

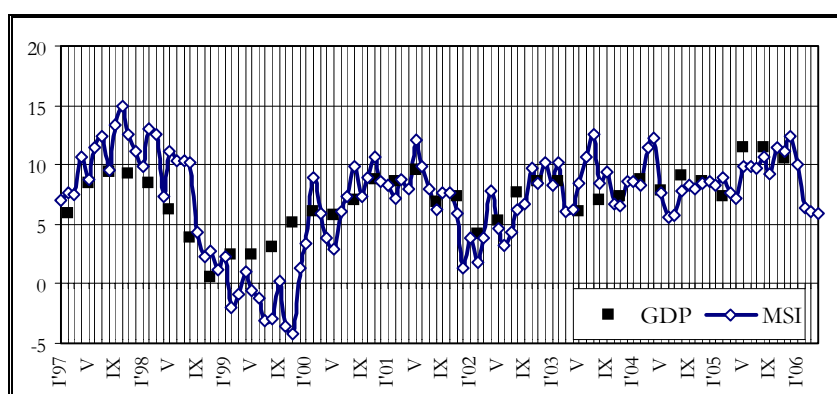
STATE BUDGET

April '06

According to the estimations of the Ministry of Finance, the **Composite Index of Macroeconomic Indicators (MSI)** in April 2006 grew by 5,9% at constant prices. The growth of index was stimulated by the increases in the domestic money supply M2D. The increase of MSI was restricted by the increase of consumer prices and by a decrease in the amount of cargoes loaded and unloaded in ports.

Composite Index of Macroeconomic Indicators (MSI)

% over the same period of the previous year



Macroeconomic Indicators

		2005 1Q	2006 1Q	2006		
				March	April	April**
Industrial output index	%*	-3.9	-2.0	11.7	*	*
Consumer price index	%*	1.7	1.4	0.2	0.6	6.1
Producer price index	%*	2.3	3.0	1.5	0.3	8.8
Cash in circulation (net of vault balances)	mln Ls	717.76	865.08	865.08	885.73	20.3
Bank of Latvia net foreign assets (end-of-period)	mln Ls	1 120.59	1 559.17	1 559.17	1 579.55	38.5
Average short-term interest rates for credits (in lats)	%	7.3	6.6	6.6	6.8	-
Unemployment rate (end of the period)	%	8.6	7.4	7.4	7.3	-
Exports	mln Ls	628.6	715.5	269.7	*	*
Imports	mln Ls	999.7	1 271.6	480.1	*	*

Source of data: CSB and BOL.

* increase over the previous period, %

** increase over the same period of the previous year, %

The volume of **cargo transhipped in Latvian ports** in April amounted to 5.2 mln t, which was 3.9% less than in the corresponding period of 2005. The volume of transhipped cargo in the first four months of 2006 totalled 19.7 mln t, down by 1.6% from the same period last year.

Officially registered **unemployment rate** in April decreased by 0.1 percentage point month-on-month and amounted to 7.3% of the economically active population. The number of registered unemployed decreased by 1.6 thsd people from the previous month and amounted to 77.2 thsd. As compared with April of the previous year, the unemployment rate decreased by 1.1 percentage point, the number of the registered unemployed shrank by 12.2 thsd people. The highest unemployment rate in April 2006 was registered in the district of Ludza, 27.0% (28.5% in April 2005); in the district of Rēzekne, 25.8% (26.2%); in the district of Krāslava, 21.1% (20.5%); in the district of Balvi, 20.1% (26.3%) and in the district of Preiļi, 20.1% (18.6%). While the lowest unemployment rate was registered in Rīga, 4.0% (4.6%); in the district of Rīga, 4.9% (5.7%); and in the district of Ogre, 4.9% (5.7%).

Consumer Price Index (CPI) in April, compared with March, rose by 0.6%. Prices for goods rose by 0.8% and for services increased by 0.1%.

Increases in the prices of fuel, clothing, footwear and decreases in the prices for telecommunication services had the greatest impact on the growth of the consumer prices in April. After some month of price stability of fuel, prices for fuel in April grew by 5.7%. Due to new season the prices of wearing apparel and footwear continued to rise accordingly by 1.6% and 3.6%. As compared to the previous month, prices went up for health services and dentistry services, correspondingly by 2,4% and 4,2%.

The increase in the average price level within the group of food products was mainly accounted for by a rise in the prices of potatoes (by 8.3%), sugar (by 2.4%), fresheners (by 1.8%), vegetables (by 1.6%), confectioneries (by 0,9%), and fresh meat products (by 0.7%).

By contrast, there were decreases in the prices of telecommunication services (by 2.2%). TV, audio, video and computer engineering became less expensive (by 2.3%), sport and recreation goods (by 2.0%) and flowers (by 2.6%).

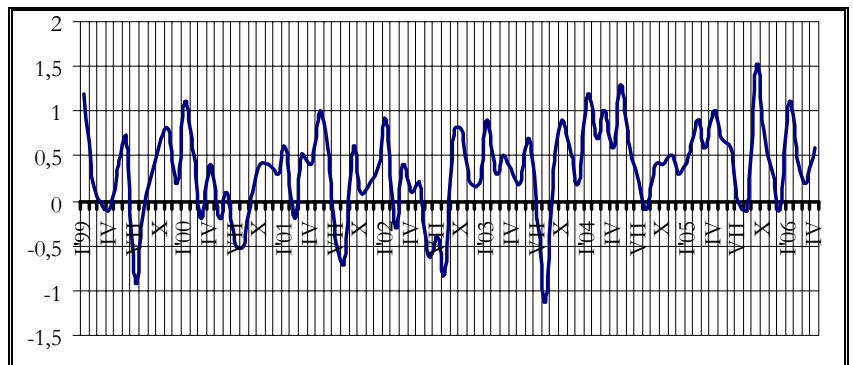
Compared with April 2005, consumer prices increased by 6.1%, of which prices for goods went up by 6.4% and for services increased by 5.3%.

The CPI in **Estonia** in April compared with March increased by 0.7%. Consumer prices in Estonia were mostly influenced by an increase in the prices for fuel and house maintenance. The year-on-year growth of the CPI in Estonia amounted to 4.3%.

CPI in **Lithuania** in April compared with March went up by 0.7%. As compared with April of 2005, consumer prices increased by 3.5%.

Consumer price index

% over the previous period

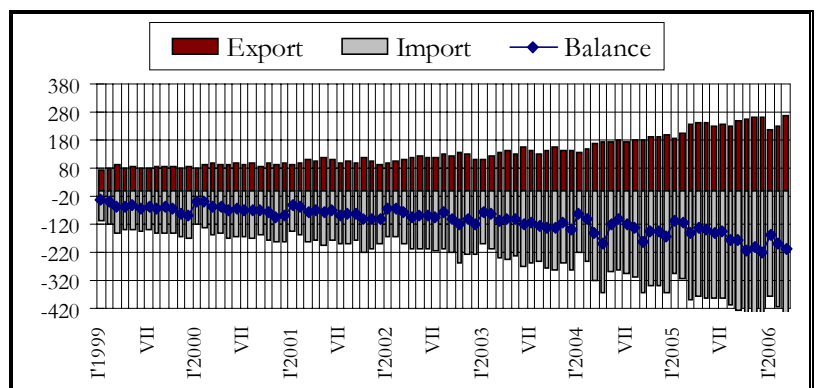


Latvian **foreign trade** turnover in the 1st quarter of 2006 kept growing. The growth was driven both by an increase in exports and in imports. As compared with the 1st quarter of 2005, export of goods grew by 13.8% and amounted to 715.5 mln lats, while import increased by 27.2%, reaching the value of 1 271.6 mln lats.

In March 2006, as compared to the March 2005, the trade balance deficit grew by 63.6 mln lats and amounted to 210.4 mln lats.

Foreign trade balance

mln lats



Exports to the EU in March of the current year amounted to 197.0 mln lats. The share of the EU in total value of exports was 73.0%. Exports to the CIS grew by 41.9% as compared with March of the previous year and amounted to 37.9 mln lats, and the share of exports to the CIS was 14.0%.

Imports from the EU in March of 2006 was 353.3 mln lats, but the share of the EU in total imports stood at 73.6%. The value of imports from the CIS in March of the 2005 grew by 8.6% year-on-year and reached 79.9 mln lats, but the share of CIS imports amounted to 16.6%.

Latvia's main export partners in March of 2006 were Lithuania, accounting for 14.3% of total exports; Estonia, 11.7%; Germany, 10.1%; Russia, 8.6%; and Great Britain, 7.8%. Main import partners were Germany, 14.4%; Lithuania, 12.0%; Russia, 10.2%; Estonia, 7.7%; and Poland, 6.6%.

According to the provisional data of the Bank of Latvia, the current account deficit of the **balance of payments** in the 1st quarter of 2006 amounted to 286.0 mln lats, which was 85.4 mln lats more than in the 1st quarter of 2005. The growth of the current account deficit was mainly due to an increase in the goods deficit, as compared with the 1st quarter of 2005, the goods deficit rose by 178.1 mln lats and stood at 498.6 mln lats. Surplus of the services balance in the 1st quarter of 2006 amounted to 106.7 mln lats, which was 29.8 mln lats more than in the 1st quarter of 2005. The negative income balance decreased – in the 1st quarter of 2006, down by 6.6 mln lats from the corresponding period last year. The surplus of current transfers increased by 56.4 mln lats year-on-year and in the 1st quarter of 2006 amounted to 123.8 mln lats. The surplus of the capital and financial account in January – March of 2006 was 335.4 mln lats. Net inflow of direct investment in the 1st quarter totalled 146.6 mln lats, which was 38.1 mln lats more than in the 1st quarter last year, and this year the net inflow of direct investment covered 51.3% of the current account deficit. The portfolio investment account in the 1st quarter was negative and amounted to 126.2 mln lats. The Bank of Latvia's reserve assets in the 1st quarter rose by 178.1 mln lats.

Central Government Consolidated Budget*, mln lats

	March of 2006	April of 2006	Jan-April of 2006	Jan - April of 2005	% changes (Jan - April) 2006/2005	% of annual plan
Revenue	285.6	253.2	1008.1	776.0	29.9	31.1
Basic budget tax revenue	117.6	136.1	518.3	396.0	30.9	31.9
Taxes to be distributed among other budgets	0.0	0.0	0.0	0.0	-	-
Basic budget non-tax revenue	12.3	15.4	47.0	38.5	22.1	22.6
Self-earned revenue	9.8	8.1	36.2	34.4	5.1	35.3
Social security budget revenue	74.3	74.7	285.4	232.6	22.7	33.2
– transfers from central government basic budget	-1.3	-0.8	-4.1	-5.0	-17.5	26.1
Gifts and donations	0.2	0.6	1.4	0.9	60.5	-
Foreign financial assistance	72.7	19.0	123.9	78.6	57.6	26.9
Expenditure	235.9	235.5	901.9	761.7	18.4	26.8
Basic budget	175.2	165.4	633.2	530.8	19.3	24.3
– transfers to social security budget	-1.3	-0.8	-4.1	-5.0	-17.5	26.1
Social security budget	61.6	70.3	271.0	234.3	15.6	35.2
Gifts and donations	0.4	0.6	1.8	1.6	15.3	-
Financial balance	49.6	17.7	106.2	14.3	-	-
Net lending	-0.3	1.5	-6.0	-16.2	-	-
Fiscal balance	49.9	16.2	112.2	30.4	-	-

* including transfers to local government budgets.

24.5

20.7

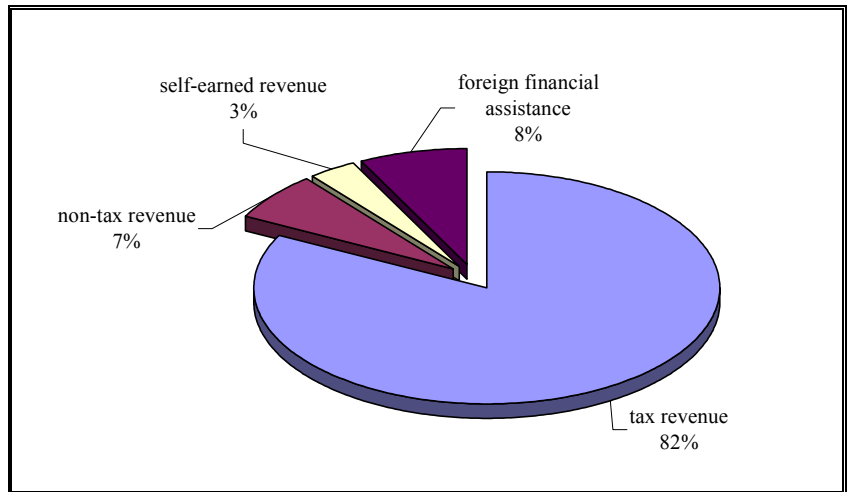
84.6

68.1

24.2

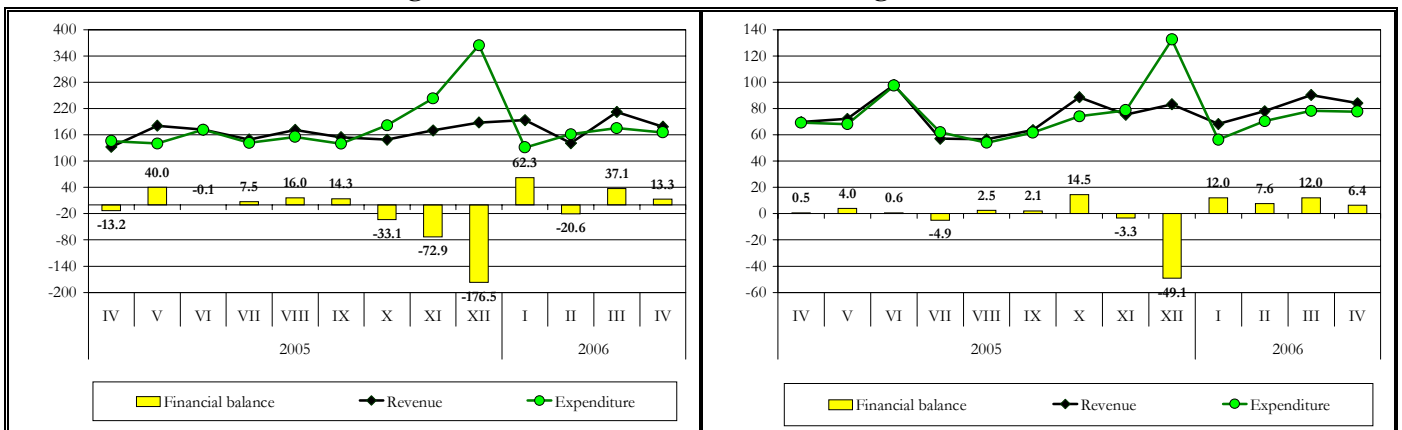
In accordance with the State Treasury's official monthly report's (January-April 2006) data, in April 2006 the **central government consolidated budget** revenue (including gifts and donations) decreased by 32.4 mln lats or 11.3%, in comparison with March 2006, mainly due to decrease of revenue from foreign financial assistance in central government basic budget by 53.7 mln lats or 73.8%. In comparison with March 2006 the most significant increase was in the revenue from corporate income tax, value added tax and excise tax. In April 2006, the central government budget expenditure (including gifts and donations) was 0.4 mln lats less than in March 2006. In April 2006, the central government consolidated budget fiscal surplus was 16.2 mln lats.

Structure of Central Government Basic Budget and Special Budget Revenue in April 2006
percentage



Central government basic budget revenue in April 2006 was 178.7 mln lats, which in comparison with March 2006 is 33.7 mln lats or 15.9% less. In comparison with March 2006, tax revenue was 18.6 mln lats or 15.8% more. In April 2006 the non-tax revenue was 3.0 mln lats or 24.6% more than in March 2006. In April 2006, revenue from the paid services and self-earned revenue was 1.7 mln lats or 17.0% less than in March 2006.

Central Government Basic Budget and Local Government Basic Budget, mln lats



In April 2006, central government basic budget expenditure was 165.4 mln lats, which is 9.9 mln lats or 5.6% less than in March 2006. In April 2006, the central government basic budget non-capital expenditure was 152.0 mln lats or 91.9% of total basic budget expenditure and in comparison with March 2006 was 3.4 mln lats or 2.2% less, mainly due to decrease of grants for institutions, organizations and enterprises by 10.1 mln lats or 21.9%. Expenditure for loans and credits in April 2006 increased by 15.1 mln lats, mainly due to the fixed Eurobonds coupon payment in amount of 11.9 mln lats. The central government basic budget capital expenditure in April 2006 was 13.4 mln lats from which investment amounted to 8.5 mln lats or 63.7%. In April 2006, investment expenditure decreased by 7.9 mln lats in comparison with March 2006, mainly due to the investment in amount of 8.6 mln lats made by the ministry of Transport in March 2006 for the E67 VIA Baltica Saulkrasti detour road. In April 2006, the fiscal surplus in amount of 11.8 mln lats was in the central government basic budget.

Social security budget revenue in April 2006 was 0.4 mln lats more than in March 2006. In April 2006, the social security budget expenditure was 8.7 mln lats or 14.1% more than in March 2006, mainly due to increase of grants to the population by 8.8 mln lats or 14.8%. In April 2006, the social security budget fiscal surplus was 4.4 mln lats.

Local government basic budget revenue, including local government mutual payments and payments from financial equalisation fund, in April 2006 in comparison with March 2006 was 6.2 mln lats or 6.9% less. In comparison with March 2006, the tax revenue was 5.4 mln lats or 11.1% less, that was mainly determined by the decrease of real estate tax revenue by 6.0 mln lats or 54.4%. The local government basic budget non-tax

revenue in April 2006 in comparison with March 2006 was 1.3 mln lats or 37.3% more, but local government basic budget revenue from the paid services and other self-earned revenue was 1.7 mln lats or 35.6% more. The local government basic budget received payments in April 2006 was 4.0 mln lats or 12.1% less than in March 2006, mainly due to decrease of targeted grants for investment by 4.1 mln lats.

In April 2006, the local government basic budget expenditure in comparison with March 2006 was 0.6 mln lats or 0.8% less. In April 2006, the fiscal surplus of 7.8 mln lats was in the local government consolidated budget (including gifts and donations).

Local Government Budget, mln lats

	March of 2006	April of 2006	Jan - April of 2006	Jan - April of 2005	% changes (Jan - April) 2006/2005
Revenue	83.5	77.8	296.4	252.8	17.2
Basic budget tax revenue	48.6	43.2	170.1	137.6	23.6
Basic budget non-tax revenue	3.5	4.8	14.3	13.2	8.3
Basic budget received payments	33.3	29.3	116.9	104.1	12.2
<i>-mutual payments*</i>	<i>-11.3</i>	<i>-11.3</i>	<i>-43.3</i>	<i>-37.4</i>	<i>15.7</i>
Basic budget self-earned revenue	4.7	6.4	18.5	17.0	8.7
Special budget revenue**	4.1	4.9	18.4	16.7	9.8
Gifts and donations	0.4	0.1	0.7	0.7	-1.5
Foreign financial assistance	0.1	0.4	1.0	1.0	2.1
Expenditure	71.1	70.1	252.9	224.8	12.5
Basic budget expenditure	78.3	77.7	282.6	249.0	13.5
<i>-mutual payments*</i>	<i>-11.3</i>	<i>-11.3</i>	<i>-43.3</i>	<i>-37.4</i>	<i>15.7</i>
Special budget expenditure**	4.0	3.6	13.1	12.5	4.5
Gifts and donations	0.2	0.1	0.5	0.7	-26.5
Financial balance	12.4	7.7	43.5	28.0	-
Net lending	-0.2	-0.2	-0.3	1.5	-
Fiscal balance	12.6	7.8	43.8	26.5	-

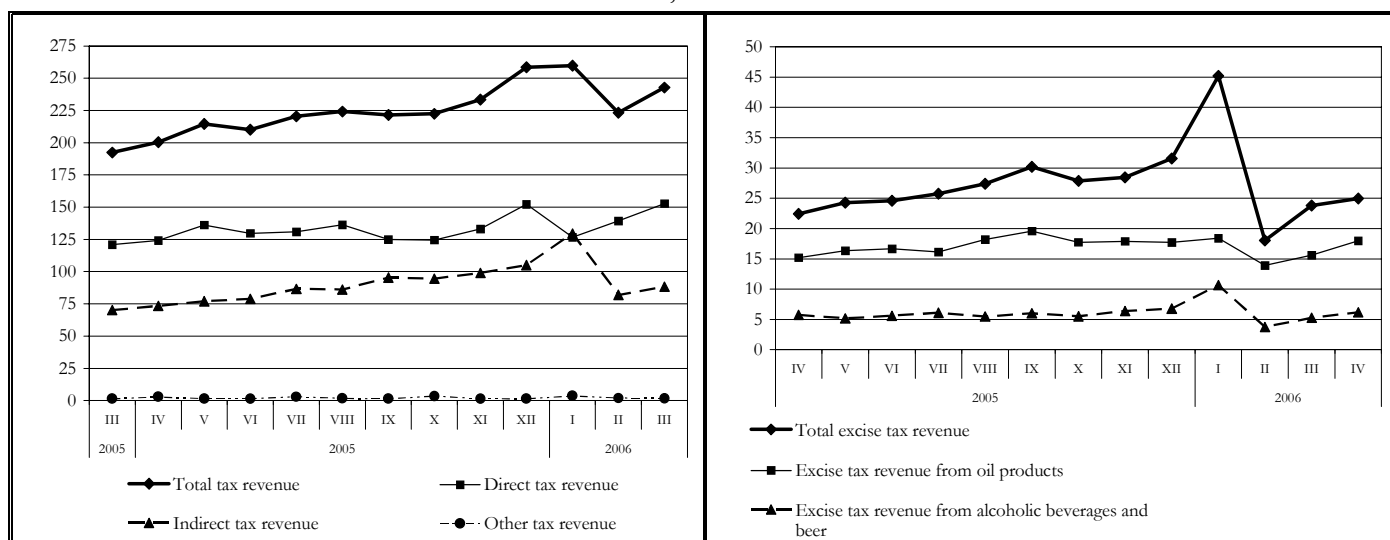
* local government mutual payments and payments from financial equalisation fund, paid from other local governments.

** excluding revenue from privatisation.

Value added tax revenue in April 2006 in comparison with March 2006 was 8.0 mln lats or 12.9% more. In April 2006, the value added tax revenue collected on border was 2.1 mln lats less than in March 2006, but domestically net collected value added tax revenue was 10.1 mln lats more than in March 2006. In April 2006, value added tax repayments were 23.8 mln lats, which were 2.3 mln lats or 8.7% less than in March 2006.

Total **excise tax** revenue in April 2006 in comparison with March 2006 was 1.2 mln lats or 4.9% more. In April 2006, the excise tax revenue from oil products amounted to 18.0 mln lats, which is 2.4 mln lats or 15.3% more than in March 2006. Excise tax revenue from tobacco products in April 2006 was 0.4 mln lats and in comparison with March 2006 was 2.2 mln lats less, but excise tax revenue from alcoholic beverages was 5.5 mln lats and in comparison with March 2006 was 0.8 mln lats or 17.3% more. The excise tax revenue from beer in April 2006 was 0.7 mln lats, which is 0.1 mln lats or 23.8% more than in March 2006. The excise tax revenue from non-alcoholic beverages and coffee in April 2006 was 0.4 mln lats, which is 28.6 thsd lats or 7.2% more than in March 2006.

Structure of total tax revenue and excise tax revenue, mln lats



Corporate income tax revenue in April 2006 was 23.6 mln lats, which in comparison with March 2006 is 8.1 mln. lats or 52.5% more. The increase of corporate income tax revenue could be explained by the reason that a part of enterprises have already submitted annual tax declarations. The submitted declarations show the increase of taxpayers' profit in 2005, as a result the additional calculated amount of corporate income tax was paid into the budget in April 2006.

Total **natural resources tax** revenue in April 2006 was 1.9 mln. lats, which is 1.9 mln lats more than in March 2006. In April 2006, natural resources tax revenue in central government basic budget was 1.8 mln lats, which in comparison with March 2006 increased by 1.8 mln lats. Law "On natural resources tax" determines that tax payment for the preceding quarter has to be paid by the 20th date of the following month. Consequently tax payment for the first quarter had to be made by the 20th of April 2006, as a result natural resources tax revenue increased in April 2006.

Tax Revenue, mln lats

	March of 2006	April of 2006	Jan - April of 2006	Jan - April of 2005	% changes (Jan - April) 2006/2005	% of annual plan
Corporate income tax	15.5	23.6	64.6	49.4	30.8	27.1
Value added tax	61.6	69.6	275.0	194.8	41.2	33.1
Excise tax	23.8	25.0	112.0	94.0	19.2	30.2
Cars and motorcycles tax	1.0	1.1	3.5	2.4	43.3	33.7
Social security contributions*	76.6	76.5	292.5	236.3	23.8	33.3
Custom duties	1.9	1.4	6.2	6.1	2.4	32.6
Personal income tax	49.7	50.2	192.3	156.3	23.0	34.9
Real estate tax	11.0	5.0	24.8	22.7	9.0	40.3
Natural resources tax	0.1	1.9	4.6	4.3	7.3	54.1

* including the State Funded Pension Scheme financial means of 3.3 mln lats in April 2006 and 3.7 mln lats in March 2006.

The structure of government T-bills and bonds (end of period)

	End of April 2006	End of March 2006	End of April 2006	End of April 2006
	Average annual selling rate, (%)		Shares of bonds, %	Amount in circulation, thsd. LVL
6 month T-bills	3.525	3.43	2.57	9 823.058
1 year T-bills	3.289	17.11	13.35	51 050.263
3 year bonds	4.110	3.96	4.17	15 946.784
5 year bonds	3.300	27.92	29.37	112 335.309
10 year bonds	4.304	47.58	50.55	193 361.492

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