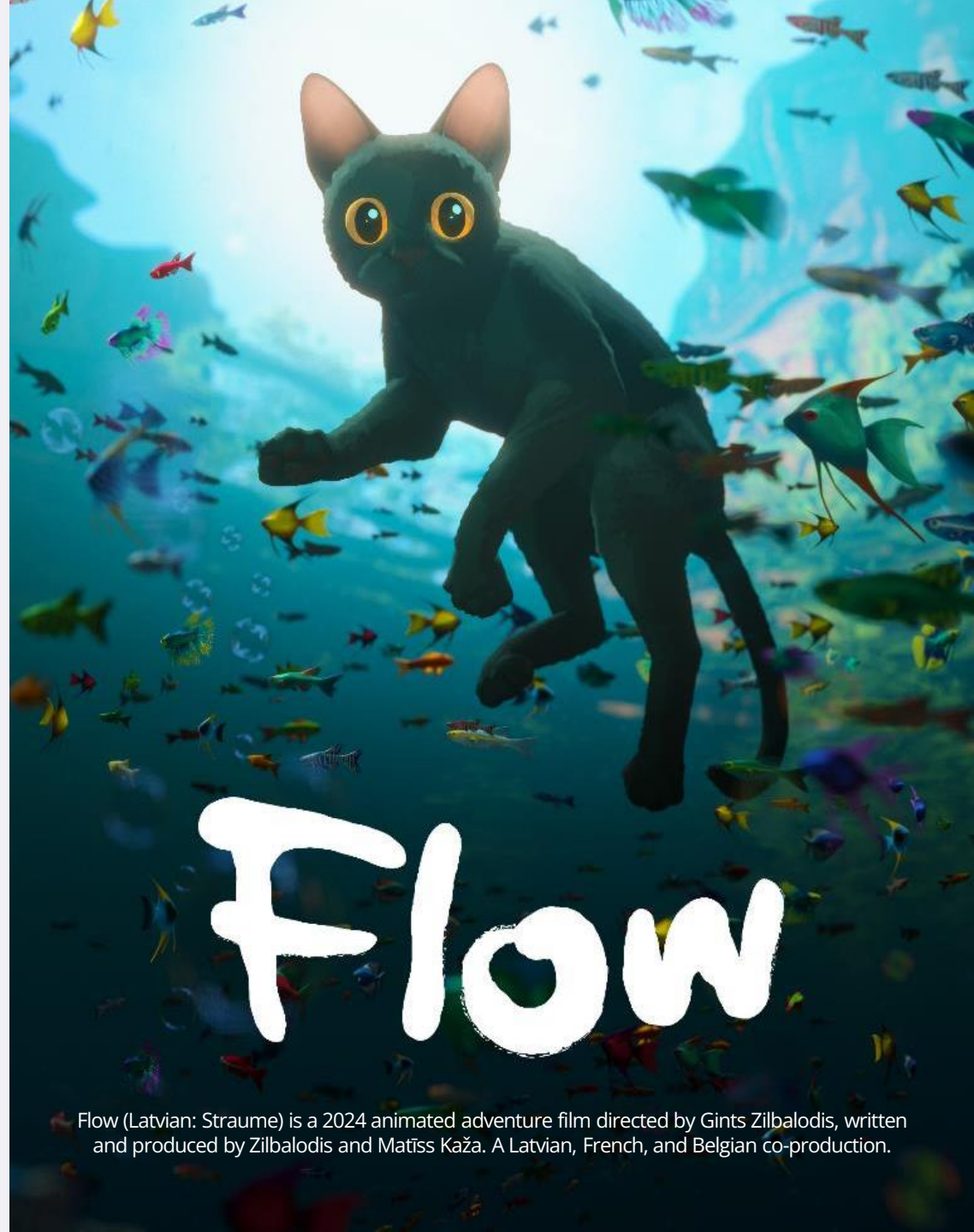


Latvia in a Changing World

Mārtiņš Kazāks

Governor of Latvijas Banka

July 10, 2025



Flow (Latvian: Straume) is a 2024 animated adventure film directed by Gints Zilbalodis, written and produced by Zilbalodis and Matīss Kaža. A Latvian, French, and Belgian co-production.

Maize ēdājam pakaļ neiet
(Bread doesn't follow the eater)

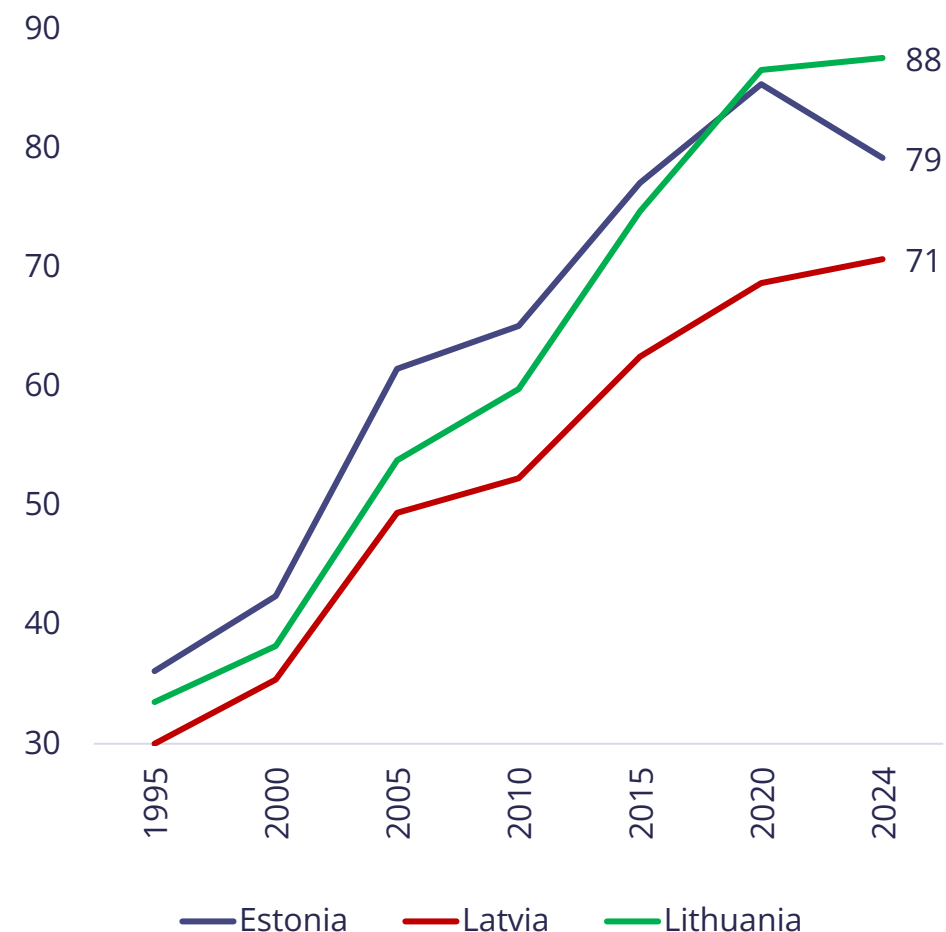


Quite a run, but only sky is the limit

+42 pp

the rise in Latvian GDP per capita versus the EU-27 average, 1995-2024

Gross domestic product per capita in the Baltic States (% of EU27, PPS)



Source: Eurostat.

2

Second most competitive tax system globally

International Tax Competitiveness Index 2024, 38 OECD countries

(ITCI 2024) taxfoundation.org

Estonia and Latvia have the most competitive tax systems in the world



Latvia's position in the EU

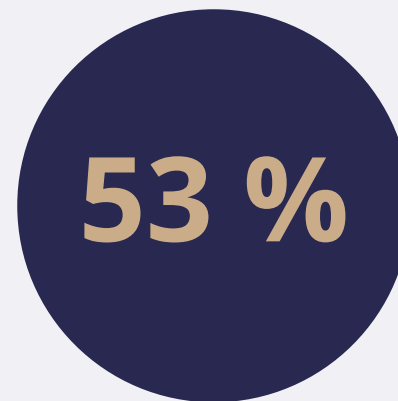
Latvia's position in the world

1/27	<u>Women scientists and engineers</u> (2024)	...
7/27	<u>ICT Development Index</u> (2024)	20/173
11/27	<u>World Press Freedom Index</u> (2024)	12/180
4/27	<u>Share of energy from renewable sources</u> (2023)	...
12/27	<u>Sustainable Development Goals Index</u> (2025)	13/193
12/27	<u>E-Government Development Index</u> (2024)	29/193



Rank: share of women in managerial positions

Sweden (44%) and Latvia (43%) with the highest share of female managers (% of all managers) in the European Union countries in 2024



Share of women among doctoral graduates

Share of women among doctoral graduates in Latvia (53%) above the EU average (48%) in 2023

65% **Share of exports in GDP**
(of GDP, 2024, goods and services)

6.9% **Unemployment rate**
(of the economically active population, 2024)

47% **Government debt**
(of GDP, 2024)

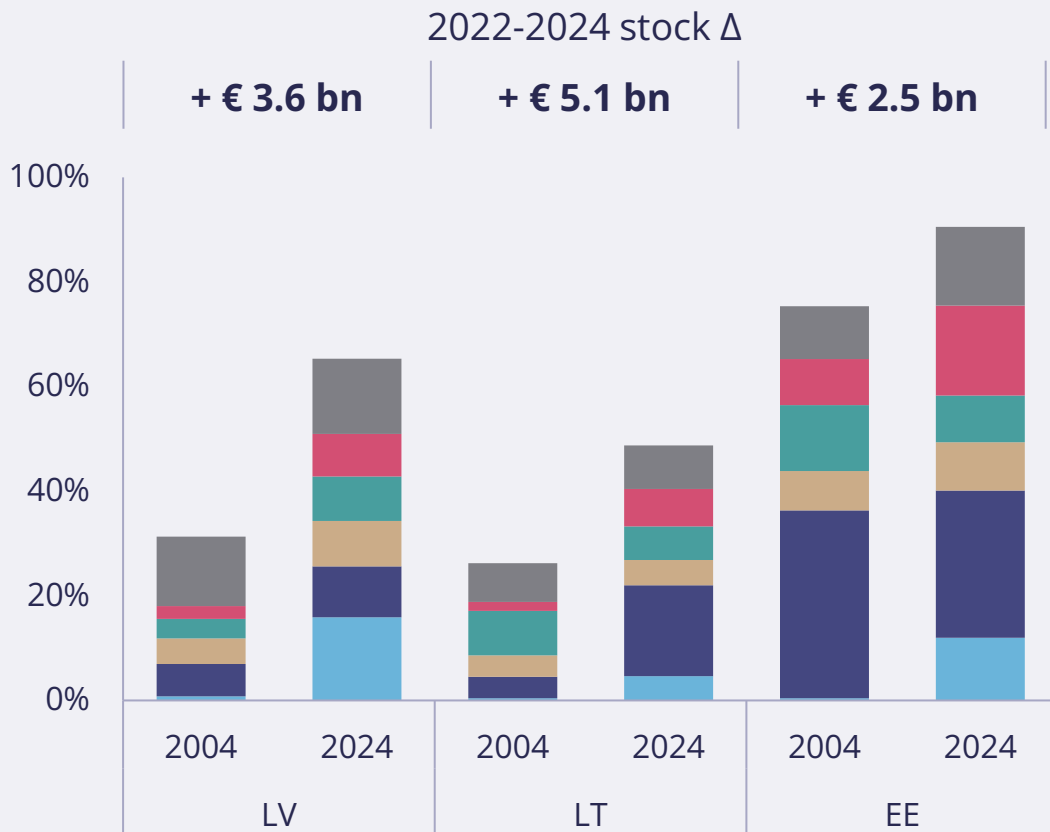
29% **Loans to households and non-financial corporations**
(of GDP, 2024)

Gross domestic product (real, % change; s.a.)

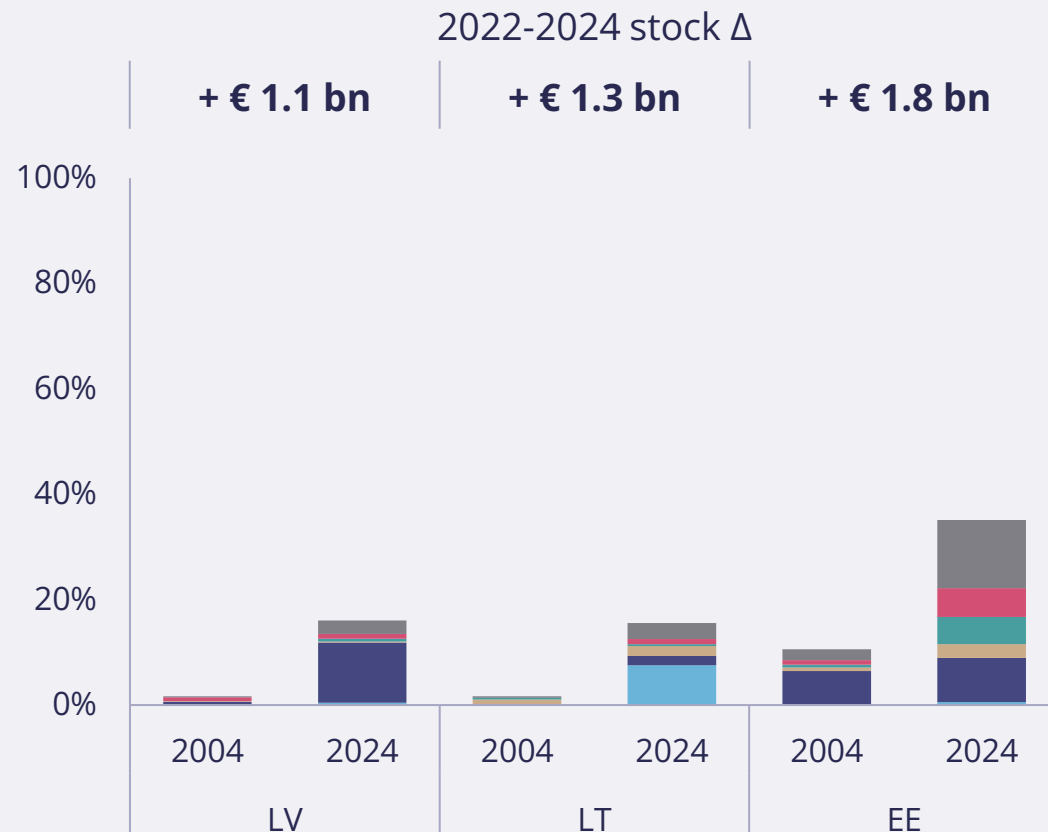


Source: Central Statistical Bureau of Latvia.

Foreign direct investment by sector (% of GDP, stock)



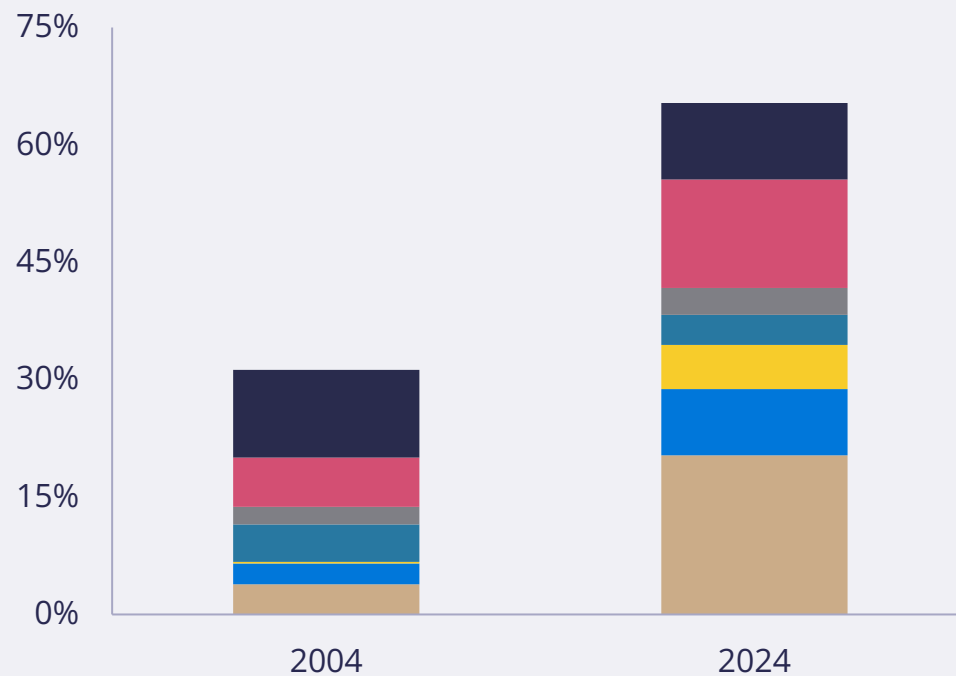
Direct investment abroad by sector (% of GDP, stock)



■ Professional, Scientific And Technical Activities ■ Financial And Insurance Activities
■ Manufacturing ■ Real Estate Activities

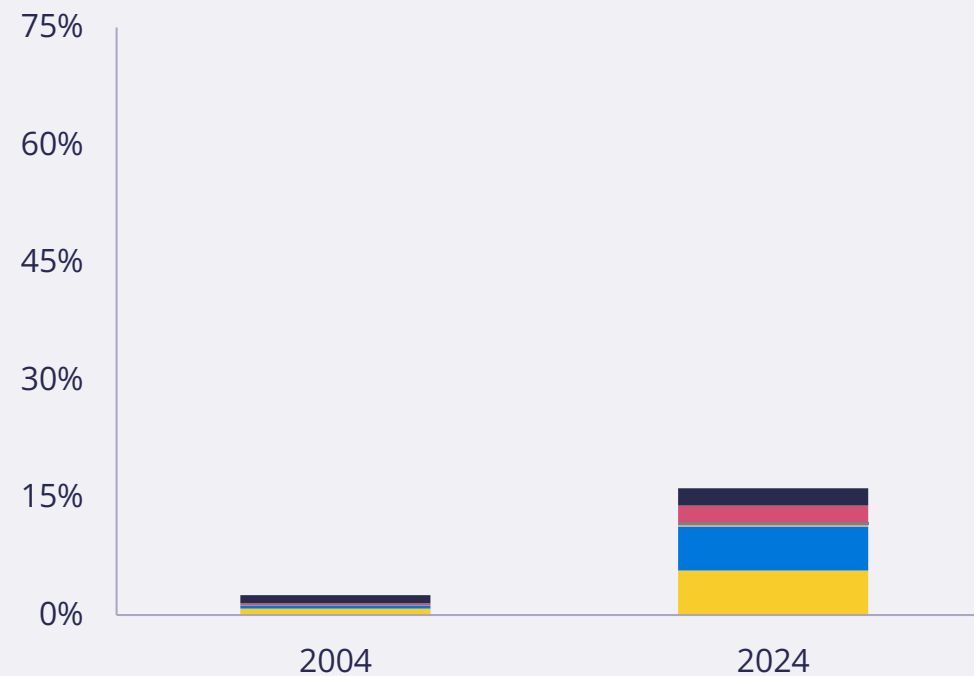
■ Wholesale And Retail Trade
■ Other

Foreign direct investment in Latvia by country (% of GDP, stock)



■ Sweden
 ■ Estonia
 ■ Lithuania
 ■ Germany
 ■ Netherlands
 ■ Other EU
 ■ Outside EU

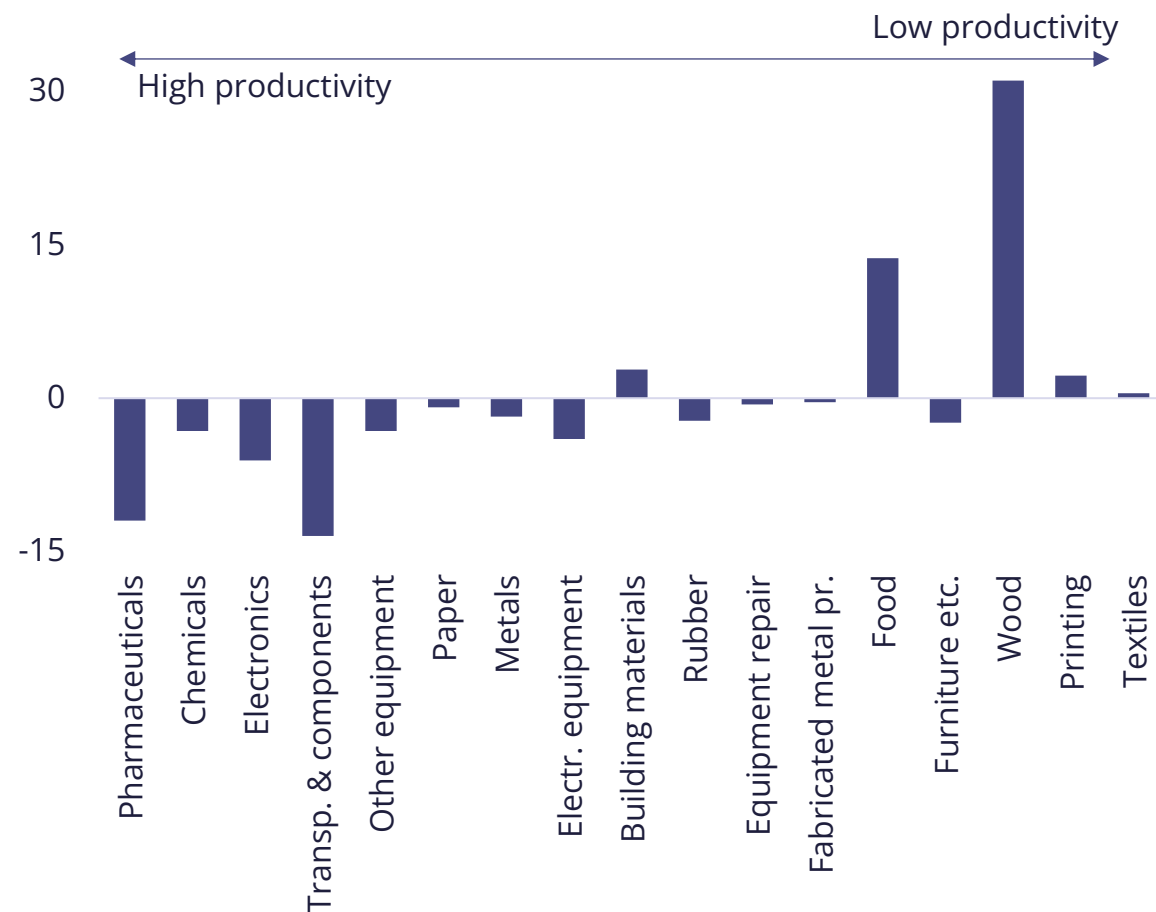
Direct investment abroad by country (% of GDP, stock)



Investments concentrated in manufacturing sectors with generally lower productivity;

R&D among the lowest in the EU

Differences in investment structure: Latvia vs. EU countries with the largest share of manufacturing in investments* (percentage points, 2019 - 2022)

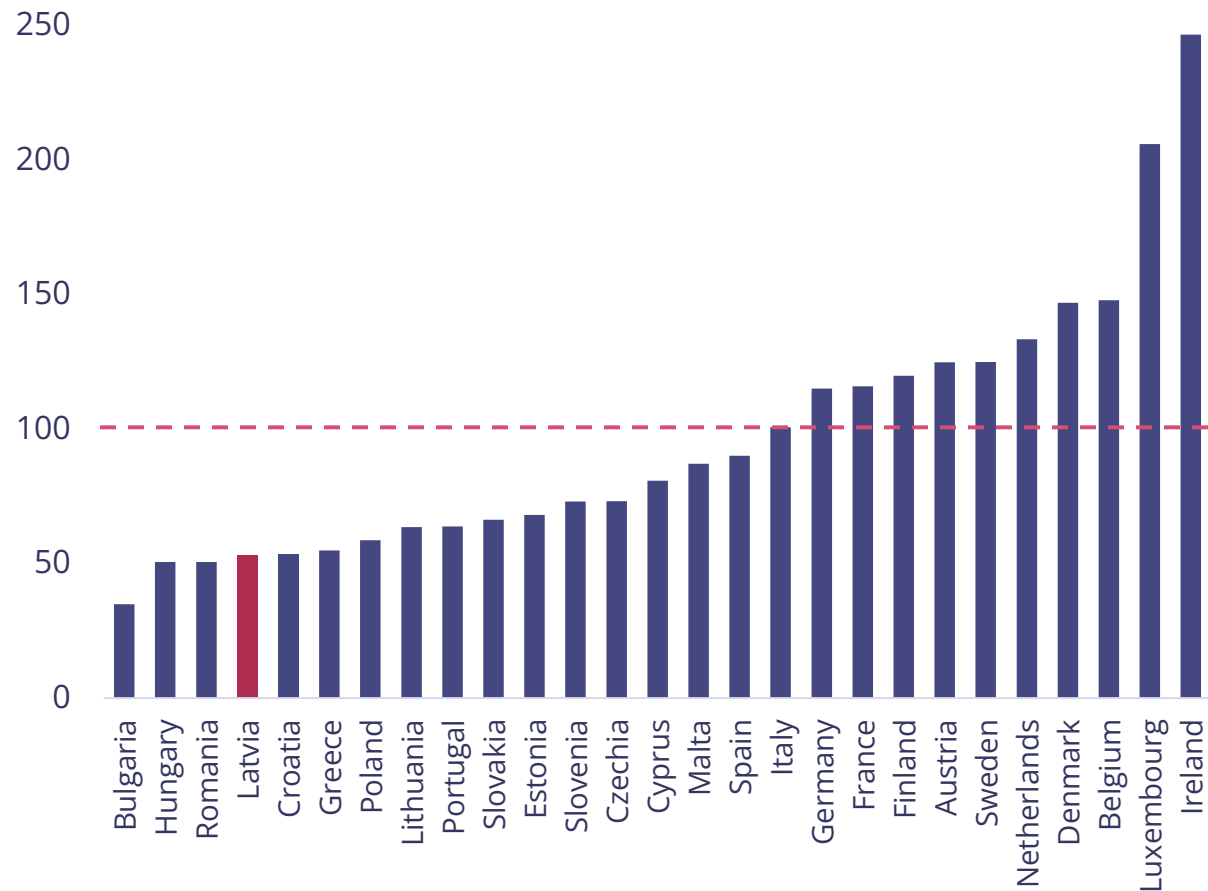


* Ireland, Czech Republic, Hungary and Slovakia.

Source: Eurostat, Bank of Latvia,

Productivity convergence has ample potential

Productivity per hour worked by country vs. the EU average (% , 2024)



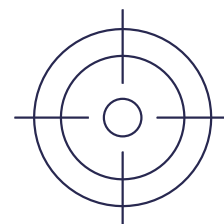
Being just average is not our aim:
we can do better



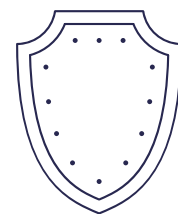
Geopolitical shifts and security

5% of GDP

Defence investment target



New long-term pledge more than doubles previous NATO spending target of 2% of GDP



Latvia and the Baltic States benefit from a stronger defence alliance and pan-European solutions

Geopolitical shifts and security

~70%

of Latvia's trade in goods in 2024 was with EU countries



From global efficiency to regional resilience

Relocation of supply chains, trusted partners and proximity



Latvia is well-positioned to benefit from stronger intra-EU trade and integration

Euro Area internal trade barriers (tariff equivalent) above 55%

Technology, ageing, climate

78%

the share of Latvian society that views AI positively

€500 mn

investment target set by Latvia's National Artificial Intelligence Centre for the next five years

93%

of Latvian households have internet access, underscoring the country's **robust digital infrastructure**

How to steer through storms
and raise growth from 2% to 5% sustainably?





Human capital
+1.5 pp



Investments
+1 pp



Innovation
+1 pp

>100

active national strategies /
plans / sectoral guidelines



Governance and Ambition

- Clear focus (say no in order to say yes)
- Riga as a regional centre (mind the "knowledge mile")
- Cooperation (the whole is greater than the sum of its parts)





Mūsu valsts, mūsu banka
(Our country, our bank)

