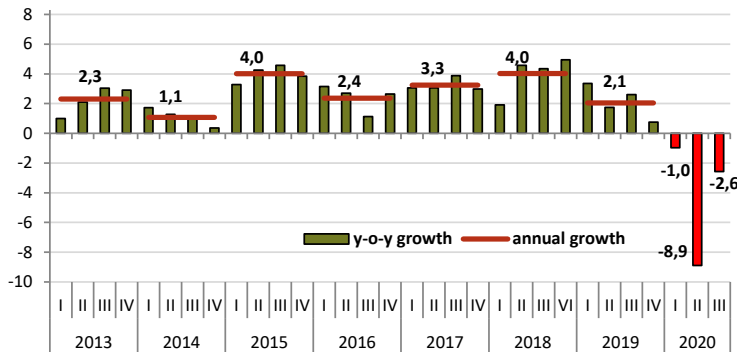


Main macroeconomic indicators	2019	Forecasts**			
		2020	2021	2022	2023
Gross domestic product (GDP)					
current prices (mln euro* and growth, %)	30463	-7,4	6,5	5,3	5,2
constant prices (mln euro* and growth, %)	27561	-7,0	5,1	3,1	3,1
GDP deflator* (y-o-y), %	2,4	-0,5	1,3	2,0	2,0
Consumer price index (y-o-y), %	2,8	0,2	1,2	2,0	2,0
Average monthly gross wage (euro and growth at current prices, %)	1076	-1,0	3,0	5,0	5,0
Employment (thsd and growth rate, %)	910	-4,4	0,6	1,0	-0,1
Jobseeker rate (annual average), %	6,3	10,5	9,8	8,1	7,3
Exports of goods and services					
current prices (mln euro* and growth, %)	18317	-14,8	7,7	4,6	5,7
constant prices (mln euro* and growth, %)	17438	-10,3	6,5	3,0	4,0
Imports of goods and services, mln euro					
current prices (mln euro* and growth, %)	18572	-16,3	9,0	6,3	6,5
constant prices (mln euro* and growth, %)	18763	-11,5	6,8	3,2	3,4

*According to GDP data revision published on 30/09/2020 by Central Statistical Bureau, not changing projections

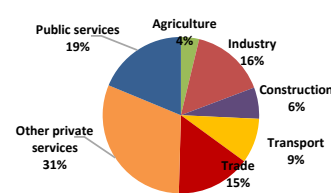
** Projections revised in June 2020 for the preparation of Latvia's medium term budget framework 2021-2023

GDP growth, constant prices, %



GDP

Structure of value-added in 2019, %

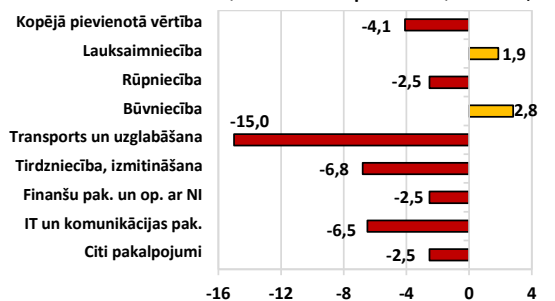


GDP growth in the Baltic states, % y-o-y

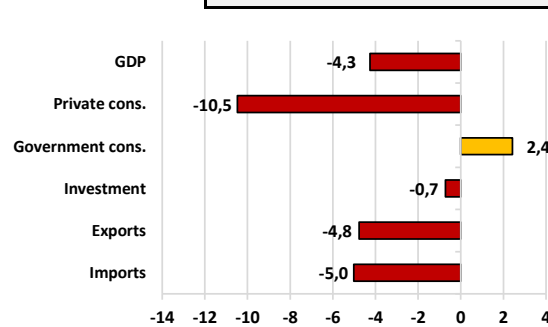
	19'IV	20'I	II	III
Latvia	0,8	-1,0	-8,9	-2,6
Lithuania	4,2	2,4	-4,6	0,1
Estonia	5,3	-0,7	-6,9	-1,9

In the third quarter of 2020 compared to a corresponding quarter a year ago, Latvia's gross domestic product (GDP) declined by 2.6% that was considerably better performance than in the second quarter when Latvia's economy contracted by 8.9% y-o-y. This data suggest that, similarly to the Q2 when economic contraction turned out less severe than expected, also economy recovered faster – producing sectors did not demonstrate output contraction and service sectors resumed economic activity rather swiftly. In the three quarters of 2020, Latvia's economy has declined by 4.3% meaning that economic recovery from the COVID crisis has been more successful than previously projected and economic contraction in 2020 overall is not going to be as strong as MoF projected in June. At the same time, economic developments in Q4 2020 could be worse taking into account rapid spread of COVID-19 since the beginning of October and restrictions that were imposed to limit the virus. Nevertheless, so far fall of economic activity has been milder than in the second quarter and thus GDP decline is not going to be as strong as in Q2. According to the MoF's latest estimates, Latvia's economy could contract by 4.5% in 2020.

GDP growth by sectoral breakdown and from expenditure side in Q I-III 2020 compared to Q I-III 2019, %



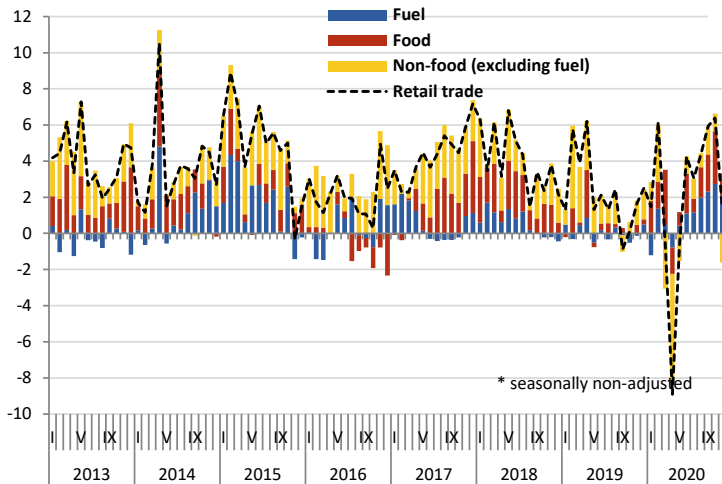
GDP breakdown



In 2020, economic contraction was determined by falling private consumption caused by restrictions that have been introduced to limit spread of COVID-19 disease thus significantly reducing economic activity as well as deteriorating consumer confidence negatively affects domestic demand. At the same time, investments performed rather well, decreasing by only 0.7% in the three quarters of 2020, and economic contraction was also limited by a 2.4% increase in public consumption expenditures. From the sectoral side, the economic contraction was most significantly affected by a 15.0% decline in the transport sector. Accommodation and food service activities fell by 34.9%, arts, entertainment and recreation - by 26.1%. In the three quarters of 2020, economic performance was negatively affected also by a 2.7% fall in trade and other service sectors such as information and communication services, professional, scientific and technical services, as well as decrease in industrial production. Growth of value added in the three quarters was demonstrated only by construction and agriculture sector, and public administration and defence.

Source: CSP, Eurostat, Ministry of Finance of the Republic of Latvia

Retail trade growth contributions by product type*, y-o-y, %



Retail trade

Structure of retail trade turnover in 2019, %

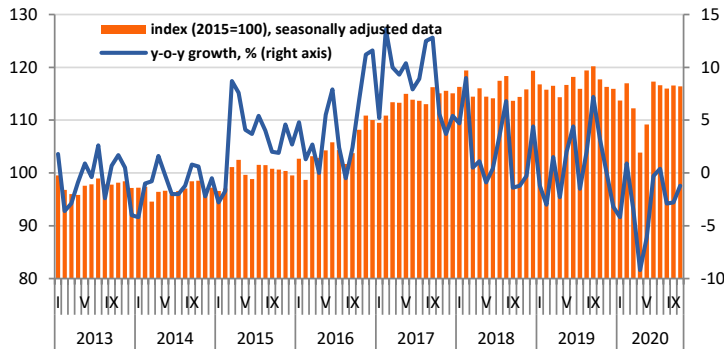


Y-o-y growth, c.a., 2020 Jan.-Nov.

Total	+2.1%	Non-food (excl. fuel)	-0.7%
Food	+3.5%	Fuel	+6.5%

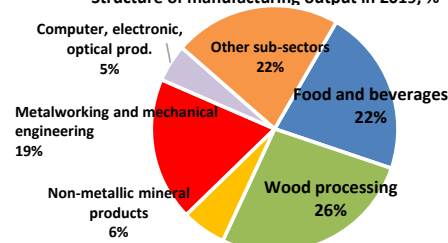
In November 2020, retail trade volumes increased at significantly slower pace than in the previous months, and compared to November 2019 trade volumes expanded by only 1.4% which was the weakest growth rate since June. Slowdown of retail trade was affected by increasing spread of the COVID-19 disease as a result of which activity was limited in the number of fields, including trade, as Latvia entered the state of emergency on 9 November. Retail trade of non-food products, excluding fuel, was affected by these restrictions the most, thus it contracted by 3.8% y-o-y. Trade of food products demonstrated weaker growth than observed in the previous months (+2.9% y-o-y), while sale volumes of fuel continued to rise, in November reaching growth of 13.3%.

Industrial production output



Industry

Structure of manufacturing output in 2019, %

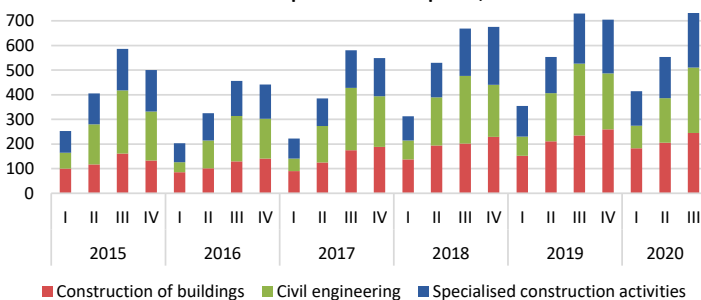


Industry, y-o-y growth, 2020 Jan.-Oct. c.a.

Industry total	-2.9%	Mining, quarrying	+7.3%
Manufacturing	-2.5%	Energy	-7.7%

In October 2020, industrial production sector declined slightly slower than in the previous two months and sector's output was by 1.2% weaker than a year ago. February and July were the only months during 2020 when industrial production demonstrated output increases however these growth rates were very moderate, hence in the ten months overall industrial production output fell by 2.9% y-o-y. In October, contraction of industrial production was determined by electricity and gas supply that decreased by 17.5% y-o-y. At the same time, mining and quarrying sector's output continued to increase and in October its growth reached 14.2% y-o-y, while manufacturing output rose by 1.0% y-o-y. The largest positive contribution to manufacturing growth in October was provided by output expansion in the largest manufacturing sub-sector, wood processing, which demonstrated growth of 8.2% y-o-y. In October 2020, exceptionally high growth rate was registered in manufacture of electrical equipment – its output increased by 19.8%, thus reaching the highest output volume within one month. Other mechanical engineering industries also demonstrated output expansion in October – manufacture of motor vehicles and trailers grew by 9.7% y-o-y, while manufacture of machinery and equipment increased slower – by 1.8% y-o-y. In the ten months of 2020, manufacturing output has declined by 2.5% y-o-y, which is however the best performance among the Baltic states and one of the best results within the EU.

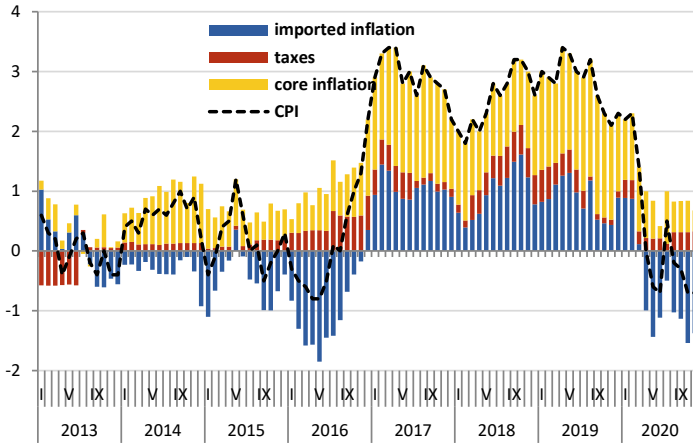
Construction output at constant prices, mln. euro



Construction

Following the strong expansion of construction output in the Q1 2020 (+16.9% current prices), sector's growth slowed down in the following two quarters when construction output was close to the previous year's level. In the Q3, construction output increased by 0.3% y-o-y driven by output growth in construction of buildings and specialised construction activities by 4.5% y-o-y and 8.8% y-o-y respectively. However, fall continued in civil engineering - by 9% y-o-y. In the three quarters of 2020, construction output growth constitutes 3.8%. In the Q3 2020, the expected construction space as indicated in the granted building permits fell at a slightly faster rate than in the previous quarter - by 22.4% y-o-y, and in the three quarters overall - by 17%. This data suggest that construction of buildings could contract in the following quarters while sector's development will be stimulated by implementation of infrastructure projects.

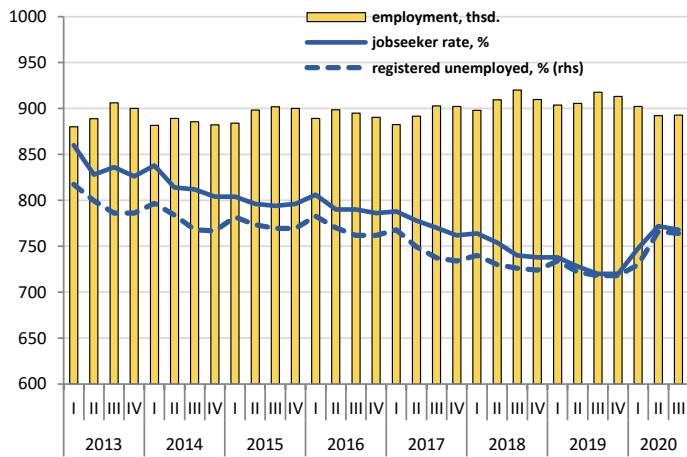
Inflation breakdown by origin, y-o-y, %



Inflation

In November 2020, average consumer price level was by 0.3% lower compared to October, and by 0.7% lower compared to November of the previous year. Prices for goods decreased by 1.6% y-o-y that was mainly determined by falling prices for fuel, gas, heating as well as clothing and footwear. Meanwhile, prices for services continued to increase – by 1.4% y-o-y. Price growth for services was stimulated by rising prices for healthcare, education, catering as well as recreation and culture services. Overall, consumer price decline was determined by implications caused by COVID-19 pandemic – since global economic activity and demand for energy resources has significantly deteriorated, prices for oil have fallen consequently affecting prices for fuel, gas and heating in Latvia. While weaker demand for travelling, catering, culture and hospitality services has affected price growth for services which has halved compared to the pre-pandemic level. In the eleven months of 2020, consumer prices were by 0.3% higher than a year ago.

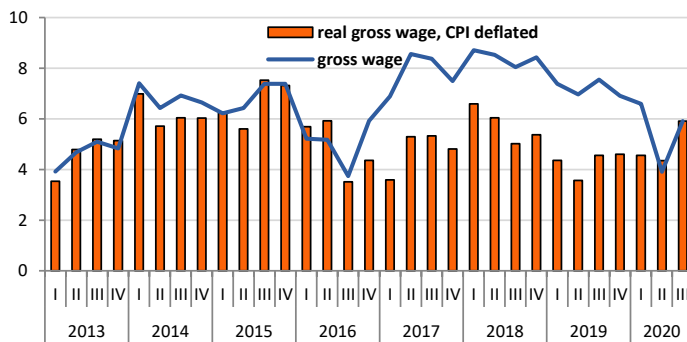
Unemployment rate, % of economically active population (15-74)



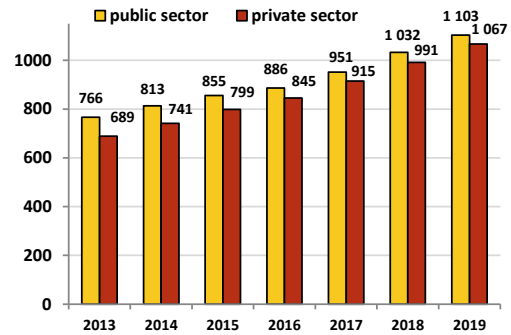
Employment

Due to the COVID-19 crisis, the number of employed persons decreased by 0.2% in the first quarter of 2020, by 1.5% in the second quarter and by 2.7% in the third quarter, compared to a corresponding quarter of 2019. According to the labour force survey data, the unemployment rate in the third quarter was 8.4% - 0.2 percentage points lower than in the second quarter, but 2.4 percentage points higher than a year ago. Such an increase in unemployment is quite moderate, with unemployment rate returning only to the level of 2017 and being far from the heights reached during the 2009-2010 crisis. According to the State Employment Agency data, between the end of February and the end of June, the registered unemployment rate grew from 6.3% to 8.6%. Since July, the unemployment rate has fallen again - to 7.4% at the end of October. In November and December, due to seasonal factors and the faster spread of COVID-19, unemployment rate started to rise again, reaching 7.6% by the end of the year, which is 1.4 percentage points higher than a year ago.

Wage dynamics, changes year over year, %



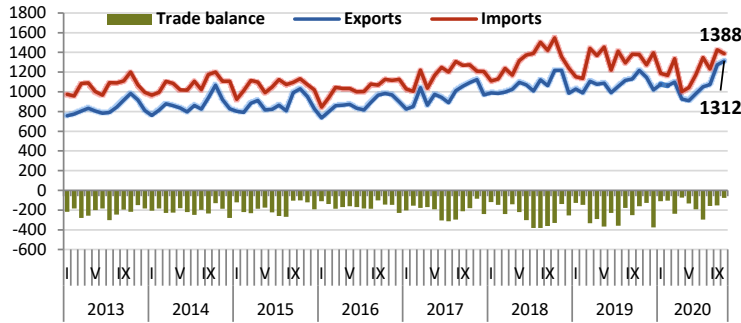
Wages, euro



Average monthly gross wages and salaries in the first quarter of 2020 increased by 6.6%, compared to the corresponding quarter of 2019, in the second quarter wage growth rate slowed down to 3.9% due to the COVID-19 crisis, and in the third quarter, as economic growth recovered rapidly, increase of the average salary again reached 5.9%. In the third quarter of 2020, average gross wage in the total economy constituted 1147 euro. Higher salary remained in the public sector, where the average wage was 1160 euro, while in the private sector it constituted 1144 euro. Meanwhile, faster wage growth was recorded in the private sector, where the average monthly gross wage grew by 7.1% year on year, while in the public sector it increased moderately - by 3.3% y-o-y. Compared to the third quarter of 2019, wages increased the most in other service activities (activities of membership organisations, repair of computers, personal goods) - by 14.8%, in mining and quarrying - by 14.1 and in arts, entertainment and recreation - by 10.1%, while in accommodation and food service activities average wage declined by 0.3% and in transportation sector - by 1.6% y-o-y.

Source: CSP, Eurostat, Ministry of Finance of the Republic of Latvia

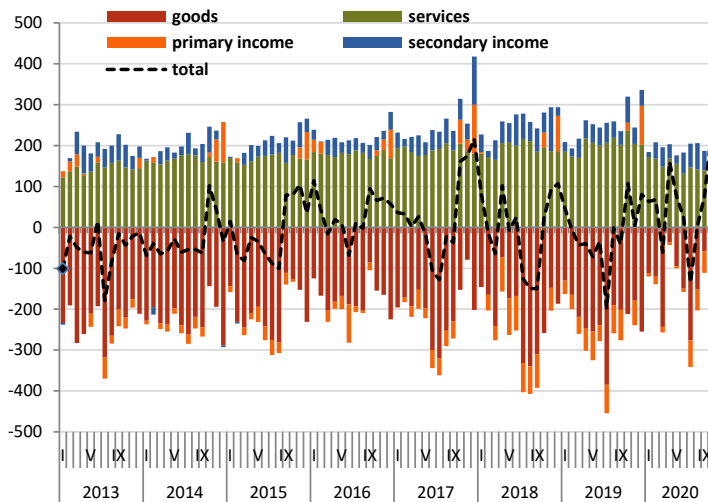
Foreign trade, current prices, euro



Foreign trade		
Exports, Jan-Oct 2020	Structure	Annual growth
Total	100%	-0,3%
Food	21,7%	6,6%
Mech/Electr appl	18,6%	13,9%
Wood	16,6%	-6,6%
Metals	8,5%	-2,7%
Chemical manuf.	7,8%	-0,5%
Transport vehicles	4,9%	-23,3%
Mineral products	4,1%	-20,1%
Plastics	3,6%	4,7%
Others	14,2%	-0,4%

At the end of the year, developments of Latvia's exports of goods continued to surprise, as exports of goods increased sharply in October 2020, despite the falling global economic activity. In September 2020, the value of goods exports, following the 6-month continuous decline caused by the COVID-19 crisis, demonstrated unexpectedly rapid growth, increasing by 13.0% y-o-y. In October 2020, export growth continued and the value of exports was by 7.7% higher than a year ago. This export growth was stimulated largely by higher exports of cereals, oilseeds, wood and wood products as well as electrical appliances. While in the 10 months of 2020 compared to the same period a year ago, exports of goods declined by 0.3%. However, changes in exports by product groups varied widely. The sharpest decline of exports was recorded for transport equipment - its export value was by 23.3% lower than in the 10 months of 2019, which was determined by decline in re-exports of cars. Exports of mineral products also decreased significantly (-20.1%), which was affected by a decrease in exports of petroleum oil and gases, as well as by reduction in exports of electricity. While exports of wood and wood products decreased by 6.6% over the same period. In contrast, the value of exports of agricultural and food products was by 6.6% higher, which was driven by the increase in exports of cereals and oilseeds. While export increase of machinery and electrical appliances by 13.9% was stimulated by an increase in re-export of mobile phones, monitors and projectors. In October, imports of goods grew by 0.6% y-o-y, but in the 10 months the value of imported goods shrunk by 7.1%.

Balance of payments, current account, mln euro



Current account

In October 2020, Latvia's balance of payments current account recorded the largest surplus since the beginning of 2020. The current account surplus increased by 123 mln euro y-o-y and reached 230 mln euro. Growth in the current account surplus was driven by improvements in the goods and primary account balances. Thanks to the rapid growth of exports of goods, the goods account deficit declined by 158 mln euro to 54 mln euro. Deficit of the goods account was fully covered by surplus in the services account, which amounted to 125 mln euro. However, compared to October 2019, the surplus of the services account was by 111 mln euro lower due to a sharp decline in exports of transport services and lower expenditures of foreign tourists. Due to lower dividend payments to foreign investors, primary income account surplus grew by 105 mln euro. While secondary income account surplus declined by 30 mln euro. Overall, in the 10 months of 2020 current account run a surplus of 503 mln euro. This was stimulated by narrowing of the goods account deficit driven by sharp decline in imports of goods, as well as lower dividend payments to foreign investors.

Main macroeconomic indicators, annual growth rates (unless stated otherwise)

	18'II	III	IV	19'I	II	III	IV	20'I	II	III
GDP, constant prices, %	4,6	4,4	4,9	3,4	1,7	2,6	0,8	-1,0	-8,9	-2,6
GDP, current prices, %	8,5	8,6	9,2	7,0	4,6	4,8	2,2	0,0	-9,9	-3,1
Inflation, %	2,4	2,9	2,9	2,9	3,3	2,9	2,2	1,9	-0,4	0,0
Nominal wages, %	8,5	8,0	8,4	7,4	7,0	7,5	6,9	6,6	3,9	5,9
Real wages, CPI deflated, %	6,0	5,0	5,4	4,4	3,6	4,6	4,6	4,6	4,4	5,9
Employed persons, %	2,0	1,9	0,8	0,6	-0,4	-0,2	0,4	-0,2	-1,5	-2,7
Unemployed, % of active pop.	7,7	7,0	6,9	6,9	6,4	6,0	6,0	7,4	8,6	8,4
Productivity, %	2,5	2,4	4,1	2,7	2,2	2,9	0,4	-0,8	-7,5	0,2
Retail trade, %	5,0	3,0	2,7	3,5	3,2	1,0	1,5	2,2	-1,6	4,4
Industrial production, %	0,2	2,9	0,9	-0,8	1,4	2,5	0,0	-2,3	-5,1	-1,8
Goods exports, %	14,7	7,9	7,3	5,2	-1,1	3,4	-1,0	3,7	-10,8	3,1
Goods imports, %	11,7	14,2	12,3	7,3	4,9	-5,2	-2,2	-1,0	-20,5	-1,9
Trade balance, mln euro	-664,1	-1124,2	-723,7	-606,6	-886,6	-789,0	-665,8	-453,6	-399,4	-606,8
Current account, % of GDP	1,6	-5,6	2,8	0,0	-1,9	-3,0	2,4	1,0	3,8	-0,7

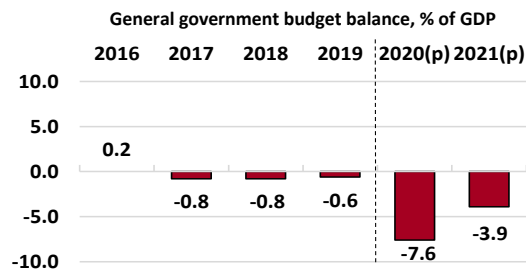
Source: CSP, Eurostat, Ministry of Finance of the Republic of Latvia, Bank of Latvia

According to the results of the October 2020 notification, the general government budget deficit of Latvia in 2019 was 174.2 mln euro or 0.6% of GDP, which is by 0.2 pp lower compared to 2018, improving local government budget balance.

According to the October 2020 assessment of the Ministry of Finance, the general government budget deficit in 2020 is projected at 7.6% of GDP, which is significantly higher than planned by law "On the medium-term budgetary framework for 2020, 2021 and 2022", when the prevalence of Covid-19 was not predicted. It is expected that the general government deficit in 2020 will be lower than estimated in October and will be update at the end of January 2021.

To reduce the impact of the Covid-19 on the economy, the government has approved by December 18 of 2020 to support measures of 3.8 billion euro or 13.6% of GDP, increasing the general government budget deficit by 1.2 billion euro or 4.3% of GDP in 2020. Until December 18 of 2020 around 0.9 billion euro has already been spent.

General government budget balance



According to the ESA 2010

Budget Revenue and Expenditure

Consolidated General Budget

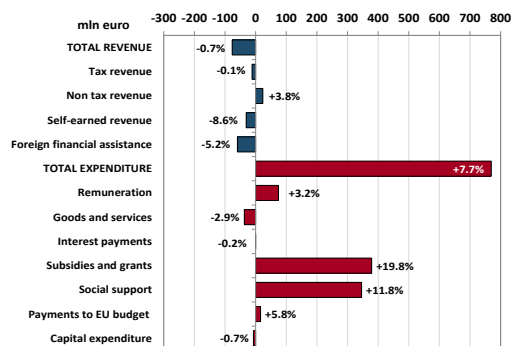
	2019 I-XI execution mln euro	2020 I-XI execution mln euro	Execution changes 2020/2019, mln euro	Execution changes 2020/2019, %
CONSOLIDATED GENERAL BUDGET**				
Revenue	10298,3	10221,7	-76,6	-0,7%
Expenditure	9993,5	10763,0	769,5	7,7%
<i>Financial Balance</i>	304,8	-541,3	-846,1	
CONSOLIDATED STATE BUDGET*				
Revenue	8514,7	8536,0	21,2	0,2%
Expenditure	8329,2	9156,3	827,0	9,9%
<i>Financial Balance</i>	185,5	-620,3	-805,8	
State basic budget				
Revenue	5801,5	5823,6	22,1	0,4%
Expenditure	5942,2	6532,7	590,5	9,9%
<i>Financial Balance</i>	-140,7	-709,1	-568,4	
State special budget				
Revenue	2764,2	2757,5	-6,7	-0,2%
Expenditure	2474,6	2710,2	235,6	9,5%
<i>Financial Balance</i>	289,6	47,3	-242,3	
CONSOLIDATED LOCAL GOVERNMENT BUDGET**				
Revenue	2635,8	2558,7	-77,1	-2,9%
Expenditure	2516,5	2479,7	-36,8	-1,5%
<i>Financial Balance</i>	119,3	79,0	-40,3	

According to cash flow methodology

*Including grants, donations and derived public persons

**Including grants and donations

Revenue and Expenditure in I-XI 2020 (cash based changes in mln euro and in per cent against respective period of 2019)



According to the State Treasury in the eleven months of 2020 in the consolidated general budget was 541.3 mln euro deficit, while in the corresponding period of 2019 there was a surplus of 304.8 mln euro. The situation in the consolidated general budget in 2020 was determined by the prevalence of Covid-19, restrictions on reducing it affected tax revenues, as well as increasing consolidated general government expenditures through support measures approved by the government. Revenues of the consolidated general budget in the eleven months of 2020 were 10221.7 mln euro, which was by 76.6 mln euro or 0.7% less than in the corresponding period of 2019. About 80% of revenues were taxes, which in the eleven months of 2020 amounted to 8180.1 mln euro and it was close to the level of 2019, however, they fell short of the planned amount by 621.9 mln euro or 7.1%.

The 2020 budget was based on the assumption that GDP at constant prices would grow by 2.8% in 2020, however, according to the Ministry of Finance, the economy will shrink by 4.5% in 2020 affected by the Covid-19 pandemic. The second largest revenue item in the consolidated general budget is foreign financial assistance (FFA) revenue, which in the eleven months of 2020, compared to the corresponding period in 2019, have decreased by 59.3 mln euro or 5.2% and amounted to 1079.2 mln euro. FFA revenues fluctuate by month, depending on when the European Commission reimburses the implementation of projects.

The increase in non-tax revenues of the consolidated general budget should be highlighted, which in the eleven months of 2020 by 23.3 mln euro or 3.8% exceeds the level of the respective period of 2019, also exceeding the planned amount. The higher level of non-tax revenues was ensured by the revenues received from confiscation of criminal proceedings.

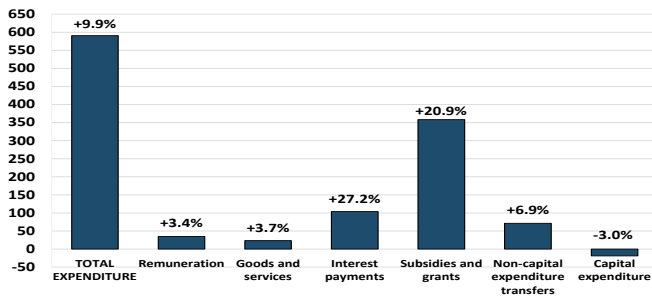
Expenditures of the consolidated general budget in the reporting period were 10763.0 mln euro, which is by 769.5 mln euro or 7.7% more than in the eleven months of 2019. The increase in expenditure is related to both previously planned expenditure measures and government-approved support measures, to reduce the economic impact of Covid-19 restrictions (ALTUM programs, downtime benefits, additional funding for road construction, etc.).

In the consolidated general budget, the most significant increase in eleven months of 2020 was in expenditure on subsidies and grants, which have increased by 378.9 mln euro or 19.8%, amounting to 2293.6 mln euro. The increase can be explained by the diversion funding to the financial institution ALTUM and the Latvian Investment and Development Agency, to implement Covid-19 mitigation measures approved by the government in the form of loans, guarantees and subsidized jobs, as well as to finance the health sector, including raising salaries for physicians.

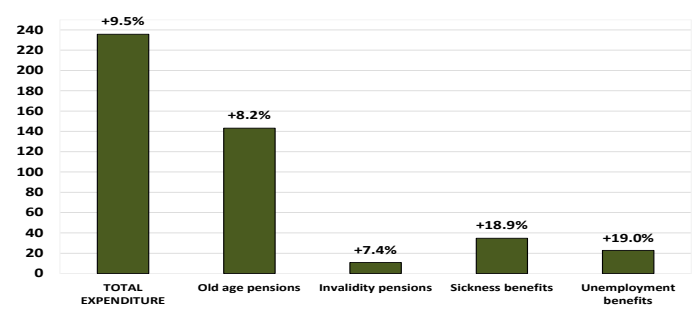
Some positions in the consolidated general budget in January-November 2020 was decreased in expenditures compared to the corresponding period of 2019. Expenditure on goods and services decreased by 36.9 mln euro or 2.9%, but capital expenditure decreased by 7.0 mln euro or 0.7%. The decrease in these positions is mainly observed in the local

State Budget

State Basic Budget Expenditure in I-XI 2020
(cash based changes in mln euro and in per cent against respective period of 2019)



State Special Budget Expenditure in I-XI 2020
(cash based changes in mln euro and in per cent against respective period of 2019)



According to the information published by the State Treasury, state basic budget in the eleven months of 2020 was 709.1 mln euro deficit, which was by 568.4 mln euro higher than in the corresponding period of 2019.

State basic budget revenue in eleven months of 2020 reached 5823.6 mln euro and compared to January-November 2019, revenue decreased by 22.1 mln euro or 0.4%. In the basic budget, compared to the eleven months of 2019, by 16.3 mln euro or 13.6% decreased revenue from paid services and other self-earned revenues, due to the effects of the restrictions imposed by Covid-19. Non-tax revenues of the basic budget (524.1 mln euro) were received for 25.1 mln euro or 5.0% more than in the eleven months of 2019. The non-tax revenue plan in the central government basic budget was exceeded by 29.3 mln euro or 5.9%, taking into account higher dividend payments of state capital companies.

In the eleven months of 2020, there has been a significant increase in basic budget expenditure, increasing by 590.5 mln euro or 9.9%. This is due to the fact that virtually all support measures approved by the government to mitigate the effects of Covid-19 are financed from the state basic budget.

Subsidies and grants in the state basic budget in the eleven months of 2020 increased by 358.2 mln euro or 20.9%, mainly by directing funds to the financial institution ALTUM and the Latvian Investment and Development Agency to implement the loans, guarantees and subsidized jobs by implementing the measures approved by the government to mitigate the consequences of Covid-19.

There has also been a rapid growth in the state basic budget expenditure on social benefits by 103,8 mln euro or 27,2%, related to the payment of downtime benefits and the use of funds for unemployment benefits.

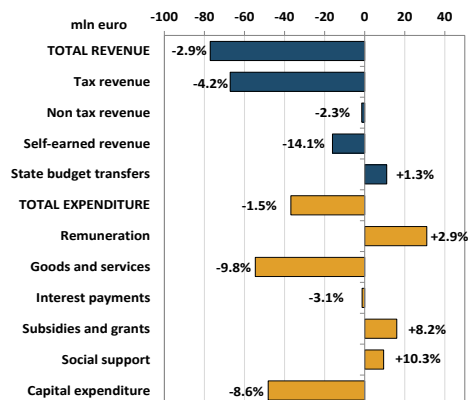
In the eleven months of 2020, the state special budget was 47.3 mln euro surplus, which in comparison with January-November 2019, has decreased by 242.3 mln euro. State special budget revenue in the eleven months of 2020 have received about at the same amount as in 2019 (-0.2%), while expenditure have increased by 235.6 mln euro or 9.5%.

Expenditure on old age pensions in the eleven months of 2020, regard to the indexation carried out in October 2019, increased by 143.2 mln euro or 8.2% and it accord with the planned level. Expenditure on other benefits during the reporting period increased by 78,7 mln euro or 15,1%, associated with a significant increase in expenditure on unemployment and sickness benefits.

Unemployment benefits, which were paid both from the state special budget and in certain months from the state basic budget, in the eleven months 2020 was by 43.1 mln euro or 35.8% higher than in the corresponding period of 2019. According to the State Social Insurance Agency (SSIA) data 358 570 people received unemployment benefits, which is 32.4% more than in the eleven months of 2019, thus significantly affecting the amount of expenditure.

Expenditure on sickness benefits in the state special budget was made by 34.7 mln euro or 18.9% more than in January-November 2019. The number of recipients of sickness benefits has meanwhile increased moderately (+ 2.8%), but the number of paid days has increased by 8.5% and an average daily allowance of around by 9.1%. It should be noted that according to the SSIA data, by the end of November, 11 474 sickness benefits in the amount of 4.7 mln euro were paid in connection with Covid-19.

Revenue and Expenditure in I-XI 2020 (changes in mln euro and in per cent against respective period of 2019)



According to the data of the State Treasury, in the eleven months of 2020, both revenues and expenditures in the consolidated local government budget have decreased, thus providing 79.0 mln euro surplus, which is by 40.3 mln euro less than in the corresponding period of 2019.

Local government consolidated budget revenue in the eleven months of 2020 amounted to 2558.7 mln euro, which is by 77.1 mln euro or 2.9% less than in the corresponding period of 2019. The decrease in revenue was influenced by the decrease in personal income tax (PIT) revenue in the local government budget by 50.5 mln euro or 3.7% and revenue from self-earned revenue decreased by 16.1 mln euro or 14.1%.

Consolidated Local Government Budget

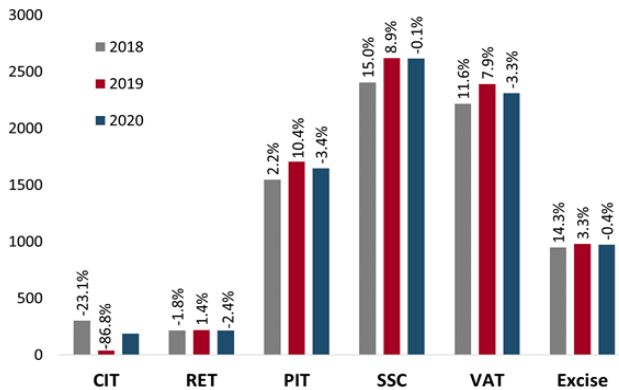
With regard to PIT, it should be noted that the decline in tax revenues in 2020 was planned both in connection with the raising of the non-taxable minimum PIT for employees and pensioners, and lower income from dividend payments. The decrease in total revenue was also determined by real estate tax (RET) revenue, which decreased by 5.4 mln euro or 2.4%. This can be explained by the possibility to postpone RET payments in 2020, which is one of the support measures introduced to mitigate the effects of Covid-19.

Consolidated local government budget expenditures has decreased in the eleven months of 2020 by 36.8 mln euro or 1.5% compared to the corresponding period last year, amounting to 2479.7 mln euro. In the local government budget, the largest decrease in the eleven months of 2020 was in goods and services, which have decreased by 54.6 mln euro or 9.8%. There has been a significant reduction in catering costs as well as expenditures on utilities, heating and business trips have decreased.

Expenditures on capital expenditures in the local government budget have decreased by 48.2 mln euro or 8.6% compared to the corresponding period of 2019, amounting to 511.4 mln euro. Expenditure decreased in both core functions and EU fund projects. Decrease in capital expenditure on basic functions was mainly due to borrowing constraints and the impact of Covid-19, but the costs would have been even lower, if the government did not support the increase of the borrowing limit in April 2020 by 150 mln euro projects, as a result, by December 6, additional investments were made of 22.5 mln euro. In turn, the Ministry of Finance expects an increase in expenditures on EU funds projects in 2021, starting the next 2021-2027 planning period and the inflow of funds from the Recovery and Sustainability Facility. Some expenditure items showed an increase over the eleven months 2020, of which expenses for remuneration have increased by 31.0 mln euro or 2.9% and subsidies and grants for 16.0 mln euro or 8.2%. The increase was provided by subsidies and grants to businesses for the provision of public transport services.

	Consolidated General budget Tax Revenue			Tax Revenue	
	2019 I-XI execution, mln euro	2020 I-XI execution, mln euro	Execution changes 2020/2019, mln euro	Execution changes 2020/2019, %	January execution of the same period plan
Consolidated general budget tax revenue	8191,6	8180,1	-11,5	-0,1%	92,9%
Social security contributions	2619,1	2616,0	-3,1	-0,1%	94,5%
<i>in State budget (unallocated funds)</i>	-	21,4	-	-	-
<i>in State budget (1% for the health)</i>	90,7	87,1	-3,5	-3,9%	94,5%
<i>in State special budget</i>	2527,9	2507,5	-20,3	-0,8%	94,5%
Value added tax	2391,3	2311,5	-79,8	-3,3%	88,2%
Personal income tax	1705,1	1647,3	-57,8	-3,4%	104,3%
<i>in State budget</i>	342,3	335,1	-7,2	-2,1%	106,1%
<i>in Local government budget</i>	1362,8	1312,2	-50,5	-3,7%	103,9%
Excise tax	978,6	974,4	-4,2	-0,4%	88,4%
Corporate income tax	39,9	187,7	147,8	-	77,2%
Real estate tax	219,8	214,5	-5,4	-2,4%	93,9%
Informative:					
<i>Social security contributions to the state funded pension scheme</i>	540,5	522,9	-17,6	-3,3%	97,6%

Total Tax Revenue I-XI 2020 (mln euro and % change in comparison with the previous year)



Consolidated general budget tax revenue in the eleven months of 2020, received in amount of 8180.1 mln euro, which is almost same level like year before, by 11.5 mln euro or 0.1% less than in the corresponding period of 2019. It should be noted that in tax revenues was planned an increase for 2020, though there were 621.9 mln euro less than planned in the end of November. The decline in tax revenues was not only due to a contraction in economic activity, but also approved aid to companies and individuals, which takes the form of extensions of estimated tax payment periods with a repayment period of up to three years. Up to December 22, 2020, extensions of tax payment term were granted in the amount of 301.3 mln euro. The most significant tax revenue has fallen in the sectors most affected by the restriction, such as accommodation and food services, transport and storage, arts, entertainment and recreation, including the field of real estate rental and management.

VAT revenues have decreased most significantly in the eleven months of 2020, charged by 79.8 mln euro or 3.3%, compared to the same period of 2019 and 310 mln euro or 11.8% less than planned in eleven months 2020. VAT revenues were significantly affected by the decline in contributions during the Emergency Situation introduced in March 2020, which could not be offset by the increase in contributions observed since July. The largest decrease in VAT revenues was in construction, real estate, and accommodation and food service activities. The decrease in the total tax revenue of the construction sector is related to the abolition of the reverse charge procedure for construction materials as of January 1, 2020, which affected the increase in VAT refunds. Decline in tax revenues observed in accommodation and food services as well as real estate rental and management field.

Despite the decrease in the number of employees and higher unemployment in the eleven months of 2020 social security contributions were in fact at the 2019 level, because the average wage in the country was still higher than last year. In turn, PIT revenues in the eleven months of 2020 decreased by 57.8 mln euro or 3.4% than in January-November 2019, amounting to 1647.3 mln euro. The decline in the income was already planned taking into account the raising of the PIT-free minimum for employees and pensioners, allowances for dependents have also increased this year, reducing the PIT taxable base accordingly. Income of dividends has also decreased significantly. It should be noted that labor taxes were not deducted from downtime allowance.

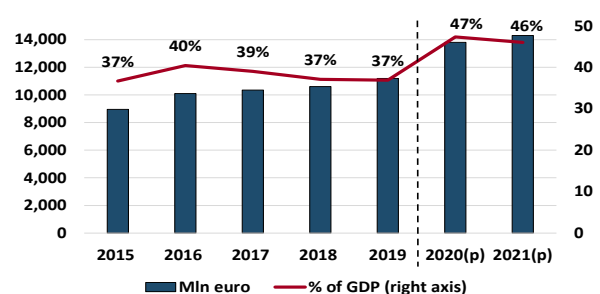
Excise tax revenue in the eleven months of 2020 is 974.4 mln euro, which is by 4.2 mln euro or 0.4% less compared to the same period of 2019. Revenues decreased in all product groups, except for oil products and other excise goods (coffee, soft drinks). The largest decrease was in excise tax revenues from alcoholic beverages by 9.4 mln euro or 5.2%, significantly affected by restrictions on recreation, entertainment, tourism and socialization due to the spread of Covid-19. Revenues from excise duty on oil products have increased by 14.7 mln euro or 3.0%, which was facilitated by the increase in fuel rates.

In contrast, corporate income tax (CIT) revenues related to the reform of the CIT payment system and the correspondingly low level of revenue in 2019 were received in the amount of 148.8 mln euro more than in the corresponding period last year.

General Government Debt

According to Eurostat data since 2016 the general government debt had a stabilizing and decreasing trend in relation to the gross domestic product and at the end of 2019 debt reached 11.2 billion euro or 37% of gross domestic product. The level of general government debt is expected to increase to 47% in 2020, given the significant increase in borrowing caused by the need to finance measures to be taken and planned to mitigate the effects of the Covid-19 outbreak and to support the economy. On October 2020, the international credit rating agency Fitch affirmed Latvia's long-term foreign currency sovereign credit ratings at the 'A-' level, but the outlook was revised to stable (previously - negative). As a determining reason for changing the outlook, Fitch points out the limited impact of the Covid-19 outbreak on the Latvian economy and public finances, supported by effective and operational support measures to mitigate the effects of the Covid-19 outbreak and the resilience of the Latvian economy to external shocks.

General Government Debt, mln euro, % of GDP



According to the ESA 2010