


AUTUMN 2010 ECONOMIC OUTLOOK FOR LITHUANIA: ANSWERS FROM LPK
MAIN FORECAST

Annual % change	2010	2011
Real GDP growth	0.7	3.8
Consumer price inflation	1.0	2.0
Unemployment rate	16.5	16.0
Employment growth	-5.4	1.3
government net lending (% of GDP)	-7.5	-7.0
gross public debt (% of GDP)	38.0	41.0
current account balance (% of GDP)	1.2	-0.2

Components of aggregate demand - in real terms

<i>Annual % change</i>		
Private consumption	-1.0	2.0
Public consumption	-3.0	1.0
Investment (Gross Fixed Capital Formation)	0.0	2.0
Private non-residential investment	-1.0	-1.0
Exports	3.0	8.0
Imports	8.5	6.0

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>			
Trend in business climate over the next 6 months	Industry					
	Services					
Trend in profitability over the next 6 months	Industry					
	Services					
Investment intentions over the next 6 months	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>	
				Industry		Services
Influence on companies' investment decisions	<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>
	positive	negative	neutral	negative	negative	positive
Driving force behind investment decisions in the next 6 months	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>		
	negative	negative	positive	positive		
Overall trend in employment	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>		
	Down	Same	Down	Same		

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

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

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

	<i>Measures to improve bank lending capacity</i>	<i>Facilitating access to capital markets (corporate bonds and stock markets)</i>	<i>Improving conditions for equity financing</i>	
<i>Measures to alleviate current financial difficulties for SMEs</i>	Very important effect	Moderate effect	Important effect	

POLICY MIX

	<i>Tight, appropriate for the euro area</i> yes	<i>Tight</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>Regarding the sustainability of public finances, government shows ...</i>	<i>excellent commitment</i>	<i>satisfactory commitment</i> yes	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<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&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> yes	<i>be in balance</i> no			