



THE NATIONAL ECONOMY OF LATVIA:

A MACROECONOMIC REVIEW

2
(43)

2010

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Latvia: 2010

Territory, thsd km ²	64.6
Population as of 01.06.2010., thsd	2 240
of which:	
Urban area	1 519
of which Riga, the capital city	704
Rural area	721
National currency: lats (LVL)	

Key indicators of economic development

	2007	2008	2009	2010f	2011f
	<i>changes over the previous year, %</i>				
Gross domestic product	10.0	-4.2	-18.0	-3.0	3.0
Consumer prices	10.1	15.4	3.5	-1.6	1.0
	<i>% of GDP</i>				
General government					
budget balance	-0.3	-4.1	-9.0	-8.5	-6.0
General government debt	9.0	19.7	36.6	55.1	59.1
Eksports-imports balance	-20.2	-13.1	-0.7	-0.8	1.3
Unemployment rate	6.0	7.5	16.9	17.0	13.8
	<i>(share of unemployed in economically active population aged 15-74 years, %)</i>				

	2008				2009				2010	
	I	II	III	IV	I	II	III	IV	I	
	<i>changes over the corresponding period of the previous year, %</i>									
Gross domestic product	0.5	-1.8	-5.2	-10.3	-17.8	-18.4	-19.0	-16.9	-6.0	
Consumer prices	16.4	17.7	15.8	12.0	9.2	4.7	1.6	-1.1	-3.8	
	<i>% of GDP</i>									
General government										
budget balance	0.9	0.5	-3.0	-14.7	-7.7	-7.4	-6.0	-15.1	-4.9	
Eksports-imports balance	-15.4	-13.3	-13.6	-12.5	-4.2	0.1	-0.6	1.9	-0.2	
Unemployment rate	6.5	6.3	7.2	9.9	13.9	16.7	18.4	19.7	20.4	
	<i>(share of unemployed in economically active population aged 15-74 years, %)</i>									

f – forecast of Ministry of Economics

Economic policy

Taking into account economic development tendencies, government acts in order to revive economic growth in Latvia, to balance budget expenditures with possibilities provided by revenues. The government has managed to stabilize the financial system of the state. Several important reforms have been launched – the efficiency of public administration is being improved, the education and health care systems are being reformed. Substantial macroeconomic adjustments are taking place and transition to a sustainable economic model, where the main driving force will be exports, is taking place. At the same time preconditions for successful transition to higher industrial level (higher productivity) are made.

Main directions of the government's economic policy are as follows:

- strict and stable monetary policy based on a fixed exchange rate of the national currency against the euro. The government will implement all the necessary steps in order to fulfil the Maastricht convergence criteria, which would ensure the introduction of the euro on January 1, 2014;
- strict fiscal policy. In order to ensure the further decrease of the general budget deficit, the goal of fiscal consolidation measures is to decrease budget deficit to 8.5% of GDP in 2010, 6% of GDP in 2011 and to be able to fulfil the Maastricht criteria in 2012 – the budget deficit below 3% of GDP;
- increase flexibility of the labour market by promoting the retraining and return of the unemployed in the labour market;
- improvement of the competitiveness of the economy by focusing on the financing of the EU Structural Funds in order to increase support of export sectors and infrastructure projects;
- reduction of administrative burden on businesses, especially for small and medium-sized enterprises;
- financial sector's stabilization – state support's

provision for strengthening the credibility and activity of credit institutions along with the strengthened supervision of credit institutions;

- maintenance of social security activities in order to reduce social tension.

By reducing administrative burden for enterprises, a particular attention has been paid to the development and monitoring of the annual Action Plan on Improvement of the Business Environment. This year it is planned to reduce registration fees for new enterprises and to develop electronic registration system of enterprises. New draft Construction law has been submitted to the Saeima. It foresees reduction of the number of public and local government institutions involved in coordination of construction projects from 5 to 1 and reduction of the maximum time for coordination process from currently existing more than 180 days to 60 days. To support micro enterprises, the government has defined activities in order to develop business environment for operations of micro-enterprises, to educate entrepreneurs as well as manage other activities in order to stimulate unemployed people to start their business, thus reducing unemployment rate. It should be noted that in 2009 and until the end of 2010, the Ministry of Economics via state support instruments, will provide LVL 350 million inflow in the economy of Latvia (the support will reach LVL 670 million including attracted private investments). It is the biggest state ensured support for entrepreneurship within the last 20 years.

By attracting the EU structural funds, several state support programmes such as Development of New Products and Technologies and their Introduction in Production, Support of Technology Transfer Contact-Points, Support to Business Incubators which are aimed at promotion of the knowledge based economy, have been launched or have been continued.

Macroeconomic development

After rapid economic growth lasting for several years, when the GDP increased almost by 11% on average annually, the economy of Latvia went into recession as the result of the global financial crisis. For the real sector the most critical was the 1st and 2nd quarter of 2009, when GDP and employment decreased most rapidly. In the 3rd and 4th quarter of 2009 economic recession continued, but at a slower pace than in the previous quarters. Moreover, exports and industrial output increased slightly. In 2009, GDP decreased by 18% in total.

In the 1st quarter of 2010, GDP estimation shows growth by 0.3% in comparison with the previous quarter according to the seasonally adjusted data. Situation has improved mostly due to the growth of exports, which in the 1st quarter of this year have increased by 4.6% in comparison with the 1st quarter of 2009. Similarly, in the first half of 2010, stabilization of domestic demand and improvement of confidence indicators has been observed. A high and continuously growing current account deficit, which was characteristic for Latvia during several years, does not exist anymore – since 2009 current account balance is positive.

Due to the crisis, consumer prices decreased gradually. In 2009, from April to December prices decreased on average by 0.5% each month. In June 2009 prices were by 1.4% lower than the year before, however since March 2010 dynamics of price changes do not indicate on continuation of deflation.

Private consumption does not decrease anymore and it is not a factor anymore, which can determine further decrease of total price level. Bigger effect on

average price level can stem from external factors, which are related to the changes of food and fuel prices. Therefore, after seasonal decrease of prices, which can be expected during summer months, in autumn the prices can increase and annual total price changes can be close to 1 percent.

After substantial decrease of labour demand, the number of employed persons decreased by 12.2% in 2009. Due to the decrease of employment, the unemployment has increased rapidly. In 2009, the unemployment rate increased by 9.4 percentage points.

According to the data of the State Employment Agency, at the end of the March 2010, 194.2 thousand unemployed persons were registered or 17.3% of economically active population. Since April, situation starts to improve gradually and till the end of June the number of registered unemployed persons has decreased by 17.4 thousand and the unemployment rate has decreased by 15.6 percent.

The Ministry of Economics forecasts that GDP will gradually increase in the next quarters, if the positive tendencies (growth of exports, gradual increase of private consumption, improvement of business confidence, stabilization of the situation in the labour market and increase of producer prices) remain.

However, in 2010, in total the level of GDP will be by 3% lower than in 2009, because it should be taken into account that growth will revive from very low point. However, in 2011, it is forecasted that GDP will grow by 3% in comparison with 2010.

Gross domestic product

In 2008 as a result of global financial crisis when the financial inflow decreased, rapid decrease of private consumption and investments was observed and substantial economic adjustments took place, which were characterized with the improvement of the trade balance of goods and services at the same time with the decrease of economic activities due to the decrease of domestic demand.

The decline of economic activities continued also in 2009, especially in the first quarters, however at the end of the year the decline slowed down and, for example, a little increase of exports was observed. In total, GDP decreased by 18% in 2009.

The estimation of GDP of the first quarter of 2010 shows increase of GDP by 0.3% in comparison with the previous quarter according to seasonally adjusted data. Thus it can be considered that the economic recession in Latvia, which has been lasting for two years, is over.

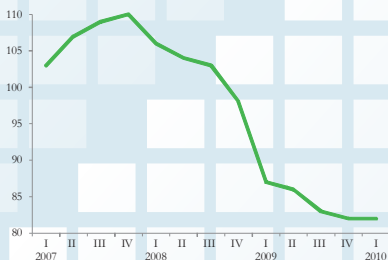
Situation has improved mostly due to the growth of exports. In the 1st quarter of this year, the volume of Latvia's exports of goods and services was by 4.6% higher

than in the 1st quarter of 2009. However, imports at the same time decreased by 2.7%. The trade balance of Latvia was balancing and deficit has remained in the level of 0.2% of GDP. Positive tendencies have also been observed in the dynamics of domestic demand. In the 1st quarter of 2010 in comparison with the respective period of the previous year, the level of domestic demand was by 9% lower, but in comparison with the 4th quarter of 2009 (according to the seasonally adjusted data), it increased by 2.4%.

Despite the fact, that in the 1st quarter of 2010 the private consumption was by 5.8% lower than in the respective period of 2009, it has increased (by 0.7%) in comparison with the 4th quarter of 2009 (according to the seasonally adjusted data). The budget expenditures, which decreased by 9.2% in 2009 after budget consolidation measures, in the 1st quarter of 2010 remained at the level of the 4th quarter. However, investments are still decreasing, which is mainly determined by cautious crediting policy of the banks.

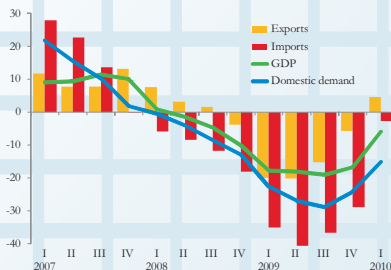
GDP dynamics by quarters

seasonally adjusted data, 4th quarter of 2006 = 100



GDP by expenditure items

changes over the corresponding period of the previous year, %



Development of sectors

Decrease of both domestic demand and external demand had a direct impact on economic activities of sectors. During economic recession, more rapid decrease of output was observed in sectors affected by domestic demand. In 2009, most rapid decrease was observed in retail trade turnover (by 29%) and construction (by 33.6%). Significant decline was also observed in some commercial services, which are closely related to domestic demand.

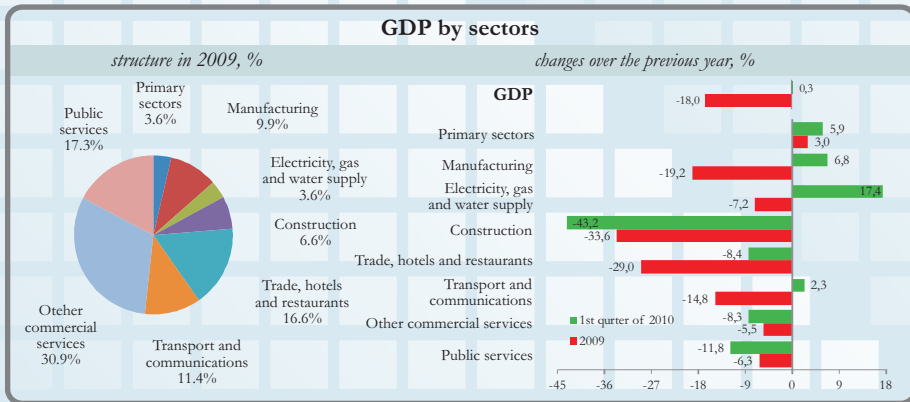
Due to the increase of external demand at the beginning of 2010, it is observed that in tradable sectors output volumes exceeded the level of the 1st quarter of the previous year. Manufacturing has increased by 6.8%, transport and communications – by 2.3%, primary sectors – by 5.9%. Growth of these sectors has contributed by 1.8% to the growth of GDP.

In the 1st quarter of 2010, output of the construction sector in comparison with the 4th quarter of 2009, according to the seasonally adjusted data,

has increased by 1%, however in comparison with the respective period of the previous year output of the construction sector is more than by 40% lower.

In most of the services sectors the output volume is still below the level of the 1st quarter of 2009, especially in public services sector. However, in some services sectors situation gradually improves, for example, trade volumes have increased. In May, turnover of retail sales according to the seasonally adjusted data has increased by 5.5% in comparison with December 2009.

Due to the low output level in such big sectors as trade, financial services and construction, in total in the 1st quarter of 2010 GDP has decreased by 6% in comparison with the previous year, however after positive export increase tendencies, the role of tradable sectors in growth will increase, but after stabilization of domestic demand, also sectors oriented to domestic demand will play the role of the growth driver.



Manufacturing

One of the biggest decrease of production volume (by 19.2%) in comparison with other sectors in 2009 was observed in manufacturing, which was determined not only by the decline of domestic demand, but also due to the decline of external demand.

Most rapid decline of production volume was during the first month of 2009. As the situation in the external markets improved at the end of 2009, it gave a positive stimulus for the growth of manufacturing. Since May 2009, when the lowest point of manufacturing production volume was observed, during the year production volume of the sector increased by more than 1% monthly. In five months of 2010, production volume of manufacturing has increased by 8.1% in comparison with January-May 2009. In May 2010 production volume increased by 16.2% in comparison with the respective month of 2009.

In five months of 2010 revenues from manufacturing production sales have increased by 3.9% in comparison with the respective period of the previous

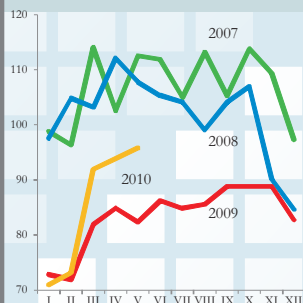
year. As a result of low domestic demand, production sales in domestic market have decreased by 8.7%, while sales of exported production have increased by more than 21.8%.

Successful growth of the sector is determined not only by the revival of the growth in our main trade partner countries, but also gradual increase of competitiveness – mainly due to the decrease of labour costs.

However, the recovery after the crisis in manufacturing sectors is not even. Thus, for example, in the first four months of 2010, production volume has increased in wood-processing, production of paper, printing and publishing industry and production of transport vehicles. Positive tendencies have been observed also in production of basic metals and metal products as well as in engineering industries. At the same time, production volumes are still decreasing in food industry, non-metallic mineral production as well as in light industry.

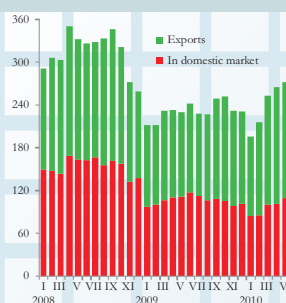
Production volume index

not seasonally adjusted data, 2005 = 100

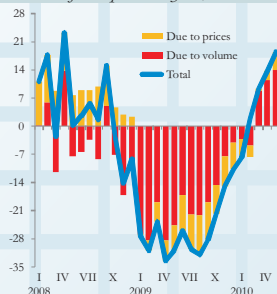


Production sales

in current prices, mln lats



changes over the corresponding period of the previous year, %



Investments

During the last two years investments in the economy of Latvia decreased almost twice. In 2008 investment volumes decreased by 13.6% in comparison with 2007. Deterioration of investment environment, low demand of domestic and external demand as well as low level of the full load of production capacity in 2009 negatively affected investment processes.

Investment volumes were by 1.5 times lower than in 2008 and were 21.5% of GDP (in 2007 – 33.7%). Weak investment dynamics was observed also in 2010. In the 1st quarter of this year investment volumes were almost by 1.5 lower than in the respective period of the previous year, but in comparison with the 4th quarter of the previous year, investment volumes decreased by 54.7%.

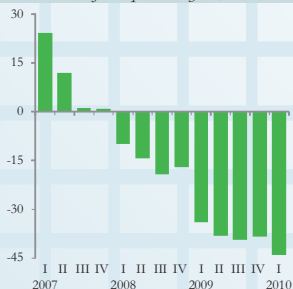
Due to the impact of the global financial crisis, foreign capital flows, int.a.l. FDI, in the economy of Latvia reduced significantly. However, it should be noted, that in comparison with other financial flows,

FDI were more consistent. At the end of March 2010, the FDI stock in the economy of Latvia comprised LVL 5785.2 million (EUR 8231.5 million), which is by 4% more than a year ago. At the end of March 2010, the level of FDI stock in manufacturing has increased by 8.2% in comparison with the end of 2008, comprising 11.4% of FDI stock. It indicates that foreign investors have not decreased their interest to invest in the economy of Latvia, however, they have become more cautious in implementation of investment plans. Almost 80% of FDI stock is from the EU member states, 1/3 of them are investments from the new EU member states.

Major investors are Estonia (21.1% of the FDI stock at the end of March 2010), Sweden (18%), Denmark (9.4%) and Germany (8.8%). At the end of March 2010, 4.6% of the FDI stock in Latvian economy was invested by Russian entrepreneurs. Investments in the services sector account for the largest share of FDI stock.

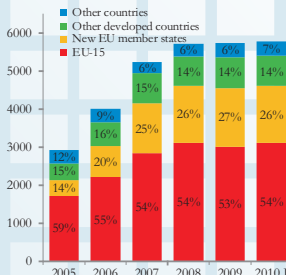
Non-financial investments

changes over the corresponding period of the previous year, %

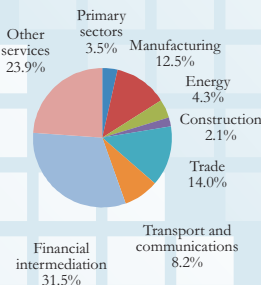


FDI stock

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



structure by sectors, at the end of March 2010, %



Foreign trade

Decrease of commodity export volumes was observed starting from the end of 2009 until the mid-2009. However, in January-May 2010, commodity export volumes have already increased by 22% in comparison with the respective period of 2009. In five months of 2010, Latvia's commodity export volumes in current prices were LVL 1682 million (at the same period a year ago – LVL 1378 million). However, taking into account rapid decrease of commodity export volumes last year, it slightly drops back of the level of 2008. If the situation continues to improve in external markets, positive changes in exports can be also expected.

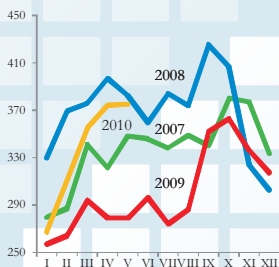
Volumes of exported production in current prices are closely related to changes of export prices. At the end of 2009, export prices decreased rapidly, which was mainly determined by the price decrease of wood-processing production and metal and its production in external markets. However, in the 1st quarter of 2010, due to the lower decrease of the abovementioned commodity groups, also total price decrease was small

(by 0.2% in comparison with the 1st quarter of 2009).

In the first five months of 2010, commodity exports to the EU-15 increased by 18%. Increase of exports most substantially was affected by the wood production exports, but slightly slowed down by the decrease of exports of light industry. Similarly, exports to the CIS countries increased – by 19%, which was affected by the increase of export volumes of agricultural and food products, but was decreased by the decline of exports of transport vehicles. Increase of exports to Lithuania was comparatively moderate – by 12%. Most significant contribution to this growth was given by the increase of exports of mineral products, but it was negatively affected by the decrease of exports of machinery and electric appliances. However, in January-May of 2010, exports to Estonia increased by 23% and most significant contribution was made by the exports of machinery and electric appliances, as well as wood and its products and products of agriculture and food.

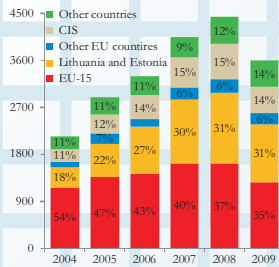
Commodity exports

mln lats



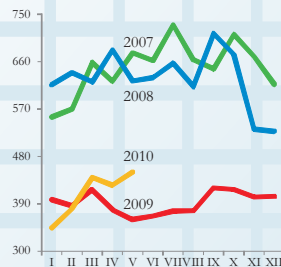
Structure of exports by groups of countries

mln lats



Commodity imports

mln lats



Balance of payments

A high and continuously increasing current account deficit, which was characteristic for Latvia during several years, since the 2nd half of 2007 started to decrease. Since 2009 the current account balance is positive – 9.6% of GDP and in the 1st quarter of 2010 – 9.2% of GDP. Changes of current account are related to the improvements in the foreign trade and income balance positions.

Foreign trade balance deficit in 2009 was 6.5% of GDP (int.al. in the 4th quarter – 3.6% of GDP). In the 1st quarter of 2010 in comparison with the respective period of the previous year, commodity exports increased by 16.6%, but imports decreased by 2.7% and foreign trade balance deficit reached 6.4% of GDP. Since the beginning of 2008, negative trade balance has decreased almost three times.

In 2009, positive balance of services reached 6.3% of GDP, by 2.2 percentage points exceeding the level of 2008. In the first quarter of 2010 positive balance of services was 6.5% of GDP. Since the mid-2009

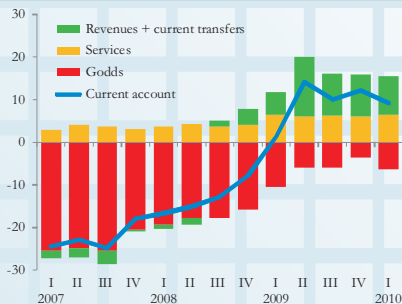
positive balance of services fully covers the negative balance of trade, and balance of commodities and services is positive.

Corrections of the current account determined changes in the capital flows. In 2008, the inflow of capital has decreased rapidly, but since the end of 2008 the outflow of private capital has been observed. In 2009, the outflow of the private foreign capital was almost 2 times bigger than the inflow in 2008. In the 1st quarter of 2010, the outflow of capital continued, although at a slower pace. The long-term loans of the public sector decreased the negative impact of private capital outflow.

On average from 2005 until 2007 foreign direct investments (FDI) in the structure of incoming foreign capital were almost 20%. In 2009, incoming FDI flows decreased and were just 6% of the level of the previous year. However, in 2009 FDI flows were negative (3.5% of GDP). Fluctuations of incoming FDI flows are related to investments in the equity capital of foreign enterprises.

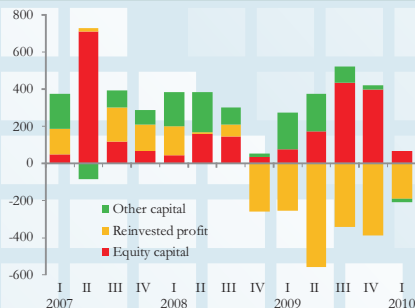
Current account

% of GDP



Foreign direct investments in Latvia

received during the quarter, mln euro



Prices

Decrease of consumer prices started at the end of November 2008, when due to the decrease of domestic demand, consumer prices started to fall. Commodity prices were the first which reacted on the decrease of domestic demand and started to fall at the 2nd half of 2008, but decline of prices for services – only in March 2009. In 2009, 12-month deflation was 1.2%, which was mainly determined by the decrease of domestic demand.

In January and February 2010 in comparison with the previous month, prices have not decreased anymore, but since March price dynamics do not indicate on continuation of deflation. Although private consumption at the moment is very low, however it does not decrease anymore and it is not considered as a factor that can substantially determine decrease of prices.

In June 2010, prices were by 1.4% lower than a year before and in the future external factors may cause bigger effect on average price level, which will be rela-

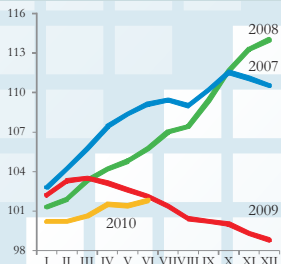
ted to the changes of food and fuel prices. Thus, after seasonal decrease of prices, which is expected during summer months, there can be a price rise in autumn.

The decline of producer prices has started earlier than the decline of consumer prices. In 2009, the decrease of prices on production sold on domestic market was mainly related to the rapid decrease of private consumption, however, on exported production – to the decrease of prices of Latvian main exports – wood and food products in the global markets.

At the end of 2009, consumer prices started to rise again and this tendency continued also at the 1st half of 2010 – in May prices of production in manufacturing were by 3.8% higher than a year before. Although prices for production sold in domestic market during 12 months have decreased by 1%, however during last month prices increase. Producer prices for exported production were by 8.6% higher than in May 2009.

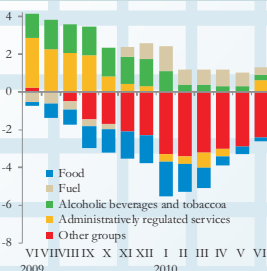
Consumer price index

December of the previous year = 100



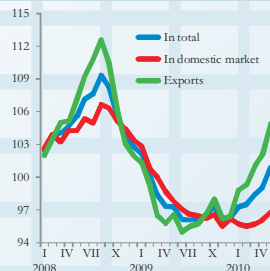
The impact of commodity and services groups on the total consumer price index

contribution to 12-month inflation



Producer price dynamics

December of 2007 = 100



Monetary indicators

At the beginning of 2010, in total indicators of banking system continued to decline, at the same time some indicators improved.

After permanent decrease of deposit volumes of residents, which has started already in 2008, since the end of 2009 deposits have started to increase again and at the end of the 1st quarter of 2010 deposit volumes of residents were LVL 5312 million, which is by 5.9% more than in respective period of 2009.

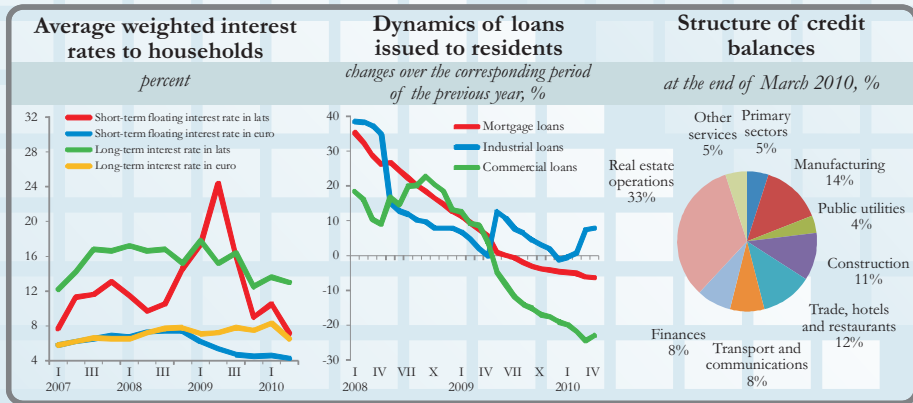
In 2009, crediting volumes have decreased considerably and continued to decrease also at the beginning of 2010. If at the end of the 1st quarter of 2009 loans issued to residents comprised LVL 14.4 billion, then at the end of the 1st quarter of 2010 they were LVL 13.2 billion, which was by 8% less than a year ago.

Every month since November 2008, volumes of commercial loans have been decreasing and continued to decrease also at the beginning of 2010. At the end of the 1st quarter of 2010 compared to the respective period of 2009, volumes of commercial loans

decreased by 24.4%. However, in April in comparison with the March, volumes of these credits increased slightly. After some recovery signs in entrepreneurship sector, particularly due to the growth of exports, at the end of the 1st quarter of 2010 in comparison with the respective period of 2009, volumes of industrial loans have increased by 7.4%. Volumes of mortgage loans are still decreasing and at the end of the 1st quarter of 2010 have decreased by 6.1% in comparison with the respective period of 2009.

At the end of the 1st quarter of 2010, real estate operations (33%), manufacturing (14%) and trade (12%) had the highest share in the structure of loans.

Average weighted interest rate of the short-term loans issued in lats in the 1st quarter of 2010 has decreased to 10.5%. Less explicit fluctuations during the year were observed for average weighted interest rates of long-term loans, however, interest rates for loans issued in euro as usually were lower than for loans issued in lats.



General government consolidated budget

A decline of economic activities leaves negative impact on government general budget revenues, which are decreasing since the end of 2008. Decrease of budget revenues forces the government to implement restrictive budgetary policy. In order to reduce expenditures of general government consolidated budget, optimization of public administration and some sectors is being implemented – decrease of the number of employees in the ministries, decrease of the number of public agencies, hospitals and schools. Also decrease of wages in public sector is implemented. General government budget deficit in 2009 reached LVL 1183 million or 9% of GDP.

It is planned that in 2010 general government budget financial deficit will not exceed 8.5% of GDP. In order to ensure general government budget compliance with the decline of economic growth and to observe agreement of the government of Latvia with international creditors, when adopting the budget for 2010, decisions on significant fiscal consolidation measures were taken. The budget consolidation of 2010 was made in total

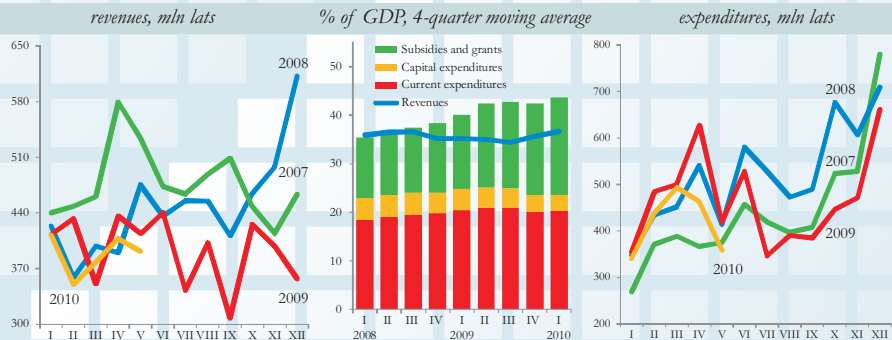
amount of LVL 507.5 million, i.e. budget balance was improved by 4.3% of GDP.

If the economic activity level remains low, also at the beginning of 2010 the general government consolidated budget revenues continue to decrease. In five months of 2010 revenues were LVL 1940 million, which is by 5.8% less than in January-May 2009, which was mainly determined by the decrease of tax revenues. At the 1st half of 2010 the budget revenues plan is overfulfilled.

However, expenditures of general government consolidated budget were LVL 2095, which is by 12.6% less than in the respective period of the previous year. As a result, in five months of 2010 general government consolidated budget deficit was LVL 155 million (in the respective period of 2009, financial deficit was LVL 338 million).

In the medium term, taking into account the goal to introduce the euro, it is planned to reduce the general government budget deficit in 2011 to 6% of GDP and in 2012 – to 2.9% of GDP.

General government consolidated budget revenues and expenditures



Personal income

At the second part of 2009, personal income decreased considerably, which was affected both by decrease of employment and wages. In 2009, along with budget consolidation measures, wages for employees of public sector were reduced considerably. In 2009, gross wages in public sector were on average by 10.9% lower than a year before. The decrease of wages in the private sector was not so considerable (in 2009 by 1%). In 2009, in total in the economy the average gross wage decreased by 3.9% and was LVL 461 contrary to LVL 479 in 2008.

Decrease of wages continued also at the beginning of 2010 and the average gross wage in March was LVL 441. In the 1st quarter of 2010, in comparison with the respective period of the previous year, wages decreased by 8.3%. More rapid decrease was observed in the public sector, which is related to the general government budget consolidation measures.

In the 1st quarter of 2010, wages for employees in the public sector were by 14.1% lower and in private sector by 4.7% lower than a year ago. Most considerab-

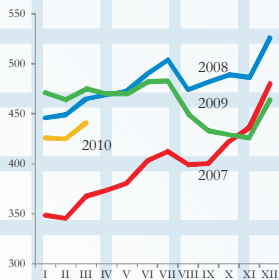
ly gross wages in private sector decreased in construction, trade, finances and other commercial sectors.

Real wages in 2009 in comparison with 2008 decreased by 5.6%, which was determined both by reduction of wages and increase of consumer prices. As of April 2009, consumer prices are decreasing, which has positively affected the dynamics of real wages.

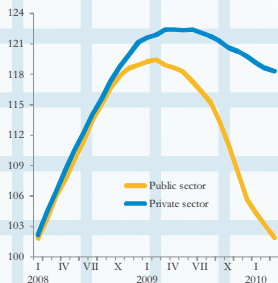
The average amount of age-pensions in 2009 has increased by about 16.1% in comparison with 2008. The old-age pensions have increased rapidly at the beginning of the year, while at the end of 2009 they decreased, which was determined by the amendments in legislation – pensions for retired persons being employed were reduced by 70%, but for non-working retired persons – by 10%. In this turn, in the 1st quarter of 2010 in comparison with the 4th quarter of 2009, the average amount of old-age pension has increased by 9.1%, because in February 2010, the restrictions of pension payments stated by the legislation were repealed.

Average gross wage of employed persons

lats

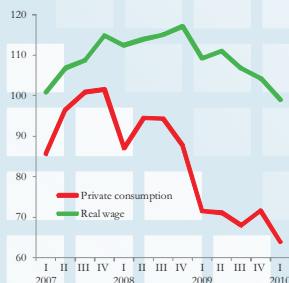


*12-month moving average index,
December of 2007 = 100*



Dynamics of real wage and private consumption

4th quarter of 2006 = 100



Employment and unemployment

During the last two years the situation in the labour market has deteriorated considerably – the number of unemployed persons has increased rapidly and employment has decreased. The decrease of employed persons and increase of unemployment has started already at the end of 2008. Due to the significant decrease of labour demand, the number of employed persons decreased by 137.5 thsd or by 12.2% in 2009 as compared to 2008, as a result the average employment rate in 2009 decreased to 61.1%. At the same time, the unemployment rate increased to 16.9%. In 2009, the decline of employment has been affected most significantly by the decrease of the labour demand in construction, manufacturing, trade, as well as in public administration.

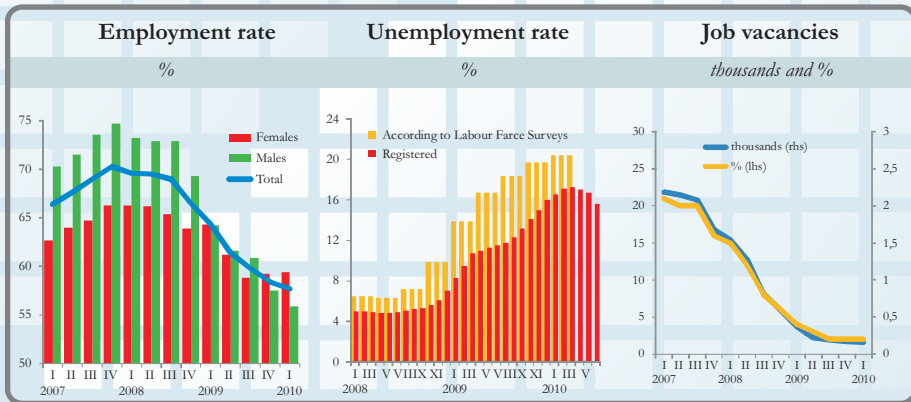
Also in the 1st quarter of 2010 labour market indicators in general pointed on negative tendencies, employment level decreased to 57.7% (from 58.4% in the 4th quarter of 2009), but unemployment rate increased up to 20.4% (from 19.7% in the 4th quarter of 2009).

However, along with the stabilization of the economic situation, since April 2010, stabilization in

the labour market of Latvia is also observed. The registered unemployment rate have been decreasing gradually already since April 2010 and at the end of June 2010 it has been 15.6% – 176.9 thousand job seekers were registered, which were by 17.4 thousand less than at the end of March. Also the results of the Labour Force Survey indicate that unemployment decreases gradually.

In the 1st quarter of 2010, job vacancies have remained at a low level. The number of job vacancies in comparison with the end of 2009 decreased by 4.9%. In accordance with the data of the State Employment Agency, situation improves gradually. At the end of June 2010, employers have declared 2.7 thousand job vacancies, which are almost twice as much as at the end of 2009.

Although some positive tendencies have been observed, the situation in the labour market is still tense. Situation in the labour market will improve considerably in 2011, when the increase of employed persons is being expected.



Baltic states. Main socio-economic indicators

	Estonia	Latvia	Lithuania
Territory, thsd km ²	45.2	64.6	65.3
Population as of January 2010, thsd	1340.4	2248.4	3329.0
Gross domestic product, changes over the corresponding period of the previous year, %			
2008	-3.6	-4.2	2.8
2009	-14.1	-17.8	-14.8
4 th quarter of 2009	-9.5	-16.9	-12.1
1 st quarter of 2010	-2.0	-6.0	-2.8
Industrial output, changes over the corresponding period of the previous year, %*			
2008	-5.1	-6.5	5.5
2009	-26.1	-19.2	-14.6
4 th quarter of 2009	-14.9	-9.0	-8.2
1 st quarter of 2010	6.1	6.8	-2.8
Unemployment rate (share of unemployed persons in the economically active population, %)**			
2008	5.5	7.5	5.8
2009	13.8	17.1	13.7
4 th quarter of 2009	15.5	19.7	15.6
1 st quarter of 2010	19.8	20.4	18.1
Consumer price changes, changes over the corresponding period of the previous year, %			
2008	10.4	15.4	10.9
2009	-0.1	3.5	4.5
4 th quarter of 2009	-2.0	-1.1	1.4
1 st quarter of 2010	0.3	-3.8	-0.3
Producer price changes in industry, changes over the corresponding period of the previous year, %			
2008	7.1	11.8	18.2
2009	-0.5	-4.7	13.3
4 th quarter of 2009	-2.0	-8.6	-8.2
1 st quarter of 2010	1.0	-4.7	6.3

* Short-term statistics data; ** Eurostat data: <http://epp.eurostat.ec.europa.eu>