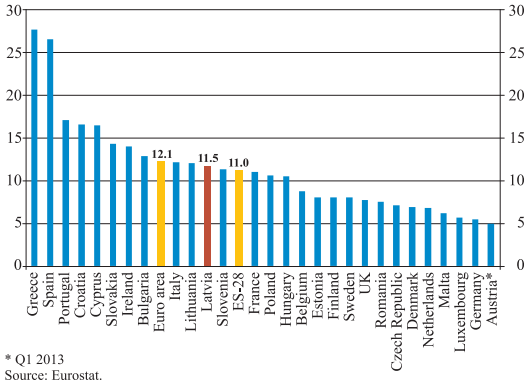
1. Highlights

Job creation leads to lower unemployment

In the summer of 2013, registered unemployment dropped to a one-digit number for the first time in four years, reaching 9.1% in September. At the end of that month, 89 000 unemployed were registered with the State Employment Agency (SEA) which is less than half of the figure registered during the peak of the crisis at the beginning of 2010. The Labour Force Survey data published by the Central Statistical Bureau indicate a fall in both registered and also real unemployment. In the second quarter of 2013, real unemployment was 11.5%. Only three years ago, the unemployment rate in Latvia was the highest in the European Union, whereas now it has already dropped below the euro area average.

Official unemployment in Q2 of 2013
(seasonally adjusted; %)



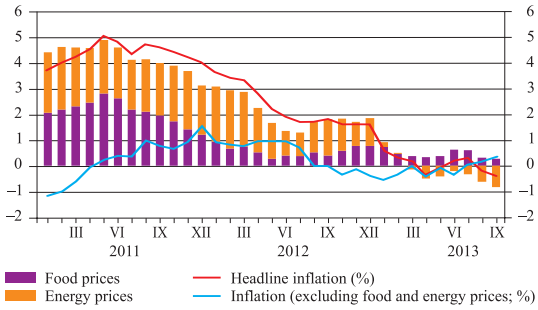
* Q1 2013
Source: Eurostat.

This decline in unemployment is supported by job creation. Employment increases on account of the private sector, with work-loads remaining stable, thus pointing to sustainability of the employment growth. A substantial role in the rise of employment, contributing more than 20% to the rise, was played by manufacturing. With Latvia's competitiveness restored, the increase in manufacturing output was substantially supported by the growing market shares in the imports of Latvia's trading partners.

The growing number of job vacancies also points to improved employment opportunities. In the summer of 2013, the number of vacancies registered at the SE A reached 6 000, the highest level since 2008.

Seasonality determines consumer prices also this month

Contribution of energy and food prices to annual inflation
(%)



Source: CSB.

The month-on-month rise in consumer prices of 0.3% observed in September was a result of seasonal factors, as autumn/winter clothing and footwear collections hit the shops after the end of summer sales. Overall, this rise was lower than a year ago when there was an additional significant rise in fuel prices; therefore, the annual inflation remained in a negative territory in September, at – 0.4%.

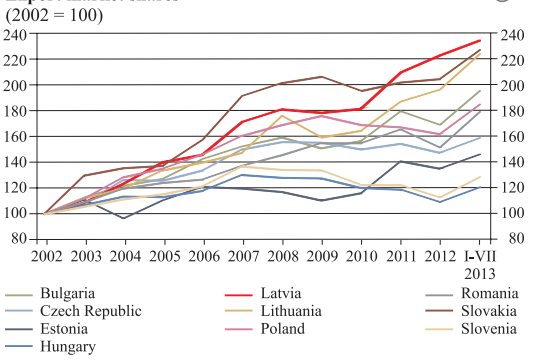
Price fluctuations in September displayed typical seasonallity: prices of some services associated with tourists decreased (e.g. accommodation services by 7.3% and tourism services by 6.2%), whereas those of clothing and footwear grew by 5.6%.

The global oil prices have dropped slightly since the beginning of September and currently a corresponding trend is observed also in fuel prices. These declines will be reflected in the October inflation rate. The prices of domestically-produced energy will likewise have a downward effect on inflation in the coming months. As a result, inflation is and will be kept low primarily by the developments in the energy sector.

Exports of goods post a rise after a three-month decline

Exports of Latvian goods managed to post a 6.6% month-on-month rise after dropping for three consecutive months, whereas the imports of goods recorded a minor decline of 0.5%. In the first eight months of 2013, the year-on-year growth of Latvian exports was 4%. Despite the unfavourable global economic developments and the low aggregate demand in external markets, the Latvian export market share continues to increase.

Export market shares
(2002 = 100)



In the first eight months of 2013, a substantially positive year-on-year growth rate was achieved by one of the largest export branches, exports of wood and articles of wood (an increase of 8%). Moreover, the structure of those exports shows an increased activity in the case of products with a higher value added, thus confirming some positive changes in the wood industry. However, the growth in exports of base metals has decelerated, yet the recovery of the construction markets in Latvia's main European partners suggests that the prospects have improved for both metal and wood exporters. With confidence indicators improving in West European countries, the demand for Latvian goods might increase; therefore, further growth of Latvian exports could be expected.