

**The geopolitical situation remains tense; however, improving economic sentiment and business confidence, together with positive trends in certain sectors, are expected to have a favourable impact on economic growth in the near future.**

According to the Central Statistical Office, in the first quarter of 2025, GDP at constant prices was 0.3% lower than a year earlier, while GDP at current prices increased by 4.5%.

“Economic development continues to be influenced by the geopolitical situation and related regional uncertainty. Although Latvia’s economic growth in the first quarter remained close to last year’s level, improvements in business sentiment and positive trends in certain sectors indicate that the period of slow growth may be coming to an end, and economic expansion is expected to accelerate in the second half of the year,” emphasized Minister of Economy Viktors Valainis.

Average monthly wages increased by 8.3% over the year. At the same time, moderate price growth helped strengthen household purchasing power. Nevertheless, consumers remain cautious, as reflected by a 1.1% decline in household consumption.

Investment activity grew sharply in the first quarter of 2025. Gross fixed capital formation rose by 6.5% year-on-year, partly due to the low base effect following weak investment activity last year, as well as accelerated absorption of European Union funds and increased activity in construction and equipment purchases. Investment in housing, buildings, and structures increased by 9%, while investment in machinery and equipment rose by 3.2%. Investments in intellectual property products also grew by 1.5%.

Exports of goods and services increased by 2% compared with the same period last year, with goods exports up by 0.2% and services exports rising by 7.8%. Key export items included wood and wood products (excluding furniture), electrical appliances and equipment, and mineral products.

Imports were also higher than a year earlier, increasing by 7.8% in the first quarter. Goods imports rose by 6.9%, while services imports increased by 11.8%.

At the start of the year, growth was mainly supported by the construction sector and selected service sectors, particularly information and communication technology and financial services. At the same time, declines in manufacturing sectors and household consumption indicate weak domestic demand. Positive contributions came from higher investment and export volumes. Overall, the Latvian economy remains resilient, although growth is constrained by declining industrial production and cautious consumer behavior.

By sector, total value added in the first quarter decreased by 1.2% compared to the same period last year. The decline was largely due to a 4% drop in manufacturing, including a 0.9% decrease in the overall manufacturing sector. Within manufacturing, production of finished metal products fell by 2.4%, and production of electronic and optical equipment declined by 21.3%. These decreases were partially offset by increases in wood processing (+3.6%), non-metallic mineral products (+6.8%), and chemicals and chemical products (+7.2%). Food production remained at the previous year’s level.

The construction sector saw a strong 9.6% increase in output, largely driven by civil engineering, which grew 40.7% due to large-scale road and bridge projects.

In the services sector, overall output remained close to last year’s level, although some sectors showed growth: ICT (+4.6%), financial and insurance services (+3.4%), and professional, scientific, and technical services (+1.2%). Accommodation and catering services also increased by 4.5% in Q1 2025. According to CSB data, value added in public services at constant prices was 4.9% lower than a year ago, while at current prices it increased by 6.1%.

