



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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Council meeting minutes No . 2 (63)

Riga

10 February 2023

Chairwoman:

Chairwoman of Fiscal Discipline Council – I.Šteinbuka

Participants of the meeting:

Vice-Chairman of the Fiscal Discipline Council	M.Āboliņš
Member of the Fiscal Discipline Council	A.Jakobsons
Member of the Fiscal Discipline Council	U.Kāsiks
Member of the Fiscal Discipline Council	I.Golsts
<i>Secretariat –</i>	
Fiscal Discipline Council secretary	N.Malnačs
Fiscal Discipline Council macroeconomics expert	V.Zaremba
Fiscal Discipline Council lawyer-clerk	I.Jansone

Invited participants 1 item of the agenda:

Ministry of Finance Director of Economic analysis department	I.Vasaraudze
Ministry of Finance Deputy Director of Economic analysis department, Head of Macroeconomic analysis division	D.Stikuts
Ministry of Finance senior expert of Economic analysis department	A.Jurša

Taking minutes:

Fiscal Discipline Council lawyer-clerk

I.Jansone

The meeting starts at 15.00.

I.Šteinbuka opens the meeting.

Fiscal Discipline Council (Council) chairwoman I.Šteinbuka opens the meeting and announces the agenda (annexed).

The meeting takes place in partly remote meeting mode via MS Teams.

1. Macroeconomic forecasts presentation

Reporters: I.Vasaraudze, D.Stikuts, A.Jurša

The Ministry of Finance (hereinafter - MoF) informs about the current macroeconomic forecasts that will be used as a basis for the development of Stability Program 2023-2026, talks about the assumptions and changes of the updated macroeconomic forecasts since December 1, 2022. Considering the latest information on the economic development, which is better than

previously forecasted, the MoF has updated the forecasts to the cautiously optimistic direction. In updated forecasts the recession is not predicted for 2023, however inflation forecasts are slightly higher compared to the December forecasts.

Considering both the base effects and the fact that the economy works using energy resources purchased during the period of very high energy resource prices, a rather high inflation level will remain in 2023, and will normalize only starting from 2024.

Inflation in Latvia is still one of the highest in the Eurozone. In January, after a few months of decline, it rose again to 21.6%. Currently, the most important factors determining inflation are energy and food prices, as well as the challenges of disruptions in supply chains, which also manifests itself in the delay of production processes and the delivery of goods. Also, the currently observed decrease in energy resource prices will not have an immediate effect.

Participants discussion on the forecasts, assumptions, and risks of macroeconomic developments.

Decided:

1.1. Take note of the MoF information on the macroeconomic indicators forecasts.

I.Šteinbuka – votes for;

I.Golsts – votes for;

A.Jakobsons – votes for;

M.Āboliņš – votes for;

U.Kāsiks – votes for;.

2. Internal discussions on macroeconomics forecasts

Council members discuss the forecasts received from MoF. Key takeaways:

- The Council emphasizes that a period of high uncertainty continues to remain.
- In the opinion of the Council, the most significant negative factors affecting the national economy will be the economic risks of the existing geopolitical tension, high inflation, disruptions in supply chains and the drop in household consumption, which is related to the drop in real income under the inflation pressure.
- Currently, fighting the inflation, monetary policy is restrictive, and fiscal policy should also serve as an inflation-restricting tool.
- The Council has no significant objections to the forecasts of macro-economic indicators presented by the Ministry of Finance in general. The Council considers them acceptable at the current time of high uncertainty.

The Council draws attention to the fact that the draft budget for 2023 was prepared based on the forecasts of macroeconomic indicators approved on December 1, 2022, but the forecasts of macroeconomic indicators approved today will be used as a basis for the development of Latvia's Stability Program for the years 2023-2026.

Decided:

2.1. Approve the forecasts of macroeconomic indicators submitted by the MoF.

2.2. Instruct the Council's macroeconomic expert V. Zaremba to formulate a summary opinion on what was discussed at the meeting.

2.3. To instruct the Secretariat of the Council to prepare Council opinion and send it to the MoF, in compliance with the bilateral Agreement on cooperation.

I.Šteinbuka – votes for;
 I.Golsts – votes for;
 A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 U.Kāsiks – votes for.

3. About the Working Group on the Assessment of Potential and Nominal Gross Domestic Product (GDP working group)

informs those present about the end of M. Hansen's term of office. Since a new member of the Council has not been appointed until now, the GDP working group is working in partial composition. Considering the above, I. Golsts was invited to participate in last GDP working group meeting at 09.02.2023. At this meeting, I. Golsts gave his expert assessment of the development directions and possible challenges of Latvia's energy sector, and its impact on the long-term economic development.

Based on the above, I. Šteinbuka recommends that until the new Council member nomination, I. Golsts should be elected as member of the GDP working group.

Decided:

Approve the inclusion of I.Golsts in the GDP working group, determining that the working group consists of I.Steinbuka, the Chairman of the Council, U.Kāsiks, a member of the Council, and I.Golsts, a member of the Council.

I.Šteinbuka – votes for;
 I.Golsts – votes for;
 A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 U.Kāsiks – votes for.

4. On issuing the regular monitoring report (MR).

Reports: I.Šteinbuka

I. Šteinbuka reminds those present that a monitoring report is issued in accordance with the established priorities of the Council's activities. The monitoring reports reflect information on the development of the general situation, the assessment of the macroeconomic environment, the actualities of fiscal policy, budget tax revenues, collect information on the fiscal support measures implemented by the government and analyse the support measures of the national economy from a fiscal point of view. Since the previous MR was issued in November 2022. I. Šteinbuka proposes to issue the next MR in the 1st quarter of 2023.

Decided:

4.1. To issue the next monitoring report in the 1st quarter of 2023.

I.Šteinbuka – votes for;
 I.Golsts – votes for;
 A.Jakobsons – votes for;
 M.Āboliņš – votes for;
 U.Kāsiks – votes for.

The meeting was closed at 17:00.

Council Chairwoman

I.Šteinbuka

Meeting Secretary

I.Jansone

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