Responding to the Coronavirus Crisis
Update on Latvia (06/04/20)

Key short-term priorities
Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals

EBRD Policy Comparator

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Economic channels of disruption

Food services, trade and transport
- Severe lockdown (schools and all non-essential businesses closed) causing sharp halt to the steady economic recovery
- Latvia is a small, open economy, vulnerable to external developments.
- The national carrier Air Baltic will 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.

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.
- Eligible for ECB’s Pandemic Emergency Purchase Programme of EUR 750 billion

Selected crisis impact indicators

EBRD GDP growth outlook (April 2020) [new forecasts out on May 13 2020]
2020: mild recession
2021: strong recovery

Economic sentiment
March ESI 96.1
(March 2020): (down 5.7 points m/m)

Employment expectations
March EII 91.8
(March 2020) (down 8.8 points m/m)

OMX Riga stock market
904.5
(end-March 2020) (down 10.8% m/m)

Selected crisis response indicators

Total value of direct support
EUR 400 million (1.3% 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.