What to expect with global economy running out of momentum?

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Latest economic trends

Outlook for 2019-2021
Rising uncertainty puts pressure on the global economy

Global Economic Policy Uncertainty Index

Uncertainty is at record highs

Worsening sentiments reflect geopolitical unrest, tensions in the global markets and escalation of trade wars

Source: Economic Policy Uncertainty.
Uncertainty and mounting political tensions weigh on global growth

Export and GDP growth

Percentages

Euro area real GDP (right-hand scale)

US real GDP (right-hand scale)

Percentages

Euro area, China, US and other regions will shift into lower gear this year

Global risks and tensions are rising

World exports

Sources: World Trade Organisation, Eurostat and Bank of Lithuania calculations.
Growth of exports has slowed down, yet still remains rather robust

**Real exports of goods**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural products</td>
<td>-5.4</td>
<td>-14.3</td>
</tr>
<tr>
<td>Mineral products</td>
<td>2.8</td>
<td>-8.7</td>
</tr>
<tr>
<td>Manufacturing re-exports</td>
<td>18.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Exports of other goods of Lithuanian origin</td>
<td>11.8</td>
<td>9.2</td>
</tr>
<tr>
<td>Real exports of goods</td>
<td>11.8</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Sources: Statistics Lithuania and Bank of Lithuania calculations.

- Poor harvest has contributed to a decrease in agricultural exports
- Eksport expansion is supported by chemical industry
- Growth of exports is spurred by rapid expansion to new markets: Japan, the US, Singapore
As opposed to the euro area, in Lithuania consumer and business confidence remains at high levels.

Source: Eurostat.
Rising wages have been boosting household consumption for quite some time.

Annual growth of average gross wages

Source: Statistics Lithuania.
Labour shortages remain as one of the main drivers of wage growth

Companies experiencing labour shortages

Emmigrants and immigrants in Lithuania

Sources: Statistics Lithuania and Bank of Lithuania calculations.

Source: Statistics Lithuania.
Migration from peripheral regions to large cities has risen, yet the number of jobs in them after the crisis did not increase.
Lithuania’s economy has shifted into high gear

Output gap

Percentage of GDP

Sources: Statistics Lithuania and Bank of Lithuania calculations.
Growth of service prices – the main contributor to inflation growth

Contributions to HICP inflation

Price changes in the EU and Lithuania in 2018

Sources: Eurostat and Bank of Lithuania calculations.

*Bank of Lithuania projection.

Sources: Eurostat and Bank of Lithuania calculations.
Macroeconomic projections for 2019-2021
Economy is still on an upward path, though the pace of growth is slower

Annual GDP growth

Source: Bank of Lithuania.
*Bank of Lithuania projection.
Slower growth of foreign demand is expected to curb Lithuania's exports

Annual growth of Lithuania's exports

Sources: Statistics Lithuania and Bank of Lithuania calculations.
*Bank of Lithuania projection.
Private consumption continues to be the main driver of economic growth

Real private consumption growth

Sources: Statistics Lithuania and Bank of Lithuania calculations.
*Bank of Lithuania projection.
Household purchasing power will strengthen further as wages continue rising, and yet...

Annual growth of wages and inflation

Sources: Statistics Lithuania and Bank of Lithuania calculations.
*Bank of Lithuania projection.
Growing uncertainty will weigh on still high investment demand

Actual and projected investment development (annual growth)

Level of production capacity utilisation in industry

Sources: Statistics Lithuania and Bank of Lithuania calculations.
*Bank of Lithuania projection.

Source: European Commission.
Unemployment is declining, yet key demographic challenges remain

Sources: Statistics Lithuania and Bank of Lithuania calculations.
*Bank of Lithuania projection.
Thank you!