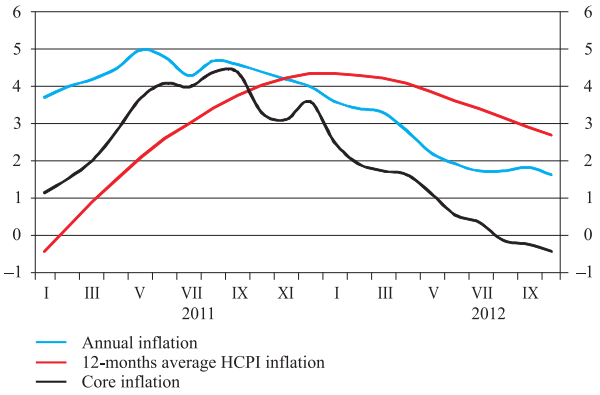
1. Highlights

Inflation reaches a new low

Inflation trends in Latvia
(%)



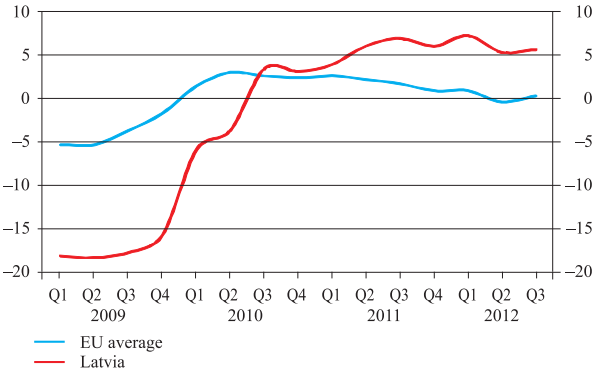
In October, annual inflation reached its minimum level since autumn 2010, dropping to 1.6%. Competition among communication services providers and sales campaigns for alcoholic beverages as well as a more notable decline in fuel prices exerted downward pressures on inflation; therefore, it was lower than expected.

Core inflation was negative both month-on-month and year-on-year and it was substantially affected by the competing mobile communication operators reducing their service prices.

Some of the factors having a downward effect on inflation in October were short-lived (e.g. the prices of beverages, fuel), whereas some were longer lasting (e.g. communication service prices). Because of the latter, the inflation of the coming months could also turn out to be lower than previously forecasted.

GDP growth holds up well despite external weakening

GDP growth
(year-on-year; %)



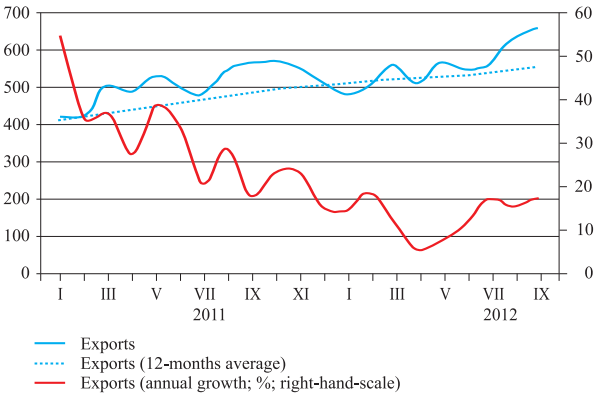
The flash estimate suggests that Latvia has maintained economic momentum despite the general slowdown in Europe: the annual growth rate of 5.3% in Q3 was even slightly higher than in the previous quarter.

One of the factors explaining Latvia's good economic performance was the relatively successful economic development of its main trade partners which helped to sustain a high external demand. Moreover, recently, significant improvement in private consumption has contributed notably to GDP growth. Analysing by sector, decent results were also reported in agriculture, manufacturing and construction.

Looking forward, we still expect growth to slow down somewhat in the last months of the year. Yet even with a lower growth rate, Latvia has a good chance to remain among the fastest growing EU countries.

Exports still on a significant rise in September

Exports of goods in Latvia
(in millions of lats)



At a time when the global growth remains unstable and the aggregate demand in external markets is low, the exports of Latvian goods have maintained impressive annual and third-quarter growth rates as a result of regained competitiveness. Latvia's annual export growth reached 16.5% in September, which is an outstanding achievement, particularly given the instability in the external environment.

The highest growth in September was reported for the exports to Germany, Russia, Norway and the Netherlands. In recent months, Latvian exports outside the EU have been growing particularly fast. At this juncture, this diversified structure of Latvian exports helps to compensate, at least in part, the weakening in the demand for imports in some EU countries.