



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

Reģ.nr. 90010248231; Smilšu ielā 1-512, Rīgā, LV-1919
tālrunis: (+371) 6708 3650; e-pasts: info@fdp.gov.lv; mājaslapa: http://fdp.gov.lv

Council meeting minutes Nr 4 (56)

Rīga

10 August 2022

Chairwoman:

Chairwoman of Fiscal Discipline Council – I.Šteinbuka

Participants of the meeting:

Vice-Chairman of the Fiscal Discipline Council	M.Hansen
Member of the Fiscal Discipline Council	M.Āboliņš
Member of the Fiscal Discipline Council	A.Jakobsons
Member of the Fiscal Discipline Council	U.Kaasik
Member of the Fiscal Discipline Council	I.Golsts
<i>Secretariat –</i>	
Fiscal Discipline Council secretary	N.Malnačs
Fiscal Discipline Council lawyer-clerk	I.Jansone
Fiscal Discipline Council fiscal risks expert	A.Migunovs
Fiscal Discipline Council macroeconomics expert	V.Zaremba

Invited participants 1 item of the agenda:

Ministry of Finance Director of Economic analysis department	I.Vasaraudze
Ministry of Finance Deputy Director of Economic analysis department, Head of Macroeconomic analysis division	D.Stikuts
Ministry of Finance Deputy Head of Unit of Macroeconomic analysis division	I.Vēja
Ministry of Finance senior expert of Economic analysis department	A.Jurša

Taking minutes:

Fiscal Discipline Council lawyer-clerk

I.Jansone

The meeting starts on August 10th, 2022, at 11:30 AM.**I.Šteinbuka opens the meeting**

Fiscal Discipline Council (Council) chairwoman I.Šteinbuka opens the meeting and announces the agenda (annexed).

The meeting is partially remote, the Council discusses the agenda issues via MS Teams.

1 Macroeconomic forecasts presentation

Report: I.Vasaraudze, D.Stikuts, A.Jurša

The Ministry of Finance (MoF) informs about the renewed macroeconomic forecasts of 2022 and the forecasts that will be used in the medium-term budgetary framework 2023-2025 development process.

MoF's presentation is followed by a discussion among the present participants regarding the macroeconomic forecasts, assumptions, and risks. Council members ask questions and receive MoF's answers about the inflation forecast justification, as well as the possible scenario of a recession.

Decided:

1.1 Take note of the MoF information on the forecast of macroeconomic indicators.

I.Šteinbuka votes for;
 M.Hansen votes for;
 A.Jakobsons votes for;
 M.Aboliņš votes for;
 I.Golsts votes for;
 U.Kaasik votes for.

2 Internal discussions on macro forecasts

The present participants discuss the macroeconomic forecasts and comments by the MoF. Key takeaways:

- The Council emphasizes the high uncertainty of the forecasts and points at the need to update the macroeconomic forecasts in case of a significant deviation from the approved base scenario.
- Council members note that the 1% GDP growth forecast for 2023 may turn out to be too optimistic, considering the existing complicated risks (geopolitical, domestic political, inflation, etc.). Probability of recession at the end of this year and/or beginning of next year remains real.
- Considering the high inflation, which reduces the purchasing power of the population, the members of the Council have doubts whether the private consumption could be the engine of economic growth in 2023.
- The inflation forecast of 16.5% for 2022 may be too low, considering the current dynamics of consumer prices - several recent increases in the prices of energy resources have not yet been fully reflected in the inflation level.
- The Council points at the tense situation in the labor market and the limited availability of the labor force, which may cause pressure on employers to raise wages. Consequently, this may also cause additional price increases.
- The Council notes that planned government support measures should have a dampening effect on inflation. However, the assessment of the fiscal impact of the support program, compared to the overall price increase of energy resources in the national economy, looks optimistic. The Council emphasizes that the current support system does not sufficiently motivate to reduce the consumption of energy resources or invest in energy efficiency. In the long term, strategic energy efficiency and energy resource consumption reduction solutions are needed, which would allow to reduce the fiscal impact of the support program.

Decided:

2.1 The macroeconomic indicators forecasts submitted by the MoF are generally approved with comments.

2.2 Ask the Council macro-economic expert V.Zaremba to prepare the summary of the meeting discussions.

2.3 To instruct the Council Secretariat to prepare and send the Council's opinion to the MoF in accordance with the provisions of the Cooperation Agreement.

I.Šteinbuka votes for;

M.Hansen votes for;

A.Jakobsons votes for;

M.Aboliņš votes for;

I.Golsts votes for;

U.Kaasik votes for.

The meeting was closed on August 10, 2022, at 13:30.

Council Chairwoman

I.Šteinbuka

Meeting Secretary

I.Jansone

Visa: Council Secretary

N.Malnačs

I.Jansone 6708 3650
inga.jansone@fdp.gov.lv