



Estonia

Consumers Struggling with Loan Payments

Eight per cent of the adult population in Estonia have encountered difficulties in making loan payments in the last six months.

In April, GfK, an international research company, conducted a consumer survey investigating how the Estonian population was coping with loan payments. The survey revealed that a third of the Estonian population aged 15-74 had taken out a loan that was now being repaid. Of these, almost a quarter (23%) claimed they had run into difficulties in making loan payments in the last half-year. This totals 8% of the Estonian population aged 15-74.

For the Estonian population, the commonest loan is a home loan, held and being repaid by 14% of people aged 15-74, followed by credit card repayments (8%), consumer loans (7%), and car leases and student loans (both 5%).

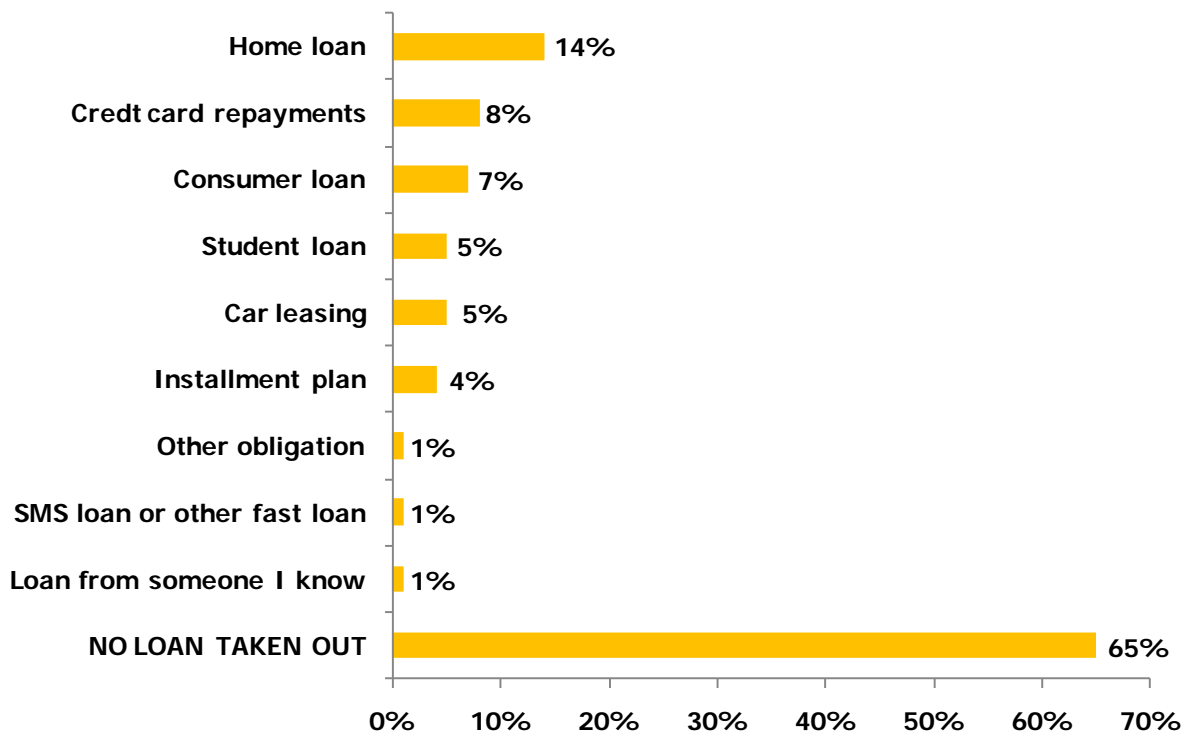


Figure 1

Have you personally taken out any of the loans of the following types that you are currently repaying or should be repaying? % of all respondents, n=501.

The loan burden is borne significantly more often by people with an above-average income, full-time employees and those who give their occupation as entrepreneur, manager or non-managerial office employee. Those aged 26-45, with a higher education and the residents of Tallinn are also more likely to be burdened with loans than others.

Problem loans

People who had run into difficulties with loan repayments were also asked about their assessment of the cause of their difficulties. Considering the current situation in the Estonian labour market, it comes as no surprise that in most instances the problems relate to income. For 22% in each case, the cause was the loss of a job or was due to a pay cut. In addition, an increase in the cost of daily living was singled out by 16% of people with repayment difficulties, low retirement (pension) payments by 7% and employer-mandated leave by 5%.

Overall, amongst all borrowers, repayment problems are more often related to home and consumer loans (respectively 8% and 6% of all borrowers), these also being the commonest loans. Problems are posed less often by car leasing and student loan payments. Figure 2 shows a profile of the people who say they have run into problems with loan repayments in the last 6 months.

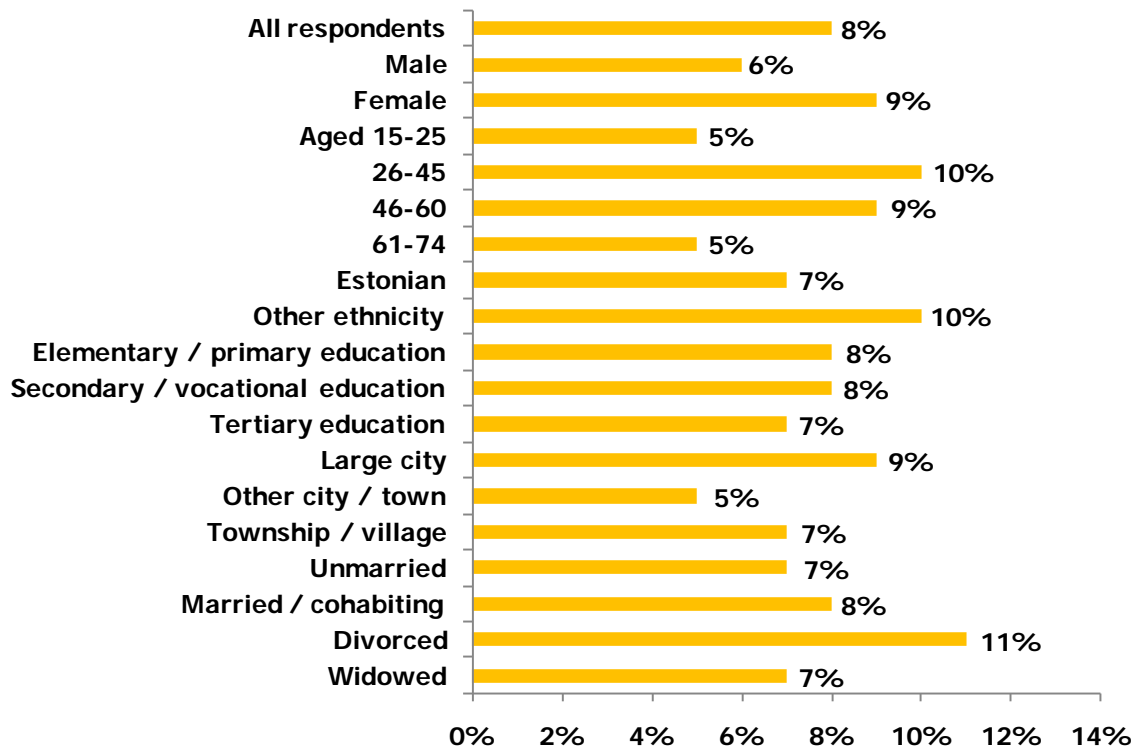


Figure 2

% of respondents who have run into problems with loan repayments in the last 6 months. n=501.

Outlook for coping

Deferring payment past the due date was cited most often as a tactic for coping with payment difficulties (in over a quarter of the cases). It was followed by: contacting the lender for an extension on the loan payment due date (16%), borrowing money from friends (13%), non-payment (10%) and selling something (2%). There was no-one amongst the respondents who had taken out a fast loan or gone to a pawnshop nor had any of the respondents had to give up any property purchased with their loans.



In an assessment of the outlook for the next 6 months for the various types of loan, upcoming payment difficulties are feared by a third of those who have consumer loans and 18% of those with home loans.

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