

Flash Estimate of GDP in Q2 of 2021

In Q2 of 2021, the economy is growing rapidly

According to the flash estimate of GDP made by the Central Statistical Bureau (CSB), in Q2 of 2021, GDP was 10.3% higher than a year ago. In Q2 of 2021, volumes in producing sectors were 6.7% higher than a year ago. However, growth in services increased even more markedly – by 11.3%.

Given the difficult epidemiological situation and the restrictions imposed, the economy continued to contract earlier this year. However, in Q2 of 2021, the economy grew rapidly due to the observance of epidemiological measures and partly the base effect.

This indicates that entrepreneurs have largely been able to adapt to the new situation. A significant contribution to the stabilization of the economy can be attributed to state support measures - both downtime and subsidized jobs benefits and working capital grant to companies that were not allowed to carry out economic activities due to restrictions.

Since March 2021, a sharp increase in exports has been observed. Also, retail turnover has been growing. The increase can primarily be attributed to the streamlining of trade restrictions and the abandonment of lists of available goods, while ensuring compliance with measures to limit the spread of the virus. With the resumption of spring season work, the unemployment rate has been declining since mid-March.

Adoption of vaccination rates has improved the chances of overcoming the Covid-19 pandemic more quickly. However, the short-term outlook remains uncertain as the epidemiological situation has deteriorated in recent weeks due to viral threads. **Therefore, it is important to ensure rapid vaccination, treatment of Covid-19 patients, as well as continued epidemiological measures**, all of which have a direct impact on economic development in both the short and medium term.

"I am pleased that the Latvian economy has shown such a rapid leap and has been able to grow. Of course, it would be premature to conclude that we have overcome the COVID-19 pandemic. Nevertheless, the rapid GDP flash estimate published today reveals that we are on the path to economic recovery. Government support to citizens and businesses during the COVID-19 pandemic has also had a positive effect on growth in economic activity. I am convinced that vaccination of the Latvian population against COVID-19 virus is currently the only way to cease the rapid spread of the virus and strengthen Latvia's economic growth even more so that Latvia can overcome the current COVID-19 crisis faster and embark on a path of rapid economic growth" emphasizes **Minister Jānis Vitenbergs**.

Economic activity is anticipated to continue to improve. In addition, the base effect will also have a positive effect – i.e., the situation is expected to improve, compared to the previous year. At the same time, different trends will prevail across sectors. For example, some economic sectors have already reached and even exceeded the pre-crisis level of 2019, while other sectors will need more time to return to pre-pandemic levels. The forecasts of the baseline scenario of the Ministry of Economics reveal that in 2021 economic growth may exceed 3 percent. However, uncertainty remains elevated.

