

## Latvia: Market Profile

### Major Economic Indicators

	2015	2016	2017**
Population (000)	1,986	1,969	1,959
GDP (US\$ bn)	27.040	27.684	27.795
Real growth (%)	2.7	2.0	3.0
GDP per capita (US\$)	13,614	14,060	14,188
Inflation - CPI index	0.2%	0.1%	2.8%
Unemployment rate	9.9%	9.6%	9.4%
Exports (US\$ bn)	12.136	12.101	N.A.
YoY growth (%)	-16.6	-0.3	N.A.
Imports (US\$ bn)	14.487	14.269	N.A.
YoY growth (%)	-17.9	-1.5	N.A.
Average exchange rate (Euro per US\$)	0.902	0.904	0.916##

Note: ## Jan-Jul 2017, \*\* forecast

Source: IMF, WTO

- Sandwiched between Lithuania and Estonia, Latvia provides a strategic location for business operations targeting developed economies of the EU as well as the emerging markets to its east. Latvia is a natural gateway between the EU and Russia, and the other former Soviet states.
- Latvia is the transport and logistics hub of the region, with three major, ice-free international ports –namely Riga, Ventspils and Liepāja – closely linked to the country’s well-developed rail, road and pipeline infrastructure. Meanwhile, Riga International Airport is the largest airport, serving about two-thirds of all flights in the region, whereas Ventspils is the busiest port.
- Despite its limited domestic market size, Latvia has a diverse economy. With almost 20% of the territory being arable, food and beverage production is the largest industrial sector in Latvia. Other sectors where the nation has the most investment potential and expertise are: information technology, green technology, healthcare, life sciences, transportation and logistics, metalworking, machinery and electronics, woodworking and food processing.
- In the wake of the economic crisis of 2008, Latvia has implemented several pro-business reforms and focussed policy on developing itself into an investment destination, including adopting the euro as its currency on 1 January 2014. These



measures, together with the 16+1 formula promoting regional co-operation between Central and Eastern Europe and China and the Rail-Baltic project, will further make business and trade co-operation between the two signatories proliferate.

- Aside from tax incentives in special economic zones, corporate income tax rebate for large-scale investment projects, beneficial depreciation ratio for new technological equipment, the Latvian government offers also incentives for R&D and state credit guarantee to foreign investors. More information can be found at the [Investment and Development Agency of Latvia \(LIAA\)](#).
- The inflows of foreign direct investment (FDI) to Latvia amounted to US\$668 million in 2015, with China contributing US\$0.5 million. As of the end of 2015, China's total stock of FDI to Latvia topped US\$0.9 million, down from US\$2.3 million in 2006. Although Hong Kong's investment in Latvia is far from significant, the city concluded the Double Taxation Agreement (DTA) negotiation with Latvia in April 2016 (now pending ratification) in a bid to accommodate greater synergies.

### Hong Kong's Trade with Latvia

(US\$ million)	2015		2016		Jan-Jun 2017	
	Value	Growth	Value	Growth	Value	Growth
Total Exports	79.436	-21.2	66.171	-16.7	33.481	+9.8
Domestic exports	0.828	-8.2	0.207	-75.0	0.061	-59.0
Re-exports	78.608	-21.3	65.963	-16.1	33.420	+10.2
Imports	7.445	-20.3	13.546	+82.0	8.590	+2.0
Total Trade	86.881	-21.1	79.716	-8.2	42.071	+8.1

Source: Hong Kong Trade Statistics, Census & Statistics Department

### More Information

More information on the Belt and Road countries' economic and investment environment, tax and other subjects that are important in considering investment and doing business are available in [The Belt and Road Initiative: Country Business Guides](#).

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