

Responding to the Coronavirus Crisis

Update on Estonia (14/07/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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Economic channels of disruption

Global value chains, retail services and tourism

- Easing lockdown (shopping malls, restaurants, public meetings, swimming pools, gyms and sports hall are partially allowed).
- Freedom of movement within Baltic states is fully restored; EU citizens allowed to enter, but need to comply with a 14-day quarantine.
- Estonia is particularly vulnerable to external shocks, with the value of exports and imports representing more than 170% of GDP and the tourism sector, which makes up 15% of GDP.

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)	2020: -6%
	2021: 7%
GDP growth Q1 2020	0.7% y/y
Economic sentiment	ESI 71.6
(June 2020)	(up 3 points m/m)
Unemployment rate	6.0%
(April 2020)	(up from 4.7% in February)
Industrial production	-18.0% y/y
(May 2020)	(down 1.1% m/m)
OMX Tallinn stock market	1,220
(end-June 2020)	(up 2.4% m/m)

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.
- Proposed rescheduling of tax arrears, offering longer-term tax incentives for larger job creators in coming years.
- Tax authority to stop calculating interest on overdue taxes during crisis.
- Proposed temporary suspension of contributions to second pillar pension fund.
- Local governments to be supported with a total of EUR 130 million towards purchases of personal protective equipment, investment support and road maintenance.
- 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.
- Eligible for ECB's Pandemic Emergency Purchase Programme of EUR 750 billion.

Selected crisis response indicators

Total value of direct support	EUR 1.6 billion (ca. 4% of GDP)
Wage subsidies	up to 70% of prev. income (max EUR 1,000); in June, up to 50% or max EUR 800
Loan subsidies/guarantees	EUR 1.7 billion
Compensation for cancelled events	EUR 40 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