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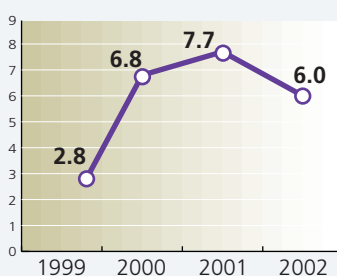
he National Economy of Latvia

The aim of Latvia's economic policy is to maintain sustainable, stable and balanced economic and social development. In recent years, Latvia's economy has been rapidly growing, becoming one of the most dynamic economies in Europe.

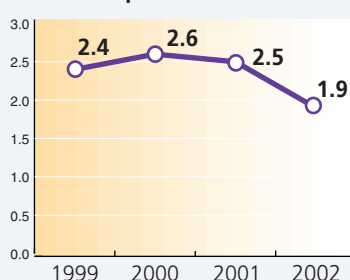
GDP - one of the Highest in Central and East Europe

Economic activity in Latvia has been growing significantly since the mid-1990s, with a period of modest growth in 1998 and 1999 due to the economic crisis in Russia. The economic results of 2000 showed that Latvia had overcome the difficulties that were created by external factors. Gross Domestic Product (GDP) in the three-quarters of 2002 exceeded the level of the corresponding period of the previous year by 5.4%. According to preliminary estimates, in 2002 GDP growth reached 6%. GDP growth is expected to remain high - around 6% in 2003 as well. GDP growth can be accounted for both by the stable external demand and rising domestic demand especially the rapid increase in investments.

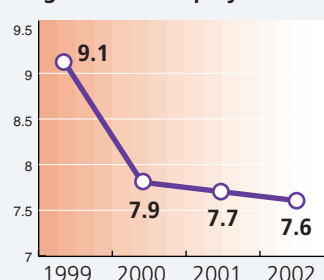
Gross Domestic Product



Consumer prices



Registered unemployment rate



Inflation and Unemployment rate - gradually decreasing

The increase in consumer prices in 2002 was less pronounced than in the previous year. For several years Latvia's inflation rate is among the lowest in the transition economy group of countries. While price changes differ among various groups of goods and services, the average annual inflation in 2002 was 1.9%.

Compared with the previous year the number of unemployed at the end of 2002 has decreased. The highest rate of unemployed persons can be seen in rural areas.

Budget Deficit, Current Account Deficit - corresponds EU criteria

According to provisional data, the budget deficit in 2002 was 2.5% of GDP, thus remaining within EMU norms. The budget deficit will remain below 3% of GDP in the forthcoming years as well, while tax burden in the meantime will be reduced.

The current account deficit is gradually decreasing and in 2002 it reached 7.8% of GDP (in 2001 - 9.6% of GDP). The largest part of the current account deficit was covered by foreign direct investment and long-term loans, and just as in previous years, the assets of foreign reserves of the Bank of Latvia increased.