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Baltic States:
Depression almost over, yet still no growth

In 2009 the Baltic States suffered the most severe depression since the transitional recession at the beginning of the 1990s, with their GDPs shrinking in the range of 14% to 19%. The magnitude of the slump was caused by the combination of the burst of the local housing bubble leading to a credit crunch and the worldwide economic crisis that brought about a dramatic fall in external demand. Although the scenario of a forced devaluation of the Latvian lats was an imminent risk more than once in the past year, the pressure on the currency eased in the second half of 2009, when the enormous contraction of internal demand turned the current account into positive. The fading of the devaluation scenario and the enhanced growth prospects of the main trading partners in Western and Northern Europe have improved the poor prospects of the Baltic States in 2010. Nevertheless, also for 2010 a further, though much smaller decline of GDP is to be expected, postponing a return to GDP growth to 2011. The return to potential growth, which will obviously be lower than what these countries experienced in the boom phase before the crisis due to massive capital inflows, may be accomplished not earlier than 2013.

Estonia

Still in the midst of severe economic depression, Estonia is heading towards euro introduction in 2011. In order to present the European Commission a budget deficit of no more than 3% of GDP for 2009, the Estonian government and parliament approved supplementary budgets throughout 2009, envisaging revenue increases and expenditure cuts of about 7.5% of GDP in net terms. Furthermore, the release of reserves accumulated by the government in the years of extraordinary growth enabled the country to meet the Maastricht criteria. In order to reach the goal of a 3% budget deficit also this year, the 2010 budget includes a further cut of public expenses, another rise in excise taxes on energy and one-off revenue measures such as public property sales. Although these austerity measures amount to 3% of GDP, a further supplementary budget is likely to be necessary in the course the year. In addition, some of the expenditure cuts being implemented in 2009, e.g. the reduction of contributions to the third pillar of the pension system, will be phased out in 2011. Therefore the political debate on the 2011 budget next autumn, after the most likely approval of the euro introduction by ECOFIN in July, may lead to a demise of the minority government of Andrus Ansip and to early elections in Estonia.

Obviously, the procyclical fiscal policies already implemented have led to a drastic curbing of domestic demand: household consumption and investments slumped by 18% and 33% respectively in 2009. As wages will decline further this year and real incomes even more so due to the rise in taxes and unemployment, household consumption will continue to fall throughout 2010 but also in 2011 although to a lower extent. In addition, households, having raised their debt levels swiftly in the past several years, will be eager to deleverage in the medium run, lowering their consumption propensity. However, the situation of Estonian households' over-indebtedness does not seem to be too dramatic, since the rate of loans overdue more than 60 days rose to only 6% in August 2009 and remained stable until the end of the year.

The strategy of the Estonian government to stick to the currency board regime instead of devaluing the Estonian kroon in order to rebalance the current account deficit has led to the start of a deflationary period. Year-on-year monthly inflation rates started to turn negative in May 2009. Depending on the revival of prices of imported energy and on export development, consumer prices are expected to fall by about 3% this year and by 1% in 2011. This will have a negative effect especially on gross fixed capital investment. The reduction in private investment will only partly be counterbalanced by growing EU-funded public investments in 2010.

Since all components of domestic demand will remain sluggish in the medium term, the only hope for revival is to be found in the development of external demand, which has stabilized since mid-2009. However, a swift growth of exports, as can be observed in some Central European NMS, cannot be detected in Estonia so far. Since wage reductions have been only minor in the tradable goods sector up to now, real effective exchange rate movements do not show significant gains in external competitiveness either. Throughout 2010 we therefore expect the rise in goods exports to be still sluggish. Moreover, the slump in exports and industrial production last year was particularly pronounced in the metal and wood industry, sectors that depend heavily upon the revival of the export dynamics of Swedish and Finnish electronics and paper producers.

Due to the severe economic crisis in 2008 and 2009, employment fell by 9% in 2009 year-on-year, which results in a tripling of the average annual unemployment rate to almost 15%. Although economic output is going to grow in the second half of the year, unemployment will still be on the rise throughout 2010. Before the recruitment of new personnel, employers will be more likely to reduce short-time work schemes and to raise productivity by new investment.

Latvia

In 2009 Latvia experienced the most severe economic depression of all European countries with a GDP slump of 19%. After the demise of the government in March 2009, the main job of the newly appointed prime minister Valdis Dombrovskis was to fulfil the fiscal specifications implicit in the rescue loan by the IMF, the EU and the Nordic countries (Sweden, Denmark, Norway and Finland), the latter having contributed no less than 25% to the total credit line. The dispute over the necessary magnitude of expenditure cuts in order to stay within the limits of 10% of budget deficit agreed upon and the timing of implementation caused the IMF to suspend the transfer of the credit tranche envisaged for May 2009. As forex reserves of the Bank of Latvia had fallen by 40% from October 2008 to June 2009, the effect was that the lats was on the verge of collapse. In order to ease the turmoil, the supplementary budget approved in June met the stipulations of IMF and EU. In total, throughout 2009 Latvia implemented austerity packages in the scope of as much 11% of GDP.

However, already in autumn 2009 the discussion of the 2010 budget brought about a new dispute with the international lenders. The IMF, EU Commissioner Almunia and Scandinavian politicians put pressure on the government to further cut down the 2010 budget by 500 million lats (4.2% of GDP) to achieve the goal of a budget deficit of not more than 8.5% of GDP in 2010. On 1 December the parliament at last approved the measures, including a broadening of the income tax base to capital income and an increase in the flat tax rate from 23% to 26%. Furthermore, the tax on income from self-employment will be raised to that on employees' income. On the expenditure side, a further reduction of the staff of ministries is planned as well as cuts in welfare expenditures. The reduction of pensions by 10% and those of working pensioners by 70%, a measure already implemented in June 2009, had to be withdrawn after being classified as illegal by the Constitutional Court in December last year.

Looking at the development of public wage expenses, the austerity measures put down in the supplementary budget of June 2009 were fully implemented by the end of the year. Wages of public employees fell by nearly 30% nominally. In addition, central government budget institutions have reduced their staff by 17% year-on-year.

From the time of the approval of the supplementary budget in June 2009, the situation on the financial markets eased in Latvia; for instance, the three-month interbank rate Rigibor (which peaked at an extraordinary 30% at the end of June) gradually declined to not more than 3.6% at the end of January 2010.

The flight of capital, documented in the capital balance (excluding foreign exchange reserve changes) amounted to 6% of annual GDP over the first 11 months of 2009. However, as already described above, the pressure on foreign exchange reserves of the Bank of Latvia was eased by the enormous decline in imports. Whereas goods and services exports fell by about 20% nominally in euro terms, imports were slashed by almost 40% year-on-year in 2009.

While the government struggled with procyclical fiscal measures to meet the requirements of international lenders and stick to the currency peg, which is interpreted as an anchor of stability, domestic demand fell dramatically: household consumption was down by 24% and gross fixed capital formation by 35% year-on-year. The former can be attributed to significant wage cuts and the rise in unemployment, whereas the latter reflects the impact of the bursting housing bubble and the credit crunch in its aftermath. Also this year a substantial fall in both GDP components can be expected. Household consumption is curbed by further wage cuts and additional employment reductions, *inter alia* in the public sector. At the same time deflationary developments will make companies defer investments, while credit flows to enterprises will slow down even more following the need to deleverage in the banking sector. Although affiliates of foreign financial institutions are backed adequately by their home bases, the losses have not been fully eliminated yet. By the end of 2009 the rate of non-performing loans increased to 17% in Latvia and it continues to rise.

Consumer price inflation was still rising during the year 2009, influenced by the increase in VAT rates and excise taxes. As the 2010 budget foresees to raise revenues predominantly in the field of income taxation, consumer prices are to fall, this year even more strongly than in the other two Baltic States. The resulting improvement in price competitiveness of Latvian producers should help exports to recover. However, Latvia's manufacturing sector, with a share of 10% of gross valued-added, is much smaller than in other NMS. Moreover, the Baltic States have not managed to restructure their industrial production towards more technology-driven sectors in a fast manner as was the case in Central European countries. Amongst other things this was caused by the overvaluation of their pegged currencies. An export-led strategy therefore requires an industrial policy that goes beyond focusing on pure price competitiveness and the specialization on subcontracting or assembly niches. However, such measures obviously unfold their effects only in the medium to long run.

The exceptionally strong depression in Latvia had a disastrous impact on the labour market. In December 2009, the LFS-based unemployment rate jumped to 22.6%, and it will continue to rise in the first half of this year. In the eastern industrial and rural regions of the country the rate even amounts to 30%. Since replacement rates of unemployment insurance are quite low in all Baltic countries and eligibility rules quite restrictive, the effect of rising long-term unemployment is expected to cause a substantial increase in poverty. Already in 2008, Latvia's poverty rate (households below the threshold of 60% of mean equivalized income) was with 26% the highest in the European Union. A rise in emigration can therefore be expected, not only in Latvia, but also in the other Baltic countries, which experienced above-average migration outflows as compared to other new member states after accession (except for Poland). Although unemployment rose substantially also in the target countries Ireland and Great Britain, immigration statistics there already reveal a doubling of migration figures from Latvia in 2009 as against 2008.

Lithuania

In the first half of 2009, it appeared as though the depression of the Lithuanian economy (17% GDP decline) would force the government to follow Latvia in seeking rescue from the IMF and the EU in order to remain solvent. However, the Lithuanian government tried to avoid a rescue package, which they argued would have a negative signalling function. Nevertheless, for international financial investors the slump in GDP and the expected double-digit budget deficit were enough to question the sustainability of the Lithuanian fiscal policies: this pushed the yields on interest rates for Lithuanian ten-year government bonds to over 14% throughout 2009 (the highest of all EU member states, even above the ones for Latvian bonds). They fell to 9% only in December 2009.

In order to manage the refinancing of public debt – which was quite low, at 15% of GDP, at the end of 2008 – and raise additional funds, the government tried to appease the sentiments of international financial investors by adhering to the same austerity measures which their Baltic neighbours had implemented: a rise in VAT and excise rates and income tax revenues respectively, a substantial wage cut for public employees and a reduction of social benefits in general. In total, the net effect of all discretionary measures amounted to 8% of GDP in 2009. However, due to the sharp fall of government revenues, the budget deficit for 2009 will still be slightly above 9% of GDP. The budget of 2010 again includes the announcement of measures similar to those recommended by the IMF to the government of Latvia, labelled ‘efficiency-enhancing structural reforms in the healthcare sector and the social security system’. Obviously, this will lead to cuts in public employment and in health sector services, and most likely some social benefits will become means tested.

In the second half of 2009 the GDP decline slowed down, effected predominantly by a halt in destocking. Moreover, year-on-year industrial production fell less sharply in Lithuania than in its Baltic neighbours. The recovery in industry, starting in May 2009, was driven by the petrochemical and chemical sectors. However, comparing production and export developments in the Baltic countries in general with those in other NMS shows that exports performed better in those countries with flexible exchange rates.

Consumer prices rose by 4.2% on average in 2009, also as an effect of the increase in the VAT rate by 2 percentage points in September. However, the fall of crude oil prices caused a reduction of producer prices of 13.5% annually. Real wages fell by 7% throughout 2009. Surprisingly, earnings fell more strongly in the private than in the public sector in the second half of the year. This may well result in a more swift revival of export figures in Lithuania as compared to Estonia and Latvia. This development will obviously be driven by an upswing in external demand for oil derivatives, the most important products in the Lithuanian trade balance.

In total, GDP declined by 15% in 2009, with the same structural features as in the other two Baltic countries, i.e. a slump in household consumption by 17.5% and an even more dramatic drop in gross fixed capital formation (40%). The burst of the housing bubble actually halved Lithuania’s construction industry activity last year. The positive contribution to growth of external trade was again due to the collapse of imports by more than 35%.

In 2010 the Lithuanian economy is going to shrink by another 3%, owing to a further contraction of household consumption and capital formation, while the government will also cut expenses in order to keep the budget deficit from growing even further. As described above, wiiw expects exports to recover faster in Lithuania than in Estonia and Latvia this year and 2011. Economic growth is expected to revive from 2011 onwards, however, the sluggish development of domestic demand will keep GDP growth rates at about 2% to 3% both in 2011 and 2012.

The nuclear power plant of Ignalina, which delivered more than 70% of the country’s electricity needs, was finally shut down on 31 December 2009 on request of the EU. The replacement is delivered by a gas power station and a rise in electricity imports from Russia. This will result in an increase in the price of electricity for households and industry. Thus, at the beginning of February 2010, the Lithuanian minister of energy announced that an agreement of potential investors to build a substitute for the Ignalina nuclear power plant should be finalized at the beginning of next year at the latest. The new plant could then go online not earlier than 2018 to 2020.

Conclusions

The current economic situation in the three Baltic States is similar in many respects. The short- to medium-term prospects very much depend upon the revival of external demand. The strategy chosen by all Baltic States is to defend their fixed currency pegs at any costs. This will, however, lead to gains in competitiveness by wage reduction only in the medium term. Meanwhile, domestic demand is curbed by shrinking household consumption and the need to deleverage. Moreover, the phase of deflation will reduce enterprises' propensity to invest. Only the better utilization of EU funds may bring about some stabilizing effect to stop the fall in investments. The effect of further austerity packages to be implemented in 2010 and 2011 will bring about another cut in public expenditures and a squeeze of incomes. Up to the end of 2009 unemployment rates already tripled as compared to mid-2008 and amounted to 15% to 23%. Since a further rise is to be expected in the coming two years, social tensions and an increase in outward migration are most likely to be observed.

By contrast, budget deficits and thus public debt levels took a diverging course of development in the three countries. While Estonia is expected to keep public debt below 20% of GDP, in Lithuania the forecast for 2013 is at 60% of GDP, for Latvia even somewhat above that figure. In Estonia, the likely adoption of the euro already in 2011 will, in addition, lead to a much better refinancing situation for the country as compared to Latvia and Lithuania.

Table EE

Estonia: Selected Economic Indicators

	2004	2005	2006	2007	2008	2009 1)	2010	2011 Forecast	2012
Population, th pers., average	1349.3	1346.1	1343.5	1341.7	1340.7	1340.3	1336	1336	1335
Gross domestic product, EEK mn, nom.	151542	174956	206996	244504	251493	216700	207000	209000	221700
annual change, % (real)	7.2	9.4	10.0	7.2	-3.6	-14	-1.5	2	4
GDP/capita (EUR at exchange rate)	7200	8300	9800	11600	12000	10300	.	.	.
GDP/capita (EUR at PPP)	12400	13800	15400	17100	16900	14800	.	.	.
Consumption of households, EEK mn, nom.	83374	94976	112950	132335	137499	113000	98600	94700	99500
annual change in % (real)	9.6	9.9	13.0	9.1	-4.8	-18	-10	-3	3
Gross fixed capital form., EEK mn, nom	46781	56115	72325	84385	73729	49500	44200	47300	54000
annual change in % (real)	5.2	15.3	18.6	9.0	-12.1	-33	-8	8	12
Gross industrial production									
annual change in % (real)	10.4	11.0	9.9	6.4	-6.5	-26.2	4	5	5
Gross agricultural production									
annual change in % (real)	0.4	7.2	-2.1	12.5	-1.0	-2.6	.	.	.
Construction industry									
annual change in % (real)	12.5	24.5	27.1	16.5	-15.4	-30	.	.	.
Employed persons - LFS, th, average	595.5	607.4	646.3	655.3	656.5	595	590	600	610
annual change in %	0.2	2.0	6.4	1.4	0.2	-9	-1	2	2
Unemployed persons - LFS, th, average	63.6	52.2	40.5	32.0	38.4	100	.	.	.
Unemployment rate - LFS, in %, average	9.6	7.9	5.9	4.7	5.5	15	16	14	13
Reg. unemployment rate, in %, end of period	4.8	3.6	1.9	2.2	4.6	13.3	.	.	.
Average gross monthly wages, EEK	7287	8073	9407	11336	12912	12150	.	.	.
annual change in % (real, gross)	5.2	6.4	11.6	13.0	3.2	-5.8	.	.	.
Consumer prices (HICP), % p.a.	3.0	4.1	4.5	6.7	10.6	0.2	-3	-1	2
Producer prices in industry, % p.a.	2.8	1.8	4.2	8.1	8.0	0.7	.	.	.
General governm. budget, EU-def., % GDP									
Revenues	35.6	35.2	36.3	37.4	37.1	41.9	.	.	.
Expenditures	34.0	33.6	34.0	34.8	39.9	44.8	.	.	.
Net lending (+) / net borrowing (-)	1.6	1.6	2.3	2.6	-2.8	-3.0	-3	-3	-3
Public debt, EU-def., in % of GDP	5.0	4.6	4.5	3.8	4.6	7.5	11	14	15
Money market rate, % p.a., end of period 2)	2.4	2.5	3.8	7.0	7.0	2.8	.	.	.
Current account, EUR mn	-1095.0	-1116.0	-2237.0	-2783.0	-1504.0	648.0	550	300	-500
Current account in % of GDP	-11.3	-10.0	-16.9	-17.8	-9.4	4.7	4.2	2.2	-3.5
Exports of goods, BOP, EUR mn	4764.2	6347.9	7761.0	8087.0	8536.0	6500.0	6700	7000	7300
annual growth rate in %	17.5	33.2	22.3	4.2	5.6	-23.9	3	4	4
Imports of goods, BOP, EUR mn	6333.3	7898.0	10149.0	10873.0	10413.0	7015.9	6900	7300	7700
annual growth rate in %	16.6	24.7	28.5	7.1	-4.2	-32.6	-2	6	5
Exports of services, BOP, EUR mn	2293.7	2612.0	2787.0	3200.0	3531.0	3160.6	3300	3500	3700
annual growth rate in %	17.0	13.9	6.7	14.8	10.3	-10.5	4	6	6
Imports of services, BOP, EUR mn	1403.0	1772.7	1996.0	2242.0	2338.0	1833.2	1850	1950	2100
annual growth rate in %	14.3	26.4	12.6	12.3	4.3	-21.6	1	5	8
FDI inflow, EUR mn	770.8	2307.3	1432.0	1998.0	1317.0	1105.5	1000	.	.
FDI outflow, EUR mn	216.6	556.0	880.0	1273.0	723.0	1197.6	.	.	.
Gross reserves of NB excl. gold, EUR mn	1314.2	1643.6	2115.3	2235.6	2814.0	2758.7	.	.	.
Gross external debt, EUR mn	7458.7	9671.9	12903.8	17339.5	19052.1	17000	.	.	.
Gross external debt in % of GDP	77.0	86.5	97.5	111.0	118.5	123	.	.	.
Average exchange rate EEK/EUR	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466	15.65	15.65	15.65
Purchasing power parity EEK/EUR	9.0217	9.3772	9.9923	10.6247	11.1035	10.9603	.	.	.

Note: Gross industrial production, construction output and producer price index refer to NACE Rev. 2.

1) Preliminary and wiiw estimates. - 2) TALIBOR 1 month interbank offered rate, average of December.

Source: wiiw Database incorporating Eurostat and national statistics. Forecasts by wiiw.

Table LT

Lithuania: Selected Economic Indicators

	2004	2005	2006	2007	2008	2009 [1)]	2010	2011 Forecast	2012
Population, th pers., average	3435.6	3414.3	3394.1	3375.6	3358.1	3339.6	3323	3306	3289
Gross domestic product, LTL mn, nom.	62697.8	72060.4	82792.8	98669.1	111189.8	92450.2	87000	89600	94100
annual change in % (real)	7.3	7.8	7.8	9.8	2.8	-15.0	-3	2	3
GDP/capita (EUR at exchange rate)	5300	6100	7100	8500	9600	8000	.	.	.
GDP/capita (EUR at PPP)	10900	11900	13100	14800	15500	13500	.	.	.
Consumption of households, LTL mn, nom.	40562.4	46312.0	53268.6	63508.4	72140.6	62000	56500	56500	58800
annual change in % (real)	11.9	12.3	10.6	12.0	3.6	-17.5	-6	-1	2
Gross fixed capital form., LTL mn, nom.	13971.6	16405.0	20840.8	27918.8	27984.0	18100	16700	17700	19100
annual change in % (real)	15.7	11.2	19.4	23.0	-6.5	-38	-8	5	6
Gross industrial production (sales)									
annual change in % (real)	11.3	7.1	6.5	2.4	5.5	-14.6	5	4	6
Gross agricultural production									
annual change in % (real)	11.1	10.5	-4.1	8.2	8.8	0.9	.	.	.
Construction industry									
annual change in % (real)	6.8	9.9	21.7	22.2	4.0	-48	.	.	.
Employed persons - LFS, th, average	1436.3	1473.9	1499.0	1534.2	1520.0	1420	1380	1420	1450
annual change in %	-0.1	2.6	1.7	2.3	-0.9	-6.6	-3	3	2
Unemployed persons - LFS, th, average	184.4	133.0	89.4	69.0	94.3	220	220	.	.
Unemployment rate - LFS, in %, average	11.4	8.3	5.6	4.3	5.8	13.5	15	13	12
Reg. unemployment rate, in %, end of period [2)]	6.0	4.1	3.7	3.3	4.4	12.5	.	.	.
Average gross monthly wages, LTL	1149.3	1276.2	1495.7	1802.4	2174.0	2080	.	.	.
annual change in % (real, net)	5.0	6.8	15.0	17.0	11.2	-7	.	.	.
Consumer prices (HICP), % p.a.	1.2	2.7	3.8	5.8	11.1	4.2	-3	1	2
Producer prices in industry, % p.a.	6.0	11.7	7.3	7.0	18.2	-13.5	.	.	.
General goverm.budget, EU-def., % GDP									
Revenues	31.8	32.8	33.1	33.8	34.2	37	.	.	.
Expenditures	33.3	33.3	33.6	34.8	37.4	46	.	.	.
Net lending (+) / net borrowing (-)	-1.5	-0.5	-0.4	-1.0	-3.2	-9	-8	-6	-4
Public debt, EU-def., in % of GDP	19.4	18.4	18.0	16.9	15.6	29.9	40	48	55
Money market rate, % p.a., end of period [3)]	2.3	2.5	3.7	6.8	7.8	1.6	.	.	.
Current account, EUR mn	-1393.6	-1481.3	-2551.0	-4149.0	-3840.0	520	800	-200	-600
Current account in % of GDP	-7.7	-7.1	-10.6	-14.5	-11.9	1.9	3.2	-0.8	-2.2
Exports of goods, BOP, EUR mn	7477.7	9490.0	11262.0	12509.0	16077.0	11600	12500	13500	15000
annual growth rate in %	10.4	26.9	18.7	11.1	28.5	-28	8	8	11
Imports of goods, BOP, EUR mn	9398.2	11849.0	14600.0	16788.0	19939.0	12300	12800	13800	15500
annual growth rate in %	13.8	26.1	23.2	15.0	18.8	-38	4	8	12
Exports of services, BOP, EUR mn	1968.7	2502.8	2879.0	2931.0	3306.0	2600	2750	2900	3100
annual growth rate in %	18.5	27.1	15.0	1.8	12.8	-21	6	5	7
Imports of services, BOP, EUR mn	1313.4	1655.3	2018.0	2471.0	2953.0	2200	2300	2500	2700
annual growth rate in %	17.9	26.0	21.9	22.4	19.5	-25	5	9	8
FDI inflow, EUR mn	623.1	826.0	1448.0	1473.0	1245.0	700	900	.	.
FDI outflow, EUR mn	211.6	277.7	232.0	437.0	229.0	250	.	.	.
Gross reserves of NB excl. gold, EUR mn	2578.5	3135.7	4307.5	5165.1	4458.4	4142.7	.	.	.
Gross external debt, EUR mn	7686.6	10586.5	14441.8	20547.2	23048.2	22000	.	.	.
Gross external debt in % of GDP	42.3	50.7	60.2	71.9	71.6	82	.	.	.
Average exchange rate LTL/EUR	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Purchasing power parity LTL/EUR	1.67	1.77	1.87	1.98	2.13	2.06	.	.	.

Note: Gross industrial production, construction output and producer price index refer to NACE Rev. 2.

1) Preliminary and wiiw estimates. - 2) In % of working-age population. - 3) VILIBOR 1 month interbank offered rate, average of December.

Source: wiiw Database incorporating Eurostat and national statistics. Forecasts by wiiw.

Table LV

Latvia: Selected Economic Indicators

	2004	2005	2006	2007	2008	2009 [1]	2010	2011 Forecast	2012
Population, th pers., average	2312.8	2300.5	2287.9	2276.1	2266.1	2255.1	2240	2230	2220
Gross domestic product, LVL mn, nom.	7434.5	9059.1	11171.7	14779.8	16274.5	13600	12300	12100	12300
annual change in % (real)	8.7	10.6	12.2	10.0	-4.5	-19	-4.5	1	2
GDP/capita (EUR at exchange rate)	4800	5700	7000	9300	10200	8500	.	.	.
GDP/capita (EUR at PPP)	9900	10900	12200	13900	14400	11900	.	.	.
Consumption of households, LVL mn, nom.	4605.9	5578.2	7184.2	9104.3	9935.6	7800	6800	6400	6500
annual change in % (real)	9.1	11.3	21.4	14.8	-5.5	-24	-8	-3	1
Gross fixed capital form., LVL mn, nom.	2041.8	2773.8	3644.1	4975.1	4777.3	3200	2700	2600	2700
annual change in % (real)	23.8	23.6	16.3	7.5	-15.6	-35	-12	-1	2
Gross industrial production [2]									
annual change in % (real)	7.1	7.1	6.5	1.1	-3.9	-16.2	3	3	5
Gross agricultural production									
annual change in % (real)	4.5	11.8	-1.9	10.8	0.1	-0.3	.	.	.
Construction industry									
annual change in % (real)	13.1	15.5	13.3	13.6	-3.1	-35	.	.	.
Employed persons - LFS, th, average	1017.7	1033.7	1087.1	1118.0	1124.5	980	900	900	930
annual change in %	1.1	1.6	5.2	2.8	0.6	-13	-8	0	3
Unemployed persons - LFS, th, average	118.6	101.0	79.5	71.3	90.5	215	.	.	.
Unemployment rate - LFS, in %, average	10.4	8.9	6.8	6.0	7.5	18	22	20	17
Reg. unemployment rate, in %, end of period	8.5	7.4	6.5	4.9	7.0	16.0	.	.	.
Average gross monthly wages, LVL	211	246	302	398	479	455	.	.	.
annual change in % (real, net)	2.4	9.7	15.6	19.9	6.1	-6.5	.	.	.
Consumer prices (HICP), % p.a.	6.2	6.9	6.6	10.1	15.2	3.3	-5	-3	0
Producer prices in industry, % p.a.	8.1	8.0	10.3	16.1	11.4	-4.6	.	.	.
General government budget, EU-def., % GDP									
Revenues	34.7	35.1	37.7	35.5	34.6	34.9	.	.	.
Expenditures	35.8	35.6	38.2	35.9	38.8	43.8	.	.	.
Net lending (+) / net borrowing (-)	-1.0	-0.4	-0.5	-0.3	-4.1	-9.0	-8	-7	-5
Public debt, EU-def., in % of GDP	14.9	12.4	10.7	9.0	19.5	33.2	50	60	65
Refinancing rate of NB, % p.a., end of period	4.0	4.0	5.0	6.0	6.0	4.0	.	.	.
Current account, EUR mn	-1429.1	-1610.1	-3603.0	-4710.0	-3014.0	1670.4	600	300	-100
Current account in % of GDP	-12.8	-12.4	-22.5	-22.3	-13.0	8.7	3.4	1.7	-0.6
Exports of goods, BOP, EUR mn	3394.5	4313.1	4929.0	6020.0	6531.0	5161.6	5300	5700	6200
annual growth rate in %	21.2	27.1	14.3	22.1	8.5	-21.0	3	8	9
Imports of goods, BOP, EUR mn	5637.4	6753.4	9032.0	11074.0	10603.0	6392.8	6300	6500	7000
annual growth rate in %	23.5	19.8	33.7	22.6	-4.3	-39.7	-1	3	8
Exports of services, BOP, EUR mn	1432.4	1743.0	2121.0	2707.0	3088.0	2731.2	2850	3100	3400
annual growth rate in %	7.4	21.7	21.7	27.6	14.1	-11.6	4	9	10
Imports of services, BOP, EUR mn	947.3	1255.6	1586.0	1974.0	2169.0	1560.2	1550	1650	1800
annual growth rate in %	15.5	32.5	26.3	24.5	9.9	-28.1	-1	6	9
FDI inflow, EUR mn	512.6	567.9	1339.0	1705.0	869.0	292.2	200	.	.
FDI outflow, EUR mn	88.7	103.0	136.0	270.0	169.0	5.3	.	.	.
Gross reserves of NB excl. gold, EUR mn	1412.8	1901.8	3346.2	3859.9	3514.0	4614.2	.	.	.
Gross external debt, EUR mn	9871.2	12807.7	18127.7	26834.6	29762.8	29000	.	.	.
Gross external debt in % of GDP	92.7	98.4	113.1	126.4	129.5	151	.	.	.
Average exchange rate LVL/EUR	0.6652	0.6962	0.6962	0.7001	0.7027	0.7057	0.7027	0.7027	0.7027
Purchasing power parity LVL/EUR	0.3252	0.3605	0.3999	0.4681	0.4999	0.5081	.	.	.

Note: Gross industrial production, construction output and producer price index refer to NACE Rev. 2.

1) Preliminary and wiiw estimates. - 2) Enterprises with 20 and more employees.

Source: wiiw Database incorporating Eurostat and national statistics. Forecasts by wiiw.