



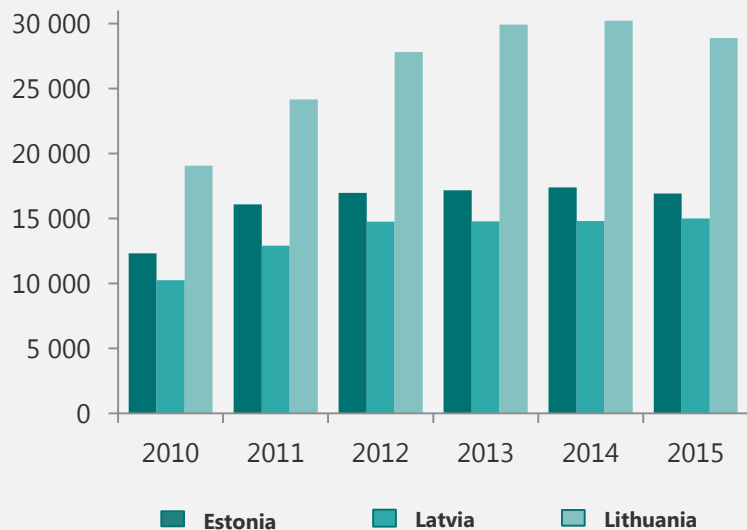
**Challenges and Opportunities in  
Baltic Economies,  
Tech Industry 2016, Riga**

**Heldi Kell, Head of Manufacturing Sector, DNB**

# EXPORT

– is (and will be) the main driver of Baltic economic growth

Total exports (goods + services, mEUR)



Good recovery after crises, however, stagnation over last few years



Difference in main export partners, but also in goods and services

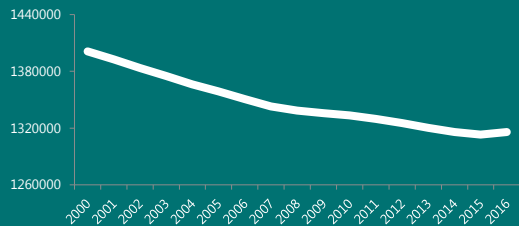


Manufacturing makes up nearly 60% of Estonian goods exports (40% of total exports)

# Estonian economy faces a number of challenges:

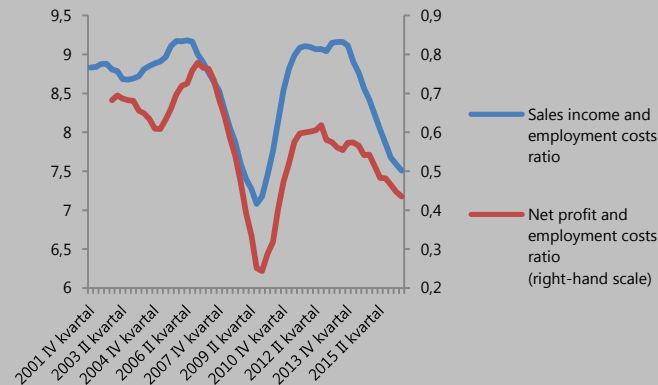
## Declining population

- over the past decades



## Relatively low levels of productivity

- in combination with high levels of employment limits investments to the region



## Growth in gross salaries

- faster than GDP growth for the last 3 years

	2013	2014	2015	2016F	2017F	2018F
GDP real growth, %	1.6	2.7	1.5	1.3	2.5	3.0
Gross salary growth, %	7.0	5.9	6.0	6.7	5.5	5.5

\* Forecast from Ministry of Finance, September 2016

## Economic situation of main export partners

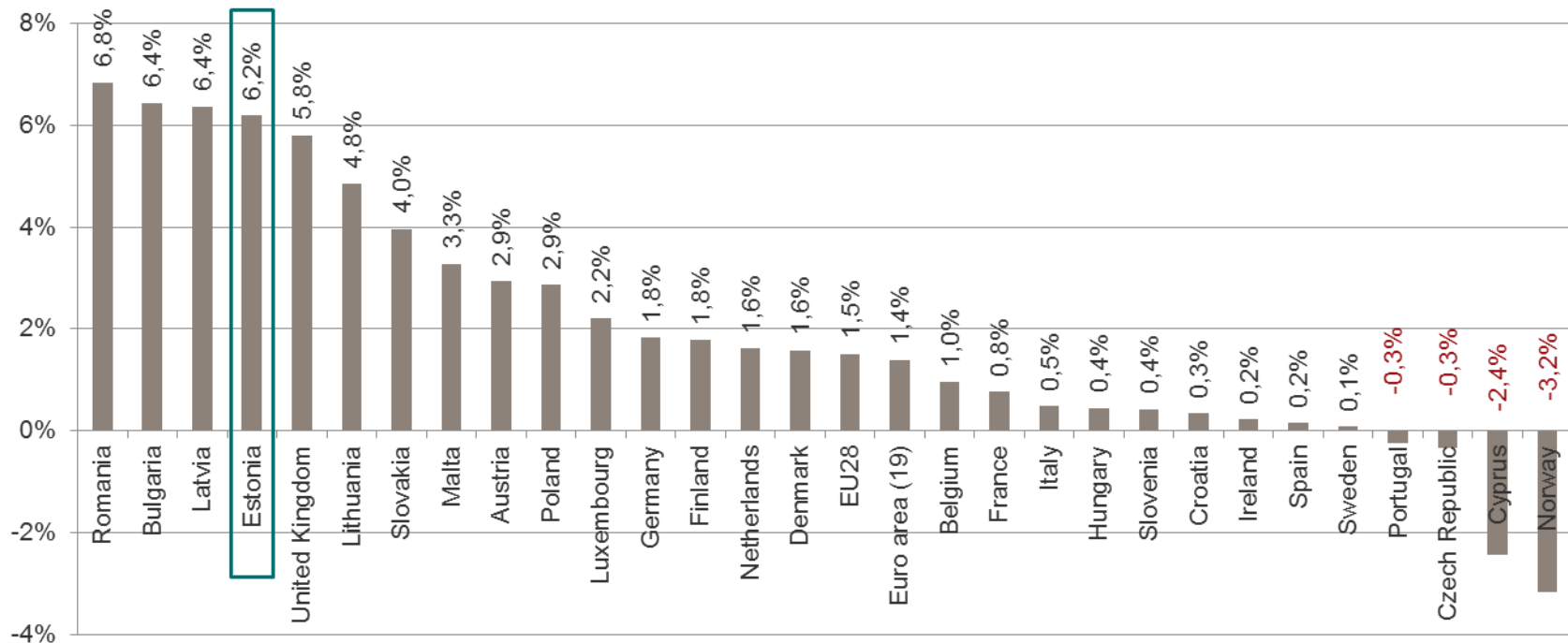


## Geopolitical situation

- the influence of the Russian markets

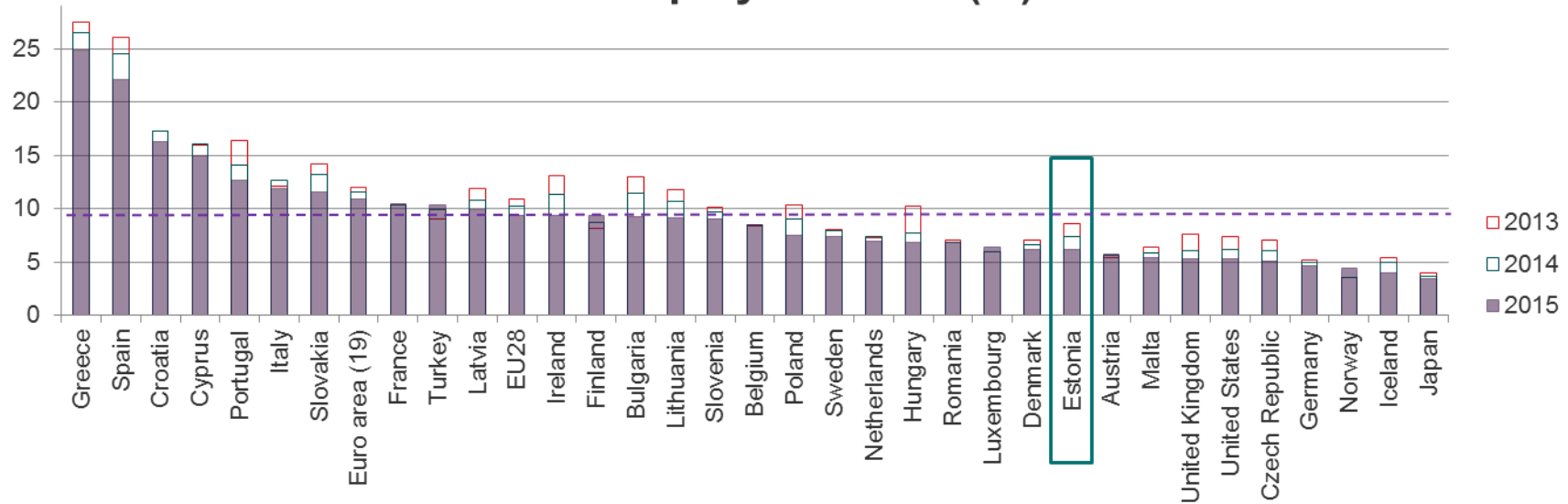


## Annual average growth of employment costs 2015 vs 2012 (3y)



Source: Eurostat

## Unemployment rate (%)



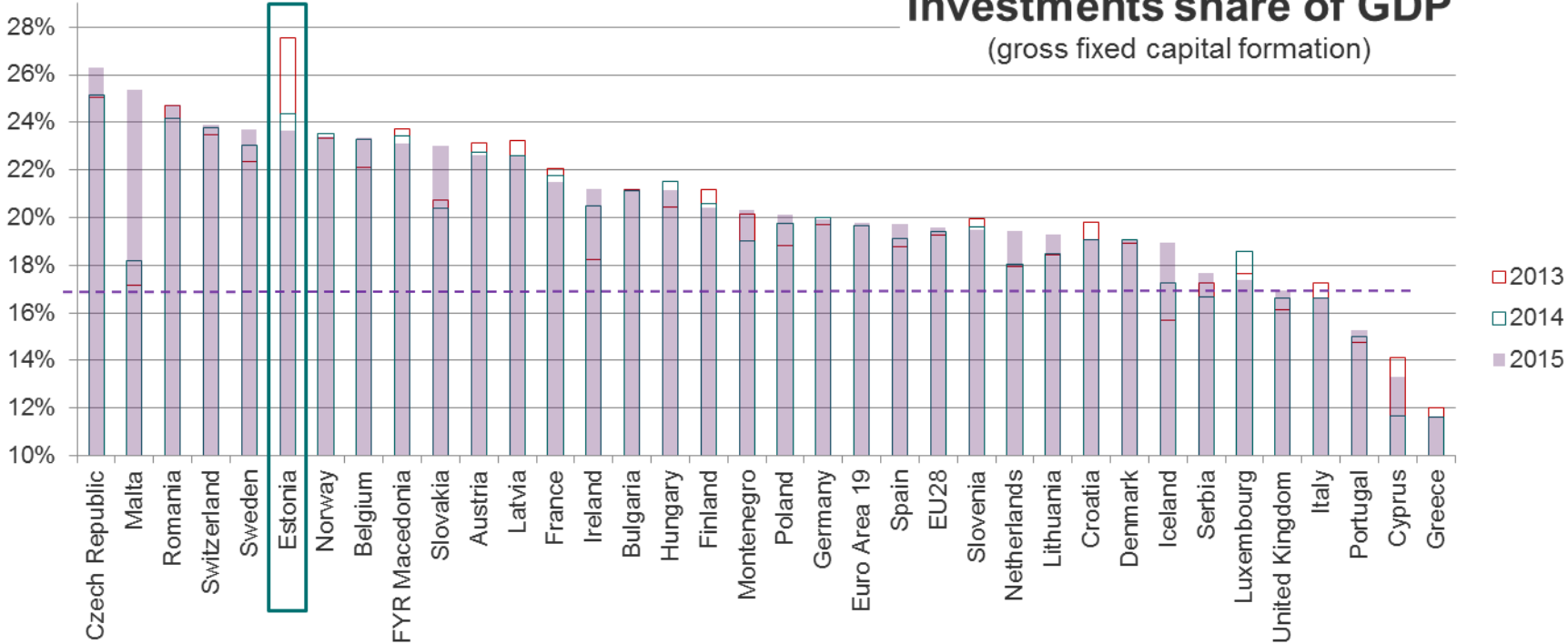
	2011	2012	2013	2014	2015	2016F	2017F	2018F
GDP real growth, %	7,5	4,3	1,6	2,7	1,5	1,3	2,5	3,0
Consumer Price Index, %	5,0	3,9	2,8	-0,1	-0,5	0,2	2,7	2,7
Gross salary growth, %	5,9	5,7	7,0	5,9	6,0	6,7	5,5	5,5
Unemployment rate, %	12,4	10,1	8,7	7,4	6,2	6,2	7,2	8,4

\* Ministry of Finance forecasts, September 2016

Source: Eurostat

# Investments share of GDP

(gross fixed capital formation)

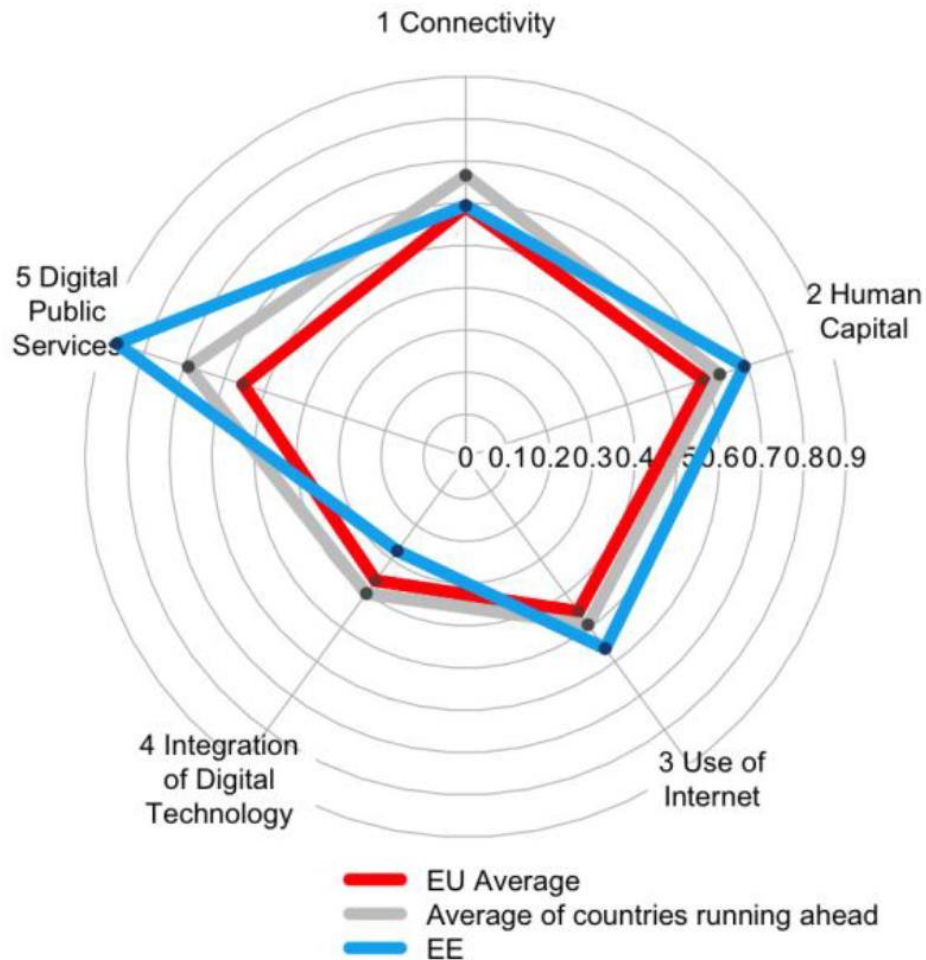


Source: Eurostat



# European Commission Digital Economy & Society Index (DESI)

Estonian overall score 0.59  
7th place among 28 EU states



# To overcome these challenges and grow export, we need cooperation

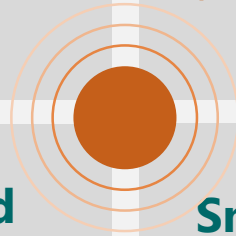
My governing thoughts:

**Estonia, Latvia and Lithuania are to remain small open economies** where sustainable economic growth must come from export

The preliminary promising signs in 2016 should be viewed **cautiously**. Structural changes take place gradually and need time

**Industries in all 3 countries need scale for new investments and export opportunities** – vertical, horizontal and geographical co-operation

**Smarter investments** – automation and digitalization (Industry 4.0), investments into education system and labour qualification





## DNB BALTIC STRATEGY:

- To achieve scale, DNB and Nordea have decided to combine their Baltic activities



