



THE NATIONAL ECONOMY OF LATVIA:

A MACROECONOMIC REVIEW

1
(46)

2011

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Latvia: 2011

Territory, thsd km ²	64.6
Population as of 01.05.2011., thsd	2 221
of which:	
Urban area	1 500
of which Riga, the capital city	697
Rural area	721
National currency: lats (LVL)	

Key indicators of economic development

	Actual data				Forecast	
	2007	2008	2009	2010	2011	2012
	<i>changes over the previous year, %</i>					
Gross domestic product	10.0	-4.2	-18.0	-0.3	3.5	4.0
Consumer prices	10.1	15.4	3.5	-1.1	4.1	2.0
	<i>% of GDP</i>					
General government						
budget balance	-0.3	-4.2	-9.6	-7.6	-4.5	-2.5
General government debt	9.0	19.7	36.7	44.7	48.0	48.0
Exports-imports balance	-20.0	-13.6	-1.5	-0.8	-1.1	-1.9
Unemployment rate*	6.0	7.5	16.9	18.7	16.0	14.7

	2009				2010				2011
	I	II	III	IV	I	II	III	IV	I
	<i>changes over the corresponding period of the previous year, %</i>								
Gross domestic product	-17.8	-18.1	-19.1	-16.8	-6.1	-2.6	2.8	3.6	3.5
Consumer prices	9.2	4.7	1.6	-1.1	-3.8	-2.1	-0.1	1.8	4.0
	<i>% of GDP</i>								
General government									
budget balance	-7.5	-6.2	-5.9	-19.0	-8.0	-1.3	-6.0	-14.7	-2.7
Exports-imports balance	-4.5	-0.6	-1.7	1.0	-0.7	0.6	-1.5	-1.6	-1.5
Unemployment rate*	13.9	16.7	18.4	19.7	20.5	19.4	17.9	16.9	16.6

* – share of unemployed in economically active population aged 15-74 years, %

Economic policy

Government consistently continues implementation of the *Economic Stabilization Programme of Latvia* which has helped to stabilize the financial system of Latvia and prevent state insolvency. The programme aims to secure stability of the lats, decrease budget deficit gradually (in 2011 – to 4.5% of GDP, in 2012 – to 2.5% of GDP) and fulfil other preconditions in order to join the eurozone in 2014.

A range of considerable budget consolidation measures have been carried out in Latvia by implementing cumulative fiscal adjustment amounted to 16.6% of GDP in 2008-2011, int.al. both by reducing expenditures and increasing revenues. In order to establish contra-cyclical and sustainable fiscal policy framework, the *Fiscal Discipline Law* has been submitted to the Saeima, envisaging balanced budget and budget surplus during economic growth, as well as providing moderate budget deficit as a fiscal stimulation tool during stagnation or recession. The government has also taken serious actions in order to combat the grey economy.

In order to reach the general government budget goals while at the same time ensuring conditions for economic growth in the medium-term, the government of Latvia continues implementing structural reforms by promoting competitiveness, improving efficiency of public administration and implementing reforms in education and healthcare systems. A range of reforms to optimize the state institutional structure have been implemented – the Secretariat of Special Assignments Minister has been closed, the Ministry of Regional Development and Local Government has been incorporated to the Ministry of Environment, the number of state agencies has been reduced by 50%, as well as savings have been made in the field of support functions by implementing centralization.

In order to promote competitiveness of Latvian producers, it is planned to allocate main state support

instruments and to promote accessibility to the EU funds for the priority sectors being already competitive – wood processing, food industry, metal working, chemical industry and pharmacy, as well as production of electrical and optical equipment, etc. These economic sectors form around 80% of the total manufacturing.

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

A lot has been achieved with regard to establishing business friendly environment that would be favourable for micro-enterprises and encourage people to start a business, thus contributing to unemployment reduction. Now it is possible to establish an enterprise by investing initially only 1 LVL in equity capital; tax payment system has been simplified for micro-enterprises by introducing a flat rate. After introducing patent fees, the individual work performers can work without bureaucratic barriers.

At the same time the government is implementing several activities in order to reduce administrative burden in the areas of tax policy and administration, insolvency process, registration of real estate, tourism, construction, etc.

According to the World Bank's *Doing Business 2011*, Latvia takes the 24th position among 183 observed countries, improving by 3 positions in the total assessment compared to the previous year.

Macroeconomic development

During the period of rapid economic growth (2005-2007) the average annual GDP growth rate was almost 11%. The main growth stimulus was linked to considerable increase in private consumption and investments, which was based mainly on the substantial inflow of foreign capital.

In 2008 and 2009 due to the global financial crisis when the foreign capital inflow declined, Latvia went into recession. The GDP decreased by ¼ during the crisis. Internal and external imbalances decreased – inflation decreased and current account deficit of the balance of payments turned from distinctly negative to positive.

A gradual increase of GDP was observed in 2010. However, taking into account the fact that growth took up from a very low point, the GDP in total decreased by 0.3% in 2010 compared to the previous year. In the 1st quarter of 2011 GDP exceeded the level of the 1st quarter of 2010 by 3.5%.

Along with the gradual improvement of global economic situation and increase of demand in the main trading partner countries, and due to the improvement of the competitiveness of Latvian producers which has been lost during the period of rapid growth, exports have become the main driving force of the economy. In 2010 export growth was quite considerable and starting from the 3rd quarter, export volumes had exceeded already the pre-crisis level.

Expansion of export possibilities is the basis for the growth of tradable sectors, particularly manufacturing, which exceeded in 2010 the level of 2009 by 15.4%. In 2010 the growth gradually recovered almost in all sectors of commodities and services. The decline had been still observed in public services and construction.

The domestic demand stabilized also in 2010. In 2010 public administration expenditures decreased due to the implemented budget consolidation measures. Also investment activities were on a very low level last year. At the same time private consumption has started to increase, which is mainly determined by gradual improvement of the situation in the labour market. The lowest point in the labour market was observed in the 1st quarter of 2010, when the number of employed persons was 916 thousand, but unemployment rate reached 20.5%. In the following quarters of 2010 along with the gradual increase of economic activities, situation in the labour market improved gradually.

Since the end of 2009, consumer prices have started to increase. Private consumption is no longer decreasing and external factors affect the total price level more considerably. In the first five months of 2011, consumer prices increased by 3.8%. Consumer price level in May 2011 as compared to May 2010 increased by 5%. The increase of inflation in the first five months of 2011 was determined by the increase of prices for fuel, clothing and footwear, as well as food, which is linked to the situation in the global markets. Other reasons for increase of prices are raise in taxes and inflation expectations.

It is expected that further price increase, however, will be more rapid than forecasted previously and it can increase inflation in 2011 by 4% in comparison with the previous year.

Similarly as in 2010, exports will be the main driving force of the economy in 2011. The Ministry of Economics forecasts that the GDP will exceed the level of 2010 by 3.5%. The main risk which can affect the economic growth in Latvia is related to the development of global economy.

Gross domestic product

GDP increased by 0.3% (according to seasonally adjusted data) in the 1st quarter of 2011 compared with the previous quarter. It means that already 6 quarters in turn, GDP volumes increase gradually. Since the lowest economic point at the end of 2009, GDP has increased by 3.8%. Compared with the 1st quarter of 2010, GDP has increased by 3.5 percent.

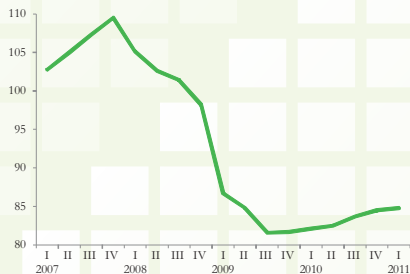
Gradual improvement of economic situation is still determined by the increase in export volumes, which is promoted by the renewal of external demand, and Latvian producers' competitiveness recovered during the crisis. In the 1st quarter of 2011 compared with the 1st quarter of the previous year, export volumes of commodities and services increased by 14.7% (in comparable prices). Rapid increase of export is determined mainly by the increase of commodity export, besides volume

increase is observed in all commodity export groups. Increase in services export rate is more moderate.

Situation in domestic market is stabilizing gradually. In the 1st quarter of 2011 compared with the 1st quarter of 2010, domestic demand increased by 6%. It was determined by a comparatively rapid increase in non-financial investments (by almost 30%, as compared to the 1st quarter of 2010), private consumption increased by 3.6% as compared to the previous year. Gradual increase of private consumption is mainly promoted by the situation improvement in the labour market. Although public consumption in the 1st quarter of 2011 as compared to the previous quarter has improved by 4.8% (according to seasonally adjusted data), however it is by 18.3% lower than at the end of 2008, as public consumption is closely related to the budget consolidation activities.

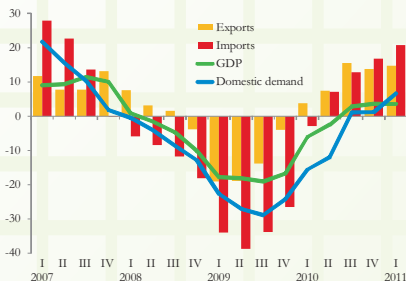
GDP dynamics by quarters

seasonally adjusted data, 4th quarter of 2006 = 100



GDP by expenditure items

changes over the corresponding period of the previous year



Development of sectors

Economic activities in the sectors of the economy are closely related to dynamics of domestic and external demand. The higher decrease of output has been observed during the crisis in sectors, which are oriented towards domestic demand – trade and construction.

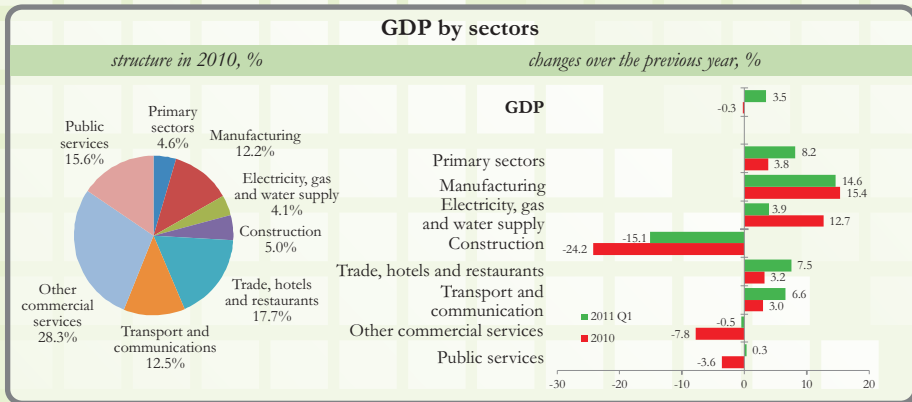
In 2010, along with improvement of the global economy and by increase of external demand, tradable sectors play an increasingly higher role for the economy of Latvia. In 2010 growth was observed in all commodity production and services sectors related to exports.

In the 1st quarter of 2011 compared to the corresponding period of 2010, manufacturing increased by 14.6%, primary sectors – by 8.2%, transport and communications – by 6.6% and due to the increase

in wholesale trade volumes, trade sector increased by 7.5% as compared to the 1st quarter of 2010. Growth of the abovementioned sectors has contributed to the increase of GDP by 3.9 percentage points.

In the 1st quarter of 2011, slight increase has been observed also in other commercial services. However in services sector and construction in the 1st quarter of 2011 compared to the corresponding period of the previous year, output volumes decreased. In total, in the 1st quarter of 2011, tendencies in construction sector determined decrease of GDP by 0.4 percentage points.

Due to the positive tendencies of export growth and stabilization of domestic demand, positive growth is expected in all economic sectors in 2011 except public services.



Manufacturing

In 2009, production volumes in manufacturing declined by 19.2% due to the rapid decrease in domestic and external demand. In the 2nd half of 2009 growth revived in the trading partner countries of Latvia and increase in external demand gave a positive growth stimulus for Latvian producers – production volumes started to increase gradually in the 2nd half of 2009.

Production volumes in manufacturing continued to increase also in 2010 (by 16.5% as compared to the previous year). Comparatively rapid revival of the sector is mainly based on the growth of competitiveness, which was reached considerably reducing expenditures during the crisis.

In 2010, production sales volumes in the domestic market increased by 3%, whereas sales of exported production increased by 28 percent.

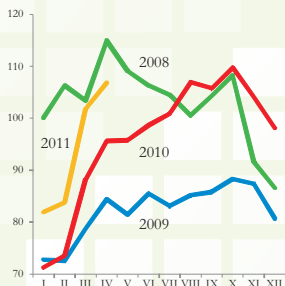
In the 4 months of 2011 production volumes in the sector increased by 13.9% as compared to the corresponding period of 2010. Most considerable contribution to the volume increase was for wood-processing (increase of production volumes by 16%) and metal working (increase by 31%).

In January-April 2011, revenues from production sales in manufacturing continue to increase gradually. If in 2010, due to the weak domestic demand, production sales in domestic market increased very moderately, than in January-April 2011 production volumes in the domestic market exceeded the level of January-April 2010 already by 14 percent.

However, in January-April 2011 sales of exported production increased by 33.5%. Main markets of the sector have not changed considerably during the last years – almost ¾ of production sales are related to the markets of the EU member states.

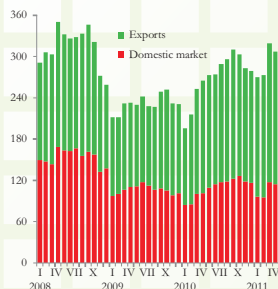
Production volume index

not seasonally adjusted data, 2005 = 100

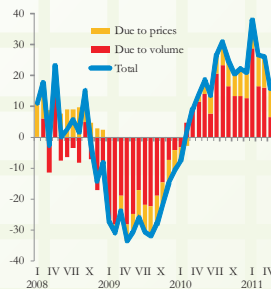


Production sales

in current prices, mln lats



changes over the corresponding period of the previous year, %



Investments

Since the 2nd half of 2010, investment activity has been increasing gradually; however, it still remains at a very low level. In 2010, investments in the Latvian economy decreased by 19.5% as compared to the previous year and share of investments in GDP has decreased by 20.7% or by half as compared to 2007. More rapid increase in investment volumes are prevented by the low domestic demand, the restricted financial means of enterprises, low bank crediting level and other factors.

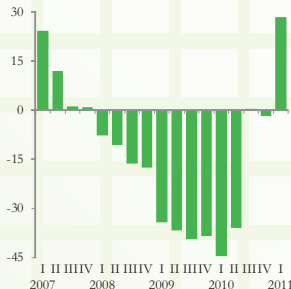
After considerable decrease in the incoming FDI flow in 2008 and 2009, since 2010 increase tendencies have reappeared. In 2010 the attracted FDI volumes in the economy exceeded the level of 2009 almost 4 times. However in the 1st quarter of 2011 FDI flows were similar to the ones of previous year.

In March 2011 FDI stock in the Latvian economy was 6167.3 million LVL (8775.2 million EUR), which is by 7% more than a year ago.

At the end of March 2011, the level of FDI stock in manufacturing increased by 18% as compared to the end of March 2010, comprising 12.6% of FDI stock in Latvia. It was mainly determined by the considerable investments in the production of construction materials (increase by 14%) and in wood-processing (increase by 28%). Almost 80% of the foreign direct investment stock are investments of EU, 1/3 of which are investments of the new EU member states. The major investors are Estonia (14.2% of the FDI stock at the end of March, 2011), Sweden (13.6%), Denmark (6.6%) and the Netherlands (6.6%). Investments from Russia constituted 4.5% in the FDI stock at the end of March. Investments in the services sectors have a higher share in the foreign direct investment stock.

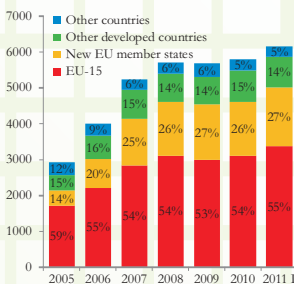
Gross fixed capital formation

changes over the corresponding period of the previous year, %

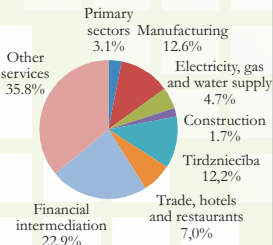


FDI stock

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



structure by sectors, at the end of March 2011, %



Foreign trade

During the global financial crisis, commodity export volumes decreased rapidly. In the middle of 2009, when the growth revived in our trade partnership countries, export volumes started to increase. Comparatively high export increase also continued in 2010 and since the 3rd quarter it exceeded the pre-crisis level. In total, in 2010 commodity export in current prices exceeded the level of 2009 by 30%.

At the beginning of 2011 export volumes increased rapidly. In January-April 2011 compared with the according period of the previous year, export volumes in current prices increased by 38%.

Due to the decrease in domestic demand, commodity import started to decrease in 2007. During the crisis, the decrease in imports was more considerable than in exports, decreasing to the level of 2005. Commodity import in 2010 in current prices increased by 25%. In January-April 2011 compared with the January-April 2010, import

volumes in current prices increased by 35 percent.

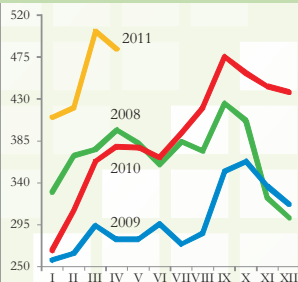
Revenues of Latvian exporters are positively affected by the increase in export prices. In 2010 compared with the previous year, export prices increased considerably for production of chemical industry (by 31%), metals and metal articles (by 19%), as well as for wood products (by 13%). Also at the beginning of 2011, export prices continued to increase.

In January-April 2011 export increased considerably to CIS countries (by 47%). Most considerably it was affected by the export volume growth in agriculture and food products, as well as in machinery.

In January-April 2011, commodity export to EU-15 increased by 30%. Most considerably it was affected by the export of metals and metal articles and wood products. In January-April 2011, export to Lithuania increased by 65%, but to Estonia more moderately – by 37 percent.

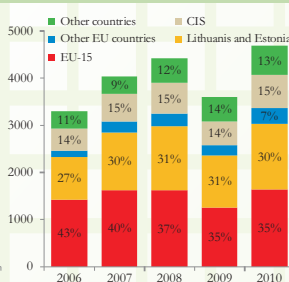
Commodity exports

mln lats



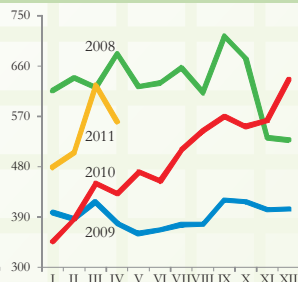
Structure of exports by groups of countries

mln lats



Commodity imports

mln lats



Balance of payments

Rapid decrease in foreign capital inflow during the crisis caused significant adjustments to the current account of balance of payments. Current account balance in a short period became positive, reaching 13.7% of GDP in the 2nd quarter of 2009 (in the 3rd quarter of 2007 – current account deficit was 24.8% of GDP). Since the 3rd quarter of 2009 current account positive balances decreased gradually.

In 2010, the current account surplus was 3.6% of GDP, but in the 1st quarter of 2011 – 1.7% of GDP. In 2010 and at the beginning of 2011 changes of the current account are mainly related to the changes of the income balance items, less to the changes in foreign trade balance items.

With increase in economic activity, in the 1st quarter of 2011 compared with the end of 2010, there is a slight increase in the trade deficit (7% of GDP) and in the positive balance of services (6% of GDP). Most considerable fluctuations can be obser-

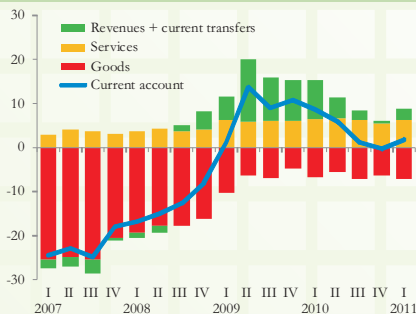
ved in the current account income balance. From the 4th quarter of 2008 it was positive seven quarters in turn – in 2nd quarter of 2009 reaching 9.1% of GDP.

Current account surplus during next periods decreased and since the 3rd quarter of 2010 income balance was negative. Negative balance at the second half of 2010 and in the 1st quarter of 2011 was determined by the income of non-resident investments, intal., increase of reinvested profit.

Since the end of 2008 there is a decrease in the liabilities of the financial account of the balance of payments (capital outflow), which has been declining in the last quarters. In 2010 as compared to the previous year, the negative balance of financial account had almost decreased twice. In the 1st quarter of 2011 balance of financial account (without reserve assets) was negative (8.7% of GDP), which was mainly affected by the long-term liabilities repayment in the private sector.

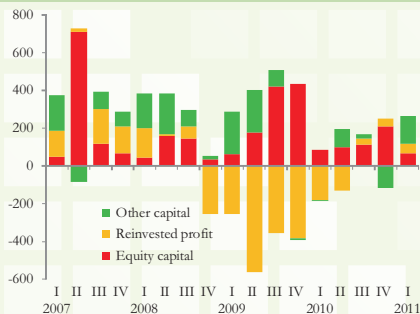
Current account

% of GDP



Foreign direct investments in Latvia

received during the quarter, mln euro



Prices

In 2010 consumer price rate increased by 2.5%, int. al., for commodities – by 4.3%, but prices for services decreased by 2.1%. Taking into consideration deflation of 2009, average price rate in 2010 decreased by 1.1% as compared to the previous year.

In January-May 2011, consumer prices increased by 3.8%. In May 2011 compared to the previous month, the consumer price level has increased by 0.4%, which by 0.7 percentage points exceeded the monthly average price increase.

The total consumer price level increase in five month of 2011 was determined by the increase in fuel prices, unexpectedly high price increase for clothing and footwear, as well as for food products, which is closely related to the global price tendencies. The price increase for clothing and footwear of almost 5 and for food products of 1 percentage point exceeded seasonal fluctuations.

One of the reasons for price growth is increase in

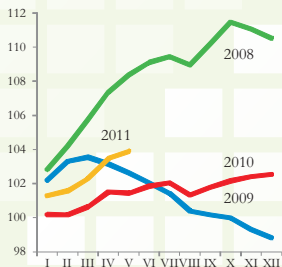
taxes and expectations of inflation. Consumer price increase was affected also by 14% increase in electricity tariffs in April 2011.

Producer prices started increasing again at the end of 2009, although in the last months of 2010 the price increase became more moderate. Prices increased both for production sold in the domestic market, which was affected by the stabilization of the domestic demand, and for products in export, which was determined by the price increase in global markets of main commodities in export, int.al. wood products, metals and food products.

In April 2011, producer prices were by 8.6% higher than in April 2010, int.al. manufacturing – by 8.7% (prices increased equivalent for production sold in the domestic market and for products in export). Prices increased more rapidly for metals – by 28.7%, wood products – by 8.4%, energy – by 8.6% and food products – by 11.3 percent.

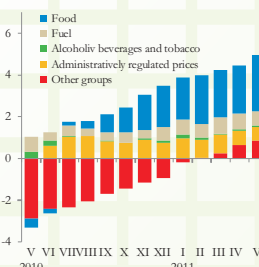
Consumer price index

December of the previous year = 100



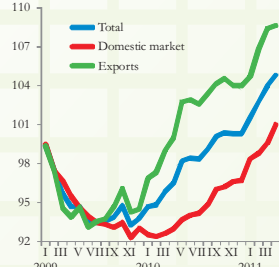
The impact of commodity and services groups on the total consumer price index

contribution to 12-month inflation



Producer price index

December of 2008 = 100



Monetary indicators

After financial market convulsion at the end of 2008 and at the beginning of 2009, monetary indicators in Latvia keep stabilizing. Since the 4th quarter of 2009, there has been an increase in deposits attracted from residents. At the end of the 1st quarter of 2011 resident deposits reached 5542.6 million LVL, which was 4.3% more than in the corresponding period in 2010.

At the end of the 1st quarter loans issued to residents reached 12.1 billion LVL, which is by 8.7% less than in the previous year. Since the end of 2008, the commercial loans (for increasing the current assets of enterprises) balance has been decreasing. At the end of 1st quarter of 2011 compared with the corresponding period of the previous year, commercial loan balance had decreased by 13.9%. Along with the gradual increase in the economic activity, particularly with regard to expansion of export possibilities, the industrial loan balance (for

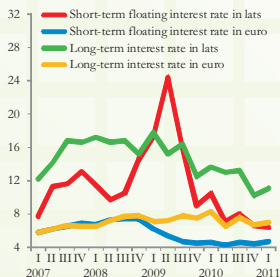
acquisition of fixed assets and for financing long-term investment projects) has increased comparatively fast. However, at the end of the 1st quarter of 2011 decrease has been observed (by 3.2%). Mortgage loan balance is still decreasing and at the end of the 1st quarter of 2011 was by 8.9% lower than that of the corresponding period of the previous year.

The biggest share of issued credit balance was for real estate operations, manufacturing and trade, hotels and restaurants.

Since the end of 2009 interest rates have been stabilizing. The weighted average interest rate for short-term loans issued in Latvian lats was 6.4% in the 1st quarter of 2011 (in the 2nd quarter of 2009 it was - 24.4%). Interest rate for long-term loans issued in Latvian lats increased to 11.1% in the 1st quarter of 2011.

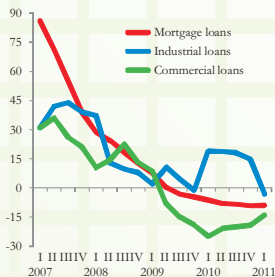
Average weighted interest rates to households

percent



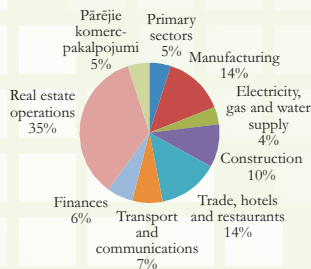
Dynamics of loans issued to residents

changes over the corresponding period of the previous year, %



Structure of credit balances

at the end of March 2011, %



General government consolidated budget

In 2010, general government budget deficit was 7.6% of GDP, which did not exceed the general government budget deficit goal set by the government – 8.5% of GDP. In 2010, general government consolidated budget revenues were 4607 million LVL, expenditures – 5409.7 million LVL, accordingly the financial deficit was 802.7 million LVL. In 2010, fiscal consolidation by 507.5 million LVL was carried out.

General government consolidated budget revenues in the four months of 2011 were 1457.3 million LVL, which is by 5.9% less than in the corresponding period in 2010. Tax revenues in this period reached 1178.5 million LVL, which exceeded tax income plan for January-April 2011 by 1.2%. In January-April 2011 compared with the corresponding period of 2010, the most rapid tax revenue increase was collected from the real estate tax (by 72%), from state social insurance

contributions (by 9%) and value added tax (by 6%).

In January-April 2011, general government consolidated budget expenditures compiled 1672.2 million LVL, which is by 3.7% less than in the corresponding period of 2010. General government consolidated budget financial balance in January-April 2011 reached 214.9 million LVL, which is by 26.7 million LVL more than in corresponding period of 2010.

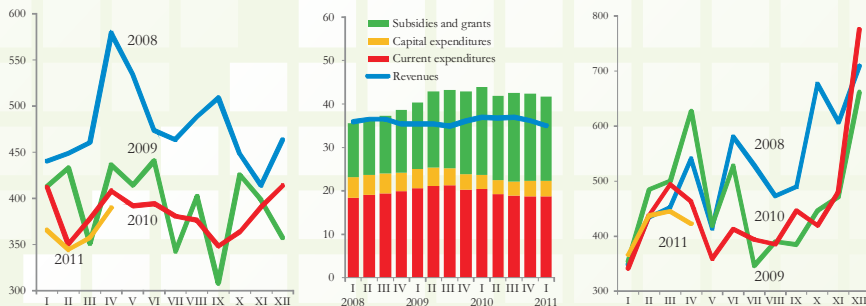
In the medium term, in order to achieve the goal set by the government – to introduce euro in 2014, it is planned to reduce the general government budget deficit to 4.5% of GDP in 2011, to 2.5% of GDP in 2012 and to 1.9% of GDP in 2013 according to ESA95 methodology. In order to comply with the government agreement with the international partners and in order to reach the goal of budget deficit in 2011 and in the future, the government will need to continue to cut the budget expenditures.

General government consolidated budget revenues and expenditures

revenues, mln lats

% of GDP, 4-quarter moving average

expenditures, mln lats



Personal income

Personal income decreased considerably in the economic crisis period. It was determined by the decrease in both – of employment and wages.

Average gross wage in 2009 compared with 2008, decreased by 3.8% (in the public sector by 10.6% and in the private sector – by 1.1%).

In 2010, compared with 2009, the average gross wage in economy decreased by 3.5%; however, within yearly perspective, the wages kept a tendency to increase (average wage increase against the previous period was 0.3% per month). Starting from the 4th quarter of 2010, wage increase has been positive also against the according period of the previous year. In the 4th quarter of 2010 wages increased by 3.4%, but in the 1st quarter of 2011 – by 4.6 percent.

As regards sectors, in 2010 gross wage decreased considerably in education (by 11%) and in public administration (by 9%), as well as in construction (by 5%). However considerable increase was

observed in agriculture and forestry sectors (by 6%) and electricity, gas and water supply (by 5%).

In 2009, the real wage decreased by 5.6%, which was determined both by the decrease in wages and the average price level that was higher than in 2008 on average. In 2010, within the year the real wage increased moderately, however, on average within the year its real decrease was 6.5 percent.

The average level of old-age pensions in 2009 has increased by 16%; however, at the end of the year, along with the amendments in legislation, pensions for retired persons being employed were reduced by 70%, but for non-working – by 10%. In February 2010, restrictions on pension payments stated by the legislation were repealed and in April withheld pensions – refunded. In 2010, the average level of monthly pensions increased by 7.6% and reached 176 LVL. In the 1st quarter of 2011, the average old-age pension increased by 4.9% and reached 177 LVL.

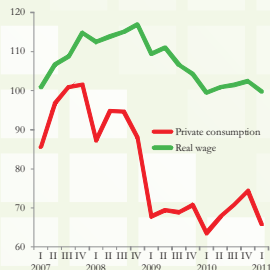
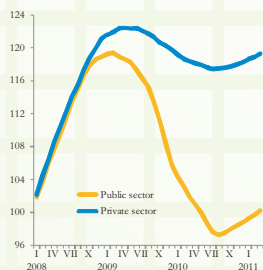
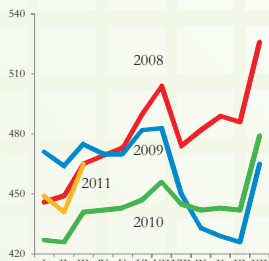
Average gross wage of employed persons

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

Along with the economic downturn, situation in the labour market deteriorated considerably. In 2009 compared with the 2008, along with the considerable decrease in the labour force demand, the number of employed aged 15-74 decreased by 12.2% and the unemployment rate increased by 9.4 percentage points.

The lowest point in the labour market was registered in the 1st quarter of 2010, when the number of employed was 916 thousand and unemployment rate reached 20.5% of economically active population. In the following quarters of 2010, along with the gradual increase in the economic activity, the situation in the labour market started to improve gradually. However, on average in 2010 the number of employed persons was by 4.6% lower than in 2009, as increase in employment started to grow from a very low point.

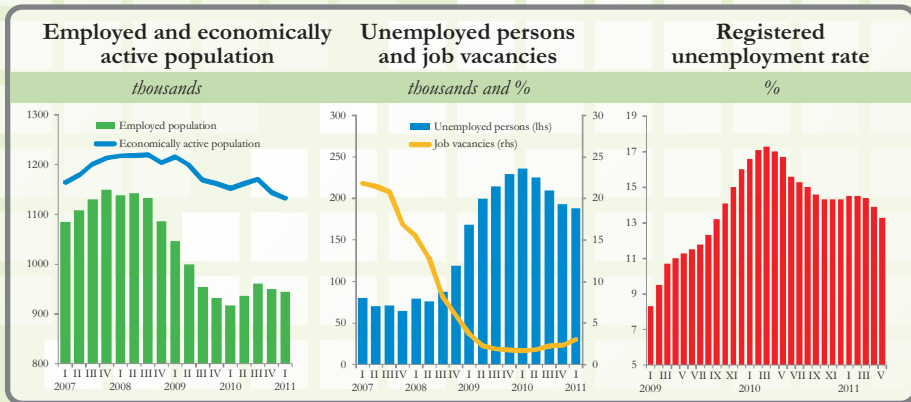
In the 1st quarter of 2011 the number of employed persons was 944 thousand, which is by

3.1% more than in the 1st quarter of 2010.

Accordingly unemployment rate decreased.

According to data provided by the labour force survey in the 1st quarter of 2011 unemployment rate was 16.6%. Registered unemployment rate continued decreasing, which was 13.2% at the end of May 2011. Since December 2010 the number of registered unemployed persons has decreased by almost 13 thousand; however, still considerable regional differences can be observed – in Latgale region at the end of May registered unemployment rate was 21.8%, whereas in Riga – 10%.

According to data provided by the State employment agency, starting from January 2010, the number of job vacancies has been increasing gradually. At the end of May 2011 3.9 thousand job vacancies were registered. It is expected that also in the future the situation in labour market will improve; however, employment increase will be moderate, as growth will be based mainly on the increase of productivity.



Baltic states. Main socio-economic indicators

	Estonia	Latvia	Lithuania
Territory, thsd km ²	45,2	64,6	65,3
Population as of January 2011, thsd	1340,1	2248,4	3229,0
Gross domestic product, changes over the corresponding period of the previous year, %			
2009	-13.9	-18.0	-14.7
2010	3.1	-0.3	1.3
2010 Q4	6.7	3.6	4.8
2011 Q1	8.5	3.5	6.9
Industrial output, changes over the corresponding period of the previous year, %*			
2009	-24.0	-19.2	-14.6
2010	20.9	15.4	6.6
2010 Q4	35.0	17.9	16.5
2011 Q1	32.8	14.6	14.6
Unemployment rate (share of unemployed persons in the economically active population, %)**			
2009	13.8	17.1	13.7
2010	16.9	18.7	17.8
2010 Q4	14.5	16.9	17.1
2011 Q1	13.8	16.6	17.2
Consumer price changes, changes over the corresponding period of the previous year, %			
2009	-0.1	3.5	4.5
2010	3.0	-1.1	1.3
2010 Q4	5.2	1.8	3.1
2011 Q1	5.4	4.0	3.3
Producer price changes in industry, changes over the corresponding period of the previous year, %			
2009	-0.5	-4.7	-13.3
2010	3.3	3.1	10.3
2010 Q4	5.3	7.5	13.6
2011 Q1	5.3	8.5	15.3

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