



THE NATIONAL ECONOMY OF LATVIA:

A MACROECONOMIC REVIEW

4
(45)

2010

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Latvia: 2010

Territory, thsd km ²	64.6
Population as of 01.01.2011., thsd	2 230
of which:	
Urban area	1 510
of which Riga, the capital city	700
Rural area	720
National currency: lats (LVL)	

Key indicators of economic development

	2007	2008	2009	2010	2011 f
	<i>changes over the previous year, %</i>				
Gross domestic product	10.0	-4.2	-18.0	-0.3	3.5
Consumer prices	10.1	15.4	3.5	-1.1	3.5
	<i>% of GDP</i>				
General government					
budget balance	-0.3	-4.1	-10.2	-8.2*	-5.4
General government debt	9.0	19.7	36.7	42.0	46.0
Exports-imports balance	-20.0	-13.6	-1.5	-0.8	-1.2
Unemployment rate <i>(share of unemployed in economically active population aged 15-74 years)</i>	6.0	7.5	16.9	18.7	17.0

	2009				2010			
	I	II	III	IV	I	II	III	IV
	<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
Consumer prices	9.2	4.7	1.6	-1.1	-3.8	-2.1	-0.1	1.8
	<i>% of GDP</i>							
General government								
budget balance	-7.9	-7.1	-6.7	-19.3	-12.6	-2.8	-6.6	-10.9*
Exports-imports balance	-4.5	-0.6	-1.7	1.0	-0.7	0.6	-1.5	-1.6
Unemployment rate <i>(share of unemployed in economically active population aged 15-74 years, %)</i>	13.9	16.7	18.4	19.7	20.4	19.4	18.0	16.9

f – forecast of Ministry of Economics; e – estimation of Ministry of Economics

Economic policy

The government consistently continues the implementation of the *Economic Stabilization Programme of Latvia* adopted by the Saeima on December 12, 2008 and updated on June 16, 2009. Implementation of the programme has helped to prevent insolvency and is leading the country out of the crisis.

The government has managed to stabilise the state financial system. Several considerable reforms have been launched – improvement of public administration's efficiency, reforms in education and healthcare system. The programme defines stability of the lats, gradual decrease of budget deficit (in 2011 – 6% of GDP, in 2012 – 3% of GDP) and fulfil other preconditions to enter the euro zone in 2014.

One of the main fiscal policy tasks of the government is the development of counter-cyclical and sustainable fiscal policy framework. In order to implement it, the Fiscal discipline law will be submitted to the Saeima, envisaging balanced budget and budget surplus during economic growth, as well as using moderate budget deficit as economic stimulation instrument during stagnation or recession.

As regards taxes, in order to promote economic development, the government plans to keep relatively low tax burden, around 1/3 of GDP, gradually transfer tax burden from labour to consumption and property. Main economic policy priorities are strengthening of competitiveness, development of industry, support to export activities and development of micro-enterprises and promotion of energy independence.

It should be noted that starting from 2008 and until the end of 2010 the Ministry of Economics has provided 360 million LVL in the form of state support instruments (770 million LVL including the attracted private investments). It is the largest state

granted support to entrepreneurship over the past 20 years. By attracting the financing of EU structural funds, several state support programmes have been launched or are continued, such as *Development and introduction of new products and technologies into production, High value added investments, Support to technology transfer contact points, Venture capital and start-up capital funds*, which are aimed at promotion of knowledge based economy, i.e., promotion of knowledge and technology transfer into production to ensure production of higher value added products and establishment of new innovative enterprises.

A lot has been achieved with regard to support for micro-enterprises and promote people with ideas to start a business, thus reducing unemployment. Now it is possible to establish an enterprise by investing initially only 1 LVL in equity capital, tax payment has been simplified for micro-enterprises, by introducing flat-rate. By 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 fields of tax policy and administration, insolvency process, registration of real estate, tourism and construction and other fields.

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

The most important work in the energy sector will be to continue the implementation of the launched development projects aimed at promoting energy independence and security of energy supply, as well as the integration of energy markets of the Baltic States into the EU single market.

Macroeconomic development

After several years of rapid economic growth, the economy of Latvia went into recession in 2008 due to the global financial crisis. In 2008 and 2009 GDP in total decreased by 21,4%. The first half of 2009 was the most critical for the real sector, when economic activities decreased sharply and unemployment increased. The situation had stabilized gradually in the second half of 2009 – growth had been observed already in exports and industrial output.

The economic recession is over in Latvia and the growth has resumed since the 4th quarter of 2009. The volumes of GDP increased every quarter in 2010. Moreover, the growth was higher than forecasted previously. In the 4th quarter of 2010 the GDP has increased by 1.1% (seasonally adjusted data) and the volume of GDP has exceeded the level of the 4th quarter of 2009 by 3.6%. Taking into account that the growth has resumed from the very low level, the GDP in general in 2010 was by 0,3% lower than in 2009.

The economic recovery is determined mainly by the growth of exports volumes and tradable sectors. The growth of exports can be explained not only by the improvement of situation in the foreign markets and increase of demand, but also by the increase of competitiveness of Latvian producers. Exports growth rates in 2010 have been rather impressive and since the 3rd quarter the exports volumes have exceeded the pre-crisis level. The exports of goods has increased by 29.5% (in current prices) in 2010.

The extension of export opportunities is the basis for the growth of manufacturing, which in 2010 has exceeded the level of 2009 by 15.4%. Growth had been observed also in agriculture, electricity, gas and water supply, transport and communications, as well

as commercial services. Contrary, the output volumes of other services sectors have still lagged behind from the level of 2009. The deepest decrease of production volumes in 2010 has been observed in construction.

Public consumption continued decreasing in 2010. Investment activities were at the low level in 2010 as well and their recovery is very slow. Investments in the economy of Latvia were by 20% lower in 2010 compared to 2009.

Private consumption starts stabilizing gradually, which is witnessed by the dynamics of retail trade turnover. A gradual improvement of the situation in the labour market positively affects private consumption. In the 4th quarter of 2010 the number of employed has exceeded by 33.7 thousand or by 3.7% the level of the 1st quarter of 2010. The unemployment rate was 16.9% in the 4th quarter of 2010, which is by 3.5 percentage points lower than in the beginning of 2010.

Consumer prices decreased under the impact of the economic crises, but since the end of 2009 started increasing. In February 2011 the 12-months inflation was 4%. It has been influenced mainly by the increase of prices for food and energy resources in the global markets, which probably will continue, thus affecting indirectly the final prices for manufacturing products. In the second half of 2011, the prices for services may start increasing due to the increase of domestic demand. Such price dynamics may increase the total price level by 3.2-3.5% in 2011 compared to 2010.

The Ministry of Economics forecasts the positive growth of GDP in 2011 and the volume of GDP may exceed the level of 2010 by 3.5%.

Gross domestic product

The GDP data for the 4th quarter of 2010 witness that the volumes of GDP have been increasing gradually for 5 quarters already. The volume of GDP in the 4th quarter of 2010 has exceeded by 3.6% the level of the same period of the previous year. Taking into account that the growth has resumed from the very low level, the GDP in general in 2010 was by 0.3% lower than in 2009.

The increase of export volumes determines mainly the improvement of the economic situation. In the 4th quarter of 2010 compared to the same period of the previous year the export volumes increased by 13.8%. Since the 3rd quarter of 2010 export volumes exceed the pre-crisis level.

Domestic demand in the 4th quarter of 2010 has lagged behind almost by 1/3 from the level of the 3rd quarter of 2007. Investments in fixed assets are particularly low and have decreased by a half during this period. Limited availability of financial resources

and cautious crediting policy of the banks hinder the increase of investments.

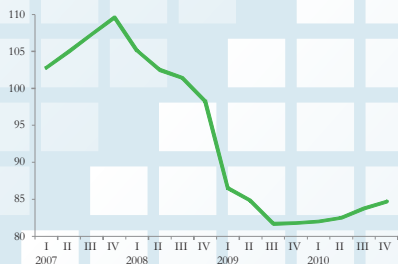
Private consumption stabilizes gradually. It is witnessed by the increase of retail trade turnover, which has gone up by 8% (according to seasonally adjusted data) since December 2009. The improvement of the situation in the labour market fosters gradual increase of private consumption – employment starts increasing and wages do not fall anymore.

Public consumption continued decreasing in the 4th quarter of 2010 and was by 9.4% lower than a year ago. The dynamics of public consumption is closely related to the implementation of budget consolidation measures.

Weak domestic demand affects dynamics of imports. The volumes of imports lag behind considerably from the pre-crisis level and the trade balance of Latvia has improved substantially.

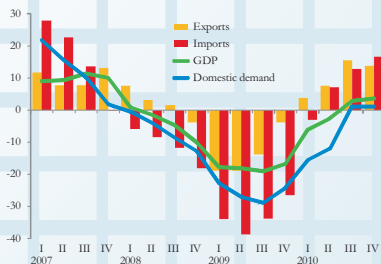
GDP dynamics by quarters

seasonally adjusted data, 4th quarter of 2006 = 100



GDP by expenditure items

changes over the corresponding period of the previous year, %



Development of sectors

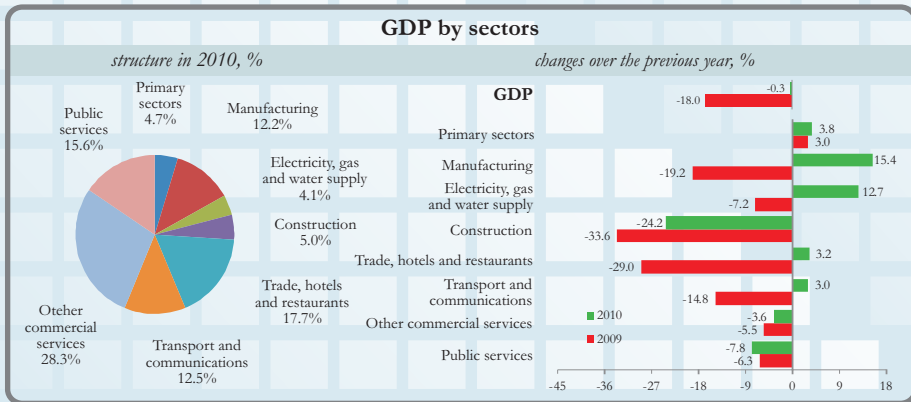
Economic activities in the sectors of the economy are closely related with dynamics of domestic and external demand. The output has decreased during economic crisis more in the sectors, which are oriented towards domestic demand – trade and construction. These sectors determined the decrease of GDP in 2009 almost by 1/3.

In 2010, when the economic situation in the world has improved and external demand increased, tradable sectors play the increasing role in the economy of Latvia. Growth had been observed in all goods production sectors in 2010. Manufacturing increased by 17.9%, electricity, gas and water supply – by 7.8% and primary sectors – by 4.6% in the 4th quarter of 2010 compared to the same period of 2009. Growth of these sectors has contributed to the growth of GDP by 2.3 percentage points. Growth had been observed also in transport and communications sector in the 4th quarter of 2010.

Volumes of services provided in the trade sector in the 4th quarter of 2010 exceeded the level of the 4th quarter of 2009 by 10.4%. Taking into account a high share of this sector in the economy, the increase of volumes has affected the growth of GDP by 1.7 percentage points.

The output volumes of other services sectors lagged behind in the 4th quarter of 2010 from the respective period of the previous year. Construction sector had the deepest fall during the crisis. Construction volumes were by 9.6% lower in the 4th quarter of 2010 compared to the same period of 2009. In general, the tendencies of services sectors determined the decrease of GDP by 0,1% and of construction – by 0,5% in the 4th quarter of 2010.

As the positive growth trend in exports has continued and domestic demand stabilized in all sectors of the economy, excluding public services, the growth in 2011 is expected to be positive.



Manufacturing

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

Production volumes in manufacturing continued increasing also in 2010 (by 16.5% compared to the previous year). Since December 2009 production volumes increased by 1.3% monthly on average. The rapid recovery can be explained by the improvement of competitiveness, which has been achieved during the crisis due to the decrease of costs.

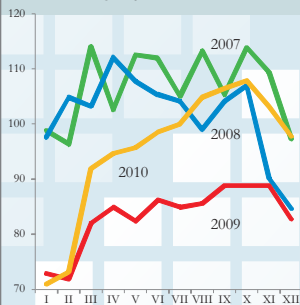
Revenues from production sales in manufacturing were by 16.6% higher in 2010 than in 2009. In the result of the weak domestic demand, sales of production increased only by 3.2% in the domestic

market, whereas sales of exported production increased by 28% in 2010. The share of exported production in the sales increased to almost 60%. Main sales markets of the sector did not change considerably – almost more than 70% of production sales are related to the markets of the EU member states.

The recovery from the crisis is not even in manufacturing sectors. Wood processing had the highest contribution to growth of manufacturing in 2010, where production volumes were by 33% higher than in 2009. Production volumes of metal and metal articles production increased by more than 24.2%. Positive tendencies are observed in production of paper and printing, electrical and optical equipment, as well as production of transport vehicles and machine building industry. Production volumes decreased in food production in 2010, because this sector is closely related to domestic demand.

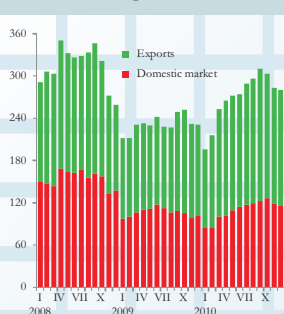
Production volume index

not seasonally adjusted data, 2005 = 100

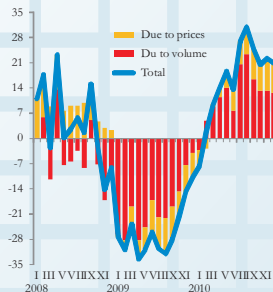


Production sales

in current prices, mln lats



changes over the corresponding period of the previous year, %



Investments

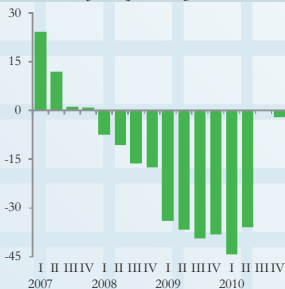
Investment activities have remained at a low level in 2010 and their recovery is very slow. In 2010 investments in the economy of Latvia were by 19.5% lower than in 2009. The share of investments in GDP had decreased since 2007 by a half and was 20.7% in 2010. The recovery from investment crisis is hindered by the limited financial resources of enterprises, low crediting level of the banks and other factors.

In the result of the global financial crisis, the foreign capital flows, including foreign direct investment (FDI), decreased in the economy of Latvia. However, the FDI flows are more steady compared to other financial flows. In 2010 the foreign direct investment stock was 5798.2 million LVL (8250.1 million EUR), which was by 2.2% more than in 2009.

At the end of 2010, the level of FDI stock in manufacturing increased by 10.7% compared to the end of 2008, by comprising 18.5% from the foreign direct investment stock. Considerable investments in production of construction materials (increase by 47.6%) and wood processing (increase by 15.7%) affected FDI stock to a great extent. Almost 80% from the foreign direct investment stock are investments of EU member states, 1/3 of which are investments from the new EU member states. The major investors are Estonia (13.8% from the FDI stock at the end of 2010), Sweden (12.5%), Denmark (7%) and Germany (5.2%). Investments from Russia constituted 4.1% in the FDI stock at the end of 2010. Investments in services sectors have a higher share in the foreign direct investment stock.

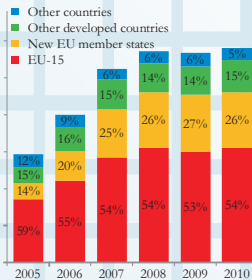
Non-financial investments

changes over the corresponding period of the previous year, %

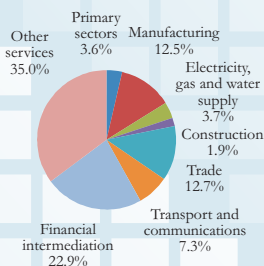


FDI stock

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



structure by sectors, at the end of 2010, %



Foreign trade

Rapid decrease of commodity export volumes was observed at the end of 2008 and in the beginning of 2009. In the mid-2009, export volumes started to increase gradually. Comparatively rapid export growth continued in 2010 and in the 3rd quarter export volumes already exceeded pre-crisis level. In total, commodity exports in 2010 in constant prices have exceeded the level of 2009 by 19.6% (in current prices – by 29.5%) and, if the situation in foreign markets continues improving, positive export tendencies are expected also in 2011.

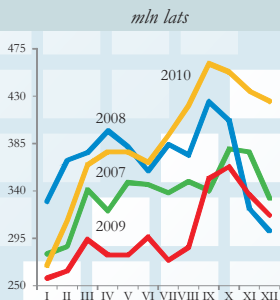
Commodity imports started to decrease already in the 2nd half of 2007, due to the decrease of domestic demand. During the crisis, the decrease of imports was more considerable than of exports, falling to the level of the beginning of 2005. In 2010, commodity imports increased by 15.6% (in constant prices), but in current prices – by 24%. Revenues of Latvian exporters are positively affected

also by the export price increase, which renewed at the end of 2009. In 2010 export prices have increased considerably for production of chemical industry (by 42.5%), metal and its articles (by 26.6%), as well as for wood and its production (by 23%).

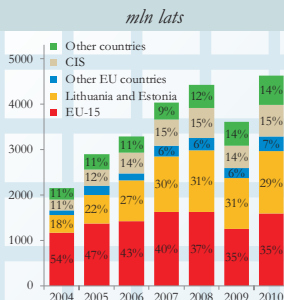
Exports increased considerably to the CIS countries in 2010 – by 41.3%, which was particularly affected by the increase of export volumes of agriculture and food production, as well as chemical production. Commodity exports to the EU-15 in 2010 increased by 29.3%. Most considerably it was affected by the exports of timber products, metal and its articles, as well as products of agriculture and food.

Exports to Lithuania increased by 26.8% in 2010, but to Estonia it was more moderate – by 18.4%. Main export products to Estonia and Lithuania are agriculture and food products, production of machine building industry as well as production of chemical industry.

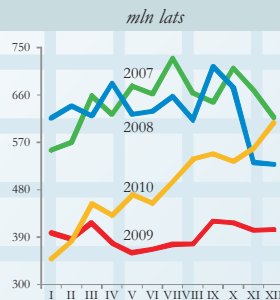
Commodity exports



Structure of exports by groups of countries



Commodity imports



Balance of payments

A considerable adjustment of the current account of the balance of payments had been observed in Latvia, which started in the 2nd half of 2007, when the foreign capital inflow decreased rapidly due to the global financial crisis. In the result, the current account balance has changed from deficit (24.8% of GDP in the 3rd quarter of 2007) to surplus (10.7% of GDP in the 4th quarter of 2009).

In general, the current account balance was positive in 2010 – 3.6% of GDP (8.6% in the 1st quarter; 5.8% in the 2nd quarter; 1.1% in the 3rd quarter and -0.3% in the 4th quarter). The quarterly dynamics of the current account in 2010 shows changes again – decrease of surplus and development of deficit.

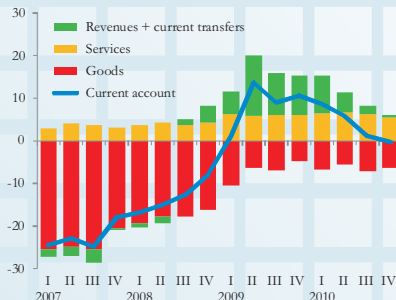
Changes of current account in 2010 are basically related to the changes in income items and to a less extent to changes in the foreign trade balance. The trade deficit was 6.4% of GDP in 2010. Services balance was 6.2% of GDP in 2010 (6% of GDP in 2009) and actually covered the negative balance of

commodity trade. Changes are observed in the income balance of the current account, which has been positive for 7 quarters since the 4th quarter of 2008. Surplus of the income balance, which reached 9.4% of GDP in the 2nd quarter of 2009, decreased in the next quarters and was negative in the 3rd and 4th quarter of 2010 (0.7% and 3.6% of GDP respectively). The development of the negative income balance in the 2nd half of 2010 has been determined by the increase of the income from deposits of the non-residents, including the re-invested profits.

Since the end of 2008, the decrease of liabilities of the financial account of the balance of payments is observed. In the 1st half of 2010 capital outflow continued, however at a slower pace than in 2009. In the 3rd quarter of 2010, capital inflow in the private sector is observed for the first time since the end of 2008, which has been substantially affected by the increase of re-invested profits witnessing the improvement of activities of the non-residential enterprises.

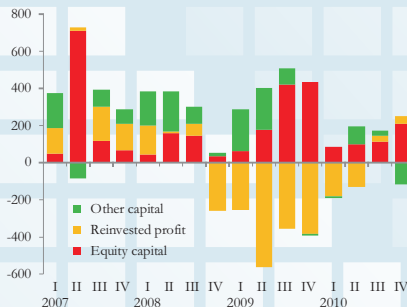
Current account

% of GDP



Foreign direct investments in Latvia

received during the quarter, mln euro



Prices

Under the influence of the crisis prices decreased gradually in 2009. Due to the stabilization of the private consumption and increase of the impact of external factors, consumer prices started increasing again in 2010. Consumer price level has increased by 2.5% during the year, for goods – by 4.3%; prices decreased for services by 2.1%. Taking into account deflation in 2009, the average price level in 2010 was by 1.1% lower than in 2009.

The increase of prices in 2010 was mainly determined by the rise of prices for food and oil products in the global markets. The rise of prices for food determined the increase of consumer prices by 2 percentage points, heating – by 0.8 percentage points and fuel – by 0.9 percentage points. The impact of price changes in other goods and services groups had a depressive effect on the consumer price level.

In two months of 2011 consumer prices increased by 1.6%. The increase of the value added tax since

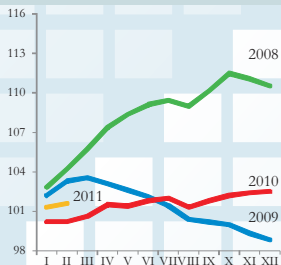
January 2011 determined the rise of consumer prices by 0.9%. The rise of prices for food had high impact as well.

Producer prices started increasing in the end of 2009 and continued in 2010, although it was more moderate in the last months of 2010. Prices increased both, for production sold in domestic market, which had been influenced by the stabilization of domestic demand and for the exported production that had been mainly affected by the rise of prices in the global markets for the key exported goods, including timber, metal articles and food products.

In January 2011 producer prices in manufacturing were by 8.4% higher than in January 2010. Prices for products sold in domestic market increased by 8.3%, but for exported production – by 8.5%. Prices increased more rapidly in metal production – by 38.7%, wood production – by 7.7%, energy – by 10.1% and food – by 7%.

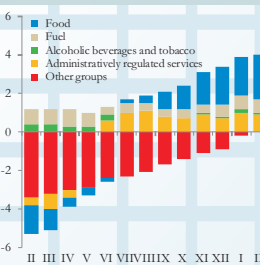
Consumer price index

December of the previous year = 100



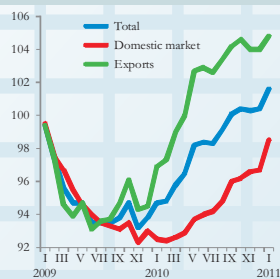
The impact of commodity and services groups on the total consumer price index

contribution to 12-month inflation



Producer price dynamics

December of 2008 = 100



Monetary indicators

The situation in the financial system of Latvia starts stabilizing. The increase of deposits attracted from residents has been observed since the 4th quarter of 2009. In the end of the 3rd quarter of 2010 the volume of deposits reached 5430.2 million LVL, which was by 11.5% more than in the respective period of 2009.

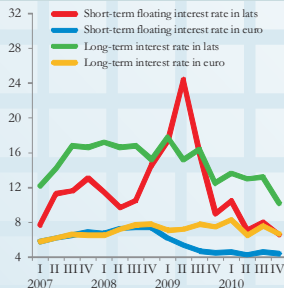
Since the mid-2007 crediting volumes decreased rapidly and loan balance granted to residents comprised 12.8 billion LVL in the 3rd quarter of 2010, which was by 7.8% lower than in the respective period of 2009. Since the end of 2008 commercial loan (for the increase of current assets of enterprises) balance decreases monthly. Such tendency remained also last year. Commercial loan balance was by 20.1% lower in the end of the 3rd quarter of 2010 compared to the respective period of 2009. When the recovery signs have appeared in the business sector, particularly in relation to

extension of export opportunities, industrial loan balance (for purchase of capital assets and for financing of long-term investment projects) increases comparatively fast since January 2010. Industrial loan balance increased by 18.1% in the end of the 3rd quarter of 2010 compared to the respective period of 2009. At the same time mortgage loan balance continued decreasing and was by 8.4% lower in the end of the 3rd quarter of 2010 compared to the respective period of 2009.

The weighted average interest rate for short-term loans issued in lats was 8% in the 3rd quarter of 2010 (in the 2nd quarter of 2009 it was 24.4%). Interest rate for long-term loans issued in lats decreased by 10.2% in the 4th quarter of 2010, which is the lowest one in the last years. Interest rates for loans issued in euro were lower as usually than those issued in lats.

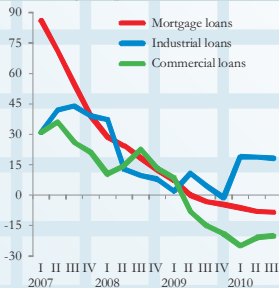
Average weighted interest rates to households

percent



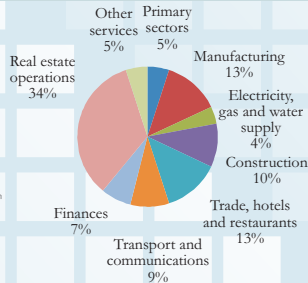
Dynamics of loans issued to residents

changes over the corresponding period of the previous year, %



Structure of credit balances

at the end of 2010, %



General government consolidated budget

Gradual stabilization of economic situation has fostered improvement of Latvia's fiscal indicators. In 2010, according to provisional data, general government budget deficit will not exceed 8.5% of GDP.

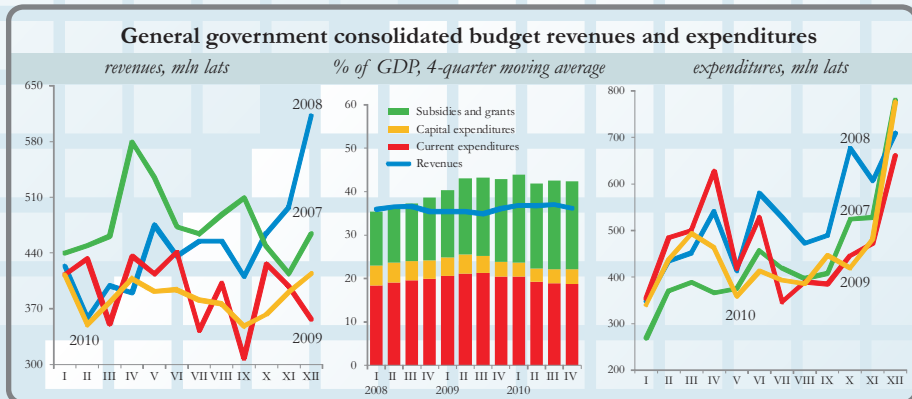
General government consolidated budget revenues in 2010 compared to 2009 decreased by 127.7 million LVL or by 2.7% and were 4607 million LVL. Decrease of revenues was determined mainly by the tax revenues decrease by 99,9 million LVL or by 2.8%. In 2010 compared to 2009 the most rapid tax revenue decrease was from revenues of corporate income tax and mandatory state social insurance contributions. General government consolidated budget expenditures in 2010 decreased more rapidly than revenues and were 5409.7 million LVL, which is by 217.5 million LVL or 3.9% less than in 2009.

Major decrease of expenditures was formed of

subsidies and grants as well as current expenditures. General government consolidated budget deficit in 2010 reached 802.7 million LVL, which is by 89.4 million LVL less than in 2009. In 2010 local government consolidated budget balance was positive.

In order to observe agreement with international partners, when developing state budget for 2011, further fiscal consolidation activities were determined – in total 292 million LVL (general government consolidated budget deficit according to the ESA 95 methodology is planned 5.4% of GDP).

In the medium term, taking into account the government goal to introduce the euro in 2014, it is planned to reduce the general government budget deficit to 6% of GDP in 2011 and to 3% of GDP in 2012 according to the ESA 95 methodology. In order to reach this goal, the government will need to continue to decrease budget expenditures also in the future.



Personal income

Personal income decreased considerably during economic crisis. It was determined both by the decrease of employment and wages. In 2009 due to the reduction of budget expenditures, wages of employees in public sector decreased by 10.9%. However, decrease of wages in private sector was not so considerable (in 2009 – by 1%), because employers in order to reduce expenditures, gave priority to reduction of the number of employed. In 2009 the average gross wage in economy decreased by 3.9% and was 461 LVL.

In 2010 wage decrease slowed down and in the 4th quarter of 2010 wage increased by 3.4% compared to the 4th quarter of 2009. In total, in 2010 in economy average gross wage was 445 LVL, which was by 3.5% lower than in 2009. In 2010 wages for employees in public sector decreased faster than in the private sector (by 6.8 and 1.4% respectively).

As regards sectors, gross wage decreased considerable

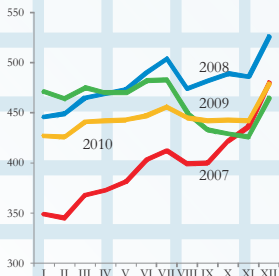
ly in public sector (by 9%) and construction (by 5.3%). However, major increase was in agriculture and forestry (by 5.8%) and electricity, gas and water supply (by 5.5%).

In 2009 real wage decreased by 5.6%, which was determined both by the decrease of wages and average price level that was higher than in 2008 on average. Also in 2010 real wage continued to decrease, average real wage in 2010 was by 6.5% lower than in the previous year.

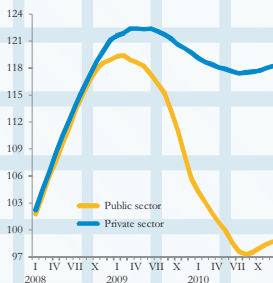
The average level of old-age pensions in 2009 has increased by 16.1%, however, at the end of the year, along with the amendments in legislation, pensions for retired persons being employed were reduced by 70%, but for non-working – by 10%. In February 2010, the restrictions of pension payments stated by the legislation were repealed and in April 2010 withheld pensions were disbursed. In 2010 an average level of monthly pensions increased by 7.6%.

Average gross wage of employed persons

lats

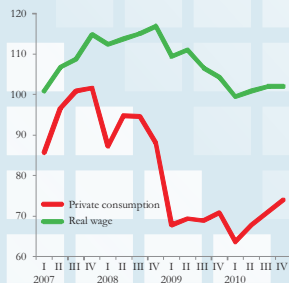


*12-month moving average index,
December of 2007 = 100*



Dynamics of real wage and private consumption

4th quarter of 2006 = 100



Employment and unemployment

Economic downturn in 2009 has considerably affected situation in labour market. Number of employed persons aged 15-74 decreased by 12.2% or by 137.4 thousand compared to 2008.

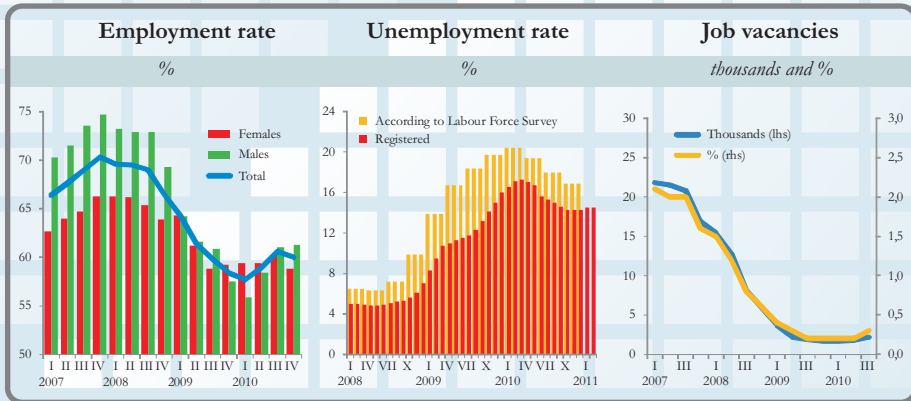
Unemployment rate grew to 16.9%. The decrease of employment in 2009 was affected most considerably by the decrease of labour demand in construction, manufacturing, trade and public sector.

In the 1st quarter of 2010 the situation in the labour market continued deteriorating. Along with the increase of economic activities, from the 2nd quarter of 2010 positive tendencies in labour market have been observed. The number of employed persons increased by 4.8% during two quarters and at the end of the 3rd quarter of 2010 was 960.4 thousand.

In correspondence with the increase of the number of employed, unemployment has decreased, which in the 4th quarter of 2010 was 16.9%. Since March 2010, registered unemployment rate

decreased gradually, which at the end of October 2010 was 14.3%. Due to the decline of seasonal work at the end of 2010 and in the first months of 2011 it did not decrease anymore. At the end of February 2011, 164.9 thousand unemployed persons were registered and registered unemployment rate was 14.5%. In accordance with the data of the State Employment Agency on the job vacancies announced by the employers, job vacancies increased gradually since January 2010 and in August 2010 – 3.5 thousand job vacancies were registered. Since September 2010, the number of job vacancies slightly decreased and at the end of the year was 2.3 thousand, which was by 63% more than a year ago.

In 2011, situation in the labour market will improve although in the 1st quarter a slight decrease of employment rate is expected. However, starting from the 2nd quarter, along with the seasonal work, employment will start to improve.



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	3244.5
Gross domestic product, changes over the corresponding period of the previous year, %			
2009	-13.9	-18.0	-14.7
2010	3.1	-0.2	1.3
3 rd quarter of 2010	5.0	2.8	1.2
4 th quarter of 2010	6.7	3.6	4.8
Industrial output, changes over the corresponding period of the previous year, %*			
2009	-25.3	-19.2	-15.0
2010	20.7	15.4	8.0
3 rd quarter of 2010	25.1	20.2	9.2
4 th quarter of 2010	32.7	17.9	16.7
Unemployment rate (share of unemployed persons in the economically active population, %)**			
2009	13.8	16.9	13.7
2010	16.9	18.7	17.8
3 rd quarter of 2010	15.5	18.0	17.8
4 th quarter of 2010	13.6	16.9	17.1
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
3 rd quarter of 2010	3.3	-0.1	1.8
4 th quarter of 2010	5.2	1.8	3.1
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
3 rd quarter of 2010	4.4	6.8	10.4
4 th quarter of 2010	5.3	7.5	13.6

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