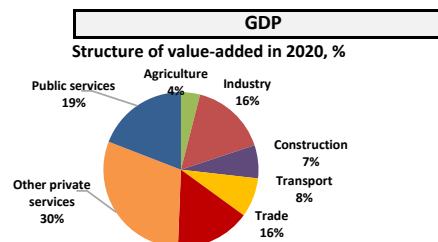
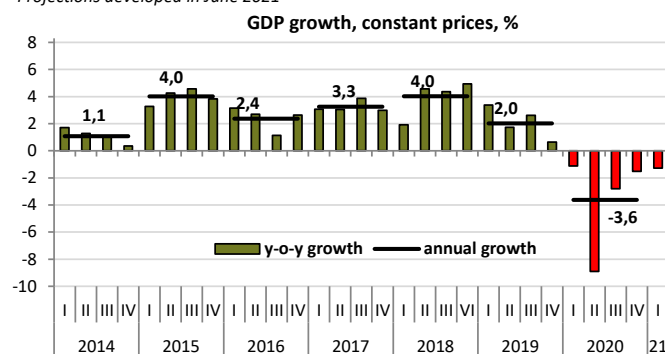


Main macroeconomic indicators	2020	Forecasts*			
		2021	2022	2023	2024
Gross domestic product (GDP)					
current prices (mln euro and growth, %)	29334	6,9	8,5	6,2	5,3
constant prices (mln euro and growth, %)	26555	3,7	5,0	3,5	3,4
GDP deflator (y-o-y), %	0,1	3,1	3,3	2,6	1,9
Consumer price index (y-o-y), %	0,2	2,0	2,4	2,2	2,0
Average monthly gross wage (euro and growth at current prices, %)	1143	8,0	6,0	5,5	5,3
Employment (thsd and growth rate, %)	893	-1,1	1,8	0,3	0,0
Jobseeker rate (annual average), %	8,1	7,9	7,0	6,3	5,9
Exports of goods and services					
current prices (mln euro and growth, %)	17682	9,7	9,0	7,2	7,3
constant prices (mln euro and growth, %)	16963	6,5	5,8	4,1	4,1
Imports of goods and services, mln euro					
current prices (mln euro and growth, %)	17343	10,3	12,8	7,1	7,3
constant prices (mln euro and growth, %)	18151	8,6	9,5	4,0	3,8

* Projections developed in June 2021

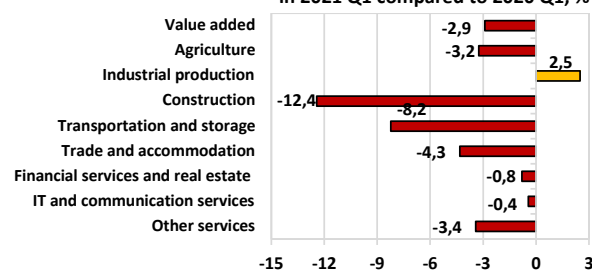


GDP growth in the Baltic states, % y-o-y

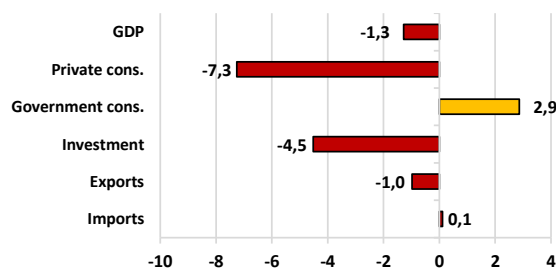
	20'II	III	IV	2020	21'I
Latvia	-8,9	-2,8	-1,5	-3,6	-1,3
Lithuania	-4,7	0,1	-1,2	-0,9	1,2
Estonia	-7,0	-2,5	-1,2	-2,9	5,4

Data compiled by the Central Statistical Bureau (CSB) shows that in the 1st quarter of 2021, compared to the 1st quarter of 2020, gross domestic product (GDP) decreased by 1.3% (according to seasonally and calendar non-adjusted data). This decline is 0.9 percentage points less than the CSB had calculated in the GDP flash estimate published a month ago and less than the decline in GDP in the fourth quarter of last year. The data of the first quarter shows that Latvia overcame the second wave of the COVID-19 crisis with smaller losses, although this year the restrictions set to reduce the morbidity were much stricter. Better economic performance in the second wave of the crisis was prescribed by both better adaptation of companies to Covid's situation and more extensive state aid measures, enabling that the industries affected by the crisis do not completely cease operations and supporting of the consumption. After a decline in the first quarter overall the rapid resumption of economic growth is expected in the coming quarters of 2021, which is ensured by the lifting of Covid-19 restrictions, state support for consumption and investment infrastructure as well as the favorable situation in the world and Latvia's main foreign trade partners. The external environment is currently characterized by a rapid improvement of business and consumer sentiment and the ECI's economic sentiment index in the EU countries in June is close to the historically highest level recorded in 2000. In Latvia, economic sentiment is also improving, reaching its highest level since the January 2018.

GDP growth by sectoral breakdown and from expenditure side in 2021 Q1 compared to 2020 Q1, %



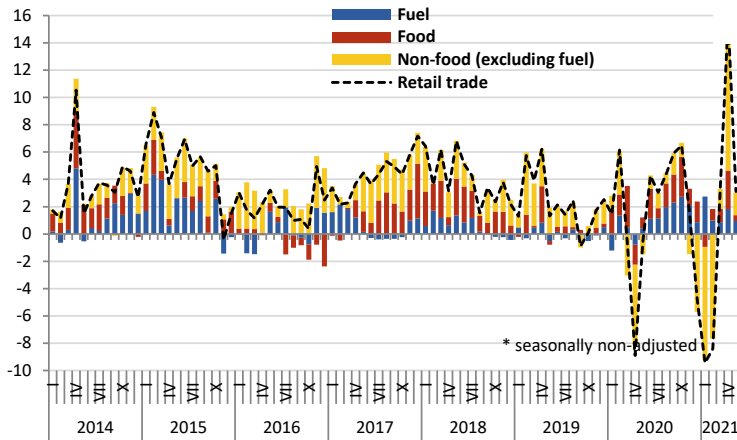
GDP breakdown



On the sectoral side, the largest positive impact on the development of the Latvian economy in the first quarter of this year was in the health and social care sector, where, thanks to increased public funding, an increase of 19.7% was achieved. The financial services sector grew by 15.2% and the overall indicators were also positively affected by growth in manufacturing by 1.6% and in energy and mining by 5.9%. Also, due to increased wholesale volumes, the trade sector recorded a total increase of 2.0%, while retail sales decreased by 5.1% due to Covid-19 restrictions. Overall, the largest negative impact on economic performance in the first quarter was left by the sectors directly affected by the Covid-19 restrictions, including commercial services by 11.7%, accommodation and food service by 53.3% and transport by 8.2%. However, unlike in the first quarter of last year, the transport sector was no longer significantly affected by the decline in Russian transit, where cargo volumes have already fallen to a very low level, and accordingly the decline in the sector was no longer as sharp as last year. Unlike last year, when the construction sector maintained stable growth, construction volumes have fallen by 12.4% in the first quarter of this year, due to the worst weather conditions for construction and a slight decrease in public investment expenditure earlier this year.

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, %

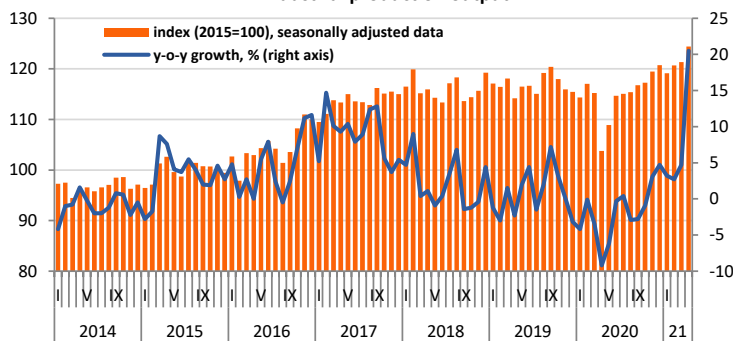
Fuel	16	Food	42	Non-food (excl. fuel)	42
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Y-o-y growth, c.a., 2020 Jan.-May

Total	+0,8%	Non-food (excl. fuel)	-2,9%
Food	+2,0%	Fuel	+7,9%

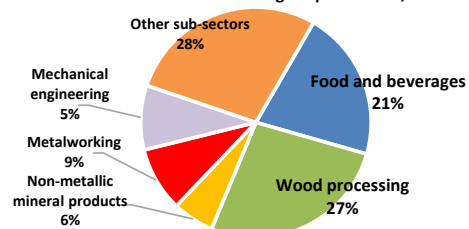
In May of this year, compared to May of the previous year, retail sales volumes have increased by 3.2%. This was due to both the low base in May last year and the easing of Covid-19 trade restrictions from 20 May this year. Retail sales of non-groceries products (excluding fuel) increased by 4.1%, but were lower than in April this year. The largest increases were recorded in trade in household electrical equipment, information and communication technologies and goods for culture and recreation. Retail trade in groceries increased by 1%, while motor fuel sales in May increased by 5.2% year-on-year, while fuel prices rose sharply.

Industrial production output



Industry

Structure of manufacturing output in 2020, %

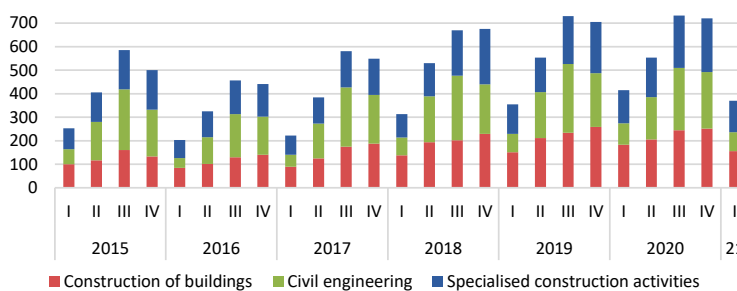


Industry, y-o-y growth, 2021 Jan.-April c.a.

Industry total	+7,9%	Mining, quarrying	+5,4%
Manufacturing	+7,5%	Energy	+10,2%

This year In April, compared to April 2020, the industrial sector in Latvia continues to show an increase in production volumes, reaching 20.5%, which was determined not only by the recovery of the sector during the pandemic, but also by the previous year's base, when industrial sector and the Latvian economy as a whole were most strongly affected by Covid-19 pandemic. In April, growth continued in all industrial sectors - mining output increased by 15% over the year, electricity and gas supply volumes increased by 23.1% and the largest industrial sector - manufacturing - recorded growth of 20.3%. Among the manufacturing sub-sectors, a strong increase was observed in the metal processing and mechanical engineering sub-sectors - an annual increase of 24.3% in the manufacture of fabricated metal products, manufacture of machinery and equipment, and manufacture of motor vehicles and trailers, where in April 2020 was the lowest volume produced since the end of 2016, this year in April increased by 34% and 117% respectively. Meanwhile, the timber industry, in April this year, provided the largest increase among the manufacturing sub-sectors, reaching 20.4%. It should be mentioned that in April 2020 the base was very low. Food production had not shown an increase since October 2020, but this year an increase of 7.3% in April. There is also a high increase in the production of non-metallic mineral products - by 31.5%.

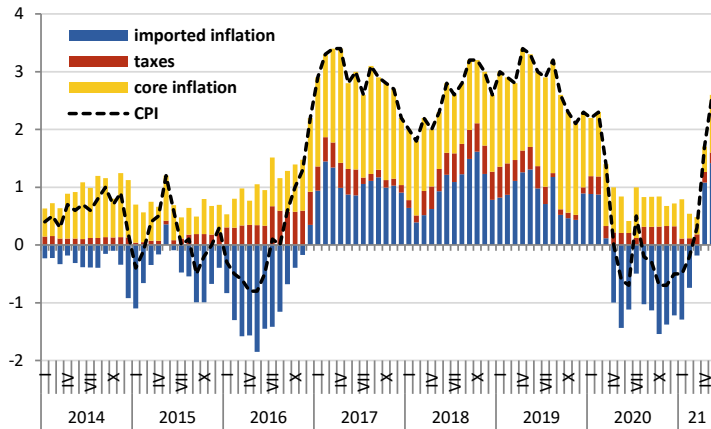
Construction output at constant prices, mln. euro



Construction

In the first quarter of 2021, compared to a corresponding quarter a year ago, construction output in current prices decreased by 10.7% due to last year's high base. The largest negative contribution on sector's results was provided by construction of buildings which contracted by 14.9% y-o-y - decline was registered for construction of both residential buildings and such non-residential buildings as hotels, industrial buildings and warehouses, farm-buildings. Meanwhile, civil engineering output decreased by 11.2% y-o-y and specialised construction activities were by 4.8% lower than a year ago. In Q1 2021, the expected construction space as indicated in the granted building permits declined by 17.8% y-o-y, stimulated by falling construction plans for residential buildings, industrial buildings and warehouses, trade buildings.

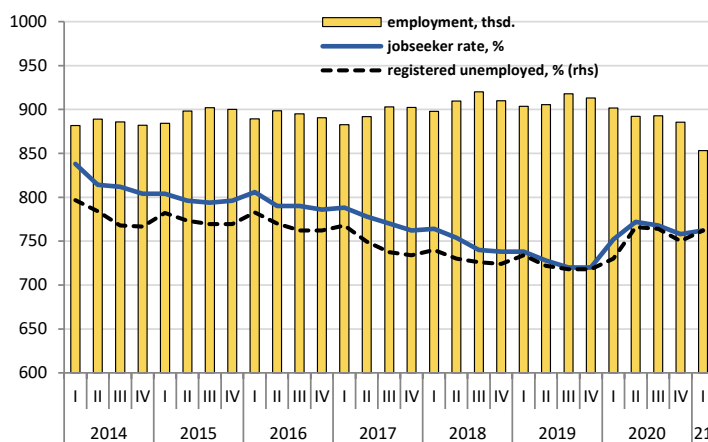
Inflation breakdown by origin, y-o-y, %



Inflation

The average consumer price level in May 2021 was 0.5% higher than in April, thus consumer prices increased for the fifth month in a row. In annual terms, the price increase was even more pronounced, increasing by 2.6%, which is the fastest price increase since October 2019. The relatively rapid rise in prices was determined by several factors. One of the factors is the base effect, as in May last year Latvia had a deflation of 0.6% y-o-y. However, rising commodity prices, reflected in rising fuel and food prices had the decisive role in price increase this year in May. Overall, current consumer price developments are mainly driven by external factors, such as rising global oil and food prices, rising transportation costs affected by both higher fuel prices and supply disruptions due to restrictions on the spread of the Covid-19, as well as the recovery of the global economy from the pandemic and the consequent growing demand.

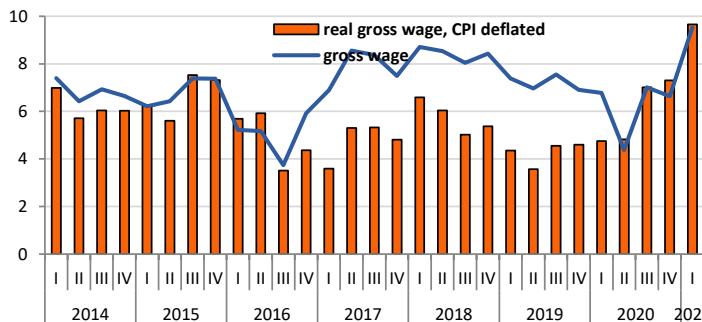
Unemployment rate, % of economically active population (15-74)



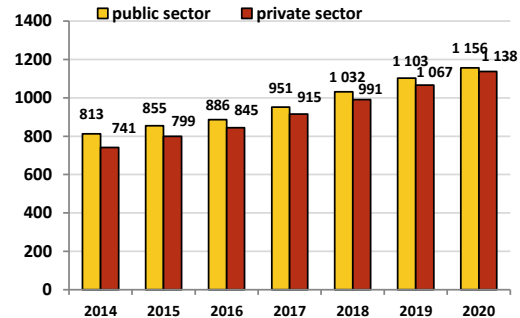
Employment

In the first quarter of this year, along with the repeated outbreak of Covid-19 and the restrictions imposed on its suspension, according to the CSB Labor Force Survey data the unemployment rate in Latvia increased to 8.1%. This unemployment rate is 0.2 percentage points higher than in the fourth quarter of last year, but during the year the unemployment rate has increased by 0.5 percentage points. Such an increase in unemployment can be assessed as very moderate and the increase in unemployment has been significantly limited both by state support in the form of downtime benefits and wage subsidies, and by the fact that the economy has already adapted better to Covid constraints in the second wave of the crisis. The number of employed persons in the national economy in the first quarter was by 5.4% or 48.3 thousand less than a year ago. The registered unemployment rate, after rising in the winter months to 8.2%, has been declining again since March and has fallen to 7.5% of the economically active population in the last week of June. This unemployment rate is by 1.1 percentage points lower than a year ago, while the number of registered unemployed has decreased by 13.6% year on year.

Wage dynamics, changes year over year, %

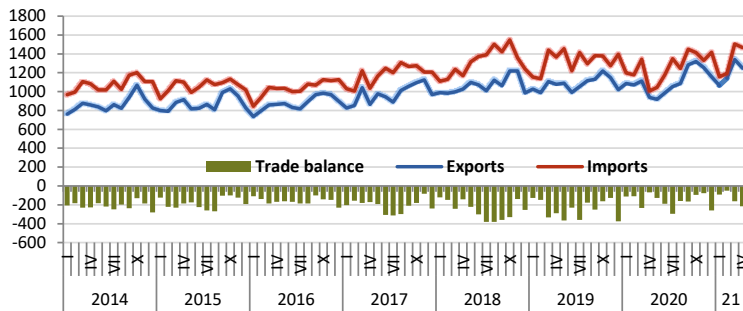


Wages, euro



Despite the Covid-19 crisis, the average monthly gross wage in 2020, compared to the previous year, increased by 6.2% to 1143 euro. In the first quarter of 2021, when a large number of low-wage earners went idle and the minimum wage increased to 500 euro, wage growth became even faster. The average salary increased by 9.5% compared to the corresponding quarter of the previous year, reaching 1207 euro. Slightly faster wage growth in the first quarter was in the public sector, where the average monthly gross wage increased by 9.7% to 1211 euro, while in the private sector it grew by 9.5% to 1208 euro. Changes in average wages and salaries were significantly affected not only by changes in employees' wages, but also by structural changes in the labor market- start-ups and closures and changes in the number and workload of employees. The number of full-time employees decreased by 61.3 thousand or 8.2% in the first quarter, which was affected by redundancies, reduction of workloads and a decrease in the number of employees due to paid downtime benefits. The total amount of the salaries paid in the country as a whole increased slightly – by 0.6% or 14.3 million euro.

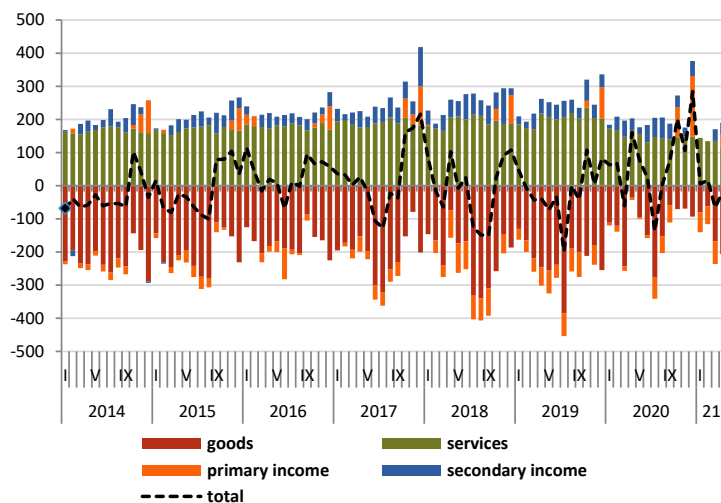
Foreign trade, current prices, euro



Foreign trade		
Exports, Jan-Apr 2021	Structure	Annual growth
Total	100%	14,0%
Wood	18,8%	22,9%
Food	18,3%	2,0%
Mech/Electr appl	17,4%	12,5%
Metals	9,3%	17,3%
Chemical manuf.	8,6%	22,5%
Mineral products	5,3%	38,5%
Transport vehicles	5,0%	7,8%
Plastics	3,6%	15,8%
Others	13,7%	9,8%

In April 2021, the rapid growth of exports of goods continued. If in March of this year the value of exports of goods increased by 20.6% compared to the corresponding month of the previous year, then in April the growth of exports accelerated and reached an increase of 33.0%. Such a sharp rise in merchandise exports was expected. First, the strong supply was determined by last year's low base, as in April 2020 exports of goods decreased by 12.8% y-o-y due to the Covid-19 crisis. Secondly, the recovery of exports in April this year was also facilitated by the recovery of the world economy after the Covid-19 crisis, thus having a positive effect on external demand for Latvian goods. It is expected that in May of this year, the growth of exports of goods in annual terms will be around 30%, with the growth slowing down slightly in the coming month. The growth of exports of goods in April has increased in all commodity groups. The largest contribution to the growth of exports was provided by a 35.8% increase in exports of wood and wood products. Although the growth of this product group was significant, wood exports are not significantly diversified, either by country or by product type. The fastest growth among all product groups was recorded for transport vehicles, as the exports of this product group almost doubled in annual terms. This group of goods suffered the most during the Covid-19 crisis, but now the value of exports has returned to pre-pandemic levels. In the first 4 months 2021, the total value of exports of goods was 14.0% higher than in the corresponding period last year. The largest contribution to the growth of exports of goods was ensured by the growth of wood and wood products by 22.9% compared to 4 months in 2020. Exports of mineral products, chemical products, mechanical goods and electrical appliances also increased significantly, by 38.5% and 22.5% and 12.5%, respectively. Imports of goods in April 2021 increased by 45.7% y-o-y, but in 4 months the value of imports was 12.5% higher than in the corresponding period of 2020.

Balance of payments, current account, mln euro



Current account

In April 2021, Latvia's balance of payments current account recorded a deficit of 17 mln euro in contrast to 160 mln euro surplus in April last year. The deterioration in the current account balance was driven by a faster increase in imports of goods and services than in total exports. Taking into account that the growth of imports of goods was significantly higher than exports of goods, thus the deficit of the goods account has increased by 170 mln euro y-o-y. A similar situation is observed in the services account. A faster increase in imports of services compared to exports of services led to a deterioration of the services account by 52 mln euro y-o-y. Thereby, the account surplus decreased to 116 mln euro. The increase in the current account deficit was slightly mitigated by the improvement in the primary income account by 45 mln euro. This improvement was due to lower dividends paid to foreign investors. Secondary income account surplus of 36 mln euro remained unchanged on an annual basis. In the 4 months of 2021, the current account deficit amounted to 61 mln euro as opposed to 230 mln euro surplus in the corresponding period last year.

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	-1,3
GDP, current prices, %	9,2	6,9	4,5	4,7	2,0	-0,1	-9,8	-3,0	-1,2	-1
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	9,5
Real wages, CPI deflated, %	5,4	4,5	3,7	4,7	4,7	4,9	4,7	7,0	7,3	9,6
Employed persons, %	0,8	0,6	-0,4	-0,2	0,4	-0,2	-1,5	-2,7	-3,0	-5,4
Unemployed, % of active pop.	6,9	6,9	6,4	6,0	6,0	7,6	8,6	8,4	7,9	8,1
Productivity, %	4,1	2,7	2,2	2,9	0,3	-0,9	-7,5	-0,1	1,6	4,3
Retail trade, %	2,7	3,6	3,2	1,0	1,5	2,3	-1,7	4,4	0,8	-4,7
Industrial production, %	0,9	-0,8	1,4	2,5	0,0	-2,6	-5,1	-1,8	2,2	3,6
Goods exports, %	7,3	5,2	-1,1	3,4	-1,0	4,6	-10,0	3,7	10,2	8,6
Goods imports, %	12,3	7,3	4,9	-5,2	-2,2	-0,2	-20,2	-1,1	2,7	3,5
Trade balance, mln euro	-723,7	-606,6	-886,6	-789,0	-665,8	-454,4	-385,6	-620,3	-428,6	-305,7
Current account, % of GDP	2,8	0,0	-1,9	-3,0	2,4	1,0	3,8	-0,7	7,5	-0,7

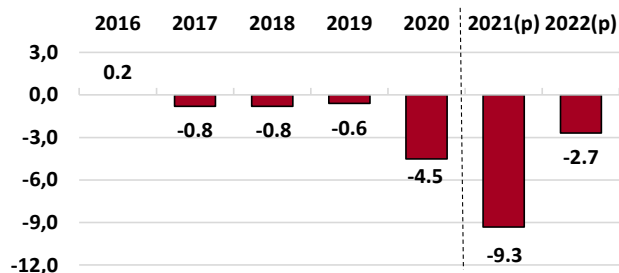
Source: CSP, Eurostat, Ministry of Finance of the Republic of Latvia, Bank of Latvia

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 3.3% 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 June 20 the amount of support measures approved by the government for mitigating the effects of Covid-19 by 2021 was amounted to 3.9 billion euro or 11% of GDP, but the actual support cost was 1.2 billion euro or 3.5% of GDP, increasing budget spending by 0.9 billion euro. 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, 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

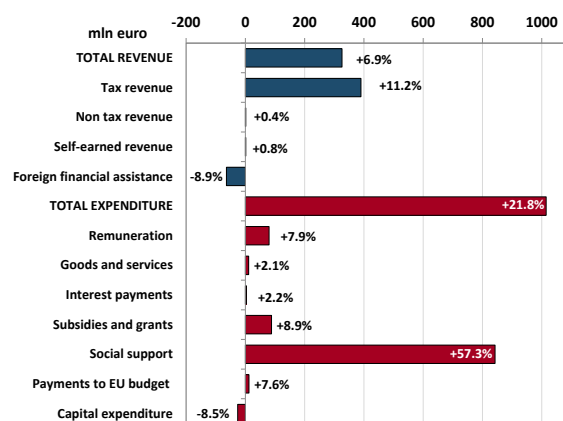
	2020 I-V execution mln euro	2021 I-V execution mln euro	Execution changes 2021/2020, mln euro	Execution changes 2021/2020, %
CONSOLIDATED GENERAL BUDGET**				
Revenue	4709,2	5035,2	326,0	6,9%
Expenditure	4650,5	5665,5	1015,0	21,8%
<i>Financial Balance</i>	58,7	-630,2	-689,0	
CONSOLIDATED STATE BUDGET*				
Revenue	3961,9	4306,1	344,3	8,7%
Expenditure	4028,5	5033,8	1005,3	25,0%
<i>Financial Balance</i>	-66,7	-727,7	-661,0	
State basic budget				
Revenue**	2774,0	3139,1	365,1	13,2%
Expenditure	2866,0	3798,7	932,7	32,5%
<i>Financial Balance</i>	-92,0	-659,6	-567,6	
State special budget				
Revenue	1211,7	1209,7	-2,0	-0,2%
Expenditure	1218,5	1322,9	104,3	8,6%
<i>Financial Balance</i>	-6,9	-113,2	-106,3	
CONSOLIDATED LOCAL GOVERNMENT BUDGET***				
Revenue	1165,3	1149,0	-16,2	-1,4%
Expenditure	1039,9	1051,6	11,7	1,1%
<i>Financial Balance</i>	125,4	97,5	-27,9	

*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

***Including grants and donations

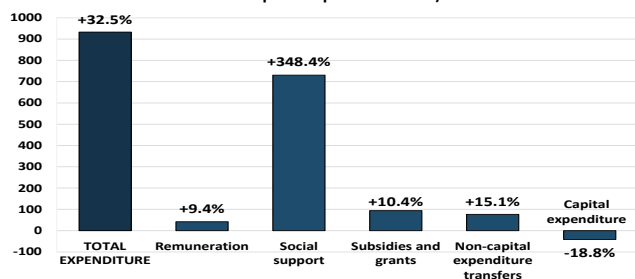
Revenue and Expenditure in I-V 2021 (cash based changes in mln euro and in per cent against respective period of 2020)



The consolidated general budget continues to be affected by the global pandemic. According to the State Treasury data in the first five months of this year consolidated general budget expenditures grew significantly faster (+21.8%) than revenues (+6.9%), amounting to 630.2 mln euro deficit, while in the corresponding period last year the general government budget deficit was significantly lower (58.7 mln euro).

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-V 2021 (cash based changes in mln euro and in per cent against respective period of 2020)



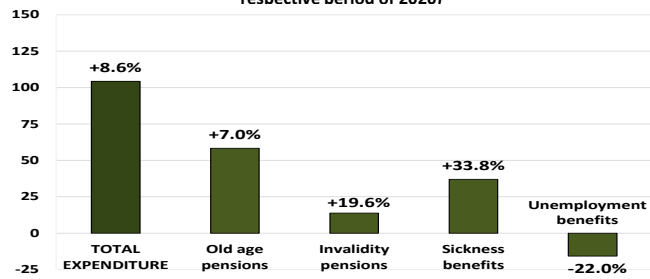
According to the State Treasury data, in the first five months of this year, the state basic budget expenditure was 3798.7 mln euro, which was by 932.7 mln euro or 32.5% more compared to the corresponding period last year. The increase in state basic budget expenditure has been influenced by the government's approved support to the economy to mitigate the effects of Covid-19, increasing social expenditure to 940.1 mln euro, which was by 730.4 mln euro or more than 4 times compared to the corresponding period last year. Costs for employee downtime benefits and wage subsidies, as well as grants to companies for working capital in the first five months amounted to 470 mln euro, including by the end of May paid 188 mln euro to families with children in the form of benefits 500 euro and 110 mln euro for pensioners and persons with disabilities in one-off benefits 200 euro.

Non-capital expenditure transfers in the first five months of this year was 584.2 mln euro, which was by 76.41 mln euro or 15.1% more compared to the corresponding period last year. More than half of the transfers were made to municipalities.

Expenditures for remuneration in the four months of this year were made by 41.8 mln euro or 9.4% more than last year, amounting to 487.8 mln euro. The increase was driven by higher expenditures on health and home affairs staff, including bonuses for working in Covid-19.

Capital expenditures in the state basic budget in January-May of this year, compared to the corresponding period of 2020, have decreased by 41.7 mln euro or 18.8%, amounting 180.3 mln euro. The decrease in capital expenditure was influenced by lower capital expenditure on the infrastructure of the National Armed Forces.

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

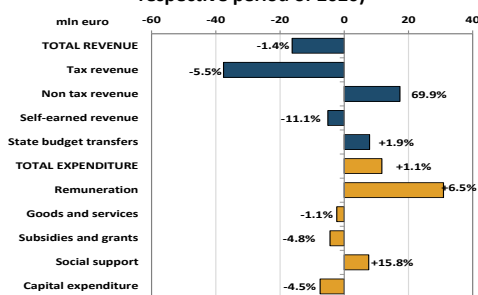


In the first five months of this year, state special budget expenditure was 1322.9 mln euro, which was by 104.3 mln euro or 8.6% more than in the corresponding period last year.

From 1 January 2021, the minimum state pensions (in case of old age, invalidity and survivors), as well as the amount of the state social security benefit were increased. For the period from 1 January 2021 to 30 April 2021, the State Social Insurance Agency (SSIA) paid the indemnity in the previous amount, which was until 31 December 2020, without taking into account the recalculation of the minimum amount, but the unpaid difference in remuneration in the form of a supplement for January-April, resulting from the revision of the minimum amount, was paid in May 2021. Consequently, expenditure on invalidity pensions in the state special budget in January-May of this year amounted to 84.3 mln euro, which was by 13.8 mln euro or 19.6% more than in five months last year. Expenditure on old-age pensions in the first five months of this year was increased by 58.3 mln euro or 7%, amounting 886.5 mln euro. The increase in pension expenditure was also determined by the indexation of pensions carried out in October last year.

Expenditure on sickness benefits in the state special budget in January-May of this year amounted to 146.4 mln euro, which was 37 mln euro or 33.8% more than in five months last year. The increase was influenced by changes in legislation, stipulating that sick leaves are paid from the state special budget from the first day in case of suspicion of Covid-19 disease. According to the SSIA data, in the first five months of this year, the number of recipients of sickness benefits increased by 30% compared to the corresponding period of the previous year. If in 2020, an average of 42.7 thousand sickness benefits were paid per month in five months, then this year this indicator has increased to 55.7 thousand, of which about 40% of benefits were related to incapacity for work caused by Covid-19. In turn, expenditure on unemployment benefits in the first five months of this year has been 55.8 mln euro, which was by 15.7 mln euro or 22% lower than in January-May last year, which was affected by the decrease in the average amount of the paid benefit from 359 to 307 euro or by 14.4%, which was related to the changes made in the beginning of 2020 in the duration and amount of the unemployment benefit payment.

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



Consolidated local government budget revenues have decreased by 16.2 mln euro or 1.4%, amounting to 1149 mln euro. PIT revenues form a significant part of consolidated local government budget revenues, where was decrease of 42.9 mln euro or 7.6% compared to January-May 2020. It should be noted that in the five months of this year, PIT revenues were transferred to consolidated local government budgets 499.2 mln euro or 37.5% of the annual plan, which is by 7.3 mln. euro or 1.4% less than the forecast of PIT revenue for the respective period. According to the budget law, local governments are guaranteed the fulfillment of the PIT forecast, thus all planned PIT revenues will be transferred to local government budgets, which for the six months of this year is 46% of the amount specified in the budget law. In contrast, non-tax revenue in five months was 42.1 mln euro, which was by 17.3 mln euro or 69.9% more compared to the corresponding period last year. Dividend income was received in the amount of 6.6 mln euro more, as well as revenues from real estate and land sales increased by 9.5 mln euro.

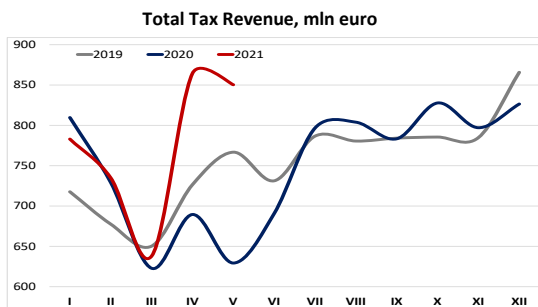
Consolidated Local Government Budget

Consolidated local government budget revenues expenses has increased only by 11.7 mln euro or 1.1%, amounting to 1051.6 mln euro. As a result, the consolidated local government budget has maintained a high level of surplus of 97.5 mln euro. Higher expenditures are observed in expenses for compensation, which have increased by 30.9 mln euro or 6.5%, amounting to 508.6 mln euro, including payment for additional work increased by 6.2 mln euro or 65%.

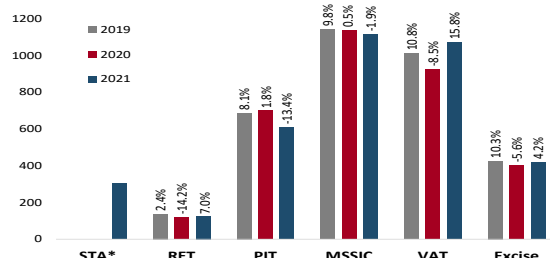
In the five months of this year, the amount of social payments has increased to 55.8 mln euro, which was by 7.6 mln euro or 15.8% more than in the corresponding period of the previous year, which can be explained by the increase in expenditure on social services for the population, such as payment for home care and services provided by social care and rehabilitation institutions, as well as an increase in expenditure to ensure a guaranteed minimum income level. Expenditures on goods and services in the consolidated local government budget have decreased by 2.3 mln euro or 1.1% compared to the corresponding period last year, amounting to 218.2 mln euro. The decrease can be explained by a decrease in expenses for electricity, various office supplies and inventory, as well as for the implementation of public activities of institutions.

Capital expenditures in the consolidated local government budget have decreased by 7.5 mln. euros or 4.5% compared to the first five months of 2020, amounting to 160.5 mln. euro. The lower level than last year is observed in the expenditures directly related to the implementation of EU funds projects, which can be explained by 2014-2020. the end of the 2021-2027 EU funds cycle and the fact that the new EU funds programming period for 2021-2027 has not yet begun. At the same time, capital expenditures for the provision of basic functions have remained at the level of the previous year, as the implementation of investment projects approved in 2020 for local governments continues, using the increase of the borrowing limit to prevent the consequences of the Covid-19 crisis. Expected, that the amount of capital expenditures will increase in the coming months as local governments implement high-readiness investment projects related to overcoming the Covid-19 crisis.

Consolidated General budget Tax Revenue			Tax Revenue	
	2020 I-V execution, mln euro	2021 I-V execution, mln euro	Execution changes 2021/2020, mln	Execution changes 2021/2020, %
Consolidated general budget tax revenue	3480,5	3870,3	389,8	11,2%
Mandatory state social insurance contributions	1134,7	1113,4	-21,3	-1,9%
<i>in State special budget</i>	1096,0	1075,6	-20,4	-1,9%
<i>in State budget (1% for the health)</i>	38,7	37,8	-0,9	-2,3%
Value added tax	924,4	1070,0	145,6	15,8%
Personal income tax	700,3	606,8	-93,5	-13,4%
<i>in State budget</i>	137,2	86,6	-50,6	-36,9%
<i>in Local government budget</i>	563,1	520,3	-42,8	-7,6%
Excise tax	401,3	418,4	17,1	4,3%
Corporate income tax	91,0	129,3	38,3	42,1%
Real estate tax	118,1	126,4	8,3	7,0%
Unallocated funds in the single tax account		302,4		
Informative:				
Social security contributions to the state funded pension scheme	247,4	233,6	-13,8	-5,6%



Total Tax Revenue 2021 I-V, mln euro and % change in comparison with the previous year

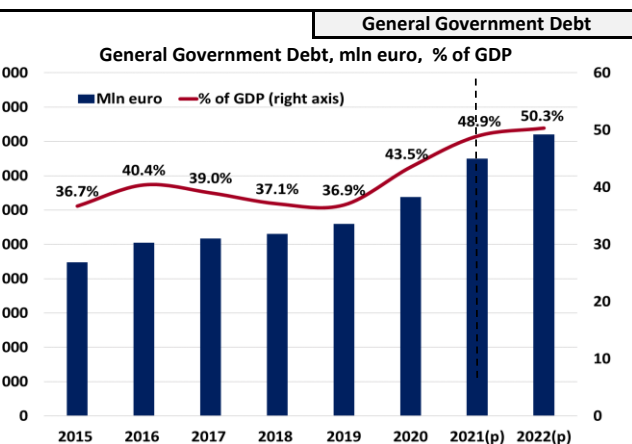


The tax revenue plan in the consolidated general budget was exceeded by 268.4 mln euro or 7.5% in the first five months. An extra revenue growing particularly sharply in April and May. Tax revenue, having recovered from the downturn last spring, in the first five months of this year, has increased by 389.9 mln euro or 11.2%, compared to the corresponding period of 2020. The consolidated general budget tax revenue amounted to 3 870.3 mln euro. However, the significant increase in the Treasury's data should be evaluated with caution, taking into account the undivided earnings in the single tax account, which includes not only tax, but also non-tax revenues, levies and other government charges which accumulates until they are linked to relevant declarations and broken down by type in the budget. At the end of May, the single tax account balance of was 302.4 mln euro. It also includes, for example, the payment of dividends made by JSC "Latvijas valsts meži", which after distribution, can also be applied to non-tax revenues. According to the assessment of the Ministry of Finance, most of the undivided earnings will be redistributed within 2-3 months to mandatory state social insurance contributions, personal income tax (PIT), value added tax (VAT) and corporate income tax. VAT revenue in the first five months of 2021 show a good execution in total of 1070 mln euro, which is by 27.7 mln euro or 2.6% higher than planned in the respective period. Compared to 2020, this year VAT rose by 145.6 mln euros or 15.8%. Trends are different across sectors. Significant increase in tax revenues compared to 2020 and 2019 is observed in manufacturing, health and social care, information & communication services, and trade.

*Unallocated funds in the single tax account

In the trade sector, tax revenues grew faster in May due to the reduction of restrictions on face-to-face trade. On the other hand, tax revenues in a number of sectors affected by the crisis are still below the five-month level of 2020: accommodation and catering services, arts, entertainment and recreation, as well as transport and storage. PIT and excise tax revenues are still lower behind the 2019 level. In the first five months of this year, PIT amounted to 606.8 mln, which was by 93.5 mln euro or 13.4% less than in the corresponding period of 2020. In the first five months of 2021, PIT revenues show 93.5 mln under performance and thus did not reach the planned level (92.9%). Reduced PIT revenue was affected by the increase in non-taxable income for both employees and pensioners starting from 1 st January 2021, as well as by the significant amount of paid tax refunds in this year. Excise tax revenues amounted to 418.4 mln, and by 17 mln euro or 4.2% exceeded the level of the corresponding period of 2020, however, excise revenues are still by 6.6 mln euro or 1.6% behind the pre-pandemic revenue level in the first five months of 2019, which can be explained by decrease in revenue from alcoholic beverages. It is affected by unpaid tax arrears, as well as lower alcohol consumption due to restrictions of various entertainment and catering service providers and lower population migration between countries, which has reduced cross-border alcohol trade volumes.

According to the operative data of the State Treasury, at the end of May 2021, the government debt in nominal value amounted to 13.4 billion euro, which, compared to the end of 2020, increased by 909 mln euro or 7.3%. The increase in government debt was mainly determined by the issue of 10-year eurobonds on the international financial markets on March 10, 2021, total of 1.250 billion euro, as well as additional issues of eurobonds made in the domestic financial market this year – a total of 227.250 mln euro. The borrowing was implemented to provide resources to cover the government deficit, including support measures to mitigate the effects of Covid-19, as well as to meet government debt obligations. At the same time, in January 2021 those eurobonds issued on the international financial markets in 2014 were redeemed in the amount of euro 1.0 billion and in February, also 10-year domestic bonds were redeemed in the amount of euro 87.1 mln. According to the Treasury forecasts, general government debt will reach 48.9% of GDP in 2021 and 50.3% of GDP in 2022. On 14 th May this year, the international credit rating agency Moody's affirmed Latvia's credit rating at A3, maintaining a stable credit rating outlook. Maintaining a high A3 credit rating is justified by Moody's on the relative resilience of the Latvian economy to the shocks caused by the Covid-19 pandemic and its strong economic growth potential.



According to the ESA 2010

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