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Ministry of Economics of the Republic of Latvia

Central Statistical Bureau of Latvia

THE NATIONAL ECONOMY OF LATVIA: A MACROECONOMIC REVIEW

Latvia: 2009

Territory, thsd km^2	64.6
Population as of 1.06.2009 (thsd)	2 256
of which:	
Urban area	1 531
of which Riga, the capital city	711
Rural area	725
National currency: lats (LVL)	

Key indicators of economic development

	2005	2006	2007	2008	2009 f
	(changes over the previous year, %)				
Gross domestic product	10.6	12.2	10.0	-4.6	-18.0
Consumer prices	6.7	6.5	10.1	15.4	2.8
	(% of GDP)				
Central government budget balance	-0.4	-0.5	-0.4	-4.0	-9.0
Central government debt	12.4	10.7	9.0	19.5	30.0
Current account balance	-12.5	-22.5	-22.5	-12.6	2.0
Exchange rate LVL per US dollar	0.565	0.560	0.514	0.480	0.520
Exchange rate LVL per euro	0.703	0.703	0.703	0.703	0.703
Unemployment rate (share of job seekers as % of economically active population aged 15-74 years)	8.7	6.8	6.0	7.5	15.7

	2007				2008				2009
	I	II	III	IV	I	II	III	IV	I
	(changes over the corresponding period of the previous year, %)								
Gross domestic product	9.0	9.3	11.4	10.0	0.5	-1.9	-5.2	-10.3	-18.0
Consumer prices	7.6	8.6	10.3	13.7	16.4	17.7	15.8	12.0	9.2
	(% of GDP)								
Central government budget balance	2.5	2.7	-0.3	-5.3	1.5	1.4	-2.1	-15.9	-9.3
Current account balance	-24.5	-23.1	-25.0	-18.3	-16.8	-14.1	-11.8	-8.3	1.1
Exchange rate LVL per US dollar	0.536	0.522	0.512	0.485	0.470	0.450	0.467	0.533	0.537
Exchange rate LVL per euro	0.703	0.703	0.703	0.703	0.703	0.703	0.703	0.703	0.703
Unemployment rate (share of job seekers as % of economically active population aged 15-74 years)	6.9	6.0	5.9	5.3	6.5	6.3	7.2	9.9	13.9

f – forecast of the Ministry of Economics; * according to financial flow principle

Economic policy

Taking into account the deepening of global financial and economic crisis, Latvian government is taking action to stabilize and revive financial system, to improve efficiency of public administration by decreasing its expenditures, as well as to restructure national economy by increasing its competitiveness.

In cooperation with the European Commission (EC) and the International Monetary Fund (IMF) the government has developed *Economic Stabilization and Growth Revival Programme of Latvia*, which will ensure structural changes for sustainable economic development in the future. The agreement with the EC and the IMF also provides corresponding attraction of financial resources of 7.5 bln euro in order to solve possible liquidity problems.

Key elements and main action directions of the mentioned programme are as follows:

- Strict and stable monetary policy, which is based on the 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 introduction of the euro as soon as possible – in 2013;
- Strict fiscal policy – balancing of expenditures of central government and local governments with the possibilities provided by revenues. In order to ensure further decrease of budget deficit, the goal of fiscal consolidation measures is to decrease budget deficit to 3% of GDP by 2011. Moreover, the programme foresees that the consolidated budget, excluding revenues and expenditures related to the financial support from the EU and other countries, starting with 2013 has to be balanced or with a surplus;
- To decrease the level of wages in the economy of Latvia (both in public sector – public administration and services, and in private sector) so that it corresponds to the productivity. In addition to the decrease of wages and the number of employees in the public sector, the government will promote understanding and agreement with the private sector in order to foster proportionality of wages in all employment sectors;
- To increase the efficiency of public administration, by implementing reforms in such sectors as education, health and other public services by decreasing and restructuring the number of employed, and optimizing the activity and number of ministries and agencies under their subordination;
- To increase flexibility of the labour market by fostering retraining of unemployed and their returning to the labour market;
- To improve competitiveness of the economy by concentrating the financing of the EU Structural Funds in order to increase support for export-capable sectors and infrastructure projects. At the same time the government is implementing the necessary measures in order to simplify administration procedures of the EU funds by fostering more efficient use of resources and faster turnover of financial resources. Moreover, by attracting financing of the EU structural funds, several programmes are being implemented, such as *Introduction of New Products and Technologies into Production, Competence Centre Programmes, Support for Technology Transfer Contact Points, Implementation of the Programme on Development of Innovation Centres and Business Incubators*, which are aimed at development of knowledge-based economy, i.e. promotion of knowledge and technology transfer in production in order to ensure higher value added production;
- To reduce administrative burden on businesses, especially for small and medium-sized enterprises, by simplifying tax administration procedures, real estate registration, receipt of construction permits, as well as promotion of broader use of integrated state information system in communication among institutions and enterprises. At the same time, the government and municipalities implement measures aimed at development of entrepreneurship and simplification of enterprise registration and licensing procedures. In order to improve enterprise insolvency and liquidation processes, the government has prepared amendments in the Insolvency law;
- To stabilize financial sector – state support provision for strengthening of credibility and activity of credit institutions along with the strengthened supervision of credit institutions;
- To maintain social security measures for diminishing of social tension.

Macroeconomic development

In the period of 2005-2007 rapid growth has been observed in Latvia. During this period, GDP increased on average by 11% annually. Rapid growth rates were mostly ensured by domestic demand, which was mainly based on significant inflow of foreign capital.

In 2008, GDP decreased by 4.6%. The deterioration of economic situation in 2008 was determined both by domestic (decline of domestic demand stimulus) and external (decrease of global growth rate) processes influencing economy. In the first half of 2009, as the global financial problems remained, the recession in Latvia continued. GDP in the 1st quarter of 2009 decreased by 18% compared to the same period of the previous year. The decrease of output has been observed in all key sectors of national economy. Most significantly economic activities decline in trade, manufacturing and construction.

Private consumption in the 1st quarter of 2009 was by 17.4% lower than in the 1st quarter of the previous year. Decrease of the public budget expenditures, standstill in the household crediting process, reduction of wages and increase of unemployment indicates that private consumption will continue to go down.

Investment in fixed assets decreased in the 1st quarter of 2009 even more rapidly (by 34.1%), which is still related to significant fall in the real estate market activities to a great extent.

Due to reduction of domestic demand the external imbalance has shrunken. If in the 4th quarter of 2006 current account deficit of Latvia's balance of payments was 27.2% of GDP, then in the 1st quarter of 2009 the current account surplus of 1.1% of GDP could be observed.

As the domestic demand has decreased and supply-side factor influence has diminished, since the mid-2008 consumer price inflation is gradually falling. In the first 6 months of 2009, 12-month inflation has decreased to 3.4% (in December 2008 it was 10.5%). It is expected that in the next months inflation will continue to drop and already in autumn 12-month inflation will be negative.

Decrease of economic activities is starting to influence employment indicators. In the first half of 2009, as the economic activities were reducing, the number of employed continued to decrease – in the 1st quarter of 2009 – 1046.7 thsd persons were employed (by 8% less compared to the 1st quarter of 2008).

In the first half of 2009, the number of registered unemployed continued to grow rapidly. According to the data of the State Employment Agency, in June 2009 the registered unemployment level had reached 11.5% – more than 129 thsd unemployed are registered. According to the data of the Labour Force Survey, the unemployment level (number of job seekers) in May 2009 reached 16.3%.

In the next years, the recovery of Latvia will depend to a great extent on how fast global financial system and main trading partner countries of Latvia will recover. As concerns global economy, there is rather big uncertainty, growth forecasts are being changed on a regular basis. The majority of economists (International Monetary Fund, the European Commission, etc.) forecast that exit from recession could start not sooner than in the second half of 2010, if the situation in financial markets stabilizes at least until the end of 2009.

Taking it into account, the Ministry of Economics forecasts, that GDP will decrease by 18% in 2009. Despite the improvement of the situation in the second half of 2010, the growth rates of GDP will remain negative in 2010. Economic growth in Latvia could start in 2011.

Gross domestic product

2008

Volume at current prices,	
mln lats	**16243**
mln US dollars	**33840**
mln euro	**23105**
Per capita,	
lats	**7168**
US dollars	**14933**
euro	**10196**
Structure of GDP by sectors, in %:	
Agriculture[1]	**3.1**
Industry	**13.8**
Construction	**8.9**
Trade[2]	**19.0**
Transport and communications	**10.8**
Public services[3]	**15.7**
Other services	**28.7**

The GDP decreased by 4.6% in 2008 compared to the previous year. As the global financial problems deepened, the recession in the 2nd half of 2008 accelerated. If in the 1st quarter of 2008 compared to the 1st quarter of 2007 GDP has increased by 0.5%, then in the following quarters GDP has dropped already under the level of the corresponding quarters of 2007.

High domestic consumption of the previous years and large imports prevalence over exports determines the narrowing volume of Latvia's economy. As the financial inflow is running out, private consumption and investments are rapidly decreasing, as well as substantial economic corrections are taking place, and it results in more balanced exports and imports of goods and services. The reduction of economic activities and the decline in domestic demand is observed simultaneously.

In the first half of 2009, as the global financial problems remained, decline of Latvian economy continued. In the 1st quarter of 2009, GDP has decreased by 18% but domestic demand – by 19.7% compared to the same period of 2008.

The decline of domestic demand directly reflects on economic activities of sectors – retail trade has shrunken, construction growth rates have dropped, activities in the real estate market have reduced.

Second recession-explaining factor is output decrease of the main exports sector – manufacturing, which was determined not only by the lower domestic demand and external demand in the main trading partner countries, but also by gradual drop in competitiveness due to high inflation and rapid increase of labour costs in the previous years.

[1] Including forestry and fishing
[2] Including hotels and restaurants
[3] Public administration including healthcare and education

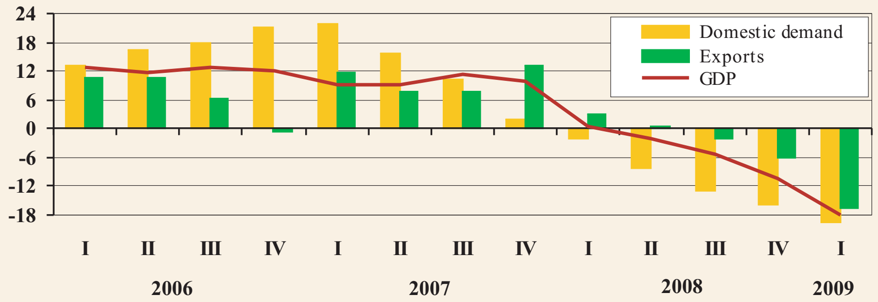
Gross domestic product

GDP by Sectors
(changes over the corresponding period of the previous year, %)

	2008				2009	2006	2007	2008
	I	II	III	IV	I			
GDP	**0.5**	**-1.9**	**-5.2**	**-10.3**	**-18.0**	**12.2**	**10.0**	**-4.6**
Agriculture[1]	-1.4	0.3	1.4	-2.6	-11.0	-5.2	8.0	-0.3
Industry	-1.1	-4.5	-5.5	-10.6	-21.8	5.7	1.8	-5.5
Construction	9.1	5.7	-7.4	-10.9	-28.2	21.5	15.7	-2.6
Trade[2]	-0.3	-4.9	-8.8	-17.9	-26.6	17.9	14.2	-8.4
Transport and communications	8.7	1.3	-1.9	-2.0	-15.4	5.5	7.0	1.1
Public services[3]	1.3	1.3	-0.1	0.3	-3.7	4.7	3.3	0.7
Other services	4.6	2.5	-2.0	-4.7	-6.5	18.2	11.2	-0.2

[1] Including forestry and fishing
[2] Including hotels and restaurants
[3] Public administration including healthcare and education

Quarterly Changes in Real GDP and Major Expenditure Items
(in % over the corresponding quarter of the previous year)



Manufacturing

2008
Growth rate: **-6.5%**
Share in GDP **10.6%**

Production volumes of manufacturing in 2008 were by 6.5% lower than in 2007. The decrease of output was mainly determined by the decline of domestic demand, but Latvian industrial production export volumes increased slightly. In the breakdown by sectors the most rapid fall of production volumes was in production of machinery and equipment, light industry, production of other non-metallic mineral products and wood processing.

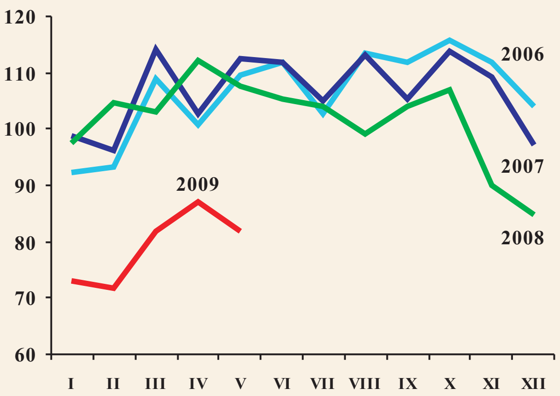
In 2009 unlike in 2008, rapid decrease of external demand has larger impact on manufacturing. However, the decrease of domestic demand also continues.

In March and April 2009 compared to the previous month, production volumes grew in the sector, however, in May compared to April production volumes of manufacturing decreased again by 6.1%. In general, in the first 5 months of 2009 production output of manufacturing was by 24.7% lower than in the same period of the previous year. In the 1st quarter of 2009 volumes of new orders both in local, and export markets have also decreased significantly.

Narrowing of output is observed in all sub-sectors of manufacturing. The most substantial decreases in production volumes are in light industry, as well as in the production of machinery and equipment and transport vehicles. However, the smallest drop is in the production of food products and chemical industry, as well as in wood-processing industry.

Since March 2009, industry confidence indicator has started to improve, however, it is still at a very low level.

Manufacturing Output
(average monthly output in 2005 = 100)



Investments

2009

Foreign direct investment stock per capita, at the end of the 1st quarter: 3533 euro

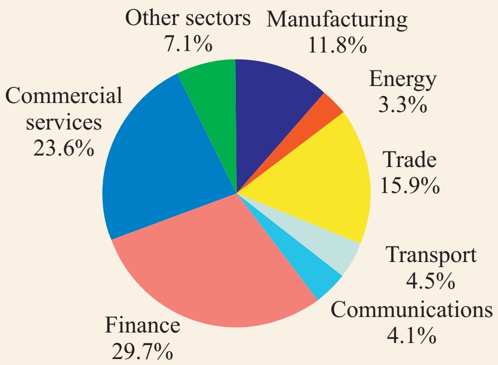
Since 2008 significant investment dynamics adjustment is being observed – moderate growth was replaced by decrease of investment volumes. Such change of investment trend was determined by the limited availability of credit resources and worsening of financial situation of enterprises due to the decline of domestic and external demand. In 2008 compared to 2007 investment in Latvia's economy decreased by 13.2%. As the environment unfavourable for investment remained also in the 1st quarter of 2009, investment volumes were almost three times smaller than in the same period of 2008.

Due to the impact of global financial crisis, foreign capital inflow in Latvia's economy decreased significantly. In 2008 the volume of incoming FDI compared to 2007 was by 44% lower. In the end of March 2009, the FDI stock in Latvia's economy reached 5607.8 mln lats or almost 35% of GDP.

Investments of EU member states prevail in the geopolitical structure of the FDI stock. At the end of March 2009 they comprised almost 81% of the total FDI stock, one third of them are investments of the new EU member states. Major investors are Estonia (20.1% of FDI stock at the end of the 1st quarter of 2009), Sweden (17.3%), Denmark (9.9%) and Germany (9.7%). 4.4% are investments from Russia.

Investments in the services sector account for the largest share of the FDI stock.

Foreign Direct Investment Stock by Industry
(at the end of the 1st quarter of 2009, %)



Foreign trade

2008

Structure of exports, %:

Wood and wood products -	**16.6**
Metalworking, machine building and transport vehicles -	**36.6**
Light industry products -	**6.1**
Chemical products and articles of plastics -	**11.2**
Agricultural and food products -	**16.9**
Other goods -	**12.6**

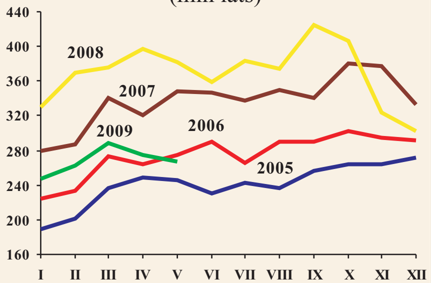
Typically negative Latvian trade balance started to improve in the end of 2007, when imports decreased and exports increased. Such trend has been also observed in 2008, however, due to significant decrease of imports than increase of exports.

As demand in the main trade markets of Latvian goods is declining, during last months exports of goods are significantly decreasing, especially exports of wood and wood products, as well as exports of metalworking products and machine building.

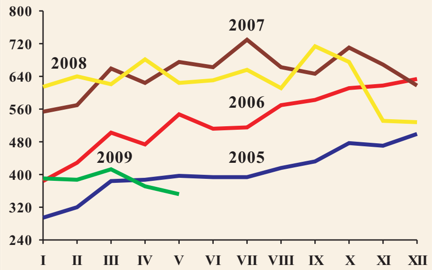
In January-May 2009 exports decreased to all country groups – most rapidly to Lithuania and other EU-15 member states, but more moderately to the third countries.

In 5 months of 2009 the share of exports to the EU member states decreased from 75.2% to 71.7% compared to the same period of the previous year, mostly due to the reduction in exports of wood and wood products. However, the share of exports to the CIS countries has increased slightly.

Commodity Exports by Months
(mln lats)



Commodity Imports by Months
(mln lats)



Balance of payments

2008

Current account balance

mln LVL:	**-2051.5**
mln euro:	**-2919.4**

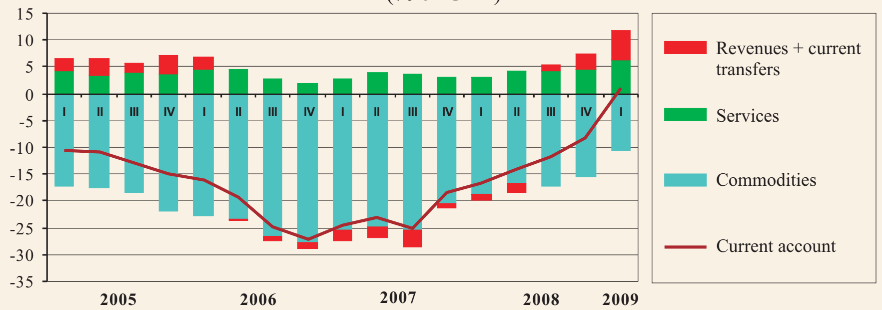
Since the 3rd quarter of 2007, when current account deficit was 25% of GDP, negative balance of balance of payments' current account is continuously decreasing – almost by 3 percentage points each quarter. In the 4th quarter of 2008 current account deficit has already decreased to 8.3% of GDP, but in the 1st quarter of 2009 there has been a surplus of 1.1% of GDP.

Following positive changes in the trade balance, the current account deficit of Latvia's balance of payments has also decreased. If in the 4th quarter of 2006 it was 27.2% of GDP, then in the 1st quarter of 2009 there was current account surplus of 0.1% of GDP. The improvement of the current account is taking place due to the substantial decrease of domestic demand, which in the period of rapid growth was based mainly on the voluminous inflow of foreign capital into Latvia's economy.

Due to the influence of global financial crisis, the inflow of foreign capital has also changed. In 2008 much slower foreign investment inflow intensity was observed, which was determined mainly by the decrease of volume of foreign financial resources attracted by commercial banks. In 2008 private capital inflow volumes compared to 2007 were almost 7 times lower, but in the 1st quarter of 2009 outflow of private foreign capital is observed.

Foreign direct investment inflow in 2008 decreased by 44.4%, but in general it remained at a high level taking into account the crisis – in 2008 – 4% of GDP (in 2007 – 7.8%). In the 1st quarter of 2009, the incoming FDI flows were almost by 15 times lower than in the 1st quarter of the previous year. Significant adjustments in the flow of other investments (mainly in bank sector) determined that in 2008 net capital inflow was lower than current account deficit and balance of payments was negative. In the 1st quarter of 2009 financial account was negative.

Current Account Balance
(% of GDP)



Inflation

June 2009

(12-month inflation)

CPI:	**3.4%**
PPI:	**-7.8%**

Total level of consumer prices in 2008 increased by 10.5% which is by 3.6 percentage points lower than in the previous year (in 2007 – 14.1%, December over December). Prices for services rose more rapidly (by 13.3%), while the increase in the prices of goods was more moderate (9.5%). Average annual price changes in 2008 were 15.4% (in 2007 – 10.1%).

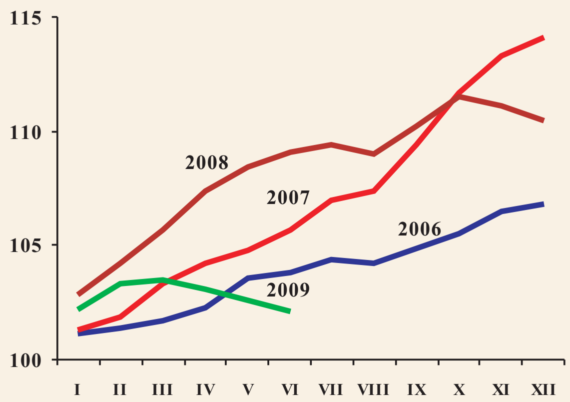
Main influence on the increase of consumer prices in 2008 had price growth of housing maintenance related goods and services that was mainly determined by administratively-regulated price rise of heat energy, electricity, gas, water supply, sewerage services, waste collection and housing management payments. The second largest group, which determined the increase of prices in 2008 were prices of food products. As tax rates increased, in 2008 tobacco products rose in price by 52.8%. The growth of prices for fuel had also a large impact on inflation.

In the 2nd half of 2008, as domestic demand decreased and the influence of supply-side factors diminished, consumer price inflation went down.

In 2009 total level of consumer prices increased only in the first three months of the year. It was determined by supply-side factors, which were related to administratively-regulated prices and tax rate changes for value added tax and excise duty.

In January – June 2009 consumer price level increased by 2.1% if compared to December 2008. It is by 7 percentage points lower than in the same period of the previous year. Thus, in the first 6 months of 2009, 12-month inflation decreased to 3.4%.

Consumer Price Index
(December of the previous year = 100)



Monetary indicators

2008

Domestic enterprises and private persons

Loans:	**90.2% of GDP**
Deposits:	**31.2% of GDP**

Situation in the global financial markets and in the Latvian economy has influenced dynamics of monetary indicators significantly.

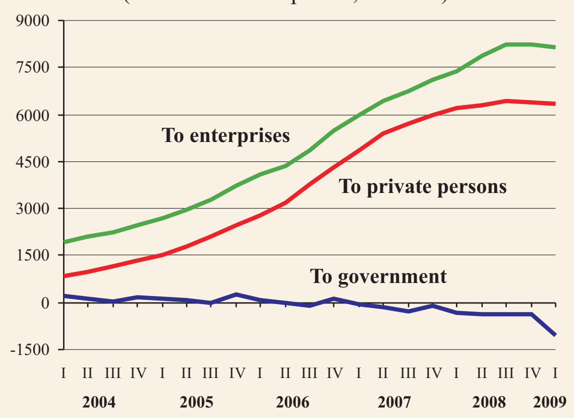
Due to the availability and rise in the price for financial resources, crediting volumes have decreased. The crediting policy of banks has become more cautious, future income of population and revenues of enterprises are unclear, the real estate market is in the waiting position. If in January 2008 the increase of the issued loans was 31.8% and in December – 11.7% over the same month of the previous year, then in May 2009 the volume of issued loans exceeded the level of May 2008 only by 1.6%. Moreover, since November 2008 the remainder residual of the loans over the previous month is decreasing every month.

As the unemployment has been increasing rapidly and income level of population has been declining, in the 1st quarter of 2009 the solvency of borrowers has been worsening. The share of loans with delays in payments in total loans increased from 15% in the end of 2008 to 20.5% in the end of the 1st quarter of 2009. The share of loans with delays in payments over 90 days in the loan portfolio at the end of March reached 7.1% (at the end of 2008 – 3.6%).

The deposit volume is also decreasing. At the end of May 2009, total deposits of natural persons and enterprises were by 4.6% lower than a year ago. Over the year interest rates of loans issued in lats have increased significantly. Interest rates of loans issued in euro have increased more moderately. Weighted average interest rate of short-term loans issued to enterprises and natural persons in lats in the 1st quarter of 2009 was 17.3%, but for the long-term loans – 17.8%, but for loans issued in euro – 6.2% and 7.1% respectively.

Over the year weighted average annual interest rates for the long-term deposits in credit institutions attracted in lats have also increased (in the 1st quarter of 2009 – 10.3%). However, at the same time short-term interest rates have decreased (in the 1st quarter of 2009 – 6.3%). Similar trend has been also observed for weighted average annual interest rates for deposits attracted in euro. Short-term rate has decreased (in the 1st quarter of 2009 – 2.8%), but weighted average annual interest rate of long-term loans has increased (in the 1st quarter of 2009 – 5.4%).

Domestic Loans
(at the end of the period, mln lats)



Budget and central government debt

2008

General government budget (% of GDP):

Revenues:	**38.3**
of which – taxes:	**31.3**
Expenditures:	**37.7**
of which – capital investment:	**5.4**

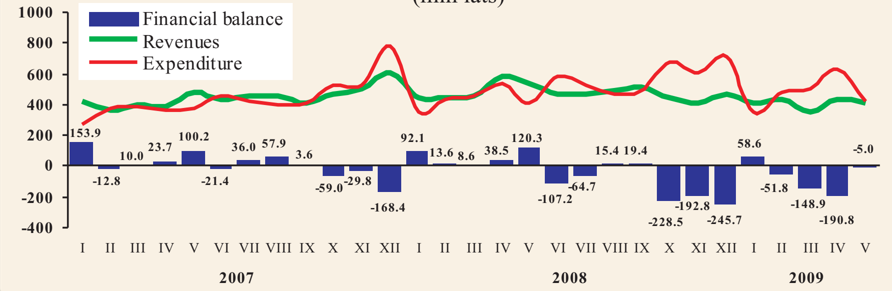
The deterioration of economic situation has influenced fiscal situation of Latvia significantly. Central government budget deficit in Latvia in 2008 was 644.1 mln lats or 4% of GDP. The budget deficit has been mainly determined by the central government budget deficit, which has trend to grow. In 2008 budget balance of local governments has worsened significantly, which to a great extent was influenced by the construction of Riga's Southern Bridge. Over the past years there was a surplus in social insurance budget. However, in 2008 it has slightly decreased against GDP.

Consolidated budget revenues in 5 months of 2009 were 2047.4 mln lats, which is by 16.9% lower than in 5 months of 2008. It was mainly determined by the decrease of tax revenues (by 289.7 mln lats) of the central government budget. Consolidated budget expenditures in 5 months of 2009 were 2385.2 mln lats, which is by 195.1 mln lats more or by 8.9% than in 5 months of 2008. In January-May 2009 financial deficit of consolidated budget was 337.8 mln lats, which was mainly determined by the government budget deficit.

Revenues from taxes continue to diminish. In 5 months of 2009, revenues from taxes comprised 1540.5 mln lats, which is by 436.7 mln lats or by 22.1% lower compared to the same period of 2008. The most significant decrease (in lats) is in the revenues from the value added tax.

Until 2008, central government debt in Latvia has grown moderately – from 933.9 mln lats at the end of 2003 to 1331.3 mln lats at the end of 2007, but against GDP it has even dropped – from 14.6% to 9% of GDP respectively. However, in 2008, in order to cover financial liabilities of the country, it increased very rapidly and at the end of the year reached 3164.7 mln lats or 19.5% of GDP.

Financial Indicators of General Consolidated Budget
(mln lats)



Personal income

2008

Average monthly net wage:

in lats	**350**
in euro	**498**

Average monthly old-age pension (paid):

in lats	**141**
in euro	**201**

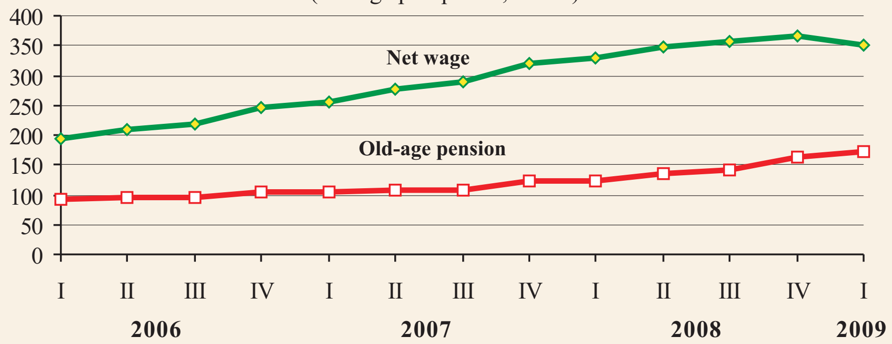
At the beginning of 2008, high growth rate of wages has remained. It has started to drop only in the second half of 2008. If in July 2008 average gross wage exceeded the level of the previous year by 22.8%, then in December it exceeded the level only by 9.4%, which was determined by the deterioration of the situation in the labour market – decrease of employment and increase of unemployment, as well as budget deficit's limitation policy implemented by the government. In the result, the average wage in 2008 comprised 480 lats.

In the 1st quarter of 2009, the average net monthly wage was 351 lats, which was by 4.2% lower than in the 4th quarter of 2008. At the same time period, gross wage decreased by 6.2% and was 469 lats. As inflation still remained rather high, real wage dropped by 6.6%.

Since January 1, 2009 the minimum wage has been increased from 160 to 180 lats and tax allowance for a dependent person – from 56 to 63 lats, but personal income tax has been reduced from 25 to 23%. As regards the monthly untaxed minimum, it has been reduced to 35 lats since July 1, 2009 (it was 90 lats until June 30, 2009).

Despite the fact, that in general the income of population over the last year in the economy has a decreasing trend, the income of retired persons, whose main income is old-age pension, in the 1st quarter of 2009 increased by 38.9% compared to the same period of 2008, and comprised 172 lats.

Monthly Wages and Old-Age Pensions
(average per quarter, in lats)



Employment and unemployment[1]

2008

Employment rate (aged 15-64)	**68.6%**
Unemployment rate (share of job-seekers aged 15-74):	**7.5%**

Until the 4th quarter of 2008 economic recession poorly reflected in the labour market indicators, because changes in employment level always slightly (approximately 4-6 months) lag behind from changes in economic activities.

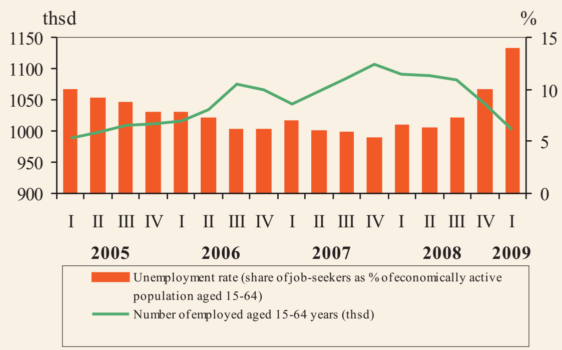
In the 1st two quarters of 2008 employment almost did not decrease and its level even slightly exceeded indicators of the same period of the previous year. The number of employed has started to decline only in the 4th quarter of 2008, when compared to the same period of 2007 it has dropped by 5.8%. In the 1st quarter of 2009, the decrease was even faster – by 8.2% compared to the 1st quarter of 2008. Thus, in the 1st quarter of 2009 the average number of employed was 1,002.5 thsd persons, which is by 89 thsd lower than in the same period of 2008.

Since the end of 2008 the unemployment level has increased rapidly and in the 1st quarter of 2009 it was 13.9%. In the 1st quarter of 2009 compared to the 1st quarter of 2008, the number of unemployed has doubled and comprised 168.8 thsd.

At the same time the number of job vacancies is reducing fast. According to the data of the Central Statistical Bureau, in the 1st quarter of 2009 there were only 3.7 thsd job vacancies in the country. If compared to the 1st quarter of 2008, the number of job vacancies has dropped by 11.7 thsd.

[1] In the analysis of employment and labour market, indicators for employment are given for persons aged 15-64, but for unemployment – for persons aged 15-74, which corresponds to the EU practice.

Number of Employed and Unemployment Rate



Main socio-economic indicators of the Baltic States

	Estonia	Latvia	Lithuania
Territory, thsd km^2	45.2	64.6	65.3
Population as of January 1, 2009, thsd.	1340.4	2261.3	3349.9
Gross domestic product, % of the corresponding period of the previous year			
2007	6.3	10.0	8.9
2008	-3.6	-4.6	3.0
1st quarter of 2009	-15.1	-18.0	-13.6
Total volume of industrial production, % (NACE Rev. 2)			
2007 over 2006	6.7	1.0	2.4
2008 over 2007	-6.5	-3.8	5.5
Unemployment level (share of job seekers as % of economically active population aged 15-74 years)			
2007	4.7	6.0	4.3
2008	5.5	7.5	5.8
1st quarter of 2009	11.4	13.9	11.9
Consumer price changes, % of the corresponding period of the previous year			
2007	6.6	10.1	5.7
2008	10.4	15.4	10.9
1st quarter of 2009	3.1	9.2	8.7
Producer price changes in industry, % of the corresponding period of the previous year (NACE Rev. 2)			
2007	8.3	16.1	7.0
2008	7.1	11.8	18.2
1st quarter of 2009	-1.4	4.1	-10.0