

On GDP in Q2 of 2025

Investments contribute to economic recovery

In constant prices, GDP in 2025 was 1.7% higher than a year earlier. Given the tense geopolitical environment, this growth is considered a positive outcome. Overall, in the first half of the year, GDP increased by 0.7% compared to the corresponding period in 2024.

“GDP dynamics in the first half of 2025 show that Latvia’s economy has resumed growth,” said Minister of Economics Viktors Valainis. “This has been supported by slightly stronger growth in our main trading partners and by government measures to stimulate the economy, particularly in lending and investment. The performance of manufacturing, construction and market services is especially encouraging. We expect the economy to continue growing, as suggested by business sentiment indicators and planned investments. Private consumption is also gradually recovering from the period of high inflation, while wage and employment indicators show positive trends.”

Household consumption in the second quarter fell by 0.3% year-on-year. Consumer caution remains influenced by high price levels, inflation expectations and ongoing geopolitical uncertainty.

Investment growth has been robust, supported by the faster absorption of EU funds and increased lending activity for private sector financing. In July 2025, loan volumes were 8.7% higher than a year earlier, including a 14.3% increase (EUR 701.8 million) in loans to private non-financial corporations. Gross fixed capital formation rose by 8.6% year-on-year, mainly driven by higher investments in buildings and structures (+7.1%) and in machinery and equipment, including transport vehicles (+13.9%). Investments in intellectual property products increased slightly (+0.2%).

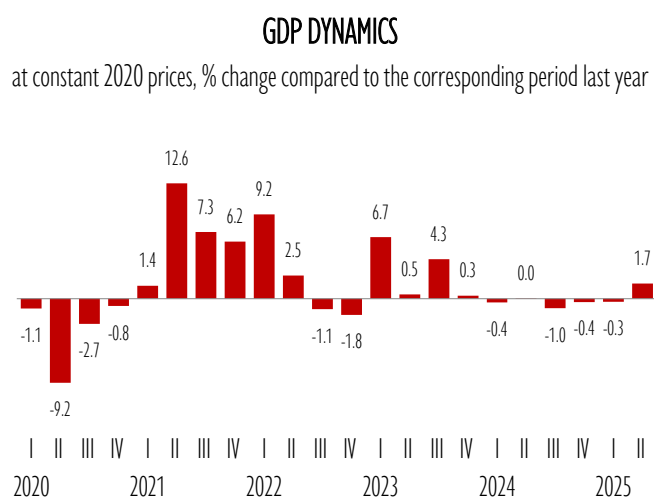
Exports of goods and services increased by 2.3%. Although external conditions have improved somewhat, they remain fragile due to geopolitical uncertainty. Goods export growth was mainly driven by higher exports of wood and wood products (excluding furniture), electrical and electronic equipment, and mineral products. Exports of goods rose by 1.7%, while exports of services grew by 3.5%, supported by higher transport services and other business services, including research and development, professional, technical, trade-related and other economic services.

Imports in the second quarter of 2025 grew by 7.1%. The main imported goods were mineral products, electrical and electronic equipment, and land transport vehicles and their parts. Imports of goods increased by 6%, while imports of services rose by 11.4%, mainly due to higher transport and other business services.

Several sectors made the largest contribution to Latvia’s GDP growth in the second quarter of 2025. A key driver of growth was manufacturing, particularly the production of food products and non-metallic mineral goods. The construction sector as a whole expanded by 4.5%, with the fastest growth recorded in civil engineering (+27.7%). Trade made a steady contribution to economic activity, while the information and communication technology (ICT) sector grew by 3.7%, supported by computer programming and telecommunications services. Financial and insurance activities increased by 4.6%, mainly due to strong growth in the insurance and pension savings segment (+14.9%). Accommodation and food services rose by 3.4%, reflecting higher demand in the sector.

The largest declines were recorded in mining and quarrying, where value added fell by 18.8%. A notable decrease was also observed in water supply, sewerage, waste management and remediation activities (-5.6%), as well as in the health and social care sector (-3.3%). Value added in agriculture fell by 3.2%, and in transport and storage by 1.8%, reflecting weaker activity in the logistics sector. A slight but negative contribution was also recorded in administrative and support service activities (-1.2%).

Despite the challenging geopolitical environment, Latvia’s economy achieved positive growth in the second quarter of 2025 — GDP rose by 1.7%, demonstrating the economy’s resilience. The main growth drivers were higher investment — particularly in construction and machinery/equipment — and rising export volumes.



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However, the decline in household consumption points to continued caution among residents amid high prices and inflation expectations, which may constrain domestic demand.

Across sectors, construction, education, financial and insurance activities, ICT and trade made positive contributions, while downturns in transportation and storage, healthcare and agriculture remain key challenges. The Ministry of Economics forecasts that overall GDP growth will reach 1.6% in 2025.