

# Coronavirus response in 2021: building back better

## Update on Estonia (24 June 2021)



### Covid-19 policy response

- **A strong policy response in 2020**, amounting to around 9 per cent of gross domestic product (GDP), focused on job protection, liquidity support for companies, and the healthcare system.
- **Estonia submitted a €1 billion plan to the European Commission in March 2021 for use of the Recovery and Resilience Facility (RRF)**, targeting mainly green and digital projects.
- **Substantial European Union (EU) funds are available to boost the recovery.** Around €6.8 billion has been earmarked for Estonia in the next EU budget, including the EU recovery instrument.

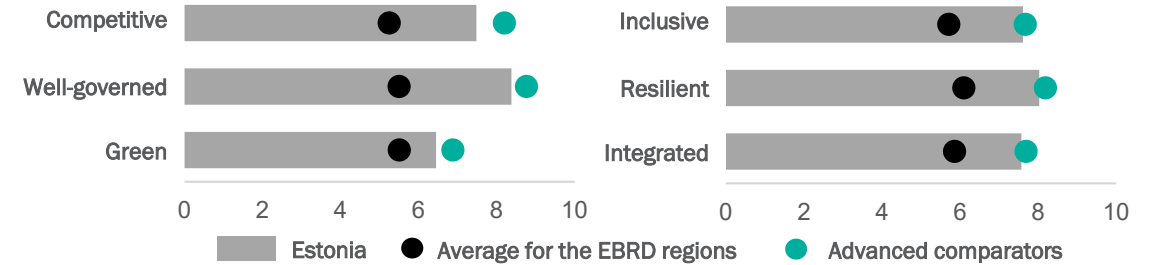
### Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators
GDP growth	4.4	5.0	-2.9	<b>EBRD GDP growth forecast (June 2021)</b> <b>2021: 3.0%; 2022: 4.5%</b> GDP quarterly growth: 5.4% y/y (Q1 2021 ) Economic sentiment: 107.5 (May 2021) OMX Tallinn All-Share Gross Index: 1,619.45 (end-May 2021), up 0.1% m/m Annual inflation: 3.1% (May 2021)
Annual inflation (end-year)	-0.3	-0.3	0.0	
Government balance/GDP	-0.6	0.1	-4.9	
Current-account balance/GDP	0.9	2.0	-1.0	
Net FDI/GDP	-4.7	-3.5	-9.5	
Public debt/GDP (end-year)	8.2	8.4	18.2	
Unemployment rate (end-year)	4.3	4.6	6.7	

### Key short-term priorities

- The government should continue to provide income support measures for individuals and households.
- Further liquidity support is needed for distressed businesses.
- The healthcare sector needs further support in order to cope with the effects of the pandemic.

### EBRD assessment of transition qualities (ATQs), 2020<sup>1</sup>



### Building back better: key ongoing initiatives

#### Competitive

- As part of the “Estonia 2035” development strategy, the government approved an action plan in April 2021 to boost competitiveness over the next 15 years.

#### Green

- Key RRF areas are: increasing the energy efficiency of apartment buildings and small houses, strengthening the electricity network, and producing and storing green energy.

#### Resilient

- The government’s broad support package includes increasing the capacity of state-owned enterprise Kredex to enhance its resilience.

#### Integrated

- The RRF envisions investments in rail and tram transport to support sustainable mobility.

#### Digital

- Key digital investments captured in the country’s recovery plan include enhancing the provision of internet connectivity and the continued digital transformation of companies.

To learn more about the EBRD’s support for Estonia, visit: <https://www.ebrd.com/estonia.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2020), [Transition Report 2020-21: The State Strikes Back](#), London.