,1	8,2	10,7	4,6	2,7	5,8	3,3	3,1	1,0	71,4
Machinery and equipment	29,6	13,8	16,4	4,3	2,7	3,9	3,3	1,7	0,7	1,4	77,9
Means of transport	14,0	10,1	12,2	24,1	11,5	0,3	4,7	4,1	0,5	0,4	82,1
Measuring and medical devices	12,6	7,4	17,0	2,8	3,0	10,8	17,0	0,5	0,5	0,5	72,1
Arms and ammunition	0,1	4,2	57,9	14,3	11,9						88,5
Other industrial goods	13,3	25,5	4,9	2,8	1,3	2,8	8,5	13,8	2,2	4,6	79,7
Works of art, antiques	29,1	15,0	12,0			20,5		1,4		18,4	96,5

Source: Statistics Estonia

Annex 3. Import commodity groups by main countries of consignment in 2012 (%)

Commodity group	Finland	Germany	Sweden	Latvia	Lithuania	Russia	Poland	Netherlands	UK	China	Total share
Live animals and animal products	13,5	7,8	4,1	27,5	10,1	0,7	8,6	4,3	2,0	0,1	78,7
Vegetable products	12,9	4,2	6,5	26,0	10,3	0,6	4,8	16,2	0,2	0,6	82,2
Animal and vegetable fats and oils	17,8	9,9	4,5	18,8	7,2	2,2	7,1	4,3	0,2	0,0	72,0
Prepared foodstuffs; beverages; tobacco	11,2	7,1	3,1	12,7	14,4	1,5	7,5	5,5	10,8	0,1	73,9
Mineral products	19,8	0,9	2,5	8,1	26,1	24,7	2,0	0,6	0,9	0,0	85,6
Chemical products	10,4	11,8	4,5	9,5	10,4	11,0	7,5	9,8	2,0	0,7	77,6
Plastic and articles thereof, rubber products	14,3	18,8	7,5	10,7	7,0	1,4	10,9	5,4	1,4	2,5	79,9
Leather, fur skins and articles thereof	28,3	3,7	3,6	10,4	3,7	3,4	2,2	1,5	1,0	6,3	64,1
Wood and articles of wood	11,9	3,8	5,2	24,8	5,2	32,4	2,8	0,5	0,6	0,7	87,8
Pulp and articles thereof	36,3	6,4	11,3	12,4	4,3	4,9	6,6	1,6	2,5	1,0	87,3
Textiles and textile articles	10,2	10,1	6,5	15,7	3,3	0,4	3,9	3,8	2,2	10,9	67,0
Footwear; headgear; umbrellas	9,2	13,2	6,0	20,2	3,7	0,8	4,8	5,7	1,4	4,6	69,7
Articles of stone; ceramic products and glassware	13,6	16,6	2,8	8,2	6,5	5,4	16,5	1,5	0,9	3,5	75,5
Precious stones, precious metals, jewellery	6,4	10,7	2,4	8,8	1,5	0,3	0,7	0,6	0,6	0,3	32,3
Metals and metal products	18,9	14,6	11,0	7,5	4,2	5,9	8,9	1,7	1,1	2,7	76,5
Machinery and equipment	11,6	10,2	18,5	6,2	3,2	0,6	7,6	4,2	7,6	7,9	77,6
Means of transport	14,5	16,4	16,4	7,6	2,0	2,5	5,1	2,4	3,0	0,5	70,5
Measuring and medical devices	12,1	22,1	11,9	4,9	1,8	0,8	3,2	5,6	2,9	1,6	67,0
Arms and ammunition	2,3	4,8	0,1	0,2	0,1	1,4	0,0		0,5	0,1	9,5
Other industrial goods	21,5	10,4	5,1	10,3	8,6	0,9	7,7	2,0	1,7	8,2	76,4
Works of art, antiques		6,8	0,0	3,3	0,4	0,6				21,9	32,9

Source: Statistics Estonia

Annex 4. Accommodation of tourists in Estonian accommodation establishments

	Number of people			Number of overnight stays		
	2012	Change, % y-o-y	Share, %	I half-year 2008	Change, % y-o-y	Share, %
Total	2 839 895	4,2%	100,0%	5 544 537	2,7%	100,0%
Estonia	966 376	5,3%	34,0%	1 721 498	4,3%	31,0%
Finland	829 225	-1,4%	29,2%	1 651 965	-1,5%	29,8%
Russia	266 192	31,0%	9,4%	593 783	24,8%	10,7%
Germany	111 251	7,4%	3,9%	227 959	4,2%	4,1%
Latvia	100 638	18,1%	3,5%	152 491	17,2%	2,8%
Sweden	78 412	-9,1%	2,8%	161 460	-10,1%	2,9%
UK	54 305	-22,3%	1,9%	127 969	-25,5%	2,3%
Norway	48 479	-5,9%	1,7%	111 131	-9,2%	2,0%
Lithuania	47 397	0,8%	1,7%	77 585	0,2%	1,4%
Italy	30 574	-9,1%	1,1%	70 070	-11,8%	1,3%
USA	29 601	24,2%	1,0%	66 725	27,4%	1,2%
Poland	25 513	-5,8%	0,9%	50 351	-3,5%	0,9%
Spain	25 003	-7,8%	0,9%	53 144	-10,7%	1,0%
France	24 089	8,0%	0,8%	54 790	7,0%	1,0%
Netherlands	18 279	1,7%	0,6%	38 906	-0,1%	0,7%
Denmark	14 091	1,4%	0,5%	27 887	-0,1%	0,5%
Switzerland	10 365	14,1%	0,4%	19 490	8,2%	0,4%
Ukraine	9 389	20,3%	0,3%	21 497	11,5%	0,4%
Japan	8 778	0,5%	0,3%	15 723	-1,5%	0,3%
Belgium	8 312	-9,6%	0,3%	18 162	-11,2%	0,3%
Austria	8 293	5,8%	0,3%	17 672	0,3%	0,3%
Czech Republic	6 474	14,2%	0,2%	20 886	67,2%	0,4%
China	5 934	6,9%	0,2%	10 337	9,6%	0,2%
Australia	5 516	0,8%	0,2%	12 100	1,0%	0,2%
Ireland	5 359	-35,0%	0,2%	13 177	-33,5%	0,2%
Turkey	5 159	9,1%	0,2%	11 496	8,4%	0,2%
Canada	4 513	5,7%	0,2%	10 452	1,3%	0,2%
South-Korea	4 318	79,1%	0,2%	5 810	55,6%	0,1%
Hungary	3 540	-4,2%	0,1%	8 429	-16,8%	0,2%
Brazil	3 167	59,5%	0,1%	5 924	36,9%	0,1%
Portugal	3 010	-0,5%	0,1%	7 254	-2,1%	0,1%
Slovakia	2 812	51,2%	0,1%	6 985	35,1%	0,1%
Greece	2 586	-4,6%	0,1%	6 081	5,6%	0,1%
Romania	2 326	1,4%	0,1%	5 633	6,2%	0,1%
Slovenia	1 724	29,1%	0,1%	3 962	22,5%	0,1%
Bulgaria	1 640	-1,7%	0,1%	4 552	-16,8%	0,1%
Luxembourg	1 469	48,1%	0,1%	2 897	50,7%	0,1%
Croatia	1 124	-8,8%	0,0%	2 140	-8,8%	0,0%
Iceland	890	-10,5%	0,0%	2 166	-12,6%	0,0%
Cyprus	661	38,0%	0,0%	1 648	19,1%	0,0%
South Africa	460	6,2%	0,0%	946	24,3%	0,0%
Malta	403	28,3%	0,0%	853	20,1%	0,0%
Albania	303	53,0%	0,0%	578	-13,2%	0,0%
Other	61 945	18,1%	2,2%	119 973	11,6%	2,2%

Source: Statistics Estonia

Authors

Editor-in chief Mario Lambing	625 6387	mario.lambing@mkm.ee
Macroeconomic situation Irina Bõtskova (Ministry of Finance) Madis Aben (Ministry of Finance) Kristjan Pungas (Ministry of Finance) Margus Täht (Ministry of Finance) Karin Kondor (Ministry of Finance)	611 3432 611 3506 611 3284 611 3047 611 3614	irina.botskova@fin.ee madis.aben@fin.ee kristjan.pungas@fin.ee margus.taht@fin.ee karin.kondor@fin.ee
Foreign trade Merike Riipinen	625 6401	merike.riipinen@mkm.ee
Manufacture of food and beverages Textile industry Manufacture of wearing apparel Wood processing Manufacture of pulp, paper and paper products Furniture industry Domestic trade Karel Lember	625 6402	karel.lember@mkm.ee
Manufacturing industry Manufacture of chemicals and chemical products Manufacture of rubber and plastic products Manufacture of metal and metal products Manufacture of machinery and equipment Manufacture of transport equipment Tourism Mario Lambing	625 6387	mario.lambing@mkm.ee
Manufacture of electronic and electrical equipment Merike Riipinen	625 6401	merike.riipinen@mkm.ee
Construction Margus Sarmet	625 6431	margus.sarmet@mkm.ee
Transport Juku Paulus Merike Riipinen	639 7689 625 6401	juku.paulus@mkm.ee merike.riipinen@mkm.ee
Information and communication Meelis Kitsing	625 6455	meelis.kitsing@mkm.ee