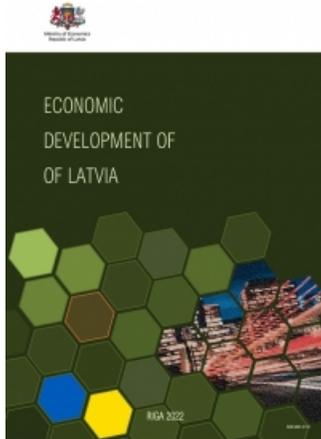


# Report on Economic Development of Latvia

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Economic Development of Latvia  
2022



Experts of the Ministry of Economics have prepared a review on the *Economic Development of Latvia*. The review assesses the economic situation, as well as forecasts the prospects of economic development. It is planned that further on experts of the Ministry of Economics will prepare such a review once a year – in December. The present review, just like the previous ones, provides an assessment of the country's economic situation and policy, as well as gives forecasts for development perspectives of the economy.

 [Full report](#) 

Stable economic growth in Latvia with its rates exceeding the EU average continued until the Covid-19 pandemic. From 2013 to 2019, GDP grew by 2.9% per year on average.

The Covid-19 pandemic has had a significant impact on economic development on a global scale and also in Latvia GDP shrank by 2.2% in Latvia in 2020. The extensive government and EU funds support measures, as well as the improvement of the epidemiological situation in 2021, contributed to the recovery of Latvia's economy, and GDP grew by 4.1%.

On 24 February 2022, when Russia invaded Ukraine, the geopolitical situation and prospects for economic development deteriorated. Energy and food prices have risen significantly, intensifying the inflation pressure at a time when the cost of living around the world had already skyrocketed as the world was recovering from the pandemic. The global economy is also affected by disruptions in raw material supply chains due to the war. In Q1 2022, the consequences of the war were not yet felt in full in Latvia. The economy grew 5.6% compared to Q1 2021. The rise is due to the low base in early 2021 and the gradual lifting of COVID-19 restrictions. However, GDP growth rates decreased to 2.9% year-on-year in Q2, while GDP decreased by 0.6% in Q3.

Uncertainty and sharp price rises put a brake on the economy and in 2022 GDP as a whole could grow within 1-2%, i.e. by at least 3 percentage points less than expected before the Russian invasion of Ukraine. High uncertainty affects consumption of the population, future plans of businesses, and foreign trade. The most difficult situation in the economy is expected in late 2022 and the first half of 2023. Growth could start in mid-2023, but overall growth is expected to be much more moderate in 2023 than in 2022.

Further economic development in the medium term depends on the situation in the external environment and progress in

reforms. The highest risk to the growth of Latvia is related to global economic development, in particular stopping of the expansion of the Covid-19 epidemic and the geopolitical situation. Further development of the EU's total economic space is similarly important. In the medium term, economic advantages of Latvia are mainly based on the achieved macroeconomic stability, as a result of which Latvia's credit ratings have improved, as well as on the efficiency of planned aid programmes of the EU funds and on the improvements in the business environment.

Previous reviews and other publications on economic development can be found [here ...](#)

<https://www.em.gov.lv/en/report-economic-development-latvia>