

# Coronavirus response in 2021: building back better

## Update on Latvia (24 June 2021)



### Covid-19 policy response

- **A solid policy response in 2020**, amounting to around 7 per cent of gross domestic product (GDP), focused on supporting distressed businesses and individuals and the healthcare sector.
- **The European Commission approved Latvia's National Recovery and Resilience Plan in June 2021, estimated at €1.8 billion.** It consists of 85 measures: 24 reforms and 61 investments. The largest share of funds will go towards achieving the country's climate goals, advancing the digital transformation and reducing economic disparity across the country.
- **Substantial European Union (EU) funds are available to boost the recovery.** The bloc has earmarked funds of around €10.5 billion for Latvia between 2021 and 2027.

### Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators
GDP growth	4.0	2.0	-3.6	<b>EBRD GDP growth forecast (June 2021)</b> <b>2021: 3.5%; 2022: 5.5%</b> Quarterly GDP growth: -1.3% y/y (Q1 2021) Economic sentiment: 104.2 (May 2021) OMX Riga All-Share Gross Index: 1,178.17 (end May 2021), up 2.7% m/m Annual inflation: 2.6% (May 2021)
Annual inflation (end-year)	-0.3	-0.2	0.0	
Government balance/GDP	-0.8	-0.6	-4.5	
Current-account balance/GDP	-0.3	-0.6	3.0	
Net FDI/GDP	-2.2	-2.9	-1.8	
Public debt/GDP (end-year)	37.1	37.0	43.5	
Unemployment rate (end-year)	7.0	6.6	8.0	

### EBRD assessment of transition qualities (ATQs), 2020<sup>1</sup>



### Building back better: key ongoing initiatives

<b>Well-governed</b>	Investments are planned to strengthen the country's capacity to investigate economic crimes and to train law enforcement officers.
<b>Green</b>	The national energy and climate strategy for 2030 targets greater energy efficiency and an increase in the share of renewable sources in final consumption to 50 per cent.
<b>Inclusive</b>	Investments are also planned in the development of national and regional roads, the promotion of regional inclusion and in increasing the availability of rental housing.
<b>Resilient</b>	Latvia has improved its anti-money laundering (AML) framework, per the latest Moneyval evaluation.
<b>Digital</b>	Investments are planned in the further digitalisation of administrative processes and to enhance the digital skills of the population.

### Key short-term priorities

- The government should take steps to improve the lack of public interest in vaccination, to ensure greater immunity within the population.
- Further support is needed for distressed businesses and individuals.
- The authorities should allocate greater funds to the healthcare sector to further mitigate the impact of the Covid-19 pandemic.

To learn more about the EBRD's support for Latvia, visit: <https://www.ebrd.com/latvia.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2020), [Transition Report 2020-21: The State Strikes Back](#), London.