



Latvia

Overview

EIB INVESTMENT SURVEY

2021

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Latvia

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EIB Investment Survey Country Overview: Latvia

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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 13 500 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 firms face, such as climate change and digital transformation. 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 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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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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EIBIS 2021 – Latvia

KEY RESULTS

Investment Dynamics and Focus

EIBIS 2021 shows that firms in Latvia, while having invested less in 2020, have become more optimistic for 2021, with more firms in Latvia expecting to increase investment rather than decrease it. This represents a substantial positive shift from EIBIS 2020.

On average, firms across the EU spent around two fifths (38%) of their investment on expanding capacity, which is well above the EU average (25%). The highest share of investment in Latvia went into machinery and equipment (57%), which is also higher than the EU average (48%).

Impact of COVID-19

COVID-19 had a strong impact on Latvian firms, with almost half (48%) of them responding that their sales have declined compared to the beginning of 2020. COVID-19 also had an impact on firms' investment plans: around a quarter (24%) of Latvian firms revised their investment plans downwards due to COVID-19. When asked about the short-term actions due to COVID-19, digitalisation stood out with 36% of Latvian firms having made investments to become more digital in response to COVID-19, which is in line with the EU average.

Investment Needs and Priorities

COVID-19 will undeniably have a long-term impact on needs and priorities. Digitalisation stands out, with 44% of firms expecting COVID-19 to lead to an increased use of digital technologies.

Firms in Latvia do not perceive major investment gaps. In spite of the challenges posed by the COVID-19 pandemic, 70% of firms in Latvia believe their investment over the last three years was about the right amount. However, only around a third (35%) of firms report that they are operating at or above full capacity, which is lower than the EU average (49%).

Looking into future investment priorities, the share of firms prioritising capacity expansion over the next three years has increased since EIBIS 2020 (34% versus 28% EIBIS 2020), making it the most commonly cited priority.

Innovation Activities

Innovation activity remained stable: three in ten firms (30%) developed or introduced new products, processes or services as part of their investment activities, similar to the share reported in EIBIS 2020 (39%). Two thirds (64%) of firms in Latvia have implemented at least one of the advanced digital technologies they were asked about.

Drivers and Constraints

Firms in Latvia are on balance pessimistic about the political and regulatory climate. However, they have turned optimistic about the economic climate, the business prospects, and the availability of external and internal finance. Uncertainty about the future is the most commonly cited long-term barrier to investment (94%), followed by the availability of skilled staff (91%), and business regulations (86%). In general, firms in Latvia are more likely to perceive barriers to investment than EU firms overall.

Investment Finance

Access to finance conditions in Latvia are not too different from the EU average ones: only 8% of all Latvian firms can be considered finance constrained, compared to an EU average of 5%. Firms that used external finance in 2020 are on balance satisfied with the finance received. However, Latvian firms are, on average, more dissatisfied than other EU firms with the collateral requirements (29% versus 6%) and the cost of finance (21% versus 5%).

As a result of the crisis, 14% of Latvian firms have increased their debt position. Public support was important in Latvia, with around half of the firms (49%) receiving public support, mostly in the form of subsidies or financial support that does not need to be paid back (35%).

Climate Change and Energy Efficiency

A relevant share of Latvian firms feel the effect of climate change: 53% of the firms report that weather events are currently having an impact on their business, which is largely in line with EIBIS 2020 (61%) and the EU average (58%). Latvian firms are starting to internalise the risks associated with the transition to net zero. The share of firms in Latvia who see the transition to stricter climate standards and regulations as a risk is higher than the proportion of firms who see it as an opportunity over the next five years (30% and 16% respectively). On average, around a third of Latvian firms (29%) have already made investments to tackle the impacts of climate change, which is lower than the EU average (43%). Two fifths (42%) of Latvian firms have plans to invest to tackle climate change impact in the next 3 years, compared to an EU average of 47%. Moreover 41% of the firms in Latvia set and monitored internal targets for carbon emissions.

Firm management, Gender Balance and Employment

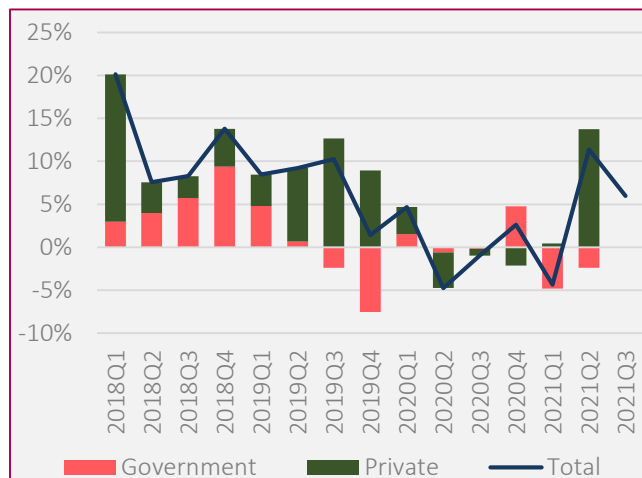
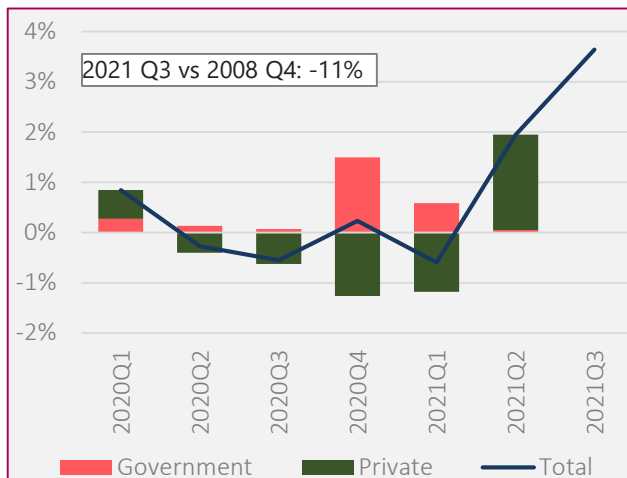
Asked about various management practices, around 71% of Latvian firms linked individual performance to pay, in line with the EU average (67%). A majority of firms also report having used a strategic monitoring system (56%), and 41% set and monitored internal targets on carbon emissions. Two fifths of the firms (41%) strove for gender balance, a lower share than the EU average of 60%. Since the start of the COVID-19 pandemic, the size of the workforce in Latvia has declined by 3%, contrasting with the EU overall, where it remained stable.

Investment Dynamics and Focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

When the COVID-19 crisis affected the Latvian economy, investment growth declined, but remained only slightly below the levels in the pre-crisis period. This was supported by a strong increase in public investment in late 2020 and early 2021.

With the recovery of private investment in Q2 2021, total investment soared to 11% above the level recorded in the same quarter of 2020 and 2% above the pre-crisis level. In Q3 2021 the growth of investment continued, increasing to 3.6% above the pre-pandemic 2019 level.



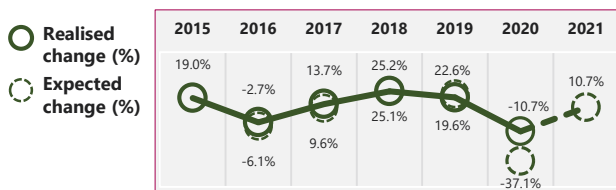
The graph on the left shows the evolution of total Gross Fixed Capital Formation (in real terms); by institutional sector. The data are transformed into four-quarter sums, deflated using the implicit deflator for total GFCF. The four-quarter sum of total GFCF in 2019 Q4 is normalized to 0. Source: Eurostat
The graph on the right shows the year-on-year growth of total gross fixed capital formation (in real terms); by institutional sector. The data are deflated using the implicit deflator for total GFCF. Source: Eurostat.

INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

EIBIS 2021 shows that firms in Latvia, while having invested less in 2020, have become more optimistic for 2021, with more firms in Latvia expecting to increase investment rather than decrease it. This represents a substantial positive shift from EIBIS 2020.

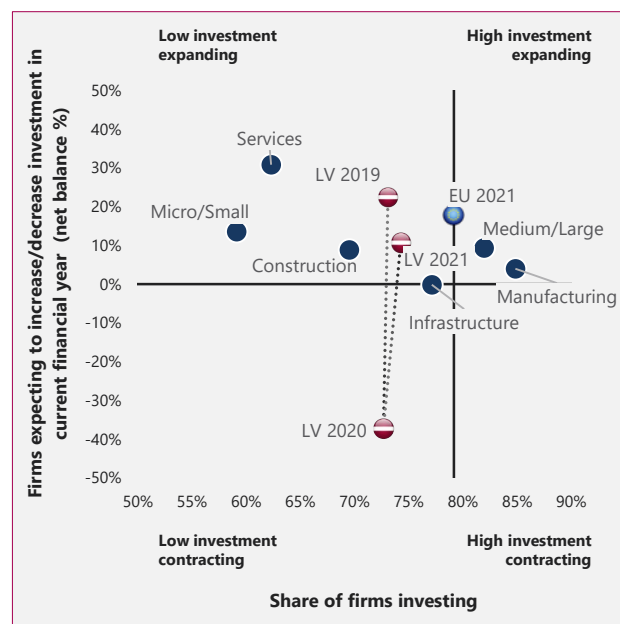
Medium/large firms and manufacturing firms are the most likely to have invested.

Investment expectations have returned to the positive but are still lower than EIBIS 2019 levels.



'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



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 EIBIS 2021.

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

Investment Dynamics and Focus

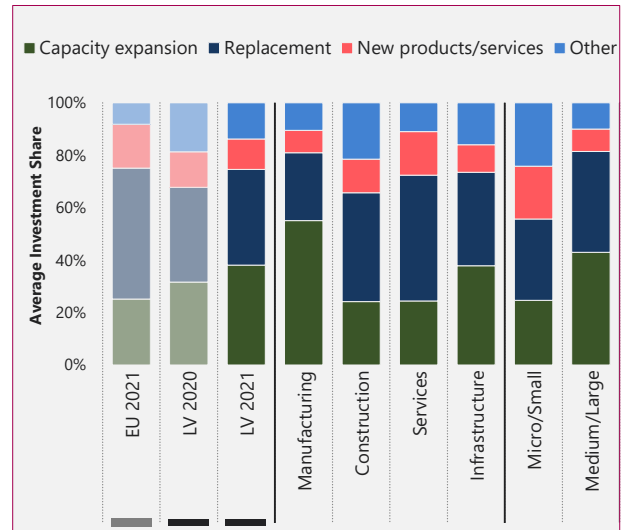
PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms' investment)

On average, Latvian firms spent around two-fifths (38%) of their investment in 2020 on expanding capacity, which is well above the EU average (25%).

Investment in replacing buildings and equipment accounts for 36% of the total investment spent by Latvian firms in 2020, which is well below the EU average (50%).

The pattern of investment varied by sector and size of firms. Manufacturing firms (55%) spent the highest share of their investment on capacity expansion, which is much higher than the share allocated by firms in other sectors (ranging from 24% to 38%).

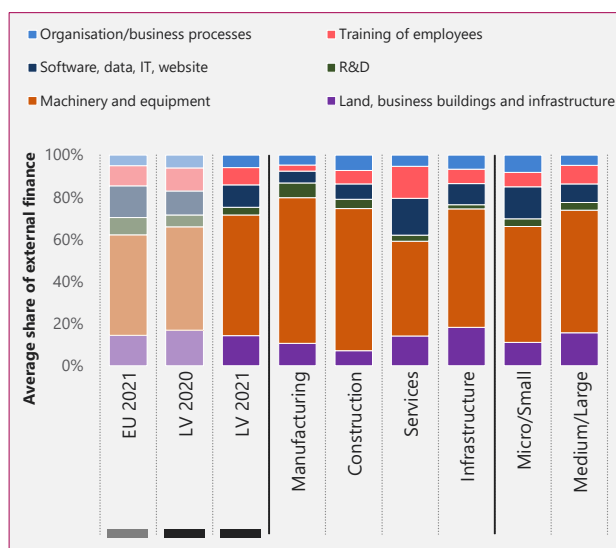
Medium/large firms spent more of their 2020 investment on capacity expansion and replacement than micro/small firms.



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 largest share of investment in 2020 by Latvian firms went into machinery and equipment (57%), higher than the EU average (48%). Other important investment areas for Latvian firms in 2020 include land, business buildings and infrastructure (14%) software, data, IT and website activities (11%), and training of employees (8%).

Investment activities varied depending on the sector and size of the business. Firms in the services sector invested a higher share in 'intangible assets' (R&D, software, training and business processes) and a lower share in 'tangible assets' (land, buildings, infrastructure and machinery).

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?

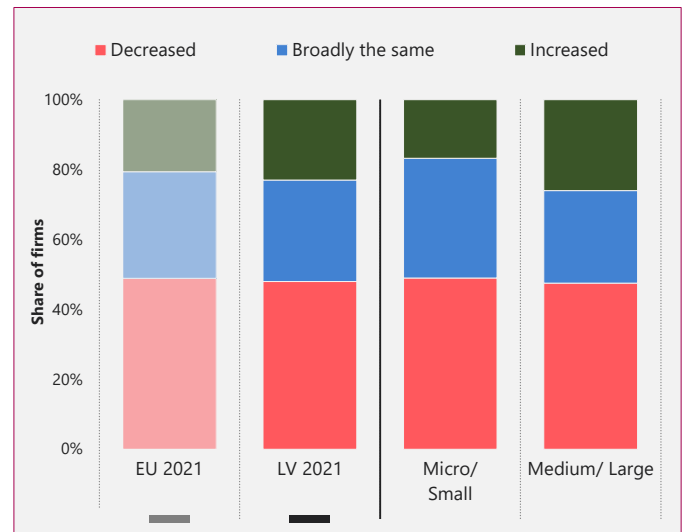
Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Impact of COVID-19

IMPACT OF COVID-19 ON SALES

COVID-19 affected firms in various ways. When asked about the impact of COVID-19 on sales or turnover, almost a half (48%) of firms in Latvia report a decline in sales compared to the beginning of 2020, which is in line with the EU average (49%).

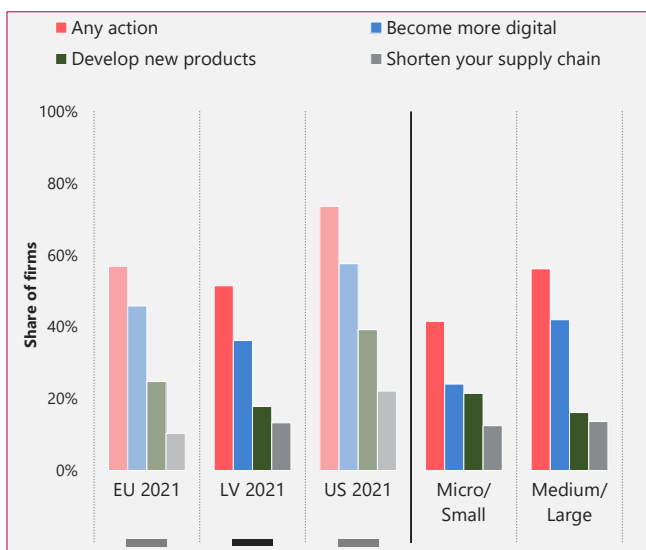
However, the pandemic created new opportunities for some Latvian firms: 23% of firms report that their sales or turnover has increased and this is most notable among medium/large firms (26% versus 17% micro/small firms).



Q. What has been the impact so far of the COVID-19 pandemic on your company's sales or turnover compared to the beginning of 2020?

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

SHORT-TERM ACTIONS AS A RESULT OF COVID-19



In Latvia, around half of firms (51%) have taken at least one of the three short-term actions they were asked about, as a result of COVID-19, which is in line with the EU average (57%).

The most cited area of action or investment is to become more digital, as reported by 36% of the firms, who have taken action or made investments to become more digital due to COVID-19, in line with the EU average (46%). Just under a fifth (18%) of Latvian firms have taken action or made investments to develop new products in response to the COVID-19 pandemic, again in line with the EU average (25%).

Medium/large firms are more likely than micro/small firms to have taken action or made investments to become more digital (42% versus 24%).

Q. As a response to the COVID-19 pandemic, have you taken any actions or made investments to...?

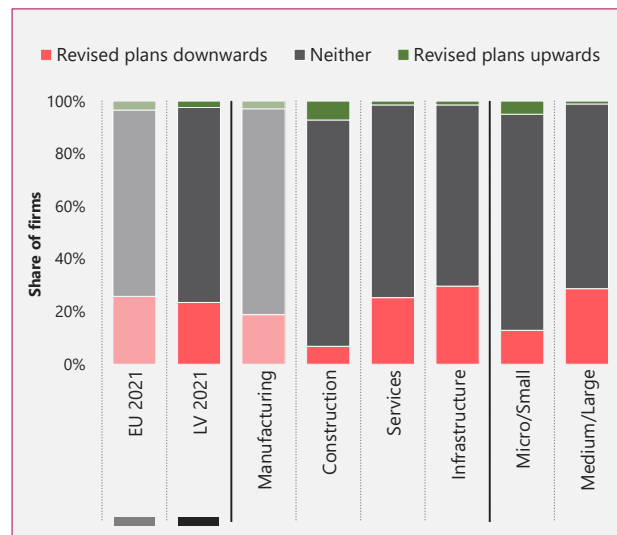
Base: All firms (excluding don't know/refused responses)

Impact of COVID-19

IMPACT OF COVID-19 ON INVESTMENT

COVID-19 had an impact on some firms' investment plans, as 24% of Latvian firms revised their investment plans downwards, similar to the EU average (26%). Only 2% of firms in Latvia have revised their investment plans upwards as a result of the pandemic.

Medium/large firms are more likely to have revised investment plans downwards than micro/small firms (29% compared to 13%). Construction firms are the least likely to have revised their investment plans downwards (7% compared to between 19% and 30% across the other sectors).

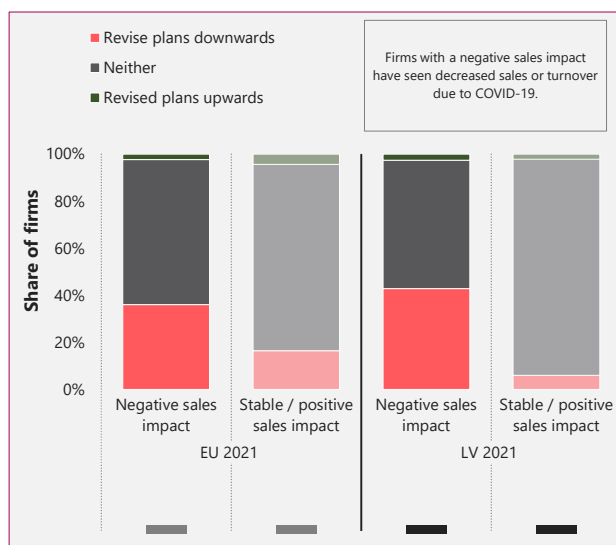


Q. Has your company taken any of the following actions as a result of the COVID-19 pandemic?

Q. You mentioned revising your investment plans due to the COVID-19 pandemic. Did you revise them upward or downward?

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

DIFFERENCES IN IMPACT OF COVID-19 ON INVESTMENT



Overall, firms whose sales or turnover had been negatively impacted by COVID-19 are more likely to have revised their investment plans downwards compared to firms whose sales or turnover had been buoyant (43% versus 6%).

More than a third (36%) of EU firms who have experienced a negative sales impact have revised their investment plans downwards.

Q. Do you expect the COVID-19 outbreak to have a long-term impact on any of the following?

Q. What has been the impact so far of the COVID-19 pandemic on your company's sales or turnover compared to the beginning of 2020? Has it...?

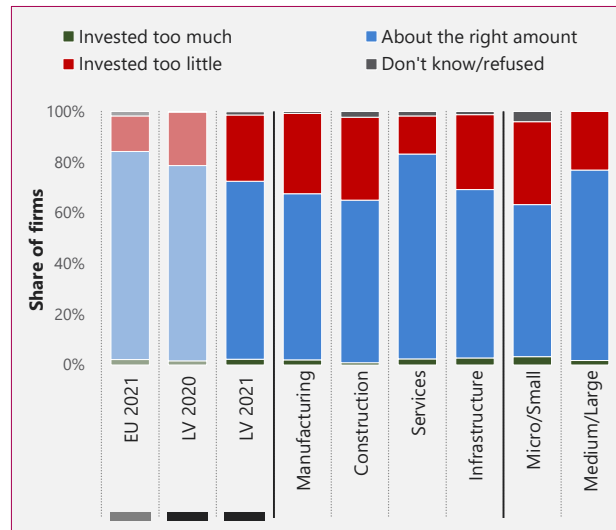
Base: All firms (excluding don't know/refused responses)

Investment Needs and Priorities

PERCEIVED INVESTMENT GAP

Firms in Latvia do not perceive major gaps in their investment. Despite the difficult circumstances, 70% of firms believe that their investment over the last three years was about the right amount, which is both below EIBIS 2020 (77%) and the EU average (82%). In addition, around a quarter of firms (26%) report having invested too little over the last three years, above the EU average of 14%.

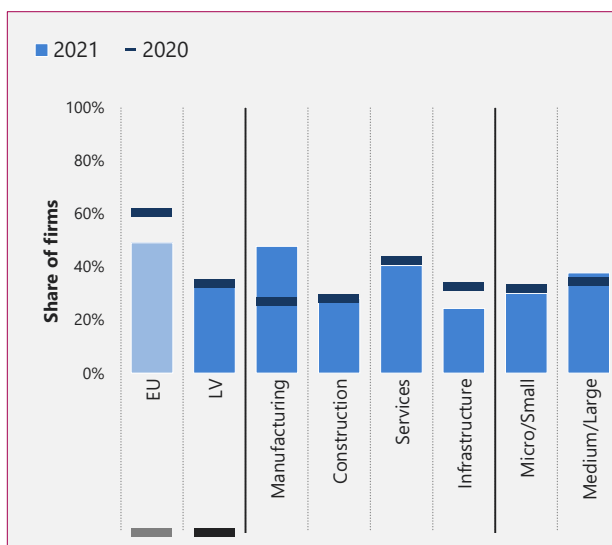
Firms in the services sector are the least likely to have invested too little (15% compared to investment shares between 30% and 33% set out by firms in other sectors).



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



In 2020, around a third of Latvian firms (35%) operated at or above full capacity, which is relatively unchanged from EIBIS 2020 (34%) but is considerably lower than the EU average (49%).

In the manufacturing sector, there has been an increase in the share of firms operating at or above full capacity, from 27% in EIBIS 2020 to 48% in EIBIS 2021.

Full capacity is the maximum capacity attainable 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?

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

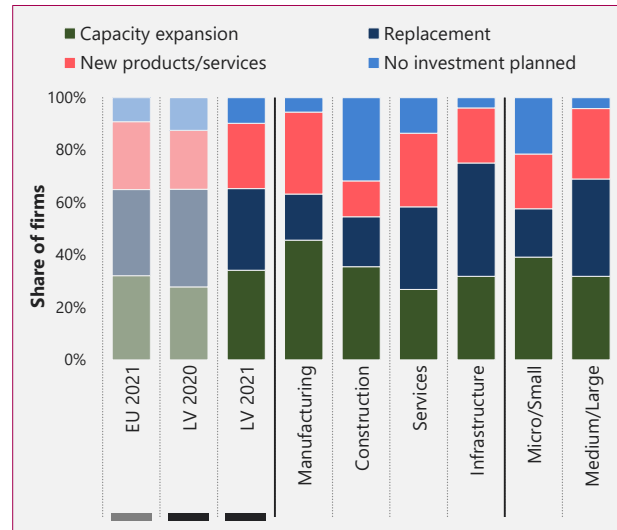
Investment Needs and Priorities

FUTURE INVESTMENT PRIORITIES (% of firms)

The share of firms prioritising capacity expansion over the next three years has increased since EIBIS 2020 (34% versus 28% EIBIS 2020), making it the most commonly future investment cited priority, followed by replacement (31%) and new products/services (25%).

The pattern of investment priorities varies by sector and size of firm. Large/medium firms are more likely to cite replacing capacity as a priority than micro/small firms (37% versus 18%).

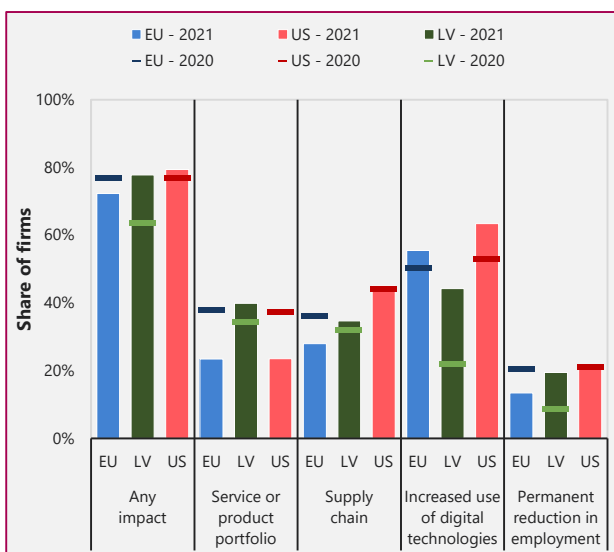
Construction firms are the most likely to have no investment planned over the next three years (32% compared to other sectors ranging from 4% to 14%).



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 LONG-TERM IMPACT



COVID-19 will undoubtedly have a long-term impact on needs and priorities. The majority of firms in Latvia (78%) expect COVID-19 to have a long-term impact on at least one of the aspects they were asked about, more than what was reported in EIBIS 2020 (64%).

Over four in ten (44%) firms in Latvia think that the long-term impact of COVID-19 will be the increased use of digital technologies, which is lower than the EU average (55%) but higher than what was reported in EIBIS 2020 (22%).

Firms in Latvia are more likely than EU firms to expect COVID-19 to have a long-term impact on services or product portfolios, their supply chain and a permanent reduction in employment.

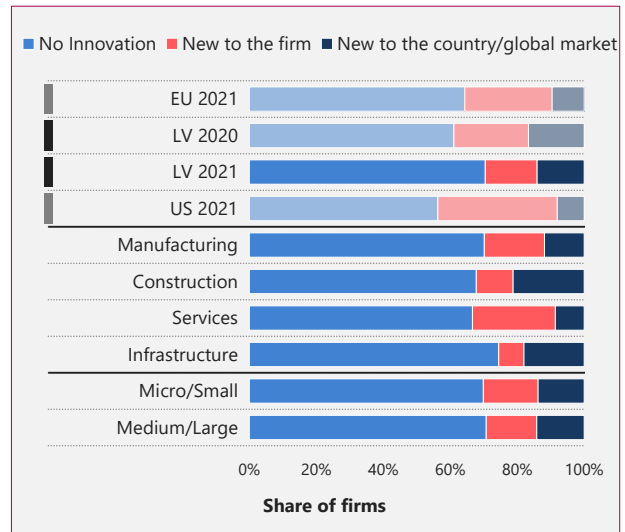
Q. Do you expect the COVID-19 outbreak to have a long-term impact on any of the following?

Base: All firms

Innovation Activities

INNOVATION ACTIVITY

Around one-third of all firms in Latvia (30%) developed or introduced new products, processes or services as part of their investment activities in 2020. This includes 14% of firms who claim to have undertaken innovation that is new to the country or the global market. This is in line with what was reported in EIBIS 2020 (39%) and the EU average (36%).

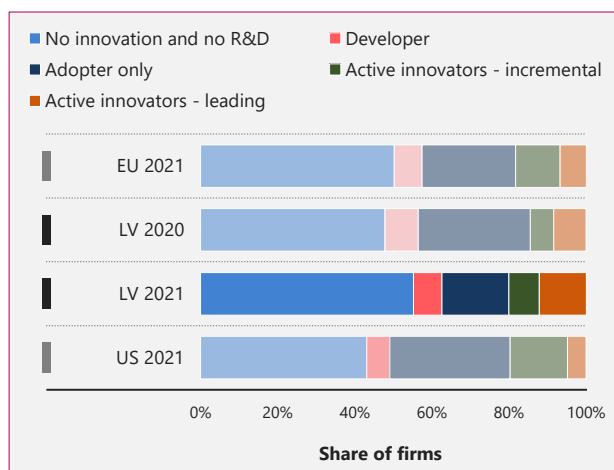


Q. What proportion of total investment was for developing or introducing new products, processes, services?

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



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)

When firms' innovation and research and development behaviour is profiled more widely, 20% of firms in Latvia can be classified as 'active innovators', and a further 7% of firms as 'developers'. This is in line with the EU average.

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.

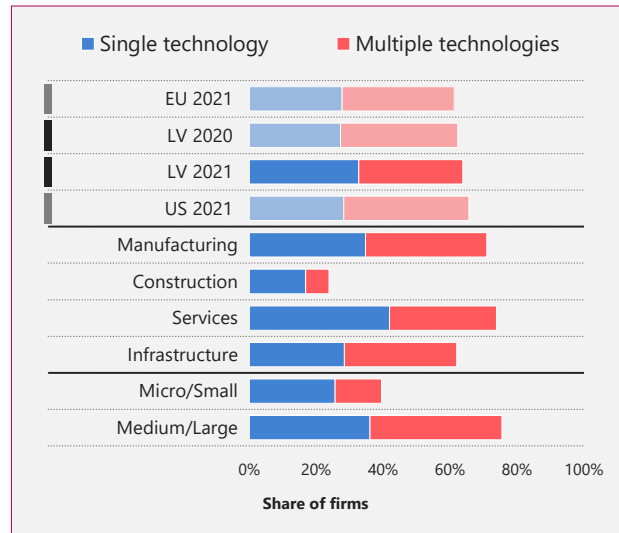
Innovation Activities

IMPLEMENTATION OF ADVANCED DIGITAL TECHNOLOGIES

Two thirds of firms (64%) have implemented at least one of the advanced digital technologies they were asked about, which is similar to the EU average (61%).

Construction firms are the least likely of all the sectors to have implemented advanced digital technologies (24% compared to other sectors ranging from 62% to 74%). Medium/large firms are not only more likely than micro/small firms to have implemented advanced digital technologies, but they are also more likely to have implemented multiple advanced digital technologies (39% versus 14%).

Latvian construction firms report a relatively low uptake of drone technologies when compared with all EU construction firms (8% versus 23%).

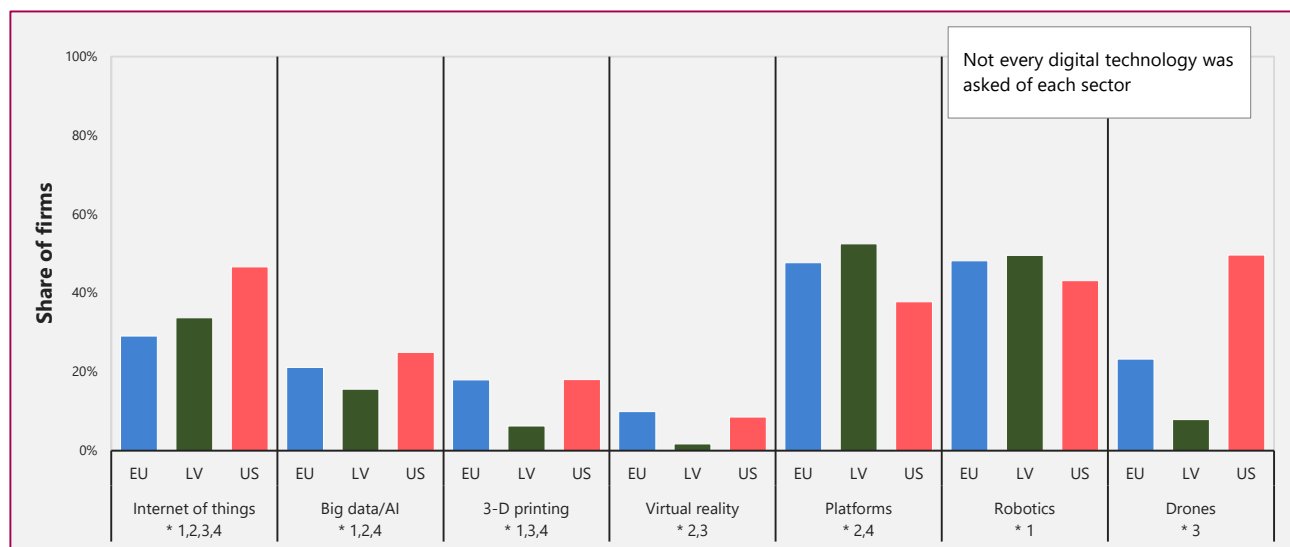


Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

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)

ADVANCED DIGITAL TECHNOLOGIES



* Sector: 1 = Asked of Manufacturing firms, 2 = Asked of Services firms, 3 = Asked of Construction firms, 4 = Asked of infrastructure firms

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'

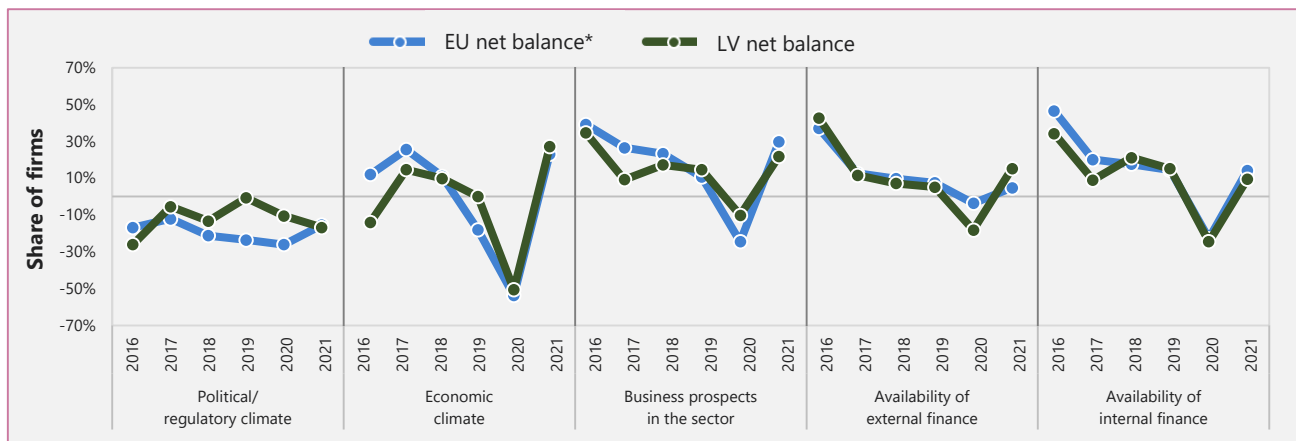
Base: All firms (excluding don't know/refused responses);
Sample size LV: Manufacturing (103); Construction (76); Services (97); Infrastructure (83)

Drivers And Constraints

SHORT-TERM FIRM OUTLOOK

Firms in Latvia remain on balance pessimistic about the political and regulatory climate, in line with the EU overall. Nevertheless, expectations for the other measures have become more positive again. Firms in Latvia are on balance more positive

about the economic climate, the business prospects in their sector, and the availability of internal and external finance over the next 12 months, a positive shift from EIBIS 2020. A similar pattern is evident among firms in the EU.

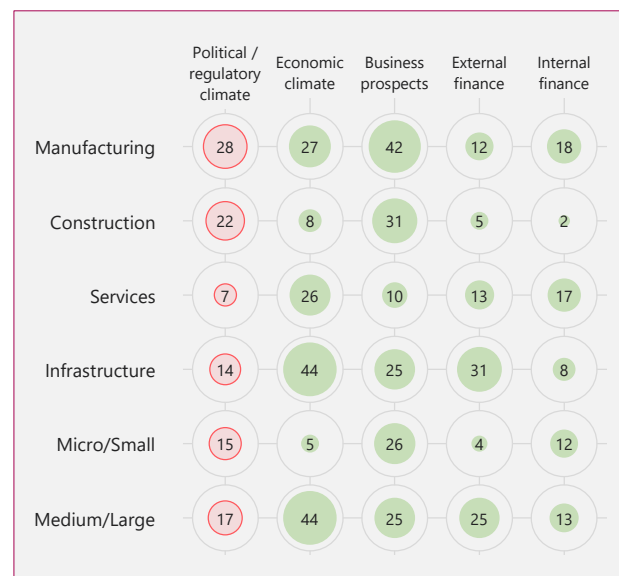


Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

*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 are consistently more negative than positive about the political/regulatory climate.

Medium/large firm are more likely than micro-small firms to be optimistic about the overall economic climate (44% versus 5%).

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

Base: All firms

Drivers And Constraints

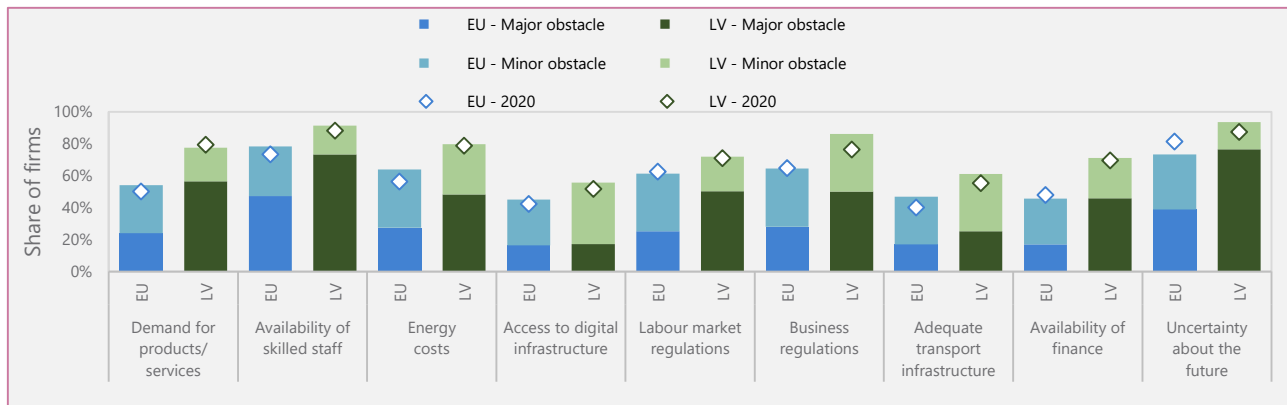
LONG-TERM BARRIERS TO INVESTMENT

In general, firms in Latvia are more likely to perceive barriers to investment than EU firms overall and they are more likely to perceive them as major obstacles rather than minor obstacles.

More than 90% of firms consider uncertainty about the future and the availability of skilled staff as

barriers to investment (94% and 91% respectively), which is broadly in line with EIBIS 2020 but above the EU average (73% and 79% respectively).

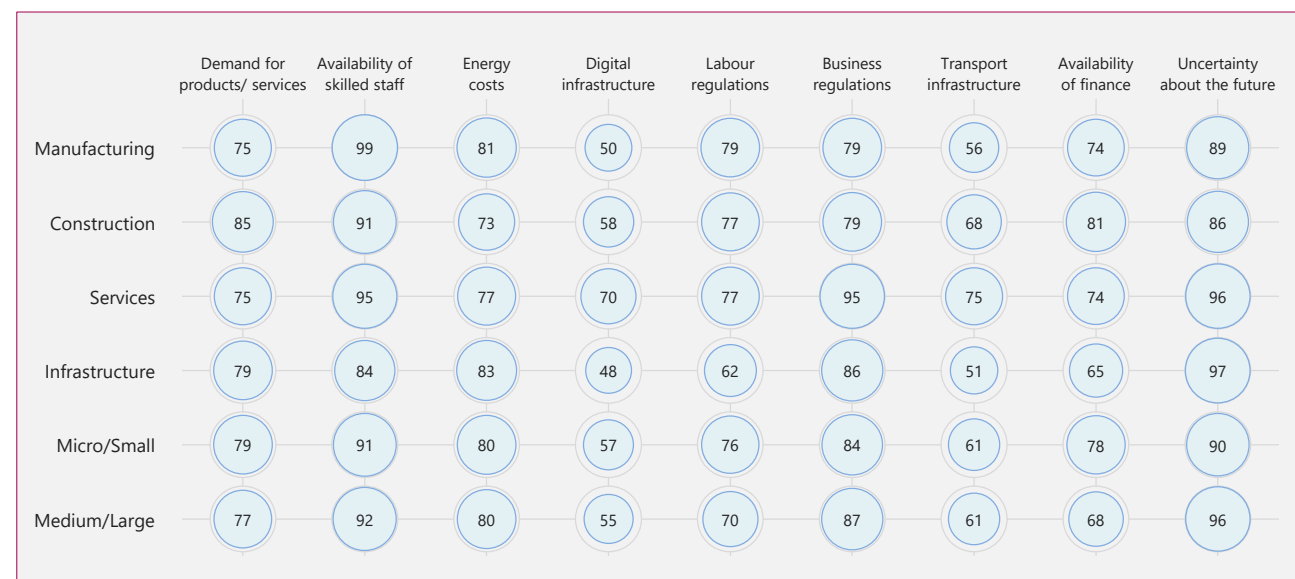
Regulation is also commonly seen as a barrier, with business regulations mentioned by 86% of firms and labour market regulations mentioned by 72%.



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)

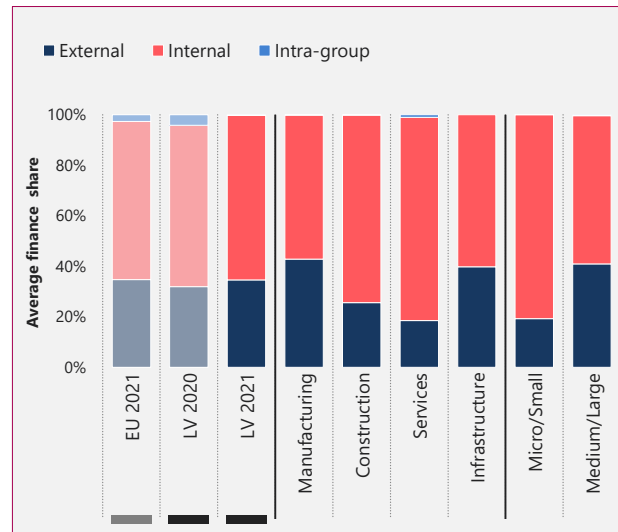
Investment Finance

SOURCE OF INVESTMENT FINANCE

Firms in Latvia continued to fund the majority of their investment in 2020 through internal financing (65%). This is in line with what was reported in EIBIS 2020 and the EU average (64% and 63% respectively).

External finance made up around a third of investment finance (35%). This is also in line with the EU average of 35%. Intra-group finance accounted for less than 1% of investment in Latvia.

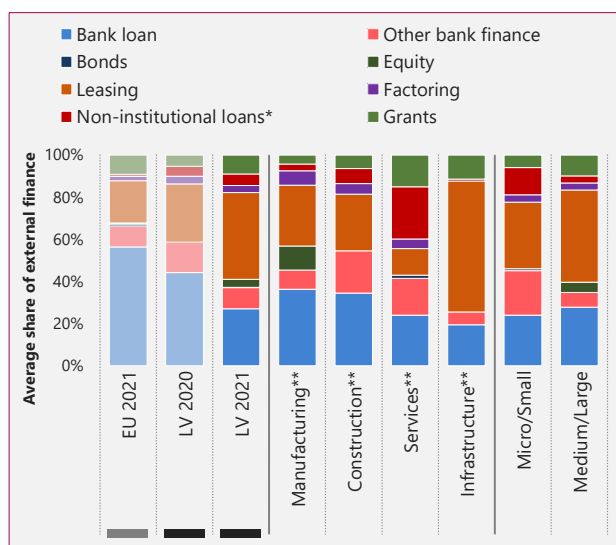
Small/micro firms report a higher share of internal finance compared to medium/large firms (81% versus 59%). Manufacturing and infrastructure firms (43% and 40%) report a higher share of external finance compared to construction and services firms (26% and 18%).



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



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

*Loans from family, friends or business partners

**Caution very small base size less than 30

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

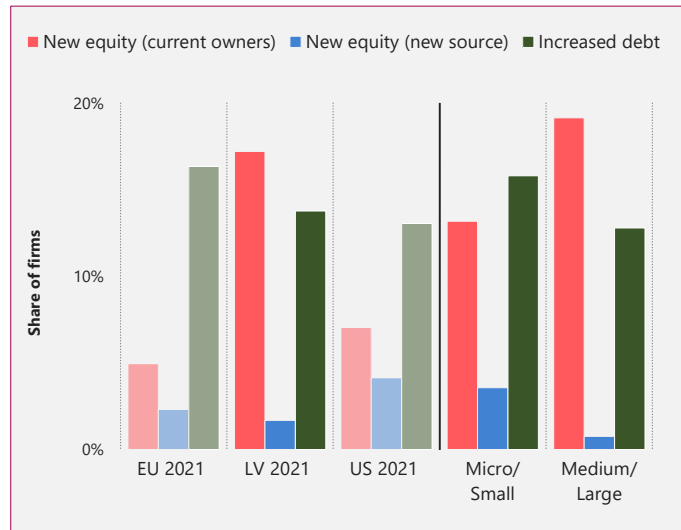
In Latvia, leasing made up the highest share of external finance (41%) in 2020. This is in contrast with EIBIS 2020 and the EU, where bank loans made up the highest share of external finance for investment activities.

Bank loans accounted for the second highest share of external finance (27%), which is considerably lower than the EU average of 56%.

Investment Finance

ACTIONS TAKEN AS A RESULT OF COVID-19

As a result of the COVID-19 pandemic, more than one in ten firms in Latvia (14%) have increased their debt, which is in line with the EU average of 16%. A larger share of firms have raised new equity from the current owners (17%), which is well above the EU average of 5%. As in the EU overall, 2% of Latvian firms have raised new equity from new sources.



Q. Has your company taken any of the following actions as a result of the COVID-19 pandemic?

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

SHARE OF FIRMS RECEIVING FINANCIAL SUPPORT IN RESPONSE TO COVID-19



Public support was important in Latvia: half of firms (49%) report that they have received financial support in response to COVID-19, which is in line with the EU average (56%).

Around a third (35%) of firms in Latvia received subsidies or any other type of financial support that they do not have to pay back, in line with the EU average (36%). Only 4% have received new subsidised or guaranteed credit, below the EU average (17%).

Q. Since the start of the pandemic, have you received any financial support in response to COVID-19? This can include finance from a bank or other finance provider, or government-backed finance

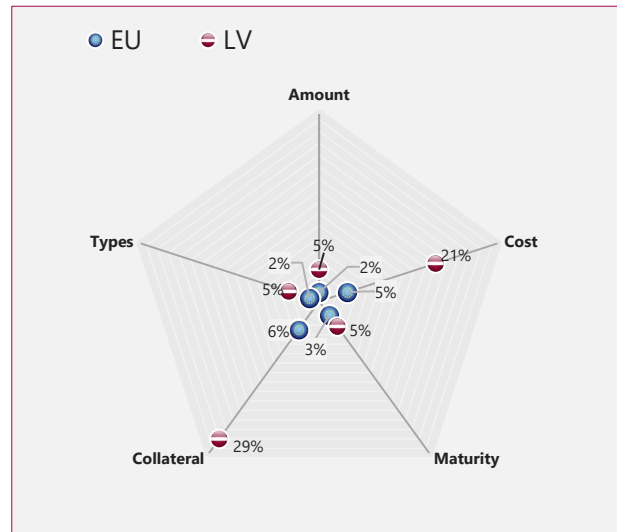
Base: All firms (excluding don't know/refused responses)

Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

Firms that used external finance in 2020 are generally satisfied with the finance received, although dissatisfaction is higher in Latvia than across the EU as a whole.

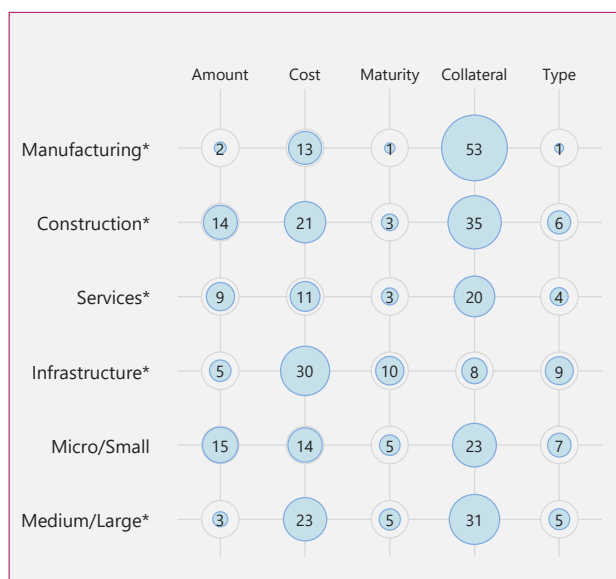
The highest levels of dissatisfaction are related to collateral requirements (29% versus an EU average of 6%), and the cost of finance (21% versus an EU average of 5%).



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 (%)



With the exception of collateral and cost of finance, firms from all sectors and of all sizes are generally satisfied with the amount of external finance received and the terms attached to it.

Dissatisfaction with collateral is highest in the manufacturing (53%) and construction (35%) sectors, and lowest among infrastructure (8%) and services (20%) firms. Dissatisfaction with the cost of finance is highest among infrastructure firms (30%) and construction firms (21%). Medium and large firms are more likely than micro and small firms to report dissatisfaction with both the cost of finance and collateral requirements.

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

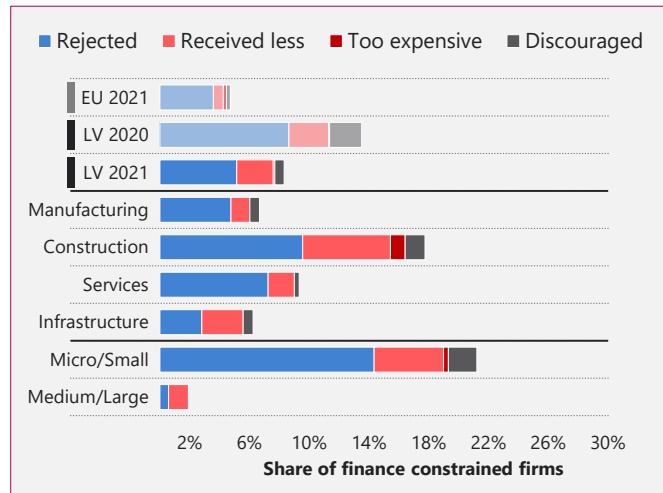
Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

Access To Finance

SHARE OF FINANCE CONSTRAINED FIRMS

Fewer than one in ten of all firms in Latvia can be considered as external finance constrained (8%), slightly more than the EU average (5%).

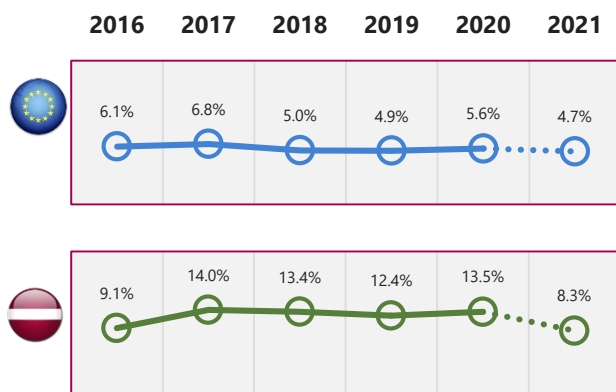
Micro/small firms are considerably more likely than medium/large firms to be finance constrained (21% compared to 2%).



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 a decline in the share of finance constrained firms since EIBIS 2020.

However, firms in Latvia are more likely to be finance constrained when compared to the current EU average.

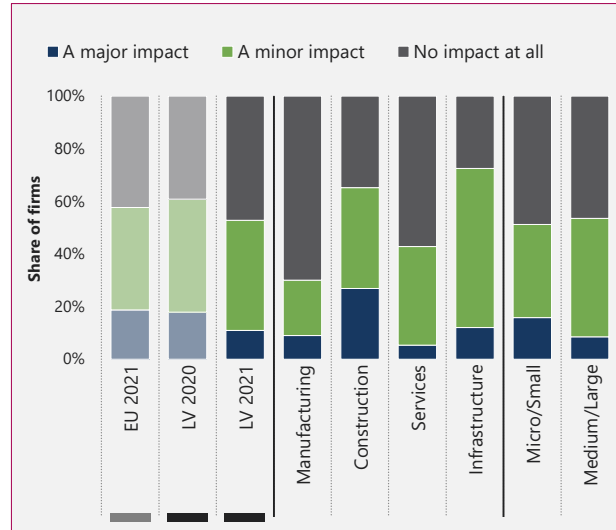
Base: All firms

Climate Change and Energy Efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

A sizeable share of Latvian firms feel the effect of weather events: 53% of the firms think that weather events are currently having an impact on their business, which is in line with what was reported in EIBIS 2020 (61%) and the current EU average (58%).

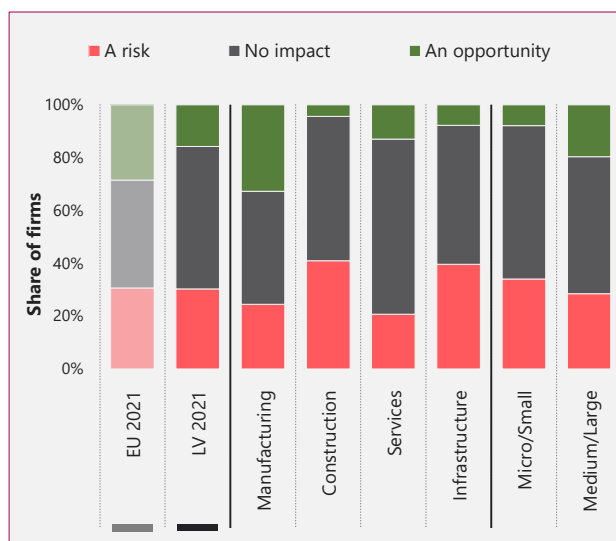
Firms in the construction (65%) and infrastructure (72%) sectors are the most likely to report that weather events are impacting their business.



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)

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



Latvian firms are starting to internalise the risks associated with the transition to net zero. On balance, firms in Latvia are slightly more likely to see the transition to stricter climate standards and regulations as a risk rather than an opportunity over the next five years (30% versus 16%). Firms in Latvia are less likely than the average EU firm to perceive the transition as an opportunity (16% versus 28%). Nevertheless, the largest share of Latvian firms think that climate change will have no impact on their business (54% compared to 41% across the EU).

Manufacturing firms are more likely to perceive the transition to stricter climate standards and regulations as an opportunity (33%) than firms in other sectors (ranging between 4% and 13%).

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?

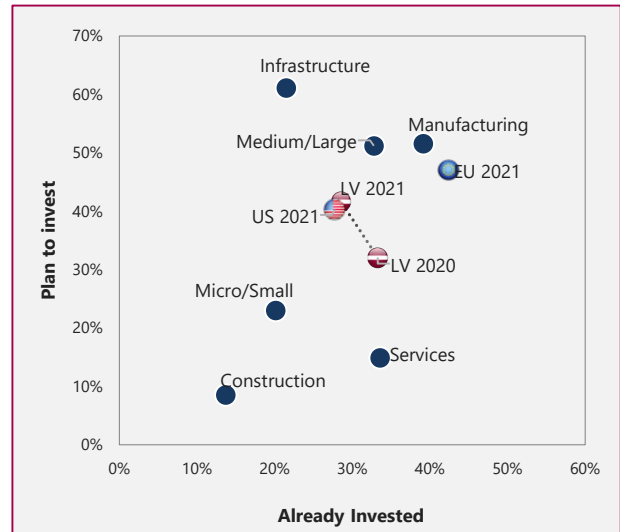
Base: All firms (excluding don't know / refused responses)

Climate Change and Energy Efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

In Latvia, 29% of firms have already made investments to tackle the impacts of climate change, a lower share than the EU average (43%). Nevertheless, two fifths (42%) of Latvian firms have plans to invest to tackle the climate change impact in the next 3 years, in line with the EU average of 47%.

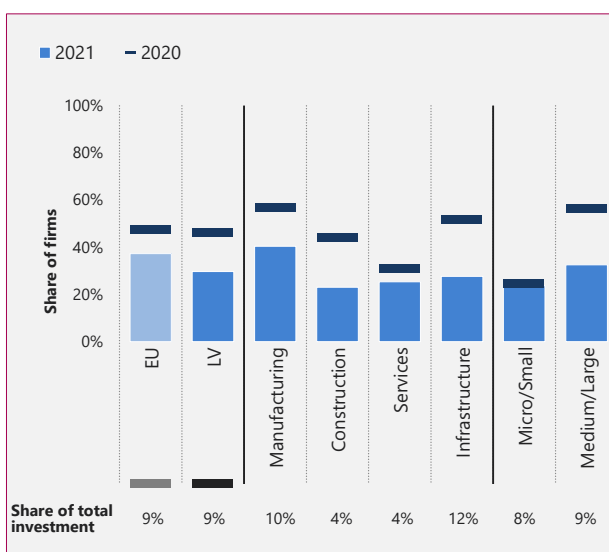
Medium/large firms are particularly likely to have plans to invest (51%) compared to micro/small firms (23%). Construction and services firms are the least likely to be planning to invest to tackle the impacts of climate change (9% and 15% respectively).



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?

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

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY AND SHARE OF TOTAL INVESTMENT



The share of firms in Latvia who invested in measures to improve energy efficiency in 2020 has declined (30% in EIBIS 2021 versus 46% in EIBIS 2020).

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 (for share of firms investing)

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

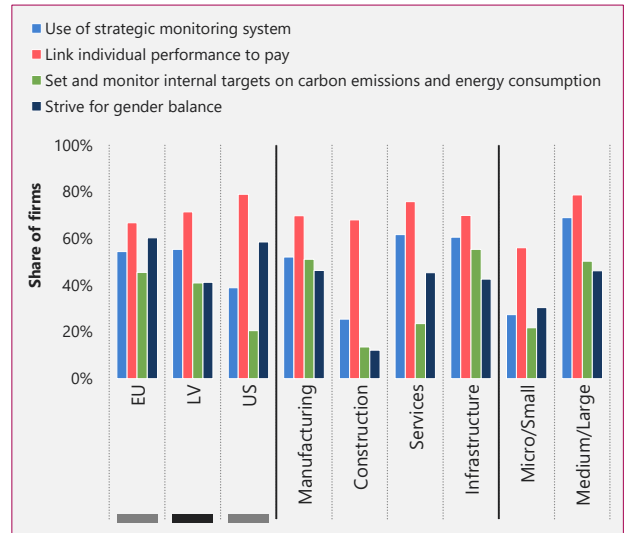
Firm management, climate targets, gender balance and employment

FIRM MANAGEMENT, CLIMATE TARGETS AND GENDER BALANCE

In 2020, around seven in ten (71%) firms in Latvia linked individual performance to pay, in line with the EU average (67%). A majority of firms also report having made use of a strategic monitoring system (56%), also in line with the EU average (55%).

Four in ten firms (41%) say that they set and monitored internal targets on carbon emissions. The same proportion of firms have strived for gender balance, a lower share compared to the EU average (60%).

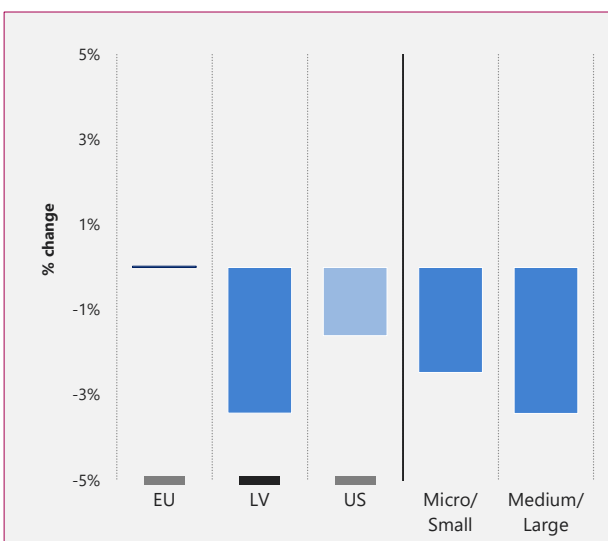
Medium/large firms are more likely than micro/small firms to report that they used a strategic monitoring system (69% versus 27%), linked individual performance to pay (79% versus 56%), and set and monitor internal targets on carbon emissions and energy consumption (50% versus 22%).



Q. In 2020, did your company...?

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

CHANGE IN EMPLOYMENT DURING COVID-19



Since the start of the COVID-19 pandemic, the size of the workforce in Latvia has declined by 3%, while it remained stable across the EU.

Q. How many people does your company employ either full or part time at all its locations, including yourself?

Q. How many people did your company employ either full or part time at all its locations at the beginning of 2020, before the COVID-19 pandemic?

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

EIBIS 2021 – 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	SME vs Large
	(12672)	(803)	(483)	(141)	(92)	(123)	(122)	(353)	(130)	(12672 vs 483)	(141 vs 92)	(353 vs 130)
10% or 90%	1.0%	2.9%	2.5%	4.4%	5.4%	4.8%	4.7%	2.7%	4.4%	2.7%	7.0%	5.1%
30% or 70%	1.5%	4.4%	3.8%	6.7%	8.3%	7.3%	7.3%	4.1%	6.7%	4.1%	10.6%	7.8%
50%	1.7%	4.8%	4.1%	7.3%	9.0%	8.0%	7.9%	4.5%	7.3%	4.4%	11.6%	8.5%

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.

Note: the EIBIS 2021 country overview refers interchangeably to 'the past/last financial year' or to '2020'. Both refer to results collected in EIBIS 2021, where the question is referring to the past financial year, with the majority of the financial year in 2020 in case the financial year is not overlapping with the calendar year 2020.

EIBIS 2021 – Country Technical Details

The country overview presents selected findings based on telephone interviews with 366 firms in Latvia (carried out between April and July 2021).

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




Base definition and page reference	EU 2021/2020	US 2021	LV 2021/2020	Manufacturing	Construction	Services	Infrastructure	Micro/Small	Medium/Large
All firms, p. 2, p. 6, p. 7, p. 10, p. 11, p. 15,	11920/11971	802	366/370	103	77	99	83	295	71
All firms (excluding don't know/refused responses), p. 2	11620/11634	768	354/365	100	74	95	81	286	68
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 3 (top)	9670/10138	674	245/317	78	58	56	50	185	60
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 3 (bottom)	9523/9874	667	260/297	75	61	66	55	202	58
All firms (excluding don't know/refused responses), p. 4 (top)	11860/NA	800	364/NA	103	77	97	83	293	71
All firms (excluding don't know/refused responses), p. 4 (bottom)	11891/NA	802	366/NA	103	77	99	83	295	71
All firms (excluding don't know/refused responses), p. 5 (top)	11814/11971	768	362/370	102	76	98	82	293	69
All firms (excluding don't know/refused responses), p. 5 (bottom)	11760/0	766	360/0	102	76	96	82	291	69
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	11910/11949	802	365/369	102	77	99	83	295	70
All firms (excluding don't know/refused responses), p. 7 (top)	11765/11727	793	360/364	103	75	98	80	290	70
All firms (excluding don't know/refused responses), p. 8 (top)	11648/11720	779	362/358	103	75	98	82	292	70
All firms (excluding don't know/refused responses), p. 8 (bottom)	8780/9039	618	226/273	70	53	54	46	173	53
All firms (excluding don't know/refused responses), p. 9	11891/11938	802	363/370	103	76	97	83	292	71
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 12	8675/9255	621	259/314	77	61	65	53	200	59
All firms who used external finance in the last financial year (excluding don't know/ refused responses), p. 12	4003/4354	284	104/134	29	23	23	28	69	35
All firms (excluding don't know/refused responses), p. 13 (top)	11882/NA	777	364/NA	103	76	99	82	294	70
All firms (excluding don't know/refused responses), p. 13 (bottom)	11857/NA	775	364/NA	103	77	98	82	293	71
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 14*	3964/4310	281	99/135	28	21	22	27	65	34
All firms (excluding don't know/refused responses), p. 16 (top)	11849/11898	798	363/367	103	77	96	83	292	71
All firms (excluding don't know/refused responses), p. 16 (bottom)	11384/NA	783	339/NA	100	69	92	74	272	67
All firms (excluding don't know/refused responses), p. 17	11659/11739	775	354/368	103	71	95	81	287	67
All firms who have invested in the last financial year (excluding don't know/refused responses)*, p. 17	11920/11971	802	366/370	103	77	99	83	295	71
All firms (excluding don't know/refused responses), p. 18 (top)	11616/NA	774	340/NA	98	71	92	76	271	69
All firms (excluding don't know/refused responses), p. 18 (bottom)	11664/11402	11402/794	794/336	336/351	351/94	94/67	67/90	90/82	82/275



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Latvia

Overview

EIB INVESTMENT SURVEY

2021