

AUTUMN 2007 ECONOMIC OUTLOOK FOR LATVIA: ANSWERS FROM LDDK

MAIN FORECAST

	2007	2008	2009
Real GDP growth	9.5	7.5	7.5
Consumer price inflation	9.0	5.0	3.8
Unemployment rate	6.2	5.9	5.7
Employment growth	1.5	1.0	0.5

Components of aggregate demand

Annual % change	2007	2008	2009
Private consumption	18.3	8.9	8.0
Public consumption	3.0	2.5	2.5
Investment (Gross fixed capital formation)	na	na	na
Exports	7.5	8.3	8.0
Imports	17.9	8.3	8.3

ECONOMIC SENTIMENT

Question 1 Trend in business climate over the next 6 months	Positive Industry Services	Negative	Unchanged		
Question 2 Trend in profitability over the next 6 months	Positive Industry Services	Negative	Unchanged		
Question 3 Investment intentions over the next 6 months (compared to the last 12 months)	Increase (faster pace)	Increase (slower pace)	Unchanged Industry Services	Decrease (slower pace)	Decrease (faster pace)
Question 4 Driving force behind investment decisions in the next six months	Replacement Up	Extension Same	Rationalisation Up	Innovation Up	
Question 5 Trend in consumer confidence over the next 6 months	Positive	Negative	Unchanged yes		
Question 6 Overall trend in employment	Industry: past 6 months Up	Industry: next 6 months Same	Services: past 6 months Up	Services: next 6 months Up	
Question 7 Compared to 6 months ago, SME's cost/access to capital for business development will be...	Higher / more difficult	Same Cost Access	Lower / less difficult		
Question 8 Effect of financial market turmoil on assessment of financing conditions for next 6 months ...	to a large extent yes	to some extent	not at all		

MAIN RISKS

Question 9 Above which EUR/USD level will the national economy be significantly hurt ?	Dollar per euro na	Question 10 Where will the EUR/USD stand in April 2008 ?	Dollar per euro na
--	------------------------------	--	------------------------------

POLICY MIX

Question 11 Progress towards medium-term budgetary objective is...	Excellent	Satisfactory	Neither satisfactory nor unsatisfactory yes	Unsatisfactory	Deteriorating
Question 12 Monetary policy is...	Tight, appropriate for the euro area	Tight	Appropriate yes	Loose	Loose, appropriate for the euro area
Question 13 Focus on elements of the ECB analysis underlying its current policy stance is...	Robust growth and above-target inflation appropriate	Downside risks to growth appropriate	Risks to price stability from high oil prices appropriate	Risks from money supply and credit growth appropriate	Risks of euro appreciation appropriate
Question 14 Consistency between the fiscal and the monetary policies	Adequate	Inadequate yes			