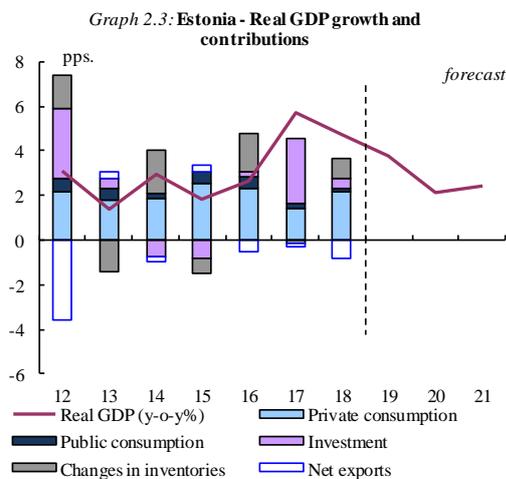


2.3. ESTONIA

GDP growth in 2019 is expected to have reached 3.8% in Estonia, boosted by corporate and household investment as well as exports in the first three quarters of the year. While Estonia largely managed to shrug off the weaker external environment for most of the year, the decline in external demand caught up with it in the last few months when export growth began to decline. At the same time, the service sector has remained resilient due to strong domestic demand supported by real income growth.

In 2020, real GDP growth is forecast to moderate to 2.2%. Growth is set to be supported mainly by domestic demand. The labour market's continuing strength sustained consumer confidence in 2019 and should continue to do so this year. Nevertheless, as suggested by the downward trend in business sentiment, industrial production and exports are likely to stagnate in 2020. Investment growth is set to slow markedly after reaching a high point in the previous year. In 2021, GDP growth is forecast to show a slight rebound to 2.4%.



Inflation slowed markedly to 2.3% in 2019 from 3.4% in 2018, largely due to lower energy prices. Inflation is forecast to remain slightly above 2% in 2020 and 2021. Relatively strong wage growth is set to push up prices of services while increases in consumption taxes are expected to have a smaller inflationary impact than in recent years. Energy prices are expected to remain relatively stable.