



RAHANDUS-
MINISTEERIUM

MINISTRY of FINANCE of the REPUBLIC of ESTONIA

Fiscal Policy in Estonia

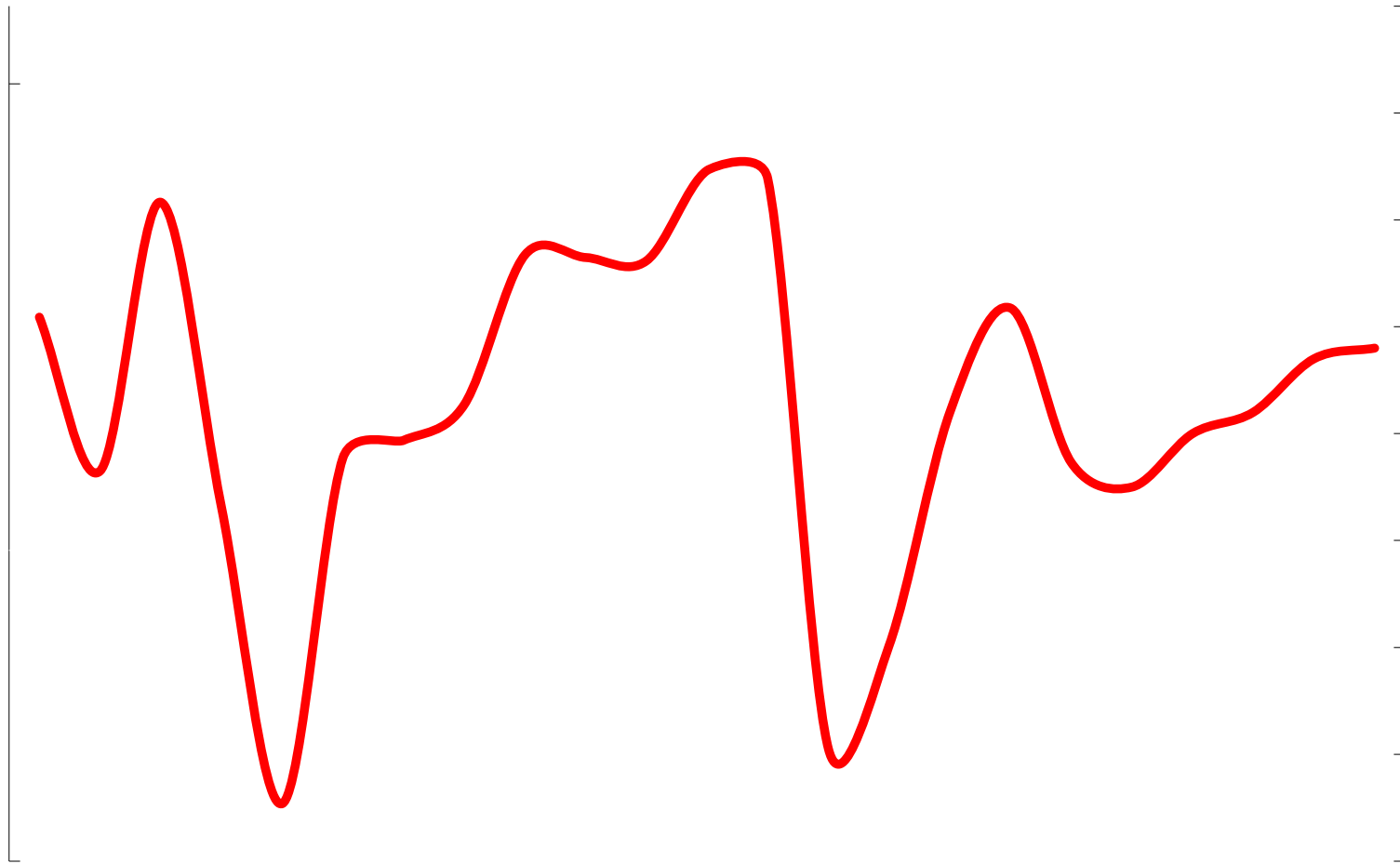
Consolidate to stimulate

Sven Kirsipuu

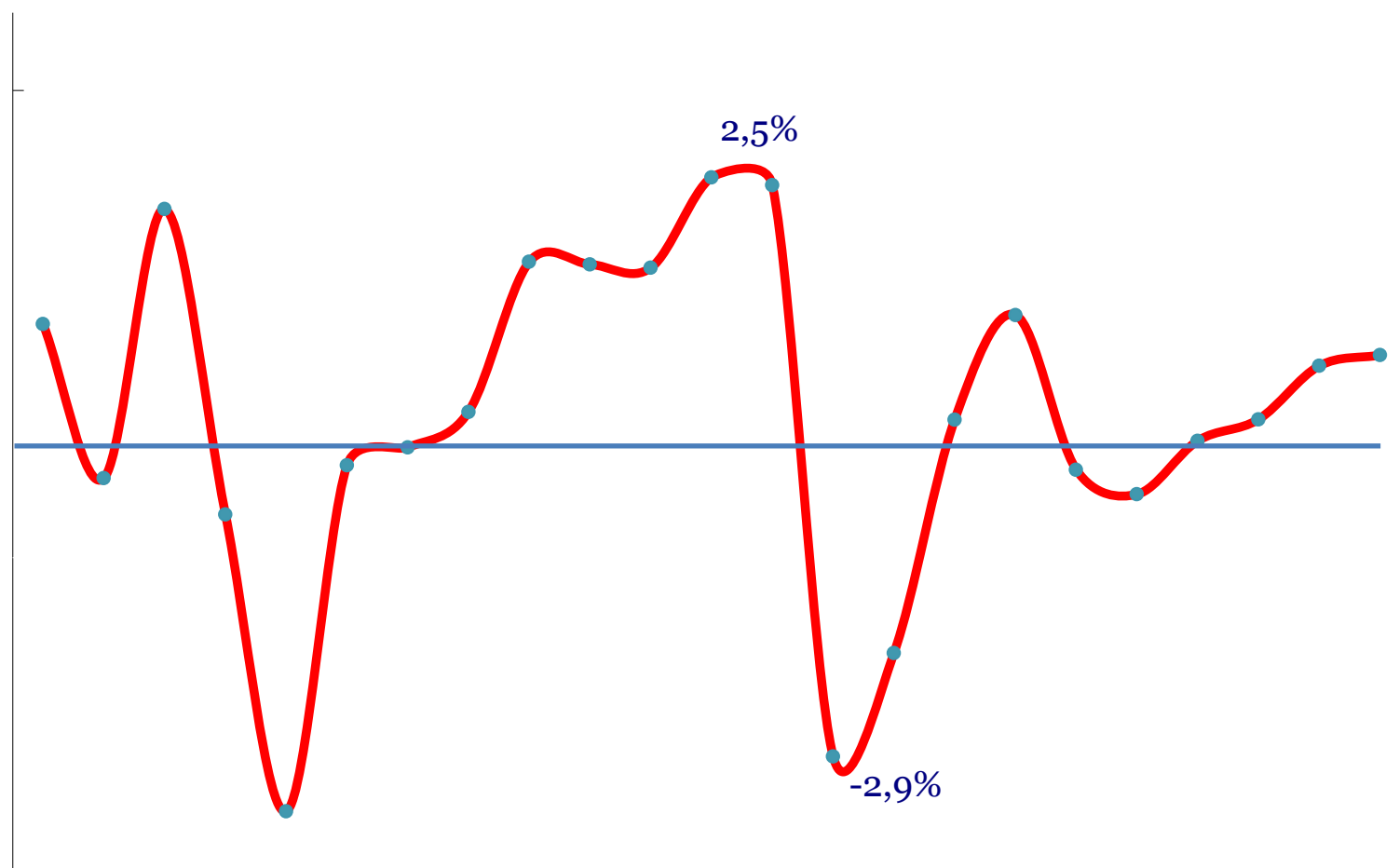
Ministry of Finance

06.06.2013

Heartbeats in Public Finance 1995-2017

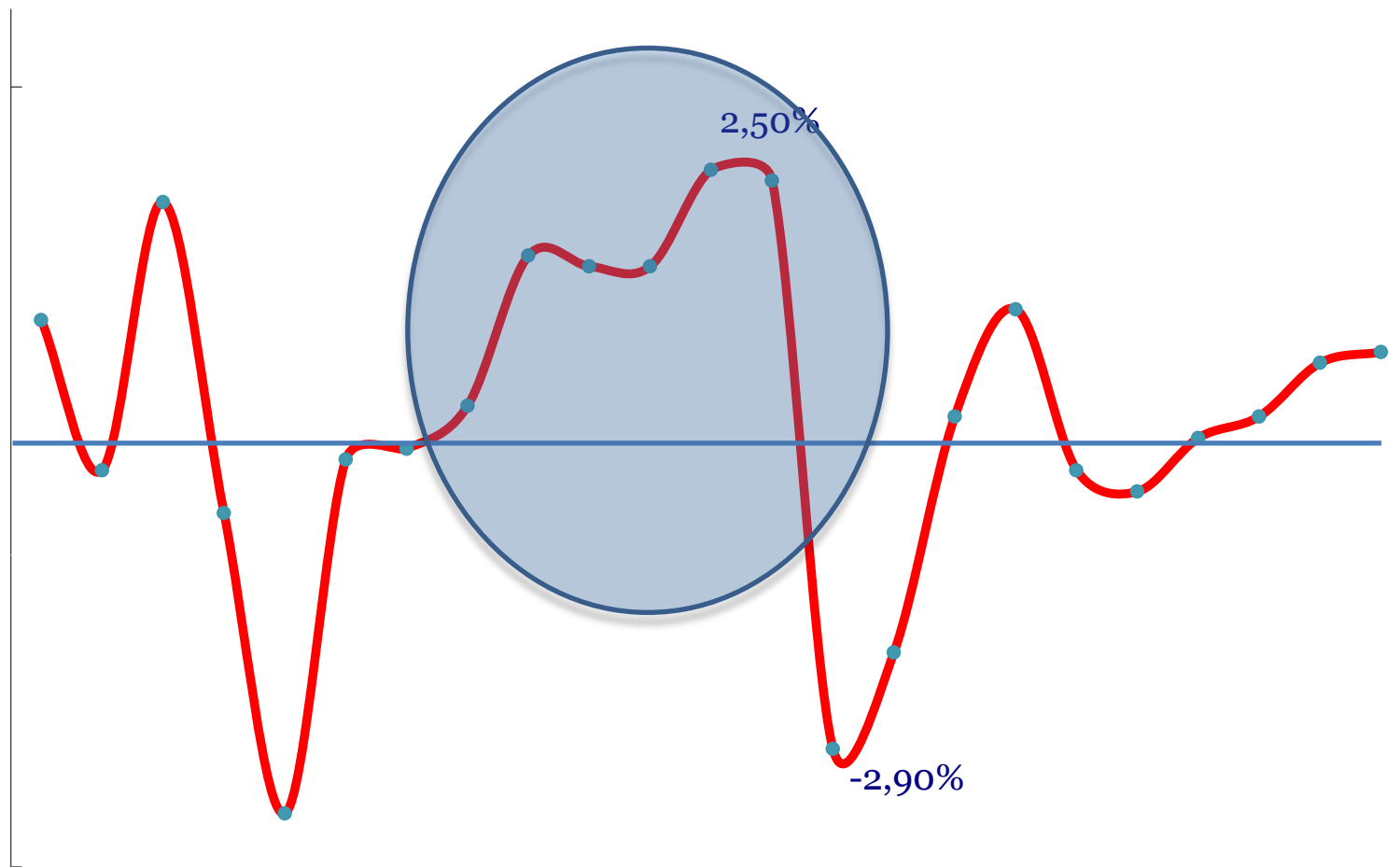


Budget dynamics characterised by short periods of deficits now and then

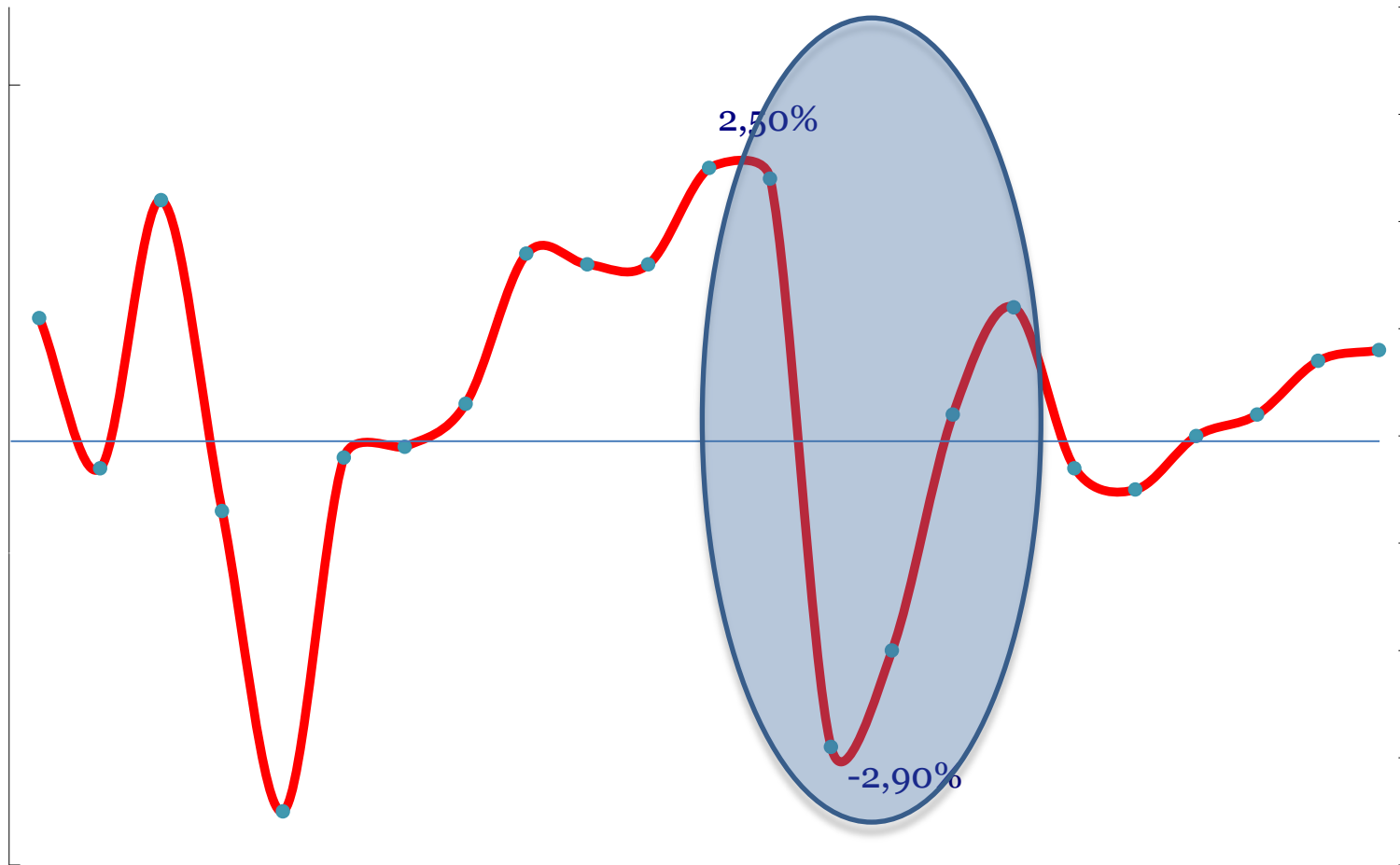


The boom years 2002-2007

“accumulation of reserves”



Response to the crisis 2008-2011

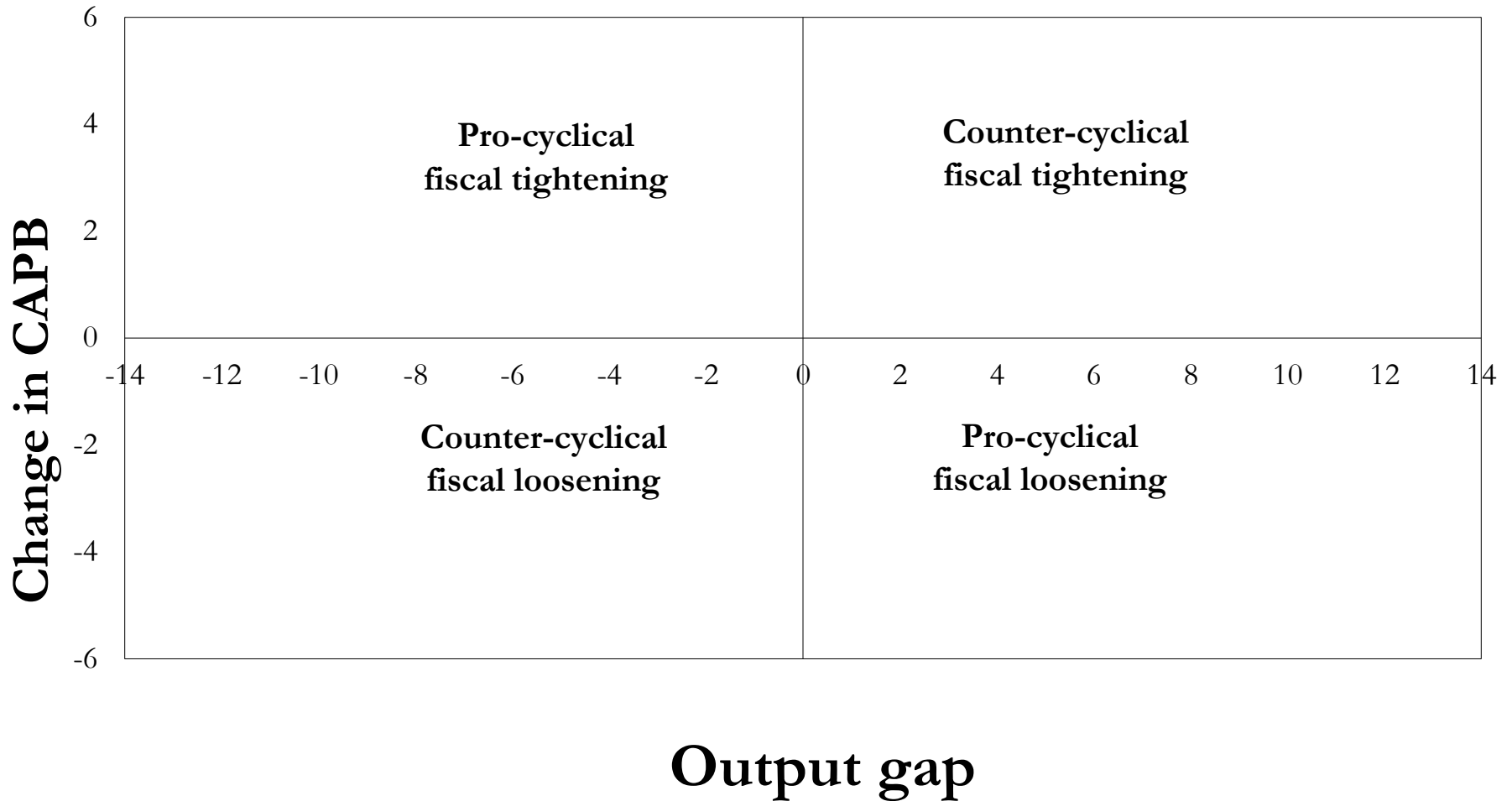


Fiscal consolidation mixed with growth oriented measures

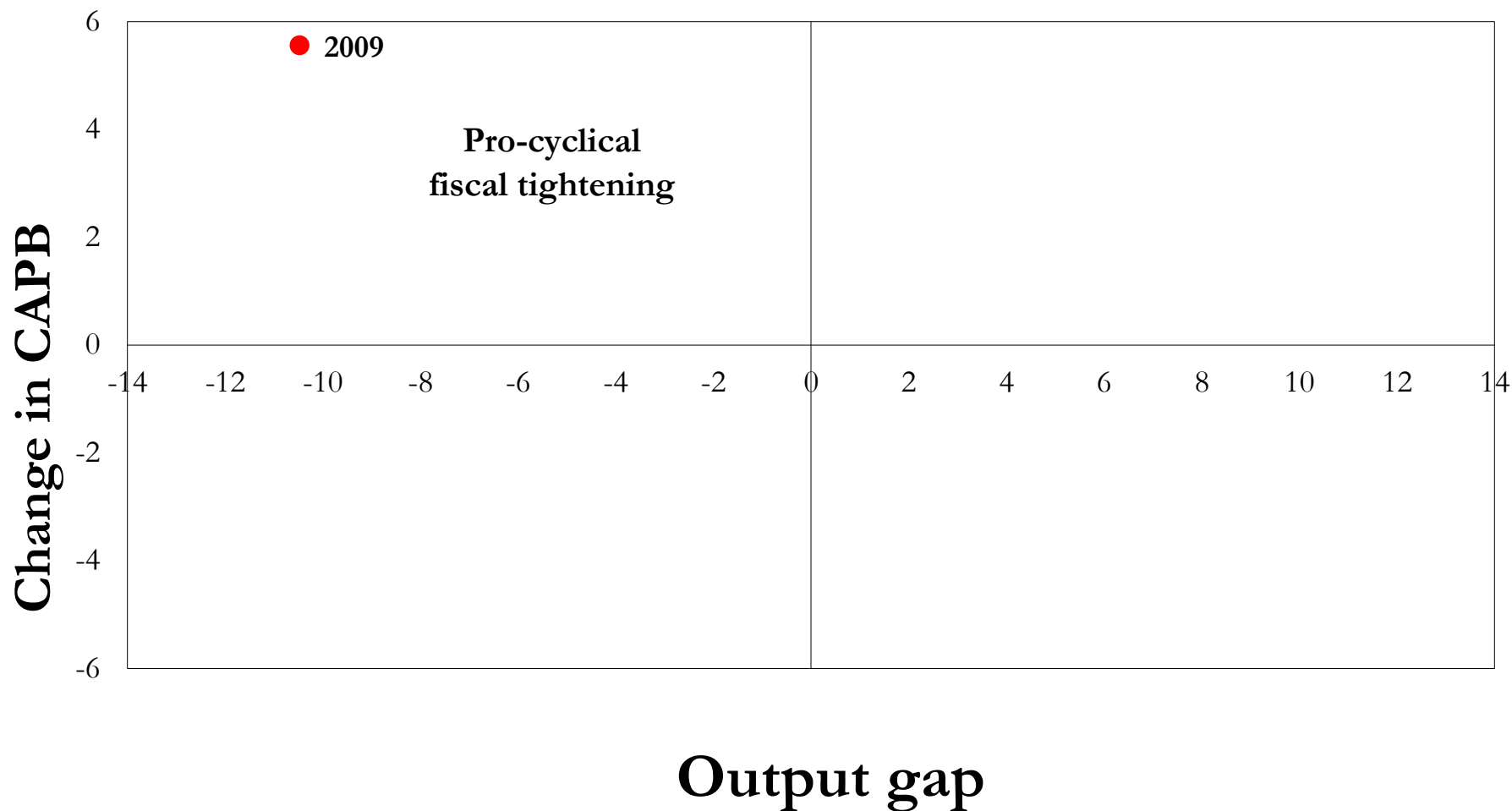
- Tax hikes:
 - VAT from 18% to 20%
 - Increase in unemployment insurance payment
 - Increase in excise duties
- More flexibility in labour market
- Intensive use of EU structural funds
- Gains in public sector efficiency

What was the “price” of Euro?

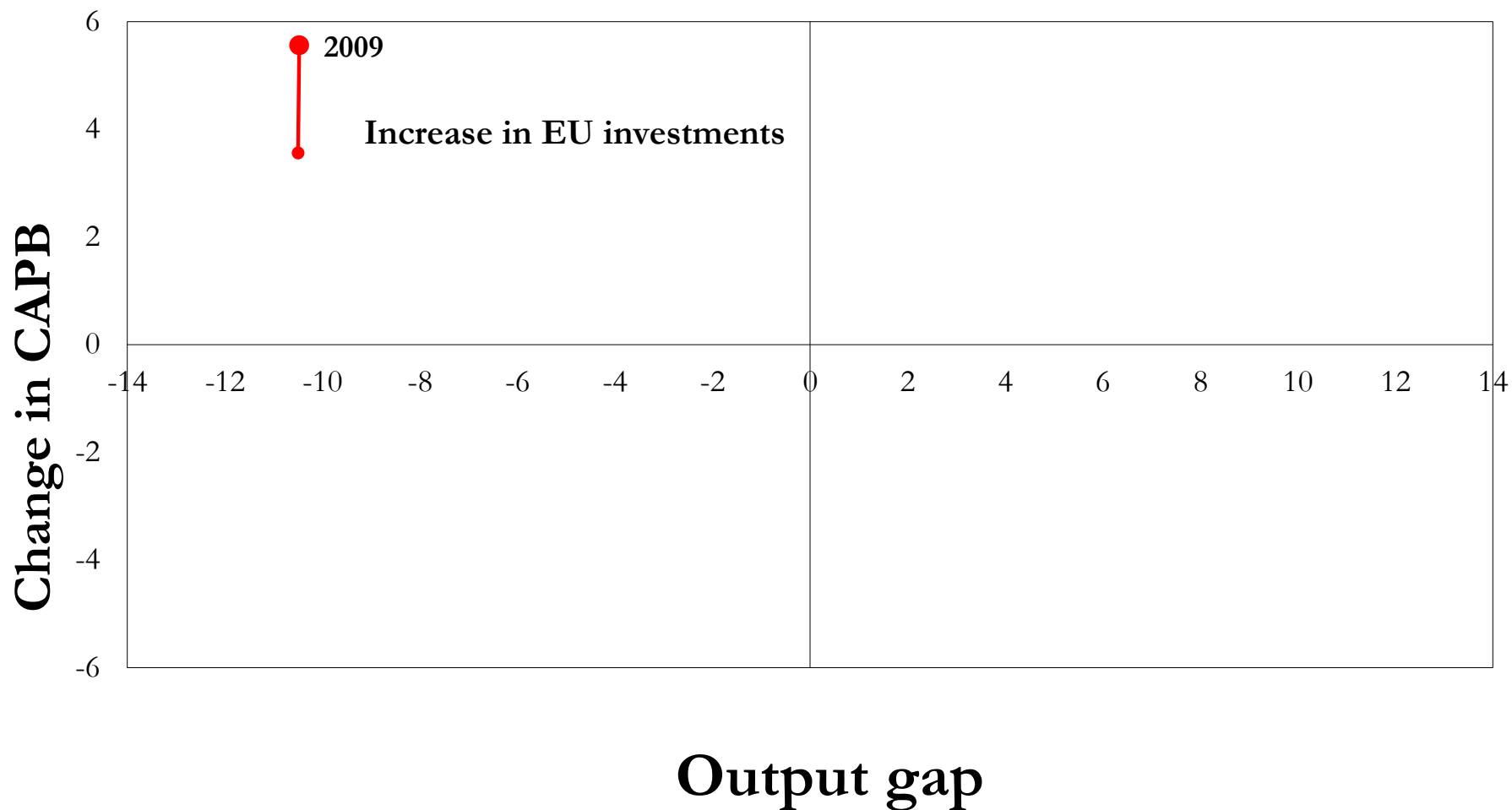
Fiscal Stance



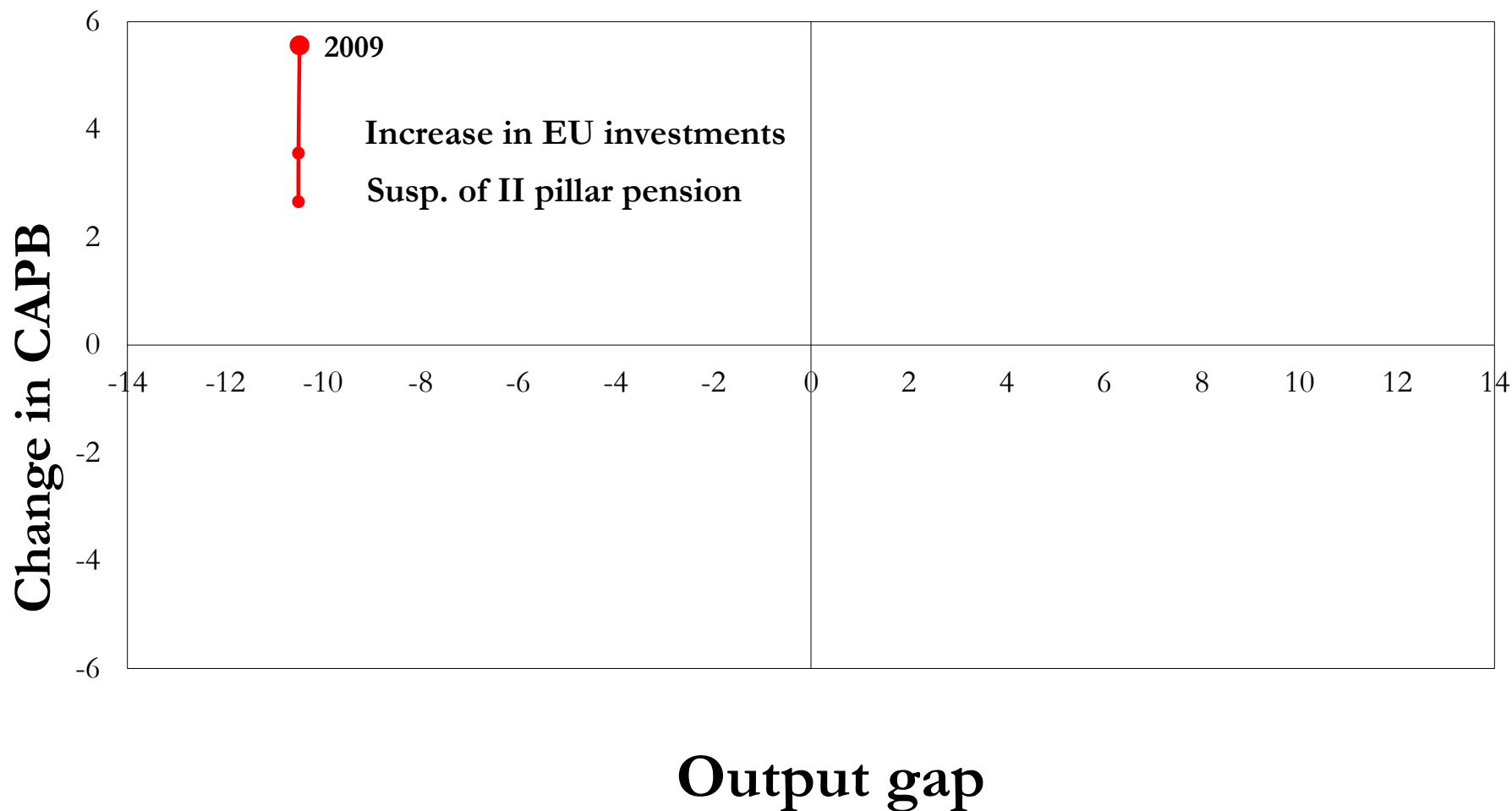
Largely pro-cyclical stance in 2009?



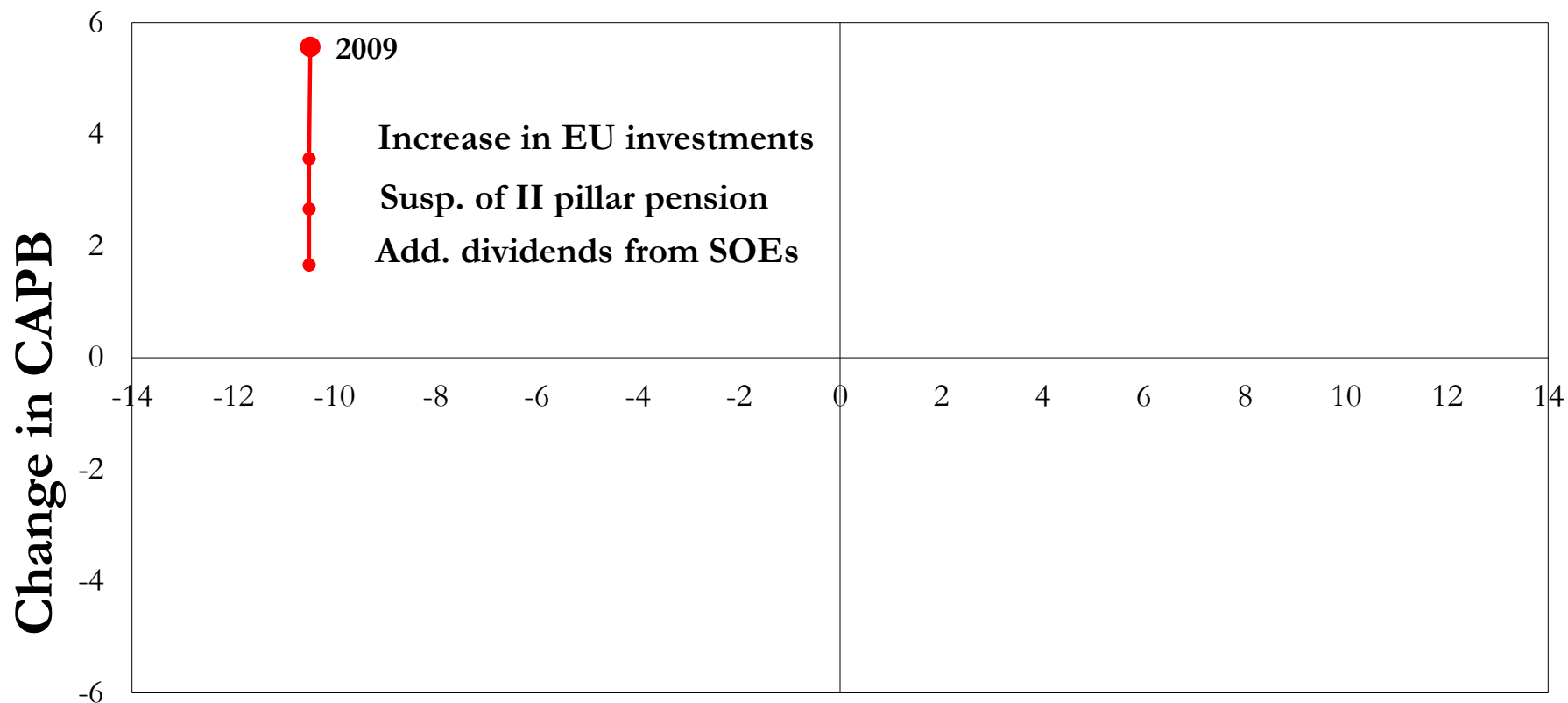
Was it really the case?



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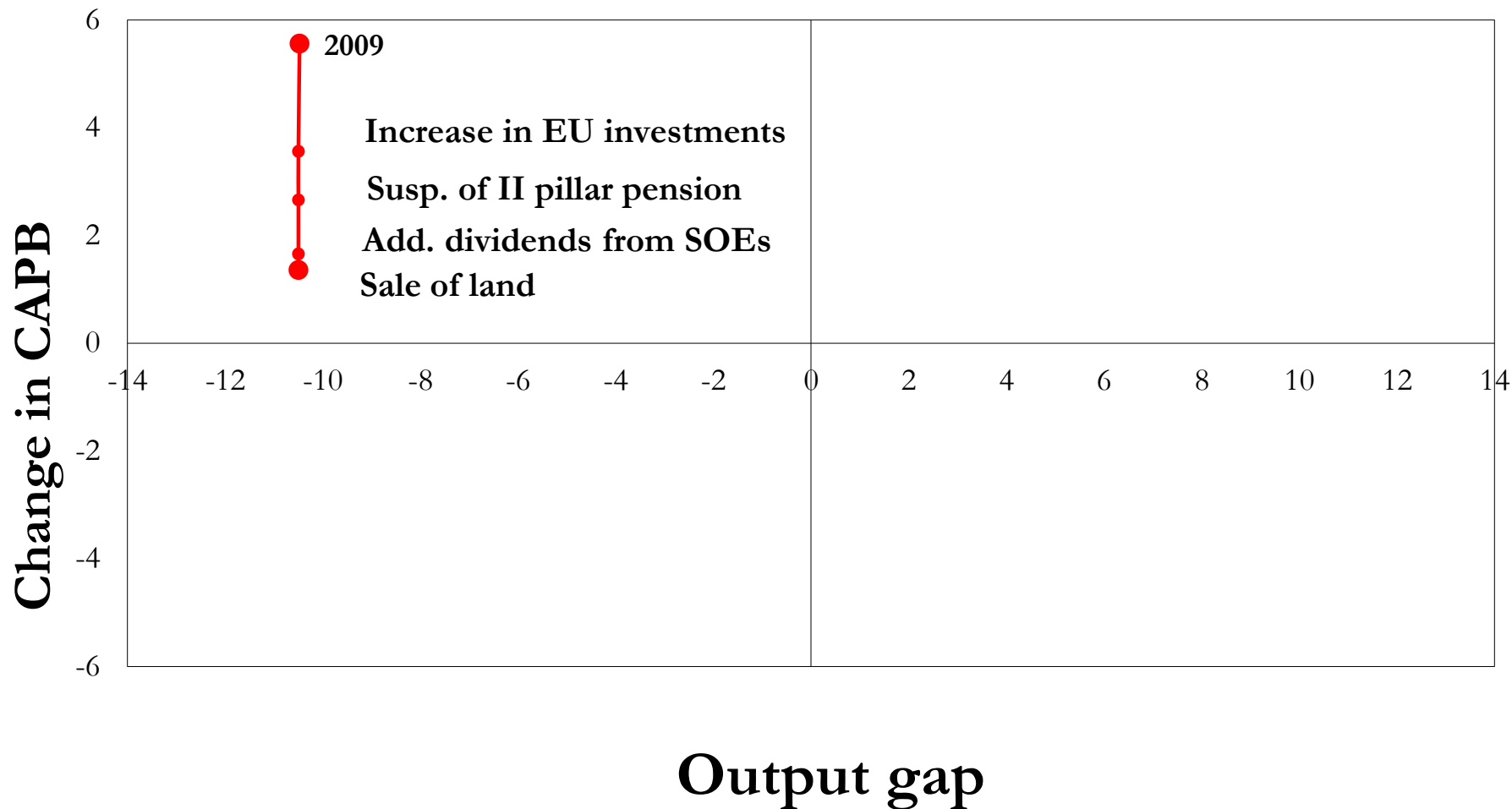


Was it really the case?

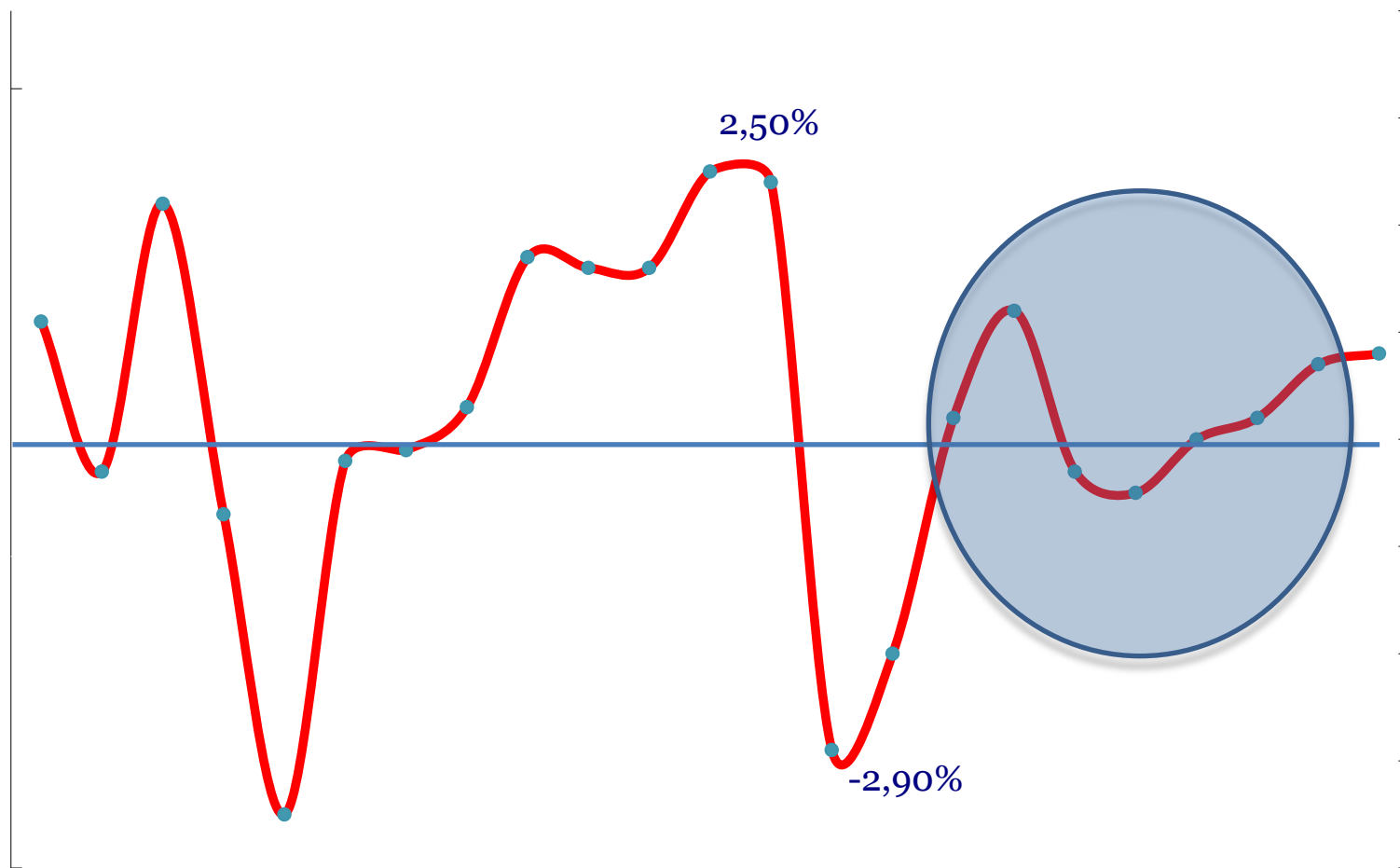


Output gap

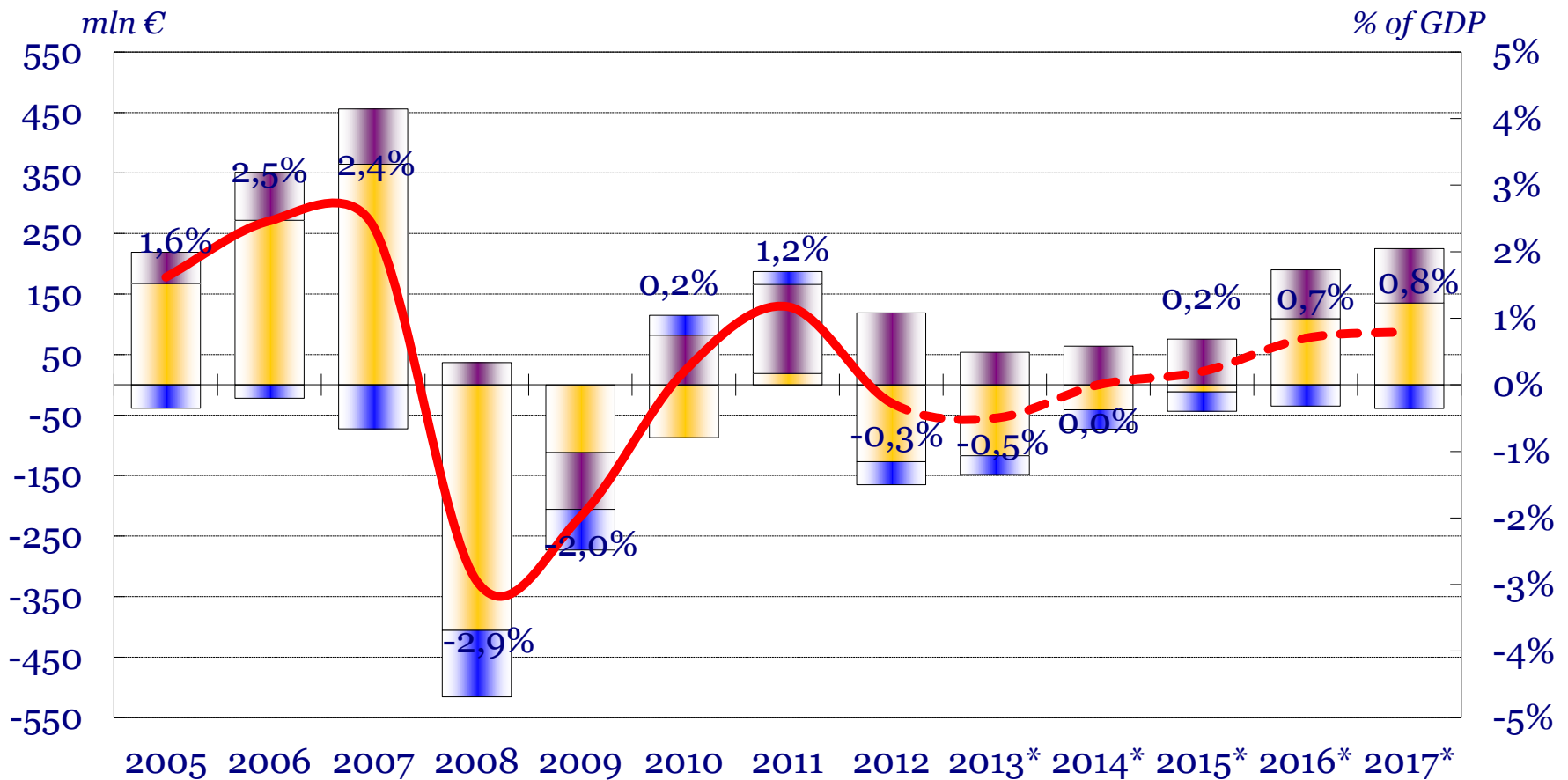
After adjustments close to neutral stance



Symptomatic volatility during from 2010

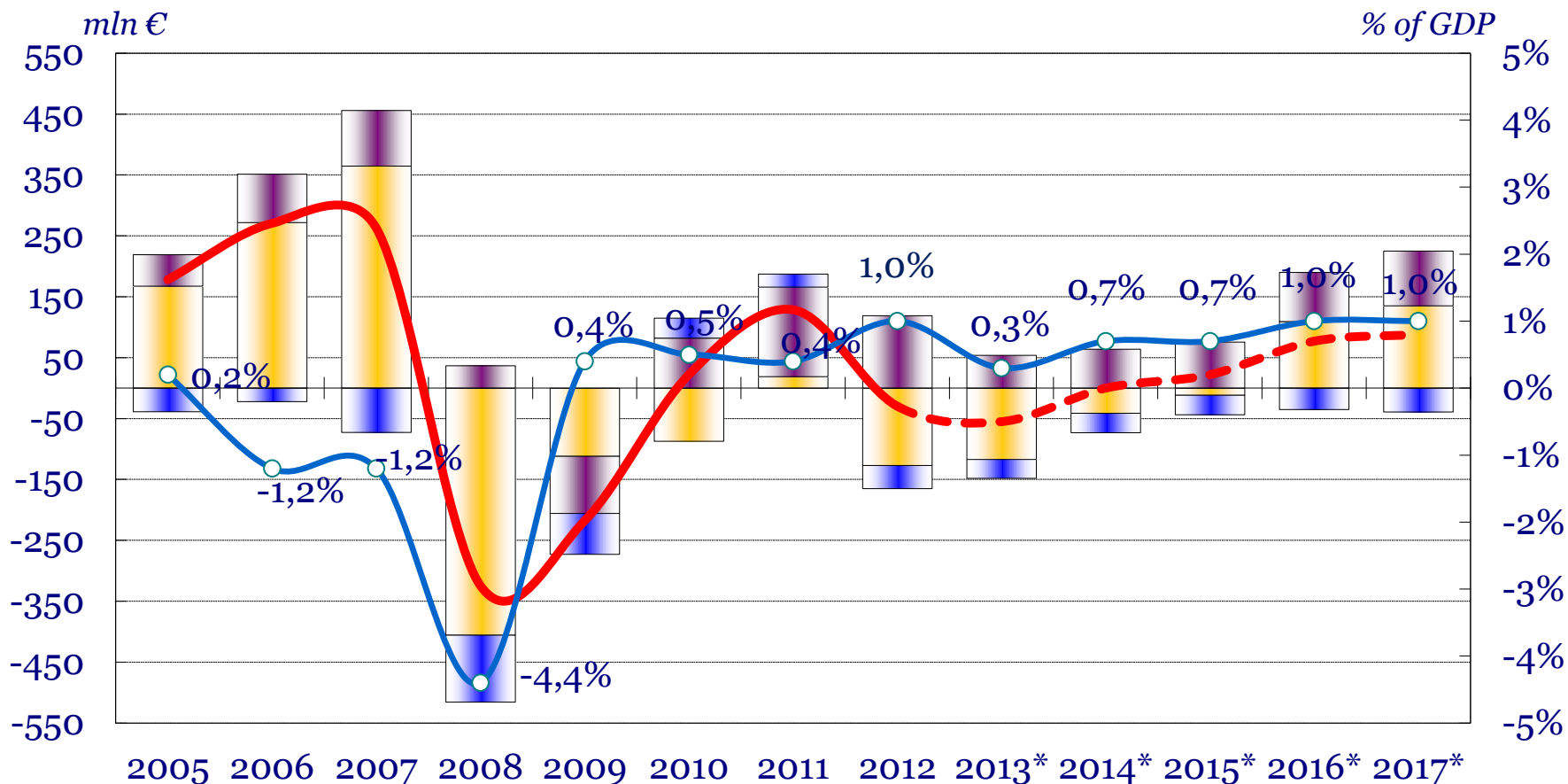


Nominal balance from 2014

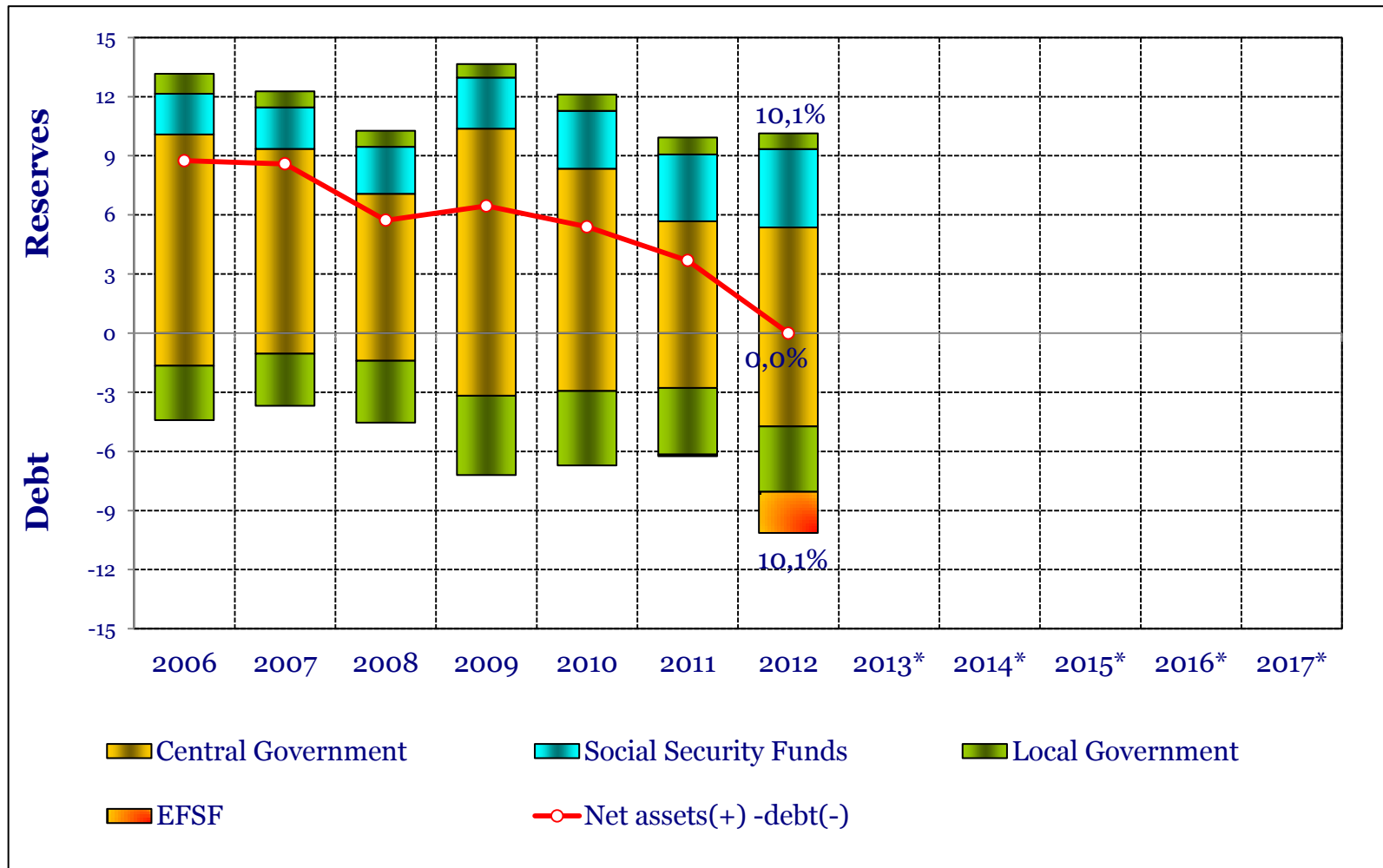


Central Government
 Social Security Funds
 Local Government
 GG budget position (r. sc)

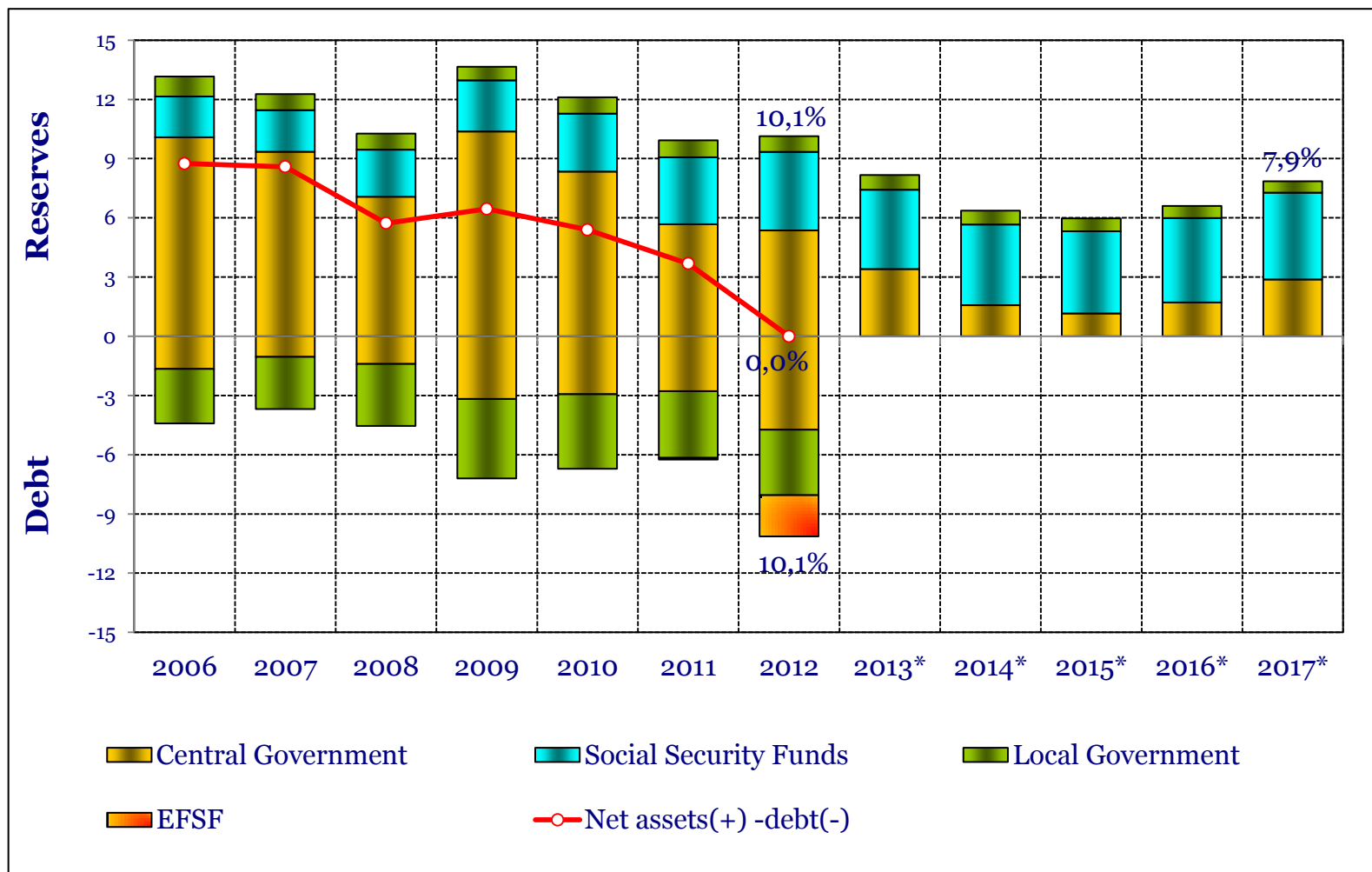
Structurally sound from 2009



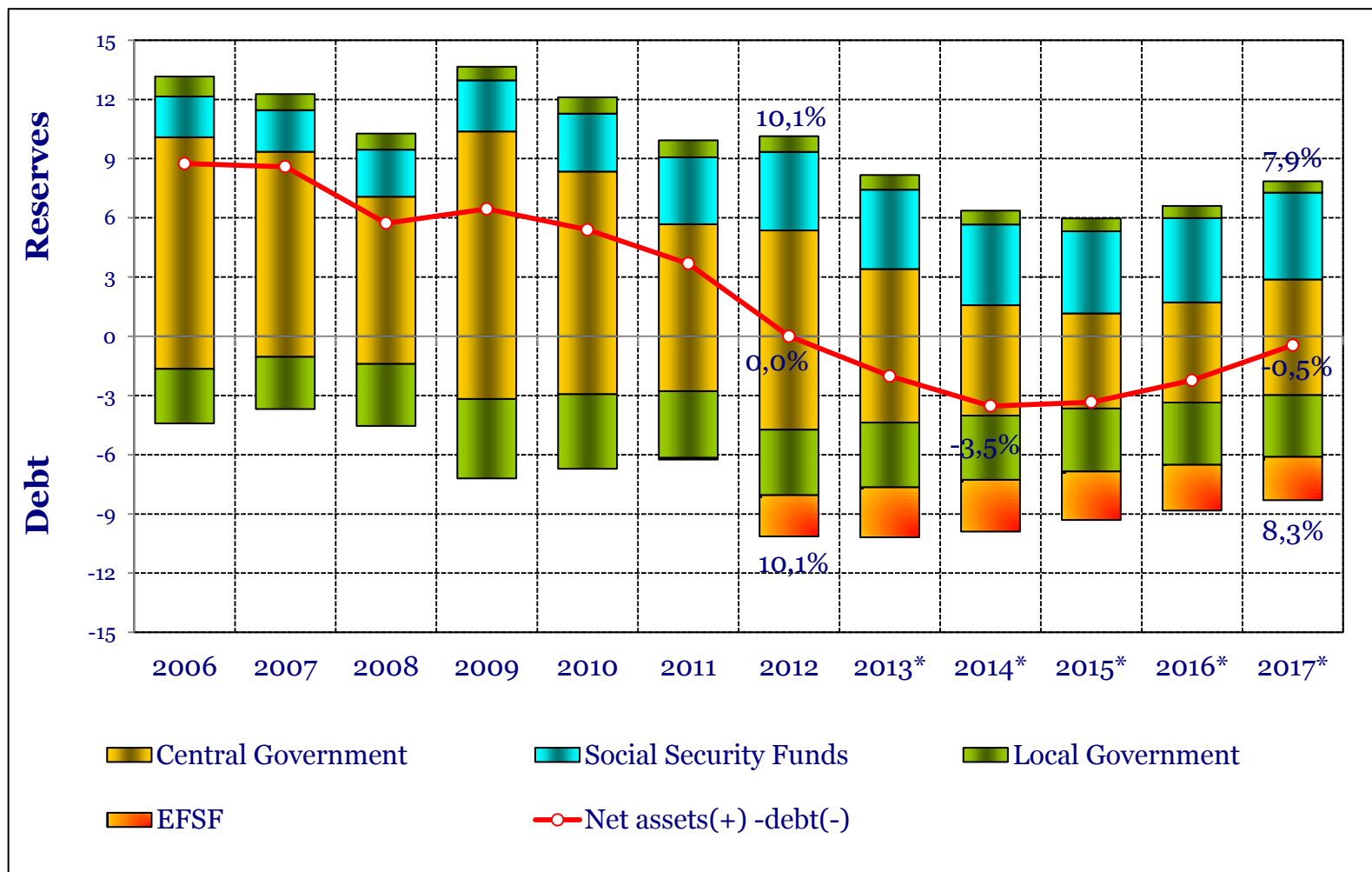
2012 debt was equal to reserves



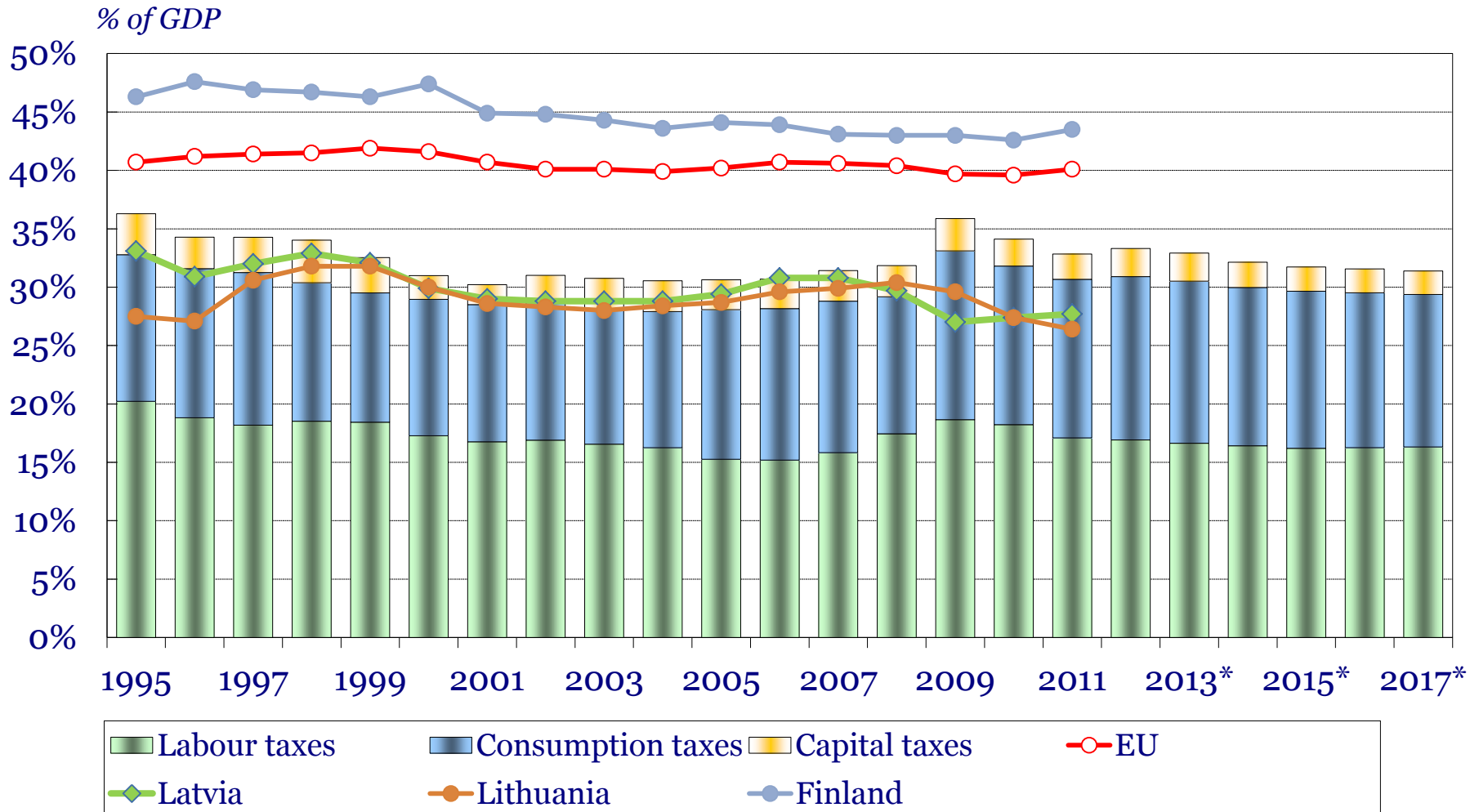
Negative cashflow financed from reserves



Debt increase mainly due to EFSF



Tax burden down to 2007 levels



Possible challenges in the future

- Ageing and decreasing population
- Long term sustainability of social security
- Lack of flexibility in the State Budget
 - Indexation, earmarking

Thanks!