


# Business Climate Survey 2026 | Latvia

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# Introduction

We live in serious times with growing geopolitical uncertainty. Sweden is a driving force in the increasingly important Nordic-Baltic cooperation, which has never been deeper.

The 2026 Baltic Business Climate Survey gives a direct account of how Swedish companies view conditions in Estonia, Latvia and Lithuania. As security, business resilience, and economic growth become ever more interdependent, companies across the Baltic states continue to perform well. Swedish companies remain committed to the Baltic markets.

We hope this report on Latvia supports constructive dialogue between business and government across the region on how the business environment can become yet stronger.

Team Sweden

# Methodology

Fieldwork took place from April to June 2026. The questionnaire was distributed online using contact lists held by the Swedish embassies and chambers of commerce, with telephone follow-up. More than 3,000 contacts were approached and more than 300 responses were received.

The final Baltic sample contains 214 responses with fewer than eight unanswered questions: 73 from Latvia, 85 from Estonia and 56 from Lithuania. The survey covered companies with Swedish capital, local companies with Swedish management and other companies with links to Sweden. Responses were anonymous and analysed in aggregate.

Company-size results refer to local employment. The groups with 500 to 1,000 and more than 1,000 local employees are combined as 500 or more employees. They contain six and three companies respectively. Industry findings are generally reported where at least five companies responded.

The previous survey in 2021 included 39 companies in Latvia. The surveys are separate cross-sections, and some questions used different scales. Where needed, earlier results have been converted proportionally to the five-point scale used in 2026. The direction of change is more reliable than its exact size.




The Freedom Monument

# Theme 1: Financial Performance

## A majority of companies are profitable, while results vary by size and industry

66 per cent of surveyed companies report a profit in 2025, compared with 59 per cent in the previous survey. A further 16 per cent break even, 12 per cent report a loss and 5 per cent cannot answer.

The profitable share has increased, while the loss share has also risen from 6 per cent. Latvia has the lowest number of companies recording a loss among the Baltics, but is also the only Baltic market where the share reporting a loss is higher than in the previous survey.

Profitability rises with company size. It is 59 per cent among companies with fewer than 50 local employees, 73 per cent among those with 50 to 249 and 89 per cent among those with 500 or more. Losses are concentrated among companies with 10 to 49 employees, where 23 per cent report a loss.

| What was your company's financial performance in Latvia in 2025? (by company size) | | | | | |
|---|---|---|---|---|---|
| Financial performance 2025 | 0–9 (27) | 10–49 (22) | 50–249 (15) | 500+ (9) | Latvia (73) |
| Profitable | 59% | 59% | 73% | 89% | 66% |
| Break-even | 26% | 14% | 7% | 11% | 16% |
| Loss | 7% | 23% | 13% | 0% | 12% |
| Don't know / not applicable | 7% | 5% | 7% | 0% | 5% |

Companies with majority Swedish ownership report the highest profitable share, at 70 per cent, followed by subsidiaries and branches at 67 per cent. Companies with minority Swedish investment and companies with another Swedish connection report 57 and 56 per cent respectively.

Among industries with at least five responses, Business Services reports the highest profitable share at 83 per cent, followed by Retail and Wholesale at 78 per cent. IT and Electronics records the weakest result: 20 per cent are profitable and 60 per cent break even. Small sector bases mean that these findings are indicative.

## Investment intentions remain cautious

34 per cent of companies plan to increase investment during the next 12 months, down from 50 per cent in the previous survey. 49 per cent expect no change, 10 per cent plan to reduce investment and 3 per cent intend to exit the market.

Companies with 10 to 49 local employees are the most expansionary, with 46 per cent planning to invest more. They are also the most divided, as 18 per cent plan to reduce investment. Among companies with 50 to 249 employees, 27 per cent plan an increase and 47 per cent expect no change.

Geopolitical experience is closely linked to investment. Among companies whose business increased after 2022, 67 per cent plan to invest more and none plan to invest less. Among companies whose business decreased, 17 per cent plan an increase and 23 per cent plan a reduction.

| What are your company's investment plans for the next 12 months (compared with the past 12 months)? (by development of business since 2022) | | | | |
|---|---|---|---|---|
| Investment plans, next 12 months | Business decreased (30) | No change (26) | Business increased (12) | Total |
| Increase investments | 17% | 42% | 67% | 34% |
| No change | 57% | 46% | 33% | 49% |
| Reduce investments | 23% | 0% | 0% | 10% |
| Exit the market | 0% | 8% | 0% | 3% |

Current financial performance shows a similar pattern. 40 per cent of profitable companies plan to increase investment, compared with 11 per cent of loss-making companies. Profitability is widespread, while confidence in expansion depends heavily on recent business conditions.

## Competitiveness now depends on more than cost control

When asked which areas have helped them maintain competitiveness, 68 per cent select cost efficiency, compared with 64 per cent in 2021. It remains the leading factor, while the importance of other areas has risen.

Staff development and training is now second, rising from 41 to 54 per cent. Service development reaches 44 per cent, partnerships and local relationships 41 per cent, sales competence 41 per cent, product development 40 per cent and collaboration with customers 35 per cent.

Digitalisation and e-commerce rises from 13 to 31 per cent, while brand awareness increases from 5 to 29 per cent. The market now places greater weight on staff, services, products and customer relationships.

Company size shapes how firms compete. Cost efficiency is cited by 48 per cent of companies with 0 to 9 local employees, rising to 85 per cent among those with 10 to 49 and 86 per cent among companies with 500 or more. Partnerships and local relationships fall from 48 per cent among the smallest companies to 29 per cent among the largest.

Larger companies place much greater weight on digitalisation and e-commerce and brand awareness, both cited by 71 per cent, compared with 22 to 26 per cent among the smallest firms. Public affairs and relations with government also rises from 7 to 29 per cent.

Smaller firms rely more on local relationships. Larger companies depend more on systems, visibility and engagement with government.

| Important for maintaining competitiveness | 2026 | 2021 | Change |
|---|---|---|---|
| Cost efficiency | 68% | 64% | 4 |
| Staff development/training | 54% | 41% | 13 |
| Service development/adaptation | 44% | 15% | 29 |
| Partnerships/local relationships | 41% | 33% | 8 |
| Sales competence | 41% | 15% | 26 |
| Product development/adaptation | 40% | 23% | 17 |
| Collaboration with/feedback from customers | 35% | 10% | 25 |
| Digitalisation & e-commerce | 31% | 13% | 18 |
| Brand awareness | 29% | 5% | 24 |
| Public affairs/relations with government | 12% | 3% | 9 |




Riga Old Town

# Theme 2: Relations with Government

## Administrative conditions have improved

Companies were asked how fully regulation, licences, permits and approvals, and corporate taxation meet their business needs, on a five-point scale from 1, “not at all”, to 5, “fully”. Licences, permits and approvals receive the highest average rating, at 3.7. Corporate taxation and regulation each receive 3.5.

All three averages are above the midpoint of the scale. Licences and permits show the largest improvement since the previous survey, when the comparable rating was 2.6. Corporate taxation also improves, from 3.3.

Taxation is the main concern for larger companies. Companies with 500 or more local employees rate it at 2.8, compared with 3.5 to 3.8 among smaller firms. Views of regulation differ much less by company size.

## Corruption has a greater reported effect than in Estonia or Lithuania

Companies were asked how much corruption affects their business, from 1, “not at all”, to 5, “to a great extent”. Latvia’s average rating is 2.3, compared with 2.1 in the previous survey, 1.4 in Estonia and 1.7 in Lithuania.

The Latvia difference remains statistically significant after accounting for local employment, connection to Sweden, climate responsibility, regulation, licences and permits, taxation and business culture ($p < 0.01$). This indicates a country-level concern that is not explained by the observed company characteristics included in the model.

Companies with majority Swedish ownership report the lowest average effect, at 1.9. Companies with minority Swedish investment give 2.3, subsidiaries and branches 2.6, and companies with another Swedish connection 3.0.

Open responses confirm the concern. Companies call for stronger action against the shadow economy, corruption and grey zones, as well as more consistent and fair application of the rules.

# Theme 3: Market Conditions

## Operating conditions have improved on all accounts, skills remain the weakest area

Companies report broad improvement in Latvia's operating environment since the previous survey. All eight assessed conditions receive higher average ratings, suggesting that the business environment now meets companies' needs more fully.

Respondents rated each condition on a five-point scale from 1, "not at all", to 5, "fully". Digitalisation receives the highest rating, at 4.1. The financial system and physical infrastructure show the largest gains, both rising from 3.1 to 3.9. Market access, access to service providers and work culture and business mindset each improve by 0.6 points.

| How well the operating environment meets business needs | 2026 | 2021 | Change |
|---|---|---|---|
| Level of digitalisation | 4.1 | 3.5 | 0.6 |
| Financial system | 3.9 | 3.1 | 0.8 |
| Access to suppliers and distributors | 3.9 | 3.5 | 0.4 |
| Physical infrastructure | 3.9 | 3.1 | 0.8 |
| Market access | 3.9 | 3.3 | 0.6 |
| Access to service providers | 3.9 | 3.3 | 0.6 |
| Work culture and business mindset | 3.8 | 3.2 | 0.6 |
| Access to specialists and key personnel | 3.6 | 3.1 | 0.5 |

Access to specialists and key personnel remains the lowest-rated condition, at 3.6, although it has improved from 3.1. The constraint is most visible among companies with 500 or more local employees, which rate access to specialists at 3.3, compared with 3.6 to 3.7 among smaller firms. The same group gives the financial system the highest rating, at 4.4.

As other operating conditions improve, access to skilled labour stands out as the clearest remaining constraint on expansion.

## Swedish brand

Companies rated how much the Swedish brand contributes to their business, from 1, "not at all", to 5, "to a great extent". The average rating is 3.7, up from 3.2 in the previous survey.

Subsidiaries and branches value it most, at 4.0, followed by companies with majority Swedish ownership at 3.9. Companies with minority Swedish investment give a much lower average rating of 1.4. The brand contributes most when the company is clearly identified with Sweden.

# Theme 4: Geopolitics

## Swedish Companies in Latvia see little upside from geopolitical change

41 per cent of companies report that their business has decreased because of geopolitical change since 2022. 36 per cent report no change and 16 per cent report an increase. In Estonia and Lithuania, 31 and 30 per cent respectively report an increase.

These geopolitical changes since 2022 have had effects on trade and business globally, and Swedish business in Latvia has also been affected. The results show some interesting variation based on company size and sectors. The low share reporting a gain is the distinctive Latvian result which could explain the more cautious investment outlook.

The effect varies by company size. Fifty-five per cent of companies with 10 to 49 local employees report a decrease. Among companies with 50 to 249 employees, 60 per cent report no change. Companies with 500 or more employees are the most positive group, with 44 per cent reporting an increase, although the group contains nine companies.

| Effect of geopolitical change since 2022 | 0–9 (27) | 10–49 (22) | 50–249 (15) | 500+ (9) |
|---|---|---|---|---|
| Business has decreased | 41% | 55% | 27% | 33% |
| No change | 37% | 27% | 60% | 11% |
| Business has increased | 15% | 14% | 7% | 44% |
| Don't know / not applicable | 7% | 5% | 7% | 11% |

Subsidiaries and branches report the weakest balance, with 50 per cent recording a decrease and 8 per cent an increase. Companies with majority Swedish ownership are more evenly divided.

## Demand and costs are the main channels

Industry differences are wider than the differences by size or ownership. Industrial Equipment, Retail and Wholesale, and Forest Products and Paper report high shares of decreased business. IT and Electronics is the most stable sector, while Business Services has the highest share reporting an increase.

Among the 42 companies whose business changed, 64 per cent cite customer demand and investment plans, 50 per cent raw-material costs and 48 per cent energy prices. Security concerns are cited by 33 per cent, supply chains by 31 per cent and tariffs and trade barriers by 26 per cent.

The same factors appear among companies reporting gains and losses. Their effect depends on the company's customers, sector and place in the supply chain.



Riga TV Tower

# Theme 5: Sustainability and Social Issues

## Climate responsibility and labour rights receive high ratings

Companies rated the importance of climate and environmental responsibility and labour rights for their business, from 1, “not at all”, to 5, “to a great extent”. Labour rights receive an average rating of 4.2, while climate responsibility receives 4.1.

Latvia has the highest climate rating in the Baltic survey and shares the highest labour-rights rating with Lithuania. Company size explains more variation than country differences.

The labour-rights rating rises from 4.0 among companies with fewer than 50 local employees to 4.6 among those with 50 to 249 and 4.8 among those with 500 or more. Climate responsibility follows a less consistent pattern, from 4.3 among the smallest companies to 3.8 among those with 10 to 49 and 4.5 among the largest.

Subsidiaries and branches give the highest ratings for climate responsibility and labour rights, at 4.5 and 4.4. Larger companies appear more likely to manage these issues through formal policies and reporting.

## Gender equality

Work-life balance and caregiving responsibilities is the most frequently selected gender-equality priority, chosen by 46 per cent of respondents. Equal pay for equal work follows at 41 per cent and career progression at 32 per cent. Latvia is the only Baltic market where work-life balance ranks above equal pay.

Thirty per cent select none of the listed issues. Among companies with 500 or more local employees, 83 per cent select equal pay, 67 per cent work-life balance and 50 per cent career progression and gender balance in leadership. None select none of the listed issues, although this group contains only six respondents.

Selecting none may reflect a view that no current problem exists, that other issues have priority, or that the company has not formalised its approach.

| Most important gender equality issue to address | 0–9 (25) | 10–49 (18) | 50–249 (14) | 500+ (6) | Latvia (63) |
|---|---|---|---|---|---|
| Work-life balance and caregiving | 32% | 56% | 50% | 67% | 46% |
| Equal pay for equal work | 40% | 28% | 43% | 83% | 41% |
| Career progression and promotion | 20% | 28% | 50% | 50% | 32% |
| Gender balance in recruitment | 24% | 11% | 29% | 33% | 22% |
| Gender balance in leadership | 16% | 11% | 7% | 50% | 16% |
| Sexual harassment at work | 8% | 6% | 7% | 17% | 8% |
| Retention of women employees | 0% | 11% | 7% | 33% | 8% |
| None of these | 36% | 33% | 29% | 0% | 30% |

# Business Climate

## What makes the business climate attractive

Workforce is the most frequently cited strength. Respondents describe employees as educated, young and technically capable, often linking these qualities to competitive labour costs.

Location and logistics form the second main advantage. Companies mention proximity to Sweden and the Nordic region, access to the Baltic Sea and established road and rail connections.

The regulatory environment is also viewed positively. Respondents cite a familiar EU framework, relatively easy market entry and approachable institutions. Digitalisation, business culture, the financial sector and the presence of Swedish banks provide further support.

Latvia's appeal comes from the combination of workforce quality, location, EU market access and competitive operating costs.



## What practical measures would improve the business climate

Greater predictability is the most common request. Companies want stable rules, simpler compliance, faster administration and further digitalisation of public services. Several also call for less bureaucracy in EU-funded projects and more consistent treatment across government bodies.

Practical proposals include wider access to the e-invoice system, simpler VAT reporting and simpler taxation for small and medium-sized companies. Companies also call for stronger action against the shadow economy and corruption.

Education and labour supply form another priority. Respondents want more vocational and technical education, lifelong learning and easier access to foreign workers. Lower energy costs, stronger infrastructure and greater electricity-grid capacity also feature in the comments.

> "Greater predictability and consistency in regulation would be very important. Businesses can adapt to new requirements, but frequent changes and unclear interpretation of regulations create uncertainty and increase administrative burden." (Latvia; 50–249 local employees; majority Swedish ownership; other sector.)




Ministry of Agriculture

# Conclusions

Most surveyed companies with Swedish links are profitable in Latvia, and operating conditions have improved since the previous survey. Digitalisation, the financial system, infrastructure and market access all receive favourable ratings.

Investment remains cautious, however only a few plan to reduce investment or exit the market. Thirty-four per cent plan to invest more, and companies that have lost business since 2022 are much less likely to expand. Latvia has captured less of the positive effect of geopolitical change than Estonia or Lithuania.

Cost efficiency remains central, while staff development, services, products and customer relationships have become more important. Access to specialists is the weakest market condition.

The findings identify four practical priorities:

1. More predictable regulation.
2. Simpler administration and better public digital services.
3. Stronger technical and vocational skills, together with access to foreign labour.
4. Consistent action against corruption and the shadow economy.

Latvia offers companies a useful combination of location, skills, digital services and EU market access. Further growth will depend on confidence in the rules and access to the people companies need.

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