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Overview of trends in global economy and Baltics

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China: supply shock overcomed; demand shock next

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In 2020 Q1 Chinese GDP declined by 6,8%

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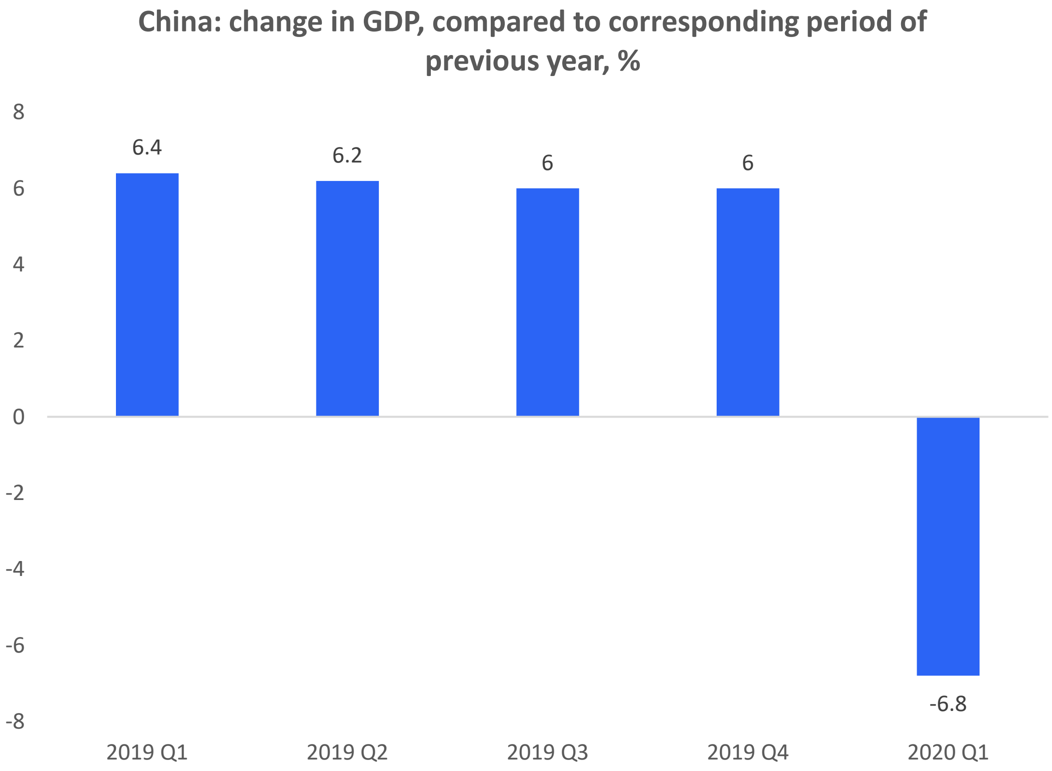

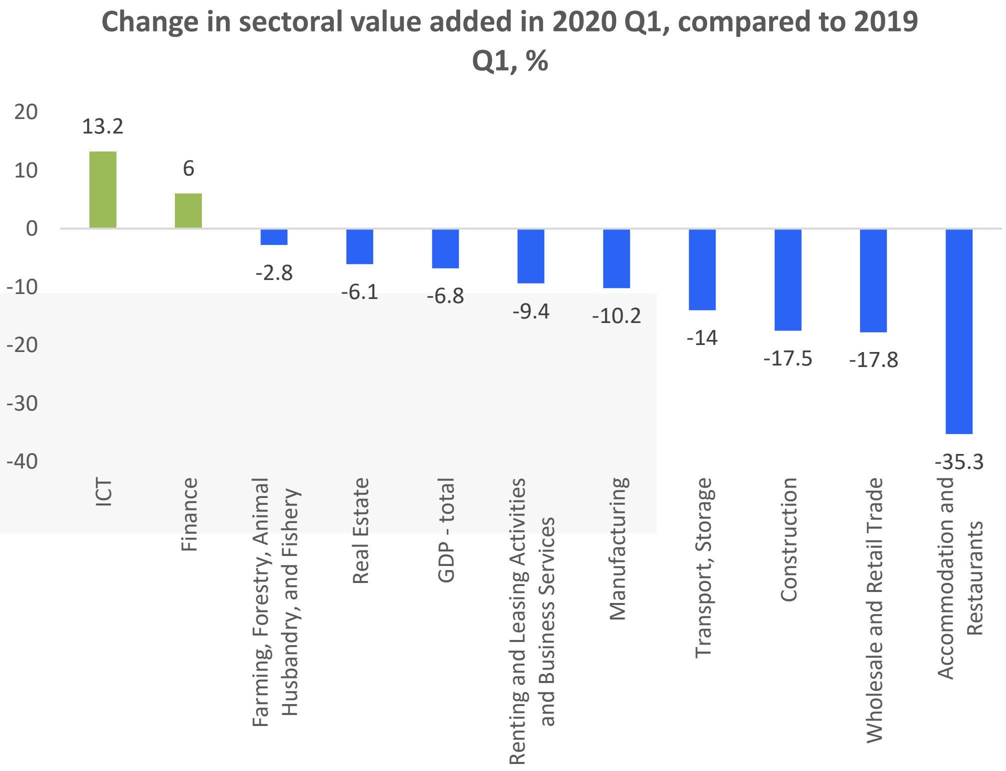

Source: National Bureau of Statistics of China

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Chinese industry is slowly recovering

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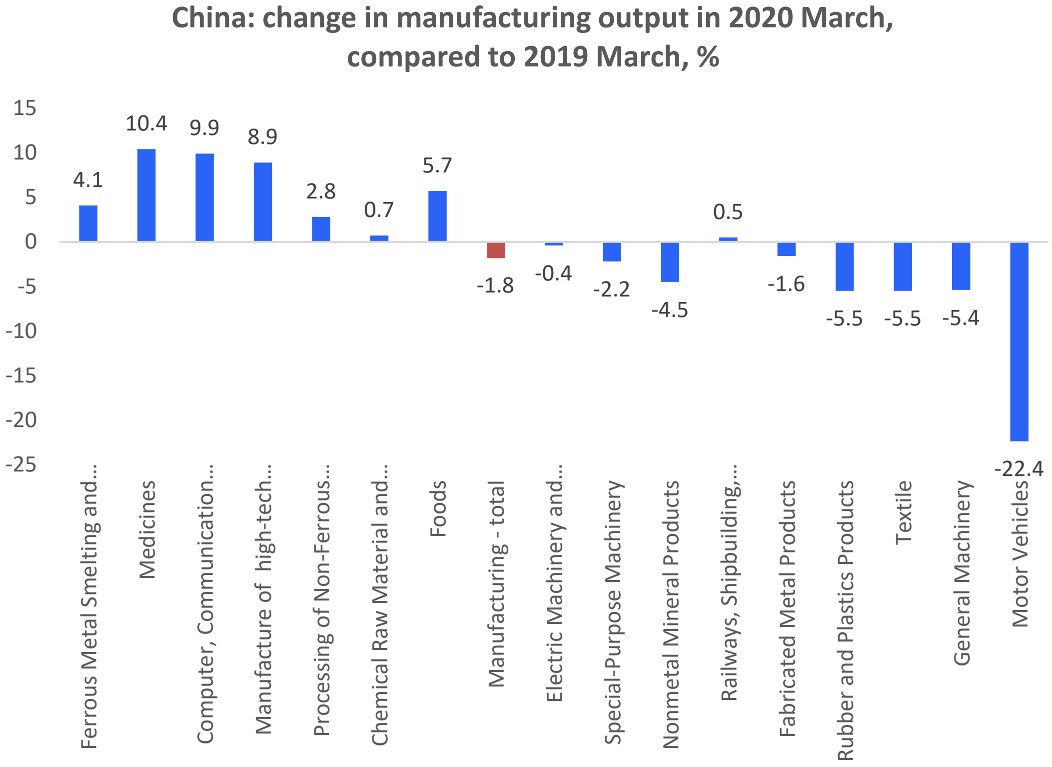

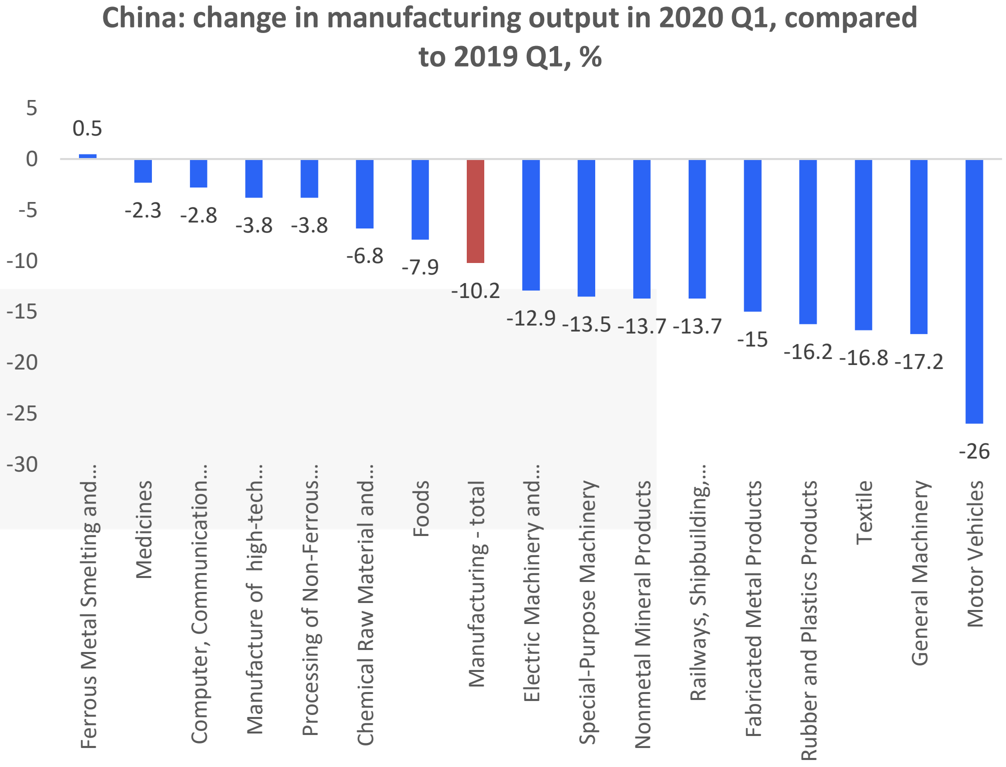

Source: National Bureau of Statistics of China

Rising NO2 levels indicate that Chinese industry is recovering

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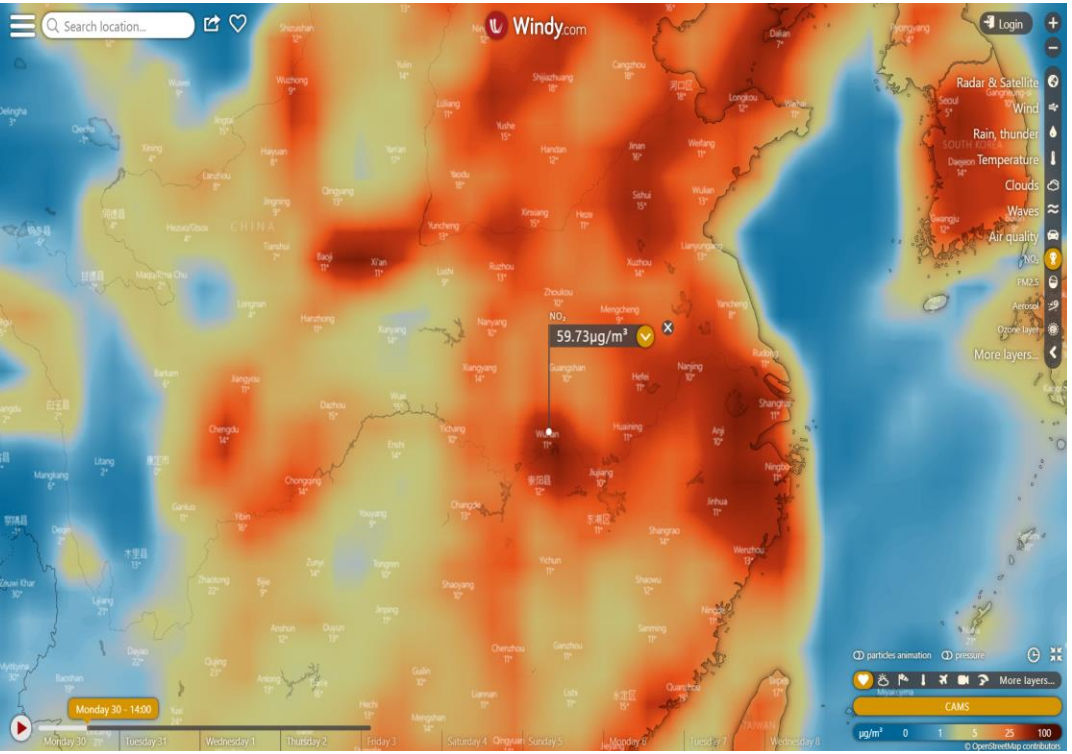
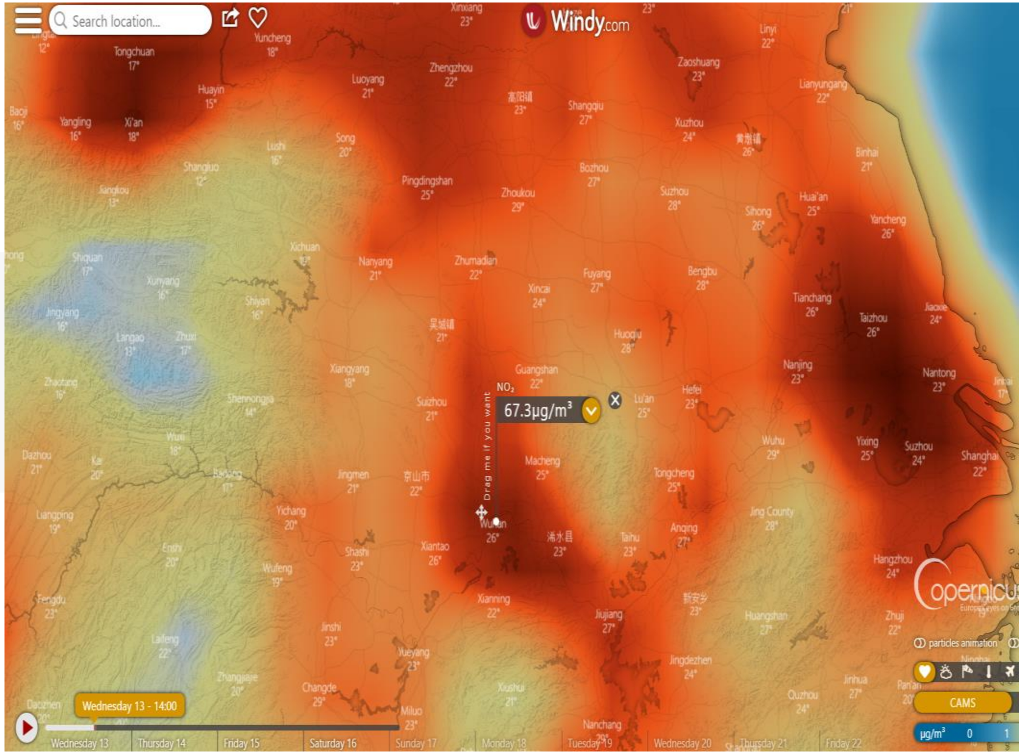
China No2 level, 2020 03 30



China, No2 level, 2020 05 13



Source: Copernicus Atmosphere Monitoring; Windy.com

Sentiment levels in Chinese industry reached growth level – but only just

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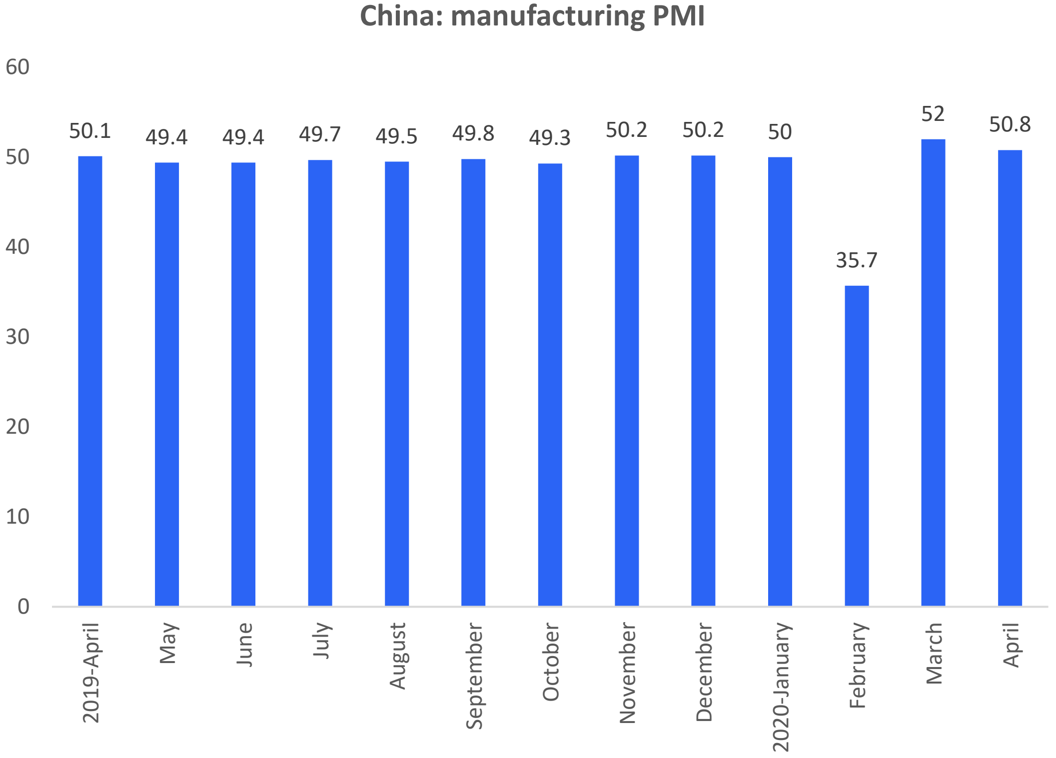

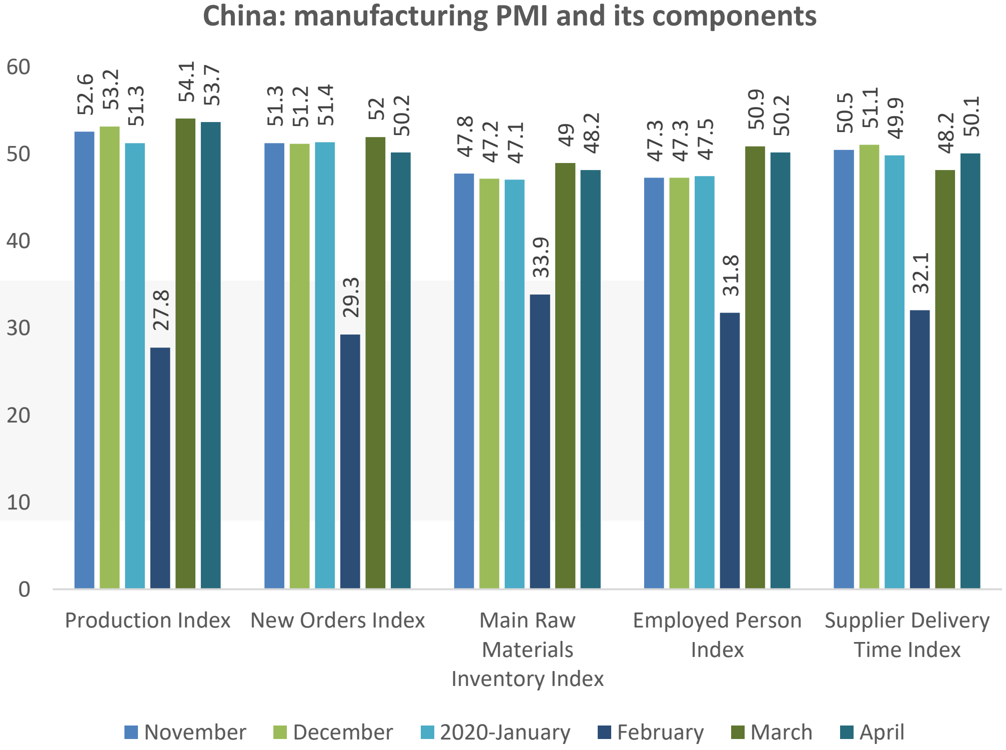

Source: National Bureau of Statistics of China

Consumption patterns in China: people buy necessities, avoid non-essential goods

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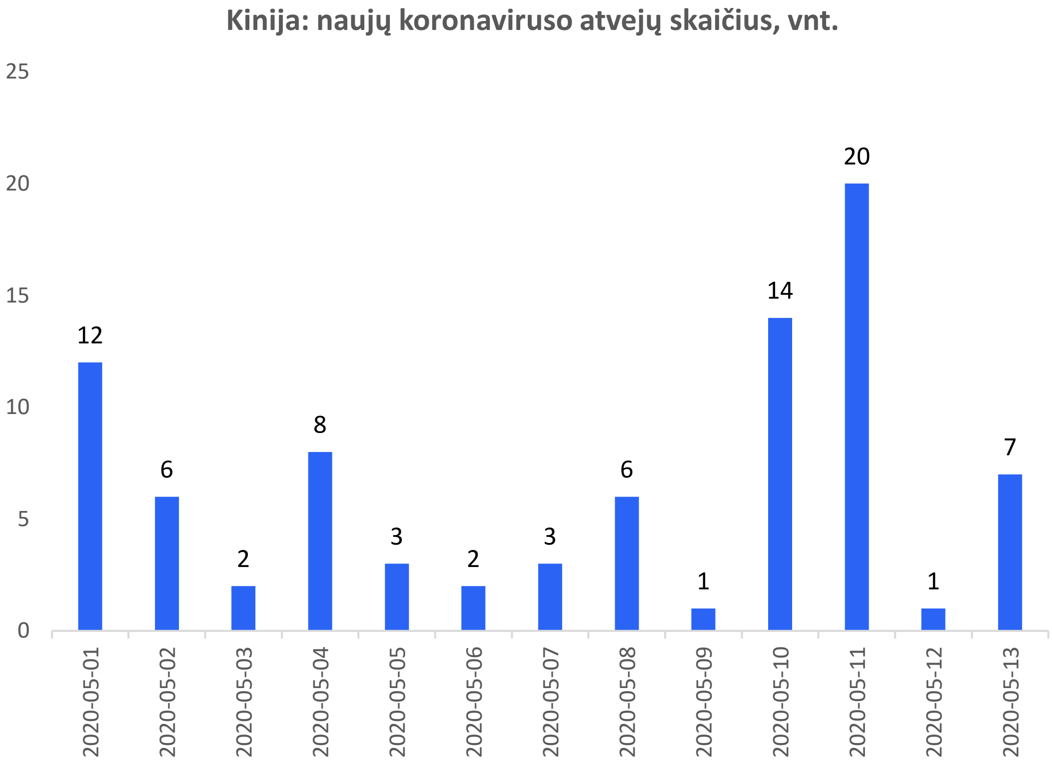
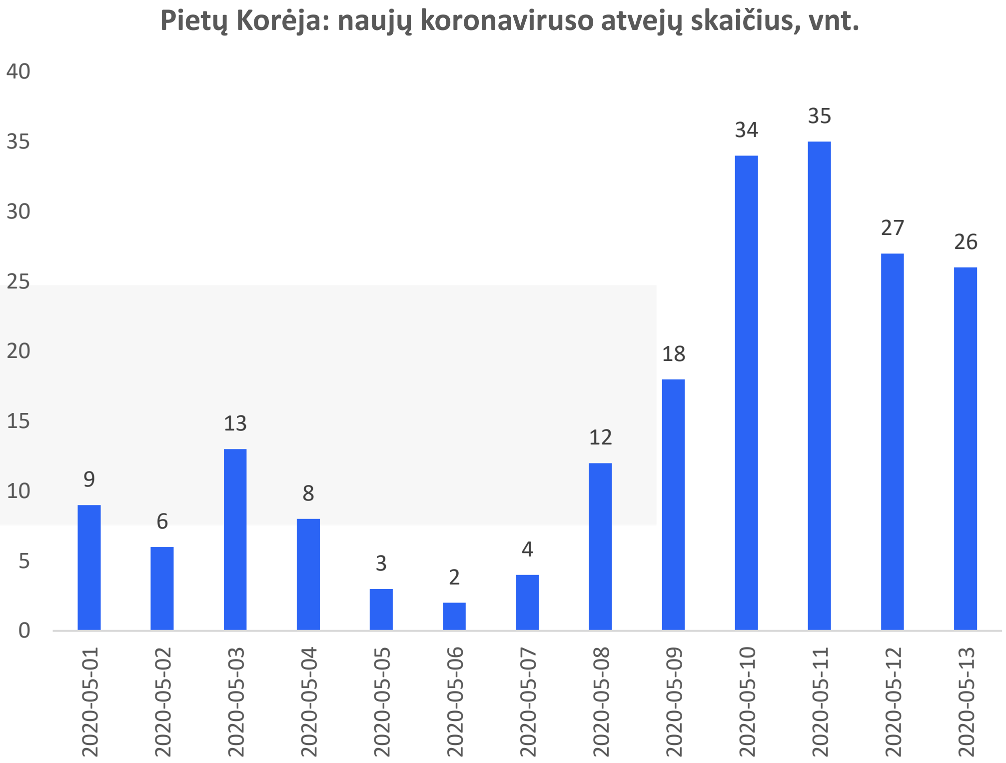
China: change in retail trade turnover		
Category	**Change 2020 March / 2019 March, %**	**Change 2020 Q1 / 2019 Q1, %**
Grain, Oil, Foodstuff	19.2	12.6
Online Retail Sales		5.9
Beverages	6.3	4.1
Traditional Chinese and Western Medicines	8	2.9
Cultural and Office Appliances	6.1	-3.4
Communication Appliances	6.5	-3.6
Commodities	0.3	-4.2
Cosmetics	-11.6	-13.2
Tobacco and Liquor	-9.4	-14
Retail Sales of the Enterprises - total	-15.6	-17.7
Petroleum and Related Products	-18.8	-23.5
Building and Decoration Materials	-13.9	-23.9
Furniture	-22.7	-29.3
Household Appliances and AV Equipment	-29.7	-29.9
Automobile	-18.1	-30.3
Garments, Footwear, Hats, Knitwear	-34.8	-32.2
Gold, Silver and Jewelry	-30.1	-37.7
Catering Services	-46.8	-44.3

Source: National Bureau of Statistics of China

Easing of quarantine measures: necessary but risky thing





Source: Worldometer

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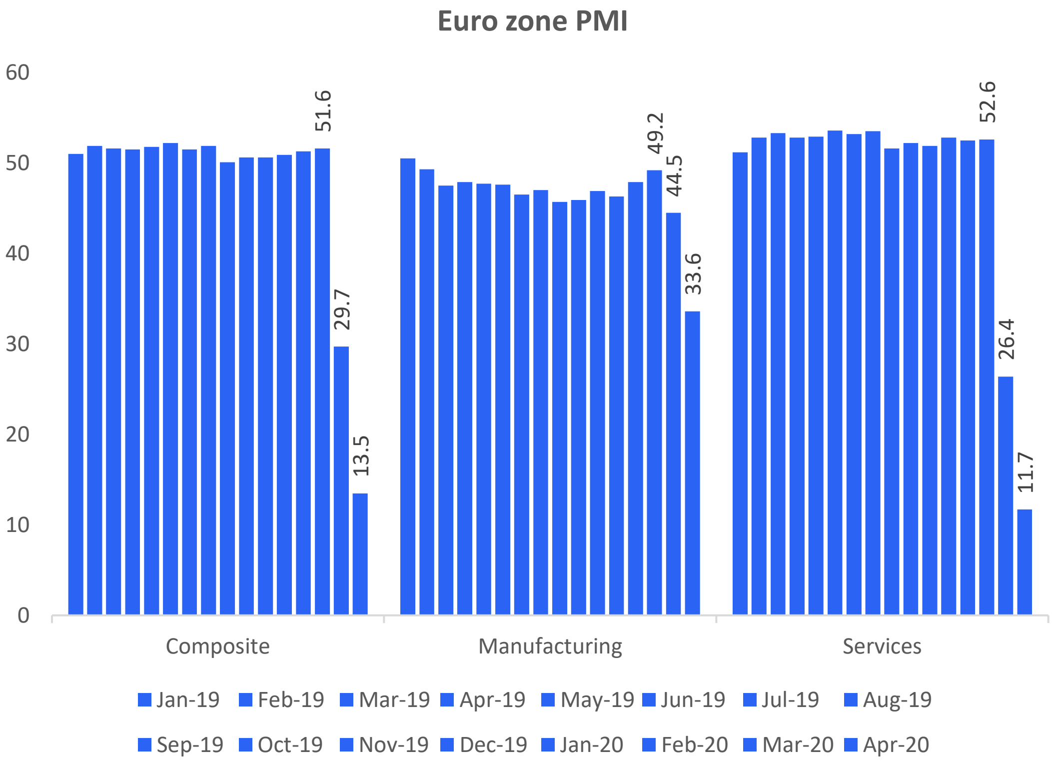
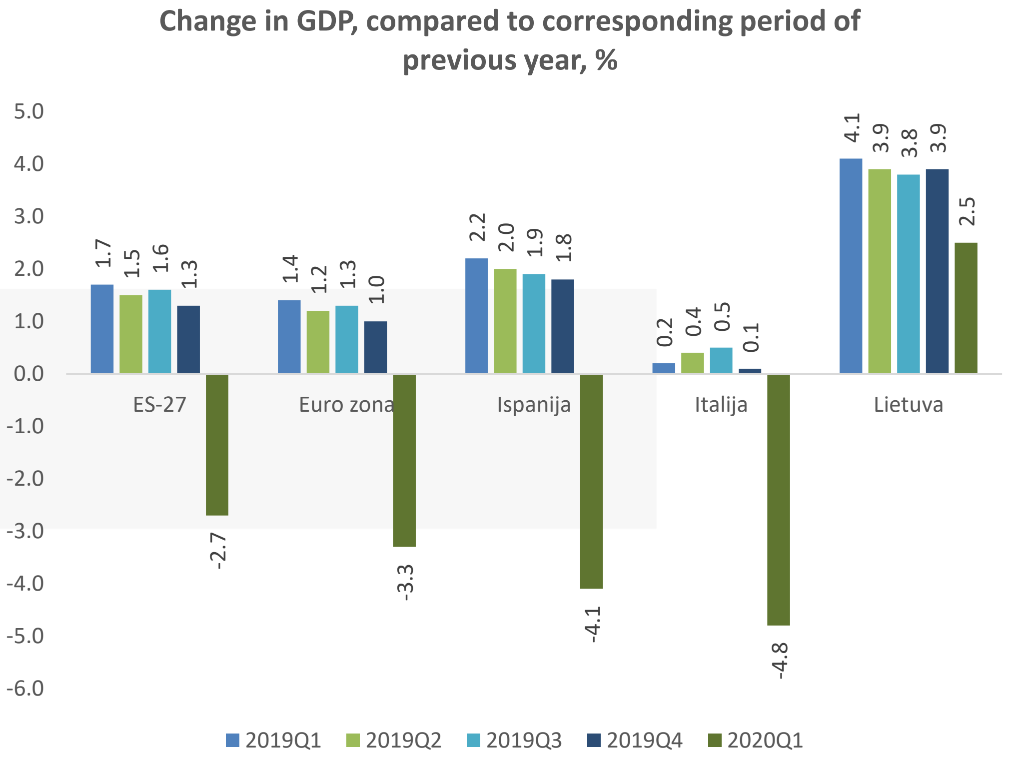
EU: economic decline similar to 2008/2009

Pace of economic contraction in April intensified





Source: IHS Markit; Eurostat

Pace of economic contraction in April intensified

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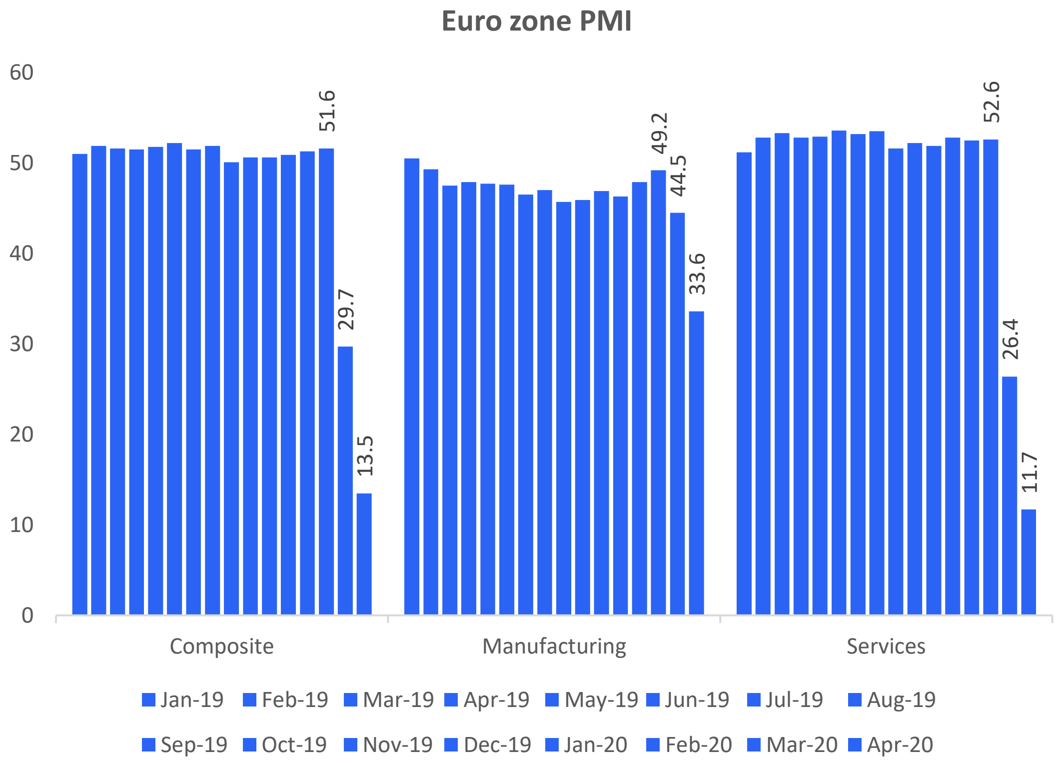

- Composite PMI: 13.5 (worst result since 1998)
- Services PMI: 11.7 (worst result since 1998)
- Manufacturing PMI: 33.6 (worst result in 134 months)

Source: IHS Markit

Pace of economic contraction similar to 2008/2009

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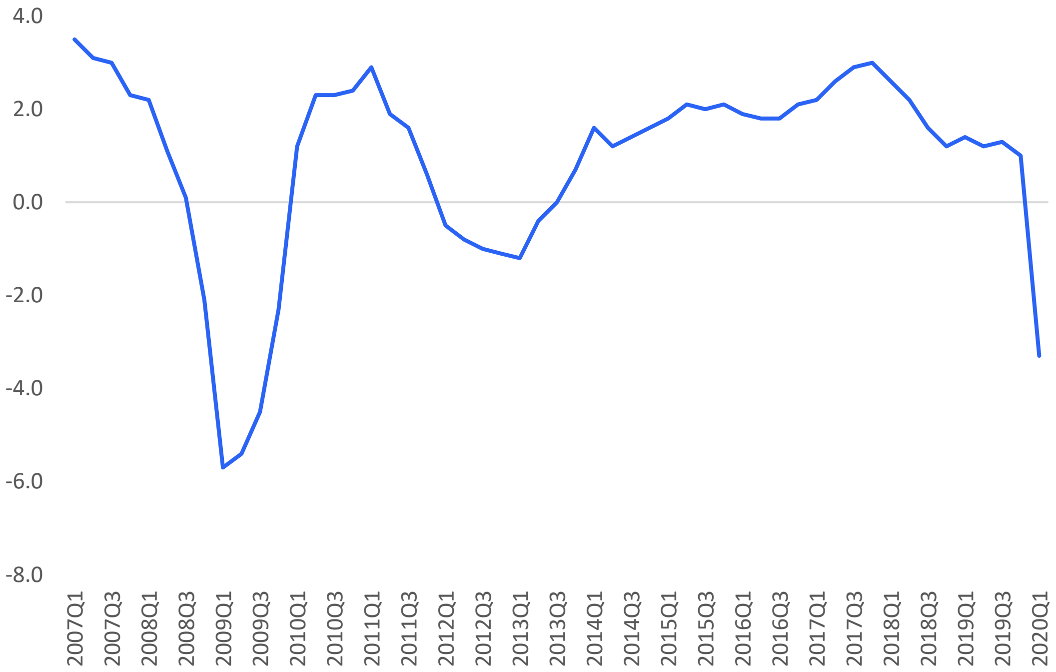
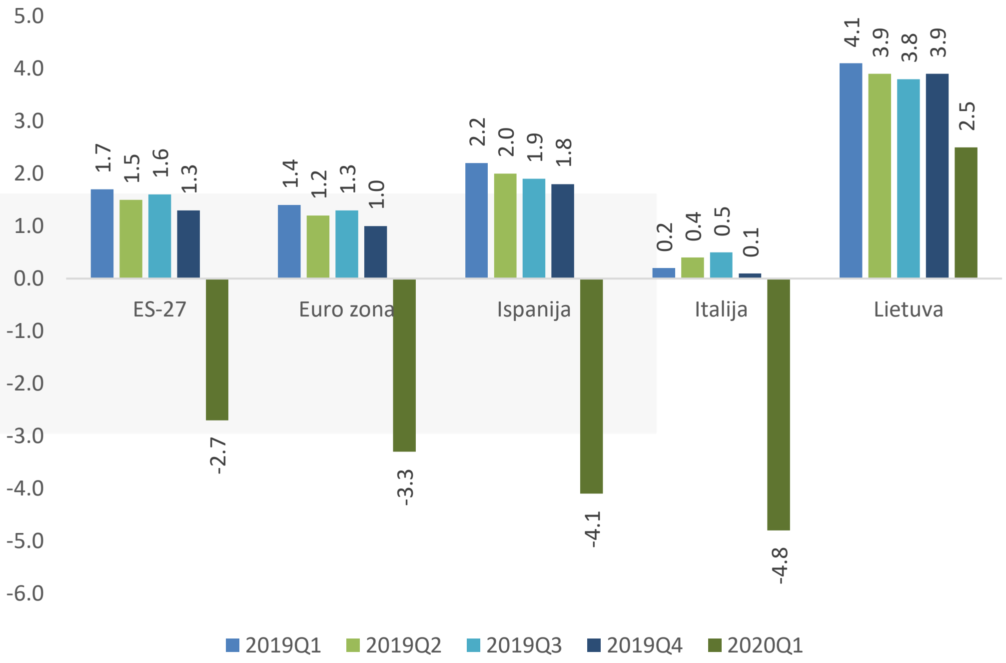
Euro zone: change in GDP, compared to corresponding period of previous year, %

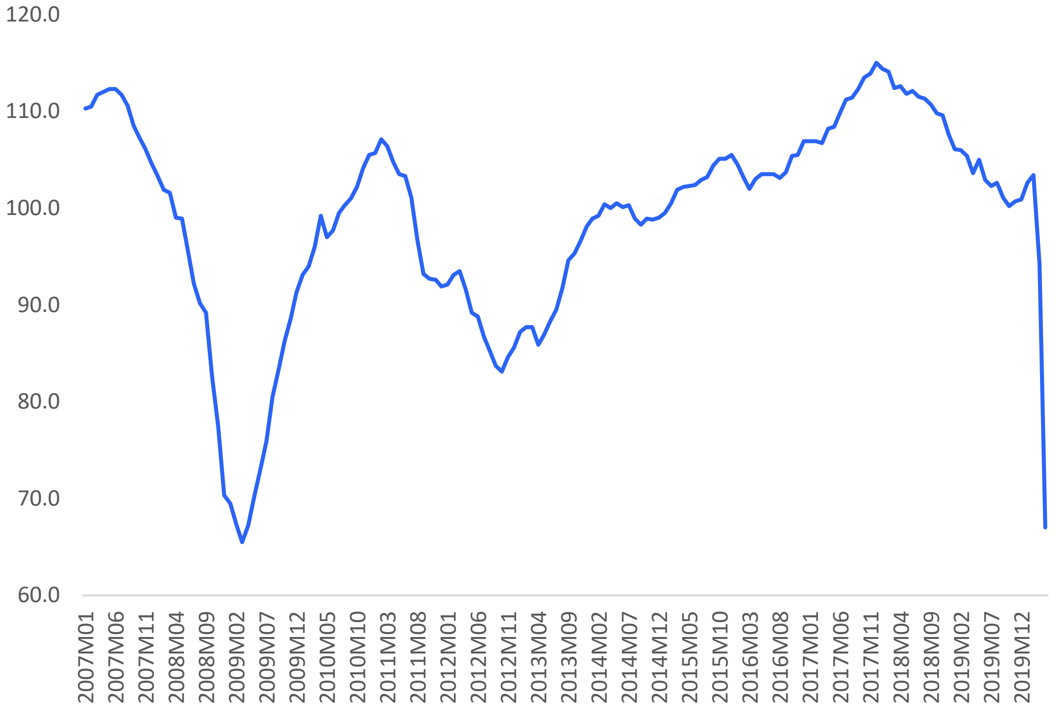


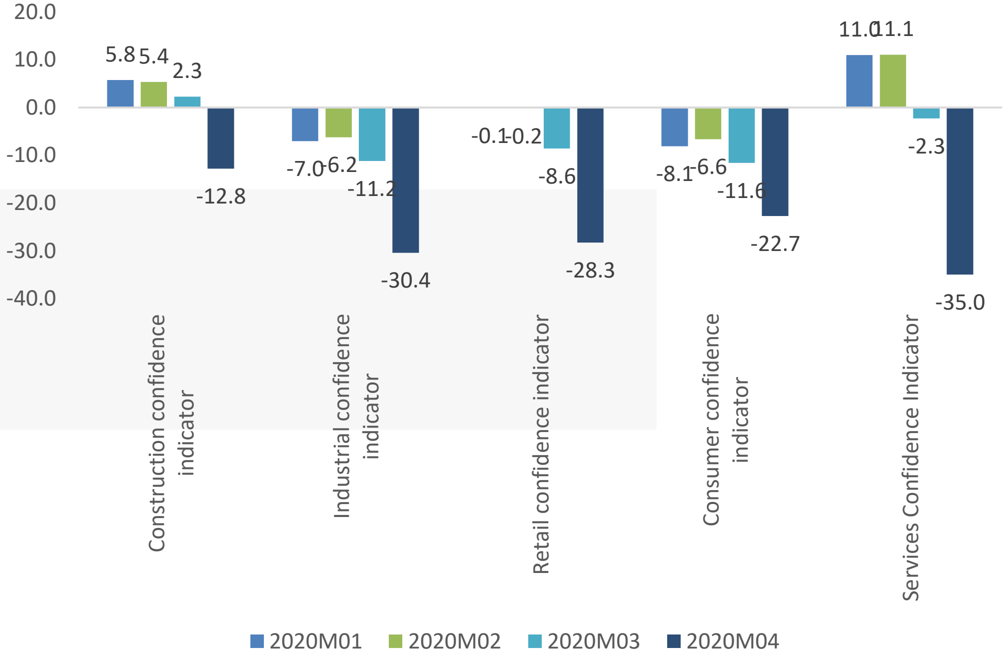
Euro zone: change in GDP, compared to corresponding period of previous year, %



Source: Eurostat

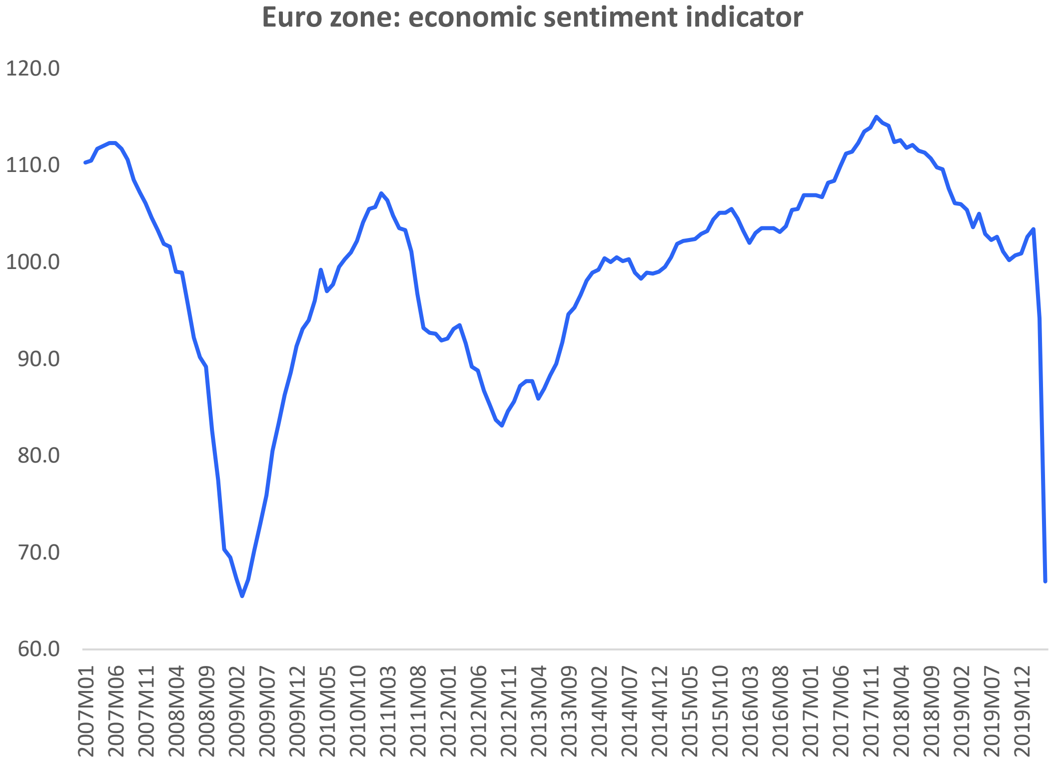
EU business sentiment declined to level last seen during Global financial crisis

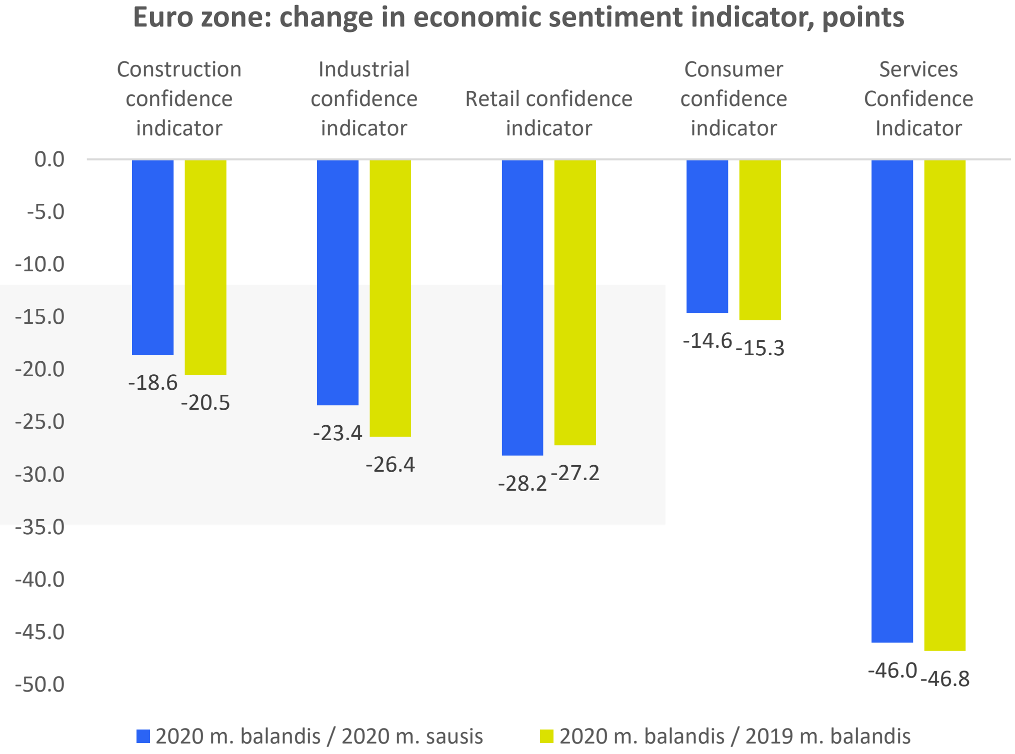




Source: Eurostat

Sectoral decline is diverse





Source: Eurostat

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Mild signs of economic recovery in EU economy

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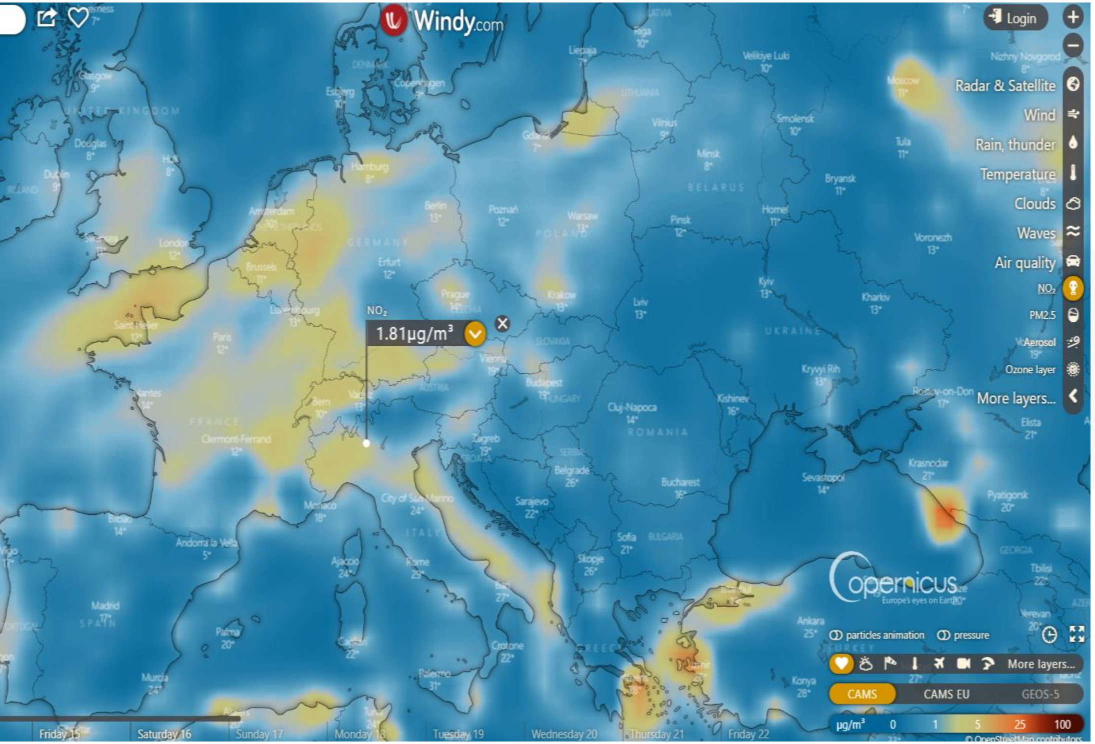
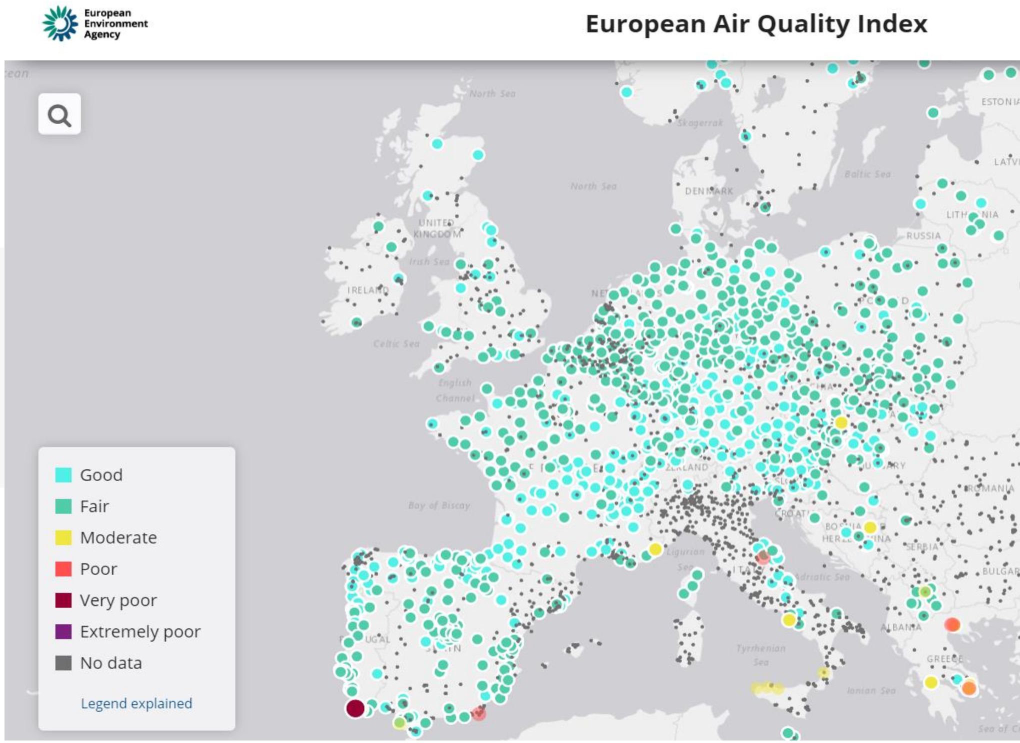
ES: NO2 kiekis atmosferoje (2020 05 13)



Source: Copernicus Atmosphere Monitoring; Windy.com

ES: air quality index 2020 05 13



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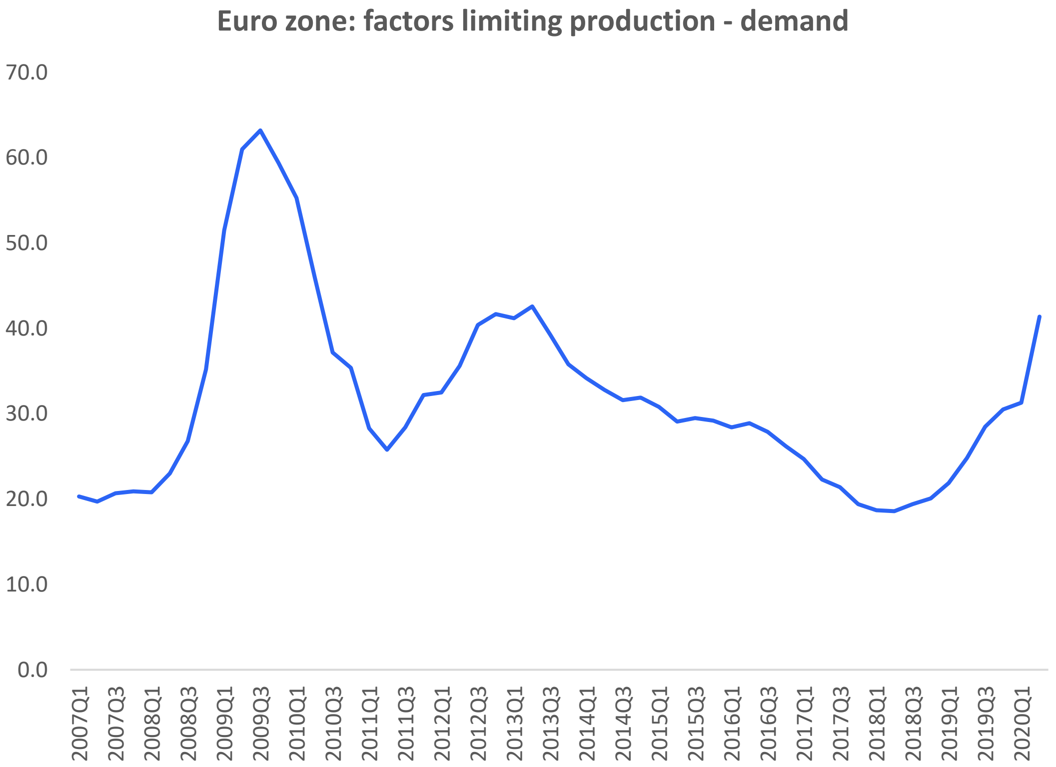
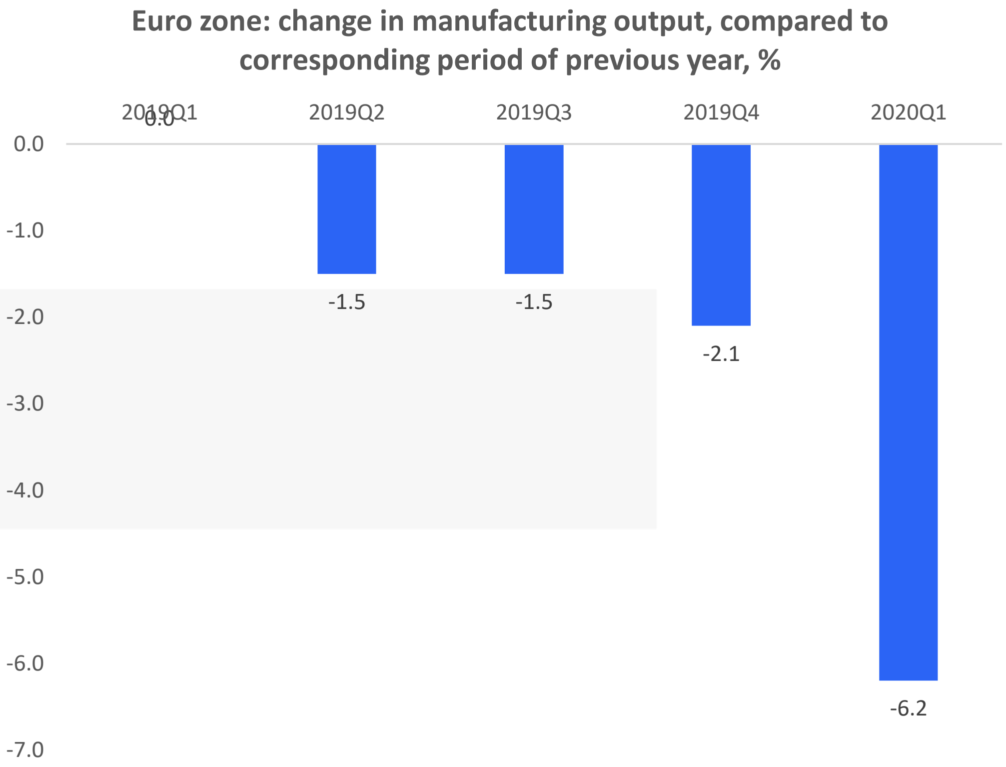
Situation in euro zone industry is getting worse





Source: Eurostat

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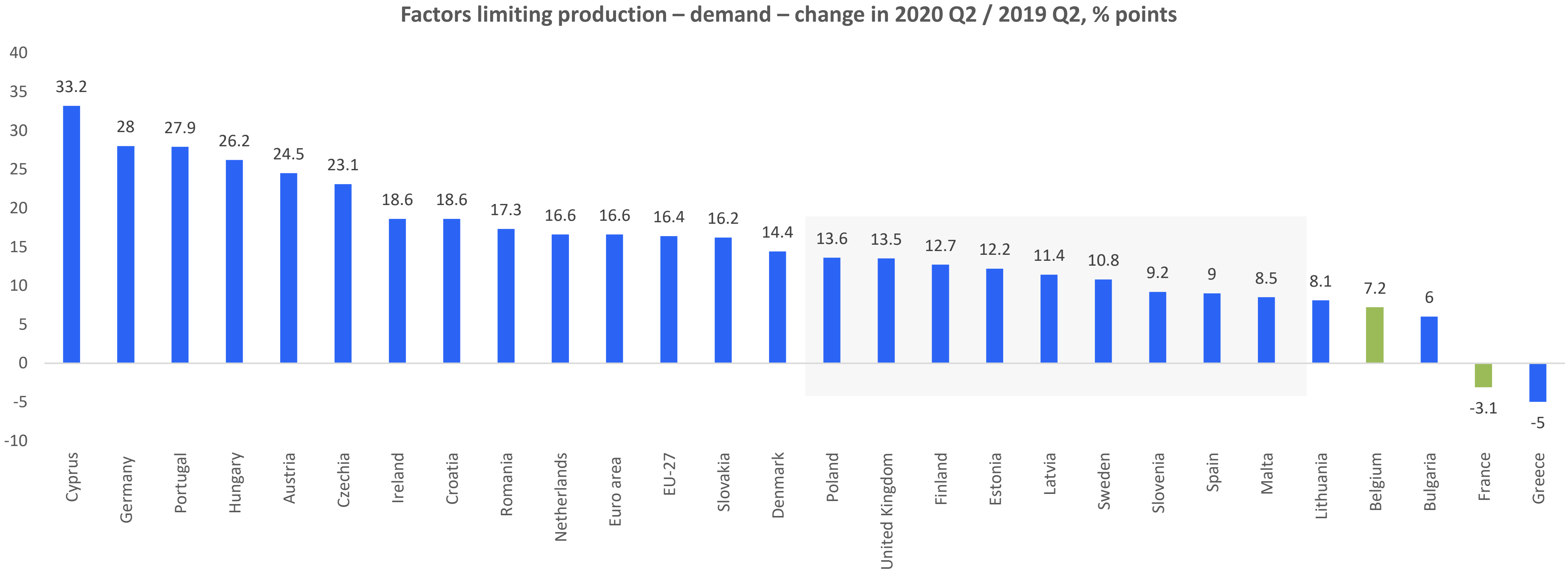
Where to shift export orders right now?



Source: Eurostat

Where to shift export orders right now?

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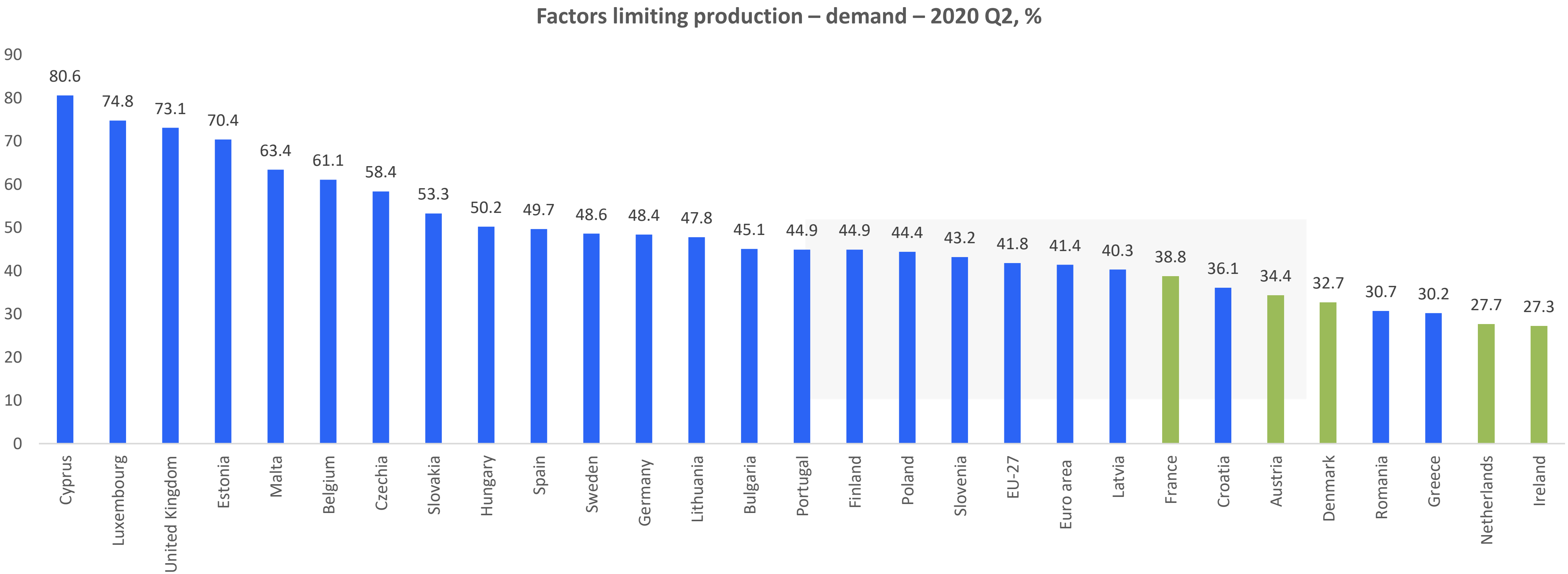

Source: Eurostat

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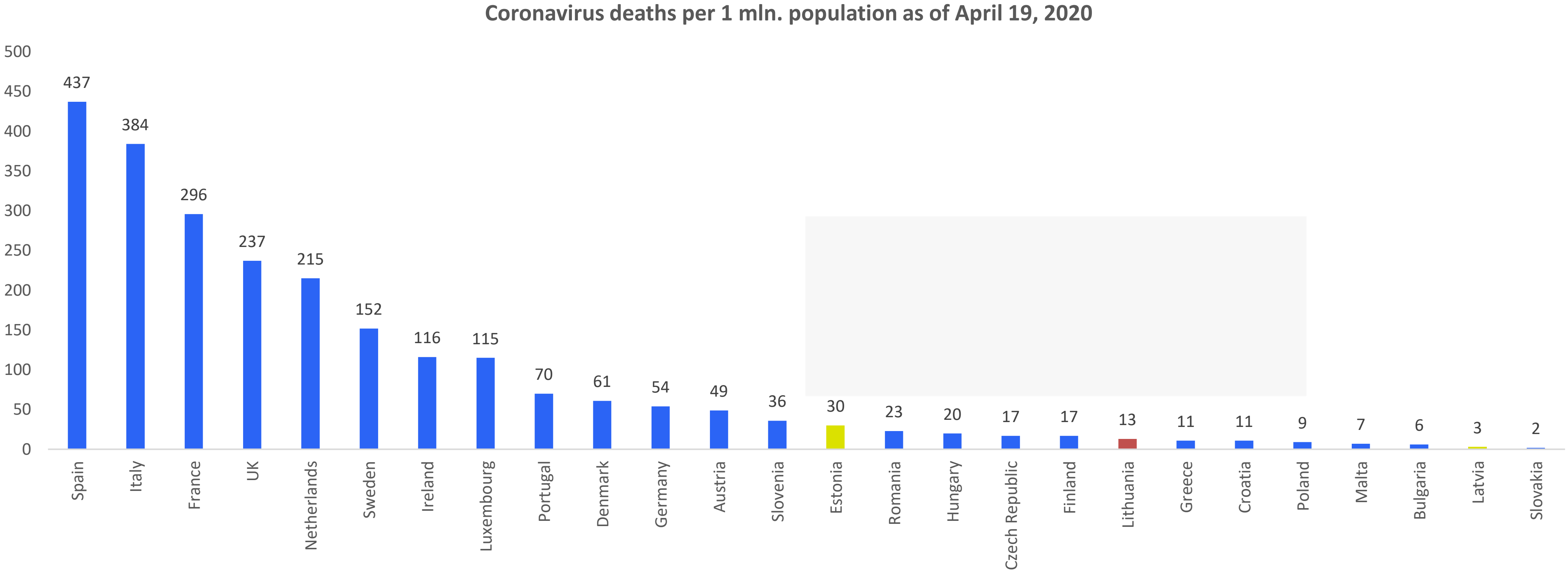
How Baltic region is doing?

Baltic region is experiencing only mild Covid-19 epidemic



Source: Worldometer; WHO

Why Baltic region managed to avoid Italian and Spanish Covid-19 scenario?

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- Swift government reaction (implementation of lockdown measures)
- Extensive testing
- Low population density (natural social distancing)
- High self-awareness level among citizens (people are honouring govt recommendations)

Baltic nations are executing extensive testing programs

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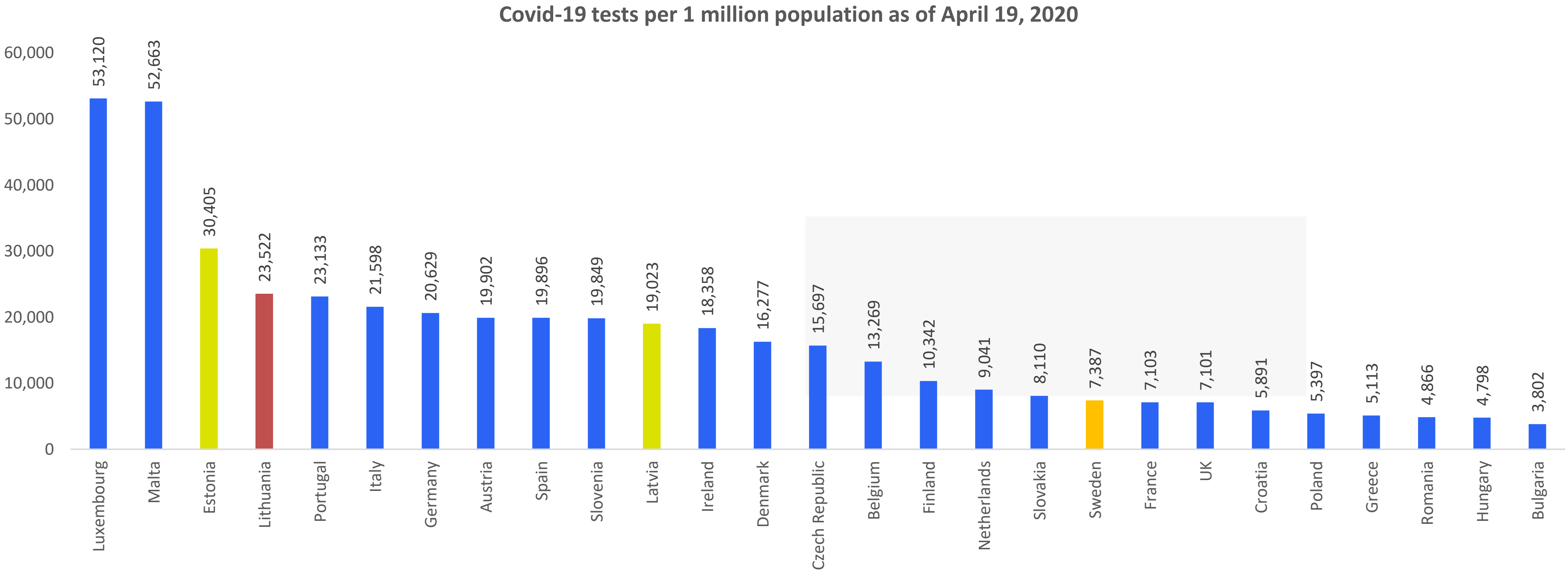
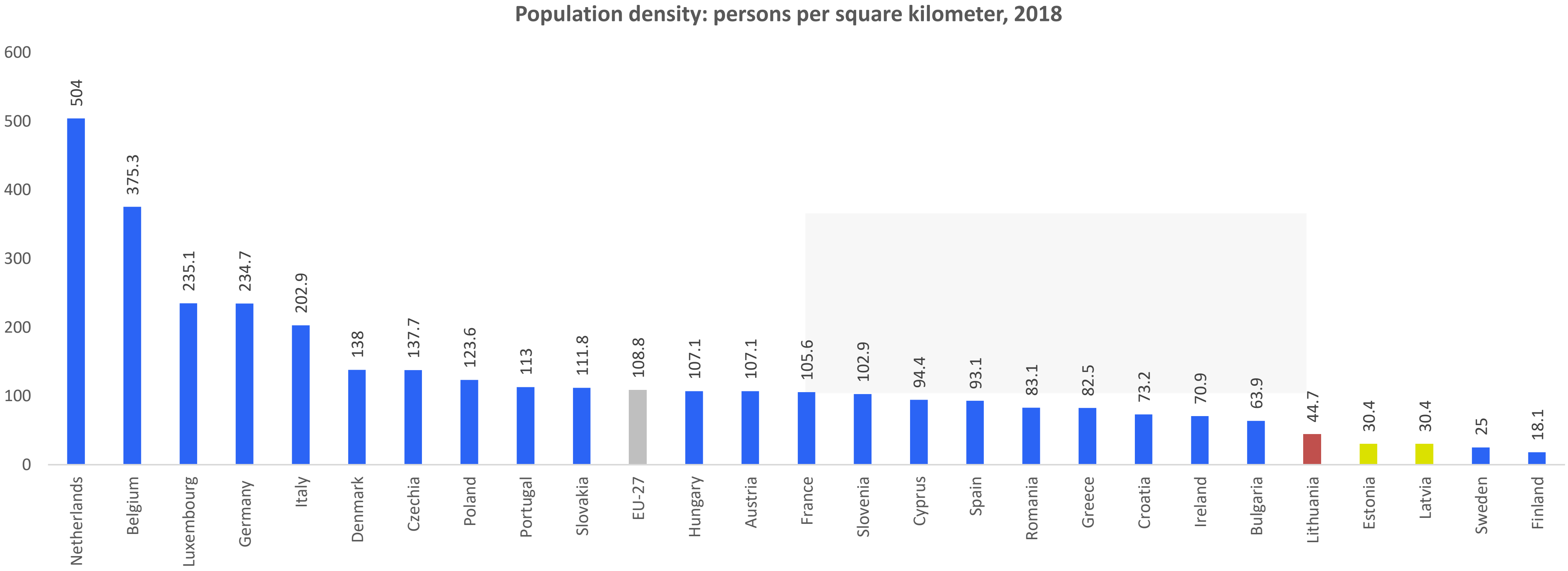


Source: Worldometer; WHO

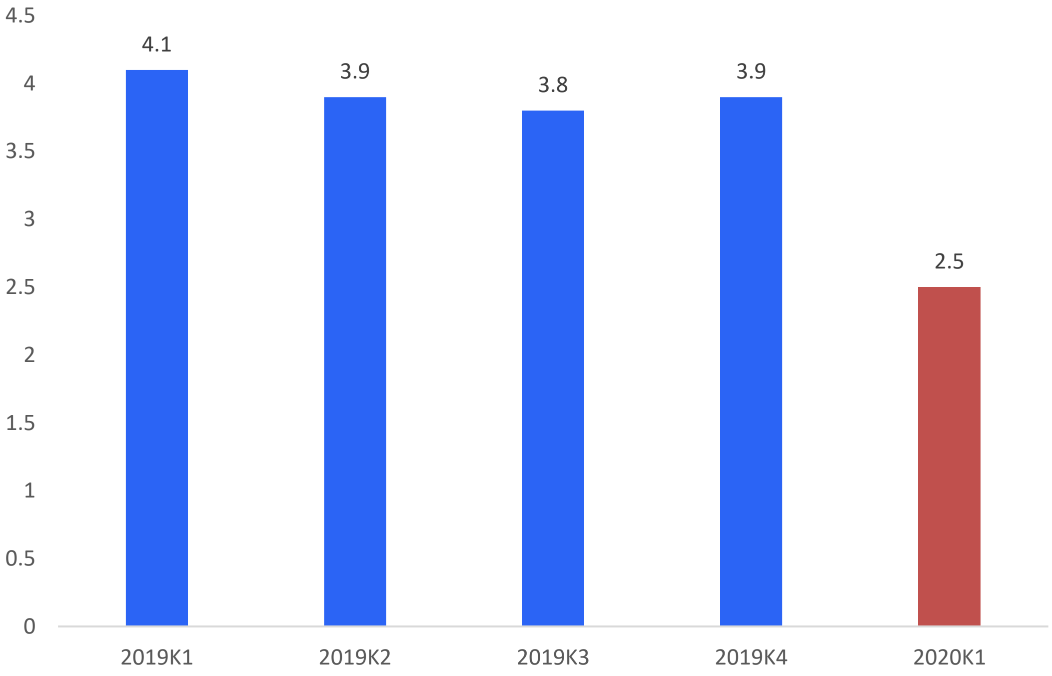
Baltic region: natural social distancing



Source: Eurostat

In 2020 Q1 LT GDP still increased

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



Source: Lithuanian Statistics Department

LT manufacturing businesses were finishing old orders in 2020 Q1

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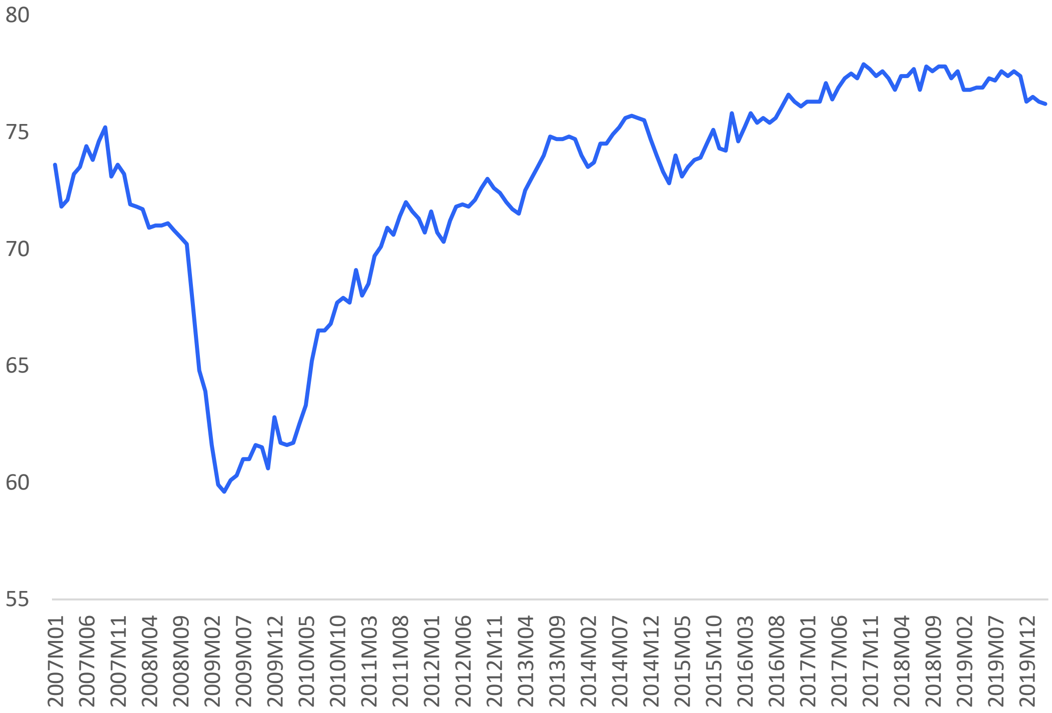
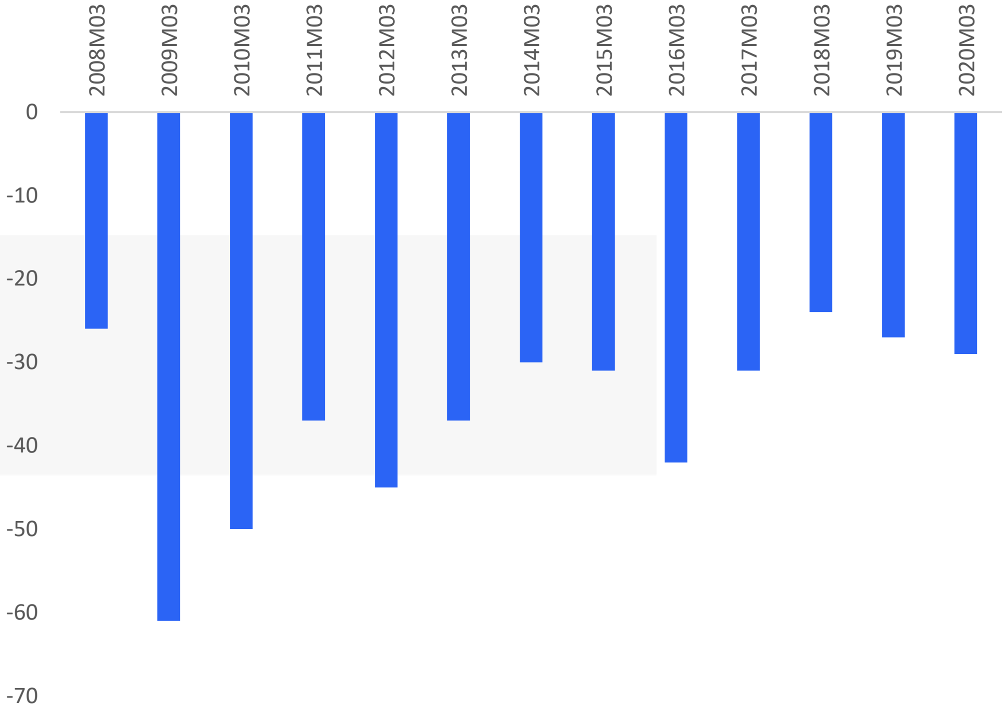
Lietuva: pramonės pajėgumų panaudojimo lygis, proc.



Lietuva: eksporto paklausos gamybos sektoriuje vertinimas



Source: Lithuanian Statistics Department

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Export expectations of LT manufacturing companies are at the worst level since global financial crisis – LV and EE will follow suit

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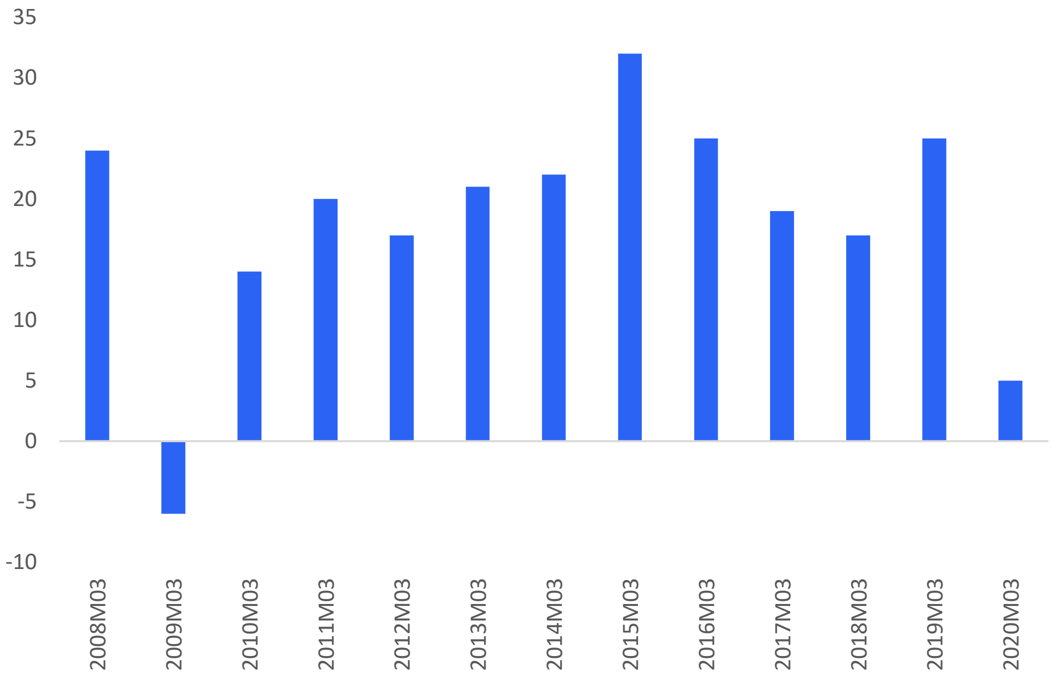
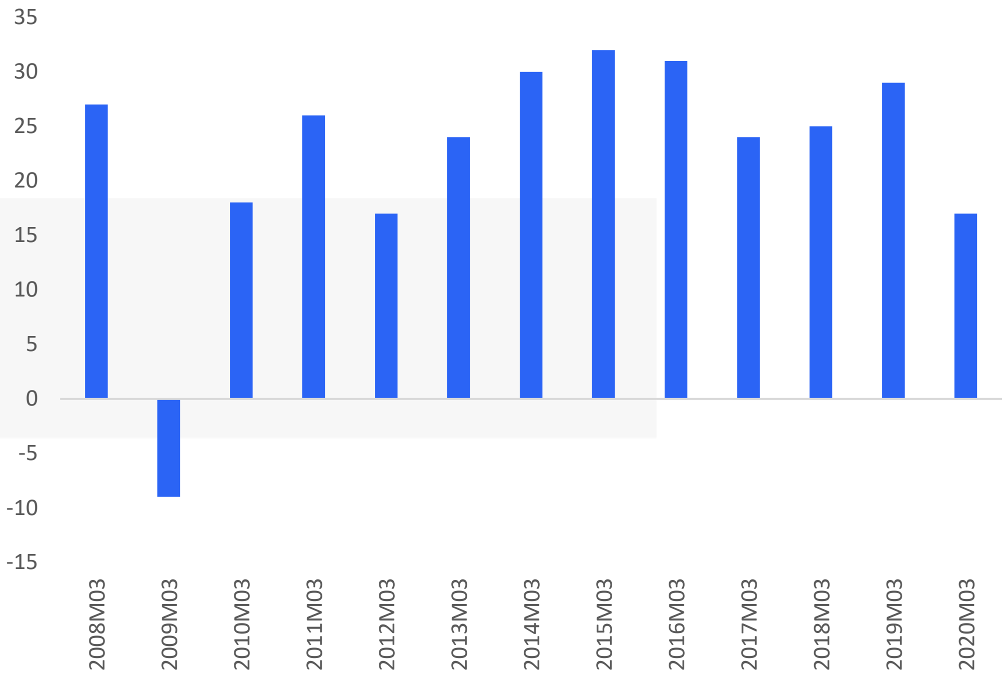
Lithuania: assessment of future export demand (next 3 months) among industrial businesses



Lithuania: assessment of future production output level (next 3 months) among industrial businesses



Source: Eurostat

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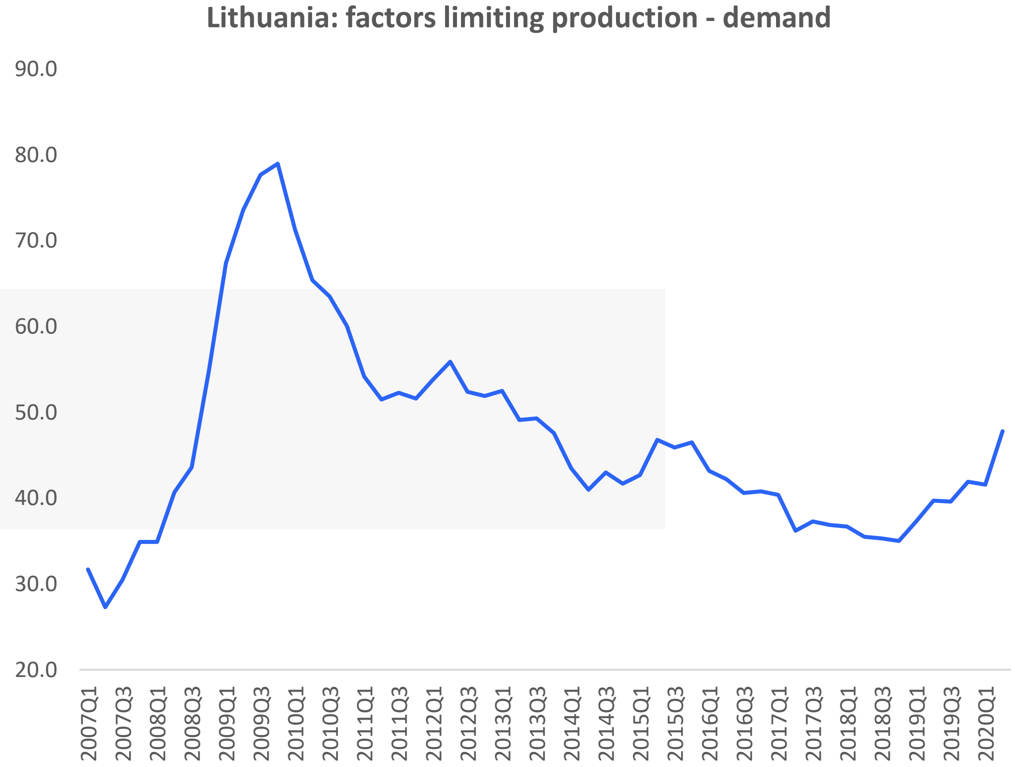
In 2020 Q2 manufacturing situation will worsen



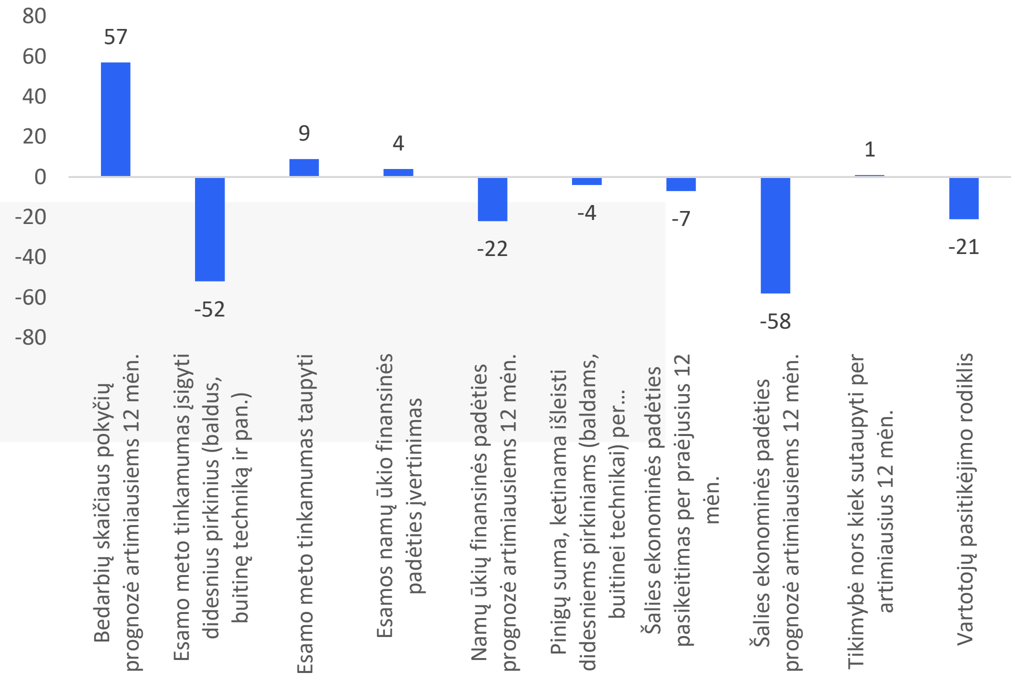
Source: Eurostat

Consumers are becoming cautious and focus on necessities

Apyvartos (be PVM) pokyčiai
Palyginamosiomis kainomis, procentais

Ekonominės veiklos rūšys (EVRK 2 red.)	2020 m. kovo mėn., palyginti su		2020 m. sausio-kovo mėn., palyginti su 2019 m. sausio-kovo mėn., pašalinus darbo dienų skaičiaus įtaką
	2020 m. vasario mėn., pašalinus sezono ir darbo dienų skaičiaus įtaką	2019 m. kovo mėn., pašalinus darbo dienų skaičiaus įtaką	
47 skyrius. Mažmeninė prekyba	**-10,4**	**-5,7**	**1,8**
Mažmeninė prekyba, neįskaitant automobilių degalų	-10,3	-4,4	3,3
Maisto prekės, alkoholiniai gėrimai ir tabako gaminiai	2,6	5,5	3,9
Nespecializuotose parduotuvėse	2,9	5,7	3,9
Specializuotose parduotuvėse	-12,0	-1,2	7,9
Ne maisto prekės	-22,1	-14,3	2,6
Specializuotose parduotuvėse			
Tekstilė, drabužiai ir avalynė	-56,0	-52,9	-10,9
Garso ir vaizdo įranga, įrašai, metalo dirbiniai, dažai ir stiklas, elektriniai buitiniai prietaisai, baldai ir apšvietimo įranga	-28,6	-24,2	-1,3
Informacijos ir ryšių technologijų įranga, kultūros ir poilsio prekės, laikrodžiai, juvelyriniai dirbiniai bei kitos naujos prekės	-21,5	-10,9	7,8
Farmacijos, medicinos ir kosmetikos prekės	-2,0	5,6	5,8
Užsakomasis pardavimas paštu arba internetu	9,5	29,8	25,9
Nespecializuotose parduotuvėse	-36,3	-34,2	-13,0
Automobilių degalų mažmeninė prekyba	-10,5	-10,8	-3,4
56 skyrius. Maitinimo ir gėrimų teikimo veikla	**-46,5**	**-44,9**	**-11,4**

Lithuania: change in consumer sentiment indicator in 2020 April, compared to 2019 April, points



Source: Lithuanian Statistics Department

How did mobility of LT citizens changed during Covid-19 outbreak?

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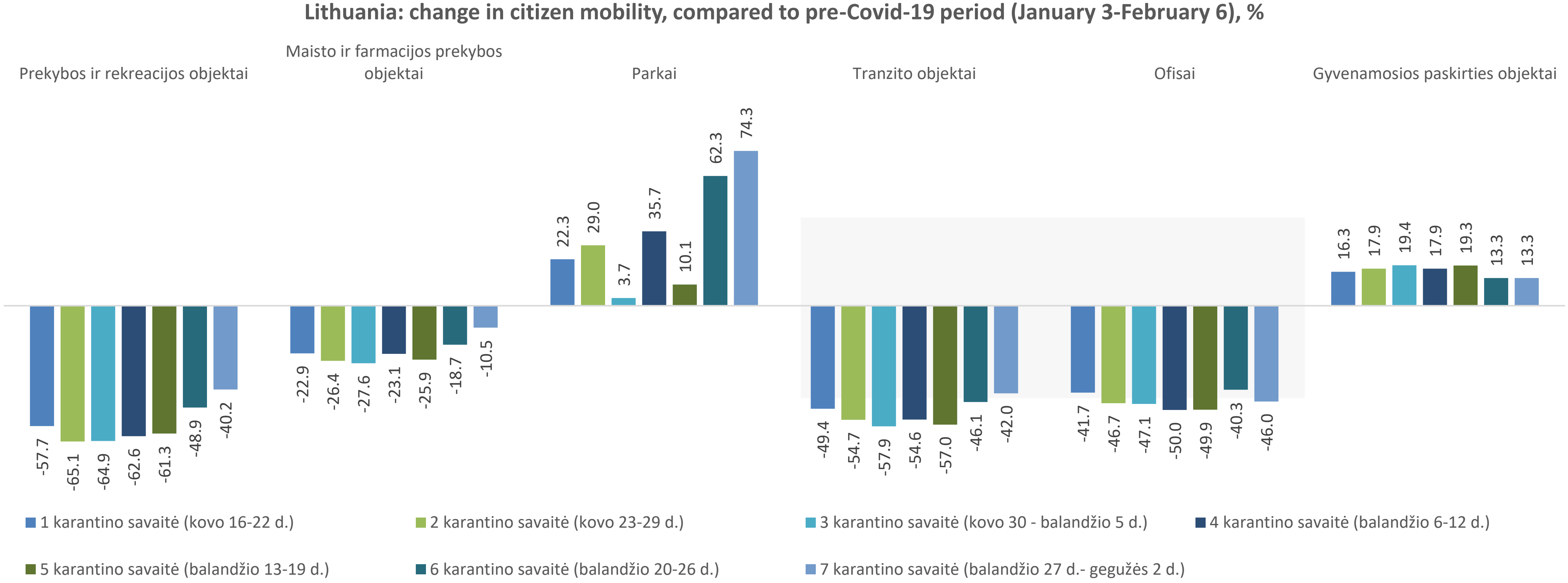

Source: Google COVID-19 Community Mobility Reports

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Some good news ☺

LT economy is entering a stabilization phase

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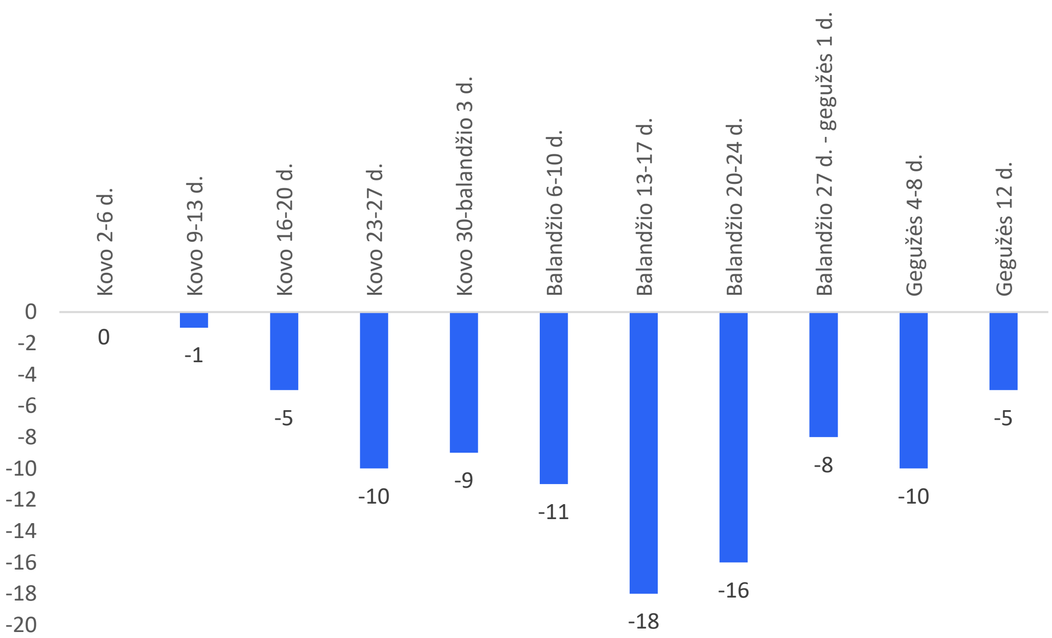
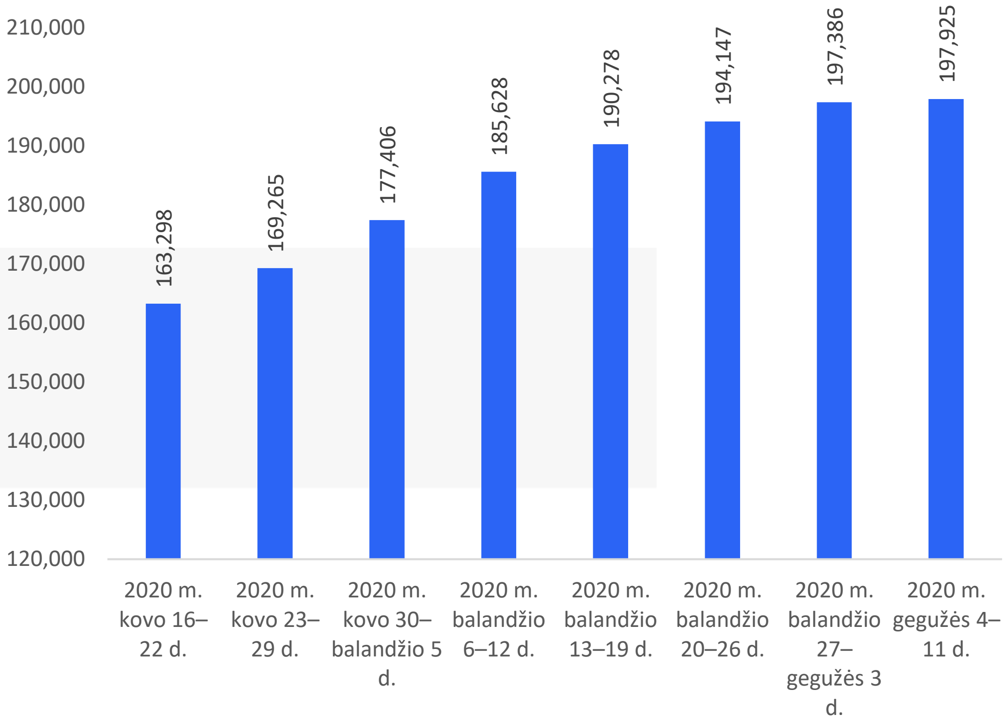
Lithuania: change in average peak hour (8:00 - 18:00) electricity consumption in 2020, compared to the corresponding week in 2019, %

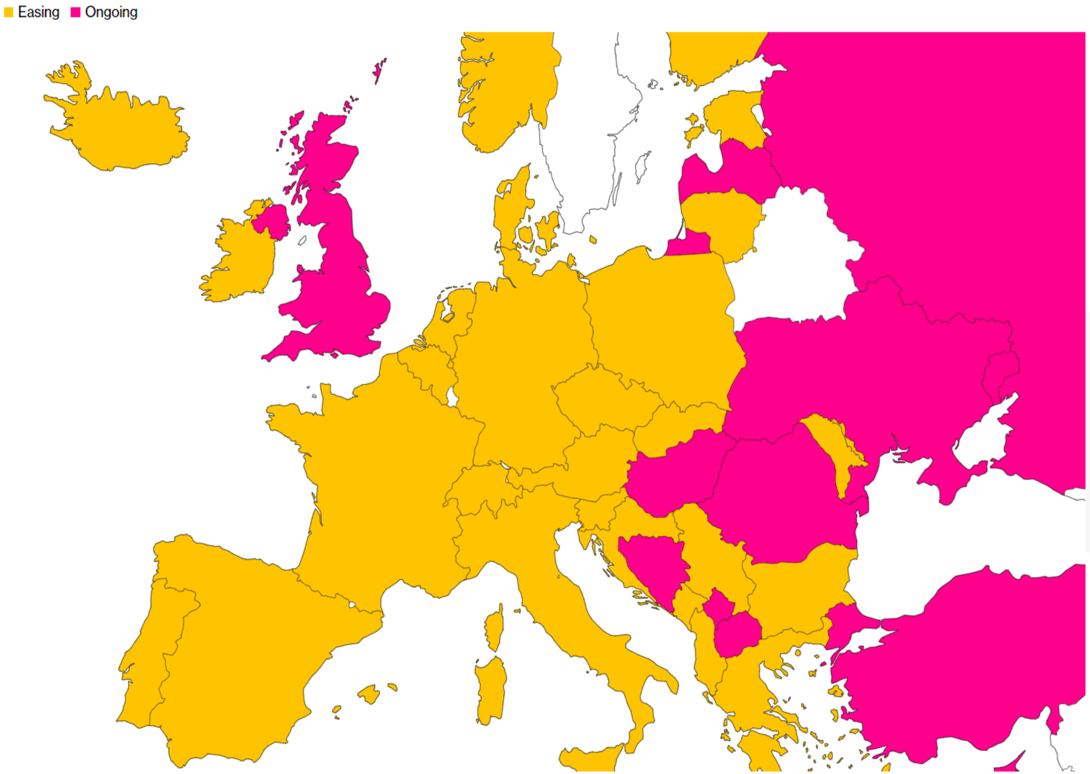


Lithuania: number of unemployed persons



Source: Bruegel; Entsoe-E; Lithuanian employment agency

Most EU nations are starting to ease lockdown measures



Source: Bloomberg

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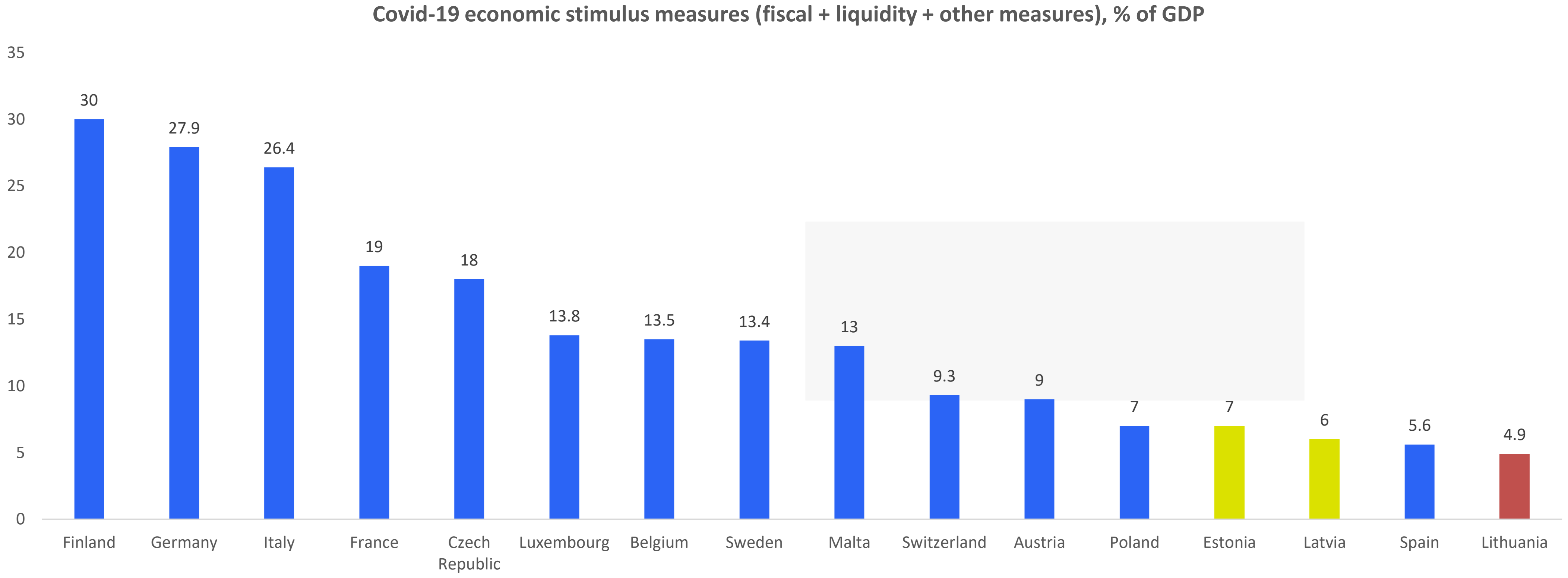
Economic stimulus packages in the Baltic region are quite small



Source: IMF (Policy responses to Covid-19)

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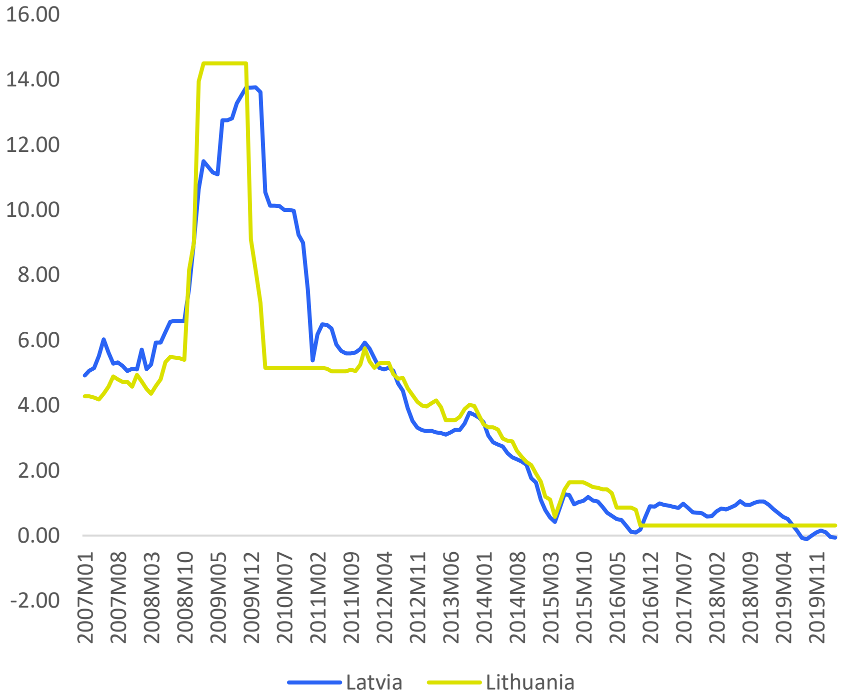
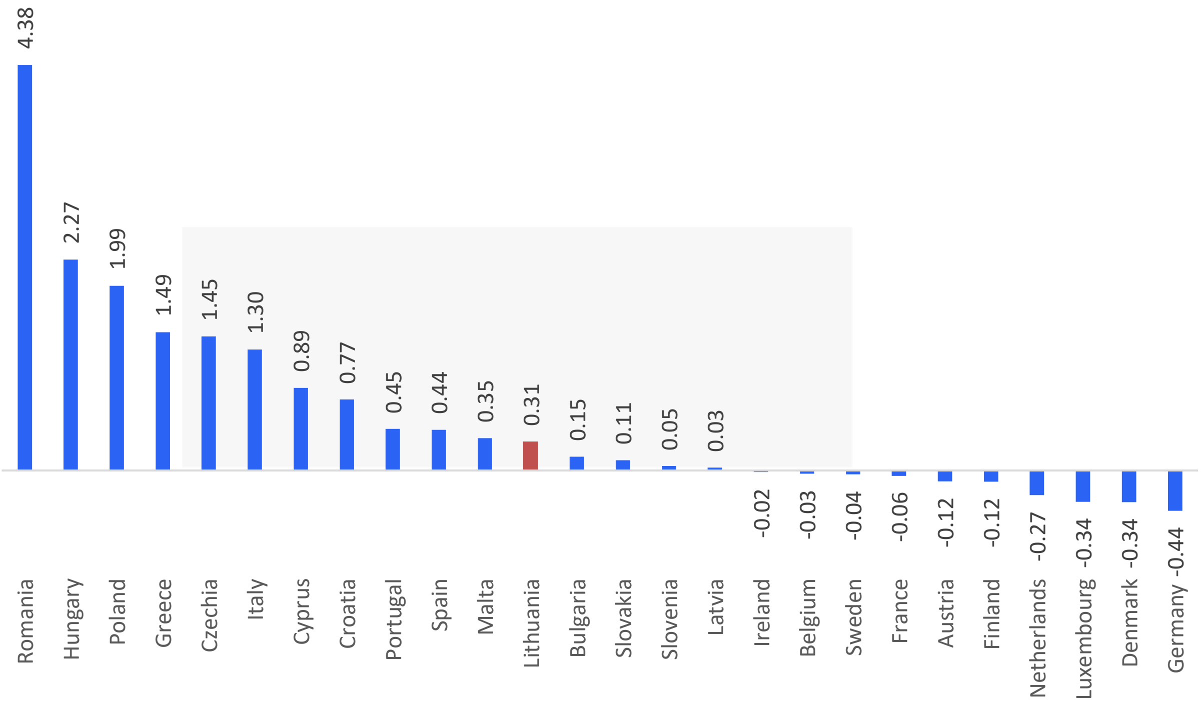
Membership in the euro zone + low borrowing costs + sound public finances allow broader economic stimulus measures in the Baltics (1)





Source: Eurostat. Estonia: no data (no bond emissions)

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Membership in the euro zone + low borrowing costs + sound public finances allow broader economic stimulus measures in the Baltics (2)

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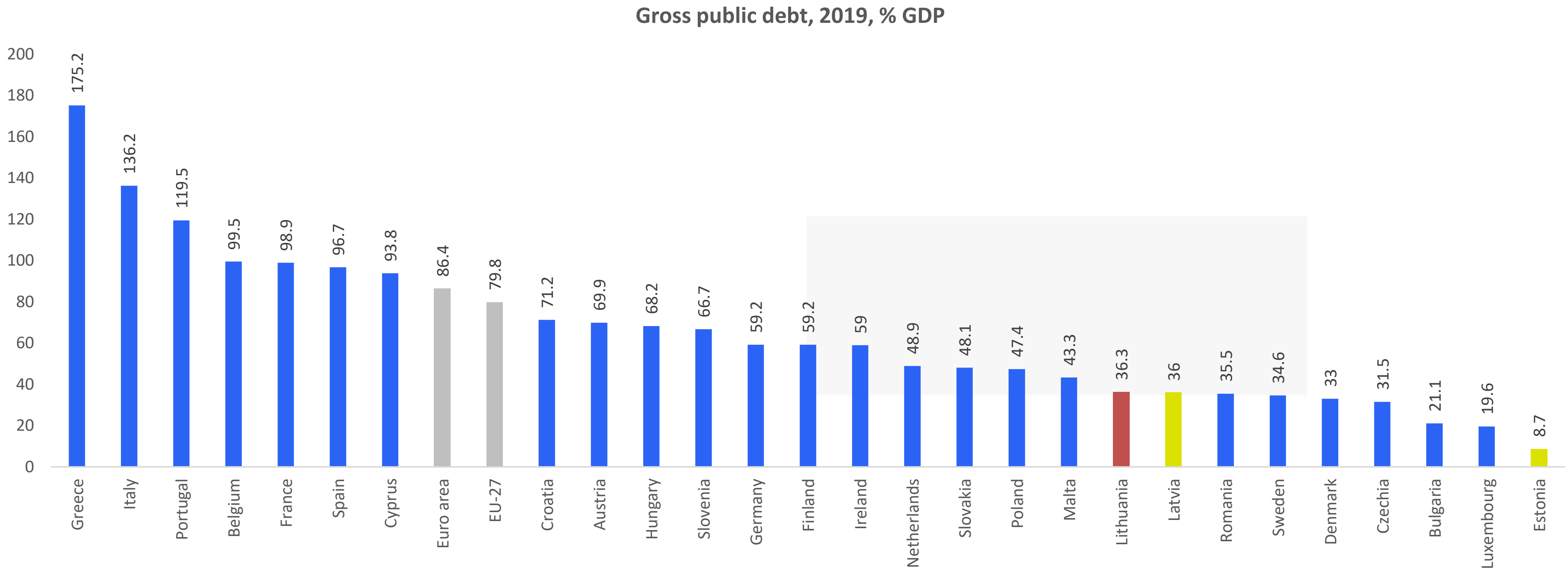

Source: EU Commission

Lithuanian case: major export markets implement stimulus and plan to ease lockdowns → good potential for fast export recovery

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Country	Rank among top LT export markets in 2019	Economic stimulus?	Exit from quarantine measures?
Germany	1 (11,6% of total LT export)	Yes (28% of GDP)	Yes (since end of April)
Sweden	2 (8% of total LT export)	Yes (13,4% of GDP)	Only minimal business restrictions imposed
Poland	3 (8% of total LT export)	Yes (7% of GDP)	Yes (since April 19)
UK	4 (6,3% of total LT export)	Yes	Lockdown until at least May 7
Latvia	5 (5,6% of total LT export)	Yes (6% of GDP)	No specific exit measures so far
Norway	6 (5,1% of total LT export)	Yes	Yes (since April 7)
Netherlands	7 (5% of total LT export)	Yes	No specific exit measures so far

Source: Eurostat; Lithuanian Statistics Department

Baltic exporting industries increased productivity and maintain cost competitiveness → good potential for fast export recovery

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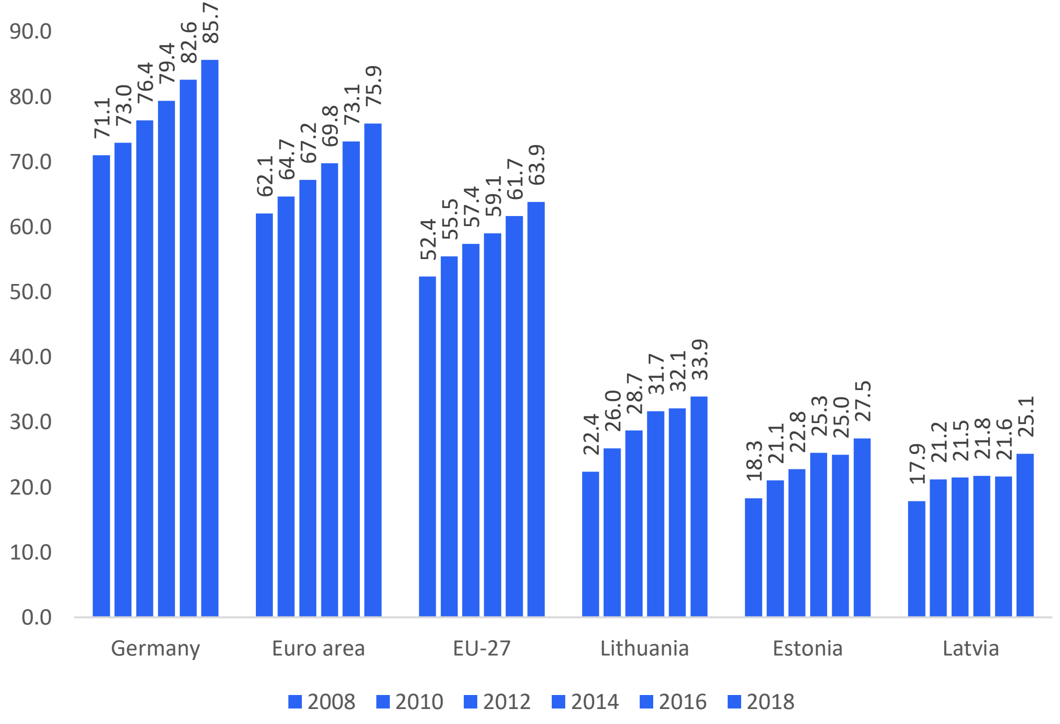
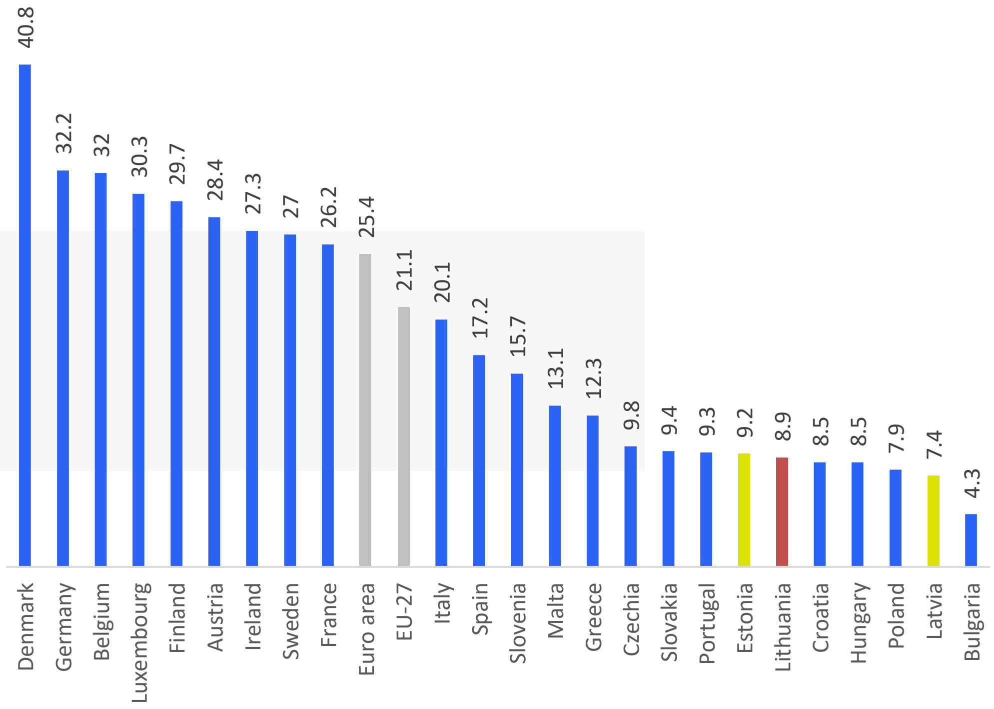
Manufacturing: yearly value added per employee, ths. EUR



Manufacturing: hourly wages, 2019, EUR/hour



Source: Eurostat

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Rapid increase in trade credit assets → demand for factoring services in the Baltics will increase

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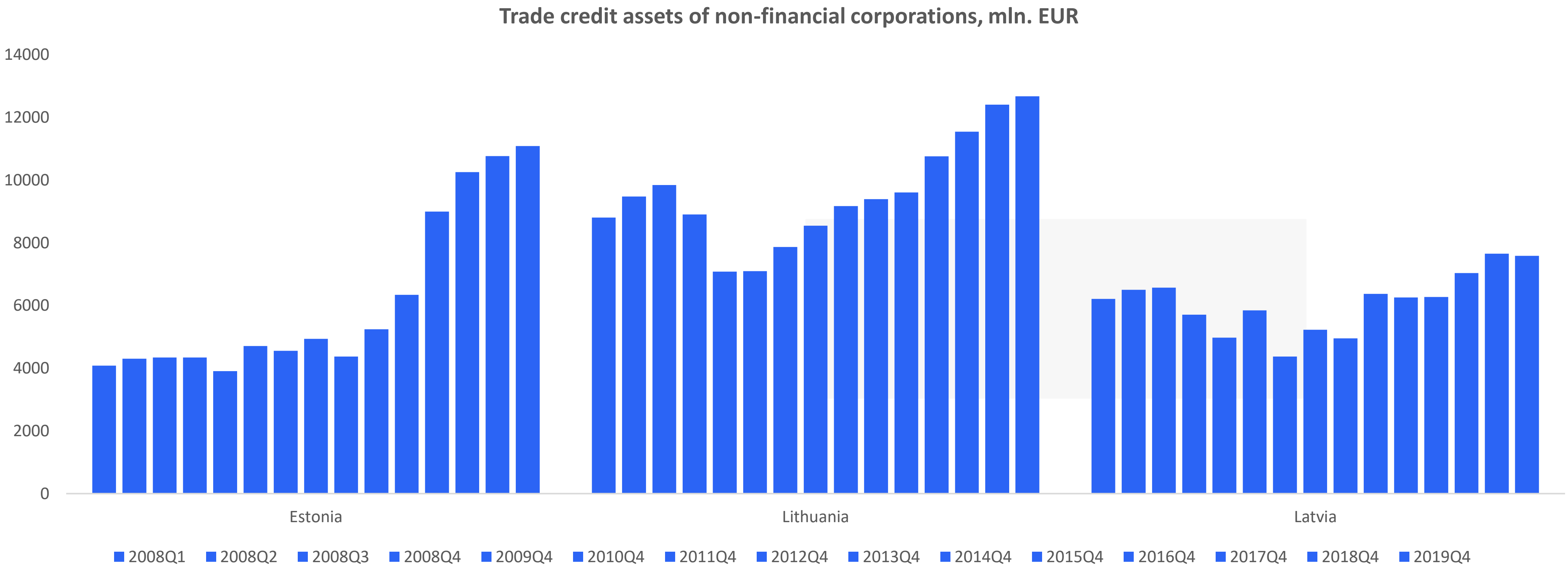

Source: ECB

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Factoring demand among Baltic businesses is very high

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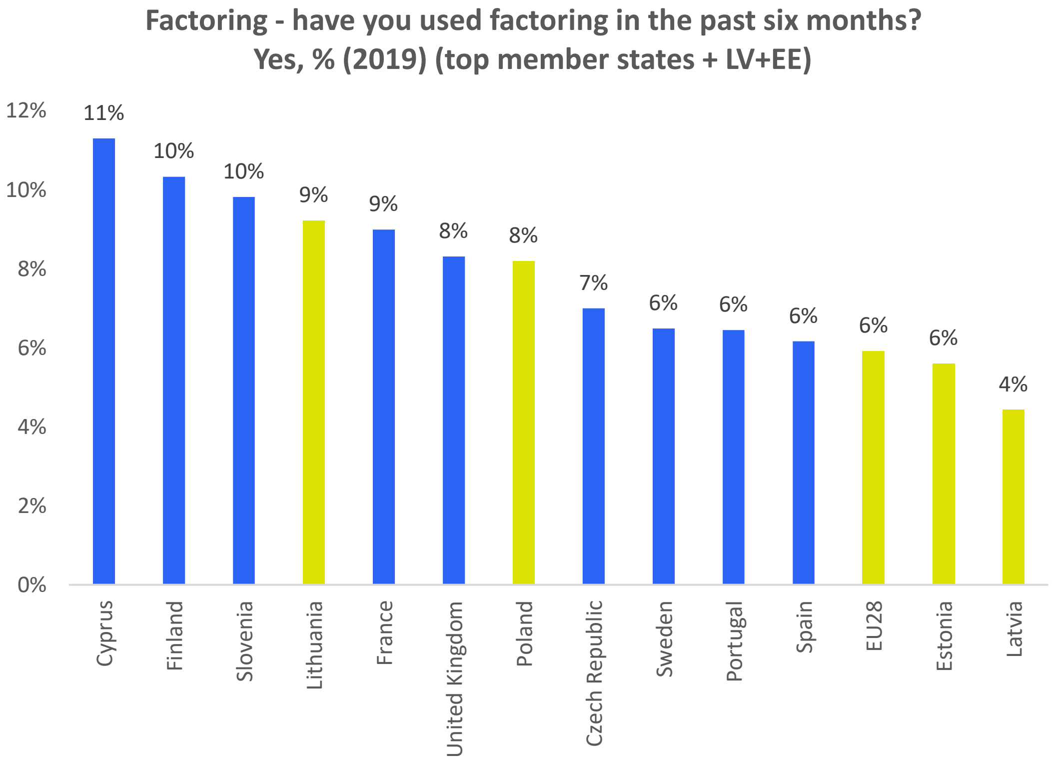

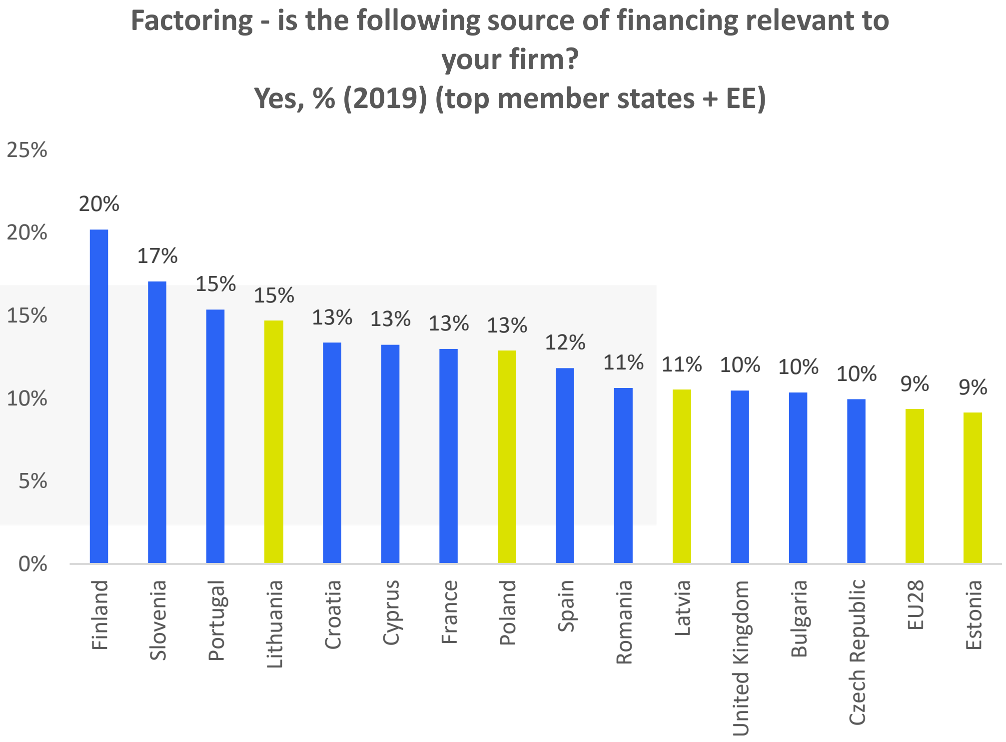

Source: EU Commission (Survey on access to finance of enterprises SAFE)

Factoring demand among Baltic businesses: why so high?

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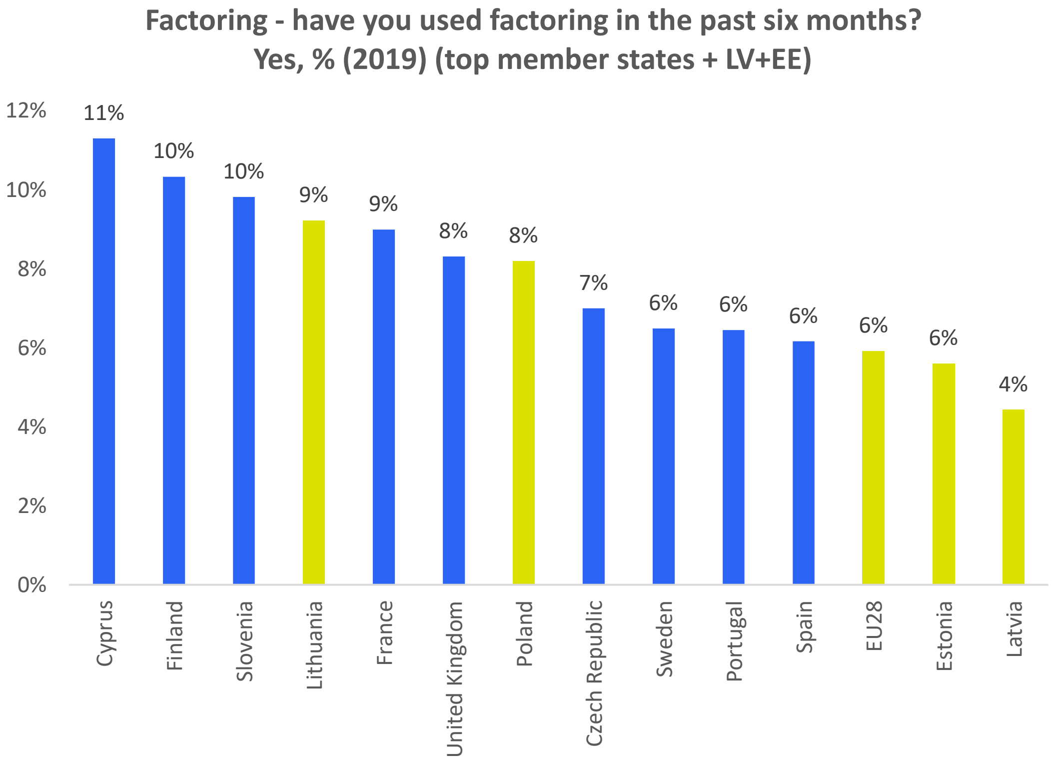

Source: EU Commission (Survey on access to finance of enterprises SAFE)

1. High dependency of BSR economies on export and export-related sectors – both in terms of GDP structure and contribution to GDP growth:
   - LT: manufacturing – biggest economic sector (21% of GDP); manufacturing generates more than 75% of export of goods and services
2. Dynamic growth in trade credit assets of BSR non-financial corporations → BSR NFCs are becoming more prone to sell their goods and services through delayed/postponed payment option;
3. As banks are becoming more risk-averse, BSR businesses are becoming more reliant on internal capital to finance business development → factoring services enable BSR businesses to "unfreeze" equity capital and us it to finance investments.

In 2020 bank loans to businesses declined in LT and LV

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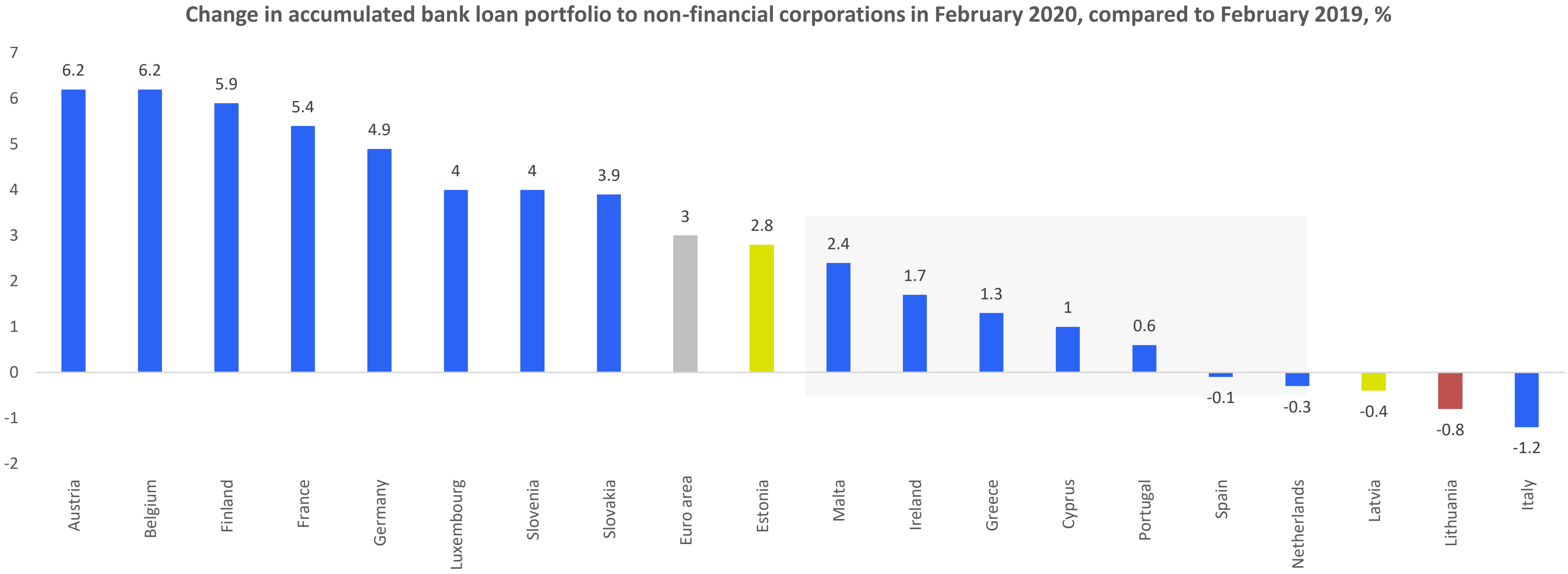

Source: ECB

sme:Finance

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