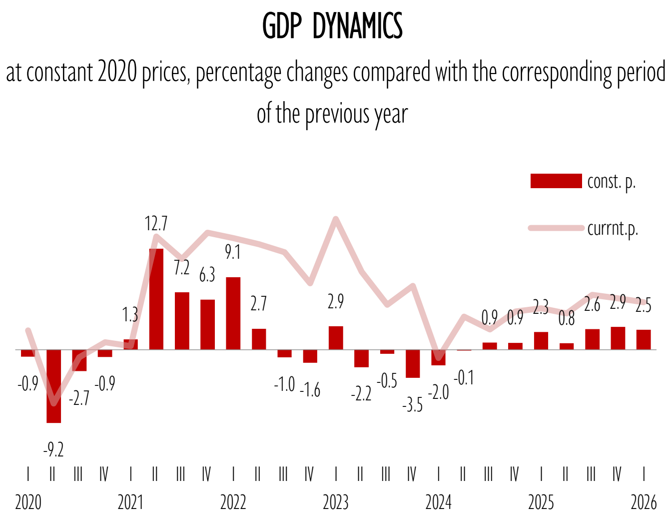
On GDP in the 1st Quarter of 2026

The economy grew by 2.5% in the 1st quarter of 2026

According to data from the Central Statistical Bureau, in the 1st quarter of this year GDP at constant prices was 2.5% higher than a year earlier, while GDP at current prices increased by 6.0%.



At the beginning of the year, growth was mainly driven by the industrial sector, while service sectors also made a significant contribution to growth, particularly real estate activities and professional, scientific and technical services. The increase in investment and private consumption, as well as the rise in exports, should be assessed positively. Overall, Latvia's economy remains resilient, but the pace of growth is constrained by the conflict in the Middle East and the war in Ukraine.

Gross fixed capital formation increased by 3.2% compared with the previous year, supported by the inflow of European Union funds. Investment in dwellings, buildings and structures increased by 3.3%, while investment in machinery and equipment increased by 3.4%. Investment in intellectual property products also increased by 1.3%.

Private consumption increased by 2.0% over the year. Consumption of food increased, as did the volume of goods and services used by households in the expenditure group covering housing, water, electricity, gas and other fuels. Expenditure on transport grew most rapidly, including public transport and the purchase and operation of vehicles. Total compensation of employees increased by 5.5%.

Exports of goods and services in the 1st quarter were 1.4% higher than a year earlier. Exports of goods increased by 1.4%, while exports of services increased by 1.7%. The main exported goods were wood and articles of wood, excluding furniture, electrical appliances and electrical equipment, as well as mineral products, while the main exported services were transport services and other business services.

Import volumes in the 1st quarter of this year were also higher than a year earlier. In the 1st quarter of this year, imports increased by 3.0%. Imports of goods increased by 5.1%, while imports of services decreased by 4.8%. The main imported goods were mineral products, electrical appliances and electrical equipment, as well as land transport vehicles and their parts.

Total value added increased by 2.1% in the 1st quarter. The largest contribution to the overall change in GDP came from wholesale and retail trade and the repair of motor vehicles and motorcycles, at 0.8 percentage points. A smaller positive contribution was also made by professional, scientific and technical services, administrative and support service activities and other services, at 0.5 percentage points, electricity, gas, steam and air conditioning supply, at 0.5 percentage points, as well as real estate activities, at 0.35 percentage points. The largest negative contribution came from transportation and storage, at -0.4 percentage points, and information and communication services, at 0.16 percentage points.

Professional, scientific and technical services, administrative and support service activities and other service sectors grew by 6.3%, owing to increases in advertising and market research, architectural and engineering services, and other professional, scientific and technical services. The 1.1% increase in manufacturing was mainly driven by the manufacture of fabricated metal products and non-metallic mineral products. Overall, of the 22 manufacturing subsectors, growth was recorded in 13. In wholesale and retail trade and the repair of motor vehicles and motorcycles, both wholesale trade, by 6%, and retail trade, by 6.6%, recorded growth. The very rapid increase of 41.6% in electricity, gas, steam and air conditioning supply was driven by cold weather conditions. Administrative and support service activities recorded growth of 6.9%. The construction sector increased by 2.8%, mainly owing to the construction of infrastructure facilities and buildings.

The 3.6% decline in agriculture, forestry and fishing was mainly related to severe winter conditions, while the 8.3% decline in transportation and storage was largely affected by a 31.9% fall in the air transport subsector. The information and communication technology sector declined by 2.4%, significantly affected by a 16.8% decrease in information service activities.

Although Latvia's economic growth rate in the 1st quarter of this year remained close to the level of the previous year, the tense geopolitical situation and rising oil prices continue to maintain elevated risks of higher inflation and slower economic growth. Depending on further developments in global energy markets, the economy is expected to grow by 2–2.5% this year.