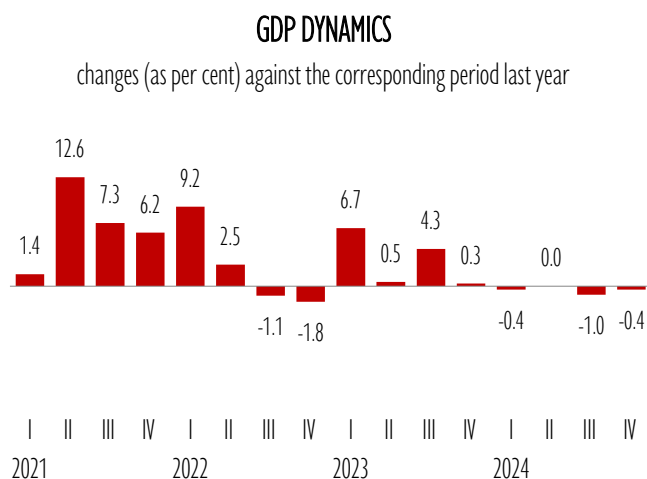


In 2024, economic development in Latvia continued to be affected by the geopolitical situation and uncertainty

According to data published by the Central Statistical Bureau, in the 4th quarter of last year, GDP decreased by 0.4% compared to the 4th quarter of 2023 (in comparable prices, according to unadjusted data). Although wages continued to grow in 2024 and inflation rates decreased, a slowdown was observed in Latvia's foreign trade flows, as well as in investment dynamics. Overall, GDP declined by 0.4% last year. In 2024, GDP growth was negatively affected by a decrease in the manufacturing sector (-2.8%), while a slight increase was observed in the service sector (+0.4%).



In the 4th quarter of 2024, growth was recorded in agriculture (+12.1%), financial and insurance activities (+12.8%), education (+7.3%), and accommodation and food services (+4.4%), as well as in manufacturing (+2.2%). Meanwhile, a relatively sharp decline was observed in other industries (-22.8%) and construction (-10.7%). A more moderate decline was seen in the transport and storage sector (-5.5%), health and social work (-5.4%), real estate operations (-2.7%), and information and communication services (-1.3%).

Overall, in 2024, the fastest growth was recorded in the arts and entertainment sector (+5.5%), health and social work (+5.1%), public administration (+4%), agriculture (+3.7%), and trade (+3.4%). In contrast, the steepest annual declines were observed in the transport and storage sector (-7.9%), construction (-6.9%), manufacturing (-4.6%), and real estate operations (-3.1%).

Economic activity is expected to resume growth in 2025. According to forecasts by international organizations, the global economic environment will improve slightly in 2025, contributing to the recovery of Latvian exports. The situation in the eurozone, including Latvia, will also benefit from lower interest rates, which will help strengthen consumption, the real estate market, and construction. Increased EU fund investments, along with reforms aimed at enhancing competitiveness—such as lower labor taxes—will also have a significant impact on the Latvian economy.

This year, different development trends will persist across sectors. Greater access to credit for private construction projects, along with the availability of EU funds, will support the construction sector and employment opportunities within it. The trade sector will also gradually recover, driven by increasing foreign trade flows and the dynamics of the wholesale sector. Meanwhile, the retail sector will be influenced by the expected rise in private consumption.

The manufacturing industry is also expected to return to positive growth rates, primarily driven by improvements in export opportunities. The ongoing uncertainty surrounding the war between Russia and Ukraine will encourage companies to seek new markets, while industrial sectors oriented toward domestic demand will be affected by changes in the population's purchasing power.

Barring significant external shocks, the Ministry of Economics predicts that economic growth in 2025 could be close to 2%.