

CONTENTS

Abbreviations	7
1. Economic Situation: Brief Overview	9
2. Development of World Economy	12
3. Growth	14
3.1. GDP Dynamics and Aggregate Demand	14
3.1.1. Development Trends	14
3.1.2. Private and Public Consumption	15
3.1.3. Investments	16
3.1.4. Exports and Imports	18
3.2. Contribution of Sectors	22
3.2.1. Structure of Economy	22
3.2.2. Manufacturing	24
3.2.3. Energy Sector	38
3.3. Forecasts	40
3.4. Regional Development	42
4. Macroeconomic Stability	44
4.1. Public Finances	44
4.1.1. Fiscal Policy and Public Debt	44
4.1.2. Budget Revenues	47
4.1.3. Budget Expenditures	50
4.2. Prices	52
4.2.1. Consumer Prices	52
4.2.2. Producer Prices	54
4.3. Balance of Payments	55
4.3.1. Current Account	55
4.3.2. Financial Flows	57
4.3.3. Foreign Direct Investment	58
4.4. Financial and Capital Markets	61
4.4.1. Monetary Policy and the Exchange Rate	61
4.4.2. Market Structure and Development	62
4.4.3. Deposits and Loans	63
5. Labour Market	69
5.1. Employment and Unemployment	69
5.2. Employment Policy	70

6. Economic Policy and Priorities of Structural Policy	74
6.1. National Lisbon Programme of Latvia	74
6.2. Integration of Latvia in the Economic and Structural Policy of the EU	77
6.2.1. Utilisation of the European Union Structural Funds and Cohesion Fund	77
6.2.2. Foreign Trade Policy	83
6.2.3. EU Internal Market	88
6.3. Sector-Specific Development Policies	90
6.3.1. Industrial Policy	90
6.3.2. Energy Policy	92
6.3.3. Construction Policy	94
6.3.4. Tourism Policy	95
6.4. Business Environment	98
6.5. Innovations and New Technologies	100
6.6. Information Society	102
6.7. Small and Medium-Sized Enterprises	105
6.8. Competition Policy	109
6.9. Regulation of Public Utilities	113
6.10. Export Promotion Policy	114
6.11. Protection of Consumer Interests and Market Surveillance	116
6.12. Quality Assurance	122
6.12.1. Quality Structural Policy	122
6.12.2. Metrology, Accreditation, Standardisation	123
6.13. Privatisation	125
6.14. Public Private Partnership	130
6.15. Advisory Councils of the Ministry of Economics	132
6.15.1. National Economy Council	132
6.15.2. Council of the Small and Medium-Sized Enterprises and Crafts	134
7. Recommendations	136