

Luminor

The face of
2020 does
not look very
kind

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Luminor

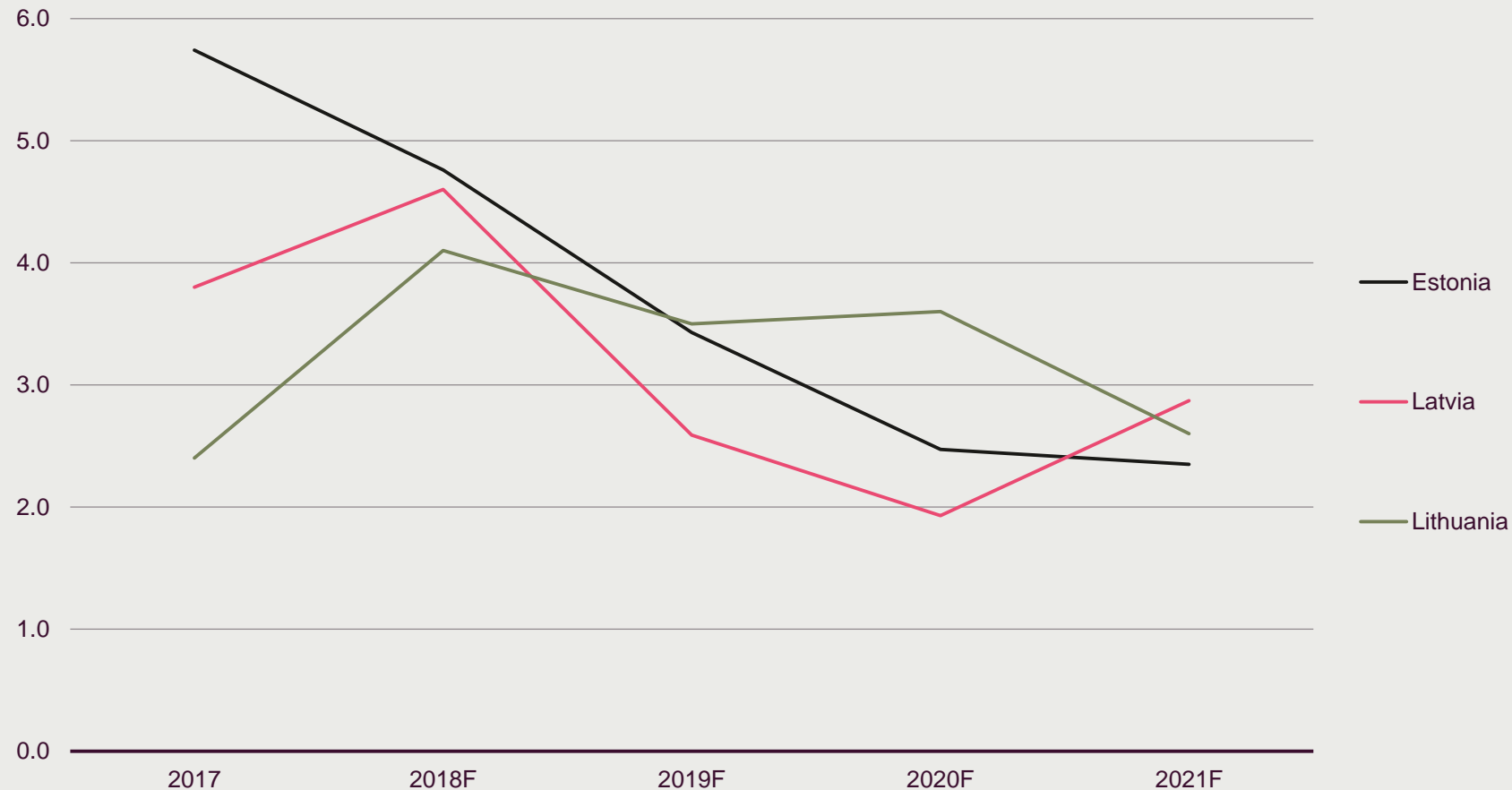
December 12, 2019



Big macro numbers

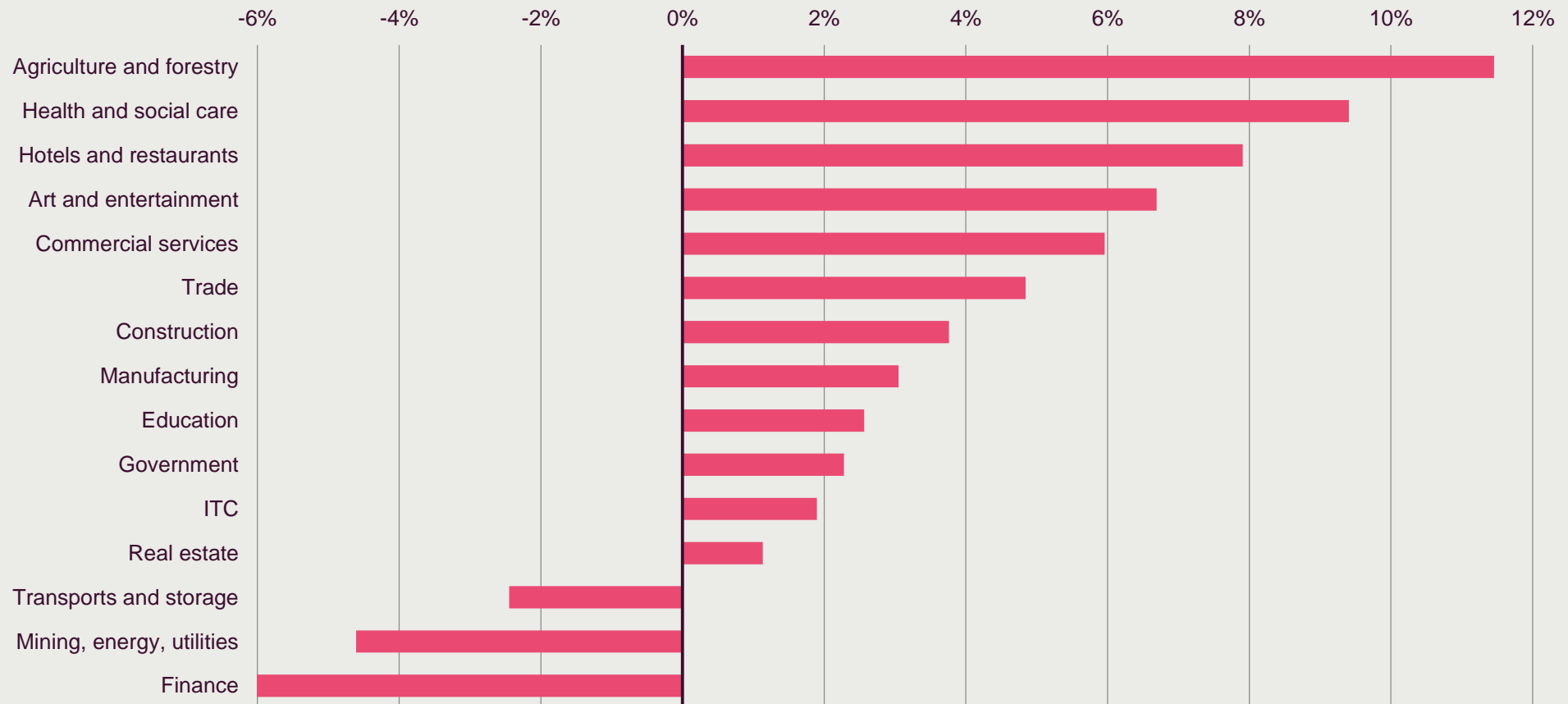
The region is slowing down, but Latvia might accelerate from 2021

Annual growth, GDP and key sectors



Economy in 2019 is affected by weather and US government

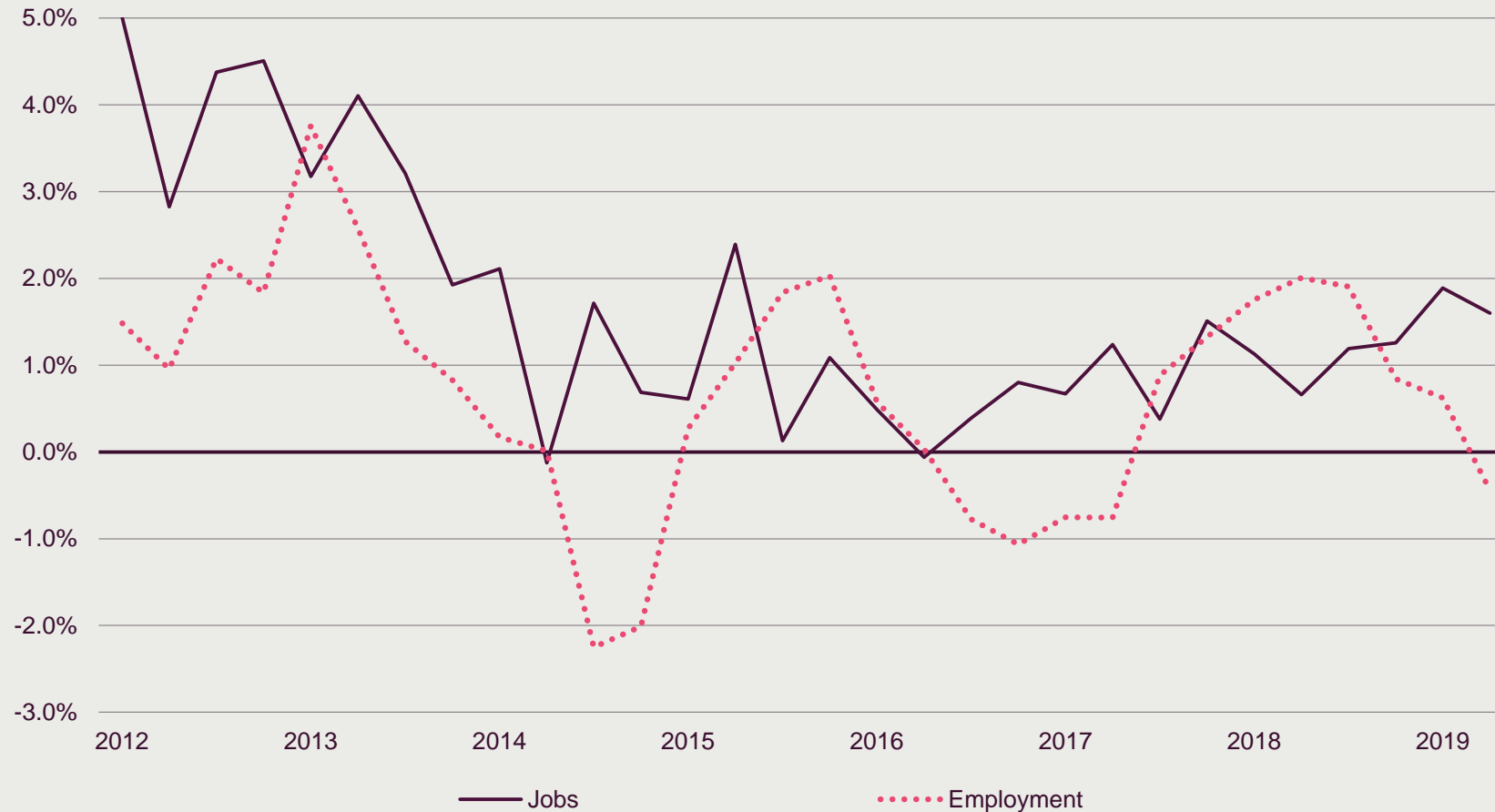
Annual growth rate in Q1-Q3, 2019, %



Source:
Statistics
Latvia

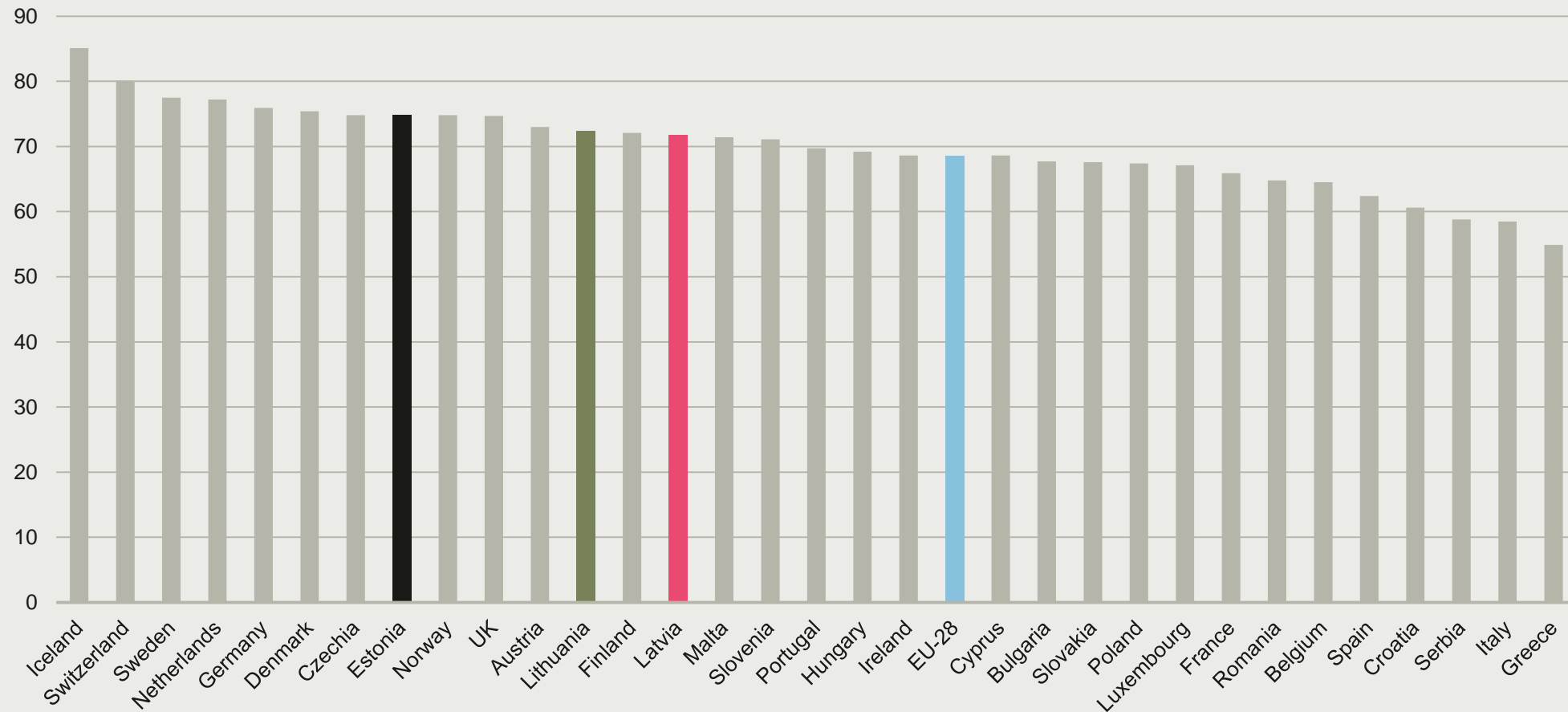
Labour market in Latvia is still strong

Annual change of occupied job positions and employment in quarters since 2012



Employment level is quite high already ...

Employment level among 15-64 year olds in Europe, %, in 2018



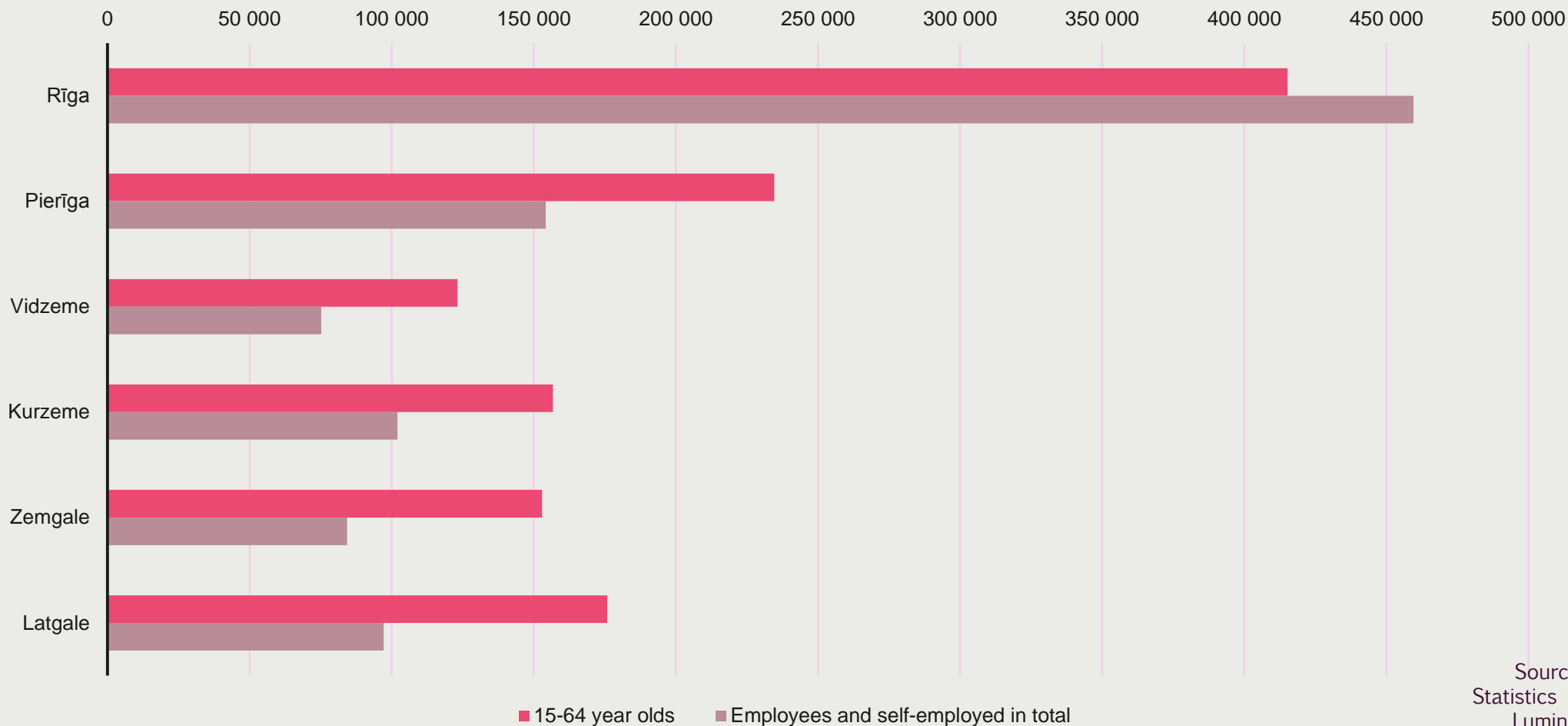
... and it is rising fast

Employment level among 15-64 year olds



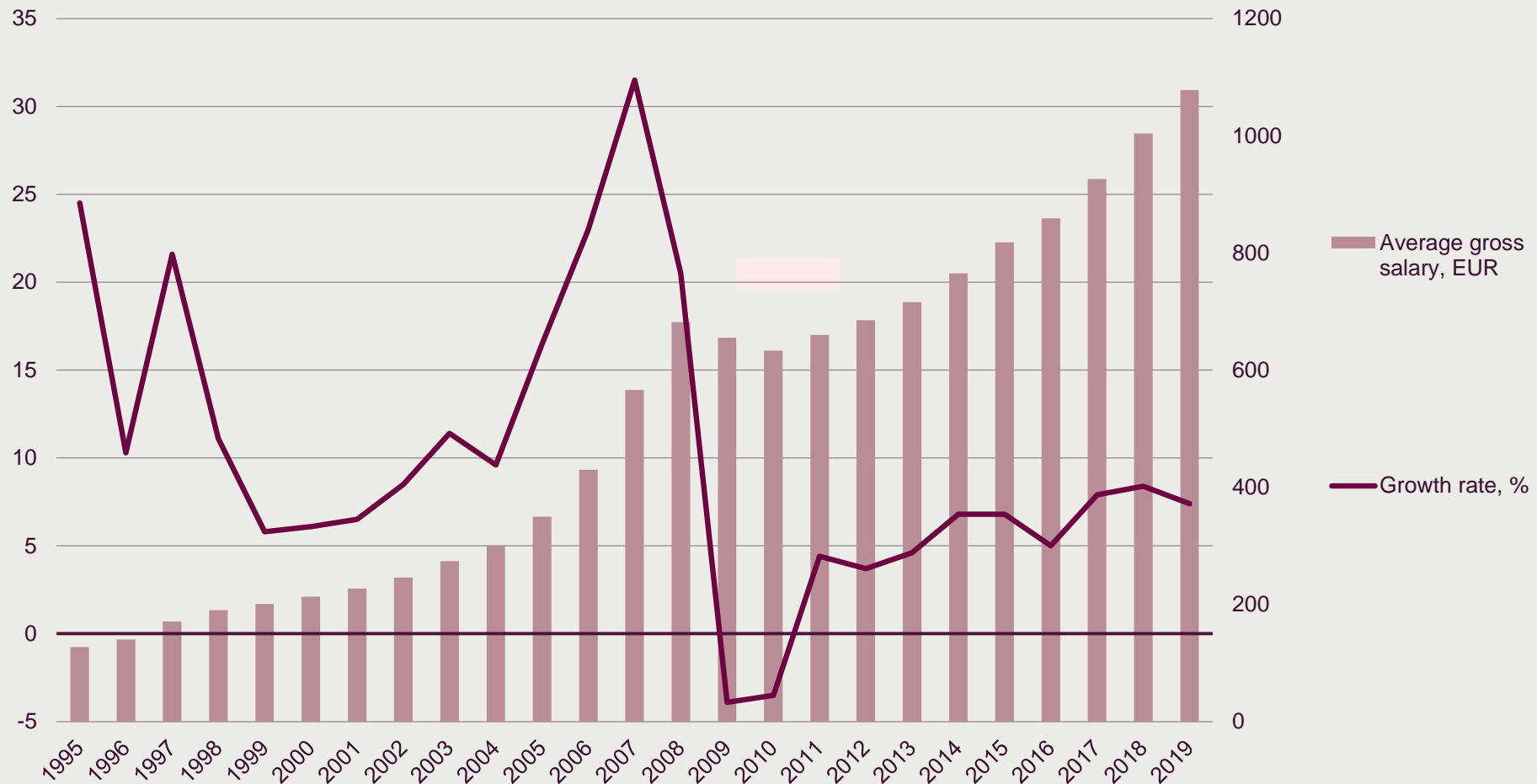
However, employment opportunities in regions vary widely

15-64 year old population and employees + self-employed in regions, 2017

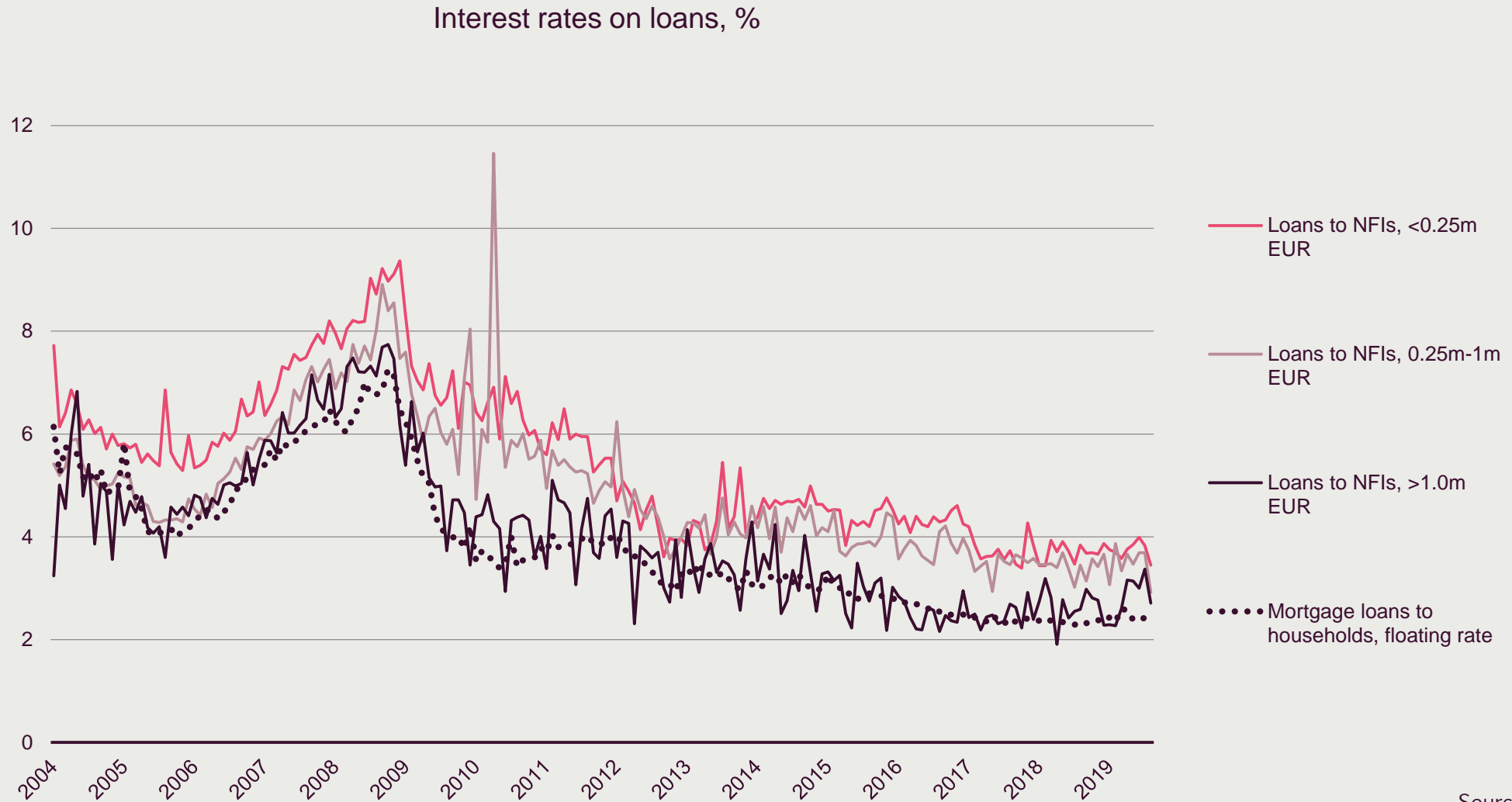


Wage growth is strong, so far

Average salaries (left axis, columns) and wage growth rate (right axis, line)

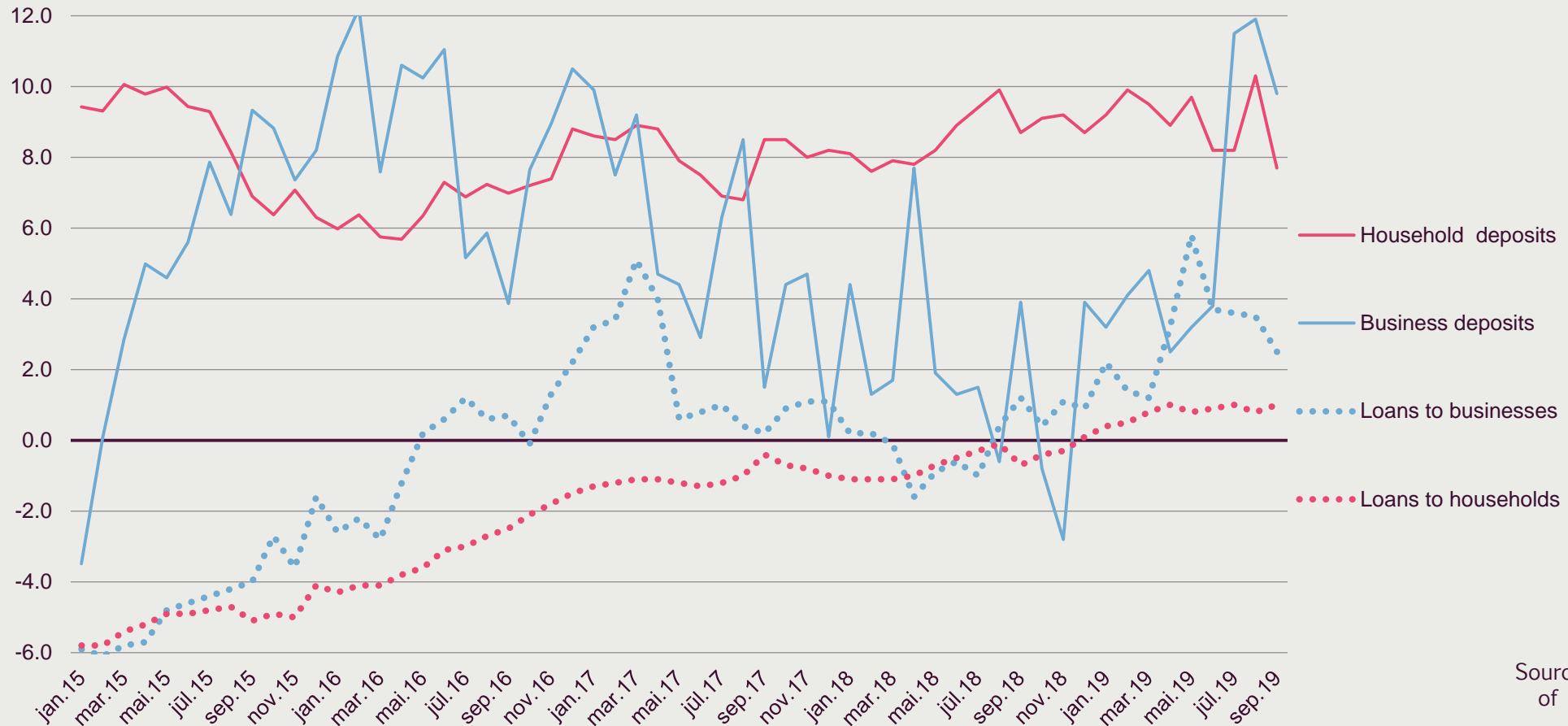


Lending rates are low



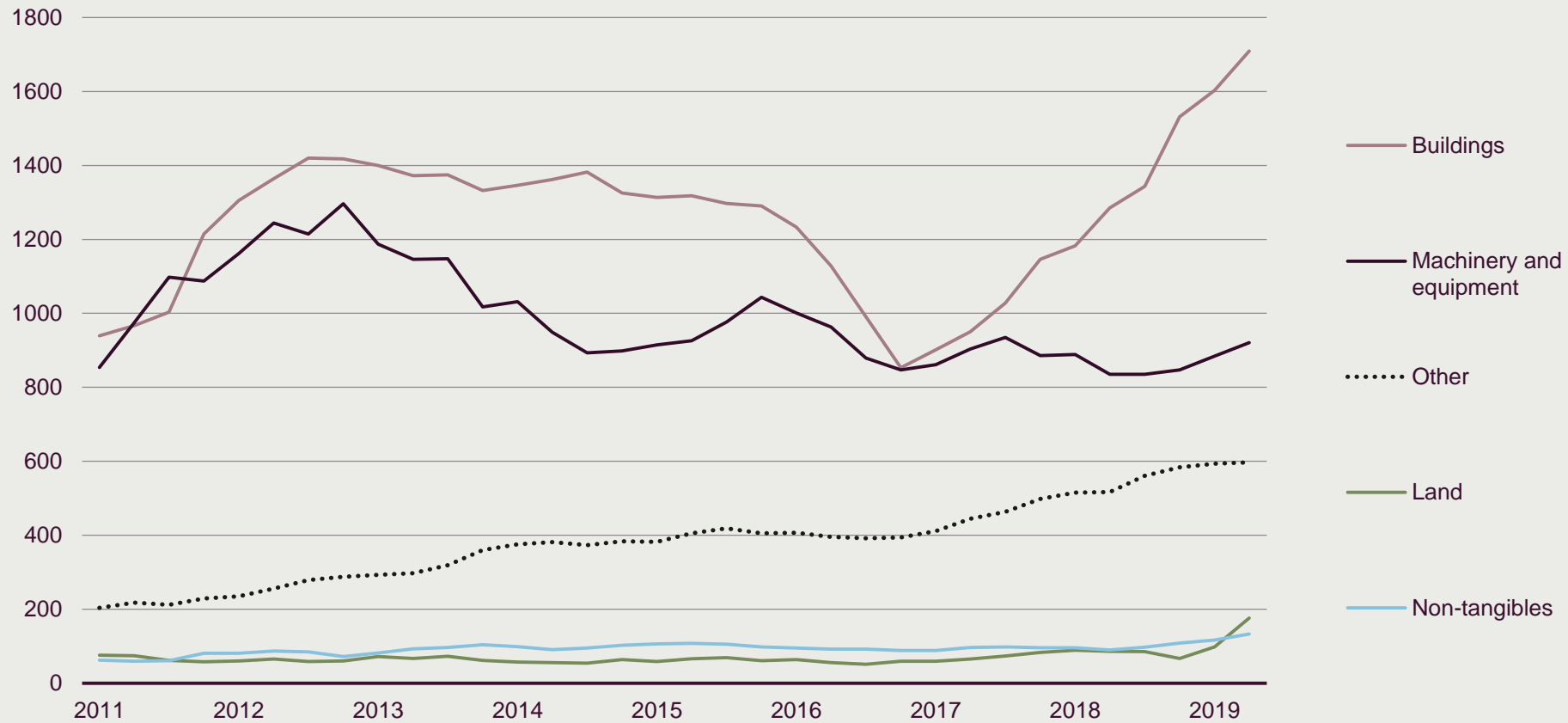
The is the first year since the Crisis when both corporate and household loan portfolios are rising

Annual change of total loans and deposits, %, adjusted data



Investment reflects increasing services specialisation in exports

Gross fixed capital formation in Latvia, types of assets, 4Q sum, EURm

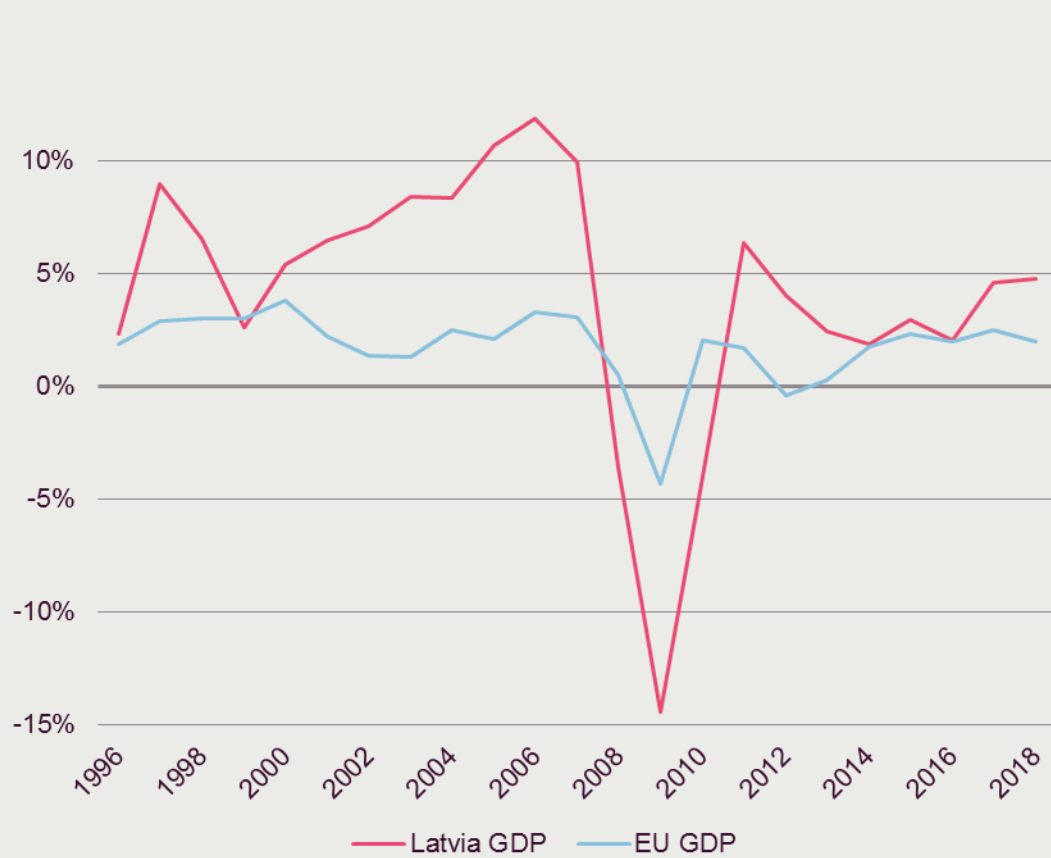


Main forecast numbers

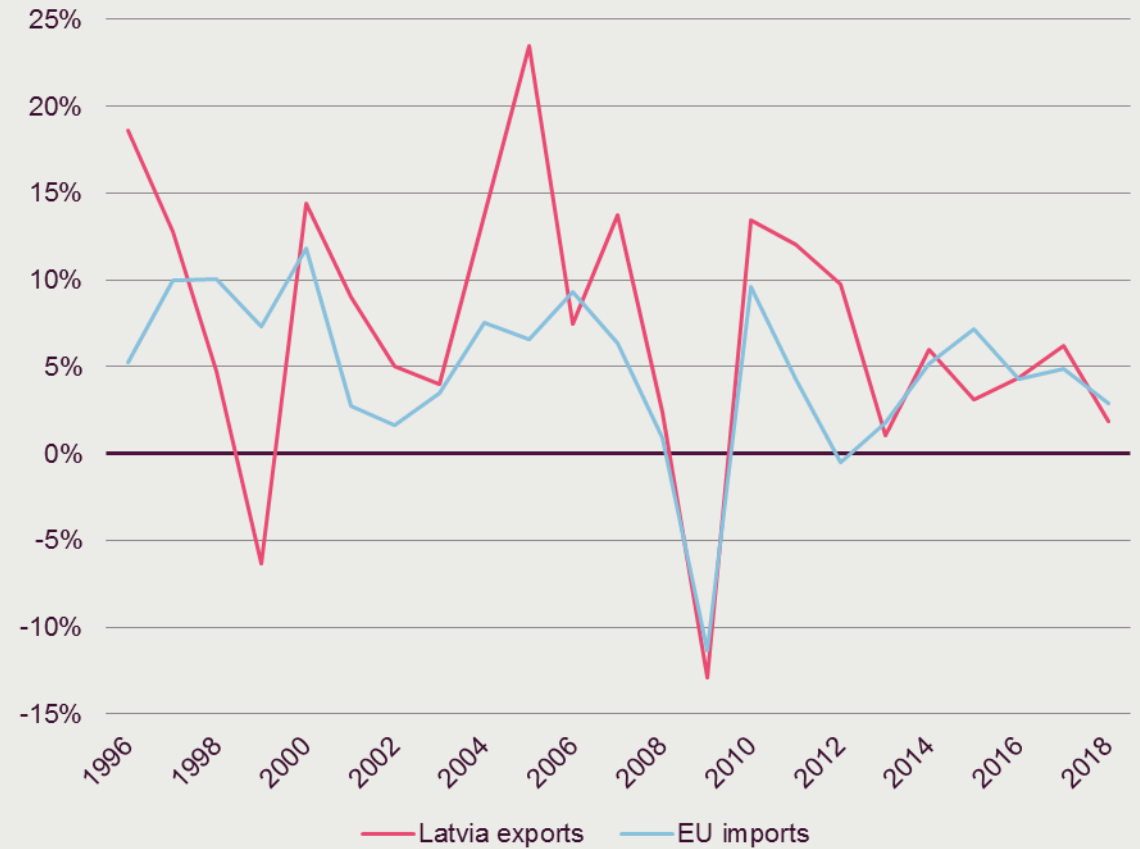
	2017	2018	2019F	2020F	2021F
GDP growth	4.6	4.8	2.6	1.9	2.9
Inflation	2.9	2.5	2.8	2.2	2.4
Unemployment	8.7	7.4	6.5	6.5	6.2
Wage growth	7.9	8.4	7.5	5.0	6.0

The state of euro area is worrying, but Latvia doesn't always follow it

GDP growth rate in Latvia and EU since 1996

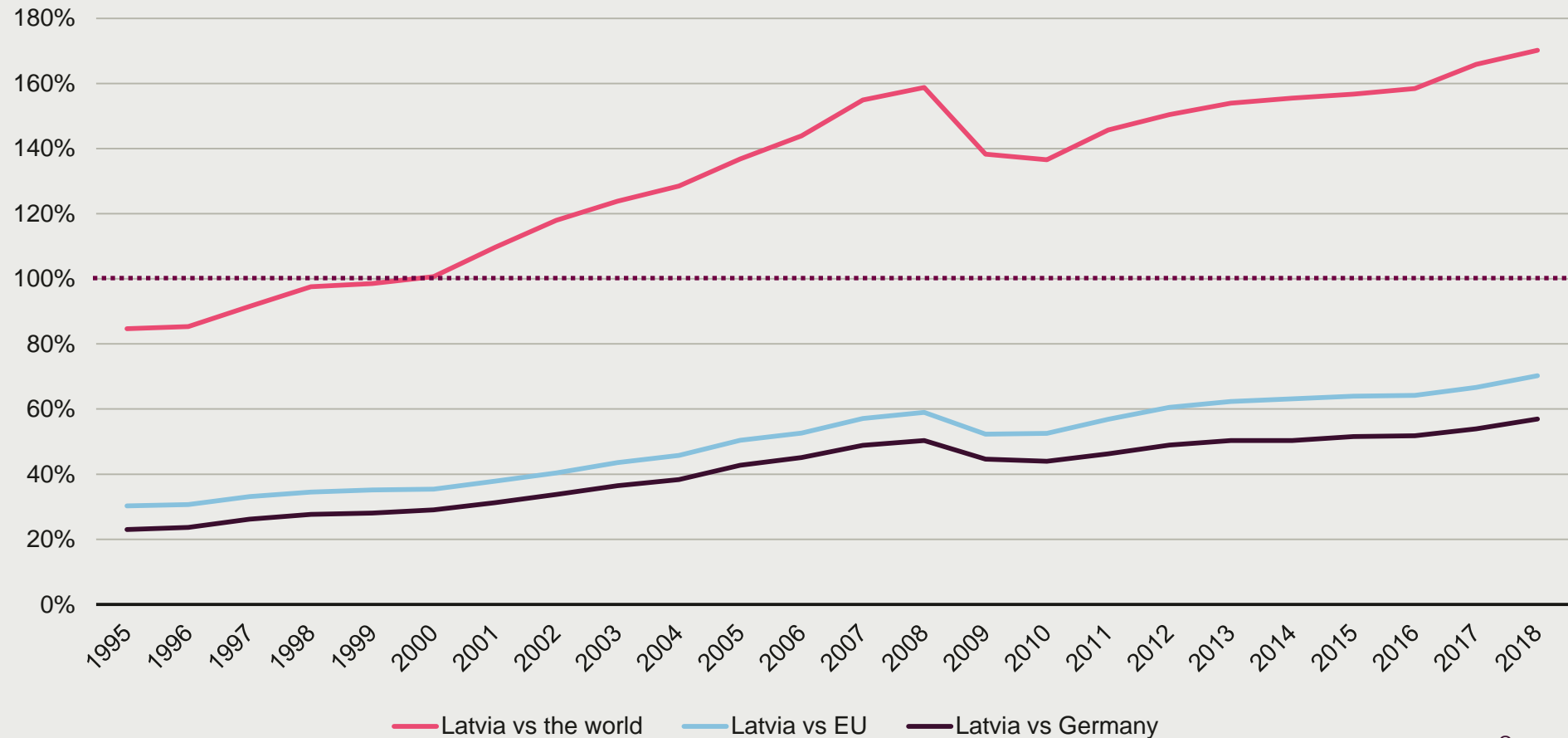


Latvia's export and EU import change since 1996



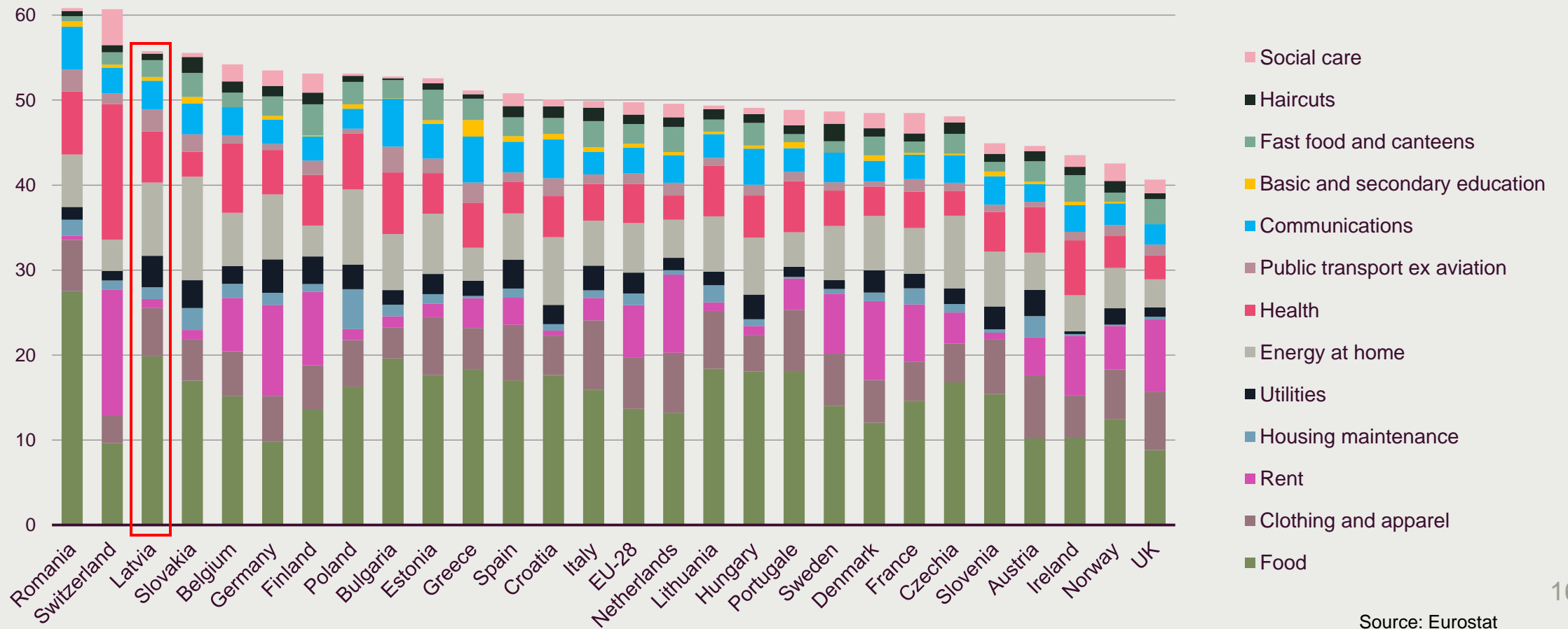
A bit of history

GDP per capita at purchasing power parity in Latvia vs global, EU average and vs Germany



Incomes are not very high, but at least most people pay nothing for rent

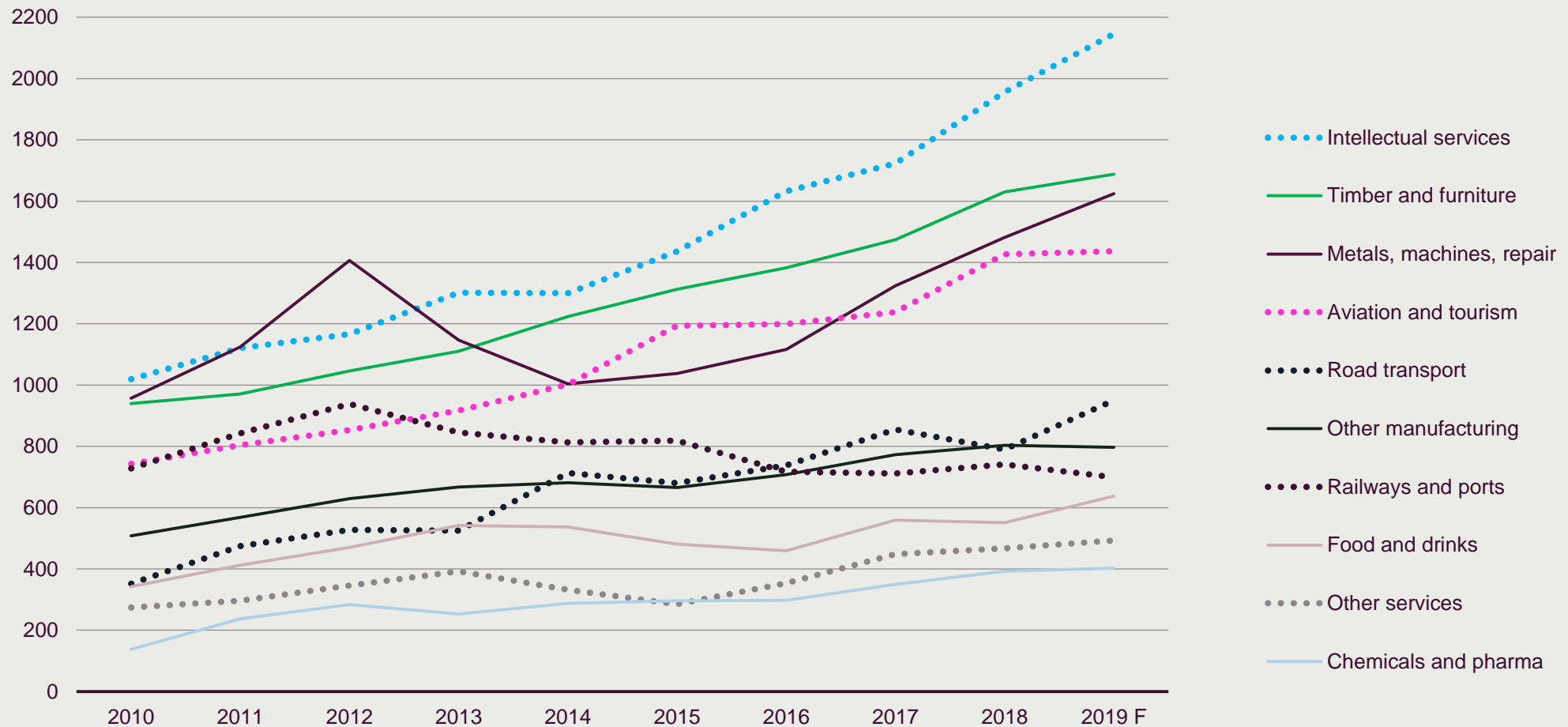
Share of basic necessities in consumption basket of European countries in 2019, %



Export sectors in
more detail

It is always important to see the big picture

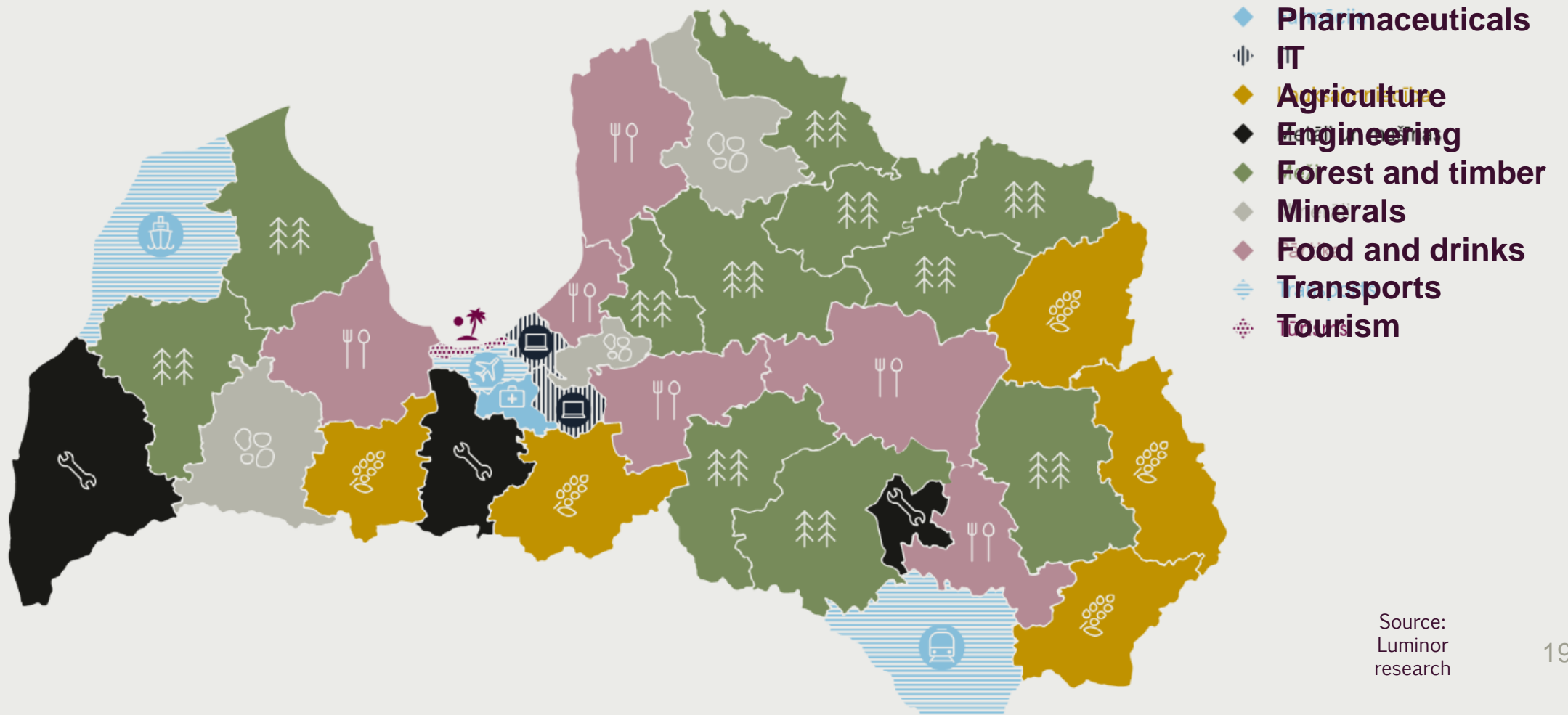
Exports of goods and services, main categories, millions of euros



Source: Statistics Latvia, Bank of Latvia data, Luminor forecasts

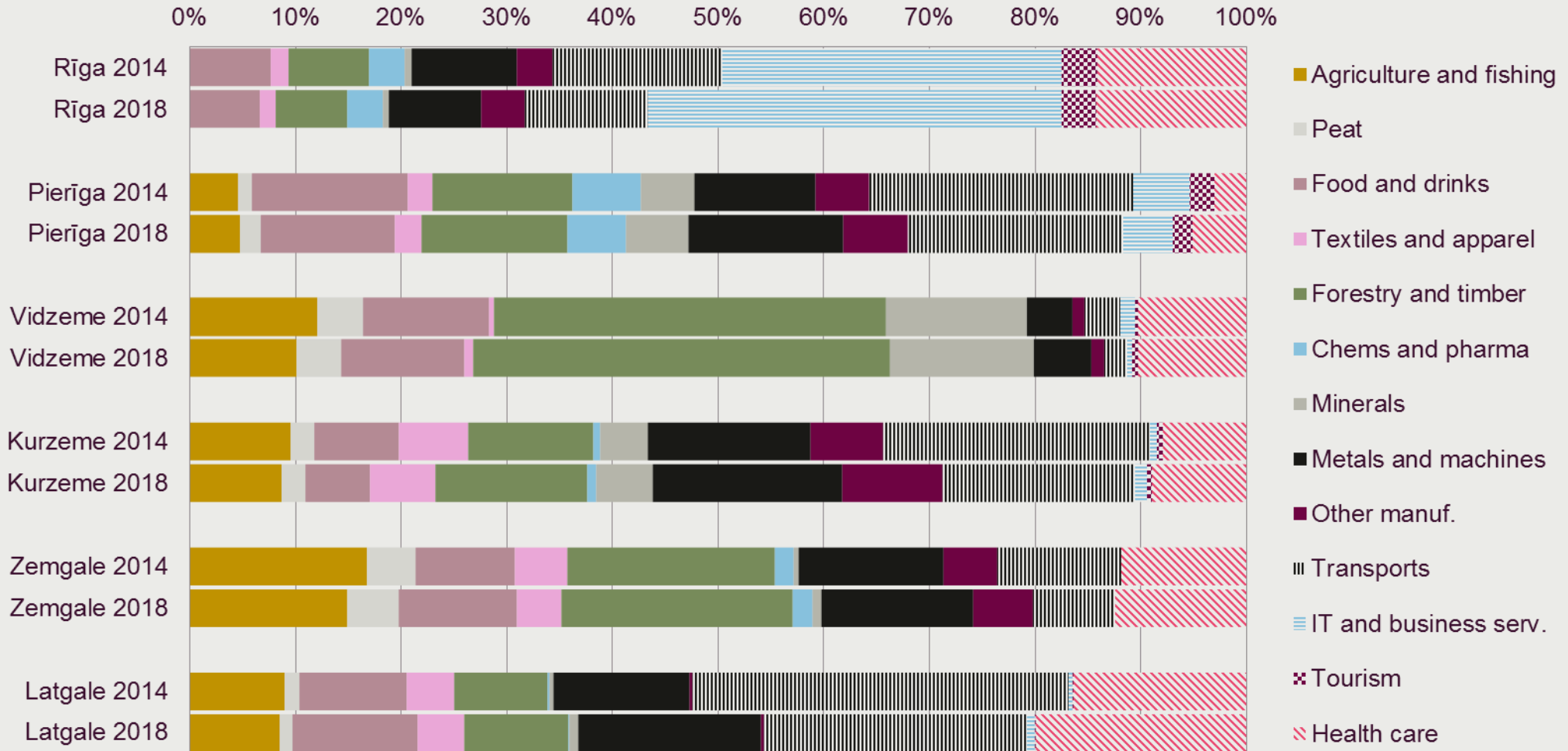
Regional economies in 2020 will diverge

Single biggest export sector in districts



Reliance on forest sector in Vidzeme looks risky

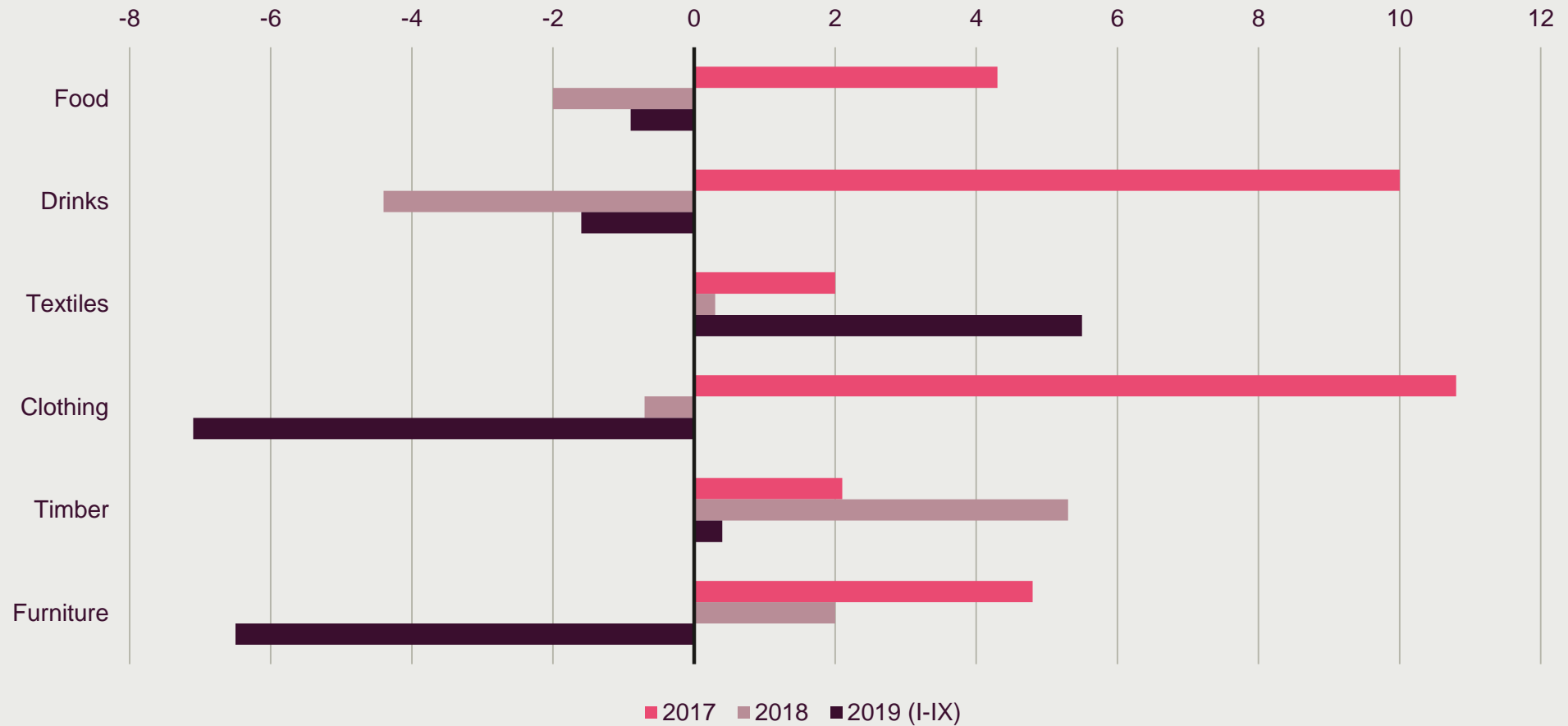
Structure of exports (including to the rest of Latvia) in regions in 2014 and 2018



Source: Luminor research

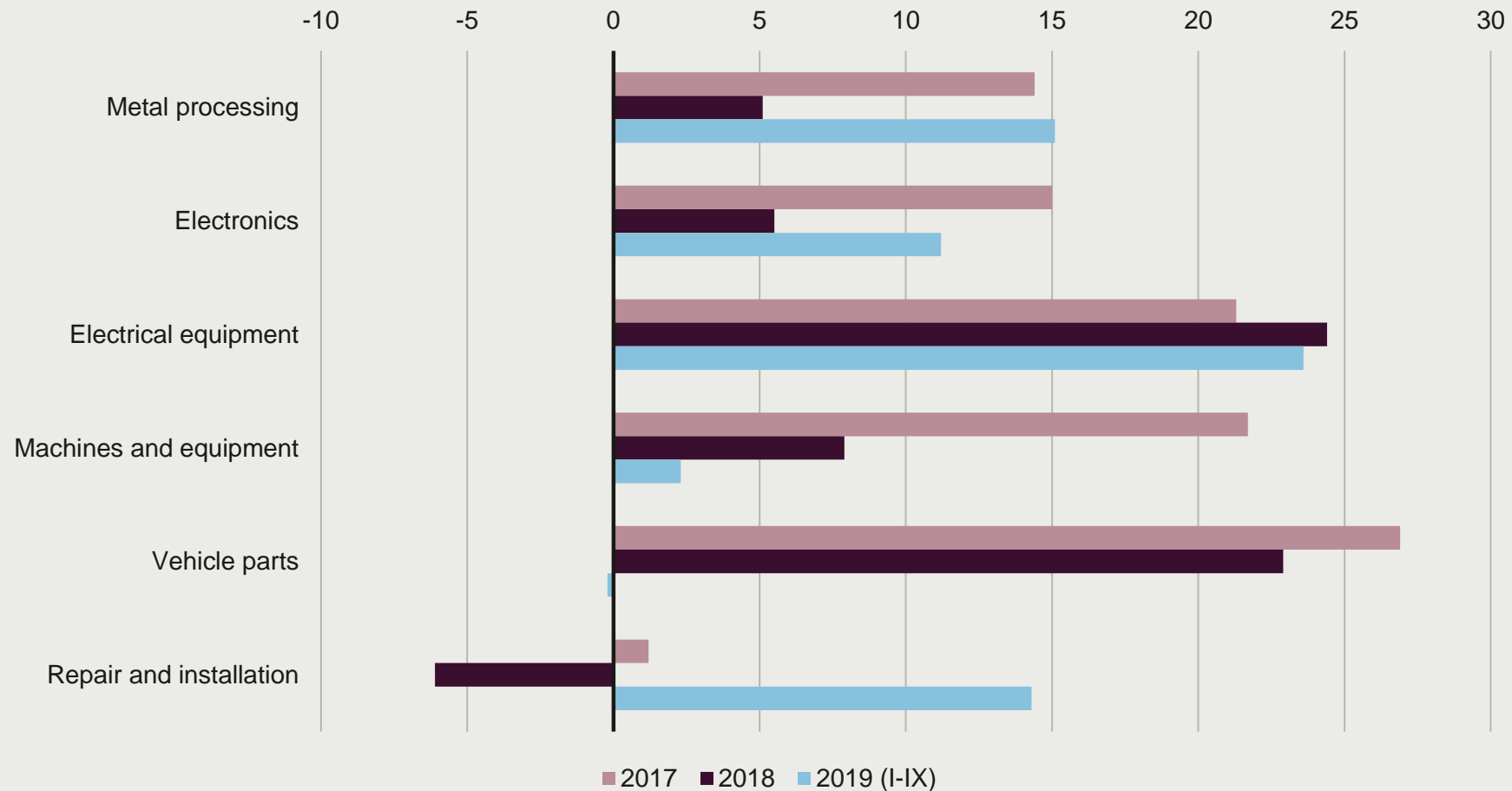
Manufacturing – traditional

Output volume change in 2017-2019



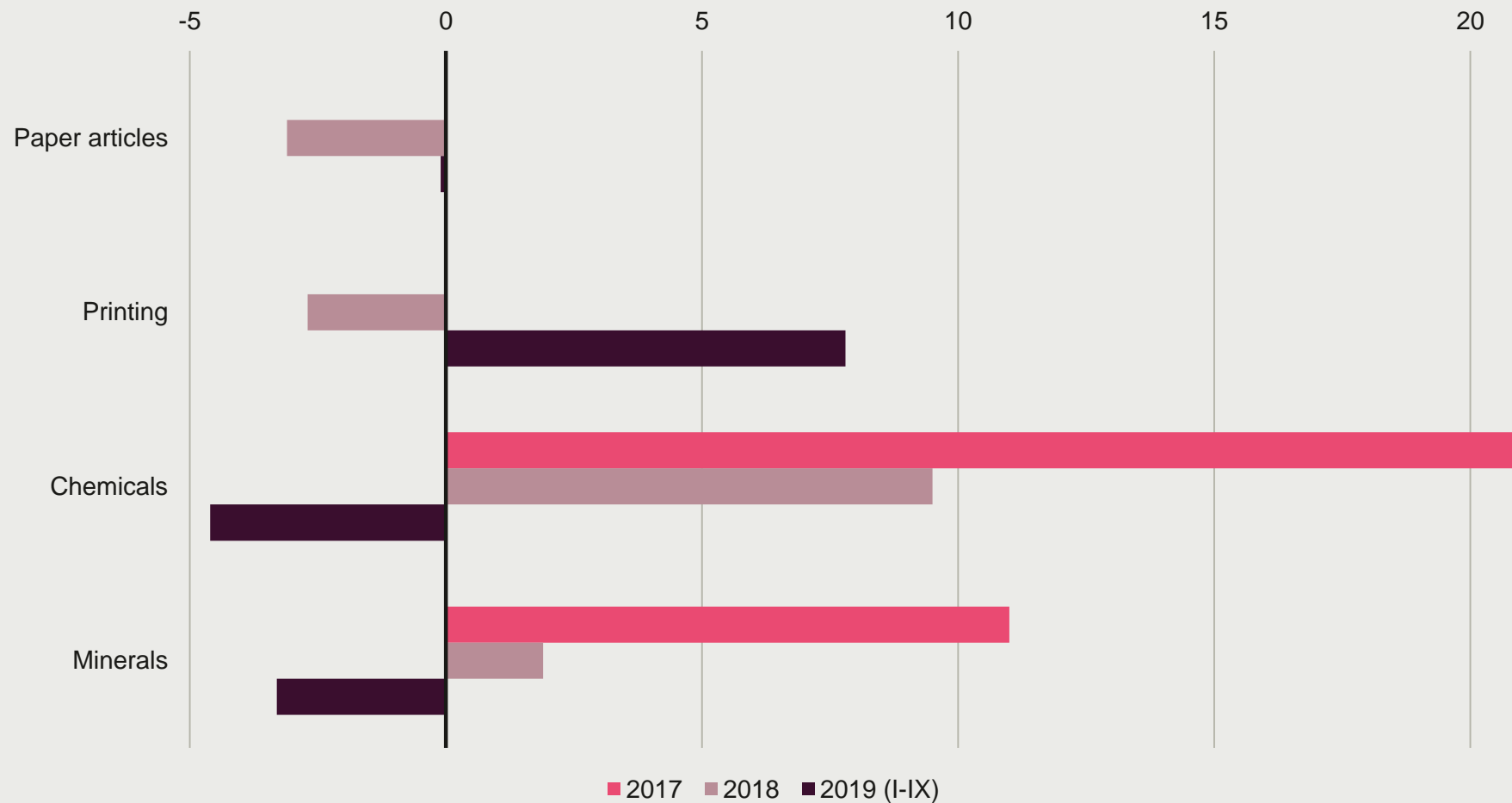
Manufacturing – engineering

Output volume change in 2017-2019



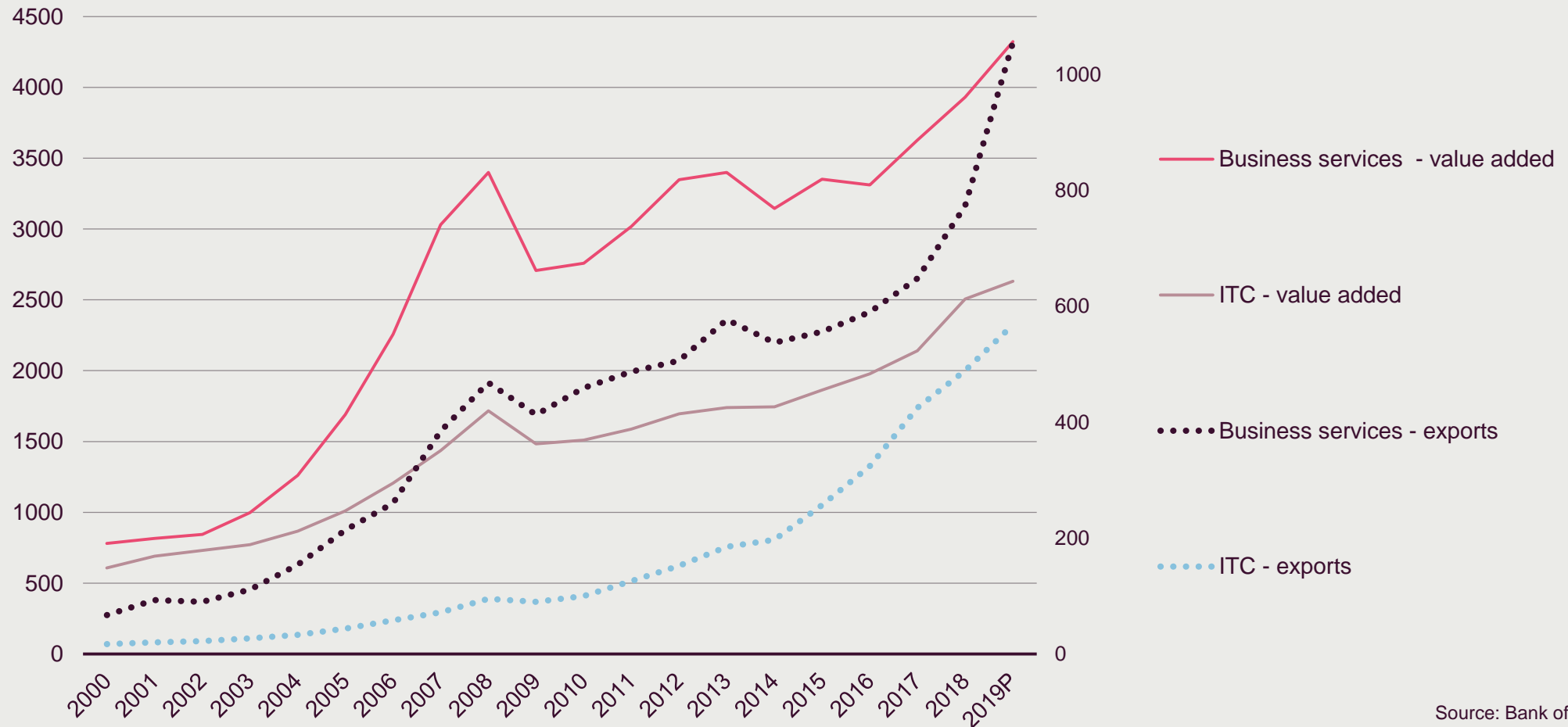
Manufacturing – other sectors

Output volume change in 2017-2019



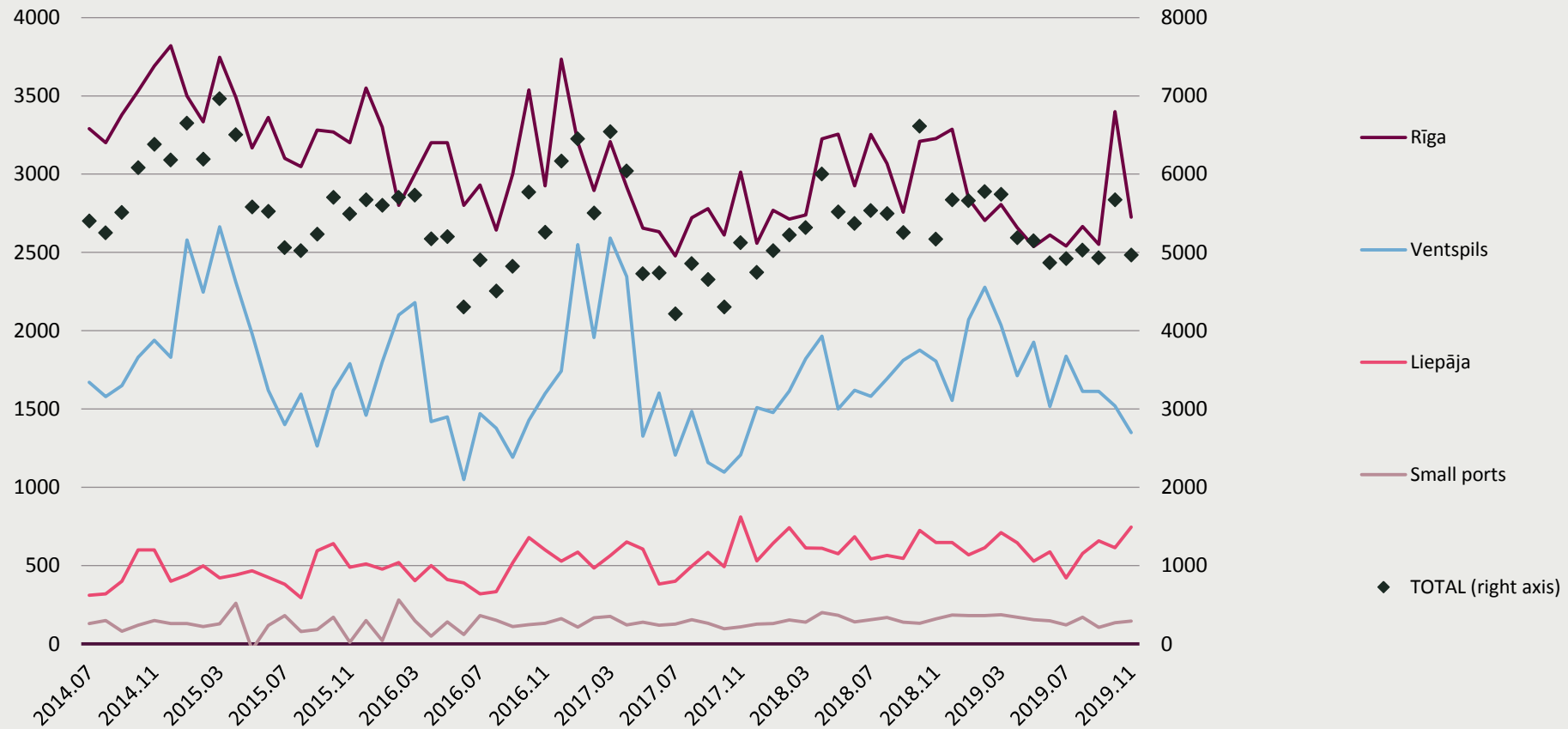
The main «office based» exports

White collar sector turnover and exports , mEUR



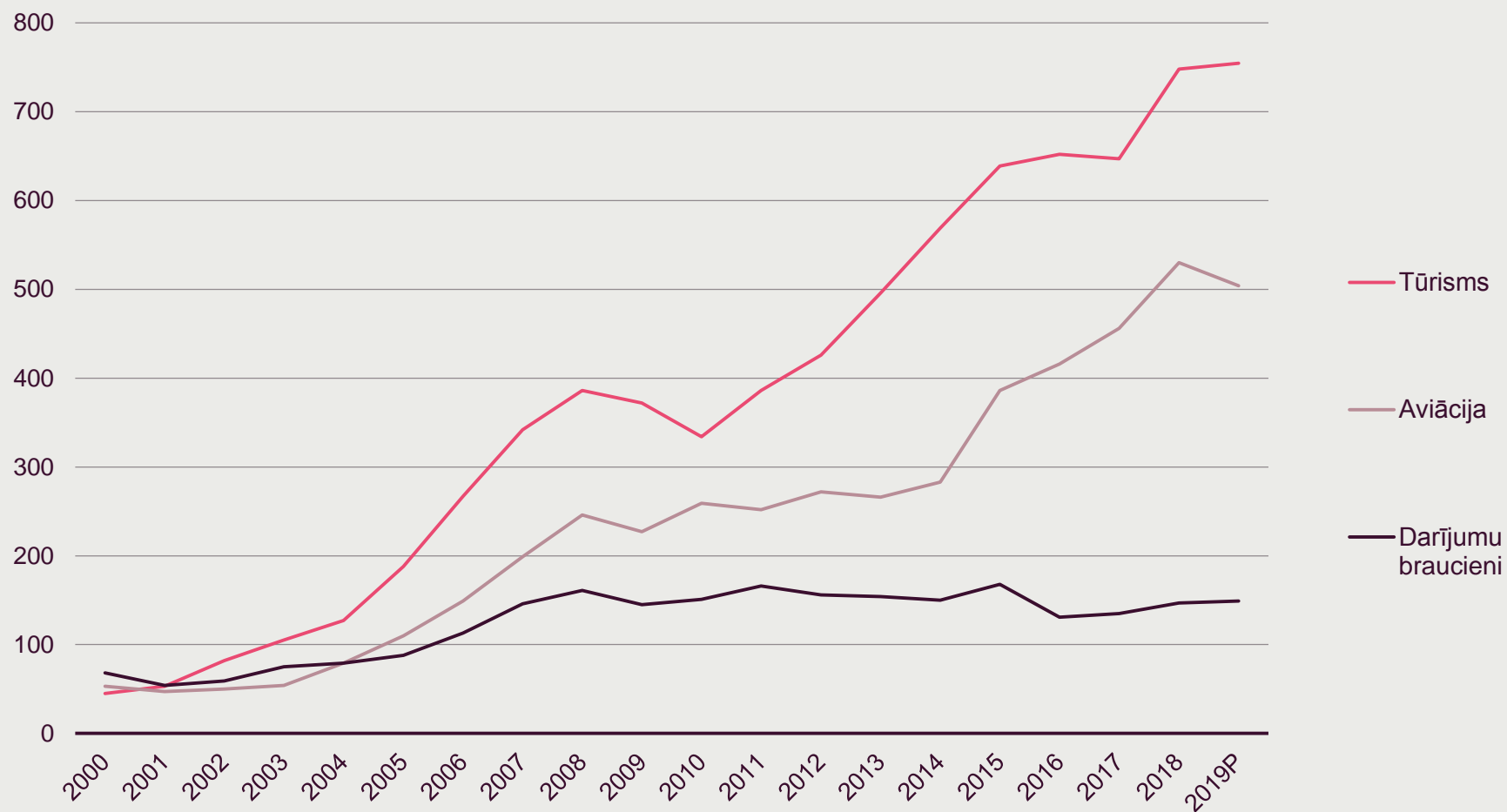
Transports - transit

Monthly cargo turnover in ports, '000 tons



Aviation and tourism

Service exports, mEUR



Thank you for your
attention!