

MACROECONOMIC AND BUDGETARY REVIEW 2023

No 3

GROSS DOMESTIC PRODUCT (GDP)

GDP 2022

39 063 mln €

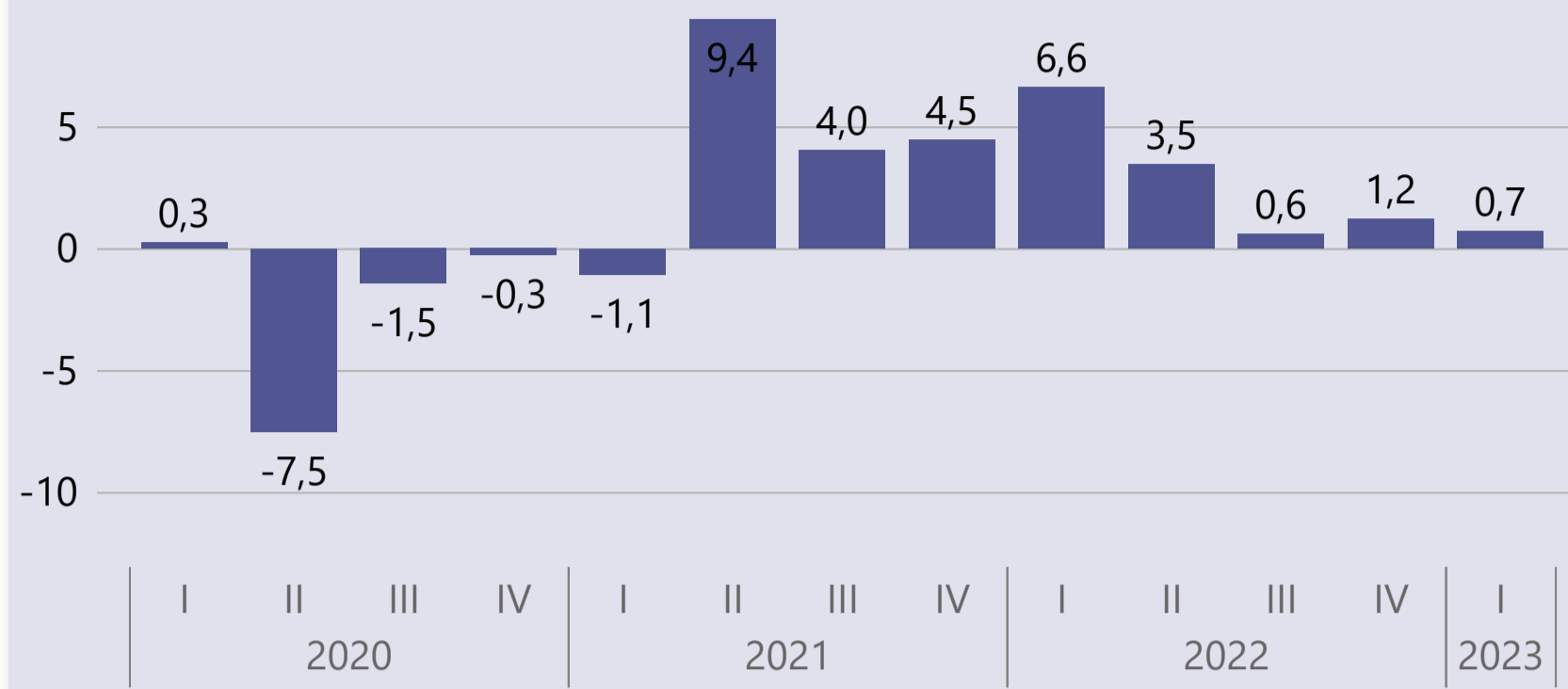
CSB, 21.04.2023.

GDP growth 2023

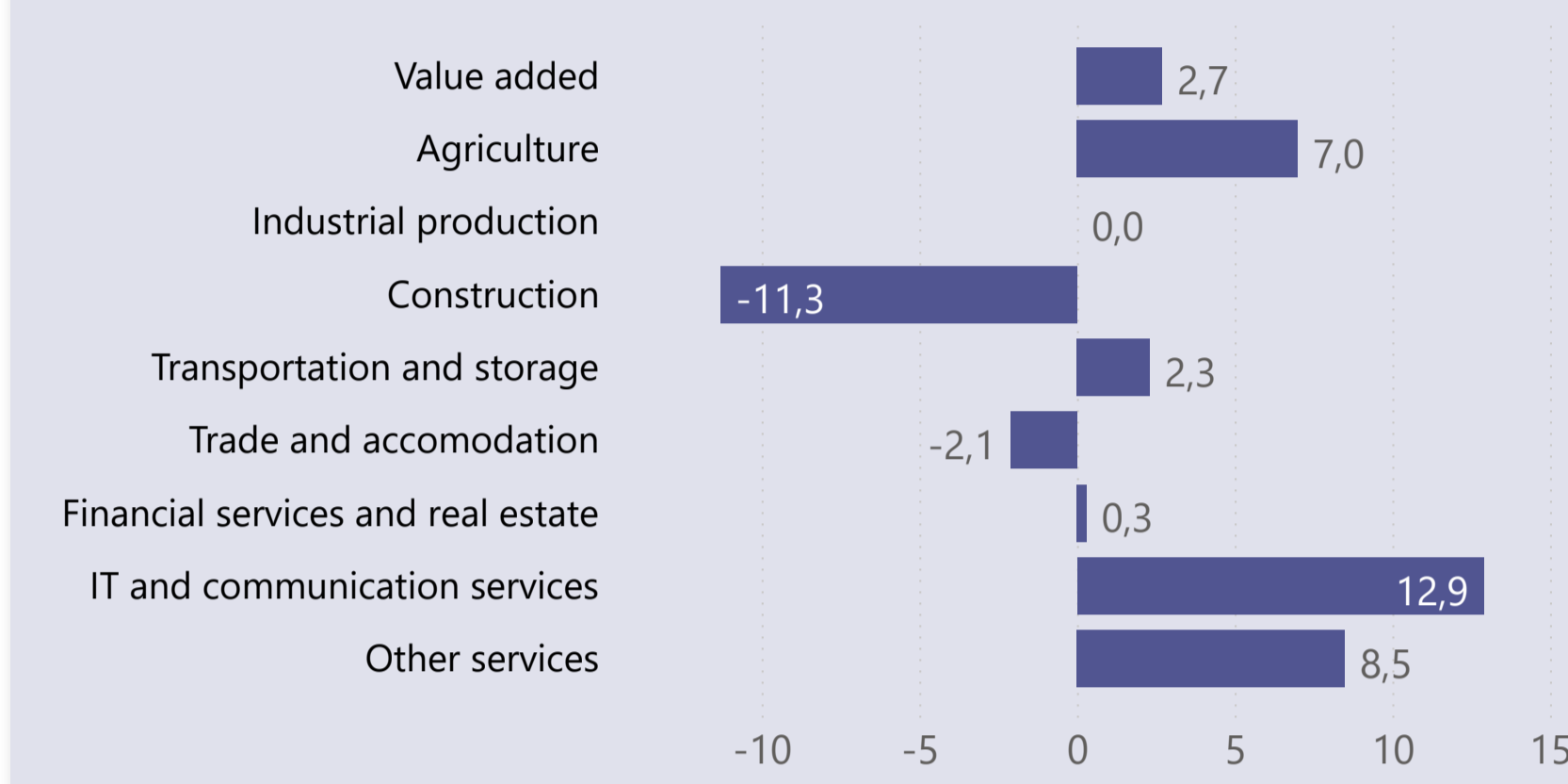
0.0%

MoF forecast, February 2023

GDP growth, YoY%

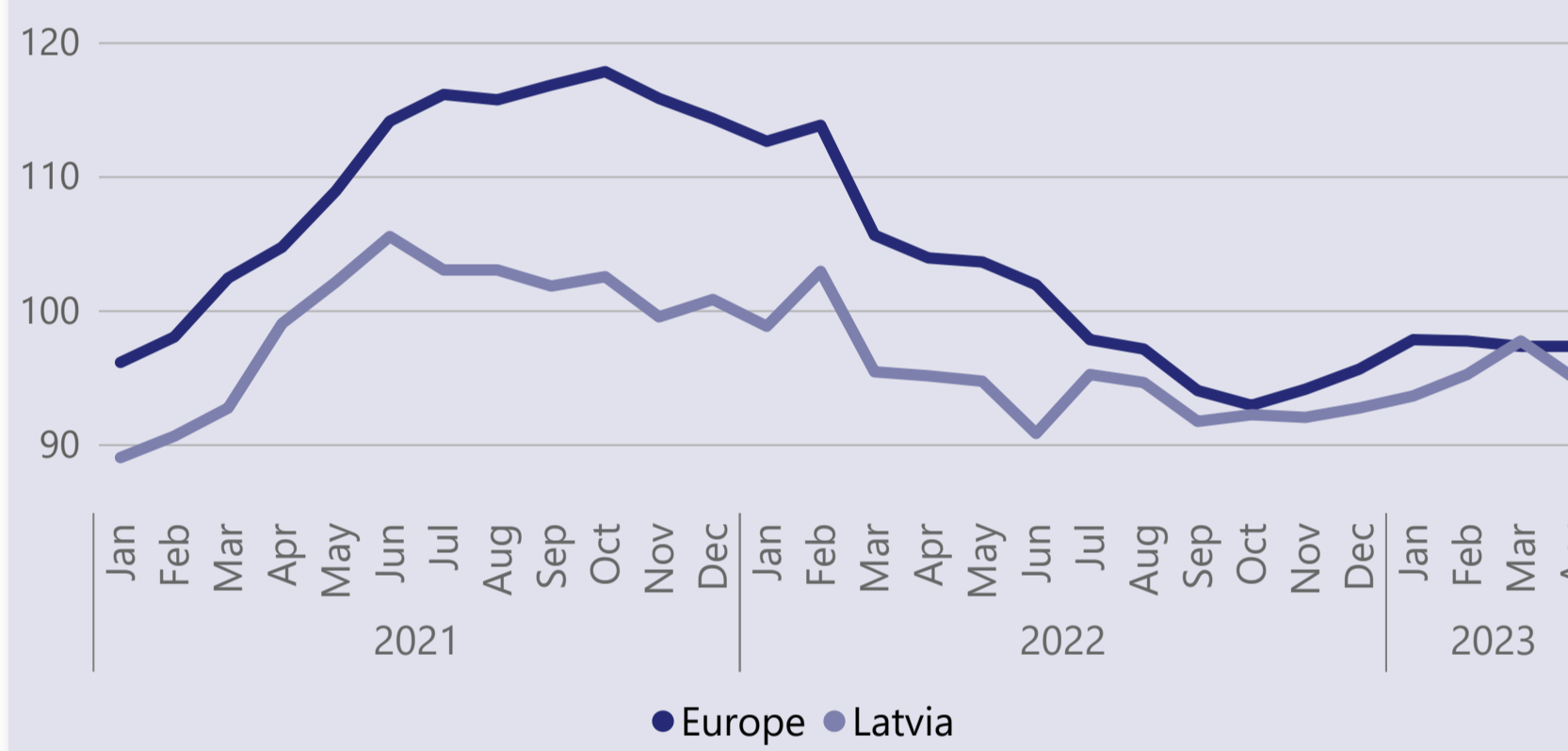


GDP growth by sectoral breakdown (2022/2021)



Source: Central Statistical Bureau(CSB); comparable prices; 1st Qrt 2023 early assessment

Economic confidence



Source: European Commission

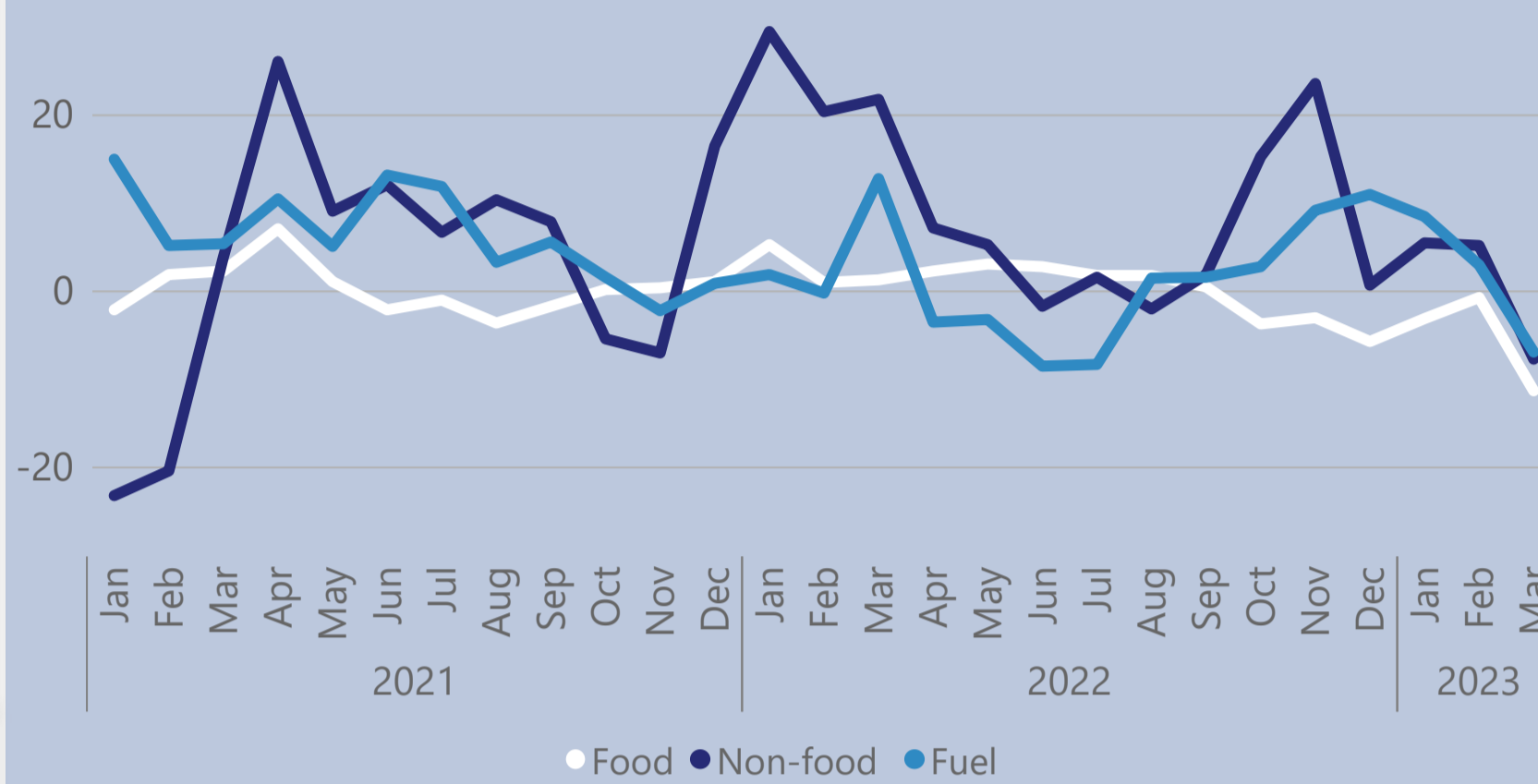
MAIN MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021	2022	2023*	2024*	2025*	2026*
Nominal GDP growth, %	6,4	8	5,2	-1,3	11,1	16,2	11,7	5,5	5,7	5,5
Real GDP growth, %	3,3	4	2,6	-2,3	4,3	2,8	0	2	2,9	2,8
GDP deflator, % change	2,9	3,9	2,6	1	6,4	13,1	11,7	3,4	2,7	2,7
Consumer price index, % change	2,9	2,5	2,8	0,2	3,3	17,3	10	2,2	2,5	2,5
Average monthly gross wage, EUR	926	1004	1076	1143	1277	1373	1490	1587	1666	1732
nominal growth, %	7,8	8,4	7,2	6,2	11,7	7,5	8,5	6,5	5	4
real growth, %	4,7	5,7	4,2	6	8,2	-8,4	-1,4	4,2	2,4	1,5
Number of persons employed, thsd	895	909	910	893	864	886	886	884	882	877
growth, %	0,2	1,6	0,1	-1,9	-3,2	2,6	0	-0,2	-0,3	-0,6
Unemployment rate, %	8,7	7,4	6,3	8,1	7,6	6,9	7,1	6,8	6,4	6,4

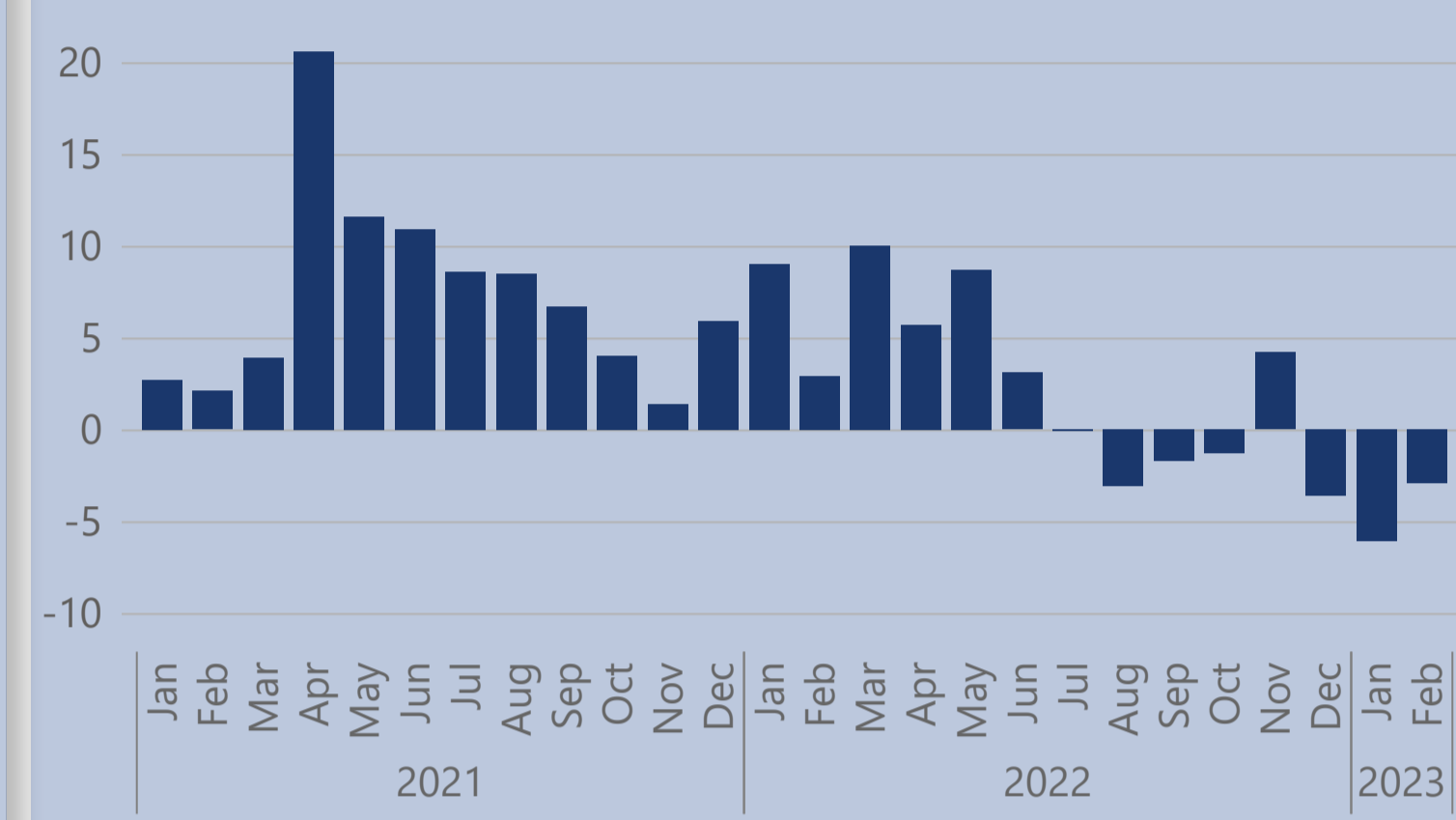
Source: CSB (21.04.2023), *forecasts of the Ministry of Finance of the Republic of Latvia (February 2023)

INDUSTRIES

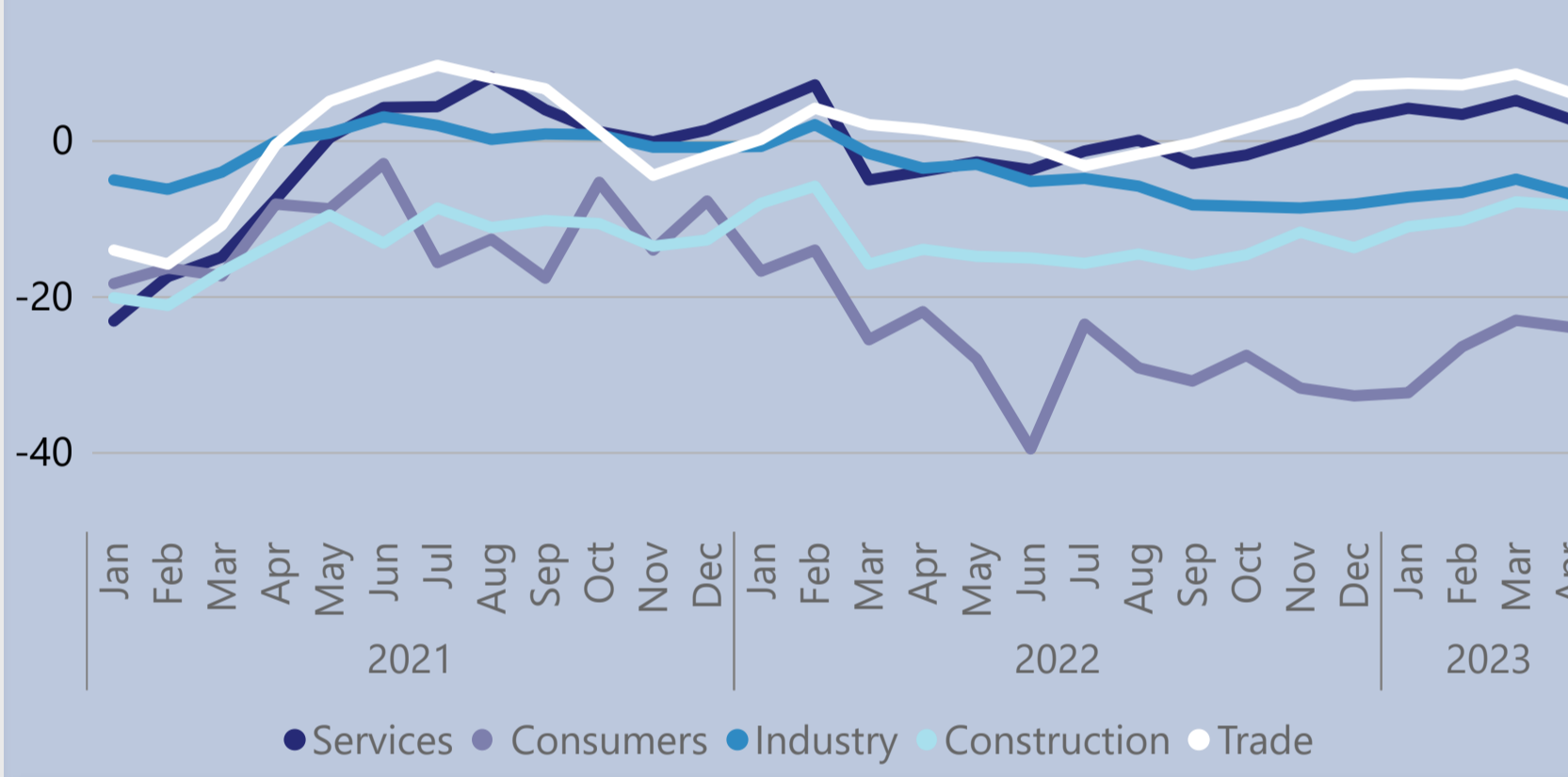
Retail trade growth, YoY%



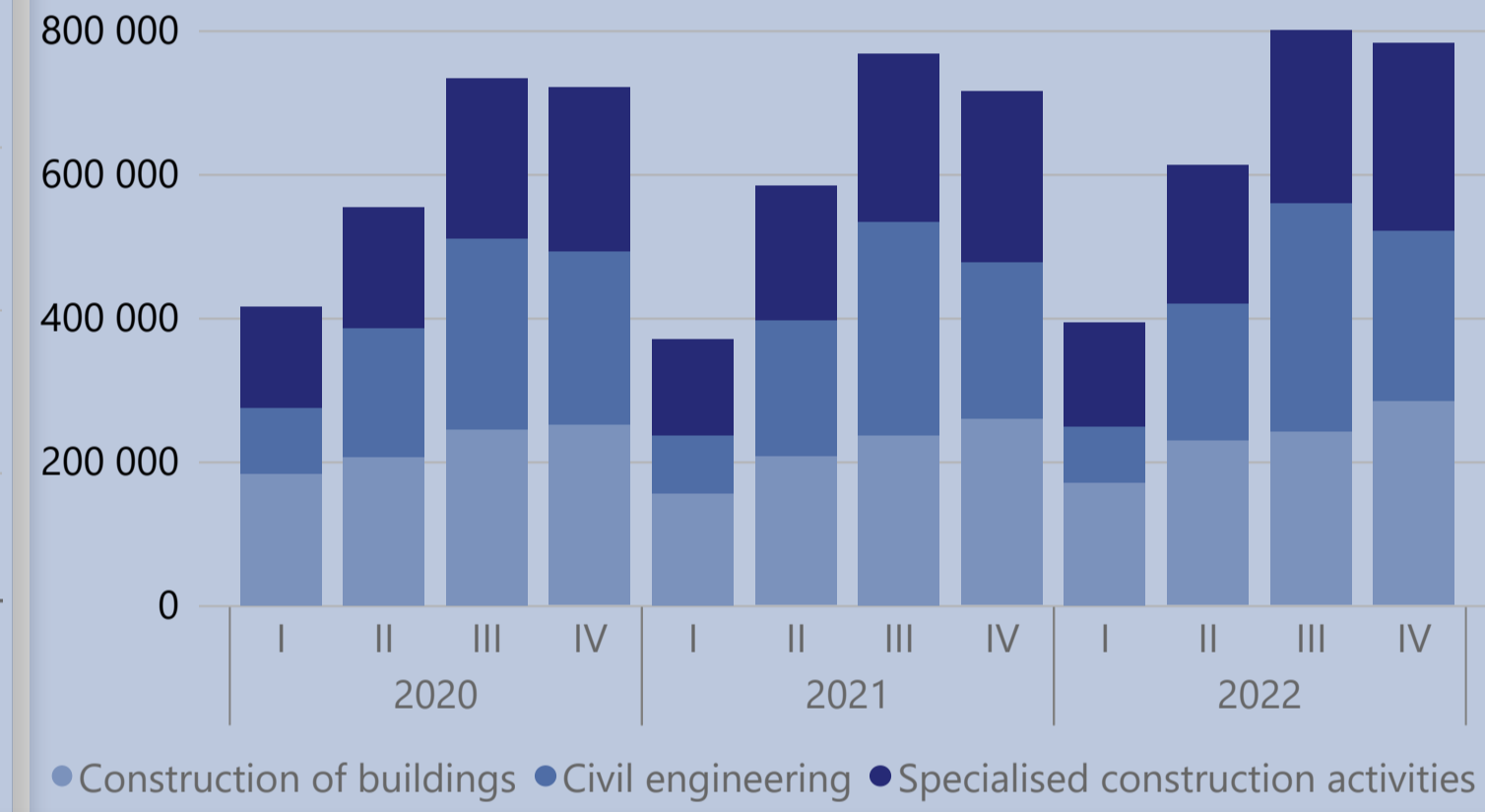
Manufacturing output, YoY%



ESI Sector Confidence Index in Latvia



Construction output at constant prices, thsd €



Source: CSB, European Commission

INFLATION

Inflation

17.3%

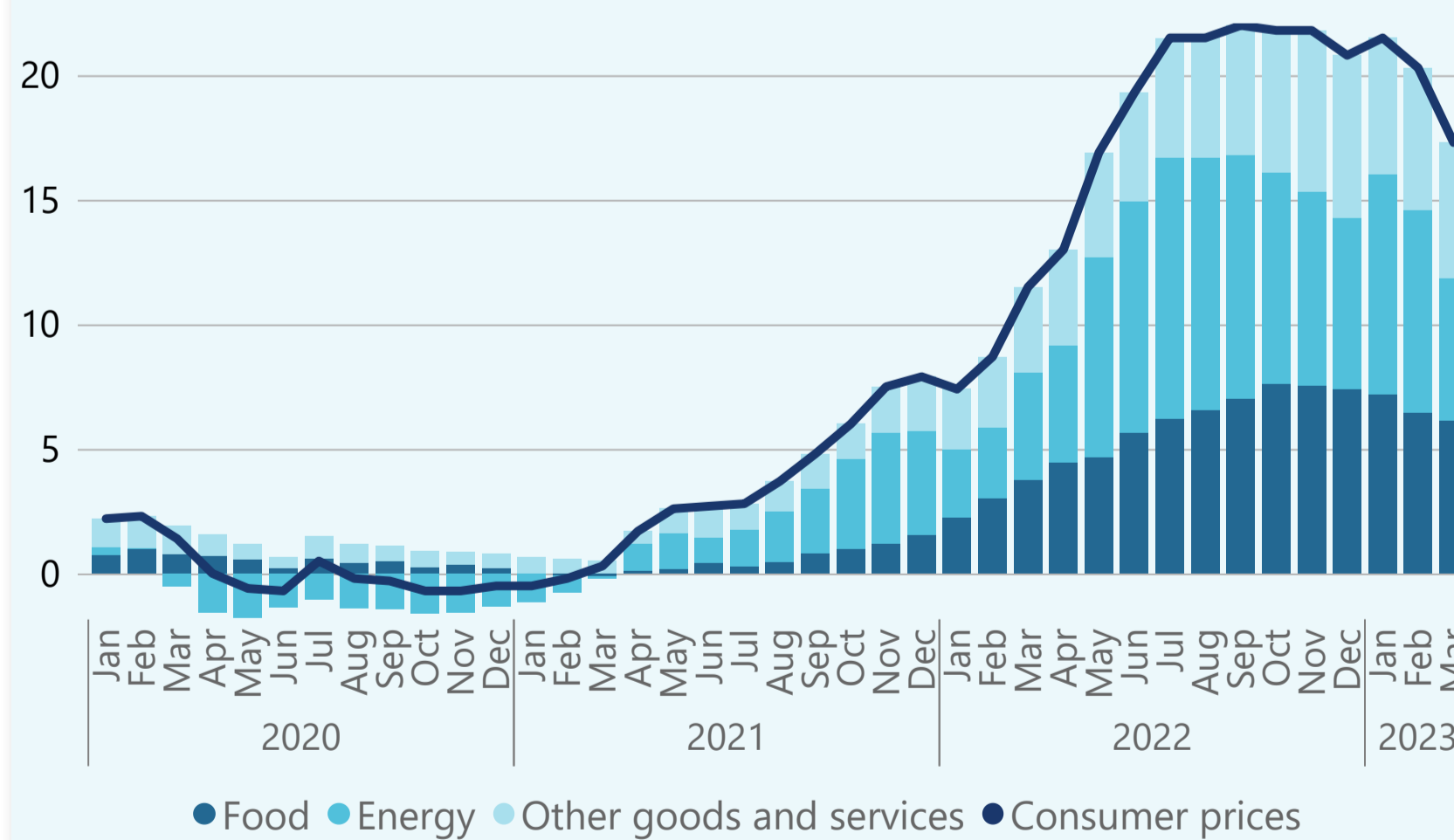
March 2023

Producer price rise

16.2%

March 2023

Consumer prices, YoY%



UNEMPLOYMENT

Registered

6.0%

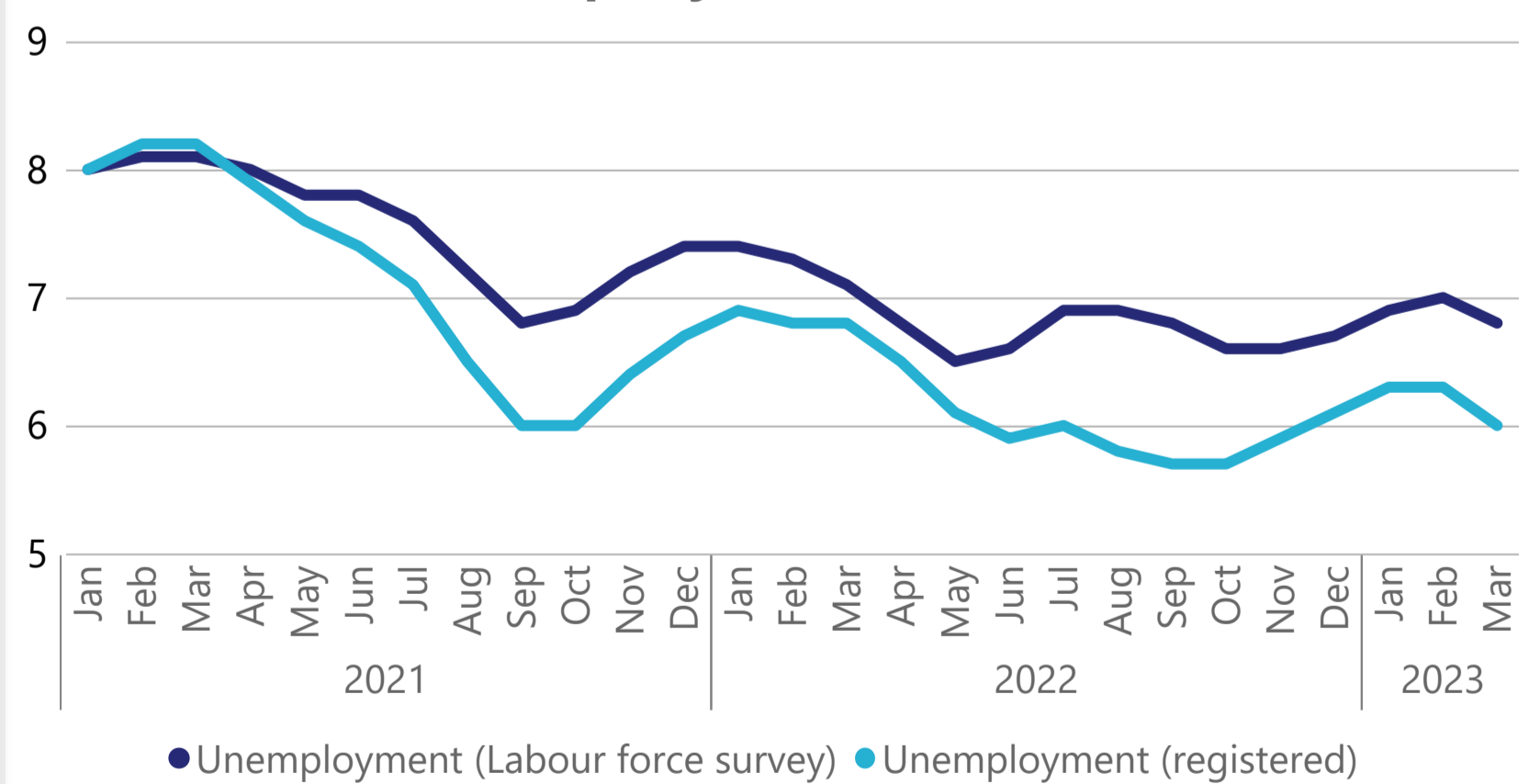
March 2023

Labour force survey

6.8%

March 2023

Unemployment rate, %



Source: CSB, State Employment Agency

WAGE

Private sector

1 441€
(+9.3% YoY)

4Q 2022

Public sector

1 451€
(+4.8% YoY)

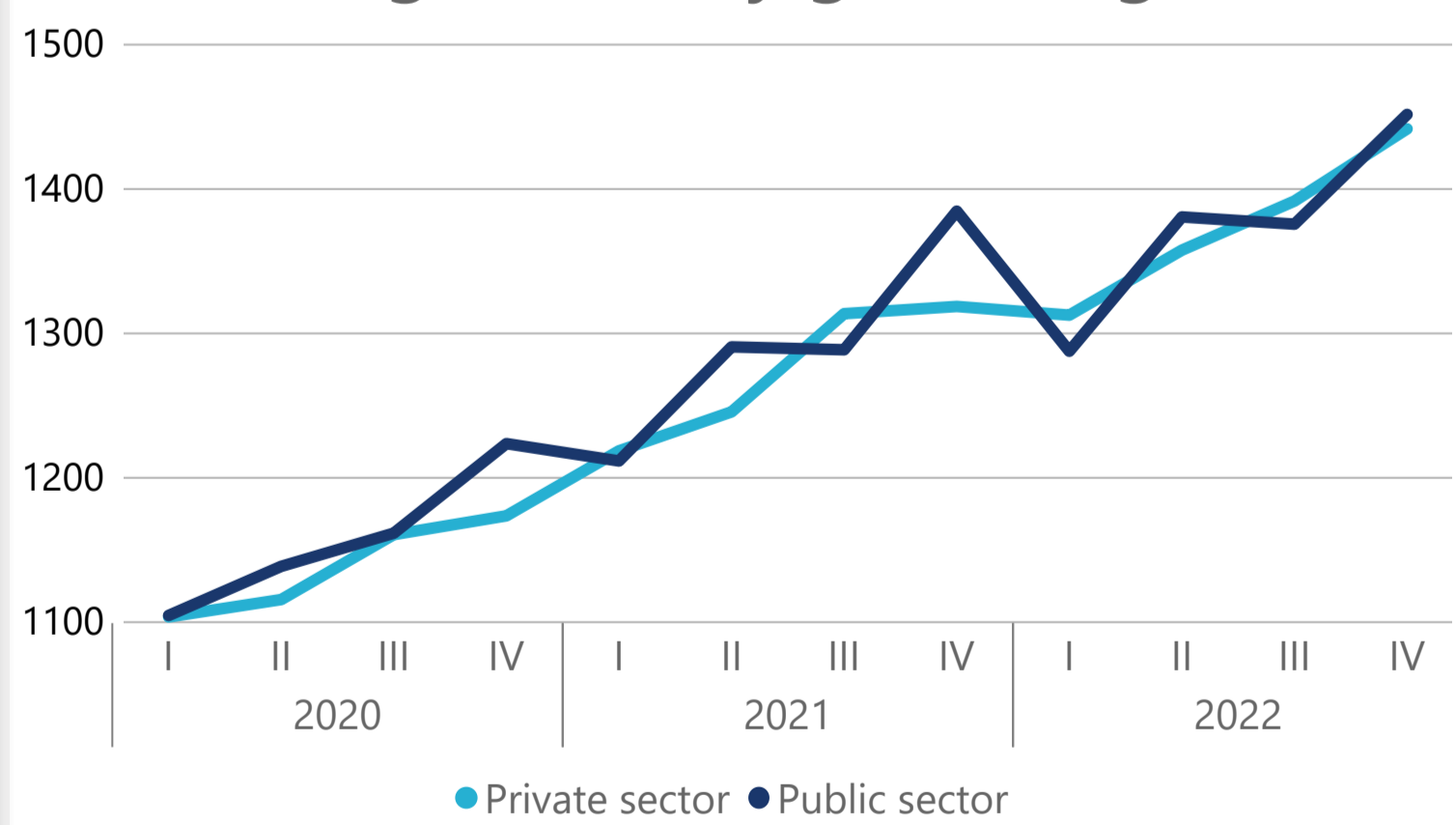
4Q 2022

Total

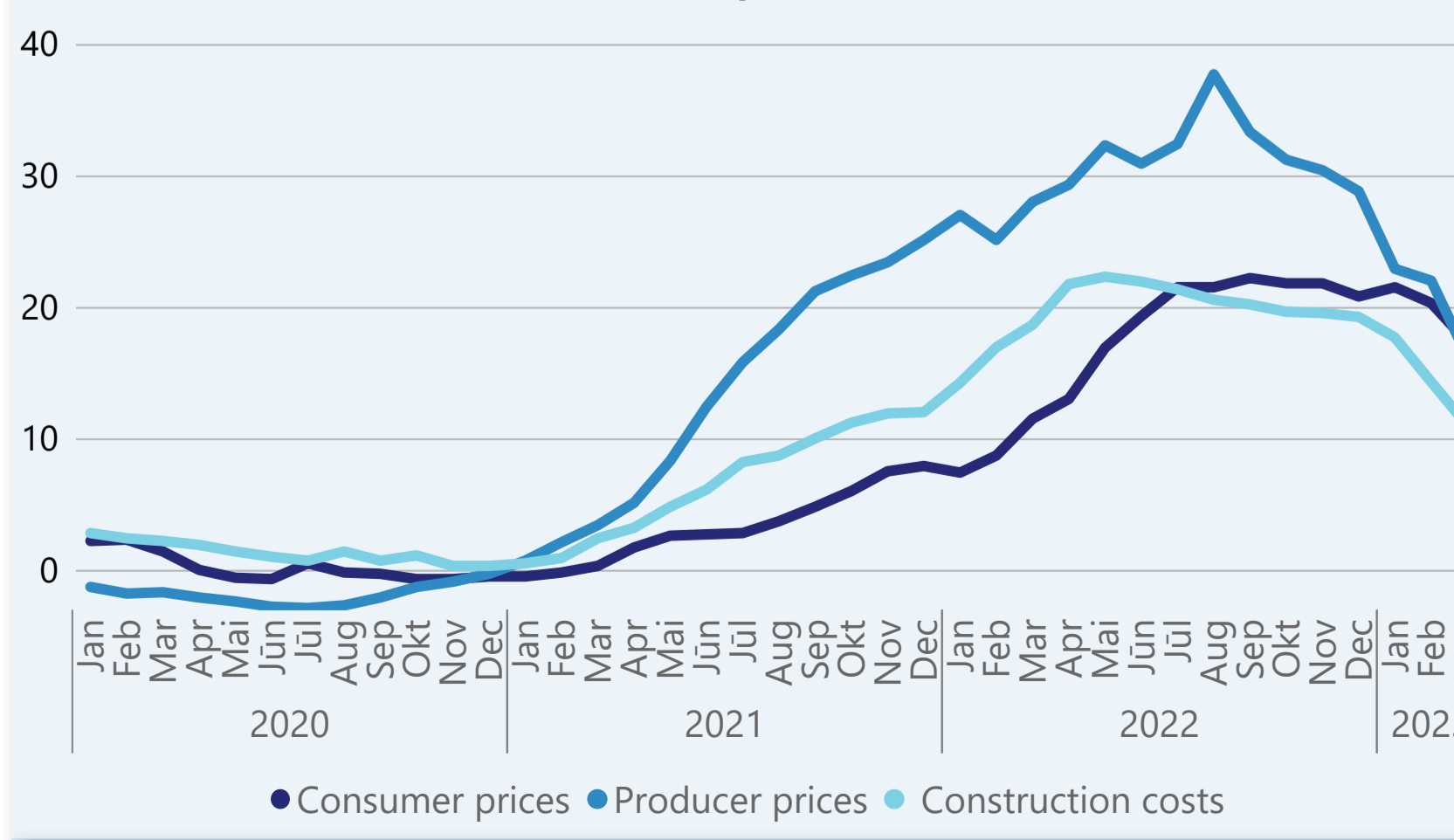
1 443€
(+8.0% YoY)

4Q 2022

Average monthly gross wage, €



Prices, YoY%



Source: CSB

FOREIGN TRADE

Foreign trade (goods), mln €



Source: CSB; Bank of Latvia

Foreign trade (services), mln €



GENERAL GOVERNMENT BUDGET

General government budget balance
2023

-4.0% of GDP

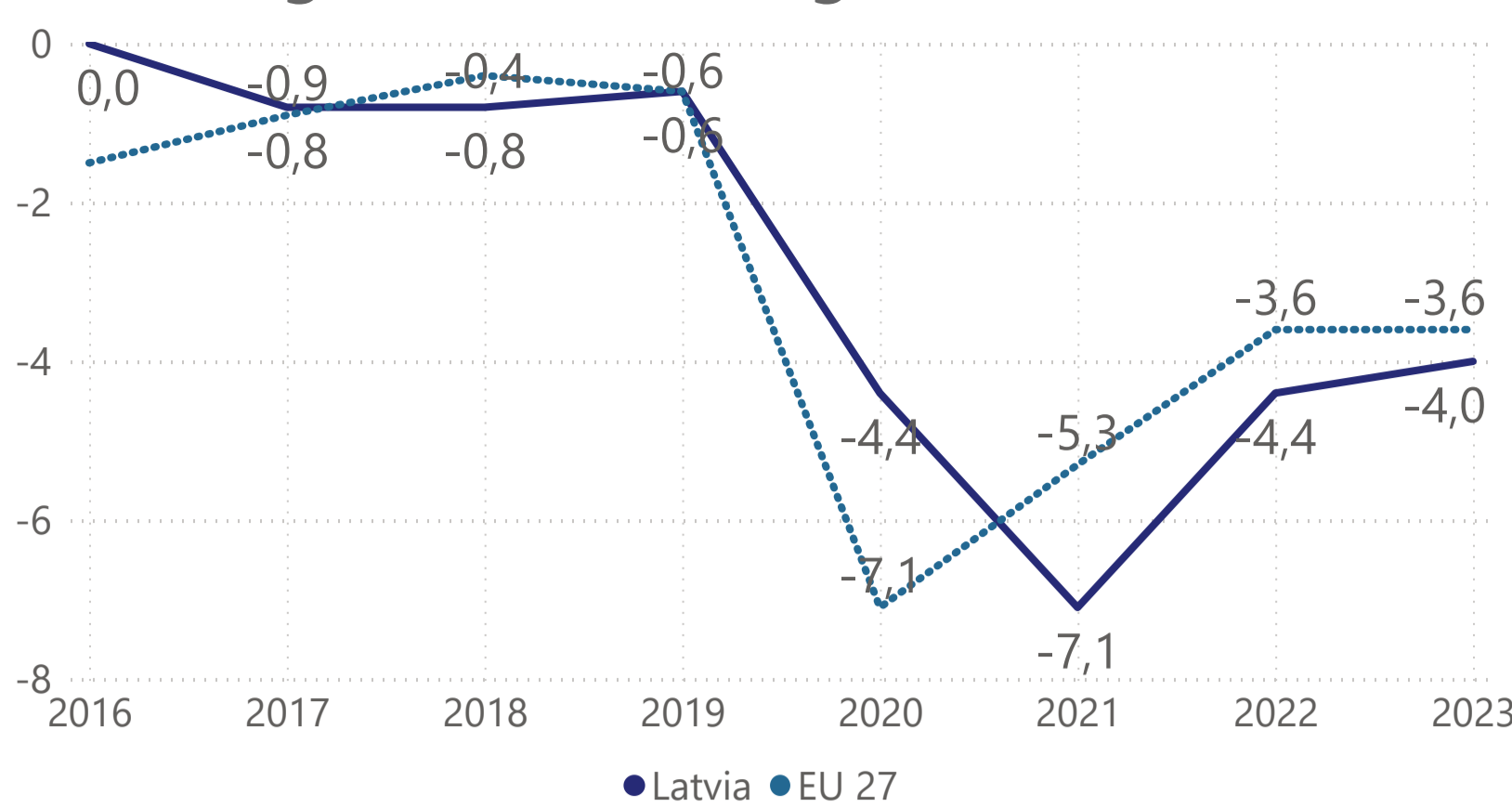
Forecast of MoF, March 2023

General government debt 2023

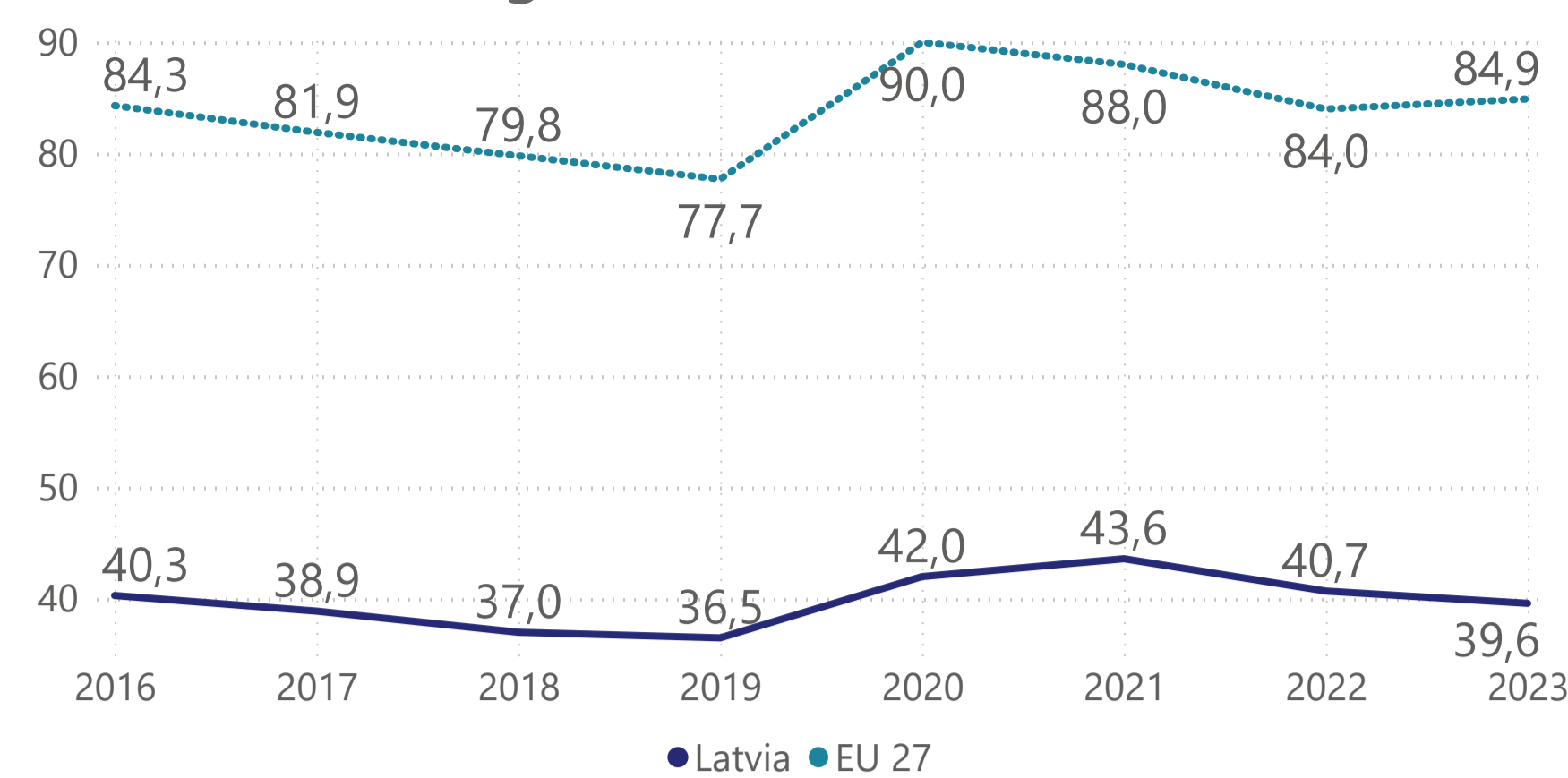
39.6% of GDP

Forecast of State Treasury, March 2023

General government budget balance, % of GDP



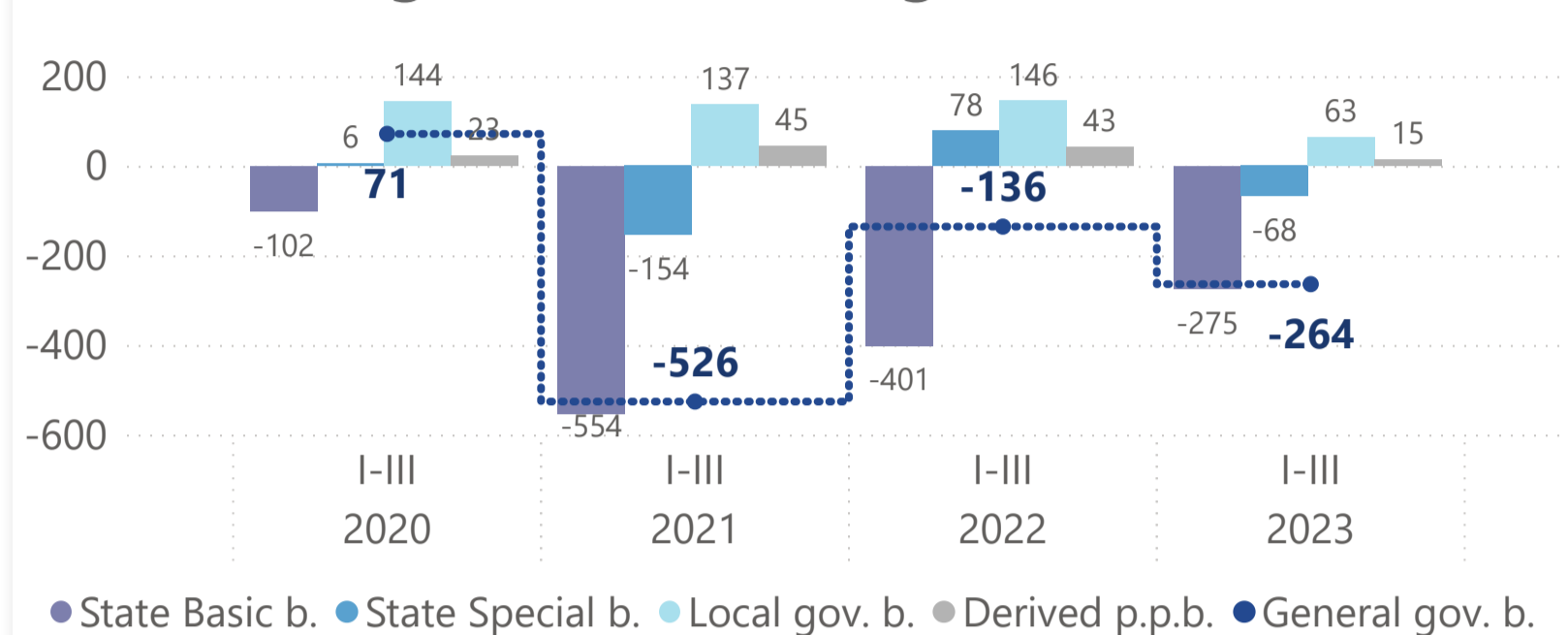
General government debt, % of GDP



Source: Eurostat, AMECO Autumn Forecast 2022, "Stability Programme of Latvia 2023-2026".

GENERAL GOVERNMENT BUDGET IN JANUARY-MARCH 2023 ON CASH BASIS

General government budget balance, mln €



General government budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	3 584,5	291,8	8,9%
Expenditure	3 848,6	420,1	12,3%
Balance	-264,1	-128,4	

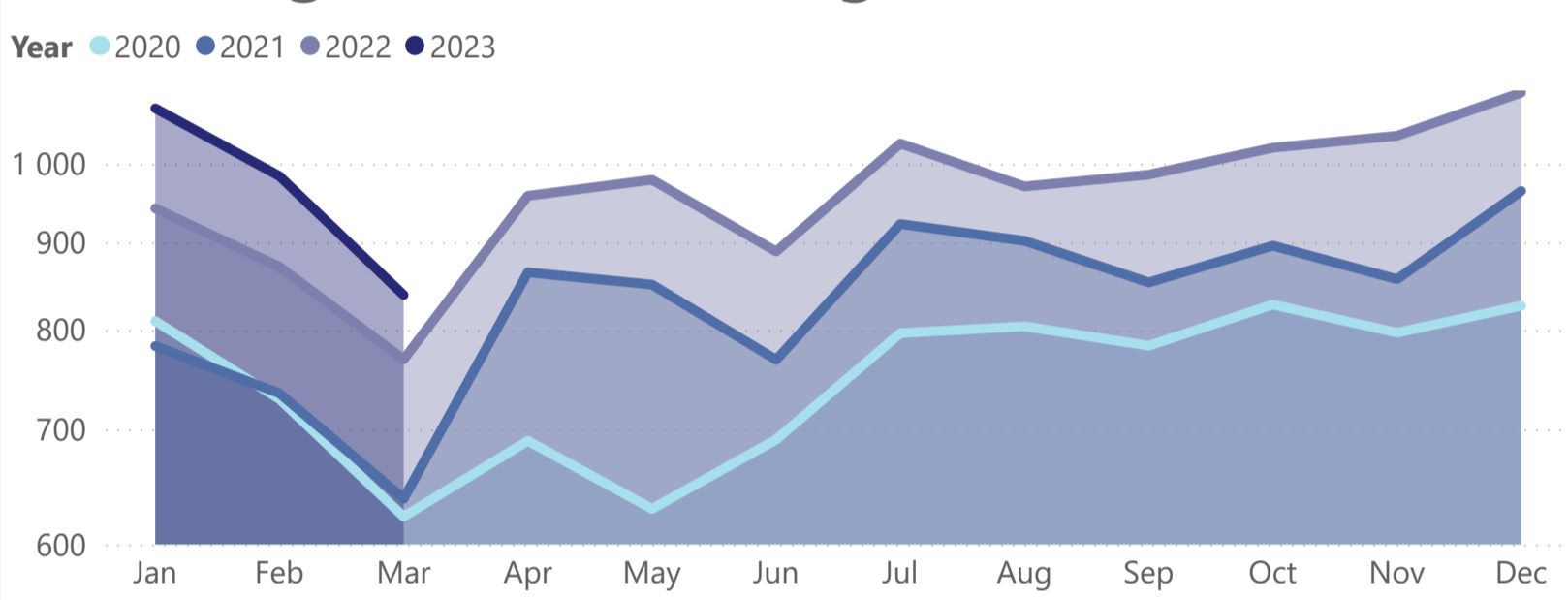
General government budget Execution, YoY, mln € YoY, %

General government budget	Execution, mln €	YoY, mln €	YoY, %
Revenue			
Tax revenue	2 899,1	317,5	12,3%
Non tax revenue	156,1	-12,8	-7,6%
Self-earned revenue	127,5	16,9	15,3%
Foreign financial assistance	401,2	-29,6	-6,9%
Expenditure			
Remuneration	711,6	98,4	16,0%
Goods and services	479,8	80,8	20,3%
Interest payments	72,6	15,3	26,7%
Subsidies and grants	1 028,3	158,8	18,3%
Social support	1 257,4	39,4	3,2%
Payments to EU budget	90,7	-10,7	-10,5%
Capital expenditure	192,6	44,2	29,8%

General government budget tax revenue

Tax type	Execution, mln €	YoY, mln €	YoY, %
VAT	1 013,3	253,7	33,4%
SSC	928,0	45,0	5,1%
PIT	512,7	32,9	6,9%
EXCISE	279,1	15,7	6,0%
CIT	112,1	27,8	33,0%

General government budget tax revenue, mln €

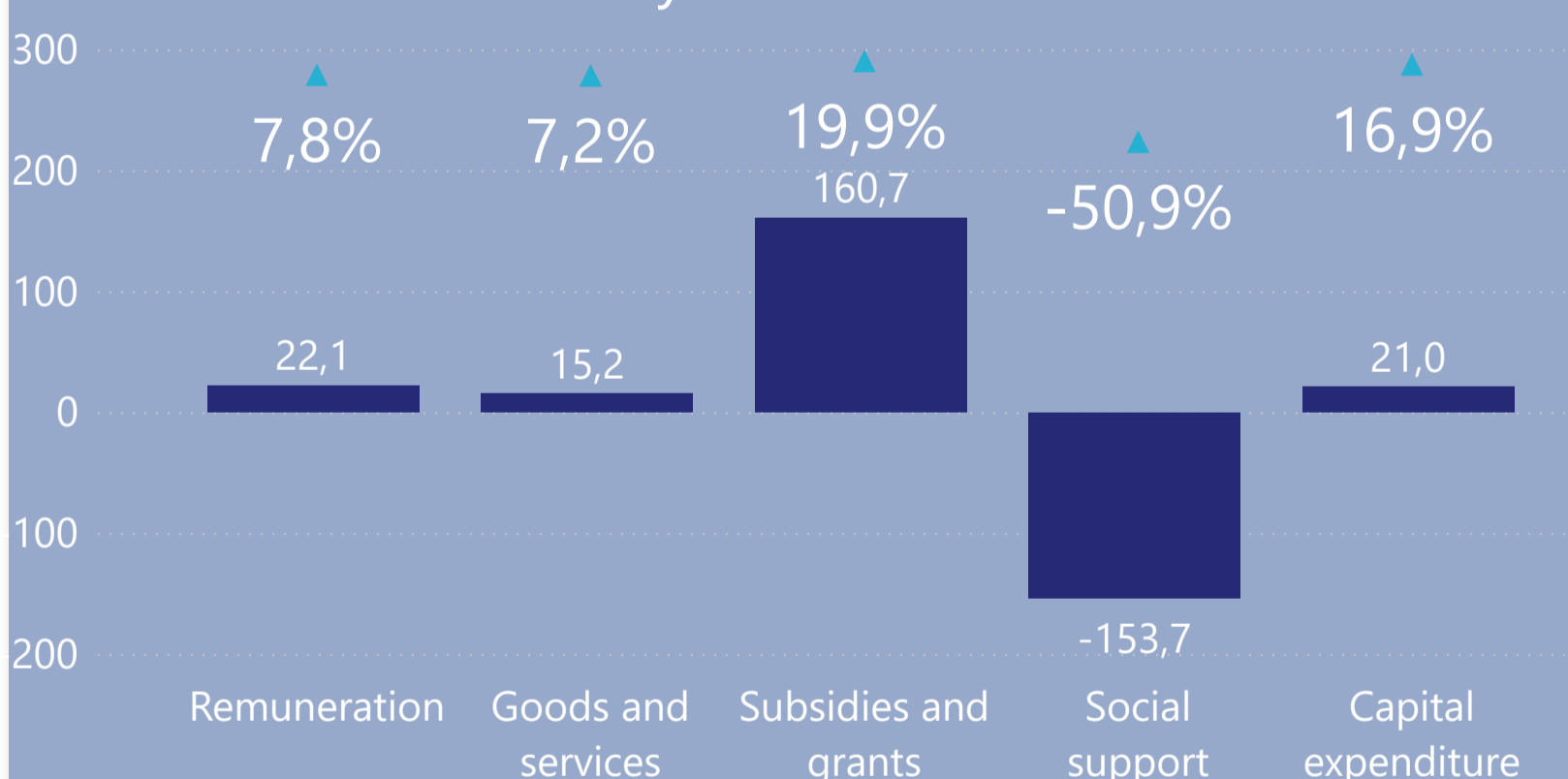


Source: Treasury. General government budget tax revenue in January-February 2023 including revenue in the single tax account -123.2 mln € and not included SSC revenues in 2ng pension tier 120.2 mln €.

STATE BASIC BUDGET

State Basic Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	2 044,7	202,6	11,0%
Expenditure	2 319,3	76,0	3,4%
Balance	-274,7	126,7	

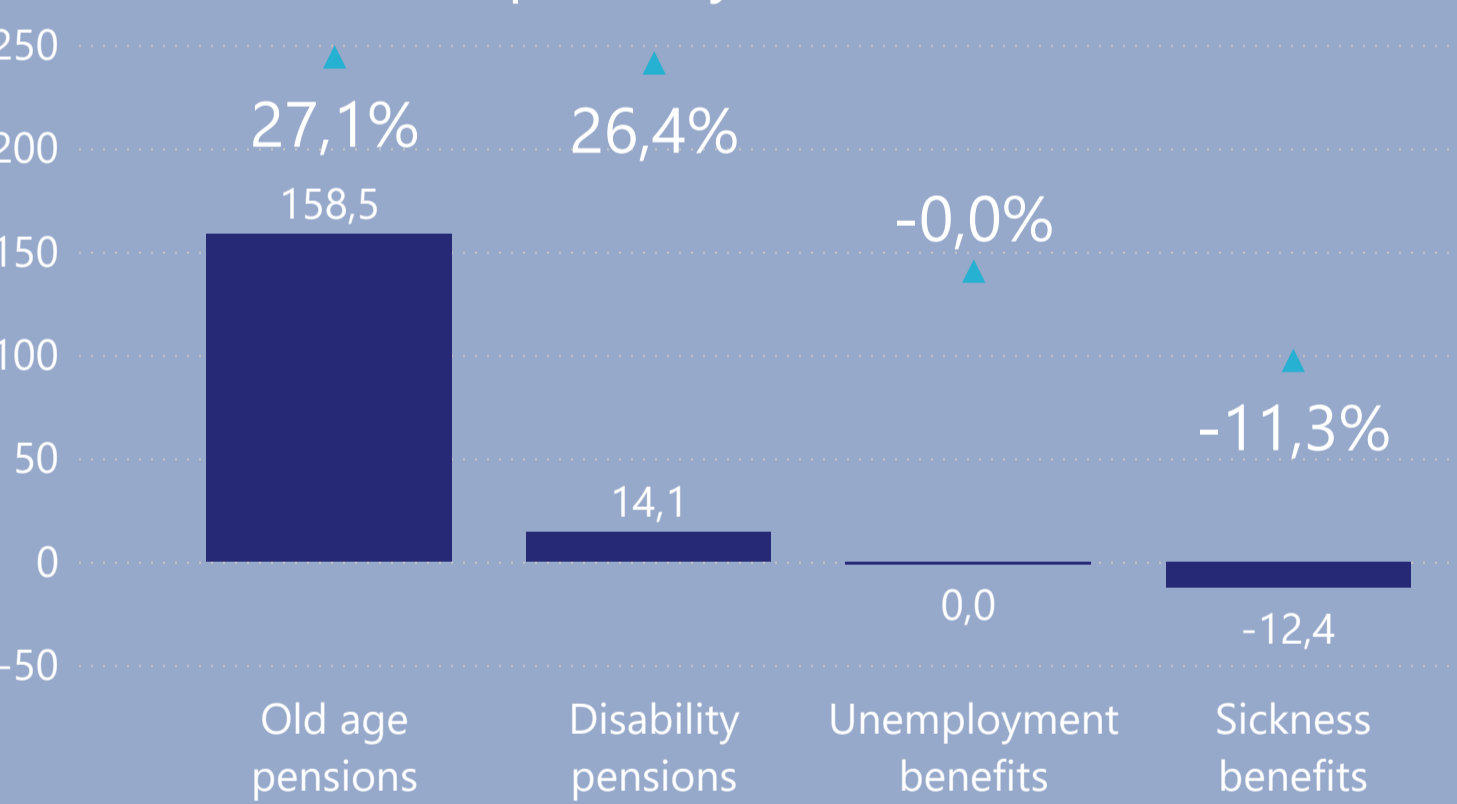
Major changes in mln € and % against respective period year before



STATE SPECIAL BUDGET

State Special Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	981,9	25,8	2,7%
Expenditure	1 049,7	171,8	19,6%
Balance	-67,9	-146,0	

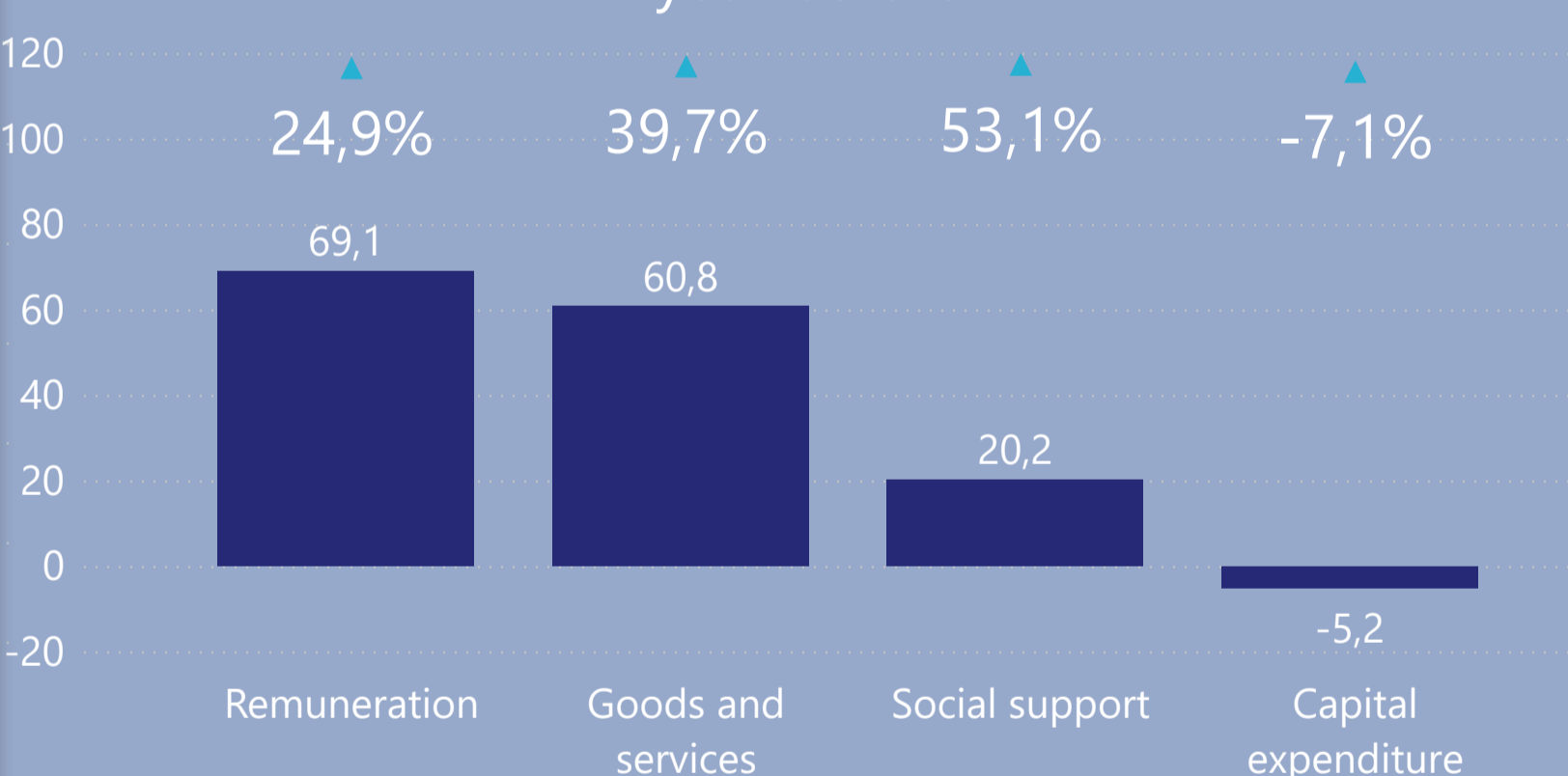
Major changes in mln € and % against respective period year before



LOCAL GOVERNMENT BUDGET

Local Government Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	824,4	70,6	9,4%
Expenditure	761,0	152,6	25,1%
Balance	63,4	-82,1	

Major changes in mln € and % against respective period year before



YoY - changes in mln euro against respective period year before; YoY% - changes in per cent against respective period year before

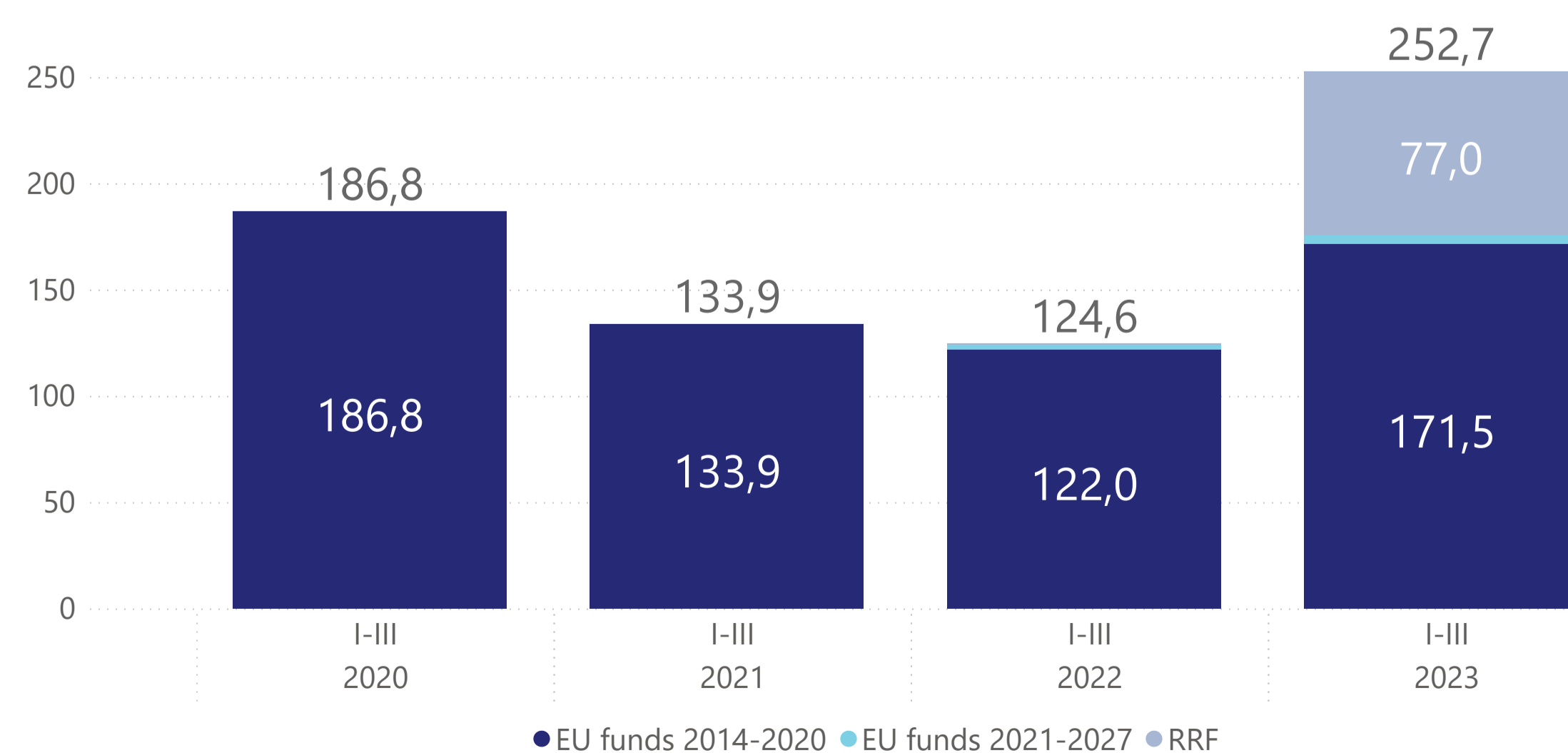
CRISIS SUPPORT MEASURES

Total support and impact on general government budget balance, mln € and % of GDP

Measure	2020	2021	2022	2023	2023p
Covid-19	1281,7	2315,1	965,9	0,6	100,8
Energy		1,9	603,5	291,1	621,6
Ukraine			81,0	14,4	102,0
Total support measures	1281,7	2317,0	1650,4	306,5	824,4
% of GDP	4,2	6,9	4,2	0,7	1,9
Impact on budget balance	-960,8	-2104,7	-1481,0	-306,5	-856,3
(% of GDP)	-3,2	-6,3	-3,8	-0,7	-2,0

EUROPEAN UNION FUNDS

Investments of EU funds, mln €



Source: Plan according to the government decisions till March 13th, 2023. Execution according to data from the State Treasury, State Revenue Service, ALTUM, etc. till March 31st, 2023.

Source: State Treasury. Investments of EU funds, included co-financing from general government budget. EU funds - funds for implementation of Cohesion policy (European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund (CF). RRF- Recovery and Resilience Facility plan.