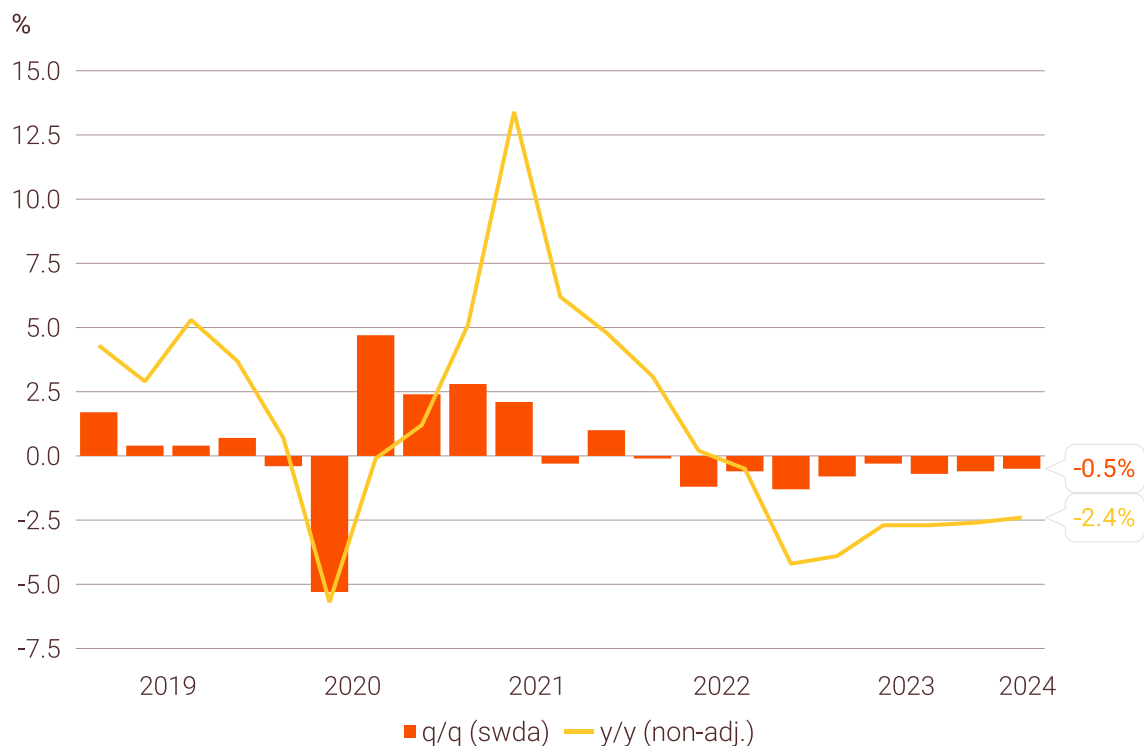


## Estonia: economic recession continued at the start of 2024

- Estonia's GDP dropped 2.4% year-on-year in Q1 2024 in real terms (non-adjusted), according to Statistics Estonia.
- In quarter-on-quarter comparison, GDP continued to contract at the start of the year, falling by 0.5% (swda) in the first quarter.

### Estonia: real GDP



Sources: Swedbank Research & Macrobond

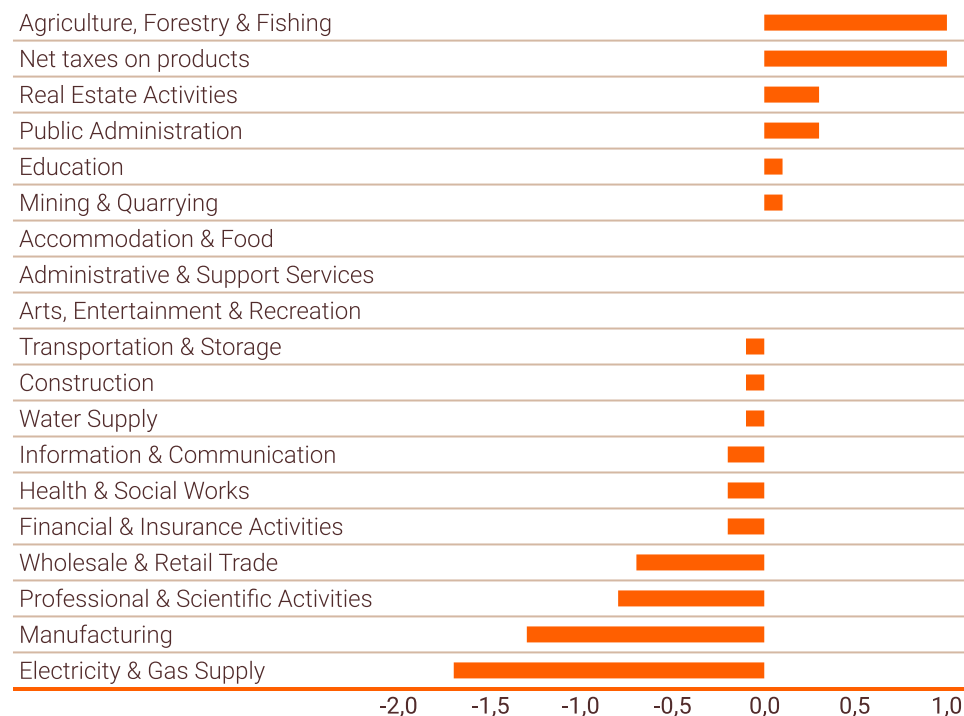
- Estonian GDP has contracted nine quarters in a row in quarter-on-quarter (swda) and seven quarters in year-on-year (non-adjusted) comparison. Seasonally adjusted GDP was back on the levels seen at the end of 2019 (excl. 2020).
- Nominal GDP growth continued to slow and was only 1.1% in Q1 2024, the weakest pace after the GFC (excl. 2020).
- The recession was broad-based. The value-added fell in thirteen out of twenty activities. The largest negative impact came from manufacturing, energy production, professional activities, and trade. The increase in the value added of agriculture, real estate activities and public administration gave strong positive contribution but the first two were affected by a low base from a year ago.
- Insufficient demand limits business activity of more than three quarters of the Estonia's manufacturing enterprises. The assessment of order-book levels inched further down in May. Although foreign demand should gradually improve this year, Swedish and Finnish construction sector doldrum will continue to hamper Estonian manufacturing.
- Household confidence should improve this year but is expected to remain below long-term average. Swedbank card payments indicate that the recovery of consumption is bumpy.

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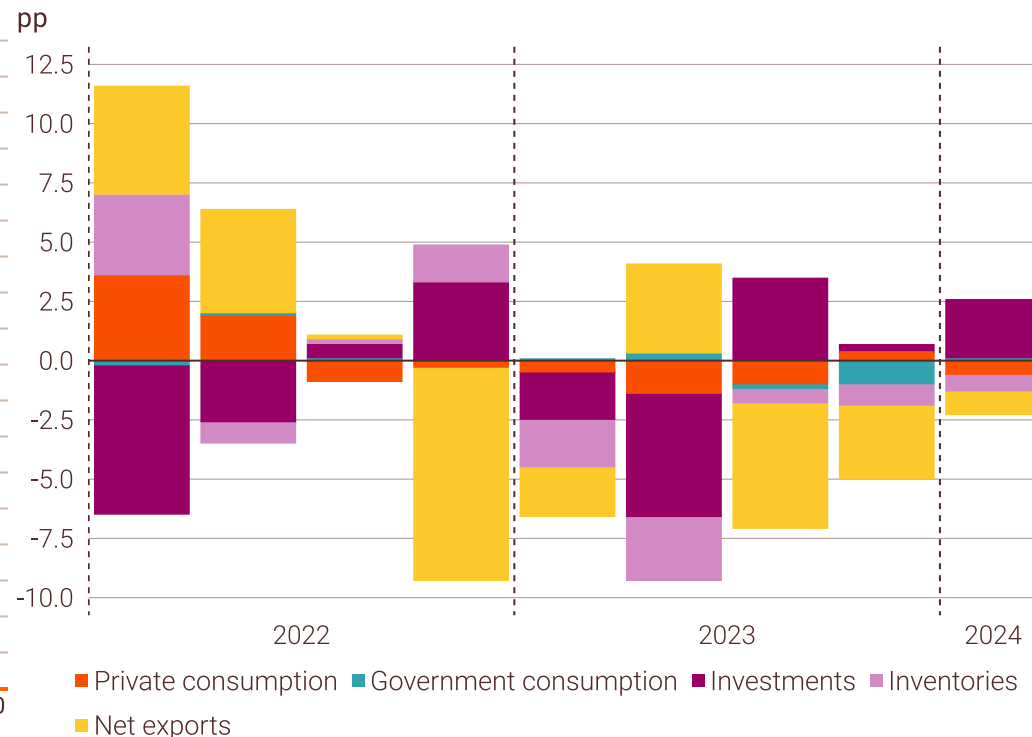
# The recession was broad-based in the first quarter

Contributions to GDP growth, 2024Q1, pp



Sources: Swedbank Research & Macrobond

Contributions to the GDP real growth



Sources: Swedbank Research & Macrobond

- The recession was broad-based. The value-added fell in thirteen out of twenty activities. The largest negative impact came from manufacturing, energy production, professional activities, and trade. The increase in the value added of agriculture, real estate activities and public administration gave strong positive contribution but first two were affected by a low base from a year ago. Behind the strong positive contribution of net taxes on products (mainly VAT and excise duties minus subsidies) is the effect of a lower base from last year's energy subsidies (which were deducted from taxes).
- As export of goods and services dropped more than import, foreign trade deficit had negative impact on GDP.

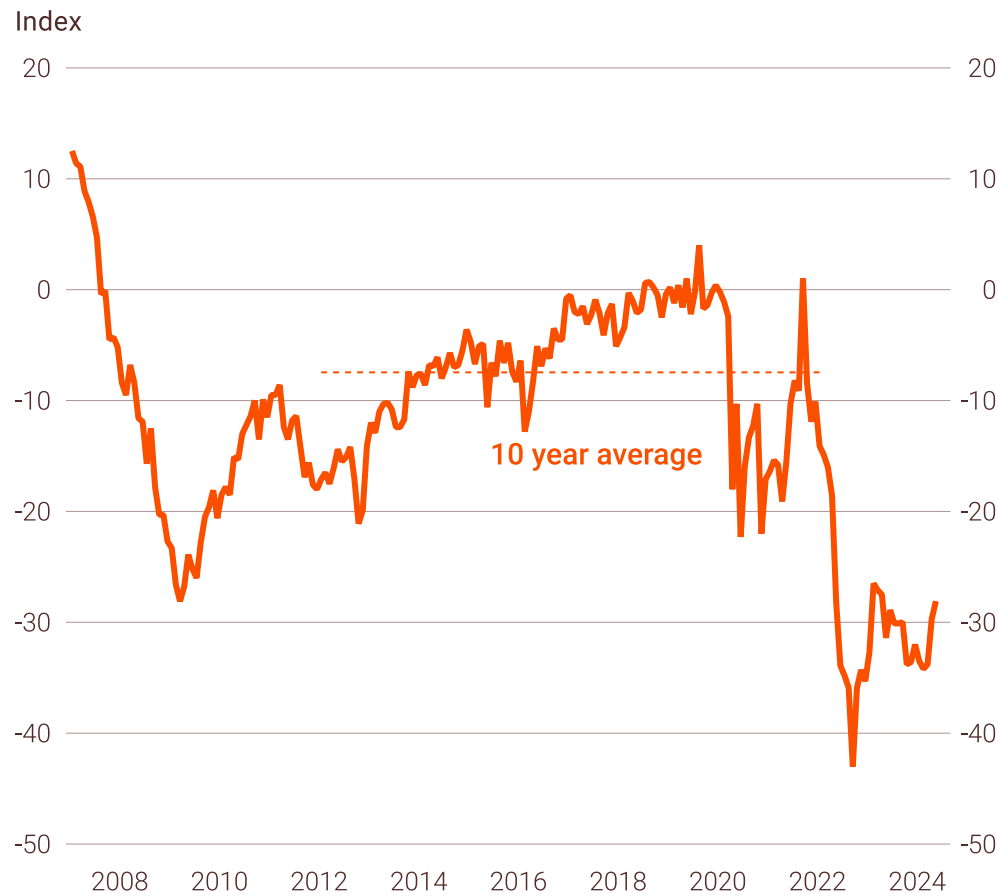
- After a modest growth in Q4 2023 private consumption fell again in Q1 2024. Although, purchasing power improves, weak confidence is still holding back consumption. Household confidence showed some improvement from the bottom in April and May.
- Fixed capital investments increased by 11% y/y in real terms, affected largely by non-financial corporations' investment growth due to a base effect from last year. In the first quarter, investments of non-financial corporations were around the level of 2019. Household investments were lower compared with last year as high interest rate environment and weak confidence did not encourage to make housing investments. Government investments were 3% higher compared with last year.

# Household confidence should improve this year but remain below long-term average

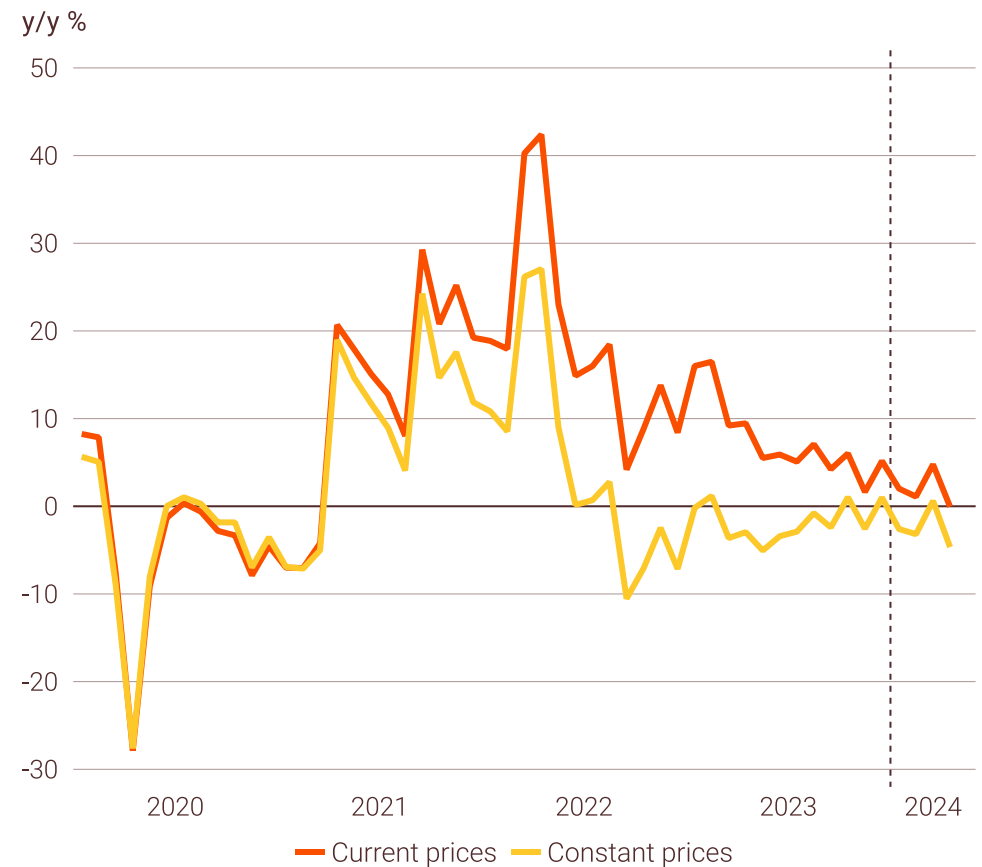
## Swedbank card payments indicate that the recovery of consumption is bumpy

- Resilient labour market, growing purchasing power and expectations of interest rate cuts will support household confidence, however, government plans to introduce new taxes will add concerns.
- Although, private consumption should improve, the recovery will be bumpy.

### Household confidence



### Swedbank card payments



Sources: Swedbank Research & Macrobond  
 Note: Deflated using HICP excl. housing, water, electricity, gas & other fuels

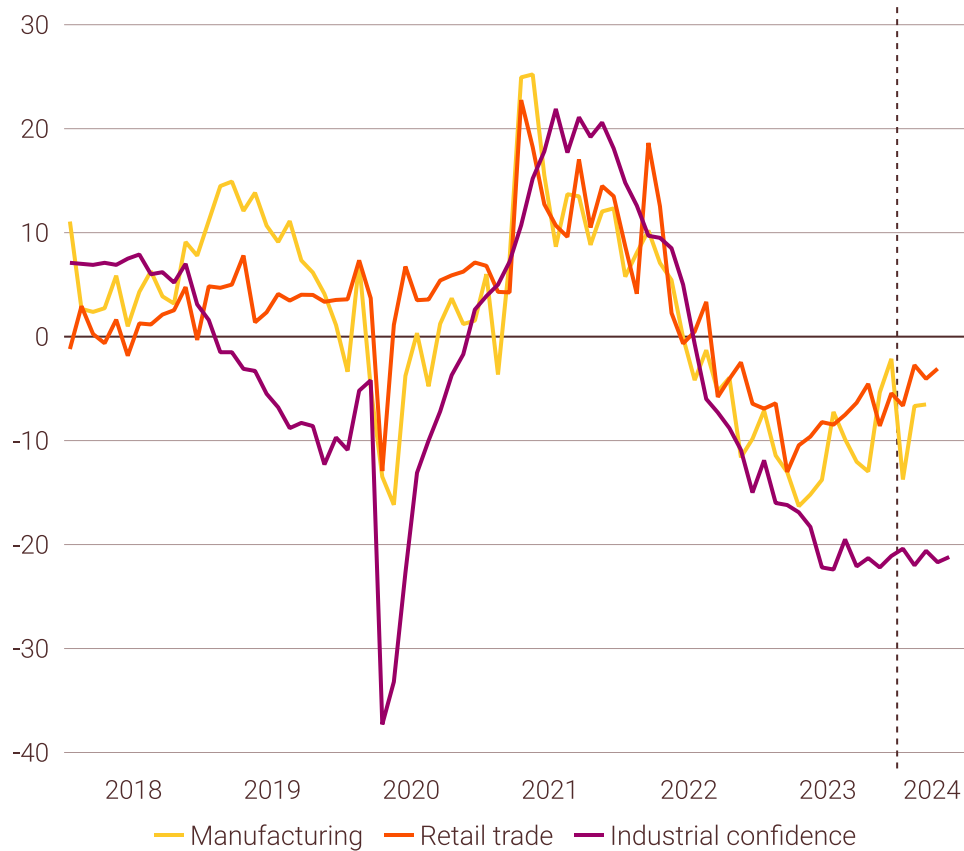
# Manufacturing expectations are still pessimistic

## Retail trade has bottomed out as households' purchasing power is improving

- Insufficient demand limits business activity of more than three quarters of the Estonia's manufacturing enterprises. The assessment of order-book levels inched further down in May. Although foreign demand should gradually improve this year, Swedish and Finnish construction sector doldrum will continue to hamper Estonian manufacturing.
- The fall in construction sector was driven by lower construction volume of buildings, while civil engineering volumes were up. Building permits for residential real estate were down by 36% last year falling to the levels of 2015. In Sweden, the number of permits for residential real estate was back on the level of 2012, while in Finland the level was even lower than in 1995.

### Manufacturing output and retail trade

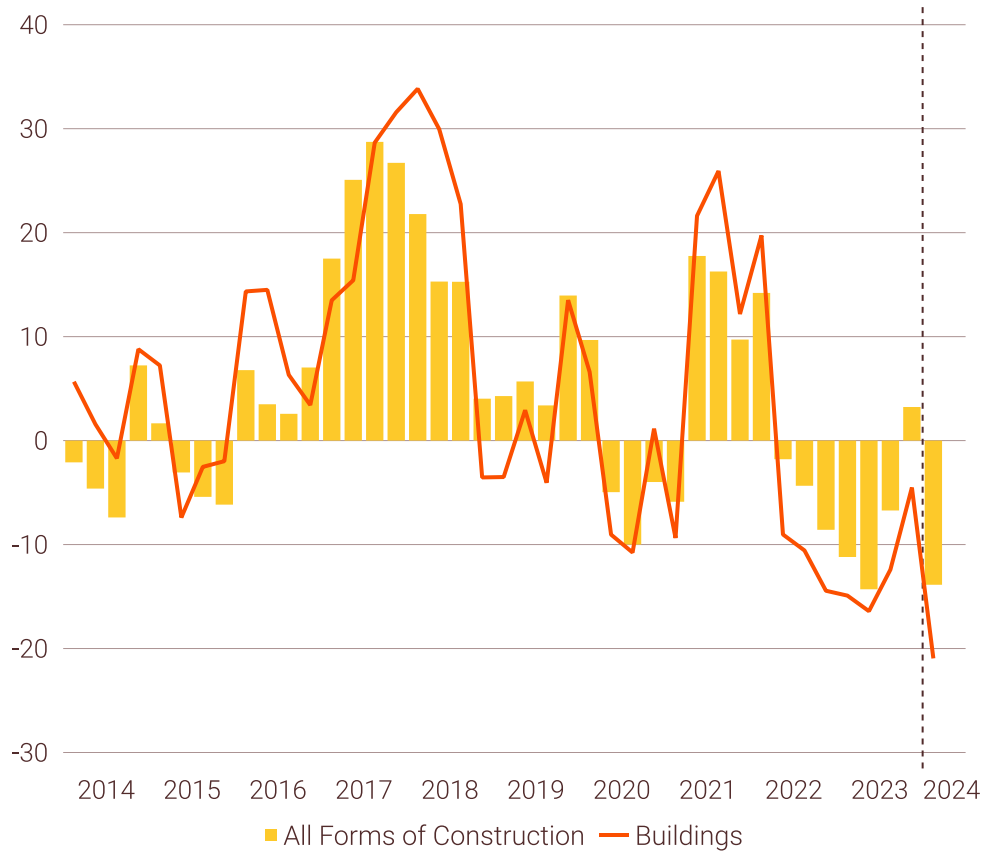
y/y %, real



Sources: Swedbank Research & Macrobond

### Construction volume

y/y %



Sources: Swedbank Research & Macrobond

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