

# Responding to the Coronavirus Crisis

## Update on Latvia (14/07/20)



### 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)
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### 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%
GDP growth Q1 2020	-1.5% y/y
Economic sentiment (June 2020)	ESI 83.7 (up 4.8 points m/m)
Industrial production (May 2020)	-6.4% y/y (up 2.8% m/m)
Retail sales (May 2020)	-0.6% y/y (up 8.4% m/m)
Unemployment rate (May 2020)	9.8% (up from 6.9% in February)
OMX Riga stock market	1,052.7
(end-June 2020)	(up 2.2% 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 1.2 billion
Extension of tax deadlines	Up to three years for affected sectors

### Key short-term priorities

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