

## ESTONIA

*By Interfax-CNA*

**E**stonia's GDP rose by 5.7% in 2002. Investments helped expand the economy. Inflation grew by 2.7%. The Bank of Estonia forecasts 5% GDP growth in 2003. Estonia raised its industrial output by 4.5% in 2002 in comparison with 4.7% in 2001. Production in the manufacturing industry increased by 4.4%.

In January 2003, Standard & Poor's Ratings affirmed its 'A-/A- 2' sovereign credit ratings on the Republic of Estonia. Rapid economic growth has led to positive fiscal performance, but has increased the country's dependency on foreign borrowing due to the widening current account deficit and a slowdown in net foreign direct investment (FDI) inflows. Estonia's balance of payments current account deficit increased by 130% to Kr13.32 billion, or 12.5% of GDP against 6.1% of GDP in 2001.

Estonia is not rich in mineral resources. It mines oil shale, peat and some industrial minerals. There are also two deposits of phosphate rock (Maardu and Toolse) but mining at the Maardu deposit was stopped owing to environmental considerations, and a project to develop the Toolse deposit was cancelled.

Estonia's reserves of oil shale are considered to be the largest in the world (3,800 Mt). Estonian experts estimate that the reserves are sufficient for about 50 years of development. Oil shale is used as the principal fuel for regional power plants owned by Narva Elektriijaamad. The plants produce more than 90% of Estonia's electricity. Oil shale is also processed by the Kriviter chemical plant in Kohtla-Jarve.

Estonia's oil shale is mined by Eesti Polevkivi, and annual output amounts to 12.5 Mt in accordance with local demand. The company continues to produce shale from the Estonia and Viru underground mines as well as from two open pits. In 2003, Eesti Polevkivi plans to increase shale output by 1.0 Mt thanks to a contract signed with Latvian power generating companies. The state owns 49% of the shares of Eesti Polevkivi.

Meanwhile, Eesti Energia, the wholly state-owned company in charge of Estonia's power industry, approved a plan to form a new company that merges Narva Elektriijaamad (power generator), Eesti Elektrivogud (distribution firm) and Eesti Polevkivi (shale production). The company will control shale production as well as generation, distribution and sale of electric energy in the country.