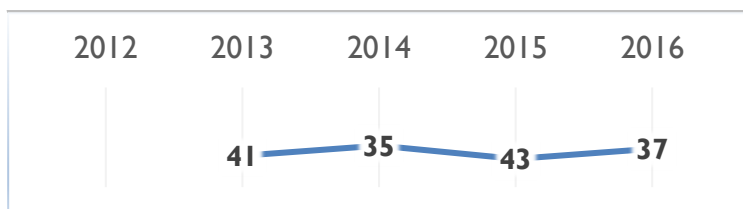


# LATVIA

## OVERALL PERFORMANCE



## CHALLENGES IN 2016

- Preparing to join the OECD as membership negotiations have entered the concluding phase.
- Strengthening the development of knowledge-based economy and continuing the reforms to improve the business environment.
- Structural change, especially in education, demography and health sectors of Latvia.
- Dealing with migration issues for the first time in history, trying to integrate people with very different cultures and backgrounds.
- Implementing strategic energy and transport projects, as well as liberalizing the natural gas market.

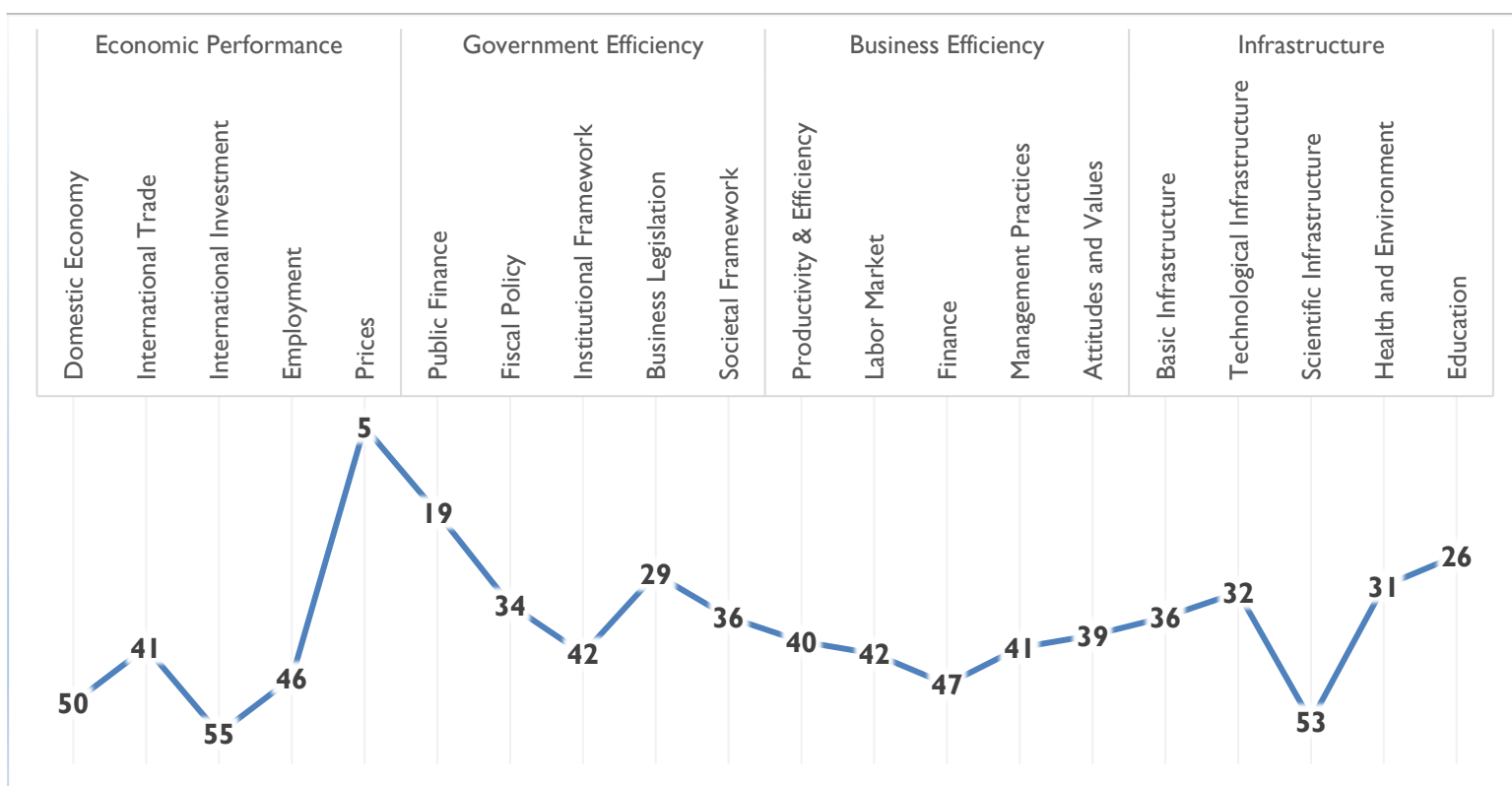
### Provided by:

Centre for European and Transition Studies

## BASIC FACTS

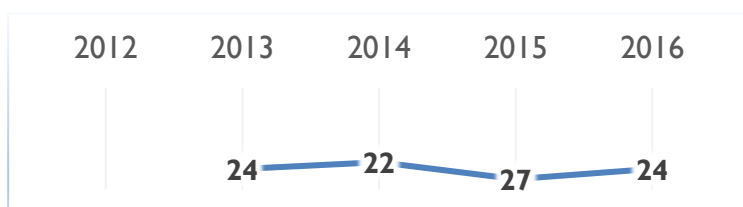
		Rank
Capital	Riga	
Land area (square km '000)	64 <sup>2015</sup>	
Exchange Rate (per \$)	0.902 <sup>2015</sup>	
Population - market size (millions)	1.99 <sup>2015</sup>	58
Gross Domestic Product (GDP) (US\$ billions)	27.0 <sup>2015</sup>	58
GDP (PPP) per capita (US\$)	24,713 <sup>2015</sup>	40
Real GDP growth (%)	2.7 <sup>2015</sup>	25
Consumer price inflation (%)	0.21 <sup>2015</sup>	27
Unemployment rate (%)	9.90 <sup>2015</sup>	51
Labor force (millions)	0.99 <sup>2015</sup>	58
Current account balance percentage (%)	-1.23 <sup>2015</sup>	42
Direct investment stocks inward (\$bn)	14.6 <sup>2014</sup>	59
Direct investment flows inward (%)	2.64 <sup>2015</sup>	23

## COMPETITIVENESS LANDSCAPE

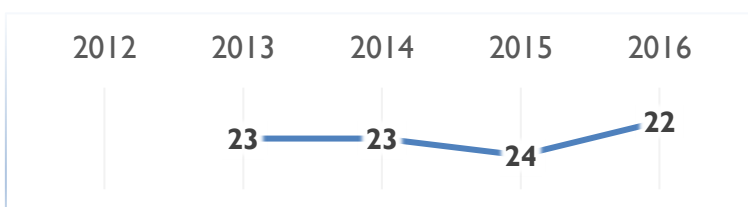


## PEER GROUPS RANKINGS

### EUROPE - MIDDLE EAST - AFRICA



### POPULATIONS < 20 MILLION



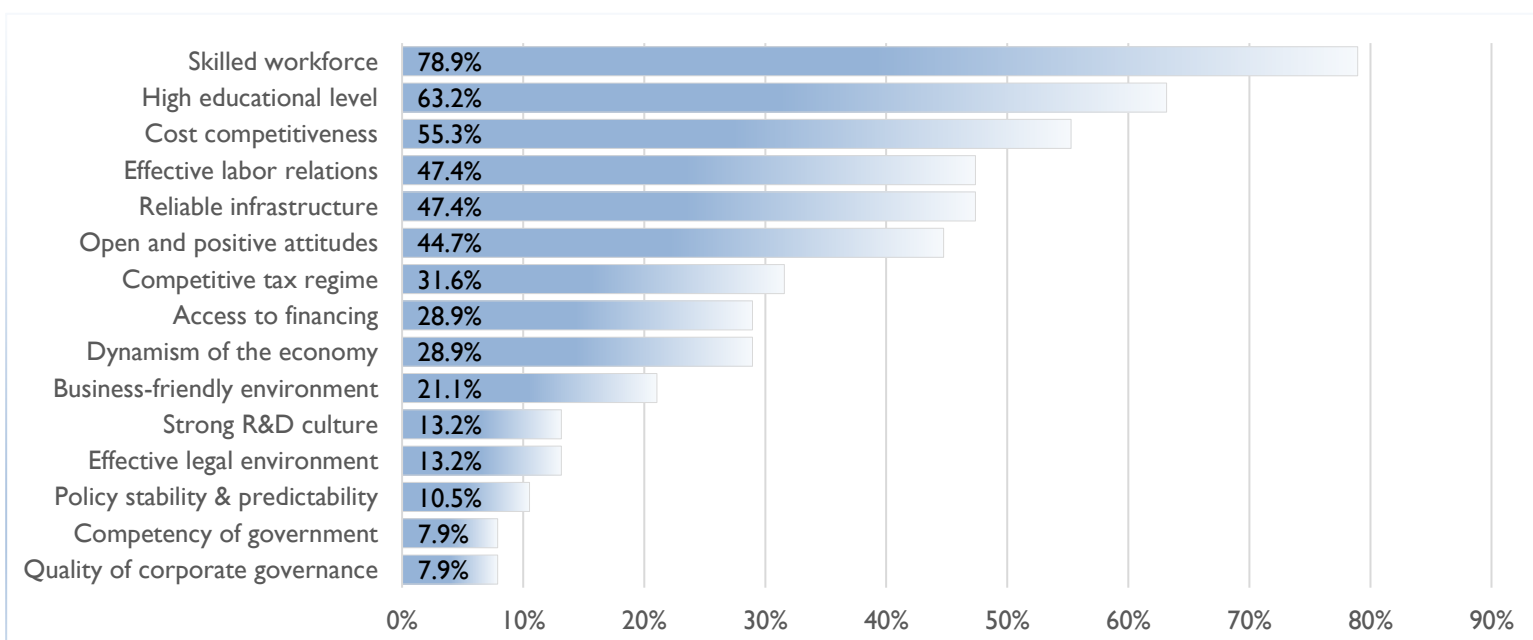
## COMPETITIVENESS EVOLUTION

The criteria below highlight the 15 biggest Improvements and the 15 biggest Declines in the overall performance of the economy. They are determined by the largest percentage changes in the value of each criterion from one yearbook to the next.

IMPROVEMENTS	WCY	WCY	DECLINES	WCY	WCY
	2015	2016		2015	2016
1.5.02 Adjusted consumer price inflation	0.4	0.2	4.3.16 Patent applications per capita	24.01	9.65
2.4.15 Start-up days	13	6	2.2.11 Employer's social security contribution rate	16.35	23.26
1.2.02 Current account balance percentage	-2.32	-1.23	2.2.10 Employee's social security contribution rate	7.47	10.35
4.3.05 Business expenditure on R&D (%)	0.17	0.25	4.5.03 Public expenditure on education per pupil	25.8	17.2
2.4.08 Government subsidies	0.67	0.43	2.5.03 Ageing of society	2.90	2.16
2.4.03 Protectionism	4.34	5.84	2.2.07 Effective personal income tax rate	17.33	21.54
2.2.01 Collected total tax revenues	29.51	20.31	2.3.13 Bureaucracy	3.10	2.37
1.1.15 Real GDP growth per capita	2.71	3.52	2.5.01 Justice	4.55	3.53
4.5.09 Student mobility inbound	1.34	1.73	4.3.21 Researchers and scientists	3.93	3.05
3.3.11 Stock market capitalization (%)	4.02	5.18	4.3.20 Scientific research	4.28	3.37
1.1.19 Resilience of the economy	4.07	5.11	2.4.18 Unemployment legislation	5.52	4.37
4.3.18 Number of patents in force	46.1	56.8	3.2.21 Brain drain	4.28	3.42
1.3.13 Relocation threats of production	4.14	5.00	2.3.10 Adaptability of government policy	3.66	2.95
2.4.04 Public sector contracts	4.62	5.53	4.2.12 Qualified engineers	6.07	4.95
3.2.03 Remuneration in services professions			3.4.04 Corporate boards	5.24	4.32

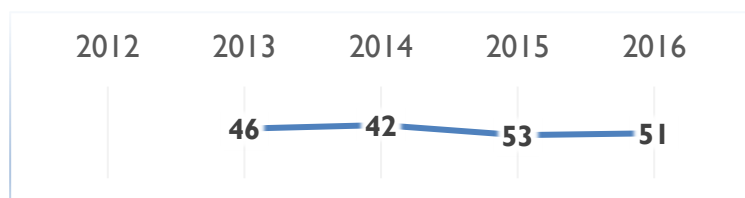
## KEY ATTRACTIVENESS INDICATORS

From a list of 15 indicators, respondents of the Executive Opinion Survey were asked to select 5 that they perceived as the key attractiveness factors of their economy. The chart shows the percentage of responses per indicator from the highest number of responses to the lowest.



## LATVIA

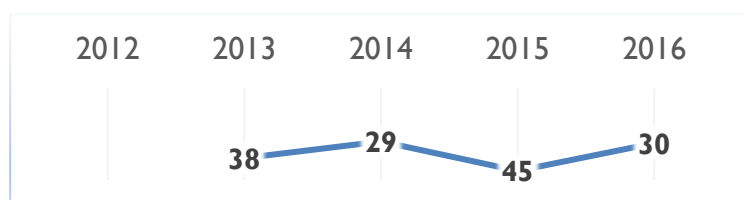
## ECONOMIC PERFORMANCE



## Sub-Factor Rankings :

	2015	2016
Domestic Economy	55	50
International Trade	41	41
International Investment	58	55
Employment	52	46
Prices	11	5

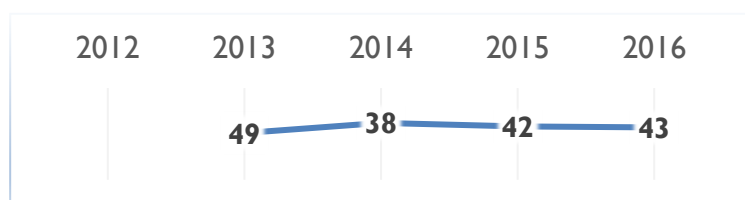
## GOVERNMENT EFFICIENCY



## Sub-Factor Rankings :

	2015	2016
Public Finance	47	19
Fiscal Policy	31	34
Institutional Framework	53	42
Business Legislation	35	29
Societal Framework	37	36

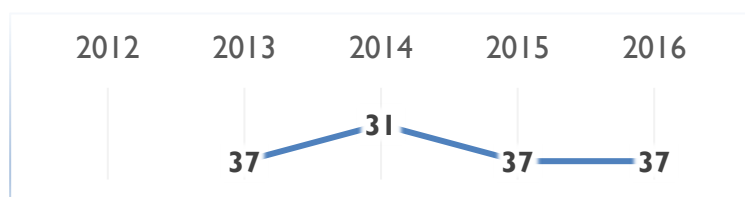
## BUSINESS EFFICIENCY



## Sub-Factor Rankings :

	2015	2016
Productivity & Efficiency	35	40
Labor Market	38	42
Finance	51	47
Management Practices	37	41
Attitudes and Values	35	39

## INFRASTRUCTURE



## Sub-Factor Rankings :

	2015	2016
Basic Infrastructure	35	36
Technological Infrastructure	24	32
Scientific Infrastructure	52	53
Health and Environment	35	31
Education	23	26

## STRENGTHS

Economic Performance	Rank
1.5.02 Adjusted consumer price inflation	6
1.5.05 Office rent	7
1.2.18 Export concentration by product	9
1.1.15 Real GDP growth per capita	9
1.2.13 Exports of commercial services (%)	16
1.2.09 Exports of goods (%)	17
1.2.23 Trade to GDP ratio	18
1.5.07 Gasoline prices	20
1.5.03 Cost-of-living index	21
1.2.25 Tourism receipts	21

Government Efficiency	Rank
2.2.08 Corporate tax rate on profit	4
2.4.08 Government subsidies	7
2.5.13 Disposable Income	8
2.1.04 Total general government debt (%)	14
2.4.01 Tariff barriers	15
2.4.16 Start-up procedures	16
2.4.15 Start-up days	20
2.1.02 Government budget surplus/deficit (%)	21
2.2.01 Collected total tax revenues	23
2.4.05 Foreign investors	24

Business Efficiency	Rank
3.2.16 Female labor force	2
3.2.03 Remuneration in services professions	14
3.2.10 Apprenticeships	15
3.2.01 Compensation levels	23
3.2.11 Employee training	24
3.2.07 Labor relations	27
3.5.05 Need for economic and social reforms	29
3.2.23 International experience	30
3.2.13 Labor force (%)	31
3.5.06 Value system	31

Infrastructure	Rank
4.5.08 Women with degrees	1
4.5.05 Pupil-teacher ratio (secondary education)	4
4.4.18 Renewable energies (%)	6
4.2.10 Internet bandwidth speed	7
4.5.04 Pupil-teacher ratio (primary education)	8
4.1.14 Quality of air transportation	11
4.2.04 Communications technology	11
4.5.01 Total public expenditure on education	15
4.2.05 Connectivity	17
4.2.11 Information technology skills	19

## WEAKNESSES

Economic Performance	Rank
1.3.07 Direct investment stocks inward (\$bn)	59
1.3.03 Direct investment stocks abroad (\$bn)	58
1.2.08 Exports of goods (\$bn)	58
1.2.12 Exports of commercial services (\$bn)	58
1.3.04 Direct investment stocks abroad (%)	55
1.4.06 Unemployment rate	51
1.1.13 Diversification of the economy	50
1.3.05 Direct investment flows inward (\$bn)	49
1.3.01 Direct investment flows abroad (\$bn)	49
1.3.02 Direct investment flows abroad (%)	44

Government Efficiency	Rank
2.5.03 Ageing of society	58
2.5.05 Social cohesion	54
2.4.19 Immigration laws	53
2.4.12 Parallel economy	53
2.1.10 Tax evasion	53
2.3.03 Interest rate spread	51
2.3.10 Adaptability of government policy	49
2.5.01 Justice	48
2.1.09 Public finances	47
2.3.12 Transparency	46

Business Efficiency	Rank
3.3.11 Stock market capitalization (%)	60
3.4.04 Corporate boards	58
3.4.09 Health, safety & environmental concerns	51
3.3.01 Banking sector assets	49
3.2.21 Brain drain	48
3.1.09 Large corporations	48
3.5.07 Corporate values	47
3.3.09 Stock markets	47
3.4.02 Ethical practices	46
3.5.01 Attitudes toward globalization	46

Infrastructure	Rank
4.2.12 Qualified engineers	59
4.5.14 Science in schools	53
4.2.14 Public-private partnerships	52
4.3.22 Scientific research legislation	52
4.3.20 Scientific research	51
4.4.04 Health infrastructure	51
4.3.24 Knowledge transfer	50
4.3.21 Researchers and scientists	49
4.1.25 Electricity costs for industrial clients	48
4.3.05 Business expenditure on R&D (%)	48