

2022 SME COUNTRY FACTSHEET'S EVIDENCE BACKGROUND DOCUMENT

Latvia

This document faithfully reproduces evidence from various relevant sources, thus providing SME-focused “pure facts” in the form of concise facts. This factual information arises from national evidence, data and insights, such as the SME-relevant recent national studies, surveys, publications, policy measures, etc. (including those published only in the national language) as well as relevant international studies and other relevant sources, indicators and statistics.

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Factual SME-related evidence	Source
KEY NOWCASTS & FORECASTS	 KEY NOWCASTS & FORECASTS
<p>In 2021, SMEs in Latvia generated strong recovery growth in terms of value added, with a growth rate of 12.1 %, following a decline of 4.4 % in 2020. However, SME employment continued to decline by a further 2.0 % in 2021, after a drop of 3.3 % in 2020.</p>	<p>Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.</p>
<p>The <i>Tourism</i> ecosystem partially recovered from the downturn in 2020 in terms of SME value added. While SME value added declined by 13 % in 2020, it increased by 5.4 % in 2021. However, SME employment fell in both 2020 and 2021, by 4.3 % and 8.8 % respectively.</p>	<p>Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.</p>
<p>The <i>construction</i> ecosystem was one of the few ecosystems in Latvia that achieved positive growth rates in SME value added in both 2020 and 2021, with growth rates of 3.0 % and 7.0 % respectively. In contrast, SME employment declined in both years, by 3.7 % and 1.8 % respectively.</p>	<p>Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.</p>
<p>Based on data from early 2022, it was expected that SME value added and SME employment in Latvia would grow by 9.0 % and 1.2 % respectively, but Russia's war of aggression against Ukraine will affect these estimates.</p>	<p>Estimates and forecasts produced by JRC, based on figures from the Structural Business Statistics Database, provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database and forecasts from the AMECO database.</p>
<p>In 2021, SMEs in Latvia generated 69.7 % of value added and 77.5 % of employment, well above the corresponding EU averages of 51.8 % and 64.4 %.</p>	<p>Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.</p>
ENVIRONMENTAL ASPECTS OF SUSTAINABILITY	
<p>In KPMG and FICIL's report "Readiness of businesses and public administration to implement the Green Deal" published in June 2021, 39% of the respondents stated that sustainability aspects were integrated into their business strategy and implemented on a daily basis, while 16% had a separate sustainability policy or strategy that was either actively implemented or planned for implementation.</p>	 ENVIRONMENTAL ASPECTS OF SUSTAINABILITY <p>KPMG and FICIL, "Readiness of businesses and public administration to implement the Green Deal", 2021. https://www.ficil.lv/wp-content/uploads/2021/06/FICIL-KPMG-study-on-sustainability-June-2021-ENG-1.pdf</p>
<p>In 2021, 25% of companies have indicated that a sustainability approach was implemented in some areas (for example: employees, environmental protection, etc.), but was not consistently integrated into the entire business strategy and the company had no comprehensive sustainability strategy. 12% stated that sustainability matters were not a current part of the company's activities.</p>	<p>KPMG and FICIL, "Readiness of businesses and public administration to implement the Green Deal", 2021. https://www.ficil.lv/wp-content/uploads/2021/06/FICIL-KPMG-study-on-sustainability-June-2021-ENG-1.pdf</p>

EUR 120.6 million from the Recovery and Resilience Plan will be invested in the introduction of renewable energy technologies and related research and development activities, energy audits, as well as the use of sustainable transport and the introduction of new energy efficient technologies in production.	Ministry of Economy, Vitenbergs: Lielākā daļa EM pārziņā esošie Atveseļošanās Fonda atbalsta instrumenti būs pieejami jau 2022. gada sākumā, 2021. https://www.em.gov.lv/lv/jaunums/vitenbergs-lielaka-dala-em-parzina-esosie-atveselosanas-fonda-atbalsta-instrumenti-bus-pieejami-jau-2022-gada-sakuma
In 2021, the proportion of SMEs benefitting from public support measures for their resource-efficiency actions was higher (53.40%) than the EU-27 average (46.0%).	European Commission, Eurobarometer on SMEs, resource efficiency and green markets, 2022.
SOCIAL ASPECTS OF SUSTAINABILITY  SOCIAL ASPECTS OF SUSTAINABILITY	
Although most Latvian employers are open to diversity, the local labour market is still not inclusive. Data from the research company Kantar from May 2021 shows that only one in three workers indicates that the diversity of employees' ethnic, age, gender, cultural, religious, etc. is supported in their workplace. In Latvia, the diversity of employees is least supported in micro companies (companies, institutions employing up to 10 people) – only 22% noticed openness to diversity of their employers. By comparison, employees of large companies and institutions have seen it almost twice as often (40%). Employees of small and medium-sized organizations also report more respect for diversity in their workplaces (31% and 29%).	The Institute for Corporate Sustainability and Responsibility (InCSR), Survey report, 2021. https://www.incsr.eu/aptauja-darbinieku-dazadibu-atbalsta-31-latvijas-darba-deveju/
DIGITALISATION  DIGITALISATION	
Latvia ranks 23 rd in the Digital Economy and Society Index 2021 for the integration of technology by business.	European Commission, Digital Economy and Society Index (DESI) 2021 Latvia, 2021. https://digital-strategy.ec.europa.eu/en/policies/desi
On 6 July 2021, Latvia adopted its 'Digital Transformation Guidelines for 2021-2027'. This is an overarching strategy for the country's digital transformation, covering ICT education and skills, internet access, modern and efficient public administration, e-services and digital content for society.	European Commission, Digital Economy and Society Index (DESI) 2021 Latvia, 2021. https://digital-strategy.ec.europa.eu/en/policies/desi
Compared to 2019, the share of companies that sell goods or services on the Internet or other computer networks increased by 1.6 %, reaching 17.1% in 2020. The largest increase - by 2.6 % - was in the group of large companies which reached 43.1%. There was no change in the group of medium-sized enterprises, but in the group of small enterprises the sales of goods or services on the Internet increased by 2%.	Central Statistical Bureau, 68 % Latvijas uzņēmumu ir sava tīmekļa vietne, November 2021. https://stat.gov.lv/lv/statistikas-temas/informacijas-tehn/interneta-lietosana/preses-relizes/7123-informacijas-un
In 2021, only 3.7% of companies used some form of artificial intelligence technology. Of these, 17.3% used large-scale intelligent technologies, 6.8% in the medium-sized group and 2.8% in the small group. Of those	Central Statistical Bureau, 68 % Latvijas uzņēmumu ir sava tīmekļa vietne, November 2021. https://stat.gov.lv/lv/statistikas-temas/informacijas-tehn/interneta-lietosana/preses-relizes/7123-informacijas-un

who do not use AI, 6.4% have considered using it.	
INNOVATION  INNOVATION	
Investment in intellectual property products averaged 1.7% of GDP over the last three years before the COVID-19 crisis. In 2020, investment in intellectual property products rose by 2.8%. In the first half of 2021, investment in intellectual property products rose by 16.6%, reaching 2.3% of GDP.	Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download
According to European Innovation Scoreboard 2021, Latvia is an Emerging Innovator. Over time, performance relative to the EU has increased strongly up until 2020 and decreased in 2021.	European Commission, European Innovation Scoreboard 2021, Data about Latvia, 2021. https://ec.europa.eu/info/research-and-innovation/statistics/performance-indicators/regional-innovation-scoreboard_en
By October 2021, more than 374 research projects have been approved under Competence Centres Program, including more than 80 cross-sectoral research projects. EUR – 44.5 million co-financing was attracted from companies involved in R&D projects. The Competence Centres Program is funded by the European Regional Development Fund.	Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download Ministry of Economy, Latvijas Ekonomikas attīstības pārskats, 2021. https://www.em.gov.lv/lv/media/12820/download
The relative strong decrease in innovation performance between 2020 and 2021 is the result of a sharp decline in venture capital investments (from 0.215% to 0.019% of GDP).	European Commission, European Innovation Scoreboard 2021, Data about Latvia, 2021. https://ec.europa.eu/info/research-and-innovation/statistics/performance-indicators/regional-innovation-scoreboard_en
In 2020, the proportion of SMEs introducing product innovations was lower in Latvia (16.61%) than the EU-27 average (28.73%).	Eurostat, Community Innovation Survey, 2020.
SKILLS  SKILLS	
Latvia scores below the EU average in Digital skills, with over half of its population still lacking basic digital skills. However, the country's performance is above the EU average when it comes to ICT graduates and female ICT specialists. Latvia is also reducing the gap for ICT specialists, representing 3.7% of total employment versus the EU average of 4.3%.	European Commission, Digital Economy and Society Index (DESI) Latvia, 2021 https://digital-strategy.ec.europa.eu/en/policies/desi
In June 2021, the Guidelines for the Development of Education 2021-2027 were adopted by the Ministry of Education and Science. The guidelines include fostering balanced and future-based skills acquisition, covering both general or transversal skills (including self-directed learning, civic participation, digital skills, etc.) and specific knowledge and skills relevant to the labour market. The guidelines encourage the acquisition of those skills through effective cooperation between the education sector and economic sectors (including studies and forecasts of development trends and needs),	Ministry of Education and Science, Guidelines for the Development of Education 2021-2027, 2021. https://likumi.lv/ta/id/324332-par-izglitiba-attistibas-pamatnostadnem-2021-2027-gadam

for instance by increasing the participation of micro, small and medium sized enterprises in work based learning.	
Up to mid-2021, 48,531 employed persons participated in the EU-fund lifelong learning project "Improvement of Professional Competence of Employed Persons" or training for adults to improve their professional competences, therefore contributing to timely elimination of the mismatch of labour force qualifications with the labour market demand, promoting employee competitiveness and increasing labour productivity. In July 2021, an additional 22,000 persons applied to acquire and develop their digital skills.	<p>Ministry of Education and Science, presentation for seminar "Spotlight on Vocational and Adult Education", August 2021. https://www.lnkc.gov.lv/lv/media/17552/download</p> <p>State Education Development Agency (VIAA), press report, July, 2021 https://www.macibaspieaugusajiem.lv/jaunumi/macibam-pieaugusajiem-6-pieteiksanas-karta-sanemti-vairak-neka-20-000-pieteikumu</p>
By October 2021, a total of 15,600 employed persons from 875 SMEs and large companies were trained in the framework of the support program for employed persons technological technical training programme, and 6 800 employed persons and self-employed persons from 563 SMEs and large companies were trained in the non-technological training programme funded by EU structural funds. Trainings are carried out by industry associations representing one of the sub-sectors of manufacturing industry, the ICT sector and global business services centre sector and the Latvian Investment and Development Agency .	<p>Ministry of Economy, Economic Development Report for Latvia 2021 https://www.em.gov.lv/lv/latvijas-ekonomikas-attistibas-parskats</p>
ADMINISTRATIVE BURDEN  ADMINISTRATIVE BURDEN	
Companies in Latvia are relatively satisfied with the performance of the State Revenue Service (SRS), despite a recent decrease. Satisfaction with the operation of the SRS in 2020, compared to 2019, has decreased in Latvia, from 3.50 to 3.41 (on a scale of 1-5, where 5 means very high satisfaction) compared to the increasing positive trend from 2016 to 2019.	<p>SSE Riga, Shadow Economy Index for the Baltic countries report, June 2021. https://www.sseriga.edu/shadow-economy-index-baltic-countries</p>
EUR 1.8 million from the Recovery and Resilience Plan is earmarked for the professionalization and strengthening of administrative capacity in the public administration. In this context, it is planned that, by the end of 2023, public administration competence development and retraining programs will be established.	<p>DELFI News portal, article "New homes, improved roads, digitalisation - the economy will soon feel the impact of ANM projects", December 2021. https://www.delfi.lv/bizness/latvija2030/jaunas-dzivesvietas-uzlaboti-celi-digitalizacija-ekonomika-driz-jutis-anm-projektu-ietekmi.d?id=53857945</p>
REGULATORY OBSTACLES  REGULATORY OBSTACLES	
According to Latvian entrepreneurs, the main priorities for government to tackle in the coming years are the competitiveness of the tax regime (65%), the development of the business environment (54%) and the reduction of public administration costs (46%). The changes made so far from the point of view of entrepreneurs are not	<p>PwC, Baltic Business Leaders Survey, 2021. https://www.pwc.com/lv/lv/about/case-studies/ceo-survey-2021.html</p>

sufficient and there is a standstill in solving these problems.	
On March 31, 2021, the Economic Court started its work. The main goal of the establishment of the specialized court is high-quality and fast handling of complex commercial disputes, economic and financial crimes, as well as corruption cases, ensuring efficient and rational use of state budget funds.	Court Administration, Ekonomisko lietu tiesas atklāšanā, Valsts prezidents tiesnešiem vēl veiksmi un profesionālo izaugsmi, March 2021. https://www.ta.gov.lv/lv/jaunums/ekonomisko-lietu-tiesas-atklasana-valsts-prezidents-tiesnesiem-vel-veiksmi-un-profesionalo-izaugsmi
ACCESS TO FINANCE 	
<p>According to the Bank of Latvia Macroeconomic Developments report, interest rates on large corporate loans decreased, whereas those on riskier loans, i.e. small and medium-sized corporate loans, increased on account of pricing in a higher credit risk premium. The respective interest rate on large loans (over EUR 1 million) declined by 0.9 percentage point (from 2.9% in January 2021 to 2.0% in August 2021), whereas the interest rate on small and medium-size loans (up to EUR 1 million) increased by 0.4 percentage point (from 3.8% in January 2021 to 4.2% in August 2021).</p> <p>In its December 2021 assessment of the factors hindering business and retail lending, the Bank of Latvia has drawn attention to the fact that the bank loan portfolio to households has been stable over the past 5 years, but has declined for non-financial corporations. The Baltic States are one of the few EU countries where new corporate lending rates have not fallen significantly (both in the SME and large corporate sectors). At the same time, it is important for the financial industry to assess credit standards and credit pricing policies in the light of the current situation and to review its policies. Therefore, in order to promote the development of lending, entrepreneurs need to think about the involvement of new financial market participants.</p>	<p>Bank of Latvia, Macroeconomic Developments report, September 2021. https://datnes.latvijasbanka.lv/mnp/MDR_Sep_tember_2021_en.pdf</p>
In February 2020, the international rating agency S&P Global Ratings raised Latvia's credit rating from "A" to "A +", which marks the historically highest credit rating for Latvia. In August 2020 and February 2021, the agency confirmed that Latvia meets the "A +" level with a stable future assessment. In 2020, other rating agencies did not change their ratings.	<p>Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download</p>
<p>According to data provided by Finance Latvia in the third quarter of 2021, loans increased by 3% or EUR 0.38 billion. In turn, over the last 12 months, the volume has increased by 7% or EUR 0.96 billion.</p> <p>The value of loans issued exceeds EUR 14 billion for the first time since 2018.</p> <p>The increase in the volume of loans is observed in both the corporate and retail</p>	<p>Finance Latvia Association, Results of Latvian banks' operations for the 3rd quarter of 2021 Summary, June 2021. https://www.financelatvia.eu/en/industry-data/</p>

segments. Loans to companies increased by 7% and loans to individuals increased by 6% over the last 12 months. Corporate loans account for 58% of total loans, or EUR 8.28 billion.	
LATE PAYMENTS	 LATE PAYMENTS
In Latvia, the payment gap has decreased in 2021. It has decreased more than twice for the public sector (from 19 to 9 days), while for B2B customers, it has fallen from 16 to 11 days.	Intrum, European Payment Report, 2021. https://www.intrum.lv/biznesa-risinajumi/analitika/publikacijas/european-payment-report/european-payment-report-2021/
In Latvia in 2021, 45% of companies consider that the currently offered payment terms are too generous and are harming the business. However, 54% believe that the growing macroeconomic uncertainty demands extending the payment terms.	Intrum, European Payment Report, 2021. https://www.intrum.lv/biznesa-risinajumi/analitika/publikacijas/european-payment-report/european-payment-report-2021/
Late payments caused major challenges for many Latvian companies in 2021 and beyond : 45% of SMEs declared not hiring new employees and 41% acknowledged the inability to pursue the growth of their business. Most companies (85%) negotiate payment terms with their customers, most often by offering revised payment terms (36 %).	Intrum, European Payment Report, 2021. https://www.intrum.lv/biznesa-risinajumi/analitika/publikacijas/european-payment-report/european-payment-report-2021/
ACCESS TO MARKETS	 ACCESS TO MARKETS
In the first ten months of 2021, Latvia's foreign trade turnover at current prices reached EUR 29.35 billion – EUR 6.06 billion or 26% more than in the corresponding period of 2020. Exports amounted to EUR 13.3 billion (an increase of EUR 2.41 billion or 22.2%) and imports to EUR 16.05 billion (an increase of EUR 3.64 billion or 29.3%).	Central Statistical Bureau, Oktobrī Latvijas ārējās tirdzniecības apgrozījums par 23,5 % lielāks nekā pirms gada, December 2021. https://stat.gov.lv/lv/statistikas-temas/tirdznieciba-pakalpojumi/areja-tirdznieciba/preses-relizes/6283-latvijas-areja
In 2020, and especially in the first half of 2021, exports of goods increased rapidly – at constant prices they rose by 9.6%. With a notable rise in export prices, growth in real prices was even more rapid - by 20.5 percent.	Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download
In 2021, Latvia’s largest export partner countries in goods were Lithuania, Estonia, Russia, the United Kingdom, Germany, Sweden, Denmark, and Poland. Latvia exported two third of all goods to these countries.	Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download
START-UP ENVIRONMENT	 START-UP ENVIRONMENT
For the implementation of the financial development institution Altum’s seed and starting capital fund programme in the form of a venture capital investment, 25 companies have received support for a total amount of EUR 24 548 555,82. Within the framework of the financial development institution Altum start-up loan program, 441 start-up loans have been	Estimates provided internally by Financial Development Institution ALTUM

issued for a total amount of EUR 11 624 849,29.	
<p>In the year of 2021, 1161 applications were received for pre-incubation and incubation programs in the Latvian Investment and Development Agency (LIAA) business incubators, of which 658 participants will start taking part in the programmes. 371 company applications were received for the incubation program, of which 94 participants were admitted. 790 authors of business ideas applied for the pre-incubation program, of which 564 ideas will start the six-month program.</p>	<p>Latvian Investment and Development Agency, Aktualitātes projektā "Biznesa inkubatori", 2022. https://www.liaa.gov.lv/lv/programmas/biznesa-inkubatori/aktualitates</p>
<p>In April 2021, a working group - including representatives from the Ministry of Economics, the Latvian Investment and Development Agency, financial development institution Altum and the Latvian Business Angel Network, Venture Capital Association, Latvian Start-up Association and the foundation TechHub Riga - was established to develop a strategy for the start-up ecosystem and an action plan for its implementation.</p> <p>Starting from the beginning of 2022 meetings are taking place with the organizations represented by the start-up ecosystem in connection with the development of the strategic action plan for 2022-2025.</p> <p>The start-up ecosystem development strategy will set out goals for the coming years, the resulting priorities for achieving the goals, proposals for measures to achieve the goals for the coming years of the Latvian start-up ecosystem, as well as the tasks to be implemented, activities and performance indicators.</p> <p>The strategy aims to improve the workings of the public sector, thereby improving the efficiency, providing better services to the society, start-ups and making more accurate public policy decisions.</p>	<p>Information provided internally by the Ministry of Economics</p>
<p>Additional funding of EUR 7.06 million has been allocated for the further operation of 11 regional business incubators and their support units, as well as creative industries incubators until the end of 2023.</p>	<p>Ministry of Economy, Piešķir papildu finansējumu biznesa inkubatoru atbalsta programmas turpināšanai līdz 2023. gada beigām, 2021. https://www.em.gov.lv/lv/jaunums/pieskir-papildu-finansejumu-biznesa-inkubatoru-atbalsta-programmas-turpinasanai-lidz-2023-gada-beigam</p>
<p>SCALE-UP ENVIRONMENT</p>	
<p>In the first three quarters of 2021, the Latvian Investment and Development Agency (LIAA) has provided support to 31 investment projects. The total amount of planned investments in the Latvian economy will exceed EUR 500 million and at least 2,224 new jobs will be created.</p>	<p>Ministry of Economy, Investīciju apjoms deviņos mēnešos sasniedzis 500 miljonus eiro, 2021. https://www.em.gov.lv/lv/jaunums/investiciju-apjoms-devinos-menesos-sasniedzis-500-miljonus-eiro</p>

IMPACT OF THE COVID-19 CRISIS**IMPACT OF THE COVID-19 CRISIS**

During the pandemic, the services sectors have experienced the most pronounced growth fluctuations. In the third quarter of 2021, the most significant drop in volumes was in accommodation and catering and arts, entertainment and recreation sectors with a drop of 12.2% and 10.4% in the annual cut. The fluctuations encountered by the trade and manufacturing sectors have been weaker with other factors, in addition to the COVID-19 pandemic, having also played a significant role, e.g. prices of raw materials, shortages of components, etc.	Bank of Latvia, Macroeconomic Developments report, September 2021. https://datnes.latvijasbanka.lv/mnp/MDR_Sep_tember_2021_en.pdf Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download
To compensate for the economic losses caused by the lockdown, the government has approved new support measures during the third COVID-19 wave, starting October 2021 and up to January 2022. The largest spending was allocated to working capital grants and downtime allowances. The impact of the measures on this year's and next year's state budgets is estimated at around EUR 400 million.	Fiscal Discipline Council Monitoring Report No.16, November 2021. https://www.fdp.gov.lv/en/media/3303/download
At the beginning of 2021, the COVID-19 pandemic continued to affect sectors with a high share of social contact. In Q2 2021, compared to Q4 of 2019 (prior to the crisis), the volumes in the air transport sector were 76% lower.	Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download
In Latvia, more than half of the businesses (55 %) consider that debtors' liquidity challenges due to the impact of COVID-19 could be the major issue preventing timely and full payments – 7 percentage points above the European average.	Intrum, European Payment Report, 2021. https://www.intrum.lv/biznesa-risinajumi/analitika/publikacijas/european-payment-report/european-payment-report-2021/

NATIONAL RECOVERY AND RESILIENCE PLAN**NATIONAL RECOVERY AND RESILIENCE PLAN**

On 22 June 2021, the European Commission adopted a positive assessment of Latvia's recovery and resilience plan. The EU will be disbursing EUR 1.8 billion in grants under the Recovery and Resilience Facility (RRF) in Latvia. This financing will support the implementation of the crucial investment and reform measures outlined in the national plan.	European Commission, NextGenerationEU: European Commission endorses Latvia's €1.8 billion recovery and resilience plan, 2021. https://ec.europa.eu/commission/presscorner/detail/en/ip_21_3134
In the field of digital transformation, it is planned to invest EUR 365 million within the framework of the RRF. Among others, this figure includes funds for the development of digital skills for the digitalisation of society and administration. 3,000 companies and 120,000 people are expected to receive support. An investment fund approved by the Cabinet of Ministers has been approved for economic recovery.	Ministry of Economy, Vitenbergs: Lielākā daļa EM pārziņā esošie Atveseļošanās Fonda atbalsta instrumenti būs pieejami jau 2022. gada sākumā, 2021. https://www.em.gov.lv/lv/jaunums/vitenbergs-lielaka-dala-em-parzina-esosie-atveselosanas-fonda-atbalsta-instrumenti-bus-pieejami-jau-2022-gada-sakuma
In the promotion of productivity and investment in research, innovation and development, the Recovery and Resilience	Ministry of Economic, Vitenbergs: Lielākā daļa EM pārziņā esošie Atveseļošanās Fonda

Plan envisages investments of EUR 113.5 million supporting 500 businesses and research organizations to increase innovation capacity in Latvia.	atbalsta instrumenti būs pieejami jau 2022. gada sākumā, July 2021. https://www.em.gov.lv/lv/jaunums/vitenbergs-lielaka-dala-em-parzina-esosie-atveselosanas-fonda-atbalsta-instrumenti-bus-pieejami-jau-2022-gada-sakuma
In order to reduce inequality and ensure the attraction of investments to the regions, it is planned to provide a support of EUR 80 million from the Recovery and Resilience Plan for local governments for the development of the industrial parks.	Ministry of Economy, Vitenbergs: Lielākā daļa EM pārziņā esošie Atveseļošanās Fonda atbalsta instrumenti būs pieejami jau 2022. gada sākumā, 2021. https://www.em.gov.lv/lv/jaunums/vitenbergs-lielaka-dala-em-parzina-esosie-atveselosanas-fonda-atbalsta-instrumenti-bus-pieejami-jau-2022-gada-sakuma
NATIONAL INDUSTRIAL ECOSYSTEMS *  NATIONAL INDUSTRIAL ECOSYSTEMS	
The Guidelines of the National Industrial Policy (NIP) 2021-2027 were adopted by the Cabinet of Ministers in February 2021. The NIP aims to increase annual exports to EUR 22 billion in 2023 and to EUR 27 billion by 2027. The sub-objective of the NIP is to increase expenditure on research and development to EUR 300 million in 2023, reaching EUR 600 million per year in 2027.	Ministry of Economy, The Guidelines of the National Industrial Policy 2021-2027, February 2021. https://likumi.lv/ta/id/321037-par-nacionalas-industrialas-politikas-pamatnostadnem-2021-2027-gadam
In 2021, a rapid growth in manufacturing can be observed. Data show that industrial production output according to calendar adjusted data at constant prices rose by 6.5 % in 2021, compared to 2020. It was affected by the output increase in manufacturing (by 7.3%), mining and quarrying (by 4.7 %), and in electricity and gas supply (2.9 %).	Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download Central Statistical Bureau, In 2021, industrial production output increased by 6.5 %, February 2022. https://stat.gov.lv/en/statistics-themes/business-sectors/industry/press-releases/8217-industrial-production-december-2021
In the first half of 2021, the performance of the construction sector was weaker than projected. Compared to the first half of 2020, it recorded a decrease in output volumes almost in all basic sectors of construction, except specialised construction activities. In Q2 2021, construction output at constant prices shrank by 0.7% quarter-on-quarter, but it increased moderately (by 1.1%) compared to the respective period of the previous year.	Bank of Latvia, Macroeconomic Developments report, September 2021. https://datnes.latvijasbanka.lv/mnp/MDR_September_2021_en.pdf
OTHER RELEVANT TOPICS  OTHER RELEVANT TOPICS	
In 2021, the inflation growth in Latvia, which is mainly stimulated by increased energy prices, made the financial situation for households, businesses, and local governments more difficult. The October 2021 statistics show that prices of food and non-alcoholic beverages increased by 4.4% during the year. Rising prices for heating (17.8%), electricity (18.1) and natural gas (51.3%) will further increase household	Fiscal Discipline Council Monitoring Report No.16. November 2021. https://www.fdp.gov.lv/en/media/3303/download

expenditure and reduce the competitiveness of energy-intensive businesses.	
According to a survey by the Latvian Chamber of Commerce and Industry, the main challenge for economic growth in 2022 will be labour costs, a lack of qualified employees, availability of energy and raw material prices. Entrepreneurs are also concerned about funding conditions, sustainability requirements and the digitalisation of companies.	Latvian Chamber of Commerce and Industry, latvijas uzņēmējus 2022.gadā satrauc augstās darbaspēka izmaksas un iespējamie ierobežojumi saistībā ar covid-19 pandēmijas izplatīšanos, November 2021. https://www.ltrk.lv/lv/content/jaunumi/5896
In Q2 2021, the average monthly gross wage increased by 10.2%, rising to an average of EUR 1,237 per month and representing the most rapid monthly wage growth rate during the last 13 years. The average rise in wages over the last five years has been close to 7% annually.	Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download
In 2020, the volume of private sector investments decreased by 1.7%. In the first half of 2021, investment activities increased and were 10.8% higher than the previous year.	Ministry of Economy, Macroeconomic Review of Latvia, October 2021. https://www.em.gov.lv/en/media/12426/download
In 2020, the shadow economy in Latvia grew by 1.6%, reaching 25.5% of the national gross domestic product (GDP)	SSE Riga, Shadow Economy Index for the Baltic countries report, 2021. https://www.sseriga.edu/shadow-economy-index-baltic-countries
In 2020, the proportion of awards for which the winner was a SME was higher in Latvia (92%) than the EU-27 average (61.07%).	European Commission, Single Market Scoreboard, 2021.

* "National industrial ecosystems" refer to the national aspects of the industrial ecosystems as defined by the EC.

<https://op.europa.eu/en/publication-detail/-/publication/6355326c-ae95-11eb-9767-01aa75ed71a1/language-en>