



January 13, 2010 No. 281

- **IMF: Estonia's exchange rate at a right level for euro switch**
- **Survey puts Poland in top place to do business in CEE**
- **Quality of Life Index: Lithuania rated the best country to live among the Baltics**
- **Value of real estate transactions plunged in Estonia**

Main Macroeconomic and Financial Indicators of LATVIA

	2008	2009			
		Q1	Q2	Q3	Q4
Real sector					
Real GDP, yoy, %	-4.6	-18.0	-18.7	-19.0	:
Nominal GDP per capita, EUR thou	10.2	9.8	9.4	8.8	:
Industrial production index, wda, yoy, % ¹⁾	-3.8	-22.2	-18.8	-15.0	-2.4 (Nov)
Volume index of construction production, wda, yoy, %	-3.0	-29.8	-32.4	-36.8	:
Retail trade (excl. motor vehicles and motorcycles), deflated turnover index, yoy, %	-7.2	-24.3	-28.2	-29.5	-30.2 (Nov)
Gross fixed capital formation, yoy, % ¹⁾	-15.6	-34.1	-38.1	-39.4	:
Prices					
HICP, eop, yoy, %	10.4	7.9	3.1	0.1	-1.2
PPI, eop, yoy, %	9.2	1.5	-7.1	-8.1	-9.2 (Nov)
Labour market					
Average gross monthly earnings, yoy, %	20.6	3.5	-0.8	-6.4	:
Unemployment rate, sa, LFS, %	7.5	13.2	16.5	18.7	:
External trade & external position					
Exports of goods, yoy, % ¹⁾	-2.2	-22.6	-19.1	-11.7	:
Imports of goods, yoy, % ¹⁾	-13.9	-34.2	-39.4	-36.6	:
Current account balance, % of GDP	-13.0	1.3	14.1	10.1	:
FDI inflow, % of GDP	3.7	0.4	-3.8	3.9	:
FDI per capita, eop, EUR	3578.4	3503.5	3482.0	3646.4	:
International reserves per capita, eop, EUR	1627.8	1476.0	1244.7	2029.3	2130.1 (Nov)
Financial market					
Average interest rates on new loans in LCU, eop, % ²⁾	14.3/16.8	18.1-18.1	15.3/31.1	17.2/15.0	14.3/12.0 (Nov)
Average interest rates on new term deposits in LCU, eop, % ²⁾	10.2/9.6	9.6/6.2	11.4/18.5	11.9/6.3	13.4/6.6 (Nov)
Loans to households and non-financial corporations, eop, yoy, %	10.1	5.3	2.0	-3.1	-4.6 (Nov)
Housing loan portfolio, eop, yoy, %	5.5	1.5	0.2	-2.8	-4.2 (Nov)
Loans to households and private non-financial corporations, eop, % of GDP	83.4	85.5	89.6	93.1	:
Deposits, eop, yoy, %	-6.6	-9.5	-11.0	-12.7	-11.1 (Oct)
Economic sentiments					
Economic sentiments, total index, eop	67.6	52.0	58.2	61.5	67.3
Consumer sentiments, eop	-47.4	-51.4	-50.3	-51.1	-51.8

Note: Latest date is given in parenthesis; ¹⁾ at constant prices; sectoral statistics has been adjusted to NACE 2; ²⁾ long-term/short-term.

Abbreviations: GDP – gross domestic product; HICP – harmonized index of consumer prices; PPI – producer price index; FDI – foreign direct investments; yoy – year-on-year; eop – end-of-period; LFS – Labour Force Survey; LCU – local currency units; wda – data adjusted by working days; sa – seasonally adjusted.

Sources: National statistics office, Bank of Lithuania, ECB, Eurostat, European Commission

Survey puts Poland in top place to do business in CEE

January 12, 2010
(WBJ, Puls Biznesu)

A survey of 1,169 foreign professionals working in Central and Eastern Europe conducted by the University of Reading in the UK, has found that Poland, with the highest score of 204 points, is the best place for business. Surprisingly, the professionals do not find corruption a real problem in Poland.

"Business here is decentralized. For all the 20 years I have been living here, I faced corruption issues only a couple of times. In running a business on a daily basis I feel completely safe," said Raimondo Eggink, who is a member of several supervisory boards.

According to Piotr Wielgomas the CEO of HR company Bigram, this good result might be due to the fact that expats have little contact with the public sector, and corruption is often generated when private business meets the public sector.

Still, for foreigners the biggest problems remain bureaucracy and the shortage of modern IT solutions. Experts also point out incompetency as well as bad knowledge of English among bureaucrats.

Value of real estate transactions plunged in Estonia

January 11, 2010
(ELTA)

Last year 26,510 real estate sales-purchase transactions with the total value of EEK 18.1 bn were conducted in Estonia. The number of transactions fell by 23% and the value of transactions by 47% comparing to that of a year ago.

In 2008, the number of sales purchase deals was 34,473 with the value of EEK 34 bn.

In Tallinn, in 2009 the number of transactions fell by nearly a quarter to 7,122 and their value by 48% to EEK 7.7 bn.

Prices in Latvia have decreased to August 2008 level

January 11, 2010
(ELTA)

The overall price level in Latvia has now returned to the level of August 2008. Food prices are now in line with the prices at the beginning of 2008, whereas prices for dairy products have decreased to the level of October 2007.

Apartment rent rates have dropped to the level of 2005, whereas the overall price level in the services sector has returned to the level of September 2008.

As reported, last year annual deflation in Latvia reached 1.2%, and 2009 is the first year since the restoration of independence when Latvia recorded a deflation rate.

Lithuania rated the best country among Baltics to live in the world

January 11, 2010
(Baltic Business News)

Latvia has been rated as the 40th best country to live in the world, according to a survey carried out by American real-estate magazine International Living. Lithuania is in 22nd place in the survey, whilst Estonia is in 32nd place.

The survey's quality of life index calculates nine categories – cost of living, leisure and culture, economy, environment, freedom, health, infrastructure, risk and safety and climate.

France is in first place in the International Living's quality of life index, followed by Australia in second and Switzerland in third. The next best countries to live are Germany, New Zealand, Luxembourg, the United States, Belgium and Italy.

The countries on the bottom of the list, or with the worst quality of life, are Somalia, Yemen, Sudan, Chad and Afghanistan. The survey includes 194 countries.

Poland sells 3 bn-euro bond, biggest in 4 years

January 11, 2010
(Bloomberg)

Poland raised EUR 3 bn in its biggest offering of euro-denominated bonds in 4 years, helping to fund the country's growing budget deficit.

The sale, together with credit lines agreed with international institutions, covers the country's foreign-financing needs this year, Deputy Finance Minister Dominik Radziwill said. The terms of the sale are "attractive" for the government and the demand was "enormous and higher than could have been expected," he said. Poland still plans to sell bonds denominated in dollars this quarter, Radziwill said.

The EU's largest eastern economy may offer about EUR 6 bn of bonds in foreign currencies this year, with "almost all" of the sales coming in the first half of the year, Radziwill said last month.

The 15-year securities were priced to yield 148 basis points more than the mid-swap rate and carry a 5.25% coupon. The 15-year mid-swap rate, a benchmark for borrowing, was 3.9%, making the yield around 5.4%. That compares with a 4.78% yield on Poland's euro-denominated bonds due 2022.

Poland, the only EU economy to escape recession through the credit crisis, is borrowing as lower tax revenue and delays in spending cuts push the budget gap to a 15-year high at 7.5% of GDP this year. Poland joins Turkey, the Philippines and Indonesia in tapping international investors before central banks around the world withdraw stimulus measures that helped spur demand for emerging-market assets.

Lithuania's December inflation slows to 1.3% on winter sales

January 11, 2010
(Bloomberg)

Lithuanian inflation slowed in December on winter sales of shoes and clothing and lower food prices. The annual rate fell to 1.3% from 1.5% in November. Prices fell 0.3% from the previous month.

Waning consumer demand in the Baltic economy has pushed down average consumer prices from 11.1% in 2008 to 4.5% in all of 2009.

Prices of shoes and clothing fell 8.3% in December from last year, while food prices dropped 4.4%. Still, the reductions were offset by rising tobacco and alcohol prices, which climbed an annual 21.7% in December, the most of any category in the index.

Latvia's exports down by 9% m-o-m

January 11, 2010
(ELTA)

The value of Latvia's imports reached LVL 390.9 mn last November, which was by 1.3% less than in October. While the value of Latvia's exports reached LVL 323.3 mn in November - an 8.9% decrease on October.

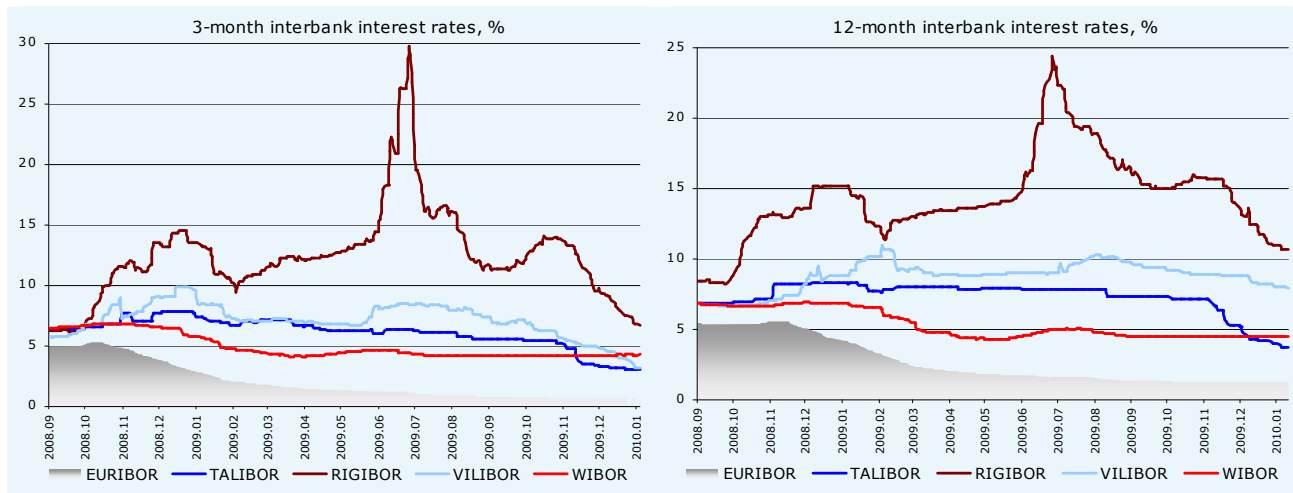
Foreign trade turnover in January-November 2009 amounted to LVL 7.46 bn - 32.9% less than in the same period of 2008. Exports totaled LVL 3.23 bn (21.6% decrease y-o-y), whereas imports reached LVL 4.22 bn (39.6% fall) in the first eleven months last year.

Country	Rank	Cost of Living	Leisure & Culture	Economy	Environment	Freedom	Health	Infrastructure	Risk & Safety	Climate	Final Score
France	1	55	81	69	72	100	100	92	100	87	82
Australia	2	56	82	71	76	100	87	92	100	87	81
Switzerland	3	41	86	79	78	100	95	96	100	77	81
Germany	4	54	82	71	83	100	89	90	100	79	81
New Zealand	5	62	82	65	77	100	88	70	100	84	79
Luxembourg	6	44	76	85	77	100	87	66	100	83	78
United States	7	56	79	67	62	92	78	100	100	84	78
Belgium	8	41	83	66	64	100	88	96	100	86	78
Canada	9	62	76	69	62	100	84	85	100	69	77
Italy	10	56	85	63	74	92	90	62	100	87	77
Netherlands	11	48	71	69	67	100	87	92	100	75	77
Norway	12	39	60	89	76	100	90	89	100	60	77
Austria	13	41	86	68	87	100	85	68	100	76	77
Liechtenstein	14	44	80	100	65	100	80	44	100	79	76
Malta	15	63	70	53	84	100	89	52	100	95	76
Denmark	16	33	88	69	84	100	86	72	100	78	76
Spain	17	56	68	63	75	100	90	65	100	79	76
Finland	18	39	93	66	68	100	81	76	100	76	75
Uruguay	19	60	72	52	72	100	76	64	100	93	75
Hungary	20	58	76	48	77	100	84	77	93	76	74
Portugal	21	55	72	52	74	100	86	56	100	83	73
Lithuania	22	63	68	48	81	100	80	56	100	79	73
Andorra	23	52	74	61	60	100	85	58	100	82	73
Czech Republic	24	48	78	52	74	100	82	78	100	67	73
United Kingdom	25	30	82	65	72	100	84	80	100	66	73
Argentina	26	61	67	52	71	83	82	56	100	91	72
Slovenia	27	53	69	56	74	100	72	56	100	83	72
Greece	28	52	64	58	70	92	84	64	100	79	72
Monaco	29	44	85	66	59	92	80	48	100	89	72
Sweden	30	0	94	68	75	100	82	92	100	68	71
Chile	31	60	67	54	71	100	73	73	100	59	71
Estonia	32	60	82	44	77	100	75	64	86	74	71
Costa Rica	33	62	64	53	78	100	78	48	93	79	71
Panama	34	62	63	52	77	92	72	74	93	69	71
Poland	35	51	74	52	72	100	80	64	86	76	71
Japan	36	24	92	51	71	92	89	64	100	84	70
Croatia	37	58	68	48	77	83	76	52	93	95	70
Brazil	38	64	58	65	71	83	73	59	83	82	70
Ecuador	39	72	60	45	93	75	69	45	86	96	70
Latvia	40	59	75	40	86	92	75	64	86	73	70
Ireland	41	28	81	60	70	100	79	72	100	65	70
Korea- South (Rep)	42	39	82	56	68	92	81	52	93	83	69
Slovakia	43	48	60	52	71	100	79	68	86	77	69
Bulgaria	44	61	69	47	78	83	78	48	86	80	69
Cyprus (Greek)	45	48	65	58	62	100	85	36	100	76	68
Mexico	46	63	65	50	68	75	76	57	79	92	68
Israel	47	39	83	61	68	92	85	36	71	84	67
Iceland	48	36	85	40	74	100	86	48	86	74	67
Bermuda	49	25	57	89	41	92	73	64	100	66	66
Saint Kitts & Nevis	50	64	44	45	72	100	70	54	100	57	66
South Africa	51	59	60	45	75	83	57	44	86	98	66
Dominica	52	65	39	44	90	100	68	36	100	57	65
Romania	53	51	74	48	75	83	65	56	79	71	65
Cayman Islands	54	61	39	65	26	92	86	64	100	57	65
Moldova	55	69	86	45	75	50	67	56	71	70	65
Colombia	56	68	58	48	72	58	72	44	71	92	64
Taiwan	57	50	47	58	75	92	68	51	79	68	64
Bolivia	58	80	61	45	75	67	59	52	57	83	64
Macedonia	59	66	64	45	72	67	62	44	79	79	63
Barbados	60	35	78	48	72	100	62	40	100	57	63
Mauritius	61	65	61	47	74	92	72	32	93	42	63
Namibia	62	66	75	42	46	83	41	64	86	74	63
Belize	63	60	47	50	80	92	55	52	79	62	63
Paraguay	64	76	60	44	64	67	71	36	86	68	63
Albania	65	60	61	45	74	67	74	36	71	89	63
Bosnia-Herzegovina	66	73	65	45	70	58	67	40	71	82	63
Bahamas	67	28	67	56	74	100	62	32	100	65	63
Ukraine	68	49	61	42	74	75	68	60	71	78	62
Grenada	69	55	53	44	75	92	66	48	86	57	62
Singapore	70	51	71	68	39	42	74	69	100	39	61
Antigua & Barbuda	71	54	56	53	74	83	50	32	100	57	61
Turkey	72	49	60	45	68	67	76	40	86	73	61
Dominican Republic	73	58	47	45	81	83	69	40	79	57	61
Seychelles	74	59	58	48	78	67	52	36	100	55	61
Bhutan	75	80	28	58	83	42	27	40	100	79	61
Peru	76	66	53	50	70	75	56	32	64	80	60
Jamaica	77	58	44	40	77	75	71	52	79	57	60
Nicaragua	78	66	57	42	70	67	66	36	71	68	60
Botswana	79	70	40	45	78	83	35	44	79	65	60
Honduras	80	70	32	42	70	67	66	40	71	83	60
Suriname	81	65	44	47	78	83	59	59	64	39	60
Puerto Rico	82	55	43	45	42	100	72	36	100	45	59
Tunisia	83	63	61	45	68	17	73	36	86	85	59
Brunei	84	65	60	69	100	25	52	44	79	25	59
Malaysia	85	70	71	48	62	50	68	44	86	24	58
El Salvador	86	63	43	42	65	75	70	36	79	57	58
Guatemala	87	61	39	44	74	58	65	32	71	84	58
India	88	65	39	55	68	75	60	44	64	47	58
Venezuela	89	54	67	48	84	50	66	32	71	52	58
Cuba	90	63	75	44	77	8	79	56	57	63	57
Trinidad & Tobago	91	30	36	53	78	83	63	32	100	57	57
French Polynesia	92	44	56	45	33	92	60	44	100	55	57
Guyana	93	63	61	42	77	75	56	44	64	39	57
Tonga	94	70	25	40	65	50	66	36	100	63	57
Mongolia	95	68	60	47	70	83	56	52	64	14	57
Nauru	96	86	8	47	64	100	55	0	100	38	56
China	97	63	59	69	54	8	67	40	57	79	56
Georgia	98	56	38	40	80	50	62	48	57	79	56
Ghana	99	61	28	44	67	92	40	40	71	62	56
Maldives	100	63	63	45	36	50	66	32	100	49	56
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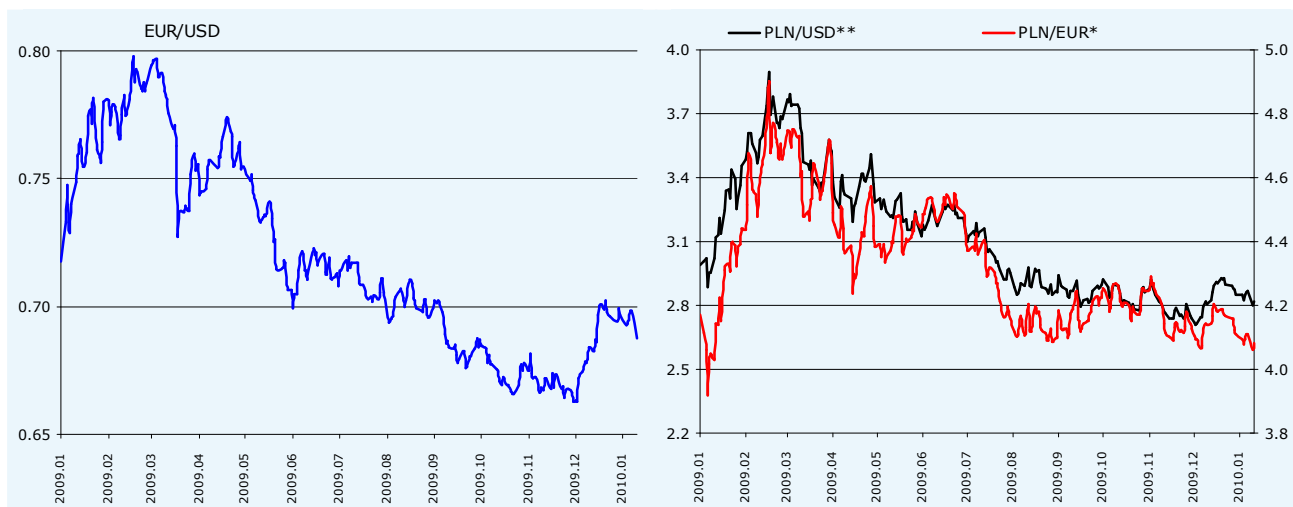
Note: The rank includes 194 countries according to the best quality of life. To produce this annual Index nine categories were considered: Cost of Living, Culture and Leisure, Economy, Environment, Freedom, Health, Infrastructure, Safety and Risk, and Climate. This involves a lot of number crunching from "official" sources, including government websites, the World Health Organization, and *The Economist*, to name but a few. We also take into account what our editors from all over the world have to say about our findings.

Source: <http://www1.internationalliving.com/qofl2010/?field=costofliving>

Interbank interest rates



Exchange rates

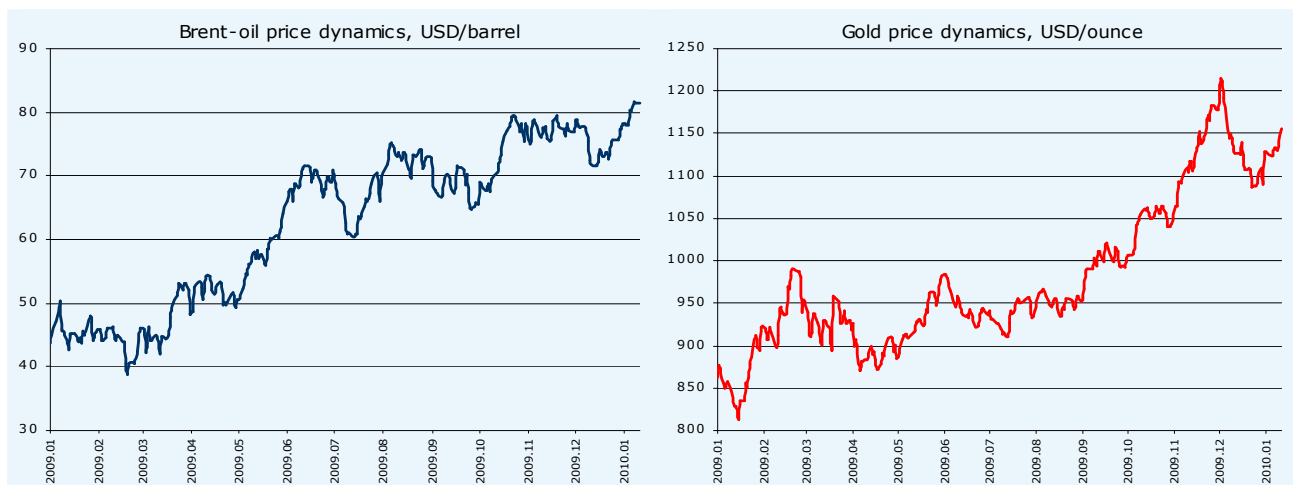


Changes per week

	EUR	EEK	LVL	LTL	PLN
2010.01.11					
EUR	1.0000 -	15.6466 =	0.7093 ↑	3.4528 =	4.0814 ↓
USD	0.6874 ↓	10.7558 ↓	0.4876 ↓	2.3736 ↓	2.8167 ↓

Note: * - scale on the right; ** - scale on the left

Commodity prices



Source: Reuters, EcoWin

ECONOMIC RESEARCH GROUP

Phone: + 370 5 239 35 90
 Fax: + 370 5 213 90 56
 E-mail: research@dnbnord.lt

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