

# ESTONIA

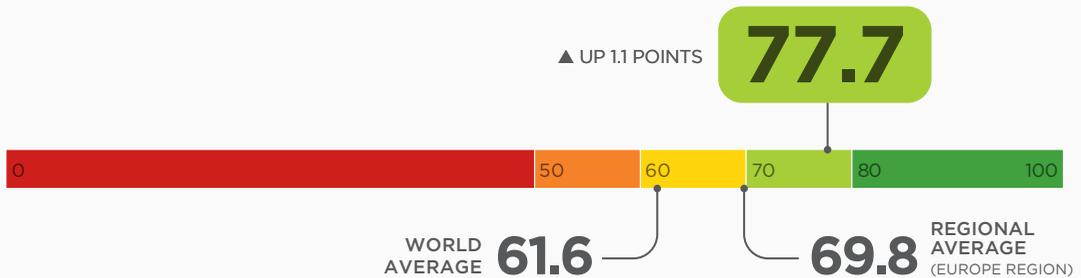
Estonia's economic freedom score is 77.7, making its economy the 10th freest in the 2020 *Index*. Its overall score has increased by 1.1 points, led by a higher score for **government integrity**. Estonia is ranked 5th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The economy of Estonia has been fluctuating in the upper reaches of the mostly free category for nearly two decades. Solid GDP growth has followed accordingly with increases in both private consumption and investment.

What holds Estonia back from reaching the topmost ranks of the economically free are high levels of government spending and lingering rigidities in labor regulations that impede growth in productivity. Forecasts suggest modest but increasing budget deficits in the near future.

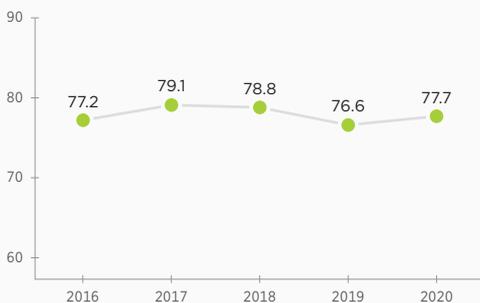


## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +12.5

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
1.3 million

**GDP (PPP):**  
\$45.0 billion  
3.9% growth in 2018  
5-year compound annual growth 3.4%  
\$34,096 per capita

**UNEMPLOYMENT:**  
5.5%

**INFLATION (CPI):**  
3.4%

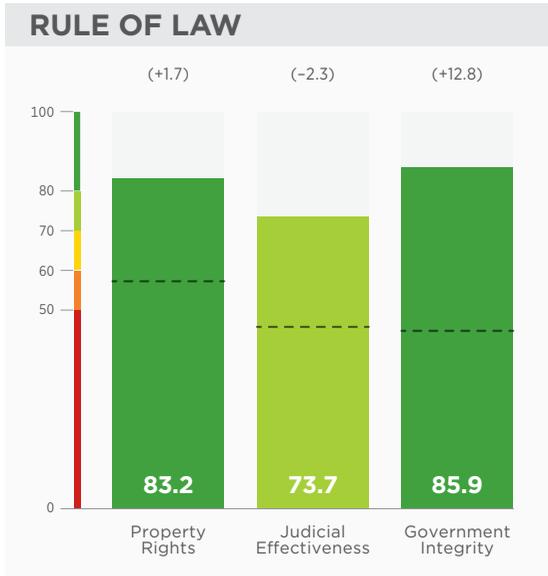
**FDI INFLOW:**  
\$1.3 billion

**PUBLIC DEBT:** 8.1% of GDP

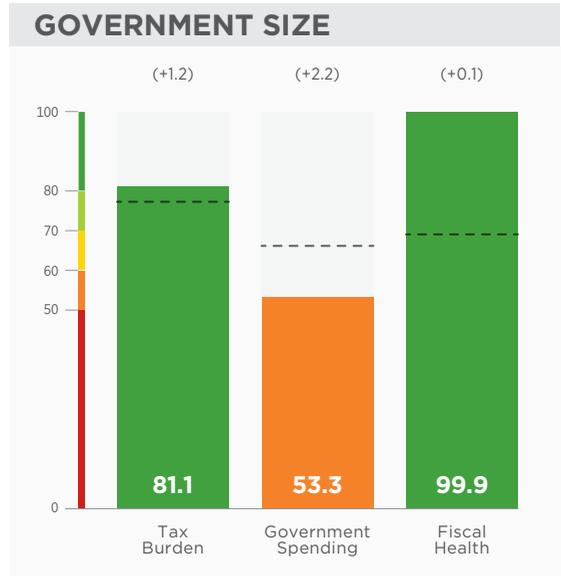
2018 data unless otherwise noted. Data compiled as of September 2019

**BACKGROUND:** Estonia has been independent since 1991 and has become a stable multiparty democracy. It joined NATO and the European Union in 2004 and the OECD in 2010. In 2010, it became the first former Soviet state to adopt the euro. The center-right, pro-market Reform Party won the most seats in March 2019 elections but failed to form a coalition. Jüri Ratas, leader of the left-leaning Centre Party, remained prime minister, leading a coalition with the nationalist Conservative People's Party of Estonia and the center-right Isamaa. The economy relies on robust electronics and telecommunications sectors and strong regional trade ties. Estonia has been upgrading border security infrastructure along its nearly 183-mile land boundary with Russia.

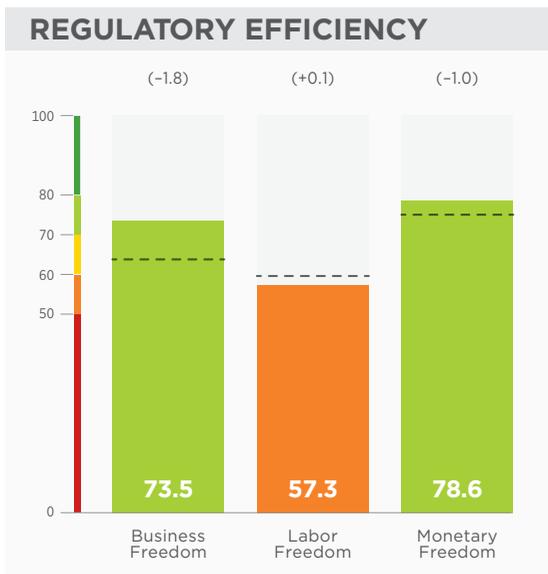
# 12 ECONOMIC FREEDOMS | ESTONIA



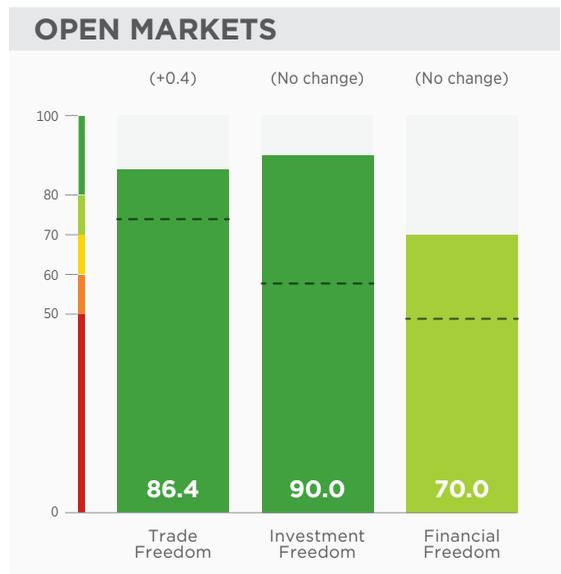
Contracts and secured interests in property are recognized and well enforced. The judiciary is independent and well insulated from political influence. Institutions are characterized by their high levels of integrity and transparency. Isolated cases of public-sector corruption are investigated and punished, although a 2018 investigation of money laundering through a major private bank raised questions about the performance of Estonia's regulatory and supervisory bodies.



The top personal income and corporate tax rates are 20 percent. Undistributed profits are not taxed. Other taxes include value-added and excise taxes. The overall tax burden equals 33.0 percent of total domestic income. Government spending has amounted to 39.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 8.1 percent of GDP.



Business freedom is robust amid a transparent regulatory framework that is relatively free of government favoritism. The long-term supply of labor faces demographic challenges. The unemployment rate is low, and many employers have difficulty finding enough workers. In anticipation of reduced EU subsidies after Brexit, the government is planning to improve its targeting of subsidies for education, health care, and energy.



The total value of exports and imports of goods and services equals 147.0 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Bulgaria has an additional six country-specific nontariff barriers. In general, government policies do not interfere significantly with foreign investment. The financial sector has an efficient supervisory framework.