

Coronavirus response in 2021: building back better

Update on Estonia (06 December 2021)



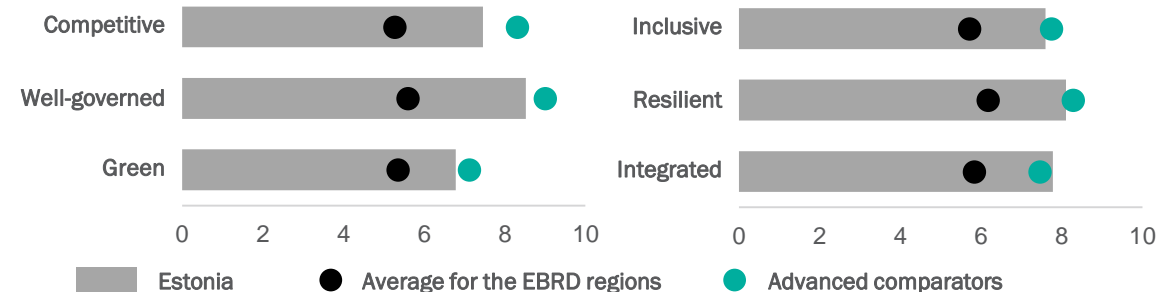
Covid-19 policy response

- **Estonia's strong policy response continued in 2021**, focusing on protecting jobs, providing liquidity support to companies and ensuring the healthcare system remained sustainable.
- **The European Commission approved Estonia's recovery plan**, using up to €969.3 million from the Recovery and Resilience Facility (RRF). The funds will target digital and green projects, including pilot projects using hydrogen and other innovative green technologies.
- **The draft budget for 2022 foresees support for additional healthcare costs brought about by Covid-19**. There will be further compensation for short-term sick-leave days and additional labour costs. There will also be a one-off amount of €16 million for vaccination, temporary vaccination centres and the operation of mobile vaccination points.

Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	4.1	4.1	-3.0	EBRD GDP growth forecast (Nov 2021) 2021: 9.0%; 2022: 4.0% Quarterly GDP growth: 8.6% y/y (Q3 2021) Economic sentiment: 107.7 (November 2021) OMX Tallinn stock market: 1,970.26 (November 2021, up 0.6% m/m) Annual inflation: 6.8% (October 2021)
Annual inflation (year end)	3.3	1.8	-0.9	
Government balance/GDP	-0.6	0.1	-5.6	
Current-account balance/GDP	0.8	2.5	-0.3	
Net FDI/GDP	-4.8	-3.9	-10.4	
Public debt/GDP (year end)	8.2	8.6	19.0	
Unemployment rate (year end)	4.3	4.5	6.7	

EBRD assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

- Competitive**
 - By increasing the volume of export guarantees through KredEx from the current €192 million to €400 million, companies will have additional support for expansion overseas.
- Green**
 - To facilitate economic diversification and the green transition, the EU's Just Transition Fund will be allocated to those regions that rely on the oil shale sector.
- Resilient**
 - The state will compensate all consumers for 50 per cent of fees for network services and subsidise heating costs for low-income households through municipalities.
- Integrated**
 - A joint Helsinki-Tallinn Tunnel working group is being relaunched to make the proposed tunnel eligible for EU funding via the Trans-European Transport Network programme.
- Digital**
 - The digital investments in Estonia's recovery plan include the further digital transformation of companies and improving the digital capacity of the education sector.

Key short-term priorities

- The anti-money laundering/combating the financing of terrorism (AML/CFT) framework should be strengthened continuously.
- Reducing skills shortages and gender pay disparities through active labour-market policies and incentives remains a priority.
- Exiting from oil-shale electricity and further diversifying the country's energy sources should be prioritised.

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

¹ For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.