

## Republic of Estonia

This annex refers to the release of the monitoring note of 15 January 2021

### Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard<sup>1</sup>

Implied rating of core variable scorecard (CVS)		aa-
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Weak
20%	Fiscal policy framework	Strong
	Debt sustainability	Neutral
	Debt profile and market access	Neutral
20%	Current account resilience	Neutral
	External debt structure	Neutral
	Resilience to short-term shocks	Weak
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Neutral
QS adjustment (notches)		-1
Additional considerations (notches)		0
Final rating		AA- STA

### Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (EUR '000s)	16.7	18.1	19.7	21.2	20.3	21.3	22.6
Real GDP, % change	3.2	5.5	4.4	5.0	-4.5	4.0	3.5
HICP, % change	0.8	3.7	3.4	2.3	-0.5	1.4	2.1
General government balance, % of GDP	-0.4	-0.7	-0.5	0.1	-7.0	-5.5	-5.1
General government debt, % of GDP	9.9	9.1	8.2	8.4	19.0	22.0	25.0
Current account balance, % of GDP	1.6	2.7	2.0	2.6	4.0	2.0	1.0
Gross external debt, % of GDP	88.0	83.4	77.4	73.8	-	-	-

Source: Macrobond, IMF, European Commission, Statistics Estonia, Scope Ratings GmbH

### Annex III: Economic development and default indicators

IMF Development Classification<sup>2</sup>

AE

5y USD CDS spread (bps) as of 14 January 2021

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<sup>1</sup> The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on [www.scooperatings.com](http://www.scooperatings.com)

<sup>2</sup> AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Estonia	January 2021	Assessment	Rationale
Peers*	Lithuania, Slovenia, Czech Republic, Malta, Finland, Austria, United Kingdom, United States, Ireland		
Domestic economic risk	Growth potential	Neutral	Medium-run growth potential in line with peers, but moderate productivity growth
	Monetary policy framework	Neutral	ECB is a highly credible and effective central bank; appropriate central bank response to the 2020 global crisis
	Macro-economic stability & sustainability	Weak	Limited economic diversification
Public finance risk	Fiscal policy framework	Strong	Record of robust fiscal policies
	Debt sustainability	Neutral	Low but rising debt levels over the medium-term
	Debt profile & market access	Neutral	Strong debt structure, return to long-term debt capital markets in 2020 for the first time since 2002
External economic risk	Current account resilience	Neutral	Low current account volatility, but limited export diversification
	External debt structure	Neutral	Higher share of FDI in total external liabilities
	Resilience to short-term shocks	Weak	Very small-open economy
Financial stability risk	Banking sector performance	Neutral	Largely Nordic-owned banking sector, which has a high level of capitalisation and low NPL ratio
	Banking sector oversight	Neutral	Oversight under the Bank of Estonia and the ECB as part of Banking Union
	Financial imbalances	Weak	Financial spill-over risks from Nordics
ESG risk	Environmental risks	Neutral	Effective action against high exposure to transition risks (economically important oil shale industry)
	Social risks	Neutral	High rates of employment, net immigration since 2015, income inequality levels around the EU-average and slightly higher poverty levels than the EU average
	Institutional and political risks	Neutral	Record of effective policymaking and strong governance performance

\*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.