

# ***Global Macro Trends and CEE Economies***

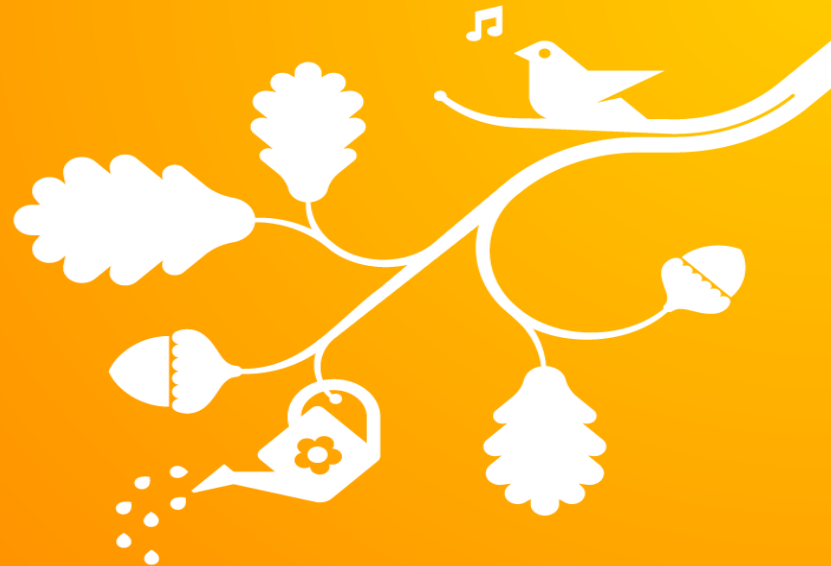
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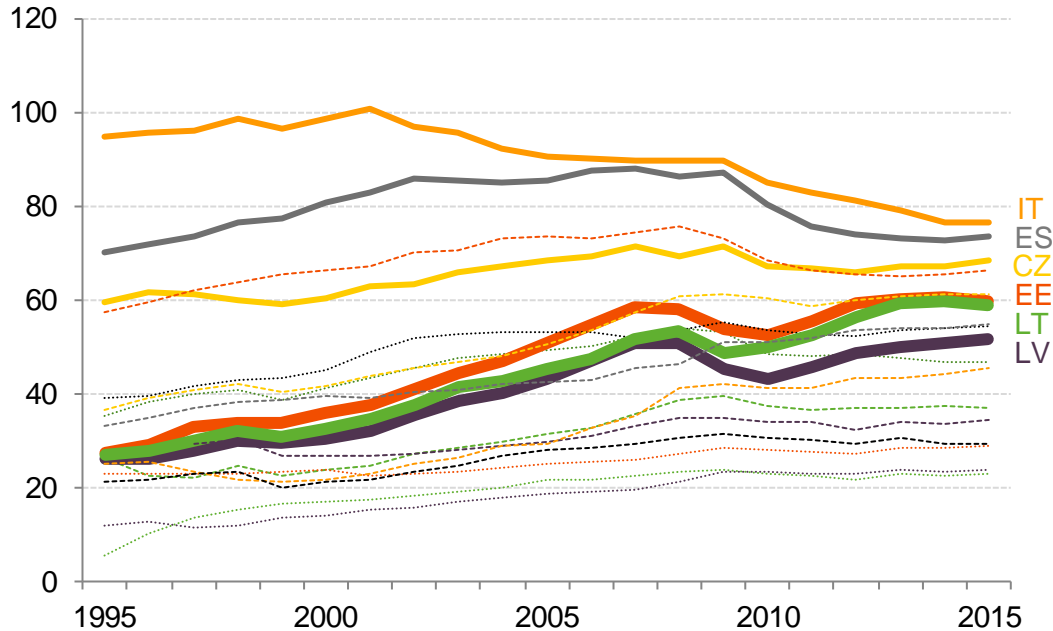
Swedbank

November 5, 2016



# Convergence story: remarkable improvement in productivity and incomes over the past two decades

**GDP per capita, PPS, % of Germany**  
CEE and selected economies



Source: Eurostat, World Bank

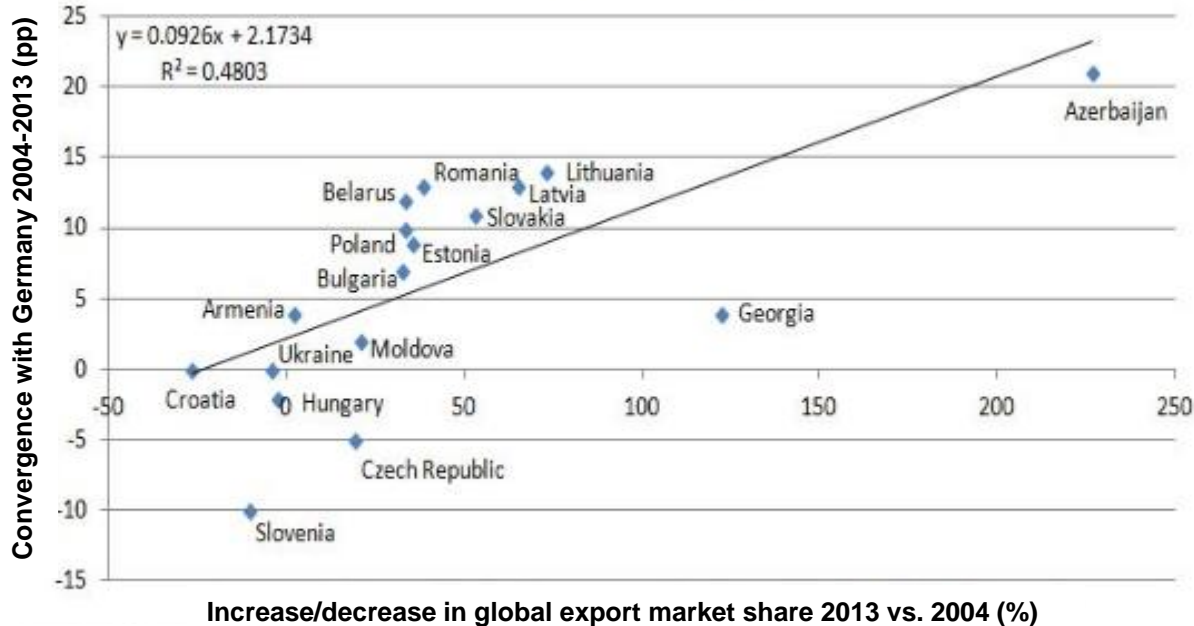
## LATVIA

2015 average income in current prices stood at EUR 12'300

Over 1995-2015 real incomes in PPS have about tripled, i.e., on average up by roughly 7% p.a.

**Convergence story:** much of the success is due to foreign trade, i.e., it is about competitiveness and export growth

**Export market shares and real convergence**



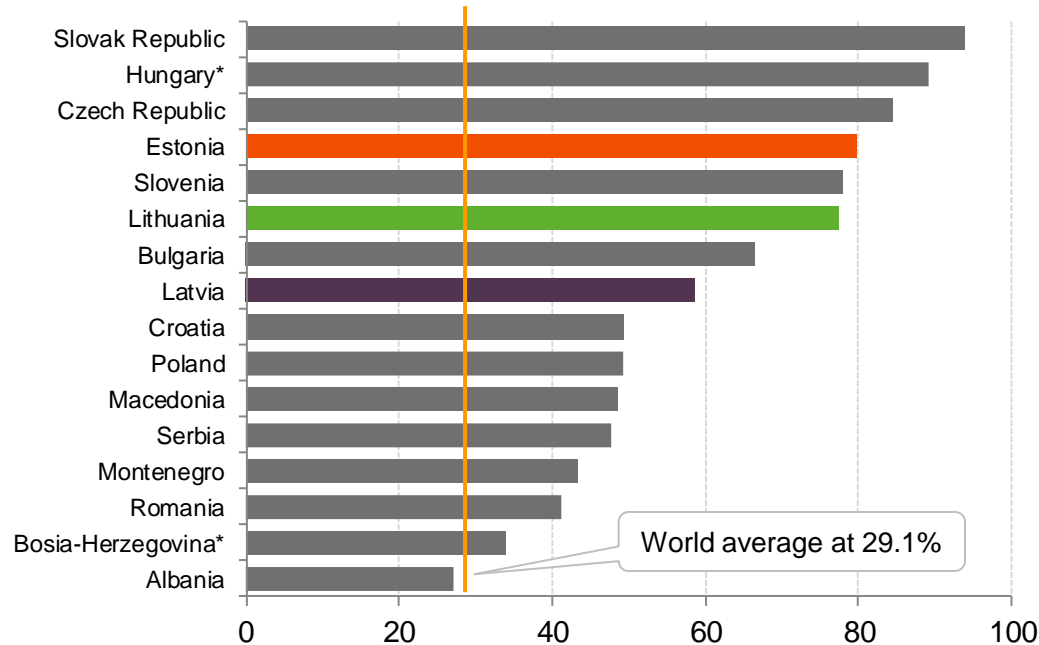
Source: A. Strazds and T. Grennes

<http://www.economonitor.com/thoughtsacrossatlantic/2014/10/02/do-free-trade-agreements-with-the-eu-promise-higher-incomes-for-the-eastern-partnership-countries/>

**LATVIA**  
Over 1995-2015 exports of goods and services have grown more than 300% in real terms and more than 900% in nominal terms

# Convergence story: small open economies, i.e. growth model is exports driven and will remain such

**Exports of goods and services in 2015 (% of GDP)**



**CEE**  
*Large share of foreign trade, which means high susceptibility to changes in global environment*

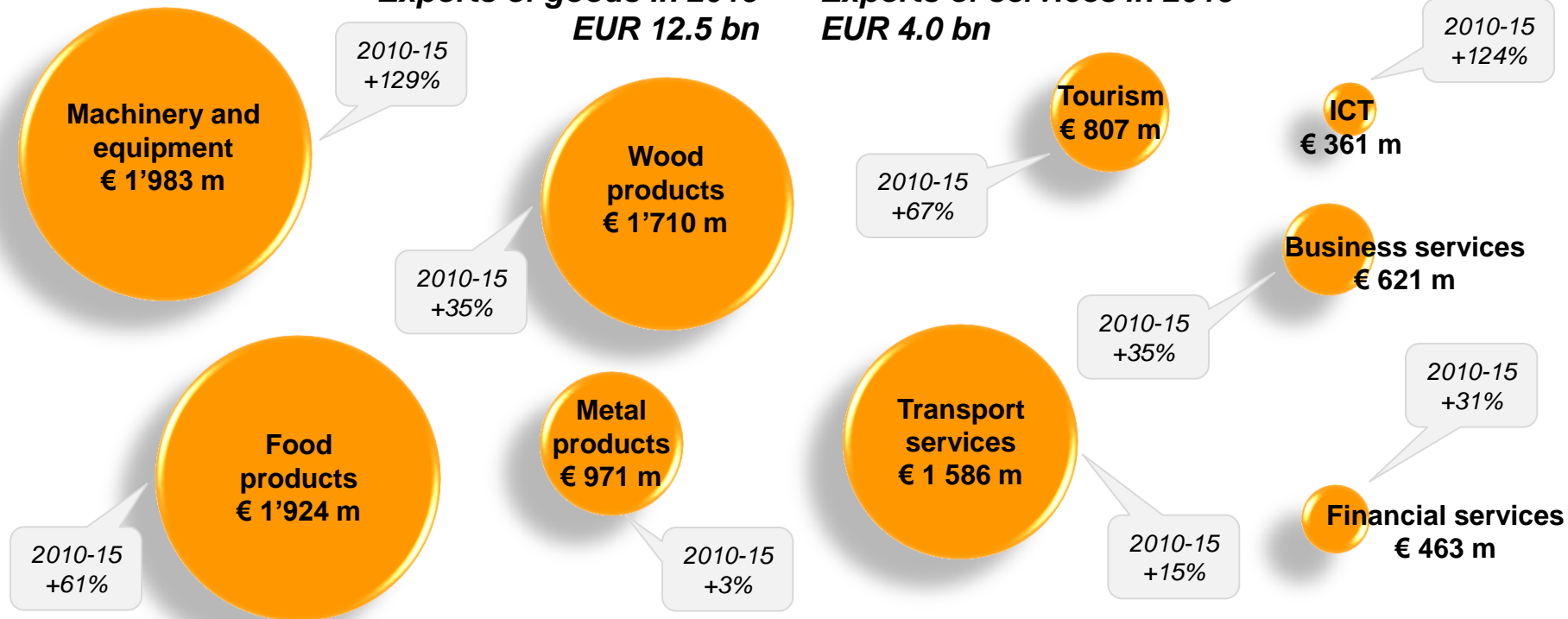
\*2014

Source: World Bank

# Latvian export sector: well diversified in terms of products and markets, growing smarter and larger

## Exports of goods in 2015 EUR 12.5 bn

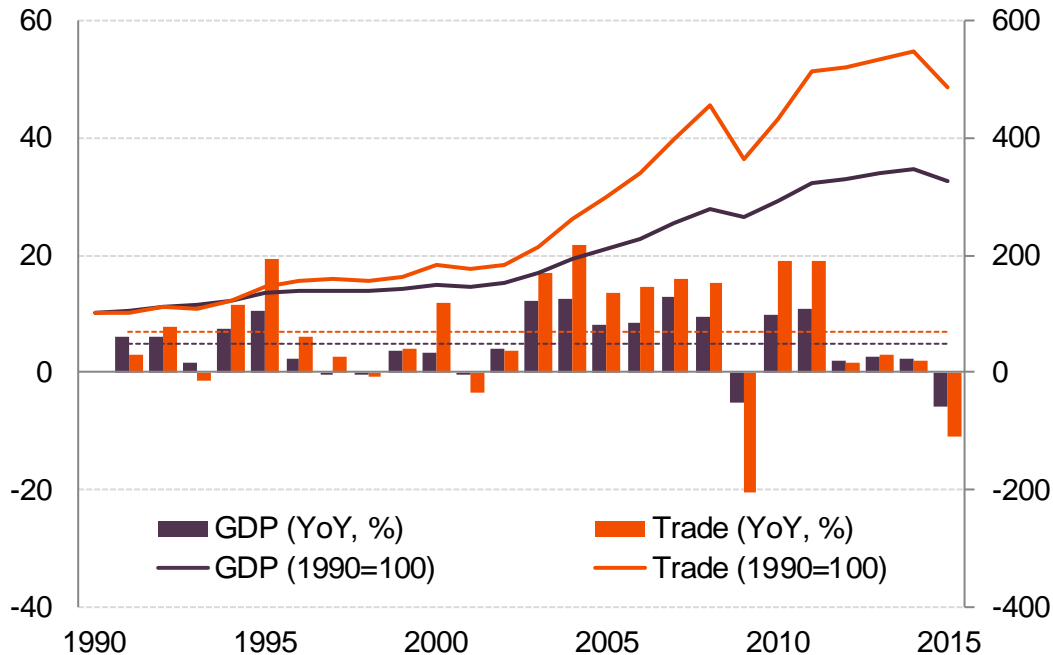
## Exports of services in 2015 EUR 4.0 bn



Source: Latvian Central Statistical Bureau for goods' exports, Bank of Latvia for services' exports

## Globalisation

GDP and global trade



### Trade has slowed

- weak investment activity
- China restructuring
- slower advanced economies
- populism & protectionism
- Russia is different

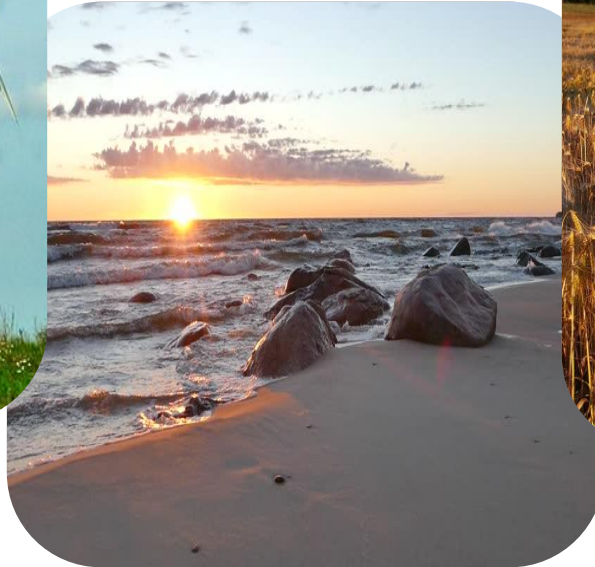


deeper integration into the EU  
and elsewhere, free transit  
and infrastructure capacity

# Global trends: *challenges, but also opportunities*

Globalisation

Climate change



Globalisation

Climate change


Digitalisation

Ageing

Industry clusters deepening, widening  
and internationalising



**Traditional industries  
extending into other  
industries and investing  
abroad**



**ITC  
and  
related  
services**



**Support  
from the EU  
funds to  
raise  
industrial  
capacity**



**Doing Business 2015  
Going Beyond Efficiency  
Improved  
business  
legislation,  
e.g. start-  
ups**



**Thank you!**

