Responding to the Coronavirus Crisis
Update on Estonia (06/04/20)

**EBRD Policy Comparator**

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**Economic channels of disruption**

**Global value chains, retail services and tourism**

- Severe lockdown (schools and all non-essential businesses closed) causing sharp halt to the steady economic recovery.
- Estonia is particularly vulnerable to external shocks, with the value of exports and imports representing more than 170% of GDP.
- A high exposure to the tourism sector, which makes up 15 per cent of GDP, is already translating into shutting down of tourist-oriented businesses, such as restaurants, hotels and transport companies.

**Selected crisis impact indicators**

**EBRD GDP growth outlook (April 2020)**

2020: mild recession

[X new forecasts out on May 13 2020]

2021: strong recovery

**Economic sentiment**

(March 2020): March ESI 96.5 (down 0.6 points m/m)

**Employment expectations**

(March 2020) March EEI 95.6 (down 3.2 points m/m)

**OMX Tallinn stock market**

(end-March 2020) 1,013.5 (down 20% m/m)

**Monthly cost of lockdown**

(% of GDP) 2% (Bank of Estonia estimate)

**Crisis response measures to date**

**Support for employment and business liquidity**

- Broad support package being introduced, including labour market and liquidity measures, increased capacity for the state-owned financial institution Kredex, and new tax measures.
- Plan announced to raise maximum volume of short-term notes that can be issued by Estonia from previously EUR 400 million to EUR 1 billion.
- Proposed rescheduling of tax arrears, offering longer-term tax incentives for larger job creators in coming years.
- Proposed temporary suspension of contributions to second pillar pension fund.
- Tax authority to stop calculating interest on overdue taxes during crisis..
- Eligible for ECB’s Pandemic Emergency Purchase Programme of EUR 750 billion.

**Selected crisis response indicators**

**Total value of direct support**

EUR 270 million (1% of GDP)

**Wage subsidies**

70%

**Loan subsidies/guarantees**

EUR 1.7 billion

**Compensation for cancelled events**

EUR 3 million

**Enhanced sick leave**

3 days

**Key short-term priorities**

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals.