

Estonia Quarterly Review

Estonia reached pre-crisis GDP trend in Q1 2021, but the recovery remains uneven. Positive surprises continued in Q1 this year when Estonian GDP recovered further by 4.8% qoq, contrary to a 0.3% decline in the Euro area. This is well above Spring Forecast expectations; the new economic outlook will be out in early September. Restrictions on economic activity and persons' movement have been among the mildest in EU throughout the crisis, and with the help of supportive fiscal policy, the economy has adjusted to the new situation rather well. However, the situation in tourism-related sectors remains challenging.

The crisis is still reflected in the labour market situation. Registered **unemployment** is 3 percentage points above the pre-crisis level reaching 7.5% in July. Removal of restrictions has increased the number of vacancies both in May and June.

The general government budget deficit reached 1.6% of GDP in May 2021 compared to the deficit of 3% of GDP in May last year mainly due to increased tax revenues and lower supplementary budget expenditures. The **tax revenue** was in fact 13.3% higher in the first five months of 2021 yoy due to low base level and economic recovery. In May, revenues exceeded pre-crisis (May 2019) level by 6.4%.

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

According to Spring Forecast Estonia's projected **financing need** for 2021 and 2022 is EUR 1.6 billion (5.6% of GDP) and EUR 1.8 (5.9% of GDP) billion respectively. The forecast will be updated in September.

