



February 2, 2010 No. 284

- **Minister of Finance: Lithuanian GDP may grow 1.6% (previous forecast -4.3%)**
- **Lithuanian government debt accounted for 27.8% of GDP at the end of last year**
- **Convergence report: Poland aims for 3% deficit by 2012**
- **Latvia must fulfill Maastricht criteria to achieve economic sustainability - Zatlers**

Main Macroeconomic and Financial Indicators of LITHUANIA

	2008	2009	2009			
			Q1	Q2	Q3	Q4
Real sector						
Real GDP, yoy, %	2.8	-15.0	-13.1	-19.7	-14.2	-13.0
Nominal GDP per capita, EUR thou	9.6	8.0	9.3	8.9	8.4	8.0
Industrial production index, wda, yoy, % ¹⁾	4.9	-14.4	-13.4	-20.2	-15.1	-8.6
Volume index of construction production, wda, yoy, %	4.1	:	-42.8	-48.0	-49.3	:
Retail trade (excl. motor vehicles and motorcycles), deflated turnover index, yoy, %	3.8	-21.5	-18.3	-19.6	-21.4	-26.5
Gross fixed capital formation, yoy, % ¹⁾	-6.5	:	-38.5	-40.9	-41.4	:
Prices						
HICP, eop, yoy, %	8.5	1.2	7.4	3.9	2.3	1.2
PPI, eop, yoy, %	-6.9	1.4	-11.5	-16.7	-19.5	1.4
Labour market						
Average gross monthly earnings, yoy, %	19.4	:	1.9	-2.9	-7.7	:
Unemployment rate, sa, LFS, %	5.8	:	11.0	13.6	13.8	:
External trade & external position						
Exports of goods, yoy, % ¹⁾	13.8	:	-12.2	-23.9	-16.6	:
Imports of goods, yoy, % ¹⁾	8.9	:	-34.2	-35.8	-31.6	:
Current account balance, % of GDP	-11.9	:	0.4	1.0	2.9	:
FDI inflow, % of GDP	3.9	:	2.8	1.9	-0.5	:
FDI per capita, eop, EUR	2731	:	2796	2891	2971	:
International reserves per capita, eop, EUR	1365	1394	1290	1336	1379	1394
Financial market						
Average interest rates on new loans in LCU, eop, %	10.1	8.1	8.2	10.0	8.4	8.1
Average interest rates on new term deposits in LCU, eop, %	7.7	4.8	6.1	7.1	6.5	4.8
Loans to households and non-financial corporations, yoy, %	17.9	-7.1	10.3	1.5	-4.6	-7.1
Housing loan portfolio, yoy, %	24.9	-0.5	17.6	9.1	2.7	-0.5
Loans to households and private non-financial corporations, eop, % of GDP	59.3	66.2	60.2	61.6	64.1	66.2
Deposits, yoy, %	-0.3	4.8	0.6	-2.4	-5.9	4.8
Economic sentiments						
Economic sentiments, total index, eop	85.7	83.7	73.9	78.0	79.2	83.7
Consumer sentiments, eop	-50.0	-47.7	-53.4	-44.5	-42.1	-47.7

Note: Latest date is given in parenthesis; ¹⁾at constant prices; sectoral statistics has been adjusted to NACE 2.

Abbreviations: GDP – gross domestic product; HICP – harmonized index of consumer prices; PPI – producer price index; FDI – foreign direct investments; yoy – year-on-year; eop – end-of-period; LFS – Labour Force Survey; LCU – local currency units; wda – data adjusted by working days; sa – seasonally adjusted.

Sources: National statistics office, Bank of Lithuania, ECB, Eurostat, European Commission

Ministry of Finance improves Lithuanian GDP forecast

February 2, 2010
(Bloomberg, ELTA)

Lithuanian government raised its forecast for the economy this year and expects output to expand on recovering export demand boosting industrial production. GDP may grow 1.6%, compared with a previous forecast for a 4.3% contraction, Finance Minister Ingrida Simonyte said. She added that output may expand 3.2% in 2011.

The rate of decline in industrial production eased last quarter and exports started to rise, helping spur a faster recovery in the Baltic economy than the government first estimated.

"Competitiveness in the country's key sectors such as industry and exports didn't get affected by overheating through 2006 and 2007," Simonyte said. "These sectors didn't get the disease and demonstrated good results at the end of 2009."

Industrial output, which accounts for 20% of the economy, shrank 8.3% y-o-y in the fourth quarter, improving from a 14.7% drop in the third. The industrial confidence index rose to minus 19 in January from minus 33 the previous month, the statistics office said on Jan. 29.

Economic recovery may help narrow the budget deficit to 8% of GDP this year from a previously estimated 9.5%, Simonyte said. She also stated that the government will continue with measures to cut the shortfall to within 3% in 2012 and prepare for euro adoption in 2014.

Convergence report: Poland aims for 3% deficit by 2012

February 2, 2010
(Warsaw voice)

Poland aims to have a public finance sector deficit of 7% of GDP this year, a figure it may be able to reduce to 3% in 2012, a Finance Ministry source cited the government's updated convergence plans. This would allow Poland to be ready to adopt the euro in 2014 or 2015.

"Reducing the deficit to the 3% benchmark required by the EU before a country is allowed to adopt the euro will be possible in 2012, thanks to the public finance consolidation and development plan and the expected higher GDP growth in the following years," the source said. "Still, this will be a very difficult task, so the updated convergence program will show that there are risks, and that it may happen in 2013."

Tax debts grew last year 42% in Estonia

February 1, 2010
(ELTA)

Tax debt grew last year in Estonia by nearly 42% or EEK 1.77 bn in the main tax sum amount. While at the beginning of the year, the growth of the debt was very fast, in November and December it halted. As the result of Tax and Customs Board (TCB) debt reclaiming work, EEK 1.72 bn was collected during the year after submitting debt claims.

TCB's director general Enriko Aav said that last year fast decisions had to be made to support companies that were in trouble while preventing an increase of tax evasion.

TCB collected EEK 63.4 bn of tax income to the state budget last year; it allocated EEK 9.9 bn of income tax to local municipalities. Additionally unemployment insurance taxes worth EEK 1.6 bn and savings pension payments worth EEK 588.6 bn were collected.

Lithuanian central government debt accounted for 27.8% of GDP at end of last year

January 29, 2010
(ELTA)

According to the data compiled by the Ministry of Finance, at the end of 2009, the central government sector debt totaled LTL 25.7 bn (EUR 7.4 bn), which accounted for 27.8% of GDP.

At the end of 2009, the domestic debt of the central government stood at LTL 6.7 bn (EUR 1.9 bn) or 26.2% of the entire debt.

On 31 December 2009, the foreign debt of the central government amounted to LTL 18.9 bn (EUR 5.5 bn) or 73.8% of the entire debt.

The total long-term debt of the central government reached LTL 24.5 bn (EUR 7.1 bn) or 95.5% of the entire debt. The short-term debt stood at LTL 1.2 bn (EUR 333.9 mn), which made 4.5% of the entire central government debt at the end of 2009.

Latvia still has highest unemployment in EU

January 29, 2010
(ELTA)

The average seasonally-adjusted unemployment rate in Latvia last December was 22.8%, as Latvia registered the highest unemployment rate in the EU for the fourth month in a row, according to the latest data from the Eurostat.

Up until last September, unemployment in Latvia was the second highest in the EU, second only to Spain, while in 2007 and the first half of 2008 it was among the lowest in the EU, and lower than the average for the EU as a whole.

The next highest unemployment rates in December were registered in Spain (19.5%), Estonia (15.2% - third quarter), Lithuania (14.6% - third quarter), Slovakia (13.6%) and Ireland (13.3%).

The lowest unemployment rates were recorded in the Netherlands (4%), Austria (5.4%), Cyprus (6.1%), Luxembourg (6.2%), Slovenia (6.8%), and Malta (7.2%).

In December, the average seasonally-adjusted unemployment rate in the EU-27 member states was 9.6%, compared to 9.5% in November. The unemployment rate in the eurozone reached 10%, up from 9.9% in November.

Latvia must fulfill Maastricht criteria to achieve economic sustainability - Zatlers

January 29, 2009
(ELTA)

President Valdis Zatlers has told the World Economic Forum in Davos that Latvia must fulfill the Maastricht criteria to achieve economic sustainability.

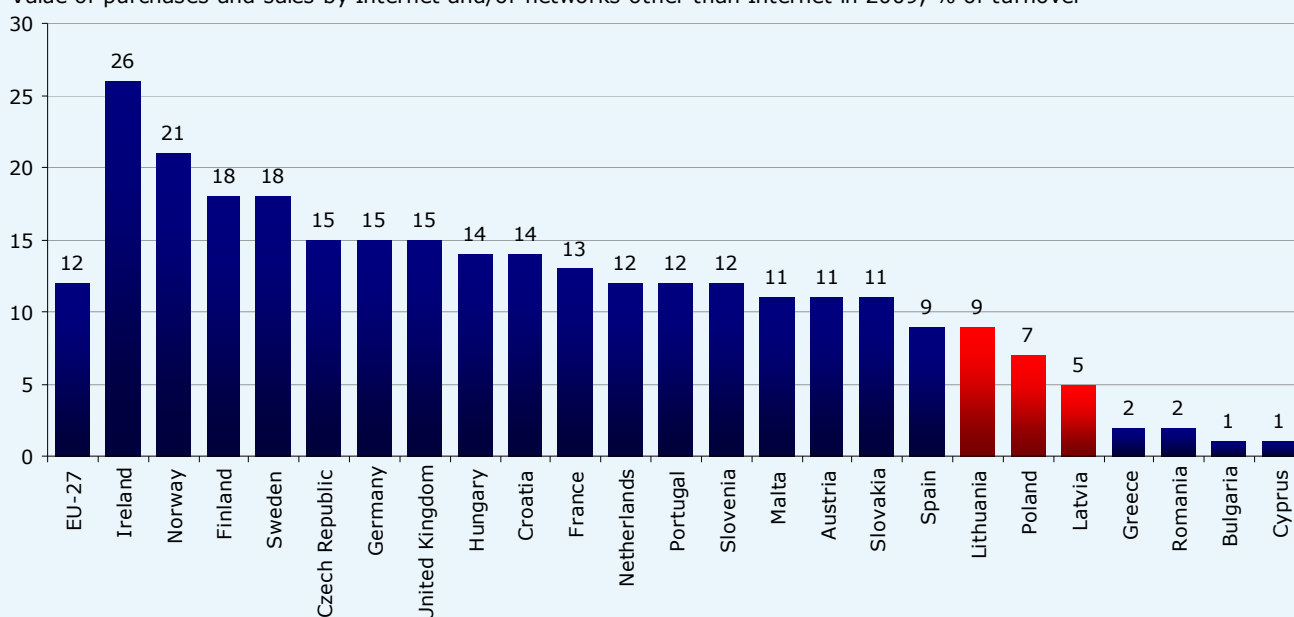
The president stressed that it is important for Latvia to fulfill the Maastricht criteria and enter the eurozone. The introduction of the euro is the main target of Latvia's economic recovery program. It is important for Latvia to observe each of the Maastricht criteria without asking for concessions in the admission process, in order that the Latvian economy to be developed on a sustainable and stable foundation, said Zatlers in a discussion at the World Economic Forum. Latvia hopes to join the eurozone in 2014, having fulfilled all the necessary criteria and achieved full economic recovery.

Answering a question as to whether it would be necessary to change the Maastricht criteria, Zatlers remarked that there is always a temptation to reduce the criteria. At the moment, most eurozone countries do not meet them, but Latvia's interests are not only adoption of the European single currency, but also fiscal stability.

Internet access, broadband and mobile connections to access the internet, intranet and extranet by enterprises, January 2009 (% of enterprises)

	Internet access	Fixed broadband connections	Mobile connections	Intranet	Extranet
EU-27	93	82	28	30	18
Belgium	:	:	:	:	:
Bulgaria	83	68	21	39	15
Czech Republic	95	77	30	20	14
Denmark	98	82	33	39	22
Germany	97	88	26	40	22
Estonia	95	86	22	25	17
Ireland	91	76	24	41	18
Greece	89	81	8	25	16
Spain	95	93	32	23	14
France	96	92	28	41	32
Italy	94	83	21	21	15
Cyprus	88	82	9	18	7
Latvia	87	61	17	35	8
Lithuania	95	57	29	31	12
Luxembourg	96	87	38	40	33
Hungary	87	74	26	18	9
Malta	94	93	21	29	30
Netherlands	96	86	22	32	18
Austria	98	76	38	29	17
Poland	90	58	25	28	10
Portugal	93	82	22	26	20
Romania	72	40	11	21	8
Slovenia	96	85	28	28	13
Slovakia	98	78	30	54	24
Finland	100	94	55	42	32
Sweden	95	88	46	43	29
United Kingdom	91	85	39	23	14
Croatia	95	72	40	29	13
Norway	97	88	38	38	20

Value of purchases and sales by Internet and/or networks other than Internet in 2009, % of turnover*

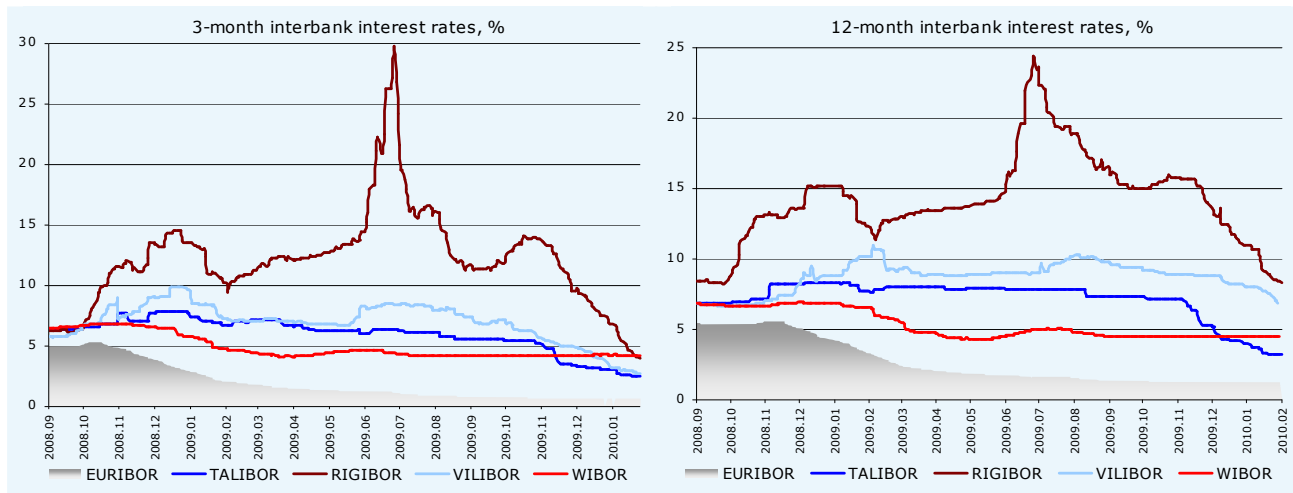


Note: The survey covered enterprises with at least 10 persons employed. The reference period was January 2009 or for some questions the year 2008. Economic activities presented here are broken down by activity according to classification NACE revision 2.

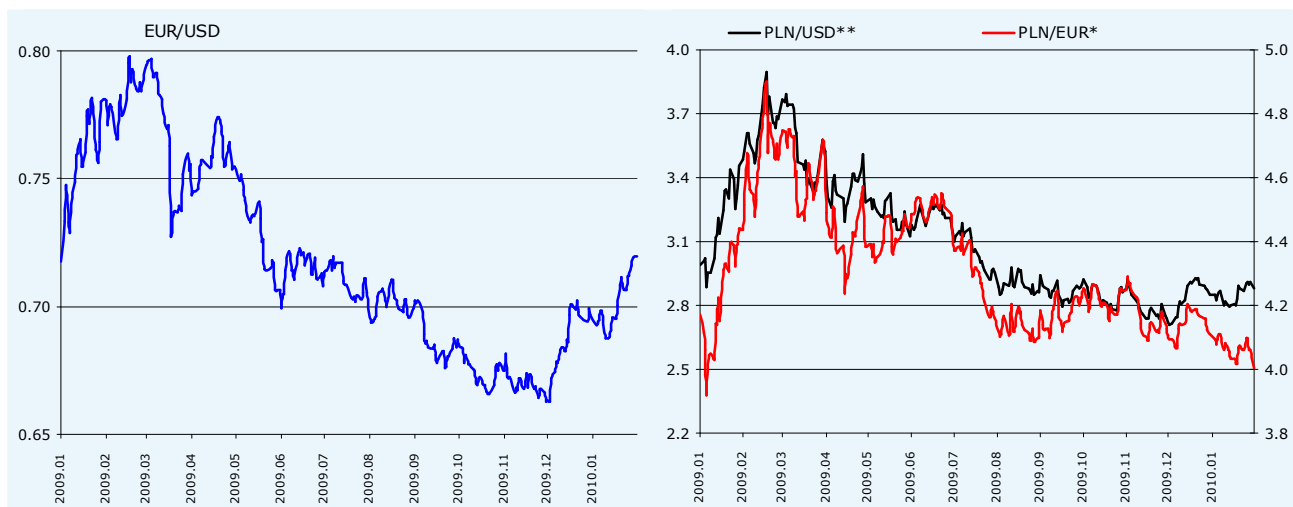
*Data for Belgium, Estonia, Italy and Luxembourg is unavailable.

Source: Eurostat

Interbank interest rates



Exchange rates

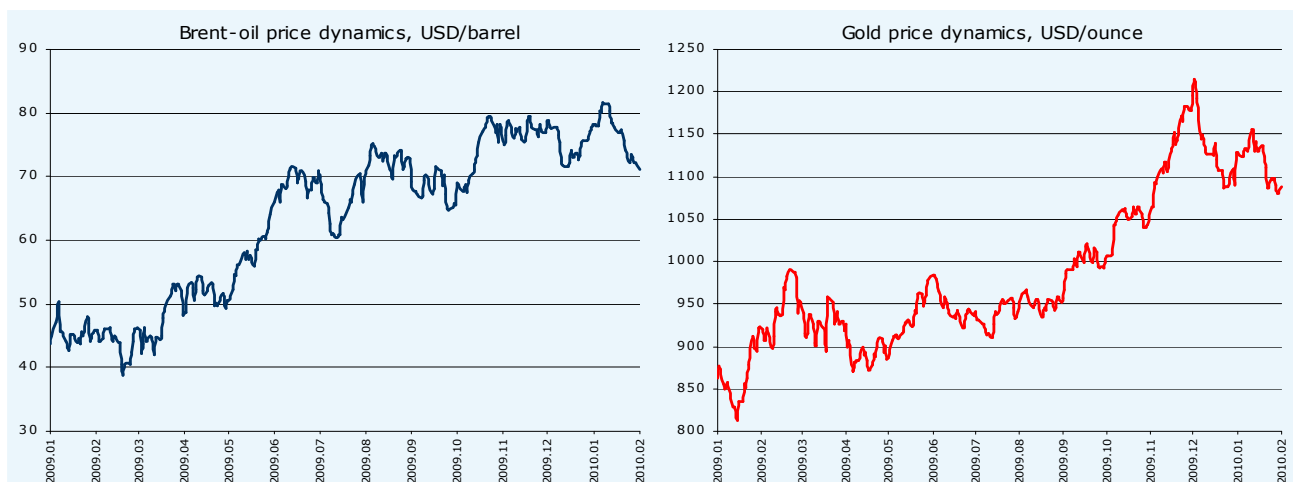


Changes per week

	EUR	EEK	LVL	LTL	PLN
2010.02.01					
EUR	1.0000 -	15.6466 =	0.7087 ↑	3.4528 =	4.0035 ↓
USD	0.7196 ↑	11.2597 ↑	0.5100 ↑	2.4848 ↑	2.8787 ↓

Note: * - scale on the right; ** - scale on the left

Energy prices



Source: Reuters, EcoWin

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