European Investment Bank

Latvia

Overview

EIB INVESTMENT SURVEY

2023

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EIB Investment Survey Country Overview 2023: Latvia

About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment, which has been administered since 2016, is a unique, annual survey of some 13 000 firms. It covers firms in all European Union Member States and also includes a sample of firms in the United States.

The survey collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face, such as climate change and digital transformation. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Members States and the United States, as well as across four classes of firm size (micro to large) and four main economic sectors (manufacturing, construction, services and infrastructure). The survey is designed to build a panel of observations, supporting the analysis of time-series data. Observations can also be linked back to data on firm balance sheets and profit and loss statements. The EIBIS was developed by the EIB Economics Department. It is managed by the department with the support of Ipsos MORI.

About this publication
These reports provide an overview of data collected for the 27 EU Member States and the United States. They are intended to provide a snapshot of the data. For the purpose of these publications, data are weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

Download the findings of the EIB Investment Survey for each EU country or explore the data portal at www.eib.org/eibis.

About the Economics Department of the EIB
The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The department and its team of 40 economists is headed by Debora Revoltella, director of economics.

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EIBIS 2023 – Latvia overview

KEY RESULTS

Investment dynamics and focus

In the context of decelerating economic growth and tightening monetary policy, firms in Latvia remained relatively positive about their investment intentions for 2023. Seventy-six per cent invested in the previous year, and a larger share of firms expected to increase rather than decrease investment in 2023 (18% net positive). The figures in Latvia match those for the EU overall.

Investment needs and priorities

Seven in ten firms in Latvia (72%) believe they invested about the right amount over the last three years, although this is lower than the EU average of 82%. Looking at investment priorities for the next three years, these are broadly similar to those reported in EIBIS 2022. Three in ten firms in Latvia (29%) cite capacity expansion as their priority, followed by replacement (26%) and new products/services (24%).

Compared with EIBIS 2022, Latvian firms hold, on balance, more optimistic expectations about investment conditions for the next year. The largest shift in expectations are the economic climate (net balance of -3% versus -71%). Perceptions of the political/regulatory climate remain negative on balance but show improvement (-12% versus -29%), a similar change is seen for business prospects (from -15% to +12%). Expectations for the availability of finance have also improved since EIBIS 2022 (external finance, from a strongly negative net balance of -25% to a marginally positive balance of +1%, and internal finance, from a net negative -21% to a net positive of +14%). These trends are consistent with the EU, although Latvia generally holds more optimistic expectations.

Energy market developments

The energy crisis hit Latvian firms relatively less harshly than firms across the EU. Energy prices were a major concern for 43%, while uncertainty about prices, availability and regulatory frameworks was a major concern for 36%. Energy availability (46%) and energy regulatory frameworks (56%) were less of a concern to firms in Latvia compared with the EU as a whole (73% and 79%, respectively).

While the majority of Latvian firms responded to the energy shock by embracing at least one of the strategies proposed (87%), this is slightly lower than the EU average of 95%. The most frequently reported strategy or priority was to seek energy savings/efficiencies (70%).

International trade

Almost all Latvian firms trading internationally faced some type of disruption. Difficulties with access to commodities or raw materials (74%) were the main obstacles encountered.

Despite these difficulties, only around a third (36%) changed or are planning to change their sourcing strategy, lower than the EU average (49%). Latvian firms are half as likely as the EU average to be increasing stocks and inventory or have plans to do so (16% versus 31%), but broadly as likely to be investing in or have plans to invest in digital inventory and inputs tracking (15% versus 20%). Latvian importers are just as likely as those throughout the EU to have diversified or increased the number of countries they import from or have plans to do so (25% versus 24%), while a broadly similar proportion had reduced or plans to reduce the share of goods or services imported from abroad (16% versus 10%).

EIBIS 2023 – Latvia overview

Climate change and energy efficiency

Just under half (46%) of Latvian firms perceive climate change as a reality, much lower than the EU average (64%). Almost half (47%) of Latvian firms have already developed or invested in measures to build resilience to the physical risks to their company caused by climate change, higher than the EU average (36%). Latvian firms mainly invested in insurance products to off-set climate-related losses (26%). Almost equal proportions of Latvian firms have implemented an adaptation strategy (15%) or have invested in solutions to avoid/reduce the exposure to physical risks (13%).

The share of Latvian firms seeing the transition to stricter climate standards and regulations as a risk is higher than those that see it as an opportunity (26% and 16%, respectively), similar to EIBIS 2022. The proportion of firms seeing the transition as an opportunity is lower than in the EU (16% versus 29%). Around seven in ten (68%) Latvian firms are taking actions to reduce Greenhouse Gas (GHG) emissions but just three in ten (29%) set and monitor relevant targets. The main actions are investing in energy efficiency (41%) and waste minimisation and recycling (35%), followed by investment in new/less polluting business and/or technology (31%) and sustainable transport options (29%). Latvian firms are less likely to be investing in all the areas explored than the EU except investing in new, less polluting, business areas and technologies, where Latvian investment was in line with the EU (31% versus 32%).

In Latvia, 40% of firms have already invested in tackling the impacts of weather events and dealing with the process of reducing carbon emissions, while a third (32%) have plans to invest in the next three years. Both figures are lower than the EU average (56% and 54%, respectively).

Innovation activities

Around four in ten (38%) Latvian firms developed or introduced new products, processes or services as part of their investment activities in 2022, which is similar to EIBIS 2022 (33%) and the EU (39%). Three in ten (28%) firms in Latvia report the development/introduction of products, processes or services that were new to either the country or global market, higher than the EU average (13%).

Although 57% of firms in Latvia have used one or more advanced digital technologies, it is lower than the EU average (70%). Firms in Latvia are making most use of the implementation of digital platforms (49%), robotics (48%), the internet of things (39%) and big data/AI (32%), broadly in line with the EU. Latvian firms are less advanced than the EU average on drones (10% versus 24%) and 3D printing (2% versus 23%).

Investment impediments

The most frequently mentioned long-term barriers to investment in Latvia are the availability of skilled staff (91%), energy costs (89%) and uncertainty about the future (87%). A lack of skilled staff is a particular problem compared with the EU (91% versus 81%). Compared to EIBIS 2022, the situation for Latvian firms remains similar, although they are now less likely to report issues around uncertainty about the future (96% versus 87%).

Access to finance

The share of financially constrained firms in Latvia (15.0%) is higher than the EU average (6.2%). The main constraint reported by firms in Latvia is rejection (10.2%), followed by an insufficient amount of finance received (2.3%) and expense (2.0%). Following deteriorating external finance conditions, Latvian firms are increasingly dissatisfied with the cost of finance. Since EIBIS 2022, the share of firms dissatisfied with the cost of external finance has increased from 4% to 12%.

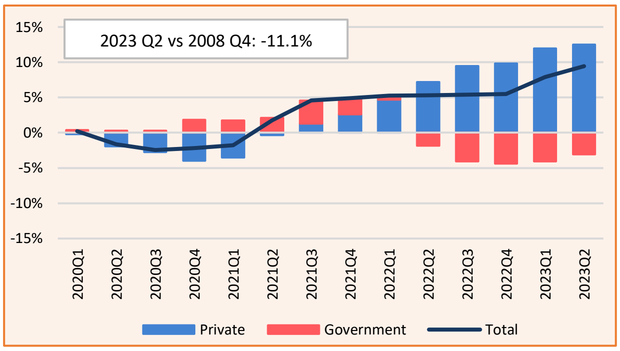
Note on how to read the results:

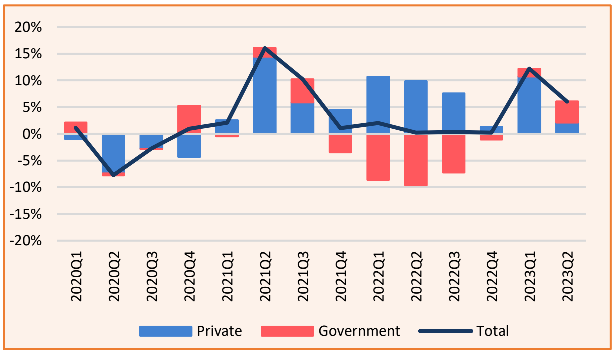
EIBIS 2023 overview presents the results of the survey run in 2023. Questions in the survey might point to "last financial year" (2022) or expectations for the current year (2023). The text and the footnote referring to the question will specify in each case which year is considered.

Investment dynamics and focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

- With investment growth peaking in Q2 2021, aggregate investment in Latvia recovered well from the pandemic on the back of both higher private investment and improving, yet predominantly still negative, public investment.
- Between Q3 2021 and Q4 2022, aggregate investment remained relatively flat at around 5% above the pre-pandemic level. Investment growth by the private sector gained momentum and largely compensated for declining government investments during the period.
- Following a temporary stagnation, overall investment started to pick up again in the first half of 2023, driven in particular by an increase in private investment growth in the first quarter.
- Further supported by stabilising public investment, aggregate investment continued its overall upward trend and reached 9.4% in Q2 2023, its highest level since the beginning of the pandemic.

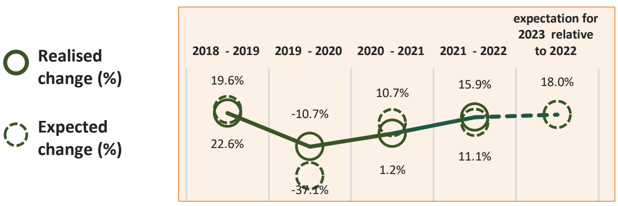


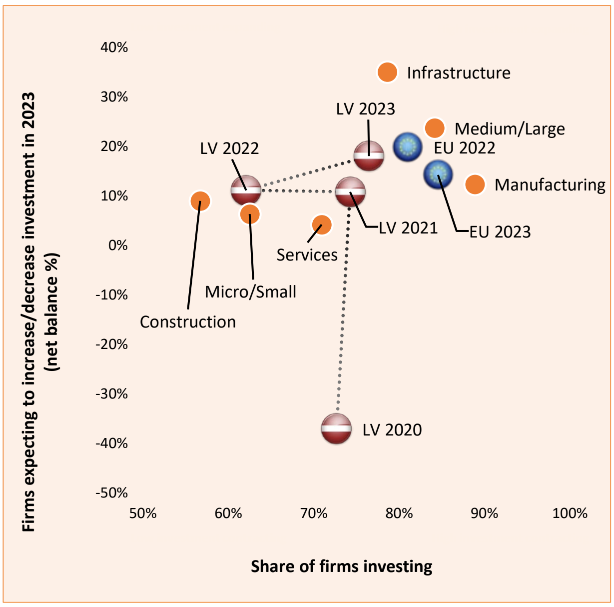


The LHS chart shows the evolution of total gross fixed capital formation (GFCF) by institutional sector, in real terms and non seasonally nor calendar adjusted. The nominal GFCF source data was transformed into four-quarter sums and deflated using the implicit deflator for total GFCF (2015=100 euro). The four-quarter sum of total GFCF in 2019Q4 is normalised to 0.
The RHS chart shows the y-o-y % change in total real GFCF by institutional sector. The implicit deflator for total GFCF (2015=100 euro) was used for deflating the nominal GFCF source data.
Source: Eurostat, authors' own calculations.

INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

- Latvian firms hold a positive investment outlook in 2023, with a net balance of 18% expecting to increase rather than decrease investment. This is in line with the average across the EU (14%). In terms of outlook, this is a small increase from EIBIS 2022 (net balance of 11%) and remains higher than the very low figure during the pandemic in 2020 (-37%).
- Infrastructure firms are the most likely to expect to increase rather than decrease their investment (net balance 35%).
- The share of Latvian firms having invested in 2022 is lower than the EU as a whole (76% versus 85%), but substantially larger than in EIBIS 2022 (62%).





"Realized change" is the share of firms that invested more minus those that invested less. "Expected change" is the share of firms that expect(ed) to invest more minus those that expect(ed) to invest less.

Base for expected and realised change: All firms

Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

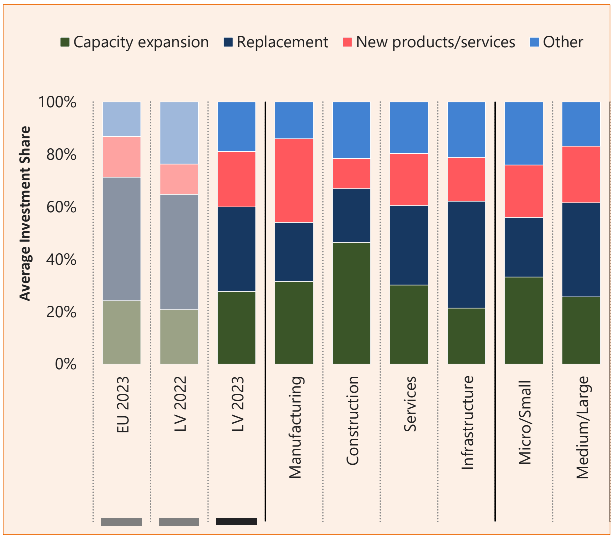
Base for share of firms investing: All firms (excluding don't know/refused responses)

Base for expected and realised change: All firms

Investment dynamics and focus

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms' investment)

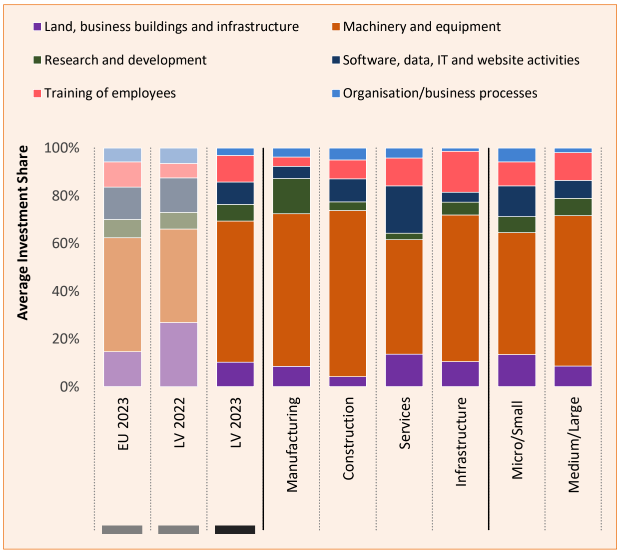
- On average, firms in Latvia spent around a third (32%) of their investment on replacement in 2022, which marks a decrease since EIBIS 2022 (44%) and is much lower than the EU average (47%).
- Investment in capacity expansion accounted for over a quarter of total investment (28%). This is in line with the current EU average (24%) and higher than in EIBIS 2022 (21%). By sector, it is highest in construction (46%) and lowest for firms in infrastructure (21%).
- Compared to other purposes, investment in new products and services accounted for a lower share of total expenditure in Latvia (21%). It is relatively high for firms in the manufacturing sector (32%) and lower for construction firms (11%).
- Micro/small firms used a higher proportion of their total investment for capacity expansion than medium/large firms (33% versus 26% respectively). The level of investment in new product and services was similar across all firm sizes.



Q. What proportion of total investment in the last financial year was for (a) developing or introducing new products, processes, services (b) replacing capacity (including existing buildings, machinery, equipment and IT) (c) expanding capacity for existing products/services?

Base: All firms that have invested in the last financial year (excluding don't know/ refused responses)

INVESTMENT AREAS



- Investment in intangible assets (R&D, software, training and business processes) by firms in Latvia accounted for 31%, in line with EIBIS 2022 but slightly lower than the EU average (38%).
- Investment activities varied depending on the sector. For example, manufacturing firms were the most likely to invest in R&D (15% versus 5% or less in other sectors).
- While infrastructure firms used the highest proportion of their total investment in training of employees, manufacturing invested the least (17% versus 4%, respectively).
- The profile of investment areas was broadly similar between large firms and SMEs.

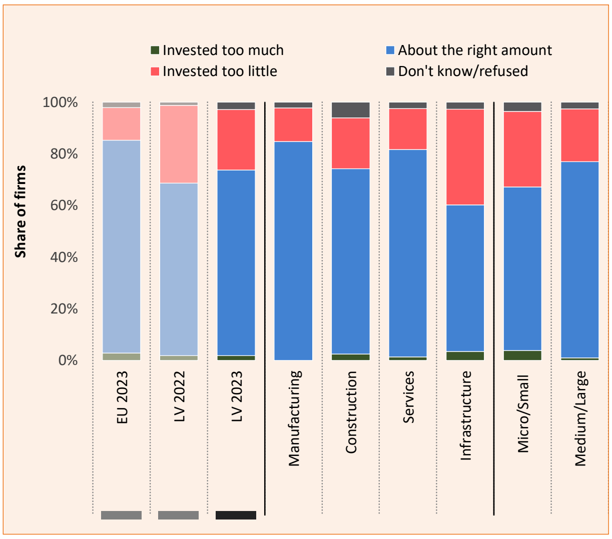
Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

Base: All firms that have invested in the last financial year (excluding don't know/refused responses)

Investment needs and priorities

PERCEIVED INVESTMENT GAP

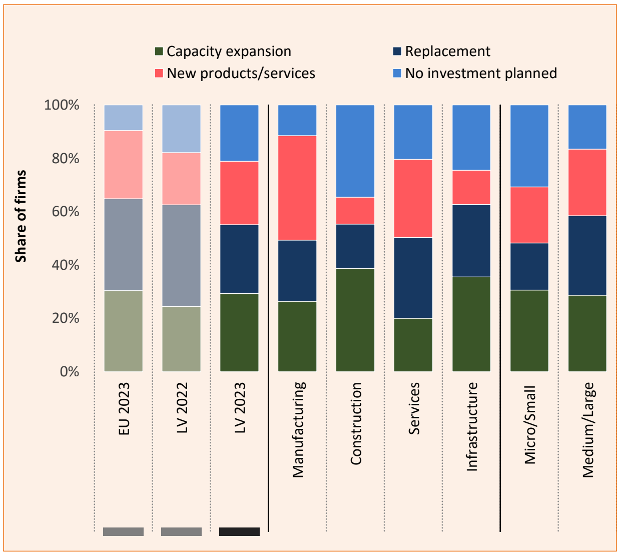
- Firms do not perceive major gaps in terms of investment. Despite difficult circumstances, around seven in ten Latvian firms (72%) believe that their investment activities over the last three years were about the right amount, while a quarter (23%) of firms report that they invested too little. These figures are broadly in line with EIBIS 2022.
- Compared to the EU average, firms in Latvia differ with regard to perceptions of the investment gap – they are less likely to think that they invested about the right amount (72% versus 82%) and more likely to think they invested too little (23% versus 13%).
- More micro and small Latvian firms than medium and large firms said they have invested too little (29% versus 20%, respectively).



Q. Looking back at your investment over the last three years, was it too much, too little, or about the right amount?

Base: All firms (excluding 'Company didn't exist three years ago' responses)

FUTURE INVESTMENT PRIORITIES



- In EIBIS 2023, investment priorities for the next three years are broadly similar to those reported in EIBIS 2022. Three in ten firms in Latvia (29%) cite capacity expansion as their priority, followed by replacement (26%) and new products/services (24%). A fifth (21%) of firms have no investment planned.
- Compared with the EU average, firms in Latvia are more likely to have no investment planned for the next three years (21% versus 10%, respectively).
- By sector, manufacturing firms are more likely than other sectors to be prioritising new products/-services (39% versus 29% or less in the other sectors), while construction firms are more likely to say that no investment is planned -(35% versus 25% or less).

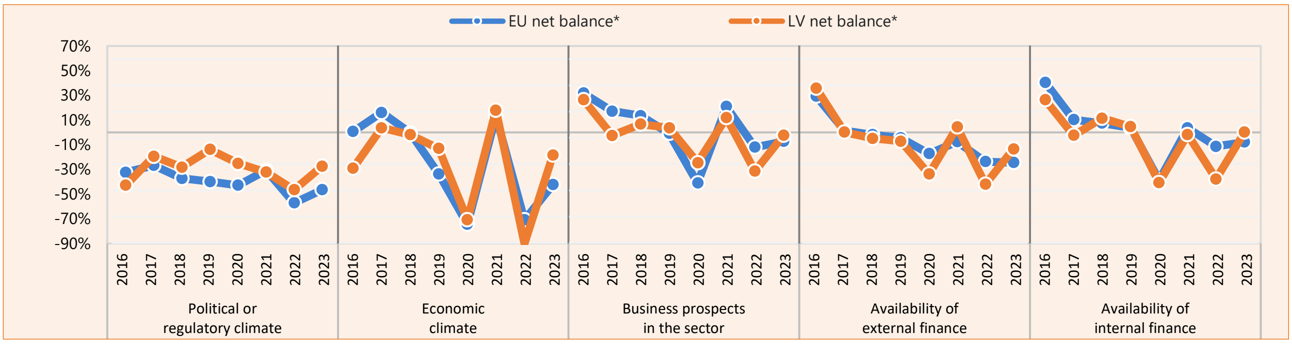
Q. Looking ahead to the next three years, which is your investment priority (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms (excluding don't know/refused responses)

Investment needs and priorities

SHORT-TERM DRIVERS AND CONSTRAINTS

- Firms in Latvia have more optimistic expectations about investment conditions for the next year compared to EIBIS 2022, with all measures taking an upward turn.
- The largest shift is in relation to expectations regarding the economic climate, rising from -71% in EIBIS 2022 to -3% in EIBIS 2023. Expectations for the political/regulatory climate have increased from -30% to -12%, while those for business prospects in the sector have increased from -15% to +12%).
- Expectations for the availability of finance have also improved – for external finance from -25% to +1% and for internal finance from -21% to +14%.
- While trend directions largely mirror those across the EU, firms in Latvia generally hold more optimistic expectations.



Q. Do you think that each of the following will improve, stay the same, or get worse over the next 12 months?

Base: All firms

** Net balance is the share of firms expecting an improvement minus the share of firms anticipating a deterioration.*

SHORT-TERM DRIVERS AND CONSTRAINTS BY SECTOR AND SIZE (net balance %)

	Political / regulatory climate	Economic climate	Business prospects	External finance	Internal finance
Latvia	12%	3%	12%	1%	14%
Manufacturing	26%	27%	5%	15%	5%
Construction	19%	11%	31%	16%	15%
Services	4%	0%	8%	25%	10%
Infrastructure	6%	6%	27%	9%	23%
Micro/Small	14%	8%	7%	0%	8%
Medium/Large	10%	1%	14%	2%	18%

Please note: green figures represent a positive net balance,, while red figures represent a negative net balance.

Q. Do you think that each of the following will improve, stay the same, or get worse over the next 12 months?

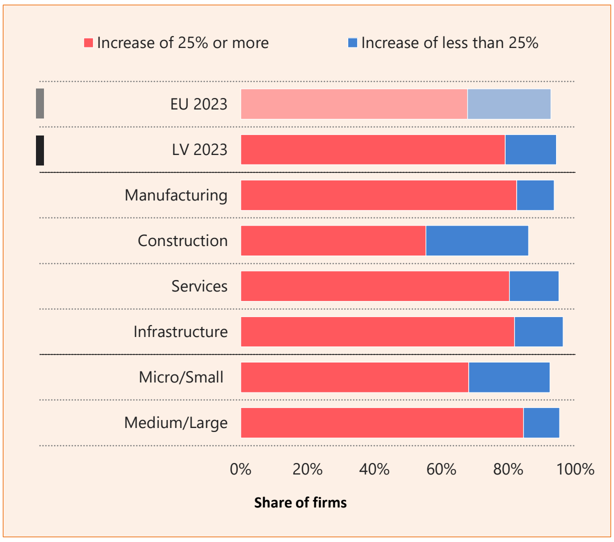
Base: All firms

- Firms in Latvia are consistently more negative than positive about the political and regulatory climate but there is a more neutral picture around the economic climate, with only micro/small and manufacturing firms holding firmly negative expectations.
- The view is more positive than negative regarding business prospects in the sector and external finance for all sectors except service firms.
- Across all sizes and sectors, expectations are more positive than negative in the case of accessing internal finance.

Energy market developments

INCREASED SPENDING ON ENERGY

- Firms in Latvia are as likely as those across the EU to have faced increases in energy costs (94% versus 93%, respectively).
- The proportion of firms facing increased energy cost is broadly consistent across sectors, although construction firms are the least likely (55%) to have faced an increase of 25% or more (this compares with 80% or more in the other sectors).
- While similar proportions of firms of all sizes have faced increased energy costs, medium/large firms (85%) are more likely than micro/small firms (68%) to have faced an increase of 25% or more.



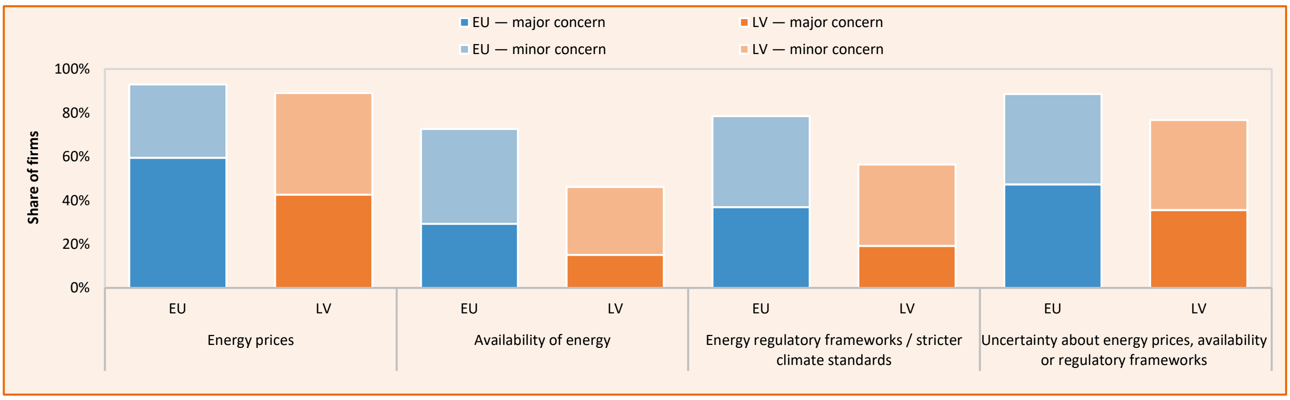
Q. Since the beginning of 2022, by how much has your company's spending on energy (including gas, electricity, oil) changed on average?

Please note: Responses of 'spending on energy stayed about the same' and 'spending on energy decreased' not shown on chart.

Base: All firms (excluding don't know/refused responses)

IMPACT OF ENERGY SHOCK

- The energy crisis hit Latvian firms relatively less severely than firms across the EU. Energy prices are a concern for 89% of Latvian firms (and a major concern for 43%), similar to the EU average. Uncertainty about prices, availability and regulatory frameworks is a concern for 77% (and a major concern for 36%), but the overall figure is lower than the EU average (89%).
- Energy availability (46%) and energy regulatory frameworks (56%) are less of a concern to firms in Latvia compared with the EU as a whole (73% and 79% respectively).



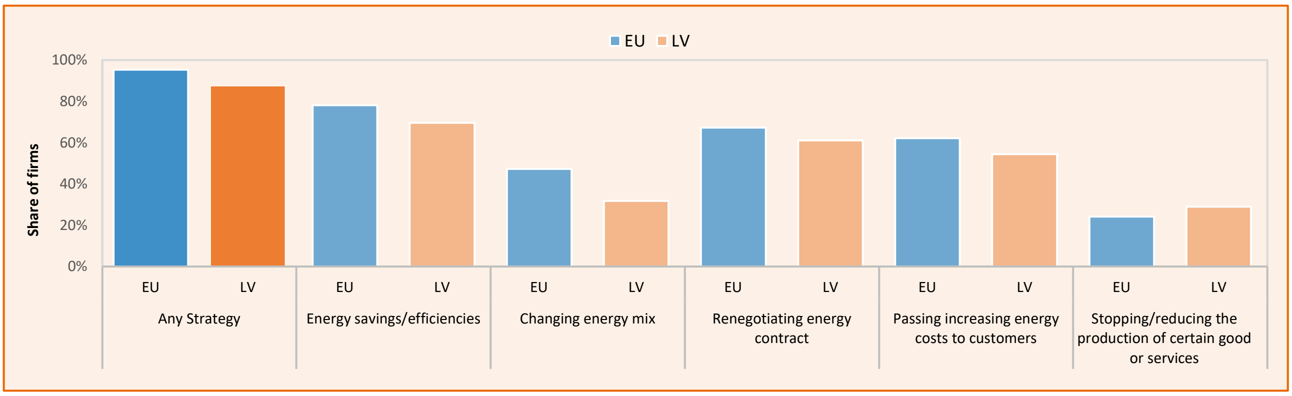
Q. Thinking about the energy shock, to what extent is your company concerned about …?

Base: All firms (data not shown for those that said not an obstacle at all/don't know/refused)

Energy market developments

STRATEGIES TO DEAL WITH THE ENERGY SHOCK

- While the majority of Latvian firms have responded to the energy shock by adopting at least one of the strategies proposed (87%), this is slightly lower than the EU average of 95%.
- In Latvia, the most frequently adopted strategy or priority is to seek energy savings/efficiencies (70%), to renegotiate their energy contract (61%) or to pass energy costs to customers (54%). These proportions are broadly similar to the respective EU averages.
- A third (32%) of Latvian firms report changing their energy mix as a strategy, lower than the EU average (47%). Relatively few firms mention stopping or reducing the production of certain goods or services (29%), which is broadly in line with the EU average (24%).

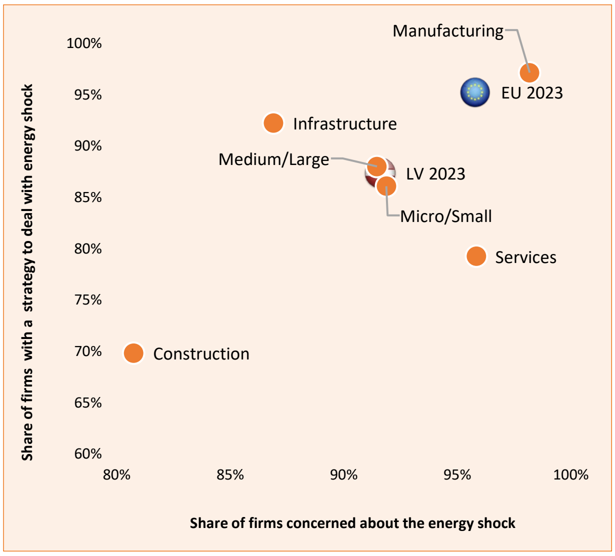


Q. Which, if any of the following, are your priorities/strategies to deal with the recent developments in the energy market?

Base: All firms for 'share of firms concerned about the energy shock'
Base: All firms (excluding don't know/refused responses) for 'share of firms with a strategy to deal with the energy shock'

IMPACT AND STRATEGIES TO DEAL WITH ENERGY SHOCK

- The proportion of firms in Latvia concerned about the energy shock is similar to that seen across the EU as whole (92% versus 96%). Latvian firms are less likely than the EU average, however, to have adopted strategies to help deal with recent developments in the energy market (87% versus 95%).
- In Latvia, levels of concern vary by sector, from 81% in construction to 98% in manufacturing. Concern is at a similar level for both medium/large and micro/small firms.
- Across firms of all sizes, a similar proportion of firms is adopting strategies in response to the energy shock. However, while nearly all manufacturers (97%) are adopting strategies to deal with the recent developments in the energy market, the same is true for just 70% of construction firms.



Q. Which, if any, of the following, are your priorities/ strategies to deal with the recent developments in the energy market?

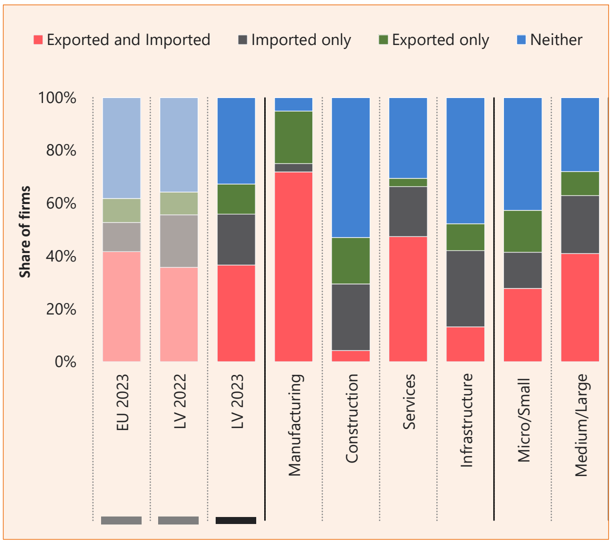
Q. Thinking about the energy shock, to what extent is your company concerned about …

Base: All firms (excluding don't know/refused responses)

International trade

ENGAGEMENT IN INTERNATIONAL TRADE

- Overall, a net 67% of Latvian firms were engaged in any importing or exporting in 2022, in line with the EU average of 62%. Around half of firms were exporting goods or services in 2022 (48%) (solely or in conjunction with import activity) and 56% were importing goods or services (solely or in conjunction with export activity). Both figures are around the EU average (51% for exporting and 53% for importing).
- In Latvia, while the majority of firms in manufacturing are engaged in both exporting and importing (72%), a large proportion of construction firms and infrastructure firms neither import nor export (53% and 48%, respectively).
- Medium/large firms (73%) are more likely than micro/small firms (57%) to be engaged in any international trade.

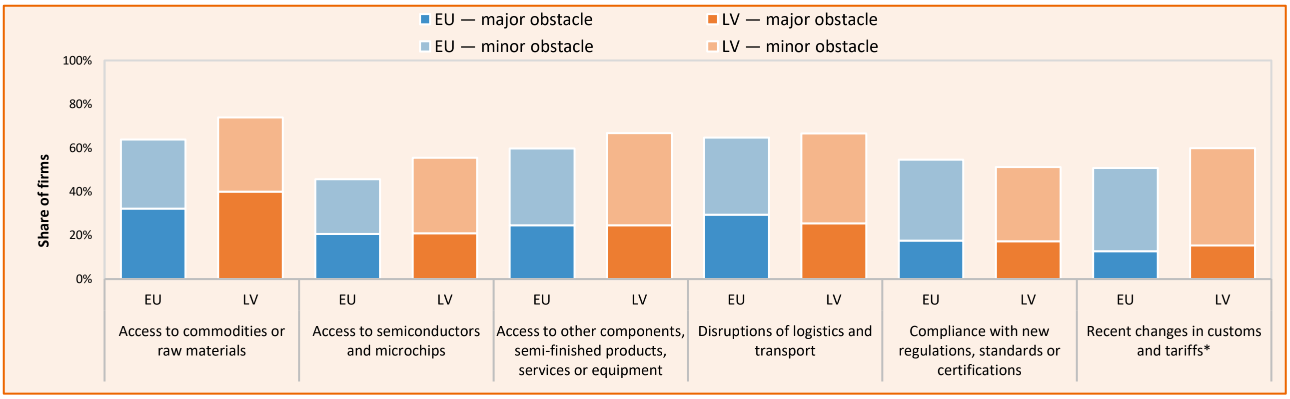


Q. In 2022, did your company export or import goods and/or services?

Base: All firms (excluding don't know/refused responses)

DISRUPTIONS RELATED TO INTERNATIONAL TRADE

- In total, 97% of firms in Latvia have faced disruptions due to international trade, in line with the EU average.
- Reduced access to commodities or raw materials has been the main barrier (74%), followed by reduced access to components/semi-finished products, services or equipment (67%) and disruptions to logistics and transport (67%). These proportions are broadly in line with the EU average.



Q. Since the beginning of 2022, were any of the following an obstacle to your business's activities?

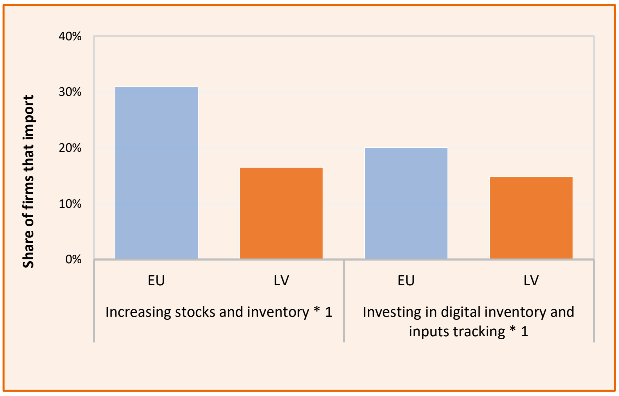
Base: All firms (excluding don't know/refused/not applicable responses)
**Base: All importers and exporters (excluding don't know/refused/not applicable responses)*

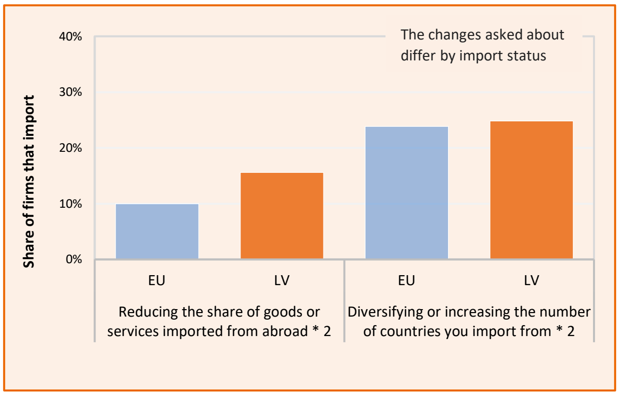
International trade

SOURCING STRATEGY

- Asked about potential changes to their sourcing strategy, firms in Latvia are half as likely than those across the EU to be increasing stocks and inventory (16% versus 31%, respectively), but they are almost as likely as the EU average to mention investing in digital inventory and inputs tracking (15% versus 20%).

- Latvian importers are just as likely as those across the EU to have diversified or increased the number of countries they import from or have plans to do so (25% versus 24%) while a broadly similar proportion had reduced or plan to reduce the share of goods or services imported from abroad (16% versus 10%).





*** 1 = Asked to all, 2 = Asked to all importers**

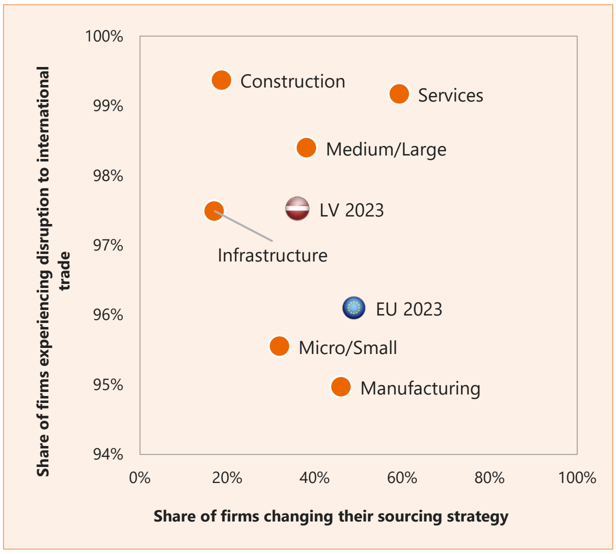
Q. Since the beginning of 2022, has your company made or are you planning to make any of the following changes to your sourcing strategy?

Base: All firms (excluding don't know/refused responses)
Base: All firms that import (excluding don't know/refused responses)

DISRUPTIONS AND SOURCING STRATEGY

- While, since 2022, almost all firms have faced at least one of the disruptions to international trade asked about (97%), just over a third (36%) have changed their sourcing strategy or are planning to change it. The proportion changing or planning to change their sourcing strategy is lower than the EU average (36% versus 49%).

- Firms of all sizes are equally as likely to have changed or have plans to change their sourcing strategy. When looking at sectors, service (60%) and manufacturing firms (46%) are the most likely to have done so or plan to do so.



Q. Since the beginning of 2022, were any of the following an obstacle to your business's activities?

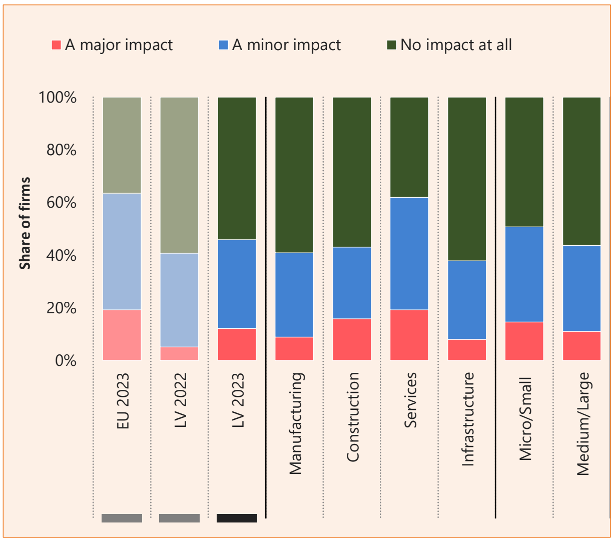
Q. Since the beginning of 2022, has your company made or are you planning to make any of the following changes to your sourcing strategy?

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

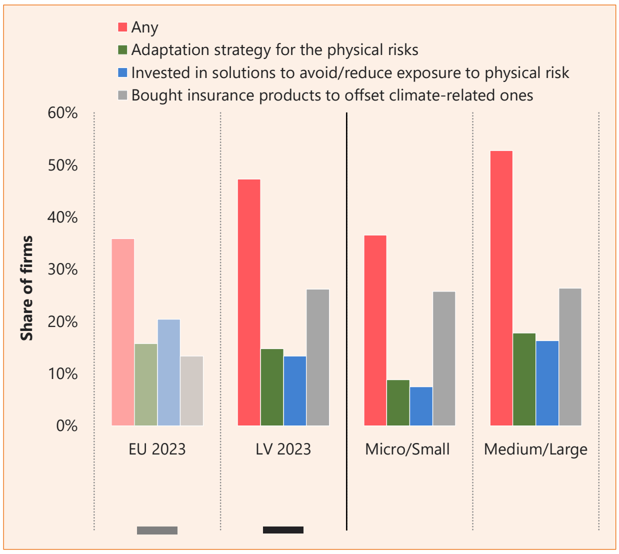
- Just under half (46%) of Latvian firms report that weather events are currently having an impact on their business, similar to EIBIS 2022 (41%) but much lower than the EU average (64% in EIBIS 2023).
- Firms in the services sector are most likely to report that weather events are impacting their business (62%). In contrast, the same share of infrastructure firms see no physical impact of climate change on their business (62%).
- The share of micro/small firms in Latvia reporting that weather events have an impact on their business appears to be slightly larger than for medium and large firms (51% versus 44%, respectively), but the difference is not statistically significant.



Q. Thinking about the impact of climate change on your company, such as losses due to extreme climate events, including droughts, flooding, wildfires or storms or changes in weather patterns due to progressively increasing temperature and rainfall. What is the impact, also called physical risk, of this on your company?

Base: All firms (excluding don't know/refused responses)

BUILDING RESILIENCE TO PHYSICAL RISK



- Almost half (47%) of Latvian firms have already developed or invested in measures to build resilience to the physical risks to your company caused by climate change. This is higher than the EU average (36%).
- Latvian firms mainly invested in insurance products to offset climate-related losses (26%), and this proportion was double the EU average (13%).
- Firms in Latvia were as likely as those in the EU as a whole to have an adaptation strategy (15% versus 16%) or to have invested in solutions to avoid/reduce the exposure to physical risks (13% versus 20%).
- Medium/large (53%) firms are more likely than micro/small (37%) firms to have developed or invested in measures to build resilience to the physical risks -posed by climate change.

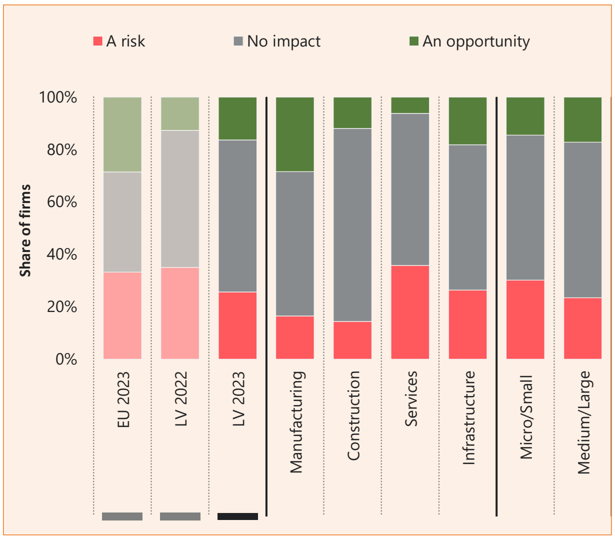
Q. Has your company developed or invested in any of the following measures to build resilience to the physical risks to your company caused by climate change?

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – RISKS ASSOCIATED WITH THE TRANSITION TO A NET ZERO EMISSION ECONOMY OVER THE NEXT FIVE YEARS

- The share of Latvian firms seeing the transition to stricter climate standards and regulations as a risk is higher than the proportion that see it as an opportunity (26% and 16%, respectively), similar to the findings in EIBIS 2022. The proportion of firms seeing the transition as an opportunity is lower than the EU average (16% versus 29%).
- Firms in the manufacturing sector are the most likely to see the transition to a net zero emission economy over the next five years as an opportunity (28%). Service firms tend to be the least likely to think so (6%).
- The perceptions of medium/large firms and micro/small firms are relatively similar.

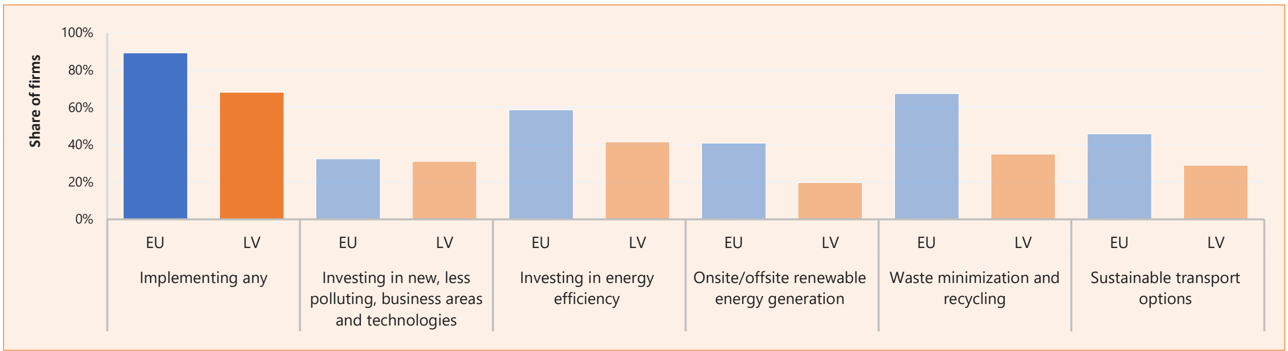


Q. Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?

Base: All firms (excluding don't know/refused responses)

ACTIONS TO REDUCE GREENHOUSE GAS EMISSIONS

- Around seven in ten Latvian firms (68%) are taking actions to reduce Greenhouse Gas (GHG) emissions, which is significantly lower than the EU average (88%).
- The main actions taken by Latvian firms are investing in energy efficiency (41%) and waste minimization and recycling (35%), followed by investment in new/less polluting business and/or technology (31%) and sustainable transport options (29%).
- Compared to the EU as a whole, Latvian firms are less likely to be investing in all the areas explored with the exception of investing in new, less polluting, business areas and technologies, where Latvian investment is in line with the EU average (31% versus 32%).



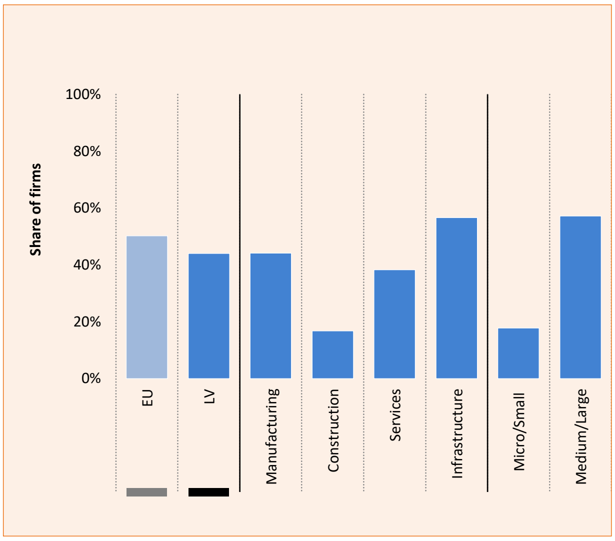
Q. Is your company investing or implementing any of the following, to reduce greenhouse gas (GHG) emissions?

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

ENERGY AUDIT

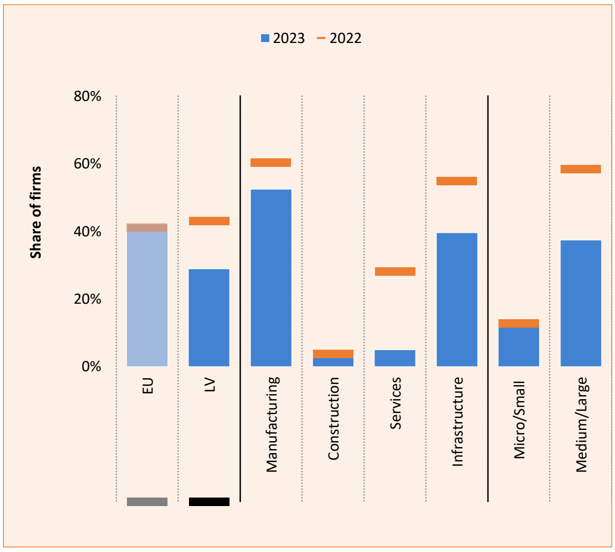
- Around four in ten (44%) Latvian firms have conducted an energy audit in the past three years. This is broadly in line with the EU average of 50%.
- Among firms in Latvia, those in the infrastructure sector (57%) were the most likely to have conducted an energy audit, while construction firms were the least likely to have done so (17%).
- Medium/large firms were around three times as likely as micro/small firms to have conducted an energy audit in the past 3 years (57% versus 18%).



Q. In the past three years, has your company had an energy audit (i.e. an assessment of the energy needs and efficiency of your company's building or buildings?

Base: All firms (excluding don't know/refused responses)

CLIMATE CHANGE TARGETS FOR OWN GREENHOUSE GAS EMISSIONS



- Around three in ten firms in Latvia (29%) report that they set and monitor targets for their own GHG emissions, which represents a fall since EIBIS 2022 (43%) and is lower than the EU average (42%).
- By sector, manufacturing (52%) and infrastructure (32%) firms are the most likely to set and monitor GHG emission targets, although these represent smaller proportions than in EIBIS 2022 (60% and 55% respectively). Just 5% of service firms are setting and monitoring GHG emissions, down from 28% in EIBIS 2022.
- Medium/large firms are more likely than micro/small firms to say that they set and monitor targets for their own GHG emissions (37% versus 12% respectively). A smaller proportion of medium/large firms are monitoring targets compared with EIBIS 2022 (37% versus 58%).

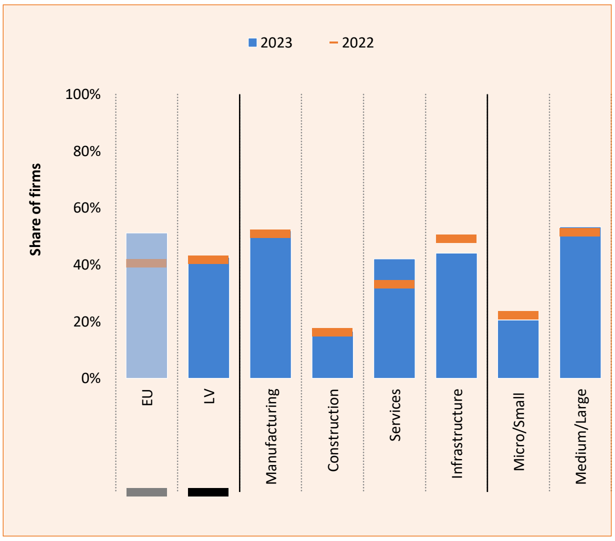
Q. Does your company… set and monitors targets for its own greenhouse gas (GHG) emissions?

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

- Around four in ten (43%) of Latvian firms invested in measures to improve energy efficiency according to EIBIS 2023, similar to EIBIS 2022 (42%). This is broadly in line with the EU average of 51%.
- Among firms in Latvia, those in the manufacturing sector (52%) were the most likely to be investing in energy efficiency, while construction firms were the least likely to be doing so (17%). These proportions were stable compared with EIBIS 2022.
- Medium/large firms were over twice as likely as micro/small firms to have invested in such measures (53% versus 21%, respectively).

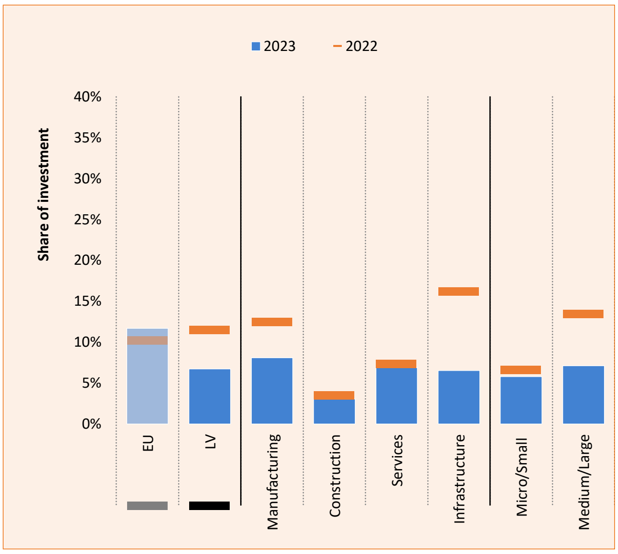


Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms

AVERAGE SHARE OF INVESTMENT IN MEASURES TO IMPROVE ENERGY EFFICIENCY

- Overall, the average share of investment in measures to improve energy efficiency in Latvia was 7% in 2022. This was broadly consistent with EIBIS 2021 (11%) and in line with the EU average (12%).
- The share of investment in energy efficiency ranges from 8% among manufacturing firms to 3% for construction firms.
- While investment shares within construction and services sectors remained stable (around 3% and 7%, respectively), manufacturing and infrastructure firms reduced their investment relative to EIBIS 2022.
- Similar proportions of micro/small and medium/large Latvian firms invested in measures to improve energy efficiency.

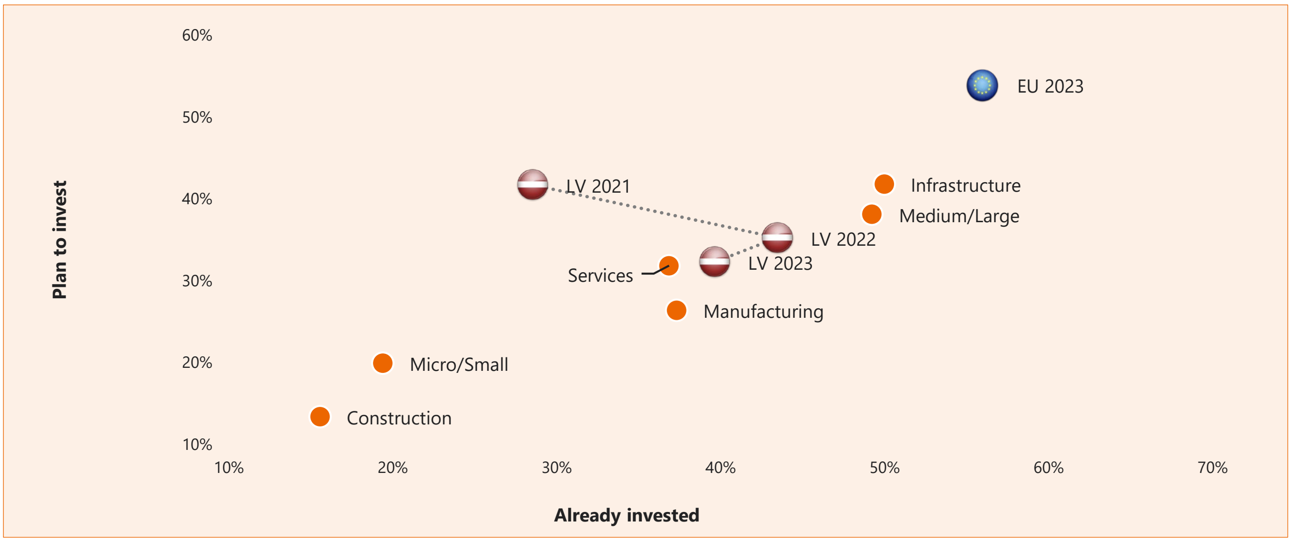


Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms that have invested in the last financial year (excluding don't know/refused responses)

Climate change and energy efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT



EIBIS 2022/2023:

Q. Which of the following applies to your company regarding investments to tackle the impacts of weather events and to help reduce carbon emissions?

EIBIS 2021:

Q. Now thinking about investments to tackle the impacts of weather events and to deal with the process of reduction in carbon emissions, which of the following applies?

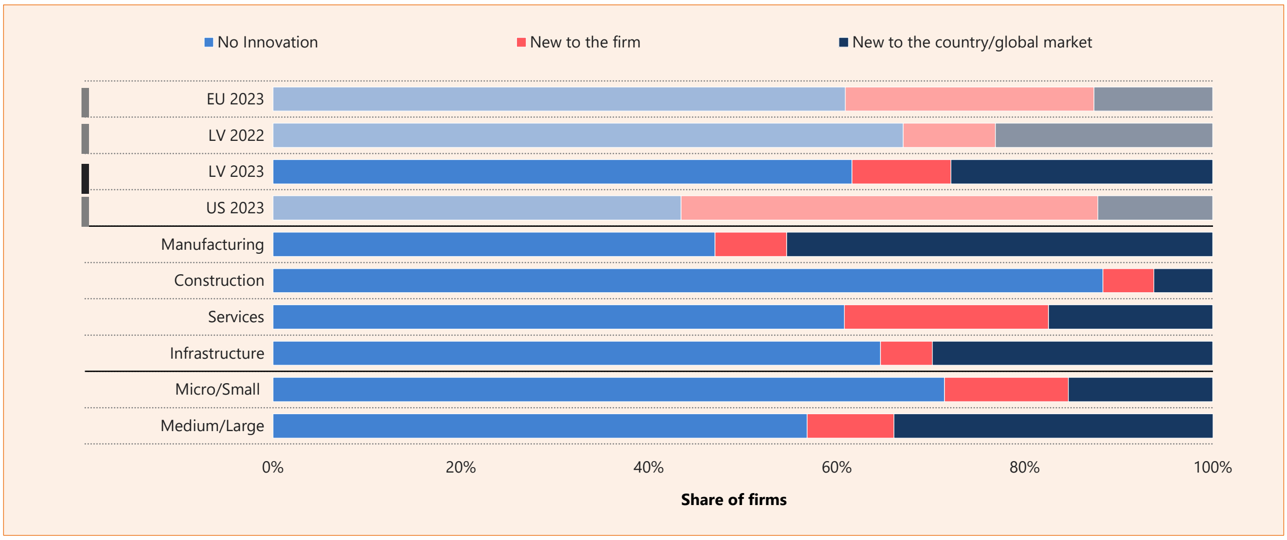
Please note: question change and an additional answer option was included in 2022, this may have influenced the data. Treat comparison to 2021 with caution.

Base: All firms (excluding don't know/refused responses)

- In Latvia, 40% of firms have already invested in tackling the impacts of weather events and dealing with the process of reducing carbon emissions. This is below the EU average (56%).
- Around a third (32%) of Latvian firms have plans to invest in these areas in the next three years, which is again lower than the EU average (54%).
- Firms in the infrastructure sector have the highest share of firms who have already invested (50%) and plan to do so (42%). This is in contrast to firms in the construction sector, where fewer than one in five already invest (16%) or have plans to do so (13%).
- Medium/large firms are more likely than micro/small firms to have already invested (49% versus 19%) and to have plans to invest (38% versus 20%).

Innovation activities

INNOVATION ACTIVITY



Q. What proportion of total investment in the last financial year was for developing or introducing new products, processes or services?
Q. Were the products, processes or services new to the company, new to the country or new to the global market?

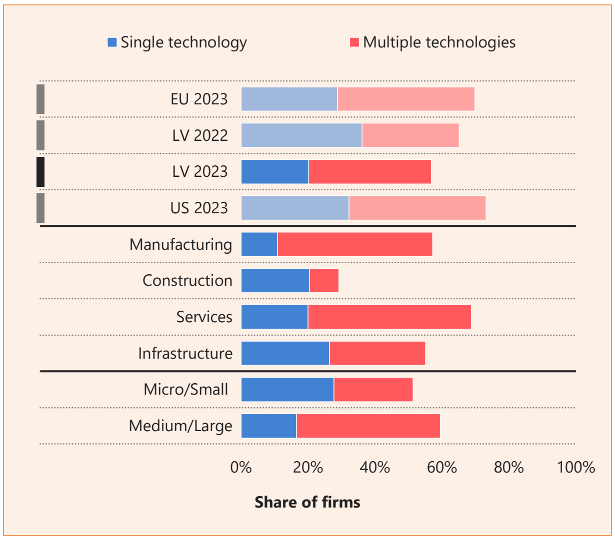
Base: All firms (excluding don't know/refused responses)

- Around four in ten (38%) Latvian firms developed or introduced new products, processes or services as part of their investment activities in 2022, similar to what was reported for 2021 in EIBIS 2022 (33%) and the EU average of 39%. By contrast, more than half of US firms (57%) developed or introduced new products, processes or services.
- 28% firms in Latvia report the development/introduction of products, processes or services that were new to either the country or global market in EIBIS 2023, which is significantly higher than the EU average (13%).
- In Latvia, levels of innovation were highest among manufacturing firms (53%) and lowest among firms in the construction sector (12%).
- Medium/large firms tended to invest more in innovation than micro and small firms (43% versus 29%, respectively).

Innovation activities

USE OF ADVANCED DIGITAL TECHNOLOGIES

- Overall, 57% of firms in Latvia use at least one advanced digital technology, below the EU average (70%).
- Firms in the construction sector are the least likely to have adopted multiple technologies (29%).
- Implementation of digital technology is broadly similar by size of firm in Latvia.
- Firms in Latvia are strong in the implementation of digital platforms (49%) robotics (48%), the Internet of things (39%) and big data/AI (32%) – these proportions are broadly in line with those measured across the EU. Latvian firms are less advanced than the EU average regarding the use of drones (10% versus 24%) and 3D printing (2% versus 23%). In the case of drone technology, the US (60%) surpasses both Latvia and the EU as a whole in terms of implementation.



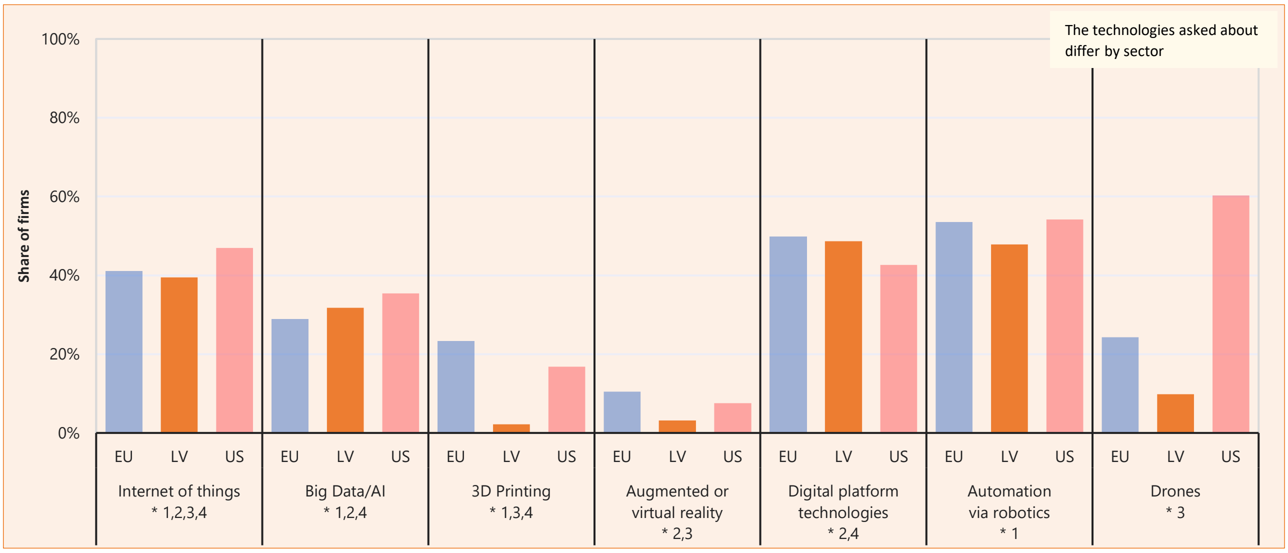
Reported shares combine "used" the technology "in parts of business" and "entire business organised around it."

Single technology is where firms have used one of the technologies asked about. Multiple technologies is where firms have used more than one of the technologies asked about.

Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business.

Base: All firms (excluding don't know/refused responses)

ADVANCED DIGITAL TECHNOLOGIES



*** Sector: 1 = Asked to manufacturing firms, 2 = Asked to services firms, 3 = Asked to construction firms, 4 = Asked to infrastructure firms**

Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business.

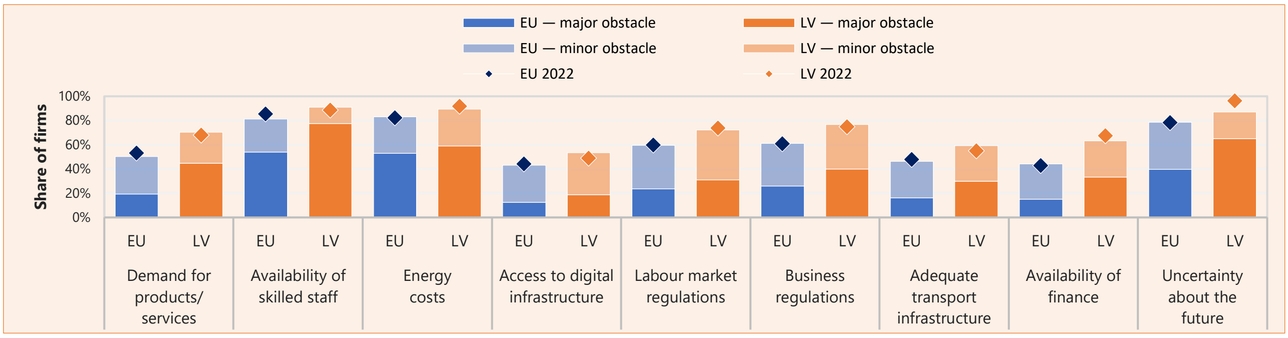
Reported shares combine used the technology 'in parts of business' and 'entire business organised around it'

Base: All firms (excluding don't know/refused responses);
Sample size LV: Manufacturing (97); Construction (76); Services (128); Infrastructure (96).

Investment impediments

LONG-TERM BARRIERS TO INVESTMENT

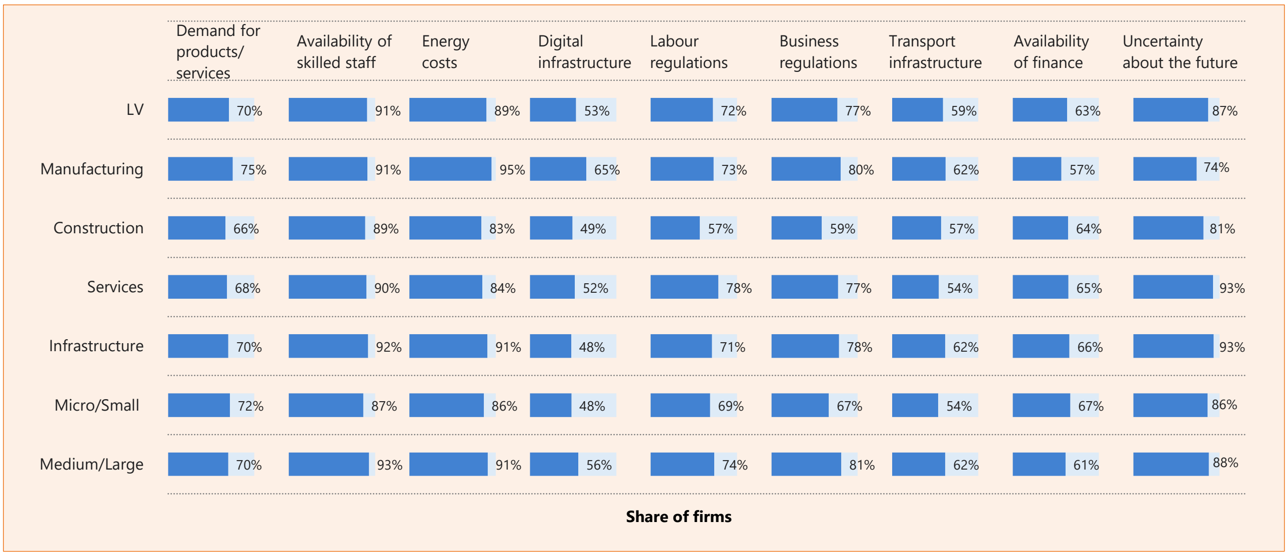
- The most frequently mentioned long-term barriers to investment in Latvia are the availability of skilled staff (91%), energy costs (89%) and uncertainty about the future (87%). A lack of skilled staff is a particular problem compared with the EU average (91% versus 81%).
- Compared to EIBIS 2022, the situation for Latvian firms is very similar, although they are now less likely to report issues around uncertainty about the future (96% in EIBIS 2022 versus 87% in EIBIS 2023).
- Latvian firms are more likely than the EU average to mention the following barriers: the demand for products and services (70% versus 50%), labour market regulations (72% versus 60%), business regulations (77% versus 61%), transport infrastructure (59% versus 46%) and availability of finance (63% versus 44%).
- In Latvia, the long-term barriers to investment are broadly similar for firms of all sectors and sizes.



Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those that said not an obstacle at all/don't know/refused)

LONG-TERM BARRIERS BY SECTOR AND SIZE



Reported shares combine 'minor' and 'major' obstacles into one category

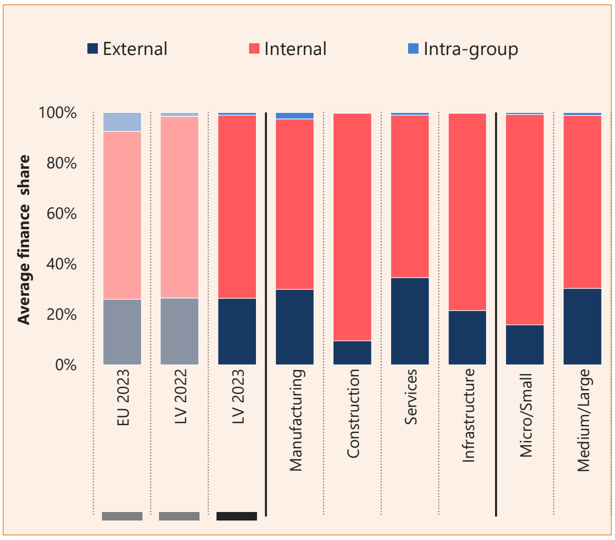
Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those that said not an obstacle at all/don't know/refused)

Access to finance

SOURCE OF INVESTMENT FINANCE

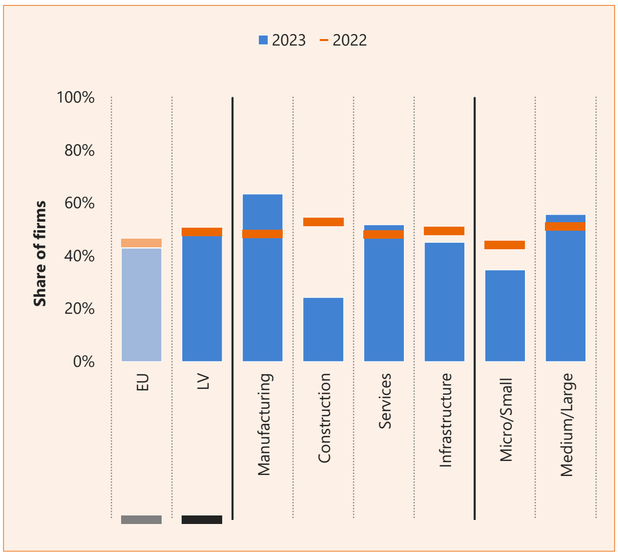
- Internal financing accounted for the largest share of finance for firms in Latvia in 2022 (73%), followed by external finance (26%), and this largely mirrors the situation in 2022.
- Latvian firms were less reliant on intra-group finance than the current EU average (1% versus 7%).
- By sector, while firms in the services sector had the largest share of external finance (35%), construction firms had the lowest share (10%).
- Sources of finance differ across firm size, with medium/large firms financing a higher proportion of their investment through external funding than micro/small firms (30% versus 16%).



Q. What proportion of your investment was financed by each of the following?

Base: All firms that invested in the last financial year (excluding don't know/refused responses)

USE OF EXTERNAL FINANCE



- Half of firms in Latvia (50%) who invested in the last financial year had financed at least some of their investment through external finance.
- This is in line with EIBIS 2022 (49%) and broadly similar to the EU average (43%).
- Manufacturing firms increased their reliance on external finance relative to EIBIS 2022 (up from 48% to 63%). Among construction firms there has been a decline in the number of firms using external finance, down from 53% in EIBIS 2022 to 24% in EIBIS 2023.
- Medium and large firms relied to a larger extent on external finance than micro and small firms (56% versus 35%, respectively).

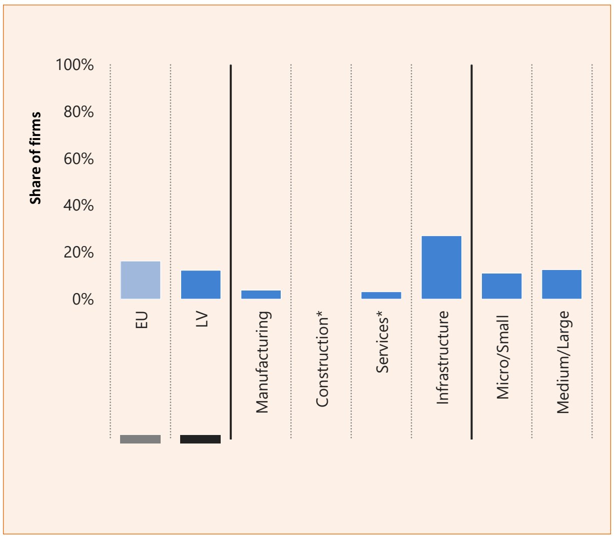
Q. Approximately what proportion of your investment in the last financial year was financed by each of the following

Base: All firms that invested in the last financial year (excluding don't know/refused responses)

Access to finance

SHARE OF FIRMS WITH FINANCE FROM GRANTS

- Over one in ten firms using external finance in Latvia received grants (14%), similar to the EU average (16%).
- Firms receiving grants in Latvia financed around half (48%) of their investment in this way (versus 26% in the EU overall).
- The share of firms that received grants ranged from 27% among infrastructure firms to less than 4% among firms in all other sectors.
- Micro/small and medium/large firms were equally likely to receive grants.



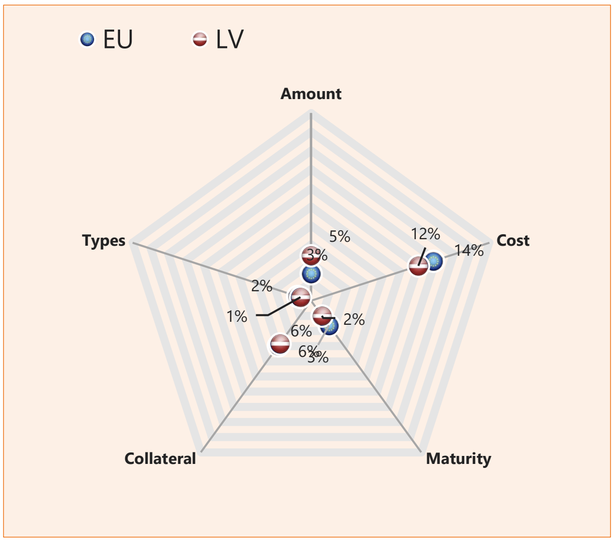
Q. What proportion of your total investment in the last financial year was financed by grants?

Base: All firms using external finance (excluding don't know/refused responses)

*Caution very small base size less than 30

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED (% of firms)

- Only a very small share of firms in Latvia that used external finance in EIBIS 2023 are dissatisfied with the finance conditions received and the findings are very similar to those across the EU as a whole.
- The area in which there was greatest dissatisfaction was the cost of external finance: 12% of firms using external finance were dissatisfied with this aspect, which is in line with the EU average (14%).



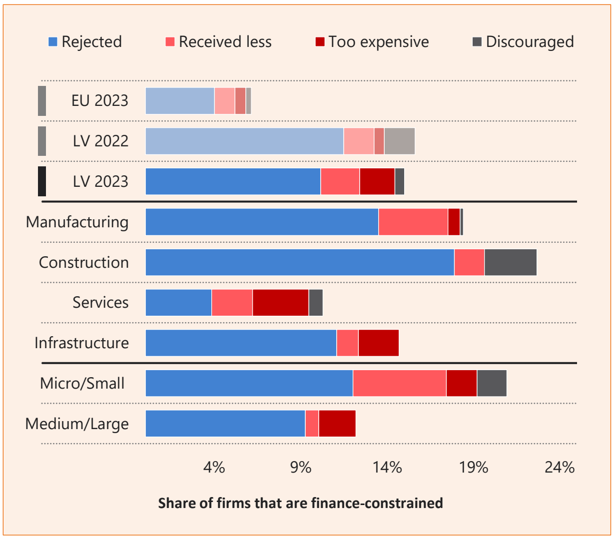
Q. How satisfied or dissatisfied are you with …?

Base: All firms that used external finance in the last financial year (excluding don't know/refused responses)

Access to finance

SHARE OF FINANCE-CONSTRAINED FIRMS

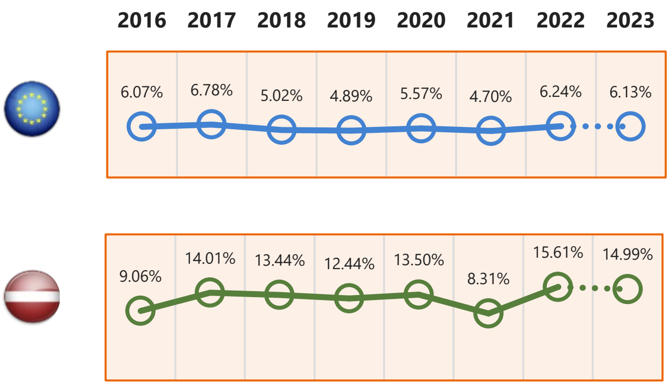
- The share of financially constrained firms in Latvia (15.0%) is higher than the EU average (6.2%).
- The main constraint reported by firms in Latvia is rejection (10.2%), followed by an insufficient amount of finance received (2.3%) and expense (2.0%).
- The share of finance-constrained firms in Latvia is largest in the construction sector (22.3%) and among micro/small firms (20.9%).



Finance-constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those that did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged).

Base: All firms (excluding don't know/refused responses)

FINANCING CONSTRAINTS OVER TIME

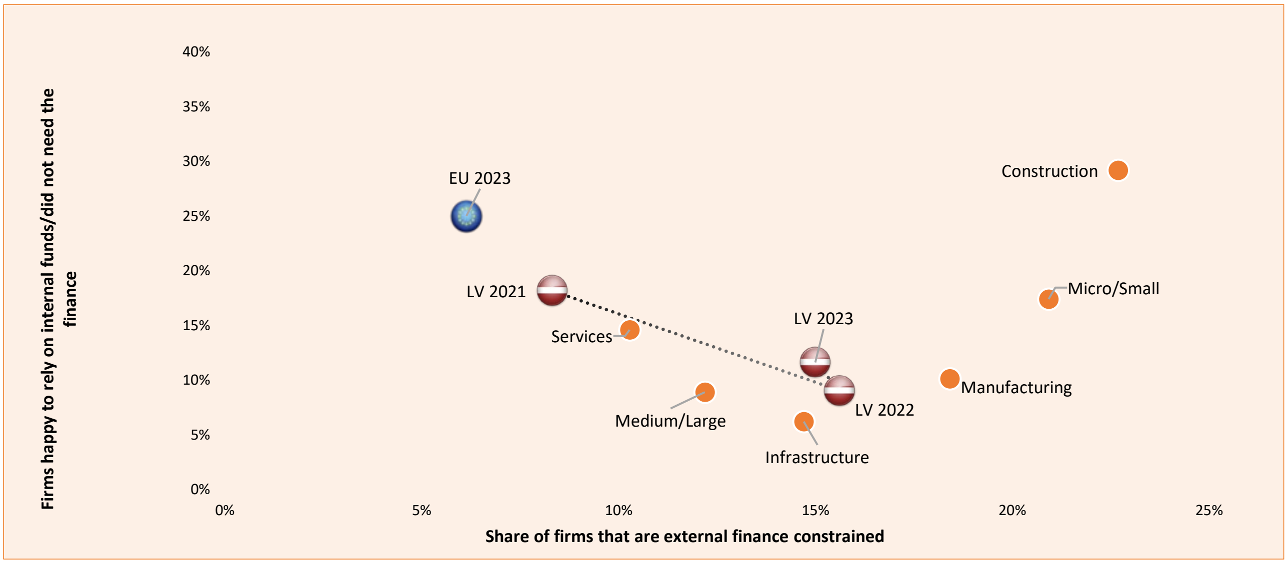


- The proportion of Latvian firms that are financially constrained is similar to EIBIS 2022 and broadly in line with the level reported between 2017 and 2020.
- As in previous years, the figure for Latvian firms is much higher than the EU average.

Base: All firms (excluding don't know/refused responses)

Access to finance

FINANCING CROSS



Data derived from the financial constraint indicator and firms indicating main reason for not applying for external finance was 'happy to use internal finance/didn't need finance'

Base: All firms (excluding don't know / refused)

- Fifteen per cent of Latvian firms can be considered finance-constrained in EIBIS 2023, and just over one in ten (12%) are happy to rely on internal finance (relatively similar to EIBIS 2022, 9%).
- Compared with the EU, firms in Latvia are more likely to be financially constrained (15.0% versus 6.1%) and less likely to be happy to rely on internal finance (12% versus 25%, respectively).
- In Latvia, micro/small firms tend to be more constrained than large firms (20.9% versus 12.2%) but are more content about relying on internal finance (17% versus 9%). Similarly, by sector, construction firms tend to be the most financially constrained (22.7%) and the most likely to be relying on internal finance (29%).

EIBIS 2023 – Country technical details

SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS

The final data are based on a sample, rather than the entire population of firms in Latvia, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

	EU	US	LV	Manufacturing	Construction	Services	Infrastructure	Micro/ Small	Medium /Large	EU vs LV	Manuf vs Constr	Micro/Small vs Medium/Large
	(12030)	(802)	(401)	(99)	(77)	(128)	(97)	(335)	(66)	(12030 vs 401)	(99 vs 77)	(335 vs 66)
10% or 90%	1.1%	3.9%	5.6%	10.6%	8.5%	9.3%	11.0%	3.0%	8.1%	5.7%	13.6%	8.6%
30% or 70%	1.8%	6.0%	8.5%	16.3%	13.0%	14.2%	16.9%	4.5%	12.4%	8.7%	20.8%	13.2%
50%	1.9%	6.5%	9.3%	17.7%	14.2%	15.5%	18.4%	5.0%	13.6%	9.5%	22.6%	14.4%

GLOSSARY

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Manufacturing sector	Based on the NACE classification of economic activities: firms in group C (Manufacturing).
Construction sector	Based on the NACE classification of economic activities: firms in group F (Construction).
Services sector	Based on the NACE classification of economic activities: firms in group G (wholesale and retail trade) and group I (accommodation and food Services activities).
Infrastructure sector	Based on the NACE classification of economic activities: firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
Micro/Small	Firms with between 5 and 49 employees.
Medium/Large	Firms with at least 50 or more employees.

Note: the EIBIS 2023 country overview refers interchangeably to 'the past/last financial year' or to '2022'. Both refer to results collected in EIBIS 2023, where the question is referring to the past financial year, with the majority of the financial year in 2022 in case the financial year is not overlapping with the calendar year 2022.

EIBIS 2023 – Country technical details

The country overview presents selected findings based on telephone interviews with 401 firms in Latvia (carried out between April and July 2023).

BASE SIZES *(*Charts with more than one base; due to limited space, only the lowest base is shown)*

Base definition and page reference	EU 2023/2022	US 2023	Latvia 2023/2022	Manufacturing	Construction	Services	Infrastructure	Micro/Small	Medium/Large
All firms, p. 5 (bottom left), p. 8 (top), p. 8 (bottom), p. 16 (top)	12030/12021	802	401/400	99	77	128	97	335	66
All firms (excluding don't know/refused responses), p. 5 (bottom right)	11624/11682	776	382/388	95	75	119	93	323	59
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 6 (top)	10147/9704	692	269/271	72	49	78	70	218	51
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 6 (bottom)	9948/9501	704	287/304	74	57	85	71	237	50
All firms (excluding 'Company didn't exist three years ago' responses), p. 7 (top)	12015/12005	802	401/398	99	77	128	97	335	66
All firms (excluding don't know/refused responses), p. 7 (bottom)	11880/11814	794	397/388	97	77	127	96	332	65
All firms (excluding don't know/refused responses), p. 9 (top)	11812/NA	782	377/NA	96	73	119	89	316	61
All firms (data not shown for those that said not an obstacle at all/don't know/refused), p. 9 (bottom)	12030/NA	802	401/NA	99	77	128	97	335	66
All firms (excluding don't know/refused responses), p. 10 (top)	11739/NA	786	376/NA	96	71	120	89	315	58
All firms (excluding don't know/refused responses), p. 10 (bottom)	11739/NA	786	376/NA	96	71	120	89	315	58
All firms (excluding don't know/refused responses) p. 11 (top)	11978/11975	800	399/397	99	77	128	95	334	65
All firms (excluding don't know/refused/not applicable responses), p. 11 (bottom)	6692/NA	284	210/NA	55	19	62	53	169	40
All firms (excluding Don't know/refused responses), p. 12 (top left)	11918/NA	797	396/NA	97	76	126	97	331	65
All firms that import (excluding don't know/refused responses), p. 12 (top right)	6151/NA	240	176/NA	53	20	68	35	136	40
All firms (excluding don't know/refused responses), p. 12 (bottom)	10139/NA	717	325/NA	85	59	102	79	267	58
All firms (excluding Don't know / refused responses) p. 13 (top)	11930/11911	797	396/393	98	77	125	96	330	66
All firms (excluding Don't know / refused responses), p. 13 (bottom)	11944/11909	789	398/397	98	77	127	96	334	64
All firms (excluding don't know/refused responses), p. 14 (top)	11433/11172	771	357/361	86	72	111	88	298	59
All firms (excluding don't know/refused responses), p. 14 (bottom)	11956/11964	800	396/399	95	77	127	97	331	65
All firms (excluding don't know/refused responses), p. 15 (top)	11549/NA	766	380/NA	97	74	118	91	319	61
All firms (excluding don't know/refused responses), p. 15 (bottom)	11836/11712	791	397/384	97	76	127	97	333	64
All firms that have invested in the last financial year (excluding don't know/refused responses), p. 16 (bottom)	10210/9752	707	284/284	75	56	84	69	231	53
All firms (excluding don't know/refused responses), p. 17	11721/11685	770	384/385	94	75	123	92	320	64
All firms (excluding don't know/refused responses), p. 18	11738/11735	780	397/390	98	76	126	97	332	65
All firms (excluding don't know/refused responses), p. 19 (top)	12009/11980	801	400/400	98	77	128	97	334	66
All firms (excluding don't know/refused responses), p. 19 (bottom)	11916/11844	800	397/399	97	76	128	96	332	65
All firms (data not shown for those who said not an obstacle at all/don't know/refused), p. 20 (top)	12030/12021	802	401/400	99	77	128	97	335	66
All firms (data not shown for those who said not an obstacle at all/don't know/refused), p. 20 (bottom)	12030/12021	802	401/400	99	77	128	97	335	66
All firms who invested in the last financial year (excluding don't know/refused responses), p. 21 (top)	10517/10051	697	289/295	75	54	89	71	233	56
All firms who invested in the last financial year (excluding don't know/refused responses), p. 21 (bottom)	10517/10051	697	289/295	75	54	89	71	233	56
All firms using external finance (excluding don't know/refused responses), p. 22 (top)	4269/4107	265	96/126	27	14	24	31	69	27
All firms that used external finance in the last financial year (excluding don't know/refused responses), p. 22 (bottom)	4184/3988	264	82/112	23	10	19	30	55	27
All firms (excluding don't know/refused responses), p. 23 (top)	11544/11504	729	363/344	91	67	117	88	303	60
All firms (excluding don't know/refused responses), p. 23 (bottom)	11544/11504	729	363/344	91	67	117	88	303	60
All firms (excluding don't know/refused responses), p. 24	11544/11473	729	363/344	91	67	117	88	303	60

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Latvia

Overview

EIB INVESTMENT SURVEY

2023