



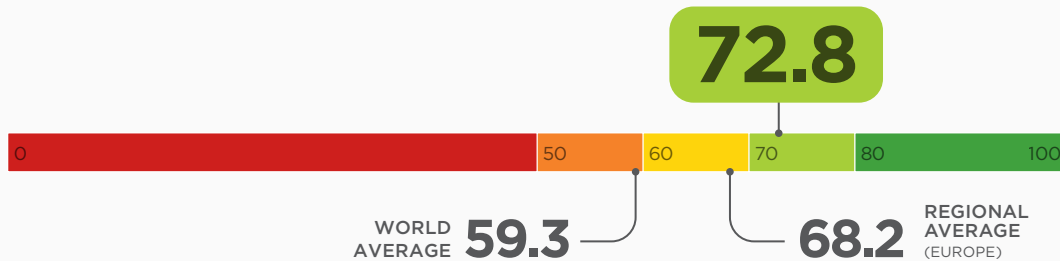
WORLD RANK: 17	REGIONAL RANK: 11
ECONOMIC FREEDOM STATUS: MOSTLY FREE	

LATVIA

Latvia's economic freedom score is 72.8, making its economy the 17th freest in the 2023 *Index*. Its score is 2.0 points worse than last year. Latvia is ranked 11th out of 44 countries in the Europe region, and its overall score is above the world and regional averages.

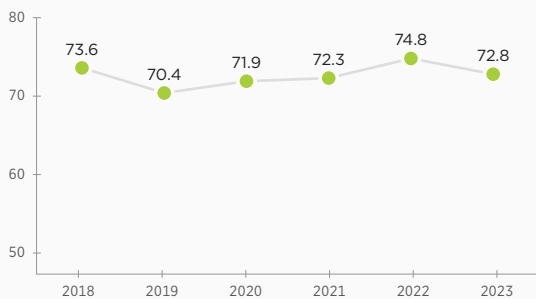
Market openness and business regulations that efficiently promote entrepreneurial dynamism have facilitated Latvia's ongoing transition to a more vibrant and market-oriented economy. With institutional competitiveness and committed political leadership in place, Latvia is well positioned to counter the effects of the global economic slowdown and other external difficulties on its economic vitality.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +17.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.9 million

GDP (PPP):
\$65.7 billion
4.7% growth in 2021
5-year compound annual growth 2.1%
\$34,707 per capita

UNEMPLOYMENT:
8.1%

INFLATION (CPI):
3.2%

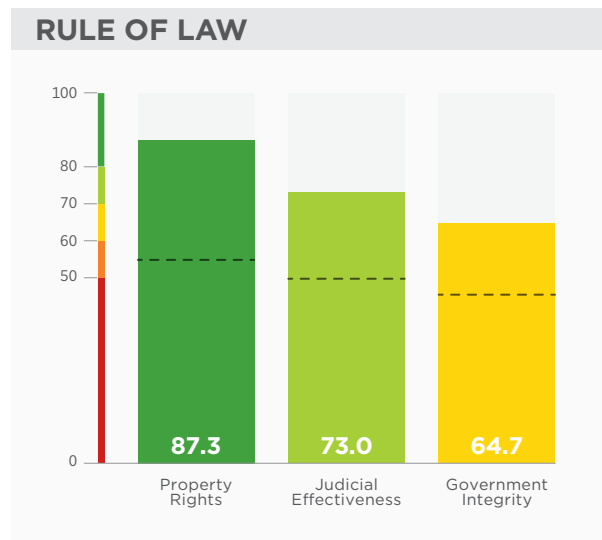
FDI INFLOW:
\$5.3 billion

PUBLIC DEBT:
45.7% of GDP

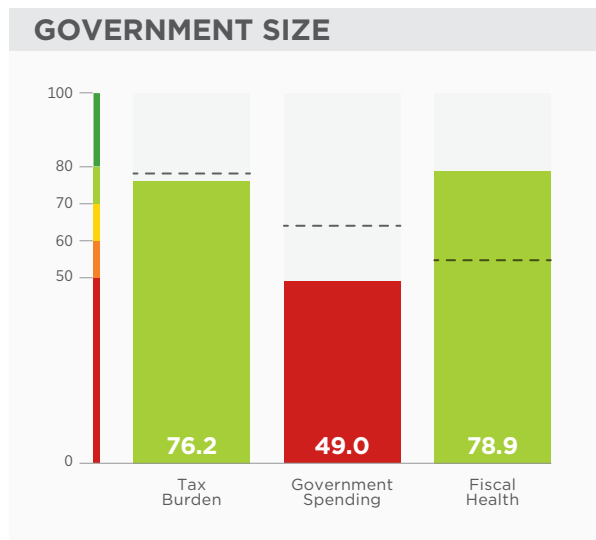
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Latvia regained its independence from the Soviet Union in 1991, joined the European Union and NATO in 2004, and joined the eurozone in 2014. Although his center-right New Unity party holds the fewest seats in parliament, Arturs Krišjanis Karinš became prime minister in 2019. His four-party coalition also includes the New Conservative Party (JKP), For Development/For!, and the National Alliance. Latvia's small, open economy relies heavily on exports. Transit services, timber and wood processing, agriculture and food products, and machinery manufacturing and electronics are highly developed. Latvia is reintroducing conscription in response to the threat from Russia.

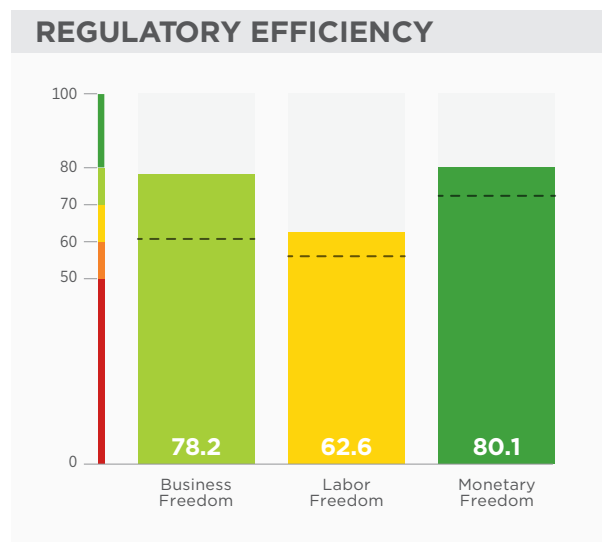
12 ECONOMIC FREEDOMS | LATVIA



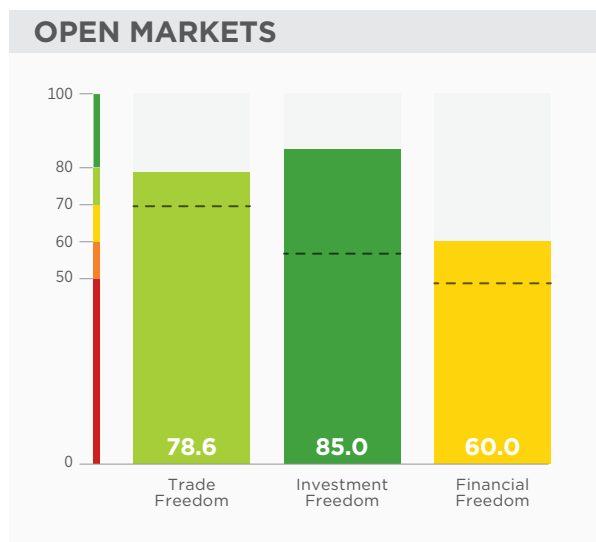
The overall rule of law is well respected in Latvia. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 31 percent and 20 percent. The tax burden equals 31.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 41.2 percent and -3.3 percent of GDP. Public debt equals 45.7 percent of GDP.



The overall regulatory framework is relatively efficient. Despite bureaucratic bottlenecks, rules regarding the formation and operation of private enterprises are relatively simple. The labor market lacks flexibility, and the non-salary costs of employing workers are high. The most recent available inflation rate is 3.2 percent.



The trade-weighted average tariff rate (common among EU members) is 3.2 percent, and more than 600 EU-mandated nontariff measures are in force. The investment regulatory framework is relatively efficient. Rules on foreign investment are generally not burdensome. The financial sector is resilient and well capitalized.