


sme:finance

**Has the slowdown in the euro zone
economy affected Lithuania?**



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SME Finance chief economist

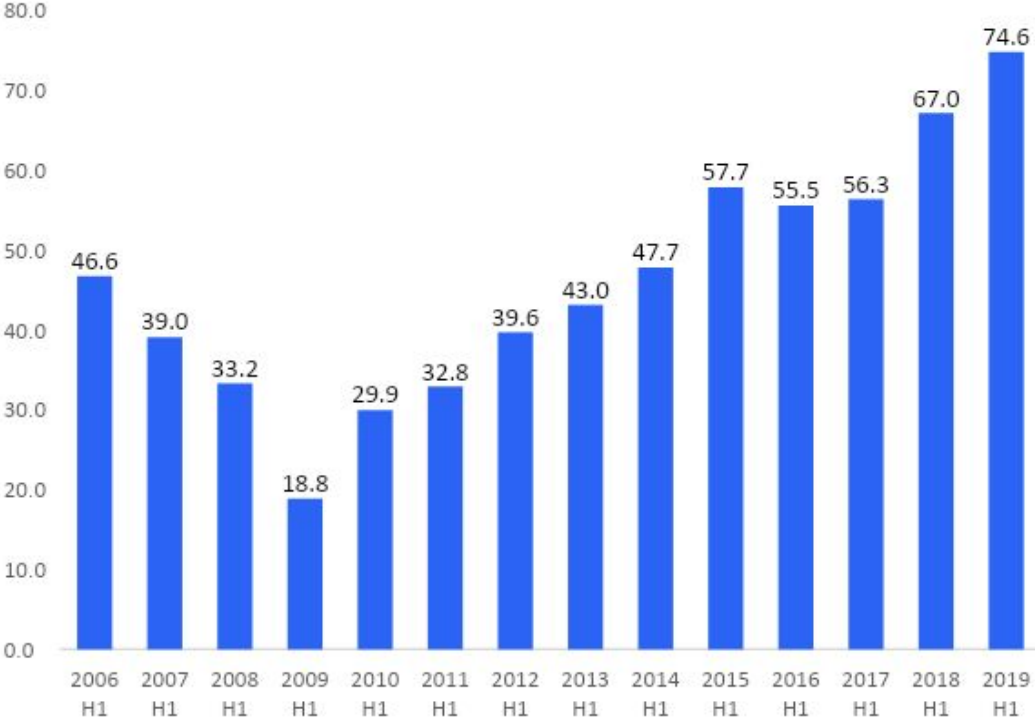
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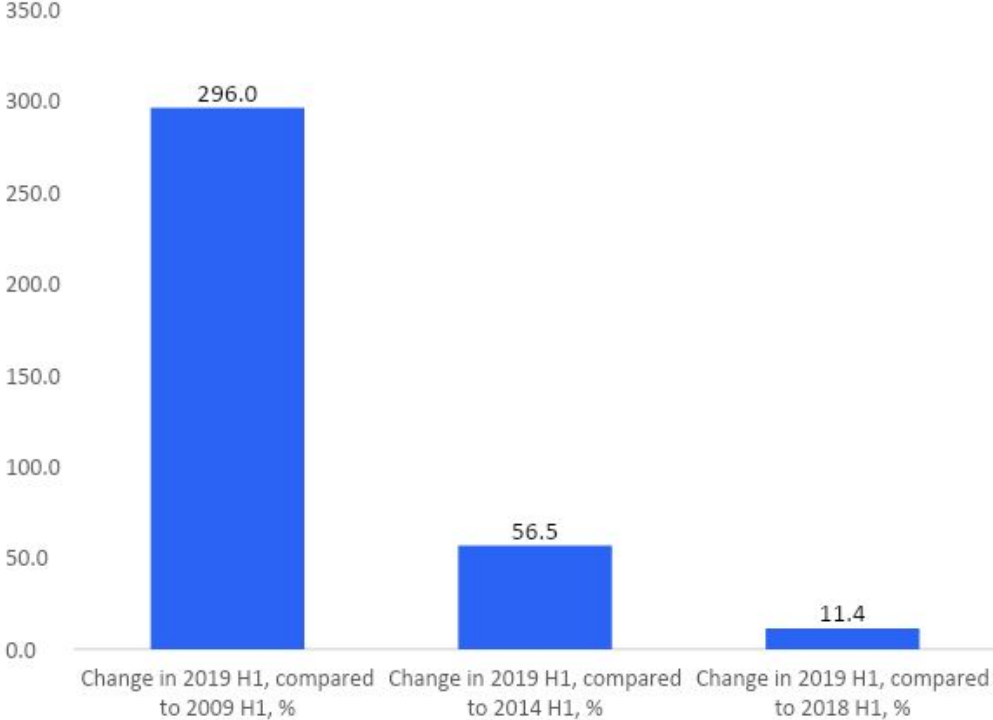
Euro zone: how close
are we from a
recession?

Newest EU-US trade data does not look good – in regard to future tariff rates ...

EU-US trade balance, bln. EUR



Change in EU-US trade balance, %

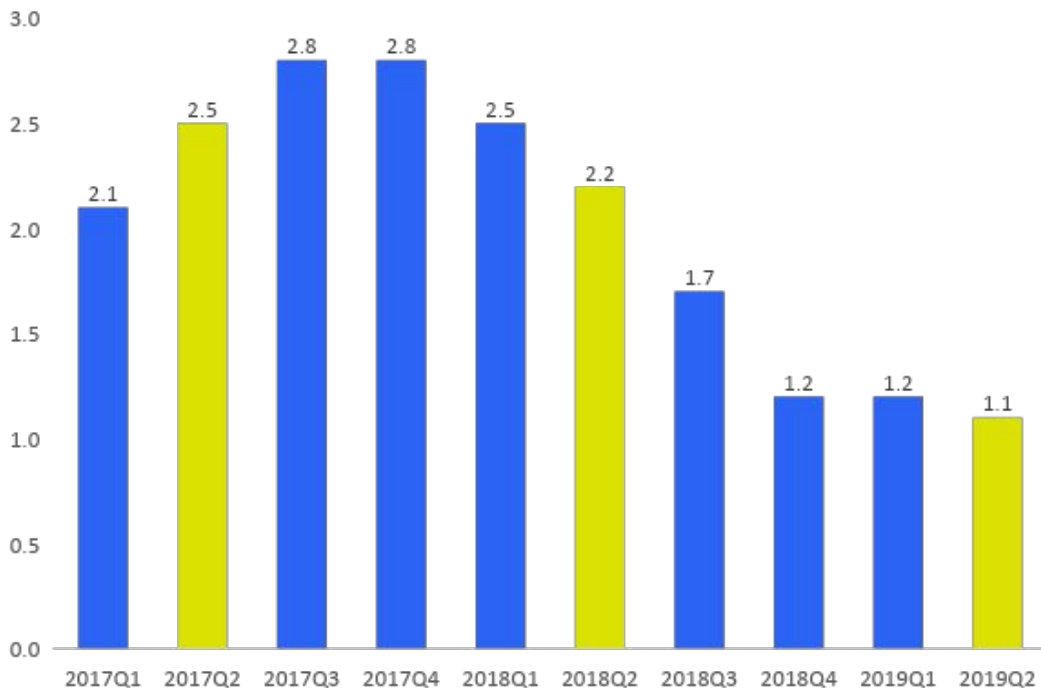


Source: Eurostat

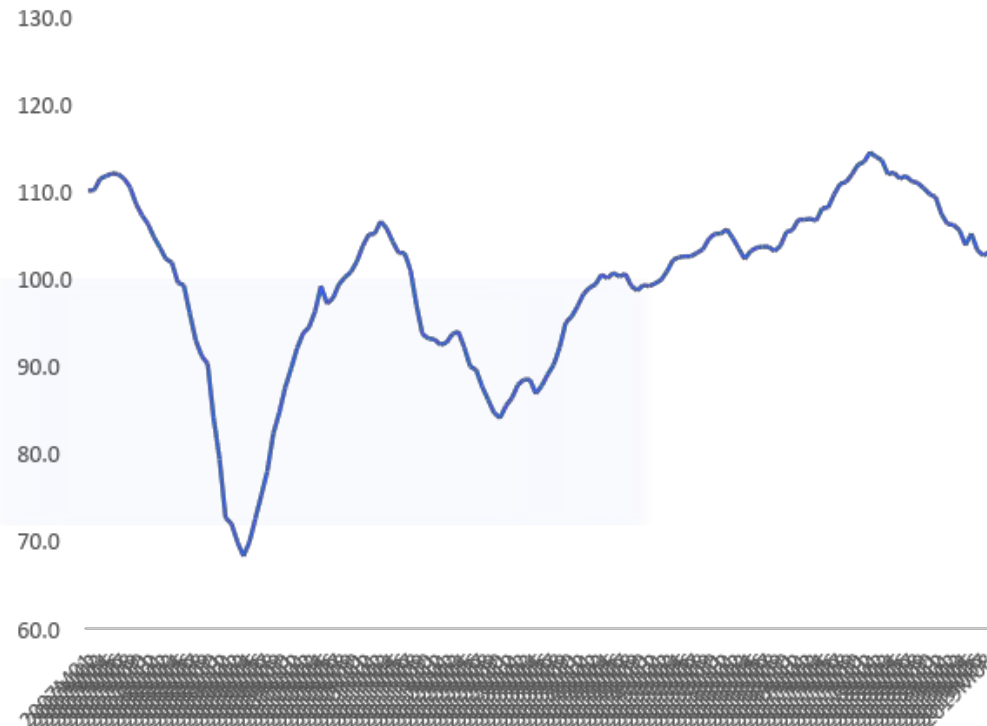


Growth of euro zone GDP is twice as slow as a year ago

Euro zone: change in GDP, compared to corresponding period of previous year, %



Euro zone: economic sentiment indicator

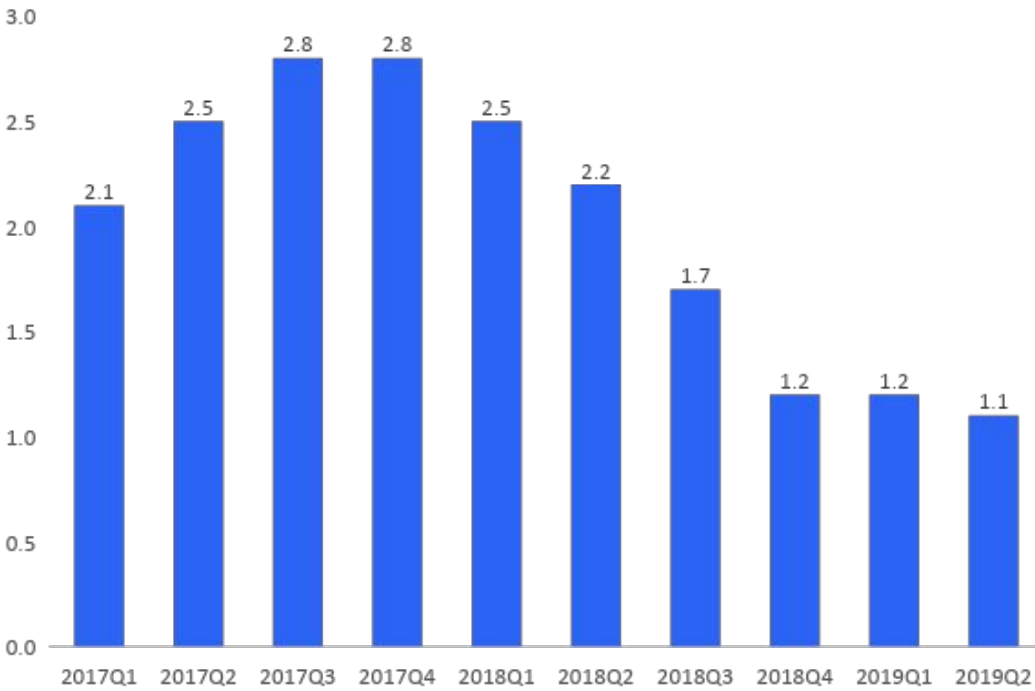


Source: Eurostat

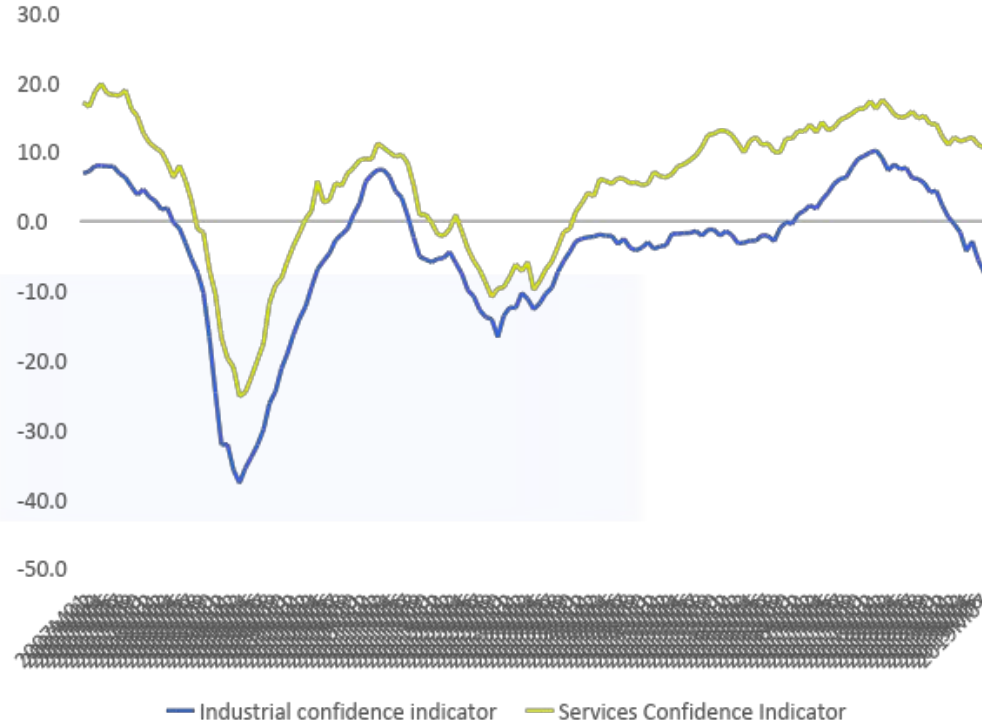


Good news: problems in euro zone industrial sector so far had almost no impact on services sector

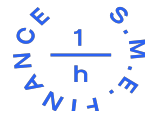
Euro zone: change in GDP, compared to corresponding period of previous year, %



Euro zone: economic sentiment indicator

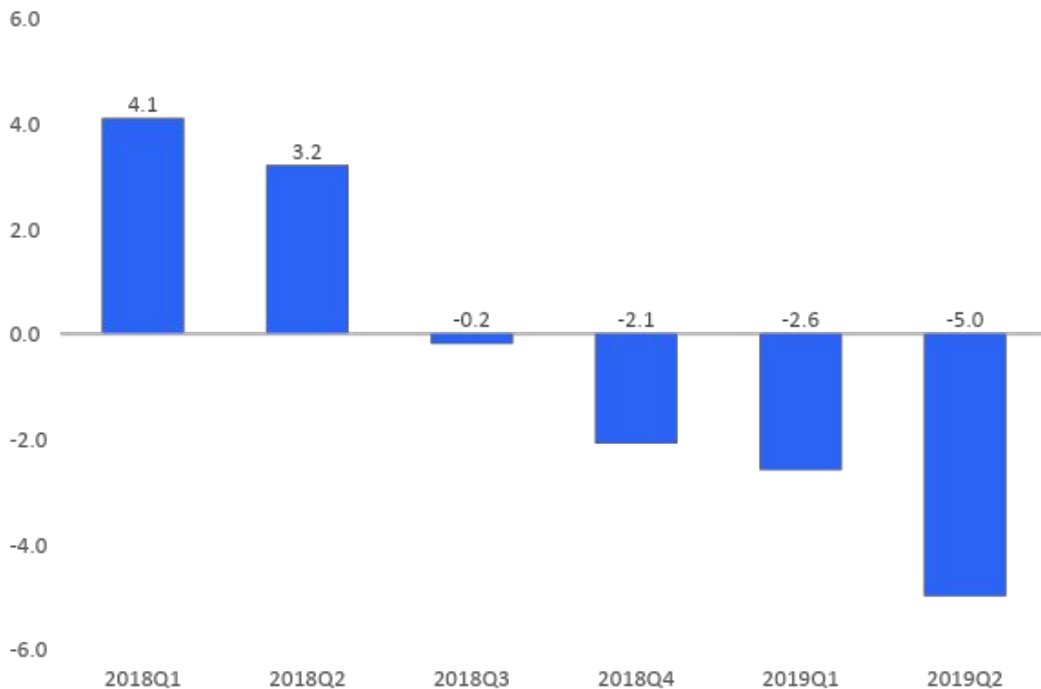


Source: Eurostat

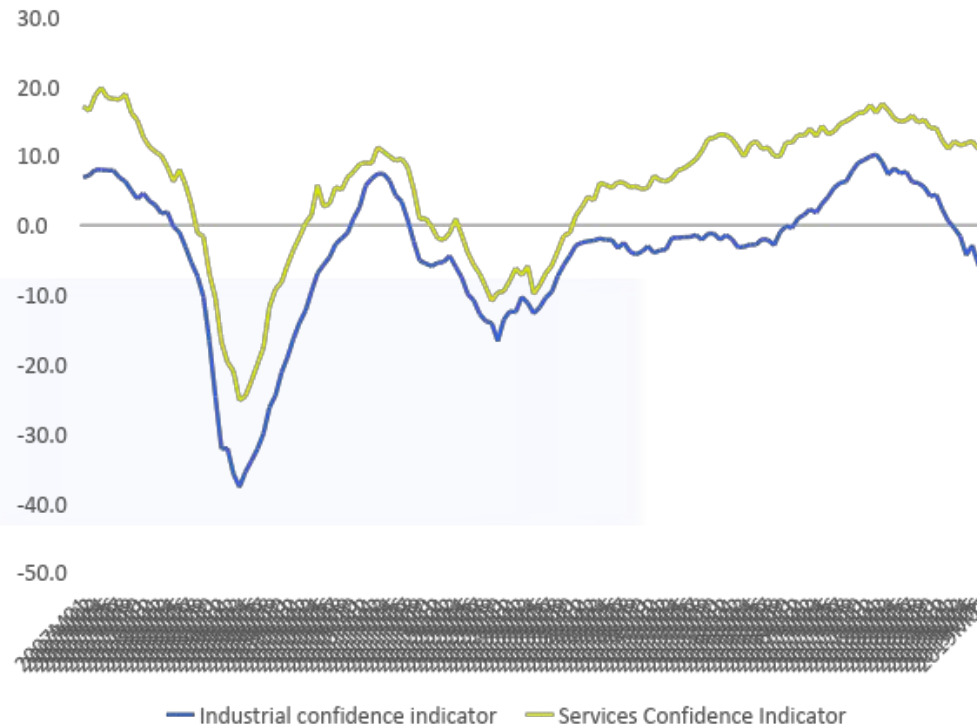


German industry problems so far had no impact on other sectors

Germany: change in manufacturing production output, compared to corresponding period of previous year, %



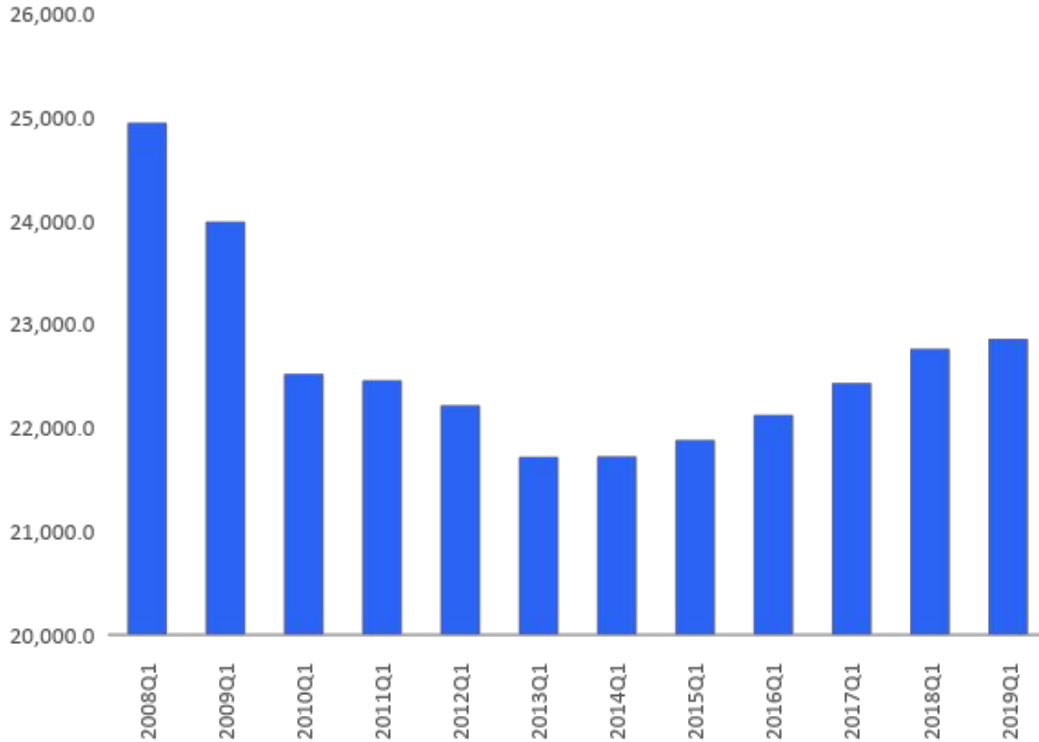
Germany: economic sentiment indicator



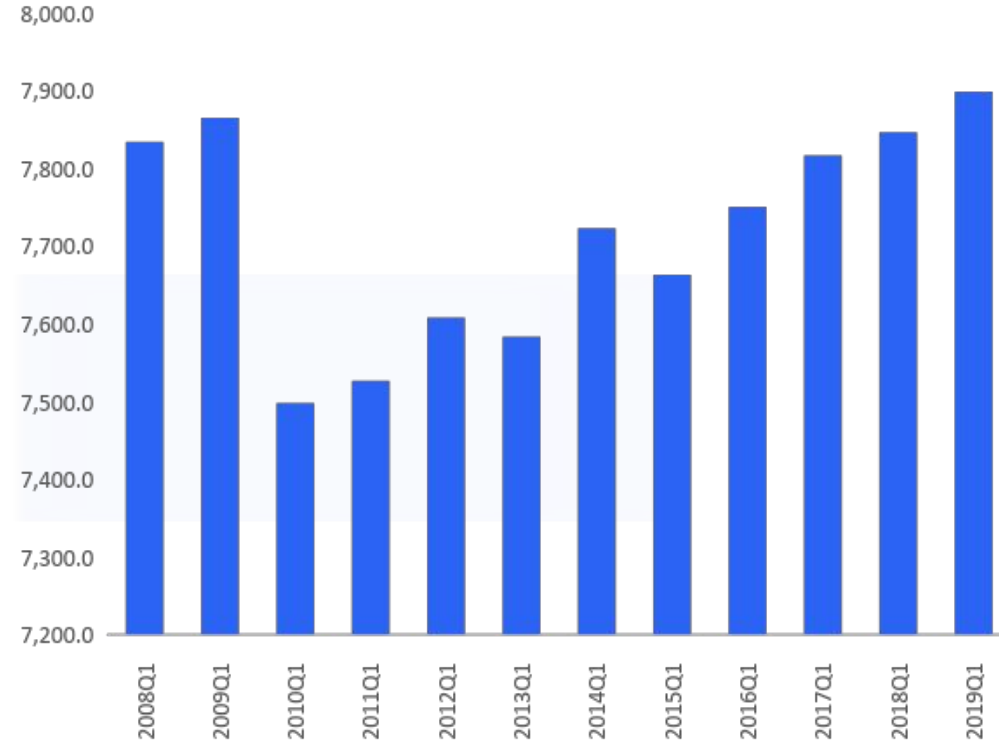
Source: Eurostat

Despite declining production, German industry is still hiring

Euro zone: number of employees in manufacturing sector, ths.



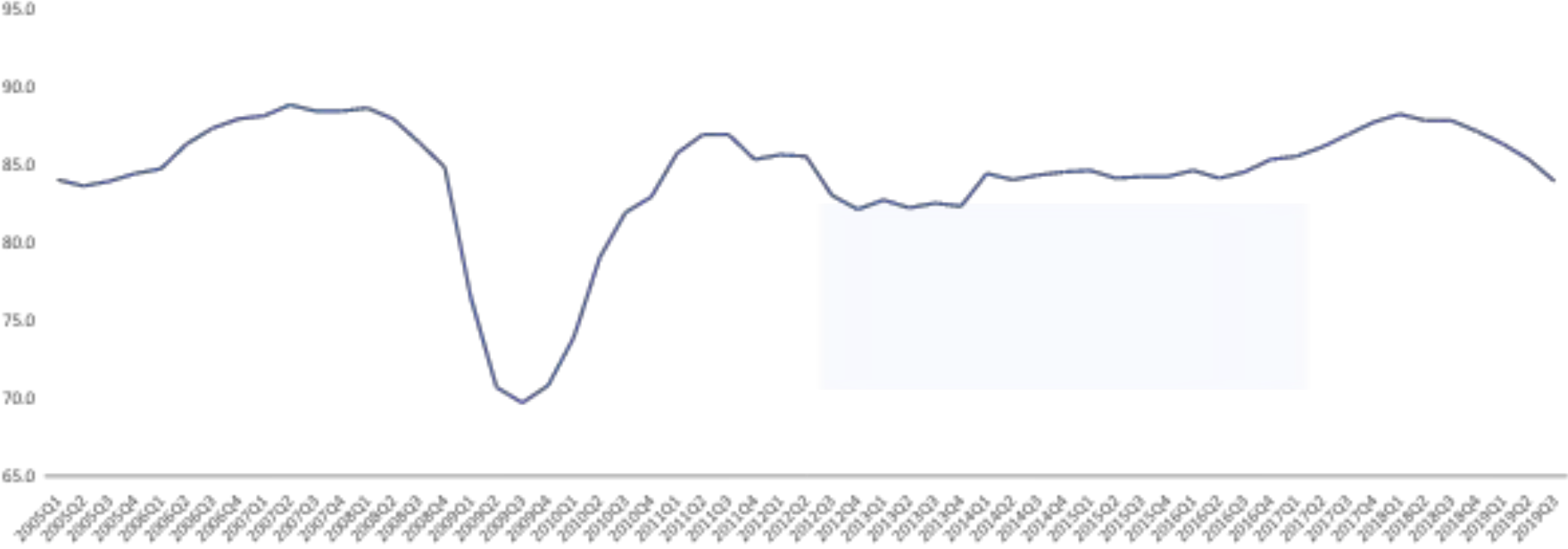
Germany: number of employees in manufacturing sector, ths.



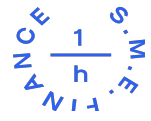
Source: Eurostat

Capacity utilization level in German industry remains very high

Germany: level of utilization of industrial capacity, %

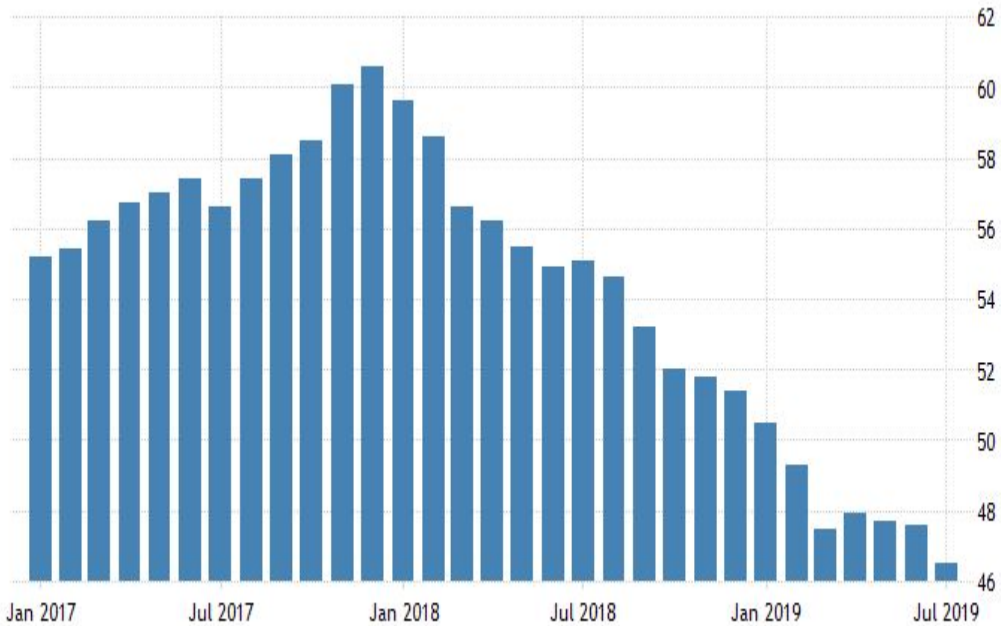


Source: Eurostat

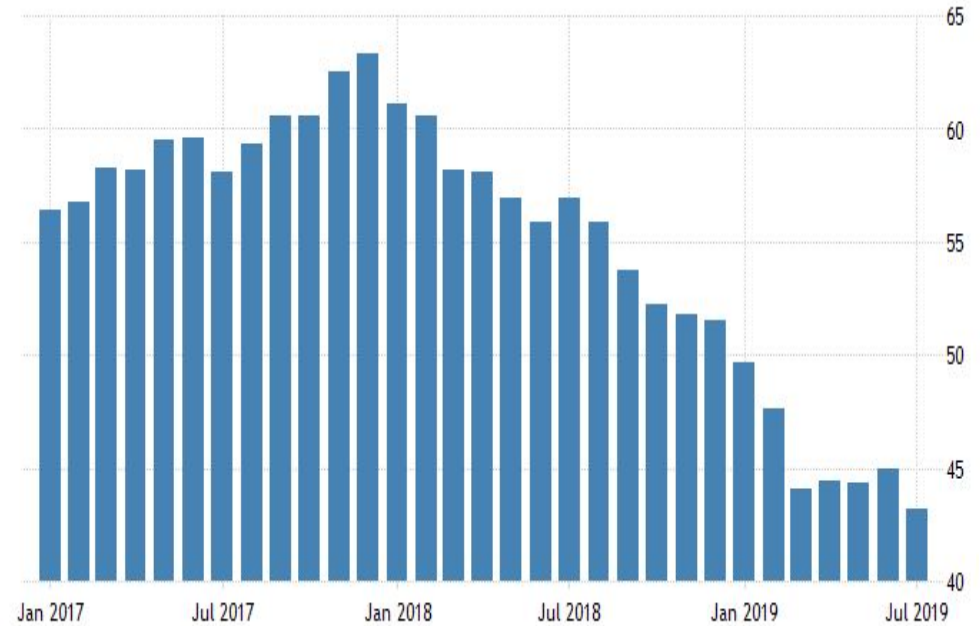


Bad news: euro zone industry will start Q3 with another contraction

Euro zone manufacturing PMI



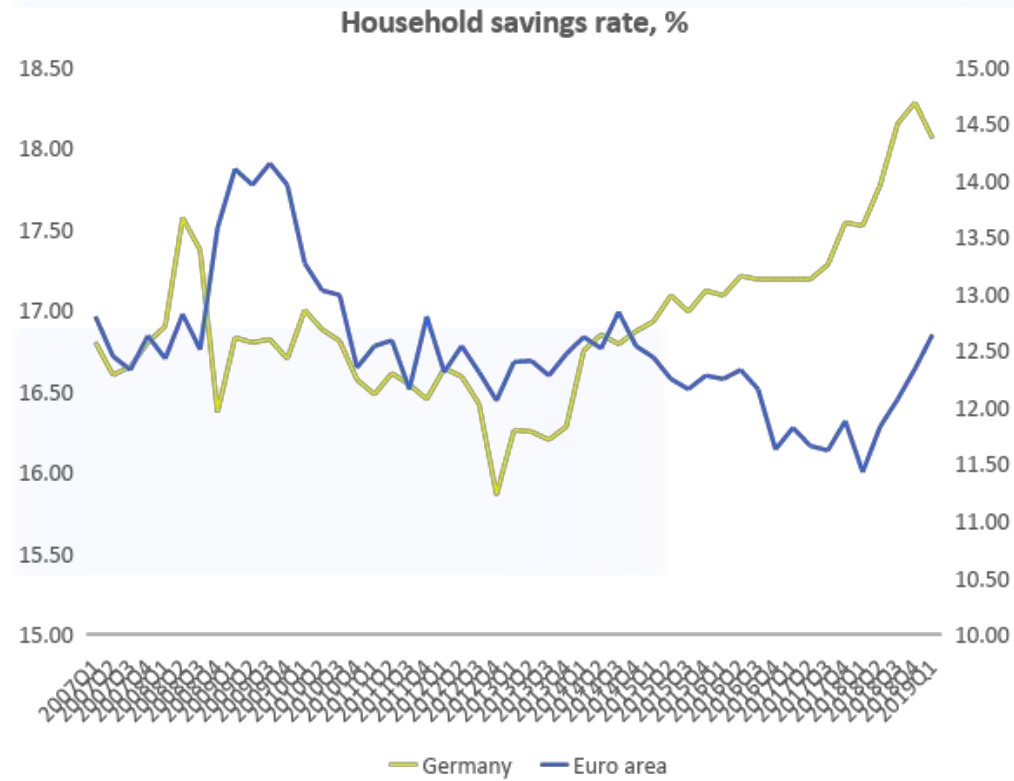
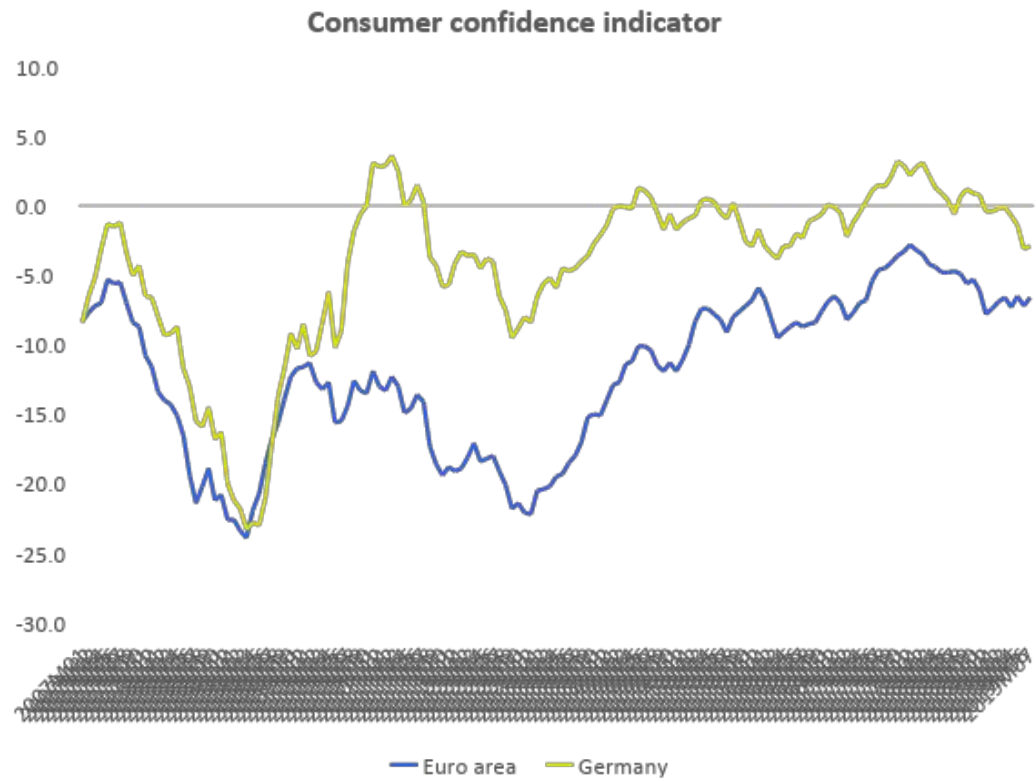
Germany composite PMI



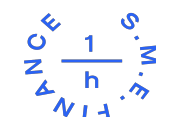
Source: Markit PMI




Bad news: German consumers are turning on the “crisis preparation” mode?



Source: Eurostat

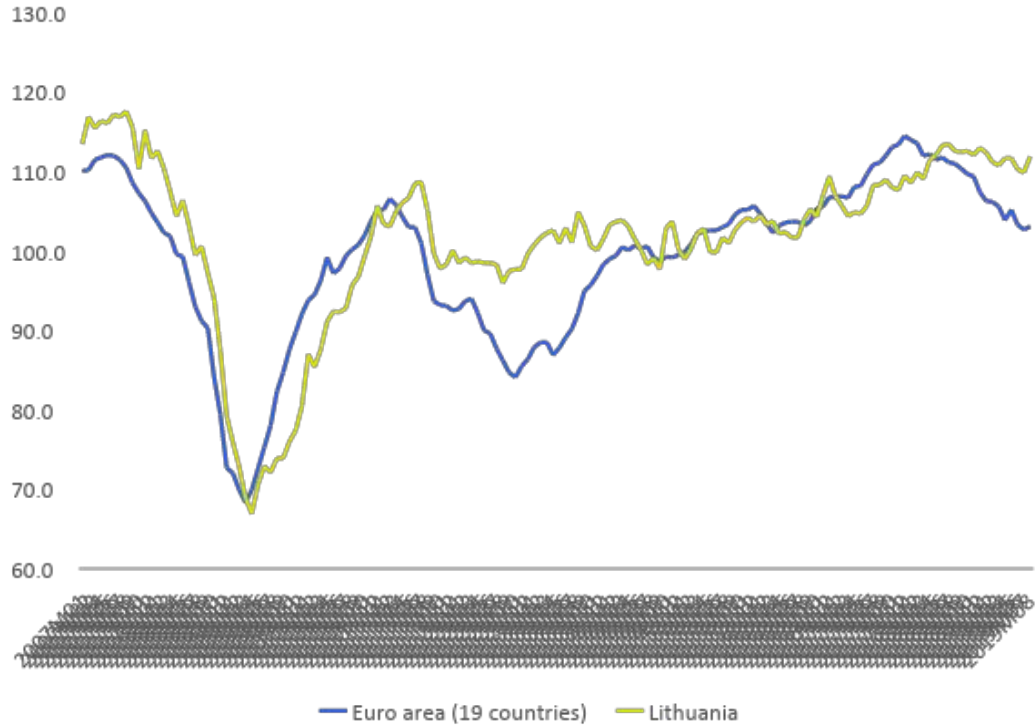




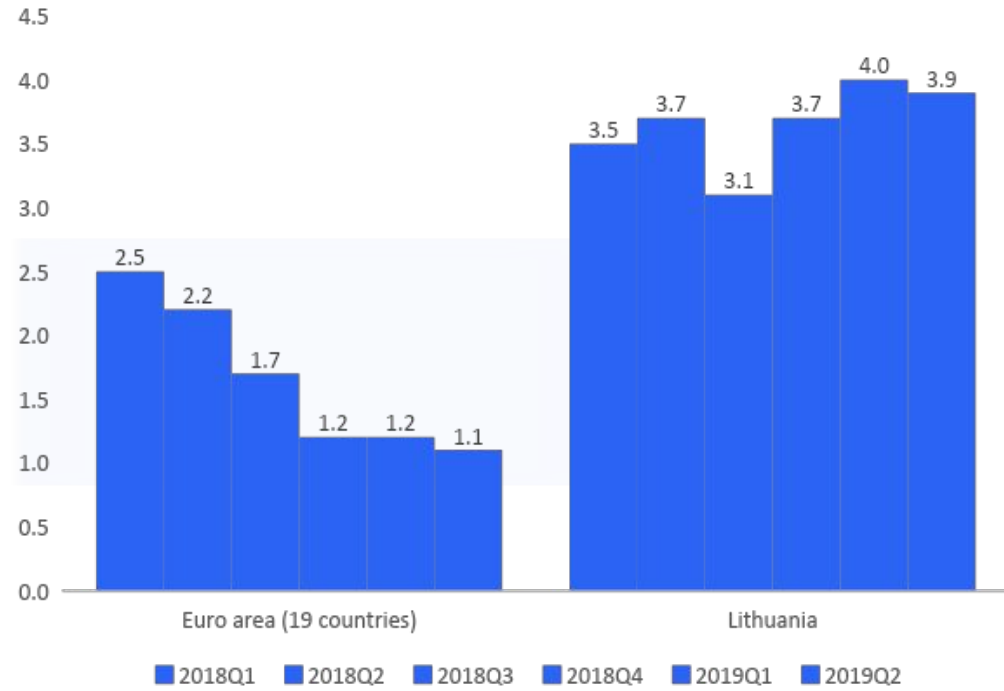
How did Lithuanian
economy respond to a
slowdown in the global
economy?

Growth rate of Lithuanian economy in 2019 is stable – no slowdown

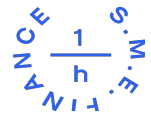
Economic sentiment indicator



Change in real GDP, compared to corresponding period of previous year, %

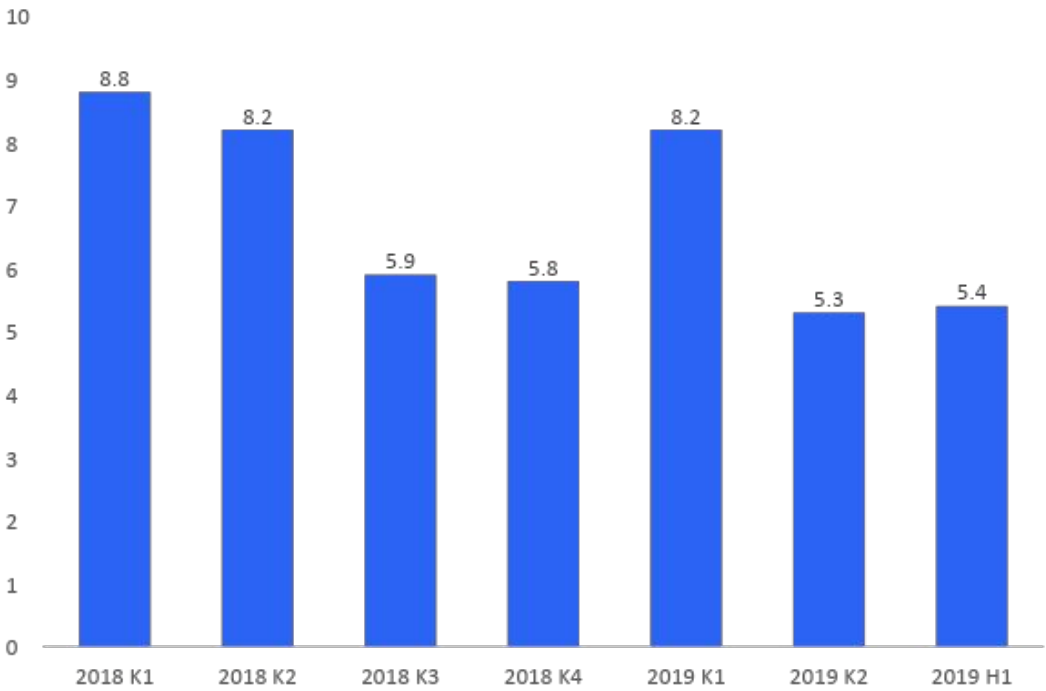


Source: Eurostat

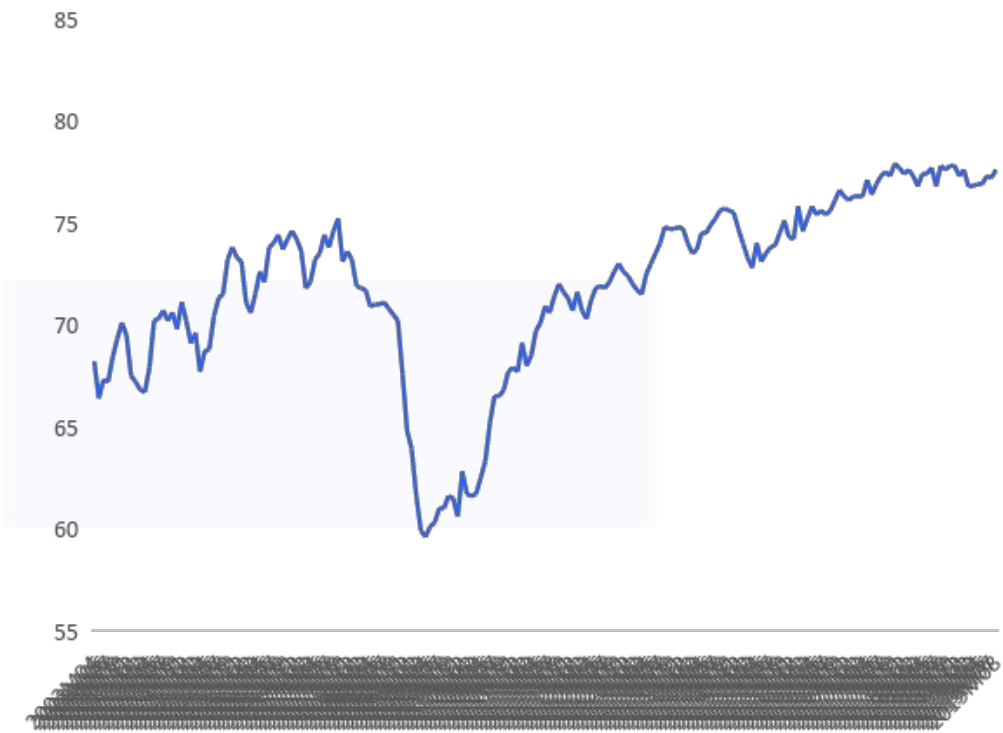


Slowdown in LT industrial growth is more of a technical nature (so far)

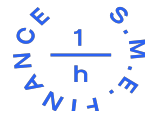
Lithuania: change in manufacturing production output, compared to corresponding period of previous year, %



Lithuania: industrial capacity utilization level, %

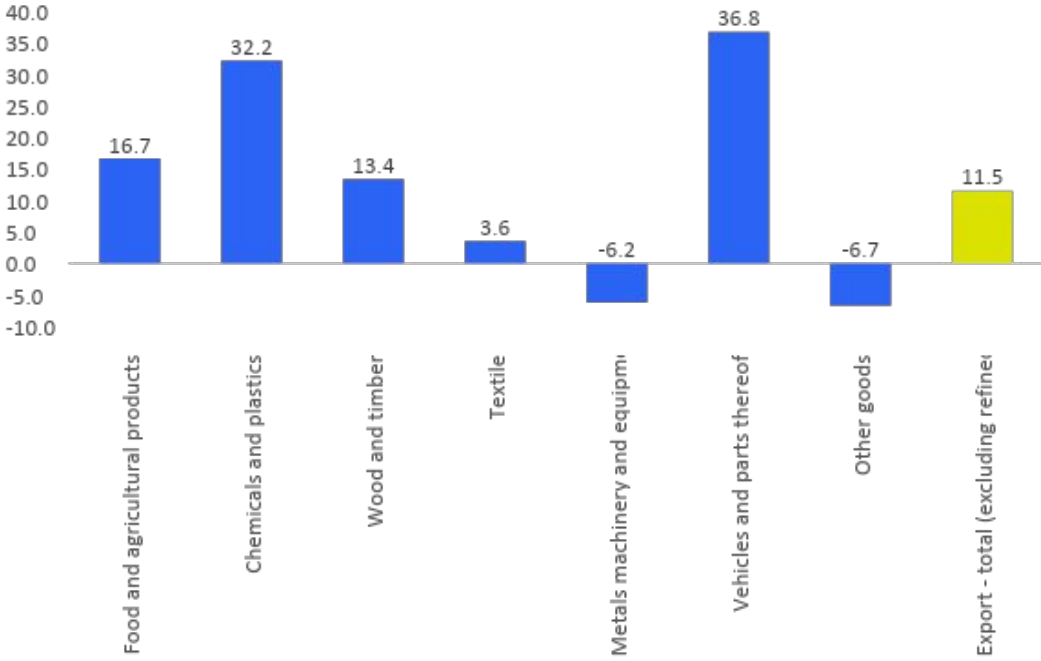


Source: Eurostat

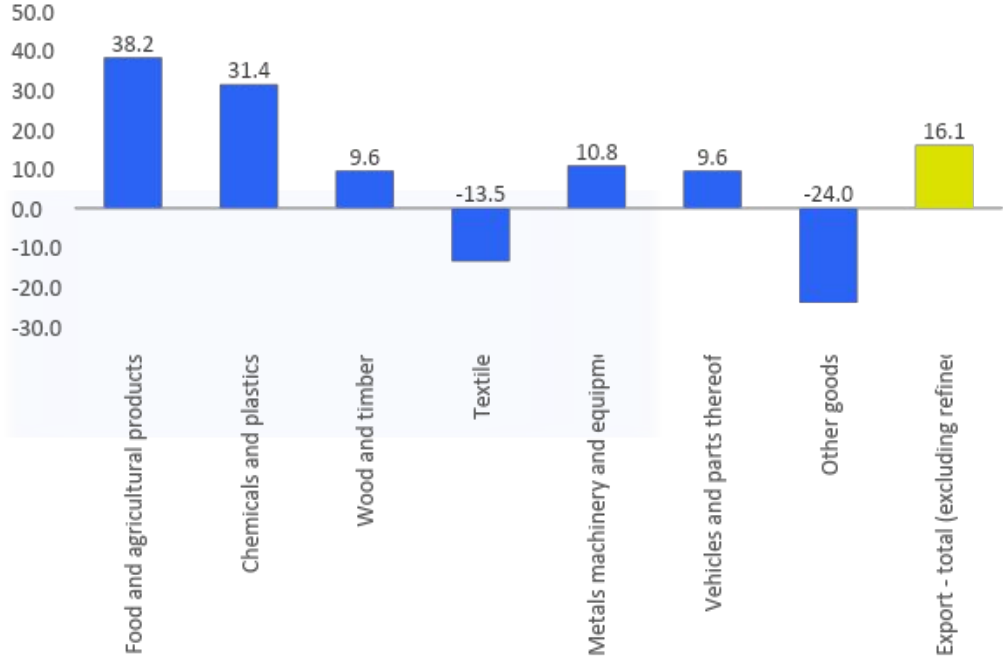


Brexit had a very positive impact on LT export – UK ranked 2nd in terms of nominal growth of LT export!

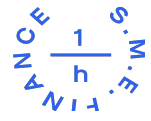
Change of export of goods of Lithuanian origin to Germany in 2019 January – June, compared to corresponding period of previous year, %



Change of export of goods of Lithuanian origin to UK in 2019 January – June, compared to corresponding period of previous year, %

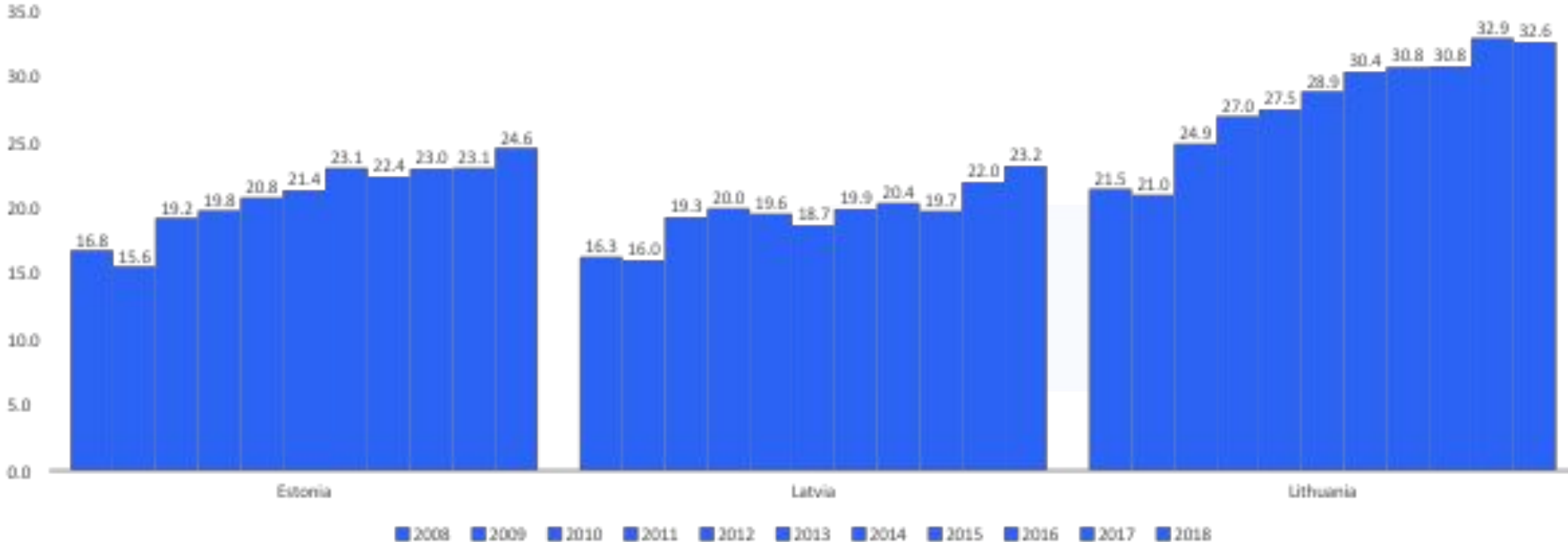


Source: Lithuanian Statistics Department



Increasing labor productivity – one of key supporting factors for Baltic industry

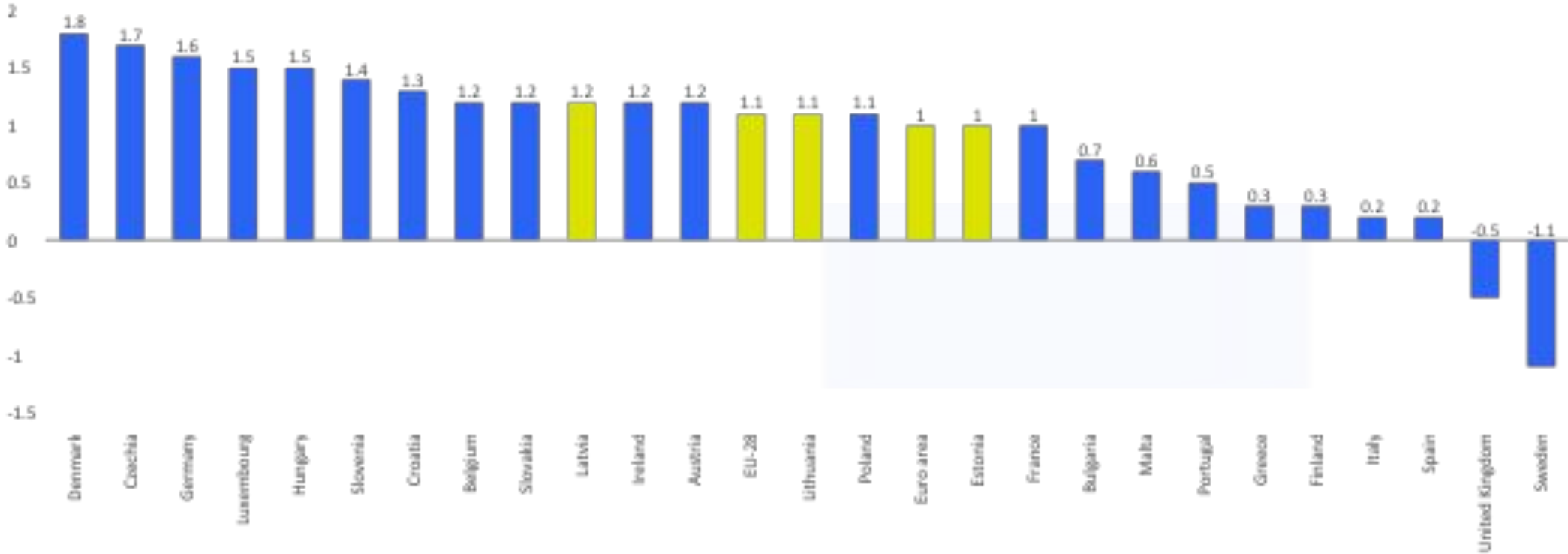
Manufacturing: gross value added per employee, ths. EUR



Source: Eurostat

Rapid growth of salaries in the Baltic region is a bit of a myth

Manufacturing: change in wages (EUR/hour) in 2018, compared to 2016, EUR/hour



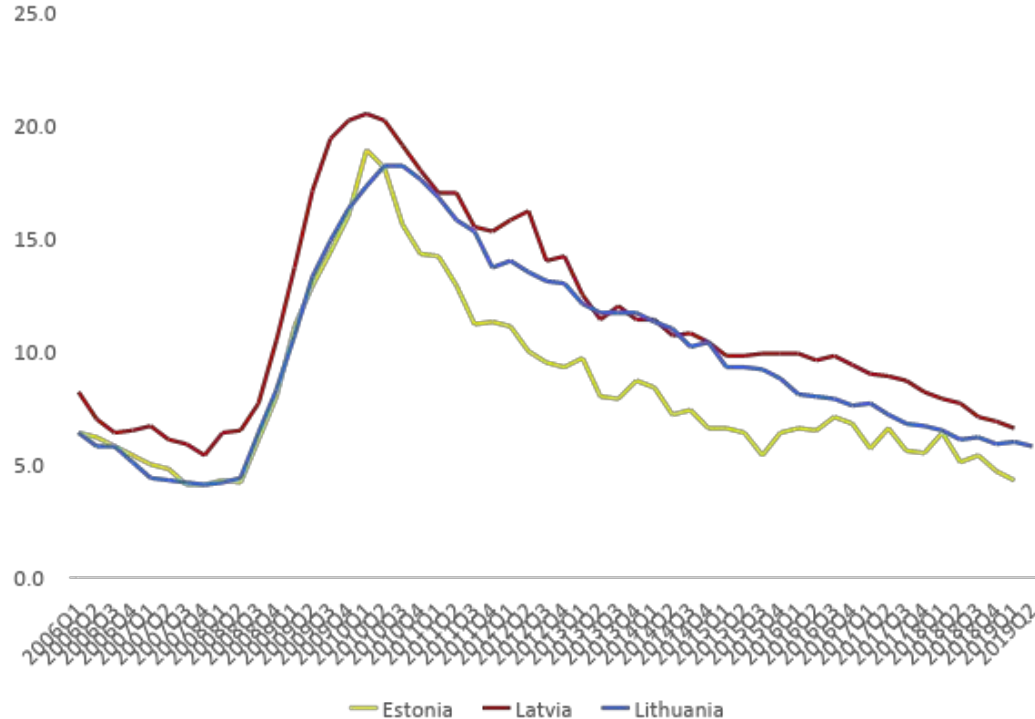
Source: Eurostat



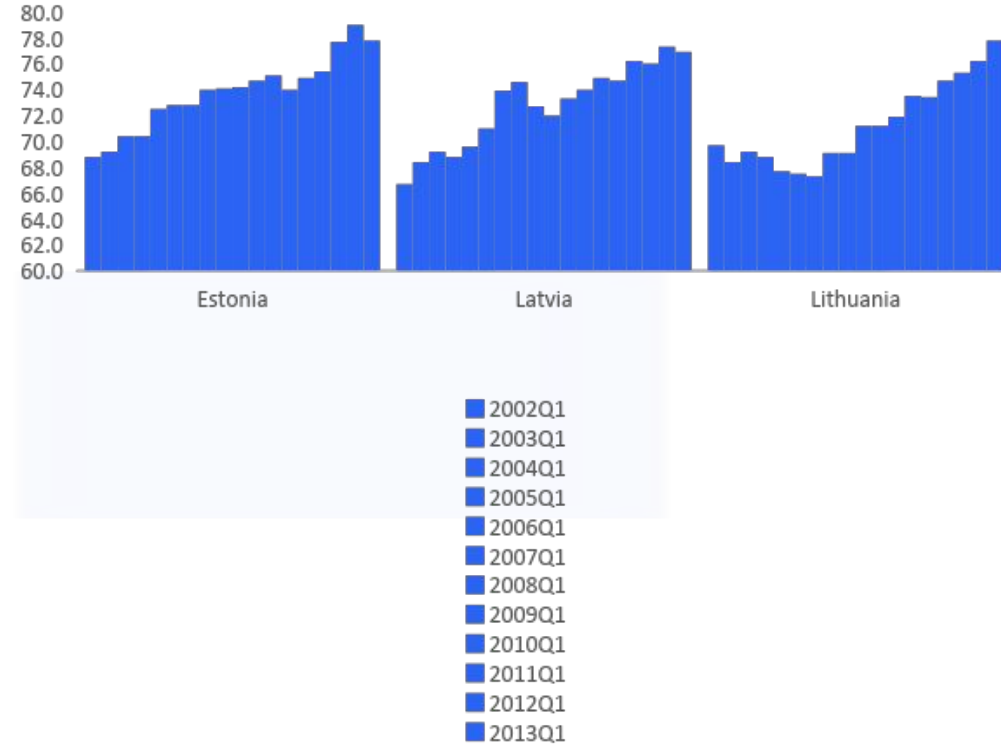
Main challenges and homework

Baltic labor market is close to its peak

Seasonally-adjusted unemployment rate, %



Population activity rate, % (15-64 years)

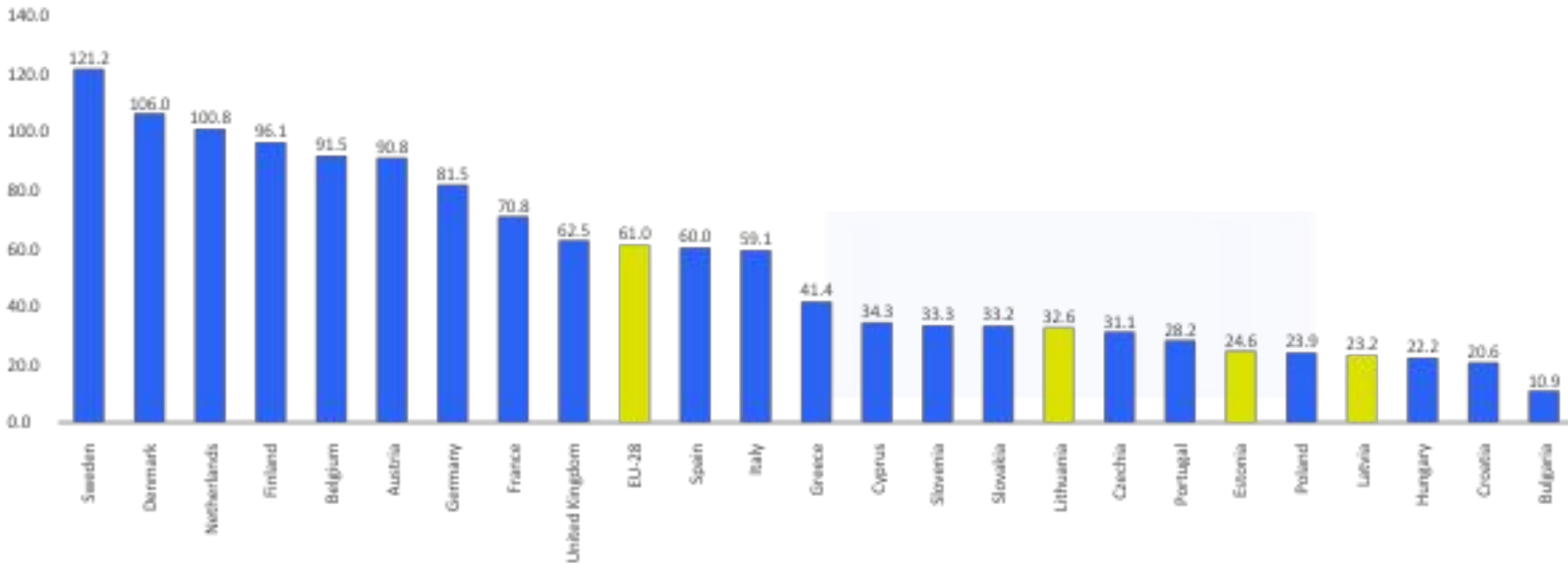


Source: Eurostat



Main challenge: generation of higher value added + implementation of innovations

Manufacturing: gross value added per employee, 2018, ths. EUR



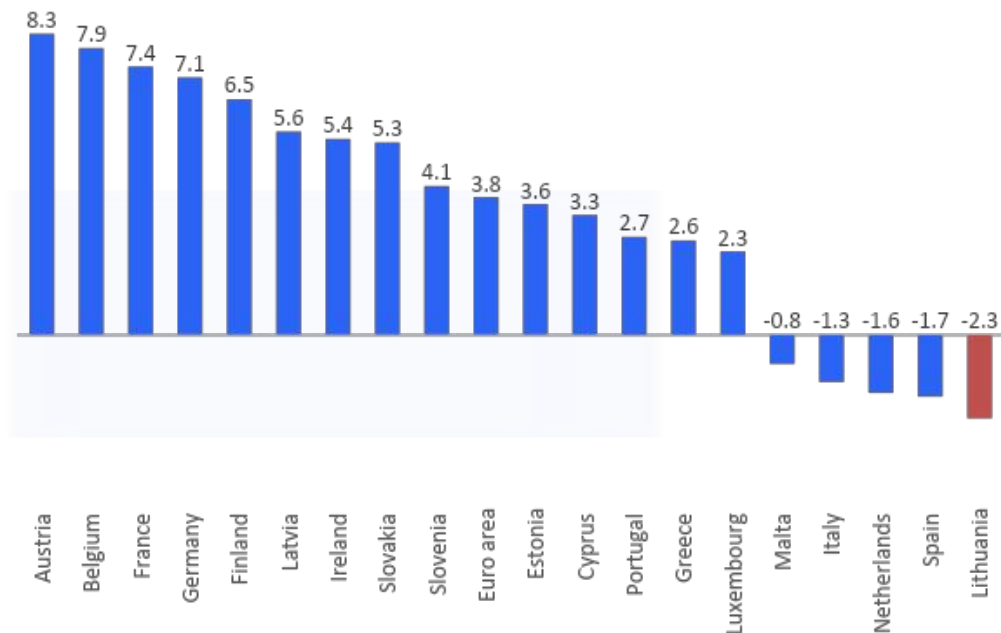
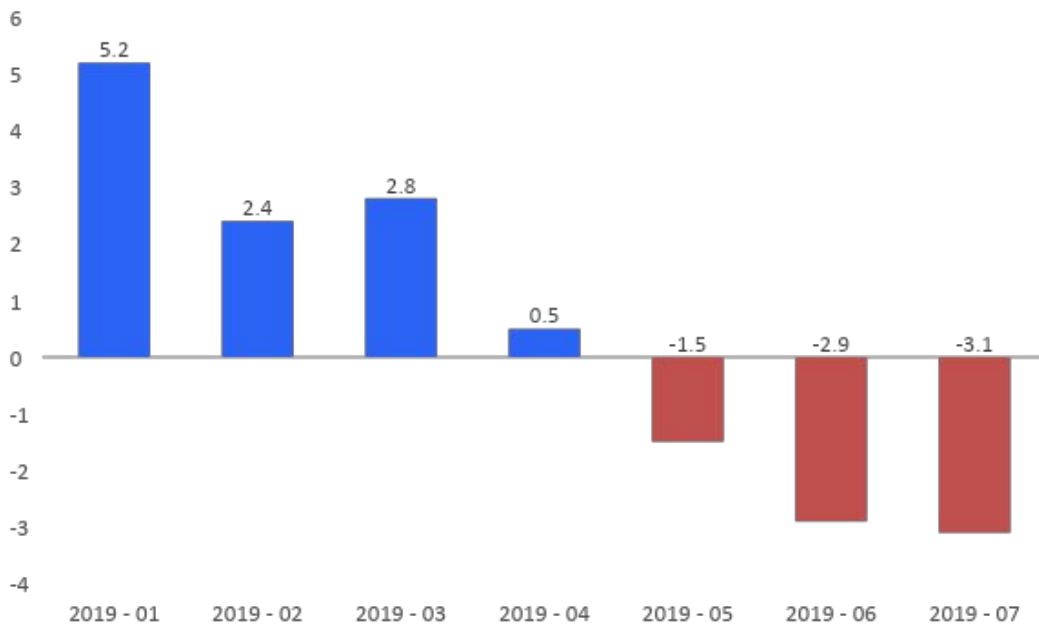
Source: Eurostat



LT banks have started to tighten credit standards (1)

Lithuania: change in portfolio of loans to non-financial corporations held by banks in June 2019, compared to June 2018, %

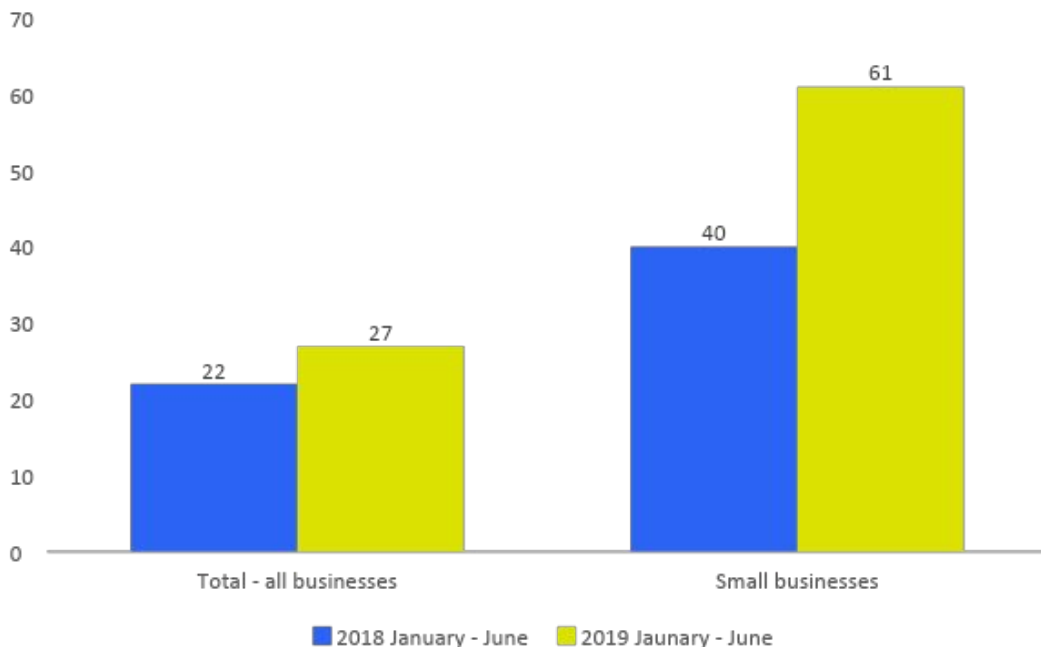
Change in total loans to non-financial corporations, June 2019, compared to June 2018, %



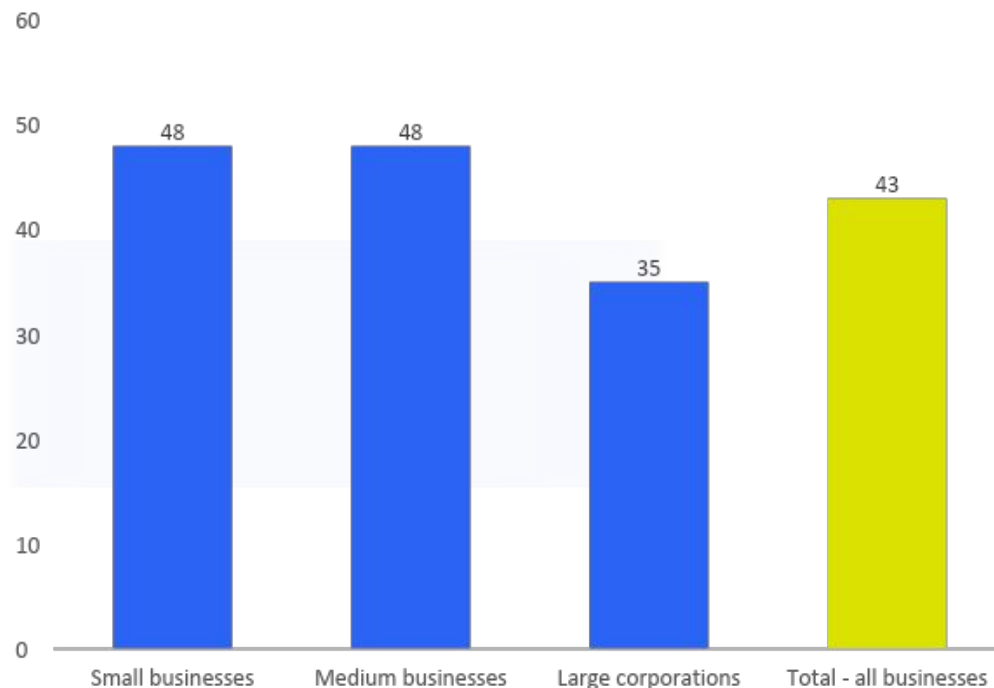
Source: European Central Bank; Bank of Lithuania

LT banks have started to tighten credit standards (2)

Share of rejected loan applications or applications to change the terms and conditions of existing credit - % of total company applications



Share of businesses that intend to finance 80-100% of their business activities with internal funds, %



Source: Bank of Lithuania – corporate survey, first half of 2019



Thank you for your attention!

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