

**COUNTRY PROFILE:**  
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**REPUBLIC OF LITHUANIA**  
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IES/02: ATTACHMENT A

### ***Recent Political Highlights***

- ❑ Former European Union budget chief Dalia Grybauskaitė was sworn in, in early July as president of the recession-hit Baltic state of Lithuania. She succeeded 82-year old Valdas Adamkus who retired after serving two terms in office. Having a reputation for tough-talking, she has gained the nickname 'Iron Lady'. Her political models include those of the original bearer of that nickname, former British Prime Minister Margaret Thatcher. During her election campaign, she pledged to tackle politically-tinged vested economic interests which she said damaged the economy. She also stated that she is keen to give small businesses a helping hand and is pushing for reforms in the justice system, health education and social security – all of which are in crisis currently, due to Government's tightening in light of the crisis.
- ❑ The next election is due by May 2014.

### ***Recent Economic Highlights***

- ❑ Lithuania has a population of 3.6m people with an expected growth rate of -0.3% in 2009.
- ❑ Lithuania is the largest of the Baltic states with an economy larger than that of Latvia and Estonia combined and like its neighbours, it has been hard hit by the global credit crunch.
- ❑ Lithuania's industrial output fell 16.3% year-on-year in June after declining 19.3% in May. Mining and quarrying output fell 22.2% in June, while manufacturing fell 16.7%. Production of utilities fell 12%.
- ❑ Lithuania's economy grew 8.9% in 2007 after 7.8% in 2006 driven by exports and strong domestic demand, but stalled to an estimated 3.2% in 2008 and is expected to shrink sharply in 2009. Government has repeatedly signaled that it will not follow neighbouring crisis-casualty Latvia and seek a bailout from the IMF.
- ❑ The finance ministry forecasts the economy to shrink more than 18% in 2009 and by 4.3% in 2010. Government plans a series of austerity measures to keep the country's budget deficit within the 3% limit as per EU criteria. These additional measures include raising VAT from 19% to 21%, wage cuts for public sector employees and new restrictions on social benefits. Last month parliament passed a revised budget to save 3bn litas (\$1.2bn). Government is planning more measures to save another 1bn litas. Lithuania's economy shrank 22.4% in the second quarter of 2009 compared with a year ago, the biggest drop since the Baltic country broke away from the Soviet Union in the early 1990s. Latest data allows Lithuania to overtake Latvia as the EU's worst performing country. The steeper than expected growth decline has increased concerns over the country's ability to survive the crisis without international assistance.
- ❑ The Central Bank Governor says that the effects on the banking sector are showing and expects its performance to be particularly bad in the second half of the year. Lithuania's banking sector is dominated by Scandinavian banking groups. The sector posted an aggregated net loss of 628m litas due to escalating provisions against bad loans, which totaled 2bn litas for the first half of 2009. Government complained that Scandinavian banks squeezed credits too much, driving the economy into deeper recession.
- ❑ Government approved an economic stimulus of 5bn litas (€1.5bn) as part of its attempts to address the deepening economic crisis in the Baltic state. Lithuanian businesses were expected to have received the first 100-million litas of funding during March this year. The plan will be financed from money allocated to the country by the EU up to 2013 – the structural funds that are meant to help poorer nations catch up with wealthier members of the 27-country bloc. Lithuania will also borrow €1.1bn from the European Investment Bank for the period up to 2013 to match Government funding.

### ***Latest Trade Developments***

- ❑ Main export commodities: mineral products, textiles and clothing, machinery and equipment, chemicals, wood and wood products and food items.
- ❑ Main import commodities: mineral products, machinery and equipment, transport equipment, textiles and clothing and metals.
- ❑ Main agricultural products: grain, potatoes, sugar beets, flax, vegetables, beef, milk, eggs and fish.
- ❑ Main industries: metal-cutting machine tools, electric motors, television sets, refrigerators and freezers, petroleum refining, shipbuilding, furniture making, textiles, food processing, agricultural machinery, optical equipment, electronic components, computers and amber jewelry.
- ❑ Major trading partners: Latvia, Germany, Poland, Estonia, UK, Denmark, Belarus, Russia and Netherlands.
- ❑ SA's exports to the Lithuania totaled R56m in 2007, R86m in 2008 and R28.6m in the year to April 2009.
- ❑ SA's imports from Lithuania totaled R74m in 2007, R201m in 2008 and R15.7m in the year to April 2009.