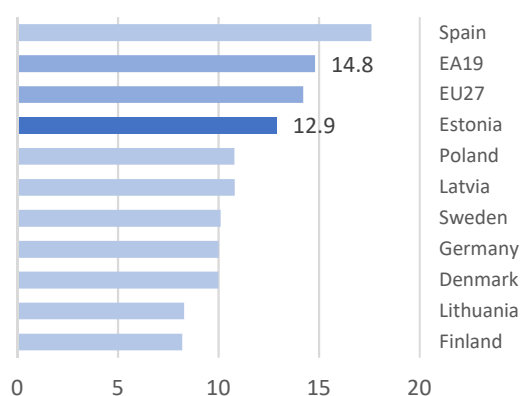


Estonia Quarterly Review

The Estonian economy is forecast to grow by 9.5% in 2021 and 4% in 2022, compared to a decline of 3% in 2020. The Estonian economy has been recovering fast from the coronavirus emergency situation due to a low level of restrictions on economic activity, coupled with strong growth in exports and a well-performing ICT sector. However, not all economic sectors in Estonia have recovered to their pre-Covid levels, in particular tourism. In Q2 2021, the economy grew by 12.9% yoy which was stronger than neighbouring countries.

GDP growth in Q2 2021, % y.o.y.



In September 2021, the MoF of Estonia published its updated economic forecast for 2021 - 2025. Selective macroeconomic and fiscal indicators are presented in Table below.

Table. Main forecast indicators as of September 2021

	2020 actual	2021 forecast	2022 forecast	2023 forecast	2024 forecast	2025 forecast
GDP growth %	-3.0	9.5	4.0	2.6	2.9	2.8
Unemployment %	6.8	6.7	5.8	5.7	5.6	5.6
Inflation %	-0.4	3.8	3.7	2.1	1.9	1.9
General Government sector:						
Nominal budget position (% of GDP)*	-5.8*	-3.3	-2.2	-2.1	-1.4	-0.6
Debt level (% of GDP)	19.0*	17.7	19.7	21.4	21.5	21.0

*Note that the time series has been revised in accordance with new methodological guide from Eurostat, changes concern the treatment of the suspension of pensions second pillar contributions by the state

The general government budget deficit is forecast to be EUR 1 billion (3.3% of GDP) in 2021, which is significantly less than the April 2021 forecast of EUR 1.7 billion (6% of GDP). The main reason for the decrease is better tax receipts. Thanks to the strong economic growth, receipts from both employment and consumption taxes have been better than initially planned.

Due to better than projected budgetary cash flows, the State Treasury has completed its borrowing activities for 2021. During the first half of 2021, the State Treasury took long-term loans from the CEB and the EU (the SURE facility) and issued 12 months T-bills in total of EUR 830 million.

The preliminary projection of the government funding need for 2022 is EUR 1.4 billion (4.3% of GDP). This will be updated towards the end of 2021 once the 2022 budget has been approved.

On the 11th of October 2021, Mr Alar Karis became the sixth president of Estonia. His term will last for five years. He is a former University of Tartu rector, auditor general and head of the Estonian National Museum. The outgoing president Kersti Kaljulaid served as president from 2016 - 2021.

In August 2021, Standard & Poor's revised their outlook on Estonia to positive from stable and affirmed the 'AA-/A-1+' rating.