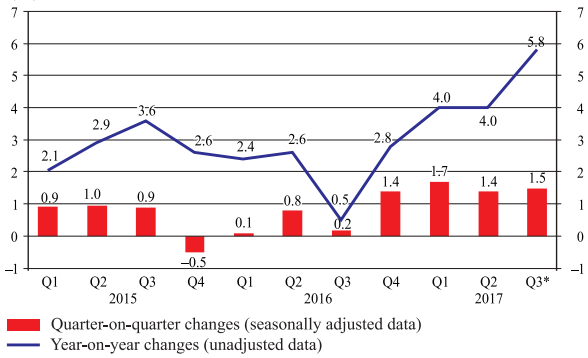
GDP - Growth rate accelerated in a number of sectors

GDP at constant prices (calendar adjusted) and quarterly (seasonally adjusted) changes
(%)

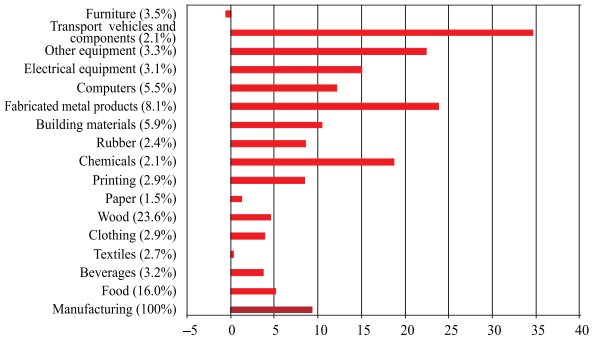


* – flash estimate.
Sources: CSB, Latvijas Banka's calculations.

The flash estimate of the Central Statistical Bureau suggests that the third quarter of 2017 saw **GDP** growth by 5.8% year-on-year (non-adjusted) and by 1.5% quarter-on-quarter (seasonally adjusted). **Construction** has recovered as a result of the renewed availability of European Union (EU) funds and the growing private investment. With the absorption of EU funds continuing and increasing, construction volumes will most likely grow further next year. In addition, **retail trade** turnover growth points to a solid increase in purchasing power and consumption. Furthermore, in the third quarter, **goods exports** picked up by 7.7% year-on-year. The good performance of goods exports is associated with the strengthening of external demand and rising global prices. Moreover, an increase in foreign and domestic demand has a positive effect on the **manufacturing industry**.

Manufacturing has maintained dynamic growth

Volume indices in manufacturing sub-sectors
(Q3 2017; output weights; %)

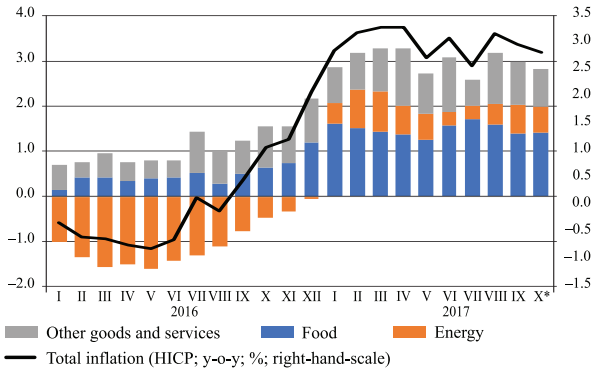


Sources: CSB, Latvijas Banka's calculations.

In the third quarter, manufacturing output increased substantially by 9.3% year-on-year in calendar adjusted terms. Development was driven by both higher external demand and, to an increasingly greater extent, growing domestic demand, largely in construction. The construction-related manufacturing sectors such as manufacture of fabricated metal products and building materials as well as the wood industry developed rapidly in the third quarter. At the same time, external markets have been mostly interested in food, chemical products, pharmaceutical preparations, electrical equipment, fabricated metal products, transport vehicles and their components. The level of investment in manufacturing is comparatively low, whereas capacity utilisation in some sub-sectors is at its historical highs or approaching. Therefore, investment in the productive sector as well as in education and health of human capital is becoming increasingly more important.

Prices are on the rise, albeit at a slower pace

Year-on-year inflation
(contribution; in percentage points)



* based on Consumer Price Index data for October.
Sources: CSB, Latvijas Banka's calculations.

In October, the annual rate of inflation continued on its downward trend reaching 2.8% mainly due to the deceleration in the growth rate of food prices. The monthly rise in food prices was affected by seasonal factors in October. In annual terms, the main driver behind the high food prices is the rise in global prices. Energy prices continued to go up in October on account of the rising oil prices. Since October last year, transport costs have grown significantly, including an increase in fuel prices by 5.6% and an uptrend in insurance prices by 51.7%. Core inflation remains stable. In the future, the rise in core inflation will be affected by higher wages and salaries, which, in addition to the increase in the minimum wage planned by the government, will be influenced by the limited availability of labour.