

MACROECONOMIC AND BUDGETARY REVIEW 2023

No 8

GROSS DOMESTIC PRODUCT (GDP)

GDP 2022

38 870 mln €

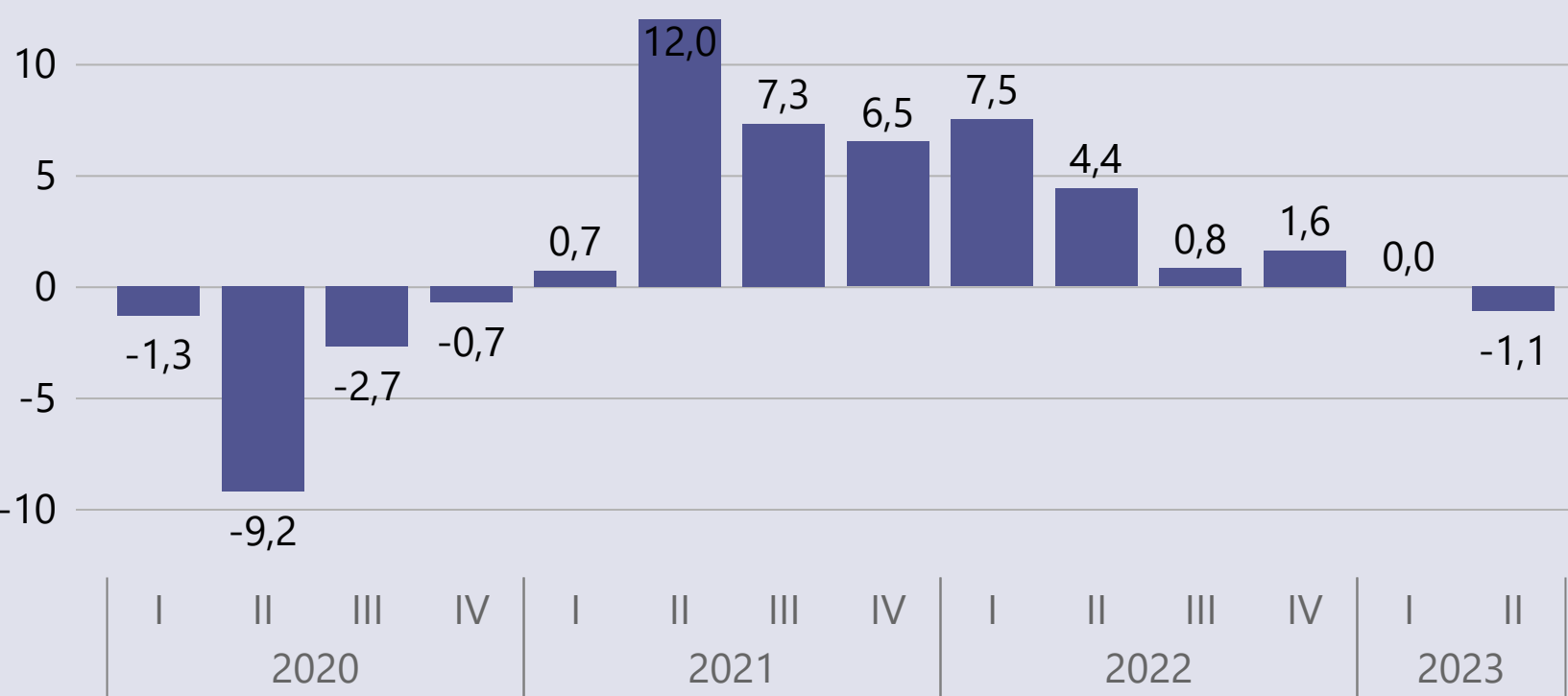
CSB, 29.09.2023.

GDP growth 2023

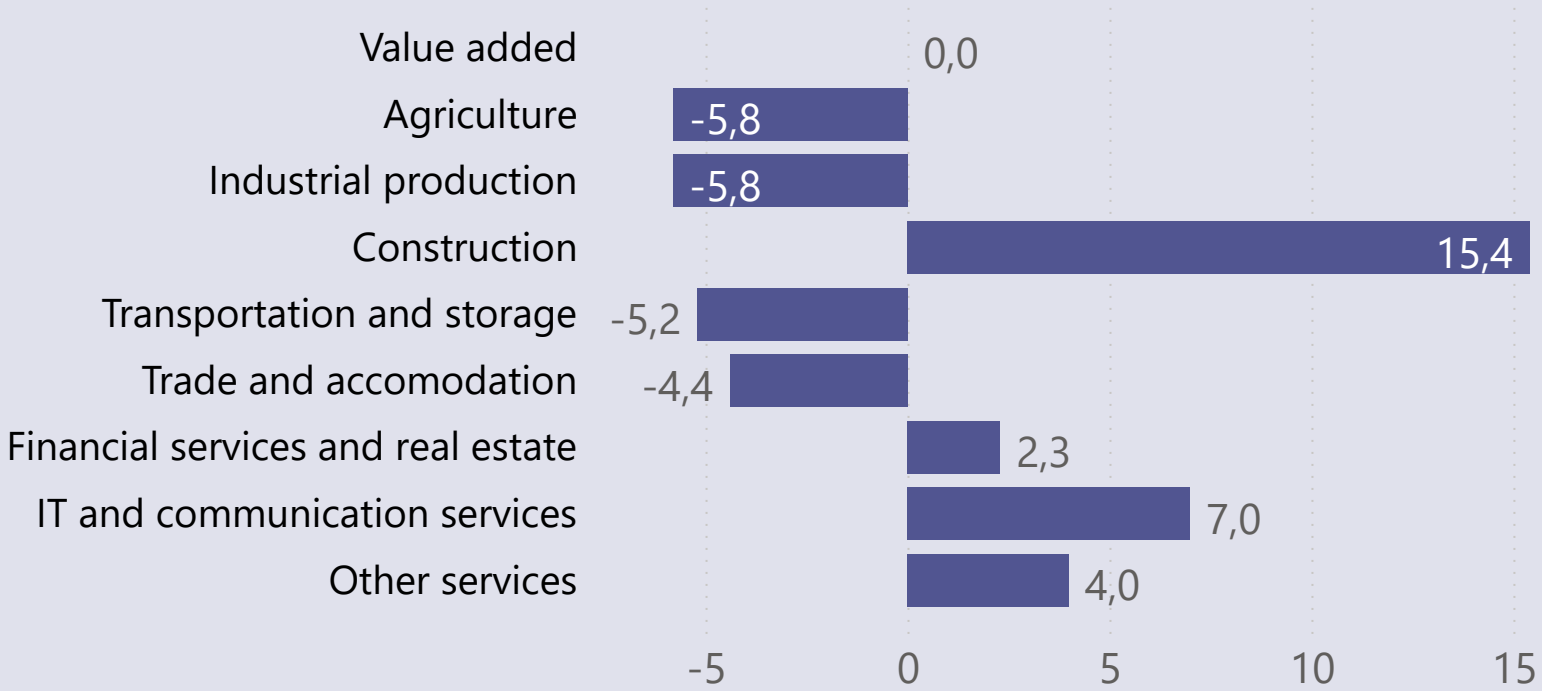
1.0%

MoF forecast, June 2023

GDP growth, YoY%

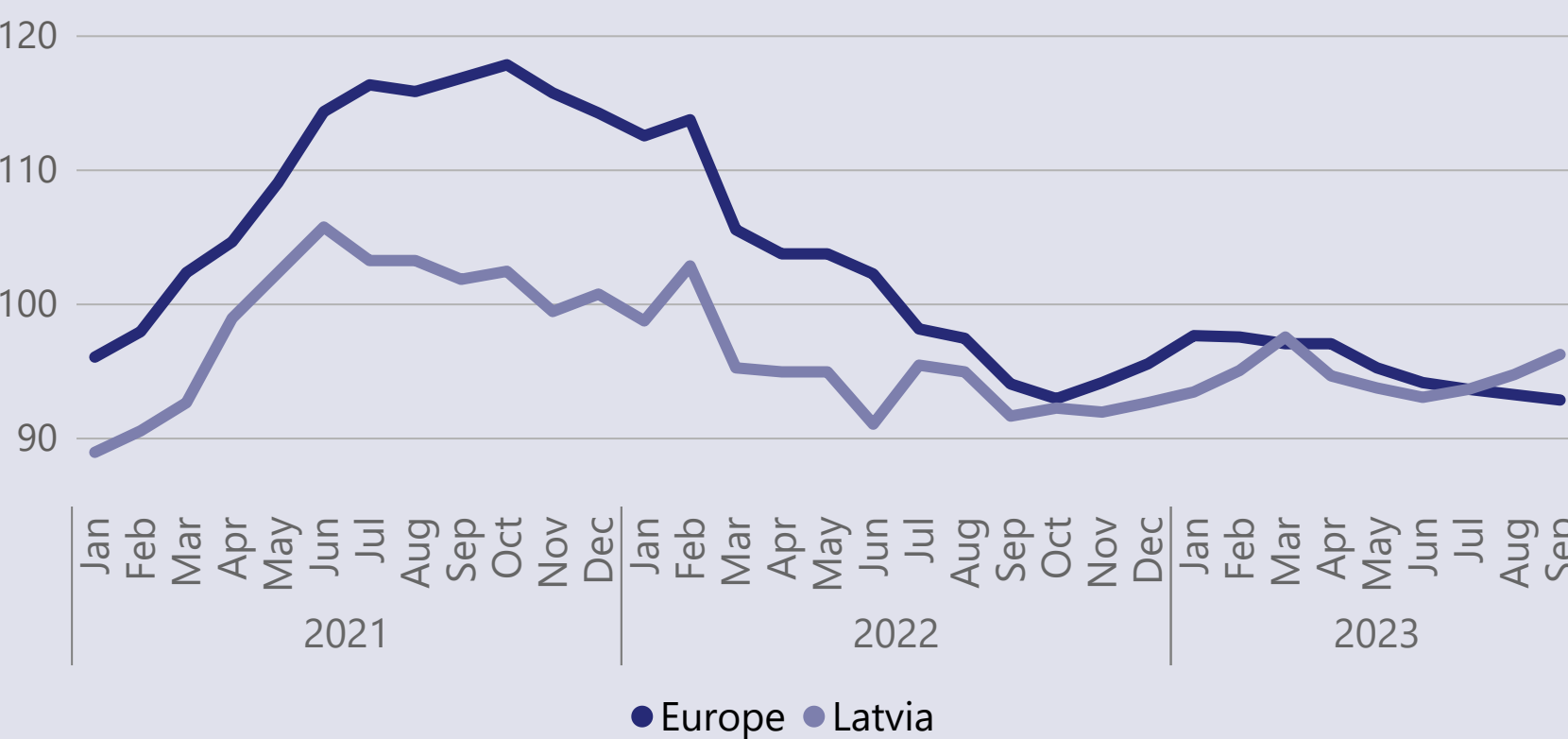


GDP growth by sectoral breakdown (2023 1st half/2022 1st half)



Source: Central Statistical Bureau(CSB); comparable prices

Economic confidence



Source: European Commission

INFLATION

Inflation

5.4%

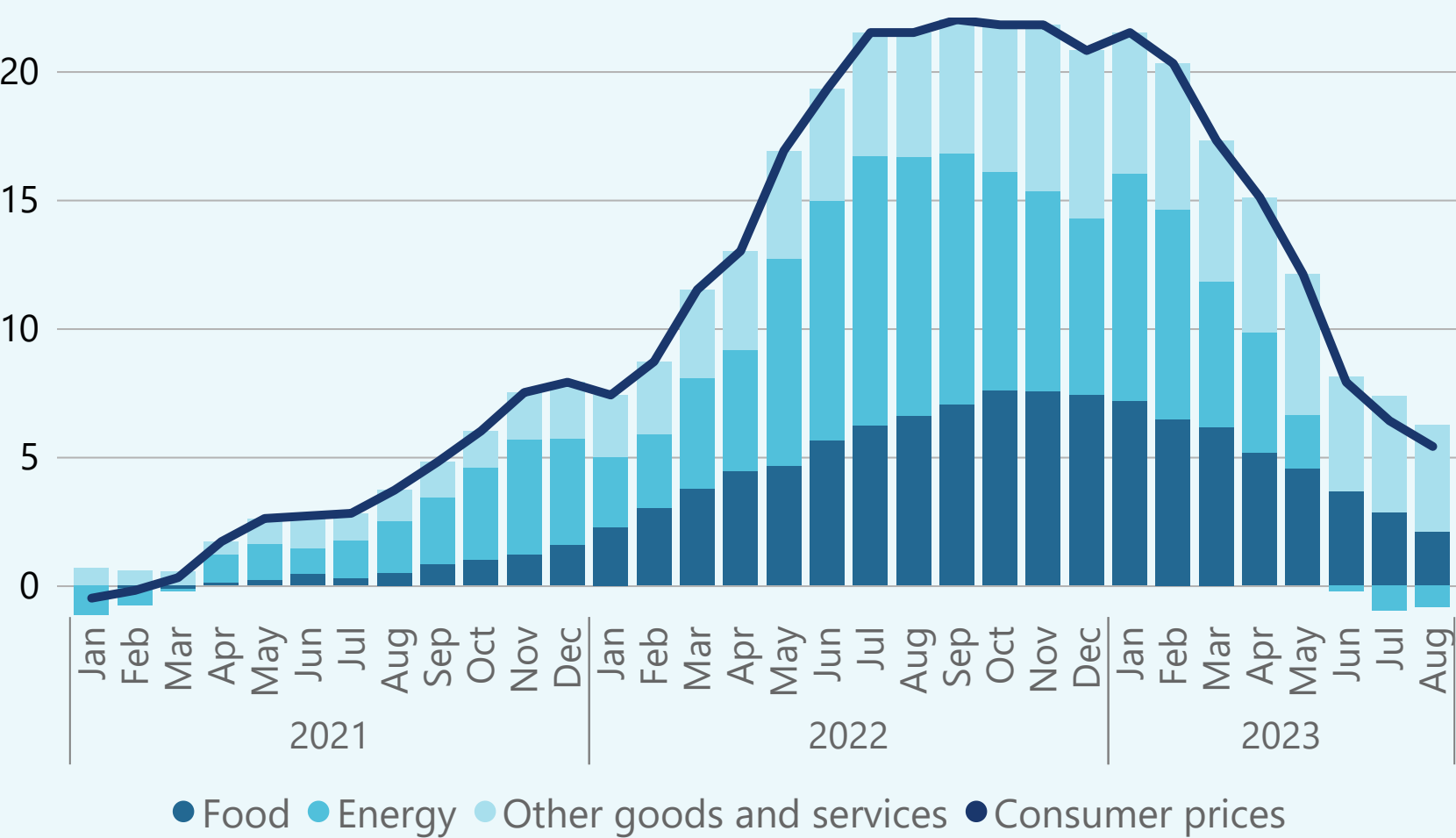
August 2023

Producer price rise

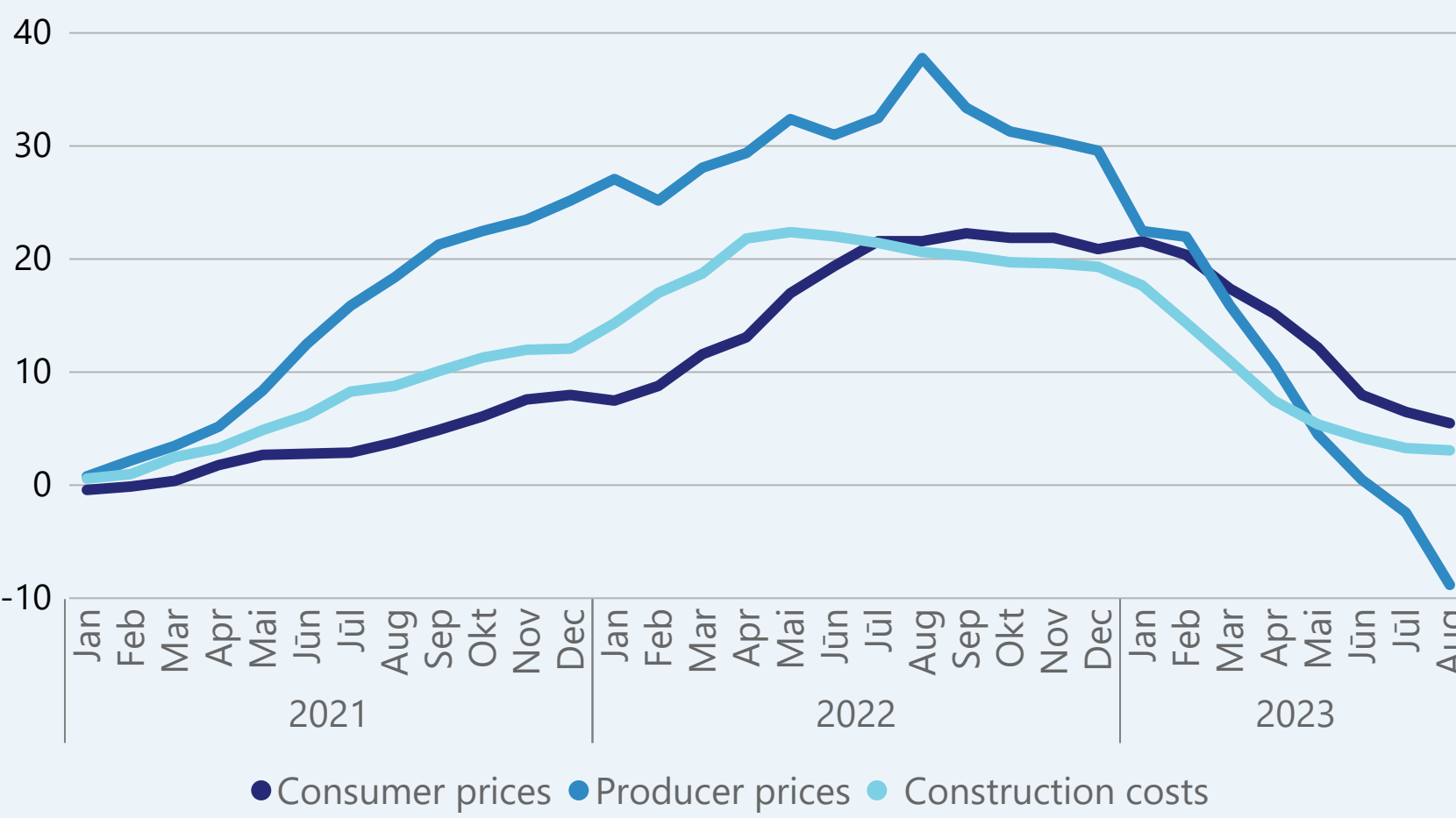
-8.9%

August 2023

Consumer prices,YoY%



Prices, YoY%



Source: CSB

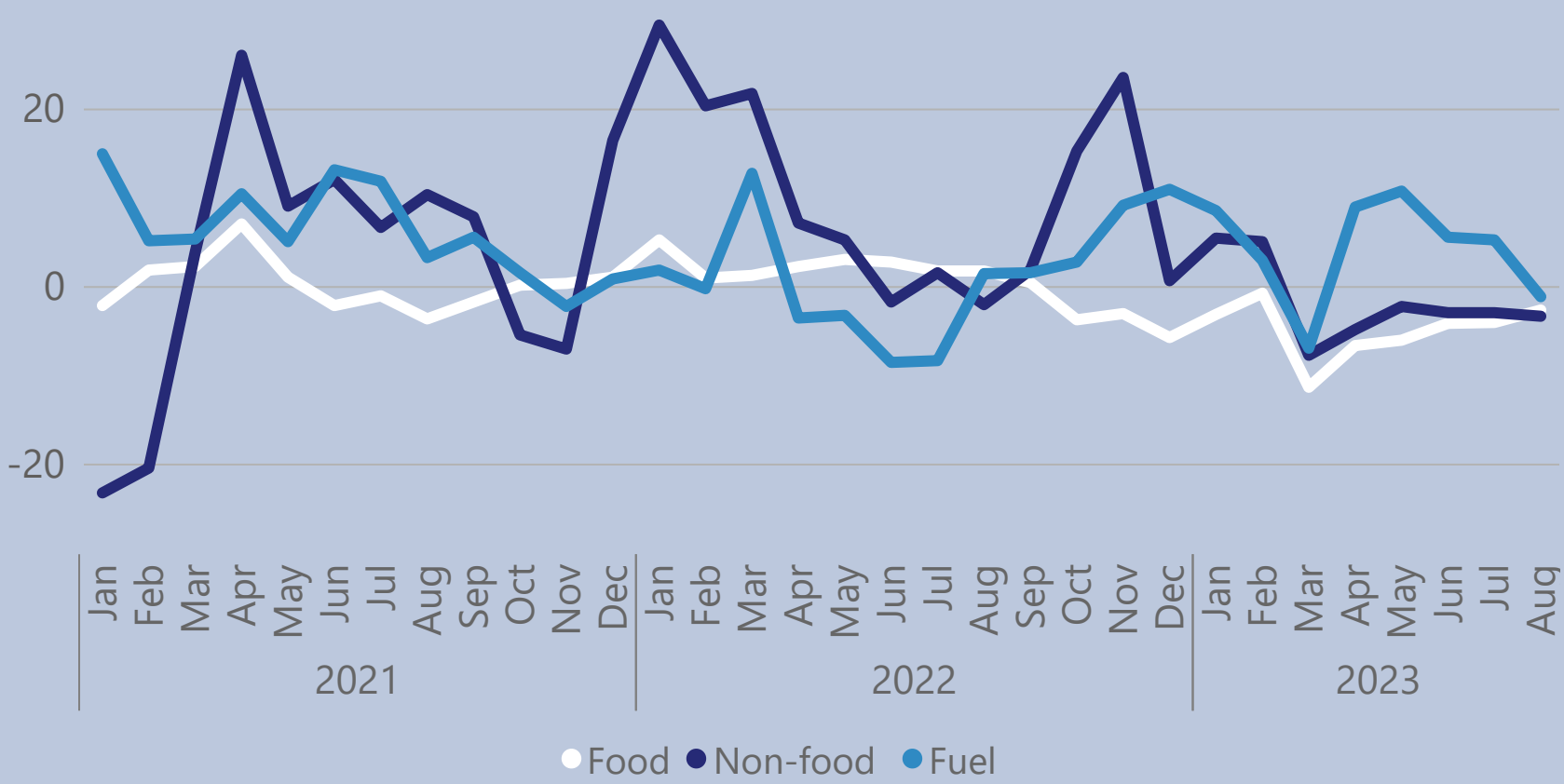
MAIN MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021	2022	2023*	2024*	2025*	2026*
Nominal GDP growth, %	6,4	8	4,9	-1,5	10,8	16,6	11	5,5	6,2	5,8
Real GDP growth, %	3,3	4	0,6	-3,5	6,7	3,4	1	2,5	2,9	2,9
GDP deflator, % change	2,9	3,9	4,3	2,1	3,8	12,8	9,9	2,9	3,2	2,8
Consumer price index, % change	2,9	2,5	2,8	0,2	3,3	17,3	10	2,2	2,5	2,3
Average monthly gross wage, EUR	926	1004	1076	1143	1277	1373	1524	1638	1720	1806
nominal growth, %	7,8	8,4	7,2	6,2	11,7	7,5	11	7,5	5	5
real growth, %	4,7	5,7	4,2	6	8,2	-8,4	0,9	5,2	2,4	2,6
Number of persons employed, thsd	894	909	910	893	864	886	887	887	884	879
growth, %	0,2	1,6	0,1	-1,9	-3,2	2,6	0,1	0	-0,3	-0,6
Unemployment rate, %	8,7	7,4	6,3	8,1	7,6	6,9	6,5	6,6	6,4	6,4

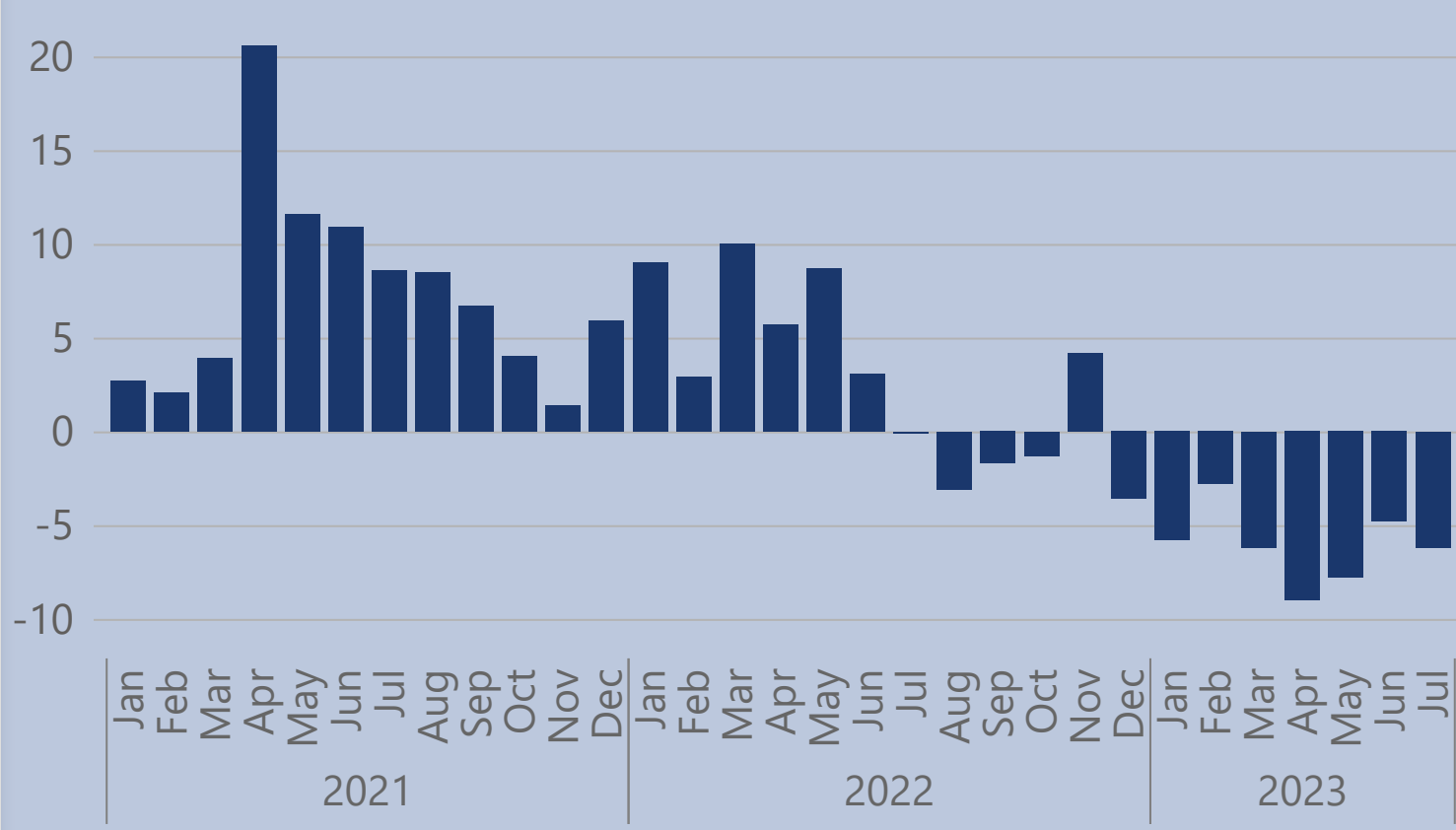
Source: CSB (29.09.2023), *forecasts of the Ministry of Finance of the Republic of Latvia (June 2023)

INDUSTRIES

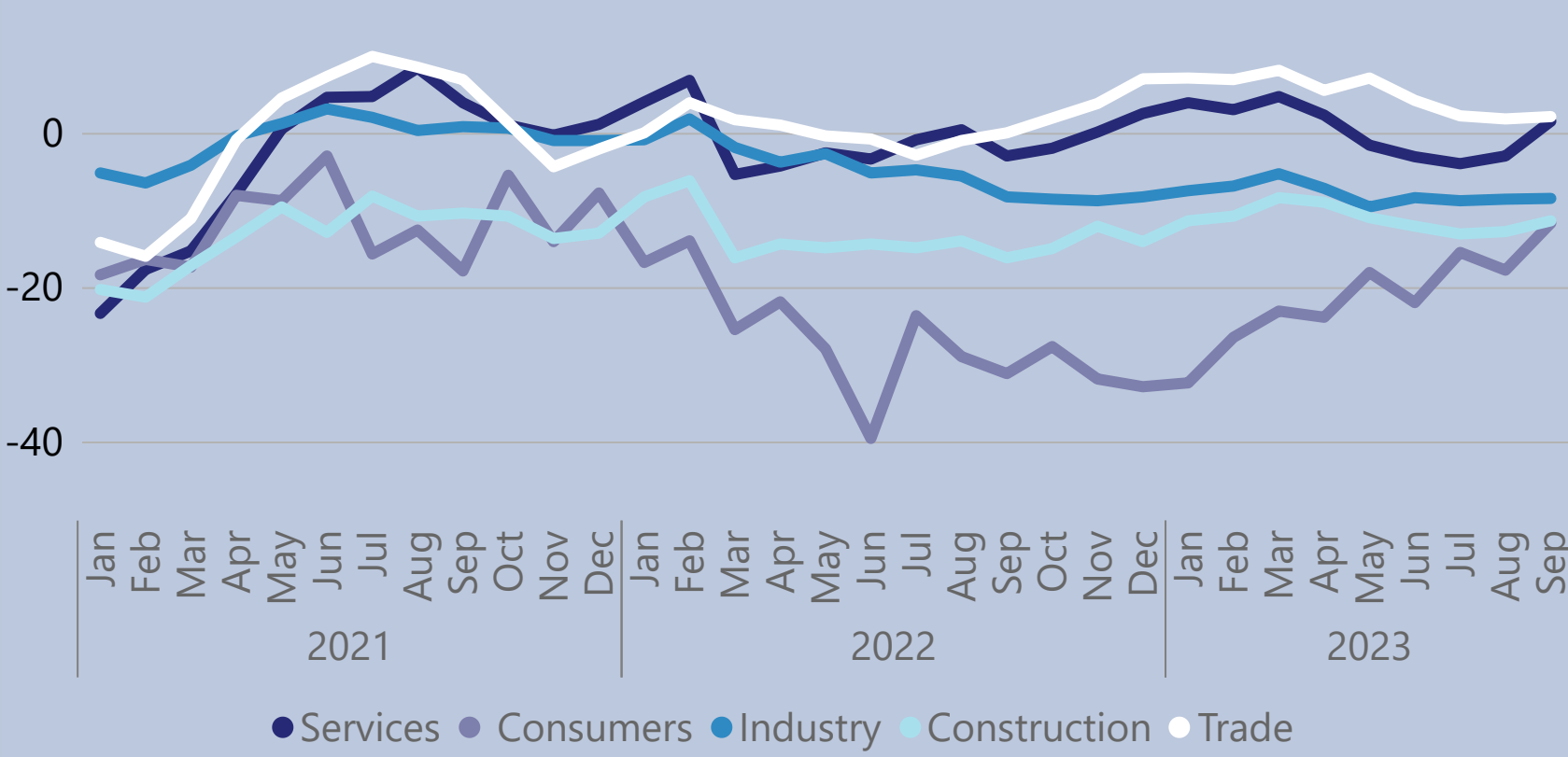
Retail trade growth, YoY%



Manufacturing output, YoY%

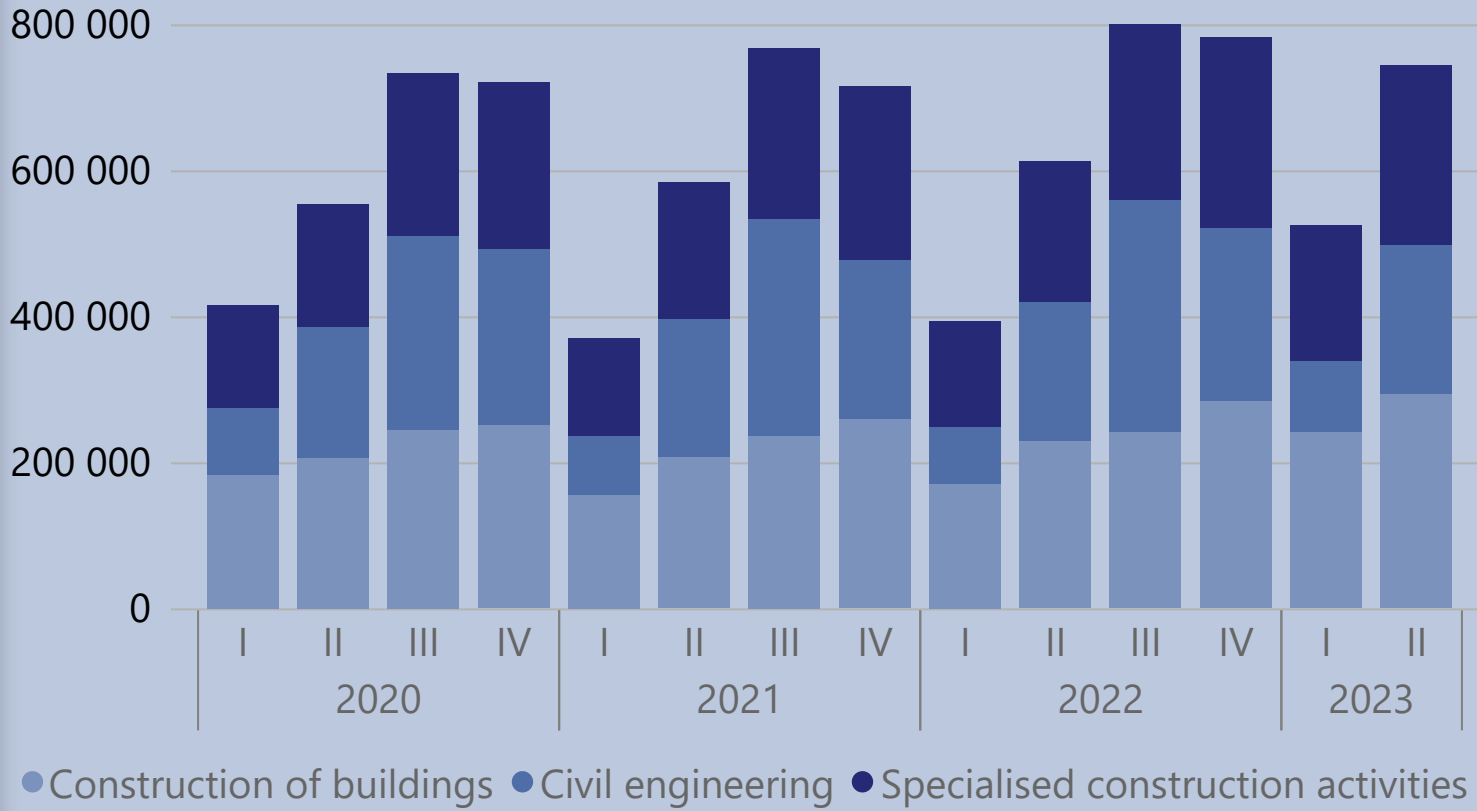


ESI Sector Confidence Index in Latvia



Source: CSB, European Commission

Construction output at constant prices, thsd €



UNEMPLOYMENT

Registered

5.5%

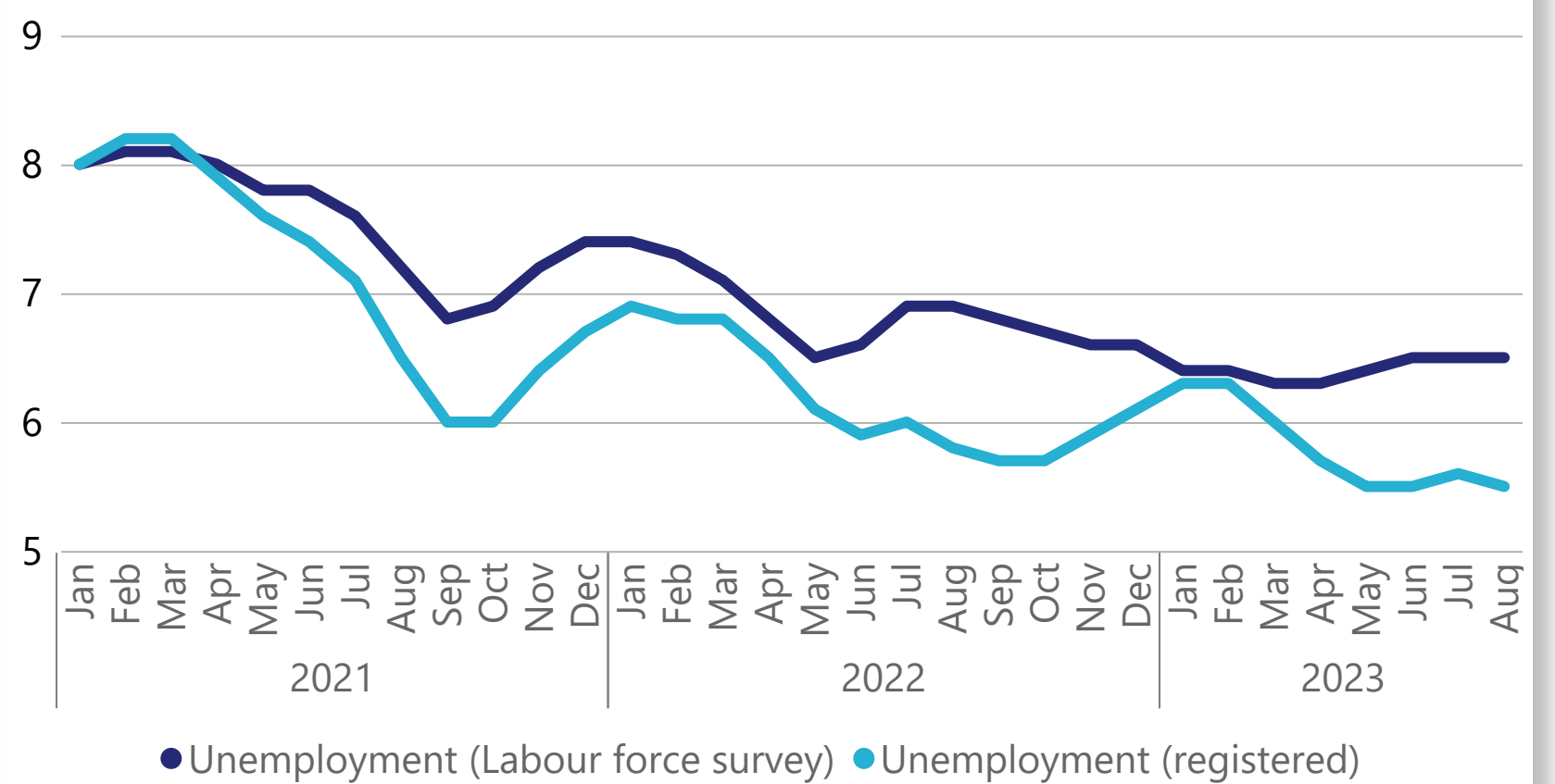
August 2023

Labour force survey

6.5%

August 2023

Unemployment rate, %



Source: CSB, State Employment Agency

WAGE

Private sector

1 519€
(+11.9% YoY)
2Q 2023

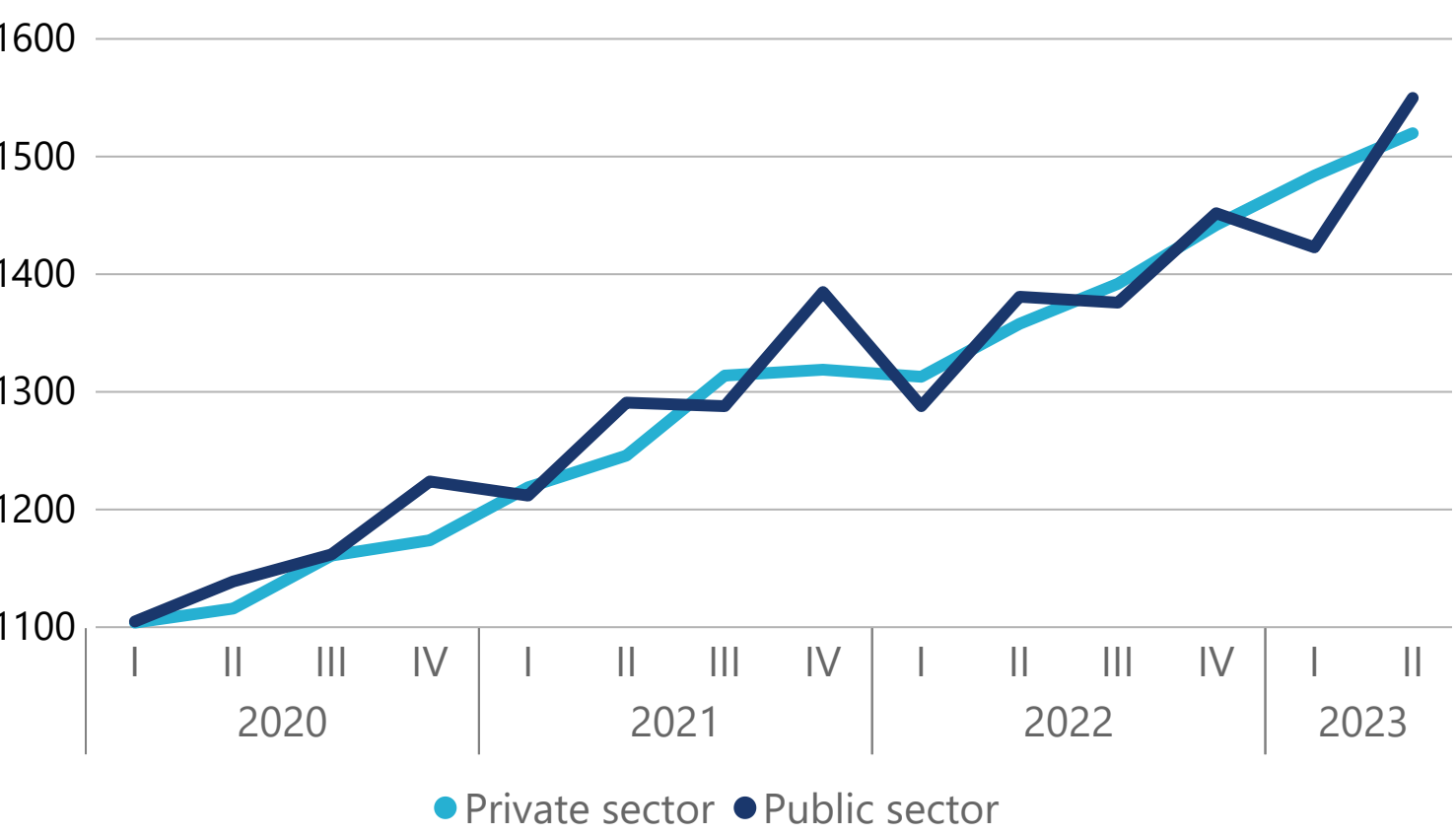
Public sector

1 549€
(+12.2% YoY)
2Q 2023

Total

1 525€
(+12% YoY)
2Q 2023

Average monthly gross wage, €



GENERAL GOVERNMENT BUDGET

General government budget balance 2023

-2.7% of GDP

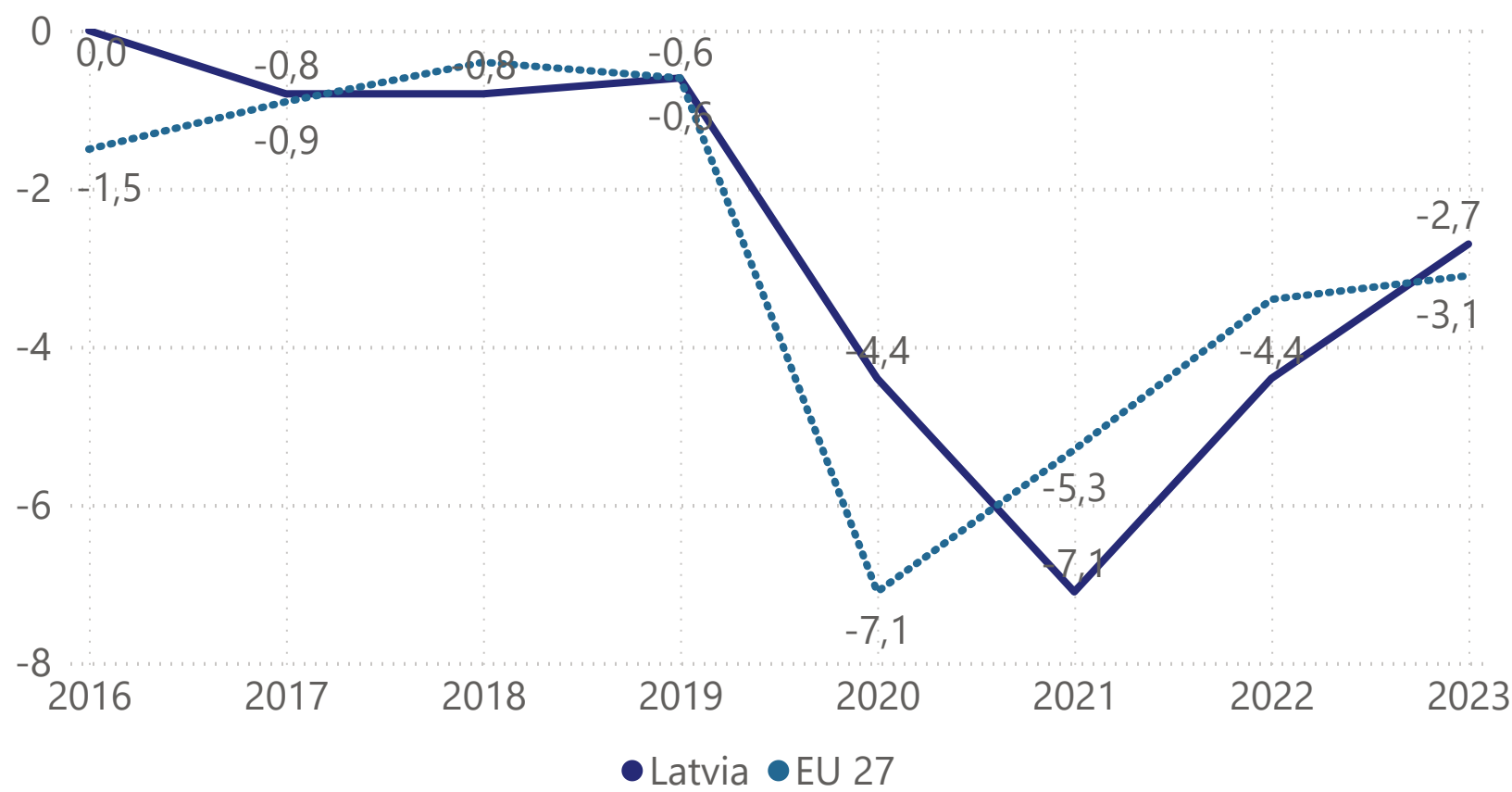
Forecast of MoF, August 2023

General government debt 2023

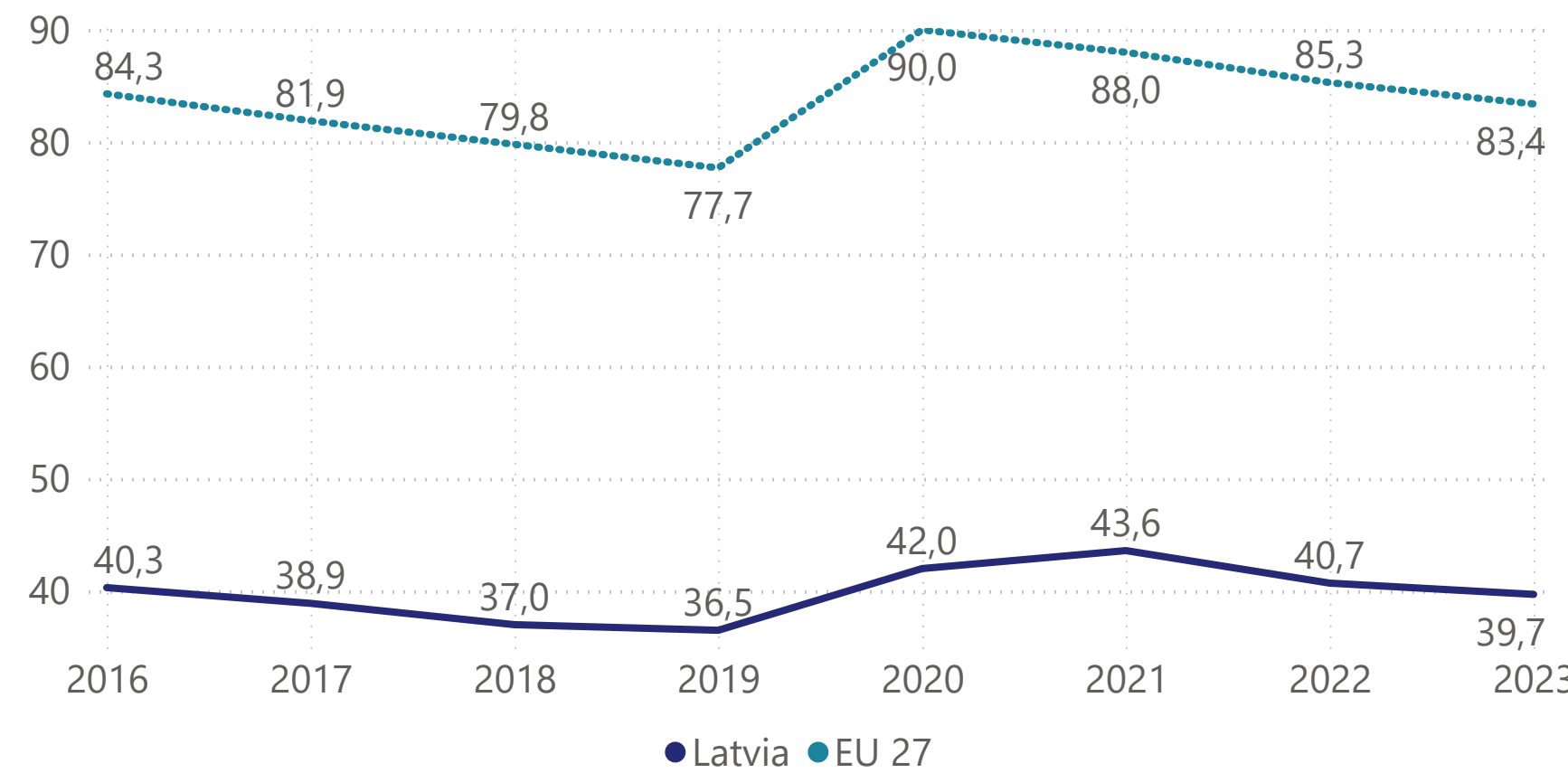
39.7% of GDP

Forecast of State Treasury, August 2023

General government budget balance, % of GDP



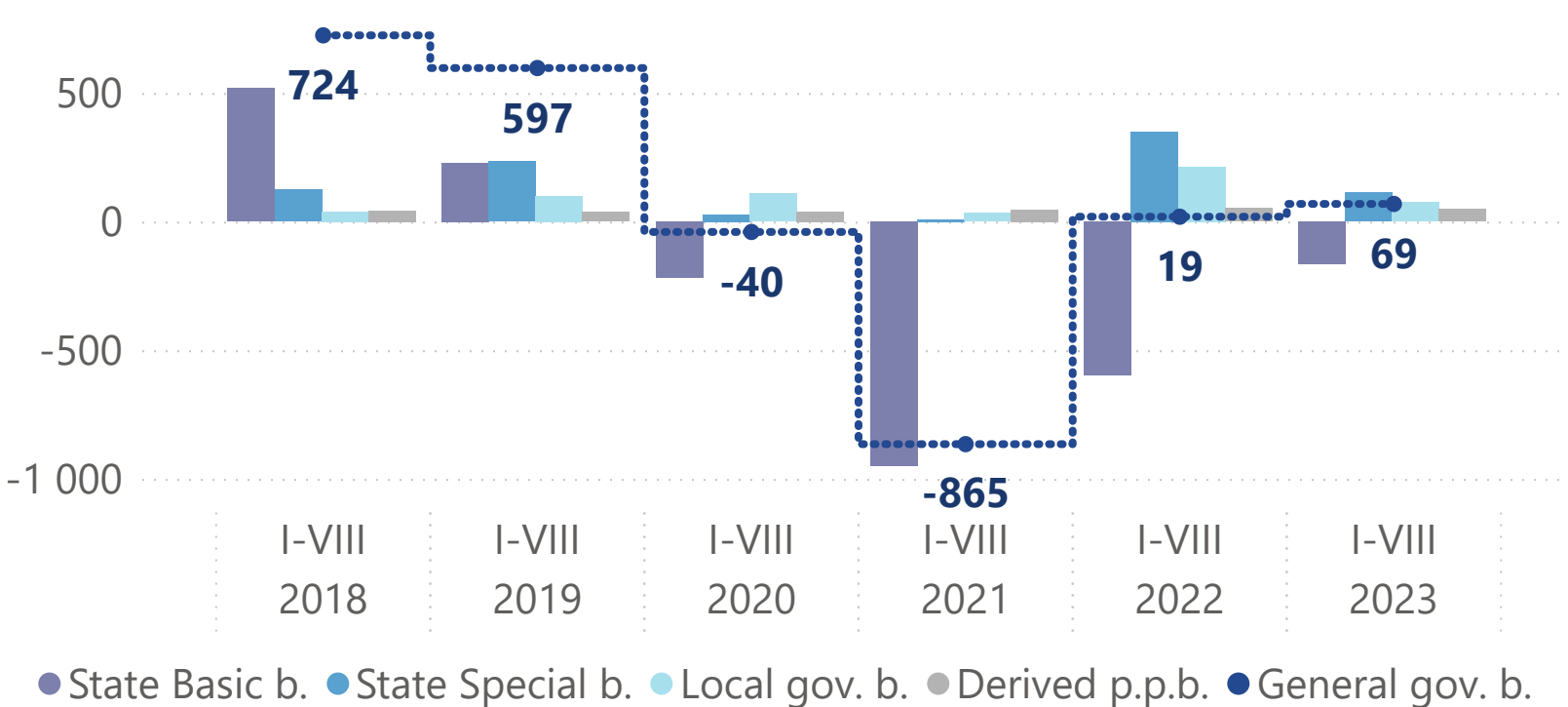
General government debt, % of GDP



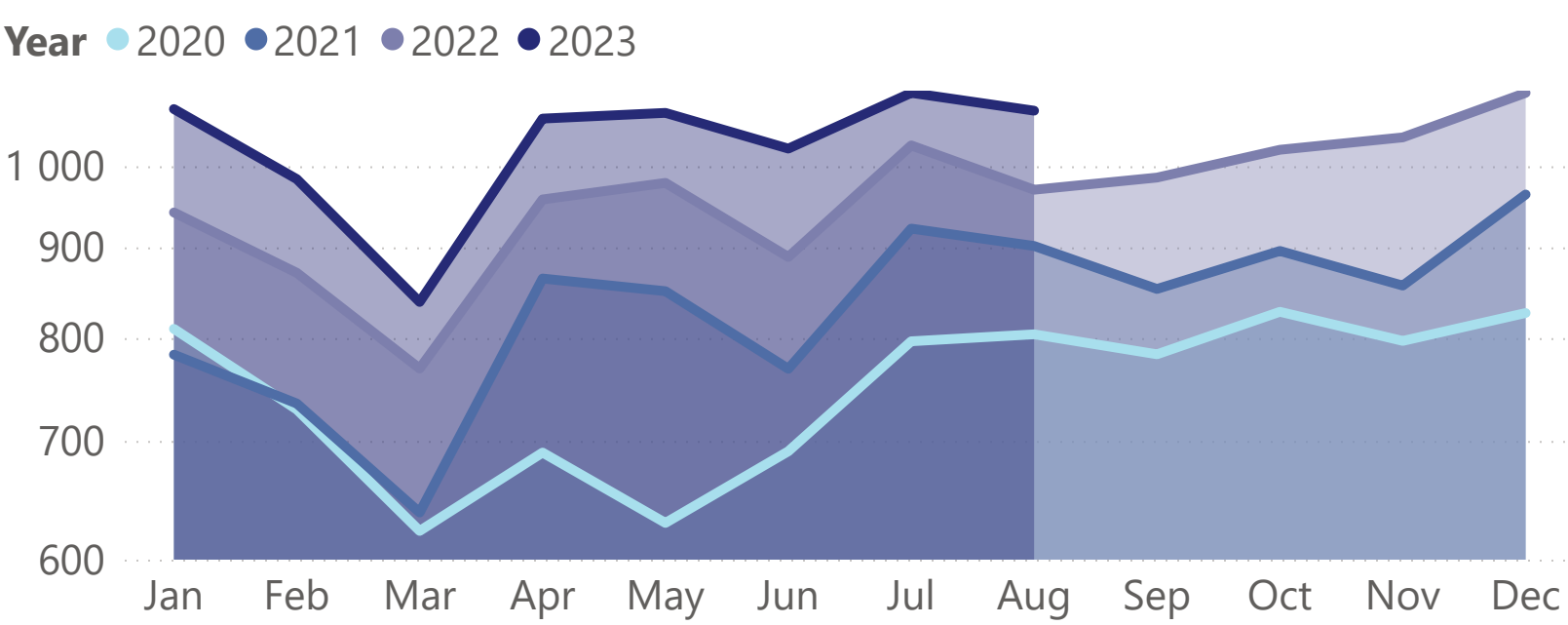
Source: Eurostat, AMECO Spring Forecast 2023, Informative report "On forecasts of macroeconomic indicators, revenues and general government budget balance in 2024, 2025 and 2026".

GENERAL GOVERNMENT BUDGET IN JANUARY-AUGUST 2023 ON CASH BASIS

General government budget balance, mln €



General government budget tax revenue, mln €



Source: Treasury.

General government budget tax revenue in January-August 2023 including revenue in the single tax account -164,7 mln € and not included SSC revenues in 2nd pension tier 503.1 mln €.

General government budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	10 401,7	1 177,2	12,8%
Expenditure	10 332,8	1 127,5	12,2%
Balance	68,8	49,7	

General government budget tax revenue

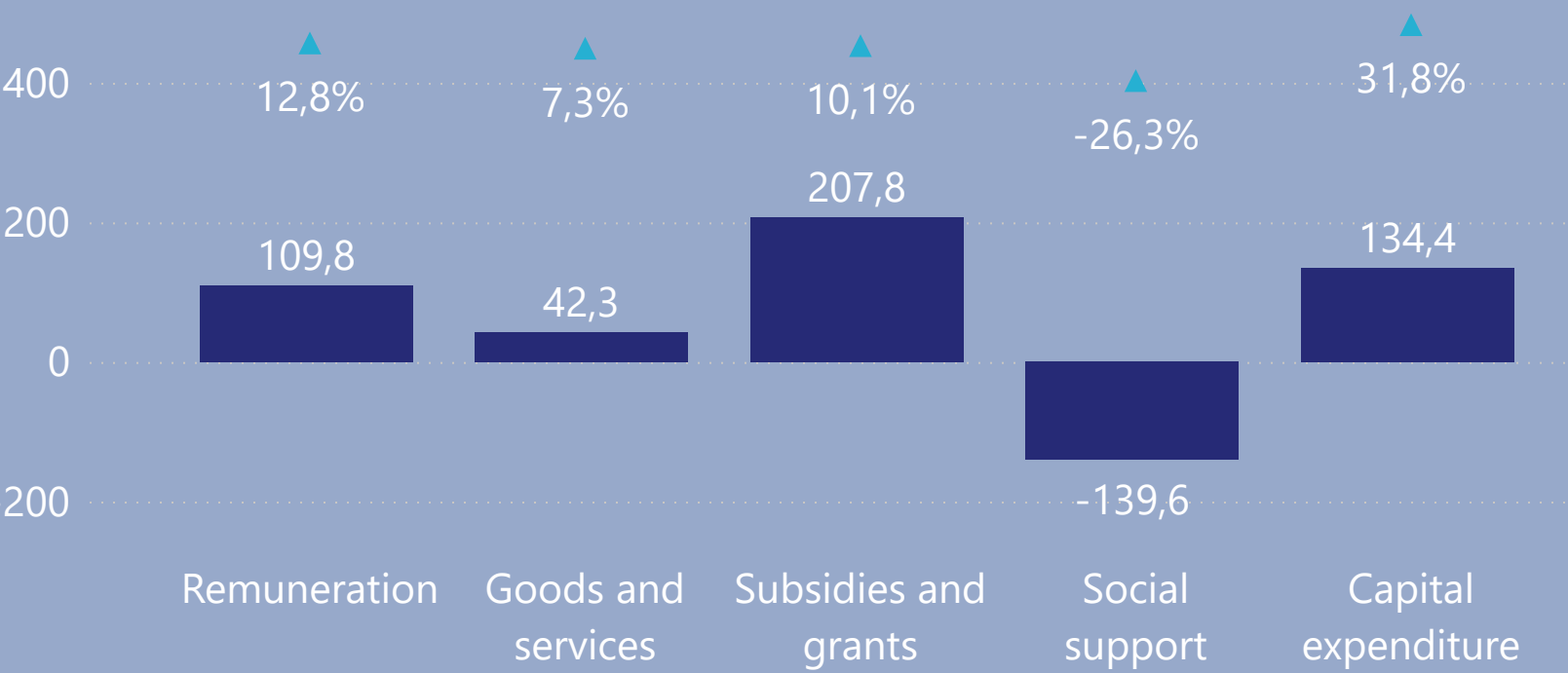
Tax type	Execution, mln €	YoY, mln €	YoY, %
SSC	2 665,2	241,7	10,0%
VAT	2 582,9	335,4	14,9%
PIT	1 580,1	143,3	10,0%
EXCISE	774,4	30,3	4,1%
CIT	401,0	129,4	47,6%

General government budget	Execution, mln €	YoY, mln €	YoY, %
Revenue			
Tax revenue	8 241,5	837,0	11,3%
Non tax revenue	803,7	158,3	24,5%
Foreign financial assistance	1 016,1	127,7	14,4%
Self-earned revenue	339,1	54,3	19,1%
Expenditure			
Social support	3 221,8	311,0	10,7%
Remuneration	2 234,7	293,7	15,1%
Subsidies and grants	2 453,8	227,9	10,2%
Capital expenditure	725,8	147,4	25,5%
Goods and services	1 244,7	142,4	12,9%
Interest payments	168,1	31,8	23,3%
Payments to EU budget	236,1	-33,6	-12,4%

STATE BASIC BUDGET

State Basic Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	6 095,8	803,4	15,2%
Expenditure	6 262,5	374,0	6,4%
Balance	-166,7	429,3	

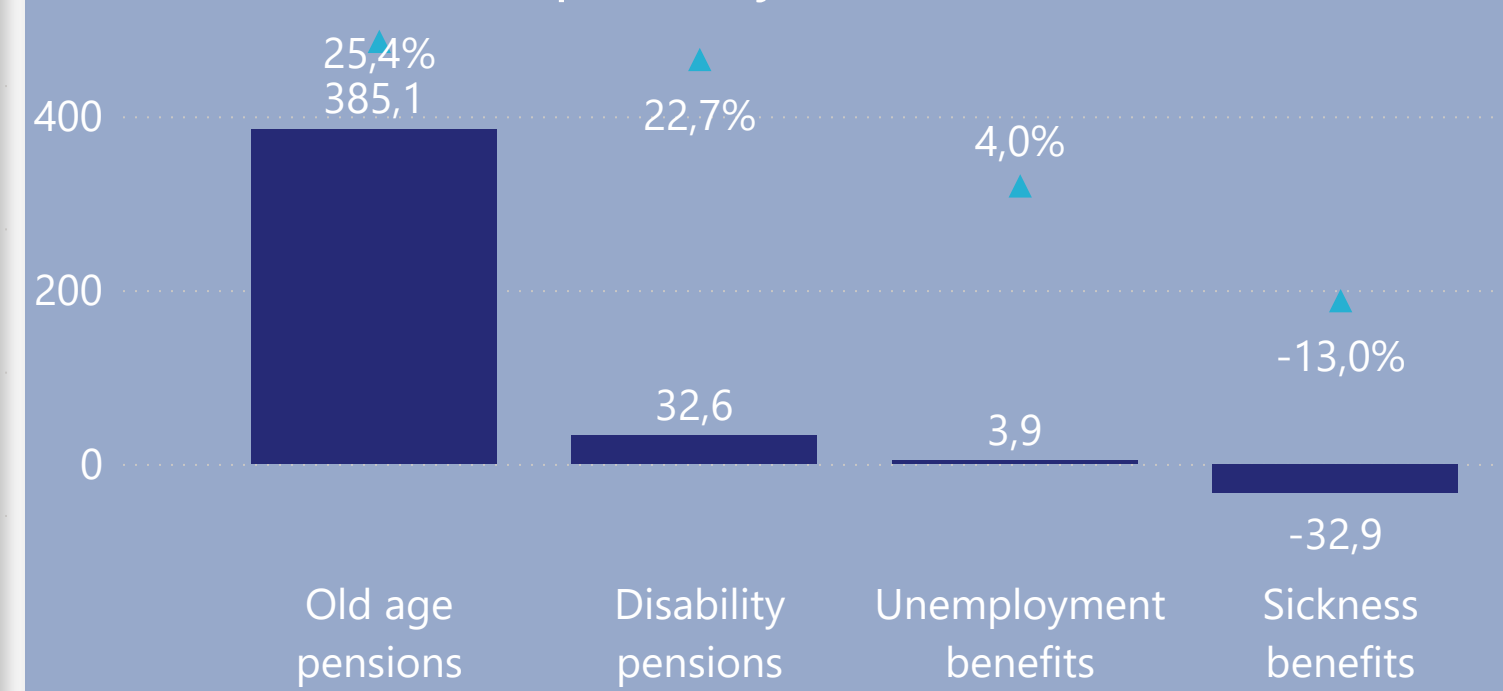
Major changes in mln € and % against respective period year before



STATE SPECIAL BUDGET

State Special Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	2 800,0	180,6	6,9%
Expenditure	2 687,2	418,2	18,4%
Balance	112,8	-237,5	

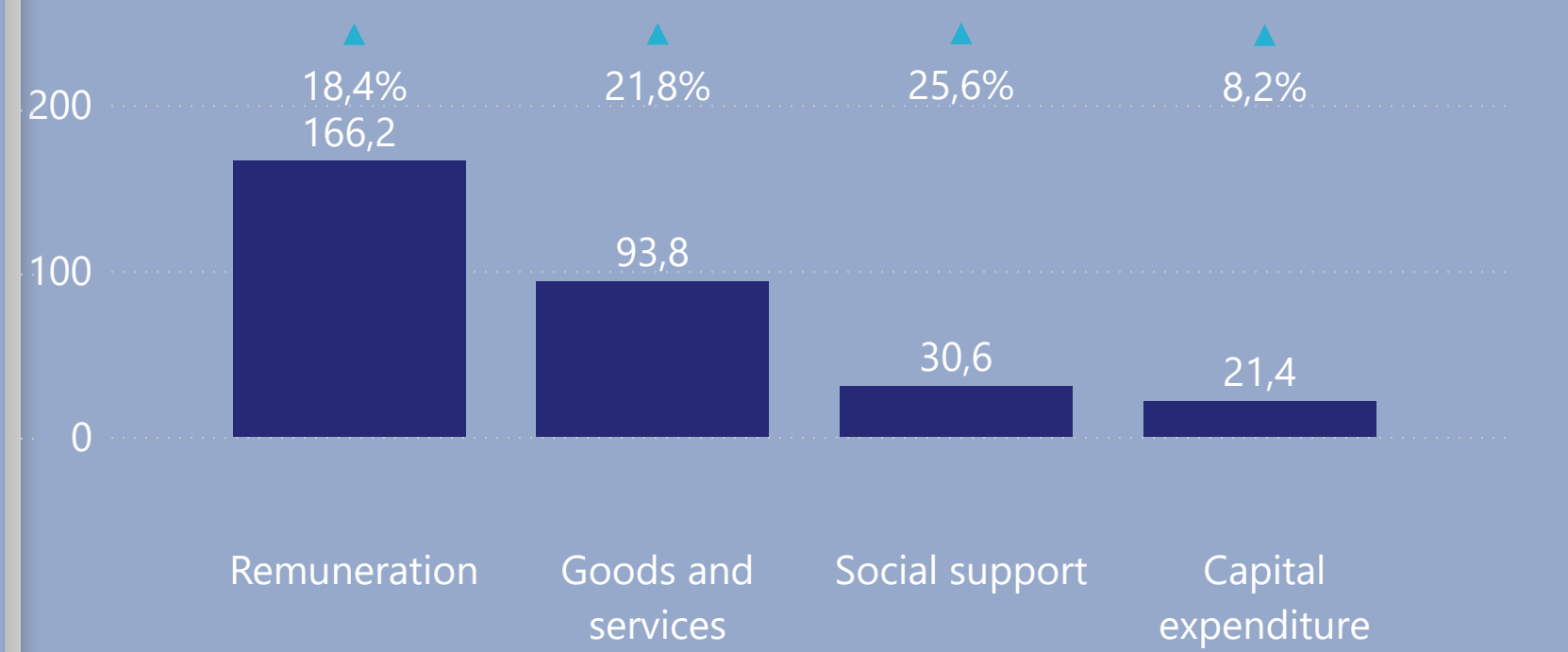
Major changes in mln € and % against respective period year before



LOCAL GOVERNMENT BUDGET

Local Government Budget	Execution, mln €	YoY, mln €	YoY, %
Revenue	2 323,9	217,0	10,3%
Expenditure	2 249,7	356,3	18,8%
Balance	74,2	-139,3	

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

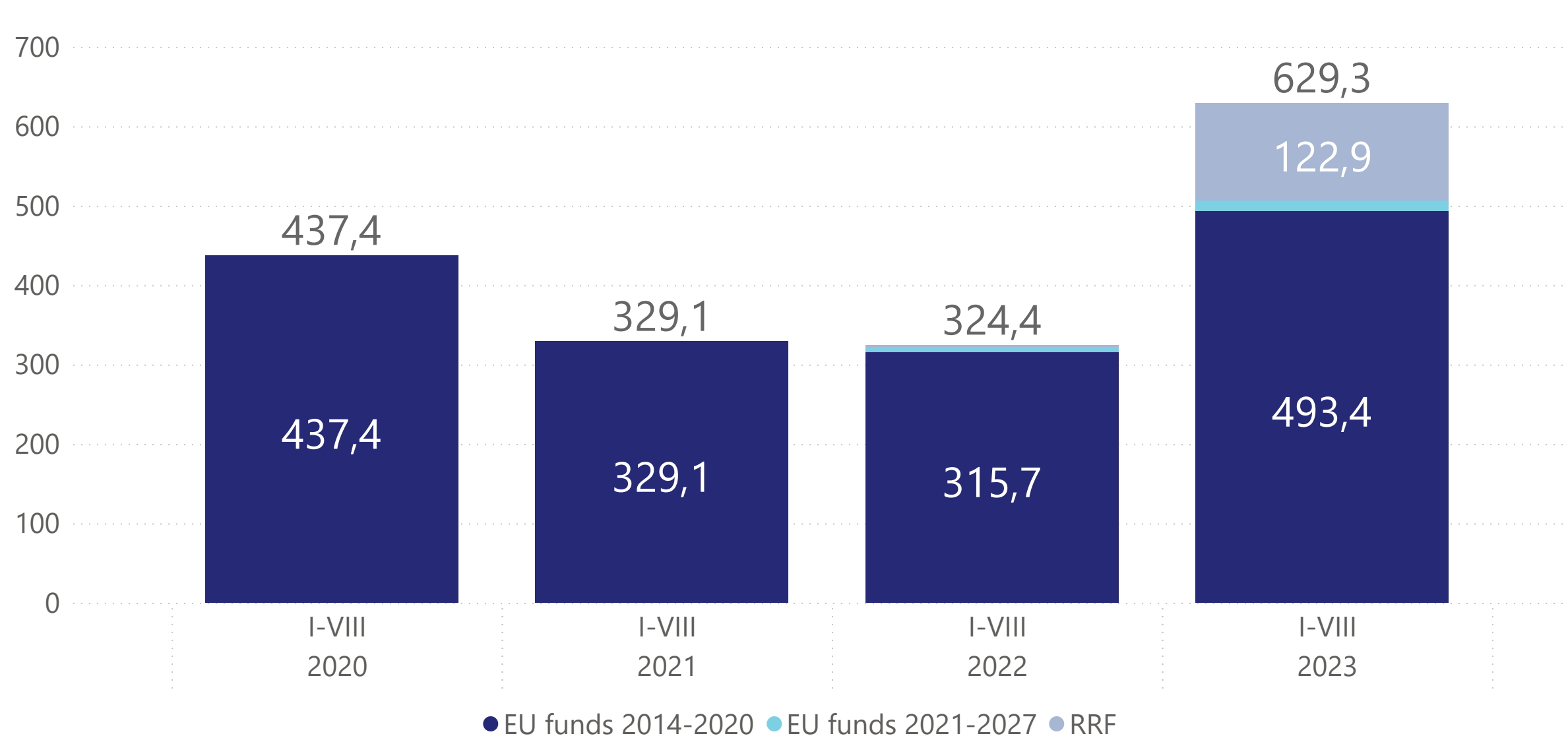
Measure	2020	2021	2022	2023*	2023p**
Covid-19	1281,7	2315,1	965,9	39,8	100,8
Energy		1,9	603,5	417,3	621,6
Ukraine			81,0	42,9	102,0
Total support measures	1281,7	2317,0	1650,4	500,0	824,4
% of GDP	4,2	6,9	4,2	1,2	1,9
Impact on budget balance	-960,8	-2104,7	-1481,0	-506,0	-726,3
(% of GDP)	-3,2	-6,3	-3,8	-1,2	-1,7

Source: *Execution according to data from the State Treasury, State Revenue Service, ALTUM, etc. till July 31st, 2023.

**Plan according to the government decisions till July 13th,2023.

EUROPEAN UNION FUNDS

Investments of EU funds, mln €



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.