

# SNAPSHOT

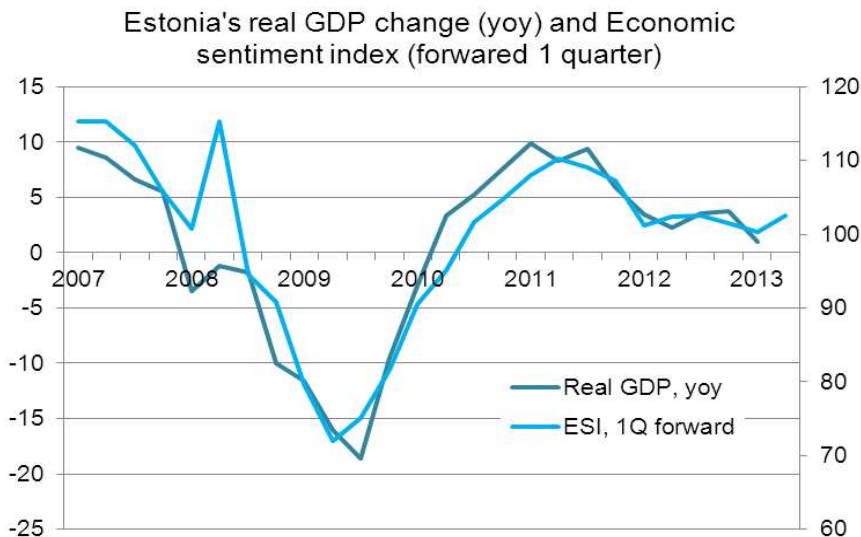
May 13, 2013

## Estonia: Slowdown, Not a Reverse

Estonia's real GDP growth in IQ 2013 slowed down to only 1% yoy, from 3.7% yoy in the last quarter of 2012. Routinely, in the first quarter the economy saw a contraction of 1% as compared to the previous quarter.

Despite from the first glance the figures look bleak the factors behind the sluggish growth do not point at deteriorating competitiveness of the country, as according to preliminary estimates export-orientated industry's results remained solid. Also, economic sentiments, as seen from the graph below, stay strong and do not suggest the reverse in economic momentum. Not least, the private consumption showed robust recovery and contributed to economic growth. We believe that due to improving labour market conditions and ameliorating households' purchasing household consumption will remain among the key drivers this year. Therefore, the slowdown is generally associated with government investments that were put on halt.

**Assessment:** We expect Estonia's economic momentum to pick up in upcoming quarters back to normal. However, given the delays in global economic rebound and higher base, Estonia's economy is forecast to grow at a slower pace of 3 percent per annum and will see its real GDP level restored to pre-crisis level by mid of 2014.



Source: Eurostat, DNB

Best regards,  
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