

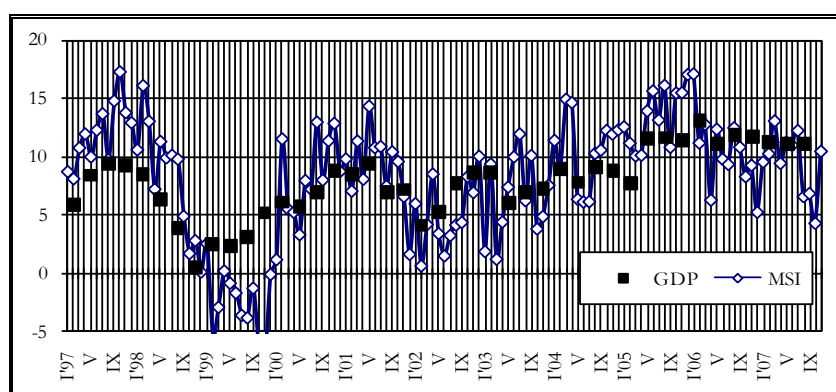
STATE BUDGET

November '07

According to the estimations of the Ministry of Finance, the **Composite Index of Macroeconomic Indicators (MSI)** in November 2007 grew by 10.4% at constant prices. The growth of index was stimulated by the industrial output, average gross wage in the economy and cargo turnover by rail. The increase of index was restricted by a decrease of cash in circulation, the industrial output, as well as relatively slow retail trade turnover growth.

Composite Index of Macroeconomic Indicators (MSI)

% over the same period of the previous year



Macroeconomic Indicators

		2006 3Q	2007 3Q	2007		
				October	November	November ²
Industrial output index ³	% ¹	1.3	1.9	-1.7	*	*
Consumer price index	% ¹	0.4	1.2	2.2	1.4	13.7
Producer price index	% ¹	0.9	0.3	1.9	-0.1	14.0
Cash in circulation (net of vault balances)	mln. Ls	892.5	914.7	888.4	880.3	-4.5
Bank of Latvia net foreign assets (end-of-period)	mln. Ls	2 218.3	2 715.1	2 720.9	2 708.4	12.2
Average short-term interest rates for credits (in lats)	%	8.1	12.8	13.2	13.6	-
Unemployment rate (end of the period)	%	6.8	5.1	6.6	6.6	-
Exports	mln. Ls	845.6	1000.7	374.2	*	*
Imports	mln. Ls	1 667.2	1992.5	683.2	*	*

Source of data: CSB and BOL.

¹ increase over the previous period, %

² increase over the same period of the previous year, %

³ seasonally adjusted data

The volume of **cargo transhipped in Latvian ports** in November amounted to 4.8 mln t, up by 5.2% from the corresponding month of 2006. However the volume of cargo transhipped in ports in the first eleven months of 2007 totalled 56.8 mln t, which was 3.7% more than in the same period of 2006.

Officially registered **unemployment rate** in November decreased by 0.1 percentage point month-on-month and amounted to 4.8% of the economically active population at the end of the month. The number of the registered unemployed decreased by 0.7 thsd people from the previous month and amounted to 51.7 thsd people. As compared with November 2006, the unemployment rate decreased by 1.8 percentage points, but the number of the registered unemployed fell by 18.0 thsd people.

The highest unemployment rate in November was registered in the district of Rēzekne, 16.4% (23.2% in November of 2006); in the district of Ludza, 13.9% (24.1%); and in the district of Balvi, 13.2% (18.0%). The

lowest unemployment rate was registered in Rīga, 3.1% (3.9 %); in the district of Jelgava, 3.5% (5.8%); and in the district of Tukums, 3.6% (5.2%).

The **Consumer Price Index (CPI)** in November grew by 1.4% from the previous month, of that prices for goods grew by 1.7%, but for services grew by 0.6%.

The price increase of bread and cereal products, vegetables, meat and meat products, milk, cheese, eggs and fuel had the greatest impact on consumer price changes.

In the food sector the highest price increase was recorded for bread – by 16%, but for cereals prices increased by 6.3%, especially for flour. Pastry – works became more expensive – by 2.6%. Due to seasonal fluctuations there was price increase for vegetables – by 15.5%. Prices rose for meat and meat products – by 1.9%, fish and seafood – by 1.8%, milk and dairy products – by 0.9% , cheese – by 6.6%, as well as eggs – by 5,1%.

The prices of automotive fuel in November on average grew by 5.4%, especially for diesel fuel. The prices of solid fuel and liquefied gas also became more expensive, accordingly by 3.8% and 1.3%. Prices continued to grow for heat energy by 1.0%, water supply – by 0.8%, refuse collection – by 0.7%, and sewerage services – by 1.3%. The rent of dwellings also increased – by 1.3%.

The prices of household maintenance and repair services grew by 2.1%, for services of individual care institutions – by 1.7%, catering – by 1.1%, recreational and sporting services – by 2.3%, outpatient services – by 1.1% and insurance – by 2.2%.

In November drop in prices were observed for fruit – by 2.5%. Less expensive become airline tickets, as well as mobile phones – by 1.9%. Due to discounts prices fell for footwear – by 1.2%, TV, audio and video equipment – by 0.2%.

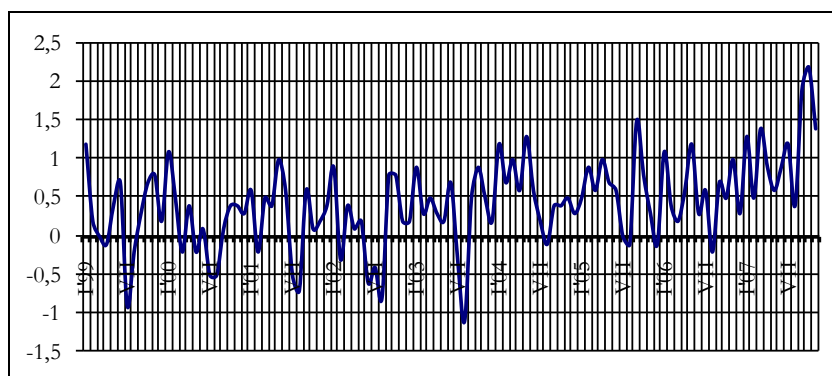
Compared to the November of previous year, the consumer prices have increased by 13.7%, of which prices for goods increased by 12.8%, but for services – by 16.0%.

In **Estonia**, the CPI in November increased by 1.4% from the previous month. Main inflation drivers were milk, meat and vegetables. Price increasing for fuel was observed. Year-on-year growth of the CPI in Estonia was 9.1%.

In **Lithuania**, the CPI increased by 1.1% from the previous month. As compared with November 2006, the consumer prices in Lithuania increased by 7.8%. Consumer prices rose for transportation, especially for automotive fuel, food and non-alcoholic drinks, dwelling.

Consumer price index

% over the previous period



In October 2007, **exports and imports of goods** amounted to 1 057.4 mln lats up by 15.8% from the same period last year.

As compared with October last year, export of goods grew by 23.4% and amounted to 374.2 mln lats, while import increased by 12.1%, reaching the value of 683.2 mln lats.

In October 2007, as compared to the October 2006, the trade balance deficit grew by 2.4 mln lats and amounted to 309.0 mln lats.

In October 2007 exports to the EU increased by 23.0% as compared with October of the previous year and amounted to 279.6 mln lats. The share of the EU in total value of exports was 74.7%. Exports to the CIS

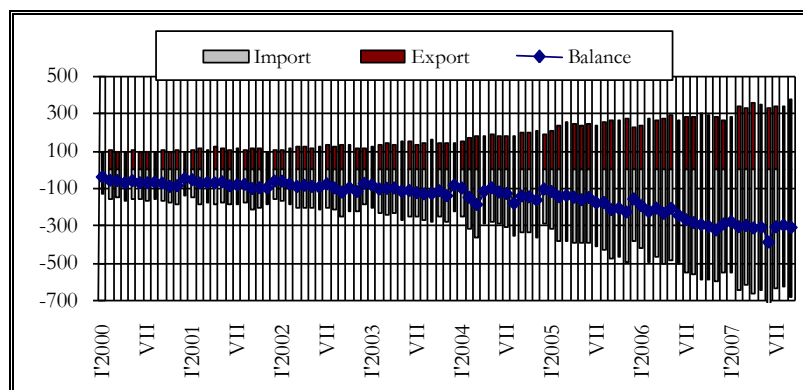
grew by 21.1% as compared with October of the previous year and amounted to 54.6 mln lats, and the share of exports to the CIS was 14.6%.

The value of imports from the EU in October 2007 grew by 9.4% year-on-year and reached 522.6 mln lats, but the share of EU imports amounted to 76.5%. The value of imports from the CIS in October 2007 increased by 19.9% year-on-year and reached 96.1 mln lats, but the share of CIS imports amounted to 14.1%.

Latvia's main export partners in October of 2007 were Lithuania, accounting for 15.6% of total exports; Estonia, 12.3%; Germany, 9.4%; Russia, 8.9%; Sweden, 8.7%. Main import partners were Germany, 15.3%; Lithuania, 11.1%; Russia, 9.0%; Estonia, 8.0%; and Poland, 7.2%.

Foreign trade balance

mln lats



According to the provisional data of the Bank of Latvia, the current account deficit of the **balance of payments** in October increased by 28.1 mln lats year-on-year and amounted to 298.7 mln lats. As compared with the October of 2006, the goods deficit increased by 19.5 mln lats and stood at 298.7 mln lats. The negative income balance increased – in the October of 2007, up by 8.6 mln lats from the corresponding period last year and was 33.3 mln lats. Surplus of the services balance in the October of 2007 amounted to 36.4 mln lats, which was 17.4 mln lats more than in the October of 2006. The surplus of current transfers decreased and in October of 2007 was negative and amounted to 3.1 mln lats. The surplus of the capital and financial account in October of 2007 was 361.7 mln lats. Net inflow of direct investment in the October totalled 41.2 mln lats, which was 26.9 mln lats less than in the October last year. The portfolio investment account in the October was negative and amounted to 32.2 mln lats. The Bank of Latvia's reserve assets in the October rose by 0.1 mln lats.

Central Government Consolidated Budget*, mln lats

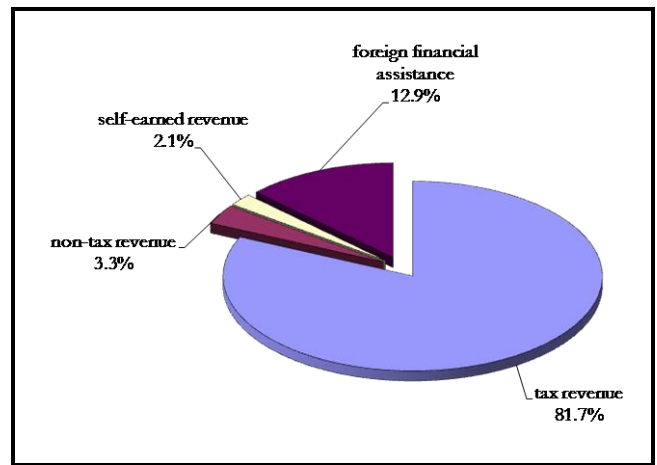
	October of 2007	November of 2007	Jan-November of 2007	Jan – November of 2006	% changes (Jan - November) 2007/2006	% of annual plan
Revenue	382.7	390.7	3887.3	2994.6	29.8	86.6
Basic budget tax revenue	200.3	200.8	2108.3	1600.1	31.8	91.8
Taxes to be distributed among other budgets	0.0	0.0	0.0	0.0	-198.0	-
Basic budget non-tax revenue	14.6	11.3	211.3	174.5	21.1	66.6
Self-earned revenue	11.7	8.1	107.6	99.8	7.8	81.4
Social security budget revenue	113.5	117.8	1160.2	868.0	33.7	93.0
– transfers from central government basic budget	-1.4	-1.6	-15.3	-11.9	28.9	91.1
Gifts and donations	0.6	4.4	7.8	8.4	-7.3	-
Foreign financial assistance	43.5	49.9	307.5	255.8	20.2	60.1
Expenditure	428.3	426.7	3683.6	2797.9	31.7	83.1
Basic budget	330.1	344.7	2865.2	2105.4	36.1	81.3
– transfers to social security budget	-1.4	-1.6	-15.3	-11.9	28.9	91.1
Social security budget	97.2	82.8	827.6	700.0	18.2	89.4
Gifts and donations	2.4	0.7	6.2	4.4	39.5	-
Financial balance	-45.6	-35.9	203.7	196.7	-	-

* including transfers to local government budgets. 42.4 49.6 396.5 277.6 42.8

** according to structure of budget 2007, i.e., repayments of loans to central government basic budget are excluded and starting from year 2007 reflected in the financial part.

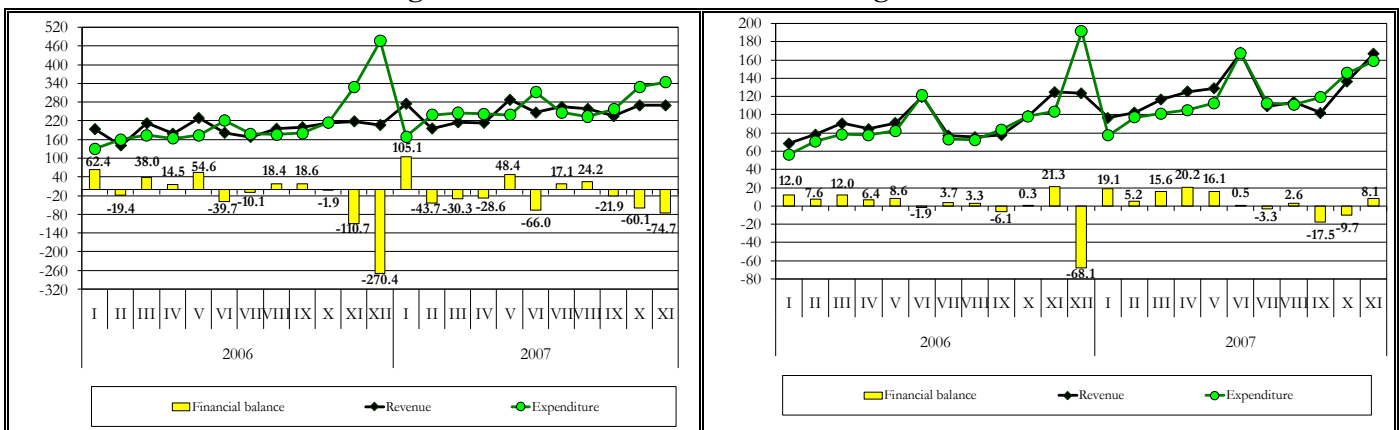
In accordance with the State Treasury's official monthly report's (January-November 2007) data, in November 2007 the **central government consolidated budget** revenue (including gifts and donations) was 390.7 mln lats which is 8.0 mln lats or 2.1% more than in October, mainly due to increase of revenue from the foreign financial assistance by 6.4 mln lats and social security budget revenue by 4.3 mln lats. The central government consolidated budget revenue in eleven months of 2007 was 3887.3 mln lats, which is 892.7 mln lats or 29.8% more than in the same period of 2006. The most significant increase in comparison with eleven months of 2006 was in the revenue from social security contributions, value added tax and corporate income tax. In November 2007, the central government budget expenditure (including gifts and donations) was 426.7 mln lats, which is 1.6 mln lats or 0.4% less than in October 2007. The central government budget expenditure in eleven months of 2007 was 3683.6 mln lats and in comparison with the same period of 2006 expenditure increased by 885.7 mln lats or 31.7%. In November 2007, the central government consolidated budget financial deficit was 35.9 mln lats.

Structure of Central Government Basic Budget and Special Budget Revenue in November 2007
percentage



Central government basic budget revenue in November 2007 was 270.0 mln lats, which in comparison with October 2007 is 42.4 thsd lats more. In comparison with October 2007, tax revenue was 200.8 mln lats, which is 0.5 mln lats or 0.2% more, mainly due to increase of excise tax by 2.0 mln lats. In November 2007 the non-tax revenue was 11.3 mln lats, which is 3.3 mln lats less than in October 2007, mainly due to decrease of percentage revenue by 2.4 mln lats. In November 2007, revenue from the paid services and self-earned revenue was 8.1 mln lats, which is 3.6 mln lats or 30.9% less, but revenue from the foreign financial assistance was 49.9 mln lats, which is 6.4 mln lats or 14.6% more than in October.

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



In November 2007, the central government basic budget expenditure was 344.7 mln lats, which is 14.7 mln lats or 4.4% more than in October 2007. In November 2007, the central government basic budget non-capital expenditure was 306.3 mln lats or 88.9% of total basic budget expenditure and in comparison with October 2007 is 38.7 mln lats or 14.5% more, mainly due to increase of expenditure for wages by 14.3 mln lats or 28.7% and increase of grants and other transfer for local governments by 7.9 mln lats. The central

government basic budget capital expenditure in November 2007 was 38.4 mln lats and in comparison with October 2007 is 24.0 mln lats or 38.5% less. In November 2007, the financial deficit in amount of 74.7 mln lats was in the central government basic budget.

Social security budget revenue in November 2007 was 117.8 mln lats, which is 4.3 mln lats or 3.8% more than in October 2007. The social security budget expenditure in November 2007 was 82.8 mln lats, which in comparison with October 2007 is 14.3 mln lats or 14.8% less. In November 2007, the social security budget financial surplus was 35.0 mln lats.

Local government basic budget revenue, including local government mutual payments and payments from financial equalisation fund, in November 2007 in comparison with October 2007 was 30.5 mln lats or 22.4% more. In comparison with October 2007, the tax revenue was 13.5 mln lats or 20.8% more, which was mainly driven by increase of real estate tax revenue by 9.4 mln lats consider real estate tax the payment order. The local government basic budget non-tax revenue in November 2007 in comparison with October 2007 was 0.2 mln lats or 6.0% less, but the local government basic budget received payments was 16.6 mln lats or 28.2% more. Local government basic budget revenue from the paid services and other self-earned revenue in November 2007 was 0.5 mln lats or 5.3% more than in October 2007.

In November 2007 the local government basic budget expenditure was 158.6 mln lats, which is 12.8 mln lats or 8.8% more than October 2007, mainly due to increase of expenditure for wages by 5.4 mln lats or 12.9%. In November 2007, the financial surplus of 4.0 mln lats was in the local government consolidated budget (including gifts and donations).

Local Government Budget, mln lats

	October of 2007	November of 2007	Jan - November of 2007	Jan - November of 2006	% changes (Jan - November) 2007/2006
Revenue	125.0	155.3	1277.7	921.1	38.7
Basic budget tax revenue	64.8	78.3	705.1	502.8	40.2
Basic budget non-tax revenue	3.2	3.0	37.4	29.8	25.5
Basic budget received payments	59.0	75.6	535.6	379.6	41.1
-mutual payments*	-18.8	-20.6	-177.9	-128.3	38.7
Basic budget self-earned revenue	8.9	9.4	84.6	64.9	30.4
Special budget revenue**	7.7	9.2	90.8	65.4	38.7
Foreign financial assistance	0.3	0.4	2.0	6.8	-70.4
Expenditure	140.1	151.3	1226.2	847.3	44.7
Basic budget expenditure	145.9	158.6	1307.9	916.4	42.7
-mutual payments*	-18.8	-20.6	-177.9	-128.3	38.7
Special budget expenditure**	13.0	13.3	96.2	59.2	62.5
Financial balance	-15.0	4.0	51.5	73.8	-

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

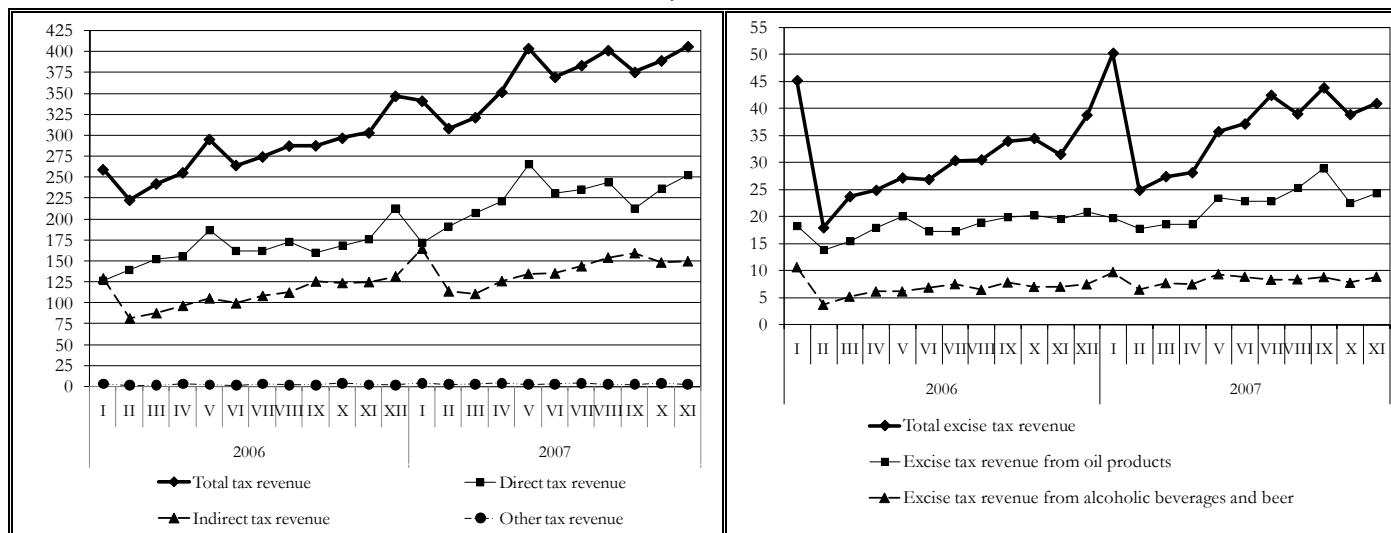
** including gifts and donations; excluding revenue from privatisation.

Value added tax revenue in November 2007 was 105.2 mln lats and in comparison with October 2007 is 0.2 mln lats or 0.2% less. In November 2007, domestically net collected value added tax revenue was 81,1 mln lats or 77.1% of total value added tax revenue and in comparison with October 2007 is 1.2 mln lats or 1.4% less. The value added tax revenue collected on border was 0.9 mln lats or 4.0% more than in October 2007. In November 2007, value added tax repayments were 45.5 mln lats, which is 0.5 mln lats or 1.2% more than in October 2007.

Total **excise tax** revenue in November 2007 was 41.0 mln lats and in comparison with October 2007 is 2.0 mln lats or 5.3% more. Excise tax revenue from tobacco products in November 2007 was 7.1 mln lats, which is 0.9 mln lats or 11.6% less than in October 2007. Excise tax revenue from alcoholic beverages was 8.1 mln lats and in comparison with October 2007 is 1.1 mln lats or 14.7% more. The excise tax revenue from beer in November 2007 was 0.7 mln lats, which is 76.3 thsd lats or 11.3% more than in October 2007. In November 2007, the excise tax revenue from oil products amounted to 24.4 mln lats, which is 1.8 mln lats or 8.1% more than in October 2007. The excise tax revenue from non-alcoholic beverages and coffee in November 2007 was 0.5 mln lats, which is 17.9 thsd lats or 3.5% more than in October 2007.

Corporate income tax revenue in November 2007 was 32.0 mln lats and in comparison with October 2007 is 0.1 mln lats or 0.3% less. Corporate income tax revenue in eleven months of 2007 was 58.9% more than in the same period of 2006 and revenue was 369.9 mln lats, which is 91.3% of annual plan. 37 of all corporate income tax payers had corporate income tax payment bigger than 1.0 mln lats and these payments make 32.2% of total corporate income tax revenue.

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



Tax Revenue, mln lats

	October of 2007	November of 2007	Jan – November of 2007	Jan – November of 2006	% changes (Jan - November) 2007/2006	% of annual plan
Corporate income tax	32.1	32.0	369.9	232.8	58.9	91.3
Value added tax	105.5	105.2	1092.6	840.8	29.9	90.6
Excise tax	38.9	41.0	409.2	327.4	25.0	95.6
Cars and motorcycles tax	1.4	1.3	15.7	12.3	27.2	88.2
Social security contributions*	124.1	126.7	1238.2	888.3	39.4	93.4
Custom duties	2.6	2.4	25.6	18.7	37.2	94.9
Personal income tax	77.9	82.8	793.0	581.3	36.4	91.1
Real estate tax	2.6	12.0	72.4	62.3	16.2	102.0

* including the State Funded Pension Scheme financial means of 10.5 mln lats in November 2007 and 15.1 mln lats in October 2007.

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

	End of November 2007 Average annual selling rate, (%)	End of October 2007	End of November 2007 Shares of bonds, %	End of November 2007 Amount in circulation, thsd. LVL
6 month T-bills	4,319	0,01	0,01	25 004,73
1 year T-bills	4,896	8,31	8,31	30 332,291
2 year T-bills	5,959	0,61	0,61	2 216,915
5 year bonds	5,196	32,78	32,78	119 638,017
10 year bonds	4,728	58,02	58,02	211 746,079
11 year bonds	5,650	0,27	0,27	2 006,081

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