



BALTIC RIM ECONOMIES WEEKLY

October 7, 2009, No. 269

- **Lithuania to sell up to \$1.5 bn of bonds**
- **Estonian Minister of Finance: Latvia won't influence us**
- **Latvian PM assigns preparing bill on collateral as sole guarantee on housing loans**

Main Macroeconomic and Financial Indicators of the NORDIC COUNTRIES

	DENMARK			FINLAND		
	2007	2008	2009	2007	2008	2009
Real sector						
Real GDP (at constant prices), annual change, %	1.6	-1.2	-7.2 (IIQ)	4.2	1.0	-9.4 (IIQ)
Nominal GDP per capita, EUR thous.	41.5	42.3	41.0 (IIQ)	34.0	34.8	33.4 (IIQ)
Industrial production index (at constant prices), annual change, %	-2.1	-1.1	-14.8 (Jan-Jul)	4.2	-0.5	-23.3 (Jan-Jul)
Volume index of construction production, annual average change, %*	0.2	-2.9	-7.6 (IQ)	11.0	9.8	-17.3 (Jan-Jun)
Retail trade (excl. motor vehicles and motorcycles), deflated turnover index, annual change, %	-1.4	-3.4	-5.6 (Jan-Aug)	5.2	1.2	-3.3 (Jan-Aug)
Gross fixed capital formation (at constant prices), annual change, %	3.1	-5.1	-16.3 (IIQ)	8.7	0.3	-11.7 (IIQ)
Prices						
HICP, eop, annual change, %	2.4	2.4	0.7 (Aug)	1.9	3.4	1.3 (Aug)
PPI, eop, annual change, %	11.5	-8.1	-14.0(Aug)	3.5	-1.6	-8.9 (Aug)
Labour market						
Average monthly earnings, annual change, %	3.5	5.0	3 (IIQ)**	3.0	7.2	4.5 (IIQ)
Unemployment rate, LFS, sa, eop, %	3.3	4.1	5.9 (Aug)	6.5	6.9	8.7 (Aug)
External trade & external position						
Exports of goods (at constant prices), annual change, %	-0.4	-0.5	-15.1 (IIQ)	6.5	2.8	-31.7 (IIQ)
Imports of goods (at constant prices), annual change, %	2.2	0.8	-19.6 (IIQ)	6.6	4.3	-31.9 (IIQ)
Current account balance, % of GDP	0.7	2.0	-0.9 (IQ)	4.1	2.4	-0.9 (IH)
FDI flow, % of GDP	3.5	3.2	5.1 (IQ)	5.0	-1.6	0.7 (IH)
FDI position per capita, eop, EUR	19715	20404	20705 (IQ)	11862	11910	10611(IIQ)
International reserves per capita, eop, EUR	4287.9	5486.8	9194.8 (Aug)	1079.2	1130.8	1405.7 (Aug)
Financial market						
Average interest rates on new loans in LCU, eop, %***	5.8/7.4	5.8/9.0	3.8/7.2 (Aug)	5.27/8.77	4.19/8.26	2.18/6.04 (Aug)
Average interest rates on new term deposits in LCU, eop, %***	:	:	:	4.00/4.65	2.54/3.26	0.34/1.31 (Aug)
Loans to households and non-financial corporations, annual change, %	12.8	8.0	3.4 (Jul)	12.1	11.7	3.9 (Aug)
Mortgage loan portfolio, annual change, %	10.7	5.7	4.9 (Jul)	12.4	8.8	5.6 (Aug)
Loans to households and private non-financial institutions, eop, % of GDP	184.0	193.6	198.7 (IH)	76.6	83.3	86.5 (IH)
Private sector deposits, annual change, %	11.6	1.2	0.8 (Aug)	15.3	13.1	4.0 (Aug)
Economic sentiments						
Economic sentiments, total index, eop	105.2	69.2	91.6 (Sep)	103.1	76.4	88.8 (Sep)
Consumer sentiments, eop	9.5	-3.8	11.5 (Sep)	14.9	-6.4	12.1 (Sep)

Note: Latest date are given in parenthesis; eop- end-of-period; LFS – labour force survey; LCU – local currency units

* Estimate; ** Average earnings in the private sector; *** Non-financial corporations/households

Sources: National statistics offices, National central banks, ECB, Eurostat, European Commission

News on Macroeconomics, Finance and Banking

Lithuania to sell up to \$1.5 bn of bonds

October 7, 2009
(Bloomberg)

Lithuania's planned sale of bonds due January 2015 will total at least \$1.5 bn.

The Baltic state received about \$5 bn orders for the bonds, the people said, who declined to be identified before the terms are set. The notes may be priced to yield about 475 basis points more than U.S. Treasuries, a banker with knowledge of the deal said yesterday.

Lithuania, which last sold dollar bonds in 1997, is also planning a second auction of euro-denominated debt this year to finance a widening budget deficit and avoid having to seek an international loan. The government introduced spending cuts equivalent to about 7.5% of estimated GDP this year to narrow the shortfall.

Estonian Minister of Finance: Latvia won't influence us

October 7, 2009
(BBN)

"Latvians have to do what they promised. We believe that they can achieve their goals. However, what ever happens in Latvia won't unleash anything in Estonia. The direct economical connections between Estonia and Latvia aren't as big as believed," said Ligi.

Latvian economy, which has suffered from decreasing total production and the disappearance of foreign investments, is now suffering the worst decline in economy since 1990s and that has put pressure on their currency.

Estonia, who has a smaller foreign loan, plans to keep the budget deficit within the limits of 3% GDP in 2010 and hopes to join the Euro zone in 2011. "Keeping the public sector's costs in order is our first priority but at this moment we don't need to do much else regarding the budget," Ligi said.

Interest rates in Poland to remain unchanged until 2010

October 7, 2009
(WBJ)

Poland's interest rate is set to remain unchanged until the end of Q1 2010, government adviser, Adam Glapiński has said. "Rates should stay on hold until a strong economic recovery is in place and inflation is flying high, that is above 2.5%," Mr Glapiński told Dziennik Gazeta Prawna. "Some economists say it could happen in the second half of next year," he added.

A Reuters poll revealed that analysts expect an interest rate increase of 25 basis points to 3.75% by the end of September 2010 and they predict inflation to ease to 2.4% in August 2010 from 3.7% in August this year.

Mr Glapiński also advised against focusing too much on adapting the euro, rather than bringing state finances, such as the budget deficit, back into line. "The deficit is slipping out of control ... I generally think that in the current situation we should set aside the debate on adopting the common currency," he said.

Latvian PM assigns preparing bill on collateral as sole guarantee on housing loans

October 6, 2009
(ELTA)

Taking into consideration the situation on financial markets and surging borrowers' problems, Prime Minister Valdis Dombrovskis has assigned the State Chancellery's Legal Department to urgently prepare amendments to the Civil Process Law and other legal regulations in order to establish a system providing that collateral is the only guarantee possible on mortgage or housing loans.

The prime minister's press secretary, Liga Krapane, informed that the prime minister has come up with this initiative in order to limit the obligations of individual borrowers, when acquiring their only domicile.

With the new legislation, the obligations would not be greater than the value of the collateral, so that in case the borrower fails to settle the due payments and the collateral is taken away by the bank, the lenders could not get hold of any other property owned by the borrower and could not deduct money from warrantors.

Additionally, the head of the government has requested to include regulations stipulating that borrowers and their family members cannot be evicted from their only domicile without prior agreement to resettle the family to another living place. Furthermore, the prime minister would like to impose an obligation on banks to offer dwellings with smaller floor space than the apartments and houses in their ownership to the families that are forced to leave their previous house or apartment.

Dombrovskis had requested to batch information on borrowers' legal obligations towards loan providers and borrowers' protection mechanisms in Sweden before preparing the bill. Banking experts say that such a system could be beneficial and bring positive effects, however, the new legislation could not be applied to loans for which agreements have been signed already.

Poland to boost its contributions to the IMF

October 6, 2009
(WBJ)

Finance Minister Jacek Rostowski told a press yesterday that, "Poland is ready to participate in the costs related to increasing the capital of the International Monetary Fund (IMF)."

Representatives of the Finance Ministry did not reveal the size of the extra payments. The increase in the financial capacity of the IMF was one of the postulates submitted during the G20 summit held in April. The institution receives contributions from 186 of its members, and it was decided that the financial capability of the IMF will be increased by around \$33 bn.

Poland's current share in the Fund is 1.37 bn of special drawing rights (SDR) which translates into around \$2.2 bn. This is also 0.63% of all SDRs issued by the Fund to its members. According to economists, Poland's higher contribution will mean that the amount of the elastic credit line granted to Poland in May of this year, could be increased if needed, presently it stands at \$20.5 bn.

Finnish car sales down by 24% y-o-y in September

October 6, 2009
(helsinkitimes.fi)

Car sales continued to decline in Finland, with September registrations falling by about 24% year-on-year to some 7,500, Statistics Finland said in a statement Tuesday.

Some 72,600 passenger cars were registered in the January-to-September period, down by about 39% from the same stint last year.

The top three makes were Toyota, Volkswagen and Ford.

Country name	BQS 2009	Penetration 2009	Leadership 09
South Korea	66	97	139
Japan	64	64	115
Hong Kong	33	99	111
Sweden	57	69	110
Switzerland	40	90	108
Netherlands	46	83	108
Singapore	32	96	107
Luxembourg	27	99	107
Denmark	45	82	106
Norway	38	84	102
Malta	27	89	98
Iceland	32	84	97
Australia	30	85	96
Lithuania	54	46	94
United States	37	75	93
Ireland	28	82	92
Canada	31	77	90
France	37	70	90
Estonia	32	75	89
Belgium	35	70	88
Finland	37	67	87
Slovenia	35	68	86
Taiwan	34	68	85
Latvia	48	45	85
United Kingdom	31	71	85
Bahrain	24	75	83
Germany	36	61	81
Cyprus	24	73	81
Czech Republic	38	54	79
United Arab Emirates	23	70	78

Romania	45	38	77
New Zealand	29	63	76
Spain	29	62	76
Bulgaria	49	18	75
Qatar	25	65	75
Austria	34	55	75
Portugal	37	50	74
Italy	28	56	70
Greece	32	47	67
Hungary	36	39	67
Slovakia	37	25	61
Turkey	28	39	58
Russian Federation	36	17	57
Poland	29	34	55
Chile	27	32	51
Mexico	23	34	49
Argentina	24	31	47
Malaysia	23	30	46
China	26	24	46
Costa Rica	24	27	45
Saudi Arabia	24	27	45
Ukraine	28	6	42
Brazil	24	19	41
Colombia	22	22	40
Tunisia	23	12	37
Philippines	23	8	36
Thailand	23	4	35
Vietnam	21	15	35
Morocco	22	8	33
Pakistan	22	1	33
South Africa	21	6	33
India	20	3	31
Indonesia	21	1	31
Egypt	19	5	29
Kenya	13	1	20
Nigeria	8	1	13

Top Changes BB Leadership (2008-2009)

Changes in absolute terms

Country name	Leadership 09	Delta L
South Korea	139	28
Lithuania	94	28
Bulgaria	75	26
Cyprus	81	23
Malta	98	22
Sweden	110	20
Latvia	85	20
Romania	77	18
Qatar	75	17
Czech Republic	79	16
United States	93	15
Kenya	20	13
Slovakia	61	12
Estonia	89	12
Norway	102	12
Ireland	92	12
Switzerland	108	12
Hungary	67	11
Portugal	74	11
Belgium	88	10
Denmark	106	10
New Zealand	76	10
Netherlands	108	10
Argentina	47	9
Taiwan	85	9

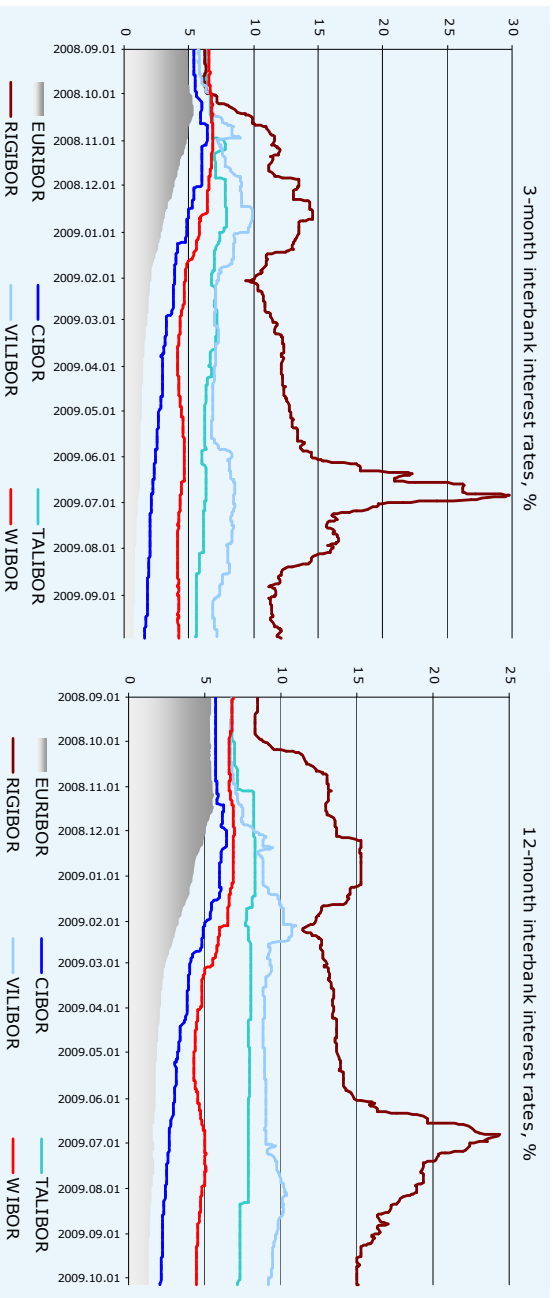
Changes in relative terms

Country name	Leadership 09	% Delta L
Kenya	20	187%
Bulgaria	75	52%
Lithuania	94	42%
Cyprus	81	38%
Latvia	85	30%
Romania	77	30%
Malta	98	29%
Qatar	75	28%
Czech Republic	79	26%
Vietnam	35	26%
Slovakia	61	25%
South Korea	139	25%
Argentina	47	25%
Philippines	36	22%
Sweden	110	22%
Ukraine	42	22%
Mexico	49	21%
Hungary	67	21%
China	46	19%
Colombia	40	19%
United States	93	19%
Tunisia	37	19%
Portugal	74	18%
Pakistan	33	17%
Estonia	89	16%
Turkey	58	15%
New Zealand	76	15%
Ireland	92	15%
Poland	55	15%
Saudi Arabia	45	15%

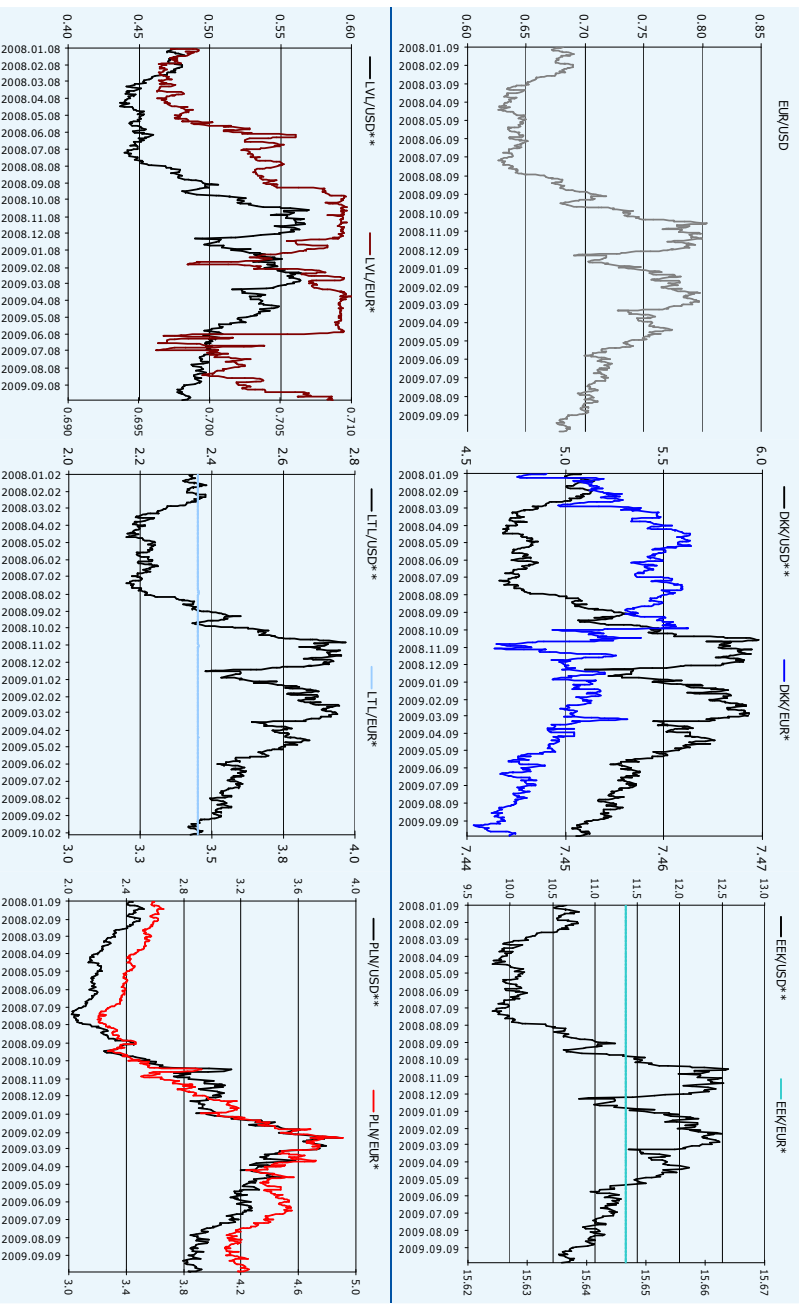
Note: The Broadband Quality Score (BQS) — an index the calculation of which is based on normalized values of: Download throughput (net bid rate of downstream data that transverse the network and the broadband connection) and Upload throughput (net bid rate of upstream data that transverse the network and the broadband connection), and Latency (time taken for the packet of data to reach from source to destination) and other parameters.

Source: <http://www.sbs.ox.ac.uk/news/media/Press+Releases/Cisco+BQS+2009.htm>

Interbank interest rates



Exchange rates



Changes per week

2009.10.06	Euro Zone	Denmark	Estonia	Latvia	Lithuania	Poland
EUR	1.0000	7.4443	15.6466	0.7087	3.4528	4.1937
USD	0.6781	↓	5.0566	↑	10.6092	↓
					0.4805	↑
					2.3413	↓
						2.8477
						↓

Note: * - scale on the right; ** - scale on the left

Source: Reuters, EcoWin

ECONOMIC RESEARCH GROUP

Phone:
Fax:
E-mail:

+ 370 5 239 35 90
+ 370 5 213 90 56
research@dnbnord.lt

DISCLAIMER:

The information of the periodical is based on the general public sources and is provided for information purposes only. No claim is made as to the accuracy or authenticity of the content of the website. The DnB NORD Group does not accept any liability to any person for the information or advice, which is provided by or incorporated into the periodical by reference.