

MONITORING REPORT N.10

04.11.- 15.12.2020.

SUMMARY

1. The second wave of Covid-19 is intensifying in Latvia, the Baltics and many European and world countries. In Latvia, the emergency situation, which was re-introduced from 9 November, envisages new support measures and an extension of the existing measures, which will affect the budget balance. The government has started work on a Strategy for the necessary set of measures to manage the spread of Covid-19 infection for 2020-2021. The FDP would like the government to be more proactive and quicker in addressing the effects of the second wave of the Covid-19 crisis.
2. Vaccination of the population has begun in the United States and the United Kingdom, and the European Medicines Agency is expected to give the 'green light' to the vaccine before Christmas, which will in turn trigger vaccination in EU Member States. However, various restrictions will remain in force at least in 2021, which will undoubtedly slow down economic dynamics. According to the Bank of Latvia's December forecasts, Latvia's GDP will decrease by 4.7% in 2020, but will increase by 2.8% in 2021.
3. After assessing the magnitude of the recession in the second quarter and the economic activity in the third quarter of the year, Latvian and international forecasters began to review the macroeconomic scenarios in an optimistic direction, compared to the spring estimates. In September, the Bank of Latvia's forecast for 2021 was also much more optimistic: the baseline scenario envisaged GDP growth of 5.1%, while a more cautious risk scenario was envisaged. FDP considered the forecast to be overly optimistic, pointing to the high probability of a second outbreak of Covid-19 in Europe. Due to the timeline of the budget planning process, the Ministry of Finance could not operatively change the forecasts; however, it had developed and presented to the government the scenario of the second outbreak of Covid-19, in which GDP growth was projected at 2% by 2021. If this scenario is fulfilled, in 2021 the GDP would increase by 700-800 million euros less, which would mean additional government borrowing and an increase in the deficit level.
4. On December 2, the Saeima passed the State budget law for 2021 in the final reading. The budget reflects government's fiscally conservative stance, but also has the social orientation, which is particularly important during the pandemic crisis. The general government deficit is projected at 3.9% in 2021, one of the lowest in the EU.
5. At its meeting on 10 December¹, the Council of the ECB decided to pursue a accommodative monetary policy, extending and deepening the pandemic emergency asset purchase program and keeping interest rates low as signs of inflation have not yet materialized.
6. The Multiannual financial framework of the European Union (EU) and the European Recovery Plan, which provides a total of 10.5 billion euros for Latvia, have finally been approved by the European Parliament. The FDP Council is ready to participate in the evaluation of the implementation of the European Recovery and resilience instrument in Latvia, for example, by assessing the impact of the submitted projects on economic growth and budget revenues.

¹ ECB press release available: : <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp201210~8c2778b843.en.html>, accessed 14/12/2020

7. In the third quarter of 2020, a number of positive signals were observed in the economy - a decrease in the unemployment rate, a return to capacity utilization of manufacturing enterprises at the beginning of the year and a resumption of export growth. Negative factors affecting the economy include the relatively stable deflation, which has been continuing since August, the decline in economic confidence and sentiment indicators both in Latvia and in trading partner countries, as well as the very weak performance of services exports, which has been going on since the second quarter.
8. The economy will return to a turbulent zone in the coming months, affected by the economic and social tensions associated with Covid-19. The current stabilization of economic indicators in the third quarter, as well as the economic recovery in the first available data for the fourth quarter, suggest that this year's economic performance will remain higher than previously projected. However, in the light of developments in both morbidity and social tensions, very clear government signals to the public about support measures are needed. The deteriorating level of economic confidence suggests an economic downturn in the first quarters of 2021.
9. Tax collection remains stable and the effect of the second Covid-19 wave is not yet felt. Based on the experience of the first wave, the largest drop in tax revenues can be expected around February. The budgetary impact of state support measures is estimated at € 1.7 billion, or about 6.2% of GDP in 2020.
10. In November, the amount of government debt reached 13.079 billion. euro, or 46.3% of projected GDP in 2020. The general government debt level is projected at 47.3% by 2020, which is relatively low and allows sound decisions to be taken to further stimulate the economy. At the same time, fiscal stimulus measures need to be targeted and geared to enhancing the potential of the economy. The economic potential is largely based on human resources, which in the current crisis can be supported both by maintaining jobs in companies and by strengthening access to healthcare and preventing an increase in the population's illness and mortality.

DETAILED ANALYSIS

1. Description of the general developments

The second wave of Covid-19 continues its victory march in Latvia, the Baltics and many European and world countries. In order to fight the pandemic, restrictions are being introduced that affect economic activity and growth. In Latvia, the emergency situation, which was re-introduced from 9 November, envisages new support measures and an extension of the existing measures, which will affect the budget balance. The Covid-19 vaccine has already been approved in the United Kingdom and the United States, and a vaccination period has begun in these and other countries. The European Medicines Agency will meet to decide on the accreditation of the vaccine on 21 December. This means that the vaccine in Latvia is expected only at the beginning of next year.

Latvia's economic development will also be influenced by international political developments. The political situation in the world has stabilized in some measure. The presidential elections in the US were won by more predictable and more internationally oriented Mr. Biden. There is still a lot of uncertainty in the UK-EU trade talks, and the likelihood of a hard Brexit is quite high. In such a scenario, the impact of Brexit on the economies of Latvia and the EU Member States could be significant. Popular unrest continues in Belarus, which does not want to accept the falsification of the presidential election results. The last two mentioned political events still have a potentially negative impact on the Latvian economy.

The Saeima has approved the state budget for 2021. The relatively conservative nature of the budget should be praised here, which, if necessary, could allow for an increase in expenditures without unduly jeopardizing the country's long-term fiscal sustainability. At present, it is quite clear that the second wave of Covid-19 will have a negative impact on Latvia's economic growth and fiscal situation in the 4th quarter of 2020.

At its meeting on 10 December, the Governing Council of the ECB decided to increase the total size of the Pandemic Extraordinary Asset Purchase Program by EUR 500 billion (up to EUR 1850 billion). It also extended the period of net acquisitions under the Program until at least the end of March 2022. It was also decided not to change the low interest rate on the refinancing operations, as well as the interest rate on the marginal lending facility and the deposit facility (0.00%, 0.25% and -0.50% respectively). The Governing Council stated that key ECB interest rates will remain at current or lower levels until the inflation outlook is steadily moving towards a level close to, but below, 2%.

After lengthy debates, disputes and compromises, the European Union's (EU) multiannual budget and the European Recovery Plan have finally been approved by the European Parliament. The agreement reached envisages that, for Latvia as a whole, approximately 10.5 billion euros in non-repayable aid will be available for economic development over the next seven years, which is a very significant amount. The FDP Council is ready to participate in the evaluation of the implementation of the European Recovery and Resilience Instrument in Latvia, for example, by assessing the impact of the submitted projects on growth and budget revenues.

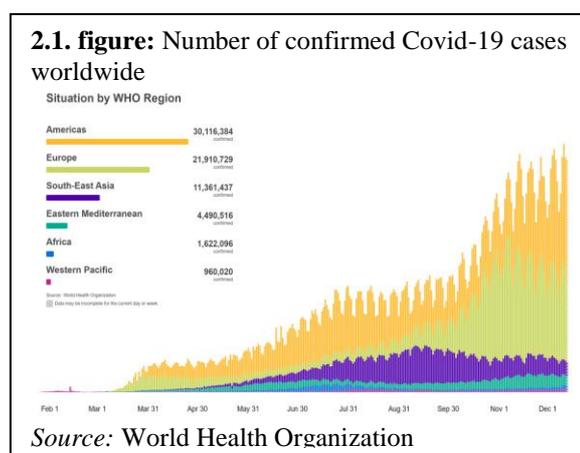
On December 10, the Constitutional Court pronounced a judgment in the case regarding the minimum amount of the old-age pension, which does not comply with Articles 1 and 109 of

the Satversme of the Republic of Latvia². However, without waiting for the court decision, at the end of 2020 the Saeima passed laws on increasing the state social security benefit and minimum pensions, thus the state budget for 2021 envisages a significant increase in the state social security benefit, including minimum pensions, providing additional expenses from the basic budget. The impact of this judgment on the state budget is currently being assessed in relation to persons who have applied to the court for the protection of their rights in accordance with the Administrative Procedure Law and for whom the administrative proceedings have not yet been concluded, but its impact is not expected to be significant.

2. Macroeconomic situation in Latvia

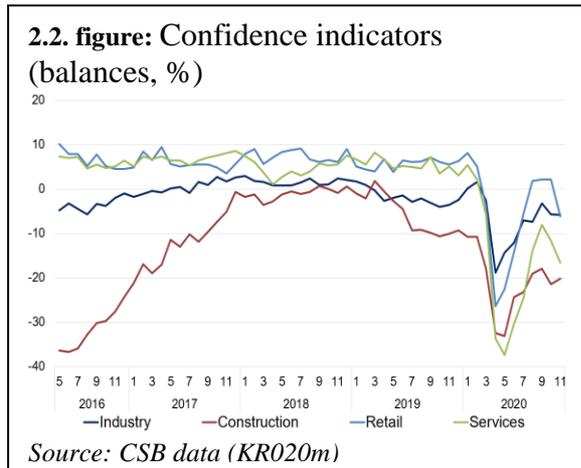
2.1. Economic Sentiment

Statistics from the World Health Organization show that more than 21 million cases of Covid-19 were confirmed in Europe on 13 December, higher incidence recorded only in USA. In Latvia, too, morbidity and the number of deaths continue to rise, and the state health care system meets up with the unprecedented burden. The functionality of the health care system is primarily related to the security of the population regarding the availability of vital services. The threat to the capacity of the health care system can be assessed as a threat to national security. The CSB has published alarming statistics on the increase in population mortality. According to the latest data compiled by the CSB, the number of deaths in 11 months of this year has increased by 1% compared to the corresponding period last year, and the number of deaths in November is 16% higher than a year ago³. Social tensions arising from conditions of general insecurity, undermine confidence in government reaction and may cause ineffectiveness of future decisions on necessary security measures, which will lead to even greater morbidity. Social tensions are reflected in the indicators of the economic sentiment of both entrepreneurs and households, which will be reflected in GDP performance in the future. While decisive and timely reaction enabled the first wave of Covid-19 to be contained relatively quickly and successfully, as evidenced by the Q3 economic performance, the challenges ahead call for even more decisive and coordinated government action to restore public confidence and economic growth. Confidence indicators fell again in November, with the sharpest decline compared to October observed in the retail sector, followed by the services and consumer sectors. During this time, both the second outbreak of Covid-19 and the forthcoming package of related



² Judgement available: <https://www.satv.tiesa.gov.lv/press-release/normas-kas-noteic-vecuma-pensijas-minimalo-apmeru-neatbilst-satversmes-1-un-109-pantam/>, accessed 14.12.20

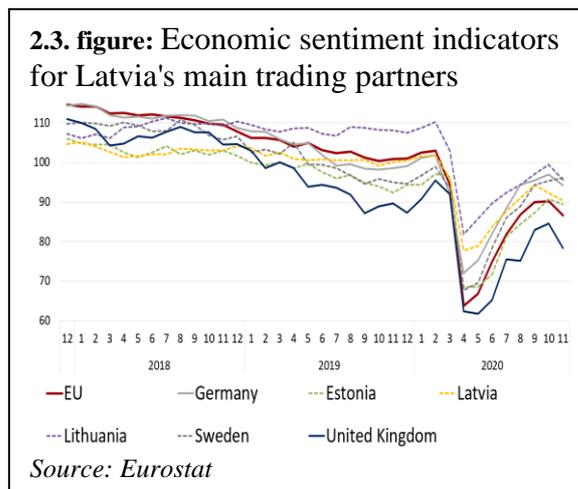
³ [Number deaths in November 2020 | Central Statistical Bureau of Latvia \(csb.gov.lv\)](#)



restrictive measures began to have a direct impact on business and consumer sentiment. This impact is expected to increase further in the retail sector, due to trade restrictions imposed in December, as well as in the services segment, especially in the tourism and catering segments. The decline in confidence in the industrial sector has not increased significantly since October, and the construction sector has also seen a very small improvement in sentiment, but in both sectors the confidence indicators are generally negative throughout the year, with the lowest performance in construction. Overall,

confidence indicators have fallen historically low this year, with a rapid recovery at the third quarter and a repeated decline in the last months of the year, without returning to the indicators of the beginning of this year.

Entrepreneurs from Latvia's main trading countries have also reacted to the Covid-19 outbreak and sentiment indicators have fallen, but unlike Latvia, the decline in partner countries is less rapid and began later than in Latvia; surprisingly in Sweden, it continued to grow minimally. Compared to October, the sharpest decline in economic sentiment was observed in the United Kingdom, as well as in Lithuania and Germany, which in turn correlated with the rapid morbidity rates in these countries. In the European Union as a whole, the economic sentiment indicator has decreased by 3.6%. And yet, the decline in sentiment in the EU and other trading partners is not comparable to the situation in April. This shows both the impact of the support measures adopted by governments and the availability of vaccines in the foreseeable future, which will allow the economic activity of citizens and businesses to return to normal.



2.2. Updated GDP estimate in the third quarter and revision of forecasts

On 30 November, the CSB published updated data on GDP results for the third quarter. GDP at current prices in the third quarter of 2020 was 7 801.0 billion EUR. The decline reached 2.6%, so the result was 0.5% higher than in the previously published preliminary assessment. The results of the third quarter GDP were most positively influenced by the results of the agriculture, forestry and fisheries sectors (+ 6.3%), as well as by the health and social care sector (+ 5.1%), trade (+ 1.7%) and manufacturing (+ 0.1%). At the same time, the three worst-affected sectors are accommodation and food service activities (-28.6%), arts entertainment and cultural services (-22.4%), and transport and storage services (-14.7%).

Considering the expected economic performance in the third quarter of 2020, forecasters were optimistic in Latvian and international organizations and the macroeconomic scenarios were

revised optimistically compared to the spring estimates for the current year^{4,5,6,7}. At the same time, some forecasters cut their forecasts for the coming years.

2.4. figure: Forecasts of macroeconomic indicators by various institutions

Real GDP %	2020 (Apr-Jun)	2020 (Sep-Dec)	Difference from the previous forecast	2021
MoF	-7,0	-7,0	0,0	5,1
BoL	-7,5	-4,7	2,8	2,8
EK	-7,0	-5,6	1,4	4,9
IMF	-8,6	-6,0	2,6	5,2
Swedbank	-7,5	-5,0	2,5	3,1
SEB bank	-9,0	-4,6	4,4	4,3
AVERAGE	-7,8	-5,2	x	4,1

Inflation %	2020	2020 (Sep-Dec)	Difference from the previous forecast	2021
MoF	-0,2	-0,2	0,0	1,2
BoL	0,0	0,1	0,1	1,1
EK	0,4	0,3	-0,1	1,3
IMF	-0,3	0,6	0,9	1,8
Swedbank	0,1	x	x	x
SEB bank	0,3	0,3	0,0	1,9
AVERAGE	0,1	0,2	x	1,5

Unemployment rate %	2020	2020 (Sep-Dec)	Difference from the previous forecast	2021
MoF	10,5	10,5	0,0	9,8
BoL	9,6	8,2	-1,4	8,5
EK	x	8,3	x	8,0
IMF	8,0	9,0	1,0	8,0
Swedbank	9,5	x	x	x
SEB bank	10,5	9,2	-1,3	7,8
AVERAGE	9,6	9,0	x	8,4

Source: MoF, BoL, EC, IMF, Swedbank, SEB Bank

In September, the Bank of Latvia presented and discussed macroeconomic forecasts for the current and future years at a conference of economic experts. Some experts, including the FDP, assessed them as overly optimistic in the context of growth in the coming years, pointing to the high probability of a second outbreak of Covid-19 in Europe. Bank of Latvia (BoL) forecasts, on the other hand, did not send clear signals to the government about the risks of the second wave of COVID-19, and the need to prepare for them in time to support the healthcare sector. Already on 14 December, the BoL again changed the macroeconomic forecasts⁸, reducing the GDP growth forecast for 2021 to 2.8% instead of the previously forecasted 5.1%, but for 2020 the GDP forecast was left unchanged (-4.7%).

The Ministry of Finance will update its medium-term macroeconomic forecasts in early 2021⁹, in line with its work plan. The GDP forecast for 2021, approved in June 2020, is currently in force at 5.1%. Due to the specifics of the budget planning process, the Ministry of Finance cannot operatively change the forecasts, however, it has developed a scenario of the second outbreak of Covid-19, in which GDP growth is projected at 2% in 2020. In the case of this scenario, GDP in 2021 would decrease by 700-800 million euros which would mean additional borrowing and an increase in the deficit. The Ministry of Finance has warned the government of the existence of this scenario, as well as it is mentioned in the FDP surveillance report on the 2021-2023 budget framework¹⁰.

⁴ [Latvia's key economic data and forecasts | SEB banka](#)

⁵ [Swedbank economic review nov2020_eng_final.pdf \(swedbank-research.com\)](#)

⁶ [Report for Selected Countries and Subjects \(imf.org\)](#)

⁷ [ecfin forecast autumn 2020_lv_en.pdf \(europa.eu\)](#)

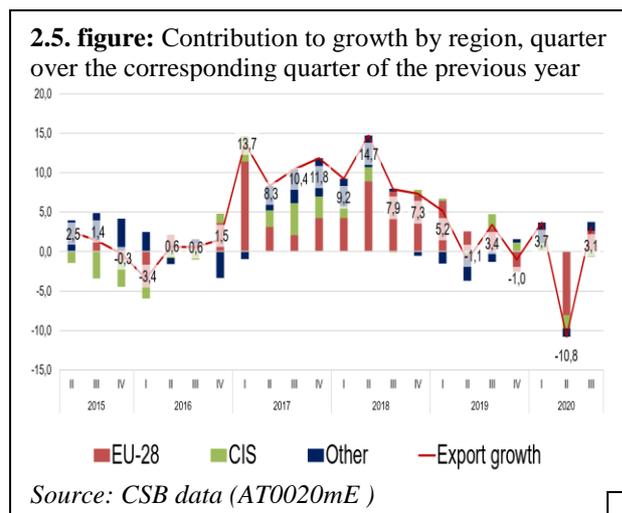
⁸ [Monetary policy - Forecasts \(bank.lv\)](#)

⁹ [15.06.2020. FDP viedoklis par Finanšu ministrijas makroekonomisko rādītāju prognozēm 2020. gadam un 2021-2023.gadam](#)

¹⁰ [surveillance-report-2021 \(fiscalcouncil.lv\)](#)

2.3. Foreign trade

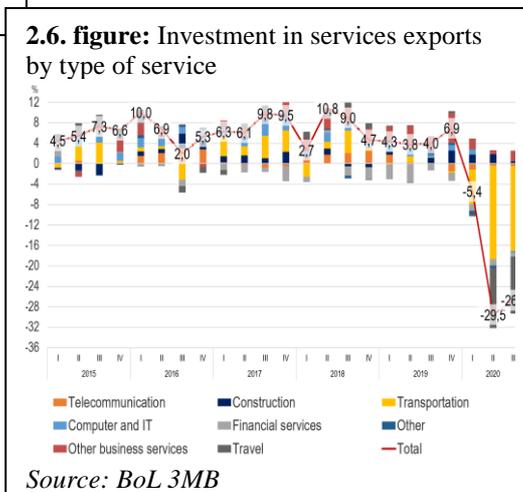
In the third quarter, Latvia's exports increased by 3.1% year-on-year, while the trade balance fell to (-7.8%) of GDP.



In the third quarter, the volume of exports to the EU countries increased by 2.6% and to other countries by 1.2% year-on-year. In turn, the volume of exports to the CIS countries decreased by 0.6%.

Exports of services continued to decline by 26.7% in the third quarter, and this situation remains for the second consecutive quarter. The services affected are mainly related to the movement of goods or people - the decline in transport services is 16.6% and the decline in travel services is 11.1%. An increase is observed in exports of *other*

economic services by 2.1% and in exports of construction services by 0.3%. According to latest data published by the CSB, in the first months of this year, Latvia's foreign trade turnover at current prices reached 23.08 billion EUR, which is 963.3 million EUR or less than in the corresponding period of 2019. The value of exports amounted to EUR 10.77 billion (a decrease of EUR 27.8 million or 0.3%), while that of imports amounted to EUR 12.31 billion (a decrease EUR 935.5 million or 7.1%).¹¹.



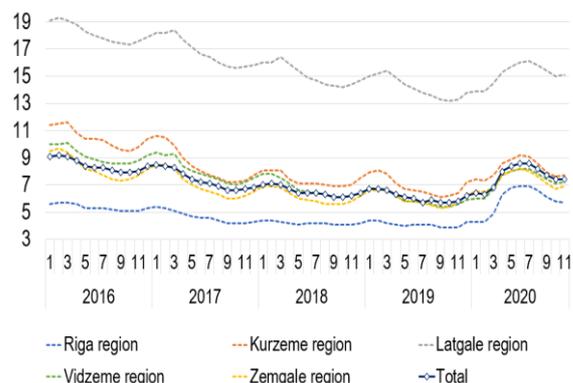
the
ten
4%
of

2.4. Labor market and wages

In October, the number of unemployed people aged 15 to 74 reached 77.9 thousand, of which more than 42 thousand were men and 35 thousand were women. Thus, the unemployment rate reached 8% in October, according to the CSB data.

¹¹ [Foreign trade of Latvia in October 2020 | Central Statistical Bureau of Latvia \(csb.gov.lv\)](https://www.csb.gov.lv)

2.7. figure: Unemployment rate dynamics by regions (%)



Source: SEA data

Looking at the State employment agency registered unemployment data by regions, it can be seen that despite the sharp rise in the unemployment rate from April to June, it stabilized in the following months and started to decrease gradually in August, but returned close to April rates in November.

According to the CSB data, in the 3rd quarter, compared to the corresponding period of the previous year, the average monthly gross wage for full-time work increased by 5.9% or 64 euros, reaching 1147 euros. Compared to the 2nd quarter of

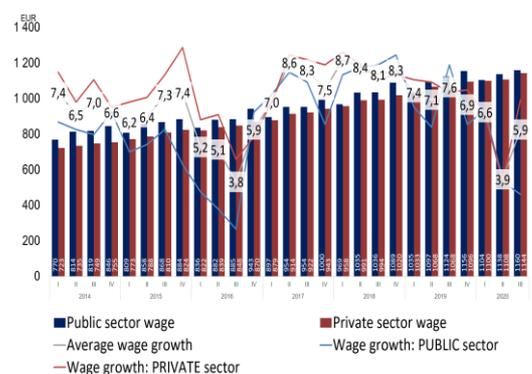
2020, gross wages and salaries increased by 2.7%.

In the 3rd quarter of 2020, the average monthly gross wage in the private sector was 1144 euros, and during the year it increased by 7.1%.

In the public sector, the average wage was 16 euros higher (1160 euros) than in the private sector, but its annual growth rate was twice as slow (3.3%).

In the general government sector, which includes state and local government institutions, as well as state and local government controlled and financed capital companies, the average wage increased to 1125 euros or by 4.1%.

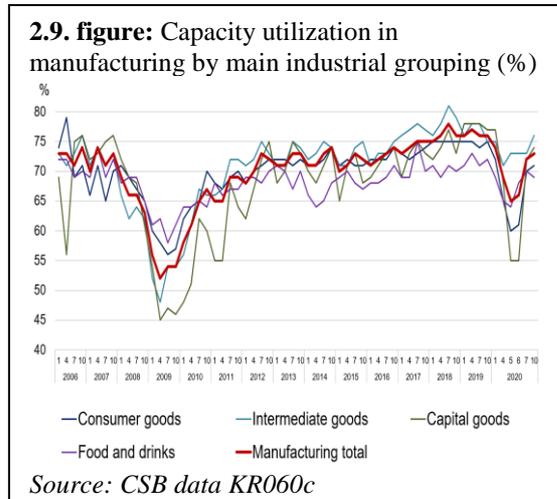
2.8. figure: Average gross wage and annual wage growth (increase over the corresponding period of the previous year)



Source: CSB data (DS020c)

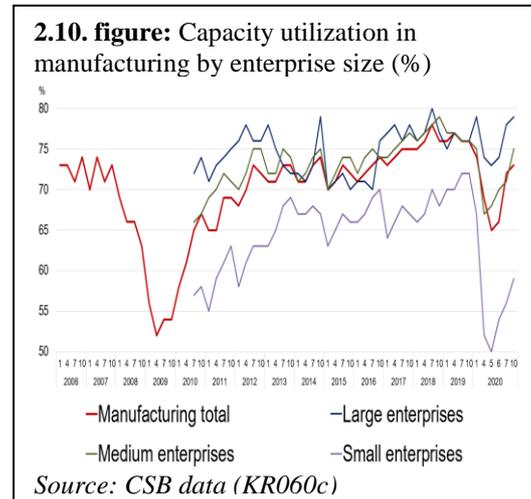
2.5. Capacity utilization

Capacity utilization in manufacturing companies, after declining in the second quarter, has

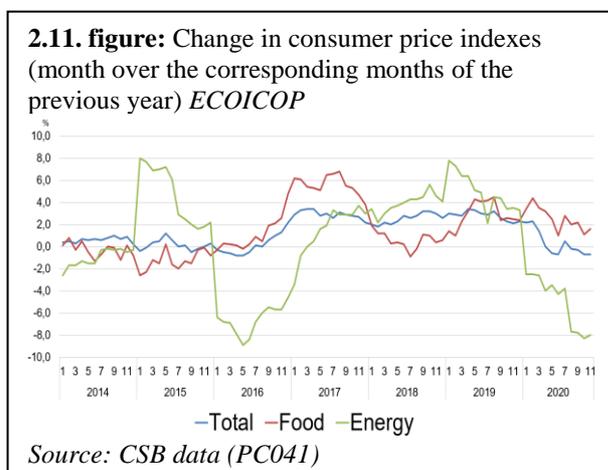


returned to the beginning of this year levels, according to October data. This result correlates with the contribution of manufacturing to GDP in the third quarter and also with employment rates. This indicator shows the ability of manufacturing sectors to reverse a deeper economic downturn, even at a time when service sectors are suffering severely. Manufacturers have also been able to ensure a return to export growth. In October, the highest capacity utilization was 76% in the intermediate goods sector. Capacity utilization recovered unevenly by enterprise size group. The small business segment, which is the most

widely represented in the Latvian economy, had suffered the most. Besides, the opportunities for these companies to obtain state aid were not always sufficient. Nevertheless, growth in this segment also recovered sufficiently rapidly, with a load of 59% already in October, which indicates the competitiveness of companies and the ability to adapt to conditions of very high uncertainty. In general, when planning an economic recovery strategy, it is the manufacturing sector that could be one of the priorities, which would allow introducing innovations, increasing productivity and the country's export capacity.



2.6. Consumer price dynamics

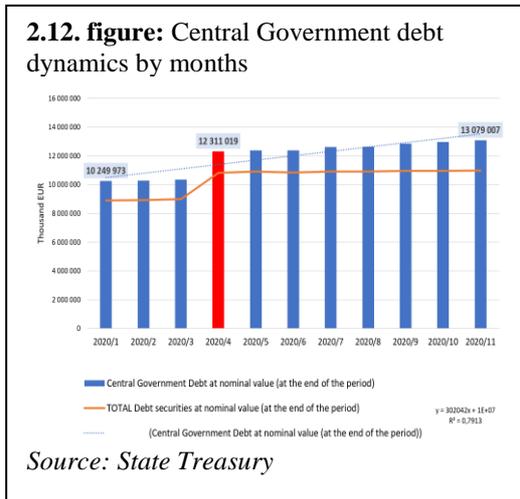


Deflation of the consumer prices was observed since August. In November, as in October, compared to the corresponding months of the previous year, consumer prices fell by 0.7%. However, consumer price trends are rather uneven across segments. The biggest impact on the changes in the average consumer price level in November 2020, compared to November 2019, was the fall in prices for housing-related goods and services, including energy, gas, fuel prices, as well as transport-related goods and services, clothing and footwear.

On the other hand, prices increased in such segments as food and non-alcoholic beverages, goods and services related to recreation and culture, health care, alcoholic beverages and tobacco products, restaurant and hotel services.

2.7. Debt dynamics

According to the currently collected data of the CSB, the amount of general government debt in the second quarter of 2020 was 12.755 billion euros, or 45.2% of GDP projected in 2020.

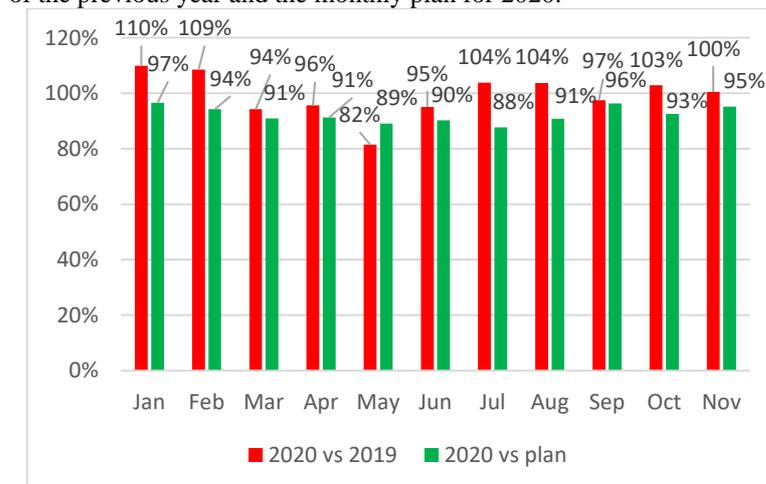


The operational data of the Treasury show that in November the amount of central government debt reached 13.079 billion euros, or 46.3% of projected GDP in 2020. The Treasury forecast for the general government debt level for 2020 is 47.3%, which is an achievable indicator, and Latvia's debt level is relatively low. From the fiscal discipline perspective, it is negative that the debt level was not significantly reduced during the economic growth stage, thus creating reserves for the crisis. At the same time, understanding the challenges of the current crisis, it is necessary to use borrowed funds purposefully in order to strengthen the potential of the economy and to be able to recover economic growth as quickly as possible.

3. Tax revenues

The amount of taxes collected in November is about the same as a year ago (Figure 3.1). Due to the start of the second wave of COVID-19 and the increase in infection rates, such outcome cannot be considered poor, especially when compared to the spring months when the first wave started. The tax collection plan for November was fulfilled by 95%, which is the third best

Figure 3.1. Tax revenue dynamics compared to the corresponding period of the previous year and the monthly plan for 2020.

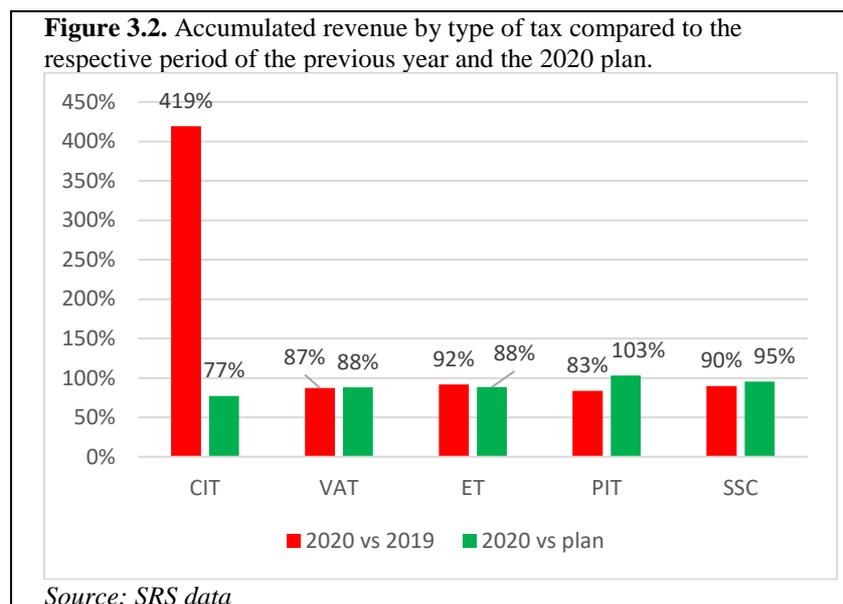


Source: SRS data

result after January and September during this year. Based on the experience of the first Covid-19 wave, if the spread of the virus during the second wave is similar, the lowest point of tax revenues could be in February 2021. It is already clear that the 2020 tax collection plan will not be met.

Considering the results of accumulated tax collection by type of tax, it can be seen that the

collection of each tax type has decreased in the first 11 months of 2020 compared to the same period of 2019 (Figure 3.2). The only exception is CIT, which rose sharply due to the tax reform; however, this was already reflected in the tax collection plan. The CIT plan was fulfilled only by 77%, which is the worst indicator among all types of taxes. The only tax type that exceeded accumulated collection plan was PIT. Although it has the largest

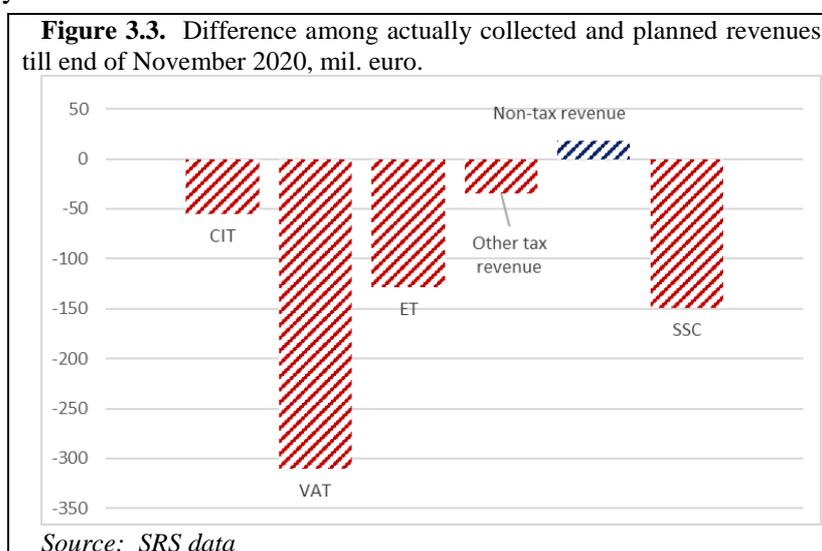


drop compared to the amount collected at the end of November 2019, the government managed to forecast the collected amount of this tax most accurately.

Considering the absolute difference between actual and planned tax revenues, it can be seen how much absolute taxes the government did not receive as planned (Figure 3.3). The biggest drop is in the VAT tax, which was collected by 300 million less than planned. There is also a significant reduction in SSC and excise tax, which were collected by less than about 150 and 125 million euros respectively.

A relatively small decrease is observed in CIT and other tax revenues, which together does not exceed 100 million euros. It should also be noted that the non-tax revenues increased slightly compared to the plan.

Overall, it can be concluded that due to Covid-19, the tax collection situation has deteriorated this year compared to the previous year, and tax collection will not reach the



plans of 2020. However, the end of November shows that the situation is gradually improving compared to spring when tax collection was much lower after the crisis. Due to the government's adoption of measures restricting economic activity to stop the second wave of Covid-19, tax collection is expected to deteriorate in the coming months.

4. Detailed analysis of economic support measures from a fiscal point of view

In response to the second wave of Covid-19, the government declared a state of emergency on November 6, 2020. It is clear that with the intensification of the second wave of Covid-19, the government will be forced to impose more and more restrictions, which will necessitate new support measures that will affect both the 2020 and 2021 budget balances. For example, at the November 10 meeting, the Cabinet of Ministers approved downtime benefits and subsidized salaries for part-time employees - employees of Covid-19 affected companies, the self-employed, as well as patent payers from 9 November this year to 9 January 2021. This time the range of potential beneficiaries and the amount of support is larger, and it is estimated that downtime benefits will cost the state budget around 150 million euros. At the same meeting, a grant program for companies affected by the crisis was approved to ensure the flow of working capital, which will cost the state budget 30 million euros by the end of the year. The government has adopted urgent amendments to the Law “On Maternity and Sickness Insurance”, extending the payment of sickness benefit from the state budget until the middle of next year in cases when a person has been diagnosed with Covid-19 or quarantine has been established. At the same time, situations in which the state pays for incapacity for work sheets have been expanded. The deadline for tax support measures and Altum instruments for entrepreneurs has been extended.

The government has started working on a Strategy for the necessary set of measures to manage the spread of Covid-19 infection for 2020-2021. The first draft of the strategy envisages that more than € 250 million will be allocated to health sector over the next two years. There is no doubt that the implementation of this strategy will have a significant impact on the state budget balance in the coming years. The Council notes that the measures included in the strategy must be aimed at addressing the consequences of Covid-19.

The FDP has grouped the support measures according to the main beneficiaries of the measures (Table 4.1). Grouping and calculations are both approximate and interpretations may vary. For example, the beneficiaries of subsidized jobs are both workers (who are not fired) and employers (cheaper labor), but the table nevertheless gives an idea of the amounts of aid and its beneficiaries.

Table 4.1. MoF and FDC estimates of the support measures impact on the State General Budget Balance (GGBB) in 2020 and 2021.

Measure	GGBB 2020/2021 (mil. euro) *	Redistribution of EU funds (without affecting GGBB)	Measures with no effect on GGBB	Total	Proportion of total support %
Aid to the population and the workforce	328.1	30.7	0.0	358.8	10.7%
Downtime (including assistance) allowance	152.3	0.0	0.0	152.3	4.6%
Different types of benefits – unemployment, families, children, etc.	17.4	26.4	0.0	43.8	1.3%
Human capital and demography	15.4	4.3	0.0	19.7	0.6%
Subsidized employment, support to exporters and tourism	143.1	0.0	0.0	143.1	4.3%
Aid to entrepreneurs	482.6	198.0	815.0	1495.6	44.8%
Extension of tax payment deadlines**	164.1	0.0	0.0	164.1	4.9%
ALTUM working capital loans	100.0	59.8	150.0	309.8	9.3%

ALTUM guarantees and investments	90.0	35.0	665.0	790.0	23.7%
Aid to the road sector	75.0	0.0	0.0	75.0	2.2%
International competitiveness support	0.0	62.5	0.0	62.5	1.9%
Aid to agricultural and food production companies	53.5	40.7	0.0	94.2	2.8%
Aid to state companies and sector	938.4	518.8	28.0	1485.1	44.5%
Aid to the air transport industry	310.4	0.0	0.0	310.4	9.3%
Aid to passenger and freight carriers	75.4	303.0	0.0	378.4	11.3%
Aid to the healthcare sector	266.3	72.4	0.0	338.7	10.1%
Aid to the cultural and sports sector	39.6	0.0	0.0	39.6	1.2%
Aid to municipal investments	122.0	0.0	28.0	150.0	4.5%
Aid to education sector	34.0	45.0	0.0	79.0	2.4%
Other, including private and public media	90.7	98.3	0.0	189.1	5.7%
TOTAL	1749.0	747.5	843.0	3339.5	100.0%
Of GDP (28194 mil. euro)	6.2%	2.7%	3.0%	11.8%	
*MoF data and FDC calculations					
** The calculations take into account the planned repayment of tax debts in the coming years					

Considering the state aid by sector, the largest part of support measures will also be disbursed from EU funds. The passenger and freight sectors, the air transport sector and the healthcare sector have the highest rates of support. In early December, the government decided to provide additional funding to the health sector. Recent events suggest that the healthcare sector may need to increase its support further to increase its capacity, as the number of Covid-19 cases is still rising.

Although the support instruments approved by the government are adequate for today's situation, the FDC would like the government to be more proactive and quicker in dealing with the effects of the crisis. The rapid and effective use of the European Recovery and Sustainability Mechanism over the next two years to strengthen the potential of the Latvian economy, in line with the priorities set by the EU, remains one of the government's priorities for economic recovery.

Chairwoman of the Fiscal Discipline Council
Inna Steinbuka