

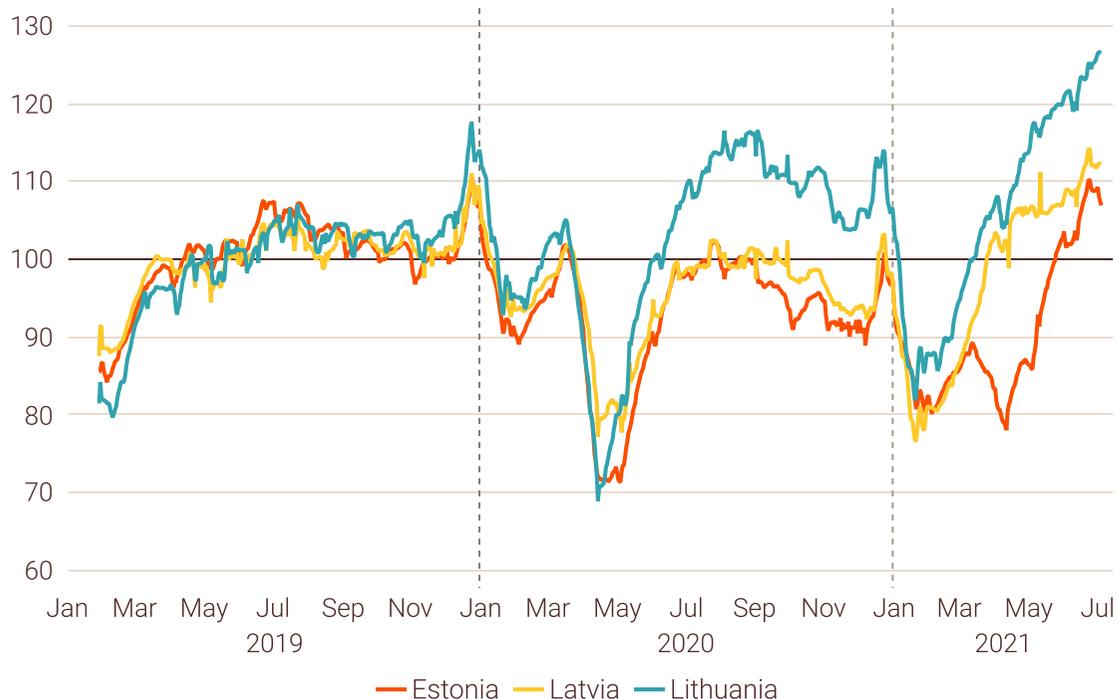
Consumer Spending Observer in the Baltics

Consumer spending shoots through the roof as summer advances

- Swedbank card data indicates strong rebound in spending across all three Baltic states
- With vaccination ramping up, spending is expected to stay on track in the coming months, but risks for autumn remain

Daily card spending and cash withdrawal

Index, 2019 average = 100, 4 week MA



Sources: Swedbank Research & Macrobond

- As virus containment measures eased, Swedbank client card spending and cash withdrawal rebounded in the second quarter of this year, running 15%, 21% and 26% above a-year-ago levels in Estonia, Latvia and Lithuania respectively.
- The impressive year-on-year growth rates are not only due to the virus-induced lows seen last year – card spending looks good also compared to pre-crisis levels. Total card transaction value in Q2 in Latvia and Lithuania exceeded that of Q2 2019 (by 7% and 18%), while it was still lagging slightly behind in Estonia (-4%). But in June card spending surpassed pre-crisis levels in all of the Baltics.
- Strongest growth comes from products and services that were long unavailable due to lockdowns. Even the most hurt sectors are recovering fast.
- With vaccine distribution ramping up and restrictions easing, spending is expected to continue strengthening in July and August.
- However, high vaccine-hesitancy implies important challenges ahead, and autumn lockdown risks have not disappeared yet.

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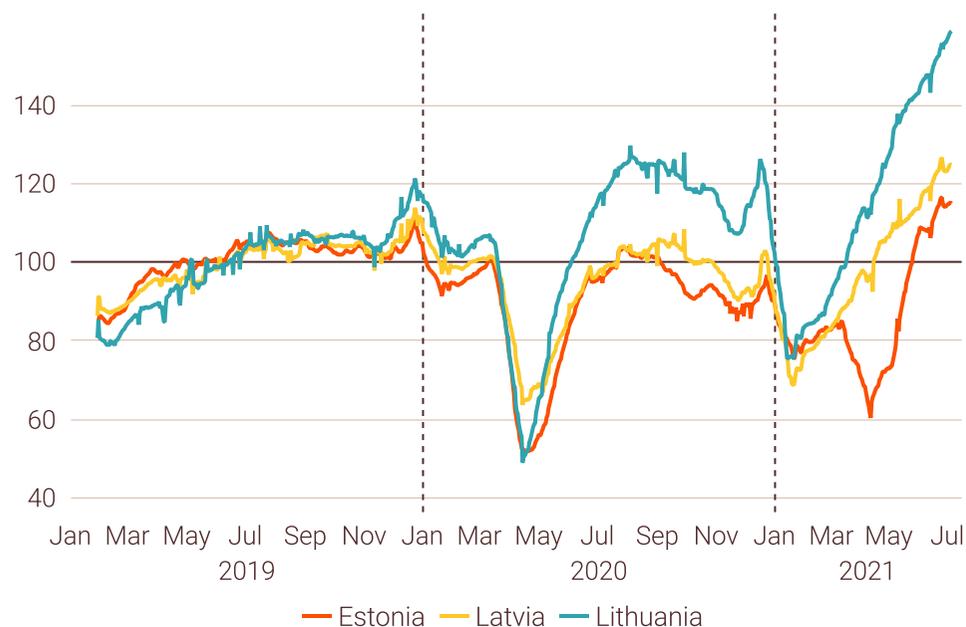
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Consumer spending on non-necessities is heating up

Hard-hit sectors are bouncing back, while cash withdrawal remains suppressed

Daily spending without food and miscellaneous sectors

Index, 2019 average = 100, 4 week MA

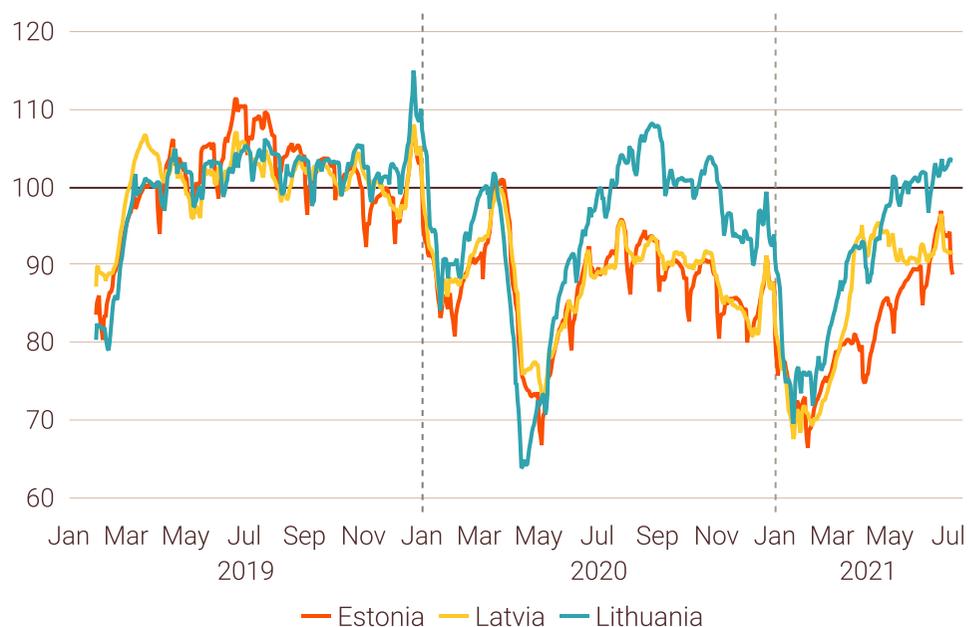


Sources: Swedbank Research & Macrobond

- While spending on food and other necessities is still seeing positive growth, the true drivers of consumption boom in Q2 were those products and services that were previously not available. The highest increase in non-food card spending is seen in Lithuania.
- Consumers are more mobile and they unleash pent-up demand not only on various services, such as hospitality, SPAs and beauty, but also on clothing and sports.

Cash withdrawal

Index, 2019 average = 100, 4 week MA



Sources: Swedbank Research & Macrobond

- Pandemic accelerated the previous trends and pushed consumers towards cash-less transactions. Cash-outs fell far more than card payments during lockdowns.
- Even though cash-outs rebound as restrictions are lifted, Swedbank data suggest that the role of cash is declining. Cash-out operations did not fully return to pre-pandemic levels neither last, nor this year in Estonia and Latvia. Even in Lithuania, where cash seems comparatively more popular, the share of card payments (vs. ATM cash withdrawals) in total card transactions is on the rise.

Card payments in nearly all sectors back to pre-pandemic levels

The shift in consumer preferences towards cash-less transactions somewhat distorts the picture

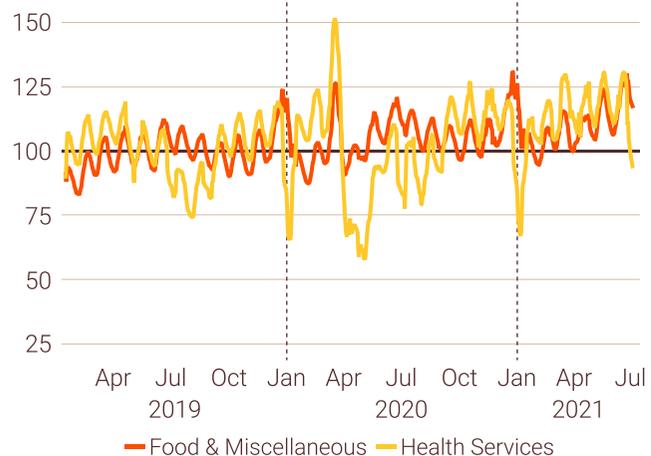
Card spending by sector in 2021, y/y %						
	EE		LV		LT	
	Q1	Q2	Q1	Q2	Q1	Q2
Food and misc.	3	8	14	16	27	14
Health services, pharmacies	-2	40	5	52	25	76
Home and garden	-12	-10	-24	12	-15	33
Electronics	10	16	27	27	28	49
Airports and Airlines	-73	236	-82	163	-70	180
Hotels and Motels	-55	136	-65	138	-62	147
Travelling	-62	76	-23	30	-52	102
Fuel	-4	28	4	37	5	55
Clothing	-19	38	-20	44	-15	63
Restaurants	-23	41	-32	48	-29	69
Beauty	-15	39	-15	17	-32	56

- Card payments during the second quarter increased by 18% in Estonia, 28% in Latvia and 36% in Lithuania. ATM cash-out grew comparatively less - by 9%, 11% and 17% respectively.
- Card transactions data show that spending is already at or even above pre-pandemic levels in many sectors. However, behavioural changes of people choosing cashless payments more and more often mean that these data are likely an overestimate of the demand surge.
- The most rapid improvements in card payments in Q2 were registered in various in-person services like tourism, restaurants, transportation, entertainment, as well as spending on clothing in the finally-open shops.
- The amounts Swedbank customers spend by card on hotel bookings is not far from pre-crisis levels in Estonia and Latvia and has notably surpassed 2019 summer levels in Lithuania. Yet, airports and airlines, despite showing much better results that last summer, are still suffering from very low demand, as people still opt for local vacation destinations.
- With the population a lot more mobile and oil prices – a lot higher than a year ago, card spending on fuel is notably up, and lately is far-exceeding even the levels of 2019. But the use of public transport, even though above 2020 levels, is still below pre-pandemic levels.
- Despite opening of restaurants, spending on food purchases is still seeing growth.

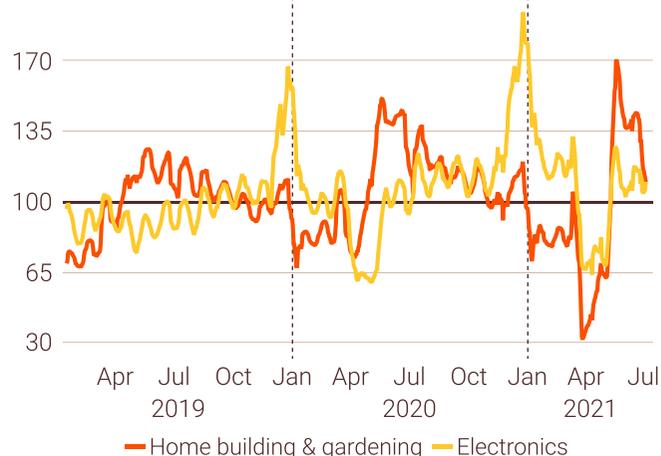
Daily transaction turnover according to sectors, Estonia

2 weeks moving average, index (2019 average = 100)

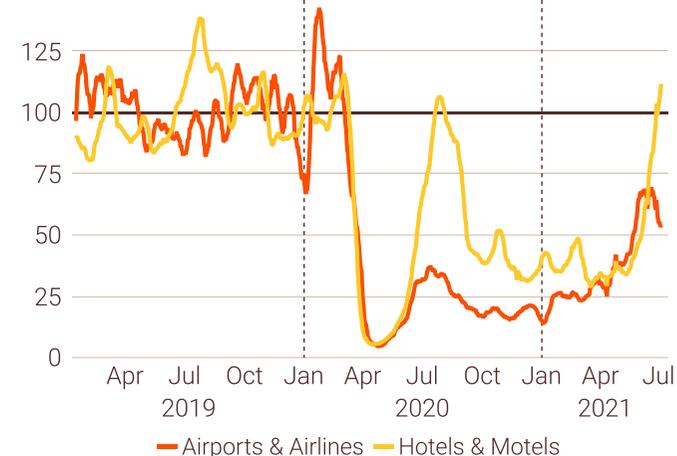
Necessities



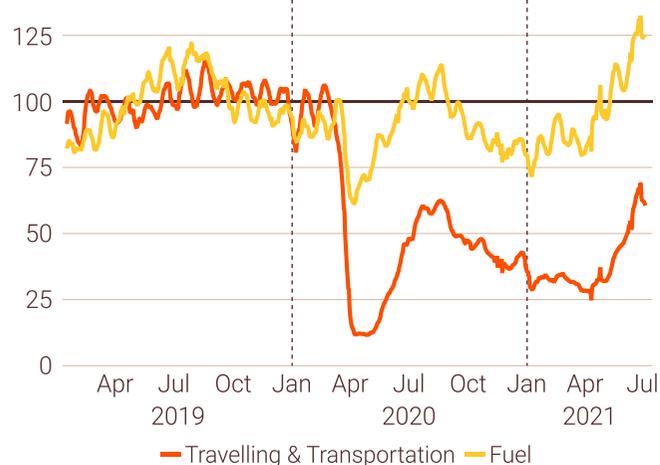
Activities at home



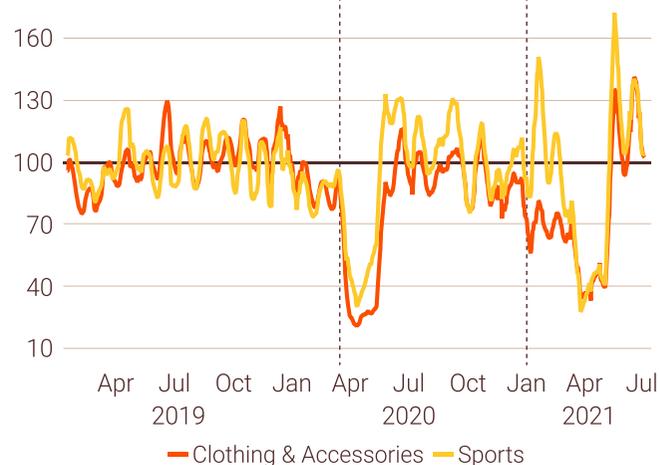
Tourism



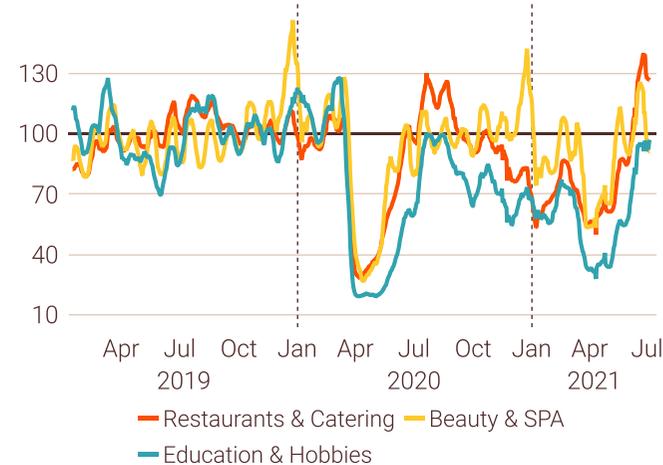
Fuel & travelling



Clothing, sports & accessories



Services

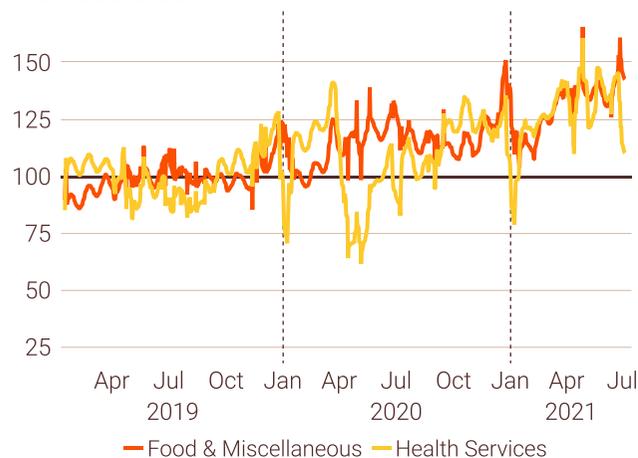


Source: Swedbank Research & Macrobond

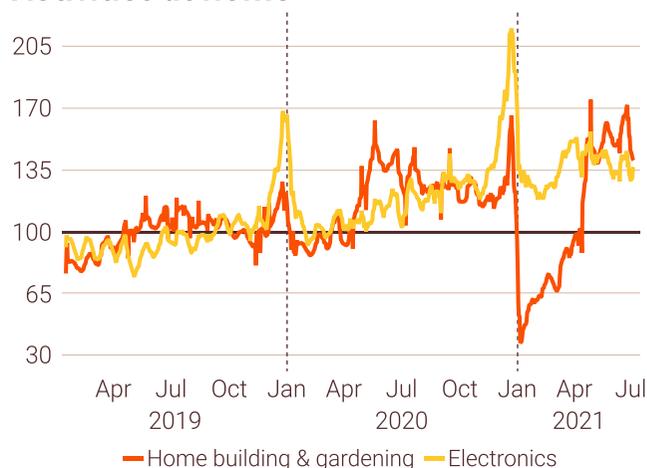
Daily transaction turnover according to sectors, Latvia

2 weeks moving average, index (2019 average = 100)

Necessities



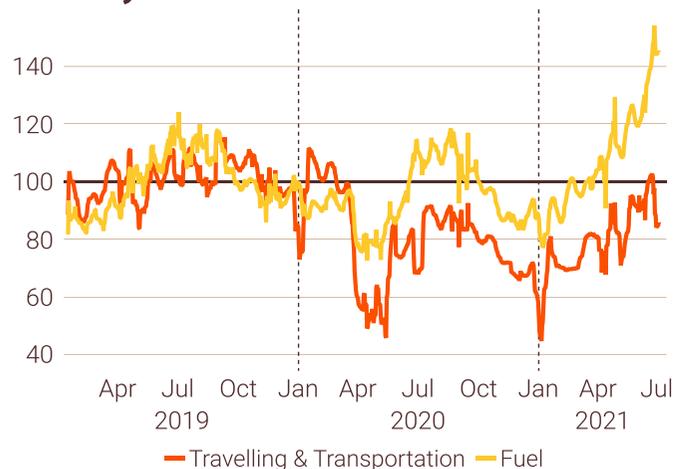
Activities at home



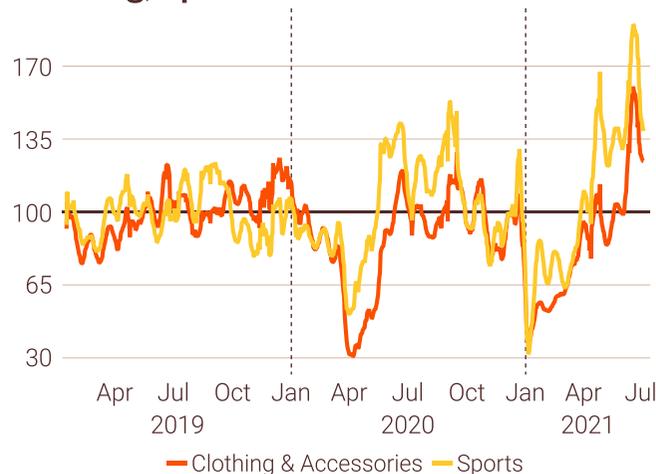
Tourism



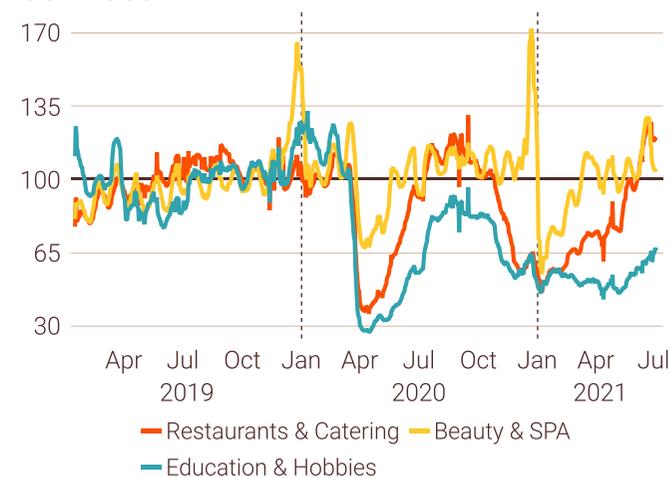
Mobility



Clothing, sports & accessories



Services

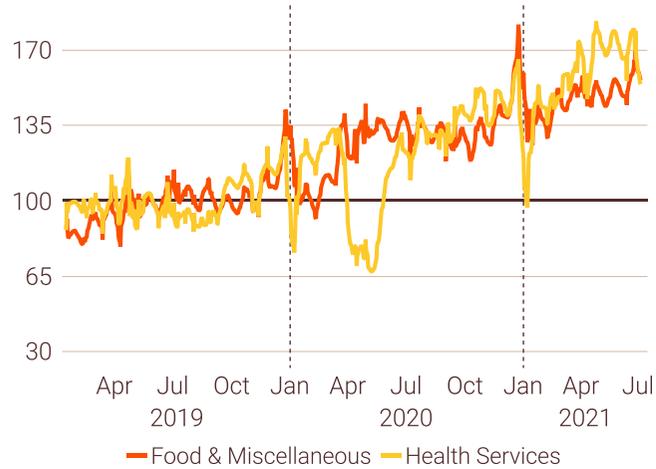


Source: Swedbank Research & Macrobond

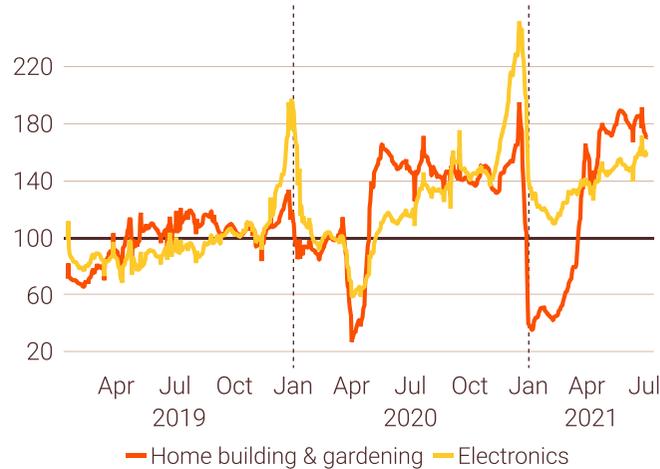
Daily transaction turnover according to sectors, Lithuania

2 weeks moving average, index (2019 average = 100)

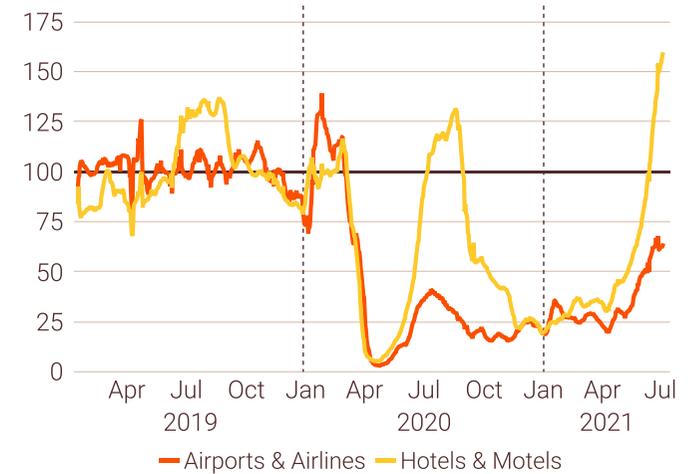
Necessities



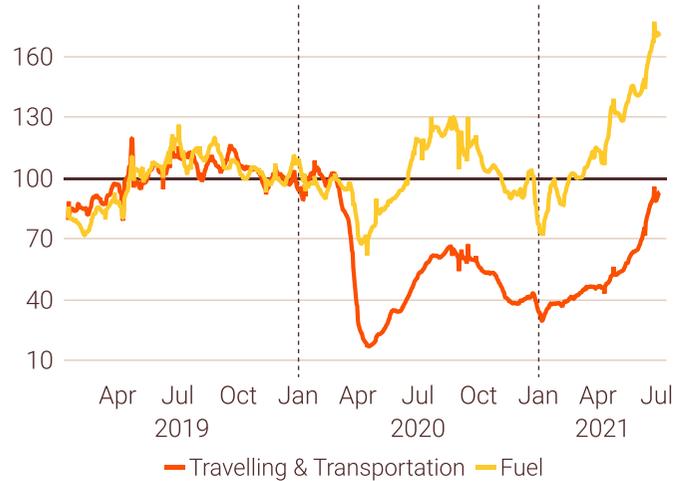
Activities at home



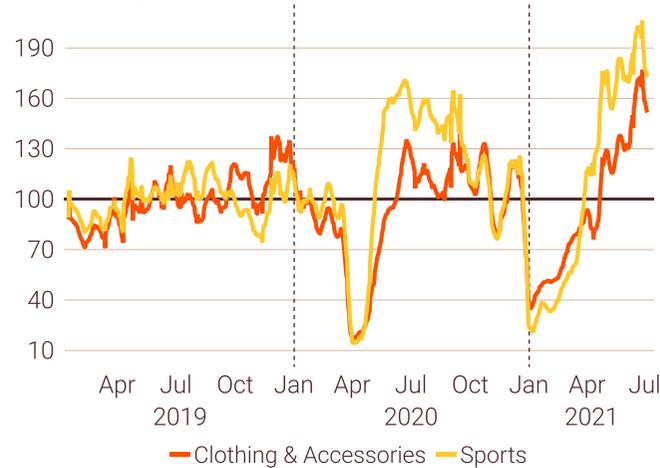
Tourism



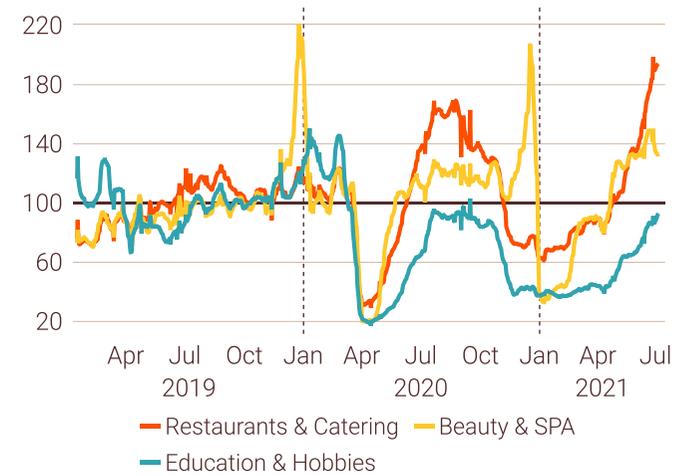
Mobility



Clothing, sports and accessories



Services



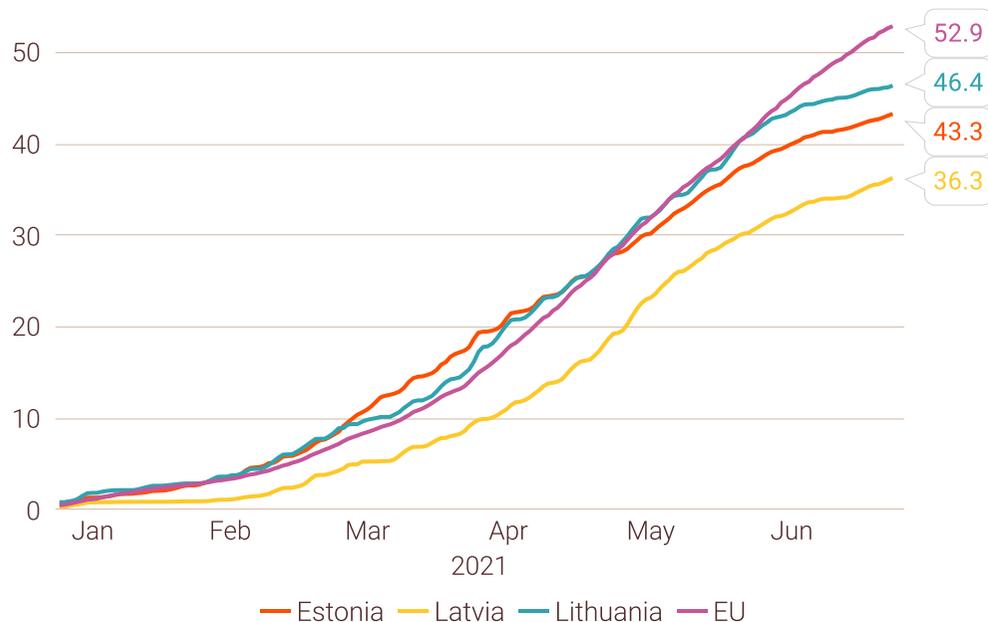
Source: Swedbank Research & Macrobond

Background: vaccine distribution ramping up while mobility is soaring

Nevertheless, the slowdown in vaccination numbers across countries is worrying

COVID-19 vaccination

% of people that received at least one dose

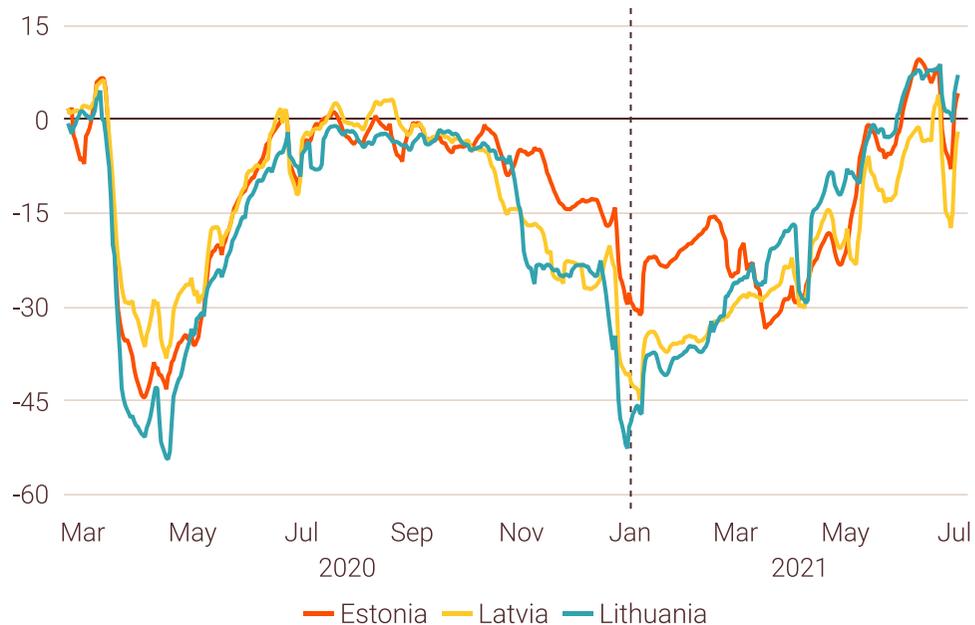


Sources: Swedbank Research & Macrobond

- Vaccine rollouts in Lithuania and Estonia are still outpacing those in Latvia. Currently 46.4% and 43.3% of total population has received at least one dose of COVID-19 vaccine in Lithuania and Estonia, respectively. The number reaches 36.3% in Latvia and is also far below the EU average.
- Nevertheless, the slowdown in vaccination numbers is evident across all the Baltics, with more and more vaccines being stored up.

Google mobility report, excluding parks

Length of stay, compared to the baseline, %



Sources: Swedbank Research & Macrobond

- Google mobility data show increasing activity in all Baltics, but especially in Estonia and Lithuania in the last few months.
- Low number of new Covid-19 cases, increasing number of vaccinated people and excellent weather help consumers to attack the summer with a lot of enthusiasm.

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