

- Bad weather in Spain pushes up vegetable prices
- Lithuania plans to introduce minimum needs basket
- New alternative fuel vehicle registrations in 2016

1 Key economic indicators

Key Economic indicators of Estonia								
Variable / Date	2014	2015	2016	2016				2017
				Q1	Q2	Q3	Q4	Q1
Real sector								
Real GDP, yoy, %, sca	2.8	1.4	-	1.5	0.6	1.3	-	-
Nominal GDP per capita, EUR thou., nsa	15000	15400	-	3700	4000	4000	-	-
Industrial production index, yoy, %, ca	4.3	-2.4	1.7	-2.3	-1.8	3.1	8	-
Volume index of construction production, yoy, %, ca	-2.1	-5.3	-	3.4	4.2	0.5	-	-
Retail trade, deflated turnover, yoy, %, ca	7.1	4.5	-	5.6	4.4	2.1	3.8	-
Gross fixed capital formation, yoy, %, sca	-8.1	-3.3	-	-1.5	4.8	-7.7	-	-
Prices								
GDP deflator, SCA	1.7	1.0	-	1.4	2	1.6	-	-
HICP, eop, yoy, %	0.1	-0.2	2.4	0.5	0.4	1.7	2.4	-
PPI, eop, yoy, %	-1.6	-2.3	2.5	-2	-1.5	-0.9	2.5	-
House price index, yoy, %, eop	10.1	5.1	-	2	1.8	7.4	-	-
Labour market								
Minimum wage, EUR, biannual, eop	355	390	430	430		430		470
Unemployment rate, LFS, %, sa	7.4	6.2	-	6.2	6.7	7.4	6.7 (Nov)	-
Real labour productivity per hour worked, yoy, %, nsa	2.4	-1	-	1.6	-2.2	1.1	-	-
Labour market								
Exports of goods, yoy, %, sca	3.1	-0.6	-	0.2	5.5	5.8	-	-
Imports of goods, yoy, %, sca	2.2	-1.4	-	2.9	10	4.2	-	-
Current account balance, % of GDP, sca	3.5	4.1	-	2.5	3.5	5.8	-	-
FDI inflow, % of GDP, nsa	159.1	-292.9	-	86.2	35	138.1	-	-
Economic sentiments								
Economic sentiment indicator, SA, eop	-17.3	-5.3	9.5	-5.5	-5.7	4.7	9.5	10 (Jan)
Industrial confidence indicator, SA, eop	-1.2	-0.2	4.5	0.6	-0.4	5	4.5	3.8 (Jan)
Construction confidence indicator, SA, eop	-17.3	-5.3	9.5	-5.5	-5.7	4.7	9.5	10 (Jan)
Retail confidence indicator, SA, eop	17.7	13.1	13.8	17.2	14.1	9.3	13.8	12 (Jan)
Services Confidence Indicator, SA, eop	5.6	0	6	0	5.4	3.9	6	7.3 (Jan)
Consumer confidence indicator, SA, eop	-0.6	-6	-3.3	-15	-8.9	-4.7	-3.3	-1.7 (Jan)

[Source: Eurostat, national banks, author's calculations]

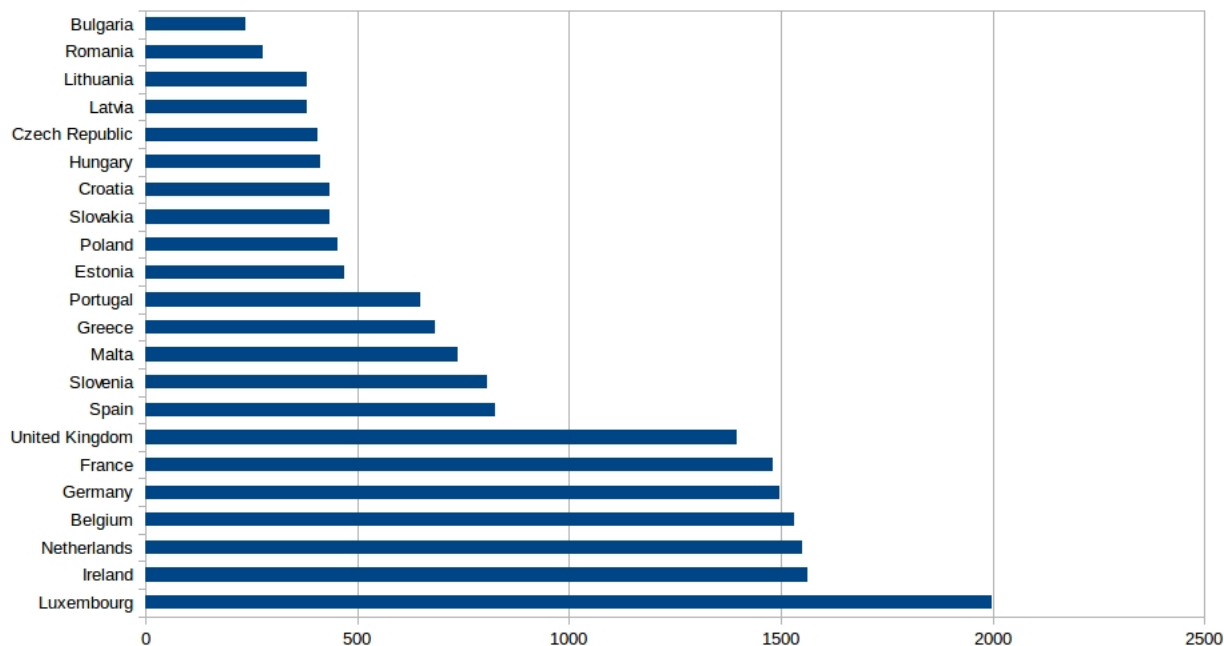
2 Economic news of past week

<p>Bad weather in Spain pushes up vegetable prices</p>	<p>With retail stores in some European countries rationing vegetables because of shortages caused by bad weather in Spain, prices for vegetables imported to Lithuania have been on the rise as well. Kauno Vaisiu ir Darzovių Prekyba (Kaunas Fruit and Vegetable Trade, or KVDP) says that tomato, lettuce, cucumber, zucchini, eggplant and sweet pepper prices have been increasing and that it has stopped importing iceberg lettuce because it has become too expensive. (baltic-course.com)</p>
<p>European Commission urges Latvia to improve waste management</p>	<p>The European Commission has called on Latvia to increase efforts in order to improve waste management, the Commission said in its Environmental Implementation Review. According to the European Commission's report, increased investments are required to put in place infrastructure to improve separate waste collection, as the large amount of household waste that is disposed in landfills can keep Latvia from attaining its waste management targets set by the EU. (baltic-course.com)</p>
<p>Lithuania plans to introduce minimum needs basket of EUR 240-250</p>	<p>Lithuania's authorities are planning to introduce a minimum needs basket of around 240 to 250 euros that will show what minimum monthly income a person needs to survive. Romas Lazutka, an advisor to the social security and labor minister, says that some social payments could be tied to that basket starting next year. Lazutka told later in the day that they were also considering pegging the minimum wage, which currently stands at 380 euros, to the basket. In his words, the minimum needs basket, which would amount to 238 euros at 2016 prices, is based on statistical data on household expenditure and nutritionists' information on the minimum food requirements. The basket would be indexed to price changes. (baltic-course.com)</p>
<p>Estonia's January tax revenue up 5.8% y-o-y</p>	<p>The Estonian Tax and Customs Board collected a total of 663.5 million euros in taxes in January, 5.8% more than in January 2016. Of social tax, growth in whose receipts has accelerated in recent months, 7.5% more than in January 2016 was received. In December the declared payroll, which in addition to wages and salaries includes board member and other contractual remuneration, expanded 6.4%. The y-o-y rate of growth in average earnings was a stable 5.7% and the number of employees grew 0.7%. Growth in tax inflow was held back in January by a drop in corporate income tax, of which 30.9% less was received than a year ago as a result of reductions of respectively 37% and 32% in the amount of profit distributed by state held and private companies. Value added tax receipts totaled 200.8 mln euros, 5.3% more than in January 2016. The growth was driven primarily by retail trade, whose nominal growth amounted to 4.7% in 2016. (baltic-course.com)</p>
<p>New alternative fuel vehicle registrations in 2016</p>	<p>373 new electric cars, hybrid electric vehicles and other alternative fuel vehicles were registered in Latvia last year, which is 3.9 percent less than in the previous year. 825 new alternative fuel vehicles were registered in Estonia in 2016 - which is a 92.3% increase y-o-y. Lithuania registered 465 new alternative fuel vehicles - 42.6% more than in 2015. (baltic-course.com)</p>

3 Economic insights

22 out of 28 EU Member States have national minimum wages. Only 6 countries do not have national minimum wages: Austria, Cyprus, Denmark, Finland, Italy, Sweden. The figure 1 represents the minimum wage in euro.

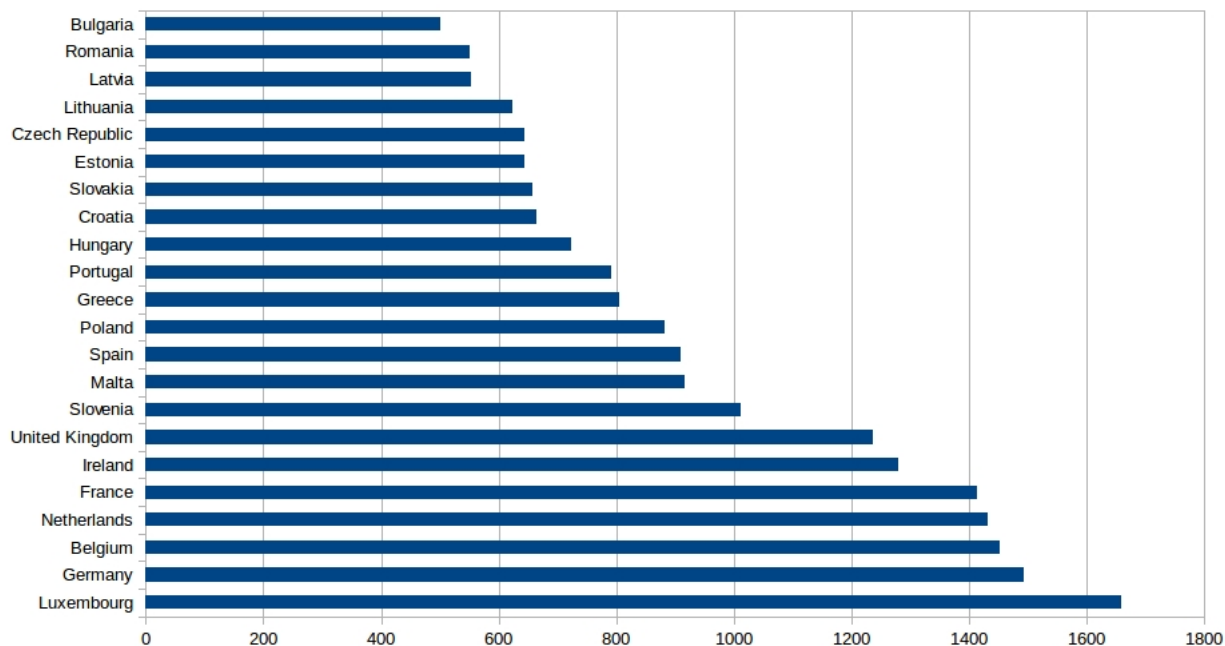
Figure 1: Minimum wages in the EU Member states in euro per month, 1st January 2017. Source: Eurostat



It appears, as if there were three blocks of countries: with minimum wage up to 500, between 500 and 1000 and over 1000 euro. All three Baltic states are in the first group, with the minimum wage up to 500 euro monthly. The gap between the highest and lowest minimum wage payed is between Luxembourg (1998.59) and Bulgaria (235.2) and the ratio is 8.5:1.

If the price differences are taken into account, and minimum wages are expressed in purchasing power standard (PPS), minimum wages in countries with relatively lower prices become relatively higher, whereas minimum wages in countries with relatively higher prices become relatively lower, as the figure 2 shows.

Figure 2: Minimum wages in the EU Member states in PPS per month, 1st January 2017. Source: Eurostat



Once the minimum wage is expressed in PPS, the difference between the highest and lowest paid minimum wage shrinks to ratio of 3.3:1

As for policy-making the minimum wage and median wage ratio is of importance, as the economists suggest not to set the national minimum wage higher than 50% of median wage. Higher minimum wage could damper the demand for labour and thus decrease the economic growth. Unfortunately, Eurostat provides the median data only for the year 2014.

Note: Eurostat data of minimum wages does represent only the gross monthly minimum wages and the true cost of labour may be different due to different additional taxation (e.g. social contributions, income tax paid by employer etc.)