

## Flash Estimate of GDP in Q3 of 2021

**In Q3 of 2021, the economy continued to grow**

According to the Central Statistical Bureau's (CSB) flash estimate of GDP, in Q3 of 2021, GDP increased by 4.8%, compared to the corresponding period last year. In Q3 of 2021, volumes in manufacturing were 1.3% higher than a year ago. However, the growth in services was even more rapid, reaching 6.1%.

Overall, in the three quarters of 2021, GDP rose by 5.1%, compared to the corresponding period last year.

In Q3 of 2021, the growth in domestic consumption remained stable, evidenced by an increase in retail sales (by 4.4% and 4.0% annually in July and August 2021, respectively). It can primarily be attributed to the adjustment and/ or relaxation of some trade restrictions. Private consumption was supported by both a decline in the unemployment rate and an increase in the average wage.

Positive trends were observed in manufacturing, as in the summer months the annual growth rates of manufacturing exceeded 5% each month. The increase was recorded in essentially all sub-sectors. Rapid growth of exports also endured. In August 2021, exports of goods and exports of services at current prices increased by 32% and 19%, compared to the corresponding month last year, respectively.

At the same time, a decline in some activities was observed. For example, in August 2021, the volumes of the electricity and gas supply sector decreased by 31% annually. The number of foreign tourists also decreased significantly in the summer months, compared to the corresponding period last year. The decline can largely be attributed to the base effect. In the summer of 2020, a large number of Lithuanian and Estonian travellers arrived in Latvia within the framework of the Baltic Bubble, the number of which was significantly lower this summer.

"The economic development in the last two quarters has significantly improved. However, the epidemiological situation has cardinally deteriorated in the autumn, and the government has decided on restrictions on assembly until 15 November 2021. To mitigate the negative effects of increased security measures and the lockdown on the economy, the government will provide support to citizens and businesses affected by the restrictions. Stable economic development and income growth are not feasible without limiting the pandemic. I am convinced that vaccination of the Latvian population is currently the only way to cease the rapid spread of the virus. The sooner this is achieved, the lower will be the impact of the restrictions on companies," emphasizes **the Minister of Economics Jānis Vitenbergs**.

Given the difficult epidemiological situation and the restrictions imposed, economic growth is anticipated to decelerate in Q4 of 2021. The forecasts of the baseline scenario of the Ministry of Economics reveal that in 2021 economic growth may reach 5 percent. However, uncertainty remains elevated.

