



Latvia

Overview

EIB INVESTMENT SURVEY

2020

EIB Group survey on investment
and investment finance 2020
Country overview

Latvia

EIB Group survey on investment and investment finance 2020.

Country overview: Latvia

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment and Investment Finance, which has been administered since 2016, is a unique, annual survey of some 13 500 firms. It covers firms in all European Union Member States and also includes a sample of firms in the United Kingdom and 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. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Member States, the United Kingdom 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

The series of reports provide an overview of data collected for the 27 EU Member States, the United Kingdom and the United States. The reports 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 European Investment Bank

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

Main contributors to this publication

Kevin Koerner.

Disclaimer

The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

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For further information on the EIB's activities, please consult our website, www.eib.org. You can also contact our InfoDesk, info@eib.org.

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EIBIS 2020 – Latvia

KEY RESULTS

Investment Dynamics

With the sudden impact of COVID-19 on the Latvian economy, investment in Q2 2020 fell 5.6% below the pre-crisis 2019 level. When considering the impact of COVID-19 on investment, Latvia has a very similar profile to the EU. More than half of firms in Latvia (52%) report that their plans will be broadly the same against the background of COVID-19, in line with the EU average (50%).

Investment Focus

Just over a fifth (22%) of firms, with investment plans for the current financial year, plan to abandon or delay investments as a result of COVID-19, well below the EU average (35%). A similar share of firms (24%) expect to continue with their investment plans with a reduced scale/scope, broadly similar to the EU average (18%).

The most frequently cited expected long term impacts of COVID-19 on firms in Latvia are on their service or product portfolio (34%) and their supply chain (32%).

Investment Needs and Priorities

More than three-quarters of firms (77%) believe their investment over the last three years was about the right amount, in line with EIBIS 2019 (72%) and the EU average (80%).

Around one-third of firms (34%) report that they were operating at or above full capacity in 2019, which is in line with EIBIS 2019 (38%) but remains well below the EU average (61%).

Innovation Activities

Around four in ten firms (39%) claim to have developed or introduced new products, processes or services as part of their investment activities.

More than three in five firms (62%) have implemented, either fully or partially, at least one digital technology. This share is 17 percentage points higher than in EIBIS 2019 and brings Latvia in line with the EU average (63%).

Drivers and Constraints

Firms in Latvia have turned much more pessimistic about the economic climate (down 54 five percentage points to -53%) and the availability of internal finance (down 43 percentage points to -24%) than EIBIS 2019.

Almost nine in ten firms consider the availability of skilled staff (88%) and uncertainty about the future (87%) as long term barriers to investment.

Investment Finance

Almost two-thirds of investment activity in Latvian firms is financed by internal sources (64%). This is broadly in line with EIBIS 2019 (70%) and the EU average (62%).

More than eight in ten firms (82%) report that they were profitable in 2019, in line with 2018 figures, reported in EIBIS 2019, and the EU average (78% and 80% respectively).

Access to Finance

Firms that were using external finance in 2019 are on balance satisfied with the amount, cost, maturity, collateral and type of finance received. The highest levels of dissatisfaction recorded among firms in Latvia is with the cost of finance (16%) and the collateral requirements (14%).

14% of all firms in Latvia could be considered as finance constrained in 2019, a much higher share than the EU average (6%).

Energy Efficiency

Almost half of firms in Latvia (46%) have invested in measures to improve their energy efficiency, 7 percentage points higher than in EIBIS 2019 (38%) and in line with the EU average (47%).

Firms in Latvia are much less likely than the EU average to have set internal targets on carbon emissions and energy consumption (25% versus 41%) and to have designated a person to develop and monitor their climate change strategies (9% versus 23%).

Climate Change

Almost six in ten firms in Latvia (61%) feel that their business has been impacted, either in a major or minor way by climate change and the related changes in weather patterns.

Firms in Latvia expect on balance that the transition to a low-carbon future will be positive for their reputation (+19%) and market demand (+6%) but that it will have a negative impact on their supply chain (-10%) over the next five years.

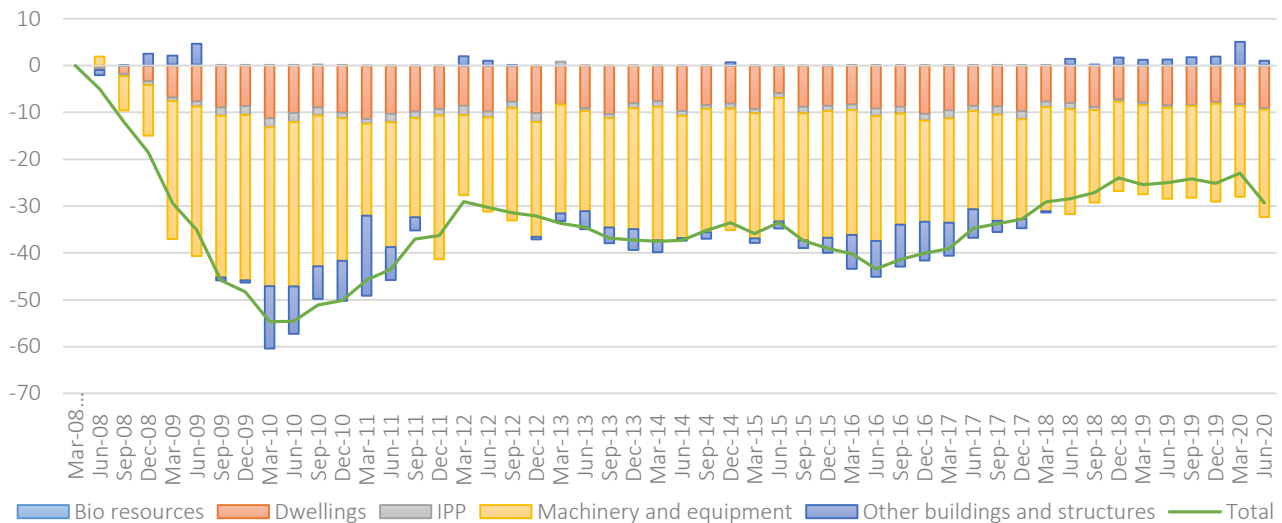
More than half of firms in Latvia (53%) have already invested or plan to invest in the next three years in measures to tackle the impact of weather events and reduction in carbon emissions. However, this is well below the EU average (67%).

Investment Dynamics

INVESTMENT DYNAMICS BY ASSET TYPE

With the sudden impact of COVID-19 on the Latvian economy, investment in Q2 2020 fell 5.6% below the pre-crisis 2019 level.

Following the global financial crisis, Latvia faced a sharp drop in investment, followed by a protracted period of subdued investment activity.



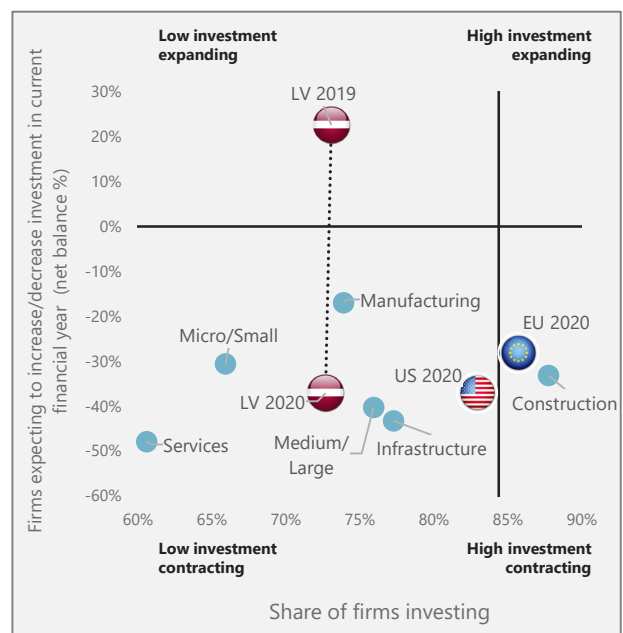
The graph shows the evolution of total Gross Fixed Capital Formation (in real terms); by asset type. The data has been indexed to equal 0 in 2008. Source: Eurostat.

INVESTMENT CYCLE

Latvia has moved from the 'low investment expanding' quadrant into the 'low investment contracting' quadrant on the investment cycle. In comparison to EIBIS 2019, the share of firms investing is similar but the net balance of firms expecting to increase rather than decrease investment in the current financial year has declined by 60 percentage points to -37%.

Firms in construction are the only sector in the 'high investment contracting' quadrant.

The services sector shows the lowest share of firms investing and on balance the largest expected decrease of investment in the current financial year.



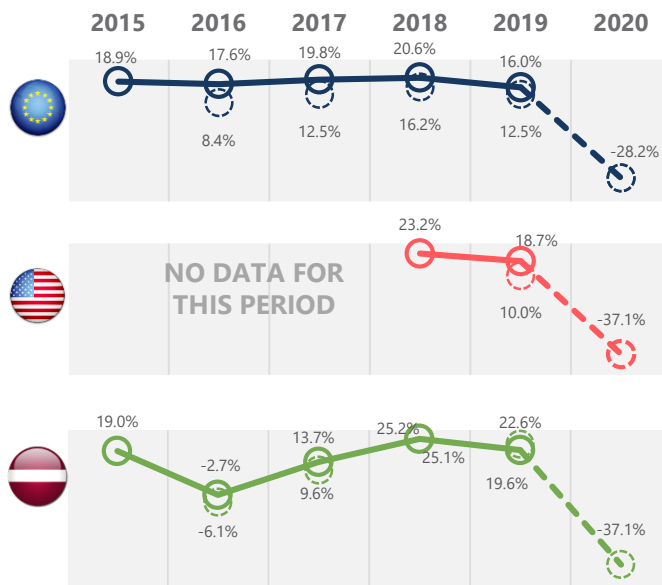
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500. The y-axis line crosses x-axis on the EU average for 2016.

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

Investment Dynamics

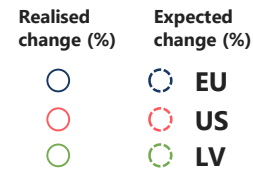
EVOLUTION OF INVESTMENT EXPECTATIONS

Realised/expected change in investment



More firms increased rather than decreased their investment activities on balance in the last financial year, in line with expectations (20% versus 23%).

In the current year, the investment outlook among Latvian firms is particularly negative (-37%) and well below the EU average (-28%).



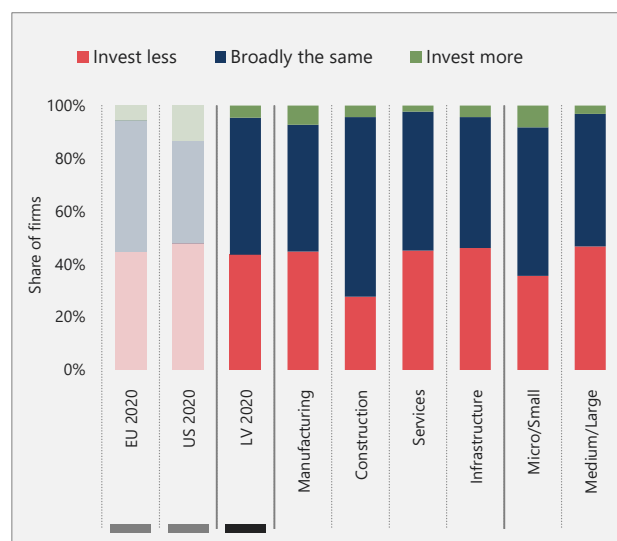
'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

Base: All firms

IMPACT OF COVID-19 ON INVESTMENT

When considering the impact of COVID-19 on investment, Latvia has a very similar profile to the EU. More than half of firms in Latvia (52%) report that their plans will be broadly the same against the background of COVID-19, in line with the EU average (50%).

The share of firms in Latvia which expect to invest less due to the pandemic is 44% while 5% of firms expect to invest more, in line with EU averages (45% and 6% respectively).



Q. Have your company's overall investment expectations for 2020 changed due to coronavirus?

Base: All firms with investment plans for the current financial year (excluding don't know/refused responses)

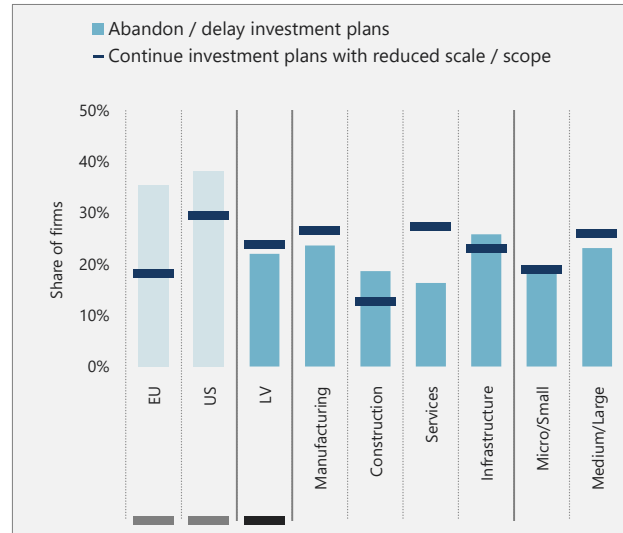
Investment Focus

ACTIONS AS A RESULT OF COVID-19

Just over a fifth (22%) of firms, with investment plans for the current financial year, plan to abandon or delay at some of their investments as a result of COVID-19, well below the EU average (35%).

A similar share of firms (24%) expect to continue with at least some of their investment plans with a reduced scale/scope, broadly similar to the EU average (18%).

Construction and services sector firms have the lowest share of firms that intend to abandon or delay investment plans due to the pandemic (19% and 16% respectively).

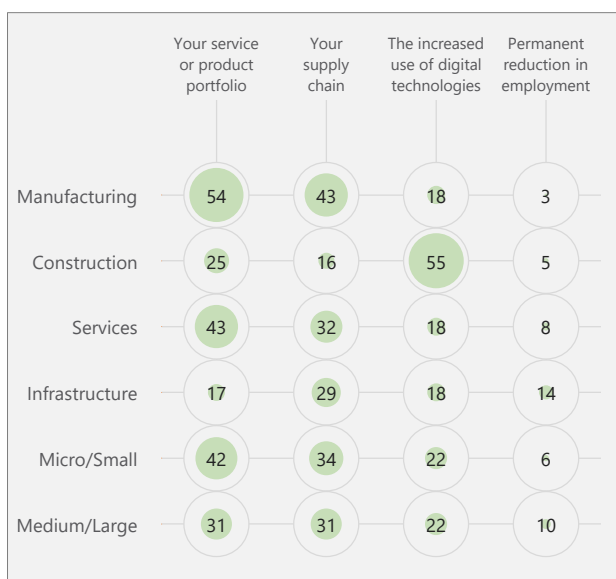


Q. You said you will invest less due to coronavirus. Can I just check which of the following actions will your company undertake?

Please note some firms may be taking multiple actions i.e. abandoning/delaying some investment plans whilst continuing with other plans at a reduced scale or scope.

Base: All firms with investment plans for the current financial year (excluding don't know/refused responses)

LONG TERM IMPACT OF COVID-19 BY SECTOR AND SIZE



The most frequently cited expected long term impacts of COVID-19 on firms in Latvia are on their service or product portfolio (34%) and their supply chain (32%).

Manufacturing firms (54%) and services firms (43%) are more likely to expect a long term impact on their service or product portfolio than infrastructure firms (17%).

Manufacturing firms are also more likely to expect a long term impact on their supply chain compared to construction firms (43% versus 16%).

Firms in the construction sector are three times more likely to expect the increased use of digital technologies to be a long term impact than firms in the other sectors (55% versus 18%).

Less than one in ten firms (9%) expect a permanent reduction in employment levels.

Q. Do you expect the coronavirus outbreak to have a long-term impact on any of the following?

Base: All firms

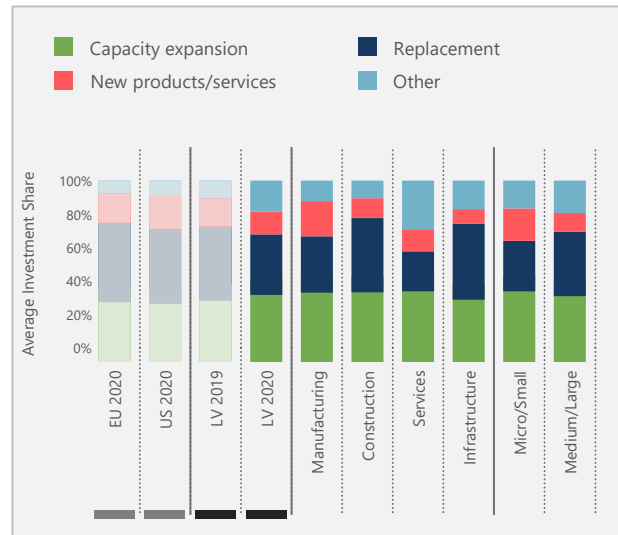
Investment Focus

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

The largest share of investment among firms in Latvia in the last financial year was for the purpose of replacing existing buildings, machinery, equipment and IT (36%). This is broadly similar to EIBIS 2019 (44%) but well below the EU average (47%).

Investment in replacement was followed by capacity expansion (32%), which was in line with the EU average (27%).

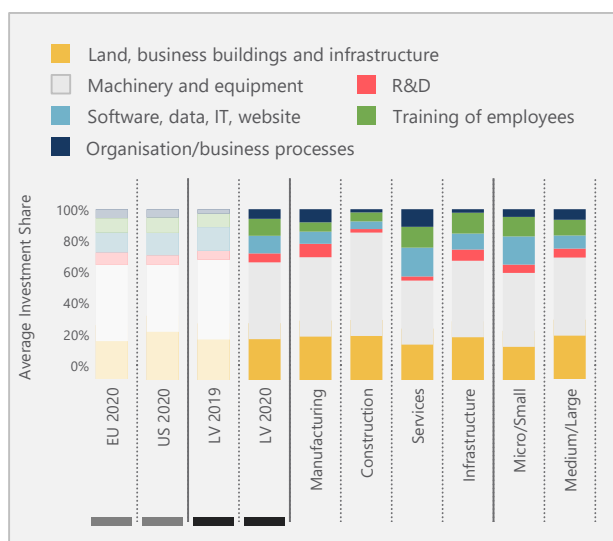
The share of investment for replacement was highest among infrastructure firms (45%) and construction firms (44%) and lowest among services firms (24%).



Q. What proportion of total investment was for (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 who have invested in the last financial year (excluding don't know/refused responses)

INVESTMENT AREAS



Out of the six investment areas considered, the highest share of investment in Latvia was in machinery and equipment (49%). This was followed by land, business buildings and infrastructure (17%), as well as software, data, IT and website activities and training of employees (both 11%). The pattern is broadly in line with EIBIS 2019 and the EU average.

Construction firms allocated a higher investment share to machinery and equipment (66% than infrastructure and services firms (49% and 41% respectively).

Micro and small firms had a higher share of investment in software, data, IT and website activities than medium and large firms (18% versus 8%).

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 who have invested in the last financial year (excluding don't know/refused responses)

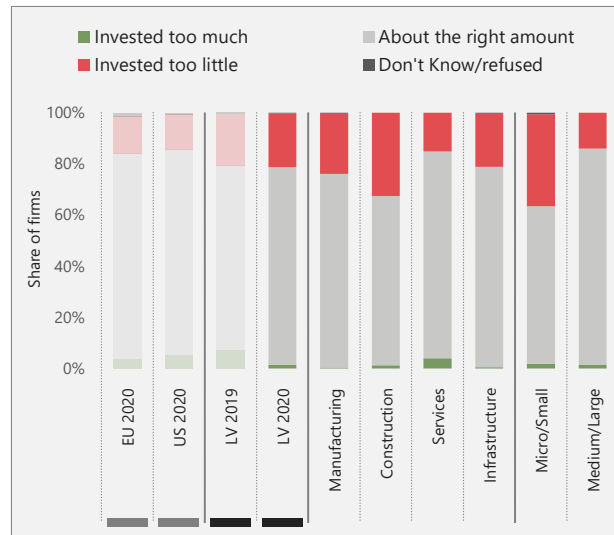
Investment Needs and Priorities

PERCEIVED INVESTMENT GAP

More than three-quarters of firms (77%) believe their investment over the last three years was about the right amount, in line with EIBIS 2019 (72%) and the EU average (80%).

A higher share of firms in Latvia report that they invested too little compared to the EU average (21% versus 15%).

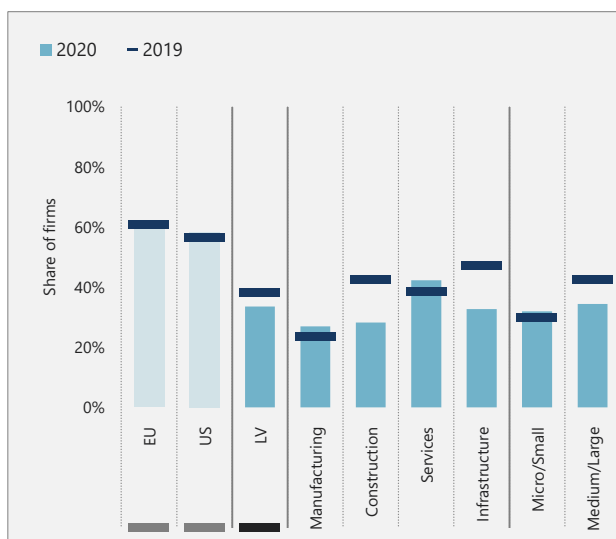
Firms in the construction sector are more likely to report investing too little compared to services firms (33% versus 15%). Similarly, micro and small firms are more likely than medium and large firms to do so (36% versus 14%).



Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

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

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY



Full capacity is the maximum capacity attainable under normal conditions e.g. company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.

Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

Around one-third of firms (34%) report that they operated in the last financial year, 2019, at or above full capacity, which is in line with EIBIS 2019 (38%) but remains well below the EU average (61%).

Firms in the services sector are more likely than manufacturing firms to be operating at or above full capacity (42% versus 27%).

Investment Needs and Priorities

FUTURE INVESTMENT PRIORITIES (% of firms)

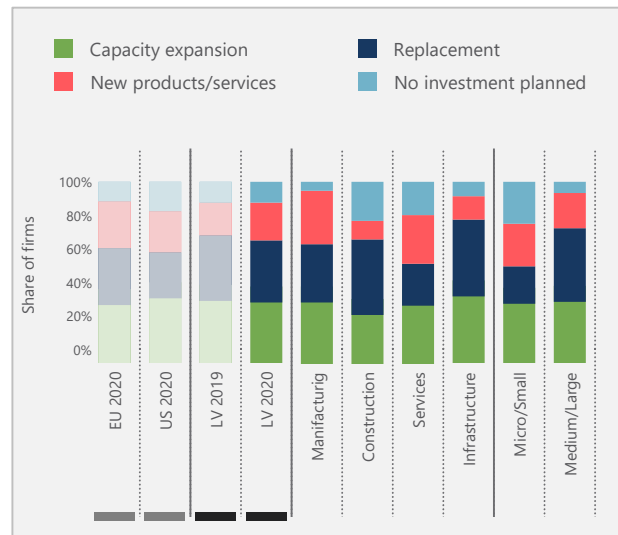
Looking ahead to the next three years, replacing existing buildings, machinery, equipment and IT is the most commonly cited investment priority among firms in Latvia (37%). This in line with EIBIS 2019 (39%) and the EU average (34%).

Capacity expansion for existing products and services is the priority for 28% of firms, followed by developing new products/services (23%).

Firms in the infrastructure and construction sectors (46% and 45% respectively) are more likely to prioritise replacement compared to services firms (25%). The same applies to medium and large firms compared to micro and small firms (44% versus 22%).

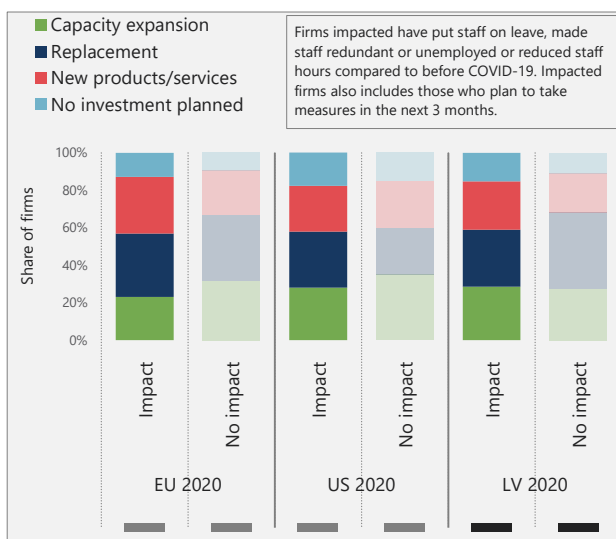
Micro and small firms in Latvia are more likely than medium and large firms to have no investment planned for the next three years (25% versus 7%).

Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing 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)

COVID-19 IMPACT ON PRIORITIES



Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Q. Thinking about the impact of coronavirus, have you had to put staff temporarily on leave, make staff redundant or unemployed or reduce the number of hours they work compared to before the coronavirus pandemic?

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

Firms in Latvia which have been impacted by COVID-19 have a relatively even distribution of investment priorities between replacement (30%), capacity expansion (29%) and new products/services (26%). This distribution is broadly in line with firms in the EU impacted by COVID-19.

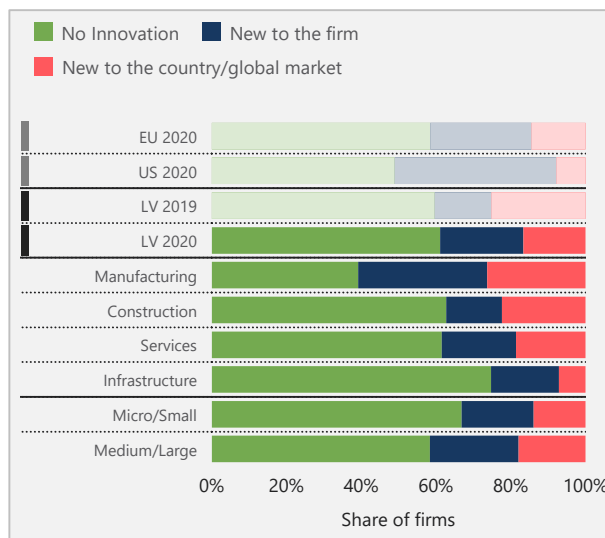
Innovation Activities

INNOVATION ACTIVITY

Around four in ten firms (39%) claim to have developed or introduced new products, processes or services as part of their investment activities. This is in line with EIBIS 2019 (40%) and the EU average (42%).

Specifically, 17% of all firms report that they invested in innovation that is new to the country or world, broadly similar to EIBIS 2019 (25%).

Manufacturing firms are much more likely to innovate than firms in the other sectors (61%, compared to between 25% and 38%). There has been a sharp decline in investment in innovation by infrastructure firms since EIBIS 2019, down 23 percentage points to 25%.

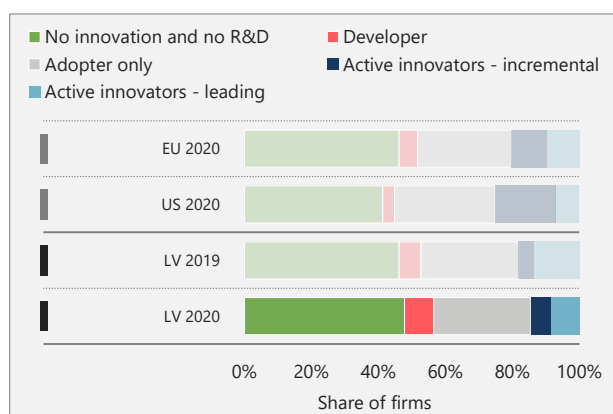


Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

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

INNOVATION PROFILE



When firms' innovation and research and development behaviour is profiled more widely, 15% of firms in Latvia are classified as 'active innovators', and a further 9% of firms are 'developers'.

The share of 'active innovators' and 'developers' among Latvian firms is broadly in line with EIBIS 2019 (18% and 6% respectively) and the EU average (20% and 6% respectively).

Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company's future earnings?

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

The 'No innovation and no R&D' group comprises firms that did not introduce any new products, processes or services in the last financial year. The 'Adopter only' introduced new products, processes or services but without undertaking any of their own research and development effort. 'Developers' are firms that did not introduce new products, processes or services but allocated a significant part of their investment activities to research and development. 'Incremental' and 'Leading innovators' have introduced new products, processes and services and also invested in research and development activities. The two profiles differ in terms of the novelty of the new products, processes or services. For incremental innovators these are 'new to the firm'; for leading innovators these are 'new to the country/world'.

Innovation Activities

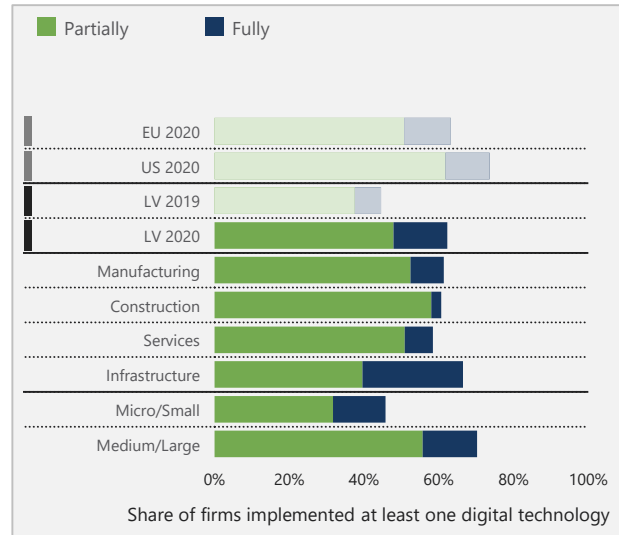
IMPLEMENTATION OF DIGITAL TECHNOLOGIES

More than three in five firms (62%) have implemented, either fully or partially, at least one digital technology. This proportion is 17 percentage points higher than in EIBIS 2019 and brings Latvia in line with the EU average (63%).

The overall implementation of digital technologies is consistent across sectors, while infrastructure firms have the highest level of fully implemented technologies (27%).

Medium and large firms are more likely than micro and small firms to have implemented at least one digital technology (70% versus 46%).

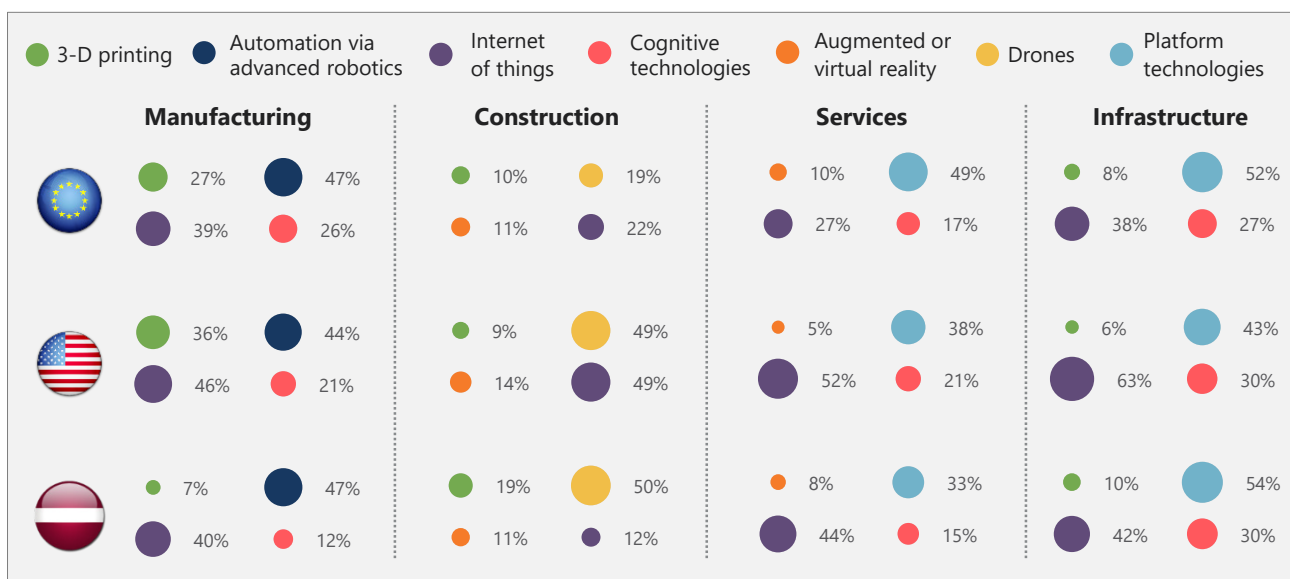
Construction firms report a relatively high take-up of drones compared to the EU average (50% versus 19%), services firms a relatively high take-up of the internet of things (44% versus 27%).



Q, Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

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

DIGITAL TECHNOLOGIES BY SECTOR



Q, Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

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

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

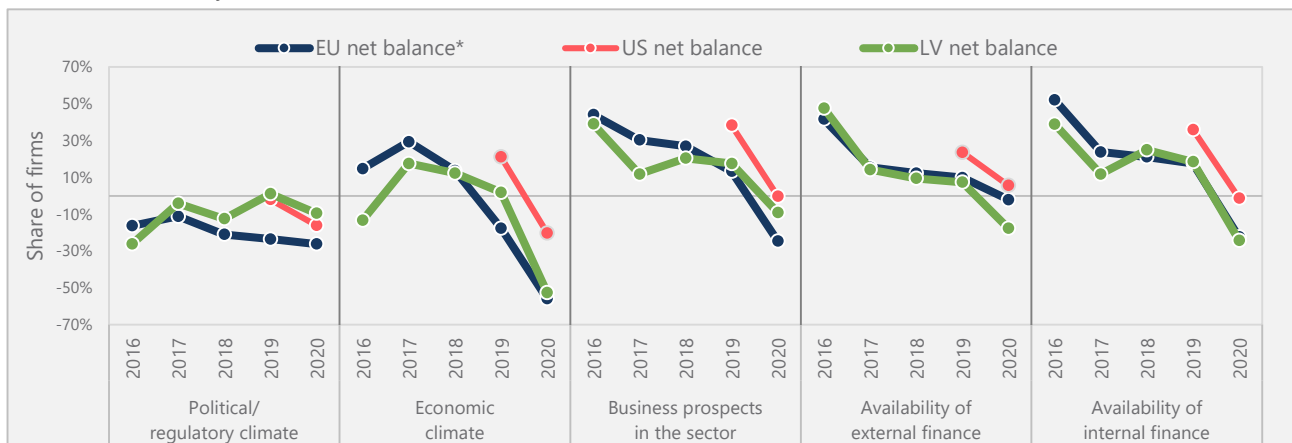
Drivers And Constraints

SHORT TERM FIRM OUTLOOK

On balance, the outlook among Latvian firms across five short term outlooks is negative, in line with the EU average. Firms in Latvia have turned much more pessimistic about the economic climate (down 54 five percentage points to -53%) and the availability of internal finance (down 43

percentage points to -24%) than EIBIS 2019.

Latvian firms on balance are rather pessimistic about the political/regulatory climate and business prospects (both -9%) but not as much as the EU average (-26% and -25% respectively).

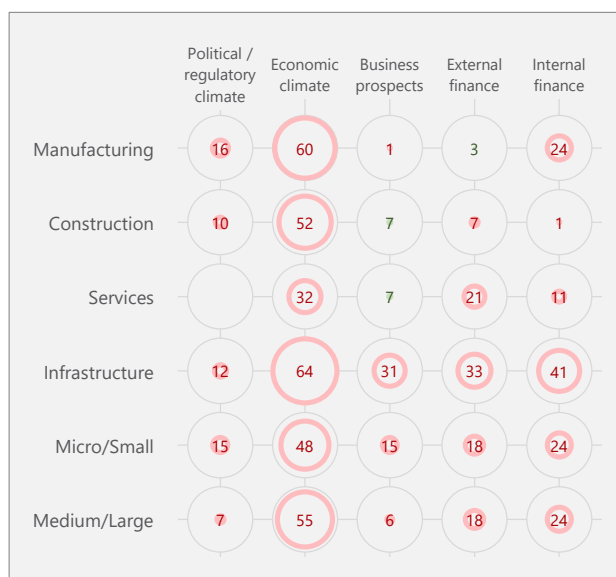


Q, Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

*Net balance is the share of firms seeing improvement minus the share of firms seeing a deterioration

Base: All firms

SHORT TERM FIRM OUTLOOK BY SECTOR AND SIZE (NET BALANCE %)



Please note: green figures are positive, red figures are negative

Firms in the services sector are not as pessimistic as firms the manufacturing and infrastructure sectors about the economic climate (-32%, compared to -60% and -64%) and the political/regulatory climate (0%, compared to -16% and -12% respectively).

Infrastructure firms are more pessimistic than the other sectors on four of the five outlook categories, most notably regarding business prospects (-31% versus between -1% and +7%).

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

*Net balance is the share of firms seeing improvement minus the share of firms seeing a deterioration

Base: All firms

Drivers And Constraints

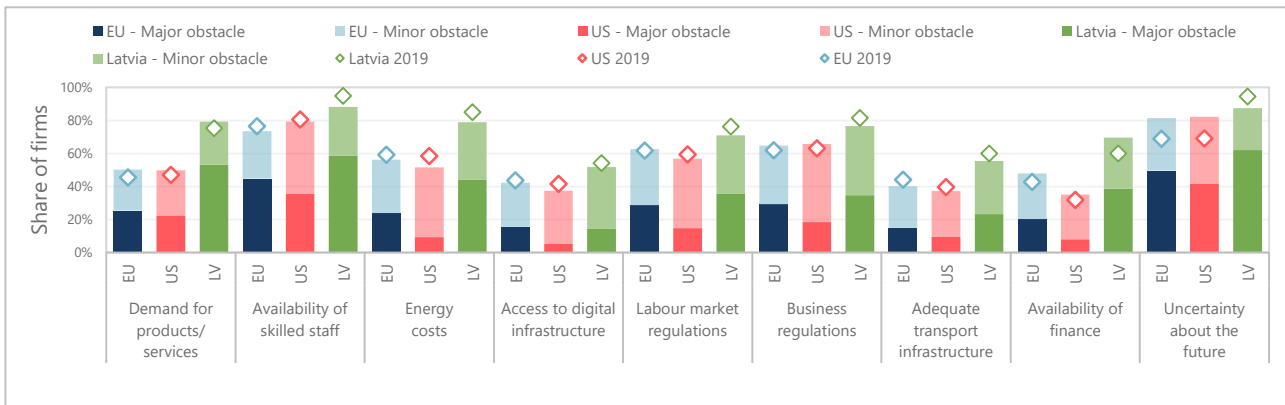
LONG TERM BARRIERS TO INVESTMENT

The most frequently cited long term barriers to investment are the availability of skilled staff (88%) and uncertainty about the future (87%). The share of Latvian firms that see these two as an obstacle is above the EU average (73% and 81% respectively).

Demand for products/services and energy costs

are the next most cited barriers (both 79%) and remain well above the EU average (50% and 56% respectively).

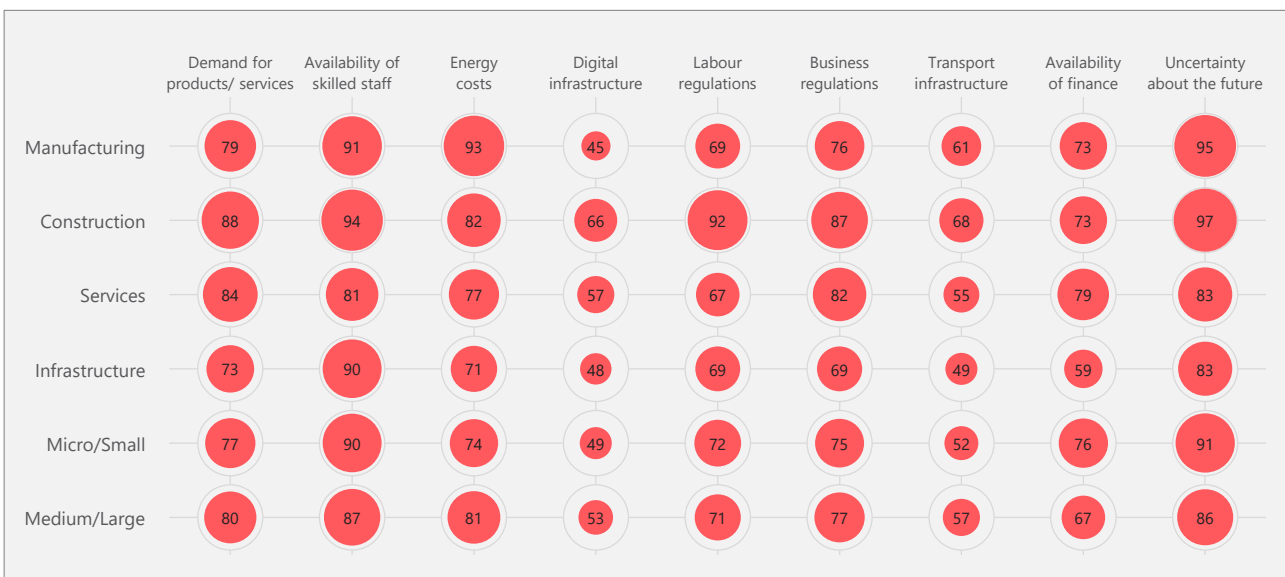
Almost all construction and manufacturing firms are uncertain about the future (97% and 95% respectively).



Q. Thinking about your investment activities in Latvia, 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 who said not an obstacle at all/don't know/refused)

LONG TERM BARRIERS BY SECTOR AND SIZE



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

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

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

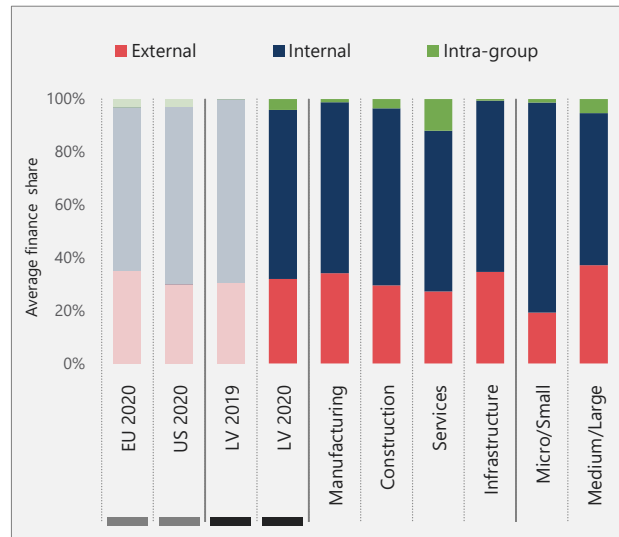
Investment Finance

SOURCE OF INVESTMENT FINANCE

Almost two-thirds of investment activity in Latvian firms was financed by internal sources (64%) in the last financial year. This is broadly in line with EIBIS 2019 (70%) and the EU average (62%).

The share of external finance was 32% in 2019. This is in line with both EIBIS 2019 and the EU average (30% and 35% respectively).

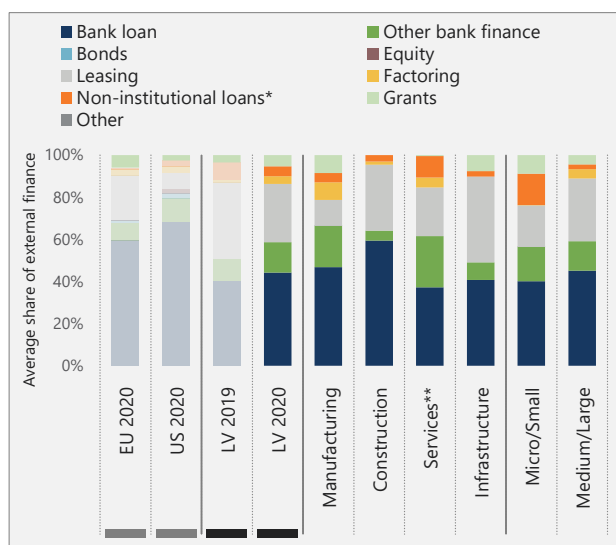
Micro and small firms were much more likely to use internal funding than medium and large firms (79% versus 58%).



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

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

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES



Bank loans continued to make up the highest share of external finance (44%). This is in line with EIBIS 2019 (40%) but well below the EU average (59%).

Leasing or hire purchase accounted for the second highest share of external finance (28%) among Latvian firms, broadly in line with EIBIS 2019 (36%) but above the EU average (21%).

Micro and small firms were more likely than medium and large firms to use non-institutional loans (15% versus 2%).

Q. Approximately what proportion of your external finance does each of the following represent?

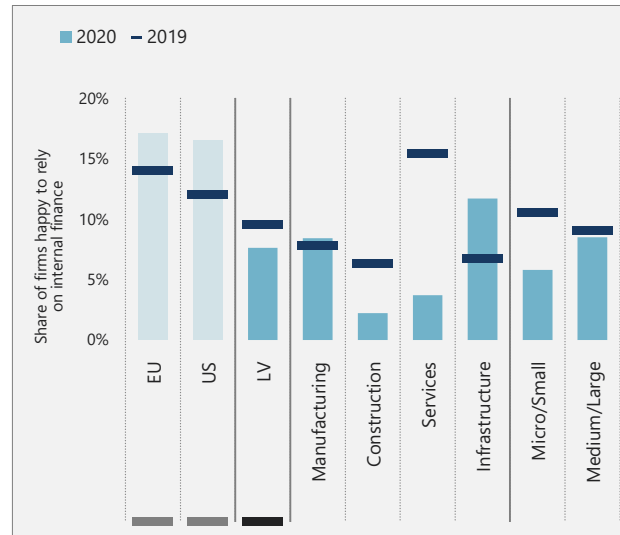
*Loans from family, friends or business partners

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses) ** Caution very small base size less than 30. Effective base sizes for sector are less than 30 – no significance testing applied

Investment Finance

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT

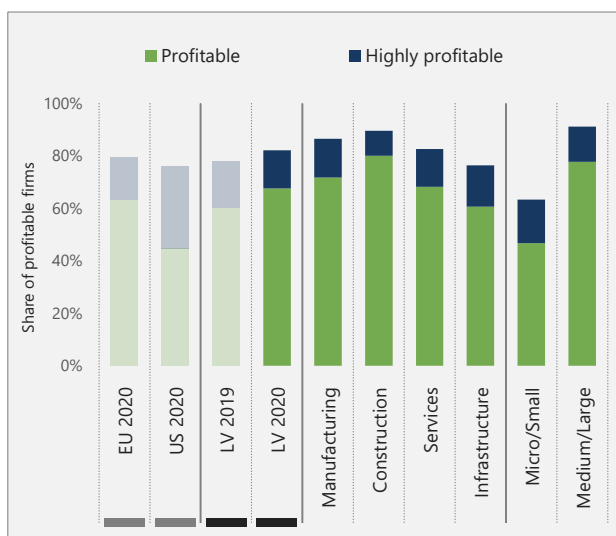
Less than one in ten Latvian firms (8%) report that the main reason for not applying for external finance in 2019 was because they were happy to use internal funds or did not have a need for external finance. This is well below the EU average (17%).



Q. What was your main reason for not applying for external finance for your investment activities? Was happy to use internal finance/didn't need the finance

Base: All firms

SHARE OF PROFITABLE FIRMS



More than eight in ten firms (82%) report being profitable in the last financial year, in line with both EIBIS 2019 and the EU average (78% and 80% respectively).

Specifically, 14% of firms claim that they were highly profitable, defined as generating a profit level at least 10% of firm turnover. This is also in line with both EIBIS 2019 and the EU average (18% and 16% respectively).

Medium and large firms are more likely to report making a profit than micro and small firms (91% versus 63%).

Q. Taking into account all sources of income in the last financial year, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turnover of 10% or more

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

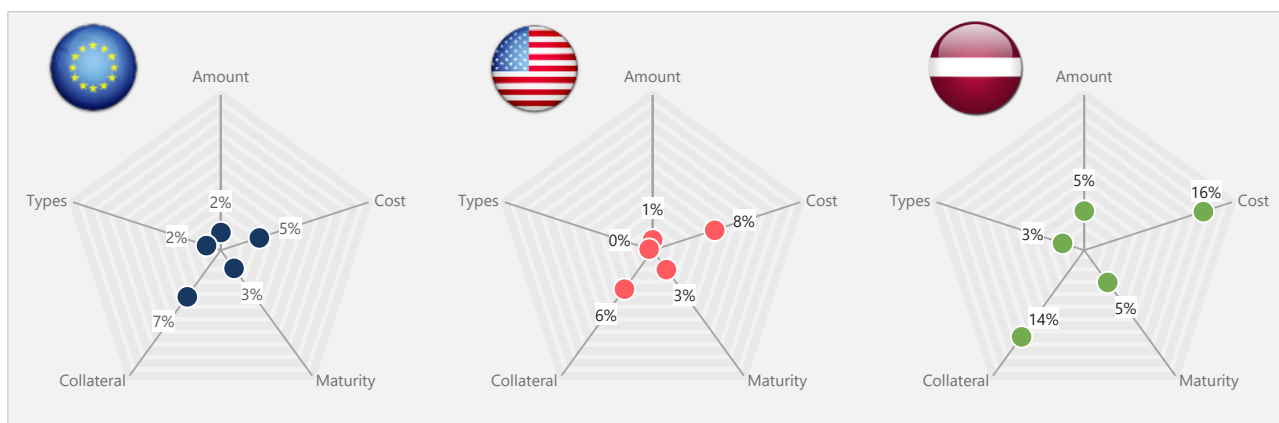
Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

Firms that were using external finance in 2019 are on balance satisfied with the amount, cost, maturity, collateral and type of finance received.

The highest levels of dissatisfaction recorded among firms in Latvia is with the cost of finance (16%) and the collateral requirements (14%).

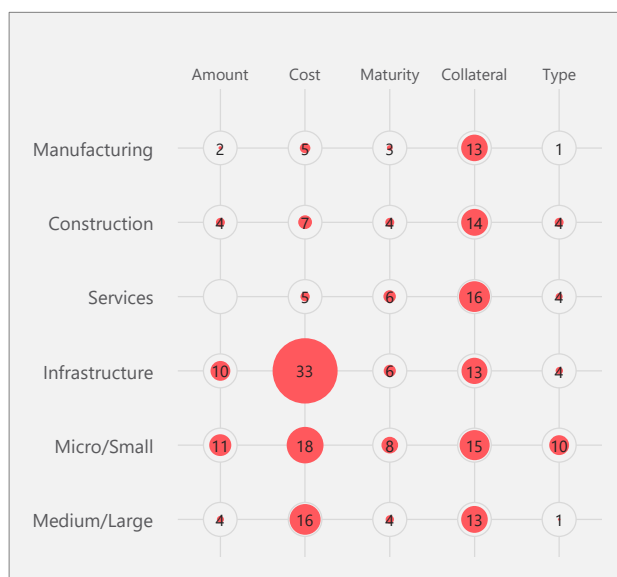
Share of dissatisfied firms



Q. How satisfied or dissatisfied are you with ...?

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

DISSATISFACTION BY SECTOR AND SIZE (%)



Infrastructure firms have the highest levels of dissatisfaction with the cost of the external finance obtained (33%).

All sectors and size classes of firms are equally dissatisfied with the collateral requirements (ranging from 13% to 16%).

Micro and small firms are more dissatisfied than medium and large firms with the type of finance (10% versus 1%).

Q. How satisfied or dissatisfied are you with ...?

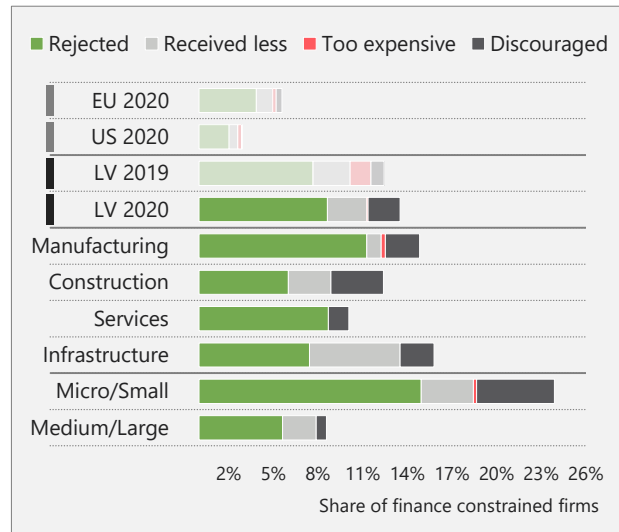
Base: All firms who used external finance in the last financial year (excluding don't know/ refused responses)
Effective base sizes for sector are less than 30 – no significance testing applied

Access To Finance

SHARE OF FINANCE CONSTRAINED FIRMS

14% of all firms in Latvia could be considered as finance constrained in 2019, a much higher share than the EU average (6%). Loan rejections account for more than half of the overall share of finance constrained firms.

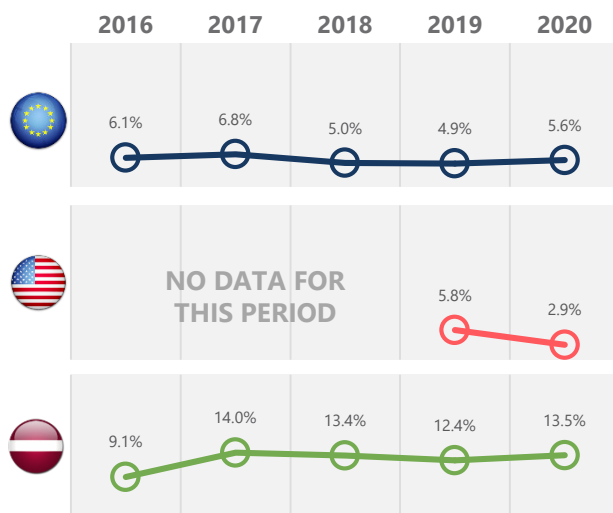
Micro and small firms were much more likely to be finance constrained than medium and large firms (24% versus 9%).



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 who 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

FINANCING CONSTRAINTS OVER TIME



There has been little change in the share of finance constrained firms since EIBIS 2017.

The share of firms in Latvia that were finance constrained remained consistently more than twice the EU average.

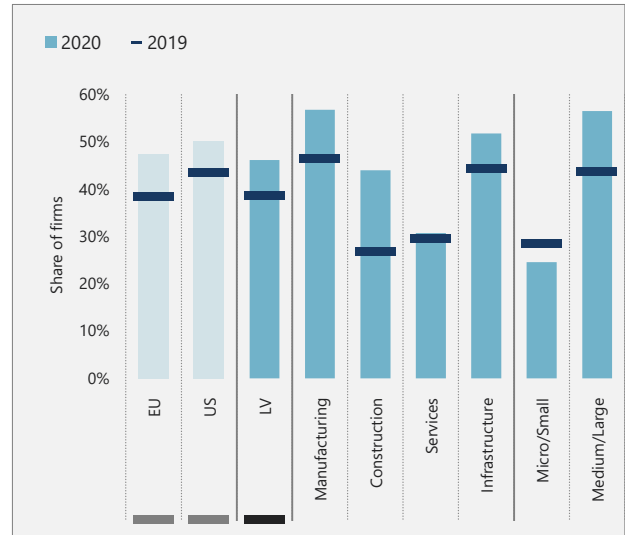
Base: All firms

Energy Efficiency

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

Almost half of firms in Latvia (46%) have invested in measures to improve their energy efficiency, 7 percentage points higher than EIBIS 2019 and in line with the EU average (47%).

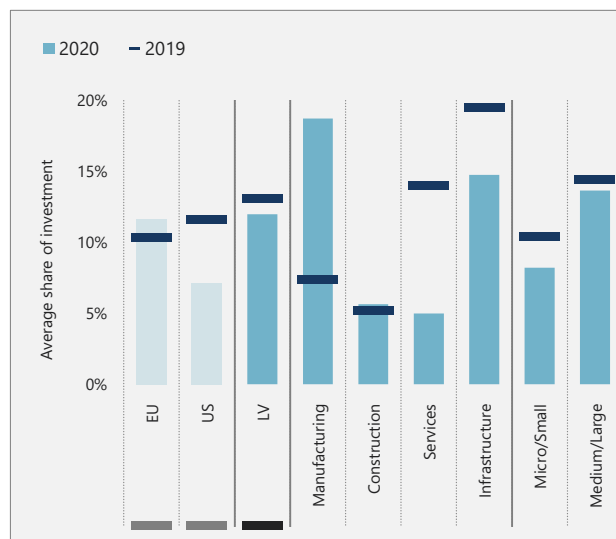
Services firms are less likely to have invested in these measures than manufacturing firms (31% versus 57% respectively). Similarly, smaller firms are less likely than larger firms to have invested (25% versus 57%).



Q. What proportion of 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



The average share of investment in measures to improve energy efficiency by firms in Latvia (12%) was in line with EIBIS 2019 (13%) and the EU average (12%).

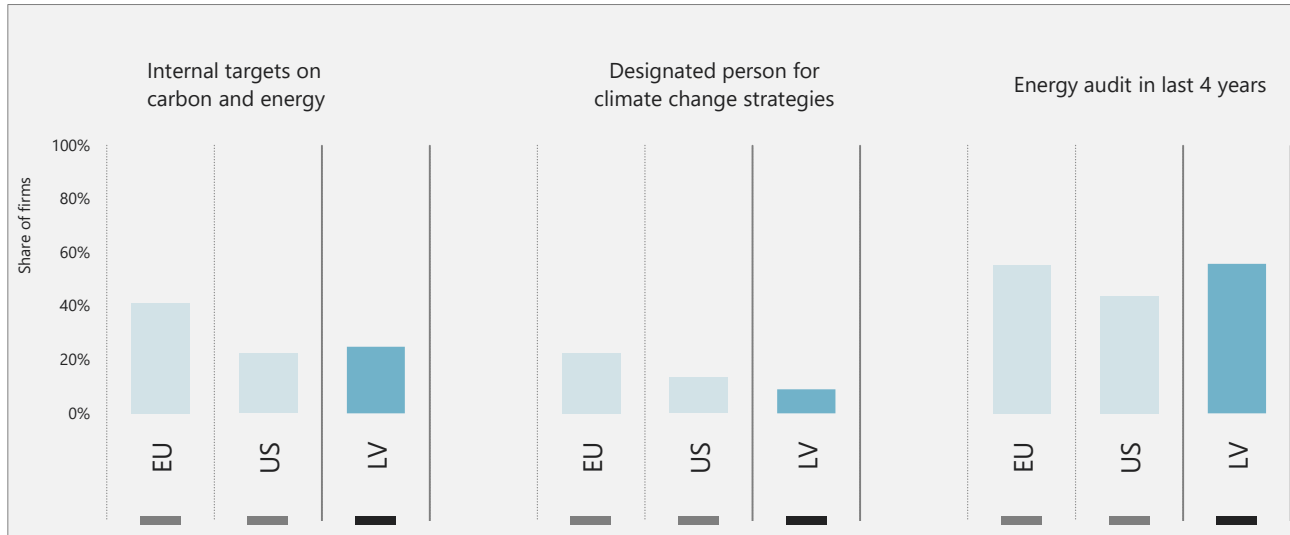
Manufacturing firms have increased their share since EIBIS 2019 and now have the highest level of investment in energy efficiency (19%).

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

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

Energy Efficiency

ENERGY TARGETS, MANAGEMENT AND INTERNAL AUDIT



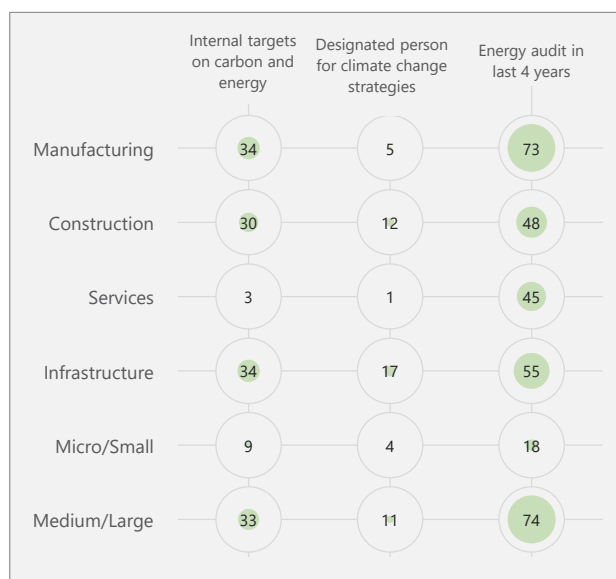
Q. In 2019 and under normal conditions, did your company set and monitor internal targets on carbon emissions and energy consumption?

Q. In 2019 and under normal conditions, did your company have a designated person responsible for defining and monitoring climate change strategies?

Q. And can I check, in the past four years has your company had an energy audit? By this, I mean an assessment of the energy needs and efficiency of your company's building or buildings

Base: All firms

ENERGY TARGETS, MANAGEMENT AND INTERNAL AUDIT BY SECTOR AND SIZE



Latvian firms are much less likely than the EU average to have set internal targets on carbon emissions and energy consumption (25% versus 41%) and to have designated a person to develop and monitor climate change strategies (9% versus 23%). They are equally likely to have had an energy audit in the past four years (56% versus 55%).

In comparison to the other sectors, firms in the services sector are less likely to have set internal targets on carbon and energy (3%, compared to between 30% and 34%).

The manufacturing sector reports the highest share of firms that had an energy audit in the last 4 years.

Medium and large firms are more likely than micro and small firms to have had an energy audit and to have set carbon and energy targets.

Q. In 2019 and under normal conditions, did your company set and monitor internal targets on carbon emissions and energy consumption?

Q. In 2019 and under normal conditions, did your company have a designated person responsible for defining and monitoring climate change strategies?

Q. And can I check, in the past four years has your company had an energy audit? By this, I mean an assessment of the energy needs and efficiency of your company's building or buildings

Base: All firms

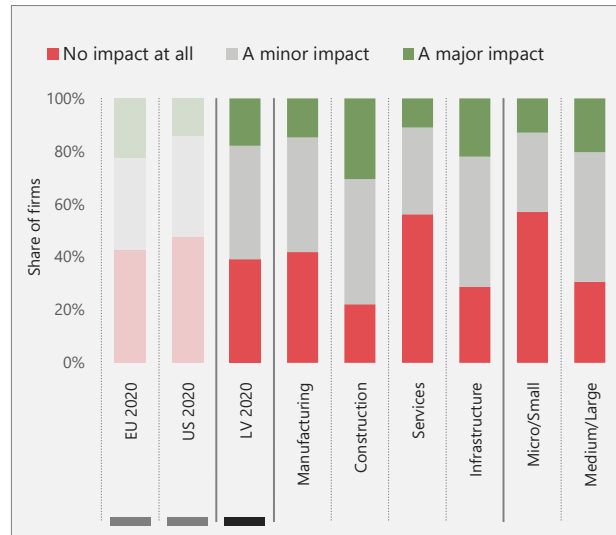
Climate Change

CLIMATE CHANGE IMPACT

Almost six in ten firms in Latvia (61%) feel that their business has been impacted, either in a major or minor way by climate change and the related changes in weather patterns. This is overall in line with the EU average (58%).

Firms in the construction sector (78%) are more likely to have been impacted, in either a minor or major way, than those in manufacturing (58%) and services (44%).

Medium and large firms are more likely to have been impacted compared with micro and small firms (69% versus 43%).



Q, Thinking about climate change and the related changes in weather patterns, would you say these weather events currently have a major impact, a minor impact or no impact at all on your business?

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

REDUCTION IN CARBON EMISSIONS OVER NEXT FIVE YEARS BY SECTOR AND SIZE (NET IMPACT %)



Please note: green figures are positive, red figures are negative

Q. What impact will the transition to a reduction of carbon emissions have on the following aspects of your business over the next five years?

Base: All firms

Firms in Latvia expect on balance that the transition to a low-carbon future will be positive for their reputation (+19%) and market demand (+6%) but that it will have a negative impact on their supply chain (-10%) over the next five years.

Services firms have the most positive view regarding the impact on market demand (+24%, compared to between -6% and +6% for firms in the other sectors). Infrastructure firms are more optimistic regarding the impact on their reputation (+34%) than firms in other sectors (6% to 15%).

Manufacturing and construction firms are particularly negative about the impact on their supply chains (-31% and -25% respectively).

Medium and large firms are more positive about the impact on their reputation than micro and small firms (24% versus 9%).

*Net balance is the share of firms seeing positive impact minus the share of firms seeing a negative impact

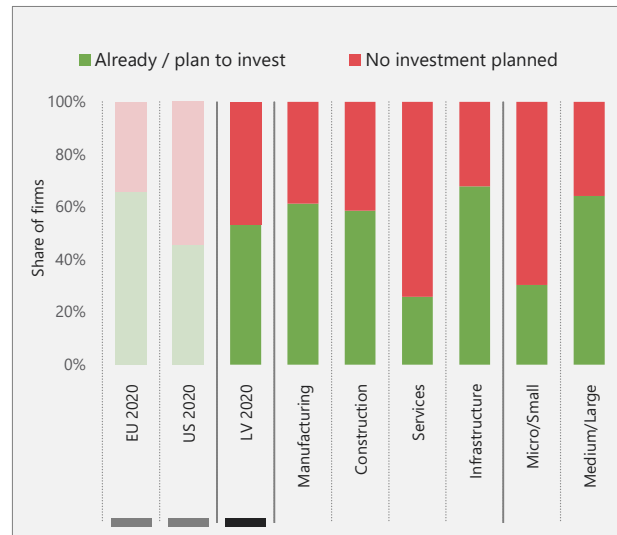
Climate Change

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

More than half of firms in Latvia (53%) have already invested or plan to invest in the next three years in measures to tackle the impact of weather events and reduction in carbon emissions. However, this is well below the EU average (67%).

Firms in the services sector are much less likely to have invested or plan to invest (26%) than firms in the other sectors (59% to 68%). Micro and small firms are less likely to have invested or plan to invest than medium and large firms (31% versus 64%).

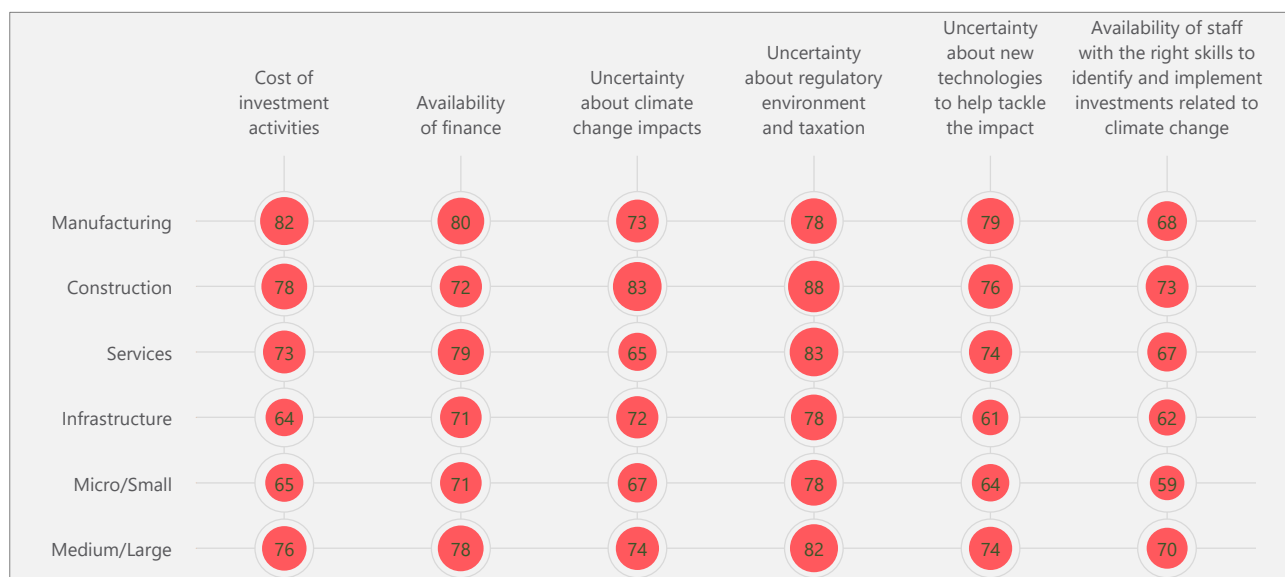
Uncertainty about the regulatory environment and taxation (81%) and the availability of finance (76%) are the most frequently cited barriers to investing in this area. All sectors and size classes of firms have relatively similar levels for each of these barriers.



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

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

BARRIERS TO INVESTING IN ACTIVITIES TO TACKLE CLIMATE CHANGE BY SECTOR AND SIZE



Q. To what extent is the following an obstacle to investing in activities to tackle weather events and emissions reduction? Is it a major obstacle, minor obstacle or not at obstacle at all?

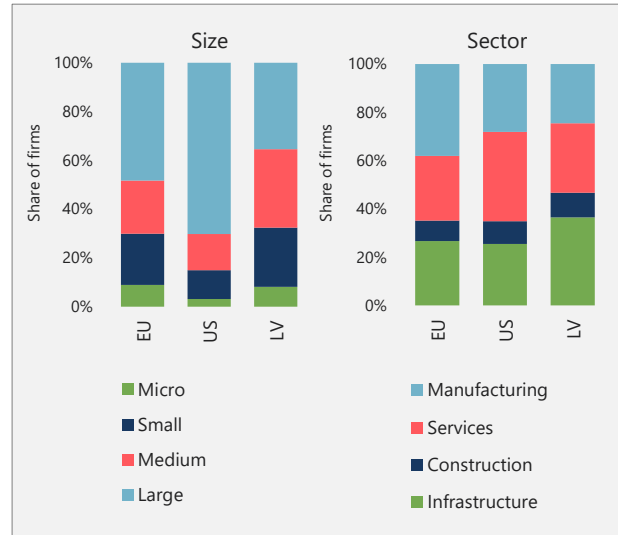
Base: All firms (data not shown for those who said not at obstacle at all / don't know / refused)

Profile of Firms

CONTRIBUTION TO VALUE ADDED

Large firms with 250+ employees (35%) account for the greatest shares of value-added in Latvia, but less so than across the EU (48%).

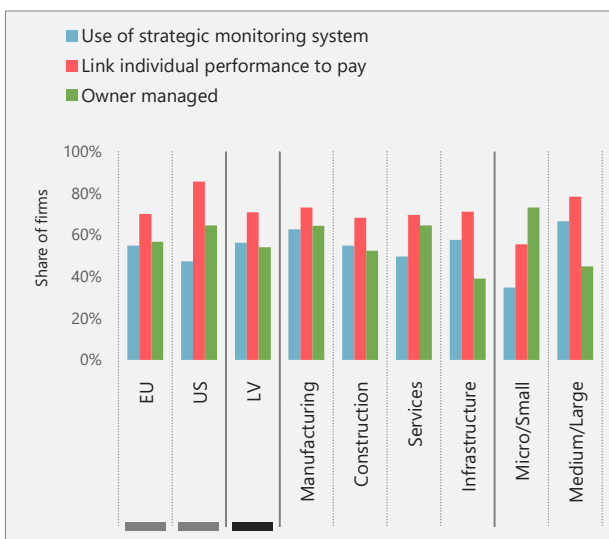
In terms of sectors, infrastructure firms make up the greatest share of value-added in Latvia (37%), while at the EU level, firms in the manufacturing sector account, on average, for the greatest share (38%).



The charts reflect the relative contribution to value-added by firms belonging to a particular size class / sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+

Base: All firms

FIRM MANAGEMENT



Firms in Latvia are similarly likely as EU firms to report using a formal strategic monitoring system (56% and 55% respectively), and to link individual performance to pay (71% and 70% respectively).

Medium and large firms are more likely than micro and small firms to use a monitoring system (67% versus 35%) and to link performance to pay (78% versus 55%).

Just over half of firms in Latvia (54%) report being owned or controlled by their CEO or a member of the CEO's family, also in line with the EU average (57%).

Q. And does your company (a) use a formal strategic business monitoring system (that compares the firm's current performance against a series of strategic key performance indicators) (b) link individual performance with pay?
Q. Does the CEO/ company head of your firm own or control the firm, or have a family member that owns/controls it?

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

EIBIS 2020 – 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 | Services | Construction/Infrastructure | Micro/Small | Medium/Large | EU vs LV | Manufacturing vs Construction/Infrastructure | Micro/Small vs Medium/Large |
|------------|---------|-------|-------|---------------|----------|-----------------------------|-------------|--------------|----------------|--|-----------------------------|
| | (11971) | (800) | (370) | (98) | (91) | (176) | (258) | (112) | (11971 vs 370) | (98 vs 176) | (258 vs 112) |
| 10% or 90% | 1.1% | 3.5% | 4.5% | 8.0% | 8.2% | 7.0% | 3.3% | 6.5% | 4.6% | 10.6% | 7.2% |
| 30% or 70% | 1.7% | 5.3% | 6.9% | 12.2% | 12.6% | 10.7% | 5.1% | 9.9% | 7.1% | 16.2% | 11.1% |
| 50% | 1.9% | 5.8% | 7.5% | 13.3% | 13.7% | 11.7% | 5.6% | 10.8% | 7.7% | 17.7% | 12.1% |

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). |
| SME | Firms with between 5 and 249 employees. |
| Large firms | Firms with at least 250 employees. |
| EIBIS 2019 | The previous wave of the EIB Investment Survey, with interviews carried out between April-July 2019. |
| EIBIS 2020 | The current wave of the EIB Investment Survey, with interviews carried out between May-August 2020. |

Note : the EIBIS 2020 overview refers interchangeably to 'the past/last financial year' or to '2019'. Both refer to results collected in EIBIS 2020, where the question is referring to the past financial year, with the majority of the financial year in 2019 in case the financial year is not overlapping with the calendar year 2019.

EIBIS 2020 – Country Technical Details

The country overview presents selected findings based on telephone interviews with 370 firms in Latvia (carried out between May and August 2020).

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

| Base definition and page reference | EU 2020/2019 | US 2020/2019 | LV 2020/2019 | Manufacturing | Construction | Services | Infrastructure | Micro/Small | Medium/Large |
|--|--------------|--------------|--------------|---------------|--------------|----------|----------------|-------------|--------------|
| All firms, p. 3, p. 4, p. 6, p. 10, p.11, p. 13, p. 15, p. 16, p. 17, p. 18, p. 19, p. 20 | 11971/12071 | 800/803 | 370/389 | 98 | 77 | 91 | 99 | 258 | 112 |
| All firms (excluding don't know/refused responses), p. 2 | 11634/11417 | 748/711 | 365/380 | 97 | 76 | 90 | 98 | 255 | 110 |
| All firms with investment plans for the current financial year (excluding don't know/refused responses), p. 3 (bottom), p. 4 (top) | 9606/NA | 643/NA | 301/NA | 80 | 67 | 67 | 84 | 199 | 102 |
| All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5 (top) | 10138/9716 | 682/624 | 317/312 | 86 | 68 | 76 | 82 | 212 | 105 |
| All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5 (bottom) | 9874/9506 | 683/620 | 297/333 | 77 | 61 | 75 | 80 | 204 | 93 |
| All firms (excluding 'Company didn't exist three years ago' responses), p. 6 | 11949/12042 | 799/802 | 369/389 | 98 | 77 | 91 | 98 | 257 | 112 |
| All firms (excluding don't know/refused responses), p. 7 (top) | 11727/11757 | 787/775 | 364/381 | 98 | 76 | 88 | 97 | 252 | 112 |
| All firms (excluding don't know/refused responses), p. 7 (bottom) | 11608/0 | 780/0 | 354/0 | 96 | 73 | 84 | 96 | 246 | 108 |
| All firms (excluding don't know/refused responses), p. 8 (top) | 11720/11770 | 769/772 | 358/387 | 95 | 74 | 88 | 97 | 248 | 110 |
| All firms (excluding don't know/refused responses), p. 8 (bottom) | 9039/8380 | 600/516 | 273/290 | 74 | 55 | 70 | 71 | 185 | 88 |
| All firms (excluding don't know/refused responses), p. 9 | 11938/11937 | 799/800 | 370/387 | 98 | 77 | 91 | 99 | 258 | 112 |
| All firms who have invested in the last financial year (excluding don't know/refused responses), p. 12 | 9255/9008 | 648/587 | 314/339 | 86 | 65 | 73 | 85 | 211 | 103 |
| All firms who used external finance in the last financial year (excluding don't know/ refused responses), p. 12 | 4354/4369 | 314/252 | 134/164 | 38 | 32 | 28 | 35 | 76 | 58 |
| All firms (excluding don't know/refused responses), p. 13 | 10711/10490 | 637/605 | 339/354 | 90 | 73 | 81 | 90 | 233 | 106 |
| All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 14* | 4310/4292 | 314/245 | 135/159 | 37 | 29 | 30 | 38 | 75 | 60 |
| All firms (excluding don't know/refused responses), p. 18 | 11898/NA | 794/NA | 367/NA | 98 | 77 | 88 | 99 | 255 | 112 |
| All firms (excluding don't know/refused responses), p. 19 | 11739/NA | 772/NA | 368/NA | 97 | 76 | 91 | 99 | 257 | 111 |
| All firms (excluding don't know/refused responses), p. 20* | 11740/11627 | 777/762 | 355/358 | 92 | 76 | 88 | 94 | 249 | 106 |



**European
Investment
Bank**

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Economics Department

✉ economics@eib.org
www.eib.org/economics

Information Desk

☎ +352 4379-22000
✉ info@eib.org

European Investment Bank

98-100, boulevard Konrad Adenauer
L-2950 Luxembourg
☎ +352 4379-1
www.eib.org

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Latvia

Overview

EIB INVESTMENT SURVEY

2020