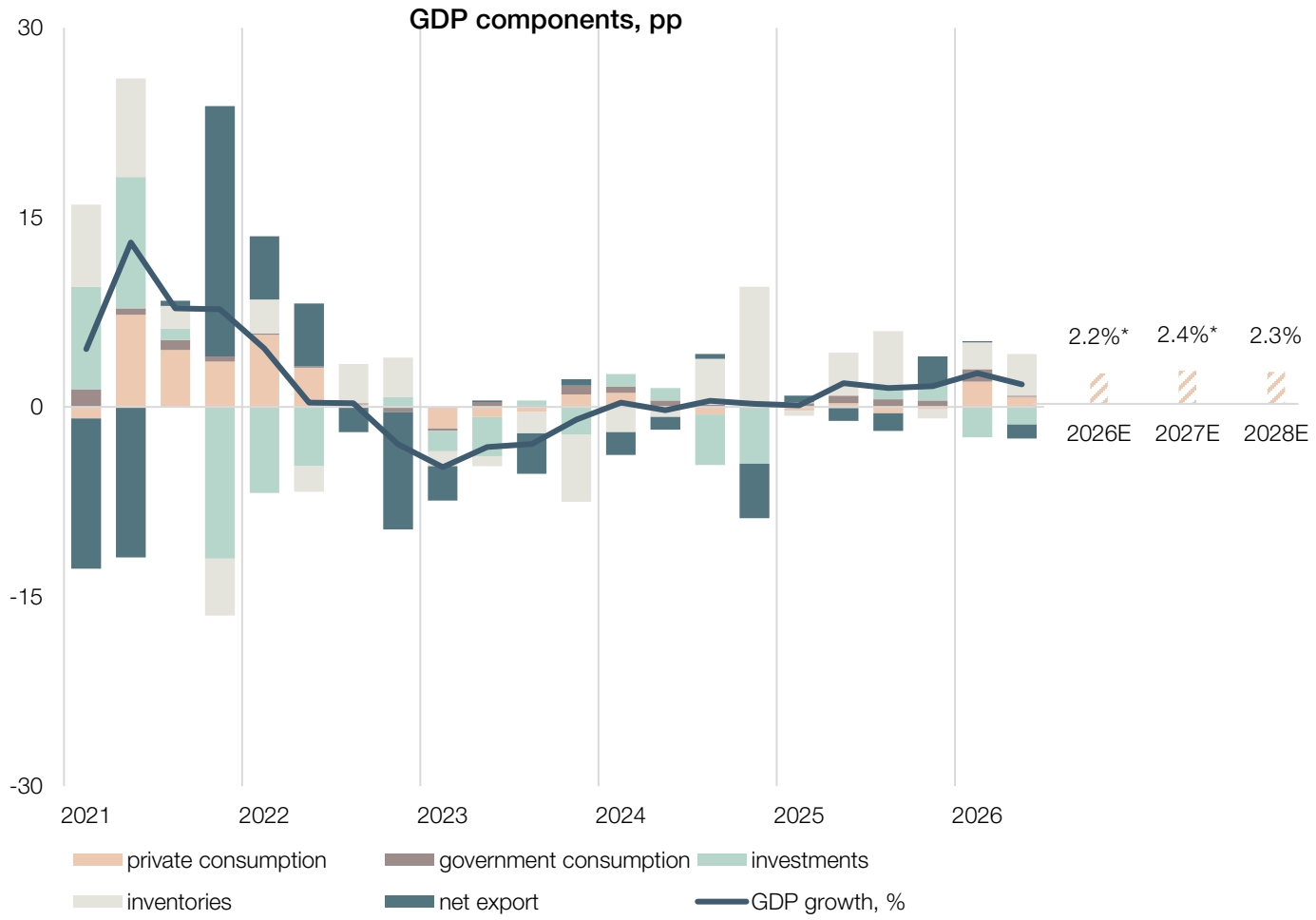
LHV Group

Economic Environment
Q3 2026

Economic Environment
Recovery continues

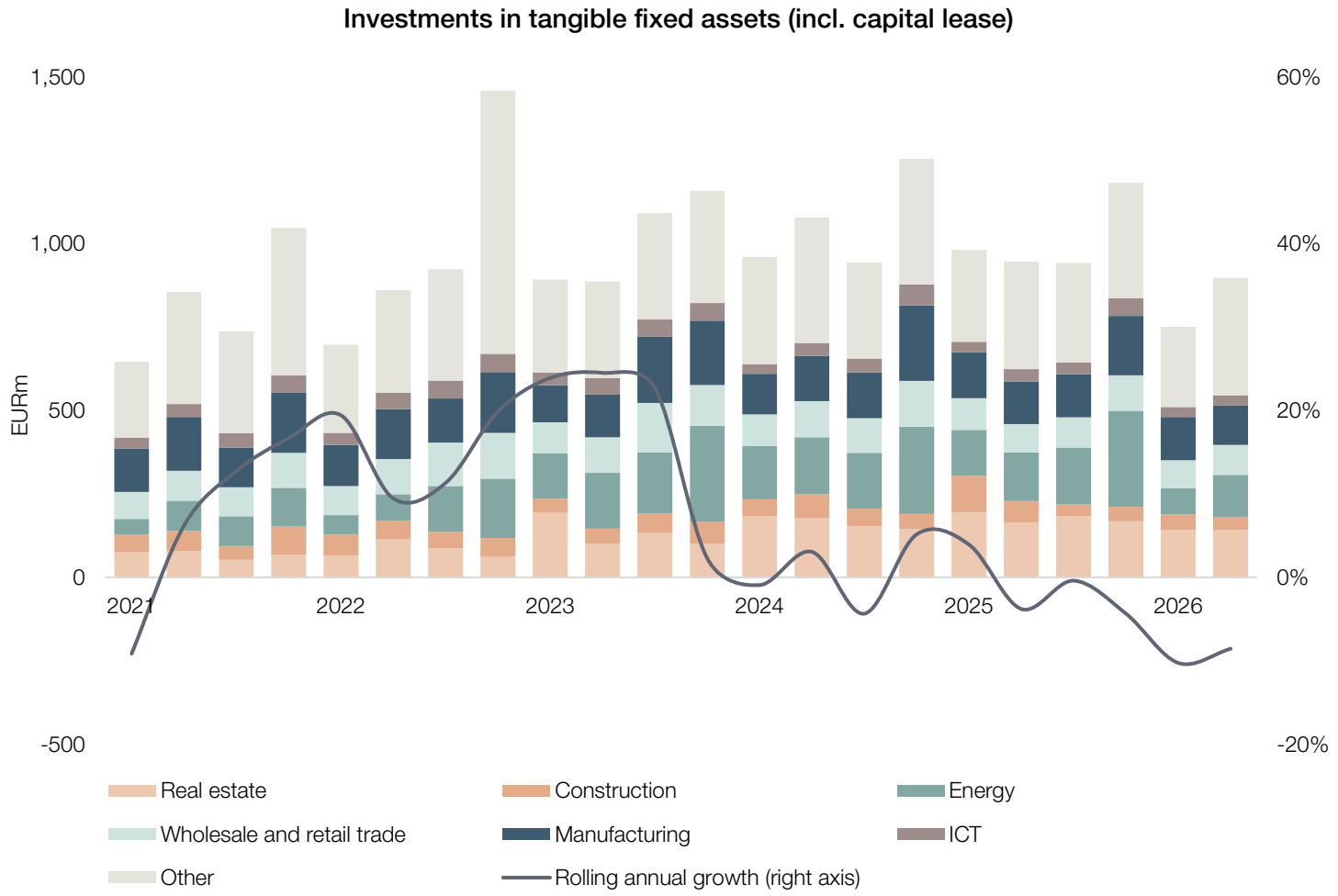


- GDP grew by 1.8% in Q2 2026
  - growth was driven by private and government consumption
  - net exports and investment weighed on growth
- Q3 developments were positive
  - export revenue increased
  - consumption grew
  - industrial production returned to growth
- The Estonian economy will continue its moderate recovery in 2026
  - growth will be supported by defence related fiscal stimulus and a gradual recovery in private consumption
  - energy prices remain the main source of uncertainty
- The budget deficit is projected to increase to 4.5% of GDP
  - widening deficit reduces fiscal buffers for future crises

Source: Statistics of Estonia, LHV
**As of 10.07.26 assuming: Brent USD 75 (2026 Q3-Q4); TTF EUR 48 (2026 Q3-Q4)*

Economic Environment

Investment activity remains under pressure

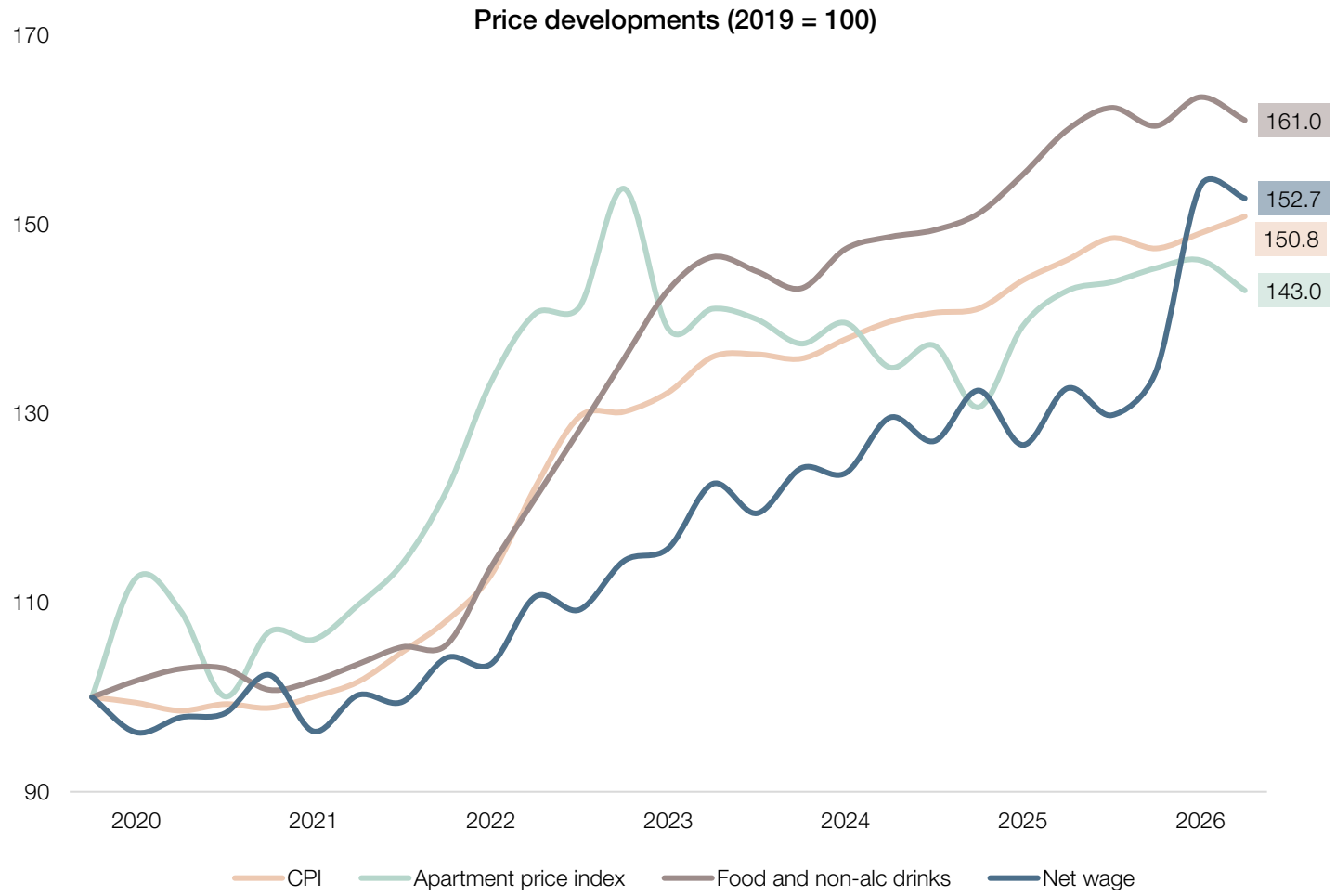


- Corporate investment
  - in Q2, nominal fixed investment fell by 5.1% YoY but rose by 19% QoQ
  - investment increased in mining, trade, and ICT
  - real estate companies are investing in land
  - uncertainty and cost pressures continue to constrain investment
- Foreign direct investment
  - in Q2, FDI outflows totalled EUR 282.5 million, while inflows reached EUR 1,529.8 million
- Investment activity is expected to gradually recover in 2026-2027
  - private sector is likely to pick up only gradually
  - stabilising costs will give businesses greater scope to invest

Source: Statistics of Estonia, Bank of Estonia, LHV

Economic Environment

Recovery remains uneven across sectors

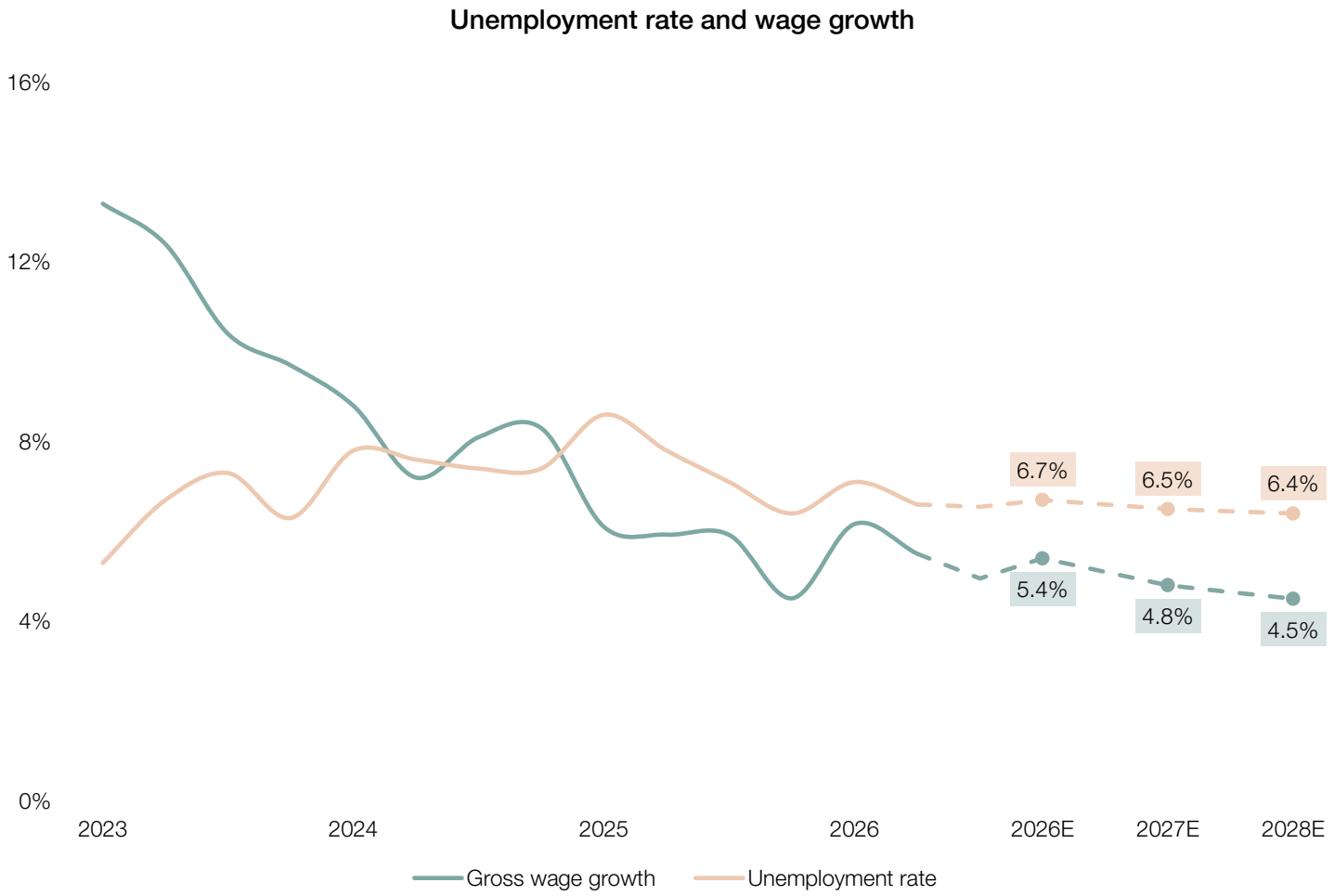


- Inflation slowed in Q3 despite high energy prices
  - lower food and clothing prices were the main drivers of the slowdown
  - competition in the domestic fuel market limited the pass-through of price pressures to transport costs
- Inflation in 2026-2027 will depend primarily on energy prices
  - the main risks stem from oil and natural gas prices and second-round effects from higher input costs
  - Estonia's inflation is forecast at 3.3% in 2026 and 2.8% in 2027
  - Euro area inflation is expected to accelerate to 3.0%, driven by energy prices

Source: Statistics of Estonia, LHV

Economic Environment

Inflation has eased, but risks remain



- The labour market remains resilient, although unemployment is declining slowly
- The share of economically inactive people has increased
- Job vacancies are rising slowly
- Wage growth is expected to slow to around 5.4% in 2026 and 4.8% in 2027
- Purchasing power will improve provided inflation does not accelerate

Source: Statistics of Estonia, LHV

Economic Environment
Inflation has eased, but risks remain

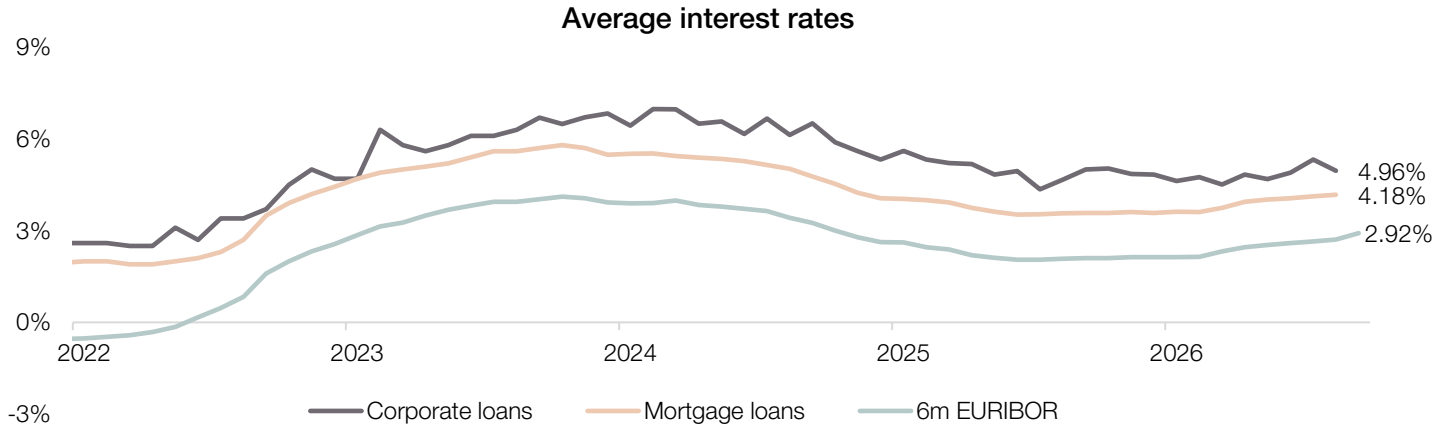
Estonia	*2026F*	*2027F*	*2028F*
Real GDP, %	2.2	2.4	2.3
Private Consumption, %	2.7	1.7	2.0
Government Consumption, %	4.6	1.4	0.7
Gross Fixed Investment, %	-0.7	6.3	5.8
Exports, %	2.3	2.8	3.5
Imports, %	3.0	3.5	3.3
Nominal GDP, %	5.5	5.0	4.7
CPI, %	3.3	2.8	2.5
Unemployment, %	6.7	6.5	6.4
Gross Wage, %	5.4	4.8	4.5
Net Wage, %	16.7	3.1	4.1
Gen. Gov Budget Balance, % of GDP	-4.4	-4.5	-4.5

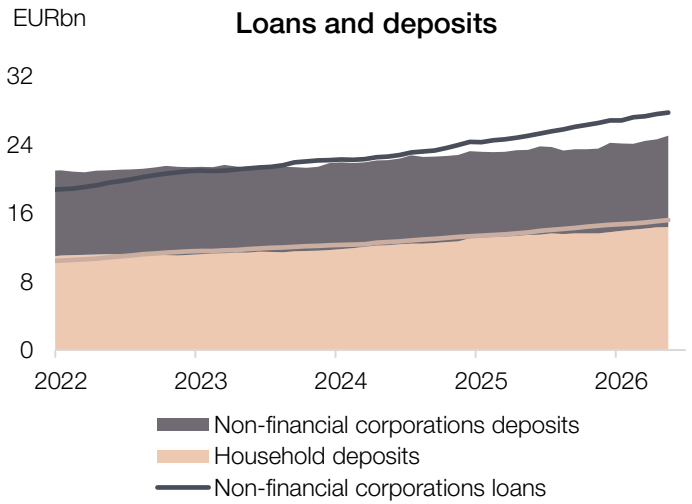
- Inflation: set to accelerate in Q4 2026 - Q1 2027
- Exports: improving prospects in key markets
  - Improving economic prospects in Finland and Sweden will support Estonian exporters in 2027, including producers of machinery, equipment and building materials
- Households: the recovery in demand is broadening
  - Consumption growth is broadening beyond services
  - Households' willingness to make major purchases has improved somewhat but remains subdued
  - In the next phase, the recovery is expected to extend to food consumption volumes and durable goods
- Fiscal policy: a concentrated stimulus
  - Higher public spending will initially support economic growth
  - Demand is concentrated in defence, infrastructure and related businesses, with limited spillovers to the wider business sector
- Investment: recovery delayed
  - Investment activity remains weak, with near-term economic activity driven mainly by defence spending and a few large projects
  - A broader recovery will require stronger corporate cash flows and improved business confidence

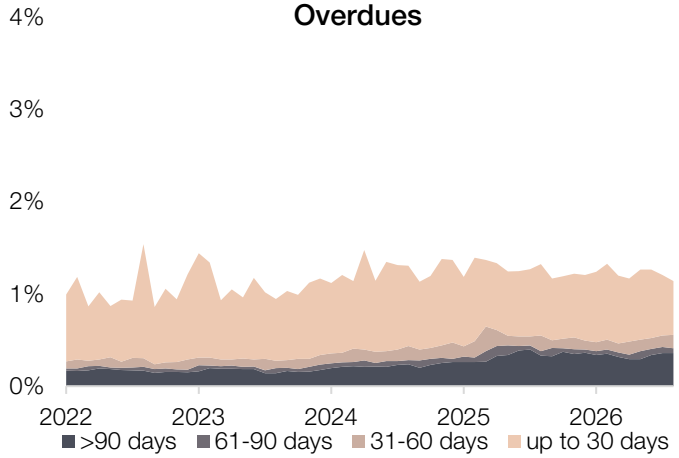
Source: LHV

Economic Environment

Loan growth remains strong and credit quality resilient







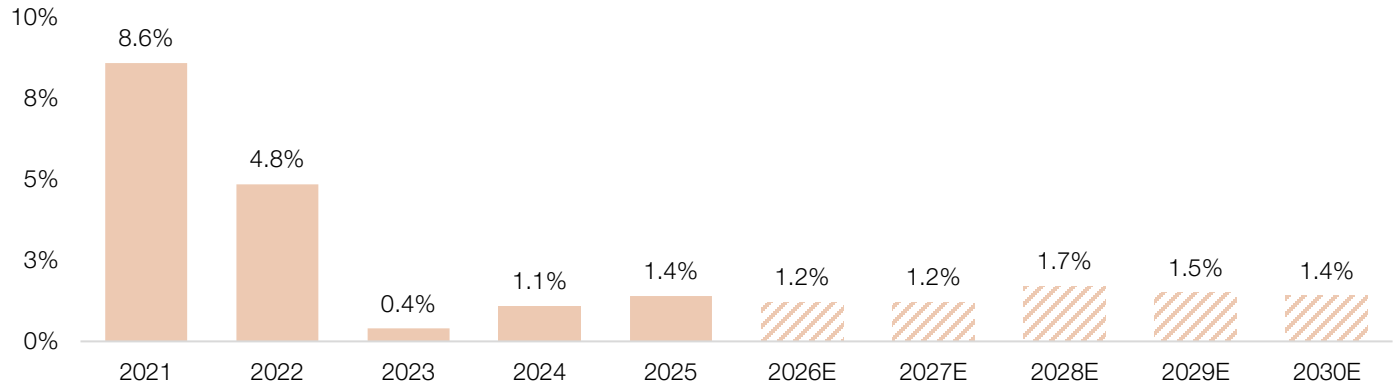
Source: Bank of Estonia, LHV

- The 6-month Euribor increased during Q2, reflecting the conflict in the Middle East and higher inflation expectations
- Lending activity remained strong in Q2
  - household loan portfolio grew by 10.3% YoY in August, non-financial corporate lending by 12.3%
- Deposit growth remained strong
  - household deposits grey by 7.5% YoY in August, corporate deposits by 8.8%
- Credit quality remained good
  - loans overdue by more than 60 days accounted for 0.39% of household loans and 0.62% of corporate loans in August
  - deterioration was limited to consumer lending, where the share of overdue loans increased to 2.92%

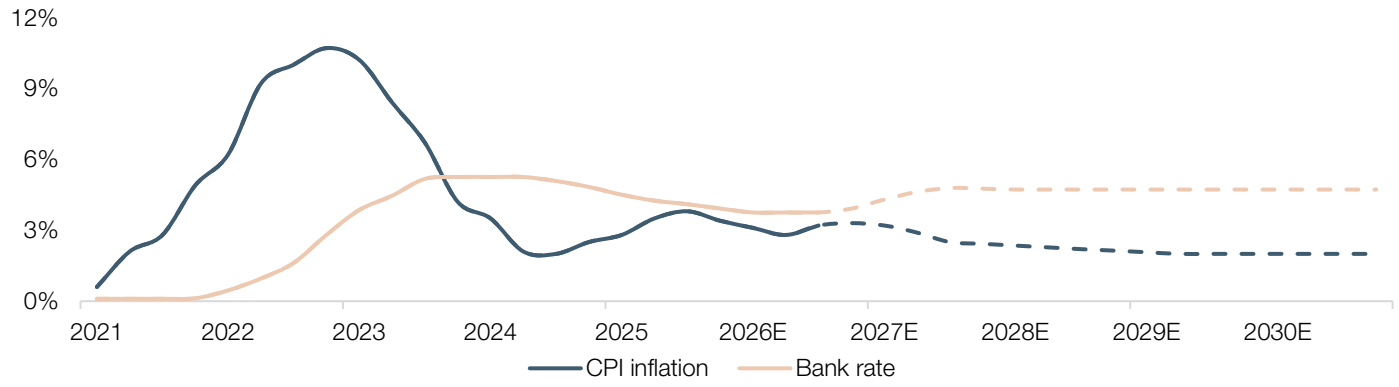
Economic Environment

Uncertainty continues to weigh on UK growth

Real GDP growth



Inflation and bank rate



- UK economy grew by 1.4% in Q2 2026
  - exports, services and construction performed strongly
  - the industrial sector weakened
  - on the demand side, growth was supported by strong private consumption and fixed investment, while government consumption declined slightly
- Higher energy prices and housing service costs pushed up inflation
- Outlook
  - GDP growth is forecast at 1.2% in 2026
  - inflation is projected to rise to 3.1% in 2026
  - higher energy prices and business uncertainty continue to weigh on growth
  - long-term growth potential remains intact

Source: Office for National Statistics, Bank of England, LHV

Triinu Tapver
LHV Macro Analyst
triinu.tapver@lhv.ee