

Economy Review of Lithuania

2015

Ministry of Economy of the Republic of Lithuania
Economic Policy Division
25 March 2016

Growing household consumption and private investments led to the GDP growth by 1.6% in 2015, but is set to rebound to 2.5% in 2016. The Lithuanian industry production expanded, the retail trade growth remained at a high rate. Meanwhile, the construction sector boom has stopped.

Macroeconomics

Main indicators (2015)

- Real GDP growth as compared to the previous year reached **1.6%**
- Average annual inflation rate was negative **-0.7%**
- As compared to the previous period nominal exports of goods and services fell by **4.1%**
- Average gross monthly earnings amounted to **€712.1**
- Average gross monthly earnings change as compared to the previous year made **5.8%**
- The unemployment rate fell to **9.1%**

Figure 1. GDP growth as compared to the previous period

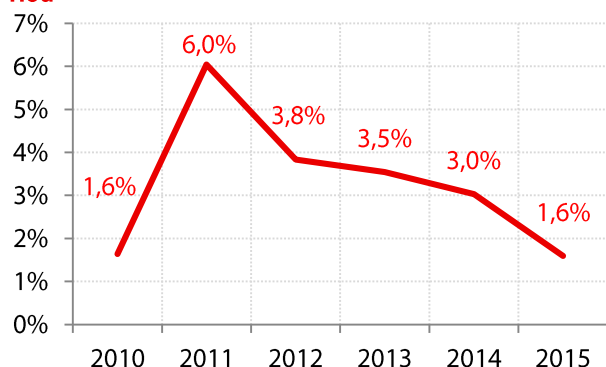
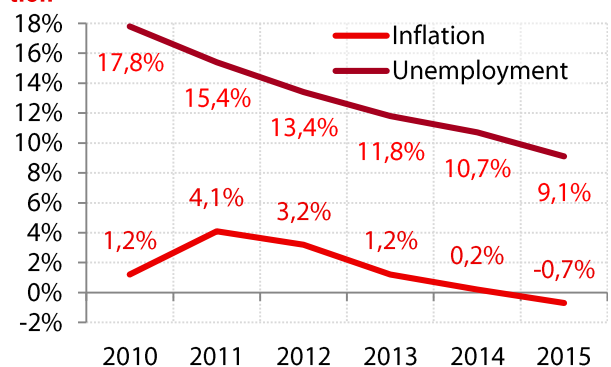


Figure 2. Unemployment rate and annual average inflation



Source: Statistics Lithuania and calculations by The Ministry of Economy.

In 2015, Lithuania's GDP keeps growing. Lithuania's gross domestic product increased by 1.6% as compared to the previous year. Economic growth was driven by the household consumption and by investments, meanwhile, gross export has become the main negative factor. The highest growth of gross value added was in wholesale and retail trade as well as the manufacturing sectors. Positive performance was seen in all other sectors, except for construction and real estate operations. In the period under review, the Economic Sentiment indicator was on average 1.2 points higher than a year ago.

Growing wages and employment drives household spending. In 2015, the annual rate of change in household consumption expenditures reached 4.9%. At the same time, the Consumer Confidence index increased on average by 6.7 points to the -7.5 points level.

The overall government expenditure remains moderate. In the period under review, as compared to the previous period, public spending grew by 2.0%. According to the forecasts of the Ministry of Finance, in 2016, the overall government expenditure should increase by 0.9%.

The unemployment rate reached 9.1%, which is the lowest level in eight recent years. In 2015, as compared to the previous year, the unemployment rate fell by 1.7%. Meanwhile, youth unemployment rate has dropped by 3.0% to 16.3% and long-term unemployment rate decreased by 0.9% and reached 3.9%. Employment growth mostly occurred in construction, human health and social work activities and the manufacturing sectors, while the biggest fall was seen in wholesale and retail trade, mining and quarrying, transportation and storage and other service sectors. The real annual growth of average monthly earnings accelerated to 6.6%.

Lithuanian exports contracted once again. In 2015, the export of goods and services fell by 4.1% and reached €28.4 billion. According to the provisional data it's real annual change was 1.2%. The fall in the export of goods (accounted for 5.7%) was caused by the fall in prices of refined oil products and the negative economic performance in the countries of CIS. In the period under review, the export of services increased by 2.5%. This growth was driven by the construction and other services sectors.

Economy sectors

Main indicators (2015)

- Industrial production growth as compared to the previous year reached **4.9%**
- Annual rate of change in production in manufacturing was **5.8%**
- Retail trade growth as compared to the previous year reached **5.5%**
- The change in transportation of goods by railroads as compared to the previous period was **-1.9%**
- Growth of construction (own-account) work carried out within the country as compared to the previous year was negative - **-3.5%**
- Economic sentiment indicator was higher than in the previous year on average by **1.2 points**
- Consumer confidence indicator as compared to the previous year rose on average by **6.7 points**

Figure 3. Industrial production growth

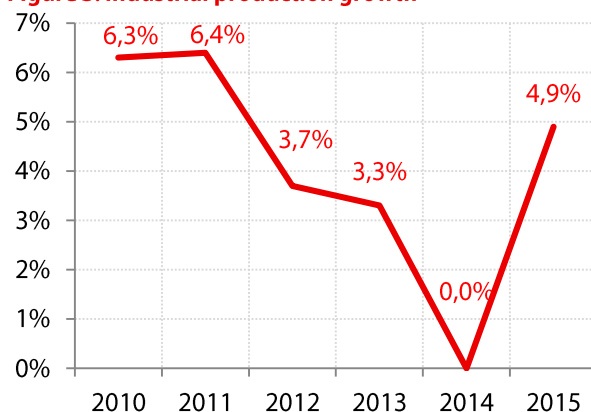
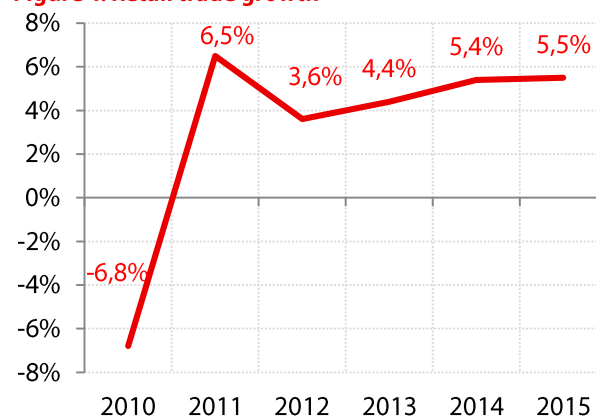


Figure 4. Retail trade growth



Source: Statistics Lithuania and calculations by The Ministry of Economy.

Industrial production expanded. In 2015, industrial production output increased by 4.9% as compared to the previous year. Despite the fall in the capacity level of manufacturing (by -0.9 points), Lithuanian industry remains competitive. In the period under review, industrial production grew by 4.2% with the exclusion of refined oil products. Manufacturing production output growth was even higher – 5.8% with the production of refined oil products excluded – 5.3%. Manufacturing growth was driven by the growth in manufacture of refined petroleum products, furniture and wood products, computer, electronic and optical products, pharmaceutical products and pharmaceutical preparations, printing and the reproduction of recorded media. The growth rate of manufacture of food production remains positive (despite Russia's embargo). The Industrial Confidence index was by 1.3 points lower than a year ago.

The construction sector contracted. In 2015, as com-

pared to the previous year, the construction works carried out within the country decreased by 3.5% and amounted to €2.5 billion. The growth of the construction of residential buildings remains at a high level – 38.3%, meanwhile, in non-residential buildings the growth is down by 5.7%. The construction of civil engineering structures fell by 11.5% to €1.1 billion. On average, the Construction Confidence indicator fell sharply - by 7.3 points.

Retail trade growth remains at a high rate. In 2015, the turnover of retail trade rose by 5.5% and reached €9.0 billion. Falling oil prices supported the retail sale of automotive fuel (+9.0%); the retail sale of non-food products also grew at a higher rate than the total market – by 6.1%.

2015 was negative only to railways. In 2015, the growth rate of cargoes in seaports reached 7.7%, the number of passengers in airports – up to 11.3% as compared to the previous year. At the same time, handled cargo by rail transport decreased by 1.9%.

Table 1. Main Lithuania's economy indicators

	2010	2011	2012	2013	2014	2015
GDP						
Nominal, EUR m	28.028	31.263	33.335	34.962	36.444	37.190
Real annual change	1,6%	6,0%	3,8%	3,5%	3,0%	1,6%
Per capita, EUR	9.049	10.324	11.157	11.821	12.428	12.802
Average inflation	1,2%	4,1%	3,2%	1,2%	0,2%	-0,7%
Industrial production						
Real annual change	6,3%	6,4%	3,7%	3,3%	0,0%	4,9%
Nominal, EUR m	15.902	19.158	20.597	20.756	19.533	18.751
Turnover of retail trade						
Real annual change	-6,8%	6,5%	3,6%	4,4%	5,4%	5,5%
Nominal, EUR m	6.615	7.431	7.908	8.304	8.769	8.969
External trade						
Exports of goods, EUR bn	15,7	20,2	23,0	24,5	24,4	23,0
Annual change	32,7%	28,8%	14,4%	6,5%	-0,7%	-5,7%
Imports of goods, EUR bn	17,7	22,8	24,9	26,2	25,9	25,4
Annual change	34,5%	29,3%	9,0%	5,3%	-1,2%	-1,9%
Balance, EUR bn	-2,0	-2,7	-1,8	-1,7	-1,5	-2,4
Foreign direct investment, EUR m	10.031	11.029	12.101	12.720	12.865	-
Unemployment rate	17,8%	15,4%	13,4%	11,8%	10,7%	9,1%
Average gross monthly earnings, EUR	575,8	592,5	615,1	646,3	677,4	712,1
Real annual change	-4,3%	-1,3%	0,5%	3,8%	5,1%	5,8%
Minimum monthly wage						
EUR	231,7	231,7	237,7	289,6	292,2	312,5

Note: some data is provisional and subject to corrections in the future. FDI is calculated at the end of a given period. Average gross monthly earnings data is with individual private enterprises. Unemployment rates are not seasonally adjusted. Retail trade data is without trade of motor vehicles.

Source: Statistics Lithuania, Bank of Lithuania, Ministry of Economy.

Useful sources:

- Ministry of Economy of the Republic of Lithuania: <http://www.ukmin.lt/en/>
- Invest Lithuania: <http://www.businesslithuania.com/en/index.html>
- Enterprise Lithuania: <http://www.businesslithuania.com/en/index.html>
- Investors' Forum: <http://www.investorsforum.lt/en>
- Statistics Lithuania: <http://www.stat.gov.lt/en/>
- The Bank of Lithuania: <http://www.lb.lt/home/default.asp?lang=e>
- Eurostat: <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>