

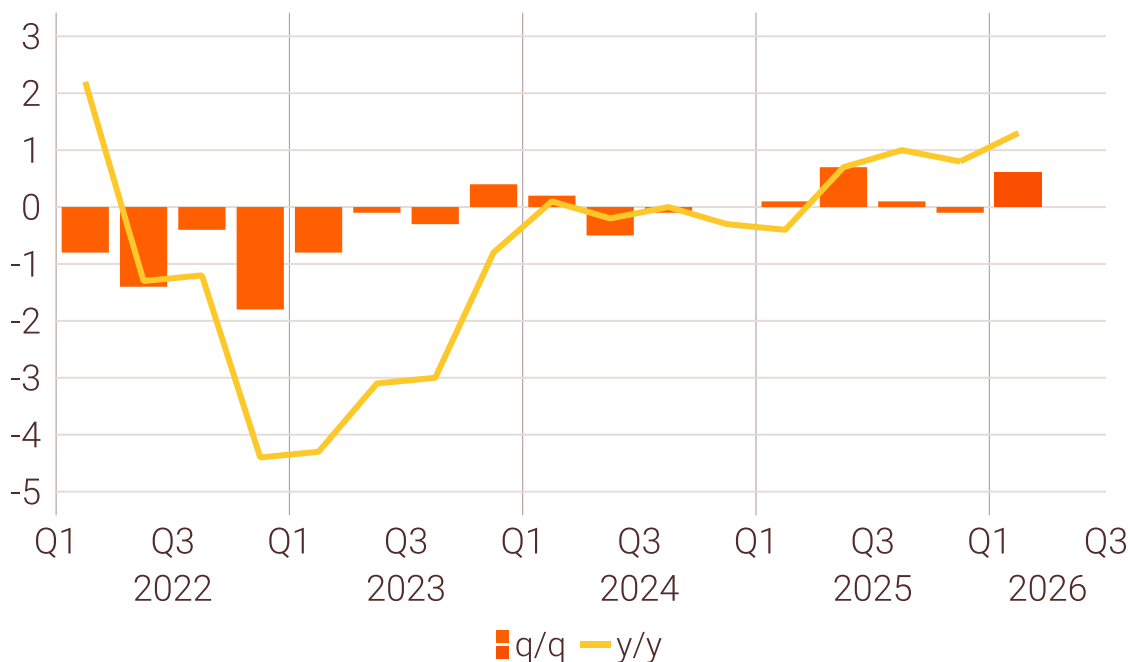
Estonia – economic growth is improving

Stronger private consumption and government investment will support growth in 2026

- According to Statistics Estonia's flash estimate, Estonia's real GDP increased by 1.3% y/y and by 0.6% q/q (seasonally and working day adjusted - swda) in Q1 2026, in line with our expectations.

Estonia: real GDP

%, swda



Sources: Swedbank Research & Macrobond

- In 2025, GDP recovered modestly in line with our expectations, and this recovery continued into the beginning of this year. However, the situation varies across sectors.
- The personal income tax reform is boosting households' purchasing power and supports consumption. Swedbank card payment data indicate that consumer spending picked up at the start of the year.
- Although, the war in the Middle East has pushed up fuel prices and will result in higher inflation than previously projected, household purchasing power will still increase this year. In the first quarter, the average net wage of Swedbank's private clients increased by nearly 10% compared with a year earlier.
- Exports of goods of Estonian origin declined in the first two months of the year. Although, export opportunities for Estonian companies should improve this year, the outlook has become weaker than before. In addition, higher fuel prices will increase costs for many businesses, with transport and agriculture being particularly affected.
- The war in the Middle East has deteriorated economic sentiment and weakened the economic growth outlook. However, we still expect moderate growth this year, supported by increased government investment and stronger private consumption.

Analyst:

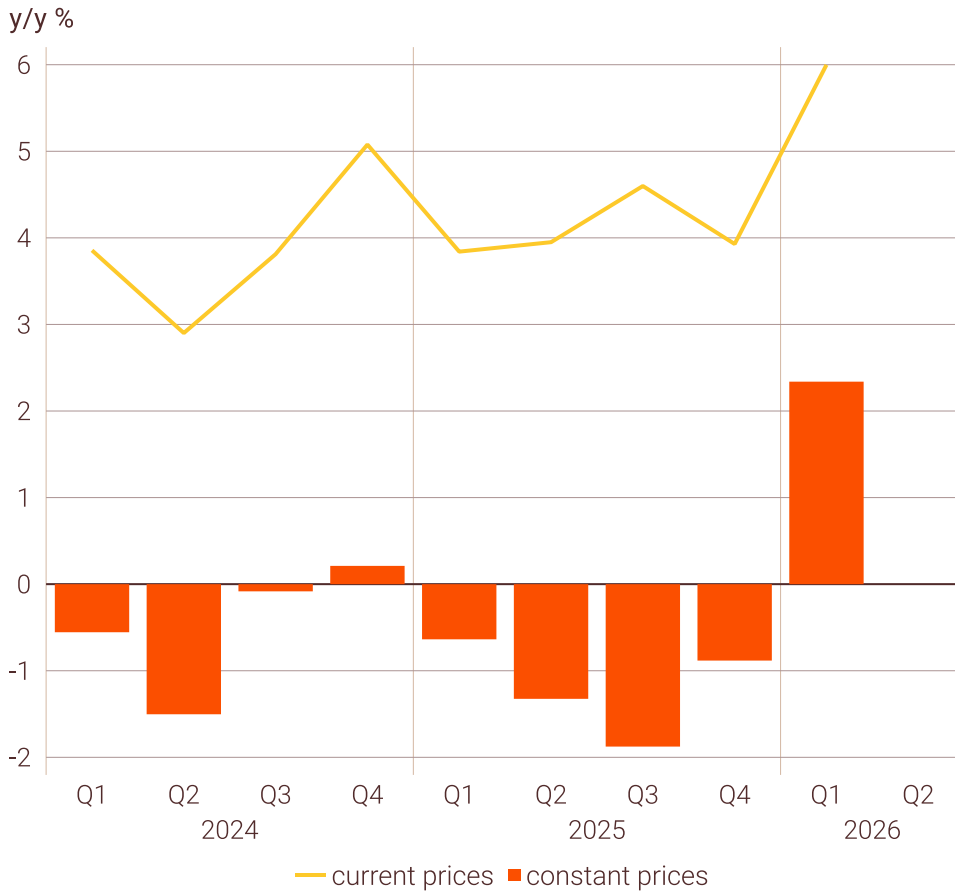
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Private consumption started to improve after three years of contraction

A blockade of the Strait of Hormuz will accelerate inflation

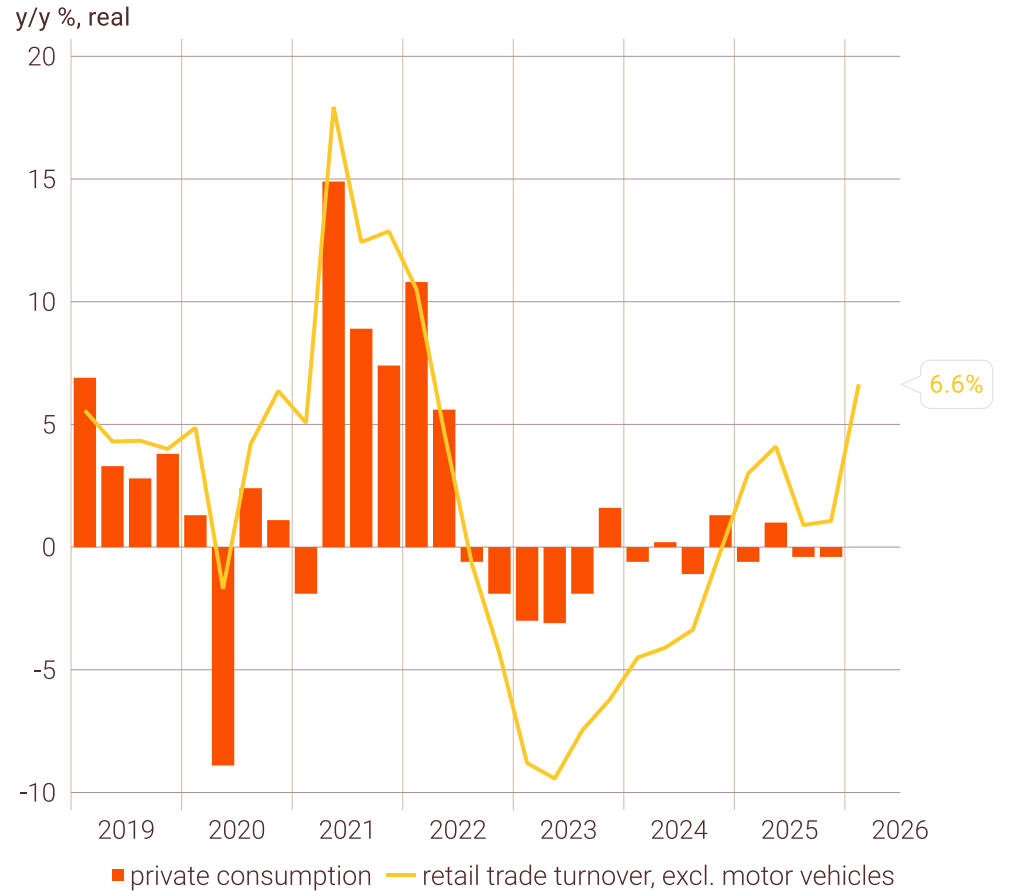
- Swedbank card payment statistics indicate that consumer spending picked up at the start of the year, supported by strong growth in real net wages. Retail trade, which accounts for nearly one-third of private consumption, also showed robust growth.
- The war in the Middle East has pushed up fuel prices and will result in higher inflation than previously projected. However, household purchasing power will still increase this year. In Q1, the average net wage of Swedbank's private clients increased by nearly 10% y/y. According to preliminary estimates, the HICP rose by 3.3% in April and averaged 3.4% in the first four months.

Swedbank card transactions



Sources: Swedbank Research & Macrobond

Private consumption and retail trade



Sources: Swedbank Research & Macrobond

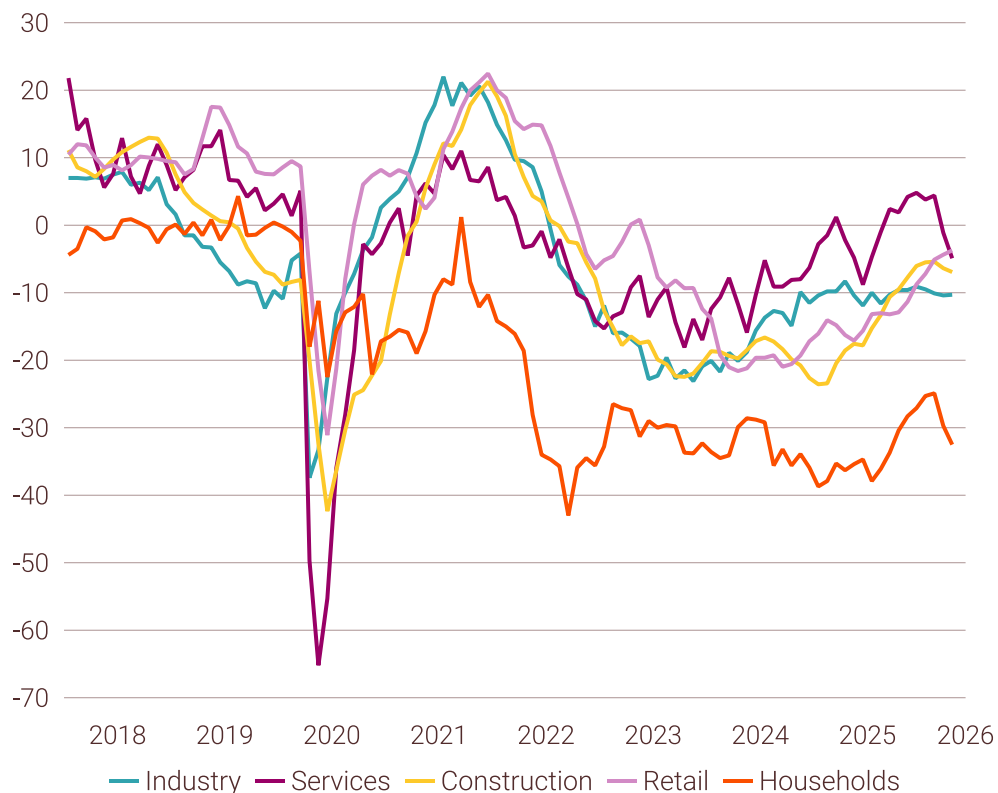
General economic sentiment has weakened amid the war in the Middle East

Government investments and private consumption will be supporting the economy this year

- Household confidence has weakened due to the war in the Middle East; however, it remains stronger than in 2025 and is expected to continue supporting consumption.
- The year started on a rather weak note in goods trade. Exports of goods of Estonian origin declined in the first two months of the year. Although, export opportunities for Estonian companies should improve this year, the outlook has become weaker than before. In addition, higher fuel prices will increase costs for many businesses, with transport and agriculture being particularly affected.

Economic confidence by sectors

Index, sa, 3 mma

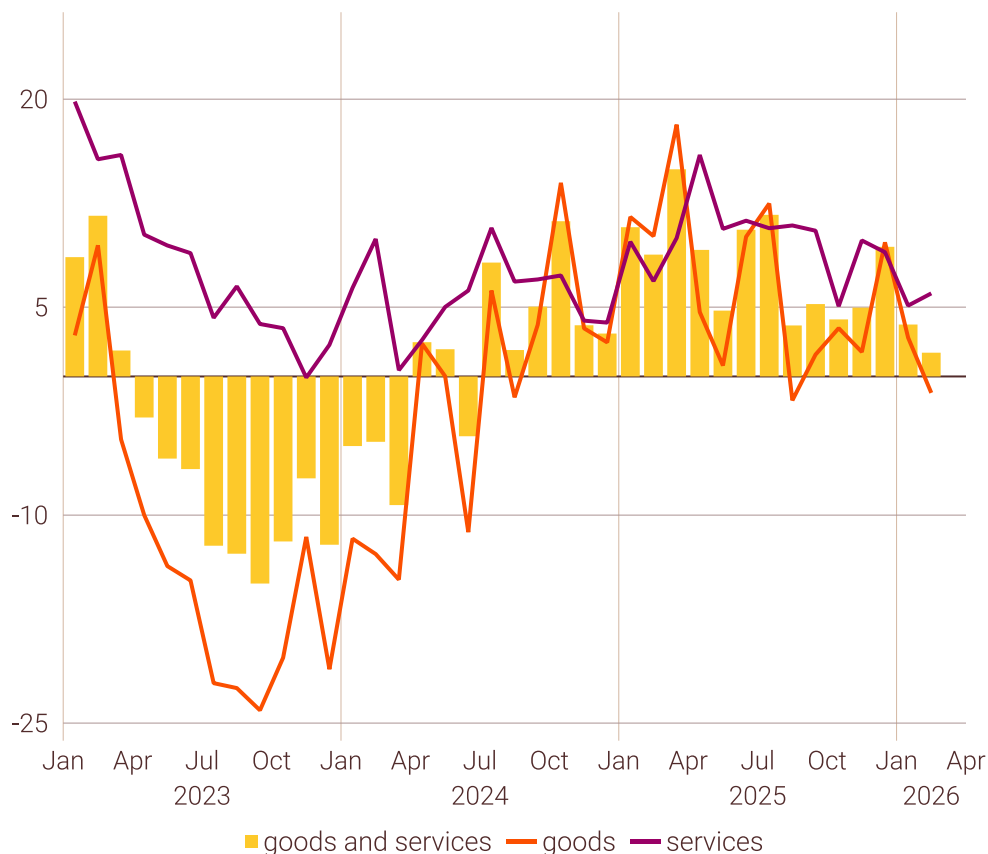


Note: In May 2022, Estonia changed its methodology – the household sentiment survey is conducted online with 1000 people interviewed.

Sources: Swedbank Research & Macrobond

Exports of goods and services

y/y %, nominal (balance of payments)



Sources: Swedbank Research & Macrobond

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