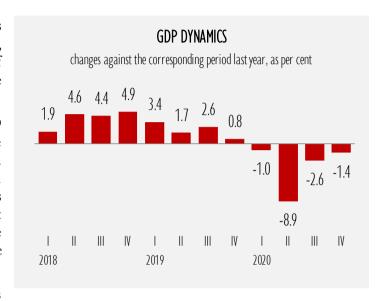
Flash Estimate of GDP in Q4 of 2020

In 2020, under the influence of Covid-19, the economic downturn reached 3.5%

According to the Central Statistical Bureau's (CSB) flash estimate of gross domestic product, GDP was 1.4% lower in the fourth quarter of 2020 than a year ago. Overall, in 2020, the economic downturn reached 3.5 percent.

"Although the second wave of the Covid-19 pandemic has hit Latvia much harder than in the spring and since the beginning of November a state of emergency has been declared and various measures to limit the spread of the virus have been in place, the economic downturn at the end of 2020 was much slower than in the second and third quarter", points out the Minister of Economics Jānis Vitenbergs.



The decline has been influenced by various

factors. In Q4 of 2020, the sectors most affected by the Covid-19 restrictions achieved good growth. High productivity indicators have ensured growth in the agricultural sector. Similarly, volumes have increased in forestry. Compared to the 4th quarter of 2019, significant growth has been achieved in the mining industry (mainly peat extraction). Also, in the fourth quarter, growth was also observed in manufacturing, as evidenced by the sharp rise in merchandise exports in October and November 2020. The construction has also showed robust growth in 2020. At the end of the year, growth was also observed in some commercial service sectors, which have presumably been able to adapt to the new conditions. In Q4 of 2020, retail sales increased by 1.5% annually. Similarly, an increase has been observed in the public service sectors, incl. health care.

At the same time, the situation in a number of sectors remains difficult. Due to the Covid-19 restrictions, the most severely affected sectors (i.e., transport, accommodation and catering, travel agency services, culture, leisure, arts, and sports) also experienced a significant decline on annual basis in the fourth quarter of 2020.

"With the launch of vaccination, the chances of overcoming the Covid-19 pandemic have improved; however, the prospects for the near future remain highly uncertain. In the short term, it is vital to ensure vaccination and treatment of Covid-19 patients, as well as adherence to epidemiological measures, all of which have a direct impact on economic development. The second priority is to help the businesses affected by the Covid-19 pandemic so that they can return to work promptly after the restrictions imposed by the state have been revoked," emphasizes the Minister.

With enduring epidemiological constraints, the economy is expected to decline further in the first quarter of 2021. However, with the resumption of seasonal work in the spring and the improvement of the epidemiological situation due to vaccination, economic activity is expected to increase gradually. The forecasts of the baseline scenario of the Ministry of Economics reveal that in 2021 economic growth may exceed 3 percent.