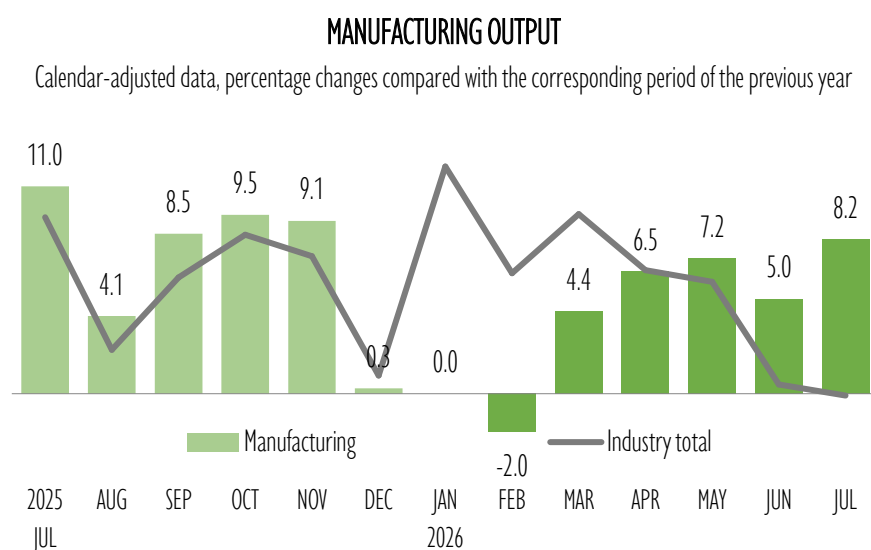


## On industrial production output in July 2026

**Manufacturing posts its strongest growth this year in July**

In July, manufacturing output, according to calendar-adjusted data, increased by 8.2% compared with July of the previous year. Electricity and gas supply output decreased significantly, by 36%, while mining and quarrying output increased sharply, by 12.4%.

According to unadjusted data, manufacturing output growth in July was similar, at 8.2%. Growth was driven by a number of subsectors, most notably the manufacture of food products, fabricated metal products, textiles, computer, electronic and optical products, as well as machinery and equipment. Meanwhile, production volumes declined in wood processing, the largest manufacturing subsector.



In July, manufacturing turnover increased at a similarly rapid pace year-on-year in both export and domestic markets, by 8.5% and 8.3%, respectively. Sales of food products, fabricated metal products, and computer, electronic and optical products increased most rapidly.

Overall, in the first seven months of the year, compared with the corresponding period a year earlier, manufacturing output according to unadjusted data increased by 4.8%, with the strongest growth recorded in the manufacture of fabricated metal products and food products.

Manufacturing business confidence improved slightly in August this year, and businesses remain optimistic about trends in production activity over the coming months.

Overall, in 2026, growth in the sector is expected to remain stable. Contrary to concerns expressed in the spring, manufacturing indicators in both Latvia and the euro area proved more resilient than expected during the summer months: business confidence continues to improve, and euro area manufacturing activity in August reached its fastest pace of growth since spring 2022. However, risks have not diminished: an escalation of the conflict in the Middle East and an increase in oil prices could once again raise the cost of energy resources, raw materials and transportation, and weaken demand. Trade policy also continues to create additional uncertainty, although its negative impact so far has proved more moderate than initially estimated. At the same time, growth continues to be supported by increasing investment in the production of military and dual-use goods, as well as the implementation of other major public-sector projects.

At the same time, companies increasingly need to strengthen productivity, including through investment in automation and digitalisation, in order to maintain competitiveness in an environment where energy prices, labour and logistics costs continue to rise, while demand in international markets is becoming more demanding and selective.