

# Latvia

## Tourism in the economy

Tourism is an important source of export revenue and a key contributor to GDP in Latvia. According to the Tourism Satellite Account, in 2016, tourism directly contributed 4.5% of Latvia's GVA. Tourism exports were EUR 1.3 million in 2018, or 5% of total exports and 17% of service exports. Tourism and related industries provide 77 100 jobs, accounting for 8.5% of total employment. The number of hotels and other accommodation grew significantly between 2016-18 with a total of 831 establishments in 2018 rising 37% from 607 in 2016, with a high increase in numbers of guest houses and youth hostels.

Hotels and other accommodation recorded 2.8 million visitors in 2018, an increase of 8% over 2017. Of these, 1.9 million or 70%, were international tourists. In 2018, top source markets were Lithuania (14.1%), Germany (13.3%), and the Russian Federation (12.5%). The majority of inbound visitors (77%) stayed in the capital, Riga. The most strategically important tourism markets in Latvia are MICE, health tourism, nature tourism and cultural tourism.

There were 11 million domestic trips taken by Latvian residents in 2018 spending EUR 333 million, a significant 8.5% reduction in spending compared to 2017.

## Tourism governance and funding

The Ministry of Economics is responsible for the development of tourism policy in Latvia. Its main responsibilities are determined by the 1998 Tourism Law, under which it is charged with the development, organisation and co-ordination of national tourism policy. The Ministry of Economics oversees the Investment and Development Agency of Latvia, which is responsible for the implementation of tourism policy as well as the promotion of Latvia as a tourism destination at both national and international levels.

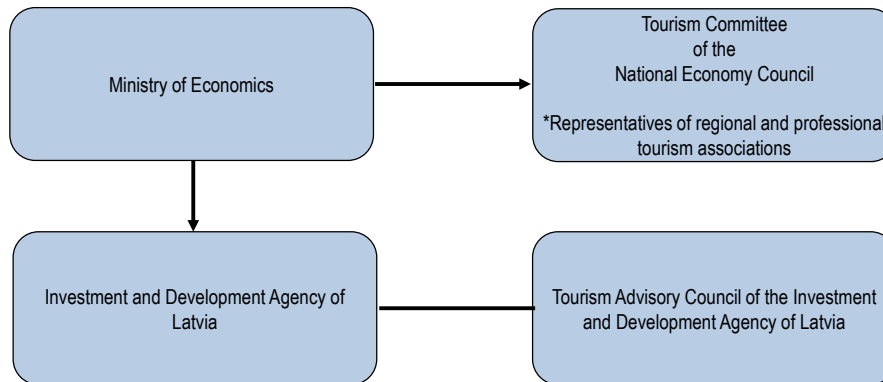
The Ministry, together with the Investment and Development Agency, co-operates actively with the regions of Latvia, via four regional tourism associations. Local issues are resolved via co-operation with municipalities. The Ministry also works closely with the private sector, particularly tourism related trade associations. This co-operation is either through the Tourism Committee of the National Economy Council, or, if more specific sector-based questions arise, through specially formed working groups.

In the case of nationally strategic issues, the Tourism Committee of the National Economy Council is the forum that represents both public and private sector tourism interests including regional associations and tourism associations. The Ministry co-operates with sector-specific industry associations and is duty bound under legislation to involve the private sector in the development of any new regulations or strategy. Currently the Ministry is working closely with the restaurant sector regarding a potential VAT reduction, with hotels and apartments regarding possible sharing economy regulations, and tour operators regarding the EU Package Travel Directive.

In 2018, the total budget for tourism was EUR 2.6 million, including state funding of EUR 752 800, additional funding from the European Regional Development Fund of EUR 1.8 million, and funds for the

implementation of EDEN (European Destinations of Excellence) projects amounting to EUR 66 200. During the period between 2014-20, Latvia has allocated a total of EUR 20 million of European funding (ERDF) to tourism marketing and other promotional activities.

### Latvia: Organisational chart of tourism bodies



Source: OECD, adapted from the Ministry of Economics, 2020.

### Tourism policies and programmes

Latvia is an emerging tourism destination, with many natural resources and a rich cultural heritage. Latvia prioritises investment in tourism marketing to raise awareness of its attractiveness as a tourism destination.

The Ministry of Economics developed the Tourism Development Guidelines for 2014-20 which is the principal policy document. The overall goal of Latvian tourism policy is to ensure the sustainable growth of the sector by facilitating competitiveness of tourism services in export markets. The Government's policy aims to increase the competitiveness of Latvian tourism businesses, meet the criteria of sustainable tourism development, encourage international competitiveness, reduce seasonal imbalances and extend the average length of stay.

Alongside the guidelines, the Investment and Development Agency of Latvia developed its Tourism Marketing Strategy 2018-23 which also addresses future tourism challenges, such as improving the image of Latvia, sustainable tourism development, and investing wisely. Overall the goals of marketing activity are to achieve a unified approach towards promoting Latvia as a tourism destination, as well as to strengthen its competitiveness. The strategy uses lifestyle segmentation to target potential visitors, including 'dreamers', 'adventurers' and 'open minded tourists'. Latvia has also introduced under the Investment and Development Agency a new 'Magnetic Latvia' brand created to promote awareness of Latvia. This positions the country as an appealing market for business, as a leisure tourism destination and as a cultural hotspot.

A range of issues are currently the subject of particular focus:

- Decreases in average spend per tourist per day: With the objective to increase tourists' average daily spending, a priority focus is to improve the quality of the tourism offer. Such a policy will increase value for money and lead to greater income as tourists' willingness to pay is increased. The Ministry of Economics is currently undertaking research to define the future actions needed to ensure this priority is met.
- Low competitiveness of Latvia as a tourism destination: To improve standards of service quality, a focus on improving the education and skills of service providers is another priority. A life-long

learning programme has been developed by the Ministry as one measure to increase the skills of entrepreneurs and employees. The programme is supporting a wide variety of activities during a six year period to 2020 including facilitating the implementation of business innovation, training in technology as well as training to attract investors.

- Acute seasonality negatively affecting business turnover: There is currently marked seasonality, which affects tourism business performance, especially in the accommodation sector. The average occupancy rate in the low season drops to as little as 30%, whilst in the high season it can average between 60 and 80%. Latvia has set MICE and wellness/health tourism markets as key priorities in order to build activity in shoulder and winter months and minimise the effects of seasonality.

The Ministry of Economics is currently collaborating with the Ministry of Environmental Protection and Regional Development to ensure that high quality natural resources are improved and maintained. Other examples of cross-government work include co-operation with the Ministry of Culture in relation to the development of cultural tourism; the Ministry of Transport to provide road infrastructure and transport improvements; and the Ministry of Health, in relation to medical tourism development.

Co-operation is currently ongoing regarding the development of the Government's next planning period covering 2021-27. Ministries are sharing draft future strategies and considering respective topics including tourism policy. Because of its cross-cutting nature and lack of separate tourism Ministry, the Ministry of Economics is co-ordinating this process for tourism. Previously this has provided positive results, for example, the Medical Tourism Development Co-ordination Council is the result of close co-operation between two ministries (see box below).

#### Medical Tourism Development Co-ordination Council in Latvia

In order to foster the development of medical tourism and increase the export of medical services, a Medical Tourism Development Co-ordination Council was established in May 2019. This has been formed jointly by the Ministry of Health and Ministry of Economics together with advice from the Health Tourism Cluster – which includes representatives from the medical sector and other relevant institutions. Medical tourism is a priority tourism sector in Latvia as there is a large potential for growth in medical services exports due to the availability of high quality medical services and comparatively low prices. The Council has developed an Action Plan which includes agreed tasks and objectives that members of the Council will carry out. The Plan includes three main goals: 1) actions to ensure sustainability; 2) defining the strategic medical tourism target markets/countries; 3) establishing the image of Latvia as the leading country for health services.

A foundation task is to gather comprehensive statistics on medical tourism, as until now there have been few statistics available. In 2018, the first comprehensive medical tourism statistics were gathered. This identified specific medical tourism markets that will be included in marketing activities to promote medical services in those markets. This is a large milestone that has been reached in the development of medical tourism in Latvia and the Council is looking forward to continuing its work to improve the value of medical services exports.

## Statistical Profile

### Latvia: Domestic, inbound and outbound tourism

	2014	2015	2016	2017	2018
<b>TOURISM FLOWS, THOUSAND</b>					
<b>Domestic tourism</b>					
Total domestic trips	11 413	10 691	12 197	12 532	10 948
Overnight visitors (tourists)	3 258	2 972	3 071	2 942	2 584
Same-day visitors (excursionists)	8 155	7 718	9 126	9 590	8 365
Nights in all types of accommodation	8 447	6 542	7 233	7 068	5 514
Hotels and similar establishments	671	592	400	562	478
Other collective establishments	747	757	773	906	508
Private accommodation	7 029	5 193	6 060	5 601	4 528
<b>Inbound tourism</b>					
Total international arrivals	6 246	6 842	6 797	7 726	7 775
Overnight visitors (tourists)	1 843	2 024	1 793	1 949	1 946
Same-day visitors (excursionists)	4 403	4 818	5 004	5 776	5 829
Top markets					
Lithuania	266	346	375	300	275
Germany	168	182	194	255	260
Russian Federation	348	279	222	243	244
Estonia	181	283	263	192	176
Sweden	162	116	73	79	91
Nights in all types of accommodation	7 822	8 145	8 766	8 865	7 864
Hotels and similar establishments	3 269	3 566	3 146	3 125	3 049
Other collective establishments	351	362	661	276	395
Private accommodation	4 202	4 217	4 959	5 464	4 419
<b>Outbound tourism</b>					
Total international departures	1 846	1 719	1 939	2 056	2 176
Overnight visitors (tourists)	1 362	1 242	1 250	1 265	1 368
Same-day visitors (excursionists)	484	478	689	790	807
Top destinations					
Estonia	95	168	210	173	206
Lithuania	134	171	213	154	157
Russian Federation	138	121	122	85	117
Sweden	86	75	65	80	100
Germany	95	71	84	148	80
<b>TOURISM RECEIPTS AND EXPENDITURE, MILLION EUR</b>					
<b>Inbound tourism</b>					
Total international receipts	977	1 156	1 186	1 248	1 376
International travel receipts	719	807	812	838	896
International passenger transport receipts	258	349	374	410	480
<b>Outbound tourism</b>					
Total international expenditure	670	724	798	815	859
International travel expenditure	540	557	631	642	660
International passenger transport expenditure	130	167	167	173	199

Source: OECD Tourism Statistics (Database).

StatLink  <http://dx.doi.org/10.1787/888934077293>

## Latvia: Enterprises and employment in tourism

	Number of establishments	Number of persons employed				
	2017	2014	2015	2016	2017	2018
<b>Total</b>	..	..	..	..	..	..
<b>Tourism industries</b>	<b>15 890</b>	<b>74 900</b>	<b>73 800</b>	<b>79 600</b>	<b>75 400</b>	<b>77 100</b>
Accommodation services for visitors	1 301	5 700	5 500	6 000	4 900	5 600
Hotels and similar establishments	490	4 600	5 000	4 700	3 700	4 500
Food and beverage serving industry	4 858	23 600	24 800	24 500	24 800	26 700
Passenger transport	1 267	20 200	18 400	22 100	17 800	16 800
Air passenger transport	22	..	..	..	2 100	2 200 e
Railways passenger transport	66	4 900	4 200	3 500	3 800	2 700
Road passenger transport	1 149	13 400	12 400	15 700	11 000	10 900
Water passenger transport	30	..	..	..	..	..
Passenger transport supporting services	..	..	..	..	..	..
Transport equipment rental	948	..	..	..	..	..
Travel agencies and other reservation services industry	1 042	2 800	2 400	1 500 e	2 800	2 500
Cultural industry	1 944	12 300	12 800	15 600	12 900	11 500
Sports and recreation industry	4 530	10 000	9 500	9 400	11 500	13 700
Retail trade of country-specific tourism characteristic goods	..	..	..	..	..	..
Other country-specific tourism industries	..	..	..	..	..	..
<b>Other industries</b>	..	..	..	..	..	..

.. Not available; e Estimated value

Source: OECD Tourism Statistics (Database).

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