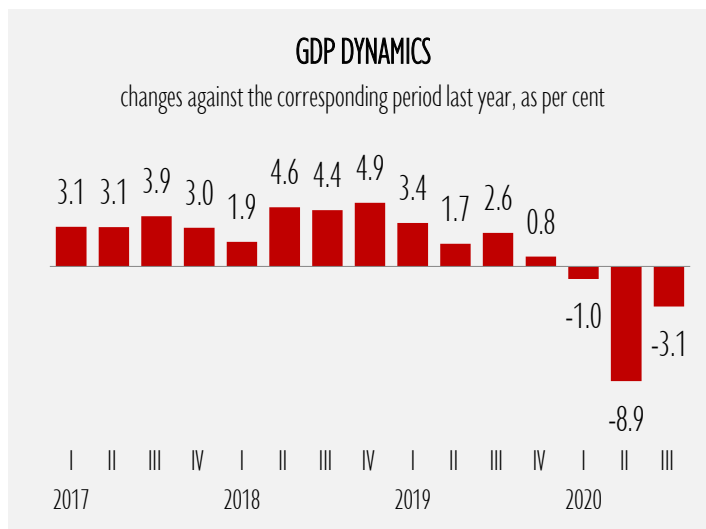


Flash Estimate of GDP in Q3 of 2020

Economic decline in the 3rd quarter of 2020 reached 3,1% annually

According to the Central Statistical Bureau's (CSB) flash estimate of GDP, GDP in the third quarter was 3.1% lower than a year ago. Compared to Q2 of 2020, the most severely affected period by the Covid-19 crisis, GDP decline in the 3rd quarter of 2020 on an annual basis has been more moderate.

In Q3 of 2020, compared to the 2nd quarter of 2020, according to seasonally and calendar-adjusted data, GDP has increased by 6.6%. The situation was anticipated to improve in the third quarter. Short-term data in the summer months revealed a stable increase in the turnover of the retail trade sector. Also, according to the CSB estimates, retail trade volumes have increased by 4.3% annually in the third quarter of 2020.



In the summer months, the unemployment rate declined, largely due to both the country's continued support for downtime and the impact of seasonal factors. Unemployment registered at the beginning of July (78.9 thousand) reached its highest point under the influence of Covid-19 and by mid-October it decreased by more than 10 thousand.

The flash estimate of GDP in the 3rd quarter also shows an annual increase in manufacturing (by 0.4%). In the summer, stable growth rates were observed in the woodworking and electronics industries. However, the situation remains perplexing in a number of sectors. Despite the increase in the number of domestic travellers, as well as the large number of Estonian and Lithuanian tourists in July and August 2020, the tourism industry lags significantly behind its 2019 level. During the summer months, a temporary improvement in air passenger flows was observed; however, in the autumn months, with the onset of a new outbreak of the Covid-19 pandemic in Europe, air traffic has virtually come to a halt. The situation remains similar in the arts, entertainment, recreation and food service activities.

Unfortunately, the epidemiological situation in the country has deteriorated in recent weeks and economic activity in the internal market is likely to slow down again. The spread of the virus is also growing rapidly in Latvia's export markets, and the new restrictions may affect external demand and, consequently, export opportunities. Consequently, the overall economic situation is anticipated to deteriorate in the fourth quarter. At the same time, the decline is not expected to be as substantial as in the spring. In the optimistic scenario, the Ministry of Economics forecasts a GDP decline in 2020 in the range of 4-5%. However, as indicated earlier, if the spread of the virus in the world is not ceased, then the negative impact on the Latvian economy could be even greater and the economy is at risk of entering a deeper recession.

The recent outbreak of the Covid-19 pandemic around the world is forcing governments to adopt increasingly stringent restrictions in order to reduce its spread and thus its negative impact on the economies. It is vital to be prepared for all potential epidemiological development scenarios and to quickly develop support programs for entrepreneurs. The Ministry of Economics has already prepared proposals for the support of the tourism industry and infrastructure, and we are currently working on support tools for entrepreneurs who are most directly affected by the virus control measures. We are also preparing a support program for companies that cannot continue to work due to the Covid-19 outbreak within the company and employees are ill or forced to be quarantined.

It is important for us to provide support not only to companies that are already exporting but also to create opportunities for new exporters in the current situation by supporting internationally competitive companies and the promotion of their products in export markets,” emphasizes the Minister of Economics.