

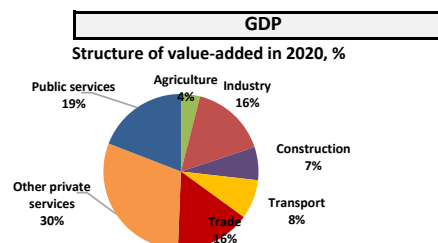
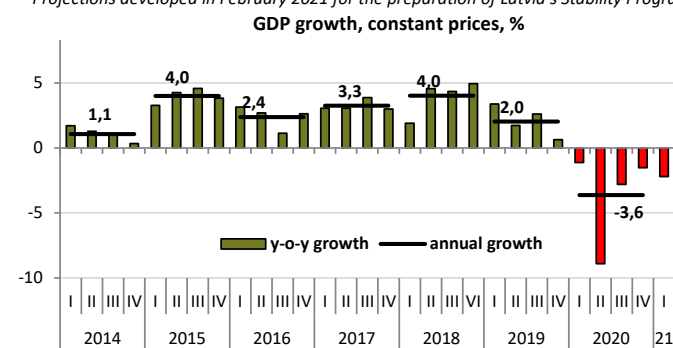
MACROECONOMIC AND BUDGETARY REVIEW 2021

No. 3

Main macroeconomic indicators		Forecasts**			
	2020*	2021	2022	2023	2024
Gross domestic product (GDP)					
current prices (mln euro and growth, %)	29334	4,4	6,4	5,2	5,0
constant prices (mln euro and growth, %)	26555	3,0	4,5	3,2	2,8
GDP deflator (y-o-y), %	0,1	1,4	1,8	2,0	2,1
Consumer price index (y-o-y), %	0,2	1,4	2,0	2,0	2,0
Average monthly gross wage (euro and growth at current prices, %)	1143	4,0	5,0	5,0	5,0
Employment (thsd and growth rate, %)	893	-0,4	1,0	0,3	0,0
Jobseeker rate (annual average), %	8,1	8,3	7,1	6,3	5,9
Exports of goods and services					
current prices (mln euro and growth, %)	17682	5,9	7,2	7,1	7,2
constant prices (mln euro and growth, %)	16967	4,3	4,7	4,0	4,0
Imports of goods and services, mln euro					
current prices (mln euro and growth, %)	17342	6,5	8,6	8,1	7,5
constant prices (mln euro and growth, %)	18149	4,9	5,4	4,0	3,3

*GDP for 2020 according to CSB data published on 26/02/2021

** Projections developed in February 2021 for the preparation of Latvia's Stability Programme 2021-2024

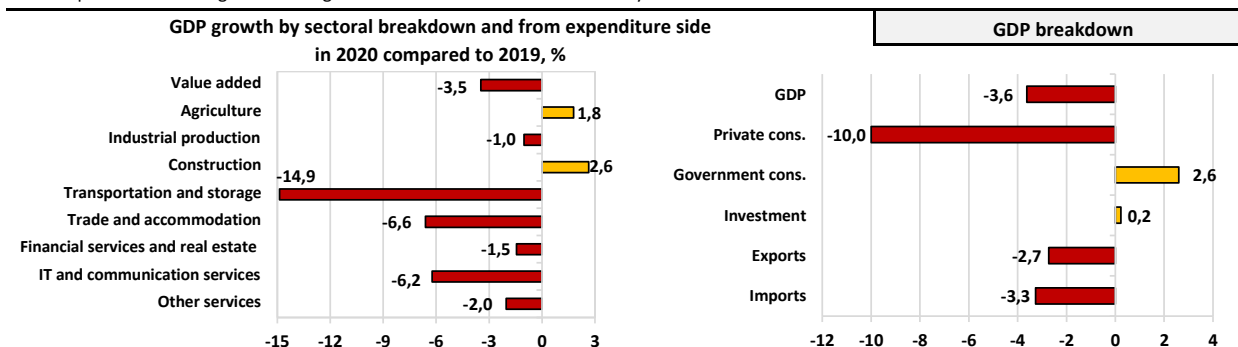


GDP growth in the Baltic states, % y-o-y

	20'II	III	IV	2020	21'I*
Latvia	-8,9	-2,8	-1,5	-3,6	-2,2
Lithuania	-4,7	0,1	-1,2	-0,9	1,0
Estonia	-7,0	-2,5	-1,2	-2,9	n.d.a.

* GDP flash estimate

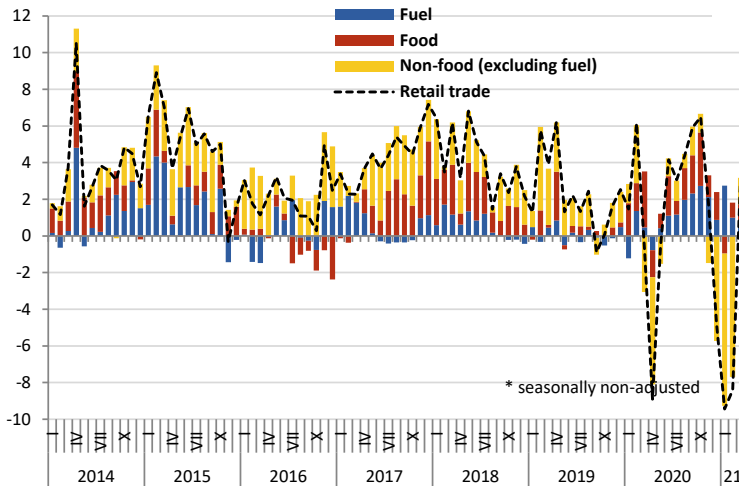
In the first quarter of 2021, compared to the corresponding quarter a year ago, Latvia's gross domestic product (GDP) declined by 2.2%, flash GDP estimate of the Central Statistical Bureau shows. This decline is slightly larger than the economy had contracted in the previous quarter, when GDP fell by 1.5%. The stronger decline is attributed to prevalence of COVID-19 and restrictions imposed on trade and a number of other service sectors to reduce morbidity. Compared to the fourth quarter of 2020, GDP fell by 2.6% according to seasonally and calendar adjusted data. According to preliminary estimates, producing sectors decreased by 1.3% in the first quarter compared to the corresponding quarter of the previous year, while services sectors fell by 4.0%. GDP data for the first quarter show that the second wave of COVID-19 affected the economy less than the first wave a year ago, and economic activity and private consumption are expected to pick up sharply in the following quarters after easing of COVID-19 restrictions. The latest ESI economic sentiment indicator shows that in April the business and consumer confidence has improved significantly both in the EU and Latvia, exceeding the 100-point mark or long-term average level for the first time since February 2020.



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 affected domestic demand. At the same time, exports fell by 2.7%, however as imports declined even stronger the impact of external trade on total economic performance was positive. While public consumption increased by 2.6% last year and investments demonstrated slight growth. From the sectoral side, the economic contraction was most significantly affected by the service sectors directly affected by the crisis - transport and storage sector declined by 14.9%, accommodation and catering sector - by 38.1%, and arts, entertainment and culture - by 26.6%. In 2020, total service sectors' contraction constituted 4.8%, while producing sectors demonstrated increase of 0.4%.

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

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



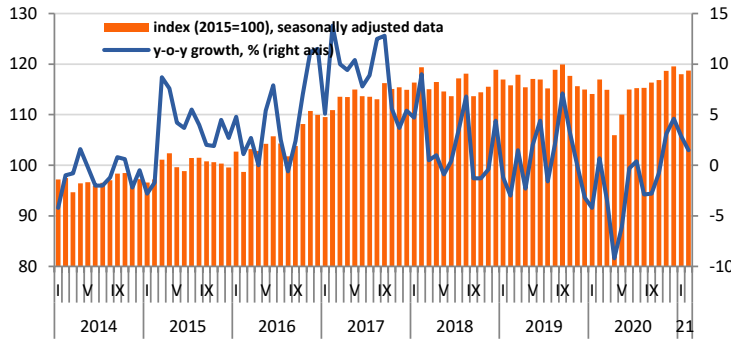
Retail trade

Structure of retail trade turnover in 2020, %

	16	42	42
Y-o-y growth, c.a., 2020 Jan.-March			
Total	-4.7%	Non-food (excl. fuel)	-13.9%
Food	+0.6%	Fuel	+8.1%

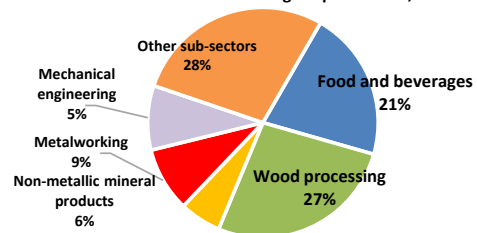
In March 2021 compared to a corresponding month last year retail trade volumes increased by 3.2% which was the first sector's growth this year. It was determined by last year's low base when retail trade sector and Latvia in general faced Covid-19 disease for the first time. Thus, retail trade in non-food stores (except for fuel trade) expanded by 3.6%, contrary to the double digit contractions registered in the previous three months. Retail sales of fuel continued to increase in March (+4.9% y-o-y), however, as fuel prices gradually return to the pre-pandemic level, growth rates of retail sales become weaker. In March, growth was registered also for retail trade in food stores where sales rose by 2.1% y-o-y.

Industrial production output



Industry

Structure of manufacturing output in 2020, %

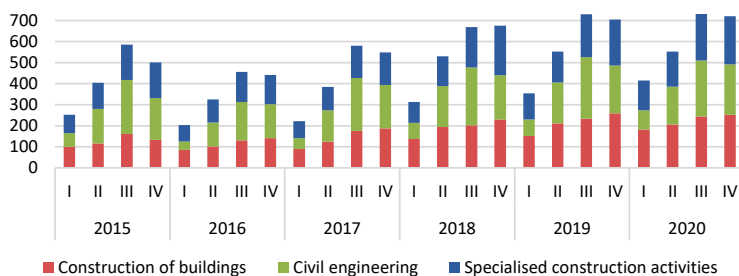


Industry, y-o-y growth, 2021 Jan.-Feb. c.a.

Industry total	+2.2%	Mining, quarrying	-2.3%
Manufacturing	+1.5%	Energy	+8.2%

In February 2021, Latvia's industrial production output continued to increase, however growth rate was weaker than at the end of the last year and in January. Compared to February 2020, industrial production output increased by 1.5%, thus in the two months sector's output was by 2.2 % higher than a year ago. In February, industrial production growth was determined by electricity and gas supply which expanded by 8.8% y-o-y, however manufacturing growth of 0.8% ensured twice smaller positive contribution to total sector's growth. Meanwhile, mining and quarrying demonstrated output contraction by 8% y-o-y which was the first output fall in the sector since April of the last year. Among the manufacturing sub-sectors, growth continued in the wood processing where output increased by 4.1% y-o-y. Sub-sectors comprising mechanical engineering also demonstrated output expansion. Moreover, performance of several manufacturing sub-sectors was positively affected by COVID-19, for instance, chemical industry has performed well since April 2020 and in February 2021 its output volumes rose by 8.1% y-o-y. At the same time, output in manufacture of fabricated metal products has been falling for several months and in February its volumes were by 7.1% lower than a year ago. Exceptionally strong output contraction was registered in manufacture of beverages constituting 37.9% y-o-y while manufacture of food products fell by 4.3% y-o-y in February.

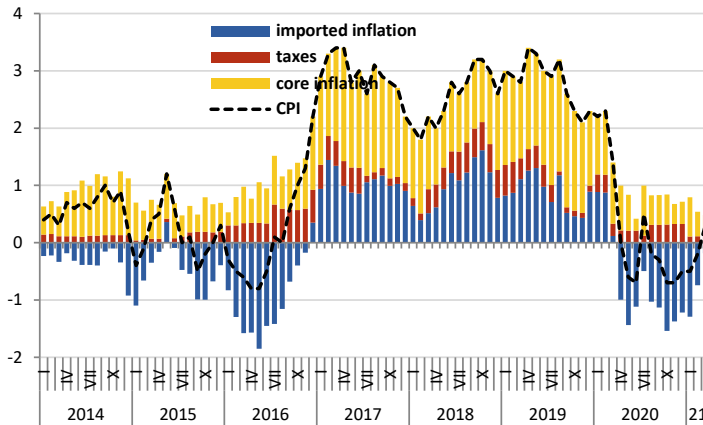
Construction output at constant prices, mln. euro



Construction

Following the strong expansion of construction output in the Q1 2020 (+16.9% current prices), sector's growth slowed down in the following quarters and construction output was close to 2019 levels. Thus, in 2020 overall construction output growth was moderate constituting 3.3%. Among the construction segments, the strongest growth was demonstrated by specialised construction activities which increased by 9.3% in 2020. Construction of buildings rose by 3.4%, while civil engineering contracted by 1.9%. In 2020, the expected construction space as indicated in the granted building permits fell by 16.9%. This data suggest that construction of buildings could contract in the following quarters while overall sector's development will be stimulated by implementation of infrastructure projects.

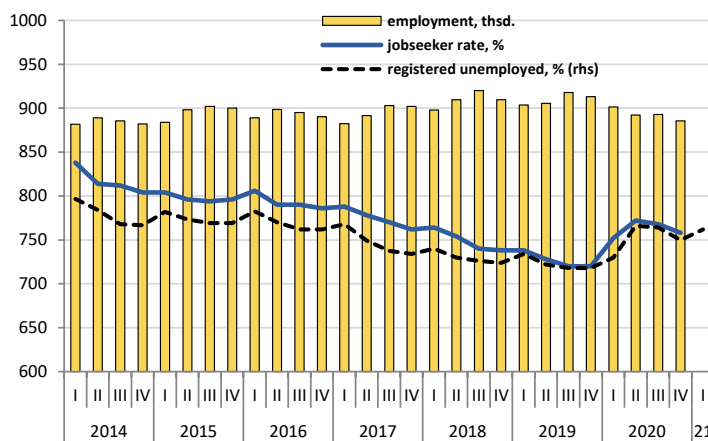
Inflation breakdown by origin, y-o-y, %



Inflation

Seven months of deflation were followed by consumer price growth in March – compared to March 2020, consumer prices increased by 0.3%. As the negative factors caused by COVID-19 crisis become less pronounced and bases effects gradually vanish, it can be confirmed that deflationary period in Latvia has finished. Return of inflation was determined by service price growth by 0.9% y-o-y while prices for goods continued to decline and were by 0.1% lower than a year ago. The largest contribution to consumer price growth was provided by fuel prices that increased by 6.1% y-o-y in March. Meanwhile, service price growth was stimulated by rising prices for housing maintenance and repair as well as telecommunication, recreation, catering and healthcare services.

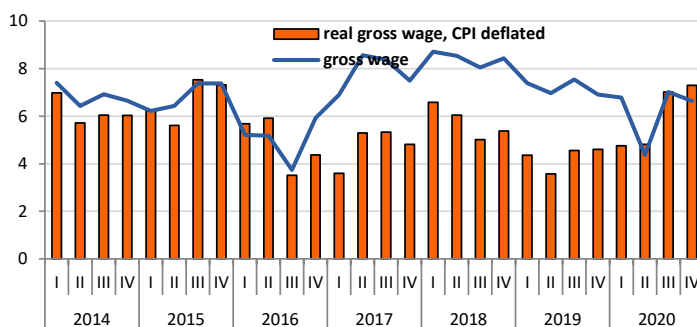
Unemployment rate, % of economically active population (15-74)



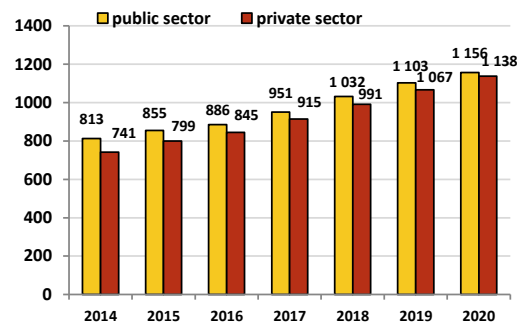
Employment

Due to the COVID-19 crisis, the number of employed persons decreased by 1.9% in 2020, according to the labour force survey data. The unemployment rate in 2020 increased by 1.8 percentage points to 8.1% of economically active population. Such an increase in unemployment is quite moderate compared to historically highest unemployment rates and to unemployment rates in the neighboring countries. Moderate unemployment growth is attributed both to the successful overcoming of the first wave of COVID-19 in spring 2020 as well as employment support measures implemented by the government. In the first quarter of 2021, due to the second wave of COVID-19, the unemployment rate has risen to 9.0%, according to preliminary data, compared to 7.6% a year ago, while the number of employed persons decreased by 3.2% y-o-y. The registered unemployment rate, which had fallen to 7.4% at the end of October 2020, returned to 8.2% at the end of March 2021. Since then, the unemployment started to decrease again in April and the number of registered unemployed decreased by 2,324 people. The unemployment rate declined to 7.9% in the last week of April, falling below last year's figure.

Wage dynamics, changes year over year, %

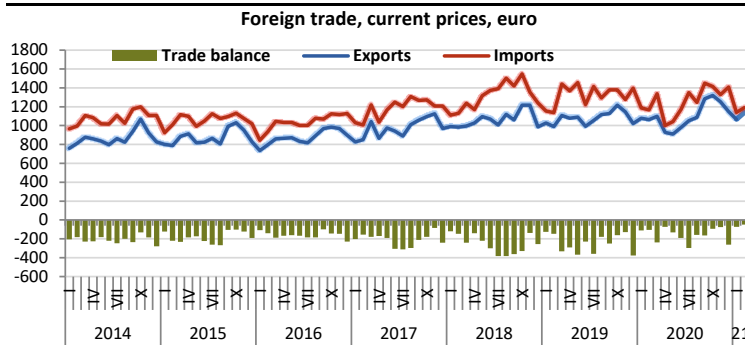


Wages, euro



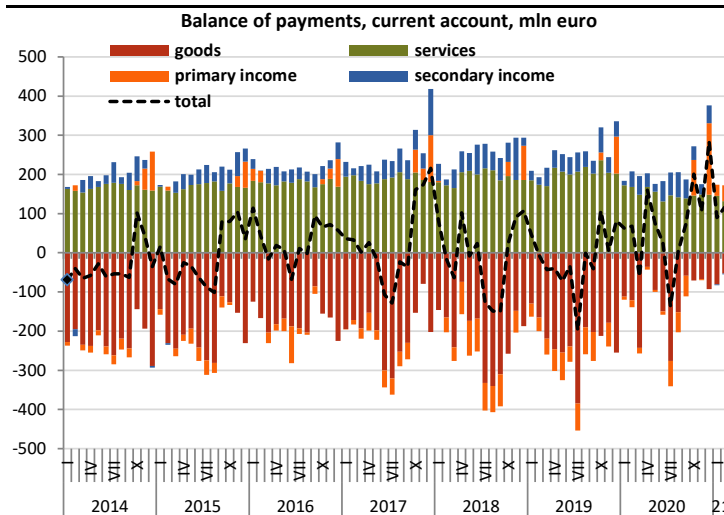
Despite the COVID-19 crisis, the average monthly gross wage in 2020, compared to the previous year, increased by 6.2% to 1143 euro. This was only slightly slower increase than in 2019, when wages had risen by 7.2%. Slightly faster wage growth in 2020 was in the private sector, where the average monthly gross wage increased by 6.7%, while in the public sector it grew by 4.9%. However, higher salary still remained in the public sector, where the average wage was 1156 euro, while in the private sector it constituted 1138 euro. In 2020, average wages and salaries were affected not only by increases or decreases in wages and salaries of employees, but also by structural changes in the labour market - companies that started and closed down during the year, as well as changes in the number of employees and workloads. The number of employees, recalculated as full-time, decreased by 3.9% in 2020. It was affected by redundancies, reductions in workloads and decrease in the number of full-time employees due to downtime benefits. At the same time, the wage bill increased by 2.0% last year.

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



Foreign trade		
Exports, Jan-Feb 2021	Structure	Annual growth
Total	100%	3,2%
Food	19,8%	2,1%
Wood	18,8%	11,9%
Mech/Electr appl	18,3%	3,2%
Chemical manuf.	8,3%	16,4%
Metals	7,8%	-5,5%
Mineral products	5,4%	22,2%
Transport vehicles	4,5%	-22,4%
Plastics	3,3%	-0,9%
Others	13,8%	-1,7%

The value of exported goods in February 2021 was by 7.5% higher than in the corresponding month of the previous year. Goods export growth was expected, suggested by strengthening of the economic confidence in the EU as well as data on manufacturing export turnover. In March, economic confidence index reached its highest level since the beginning of pandemic. In February, export increase was recorded in all major product groups, except for metals and transport vehicles, and the largest contribution to export growth was provided by a 19.7% increase of exports of wood and wooden products. In the first two months of this year, exports of goods increased by 3.2% compared to the corresponding period last year. The largest contribution to the growth of exports was provided by increase in exports of wood and wooden products by 11.9%. Significant contribution was also provided by increase in exports of mineral products and chemical products, by 22.2% and 16.4%, respectively. At the same time, exports of goods continue to be negatively affected by decline in vehicle exports. In the first two months of this year, the value of transport vehicle exports decreased by 22.4%. Export fall was recorded for all types of transport, which is directly related to the consequences of COVID-19 crisis. The value of imports of goods increased by 2.0% y-o-y in February this year. However, in the first two months of this year, total value of imports was by 1.0% lower than a year ago, thus improving the balance of foreign trade in goods, with the deficit decreasing by 94 mln euro, to 122 mln euro.



Current account

In February 2021, Latvia's balance of payments current account recorded a surplus of 116 mln euro. Thus, compared to February of the previous year, the surplus increased by 48 mln euro. The improvement of the current account balance was determined by an increase in exports of goods and decrease in the amount of dividends paid to foreign investors. With exports of goods growing faster than imports of goods, the balance of goods account has improved by 68 mln euro. On the other hand, exports of services decreased faster than imports of services, thereby the services account surplus decreased by 36 mln euro. However, the surplus of the services account of 132 mln euro was more than twice the goods account deficit. Due to lower dividend payments to foreign investors, primary income account balance improved by 58 mln euro. While secondary income account balance worsened by 42 mln euro due to the higher payment to the EU budget. Overall, in the first two months of 2021 current account run a surplus of 206 mln euro.

Main macroeconomic indicators, annual growth rates (unless stated otherwise)										
	IV	19'I	II	III	IV	20'I	II	III	IV	21'I*
GDP, constant prices, %	4,9	3,4	1,7	2,6	0,7	-1,1	-8,9	-2,8	-1,5	-2,2
GDP, current prices, %	9,2	6,9	4,5	4,7	2,0	-0,1	-9,8	-3,0	-1,2	n.d.a.
Inflation, %	2,9	2,9	3,3	2,9	2,2	1,9	-0,4	0,0	-0,6	-0,1
Nominal wages, %	8,3	7,4	7,0	7,6	6,9	6,8	4,3	7,0	6,7	n.d.a.
Real wages, CPI deflated, %	5,4	4,5	3,7	4,7	4,7	4,9	4,7	7,0	7,3	n.d.a.
Employed persons, %	0,8	0,6	-0,4	-0,2	0,4	-0,2	-1,5	-2,7	-3,0	n.d.a.
Unemployed, % of active pop.	6,9	6,9	6,4	6,0	6,0	7,6	8,6	8,4	7,9	n.d.a.
Productivity, %	4,1	2,7	2,2	2,9	0,3	-0,9	-7,5	-0,1	1,6	n.d.a.
Retail trade, %	2,7	3,6	3,2	1,0	1,5	2,3	-1,7	4,4	0,8	-4,8
Industrial production, %	0,9	-0,8	1,4	2,5	0,0	-2,5	-5,1	-1,8	2,2	n.d.a.
Goods exports, %	7,3	5,2	-1,1	3,4	-1,0	3,7	-10,8	3,7	9,9	n.d.a.
Goods imports, %	12,3	7,3	4,9	-5,2	-2,2	-1,0	-20,5	-1,1	2,5	n.d.a.
Trade balance, mln euro	-723,7	-606,6	-886,6	-789,0	-665,8	-453,6	-399,4	-620,3	-431,8	n.d.a.
Current account, % of GDP	2,8	0,0	-1,9	-3,0	2,4	1,0	3,8	-0,7	7,5	n.d.a.

* GDP flash estimate

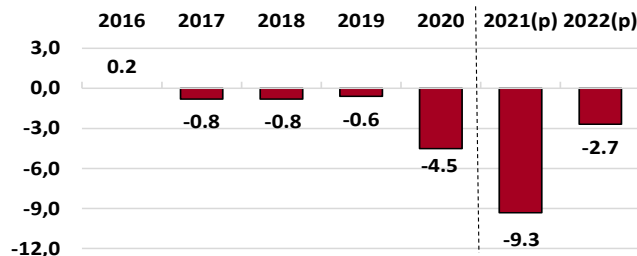
Source: CSP, Eurostat, Ministry of Finance of the Republic of Latvia, Bank of Latvia

According to the Eurostat Government finance statistics, in 2020 general government budget deficit was 1.3 billion euro or 4.5% of GDP, of which 3.7% of GDP was affected by Covid-19 support measures. The Covid-19 pandemic will affect general government revenue in 2020, compared to 2019, decreased by 0.4% and was 11.5 billion euro, but expenditure increased by 9.5% and reached 12.7 billion euro. It should be noted that the amount of the 2020 deficit can be specified by submitting a notification to Eurostat to the CSB in October this year.

Until April 25 the amount of support measures approved by the government for mitigating the effects of Covid-19 by 2021 was amounted to 3.1 billion euro or 10.2% of GDP. The forecasts included in the Latvian Stability Program for 2021-2024 envisage, that the general government budget deficit in 2021 will reach 9.3% of GDP. In turn, in 2022, in case of successful implementation of the vaccination plan, with economic development accelerating and tax revenue increasing, it is forecasted that the general government budget deficit at constant policy will reduce, and will comprise 2.7% of GDP.

General government budget balance

General government budget balance, % of GDP



According to the ESA 2010

Budget Revenue and Expenditure (according to cash flow methodology)

Consolidated General Budget

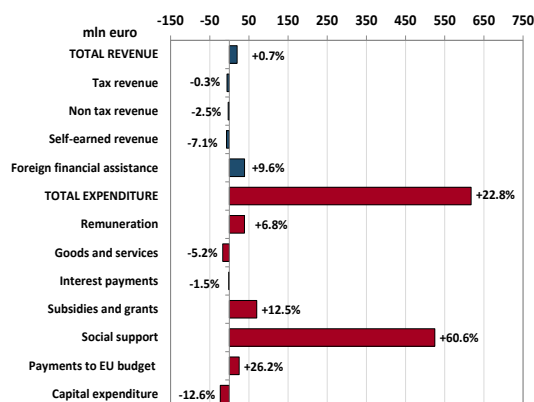
	2020 I-III execution mln euro	2021 I-III execution mln euro	Execution changes 2021/2020, mln euro	Execution changes 2021/2020, %
CONSOLIDATED GENERAL BUDGET**				
Revenue	2785,2	2805,2	20,0	0,7
Expenditure	2713,9	3331,4	617,5	22,8
<i>Financial Balance</i>	71,3	-526,2	-597,5	
CONSOLIDATED STATE BUDGET*				
Revenue	2293,4	2328,5	35,1	1,5
Expenditure	2365,7	2991,5	625,8	26,5
<i>Financial Balance</i>	-72,3	-663,1	-590,7	
State basic budget				
Revenue**	1555,9	1688,2	132,3	8,5
Expenditure	1657,6	2241,7	584,1	35,2
<i>Financial Balance</i>	-101,7	-553,6	-451,8	
State special budget				
Revenue	739,7	659,2	-80,5	-10,9
Expenditure	733,4	813,3	79,9	10,9
<i>Financial Balance</i>	6,3	-154,1	-160,4	
CONSOLIDATED LOCAL GOVERNMENT BUDGET***				
Revenue	756,4	729,1	-27,3	-3,6
Expenditure	612,8	592,2	-20,5	-3,4
<i>Financial Balance</i>	143,6	136,9	-6,8	

*Including grants, donations and derived public persons

**Starting from January 2021 the revenue of the state basic budget includes revenue, which have been paid into the single tax account and not broken down by type of tax and general budget levels

***Including grants and donations

Revenue and Expenditure in I-III 2021 (cash based changes in mln euro and in per cent against respective period of 2020)

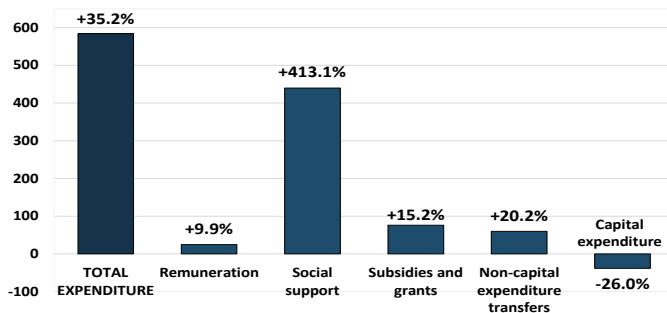


In the first quarter of this year in the general budget revenues increased moderately and amounted to 20.0 mln euro or 0.7% higher than in the corresponding period last year, in turn, the total budget expenditures were made by 617.5 mln euro or 22.8% more than in the first quarter of 2020. Thus, in the first quarter of the year, the general budget balance deteriorated and amounted to 526.2 mln euro deficit, in contrast to 71.3 mln euro surplus in the corresponding period last year.

Source: The State Treasury, Ministry of Finance of the Republic of Latvia, Eurostat, Latvia's Stability Programme 2021-2024



State Basic Budget Expenditure in I-III 2021 (cash based changes in mln euro and in per cent against respective period of 2020)



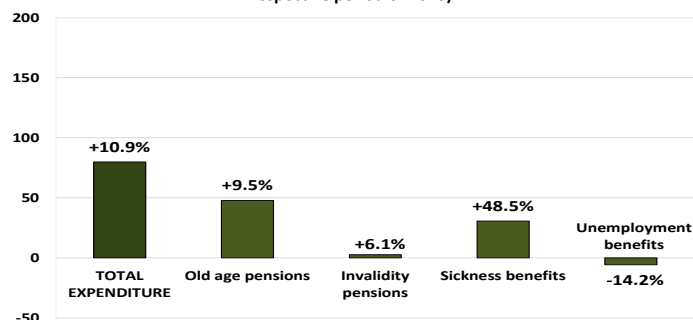
According to the State Treasury data, in the first quarter of this year, the state budget expenditure was 2241.7 mln euro, which was by 584.1 mln euro or 35.2% more compared to the corresponding period last year. The increase in basic budget expenditure has been influenced by the government's approved support to the economy to mitigate the effects of Covid-19, this finances programs that were not in the expenditure last year before the Covid-19 crisis. This aid has mainly affected social expenditure, which have increased by 439.8 mln euro or more than 4 times and amounting to 546.3 mln euro. Costs of employee downtime allowances and wage subsidies, as well as grants to enterprises for working capital in the first quarter amounted to 223.2 mln euro. Also, by the end of March, 184.4 mln euro for families with children 500 euro in the form of a child benefit. In March was started the payment of benefits to pensioners and persons with disabilities in the amount of 200 euro, by the end of the month paid 19 mln euro. The payment of these benefits will continue in April.

Non-capital expenditure transfers in the first quarter of this year was 356.6 mln euro, which was by 59.9 mln euro or 20.2% more compared to the corresponding period last year. More than half of the transfers were made to municipalities. The increase in funding for the health sector led to higher subsidies and grants, which in the basic budget have increased by 76.0 mln euro or 15.2%, reaching 576.5 mln euro.

Capital expenditures in the basic budget in January-March of this year, compared to the corresponding period of 2020, have decreased by 38.3 mln euro or 26.0%, amounted 108.9 mln euro. The decrease in capital expenditure was influenced by lower capital expenditure in the National Armed Forces.

State Budget

State Special Budget Expenditure in I-III 2021 (cash based changes in mln euro and in per cent against respective period of 2020)



In the first quarter of this year, state special budget expenditures was 813.3 mln euro, which was by 79.9 mln euro or 10.9% more than in the corresponding period last year.

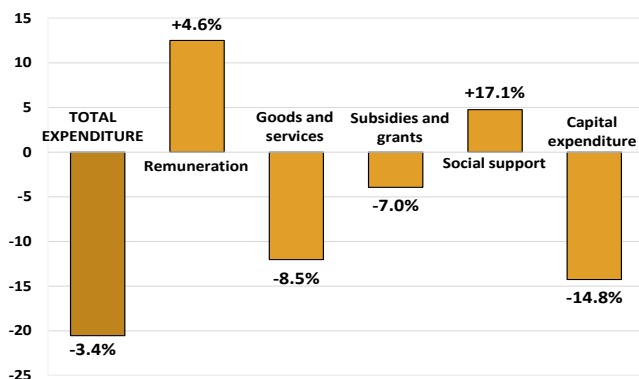
In the first quarter of this year, expenditure on old age pensions increased by 47.7 mln euro or 9.5%, amounting to 550.4 mln euro. Their growth is facilitated by the indexation of pensions carried out in October last year, as well as shifts in pension costs due to holidays and public holidays.

Due to Covid-19, in the first quarter of this year, the state special budget expenditures for sickness benefits have significantly increased, amounting to 93.8 mln euro, which was by 30.6 mln euro or 48.5% higher than in the first quarter of 2020. The increase was facilitated by changes in legislation, when sick leaves are paid from the state budget in case of suspicion of Covid-19 from the first day. According to the Ministry of Welfare, in the first quarter, Covid-19-related sickness benefit expenses amounted to 22.7 mln euro, performing 56.9 thousand payments. According to the data of the State Social Insurance Agency, in the first quarter of this year the number of recipients of sickness benefits increased by 37.5% compared to the corresponding period of the previous year.

In turn, expenditure on unemployment benefits in the first quarter of this year was 35.1 mln euro, which was by 5.8 mln euro or 14.2% lower than in January-March last year, affected by a reduction in the average amount of benefit paid from 369 euro to 315 euro, or 14.8%, related to changes in the duration and amount of unemployment benefit payments made at the beginning of 2020.

Consolidated Local Government Budget

Expenditure in I-III 2021 (changes in mln euro and in per cent against respective period of 2020)



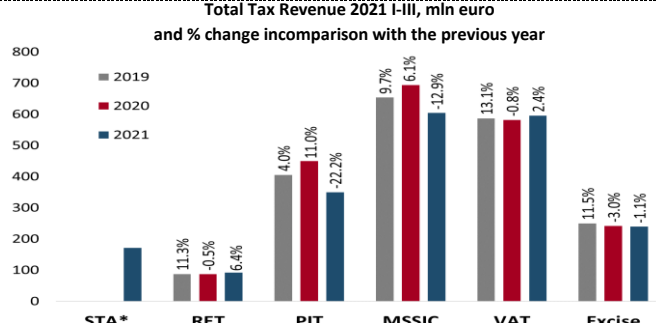
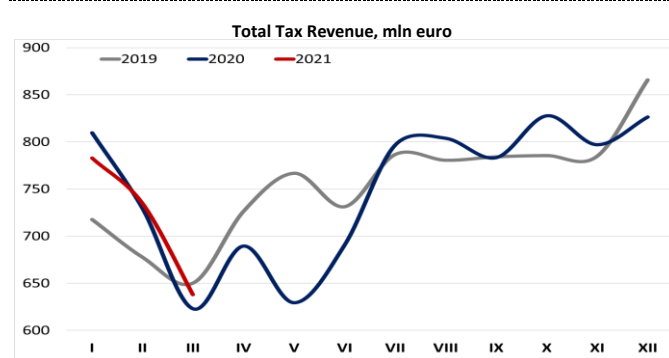
Consolidated local government budget expenditures in the first quarter of this year has decreased by 20.5 mln euro or 3.4% compared to the first quarter of 2020, amounting to 592.2 mln euro. The decrease in expenditure was mainly due to a decrease in capital expenditures as well as expenditure on goods and services.

Capital expenditures decreased by 14.3 mln euro or 14.8% compared to the first quarter of 2020, which is related to the end of the 2014-2020 investment cycle of EU funds, at the same time financial resources of EU funds for 2021-2027 are not yet available, which results in reduction of foreign financial assistance expenditure. Expenditures for basic functions have remained at the level of the previous year, continuing the implementation of investment projects approved in 2020 for local governments using the additional borrowing limit to prevent the consequences of the Covid-19 crisis. It is expected that the amount of capital expenditures will further increase due to implementation of investment projects by local governments, including high-readiness investment projects related to overcoming the Covid-19 crisis. In the first quarter of 2021 expenditure on goods and services has also decreased by 12.0 mln euro or 8.5% less than in the corresponding period last year. The decrease can be explained by the reduction of expenditures for electricity, various office supplies and inventory, as well as for the implementation of public activities of institutions.

Expenses for remuneration have increased by 12.5 mln euro or 4.6%, including increase of payment for additional work by 2.9 mln euro or 48%.

The amount of social payments has also increased by 4.8 mln euro or 17.1%, which can be explained by the increase in such social services expenditures for the population as payment for home care and services provided by social care and rehabilitation institutions.

			Tax Revenue	
Consolidated General budget Tax Revenue				
	2020 I-III execution, mln euro	2021 I-III execution, mln euro	Execution changes 2021/2020, mln euro	Execution changes 2021/2020, %
Consolidated general budget tax revenue	2161,7	2155,7	-5,9	-0,3%
Mandatory state social insurance contributions	693,2	603,8	-89,4	-12,9%
<i>in State special budget</i>	669,6	583,0	-86,6	-12,9%
<i>in State budget (1% for the health)</i>	23,7	20,9	-2,8	-11,9%
Value added tax	581,7	595,4	13,7	2,4%
Personal income tax	449,6	349,9	-99,6	-22,2%
<i>in State budget</i>	87,6	6,3	-81,3	-92,8%
<i>in Local government budget</i>	362,0	343,6	-18,3	-5,1%
Excise tax	241,6	239,1	-2,5	-1,1%
Corporate income tax	32,8	44,9	12,1	36,8%
Real estate tax	86,6	92,2	5,6	6,4%
Unallocated funds in the single tax account		171,1		
Informative:				
<i>Social security contributions to the state funded pension scheme</i>	149,3	136,6	-12,7	-8,5%



*Unallocated funds in the single tax account

Although economic activity in the first quarter of this year was lower than in the first three months of 2020 due to restrictions imposed on the reduction of Covid-19, tax revenue in the general budget in January-March were actually at the level of 2020. General budget tax revenue in January-March 2021 amounted to 2155.7 mln euro, which was by 5.9 mln euro or 0.3% less than in the first quarter of 2020. Furthermore, in the first quarter 2021, the general budget tax revenue plan was fulfilled by 103.2% and the surplus revenue reached 67.1 mln euro. The amount of PIT received in the first three months ensured that local governments received the amount guaranteed by law.

It should be noted that last year the impact of Covid-19 on tax revenues was felt from mid-March, while this year the entire first quarter was affected by the state of emergency and significant restrictions. This indicates, accordingly, that companies and society as a whole have been able to adapt to the situation. In the future, as the economy recovers and the epidemiological situation does not deteriorate significantly, tax revenues are expected to increase at a higher overall level than in 2020.

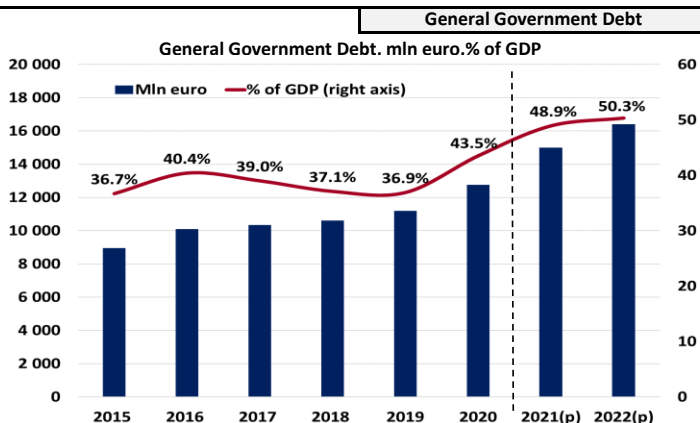
In terms of taxes, the largest increase in the first quarter of this year was in revenues from value added tax, corporate income tax and real estate tax.

Whereas revenues from personal income tax (PIT) and mandatory state social insurance contributions (MSSIC) were lower than in 2020. PIT revenue decline can be explained by the significant amount of repayments in March this year after the submission of personal income declarations, as well as with increase in the tax-free income base from 1 January this year for employees and retired persons. In turn, MSSIC has decreased due to the reduction of the tax rate by 1 percentage point this year, as well as a slight decrease at the beginning of the year in the wage fund, as evidenced by the data of the State Revenue Service from the submitted declarations. The lower amount of MSSIC compared to 2020 was also determined by the formation of the unallocated funds in the single tax account.

Detailed analysis by type of tax is currently limited by the introduction of the single tax account as of January 1 of this year, as part of the paid-in funds remains undistributed to the respective taxes until the end of the month. Thus, at the end of March, the unallocated amount in the single tax account was 171.1 mln euro. These payments will be allocated to the relevant taxes and general budget levels in the following months according to the relevant declarations.

According to Eurostat data general government debt in 2020 was 43.5% of GDP. The significant increase compared to 2019 is due to a significant increase in borrowing, which was affected by the financing required to mitigate the effects of the Covid-19 outbreak. The Treasury forecasts that general government debt will increase to 48.9% of GDP in 2021 and 50.3% of GDP in 2022.

March 19, 2021 the international credit rating agency Fitch Ratings affirmed Latvia's credit rating at the 'A-' level with a stable credit rating outlook. As the main factors for the rating affirmation at 'A-' level Fitch mentioned a credible policy framework, the benefits from the EU membership and eurozone, and government debt that is well below the median of 'A' rated category peers. In March of this year, the Treasury issued 10-year bonds, attracting financing of 1.250 billion euro. This was the first loan to attract the necessary financing in the international financial markets in 2021. The loan is intended to provide resources for the financing of mitigation measures and economic support for the Covid-19 outbreak, as well as for the financing of other budgetary needs and the fulfillment of public debt obligations.



According to the ESA 2010