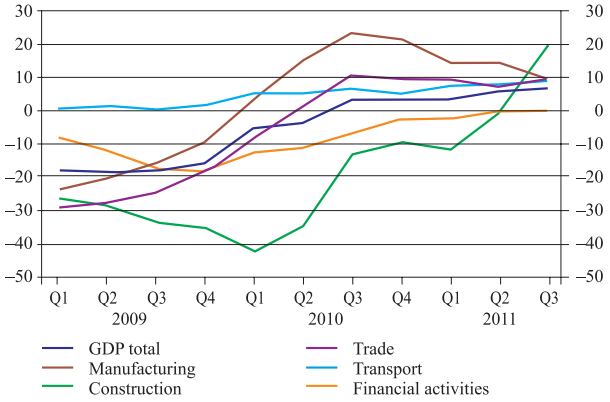
1. Highlights

Revised GDP figures show better-than-expected growth

GDP growth, production side
(y-o-y; %)

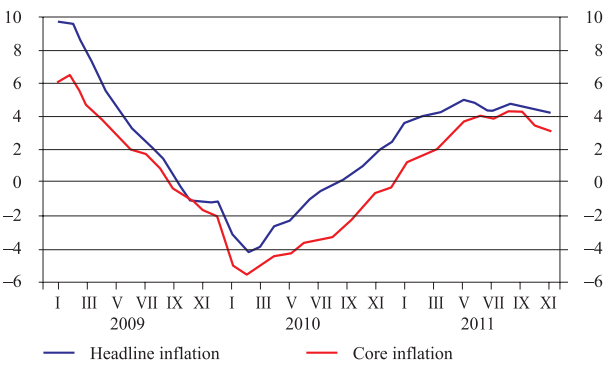


Recent releases show that in the third quarter the GDP growth reached 1.7% quarter-on-quarter (instead of the previously estimated 1.3%), and 6.6% year-on-year (instead of the estimated 5.7%). Thus the growth figures have been adjusted upwards as predicted by economists.

Looking by sector, it is obvious that the main contributors to the GDP growth were the following four sectors: trade (1.8 percentage points), construction (1.4 percentage points) manufacturing (1.2 percentage points), and transport (1.1 percentage points). What is new compared to the previous quarter is that construction has become one of the drivers of growth.

Inflation continued to moderate in November

Annual inflation
(%)

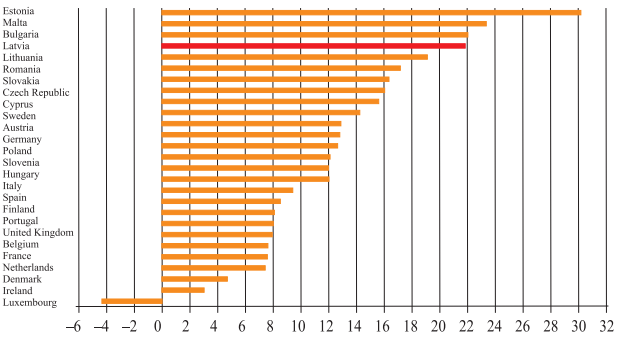


The annual inflation dropped to 4.2% in November, with the average consumer prices remaining unchanged month-on-month. Thus, the trend of declining annual inflation that was observed in previous months, continued in November.

We expect this trend to persist. The most significant contributor to the moderation of inflation in 2012 will be the deceleration of the economic growth or even economic downslide in Latvia's main trading partners. Furthermore, declining economic growth in Latvia itself will also mitigate the pressure of demand on inflation. Nevertheless, there is some potential for changes in the domestic prices in the immediate future due to a certain degree of uncertainty prevailing in the area of administered prices (primarily those of natural gas and the related heating tariffs).

Exports resilient despite external weakening

Export volume growth
(January–August 2011; y-o-y; %)



The global economic developments of the last months have had no significant influence on the external trade in goods yet. In October, the annual increase in exports and imports reached 21.4% and 26.5% respectively.

This year, Latvia's exports posted one of the highest growth rates in the European Union. In the first 10 months of 2011, year-on-year export growth was reported in all commodity groups. The largest year-on-year contribution to the 10-month export growth was made by mineral products as well as base metals and articles of base metals.

A positive sign is that Latvia's global export market shares continued to grow in the third quarter. However, with the rise in import prices outpacing that of export prices the overall terms of trade have slightly worsened. Moreover, the confidence indicators for the fourth quarter have also deteriorated with regard to both export orders and competitiveness outlook.