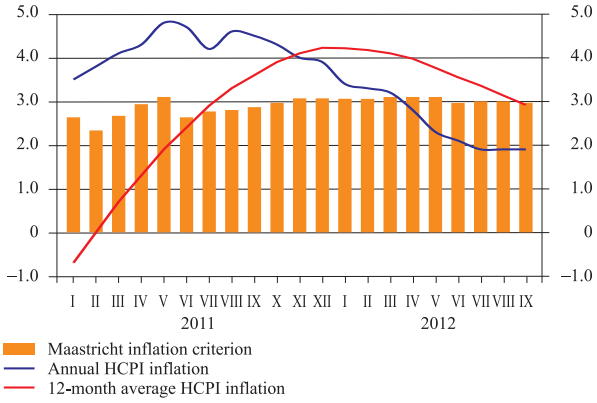
1. Highlights

Inflation remains low, below Maastricht criterion in September

12-month HCPI inflation below Maastricht criterion
(%)



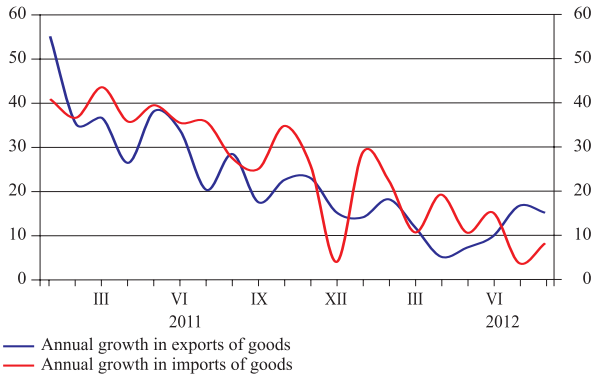
In September 2012, with the consumer price level rising by 0.5% month-on-month, the annual inflation remained low at 1.8%.

As a result of seasonal factors, it was mostly the prices of clothing and footwear that increased. Compared with August, fuel prices also rose in September. However, the annual core inflation in September continued to decline. This points to the absence of any renewed demand-side pressure on prices.

In September, the 12-month average HCPI reached 2.9% in Latvia, while the average 12-month inflation of the three best-performing EU Member States in terms of inflation amounted to 3.0%. Thus, Latvia's inflation fell below the Maastricht threshold.

Latvian exports reach new heights

Exports of goods recently growing faster than imports
(%)



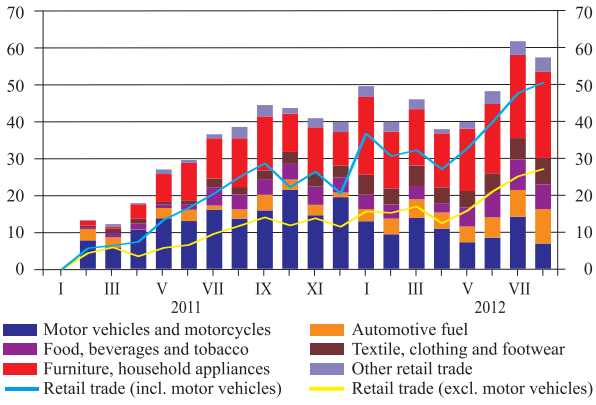
Against the background of persistent concerns about an economic recession in Western Europe, Latvia's export volumes continued to expand rapidly, reaching a new monthly high in August. Exports and imports grew by 12.7% and 4.6% month-on-month respectively. Thus, the trade balance improved.

Within a year, the export value of goods has increased by 14.9%. Even though there was a rapid rise in exports in August of last year, the high base has not acted to dampen the growth and the annual increase in the export value of goods has remained substantial.

Previously, exports grew on account of both rising prices and export volumes, whereas now, with the price effect weakening, the growth in real volumes is beginning to gain importance. Given the positive performance of the manufacturing sector which improved in August for the third consecutive month, there is no doubt that intensified production is the main driver behind Latvia's export growth.

Retail trade continues to grow at robust speed

Retail trade turnover
(at constant prices; changes in millions of lats; January 2011=0)



After two months of growth, retail turnover continued on an upward trend in August (1.0% month-on-month increase; seasonal factors excluded). Year-on-year growth of 10.0% was retained and it should be considered high, because growth continued despite the high base effect.

Even though the retail and consumer confidence indicators published by the European Commission remain relatively stable, such consistently high growth seems surprising in light of the modest gains in purchasing power and still declining stock of loans to households.

Therefore, the good performance of the retail trade is most likely related to a general improvement in consumer confidence regarding both the current and future economic development as well as personal financial health which results in smaller or even shrinking savings.