



Baltic economic outlook

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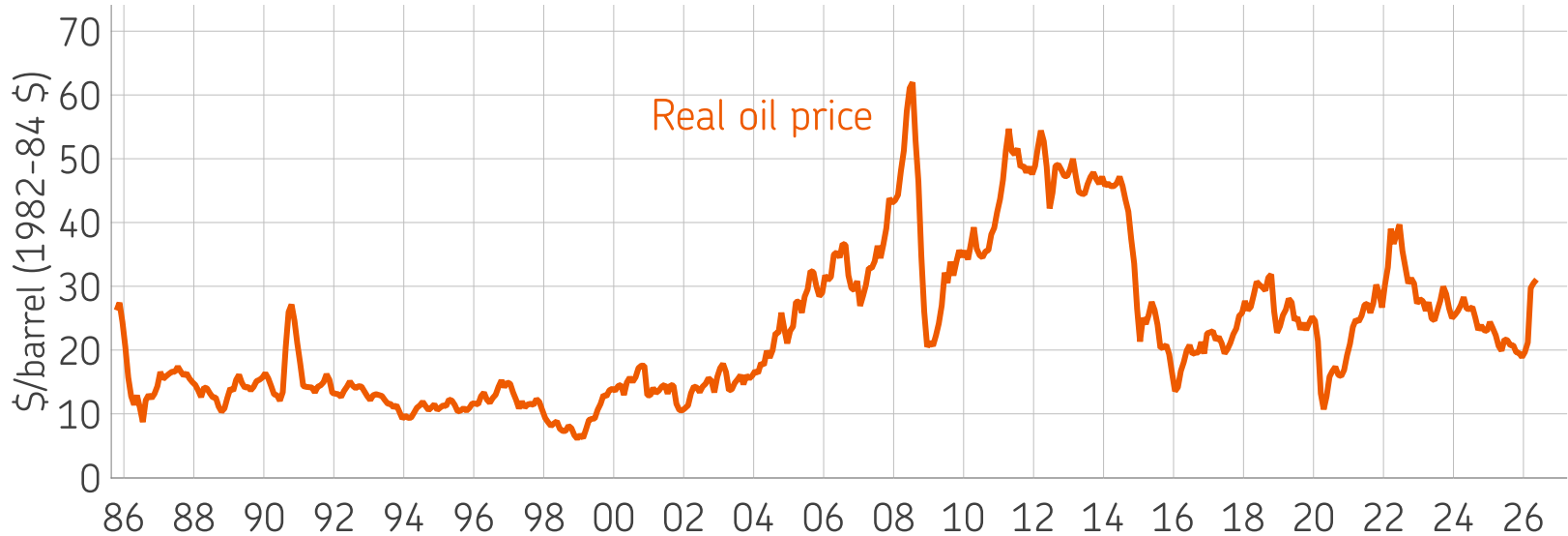
OP Pohjola

Global economy



The oil price shock is significant, but smaller than during the Gulf War in the 90's

Real oil price



Sources: Macrobond, Macrobond, BLS, World Bank, OP Pohjola



The war in the Middle East is shaking the outlook for the global economy

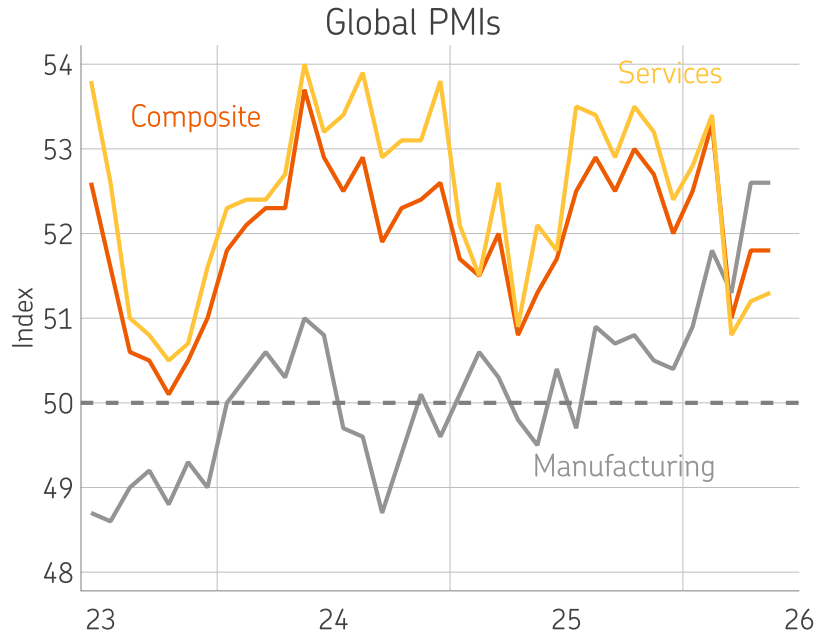


Moderate growth and inflation concerns in the U.S.

Euro area growth is hovering around 1%.

China's economy is managing to hold on

A peace deal would brighten the outlook for the global economy



Lähde: Macrobond, S&P Global, CPB, OP

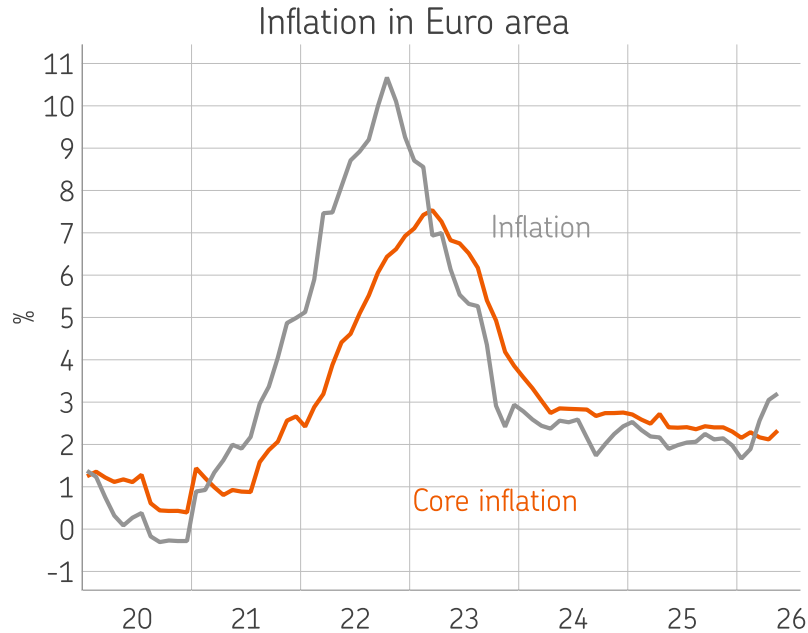
- › The global economy picked up nicely at the start of the year
- › Outlook for the services sector weakened clearly in March–April, while confidence in manufacturing strengthened
- › So far, the global economy has absorbed the shock well, but risks have increased

Despite turbulence in trade relations, global trade growth has been strong



Source: Macrobond, CPB, Statistics Lithuania, Statistics Estonia, CSB, OP

Lower oil prices will push inflation lower

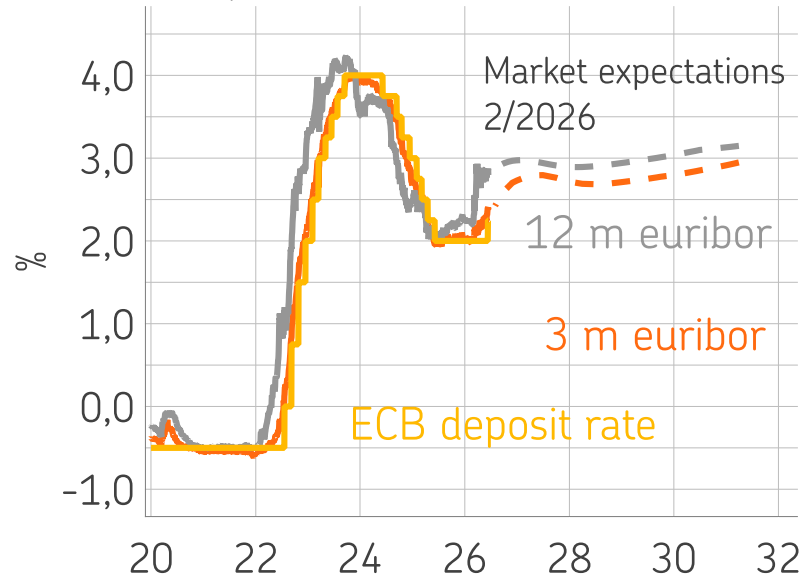


Sources: Macrobond, Eurostat, OP Pohjola

- › Inflation remains elevated: Euro area 3.2% (core 2.5%)
- › Recent inflation pressures are increasingly broad-based despite earlier energy-driven drivers
- › The reopening of the Strait of Hormuz and lower oil prices would ease inflationary pressures. However, inflation's return to normal could still be slowed by second-round effects that have already emerged.

The Middle East situation keeps the ECB on alert

Market expectations for interest rates



Sources: Macrobond, EMMI, EKP, OP

- › ECB raised policy rates in June
 - › key rate at 2.25%
- › Markets priced in the June hike and are pricing further tightening (1-2 more hikes this year)
- › A possible agreement could lower interest rate expectations, and also actual interest rates.

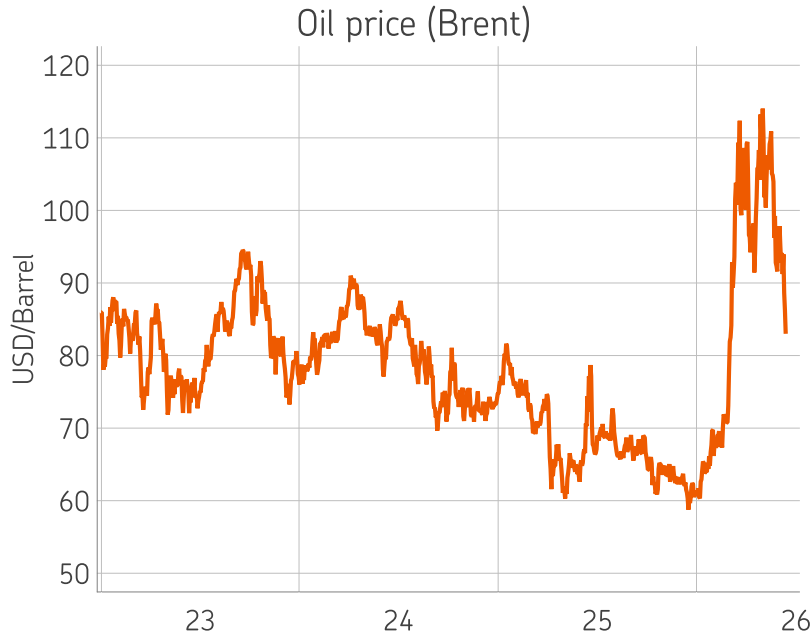
OP Pohjola's World economy forecast

	Share*, %			
	2025	2025	2026f	2027f
World GDP growth				
World	100,0	3,3	2,8	3,0
United States	14,7	2,1	2,2	2,0
Euro area	14,1	1,5	0,9	1,1
Japan	3,2	1,2	0,9	0,9
United Kingdom	2,1	1,3	0,7	1,3
Sweden	0,4	1,5	2,0	2,5
Estonia	0,0	0,6	2,5	2,5
Advanced economies	39,1	1,7	1,5	1,6
China	19,6	5,0	4,5	4,5
India	8,5	7,6	6,0	6,5
Brazil	2,4	2,3	1,5	2,0
Emerging and developing economies	60,9	4,4	3,8	4,0

*Gross domestic product based on purchasing-power-parity (PPP) share of world total

Sources: Eurostat, IMF, and OP

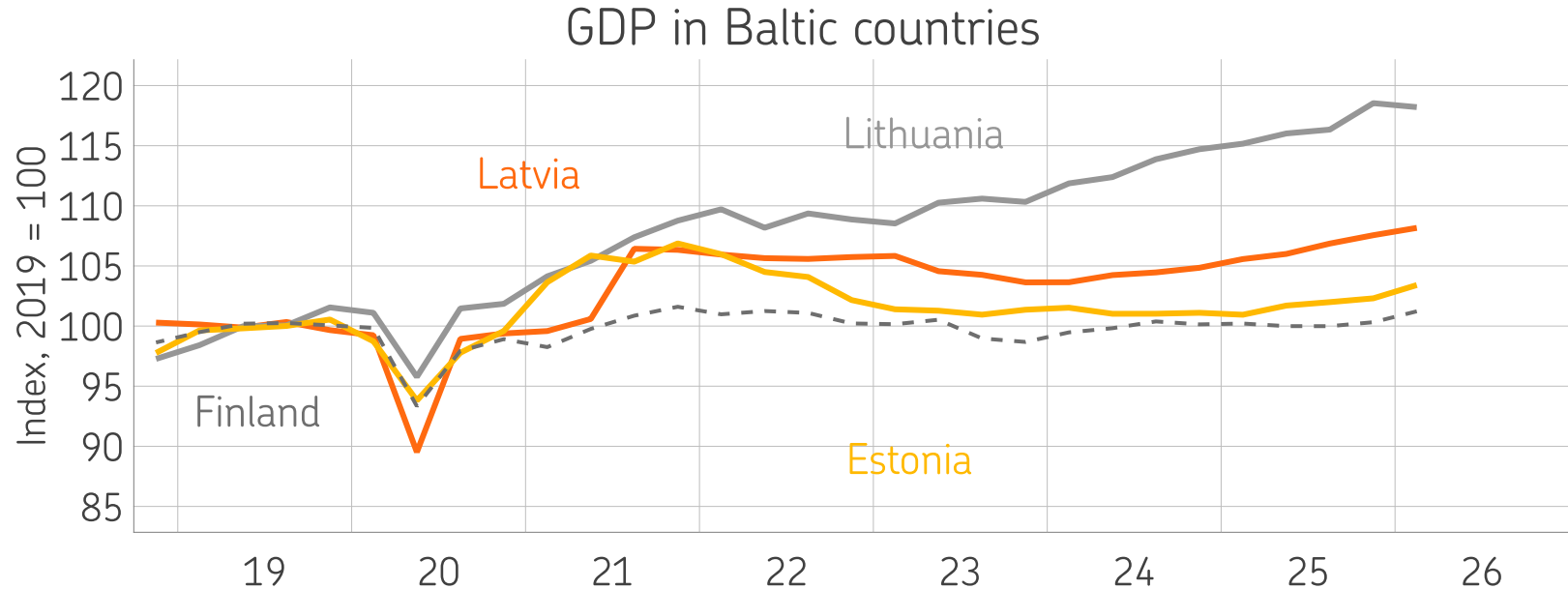
Oil prices have fallen following the announcement of a possible peace agreement



Baltic economies



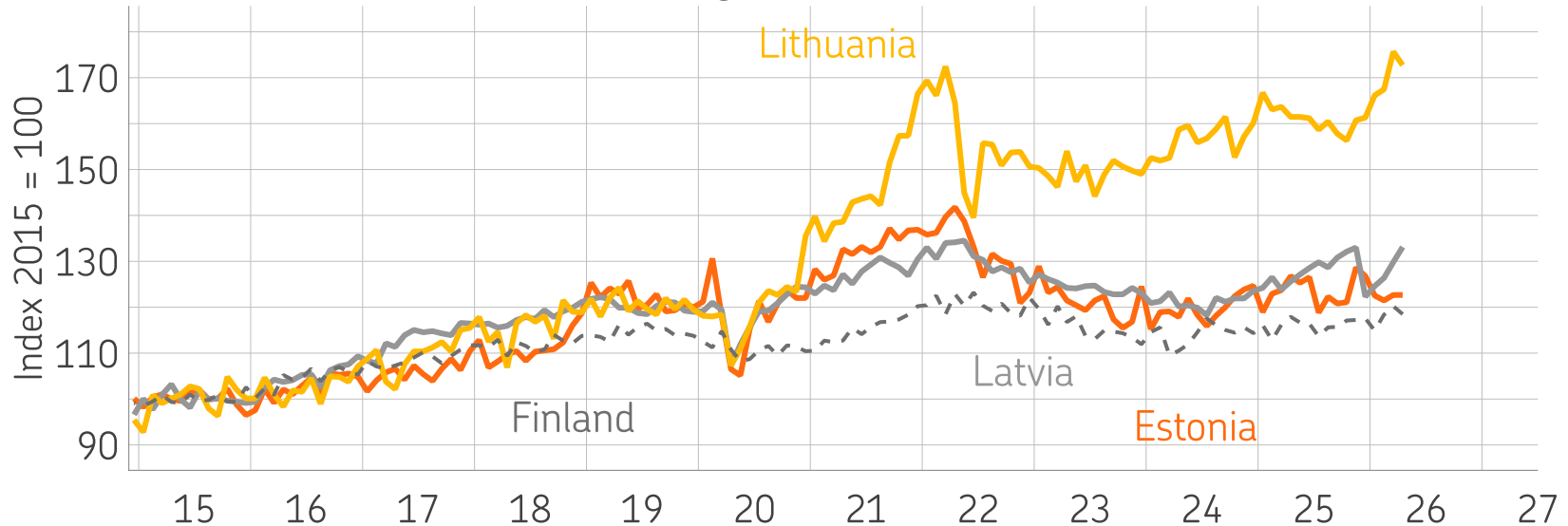
Solid Q1 growth in Estonia and Latvia, weaker momentum in Lithuania



Lähde: Macrobond, CSB, Statistics Lithuania, Statistics Estonia, StatFin, OP

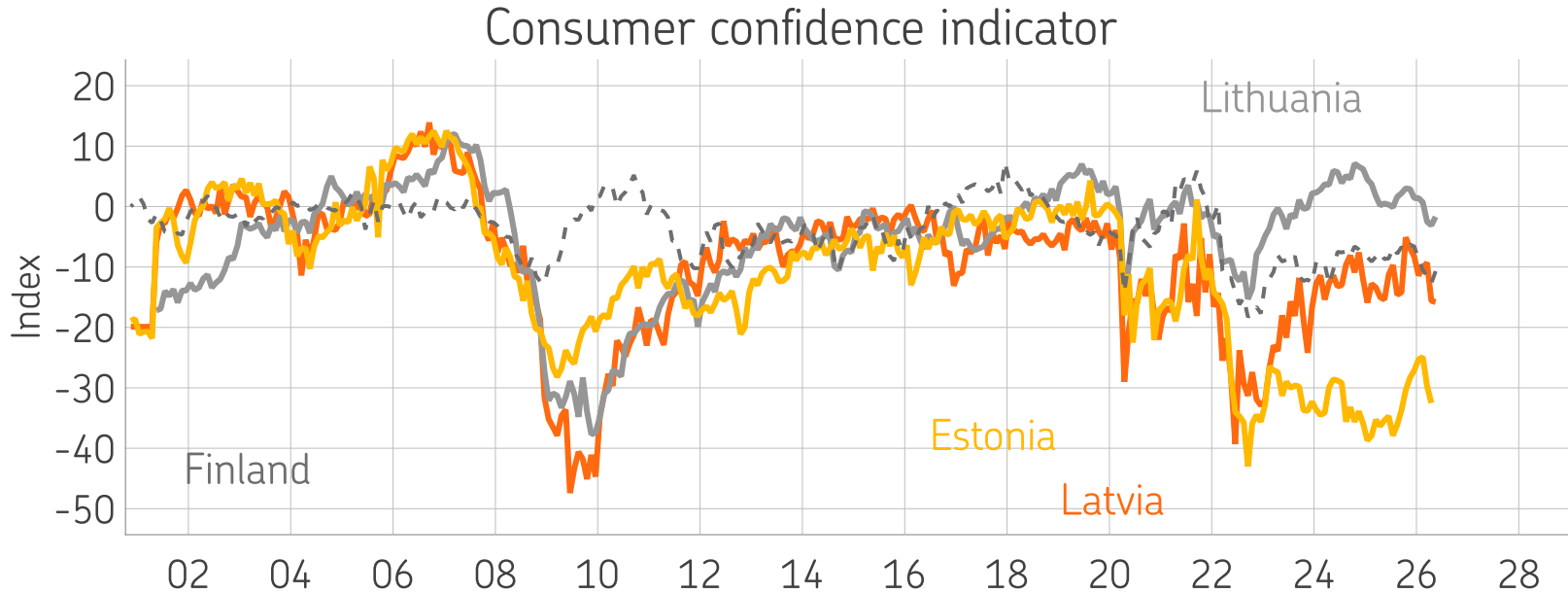
Baltic manufacturing diverging: strong growth in Lithuania and Latvia, weaker in Estonia

Manufacturing in the Baltic states



Lähde: Macrobond, Statistics Estonia, CSB, Statistics Lithuania, StatFin, OP

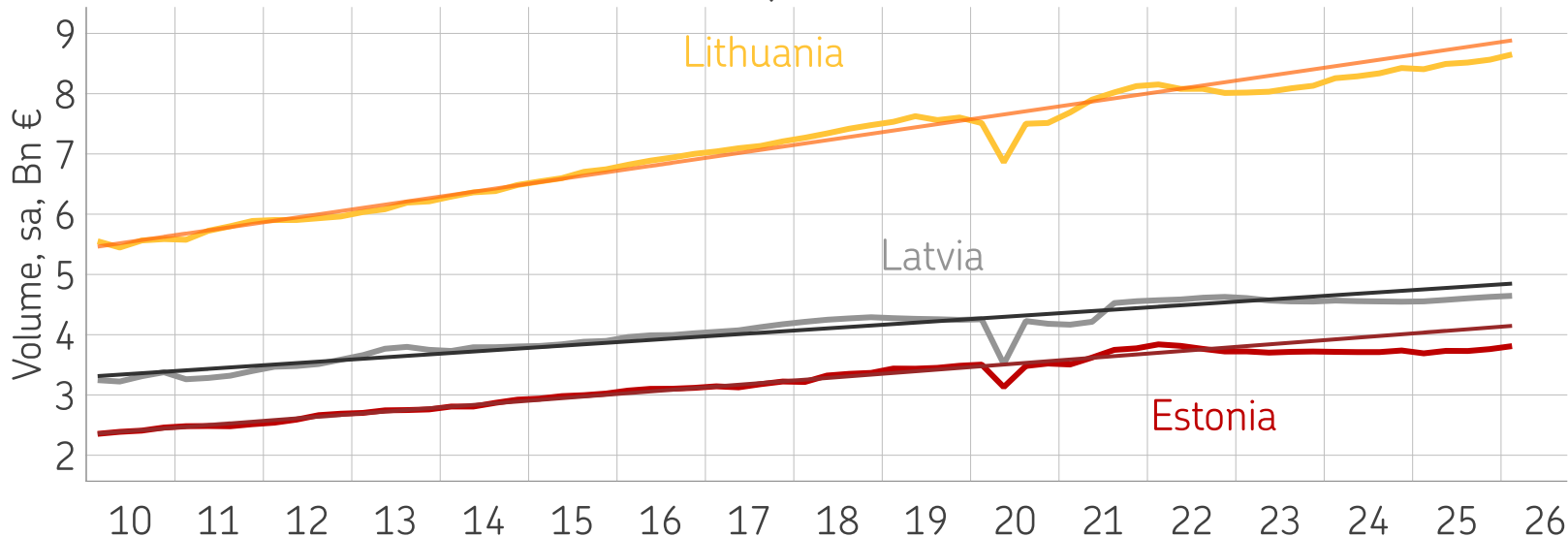
Weaker consumer confidence



Source: Macrobond, Eurostat, OP

In all the Baltic countries there is room for a recovery in private consumption

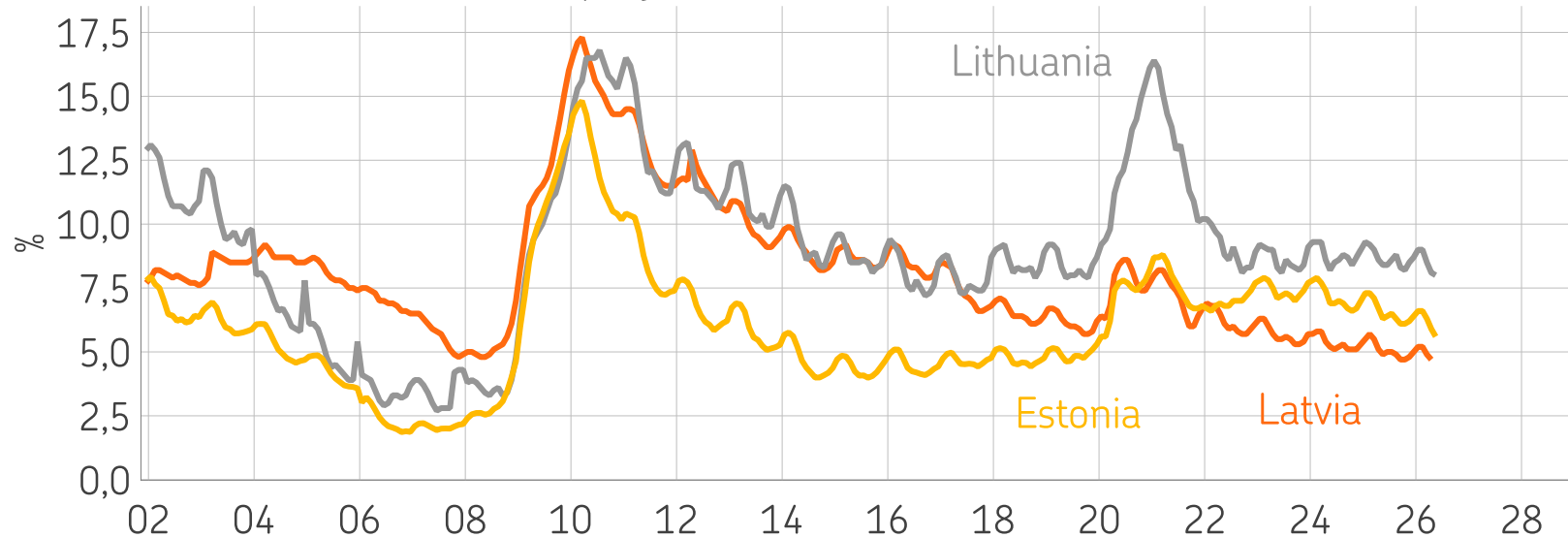
Private consumption in the Baltics



Lähde: Macrobond, Statistics Estonia, CSB, Statistics Lithuania, OP

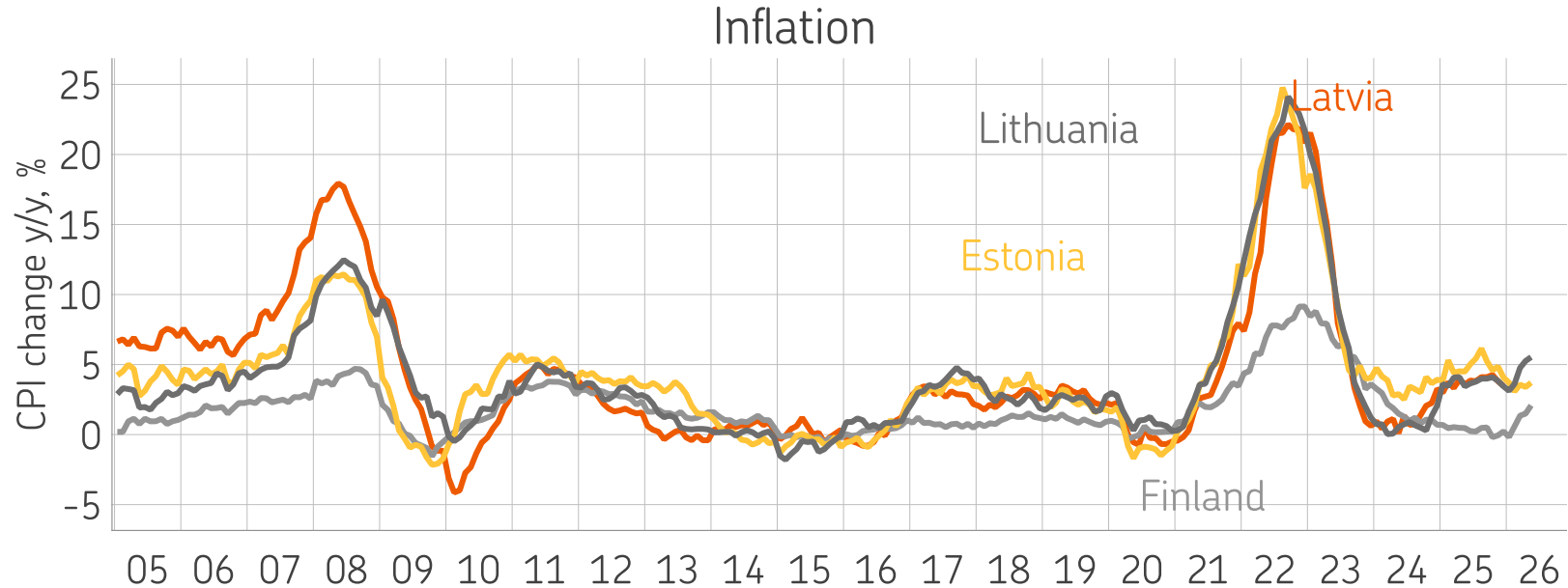
Labor market is relatively stable in all Baltic countries

Unemployment rate in the Baltics



Lähde: Macrobond, NVA, CSB, IMF, Lithuania Employment Service, TTA, OP

Inflation is stabilising – the level will remain high



Sources: Macrobond, Statistics Estonia, CSB, Statistics Lithuania, StatFin, OP Pohjola

Forecast for Baltics



Estonia's growth picks up, but headwinds emerging

Estonia

GDP growth rate

2025	0.6%
2026	2.5%
2027	2.5%

Inflation

2025	4.9%
2026	4.0%
2027	2.5%

- › Estonia's economic growth has picked up, with the start of the year coming in even stronger than expected. However, looking ahead, higher energy prices driven by the conflict in Iran are set to weigh on the recovery
- › Domestic demand strengthens this year as private consumption picks up, supported by rising incomes and tax changes.
- › Inflation will remain elevated this year due to the conflict in the Middle East.

Latvia's recovery takes a breather

Latvia

GDP growth rate

2025	2.1%
2026	2.0%
2027	3.0%

Inflation

2025	3.9%
2026	4.0%
2027	2.5%

- › Growth at the start of the year was solid, but the effects of the Middle East conflict are set to increasingly weigh on the recovery over the course of the year.
- › Growth continues to be supported by domestic demand, both private and public.
- › Higher defense spending increases the fiscal deficit, but expansionary fiscal policy continues to support economic growth.
- › The moderation of inflation will be delayed due to the Middle East conflict.

Slight moderation in Lithuania's economy

Lithuania

GDP growth rate

2025	2,9%
2026	2.6%
2027	2.5%

Inflation

2025	3.8%
2026	4.5%
2027	2.5%

- › A weak start to the year, combined with the Middle East conflict, will weigh on economic growth this year
- › Growth is supported by domestic demand and a temporary boost to private consumption from pension reform.
- › Growth in exports will moderate this year.
- › Inflation stays elevated this year.

A satellite view of Earth from space, showing the curvature of the planet. The sun is visible on the horizon, creating a bright lens flare. The Earth's surface is a mix of dark blue oceans and lighter blue/white clouds. In the lower half of the image, the lights of cities and urban areas are visible, glowing against the dark night. The word "Questions?" is centered in white text.

Questions?