



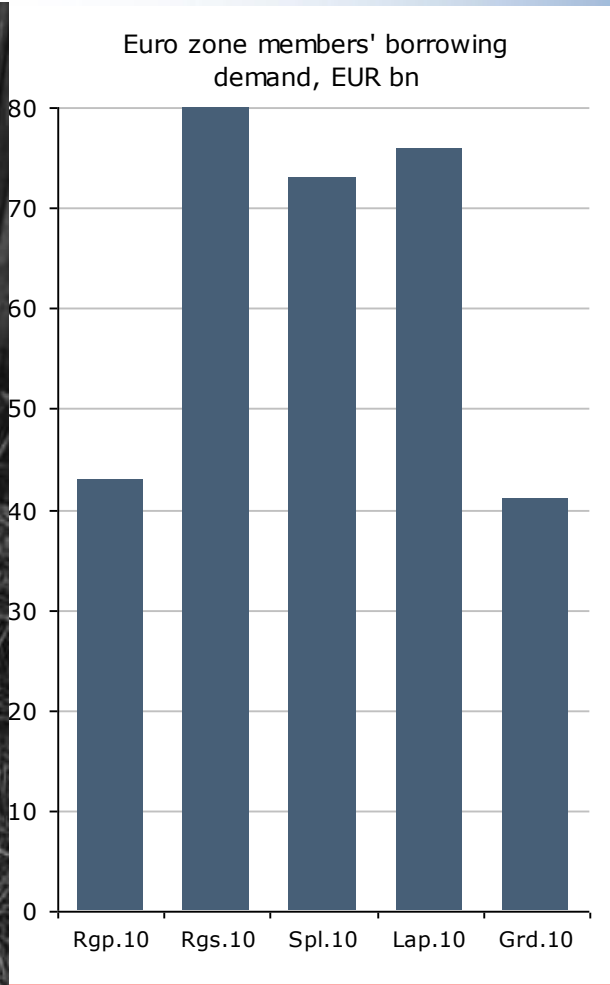
Lithuanian Economy: Post-crisis Challenges

Jekaterina Rojaka
21st of September, 2010
DnB NORD bankas

DnB NORD Bankas
Jūsų finansų gidas



Euro zone: no rush to tighten



	2010-08	2010-09	2010-10	2010-11	2010-12
Germany	11.0	18.0	17.0	20.0	14.0
Ireland	1.5	1.5	1.0	0.0	0.0
France	0.0	17.0	17.0	17.0	4.4
Portugal	0.0	1.5	1.5	1.5	1.5
Spain	3.5	7.0	7.0	6.5	7.0

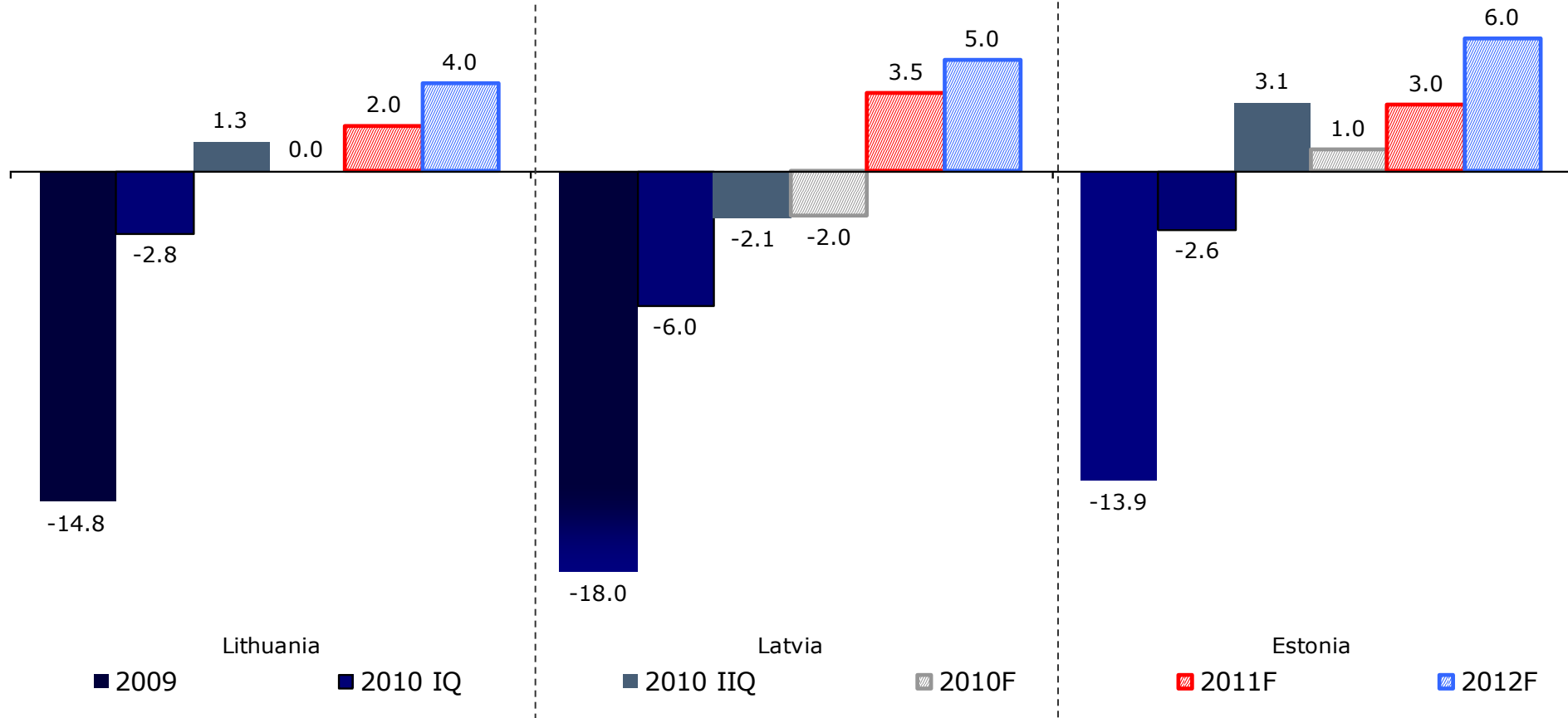
Source: www.life.com/image/50521646

2 | Source: FT, ING Financial Markets

The Baltics demonstrated the deepest GDP contraction in the EU last year



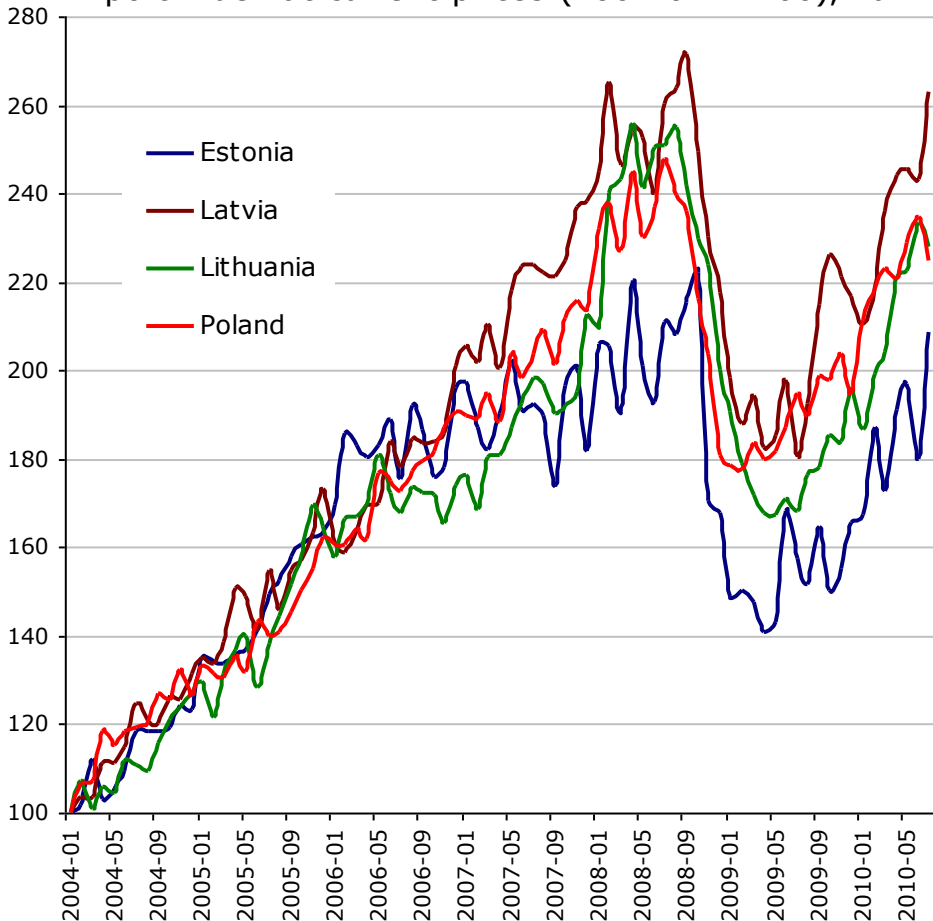
Real GDP, annual change, %



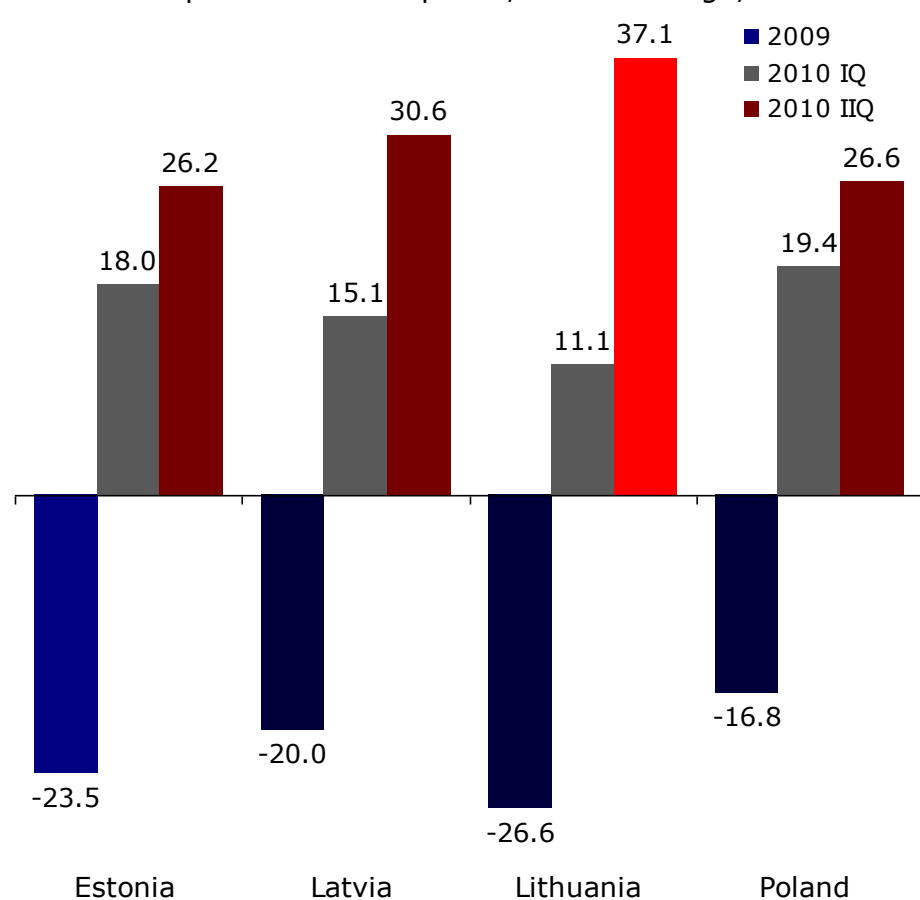
Export mounts up to the levels seen before crisis in the Baltics



Export index at current prices (2004-01 = 100), %

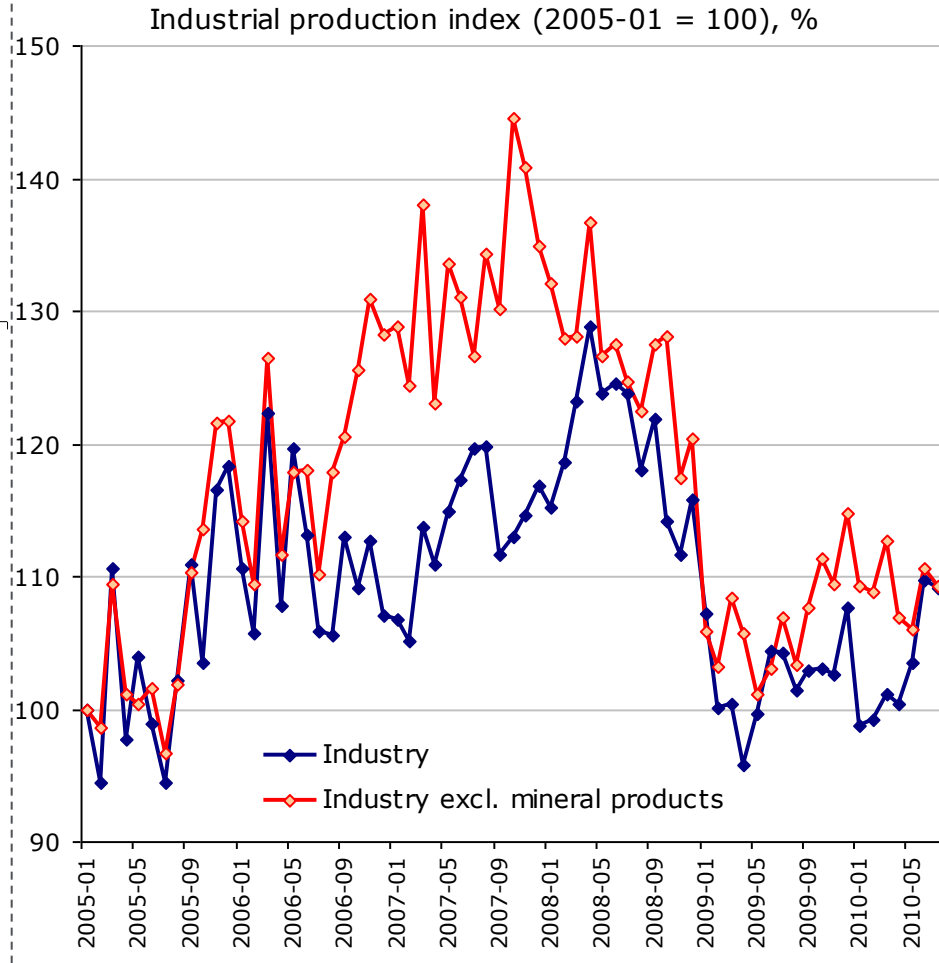
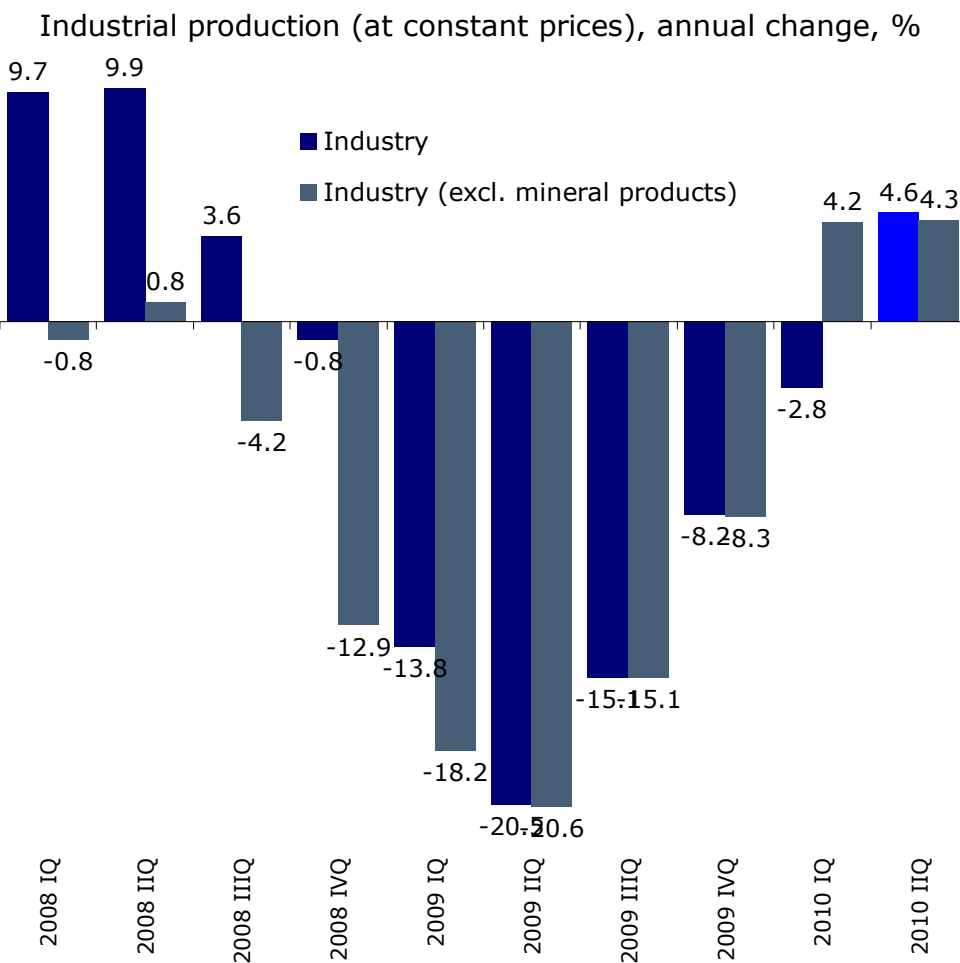


Exports at current prices, annual change, %

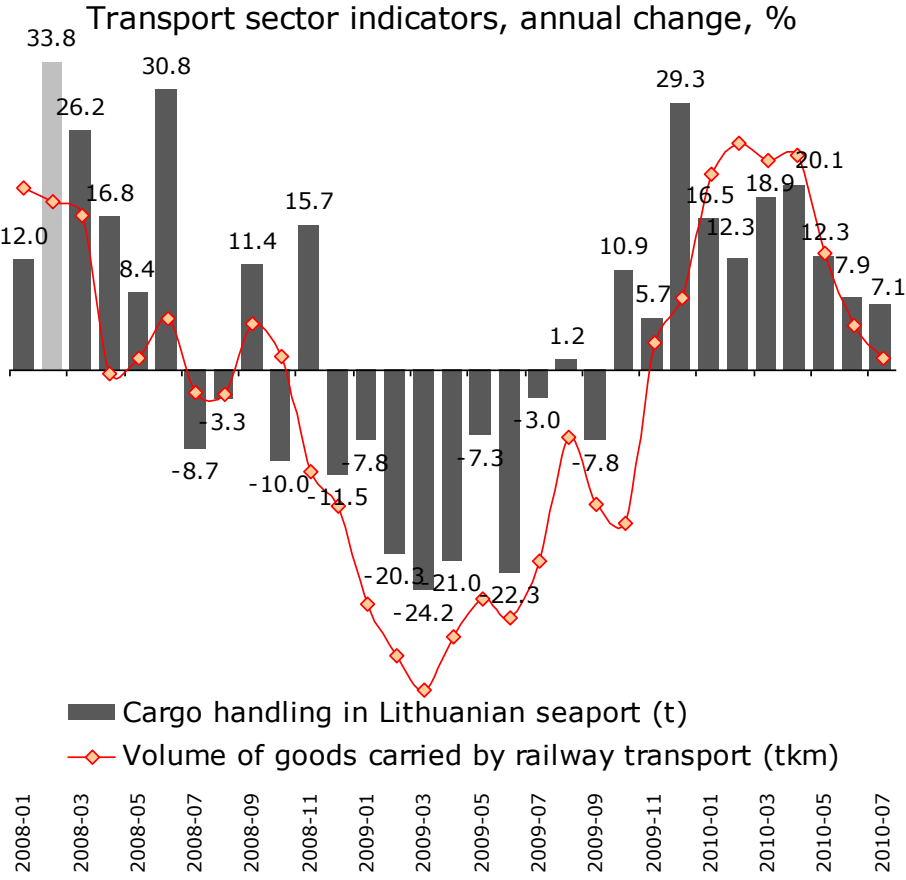




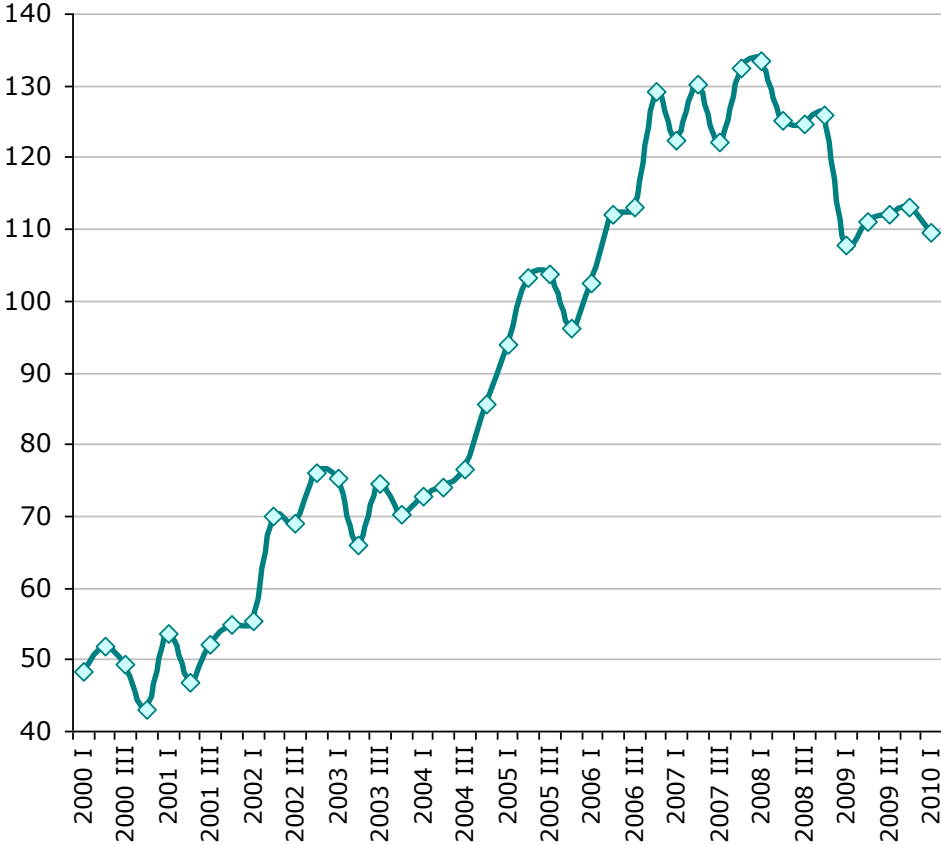
The first signs of stabilisation unfold: industry has been bottoming out



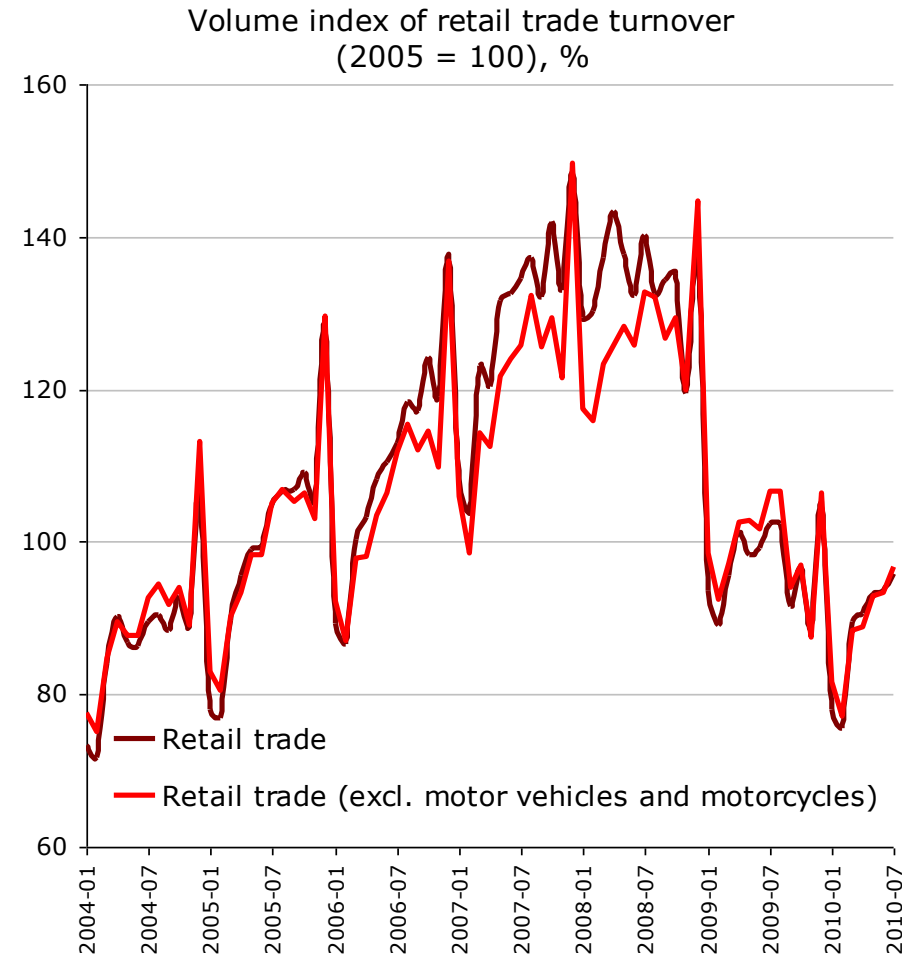
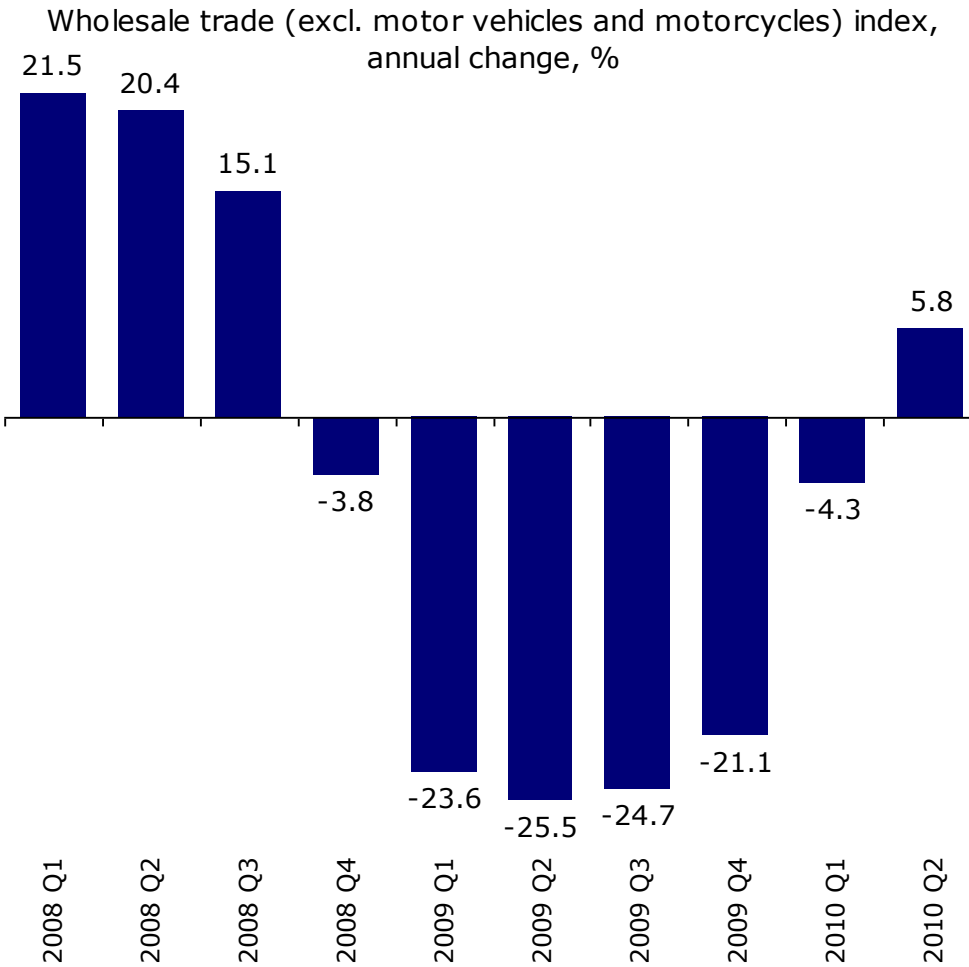
Lithuanian seaport and railway transport demonstrate growth...



Seasonally adjusted volumes (tkm) of goods carried by road transport (2005 = 100), %



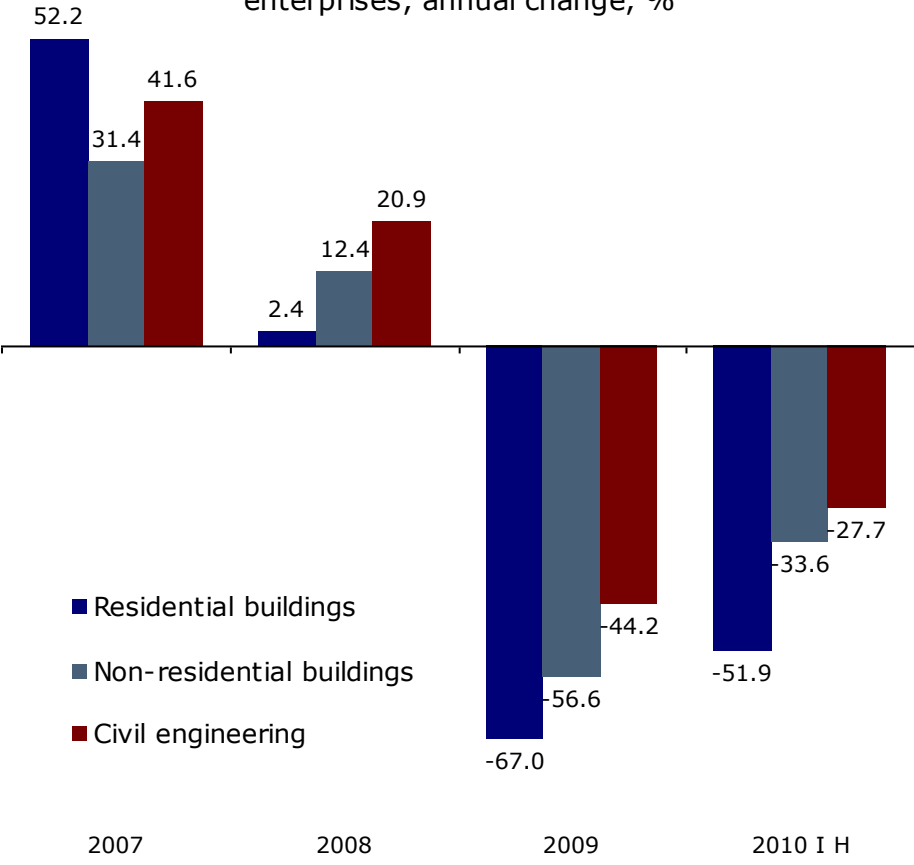
...meanwhile, the downfall of retail trade turnover persists further...



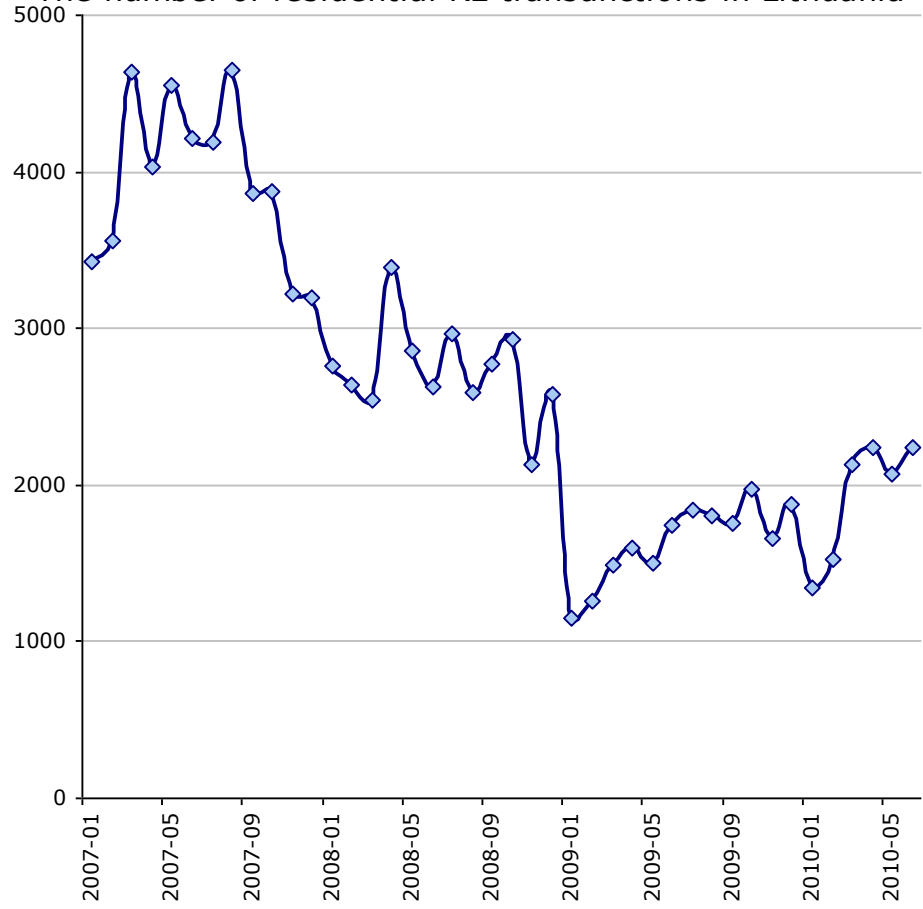
... construction and real estate economic activities are also stagnating



Construction works carried out in the country by construction enterprises, annual change, %



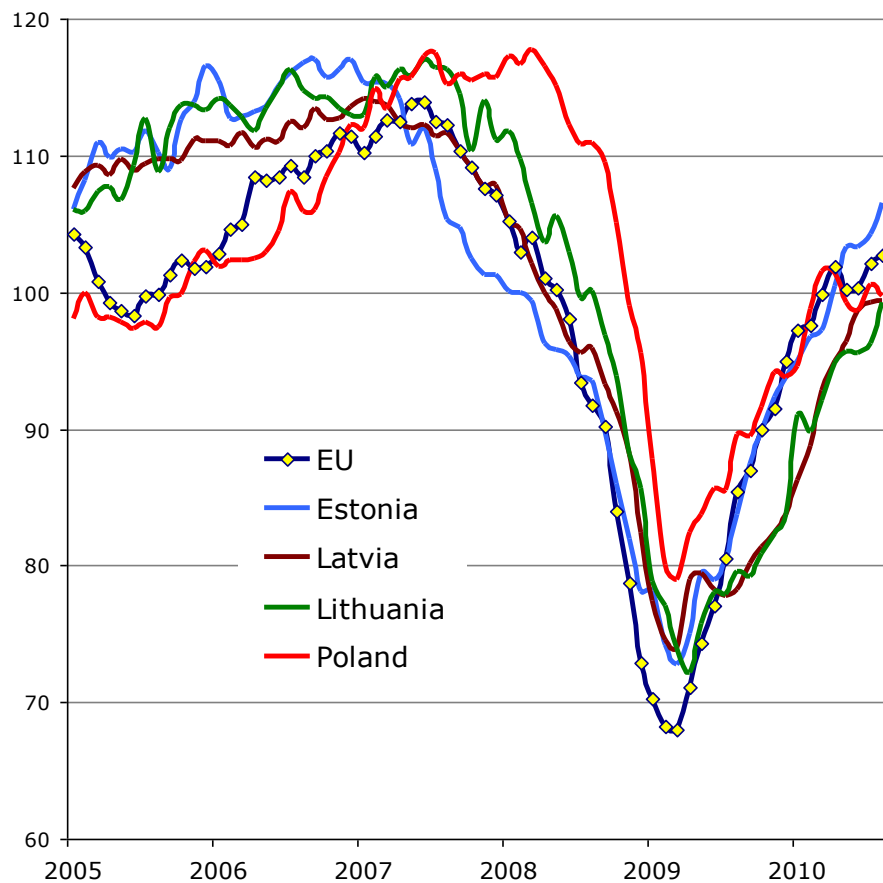
The number of residential RE transactions in Lithuania



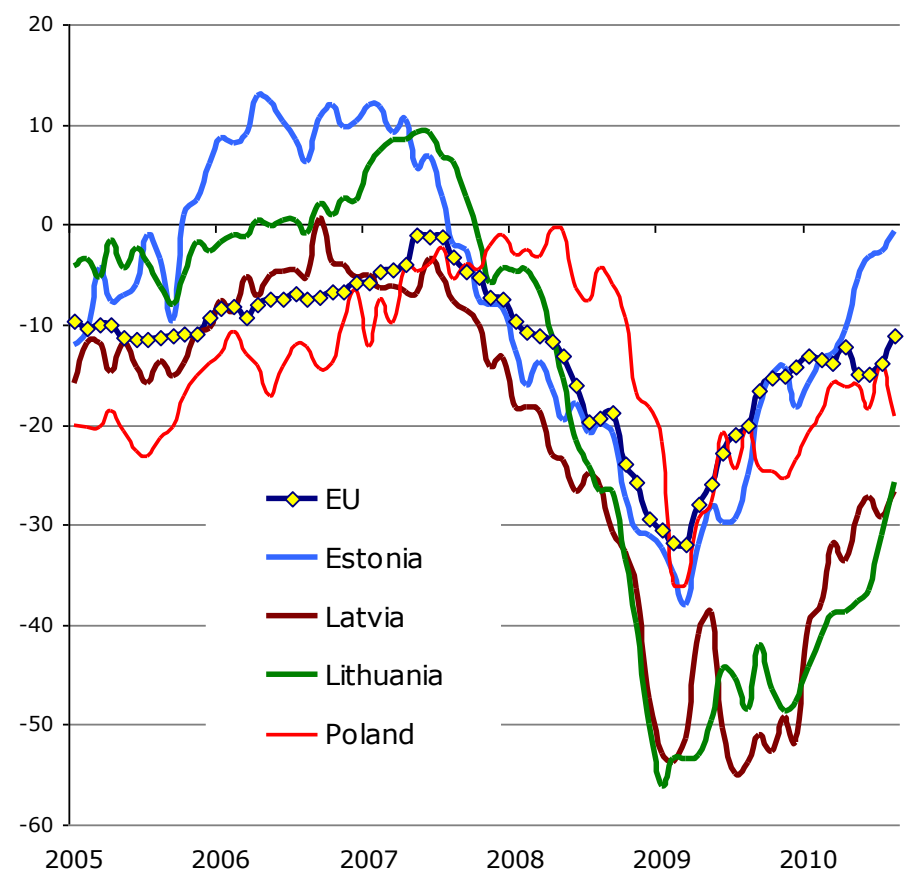
Improving business sentiments indicate economic recovery



Economic sentiment indicators in 2005-2010



Consumer confidence indicators in 2005-2009



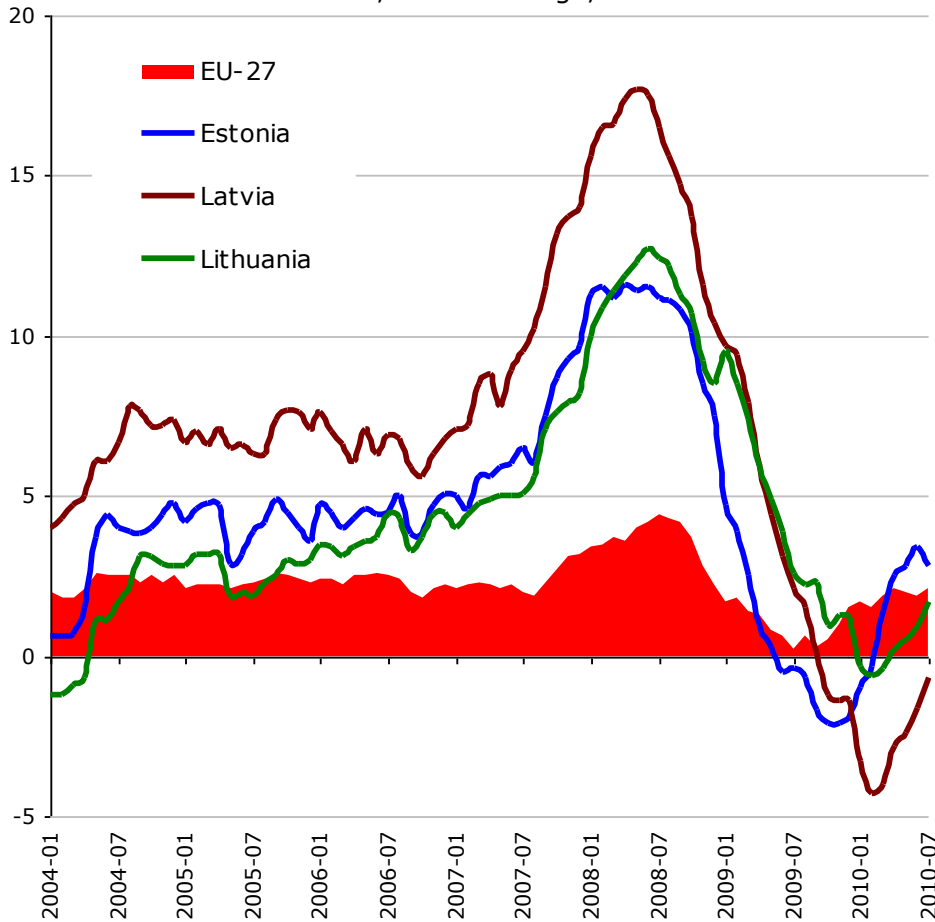


What is Lithuania's starting position?

Inflation driven by mounting commodity prices



HICP, annual change, %



FAO Food Price Index

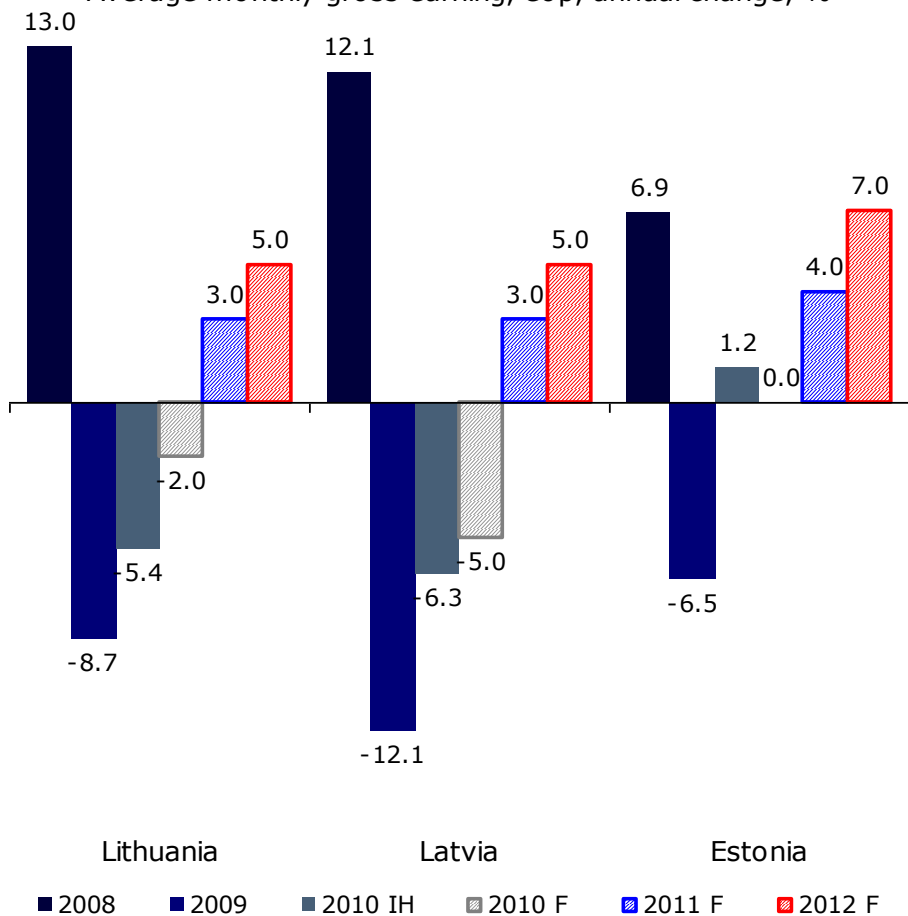
2002-2004=100



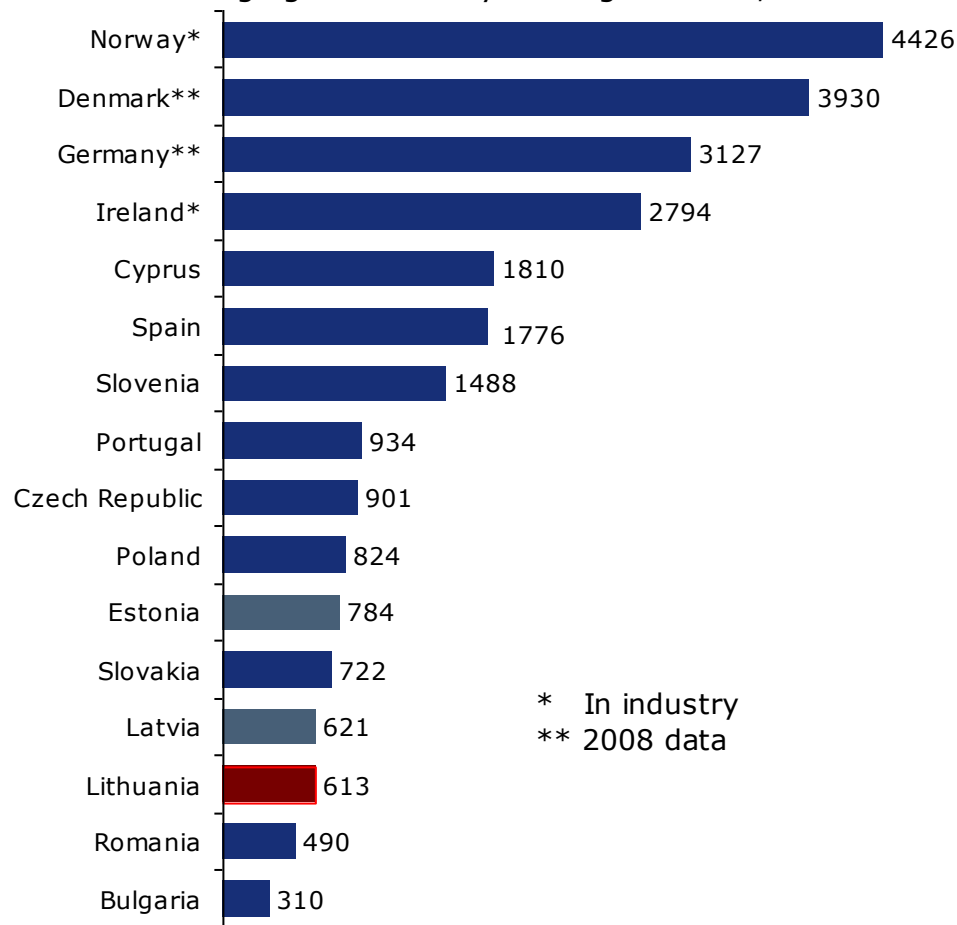
...while earnings are seen to shrink further this year



Average monthly gross earning, eop, annual change, %



Average gross monthly earnings in 2009, EUR



Economic downturn is trailed along by mounting unemployment



Unemployment rate, sa, eop, %



Youth emigration

- Ageing society
- Increasing burden of Social Security Fund

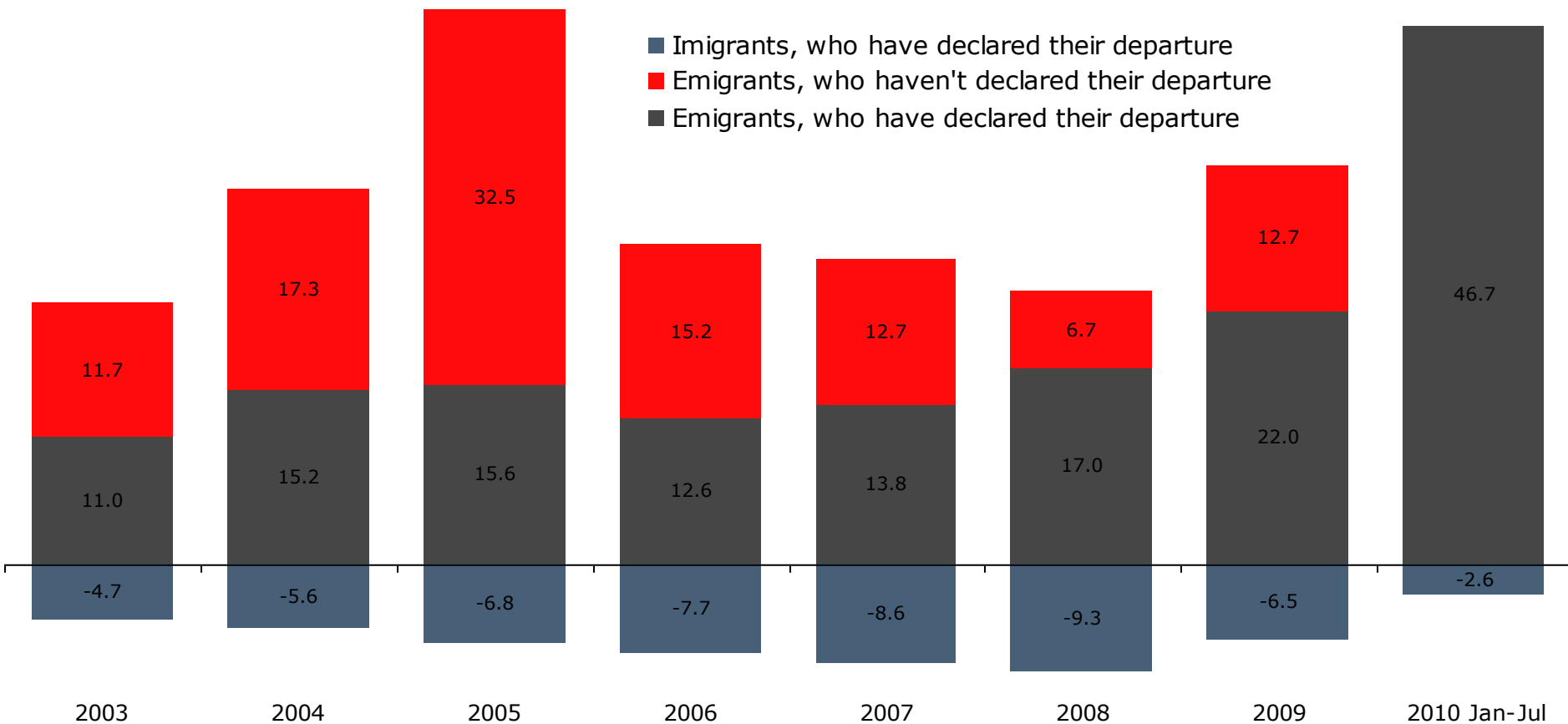
“Brain drain”

- Innovative and technological stagnation
- Decreasing potential to attract FDI
- Less chances to catch up

The obligation to pay health insurance tax induced emigrants to declare their status



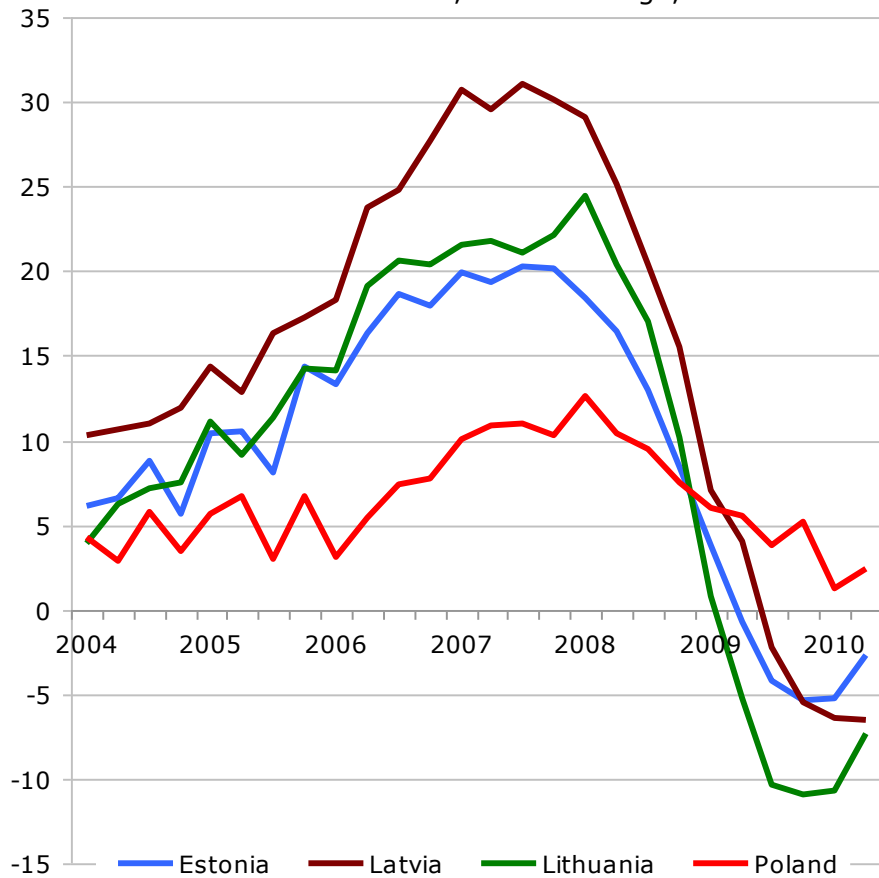
Lithuanian indicators of external migration, thou



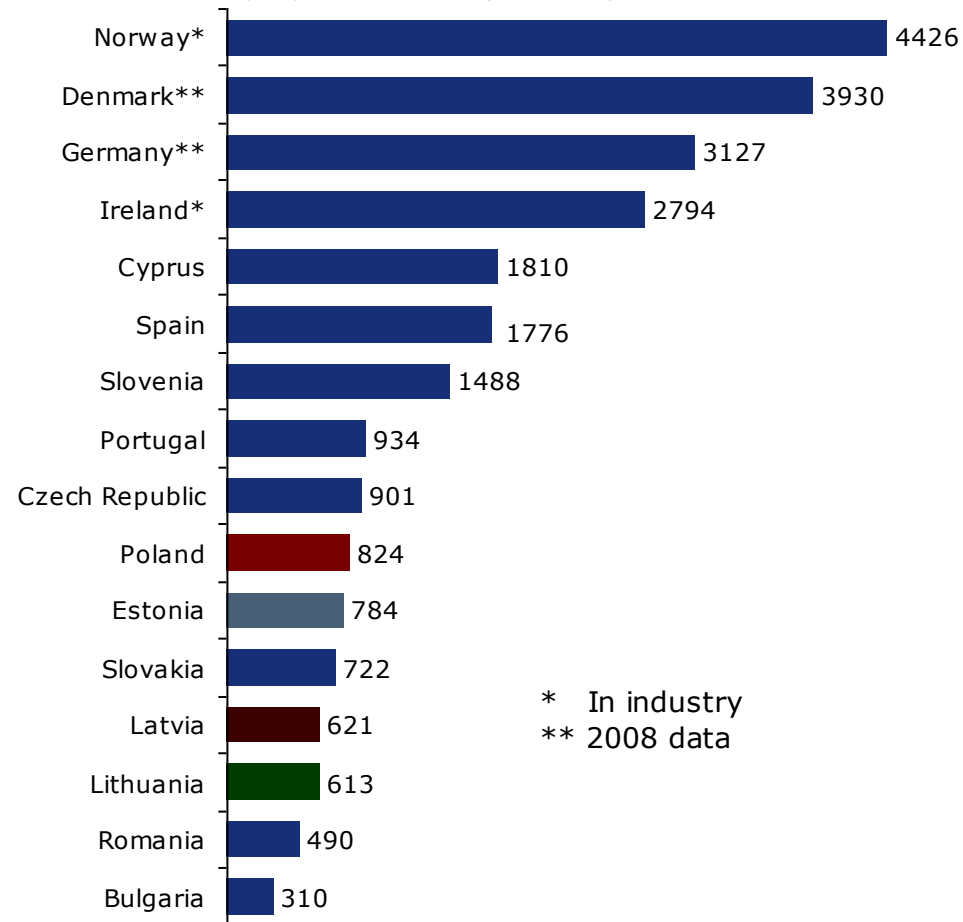
Low labour costs add to a higher competitiveness of local producers



Labour costs index, annual change, %



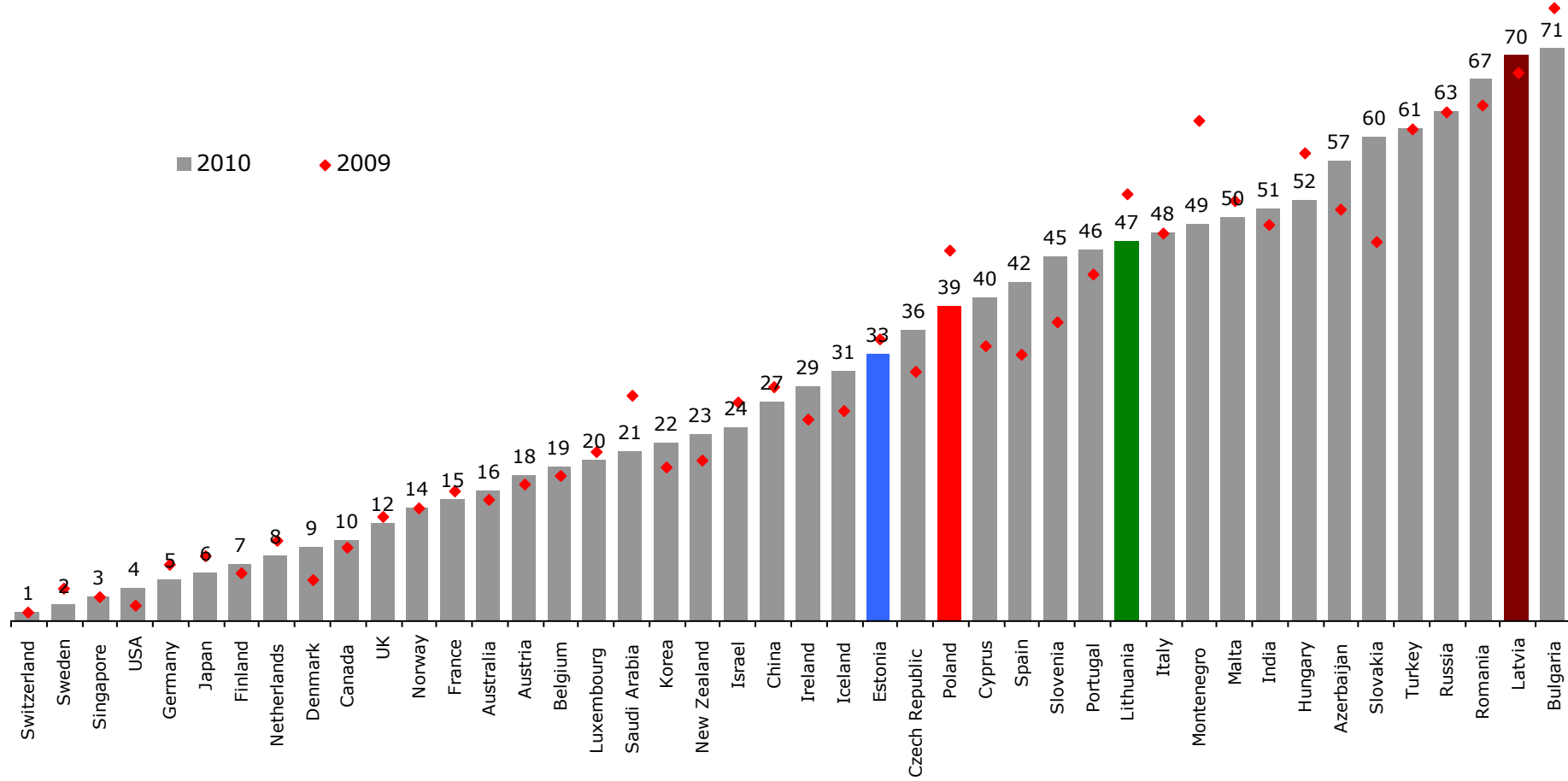
Average gross monthly earnings in 2009, EUR



Lithuanian competitiveness has been sliding down in recent years



Global competitiveness ranking 2010-2011



Note: the higher the rate, the lower the competitiveness

Lithuania has to catch up in many areas to improve its competitiveness



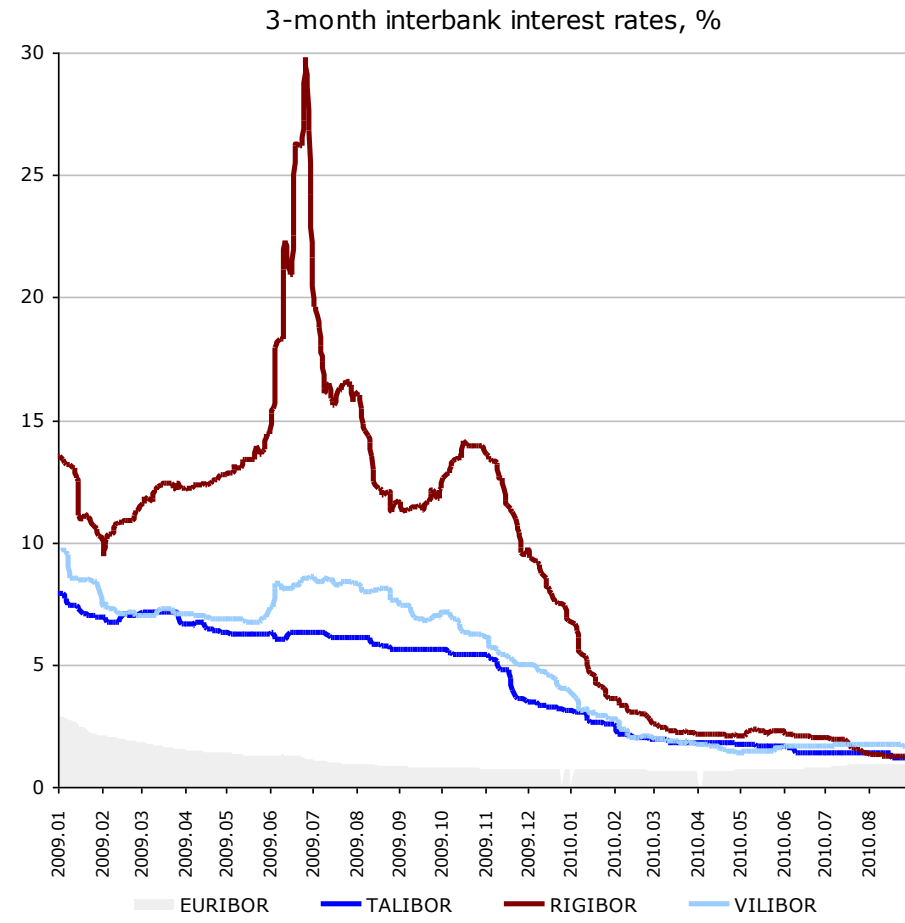
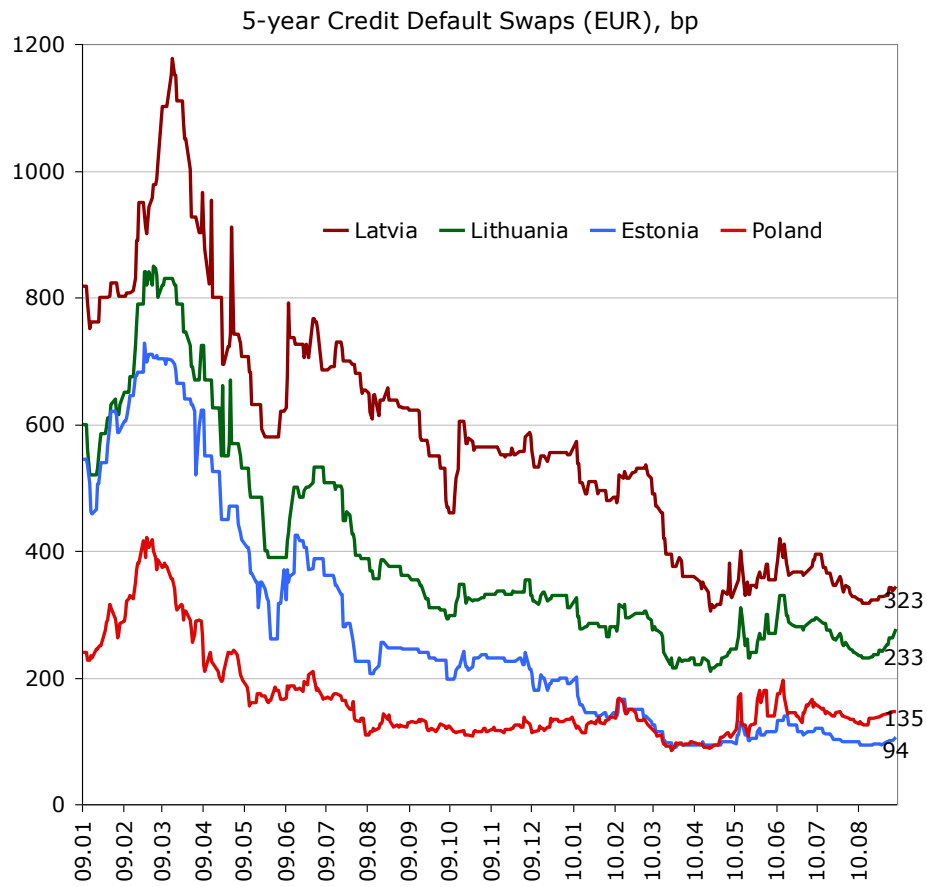
Country	Wastefulness of government spending	Burden of government regulation	Business impact of rules on FDI	Brain Drain	Total rating
Estonia	49	7	23	57	↑ 33
Latvia	120	88	103	93	↓ 70
Lithuania	117	115	124	110	↑ 47
Poland	76	111	94	79	↑ 39
Slovakia	119	105	13	101	↓ 60
Slovenia	92	52	116	48	↓ 45
Czech R.	95	118	22	61	↓ 36

Note: D – disadvantage, A – advantage.

17 | Source: WEF



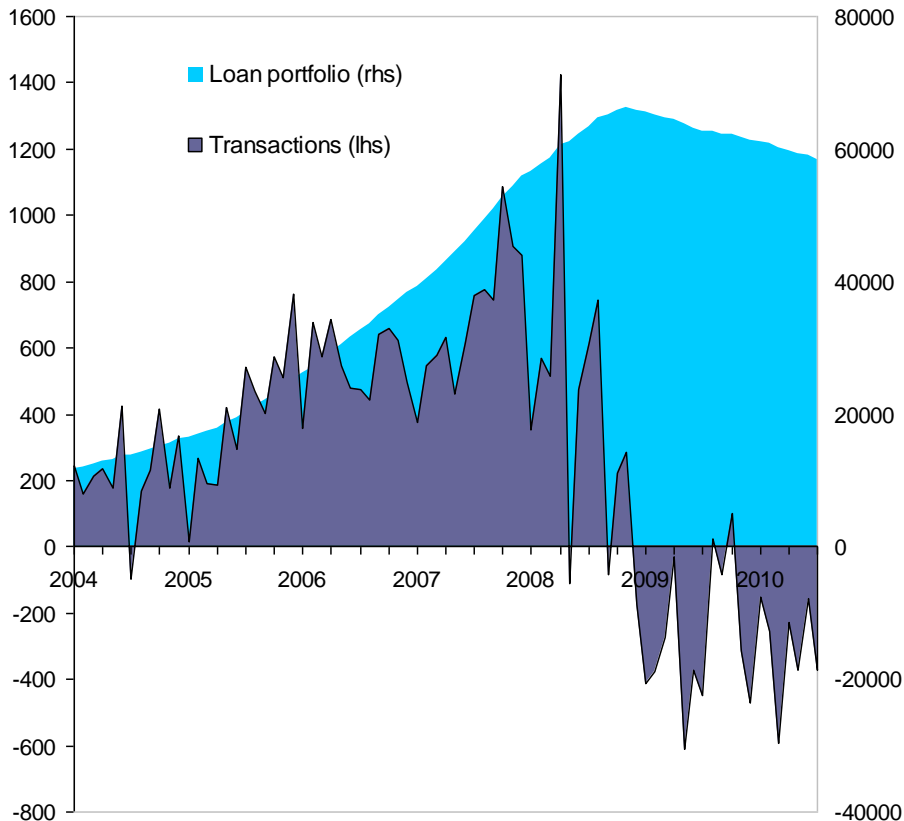
Tension on the financial markets calmed down



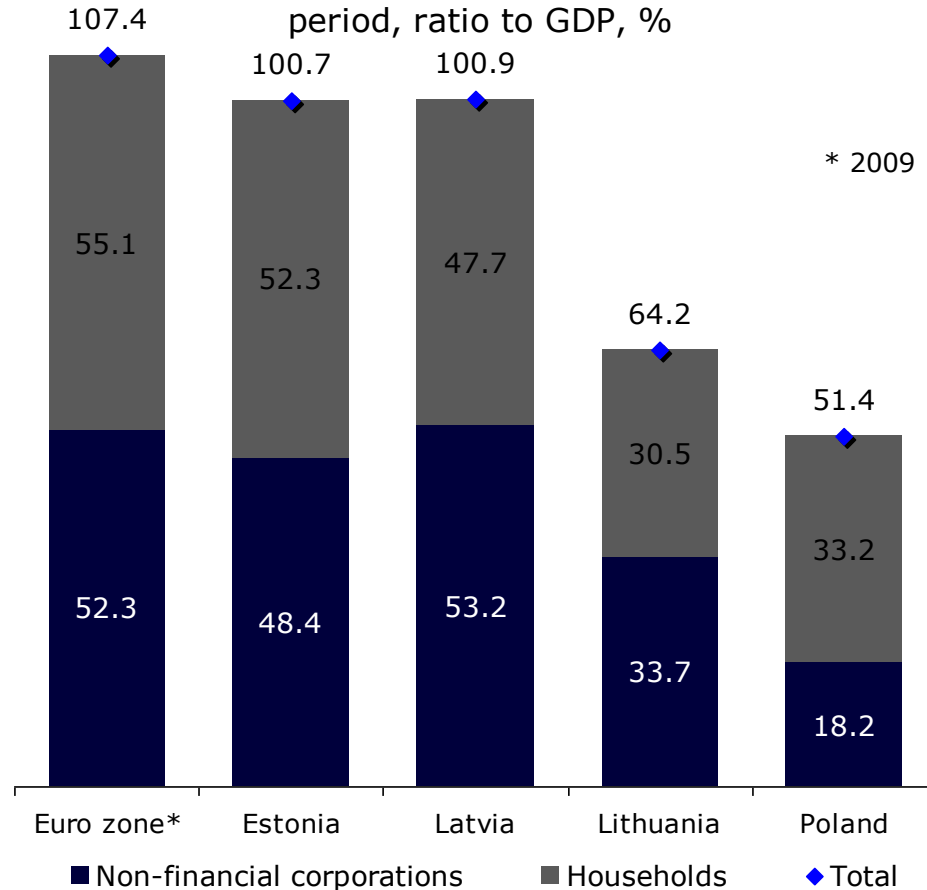
Credit portfolio shrank to the level of 2007



Loans to non-financial corporations, LTL mio



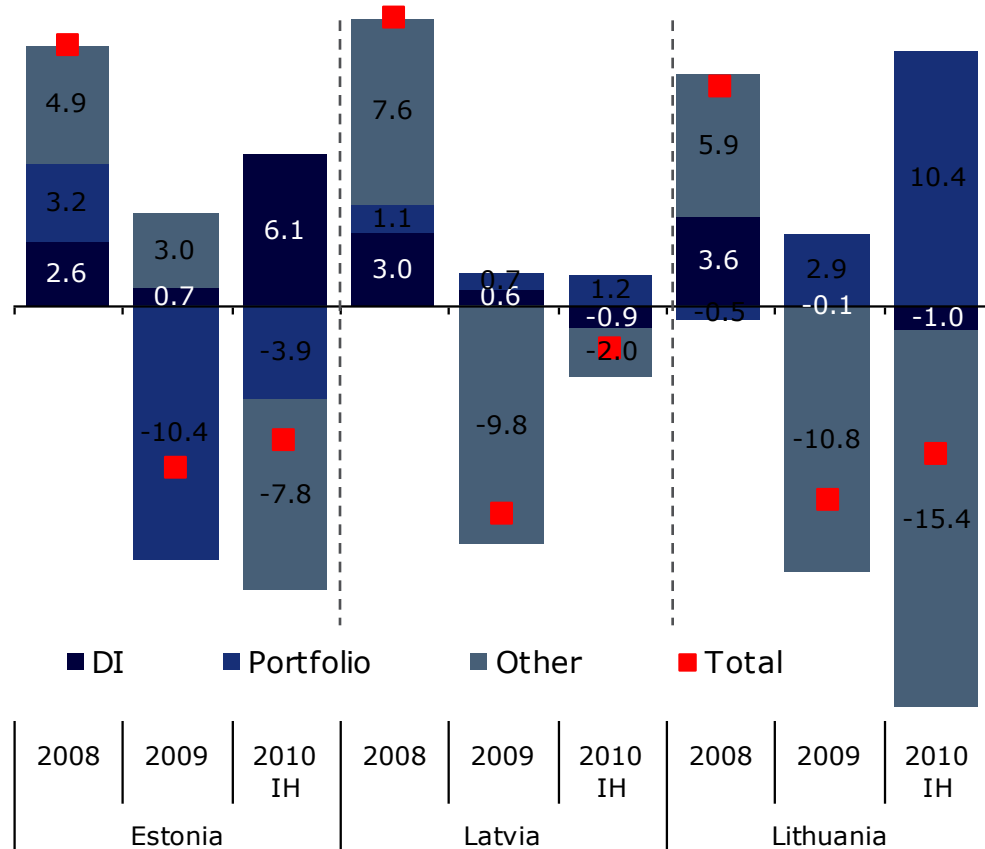
Banking credit portfolio structure in 2010 Q2, end of period, ratio to GDP, %



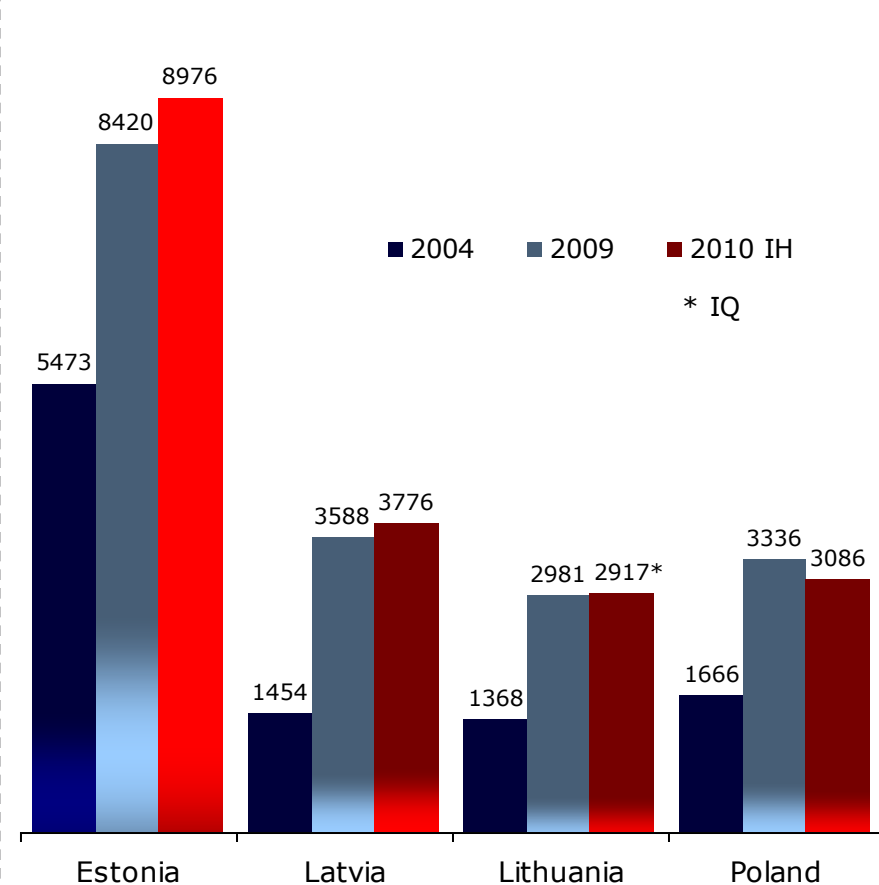
Direct investments flows remained positive even during the crisis, while Estonia stands out as a leader by FDI per capita



Net investment flows, ratio to GDP, %



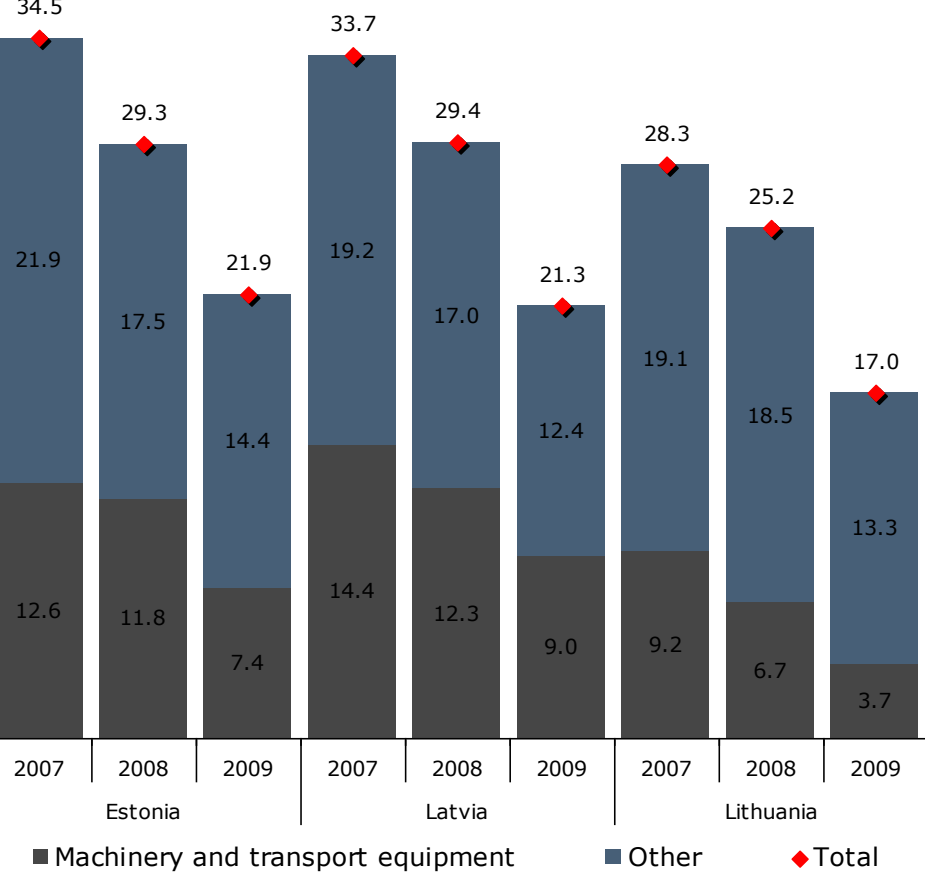
FDI per capita, end of period, EUR



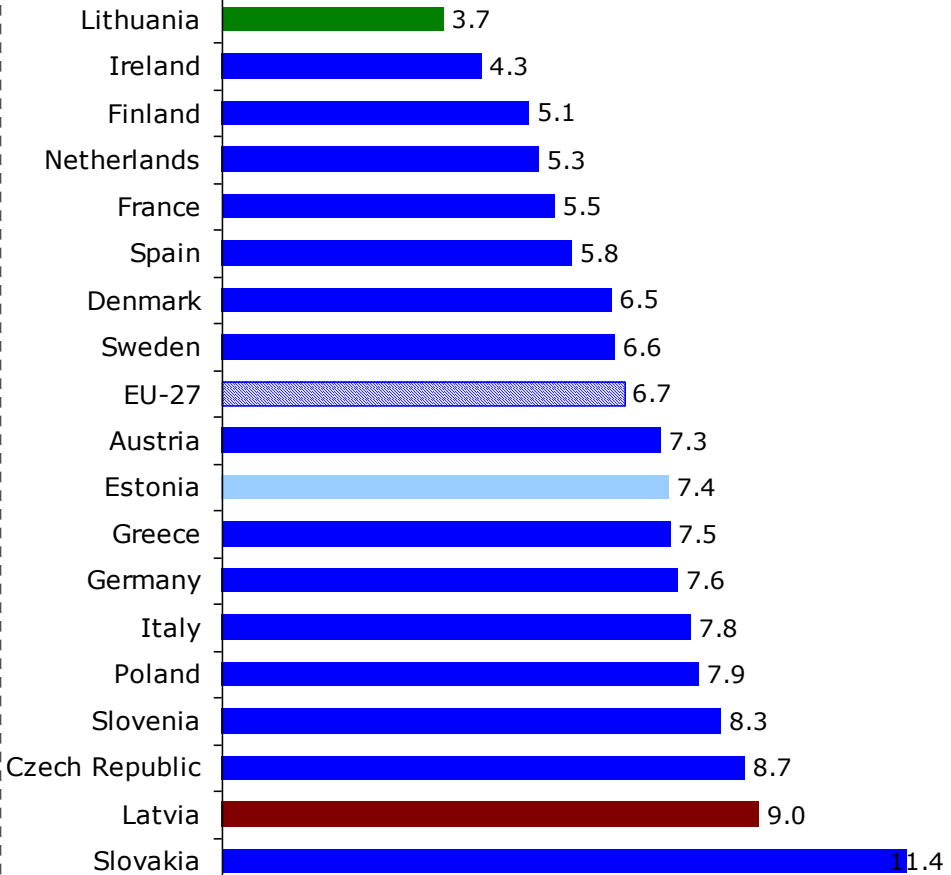
Capital investments in Estonia and Latvia also remained relatively strong



Expenditure on gross fixed capital formation, ratio to GDP, %



Expenditure on machinery and transport equipment, ratio to GDP, 2009, %

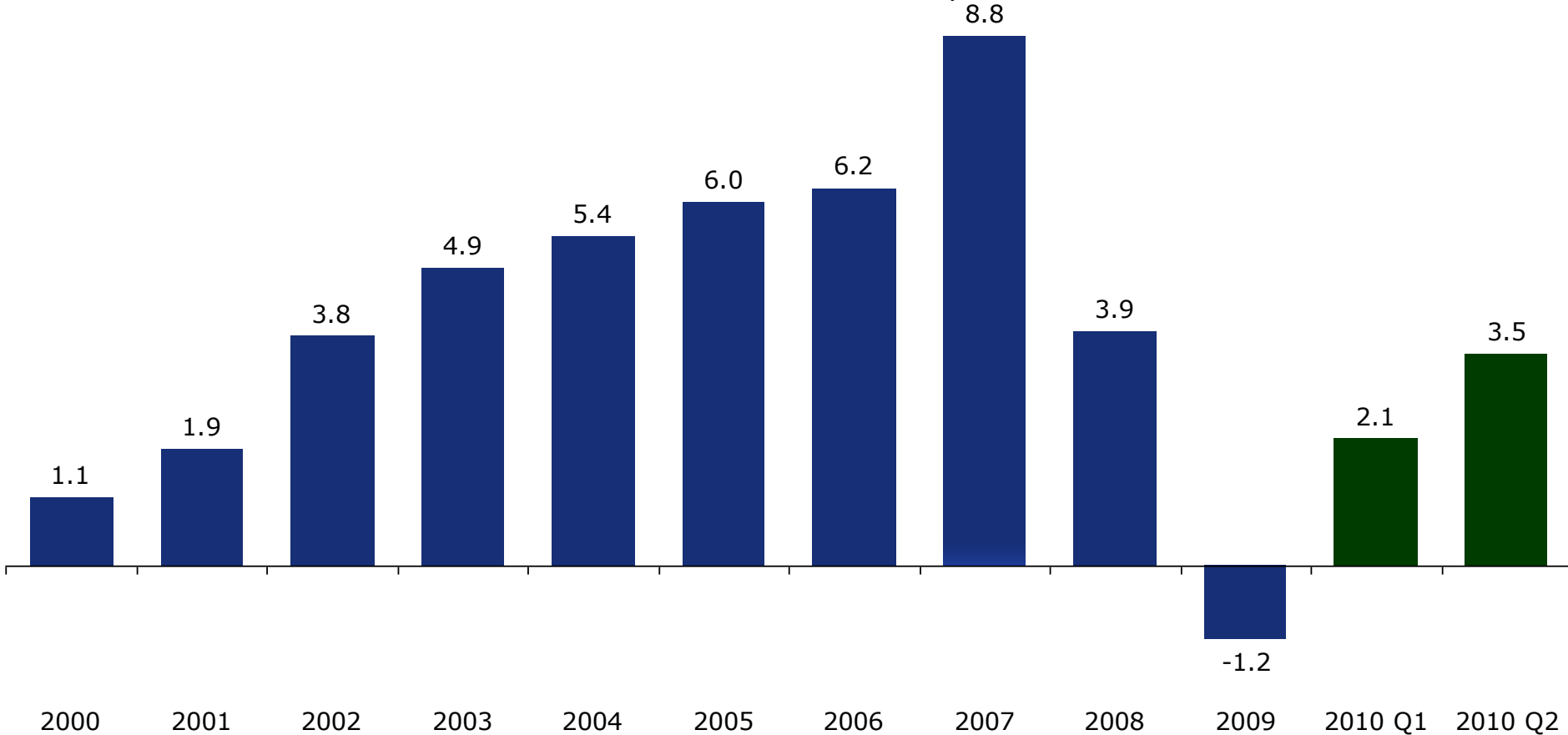


*Estimates

Profitability ratios should unbind future investments



Return on sales of non-financial corporations, %





Thank you for your attention!

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