

# Economic Forecast of the Ministry of Finance of Estonia

7 September 2020

## The crisis has bottomed out



The economic impact of the COVID-19 outbreak will remain smaller in Estonia and Northern Europe than in the EU on the average. The crisis has impacted the different sectors of the Estonia economy very unevenly. So far, the Estonian economy has done better than expected but further progress will be determined by the containment of the virus outbreak. A recovery is expected to start in 2021.

### GDP forecast, 2020–2024

	2005–2018	2019	2020	2021	2022	2023	2024
Real GDP growth, %	2.8	5.0	-5.5	4.5	3.5	3.0	2.3
Nominal GDP growth, %	7.6	8.4	-5.6	6.4	6.0	5.8	4.6
GDP at current prices, billion euros		28.1	26.5	28.2	29.9	31.7	33.1

## A rise in average salary delayed until 2022



Reduced turnovers will force cuts in staff and pay. The crisis relief measures of the Unemployment Insurance Fund have considerably dampened the crisis in the labour market. Low-wage workers in the tourism sector have been hit most severely by the crisis. A real increase in salaries can be expected in 2022 as a gradual recovery takes hold. Unemployment will long exceed precrisis levels.

### Labour market forecast, 2020–2024

	2019	2020	2021	2022	2023	2024
Real growth of average salary, %	5,1	1,3	-0,9	2,3	2,6	2,0
Average salary, euros	1407	1422	1428	1493	1565	1626

## Consumer prices to fall in 2020



Consumer prices will fall slightly in 2020 due to the effect of the crisis and reductions in excise duties, with additional contributions by the fall in the price of oil and the lower prices of some services. Inflation will gradually recover in 2021 and will accelerate to 2.2 per cent in 2022 as the cuts in the excise duties of energy will expire and prices of services will increase.

### Forecast of prices, 2020–2024

change, %	2019	2020	2021	2022	2023	2024
Consumer price index	2,3	-0,2	1,4	2,2	2,1	1,9