



Fiskālās disciplīnas
padome

REVENUES

During the first quarter of 2021 general government consolidated budget revenue increased by 8.8% compared to the corresponding quarter of 2020, reaching 6.0 billion euros. In the first quarter, tax revenue increased by 11.2% compared to the same period of the previous year, while non-tax revenue decreased by 10.7%. At the same time, own revenues decreased by 1.1%. Foreign financial assistance decreased by 3.5% compared to the same period of the previous year. Tax revenue plays the largest role in the revenue structure of the consolidated budget, accounting for 77.2% of total revenue. Their share increased by 1.7% compared to the second quarter of 2020.

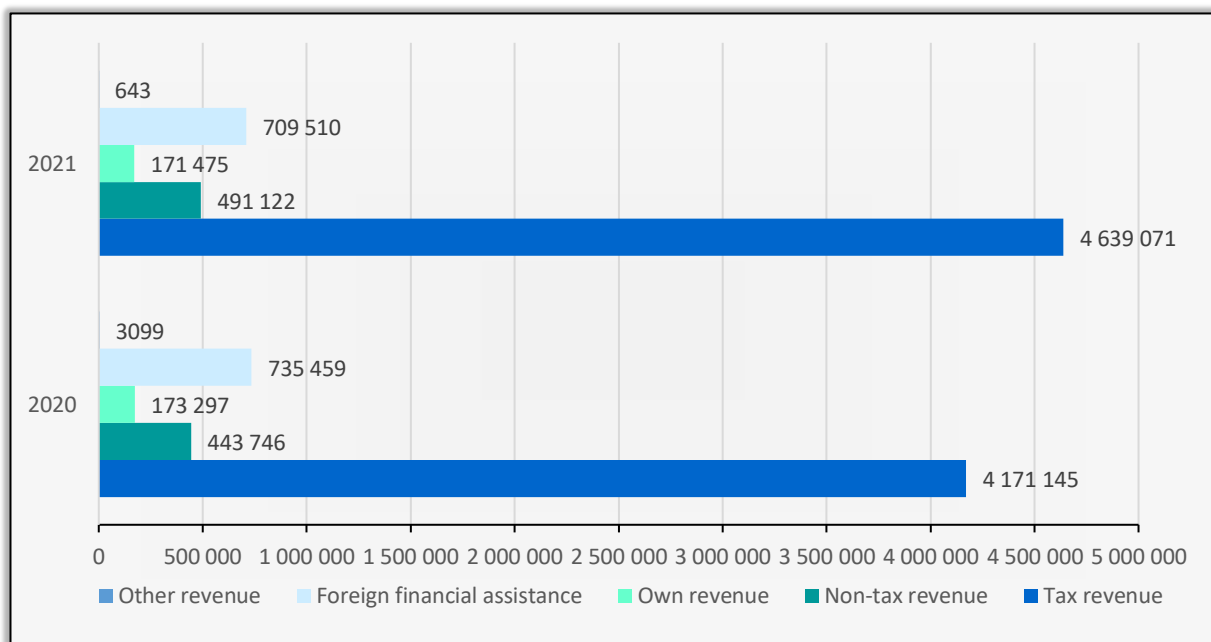


Figure 1. Consolidated budget revenue in 6 months (thou. euros). Source: Treasury

Overall, absolute figures show that revenues in the second quarter of 2021 increased compared to 2020, possibly due to the end of the second-wave economic shock in February-March and the gradual recovery of the economy. Although there is still a risk that there will be another wave of Covid-19 in September, similar to 2020, the country is better prepared for them than before. Therefore, even if this risk materializes, the decline in general government revenue will not be greater than the 2nd Covid-19 wave.

Due to the fact that since January 1, 2021, the SRS started the transition process to the unified system of accounts, tax revenue data are not fully divided by tax groups, therefore the tax analysis is not representative and the FDC does not publish it.

EXPENDITURE

In the second quarter of 2021, general government consolidated budget expenditure increased by 23.10% compared to the corresponding period of 2020, reaching 7.0 billion euros. The largest percentage increase was in social benefits, which increased by 53.5%. Expenditure on EU and international cooperation (14.31%), subsidies and grants (13.18%), as well as remuneration (10.41%) also increased significantly compared to the corresponding quarter of 2020. The largest share of expenditures belongs to social benefits (39.82%), remuneration (20.55%) and subsidies and grants (18.76%).

There was a decrease in capital expenditure, which decreased by 4.0%. Given that the cumulative decline was around 12.6% in the first quarter of 2021, it can be concluded that the situation has improved. Expenditure on goods and services also increased (6.2%) compared to the second quarter of 2020. However, the share of this type of expenditure decreased by 2.36% compared to the corresponding period in 2020. Interest expenses increased by 0.76%.

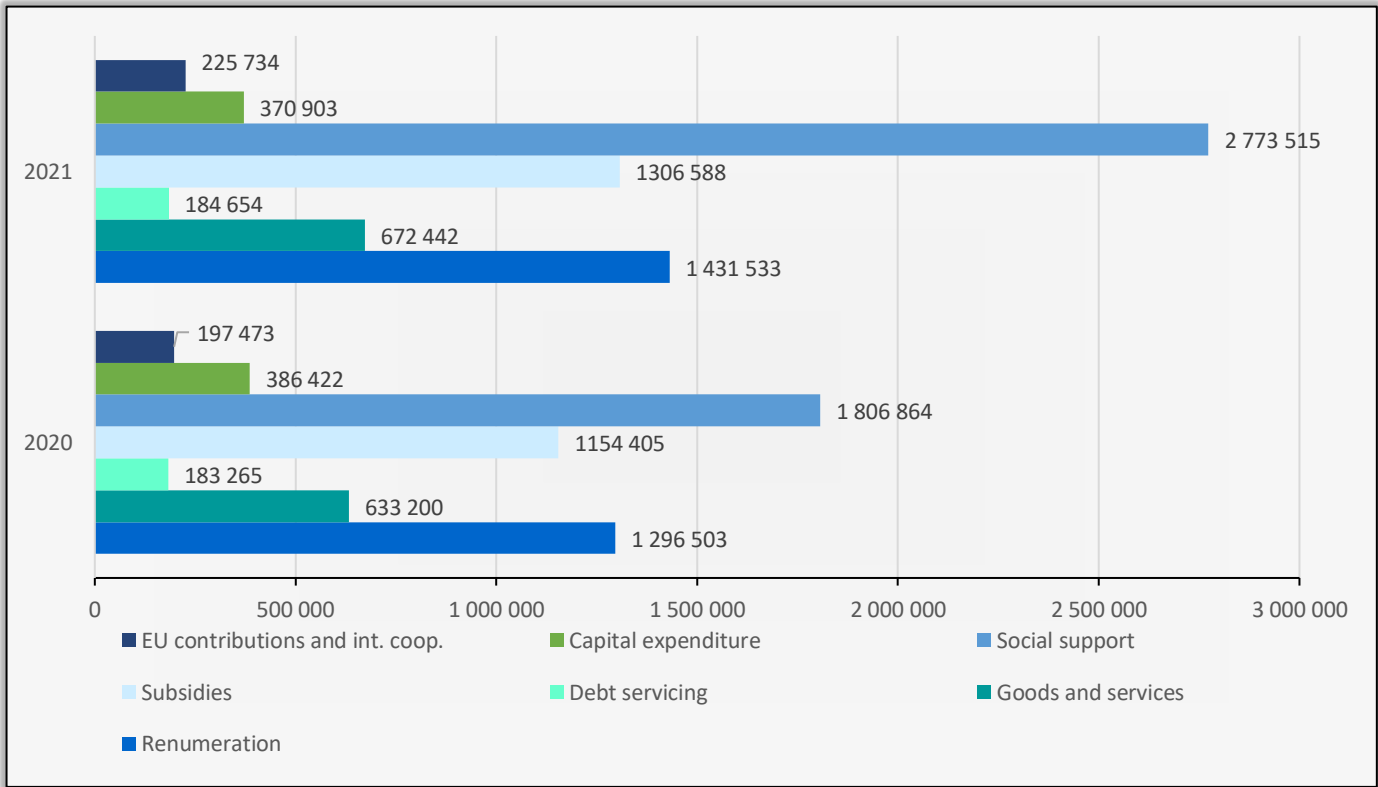


Figure 2. Consolidated budget expenditure in 6 months of 2021 and 2020 (thou. euros). Source: Treasury

BALANCES

Data for the second quarter of 2021 show a budget deficit of € 954 million, or 3.1% of GDP. Compared to 2020, after the second quarter there was a significant relatively small budget deficit of 131 mil. euros or 0.5% of GDP. This increase in the deficit was due to the government support programs implemented in March-April. According to projected data for the 2021 budget, the consolidated budget deficit was projected at around € 2 billion, but the planned support measures for 2021 are already slightly above this level. Although the situation is currently relatively stable, the number of new cases of Covid-19 is low and new support measures are not needed at this time, there is still a risk that the situation will worsen in the autumn. If the crisis continues, it is likely that the government will deviate further from the plan, which will affect the economy after the crisis.

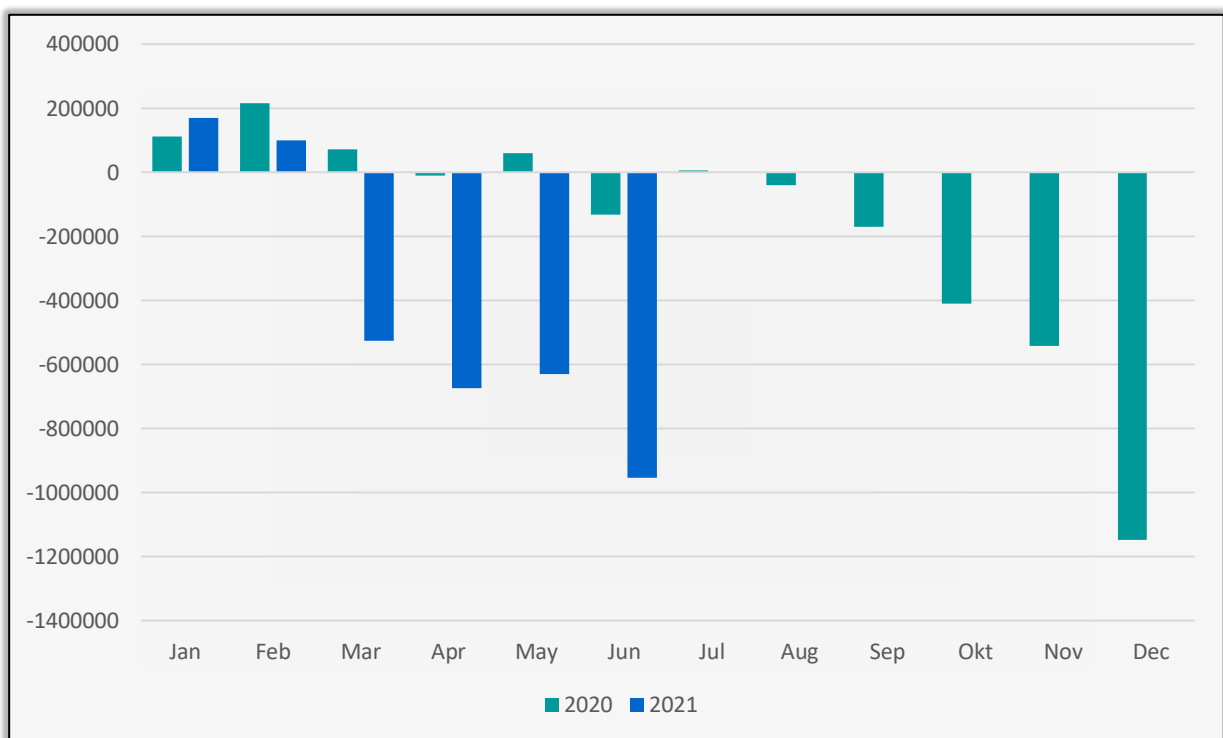


Figure 3. Consolidated budget balance (mil. euros) accrued values at end of month. Source: Treasury