



CHANGEOVER TO THE EURO

SURVEY REPORT

Survey sample:
1,205 respondents

Survey period:
3.09. - 13.09. 2005

Commissioned by:
Eesti Pank
Estonia pst 13, Tallinn 15095

Conducted by:
Saar Poll OÜ
Veetorni 4, Tallinn 10119

TABLE OF CONTENTS

1.	Main Conclusions of the Survey.....	3
2.	Methodology of the Survey.....	5
3.	Analysis of the Main Results of the Survey	
3.1.	Prices and Price Increase.....	6
3.2.	Changeover to the Euro.....	11

1. MAIN CONCLUSIONS OF THE SURVEY

Prices and Price Increase

- Whereas people's perception of price growth remained stable in the earlier survey periods, the data of the September 2005 poll show that residents think prices have grown quite a lot. The share of the residents who find that prices have increased by 10-50% during the past 12 months has grown. The results of the survey of September 2005 show that 95% of the respondents are of the opinion there has occurred a price rise. Here it has to be emphasised that Estonian residents still perceive price growth higher than it has actually been. The consumer price index of the period under review (September 2004-September 2005) rose by 4.9%.
- Compared with the previous survey period, the number of those who expect a fast surge in prices in the coming years has also increased. All in all, 82% of the respondents think that advance in prices is very likely to take place in the years ahead.
- Like in the earlier survey periods, respondents are of the opinion that housing prices and food will witness the highest surge in prices within the next three years.
- The number of people who expect appreciation of transport has grown remarkably. The emergence of the transport sector in the last two surveys can be explained by the rise in motor fuel prices. The share of the people who think that manufactured goods are also going to become more expensive, has slightly increased. To some extent it is probably associated with the legislation regulating utilisation of household appliances, according to which utilisation tax will be applied to imported goods. The number of people who forecast appreciation of alcohol, tobacco and health care in the coming years has considerably decreased.
- As in previous periods, residents consider the appreciation of food and housing expenses as the most problematic. The number of respondents worrying about the growing transport costs has grown notably.
- If we compare the answers regarding the significance of the problem with the responses of the price growth forecast, it is clear there exists a connection in most of the spheres and by social-demographic attributes – people predict higher price hikes in the spheres they consider the greatest “pain in the neck”.

Changeover to the Euro

- As in the previous survey periods, more than a half of the Estonian residents hold that changeover to the euro will result in a price hike. Approximately a third is of the opinion that price growth is not related to the adoption of the euro.
- Whereas the number of people in favour of a fast changeover to the euro grew gradually in the earlier periods, the poll conducted in September 2005 presents us with a certain change. The amount of the respondents wishing to adopt the euro within the next three years has decreased, and the number of those who cannot take a stand in this respect has increased.
- Two-thirds of the population of Estonia finds they do not have enough information regarding the changeover. Only a third thinks they are well informed on the issues.
- A half of the respondents wishes to receive more information concerning the advantages and disadvantages of the changeover to the single currency. Almost the same amount would like to know how the adoption process will be implemented in practice. The latter is interconnected with the issues of recalculation of prices and conversion of the Estonian

kroon into the euro. A fifth of the respondents would like to learn more about the experience of those countries that are already using the euro.

- People mainly expect information regarding the adoption of the euro through the means of mass communication - more than a half would prefer to receive the information from television, approximately a half from newspapers, and a third from the radio. Moreover, a third of the respondents would like to have a brochure introducing the changeover sent to their homes and the same amount would be pleased to obtain the respective information via a website created for this purpose..
- A prevailing majority of the residents of Estonia either are convinced that 1.5 years is too short a period to adopt the single currency or have no opinion at all in this respect.
- Almost a third of the respondents consider 1.5 years to be insufficient for completing the changeover preparations. Only 18% are of the opinion that 1.5 years is enough to finish the preparations.
- Merely a third of the respondents reported to have had experience in using euros. The rest two-thirds have either not travelled abroad or never had to use euros. Thus it is understandable that a certain amount of the people have never experienced the convenience of using the single currency.

2. METHODOLOGY OF THE SURVEY

The social and market research company Saar Poll conducted a poll over the period of 3–13 September, 2005. It was a nationwide survey involving personal interviews with 1,205 people aged 15-74. The poll was based on the proportional random sampling method and the total number of interview items was 201.

Characterisation of the Sample Based on the Social-Demographic Attributes

The social-demographic attributes of the model were prepared using the demographic statistics data as at 1 January 2004 (except for the attributes regarding education and nationality, which are based on the data from the publication of the Statistical Office of Estonia “2000 Population and Housing Census”.) In order to alleviate the differences arising from the comparison of representativeness of the model and the survey outcome, the obtained outcome was weighted by the following social-demographic attributes.

	Model <i>per cent</i>	Survey outcome <i>per cent</i>	Weighted survey outcome, <i>per cent</i>
PLACE OF RESIDENCE			
Town	68.1	70.9	68.1
Countryside	31.9	29.1	31.9
SEX			
Male	46.6	46.1	46.6
Female	53.4	53.9	53.4
AGE			
15-19	10.2	11.0	10.2
20-29	18.5	17.1	18.5
30-39	17.4	16.0	17.4
40-49	18.5	18.6	18.5
50-59	15.7	17.7	15.7
60-74	19.7	19.7	19.7
NATIONALITY			
Estonians	65.9	65.1	65.9
Non-Estonians	34.1	34.9	34.1
REGION			
Northern	39.7	37.9	39.7
Western	11.8	12.8	11.8
Central	10.1	10.5	10.1
North-Eastern	13.3	14.4	13.3
Southern	25.1	24.4	25.1
EDUCATION			
Basic and less	30.7	27.9	30.7
Secondary	54.4	51.5	54.4
Higher	14.9	20.7	14.9

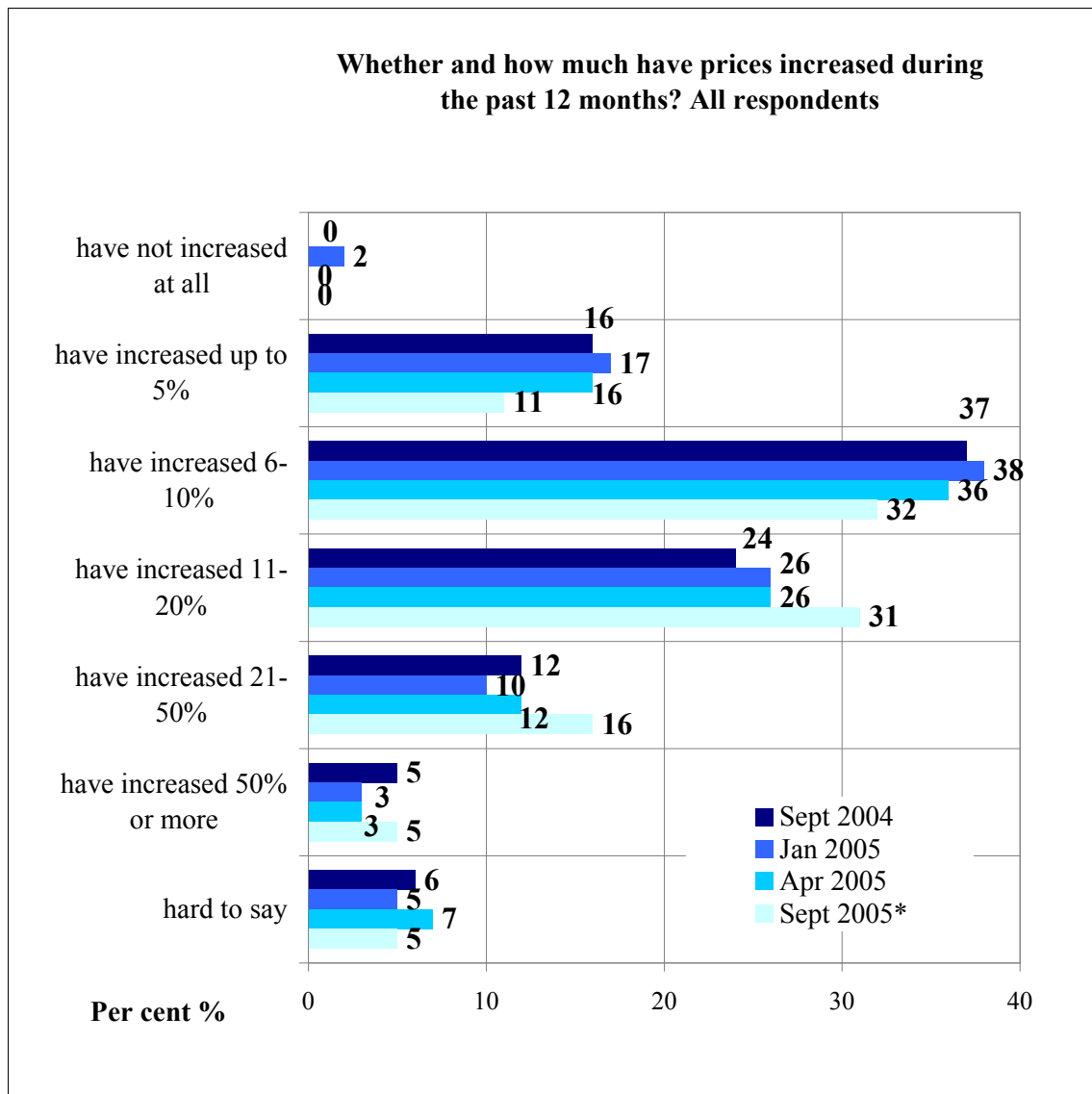
3. ANALYSIS OF THE MAIN RESULTS OF THE SURVEY

3.1. Prices and Price Increase

Price Increase During the Past 12 Months

Already the results of the April 2005 survey revealed that Estonian residents perceived a certain price increase. In September 2005 people are of the opinion that prices have grown even more (see Graph 1).

Graph 1



* In April 2005 the question was worded: “How much have prices increased since the accession to the EU?”

95% of the respondents say prices have risen. To be more specific, a fifth of the respondents are of the opinion that prices have grown more than 20% in the past 12 months, a third says prices have increased 11-20%, and 43% finds that prices have risen by up to 10%.<

Whereas earlier survey periods showed that the perception of price increases had remained stable, the data of the September 2005 survey indicates that people consider prices to have grown

quite a lot. At this point it has to be stressed that people still perceive price increases higher than they actually have been. The consumer price index of the period under review (September 2004-September 2005) rose by 4.9%.

The following distinctive features emerge from the social-demographic attributes:

Higher price growth is mentioned more than the average by respondents characterised by the following attributes: middle-aged, with low income, living in the countryside.

Price increases are perceived to have been smaller by the respondents who are younger, up to 30, with higher income, living in Tallinn, having a higher education.

As regards the first group, on the one hand it is likely that the influence of the possible price rise is stronger on them, but on the other hand, this group also comprises many people belonging to the so-called “losers” group, who tend to be pessimistic and ever-complaining, but take no action to improve their situation.

Based on the citizenship, the following feature can be pointed out: a majority of Russian citizens and persons without citizenship observe price increases to be 6-20%.

Price Fluctuations in Estonia in the Coming Years

Compared with the previous survey period, the number of those people who expect a fast surge in prices in the years to come has increased. The amount of the people who predict a slightly faster increase in prices has decreased, as well as the number of those who expect prices to keep rising at the same pace (see Graph 2). All in all, 82% of the respondents think that advance in prices will accelerate in the next years.

When we look at the group of people who expect prices to grow faster, there are more Estonians, as well as people with Russian citizenship, those older than 60 years, people with average income, and those with secondary education.

The group that predicts prices to grow at the same pace mainly comprises foreigners, people aged 20-29, people without citizenship, people with low and high income, and those with higher education.

Spheres Where prices Will Increase the Most Within the Next Three Years

Like in the earlier survey periods, respondents are of the opinion that housing prices and food will witness the highest surge in prices within the next three years (see Graph 3).

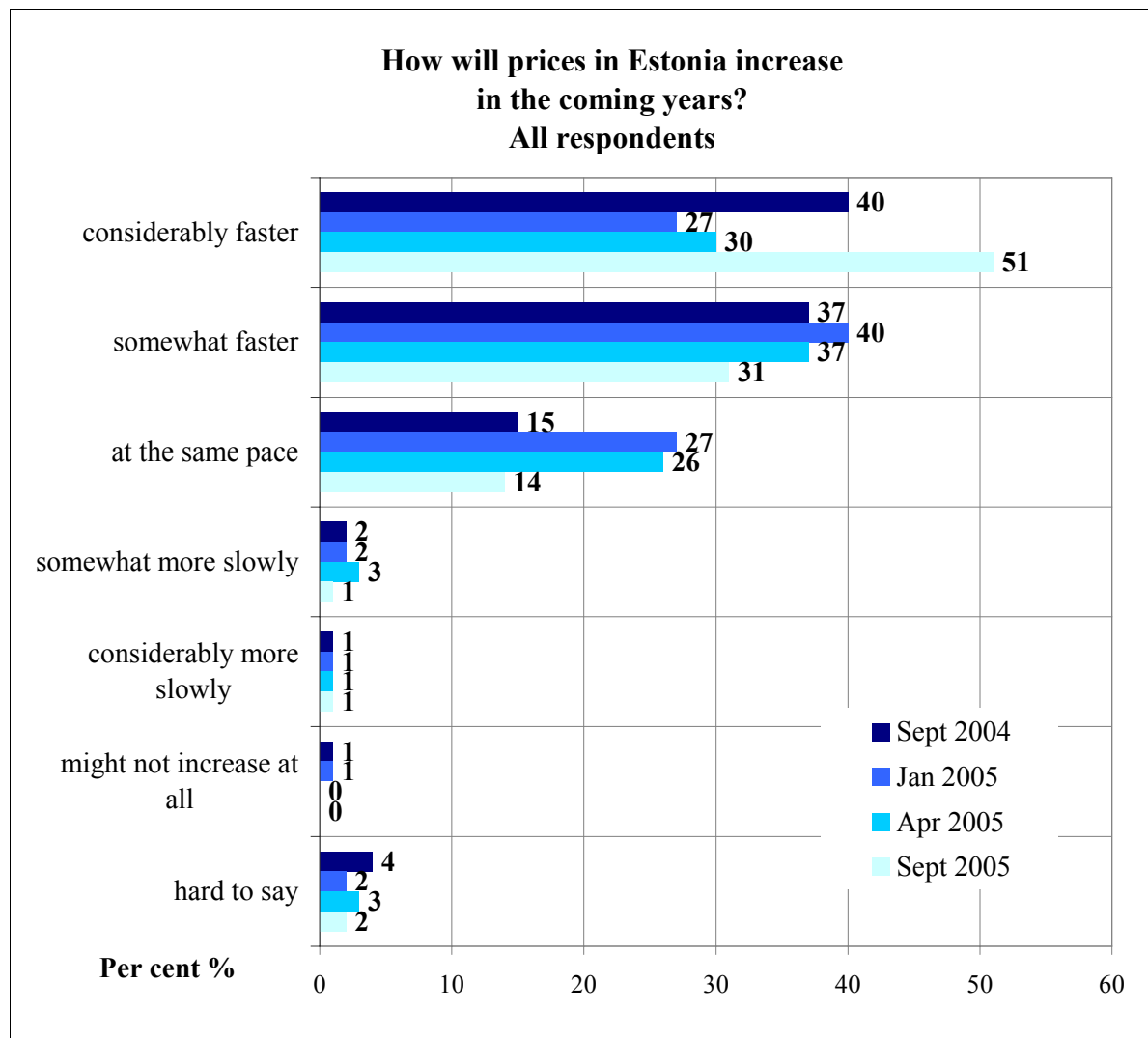
The number of people who expect appreciation of transport has grown remarkably. The emergence of the transport sector in the last two surveys can be explained by the rise in motor fuel prices. When we compare the time prior to the accession to the EU with the current situation, we can see that by product groups, growth in the consumer price index has been the highest in the transport sector (16.4% during the period September 2004 – September 2005).

The share of the people who think that manufactured goods are also going to become more expensive, has slightly increased. To some extent it is probably associated with the legislation regulating utilisation of household appliances, according to which utilisation tax will be applied to imported goods.

The number of people who forecast appreciation of alcohol, tobacco and health care has decreased considerably.

Among Estonians the number of people who predict expenditure on transport to grow the most in the coming years exceeds the average. Non-Estonians mostly expect price increases in the housing, food and health care spheres.

Graph 2



In the group of people younger than 19, the majority of the respondents think expenditure on education, clothes, footwear, and entertainment will increase the most. Respondents aged 20-29 predict appreciation in almost all spheres – transport, alcohol, real estate, clothes, manufactured goods, and entertainment. Most of the people aged 30-39 predict price growth in the transport and real estate sector. Older people predominantly expect housing, food and health care costs to grow.

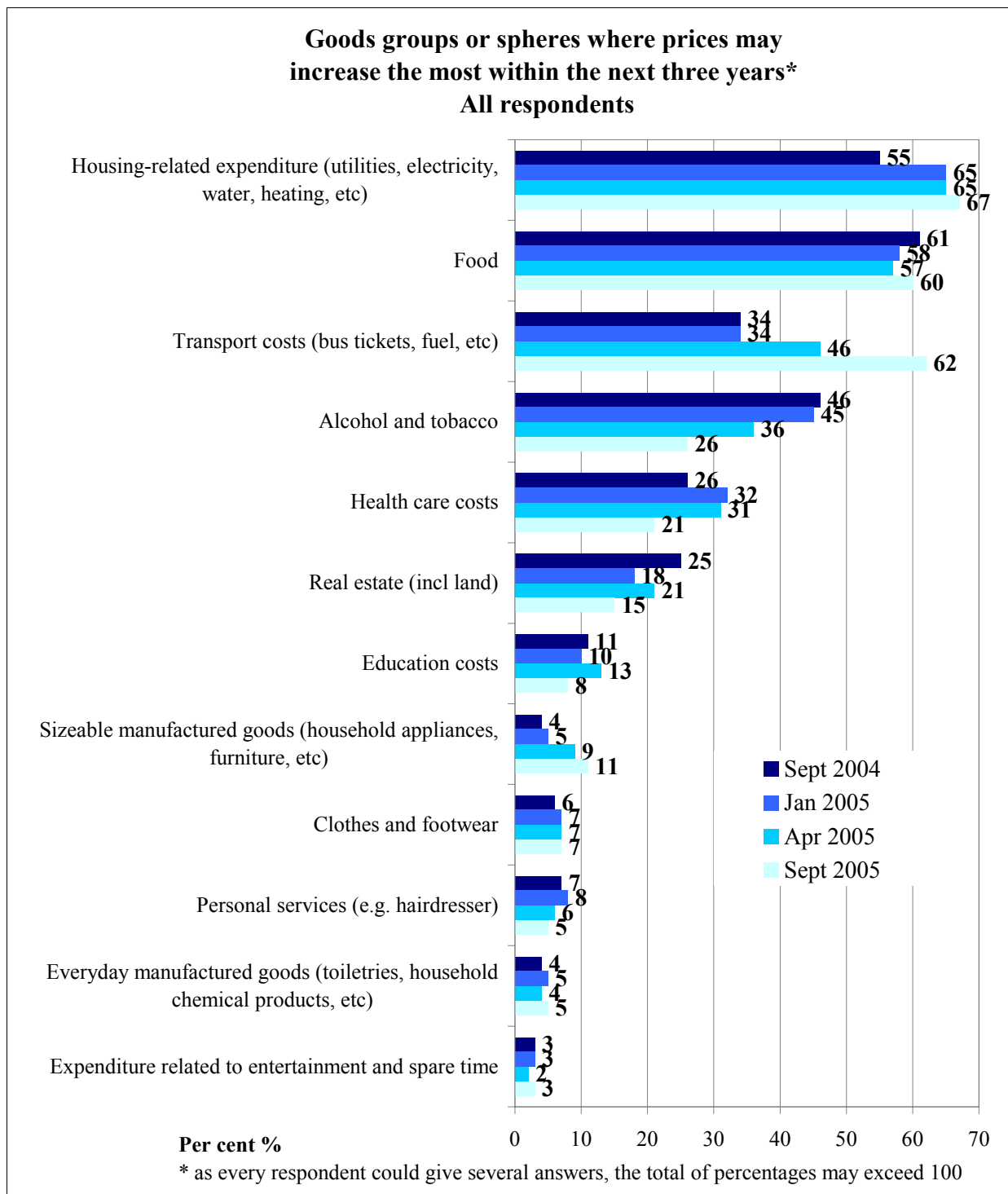
Men mostly expect the steepest price growth in the cost of alcohol and tobacco, whereas the majority of women say housing, food and health care expenditure will increase.

More than the average of the people whose income is lower say that the prices of alcohol, tobacco and food will grow the most in the coming years; people with average income are of the opinion that costs related to housing, food, and health care will witness the steepest rise; and people with higher income predict the appreciation of housing, transport, and personal services.

The majority of respondents living in Tallinn say that expenditure on housing, health care and real estate will increase the most, and people living in the countryside predict the appreciation of transport and food (this can probably be explained by the fact that there are more people with higher income in Tallinn).

People with basic education are more often of the opinion that costs related to food, education and clothes will increase, whereas people with higher education predict the appreciation of housing, transport and real estate.

Graph 3



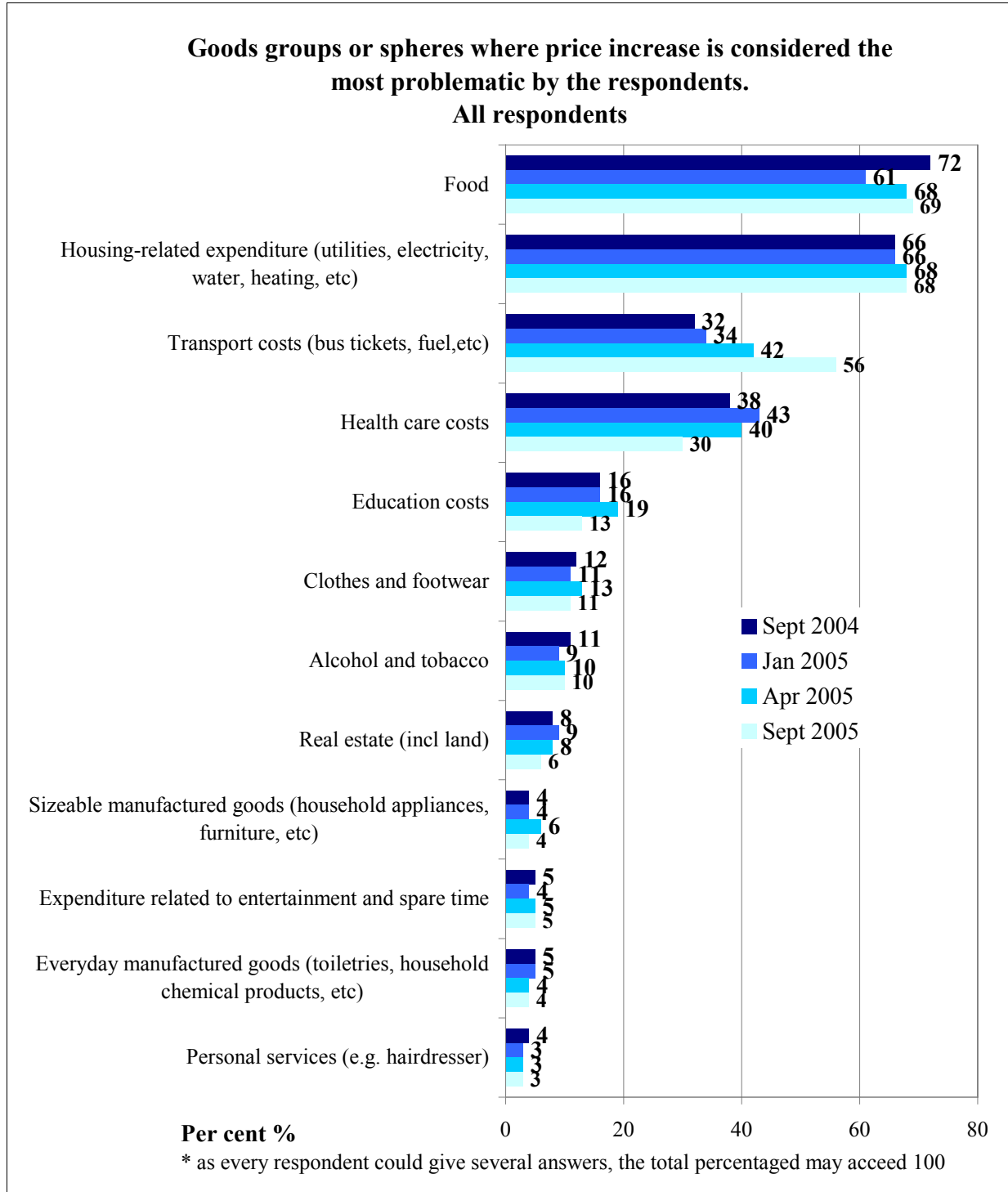
In Which Spheres Would Price Rise Constitute the Biggest Problem?

As in previous periods, residents perceive the appreciation of food and housing expenses as the most problematic (see Graph 4).

The number of respondents worrying about the growing transport costs has grown notably. At the same time, the amount of the people who think expenditure related to health care constitute a problem, has decreased. No significant changes have occurred in other areas during this period. If we compare the answers regarding the significance of the problem with the responses given to

the price growth forecast, then it is clear there exists a connection in most of the fields and by social-demographic characteristics – people predict price growth in the areas they consider the greatest “pain in the neck”.

Graph 4

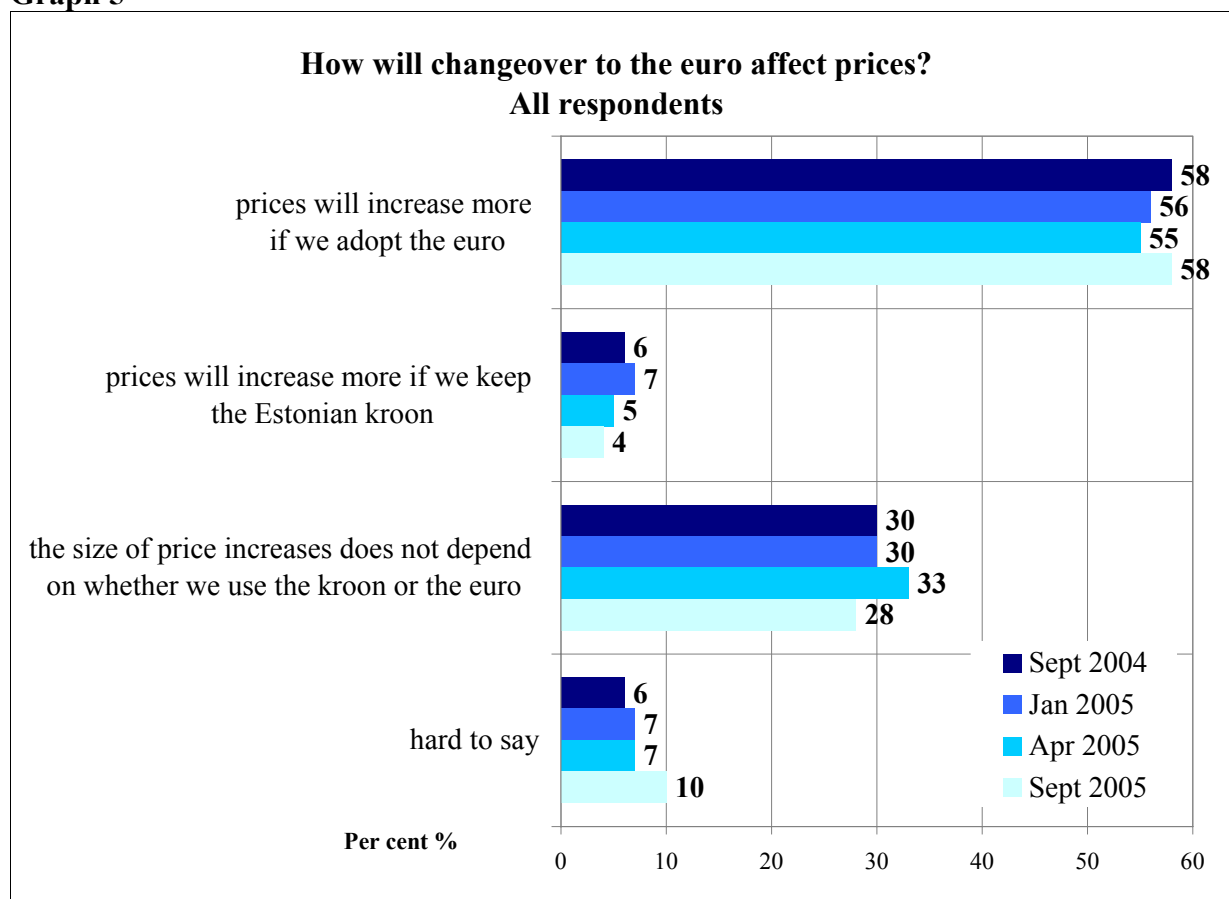


3.2. Changeover to the Euro

How Will Changeover to the Euro Affect Prices?

As can be seen from Graph 5, answers to that question have remained relatively stable in different survey periods. More than a half of the Estonian residents (58%) still hold that changeover to the euro will result in a price hike. Approximately a third is of the opinion that price increases are not related to the adoption of the euro.

Graph 5



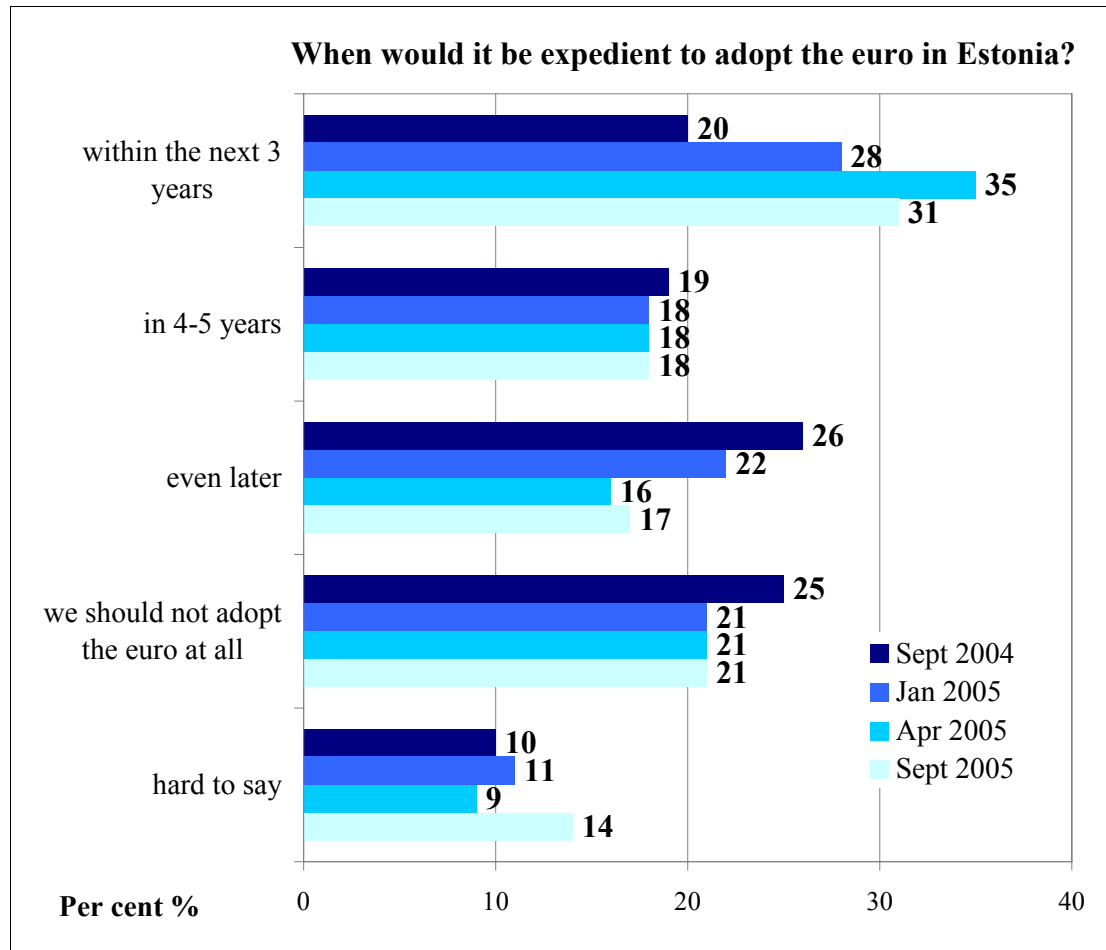
Mainly foreigners, older people, women, people with Russian citizenship or without citizenship, people with average income, people living in town, and people with secondary education tend to relate the changeover to growth in prices.

The number of 20-29-year-olds, who think that prices will increase if we preserve the kroon, exceeds the average.

The link between price increases and changeover to the euro/preserving the kroon is considered weaker mainly by people aged 15-19, as well as those aged 30-39, men, citizens of some other country, people with higher income, and people with higher education.

When Would It Be Expedient to Adopt the Euro in Estonia?

Whereas during the earlier periods the number of those who were in favour of a fast changeover to the euro gradually increased, the poll conducted in September 2005 presents us with a certain change. The amount of the respondents wishing to adopt the euro within the next three years has decreased, and the number of those who cannot take a stand in this respect has increased (see Graph 6).

Graph 6

Fast changeover to the euro (within the next three years) is more than the average supported by Estonians, 20-39-year-olds (37%), men, people with higher income, people living in Tallinn and those with higher education.

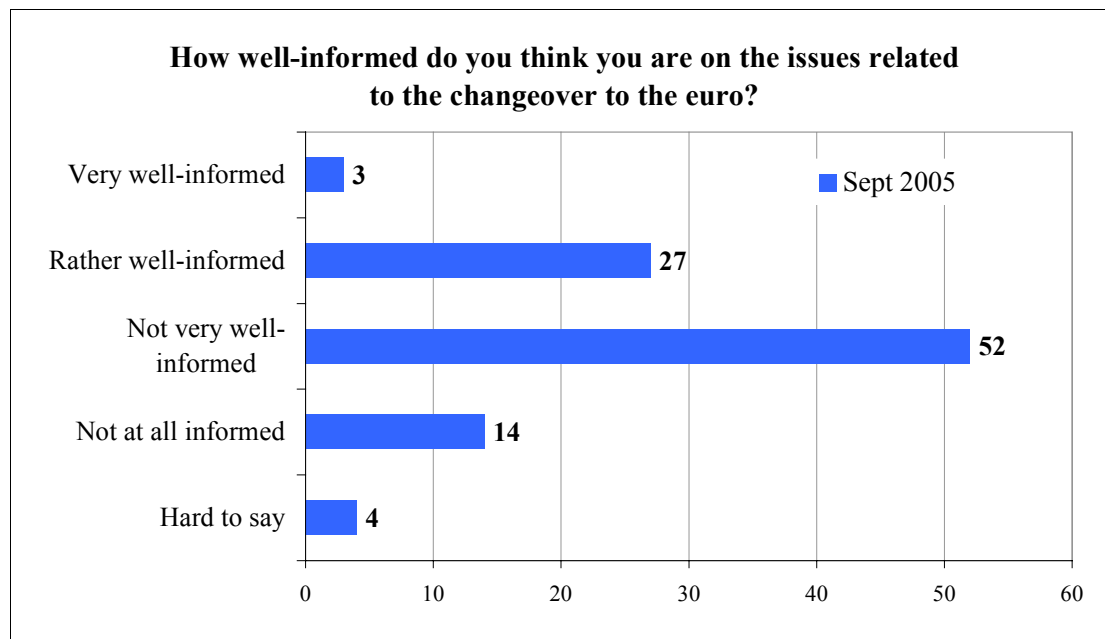
The respondent groups where the wish prevails to postpone the adoption of the euro to a more distant future include foreigners (23%, whereas a quarter of them expressed the wish not to adopt the euro at all), older people (34% of them would prefer not to adopt the euro at all), people living in the countryside and earning a small or average income (a quarter would prefer not to adopt the euro).

Russian citizens and people without citizenship would either postpone adoption of the euro to a very distant future or not adopt the euro at all.

The people who cannot take a stand regarding the changeover prevail among Estonians, people up to 19 years old, women, people living in the country, and people with basic education.

Receiving Information on the Issues related to the Changeover to the Euro

A half of the respondents are not that well-informed on the issues related to the changeover to the euro and 15% say they are not at all informed on the given subject. Thus two-thirds of the population find they do not have enough information regarding the changeover. Only a quarter of the respondents think they are relatively well-informed and 3% are of the opinion they are very well-informed on the given subject (see Graph 7).

Graph 7

The respondents who feel they are above the average informed on the issues related to adoption of the euro include Estonians, people aged 20-49, men, people with higher income (55% of the people whose monthly income per family member is above EEK 5,000 say they rather well or well-informed), people living in Tallinn, and people with higher education.

Foreigners, very young people, those aged over 60, people with Russian citizenship and without citizenship (as much as 79% of the people without citizenship are not very well or not at all informed), people with low and average income, people living in the country, and respondents with basic education.

Issues Related to the Changeover to the Euro that People Show Interest In

A half of the respondents wish to receive more information concerning the advantages and disadvantages of the changeover to the single currency. Almost the same amount would like to know how the adoption process will look like in practice. The latter is interconnected with the issues of recalculation of prices and conversion of the Estonian kroon into the euro. A fifth of the respondents would like to learn about the experience of those countries that are already using the euro (see Graph 8).

Foreigners are relatively more active and express the wish to obtain more information on all the aspects of the adoption of the euro. Compared to foreigners, the number of Estonians who say they do not wish to receive any information on the changeover is bigger.

When we look at the age of the respondents, 20-29-year-olds would like to obtain more information regarding the advantages, disadvantages, and time schedule of the changeover, people aged 40-49 years are interested in the experience of other countries, and respondents aged 50-59 years say they would like to know more about the practical aspects of the adoption, the rules and examples concerning the recalculation of prices, and rules of conversion. The number of people who claim they are not at all interested in any information regarding the changeover is bigger among the people over 60 years old.

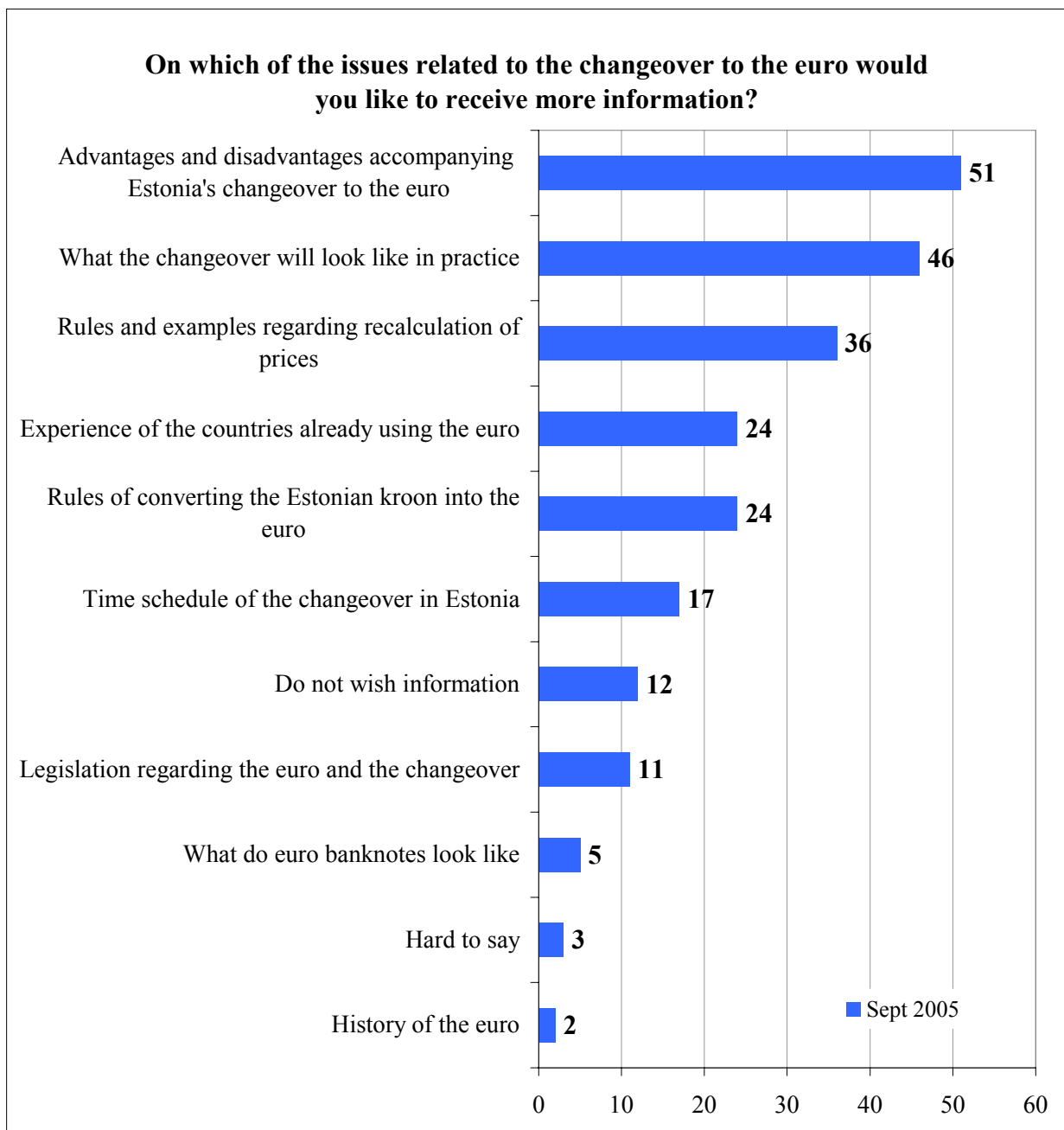
People with average or higher income say they would like to receive more information on the most of the issues related to the changeover – people with average income would like to know more about the practical aspects of the changeover, people with higher income are more

interested in the advantages and disadvantages, the time schedule, and the legislation concerning the adoption of the euro.

People living in Tallinn would like to obtain more information regarding the advantages and disadvantages and the practical aspects of the changeover, people living in other towns are interested in the recalculation rules and examples, whereas the interest country people show in the entire circle of topics is below the average.

People with higher education clearly emerge here, as they express the wish to learn considerably more about most of the issues. Respondents with secondary education would like to know more about the rules and examples concerning the recalculation of prices, whereas people with basic education are less interested in the given topics.

Graph 8

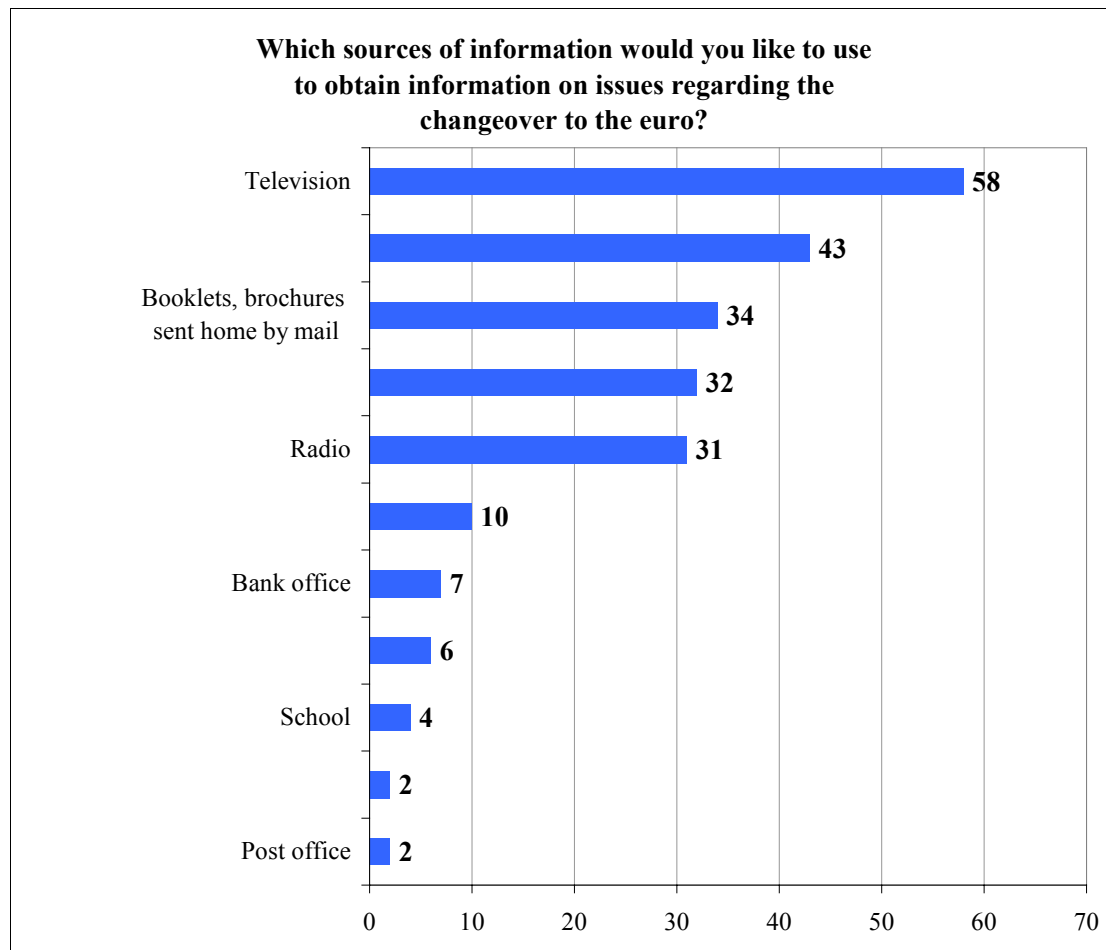


Preferred Sources of Information

People mainly expect information regarding the adoption of the euro via the means of mass communication - more than a half would prefer to receive the information from television, approximately a half from newspapers, and a third from the radio.

In addition a third of the respondents would like to have a brochure introducing the changeover sent to their homes and the same amount would be happy to obtain the respective information via a website created for this purpose (see Graph 9).

Graph 9



The following distinctive features emerge from the social-demographic attributes:

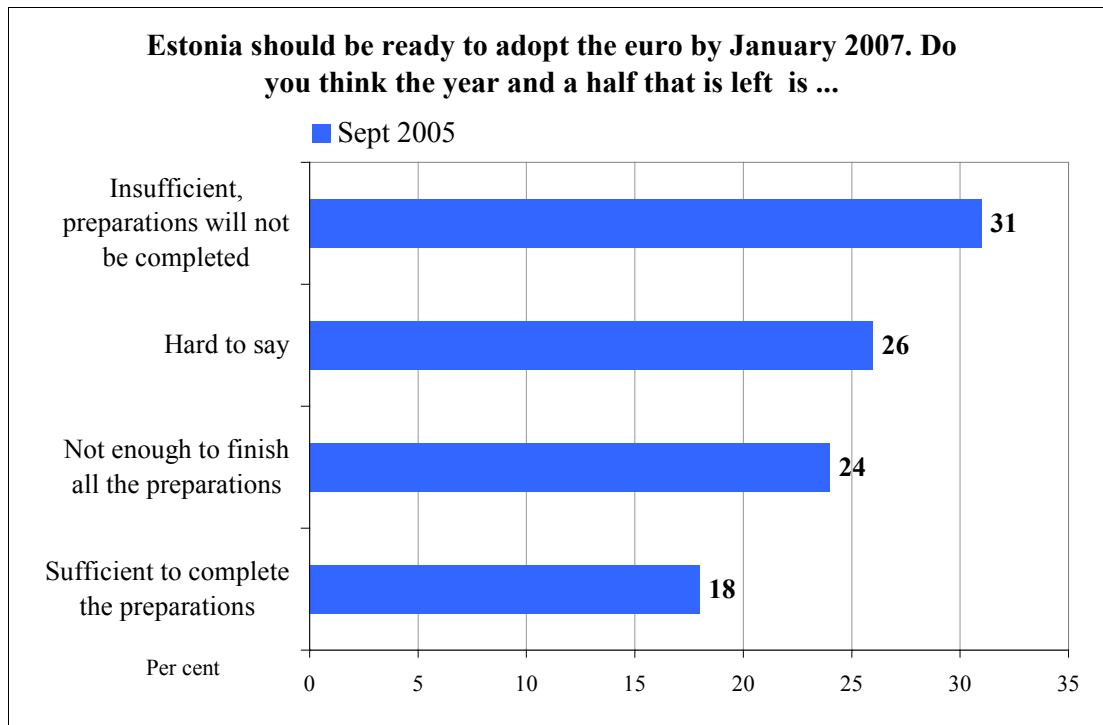
The number of people wishing to receive information by direct mail or over the radio is bigger among non-Estonians. People up to 49 want to obtain more information via a special web site, whereas people over 50 prefer television, print media, direct mail, and the radio. There are more people wishing to receive information by direct mail and over the radio among those whose income is average; people with higher income and higher education would prefer newspapers and web sites.

Is a Year and a Half Sufficient for the Changeover to the Euro?

A great majority of the residents of Estonia are either convinced that 1.5 years is too short a period to change over to the single currency or have no opinion at all in this respect. Almost a third of the respondents consider 1.5 years to be insufficient for completing the changeover

preparations. A quarter of the respondents think the time is too short to complete all the necessary preparations and almost the same amount cannot take a stand in this respect. Only 18% are of the opinion that 1.5 years is enough to finish the preparations (see Graph 10).

Graph 10



Estonians, the young aged 15-19, and country people tend to be more optimistic in this respect. Among those who are sure there will not be enough time to complete all the preparations, people aged 20-29, people with higher income (monthly net income per family member more than EEK 3,500), and people with higher education and living in Tallinn prevail.

Foreigners, people holding the citizenship of some other country, and especially people without citizenship (51%), as well as older people (over 50 years) with lower income tend to be more pessimistic.

When we look at the people who cannot take a stand in this respect, we can see that such people are more often Estonians, as well as people over 60, with basic education, and living in the country.

Usage of Euros

39% of the respondents have not travelled abroad. Only 32% of the respondents report experience in using euros. Thus it is understandable that a certain amount of the people have never experienced the convenience of using the single currency (see Graph 11).

Euros have been used as a means of payment mostly by people up to 49, with higher income (68% of the people have monthly income of more than EEK 5,000 per family member), with Estonian citizenship, with higher education (56%), and living in Tallinn.

Foreigners, people over 60 years old, and people not holding Estonian citizenship have used the single currency less than the average.

People who have been only to their homeland prevail in the following groups: people over 50 (55% of people aged 60-74), people with lower income, those without citizenship, people with basic education (55%), and people living in the country (52%).

Graph 11