



Latvijas Republikas
Ekonomikas ministrija



Latvijas Republikas Centrālā
statistikas pārvalde

THE NATIONAL ECONOMY OF LATVIA:

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(50)

2012

A MACROECONOMIC REVIEW

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Latvia: 2012

Territory, thsd km ²	64.6
Population as of 01.01.2012. (thsd)	2 042
of which:	
Urban area	1 400
of which Riga, the capital city	657
Rural area	668

National currency: lats (LVL)

Key indicators of economic development

	Actual data				Forecast
	2008	2009	2010	2011	2012
<i>changes over the previous year, %</i>					
Gross domestic product	-3.3	-17.7	-0.3	5.5	5.0
Consumer prices	15.4	3.5	-1.1	4.4	2.5
<i>% of GDP</i>					
General government					
budget balance	-4.2	-9.7	-8.1	-3.5	-2.1
General government debt	19.8	36.7	44.7	42.6	44.5
Exports-imports balance	-13.7	-1.5	-1.4	-3.9	-4.4
Unemployment rate*	7.5	16.9	18.7	16.2	13.8

	2010				2011				2012
	I	II	III	IV	I	II	III	IV	I
<i>changes over the corresponding period of the previous year, %</i>									
Gross domestic product	-5.5	-3.5	3.5	3.6	3.5	5.6	6.6	5.7	6.9
Consumer prices	-3.8	-2.1	-0.1	1.8	4.0	4.8	4.5	4.2	3.4
<i>% of GDP</i>									
General government									
budget balance	-4.5	-4.3	-6.5	-16.2	-2.3	1.9	-1.7	-11.1	-1.5**
Exports-imports balance	-0.7	-0.1	-2.6	-2.1	-2.7	-3.4	-6.6	-2.5	-4.7
Unemployment rate*	20.5	19.4	17.9	16.9	17.6	17.1	15.1	15.0	16.3

* share of unemployed persons to the economically active population, aged 15-74, % (as of 2011 data are recalculated on the basis of population census. Recalculations for 2008-2010 data will be available in the second half of 2013. Until that, as of 2011 data are not comparable with previous periods)

** estimation of the Ministry of Economics

Economic policy

At the end of 2011, three-year long international assistance program has been successfully completed. The planned amount for Latvia was EUR 7.5 billion. Taking into account that economic and financial situation has been improving, it was not necessary for Latvia to receive all available financing. Latvia has used EUR 4.4 billion.

In June 2011 and in February 2012, Latvia successfully returned to international financial markets by issuing 10-year bonds for USD 500 million and 5-year bonds for USD 1 billion respectively. These emissions prove the ability of Latvia to finance budget needs independently and show that secure basis has been set for successful refinancing of loans in the next years in the public financial and capital markets.

Within the framework of international assistance program Latvia has set the basis for the implementation of sustainable fiscal discipline. In order to meet the budget deficit targets, since 2008 budget consolidation in the amount of 2.3 billion lats has been implemented with the fiscal impact of 17% of GDP. In order to establish counter-cyclical and sustainable fiscal policy framework, *Fiscal Discipline Law* has been submitted to the Saeima.

During the implementation of the international assistance program, improvement of expenditure structure of the public administration, considerable decrease of the employed in the public administration and reduction of wages as well as development of social security net measures have been carried out.

Changes in tax policy was an important consolidation resource, however tax burden against the GDP did not increase due to the change of economic structure and improvement of export-import balance. Incentives were introduced for entrepreneurship and employment – corporate income tax relief, tax on micro-enterprises, faster value added tax refund, etc. After completion of the program, the main focus of the tax policy is on

reduction of labour taxes. The government has decided to diminish standard rate of personal income tax from 25% to 20% from January 1, 2013 to December 31, 2015. Starting from July 1, 2012, standard rate of value added tax has been reduced by 1% and now it is 21 percent.

State and EU fund support is available for business start-ups and development, training of employees, export promotion, improvement of tourism infrastructure, improvement of energy efficiency of central heating, development of combined heat and power plants, as well as for the renovation of social and apartment houses. By attracting the financing of EU structural funds, several state support programs have been launched or are being continued, such as *Development and Introduction of New Products and Technologies into Production*, *Support to Technology Transfer Contact Points*, *Support to Business Incubators*, which are aimed at promotion of knowledge-based economy.

Attraction of investments has been started in a new quality – the Coordination Council for Large and Strategically Important Investment Projects has been established and investment attraction strategy *Polaris* has been introduced. The aim of these activities is active coordination of the work of public and local government institutions and non-governmental organizations in order to simplify clarification of any emerging issue, facilitate project development and ensure timely prevention of problems.

At the same time the government is implementing a range of activities in order to eliminate administrative barriers in the areas of tax policy and administration, insolvency process, registration of real estate, tourism, construction, etc. Active work is being continued to combat informal economy. The reform of the management of state enterprises is being implemented. It will ensure transparent and clear principles for the society as well as potentially higher revenues in the state budget.

Macroeconomic development

During the period of 2005 -2007, high inflow of foreign capital fostered substantial increase of private consumption and investments. The average GDP growth exceeded 10% and was one of the highest in the EU. In 2008 and 2009, due to the global financial crisis, when the foreign capital inflow stopped, the economy of Latvia went into recession. The GDP decreased by ¼ during the crisis, employment decreased and unemployment increased.

Since the end of 2009, economic downturn in Latvia was stopped and growth resumed. Recovery of economic growth was based mainly on the increase of external demand and accordingly increase of exports, as well as growth of tradable sectors. Although at the second part of 2011 uncertainty in external markets increased, however, recovery of economy continued and in 2011 GDP increased by 5.5 percent.

Positive tendencies were observed also at the beginning of 2012. GDP increased by 6.9% in the 1st quarter of 2012 compared to the 1st quarter of 2011. Economic growth of Latvia is provided not just by the exports, which increased in the 1st quarter by 9.9%, but also by the increase of demand in domestic market. Increase of domestic demand is mainly determined by the considerable increase of non-financial investments as well as gradual increase of private consumption.

Along with the remaining export possibilities and increasing domestic demand, in the 1st quarter of 2012 production volumes of manufacturing continued increasing (by 16.5%). Major contribution to growth of the sector is determined by the wood-processing and metal working industries. Production volumes have considerably increased in such sectors as chemical industry, production of electrical and optical equipment, as well as in production of non-metallic mineral products.

At the beginning of 2012 considerable increase of freight traffic volumes in railways and ports were

observed. Increase of revenues from exports positively affects sectors mainly tended towards domestic market – increase has been observed in trade and construction.

Retail turnover has increased by 11,9% in the 1st quarter of 2012 compared to the respective period of the previous year, but the output in construction sector by – 28.5%. However, it must be noted that these sectors are just starting to recover from the sharp decrease of volumes during the crisis.

Situation in the labour market continues improving – employment is gradually raising and wages are increasing. It is expected that in 2012 the number of employed could increase by 1.5%, and unemployment rate could decrease by 2 percentage points and on average it could be 13.8% in 2012.

The year 2012 has started with positive tendencies in the economy, however, external risks are remaining that are related to the further situation's development in the euro area. Along with the decreasing growth tendencies in our main trade partner countries, Latvia's exports' increase may become more moderate and its positive effect on the economy may decrease. However, the total increase of GDP in 2012 will be more rapid than was forecasted before and may reach 5 percent.

At the beginning of 2012 inflation was mainly affected by the price increase for energy resources (fuel, natural gas and heating) and food products, which was mainly determined by the external factors – at the beginning of 2012 prices increased both for food products and oil. As of April, oil prices and food prices are decreasing, in the result pressure of external factors on inflation is also decreasing. In May consumer prices were by 2.2% higher than a year ago, but the average inflation decreased to 3.8%. According to the estimates of the Ministry of Economics in total in 2012 average consumer price level may exceed the price level of 2011 by 2.5 percent.

Gross domestic product

After the deep recession during the crisis, since the end of 2009, growth has resumed. Economic recovery is based on the increase of exports, which has already exceeded the pre-crisis level. Export growth in post-crisis period is determined both by the increase of demand in Latvia's trade partner countries and by the competitiveness improved by Latvian producers during the crisis, which was achieved mainly by decreasing production costs. Income increase from export has promoted the increase of domestic demand – domestic demand gradually increases from the beginning of 2010.

In general in 2011, GDP volumes increased by 5.5%, which was one of the most rapid growth rates in the EU. Despite the growth slowdown in the euro area, economic growth in Latvia continued also in the 1st quarter of 2012, GDP increased by 1.1% (according to seasonally adjusted data) compared to the 4th quarter of 2011 and by 6.9% exceeded the level of the 1st quarter of 2011. GDP has increased

by more than 11% if compared to the lowest point of the crisis in the 3rd quarter of 2009.

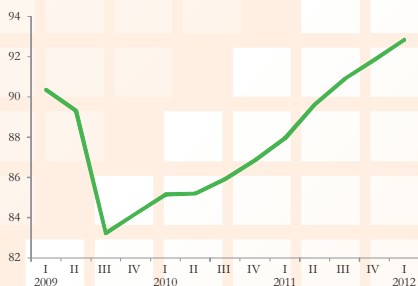
Economic growth is determined not just by exports in 2012, which in the 1st quarter increased by 9.9%, but also by the increase of demand in domestic market, which increased by 10.7% in the 1st quarter of 2012 compared to the same quarter of 2011.

Increase of domestic demand is largely determined by the considerable increase of investments and by the increase of private consumption. Non-financial investments increased by 39% in the 1st quarter of 2012 compared to the 1st quarter a year ago. Rapid increase of investments is mainly determined by the investments in energy sector and manufacturing.

Private consumption also continues improving gradually and in the 1st quarter of 2012 exceeded the level of the 1st quarter of 2011 by 5.4%. Increase of private consumption is determined by the gradually improving situation in the labour market – increase of employment and wages.

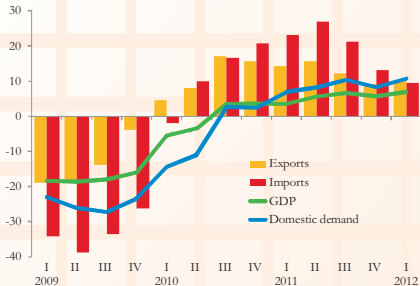
Dynamics of GDP by quarters

seasonally adjusted data, 4th quarter of 2008 = 100



GDP by expenditure items

changes over the corresponding period of the previous year, %



Development of sectors

During the crisis, the paradigm of Latvia's economic growth has changed – from the growth based on domestic consumption to exports. Sectoral structure indicates on the increase of tradable sectors in the economy – in 2011 the share of tradable sectors was almost 37% against 26% in 2007.

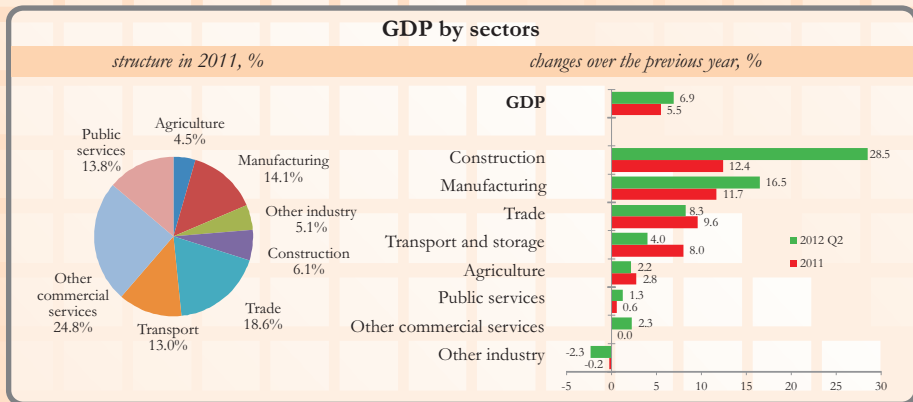
Due to the good export possibilities, since the end of 2009, rapid growth of manufacturing was observed. Production volumes of the sector increased by 11.7% in 2011. High growth indicators were observed also in the sector related to the services exports – transport sector (by 8%). Income increase from exports positively affects also sectors tended mainly to domestic market. Volume of services provided in tradable sector in 2011 has increased by 9.6%. After rapid downturn during the crisis, in 2011 growth resumed also in construction sector, based mainly on the active acquisition of EU structural funds. However, it must be noted that

during the crisis, sector experienced deep recession. In 2011 demand for commercial services remained at the level of 2010.

In the 1st quarter of 2012 growth continued in manufacturing. Considerable growth remained also in trade and construction. Taking into account the comparably high share of these sectors in the economy, growth in trade and construction provided almost 44% of the total GDP growth in the 1st quarter.

Due to the considerable increase of cargo transportation both by rail and ports, in the 1st quarter of 2012 transportation and storage sector increased as well. Small increase was observed also in the sectors of agriculture and forestry, as well as in commercial services.

Decrease of production volumes is observed just in other industry sectors, which is mainly determined by lower production volumes of electricity and heating due to the seasonal factors.



Manufacturing

Manufacturing experiences quite rapid recovery from the consequences of the crisis and it is determined not just by the increase of demand in trade partner countries, but also increase of competitiveness, which was achieved by the considerable reduction of costs during the crisis.

Although in several EU countries which are our main export markets growth emerging is getting weaker, production volumes in manufacturing continue increasing. It means that risks in the euro area, temporarily have not affected the growth of Latvia's industry.

In January-April 2012 production volumes of manufacturing exceeded the level of respective period of the previous year by 14.2%. Most considerable contribution in the sector growth is provided by the wood processing and metal working. At the same time production volumes have increased also in such sectors as chemical industry, production of electrical and optical equipment and production of non metallic minerals. At the same time slower growth is

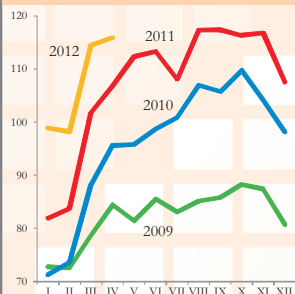
observed in production of textiles and wearing apparel, as well as production of paper and printing. In production of food products and pharmacy production volumes in four months of 2012 have remained at the level of the previous year.

Production turnover of manufacturing in the first four months of 2012 compared to the respective period of 2011 has increased by 14.1 percent.

Turnover for the products in export has increased by 16%, which means that demand for Latvian manufacturing products in external markets is still high. Production turnover for the products sold in domestic market in the four months of 2012 has increased by 11.9% and determined 1/3 of the whole increase of manufacturing turnover. Turnover increase is mainly affected by the increase of production volumes, because the effect of increasing production prices has decreased. Production prices have increased moderately both for the products sold for export and for domestic market – by 1.8% and 2% respectively.

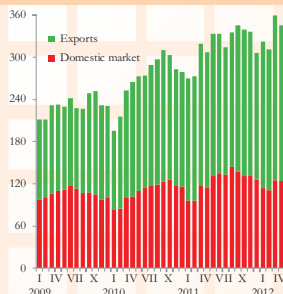
Production volume index

not seasonally adjusted data, 2005 = 100

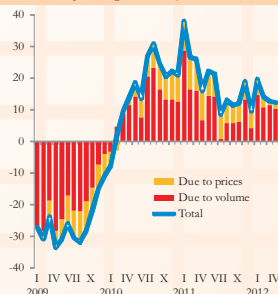


Production sales

in current prices, mln lats



changes over the corresponding period of the previous year, %



Investments

Since the end of 2010 investment activities in Latvia are gradually increasing. In 2011 investment volumes in the economy of Latvia were by almost 28% higher than in 2010 and were 21.5% of GDP. Investment volumes continue increasing also in 2012. In the economy of Latvia investments increased by 39% in the 1st quarter of 2012 compared to the previous year. Increase of investment volumes to a great extent was determined by investments in such sectors as energy, wood processing as well as in production of metal products. Low bank crediting level is still one of the limiting factors of investments.

After considerable decrease of foreign direct investment (FDI) flows in 2008 and 2009, since 2010 the growth has resumed. In 2010 the attracted FDI volumes in the economy of Latvia exceeded the level of 2009 almost 4 times. In 2011 the FDI inflow in the economy of Latvia was almost 3.5 times higher than in 2010. At the end of March 2012, FDI

stock in the economy of Latvia was LVL 6567 million (EUR 9344 million), which is by 7% more than a year ago.

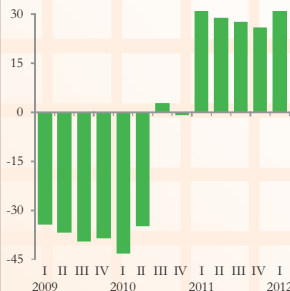
At the end of March 2012 FDI stock in manufacturing has increased by 2.6% compared to the end of March 2011, comprising 12% of the FDI stock in Latvia. Largely it was affected by the significant investments in food production (increase by 9.5%) and wood processing (increase by 33.6%). More than 70% of the FDI stock are EU investments, 1/4 of them are investments from the new EU member states.

The major investors are Sweden (24.6% of FDI stock at the end of 2012), Estonia (5.8%), Germany (5.1%) and the Netherlands (8.1%).

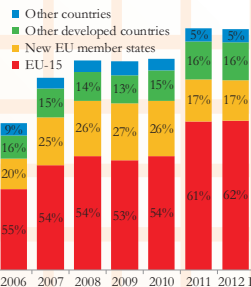
At the end of March 2012, investments of Russian businessmen in Latvia constituted 4.6% of the total FDI stock. Investments in the services sectors have the highest share in the FDI stock.

Gross fixed capital formation

changes over the corresponding period of the previous year, %

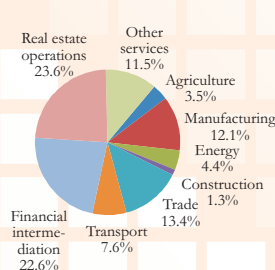


by group of countries, at the end of the period, mln lats



FDI stock

structure by sectors, at the end of March 2012, %



Foreign trade

Latvian commodity exports at current prices increased by 28% in 2011. Compared to 2010, but at constant prices – by 14%. Also in January-April 2012, commodity exports continued increasing rapidly (at current prices by 11% compared to January-April 2011).

Also commodity imports in 2011 increased at the same speed as exports. However, taking into account its rapid decrease during the crisis, its volumes just slightly exceed the volumes of 2008.

In total, commodity imports at current prices increased by 30%, but at constant prices – by 22%. In four months of 2012, commodity imports have increased more rapidly than exports (at current prices by 18% compared to January-April 2011).

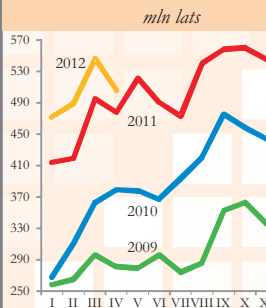
In January-April 2012 increase of export volumes has been observed in almost all commodity groups. Increase of exports is mainly provided by the growth of exports volumes of agriculture and food

products, as well as mineral products and wood and its products. In total, these three groups provided more than 70% of total export increase in four months of 2012.

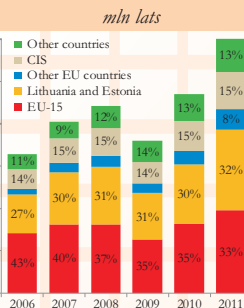
Exports to the EU countries in January-April 2012 increased by 10% compared to the respective period of 2011. Increase of exports of agriculture and food products, metal and its articles contributed most to this growth. Exports to the CIS countries increased by 14%. Half of the total exports to the CIS countries was provided by the increase of agriculture and food products.

In January-April 2012 compared to the respecting period of the previous year, export volumes to Estonia increased by 10%, but to Lithuania decreased by 4%. Agriculture and food products, machinery, as well as chemical industry products comprise the largest part of exports to Lithuania and Estonia.

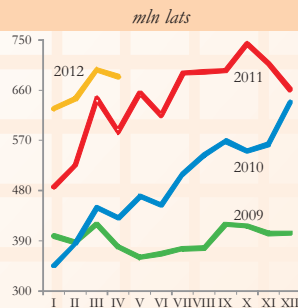
Commodity exports



Structure of exports by groups of countries



Commodity imports



Balance of payments

Along with the global financial crisis, significant adjustments of current account of the balance of payments have been observed: from deficit of 22.4% of GDP in 2007 to surplus of 8.6% of GDP in 2009. Since the 3rd quarter of 2010, current account balance is close to zero. In total in 2011, current account balance was -1.2% of GDP, indicating on balanced investments and savings. In the 1st quarter of 2012 current account deficit was 2.9% of GDP.

Current account fluctuations are determined by the changes of the foreign trade balance. In 2011 commodity imports increased more rapidly than exports and foreign trade deficit reached 9.9% of GDP.

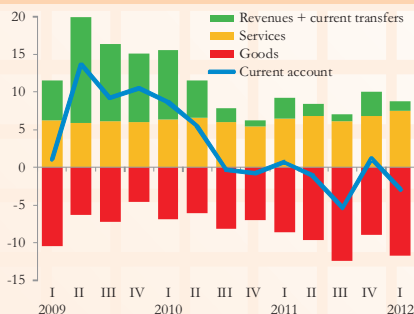
In the 1st quarter of 2012 the volume of commodity imports was by 2.5% lower than in the previous quarter, but exports decreased by 6.2% and foreign trade deficit increased to 11.7% of GDP. It must be noted, that services balance continues improving. In the 1st quarter of 2012 its surplus was 7.5% of GDP (in 2007 – 3.5% of GDP).

Significant fluctuations have been observed in the current account balance. Since the 3rd quarter of 2010, it is negative. In 2011 income balance deficit was 0.9% of GDP, but in the 1st quarter of 2012 it increased to 1.7% of GDP, which was determined by the increase of non-resident deposit volumes.

Fluctuations of the financial account balance by quarters are considerable. Since the beginning of 2009 financial account balance (without reserve assets) is negative. In 2010 financial account deficit was 1.5% of GDP, in 2011 – 4.8% of GDP. The negative effect of the private capital outflow on the financial account was reduced by the long-term loans of the public sector, as a result governments external debt is also increasing. At the end of March 2012 government gross external debt was 5016.7 million lats (34.6% of GDP), which is by 19.8% more than a year ago. Total gross external debt of Latvia at the end of March 2012 was 145.3% of GDP, which is by 12.6 percentage points lower than a year ago.

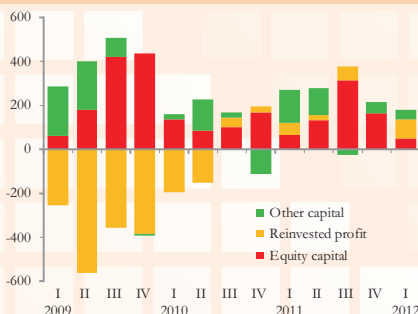
Current account

% of GDP



Foreign direct investments in Latvia

received during the quarter, mln euro



Prices

At the end of 2011 consumer prices were by 4% higher than in December 2010, but on average in 2011 price level increased by 4.4% compared to the average level of 2010. In May 2012 compared to December 2011, consumer price level has increased by 2%. When compared to May 2011, consumer prices have increased by 2.2 percent.

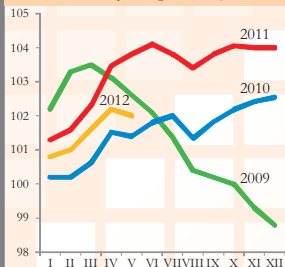
In the first five months of 2012 price increase was mainly determined by the growth of prices for energy resources (fuel, natural gas, heating), food and wearing apparel. Consumer price decrease in May (by 0.2%) was determined by the fuel price decrease (by 3.4% during the month), however, increasing effect on consumer price level was made by food (by 0.1%), which was determined mainly by the seasonal factors. Global price tendencies indicate that food and oil prices have decreased. Global food prices in May decreased by 4.2% during the month and at the moment have returned at the level of autumn 2010.

Total level of producer prices in Latvia's manufacturing in April 2012 compared to April 2011 has increased by 1.9%. During the year producer prices of manufacturing have similarly increased both for the production sold in domestic market and for export, by 2% and 1.8% respectively.

In April 2012 along with the increase of export prices, total producer price level increased – by 4% compared to April 2011. During the year producer prices for production sold in domestic market have considerably increased for electricity, gas supply, heat supply and air conditioning (by 10.9%), for production of non-metallic minerals (by 9.5%), production of electric equipment (by 6.5%) and production of metal products (by 4.2%). Producer prices for exported production during the year have mostly increased for the production of non-metallic minerals (by 5.1%), food production (by 4.5%) and production of wearing apparel (by 5.7%).

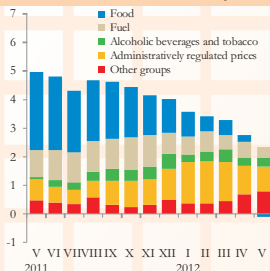
Consumer price index

December of the previous year = 100



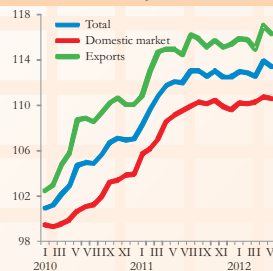
The impact of commodity and services groups on the total consumer price index

contribution to 12-month inflation



Producer price index

December of 2009 = 100



Monetary indicators

After the shock in financial market at the end of 2008 and at the beginning of 2009, situation in financial sector has stabilized.

Banking deposit stock increased by 4.2% in the 1st quarter of 2012 compared to the respective period of the previous year. It was mainly determined by the increase of non-resident deposit stock by 25.3%, however resident deposit stock decreased by almost 10% (mainly due to the decrease of deposits from central and local governments).

In the 1st quarter of 2012, 20.5 thousand new loans were granted for a total of 217.7 million lats. When compared to the 1st quarter of 2011, volumes of new loans granted to residents increased by 89%. By economic sectors, half of the new loans were granted in transportation and storage sector and 15% in agriculture and forestry sector.

Quality of loan portfolio continues improving and

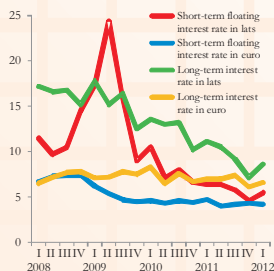
at the beginning of 2012 there were 22% of delinquent loans. Loans to residents with more than 180 days overdue payments are decreasing (by 39,1%).

Although crediting volumes are gradually increasing, total balance of loans decreases. In the 1st quarter of 2012 it was by 11% lower than a year ago. It was mainly determined by the decrease of balance of mortgage loans (during the year by 13.9%). Balance of consumer loans decreased by 4.8% compared to the respective period of the previous year. At the beginning of 2012, balance of industrial loans and commercial loans increased by 0.9% compared to the respective period of 2011.

The weighted average interest rate for short-term loans issued in lats was 5.5% in the 1st quarter of 2012, but interest rate for long-term loans was 8.6%, which in comparison with the previous quarter has increased slightly.

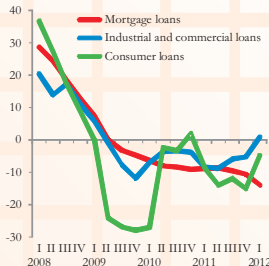
Average weighted interest rates to households

percent



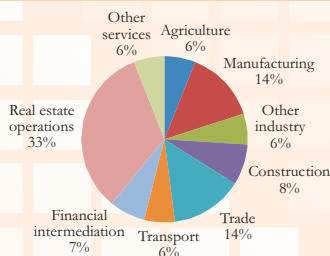
Dynamics of loans issued to residents

changes over the corresponding period of the previous year, %



Structure of credit balances

at the end of March 2012, %



General government consolidated budget

State financial position has stabilized and it is determined by the improvement of economic situation and fiscal consolidation measures. Since 2008, consolidation measures with fiscal impact of 17% of GDP have been implemented. Budget deficit in 2011 was 3.5% of GDP, which is by almost 5 percentage points less than a year before.

Situation continues improving also in 2012, budget revenues increase and budget expenditures decrease. General government consolidated budget revenues in January-April 2012 were 1707 million lats, which was by 17% more than in the respective period of 2011. In four months of 2012 tax revenues were by 15.5 higher than in the respective period of 2011. Almost 40% of the total tax revenue increase was determined by the increase of value added tax revenues. More than 1/3 of tax revenue increase was determined by the increase of labour tax revenues. Tax revenues rose also in other tax groups.

General government consolidated budget expenditures in January-April 2012 were 1730 million lats and in comparison with the four months of the previous year they have increased by 3.5%. In four months of 2012 expenditures have increased for subsidies and grants, as well as for capital expenditures (by 6.1% and 8.1% respectively compared to the respective period of the previous year). At the same time current expenditures have decreased. In January-April 2012 general government consolidated budget financial balance was 23.5 million lats, which is by 191 million lats less than a year ago.

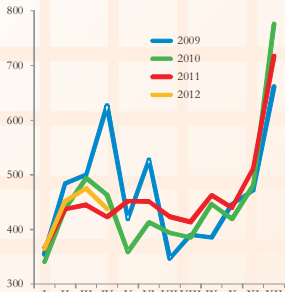
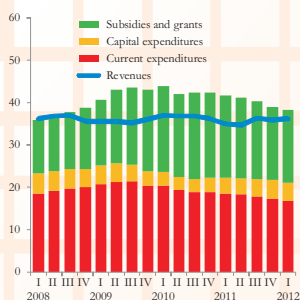
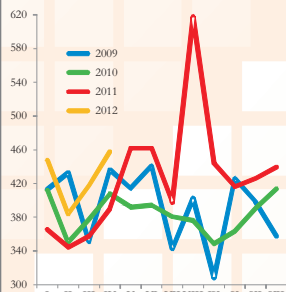
In order to sustain fiscal discipline and avoid from unreasonable budget deficit and development of state debt, in May 2012 Saeima ratified EU fiscal discipline treaty. In the medium term, taking into account the goal set by the government – to introduce the euro in 2014, it is planned to reduce budget deficit to 2.1% of GDP in 2012, 1.4% of GDP in 2013 and 0.8% of GDP in 2014.

General government consolidated budget revenues and expenditures

revenues, mln lats

% of GDP, 4-quarter moving average

expenditures, mln lats



Personal income

During economic recession, situation in the labour market deteriorated considerably, as a result not only the number of employed decreased, but also wages. Due to the stabilization of economic situation, since the end of 2010 wage increase has resumed.

The average gross wage in 2011 was LVL 464. Compared to the previous year, wages increased almost equally both in public sector and private sector.

In the 1st quarter of 2012 gross wage increased by 3.7% compared to the 1st quarter of 2011 and was 467 lats. The highest wage was in Riga region. During the year wages increased both in private and public sector, although in private sector the increase was slightly more rapid (by 4.2%) than in the public sector (by 3.1%).

At the beginning of 2012 compared to the respective period of the previous year, more rapid

wage increase was in sectors of commercial services, mainly in financial and insurance activities (by 7.6%). This sector has highest wages in economy in total, which by almost two times exceeds the average wage in the country. Wage increased also in transportation and storage and in wholesale and retail trade. In manufacturing wages increased by 4.4%. Wages slightly decrease in the real estate activities.

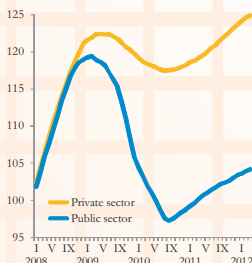
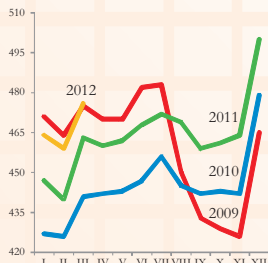
Real wage in 2011 remained unchanged, despite the increase of average wage. Positive effect of wage increase was diminished by the increase of consumer prices. Real wage increased by 0.2% in the 1st quarter of 2012 compared to the respective period of 2011.

In 2011 also average old-age pension increased. In the 1st quarter of 2012 it was 180 lats, which is by 1.7% more than in the respective period of the previous year.

Average gross wage of employed persons

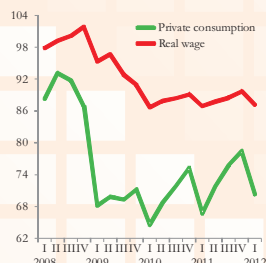
lats

*12-month moving average index,
December of 2007 = 100*



Dynamics of real wage and private consumption

4th quarter of 2007 = 100



Employment and unemployment

Over the period of economic recession (2008-2010), situation in labour market deteriorated considerably. Since 2010, along with the revival of economic activities, situation in the labour market is improving – employment increases, unemployment gradually decreases and job vacancies increase.

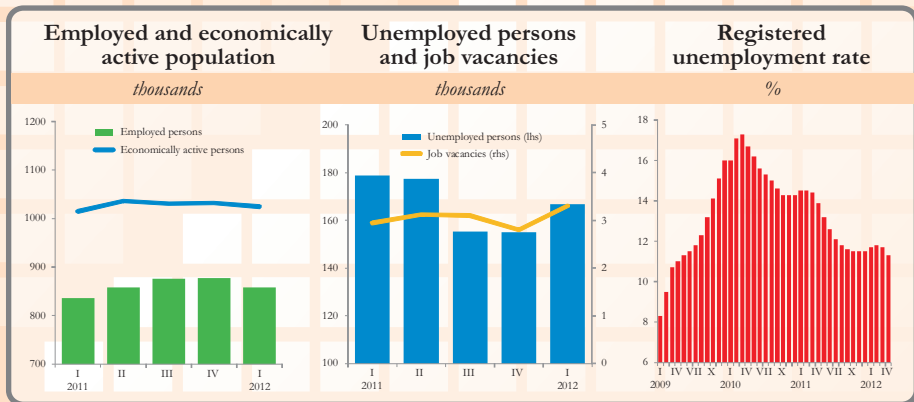
According to the estimation of the Ministry of Economics, the number of employed in 2011 increased by 2.5% compared to 2010. During the year also unemployment rate decreased considerably. On average in 2011 it was 16.2%, which is by 3 percentage points less than in 2010.

In accordance with the *Labour Force survey* data, in the 1st quarter of 2012 the number of employed reached 858 thousand, which is by 2.6% or 21.7 thousand more than in the 1st quarter of 2011. At the same time the number of economically active population has increased moderately (by 0.9%). Unemployment rate in the 1st quarter of 2012 was 16.3% which is by 1.3 percentage points lower than a year ago.

Registered unemployment rate at the end of April 2012 reached the lowest rate since May 2009 and was 11.3% or 127.8 thousand, which is by 30 thousand less than in April 2011. The highest registered unemployment rate was still in the Latgale region (24.1%), but lowest in Riga (9%). In April 2012, 44% of the total number of registered unemployed were long-term unemployed (more than one year without a job).

Since the mid-2010 quite stable increase of registered job vacancies has been observed. At the end of April 2012 in general 3665 job vacancies were registered, which was by 12.3% more than in the respective period of 2011 and by 23% more than in the previous month.

It is expected that the situation in the labour market will continue improving also in the next quarters, however, main risks are related to the development tendencies of global economy, which may affect the situation in the labour market of Latvia.



Baltic states. Main socio-economic indicators

	Estonia	Latvia	Lithuania
Territory, thsd km ²	45.2	64.6	65.3
Population as of January 1, 2012, thsd	1318.0	2042.4*	3199.8
Gross domestic product, changes over the corresponding period of the previous year, %			
2010	2.3	-0.3	1.4
2011	7.6	5.5	5.9
2011 Q4	5.1	5.7	4.4
2012 Q1	3.7	6.9	3.9
Industrial output, changes over the corresponding period of the previous year, %			
2010	23.5	16.5	6.6
2011	16.8	11.7	7.4
2011 Q4	0.8	9.1	0.8
2012 Q1	1.8	16.5	3.9
Unemployment rate, share of unemployed persons in the economically active population, %			
2010	16.9	18.7	17.8
2011	12.5	16.2	15.4
2011 Q4	11.4	15.0	13.9
2012 Q1	11.5	16.3	14.5
Consumer price changes, changes over the corresponding period of the previous year, %			
2010	3.0	-1.1	1.3
2011	5.0	4.4	4.1
2011 Q4	4.1	4.2	4.0
2012 Q1	4.4	3.4	3.6
Producer price changes in industry, changes over the corresponding period of the previous year, %			
2010	3.3	3.1	10.3
2011	4.4	7.7	13.8
2011 Q4	3.1	6.9	11.8
2012 Q1	3.3	6.4	8.4

* data of 2011 is recalculated on the basis of results of population census, as of 2012 results of Labour Force survey are based on number of population determined in the population census. Recalculation for 2010 will be available in the second half of 2013. Until that, as of 2011 data are not comparable with previous periods.