The Baltics: growth despite external worries

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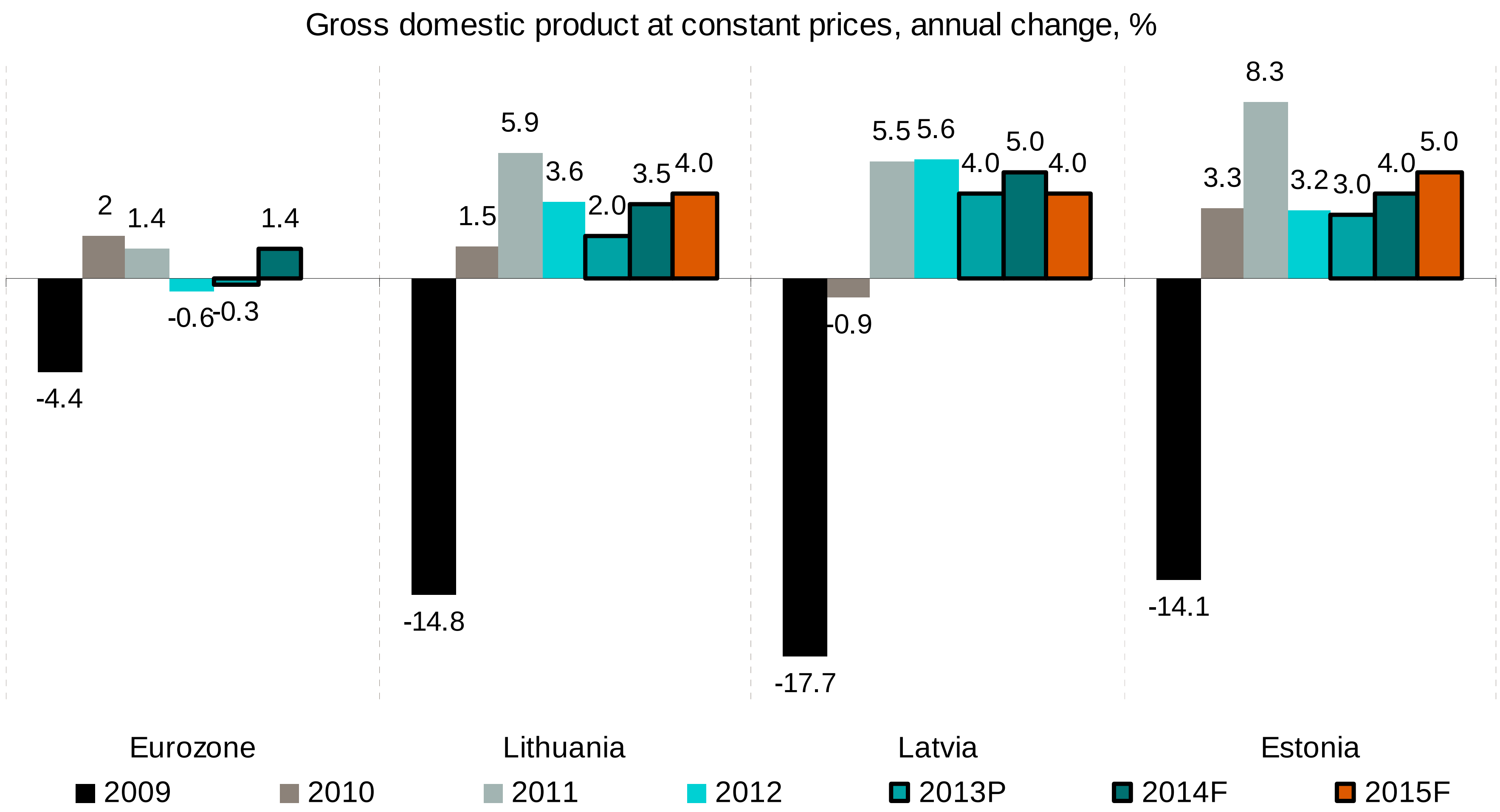
Chief economist, Baltics
April 25, 2013

DNB

The Baltics fit in the fur of “Baltic tigers” again



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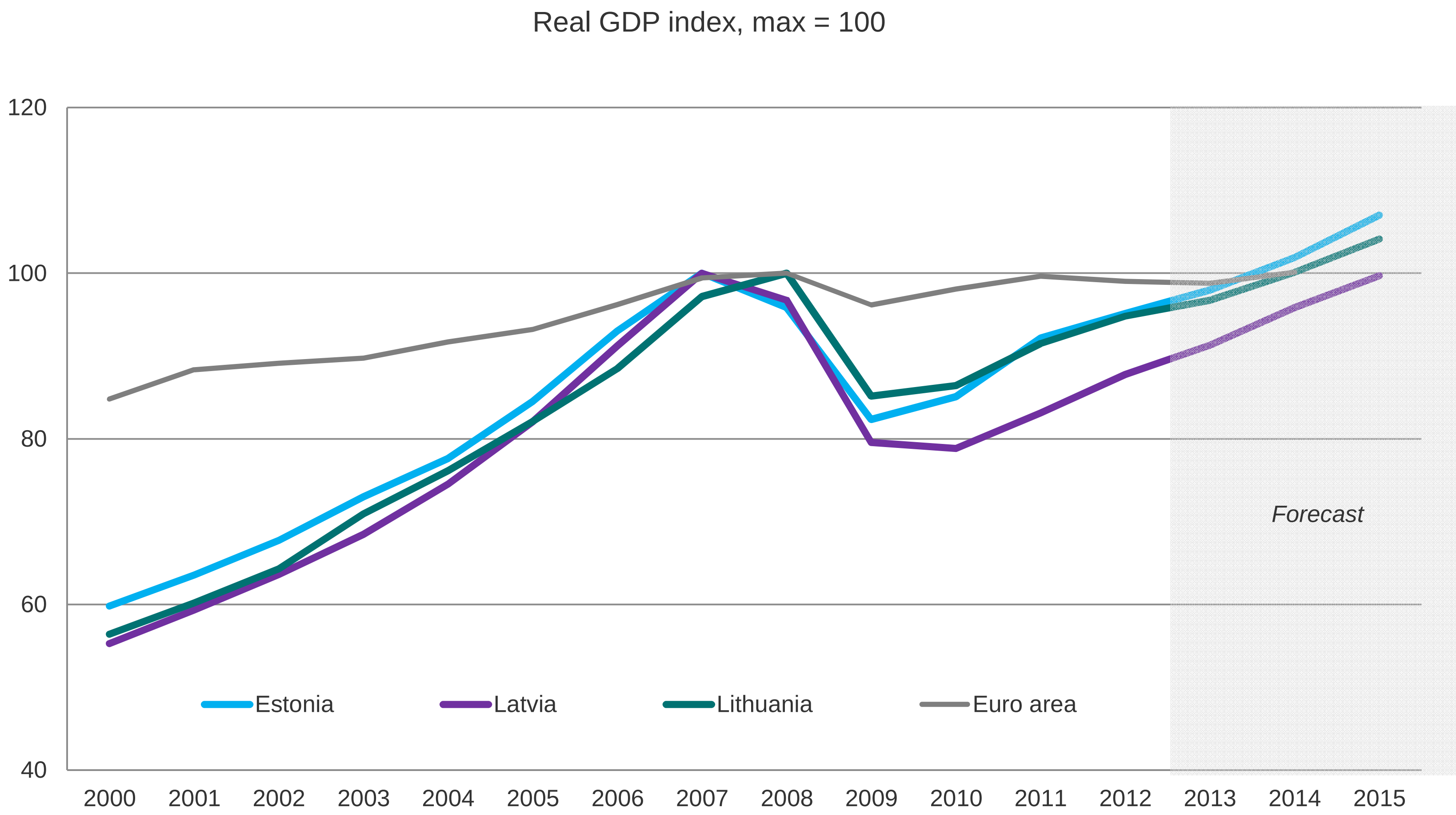
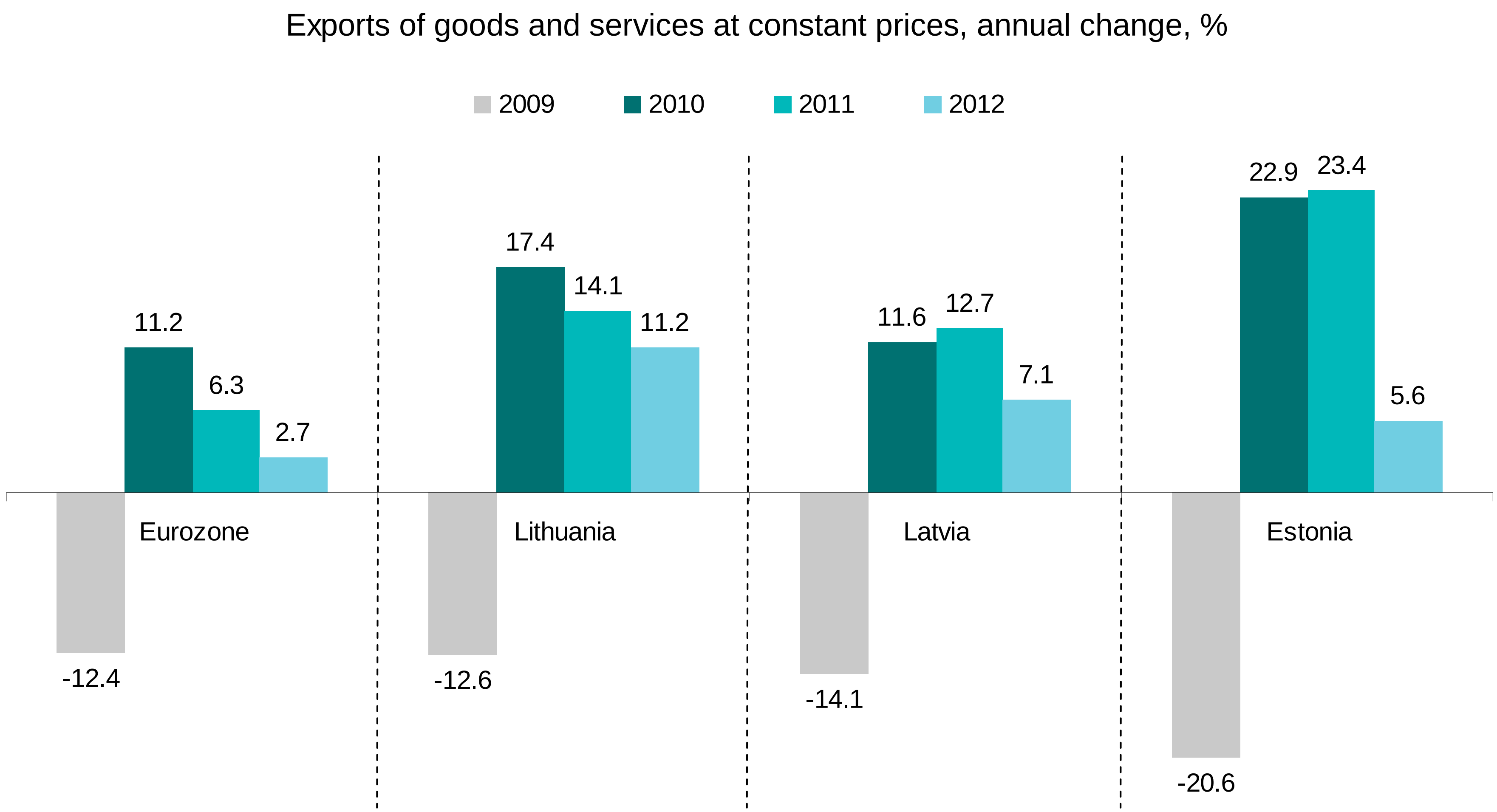
Source: Eurostat, EC, DNB

Lithuania and Estonia in 2014 will be back to pre-crisis level



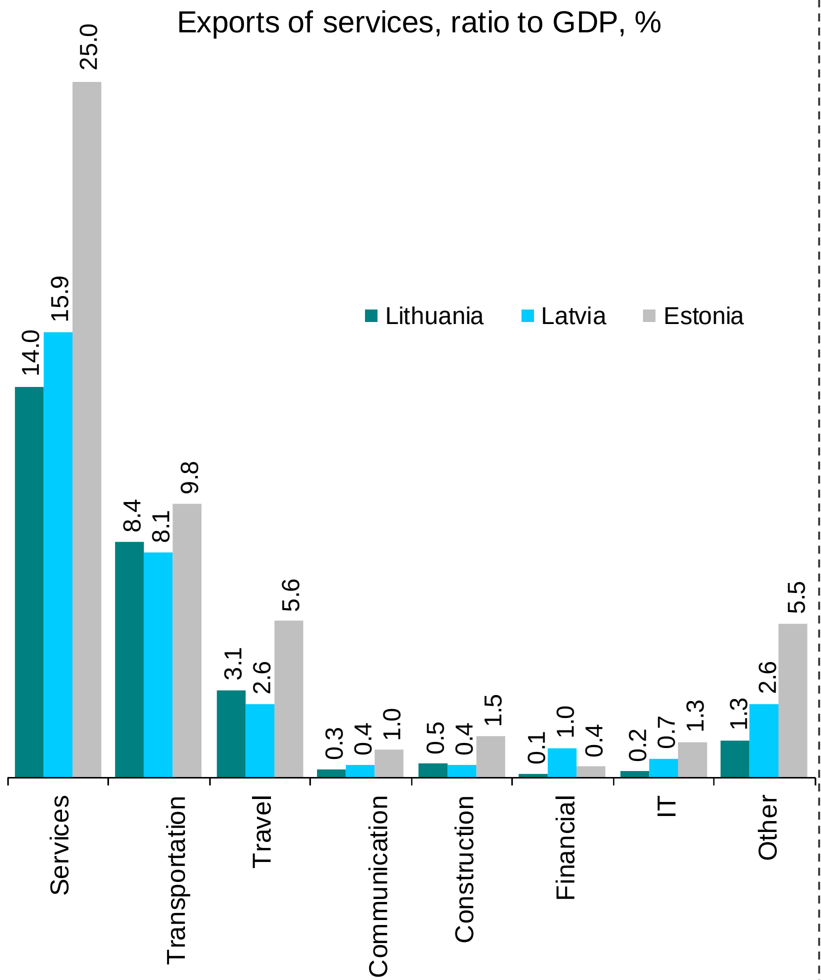
Source: Eurostat, DNB

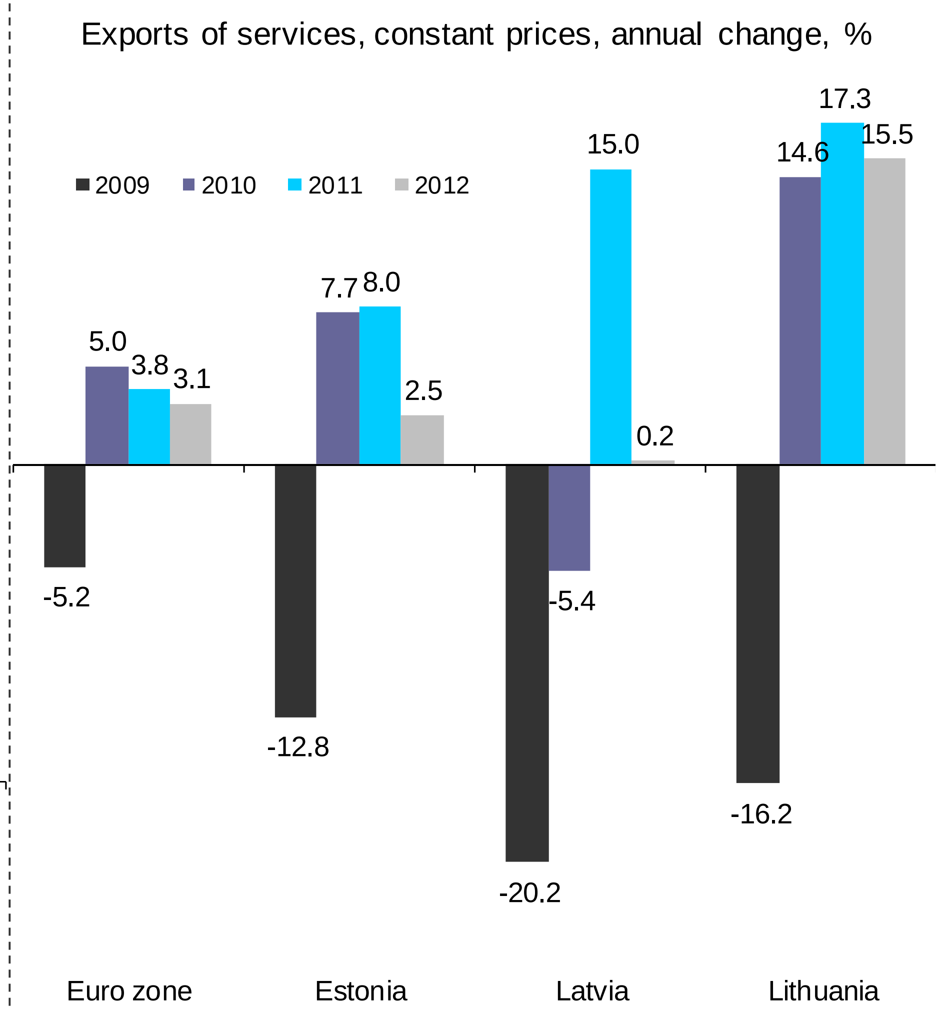
The exports start to loose momentum, though



Source: Eurostat

Strong growth in invisible exports last year





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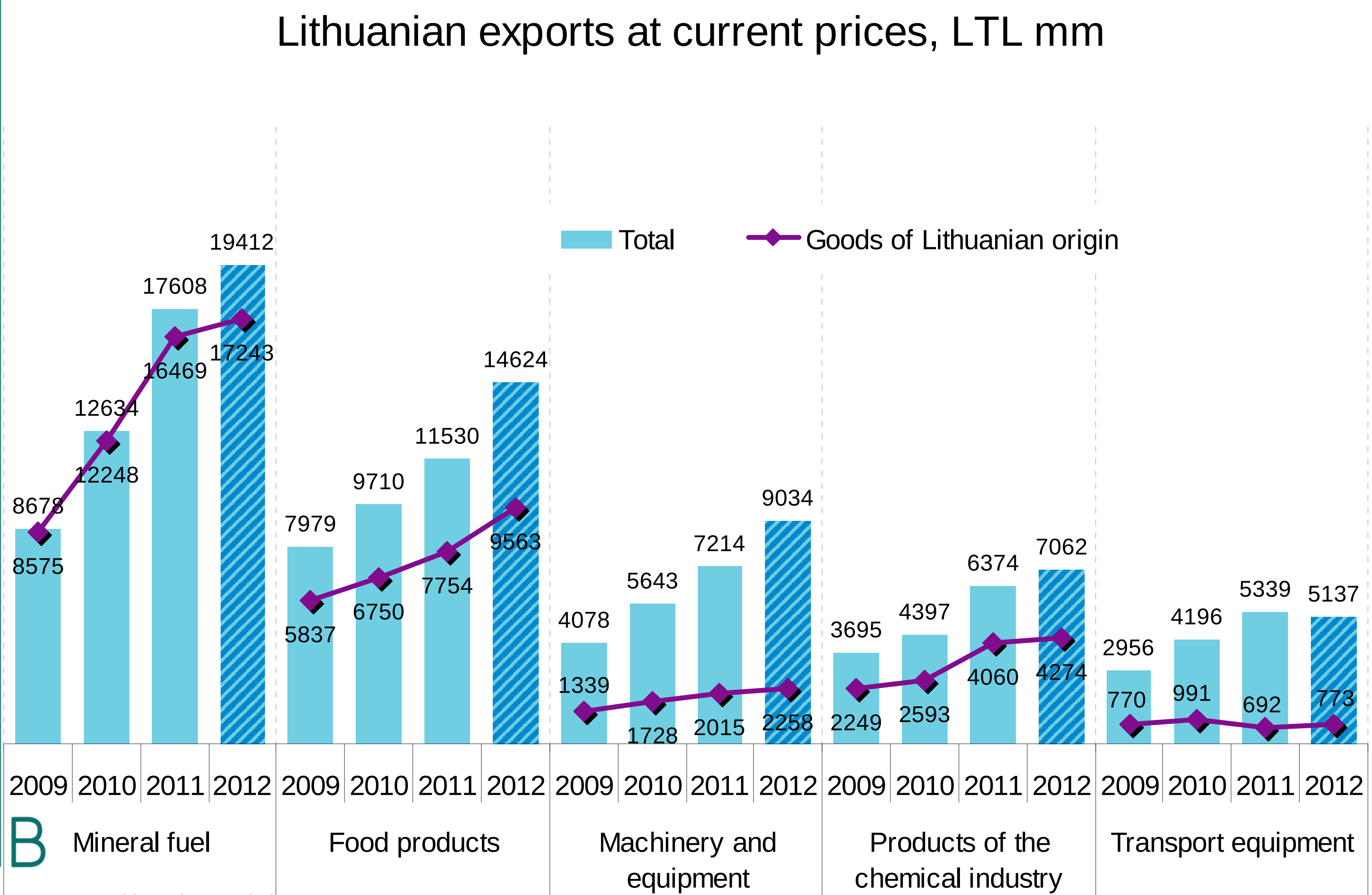
Several sectors add up to export growth

Source: Lithuanian statistics

Several sectors add up to export growth



Source: Lithuanian statistics

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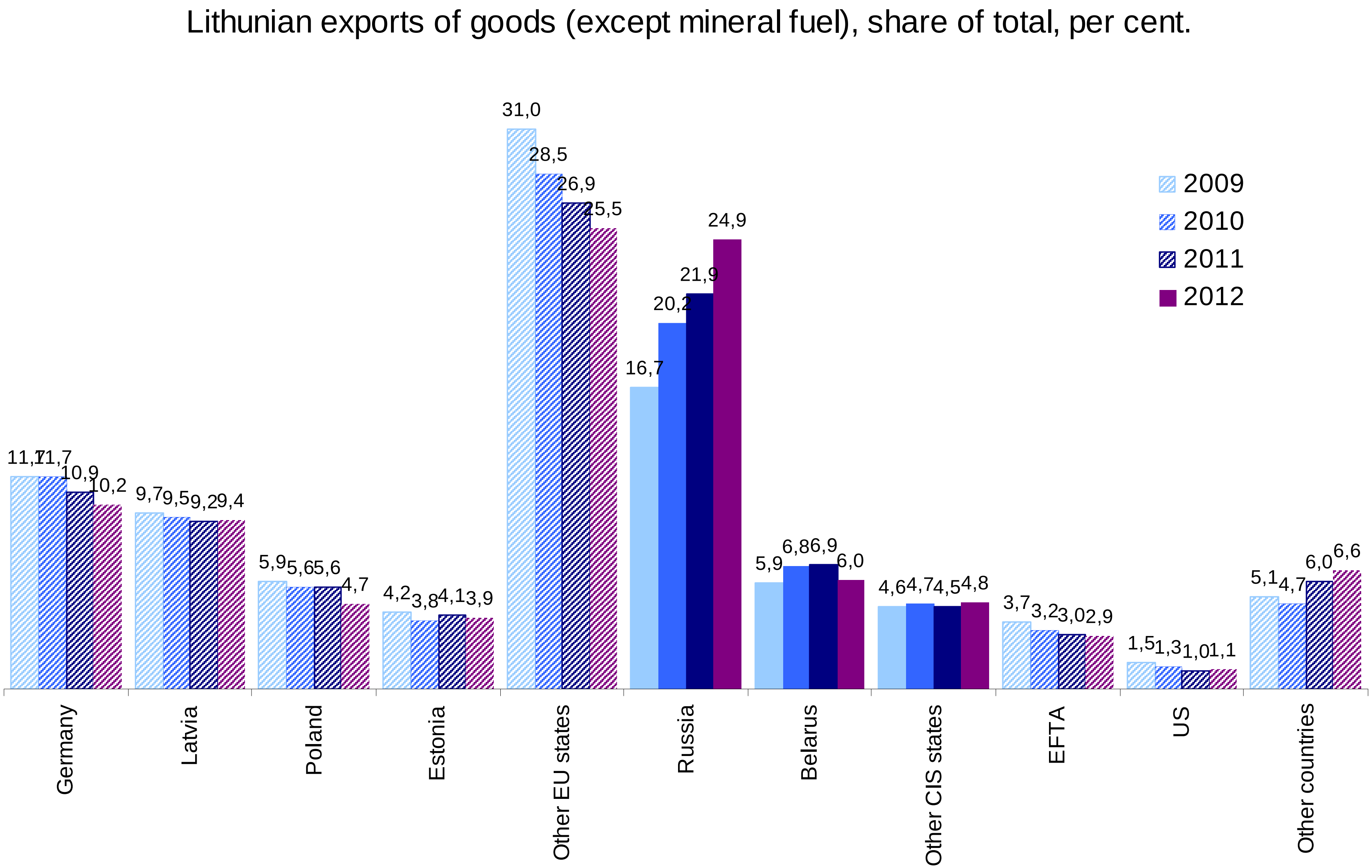
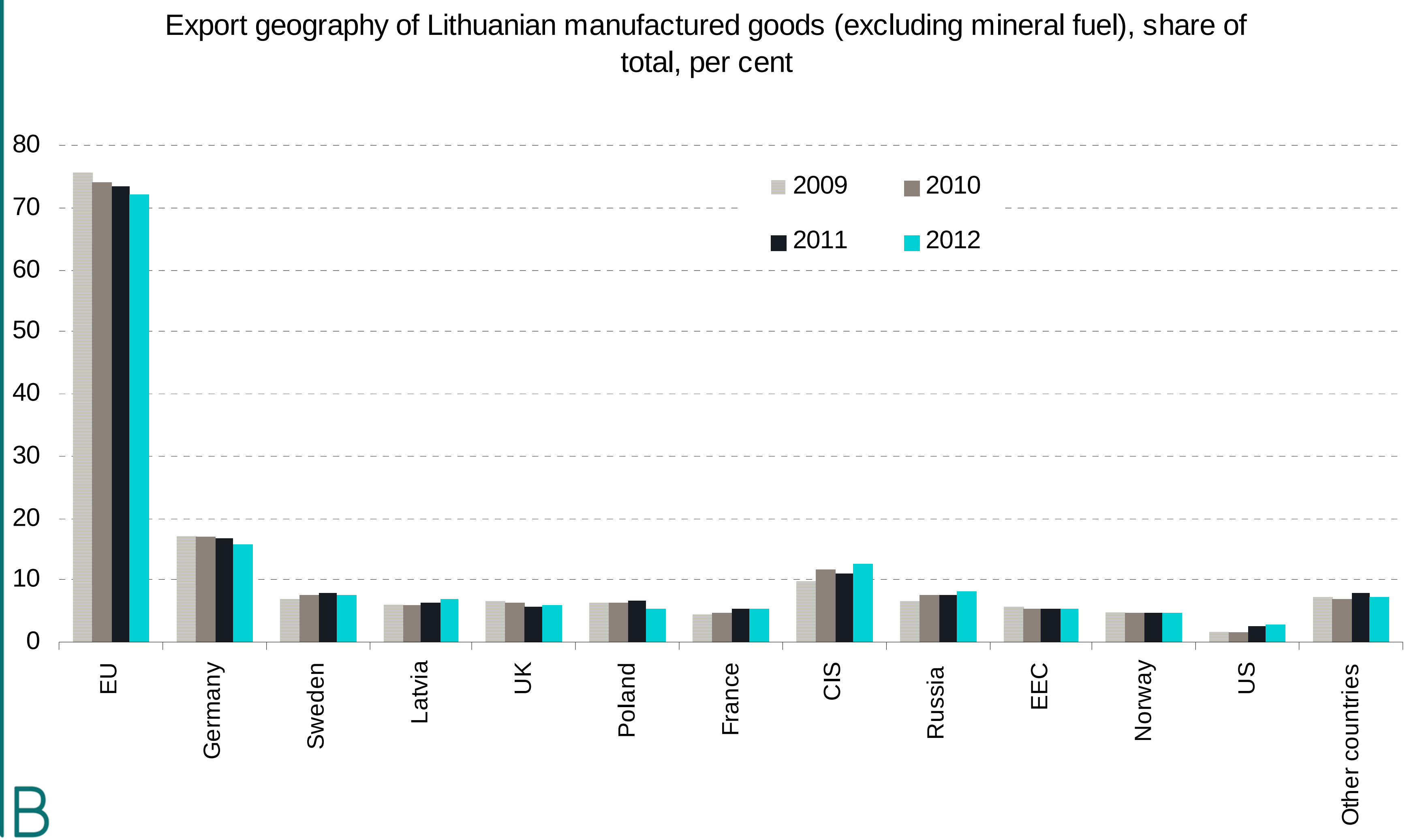
Increasing importance of Russia in total trade…



Source: Lithuanian statistics

…but geography of Lithuanian origin goods is stable

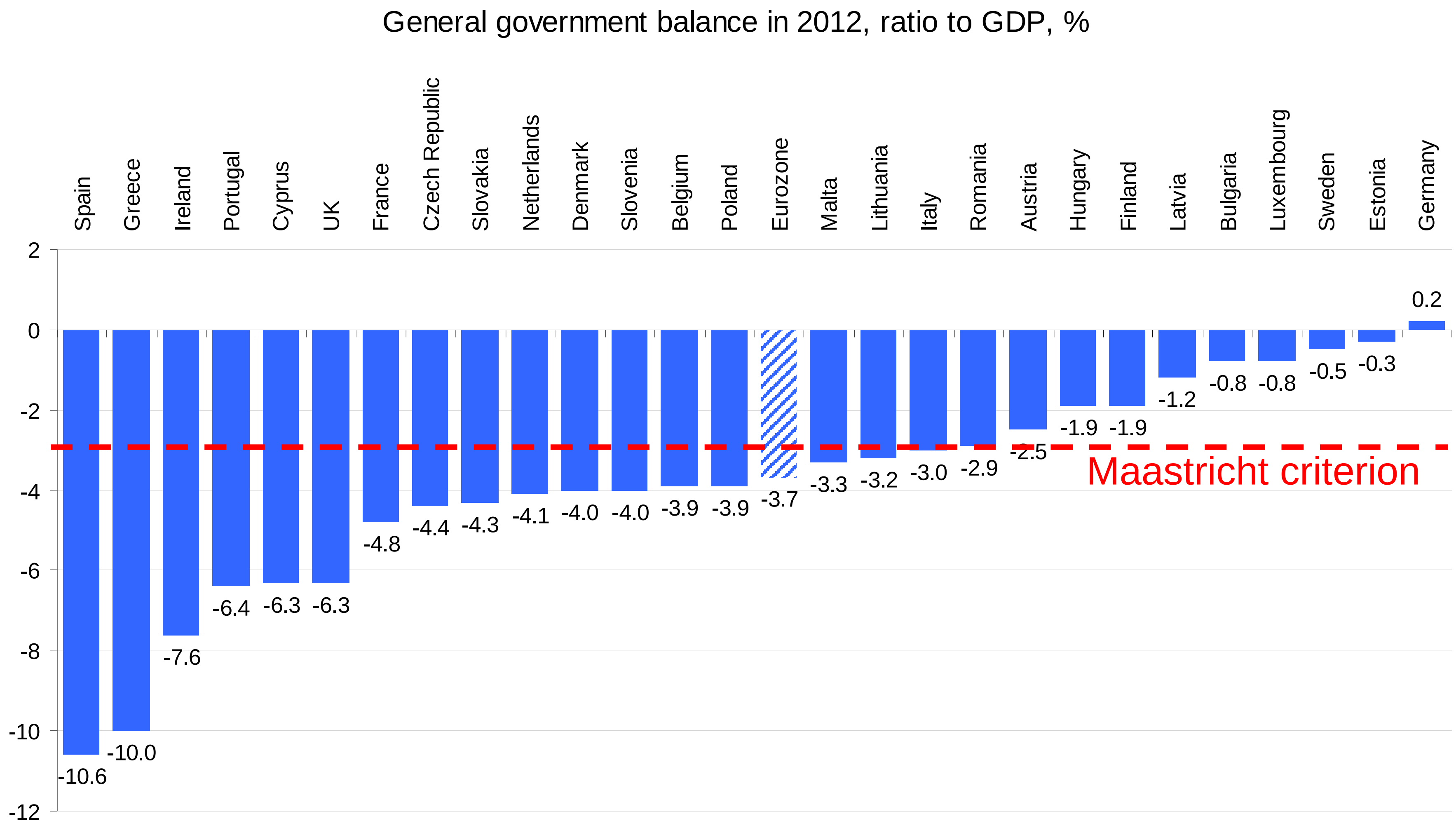


Source: Lithuanian statistics

Eurozone: “So far so good!”

Source: *http://www.kaltoons.com/*

EU fiscal stance is still far from satisfactory



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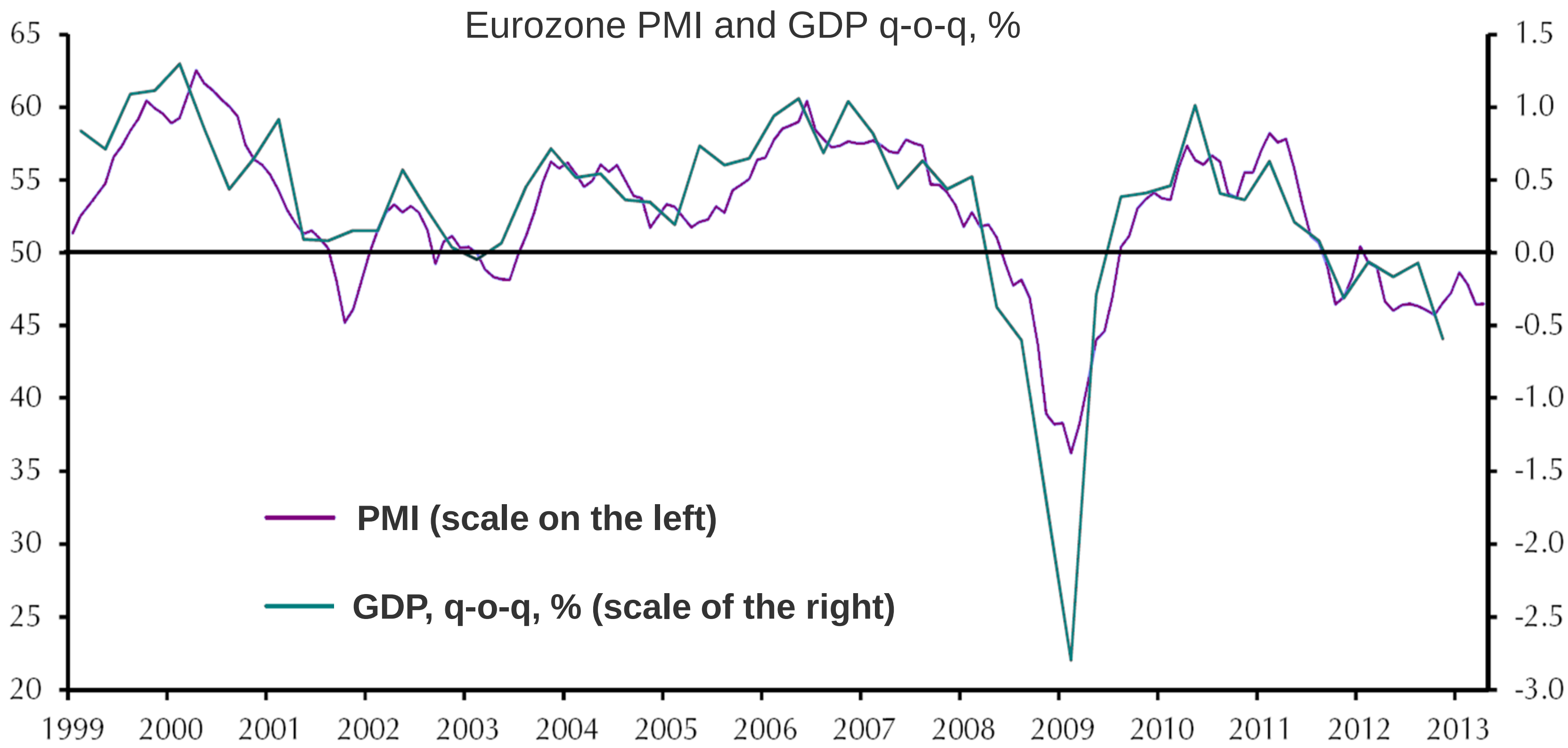
Source: Eurostat

Euro area recovery has run out of steam



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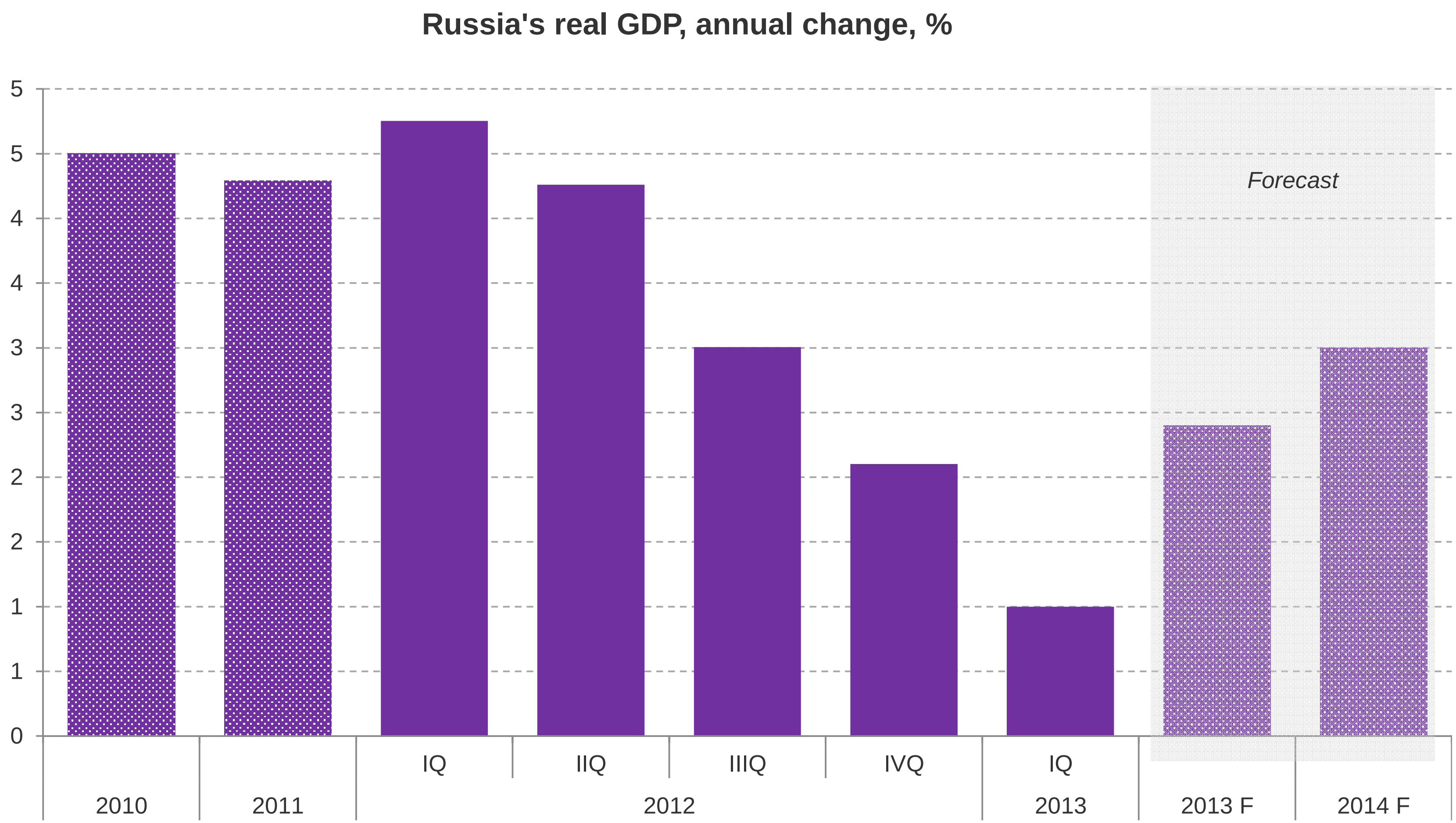
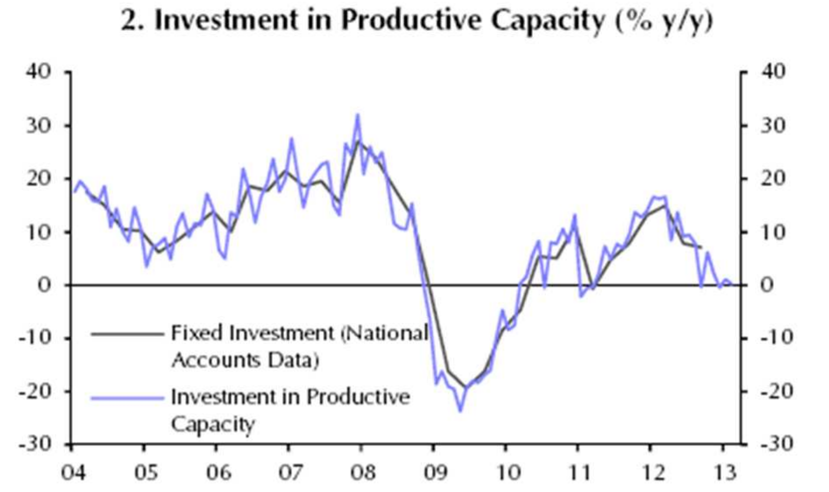
Source: MARKIT, Capital Economics

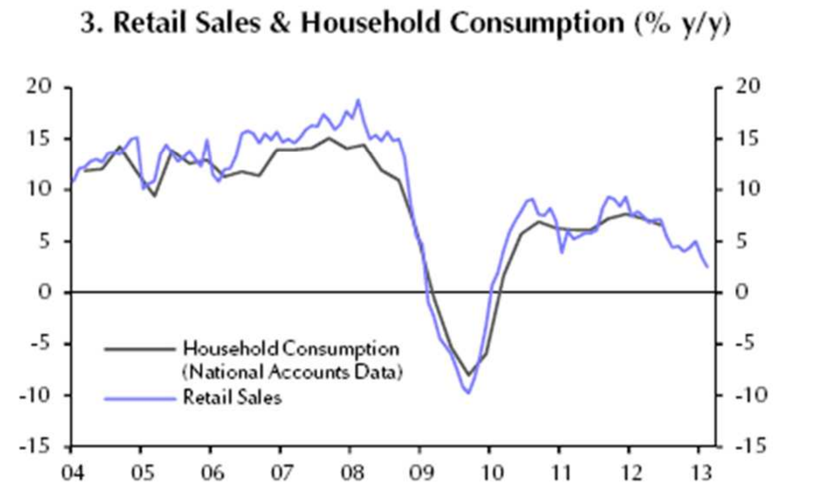
Russia has entered into a slowdown phase



Source: RF FSSS, IMF, Ministry of Economic Development

Russia‘s economic future raises serious concern





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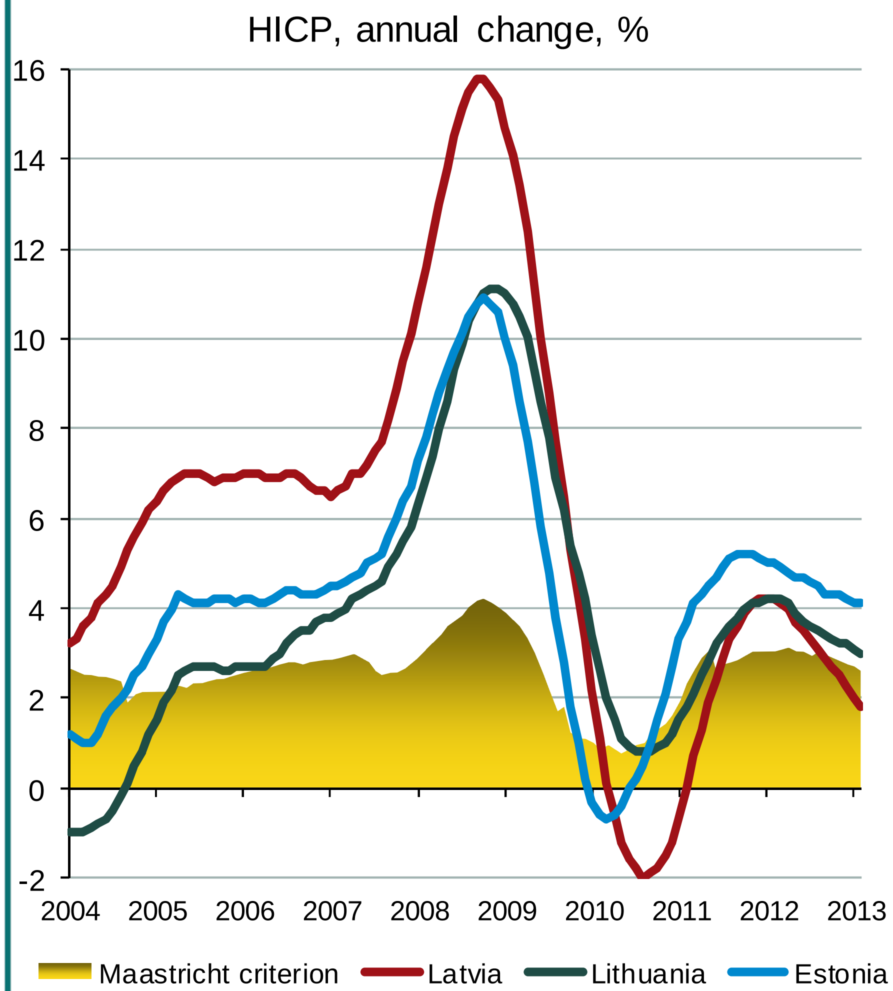
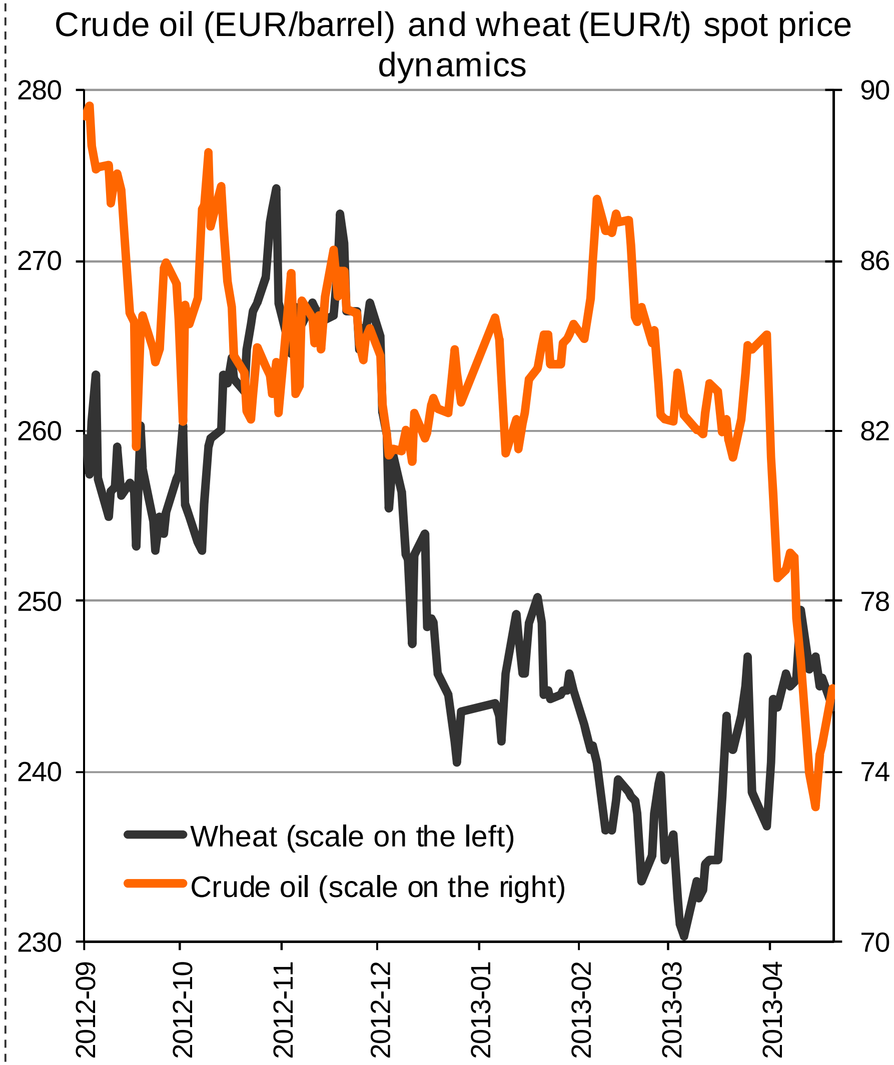
Source: Capital Economics

Inflation in the Baltics will *ride* the externally dictated downward trend

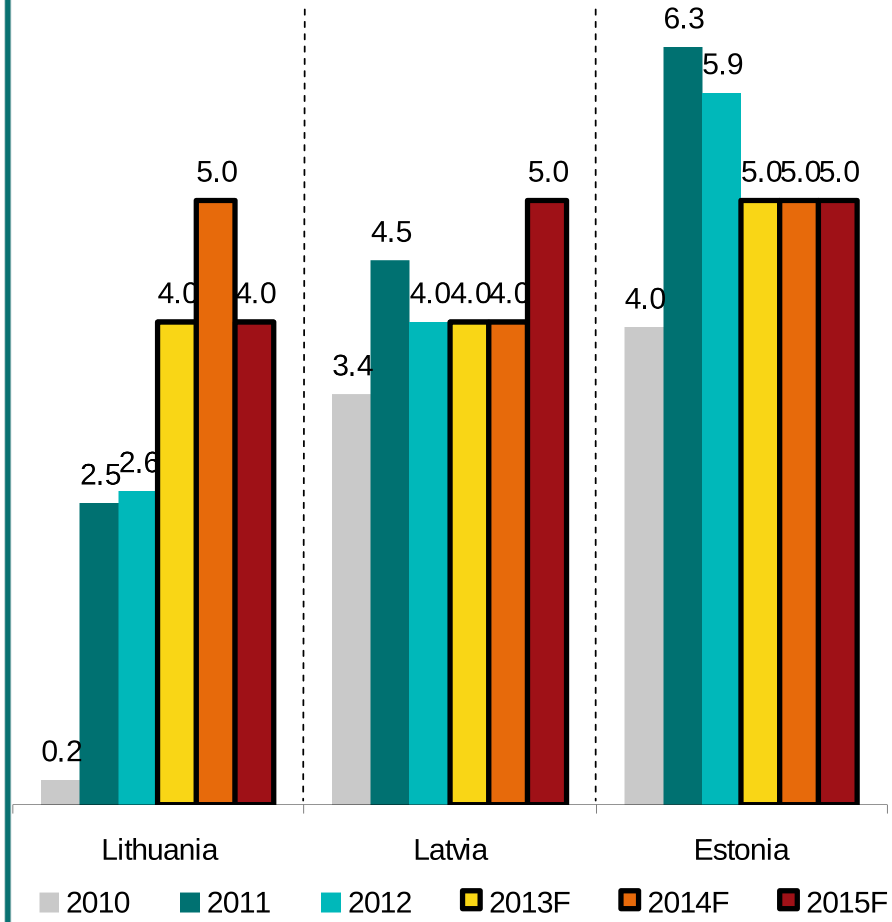




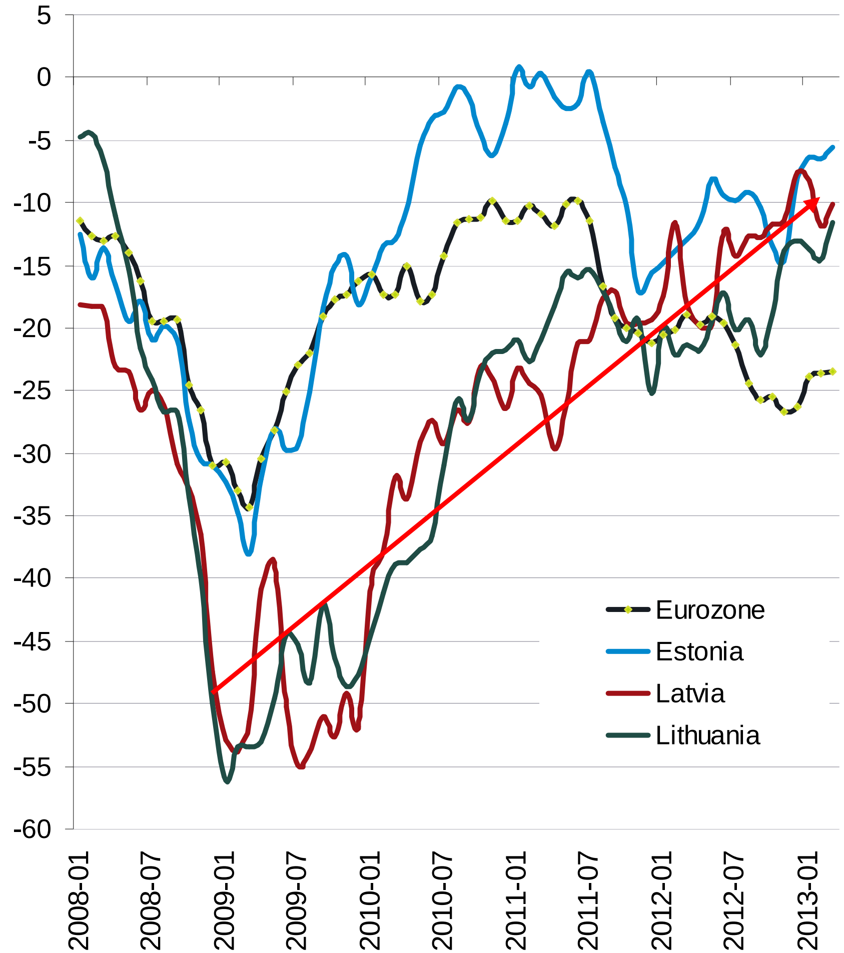
Source: Eurostat, Bloomberg

Improving consumer confidence and rising earning will support domestic consumption in the Baltics

Gross monthly earnings, end of period, annual change, %



Consumer confidence indicator



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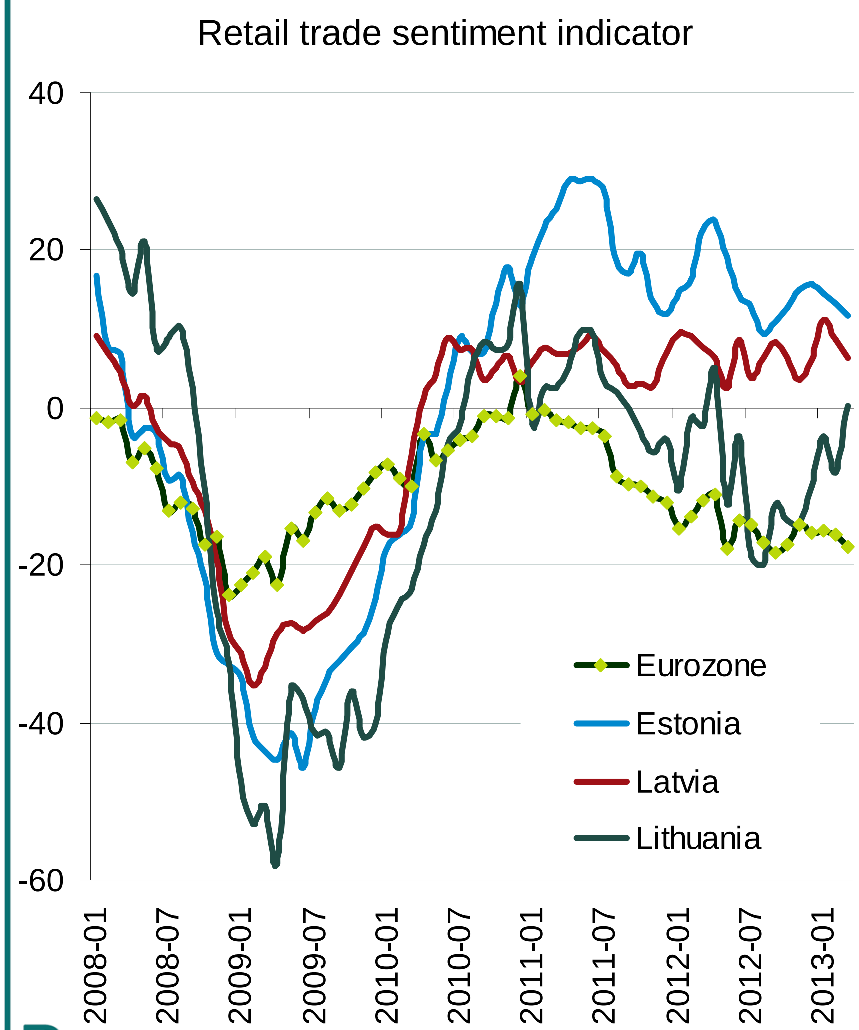
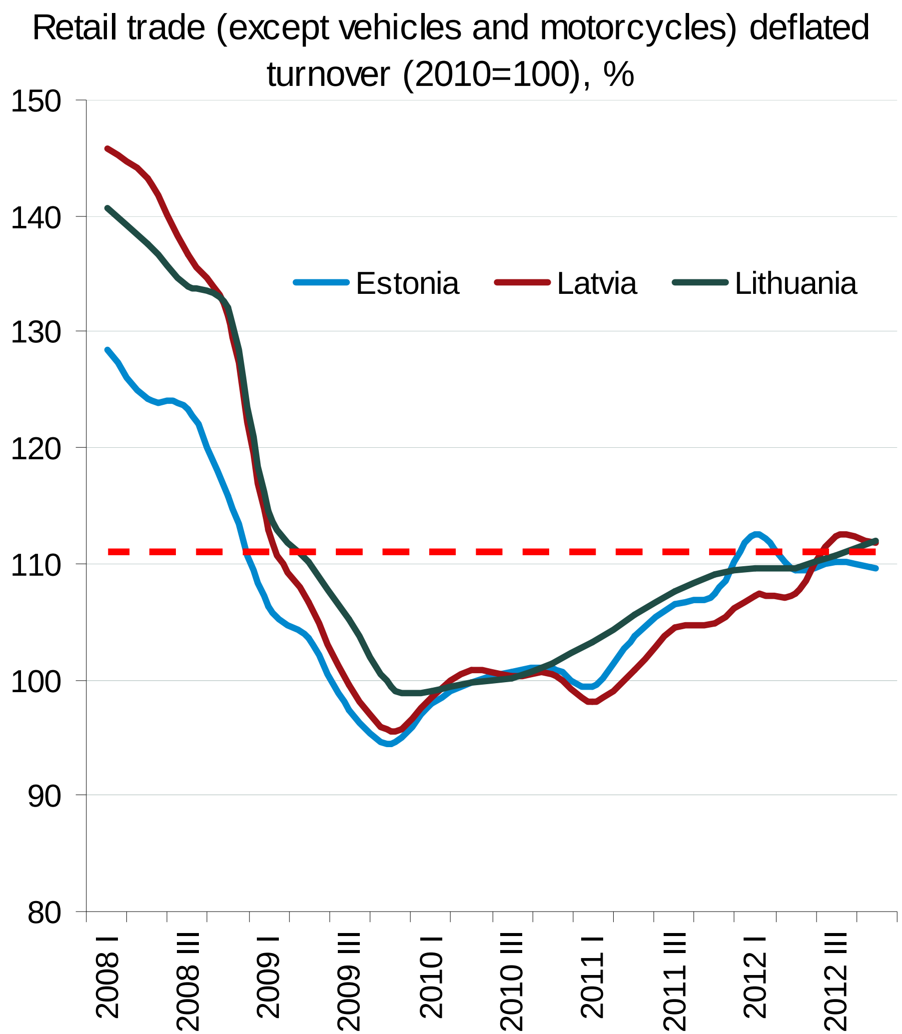
Source: Eurostat, national statistics offices

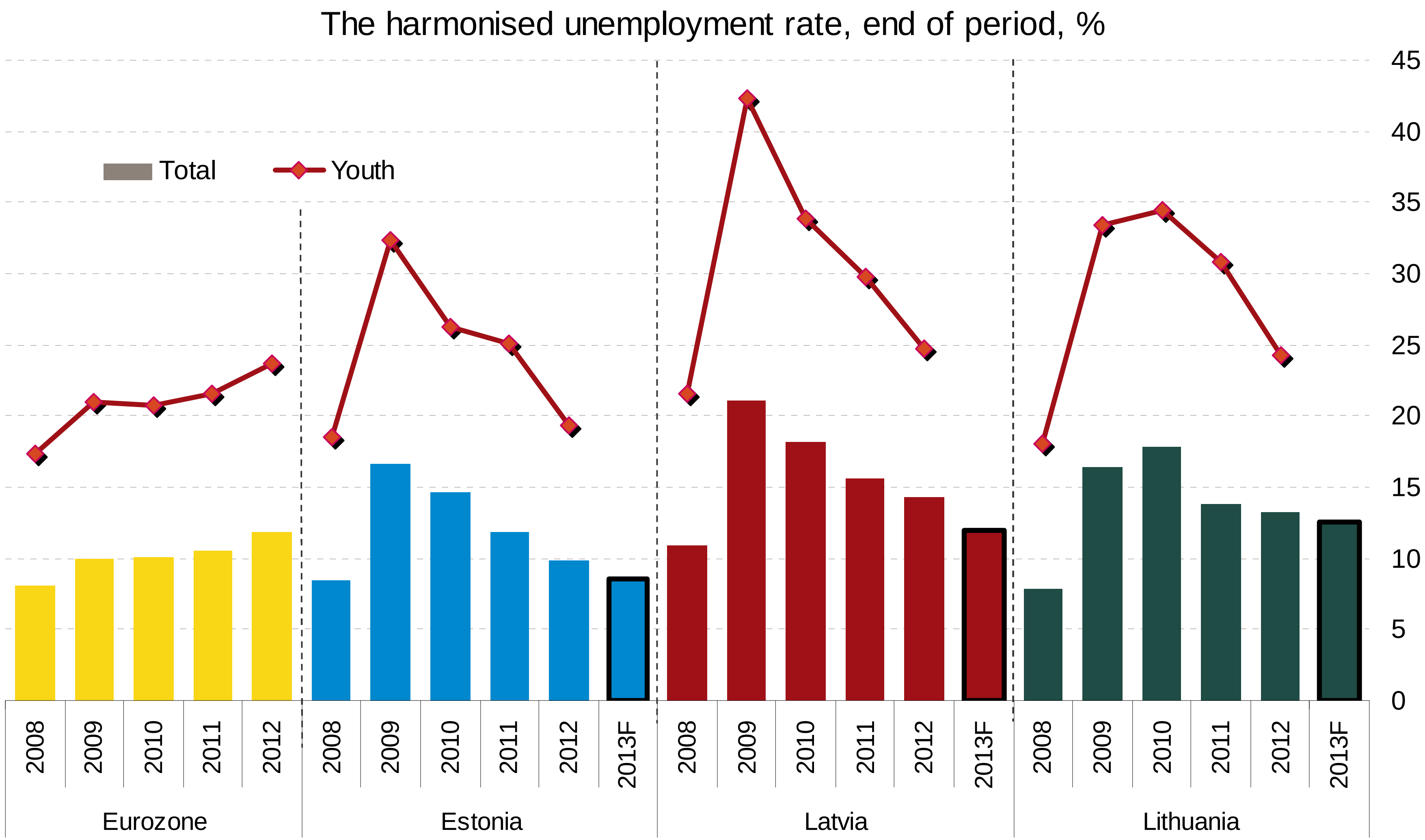
Retail trade turnover *crawls out* of the bottom slowly





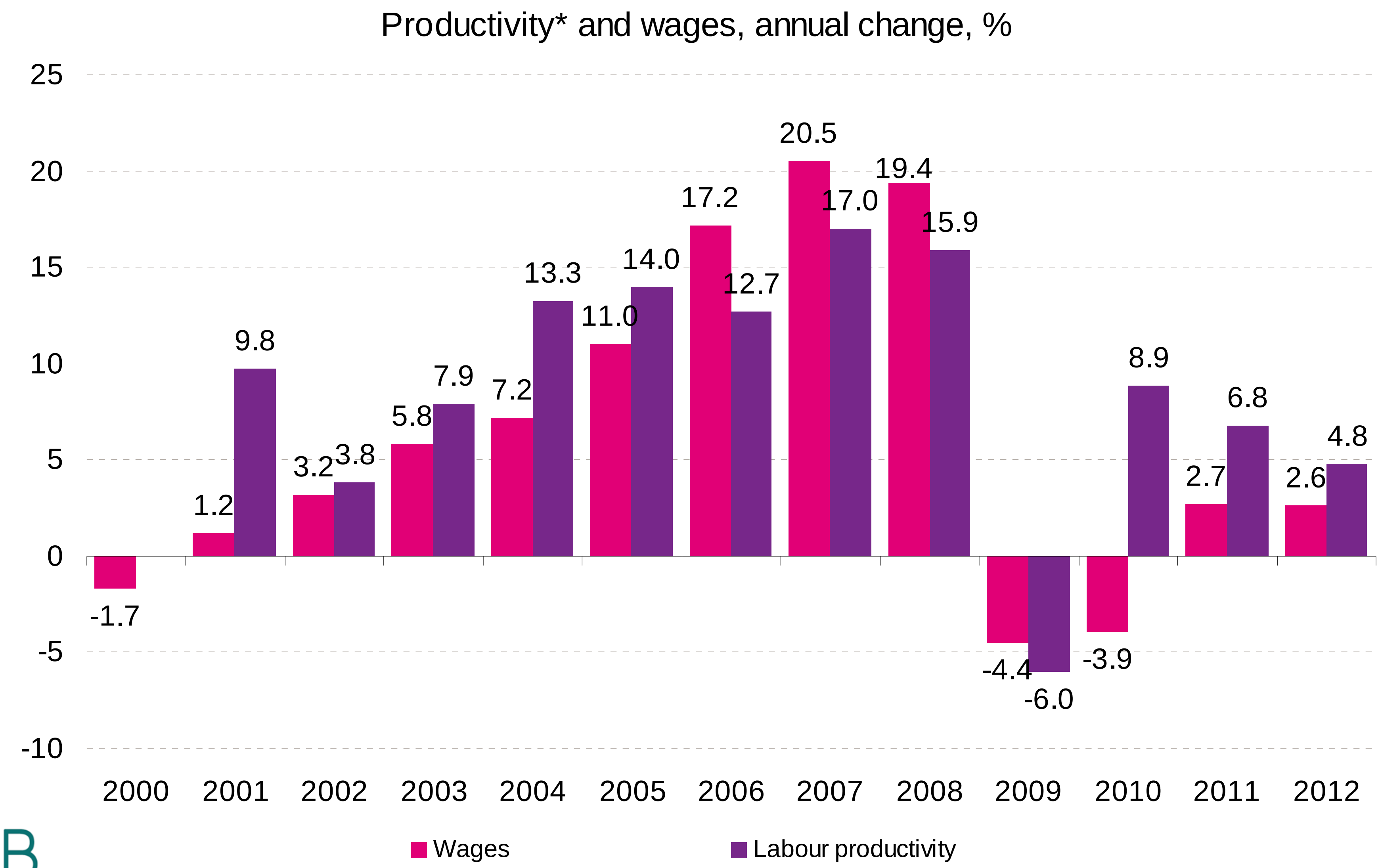
Source: Eurostat

Unemployment in Lithuania remains resistant



Source: Eurostat

Increasing wages will force companies to search for new source of efficiency

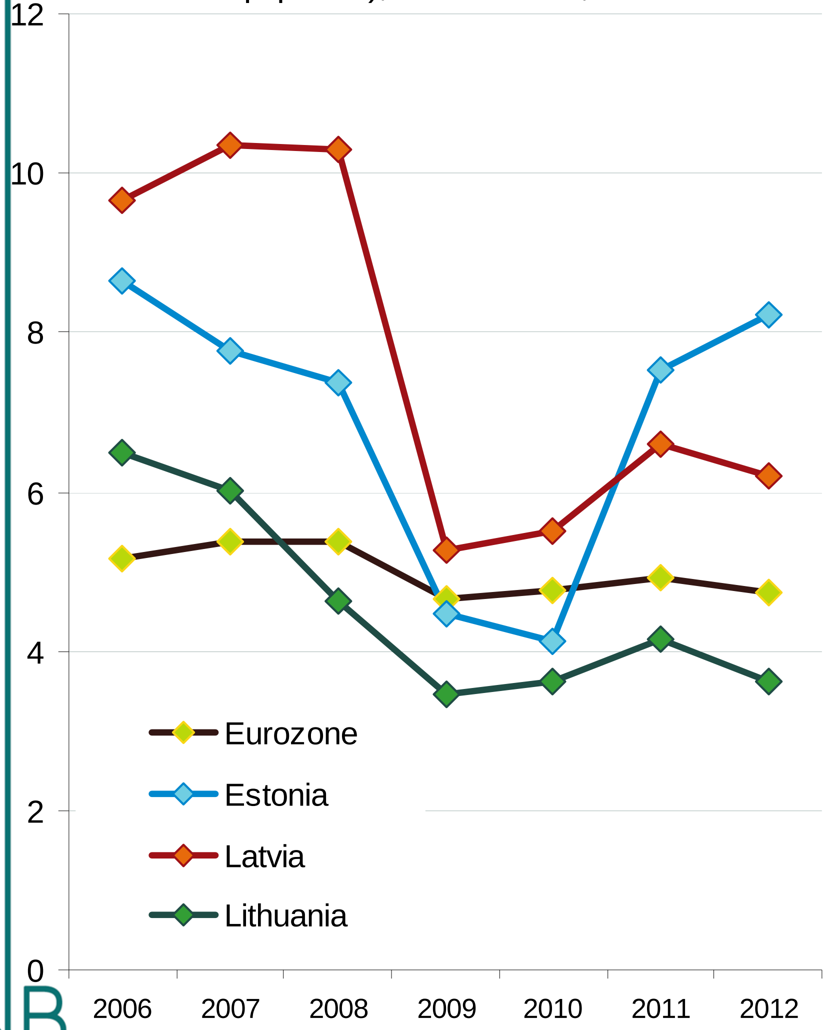


* Value added at current prices per employee

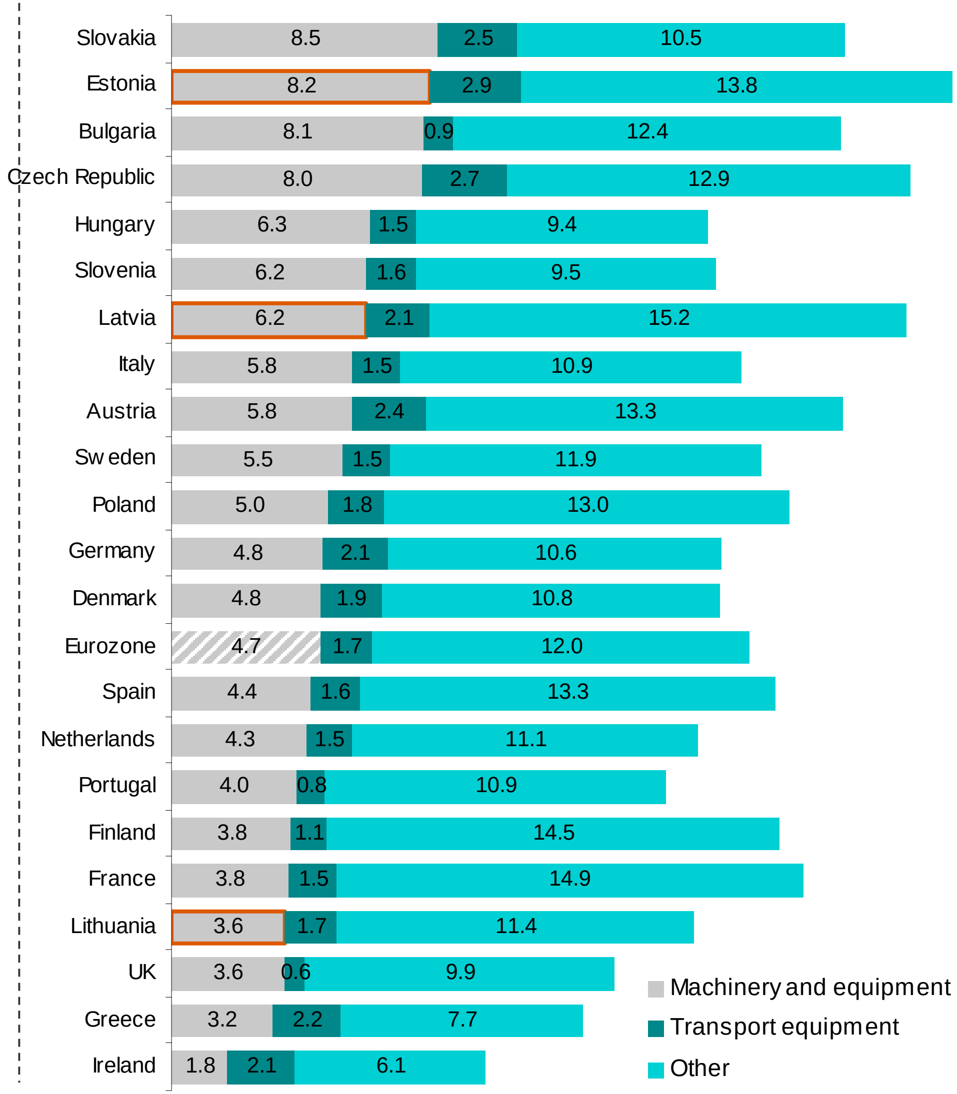
Source: Statistics Lithuania

But Lithuania still *takes the dust* according to the level of productive investments

Expenditure on productive investments (machinery and equipment), ratio to GDP, %



Expenditure on fixed capital formation, ratio to GDP, %



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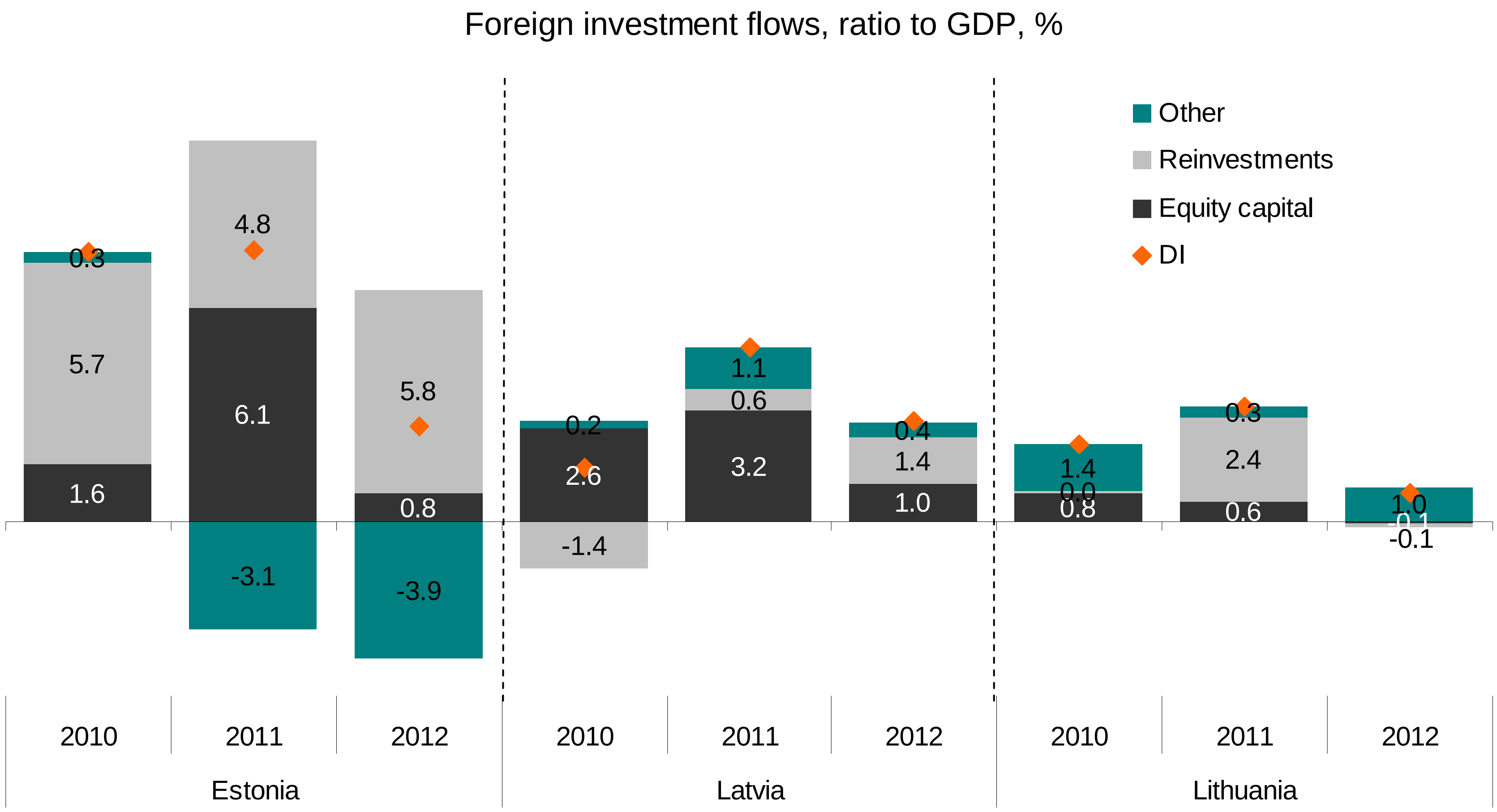
Source: Eurostat

Lithuania still remains unattractive for foreign investors



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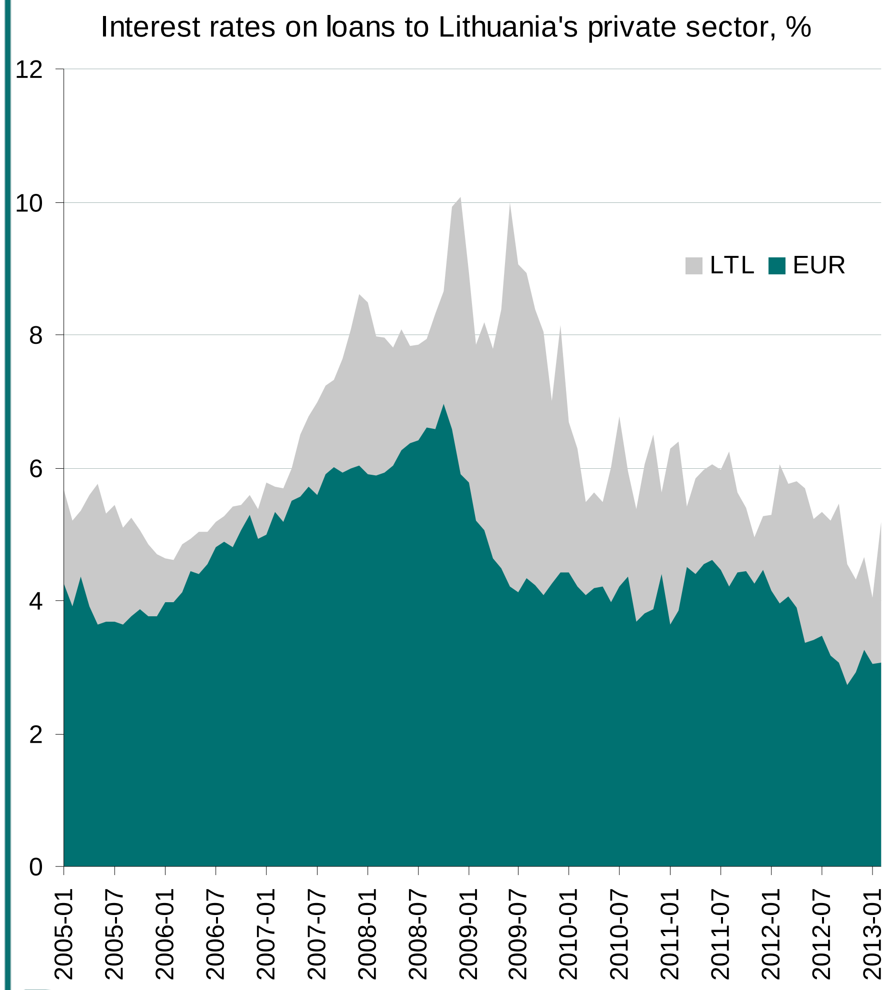
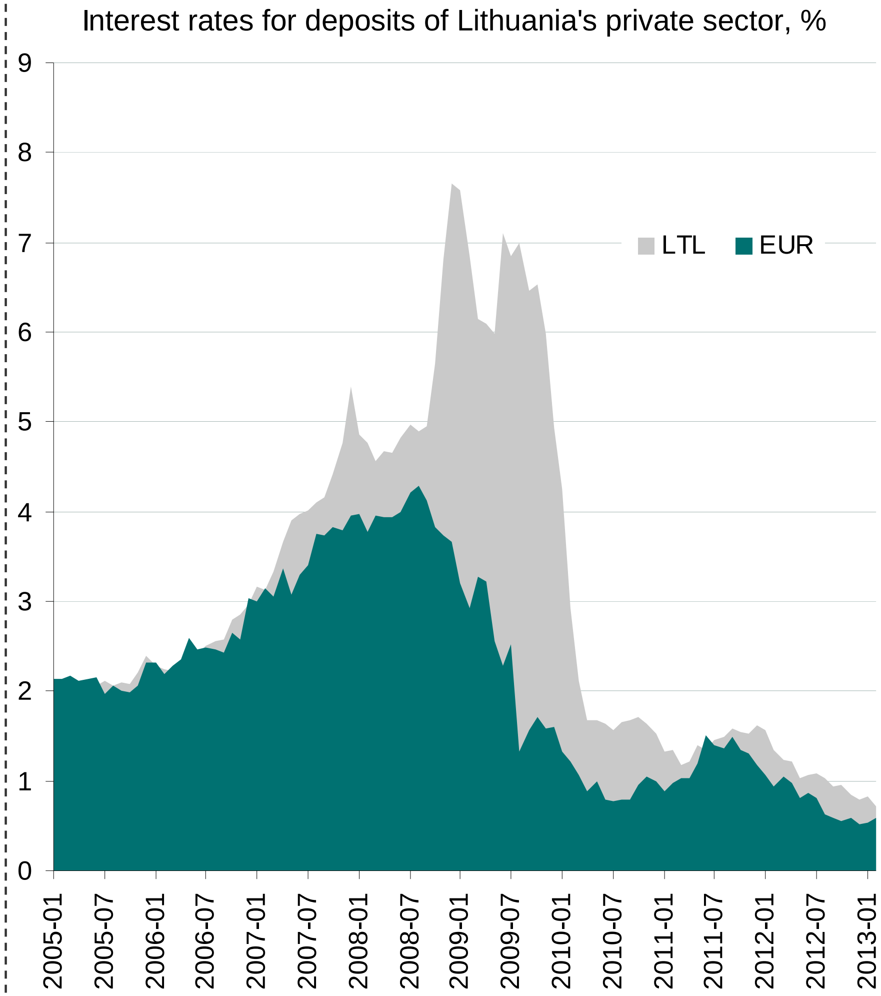
Source: Eurostat

Interest rates for Lithuanian private sector at the historical lows





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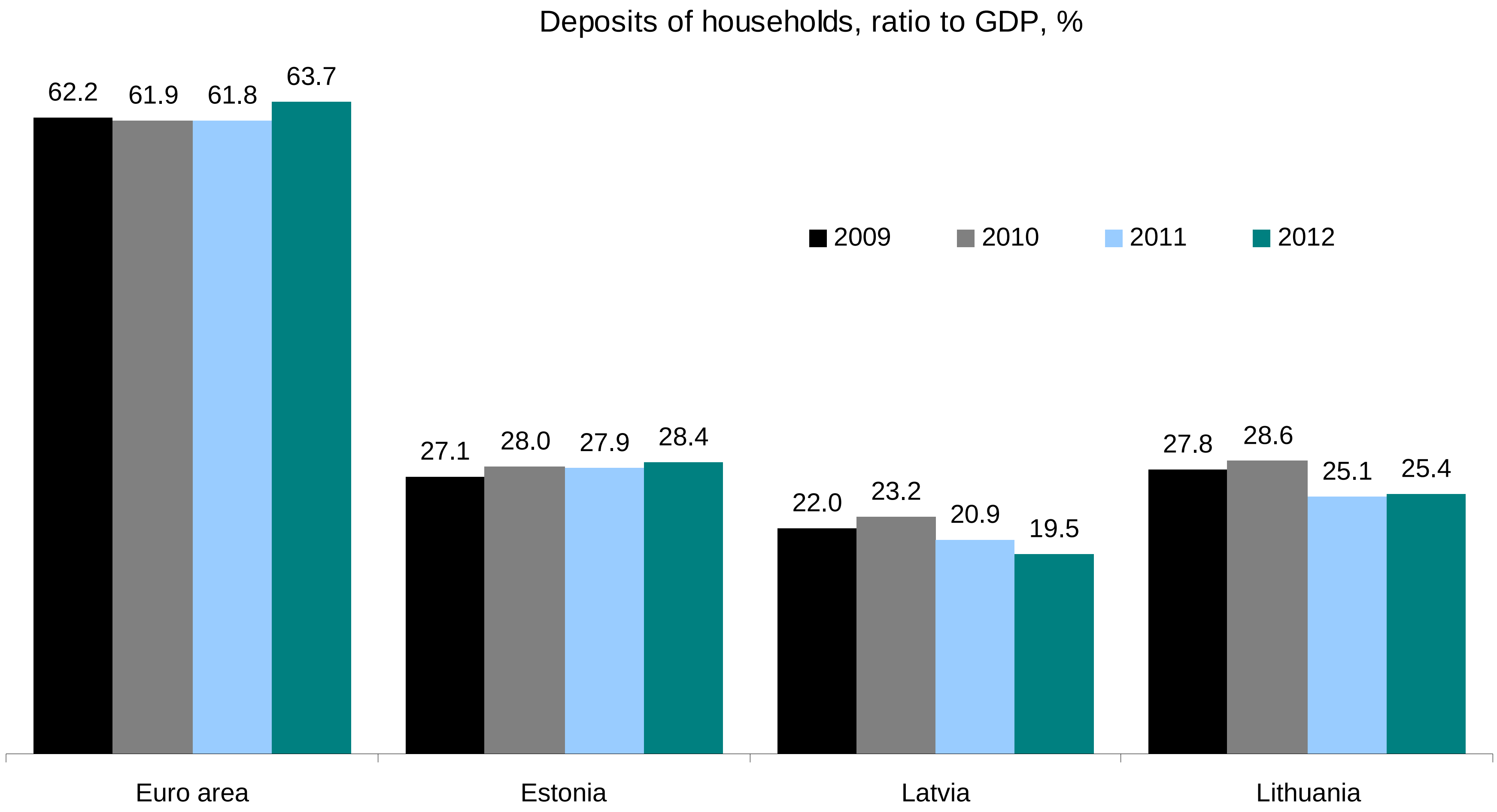
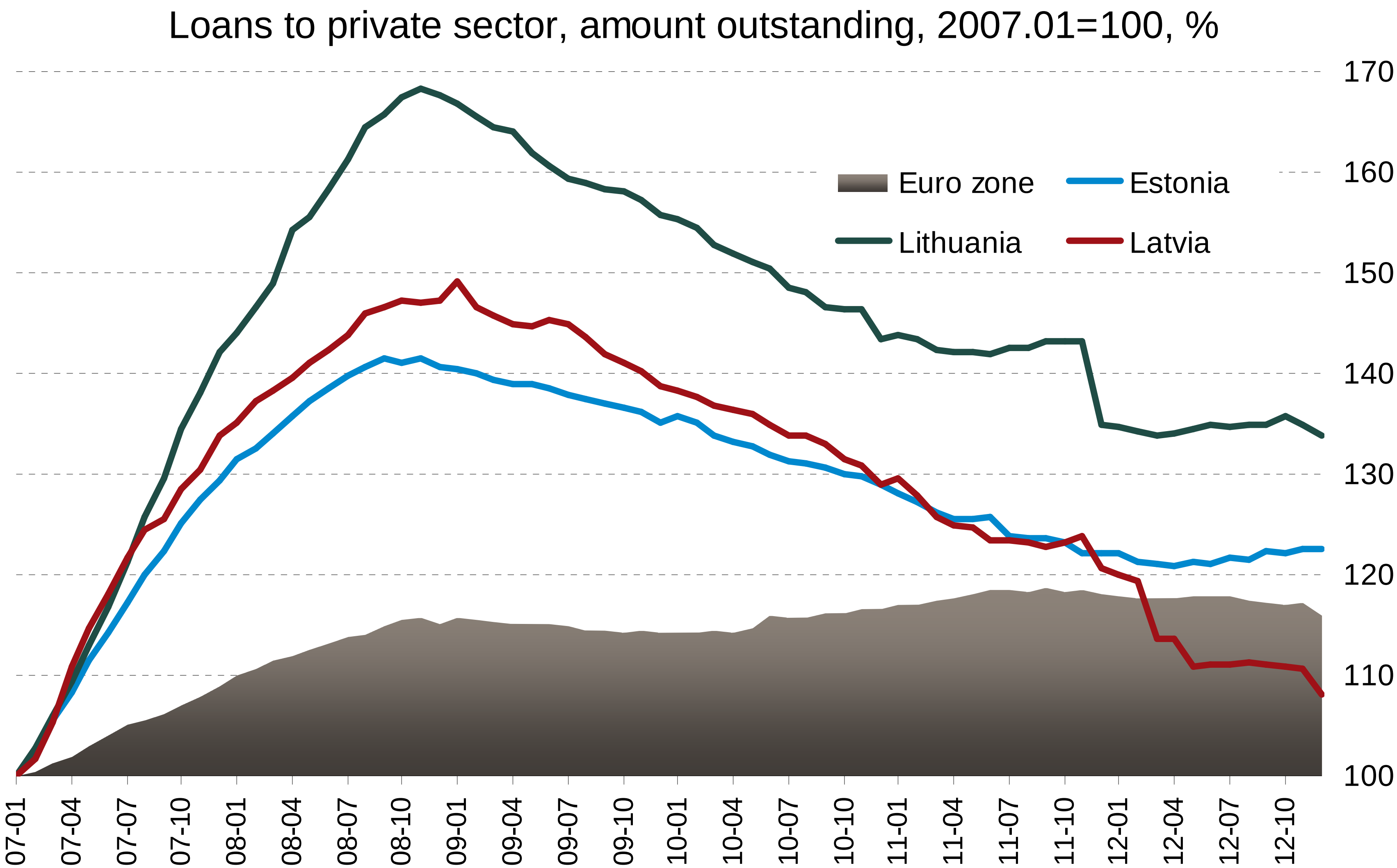
Source: Bank of Lithuania

The level of deposits in the Baltics is much lower than in the euro area



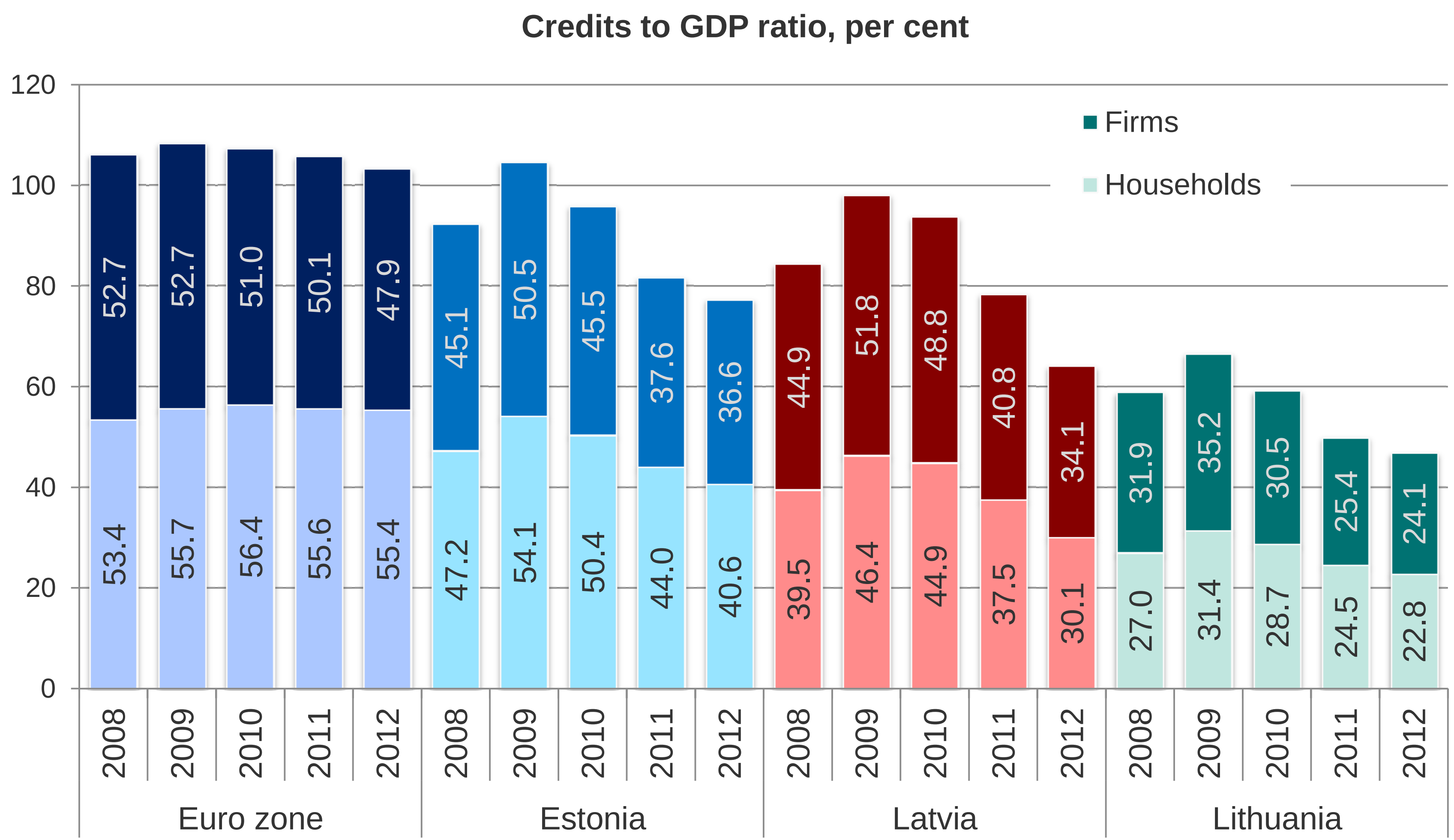
Source: ECB, Eurostat

Loan portfolio for corporations and households continues to shrink



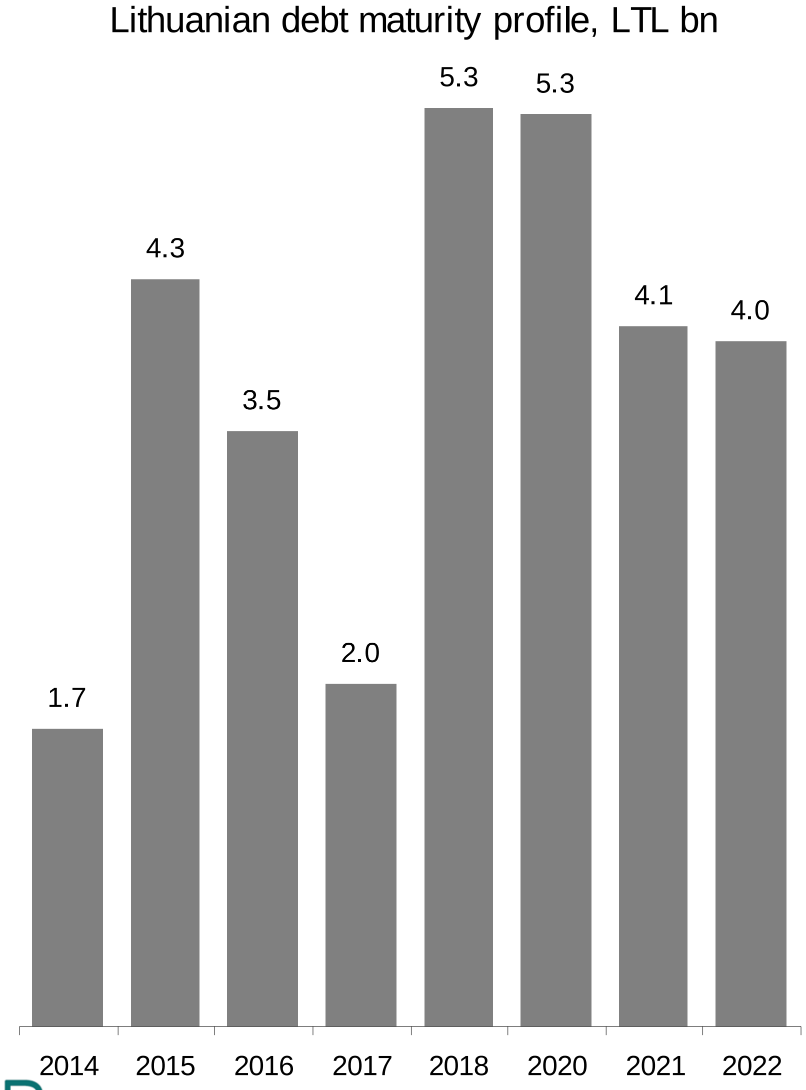
Source: ECB

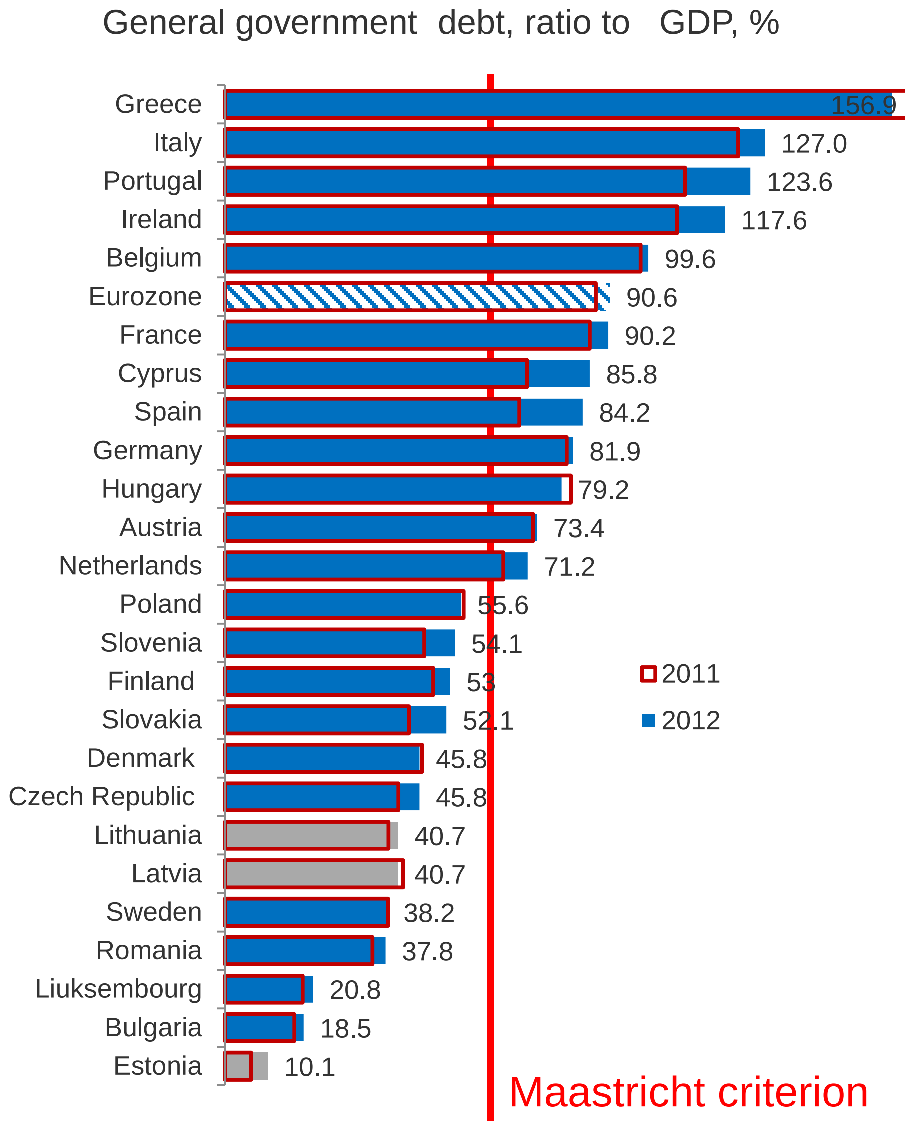
Stricter regulations and risk aversion slow down the credit growth



Source: ECB, Eurostat, DNB Markets

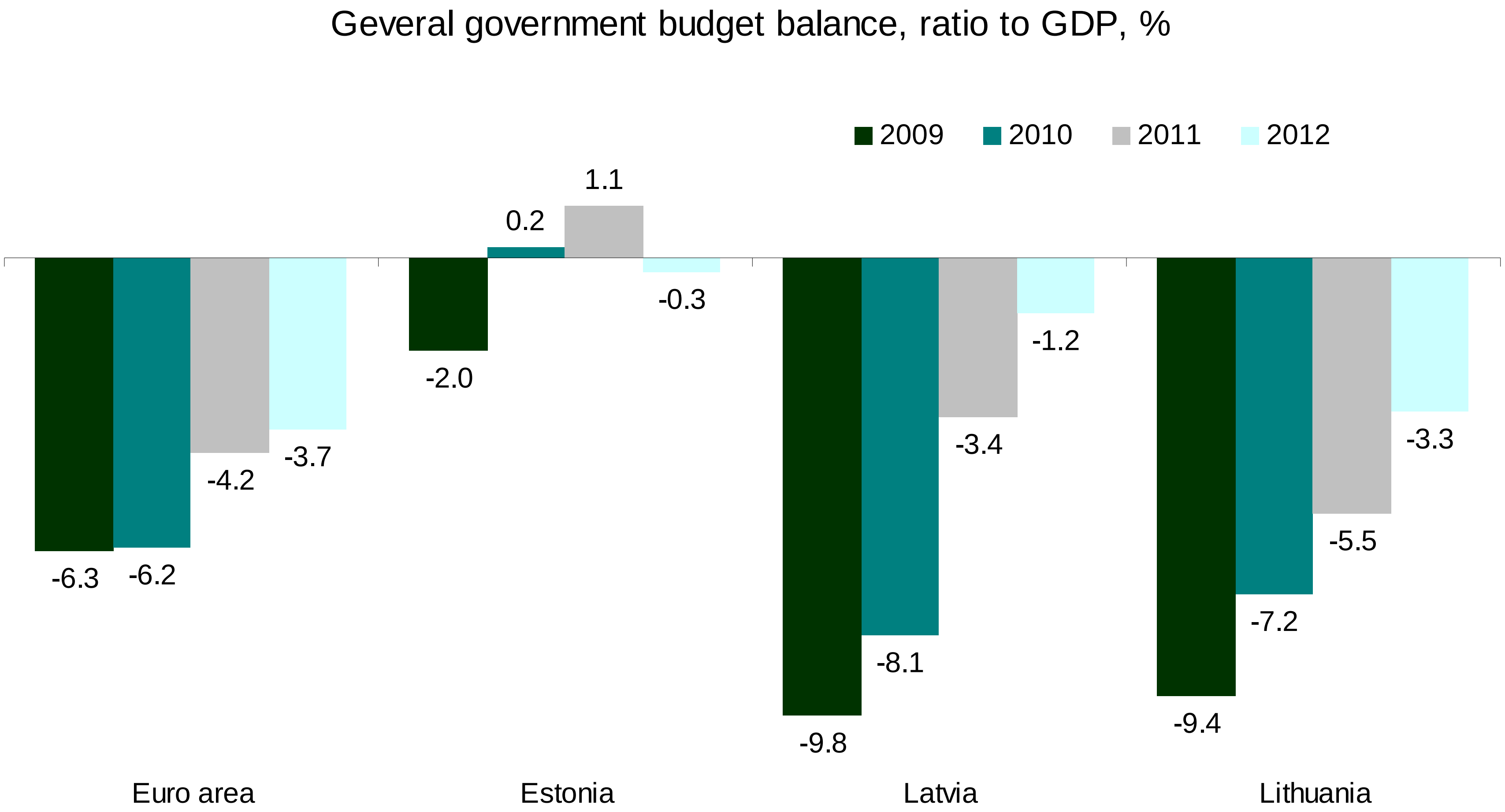
Lithuania's fiscal strain has abated for now





Source: Eurostat

Fiscal deficit in Lithuania still exceeds the Maastricht criterion



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Source: Eurostat

The Baltics will respite before the new sprint

- Given the unfavourable economic environment, the share of exports in GDP is seen to shrink
- The Baltics will restore more vivid growth pace in 2014 after economic sentiments become positive and the investments environment remains benign
- Lithuania and Estonia are seen to reach the pre-crisis level of real GDP in 2014
- The prospects for households ameliorate: net wages are seen to surpass the pre-crisis peak, while decreasing inflation and low interest rates will stimulate domestic consumption

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Thank you for your attention!

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