

Lithuania's economic review, May 2011

The GDP increased by 6.9 % in the first quarter of 2011 as compared with the corresponding period of the previous year, according to the second estimate by Statistics Lithuania. The value added increased in all economic activities as compared with the first three months of 2010.

The economy grew by 3.5 % as compared with the last quarter of 2010 (in seasonal adjusted terms).

Following the forecast of the Ministry of Finance the economy will grow by 5.8 % in 2011 and by 4.7 % in 2012. The Bank of Lithuania forecasts the economy will grow by 5.6 % in 2011 and by 4.8 % in 2012.

Ministry of Economy forecasts GDP will growth by 6.3 % in 2011 and by 5.3 % in 2012.

Export of goods, the main driver of the Lithuanian economy, grew by 42.1 % and 43.3 % in May and the first five months of the year respectively as compared with the corresponding periods of the previous year.

It is worth noting that export of goods of Lithuanian origin (manufactured by Lithuania's industry) that accounts for 65.8 % of the total export of goods also continued to grow on yearly basis. Annual rate of change in January–May of 2011 was 33.5 %.

In the first five months of 2011, the largest share in exports fell within mineral products (23.4 %), vehicles other than railway or trams rolling-stock (9.2 %), fertilizers (5.5 %), plastics and articles thereof (5.9 %), boilers, machinery and mechanical appliances; parts thereof (5.6 %). These goods were also the main components of export in 2010.

Industry (Mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply) increased by 12.9 % in the first five months of the year and by 12.8 % in May of 2011 as compared with the corresponding periods of the previous year.

Manufacturing that comprises 83 % of the total industry production, rose by 17.6 % in the first five months of the year and by 15.1 % in May of 2011.

Refined petroleum products, food products, chemicals and chemical products, furniture, wood and products of wood and cork comprised a significant share (72.1 %) of the manufacturing production in January–May of 2011.

Annual rate of change of manufacture of motor vehicles, trailers and semi-trailers, leather and related products, fabricated metal products (except machinery and equipment production) were the highest in the first five months of 2011.

Transport. In the five months of 2011 transport sector continued to benefit from soaring exports. The overall amount of cargo transported through the Lithuanian railways consisted of 21.9 million tonnes – 11.5 % more as compared to the corresponding period of the previous year. At the same time Klaipeda State Seaport and sea transport sector as a whole set new records of handled goods. May of 2011 brought a 22.2 % increase of loaded and unloaded

goods for sea transport sector as compared to the corresponding month of 2010.

In total, 254.8 thousand of passengers were carried through Lithuanian airports in May of 2011. In the first five months of the year number of passengers that left or arrived to Lithuanian airports increased by 19.1 % as compared to the corresponding period of 2010.

Retail trade (excluding wholesale and retail trade and repair of motor vehicles and motorcycles turnover) increased by 6.5 % in May as compared with the corresponding period of the previous year. The figure rose by 2.8 % in May as compared with April.

Retail trade turnover started increasing slightly in recent months and current upward trend in consumer confidence indicator should give reason to believe in higher retailers' income over the course of 2011, particularly in the second half.

Economic sentiment indicator rose from 5 % in May to 7 % in June, suggesting there were more optimists than pessimists in the economy for a fourth subsequent month.

Industrial confidence indicator increased from 1 % in May to 4 % in June. Confidence in industry rose to 4 %, by 21 percentage points (p.p.) since June of 2010 (-17 %).

Confidence in construction increased by 3 p.p. since May and reached -11 % in June. This makes 14 p.p. as compared with the corresponding period of the previous year suggesting that recovery of the economy should help to get more orders.

Confidence in domestic trade rose significantly in June, by 3 p.p. and reached +13 %. The estimate in services went up by 1 p.p. reaching +29 %.

Consumer confidence indicator did not change in June as compared to the previous month. It stands at -16 % level.

All of the confidence indicators in June of 2011 were above their long-term averages. Industrial confidence indicator has the biggest gap above its long-run mean (11 p.p.).

Positive confidence indicator figure means that there are more optimists than pessimists in a particular sector and vice versa, negative figure means that there are more pessimists than optimists.

Labour market. The number of the unemployed people, registered by the Lithuanian Labour Exchange at the Ministry of Social Security and Labour decreased in June by 15.7 thousand (6.5 %) and was 227.6 at the end of month.

Although there is a strong demand for seasonal jobs, employment expectations for the next 2-3 months show that labour force in industry and services like real estate, computer programming, consultancy, architectural and engineering activities will increase.

Fiscal policy is maintaining its path. The 2011 budget was based on the 2.8 % GDP growth scenario as well as the 2010 expenditure level and aimed at reducing the general

government deficit from 8.1 % estimated in 2010 to the targeted goal of 5.8 % of the GDP in 2011.

The strategic objective of the medium-term policy is further public finances consolidation and essential improvement of

the situation in the areas that can ensure economic breakthrough. The Convergence Programme of Lithuania sets general government deficit targets: 5.8 % of the GDP - for 2011 and 3 percent of the GDP for 2012.

Table 1. Main indicators of economic and social development

	2010	2010				2011
		Q1	Q2	Q3	Q4	Q1
Gross domestic product						
at current prices, mln. of EUR	27 410.2	5 914.4	6 917.9	7 212.0	7 365.9	6 696.3
Rate of change as compared to the corresponding period of the previous year, %	1.3%	-2.0%	1.0%	1.2%	4.8%	6.9%
GDP per capita at current prices, EUR	8 339.0	1 799.3	2 104.6	2 194.1	2 240.9	2 063.6
Annual average price changes in HICP	1.6%	2.9%	1.4%	1.0%	1.1%	1.9%
Industrial production (VAT and excise excluded)						
Rate of change as compared to the corresponding period of the previous year, %	6.6%	-2.8%	4.6%	7.8%	16.5%	14.6%
at current prices, mln. of EUR	15 902.1	3 580.7	3 766.0	3 955.7	4 599.7	4 641.3
Turnover (VAT excluded) of retail trade, including wholesale and retail trade and repair of motor vehicles and motorcycles						
Rate of change as compared to the corresponding period of the previous year, %	-2.9%	-4.2%	5.8%	13.7%	25.9%	20.0%
at current prices, mln. of EUR	11 554.3	2 314.1	2 820.6	3 113.7	3 305.9	2 776.9
External trade						
Exports of goods, bln. of EUR	15.65	3.05	3.79	4.17	4.64	4.57
Rate of change as compared to the corresponding period of the previous year, %	32.67	10.83	37.17	35.75	44.54	50.06
Imports of goods, bln. of EUR	17.65	3.49	4.23	4.77	5.16	5.22
Rate of change as compared to the corresponding period of the previous year, %	34.52	14.25	34.80	38.14	48.50	49.69
Balance, bln. of EUR	-2.00	-0.44	-0.44	-0.60	-0.52	-0.65
Foreign direct investment, at the end of the period, mln. of EUR	10165.5	9632.3	9485.6	9914.8	10165.5	10508.1
Unemployment rate, by labour force survey	17.8	18.1	18.3	17.8	17.1	17,2
Average gross monthly earnings of employees in whole economy, EUR¹	578.3	588.3	595.4	602.9	614.4	600.0
Indices of real earnings of employees in the whole economy (previous period=100)	95.8	95.9	101.2	101.3	101.9	96,5
Minimum monthly wage						
LTL	800	800	800	800	800	800
EUR	231.7	231.7	231.7	231.7	231.7	231.7

¹ Quarterly data is with individual enterprises excluded

Some data is provisional; Data as of 8 of July, 2011

Source: Statistics Lithuania

Analysis and Strategy Division,
Ministry of Economy of the Republic of Lithuania
E-mail: mindaugas.zilionis@ukmin.lt; Ph. +370 5 262 4006