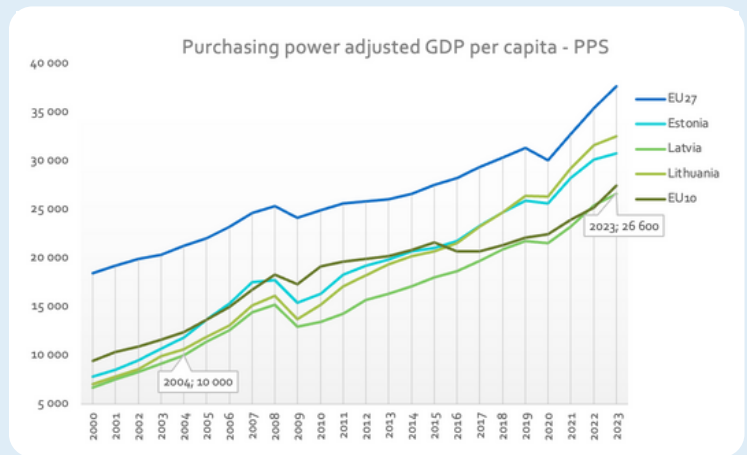


IMPACTS OF THE EU ACCESSION ON LATVIA

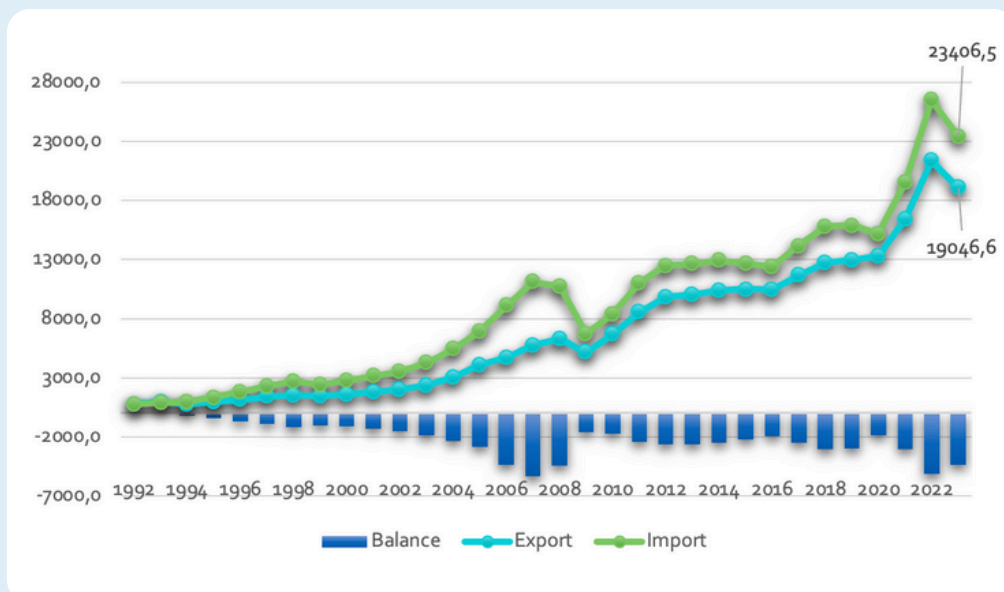
Latvia's GDP 2003-2023

Latvia's GDP has experienced **net positive growth, increasing approximately 2.6x times since accession to the EU** in 2004. Furthermore, there is also a degree of convergence with the EU27 average, and a much higher degree of convergence with the EU10 average as well. (The EU10 average is the average purchasing power adjusted GDP per capita expressed in PPS of the 10 Member States which acceded to the European Union in 2004.)

However, what is of note is the divergence between Latvia on the one hand, and **Estonia and Lithuania** on the other. While all three Member States have experienced significant growth, **Latvia has evidently trailed behind** the other two Baltic States. There are a multitude of factors impacting this divergence, however, one such example is the **slow recovery of the Latvian economy after the 2008 financial crisis**. The graph itself shows that the Lithuanian and Estonian economies recovered much more rapidly than Latvia's economy.



Trade in goods and services



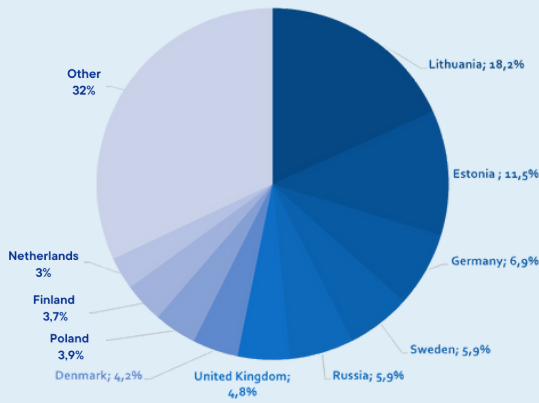
Latvian import/export & Balance per year (million EUR)

Imports/exports 2023

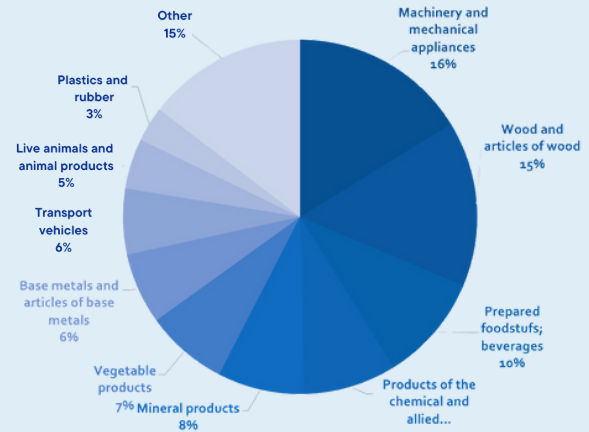
Machinery, mechanical appliances, electrical equipment, wood articles and prepared foodstuffs comprise the most significant commodity groups in Latvian exports, followed by chemical products, mineral products, and vegetable products. In 2023, the biggest share of Latvian export went to Lithuania, Estonia, Germany and Sweden.

In 2023, Latvia exported 19 billion euros worth of goods, which is around a 11.5% decrease from 2022, and imported 23.2 billion euros, a decrease of 12.7% compared to the previous year. In 2023, exports to EU countries made up 69.1% of the total volume of Latvian exports.

Latvian exports by country in 2023

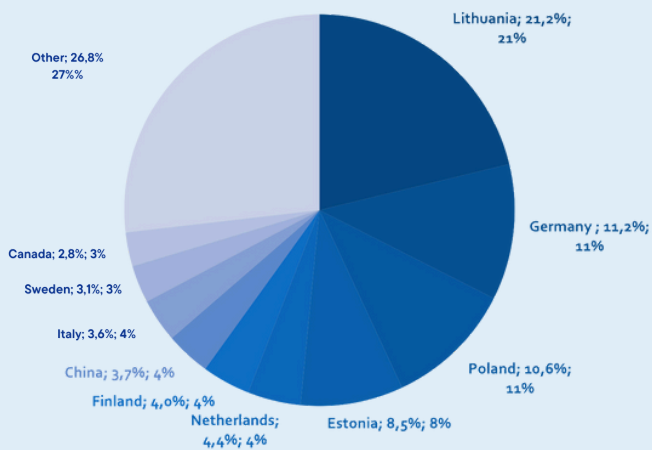


Latvian exports by sector in 2023

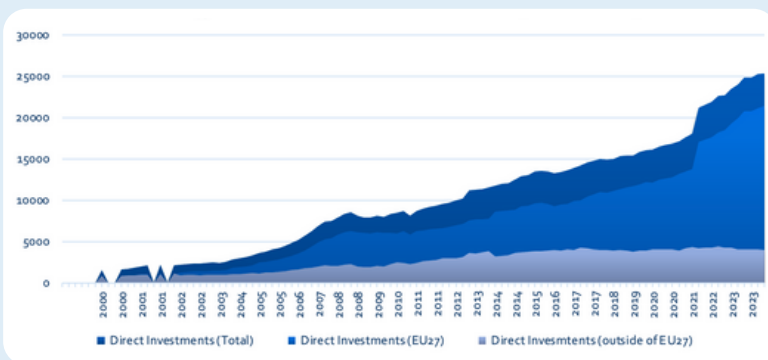
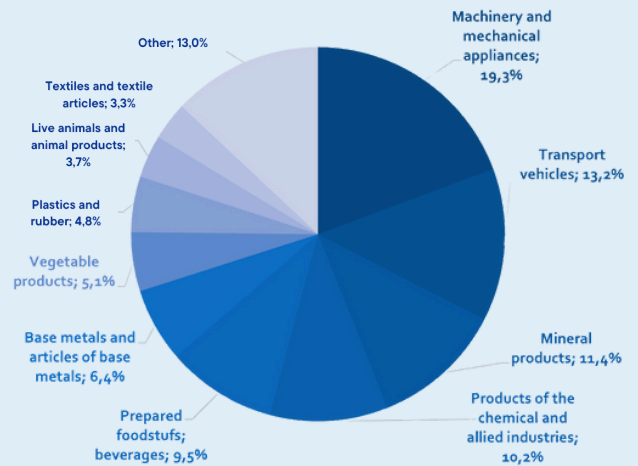


Meanwhile the most important commodities among Latvian imports were machinery, mechanical appliances, and electrical equipment, transport vehicles, mineral products and chemical products. Latvia's biggest share of imports came from Lithuania, Germany, Poland and Estonia. It should also be mentioned that Latvia has heavily reduced its imports from Russia. In 2021, Russia was the fourth biggest import partner, while in 2023, it has fallen out of the top 10 import partners.

Latvian imports by country in 2023



Latvian imports by sector in 2023



Foreign Direct Investments in Latvia (million EUR)

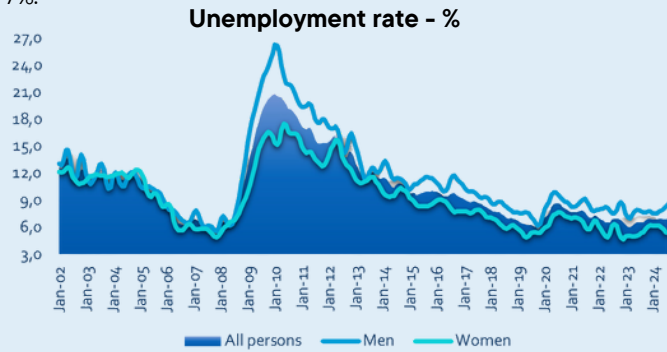
Foreign direct investments

Since joining the European Union in 2004, Latvia has experienced a significant growth in Foreign Direct Investments (FDI). EU membership provided **access to a massive single market, strengthened investor confidence, and ensured political and economic stability**. Access to EU funding to improve infrastructure, regional development, research and innovation, and other fields, has also played a significant role in developing a favourable investment climate in Latvia. The adoption of the Euro in 2014 also served as an attractive force for EU investment, minimizing currency risks, and simplifying cross-border trade.

While third-country FDI's in 2023 were measured around 3,9 billion euros, EU27 FDI's surpassed 20 billion euros in 2023.

Unemployment

In general, the unemployment rate is **lower than it was before accession**. On 1 May 2004 the unemployment rate was at 11,3%, while on 1 Aug 2024, it was measured at around 7%.



However, the lowest level of unemployment was measured in October and November of 2007, when the unemployment rate dropped to 5,3%. Latvia's employment rate was heavily affected by the **2008 financial crisis** – reaching peak unemployment rate in January 2010. During this time, the general unemployment rate reached 20,8%, with 26,3% of men, and 15,4% of women being unemployed. In October 2018, Latvia reached 5,8% unemployment, the lowest figure since the 2008 financial economic crisis, however, this level was short-lived, with the **COVID-19 crisis** driving unemployment up. Finally, Russia's war of aggression in Ukraine has undoubtedly played a role in stagnating the reduction of the unemployment rate. General costs and expenses, especially with regard to production, imports and exports in certain markets have most likely impacted the labour market.

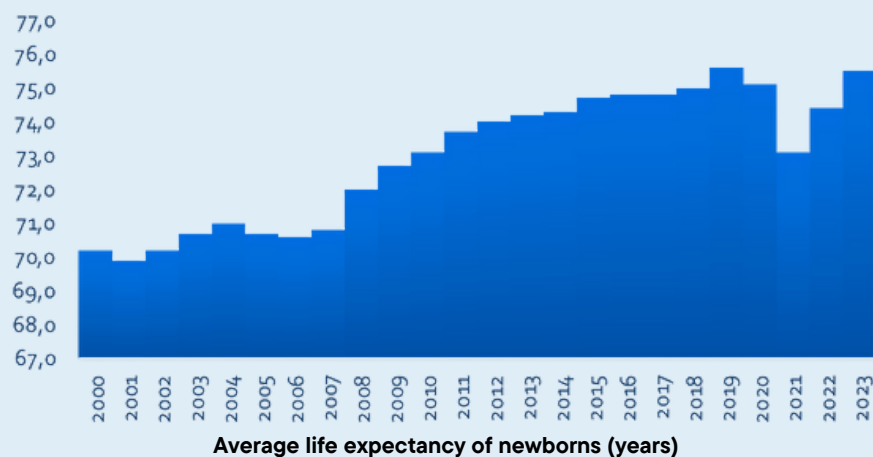
Citizens' "quality of life" indicators

Average monthly income from employment (bruto) - EUR



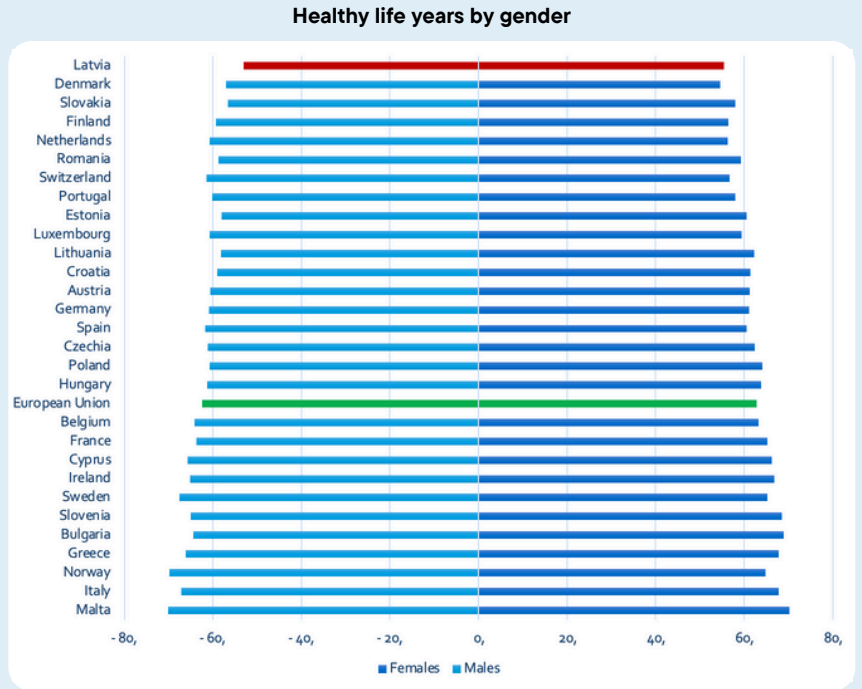
Latvia joined the euro area on 1 January 2014. On that date the euro replaced the Latvian lats at a fixed exchange rate. Pre-2014 incomes have been converted to euro using the fixed exchange rate

The **average monthly income** from employment before taxes has grown more than 5 times since Latvia's accession to the EU. Income levels are a metric that are always tied to GDP and FDI's. In the case of Latvia, the growth of income can be attributed to the same reasons for **FDI growth**. However, wage growth also reflects improvements in general **living standards and labor market conditions**. Furthermore, integration into the EU single market created more opportunities for development in high-value sectors like technology, IT, manufacturing and financial services. Meanwhile, the **free movement of persons** has also played a role in providing Latvian workers with more opportunities to earn higher qualifications, and higher levels of education, providing access to higher-paid positions that were previously unfilled.

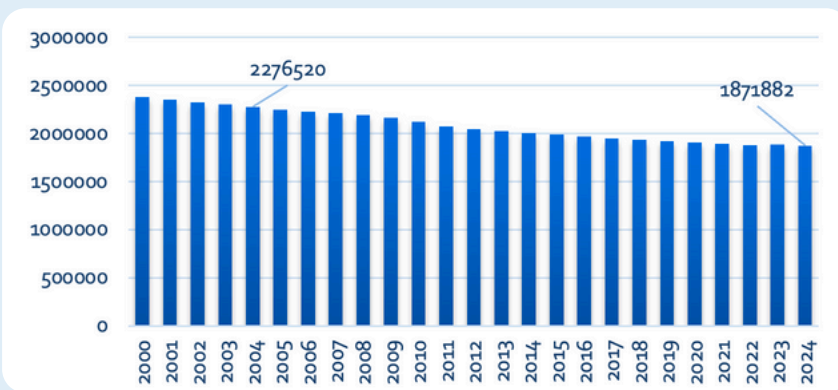


There has been a steady increase in the average **life expectancy** in Latvia over the past two decades, with life expectancy rising from approximately 70 years in 2000, to 75,5 years in 2023. The noticeable dip in life expectancy in 2021 could be explained through the consequences of the **COVID-19 pandemic**. Similarly to other aspects, access to **EU funding for programmes** related to addressing public health challenges have been instrumental. Furthermore, general advances in medical technology, better disease prevention programs, and an increasing emphasis on health in daily life have also played a significant role in increasing life expectancy.

Since life expectancy at birth is not able to fully answer the question of whether the extra years of life gained through increased longevity are spent in good or bad health, **healthy life years** show the amount of years that a person would live their life without chronic disabilities, ailments or other quality of life impacting factors. In this regard, **Latvia ranks last**. Latvia's average number of healthy years was **54.2** years, while the EU average was **62.6** years. **Cardiovascular diseases** account for most deaths in Latvia, and risk factors such as a high-level of alcohol consumption and smoking are also still prevalent. Quality of healthcare and access to healthcare are also factors affecting the amount of healthy life years that Latvians live.



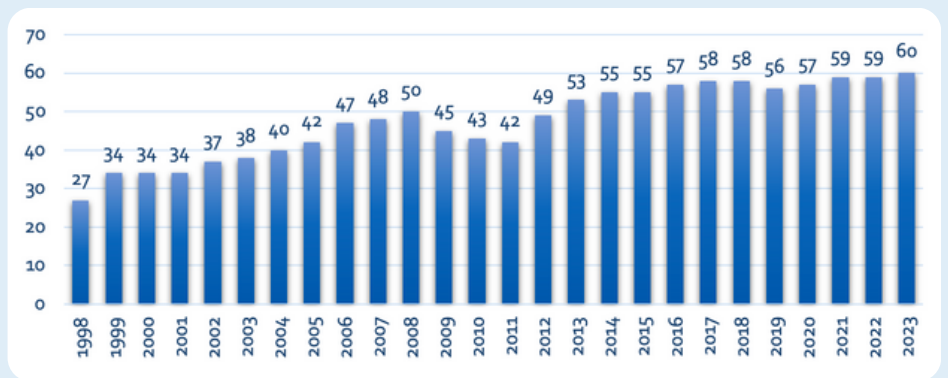
Population of Latvia at the beginning of the years (persons)



Fundamentally, Latvia has faced a **persistently low birth rate, and high mortality rates**. However, historically Latvia has also had a high emigration rate. This can be mostly accounted for by the general **instability during Latvia's transition from the Soviet Union to EU Member State**. Many Russian-speaking citizens and immigrants left Latvia during the post-Soviet transition years. Furthermore, Latvia was heavily affected by the 2008 global financial crisis, leading to residents and citizens emigrating in hopes of a more stable life. However, the rate of population decline has **significantly slowed in recent years**, indicating an **improvement** in the perception of quality of life in Latvia, despite recent security concerns.

Corruption

Latvia's score on the Corruption Perceptions Index has shown gradual improvement over the years. Undoubtedly, a leading factor has been the **long-term policy of reducing corruption**. In that regard, two main aspects should be identified: drivers of anti-corruption policy, and concrete policy measures. Issues such as low levels of public trust in the public sector, EU requirements for access to funding, and investor confidence have been key driving factors for Latvia's long-term pursuit of a strong anti-corruption policy.

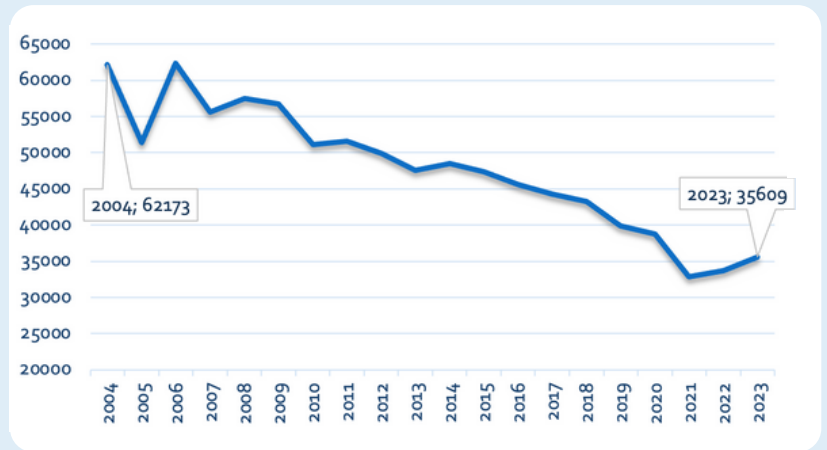


Corruption Perceptions Index rating

That policy has been expressed through multiple specific policy measures. First, in 2002, Latvia founded the Corruption Prevention and Combating Bureau (KNAB) which has since played an ever-increasing role and has enjoyed increasing level of competences. Furthermore, comprehensive laws aimed at curbing corruption have been continuously enacted, and have had a high level of success. Finally, societal attitudes towards corruption have also gotten stronger.

Criminality

The number of **crimes committed per year in Latvia have significantly dropped** since 2004. In 2004 62,173 crimes were committed, while in 2023, 35,609 crimes were committed. This marks a decrease of around 1,75 times. Contrasting it with factors such as population decline still implies a reduction in the commission of crime. **The majority of crimes committed were theft, fraud and petty theft.** While there is a statistical uptick in 2022 and 2023 in contrast to 2021, this should be seen as a normalizing tendency, still tending towards reduction. Essentially, 2021 and 2022 still had governmental limitations due to the COVID-19 pandemic reducing the physical capabilities of committing crime.



Amount of committed crimes per year