

# THE NATIONAL ECONOMY OF LATVIA:

3

(52)

2012

## A MACROECONOMIC REVIEW

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### **Latvia: 2012**

Territory, thsd km <sup>2</sup>	64.6
Population as of 01.09.2012. (thsd)	2 032
of which:	
Urban area	1 379
of which Riga, the capital city	648
Rural area	653

National currency: lats (LVL)

## Key indicators of economic development

	Actual data				Forecast	
	2008	2009	2010	2011	2012	2013
	<i>changes over the previous year, %</i>					
Gross domestic product	-3.3	-17.7	-0.9	5.5	5.0	3.7
Consumer prices	15.4	3.5	-1.1	4.4	2.3	2.0
	<i>% of GDP</i>					
General government						
budget balance	-4.2	-9.7	-8.1	-3.4	-1.9	-1.4
General government debt	19.8	36.7	44.5	42.2	44.5	45.8
Exports-imports balance	-13.7	-1.5	-1.4	-4.8	-4.4	-5.0
Unemployment rate*	7.5	16.9	18.7	16.2	15.1	13.5

	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	-4.0	3.1	2.8	3.6	5.7	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	-16.1	-2.4	2.0	-1.8	-10.6	1.9	3.9
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)

## Economic policy

Latvia successfully continues to recover from consequences of the global financial crisis. At the end of 2011, international loan program has been successfully completed, thus verifying Latvia's affiliation to Nordic countries, which has responsible attitude to public administration and finances. Recovery of the economy of Latvia is also recognized internationally, by international rating agencies, which are increasing the Latvia's credit rating, which reduces both state expenditures for the external debt service and loan costs for entrepreneurs.

Working on the state budget project of 2013, first time during last 4 years Latvia could afford to increase the budget expenditures. State budget priorities for the next year is economic development, improvement of demographic situation and increase of wages for certain categories of employees working in public sector.

In 2013, budget deficit has been reduced to 1.4% of GDP, also in upcoming years, budget deficit will be reduced, thus reaching the balanced budget, latest in 2016. In order to establish counter-cyclical and sustainable fiscal policy framework, *Fiscal Discipline Law* has been submitted to the Saeima.

Main tax policy focuses on the 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 percent.

At the moment Latvia is working on introduction of euro currency. Government has defined the provisional euro introduction date – January 1, 2014. According to the forecasts, Latvia will be able fulfill Maastricht criteria, which are used to measure the state readiness to join European Monetary Union.

Government policy is aimed to promote long-term development in Latvia, production of higher value-

added tax products and services, as well as to provide better paid jobs. In this field, it is important to work on development of *National industrial policy*, which will point out the main state support principles for the next planning period of structural funds.

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 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 2013 index ranks Latvia 25 among 185 countries or 8 among EU member states. 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. In Doing Business 2013 Latvia is included as a good praxis example for improving business environment. Research approves that as a result of purposeful action of public administration, during 15 years continuous reform cycle has been provided in Latvia, due to which the winners are the economy of Latvia and entrepreneurs.

Overall reform of energy policy has been launched – by detailed analysis of the previous implementation of the energy policy, state support and effectiveness, new proposal for the further energy policy to 2030 has been developed.

# Macroeconomic development

Over 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 has 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 of Latvia continued and in 2011 GDP increased by 5.5 percent.

Although in general in EU the growth is weak, in the economy of Latvia stable growth was observed also in 2012. In Latvia in 3 quarters of 2012, GDP is by 5.6% higher than in 3 quarters of 2011. GDP growth on a great extent is determined by the increase of export and private consumption in domestic market. Domestic demand in the 9 months of 2012 was by 6.5% higher than in 9 months of 2011. Considerable increase remains for non-financial investments (increase by 16.2%, compared to the according period of 2011). Constantly more rapidly increases the private consumption. In the 3 quarters of this year it was by 5.7% higher than a year ago.

Export still has considerable role in the development of Latvia's economy. When the global growth remained stable, Latvia's commodity export is still increasing. During the 9 month of this year, commodity export exceeded the level of the according period of 2011 by 7.3 percent.

Along with the export possibilities, still high

growth rates is for manufacturing – in the 3 quarters production volumes exceeded the according level of 2011 by 10.5%. Constantly higher contribution in the development of the economy is for the sectors focused on domestic market. Growing private consumption is promoting the increase of trade – retail trade turnover in the 3 quarters increased by 9.8%, compared to the 3 quarters of the previous year. According to GDP estimate, also in the 3 quarters construction volumes continued to grow and were by 16.3% higher than year ago.

Situation in the labour market is improving. In the 3rd quarter of 2012, number of employed reached 905 thousand, which is by 3.4% more than in the 3rd quarter of the previous year. At the same time unemployment rate has decreased. Wages are increasing gradually.

Inflation continues decreasing. If at the beginning of 2012 price increase was mainly determined by the price increase of energy resources (fuel, natural gas and heating) and food, mainly because of external factors, since the middle of 2012 pressure of external factors on inflation has decreased. In October, consumer prices were by 1.6% higher than a year ago, but the annual average inflation decreased to 2.7%. According to the estimation of the Ministry of Economics, overall in 2012 average consumer price level can exceed the average level of 2011 by 2.3 percent.

2012 will continue with the 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 percent.

# Gross domestic product

During considerable decrease during the crisis, since the end of 2009 in the economy of Latvia gradual growth has been observed. In 2011, GDP continued stable increase, exceeding the level of 2010 by 5.5 percent.

In 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 European Union Member states.

In the 3rd quarter of 2012, GDP exceeded the level of the according period of the previous year by 5.2%. Wherewith, overall in 3 quarters of this year GDP is by 5.6% higher than in the according period of 2011.

During the quarter, GDP increased by 1.7% (according to seasonally adjusted data). Overall in the 3rd quarter of 2009, which was the lowest point of the crisis, GDP has increased by 14.7% and at the moment it is 86% of pre-crisis level.

Export still has considerable role in the development of the Latvian economy. On time, when global growth remained unstable and in the main Latvian export

markets the growth is weak, export is still increasing. In the 3rd quarter of this year, commodity and services export was by 7.3% higher than in the 3rd quarter of the previous year and overall in 3 quarters of this year by 7% exceeded the level of 3 quarters of 2011.

Improvement of the situation in the labour market promotes the increase of private consumption. In the 3rd quarter of 2012 it was by 5.7% higher than in the according period of 2011. During the considerable decrease during the crisis, public consumption has stabilized. Still the considerable increase remains for non-financial investments, which in the 3rd quarter of 2012 increased by 2%, compared to the according period of the previous year. Overall domestic demand in the 3rd quarter of 2012 was by 6.5% higher than in the first half of 2011.

Import of commodities and services in the 3rd quarter of 2012 decreased by 1.3%, compared to the according period of the previous year and overall in 9 months of this year it exceeded the level of according period of 2011 by 3.9 percent.

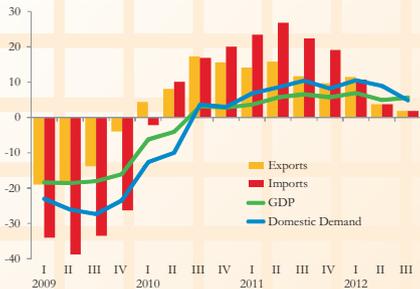
## Dynamics of GDP by quarters

*seasonally adjusted data, 4th quarter of 2008 = 100*



## GDP by expenditure items

*changes over the corresponding period of the previous year, %*



## Development of sectors

Since 2009, more rapid growth of the tradable sector was based on the increase of external demand and increase of competitiveness. In 2011 the share of tradable sector in GDP was almost 37% against 26% in 2007.

In the recent years stable growth has been observed in manufacturing and transportation. 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, stable increase remained in one of the main economic sectors – manufacturing. In the 3rd quarter of 2012, its production volumes were by 7.2% higher than a year ago.

In 2012, constantly higher contribution in the economic growth is made by the sectors focused on domestic market.

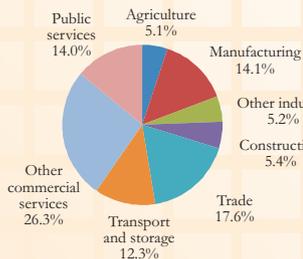
Trade volumes in the 3rd quarter of 2012 exceeded the level of 3rd quarter of 2011 by 7.4% and in total in 9 month of 2012 were by 7.3% higher than in January-September 2011.

In the 3rd quarter of 2012, compared to the 3rd quarter of 2011, production volumes of construction increased by 8.3%. Overall in 9 month of 2012, production volume of construction increased by 16.3%. Construction volumes shapes just half of pre-crisis level. After the crisis a considerable role in the construction sector was a state and local orders. Taking into account, that financing of structural funds is not increasing it also reduces the contribution of these orders in the increase of construction.

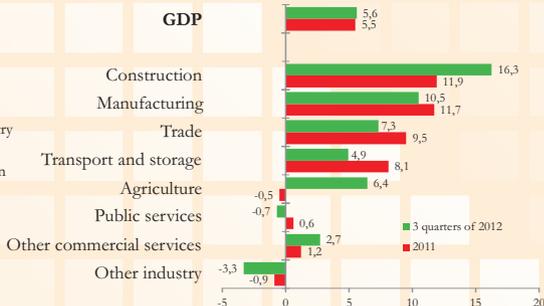
Increase of cargo transportation continues increasing. Cargo transportation in rail in the 3rd quarter of 2012 increased by 1,9% and in ports – by 7.2%, when compare to the according quarter of 2011. However demand both for public and commercial services in 2012 are not increasing considerably.

### GDP by sectors

structure in 2011, %



changes over the previous year, %



# 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.

Production volumes of manufacturing each month during 2012 experience considerable fluctuations, however in total in 2012, production volumes in manufacturing continues to increase. After increase of production volumes during summer month, in September, compared with the August, production volumes in manufacturing decreased, which on a great extent was determined by the weaker demand in construction and lack of raw materials in the production of chemicals and chemical products.

In nine months of 2012, production volumes of manufacturing increased by 10.5%, compared to the according period of 2011. Biggest contribution to growth is still in metal working (increase by 18.2%). In wood processing production volumes have increased by 1.5%. Production volumes of non-metallic minerals has increased by 10.2% in nine months of 2012, compared to the according period of 2011.

Positive tendencies have been observed also in the production of electric and optical equipment (increase by 24%) and machinery and its equipment (increase by 18.2%). Food production volumes in nine months of 2012, compared to the according period of 2011, increased by 3.3 percent.

In 9 months of 2012, sector's turnover is by 14.2% higher than in the according period of 2011. Turnover increase was mainly determined by the increase of exports (increase by 18.9%). Demand is gradually increasing also in domestic market, where in 9 months of 2012, production volumes exceeded the volumes of the according period of 2011 by 6.9 per cent.

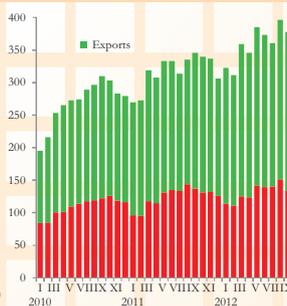
## Production volume index

*not seasonally adjusted data, 2005 = 100*

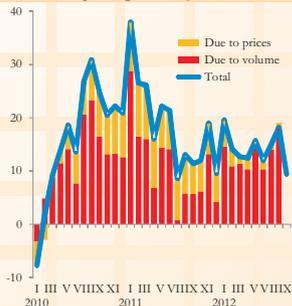


## Production sales

*in current prices, mln lats*



*changes over the corresponding period of the previous year, %*



# Investments

Economic stabilization positively affected investment process in Latvia. Since the end of 2010, investment activities increases gradually. In 2011, investment volumes in the economy of Latvia were almost by 28% higher than in 2010. Investment volumes continued to increase also in 2012. In the first half of 2012, compared with the according period of 2011, investment volumes increased by 28% and was 20.8% of GDP. Increase of 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, since 2011 volumes on average in quarter is almost by half smaller than in 2007. One of the limiting factors of investments is slow crediting revival.

Since 2010, foreign direct investment increase has resumed. FDI stock in the economy of Latvia in 2010 has 4 times exceeded the level of 2009. In 2011, FDI stock almost 3.5 times exceeded the FDI stock of 2010. In 2012, FDI inflow slowed down, in the first half of

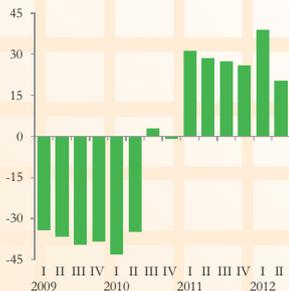
the year, FDI stock was by a half smaller than a year ago. It was by great extent determined by the decrease of FDI flows in the 2nd quarter, which was mainly related by the negative net flows in energy sector and real estate. It must be noted that in the 3rd quarter volumes of FDI flow were almost 3 times higher than in the 2nd quarter.

At the end of June 2012, FDI stock in the economy of Latvia was 6675 million lats (9497 million euro). When compared to the end of June 2011, FDI stock increased by 5.1%, int.al. in manufacturing – by 2.7%. Investments in the services sectors have the highest share in the FDI stock.

More than 70% of FDI stock is EU investments, ¼ of them are investments from the new EU member states. The major investors are Sweden (24.6% of FDI stock at the end of June 2012), Netherlands (8.1%), Estonia (5.8%) and Germany (4.9%). At the end of June 2012, Russian businessman investments in Latvia were 4.4% of FDI stock.

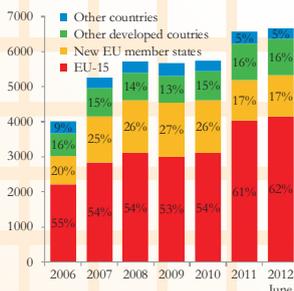
## Gross fixed capital formation

*changes over the corresponding period of the previous year, %*

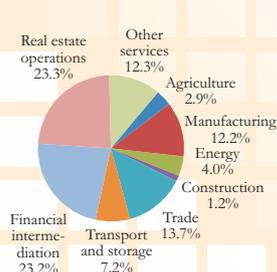


## FDI stock

*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 to 2010, but at constant prices it increased by 14%. In the 3 quarters of 2012, commodity export continues to increase (at current prices – by 13%, compared to January-September 2011).

Also commodity import increased very rapidly in 2011 – at current prices – by 31%, at constant prices – by 22%. In 3 quarters of 2012, commodity import has increased at the same pace as export (at current prices – by 13%, compared to January-September 2011).

In 3 quarters of 2012, increase of export volumes has been observed in all commodity groups, except in the group of transport vehicles where little decrease of export was observed.

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 machinery and metal and its production, which contribution in the total export growth is accordingly 19% and 17 percent.

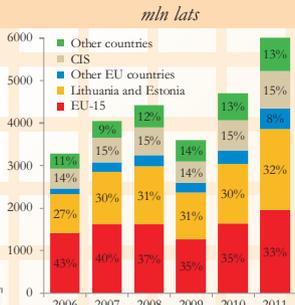
In the 3 quarters of 2012, export to the EU countries increased by 8%, compared to the according period of 2011. Biggest contribution to this growth was provided by the export increase of agricultural and food products, as well as machinery. Export to CIS countries increased more rapidly – by 19%. Also to these countries more than a half of all export increase was provided by the agricultural and food products.

In January-September 2012, compared to 9 month of 2011, export volumes to Estonia increased by 7%, but to Lithuania slightly decreased – by 1%. Agricultural and food products as well as machinery comprise the large part of export to Lithuania and Estonia. These both commodity groups made the biggest contribution to export increase.

### Commodity exports



### Structure of exports by groups of countries



### Commodity imports



# Balance of payments

The dynamics of the current account of balance of payment is still stable, without considerable fluctuations, which were observed during the years of deep recession. Since the 2nd quarter of 2010, current account has a small deficit. In 2011 it was 2.4% of GDP and in the 1st half of 2012 – 2.9% of GDP. However in the 3rd quarter current account deficit was 0.5% of GDP. At the moment current account condition indicates on the balanced position of the economy of Latvia.

Current account balance is mainly determined by the changes of foreign trade balance. Along with the increase of economic activities since 2011, commodity import is increasing more rapidly than export and foreign trade deficit is also increasing. In 2011, it reached 9.9% of GDP, however in the 1st half of 2012, foreign trade deficit increased to 11.7% of GDP. Almost 2/3 of external trade deficit is paid off by services balance. In the first half of 2012, services balance surplus was 7.3% of GDP (in

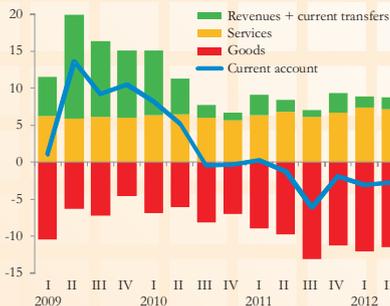
2011 – 6.5% of GDP).

Since 3rd quarter of 2010, income balance of current account is negative. In 2011, income balance was -0.9% of GDP, but in the first half of 2012 it increased to -1.7% of GDP. Increase of negative income balance is related to the income of non-resident deposits, int.al. increase of dividend volumes of non-residents.

Since 2009, financial account (without reserve assets) is negative and its quarterly fluctuations are still quite considerable. Financial account condition is mainly determined by the decrease of external debt in private sector (commercial banks) and long-term loans of public sector. At the end of June 2012, government 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.

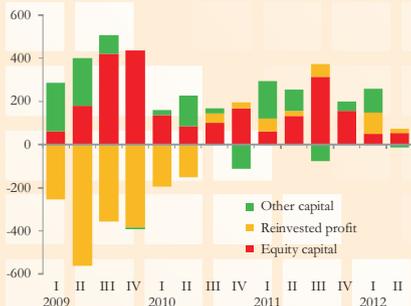
## Current account

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

In October 2012, compared both with December 2011 and October 2011, consumer price level has increased by 1.6%. At the same time average yearly inflation, which is the indicator to evaluate Maastricht criteria, continue to decrease – in October the average yearly inflation was 2.7%. More rapid price increase was observed during four month of 2012. It was affected by the price increase of energy resources (fuel and natural gas) and global price increase of food. Since April, price level has decreased for food and clothes, which is determined by the seasonal factors and by the decrease of value added tax since July 1, 2012. At the same time during last month world price decrease for oil and food products has been observed, which also affects the decrease of total price level in Latvia.

In September 2012, total producer price level in manufacturing has increased by 1.3%, when compared to September 2011. During the year, producer prices in manufacturing have increased both for production sold in domestic market (by 0.9%) and for exported production (1.7%).

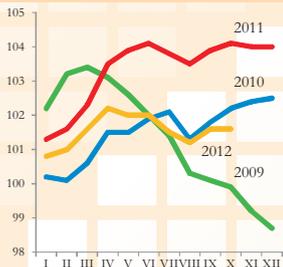
In September 2012, along with the small price increase of products sold in domestic market, total producer price level increased by 2.6% (compared to September 2011).

During the year for the production sold in domestic market producer prices have increased for electricity, gas and heat supply and air conditioning (by 6.2%) and production of electrical equipment (by 5.8%).

However during the year producer prices for exported production most considerably increased for food production (by 6.9%), production of computer, electric and optical equipment (by 26.4%) and production of chemicals and chemical products (by 7.9%).

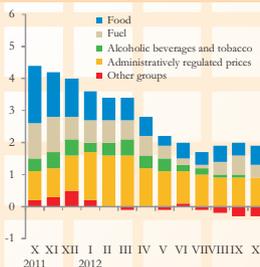
## Consumer price index

December of the previous year = 100



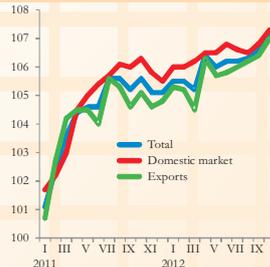
## The impact of commodity and services groups on the total consumer price index

contribution to 12-month inflation



## Producer price index

December of 2010 = 100



# Monetary indicators

Along with the improvement of the economic situation, financial sector is also gradually stabilizing.

In the first half of 2012, new loans were granted for a total amount of 489.1 million lats, which is by 15.3% more than in the according period of the previous year, however its amount is too small to compensate the current repayments of credit portfolio and gradually increasing amount of written-off loans. Biggest amount of new loans are issued for the entrepreneurship – financial and insurance activities and electricity, gas and heat supply. In this period number of new loans has decreased considerably (by 57%), especially in such sectors as transportation and storage and financial and insurance activities.

In the first half of 2012, quality of loan portfolio continued to improve – there were 20.9% delinquent loans, which is by 4.4% less than in the first half of 2011. Loans to residents with more than 180 days overdue payment have decreased by almost 40% and

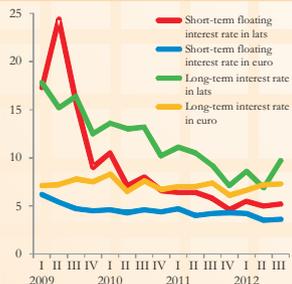
loans with up to 30 days overdue decreased by 19 percent.

Credit loans have decreased already since middle of 2009 and in September 2012 they were by 11.2% lower than in the according period a year ago. Decrease of mortgage loan balances was still the most rapid. Industrial and commercial loan balances also decreased. During this period, consumer loan balances decreased by 10.2 percent.

In the 3rd quarter of 2012, the weighted average interest rate for short-term loans issued in lats was 5.2%. Although weighted average interest rate for long-term loans issued in lats in the 2nd quarter of 2012 was 6.9% and reached the lowest indicator during last years, however in the 3rd quarter it increased to 9.7%, which is the highest indicator of this year. Weighted average interest rate for short-term and long-term loans issued in euro were accordingly 3.6 and 7.3%, which are lower than interest rates for loans issued in lats.

**Average weighted interest rates to households**

percent



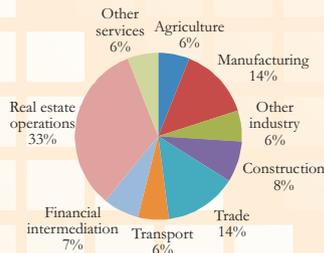
**Dynamics of loans issued to residents**

changes over the corresponding period of the previous year, %



**Structure of credit balances**

at the end of June 2012, %



## General government consolidated budget

Along with the improvement of the economic situation and increase of tax incomes, state fiscal condition is gradually improving – budget revenues are increasing and budget deficit is decreasing.

General government consolidated budget revenues in the 3 quarters of 2012 were 4286,9 million lats, which was by 12.7% more than in the according period of 2011.

In this period tax revenues increased by 11.7%. Most rapidly increased incomes from corporate income tax (by 31.3%), which indicates on the improvement of financial indicators of enterprises. Value added tax income increased by 16.8%, personal income tax – by 10.4% and mandatory state social insurance contributions – by 8.1%. Tax incomes increased also in other tax groups.

General government consolidated budget expenditures in the 3 quarters of 2012 was 3945.6 million lats and when compared with the

according period of the previous year, they have increased by 2.1%. In the 1st half of 2012, expenditures for subsidies and grants were slightly decreased, however biggest increase was observed for capital expenditures. In 3 quarters of 2012, general government consolidated budget surplus increased to 341,3 million lats. In comparison – in 3 quarters of 2011, consolidated budget had financial deficit of 57,7 million lats, which means, that consolidated budget balance has improved by 398.9 lats.

At the end of 3rd quarter of 2012, state debt was 5380,4 million lats, which has increased by 164.2 million lats since the beginning of 2012. State external debt was 87.7% of total state debt, but internal debt was 12.3% of total state debt.

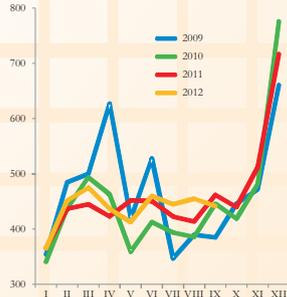
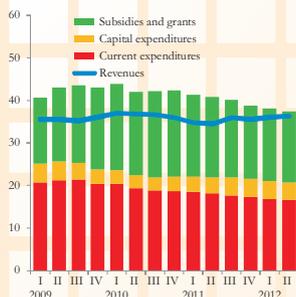
In the medium term, taking account the goal set by the government – to introduce the euro in 2014, it is planned to reduce budget deficit to 1.9% of GDP in 2012, to 1.4% in 2013 and to 0.8% in 2014.

### 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 4.4%, compared to 2010. Wages increased equally both in private 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.

In the 2nd quarter of 2012, gross wages increased by 3.7%, compared to the 2nd quarter of 2011 and was 481 LVL. Highest wages were in Riga and Riga region. Within the year wages increased both in private 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 sectors of transportation and storage (by 10.7%), electrical energy, gas and heat 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 LVL.

In 2011, real wage remained unchanged, despite the increase of average wage. Positive effect on 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 percent.

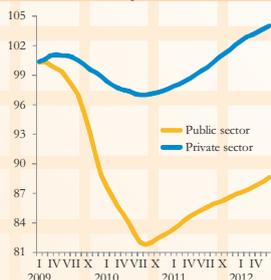
In 2012, also average old-age pension increased, in the 3rd quarter it was 181 LVL, which is by 1.2% more than in the according period of 2011.

### Average gross wage of employed persons

*lats*

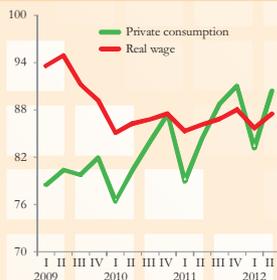


12-month moving average index,  
December of 2007 = 100



### Dynamics of real wage and private consumption

*4<sup>th</sup> 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 decreasing gradually.

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 16.2%, which is by 3.3 percentage points lower than in 2010.

In accordance with the Labour Force Survey, in the 3rd quarter of 2012, number of employed reached 905 thousands, which is by 3.4% or 30 thousand more than in the 3rd quarter of 2011. At the same time number of economically active population has increased moderately (by 1.6%). Unemployment rate in the 3rd quarter of 2012 was 13.5%, which is by 1.6 percentage points lower than a year ago.

At the end of October 2012, registered unemployment rate reached the lowest rate since April 2009 and was 10.7% – 105.9 thousand unemployed were registered, which is by 24.6 thousand less than in October 2011. The highest registered unemployment rate is still in Latgale region (21.3%) and lowest in Riga (6.7%). At the end of 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 job vacancies were registered, which was by 36.2% more than in the according period of the previous year. Almost half of all job vacancies were registered in Riga.

It is expected that situation in labour market will continue to improve also at the end of the year. At the same time risks which are related to the recession of the global economy creates uncertainty about the situation development in the first half of next year.

### Employed and economically active population

thousands



### Unemployed persons and job vacancies

thousands



### Registered unemployment

thousands



## **Baltic states. Main socio-economic indicators**

	<b>Estonia</b>	<b>Latvia</b>	<b>Lithuania</b>
Territory, thsd km <sup>2</sup>	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	-0.9	1.5
2011	8.3	5.5	5.9
2012 Q2	2.2	5.0	2.1
2012 Q3	3.4	5.3	4.4
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 Q2	-1.7	9.0	-2.5
2012 Q3	-2.5	7.2	6.9
Unemployment rate, share of unemployed persons in the economically active population, %			
2010	16.9	18.7	17.8
2011	12.5	16.2	15.3
2012 Q2	10.2	16.1	13.3
2012 Q3	9.7	13.5	12.3
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 Q2	3.9	2.3	2.7
2012 Q3	3.7	1.7	3.2
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 Q2	2.0	2.9	4.2
2012 Q3	1.9	2.3	4.9

\* 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.