



**LIETUVOS BANKAS**

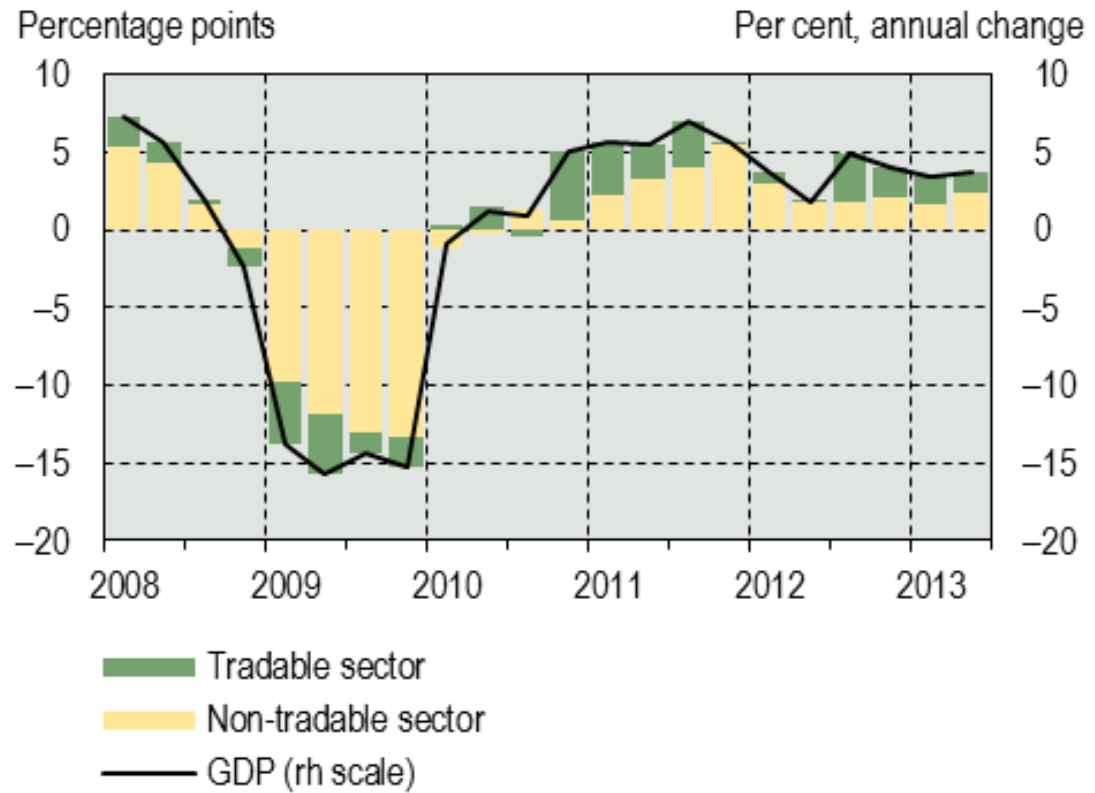
# **Lithuanian Macroeconomic Review**

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Bank of Lithuania  
October 2013



# Economy is growing strongly, currently more supported by domestic demand

### Real GDP growth

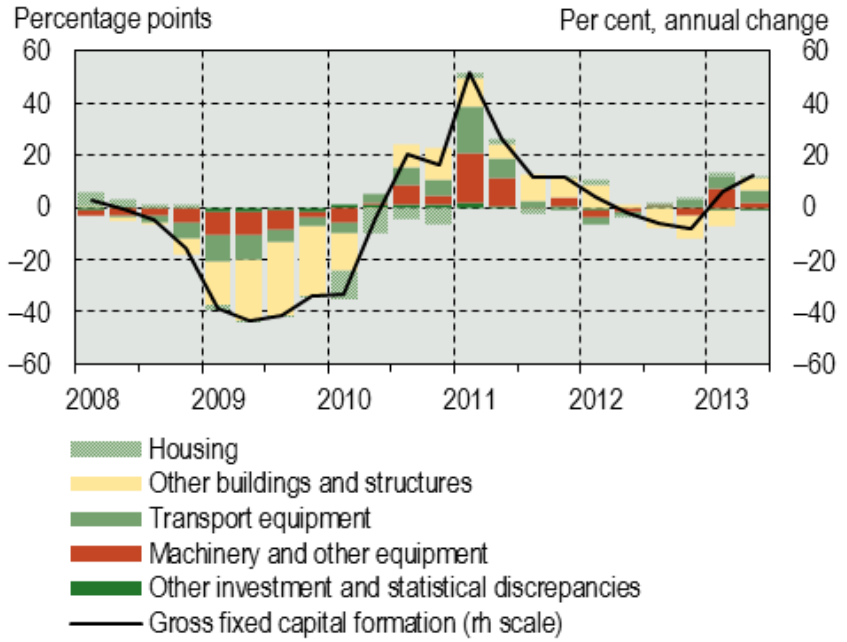


Sources: Statistics Lithuania and Bank of Lithuania calculations.



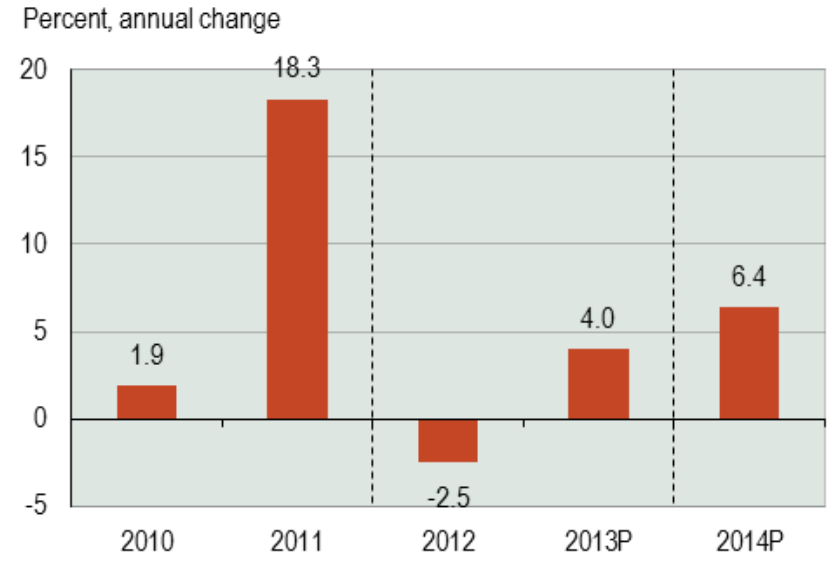
# Following plunge in 2012 investment started growing, though prospects are still surrounded by uncertainty

### Investment growth



Sources: Statistics Lithuania and Bank of Lithuania calculations.

### Investment projection

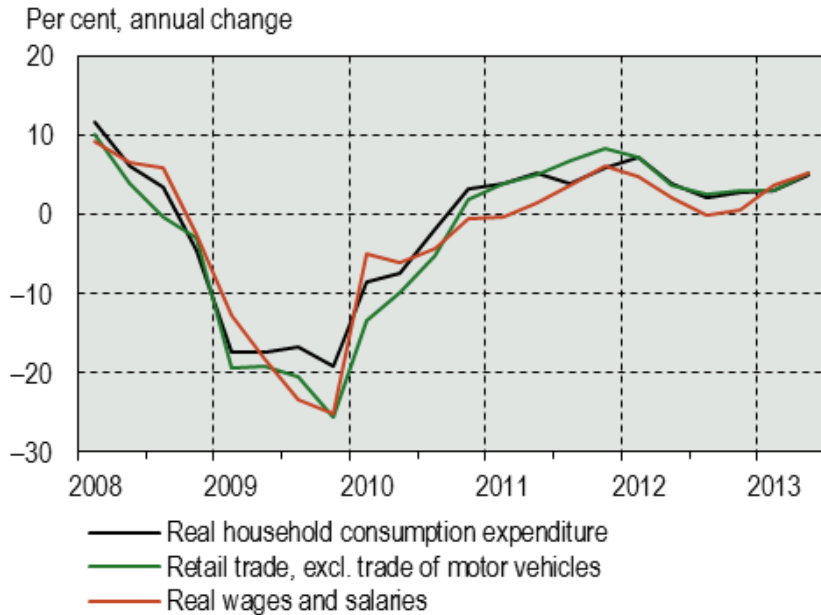


Source: Statistics Lithuania and Bank of Lithuania projections.



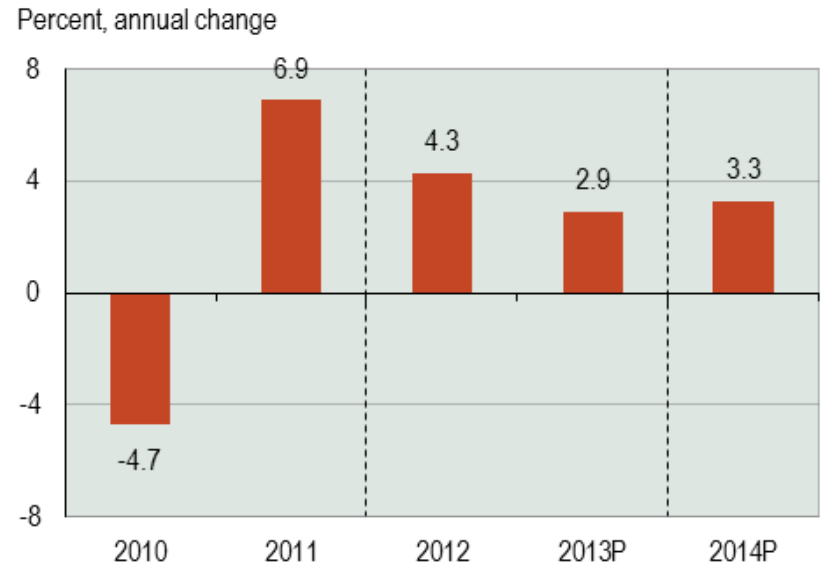
↓ inflation and ↑ minimum wage is contributing to ↑ real labour income. This encourages private consumption

### Private consumption, retail trade and labour income



Sources: Statistics Lithuania and Bank of Lithuania calculations.

### Private consumption projection

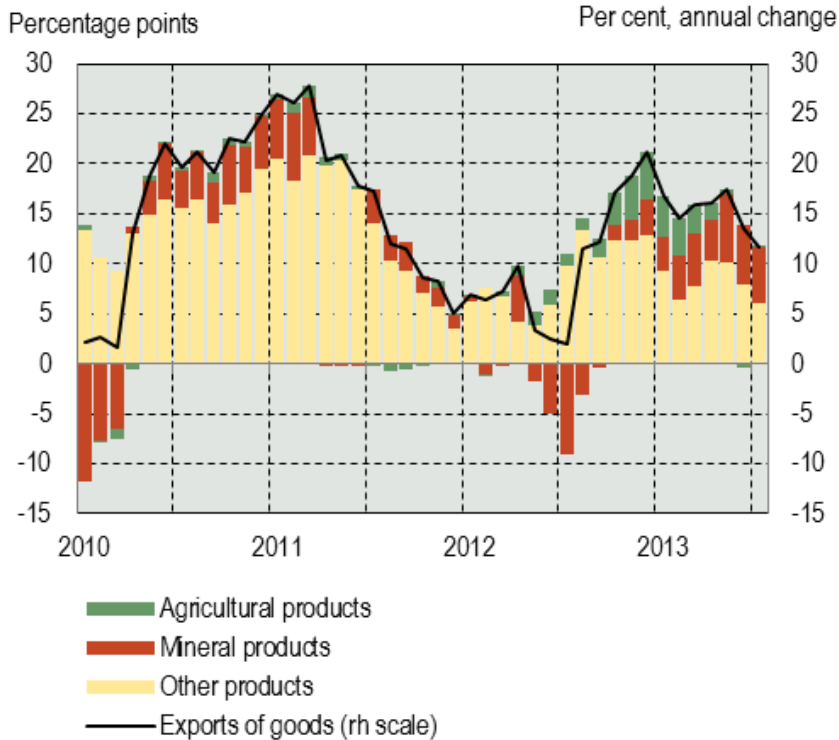


Sources: Statistics Lithuania and Bank of Lithuania projections.

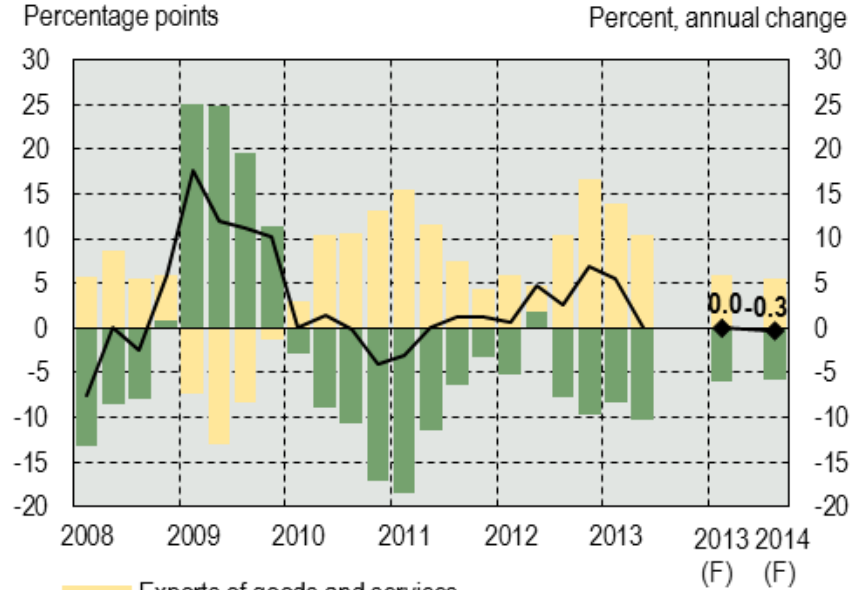


# On the export side, developments are the opposite

### Real export of goods (3 month moving averages)



### Projection of net export contribution to real GDP growth

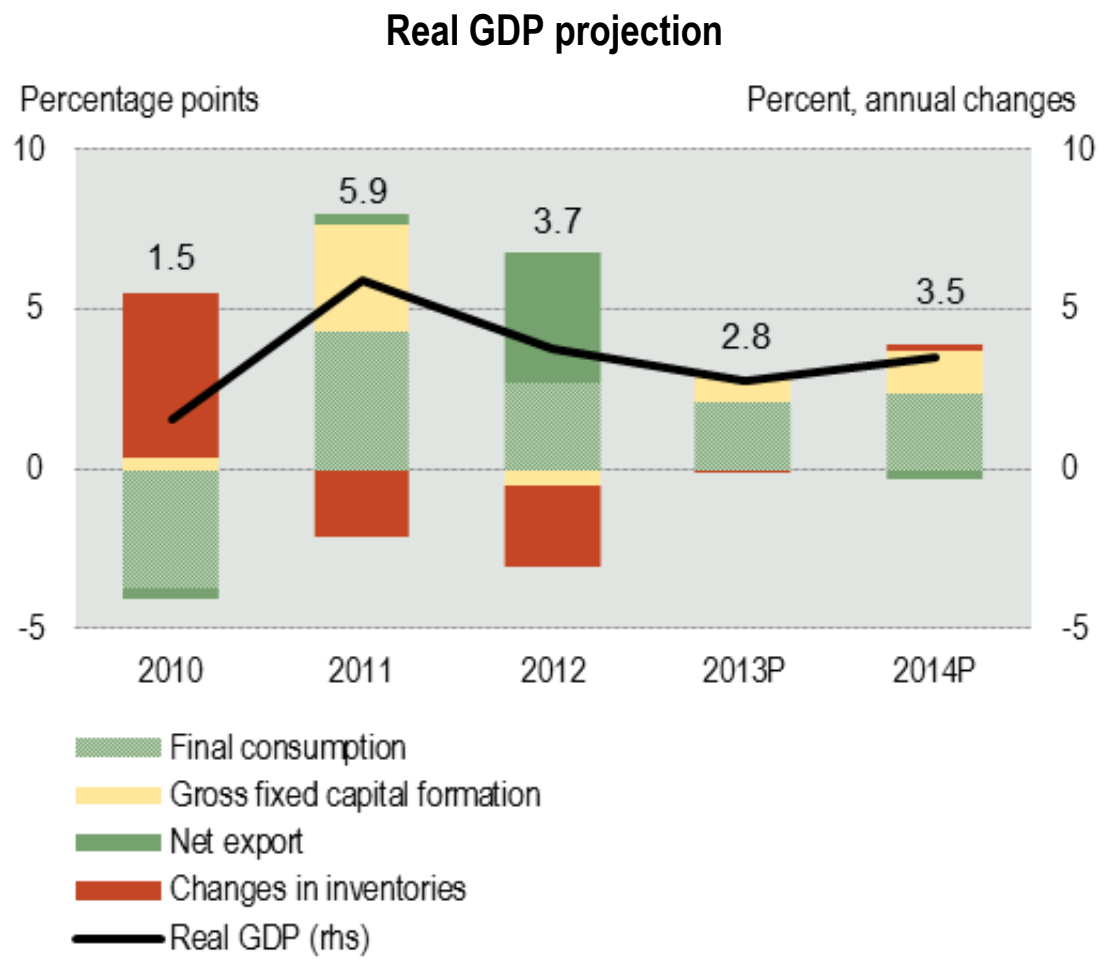


Sources: Statistics Lithuania and Bank of Lithuania calculations.

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# Overall, economy is to stay on a recovery track maintaining gradual healthy expansion

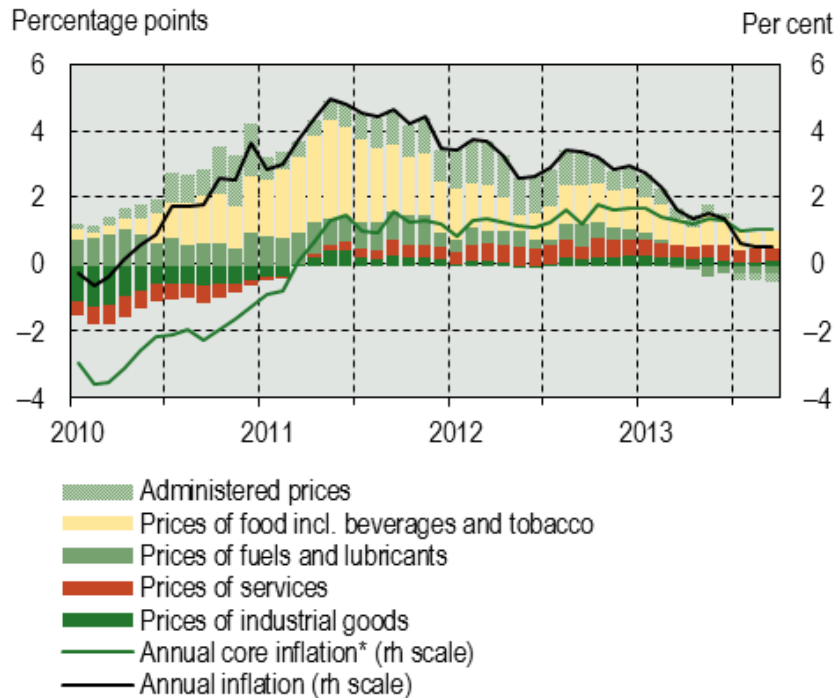


Source: Statistics Lithuania and Bank of Lithuania projections.



# Inflation decreased to very low levels in relation to favourable trends in global commodity prices

## Contributions to annual inflation



Sources: Statistics Lithuania and Bank of Lithuania calculations.  
\* Change in HICP excl. food, fuels and lubricants, and administered prices.

## Global food and oil prices

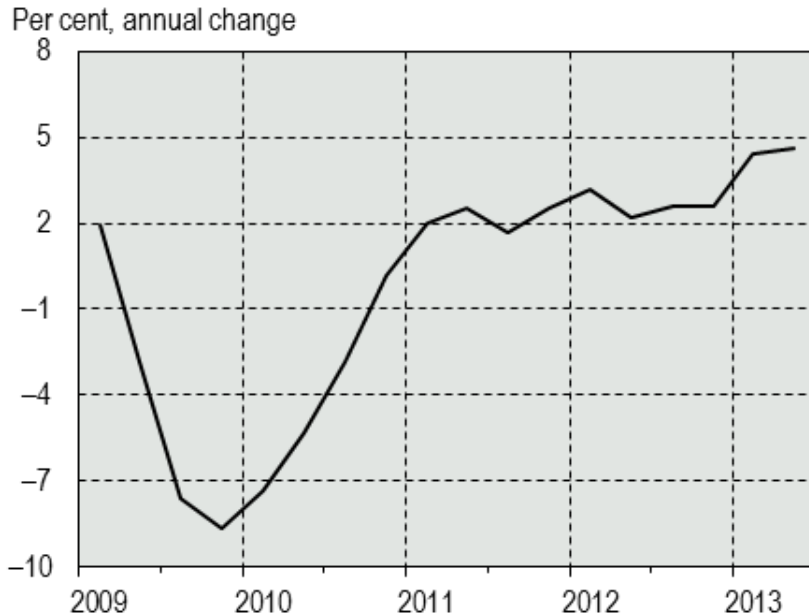


Sources: Food and Agriculture Organization of the United Nations, Bloomberg and Bank of Lithuania calculations.



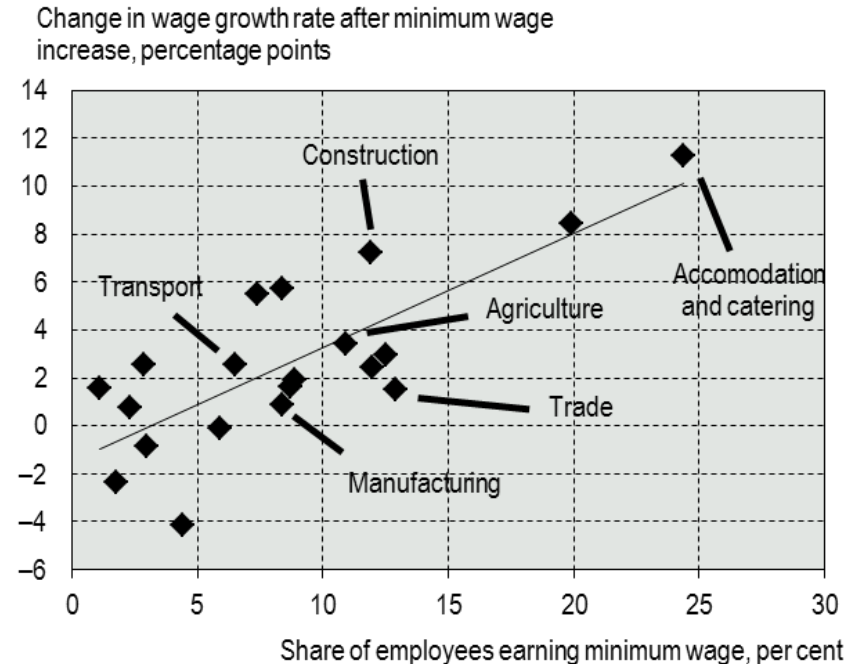
# After the increase in minimum wage, wage growth picked up significantly...

## Wage dynamics



Source: Statistics Lithuania.

## Wage dynamics across sectors



Sources: Statistics Lithuania and Bank of Lithuania calculations.





# ... however unit labour costs are growing moderately, and core inflation remains low

### Gross wages, labour productivity and unit labour costs



### Dynamics of prices for industrial goods and market services



Sources: Statistics Lithuania and Bank of Lithuania calculations.

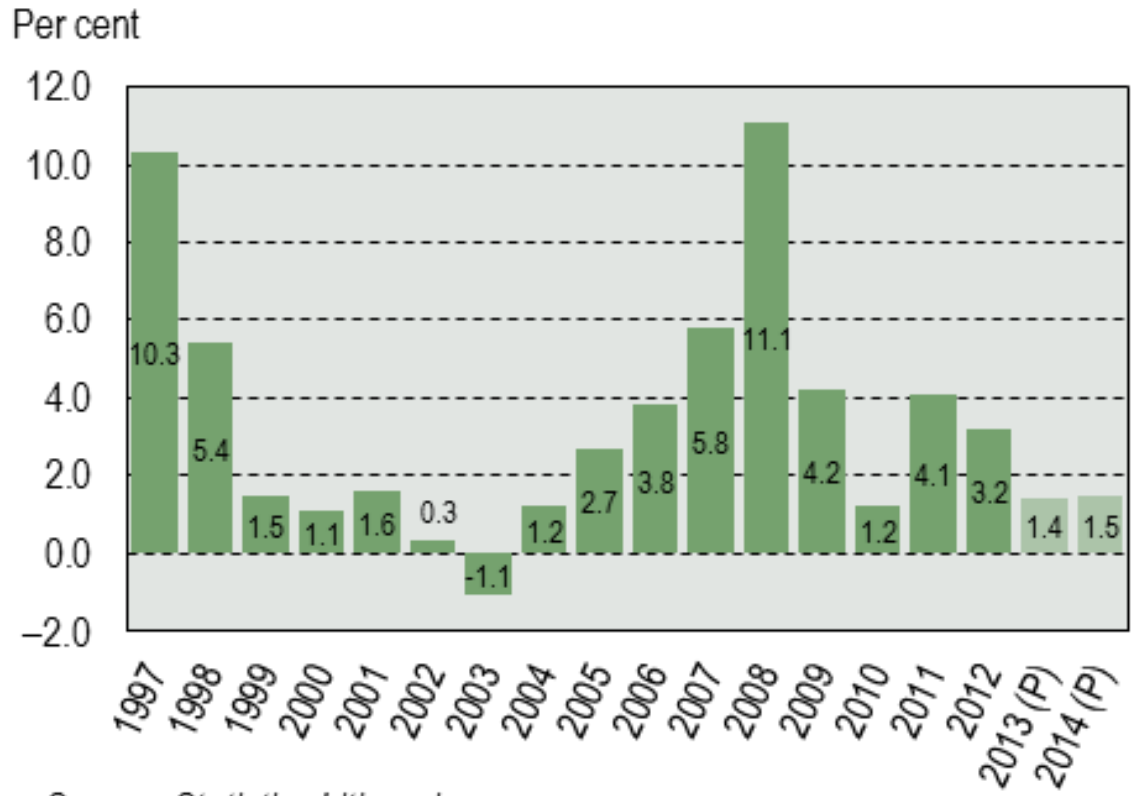
Sources: Statistics Lithuania and Bank of Lithuania calculations.

Note: data until the first quarter of 2011 are recalculated based on the 2011 Population and Housing Census data.



# At the end of 2013 and 2014 inflation is expected to be much lower than in previous years

Average annual inflation

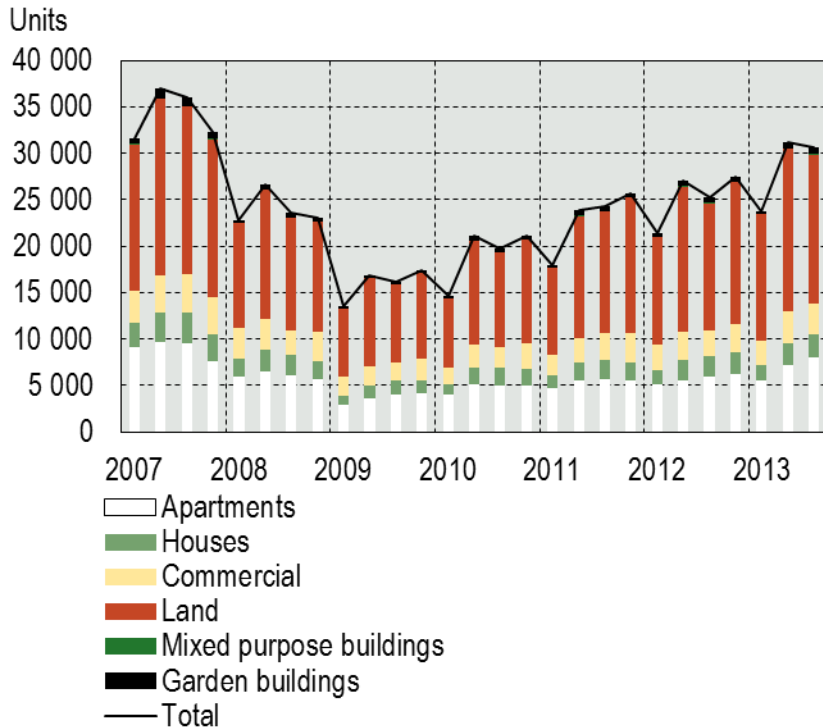


Source: Statistics Lithuania.



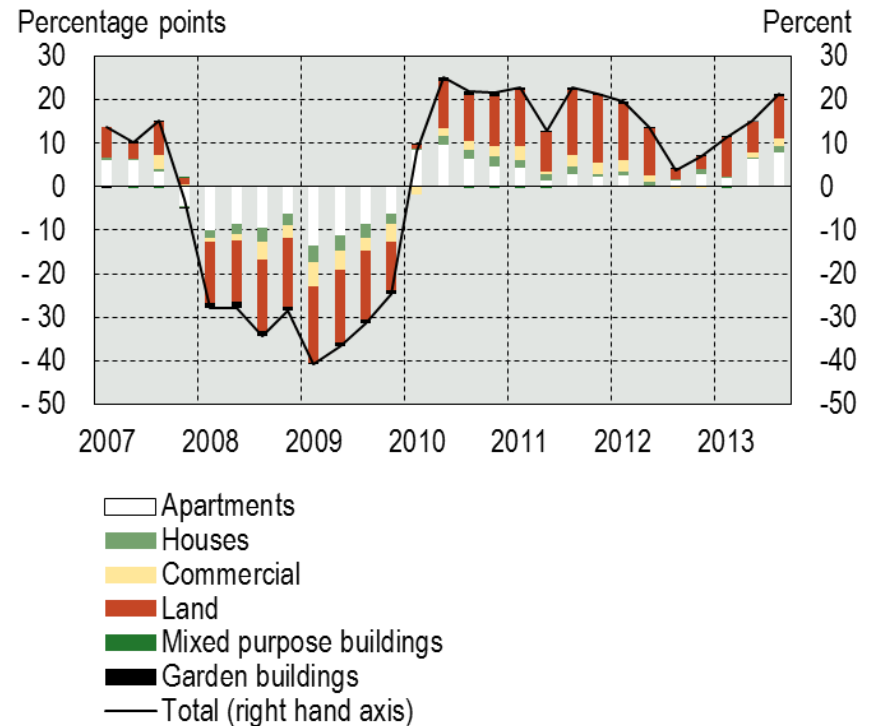
# Activity in the real estate market is improving

## Number of real estate transactions



Sources: State Enterprise "Registru centras" and Bank of Lithuania calculations.

## Annual growth of real estate transactions and main contributors to the growth

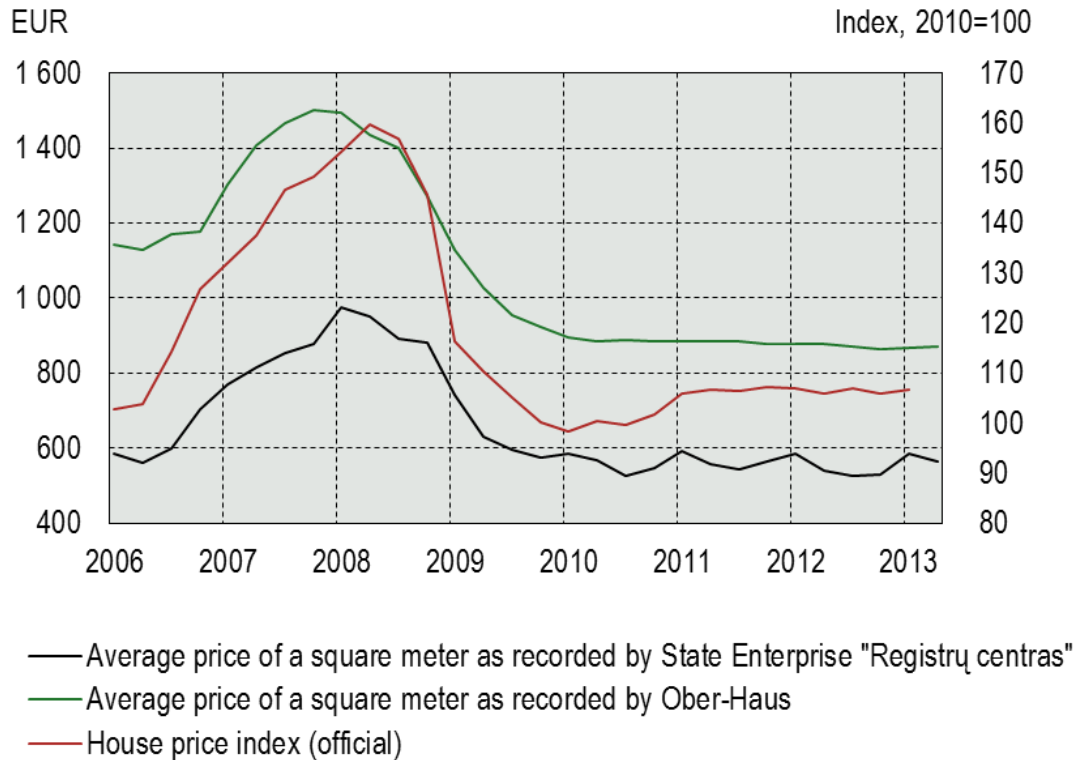


Sources: State Enterprise "Registru centras" and Bank of Lithuania calculations.



# Prices so far are reluctant to react to the increasing demand

## Real estate price dynamics in Lithuania

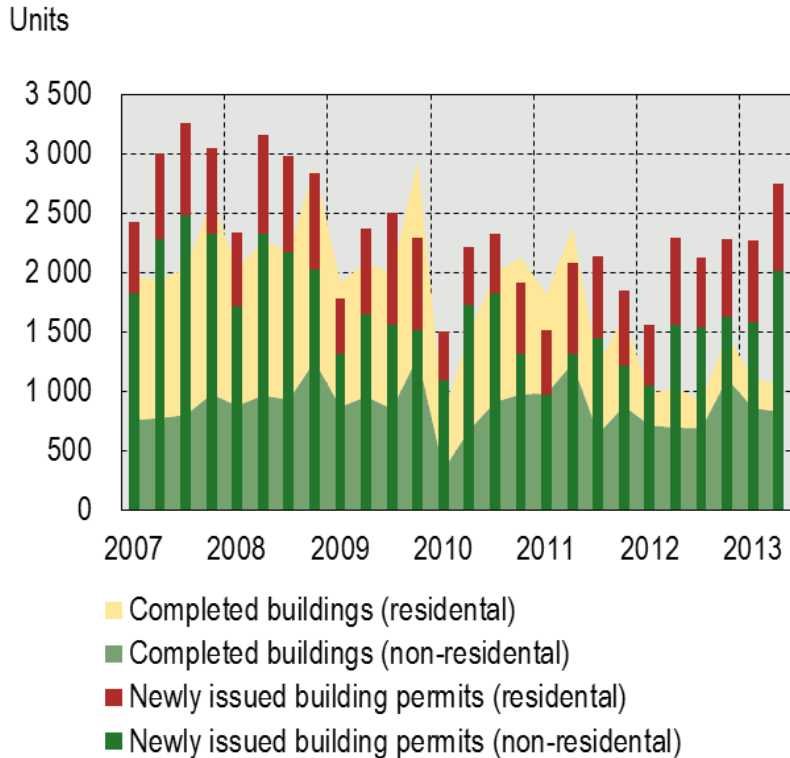


Sources: State Enterprise "Registrų centras", UAB „Ober-Haus“ and Statistics Lithuania.



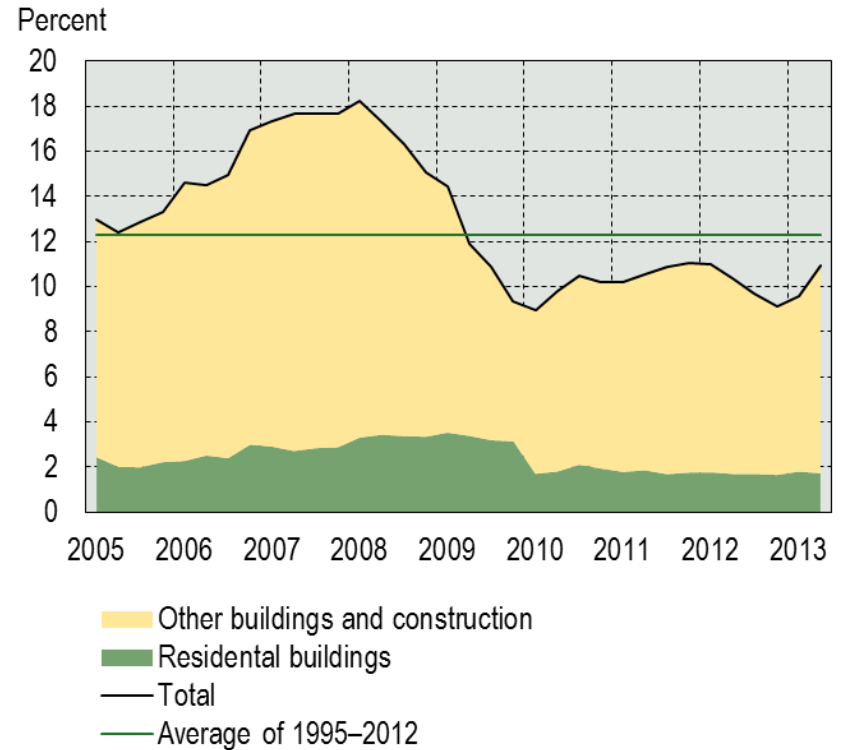
# Supply side has already started responding to increasing demand

### Newly issued building permits and completed buildings



Sources: Statistics Lithuania and Bank of Lithuania calculations.

### Construction investment as a share of GDP (seasonally adjusted)

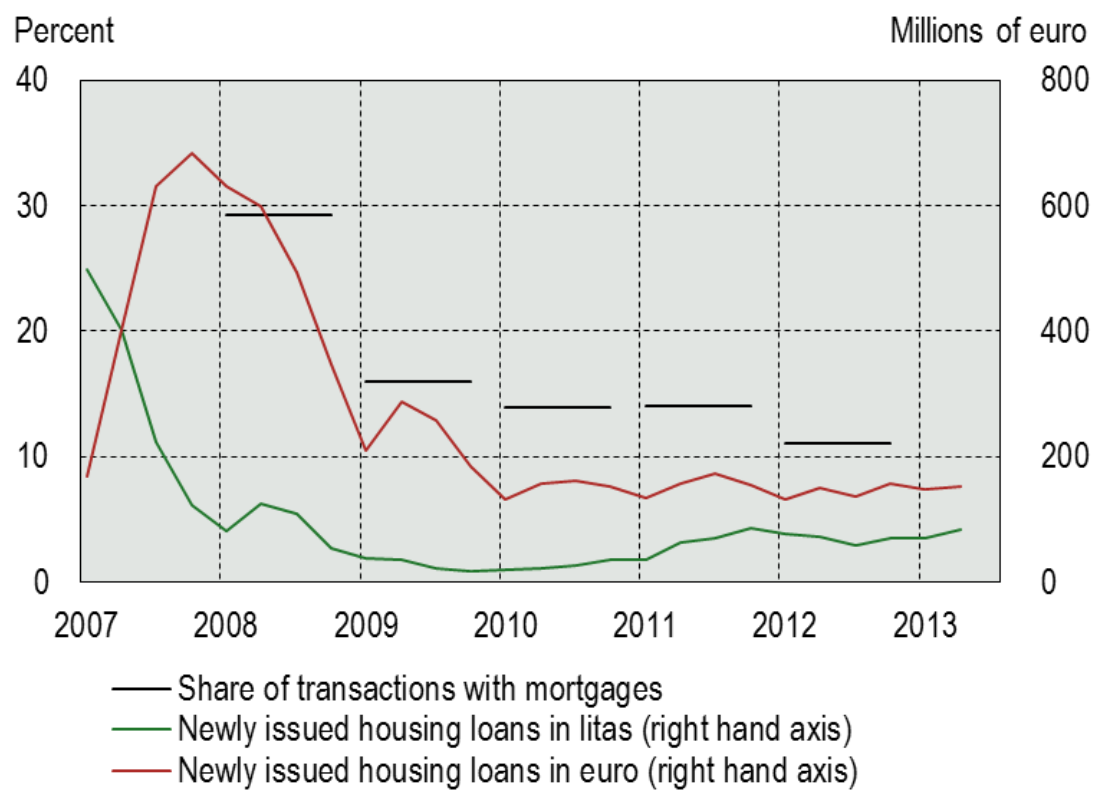


Sources: Statistics Lithuania and Bank of Lithuania calculations.



# Housing loans have not contributed to the increase in market activity yet

## Housing loans dynamics in Lithuania



Source: Statistics Lithuania, Bank of Lithuania and Bank of Lithuania calculations.



**Thank you**