

# The Council approved the Ministry of Finance's macroeconomic forecasts for the Stability Program 2021/2024

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The economic recovery from the crisis will be gradual and uneven

The Fiscal Discipline Council (Council) has approved the macroeconomic forecasts of the Ministry of Finance for the development of the Stability Program for 2021-2024. The Governing Council has assessed them as acceptable in a context of high uncertainty and downside risks, while focusing on a number of risks.

At its meeting on 11 February this year, the Fiscal Discipline Council approved the macroeconomic forecasts of the Ministry of Finance (MoF), which envisage a moderate resumption of GDP growth of 20% in 2021 and a higher GDP performance of 4.5% in 2022. GDP growth is forecast at 3.2% in 2023 and 2.8% in 2024.

Compared with previous forecasts developed for the Medium-Term Budget Framework Law and adopted in June 2020, the real GDP growth forecast for 2021 has been reduced by -2.1 percentage points, thus reflecting the delay in the economic recovery until 2022, for which the forecast has been improved by 1.4 percentage points.

The Governing Council has confirmed the updated forecasts, recognizing the high level of uncertainty in both the Latvian and global economies. The Council has called on the Ministry of Finance to take a flexible approach to economic forecasting, monitoring current developments in the economy and adjusting forecasts if necessary.

According to the Council, in the current context, the economic recovery is expected to be sustained and uneven across sectors. The Covid-19 crisis has affected the economy structurally, also changing the potential of the economy. Uncertainty in external markets will continue to affect export prospects and economic sentiment. According to current estimates of the Ministry of Finance, the tourism industry and related companies could reach the level of 2019 no earlier than 2024. Negative demographic trends - population aging and a possible repeated wave of population emigration in the coming years will become one of the determining factors of economic development, creating tensions both in the labor market and in ensuring productivity.

The Council called for an objective assessment of the risks involved and noted the following as the most important:

Delays in vaccination rates and low levels of public confidence, which could significantly delay the economy's return to pre-crisis levels;

Use of economic recovery funds (EU funds and the Economic Recovery and Sustainability Mechanism) inconsistent with the tasks of increasing economic potential and productivity;

Delayed start of economic recovery programs, which may lead to uneven economic recovery and overheating in 2023/2024. in certain sectors of the economy, in particular construction.

The macroeconomic forecasts developed by the Ministry of Finance will be used as a basis for the development of the Latvian stability program for 2021-2024, which is planned to be submitted to the Cabinet of Ministers in April 2021. The forecasts prepared by the MoF for submission to the Council for assessment and approval have been submitted twice a year since 2016 - when developing the Latvian Stability Program, as well as when developing the current medium-term budget framework.

The full text of the Council's opinion on the macroeconomic forecasts can be found in the annexes.

Annex 1. Council's [opinion](#) on the macroeconomic forecasts of the Ministry of Finance and the covering letter nr. [1-08/54](#)).

Annex 2. Comparison of macroeconomic indicators with the previous forecast [MS Excel tables](#))

Annex 3. Assessment of the fulfillment of the annual macroeconomic forecasts [MS Excel tables](#))

<https://www.fdp.gov.lv/en/article/council-approved-ministry-finances-macroeconomic-forecasts-stability-program-20212024>