



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

Reģ.nr. 90010248231, Smilšu ielā 1-512, Rīgā, LV-1919

E-pasts: fiskala.padome@gmail.com

Fiscal discipline council
Potential and nominal GDP assessment working group.
Minutes No. 2 (23)

Riga

4of June 2024.

The meeting is chaired by:

Janis Priede Member of Fiscal Discipline Council, Head of Nominal and Potential GDP working group (here and after GDP WG).

Participants of the meeting:

Chairwoman of the Fiscal Discipline Council	I.Šteinbuka
Member of Fiscal Discipline Council	U.Kaasik
<i>Secretariat –</i>	
Fiscal Discipline Council secretary	N.Malnačs
Fiscal Discipline Council macroeconomic expert	V.Zaremba
Fiscal Discipline Council lawyer-clerk	I.Jansone

Taking minutes:

Meeting secretary

V.Zaremba

The meeting starts at 15:00 and will be conducted as a written procedure.

Opening of the meeting – J.Priede

J. Priede, the head of the GDP WG, opens the meeting and informs the participants that the Bank of Latvia has submitted a presentation on the current Latvia's economic development. Given that I. Šteinbuka (member of the working group), U. Kaasik (member of the working group), N. Malnačs and I. Jansone are on mission, the work of the GDP WG is being organized remotely through written consultation.

Viktorija Zaremba, the macroeconomic expert of the Council, will send an email to members of the GDP WG, requesting their comments, additions, and opinions on presentation submitted by the Bank of Latvia, she will also collect the written comments of the members of the GDP WG.

The meeting on June 4, 2024, is closed at 3:20 p.m., and the meeting of the GDP WG is adjourned until June 6, 2024, at 9:00 a.m.

On June 6, 2024, at 9:00 a.m., the meeting of the GDP WG from June 4, 2024, is resumed.

1. Actualities of the Latvian economy, development base scenario, incl. potential GDP growth and output gap assumptions

J. Priede thanks all the WG members for their opinions expressed in the written consultation, which are summarised in the minutes.

The Chair of the Council, I. Šteinbuka in here comments believes that the Bank of Latvia has provided a more optimistic outlook for economic growth compared to the Ministry of Finance's stability program scenario. Considering the very marginal growth in the first quarter of this year, she thinks that the Ministry of Finance's cautious projections for 2024 and 2025 are more realistic. I. Šteinbuka pointed out that the Latvia University think thank LV PEAK consensus forecast, which will be presented on June 10th as part of the 'Economic Barometer,' is much closer to the Ministry of Finance's scenario: it is estimated that the GDP growth rate will reach 1.5% in 2024 and 2.6% in 2025. The HICP in the LV PEAK Barometer is slightly higher: 2% in 2024 and 2.2% in 2025. I. Šteinbuka is of the view that the nominal GDP forecasts of the Bank of Latvia and the Ministry of Finance are relatively close. The nominal GDP growth will ensure some increase in budget revenue; however, the demand for spending will increase faster. Her main concern is that weak growth will not provide sufficient budget resources to maintain the budget deficit and public debt below ceilings, particularly given the high priority of defence spending combined with the constantly increasing demand for state financial support from RailBaltic and AirBaltic. **The chair of the GDP working group** agrees with I. Šteinbuka that the Ministry of Finance's forecast is more realistic. He also emphasized the geopolitical situation and the increasing defence spending, as well as their potential impact on the budget. He expressed anticipation for the LV PEAK presentation.

Ulo Kaasik noted that, given all the uncertainty, it is surprising how little the forecasts have changed in recent months. However, he agreed with Inna and Janis, emphasizing the need for caution and highlighting that the risks, which are primarily on the downside, still persist.

Taking account mentioned above GDP WG decided:

1.1. To take note of the presentation by the Bank of Latvia on the current developments in the Latvian economy, including potential GDP and gap assumptions.

J.Priede – votes for;

I.Šteinbuka – votes for;

U.Kaasik - votes for.

The meeting closed at 9:40, 6th of June 2024.

Member of Fiscal Discipline Council, Head of Nominal and Potential GDP working group

J.Priede

Meeting secretary

V.Zaremba