

**DEVELOPMENT TENDENCIES OF THE NATIONAL ECONOMY OF
LATVIA IN THE ECONOMIC ENVIRONMENT OF THE BALTIC STATES****LATVIJAS TAUTSAIMNIECĪBAS ATTĪSTĪBAS TENDENCES
EKONOMIKAS GLOBALIZĀCIJAS APSTĀKĻOS BALTĪJAS VALSTU
EKONOMISKAJĀ TELPĀ**

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After joining the European Union Latvia and other Baltic States have met with important challenges of the terms of economic benefit. On one hand these are opportunities to cooperate in the huge market of the European Union that has more than 300 million inhabitants and market capacity that reaches more than 10 trillion euro. But on the other hand these opportunities should and must be used in order to turn them to one's own advantage both on the level of company operations and on the government level. It should be taken into account that in the economic systems the most competitive elements which set not only prices for goods and services but also in quite a large amount influence the structure of the products offered to the market, areas of its distribution and many other elements composing competitiveness, prevail.

The flow of local and foreign investments in Latvia, Lithuania and Estonia increased sharply after countries had joined the European Union that was the cause which facilitated the development process of economic growth and the speeding up of internal demand. Increase in the production of goods and services is closely related to the increase of the resource volumes involved in the production that each country has in the limited amount. In the open economic system the resources are attracted by the most efficiently working elements. The free flow of the capital and workforce existing in the European Union facilitates usage of resources in the most appropriate and efficient way to a great extent.

In the circumstances of economic globalization the redistribution of disposed resources of each country is facilitated for the good of the most efficiently working economic systems within the country and outside its borders. It is one of the challenges of the new times for the Baltic States which require carrying out targeted activities for the businessmen and government institutions in order to increase the efficiency of the production and keep high level of competitiveness not only within the framework of national economy but also in the economic environment of the EU.

Being within the framework of new, global economic system for Latvia and other Baltic States this creates not only new challenges but also problems. The goal of this research is related to identification of the main problems in the national economy of the Baltic States, finding out its nature and trends in order to develop an activity plan for the solution of this problem. To reach the goal of the work the Gross Domestic Product

(GDP) produced in the Baltic States is being looked at from the disposition aspect. In order to increase the topicality of the research in the work the data from year 2007 which is obtained using the experts' methodology taking into consideration statistical data of the Baltic states regarding 3 quarters of the year 2007.

Trends of the increase of Gross Domestic Product

In Latvia as well as in other Baltic countries GDP produced in actual and comparable prices is considered to be the most important criterion of the economic growth. Due to the unified methodology of calculating GDP in the European Union and other countries in the world, this criterion is used to evaluate changes in the standards of living in different countries. Taking into consideration the different approach of the Baltic States to calculate GDP from the expenditure aspect, within the framework of the research the following content of GDP from the expenditure aspect is used:

- a) Household expenditures – the amount of used commodities $\sum PR_{MS}$ and services $\sum PK_{MS}$ in household in the expression in terms of value that is combined with the consumption of goods $\sum PR_{MSO}$ and services $\sum PK_{MSO}$ of nonprofit making organizations;
- b) Governmental expenditure – final consumption $\sum PK_G$ of services and goods $\sum PR_G$ used for ensuring the provision of the activities of state and local authorities;
- c) Composition of capital – expenditures for development of fixed capital in companies $\sum PMK_U$ and changes $\sum KR_{PR}$ in the stocks of finished goods;
- d) export – expenditures of foreigners on the goods $\sum PR_E$ and services $\sum PK_E$ of local origin;
- e) import – expenditures of local physical persons as well as legal entities used for purchasing goods $\sum PR_G$ and services $\sum PK_{IM}$ of external origin.

Criteria of the produced GDP in the Baltic States in actual prices can be seen in table 1

Table 1

Produced Gross Domestic Product in Latvia and other Baltic States							
Country	GDP in actual prices divided on yearly basis (million Euro)						07./ 02.
	2002.	2003.	2004.	2005.	2006.	2007.	
Estonia	7 756,9	8 692,4	9 583,8	11 030,8	13 233,2	15 817,6	2,04
Latvia	8 191,0	9 093,6	10 575,1	12 886,3	16 024,0	19 117,8	2,33
Lithuania	15 051,0	16 450,6	18 125,3	20 672,0	23 419,9	25 723,9	1,71
GDP in comparable prices shown on yearly basis (million Euro)							
Estonia	7 096,3	7 666,1	8 249,8	9 075,7	10 064,1	10 769,4	1,52
Latvia	7 774,0	8 333,1	9 056,8	10 016,1	11 210,8	12 276,9	1,58
Lithuania	15 093,7	16 641,3	17 780,3	18 989,5	20 489,3	22 834,5	1,51

Source – Data of CSP of the Baltic States

As it can be seen from the data included in the table the utmost increase of GDP during the period of the review - 2.3. times in actual prices and 1.58 times in comparable prices (in prices of the year 2000) is in Latvia. The smallest increase of GDP is for Lithuania - 1.7 times in actual prices but in comparable prices it is 1.51 times that is very close to the economic growth of Estonia that in the respective review period has the growth of GDP of 1.52 times.

More complete idea on the increase of the nature and tendencies of GDP in the Baltic States is possible to get by evening up dynamic rows with the most appropriate trend functions. The most appropriate trend function in this case is acknowledged to be the function of the 2nd level polynomial which shows higher concordance to the actual nature of the dynamic rows. The results of evening up of GDP of the dynamic rows in actual prices are shown in the Picture 1.

As it is seen in the Picture 1 the trends of the increase of GDP in the Baltic States are rather similar. That means that the factors of the globalization of economics influence economic development of these countries in a similar way. To identify the development tendencies and assess the trends of the development regarding

continuous development of national economy, dynamic rows are evened up by using trend functions of the 2nd level polynomial and finally the following results are gotten:

- a) The result of evening up of dynamic rows of GDP produced in Lithuania:

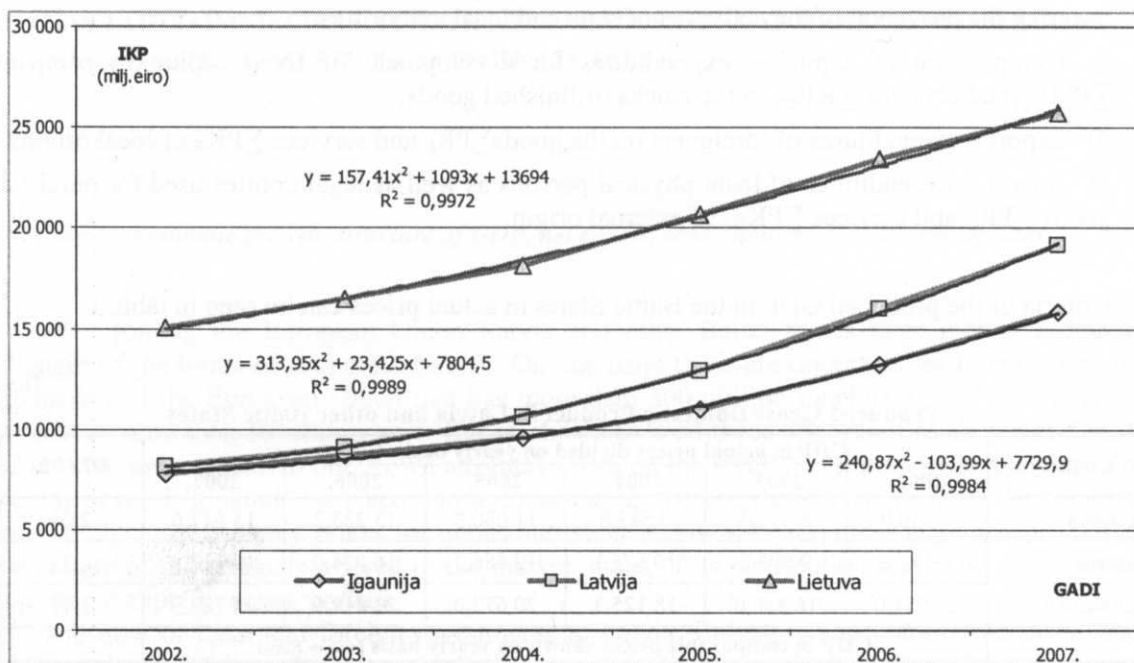
$$y = 157,41x^2 + 1093x + 13694 \quad \text{where } R^2 = 0,9972 \quad (1)$$

- b) The result of evening up of dynamic rows of GDP produced in Latvia:

$$y = 313,95x^2 + 23,425x + 7804,5 \quad \text{where } R^2 = 0,9989 \quad (2)$$

c) The result of evening up of dynamic rows of GDP produced in Estonia:

$$y = 240,87x^2 - 103,99x + 7729,9 \quad \text{where } R^2 = 0,9984 \quad (3)$$



Picture 1

Trends of the increase of GDP of the Baltic States

As it is seen in the picture in all cases the trend functions applied show almost identical compliance to the actual nature of dynamic rows of GDP increase. Values of the determination coefficient, which in all cases are higher than 0.99 are indicators of that fact. High conformity of the economic development process of the Baltic States to the function of the 2nd polynomial identifies the reinforcement of the continuous development threats for the second half of the review period. Mainly it is related to the nature of development national economy of Latvia and Estonia.

For the reasons of comparable assessment of the reinforcement of the threats of continuous growth of economy of the Baltic States the following criteria has been used:

- For evening up of the dynamic row of the economic development of a particular country the most appropriate trend function was applied;
- Value of the determination coefficient R^2 of the trend function;
- Indicator of the deviation of the trend function is calculated as the deviation of the trend function from the perfect compliance with the actual nature of the dynamic row by using following equation:

$$\Delta_R = (1-R^2) \times 10\,000 \quad (4)$$

where Δ_R - identifier of the deviation of the trend function;

R^2 - determination coefficient of the trend function.

- For the economic processes included in the research the most typical value of coefficient „a” of the trend function equation in the linear trend function $y = ax + b$ and in the trend function of the 2nd level polynomial $y = ax^2 + bx + c$.

Table 2

Assessment of the tendencies of the increase of GDP of the Baltic States

Country	Characteristics of the trend functions			
	Equation of the trend function	R ²	Deviation Δ_R %%	Value of coefficient A
Estonia	$240,87x^2 - 103,99x + 7729,9$	0,9984	16	240,87
Latvia	$313,95x^2 + 23,425x + 7804,5$	0,9989	11	313,95
Lithuania	$157,41x^2 + 1093x + 13694$	0,9972	28	157,41

As it can be seen from the indicators entered in Table 2, function describing the development of the growth economy of Latvia differs from the actual nature of the dynamic row of the GDP produced only for 11 millesimal. Also the value of coefficient „a" of the trend function in the case of Latvia is the highest - 313.95. That means that Latvia has the highest speed of the economic development among the Baltic States that causes sharp increase in prices and other threats for the continuous development.

Price rise in the national economy of the Baltic States

Speed of the rapid growth of the national economy usually causes the price rise, the cause of which is the heightened internal demand and limited resources available to the particular country. It can be ascertained by evaluating the rise of GDP of the Baltic States in comparable and actual prices. To get the most complete information on the price rise in the national economy of the country, the increase in prices is calculated for the elements included in the expense of GDP within the whole review period.

Calculated identifiers of the deflator of GDP are put in table 3.

Table 3

Identifiers of the price deflator in the national economy of the Baltic States

Expenditures included in GDP structure	Price rise divided by countries (times)		
	Estonia	Latvia	Lithuania
Household expenditures	1,267	1,452	1,071
State expenditures	1,715	1,993	1,263
Expenditures for investments	1,315	1,513	1,005
Export	1,331	1,777	1,182
Import	1,196	1,640	1,102
Total expenditures	1,469	1,557	1,127

As it can be seen from the indicators included in table 3, the highest price rise for all elements composing GDP structure is recognized in the national economy of Latvia. As a result, the prices of produced GDP have increased 1.56 times exceeding the price rise in Estonia by 18.8% and in Lithuania by 4.4 times. The highest price rise in the national economy of Latvia is closely related to the State expenditures which are almost twice higher. That means that at the end of 2007 review prices for goods and services purchased by the government of Latvia will increase by 1.99 times, in Estonia -by 1.7 times, but in Lithuania the increase will be by 1.26 times.

Prices of the household goods and services purchased in Latvia have increased by 1.45 times that exceeds the consumer price increase in households of Estonia 1.7 times, but in Lithuania -6.4 times. In Latvia rapid internal demand and weak competition among the importers have facilitated the increase of the prices of imported goods and services for 1.6 times or 3.2 times more than in Estonia and 6.3 times more than in Lithuania. As a result,

inhabitants and companies for one and the same amount of money in Latvia can purchase significantly less imported goods or services than in Lithuania and Estonia.

Increase of the exported goods and services that mainly determines global competitiveness of a particular country and continuous development of the country is strategically important for all Baltic States. The smallest increase in exported products is seen in the national economy of Lithuania -18.2%, but the highest - in Latvia - 77.7% and in Estonia it is - 33.1%. That means that the producers of goods and providers of services in Latvia need to take into account higher increase of the resource prices than entrepreneurs in Lithuania and Estonia do, which leads to the sharp decrease of the competitiveness of exported goods made in Latvia in the economic environment of the Baltic States.

Tendencies of the increase of household expenditure

Household expenditures are included in GDP when goods or services are purchased for final consumption which is combined with the final consumption of the nonprofit organizations. Indices of household (hereafter referred to as the „MS“) expenditures in actual prices are included in table 4.

Table 4

Participation of the households in the development of GDP

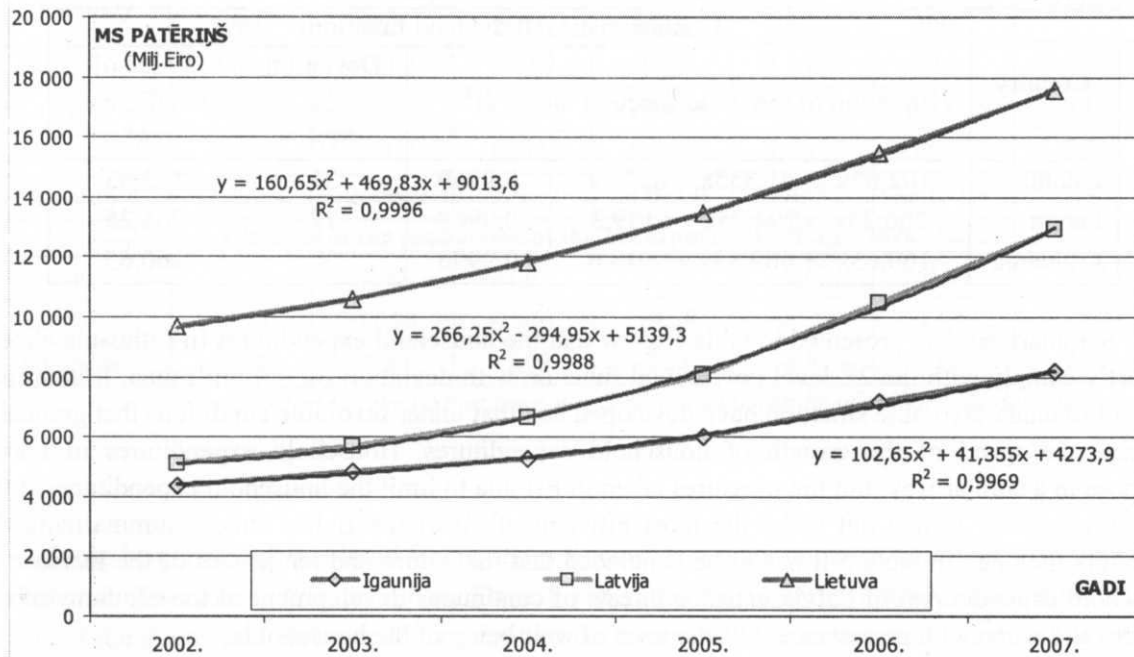
Country	MS expenditures divided by years (million Euro)						07./ 02.
	2002.	2003.	2004.	2005.	2006.	2007.	
Estonia	4 386,0	4 859,5	5 271,9	5 997,0	7 156,9	8 182,1	1,87
Latvia	5 086,6	5 672,1	6 668,6	8 059,9	10 476,0	12 907,8	2,54
Lithuania	9 676,5	10 566,2	11 824,0	13 453,0	15 491,8	17 556,0	1,81
Total	19 149,2	21 097,8	23 764,4	27 510,0	33 124,7	38 645,9	2,02
Changes of the proportion of MS expenditures of households by years - %							
Estonia	56,54	55,91	55,01	54,37	54,08	51,73	-8,52
Latvia	62,10	62,37	63,06	62,55	65,38	67,52	8,72
Lithuania	64,29	64,23	65,23	65,08	66,15	68,25	6,15

Source – Data of the CSP of the Baltic States and results of author calculations

As it can be seen from the indices included in table 4 household expenditures for purchasing goods and services of the households of the Baltic States in actual prices have increased twice within the review period. Considerably higher increase is for households of Latvia - 2.54 times, but the smallest increase is in Lithuania - 1.8 times.

Significant changes have appeared in the proportion of household expenditures in regards of composing GDP. If in Latvia and Lithuania households have raised their importance in developing GDP respectively for 8.7% and 6.2%, then in Estonia it has decreased for 8.5%. That means that monetary and fiscal measures taken by the Estonian government in order to restrain internal consumption have been more efficient comparing to the efforts taken by the governments of Latvia and Lithuania to diminish the current amount of money and increase of prices of the consumption goods.

Trends towards the increase of the household expenditures in the Baltic States are identified by evening up respective rows with the most appropriate trend functions and the results received are shown in picture 2.



Picture 2

Tendencies of the increase of the household expenditures in the Baltic States

As it is seen in Picture 2, the trends of the increase of the household expenditures in all Baltic States comply with the form of the function of the parabola. That is the reason why the respective dynamic rows are evening up with the trend functions of the 2nd level polynomial:

- a) The result of evening up of the dynamic row of the household expenditures in Lithuania:

$$y = 160,65x^2 + 469,83x + 9013,6 \quad \text{where } R^2 = 0,9996 \quad (6)$$

- b) The result of evening up of the dynamic row of the household expenditures in Latvia:

$$y = 266,25x^2 - 294,95x + 5139,3 \quad \text{where } R^2 = 0,9988 \quad (7)$$

- c) The result of evening up of the dynamic row of the household expenditures in Lithuania

$$y = 102,65x^2 + 41,355x + 4273,9 \quad \text{where } R^2 = 0,9969 \quad (8)$$

The results of evening up of the dynamic row of the household expenditures in the Baltic States give evidence about the high eligibility of the trend functions with the nature of actual development of the evening up dynamic rows. However, between the Baltic States there exists some difference in respect of the increase of the household expenditures. To evaluate those differences the necessary criteria are summarized in table 5.

Evaluation of the tendencies of the increase in GDP of the Baltic States

Country	Characteristics of the tend functions			
	Equation of the trend function	R ²	Deviation Δ_R %%	Value of coefficient "A"
Estonia	$102,65x^2 + 41,355x + 4273,9$	0,9969	31	102,65
Latvia	$266,25x^2 - 294,95x + 5139,3$	0,9988	12	266,25
Lithuania	$160,65x^2 + 469,83x + 9013,6$	0,9996	4	160,65

Summarized data presented in table 5 show that the household expenditures in Lithuania almost perfectly comply with the 2nd level polynomial function with deviation $\Delta_R = 4$ millesima. It identifies that in Lithuania favorable situation have developed and that under favorable conditions that gradually increase the speed of the growth of household expenditures. Household expenditures in Latvia compose in a similar way, but the measures taken in Estonia to limit the household expenditures at the end of year 2007 turned out to be the most efficient of all of the Baltic States. Summarizing the indicators included in table 5 it has to be concluded that the nature and tendencies of the increase of household expenditures in Latvia enhance threats of continuous development of the economy of the country and wherewith improvement of the level of well-being of the households.

Changes in net export in the Baltic States

Export and import of goods for the Baltic States is an important group of factors that make economic development of the countries. It is closely related to the geographical position of the countries as well as to the limited natural resources, maintaining global competitiveness and rights of the economic entities to purchase best of the goods produced in the world within its financial limits.

Taking into consideration the limited scope of the work, analytical evaluation of the indicators of the volumes of international trade of the Baltic States is related to the trends of the increase, revelation of tendencies and assessment of net export. Within the framework of this work net export is calculated by using the following equation:

$$EN_{TS} = (EX_{PR} + EX_{PK}) - (IM_{PR} + IMX_{PK}),$$

where EN_{TS} - net export of national economy;

$\sum EX_{PR}$ – total volume of exported goods in the quantity in respect of value;

$\sum EX_{PK}$ - total volume of exported services in the quantity in respect of the value;

$\sum IM_{PR}$ – total volume of imported goods in the quantity in respect of the value;

$\sum IM_{PK}$ - total volume of imported goods in the quantity in respect of the value.

Indicators of the increase of net export of the Baltic States in actual prices are summarized in table 6.

Table 6

Changes in net export in the Baltic States

Country	Net export divided by years (<i>million Euro</i>)						07./ 02.
	2002.	2003.	2004.	2005.	2006.	2007.	
Estonia	-572,1	-653,0	-767,7	-703,5	-1 147,4	-716,0	1,25
Latvia	-798,3	-1 143,8	-1 650,9	-1 853,6	-3 233,1	-4 881,8	6,12
Lithuania	-862,0	-961,2	-1 285,3	-1 513,8	-2 063,2	-3 024,0	3,51
Total	-2 232,4	-2 758,0	-3 704,0	-4 071,0	-6 443,7	-8 621,8	3,86
	Changes of the proportion of the net export in GDP by years - %						
Estonia	-7,38	-7,51	-8,01	-6,28	-8,67	-4,53	0,61
Latvia	-9,75	-12,58	-15,61	-14,38	-20,18	-25,54	2,62
Lithuania	-5,73	-5,84	-7,09	-7,32	-8,81	-11,76	2,05

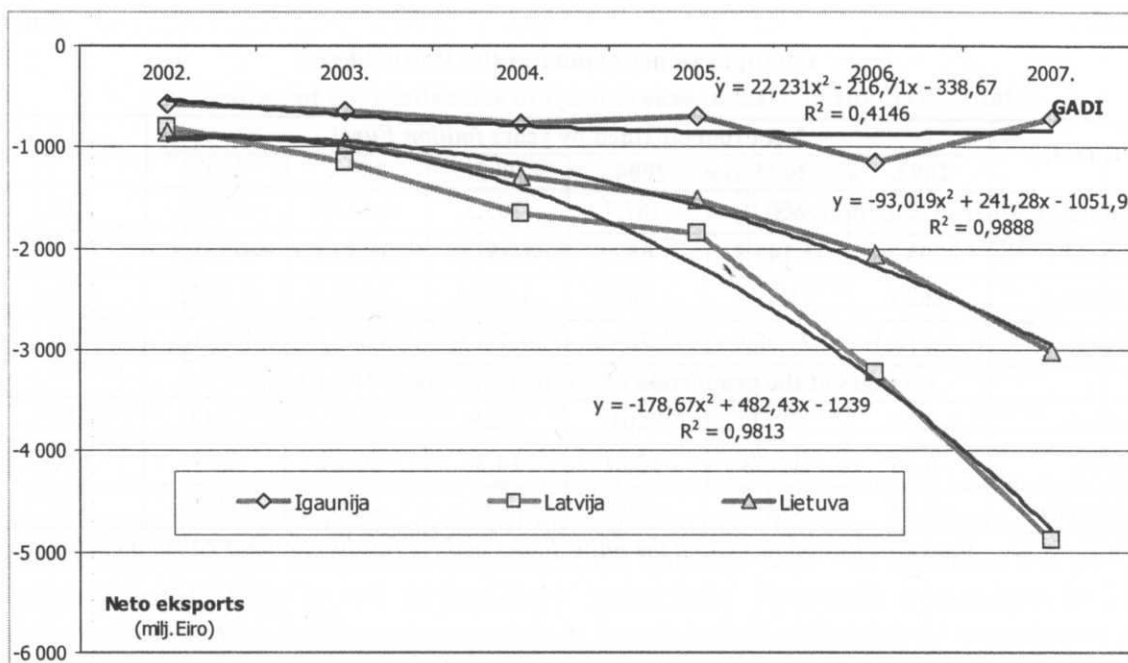
Source – Data of the CSP of the Baltic States and the results of author calculations

It can be concluded that in all Baltic States a significant predominance of import over the export is observed. That means that in Latvia, Estonia and Lithuania import volumes significantly exceed export of the goods and services. If the negative net export volume in the environment of the Baltic States has increased by 3.86 times, then in Latvia it has increased by 6.12 times at the same time having the circumstances when GDP has increased only by 2.3 times. In Estonia the negative net export has increased only by 1.25 times at the same time having an increase of GDP in actual prices by 2.04 times. Hence, in Latvia the increase of the negative net export within the review period exceeds the growth of GDP by 2.7 times whereas in Lithuania - 2.1 times, but in Estonia the increase of GDP overtakes the increase of negative net export by 1.6 times.

Rapid growth of the negative net export has created significant changes of the proportion in the GDP. The highest proportion of the negative net export is recognized in the national economy of Latvia that has increased from 9.8% to 25.5% or 2.6 times within the period of the review. It is important to be highlighted that in Estonia during the same period the proportion of the negative net export in the national economy has decreased from 7.8% to 4.5% due to the efficient and appropriate economic politics of the country complying with the external challenges.

Essentially different increase of the negative export in the Baltic States can not be explained only by objective differences of the economic management of each country. Most probably it is related to the economic politics enforced by the governments of Latvia, Lithuania and Estonia and having skills of managing country in sophisticated circumstances.

In order to get more detailed insight on the problems which have appeared regarding international trade in the Baltic States, dynamic rows of the net export are evened up with the most appropriate trend functions and the findings are shown in picture 3.



Picture 3

Tendencies of the increase of the household expenditures in the Baltic States

As the results of evening up of the dynamic rows of the net export of the Baltic States shown in picture 3 indicate during the review period significant changes in the export and import of goods and services have appeared. Distinctive nature and angle of the development direction of graphical lines indicate the above mentioned. If at the beginning of the period, in 2002 in all Baltic States there were no significant changes in the net export increase identified, then at the end of the period due to the increase of the speed of imported goods and services in Lithuania and Latvia the value of the negative net export has increased.

Dynamic rows of the net export of the Baltic States are evening up with the function of the 2nd level polynomial and the following trend equations are gotten:

a) The result of evening up of the dynamic row of net export of Lithuania:

$$y = -93,019x^2 + 241,28x - 1051,9 \text{ where } R^2 = 0,9888 \quad (9)$$

b) The result of evening up of the dynamic row of net export of Latvia:

$$y = -178,67x^2 + 482,43x - 1239 \text{ where } R^2 = 0,9813 \quad (10)$$

c) The result of evening up of the dynamic row of net export of Estonia:

$$y = 22,231x^2 - 216,71x - 338,67 \text{ where } R^2 = 0,4146 \quad (11)$$

As it is seen from the equations of trend functions of the increase of net export, the nature of the growth of the net export in the national economy of Lithuania and Latvia mostly complies with the function of the 2nd level polynomial. Value of the determination coefficient that in both cases exceeds 0.98 units also proves that. Considerably different situation appears in Estonia where due to the successful enforcement of the state politics significantly favorable proportion of import and export for the development of the national economy is ensured. That is the reason why the nature of the net export shows fair compliance with the function of the 2nd level polynomial. This can be explained with the fact that Estonian government in order to keep likely favorable conditions for the continuous development of national economy during the whole review period it has flexibly responded to different challenges made by the globalization of the economy.

Investigating the development tendencies of national economy of Latvia and other Baltic States in respect of the globalization conditions the following conclusions are made:

- a) Nature and tendencies of the increase in GDP of Latvia and other Baltic States indicate that there are no significant differences which influencing economic development of internal and external factors which have impact on the economic processes in the Baltic States;
- b) Tendencies of the growth of the household expenditures comply with the function of the 2nd level polynomial which indicates the increase of the threats of continuous development of national economy that the mid-term can influence the level of inhabitant well-being in;
- c) Increase of GDP of produced items in the national economy of Latvia, the nature of the household expenditure and negative increase of the net export mainly comply with the function of the 2nd level polynomial more than in other Baltic States. That indicates more rapid increase of the threats of continuous development of the national economy, worsening entrepreneurial environment and potential recession in comparison with other Baltic States;
- d) Decrease of the proportion of the household expenditures in the structure of produced GDP in the national economy of Estonia and limited increase in the negative net export indicate to comparably more efficient measures taken of the monetary and fiscal politics in Estonia if to compare to other Baltic States;
- e) Rapid growth of the negative net export in Lithuania and Latvia indicates on the worsening of the entrepreneurial environment and decrease in the competitiveness of the national economies of the countries in the economic environment of the Baltic States and in other markets in the world;
- f) Rapid and unbalanced growth of the economy of Latvia enhances continuous development threats of the national economy and increases the probability of recession during the coming two years.

Vanags /., Geipele L. Latvijas tautsaimniecības attīstības tendences ekonomikas globalizācijas apstākļos Baltijas valstu ekonomiskajā telpā

Rakstā tiek analizēts un izvērtēts Latvijas un citu Baltijas valstu tautsaimniecībā saražotais IKP no izlietojuma aspekta laika posmā no 2002.gada līdz 2007.gadam. Tēmas aktualitāte saistīta ar strauju Latvijas un ekonomisko izaugsmi pēc iestāšanās Eiropas Savienībā, kas nodrošināja lielāku uzticību ārvalstu investoriem un pavēra jaunas iespējas preču un pakalpojumu eksportam. Straujā ekonomiskā izaugsme Latvijā un citās Baltijas valstīs radījusi negatīvos blakus efektus, kas apdraud valsts tautsaimniecības ilgtspējīgu ekonomisko izaugsmi un iedzīvotāju labklājības līmeņa tālāku paaugstināšanos. Lielā mērā IKP pieaugums Latvijā un Lietuvā saistīts ar mājsaimniecību patēriņa strauju pieaugumu, kas balstās ne tikai uz samaksu par resursiem, bet arī izmantojot aizņemtos finanšu līdzekļus. Apsteidzošais iekšzemes pieprasījuma pieaugums salīdzinājumā ar piedāvājuma pieaugumu radījis patēriņa un ražošanas cenu pieaugumu, pasliktinot uzņēmējdarbības vidi un paaugstinot ražošanas pašizmaksu. Rezultātā palielinās iekšzemē ražoto preču izmaksas, samazinās peļņa un Baltijas valstīs ražoto preču un pakalpojumu konkurētspēja ārvalstu tirgos. Tas veicina negatīvā neto eksporta pieaugumu Latvijā un Lietuvā. Latvijas ekonomikas straujā un nelīdzsvarotā attīstība pastiprina tautsaimniecības ilgtspējīgas attīstības draudus un paaugstina recesijas iespējamību tuvāko divu gadu laikā.

Vanags /., Geipele I. Development tendencies of the national economy of Latvia in the economic environment of the Baltic States

Produced GDP in Latvian and other Baltic States from application aspect in the time period 2002 - 2007 have been analyzed and appraised in this Article. The topicality of the theme have been connected with rapid growth of Latvia and rapid economic growth after joining the European Union which ensured a bigger trust to foreign investors and opened up new opportunities for export of goods and services. Rapid economical growth in Latvia and other Baltic States have caused negative side effects threatening sustainable economical growth of national economy and further increase of population welfare. Preemptive increase of domestic demand in comparison with demand increase have caused increase of consumer and industrial prices thereby worsening the environment of entrepreneurship and increasing production cost. As a result increases the costs of goods produced in inland, decreases profit and decreases competitiveness in foreign markets of goods and services produced in Baltic States. This promotes an increase of negative net export in Latvia and Lithuania. The economic development indexes and analytical estimation gives opportunity to come to a conclusion that rapid and unbalanced development of Latvian economy strengthens the threats of sustainable development of national economy and increases the recession possibility in nearest two years.

Ванагс Я., Гейпеле И. Тенденции развития Латвийского народного хозяйства в условиях глобализации экономики Балтийских стран

В статье проанализирована и произведена оценка произведенного валового внутреннего продукта народного хозяйства Латвии и других Балтийских государств с точки зрения расходов в периоде времени 2002 - 2007 годах. Актуальность темы связана с быстрым ростом экономики Латвии в целом после присоединения Латвии к

Европейскому Союзу, который гарантировал большое доверие иностранным инвесторам и открыл новые возможности экспорта товаров и услуг. Быстрый экономический рост в Латвии и в других Балтийских государствах вызвал отрицательные побочные эффекты, угрожающие жизнеспособному экономическому росту народного хозяйства и дальнейшему росту уровня благосостояния населения. Приоритетное увеличение внутреннего спроса по сравнению с увеличением предложения вызвало увеличение потребительских и индустриальных цен, таким образом ухудшающих окружающую среду предпринимательства и увеличивающих себестоимость производства. В результате увеличивается затраты товаров, произведенных во внутренней среде, уменьшается прибыль и уменьшается конкурентоспособность на иностранных рынках товаров и услуг, произведенных в Балтийских государствах. Это содействует увеличению отрицательного нетто экспорта в Латвии и Литве. Индексы экономического развития и аналитическая оценка тенденций дают возможность прийти к выводу, что быстрое и неуравновешенное развитие экономики Латвии усиливает угрозу продолжительного жизнеспособного развития народного хозяйства и увеличивает возможности рецессии в ближайшие два года.