

## On Flash Estimate of GDP in Q3 of 2023

**In the last months of the year, significant changes in the national economy are not anticipated; overall, GDP in 2023 will remain close to the volumes of 2022**

According to the flash estimate of the gross domestic product (GDP) by the Central Statistical Bureau (CSB), in Q3 of 2023, GDP at constant prices based on unadjusted data was 0.1% lower than a year ago. The decline was primarily influenced by the decrease in the manufacturing sectors. Output volumes in the service sectors practically remained at the level of Q3 of 2022, while product tax revenues increased.

Detailed data for Q3 of 2023 will be available in a month. However, it can

already be concluded that the trends observed in the economy in the first half of the year also endured in the third quarter. Weaker performance in the manufacturing sectors in Q3 of 2023 was anticipated, as the unfavorable external environment affects Latvia's export market. Overall, in July-August 2023, the export of goods in actual prices was 20% lower than a year ago, largely due to the drop in producer prices. In July-August 2023, the output volumes of the manufacturing sector were 6.2% lower than a year ago. Of course, the trends in the sub-sectors are highly variant - the volumes have grown in the production of computers, electronic and optical equipment, the chemical industry, food production, while the decline in volumes has been observed in the production of non-metallic mineral products, woodworking, furniture production, metalworking, and light industry. On the other hand, the adverse weather conditions have affected the decline in crop production and mining industry.

In the previous months, when the increase in consumer prices exceeded the increase in income, the real income of the population decreased and negatively affected household consumption. In Q3 of 2023, retail sales volumes were 3.7% lower than a year ago, implying that household consumption remains weak in Q3 of 2023 as well.

As economic activities in Q3 of 2023 practically remained at the level of the corresponding period last year, it can be concluded that positive trends remained in the construction sector and investments, as well as the volumes of most service sectors have grown on an annual basis.

The Ministry of Economics forecasts that no significant changes in the economy are anticipated in the last months of the year, and that overall GDP in 2023 will remain close to the volumes of 2022.

