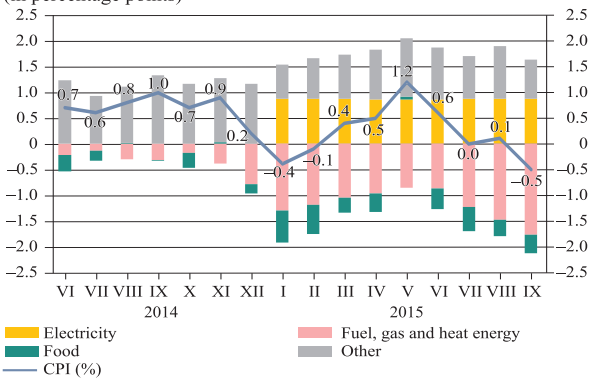
Consumer price level down year-on-year

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

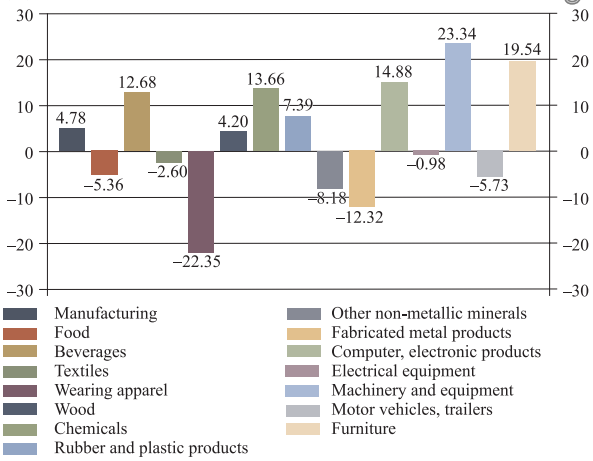


Source: CSB.

In September, the consumer price level was lower than a year ago, and annual inflation was –0.5%. The world energy prices continued to bring down inflation. September saw the characteristic seasonal price trends, e.g. a drop in fruit and potato prices, rising prices for wearing apparel and footwear as well as for education services. In case of wearing apparel and footwear, the price rise was smaller than usual and became one of the factors reducing annual inflation. However, under the conditions of low headline inflation, a higher than usual pick-up in book and stationery prices accompanied the increased prices of education services in September and even already in August. This could serve as one of the examples where a merchant could use the so-called consumption expenditure redistribution effect, i.e. lower spending for food and energy motivates households to use the rest of their financial resources for the purchase of goods and services they would otherwise consume less.

Industrial production increased year-on-year in August

Growth of real manufacturing output, year-on-year growth rates in August 2015
(%)



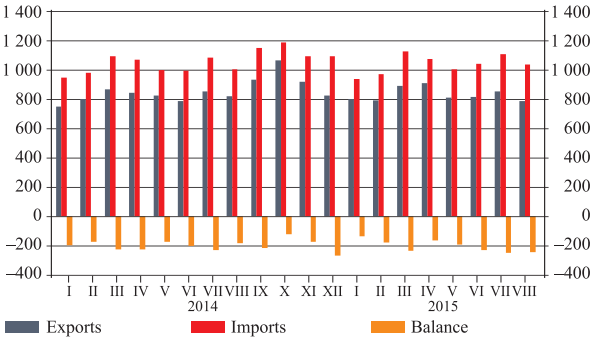
Source: CSB.

The volume of manufacturing output at constant prices has posted a good performance this year with a 5.9% increase in the first eight months and 4.8% year-on-year growth in August. The overall decline in production output in August (by 3.0% month-on-month) was primarily determined by a substantial drop in the volume of output in the food industry, which is hardly a surprise, as it is simply a return to the level of previous months; a positive "maverick" was actually July. Meanwhile, growth was notable in the chemical industry and manufacture of furniture. The so-called hi tech branches – production of computers and optical equipment, machinery and electrical equipment – continue to post good performance, which constantly improves and attains new output records on a regular basis.

It is worth mentioning that August was a very good month for the energy sector, which showed growth by 7.3% month-on-month and 12.4% year-on-year. Cogeneration plants were operated in August which was a little unusual for the season. As a result, a record high volume of electricity was generated in comparison with August of the past few years.

Latvian exports resist unfavourable external factors

External merchandise trade
(in millions of euro)



Source: CSB.

In the first eight months of this year, Latvia's exports of goods retained a slight growth of 1.8% year-on-year, posting a rise in exports of optical and medical equipment, chemical industry products, wood products and furniture as well as machinery and electrical equipment. The reduced demand in the Russian market was compensated by increased exports to European countries.

In August 2015, the export value of goods dropped by 3.7% year-on-year. Exports are still adversely affected by several factors: the sanctions imposed by Russia; geopolitical situation; worsening of the trade conditions along with the global downslide of prices; increasing competition and continuing weak demand in external markets. The food and agriculture industry is suffering from the Russian sanctions most directly. However, irrespective of the reduced exports to Russia, several enterprises of the sector expect an increased turnover and exports this year.