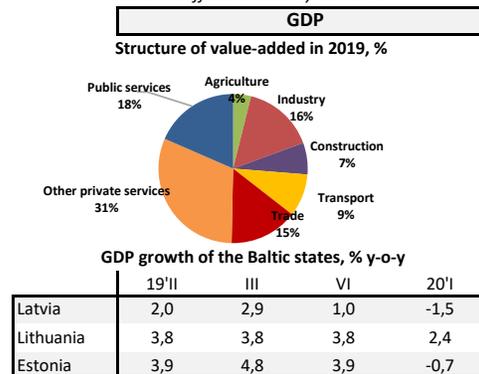
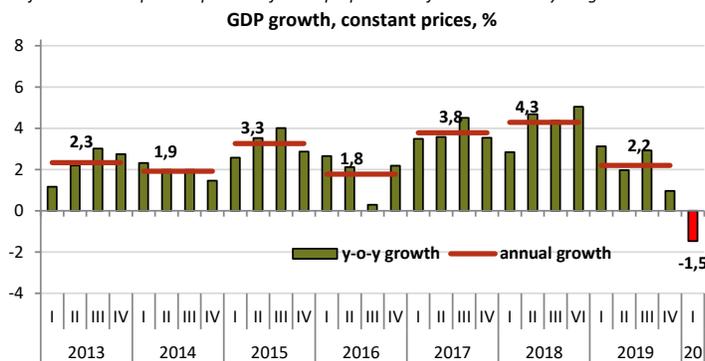


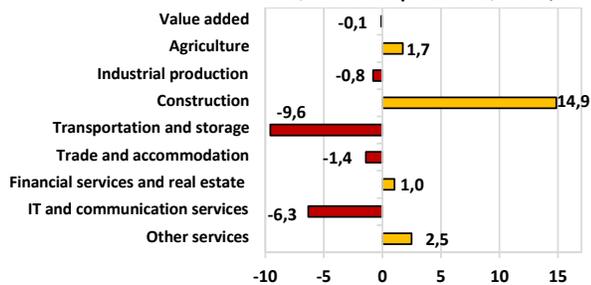
Main macroeconomic indicators	2019	Forecasts*			
		2020	2021	2022	2023
<b>Gross domestic product (GDP)</b>					
current prices (mln euro and growth, %)	30476	-7,9	2,4	5,6	4,4
constant prices (mln euro and growth, %)	27497	-7,0	1,0	3,5	2,4
<b>GDP deflator (y-o-y), %</b>	2,6	-1,0	1,3	2,0	1,9
<b>Consumer price index (y-o-y), %</b>	2,8	0,4	1,7	2,0	2,0
<b>Average monthly gross wage (euro and growth at current prices, %)</b>	1076	-3,0	3,0	5,0	5,0
<b>Employment (thsd and growth rate, %)</b>	910	-5,0	1,2	1,0	-0,1
<b>Jobseeker rate (annual average), %</b>	6,3	11,2	10,1	9,0	8,6
<b>Exports of goods and services</b>					
current prices (mln euro and growth, %)	18257	-13,6	2,0	6,6	5,8
constant prices (mln euro and growth, %)	17387	-9,0	1,0	4,0	3,3
<b>Imports of goods and services, mln euro</b>					
current prices (mln euro and growth, %)	18232	-15,0	3,4	7,6	6,8
constant prices (mln euro and growth, %)	18426	-10,0	1,9	4,5	3,7

\* Projections developed in April 2020 for the preparation of Latvia's Stability Programme 2020-2023 and include economic effects caused by Covid-19

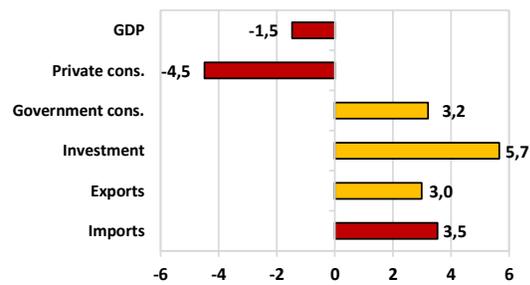


In the first quarter of 2020 compared to a corresponding period a year ago, Latvia's GDP contracted by 1.5%, while compared to the previous quarter GDP fell by 2.9%. It is the sharpest economic contraction since 2008-2009 crisis which was determined by both decline of transportation and financial services sectors that was observed already last year as well as spread of Covid-19 pandemic which started to affect Latvia's economy directly as of mid-March. Due to measures that were introduced to contain spread of the virus, already in the first quarter strong contraction was registered in private consumption as well as in the service sectors directly affected by Covid crisis. First quarter data are just an indication of potential economic damage caused by Covid crisis, and in the following months several sectors and economy overall are going to demonstrate stronger declines. At the same time, some leading indicators suggest that the lowest point of this crisis could be already over which is confirmed by economic sentiment indicators that have demonstrated slight improvement in the EU and Latvia, however still remaining at the very low levels in May.

GDP growth by sectoral breakdown and from expenditure side in Q1 2020 compared to Q1 2019, %



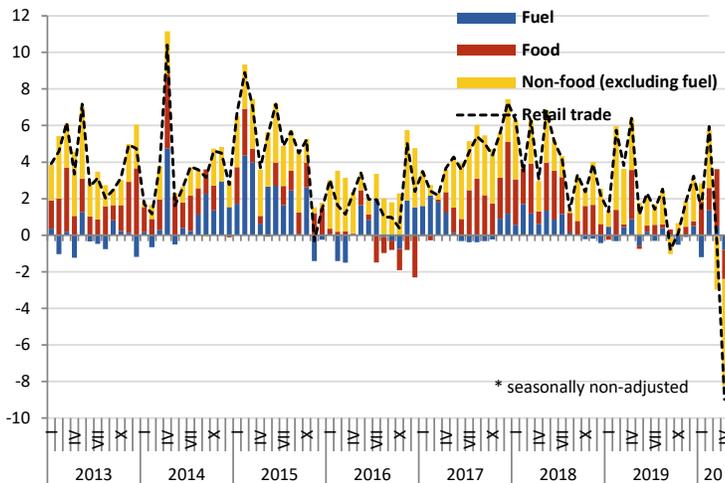
GDP breakdown



Economic contraction in the first quarter of 2020 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 of consumers. At the same time, investments and construction sector performed very well that have helped to prevent even stronger GDP fall in the first quarter. Along with construction, positive contribution to economic growth in the first quarter was provided by professional services, real estate and public administration, education and healthcare sectors while the largest negative contribution came from transport sector which decreased by 9.6% y-o-y as well as unexpected fall in information and communication services sector - by 6.3% y-o-y. Arts, entertainment and recreation as well as accommodation and catering services also declined considerably - by 8.4% and 6.8% y-o-y respectively. However, negative developments in manufacturing that decreased by 1.2% y-o-y were determined by other factors while impact of Covid-19 will be more reflected in the second quarter data. At the same time, the value added generated by financial and insurance activities continued to decline - in the first quarter of 2020 by 4.6% y-o-y.

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

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



### Retail trade

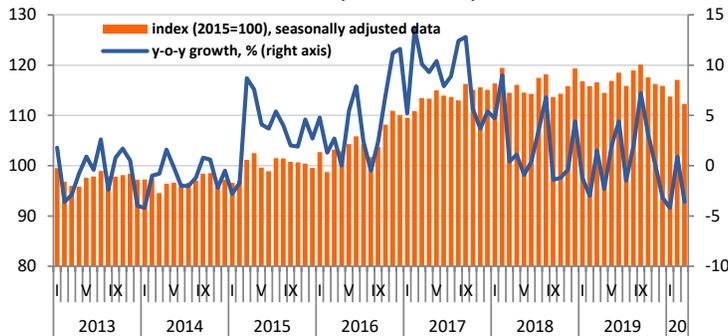
Structure of retail trade turnover in 2019, %	
Fuel	17
Food	41
Non-food (excl. fuel)	42

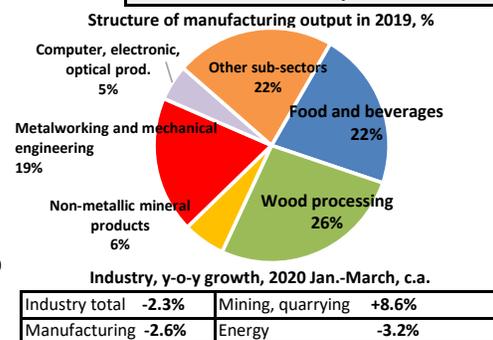
Y-o-y growth, c.a., 2020 Jan.-April	
Total	-0.7%
Non-food (excl. fuel)	-3.5%
Food	+2.6%
Fuel	-0.7%

In April 2020, due to Covid-19 induced crisis retail trade turnover in Latvia demonstrated the sharpest contraction in the last ten years – in annual terms trade volumes in constant prices decreased by 9%. In April, sales volumes decreased in both - food and non-food trade. While in March trade in food stores was stimulated by panic-buying thus increasing by 7.1% y-o-y, in April sales of food products declined by 3.5% y-o-y. At the same time, much stronger fall was registered in trade of non-food products which compared to a corresponding month of 2019 declined by 12.2%, especially strong fall was registered in sales of clothing and footwear, fuel, construction materials and other products. Meanwhile, trade volumes expanded in retail sales via internet and sales of medical goods.

### Industrial production output

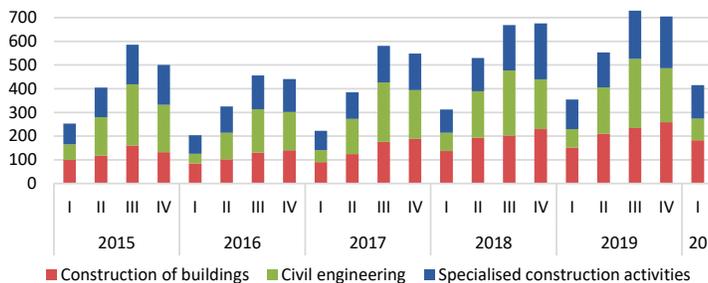


### Industry



In March 2020 compared to a corresponding month a year ago, industrial production output in Latvia declined by 3.6%, and also in the first quarter overall sector contracted - by 2.3%. Production volumes in manufacturing in March decreased by 3.6% y-o-y, and considering that sector demonstrated weak performance also in January and February, in the first quarter overall manufacturing output was by 2,6% lower than a year ago. In March, manufacture of fabricated metal products decreased by 9.6% y-o-y. Since the end of 2018, metalworking continuously expanded thus providing significant contribution to total manufacturing performance, however in March it was hit by spread of Covid-19. Meanwhile, negative developments in mechanical engineering industries were observed since the middle of the last year, and in addition to that currently these sub-sectors are negatively affected by challenges caused by Covid-19 such as supply disruptions of manufacturing components, problems organising logistics, restrictions in the export markets etc. Thus, in March manufacture of machinery and equipment fell by 10.8% y-o-y and manufacture of motor vehicles and trailers declined by 10,6% y-o-y. Production output decreased also in manufacture of beverages, computer and electronic products as well as in repair and installation of machinery and equipment. At the same time, output in the largest manufacturing sub-sectors, i.e., wood processing and manufacture of food products, slightly increased. However, in the forthcoming months the negative impact of Covid-19 on manufacturing will become more pronounced which will be reflected in the data about second quarter.

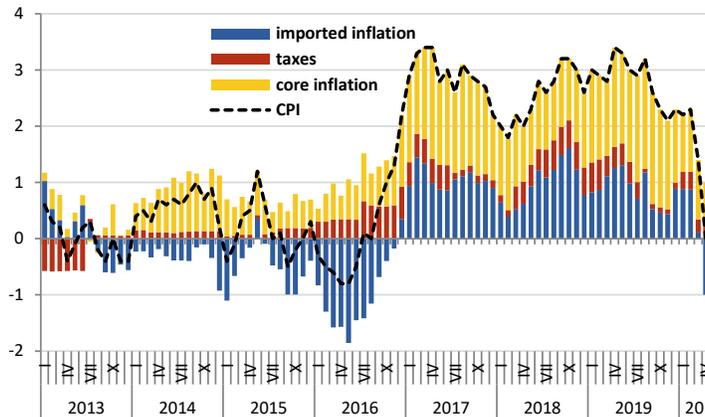
### Construction output at constant prices, mln. euro



### Construction

In the first quarter of 2020, construction sector demonstrated strong growth - sector's output measured in current prices increased by 16.9% compared to the output level a year ago. Sector's growth was mostly stimulated by construction of buildings that rose by 20.3%. Output of civil engineering structures and specialised construction activities was also high, increasing by 17.4% y-o-y and 12.4% y-o-y respectively. However, unlike in the previous quarters, the expected construction space as indicated in the granted building permits at the beginning of this year fell. In the first quarter of 2020 the expected construction space declined by 5.7% y-o-y suggesting that construction activity could contract in the following quarters. Moreover, construction sector's prospects are negatively affected by uncertainty caused by Covid-19 which is confirmed by declining construction sentiment indicator.

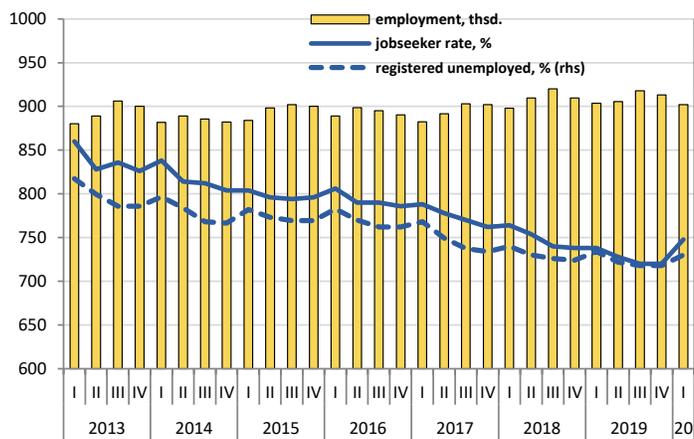
**Inflation breakdown by origin, y-o-y, %**



**Inflation**

In April 2020 compared to April of 2019, consumer prices in Latvia did not change, meaning that inflation constituted 0%. Since the beginning of the year inflation level has declined significantly determined by falling oil prices in the global markets as a result of which fuel prices in Latvia decreased. Thus, in April prices for goods overall decreased by 0.8% y-o-y that was largely determined by price changes for fuel. At the same time, prices for food continued to increase at a similar rate as at the beginning of the year - by 3.2% y-o-y. Prices for services which are associated with domestic activity of Latvia's economy also continued to rise and compared to April 2019 increased by 2.1%. However, taking into account the sharp drop in oil prices as well as consequences caused by Covid-19 that will negatively affect consumer income, it is expected that in some months of this year there might be a deflation.

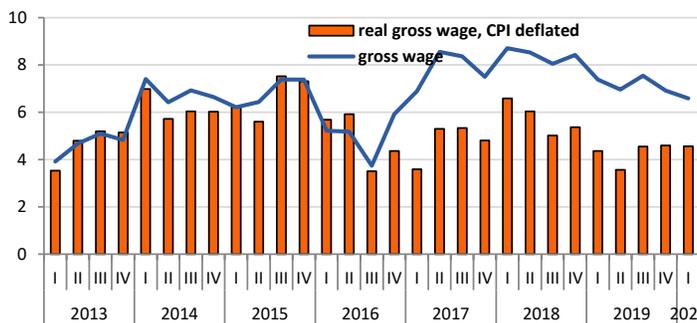
**Unemployment rate, % of economically active population (15-74)**



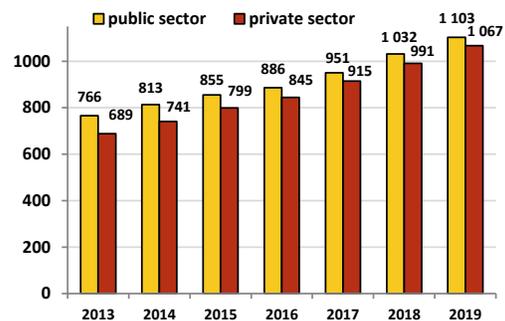
**Employment**

The impact of Covid-19 crisis has already been seen in the labor market data for the first quarter of 2020. The number of employed persons decreased by 0.2%, compared to the first quarter of 2019, while unemployment rate grew by 0.5 percentage points to 7.4% of the economically active population, labour force survey data shows. An even faster increase in unemployment was recorded in the next two months, when the number of registered unemployed increased by 14.9 thousand or 24.2%, reaching 76.4 thousand at the end of May. Registered unemployment rate increased from 6.8% at the of March to 8.4% at the end of May and was by 2.3 percentage points higher than at the end of May 2019. Since the beginning of the crisis up to May 25, downtime benefits were granted to 43.5 thousand persons, which corresponds to 5.0% of the economically active population. Number of job vacancies at the State Employment Agency fell to 17.1 thousand at the end of May 2020 and was by 48.7% lower than a year ago.

**Wage dynamics, changes year over year, %**

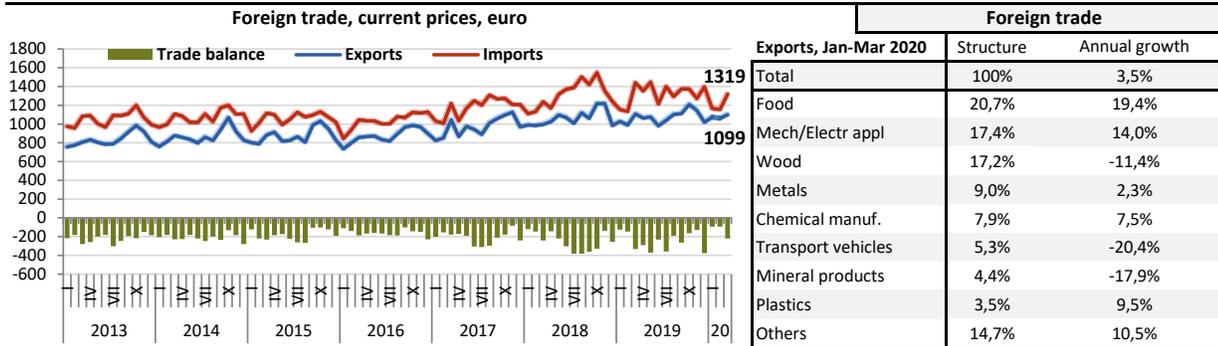


**Wages, euro**

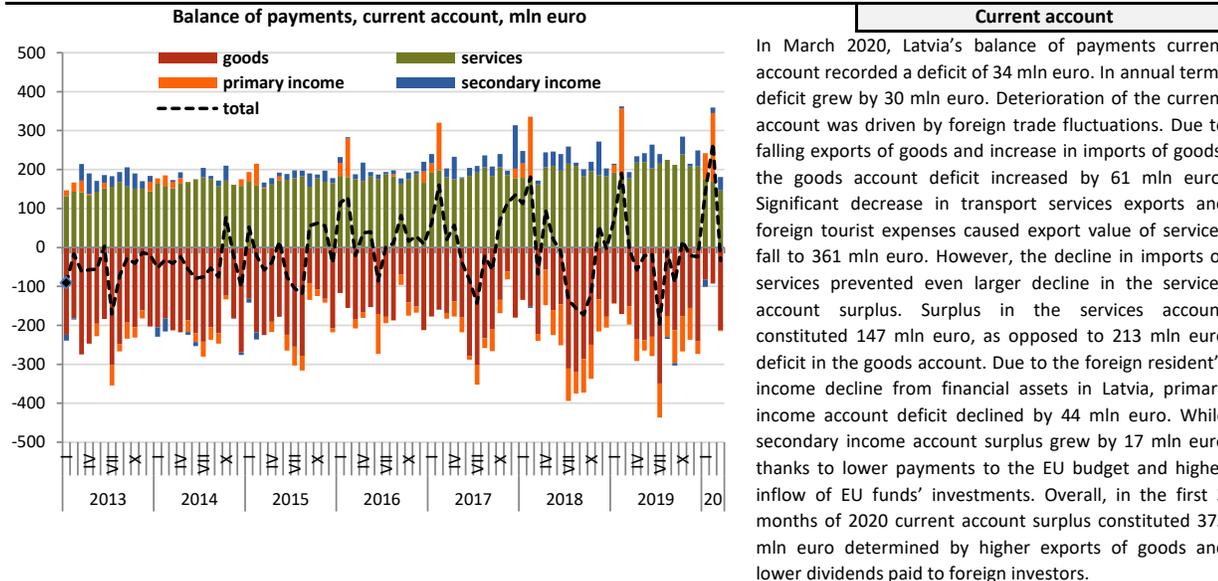


In the first quarter of 2020, average gross wage, compared to the corresponding quarter of 2019, increased by 6.6% to 1100 euro. Despite the slowdown of economic growth, wages grew almost as fast as in 2019, when they increased by 7.2%. However, within the quarter wage growth rates gradually slowed down - to 5.0% in March. In the first quarter of 2020, wage growth rates in both private and public sector were very close - 6.5% and 6.7%, respectively. Higher salary still remained in the public sector, where the average wage was 1104 euro, while in the private sector it constituted 1100 euro. Real net wage increased by 4.3% in the first quarter of 2019, showing slightly higher growth than in 2019 overall, when real net wage increased by 3.9% y-o-y.

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



Following the strong export growth in January and February, when the value of exported goods from Latvia increased by 4.5% and 7.3% respectively compared to the corresponding month a year ago, in March exports of goods declined by 0.7% y-o-y. Even though this export fall cannot be attributed to Covid-19 pandemic directly, it shows that external demand has become weaker and external environment is highly uncertain and that will negatively affect Latvia's export performance in the following months. In March, exports were significantly affected by export contraction of goods produced in wood processing industry - by 14.8% y-o-y that was determined by last year's high base. In March, exports of transport vehicles also demonstrated strong contraction - 27.6% y-o-y that was associated with falling re-exports. Exports of mineral products declined by 24.8% y-o-y due to export contraction of electricity. At the same time, exports of food and agricultural products increased by 21.3% y-o-y that was largely stimulated by strong export growth of cereals - by 39% thanks to the last year's high harvest. In the first quarter of 2020 overall, export value of goods was by 3.5% higher than in the first quarter of the previous year, while value of imports declined - by 2.4%.

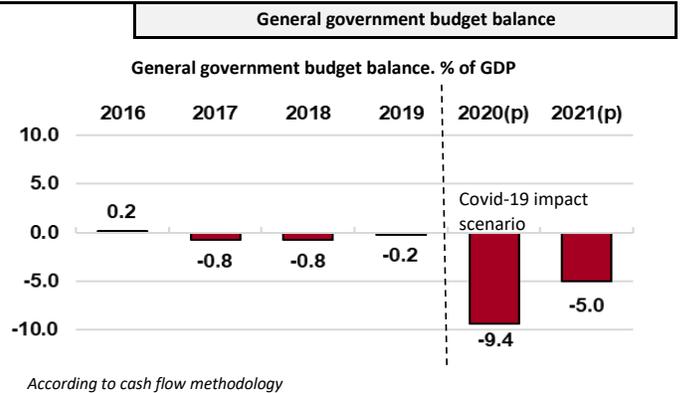


	Main macroeconomic indicators, annual growth rates (unless stated otherwise)									
	17'IV	18'I	II	III	IV	19'I	II	III	IV	20'I
GDP, constant prices, %	3,5	2,8	4,7	4,4	5,0	3,1	2,0	2,9	1,0	-1,5
GDP, current prices, %	6,5	6,8	8,6	8,7	9,3	7,2	5,2	5,3	2,4	-0,2
Inflation, %	2,6	2,0	2,4	2,9	2,9	2,9	3,3	2,9	2,2	1,9
Nominal wages, %	7,5	8,7	8,5	8,0	8,4	7,4	7,0	7,5	6,9	6,6
Real wages, CPI deflated, %	4,8	6,6	6,0	5,0	5,4	4,4	3,6	4,6	4,6	4,6
Employed persons, %	1,3	1,8	2,0	1,9	0,8	0,6	-0,4	-0,2	0,4	-0,2
Unemployed, % of active pop.	8,1	8,2	7,7	7,0	6,9	6,9	6,4	6,0	6,0	7,4
Productivity, %	2,2	1,1	2,6	2,4	4,2	2,5	2,4	3,2	0,6	-1,3
Retail trade, %	5,8	5,4	5,0	3,0	2,8	3,5	3,2	1,1	1,5	1,4
Industrial production, %	4,9	4,5	0,2	2,9	0,9	-0,8	1,4	2,6	0,0	-2,3
Goods exports, %	11,8	9,2	14,7	7,9	7,3	3,2	-2,3	2,0	-1,5	3,5
Goods imports, %	9,5	6,8	11,7	14,2	12,3	7,3	4,1	-5,7	-2,5	-2,4
Trade balance, mln euro	-503,0	-507,5	-664,1	-1124,2	-723,7	-606,6	-894,4	-812,3	-669,8	-406,8
Current account, % of GDP	4,5	3,6	1,4	-6,1	-0,8	3,8	-1,3	-3,7	-0,3	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 2019 general government budget deficit was 0.2% of GDP, which is lower than 0,6 percentage points compared to 2018, with a significant improvement in the local government budget balance. It should be noted that the amount of the 2019 deficit can be specified by submitting a notification to Eurostat to the CSB in October this year. In April this year, the Ministry of Finance (MoF) has developed new medium-term macroeconomic development scenario, considering both the adverse effect of Covid-19 on Latvia's economic growth and the support measures introduced by the government of Latvia for minimizing the effects of the crisis, stipulating the drop of Latvia's GDP by 7% in 2020. Based on the renewed growth forecast, as well as taking into account support measures adopted until April 17 to address the consequences of the crisis, general government budget deficit this year is being forecasted by MoF in the amount of 9.4% of the GDP, whereas, in 2021, at a constant policy, deficit will reduce to 5.0% of the GDP. The government continues to approve the measures, and according to the Ministry of Finance on 22.05.2020 planned amount of measures amounted to 2.7 billion EUR or 9.6% of the GDP with a direct negative impact on the general government budget balance 1.2 billion euro or 4.3% of GDP.



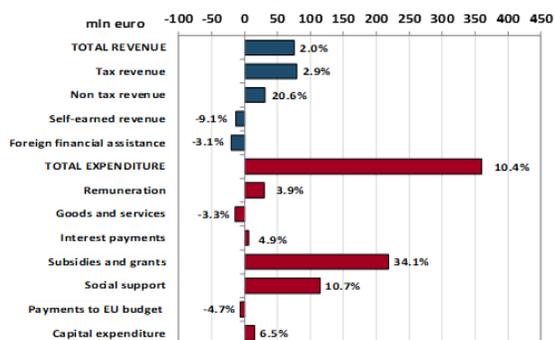
	Budget Revenue and Expenditure		Consolidated General Budget	
	2019 I-IV execution mln euro	2020 I-IV execution mln euro	Execution changes 2020/2019, mln euro	Execution changes 2020/2019, %
<b>CONSOLIDATED GENERAL BUDGET**</b>				
Revenue	3718,2	3793,6	75,3	2,0%
Expenditure	3445,2	3804,9	359,7	10,4%
<i>Financial Balance</i>	<b>273,0</b>	<b>-11,3</b>	<b>-284,3</b>	
<b>CONSOLIDATED STATE BUDGET*</b>				
Revenue	3107,9	3179,6	71,7	2,3%
Expenditure	2977,1	3316,0	339,0	11,4%
<i>Financial Balance</i>	<b>130,8</b>	<b>-136,4</b>	<b>-267,2</b>	
<b>State basic budget</b>				
Revenue	2173,1	2201,2	28,1	1,3%
Expenditure	2129,4	2371,5	242,0	11,4%
<i>Financial Balance</i>	<b>43,6</b>	<b>-170,3</b>	<b>-214,0</b>	
<b>State special budget</b>				
Revenue	950,9	990,3	39,4	4,1%
Expenditure	900,4	1001,3	101,0	11,2%
<i>Financial Balance</i>	<b>50,5</b>	<b>-11,1</b>	<b>-61,6</b>	
<b>CONSOLIDATED LOCAL GOVERNMENT BUDGET**</b>				
Revenue	935,4	961,5	26,1	2,8%
Expenditure	793,2	836,4	43,2	5,4%
<i>Financial Balance</i>	<b>142,2</b>	<b>125,1</b>	<b>-17,1</b>	

*According to cash flow methodology*

\*Including grants, donations and derived public persons

\*\*Including grants and donations

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

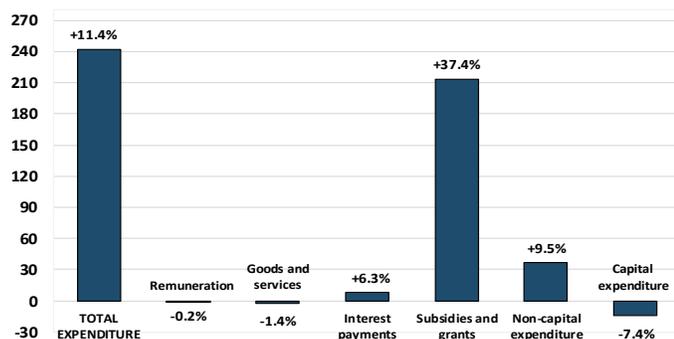


In the first four months of this year, the revenue of the consolidated general budget was 3793.6 mln euro, but expenses 3804.9 mln euro. Thus, in the general budget 11.3 mln euro deficit formed, as opposed to 273 mln euro surplus in the corresponding period last year. The decisions taken in Latvia and other countries to declare an emergency situation and the related restrictions to alleviate the Covid-19 pandemic have significantly affected the economic activity of individuals and companies, which is already beginning to be reflected in lower tax revenues compared to the planned amount. General budget tax revenue fell short of the plan in 4 months by 94.9 mln euro or 3.2%, with a significant non-implementation in March-April. Both the decrease in tax revenues compared to the planned level and the increase in budget expenditures are influenced by governments support measures

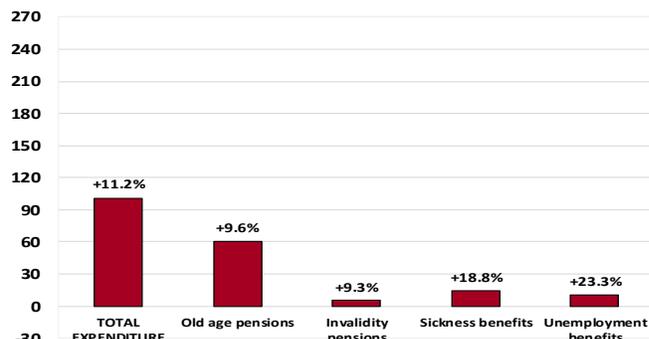
adopted to support citizens and businesses in overcoming the effects of the crisis tax revenues compared to the planned level and the increase in budget expenditures are influenced by governments support measures adopted to support citizens and businesses in overcoming the effects of the crisis.

The total revenue of the general budget in January-April compared to the corresponding period of the previous year was by 75.3 mln euro or 2% higher, including tax revenues increased by 79.3 mln euro or 2.9%. At the beginning of the year, with the income of the population growing faster than at the beginning of 2019, in the four months of this year, revenues from labor taxes were higher than last year. Increase in personal income tax (PIT) revenue by 38.6 mln euro or 7.2% was mainly provided by settlements in January for the payment of dividends at the end of 2019. Social insurance contributions to the general budget were made by 29.6 mln euro or 3.3% more than in the first four months of last year. However, the situation related to the crisis caused by Covid-19 is changing, and already in April the salary fund could be lower than in 2019, which will also have a negative impact on future labor tax revenues. It should be noted that in the general budget non-tax revenues in four months collected 30.8 mln EUR or 20.6% more than in the corresponding period of 2019, and this is related to higher income from dividends from the use of state capital, as well as unplanned income received from confiscation of criminal assets. However, according to the methodology of the European System of Accounts (ESA 2010), they may not be recognized as budget revenue.

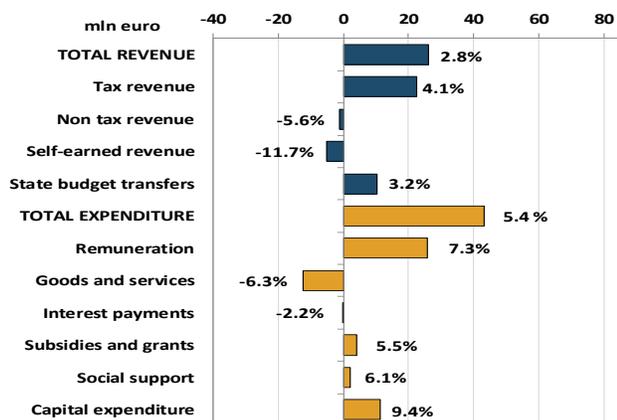
Of the general budget expenditure in the reporting period, an increase in subsidies and grants, as well as social benefits, should be noted. Significant increase in expenditures affected the formation of the deficit in both the state basic budget and the state special budget. On the other hand, in the local government budget, taking into account the high increase in PIT revenues, a high level of surplus is still going on – 125.1 mln euro. With regard to local governments, it should be noted that the decision made by the government to increase the loan limit this year by 150 mln euro for investment projects important to the national economy will allow maintaining a high level of local government expenditures, promoting faster economic recovery.

**State Basic Budget Expenditure in I-IV 2020**  
 (cash based changes in mln euro and in per cent against


According to the State Treasury, in the first four months of this year was 170.3 mln euro deficit, while last year in the corresponding period was 43.6 mln euro surplus. The State basic budget revenue in the first four months of this year reached 2201.2 mln euro and compared to January-April 2019, revenues decreased by 28.1 mln euro or 1.3%. On the other hand, expenditures in January-April, compared to the corresponding period of 2019, have increased - by 242 mln euros or 11.4%. The largest increase in expenditure was observed for subsidies and grants, which increased by 213.6 mln euro or 37.4% compared to the corresponding period of the previous year, amounting 784.1 mln euro, which is associated with a larger amount of subsidies and grants to health care institutions, as well as the provision of funding to the financial institution ALTUM to direct it to support companies. Interest expenses in January-April this year were 131.1 mln euro, which in comparison with the corresponding period of 2019 decreased by 7.7 mln euro or 6.3%, but these expenses depend on the payment schedule and this year are generally expected to be at last year's level. Expenses for remuneration in the four months of this year amounted to 351.5 mln euro, which was 0.5 mln euro or 0.2% lower than in the corresponding period last year. There was also a decrease in expenditure on capital expenditure, which was by 14.8 mln euro or 7.4% lower than in January-April last year, mainly due to a decrease in capital expenditure transfers to local governments and other derived public persons.

**State Special Budget Expenditure in I-IV 2020**  
 (cash based changes in mln euro and in per cent against respective


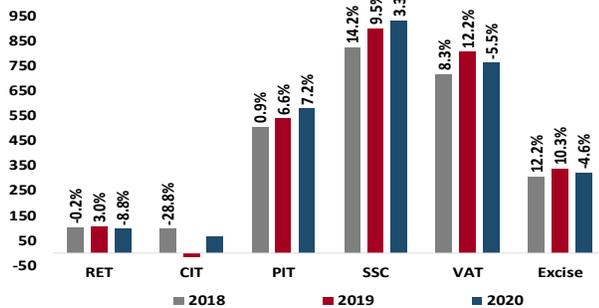
In the four months of 2020, the state special budget deficit was 11.1 mln euro, as opposed to 50.5 mln euro surplus in the corresponding period last year. Special budget expenditures in the first quarter of the year amounted to 1001.3 mln euro, which was by 101 mln euro or 11.2% more than in the corresponding period of 2019. Expenditure on pensions in the state special budget was by 65.8 mln euros or 9.4% higher than in the first four months of last year, which was largely influenced by the indexation of pensions carried out in October last year. Expenditure on other benefits, increased by 34.1 mln euro or 17.5%. Including expenditure on unemployment benefits by 10.3 mln euro or 23.3% more than in the first four months of last year. Expenditure on unemployment benefits has been increasing since January, which can be explained by the increase in the number of newly granted recipients of unemployment benefits at the end of 2019, taking into account changes from 1 January this year in terms of duration and amount of benefits. Expenditure on unemployment benefits will continue to increase in the coming months, which will be affected by both the increase in the number of unemployed due to the economic situation (according to the State Employment Agency, the number of registered unemployed increased from 61926 to 76136 or about 23%) also the government's decision on support measures by reviewing the criteria and expanding the range of beneficiaries. Expenditure on sickness benefits in the state special budget was by 138 mln euro or 18.8% higher. Increase was influenced by both the increase in average insurance contribution wages and the increase in the number of beneficiaries, especially in January and April. According to the State Social Insurance Agency (SSIA), the number of recipients of sickness benefits in January was 18% higher, but in April 24% higher than in the corresponding month last year. At the same time, it should be noted that the impact of sick notes issued by Covid-19 was small - according to SSIA data, 833 sick notes were granted in April, but the total expenditure amounted to 0.3 mln euro.

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

**Consolidated Local Government Budget**

According to the Treasury data, in the four months of 2020, the consolidated local government budget revenue increased by 2.8%, but expenditure by 5.4% year-on-year, creating a surplus of 125.1 mln euro. Local government consolidated budget revenue in four months of this year amounted to 961.5 mln euro, which is by 26.1 mln euro or 2.8% more than a year earlier in the corresponding period. Personal income tax (PIT) revenues have increased by 34.6 mln euros or 8%. The increase in PIT revenue was mainly due to the settlement of dividend payments in January at the end of 2019. Expenditures of the consolidated local government budget in the four months of 2020 grew slightly faster than revenues, amounting to 836.4 mln euro, which is by 43.2 mln euro or 5.4% more than in the corresponding period last year. Non - capital expenditure have increased by 32 mln euros or 4.7%, which was ensured by the increase of remuneration expenses by 25.9 mln euros or 7.3%, increase of subsidy and grant expenses by 3.9 mln euro or 5.5%, which consisted of a grant to merchants for the provision of public transport services. On the other hand, expenditure on goods and services decreased by 12.5 mln euro or 6.3%. It should be noted that the decision taken by the government to increase the loan limit by 150 million euros this year for investment projects important to the national economy will allow maintaining a high level of expenditure in the local government budget, promoting faster economic recovery.

**Consolidated General budget Tax Revenue**

	2019 I-IV execution, mln euro	2020 I-IV execution, mln euro	Execution changes 2020/2019, mln euro	Execution changes 2020/2019, %	January execution of the same period plan
<b>Consolidated general budget tax revenue</b>	<b>2771,9</b>	<b>2851,2</b>	<b>79,3</b>	<b>2,9%</b>	<b>96,8%</b>
Social security contributions	902,6	932,2	29,6	3,3%	99,1%
<i>in State special budget</i>	870,3	900,5	30,2	3,5%	99,1%
<i>1% for the health financing</i>	31,8	31,8	0,0	0,0%	100,3%
Value added tax	807,2	763,0	-44,2	-5,5%	89,4%
Personal income tax	540,3	578,9	38,6	7,2%	112,6%
<i>in State budget</i>	109,5	113,6	4,1	3,7%	110,5%
<i>in Local government budget</i>	430,7	465,3	34,6	8,0%	113,2%
Excise tax	337,6	321,9	-15,7	-4,6%	87,5%
Corporate income tax	-14,9	64,6	-	-	104,2%
Real estate tax	106,2	96,9	-9,3	-8,8%	88,0%
<b>Informative:</b>					
<i>Social security contributions to the state funded pension scheme</i>	194,0	200,8	6,9	3,5%	-

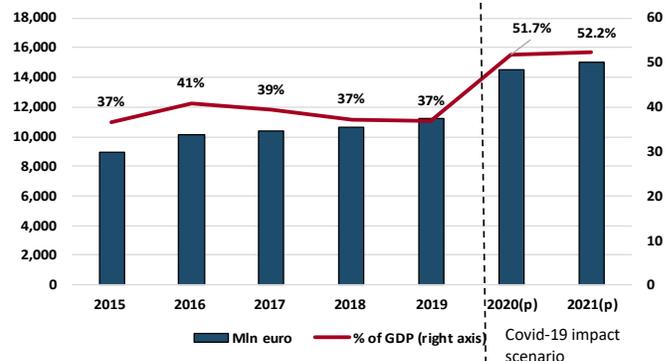
**Total Tax Revenue I-IV 2020 (mln euro and % change in comparison with the previous year)**


In the first four months of the 2020 general budget tax revenue was 2851.2 mln euro, which is by 79.3 mln euro or 2.9% more than in the corresponding period of 2019, however, they lag behind the planned amount this year by 94.9 mln euro or 3.2%. Both the slower year-on-year growth and the non-fulfillment of the plan were affected by limited economic activity due to the emergency and measures taken by the government to support citizens and businesses. The sharpest decline in tax revenues has been in the sectors hardest hit by the crisis. In April, tax revenues of the catering and accommodation sector decreased by approximately 74% compared to April 2019, however, it should be noted that the share of taxes paid by this sector is relatively small (about 2% last year) of total tax revenues. Significant tax revenues have also decreased

in the automotive and motorcycle trade, beverage and other sectors. At the beginning of the year, with the income of the population growing faster than at the beginning of 2019, in the four months of this year, revenues from labor taxes were higher than last year. Increase in personal income tax (PIT) revenue by 38.6 mln. EUR or 7.2% was mainly provided by payments in January for dividend payments at the end of 2019. Social insurance contributions to the total budget were made by 29.6 mln. euro or 3.3% more than in the first four months of last year. However, the situation related to the crisis caused by Covid-19 is changing and already in April the salary fund could be lower than in 2019, which will also have a negative impact on future labor tax revenues.

Corporate income tax (CIT) revenue in the four months of 2020 increased by 79.5 mln. compared to the corresponding period in 2019. At the beginning of last year, during the transition period of the CIT system reform, CIT repayments exceeded contributions, but this year the amounts paid have already increased significantly, which ensures the increase of total CIT revenues.

The decline in tax revenues is due to the support measures adopted by the government for tax extensions and faster repayment of value added tax (VAT) overpayments. VAT revenue in four months was 763 mln. euro, which is by 44.2 mln. euro or 5.5% less than in the corresponding period of 2019. The largest reductions in VAT contributions come from taxpayers involved in electricity, gas, heat and air conditioning supply, transport and storage, accommodation and food service activities, arts, entertainment and recreation. Excise tax revenue in four months of 2020 was 321.9 mln. euro, which is by 15.7 mln. euro or 4.6% less than in the corresponding period of 2019. The decrease in excise tax revenues is mainly explained by changes in consumption, which have been declining since the beginning of the year due to the slowdown in economic activity for alcoholic beverages, oil products and cigarettes.

**General Government Debt**
**General Government Debt, mln euro, % of GDP**


According to cash flow methodology

In order to finance the adopted support measures, loans are made both in the domestic market by issuing domestic debt securities, as well as in the international financial market, incl. additional issue of Eurobonds to be redeemed in 2026 in the amount of 550 mln euro, issue of new Eurobonds with redemption in 2023 in the amount of 1 billion euro and issue of domestic debt bonds with redemption in 2022 in the amount of 304.5 mln euro. At the same time, additional borrowing opportunities from international financial institutions are provided. On April 9, 2020, a loan agreement was concluded with the Nordic Investment Bank, within the framework of which it is possible to attract long-term financing in the amount of 500 mln euro. On 13 May 2020, the Board of Governors of the Council of Europe Development Bank (EASO) approved a loan of 150 mln euro to Latvia to support the government's measures to limit and mitigate COVID-19. Given the significant increase in borrowing, according to the current forecast, the general government debt level is expected to increase to 51.7% of GDP in 2020 and reach 52.2% of GDP in 2021. On April 2020, the international credit rating agency Fitch affirmed Latvia's long-term foreign currency sovereign credit ratings at the 'A-' level, but the outlook was revised to negative (previously - Stable). Although Fitch forecasts that the Covid-19 pandemic will have a large and disruptive impact on the Latvia's economy, however, the agency expects that the Latvian economy will recover already in 2021.

Source: The Treasury, Ministry of Finance of the Republic of Latvia, Eurostat, Latvia's Stability Programme for 2020. - 2023.