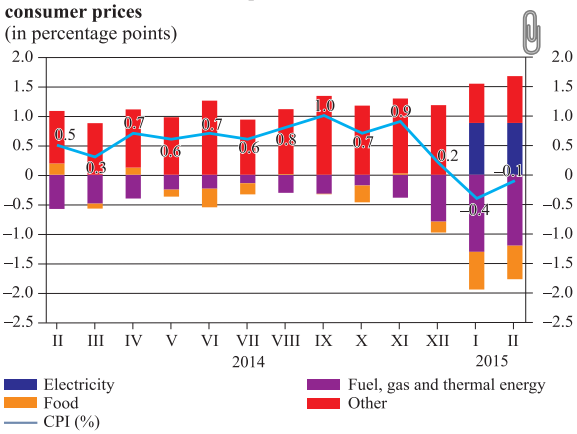
February inflation affected by public transport in Riga

Contribution of selected components to the annual increase in consumer prices
(in percentage points)

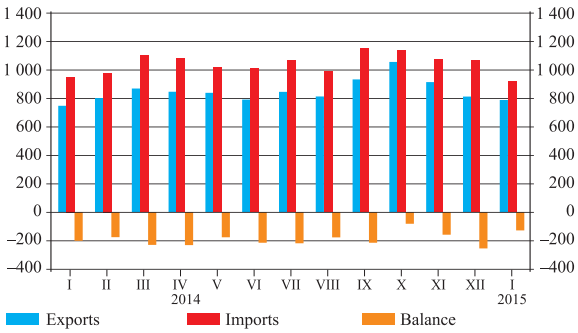


Source: CSB.

In February, inflation reached 0.3% month-on-month, while the annual inflation stood at -0.1%, i.e. slightly below positive value, to a large extent due to a further drop in heat energy prices. As expected, heat energy prices declined in February under the impact of natural gas tariffs. The effect of electricity prices on inflation remained unchanged in February, as following the liberalisation of the electricity market most consumers have apparently chosen fixed-price agreements for 12 or 24 months. They have not shifted to another tariff plan after paying January bills either. Unrelated to energy prices, the public transport fares in Riga rose steeply in February. As a result, the contribution of transport services price hikes to total annual inflation rose to 0.2 percentage points. The recovered rise in oil prices by 2.9% on a monthly basis found an immediate reflection in the fuel prices recording a 17.3% contraction on an annual basis in February (down from 19.2% in January). The impact of oil product prices on inflation was slightly increased by the appreciation of the US dollar as well.

Annual growth in goods exports and manufacturing positive in January

External merchandise trade
(in millions of euro)

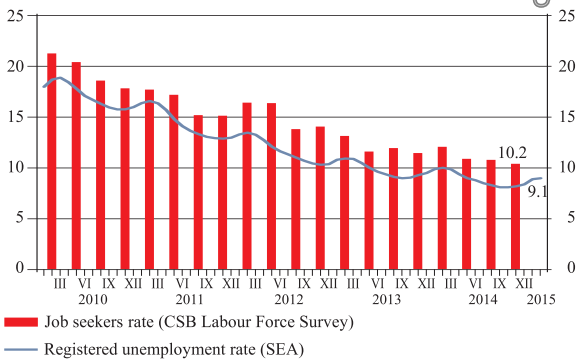


Source: CSB.

The value of Latvian goods exports grew by 5.4% year-on-year in January, with growth posted in exports of construction materials, mechanisms and electrical equipment, minerals, etc., while imports contracted by 3.5%. Imports of goods decreased mostly due to seasonal factors, with imports of cereals, fruit and construction materials narrowing. Furthermore, the decrease in oil and related energy prices in January as well as the warm weather caused some contraction in imports of electricity. Due to untypically warm January, the output of energy sector also experienced a substantial annual downslide of 19%. The manufacturing output grew by 2.0% year-on-year in January. Even though the volume of manufacturing output in real terms and exports so far have not been substantially affected by the economic sanctions or the weakening of the Russian economy, certain stagnation in output volumes has been observed. However, positive news for manufacturing is the official opening of "KVV Liepājas Metalurgs" at the beginning of March. Despite the still existing concerns about the enterprise potentially achieving immediate success because of the current global metals market situation, the fact that the enterprise is resuming its work even at a partial production capacity is very positive.

Labour market experienced wage increase and unemployment and employment decrease in 2014

Unemployment
(% of economically active population)



Sources: CSB, State Employment Agency and Latvijas Banka's staff.

The pace of downturn in unemployment rate slowed to 1.1 percentage points in 2014, with unemployment rate for the economically active population falling from 11.9% to 10.8%. First, this slowdown was due to the slackening rate of economic growth at the end of the past year. Second, while the cyclical component of unemployment that had ensured an almost double drop between 2010 and 2013 has been exhausted, the structural component cannot diminish quickly. The CSB's Labour Force Survey data point to falling employment rates in 2014. It can partly be a reflection of the changes in methodology and partly of contractions in the number of inhabitants as well as in the share of working age population. At the same time, it can be an indication of contracting shadow employment, with the number of workplaces increasing in the country. Other official data sources continue to point to an increase in employment in 2014. Last year, the wage growth accelerated, with the average monthly gross wages for full-time jobs increasing by 6.8%. However this year, the annual growth in wages is expected to moderate to a level below 5%, with its dynamics slightly exceeding that of labour productivity. Currently this does not translate into competitiveness problems, given the relatively low labour income share in total value added as well as stable profitability indicators and positive developments in Latvia's export market shares in world imports.