

*Development of the transportation sector in  
changing economic conditions*

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# Presentation outline

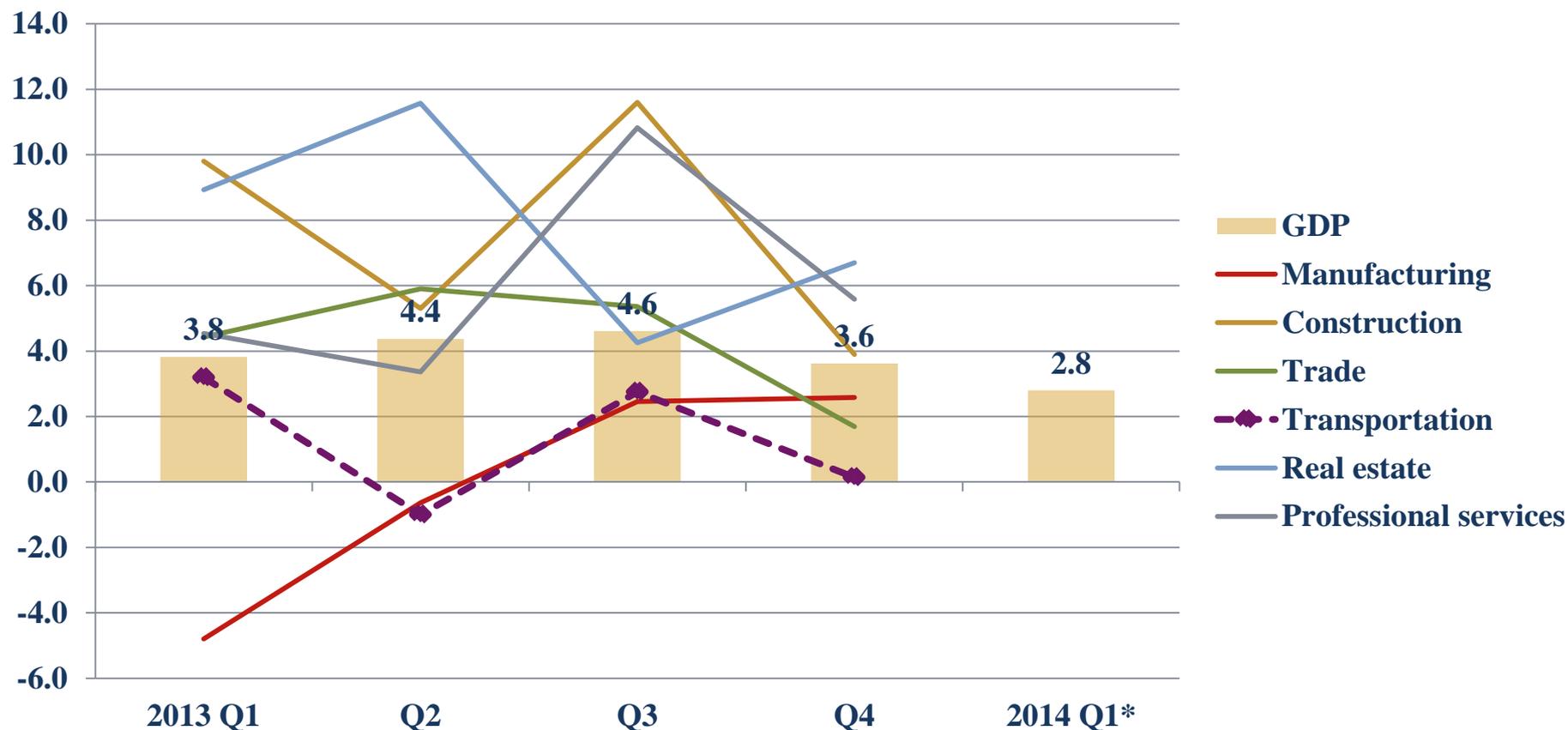
- *The importance of the transportation sector in Latvia*
- *Latest data on transportation sector: are there any evidences of a slowdown due to geopolitical risks?*
- *Forecasting of transportation sector: is it really possible?*



*The importance of the  
transportation sector in Latvia*

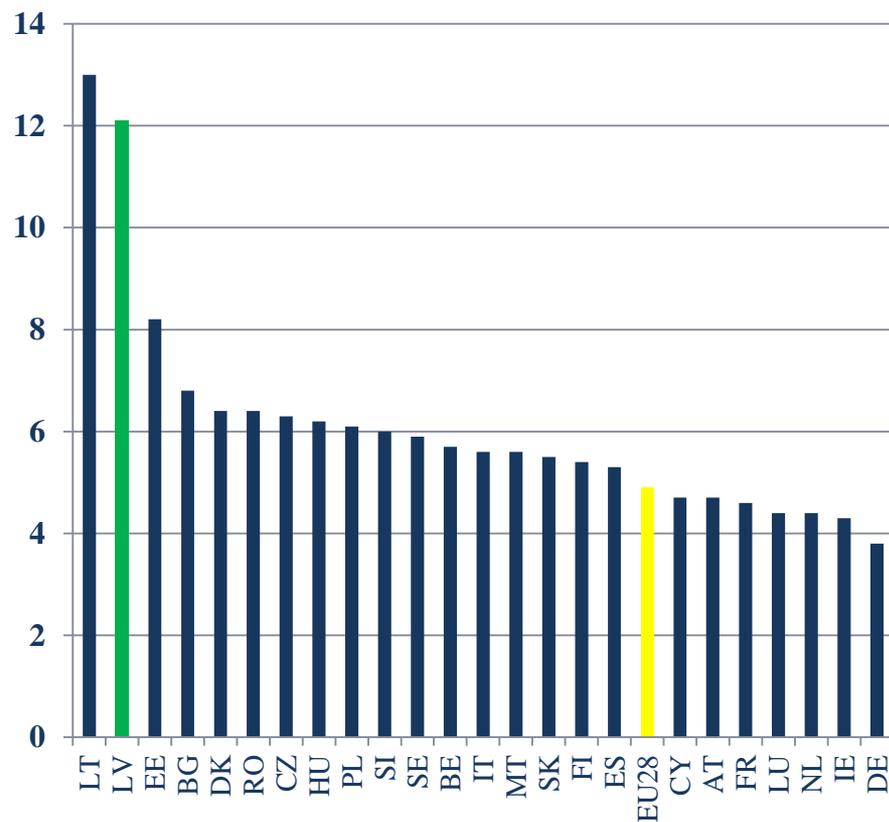
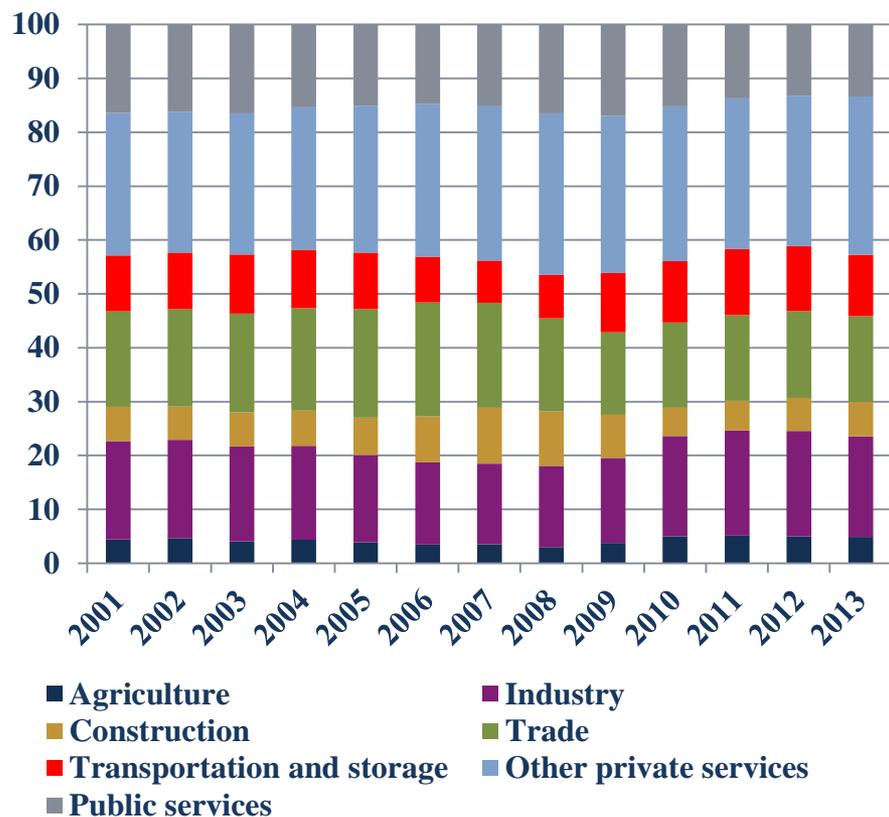
# GDP growth has been decelerating in the last quarters, however deceleration is mostly related to internal issues

## Real GDP and largest sector growth rate, y-o-y, %



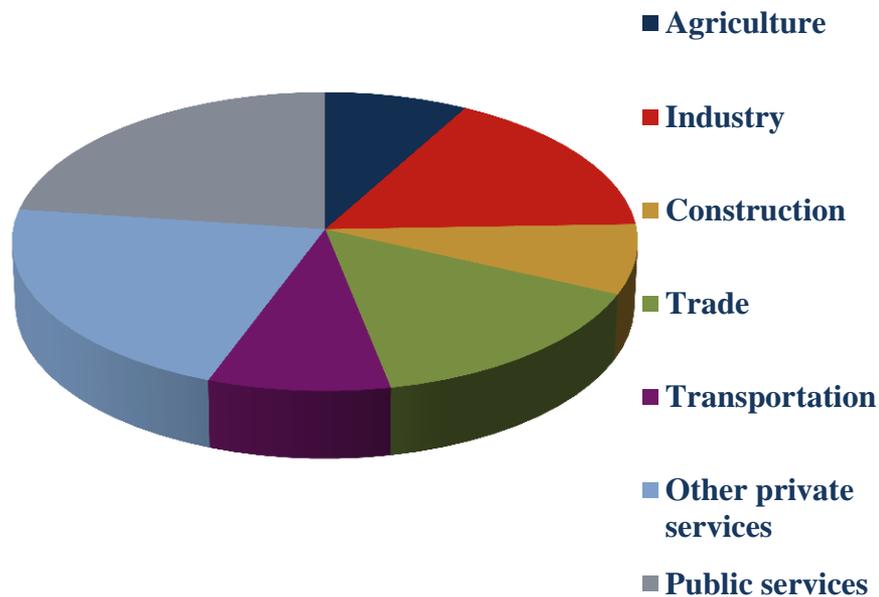
# Transportation – one of the leading sectors in the economy of Latvia

## Share of transportation sector in gross value added, %

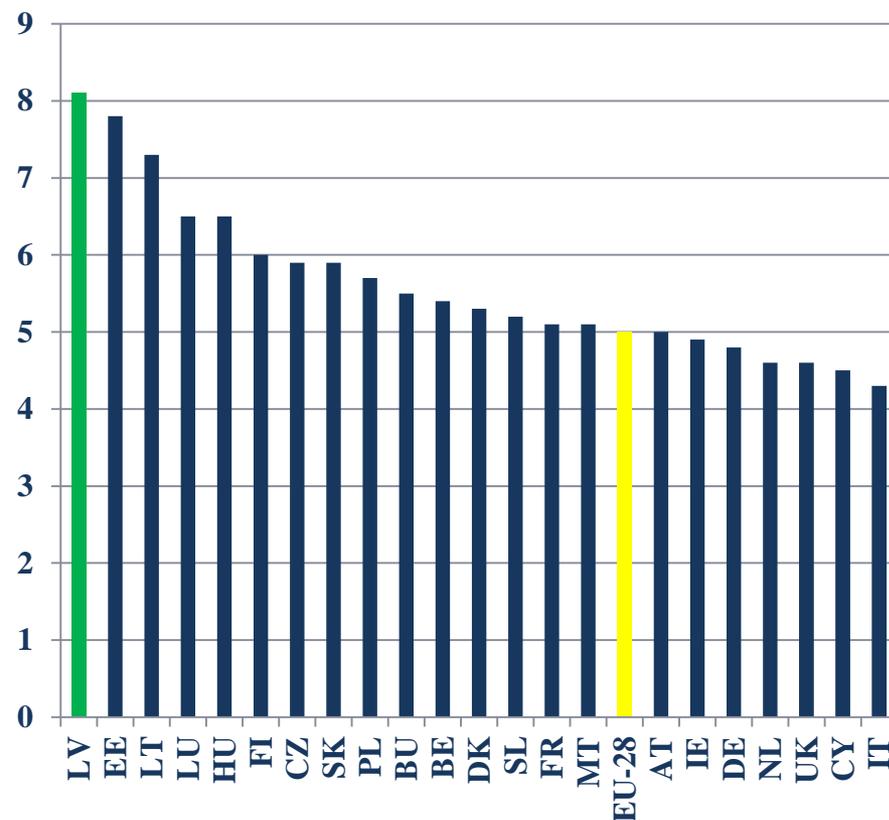


# Transportation sector also plays a notable social role

Employment structure of Latvia, %

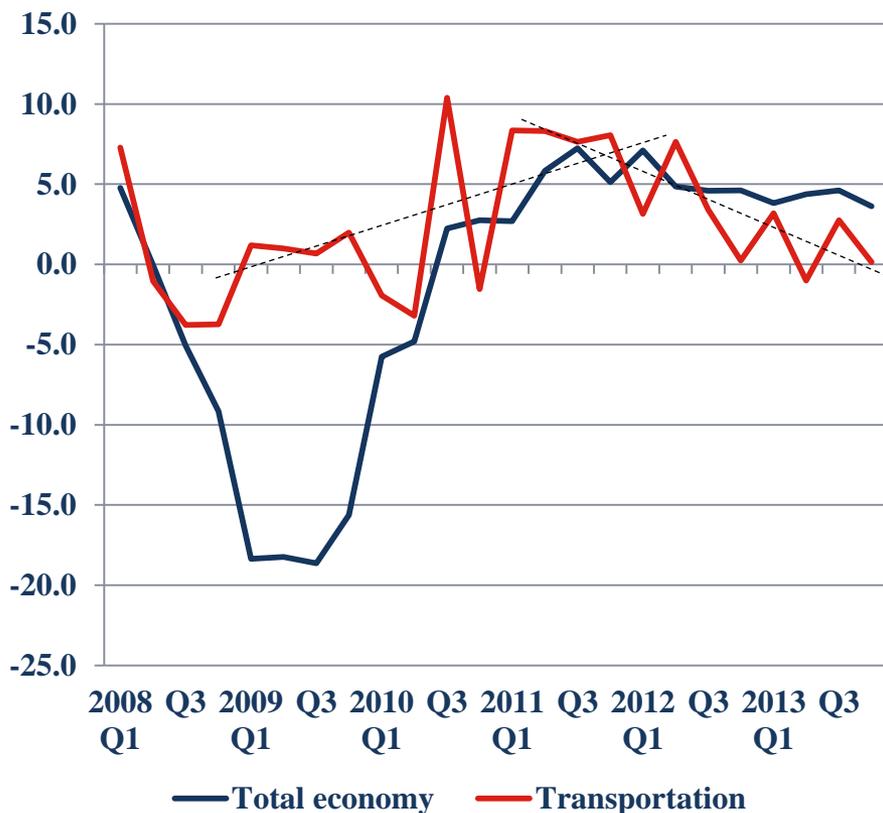


Share of employed persons in transportation sector, % of total employment

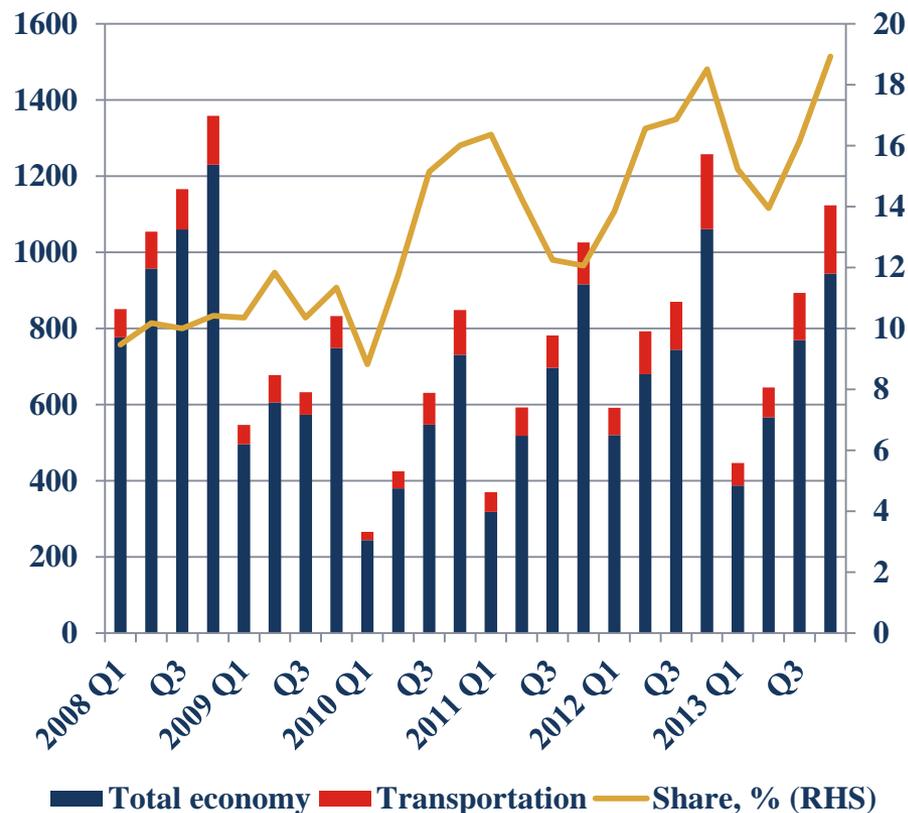


# In 2013 transportation sector faced a deceleration, but the amount of investments points to further development

## Value added growth, y-o-y %

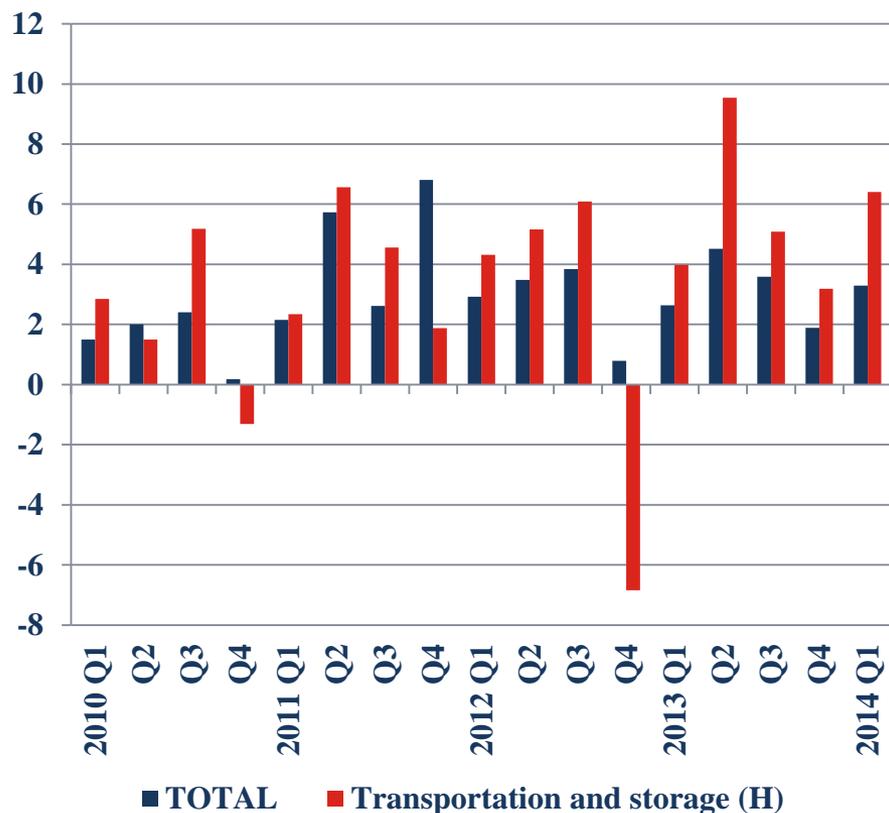


## Share of non-financial investments in total economy, %

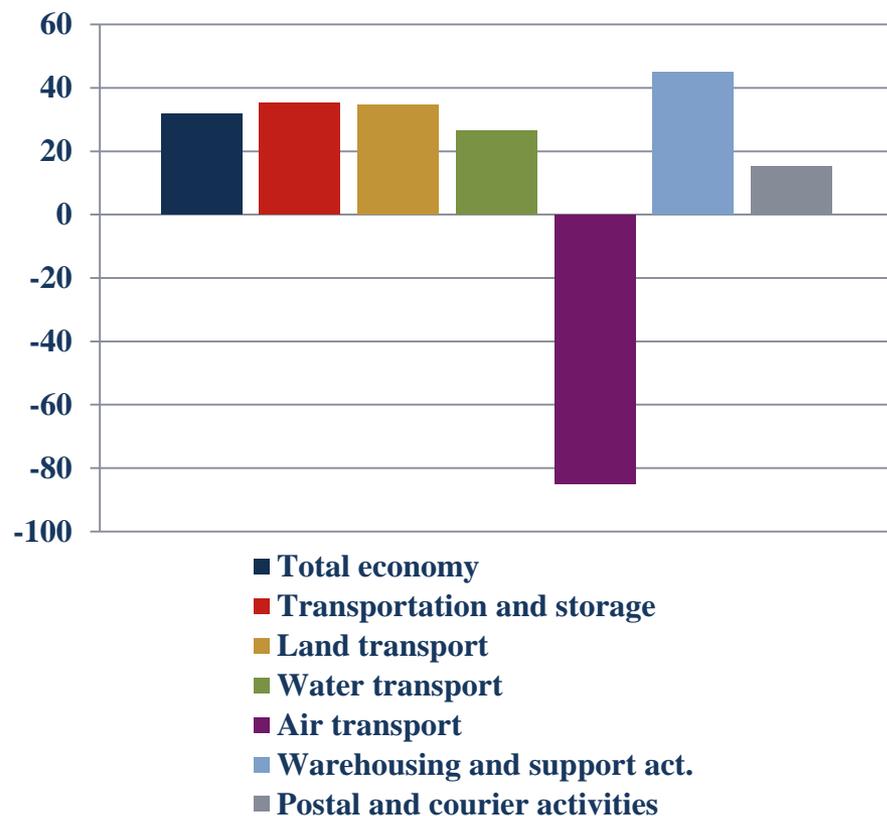


Profitability rates have been higher than in total economy; the financial position is strong, however there are disparities among the sector

Profitability rate (net profit/turnover), %

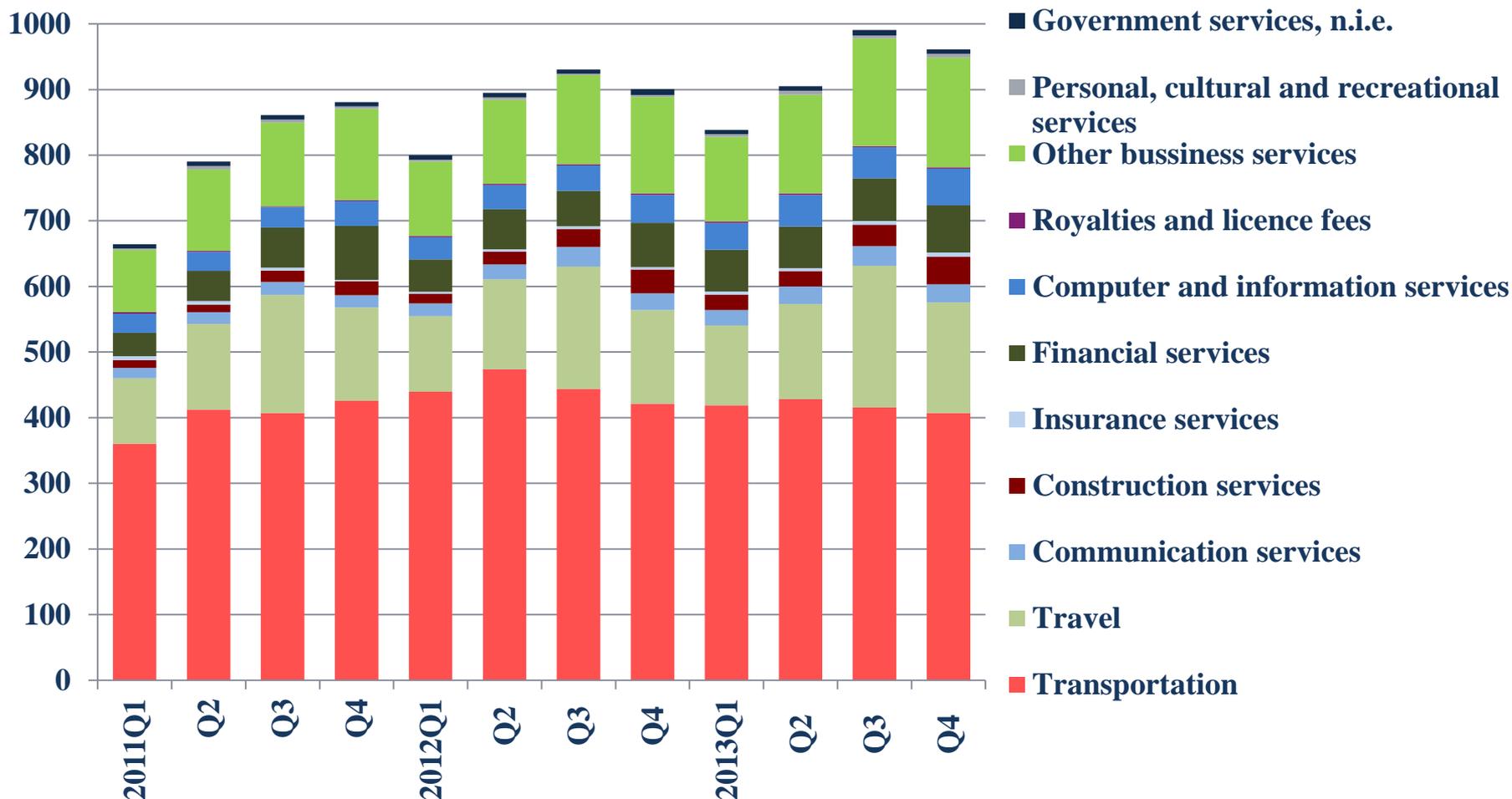


Share of equity capital in liabilities, %



# Transportation sector is important player in service exports

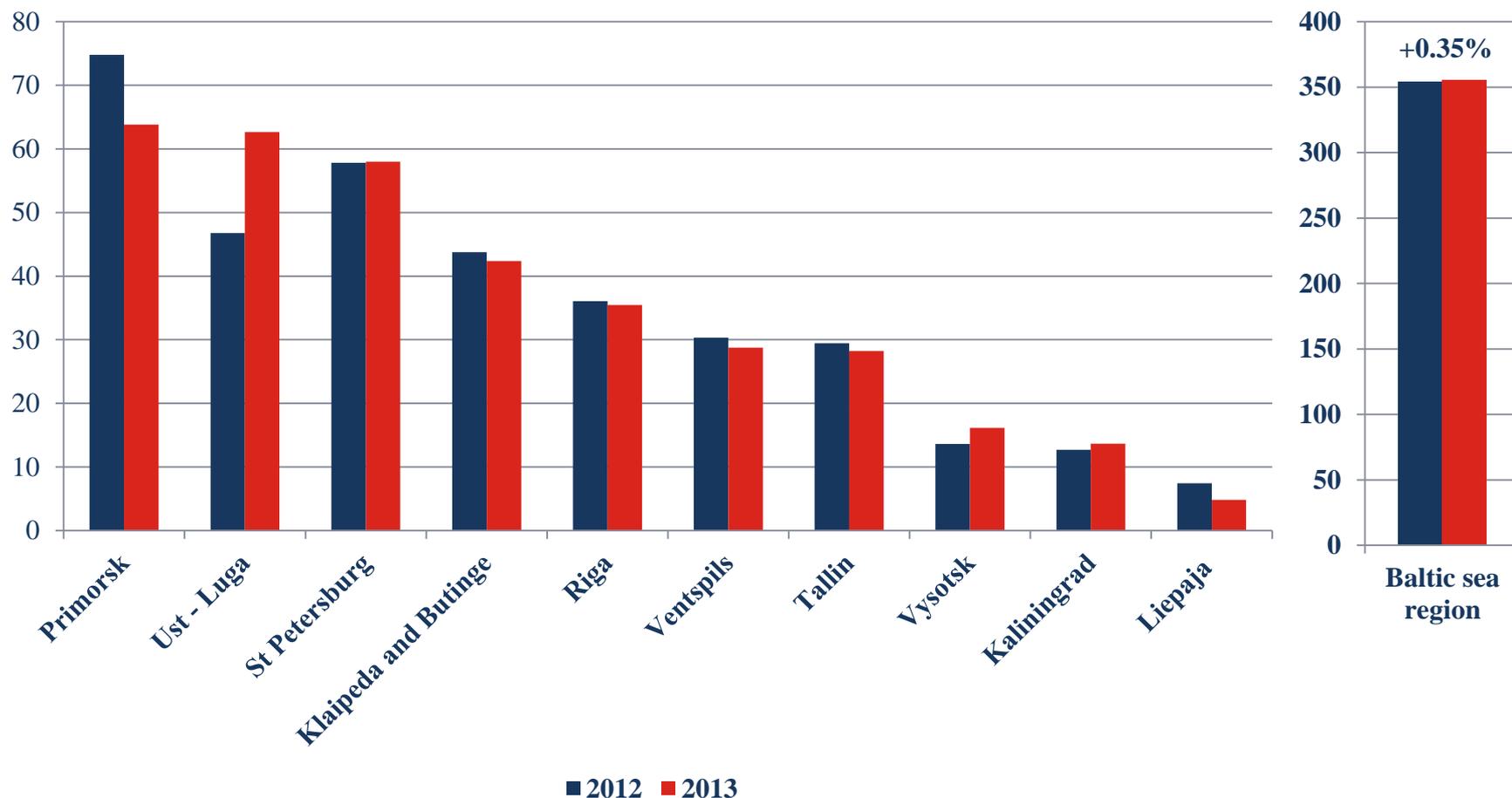
Exports of services (millions EUR)



*Latest data on transportation sector: are there any evidences of a slowdown due to geopolitical risks?*

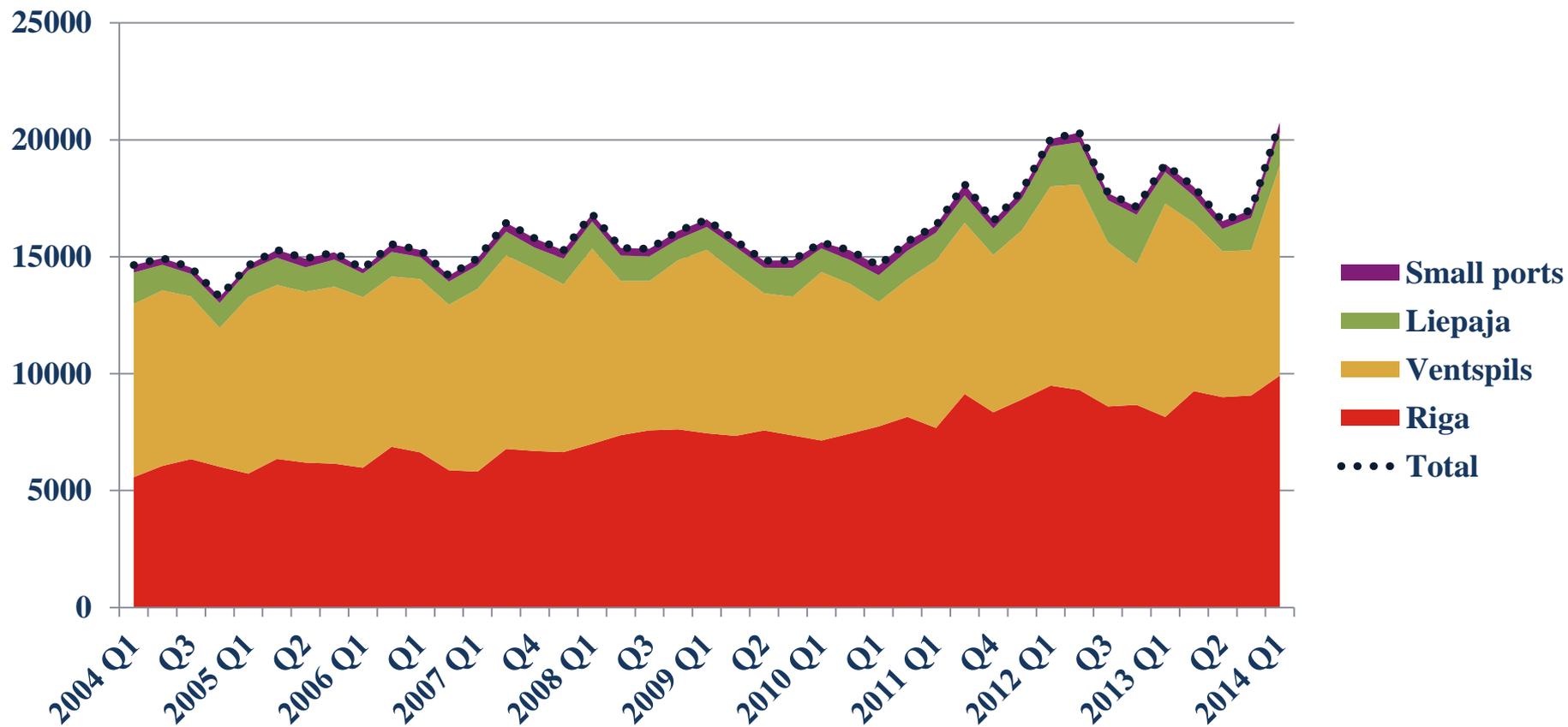
# Competition increases in the Baltic Sea region; Latvian ports loose their shares

Cargoes loaded and unloaded in Baltic sea ports, mln. tons



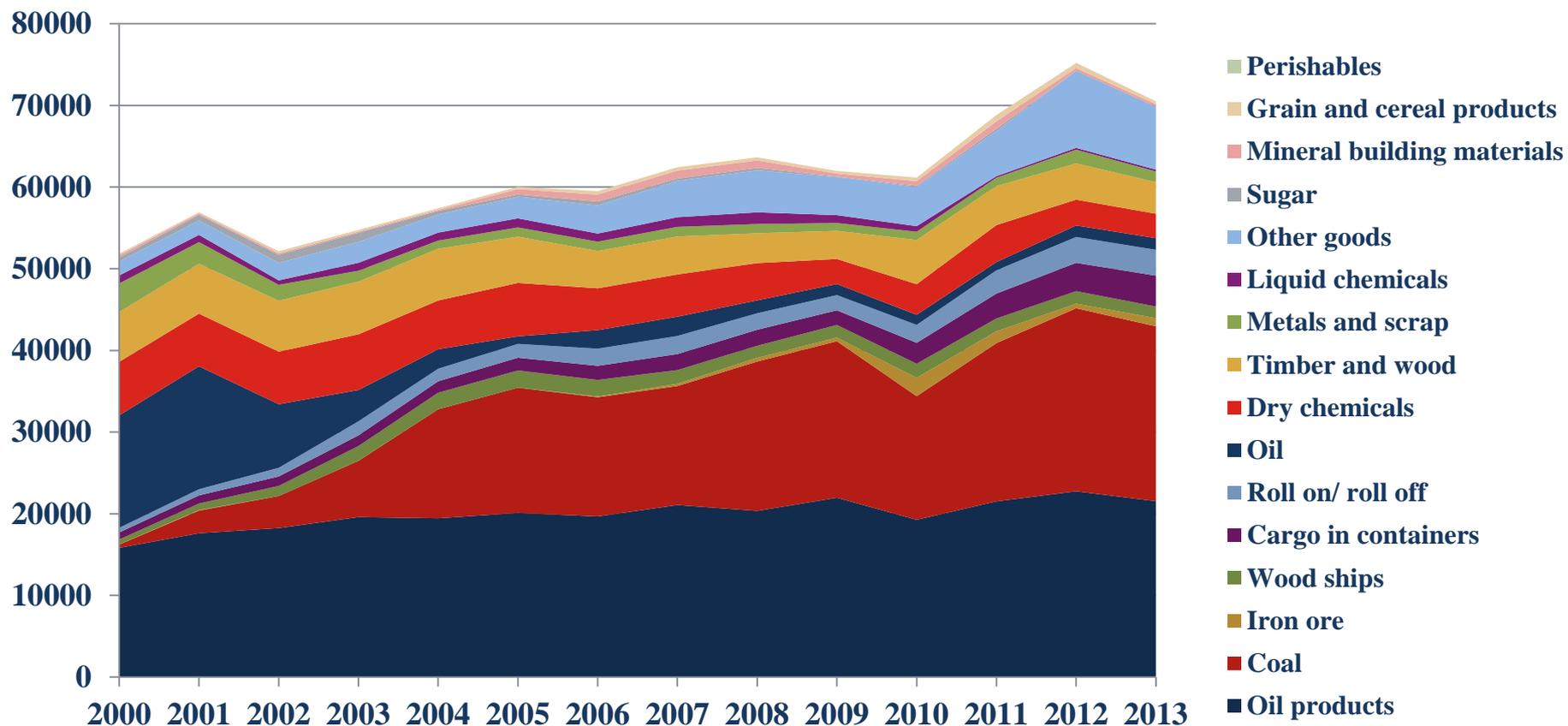
# Further growth of cargo amount is observed in Port of Riga

Cargo handled in ports of Latvia, thsd. tons



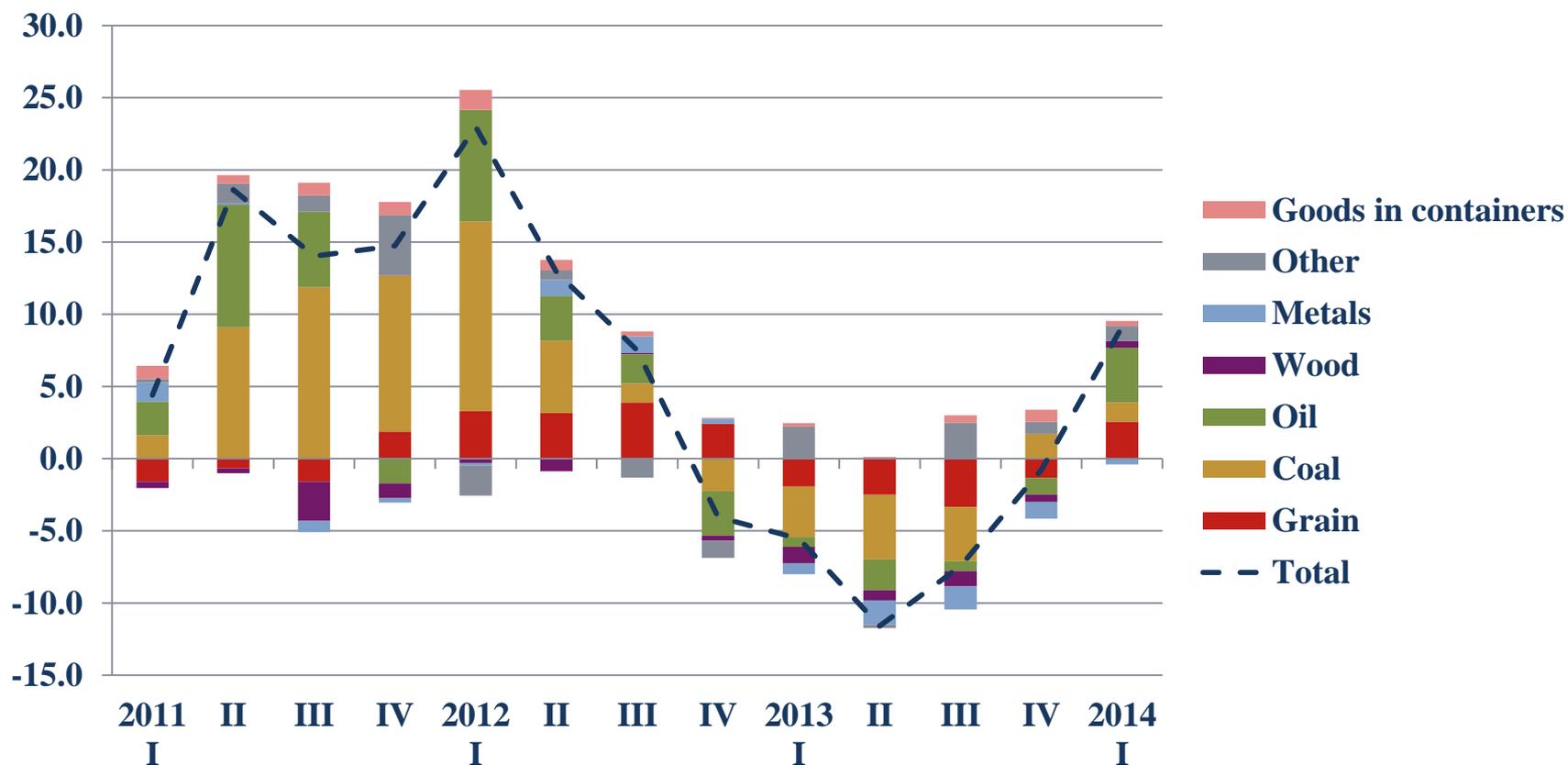
The diversification of ports of Latvia is still weak – two main cargo categories account for approx. 60%. Therefore ports are subject to specific demand risks.

### Handled cargos in ports of Latvia, thsd. tons



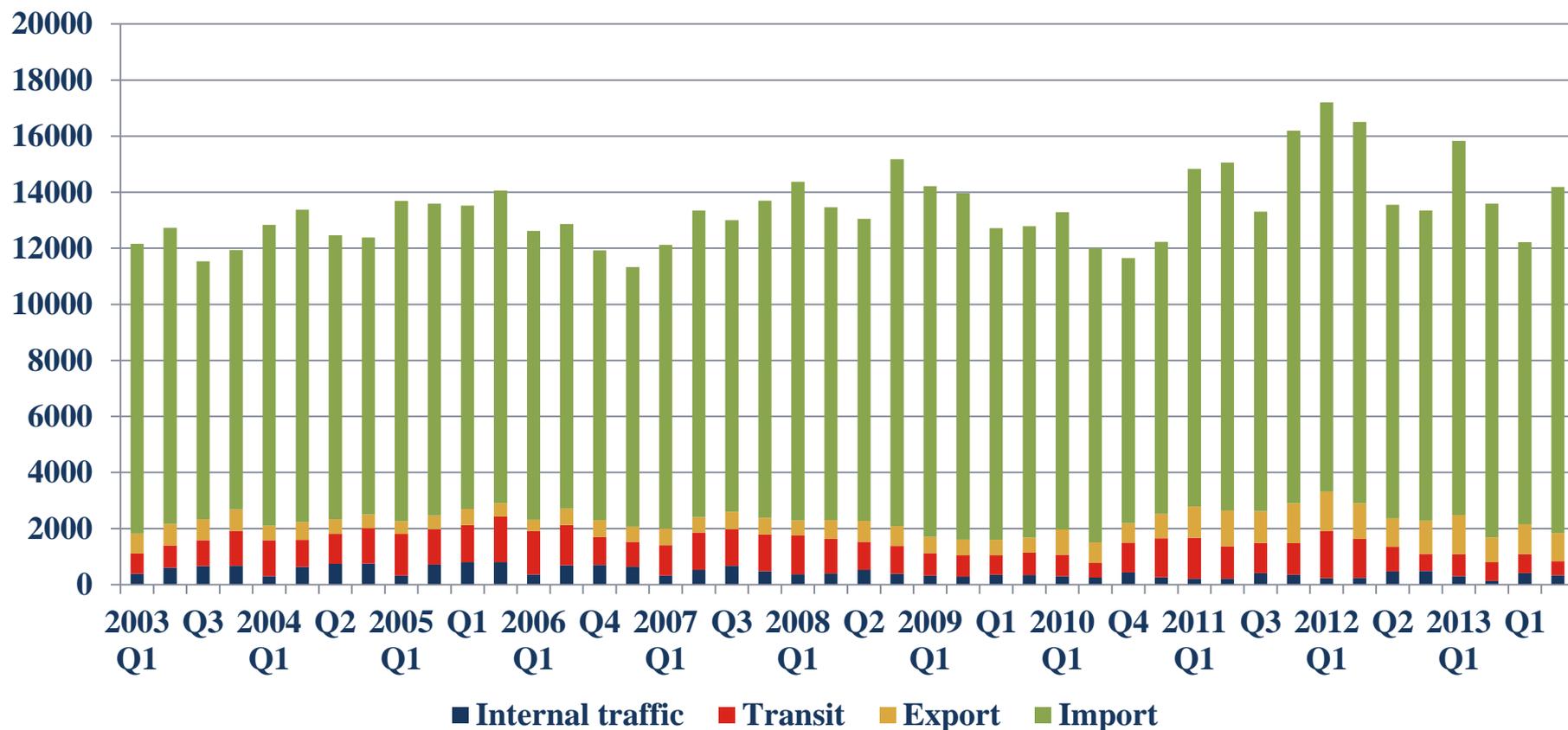
# The Q1 increase in cargoes loaded and unloaded in ports is due to the significant increase in oil product cargoes at the Riga port

Y-o-Y contributions of the main cargoe types and the change in overall cargo turnover, percentage points



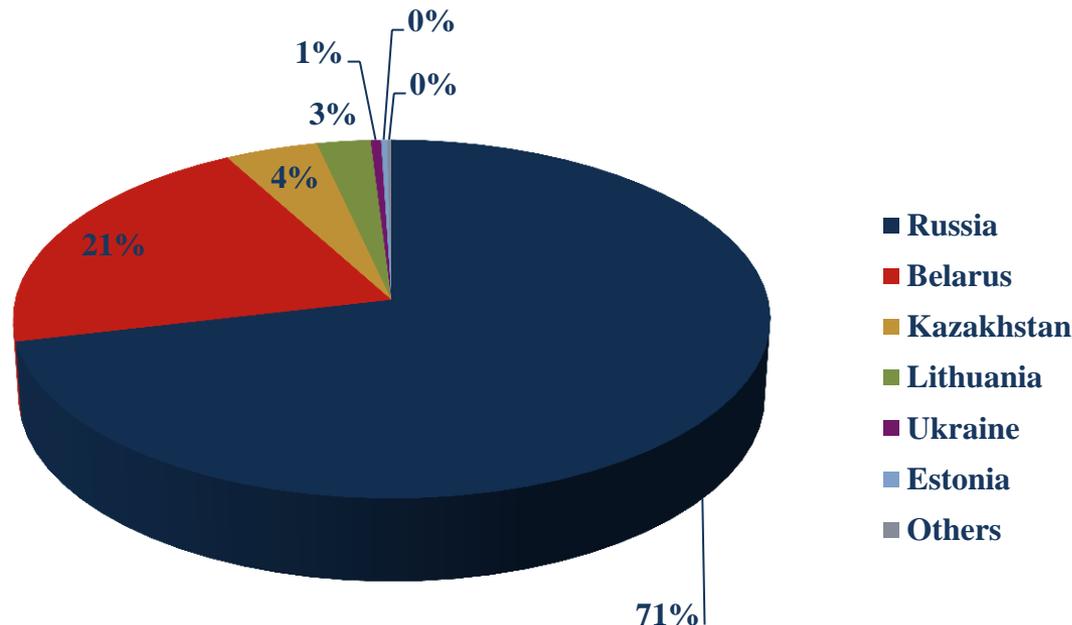
# After a slight deceleration in 2013, cargo amount transported by rail rebounded in Q1 of 2014

Cargo transported by rail, thsd. tons

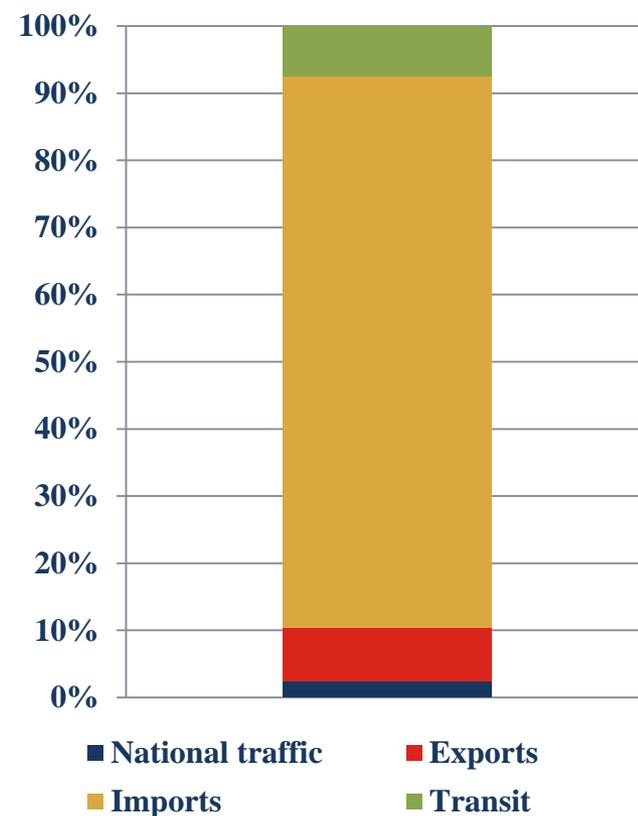


# Geographically transportation sector highly relies on the economical and political situation in Russia

Import freight transport by rail, % (2012)

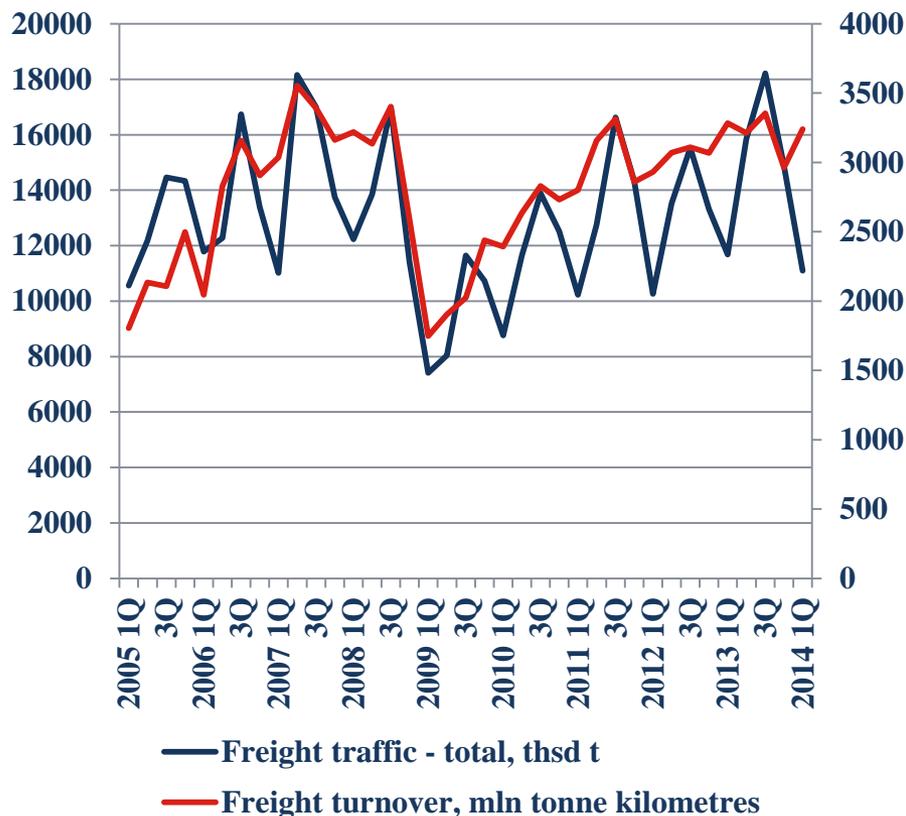


Structure of freight transport by rail, % (2012)

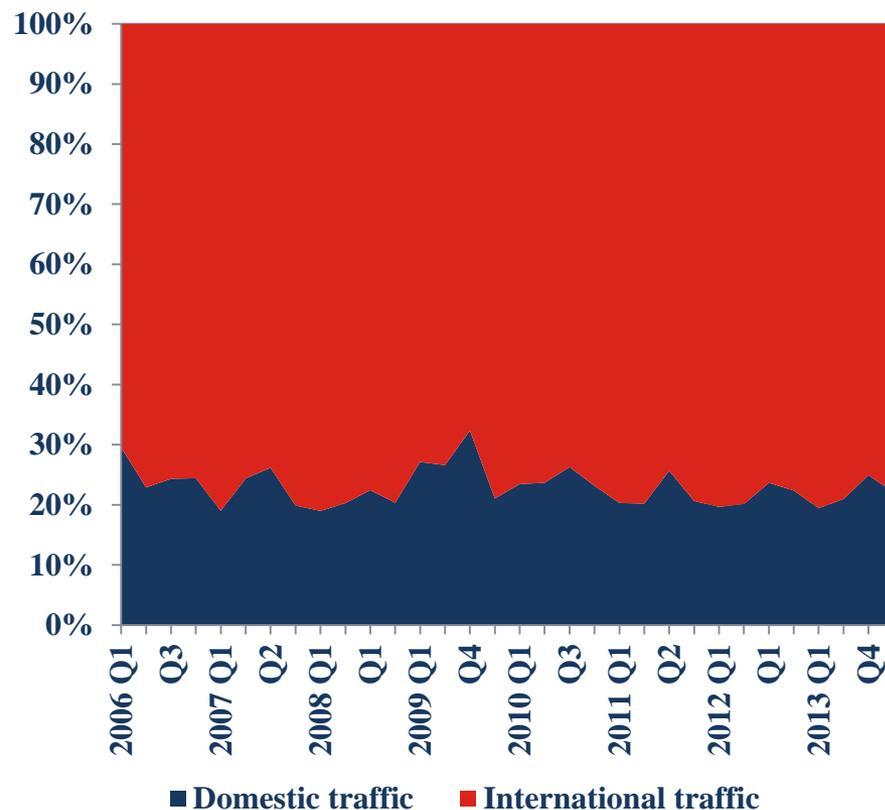


Cargo amount transported by road has been increasing steadily. However a drop in turnover has been observed in Q4 of 2013

Freight traffic by road

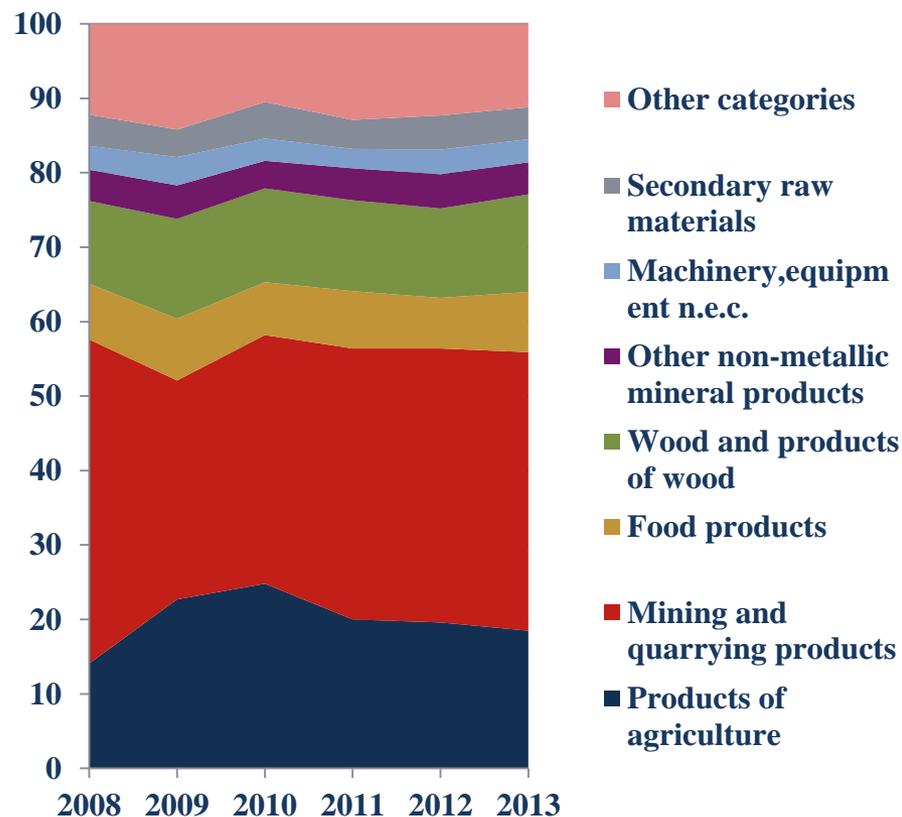


Freight turnover, %

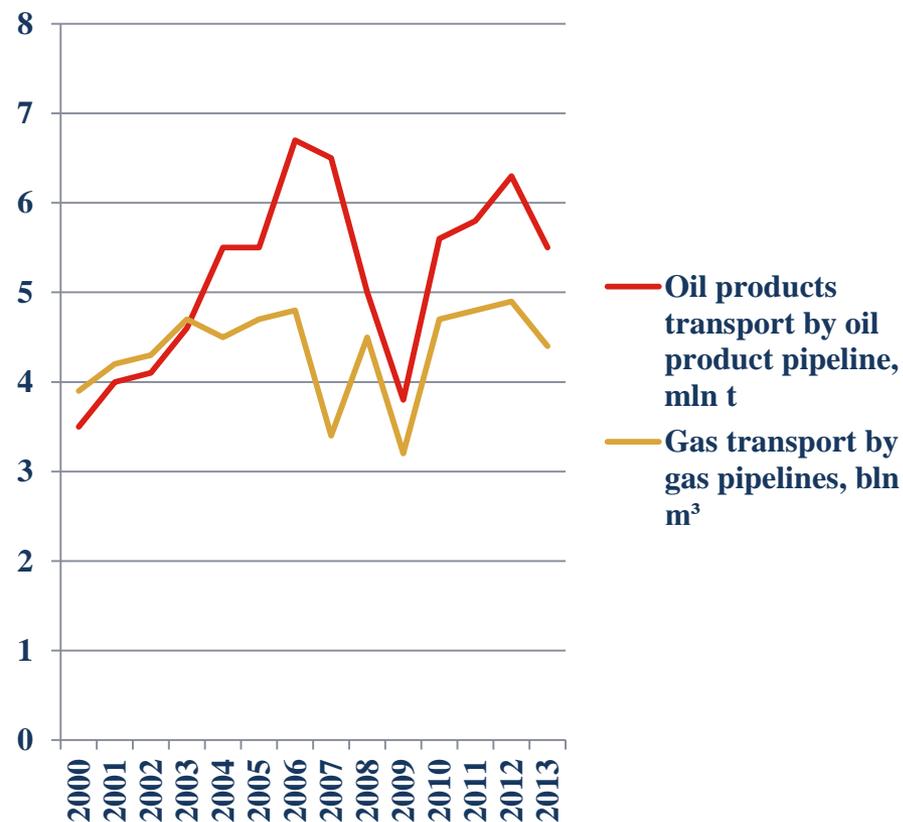


# Transportation amounts by pipeline have decreased in 2013

## Freight traffic by road by group of goods, %

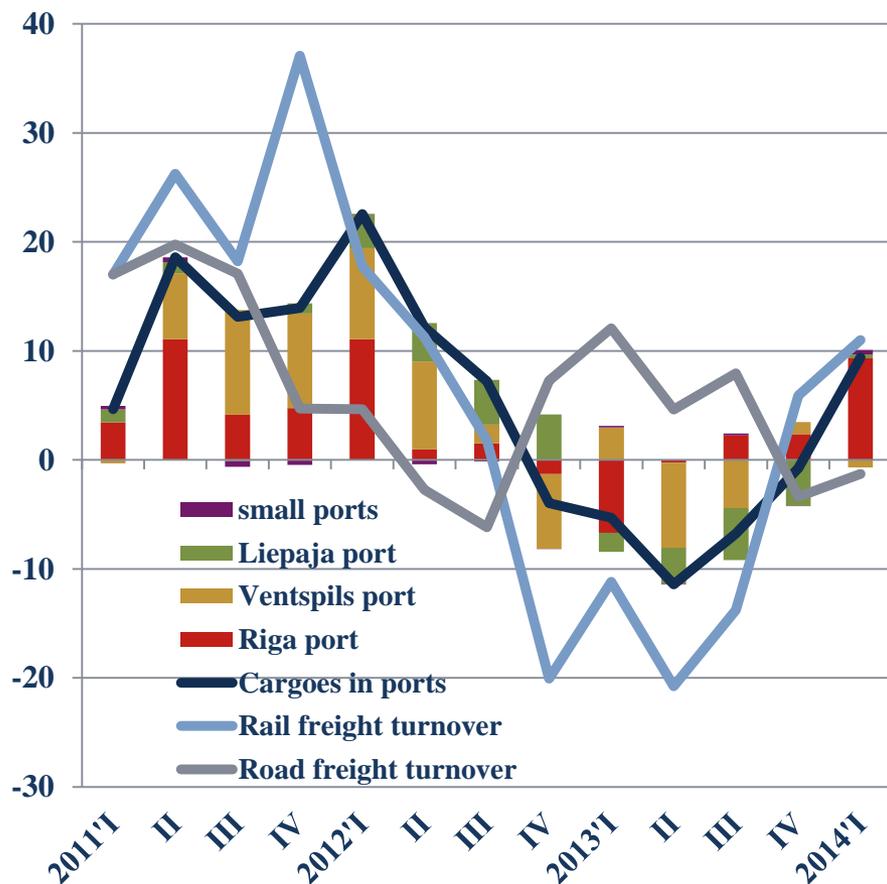


## Transport by pipelines

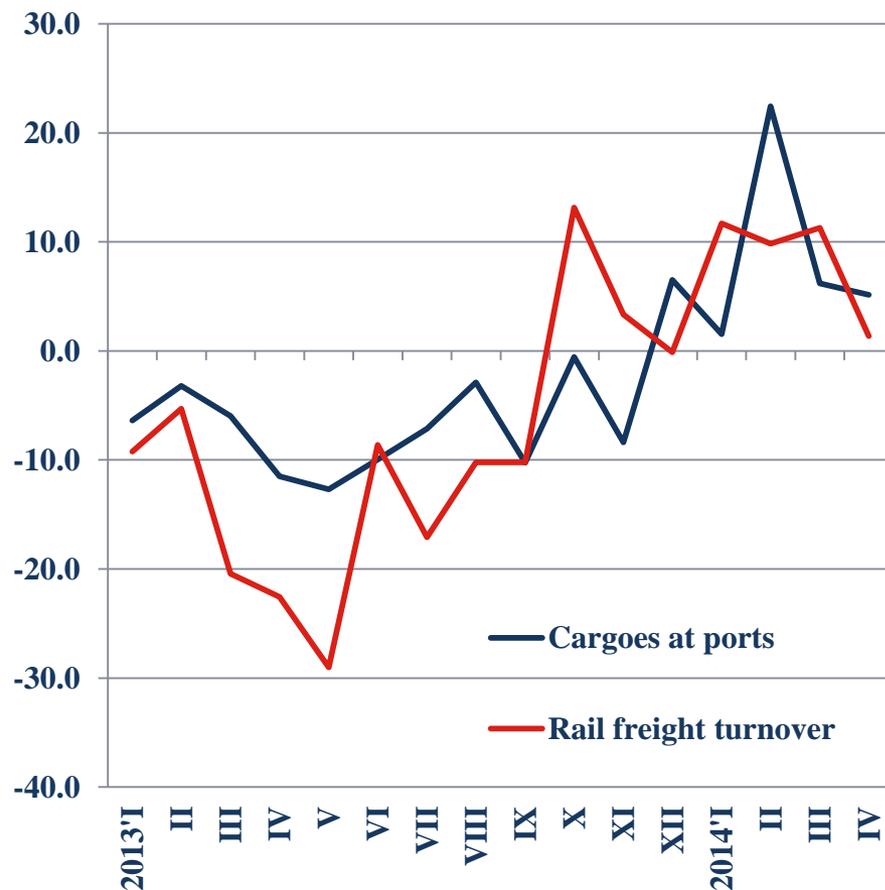


# Cargoes at ports and rail freight turnover figures suggest a successful Q1, but there are doubts about the sustainability of these results

Cargoes at ports, rail and road freight, % change Y-o-Y, and contributions to cargoes at ports by port, percentage points

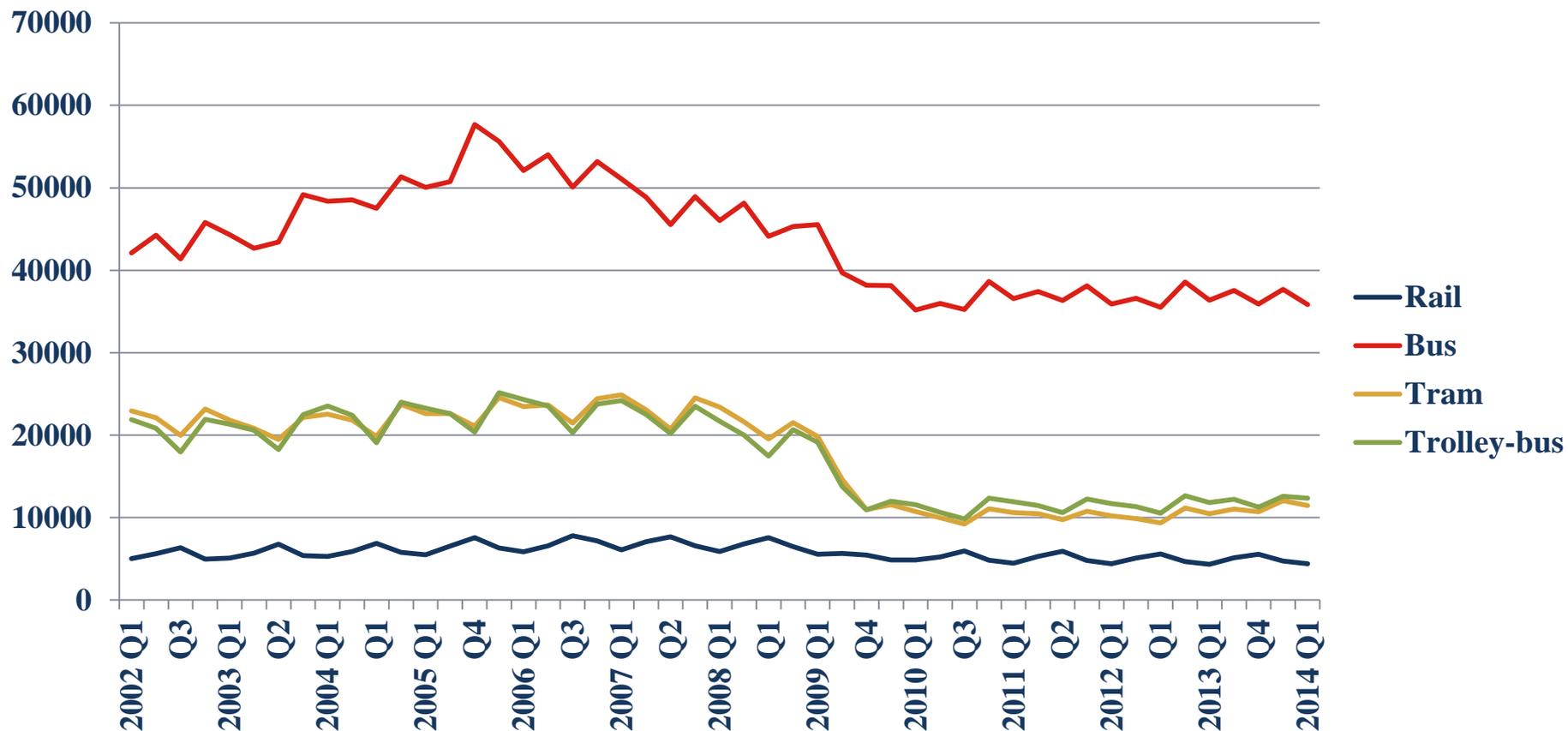


Monthly cargoes loaded and unloaded at ports and freight turnover by rail, % change Y-o-Y



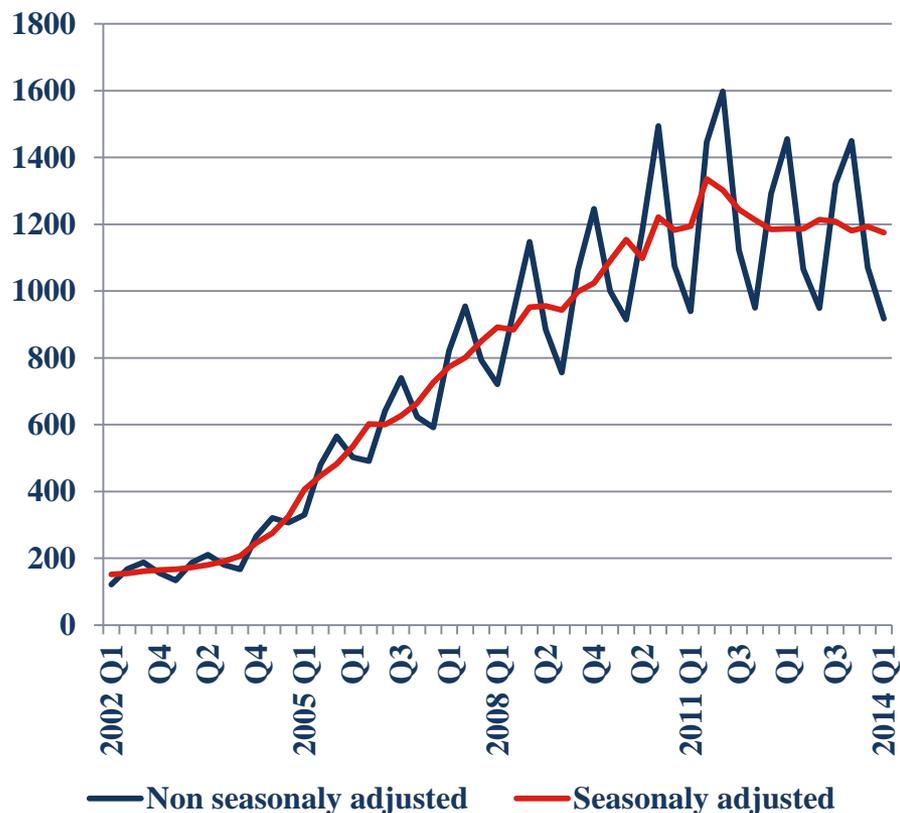
# There was a slight pick-up in internal passenger traffic in 2013

## Passenger traffic (thsd. passengers) by means of transport

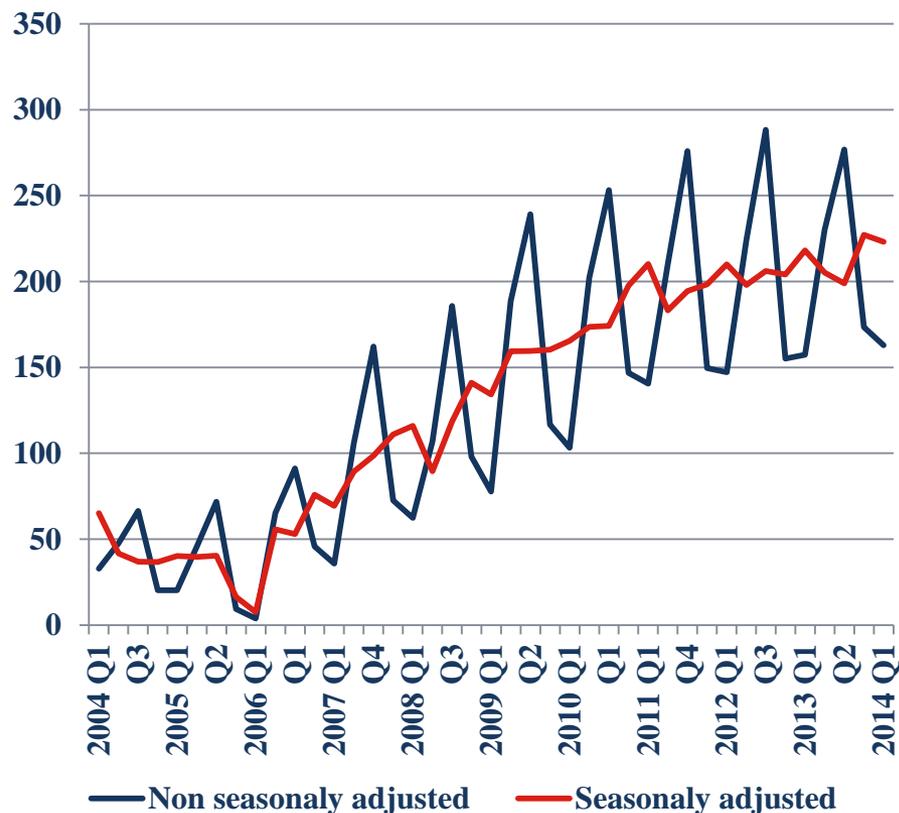


# International passenger traffic is decreasing a bit on the back of consolidation of the largest air-carrier

Passengers in airport "Riga", thsd. pers.



Passengers in port "Riga", thsd. pers.

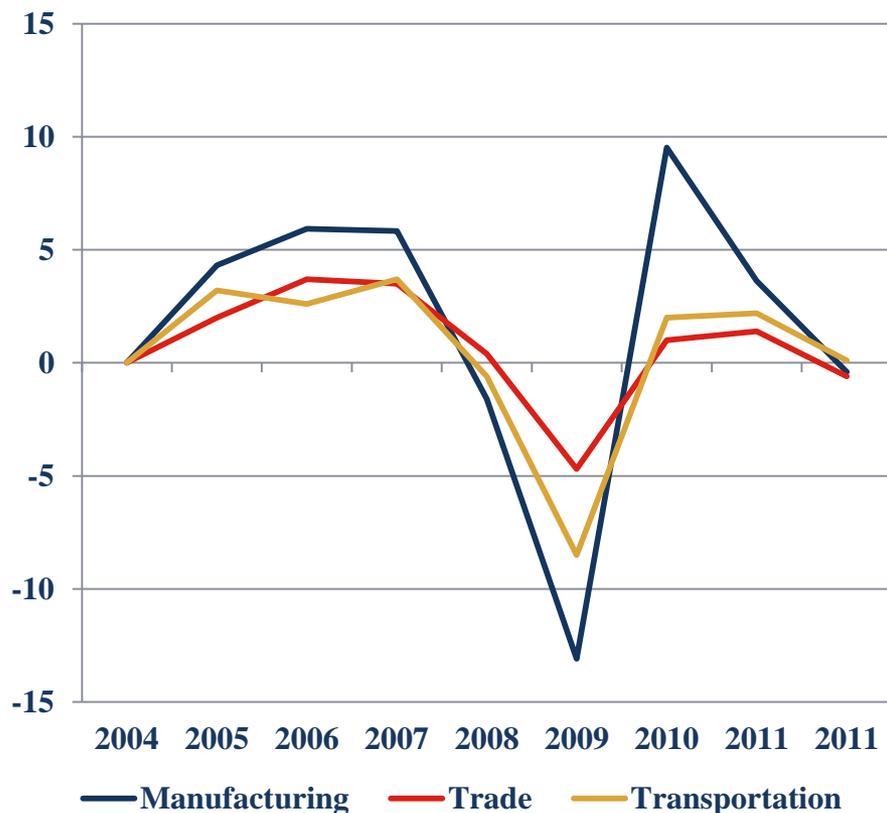




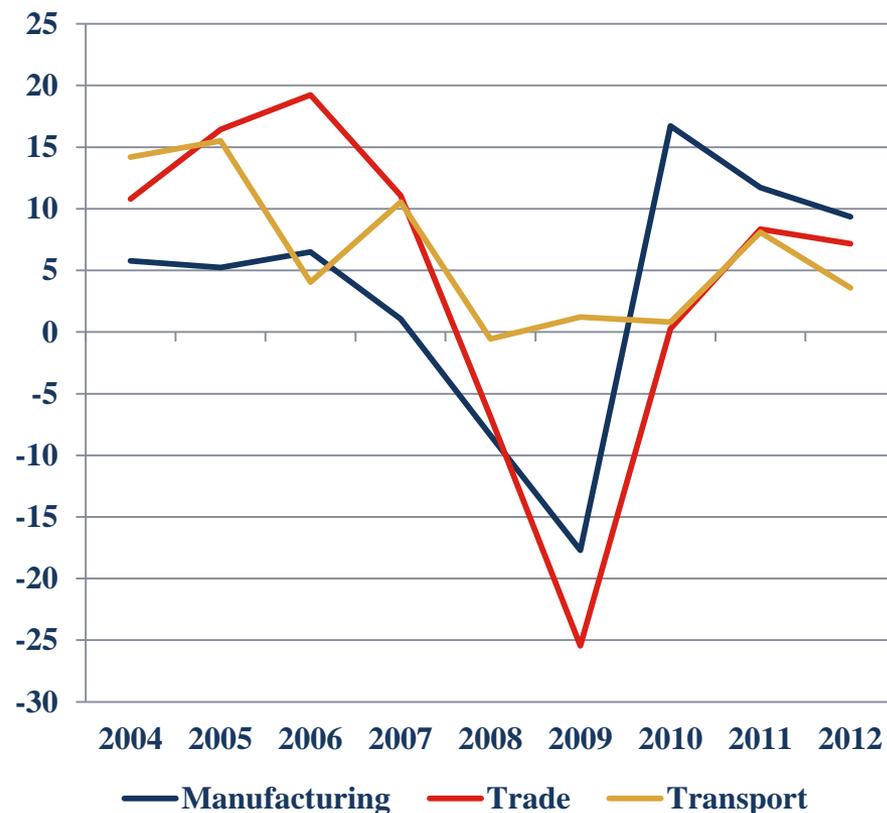
*Forecasting of transportation  
sector: is it really possible?*

# Forecasting of transportation sector is easy in case of central Europe, not the case in the Baltics

## Transportation sector in EU-28

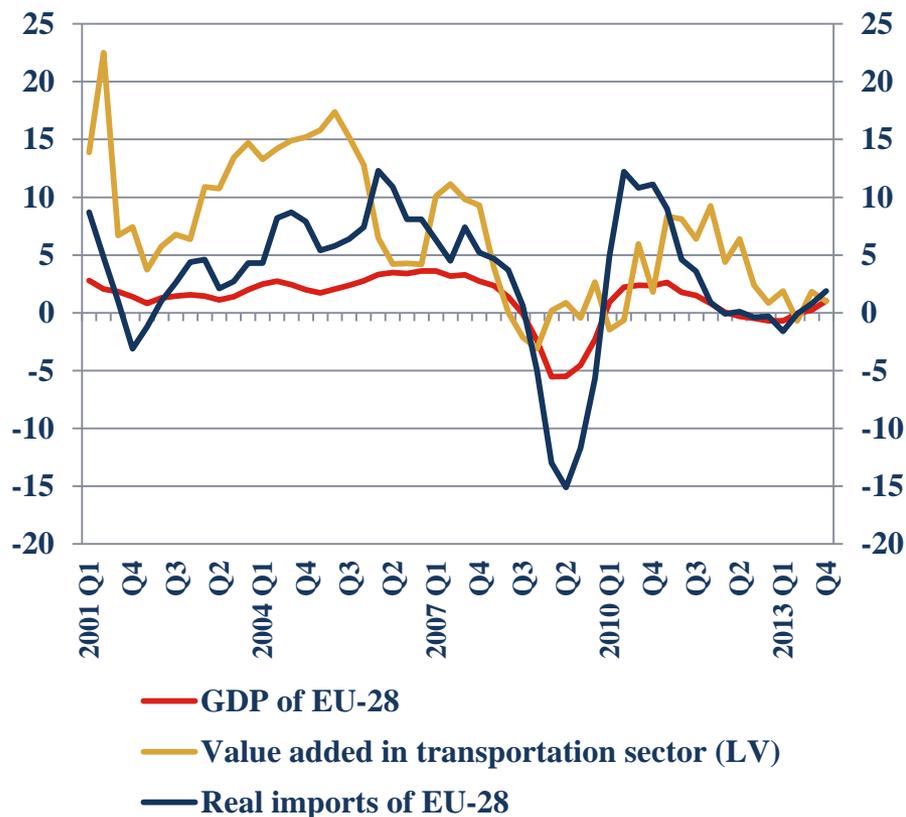


## Transportation sector in Latvia

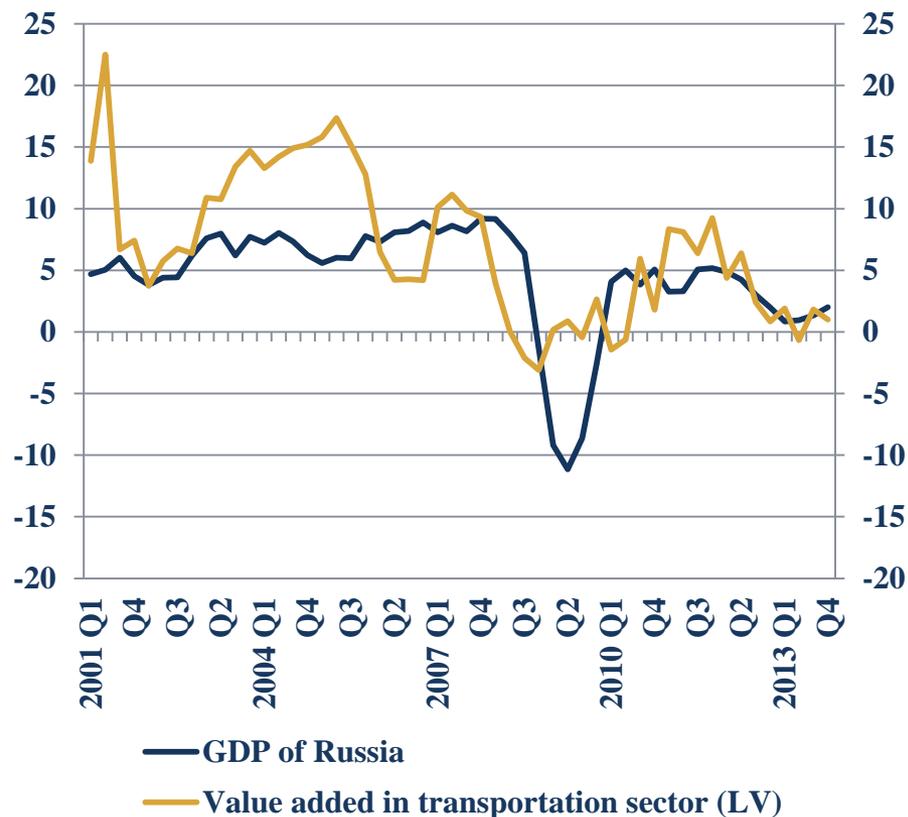


# Top-down approach: econometrically possible, but have to rely on international environment forecasts which also contain an error

**EU-28 GDP, real import and VA of transportation sector of Latvia, y-o-y, %**

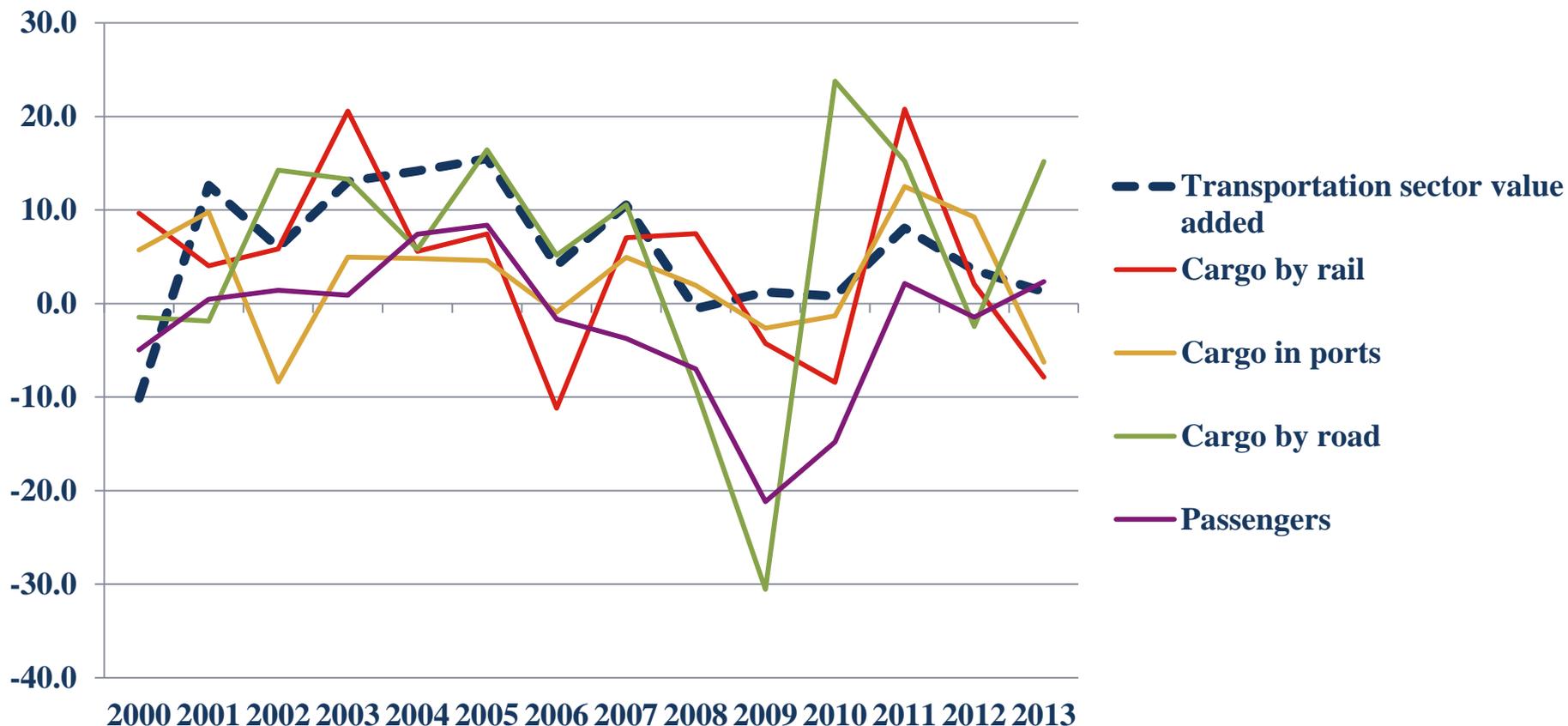


**Russia GDP and VA of transportation sector of Latvia, y-o-y, %**



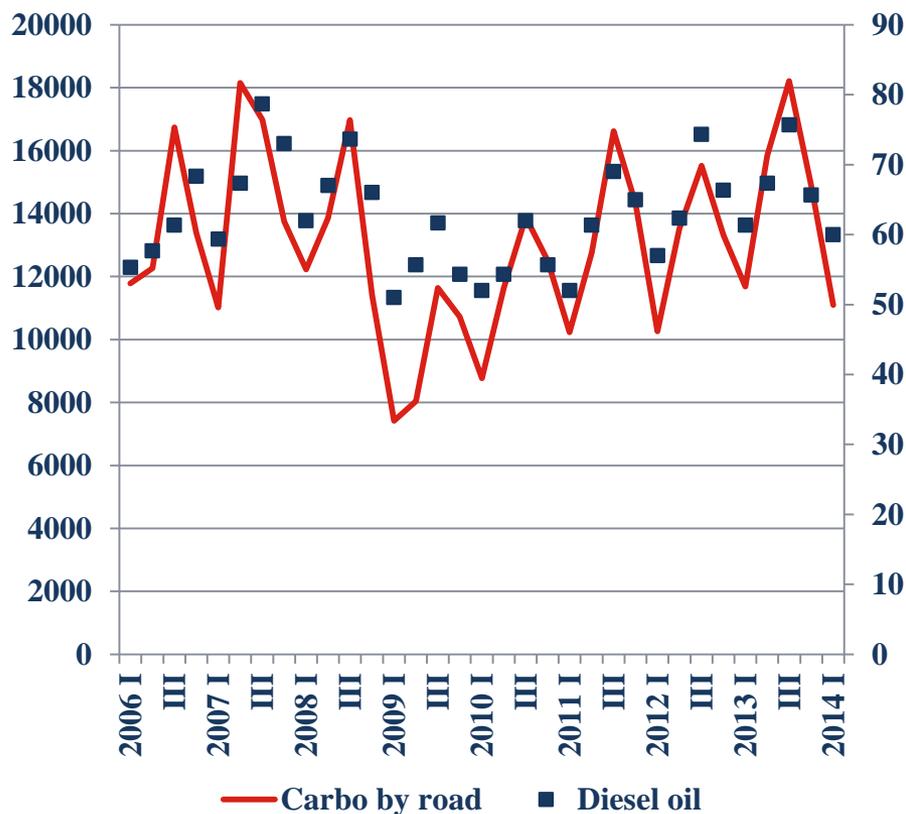
# However, life is not much easier in case of bottom-up approach

## Annual growth rates of transportation sub-sectors

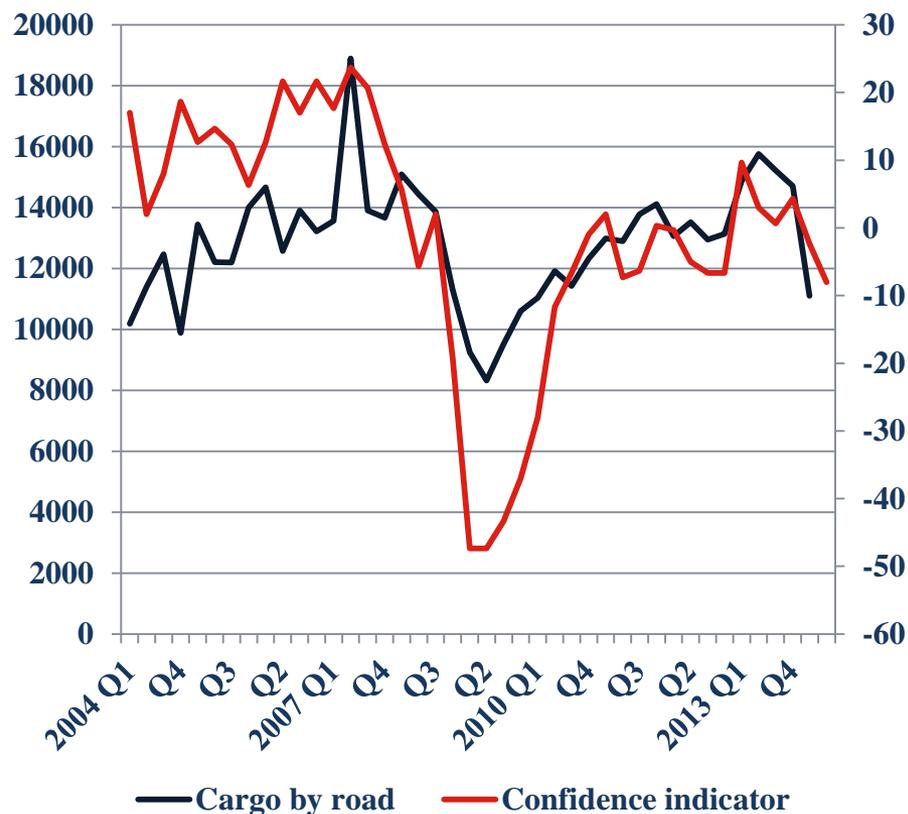


# However, there are some relations that can be used

**Relation between consumption of diesel oil and cargo by road**

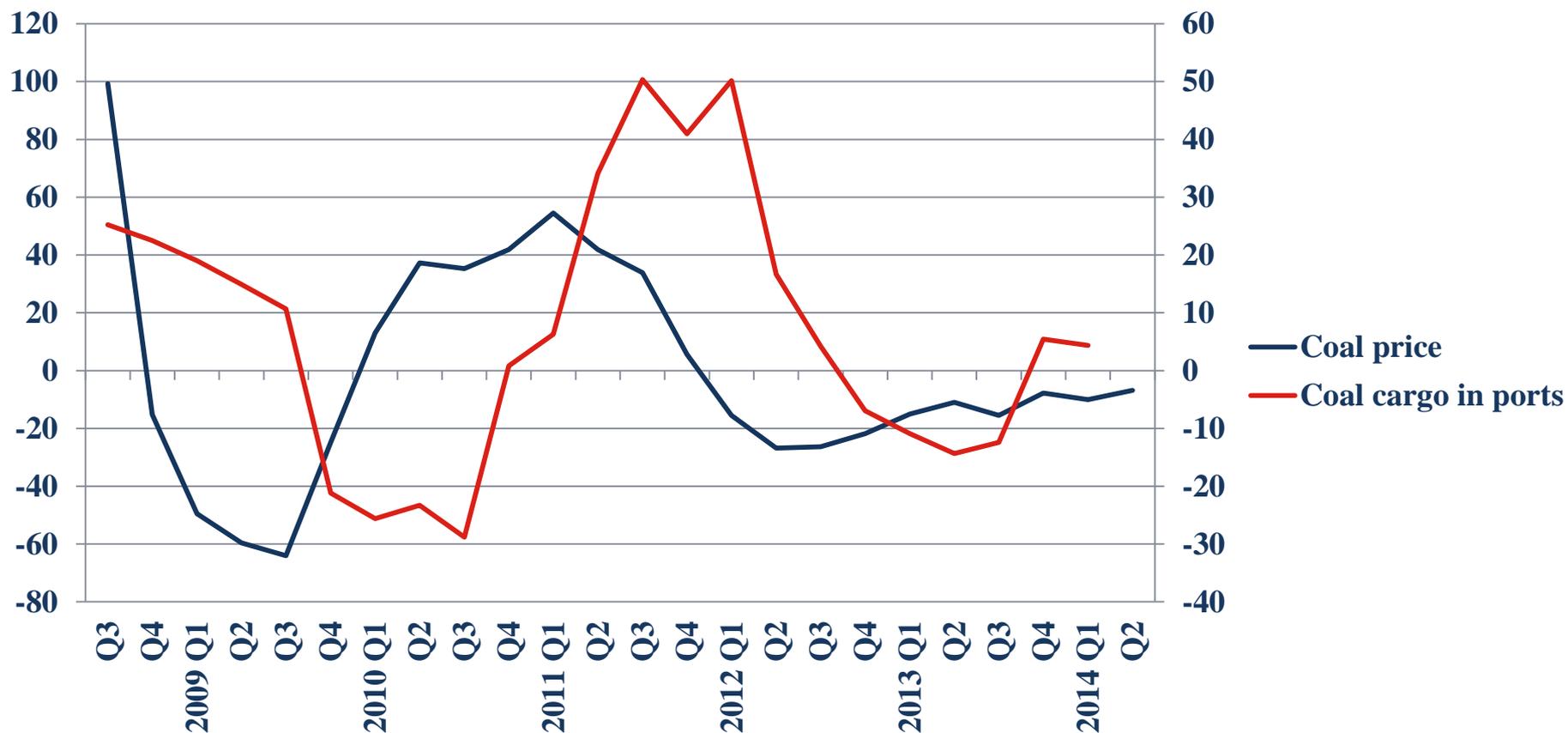


**Relation between confidence indicator of land transport sub-branch and cargo by road**



# Coal amount growth in ports can be easily forecasted as a lagged function of regional coal prices

Coal price and coal handling amount y-o-y growth, %



## Closing remarks

- No hard data suggests any real problems or slowdown in the transportation sector in Q1 of 2014;
- However, some forward looking indicators and operative statistics point to a possible period of weaker results;
- The transportation sector remains highly vulnerable to external demand shocks – both in terms of geographical exposures and types of cargo;
- Forecasting of transportation sector of Latvia is highly problematic – a lot of factors have to be taken into account;
- Still, the most important quote: *“The success is in the details”*