

Estonia: Market Profile

Major Economic Indicators

	2015	2016	2017**
Population (000)	1,313	1,312	1,309
GDP (US\$ bn)	22.427	23.130	23.422
Real growth (%)	1.4	1.6	2.5
GDP per capita (US\$)	17,111	17,633	17,891
Inflation – CPI index	0.1%	0.8%	3.2%
Unemployment rate	6.1%	6.9%	8.3%
Exports (US\$ bn)	12.836	13.171	N.A.
YoY growth (%)	-20.0	2.6	N.A.
Imports (US\$ bn)	14.534	14.948	N.A.
YoY growth (%)	-20.6	2.8	N.A.
Average exchange rate (Euro per US\$)	0.902	0.904	0.916 ^{###}

Note: ## Jan-Jul 2017, ** forecast
Source: IMF, WTO

- Among the three Baltic States, Estonia is the richest in terms of per-capita GDP, also ranking highest in the Human Development Index by the United Nations. The cornerstones of the Estonian economy are openness, liberal economic policy and a proportional tax system with zero tax on reinvested profits. Due to the available natural resources, the Estonian economy largely relies on the sectors related to forestry, while its energy sector is based on oil shale, a resource quite rare elsewhere in the world.
- In the past, goods from the Silk Road travelled to Scandinavia through Estonia. In addition to its geopolitical location, Estonia's transportation abilities are enabling it to develop into an increasingly important logistics hub moving goods, knowledge and people in the east-west direction. Situated on a busy trading route between East and West, Estonia operates nearly 30 well-developed ports. Among them, the state-owned port of Tallinn is the largest.
- Estonia is characterised by information and communication technology (ICT) that functions on the grassroots level and connects people with the state. It is also one of the most powerful start-up countries, while hosting both the cyber security centre of NATO and the IT-agency of the EU. As such, Estonia, despite a small domestic market, has developed itself into a considerable development and production platform for international knowledge-based companies.
- ICT aside, Estonia is keen to develop and therefore attract investment in a number of its key industries such as business process outsourcing (BPO), electronics, mechanical engineering, small craft building, smart mobility, logistics, wood and



gaming.

- There are no special tax incentives in Estonia but the whole Estonian corporate tax system, which provides for an indefinite deferral for taxing corporate profits, can be viewed as a tax incentive that promotes re-investment of profits. More information can be found at the [Estonian Investment Agency \(EIA\)](#).
- As a member of the 16+1 formula promoting regional co-operation between Central and Eastern Europe and China, the economic ties between China and Estonia have been strengthening. Bilateral trade exceeded US\$1 billion in 2014, while more educational, medical and health co-operation have been confirmed in 2015. Estonia is also participating in the Rail-Baltic project, which will enhance integration in Europe as well as regional connectivity.
- The inflows of foreign direct investment (FDI) to Estonia amounted to US\$130 million in 2015. As of the end of 2015, China's total stock of FDI to Estonia reached US\$3.5 million, up from US\$1.3 million in 2006. While investment from Hong Kong is far from significant, Hong Kong signed the [Air Services Income Agreement](#) with Estonia in April 2001, which is pending entry into force.

Hong Kong's Trade with Estonia

(US\$ million)	2015		2016		Jan-Jun 2017	
	Value	Growth	Value	Growth	Value	Growth
Total Exports	114.820	-30.2	114.638	-0.2	76.138	+16.4
Domestic exports	0.206	+51.6	0.185	-10.0	0.037	-32.4
Re-exports	114.614	-30.3	114.452	-0.1	76.101	+16.4
Imports	15.638	+28.5	18.910	+20.9	8.240	+0.1
Total Trade	130.458	-26.2	133.547	+2.4	84.378	+14.6

Source: Hong Kong Trade Statistics, Census & Statistics Department

More Information

More information on the Belt and Road countries' economic and investment environment, tax and other subjects that are important in considering investment and doing business are available in [The Belt and Road Initiative: Country Business Guides](#).

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