**Estonia** 

By very stringent fiscal policies and by keeping a very strict control of the state budget Estonia has managed through the dire straits of the global financial crisis in a very prudent way. That was also manifested by the fact that the country was granted full membership in EMU from January 1, 2011. The entrance into the EMU and the change to the currency Euro was done at the rate 1 EUR = 15,6466 EEK, i.e. exactly as the de facto-peg the Estonian Kroon had kept for the preceding 18 years.

After the heavy recession 2009, when GDP fell by 14 % and the harsh economic policy led to significantly reduced salaries – in public sector in many cases with more than 20 % - and unemployment increasing to more than 15 %, the strong growth in export has been the main driver of the economic recovery including the improvement of the external balances. Also investments, partly funded from EU´s structural funds, contributed. Now grants from EU-funds, that made up 7-8 % of GDP previous years, have declined at the same time as the economy in some of the major trading partners, like Finland and Russia, is slowing down. This has caused the Estonian GDP-growth to slow down significantly.

The banking sector is dominated by the two Swedish banks, Swedbank and SEB. Both of them have declared long-term support for their Baltic operations. The demand for credits is constrained by the still uncertain economic outlook.

Key facts (Sources: IMF, Business Monitor Int´l, Eesti Pank, Statistics Estonia, Swedbank, SEB)

 2011 2012 2013f 2014f

Population (mn) 1,3 1,3 1,3 1,3

GDP (nom.; EUR, bn) 16,2 17,4 18,5 19,7

GDP-growth, real (%, y-o-y) +9,6 +3,9 +1,6 +2,6

GDP/capita (EUR) 12.102 13.495 14.400 15.300

Budget balance (% of GDP) +1,0 -0,3 -0,2 -0,6

Inflation (CPI; e-o-p, %) 5,0 3,9 3,0 2,8

Export (EUR, bn) 12,0 12,5 12,9 13,5

Import (EUR, bn) 12,7 13,8 14,3 15,0

Balance of trade (EUR, bn) -0,7 -1,3 -1,4 -1,5

Current account (EUR, bn) +0,3 -0,3 -0,2 -0,3

Current account (% of GDP) +1,8 -1,8 -1,4 -1,3

Total external debt (EUR, bn) 15,2 16,6 16,9 17,1

Total external debt (% of GDP) 94,0 95,4 91,4 86,9

Unemployment rate (%) 12,5 10,2 8,7 8,3