

Spring 2007 Economic Outlook for Latvia: Answers from LDDK

MAIN FORECAST

	2006	2007	2008
Real GDP growth	11,5	9,0	7,5
Consumer price inflation	6,5	5,6	4,8
Unemployment rate	8,7	6,9	6,6
Employment growth	5,0	1,5	1,0

Components of aggregate demand

Annual % change	2006	2007	2008
Private consumption	17,0	12,1	7,6
Public consumption	3,0	3,0	2,5
Investment (Gross fixed capital formation)	na	na	na
Exports	8,6	11,6	9,1
Imports	18,0	11,0	8,7

ECONOMIC SENTIMENT

Question 1	Positive	Negative	Unchanged		
Trend in business climate over the next 6 months	Industry	Services			
Question 2	Positive	Negative	Unchanged		
Trend in profitability over the next 6 months	Industry	Services			
Question 3	Increase (faster pace)	Increase (slower pace)	Unchanged	Decrease (slower pace)	Decrease (faster pace)
Trend in investment over the next 6 months (compared to the last 12 months)			Industry		
			Services		
Question 4	Replacement	Extension	Rationalisation	Innovation	
Driving force behind investment decisions in the next six months	Same	Up	Same	Up	
Question 5	Positive	Negative	Unchanged		
Trend in consumer confidence over the next 6 months			yes		
Question 6	Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months	
Overall trend in employment	Up	Up	Up	Up	
Question 7	Higher / more difficult	Same	Lower / less difficult		
Compared to 6 months ago, SME's cost/access to capital for business development	Cost	Access			

MAIN RISKS

Question 8	Dollar per euro
Above which level of dollar / euro will the European economy be significantly hurt ?	1,40
Question 9	Dollar per euro
Where will the dollar / euro stand in October 2007 ?	1,20

POLICY MIX

Question 10	Excellent	Satisfactory	Neither satisfactory nor unsatisfactory	Unsatisfactory	Deteriorating	
Fiscal policy: Progress towards the medium-term budgetary objective?		yes				
Question 11	Tight, appropriate for the euro area	Tight	Appropriate	Loose	Loose, appropriate for the euro area	
Monetary policy is...			yes			
Question 12	Robust growth and above-target inflation	Downside risks to growth	Risks to price stability from high oil prices	Risks to price stability from indirect tax increases	Risks from money supply growth	Risks of euro appreciation
ECB policy: Focus on elements of the ECB analysis underlying its current policy stance is...	excessive	appropriate	appropriate	insufficient	appropriate	appropriate
Question 13	Adequate	Inadequate				
Consistency between the fiscal and the monetary policies	yes					