

MACROECONOMIC AND BUDGETARY REVIEW 2023

No 1

GROSS DOMESTIC PRODUCT (GDP)

GDP 2022

39 081 mln €

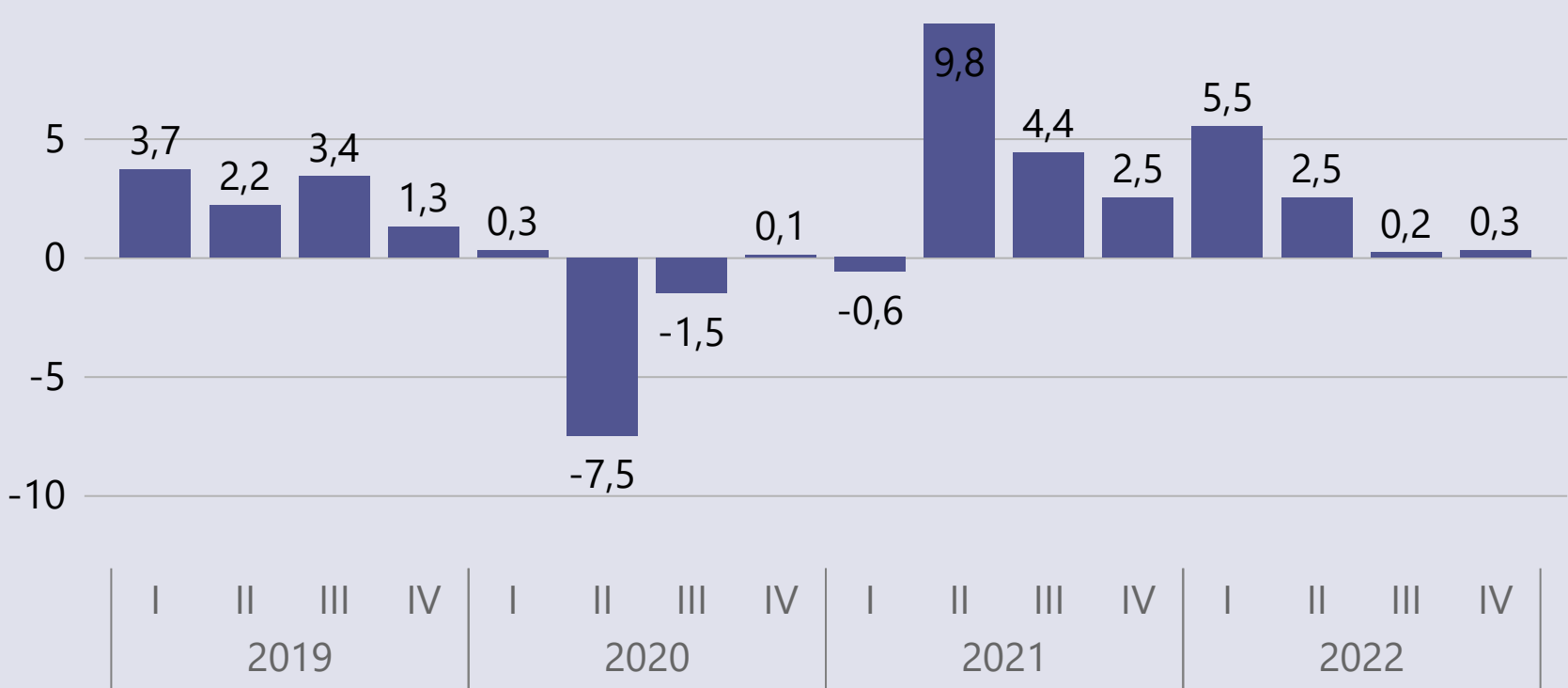
CSB, 28.02.2023.

GDP growth 2023

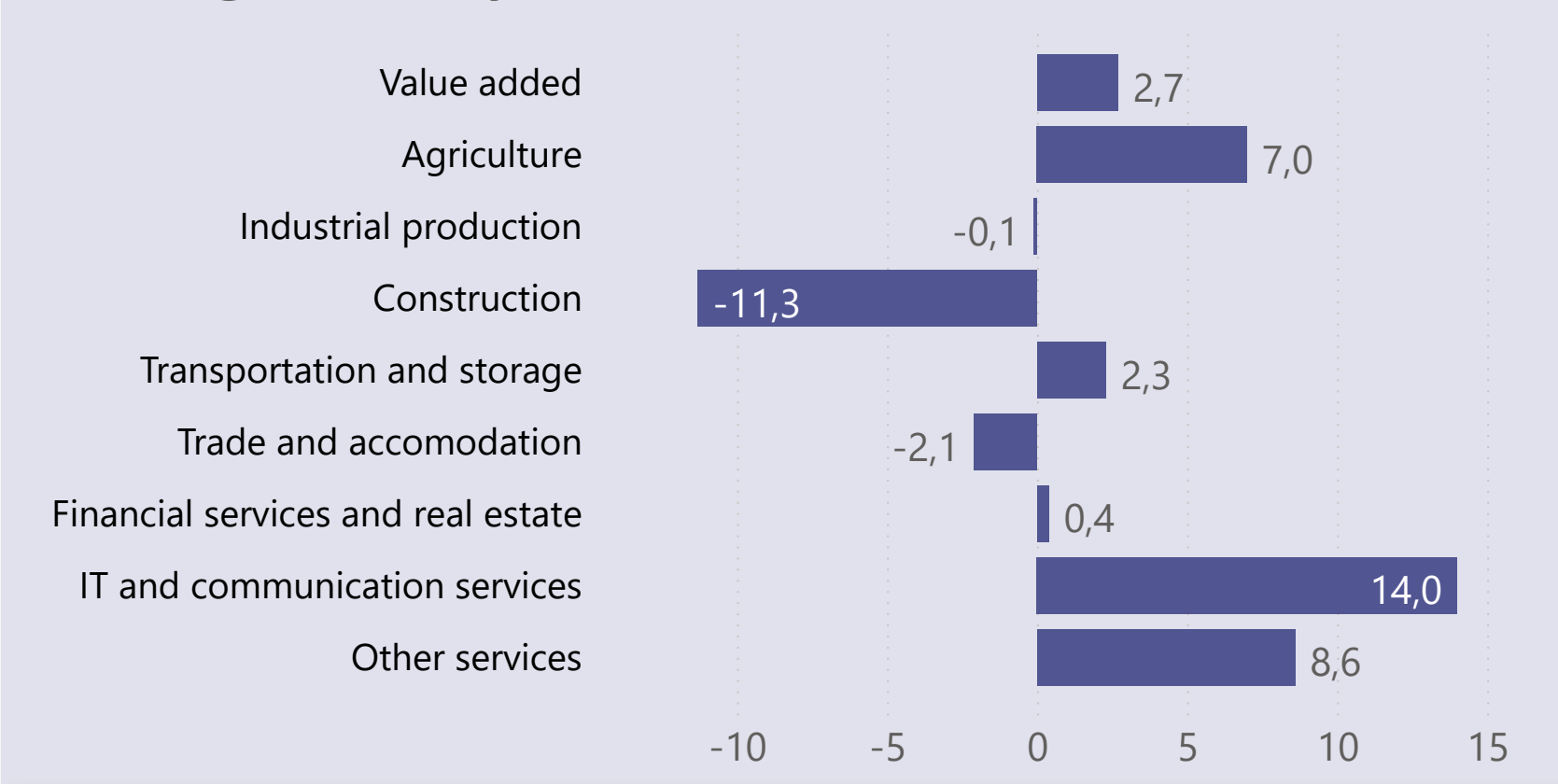
-0.6%

MoF forecast, December 2022

GDP growth, YoY%

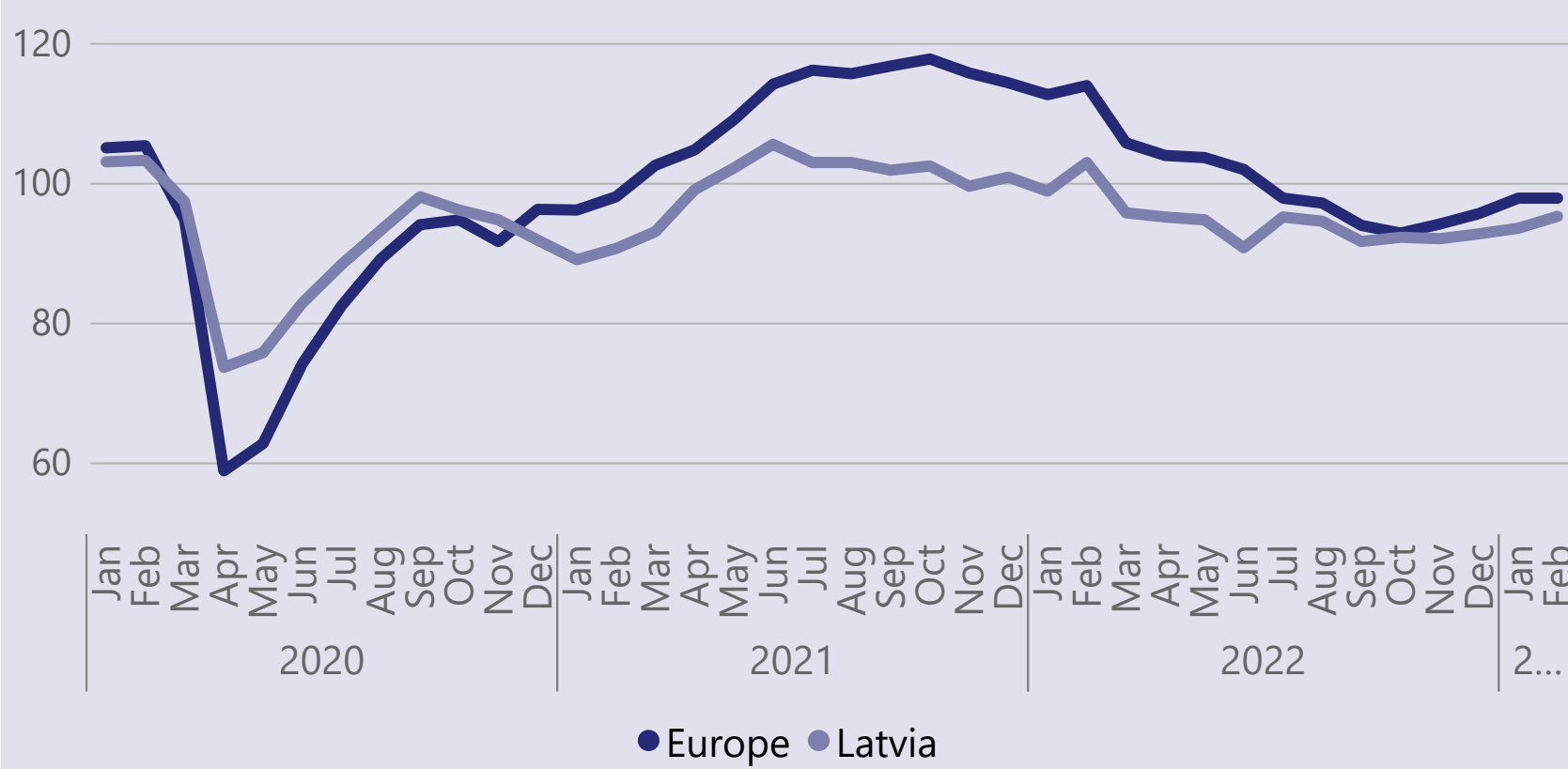


GDP growth by sectoral breakdown (2022/2021)



Source: Central Statistical Bureau(CSB); comparable prices

Economic confidence



Source: European Commission

INFLATION

Inflation

21,5%

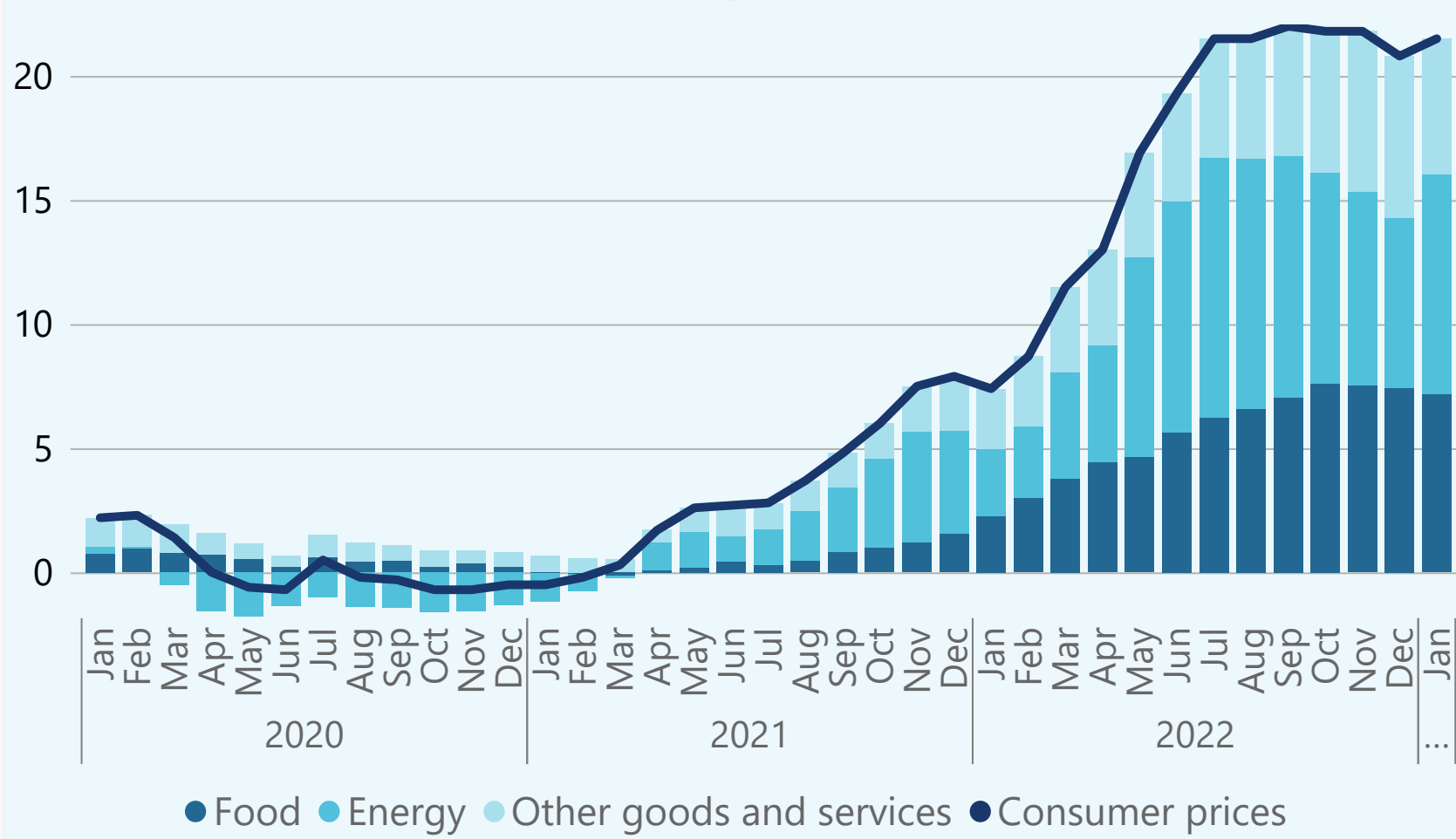
January 2023

Producer price rise

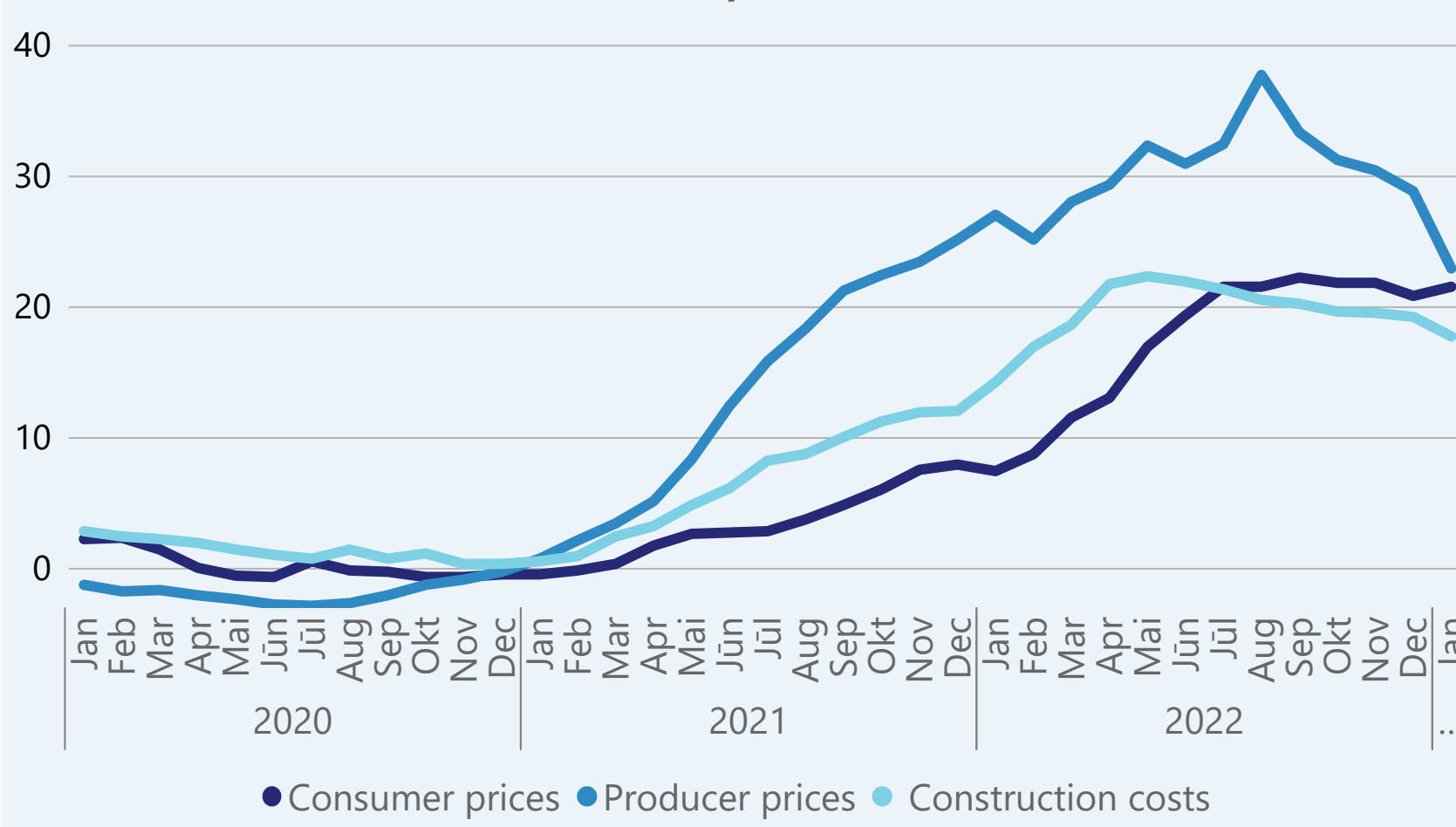
22.9%

January 2023

Consumer prices, YoY%



Prices, YoY%



Source: CSB

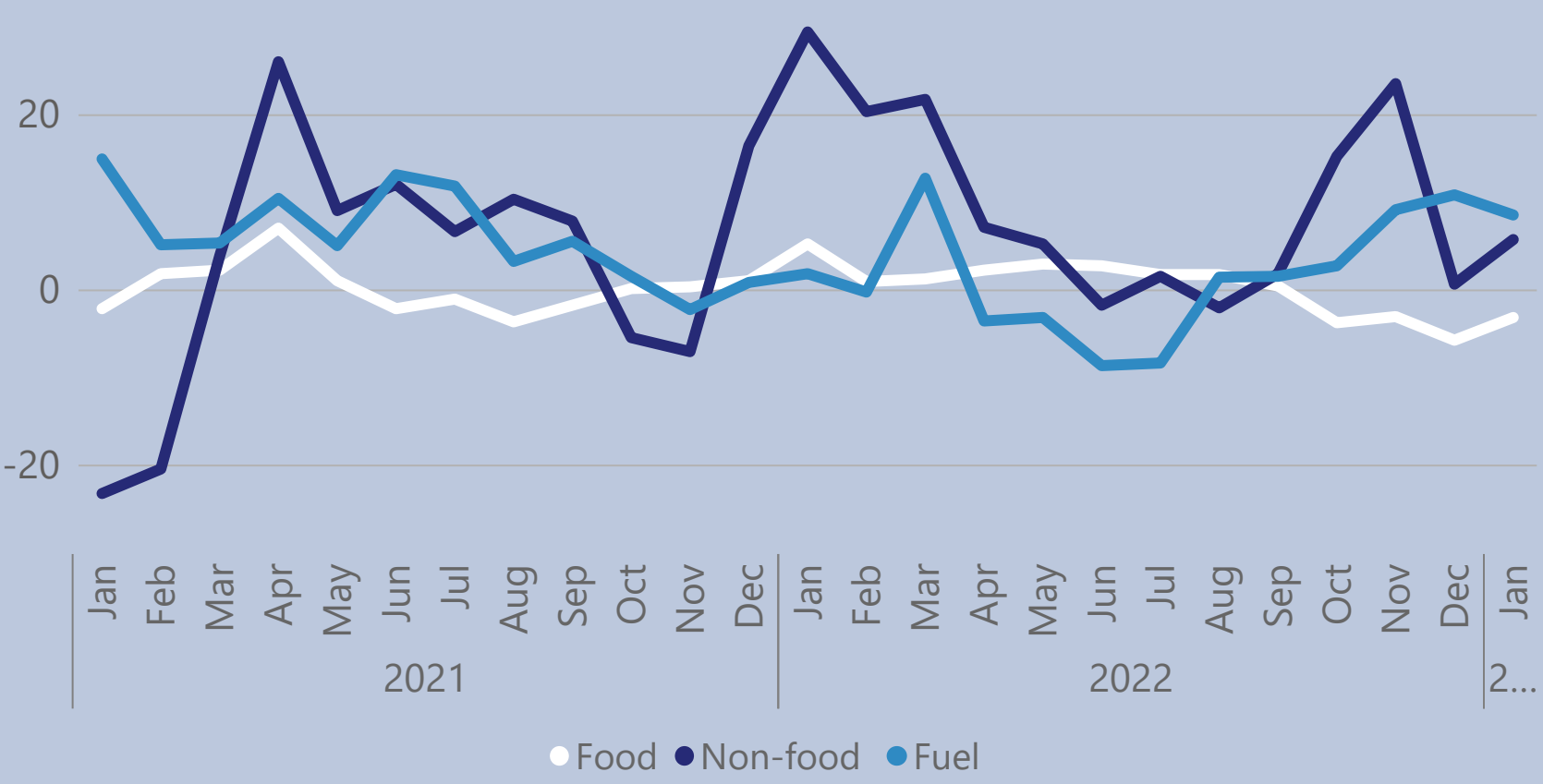
MAIN MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020	2021	2022	2023*	2024*	2025*
Nominal GDP growth, %	3,3	6,4	8	5,2	-1,3	10,9	16,4	8,1	5,4	5,7
Real GDP growth, %	2,4	3,3	4	2,6	-2,2	4,1	2	-0,6	3	3
GDP deflator, % change	0,9	2,9	3,9	2,6	1	6,5	14,1	8,7	2,3	2,6
Consumer price index, % change	0,1	2,9	2,5	2,8	0,2	3,3	17,3	8,5	1	2
Average monthly gross wage, EUR	859	926	1004	1076	1143	1277	1373	1483	1575	1653
nominal growth, %	5	7,8	8,4	7,2	6,2	11,7	7,5	7,5	6,2	5
real growth, %	4,8	4,7	5,7	4,2	6	8,2	-8,4	-0,9	5,1	2,9
Number of persons employed, thsd	893	895	909	910	893	864	886	886	885	882
growth, %	-0,3	0,2	1,6	0,1	-1,9	-3,2	2,6	-0,2	-0,2	-0,3
Unemployment rate, %	9,6	8,7	7,4	6,3	8,1	7,6	6,9	7,3	7	6,6

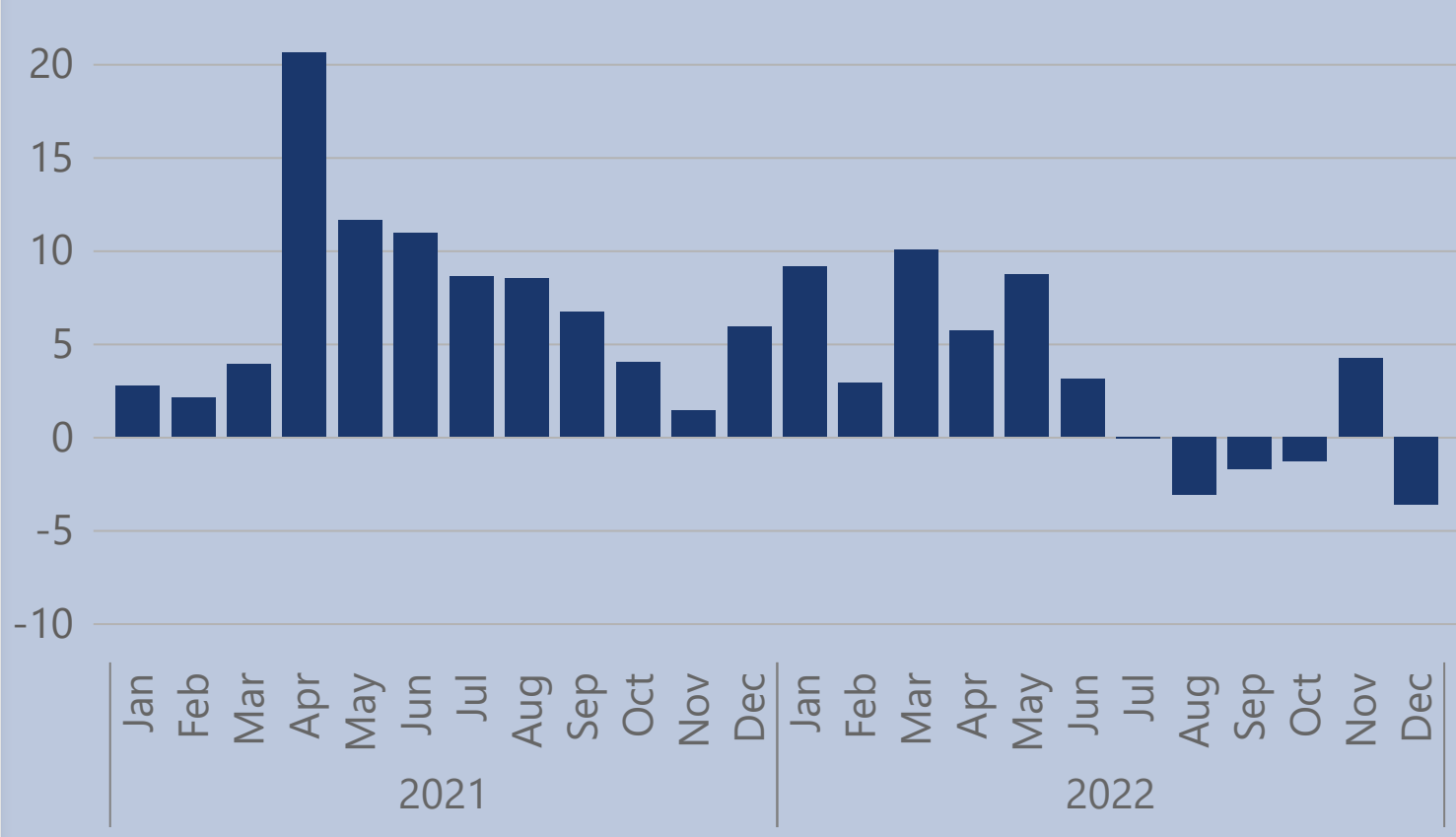
Source: CSB (01.03.2023), *forecasts of the Ministry of Finance of the Republic of Latvia (December 2022)

INDUSTRIES

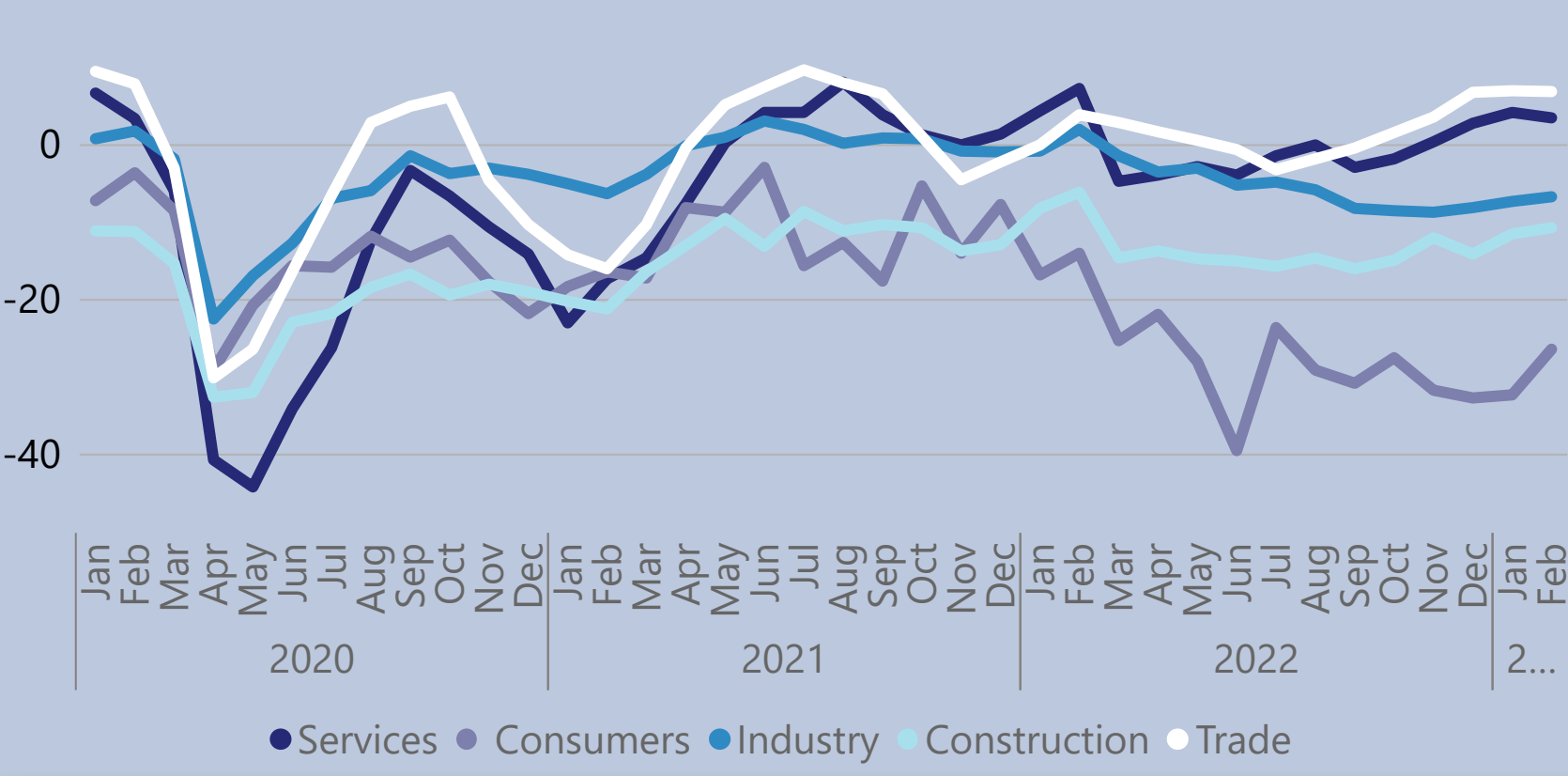
Retail trade growth, YoY%



Manufacturing output, YoY%

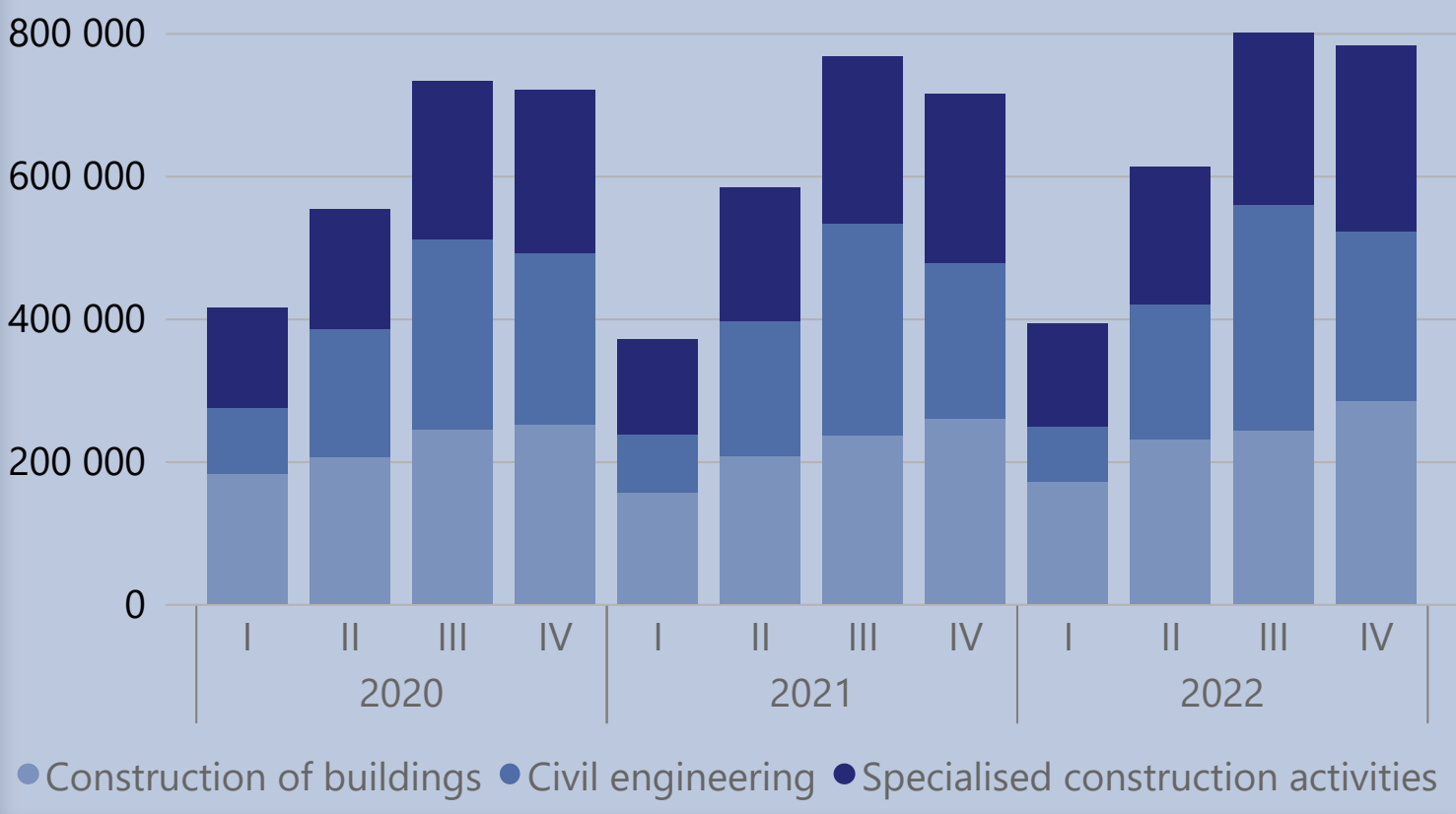


ESI Sector Confidence Index in Latvia



Source: CSB, European Commission

Construction output at constant prices, thsd €



UNEMPLOYMENT

Registered

6.3%

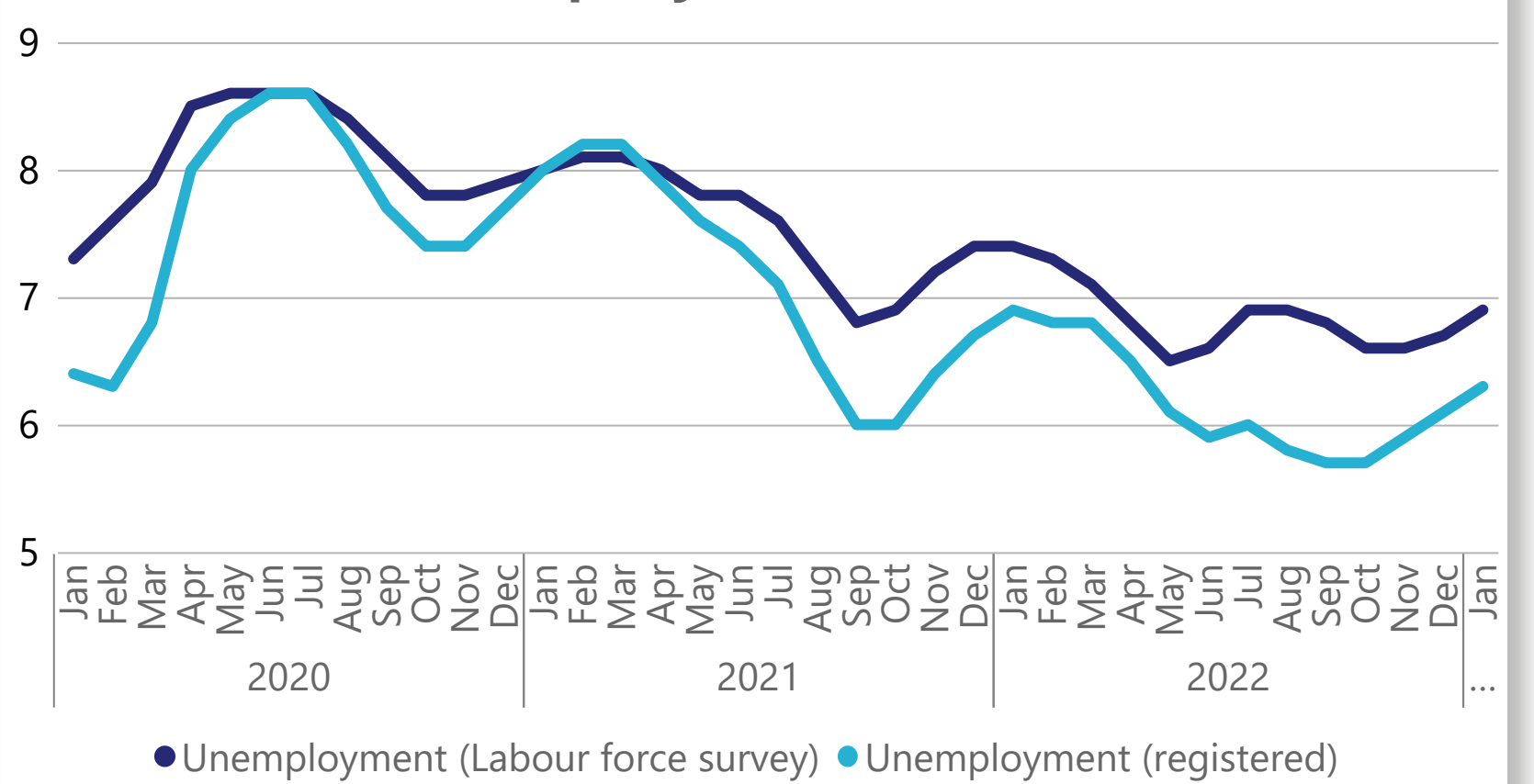
January 2023

Labour force survey

6.9%

January 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

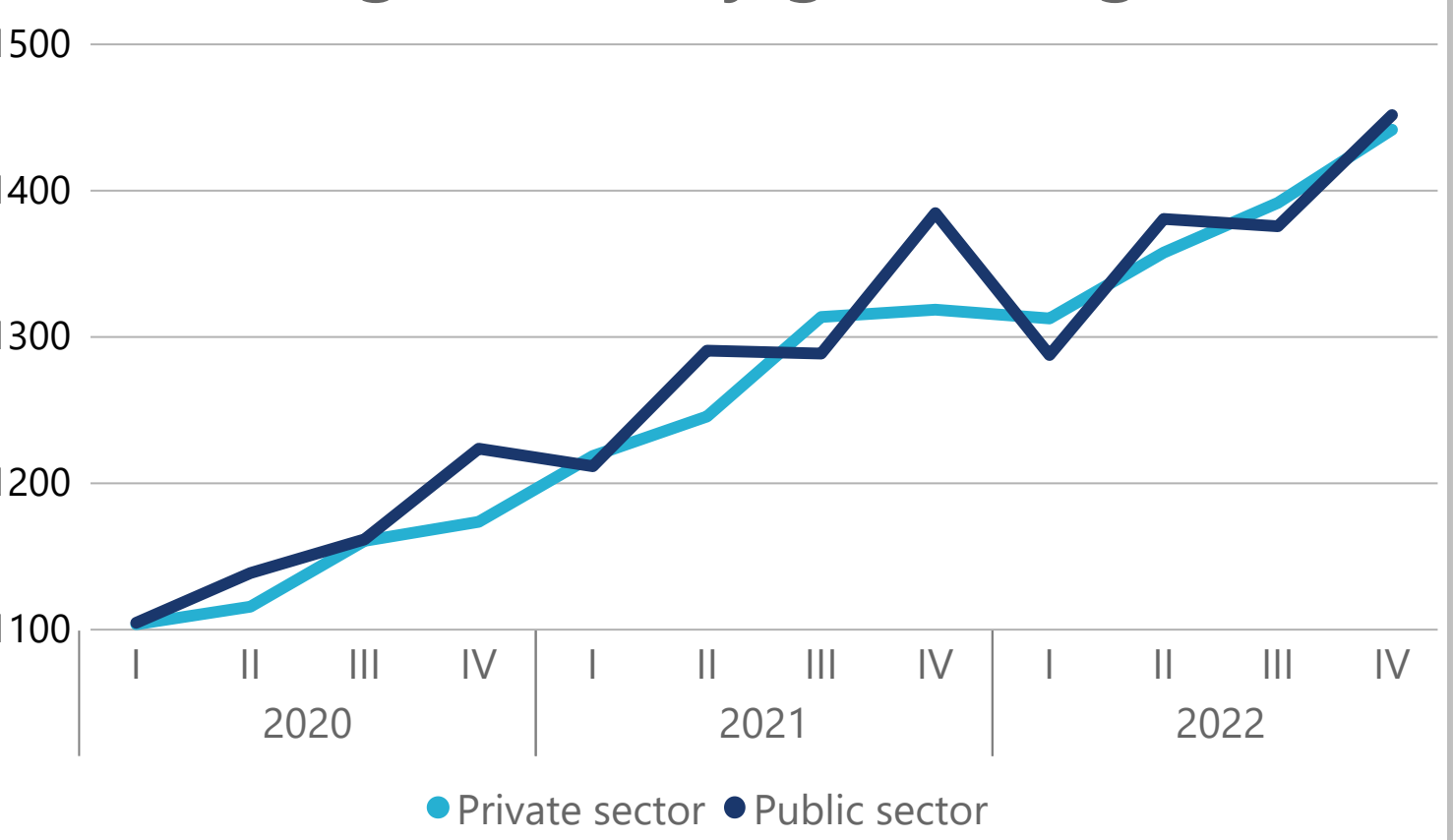
Total

1 443€

(+8.0% YoY)

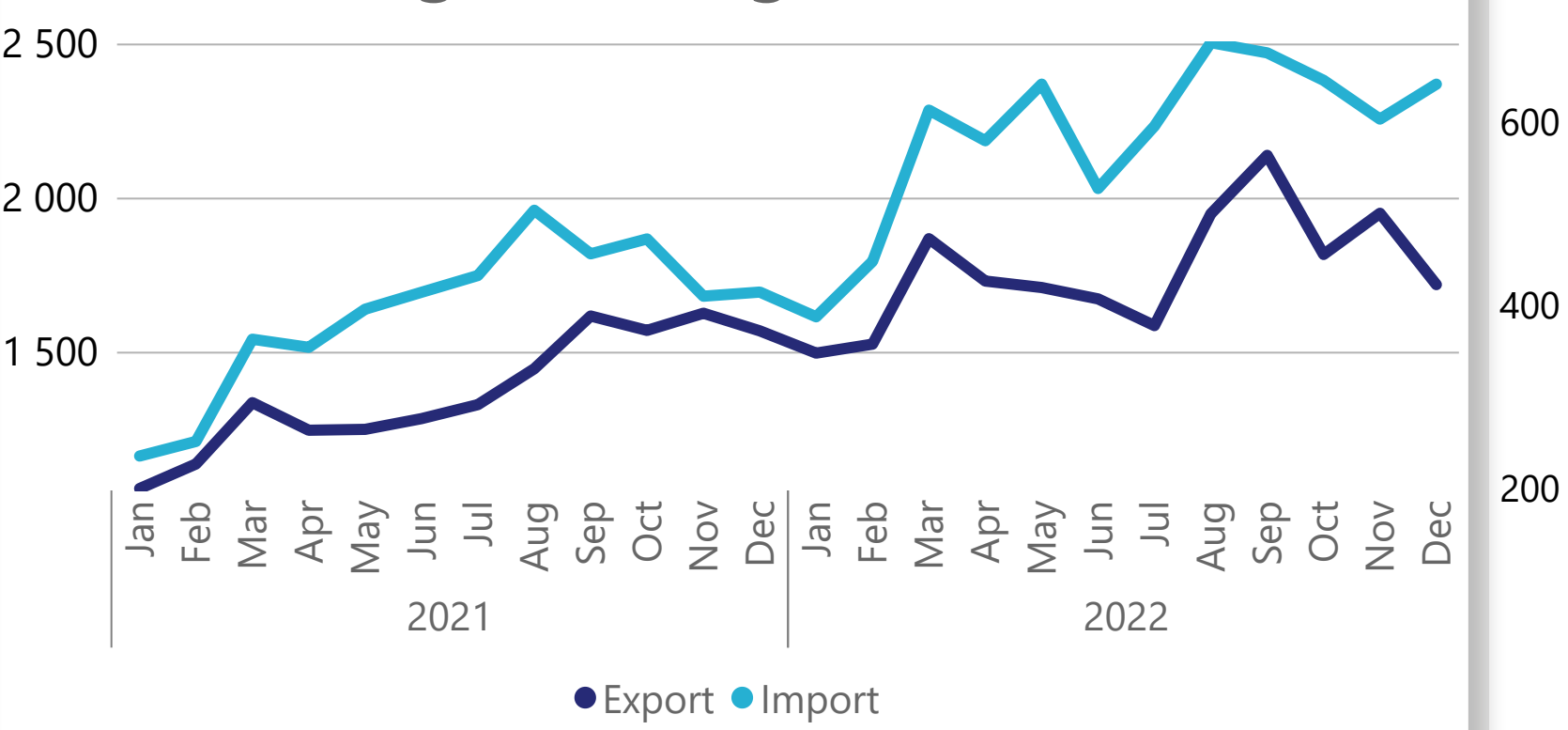
4Q 2022

Average monthly gross wage, €



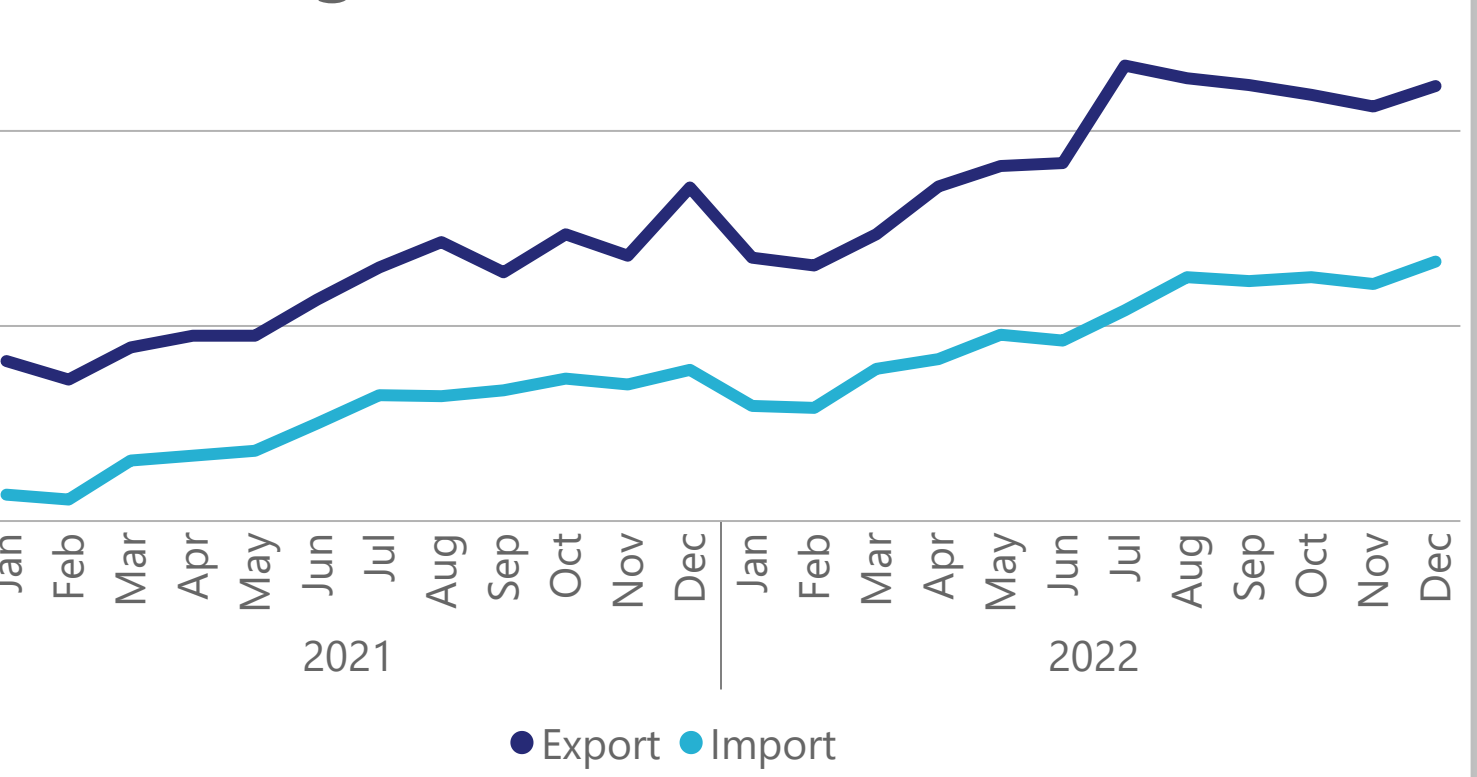
FOREIGN TRADE

Foreign trade (goods), mln €



Source: CSB; Bank of Latvia

Foreign trade (services), mln €



GENERAL GOVERNMENT BUDGET

General government budget balance 2023

-4.2% of GDP

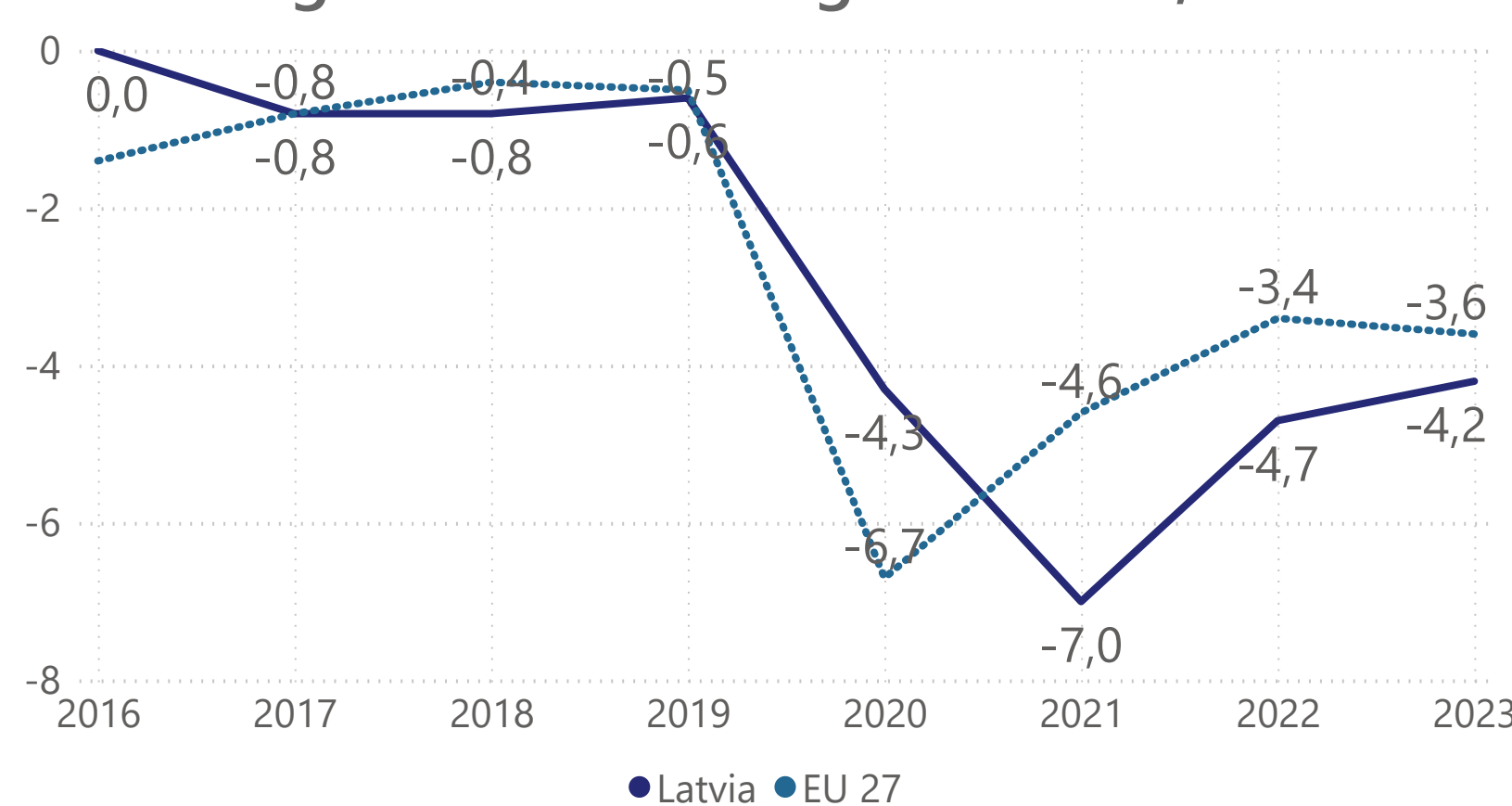
Forecast of MoF, February 2023

General government debt 2023

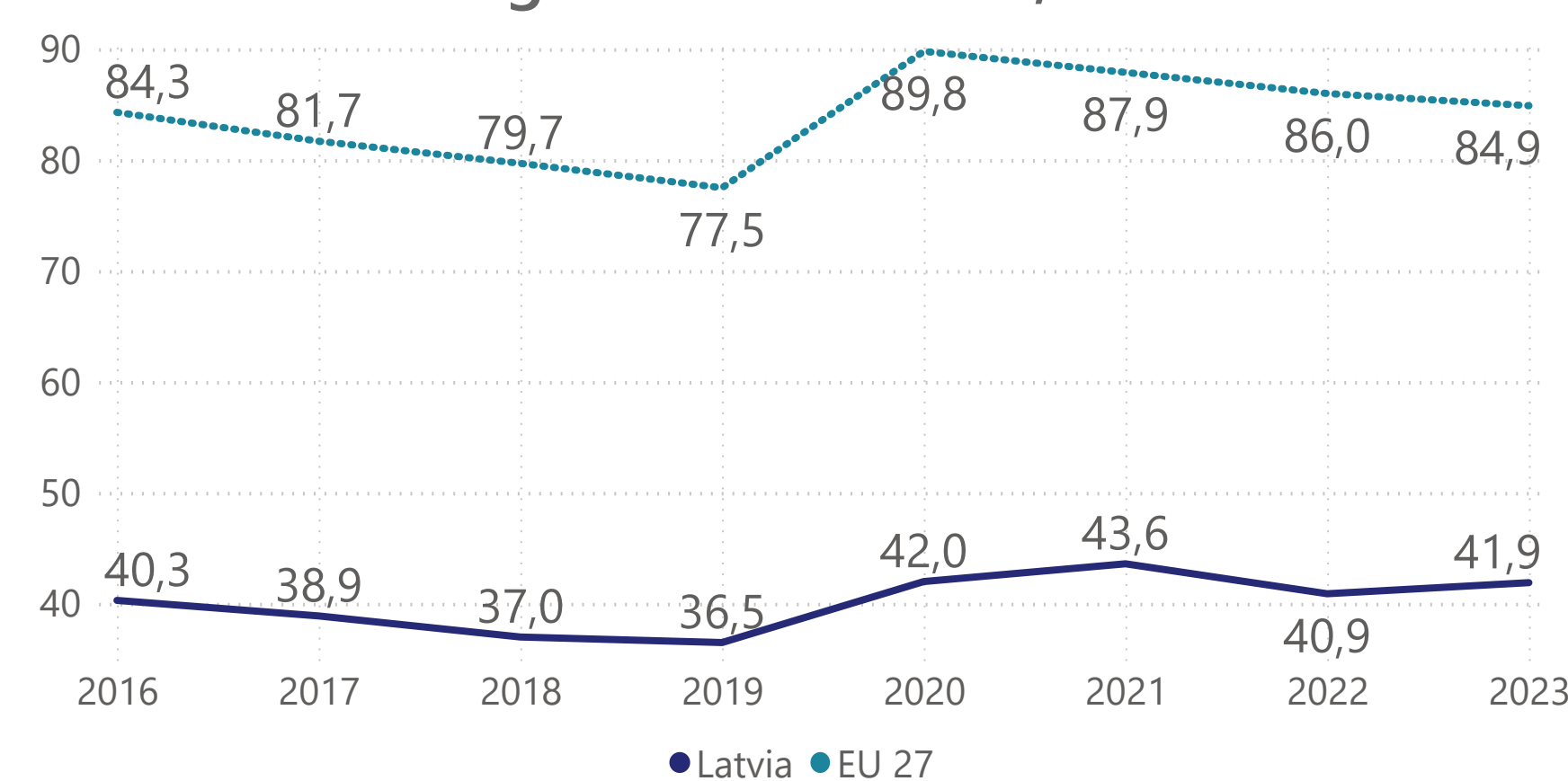
41.9% of GDP

Forecast of State Treasury, February 2023

General government budget balance, % of GDP



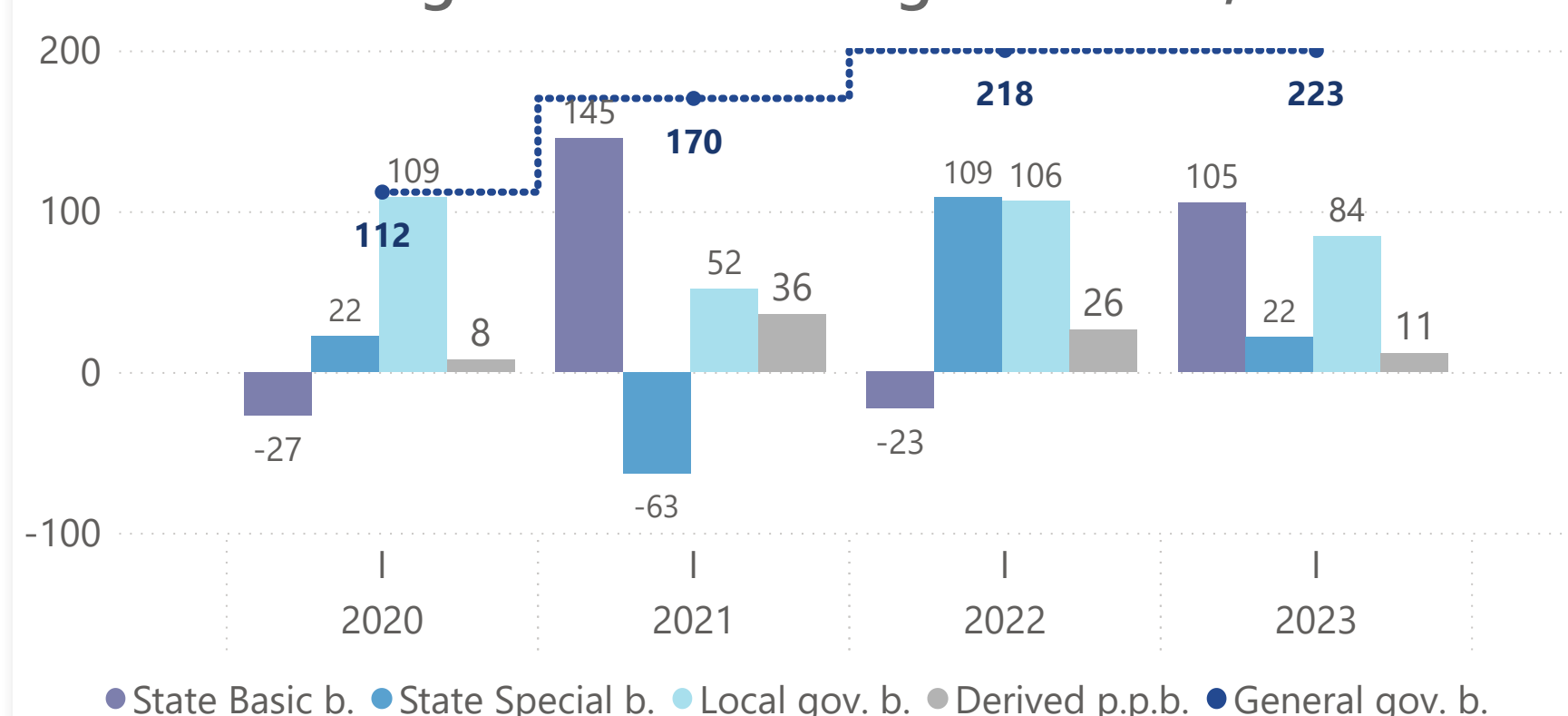
General government debt, % of GDP



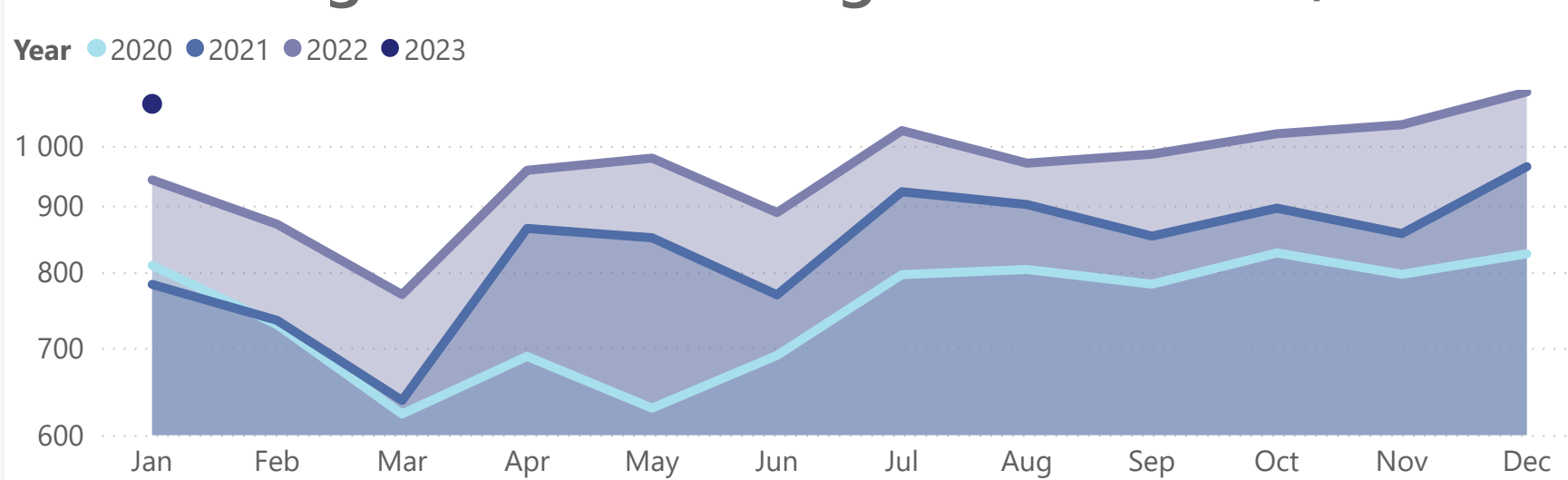
Source: Eurostat, AMECO Autumn Forecast 2022, "The State budget for 2023 and the budget framework for 2023, 2024 and 2025."

GENERAL GOVERNMENT BUDGET IN JANUARY 2023 ON CASH BASIS

General government budget balance, mln €



General government budget tax revenue, mln €



General government budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	1 307,5	77,3	6,3%
Expenditure	1 084,5	72,7	7,2%
Balance	223,0	4,7	

General government budget tax revenue

Tax type	Execution, mln €	YoY, mln €	YoY, %
VAT	386,1	81,0	26,5%
SSC	371,7	38,2	11,5%
PIT	239,5	9,3	4,0%
EXCISE	101,7	7,2	7,6%
CIT	61,8	25,1	68,6%

Revenue and expenditure

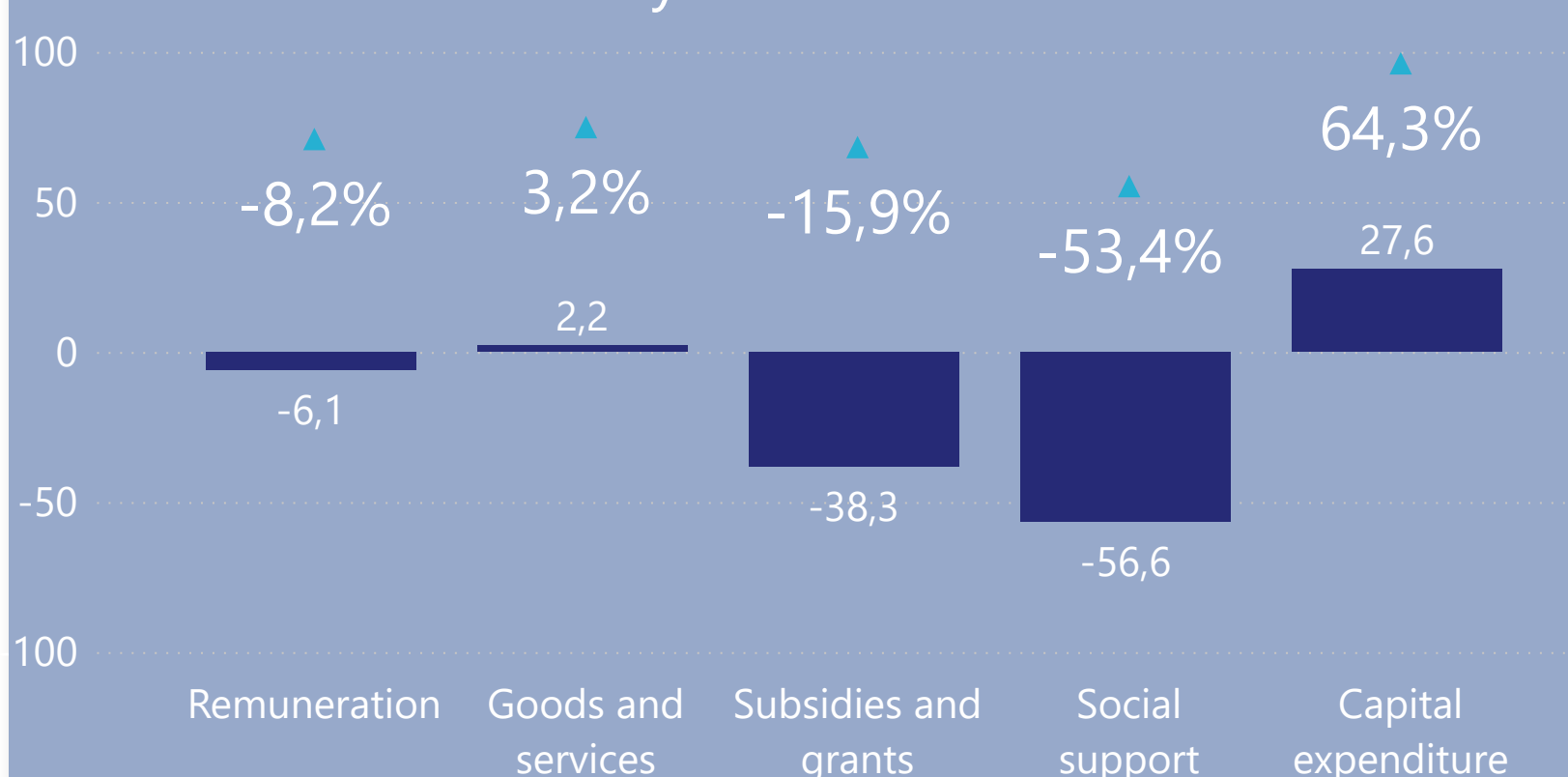
General government budget	Execution, mln €	YoY, mln €	YoY, %
Revenue			
Tax revenue	1 077,2	135,4	14,4%
Non tax revenue	46,9	-10,4	-18,1%
Self-earned revenue	49,1	6,8	16,2%
Foreign financial assistance	134,2	-54,5	-28,9%
Expenditure			
Remuneration	162,5	14,0	9,4%
Goods and services	152,7	20,6	15,6%
Interest payments	4,7	0,8	21,1%
Subsidies and grants	220,1	-37,7	-14,6%
Social support	432,3	48,8	12,7%
Capital expenditure	80,6	36,9	84,6%

Source: Treasury. General government budget tax revenue in January 2023 including revenue in the single tax account 129.7 mln euro and not included SSC revenues in 2ng pension tier 60.7 mln euro.

STATE BASIC BUDGET

State Basic Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	719,9	53,3	8,0%
Expenditure	614,6	-74,7	-10,8%
Balance	105,4	127,9	

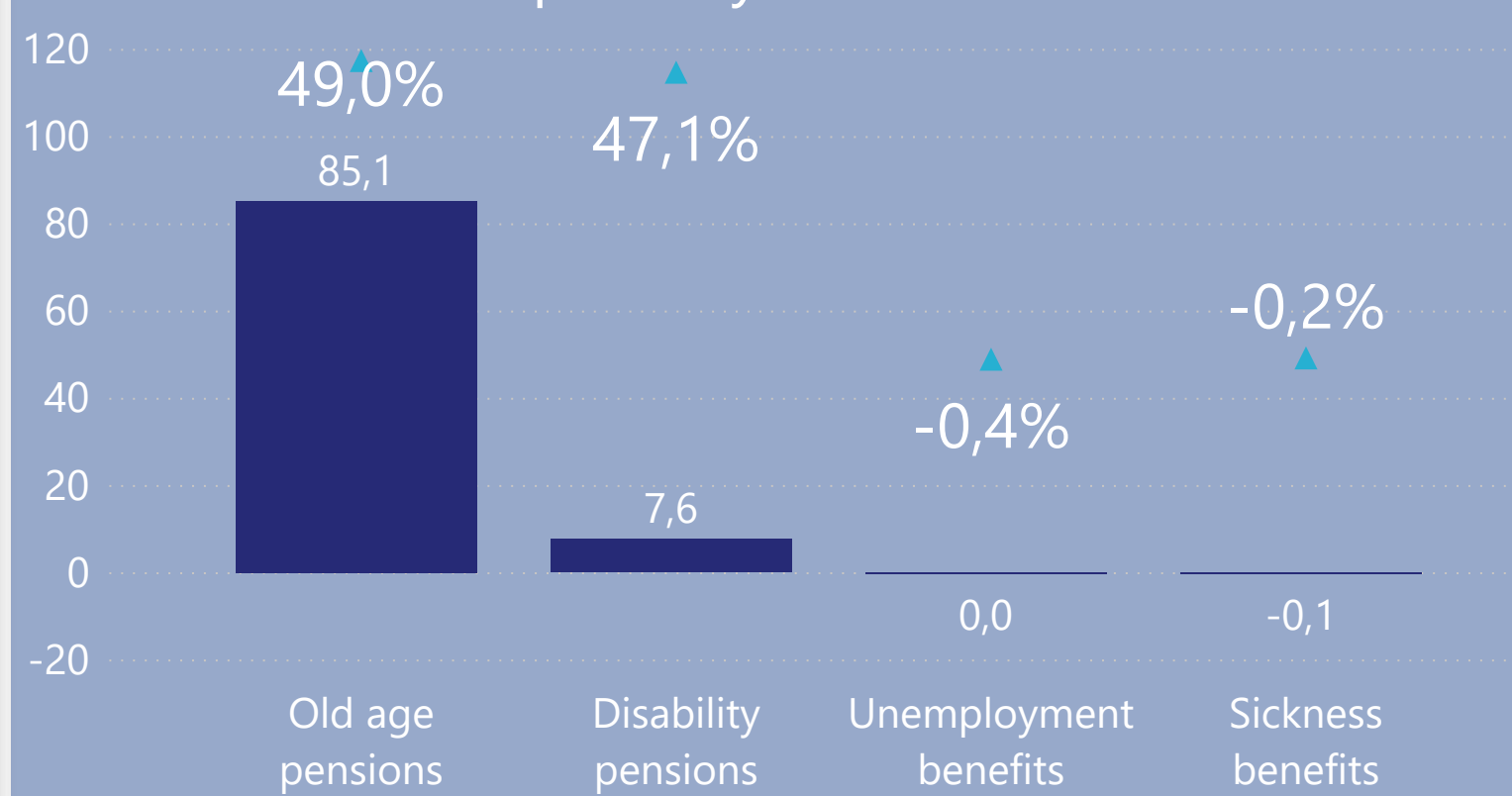
Major changes in mln € and % against respective period year before



STATE SPECIAL BUDGET

State Special Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	386,7	12,8	3,4%
Expenditure	364,9	99,5	37,5%
Balance	21,9	-86,7	

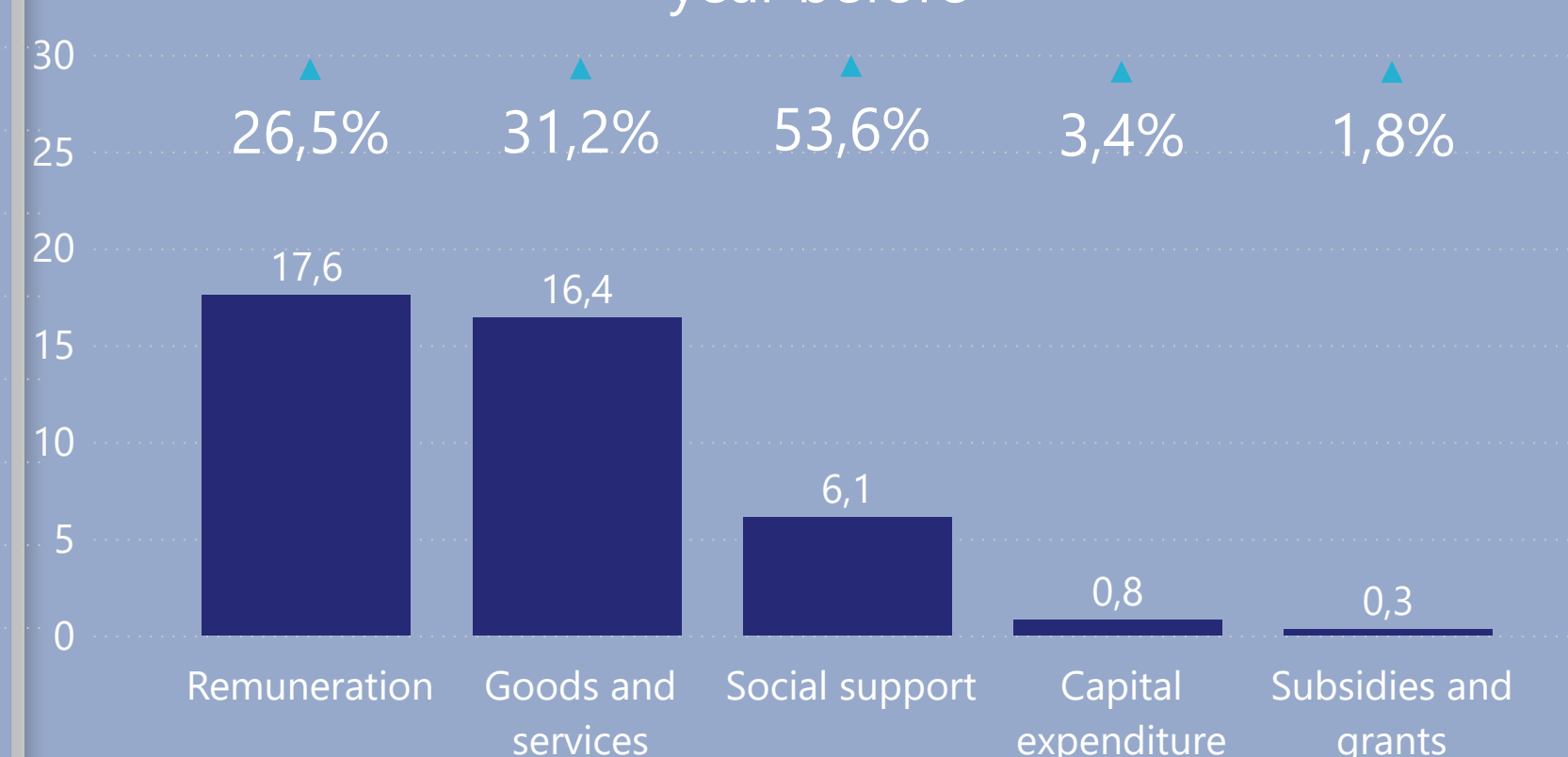
Major changes in mln € and % against respective period year before



LOCAL GOVERNMENT BUDGET

Local Government Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	306,5	25,4	9,1%
Expenditure	222,0	47,4	27,1%
Balance	84,5	-21,9	

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

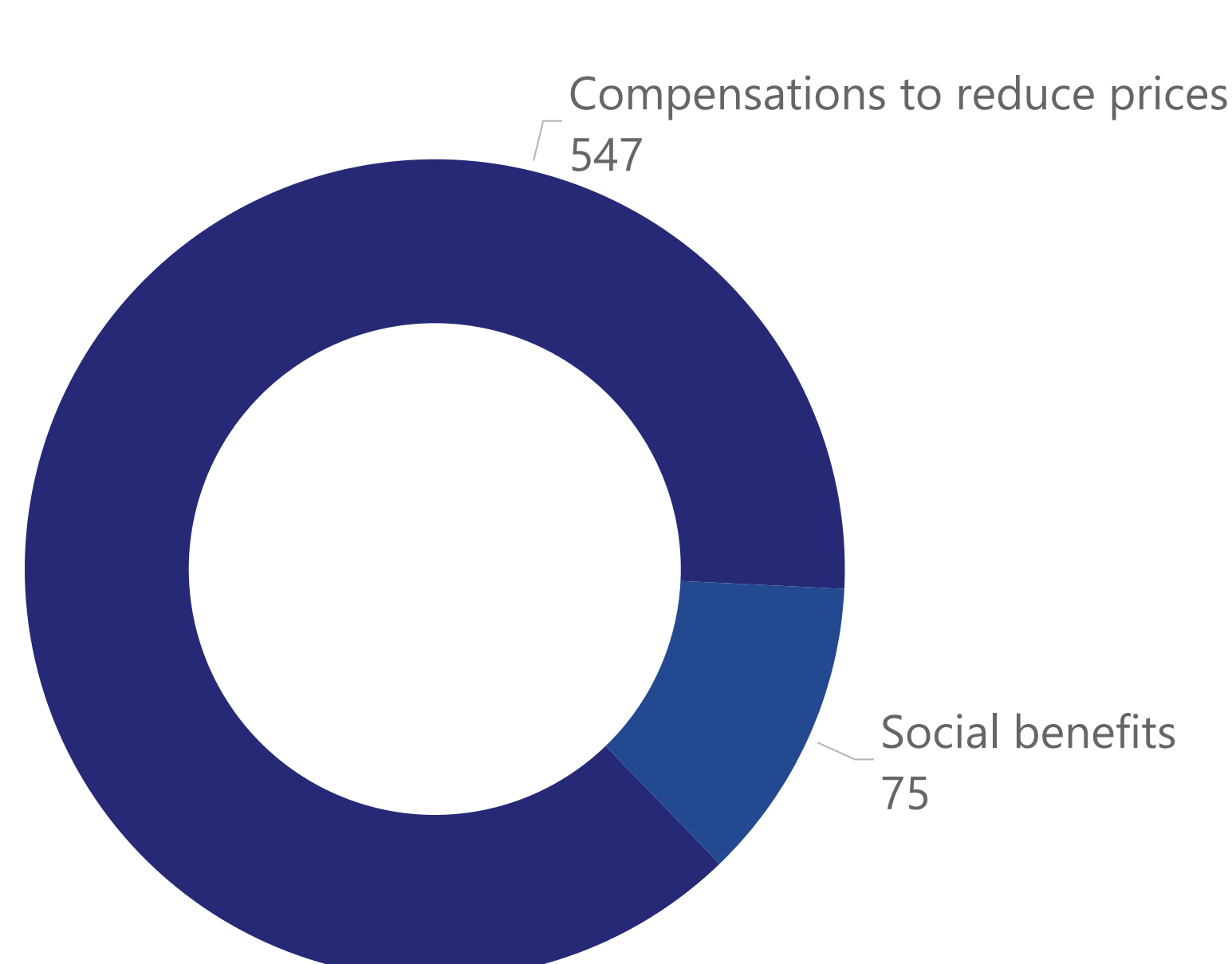
Total support, mln € and % of GDP

Support	2020	2021	2022	Plan 2023
Covid-19	1281,7	2284,1	965,8	109,9
Energy		1,9	605,0	621,6
Ukraine			81,0	102,0
Total	1281,7	2286,0	1651,7	833,5
% of GDP	4,2	6,8	4,2	2,0

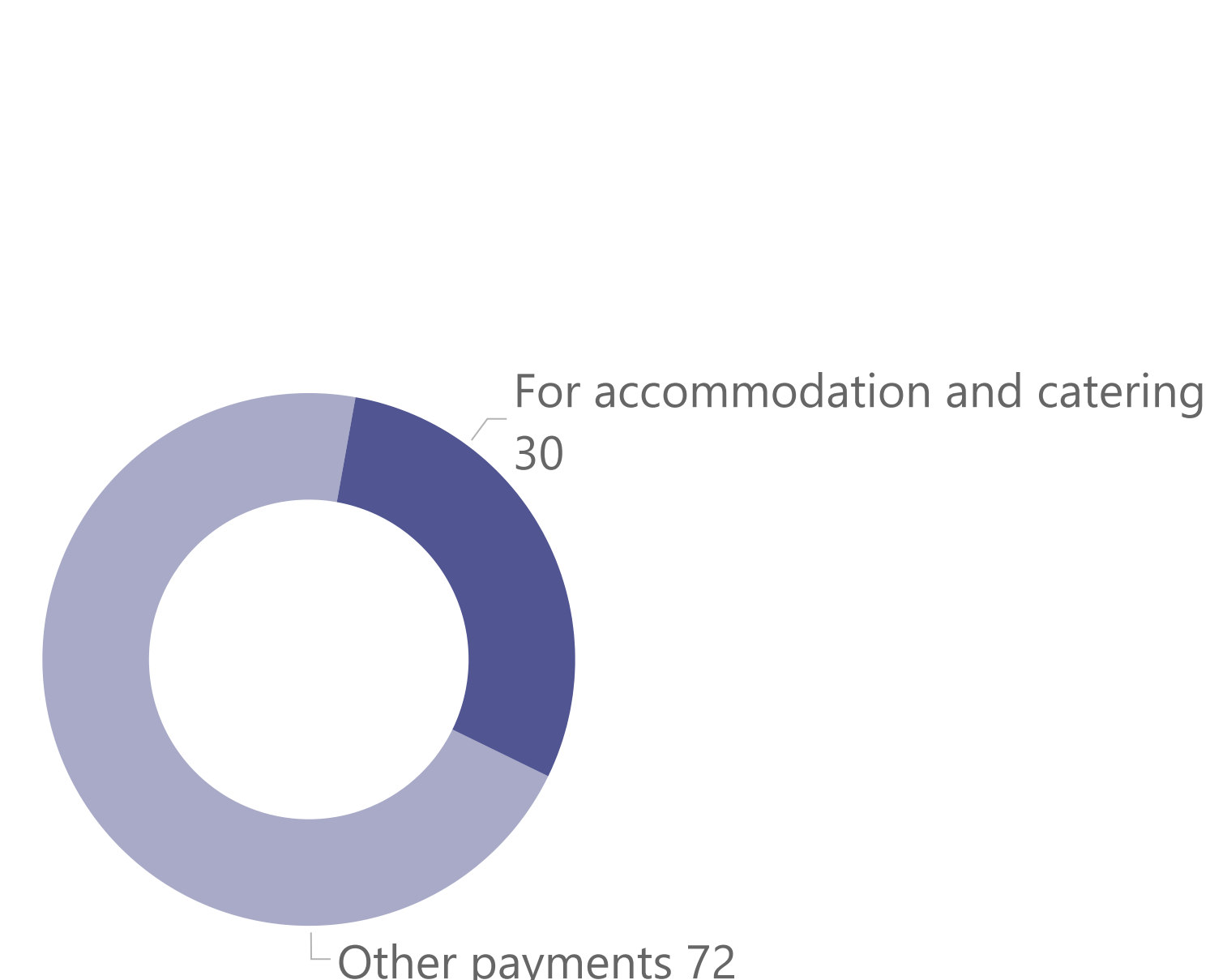
Impact on budget balance, mln € and % of GDP

Total	-960,8	-2104,7	-1481,6	-813,0
(% of GDP)	-3,2	-6,2	-3,8	-1,9

Planned energy support measures 2023, mln €



Planned support to Ukrainien citizens 2023, mln €



Source: Plan according to the government decisions till January 13th,2023. Execution according to data from the State Treasury, State Revenue Service, ALTUM, etc. till December 31, 2022.