


**SPRING 2011 ECONOMIC OUTLOOK FOR LITHUANIA: ANSWERS FROM LPK**
**MAIN FORECAST**

Annual % change	2010	2011
Real GDP growth	1,3	3,6
Consumer price inflation	1,2	2,8
Unemployment rate	17,8	15,0
Employment growth	-5,4	1,6
Government net lending (% of GDP)	-8,0	-6,0
Gross public debt (% of GDP)	38,0	42,0
Current account balance (% of GDP)	1,2	-0,3

**Components of aggregate demand - in real terms**

Annual % change		
Private consumption	-4,0	1,5
Public consumption	-3,0	-1,5
Investment (Gross Fixed Capital Formation)	0,1	14,4
Private non-residential investment	-0,5	13,0
Exports	17,0	12,0
Imports	16,0	12,0

**ECONOMIC SENTIMENT**

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
<b>Trend in business climate over the next 6 months</b>			
Industry			
Services			

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
<b>Trend in profitability over the next 6 months</b>			
Industry			
Services			

	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>
<b>Investment intentions over the next 6 months</b>					
Industry					
Services					

	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i>	<i>Capacity Utilisation</i>
<b>Influence on companies' investment decisions</b>						
positive		positive	neutral	negative	negative	positive

	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>
<b>Driving force behind investment decisions in the next 6 months</b>				
positive		positive	neutral	positive

	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>
<b>Overall trend in employment</b>				
Up		Up	Up	Up



**ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH**

<i>Compared to 6 months ago, cost/access to finance has been... for SMEs</i>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b>	<b>down / easier</b>
		Access	Cost	
<i>for larger companies (&gt;250 employees)</i>		Access	Cost	

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<i>Over the next 6 months, cost /access to finance will be... for SMEs</i>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b>	<b>down / easier</b>
		Cost		Access
<i>for larger companies (&gt;250 employees)</i>		Cost		Access

	<i>Consolidation of banking sector balance sheets</i>	<i>Access to capital markets</i>	<i>Engcouraging equity financing through tax reforms</i>	<i>Better use of existing EU instruments (including EIB)</i>	<i>Greater potential for Public-Private-Partnerships</i>
<i>Measures to alleviate current financial difficulties for SMEs</i>	Moltrate effect	Very important effect	Important effect	Very important effect	Important effect
<i>Measures to alleviate current financial difficulties for midsize and large companies</i>	Moltrate effect	Very important effect	Important effect	Very important effect	Important effect



**POLICY MIX**

	<i>Tight, appropriate for the euro area</i>	<i>Tight yes</i>	<i>Appropriate</i>	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>					
<i>Consistency between fiscal and monetary policies</i>	<i>adequate</i>	<i>inadequate</i>			
		yes			
	<i>excellent commitment</i>	<i>satisfactory commitment</i>	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Regarding the sustainability of public finances, government shows ...</i>		yes			
<i>Exit Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Tight fiscal rules and more effective institutions</i>		yes			
<i>Greater efficiency of public administrations</i>		yes			
<i>Credible cost-cutting measures</i>		yes			
<i>Increased scope of public-private partnerships</i>				yes	
<i>Reform of pension systems</i>			yes		
<i>Improved efficiency of healthcare sector</i>			yes		
<i>Entry Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>More and better-targeted education and training</i>				yes	
<i>More and better targeted R&amp;D and innovation efforts</i>		yes			
<i>Prioritisation of infrastructure investments</i>					yes
<i>Growth enhancing tax reforms</i>				yes	
<i>In 2015, the government deficit will...</i>	<i>respect the 3% limit</i>	<i>be in balance</i>			
	yes	no			