

AUTUMN 2008 ECONOMIC OUTLOOK FOR LATVIA: ANSWERS FROM LDDK (NOVEMBER UPDATE)

MAIN FORECAST

	2008	2009
Real GDP growth	-0.6	-1.9
Consumer price inflation	13.9	8.7
Unemployment rate	5.2	6.9
Employment growth	0.5	-1.8

Components of aggregate demand

Annual % change	2008	2009
Private consumption	6.1	4.0
Public consumption	2.0	5.2
Investment (Gross fixed capital formation)	na	na
Exports	9.1	8.2
Imports	6.0	4.0

ECONOMIC SENTIMENT

	Positive	Negative	Unchanged		
Trend in business climate over the next 6 months		Industry Services			
Trend in profitability over the next 6 months	Positive	Negative	Unchanged		
			Industry Services		
Investment intentions over the next 6 months	Increase (faster pace)	Increase (slower pace)	Unchanged	Decrease (slower pace)	Decrease (faster pace)
			Industry Services		
Driving force behind investment decisions in the next 6 months	Replacement	Extension	Rationalisation	Innovation	
	Same	Down	Up	Up	
Trend in consumer confidence over the next 6 months	Positive	Negative	Unchanged		
		yes			
Overall trend in employment	Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months	
	Down	Down	Same	Down	
Over the next 6 months, cost/access to finance will be...	Higher / more difficult	Same	Lower / less difficult		
	Cost				
	Access				
	to a large extent	to some extent	to a limited extent	not at all	
Financial market turmoil has affected companies' investment decisions negatively ...	yes				

POLICY MIX

	Not necessary, situation is satisfactory	Excellent	Satisfactory	Neither satisfactory nor unsatisfactory	Unsatisfactory	Deteriorating
Progress towards medium-term budgetary objective is...					yes	
Monetary policy is...	Tight, appropriate for the euro area	Tight	Appropriate	Loose	Loose, appropriate for the euro area	
			yes			
Consistency between fiscal and monetary policies	Adequate	Inadequate				
	yes					