



THE NATIONAL ECONOMY OF LATVIA:

A MACROECONOMIC REVIEW

1
(42)

2010

Key indicators of economic development

Economic policy

Macroeconomic development

Gross domestic product

Manufacturing

Investments

Foreign trade

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Prices

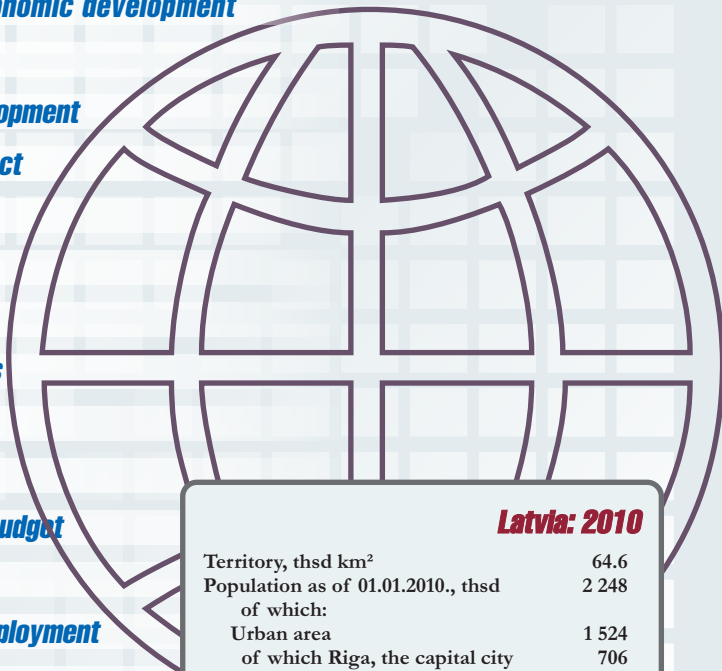
Monetary indicators

General government budget

Personal income

Employment and unemployment

Baltic states



Latvia: 2010

Territory, thsd km ²	64.6
Population as of 01.01.2010., thsd	2 248
of which:	
Urban area	1 524
of which Riga, the capital city	706
Rural area	724

National currency: lats (LVL)

Key indicators of economic development

	2006	2007	2008	2009	2010f
	<i>changes over the previous year, %</i>				
Gross domestic product	12.2	10.0	-4.6	-18.0	-3.0
Consumer prices	6.5	10.1	15.4	3.5	-2.7
	<i>% of GDP</i>				
General government					
budget balance	-0.5	-0.3	-4.1	-8.9*	-8.5
General government debt	10.7	9.0	19.5	36.1*	55.1
Exports-imports balance	-21.5	-20.2	-13.1	-0.9	2.2
Unemployment rate	6.8	6.0	7.5	16.9	18.2
	<i>(share of unemployed in economically active population aged 15-74 years, %)</i>				

	2008				2009			
	I	II	III	IV	I	II	III	IV
	<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
Consumer prices	16.4	17.7	15.8	12.0	9.2	4.7	1.6	-1.1
	<i>% of GDP</i>							
General government								
budget balance	0.9	0.5	-3.0	-14.3	-7.7	-7.3	-6.0	-14.8
Exports-imports balance	-16.0	-12.7	-13.1	-10.8	-4.4	0.0	-0.7	1.4
Unemployment rate	6.5	6.3	7.2	9.9	13.9	16.7	18.4	19.7
	<i>(share of unemployed in economically active population aged 15-74 years, %)</i>							

f – forecast of Ministry of Economics; * operative data, Eurostat data in the process of validation

Economic policy

At the end of 2008, in order to eliminate further reduction of economic activities, to revive activity in Latvia's financial markets and to balance budget expenditures with decreasing public revenues, the Latvian government has determined certain activities to overcome economic crisis. They are included in the Economic Stabilization and Growth Revival Programme of Latvia (adopted by the Saeima on December 12, 2008 and renewed on June 16, 2009). Main strategic directions of the activities to overcome economic crisis 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 introduction of the euro as soon as possible;
- strict fiscal policy – balancing of expenditures of central and local government with the possibilities provided by revenues. In order to ensure further decrease of the total budget deficit, the goal of fiscal consolidation measures is to decrease budget deficit to 3% of GDP by 2012;
- decrease the level of wages in the Latvian economy (both in public sector – public administration and services and in private sector) so that it corresponds to the productivity;
- increase the level of efficiency of the public administration, by implementing reforms in such sectors as education, health and other public services by decreasing and restructuring the number of employed, optimizing activities and number of ministries and agencies under their subordination;
- increasing the labour market flexibility by promoting the return of the unemployed in the labour market;
- improve competitiveness of the economy by concentrating on the financing of the EU Structural

Funds in order to increase support of export sectors and infrastructure projects;

- reduce administrative burden on businesses, especially for small and medium-sized enterprises;
- stabilization of financial sector – state support provision for strengthening the credibility and activity of credit institutions along with the strengthened supervision of credit institutions;
- maintain social security activities in order to reduce social tension.

The government has managed to stabilize state's financial system. Several important reforms have been taken up, for example, efficiency of public administration is being improved, and education and health care systems are being reformed. At the same time the government has implemented different activities to support entrepreneurship and eliminate administrative barriers by simplifying processes of tax administration, real estate registration, tourism, construction and other activities.

In order to support small enterprises the government has defined activities to create economic environment, which would promote activities of small enterprises, to train entrepreneurs and to perform other activities in order to stimulate the unemployed to start up their own business and thus reducing the unemployment rate.

The redistribution of EU funds has been done and significant financing has been shifted for the support of entrepreneurship and exports. As of June 2009 Export Credit Guarantee System has been launched. In general, the financing for the development and promotion of entrepreneurship is available within more than 20 support programmes. Until 2013, the support activities will be planned for more than LVL 582 million, while at the same time ensuring significant amount of private financing.

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 in the result of the global financial crisis. The depth of the crisis has been determined by the imbalance of the external sector, which has developed in the previous years of rapid growth. Substantial growth of private consumption and investments, which was higher than the overall economic growth, was mainly based on significant inflow of foreign capital. It has fostered development of high current account deficit of the balance of payments and increased economic vulnerability of Latvia. As the financial inflow was running out, private consumption and investments started to decrease rapidly, but at the same time the correction of the trade balance and decrease of output has been observed.

In 2009, Latvia's economic recession continued and GDP decreased by 18%. At the end of the year, the decrease of economic activities were not so rapid anymore. At the same time, positive development and improvement of economic situation has been observed in many essential developing countries and developed economies, which has increased Latvian exports to the main trading partner countries in the 2nd half of 2009. However, in 2009, the total export volume was almost by 14% lower than in the previous year.

Due to the decrease of domestic demand, external imbalance has shrunken. High and continuously growing current account deficit, which has been characteristic for Latvia for many years, has started to decrease from the 2nd half of 2007 and since the beginning of 2009 it is positive.

Due to the decrease of domestic demand and the impact of supply-side factors, consumer prices are falling gradually since the mid-2008. In February 2010, the 12-month deflation was 4.2% (in December 2008, 12-month inflation was 10.5%). Deflation is also expected for 2010, however during this year, prices may continue to drop by more percentage points. The poor demand will foster the decrease of the overall price level, which is related to the decrease of the income of population due to the rise of unemployment.

Decrease of economic activities affects employment indicators substantially. In 2009 the number of employed continued to decrease rapidly. The number of employed was 932.6 thousand people in the end of the year, which was by 14% less than in the end of 2008. In the 4th quarter of 2009 the unemployment rate reached 19.7% (at the end of 2008 it was 9.9%).

In 2010 Latvia cannot count for significant increase of external demand, however domestic demand will continue to decrease due to the budget consolidation measures. The Ministry of Economics forecasts the decrease of the GDP in the 1st half of 2010. The growth is predicted to revive in the middle of the year, when the GDP volume will stop decreasing in comparison with the previous quarter. In total, the GDP is expected to decrease by 3% in 2010. The growth of the economy may start in 2011.

Gross domestic product

In the 1st quarter of 2008, economic recession began when the GDP decreased by 2.3% compared to the previous quarter (according to the seasonally adjusted data). In the following quarters the recession continued and in 2008 the GDP decreased by 4.6%. In the 1st quarter of 2009, recession rates grew significantly and the GDP volume decreased by more than 10% compared to the 4th quarter of 2008. It was determined not just by the low domestic demand, but also by the recession in Latvia's trade partner countries. Although in the following quarters domestic demand continued to decrease (on average by more than 3% every quarter), the situation in the foreign markets gradually improved, and the decrease of GDP became more moderate. In total, GDP decreased by 18% in 2009.

The fall of private consumption is being observed for 9 quarters already. Most rapid decrease was observed in the 4th quarter of 2008, when the private consumption decreased by more than 8% in comparison with the previous quarters. In the 4th quarter of 2009 the decline

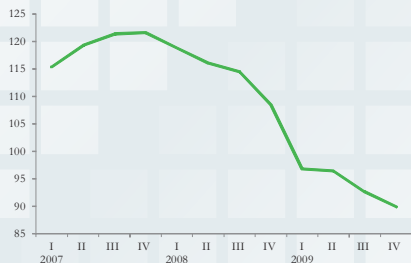
of private consumption has become more moderate – it has decreased by 3.6% in comparison with the previous quarter.

In 2009, public expenditures decreased by more than 9%, which was determined not just by the significant decrease of expenditures at the end of 2008 when the state budget was approved, but also by the additional consolidated budget activities carried out in June 2009. In 2009, investments decreased by 37.7% due to the reduction of production capacity, and banks were still very cautious to issue credits to entrepreneurs and public expenditures for investments were reduced significantly.

Significant decline of domestic demand also reduced imports of goods and services in 2009 (by 34.2%). In 2009, exports decreased by 13.9%. However, at the end of the year, when foreign markets began to stabilize and external demand gradually increased, growth in export volumes had been observed for the 2nd quarter already (in the 4th quarter – by 5.2% in comparison with the 3rd quarter, according to the seasonally adjusted data).

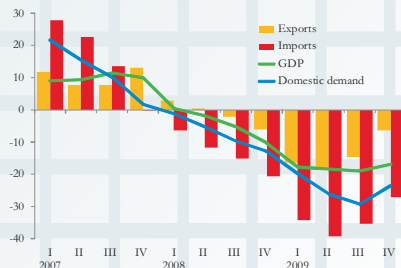
GDP dynamics by quarters

seasonally adjusted data, 4th quarter of 2006 = 100



GDP by expenditure items

changes over the corresponding period of the previous year, %



Gross domestic product

Decrease of both domestic demand and external demand left a large impact on economic activities of both sectors, however more rapid decrease of output was observed in sectors directed to domestic demand. In 2009, retail trade turnover decreased by 28% and construction output decreased by 33.6%. These sectors made the biggest impact on decrease of the GDP in 2009. The shrink of trade services decreased GDP by 7.3 percentage points or comprised more than one third of the total decrease of GDP. The fall of construction output decreased the total output just by 3.1 percentage points because of its lower share in GDP.

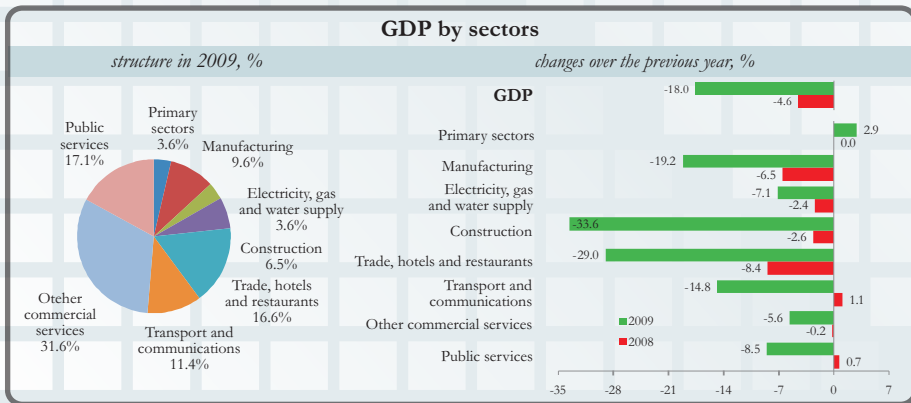
In 2009, other services decreased significantly, which are related to domestic demand, while transit services such as railway transport and freight turnover in the seaports have decreased just by a little – by 4.3% and 2.6% respectively in comparison with 2008.

In the 4th quarter of 2009 major drop in output was still in the construction and trade sectors – by 38.5% and 31.2% respectively in comparison with the 4th quarter of

the previous year. Due to the expansion of export possibilities, the situation in tradable sectors was gradually improving, for example, in the 4th quarter of 2009, the output in manufacturing sector decreased only by 9% in comparison with the respective period of the previous year.

Also in 2010, the decrease of GDP will be mainly determined by the decline in construction and trade volumes as well as other commercial services. The reduction of the state budget expenditures will affect directly the public services sector (public administration, health care and education). The increase of external demand will give positive growth stimulus for exporting sectors, mainly in manufacturing, transport and communications.

Further growth of Latvia will be related with the expansion of export opportunities. Thus, the main export-oriented sectors have a crucial role in ensuring growth. Against this background, it is very important to increase competitiveness of Latvian industry in the international and domestic markets.



Manufacturing

Most rapid decrease of production volumes in manufacturing has been observed at the end of 2008 and in the beginning of 2009. It was determined not just by the weak domestic demand, but also by the recession in Latvia's main trade partner countries. As the situation in the external markets improved, certain sectors started to stabilize by the end of 2009. Since June 2009 every month production volumes of wood-processing and metal products increased by 2% on average, and production volumes of chemical products – by 3%. However, in total manufacturing output decreased by 19.2% in 2009. Production volumes of machinery and equipment and production of transport vehicles decreased almost by a half. Production volumes of light industry, non-metallic mineral products, electric and optical equipment went down by one third. During the 2009, the output of wood-processing increased by 2.6%.

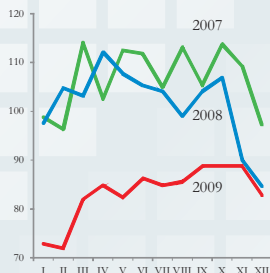
In 2009, the sales of production both in domestic market and in export markets in general decreased in all manufacturing sectors. Decrease of sales revenues was determined not only by the decrease of production volumes, but also by the rapid decrease of producer prices at the beginning of the year.

Despite positive export growth tendencies in the 2nd half of 2009, in total the sales of production in export markets declined by more than 20%, of which one third of the total decrease of sales was due to the decrease of producer prices for exported goods.

The share of exported products in the sales of industrial production continues to increase and during the last months producer prices are increasing, thus future possibilities to increase sales revenues will be related to external markets. The exports structure has not changed significantly – almost 75% of exports is related to the EU markets.

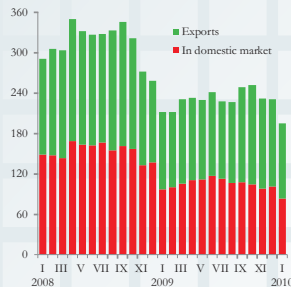
Production volume index

not seasonally adjusted data, 2005 = 100

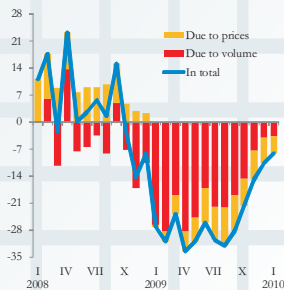


Production sales

in current prices, mln lats



changes over the corresponding period of the previous year, %



Investments

Due to the impact of the global financial crisis, investments in the Latvian economy have been decreased rapidly. Main reasons are limited availability and rise in prices of financial resources, unsatisfactory financial position of enterprises, low domestic and external demand, uncertainty about the future, etc. In 2008 compared to 2007 investments in the Latvian economy decreased by 15.6%. In 2009, investment volumes continued to decrease (by 38% in comparison with the previous year) and comprised 21.3% of GDP, which was by 1/3 less than in 2007. In 2010 investment volumes will most likely remain at the same level, which will be mainly determined by the low domestic demand, limited access to credit resources and low level of production capacity.

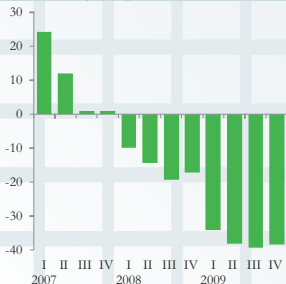
Although the inflow of foreign direct investments (FDI) in 2009 was low, the stock of FDI did not decrease. In the end of 2009 the FDI stock in the

Latvian economy was LVL 5734 million (EUR 8158 million), i.e. almost 43% of GDP. In comparison with the end of 2008 the level of FDI stock in manufacturing had increased by 7% and at the end of 2009 it was almost 12% of the total FDI stock. Such tendencies showed that foreign investors' interest to invest in the Latvian economy did not decrease, however investors had become more cautious in implementing 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 (21.5% of the FDI stock at the end of 2009), Sweden (18%), Denmark (8.7%) and Germany (9%). At the end of 2009, 4.6% of the FDI stock in Latvian economy was invested by Russian businessmen. Investments in the services sector account for the largest share of FDI stock.

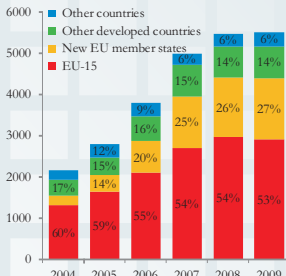
Non-financial investments

changes over the corresponding period of the previous year, %

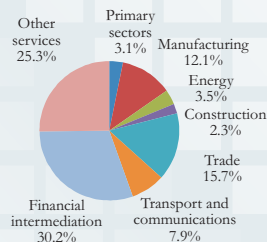


FDI stock

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



structure by sectors, at the end of 2009, %



Foreign trade

In the 4th quarter of 2009, the Latvian export volume in current prices was LVL 994 million, but in the same quarter a year before it was – LVL 1033 million. In comparison with the previous periods, volumes of commodity exports decreased starting with the 4th quarter of 2008 until the 3rd quarter of 2009. In the 4th quarter of 2009, commodity export volumes in Latvia increased by 2.9% compared to the 4th quarter of 2008. If the situation continues to improve in external markets positive changes in exports can be also expected.

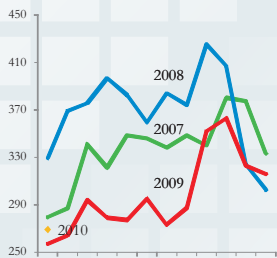
During the last year export prices declined rapidly, thus decreasing the volumes of export production in current prices. In the 2nd and 3rd quarter of 2009, export prices decreased particularly fast, by 10.8% and by 16.8% respectively, determined mainly by the rapid fall of prices of the wood-processing, metal and articles of metal in the international markets. In the 4th quarter of

2009, due to the slower price decrease of the above mentioned groups, the total decline of prices was lower (by 6.4% in comparison with the 4th quarter of 2008).

In the 4th quarter of 2009, commodity exports to EU-15 member states similarly as the total exports in current prices decreased slightly (by 2%). The decline of exports was determined mainly by the decrease of machine building sector, however significant increase was observed in the wood-processing sector. Exports to the CIS countries went down more rapidly (by 14%), which was mainly determined by the lower export volumes of agricultural and food products. At the same time, exports of chemical products has increased to the CIS countries in the 4th quarter of 2009. Exports to Lithuania and Estonia, similarly as to the CIS countries, decreased rapidly – by 11% and 7% respectively.

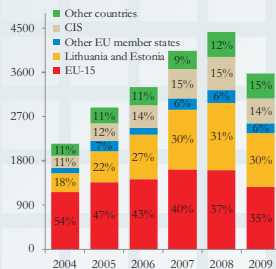
Commodity exports

mln lats



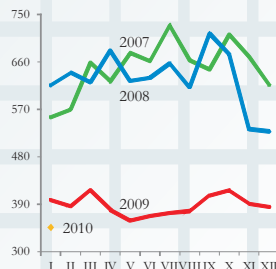
Structure of exports by groups of countries

mln lats



Commodity imports

mln lats



Balance of payments

Corrections of the current account of the balance of payments take place in Latvia. Negative current account balance, which in the 3rd quarter of 2007 has reached 24.8% of GDP, is improving continuously and since 2009 it is already positive reaching 12.2% of GDP in the 4th quarter. In the 3rd and 4th quarter of 2009 positive current account balance remained at the level of 10% of GDP. On average, in 2009 the current account balance was 9.4% of GDP.

Changes in the current account are related to improvements of foreign trade and income balance. Foreign trade deficit in 2009 compared to the previous year has decreased and was 6.5% of GDP (int.al. in the 4th quarter – 3.6% of GDP), which was determined by more rapid decrease of imports than decrease of exports, but in the 3rd and 4th quarter more rapid growth of exports than growth of imports was observed.

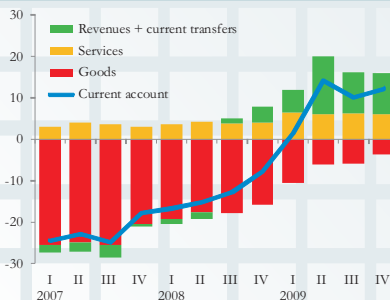
Current account balance of services is positive. In 2009 positive balance of services was 6.2% of GDP, i.e., almost by 1.5 times higher than a year ago.

Corrections of the current account occur in accordance with the changes in financial account. Since the 4th quarter of 2008, the outflow of private foreign capital is being observed, which has intensified in the 1st quarter of 2009 exceeding the volume of private capital inflow of the previous year. Since the 2nd quarter of 2009, the outflow of private foreign capital continued, however, at a slower pace. The long-term loans of the public sector slightly reduced the negative impact of private capital outflow on the condition of financial account.

In the 2nd quarter of 2009, the FDI flows were negative, but in the 3rd and 4th quarter – positive. Fluctuations of FDI inflow are related to the investment in equity capital of foreign enterprises which, depending on its size, can cover losses of foreign enterprises.

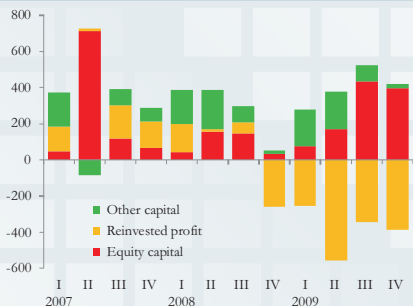
Current account

% of GDP



Foreign direct investments in Latvia

received during the quarter, mln euro



Prices

Decrease of consumer prices started in November 2008. At the beginning of 2009 the decrease of consumer prices was slowed down by the rise of administratively-regulated prices and increase of the value added tax and excise tax rates. First reaction on the decrease of domestic demand was observed in the prices of goods, which started to go down already in the end of 2008, but decline of prices for services started only from March 2009. In 2009, 12-month deflation was 1.2%. Main reason for deflation of consumer prices is decline of domestic demand.

In January 2010, prices increased by 0.2% during the month, which is not characteristic for such a low increase in this month. It was mainly determined by the low level of demand, which slowed down the increase of prices for the whole previous year and at the end of the year showed up as deflation. In February 2010, consumer prices remained on the level of the previous month, however in comparison to the February 2009, prices

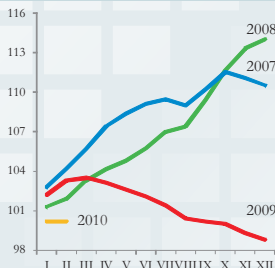
were lower by 4.2%. In the course of the year the most significant decrease of consumer prices was determined by the fall of prices for food products.

The decline of producer prices has started earlier than the decline of consumer prices and price deflation is observed both in domestic market and for exported production. In 2009, the decrease of prices on production sold on domestic market was related to the rapid decrease of domestic consumption, however, on exported production – to the decrease of prices of Latvian main exports – timber and food products in the global markets. During the year (January 2010 in comparison to January 2009) the decrease of prices on production sold on domestic market was more rapid than for exported production – by 6.8% and 2.5% respectively.

If domestic demand remains poor, the prices will continue to fall also in 2010. At the same time it should be noted, that prices may increase in such important groups of goods as food and energy.

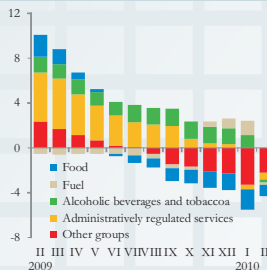
Consumer price index

December of the previous year = 100



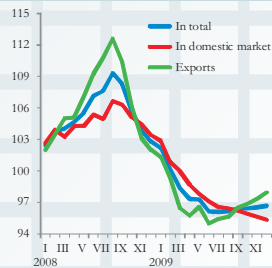
The impact of commodity and services groups on the total consumer price index

contribution to 12-month inflation



Producer price dynamics

2007. gada decembris = 100



Monetary indicators

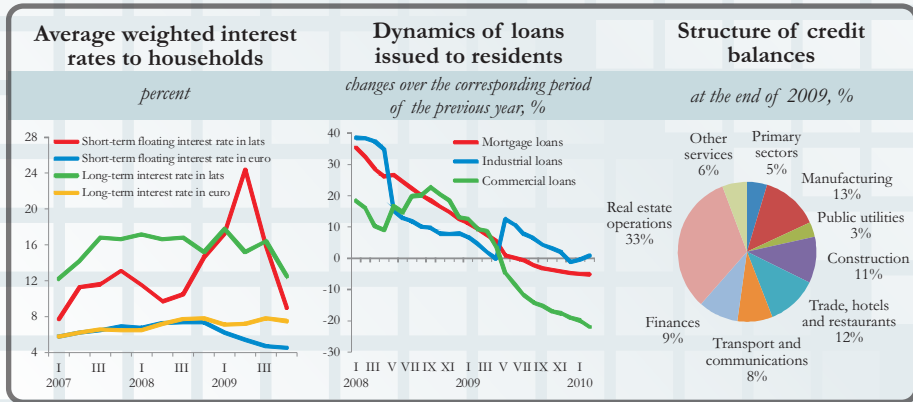
Due to the impact of the global financial crisis in 2008 deposit amounts of residents started to decrease and continued to decrease in the first three quarters of 2009. At the end of 2009, when situation started to stabilize, deposits increased again and at the end of December 2009 deposits of private persons and enterprises comprised LVL 5153 million, which was by 1.7% more than at the end of 2008.

In 2009 crediting volume has decreased. If at the end of December 2008 loans issued to residents comprised LVL 14.6 billion, then at the end of 2009 the remainder volume of loans was LVL 13.5 billion, which was by 7.3% less than a year before. Since June 2009, remainders of loans started to decrease in comparison with respective months of the previous year and in February 2010 were by 7.9% less than a year before in the respective month.

Every month since November 2008, remainders of commercial loans are decreasing and continued to decrease also in 2009. In February 2010 compared to

February 2009 remainders of loans issued to residents decreased by 21.9%. Remainders of industrial loans have remained constant on the level of 2008 (in February 2010 they were just by 0.8 higher than in February 2009). It must be noted that after some recovery signs in entrepreneurship sector, particularly due the growth of exports, at the end of 2009 the increase of industrial loans portfolio was observed in some months.

Weighted average interest rate of short-term loans issued in lats in the 4th quarter of 2008 was 14.6%. At the beginning of 2009, taking into account unstable economic situation, interest rate of short-term loans issued in lats increased rapidly (in the 2nd quarter up to 24.4%). When situation started to stabilize, the interest rate had decreased moderately and at the end of 2009 was 9%. Less explicit fluctuations during the year were observed for weighted average 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 activity and decrease of domestic demand leaves negative impact on government general budget revenues. A decrease of general government consolidated budget revenues started already at the end of 2008. In 2009, general government consolidated budget revenues comprised 4743.7 mln lats. It was by 17.3% less than in 2008, but expenditures amounted to 5626.8 mln lats, which were by 10.2% less than in 2008, creating financial deficit in the amount of 892.1 mln lats or 6.7% of GDP, which is considerably higher than a year before (3.3% of GDP). General government consolidated budget deficit in January-February 2010 was 17.2 mln lats.

Almost 75% of all budget revenues are tax revenues, which in 2009 amounted to 3515 mln lats. Despite the increase of some tax rates, total tax revenues decreased by 25.8%. Decrease of tax revenues was determined by the decline of economic activities – turnover drop of retail trade, increase of unemployment, etc.

In 2009, expenditures for subsidies and grants continued to grow: Comparing to 2008, these expenditures have increased by 6.5%. It is mainly related to constantly

growing number of unemployed persons and disbursement of unemployment benefits, expenses of dismissal benefits of persons dismissed from public sector and other social benefits. Expenses for subsidies and grants comprise almost one half of all general government consolidated budget expenditures.

In order to reduce expenditures of general government consolidated budget, optimization of public sector and optimization of some certain sectors had been carried out – reduction of number of employees in the ministries, reduction of state agencies, hospitals and schools. In the same way reduction of public sector wages is carried out.

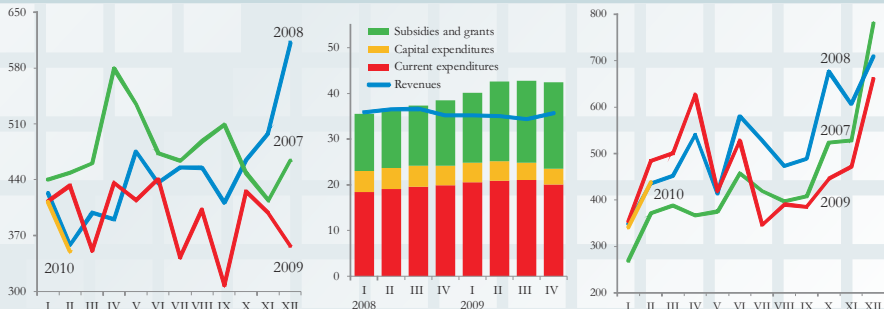
Reduction of budget revenues forces the government to implement restrictive budget deficit policy, which in short-term makes an additional pressure on decrease of domestic demand and domestic market. The government has set a target for the next years – in 2010 to reach a budget deficit in the amount of 8.5% of GDP, in 2011 – under 6% of GDP and in 2012 to fulfill the Maastricht criterion – to reach the budget deficit under 3% of GDP in order to adopt the euro on January 1, 2014.

General government consolidated budget revenues and expenditures

revenues, mln lats

% of GDP, 4-quarter moving average

expenditures, mln lats



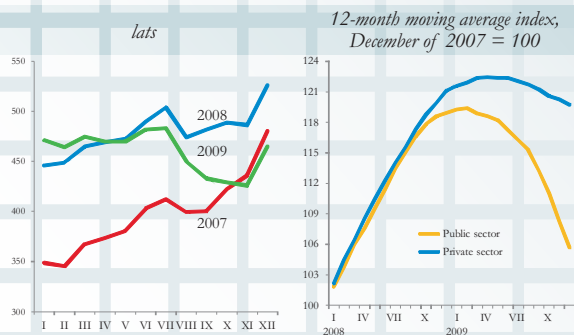
Personal income

In 2009, personal income decreased considerably, which was affected both by decrease of employment and wages. In 2009, along with budget consolidation activities, wages for employees of public sector were reduced considerably. In 2009, wages were on average by 11% lower than a year before. The reduction of wages in the private sector was not so considerable (in 2009 by 1.1%), because in order to reduce expenditures the entrepreneurs gave priority to the reduction of the number of employed persons. In the private sector, the gross wage has been reduced most considerably in agriculture, trade, financial intermediation and in some commercial activity sectors. In 2009, the average gross wage in manufacturing decreased by 1.9%, however in the transport sector wages remained on the level of the previous year. In 2009, in total in economy the average gross wage decreased by 3.8% and was LVL 460, contrary to LVL 479 in 2008.

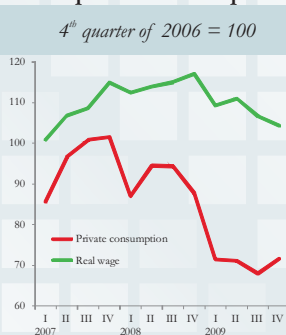
The real wages decreased more considerably in 2009 (by 5.6% compared to 2008), because the average price level was higher than on average in 2008. However, at the end of 2009 deflation made a positive impact on changes of real wages.

In 2009, the income of pension age persons has increased in general. The average amount of pensions in 2009 has increased by about 15.5% in comparison with 2008. The old-age pensions have increased rapidly at the beginning of the year, while at the end of the year 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%. Since February 2010, the restrictions of pension payments stated by the legislation were repealed and payments of pensions will be launched in the full amount. Since April 2010, payments of delayed pensions will be launched.

Average gross wage of employed persons



Dynamics of real wage and private consumption



Employment and unemployment

Decline of economic activities has negatively affected labour market. At the end of 2008 and particularly at the beginning of 2009, the number of employed persons decreased rapidly and unemployment increased. At the beginning of 2010 employment and unemployment indicators are still getting worse, however not so rapidly anymore.

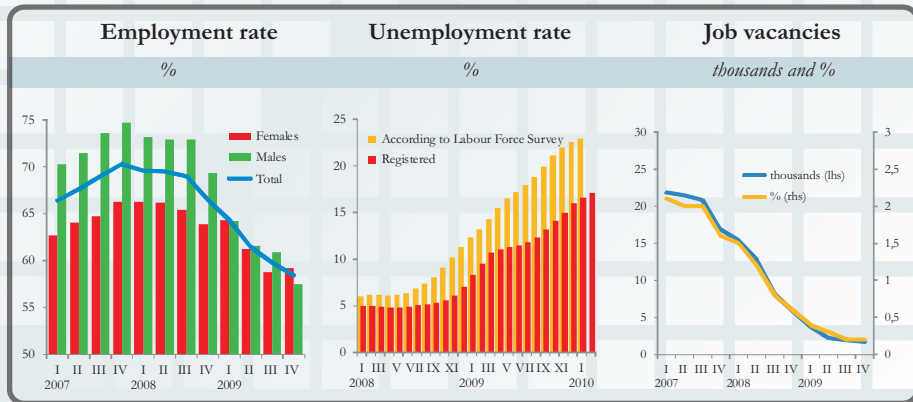
Due to the decrease of labour demand, the number of employed persons decreased by 141.1 thousand or by 12.6% in 2009 compared to 2008. In 2009, the decline of employment had been affected most significantly by the decrease of the labour force in construction, industry, trade, as well as in public administration.

Along with the decrease of employment, the unemployment has grown rapidly as well. At the end of 2009, in accordance with the data of the State Employment Agency, 178.2 thousand unemployed persons were registered, which comprised 15.9% of the economically active population. At the beginning of 2010, the growth of registered unemployment became slower – increasing by 0.6 and 0.5 percentage points in January and February

respectively, which is considerably slower than at the end of 2009, when unemployment increased almost by 1 percentage point every month. At the beginning of March 2010, the registered unemployment level has reached 17.1% or 192 thousand persons.

According to the data of the Labour Force Survey, in the 4th quarter of 2009, the number of employed persons was 229.4 thousand (19.7% of economically active population) and the unemployment level has increased by 9.8 percentage points during the year. It should be mentioned that economic recession has significantly affected economic activity of the population. Over the year, the number of economically active population has dropped by around 4% and in the 4th quarter of 2009 was 1162 thousand persons.

As the labour demand has decreased, the number of job vacancies has gone down. At the end of the 4th quarter of 2009 there were only 1700 job vacancies in the country – if compared to the end of 2008, the number of job vacancies has dropped by more than three times.



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	-4.6	2.8
2009	-14.1	-18.0	-15.0
3 rd quarter of 2009	-15.6	-19.0	-14.2
4 th quarter of 2009	-9.5	-16.9	-12.8
Industrial output, changes over the corresponding period of the previous year, %* (working day adjusted index)			
2008	-5.1	-4.7	5.5
2009	-26.1	-17.7	-14.6
3 rd quarter of 2009	-27.1	-15.5	-15.1
4 th quarter of 2009	-14.9	-8.3	-8.2
Unemployment rate (share of unemployed persons in the economically active population, %)**			
2008	5.5	7.5	5.8
2009	13.8	16.9	13.7
3 rd quarter of 2009	14.6	18.4	13.8
4 th quarter of 2009	15.5	19.7	15.6
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
3 rd quarter of 2009	-1.1	1.6	2.8
4 th quarter of 2009	-2.0	-1.1	1.4
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
3 rd quarter of 2009	-1.6	-8.6	-19.1
4 th quarter of 2009	-2.0	-8.6	-8.2

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