

Economic impact of COVID-19

Expectations and outcome so far

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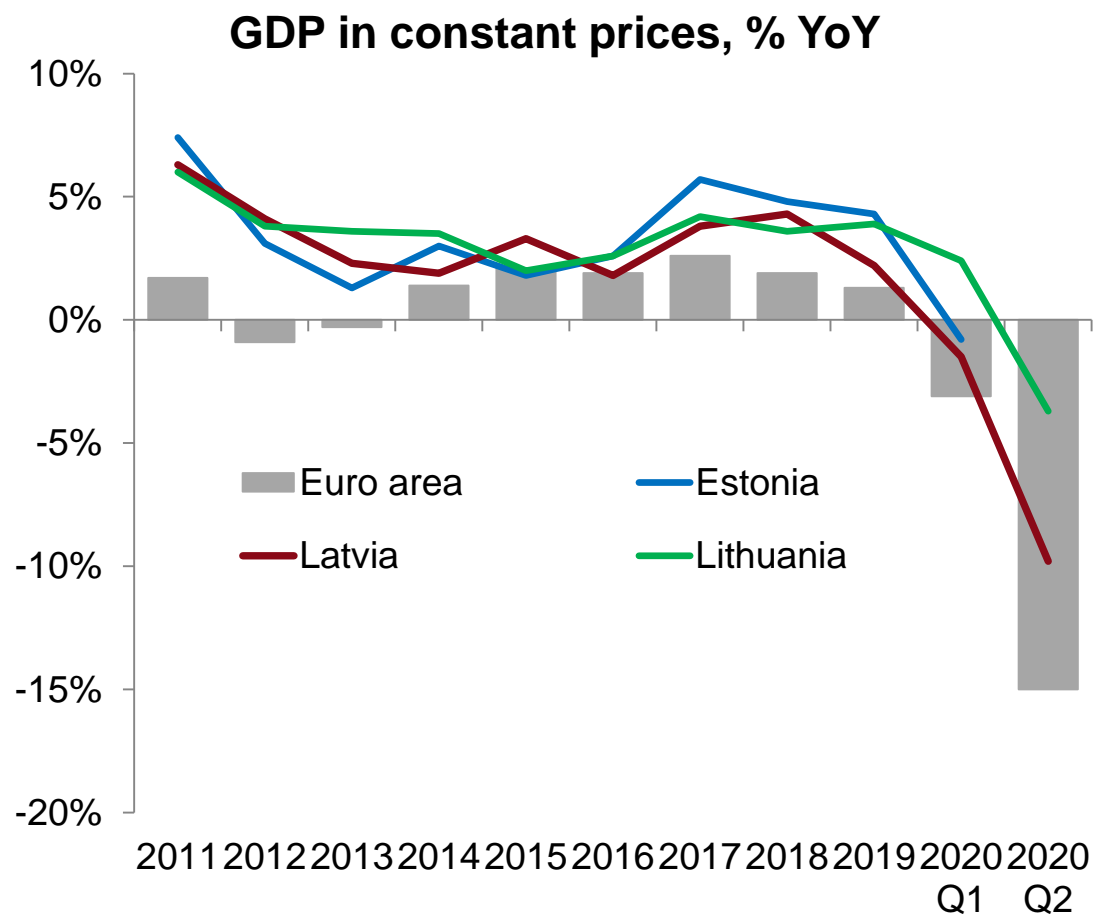
26 August 2020

**More
opportunities**

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Baltic region

Economic shock in Q2 has been less severe than in euro area as a whole

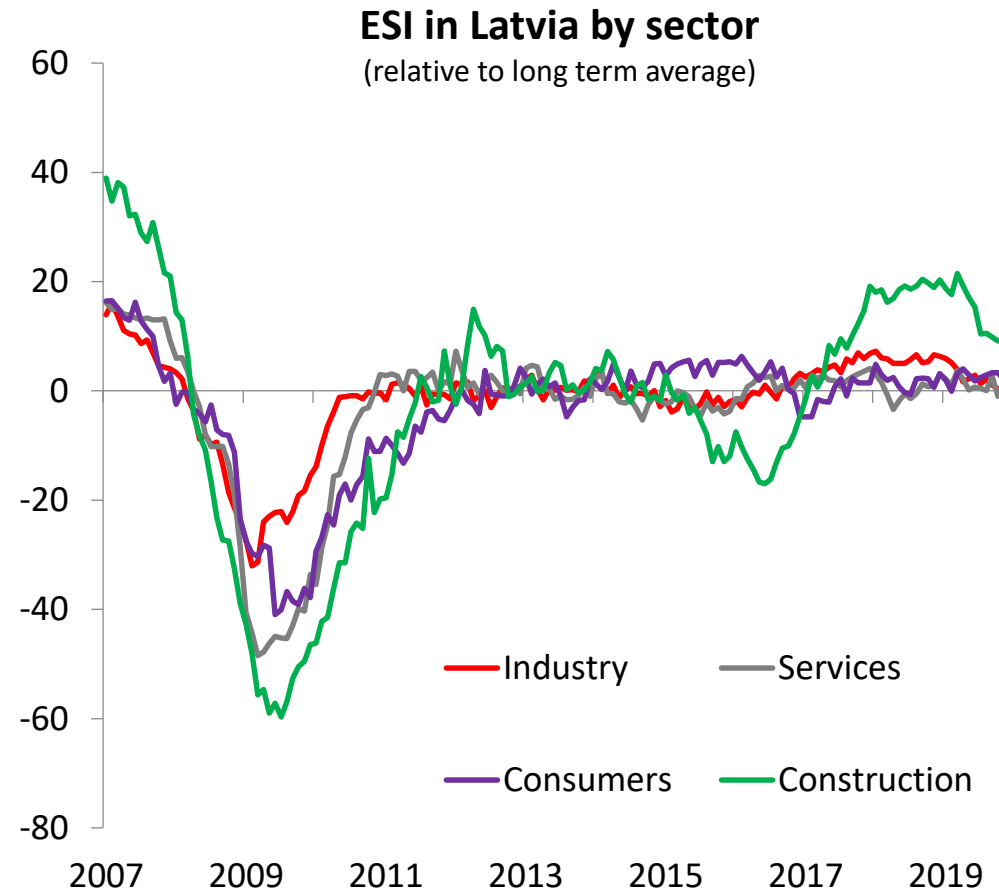
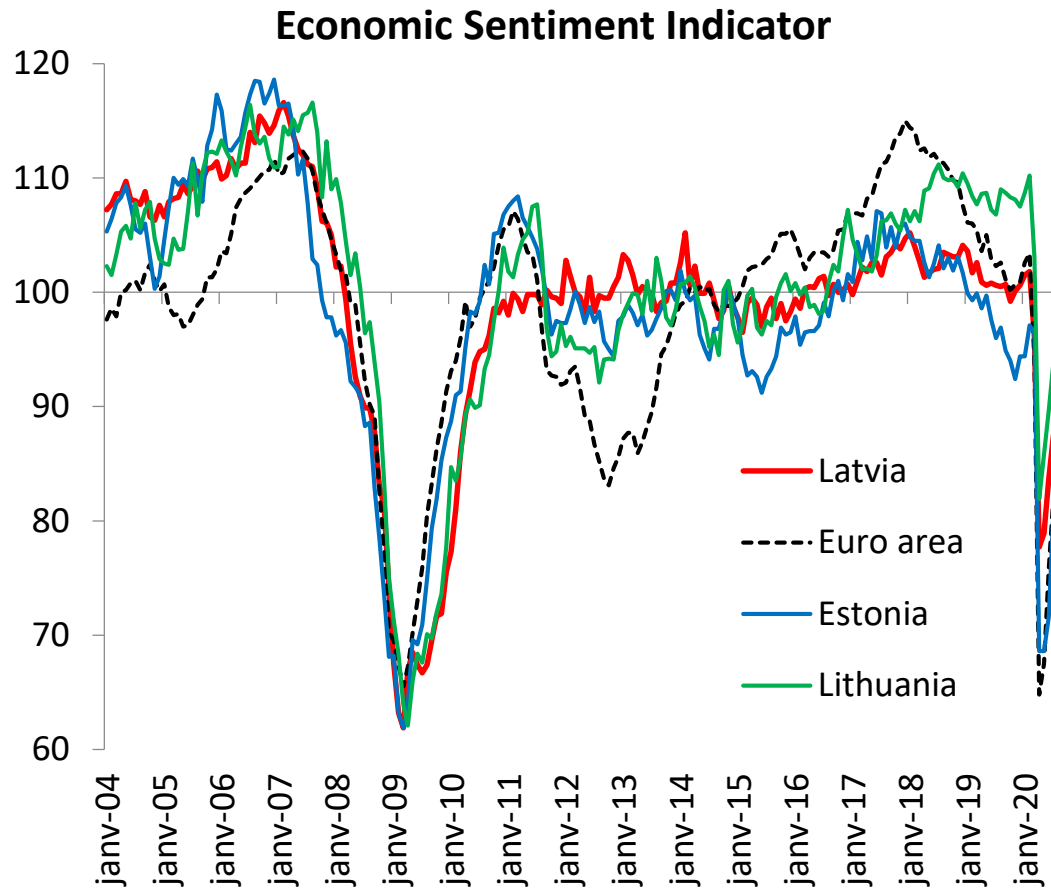


COVID-19 timeline:

- **23 January** – Wuhan lockdown begins in China
- **February** – Economic activity in China falls sharply disrupting global supply chains, but number COVID-19 cases outside China remains low
- **Early March** – COVID-19 begins to spread rapidly in Europe and countries close borders and implement lockdown measures implemented in many countries
- **March 12** – State of emergency declared in Latvia and social distancing measures implemented
- **March 23** – Turmoil in financial markets deepens and S&P 500 declines by 34% from mid February until March 23
- **March 15-31** – Card spending in the Baltics declines by 25-35%
- **March 25** – Bank of Estonia cuts 2020 GDP forecast to -6% and sees 14% decline in adverse scenario
- **March 26** – Bank of Latvia cuts 2020 GDP forecast to -6.5%
- **March 26** – Bank of Lithuania cuts 2020 GDP forecast for 2020 to -11.4% and sees 20.8% drop under adverse scenario
- **End March** – PMI's in the Euro area, US and other major economies falls below 2009 levels
- **Early April** – Unemployment in the Baltics continues to increase faster than at the peak of 2008-2009 crisis
- **April 14** – IMF cuts global GDP forecast to -3% and expects that world economy will suffer its worst year since the Great Depression of the 1930s

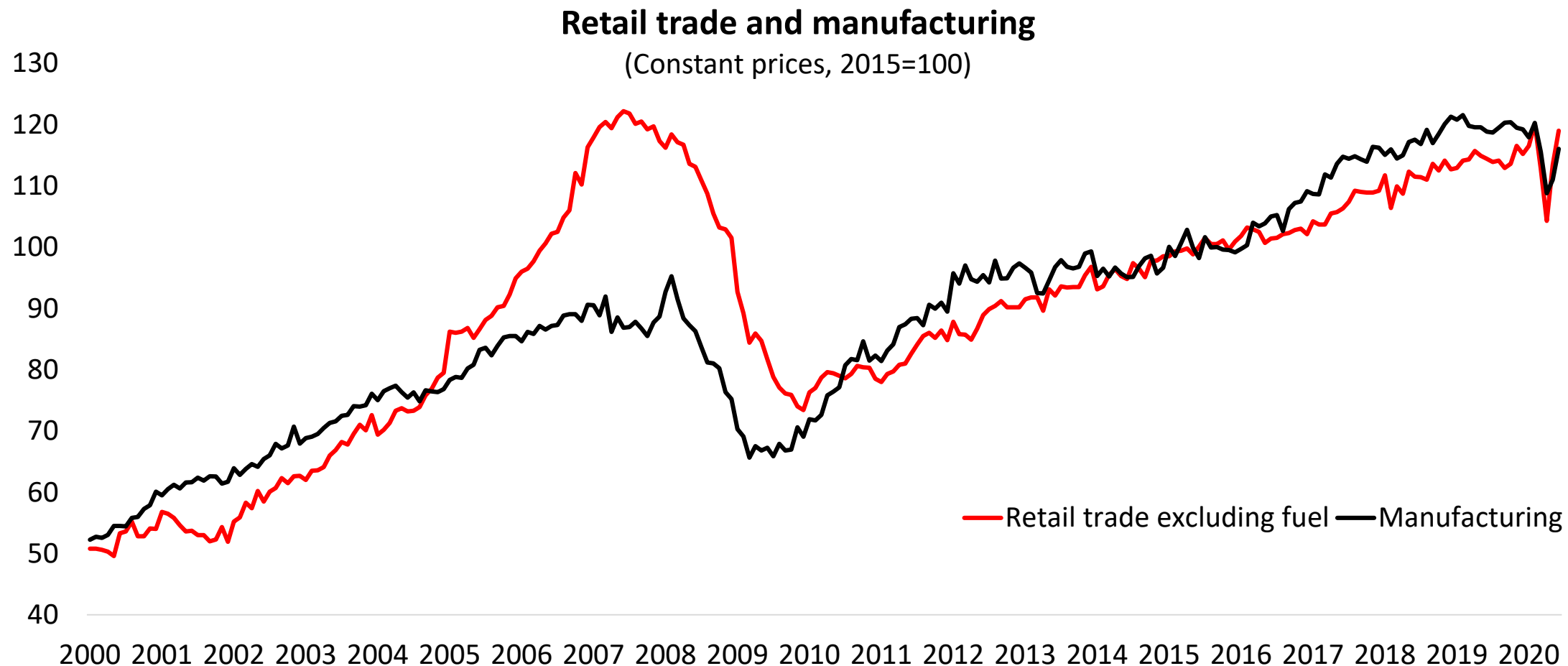
Economic sentiment

Confidence is rebounding, but service sector is lagging significantly behind other sectors



Retail and manufacturing

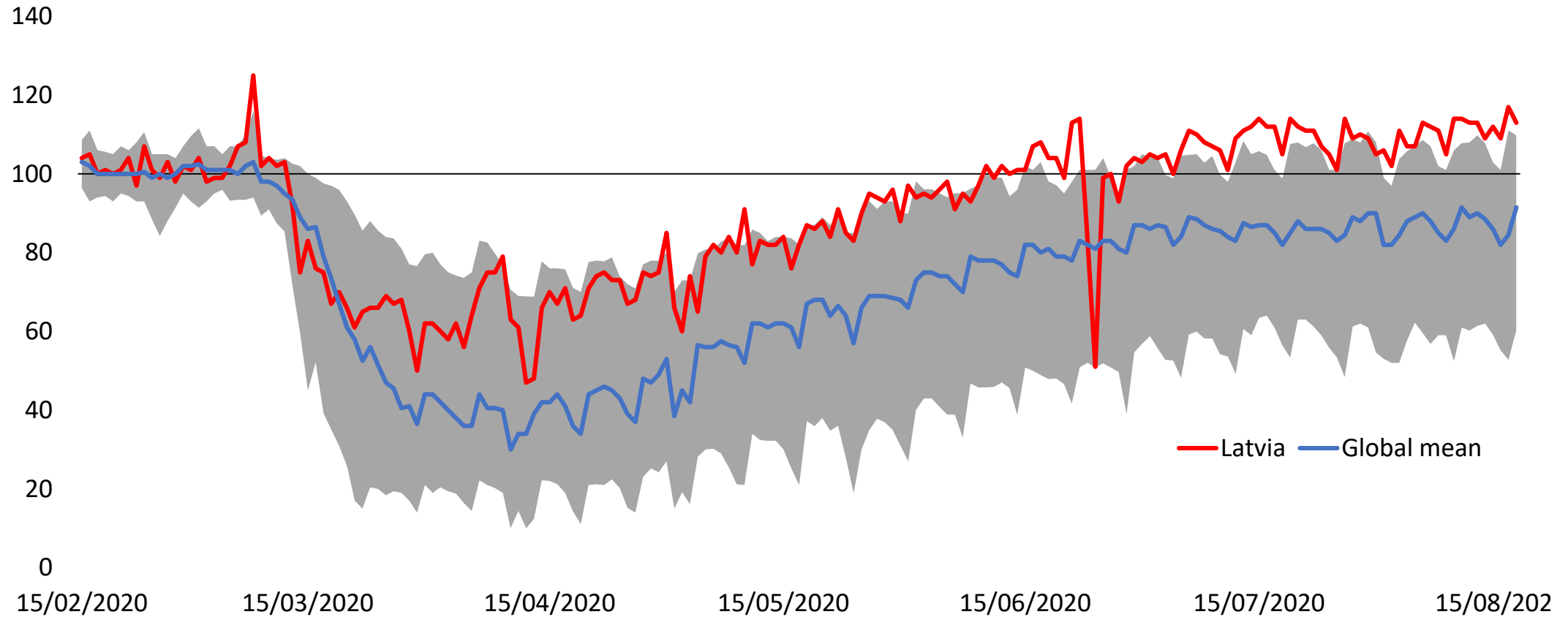
V-shape recovery in short term indicators



Mobility

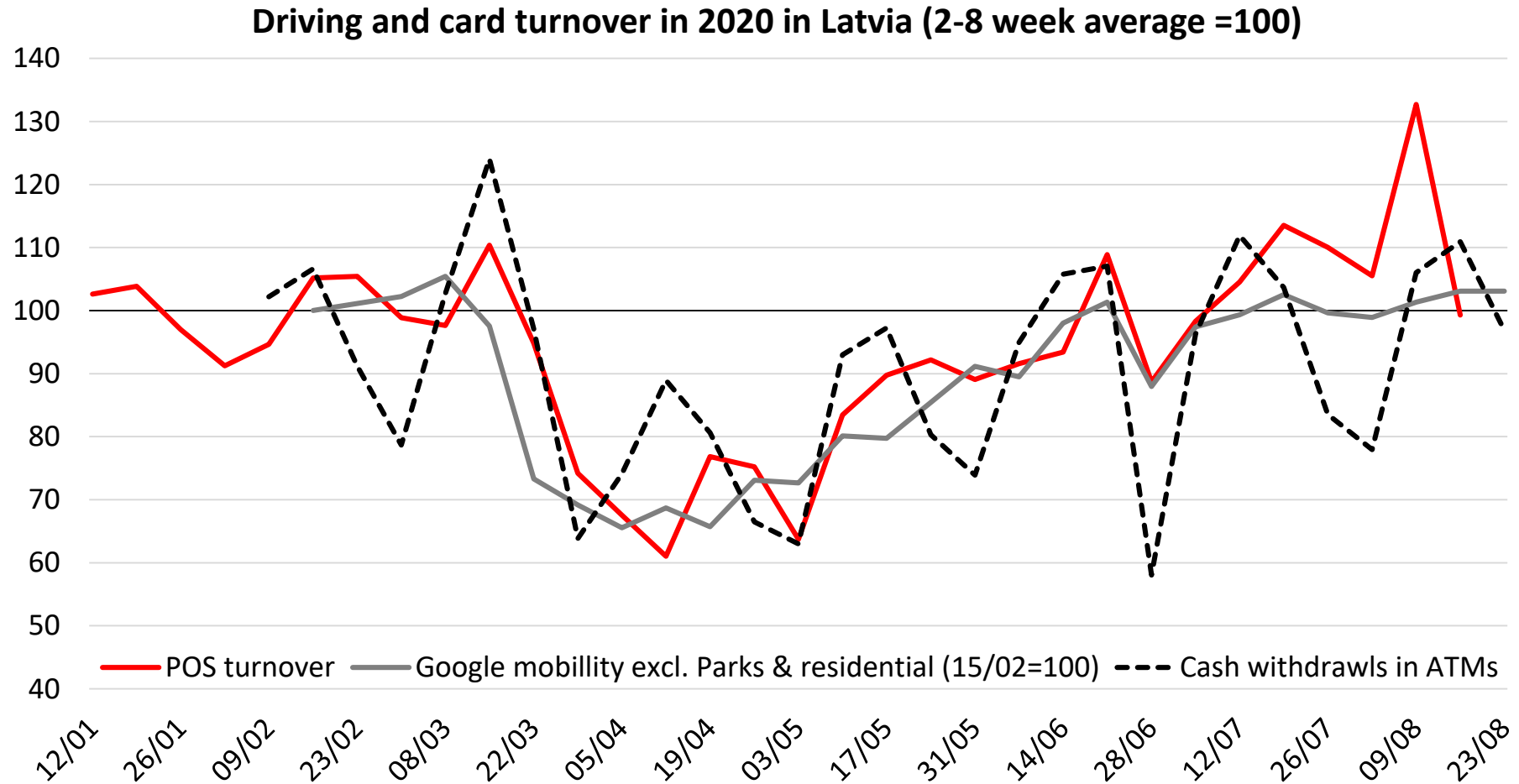
Google mobility in the Baltics have rebounded faster than in most other countries

Google (retail & recreation)



Consumer spending

Card spending by Citadele clients is recovery in line with mobility trends and ATM cash withdrawals

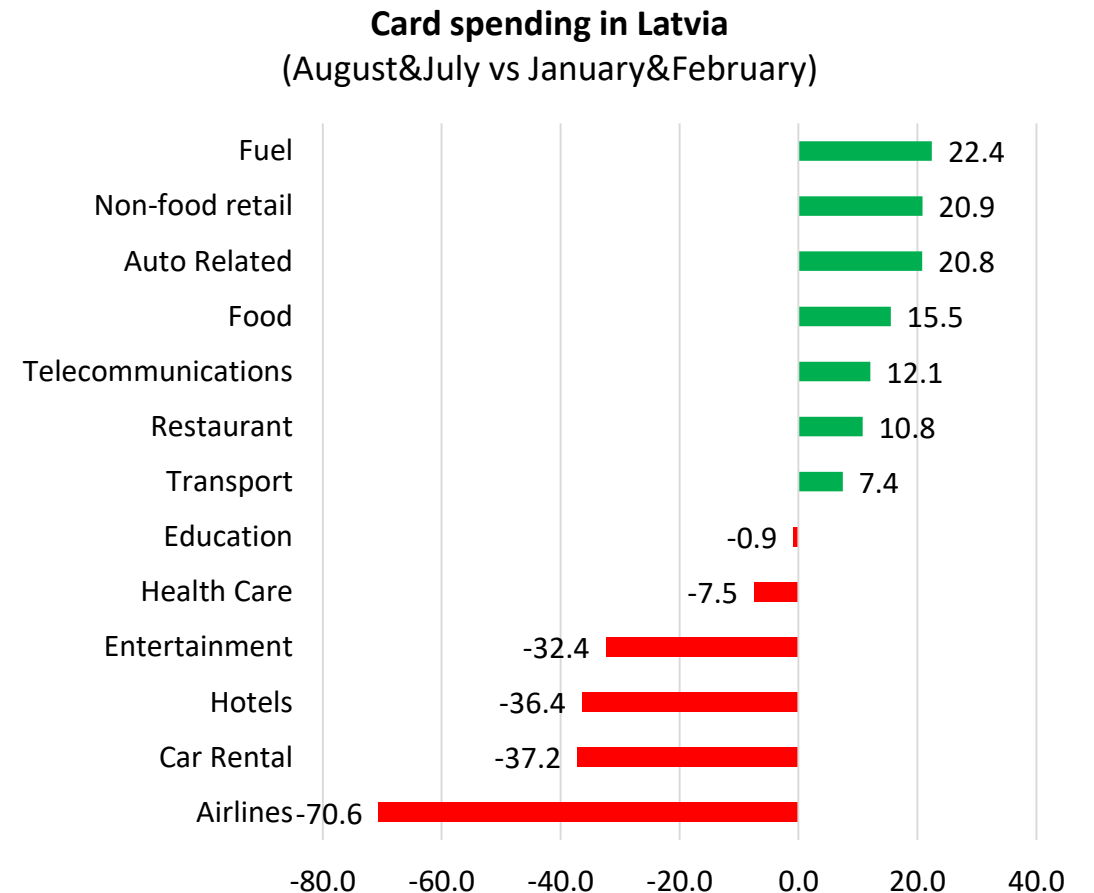
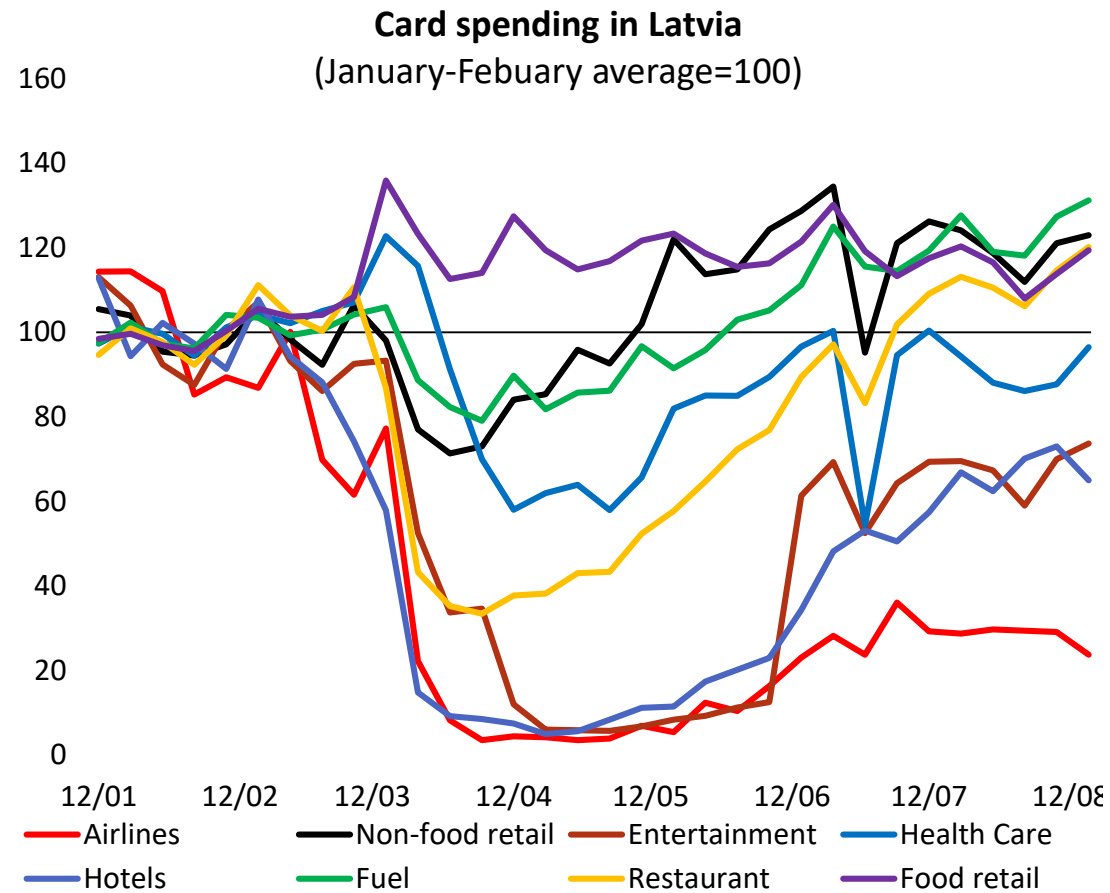


Vairāk
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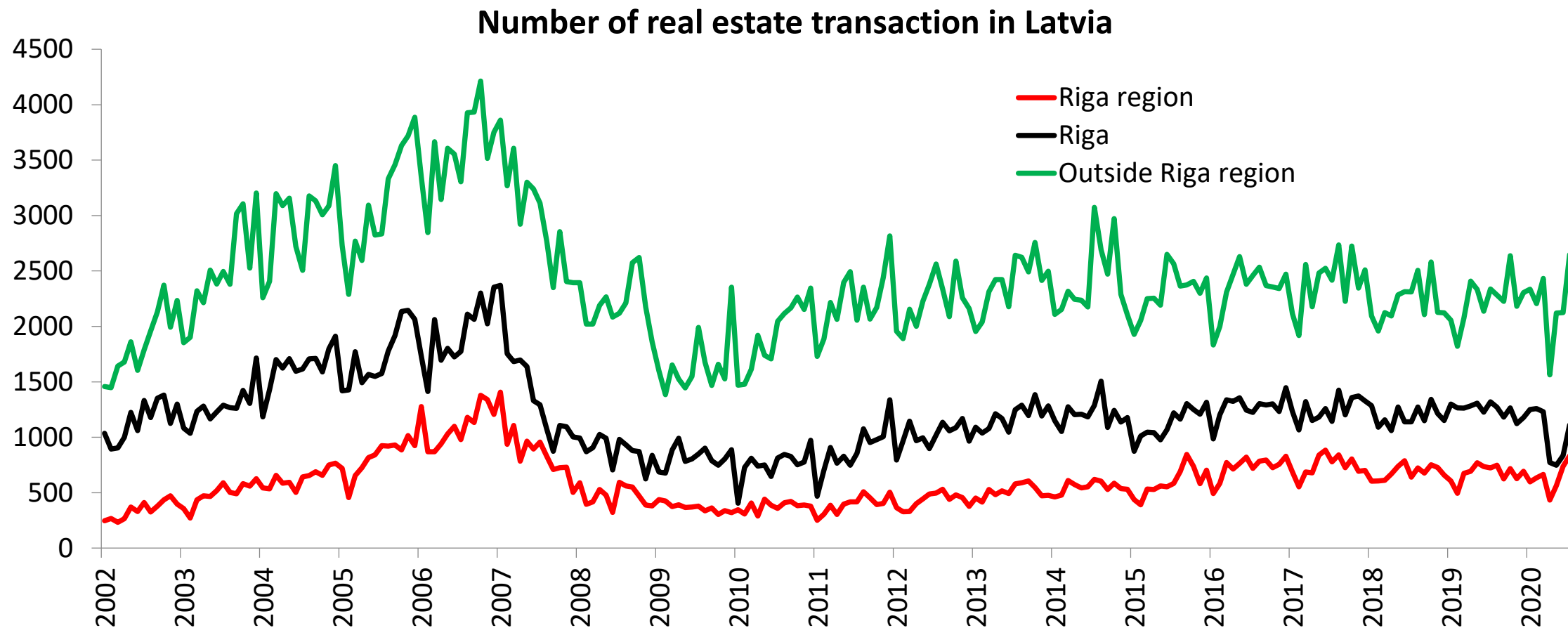
Consumption

Spending on travel, entertainment and airlines remains depressed other areas have recovered



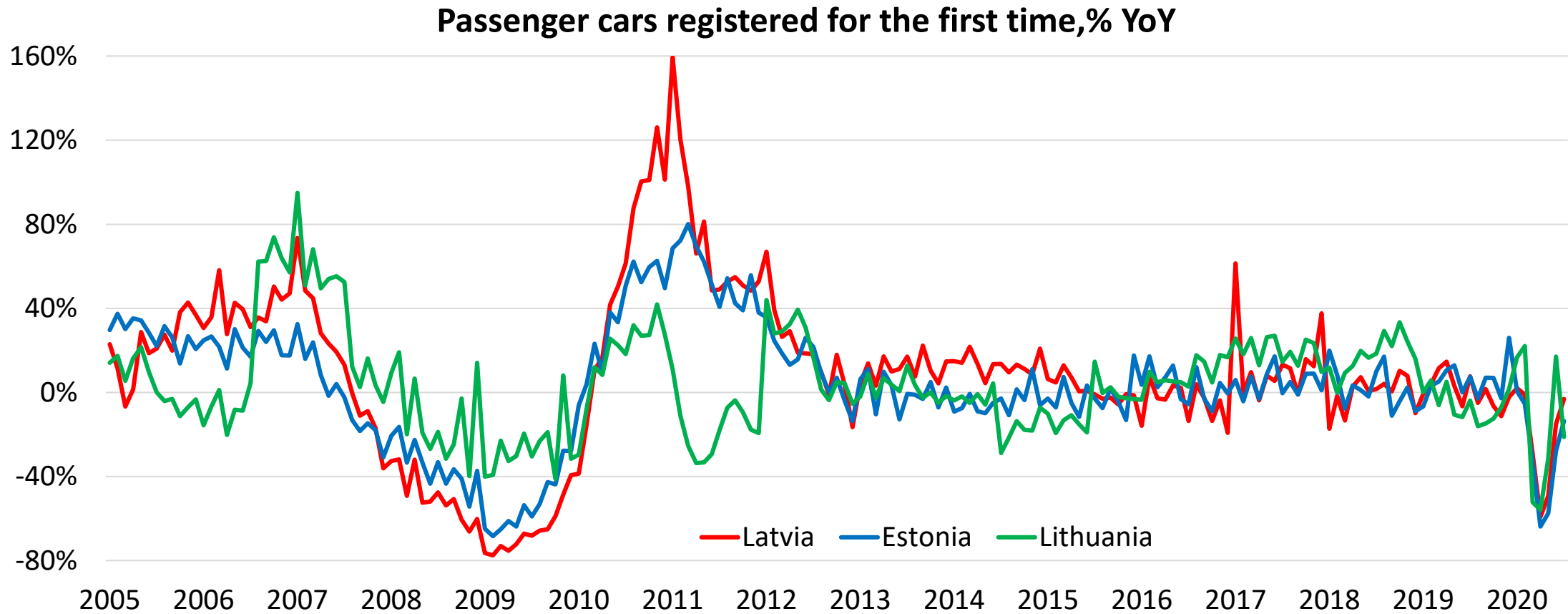
Real estate market

V-shape recovery also in real estate market



Car market

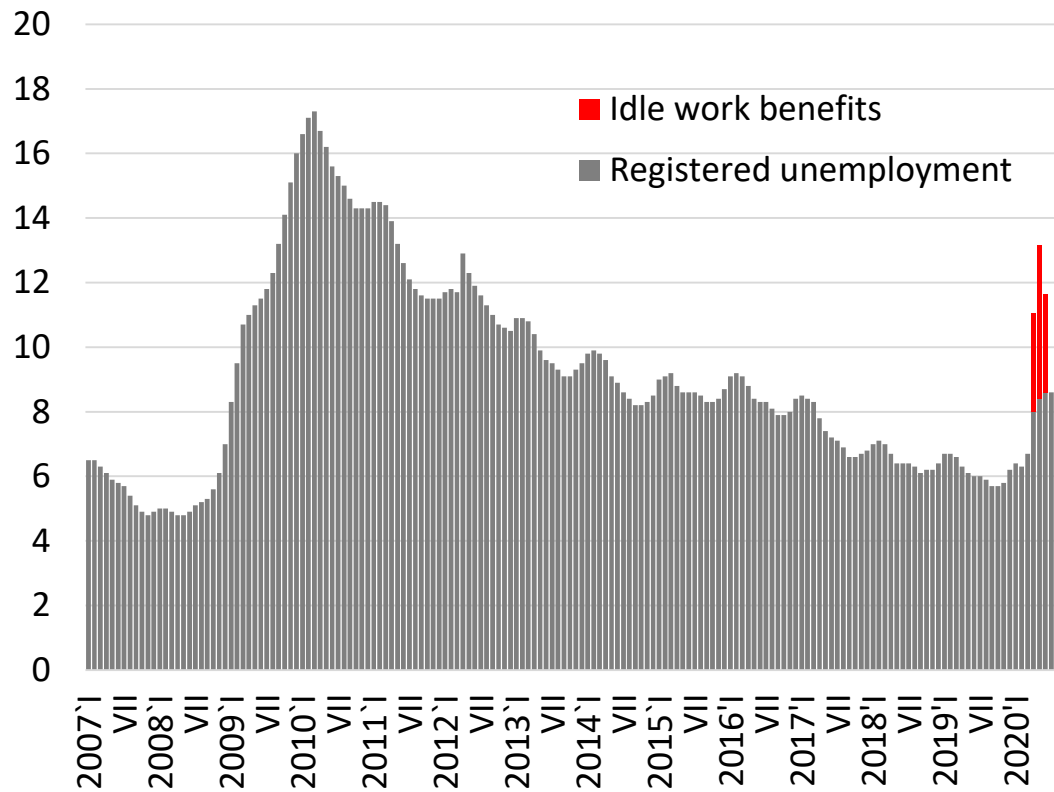
Activity in the car market has rebounded from April lows



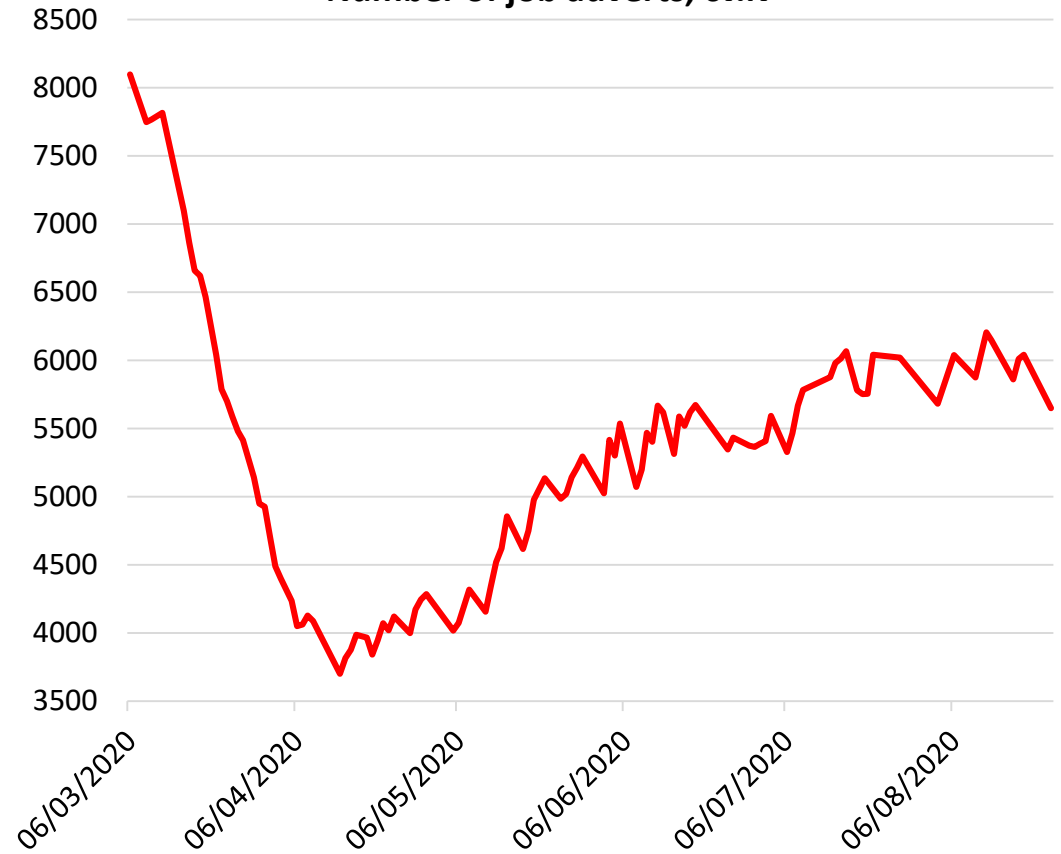
Labour market

Expiry of idle work benefits have not affected unemployment, but vacancy rebound has stalled

Registered unemployment rate in Latvia, %



Number of job adverts, cv.lv



Summary

Baltic region is recovering rapidly, but uncertainty persist

- ❑ GDP decline in the Baltic region in 2020 could be among the smallest in the world
- ❑ Recovery has been led by consumption and especially by a V-shape rebound retail trade.
- ❑ Overall consumption is weighed down by low consumer spending in most affected sectors - aviation, hotels, entertainment.
- ❑ These sectors are likely to remain depressed for some time, most likely until vaccine is available.
- ❑ Real estate market has remained resilient.
- ❑ Manufacturing and export sector is also recovering, but somewhat more slowly.
- ❑ Economic recovery appears to be losing pace in the Baltics, in Europe and elsewhere after strong rebound from mid-April till late June.
- ❑ Incomes & employment are improving, but remain below pre-COVID level.
- ❑ COVID-19 remains biggest risk to economic outlook.