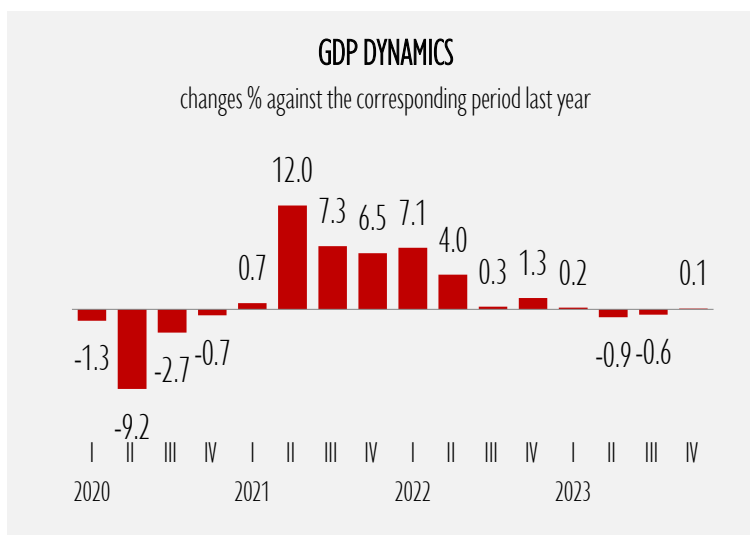


## GDP growth by 0.1% in Q4 of 2023 creates grounds for cautious optimism in 2024

According to data published by the Central Statistical Bureau (CSB), GDP in the 4th quarter of last year was 0.1% higher than in the 4th quarter of 2022 (at constant prices according to unadjusted data). In 2023, GDP growth was negatively impacted by declines in the manufacturing sectors (down 1.4%) and product tax collection (down 5.1%), while service sectors saw a positive increase (up 0.8%). Overall, GDP decreased by 0.3% last year, which is a more modest decline compared to the rapid estimate of -0.6%.



At the same time, a positive trend is evident—both compared to the 4th quarter of 2022 and the 3rd quarter of 2023, there was an increase, indicating a recovery in the economy and an adaptation to new geopolitical circumstances.

Economic development trends had already indicated that in 2023, GDP would remain close to the 2022 level. Unfavorable external conditions and weak demand in key target markets affected Latvia's export performance. High inflation negatively impacted household consumption and real income. The geopolitical situation and weak lending also hindered a faster increase in investment.

It is expected that the economic situation will improve this year. International institutions forecast that the economy in Latvia's largest export markets will grow in 2024, positively affecting Latvian companies' export opportunities. As inflation stabilizes, real disposable income is expected to rise, and the increase in the minimum wage starting in early 2024 will contribute positively. Overall, private consumption is expected to increase, and more active implementation of EU fund programs will positively influence investment dynamics.

In 2023, growth was observed in construction (+18.6%), arts, entertainment, and recreation (+11.7%), education (+7.8%), and accommodation and food services (+7.4%), while declines were seen in agriculture (-8.1%), transport and storage (-7.8%), and manufacturing (-5.2%).

As in previous years, different sectors will continue to show varied development trends. Similar to 2023, the construction sector is expected to experience the fastest growth and job opportunities this year. This sector will benefit from EU funds, public orders, and broader credit availability for private construction projects. Following a decline in 2023, the trade sector is expected to gradually

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recover, supported by increased foreign trade flows and the dynamics of the wholesale sector. Conversely, the retail sector will benefit from the anticipated rise in private consumption.

Manufacturing is projected to return to positive growth rates, primarily driven by improved export opportunities. Challenges will persist for companies linked to the markets of Russia and the CIS countries, necessitating continued efforts to find new supply opportunities and markets. Industries focused on the domestic market will influence consumer purchasing power.

Provided external conditions do not deteriorate significantly, the Ministry of Economy predicts that growth in 2024 could approach 2%.