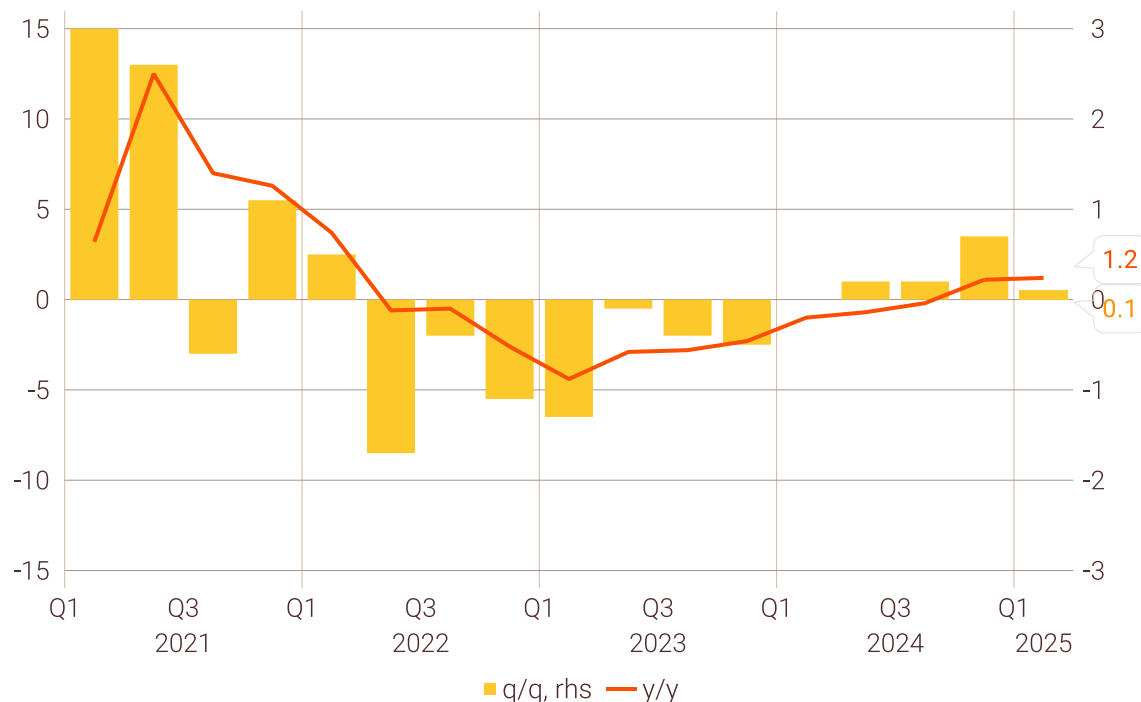


Estonian economy: The economy is gradually recovering

In Q1 2025, Estonian GDP increased 1.2% y/y in real terms, while it rose 0.1% q/q (seasonally and working day adjusted - swda), according to the flash estimate of Statistics Estonia.

Real GDP

%, swda



Sources: Swedbank Research & Macrobond

- As the economy is doing better and export opportunities have improved it has supported confidence in manufacturing. Exports of goods are growing, supporting the growth of manufacturing output. The bottom in manufacturing production was in July last year, and compared to that time, production was 6% higher by February. However, due to the previous long decline, manufacturing production is still at the level of the end of 2018.
- We expect foreign demand to continue to improve, however, US trade tariffs will hinder the growth. Although, the direct impact from the US tariffs on the Estonian economy is modest, weaker than expected foreign demand through exporting partners will have additional negative impact. This will mean somewhat weaker GDP growth for this and next year than we previously expected.
- Households still remain gloomy. Despite solid wage growth high inflation and income tax hike are reducing purchasing power of wages this year. However, falling interest rates are supporting households with loan obligations. Swedbank card payments suggest that private consumption was still weak at the start of the year.

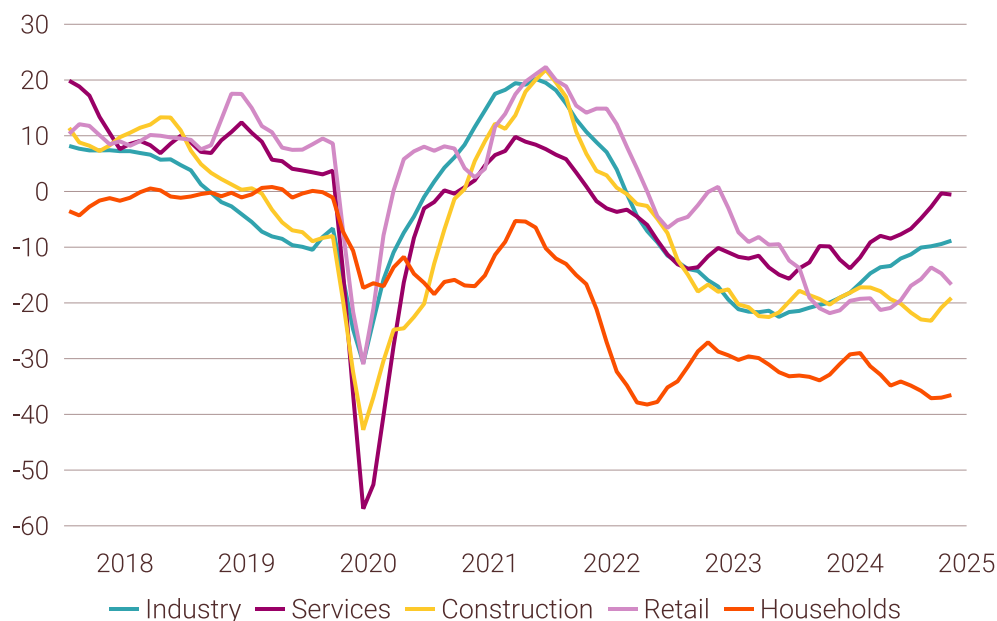
Analyst:

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Exports of goods, manufacturing production and retail sales are growing

Economic confidence by sectors

Index, sa, 3mma

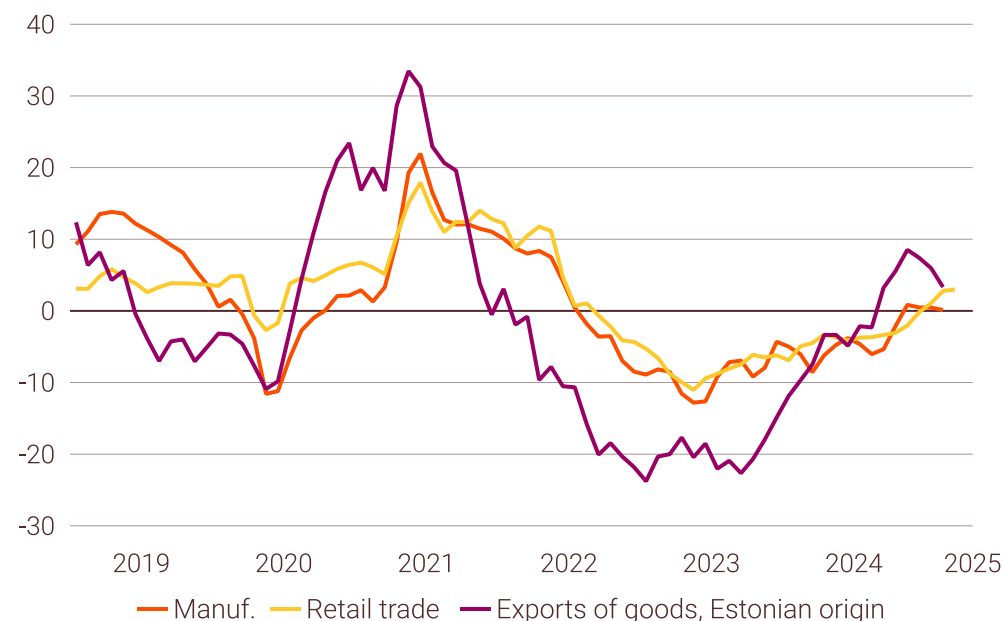


Sources: Swedbank Research & Macrobond

- As the economy is doing better and export opportunities have improved it has supported confidence in manufacturing. Exports of goods are growing, supporting the growth of manufacturing output. The bottom in manufacturing production was in July last year, and compared to that time, production was 6% higher by February. However, due to the previous long decline, manufacturing production is still at the level of the end of 2018.
- We expect foreign demand to continue to improve, however, US trade tariffs will hinder the growth. Although, the direct impact from the US tariffs on the Estonian economy is modest, weaker than expected foreign demand through exporting

Manufacturing, retail and exports are growing

y/y %, real, 3mma



Sources: Swedbank Research & Macrobond

- partners will have additional negative impact. This will mean somewhat weaker GDP growth for this and next year than we previously expected.
- With improving economic outlook, services sector confidence is also picking up. Although, confidence in retail trade has somewhat worsened recently, retail sales have started to grow since the end of last year. Households still remain gloomy. Despite solid wage growth high inflation and income tax hike are reducing purchasing power of wages this year. However, falling interest rates are supporting households with loan obligations. Swedbank card payments suggest that private consumption was still weak at the start of the year.

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