

SPRING 2010 REFORM BAROMETER - LATVIA

1. SUMMARY TABLE

<u>Latvia</u>				Rank among 29 **			Relative Gap	
	2008	2009	Change	2008	2009	Change	EU 5 top performers 2009	Gap to EU 5 top performers 2009
GDP per capita (Purchasing Power Parity - PPP)	13836	11252	-18.7%	27	27	0	LU, IE, NL, AT, BE	-67%
GDP per capita (€ at 2000 prices)	6547	5397	-17.6%	26	26	0	LU, DK, SE, IE, UK	-84%
Labour Utilisation (Annual hours worked per capita)	913	752	-17.6%	4	18	-14	CY, SI, GR, CZ, PL	-15%
Annual hours worked per person employed	1922	1788	-7.0%	7	12	-5	GR, HU, PL, SI, CZ	-11%
Employment as % of labour force (100-unemployment rate)	92.5	83.1	-9.4	23	28	-5	NL, DK, AT, CY, LU	-12
Labour participation (labour force as % of active population)	74.4	73.3	-1.1	10	13	-3	NL, DK, SE, DE, UK	-6
Dependency ratio (working age population as % of total population)	69.0	69.0	0.0	8	8	0	SK, PL, CY, CZ, RO	-3
Labour Productivity (GDP per hour worked, in PPP)	14.6	14.4	-1.3%	27	27	0	LU, BE, NL, FR, DE	-67%
Labour Productivity (GDP per hour worked, € at 2000 prices)	6.9	6.9	0.1%	27	27	0	LU, SE, BE, DK, FR	-85%
Capital deepening (capital stock per hour worked)*	N/A	N/A	N/A	N/A	N/A	N/A	IE, FR, LU, AT, SE	N/A
Total Factor Productivity (level of economic efficiency per hour worked)*	N/A	N/A	N/A	N/A	N/A	N/A	LU, UK, DK, SE, BE	N/A
Corporate Investment (private investment excluding non-residential, % GDP)	13.2	10.4	-2.8	11	12	-1	BE, RO, AT, DK, SK	-2.7
Current Account Balance (as % GDP)	-13.0	6.8	19.8	26	5	21	LU, SE, LV, DE, EE	0.5
Export market share measured in volume relative to main 35 trading partners (from 2000)	13.6	17.5	4.0	10	10	0	RO, LT, HU, CZ, PL	-37.2
Unit labour Costs relative to main 35 trading partners (from 2000)	87.9	71.1	-16.8	28	28	0	DE, PL, AT, SE, GR	78.2
Government gross debt (as % GDP)	19.5	33.2	13.6	6	6	0	EE, LU, BG, RO, LT	15.3
Net lending/net borrowing of general government (as % GDP)	-4.1	-9.0	-4.8	24	24	0	BG, DK, SE, LU, FI	-7.0
Required budgetary adjustment related to ageing (as % GDP)	N/A	0.9	N/A	N/A	6	N/A	PL, EE, HU, BG, SE	0.8
Public Investment (as % total public expenditure)	14.5	9.3	-5.2	6	11	-5	BG, RO, EE, CZ, PL	-7.1
Tax burden (as % GDP)	28.9	27.0	-2.0	3	2	1	LV, RO, IE, SK, LT	-0.9

Note: Labour utilisation and productivity are a product of its sub-components.

* Rank refers to EU15 ** EU 27, Norway and Switzerland



2. PRIORITIES FOR REFORM: ANSWERS FROM LDDK (LATVIA)

	1. Priority areas	2. Concrete Recommendations	3. Are the proposed recommendations already in the agenda of your Government?	
			Yes	No
Priority 1	Labour taxation to stimulate labour demand	to implement taxation policy by reducing the tax burden on labour (social contribution tax and personal income tax) and compensation it with tax on property	X	
Priority 2	Financial markets and access to Finance	To improve the financial stability by preparing the framwork of the state budget for 2011 and 2012 before parlament elections in the fall of 2010 takes place. To continue the structural reforms started in 2009.	X	
Priority 3	R&D and Innovation	To allocation sufficient amount of fianncial resoruces to reach this priority		X
Priority 4	Business Environmnet	by implementing structural reforms to forgo number of unnecesary regulatory barriers	X	
Priority 5	Wage bartgaining and wage setting policies	This priority has partly been solved by introducing inside devaluation reducing the wasges		X