



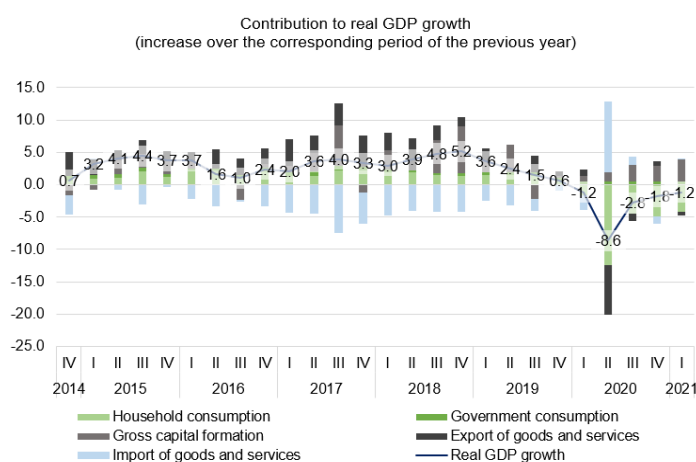
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Quarter I of 2021 monitoring of macroeconomic indicators

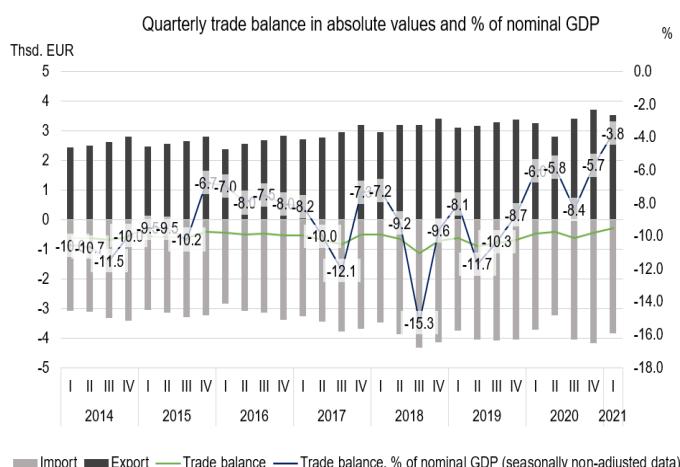
According to data published by the CSB, real GDP in the first quarter of 2021 was 6.681 billion euro. Compared to the 1st quarter of 2020, GDP dropped by 1.2% (seasonally adjusted data), but compared to the previous quarter, the decline reached 1.7%. Compared to the first quarter of 2020, household consumption (-4.3%) and exports (-0.5%) had a negative impact on the structure of GDP, while gross capital formation (3.4%) and government consumption (0.5%) had a positive impact. Changes in GDP by sort of activity, compared to 1st quarter of 2020 shows that the largest decreases were observed for accommodation and food services (-53.3%), arts entertainment and recreation services (36.2%), while the largest increases were observed for health and social work services (19.7%) and financial and insurance activities (15.2%). In the first quarter, consumer prices remained at the level of deflation (-0.1%).

Macroeconomic indicator (seasonally adjusted)	2019 actual data				2019	2020 actual data				2020	2021 actual data				Forecast (11.02.¹)				2021 comparison to forecast
	I	II	III	IV		I	II	III	IV		I	II	III	IV	2021	2022	2023	2024	
Real GDP growth	3.6%	2.4%	1.5%	0.6%	2.0%	-1.2%	-8.6%	-2.8%	-1.8%	-3.6%	-1.2%	-	-	-	3.0%	4.5%	3.2%	2.8%	Lower than forecasted
Nominal GDP growth	7.3%	5.3%	3.7%	1.9%	4.4%	-0.1%	-9.5%	-3.1%	-1.5%	-3.6%	1.1%	-	-	-	4.4%	6.4%	5.2%	5.0%	Lower than forecasted
Inflation (CPI)	2.9%	3.3%	2.9%	2.2%	2.8%	1.9%	-0.4%	0.0%	-0.6%	0.2%	-0.1%	-	-	-	1.4%	2.0%	2.0%	2.0%	Lower than forecasted
GDP deflator	3.4%	2.7%	2.1%	1.3%	2.2%	1.1%	-1.0%	-0.2%	0.3%	-0.2%	2.7%	-	-	-	1.4%	1.8%	2.0%	2.1%	Higher than forecasted

Source: CSB, FDC, MoF.



Source: CSB



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Advantages of economic growth in 2021 Q1

Manufacturing output in Q1 2021 increased by 6.2% compared to Q1 2020. The production of wood products (except furniture), as well as production of chemicals and chemical products, made a positive contribution to the growth, output increased respectively by 4.4%, and by 0.7%. Although manufacturing activity remained buoyant in the manufacturing sector against the background of the Covid-19 crisis, output in some segments declined in the first quarter, such as food production (-0.9%) and non-metallic mineral products (-0, 4%).

The volume of exports in the first quarter increased by 8.6% compared to the first quarter of 2020. Exports to the EU countries increased by 8.3%, but to the CIS countries by 0.5%, while exports to other countries decreased by -0.2%. In the first months of this year, the share of exports by main trading partner countries showed successful trade relations with the Baltic neighbours: 17.3% of exports were to Lithuania and 11.3% to Estonia. However, Russia (7.8%) and Germany (7.2%) were important trading partners during this period.

Retail trade turnover in March increased by 4.6% compared to March 2020, however, the average turnover decreased by -5.4% in the quarter. The quarterly result was most strongly affected by the January and February declines in non-food sales (-11%) and (-9%), respectively. This reflects strict restrictions on the range of non-food products. The situation improved rapidly in March, with a 2.1% increase in retail trade in fuel, a 1.7% increase in retail trade in non-food products and a 0.9% increase in turnover in food trade.

Disadvantages of economic growth in 2021 Q1

In the first quarter, the average confidence indicators were negative in all sectors: services (-22.8%), construction (-21.3%), consumer confidence (-19%), retail (-16%) and industry (-6%). This result was mainly due to the constraints and high uncertainty associated with Covid-19, as well as unfavourable weather conditions in the construction sector.

Deflation was observed in the first quarter, the average consumer price level decreased by 0.1%. However, the structure of consumer prices was uneven. It was in March that a significant rise in consumer prices was recorded for fuel (6.1%), although on average a decline was still recorded in the quarter (-3.7%). The first quarter saw an increase in consumer prices for leisure and cultural services (2.6% on average), driven by higher prices for audio-visual, photographic and information processing equipment and veterinary services. Prices for health care services also increased (2.5%), which was influenced by the increase in prices for specialist practice services and dental services. In the first quarter, prices decreased for clothing and footwear (-1.4%) and housing maintenance costs (-2.6%).

The unemployment rate averaged 8.2% in the first quarter and 8.3% in the same period of the previous year. At the same time, wages increased by 9.5% in the first quarter. Surveys of employers conducted by the CSB show that the restriction of staff availability is increasingly mentioned as a business limiting factor. Changes in the qualification level of the unemployed have also been observed, unemployment in the lower-skilled segment of the labour force is increasing, but the unemployment rate of higher-skilled workers is declining. In the 1st quarter, compared to the 1st quarter of 2020, the unemployment rate for men with higher education decreased by 4.1% and by 0.6% for women with higher education. Unemployment also decreased for women with vocational education (-0.2% p.) Unemployment has also decreased for women with vocational education (-0.2% points) and for women with secondary education (-1.9% points). In turn, among men, compared to the first quarter of 2020, the unemployment rate for men with secondary education increased by (12% points) and for men with basic education by (13% points).