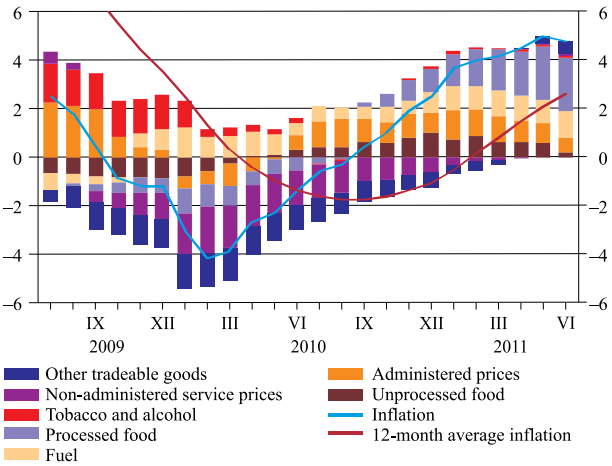
1. Highlights

Inflation pressures easing in line with global trends

CPI changes
(in percentage points)

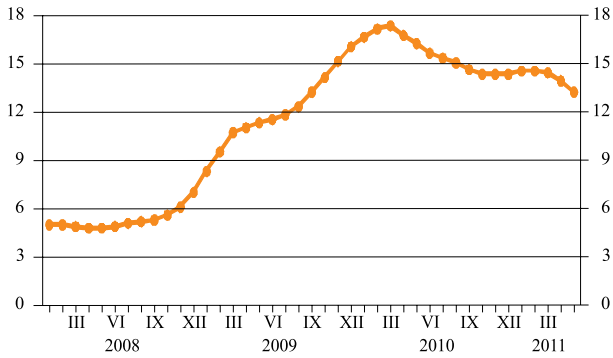


The pressure of global prices on the prices in Latvia has slightly abated, with the stabilisation reflected in both fuel and food price indicators. For instance, food prices went down for the first time in ten months. As a result, the annual inflation edged down to 4.8% in June.

At the same time, higher excise tax rates came into effect for alcohol and fuel. Moreover, the rise of global energy prices at the beginning of this year will continue to affect the prices of natural gas and thus also heating tariffs in Latvia. Hence, a more pronounced decline in inflation is expected only at the beginning of next year, as base effects gradually fade away.

Unemployment is shrinking due to stronger economy

Registered unemployment
(%)

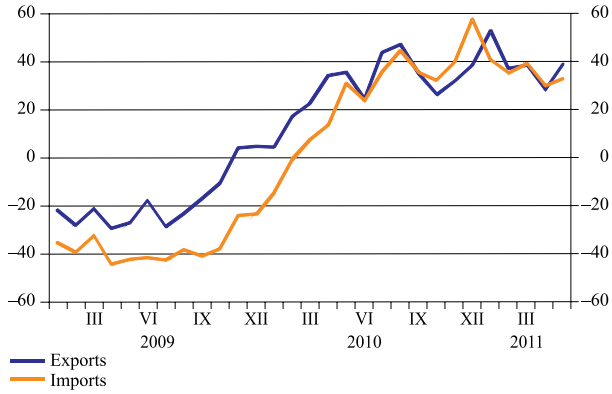


In June 2011, registered unemployment continued to drop sharply: in one month, it contracted for another 0.6 percentage points to 12.6% of the economically active population. The decline in unemployment has been faster than in the corresponding period of the previous year both in absolute figures and percentagewise.

Unemployment has contracted primarily on account of new jobs, as the economy is gradually recovering from the crisis. The fall in the number of registered unemployed matches the rising number of employees for whom social insurance payments are made. This is a clear indication that the primary reason for the drop in unemployment over the past year has been the rising employment, rather than emigration.

Foreign trade on the rise

Annual growth rates
(%)



In May 2011, both export and import volumes of goods rose month-on-month. Moreover, the annual growth rates remained high at 38.8% for exports and 32.7% for imports.

Looking by groups of commodities, exports followed the previous trends, with the exports of wood, base metals and articles of base metals, transport vehicles, machinery and electrical equipment growing at the fastest rates. Latvia's most significant export partners were Lithuania, Estonia, Russia, Germany and Sweden.

Confidence indicators published by the EC point to a slight improvement in the evaluation of export orders in June. At the same time, global developments as well as industrial confidence indicators point to a potential fall in external demand, and it can be expected that in the second half of the year exports will continue to grow but at a somewhat more moderate pace.