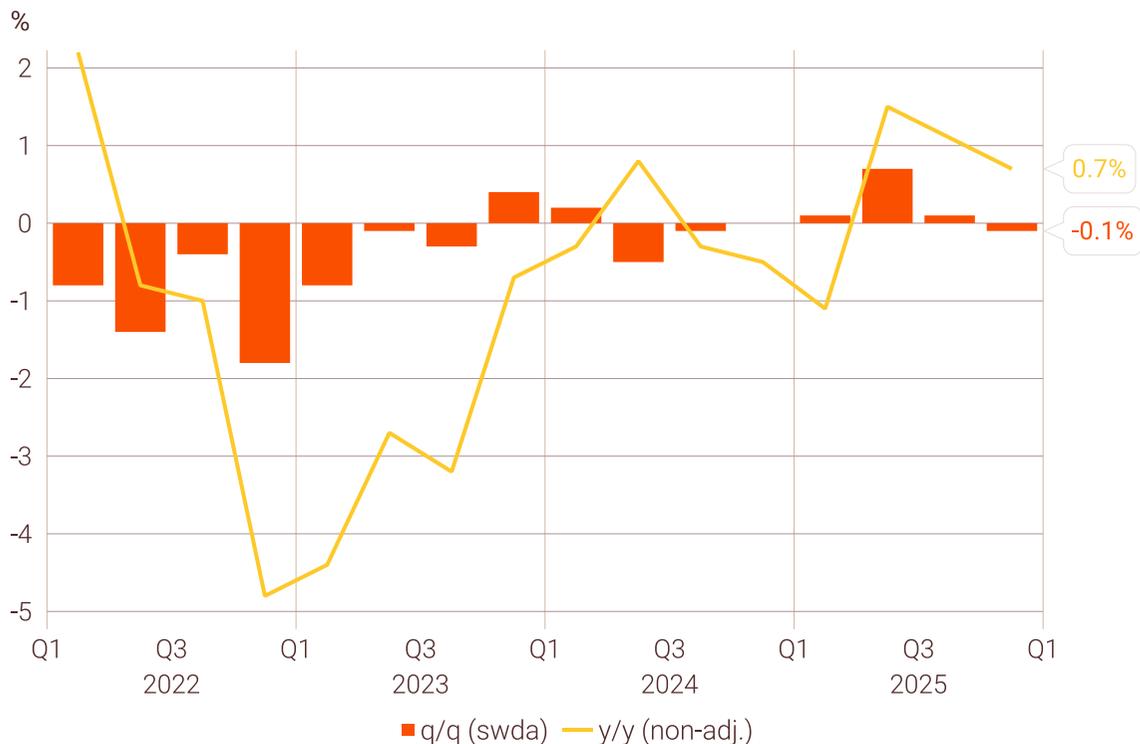


Estonia's economic growth to pick up pace in 2026

Stronger private consumption and government investments to be the main drivers

Estonia: real GDP



Sources: Swedbank Research & Macrobond

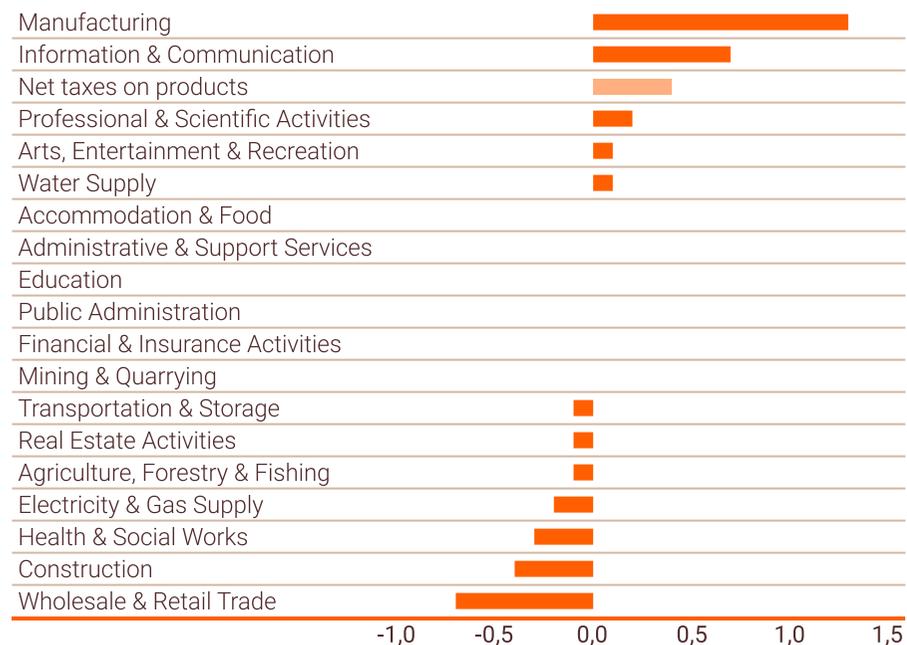
- In the fourth quarter of 2025, Estonia's real GDP increased by 0.7% y/y, but declined by 0.1% over the previous quarter (seasonally and working day adjusted - swda), according to Statistics Estonia. Overall, GDP grew by 0.6% in 2025, indicating a modest recovery in line with our expectations.
- In 2025, GDP growth was driven mainly by government consumption and investment. In the final quarter, household investment accelerated, and non-financial corporations' investment turned positive; however, non-financial corporations' investment was still negative in 2025 as a whole.
- Private consumption remained weak, declining at the end of the year. Consumer confidence, a key prerequisite for consumption, improved in the second half of 2025, supported by expectations of lower inflation and taxes, but stalled at the start of 2026. Strong growth in real net wages is expected to support confidence, private consumption, and housing market activity.
- In 2025 as a whole, both exports and imports grew by 5%. In Q4, export growth outpaced imports, with both goods and services exports rising strongly.
- We expect Estonia's economic growth to pick up pace in 2026, supported by increased government investment and stronger private consumption. We forecast the economy to expand by 2.3% this year and by 2.6% next year. However, uncertainty in the external environment has intensified, with the global economic outlook clouded by geopolitical tensions and trade fragmentation. As a small, highly open economy, Estonia is particularly exposed to shifts in external demand, supply chain disruptions, and changes in the global economy.

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Investment growth picked up at the end of 2025

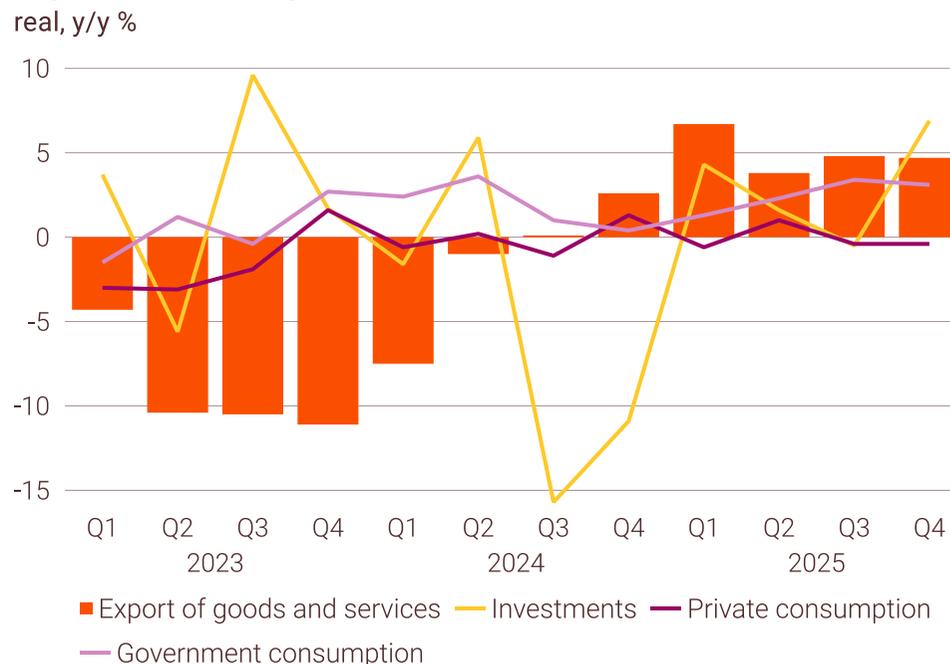
Contributions to GDP growth, 2025Q4, pp



Sources: Swedbank Research & Macrobond

- Value added of the non-financial corporations grew by 0.4% y/y in Q4 2025, while net taxes on products (mainly VAT and excise duties), including subsidies, rose by around 3%. Similar growth was recorded for 2025 as a whole. In both Q4 and the full year, the largest contributions to GDP growth came from manufacturing and ICT, while wholesale and retail trade weighed on growth the most, primarily due to a decline in motor vehicle sales.
- In 2025, GDP growth was driven mainly by government consumption and investment. The large fiscal stimulus will help speed up economic growth in 2026.
- In Q4, investments growth picked up, supported mainly by households' housing demand and nonfinancial corporations' investment toward building and construction projects. Transport-related investment by both households and non-financial corporations declined, reflecting the impact of the vehicle tax introduced at the start of 2025.

Exports, consumption and investments



Sources: Swedbank Research & Macrobond

- Private consumption continued declining in Q4. Consumer confidence, a key prerequisite for consumption, improved in the second half of 2025, supported by expectations of lower inflation and taxes, but stalled at the start of 2026. We expect strong growth in real net wages to support confidence, private consumption, and housing market activity.
- In 2025 as a whole, both exports and imports grew by 5%. In Q4, exports (+4.7% y/y) outpaced imports (+3.1%) growth. Both goods (+4.1%) and services (+5.6%) exports growth was strong in Q4. However, uncertainty in the external environment has intensified, with the global economic outlook clouded by geopolitical tensions and trade fragmentation. As a small, highly open economy, Estonia is particularly exposed to shifts in external demand, supply chain disruptions, and changes in the global economy. This leaves the export outlook sensitive to downside risks, even as recent performance has been encouraging.

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