



Fiskālās disciplīnas
padome

REVENUES

The Covid-19 crisis continues, and **during the first quarter of 2021 general government consolidated budget revenue increased by 0.7% compared to the corresponding quarter of 2020, reaching 2.8 billion euros.** Tax revenue decreased by 0.3% year-on-year in the first quarter, while non-tax revenue decreased by 2.5%. At the same time, own revenues decreased by 7.1%. Foreign financial assistance increased by 9.6% year-on-year. Tax revenue plays the largest role in the revenue structure of the consolidated budget, accounting for 76.9% of total revenue. Their share decreased by 0.8% compared to the 1st quarter of 2020.

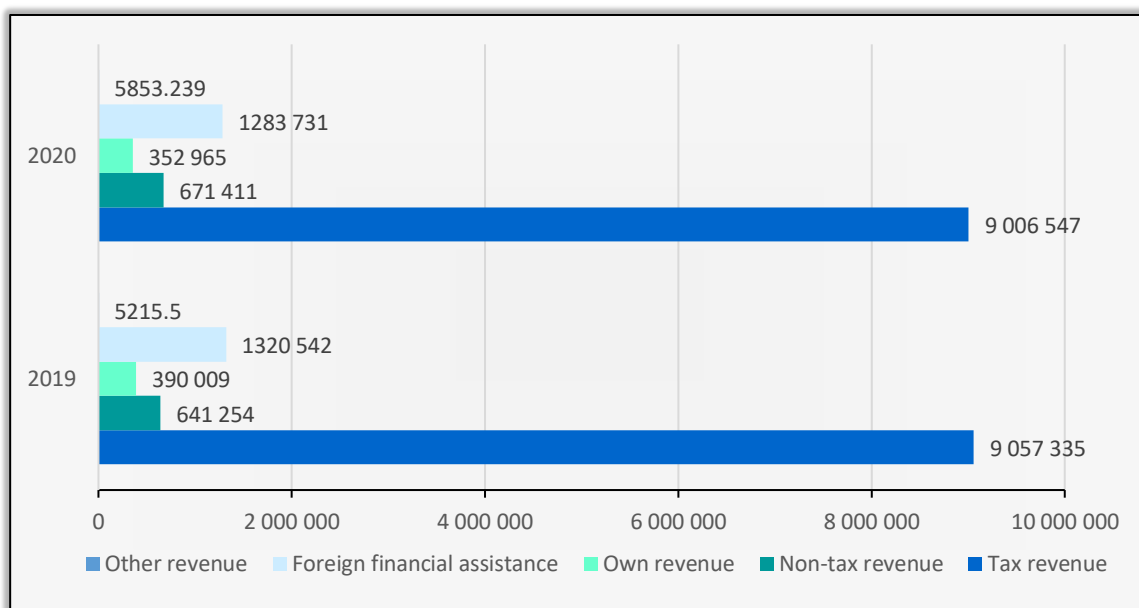


Figure 1. Consolidated budget revenue in 3 months (thou. euros). Source: Treasury

Overall, the absolute figures show that revenues in the first quarter of 2021 decreased slightly compared to 2020, possibly due to the fact that the 2nd wave tax shock took place in February-March. However, given that the second wave shock is a one-off measure and the situation needs to improve in the near future, the total revenue in the first quarter remained at approximately the same level as in the corresponding period of the previous year, the results are satisfactory.

Due to the fact that since January 1, 2021, the SRS started the transition process to the unified system of accounts, tax revenue data are not fully divided by tax groups, therefore the tax analysis is not representative and the FDC does not publish it.

EXPENDITURE

In the first quarter of 2021, general government consolidated budget expenditure increased by 22.75% compared to the corresponding period of 2020, reaching 3.3 billion euros. The largest percentage increase was in social benefits, which increased by 60.6%, while subsidies and grants increased by 12.5%. Expenditure on EU and international cooperation increased by 24.1%. However, this phenomenon is not surprising - during the Covid-19 crisis, the state provided support to a number of risk groups affected by the crisis. The share of subsidies, grants and social benefits totals 60% of total expenditure.

There was a decrease in capital expenditure, which decreased by 12.6%. Given that investment traditionally falls during the crisis, and at the end of 2020 – beginning of 2021 the second Covid-19 wave was most noticeable, this phenomenon was expected. There is a decrease in expenditure on goods and services (-5.4%) compared to the 1st quarter of 2020. In addition, the share of this type of expenditure also decreased (-2.8%). Compared to the corresponding period of 2020, claims expenses increased (6.8%), however their share decreased (-1.7%).

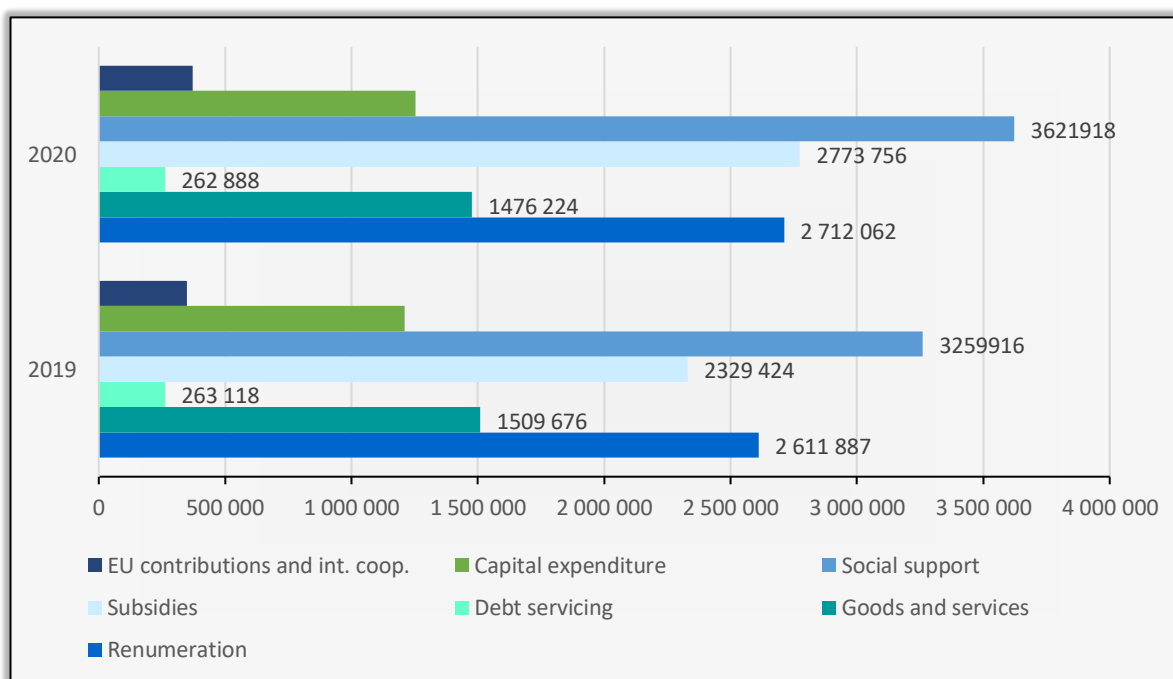


Figure 2. Consolidated budget expenditure in 3 months of 2020 and 2019 (thou. euros). Source: Treasury

BALANCES

Data for the first quarter of 2021 show a budget deficit of € 526 million, or 1.7% of GDP. Compared to 2020, after the first quarter there was a significant small budget deficit of 71.4 mil. euros or 0.3% of GDP. This increase was due to the implementation of government support programs, which resulted in increased social support. According to projected data for the 2021 budget, the consolidated budget deficit is projected at around € 2 billion. Recent data on support measures show that it is already planned to spend € 1.8 billion in 2021. It is not yet clear what the situation will be in the second half of the year, so there is a possibility that new support measures will be adopted the projected deficit will be exceeded.

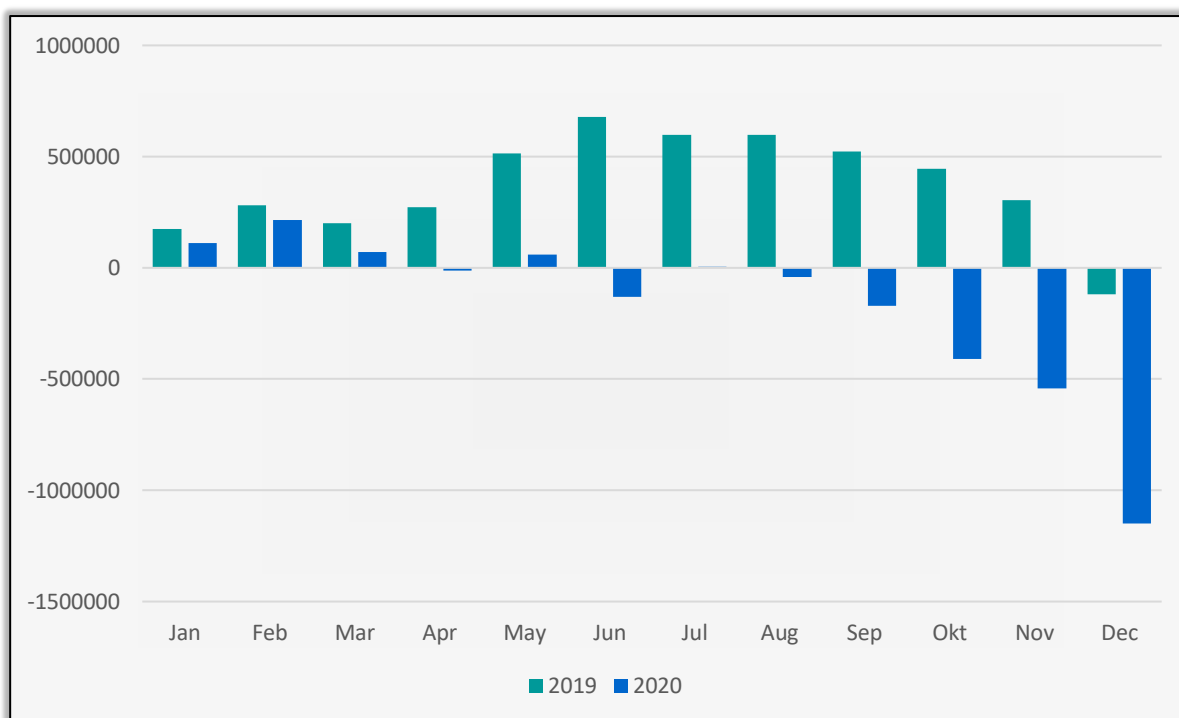


Figure 3. Consolidated budget balance (mil. euros) accrued values at end of month. Source: Treasury