



Mr Maarten Verwey  
European Commission  
Kerli.KUUSK@ec.europa.eu

Your ref. 08.05.2026  
Our ref. 11.05.2026      No 11-3.1/2034-2

**Estonia - Proceedings related to  
fiscal surveillance: Letter on  
relevant factors for 126(3) reports -  
2026**

Dear Mr Verwey,

I am writing you in response to the letter on relevant factors in relation to upcoming Commission report under Article 126 (3) of the Treaty relating to the fiscal surveillance of Estonia.

As you referenced in your letter, Estonia does plan to breach the 3% deficit limit this year. According to the latest forecast of the Ministry of Finance, the deficit will reach a level of 4,3% of GDP in 2026. The growth of net expenditures will exceed the maximum growth rate set by the Medium-Term Fiscal Structural Plan but remain in line with the deviation allowed by the national escape clause activated by the Council on 8 July 2025.

Estonian government has taken a range of actions in response to the Russia's unjust war against of Ukraine and to deteriorating security situation overall. According to the data of the Classification of the Functions of Government (COFOG), share of the defence spending has more than doubled in last few years, increasing from 2,0% of GDP in 2021 to 4,2% of GDP in 2025. In 2026 5% of GDP will be spent on the defence. In addition to purchasing vast amounts of ammunition, the actual investment of defence will increase to 1,9% of GDP.

Moreover, the budget execution and current projections are in line with the Draft Budgetary Plan for 2026, which was deemed compliant by the Commission with the relevant Council recommendations, considering the flexibility provided by the national escape clause.

Higher deficit will lead to higher level of public debt and that is acknowledged by the government, so while the security situation poses a challenge and keeps impacting the budgetary situation, the government is determined to keep the public finances in order. Estonia is committed to following our European obligations and complying with the domestic fiscal rules and will start accommodating the increased level of defence spending into the regular budget gradually already before the end of the national escape clause.

Yours sincerely,

A handwritten signature in blue ink that reads "M. Ross". The signature is written in a cursive style with a large, stylized initial 'M'.

Mårten Ross  
Adviser to Ministry