

# MACROECONOMIC AND BUDGETARY REVIEW 2022

## No 2

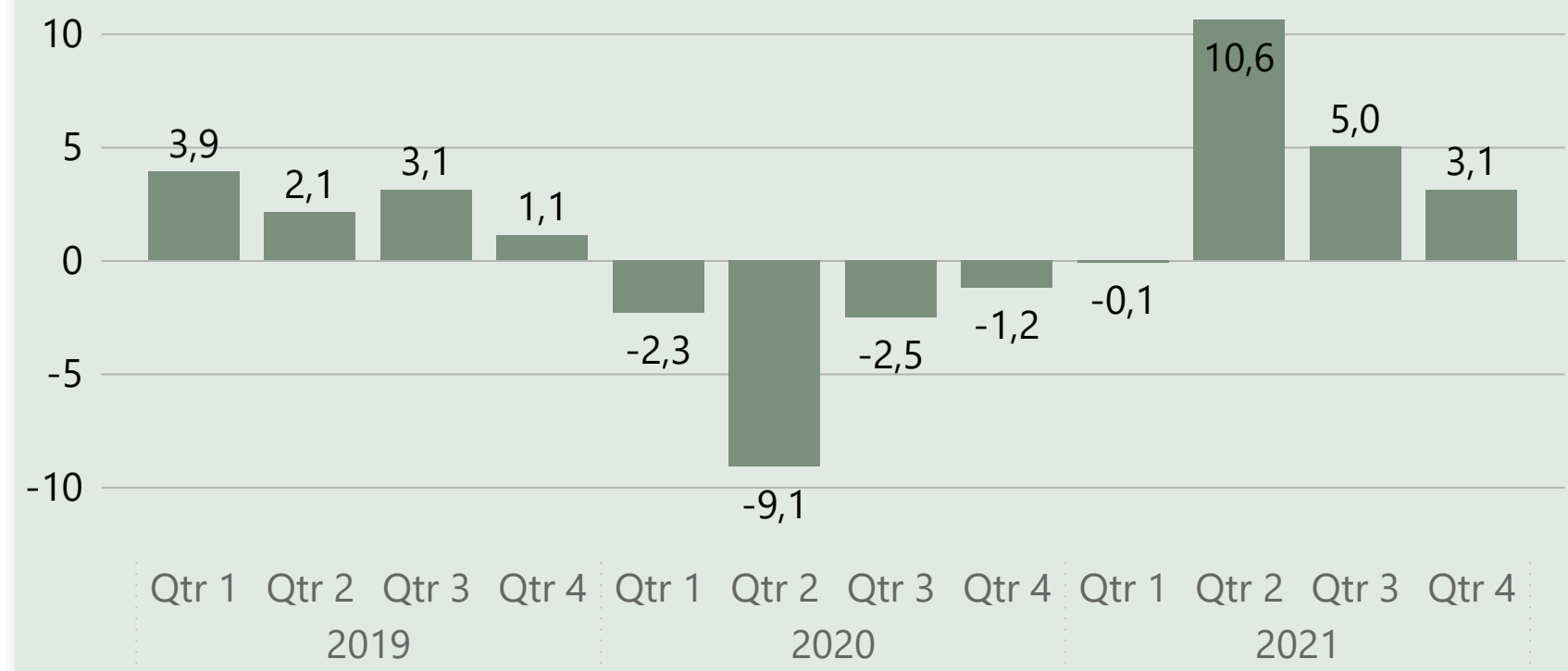
### GROSS DOMESTIC PRODUCT (GDP)

#### Gross domestic product 2021

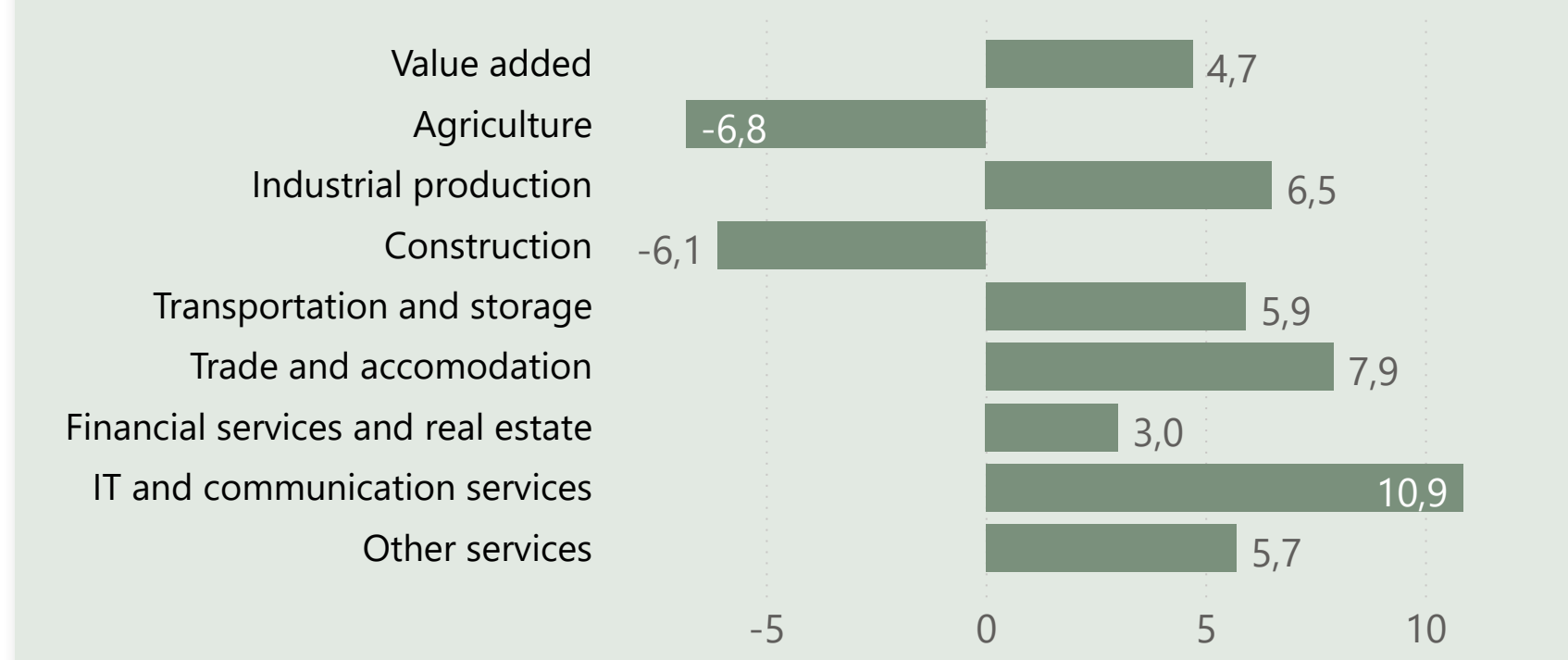
32 917 mln €

Central Statistical Bureau, February 28th 2022

#### GDP growth, YoY%



#### GDP growth by sectoral breakdown (2021/2020), %



Source: Central Statistical Bureau(CSB)

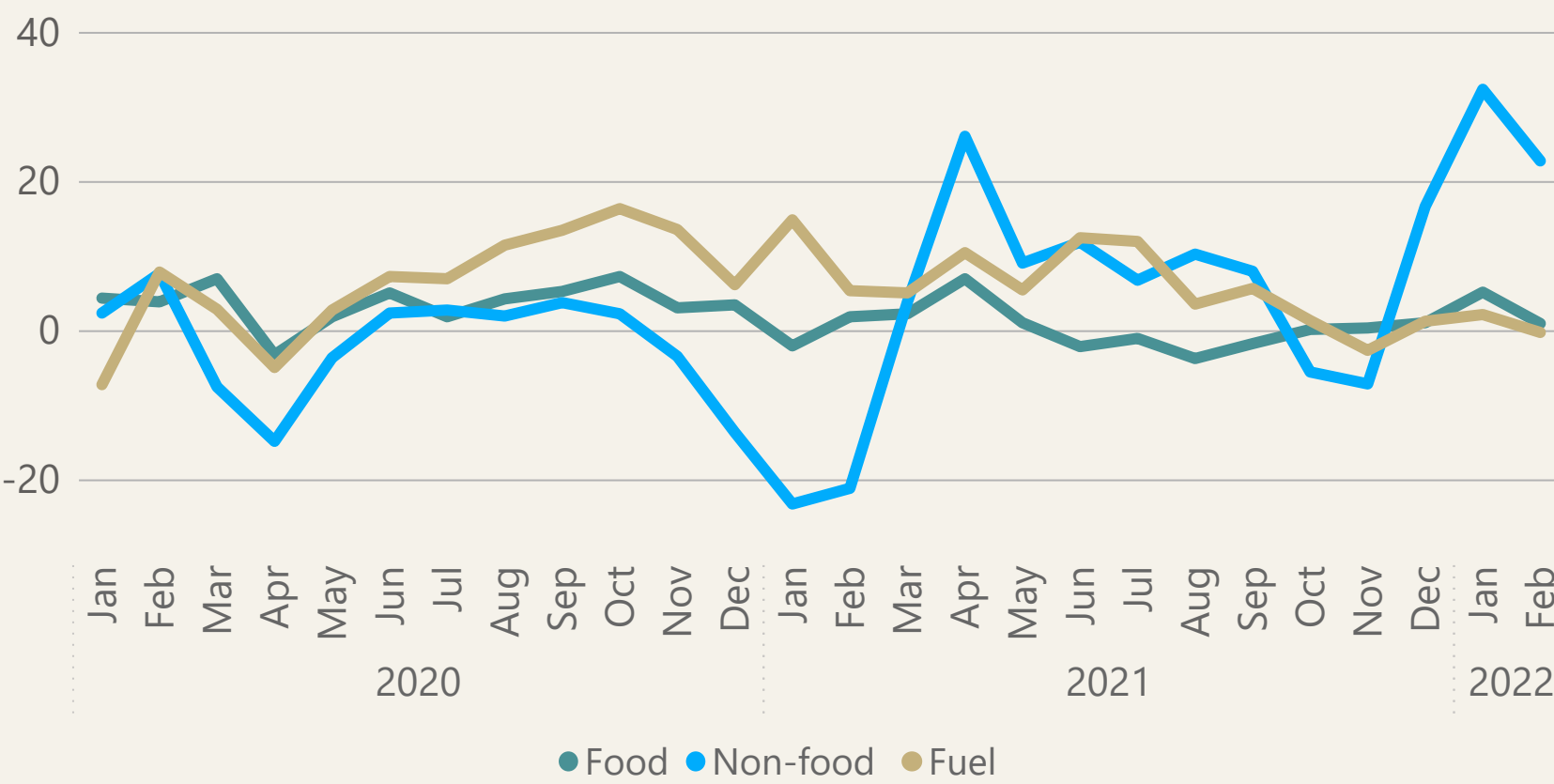
### MAIN MACROECONOMIC INDICATORS

| Indicator                        | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022* | 2023* | 2024* | 2025* |
|----------------------------------|------|------|------|------|------|------|-------|-------|-------|-------|
| Nominal GDP growth, %            | 3,3  | 6,4  | 8    | 5,1  | -4   | 11,8 | 10,9  | 6,8   | 6,1   | 5,8   |
| Real GDP growth, %               | 2,4  | 3,3  | 4    | 2,5  | -3,8 | 4,8  | 2,1   | 2,5   | 3,3   | 3,4   |
| GDP deflator, % change           | 0,9  | 2,9  | 3,9  | 2,6  | -0,1 | 6,7  | 8,7   | 4,2   | 2,7   | 2,3   |
| Consumer price index, % change   | 0,2  | 2,9  | 2,6  | 2,8  | 0,2  | 3,3  | 8,5   | 3,5   | 2,5   | 2     |
| Average monthly gross wage, EUR  | 859  | 926  | 1004 | 1076 | 1143 | 1277 | 1354  | 1431  | 1507  | 1582  |
| nominal growth, %                | 5    | 7,8  | 8,4  | 7,2  | 6,2  | 11,7 | 6     | 5,7   | 5,3   | 5     |
| real growth, %                   | 4,8  | 4,7  | 5,7  | 4,2  | 6    | 8,2  | -2,3  | 2,1   | 2,7   | 2,9   |
| Number of persons employed, thsd | 893  | 895  | 909  | 910  | 893  | 864  | 875   | 879   | 879   | 879   |
| growth, %                        | -0,3 | 0,2  | 1,6  | 0,1  | -1,9 | -3,2 | 1,3   | 0,4   | 0     | 0     |
| Unemployment rate, %             | 9,6  | 8,7  | 7,4  | 6,3  | 8,1  | 7,6  | 7,6   | 6,7   | 6,2   | 5,9   |

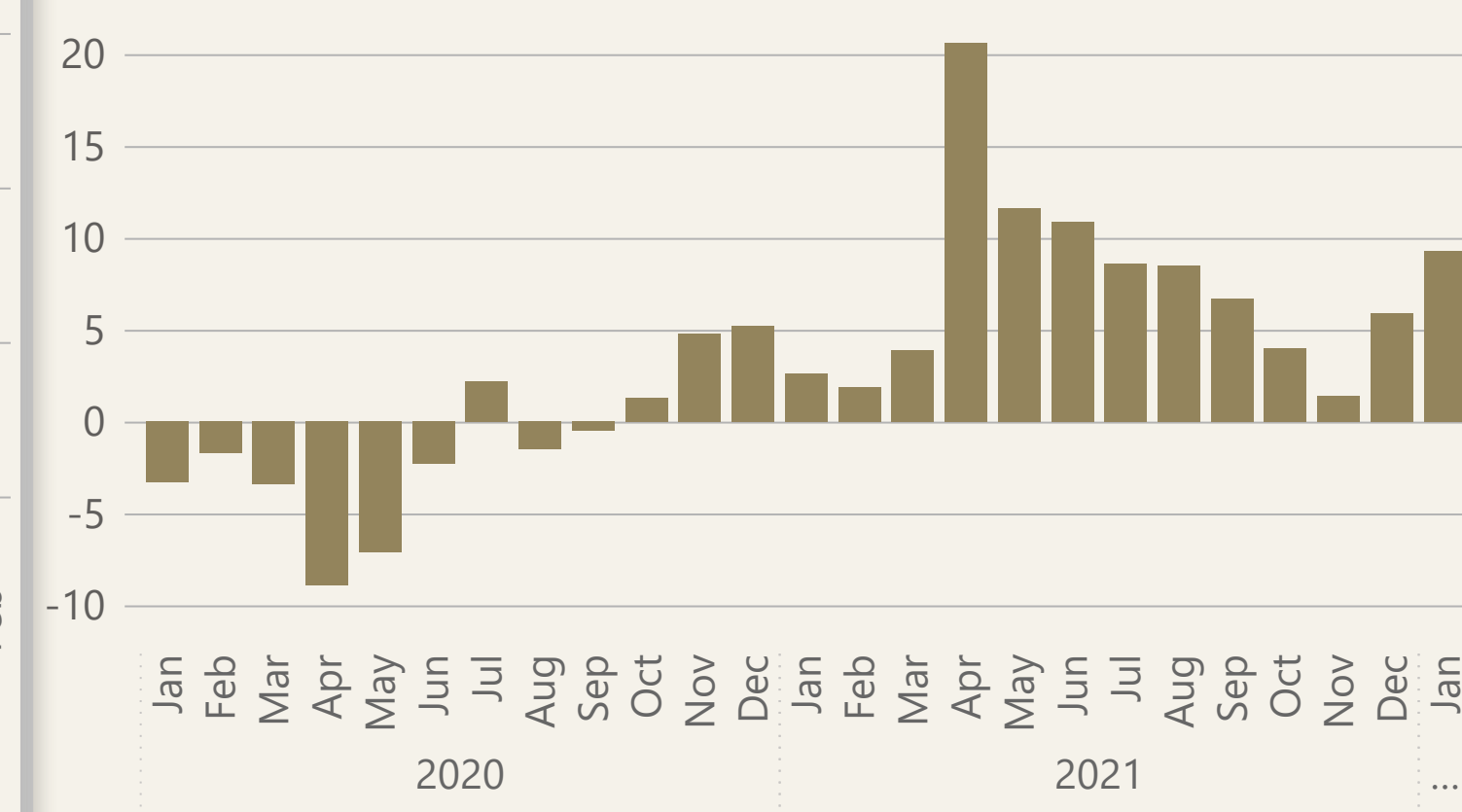
Source: CSB, \*forecasts of the Ministry of Finance of the Republic of Latvia (March 2022)

### INDUSTRIES

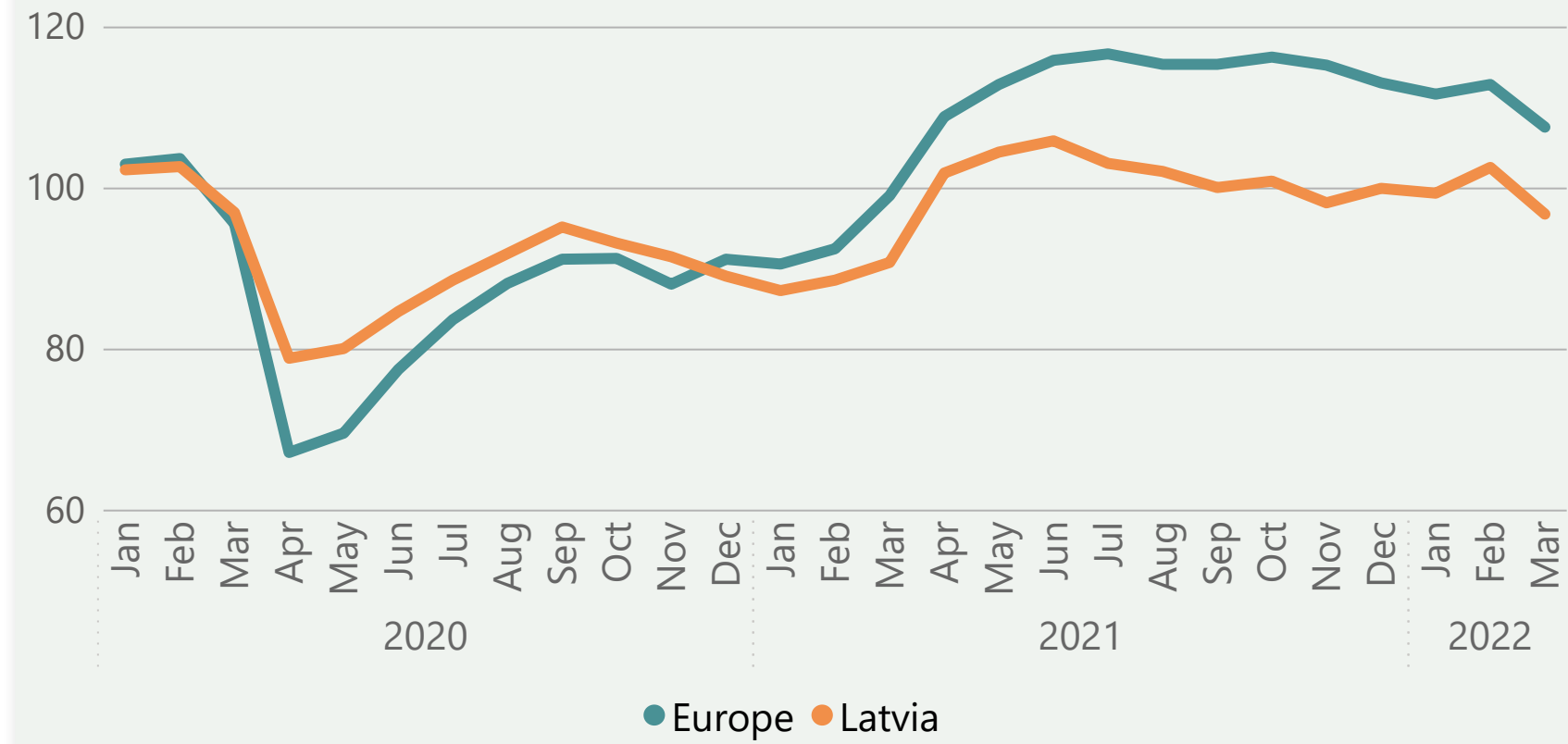
#### Retail trade growth, YoY%



#### Manufacturing output, YoY%

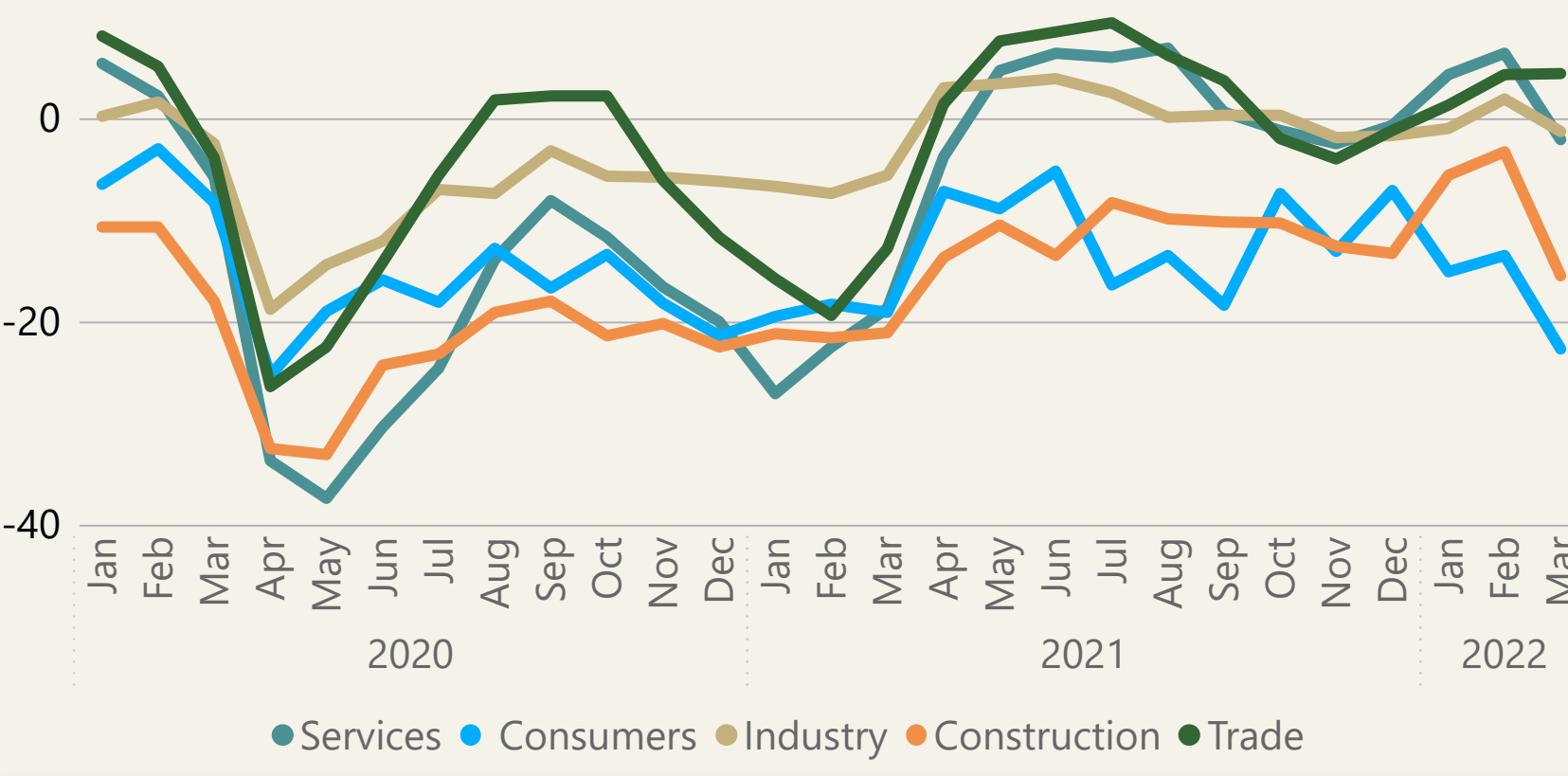


#### Economic confidence



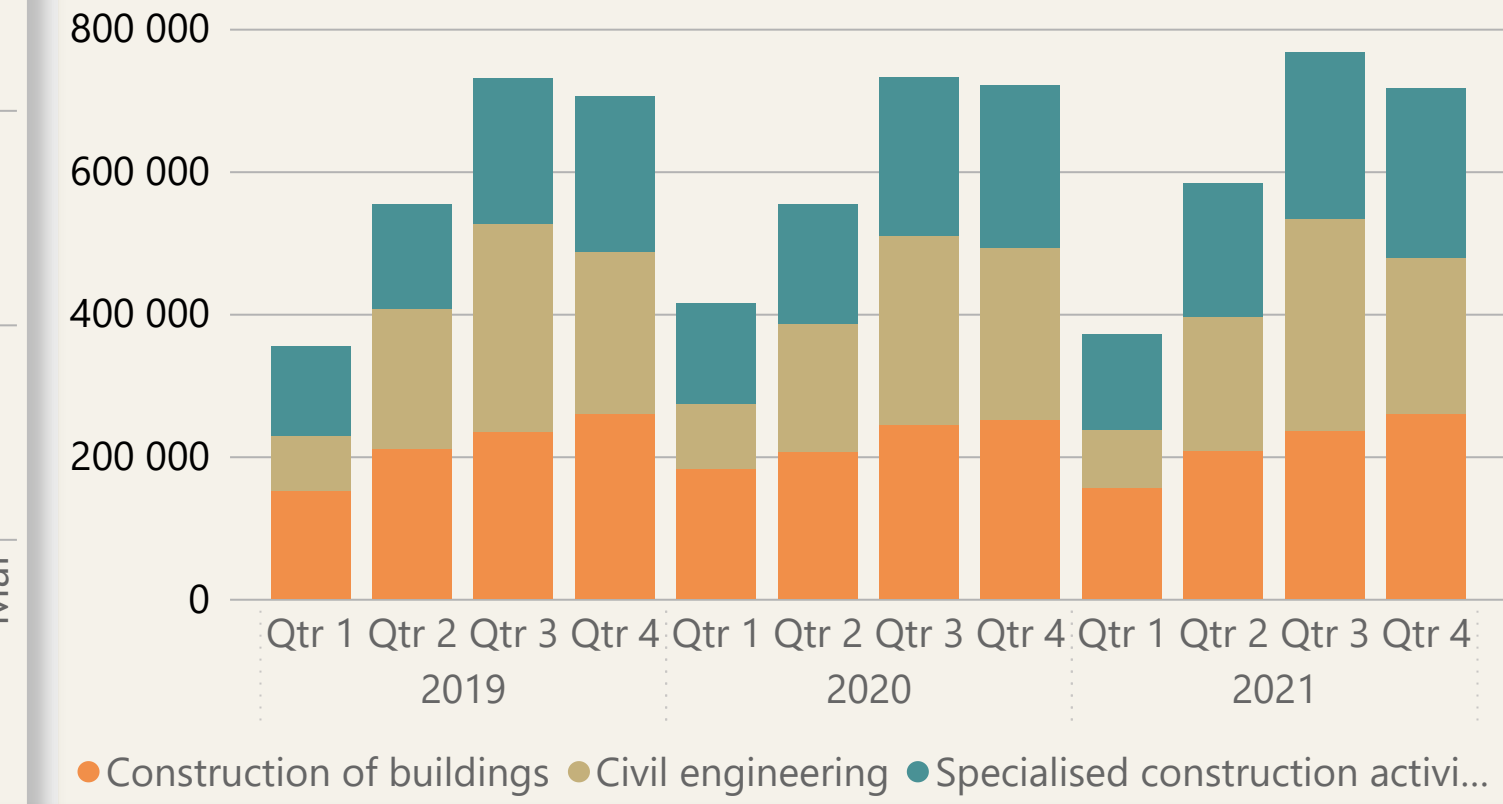
Source: European Commission

#### ESI Sector Confidence Index in Latvia



Source: CSB, European Commission

#### Construction output at constant prices, thsd €



### INFLATION

#### Inflation

8,7 %

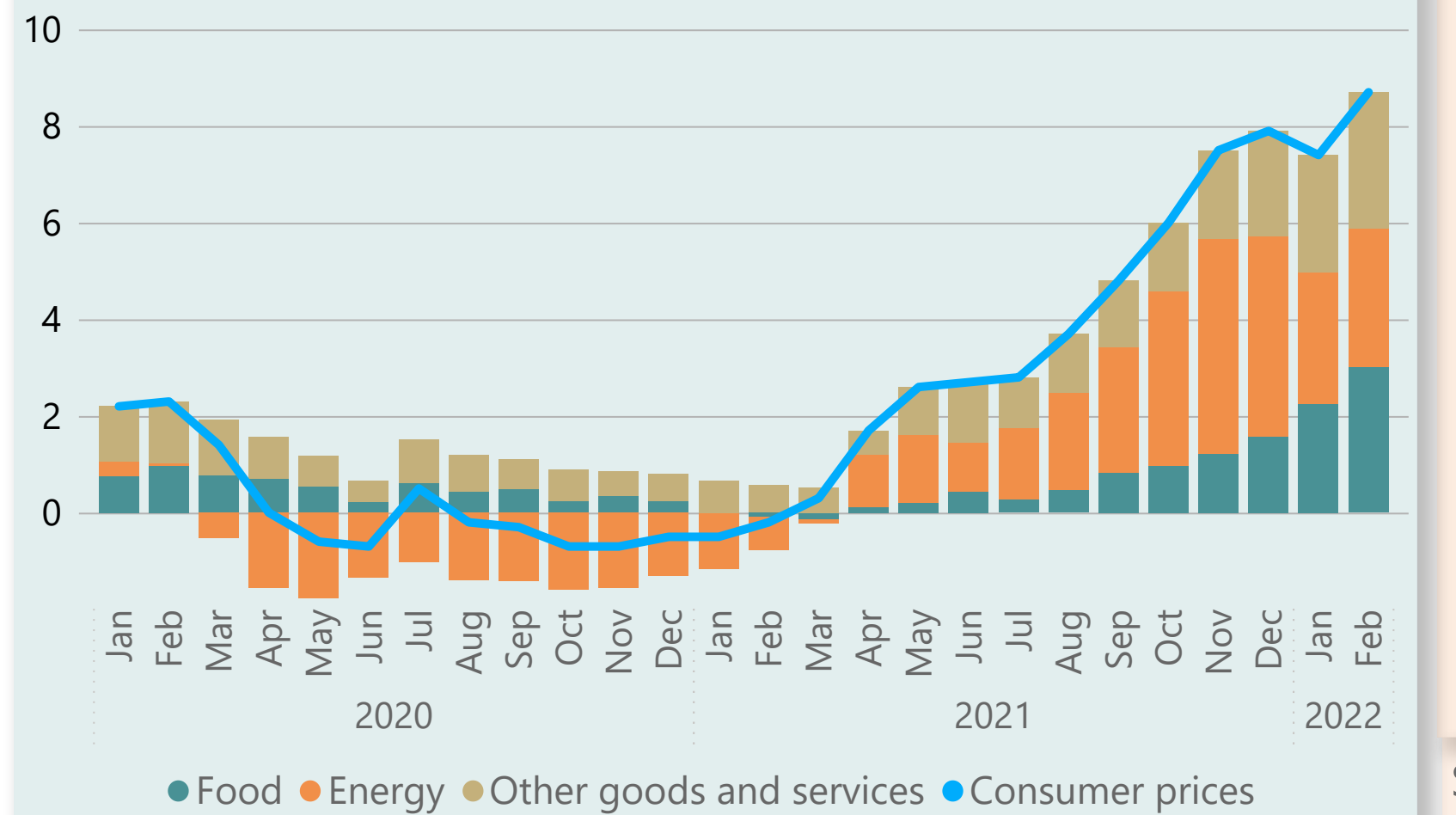
February 2022

#### Producer price rise

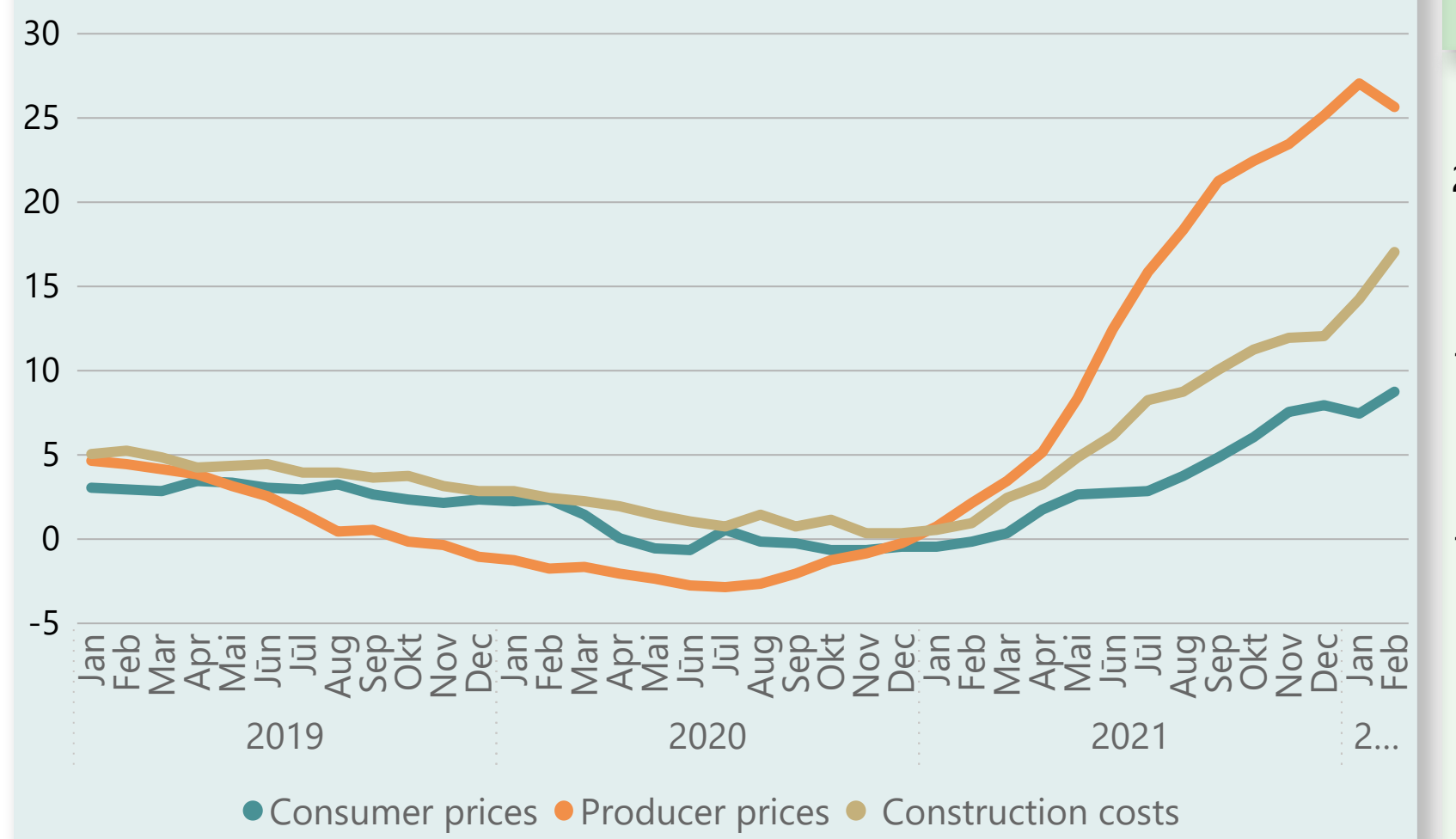
25,6 %

February 2022

#### Consumer prices, YoY%



#### Prices, YoY%



Source: CSB

### EMPLOYMENT

#### Unemployment (registered)

6,8 %

February 2022

#### Unemployment (Labour force survey)

7,6 %

February 2022

#### Wage (private sector)

1 318 €

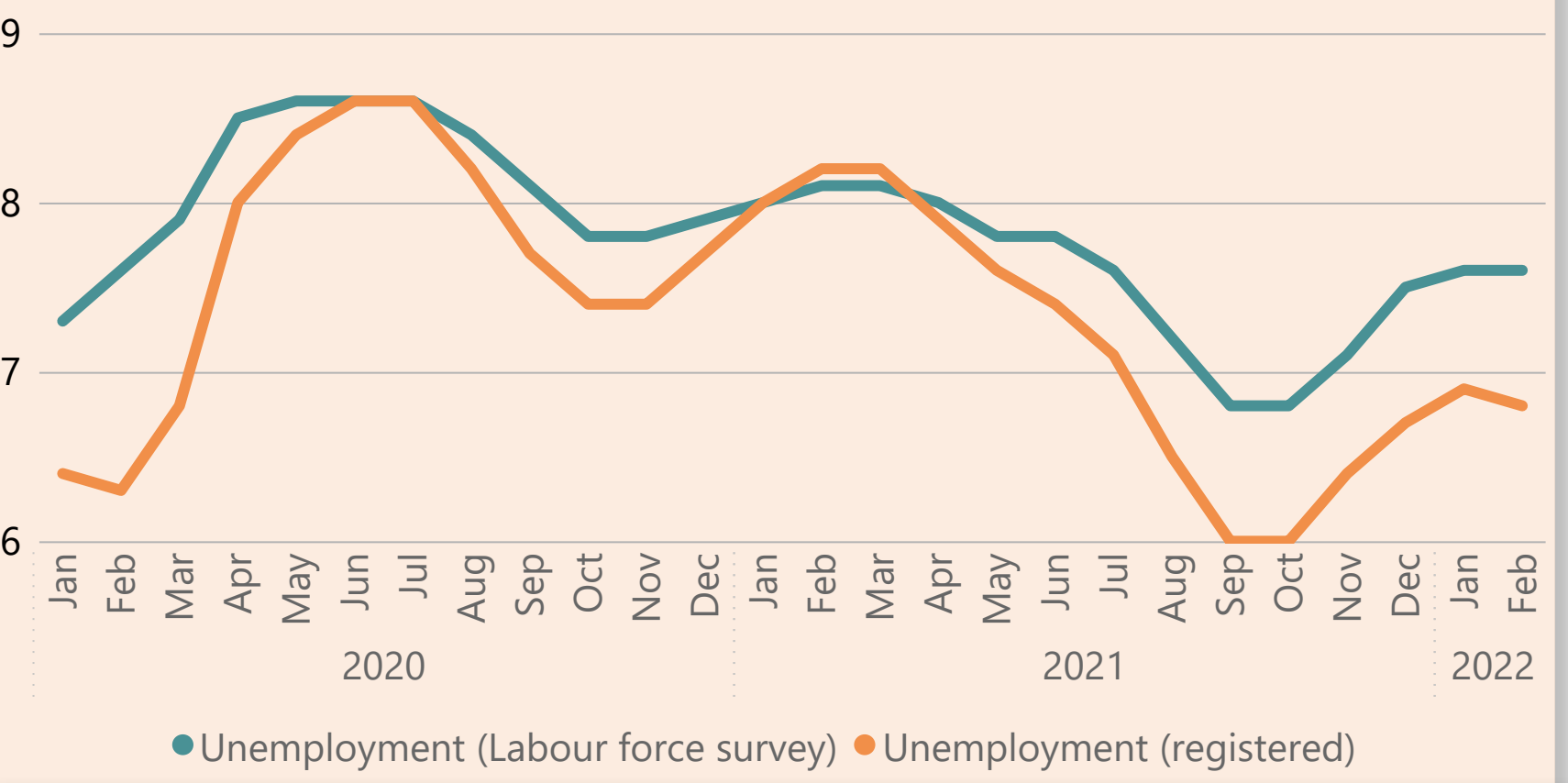
4Q 2021

#### Wage (public sector)

1 384 €

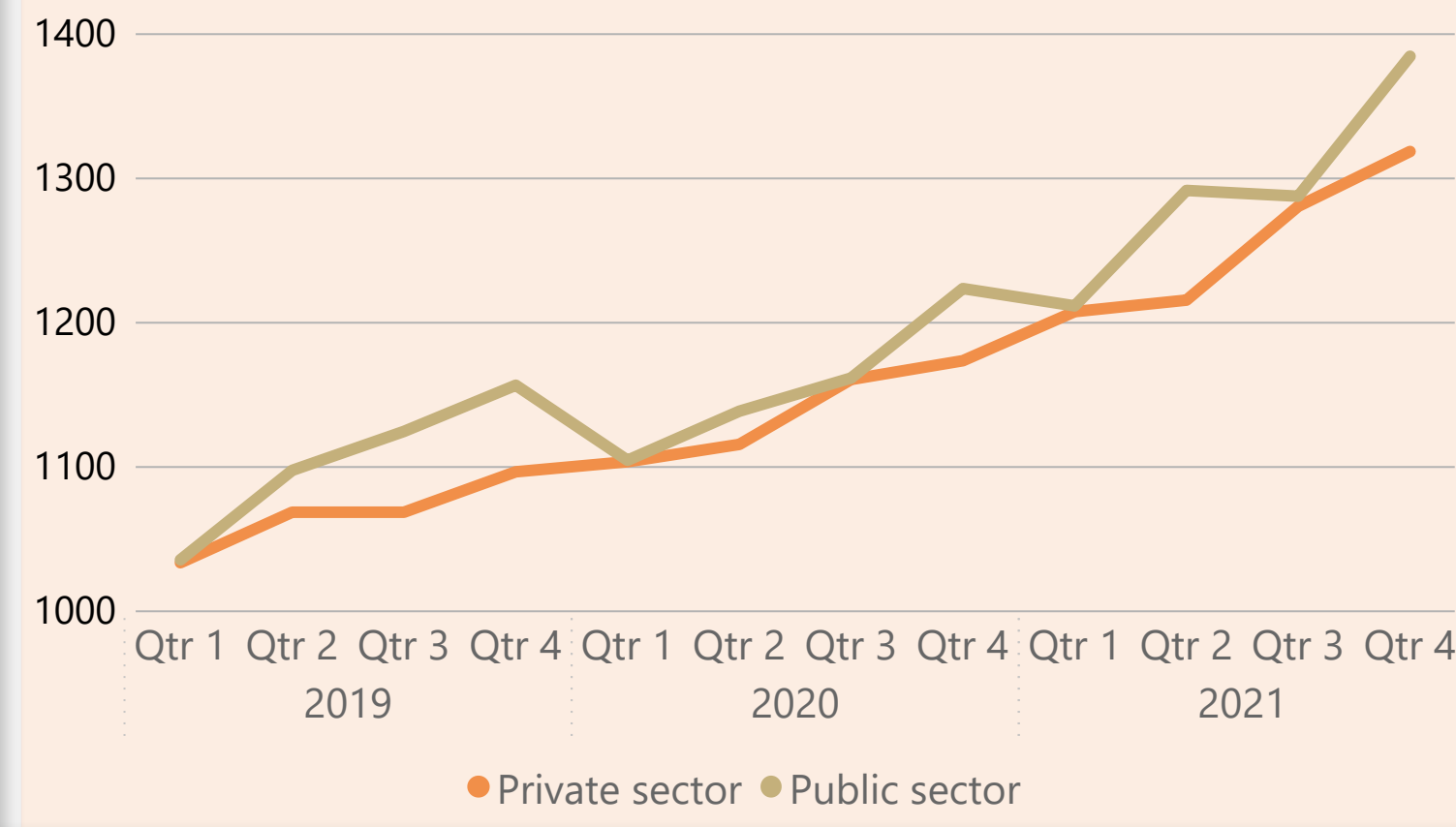
4Q 2021

#### Unemployment rate, %



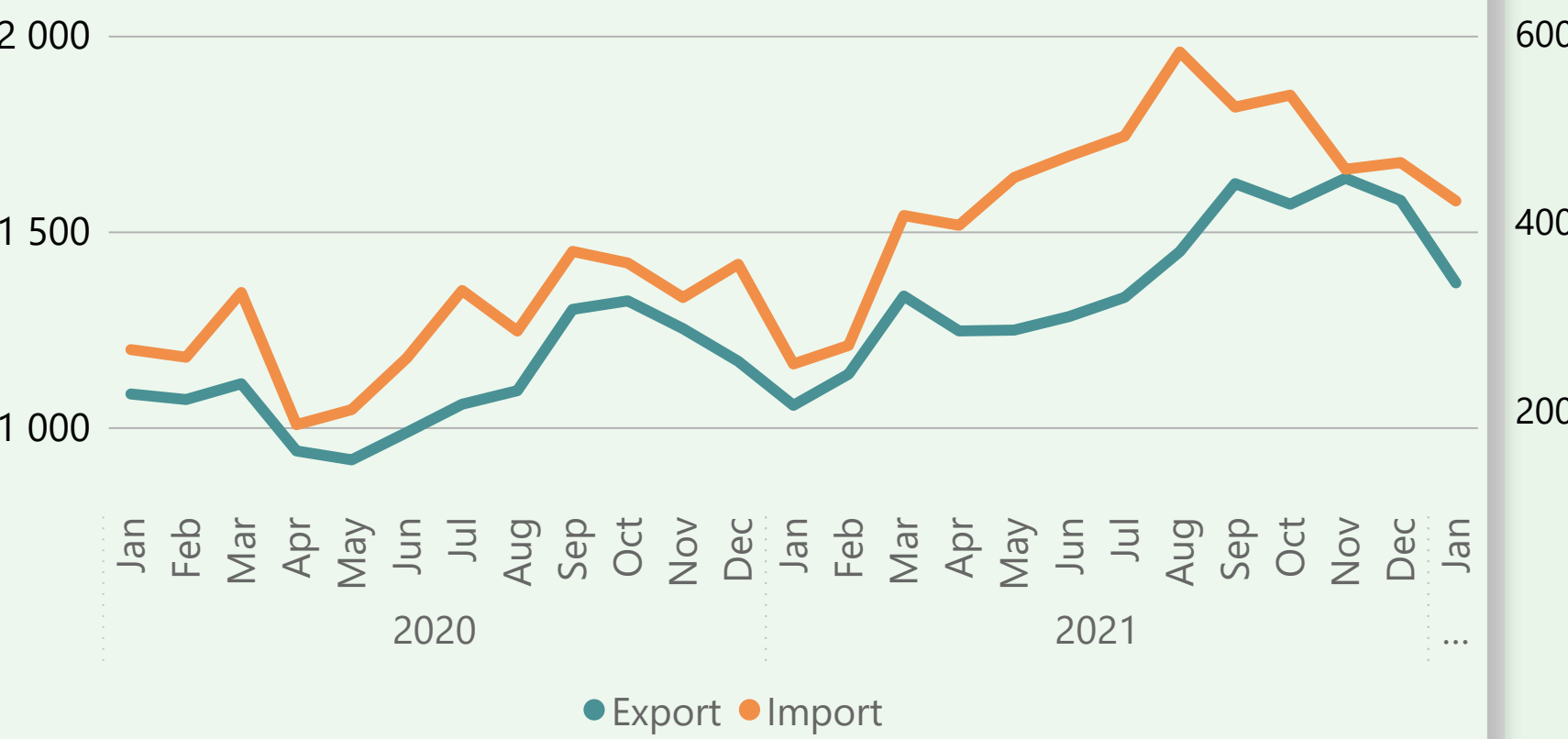
Source: CSB, State Employment Agency

#### Average monthly gross wage, €



### FOREIGN TRADE

#### Foreign trade (goods), mln €





## GENERAL GOVERNMENT BUDGET

### General government budget balance 2021

**-7,3% of GDP**

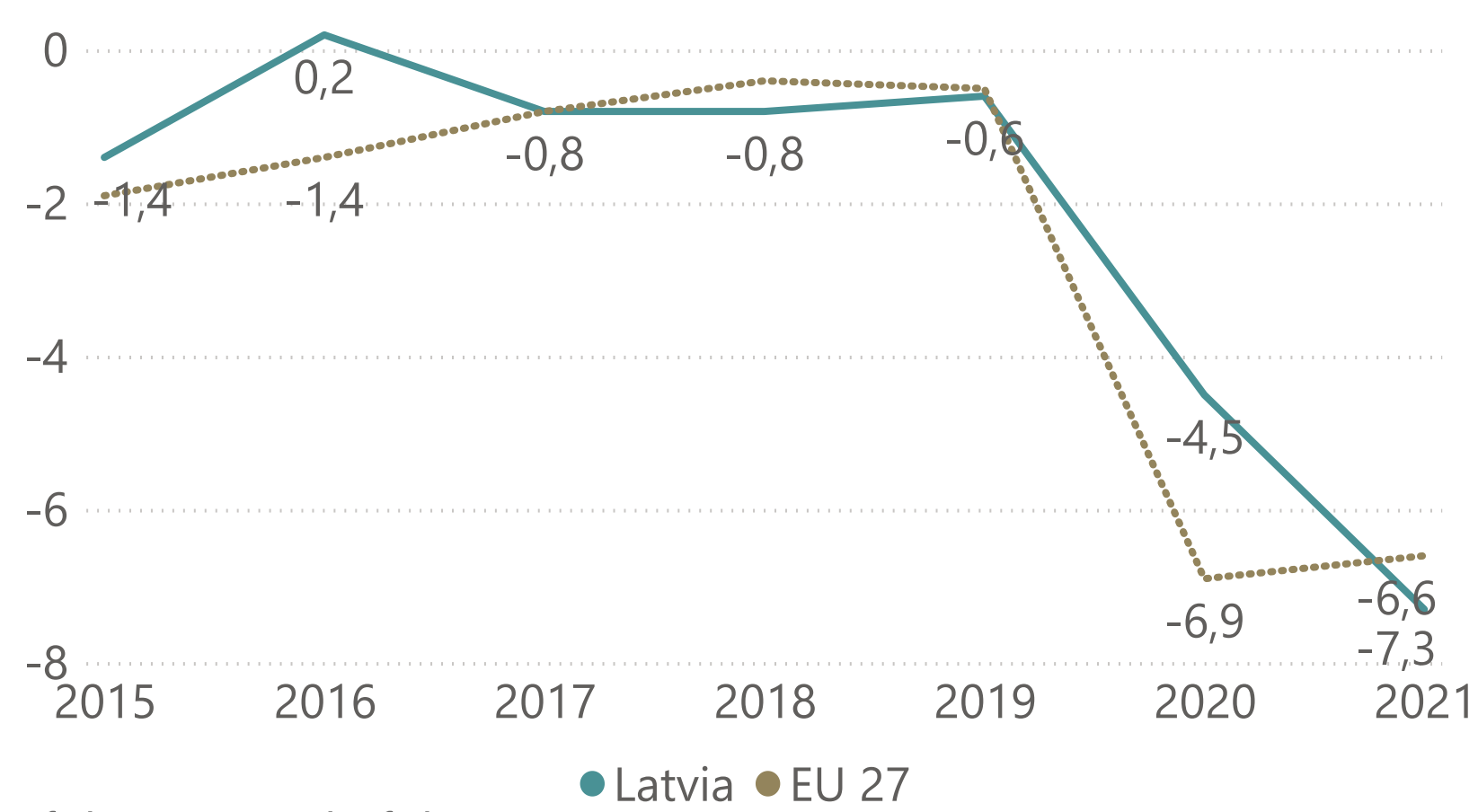
Ministry of Finance, January 2022

### General government debt 2021

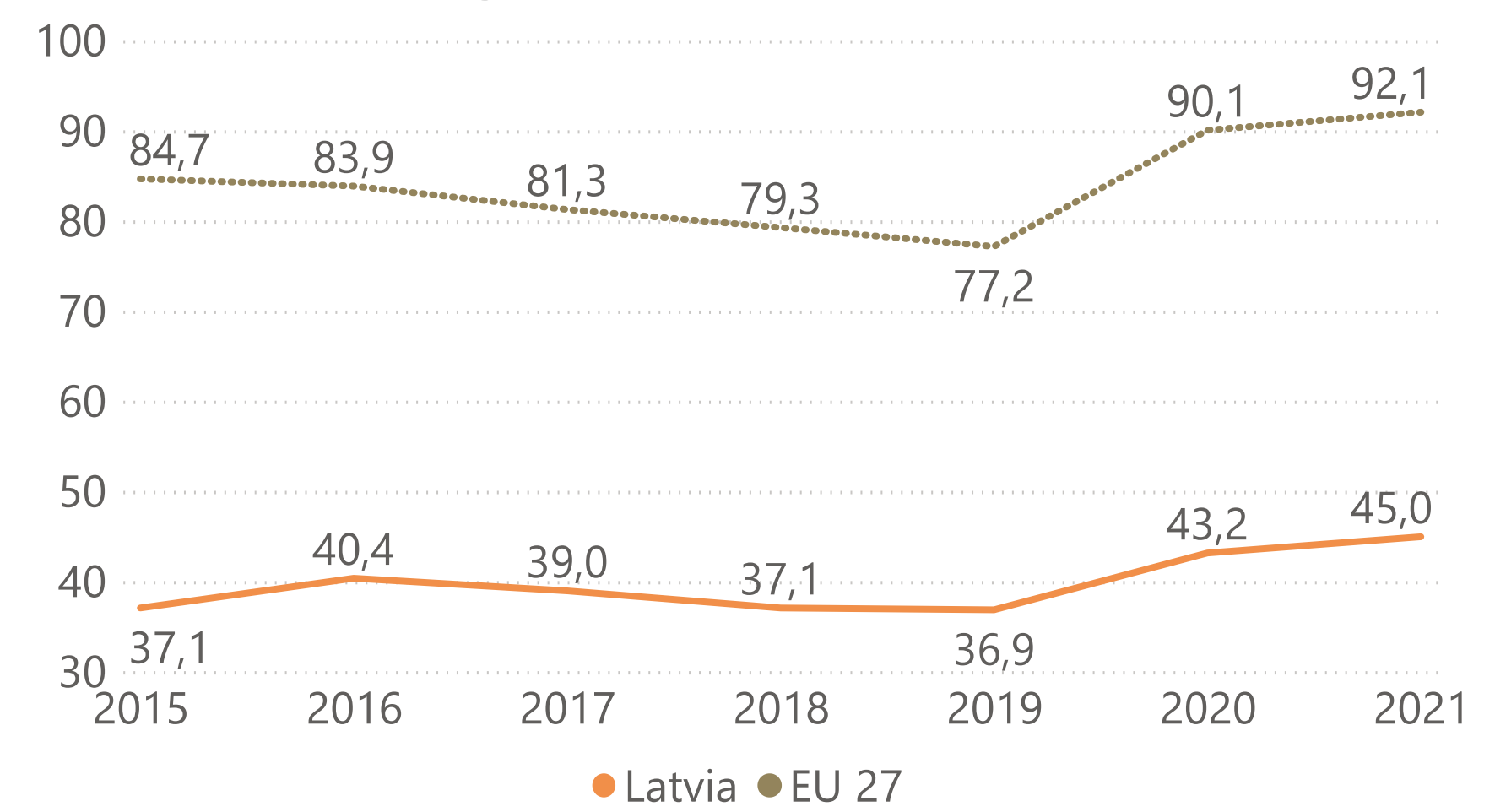
**45% of GDP**

Treasury, January 2022

### General government budget balance, % of GDP



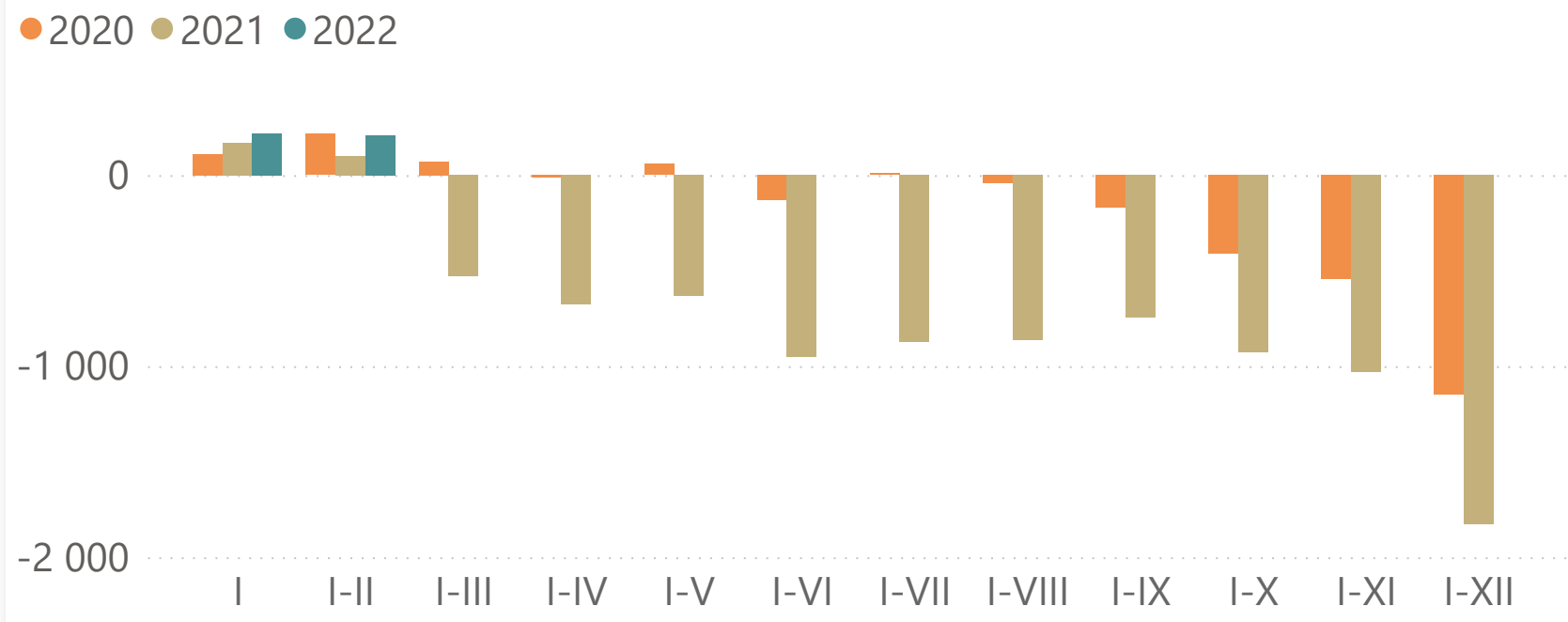
### General government debt, % of GDP



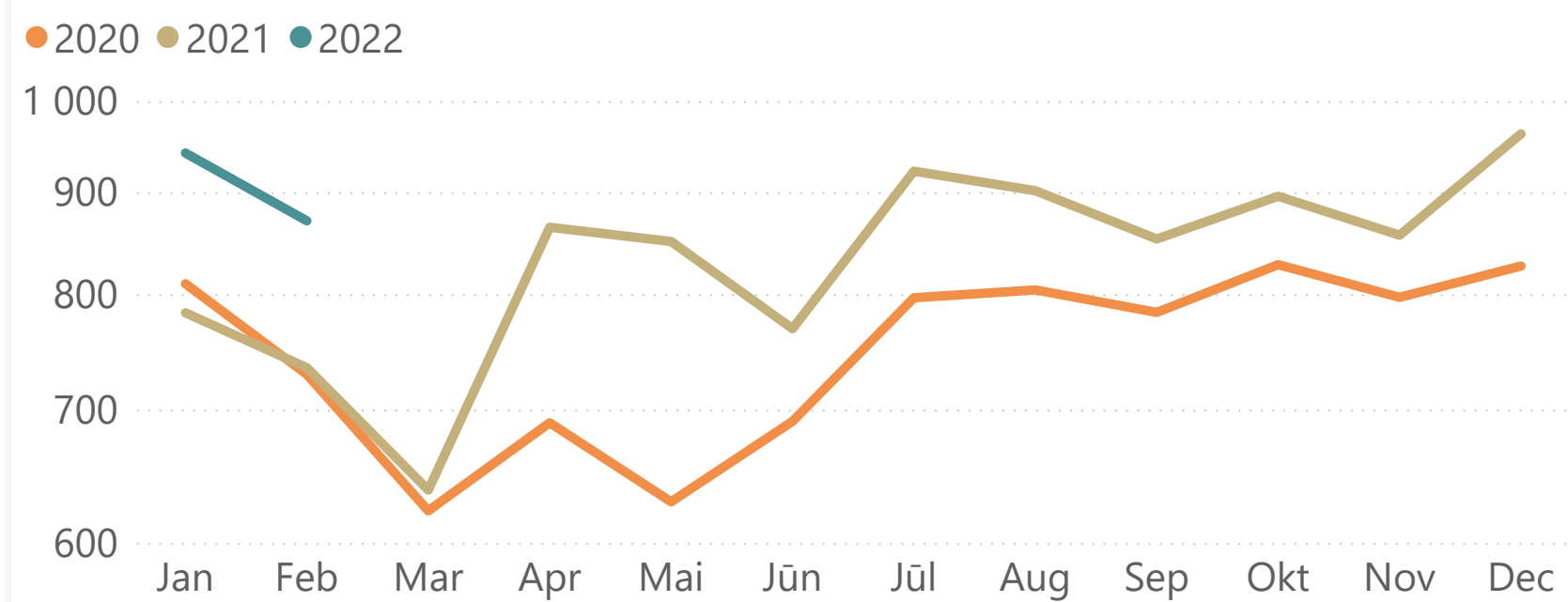
Source: Eurostat, AMECO autumn forecasts 2021, assessment of the MoF and of the Treasury.

## GENERAL GOVERNMENT BUDGET IN FIRST TWO MONTH 2022 ON CASH BASES

### General government budget balance, mln €



### General government budget tax revenue, mln €



Source: Treasury. General government budget tax revenue including revenue in the single tax account (STA balance in the end of February was -100,4 mln euro).

### General government budget

| General government budget | Execution, mln € | YoY, mln € | YoY, % |
|---------------------------|------------------|------------|--------|
| Revenue                   | 2 396,5          | 320,8      | 15,5%  |
| Expenditure               | 2 186,4          | 210,7      | 10,7%  |
| Balance                   | 210,2            | 110,1      |        |

### General government budget tax revenue

| Tax type | Execution, mln € | YoY, mln € | YoY, % |
|----------|------------------|------------|--------|
| SSC      | 606,0            | 223,1      | 58,3%  |
| VAT      | 546,4            | 119,0      | 27,8%  |
| PIT      | 414,8            | 110,6      | 36,3%  |
| EXT      | 179,9            | 16,5       | 10,1%  |
| CIT      | 65,5             | 36,1       | 123,1% |

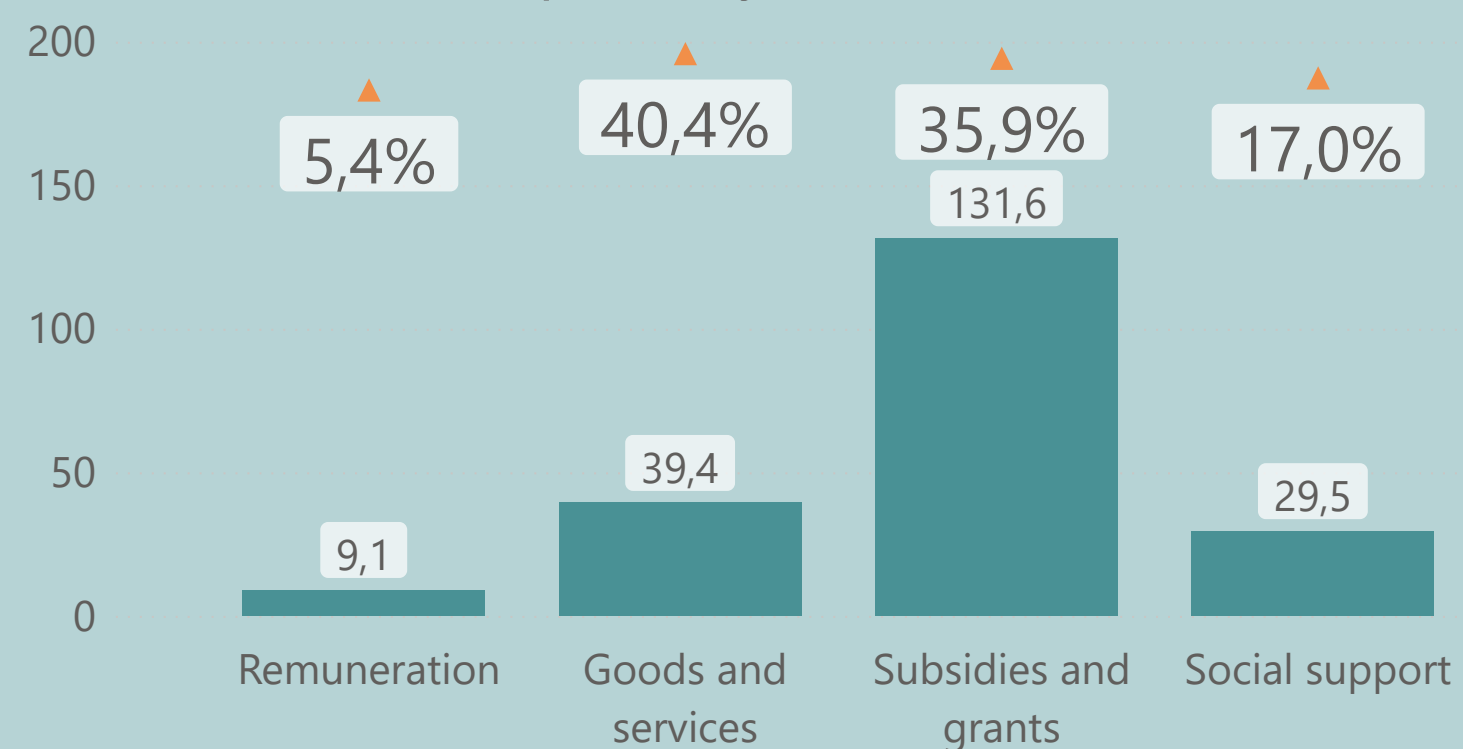
### Revenue and expenditure

| General government budget    | Execution, mln € | YoY, mln € | YoY, % |
|------------------------------|------------------|------------|--------|
| <b>Revenue</b>               |                  |            |        |
| Tax revenue                  | 1 812,6          | 294,8      | 19,4%  |
| Non tax revenue              | 103,5            | 27,0       | 35,3%  |
| Self-earned revenue          | 74,3             | 13,0       | 21,2%  |
| Foreign financial assista... | 405,7            | -14,0      | -3,3%  |
| <b>Expenditure</b>           |                  |            |        |
| Remuneration                 | 378,5            | 11,3       | 3,1%   |
| Goods and services           | 258,0            | 63,8       | 32,8%  |
| Interest payments            | 49,8             | -44,7      | -47,4% |
| Subsidies and grants         | 534,1            | 133,9      | 33,5%  |
| Social support               | 792,6            | 93,8       | 13,4%  |
| Payments to EU budget        | 75,4             | -23,5      | -23,8% |
| Capital expenditure          | 85,7             | -24,9      | -22,5% |

## STATE BASIC BUDGET

| State Basic Budget | Execution, mln € | YoY, mln € | YoY, % |
|--------------------|------------------|------------|--------|
| Revenue            | 1 354,4          | -4,7       | -0,3%  |
| Expenditure        | 1 458,6          | 143,7      | 10,9%  |
| Balance            | -104,2           | -148,4     |        |

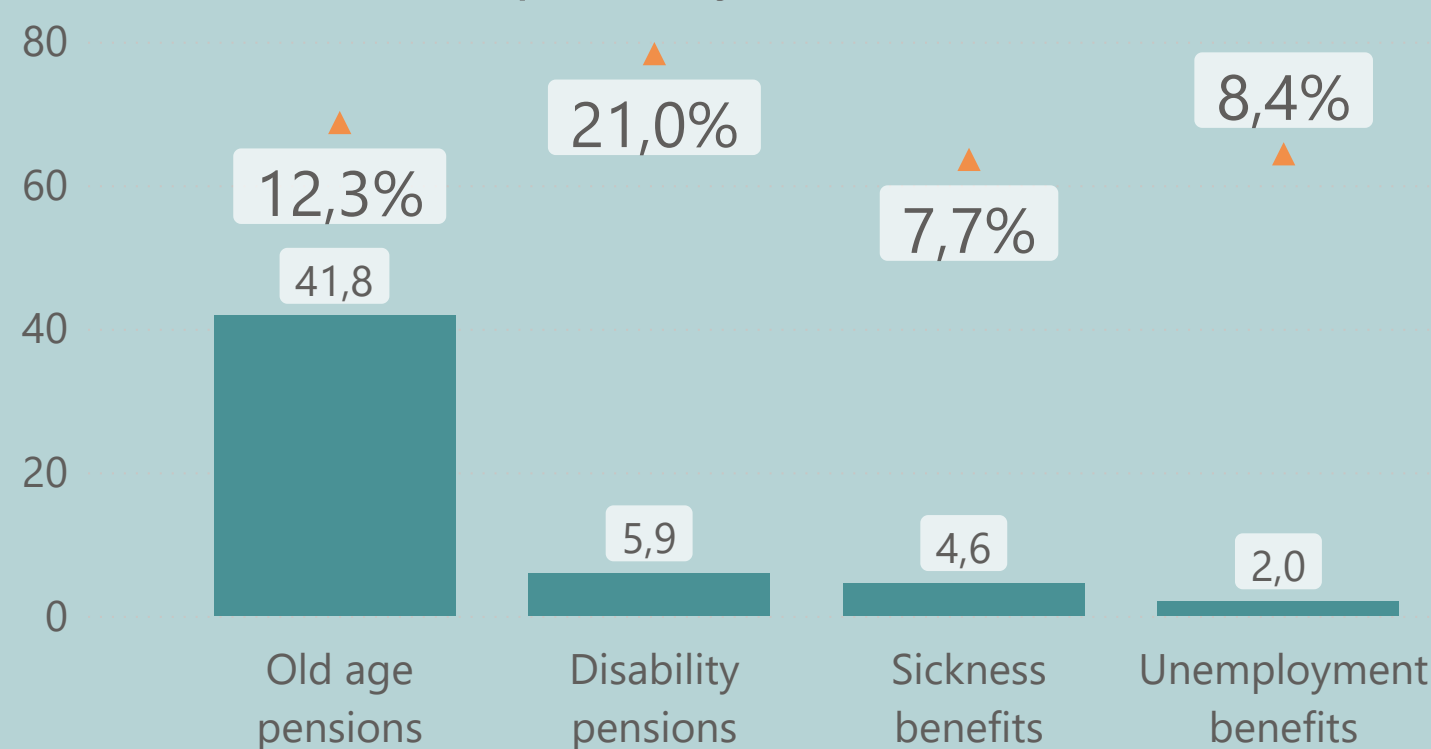
### Major changes in mln € and % against respective period year before



## STATE SPECIAL BUDGET

| State Special Budget | Execution, mln € | YoY, mln € | YoY, % |
|----------------------|------------------|------------|--------|
| Revenue              | 665,2            | 243,5      | 57,7%  |
| Expenditure          | 566,5            | 57,3       | 11,3%  |
| Balance              | 98,7             | 186,1      |        |

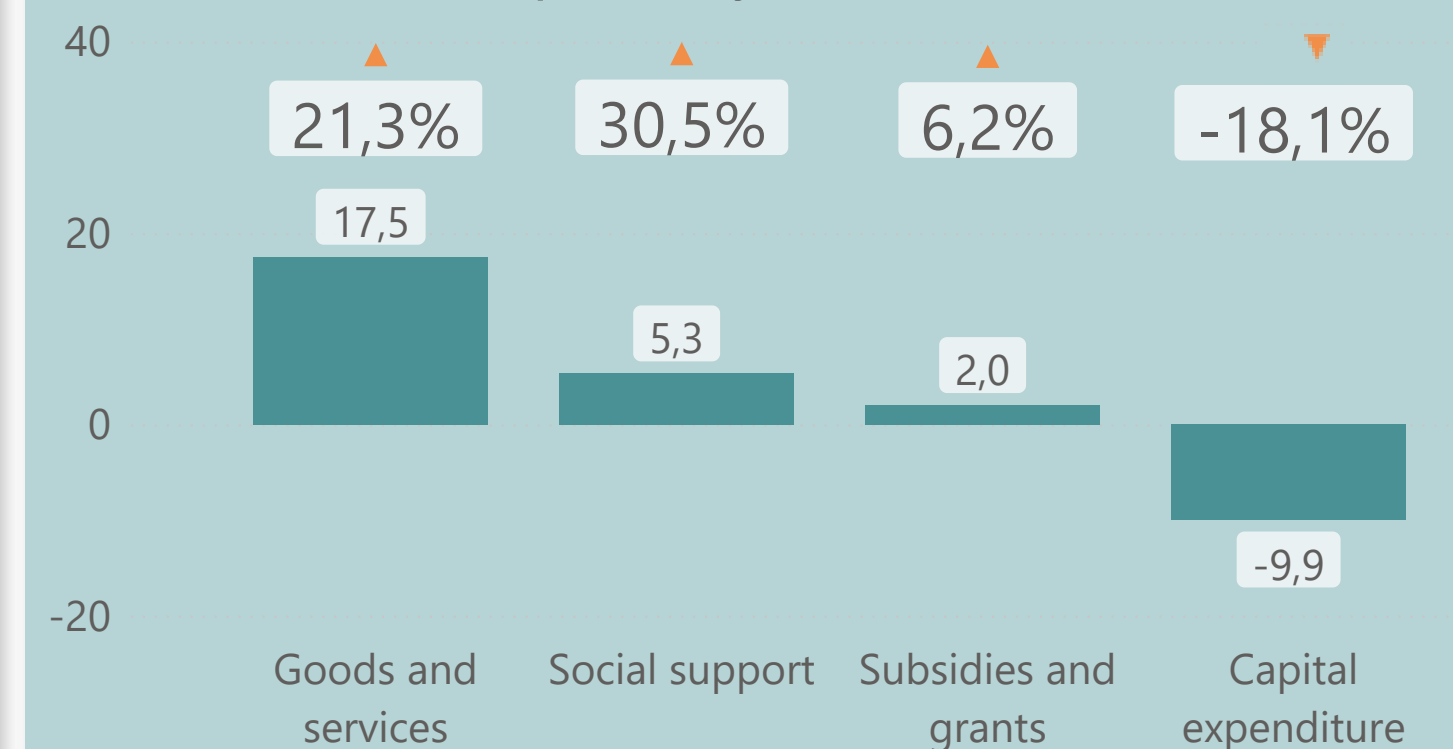
### Major changes in mln € and % against respective period year before



## LOCAL GOVERNMENT BUDGET

| Local Government Budget | Execution, mln € | YoY, mln € | YoY, % |
|-------------------------|------------------|------------|--------|
| Revenue                 | 546,4            | 72,8       | 15,4%  |
| Expenditure             | 382,2            | 15,6       | 4,3%   |
| Balance                 | 164,2            | 57,2       |        |

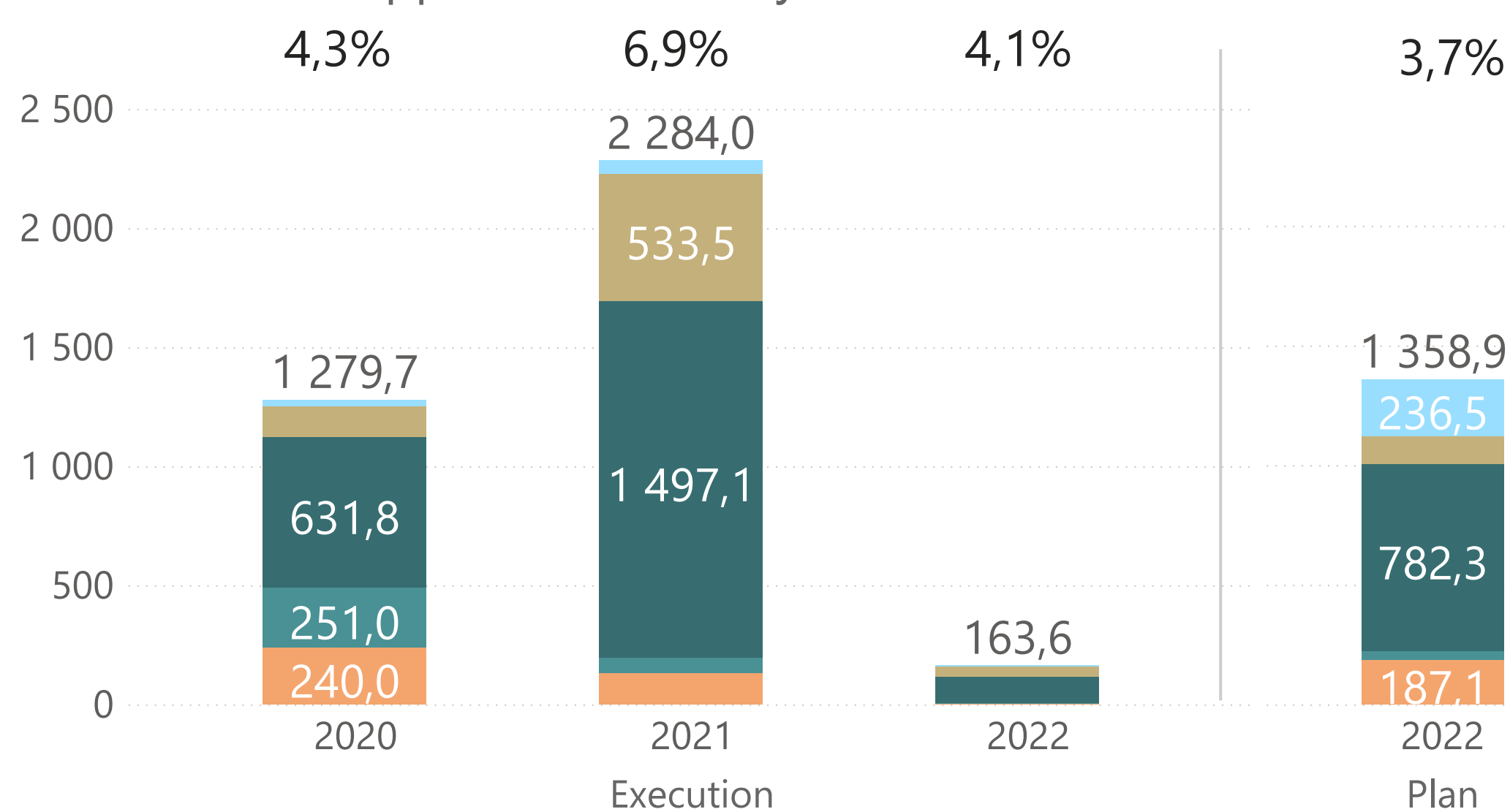
### Major changes in mln € and % against respective period year before



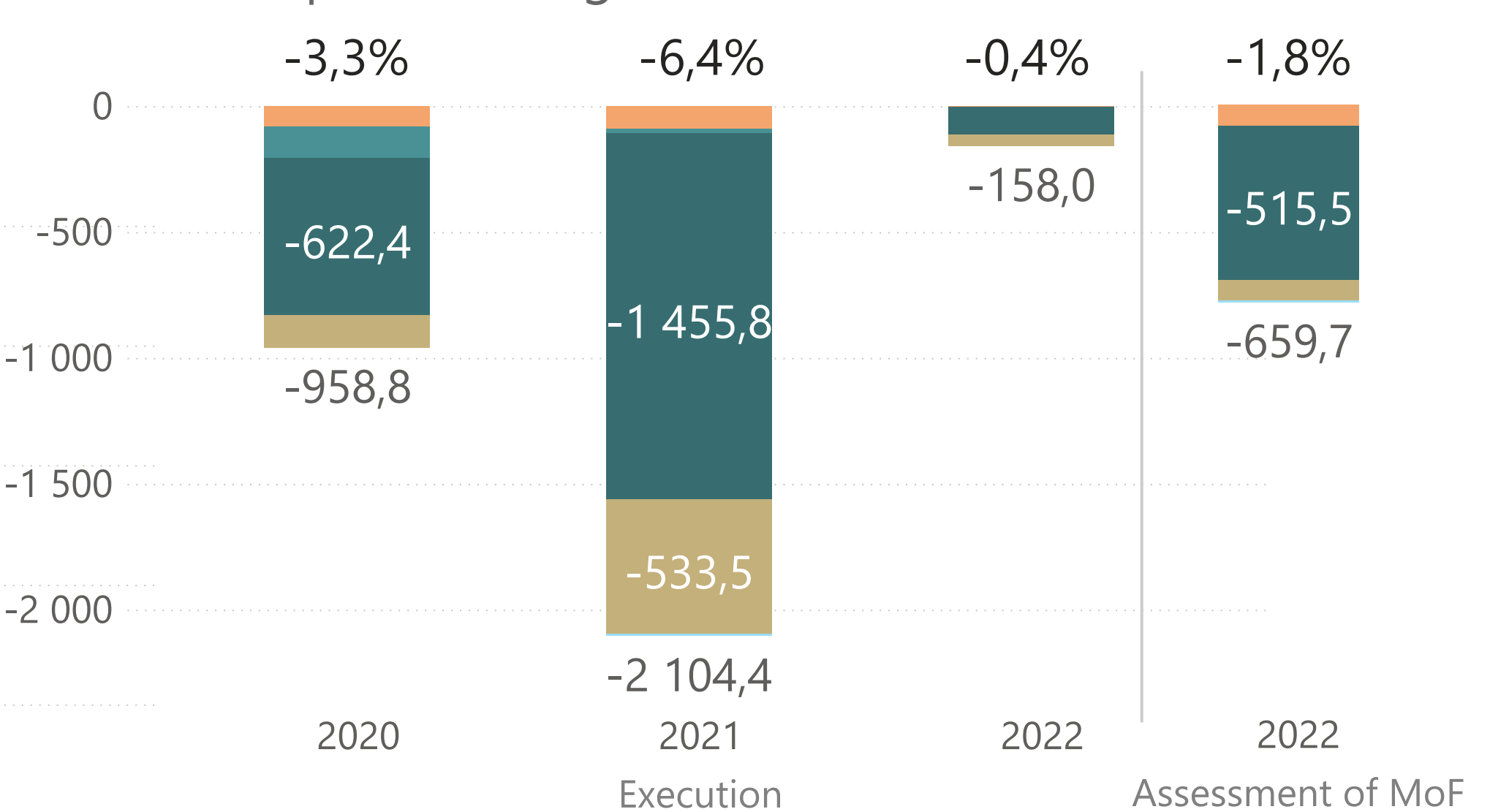
YoY - changes in mln euro against respective period year before  
YoY% - changes in per cent against respective period year before

## COVID-19 SUPPORT

### Total support to economy, mln € and % of GDP



### Impact on budget balance, mln € and % of GDP



Loans and guarantees In the field of taxation Sectoral support Benefits Restructuring of EU funds

Source: Assessment of the MoF as of March 20, 2022 according to the data from the State Treasury, State Revenue Service, Altum, State Social Insurance Agency, ministries etc. Plan for 2022 is according to the government decisions till March 20th, 2022.