



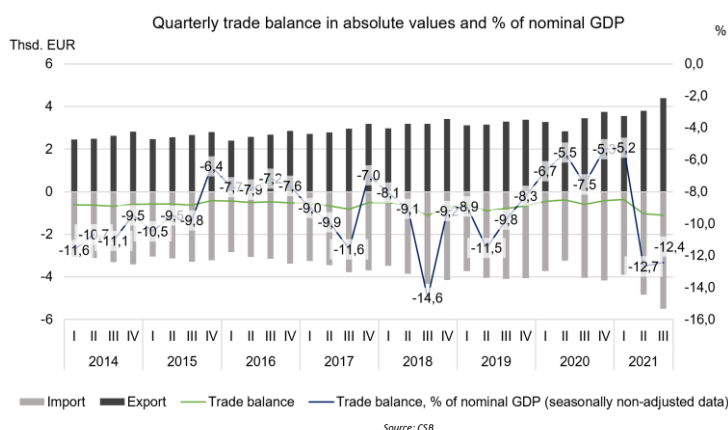
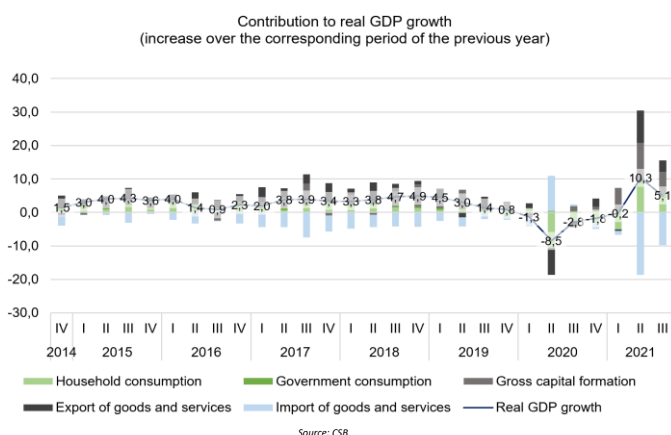
Fiskālās disciplīnas  
padome

## Quarter III of 2021 monitoring of macroeconomic indicators

According to data published by the CSB, the real GDP in the third quarter of 2021 was 7.042 billion euro. Compared to the third quarter of 2020, GDP grew by 5.1% (seasonally adjusted data), but compared to the previous quarter of this year, the growth was 0.6%. In the structure of GDP in the third quarter, the largest positive effects were given by investment (6.8%) and household consumption (4.4%). Overall, in the third quarter the economy started to return to pre-crisis levels, but growth is still fragile, and the economy is vulnerable. At the same time, some signs of macroeconomic imbalances began to emerge consumer prices continued to rise, and the foreign trade balance deteriorated, with wages continuing to outpace productivity growth due to labour market imbalances. The sharp rise in energy and fuel prices had the biggest impact on rising inflation, which could have a negative impact on household consumption as well as manufacturing and services costs.

Macroeconomic indicator (seasonally adjusted)	2019 actual data				2019	2020 actual data				2020	2021 actual data				Forecast (14.06.)				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%	2.5%	1.5%	0.6%	2.5%	-1.3%	-8.5%	-2.8%	-1.8%	-3.6%	-0.2%	10.3%	5.1%	-	3.7%	5.0%	3.5%	3.4%	Higher than forecasted
Nominal GDP growth	7.5%	5.0%	3.6%	1.8%	5.1%	0.6%	-9.3%	-4.1%	-1.7%	-3.7%	1.6%	16.1%	12.7%	-	6.9%	8.5%	6.2%	5.3%	Higher 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%	2.3%	3.8%	-	2.0%	2.4%	2.2%	2.0%	Higher than forecasted
GDP deflator	3.4%	2.6%	1.9%	1.2%	2.6%	1.5%	-0.8%	-0.8%	-0.2%	-0.1%	1.6%	5.3%	7.5%	-	3.1%	3.3%	2.6%	1.9%	Higher than forecasted

Source: CSB, FDC, Mof.



### Advantages of economic growth in 2021 Q3

According to the seasonally adjusted data of the CSB, the unemployment rate stabilized in the third quarter and averaged 7.4%. The unemployment rate registered with the State Employment Agency is even lower (6.5%), however, the situation is different in the regions of Latvia. Unemployment in the Riga region was 4.7%, in Kurzeme, Vidzeme and Zemgale around 6%, while in Latgale 14.8%. In the third quarter, the number of unemployed women with higher education increased significantly, from 33.2% in the second quarter to 47.2% in the third quarter, while the number of unemployed women without school education has fallen sharply. This situation may be due to seasonal factors, but social fatigue from the Covid-19 crisis may also have affected workers to change jobs.

The volume of exports in the third quarter increased by 27.2% compared to the third quarter of 2020, according to the CSB data. Exports to EU countries increased by 23.9%, to other countries by 3% and to CIS countries by 0.2%. The main trading partners in exports were Lithuania (17% of total exports), Estonia (10.4%), Germany (7.6%) and Russia (7%). The main exports were wood and articles of wood, base metals and articles of base metals, vegetable products, mineral products, products of the chemical or allied industries. Exports of services increased by 15%, with transport services (+7%) and Other economic services (+6%) contributing the most.

Land transport services increased by 16% year-on-year in the third quarter. Although the volume of railway transportation continued to decrease, transportation by road registered in Latvia increased by 20% in the third quarter.

Retail trade turnover increased by 9%, with retail fuel retail trade (+5%) and non-food retail trade (+4%) contributing the most.

Compared to the third quarter of 2020, the volume of industrial production in the third quarter increased by 8%. The largest contribution to growth was in manufacturing (+9%) and mining (+7%). Manufacturing output increased by 28.4%, mainly due to wood, wood and cork products volume increasing (+17.2%).

### Disadvantages of economic growth in 2021 Q3

Inflation reached 3.8% in the third quarter. In general, the rise in inflation is driven by the sharp rise in fuel and energy prices, as well as the base effect from deflation, which lasted from the second quarter of 2020 to the first quarter of 2021. Prices for electricity, gas and other fuels rose by 10.4% in the third quarter, which will inevitably increase household spending at the start of the cold season and will also affect industrial and service costs. In the third quarter, the fastest growth in the structure of consumer prices was observed in the group "housing, water, electricity, gas and other fuels" - from 4% in July to 10% in September.

The average gross wage in the third quarter reached 1280 euros. Compared to the third quarter of the previous year, it increased by 10.4%, a similar increase was also recorded in the second quarter. Growth was 10.9% in the public sector and 10.4% in the private sector. In the public sector, wages exceeded the average wage in the private sector by 7 euros. On the background of wage growth, the shortage of employees is growing - about 25% of employers in the industrial and construction sectors and about 15% in the services and trade sectors are indicated as the lack of availability of employees.

The volume of cargo for Latvian ports and railways is falling. According to the CSB data, in the third quarter, compared to the third quarter of 2020, cargo turnover in Latvian ports decreased by 8% - the largest decline in the ports of Riga (-6%) and Ventspils (-3%). The volume of rail transport decreased by 4% in the third quarter.