

MANUFACTURING

PRINTING

Livonia Print wins Swedish Business Award

The Swedish Business Awards in Latvia are becoming increasingly popular. Held for the fourth year in a row, this year the contest received record-high 98 entries in four categories.

The event was opened by President of Latvia Andris Berzins, who also presented the awards. The largest competition was in the Sustainable Growth Award; a total of 30 companies competed for the award which was won by the Swedish owned and run book printing house **Livonia Print**.



President of Latvia Andris Berzins presented the awards and opened the ceremony. Photo: President.lv

The Social Responsibility Initiative of the Year went to the state-owned IT and telecom operator **Lattelecom** with its Pieslēdzies, Latvija! (Get connected, Latvia!) programme. The programme provides

free computer literacy courses to elderly Latvians.

The winner of the Young Entrepreneur of the Year was Toms Erenpreiss, a young Latvian businessman who is producing hand-made, retro-styled bicycles inspired by his great-grandfather's legendary Latvian bicycle brand **Erenpreiss**.

Finally, new for this year was the Environmental Award, which went to the local household chemicals producer **Spodriba** for its new eco-friendly cleaning products line.

news2biz spoke with Trond Erik Isaksen, managing director of Livonia Print, to learn more about his company.

► Why did you choose this particular business and why did you decide on Latvia?

I chose this business because I was educated in this field. I went for Latvia because I already was working with a printing house in Latvia – so, when I started my own business, I already had contacts. I had been working with Latvia for ten years; we started the printing house six years ago.

► What have been the main challenges you have faced in your business?

The main challenge has been to start from zero; to get all the machines, set up production and to keep growing.

We train the people who work with us every day. At the same time, we have also been lucky enough to

find skilled workers which has allowed us to save time, energy and money. Currently, however, we take people from the street and train them ourselves.

► What are your main markets and how do you compete in them?

99% of our output goes to exports, and Scandinavia is our main market. We were founded from the very start as an export-oriented company.

Compared to Scandinavian printers, we are able to deliver lower prices. Compared to China, we deliver high quality and delivering the job at the right time.

► Who are your customers, how long have they been with you and how do they learn about you?

The biggest part – more than a half – of our turnover comes from long-term customers who have been with us for years. Most of our customers are referred to us by our existing customers.

Livonia Print is one of the largest book printing houses in the Baltics. It offers a full range of services, including both printing and binding the books, and currently employs 293 workers. Its production facility is located in Riga and in 2010 it produced 4,000 titles and a total of 14.25m books. Its turnover reached EUR 20.35m.

We have talked to

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METAL

BAC Metal: made-to-order metal products since 1997

Even though Latvia has attracted its share of large multinational companies, it can be an even more attractive destination for small and medium enterprises. Often keeping a low profile, they move to Latvia to take advantage of its lower production costs and closeness to the rest of Europe.

The Danish owned and run metal processor **BAC Metal** is a good example of such a company. It has been working in Latvia since 1997, producing made-to-order metal parts for its Danish clients. Located in Jelgava, an industrial centre 40 km from Riga, it specialises on small and medium orders and can deliver fast results at acceptable prices.

"Our main export market is Denmark, but many things are re-exported from there," says Jakob Hauptmann, co-owner and director of BAC Metal, to news2biz. "We are a sub-supplier and we produce many parts for our customers. We do not sell anything locally; we only do some little local orders for other Danish companies in Latvia."

So why did BAC Metal choose Latvia?

"First and foremost, it is because of the lower labour costs," Hauptmann notes. "But we do not compete with companies in Denmark; our competitors are in countries like Poland, Ukraine and maybe

China, so we cannot just ask any price we want."

"Our main advantage is that I speak Danish. I can speak with a customer in Denmark and understand what they mean. When we reach an agreement, it is an agreement; if we have a problem, we can sit down and see how we can solve that. In some companies over here, the mentality is quite different."

Frugal and prudent

The company has survived both the boom years and the recession. The key to the company's sustainability has been its thrifty management style and focus on long-term clients.

"We have been working with most of our clients for many years; we seldom have a client for just one order," says Hauptmann. "We do not do much to find new clients; most of our clients get to us through our existing clients. Some clients have even recommended us to their competitors."

The company always buys its machinery used and pays cash for it; it only has two small loans for its buildings. Also, disregarding the common wisdom that encourages to outsource, the company prefers keeping as much of its operations in-house as possible.

In part this self-reliance is encouraged by the specific nature of the plant's equipment. As it is imported from different European countries, the technicians needed to repair it also come from abroad.

"When we had a French technician over installing a new piece of equipment, I was filming all the time what he was doing. I then gave the video to my own worker, telling him to study it, as the next time, he will have to do it," Hauptmann notes.



BAC Metal uses a laser cutter that allows it to take smaller offers – and, as it is completely paid for, it does not have to maintain high volumes. Photo: news2biz

On the other hand, doing things themselves also means that the company can be sure of the quality.

"My experience shows that it often is the same work to do it yourself than to ask somebody to do it for you. When we were expanding our production premises, we hired a small local company to do the foundation. But when they started to put up the metal anchors, just two out of eighteen stood correctly. I had to ask my own people to replace them. So I always say – maybe I will not get it much cheaper, but at least I will know how it is made."

Of course, during the boom years, BAC Metal received numerous offers for additional funding.

"The banks were offering us money all the time, saying: 'Maybe you want to buy a house or an apartment?' But the prices for real estate were almost as high as in Denmark, and I thought – there is no way how that can be right. So I was not tempted."

This has proved to be a good decision: when the recession hit, the company's turnover dropped. But, as it had few fixed costs, it could continue operating even with the lower turnover.

Unfinished changes

As Hauptmann has been in Latvia for more than a decade, he has also seen it change from a post-Soviet country to a free market economy.

"Everything has changed. I remember that in the beginning, we could not call Denmark; you had to call an operator and they would call you back in half an hour, connecting you manually. What took Denmark 50 years people have done in 10-15 years here; it has been rapid development."

All the rapid development notwithstanding, Hauptmann believes that Latvia still has not caught up with Europe: "Everybody who goes abroad can still see the gap." He notes that Latvia has quickly bridged the main differences. The ones that remain, however, will be much more difficult to overcome.

"One of the big fields that has a huge influence on everything is corruption," he admits. "That has to change, and that will be difficult to change. Only Latvians themselves can do that. If the corruption level does not change, there will be no further development and things will stay the same."

BAC Metal itself has always insisted on operating completely legally and paying all the necessary taxes.

"We used to get regular visits from the tax department. One day some ten years ago they came and checked everything. I told them that they could freely go around the production plant and talk to the workers, so they did that," Hauptmann remembers.

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If the corruption level does not change, there will be no further development.

Jakob Hauptmann of BAC Metal

"When they wanted to leave, I stopped them and asked to explain what they found. The tax inspector turned around, looked at me and told me: 'You even have your cleaning lady officially hired and paying taxes!' She shook her head in disbelief: if I was so stupid to have the cleaning lady officially hired, there

Criado points out that, for Latvian companies, Spain can still be an attractive export destination even as it is undergoing its recession.

"Spain still has lots of people with lots of money. The market is so big that I do not see any Latvian company covering the entire Spanish market. So we focus on those areas of Spain where people still have more money. It leaves us with a market of some 20m people."

So why would Latvian companies want to export to Spain? For one, Criado notes that it can diversify their export portfolio.

"The companies who can export already do export to Scandinavia and Germany, so they already have the experience. That can help them to export to Spain, because we are not that different."

Spanish market can offer some seasonal advantages. Balticco works with a construction materials company which already exports to Scandinavia and Germany, but its business is seasonal: it has to stop in winter, because then construction and refurbishment stops and there is no demand. In the Spanish climate, the work does not stop in the winter, so the company can continue working and exporting.

Finally, in stark contrast to some countries where Latvian products are viewed with suspicion, Criado claims that the "Made in Latvia" label serves as an additional endorsement.

"People in Spain do not know where Latvia is, but, when we pre-

sent Latvian products, they always think they have high quality. We see things coming from the Northern Europe as higher in quality. So when we say them Latvia is in the Northern Europe, they respond very favourably," Criado explains. "They think of innovative products such as **Ericsson** or **Nokia**, something we never had in Spain – and we can work with that."

As to his experience with opening and running a business in Latvia, Criado notes that it has been overwhelmingly positive.



If you want to find the best place in the Baltics to work with the three countries, it is Riga.

Pablo Criado of Balticco

He lists the advantages: "Starting business in Latvia is very easy, especially compared with Spain. You can have a company registered in one week; in Spain it takes a month and costs three times more. Office space is cheaper. There is lots of support from the government, again, unlike in Spain. Everybody receives us very warmly, and it is not difficult for us to open doors. Everybody speaks English, so we can get by without even knowing Latvian. I really think it would be much harder for a Latvian to open business in Spain."

As to the advantages Latvia has over the other Baltic countries, Criado mentions Riga: "It is right in the middle and very well connected. So if you want to find the best place in the Baltics to work with the three countries, it is Riga."

"Another advantage for foreigners like us is Riga's large Russian population. You really get much more information from the market that way – which is not the case in Lithuania."

"The only advantage Estonia has is that they already have the euro, but I do not see it as a big problem."

When asked what problems he sees in Latvia, he mentions the low salaries.

"If I took an assistant, I could not afford to pay them a large salary; I could not compete with my competitors. On the other hand, if they are not satisfied with their salaries, they leave as soon as they get better offers."

On the other hand, it can also be an advantage: "You can produce things cheaper because of the lower salaries, and you must use it to increase your standard of living."

Criado believes that, if Latvia uses this competitive advantage, its salaries will also eventually rise to the average EU level.

Another issue that often is mentioned when talking about Latvia is transparency.

Says Criado: "A few years ago I would have said that transparency in Latvia is a problem. But things have improved, and now we also have

similar problems in European countries. So if a Spanish business says, we are afraid to come to Latvia, I reply, see what is happening in Spain. The difference is not that huge anymore. I, for one, have not seen any kind of these problems in my business."

As the company is too young, it is still a bit too early to talk about any results or success stories. But Balticco has had a better start than initially planned.

"In three months, we thought we would have some four-five Spanish companies as our clients. We already have fifteen. Some of them are major companies in their field in Spain, so it is a huge advantage for us to have them among our clients: it helps attract other clients, as they see – they work with these companies, so they must be good."

"We think we have the right idea at the right time, and we are here to stay for a long time," he concludes.

We have talked to

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RETAIL ENVIRONMENT

The other ISO: International Shopfitting Organisation

When you hear ISO, the first association is, no doubt, the **International Organization for Standardization**. But there is another organisation that bears the same abbreviation and, even though it is much smaller, it can boast a long-standing history and multi-national membership. The

International Shopfitting Organisation, founded in 1958, has more than thousand members throughout the world, although it mostly focuses on Europe.

Earlier this month, ISO went to a study tour to Lithuania and Latvia to learn more about its retail environment as well as find new business contacts.

"Originally, a shopfitter simply made shelves. But today, shelves and other fixtures are probably just one-third of the entire shop," says Preben Bailey, Secretary General of ISO, to news2biz. "You need a nice floor, you need the right dimensions for aisles, and, more than anything, you need to display the merchandise. This is not a museum; you want people to say: 'This is fantastic,' and grab things. If a customer picks up a product, it is already half sold. You tempt your customers and encourage them to touch things, increasing your sales and making better shops."

"A good shop moves more merchandise than a poor shop," he adds. "We are selling the retail industry a tool how to make more money."

So what does ISO do for its members?

"We help our members to talk to each other and exchange information. Our members can be competitors, but if we talk to each other, we find out that we have much more in common than in conflict. If you are open, adaptive and take advice, you take much more from our meetings than you give away," Bailey explains.

"It is public knowledge that Latvian GDP crashed in 2009 and is now recovering in 2012; that is fine and we are all interested in that. But where do you get the information how the shopfitting business in Latvia is doing? From me, and I get it from my members, suppliers and friends in the industry."



ISO often organises meetings and study tours for its members: one of the last ones took it to St Petersburg, Russia. Photo: ISO

Bailey shares some of his insights: "The interesting thing about the Baltic countries is that twenty years ago you did not have any shops. You had a huge market gap, a white spot on the map, where you could open stores. So many local and international companies did that."

"In many ways, shopping malls in Riga are nicer than what we have in Sweden and Denmark, because they fill the gap that we did not have. If you build a new shopping mall in Denmark, you get lots of negative feedback – oh, you are destroying the small shops in the old town. Not

here, because you did not have the small shops to destroy, so you welcomed the new shopping malls. There is another attitude here; you like good shops and good malls."

Bailey also notes that the Latvian retail has weathered the recession and is now up again: "Among other things, you now see H&M coming to the Baltics, which is a very good sign. Any new business here is business for our members or our prospective members."

Finally, Bailey points out that the Latvian retail is very closely tied with the international retail: "The important thing to realise is that the retail companies today are international. Danish companies like **Jysk**, and **Jack & Jones** or Swedish companies like **H&M** and **IKEA** are successfully operating all over the world. They are our clients and, because they are global, we have to be global, too."

And, even in this global world, Latvia remains closer to Scandinavia than to other countries: "I very much like the Chinese, and they are very clever, but they are not like us. You are. A shop that works in Copenhagen will also work in Riga – and vice versa. Many of the concepts you have developed we do not yet have over in Denmark – but they are very good, so your retailers can have success if they go west."

Niche producer

In addition to customers, ISO also has suppliers in Latvia. They can

successfully occupy a particular niche: orders that are too large to be produced locally but too small to be moved to China.

"For example, when Christmas is coming and a Danish retailer decides in late October that they want a new display, they want it to be there yesterday; at the very best, they can wait until the next Tuesday. So this short-notice, short-run production is done in Denmark. But the Baltic countries come in when you have to produce larger amounts – some 500 to 1,000 items. You can do it quickly and cheaply here. And, if you want 100,000 items, you buy it in China."

Moreover, Bailey suggests that this niche is a perfect match for most shopfitting needs.

"Shopfitting is not like IKEA, where you can sell million copies of one chair throughout the world. It often is medium-sized runs which have to be delivered quickly – and you can supply it from the Baltics."

In conclusion, Bailey adds that, in the future, the Baltic states have a good potential as a gateway to the Eastern Europe.

"One French scientist calculated that the geographical centre of Europe is in Lithuania. As we were passing it on our study tour, I told our members: for fifty years, you have been doing business west from this point. Imagine how much business now can be done in the east. If things develop the way we would like them to – more openness and stability and less military threats – then there is a huge market in coun-

tries like Russia, Ukraine and Belarus. And you are in the hotspot."

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RETAIL CONSULTANTS

Retail Baltic: helping shops sell more

Few would argue that the Latvian retail was far from being in the best shape in 2010. Yet this did not stop Zulfukar Tosun, a German expat, from leaving his Baltic position with the German fashion retailer **Peek & Cloppenburg** and open his own consulting company called **Retail Baltic**.

"We are a full retail consulting agency. Basically, if you have a store and want to increase its turnover, you talk to us," says Zulfukar Tosun to news2biz.



Zulfukar Tosun notes that Latvian malls now increasingly think about their concept – as they have no other choice. Photo: Retail Baltic

"First, we do everything to improve the service: mystery shopping, sales trainings directly at the point of sales. Second, we are consulting the retail companies how to improve their turnover. Third, we are publishing an overview of Latvian shop-

ping centres, covering 13 major malls in Riga and six in the regions."

Currently, the company has about 20 clients, and Tosun notes that Retail Baltic is focusing on long-term co-operation.

Despite the retail slump, 2010 probably was a very good time to start a retail consulting business. Tosun notes that, back in 2007, things were going so well that shopping malls did not really have to think about having a certain concept.

"Before the crisis, it was like: OK, everybody can come. But then in 2009 something interesting started to happen: they understood that they have to have a strategy and define who their client is. In the last few years, the shopping centres have started to specialise and attract a certain kind of customer."

Not everybody has adapted to the new rules, however. "There are still some shopping centres in Riga that are struggling with their concept, like Galleria Riga [see no 304 page 5 – ed.] It is a seven-floor shopping centre, and in Latvia it goes like this: the first floor is busy, second floor has fewer customers, and the fourth floor is empty."

Tosun notes that another very positive development is the entrance of two major international fashion retailers: Swedish **H&M** (see no 343 page 11) and British **Next** (see no 342 page 11) – previously, there has been much discussion whether Latvia is not too small for large retailers.

Preference for malls

Both H&M and Next chose to enter shopping malls, rather than opening their own stores on shopping streets. Moreover, Tosun's previous employer Peek & Cloppenburg, having started out with a high-street shop, also decided to close it and move to a mall. Tosun believes that it is no coincidence, as the street market remains markedly different and still is dominated by smaller shops that have little or no concept and do not pay much attention to their retail environment.

"Western European customers like shopping streets; Eastern European customers like shopping centres," he points out.

As to the Latvian purchase power, it can be quite high, although that depends on the product group. "Try visiting a major shopping mall on weekend, and you will quickly see how eager Latvians are to spend their money," Tosun notes. "Much of it still is food, however, although clothing is also picking up speed. On the other hand, furniture is still a long way away from what it was in 2007."

"That does not mean that the 2007 sales levels were great; we see how they ended. Everything we reach now must be sustainable. We hope that the large retailers will be able to maintain 5-7% growth each year, but we also have to consider how many people will live in Latvia in a couple of years' time. There are

many questions which still do not have any answers."

We have talked to

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IN BRIEF

Norwegians recruit nurses

Latvian media reports that a number of recruiting agencies are actively seeking Latvian nurses for work in Norway. The agency offers a four-month Norwegian training before moving to Norway, and the nurses would work in old people's homes as well as home care. The applicants have to sign a two-year contract.

Earlier this year, it was reported that a record-high number of students graduated from nursing studies, with many young nurses admitting that they are looking for a job outside Latvia. Although the attention is recent, Norway has been an increasingly popular destination for Latvian immigrants ever since the previous favourite destination – Ireland – was hit by recession.

ECONOMY & POLITICS

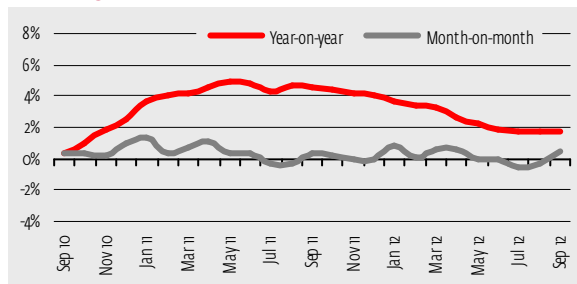
BUDGET

Saeima lends initial support to the 2013 state budget

The Latvian Saeima has voted to confirm the 2013 state budget in the first reading. The Saeima now has to vote for it in the second reading on November 15. Still, as the government has now secured support for

KEY FIGURES

INFLATION



Source: The Latvian statistical office, Centraļā statistikas parvalde

PRODUCER PRICE INDEX

On monthly basis	Mar '12	Apr '12	May '12	Jun '12	Jul '12	Aug '12	Sep '12
100 = previous month	99.6	100.9	99.6	100.2	100.5	102.1	100.0
100 = same month prev year	105.4	104.0	102.6	102.3	102.1	108.1	102.6
Year	2005	2006	2007	2008	2009	2010	2011
100 = previous year	107.1	112.6	112.2	109.2	91.6	103.1	107.7

Note: Producer prices are prices of industrial goods excluding VAT and other taxes.

Source: The Latvian statistical office, Centraļā statistikas parvalde

INDUSTRIAL OUTPUT INDEX

On monthly basis	Feb '12	Mar '12	Apr '12	May '12	Jun '12	Jul '12	Aug '12
100 = previous month	100.1	102.0	98.8	101.9	101.0	103.3	102.0
100 = same month prev year	107.3	108.5	103.8	106.0	105.4	110.0	108.1
Year	2005	2006	2007	2008	2009	2010	2011
100 = previous year	99.9	106.7	100.9	96.8	82.3	114.2	108.9

Source: The Latvian statistical office, Centraļā statistikas parvalde

RETAIL TRADE

At current prices	May '12	Jun '12	Jul '12	Aug '12
Turnover in LVL '000	359.6	370.7	382.2	400.9
Index 100 = previous month	102.1	102.1	102.7	101.7
Index 100 = same month prev year	107.4	108.4	110.3	110.0
Year	2008	2009	2010	2011
Turnover in LVL '000	4910.2	3665.5	3584.8	3933.3
Index 100 = previous year	103.6	74.6	97.8	104.6

Source: The Latvian statistical office, Centraļā statistikas parvalde

CONSUMER PRICE INDEX

column A: 100 = current 12 months; column B: 100 = previous month

Sector	Jun '12		Jul '12		Aug '12		Sep '12	
	A	B	A	B	A	B	A	B
Food	101.7	99.9	101.6	99.5	102.1	98.5	101.6	99.9
Beverages, tobacco	102.6	98.9	102.5	100.0	101.0	98.8	100.5	101.2
Clothing, footwear	98.3	99.2	99.0	94.4	95.9	97.2	96.0	105.0
Housing	105.6	100.2	105.7	101.3	105.3	100.2	105.3	100.1
Transport	101.6	98.7	100.9	99.3	103.1	102.0	104.4	101.1
Communications	99.1	99.9	97.9	98.7	100.7	100.0	97.9	99.9
Gross CPI	101.9	99.9	101.7	99.5	101.7	99.7	101.8	101.8

Source: The Latvian statistical office, Centraļā statistikas parvalde

GROSS WAGES

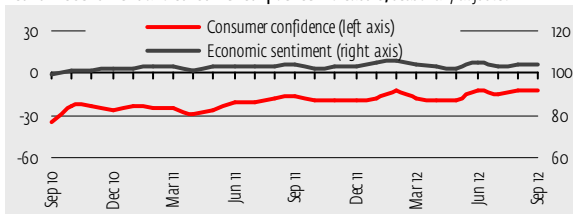
column A: average monthly wages in LVL; column B: indexed average wages, 100=Q1 2005

Sector	Q4 2011		Q1 2012		Q2 2012	
	A	B	A	B	A	B
Manufacturing	440	226	427	219	444	228
Finance, insurance	989	165	1,018	170	1,015	169
Construction	449	241	432	232	435	234
IT	804	173	794	170	768	165
Retail and wholesale	401	277	400	276	407	281
Hotels and restaurants	298	218	310	226	313	228
Transport, logistics	524	217	511	212	563	234
National average	475	210	466	206	481	213

Note: Without taxes; Source: The Latvian statistical office, Centraļā statistikas parvalde

SENTIMENT INDICATORS

Economic sentiment and consumer confidence indicators, seasonally adjusted

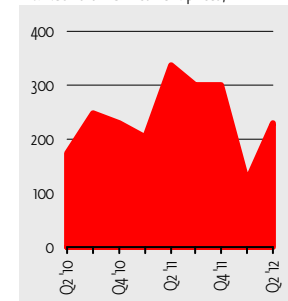


The economic sentiment (1990-2010 average = 100) is a composite made up of five sectoral confidence indicators, which are arithmetic means of seasonally adjusted balances of answers to a selection of questions closely related to the reference variable. Source: Eurostat.

CONSTRUCTION PRICE INDEX

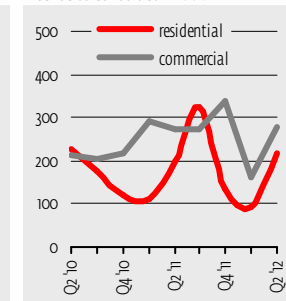
On monthly basis	Apr '12	May '12	Jun '12	Jul '12	Aug '12	Sep '12
100 = previous month	100.7	101.0	100.4	100.6	100.2	100.8
100 = same month prev year	106.5	106.4	107.3	108.3	108.6	108.6
Year	2006	2007	2008	2009	2010	2011
100 = previous year	120.9	126.2	114.4	89.1	97.3	102.1

Market volume in current prices, LVL m



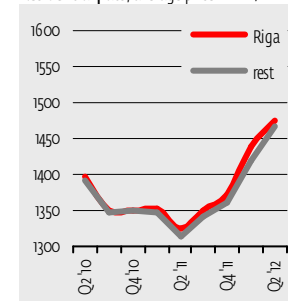
Source: The Latvian statistical office, Centraļā statistikas parvalde

License to construct in 1000 m²

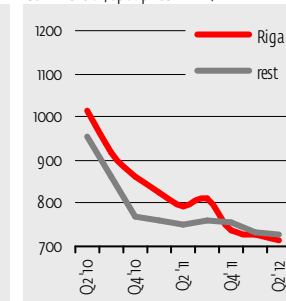


REAL ESTATE PRICES

Residential flats, average price in LVL/m²



Commercial, spot price in LVL/m²



Number of transactions

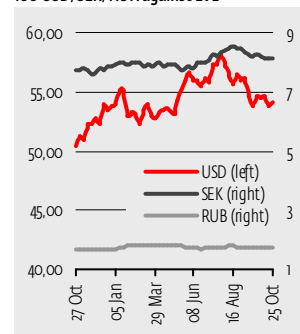
	Q4 '10	Q1 '11	Q2 '11	Q3 '11	Q4 '11	Q1 '12	Q2 '12	Q3 '12
Riga	2460	1964	2269	2802	3220	2822	2794	3128
rest	7794	6323	7844	7618	8432	6822	7758	8242

Source: spot.city24.lv; Latvian Land Register, Valsts vienota datorizēta zemesgrāmata

CURRENCY**Central Bank rates**

as of 26 October 2012

100 USD	54.10	↓
100 GBP	86.80	↓
100 CHF	58.10	→
100 DKK	9.42	→
100 SEK	8.11	↓
100 NOK	9.44	↓
100 JPY	0.67	↓
100 UAH	6.63	↓
100 LTL	20.40	→
100 PLN	16.90	↓
100 RUB	1.73	↓

100 USD/SEK/RUR against LVL

Source: Latvia's central bank, Latvijas Banka

MONEY SUPPLY

in LVL m	May '12	Jun '12	Jul '12	Aug '12	Sep '12
Monetary base	1,852.3	1,919.9	2,060.0	2,206.6	2,255.3
M1	4,216.6	4,361.2	4,431.0	4,498.7	4,525.6
- Currency outside banks	997.2	1,029.3	1,042.8	1,051.9	1,062.8
M2	6,452.4	6,539.5	6,541.1	6,607.2	6,518.1
- Time deposits	2,028.3	1,966.4	1,900.6	1,900.2	1,783.8
M3	6,526.9	6,611.9	6,656.6	6,723.2	6,633.4
- Net foreign assets	64.2	54.2	249.9	378.6	155.0

Monetary base: Latvian currency emitted by the central bank and money on accounts held with it. **M1**= currency outside banks + demand deposits **M2**= M1+ time deposits (Inc in foreign currencies) **M3**= the broad measure of money supply. Source: Latvia's central bank, Latvijas Banka

TRADE

Latvian exports and imports divided according to commodity groups, according to Latvian classification

	EXPORTS in LVL m				IMPORTS in LVL m			
	Jan-Aug 2012	Share	Jan-Aug 2011	Share	Jan-Aug 2012	Share	Jan-Aug 2011	Share
Agricultural & food products (I-IV)	721.9	17%	555.0	14%	855.8	15%	685.6	14%
Food, beverages & tobacco (IV) *	344.8	8%	258.1	7%	379.9	7%	305.0	7%
Chemical products (VI)	278.9	6%	336.4	9%	502.9	9%	501.5	11%
Plastic & rubber products (VII)	134.6	3%	118.4	3%	295.6	5%	265.1	6%
Wood & articles of wood (IX)	711.8	17%	678.2	18%	91.7	2%	75.0	2%
Textiles (XI)	173.6	4%	158.0	4%	230.5	4%	194.4	4%
Metal (XV)	665.8	16%	596.6	16%	616.1	11%	559.1	12%
Machinery & electric equipment (XVI)	665.8	13%	451.9	12%	961.4	17%	796.6	17%
Transport vehicles (XVII)	229.5	5%	249.8	7%	462.4	8%	404.8	9%
Various, including furniture (XX)	115.7	3%	93.8	2%	137.9	2%	98.8	2%
Other commodity groups	695.9	16%	598.8	15%	1,417.7	25%	1,191.6	25%
TOTAL	4,287.9	100%	3837.2	100%	5,572.3	100%	4,772.8	100%

INTEREST RATES

Average weighted annual interest rates on credits for corporation

Term / currency	Feb '12	Mar '12	Apr '12	May '12	Jun '12	Jul '12
Short-term (LVL)	5.45%	4.97%	5.07%	4.93%	4.73%	4.58%
Short-term (USD)	5.88%	4.95%	n/a	2.0%	3.04%	n/a
Short-term (EUR)	5.08%	4.89%	4.66%	4.14%	4.52%	4.79%
Long-term (LVL)	5.62%	n/a	4.59%	3.35%	4.70%	3.67%
Long-term (EUR)	6.13%	6.18%	5.74%	5.0%	n/a	4.52%

Riga Inter Bank Offered Rate (RIGIBOR) 26 Sep 2012

overnight	1 month	3 months	6 months	12 months
0.16%	0.32%	0.51%	1.10%	1.53%

Note: Short-term credits - up to 12 months, long-term credits - over 1 and up to 5 years.

Source: Latvia's central bank, Latvijas Banka

CREDIT

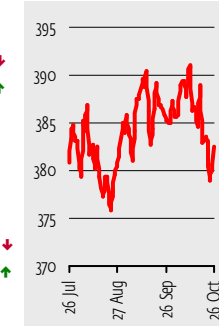
The financial sector's net lending in LVL m, loan stock by the end of period

Type of loan	May '12	Jun '12	Jul '12	Aug '12	Sep '12
Loans to customers	10,418.2	10,439.3	10,424.3	10,447.4	10,420.9
- to private companies	4,827.7	4,826.8	4,826.7	4,869.2	4,884.4
- to individuals	4,874.1	4,837.5	4,815.5	4,785.4	4,744.8
- short term (up to 1 year)	1,726.2	1,725.4	1,722.4	1,804.3	1,829.1
- long term (over 1 year)	8,691.9	8,714.0	8,718.3	8,643.1	8,755.5
Consolidated balance of the banking institutions	19,229.8	19,585.3	19,444.7	19,662.0	19,525.9

Source: Latvia's central bank, Latvijas Banka

STOCK EXCHANGE**Riga Stock Exchange 26 Oct 2012**

main list	Price	Change	Change
in alphabetic order		12 Oct	end of '11
↓ Grindex	4.45	-1%	+4%
↓ Latvijas Balzams	2.03	-2%	-2%
↓ Latvijas Gaze	5.79	-3%	+2%
↓ LASCO	0.23	-8%	-23%
↑ Olainfarm	3.08	+2%	+25%
↓ SAF Tehnika	1.65	-1%	0%
↓ Valmieras SSR	0.68	-4%	+20%
↑ Ventspils Nafta	1.10	+2%	-8%

OMX Riga index**382.58**Change 12 Oct -4% ↓
Change end of '11 +3% ↑**OMX Baltic Benchmark****510.09**Change 12 Oct -1% ↓
Change end of '11 +18% ↑**OMX Riga closing index**
the last three months

Note: The OMX Riga Stock Index is calculated on a continuous basis from the most recent prices of all shares listed on the Riga Stock Exchange's Main List and I-List. Index 100 = 1 January 2000
Source: NASDAQ OMX Riga Stock Exchange

Latvia's largest markets, ranked according to 2011 in LVL m

EXPORT						IMPORT					
No	Country	Jan-Aug 2012	Share	Jan-Aug 2011	Share	No	Country	Jan-Aug 2012	Share	Jan-Aug 2011	Share
1	Lithuania	688.8	16.0%	671.0	17.4%	1	Lithuania	1,096.1	19.7%	863.3	17.56%
2	Estonia	559.0	13.0%	553.7	14.5%	2	Russia	542.6	9.7%	436.1	9.4%
3	Russia	467.6	10.8%	391.1	10.1%	3	Germany	650.9	11.7%	571.1	12.0%
4	Germany	312.2	7.3%	318.4	8.4%	4	Poland	472.4	8.5%	363.4	7.5%
5	Sweden	237.7	5.5%	240.3	6.5%	5	Estonia	412.8	7.4%	320.4	6.6%
6	Poland	286.7	6.7%	218.2	5.7%	6	Finland	244.7	4.4%	232.6	4.9%
7	Denmark	173.7	4.0%	123.2	3.2%	7	Sweden	185.2	3.2%	178.0	3.8%
8	UK	154.7	3.6%	119.4	3.2%	8	Netherlands	179.2	3.1%	168.3	3.6%
EU		3,022.9	70.5%	2,791.2	73.1%	EU		4,258.7	76.4%	3,595.4	75.1%
CIS		635.5	14.8%	548.5	14.2%	CIS		878.7	15.7%	760.3	16.2%

*) included in the previous category. Source: The Latvian statistical office, Latvijas centrālā statistikas pārvalde

GDP

at current prices

Period	Real growth year on year	GDP in LVL m current prices	GDP per capita in EUR	Current account in % of GDP
Q2 2012	+5.0%	3,806	2,663	-4.2%
Q1 2012	+6.9%	3,401	2,357	-3.1%
Q4 2011	+5.7%	3,903	2,076	1.7%
Q3 2011	+6.6%	3,706	2,391	1.4%
Q2 2011	+5.7%	3,505	2,255	0.9%
2011	+5.3%	14,161	9,804	n/a
2010	-0.3%	12,736	8,102	8.6%
2009	-18.0%	13,083	8,234	8.6%

Source: The Latvian statistical office, Centraļa statistikas parvalde;
Latvia's central bank, Latvijas Banka

CURRENT ACCOUNT

excerpts shown in LVL m

	2010	2011	Jun '12	Jul '12	Aug '12
Trade balance	-821.1	-1,405.2	-148.8	-144.9	-117.3
Services	787.5	930.3	95.2	84.8	83.4
Direct investments, net	176.6	736.7	20.2	34.3	58.2
Current account balance	455.8	-170.9	-52.9	-22.2	-27.6

Source: Latvia's central bank, Latvijas Banka

FOREIGN DIRECT INVESTMENT

in EUR m

On quarterly basis	Q1 '11	Q2 '11	Q3 '11	Q4 '11	Q1 '12	Q2 '12
in Latvia	8,796.2	9,087.4	9,339.2	9,372.9	9,381.4	9,497.4
Latvian DI abroad	621.4	647.0	661.9	686.6	713.5	772.0
Year	2006	2007	2008	2009	2010	2011
in Latvia	5,701	7,466	8,126	8,072	8,250	9,372.9
Latvian DI abroad	362.5	637.5	742.2	620.0	634.1	686.6

Source: Latvia's central bank, Latvijas Banka

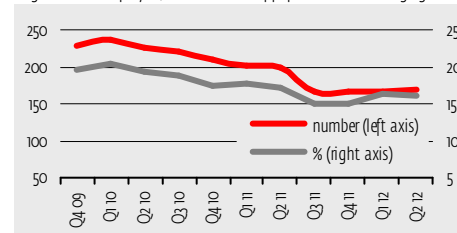
KEY ECONOMIC DATA FORECAST

Indicator	2011	2012		2013	
		Swed	MoE	Swed	MoE
GDP change	+5.3%	+4.0%	+5.0%	+3.5%	n/a
Consumer prices (inflation)	+4.4%	+2.3%	+2.5%	+2.5%	n/a
CA balance, % of GDP	+1.7%	-1.6%	n/a	-2.7%	n/a
Real net wage change	+0.1%	+1.5%	n/a	+2.9%	n/a
Unemployment rate	15.4%	15.6%	13.4%	13.7%	n/a

Sources: the Ministry of Economy (Jun 2012), Swedbank (Aug 2012)

UNEMPLOYMENT

Registered unemployed, in '000 and % of population in working age



Source: The Latvian statistical office, Centraļa statistikas parvalde

REGIONAL DATA

Latvia's regions
(main cities indicated
in brackets)

	Industrial output Aug 2012*		Monthly wages (LVL) Jun 2012 **		Unemployment Aug 2012		New dwellings 2011	
	Industry	Construction	Public	Private	in '000	%	Number	Index *
Riga region	n/a	n/a	426	356	24.3	5.8	n/a	n/a
Riga city	n/a	n/a	438	367	24.3	5.8	n/a	n/a
Pieriga region	n/a	n/a	370	319	14.5	6.2	n/a	n/a
Vidzeme region	n/a	n/a	292	263	12.7	9.7	n/a	n/a
Kurzeme region	n/a	n/a	297	308	14.6	8.8	n/a	n/a
Zemgale region	n/a	n/a	302	288	15.0	9.4	n/a	n/a
Latgale region	n/a	n/a	275	223	30.3	16.0	n/a	n/a
National average	108.1	108.6	377	331	111.5	11.0	1134	83.2

* Index 100 = same period of the previous year. ** In addition the employer must pay social taxes amounting to app. 20% altogether.

Source: The Latvian statistical office, Centraļa statistikas parvalde; Employment State Agency, Nodarbinātības valsts agentūra

COUNTRY RATING

Agency	rating	outlook
Fitch Ratings	BBB-	stable
Standard & Poor's	BBB-	stable
Moody's Investor Service	Baa3	positive

Source: Investment agencies

GENERAL INFORMATION

Population: 2 237,600

Currency: lats (LVL) = 0.702804 EUR

In power: President Andris Bērziņš. Most seats in parliament Saskaņas Centrs (31%), Vienotība (22%); PM Valdis Dombrovskis, Reformu partija (16%).

Elections: 2014 parliamentary, 2015 presidential

Most important tax rates:

Income tax: individual 25%, corporate 15%

VAT: 21%,

Social tax: up to 33%

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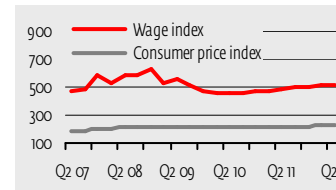
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REAL EARNINGS

Development of the average gross wages and inflation.

Index 100 = Jan 1996.

Source: Centraļa statistikas parvalde