

# President of Latvia: focusing on short-term needs does not mean we can forget about our long-term economic goals as a nation

Published: 21.03.2022.

Domestic policy

Egils Levits



On 21 March, President of Latvia Egils Levits met with Governor of Bank of Latvia, Mārtiņš Kazāks, to discuss how Putin's war against Ukraine and European Union's and allied sanctions will impact Latvian and global economy.

According to Governor Kazāks, Covid-19 pandemic and Russia's invasion of Ukraine has led to disruptions in the global supply chains, which coupled with energy price spike have created a situation of extended uncertainty and high energy prices. This may be the reason why inflation in Latvia and euro area will remain high, contrary to previous projections. Prices are expected to slow down and gradually level out in the second half of the year. However, the uncertainty stemming from geopolitical and economic shifts caused by war in Ukraine will likely condemn Latvian economy to slower growth towards the end of this year. Economic experts of the central bank are continuously updating the macroeconomic forecasts and growth alternatives, which will be presented to the general public on 30 March.

President of Latvia and Governor of the central bank exchanged views on long-term and short-term monetary and fiscal policies aimed at mitigating people's socio-economic *hardships*, among other things. Strategic investment policies, aimed at energy independence and greater energy efficiency in particular, were the main topics discussed by both officials. Latvia must come up with support schemes for people that are well-informed and targeted at those most at need, i.e., vulnerable groups of society. Egils Levits and Mārtiņš Kazāks both agreed that it is important for Latvia to not lose focus on long-term economic development goals as we cope with short-term challenges posed by current situation. This includes continued national investment programmes for education, skills and sustainability.

President Levits and Governor Kazāks also discussed how sanctions will affect exporting industries and integration of Ukrainian refugees into Latvian labour market.

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