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Latvia: 2012

Territory, thsd km ²	64.6
Population as of 01.09.2012. (thsd)	2 032
of which:	
Urban area	1 375
of which Riga, the capital city	647
Rural area	657

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	-0.9	5.5	5.0
Consumer prices	15.4	3.5	-1.1	4.4	2.3
	<i>% of GDP</i>				
General government					
budget balance	-4.2	-9.7	-8.1	-3.4	-1.9
General government debt	19.8	36.7	44.5	42.6	44.5
Exports-imports balance	-13.7	-1.5	-0.9	-4.3	-5.6
Unemployment rate*	7.5	16.9	18.7	16.2	15.6

	2010			2011				2012	
	II	III	IV	I	II	III	IV	I	II
	<i>changes over the corresponding period of the previous year, %</i>								
Gross domestic product	-3.5	3.5	3.6	3.5	5.6	6.6	5.7	6.9	5.0
Consumer prices	-2.1	-0.1	1.8	4.0	4.8	4.5	4.2	3.4	2.3
	<i>% of GDP</i>								
General government									
budget balance	-4.3	-6.5	-16.2	-2.3	1.9	-1.7	-11.1	1.9	0.9**
Exports-imports balance	-0.1	-2.6	-2.1	-2.7	-3.4	-6.6	-2.5	-4.9	-4.7
Unemployment rate*	19.4	17.9	16.9	17.6	17.1	15.1	15.0	16.3	16.1

* 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 loan 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 respectively 10-year bonds for USD 500 million and 5-year bonds for USD 1 billion. 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 loan 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 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 loan 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 activities of social security net 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% starting from the January 1, 2013 to December 31, 2015. Starting from July 1, 2012, standard rate of value added tax has been diminished by 1% and now it is 21 per cent.

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. World bank Doing Business 2012 index ranks Latvia 21 among 183 countries, which is by 10 places higher as compared to the previous year. Active work is being continued to limit the grey 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 income in the state budget.

Macroeconomic development

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 to 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 per cent.

Positive tendencies were observed also at the beginning of 2012, although in the first half of this year the growth in European Union in general was weak and in 2nd quarter even decrease was observed.

In Latvia GDP increased by 5.9% in the 1st half of 2012 compared with the 1st half of 2011. GDP increase is on a great extent been determined by the demand increase in domestic market. In the first half of this year domestic demand was 9.7% higher than in the 1st half of 2011. Still the considerable increase remains for non-financial investments (increase by more than 20%, when compared to the 1st half of the previous year. Along with the improvement of the situation in labour market, private consumption is increasingly faster. In the 1st half of this year it was by 6.3% higher than a year ago. Regardless a tense situation in external market, during the year export volumes of commodities and services have also increased (in comparison with the 1st half of the 2011 – by 7.4%).

By sectors most rapid output increase was observed in construction, which starts to recover from deep downturn during the crisis. At the 1st half of this year construction volumes were by 25.2% higher than in according period before the year. Along with the

remaining export possibilities and increasing domestic demand, in during the year stable increase was observed in manufacturing (by 12.3%). Growth of both of these sectors provided half of the economic growth in the 1st half of this year. Increasing private consumption promotes the increase of trade – in the 1st half of 2012, when compared with the according period of the previous year, volumes in the trade increased by 7.2%. At the beginning of 2012 considerable increase of freight traffic volumes in railways and ports were observed.

Situation in labour market continues to improve. In the 2nd quarter of 2012, number of employed reached 877 thousand, which is by 2.2% more than a year ago. Unemployment rate has accordingly decreased. Wages are also gradually increasing – in the 2nd quarter of 2012 gross wage increased by 3.7%, compared to the 2nd quarter of 2011.

Inflation is also gradually decreasing. At the beginning of 2012, price increase was mainly determined by the price increase for energy resources (fuel, natural gas and heat energy) and food products, which was mainly based on external factors. Since the middle of 2012, pressure of external factors on inflation is decreasing.

In August consumer prices were by 1.7% higher than a year ago, but the average yearly inflation decreased to 3.1%. According to the estimations of the ministry of Economics, in total in 2012, average consumer price level could exceed the average price level of 2011 by 2.3 per cent.

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

Gross domestic product

In the first half of 2012, despite the weak economic growth in European Union, situation in economy of Latvia remains stable, and Latvian GDP growth rates are fastest among the EU Member states.

In the 2nd quarter of 2012, GDP increased by 1.2% compared with the previous quarter (seasonally adjusted data) and by 5% exceeded the level of 2nd quarter of 2011 (not seasonally adjusted data). In total in the first half of 2012, GDP has increased by 5.9%, compared with the according period of 2011. In total, since the lowest point in the 3rd quarter of 2009, GDP has increased by 12.4 per cent.

Improvement of the situation in the labour market promotes the increase of private consumption. During the 2nd quarter of 2012, it increased by 2.6% and was by 7.2% higher than in the 2nd quarter of 2011. After considerable decrease during the crisis, public consumption has stabilized.

Still considerable increase remains for non-financial investments, which in the 2nd quarter of 2012

increased by more than 20%, compared with the according period of the previous year. In total, domestic demand in the 2nd quarter of 2012 was by 8.9% higher than in the 2nd quarter of 2011.

Except for tense economic situation in the foreign markets and specially in euro area, export volumes of Latvian goods and services continue increasing. During the 2nd quarter of 2012, they increased by 0.6% and was by 3.8% higher than a year ago. It must be noted that export volumes of commodities and services exceeds the highest point of pre-crisis level almost by 11 per cent.

Both the increase of intermediate consumption in manufacturing and improvement of the situation in domestic market promotes the increase of import. Import of commodities and services in the 2nd quarter of 2012 exceeded the level of the 2nd quarter of 2011 by 3.7%. At the same time volumes of the commodity and services import is still behind the pre-crisis level.

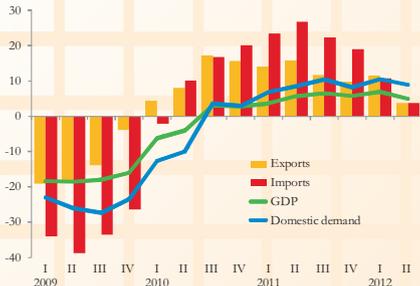
Dynamics of GDP by quarters

seasonally adjusted data, 4th quarter of 2008 = 100



GDP by expenditure items

changes over the corresponding period of the previous year, %



Development of sectors

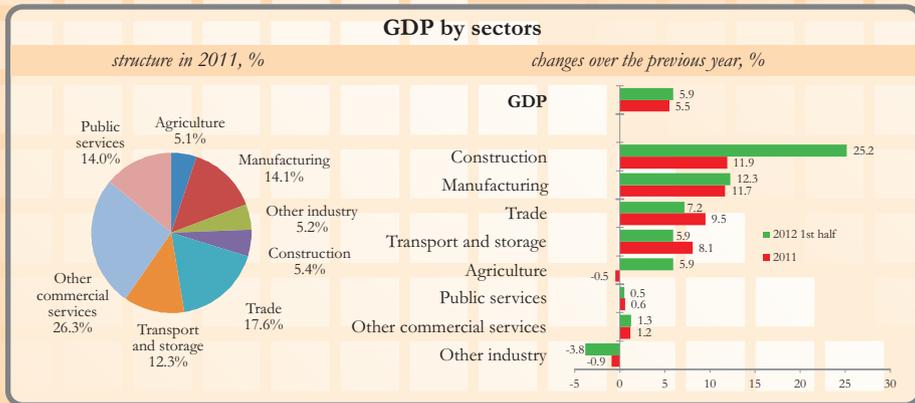
After crisis, along with the increase of demand in foreign markets as well as improvement of the Latvian competitiveness, was the base of the more rapid growth of tradable sectors and in 2011 the share of tradable sectors in gross value added was almost 37% against 26% in 2007.

Since 2010, stable growth has been observed in manufacturing and transport. Along with the gradual revival of private consumption, since 2011 volumes of services provided in the trade sector are increasing. After considerable downturn during the crisis, in the middle of 2011 growth resumed in construction. However in services sectors situation is improving slowly and volumes of provided services in 2011 remained at the level of 2010.

Along with the export possibilities and increasing demand in domestic market, stable increase remained in one of the main Latvian economic sectors – manufacturing. In the 2nd quarter of 2012, its production volumes were by 9% higher than a year ago. Taking

into account the low basis, more rapid increase of production volumes in the 2nd quarter were observed in construction. Its volumes increased by 23.5%, compared to the 2nd quarter of 2011, which means that sector continues to recover from the considerable downturn during the crisis. In the first half of 2012, considerable increase of cargo transportation remained – freight traffic in rail in the 1st half of 2012 increased by 12.3% and in ports – by 17.1%, when compare to the 1st half of 2011. In transport and storage in 2nd quarter increase was by 7.5%. In total, growth in construction, manufacturing as well as in transport and storage sector provided more than 70% of total economic growth in the 2nd quarter of 2012.

Services volumes provided by the trade sector in the 2nd quarter of 2012 exceeded the level of the 2nd quarter of 2011 by 6.3%. It was mainly based on increase of the private consumption. Whereas demand both for public services and other commercial services also in 2012 is not increasing considerably.



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. Despite the tense situation in euro area and weak economic growth in several EU member states, still the main driving force of the Latvian manufacturing is export. At the same time demand for manufactured goods continues to increase also in domestic market.

Although at the end of 2011 in several EU countries, which are our main export markets the growth became weaker, production volumes of manufacturing continued to increase.

In January-July 2012, production volumes of manufacturing increased by 12%, compared to the according period of 2011. Most considerable contribution in the sector growth is still provided by

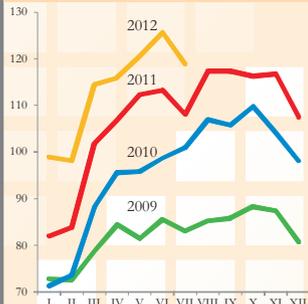
the metal production (by 25.5%), where production volumes just in July, compared to July of 2011, increased considerably – by almost 20%. Considerable role is also for wood processing, where production volumes in seven month of this year have increased by 9.3 per cent.

Due to the rapid increase of construction volumes, in the seven months of 2012, production volumes of non-metallic minerals have increased by almost 9%. Positive tendencies have been observed also in the production of electrical and optical equipment and production of chemical products.

Production volumes in food industry in the seven month of 2012, compared with the according period of 2011, increased by 1.8%. Despite the considerable increase of production volumes in pharmacy in July 2012 (yearly growth by almost 40%), in the seven month of 2012, production volumes in the sector in total are smaller than in the according period of 2011.

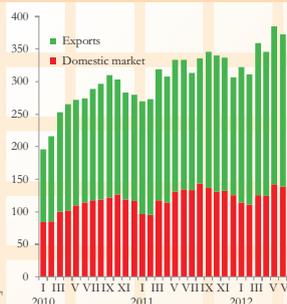
Production volume index

not seasonally adjusted data, 2005 = 100

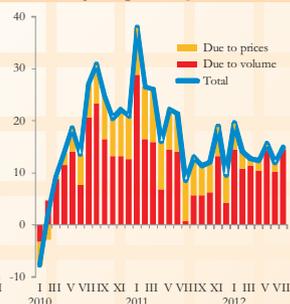


Production sales

in current prices, mln lats



changes over the corresponding period of the previous year, %



Investments

Investment activity in Latvia is gradually increasing since the end of 2010. In 2011, investment volumes in the economy of Latvia were almost by 28% higher than in 2010 and was 21.5% of GDP. Investment volumes continue to increase also in 2012. In the first half of 2012, in the economy of Latvia there were 28% more investments than a year ago. Increase of the investment volumes was on a great extent determined by the investments in such sectors as energy, wood processing, as well as metal production. Although investment dynamics is quite fast, investment volumes on average in quarter is almost by half smaller than in 2007. One of the limiting factors of investments is slow revival of crediting.

Since the 2010, FDI increase has resumed. In the economy of Latvia FDI stock in 2010 has 4 times exceeded the level of 2009. In 2011, FDI stock in the economy of Latvia was almost 3.5 times higher than in 2010. In 2012, FDI inflow in the economy slowed down, which was mainly determined by the economic

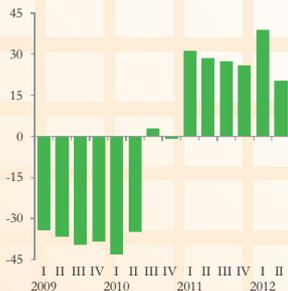
downturn in EU countries. In the 1st half of this year FDI inflow was by one half smaller than in the 1st half of 2011. At the end of June 2012, FDI stock in the economy of Latvia was 6675 million lats (9497 million euro), which is by 5.1 more than a year ago.

At the end of June 2012, FDI stock level in manufacturing increased by 2.7%, when compared to the end of June 2011, thus forming 12.2% of FDI stock in Latvia. It was on a great extent determined by the considerable investments in wood processing (increase by 30%). 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 July 2012), Estonia (5.8%), Germany (4.9%) and the Netherlands (8.1%). Investments of Russian businessmen in Latvia constituted 4.4% of the total FDI stock. Investments in the services sectors have the highest share in the FDI stock.

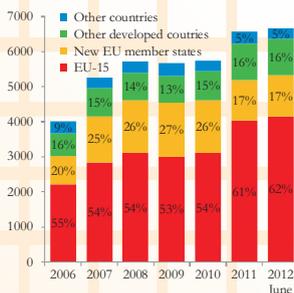
Gross fixed capital formation

changes over the corresponding period of the previous year, %

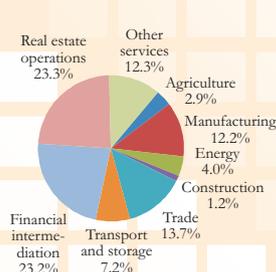


FDI stock

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



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



Foreign trade

Latvian commodity export at current prices increased by 28% in 2011, when compared with 2010, but at constant prices it increased by 14%. In January-July 2012, commodity export continues to increase rapidly (at current prices – by 11%, compared with January-July 2011).

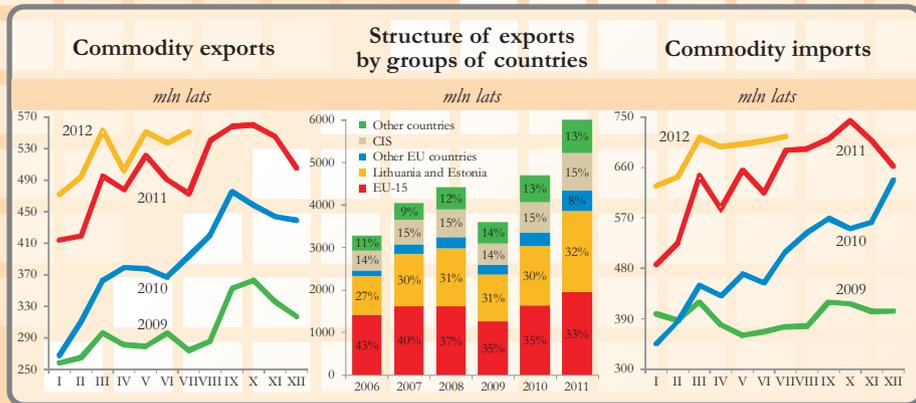
Also commodity import in 2011 increased at the same pace as export. However, taking into account its rapid decrease during the crisis, its volumes just slightly exceeded the volumes of import of 2008. In total in 2011, commodity import at current prices increased by 31%, but at constant prices by 22%. In seven month of 2012, commodity import has increased at the same pace as export (at current prices by 14%, compared with January-July 2011).

In January-July 2012, export volume growth has been observed in all commodity groups, except for export group of vehicles. More than 1/3 of all export growth has been provided by the export of agricultural and food products. Considerable

increase is observed also for the export of metal and its products as well as export of machinery, which contribution in the total export growth is accordingly 20% and 16 per cent.

Export to the EU countries in January-July 2012, increased by 7%, compared to the according period of 2011. Biggest contribution to this growth were provided by the export increase of agricultural and food products as well as machinery products. Export to CIS countries increased more rapidly – by 16%. Also to these countries more than a half of all export increase was provided by the export increase of agricultural and food products.

In January-July 2012, compared to the seven months of 2011, export volumes to Estonia increased by 8% but to Lithuania slightly decreased – by 1%. Agricultural and food products as well as machinery and chemical products comprise the large part of export to Lithuania and Estonia.



Balance of payments

Current account corrections caused by the global financial crisis have finished. Along with the stabilization of the economic situation, surplus of the current account of balance of payments gradually decreased and at the end of 2nd half of 2010 current account balance has a small deficit (0.4% of GDP). In 2011, current account deficit increased and reached 2.4% of GDP, however in the 1st half of 2012 – 2.9% of GDP. Current account indicates on the Latvian economy external balance.

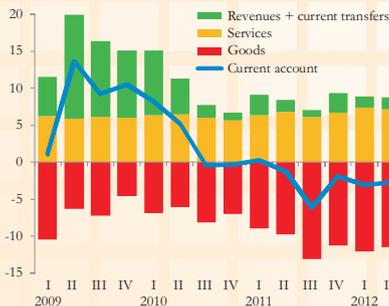
Current account fluctuations are mainly determined by the changes of foreign trade balance. Along with the increase of economic activities in 2011 commodity import increased slightly faster than export and foreign trade deficit reached 9.9% of GDP in 2011. In the 1st half of 2012, commodity import was by 15% higher than a year ago, but export increased by 10% and foreign trade deficit increased to 11.7% of GDP. It must be noted that services balance continues to improve. In the 1st half of 2012, its surplus was 7.3% of GDP (in 2011 – 6.5% of GDP).

Considerable fluctuations have been observed in the current account revenue balance. Since the 3rd quarter of 2010 it is negative. In 2011 revenue balance deficit was 0.9% of GDP, but in the 1st quarter it increased by 1.7% of GDP. Increase of revenue balance deficit was determined by the increase of the volumes of non-residents investments income, inter alia, increase of dividends volumes of non-residents.

Since the beginning of 2009, financial account balance (without reserve assets) is negative and its quarterly fluctuations are still quite big. In 2010 financial account deficit was 4.1% of GDP. Financial account condition is mainly determined by the external debt decrease of private sector (commercial banks) and long-term loans of public sector, as a result government external debt is increasing. At the end of June 2012, governments gross external debt was 5019.2 million lats (34% of GDP), which is by 14% more than a year ago. Total gross external debt at the end of June 2012 was 145.2% of GDP, which is by 9.8 percentage points lower than a year ago.

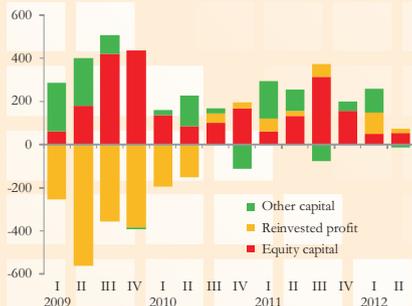
Current account

% 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 in 2011 price level increased on average by 4.4%, compared to the average level of 2010.

In August 2012, when compared with December 2011, consumer price level has increased by 1.2%, but compared with August 2011, consumer prices have increased by 1.7%. More rapid price increase was observed in the first 4 months of 2012. It was mainly determined by the global price increase of energy resources (fuel, natural gas) and food products. However since April, price level in Latvia decreases, due to the seasonal factors for food and clothes and decrease of value added tax rate since July 1, 2012. At the same time in recent months price increased for fuel, which didn't allow the total price level to decrease faster.

Total producer price level in Latvian manufacturing in August 2012, has increased by

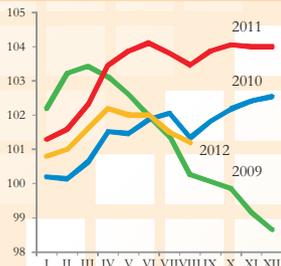
0.6%, when compared with August 2011. During the year producer prices of manufacturing have similarly increased both for products sold in domestic market and for export, accordingly by 0.3 and 0.9 per cent.

In August 2012, along with the slightly increase of the prices for products sold in domestic market, producer prices increased as well – by 2.2% compared with August 2011. During the year producer prices for production sold in domestic market have considerably increased for the products of electrical equipment (by 7.5%), electricity, gas, steam and air conditioning supply (by 6.5%) and polygraphy and record reproduction (by 5.4%).

During the year, producer prices for the exported production have mostly increased for the production of food products (by 5.5%), computers, electronic and optical equipment (by 24.8%) and wood-processing (by 2.3%).

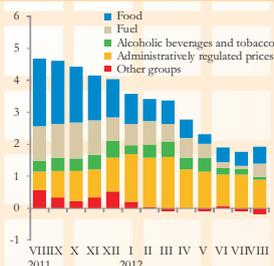
Consumer price index

December of the previous year = 100



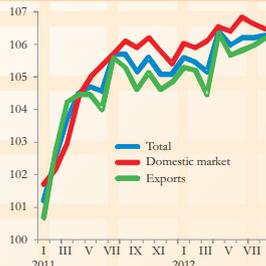
The impact of commodity and services groups on the total consumer price index

contribution to 12-month inflation



Producer price index

December of 2010 = 100



Monetary indicators

In the first half of 2012, situation in financial sector continued to stabilize. In the 2nd quarter of 2012, compared with the according period of the previous year, banking deposit stock increased by 6.4 per cent.

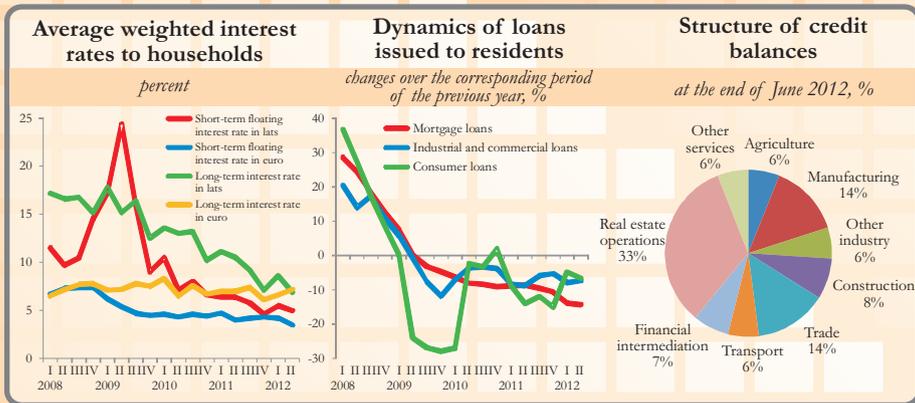
Balance of loans continues to decrease and in the 2nd quarter of 2012 it was 11.7% lower than in the according period a year ago. Decrease of mortgage loan balance was still the most rapid (by 14.3%). Balance of industrial loans decreased by 11.1%, which is the most rapid decrease during last years, however balance of commercial loans was slower than before (by 3%). Balance of consumer loans decreased by 6.7 per cent.

In the first half of 2012, 40.6 thousand new loans were granted for a total amount of 489.1 million lats. Compared to the according period of 2011, its volumes increased by 15.3%. Most of the new loans (92.3%) issued to residents were granted for house-

holds, however by volume most of the new loans were granted for the development of entrepreneurship (82%). By economic sectors, most of the loans issued to residents were granted in agriculture, trade and manufacturing, however by volume – most of the loans were granted in financial and insurance operations and electricity, gas and heat supply.

In the 2nd quarter of 2012, quality of loan portfolio continued to improve and there were 19.6% delinquent loans, which is the lowest indicator since the end of 2008, when there were 15% delinquent loans. Loans to residents with more than 180 days overdue payment have decreased by 41 per cent.

The weighted average interest rate for long-term loans issued in lats was 6.9% in the 2nd quarter of 2012 and weighted average interest rate for short-term loans issued in euro was 3.5%, thus reaching the lowest indicators during last years.



General government consolidated budget

Economic situation downturn in 2008 and 2009 considerably affected government fiscal conditions. In 2009, budget deficit reached almost 10% of GDP and it caused the necessity for fiscal consolidation by balancing budget revenues and expenditures.

State financial situation is gradually improving. In 2012, budget revenues continue to increase and budget deficit is decreasing. General government consolidated budget revenues in January-July 2012 was 3225.2 million lats, which was by 17.5% more than in the according period of 2011. At the same time tax revenues increased by 13.1 per cent.

Revenues from value added tax increased by 20.2%, revenues from personal income tax increased by 10.3% and revenues from mandatory state social insurance contributions – by 8.7%. Revenues of these 3 taxes formed ¾ of total tax revenues increase. Most rapid revenue increase was from corporate income tax (by 34%). Tax revenues rose also in other tax groups.

General government consolidated budget expenditures in January-July 2012 was 3048.6 million lats and, compared with the according period of the previous year, it has increased by 2.1%. In 7 month of 2012, expenditures for subsidies and grants have slightly decreased, however most considerable increase was observed for capital expenditures. In January-July 2012, general government consolidated budget had surplus in amount of 176.6 million lats. In comparison – in the according period of 2011, general government consolidated budget had financial deficit of 243.3 million lats, which means that consolidated budget balance has improved by 419.9 million lats.

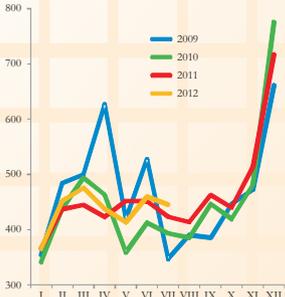
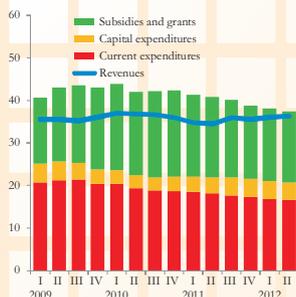
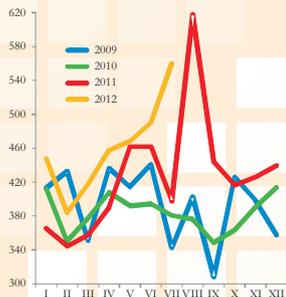
In the medium term, taking into account the goal set by the government – to introduce the euro in 2014, it is planned to reduce budget deficit to 1.9% of GDP in 2012 and 1.4% of GDP in 2013 and 0.8% of GDP in 2014.

General government consolidated budget revenues and expenditures

revenues, mln lats

% of GDP, 4-quarter moving average

expenditures, mln lats



Personal income

Along with the improvement of the economic situation and by the increase of labour force demand, an average income in the economy increases gradually.

In 2011, an average gross wage increased by 4.3%, compared to 2010. Wages increased equally both in private sector and public sector, besides increase was observed actually in all sectors. Most considerable wage increase was in the sector of commercial services, as well as in the agriculture and forestry sector.

In the 2nd quarter of 2012, gross wages increased by 3.7%, compared to the 2nd quarter of 2011 and was 481 lats. Highest wage was in Riga and Riga region. Within the year wages increased both in private sector and public sector, although in the public sector increase was slightly faster (by 4.6%) than in the private sector (by 3.4%).

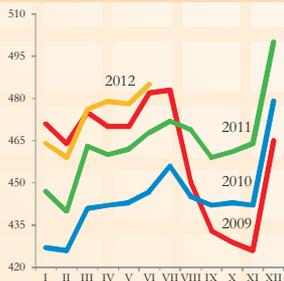
Most rapid wage increase was in the transport and storage sector (by 10.6%), electricity, gas, steam and air conditioning supply (by 6.4%) and public administration (by 6.5%). At the same time considerable wage increase was observed also in manufacturing and financial services sector. Highest wage still remains in financial services sector – on average 1015 lats.

In 2011, real wage remained unchanged, regardless increase of average wage. Positive effect of wage increase was diminished by the increase of consumer prices. In the 2nd quarter of 2012, compared to the according period of 2011, real wage increased by 1.5 per cent.

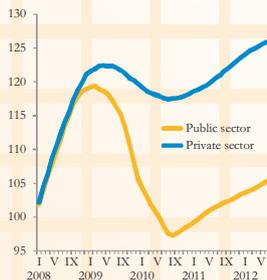
In 2012, also average old-age pension increased, which in the 2nd quarter of 2012 was 180 lats, which is by 1.3% more than in the according period of 2011.

Average gross wage of employed persons

lats

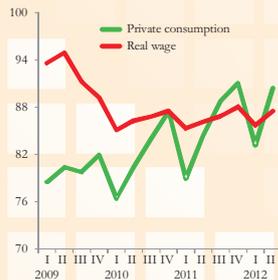


12-month moving average index, December of 2007 = 100



Dynamics of real wage and private consumption

4th quarter of 2008 = 100



Employment and unemployment

During economic recession from 2008 to 2010, situation in labour market deteriorated considerably. Since the beginning of 2010, along with the revival of economic activities, situation in labour market is improving – employment and job vacancies are increasing and unemployment is gradually decreasing.

In accordance with the estimation of the Ministry of Economics, number of employed in 2011 increased by 2.5%, compared to 2010. During the year unemployment rate also decreased considerably. In 2011, it was on average 16.4%, which is by 3.3 percentage points less than in 2010.

In accordance with the Labour Force Survey, in the 2nd quarter of 2012, number of employed reached 877 thousand, which is by 2.2% or 18.9 thousand more than in the 2nd quarter of the previous year. At the same time number of the economically active population has increased moderately (by 1%). Unemployment rate in the 2nd quarter of 2012 was 16.1%, which is by 1 percentage point less than a year ago.

At the end of September 2012, registered unemployment rate reached the lowest level since April 2009 and was 11% – 108.3 thousand unemployed were registered, which is by 23.3 thousand less than in September 2011. The highest registered unemployment rate is still in Latgale region (21.6%), but the lowest in Riga (7%). In September 2012, 45% of all registered unemployed were long-term unemployed (without a job more than a year).

Since the middle of 2010, comparatively stable increase of job vacancies have been observed. At the end of September 2012, totally 5073 vacancies were registered, which was by 36.2% more than in the according period of 2011. Almost half of all job vacancies were registered in Riga.

It is expected that situation in labour market will continue to improve also in the 3rd quarter of this year. At the same time, risks which are related with the global economy development tendencies create uncertainty about situation development in the last quarter of the year and at the beginning of next year.

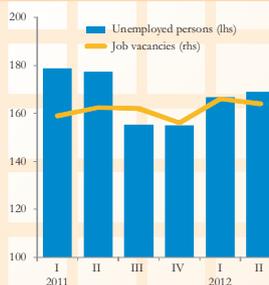
Employed and economically active population

thousands



Unemployed persons and job vacancies

thousands



Registered unemployment

thousands



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	3.3	-0.3	1.4
2011	8.3	5.5	5.9
2012 Q1	3.4	6.9	3.9
2012 Q2	2.2	5.0	2.2
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
2012 Q1	-1.7	16.5	3.9
2012 Q2	-1.6	9.0	-2.5
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
2012 Q1	11.5	16.3	14.5
2012 Q2	10.2	16.1	13.3
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
2012 Q1	4.4	3.4	3.6
2012 Q2	3.9	2.3	2.7
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
2012 Q1	3.3	6.4	8.4
2012 Q2	2.0	2.9	4.2

* 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.