

ISSN 1407-5334

**3**  
(32)

**2007**



Ministry of Economics  
of the Republic of Latvia



Central Statistical  
Bureau of Latvia

# THE NATIONAL ECONOMY OF LATVIA: A MACROECONOMIC REVIEW

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*Economic policy*

*Macroeconomic development*

*Gross domestic product*

*Manufacturing*

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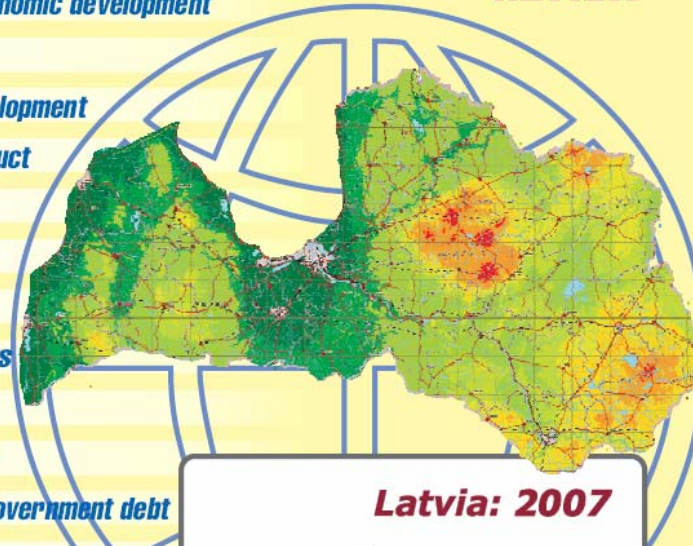
*Monetary indicators*

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## **Latvia: 2007**

Territory, thsd km <sup>2</sup>	64.6
Population (as of 01.07.2007, thsds)	2274
of which:	
Urban area	1545
of which Riga, the capital city	720
Rural area	729
National currency: lats (LVL)	

## Key indicators of economic development

	2003	2004	2005	2006	2007 f
(increase over the previous year, in per cent)					
Gross domestic product	7.2	8.7	10.6	11.9	9.5
Consumer prices	2.9	6.2	6.7	6.5	9.5
(% of GDP)					
Central government sector deficit or surplus	-1.6	-1.0	-0.4	-0.3	0.4
Central government debt	14.4	14.5	12.0	10.4	9.0
Current account balance	-8.2	-12.9	-12.6	-21.3	-22.6
Exchange rate, LVL per US dollar	0.571	0.540	0.565	0.560	0.520
Exchange rate, LVL per euro	0.645	0.671	0.703	0.703	0.703
Unemployment rate (rate of job seekers as % of economically active population, aged 15-74 years)	10.6	10.4	8.7	6.8	6.0

	2005				2006				2007	
	I	II	III	IV	I	II	III	IV	I	II
(increase over the corresponding period of the previous year, in per cent)										
Gross domestic product	7.7	11.5	11.6	11.4	13.1	11.1	11.9	11.7	11.2	11.0
Consumer prices	6.7	6.5	6.5	7.3	7.0	6.3	6.6	6.3	7.6	8.6
(% of GDP)										
Central government sector deficit or surplus	1.8	4.1	3.5	-9.1	1.3	2.4	4.0	-7.4	4.3	3.5
Current account balance	-10.4	-10.9	-12.8	-15.2	-15.6	-19.2	-24.7	-27.1	-26.4	-23.5
Exchange rate, LVL per US dollar	0.535	0.557	0.576	0.591	0.585	0.560	0.551	0.546	0.536	0.522
Exchange rate, LVL per euro	0.703	0.703	0.703	0.703	0.703	0.703	0.703	0.703	0.703	0.703
Unemployment rate (rate of job seekers as % of economically active population, aged 15-74 years)	9.9	9.2	8.7	7.8	7.8	7.2	6.2	6.1	6.9	6.0

f - forecast of the Ministry of Economics

## Economic policy

The aim of the government's economic policy is to ensure sustainable and balanced economic and social development, to implement transition from a labour-intensive economy to a knowledge-based one, reaching in this way the EU average GDP per capita level within the next 20-30 years.

The reforms that were carried out in the previous decade have consolidated the private sector and good macroeconomic conditions have been created to foster growth. Private initiative and capital are the main driving forces for development. The law guarantees the protection of foreign investment, non-residents can repatriate profit and capital freely and equal terms are provided to domestic and foreign entrepreneurs.

Accession to the EU provides Latvia with new opportunities for economic growth. By joining the single EU market Latvia can benefit from the advantages provided by a broad and stable market, free movement of goods and services, labour and capital, i.e., the most favourable terms in the EU market.

The government has identified three main priorities for further economic development of the country in the period from 2007-2013: an educated and creative individual, technological excellence and flexibility of enterprises and advancement of scientific research and development.

One of the main challenges for Latvian economic policy is to set up an effective and competitive industry structure by implementing structural reforms to boost productivity and to support research and development and innovation, improving the efficiency of the educational and training system, its quality and accessibility.

In recent years the business environment in Latvia has been substantially improved by introducing the requirements of the EU body of legislative acts (*acquis communautaire*) and implementing the *Action Plan for Improvement of Business Environment*. Currently the corporate income tax in Latvia is among the lowest (15%) in the EU. In the survey *Doing Business 2008* carried out by the World Bank group Latvia takes 22<sup>nd</sup> place among 178 countries in terms of favourable business environment, 2 places higher compared to the previous year, due to the activities made in the fields of taxes, licensing and business liquidation.

In order to create an optimal local government administrative and organisational structure and to raise its capacity, the administrative territorial reform is under way in Latvia and it is going to be completed before the local government elections in 2009.

Latvia is consistent in its efforts to open to competition the monopolist markets such as telecommunications, electricity and gas supply, post and railway. The government continues to improve the basic infrastructure paying special attention to the development of the energy sector, building of the electronic communications and information systems, as well as to the improvement of the quality of transport infrastructure and creation of an effective network. The utilisation of EU structural funds and the Cohesion Fund offers broader opportunities to improve infrastructure.

To ensure balanced development, the government is resolved to implement a budget with a surplus in 2007 as well as in 2008, 2009 and in 2010. The general government debt in Latvia is among the lowest in the EU and it is expected that in the medium-term its level will remain considerably below the criterion set by the Maastricht Treaty.

The Bank of Latvia implements *de facto* the policy of the fixed exchange rate of the national currency. It reduces uncertainty, averts the currency risks and provides a stable ground to entrepreneurs for planning.

Successful implementation of the structural reforms in Latvia will ensure stability of economic growth, promote the convergence process and deeper integration into the European and global economy.

## Macroeconomic development

Growth rates in the Latvian economy have been very rapid in recent years. The reforms carried out in the country and integration into the EU has made a positive impact on economic development. In the period of 2004-2006 GDP grew on average by 10.4% annually and by 11.9% in 2006, but in the 1st half of 2007 - by 11.1%. These growth rates are the highest in the European Union.

GDP growth in Latvia is ensured mostly by the rapid increase of productivity spurred by investments made in previous years. Economic activity is accelerating in all main economic sectors. Domestic demand fosters the development of services, especially in trade, business services and construction. High growth rates can also be observed in the transport and communications sectors. The dynamics of domestic demand has been stable due to the rising incomes, stability of the financial system, expansion of crediting, NATO and the EU accession and predominance of positive future expectations. The contribution of manufacturing in the growth is not so high, in the period between 2004-2006 it increased on average by 6.2% per year.

One of the main risks for Latvian economic growth is high inflation and large current account deficit, which is mainly caused by high domestic demand. Since 2004 inflation exceeds 6% and the annual average inflation in 2006 reached 6.5%. In the first half of 2007 the growth of prices accelerated. In 2006 current account deficit increased rapidly, constituting 21.3% of GDP. It should be noted, that current account deficit is covered with foreign direct investments and long-term loans. The reserve assets of the Bank of Latvia increase and net external reserves completely cover the monetary base. Large current account deficit does not threaten macro-stability in the short-term, but serves as a serious signal for assessing the sustainability of growth.

Inflation in Latvia is determined by many, sometimes mutually not related factors, e.g. structural changes in relation to EU accession, price increase for energy resources in the world markets, changes of administratively regulated prices, etc. The main factor still is rapidly increasing domestic demand, mainly stimulated by the increasing volume of crediting, as well as noticeable increase of wages.

To reduce the domestic demand, the Cabinet of Ministers on March 6, 2007 supported the inflation reduction plan, which includes measures with regard to fiscal policy, crediting and other activities that can improve the situation in the real estate market, labour market, productivity and the competition policy. In the medium-term, the impact of the abovementioned factors will diminish and the implementation of the inflation reduction plan will lower inflation.

The employment and unemployment indicators are gradually improving. In recent years the number of employed has been rising annually by 1-2% (in 2006 by 5%), while the unemployment rate decreased from 10.4% in 2004 to 6.8% in 2006.

The economic growth potential is best characterised by investment increase. Within last three years the investment in the fixed assets has increased by 81% (22% on average per year). The investment growth rate and its share in GDP are among the highest in the EU. If there are no external shocks GDP in the medium-term can be expected to grow by 6-8% annually. According to the forecasts of the Ministry of Economics GDP growth in 2007 will be 9.5%.

## Gross domestic product

### 2006

#### GDP, at current prices

mln lats	11265
mln US dollars	20116
mln euro	16024

#### GDP per capita

lats	4923
US dollars	8791
euro	7002

#### GDP by sector, %:

Agriculture <sup>1</sup>	3.7
Industry	14.7
Construction	6.8
Trade <sup>2</sup>	22.4
Transport and communications	13.0
Public services <sup>3</sup>	14.4
Other services	25.0

For several years already Latvia has witnessed rapid growth. During last three years (2004 - 2006) GDP grew annually by 10.4 per cent. The main force for the rapid growth is stable increase of domestic demand. Private consumption has increased notably, as well as investments. Less important part in the growth took the expanding export opportunities.

The most rapid growth ever was observed in 2006. It had been affected mostly by the growth of domestic demand, which increased by 17.2%. Favourable crediting conditions, especially mortgages, private consumption (fostered by the rapid growth of wages and leasing opportunities) were the key driving forces of the domestic demand. However, the growth of exports decreased to 5.3%, which in turn considerably reduced Latvia's trade balance and at the end of 2006 caused current account deficit. In 2006 the investments in fixed assets were by 18.3% higher than in the previous year.

Nearly 80% of GDP growth was on the account of the development of the services sector fostered mainly by the development of trade and business service sectors. Construction is growing fast, while industrial growth has been more moderate.

Rapid economic growth continues also in 2007. GDP increased by 11.1% in the 1<sup>st</sup> half of 2007 compared to the 1<sup>st</sup> quarter of 2006.

According to Eurostat's estimation, GDP per capita in Latvia, calculated in the purchasing power parity standards, represented 54% of the EU-25 average level in 2006. In comparison with the year 2004, the backwardness vis-à-vis the average level of the EU member states was successfully reduced by 6.6 percentage points.

The increasing productivity and, to a lesser extent, the rising employment were the main factors contributing to the GDP increase in Latvia. The rate of productivity growth in the past three years exceeded 7 per cent.

<sup>1</sup> Including forestry and fishing

<sup>2</sup> Including hotels and restaurants

<sup>3</sup> Public administration including healthcare and education

## Gross domestic product

### GDP by Sectors

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

	2006				2007		2004	2005	2006
	I	II	III	IV	I	II			
<b>GDP</b>	13.1	11.1	11.9	11.7	11.2	11.0	8.7	10.6	11.9
Agriculture <sup>1</sup>	0.9	-3.3	-1.3	4.0	5.3	7.2	3.4	9.3	-0.3
Industry	9.3	4.0	7.4	3.1	1.7	1.1	6.4	5.5	5.8
Construction	17.5	16.1	12.2	10.3	17.0	15.9	13.3	15.5	13.6
Trade <sup>2</sup>	17.4	18.4	17.9	15.5	15.6	13.8	12.7	16.7	17.3
Transport and communications	6.0	10.9	12.1	7.7	7.6	9.4	10.1	13.7	9.3
Public services <sup>3</sup>	2.9	4.4	2.1	7.9	3.6	3.4	3.4	4.6	4.4
Other services	18.3	14.8	16.3	17.2	13.1	12.9	9.4	10.3	16.7

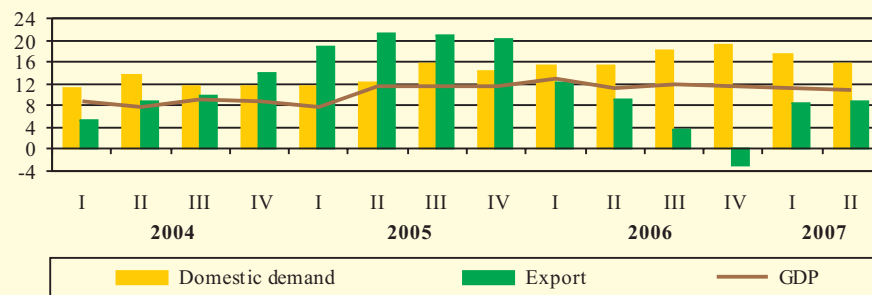
<sup>1</sup> Including forestry and fishing

<sup>2</sup> Including hotels and restaurants

<sup>3</sup> Public administration including healthcare and education

### Quarterly Changes in Real GDP and Major Expenditure Items

(% of the corresponding quarter of the previous year)



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## Manufacturing

**2006**

**Growth rate:** 6.2%

**Share in GDP** 11.8%

Recent years have witnessed steady growth in manufacturing. Manufacturing output grew on average by 6.2% per year (2004-2006), at a slightly slower pace than the overall economic growth.

In 2006, growth in manufacturing was slightly more rapid than a year ago and production output exceeded the level of the previous year by 6.2%. It should be noted that higher growth rates

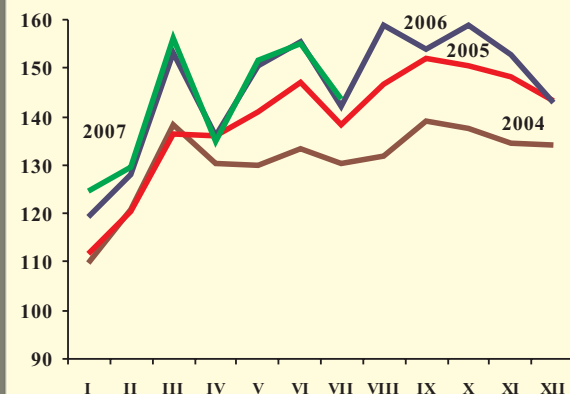
remained in those industries having higher demand in domestic market, except manufacture of food products. The woodworking industry, one of Latvia's main export industries, has demonstrated weaker growth rates.

Generally, the tendency of manufacturing growth is equable, without noticeable rapid increases or decreases. The decrease in some sectors is compensated by the growth in other sectors.

The growth of manufacturing in the 1<sup>st</sup> half of 2007 was by 1.1% higher (compared to the 1<sup>st</sup> half of the previous year). The slow growth was mainly influenced by the decrease in the one of the main industrial sub-sectors - wood-working industry (by 8.9%). It should be noted, that export-oriented sectors grew rapidly, such as manufacture of basic metals and metal products (by 8.6%), manufacture of electronic and optical equipment (by 11.0%), manufacture of chemical and allied industries (by 6.3%). Production of construction materials, which is oriented on the domestic market, is developing fast as well (by 12.9%).

### Manufacturing Output

(average monthly output in 2000 = 100)



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## Investments

**2006**

**Foreign direct investment stock per capita, at the end of the year: 3294.3 US dollars**

Investments are one of the main factors of Latvia's economic growth. During last three years (from 2004 - 2006) investments have increased by 81% (22% on average per year). The rapid dynamics of investments was influenced mainly by the widening of financial resources determined by the two main factors: firstly, inflow of foreign capital since Latvia's accession to the EU, and secondly, improvement of financial situation due to the relatively low tax burden and high domestic demand.

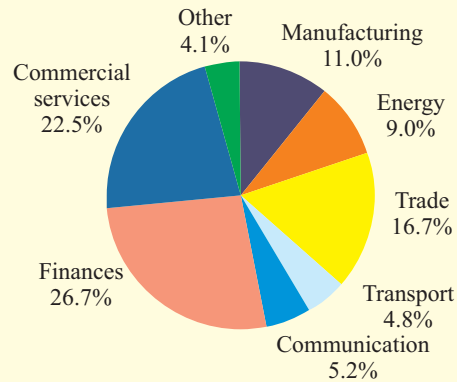
In 2006 investments increased by 18.3%, which is slightly slower compared to 2005. But in the 1st half of 2007 investments rose by 15.9%, constituting 32.8% of GDP.

Foreign direct investment stock per capita in Latvia at the end of March 2007 was 4299.4 mln lats. i.e., by 6.5% more compared to the end of 2006.

Investments in the services sector account for the largest share of the foreign direct investment (FDI) stock. Almost half of FDI attracted in this period are invested in commercial services, including real estate.

FDI of the EU member states comprise three fourths, and main investors are Sweden (15.2% of the FDI stock at the end of March 2007), Estonia (13.3%) and Germany (10%); 6.5% are from Russia.

**Foreign Direct Investment Stocks by Industry**  
(end of 1st quarter of 2007, per cent)



## Foreign trade

**2006**

**Structure of export, %:**

<b>Wood and products of wood -</b>	<b>22.5</b>
<b>Metalworking, machine building and transport equipment -</b>	<b>30.6</b>
<b>Light industry goods -</b>	<b>8.8</b>
<b>Chemical goods and articles of plastics -</b>	<b>9.8</b>
<b>Agricultural and food products -</b>	<b>13.2</b>
<b>Other goods -</b>	<b>15.1</b>

The value of commodity exports from Latvia in 2006 rose more moderately (by 14%, at current prices) than in 2005, whereas the value of imports increased at a more rapid pace (by 31.1%).

Exports in 2006 rose in almost all commodity groups, especially in the group of fabricated metal products accounting for nearly 27% of the total export growth. Exports of mineral products that had witnessed very rapid growth in 2005, decreased considerably (mainly to the EU member states). Exports of wood and articles of wood increased (3.1%).

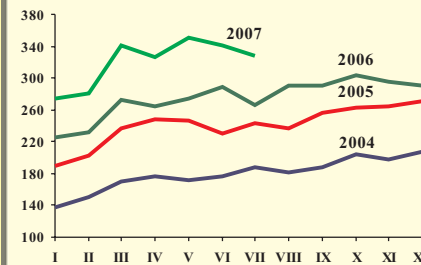
After accession to the EU, Latvian foreign trade with Lithuania and Estonia as well as with other new EU member states has increased very rapidly. A comparison with the 2003 shows that Latvian foreign trade with other Baltic States has increased three times.

Exports to CIS countries in 2006 witnessed the most rapid growth and its value was higher by nearly one third in comparison with the previous year, with substantial increases in the exports of chemical goods and various machinery and equipment. Exports to the EU member states grew by 11.9% in 2006 compared with 2005, metal working accounting for the largest share in export growth.

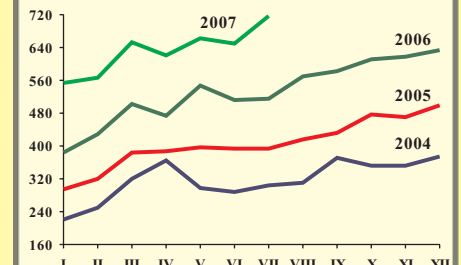
Also in 2007 exports continued rapid growth by 22.8% (January - July 2007 compared with corresponding period of 2006). However, imports grew more rapidly - by 31.4%.

The exports to nearest neighbouring countries - Estonia and Lithuania, as well as to CIS countries increased significantly.

**Commodity Exports by Months**  
(mln lats)



**Commodity Imports by Months**  
(mln lats)



## Balance of payments

**2006**

**Current account balance**

**mln LVL: -2376.0**

**mln US dollars: -4280.4**

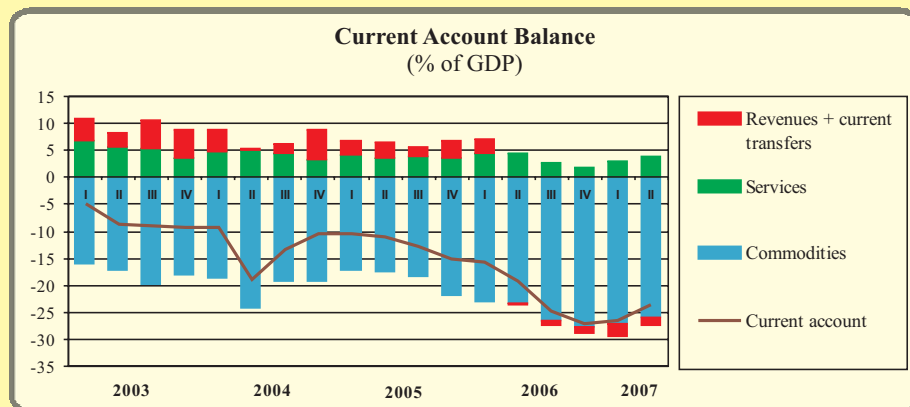
The current account deficit of the balance of payments accelerated sharply in 2006. Negative trade balance is the main source of the current account deficit.

For several years already Latvia has been characterised by a relatively high current account deficit. So far this has not created any problems for economic stability as the deficit is to a great extent covered by the flows not raising the level of debt and the reserve assets of the Bank of Latvia are increasing year by year.

The data of the 1<sup>st</sup> half of 2007 testifies further growth of current account deficit mainly due to the worsening of the trade balance and ratio of the debt raising flows.

Domestic demand in Latvia is higher than domestic supply and this is the reason for the growth of current account deficit. It means that in order to finance domestic investments, foreign savings should also be used. In recent years the level of saving in relation to GDP has been actually constant, approximately 20%. By contrast, the rate of investments in the economy is rising rapidly, especially after EU accession (36% in 2005 and almost 40% in 2006).

The banking sector absorbs the major part of foreign investments.



## Inflation

**August 2007**

**(12-month inflation)**

**CPI: 10.1%**

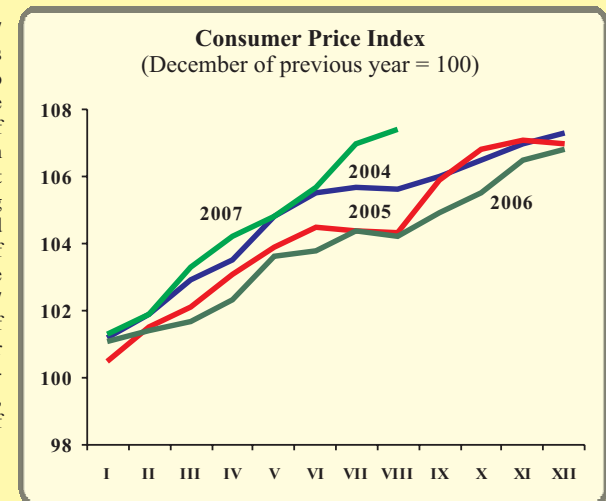
**PPI: 16.9%**

The overall price increase in 2006 (6.8%, December over December) was slightly less conspicuous than in the previous year (7%). Prices for services rose more rapidly (by 7.9%) while the increase in the prices of goods was more moderate (6.4%). As a result, the average annual price increase in 2006 was 6.5% (6.7% in 2005).

Similarly as in the previous two years, the main reason for price growth in 2006 was the increase in the prices of food products. The second largest group accounting for price growth in 2006 was the increase in the dwelling prices. The increase in the administratively regulated prices for heating, natural gas, electricity, dwelling rent, water supply, waste disposal and sewerage services accounted mostly for price increases within this group. The costs of dwelling maintenance and repair also went up sharply.

Thus it is worth noting that the high rates of price growth in 2006 were accounted mostly by two main factors: the sufficiently high second-phase effect of inflation and the rise in the administratively regulated prices. The second-phase effect was intensified both by the high mortgage crediting rates and the substantial wage increase.

In the eight months of 2007 prices rose by 7.4%, and this is almost two times faster compared to the corresponding period of the previous year (by 4.2%). The rate of prices for commodities increases in almost all consumption groups, but the prices for services are growing faster than prices for goods and exceed the rate of price increase of the previous years. Such rapid price increase in the eight months of 2007 shows that, second-phase effect of inflation (growth of wages, producer prices, etc.) and inflation expectations are very important factors, which now influence the increase of consumer prices.



## Monetary indicators

**2006**

### Domestic enterprises and private persons

<b>Loans:</b>	<b>86.3% of GDP</b>
<b>Deposits:</b>	<b>40.0% of GDP</b>

Stability of the banking sector, the rising welfare and economic activity of the population are the reasons stimulating steady growth of the basic monetary indicators of the banking system of Latvia. In recent years loans to enterprises and private persons increased by 50-60%. Compared to June 2006, the amount of broad money M2X in June 2007 rose by 31.5%, currency in circulation increased by 13.8% and deposits rose by 35.8%. In the same period credits to enterprises and private persons continued to rise (by 56.2%). Although the amount of crediting is rising, the quality of loans does not deteriorate. At the end of 2<sup>nd</sup> quarter of 2007 the share of loans generating no income in the total number of loans granted by non-banks was only 0.4%.

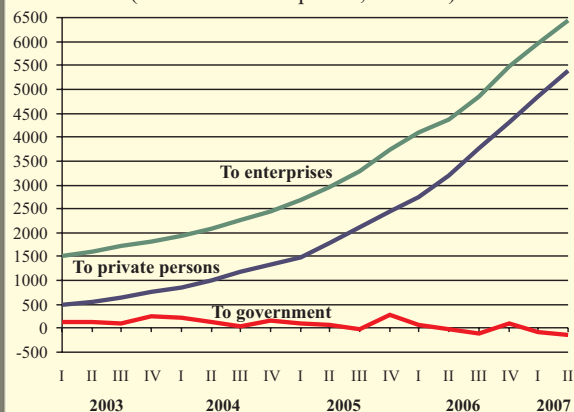
Reacting to the increasing domestic demand and in order to slacken the growth of crediting, the Bank of Latvia has raised several times since March 2004 its re-financing rate and reserve requirement. However, the effectiveness of these measures in Latvia is limited by the fixed exchange rate regime and several other specific factors.

On March 6, 2007 the government supported the inflation reduction plan, which among others, envisages a variety of measures to tighten control over the expansion of crediting. There has been introduced a requirement for the crediting institutions to evaluate the solvency of the client and to grant loans only on the basis of legal income. Loans bigger than 100 minimum monthly wages have obligatory first payment not less than 10% of the commodity, service or real estate value. Starting with 2008 there will be united register of borrowers.

Together with this government policy activities the policy of Latvia's biggest commercial banks has become more cautious. It is expected that, with the changes of consumer activities and with the decrease of the attractiveness of the speculative deals in the real estate market, first results could be seen this year.

In the 2<sup>nd</sup> quarter of 2007 the average weighted interest rate on short-term loans in lats was 11.3%, but on long-term loans - 14.2%, for loans in Euro - interest rate on short-term and long-term loans was 6.2%.

**Domestic Credits**  
(at the end of the period, mln lats)



## Budget and central government debt

**2006**

### General government budget (% of GDP):

<b>Revenues:</b>	<b>35.6</b>
<b>of which taxes:</b>	<b>29.3</b>
<b>Expenditures:</b>	<b>36.1</b>
<b>of which capital investment:</b>	<b>4.8</b>

Central government budget deficit in 2006 was 30.8 mln lats or 0.3% of GDP. Revenues in 2006 were by 30.4% higher than in 2005 and expenditures were by 30.1% higher.

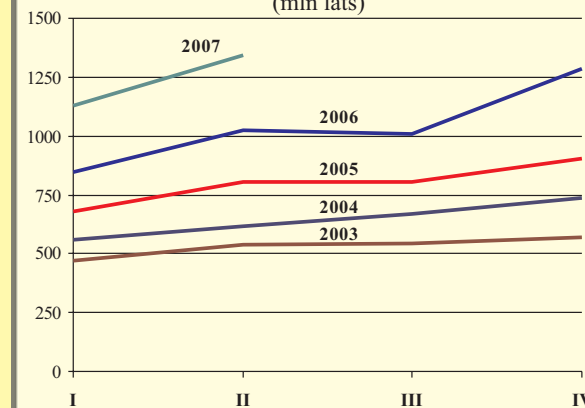
The Parliament has approved the general government budget for 2007 with a deficit of 177.8 mln lats or 1.3% of GDP. However, in September 2007 the Parliament made amendments to the law "On State Budget for 2007", envisaging the surplus of 0.4% of GDP.

The main expenditure priorities of the budget for 2007 are: development of a functioning health care system; crisis management within the system of interior affairs; improvement of the educational system; modernisation of the social security system;

strengthening of the administrative and institutional capacity of law enforcement institutions; effective planning, absorption and utilisation of financial resources of the EU funds and European Economic Zone; transition of the country's defence system to professional armed forces; creation of a qualitative and up-to-date cultural infrastructure; modernisation of the public administration system and strengthening of its capacity.

The level of the central government debt in Latvia is one of the lowest in the EU. At the end of 2006 it was 1166.8 mln lats or 10.4% of GDP (1099.8 mln lats or 12.1% of GDP at the end of 2005).

**Revenues of the General Government Consolidated Budget by Quarters**  
(mln lats)



## Personal income

**2006**

**Average monthly net wage:**

<b>lats</b>	<b>216</b>
<b>US dollars</b>	<b>387</b>

**Average monthly old-age pension (paid):**

<b>lats</b>	<b>96</b>
<b>US dollars</b>	<b>171</b>

The average net monthly wage in 2006 was by 41 lats or 23.1% higher than in the preceding year. There was also a substantial rise (by 15.6%) in the level of real wages despite the considerable price increase.

The overall wage increase was to a great degree influenced by the high inflation level in previous years and in 2006, as well as by the wage increase for the employees of several budget-financed institutions, for example, teachers and doctors.

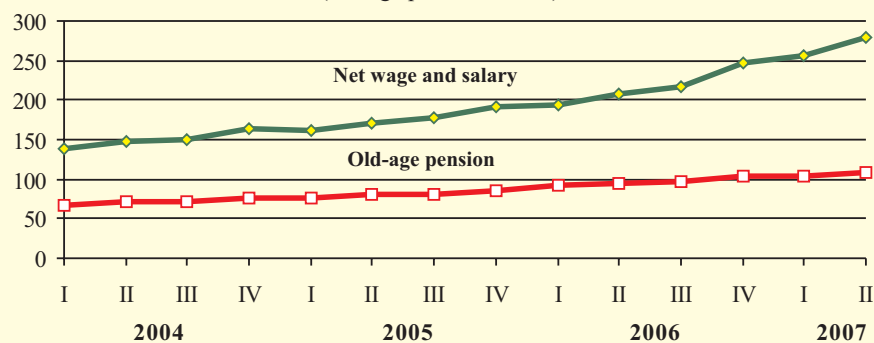
On January 1, 2007 the minimum monthly wage was raised to 120 lats and the minimum monthly untaxable income of the population to 50 lats, as well as the monthly allowance for a dependent person increased to 35 lats. The data of the 1<sup>st</sup> half of 2007 show that average monthly gross wages grew rapidly (by 33%, net wages compared to the 1<sup>st</sup> half of 2006). In the 2<sup>nd</sup> quarter of 2007 average monthly gross wages in national

economy were 389 lats, of which 354 lats in private sector and 463 lats in public sector.

Wages and salaries represent on average 68.8% of the household income and social benefits comprise 23.6%.

Pensions in the 2<sup>nd</sup> quarter of 2007 on average were 108.57 lats, i.e., 5% higher compared to the 1<sup>st</sup> quarter of 2007. During 2006 the average old-age pension increased by 13.7 percentage points.

**Wages and Salaries and Old-Age Pensions**  
(average per month, lats)



## Employment and unemployment<sup>1</sup>

**2006**

<b>Employment rate (aged 15-64)</b>	<b>65.9%</b>
-------------------------------------	--------------

<b>Unemployment rate (rate of unemployed, aged 15-74):</b>	<b>6.8%</b>
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Rapid economic development in recent years in Latvia has positively influenced the situation on the labour market - the employment increases, unemployment decreases and economically active population grows. Within last three years the number of employed annually increases by 2.6% (2004 - 2006), but unemployment rate has reduced from 10.6% in 2003 to 6.8 in 2006.

In the last three years (2004-2006) the employment rate has increased by 4.5 percentage points. In comparison with the EU average, in 2003 the employment rate in Latvia was lower by 1.1 percentage points, whereas in 2006 it exceeded by 1.6 percentage points.

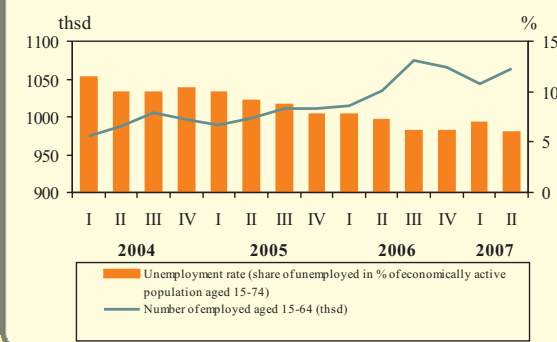
The level of female employment in Latvia is higher than the EU average and this difference tends to increase: female employment level in 2003 was by 2.9 percentage points higher than in the EU and in 2006 - by 5.0 percentage points higher. The male employment level, in turn, although tending to rise year by year, still lags behind the EU average level (by 4.7 percentage points in 2003 and 1.6 percentage points in 2006).

In the 1<sup>st</sup> quarter of 2007 the employment rate was 66.3%, but in the 2<sup>nd</sup> quarter - 67.6%, which is by 2.1 percentage points higher than in the 2<sup>nd</sup> quarter of the previous year.

In the 2<sup>nd</sup> quarter of 2007 the unemployment rate, in turn, was 6.0% (in the 1<sup>st</sup> quarter of 2007 - 6.9%, but in the 2<sup>nd</sup> quarter of 2006 - 7.2%).

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

**Number of Employed Persons and Rate of Unemployed**





## Baltic States

### Main socio-economic indicators of the Baltic States

	Estonia	Latvia	Lithuania
Territory, thsd km <sup>2</sup>	45.2	64.6	65.3
Population as of January 1, 2007, thsd	1342.0	2281.3	3384.9
Gross domestic product, % of corresponding period of the previous year			
2006	111.2	111.9	107.5
2007: 1 <sup>st</sup> quarter	110.1	111.2	108.3
2007: 2 <sup>nd</sup> quarter	107.6	111.0	108.0
Industrial output index, % of corresponding period of the previous year			
2006	107.3*	105.8	107.3
2007: 1 <sup>st</sup> quarter	108.6*	101.7	99.0
2007: 2 <sup>nd</sup> quarter	107.5*	101.1	104.2
Unemployment rate (the percentage share of unemployed persons in the total number of economically active population aged from 15 to 74 years)			
2006	5.9	6.8	5.6
2007: 1 <sup>st</sup> quarter	5.3	6.9	5.0
2007: 2 <sup>nd</sup> quarter	5.0	6.0	4.1
Consumer price changes, % of corresponding period of the previous year			
2006	4.4	6.5	3.7
2007: 1 <sup>st</sup> quarter	5.2	7.6	4.3
2007: 2 <sup>nd</sup> quarter	5.7	8.6	4.8
Producer price changes in industry, % of corresponding period of the previous year			
2006	4.5	10.3	9.8
2007: 1 <sup>st</sup> quarter	7.0	15.8	10.7
2007: 2 <sup>nd</sup> quarter	8.5	17.8	13.9

\* - preliminary data