

Responding to the Coronavirus Crisis

Update on Latvia (18/05/20)



EBRD Policy Comparator

| Financial Sector | | | Direct support to firms | | | | | Payment holidays | | | Temporary controls | | Support to individuals | | | | Increased social benefits | | | Health | External Assistance |
|---------------------|---------------------|--------------------------|-------------------------|----------------------------------|----------------|------------|-------------------------------|------------------|------|-----------|--------------------|---------|------------------------|---------------|------------|-----------------------|---------------------------|--------------------------|--------------|---------------------|---------------------------|
| Policy rate reduced | Liquidity increased | Prudential req. loosened | Wage subsidies | Tax/ social sec. contr. deferred | Loan subsidies | Guarantees | Inspections/ audits suspended | Loans | Rent | Utilities | Prices | Exports | Universal transfers | Self-employed | Pensioners | Low income households | Enhanced sick leave | Enhanced unemp. benefits | Public works | Additional spending | (available or negotiated) |
| * | * | * | * | * | * | * | | | | | | | | | | | * | | | * | |

Economic channels of disruption

Food services, trade and transport

- Easing lockdown, cultural institutions to gradually reopen, including museums, libraries, private cultural sites such as cinemas; public meetings are partially allowed.
- Freedom of movement within Baltic states is fully restored; EU citizens allowed to enter, but need to comply with a 14-day quarantine.
- Latvia is a small, open economy, vulnerable to external developments.
- The national carrier Air Baltic cut 700 jobs in total (out of approximately 1,600 people) and will rehire its staff once growth resumes. The airline has cut in half its flights during the period April-October 2020.

Selected crisis impact indicators

| | |
|---|------------------------|
| EBRD GDP growth outlook (May 2020) | 2020: -7% |
| | 2021: 5% |
| Economic sentiment | April ESI 77.7 |
| (April 2020): | (down 18.4 points m/m) |
| Employment expectations | April EEI 69.2 |
| (April 2020) | (down 22.6 points m/m) |
| OMX Riga stock market | 1,006.6 |
| (end-April 2020) | (up 11.3% m/m) |

Crisis response measures to date

Support for employment and business liquidity

- The government has introduced measures, worth EUR 1 billion, including tax holidays and sick pay leave via the state-owned development bank ALTUM.
- Large exporting companies will be offered special support in the form of financial instruments.
- By end-March, crisis guarantees and loans have been taken mainly by companies in manufacturing, wholesale, retail, transport and warehousing.
- Treasury has raised EUR 1.5 billion since end-March to battle Covid-19.
- Loan of EUR 500 million from Nordic Investment Bank to be used towards stimulating economy, including to protect employment and securing personal protective equipment
- Eligible for ECB's Pandemic Emergency Purchase Programme of EUR 750 billion

Selected crisis response indicators

| | |
|--------------------------------------|-----------------------------------|
| Total value of direct support | EUR 600 million (2% of GDP) |
| Wage subsidies | Up to 75% (max EUR 700 per month) |
| Loan subsidies/guarantees | EUR 0.95 billion |
| Extension of tax deadlines | Up to three years |

Key short-term priorities

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals