

THE NATIONAL ECONOMY OF LATVIA: A MACROECONOMIC REVIEW

Key indicators of economic development

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Macroeconomic development

Gross domestic product

Manufacturing

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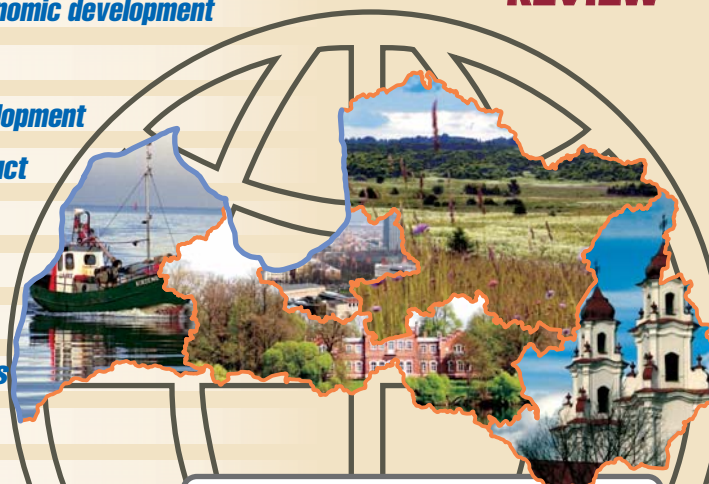
Monetary indicators

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Main socio-economic indicators of the Baltic States



Latvia: 2009

Territory, thsd km ²	64.6
Population as of 1.07.2009 (thsd)	2 255
of which:	
Urban area	1 530
of which Riga, the capital city	711
Rural area	725
National currency: lats (LVL)	

Key indicators of economic development

	2005	2006	2007	2008	2009 f
(changes over the previous year, %)					
Gross domestic product	10.6	12.2	10.0	-4.6	-18.0
Consumer prices	6.7	6.5	10.1	15.4	3.6
(% of GDP)					
Central government budget balance	-0.4	-0.5	-0.3	-4.1	-10.0
Central government debt	12.4	10.7	9.0	19.5	30.0
Current account balance	-12.5	-22.5	-22.3	-13.0	5.0
Unemployment rate (share of job seekers as % of economically active population aged 15-74 years)	8.7	6.8	6.0	7.5	16.8

	2007				2008				2009	
	I	II	III	IV	I	II	III	IV	I	II
(changes over the corresponding period of the previous year, %)										
Gross domestic product	9.0	9.3	11.4	10.0	0.5	-1.8	-5.2	-10.3	-18.0	-18.7
Consumer prices	7.6	8.6	10.3	13.7	16.4	17.7	15.8	12.0	9.2	4.7
(% of GDP)										
Central government budget balance	2.5	2.8	-0.2	-5.1	0.9	0.5	-3.0	-14.3	-9.2	-10.9
Current account balance	-24.4	-22.9	-24.8	-17.9	-16.7	-15.1	-12.8	-7.8	1.3	14.2
Unemployment rate (share of job seekers as % of economically active population aged 15-74 years)	6.9	6.0	5.9	5.3	6.5	6.3	7.2	9.9	13.9	16.7

f – forecast of the Ministry of Economics

Economic policy

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

In *Economic Stabilisation and Growth Revival Programme of Latvia*, adopted by the Saeima on December 12, 2008, and renewed on June 16, 2009, outlines the following strategic directions of the activities to overcome economic crisis:

- strict and stable monetary policy, which is based on 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 local and government with the possibilities provided by revenues. In order to ensure further decrease of 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 economy of Latvia (both in public sector – public administration and services, and in private sector) so that it corresponds to the productivity;
- increase the efficiency of public administration, by implementing reforms in such sectors as education, health and other public services by decreasing and restructuring the number of employed, optimizing activity and number of ministries and agencies under their subordination;
- increasing labour market flexibility by promoting retraining of unemployed and their returning to the labour market;
- improve competitiveness of the economy by concentrating the financing of the EU Structural Funds in order to increase support for export-capable sectors and infrastructure projects;
- reduce administrative burden on business, especially for small and medium-sized enterprises;
- stabilization of financial sector – state support provision for strengthening of credibility and activity of credit institutions along with the strengthened supervision of credit institutions;
- maintain social security activities for diminishing of social tension.

The government has managed to stabilize state's financial system. Several important reforms were taken up, for example, efficiency of state administration is being improved, and education and health care systems are being reformed. Results of these reforms will be obvious within average term. At the same time the government implements a row of activities to support entrepreneurship and eliminate administrative obstacles by simplifying processes of tax administration, real estate registration, reception of building permits, as well as by promoting broader use of Integrated State Information system in communication among institutions and enterprises. In order to improve enterprise insolvency and liquidation processes, the government has prepared amendments to *Insolvency law*.

To support entrepreneurship, 600-700 mln lats will be diverted in economy of Latvia in 2009-2010. Several financial instruments have been activated already. Loans and guarantees for improvement of competitiveness are available to merchants. Also provision of support for taking up self-employment and entrepreneurship has been started already, and until the beginning of 2010 it is planned to begin supporting risk capital and transfer of technologies, as well as high risk loan programme. Significant economic revival instrument is Export Credit Guarantee System which was introduced on June 1, 2009. This year was started programme for heat insulation of multi-dwelling houses.

Moreover, to attract financing of the EU structural funds, several programmes, such as *Implementation of new products and technologies in the production*, *Competence Centre Programmes*, *Support for technology transfer contact points*, *Implementation of development programme of innovation centres and business incubators* were taken up. These programmes are aimed to foster knowledge-based economy, i.e. promotion of knowledge and technology transfer in industry in order to ensure production of higher value added output.

Macroeconomic development

After rapid economic growth lasting for several years (in 2005-2007 average annual increase rate of GDP was nearly 11%), economy of Latvia has gone into recession. In 2008 GDP volume decreased by 4.6%. In the first half of 2009 economic recession continued. GDP volume in the 1st quarter of 2009 was less by 18.0%, and in the 2nd quarter – less by 18.7% than a year ago.

Recession in Latvian economy is greatly determined by processes of global financial crisis, which significantly decreases both Latvia's domestic and external demand.

Depth of impact of financial crisis is strengthened by typical unbalance of Latvian external sector, which formed in previous years of rapid growth. In 2007, current account deficit was 22.3% of GDP. Starting with the second half of 2008, as the financial inflow was running out, private consumption and investments are rapidly decreasing, as well as essential economic corrections are taking place, and it results in more balanced exports and imports of goods and services; simultaneously decrease of economic activities and the decline of domestic demand is observed.

This is clearly seen in dynamics of internal demand as it continues to decrease rapidly: domestic demand in the 1st and 2nd quarter of 2009 was, less by 19.7% and 25.4% respectively, compared to the corresponding quarters of 2008. Due to reduction of domestic demand, imports decreased rapidly, and, in the result, current account of balance of payments in the 1st and 2nd quarter of 2009 was with surplus 1.3% and 14.2% of GDP, respectively.

In the 1st half of 2009 output decrease was observed in all key sectors of national economy. Most significantly economic activities dropped in trade, manufacturing and construction. Output decrease in manufacturing is determined both by the reduction of domestic demand, and by narrowing of export opportunities of Latvian producers, as the external demand is decreasing.

As the domestic demand decreased and supply factor influence diminished, since the middle of 2008 growth rates of consumer prices are gradually falling. In September 2009, 12 month inflation has reduced to 0.5% (in December 2008 it was 10.5%). It is expected that in the next months inflation will continue to drop and already in the end of the year, 12-month inflation will be negative. Deflation is also expected in 2010, and during the year, prices can drop by some more percent.

Decrease of economic activities is starting to influence employment indicators more and more. In the first half of 2009, as the economic activities were reducing, the number of population employed continued to decrease – in the 2nd quarter 999 thsd persons were employed (less by 13%, compared to the 2nd quarter of 2008). In the first half of 2009, the number of unemployed continued to grow rapidly. In the 2nd quarter of 2009, unemployment rate had already reached 16.7%. A year ago, in the 2nd quarter of 2008, it was 6.3%.

The recovery of national economy of Latvia, over the next years, will depend greatly on how fast global financial system and main partner countries of Latvia's foreign trade will pick up growth again. What concerns these issues, opinions of economists all over the world are very diverse and there is a rather big uncertainty; growth forecasts are being changed on a regular basis. Majority of economics experts (International Monetary Fund, European Commission, etc.) forecast that the recovery from the recession could start in 2010.

Taking that into account, the Ministry of Economics forecasts fall of GDP in 2009 by 18%. Situation will slightly improve in the second half of 2010; nevertheless, GDP growth rate in 2010 will remain negative (by 2-4%). Economic growth in Latvia could restart in 2011.

Gross domestic product

2008

Volume at current prices,

mln lats	16274
mln US dollars	33840
mln euro	23105

Per capita,

lats	7182
US dollars	14933
euro	10196

Structure of GDP by sectors, in %:

Agriculture ¹	3.1
Industry	13.8
Construction	8.9
Trade ²	19.0
Transport and communications	10.8
Public services ³	15.7
Other services	28.7

Recession, even though at slower rate, is continuing for the fifth quarter in turn already, and in the 2nd quarter of this year GDP decreased by 0.8%, compared to the level of the 1st quarter (according to seasonally adjusted data). In total, in the first half of 2009, GDP volume was less by 18.4%, than in the same period of the previous year.

High domestic consumption of previous years and large prevalence imports over exports determines the narrowing volume of Latvia's economy. As financial inflow is running out, rapid reduction of private consumption and investments is taking place.

In the first half of 2009, domestic consumption was 23.2% less than in the same period of 2008, i.e., private consumption reduced by 21.4% and public consumption dropped by 4.2%. In its turn, in the 1st half of the year, investments in fixed assets were less by 36.3% than in the 1st half of 2008. Main reason is the lack of financial means for implementation of enterprises' investment plans, but state investments are being decreased due to the cut down in budget expenditures.

Reduction of domestic demand had a direct impact on economic activities of sectors. In the 1st half of 2009, output decrease was observed in all key sectors of national economy. In the 1st half of the year, most significant decrease was observed in construction and trade. At the same time, decrease in public

services sector was less sharp.

Second economic decline factor is output decrease of main exporting sector – manufacturing, which was determined not only by low domestic demand and demand impairment in trade partnership countries, but also by gradual decrease in competitiveness of Latvian industry, due to high inflation and rapid increase of labour force costs during previous years.

¹ Including forestry and fishing

² Including hotels and restaurants

³ Public administration including healthcare and education

Gross domestic product

GDP by Sectors

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

	2008				2009		2006	2007	2008
	I	II	III	IV	I	II			
GDP	0.5	-1.8	-5.2	-10.3	-18.0	18.7	12.2	10.0	-4.6
Agriculture ¹	-1.4	0.3	1.4	-2.6	-11.0	-6.8	-5.2	8.0	-0.3
Industry	-1.1	-4.5	-5.5	-10.6	-21.8	-21.9	5.7	1.8	-5.5
Construction	9.1	5.7	-7.4	-10.9	-28.2	-29.5	21.5	15.7	-2.6
Trade ²	-0.3	-4.9	-8.8	-17.9	-26.6	-29.6	17.9	14.2	-8.4
Transport and communications	8.7	1.3	-1.9	-2.0	-15.4	-15.0	5.5	7.0	1.1
Public services ³	1.3	1.3	-0.1	0.3	-3.7	-8.3	4.7	3.3	0.7
Other services	4.6	2.5	-2.0	-4.7	-6.5	-5.5	18.2	11.2	-0.2

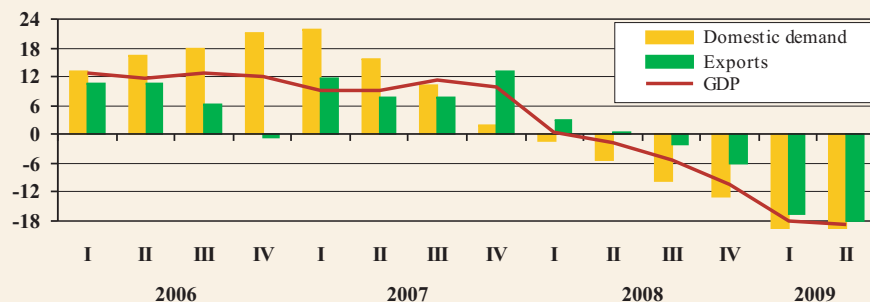
¹ Including forestry and fishing

² Including hotels and restaurants

³ Public administration including healthcare and education

Quarterly Changes in Real GDP and Major Expenditure Items

(in % over the corresponding quarter of the previous year)



6

Manufacturing

2008

Growth rate: -6.5%

Share in GDP 10.6%

Production volumes of manufacturing in 2008 were by 6.5% lower than in 2007. Significant decrease of production volumes of manufacturing was observed in wood processing and light industry, in its turn, increase of production volumes of manufacturing was observed in the manufacturing of transport vehicles and machinery. Reduction of sector output in 2008 was mainly determined by drop of domestic demand, at the same time, export volumes of Latvia's industry output slightly increased compared to 2007.

In 2009, rapid decrease of external demand has larger impact on manufacturing. Domestic demand also continues to drop.

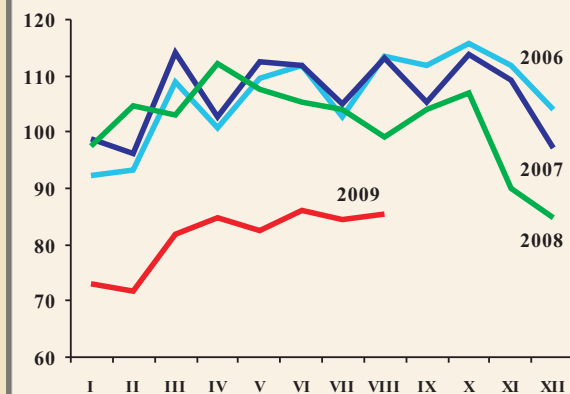
Since the beginning of the year, decrease rate of output volumes has slowed down, and at the beginning of March, production output is increasing, compared to the previous month. In total, production volumes of manufacturing in January-August decreased by 22% (working day adjusted index), compared to the 8 months of 2008. In 2009, volumes of new orders, both in local and export markets have also decreased significantly.

Output decrease in the eight months of the year is observed in all sub-sectors of manufacturing, especially, in light industry, in the manufacturing of machinery and equipment, as well as in the manufacturing of transport vehicles. In its turn, the smallest decrease is observed in the manufacture of food and in manufacture of chemicals, as well as in the wood proceeding, where output volumes since June of this year, even slightly exceed the level of the corresponding month of 2008.

Starting with March 2009, industry confidence indicator has started to increase, however, it is still at a rather low level.

Manufacturing Output

(average monthly output in 2005 = 100)



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Investments

2009

Foreign direct investment stock per capita, at the end of the 2nd quarter: 3586 euro

Since 2008, investment volume in the national economy of Latvia has rapidly decreased. Main reasons are limited availability of financial resources and rise of prices, unsatisfactory financial position of enterprises, low domestic and external demand, uncertainty of future, etc.

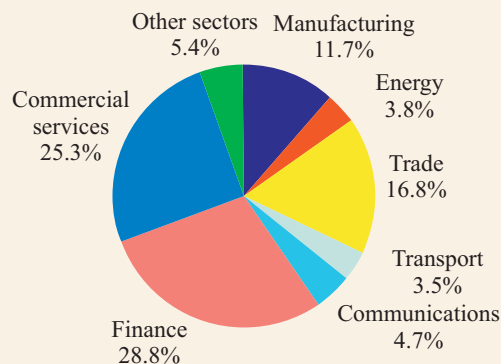
In 2008, compared to 2007, investment in national economy of Latvia reduced by 13.2%. As the environment for investments remained unfavourable, also in the 1st half of 2009, investment volumes were almost three times smaller than in the same period of 2008.

Under the impact of global financial crisis, foreign capital inflow in economy of Latvia decreased significantly. In 2008, compared to 2007, FDI inflows decreased by 44%, but in seven months of 2009, it amounted only to 10% of the volume for the same period of previous year. At the end of June 2009, FDI stock in economy of Latvia reached 5526.5 mln lats, or almost 35% of GDP.

Investments of EU member states prevail in the geopolitical structure of the FDI stock. At the end of June 2009, it comprised almost 80% of all FDI stock, one third of it where investments from new EU member states. Major investors are Estonia (15.3% of FDI stock at the end of 2nd quarter of 2009), Sweden (13.7%), Denmark (7.8%) and Germany (7.6%). 4.6% are investments from Russia.

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

Foreign Direct Investment Stock by Industry
(at the end of the 2nd quarter of 2009, %)



Foreign trade

2008

Structure of exports, %:

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

Typically negative Latvian trade balance started to improve at the end of 2007, when imports decreased and exports increased. This trend was also observed in 2008, however, significant decrease of imports made larger contribution than the increase of exports.

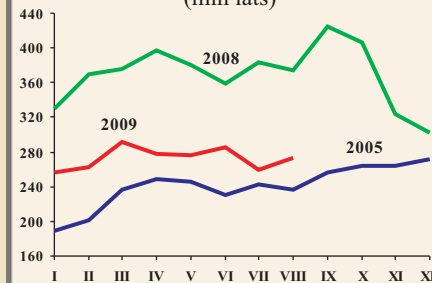
As the demand in main markets of Latvian goods is declining, exports of goods have significantly reduced. In total, exports in January-August 2009 decreased by 26.5%. It must be noted that the drop in imports of goods is particularly sharp – in January-August 2009 it decreased by 41.1%, compared to the same period of 2008. Both for exports and for imports, most rapid decrease rates were observed at the beginning of the year, but in the last month there is observed stabilization of the situation.

The largest exports decrease is in the group of wood and products of wood (in 8 months of 2009 – by 34%, compared to the same period of 2008), as well as in the group of metals and metalworking products (by 47.5%), but more moderate reduction of exports is in the group of agriculture and food products (by 12%).

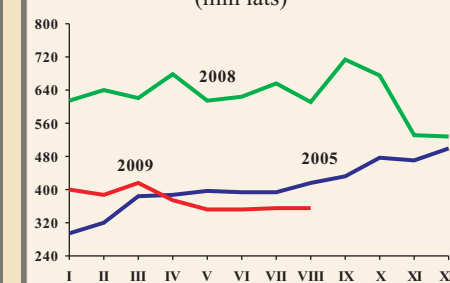
In January-August 2009, exports to all country groups decreased – most rapidly to EU-15 countries, but more moderately – to third countries.

In January-August 2009, compared to the same period of 2008, share of exports to the EU countries decreased from 74.4% to 72.5% – mainly due to reduction of exports of wood and timber, as well as of fabricated metal products. Also share of exports to CIS countries has decreased to 14.3%.

Commodity Exports by Months
(mln lats)



Commodity Imports by Months
(mln lats)



Balance of payments

2008

Current account balance

mln LVL: -2051.5

mln euro: -2919.4

Significant changes have occurred in the balance of payments – as foreign financial flows are running out, corresponding balancing has occurred in current account and current account from typical negative balance (-15.1% of GDP in the 2nd quarter of 2008) has become positive (14.2% of GDP in the 2nd quarter of 2009).

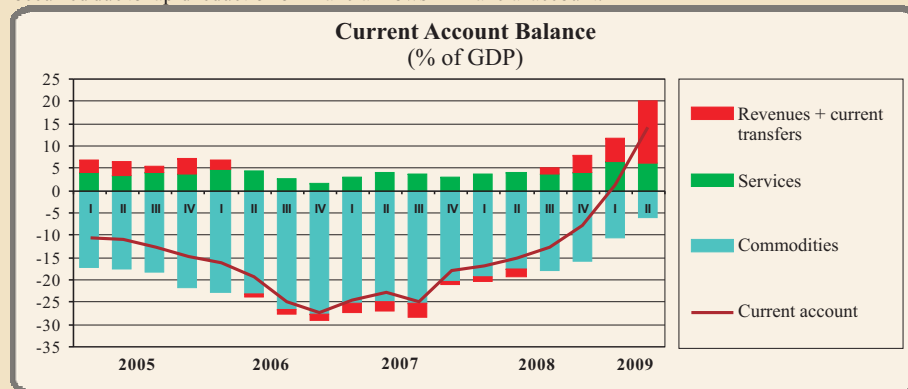
Typical positive balance of the current account is related to the positive indicator of reinvested profit, which has increased from -2.9% of GDP in the 1st quarter of 2008, to 11.5% of GDP in the 2nd quarter of 2009. It was determined by losses of investors of foreign direct investment in Latvia.

Foreign trade balance has improved – deficit has reduced from 17.7% of GDP in the 2nd quarter of 2008, to 6% of GDP in the 2nd quarter of 2009. It was promoted by more rapid decrease of imports than decrease of exports.

Balance of services continues to improve. In the 2nd quarter of 2009 it was 6.1% of GDP, and it totally covered negative balance of foreign trade.

Under the influence of global financial crisis, foreign capital inflows also have changed. In the first half of 2009, private foreign capital outflow was observed, which witnesses of negative balance of financial accounts (-11.3% of GDP).

In general, it must be concluded that adjustment of current account of the balance of payments has occurred due to rapid reduction of financial flows in financial account.



Inflation

September 2009

(12-month inflation)

CPI: 0.5%

PPI: -8.0%

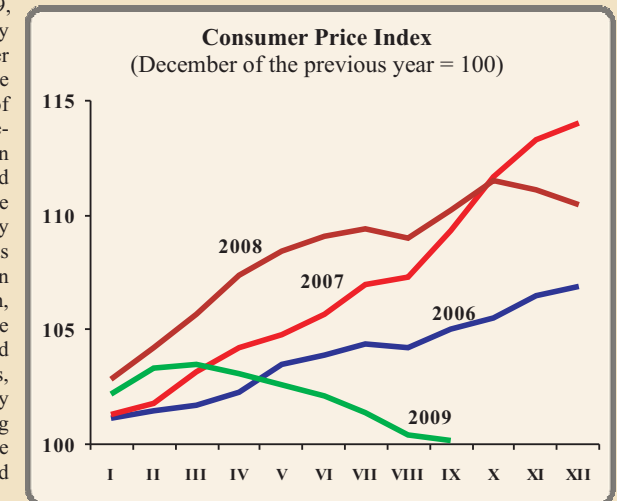
Total level of consumer prices increase in December 2008 was 10.5%, compared to December of 2007. Total level of consumer prices in 2008 on average grew by 15.4%, which was by 5.3 percentage points more than on average in 2007.

Main influence on the increase of consumer prices in 2008 had price growth of housing maintenance related goods and services that was mainly determined by administratively-regulated price rise of heat energy, electricity, gas, water supply, sewerage services, waste collection and housing management payments. Increasing food prices also had an important upward impact. In the 2nd half of

2008, as domestic demand reduced and supply factor influence diminished, growth rate of consumer prices slowed down.

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

In January-September 2009, consumer price level increased by 0.2%, if compared to December 2008. That is less by 10 percentage points than in the same period of previous year. Prices have decreased in almost all consumption groups, except health care and transport services. Overall price decrease is mainly determined by drop of prices on food products, as well as by reduction of prices on apparel and footwear. In its turn, increase of overall consumer price index is mainly determined by rapid price growth on tobacco products, alcoholic beverages, water supply and other services for housing maintenance, as well as by increase of prices on medical goods and services at the beginning of 2009.



Monetary indicators

2008

Domestic enterprises and private persons

Loans: 90.2% of GDP

Deposits: 31.2% of GDP

Situation in global financial markets and in Latvian economy has significantly influenced dynamics of monetary indicators. In the result of availability and price rise of financial resources, crediting volumes have decreased. Crediting policy of banks has become more cautious, future income of population and enterprises is unpredictable, real estate market temporizes.

In January 2008, increase of balance of loans issued was 31.8% and in December by 11.7%, over the corresponding month of the previous year. In July 2009, balance of loans issued exceeded the level of July of previous year only by 2.2%. Moreover, since November 2008, margin of remainder of the loans over previous month is decreasing every month.

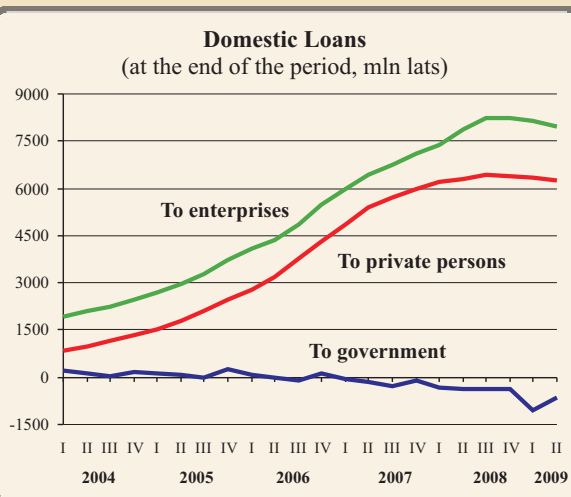
In 2009, most credited sectors are real estate, renting and business

activities, manufacturing, trade and financial intermediation.

As the unemployment was rising rapidly and income level of population was declining, in 2009 solvency of borrowers was worsening. Part of loans with delays in payments in total loans increased from 10.5% at the end of 2nd quarter of 2008 to 23.5% at the end of 2nd quarter of 2009. At the end of 1st half of 2009 rate of loans with delays in payments over 90 days in credit portfolio reached 12% (a year ago – only 2.1%).

Investment volume is also decreasing. At the end of the 2nd quarter of 2009, deposits in banks made by non-residents were less by 27.1% than a year ago.

Over the year, interest rates of loans issued in lats have increased significantly. Weighted average interest rate on short-term loans in lats issued to enterprises and private persons in the 2nd quarter of 2009 was 24.4%, but on long-term loans – 15.2%. Growth of interest rates on loans issued in euros was rather moderate – respectively, 5.4% on short-term loans and 7.2% on long-term loans. Weighted average annual rates also have increased on long-term deposits in lats and euros.



Budget and central government debt

2008

General government budget (% of GDP):

Revenues: 34.7

of which – taxes: 29.3

Expenditures: 38.8

of which – capital investment: 4.7

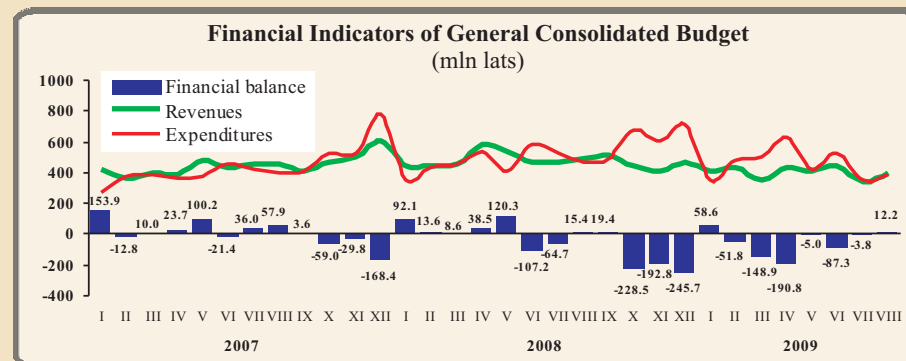
The deterioration of economic situation has significantly influenced fiscal situation of Latvia. Central government budget deficit in Latvia in 2008 was 671.8 mln lats or 4.1% of GDP. The budget deficit has been mainly determined by the central government budget deficit, which has trend to grow. In 2008, budget balance of local governments has also worsened significantly which to a great extent was influenced by construction of Riga's Southern Bridge. Over the past years there was a surplus in social insurance budget, which in 2008 slightly decreased over GDP.

Consolidated budget revenues in 8 months of 2009 were 3.23 bln lats which is less by 16.9% than in the same period of previous year. Consolidated budget expenditures in January-August 2009 were 3.65 bln lats which is less by 3.2% than in 8 months of 2008. Thus financial deficit in consolidated budget is 416.7 mln lats which is mainly determined by deficit in consolidated government budget. The aim of Latvian government is to not exceed budget deficit of 10% of GDP in 2009.

As economic activities are reducing, income from taxes continues to drop. In eight months of 2009 revenues from taxes comprised 2420.1 mln lats, which is less by 770.8 mln lats or 24.2% compared to the same period of 2008. The most significant decrease is observed in revenues from value added tax.

At the moment the government continues work to draw up the budget for 2010, and it is planned to continue budget consolidation of 500 mln lats next year and to reach budget deficit of 8.5% of GDP.

Until the 3rd quarter of 2008, general government debt in Latvia increased moderately- from 933.9 mln lats at the end of 2003 to 1802.9 mln lats in the 3rd quarter of 2008. However, at the end of 2008, in order to fund financial liabilities of the country, it increased very rapidly and at the end of the 4th quarter of 2008 reached 3181.4 mln lats, but at the end of the 1st quarter of 2009 – already 3434.6 mln lats.



Personal income

2008

Average monthly net wage:

in lats 350
in euro 498

Average monthly old-age pension (paid):

in lats 141
in euro 201

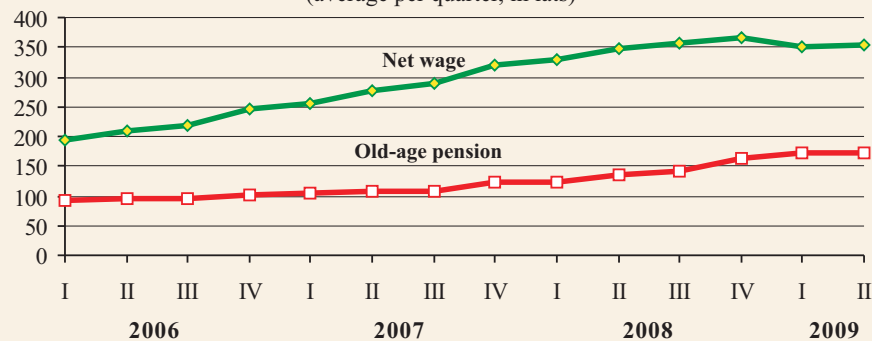
The average net monthly wage in 2008 was 350 lats which is by 22.5% more than in the preceding year. Rapid increase of wages and salaries was mostly determined by the dynamics at the beginning of the year, but in the second half of 2008, as situation in labour market worsened and demand of labour force decreased, increase rate of wages and salaries significantly dropped.

In the 2nd quarter of 2009, average net monthly wages and salaries were 354 lats which is more by 1.8% than in the 2nd quarter of 2008. At the same period gross wages and salaries diminished by 1% and were 473 lats. Decline in average gross wages and salaries were mainly determined by decrease of wages and salaries in public sector (in the 2nd quarter of 2009 by 6.2% compared to the 2nd quarter of 2008). Unlike the situation in public sector, in private sector average gross wages and salaries still continue to grow (by 0.1%). As inflation remained relatively high, in the 2nd quarter of 2009 real wages and salaries decreased by 2.8% compared to the same period of previous year.

In 2009, minimal wages and salaries were raised from 160 to 180 lats, as well as rate of personal income tax was reduced from 25% to 23%. Starting with July 1, 2009, monthly minimum non-taxable exemption for personal income tax was reduced from 90 to 35 lats.

Even though in general population income has trend to decrease during the last year, income of population of pension age, whose main income is old-age pension, in the 2nd quarter of 2009 increased by 26.9%, compared to the same period of 2008, and comprised 173 lats.

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



Employment and unemployment¹

2008

Employment rate (aged 15-64) 68.6%

Unemployment rate (share of job-seekers aged 15-74): 7.5%

Until the 4th quarter of 2008 economic recession poorly reflected in the labour market indicators, because changes in employment rates always lag behind changes in economic activities. In first two quarters of 2008 employment almost did not decrease and its level even slightly exceeded indicators of the same period of previous year. The number of employed population started to reduce only in the 4th quarter of 2008, when, compared to the same period of 2007, it dropped by 5.8%. In the first half of 2009, declining trend of employment has intensified – in the 1st quarter of 2009 the number of employed has reduced by 8.2% compared to the same period of 2008, but in the 2nd quarter – by 12.1%.

Thus in the 2nd quarter of 2009, average number of employed in age group 15-64 years was 957.4 thsd persons, which is less by 131.4 thsd than in the same period of 2008.

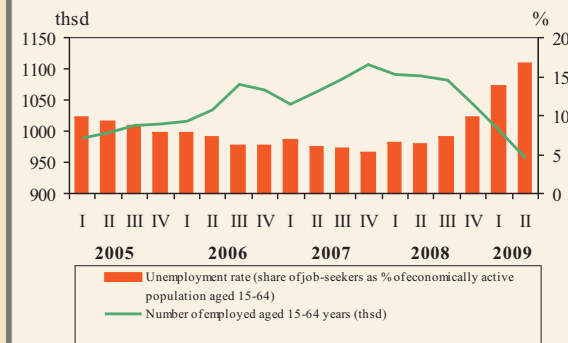
As the labour force demand is decreasing in the beginning of 2009 the unemployment level increased significantly in the country. Beginning in April, increase rate of registered unemployment has slightly reduced which can be explained by impact of seasonal work. In September 2009 147.8 thsd persons were registered as unemployed, which is 13.2% of economically active population in the country. Labour force survey data show significantly larger part of unemployed. In August, seasonally adjusted harmonized unemployment level in Latvia was 18.3%.

In the first half of 2009, level of unemployment has significantly grown. According to labour force survey data, in the 2nd quarter of 2009 there were 199.7 thsd unemployed in the country, which is 16.7% of total of economically active population.

Decrease of job vacancies also illustrates rapid drop in labour force demand. At the end of the 2nd quarter of 2009, there were only 2.4 thsd job vacancies in the country and, compared to the 1st quarter of 2009, their number has decreased by 1.4 thsd vacancies but, compared to the end of 2nd quarter of 2008 – by 10.4 thsd job vacancies or more than 5 times.

¹ In the analysis of employment and labour market trends, information on employment indicators refers to persons aged 15-64 years, but unemployment indicators – to persons aged 15-74 years, which corresponds to the EU practice.

Number of Employed and Unemployment Rate



Baltic States

Main socio-economic indicators of the Baltic States

	Estonia	Latvia	Lithuania
Territory, thsd km ²	45.2	64.6	65.3
Population as of January 1, 2009, thsd.	1340.4	2261.3	3349.9
Gross domestic product, % of the corresponding period of the previous year			
2008	-3.6	-4.6	2.8
1 st quarter of 2009	-15.0	-18.0	-13.3*
2 nd quarter of 2009	-16.1	-18.7	-20.2*
Industrial output, % of the corresponding period of previous year* (working day adjusted index)			
2008	-6.5	-4.7	5.5
1 st quarter of 2009	-28.5	-25.4	-13.7
2 nd quarter of 2009	-32.6	-20.6	-20.4
Unemployment rate (rate of unemployed as % of economically active population aged, 15-74 years)**			
2008	5.5	7.5	5.8
1 st quarter of 2009	11.4	13.9	11.9
2 nd quarter of 2009	13.5	16.7	13.6
Consumer price changes, % of the corresponding period of previous year			
2008	10.4	15.4	10.9
1 st quarter of 2009	3.1	9.2	8.7
2 nd quarter of 2009	-0.3	4.7	5.2
Price changes in industry, % of the corresponding period of previous year			
2008	7.1	11.8	18.2
1 st quarter of 2009	2.1	4.1	-10.0
2 nd quarter of 2009	-0.6	-5.1	-15.0

* Short-term statistics data

** Eurostat data: <http://epp.eurostat.ec.europa.eu>