**Introduction**

Latvia is a country in the Baltic region of Northern Europe. It is bordered by Estonia, Lithuania, Russia, Belarus, and the Baltic Sea. Across the Baltic Sea lies Sweden. The government system is a parliamentary republic; the chief of state is the president, and the head of government is the prime minister. Latvia has transitioned to a market-oriented economy in which the prices of goods and services are determined in a free price system. Latvia is a member of the European Union (EU).

**Location:** Northern Europe  
**Capital City:** Riga (+2 GMT)  
**Chief of State:** President Egils Levits  
**Head of Govt.:** Prime Minister Vacant  
**Currency:** Latvia lat (LVL)  
**Key Websites**  
- **Main Government Page:** president.lv  
- **Investment Promotion Agency:** liaa.gov.lv

**Key Economic Facts**

- **Income Level (by per capita GNI):** High Income  
- **Level of Development:** Developed  
- **GDP, PPP (current international $):** $75.25 billion (2022)  
- **GDP growth (annual %):** 1.98% (2022)  
- **GDP per capita, PPP (current international $):** $39,956.19 (2022)  
- **External debt stocks, total (DOD, current US$):** $38,255,247,000.00 (2011)  
- **Manufacturing, value added (% of GDP):** 12.61% (2022)  
- **Current account balance (BoP, current US$):** -$2.64 billion (2022)  
- **Inflation, consumer prices (annual %):** 17.31% (2022)  
- **Labor force, total:** 971,430 (2022)  
- **Unemployment, total (% of total labor force) (modeled ILO estimate):** 6.43% (2022)  
- **Imports of goods and services (current US$):** $31.34 billion (2022)  
- **Exports of goods and services (current US$):** $28.95 billion (2022)

**GDP Composition %**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5</td>
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<tr>
<td>Services</td>
<td>62</td>
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<tr>
<td>Industry</td>
<td>21</td>
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<tr>
<td>Manufacturing</td>
<td>13</td>
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</tbody>
</table>

*Although Manufacturing is included in the Industry figures, it is also separately reported because it plays a critical role in economy.

**Rankings**

<table>
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<th>Rank</th>
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<td>Corruption Perceptions Index</td>
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<td>Global Competitiveness Index</td>
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<td>Global Enabling Trade Index</td>
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<td>Global Services Location Index</td>
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<td>Index of Economic Freedom</td>
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<td>International Logistics Performance Index (LPI)</td>
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<td>Inward FDI Potential Index</td>
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<td>KOF Index of Globalization</td>
<td>41 / 185</td>
</tr>
<tr>
<td>Networked Readiness Index (NRI)</td>
<td>32 / 139</td>
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</tbody>
</table>

**Risk Assessment (Provided by Coface)**

- **Country rating:** A4 - A somewhat shaky political and economic outlook and a relatively volatile business environment can affect corporate payment behavior. Corporate default probability is still acceptable on average.
- **Business Climate rating:** A1 - The business environment is very good. Corporate financial information is available and reliable. Debt collection is efficient. Institutional quality is very good. Intercompany transactions run smoothly in environments rated A1.

**Strengths**

- Member of the eurozone (2014) and the OECD (2016)
- Domestic financial system dominated by Swedish banks (47% of all assets)
- Efforts to improve the regulation of the offshore financial system
- High level of digitalization

**Weaknesses**

- Russia was a main trading partner as Latvia is a transit point between the EU and Russia (coastline and ports)
- Except for the Baltic states, inadequate land links with the rest of the European Union
- Declining workforce (low birth rate, emigration) and high structural unemployment
- High labor taxation, which hits people on low wages and encourages under-reporting
- Wealth concentrated in the capital, high income inequality

**U.S. Embassy**

U.S. Embassy Riga  
1 Samnera Velsa St. (former Remtes)  
Riga LV-1510  
Latvia  
Phone: +371 6710 7000  
https://lv.usembassy.gov

Country Memo Provided by: globalEDGE.msu.edu and TRADE.GOV