

MACROECONOMIC AND BUDGETARY REVIEW 2022

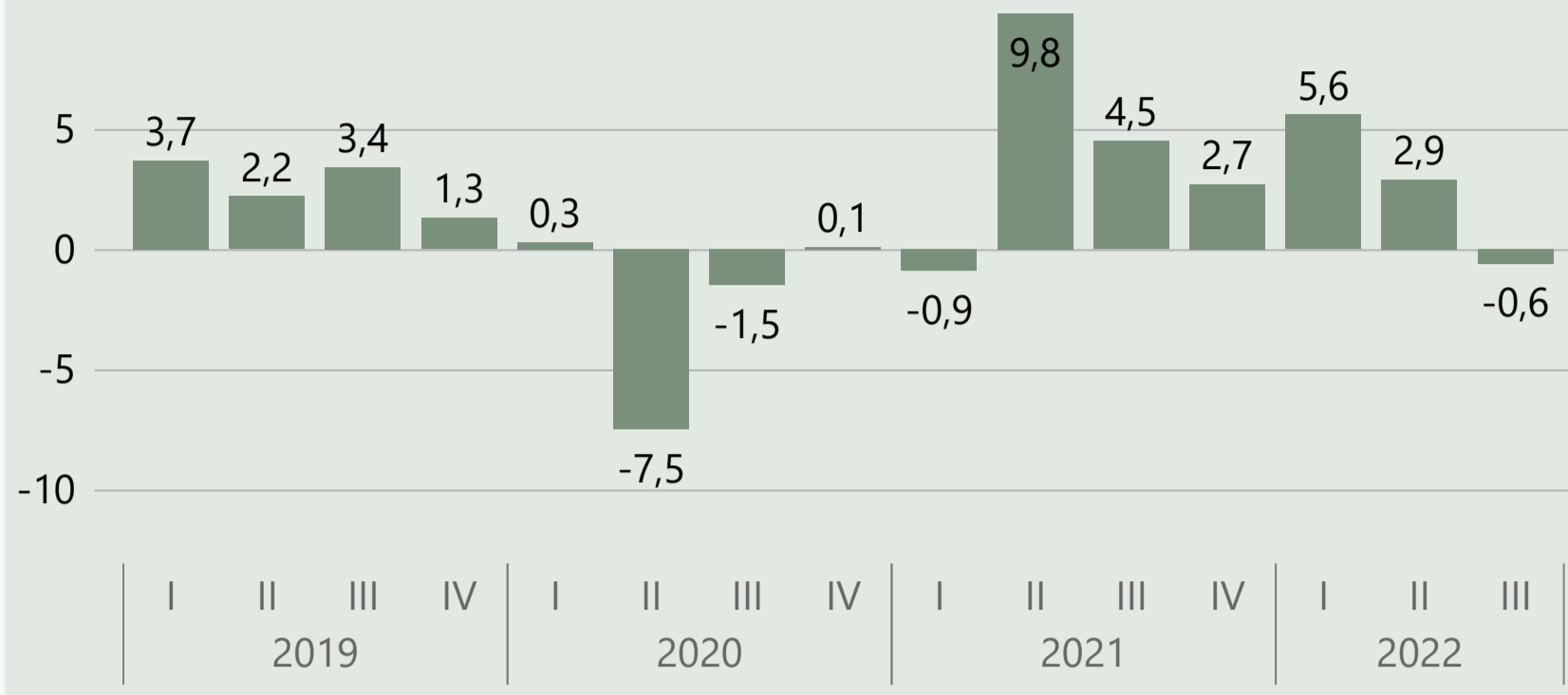
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GROSS DOMESTIC PRODUCT (GDP)

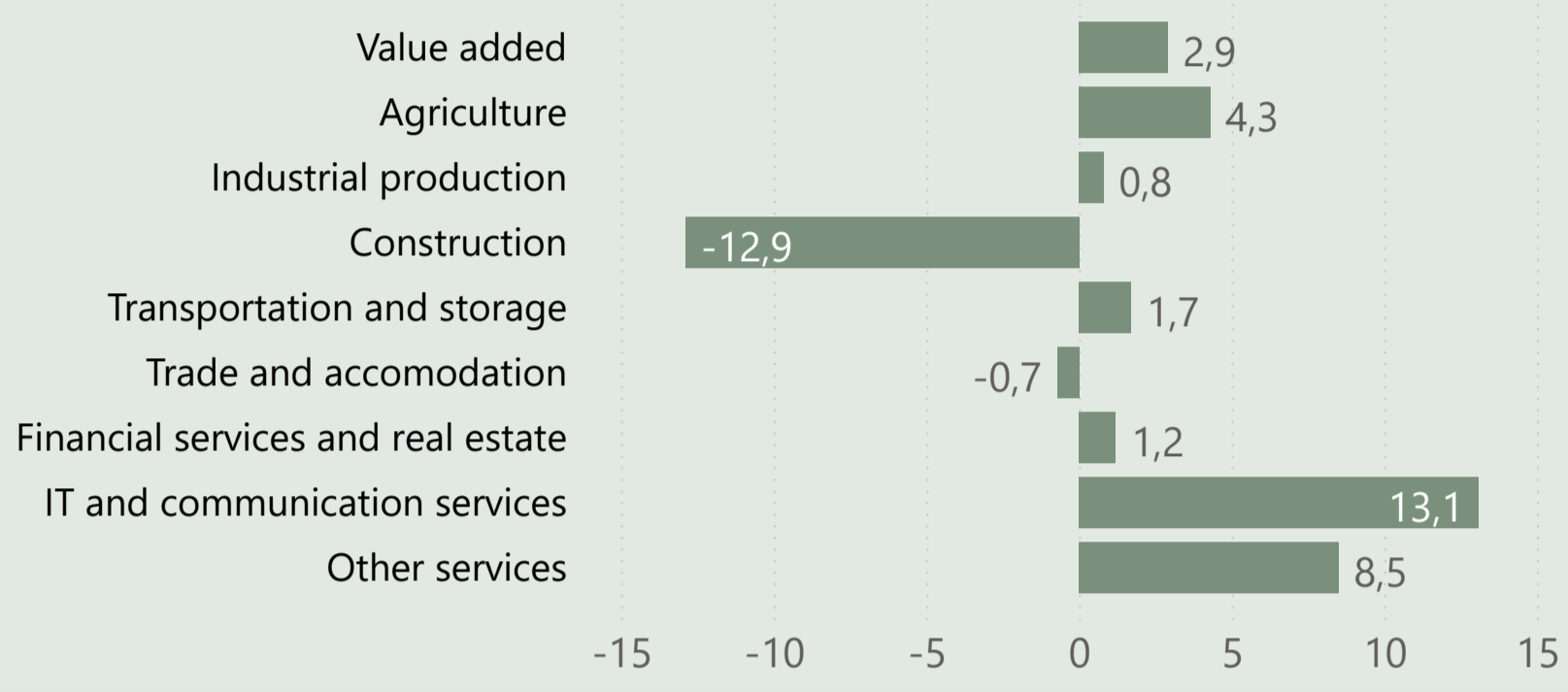
GDP 2021
33 696 mln €
CSB, 20.10.2022.

GDP growth 2022
1.6%
MoF forecast, December 2022

GDP growth, YoY%



GDP growth by sectoral breakdown (2022 nine months/2021 nine months)



Source: Central Statistical Bureau (CSB)

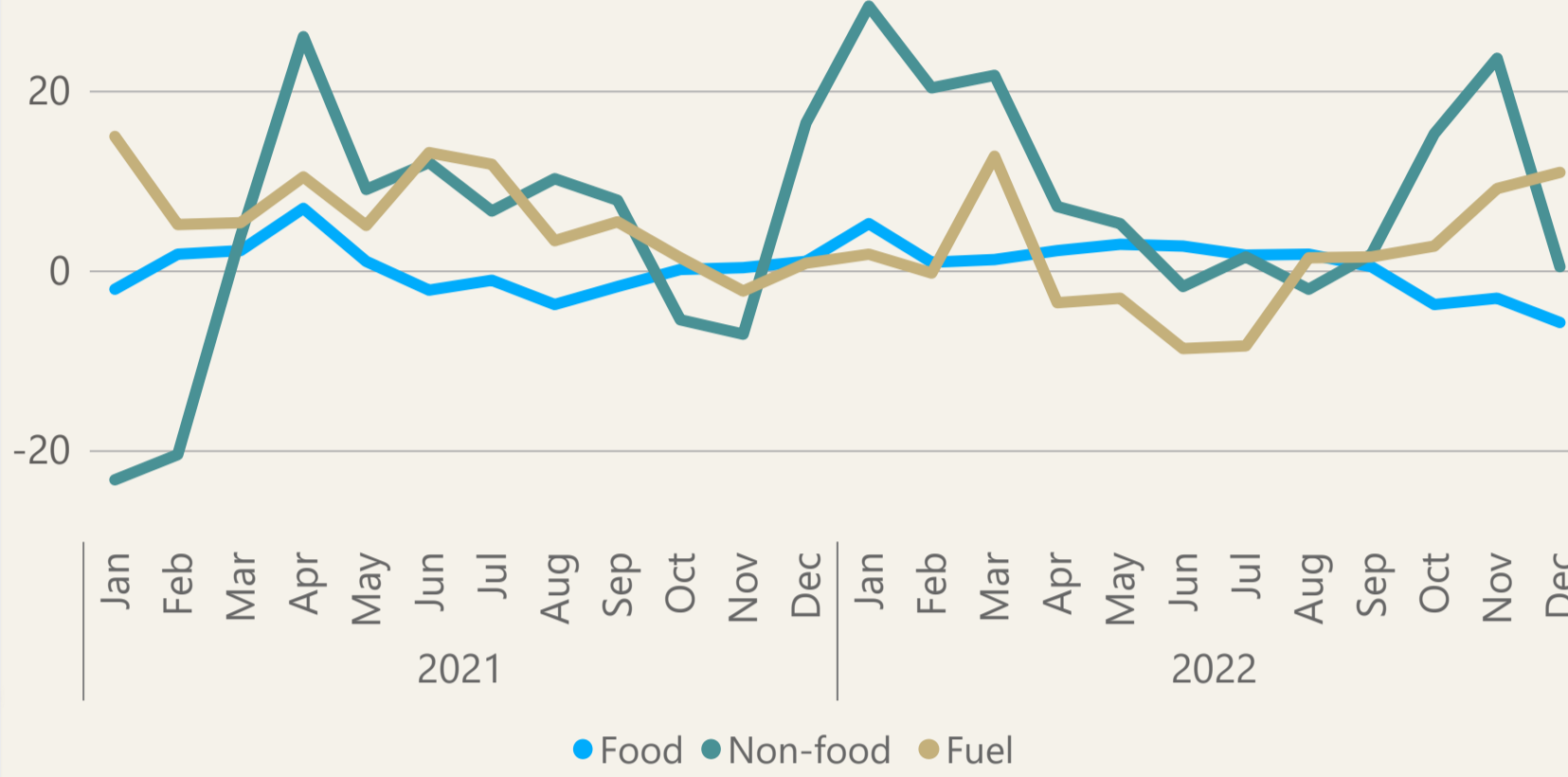
MAIN MACROECONOMIC INDICATORS

| Indicator | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022* | 2023* | 2024* | 2025* |
|----------------------------------|------|------|------|------|------|------|-------|-------|-------|-------|
| Nominal GDP growth, % | 3,3 | 6,4 | 8 | 5,2 | -1,3 | 11,2 | 17 | 8,1 | 5,4 | 5,7 |
| Real GDP growth, % | 2,4 | 3,3 | 4 | 2,6 | -2,2 | 4,1 | 1,6 | -0,6 | 3 | 3 |
| GDP deflator, % change | 0,9 | 2,9 | 3,9 | 2,6 | 1 | 6,9 | 15,2 | 8,7 | 2,3 | 2,6 |
| Consumer price index, % change | 0,1 | 2,9 | 2,6 | 2,8 | 0,2 | 3,3 | 17,3 | 8,5 | 1 | 2 |
| Average monthly gross wage, EUR | 859 | 926 | 1004 | 1076 | 1143 | 1277 | 1379 | 1483 | 1575 | 1653 |
| nominal growth, % | 5 | 7,9 | 8,4 | 7,2 | 6,2 | 11,7 | 8 | 7,5 | 6,2 | 5 |
| real growth, % | 4,8 | 4,7 | 5,7 | 4,2 | 6 | 8,2 | -7,9 | -0,9 | 5,1 | 2,9 |
| Number of persons employed, thsd | 893 | 895 | 909 | 910 | 893 | 864 | 888 | 886 | 885 | 882 |
| growth, % | -0,3 | 0,2 | 1,6 | 0,1 | -1,9 | -3,2 | 2,8 | -0,2 | -0,2 | -0,3 |
| Unemployment rate, % | 9,6 | 8,7 | 7,4 | 6,3 | 8,1 | 7,6 | 7 | 7,3 | 7 | 6,6 |

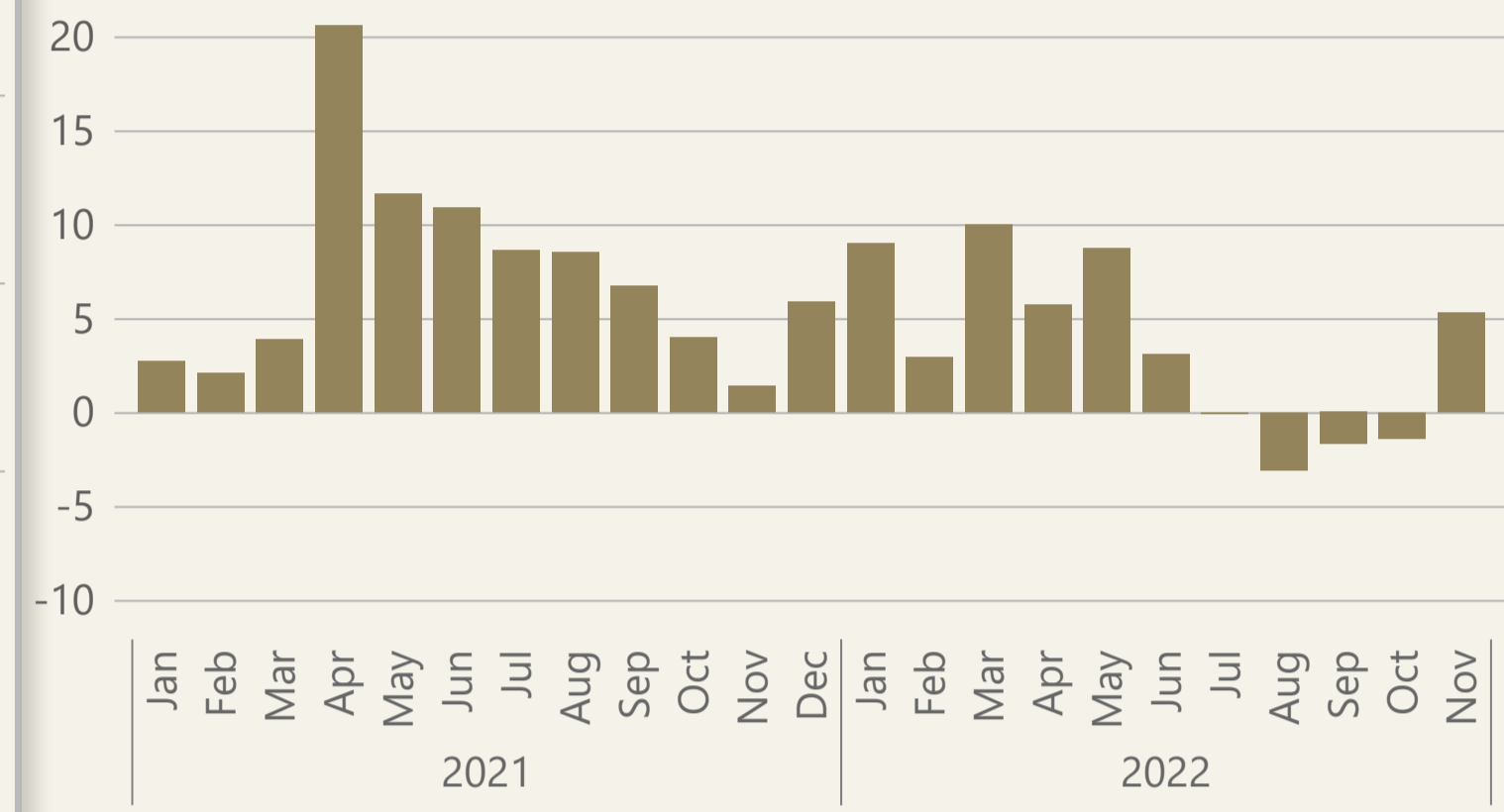
Source: CSB (20.10.2022), *forecasts of the Ministry of Finance of the Republic of Latvia (December 2022)

INDUSTRIES

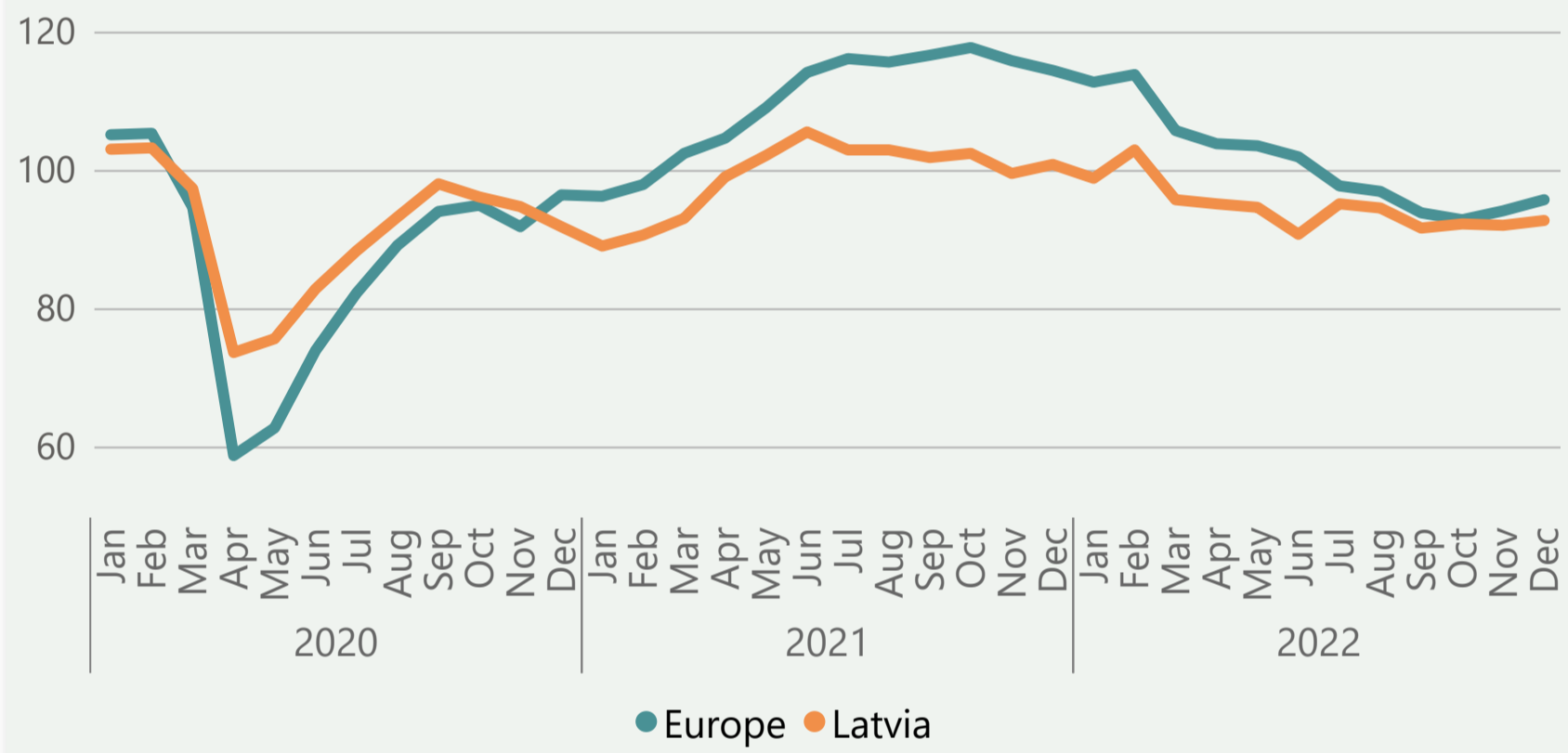
Retail trade growth, YoY%



Manufacturing output, YoY%

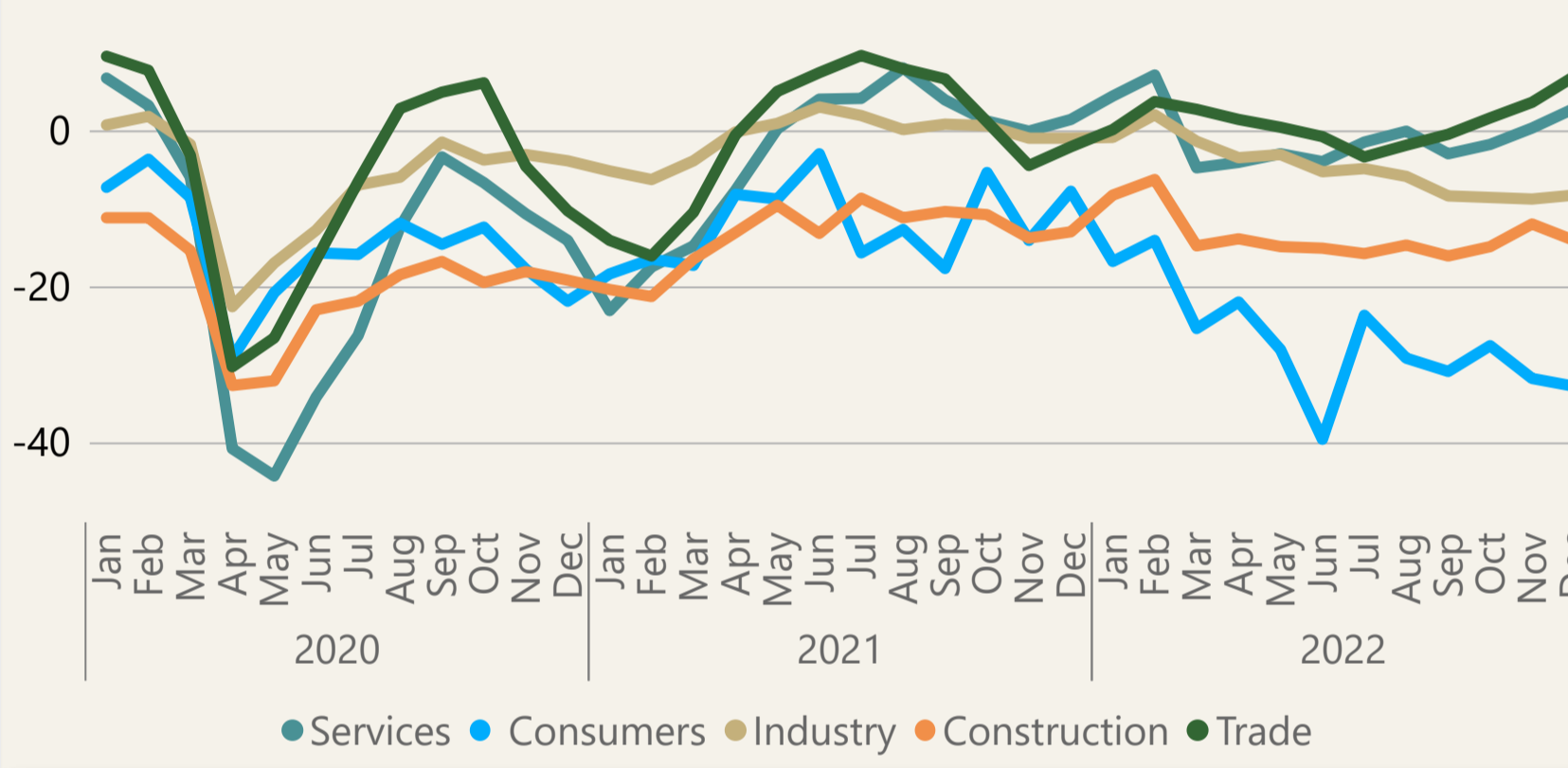


Economic confidence



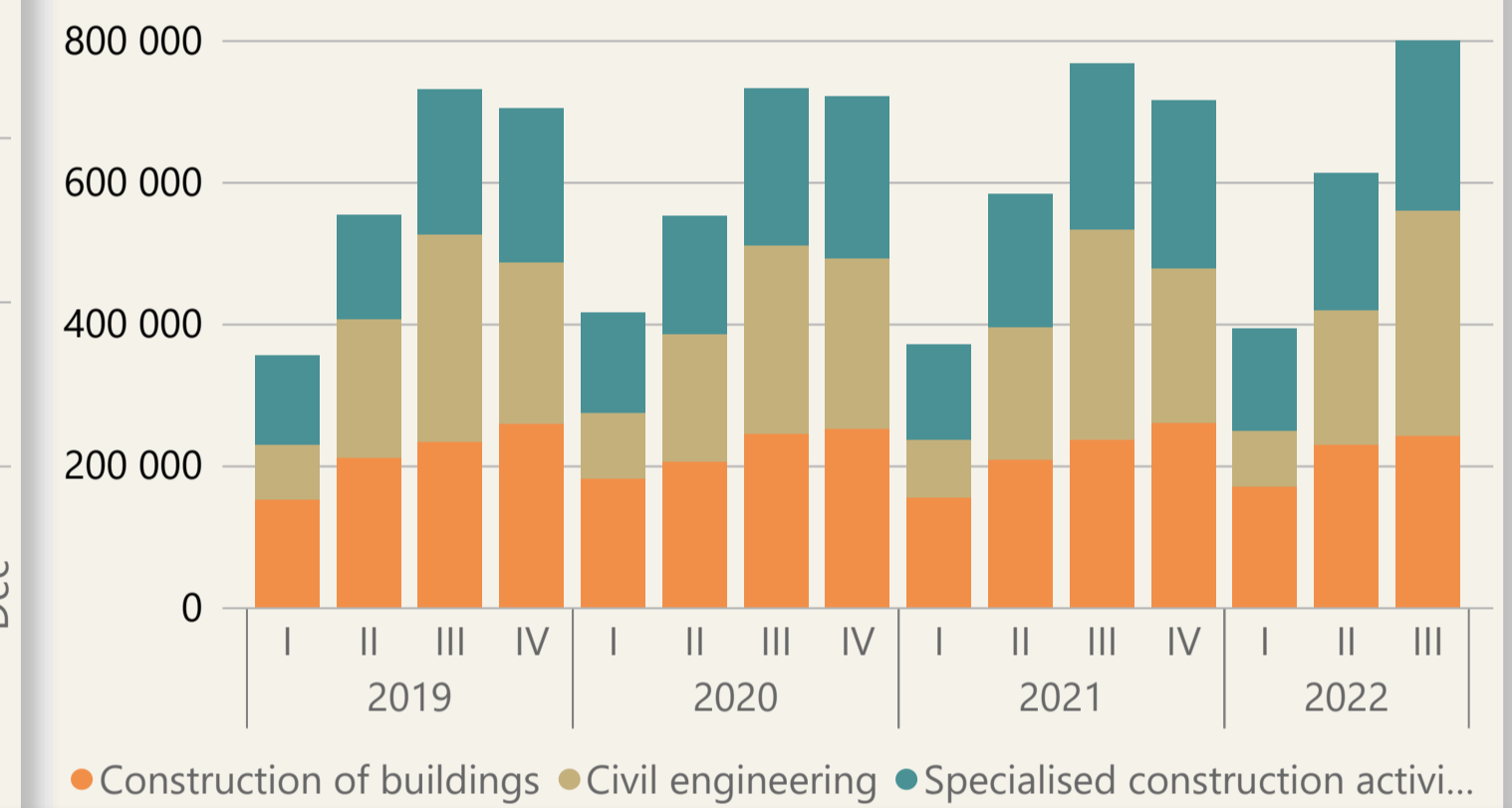
Source: European Commission

ESI Sector Confidence Index in Latvia



Source: CSB, European Commission

Construction output at constant prices, thsd €



INFLATION

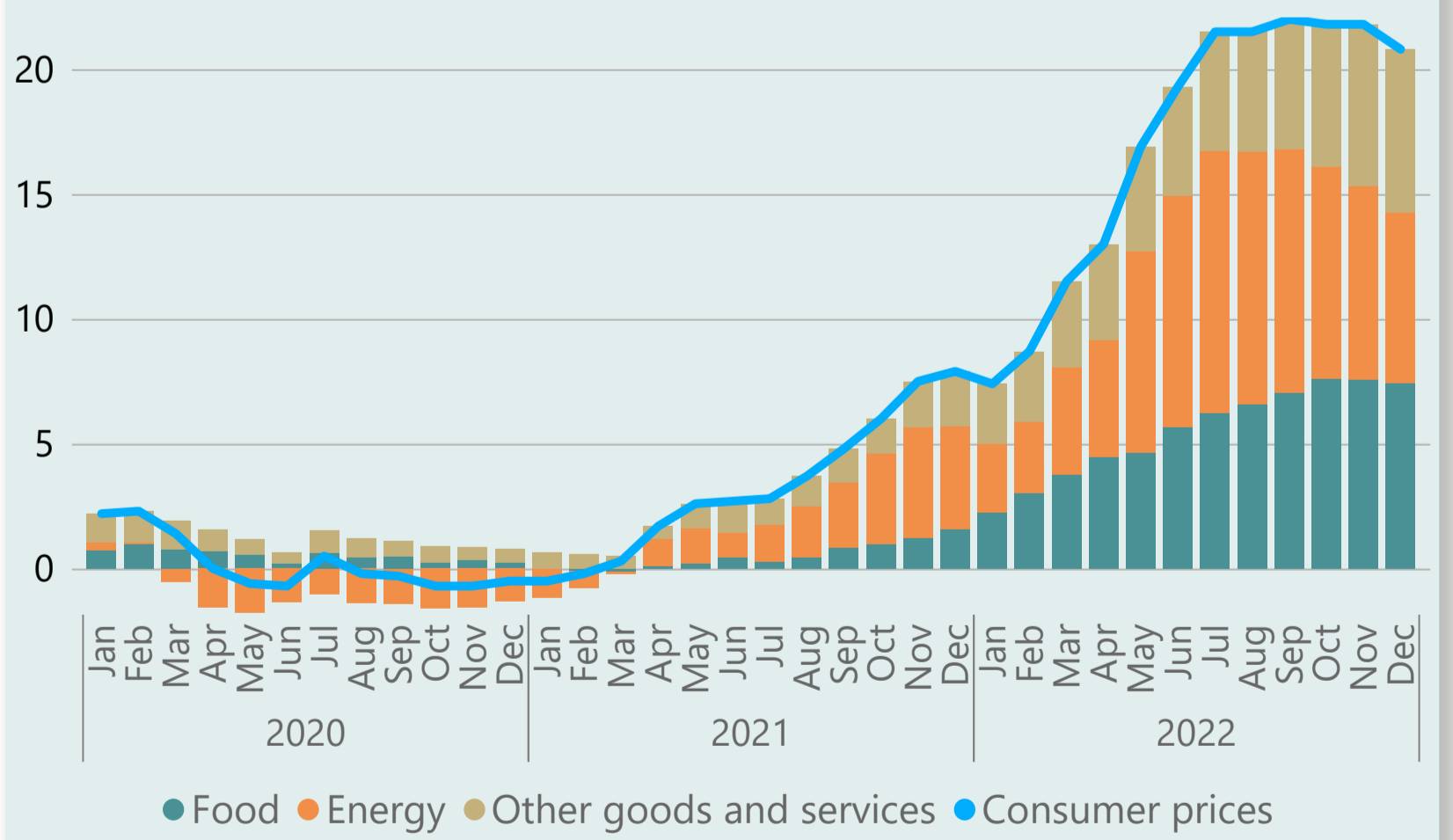
Inflation

20,8%
December 2022

Producer price rise

28.8%
December 2022

Consumer prices, YoY%



UNEMPLOYMENT

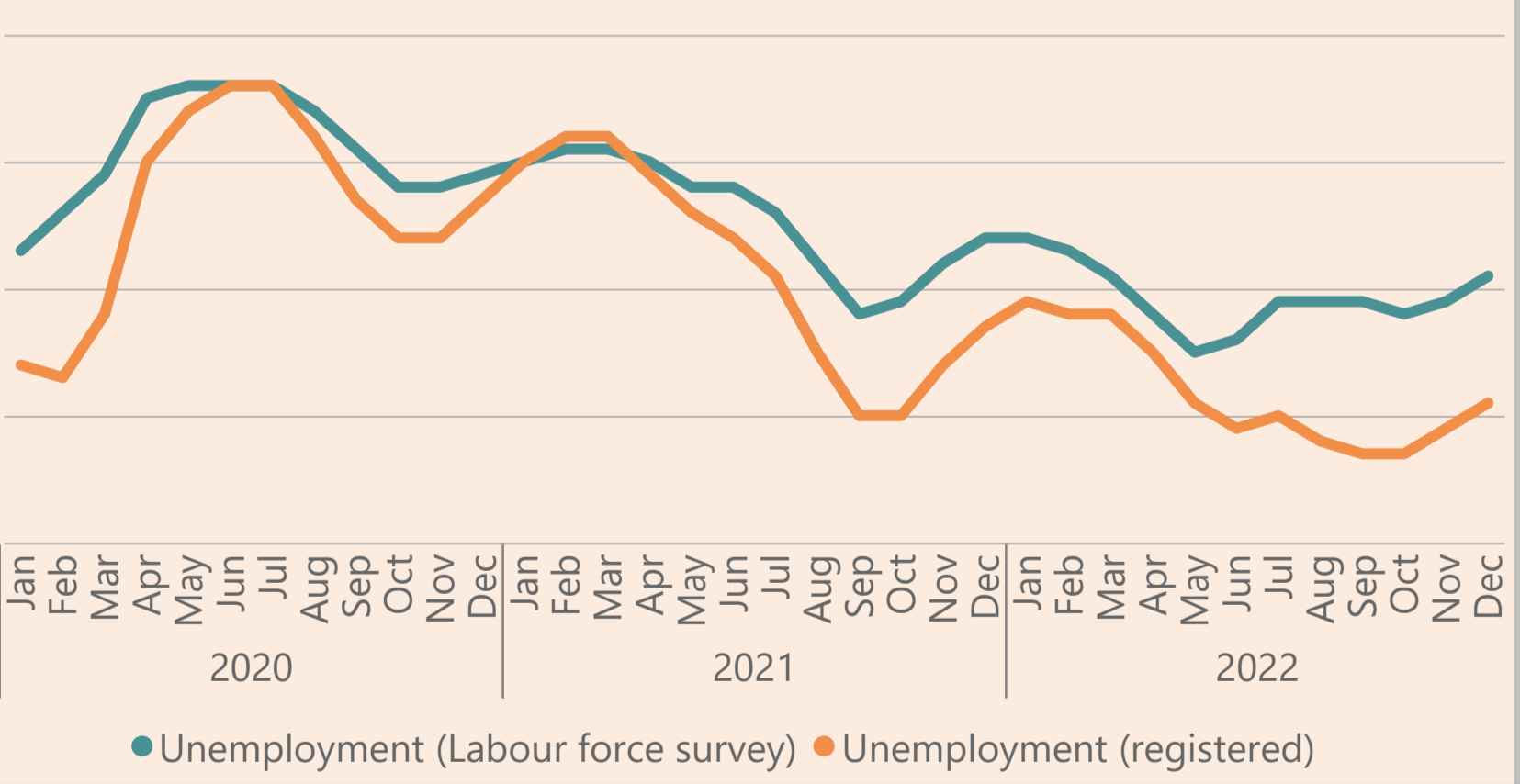
Registered

6.1%
December 2022

Labour force survey

7.1%
December 2022

Unemployment rate, %



Source: CSB, State Employment Agency

WAGE

Private sector

1 393€
(+6.1% YoY)
3Q 2022

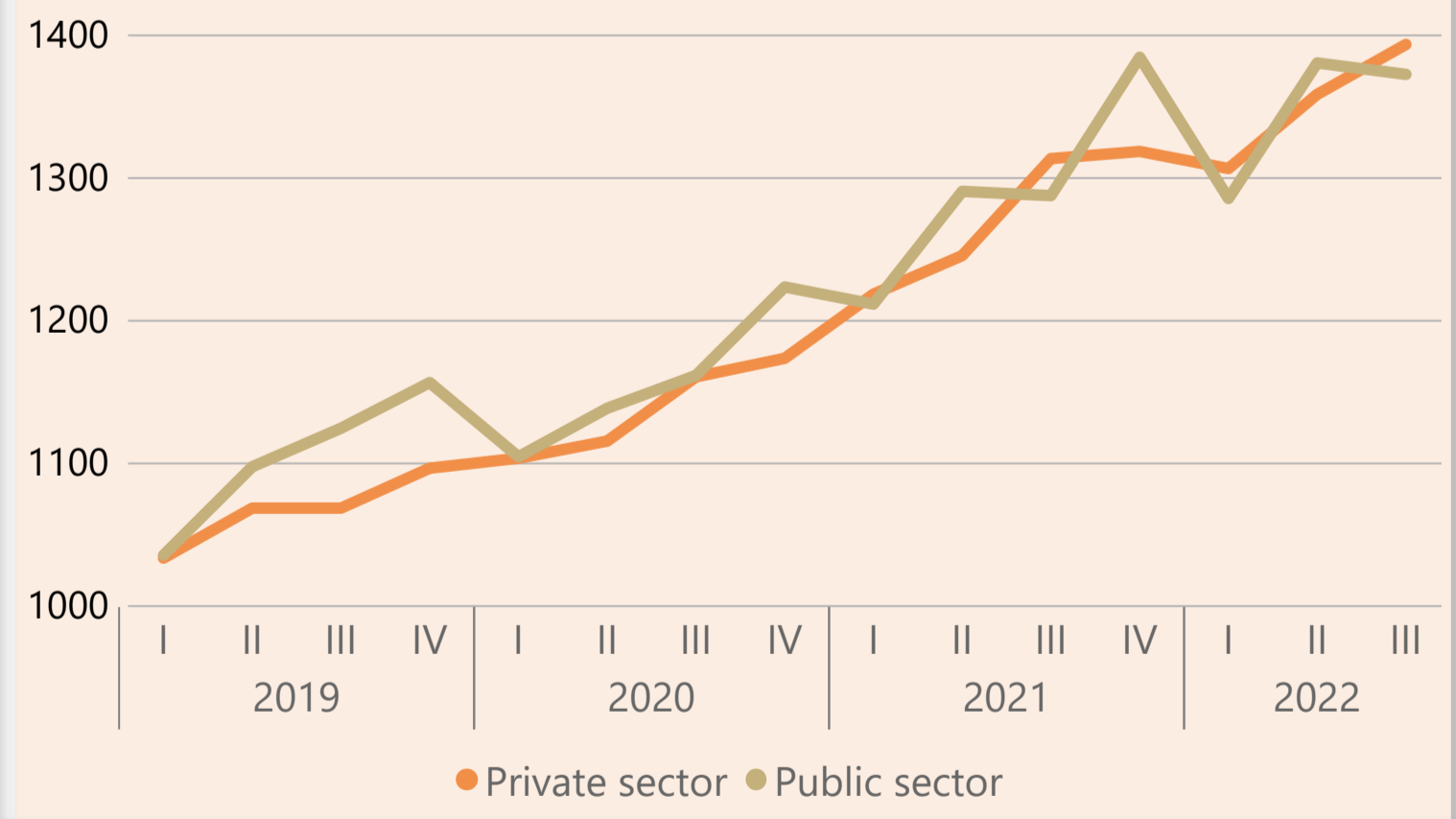
Public sector

1 372€
(+6.6% YoY)
3Q 2022

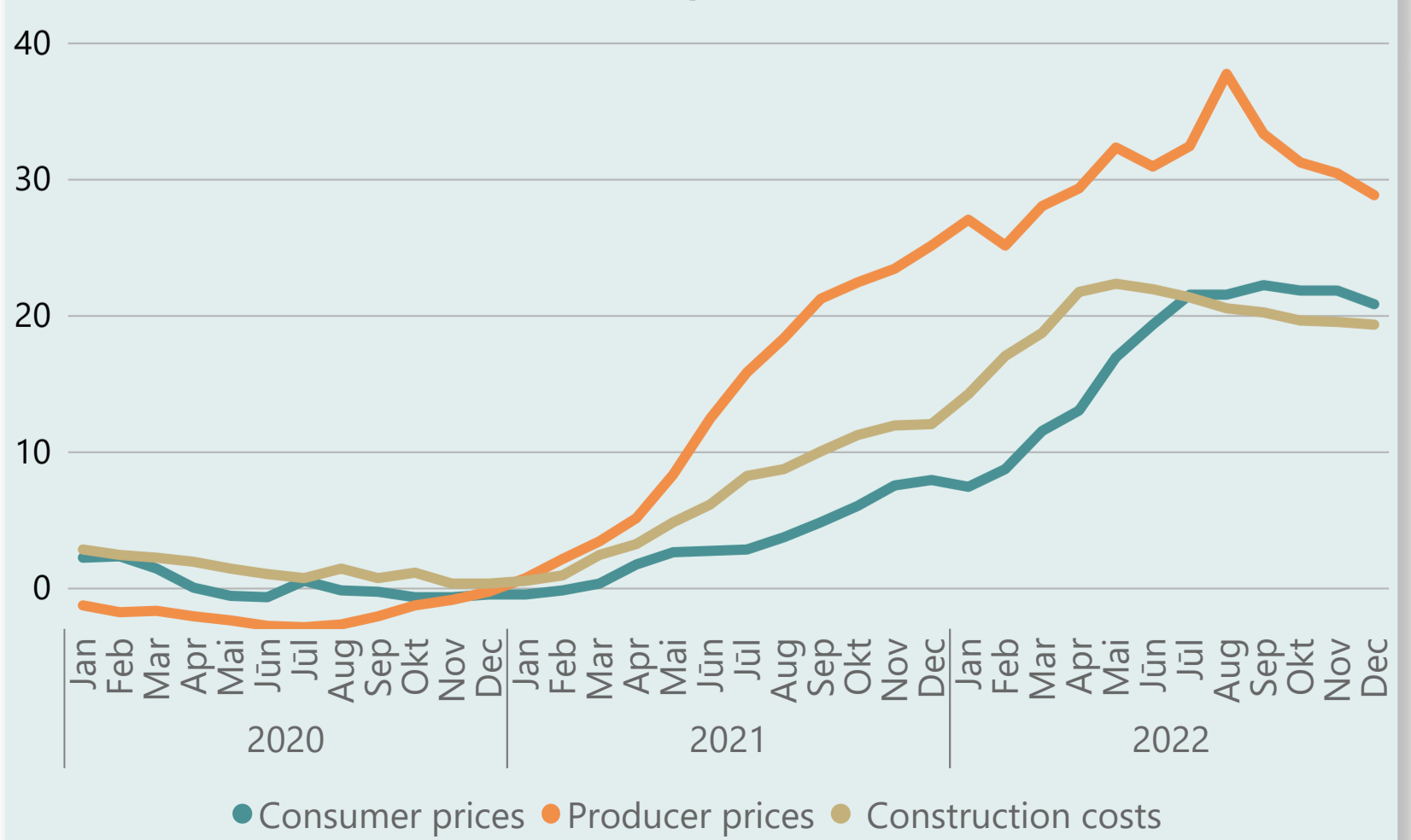
Total

1 384€
(+6.3% YoY)
3Q 2022

Average monthly gross wage, €



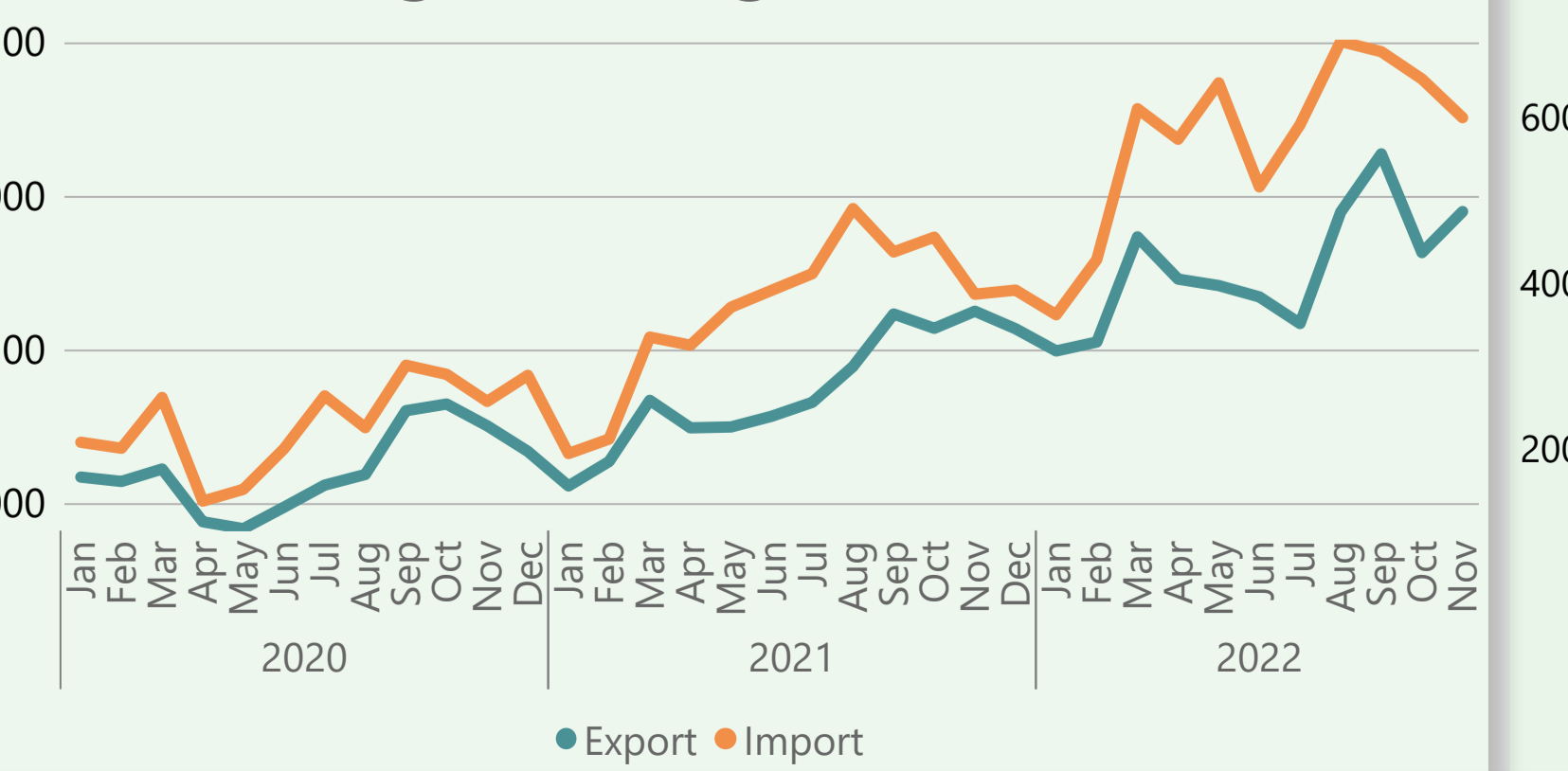
Prices, YoY%



Source: CSB

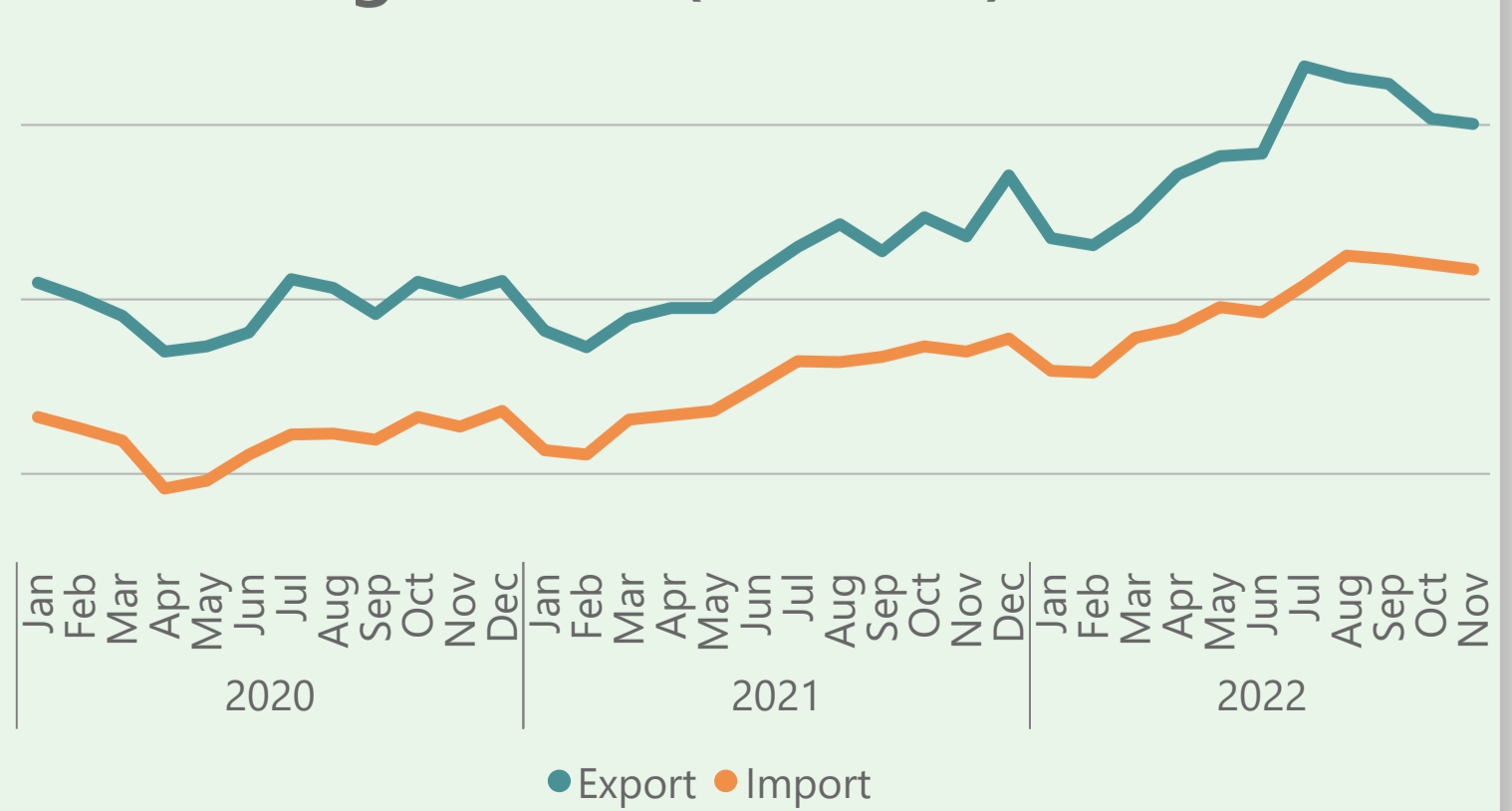
FOREIGN TRADE

Foreign trade (goods), mln €



Source: CSB; Bank of Latvia

Foreign trade (services), mln €



GENERAL GOVERNMENT BUDGET

General government budget balance 2022

-4.7% of GDP

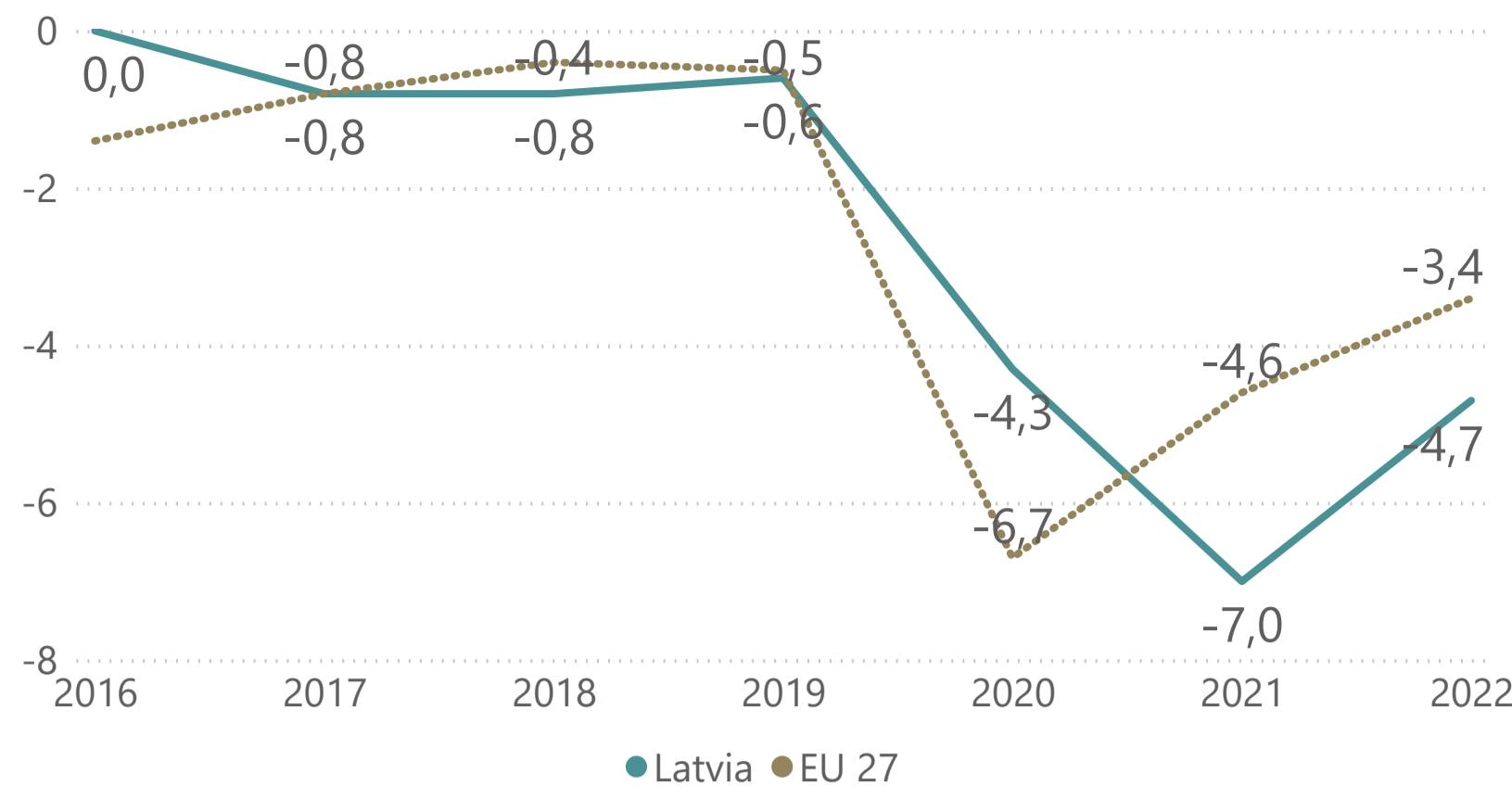
Forecast of MoF, January 2023

General government debt 2022

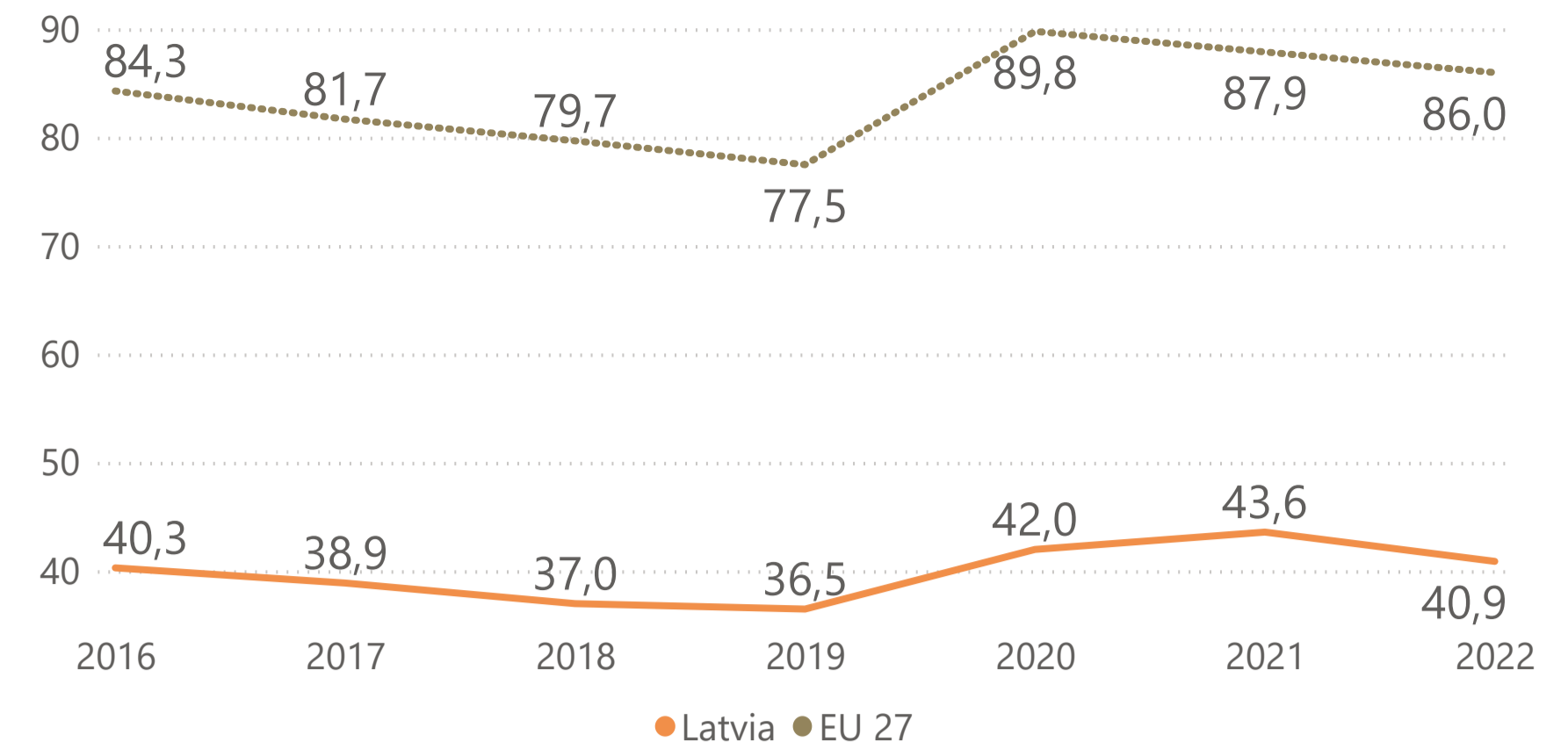
40.9% of GDP

Forecast of State Treasury, January 2023

General government budget balance, % of GDP



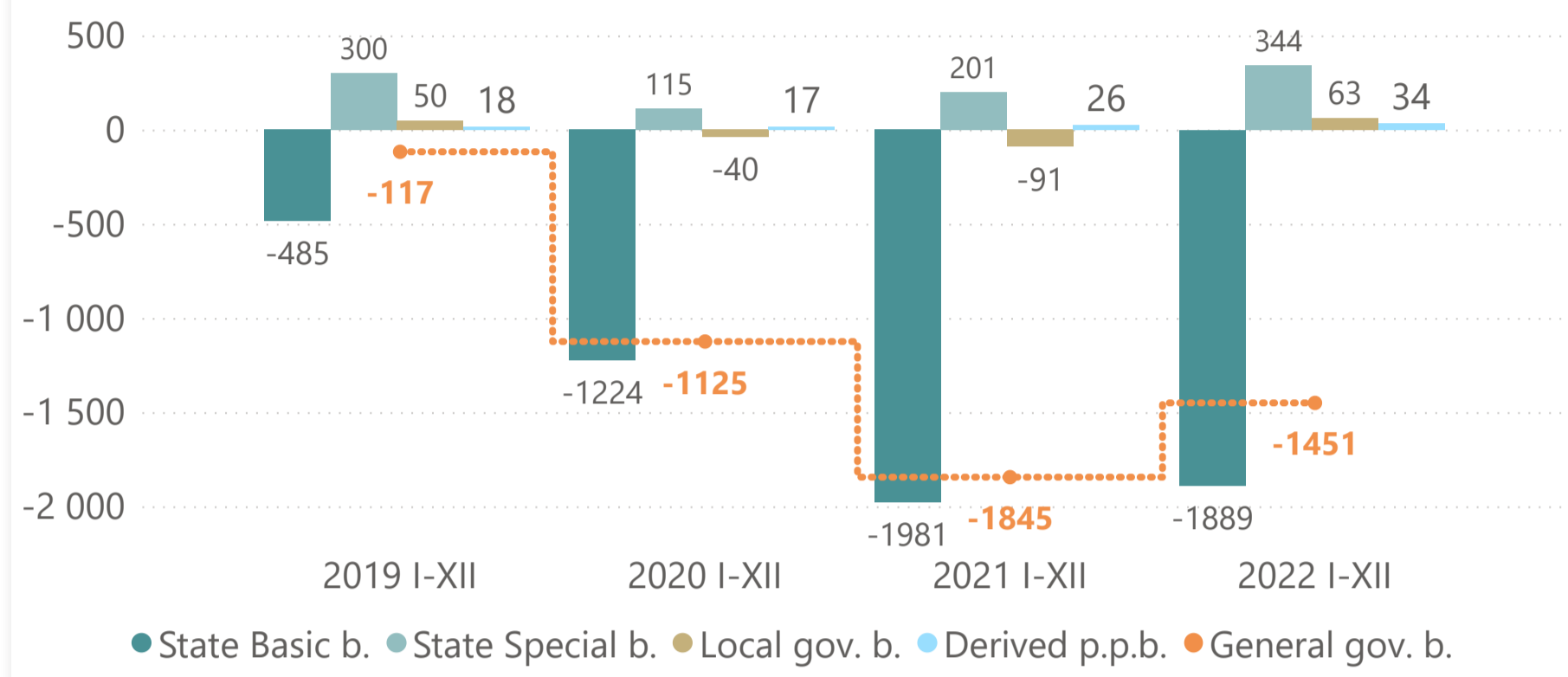
General government debt, % of GDP



Source: Eurostat, AMECO Autumn Forecast 2022, Ministry of Finance, State Treasury.

GENERAL GOVERNMENT BUDGET IN 2022 ON CASH BASIS

General government budget balance, mln €



| General government budget | Execution, mln € | YoY, mln € | YoY, % |
|---------------------------|------------------|------------|--------|
| Revenue | 14 273,8 | 1 724,6 | 13,7% |
| Expenditure | 15 724,5 | 1 330,5 | 9,2% |
| Balance | -1 450,7 | 394,1 | |

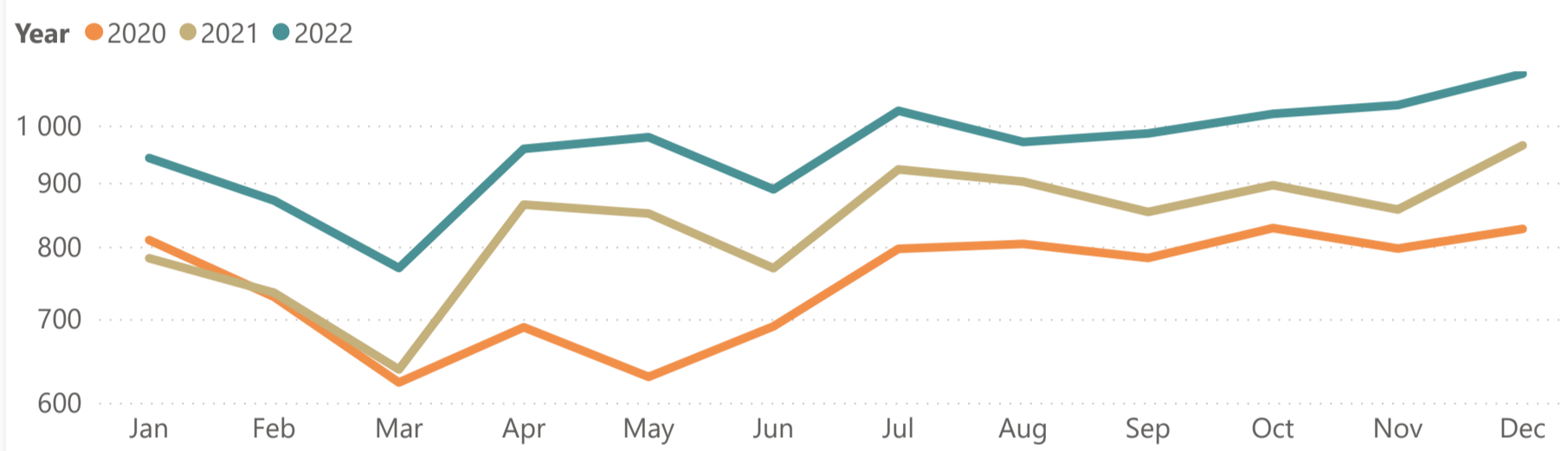
Revenue and expenditure

| General government budget | Execution, mln € | YoY, mln € | YoY, % |
|------------------------------|------------------|------------|--------|
| Revenue | | | |
| Tax revenue | 11 557,3 | 1 526,3 | 15,2% |
| Non tax revenue | 847,6 | 76,3 | 9,9% |
| Self-earned revenue | 427,7 | 55,2 | 14,8% |
| Foreign financial assistance | 1 439,7 | 68,7 | 5,0% |
| Expenditure | | | |
| Remuneration | 3 120,2 | 180,7 | 6,1% |
| Goods and services | 2 313,2 | 758,6 | 48,8% |
| Interest payments | 196,5 | -60,1 | -23,4% |
| Subsidies and grants | 3 840,9 | 213,2 | 5,9% |
| Social support | 4 523,6 | 232,3 | 5,4% |
| Capital expenditure | 1 280,4 | 12,2 | 1,0% |

General government budget tax revenue

| Tax type | Execution, mln € | YoY, mln € | YoY, % |
|----------|------------------|------------|--------|
| SSC | 3 667,2 | 545,1 | 17,5% |
| VAT | 3 558,7 | 796,2 | 28,8% |
| PIT | 2 262,5 | 335,2 | 17,4% |
| EXCISE | 1 131,0 | 26,2 | 2,4% |
| CIT | 378,8 | 97,7 | 34,7% |

General government budget tax revenue, mln €

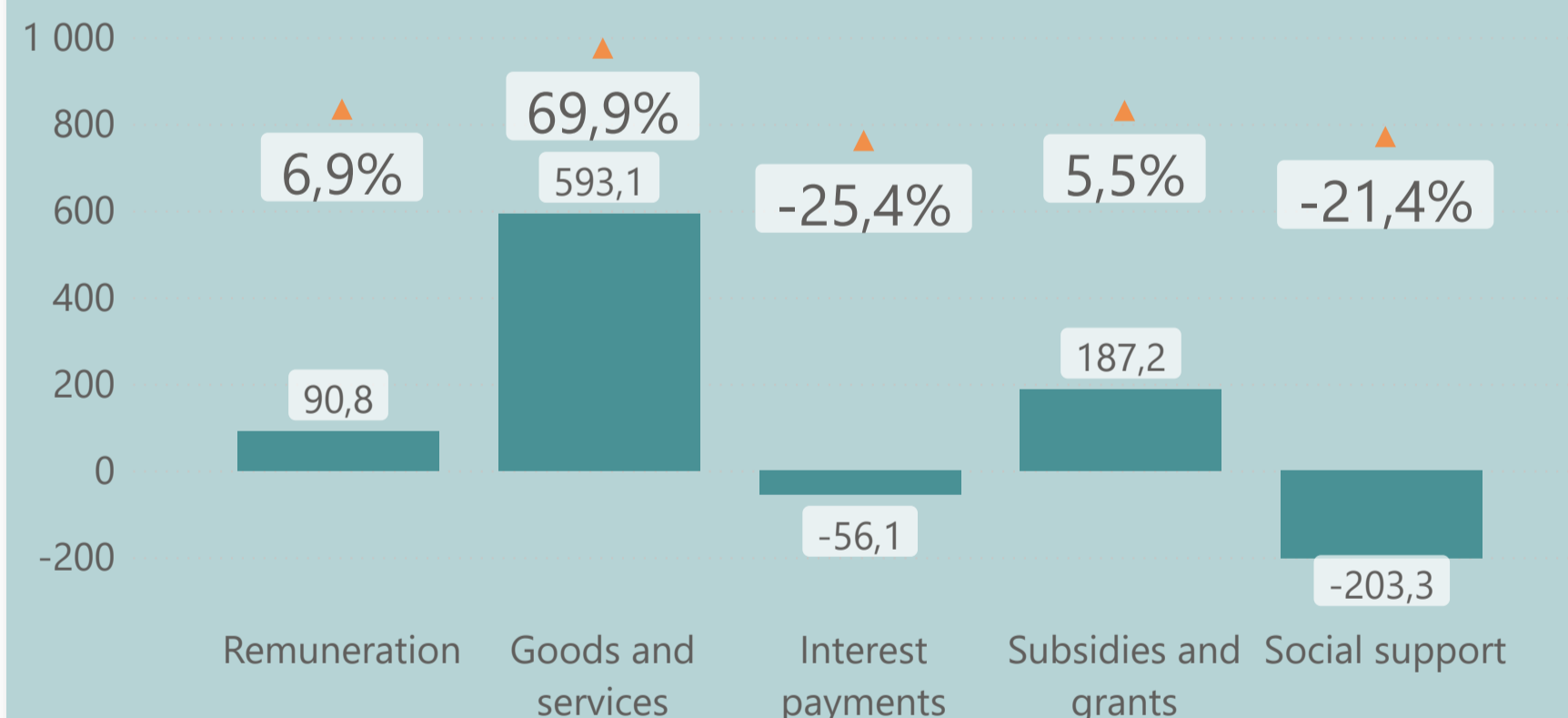


Source: Treasury. General government budget tax revenue in 2022 including revenue in the single tax account 17.9 mln euro.

STATE BASIC BUDGET

| State Basic Budget | Execution, mln € | YoY, mln € | YoY, % |
|--------------------|------------------|------------|--------|
| Revenue | 8 291,9 | 873,3 | 11,8% |
| Expenditure | 10 181,2 | 782,0 | 8,3% |
| Balance | -1 889,2 | 91,3 | |

Major changes in mln € and % against respective period year before

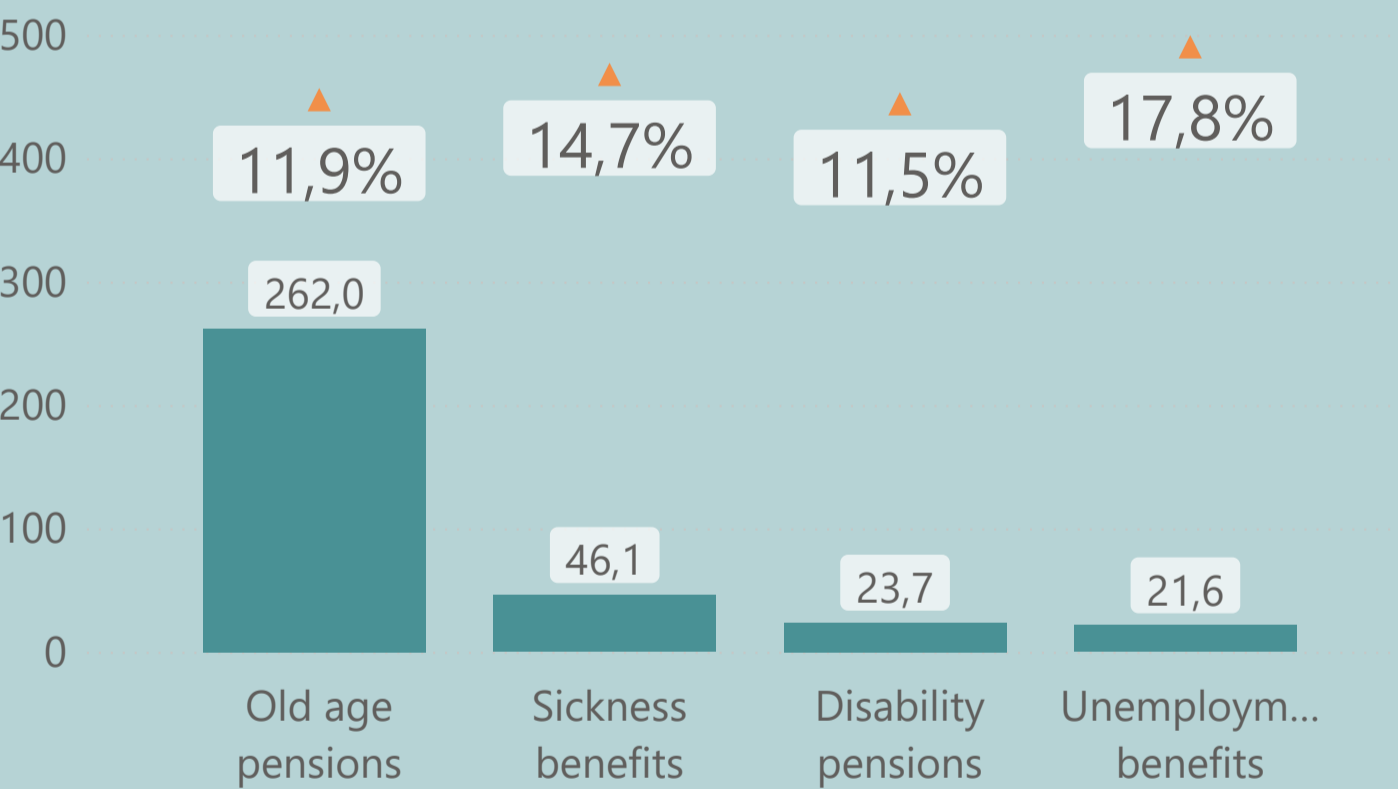


YoY - changes in mln euro against respective period year before; YoY% - changes in per cent against respective period year before

STATE SPECIAL BUDGET

| State Special Budget | Execution, mln € | YoY, mln € | YoY, % |
|----------------------|------------------|------------|--------|
| Revenue | 3 933,2 | 523,1 | 15,3% |
| Expenditure | 3 589,6 | 380,0 | 11,8% |
| Balance | 343,5 | 143,0 | |

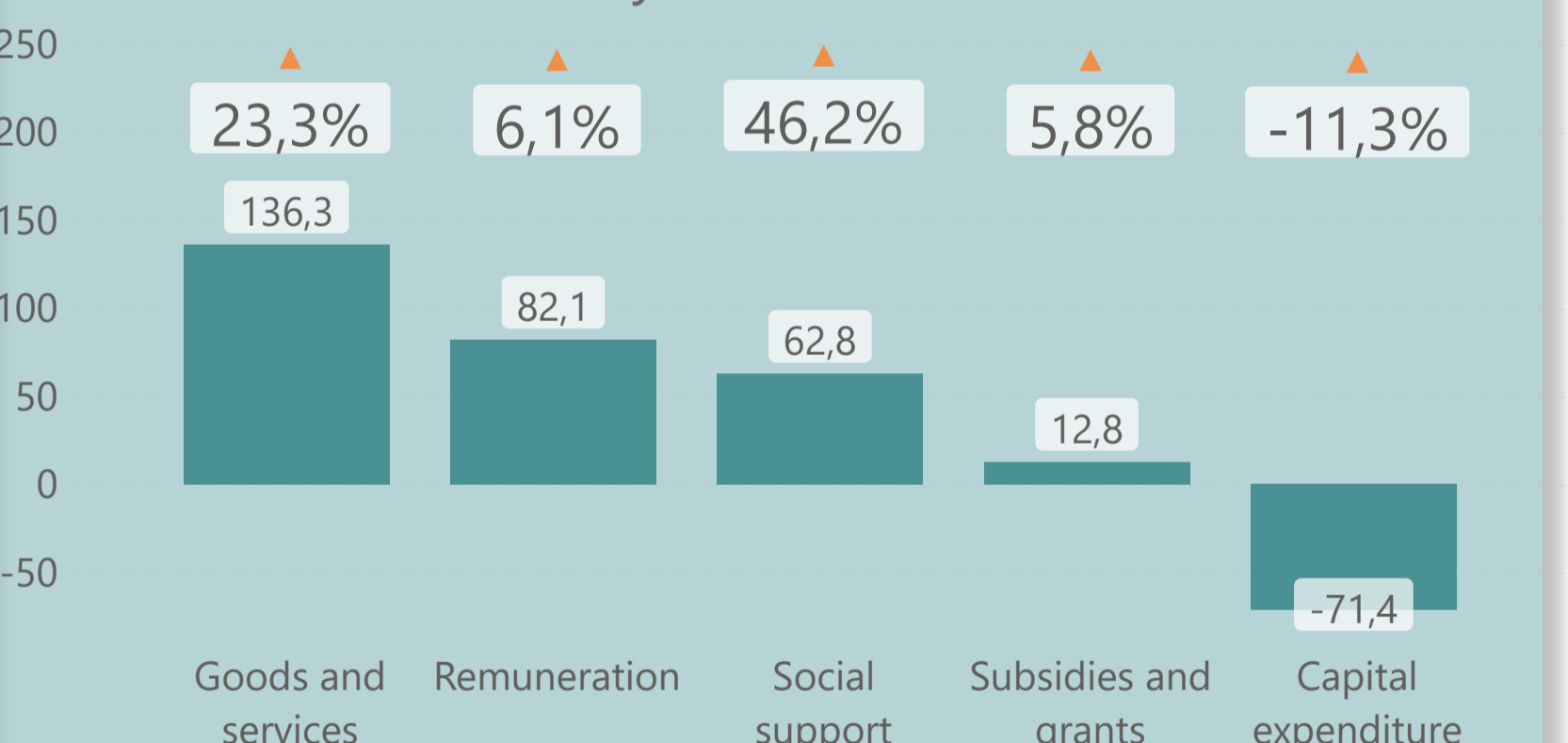
Major changes in mln € and % against respective period year before



LOCAL GOVERNMENT BUDGET

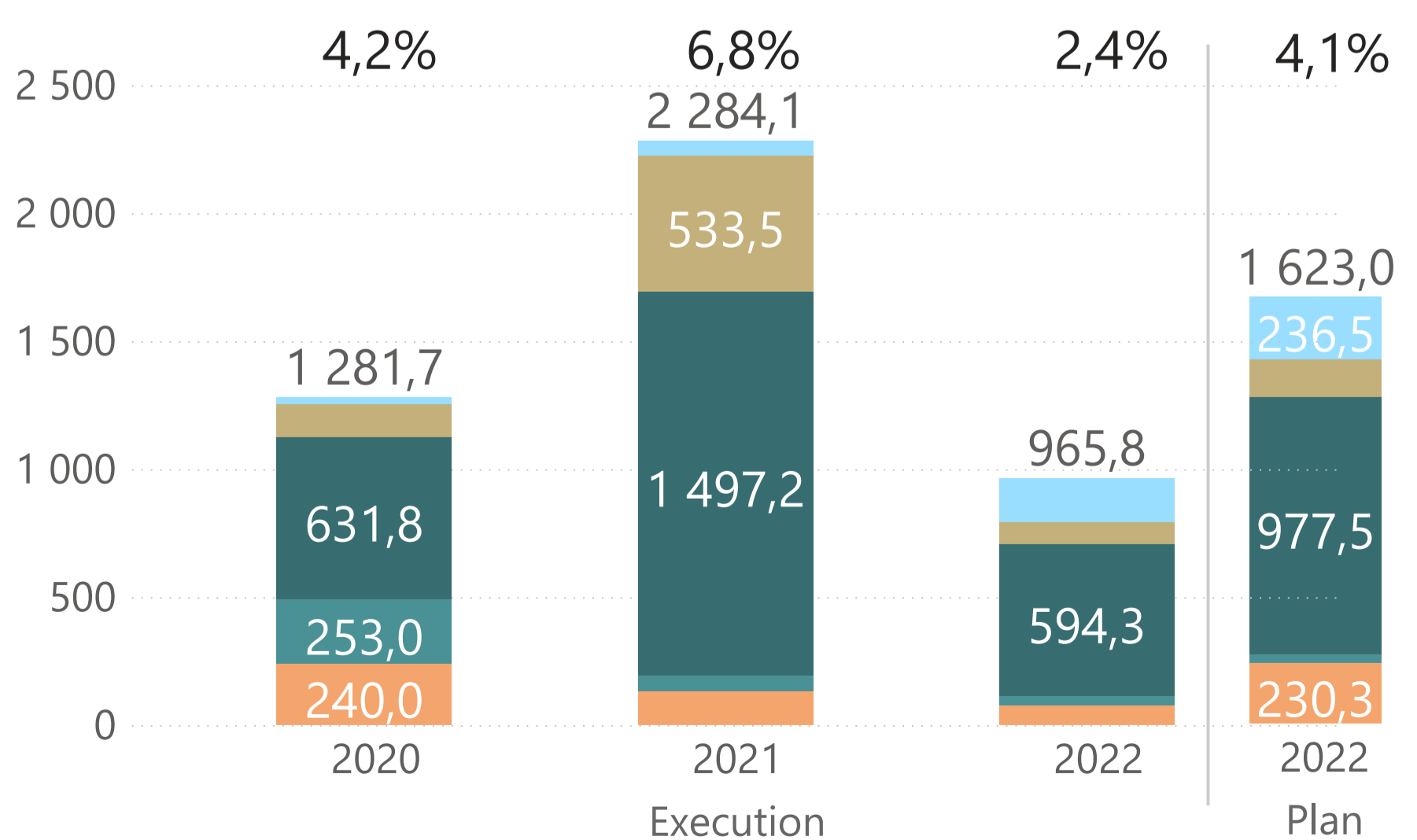
| Local Government Budget | Execution, mln € | YoY, mln € | YoY, % |
|-------------------------|------------------|------------|--------|
| Revenue | 3 252,3 | 376,7 | 13,1% |
| Expenditure | 3 189,4 | 222,8 | 7,5% |
| Balance | 62,9 | 153,8 | |

Major changes in mln € and % against respective period year before



CRISIS SUPPORT MEASURES

Covid-19 support to economy, mln € and % of GDP

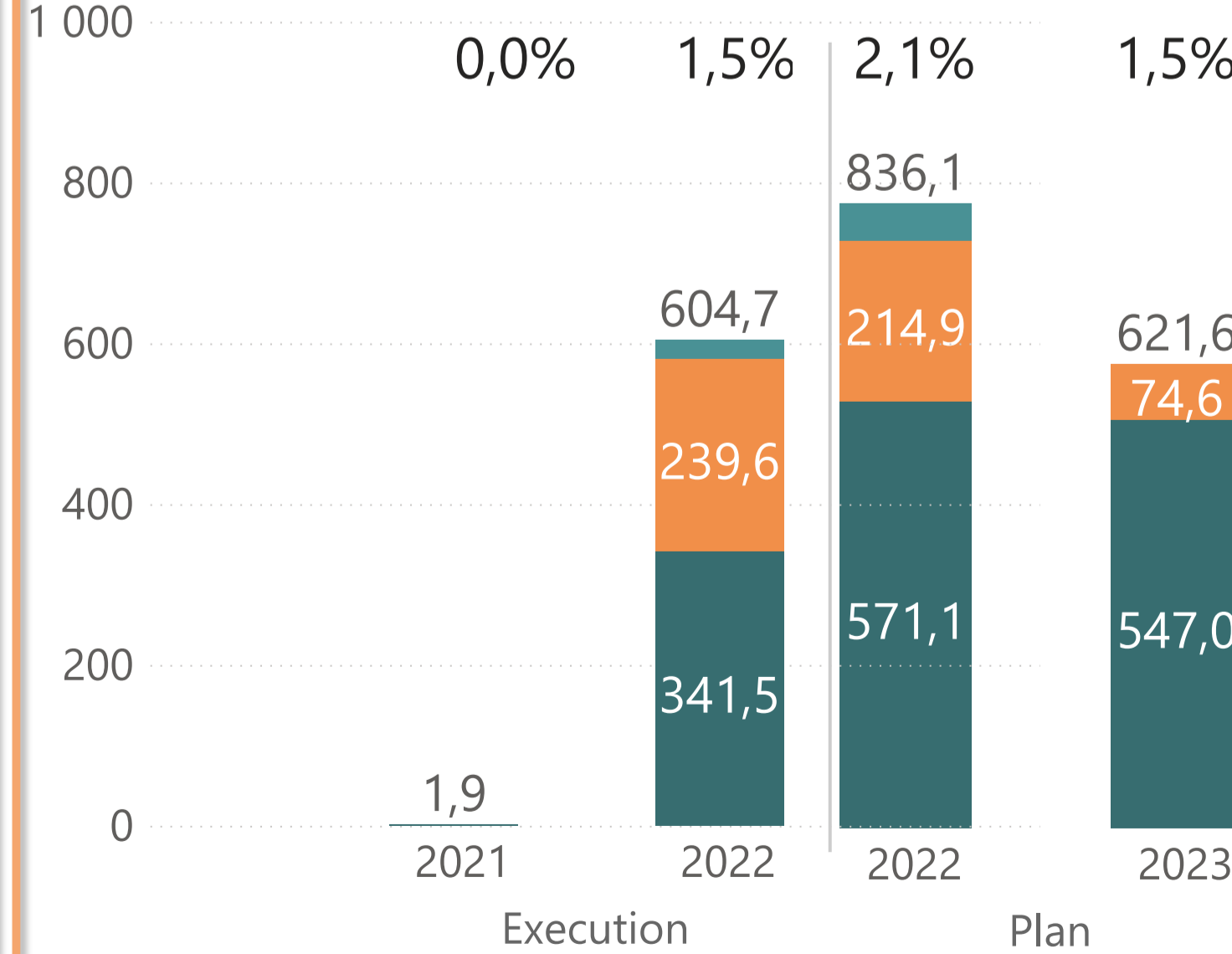


Impact on budget balance

| | 2020 | 2021 | 2022 | 2022 Plan |
|----------|--------|----------|--------|-----------|
| mln € | -960,8 | -2 102,8 | -795,7 | -827,8 |
| % of GDP | -3,2% | -6,2% | -2,0% | -2,1% |

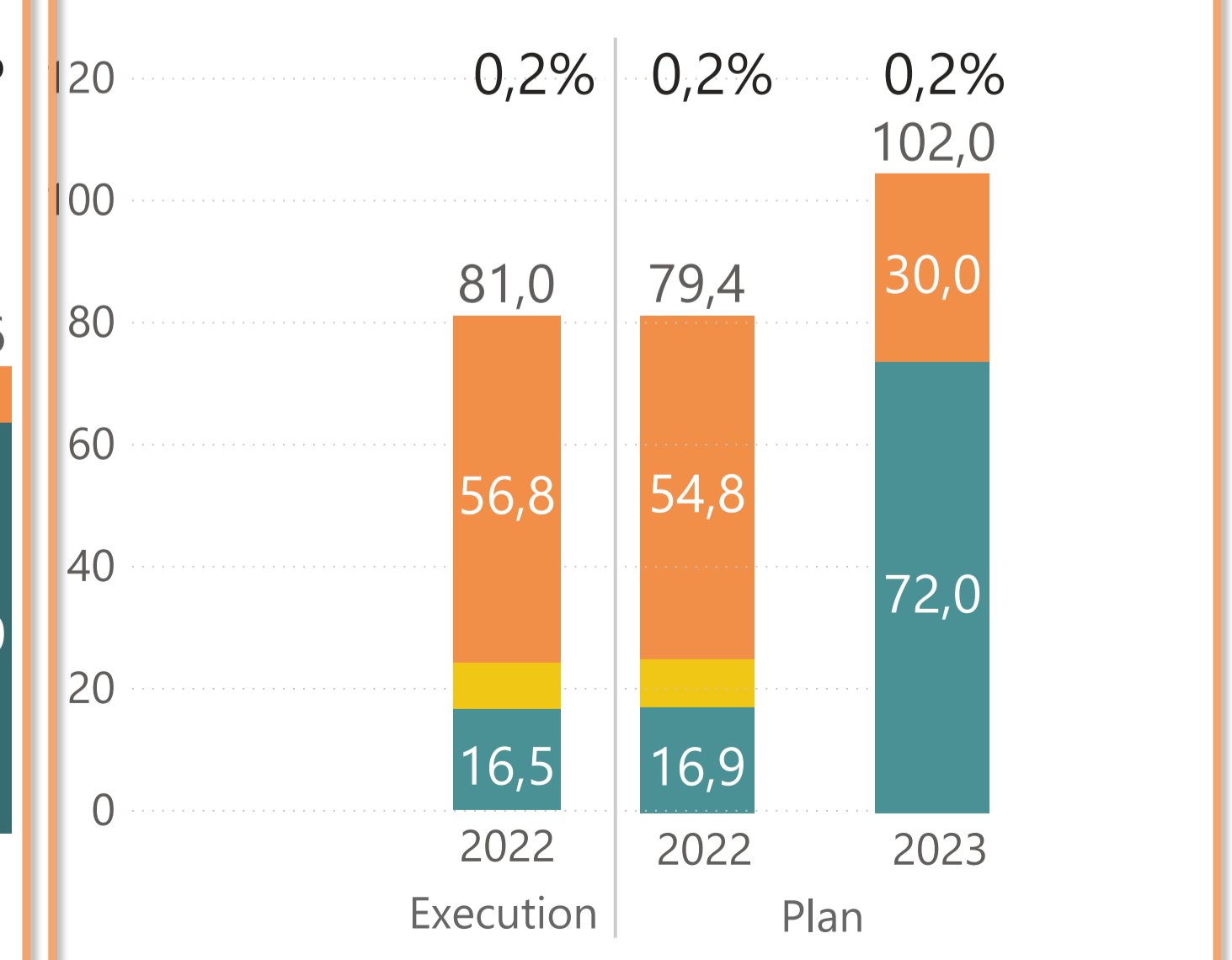
Loans and guarantees In the field of taxation Sectoral support Benefits Restructuring of EU funds

Energy support measures, mln € and % of GDP



Compensatory measures to reduce price increase Social benefits Support for the energy efficient businesses

Support to Ukrainian citizens, mln € and % of GDP



Other payments Payments to international organizations Transfers to local municipalities

Source: Plan according to the government decisions till January 13th, 2023. Execution according to data from the State Treasury, State Revenue Service, ALTUM, etc. till December 31, 2022.