

ANDRIUS KUBILIUS

High Growth and Low Debt -  
Learning from Lithuania

Austrian Federal Economic Chamber

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2015 05 11



# Personal Experience

Two times Prime Minister, both times during crises

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1999 GDP drop -1.7%  
Russian financial crisis

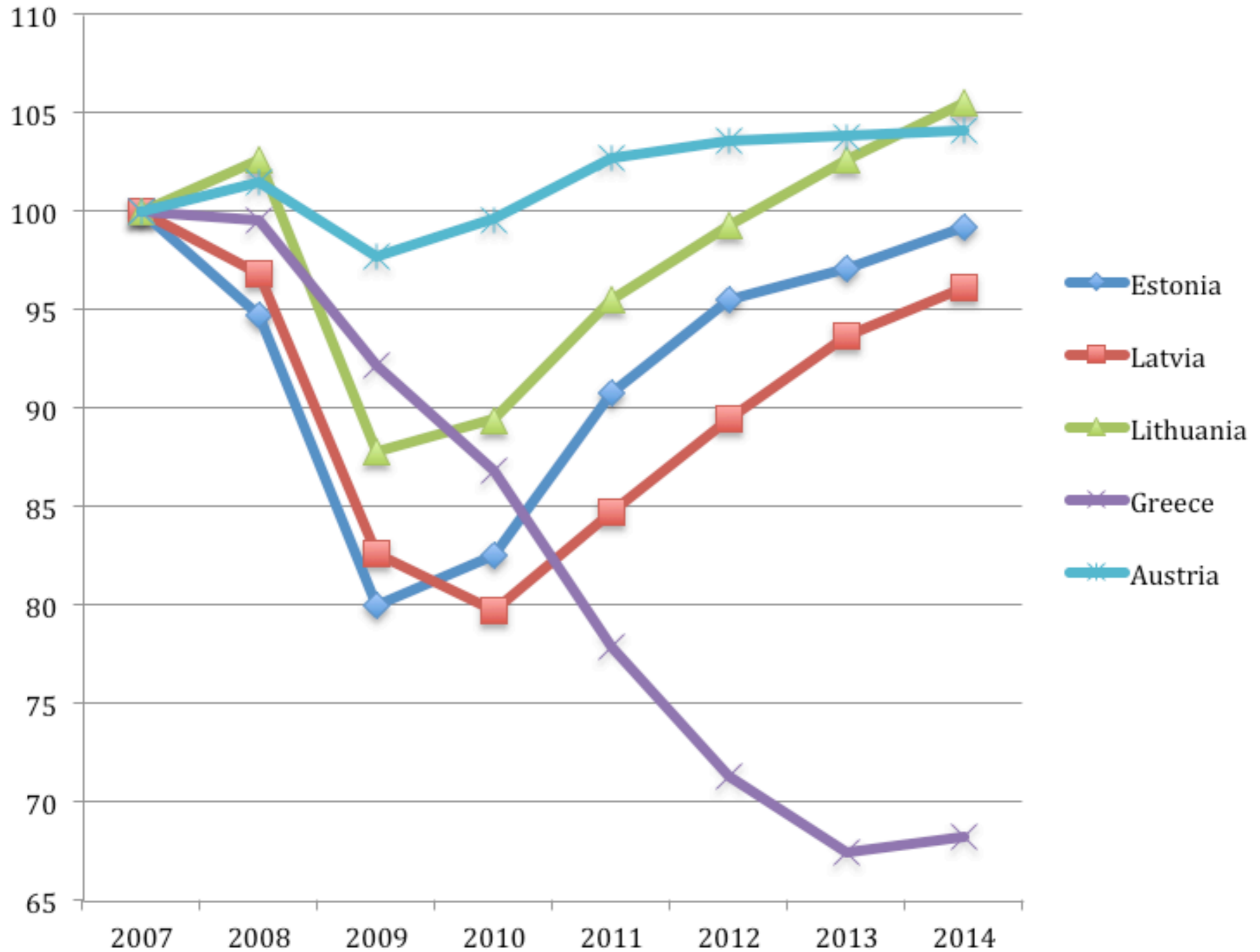


2009 GDP drop -15%  
Global financial crisis





Real GDP Index (2007 = 100), Source of data: Eurostat





# Principle means for fighting the crisis

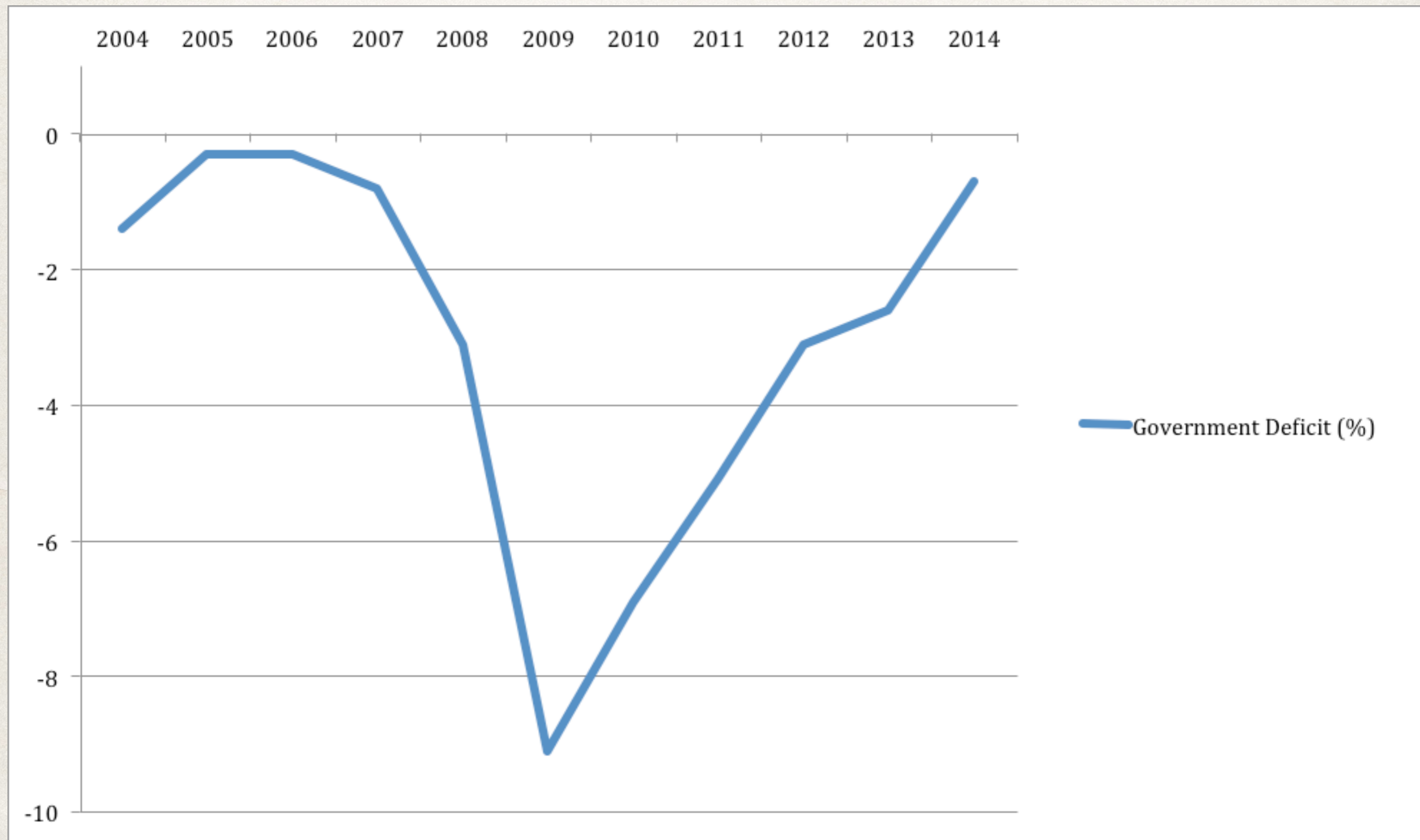
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- ❖ Austerity measures - 15% reduced government spending
- ❖ Internal devaluation - reduction of salaries by 20% in average
- ❖ Economic stimulation package - 6% GDP from EU funds

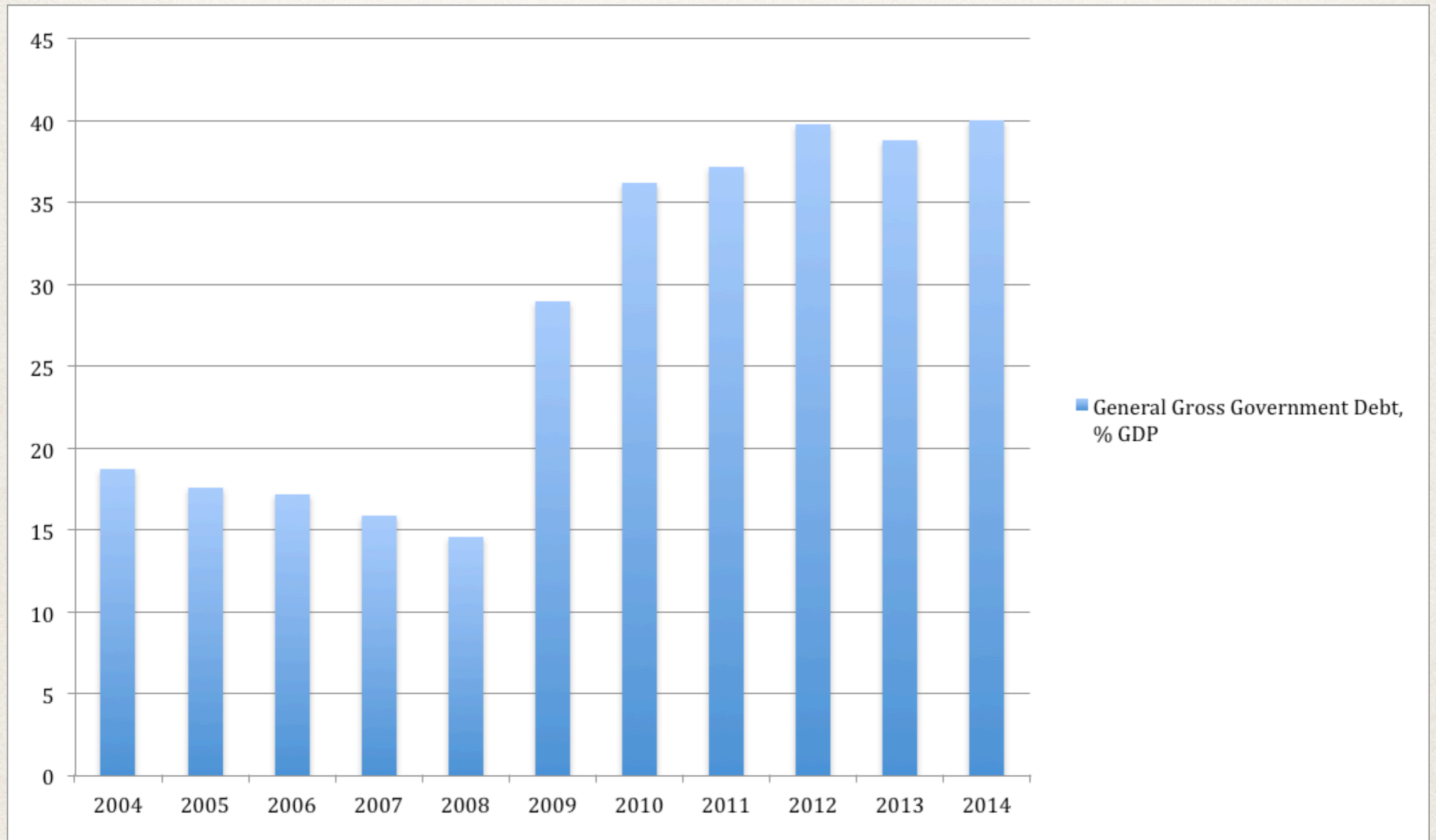




Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Government deficit	-1,4	-0,3	-0,3	-0,8	-3,1	-9,1	-6,9	-5,1	-3,1	-2,6	-0,7

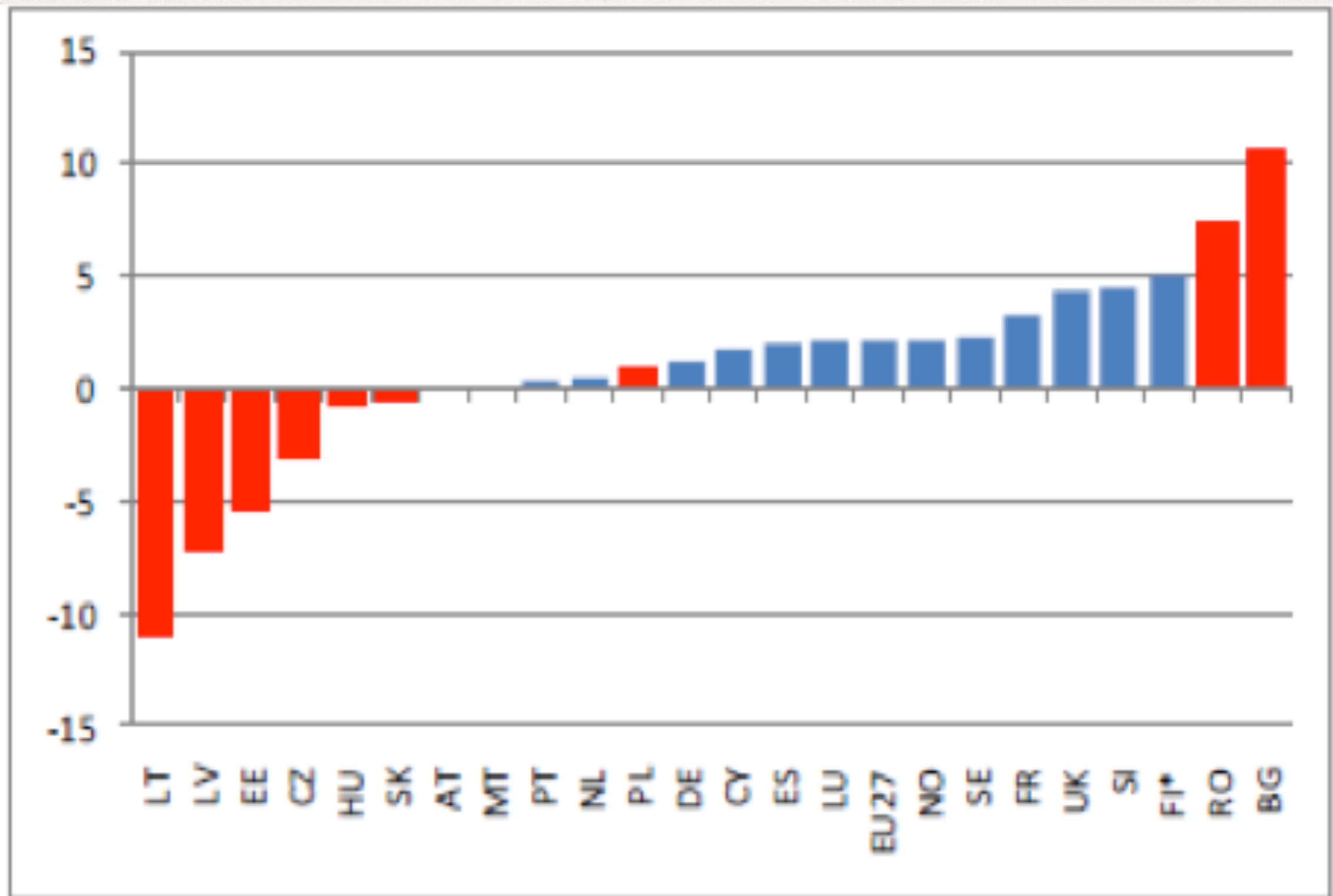


Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Gross Government Debt	18,7	17,6	17,2	15,9	14,6	29,0	36,2	37,2	39,8	38,8	40,0





# Total nominal hourly labor costs, % change, yoy, working day adjusted, Q1 2010



Source: Eurostat, World Bank staff calculations

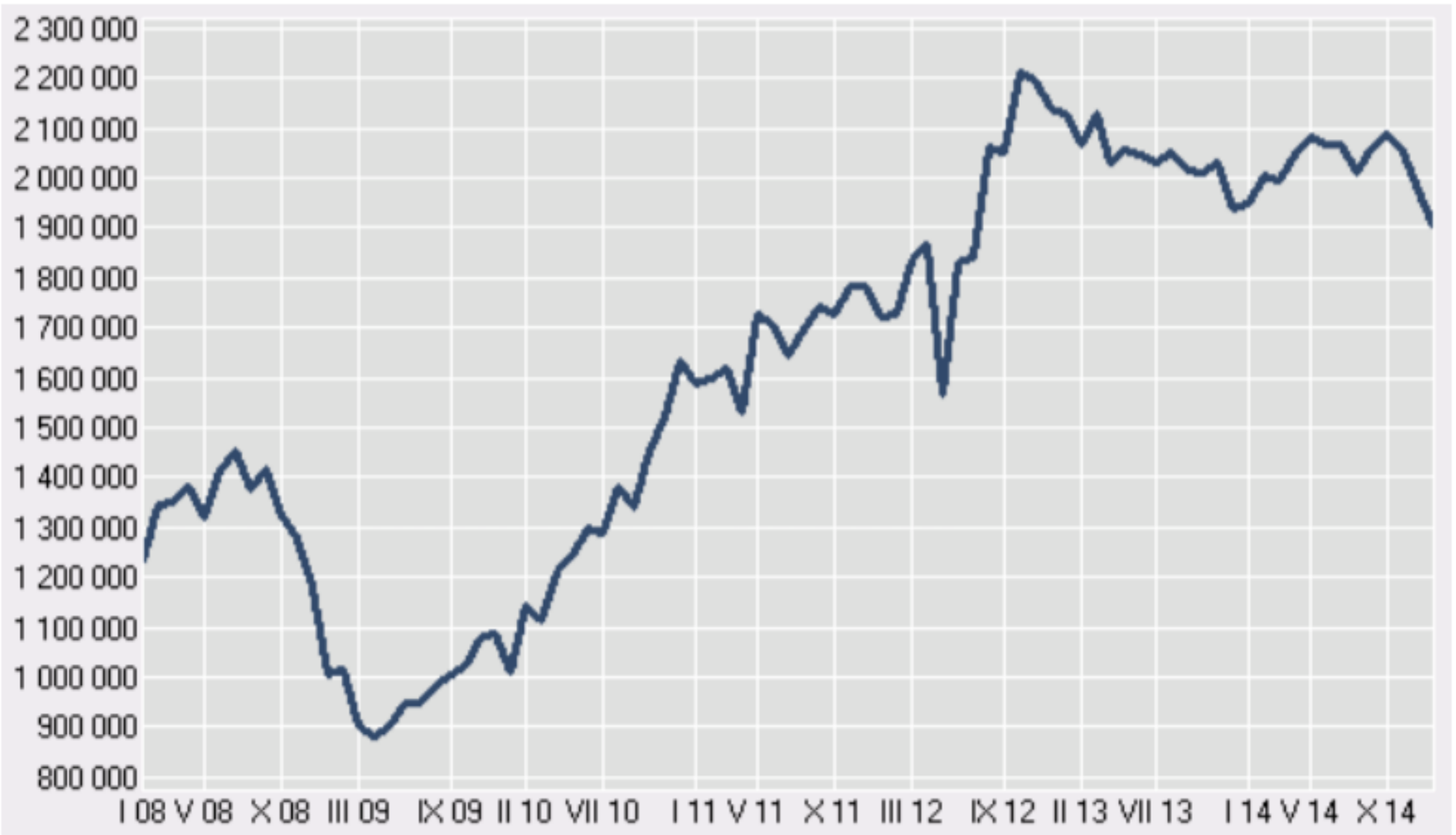


# Results and Challenges

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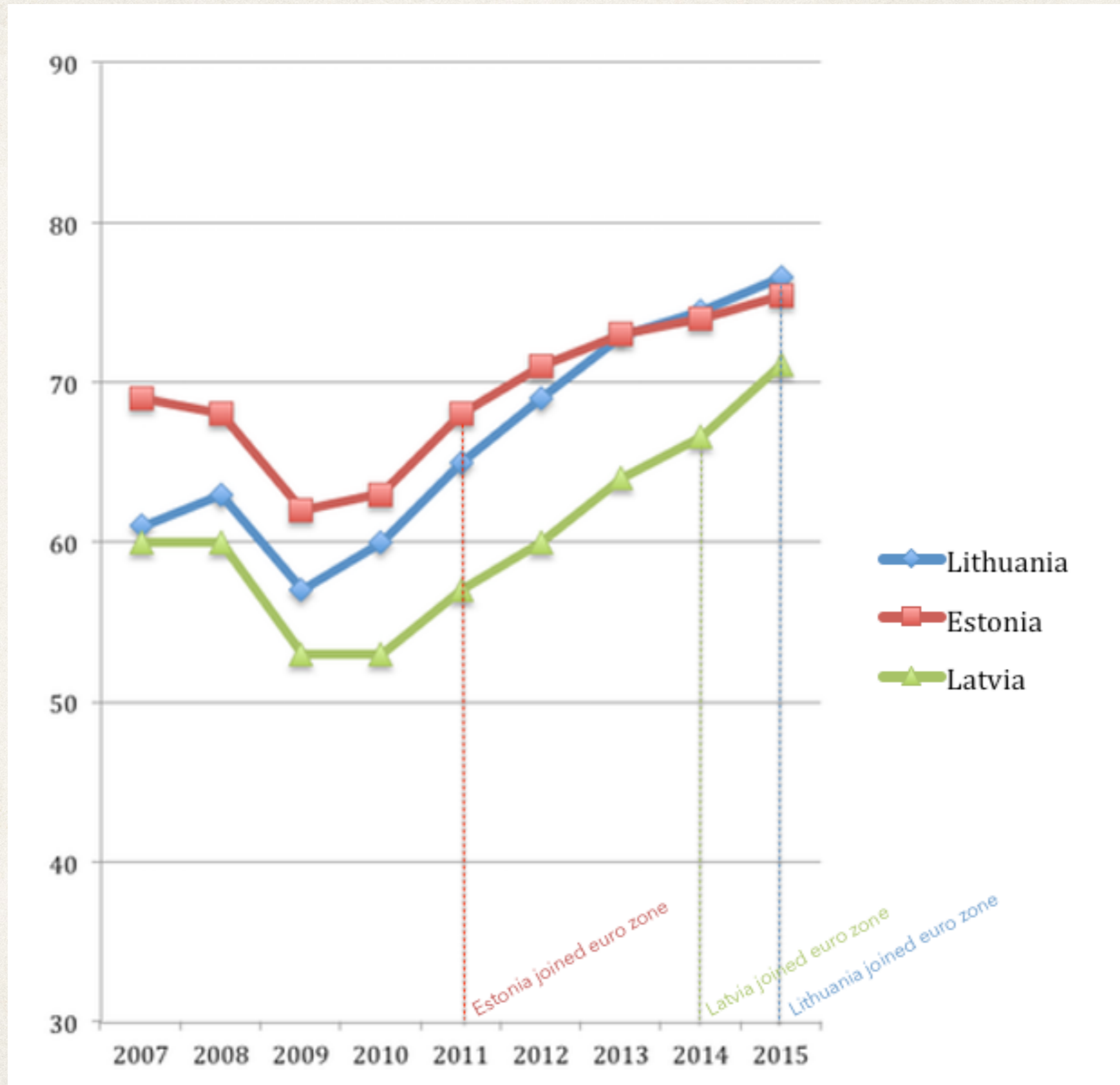
## Export dynamics



*Source of data: Lithuanian statistics department*

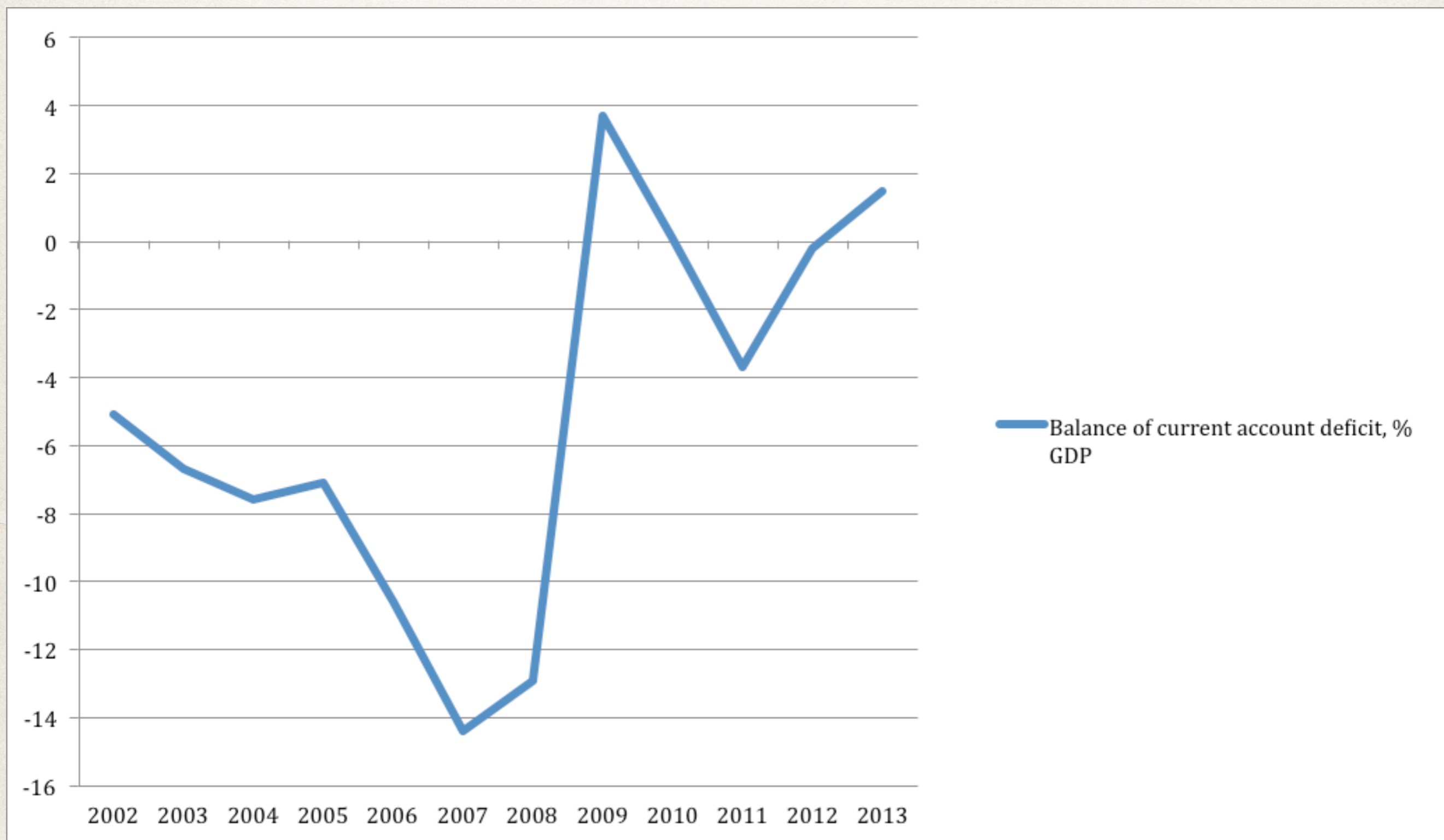


GDP per capita, PPS, Index (EU28=100), source of data: Eurostat (2014-12-01)



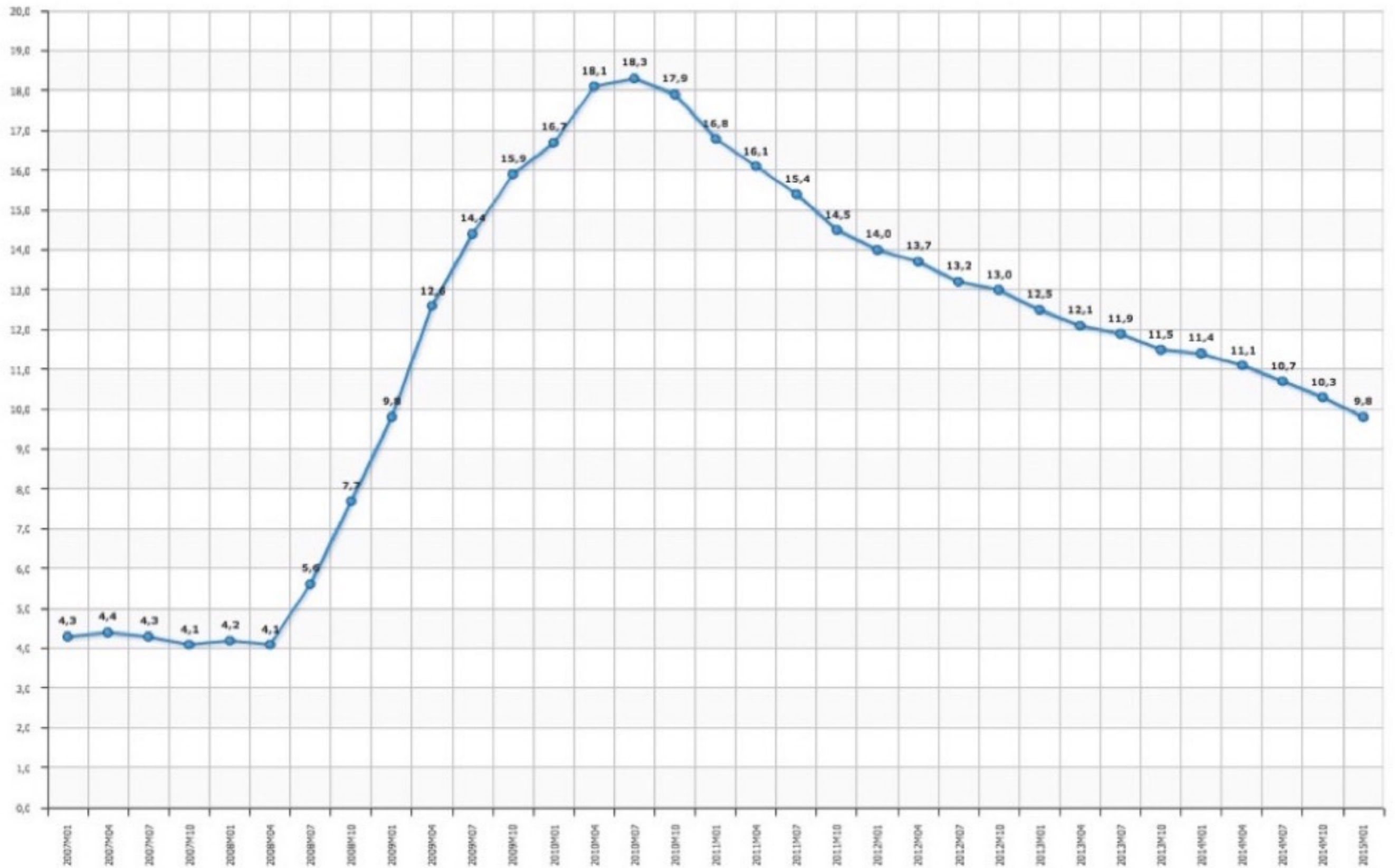


Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Balance of current account	-5,1	-6,7	-7,6	-7,1	-10,6	-14,4	-12,9	3,7	0,1	-3,7	-0,2	1,5



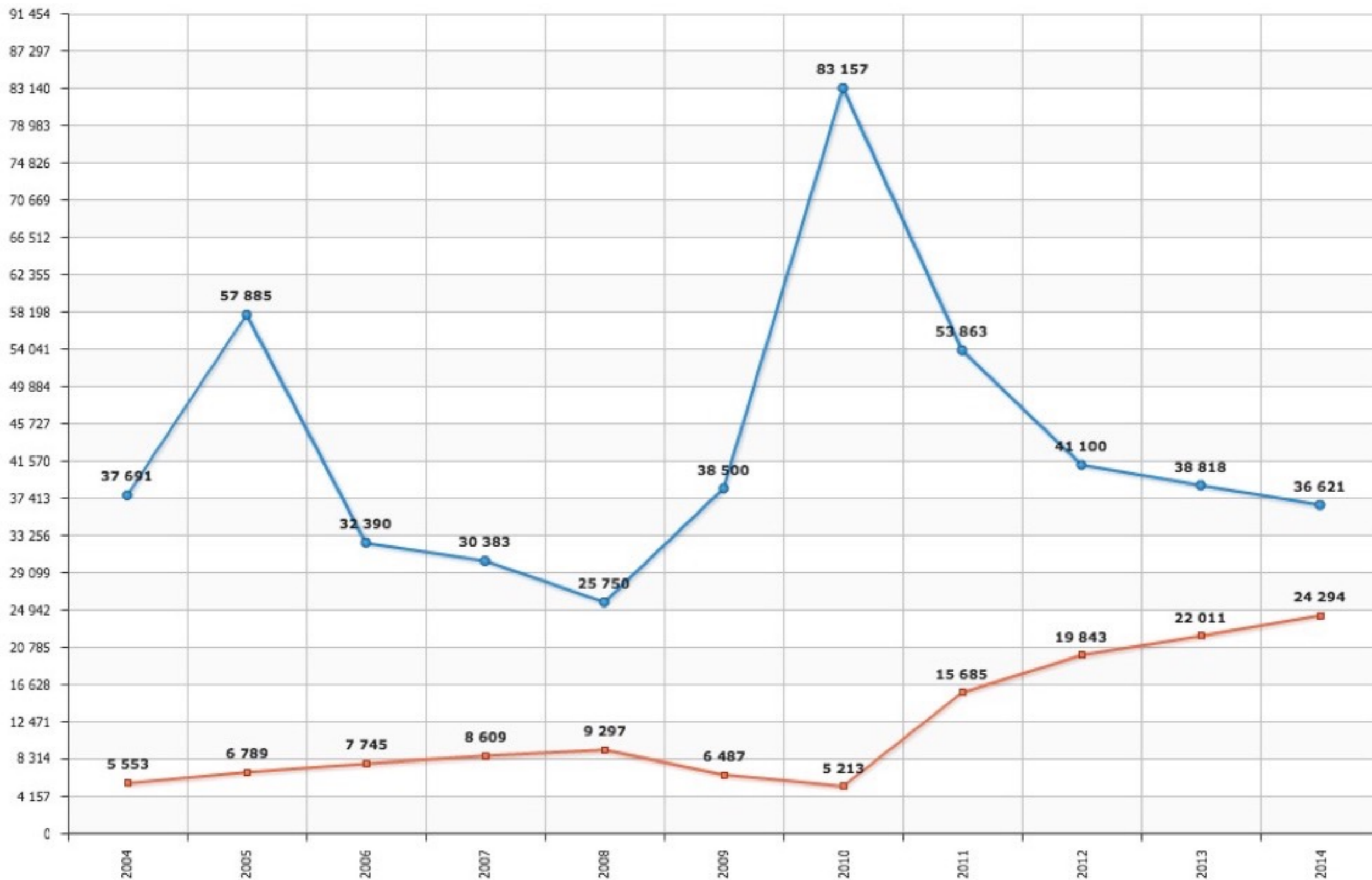


# Unemployment level (%)



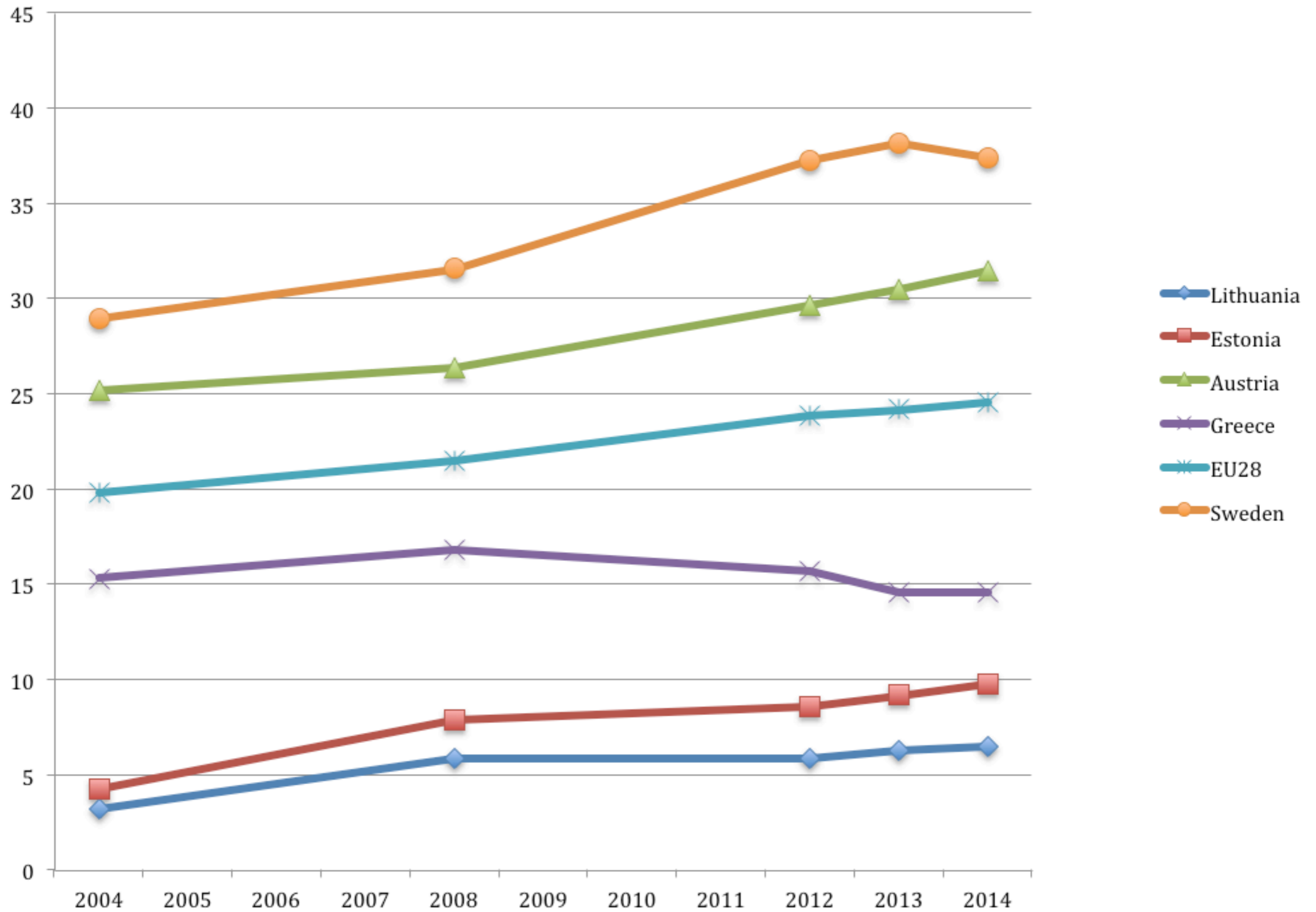


# Levels of emigration and re-emigration





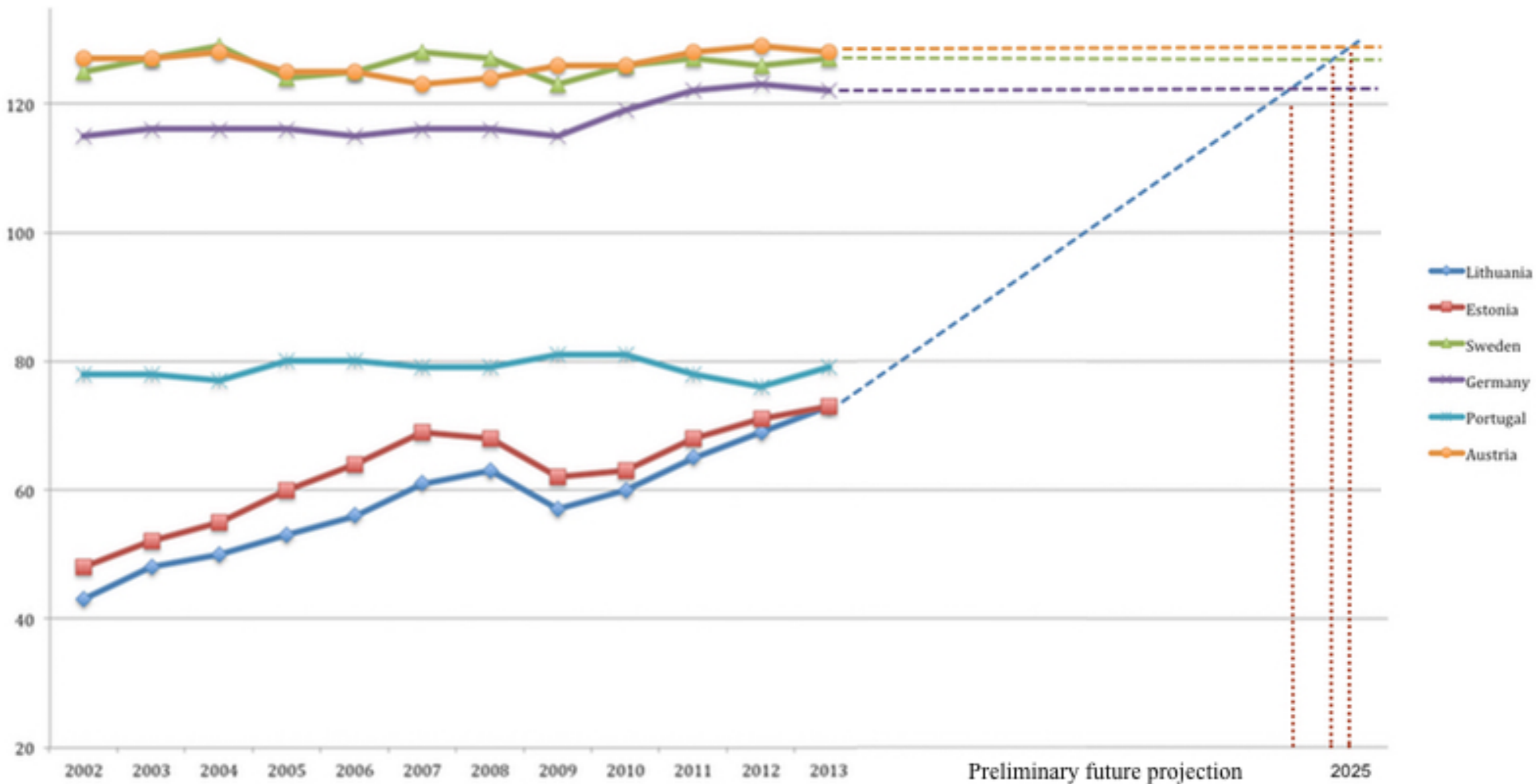
Labor costs per hour in EUR, *source of data: Eurostat*





# Estonia in 2013, Austria - 2025

GDP per capita, PPS, Index (EU28=100), source of data: Eurostat (2014-12-01)



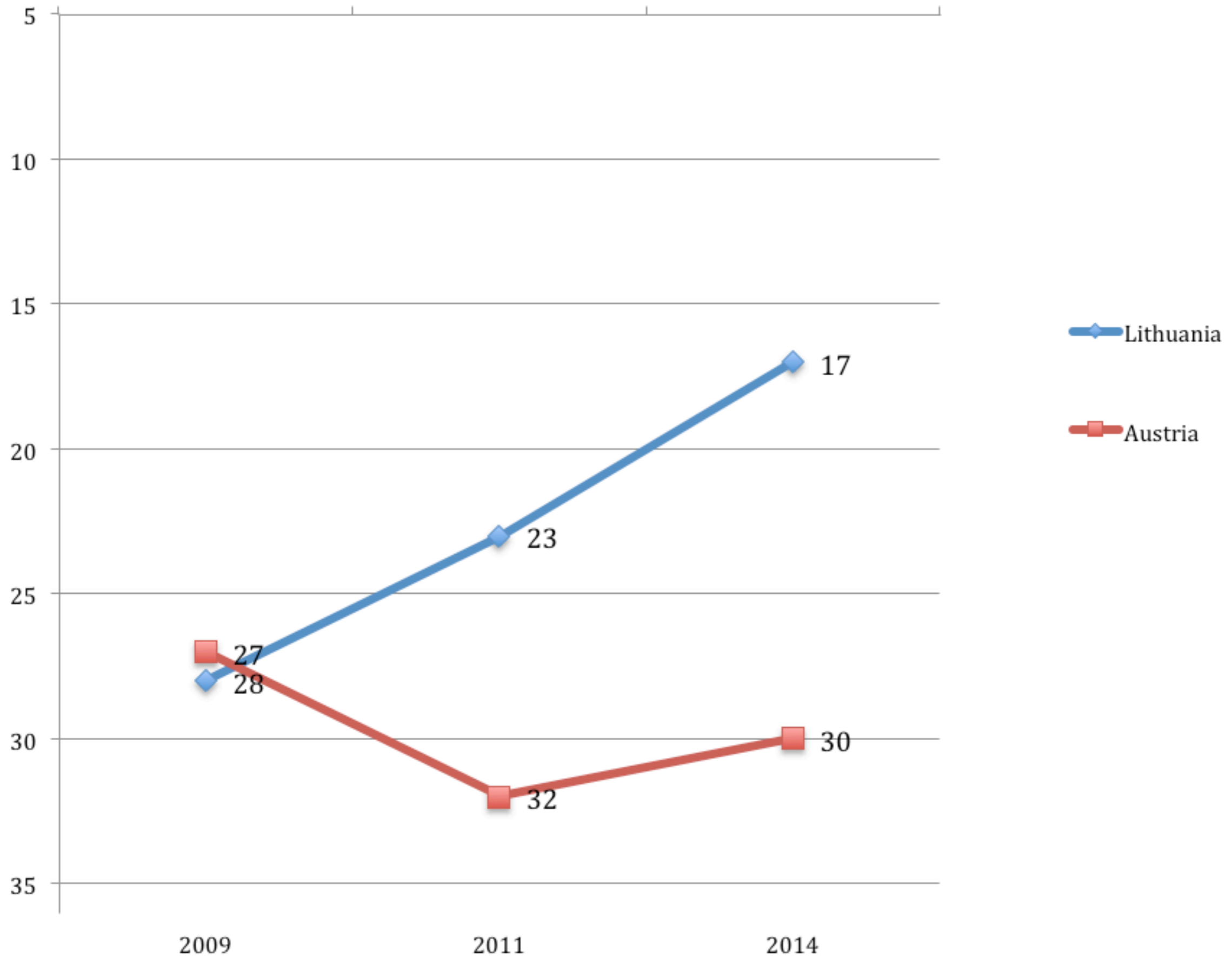


# How will Lithuania Overcome Austria? Attractiveness for Investors and Business Conditions

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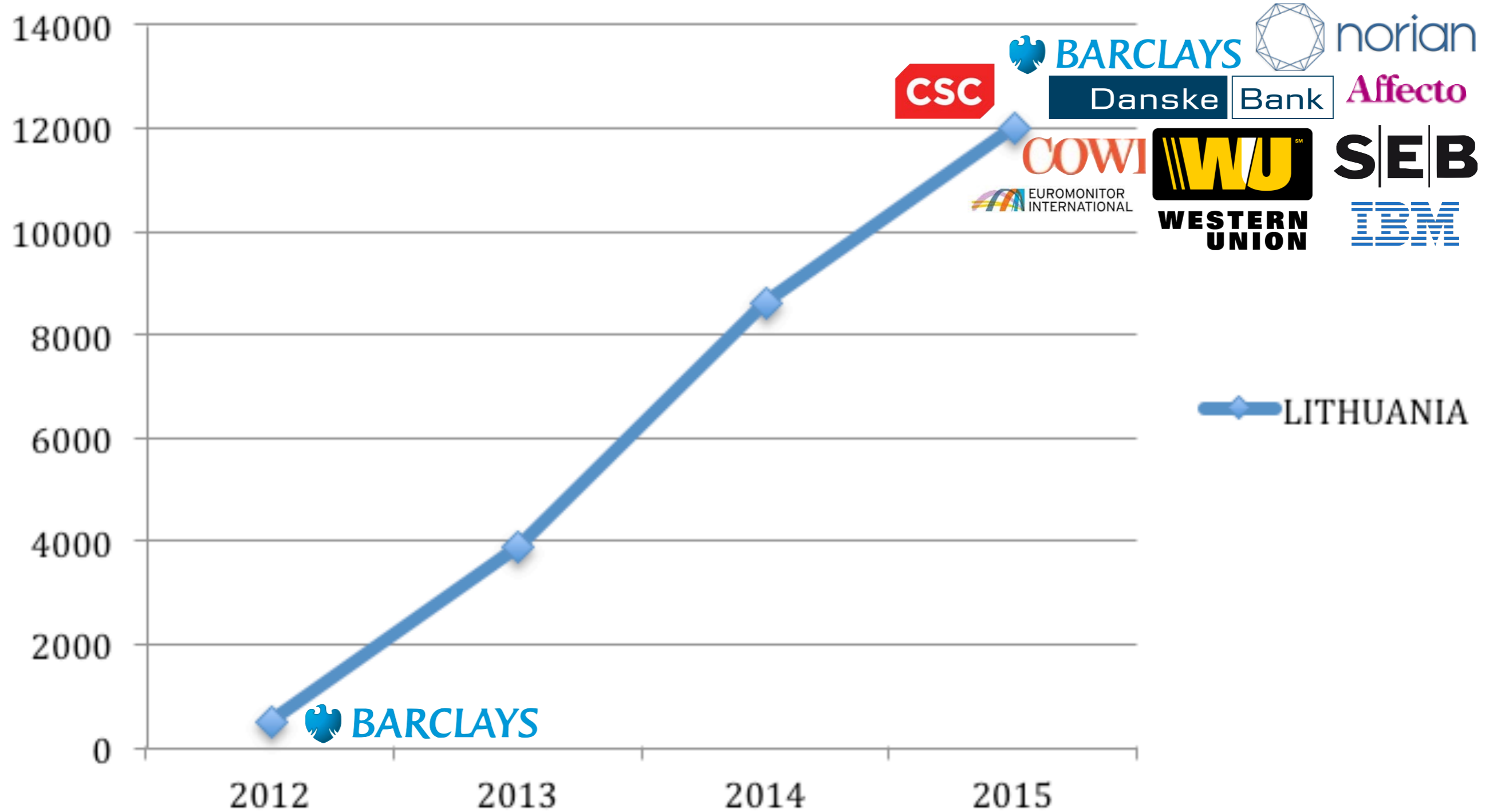


# Ease of „Doing Business” rating





# FDI: Employment in shared service centres





# New Advantages of Lithuania: Education

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- ❖ 1<sup>st</sup> in CEE for quality of math and science education / WEF Global Competitiveness Report, 2013-2014
- ❖ Highest ICT literacy in the EU - 97% of students obtaining ICT skills in secondary education / Digital Agenda for Europe
- ❖ 2x EU average of young people studying Engineering, Manufacturing and Construction / Eurostat, 2011
- ❖ 5<sup>th</sup> in EU for population speaking at least 1 foreign language and 7<sup>th</sup> for at least 2 foreign languages



# New Advantages of Lithuania: Infrastructure

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- ❖ Leading broadband speed in the EU and top 7 globally / Ookia Net Index, 2014
- ❖ Fastest public Wi-Fi in the world / Rotten Wifi tests, 2014
- ❖ 1<sup>st</sup> in the EU for fibre-to-home penetration / Fibre to Home Council, 2013
- ❖ 1<sup>st</sup> globally in fulfilling business needs fo ICT / IMD World Competitiveness Yearbook, 2013
- ❖ 3<sup>rd</sup> most affordable internet in the EU / Ookia Net Index, 2014



# New Advantages of Lithuania: Business environment

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- ❖ 1st in CEE in University-Industry collaboration in R&D / WEF Global Competitiveness Report, 2013-2014
- ❖ Labor costs 4 times lower than EU average / Eurostat 2013
- ❖ 4th lowest profit taxes in the region / KPMG, 2014
- ❖ 0% profit tax incentives in Free Economic Zones and other special incentives for foreign investment



THANK YOU!

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**SPENDING**

