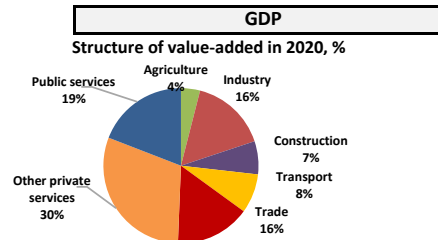
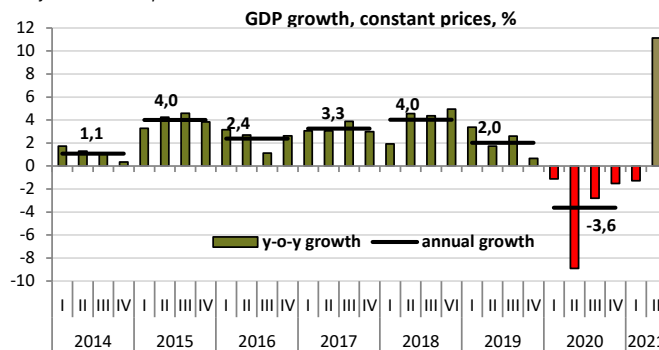


MACROECONOMIC AND BUDGETARY REVIEW 2021

No. 7

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

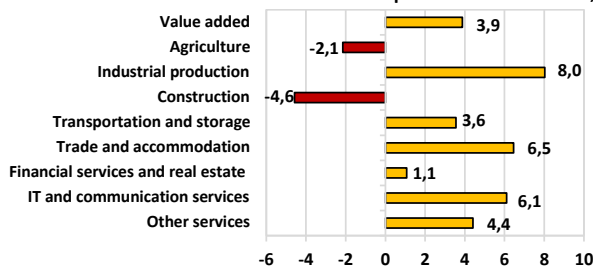


GDP growth in the Baltic states, % y-o-y

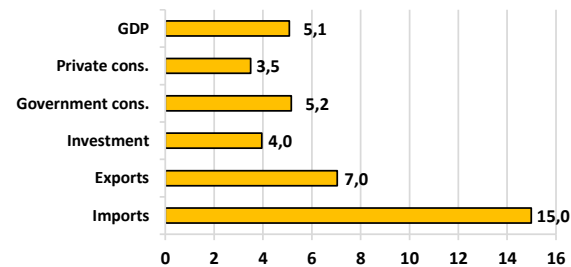
	20'III	IV	2020	2021'I	II
Latvia	-2,8	-1,5	-3,6	-1,3	11,1
Lithuania	0,1	-1,2	-0,9	1,5	7,8
Estonia	-2,5	-1,2	-3,0	4,1	12,9

Latvia's economic recovery from the Covid-19 crisis has been significantly faster than previously expected, and gross domestic product (GDP) in the second quarter of 2021 increased by 11.1% year-on-year. Compared to the previous quarter, GDP went up by 4.4% according to seasonally and calendar adjusted data. In the second quarter of 2021, the fastest growth was recorded in the services sector, which was hit hardest by Covid restrictions last year, - by 11.7% compared to the second quarter of 2020. At the same time, producing sectors, which suffered less from the Covid crisis, also achieved relatively strong growth in the second quarter, increasing by 7.8% compared to the corresponding quarter of last year. In the coming quarters, there is a good basis for further economic growth, ensured by the lifting of Covid-19 restrictions, growing investment from EU funds and the favorable situation in the world and Latvia's main foreign trade partners. However, with base effects disappearing, GDP growth will be more moderate than in the second quarter. In the European Union, the Economic Sentiment Indicator (ESI) reflecting business and consumer confidence in August retreated a bit from the all-time high reached in the previous month, while in Latvia the ESI index declined for the second month in a row and currently is slightly lower than in neighboring countries.

GDP growth by sectoral breakdown and from expenditure side in 1 half of 2021 compared to 1 half of 2020, %



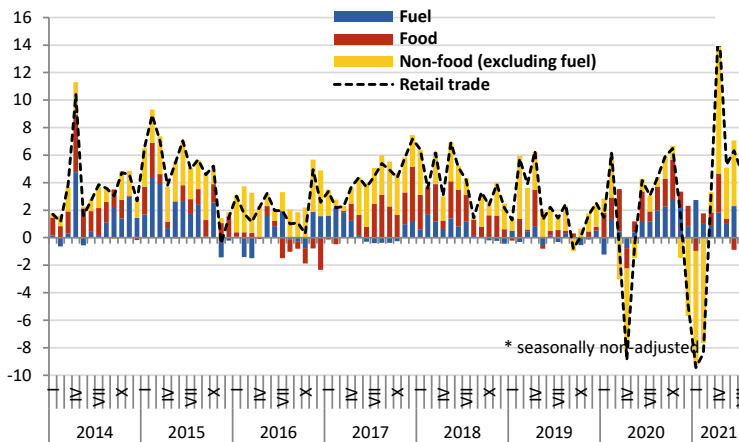
GDP breakdown



Along with the rapid economic growth in the second quarter, in the first half of 2021, the gross domestic product increased by 5.1% year-on-year. From the sectoral side, trade, health and social care sector as well manufacturing had the largest positive impact on Latvia's economic growth, increasing by 8.9%, 29.6% and 8.6%, respectively. In turn, declines in the first half of 2021 were recorded in the agricultural sector - by 2.1% and in the construction sector - by 4.6% y-o-y, mainly due to unfavorable weather conditions. Accommodation and food service activities sector, which was hit hardest by the restrictions imposed to reduce the spread of Covid-19, experienced a decline of 19.8% in the first half of the year. From the expenditure side, growth in private consumption, driven by the gradual easing and lifting of Covid-19 restrictions, as well as support measures for businesses and households affected by the crisis, played the key role in economic recovery. Public consumption also grew strongly, increasing by 5.2% in the first half of the year, while investment advanced by 4.0% and exports grew 7.0%, mainly due to growing exports of goods, driven by global economic recovery and strong demand in Latvia's main export markets.

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, %

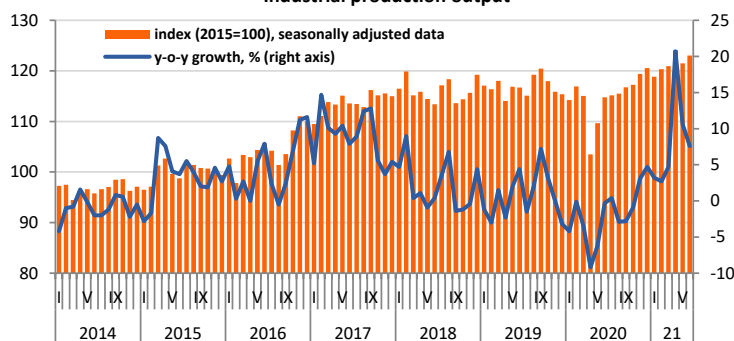
16	42	42
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Y-o-y growth, c.a., 2020 Jan.-July

Total	+2.7%	Non-food (excl. fuel)	-1.6%
Food	+0.8%	Fuel	+9.3%

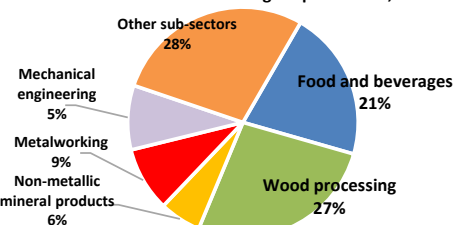
In July of this year, compared to July of the previous year, retail sales increased by 4.8%, which is still positively influenced by the easing of restrictions at the beginning of June. Retail trade in non-food products (excluding fuel) increased by 6.7%. The largest increases were recorded in retail trade of clothing, footwear and leather goods, household electrical appliances, as well as construction materials and plumbing. Retail trade in food products decreased by 1.2%, while sales of automotive fuel increased by 12% in June compared to the same period last year, while fuel prices continued to rise sharply.

Industrial production output



Industry

Structure of manufacturing output in 2020, %

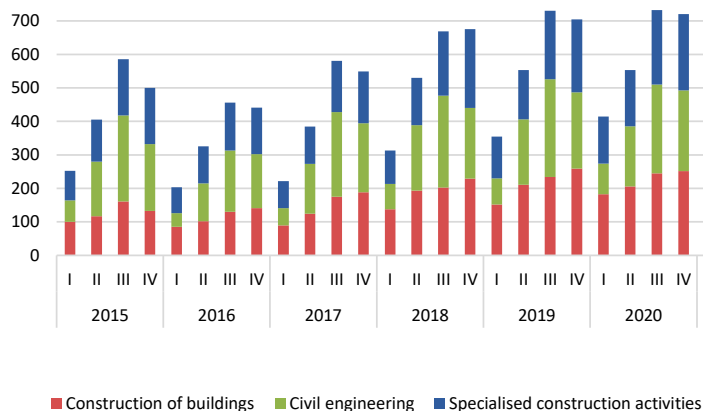


Industry, y-o-y growth, 2021 Jan.-June c.a.

Industry total	+8.3%	Mining, quarrying	+5.7%
Manufacturing	+9%	Energy	+6%

In June of this year, compared to June 2020, the industrial sector in Latvia continues to show an increase in production volumes of 7.6%, mainly due to an increase in the volumes produced in the wood processing sub-sector. In June of this year, growth also continued in the mining industry, with output growing by 9.3% over the year. The largest industrial sector - manufacturing - recorded growth of 10.9%. In turn, the volumes of electricity and gas supply have decreased by 14.9%. Among the groups of manufacturing goods, the largest increase was recorded in wood, except furniture (+ 17.4%), manufacture of furniture (+ 31.8%), manufacture of non-metallic mineral products (+ 7.6%) and manufacture of fabricated metal products (+13.7%). The production of electrical equipment (+ 11.5%), machinery, mechanical appliances (+ 30%), cars, trailers and semi-trailers (+ 37.1%) has also increased. At the same time, the volumes of food production have decreased by 0.8%. In June, the volume of electricity produced in hydropower plants increased by 11.2% compared to June of the previous year, however, the volumes produced in cogeneration plants halved, creating a total decrease in electricity production of 25.9%. Although industrial sentiment remains very high in July this year, concerns about the future are caused by soaring raw material prices in Europe and the world.

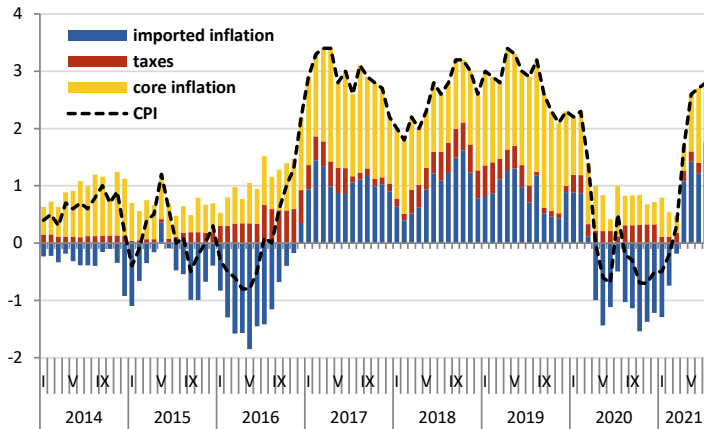
Construction output at constant prices, mln. euro



Construction

In the second quarter of 2021, compared to the corresponding quarter of the previous year, construction volumes at current prices increased by 5.4%, which was influenced by the easing of restrictions on trade in construction materials in result finalizing delayed construction work of the first quarter. The largest positive impact on construction results was caused by an increase in specialized construction works by 11.8%, with a sharp increase in work on finalizing construction objects. Meanwhile, civil engineering construction grew by 4.5% in the first quarter, with bridges and tunnels building growing the most. The construction of buildings, on the other hand, has grown by 1%, with a decrease in the construction of non-residential buildings and an increase in the construction of residential buildings. The estimated area of building permits issued in the second quarter of 2021 has increased by 28.1%, with the planned construction area of one-apartment houses and industrial production buildings and warehouses and commercial buildings growing particularly rapidly.

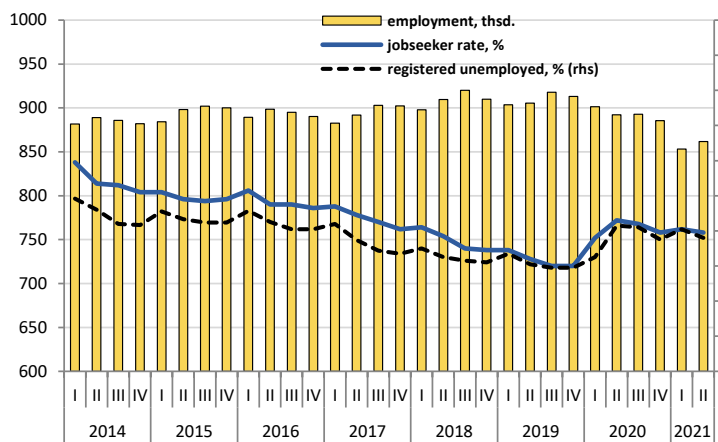
Inflation breakdown by origin, y-o-y, %



Inflation

The average consumer price level in July 2021 was 0.4% higher than in June, thus consumer prices increased for the seventh month in a row. In annual terms, the price increase was even more pronounced, increasing by 2.8%. Rising raw material prices, which were reflected in rising fuel, gas and food prices, played a key role in the relatively rapid rise in prices. This year in July, fuel prices jumped by 17.8% y-o-y, gas prices by 36.1%. While food prices increased by 1.6%. Although the rise in food prices is not very high, food products account for more than a fifth of the total consumer basket, thus having a significant impact on average inflation. 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

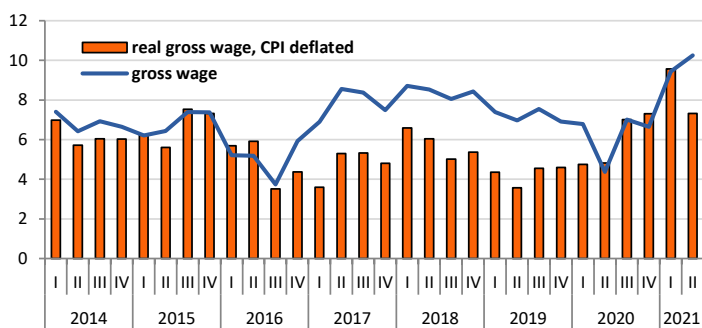
Unemployment rate, % of economically active population (15-74)



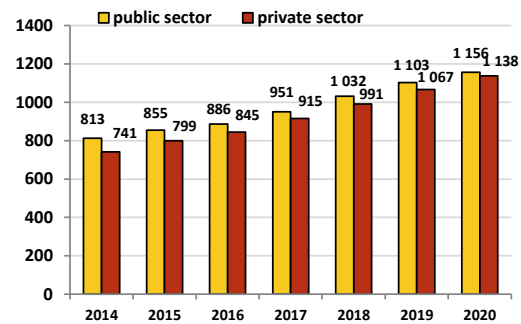
Employment

With the repeated outbreak of Covid-19 in the first quarter of this year, the unemployment rate in Latvia rose to 8.1%, but in the second quarter, as the pandemic subsided, unemployment level declined to 7.9% of the economically active population, the labour force survey (LFS) data show. In the second quarter, compared to the second quarter of 2020, the unemployment rate decreased by 0.7 percentage points, while the number of unemployed fell by 10.1 thousand or 12.1%. The negative impact of the second wave of Covid-19 in the labor market has been significantly limited this year by state support measures, including downtime benefits, as well as wage subsidies. According to the LFS data, number of employed persons in the second quarter was by 3.4% or 30.5 thousand lower than a year ago, but with the Covid-19 restrictions easing from July, people who have become temporarily inactive are expected to return to the labor market. Data on the registered unemployment show that unemployment rate continued to decline further in July and August, falling to 6.6% in the last week of August, and was 1.6 percentage points lower than a year ago. While

Wage dynamics, changes year over year, %



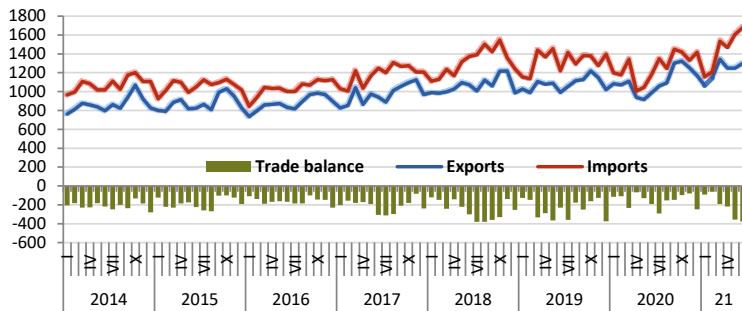
Wages, euro



The average gross monthly wage, which grew by a strong 6.2% in 2020, despite the Covid-19 crisis, increased even faster in 2021, when a large number of low-wage earners went idle and the minimum wage increased to 500 euro. In the first quarter of 2021, the average gross monthly wage increased by 9.5% compared to the corresponding quarter of the previous year, while in the second quarter it grew by 10.2%, reaching 1237 euro. Wages are growing faster in the public sector, where the average monthly gross wage climbed 13.4% to 1291 euro in the second quarter, while in the private sector it increased by 9.0% to 1215 euro. Average wages and salaries increased faster during the year in health and social care sector – by 35.1% and education – by 12.4%, in the sectors engaged mainly in the public sector activities. This year, changes in average wages and salaries are 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 increased by 28.6 thousand or 4.1% in the second quarter, while the total wage bill grew by 14.7% or 349.7 million euro.

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

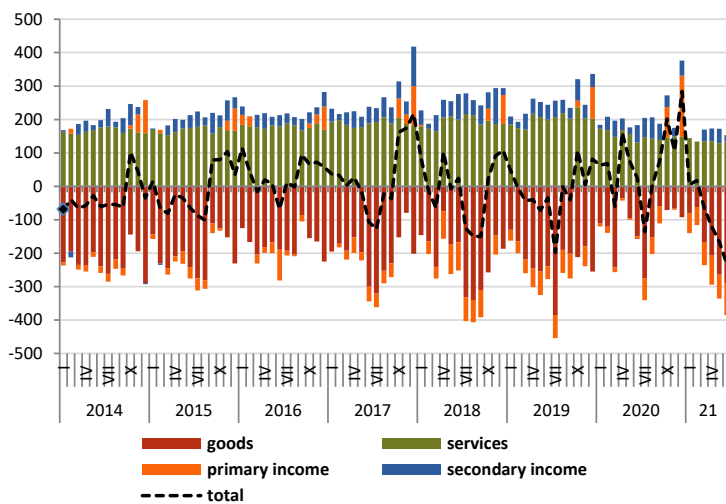
Foreign trade, current prices, euro



Foreign trade		
Exports, Jan -Jun 2021	Structure	Annual growth
Total	100%	20,3%
Wood	19,8%	35,8%
Food	17,3%	5,3%
Mech/Electr appl	17,2%	13,5%
Metals	9,7%	30,1%
Chemical manuf.	8,5%	25,3%
Mineral products	5,3%	43,4%
Transport vehicles	5,1%	19,8%
Plastics	3,6%	19,2%
Others	13,6%	15,1%

With global economies recovering from pandemic constraints and rising commodity prices on world markets, Latvia's exports of goods in June this year have increased by 31.7% compared to June last year, showing almost as rapid growth as in the previous month, when exports had grown by 36.2%. As in previous months, in June the most significant contribution to export growth was made by the largest group of Latvia's export goods - wood and wood products, which provided almost half of the total export growth, increasing by 86.8% y-o-y. Export growth rates have steadily increased this year, rising from 7.0% in February to over 30% in April, May and June, and in the first half of the year Latvia's total exports of goods was 20.3% higher than a year ago, when the world was hard hit the first wave of Covid-19. The increase in the value of exports of goods in the first half of this year was recorded in all commodity groups. The largest contribution to the growth of exports of goods was provided by a 35.8% y-o-y increase in exports of wood and wood products. The growth of wood exports to the United Kingdom, which has remained the largest Latvian wood and wood articles export market even after the withdrawal from the European Union, played a key role in the growth of this product group. Exports of mechanical equipment and electrical appliances, as well as mineral products also increased significantly, by 13.5% and 43.4%, respectively. However, it should be noted that the sharp increase in exports was also due to the increase in re-exports, as imports of above mentioned goods also increased sharply. The total increase in imports in June this year was even higher than the increase in exports, with the value of imports increasing by 42.6% y-o-y. While in the first half of 2021, imports of goods were 24.5% higher than in the corresponding period of 2020. As domestic consumption increases and construction intensifies, demand for consumer and capital goods also increases, boosting imports accordingly.

Balance of payments, current account, mln euro



Current account

In June 2021, Latvia's balance of payments current account recorded a deficit of 231 mln euro in contrast to 25 mln euro surplus in June last year. The deterioration was recorded for all sub-accounts of the current account, except for the services account. The increase in the foreign trade deficit in goods plays a key role in the deterioration of the current account balance. Taking into account that the growth of imports of goods was higher than exports of goods, the deficit of the goods account has increased by 139 mln euro y-o-y, to 289 mln euro. The surplus of the services account increased by only 4 mln euro, which was favorably affected by a slightly faster increase in exports of services compared to imports. Service account surplus this year in June amounted to 135 mln euro. The balance of the primary income account has deteriorated by 88 mln euro, which was mainly determined by the higher amount of dividends paid to foreign investors. The surplus of the secondary income account decreased by 34 mln euro, which was affected by higher contributions of Latvia to the EU budget and changes in the volume of household capital transfers. In the first half of 2021, the current account deficit increased

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

	19'I	II	III	IV	20'I	II	III	IV	21'I	II
GDP, constant prices, %	3,4	1,7	2,6	0,7	-1,1	-8,9	-2,8	-1,5	-1,3	11,1
GDP, current prices, %	6,9	4,5	4,7	2,0	-0,1	-9,8	-3,0	-1,2	-1	16,9
Inflation, %	2,9	3,3	2,9	2,2	1,9	-0,4	0,0	-0,6	-0,1	2,3
Nominal wages, %	7,4	7,1	7,6	6,9	6,8	4,4	7,0	6,7	9,5	10,2
Real wages, CPI deflated, %	4,5	3,8	4,7	4,7	4,9	4,8	7,0	7,3	9,6	7,9
Employed persons, %	0,6	-0,4	-0,2	0,4	-0,2	-1,5	-2,7	-3,0	-5,4	-3,4
Unemployed, % of active pop.	6,9	6,4	6,0	6,0	7,6	8,6	8,4	7,9	8,1	7,9
Productivity, %	2,7	2,2	2,9	0,3	-0,9	-7,5	-0,1	1,6	4,3	15,1
Retail trade, %	3,6	3,2	1,0	1,5	2,2	-1,7	4,4	0,8	-4,7	8,6
Industrial production, %	-0,8	1,4	2,5	0,0	-2,6	-5,1	-1,8	2,2	3,6	12,6
Goods exports, %	5,2	-1,1	3,4	-1,0	4,6	-10,0	4,7	10,6	8,8	33,6
Goods imports, %	7,3	4,9	-5,2	-2,2	-0,2	-20,2	-1,1	2,9	4,8	47,1
Trade balance, mln euro	-606,6	-886,6	-789,0	-665,8	-454,4	-385,6	-590,9	-423,9	-345,8	-952,7
Current account, % of GDP	0,0	-1,9	-3,0	2,4	1,0	3,8	-0,7	7,5	-0,7	n.d.a.

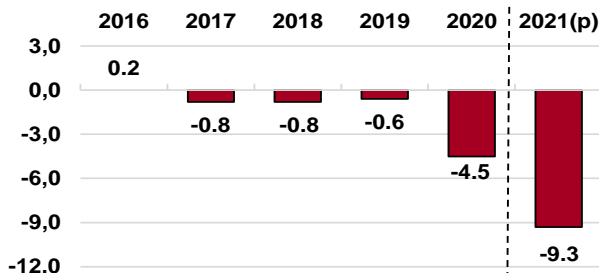
Source: CSP, Eurostat, Ministry of Finance of the Republic of Latvia, Bank of Latvia

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 August 10th amount of support measures approved by the government for mitigating the effects of Covid-19 by 2021 was amounted to 3.2 billion euro or 10.2% of GDP, but the actual support cost in the first half of 2021 was 1.6 billion euro (incl. tax extensions, guarantees, etc.) or 5% of GDP. The Ministry of Finance informs that the updated general government budget deficit in 2021 is forecasted at 9.3% of GDP, which is maintained at the Latvian Stability Program for 2021-2024 forecast level, however significantly higher than planned in the law "On the Medium - Term Budget Framework for 2022, 2023 and 2024". The high deficit level in 2021 is determined by additional expenditures on support measures, whose impact on the deficit is estimated at 6.8% of GDP or 2.1 billion euro.

General government budget balance

General government budget balance, % of GDP



According to the ESA 2010

Consolidated General Budget

Budget Revenue and Expenditure (according to cash flow methodology)

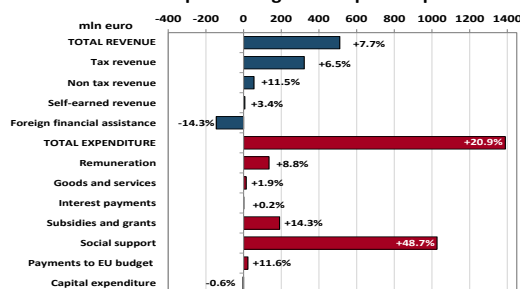
	2020 I-VII execution mln euro	2021 I-VII execution mln euro	Execution changes 2021/2020, mln euro	Execution changes 2021/2020, %
CONSOLIDATED GENERAL BUDGET**				
Revenue	6664,0	7174,5	510,4	7,7%
Expenditure	6657,9	8047,4	1389,5	20,9%
<i>Financial Balance</i>	6,2	-872,9	-879,1	
CONSOLIDATED STATE BUDGET*				
Revenue	5627,4	6161,2	533,9	9,5%
Expenditure	5716,2	7063,8	1347,6	23,6%
<i>Financial Balance</i>	-88,8	-902,6	-813,7	
State basic budget				
Revenue**	3945,3	4445,7	500,4	12,7%
Expenditure	4060,4	5366,1	1305,7	32,2%
<i>Financial Balance</i>	-115,1	-920,4	-805,3	
State special budget				
Revenue	1718,9	1816,8	97,9	5,7%
Expenditure	1719,1	1841,6	122,5	7,1%
<i>Financial Balance</i>	-0,2	-24,8	-24,6	
CONSOLIDATED LOCAL GOVERNMENT BUDGET***				
Revenue	1640,8	1641,1	0,3	0,0%
Expenditure	1545,8	1611,4	65,6	4,2%
<i>Financial Balance</i>	95,0	29,7	-65,3	

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



*Excluding unallocated income in the single tax account

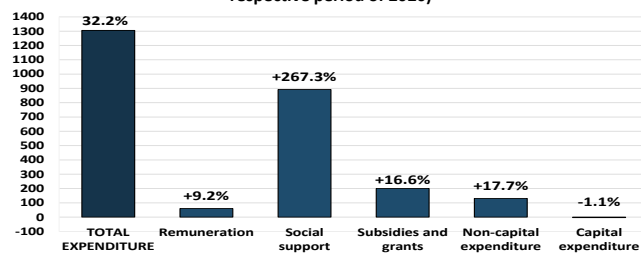
According to the Treasury data in the first seven months of this year general government budget expenditures grew significantly faster (+20,9%) than revenues (+7,7%), amounting to 872,9 mln euro deficit, while last year in the corresponding period the general government budget had a small surplus of 6.2 mln euro. Revenues of the consolidated general budget in the seven months of this year were 7174,5 mln euro which was by 510,4 mln euro or 7,7% more than in corresponding period last year. The higher level of consolidated general budget revenue in the first seven months of this year was determined by the increase in tax and non-tax revenue. After the economic downturn in 2020, the second quarter of this year is already seeing a rapid recovery in growth, positively affecting the increase in tax revenue, which in the seven months of this year has increased by 322.2 mln euro or 6.5% compared to the corresponding period last year.

Source: Eurostat, The State Treasury, Ministry of Finance of the Republic of Latvia

Overall, taxes in the consolidated general budget was 5290 mln euro excluding retained earnings in the single tax account. Non-tax revenues of the consolidated general budget in the seven months of this year were 534.7 mln euro, which was by 55.3 mln euro or 11.5% higher than in the corresponding period last year. The increase was due to dividend payments by state-owned companies, as well as previously unplanned State Treasury Eurobond additional issue premium income and proceeds from confiscated criminal proceeds. Revenues from foreign financial assistance (FFA) were lower in the general budget than last year, decreasing by 144.9 mln euro or 14.3% and amounts to 867.5 mln euro. The lower revenues of FFA can be explained by the decrease in repayments from the European Commission together with the lower level of expenditures for the implementation of European Union fund projects last year and in the first half of this year. Expenditures of the consolidated general budget in the seven months of this year were 8047.4 mln euro, which was by 1389.5 mln euro or 20.9% more than in January-July 2020, which was affected by the paid support measures to reduce the impact of Covid-19. According to information compiled by the Ministry of Finance, based on State Treasury data, the amount of support disbursed in seven months to mitigate the effects of Covid-19 on consolidated general budget expenditure already exceeds 1.35 billion euro. According to the data of the State Treasury, the amount of support used to mitigate the effects of Covid-19 in the consolidated general budget in the seven months last year was 263.9 mln euro. Budget expenditures for the support of Covid-19 are mainly accounted for under the line of social payments, increasing the expenditures in the consolidated general budget by 1026.8 mln euro or 48.7% compared to the corresponding period of 2020. Subsidies and grants in the consolidated general budget in the seven months of this year by 190.9 mln euro or 14.3% exceeded the level of the corresponding period of 2020 and was 1528.4 mln euro. consolidated general budget subsidies and grants increased in January-July due to higher expenditures for financing the health sector. The increase was facilitated by raising the remuneration of physicians and other medical personnel. Considering account the costs incurred this year for Covid-19, health spending has reached 1 billion euro in seven months, while the amount of expenses incurred in the corresponding period last year was less than 700 mln euro.

State Budget

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

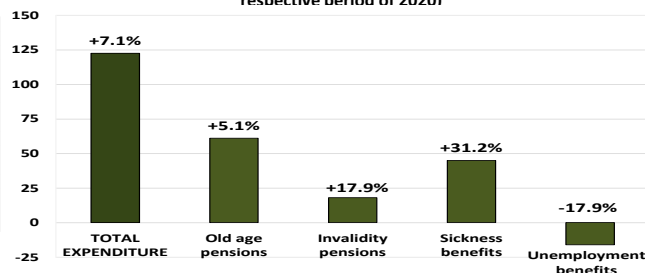


According to the Treasury data, in the first seven months of this year, the state basic budget expenditure was 5366.1 mln euro, which was by 1305.7 mln euro or 32.2% more compared to the corresponding period last year. The increase in the state basic budget expenditure has been influenced by the government's approved support to the national economy to reduce the consequences of Covid-19, increasing social expenditure to 1225.0 mln euro, which was by 891.5 mln euro or almost 4 times more than in the corresponding period last year. The significant increase was related to the cost of support to residents and businesses, 485.6 mln euro paying companies in the form of grants to finance working capital, 135.9 mln euro for downtime benefits and 21 mln euro wage subsidies. Also 187.8 mln euro were paid to families with children in the form of 500 euro in benefits and 109.9 mln euro for pensioners and persons with disabilities in the form of benefits of 200 euro. Non-capital expenditure transfers in the first seven months of this year were 869.7mln euro, which was by 130.9 mln euro or 17.7% more, compared to the seven-month period of last year. More than half of the transfers were made to municipalities.

Subsidies and grants in the state basic budget in January-July were 1401.5 mln euro, which was by 200 mln euro or 16.6% more than in the corresponding period last year, which was affected by higher funding for the health sector.

The state basic budget remuneration expenditures in the seven months of this year were made by 60.2 mln euro or 9.2% more than in the corresponding period of the last year, and amounted to 717.8 mln euro in total. The increase was driven by higher spending on health and interior sector staff, including remuneration premiums for working in Covid-19 pandemic extra conditions.

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

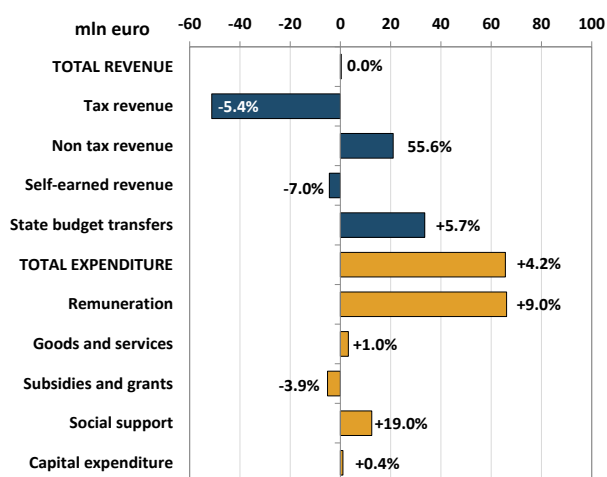


In seven months of this year, the state special budget expenditure was 1841.6 mln euro, which was by 122.5 mln euro or 7.1% more than in the corresponding period last year. From 1st January 2021, the minimum state pensions (in case of old age, invalidity and survivors), as well as the amount of the state social security benefit were increased. Consequently, expenditure on invalidity pensions in the state special budget in January-July amounted to 118.4 mln euro in total, which was by 18 mln euro or 17.9% more than in the first six months of the last year. Expenditure on old-age pensions in the first seven months of this year increased by 61 mln euro or 5.1%, amounting to 1248 mln euro. The increase in old-age pension expenditure was determined by the indexation of pensions carried out in October last year.

In the state special budget, observed a significant increase in expenditures on sickness benefits, the costs reaching 189.3 mln euro in the first seven months of the year, which was by 45.0 mln euro or 31.2% more than in the corresponding period last year. The increase is partly due to changes in legislation, when in case of Covid-19 illness, the State Social Insurance Agency (SSIA) paid the benefit from the first day of illness. According to the SSIA data, the number of benefit recipients has increased by 32.4%, while the amount of the average benefit per case has even slightly decreased. The number of recipients of sickness benefits has risen sharply this year until March, after which it has decreased, but still significantly exceeds the 2020 level. The decrease in the average amount of sickness benefit can be explained by a longer payment period last year, especially during the first wave of Covid-19. In turn, expenditure on unemployment benefits in the first seven months of this year has been 73.7 mln euro, which was by 16.1 mln euro or 17.9% lower than in January-July last year. As economic activity increases, the number of recipients of unemployment benefits decreases, as does the average amount of benefits. SSIA data show a decrease of approximately 20% in the number of benefit recipients, as well as a decrease in the average amount of the benefit from 357 to 307 euro or by 14.2%.

Consolidated Local Government Budget

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



Expenditure on subsidies and grants in the seven months of this year was 126.8 mln. euros, decreasing by 5.1 mln. euro or 3.9%, which is mainly due to lower expenditures for public transport subsidies.

The largest decrease observed in tax revenues - by 5.4% or 51.2 mln euro, where revenue from PIT have decreased by 59.5 mln euro or 7.4%. It was also caused by the increase of the PIT-free income base this year for both employees and pensioners. On the other hand, REN revenue in seven months has increased by 11.5 mln euro or 8.4%, compared to seven months of 2020.

In turn, non-tax revenue in the first seven months of this year was 58.9 mln euro, which is by 21 mln euro or 55.6% more compared to the corresponding period last year. Dividend income received by 6.1 mln euro more than in the seven months 2020, where the largest payment in amount of 5.9 mln euro can be mentioned JSC "Rīgas Siltums". Also, in the seven months of this year, revenue from the sale of real estate and land have grown by 13.1 mln euro.

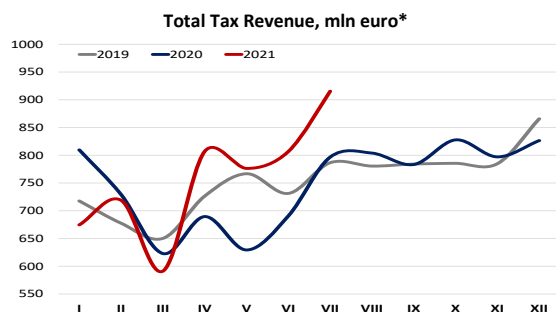
Higher spendings observed for remuneration, which have increased by 66.1 mln euro or 9%, amounted 800.7 mln euro, including payment for additional work increased by 8.2 mln euro or 63.4%.

In the seven months of this year, the amount of social payments has increased to 78.2 mln euro, which is by 12.5 mln euro or 19% more compared to the corresponding period 2020. It can be explained by such an increase in social services expenditure to the population as payment for home care and services provided by social care and rehabilitation institutions, as well as an increase in expenditure on guaranteed minimum income.

Goods and services as well as capital expenditure in the seven months 2021 have remained almost at the level of last year - 304 mln euro and 274.1 mln euro accordingly.

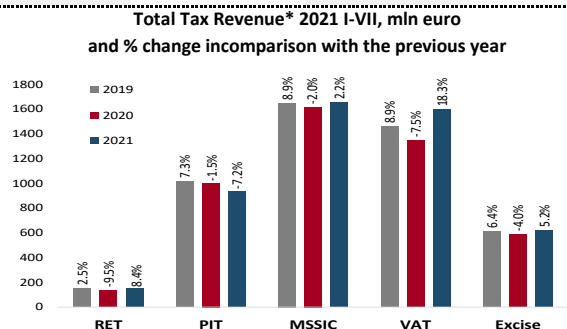
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Consolidated General budget Tax Revenue			Tax Revenue	
	2020 I-VII execution, mln euro	2021 I-VII execution, mln euro	Execution changes 2021/2020, mln	Execution changes 2021/2020, %
Consolidated general budget tax revenue (without unallocated revenue)	4967,8	5290,0	322,2	6,5%
Mandatory state social insurance contributions	1616,2	1651,0	34,8	2,2%
in State special budget	1561,6	1595,5	33,9	2,2%
in State budget (1% for the health)	54,7	55,5	0,8	1,5%
Value added tax	1347,5	1593,6	246,1	18,3%
Personal income tax	1001,9	930,1	-71,9	-7,2%
in State budget	197,8	185,4	-12,4	-6,3%
in Local government budget	804,1	744,6	-59,5	-7,4%
Excise tax	587,6	618,1	30,5	5,2%
Corporate income tax	129,8	197,2	67,4	52,0%
Real estate tax	137,0	148,5	11,5	8,4%
Informative:				
Undisposed reserves in the single tax account	339,1	271,3	-7,6	-2,2%
Social security contributions to the state funded pension scheme		331,5		



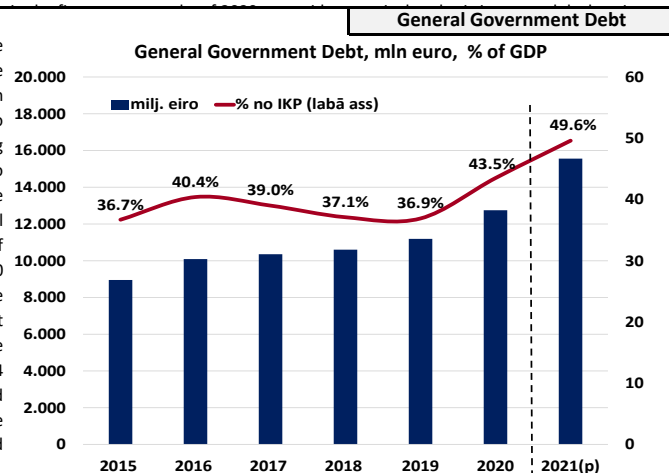
*The share of payments allocated into respective types of taxes

Tax revenue, having recovered from the downturn in 2020, in the first seven months has increased by 322.2 mln euro or 6.5% , y-o-y. The amount of allocated tax revenues in the consolidated general budget amounted to 5290 mln euro. However, it should be noted that this amount does not include revenues paid into the single tax account, but have not been allocated to the corresponding taxes until the end of the reporting period, remaining undistributed. Until the last year, all revenue were accounted in accordance with the Treasury account statements for payments received in the respective tax account, but starting from this year not all settlements are immediately attributable to the appropriate type of tax in the consolidated general budget level. At the end of July 2021, the unallocated part of the payments made this year in the single tax account amounted 271.3 mln euro, affecting the comparison of tax revenue data with the previous year. VAT revenue in the first seven months of this year shows a good performance in the amount of 1593.6 mln euro, which is by 89.1 mln euro or 5.9% higher than planned in the respective period. Compared to the first seven months of 2020, in this year VAT revenue rose by 246.1 mln euro or 18.3%. VAT revenue dynamics varies by quarter. At the beginning of this year, due to the existing restrictions to the affected sectors, which made economic activity slowing down, VAT revenues declined, and in the first quarter of this year they were close to the 2020 level. In hand with the easing of restrictions, VAT revenue has been growing strongly since April, even above the level of 2019, when the economy was stable, free of any restrictions.



Excise tax revenue in the first seven months of this year amounted to 618.1 mln euro, which is by 30.5 mln euro or 5.2% more than received in the corresponding period of 2020. Revenues from trade in oil products and tobacco products increased mainly. The increase in revenue from tobacco products was also ensured by the increase in excise duty rates on all types of tobacco products, while increased consumption of petroleum products. Mandatory social security insurance contributions (MSSIC) in the consolidated general budget amounted to 1651 mln euro and was by 34.8 mln euro or 2.2% higher than in the first seven months in 2020. In the first half of this year the remuneration fund for employees increased by almost 9%. However, MSSIC revenue growth during the first seven months of 2021 was determined both - by one percentage point reduction of MSSIC tax rate and by the changes of accounting method of tax revenue, when the payments are distributed after the liabilities have been incurred. It should be noted that in the second quarter of this year, according to SRS data, the increase in the remuneration fund, compared to 2020, has observed in virtually all sectors, however, in the sectors most affected by the Covid-19 crisis - accommodation and food services, arts, entertainment and recreation, transport and storage, the remuneration fund is still well below the 2019 level. This is due to the decrease in the number of employees in these sectors. On the other hand, in the IT & communication services sector, has been rapid increase in salaries in this year, and rising number of employees in the sector. Revenues from PIT was collected by 71.9 mln euro or 7.2% lower than in January-July 2020, and amounted to 930.1 mln euro in seven months. Treasury data show that PIT repayments have been made by 40.2 mln euro more than

According to the operative data of the State Treasury, at the end of July 2021, the government debt in nominal value amounted to 13.6 bln euro. In comparison to the end of 2020, the debt has increased by 1.2 bln euro or 8.6%. The increase in government debt was determined by the borrowing measures, providing resources to cover the total financing needs - financing the state budget deficit, securing government loans, meeting government liabilities, as well as financing measures to mitigate the impact of the Covid -19 outbreak and supporting the economy. In the first seven months of 2021, the issue of 10-year eurobonds on the international financial markets, amounted to 1.750 billion euro in total. As well additional issues of eurobonds were made in the domestic financial market this year – total of 227 250 mln euro. It should be noted that on May 25th, the third tranche of the loan of the European Commission (EC) SURE (support instrument for reducing unemployment risks in an emergency situation after the Covid-19 outbreak) was received in the amount of 113 mln. The total amount of received EC SURE loan is 305 mln euro. On 14 th May 2021, the international credit rating agency S&P Global Ratings affirmed Latvia's credit rating at A+, maintaining a stable credit rating outlook. According to the updated information, the general government debt forecast under a unchanged government policy in 2021 will increase to 49.6% of GDP.



According to the ESA 2010