



SSE RIGA

“All We Have to Fear Is Fear Itself”

- and the Eurozone

ECR Vilnius 8 November 2012

Morten Hansen

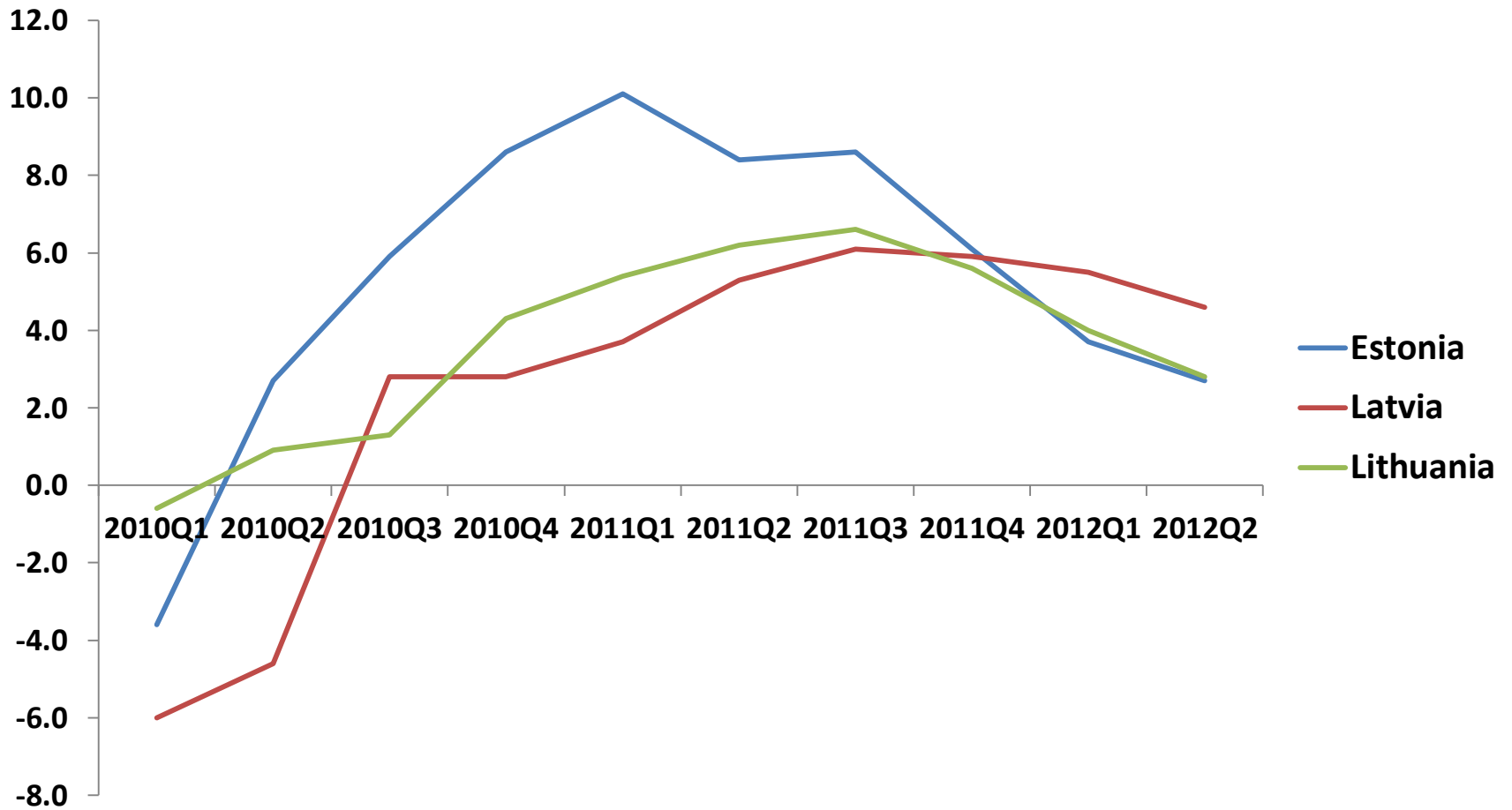
Head of Economics Department

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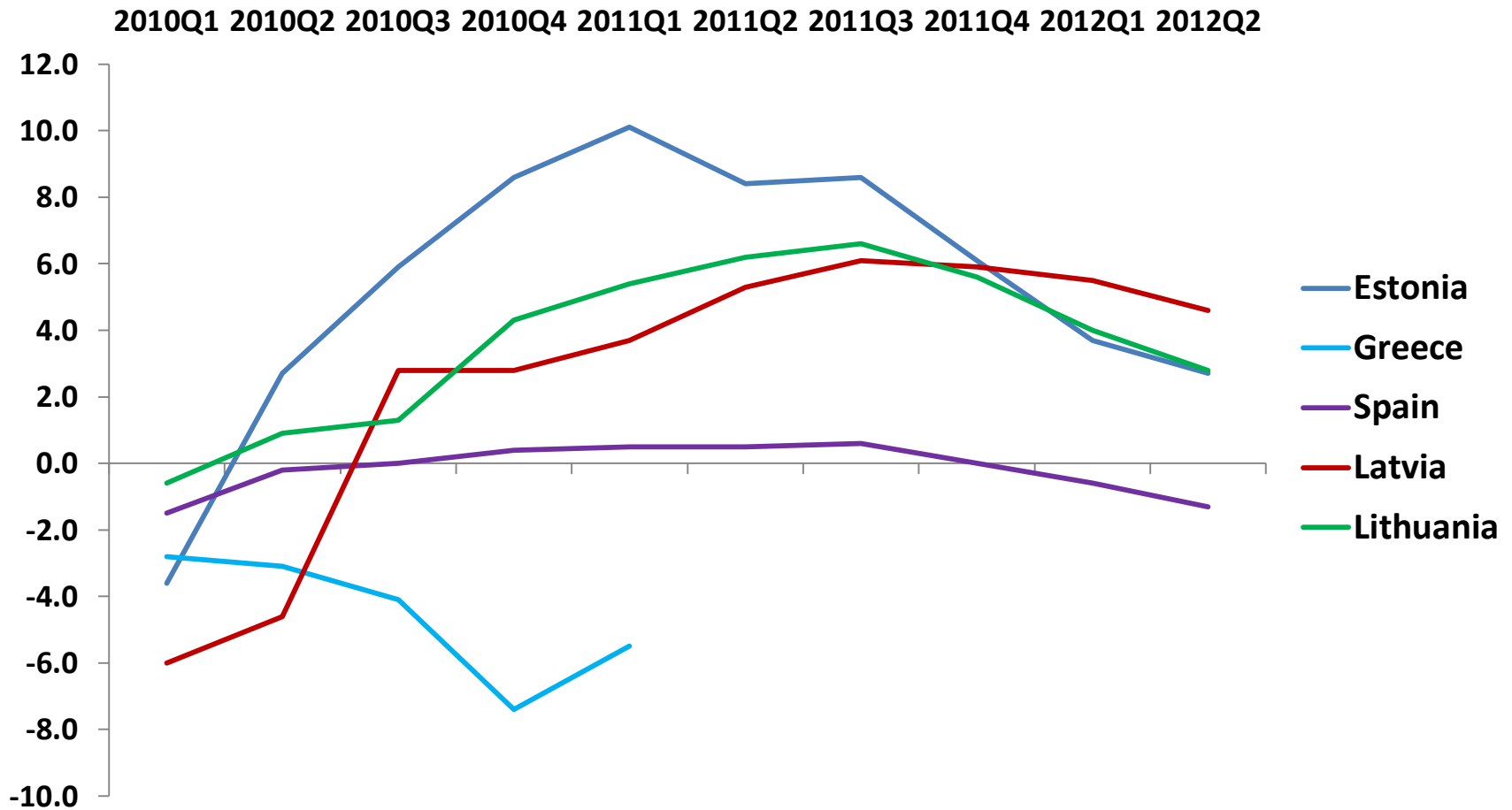
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Economic growth in the Baltics

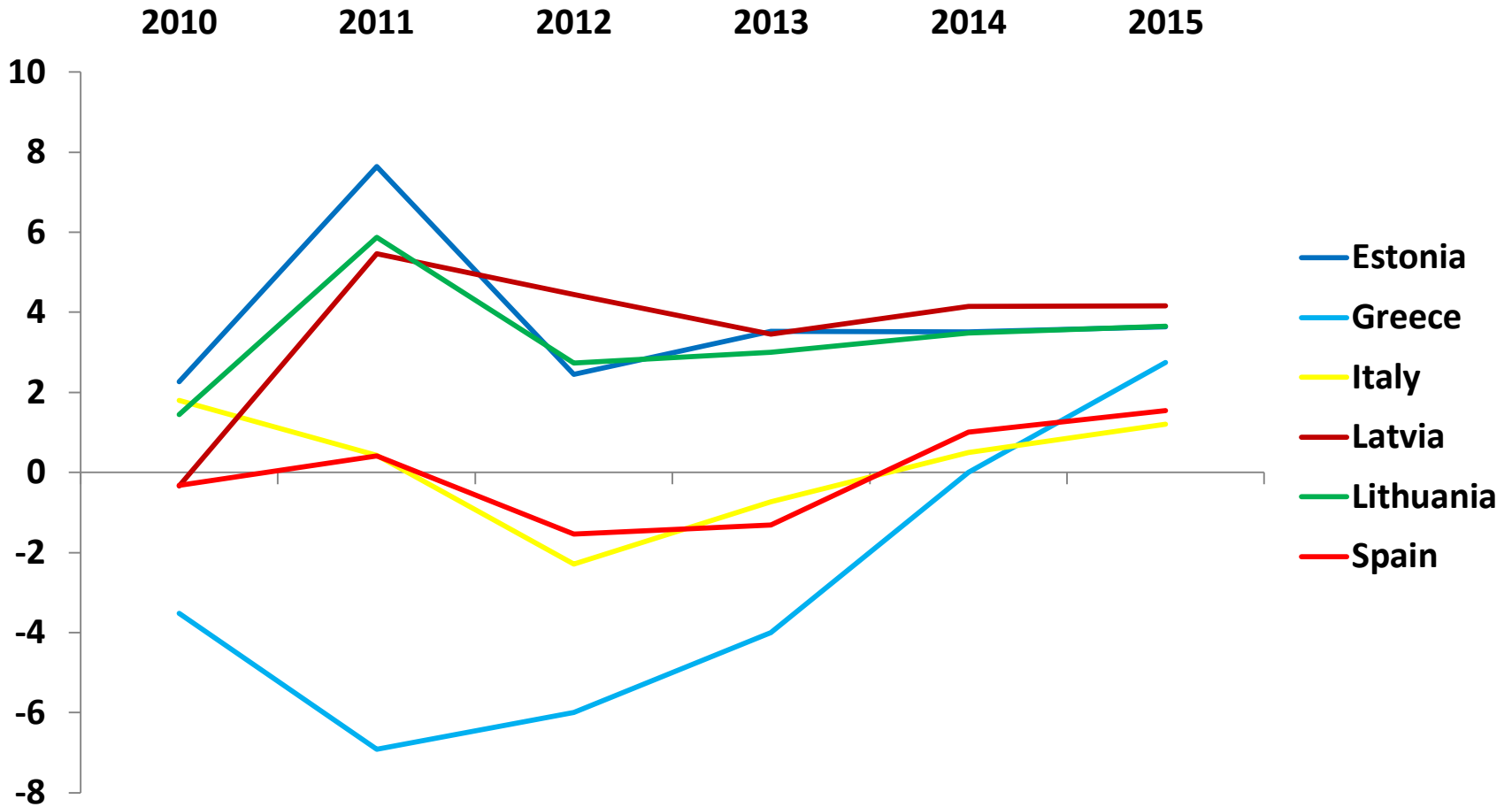
Q1 2010 – Q2 2012



- and with some **comparator countries**

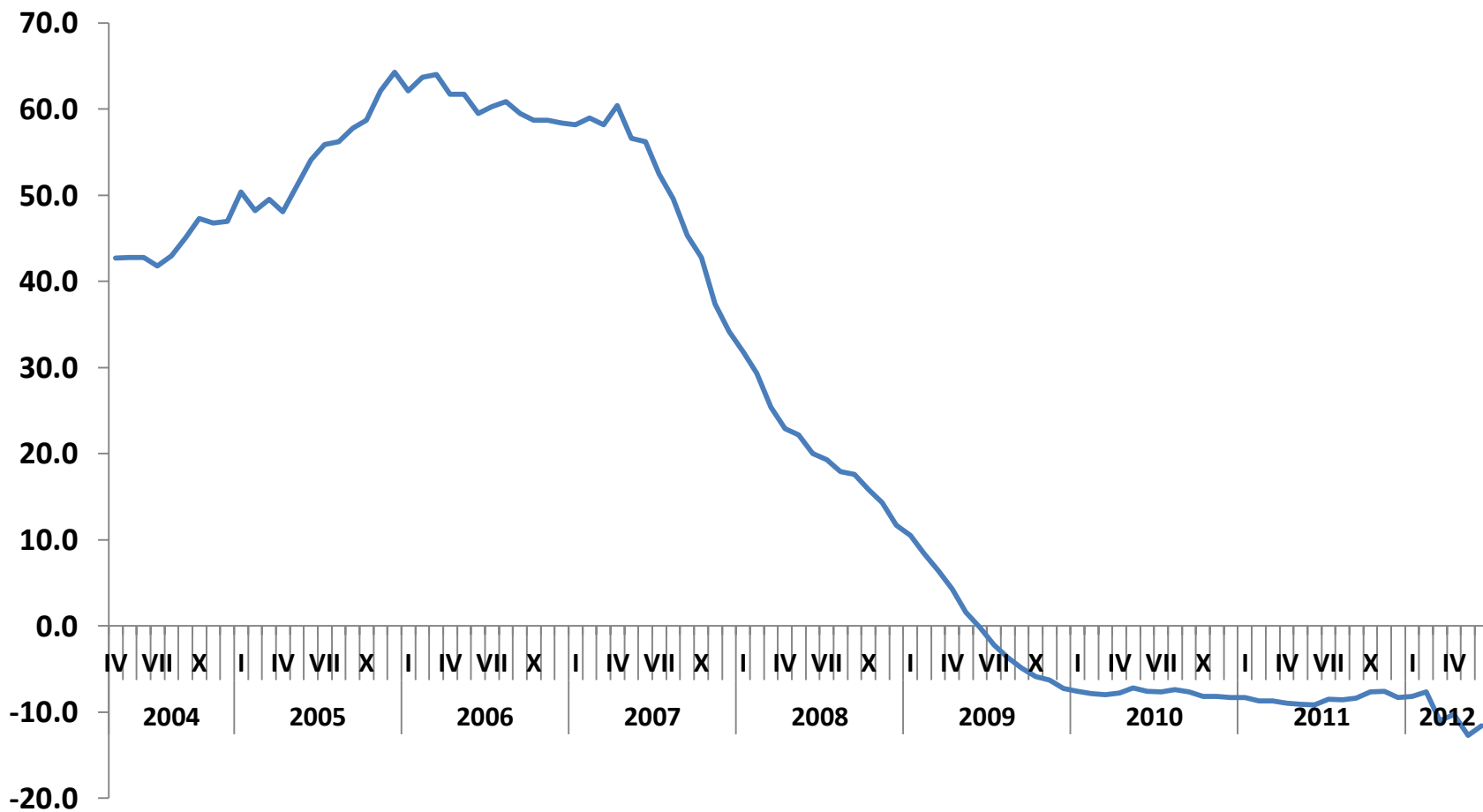


IMF forecasts: Continued growth in the Baltics



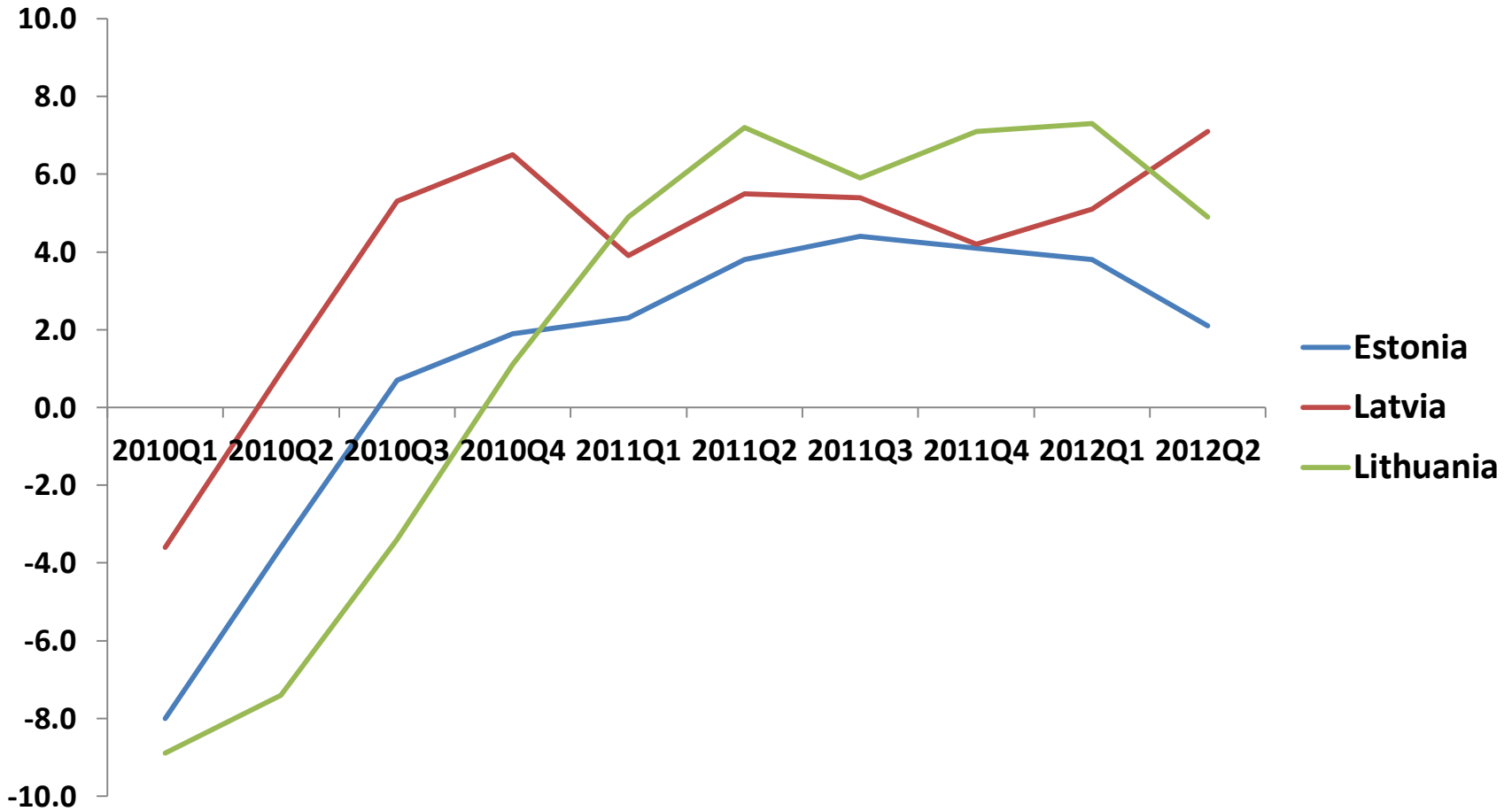
But creditless growth

Latvia – annual growth of credits



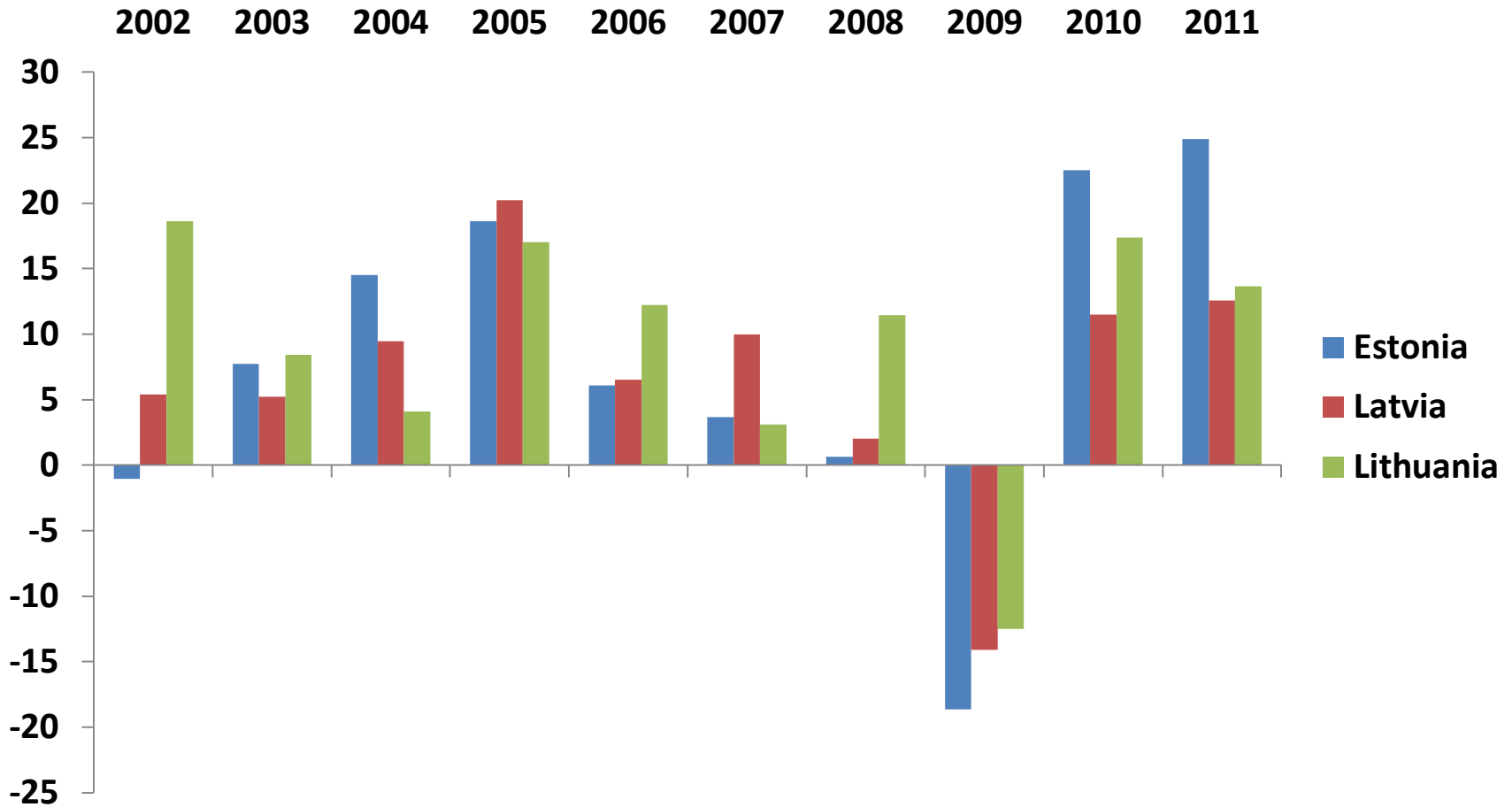
What should make you happy!

Rapid growth of household consumption in the Baltics

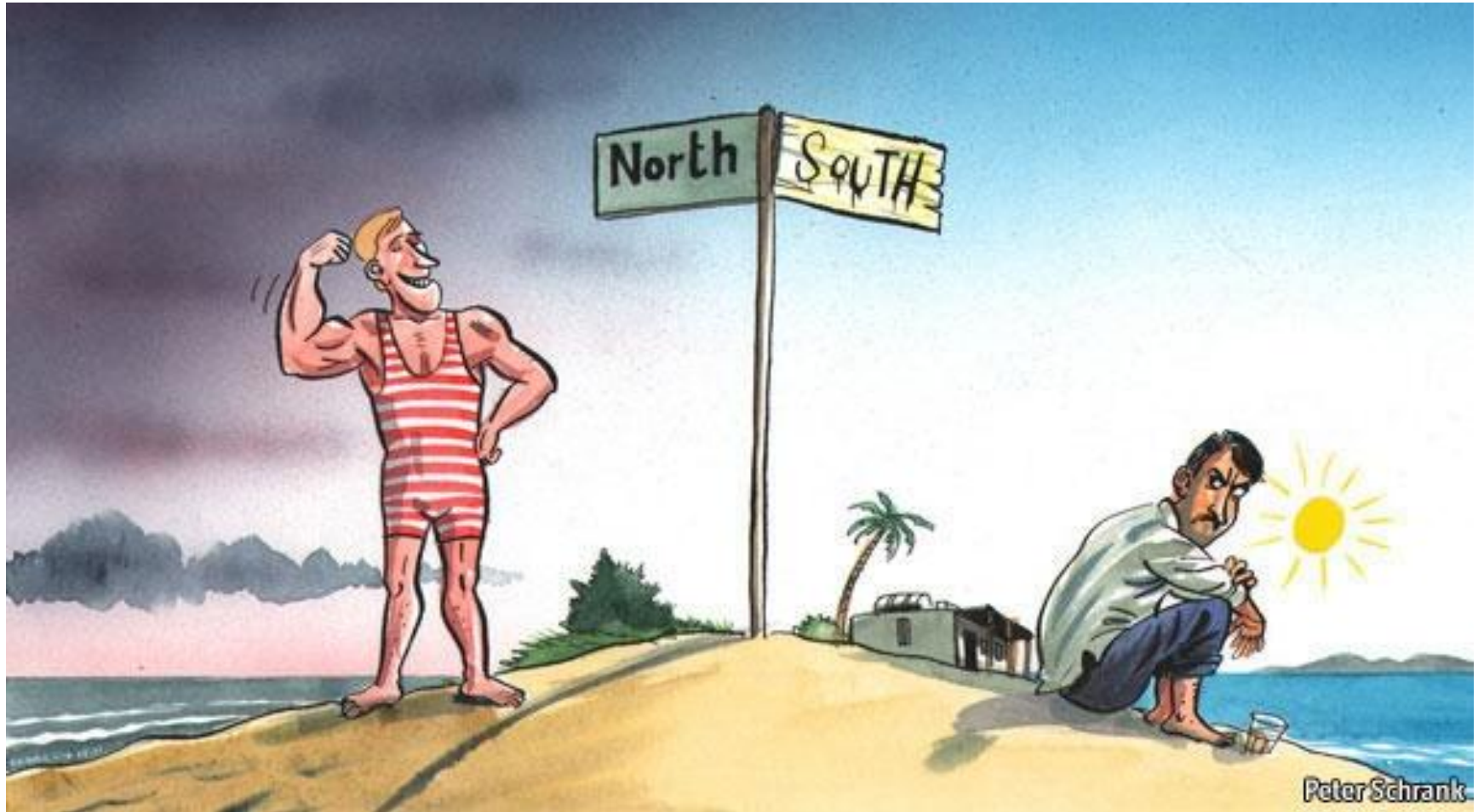


Export growth, %, year-on-year

Competitiveness seemingly not an issue

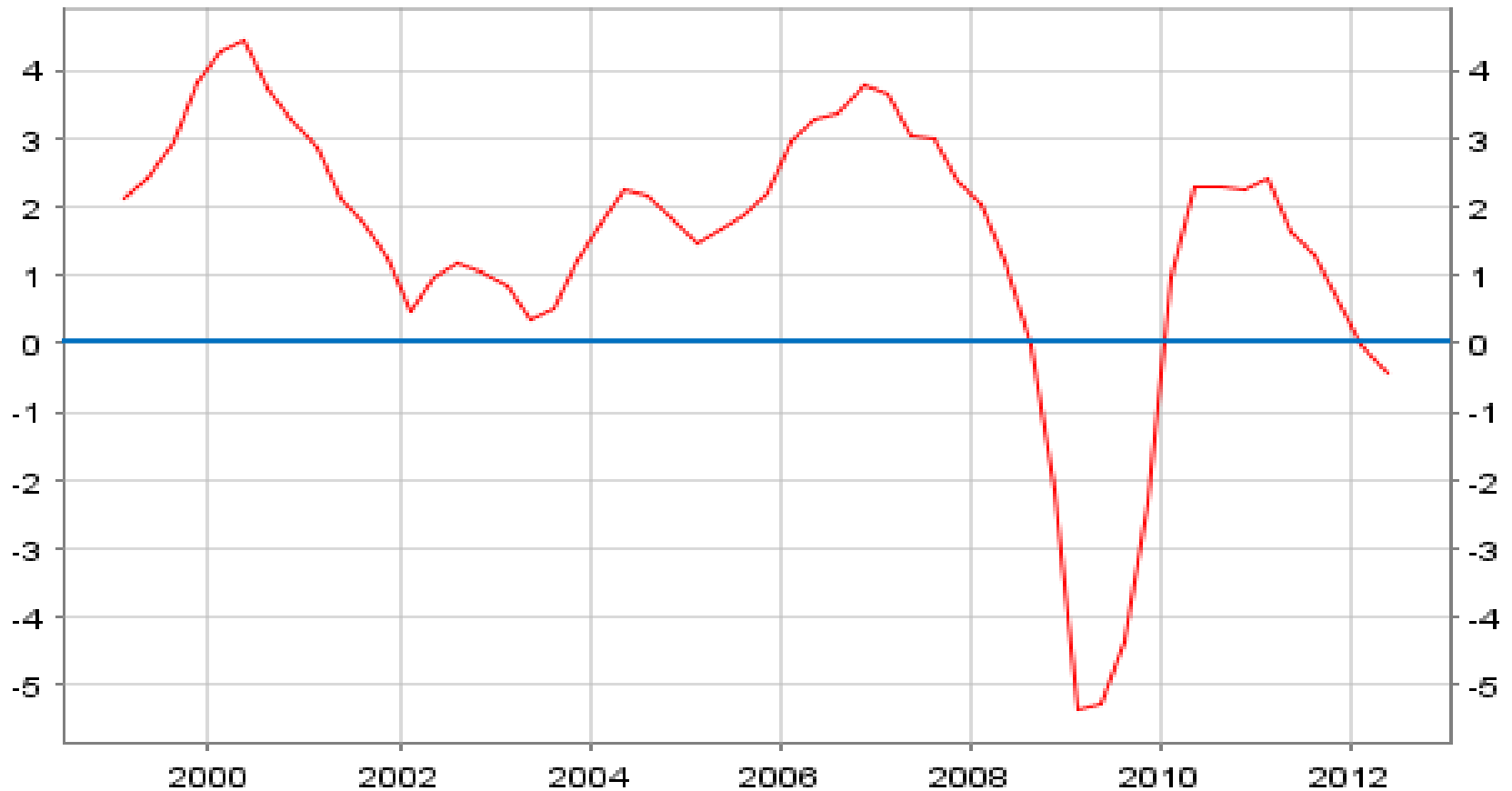


Thus **Estonia**, **Latvia** and **Lithuania** are in no way or form
Greece, Spain, Italy or Portugal....



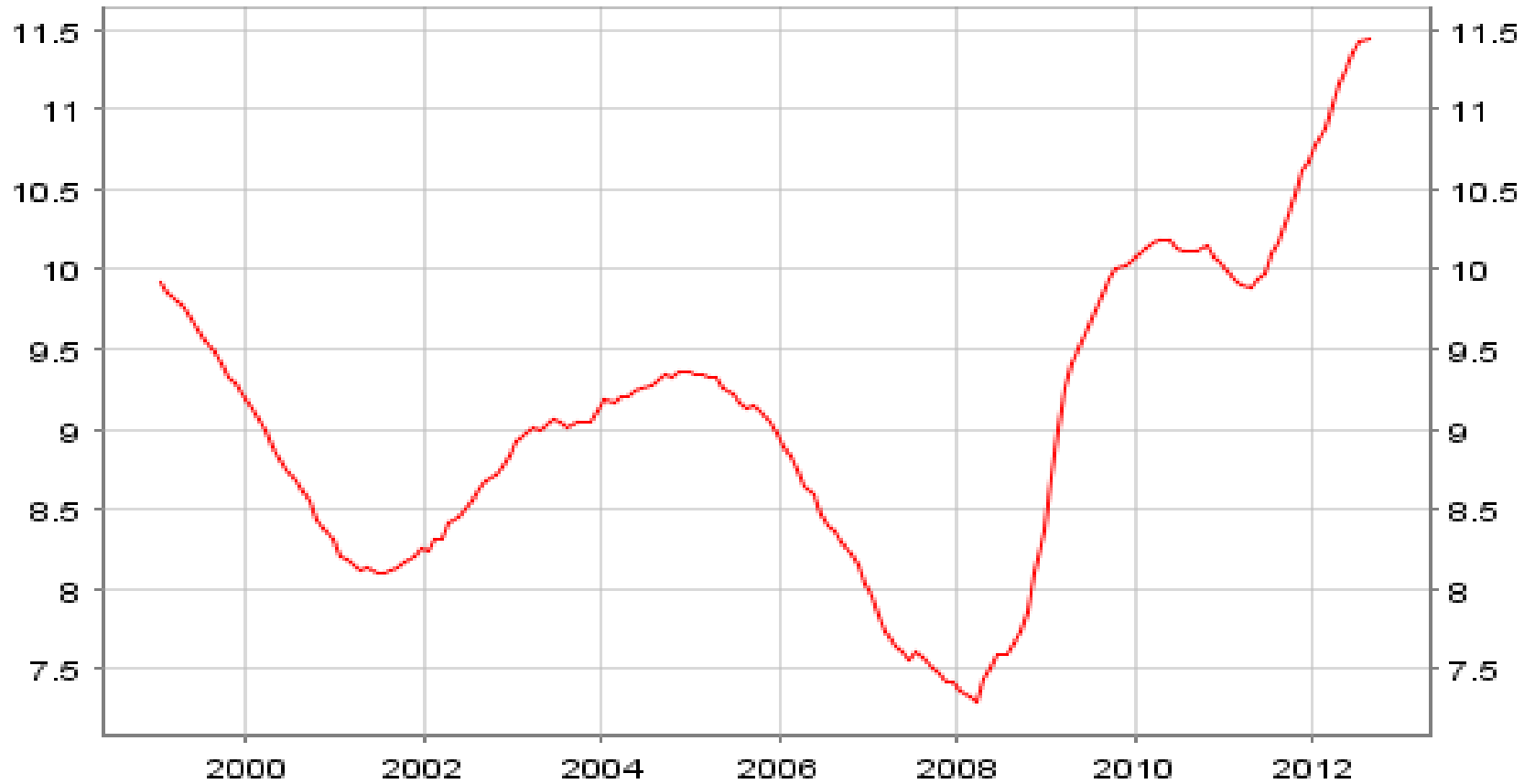
Economic growth in the eurozone - back into recession

Failure...

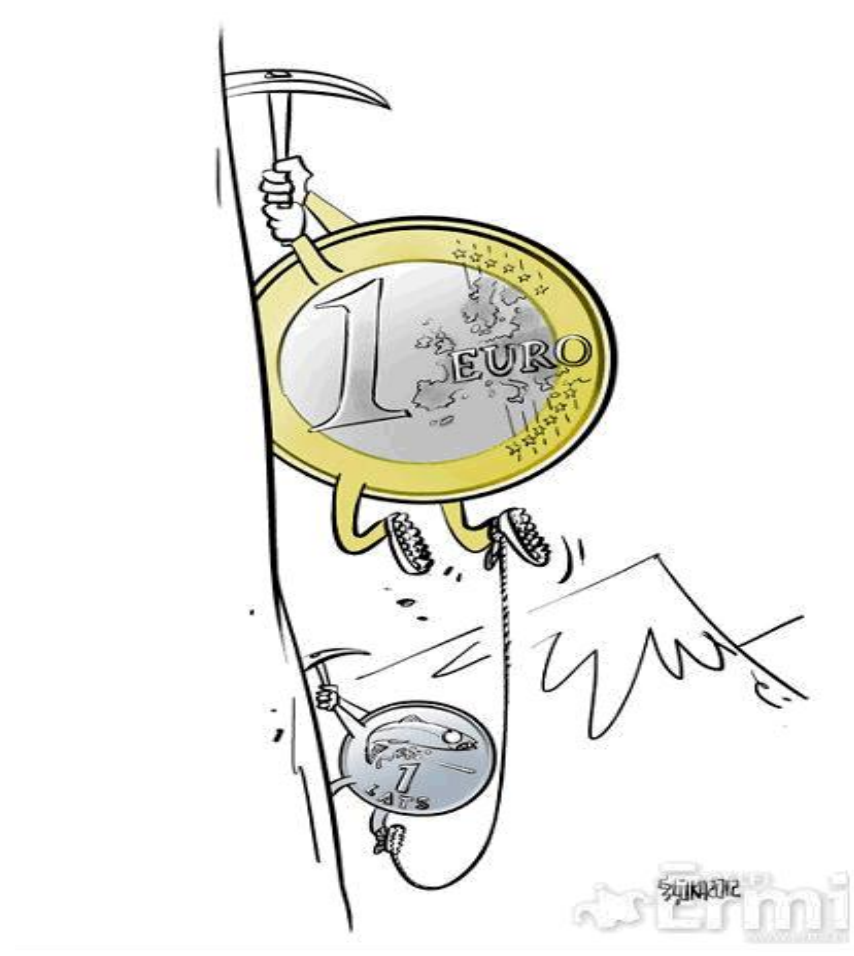


Eurozone unemployment rate – all-time high...

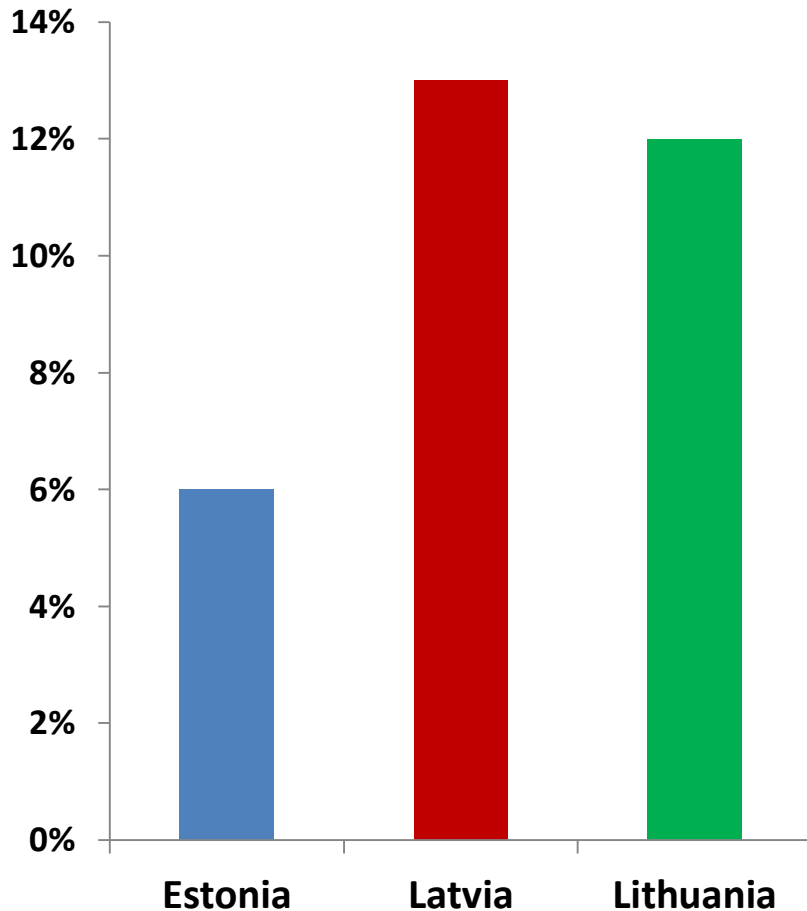
Failure...



But the eurozone is where **Estonia** already is and where **Latvia** is heading... And **Lithuania**?



Population reduction, past decade



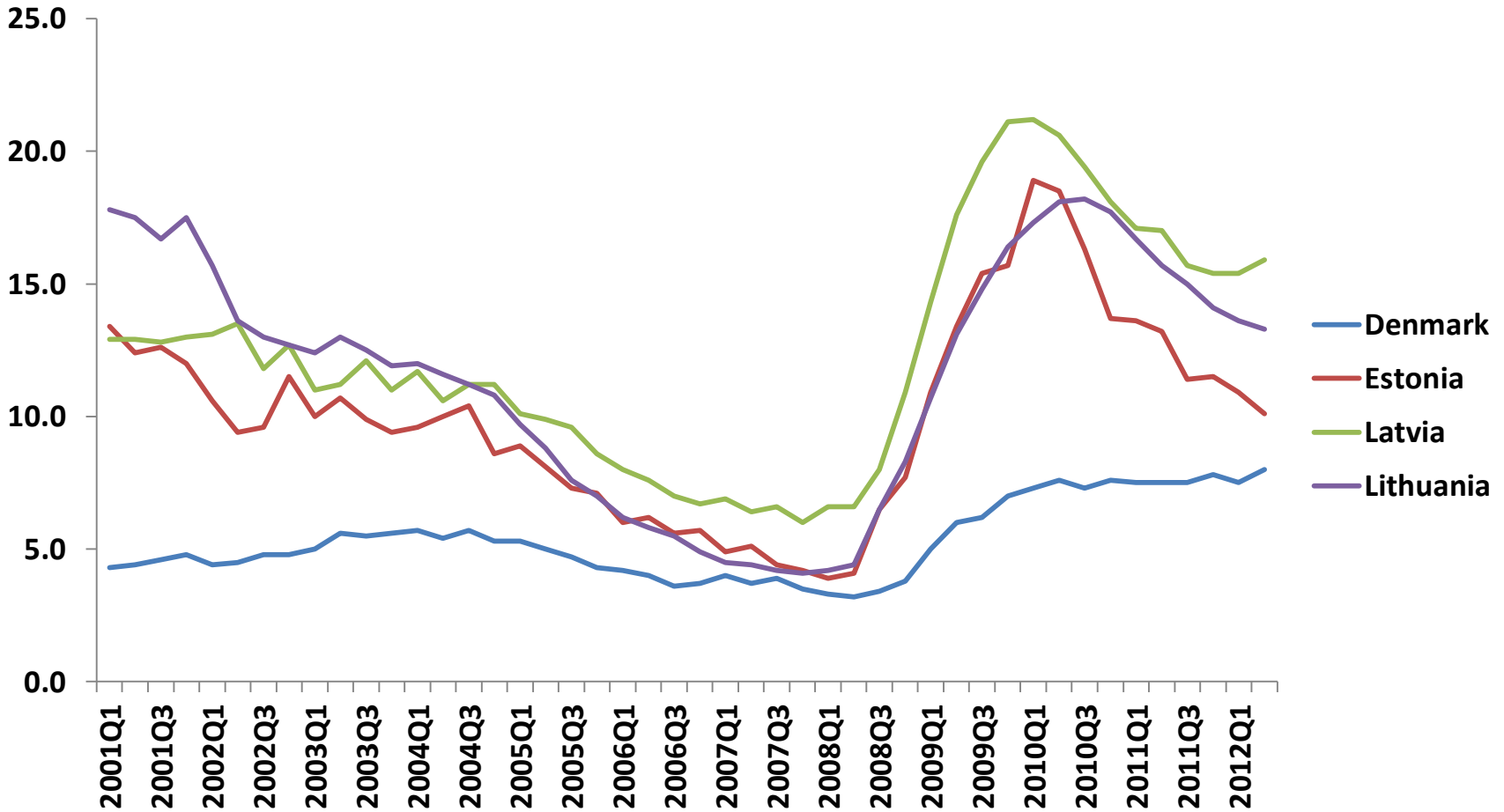
Joining the Eurozone is advantageous for **Latvia** and **Lithuania**

Inside or outside the **Eurozone**: Similar impact on economic development

Problems lie in labour markets...

Unemployment rates, Baltics and Denmark

Utter **waste** of resources! Risk of bottlenecks



Example: Latvia

Labour force and employment (1000s)



A few conclusions

KipperWilliams



Broad-based growth

- But eurozone development

Creditless growth

- Thus slower

The labour market is the main obstacle

- Way too high structural unemployment
- Far too little has been done
- Companies should be more proactive in this process!

Thank you for your attention!
Questions and comments are welcome



**Stockholm School of
Economics in Riga**

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