

# THE NATIONAL ECONOMY OF LATVIA: A MACROECONOMIC REVIEW

*Key indicators of economic development*

*Economic policy*

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*Gross domestic product*

*Manufacturing*

*Investments*

*Foreign trade*

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*Inflation*

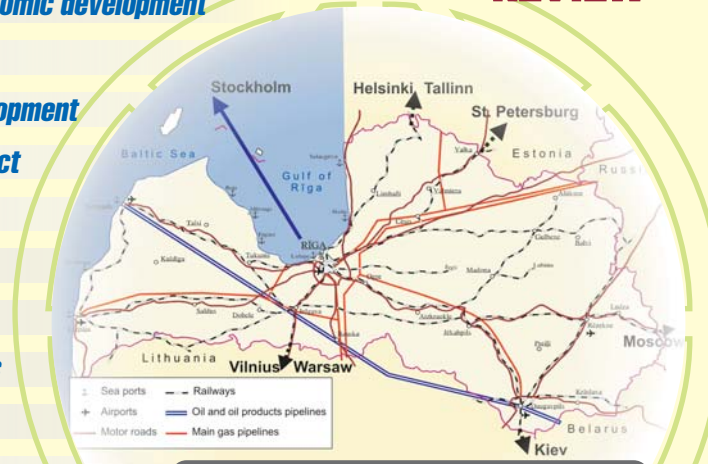
*Monetary indicators*

*Budget and central government debt*

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## **Latvia: 2005**

Territory, thsd km <sup>2</sup>	64.6
Population (as of 01.10.2005, thsds)*	2298
of which:	
Urban area	1562
of which Riga, the capital city	729
Rural area	736
National currency: lats (LVL)	

\* Estimate of the Central Statistical Bureau

## Key Indicators of Economic Development

	2001	2002	2003	2004	2005 f
(increase over the previous year, in per cent)					
Gross domestic product	8.0	6.4	7.2	8.5	10.0
Consumer prices	2.5	1.9	2.9	6.2	6.8
(% of GDP)					
General government budget fiscal balance	-2.0	-2.3	-1.6	-1.1	-0.5
Central government debt	13.8	13.3	13.4	13.3	11.0
Current account balance	-7.6	-6.7	-8.2	-13.0	-11.0
Exchange rate, LVL per US dollar	0.628	0.618	0.571	0.540	0.560
Exchange rate, LVL per euro	0.563	0.583	0.645	0.671	0.703
Unemployment rate (rate of job seekers as % of economically active population, aged 15-74 years)	13.1	12.0	10.6	10.4	9.5

	2004				2005	
	I	II	III	IV	I	II
(increase over the corresponding period of the previous year, in per cent)						
Gross domestic product	8.7	7.8	9.1	8.6	7.3	11.4
Consumer prices	4.3	5.8	7.4	7.3	6.7	6.5
(% of GDP)						
General government budget fiscal balance	2.4	-1.5	4.3	-8.3	3.3	3.1
Current account balance	-9.5	-19.0	-13.7	-10.1	-10.9	-10.7
Exchange rate, LVL per US dollar	0.538	0.548	0.545	0.530	0.535	0.557
Exchange rate, LVL per euro	0.673	0.660	0.666	0.685	0.703	0.703
Unemployment rate (rate of job seekers as % of economically active population, aged 15-74 years)	11.5	9.9	10.0	10.3	9.9	9.2

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, implement the transition from a labour-intensive economy to a knowledge-based one attaining 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 strengthened the private sector and good macroeconomic conditions have been created to foster growth. Private initiative and capital are the main driving forces for growth. 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.

The general government budget deficit as well as the central government debt is among the lowest in the EU. The objective for a medium term is a balanced budget. The Bank of Latvia de facto implements a fixed exchange rate policy of the national currency. This reduces uncertainty, prevents currency risks and gives the entrepreneurs a stable ground for planning. Latvia's aim is to become a full-fledged member of the European Economic and Monetary Union (EMU) already in the nearest future. Latvia's joining the European Exchange Rate Mechanism II on May 2, 2005 has marked the first step on the road to EMU.

In recent years the business environment in Latvia has been improved substantially by introducing the EU body of legislative acts (*acquis communautaire*) and implementing the *Action Plan for Improvement of Business Environment*. The Commercial Law testifying to a fundamental reform of the business environment came into force in 2002. Currently the corporate income tax rate in Latvia is among the lowest (15%) in the EU. Legislation provides special corporate income tax relief for large-scale investment projects as well as to enterprises operating within the special economic zones. Latvia is consistent in its efforts to liberalise the monopoly markets in telecommunications, electricity and gas supply as well as in post and railway to stimulate competition.

The government continues the improvement of the basic infrastructure, by paying special attention to the development of the energy sector, building of the electronic communications and information systems, improvement of the quality of transport infrastructure and creation of an effective network. The utilisation of the EU structural funds and the Cohesion Fund offer broader opportunities to improve infrastructure. The aim of the government is to ensure full absorption of the EU funds.

One of the main challenges facing the economic policy of Latvia is to create an efficient and competitive sectoral structure through the implementation of structural reforms that would be oriented towards increasing productivity by supporting scientific research and innovation, improving effectiveness of the educational and training system, its quality and accessibility.

Accession to the EU offers Latvia new opportunities for economic growth. By joining the EU common market, Latvia can benefit from a broad and stable market, free movements of goods and services as well as labour and capital flows that are the most advantageous conditions on the EU market. Support of the EU funds facilitates structural changes in the economy and helps to reduce social and economic disproportions.

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

## Macroeconomic development

The reforms carried out in the country and integration in the EU have made a positive impact on economic development. Growth rates in Latvia are among the highest in the EU. Since 2000 the average GDP growth rate has been 7.6% per year. The high growth rates in Latvia are ensured by the steady increase of domestic demand and export growth.

Rapid economic growth continues also in 2005. The GDP in the 1st half of this year rose by 9.5% compared to the corresponding period of the previous year. A particularly rapid growth was observed in the 2nd quarter (by 11.4% compared to the corresponding period of the previous year). This is the most substantial quarterly increase ever witnessed in Latvia since the restoration of the country's independence. As in the 1st quarter, the increase in the 2nd quarter was attained mainly on account of the rapid growth rates in trade, transport and communication and construction. However, in contrast to the 1st quarter of this year, when output volumes in manufacturing did not increase, manufacturing output in the 2nd quarter rose by 7.8%. The Ministry of Economics forecasts, that the GDP in Latvia will increase by 10% in 2005.

Economic growth in Latvia was achieved in a stable macroeconomic environment. The general government budget deficit in Latvia is low and does not exceed the reference level set by the Maastricht criteria. The Parliament has confirmed the general government budget deficit for 2005 at 1.68% of GDP and is resolved to reduce it to 1.5% of GDP in 2006. Although the current account deficit is comparatively large it should not be considered today as critical as it is covered by foreign direct investment and long-term loans. Net foreign reserves of the Bank of Latvia fully cover the reserve money.

A relatively high level of inflation could be observed in the last two years. A number of single effects influenced the growth of inflation in 2004 (increase in the administratively regulated prices, harmonisation of the indirect tax rates, inflation expectations prior to EU accession and the high oil prices on the world markets). In 2005 inflation remained on a high level mainly due to the rise of fuel prices in the world and the second phase of inflation (inflation spiral). According to the forecast, due to the diminishing influence of the aforementioned factors, inflation in the next years is going to decrease gradually.

The employment and unemployment indicators are gradually improving. In recent years the number of employed has been rising every year but the unemployment rate has fallen from 14.4% in 2000 to 10.4% in 2004 and in the 2nd quarter of 2005 it was 9.2%.

The economic growth potential is best described in terms of investment growth. In the period between 2000 and 2004 gross fixed capital formation has increased by 1.6 times. The investment growth rate and its share in GDP are among the highest in the EU. Investments continue to grow rapidly also in 2005 promoting the modernisation of production and transition to new and more productive technologies. Accession to the EU has a particularly positive impact on the development of the economy. This strengthens confidence that growth in the coming years will also be sustainable. If there are no external shocks, it is expected that GDP will grow by 6-8% in the medium term.

## Gross domestic product

### 2004

#### GDP, at current prices

mln lats	7346
mln US dollars	13603
mln euro	10947

#### GDP per capita

lats	3176
US dollars	5881
euro	4733

#### GDP by sector, %:

Agriculture <sup>1</sup>	4.1
Industry	16.7
Construction	5.8
Trade <sup>2</sup>	19.5
Transport and communications	15.7
Public services <sup>3</sup>	15.9
Other services	22.3

Latvia is characterised by high GDP growth rates. Growth in 2004 accelerated particularly strongly - by 8.5%.

At the beginning of 2005 growth was also rapid. Despite the more moderate growth in the 1st quarter of 2005 compared to the corresponding period of the previous year (by 7.4%), the increase of GDP in the 2nd quarter was 11.4%.

Similarly as in the previous periods, the main reason for growth was the stable domestic demand and, to a lesser degree, the increasing export of commodities and services.

The favourable financial situation (low interest rates on loans and expanding mortgage lending) encourages investing. Compared with the previous year, gross fixed capital formation in 2004 rose by 17.3%. Compared with the 1st half of the previous year, gross fixed capital formation in the 1st half of 2005 was by 16.8% higher.

The expansion of crediting has a favourable impact on private consumption, which in 2004 increased by 8.9% and in the 1st half of 2005 by 9%.

The development of the services sector accounted for almost three quarters of the overall GDP growth where the major contribution was due to increases in the sectors of trade, transport and communications.

Construction is growing vigorously whereas the industry growth has been more moderate. Construction output in 2004 was by 13% higher than in the previous year and in the 1st half of 2005 it was by

16% higher than in the 1st half of 2004. The construction of private and apartment houses as well as public buildings is increasing rapidly.

The stable domestic demand accounts mainly for the growth of the trade sector while slightly more than one tenth is related to intermediary trade services provided to non-residents. This share is rising each year.

Freight transport has rapidly increased after EU accession and passenger transport services including air transport services were also on the rise. In the 1st half of 2005 the volume of transport and communication services was by 15.2% higher than in the corresponding period of the previous year.

<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, %)

	2004				2005		2002	2003	2004
	I	II	III	IV	I	II			
<b>GDP</b>	<b>8.7</b>	<b>7.8</b>	<b>9.1</b>	<b>8.6</b>	<b>7.3</b>	<b>11.4</b>	<b>6.4</b>	<b>7.2</b>	<b>8.5</b>
Agriculture <sup>1</sup>	6.5	4.8	3.4	3.2	-1.1	5.2	4.4	-2.4	4.4
Industry	10.6	7.4	6.2	5.4	0.2	8.0	8.1	6.0	7.3
Construction	13.0	12.0	11.4	15.7	16.2	15.8	10.8	13.7	13.0
Trade <sup>2</sup>	11.2	8.2	10.4	11.2	15.2	18.7	11.9	10.9	10.3
Transport and communications	8.3	10.9	17.0	15.8	11.1	18.8	3.4	8.9	12.9
Public services <sup>3</sup>	4.5	4.0	3.5	3.8	2.7	4.0	2.4	3.8	4.0
Other services	7.5	7.4	9.3	6.7	5.4	8.2	5.4	5.7	7.7

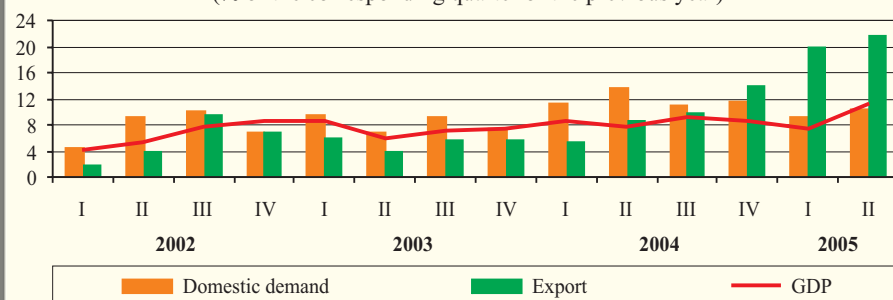
<sup>1</sup> Including forestry and fishing

<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)



## Manufacturing

### 2004

Growth rate: 7.9%

Share in GDP: 13.3%

The period from 2001 to 2004 witnessed a steady increase in manufacturing, with the annual average growth rate of 9% considerably exceeding the average growth rates in the economy. Export expansion fostered growth.

Manufacturing output in 2004 exceeded the level of the previous year by 6.2%. The highest growth was in the chemical industry (by 22%) and in the manufacture of construction materials (by 12%). Growth in other industries was less conspicuous.

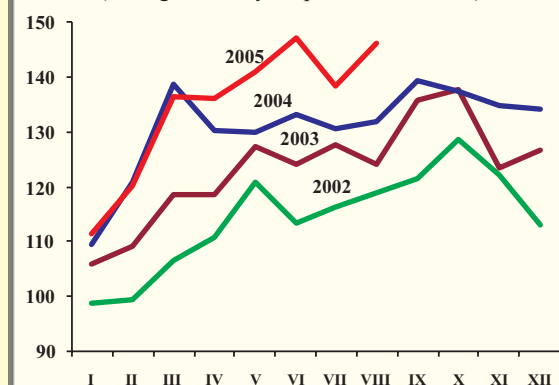
In January-July 2005 industrial production output was higher than in the previous year (by 4.3%). Despite the rather considerable increases in several industries such as the manufacture of construction materials (by 25.7%), chemical industry (by 10.1%) and the manufacture of machinery and equipment (by 7.3%), output constraints in the largest manufacturing sectors (wood processing and the manufacture of basic metals and metal products) accounted for a minimum growth in the total manufacturing output.

Output of the food industry, the largest manufacturing sector of Latvia contributing on average a quarter of the total value added in manufacturing, increased in the seven months of 2005 by 3% compared to the corresponding period of the previous year. The export volume within the sector has expanded.

Wood processing is the second largest industrial sector of Latvia (approximately one fifth of the total value added in manufacturing). About 70% of the production output of this sector is exported. The output volume is therefore basically determined by external demand. The main export markets of Latvia's wood and articles of wood are located in the EU countries. In January-July 2005 the export of wood processing products declined owing to a great extent to the gale that was raging in the Scandinavian countries and Baltics at the beginning of 2005. This was the cause for a decline in external demand accounting for a decrease of 0.8% in production output. It is worth noting that in recent years market expansion has been also directed to other countries including Lithuania, Estonia and Russia.

### Manufacturing Output

(average monthly output in 2000 = 100)



## Investments

**2004**

**Foreign direct investment stock per capita, at the end of the year:** 1984 US dollars

**Gross fixed capital formation (% of GDP):** 25.9

In recent years (2001-2004) the share of fixed investments in GDP constituted on average almost one quarter. This indicator is one of the highest among the EU countries.

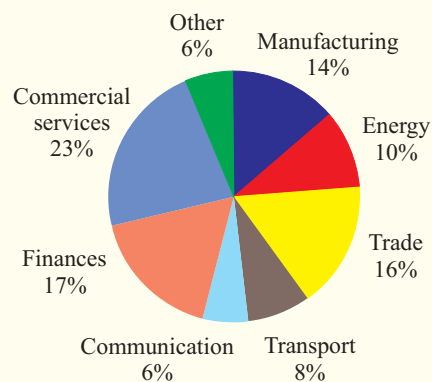
In 2004 the investment level in the economy remained high. Gross fixed capital formation in 2004 increased by nearly a quarter compared to the previous year. The investment process was favourably influenced by better accessibility to financial resources, gradual reduction of interest rates on long-term loans and high growth rates.

The inflow of foreign direct investment (FDI) has increased considerably. In 2004 it doubled in comparison to the total for 2003

and was 377.6 mln lats (5.1% of GDP) covering nearly one fifth of the fixed capital formation. The largest investments were made in energy, financial intermediation and communications. The inflow of FDI in the 1st half of 2005 was slightly lower than in the 1st half of the previous year, with a decrease in the company capital and reinvested profit.

At the end of June 2005 foreign direct investment stock in Latvia was 2605.6 mln lats or 30% of the annual GDP.

**Foreign Direct Investment Stocks by Industry**  
(end of June 2005, per cent)



## Foreign trade

**2004**

**Structure of export, %:**

<b>Wood and products of wood -</b>	<b>30.5</b>
<b>Metalworking, machine building and transport equipment -</b>	<b>24.5</b>
<b>Light industry goods -</b>	<b>10.9</b>
<b>Chemical goods and articles of plastics -</b>	<b>7.9</b>
<b>Agricultural and food products -</b>	<b>9.8</b>
<b>Other goods -</b>	<b>16.4</b>

The value of commodity exports from Latvia in 2004 was much higher (by 30% at current prices, in lats) than in the previous year. The increase in the value of imports was, in turn, slightly less conspicuous (27%).

The sharp increase in the export unit value in January-June 2005 reaching 14.2% in the 1st quarter of 2005 and 9.8% in the 2nd quarter in comparison to the corresponding period of the previous year made a favourable impact on commodity exports. The price increase was accounted for by the increase in world prices for several commodity groups, especially for mineral products.

In January-August 2005 the value of exported products in lats exceeded the level of the corresponding period of the previous year by 34%.

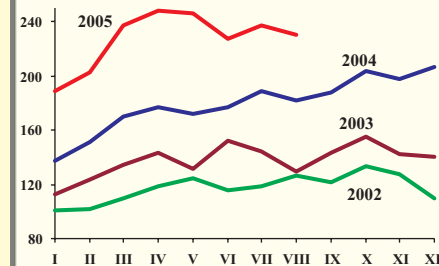
Exports increased considerably on all the markets trading Latvian goods, especially to CIS countries and Estonia.

The export of mineral products (one third of the total export growth to EU-25), food products and base metals and articles of base metals

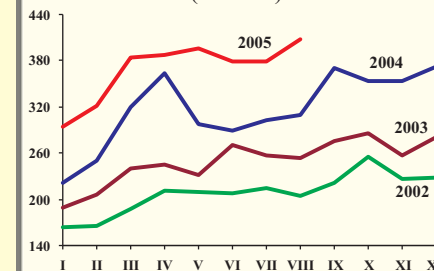
contributed most to the rising volume of exports.

Imports in January-August 2005 also considerably exceeded the level of the previous year (by 25% at current prices). The highest growth was in the import of mineral products (one third of the total import growth), which were mainly imported from the CIS countries, as well as the import of machinery and food products.

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



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



## Balance of payments

**2004**

**Current account balance**

**mln LVL:** -957.2

**mln US dollars:** -1766.1

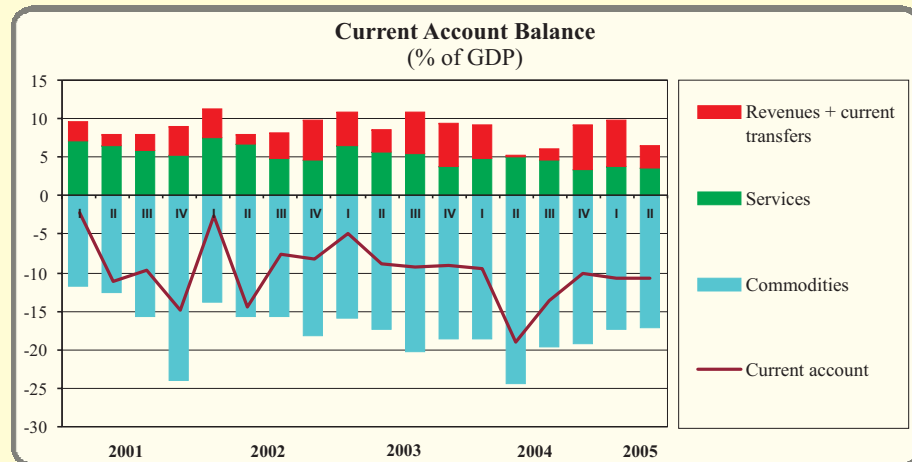
There is a relatively large current account deficit in Latvia. The main source of the deficit is the markedly negative trade balance. Slightly less than one third of the deficit is covered by the positive balance on services, as there is a large share of transit services in the economy.

In 2004, the current account deficit of the balance of payments was 13% of GDP, which was by 4.9 percentage points higher compared to 2003. This was due to the worsening of the trade balance (by 2.4 percentage points) and the decrease in the balance on services (by 0.8 percentage points). It is worth noting that the balance of revenues

has worsened (by 1.9 percentage points) due to the rising income of direct investors. This fact should nevertheless be assessed positively as it is just the reinvested profit that has gone up.

Compared with the 1st half of the previous year, the current account deficit in the 1st half of 2005 was by 3.7 percentage points lower mainly due to the improvement of the trade balance.

Foreign direct investment and long-term flows cover the largest part of the current account deficit. In the 1st half of 2004 foreign direct investment in Latvia constituted 40.6% of the current account deficit. Capital and financial account net flows exceeded the current account deficit, and reserve assets have increased.



## Inflation

**September 2005**

**(12-month inflation)**

**CPI:** 7.3%

**PPI:** 6.3%

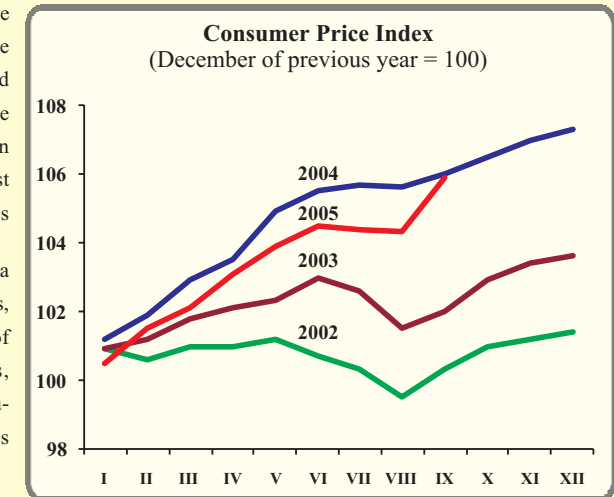
In 2004, the rate of inflation accelerated sharply in Latvia: in December the 12-month inflation reached 7.3% and the annual average inflation in 2004 was 6.2%. Price growth in 2004 more than doubled in comparison to 2003.

Inflation remained high also in 2005. The price increase rate in January-September is only slightly lower than in the corresponding period of 2004. Compared to December 2004, the price increase was 5.9% in September 2005 (6% in the nine months of 2004),

mainly because of the rising prices of fuel and the high domestic demand.

The inflation rate does not decrease, because greater impact on the overall price level has been caused by the price increase in the preceding period (inflation spiral) mainly due to two reasons. One is related to the rapid growth of crediting and the other reason for the price increase is related to the inflationary mechanisms implemented in the previous periods and caused by the indexation of wages, pensions and other payments. The rise of the interest rates is lower than inflation and, as a result, the real interest rates are falling, which promotes crediting.

Producer prices rose at a slower pace than consumer prices, because due to the large share of exported industrial products, producer prices are more influenced by the global price changes and less by domestic demand.



## Monetary indicators

**2004**

### Domestic enterprises and private persons

<b>Loans:</b>	<b>51.0% of GDP</b>
<b>Deposits:</b>	<b>30.2% 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. A high growth rate of the monetary indicators persisted also in 2005.

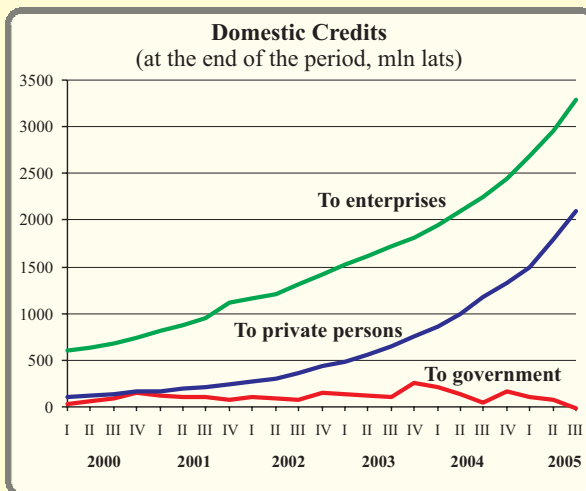
Compared with September 2004, the amount of broad money M2X in September 2005 rose by 34.1%, currency in circulation increased by 16.7% and deposits rose by 39.3%. In the same period credits to enterprises and private persons continued to increase (by 57.8%). Although the amount of crediting is rising the quality of loans has not deteriorated. At the end of June 2005

the share of loans generating no income in the total number of loans granted by non-banks was only 1%.

Reacting to the increasing domestic demand and in order to slacken the growth of crediting, the Bank of Latvia in March and November 2004 raised its re-financing rate by 0.5 percentage points to 4% and increased in July its reserve requirement from 3% to 4% and in August 2005 to 6%. However, the effectiveness of these measures in Latvia has been limited by the fixed exchange rate regime and several other specific factors, such as the low share of loans granted to resident borrowers in GDP, the relatively easy access by the banks to foreign resources and the relatively large share of loans issued in foreign currency in the total structure of loans.

In September 2005 the average weighted interest rate on short-term credits in lats was 5.4% but on long-term credits 8.1%. For credits in the currencies of foreign countries, these rates were 4.5% and 4.8% respectively.

<sup>1</sup> Short-term and with a changing interest rate.



## Budget and central government debt

**2004**

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

<b>Revenues:</b>	<b>34.4</b>
<b>of which taxes:</b>	<b>27.6</b>
<b>Expenditures:</b>	<b>35.5</b>
<b>of which capital investment:</b>	<b>3.4</b>

The budget deficit in 2004 was lower than planned, 78.4 mln lats or approximately 1.1% of GDP (102.4 mln lats or 1.6% of GDP in 2003). The revenues of the general government budget in 2004 were 20% higher than in 2003 and expenditures were 17.5% higher.

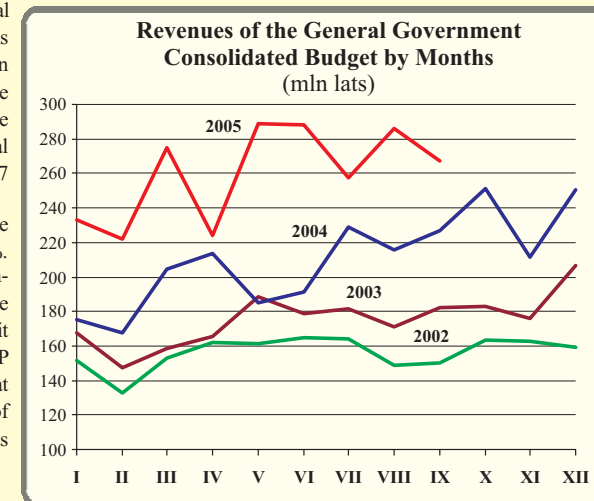
The Parliament has confirmed the general government budget for 2005 with a deficit of 1.68% of GDP. In 2005, the priorities of the budget are: restructuring of the healthcare system, integration in the EU and NATO fully utilising the opportunities provided by these organisations and protecting the national interests, extensive use of the EU policy instruments with the aim to effectively ensure the country's development and prosperity, as well as the development of its scientific potential. In order to implement a socially responsible policy, the

minimum untaxable income of the population has been raised as of January 1, 2005 from 21 lats to 26 lats and the monthly allowance for a dependent has been increased from 10.5 lats to 18 lats.

The revenues of the general government budget in the nine months of 2005 were by 29.4% higher than in the corresponding period of the previous year and expenditures were by 24.7% higher. There was a fiscal surplus in the budget comprising 197 mln lats.

The Parliament has approved the budget for 2006 with a deficit of 1.5%.

The level of the central government debt in Latvia is one of the lowest in the EU. At the end of 2004 it was 975 mln lats or 13.3% of GDP (846.3 mln lats or 13.4% of GDP at the end of 2003). In the nine months of 2005 the central government debt was 918 mln lats.



## Personal income

**2004**

**Average monthly net wage:**

**lats** 150  
**US dollars** 278

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

**lats** 71  
**US dollars** 131

In recent years the structure of household disposable income has changed little: the share of labour remuneration has decreased slightly representing on average 64% of the total income. The share of income from business activity and property income reaching nearly 9% of the total income has, in turn, increased. Pensions make up 1/5 of the total household income.

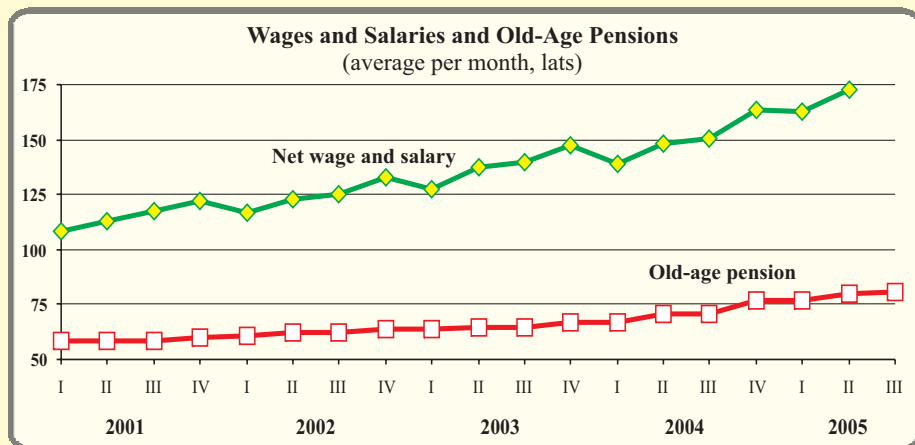
Compared with the previous year, the average net monthly wage in 2004 increased by 12 lats or by 8.8%. To a great extent this was due to the raising of the minimum wage by 10 lats. The minimum wage in 2003 was 70 lats, but since January 1, 2004 the minimum wage has been fixed at 80 lats. However, taking into account inflation, the real wage in 2004 rose only minimally - by 2.4%.

At the beginning of 2005, responding to the sharp rise in prices, there was a substantial increase in wages. The average gross wage in June 2005 was 37 lats

higher than in June 2004 (by 17.6%). The real wages increased by 11.6% in this period.

Compared with the previous year, the average size of the monthly pension paid in 2004 to old-age pensioners registered with the social security institutions increased by 6.55 lats or by 10.2%.

There was a rather significant increase in the old-age pensions in the first half of 2005. Pensions in the 2nd quarter were nearly by 14% higher than in the 2nd quarter of 2004.



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

**2004**

**Unemployment rate (rate of job seekers aged 15-74):** 10.4%

**Registered unemployment rate (at the end of the year):** 8.5%

Economic development in recent years has made a positive impact on the situation in the labour market. Although the number of population of working age decreases, the number of economically active population and the employment rate are rising.

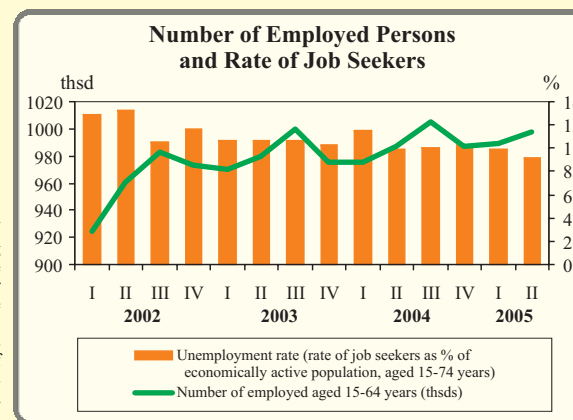
In the period between 2001 and 2003 the employment rate in Latvia increased by 4.3 percentage points. In parallel with the increase in the number of employed by 6.7 thsd in 2004, the employment rate increased by another 0.5 percentage points reaching 62.3%.

According to CSB Labour Force Survey data, the unemployment rate in 2004 decreased from 14.4% to 10.4% in comparison with 2000.

The unemployment rate in the 2nd quarter of 2005 was 9.2%. The highest unemployment prevails in the Latgale region (12.8% in 2004) and this is due to the poorly developed entrepreneurship, the low number of self-employed and bad transport infrastructure.

The registered unemployment rate in Latvia was 8.5% at the end of 2004. In the 2nd quarter of 2005 it decreased by 0.6 percentage points and in July was 7.8%. The registered unemployment rate at the end of the 2nd quarter of 2005 was approximately 1.2 times lower than the rate of job seekers (estimated according to ILO methodology). There are several reasons behind that. Not all individuals can get the unemployment benefit if no social contributions have been made (declared); many persons are not interested in or capable of mastering the re-qualification programmes, especially the pre-retirement age persons; quite frequently it is rather embarrassing to complete all the duties of a registered unemployed person. It should also be taken into account that according to legislation the status of unemployed is not granted to persons exceeding the working age.

<sup>1</sup> To achieve compliance with EU requirements, various changes including those in the age of respondents were made in the organisation of the CSB Labour Force Survey since 2002. The age of the respondents was set at 15-74 years. Previously the age of respondents was 15 years and more. The analysis of employment and labour market trends deals with people aged 15-64 years and this 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, 2005, thsd	1347.0	2306.4	3425.5
Gross domestic product, % of corresponding period of the previous year			
2004	107.8	108.5	107.0
2004: 1 <sup>st</sup> quarter	109.3	108.7	107.5
2 <sup>nd</sup> quarter	107.3	107.8	107.9
3 <sup>rd</sup> quarter	108.3	109.1	105.6
4 <sup>th</sup> quarter	106.6	108.6	107.2
2005: 1 <sup>st</sup> quarter	107.2	107.3	104.4
2 <sup>nd</sup> quarter	109.9	111.4	108.4
Industrial output index, %			
2004 against 2003	107.9*	106.0*	111.2
January-August 2005 against January-August 2004	109.9	104.6	106.0
Unemployment rate (rate of job seekers as % of economically active population, aged 15-74 years)			
2004	9.7	10.4	11.4
2005: 1 <sup>st</sup> quarter	9.5	9.9	10.2
2 <sup>nd</sup> quarter	8.1	9.2	8.5
Consumer price changes, % against previous year			
2004	3.0	6.2	1.2
September 2005 against September 2004	4.9	7.2	2.6
Producer price changes in industry, % against previous year			
2004	2.9	8.6	6.0
September 2005 against September 2004	0.7	6.3	15.5

\* Short-term statistics for 2005.