

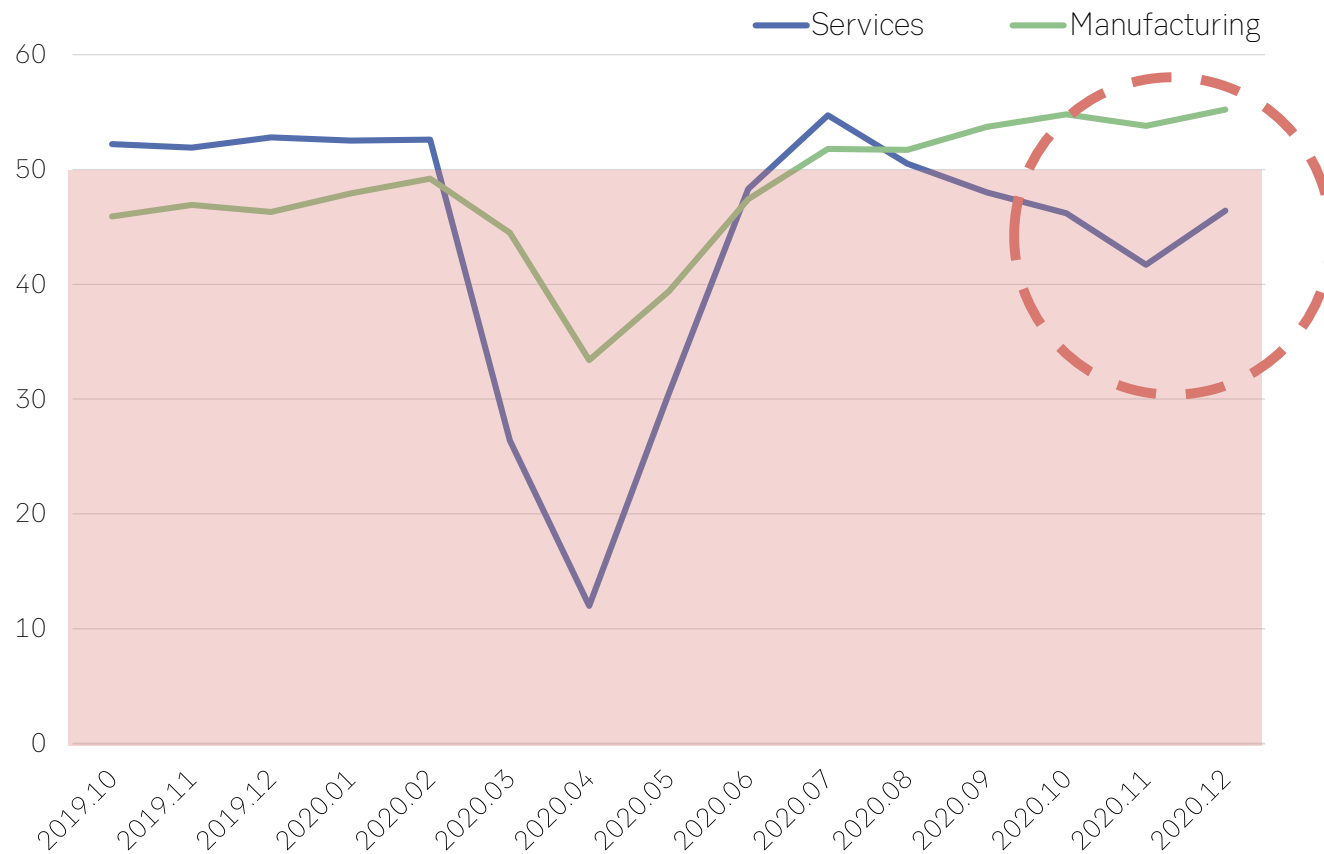
Baltics and Covid-19

Catastrophy avoided?



Divergence between services and manufacturing sectors

IHS Markit Euro area, points

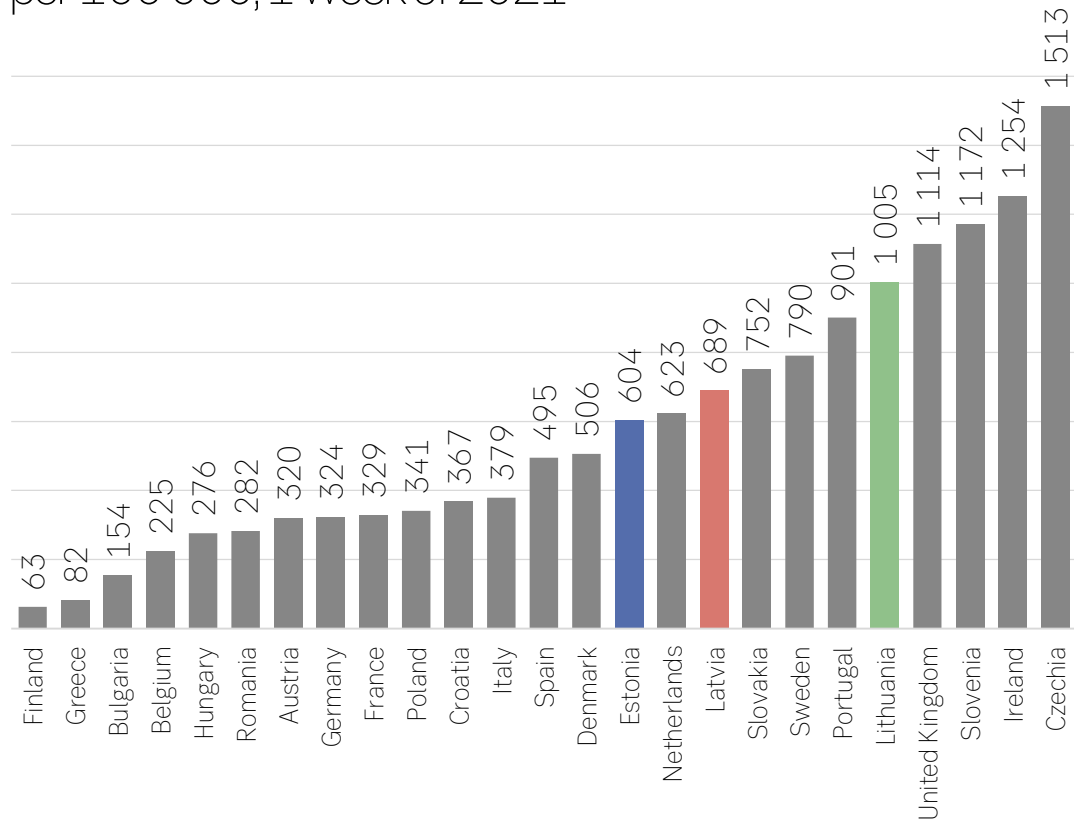


Source: Macrobond.

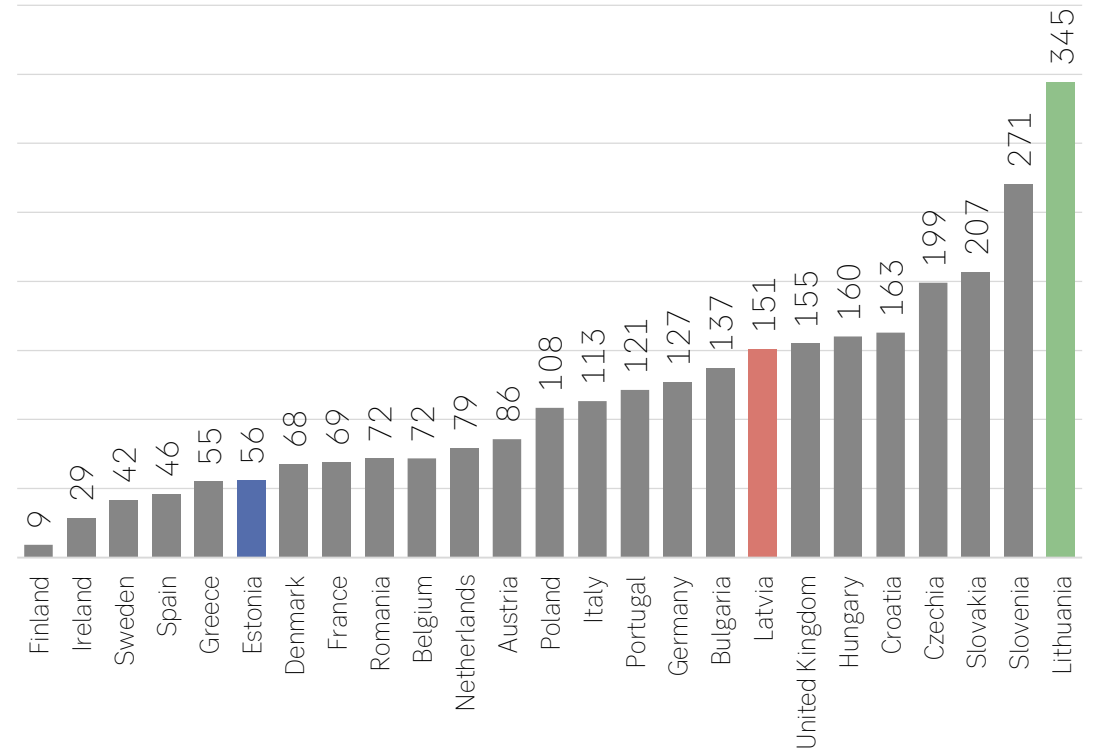


Contrary to spring, Baltic countries cannot boast of well managed epidemiological situation

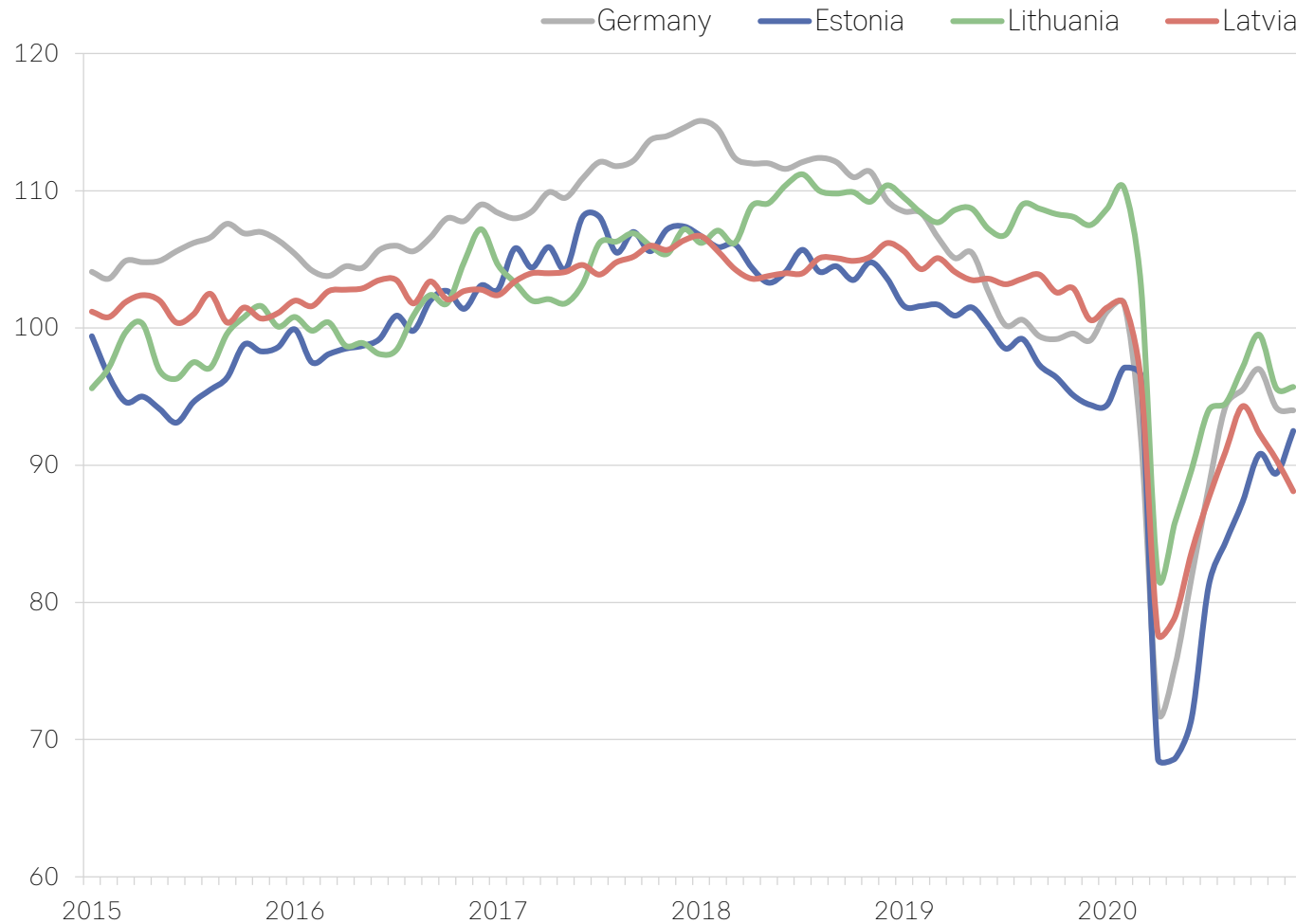
14-day cumulative number of COVID-19 cases per 100 000, 1 week of 2021



14-day cumulative number of COVID-19 deaths per 100 000, 1 week of 2021



Economic sentiment indicator



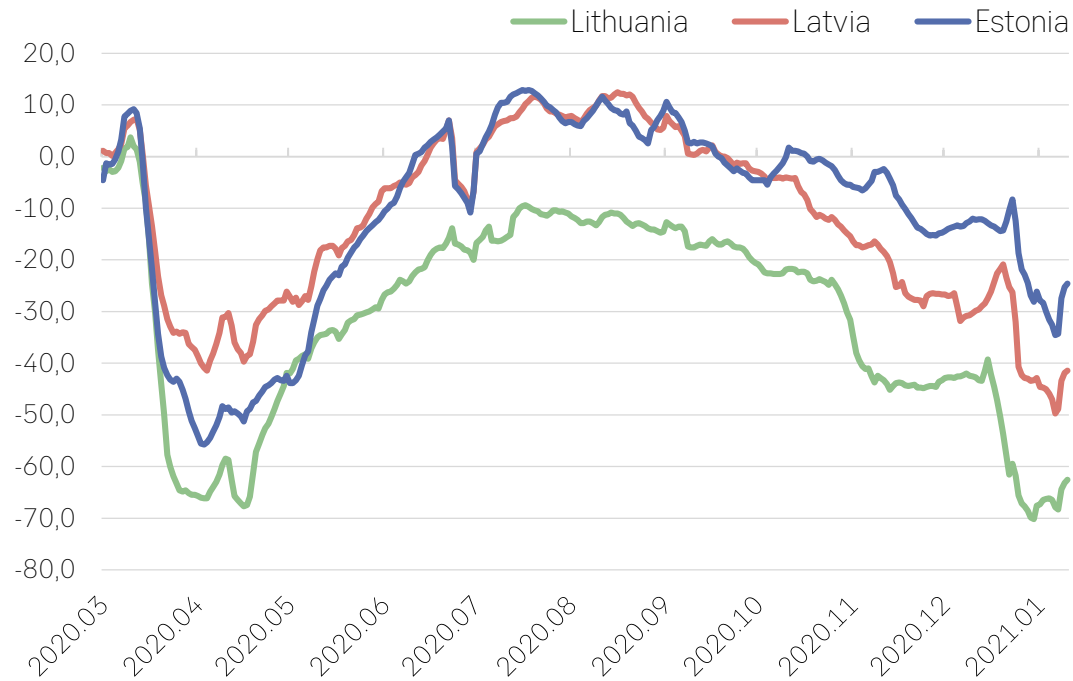
Sentiment will strengthen in the second quarter

GDP forecasts

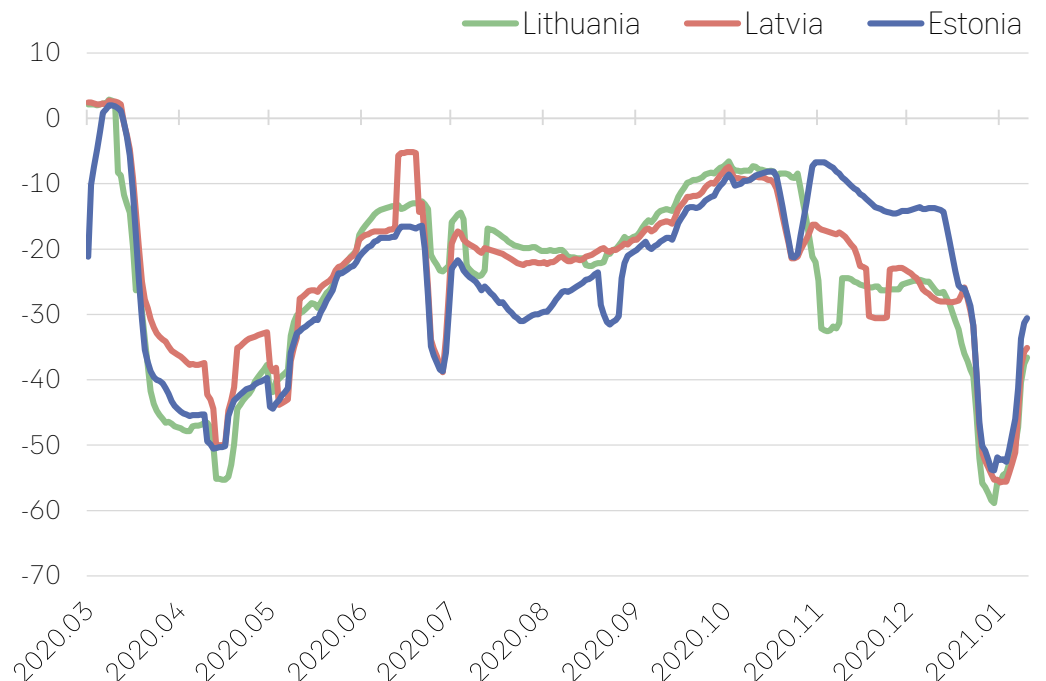
	2019	2020 P	2021 P
Estonia	4.3	-3.8	3.3
Latvia	2.2	-4.7	3.9
Lithuania	3.9	-1.5	3.0

Mobility correlates with the restrictions

Mobility trends for places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters*



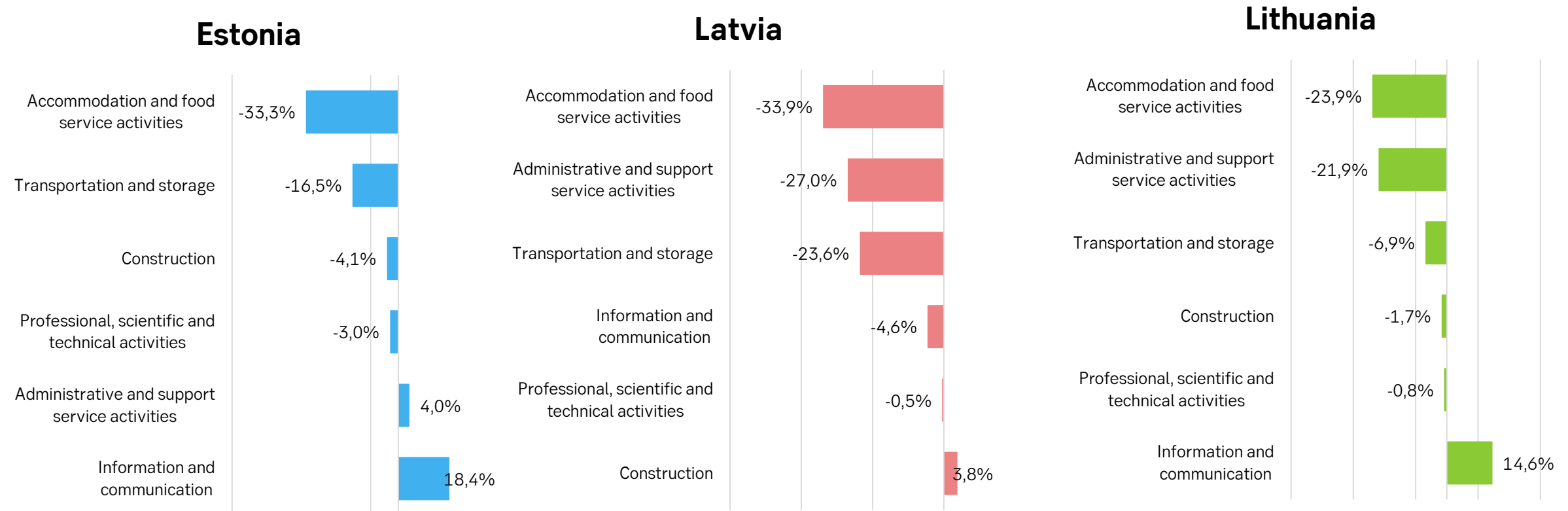
Mobility trends for places of work*



*The baseline is the median value, for the corresponding day of the week, during the 5- week period Jan 3–Feb 6, 2020.

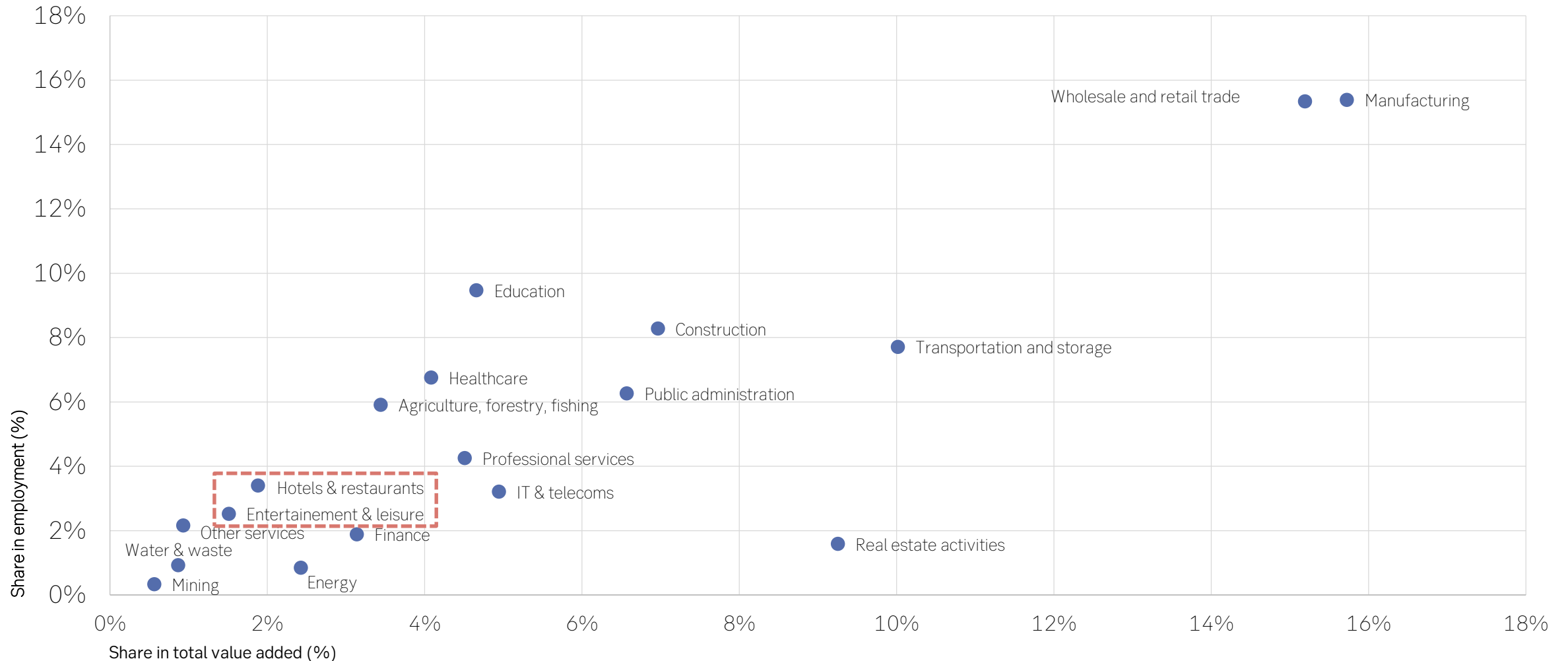
Which sectors took the deepest dive?

Change in sales revenue in current prices in Q1-Q3 2020 compared to the Q1-Q3 2019, %



What really matters for the economy?

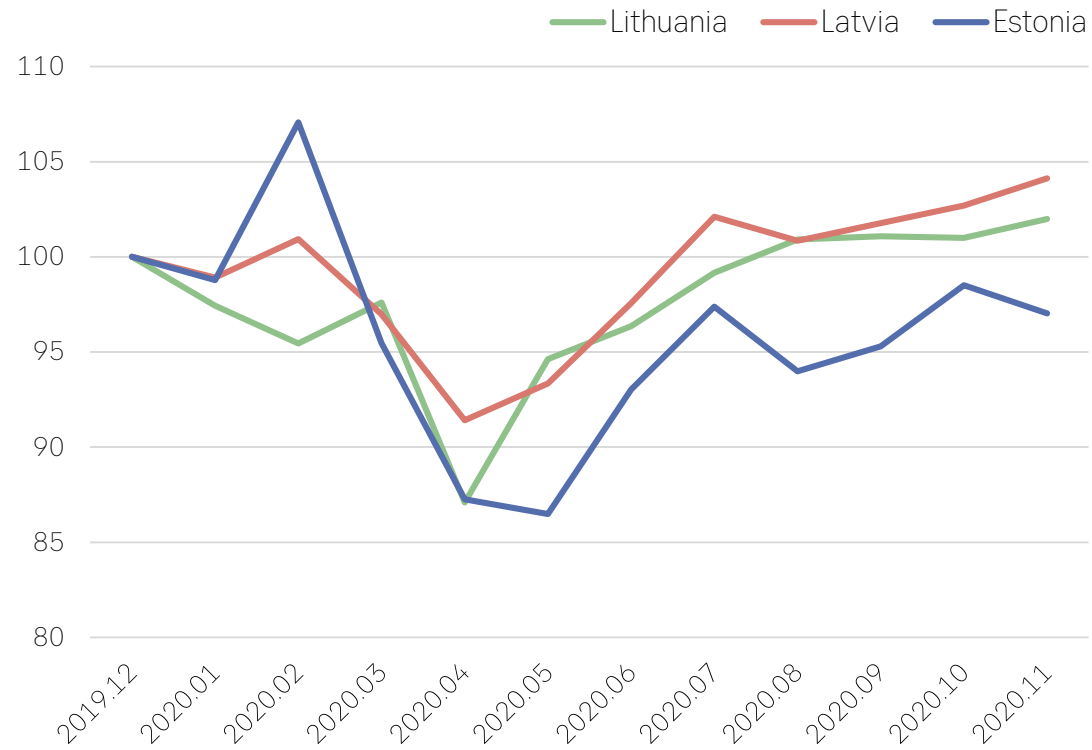
Share of economic sectors in employment and GDP, Baltic countries combined, 2019 %



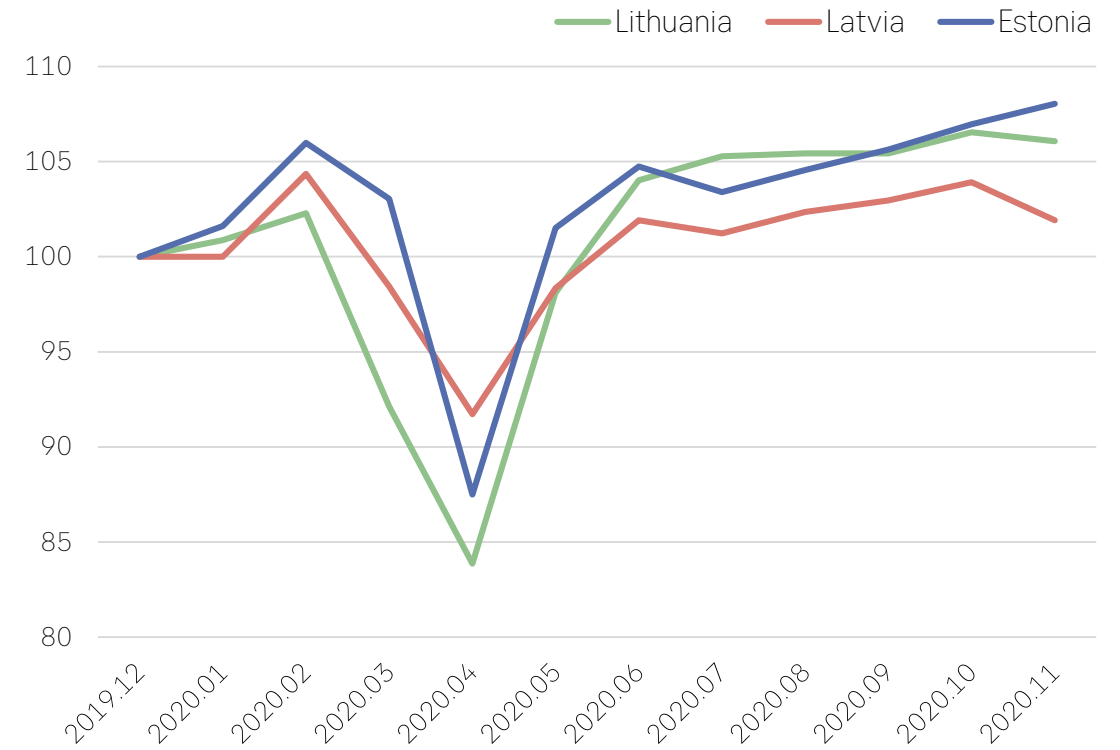
Some sectors thriving

December 2019 or Q4 2019 – 100 points

Manufacturing

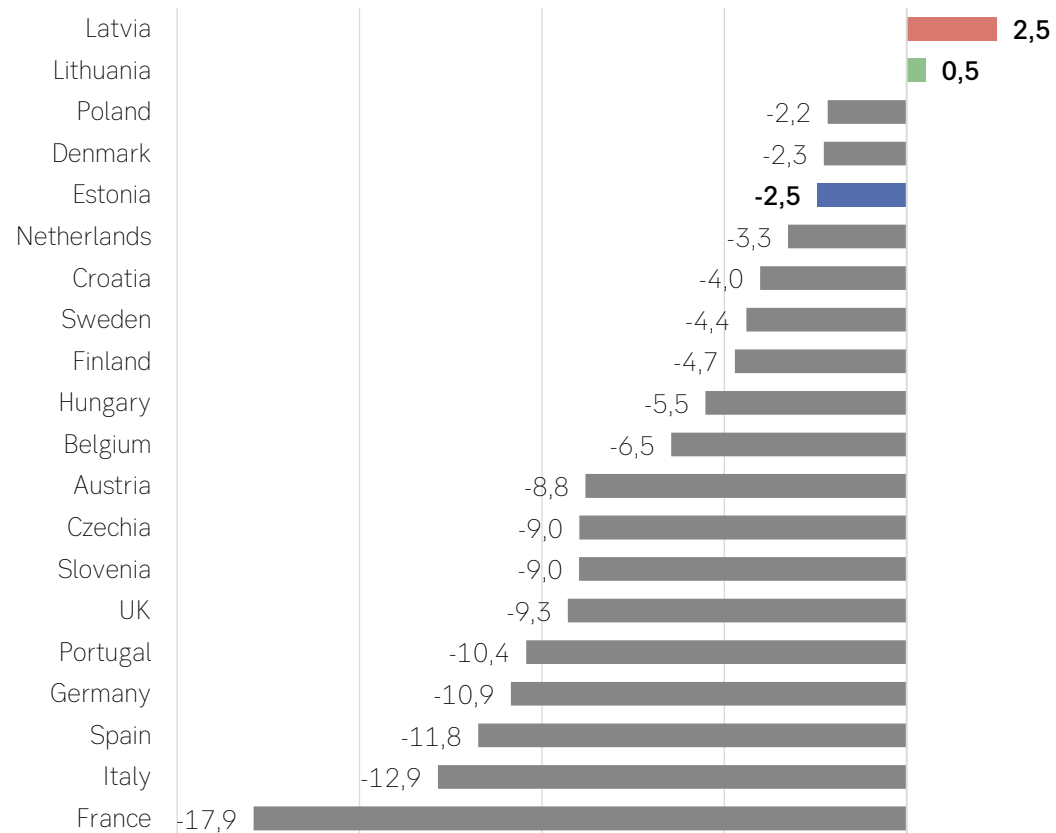


Retail trade

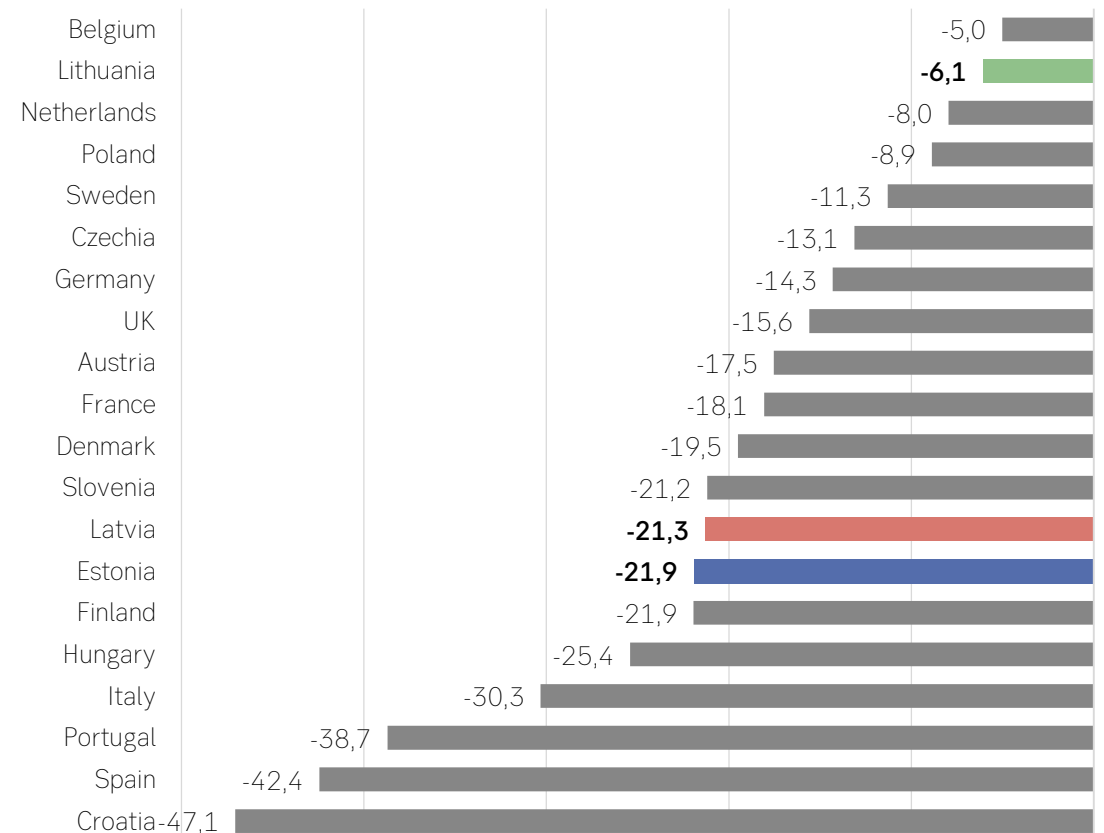


Pandemic was less severe to small and open manufacturing countries

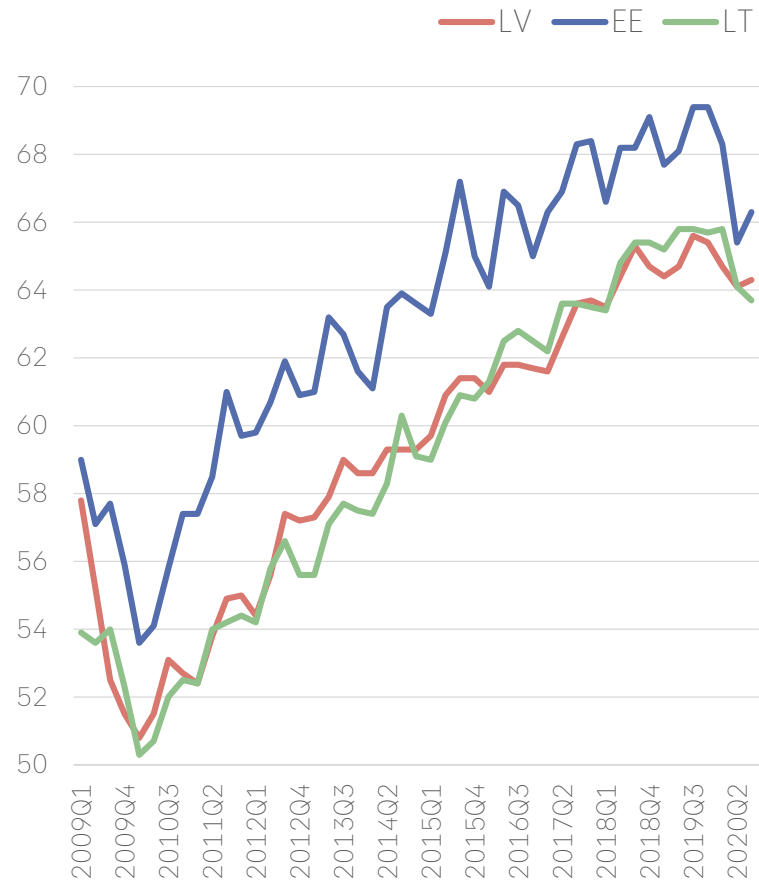
Goods export | Constant prices, y/y, Q1-Q3 2020



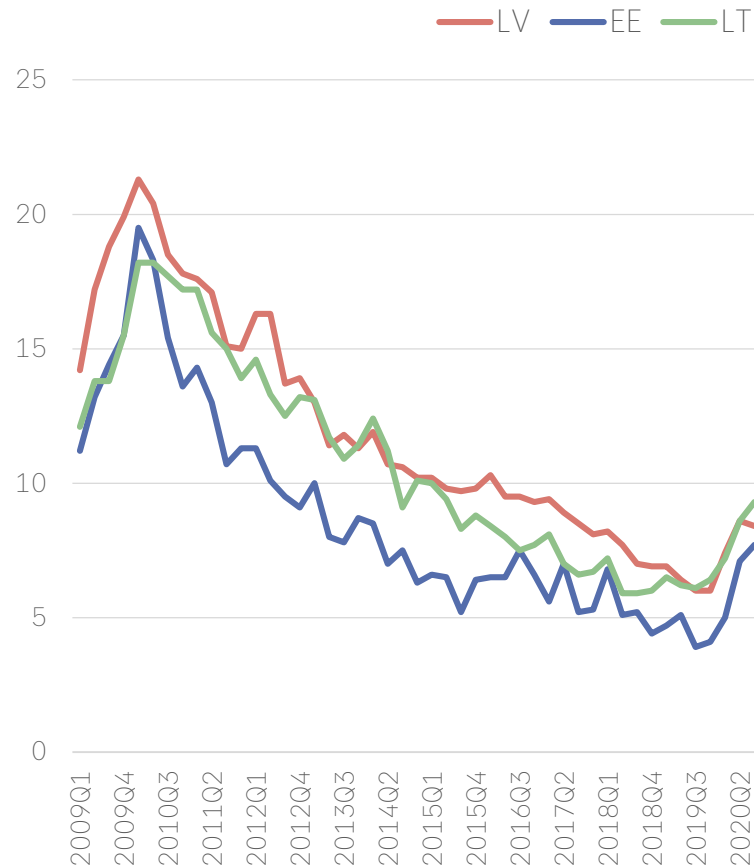
Services export | Constant prices, y/y, Q1-Q3 2020



Employment; %



Unemployment; %



Limited impact on labour market | Wages Q3; %

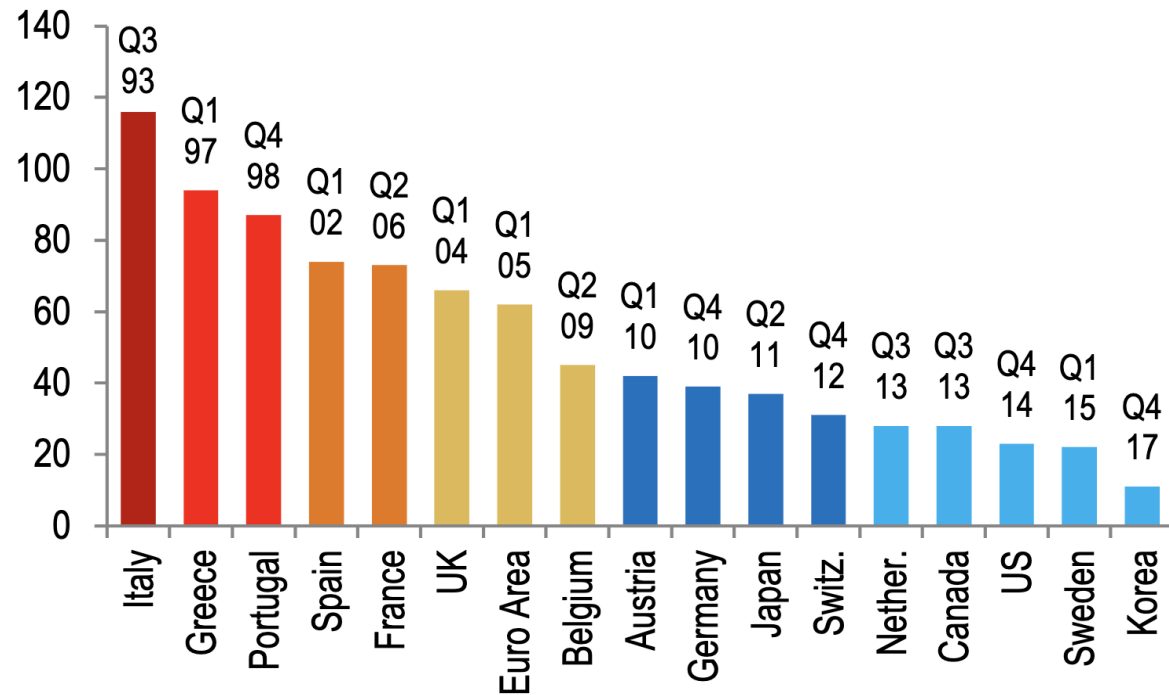
Estonia +3.2%

Latvia +5.9%

Lithuania +10.4%

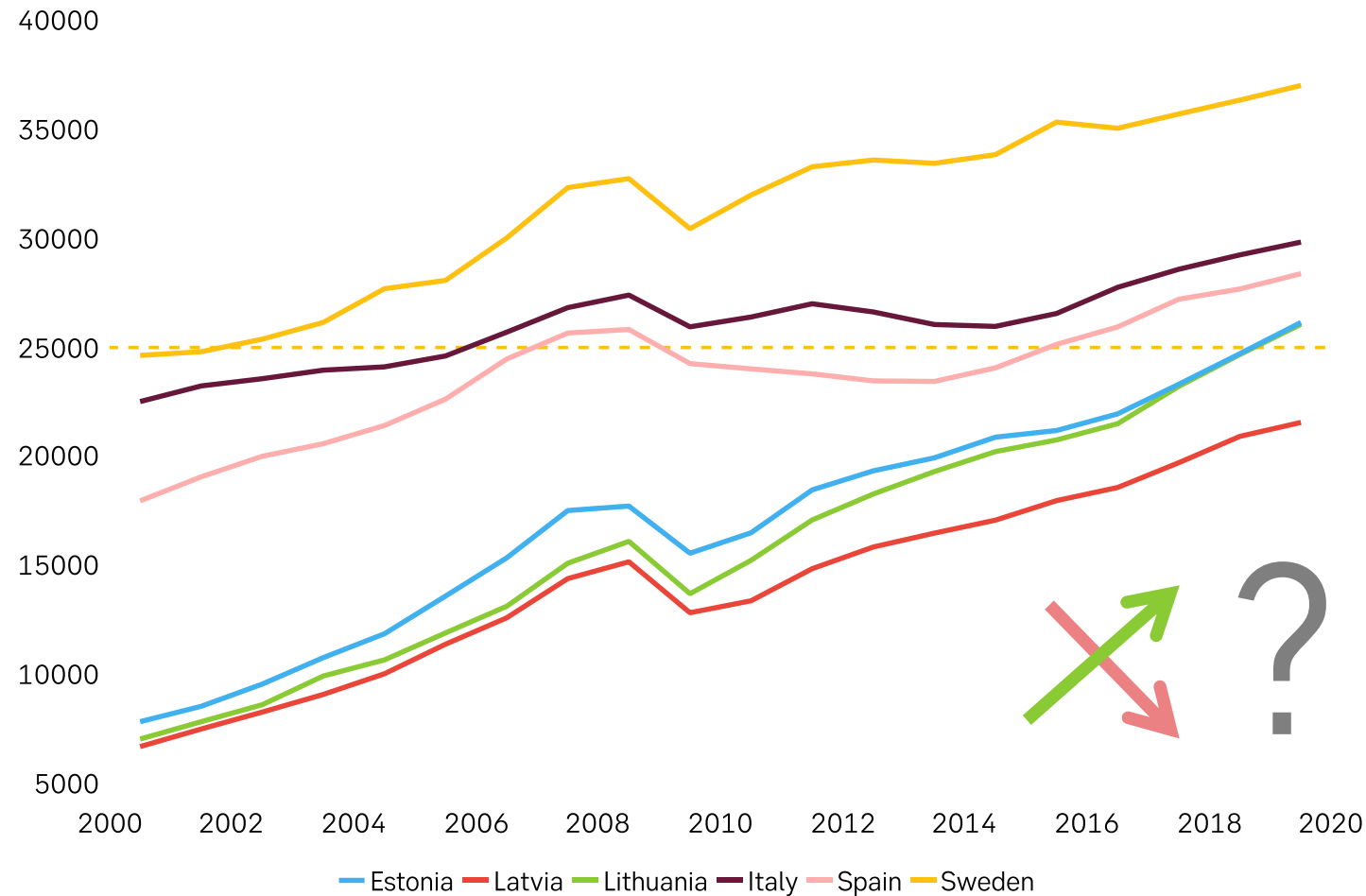
COVID-19 time machine or back in the past

Chart 8: Number of quarters of real GDP growth loss, and where has Q2 `20 real GDP fallen back to



Convergence can be a two-way process

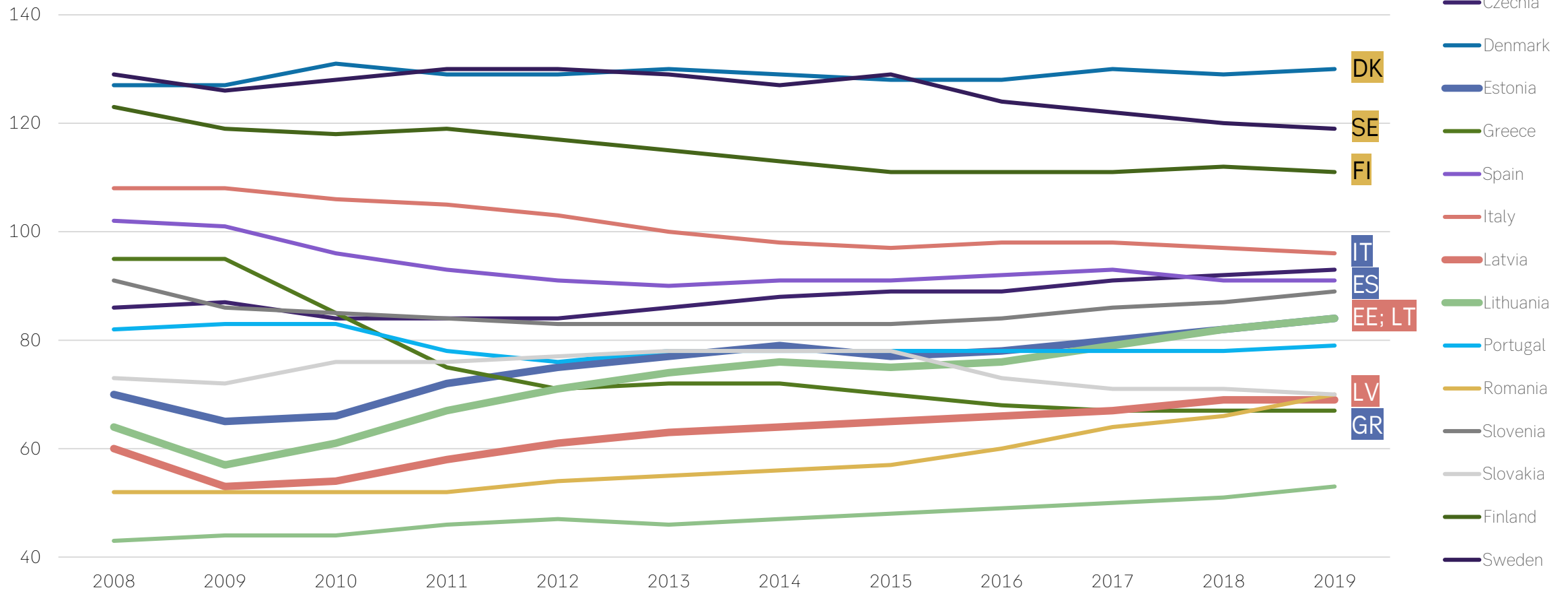
GDP per capita adjusted by purchase parity standard, EUR



Convergence can be a two-way process COVID19 will change positions further



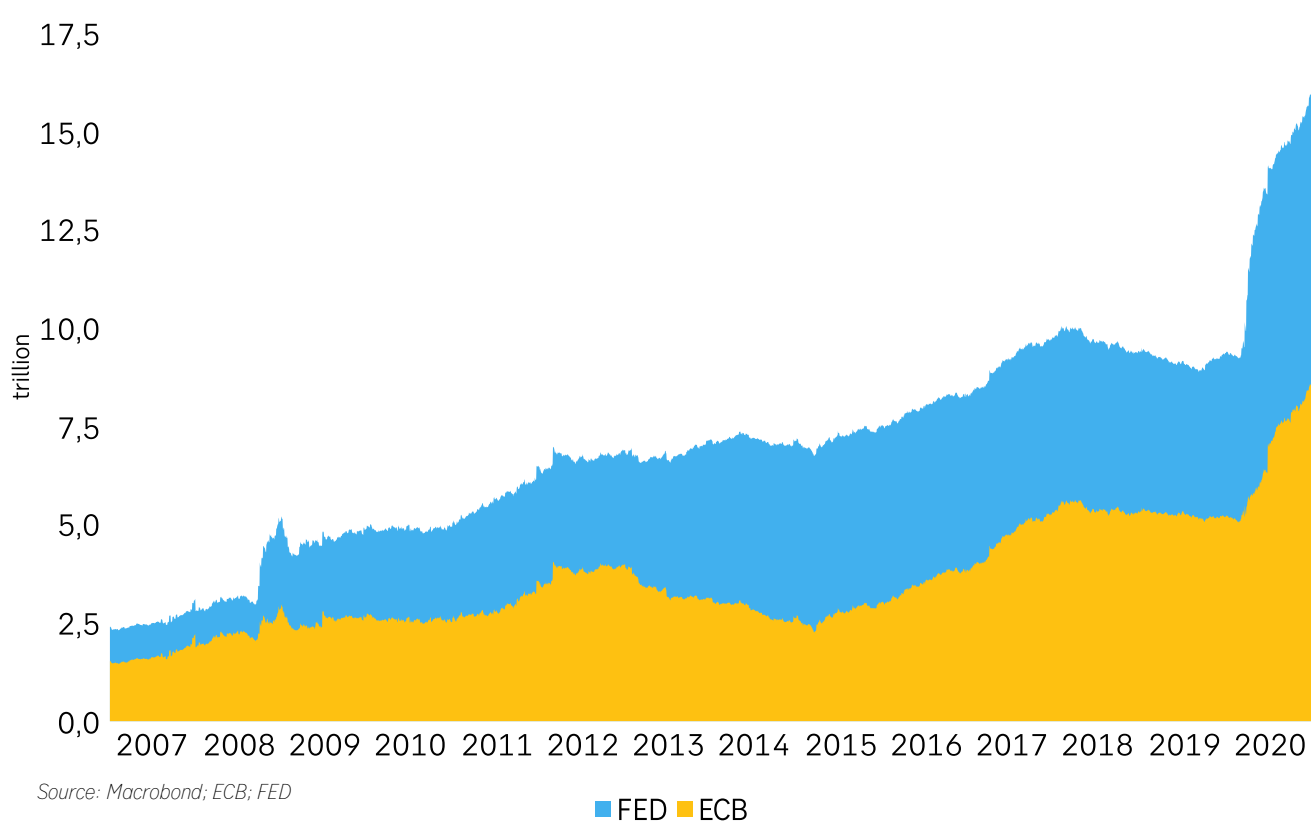
GDP per capita in PPS | Index (EU27_2020 = 100)



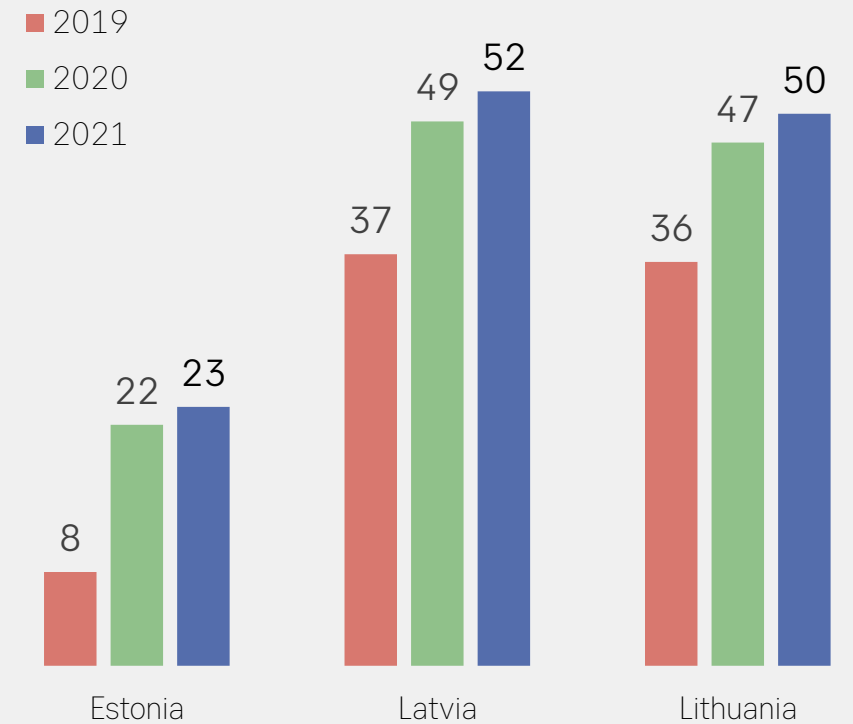
New era of money printing

Is debt a threat?

Central bank balance sheets have ballooned
 ECB and FED balance sheets, trillion USD



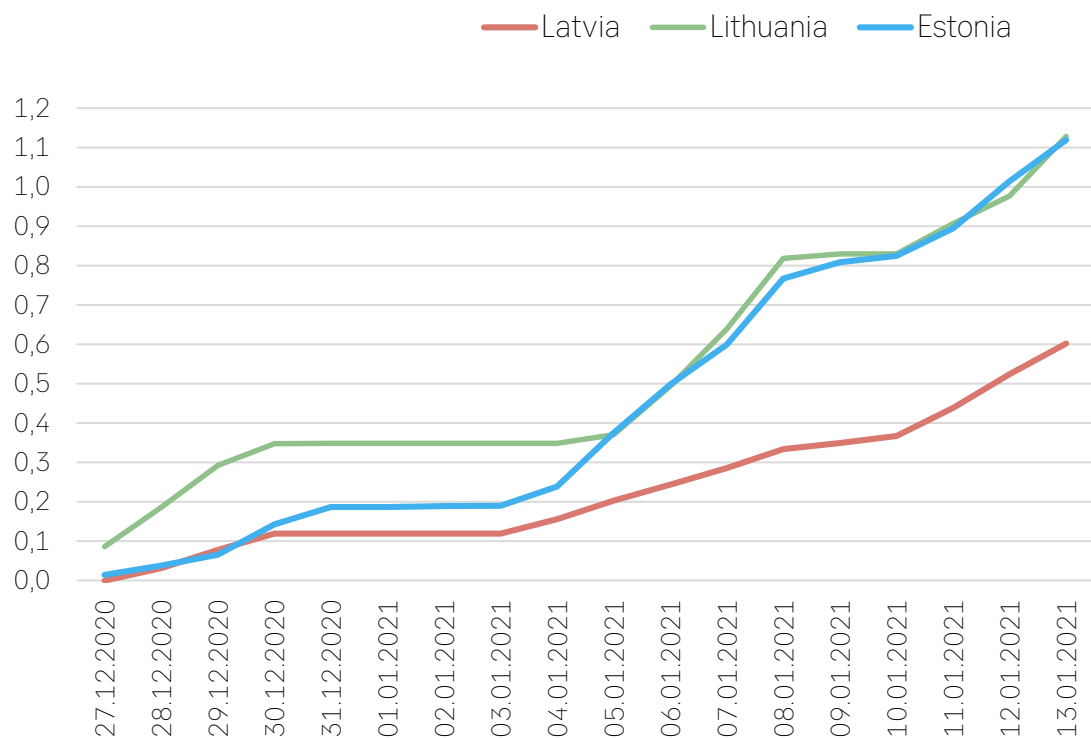
Following the trend
 Public debt as a share of GDP, %



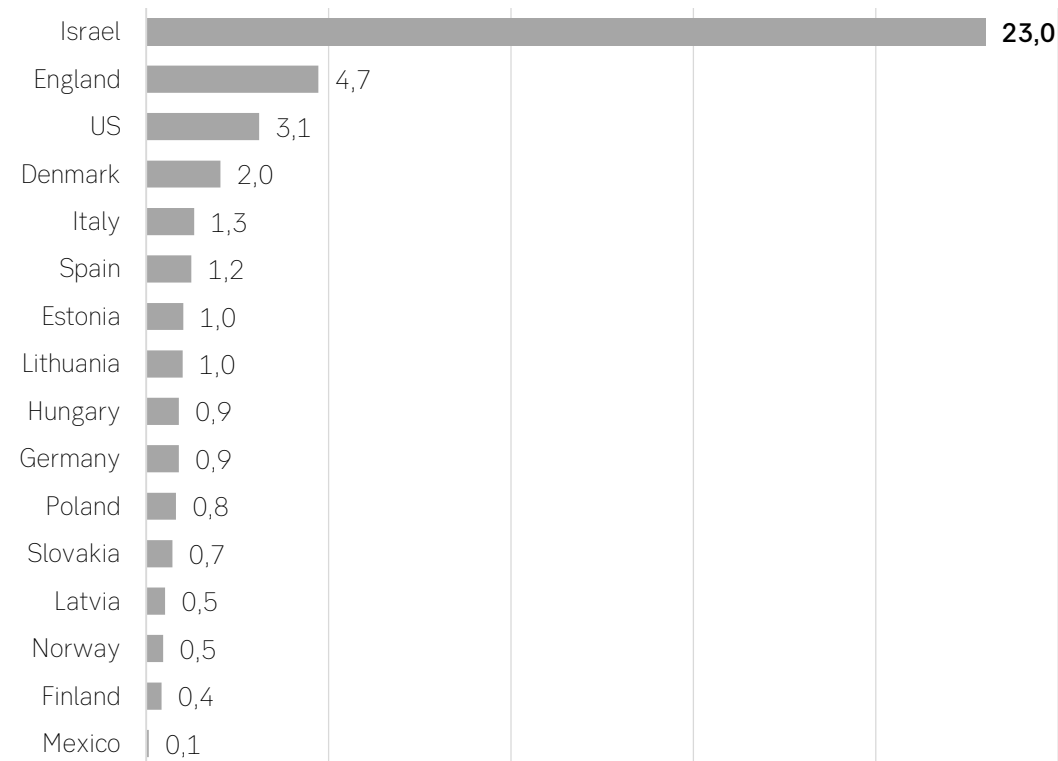
Is 2021 doomed too?

Will vaccination work as planned?

Vaccinated individuals, % from total population



Compared with other countries, data as of 12th January



Issues for 2021 and forecasts



Economic prospects
Support measures during
2. wave Economic prospects



Covid-19 and convergence:
Will Estonia and Lithuania
catch up with Spain



Divestment ahead?
Will manufacturing will be
pulled out from the Baltics?



Inequality Deglobalisation?
Populism the new
normality?



China at the global
centre stage



Impact of ECB's monetary
policy on real estate market
and investment climate

GDP forecasts

	2020	2021 F	2022 F
Estonia	-3.8	3.3	3.5
Latvia	-4.7	3.9	4.6
Lithuania	-1.5	3.0	3.3

Inflation forecasts

	2020	2021 F	2022 F
Estonia	-0.6	1.8	2.3
Latvia	0.2	1.2	2.2
Lithuania	1.1	2.0	2.4

Unemployment forecasts

	2020	2021 F	2022 F
Estonia	7.2	8.5	6.8
Latvia	8.4	8.5	7.5
Lithuania	8.7	8.3	7.5

Thank you!

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Mihkel Nestor
Tadas Povilauskas

SEB

