

# Coronavirus response in 2021: building back better

## Update on Latvia (06 December 2021)



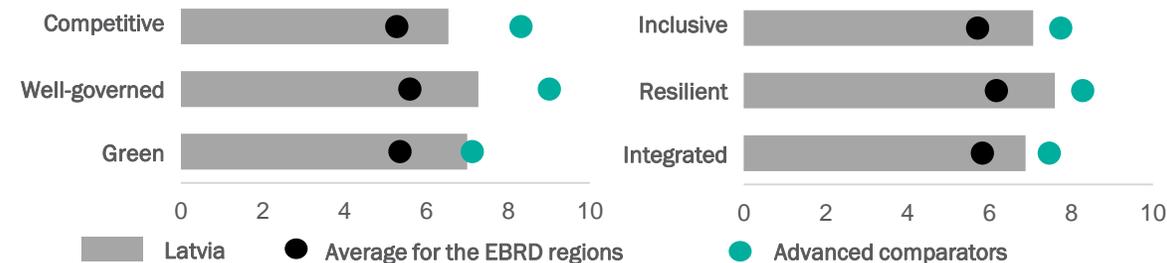
### Covid-19 policy response

- **Latvia's policy response to mitigate the effects of Covid-19 continued throughout 2021.** Taxpayers affected by the restrictive measures had the right to reschedule or defer payments until 2023, while employers have been compensated for the wages of vaccinated employees only.
- **The European Commission disbursed €237 million in pre-financing** to start the implementation of investment and reform measures from the national plan. The Recovery and Resilience Facility (RRF) allocation for Latvia totals €1.8 billion in grants.
- **The 2022 budget projects Covid-19-related support worth 0.8 per cent of GDP.** The government foresees a partial continuation of support measures and funding for the purchase of vaccines.

### Macroeconomic indicators (per cent)

	2018	2019	2020	
GDP growth	4.0	2.5	-3.6	<b>Short-term indicators</b> <b>EBRD GDP growth forecast (Nov 2021)</b> <b>2021: 4.5%; 2022: 5.5%</b> Quarterly GDP growth: 4.7% y/y (Q3 2021) Economic sentiment: 98.0 (November 2021) OMX Riga stock market: 1,264.97 (November 2021, down 2.5% m/m) Annual inflation: 6.0% (October 2021)
Annual inflation (year end)	2.5	2.1	-0.5	
Government balance/GDP	-0.8	-0.6	-4.5	
Current-account balance/GDP	-0.2	-0.7	2.9	
Net FDI/GDP	-2.2	-2.9	-2.2	
Public debt/GDP (year end)	37.1	36.7	43.2	
Unemployment rate (year end)	7.0	6.6	8.0	

### EBRD assessment of transition qualities (ATQs), 2021<sup>1</sup>



### Building back better: key ongoing initiatives

- Well-governed**
  - The Latvian Central Bank and the regulator, the Financial and Capital Market Commission, will merge in 2023 to ensure better financial-market supervision.
- Green**
  - European Union (EU) funds will be used in line with the national energy and climate strategy for energy efficiency and to lift the share of renewables in final consumption to 50 per cent.
- Inclusive**
  - The 2022 budget foresees new investment in road construction and the improvement of regional infrastructure in various municipalities.
- Resilient**
  - The authorities approved support for energy consumers with specific needs and proposed reducing the procurement component in electricity bills.
- Digital**
  - EU funds will assist the implementation of a smart reindustrialisation programme, accompanied by the digitalisation of processes and enhancement of citizens' digital skills.

### Key short-term priorities

- Once the country has recovered from the Covid-19 crisis, it needs a strategy to sustainably reduce the fiscal deficit.
- Along with structural reforms, further strengthening of absorptive capacity is needed for successful RRF implementation.
- The innovative capacity of the private sector should be strengthened by targeted policy incentives.

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 (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.