Estonia Quarterly Review

Change of the government. The government led by Jüri Ratas resigned on 13 January 2021. President Kersti Kaljulaid appointed the new government led by Kaja Kallas, head of the Reform Party, to office on 26 January 2021.

The Estonian economy has recovered relatively well from first phase of the pandemic, but the second wave is hindering recovery of the service sector. The decline in **output** was one of the lowest in the Eurozone in Q3 2020 (yoy -3.2%). Export of goods has recovered, while export of services is still in decline.

Registered unemployment has increased by 3 percentage points since March 2020 and reached 8.7% in January 2021. Unemployment stabilised somewhat after the restrictions of the 1st wave of pandemic were lifted, but started to rise again during the 2nd wave. Nevertheless, unemployment rate remains below summer forecast expectations of 10% for Q4 2020 – Q1 2021.

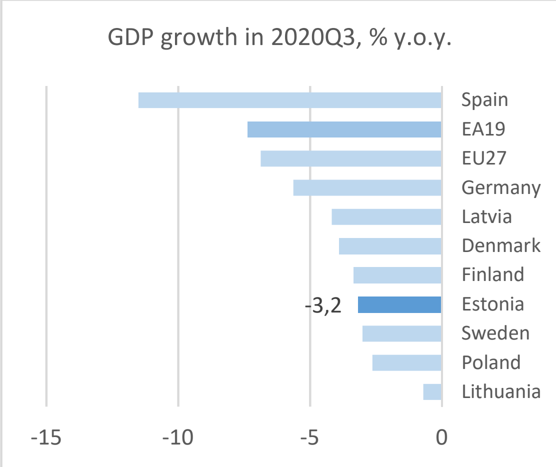
The **current account** surplus increased to a historic high of 5% of GDP in H1 2020 due to the pandemic as private sector investments were postponed, and consumption fell. In Q3 of 2020, large-scale acquisition of intangible fixed assets in the ICT sector led the current account into a deficit of 2% of GDP.

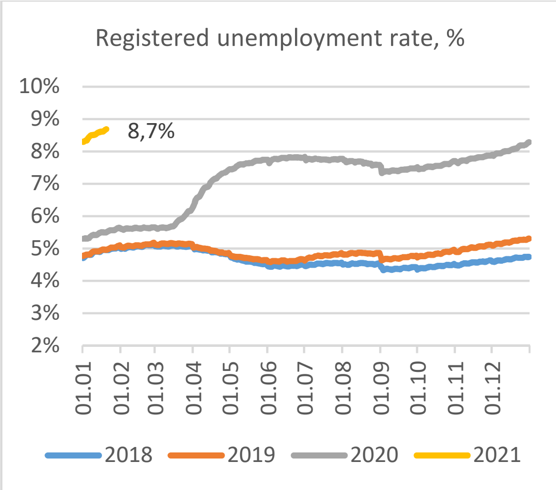
FDI net inflow into Estonian economy reached 8.2% of GDP for the first 9 months of 2020 (increased 97% yoy). The majority part of FDI inflow has been concentrated into ICT and financial sectors.

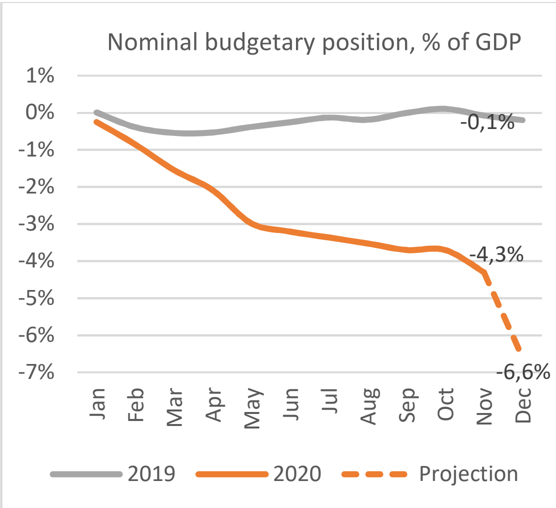
The general government budget deficit reached 4.3% of GDP in the year to November and the outturn for 2020 is expected to be better than the summer forecast of 6.6% of GDP. **Tax revenue** collected was 1.6% higher yoy in November 2020. The forecast of the general government nominal budget deficit for 2021 is 6.7% of GDP.

Estonia's credit ratings: S&P (AA-), Moody's (A1), Fitch (AA-), all stable.

As of 31 December 2020, the debt portfolio of the MoF of Estonia was EUR 3.2 billion (12% of GDP) with weighted average term to maturity 7 years. Estonia's projected **financing need** for 2021 is EUR 2.4 billion (8.4% of GDP), which will be covered through various debt instruments, likely to include a Eurobond issue later in the year.







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