



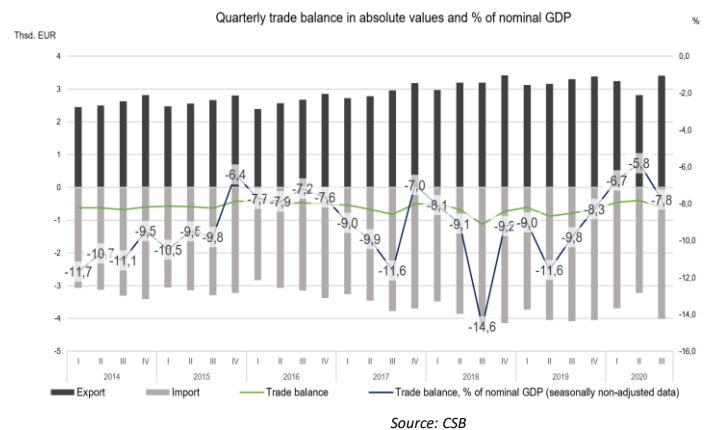
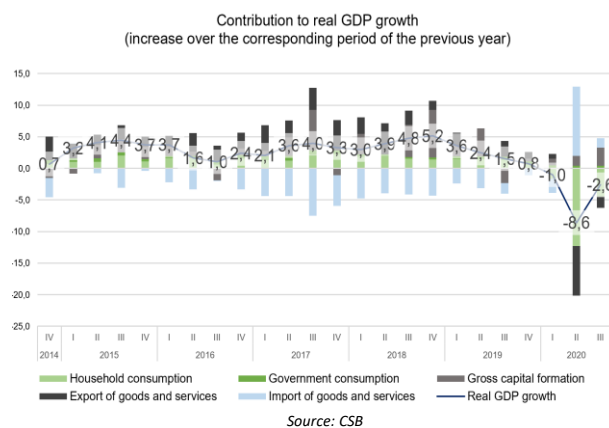
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## Quarter III of 2020 monitoring of macroeconomic indicators

GDP at current prices in the 3rd quarter of 2020 was 7 801.0 billion EUR, the decline reached 2.6%. A positive contribution to GDP was made by an increase in investment (2.9%) and government consumption (0.4%) compared to the third quarter of 2019. Looking at changes in GDP by kind of activity, the quarterly result was positively influenced by the results of the agriculture, forestry and fisheries sectors (+6.3%), health and social care (+5.1%), trade (+1.7%) and manufacturing (+0.1%). At the same time, the three most negatively affected sectors are accommodation and food service activities (-28.6%), arts entertainment and cultural services (-22.4%), and transport and storage services (-14.7%). In the third quarter, exports increased by 3.1% year-on-year, while the trade balance fell to -7.8% of GDP.

Macroeconomic indicator (seasonally adjusted)	2018 actual data				2017	2019 actual data				2018	2020 actual data				2020	Forecast (15.06.2020 <sup>1</sup> )				2020 comparison to forecast
	I	II	III	IV		I	II	III	IV		I	II	III	IV		2020	2021	2022	2023	
Real GDP growth	3.0%	3.9%	4.8%	5.2%	4.0%	3.6%	2.4%	1.5%	0.8%	2.1%	-1.0%	-8.6%	-2.6%	-	-	-7.0%	5.1%	3.1%	3.1%	Higher than forecasted
Nominal GDP growth	7.0%	7.9%	8.7%	9.3%	8.1%	7.4%	5.4%	3.8%	2.1%	4.5%	-0.1%	-9.5%	-3.1%	-	-	-7.4%	6.5%	5.3%	5.2%	Higher than forecasted
Inflation (CPI)	2.0%	2.4%	2.9%	2.9%	2.5%	2.9%	3.3%	2.9%	2.2%	2.8%	1.9%	-0.4%	0.0%	-	-	0.2%	1.2%	2.0%	2.0%	Lower than forecasted
GDP deflator	3.7%	3.8%	4.1%	4.0%	3.9%	3.5%	2.8%	2.2%	1.4%	2.4%	1.0%	-1.1%	-0.5%	-	-	-0.5%	1.3%	2.0%	2.0%	Forecast fulfilled

Source: CSB, FDC, MoF.



### Advantages of economic growth in 2020 Q3

The quarterly average confidence indicators by industry were negative. The lowest indicator (-20.1%) was observed in construction, consumer confidence is also very low (-15.9%). Confidence of service providers did not return to positive indicators, despite the reduction of restrictions and the resumption of economic activity, it remained at an average (-15.5%). Negative confidence indicators, however, higher than in other sectors, are in the industry and (-5.9%) and retail sector (-0.5%).

The unemployment rate stabilized at 8.8% in July and began to fall to 8.6% and 8.3% in August and September, respectively.

The average monthly gross wage for full-time work increased by 5.9% or 64 euros, reaching 1147 EUR. On the other hand, compared to the second quarter of 2020, gross wages increased by 2.7%, which is positive from the point of view of consumption, but from the point of view of economic competitiveness is a limiting factor, especially for employers currently working in high uncertainty.

The increase in retail trade turnover was observed in the amount of 3.3% on average. This was ensured by a steady increase in turnover in food and non-food retail trade, as well as a resumption of growth in motor fuel trade.

Capacity utilization in the manufacturing industry, according to the CSB October data, has started to return to this year January rates. Overall, capacity utilization reached 73%, compared to 74% in January. The capacity utilization of small enterprises is improving but still lags behind the indicators of the beginning of the year. The capacity utilization of small enterprises was 67% in January and 59% in October.

Manufacturing output increased by 2.1% in the third quarter. The increase in wood industry production by 2.1% and the production of chemicals and chemical products by 0.7% made a positive contribution to the growth.

### Disadvantages of economic growth in 2020 Q3

In the third quarter, the average level of consumer prices decreased, with deflation observed in August and September. However, consumer prices have not fallen steadily, but prices have fallen in some consumer segments, with prices falling sharply for insurance, accommodation services, personal vehicle operating costs, house rents and electricity, gas and other fuel costs.

The Bank of Latvia's data show that in the third quarter of 2020, the decline in services exports continued, falling by 26.7%, and this situation persists 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%.

In the third quarter, compared to the corresponding quarter of the previous year, the volume of cargos in road and rail transport decreased by 21%. Rail transport turnover in III quarter decreased by 12.4%, and the decline observed also by 8.6% in land transport. The contribution of Latvian ports to cargo turnover showed a decline of 29%. The decrease in cargo turnover in the port of Riga was 13% and in the port of Ventspils - 15%.