

Flash Estimate of GDP in Q4 of 2021

Although the Covid-19 virus continued to spread in 2021, the economy grew by 4.7 percent

According to the flash estimate of gross domestic product (GDP) made by the Central Statistical Bureau, in Q4 of 2021, GDP grew by 3.4% annually. In the manufacturing sectors, volumes declined by 1.4%. However, growth in the services sectors reached 6.7%. Overall, in 2021, GDP increased by 4.7 percent.

The spread of the Covid-19 virus and the epidemiological security measures associated with its containment continue to affect the population, businesses, economic sectors, and the economy as a whole. Restrictions imposed in October-

November last year hit the gathering and service industries hardest - mainly retail, accommodation, and food service activities, the arts, entertainment, and leisure. Also, the sharp rise in energy prices in October and November last year slowed down the growth of manufacturing.

"The Covid-19 pandemic has influenced our daily lives for almost two years. If at first it seemed that the spread of the virus would be temporary and the most effective solution to cease it was strict restrictions, then over time it has become evident that we need to be able to live with this virus on a daily basis. At a time when more than 80% of the working-age population has been vaccinated, from the point of view of curbing the epidemic, we need to focus more on elderly, who are at a higher risk, than on curbing economic activity. The support provided by the state to entrepreneurs during these two years has helped to maintain the company's capacity even during operating restrictions. However, the support cannot be extended indefinitely and therefore companies must be allowed to operate. At the same time, we must not forget other prevailing challenges. In the energy price crisis, we have found ways to help both households and businesses in the short term. To increase the competitiveness and productivity of companies, the Ministry is actively working on support programs and tools for human capital, innovation, digitalisation, energy efficiency, etc. in areas that will strengthen the potential for economic growth in the medium term", emphasizes the **Minister of Economics Jānis Vitenbergs**.

Despite high energy prices, which are likely to endure in the coming months, problems in global supply chains and uncertainties regarding the future of the pandemic, it is forecast that the economy will continue to grow in 2022.

Rising wages and a favourable labour market situation will boost private consumption. The increase in investment will be largely influenced by public funding - the launch of the Recovery and Sustainability Mechanism Plan, as well as the new programming period for EU funds. It will stimulate investment in construction, machinery and equipment, and intellectual property products. Also, economic growth in Latvia's main export markets will have a positive impact on exporters. Overall, in 2022, economic growth could exceed 5%. The further spread of Covid-19 virus may slow down economic growth, albeit not economic development.

