**Latvia** Lettlands flagga

Latvia was harder hit than any other EU-country by the global financial crisis. The severe situation was helped by a 7,5 billion EUR large support loan from IMF and EU, as well as a very tough “internal devaluation”, whereby for instance salaries were decreased by as much as 30 % and large cuts in social spending.

Bank lending expanded too quickly and easily for several years and finally the bubble burst. 2009 GDP fell by incomprehensible 18 %! The following years saw continued austerity measures and constraints in bank lending, high unemployment rate (peaking at 20 %!) which consequently held back investments and private consumption. During the last years Latvia has shown a very strong economic recovery. The robust GDP-growth has mainly been led by the strong growth in export, but now also private consumption is picking up, driven by improved labour market, low inflation and wage increases.

No major deviation from the current economic and political course is expected, since the goal to enter into the EMU by 2014, and to adopt the Euro from January 1st, remains the top priority. This also explains the prudent fiscal performance as well as the fact that the external imbalances are kept at a small level (as a sharp contrast to the alarming situation before the 2008 crisis).

Key facts (Sources: IMF, Business Monitor Int´l, Latvijas Banka, Latvijas Statistika, Swedbank, SEB)

2011 2012 2013f 2014f

Population (mn) 2,2 2,2 2,2 2,2

GDP (nom.; EUR, bn) 20,1 22,1 23,6 25,7

GDP-growth, real (%, y-o-y) +5,5 +5,5 +4,0 +4,8

GDP/capita (EUR) 9.143 10.045 11.200 12.200

Budget balance (% of GDP) -3,6 -1,2 -1,2 -0,8

Inflation (CPI; e-o-p, %) 4,2 2,3 0,2 2,8

Export (EUR, bn) 8,5 9,9 10,1 10,6

Import (EUR, bn) 10,9 12,5 12,6 13,4

Balance of trade (EUR, bn) -2,4 -2,6 -2,5 -2,8

Current account (EUR, bn) -0,4 -0,6 -0,3 -0,6

Current account (% of GDP) -2,2 -2,5 -1,3 -2,3

Total external debt (EUR, bn) 27,9 30,0 32,1 33

Total external debt (% of GDP) 139 136 135 129

Exchange rate (LVL/EUR) 0,70 0,70 0,70 (EUR)

Unemployment rate (%) 16,2 15,0 11,4 10,5