

# THE NATIONAL ECONOMY OF LATVIA: A MACROECONOMIC REVIEW

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## Latvia: 2007

Territory, thsd km <sup>2</sup>	64.6
Population (as of 01.10.2007, thsds)	2 273
of which:	
Urban area	1 544
of which Riga, the capital city	718
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	10.5
Consumer prices	2.9	6.2	6.7	6.5	10.0
(% 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	12.5	10.6	9.0
Current account balance	-8.2	-12.9	-12.6	-22.3	-22.0
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

	2006				2007		
	I	II	III	IV	I	II	III
(increase over the corresponding period of the previous year, in per cent)							
Gross domestic product	13.1	11.1	11.9	11.7	11.2	11.0	10.9
Consumer prices	7.0	6.3	6.6	6.3	7.6	8.6	10.3
(% of GDP)							
Central government sector deficit or surplus	1.3	2.4	4.0	-7.4	4.3	3.5	...
Current account balance	-15.6	-19.2	-24.7	-27.1	-26.4	-23.5	...
Exchange rate, LVL per US dollar	0.585	0.560	0.551	0.546	0.536	0.522	0.512
Exchange rate, LVL per euro	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)	7.8	7.2	6.2	6.1	6.9	6.0	5.9

f - forecast of the Ministry of Economics

## Economic policy

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 on the EU market.

The aim of economic politics of Latvia is to ensure sustainable and even economic and social development, to implement transition from labour-consuming economics to knowledge-consuming economics and to achieve average GDP level of the EU countries per capita in 20-30 years.

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.

In order to raise competitiveness of Latvia, the Cabinet of Ministers has approved the *Entrepreneurship Competitiveness and Innovation Promotion Programme for 2007-2013*. The programme defines specific measures for improvement of business environment, fostering access to finances, development of new entrepreneurship initiatives, transfer and commercialisation of knowledge, etc. Funding in the amount of LVL 464 million is planned for implementation of these measures, int. al., attracting LVL 420 million from the EU Structural Funds.

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 research *Business in 2008* carried out by the World Bank group among 178 countries the environment of Latvia business takes 22<sup>nd</sup> place, 2 places higher compared to the previous year.

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 intended to complete it before the local government election 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 close 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 has resolved to implement the 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. This 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 the stability of economic growth, promote the convergence process and deeper integration into the European and global economy.

## Macroeconomic development

The reforms carried out in the country and integration into the EU has made a positive impact on economic development. In the period between years 2004-2006 GDP grew on average by 10.4% annually, in the 1<sup>st</sup> half of 2007 - by 11.1%, but according to the previous estimation of CSB, compared to the 3<sup>rd</sup> quarter of 2006, in the 3<sup>rd</sup> quarter of 2007 GDP grew by 10.9%.

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 predomination of positive future expectations. 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 contribution of manufacturing in the growth is not so high, in the period between years 2004-2006 it increased on average by 6.2% per year, but in the 1st quarter of 2007- by 1.2%.

Indicators characterizing employment and unemployment are improving gradually. In recent years the number of employees is increasing by 1-2% annually (in 2006 - by 5%), but unemployment rate has decreased from 10.4% in 2004 to 6.8% in 2006 and to 6% in the 2<sup>nd</sup> quarter of 2007.

One of the main risks for the Latvia economic growth is high inflation and large deficit of current account, which is based on the high domestic demand. Since 2004 inflation exceeds 6% and in average annual inflation in 2006 reached 6.5%. In the 1<sup>st</sup> half of 2007 the price increase rates grew.

The Latvia inflation level is determined by many, sometimes mutually not related, factors, of which structural changes in relation to EU accession, worldwide price increase for energy resources, changes of administratively regulated prices, etc. The main factor still is rapidly increasing local demand.

In 2006 balance of payment current account deficit increased rapidly, constituting 21.3% of GDP (in the 1<sup>st</sup> half of 2007 - 24.8%). 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 money base.

To restrict the local demand, the Cabinet of Ministers on the 6<sup>th</sup> of March this year supported the activities of inflation restriction related to the budget and tax policy, crediting and other undertakings that can improve the situation in the real estate market, labour market, productivity and the competition policy. As changes in the prices and supply of real estate show, realization of activities prescribed in the plan in the field of restriction of real estate transactions and crediting of dwellings has already given first results. Together with this government policy activities the policy of Latvia's biggest commercial banks has become more circumspect. It is expected that, with the shrinking of mentioned influence of factors elevating prices and with the government realizing inflation decrease activities, inflation will gradually decrease.

Potential of economic growth is characterized the best with the investment increase. During the last three years investment in the fixed assets has increased by 81% (by 22% a year on average). If there are no external shocks GDP in the medium-term can be expected to grow by 6-8% annually. The Ministry of Economy puts GDP in 2007 at least 10%.

## 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	14.6
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

In recent years Latvia has witnessed high GDP growth rates. During last three years (2004-2006) GDP annually grew by 10.4 per cent. The main force for the rapid growth is stable increase of domestic demand. The individual consumption has increased noticeably, as well as did investments. Less important part in the growth took the expanding export opportunities.

In 2006 GDP increased by 11.9%. The most important role in this increase had local demand, reaching record raise of 17.2%, which was mostly advanced by easy access to credit resources. Private consumption was furthered by the rapid growth of wages and salaries and leasing opportunities. But the rise of exports decreased up to 5.3%, what in turn noticeably reduced Latvia's imports-exports balance and at the end of 2006 caused current account deficit. In 2006 the investments in fixed assets were noticeably higher than in previous year (18.3%).

Nearly 80% of GDP growth was on account of the development of the services sector fostered mainly by the development of the trade and business service sectors. In 2006 construction has developed rapidly, but the increase of industry was moderate.

In 2007 rapid economic growth continues. The GDP increase in the 3<sup>rd</sup> quarter was 10.9% higher. Increase of domestic demand is still ensuring the largest investment in development.

According to Eurostat's estimation, GDP per capita in Latvia, calculated in the purchasing power parity units, represented 55% of the EU-27 average level in 2006, but it is forecasted that in 2007 this indicator will be 61%. In the past three years the average level of the EU countries was successfully reduced by 10 percentage points.

<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	III			
<b>GDP</b>	<b>13.1</b>	<b>11.1</b>	<b>11.9</b>	<b>11.7</b>	<b>11.2</b>	<b>11.9</b>	<b>10.9</b>	<b>8.7</b>	<b>10.6</b>	<b>11.9</b>
Agriculture <sup>1</sup>	0.9	-3.3	-1.3	4.0	5.3	-0.3	11.6	3.4	9.3	-0.3
Industry	9.3	4.0	7.4	3.1	1.7	5.8	0.7	6.4	5.5	5.8
Construction	17.5	16.1	12.2	10.3	17.0	13.6	13.2	13.3	15.5	13.6
Trade <sup>2</sup>	17.4	18.4	17.9	15.5	15.6	17.3	13.7	12.7	16.7	17.3
Transport and communications	6.0	10.9	12.1	7.7	7.6	9.3	10.4	10.1	13.7	9.3
Public services <sup>3</sup>	2.9	4.4	2.1	7.9	3.6	4.4	5.5	3.4	4.6	4.4
Other services	18.3	14.8	16.3	17.2	13.1	16.7	14.0	9.4	10.3	16.7

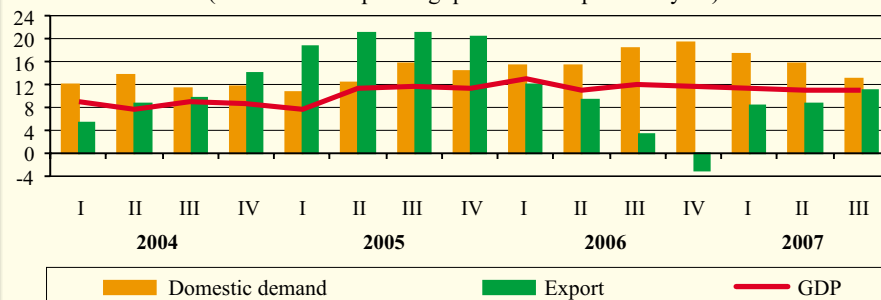
<sup>1</sup> Including forestry and fishing

<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**

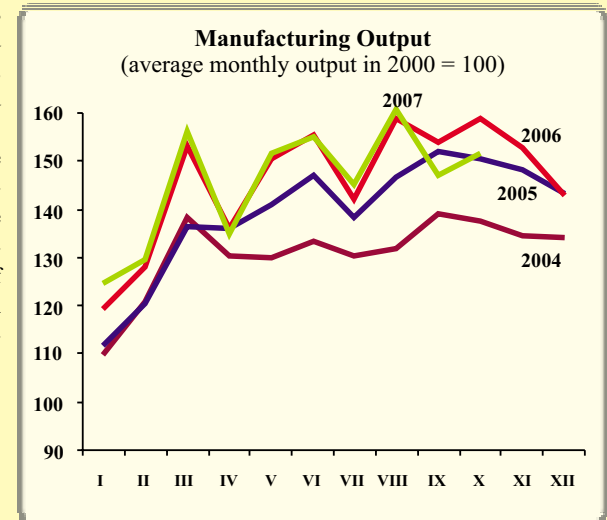
**Growth rate: 6.2%**

**Share in GDP 11.8%**

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 persisted in those industries having higher demand in domestic market, except manufacture of food products. The wood processing industry, one of Latvia's main export industries, has demonstrated weaker growth indicators.

However, in January-September 2007 production volume increased minimally - by 0.6% (compared to corresponding period of previous year). The slow growth was mainly influenced by the volume decrease of the one of the main industrial sub-sectors - wood processing industry (by 7.1%). Should be mentioned rapid growth of several industries oriented towards exports. For instance, manufacture of basic metals and metal products (growth of 7%), manufacture of electronic and optical equipment (9.5%), manufacture of chemical and allied industries (of 6.7%).

Decrease of manufacture growth is related with restructuring of enterprises of separate sectors (mainly, of wood processing) which will ensure increase of the enterprise competitiveness in foreign markets and larger investment in the GDP development.



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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. Within last three years (from 2004-2006) they have increased by 81% (22% on average per year). The rapid dynamics of investments mainly was influenced by the widening of financial resources determined by the two main factors: firstly, flow of mediated foreign capital since Latvia accession EU, and secondly, improvement of financial situation because of the relatively low tax burden and high domestic demand.

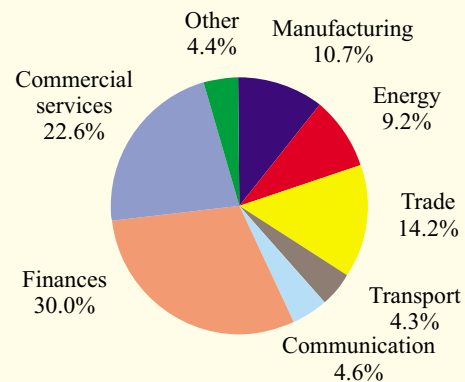
In 2006 investments increased by 18.3%, slightly slower growth compared to 2005. But in the 1<sup>st</sup> half of 2007 investments rose by 15.9%, constituting 32.8% of GDP.

Foreign direct investment stock per capita in Latvia at the end of June 2007 was 4714.0 mln lats. i.e., 17.6% more compared to the end of 2006.

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

Three fourths of FDI are connected with the member states of EU, and main investors are Estonia (15% of the FDI stock at the end of June 2007), Sweden (13.1%) and Germany (10.9%) entrepreneurs. 5.7% are Russian investments.

**Foreign Direct Investment Stocks by Industry**  
(end of 1<sup>st</sup> half 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>30.7</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>15.0</b>

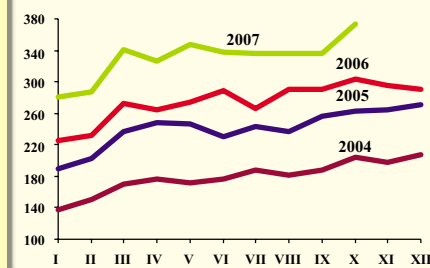
The value of commodity exports from Latvia in 2006 rose more moderately (by 14%) than the value of imports (respectively by 4% and 20%). Accordingly the income from commodity exports rose by 14%, but expenditure of imports rose by 31.1%.

Significantly the volume of imports increased in the group of fabricated metal products accounting for nearly 27% of the total export growth. The export of mineral products that had witnessed very rapid growth in 2005, decreased in turn considerably (mainly to the EU countries). It must be noted that the export of wood and of articles of wood almost stayed constant.

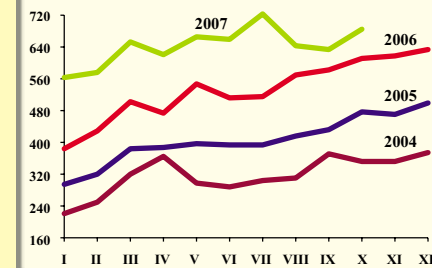
After accession to the EU, Latvia's foreign trade with Lithuania and Estonia as well as with the other new EU member states has increased very rapidly. A comparison with the period before accession to the EU shows that Latvia's foreign trade with the other Baltic countries within two years has increased more than twice. In 2006 Exports to CIS countries 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 food products, chemical goods and various machinery and equipment.

Exports to the EU countries increased by 12% (at current prices), main investment was ensured by food products, as well as by increase of exports of machinery and equipment. In the first 3 quarters of 2007 exports of goods increased by 5.6%, but the imports of goods increased rapidly - by 19.7%. In 3<sup>rd</sup> quarter of 2007 decrease of trade volume is observed, respectively, volume of exports has increased by 2.9%, but of imports - by 13.4%. In 2007 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: -2509.964**

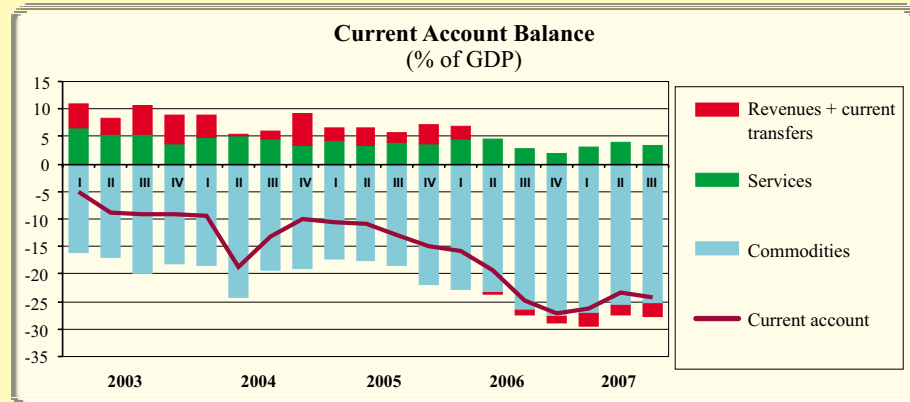
**mln US dollars: -4521.768**

The current account deficit of the balance of payments accelerated sharply in 2006. The main source of the deficit is the markedly negative trade balance, which at the end of the year was -22.3% of GDP.

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. However, starting with 2006 the ratio of the debt raising flows increased rapidly.

At the beginning of 2007 slight improvement of current account was observed which was related with the decrease of foreign trade deficit. However, the data of the 3<sup>rd</sup> quarter show that with the increase of trade deficit and debt raising flows current account deficit increases.

Domestic demand in Latvia is higher than domestic supply and this is the reason for the emergence of current account deficit. This 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

**October 2007**

**(12-month inflation)**

**CPI: 13.2%**

**PPI: 15.9%**

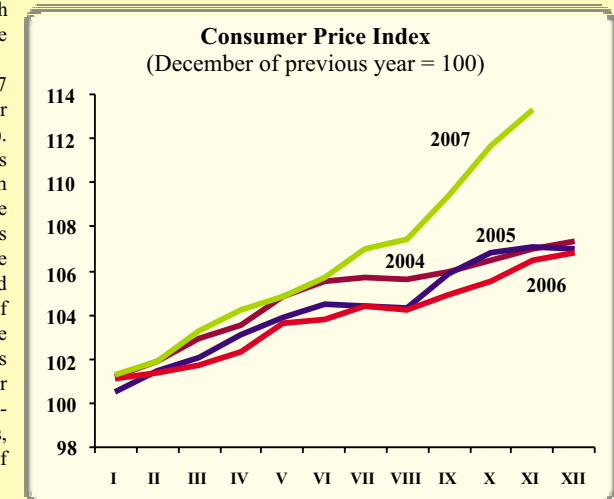
The overall price increase in 2006 (6.8%, December over December) was slightly less conspicuous than in the previous year (7%). Prices for services rose more rapidly (by 7.9%) while the increase in the prices of goods was more moderate (6.4%). As a result, the average annual price increase in 2006 was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

utilities 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 eleven months of 2007 prices rose by 13.3% (November 2007 over November 2006 - 13.7%). 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 seven months of 2007 shows that, second-phase effect of inflation (growth of salaries and wages, growth of 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

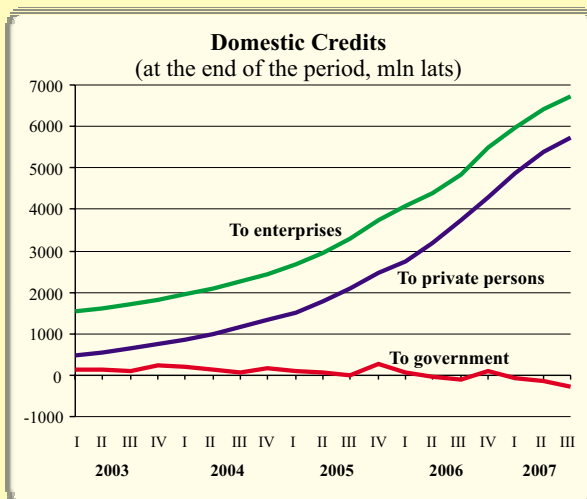
<b>Loans:</b>	<b>86.3% of GDP</b>
<b>Deposits:</b>	<b>40.0% of GDP</b>

The 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 credits issued to enterprises and private persons increased by 50-60%. Compared to September 2006, the amount of broad money M2X rose by 19.8%, cash in circulation increased by 2.5% and deposits rose by 23.7%. In the same period credits to enterprises and private persons continued to rise (by 45.3%). 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 the March 6 of this year the government gave support to a plan for curbing inflation, 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 bases of legal income. Credits 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 single register of borrowers.

Together with government policy activities the policy of Latvia's biggest commercial banks has become more circumspect. Compared to the 2<sup>nd</sup> half-year of 2006 and 1<sup>st</sup> quarter of 2007, in the 3<sup>rd</sup> quarter of 2007 the crediting growth rate has dropped twice.



## 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>

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

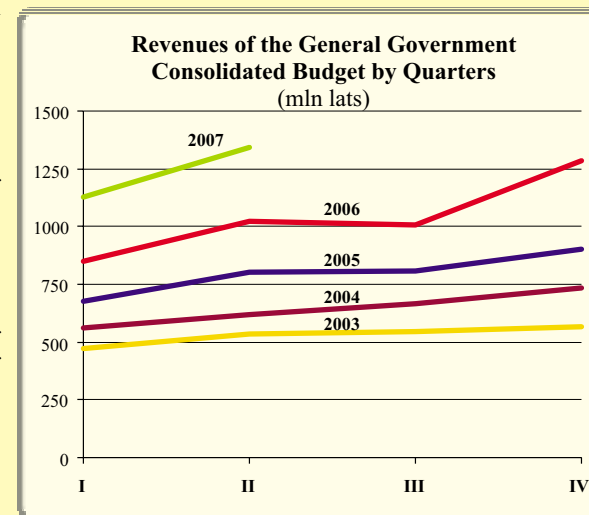
The Parliament has confirmed the general government budget for 2007 with a deficit of 1.3% of GDP. But in the September of this year Parliament made amendments in the law "On State budget for 2007", envisaging the surplus of 0.4% of GDP.

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 Parliament has accepted budget for 2008 with the surplus of 1% of GDP. In the further years budget with the surplus is envisaged as well - in 2009 - 1.2% of GDP and in 2010 - 1.5% of GDP.

The level of the central government debt in Latvia is one of the lowest in the EU. At the end of 2006 it was 1191.7 mln lats or 10.6% of GDP (1130.3 mln lats or 12.5% of GDP at the end of 2005).



## Personal income

**2006**

**Average monthly net wage:**

**lats** 216  
**US dollars** 386

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

**lats** 96  
**US dollars** 171

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.

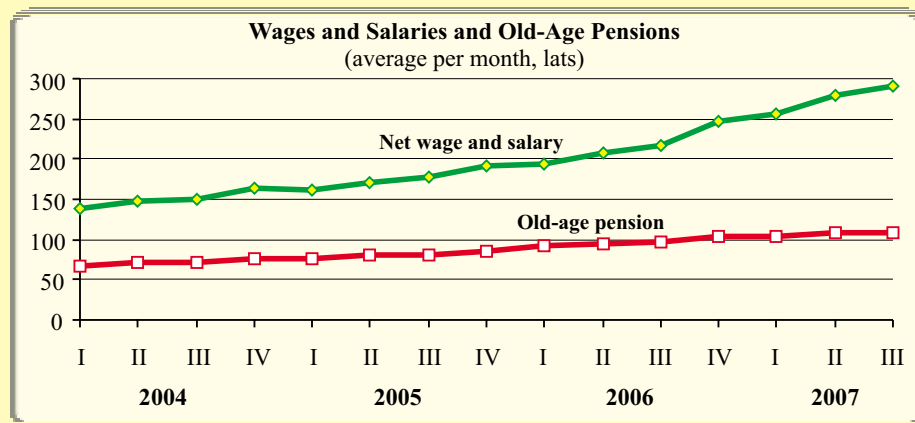
The overall wage increase was to a great degree influenced by the high inflation level in previous years, as well as by the wage increase for the employees of several budget-financed institutions.

On January 1 of 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 3<sup>rd</sup> quarter of 2007 show that average monthly gross wages and salaries grew rapidly (33.3% to the net wages and salaries compared to the 3<sup>rd</sup> quarter of 2006). In 3<sup>rd</sup> quarter of 2007 average monthly gross wages and salaries in national economy were 404 lats (more by almost 100 lats than in 3<sup>rd</sup> quarter of 2006). In public sector

average monthly gross wages and salaries were 472 lats, but in private sector - 373 lats.

Wages and salaries represent on average 68.8% of the household income and social benefits comprise 23.6%. Pensions in September 2007 on average were 109.38 lats, i.e., more by 13.34 lats compared to September 2006. Starting with January 1, 2008 the minimum monthly wage will be raised to 160 lats and the minimum monthly untaxable income of the population to 80 lats.



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

**2006**

**Employment rate (aged 15-64)** 66.3%

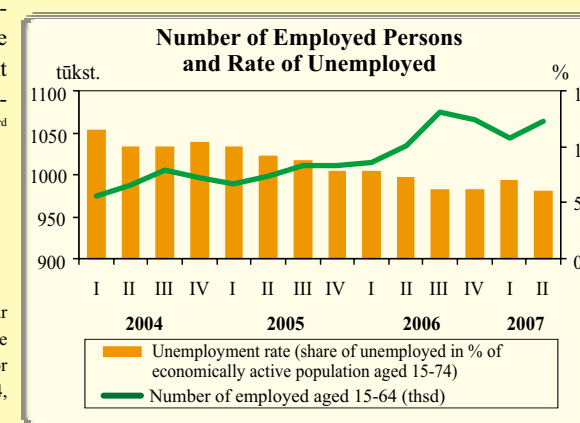
**Unemployment rate (rate of unemployed, aged 15-74):** 6.8%

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 2.5% (2004 - 2006), but unemployment rate has reduced from 10.6% in 2003 to 6.8% in 2006.

In the last three years 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 it by 1.6 percentage points.

The level of female employment in Latvia is higher than the EU average and this difference tends to increase. The 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 2007 the level of employment continues to increase. In the 3<sup>rd</sup> quarter of 2007 the employment rate was 69%, or more by 1.0 percentage point compared to 3<sup>rd</sup> quarter of 2006.



<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.



## 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	1342.4	2281.3	3384.9
Gross domestic product, % of corresponding period of the previous year			
2006	111.2	111.9	107.7
2007: 1 <sup>st</sup> quarter	110.1	111.2	108.1
2007: 2 <sup>nd</sup> quarter	107.6	111.0	108.0
2007: 3 <sup>rd</sup> quarter	6.4	110.9	110.8
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	107.4*	107.2	103.1
2007: 3 <sup>rd</sup> quarter	104.2*	111.6	108.5
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
2007: 3 <sup>rd</sup> quarter	4.2	5.9	...
Consumer price change s, % 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
2007: 3 <sup>rd</sup> quarter	6.4	10.3	5.9
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
2007: 3 <sup>rd</sup> quarter	8.7	16.7	14.6

\* - preliminary data