



Latvian economic outlook: 2014 and beyond

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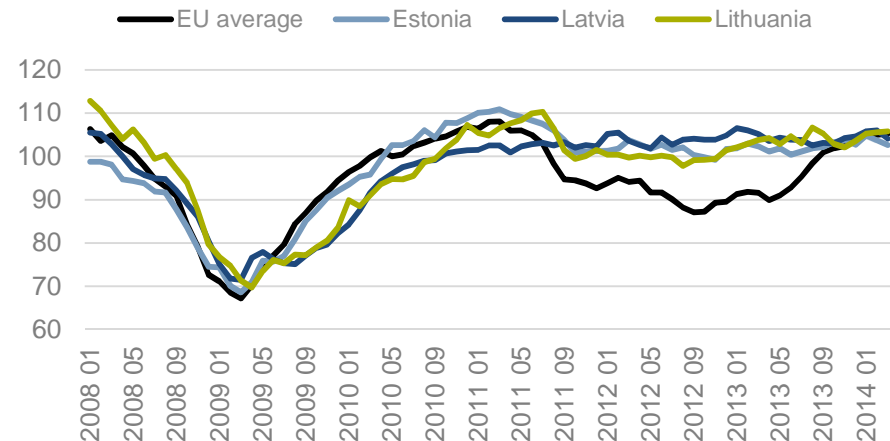
Joint Chamber Business After

Baltic economies will be supported by positive growth momentum in Europe

GDP growth, %



Economic sentiment index



Baltic economies will continue to be among the fastest growing in the EU in 2014 and 2015

Negative effect of weaker Russian economic growth will be offset by recovering EU economy

Major risk: Weaker than expected performance of Russian economy and crisis in Ukraine

GDP growth forecasts

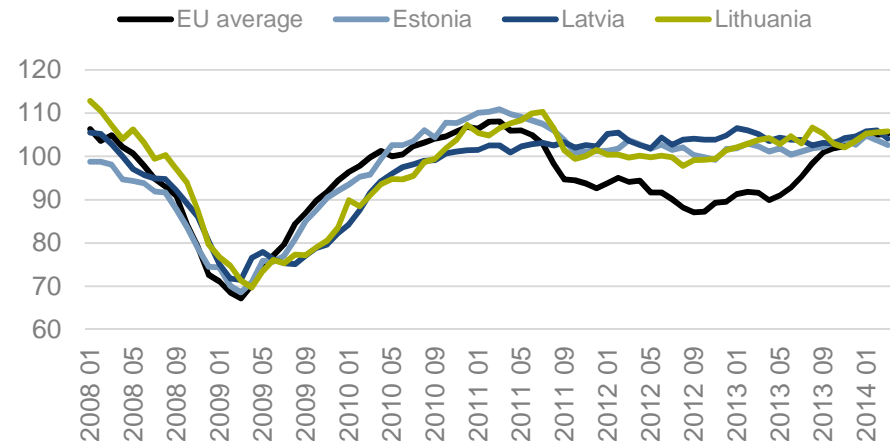
	2012	2013	2014f	2015f
Lithuania	3,7	3,2	3,2	4,3
Latvia	5,0	4,0	5,0	4,2
Estonia	3,9	0,7	2,8	3,8
Russia	3,4	1,4	1,1	1,6
EU	-0,6	-0,4	1,2	1,5

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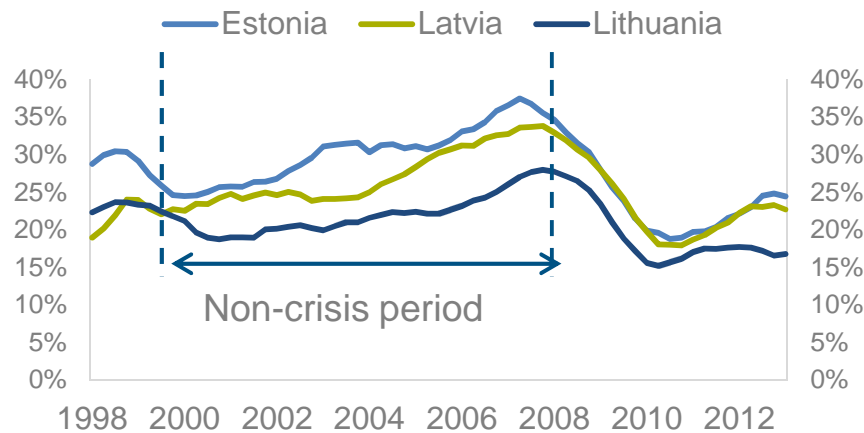
Major risk: Weaker than expected performance of Russian economy and crisis in Ukraine

GDP growth forecasts

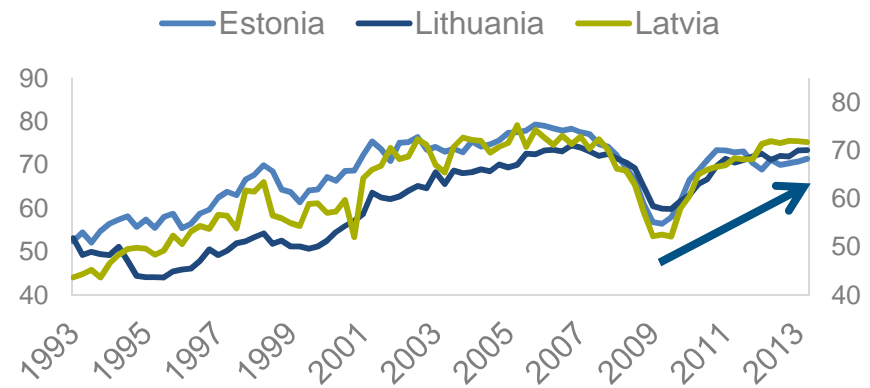
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Baltic countries have big potential for short-mid term investment growth

Investment/GDP ratio



Manufacturing capacity utilization index



Investment to GDP ratio is below average non-crisis levels (1999-2008): 6% points in Estonia and Lithuania; and 4.5% points in Latvia.

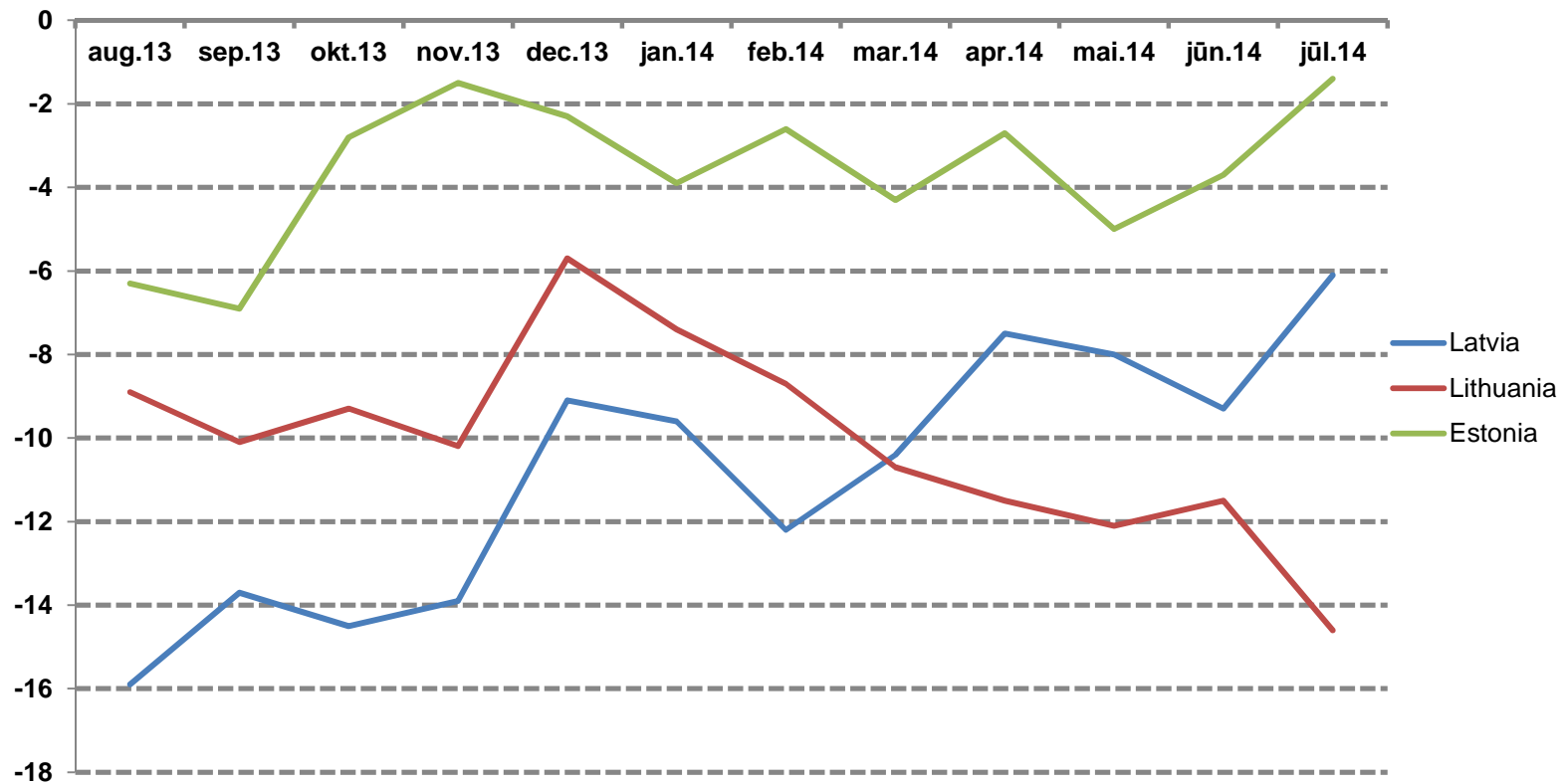
Manufacturing production reached pre-crisis levels: In Lithuania, Latvia and Estonia it is correspondingly 6%, 5% and 7% above 2007 levels.

Manufacturing companies report to have reached close to full productive capacity utilization, which necessitates them to increase investments.

Investments have a potential to rise by a total of 4 bEUR annually if investments to GDP ratio were to reach average non-crisis levels.

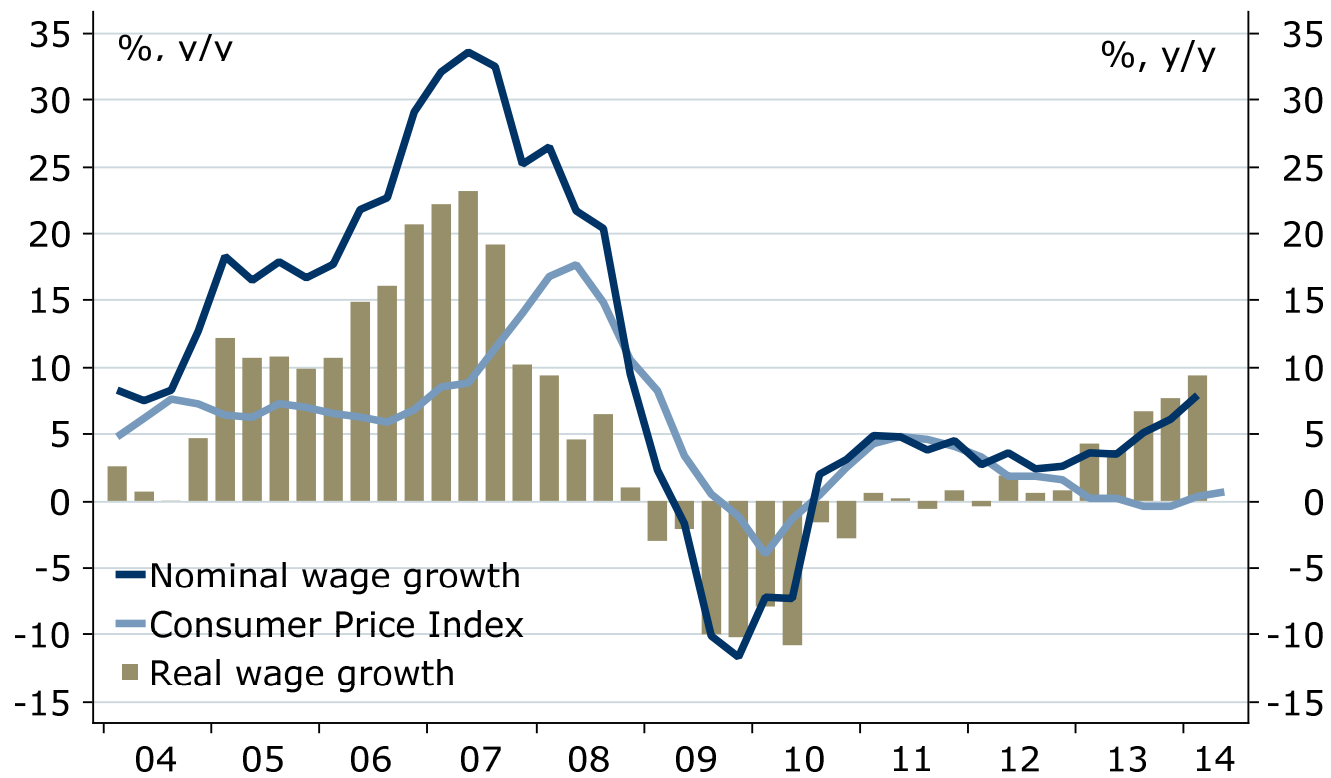
Consumer sentiment divergence in Baltics

Consumer confidence indicator



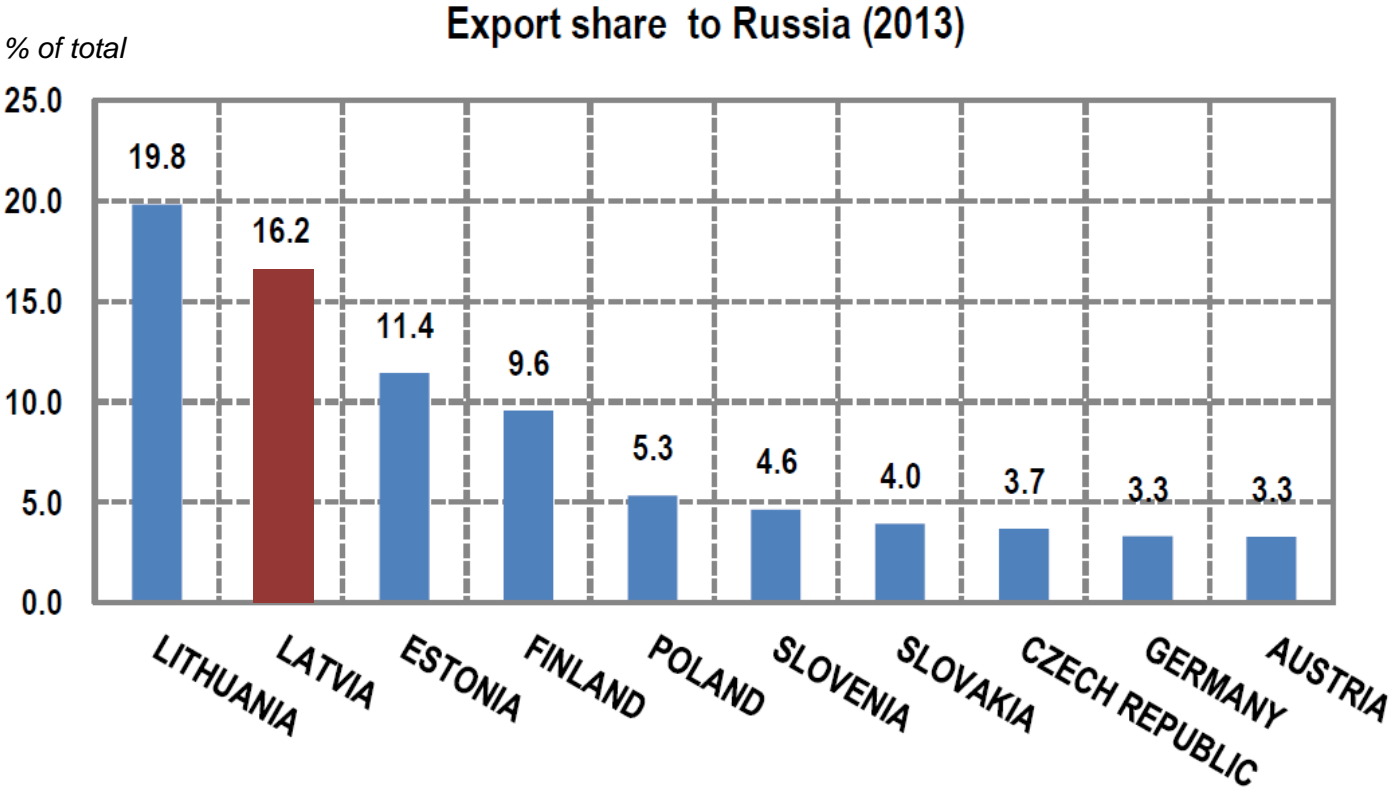
Source: Eurostat

Real wage growth is accelerating in Latvia



Source: Nordea Markets and Macrobond

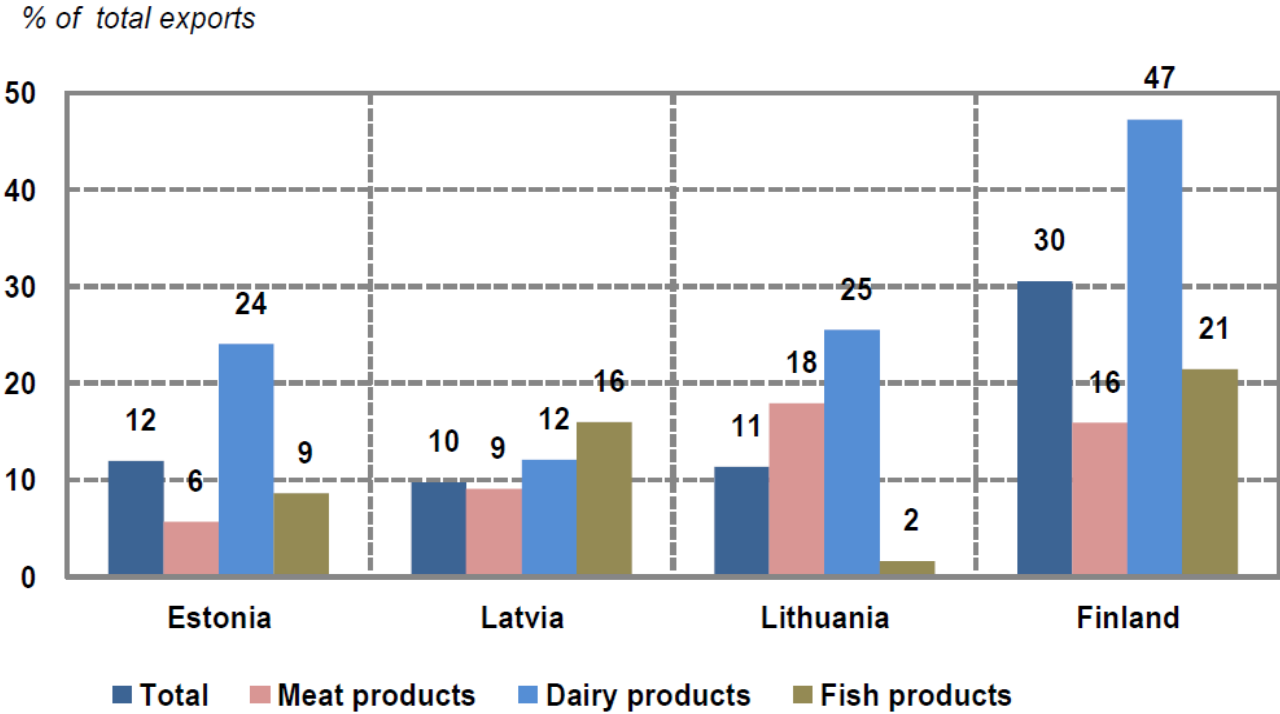
Baltic States have significant exposure to Russia



Source: Eurostat

Export markets are well diversified

Share of exports to Russia as % of total exports (2013)

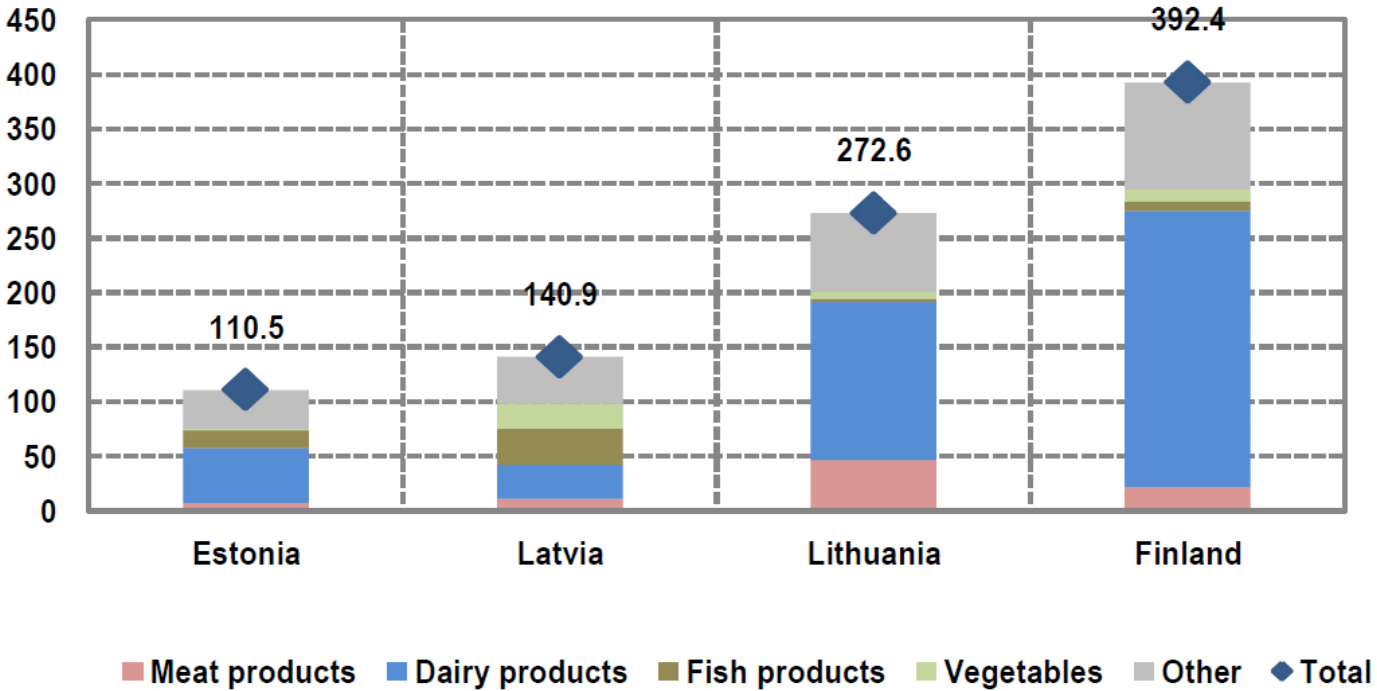


Source: Eurostat

Overproduction expected in dairy industry

Food product exports to Russia (2013)

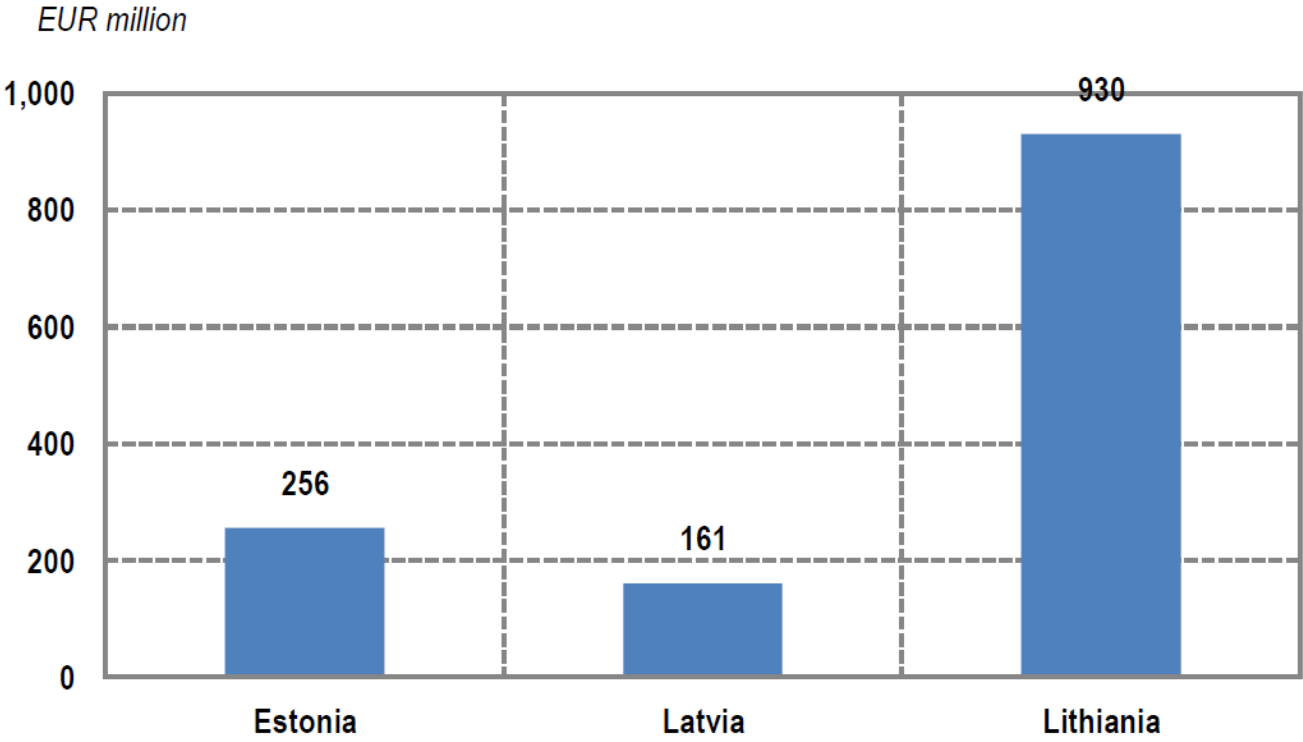
EUR million



Source: Eurostat

Lithuanian transport sector exposed

Transport service exports to Russia (2013)



Source: Eurostat

Economic effect of Russian sanctions

Impact on GDP

	Latvia	Estonia	Lithuania	Baltics
Direct effect	0,44%	0,46%	0,81%	0,62%

Thank you!

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