

Weekly News

September 19, 2006

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Russian oil will not reach Lithuania through pipeline this year, Būtingė terminal closed for repairing

September 19, 2006 (BNS, SEB Vilniaus Bankas) - Lithuanian oil refinery "Mažeikių nafta" will not receive any Russian oil through pipeline this year, plan of oil exports from Industry and Energy Ministry of Russia confirms. Russia oil does not come to Lithuania through pipeline since July 25. Furthermore, Būtingė terminal stopped operation from September 19 to October 5 for repair works.

At the end of July, oil pipeline between Russia and Lithuania broke near Briansk city. However, oil shipping experts say that no objective obstacles for transporting oil exist and only goodwill is lacking, daily "Lietuvos rytas" reads. Instead, "Mažeikių nafta" received first deliveries of crude from Venezuela in the middle of September.

Vice-minister of economy Vytautas Naudužas told that "Mažeikių nafta" has enough of oil and no problems are expected to rise due to supply shortages. For the time of Būtingė terminal repair, 350 thousand tons of crude are stocked up which will be enough for full operation of "Mažeikių nafta" for ten days.

"Most likely, crude stocks were bought more expensively before the terminal's maintenance works than it would cost now. Also, profit margin of the company has declined together with decreasing oil prices," said financial analyst Vytautas Plunksnis. In his opinion, July and August were quite successful for "Mažeikių nafta" but September will be rather difficult due to combination of several unfavourable factors.

Meanwhile, Polish company "PKN Orlen" that is buying a majority stake in "Mažeikių nafta", is changing its board members. According to Polish press, CEO of "PKN Orlen" Igor Chalupec will stay in his position until the end of year. The main initiator of changes in "PKN Orlen" management is considered to be Polish government. After parliamentary elections, then-Prime Minister Kazimierz Marcinkiewicz criticized Polish oil refineries for setting high fuel prices and thus striving for higher profits.

Government is expected to announce new target date for euro introduction soon

September 18, 2006 (BNS, SEB Vilniaus Bankas) – Lithuanian Government will have to decide upon new targeted date for euro introduction in the nearest future.

According to Prime Minister Gediminas Kirklilas, the decision of the Government will appear in the near term not only because of need to consider euro introduction possibilities in Lithuania but also due to visit of European Commissioner of Economic and Monetary Affairs Joaquin Almunia.

According to spokeswoman of Prime Minister Nemira Pumprickaitė, J.Almunia will come to Lithuania at the beginning of October.

In opinion of Gitanas Nausėda, adviser to CEO of SEB Vilniaus Bankas, the Government should put efforts to introduce euro at the beginning of 2009, since both 2009, proposed by economists, and 2010, unofficially circulated around by members of the Cabinet, will equally difficult regarding the EMU entrance.

"Moody's" upgraded Lithuanian long-term credit rating to A2

September 12, 2006 (BNS, SEB Vilniaus Bankas) – International credit rating agency "Moody's" upgraded long-term credit rating for Lithuania to A2, considering improved stance of public finances and robust economic development.

"Improving credit rating for Lithuania reflects enhanced economy's resilience to external shocks and overheating risk," said Nina Ramondelli, senior vice-president of "Moody's".

"We believe that European Commission's veto on euro introduction in Lithuania will not impede the country's European integration and will not change the direction of management of public finances," added N.Ramondelli.

"Moody's" experts note that economic reforms in Lithuania have encouraged one of the fastest economic developments among new EU members. The report also emphasizes that fiscal discipline and structural reforms had positive effect on budget deficit and state debt.

"However, Lithuania remains one of the weakest countries among new EU members regarding income per capita, domestic savings and investment climate. In order to sustain economic growth, progress in these fields is also necessary," said N.Ramondelli.

Privatisation of Rytų Skirstomieji Tinklai in the pipeline

September 12, 2006 (BNS, SEB Vilniaus Bankas) – A study on what is the best way to privatise "Rytų Skirstomieji Tinklai" (Eastern Distributional Network of electricity) should be presented to the Economy Ministry in the first quarter of 2007, but already today this issue is broadly discussed among businessmen.

German "E.ON Energie," Lithuanian "Vilniaus Prekyba," Lithuanian "Hermis Capital," Lithuanian "MG Baltic," Estonian "Eesti Energia" and Latvian "Latvenergo" are considered to be potential buyers of "Rytų Skirstomieji Tinklai" (RST).

According to the new business magazine "Versus," as a news e-portal "JT Naujienos" reports, it is hardly possible that Russian companies will stay overboard of the RST privatisation deal.

Back in 2003, during the initial sale of RST, "Vilniaus Prekyba" (VP) has already expressed its interest in the Company but then became an owner of "Vakarų Skirstomieji Tinklai" (Western Distributional Network of electricity).

In his interview to "Versus," Žilvinas Marcinkevičius, a vice-president of VP, said that they would make up their minds whether to participate in the sale only after the government announces it. Nevertheless, he acknowledged that much time is required to prepare for participation in such a deal.

There have been talks on the market that because of VP's links with VST (the latter and VP have the same owners), it would probably co-operate with "MG Baltic" in acquiring RST.

"Hermis Capital" (HC), an active investor into corporate shares both domestically and abroad, claimed that the question about its participation in the RST sale has not yet handled. HC has recently acquired oil extraction company "Geonafta."

Although those "Versus" interviewees haven't given a clear answer, most of them acknowledged that RST is an attractive company to invest.

German "E.ON Energie," the current owner of a 20.28% share stake in RST, was the only one to concede its intentions to submit an offer for the rest of RST shares.

Based on "Versus" information, "Eesti Energia" (EE) is another potential buyer of RST. EE is controlled by Estonian government and was the only candidate to acquire RST in its initial sale in 2003. However, Lithuania's government banned the deal three years ago.

It is quite likely that Latvian energy company "Latvenergo" will also take part in the privatisation of RST.

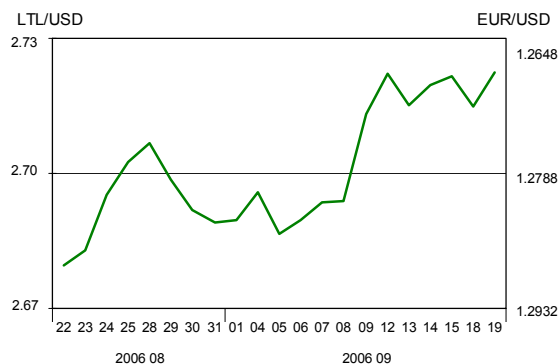
Bankruptcy of "Ekranas" did not bring social crisis to Panevėžys

September 7, 2006 (BNS, SEB Vilniaus Bankas) – The forecasts about social crisis in Panevėžys due to bankruptcy of "Ekranas", large manufacturer of TV tubes, did not come true. Registered unemployment level reached 6% but no social confusion broke up, reads daily "Panevėžio rytas".

Currently, there are 4 333 unemployed persons registered in Panevėžys, or roughly by 1 800 more compared to June, when around 4 000 of "Ekranas" employees were dismissed from their jobs. Ex-employees of "Ekranas" make up 40% of total unemployed in Panevėžys town and surroundings.

Over two months, 2307, or 60%, of fired employees were registered as unemployed in Panevėžys Labour Exchange. Out of this number, roughly 200 have already found a job in different economic activities – manufacturing of electronic machinery, textiles, trade, catering, construction, food processing etc. Another 700 will be employed right after they finish training courses.

Litas and Euro Relative to US Dollar



Main Macroeconomic and Financial Indicators of Lithuania

	2000	2001	2002	2003	2004	2005	2006**
Real GDP (constant 2000 prices), annual change, %	3.9*	6.4	6.8	10.5	7.0	7.5	8.6 (IH)
Nominal GDP, LTL billion	45.848	48.563	51.948	56.772	62.440	71.084	37.512 (IH)
Current account deficit, % of GDP	5.9	4.7	5.1	6.8	7.7	7.0	10.6 (IQ)
Industrial production, annual change, %	2.2	16.0	3.1	16.1	10.3	7.3	12.7 (Jan-July)
Capital investment, LTL billion	6.553	7.824	8.124	8.678	10.097	12.186	5.672 (IH)
Exports of goods, LTL billion	14.193	17.117	19.117	21.263	25.819	32.767	22.255 (Jan-July)
Imports of goods, LTL billion	20.877	24.241	27.479	29.438	34.384	43.152	29.190 (Jan-July)
CPI, y-o-y change, e-o-p, %	1.4	2.0	-1.0	-1.3	2.9	3.0	4.2 (August)
HICP inflation, average annual, %	1.1	1.6	0.3	-1.1	1.2	2.7	3.4 (August)
Average monthly earnings, last quarter of a year, LTL	1,073.2	1,087.1	1,145.0	1,207.9	1,310.2	1,453.4	1,519.7 (IIQ)
Unemployment rate, ILO, average, %	16.4	17.4	13.8	12.4	11.4	8.3	6.4 (IQ)
Average interest rates on loans in litas, e-o-p, %	11.03	8.13	6.08	5.07	5.67	4.70	5.19 (July)
Loans of MFIs to residents except MFIs, e-o-p, LTL billion	6.114	7.289	8.851	13.122	18.608	30.248	35.350 (July)
Deposits of residents except MFIs with other MFIs, e-o-p, LTL billion	8.660	10.215	11.532	13.585	17.787	24.225	26.724 (July)
Foreign direct investment, e-o-p, LTL billion	9.337	10.662	13.184	13.699	16.193	18.802	19.518 (IQ)
Official international reserves, e-o-p, LTL billion	5.435	6.677	8.013	9.528	9.109	11.104	11.462 (August)
M2 monetary aggregate, e-o-p, LTL billion	10.649	12.920	15.433	18.419	22.354	29.488	31.964 (July)
Fiscal balance of public sector (GFSM 2001), % of GDP	-2.8	-2.1	-1.3	-1.2	-1.4	-0.4	0.1*** (IQ)
General government debt, e-o-p, % of GDP	27.75	26.57	25.34	21.22	19.48	18.75	16.32*** (IH)
Industrial confidence index, last month of a period	-	-14	-14	-5	-18	-1	4 (August)
Consumer confidence index, last month of a period	-	-26	-15	-12	-4	-3	-1 (August)

* Due to data recalculation, temporarily GDP data up to 2000 is not strictly comparable to later years.

** Periods of latest data are given in parenthesis.

*** SEB Vilnius Bankas forecast of nominal GDP for 2006 stands at LTL 82.031 billion.