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S|E|B

リトアニア
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(セッション1)

Overview of Economic Situation of Lithuania

Key facts about Lithuania

Population	3.4 million
Area	65300 sq. km
Government	Democratic Republic (Parliament and President)
Currency	Litas (pegged to EUR) 1 EUR = 3.4528 LTL
Ethnic structure (% of total population)	
Lithuanians	84.0
Poles	6.1
Russians	4.9
Sovereign ratings	
S&P	BBB
Moody's	Baa1
Fitch	BBB



Monetary policy in Lithuania

- Lithuania's monetary policy is based on **currency board** regime, and therefore Lithuania does not implement independent monetary policy.
 - On April 1, 1994, Lithuania pegged its national currency to US dollar at 4:1 rate;
 - On February 2, 2002, Lithuania re-pegged litas to euro at 3.4528:1 rate.
- According to EU Treaty, Lithuania **is obliged to join euro zone** and in preparation for future euro introduction, currently participates in ERM-II since June 2004.



Starting from 2009, Lithuania changed the rates of main taxes



Standard rates of main taxes in CEE countries as of September 2009 (%)

	Profit tax	Personal income tax	VAT
LITHUANIA in 2008	15	24	18
LITHUANIA Sept 2009	20	21	21
Latvia	15	23	21
Estonia	21*	21	20
Poland	19	18, 32; 19**	22
Czech Republic	20	12,5	19
Slovakia	19	19	19
Hungary	16 + 4***	18, 36****	20
Bulgaria	28, 34,3*****	15, 22, 26, 29	20
Romania	16	16	19

* 0% rate for undistributed profits.

** Flat tax rate for persons having business activity.

*** 4% is temporary added "solidarity tax".

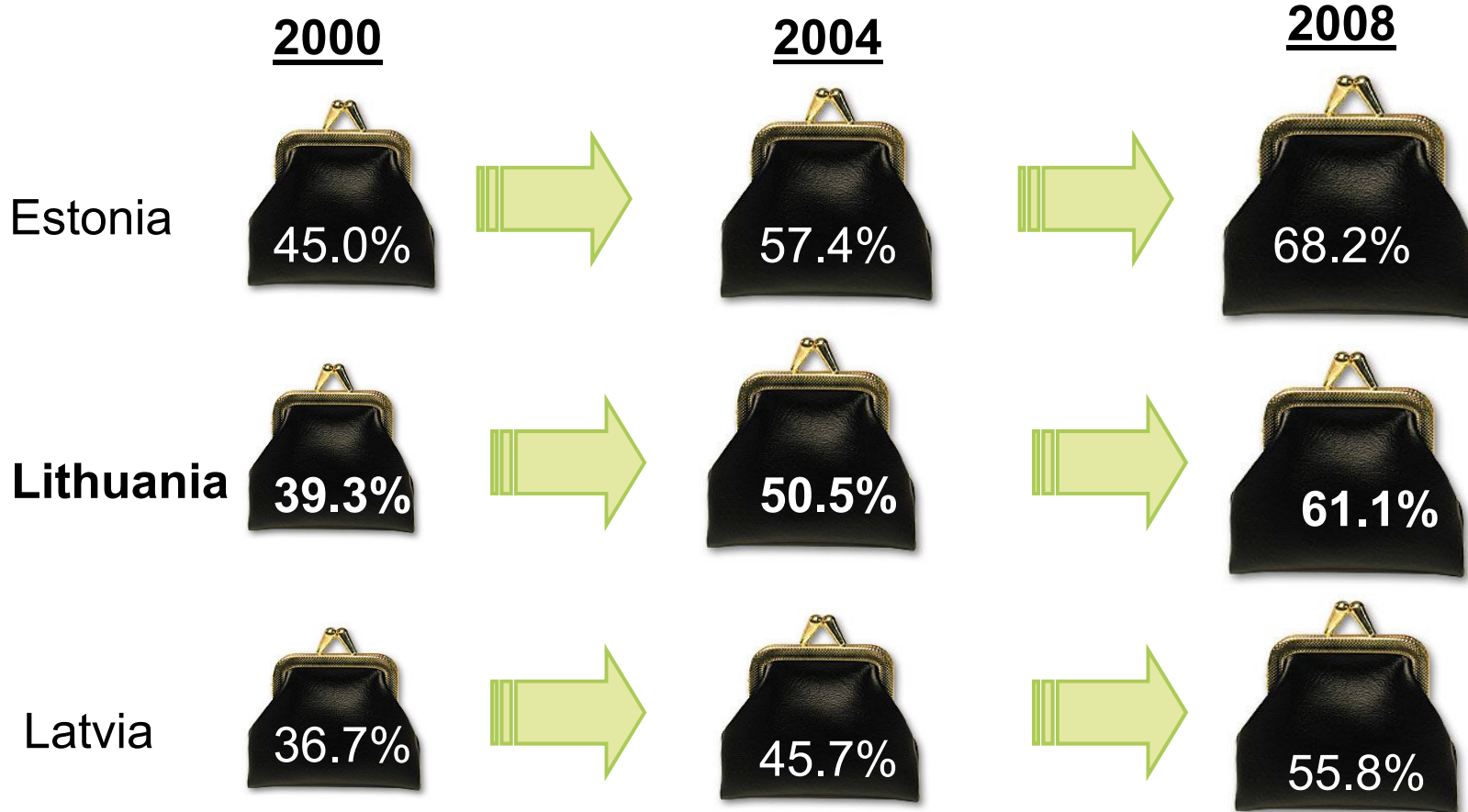
**** Individuals whose annual income exceeds the amount of the individual pension contribution cap are subject to 4% solidarity surtax.

***** Corporate income plus municipal tax.

Source: websites of national investment development agencies.

Since 2000, Lithuania showed notable progress in converging with living standard of European Union

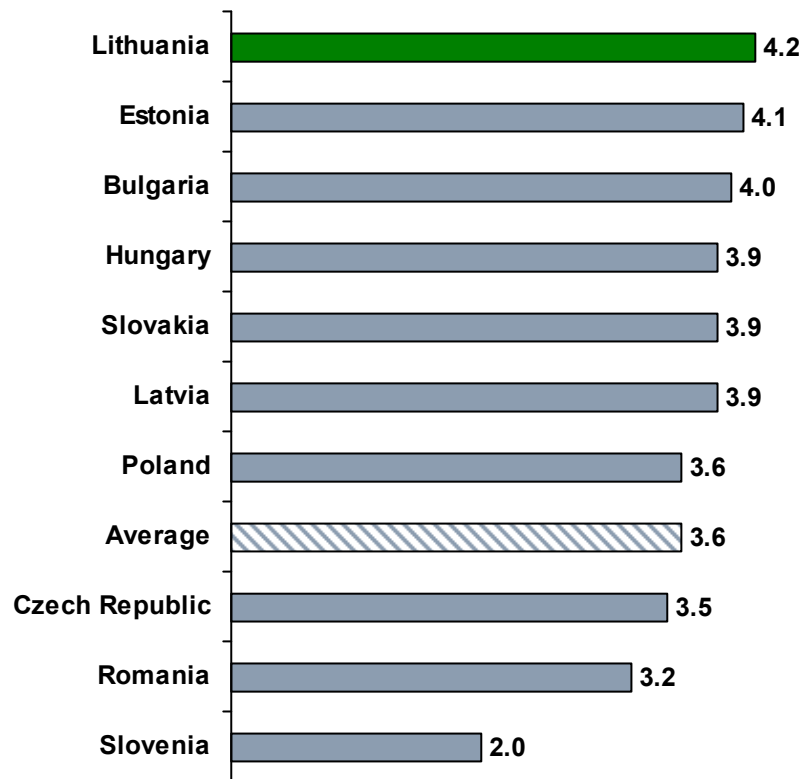
GDP per capita in PPS (European Union average = 100%)



Source: Eurostat.

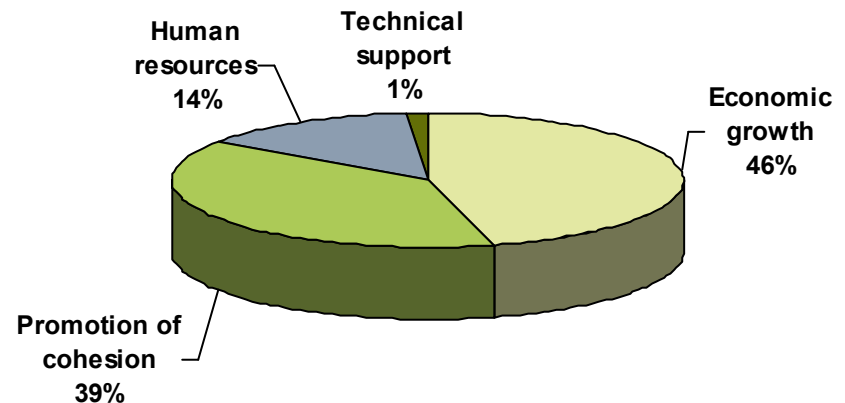
EU Structural Funds offer substantial support to economic growth in Lithuania

EU structural support to GDP ratio in 2007-2013 (%)



In 2007-2013 period, EUR 6.8 billion is allocated for Lithuania from EU Structural Funds

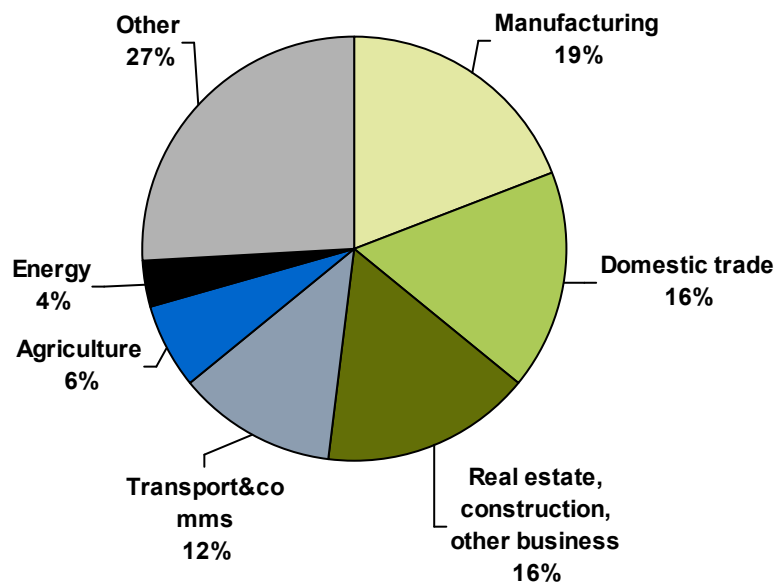
Breakdown of 2007-2013 EU structural funds' allocations by purpose



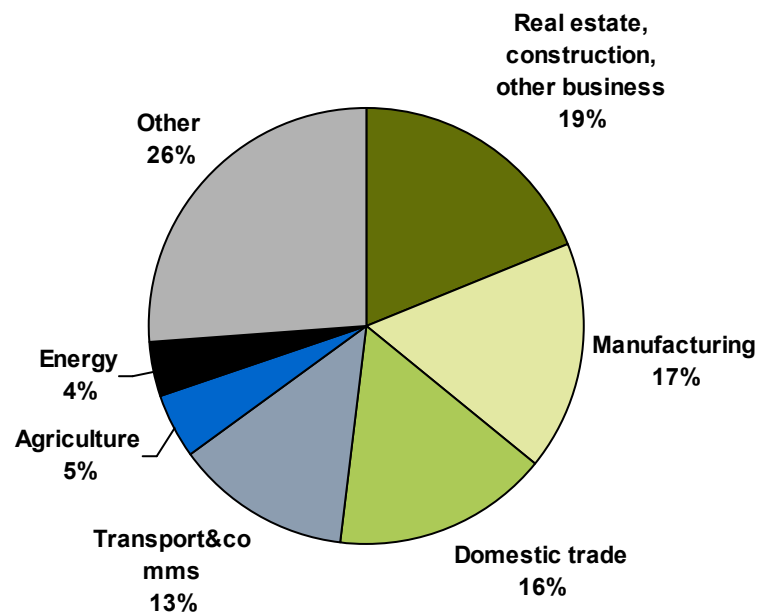
Source: Ministry of Finance, *Economist Intelligence Unit*.

Development of real estate, construction and other services was especially swift over recent nine years

Breakdown of value added by economic sectors in 2000 (%)



Breakdown of value added by economic sectors in 1H 2009 (%)

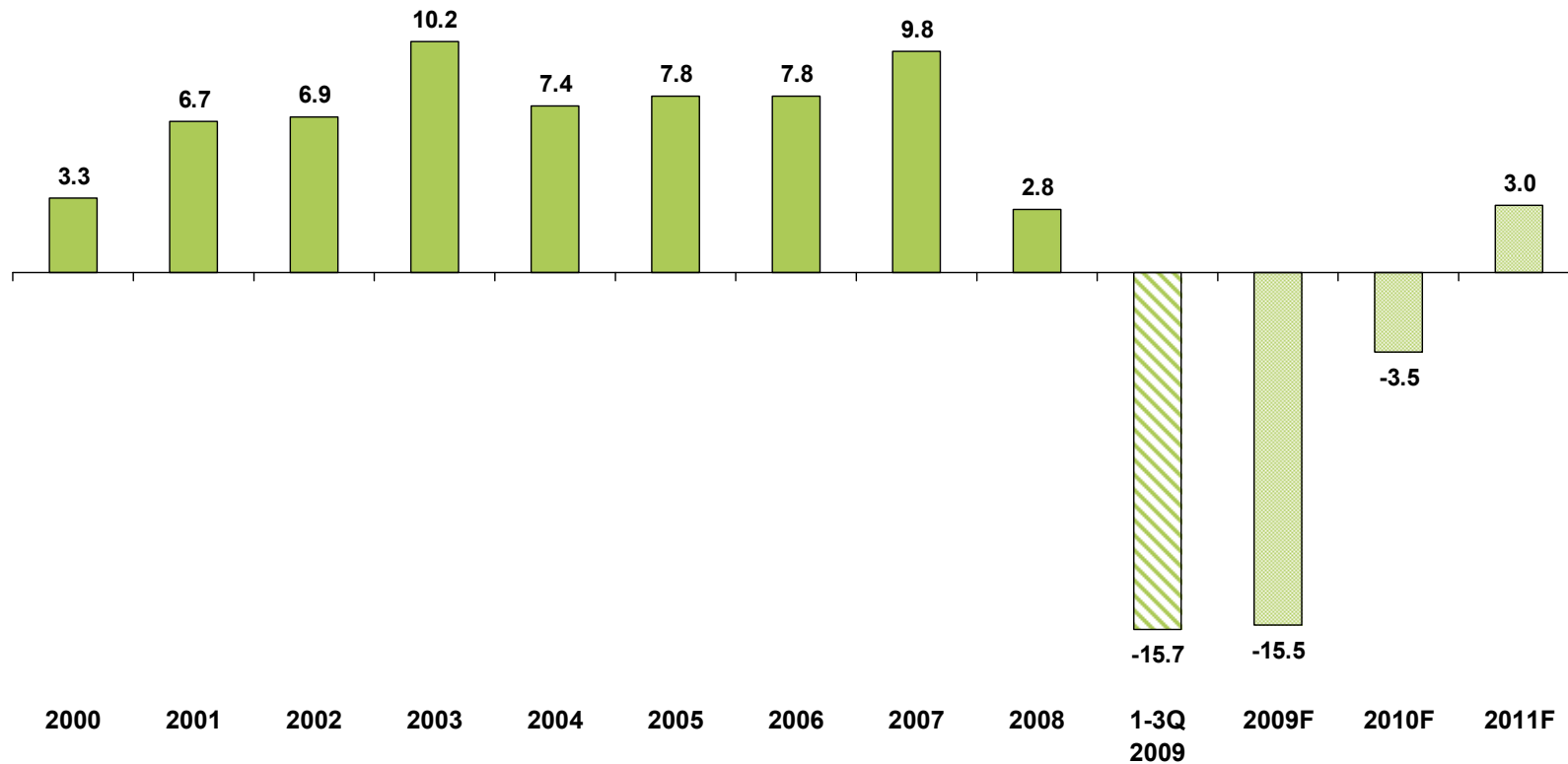


Source: Statistics Lithuania.

After deep recession in 2009, Lithuania's economy will gain more strength in 2010

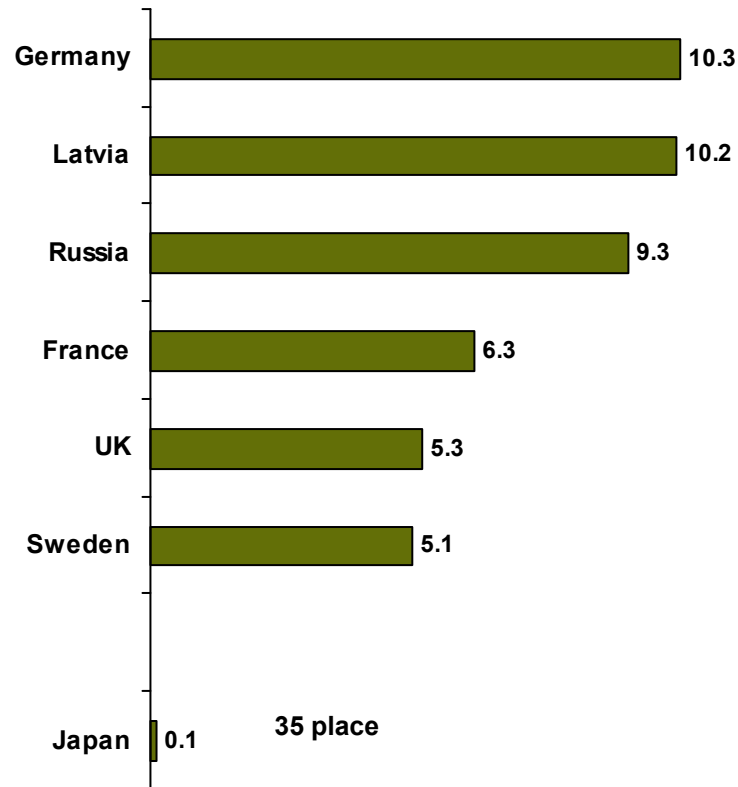


Annual change in real GDP (%)

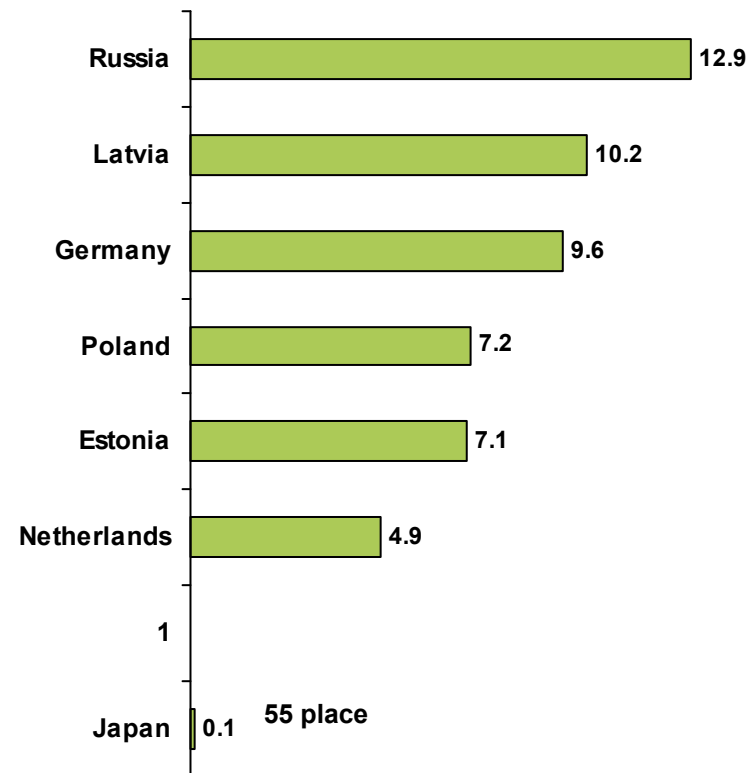


Most of Lithuanian exports are sold in European Union countries

Main Lithuania's export markets in 2004* (% of total exports)



Main Lithuania's export markets in 1-3Q 2009 (% of total exports)

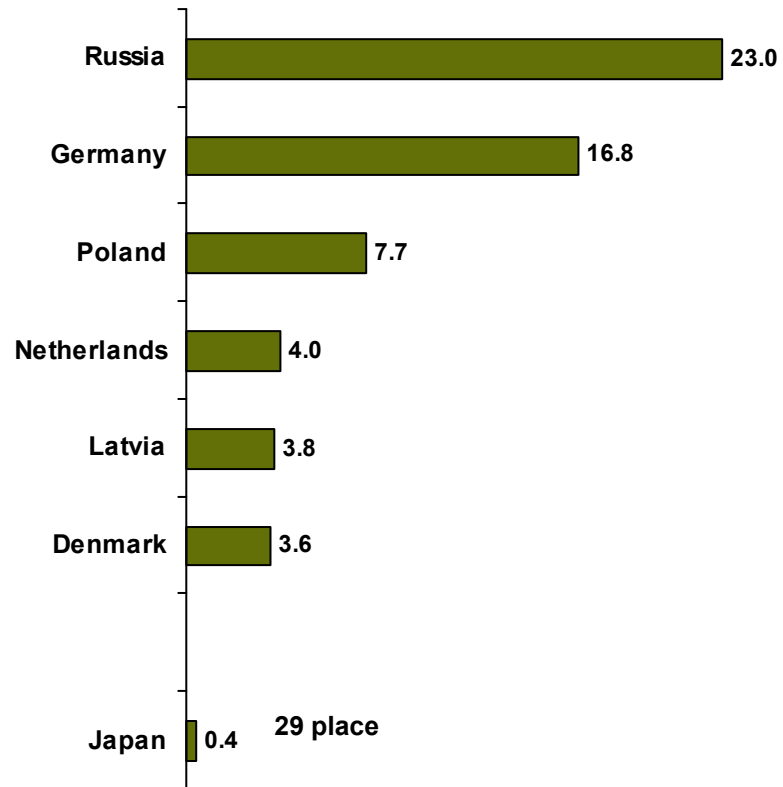


* Data for exports by country prior to 2004 and afterwards are not comparable, therefore year 2004 is given as base year.

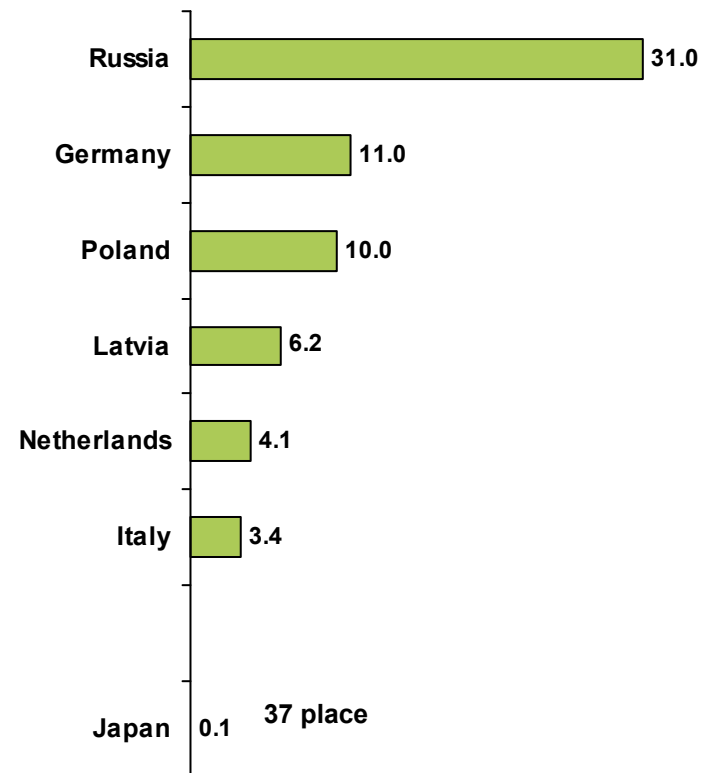
Source: *Statistics Lithuania*.

Around 60% of Lithuanian imports come from European Union

Main Lithuania's import markets in 2004* (% of total imports)



Main Lithuania's import markets in 1-3Q 2009 (% of total imports)

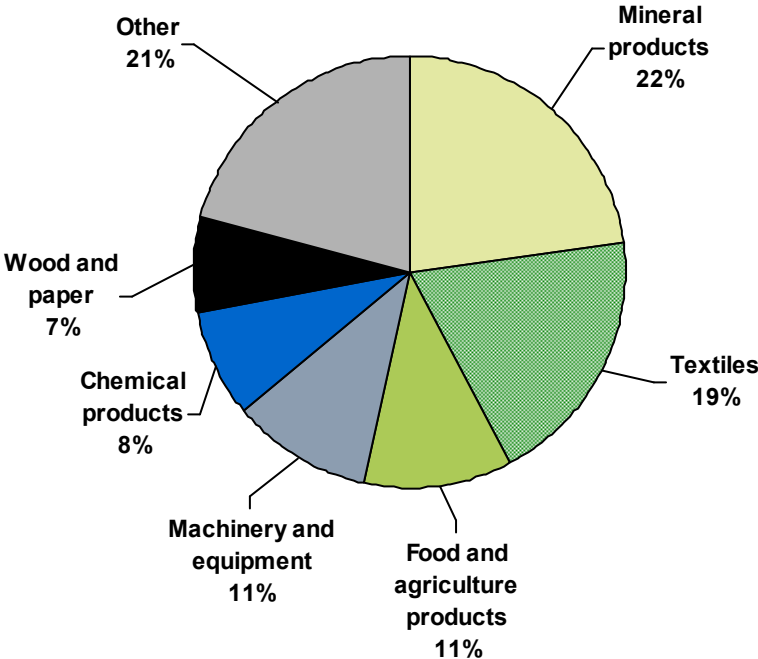


* Data for imports by country prior to 2004 and afterwards are not comparable, therefore year 2004 is given as base year.

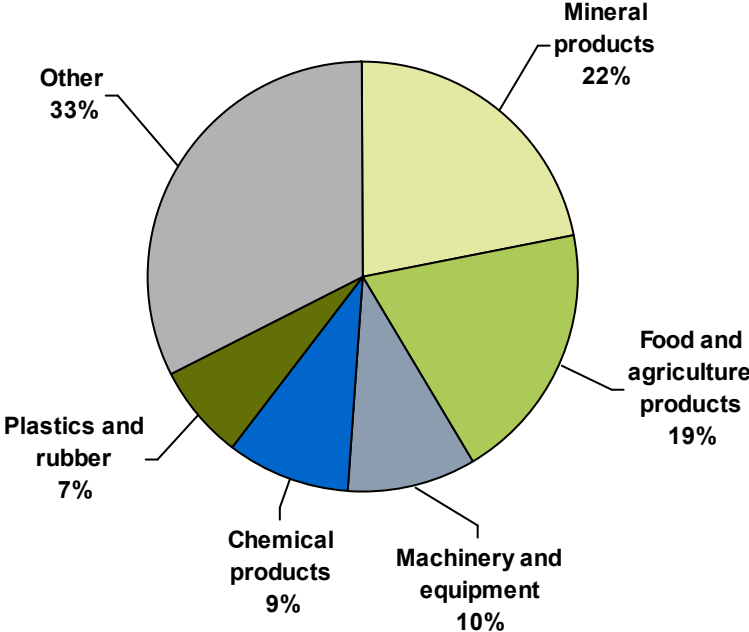
Source: *Statistics Lithuania*.

Since 2000, the share of food and plastic goods increased most notably while textiles export contracted the most

Breakdown of merchandise exports in 2000 (%)



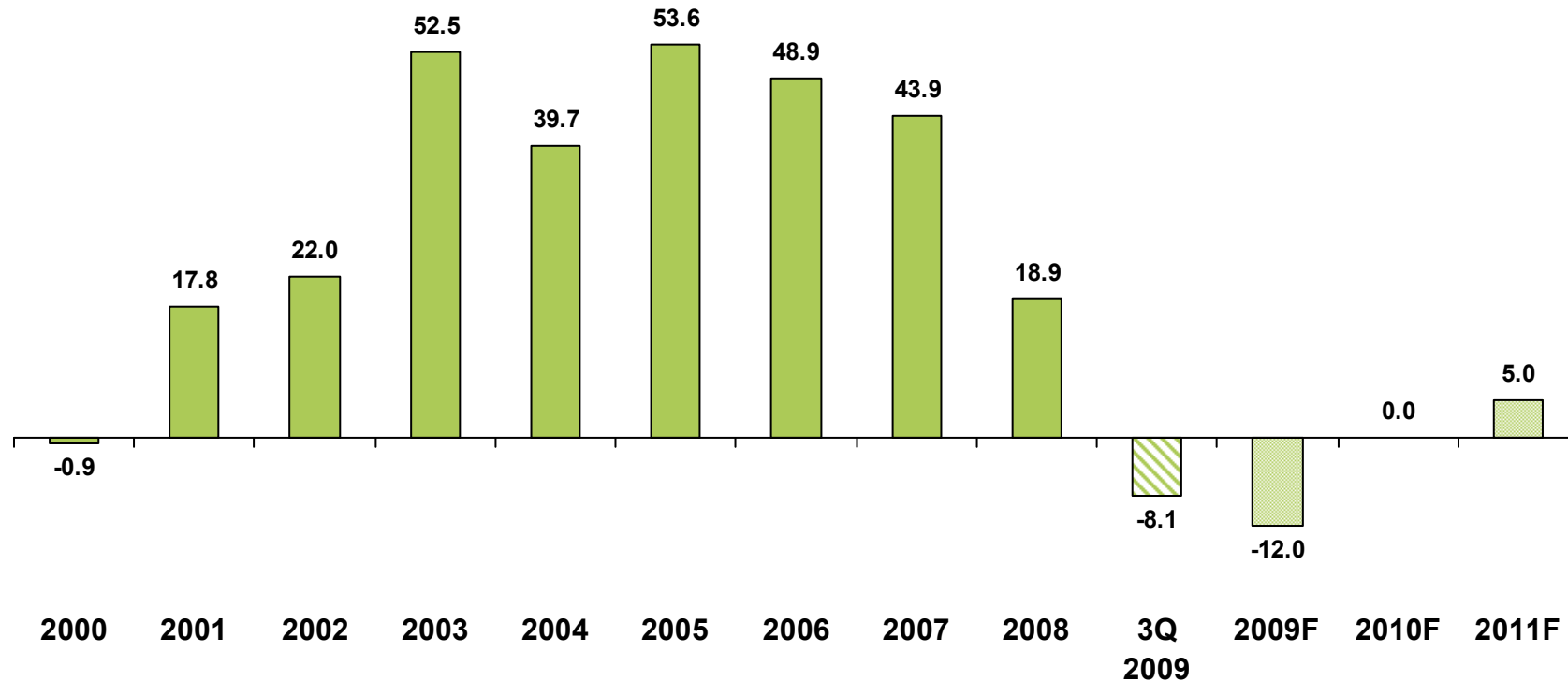
Breakdown of merchandise exports in 1-3Q 2009 (%)



Source: Statistics Lithuania.

Loan portfolio used to expand very fast in 2003-2007, but now is shrinking due to weaker demand and lower quality of loans

Annual change in loan portfolio of commercial banks (% , e-o-p)



Data for 2000-2006 and 2007-2011 is not strictly comparable due to changes in methodology.

Source: Bank of Lithuania.

Consequences of global financial crisis in Lithuania

- Output dramatically fell as both foreign and domestic demand suddenly dropped;
- Unemployment grew up sharply and reached 14% in 2Q 2009;
- Inflation sharply contracted due to shrinking purchasing power and will not recover until 2011;
- Large budget tensions appeared due to shrinking tax revenue;
- Substantial current account deficit turned to surplus, thus reducing pressure on national currency.

Thank you for your attention!