



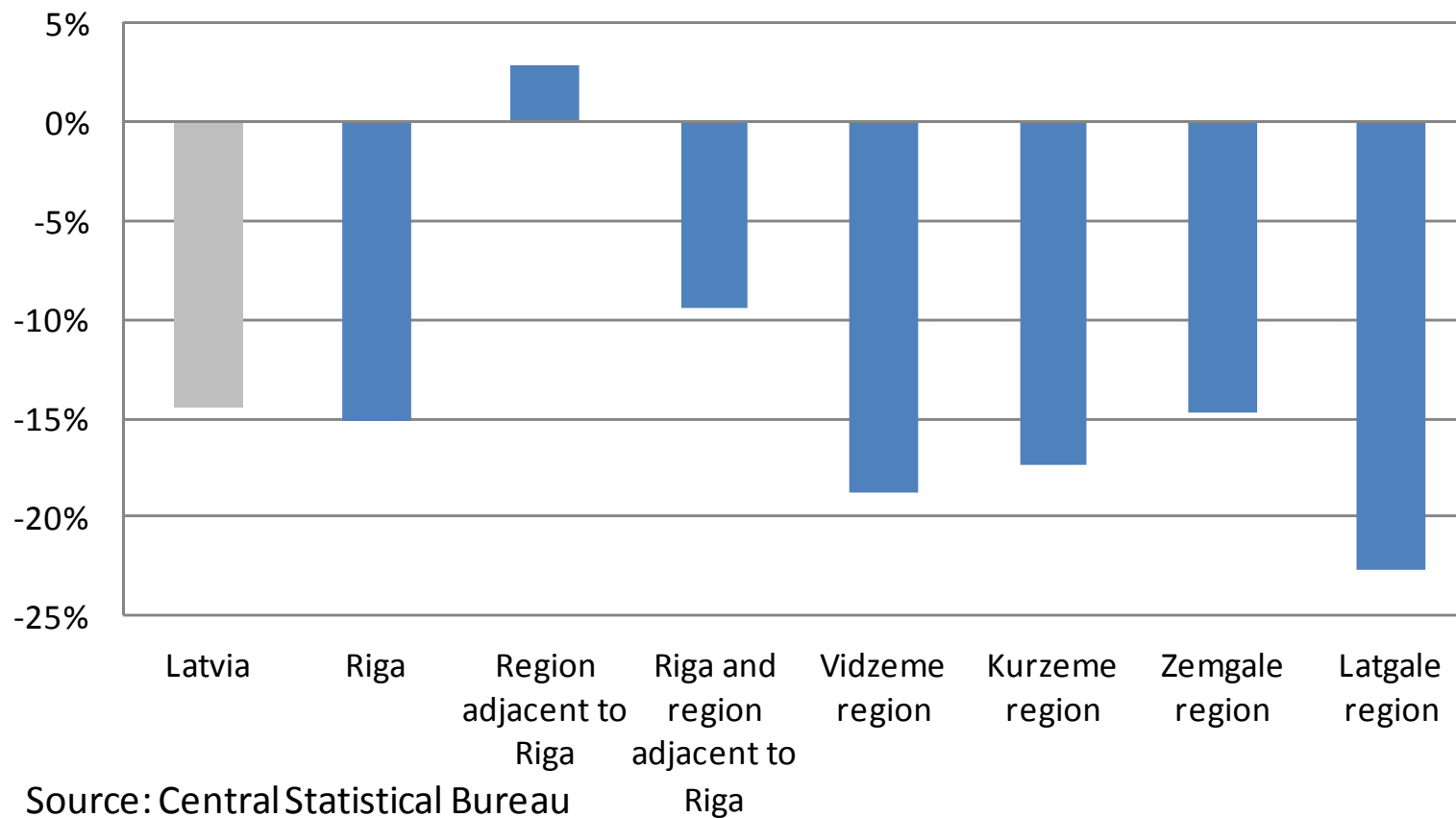
Recent Demographic Trends in Latvia and Other New EU Member States

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Population developments in Latvia have been divergent among regions...

Population dynamics in Latvia: 2012 vs. 2000



...and within regions

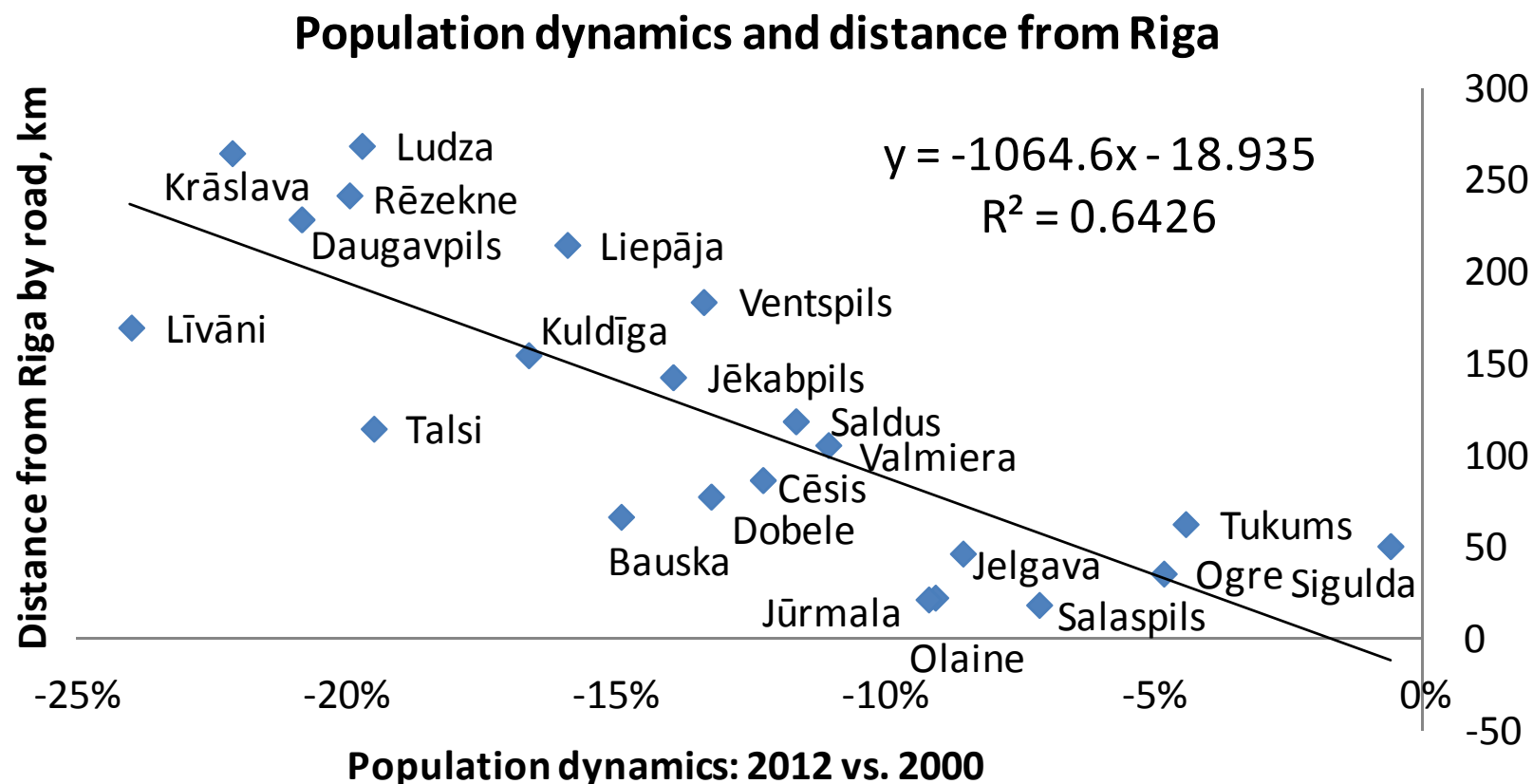
- Riga and the region adjacent to Riga together serve as a relative center of gravity for the declining population
- The same trend, although less pronounced, is also visible in the other four regions – the larger cities have lost fewer people than the respective region
- There are several “development centers” other than Riga, most notably Jelgava, Valmiera and Ventspils.

Regional population dynamics in Latvia, 2012 vs. 2000 (%)

Latgale region	-23%
Daugavpils	-21%
Rēzekne	-20%
Latgale region except Daugavpils and Rēzekne	-24%
Kurzeme region	-17%
Liepāja	-16%
Ventspils	-13%
Kurzeme region except Liepāja and Ventspils	-19%
Vidzeme region	-19%
Valmiera	-11%
Vidzeme region except Valmiera	-20%
Zemgale region	-15%
Jēkabpils	-14%
Jelgava	-9%
Zemgale region except Jēkabpils and Jelgava	-17%

Source: Central Statistical Bureau

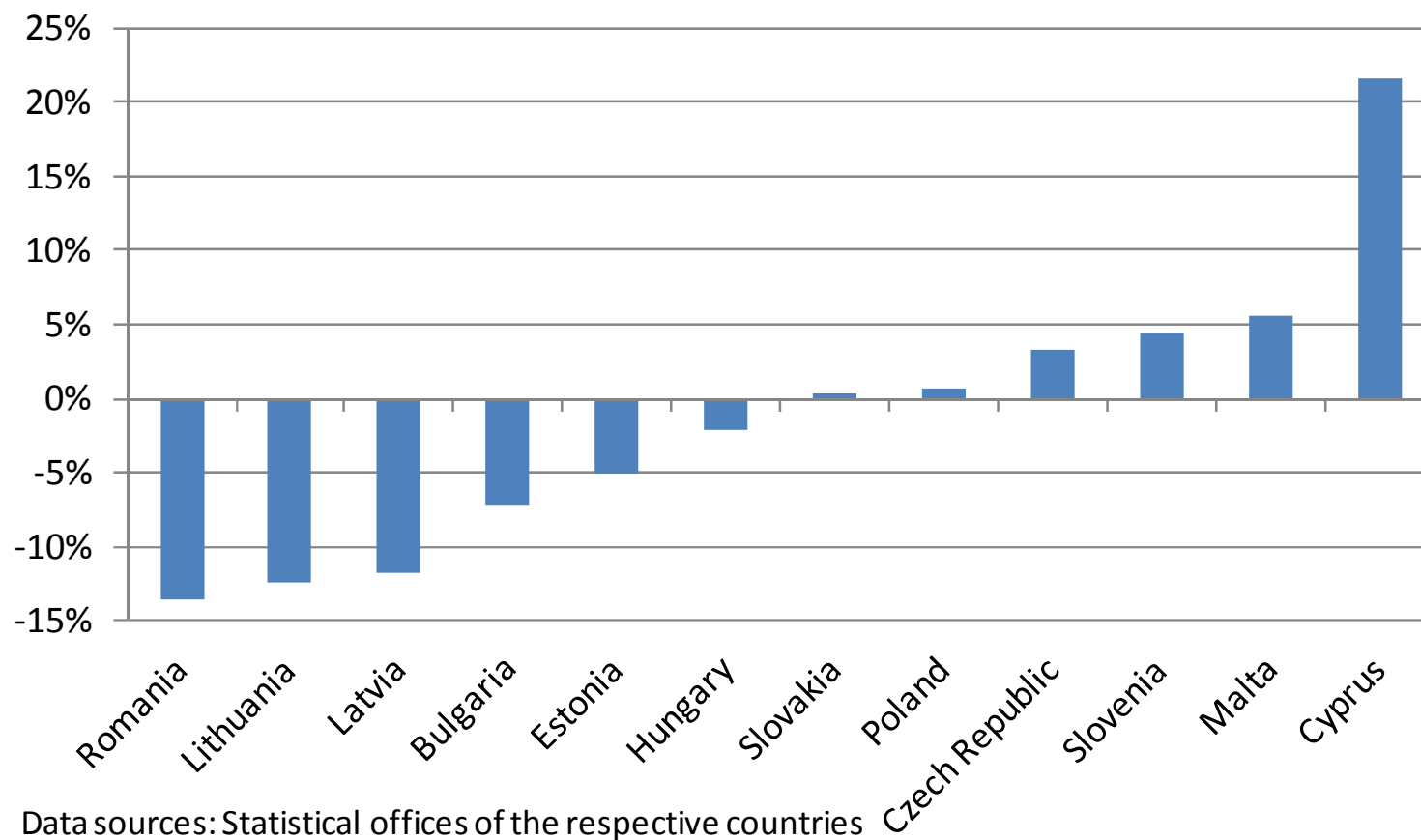
Population decline has been directly proportional to distance from Riga



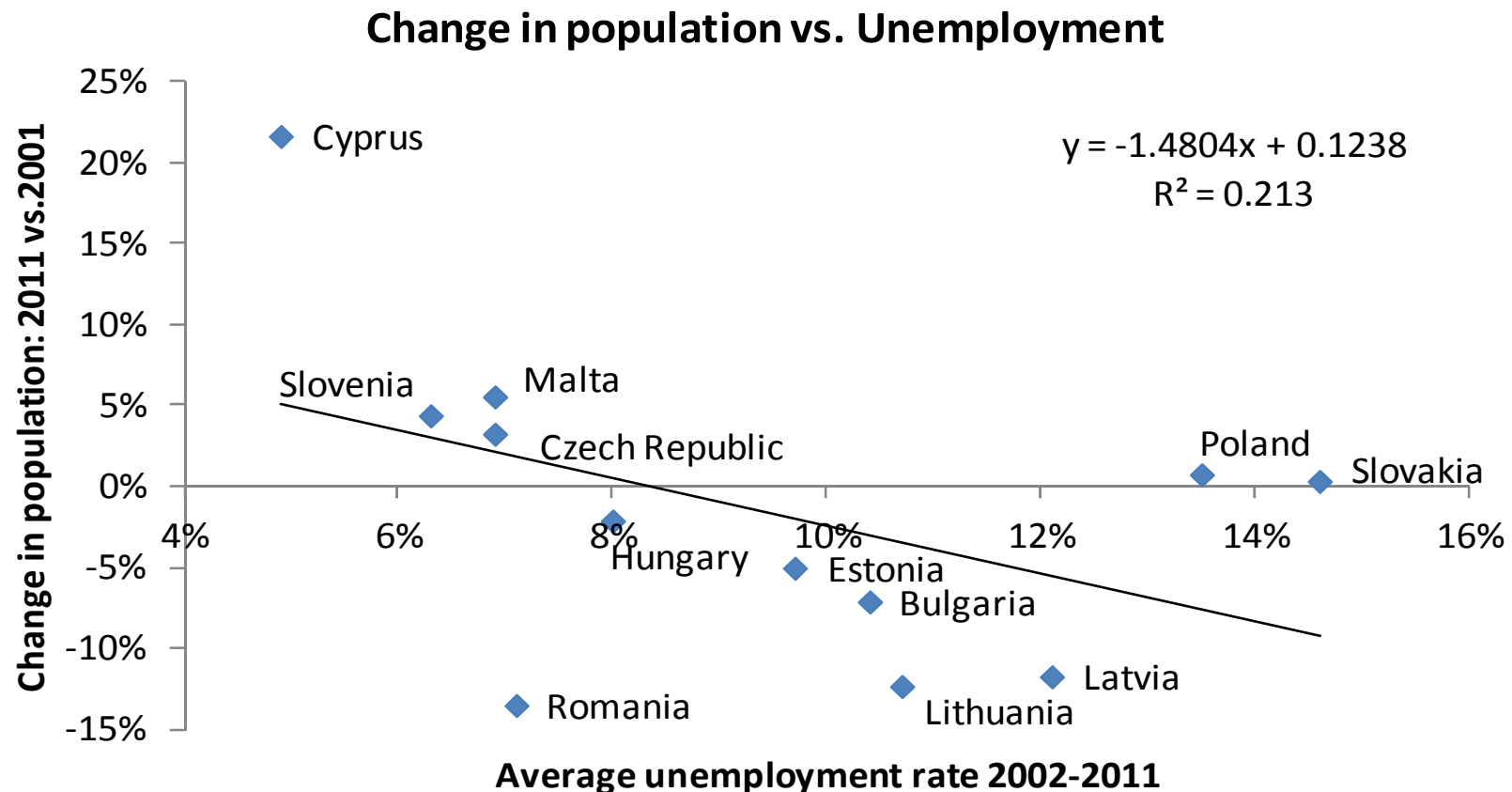
Data sources: Central Statistical Bureau, Latvian State Roads

Population developments have been divergent also in the new EU member states

Change in population: 2011 vs. 2001



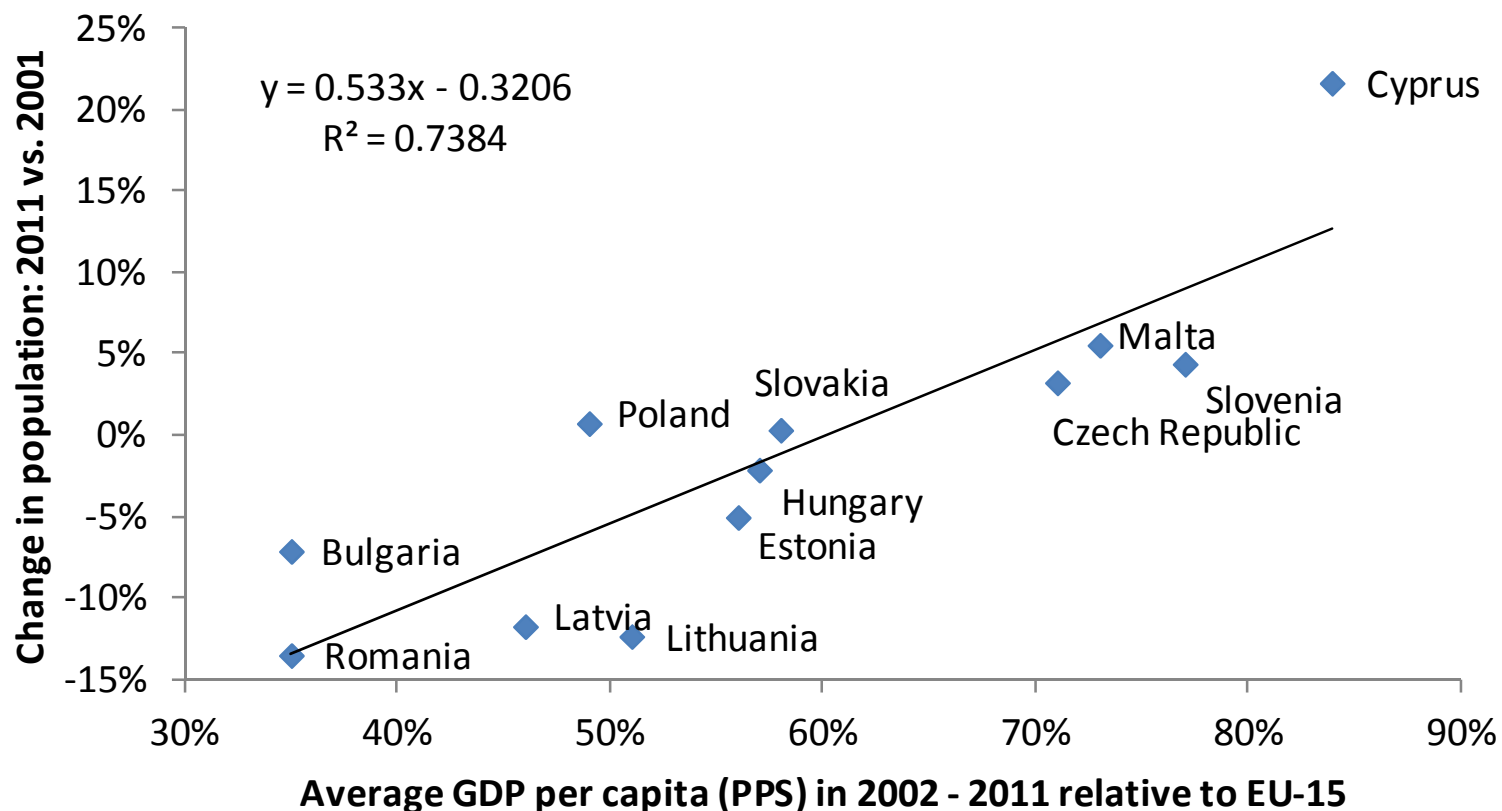
Change in population in the long run shows relatively weak correlation with unemployment



Data sources: Eurostat, Statistical offices of the respective countries

Change in population shows a strong correlation with relative income level

Change in population vs. GDP per capita



Data sources: Eurostat, Statistical offices of the respective countries

All new EU member states have been closing the gap with EU-15, but substantial differences still remain

Nominal Gross Domestic Product per capita (PPS per inhabitant)

GEO/TIME	2001		2011	
	PPS per inhabitant	% of EU-15	PPS per inhabitant	% of EU-15
EU-15	22,700	100%	27,600	100%
Bulgaria	5,900	26%	11,600	42%
Czech Republic	14,500	64%	20,200	73%
Estonia	9,200	41%	16,900	61%
Cyprus	17,800	78%	23,700	86%
Latvia	7,600	33%	14,700	53%
Lithuania	8,300	37%	16,600	60%
Hungary	11,500	51%	16,500	60%
Malta	16,100	71%	21,500	78%
Poland	9,400	41%	16,200	59%
Romania*	5,500	24%	11,400	41%
Slovenia	15,800	70%	21,000	76%
Slovakia	10,400	46%	18,400	67%

*2011 data from 2010

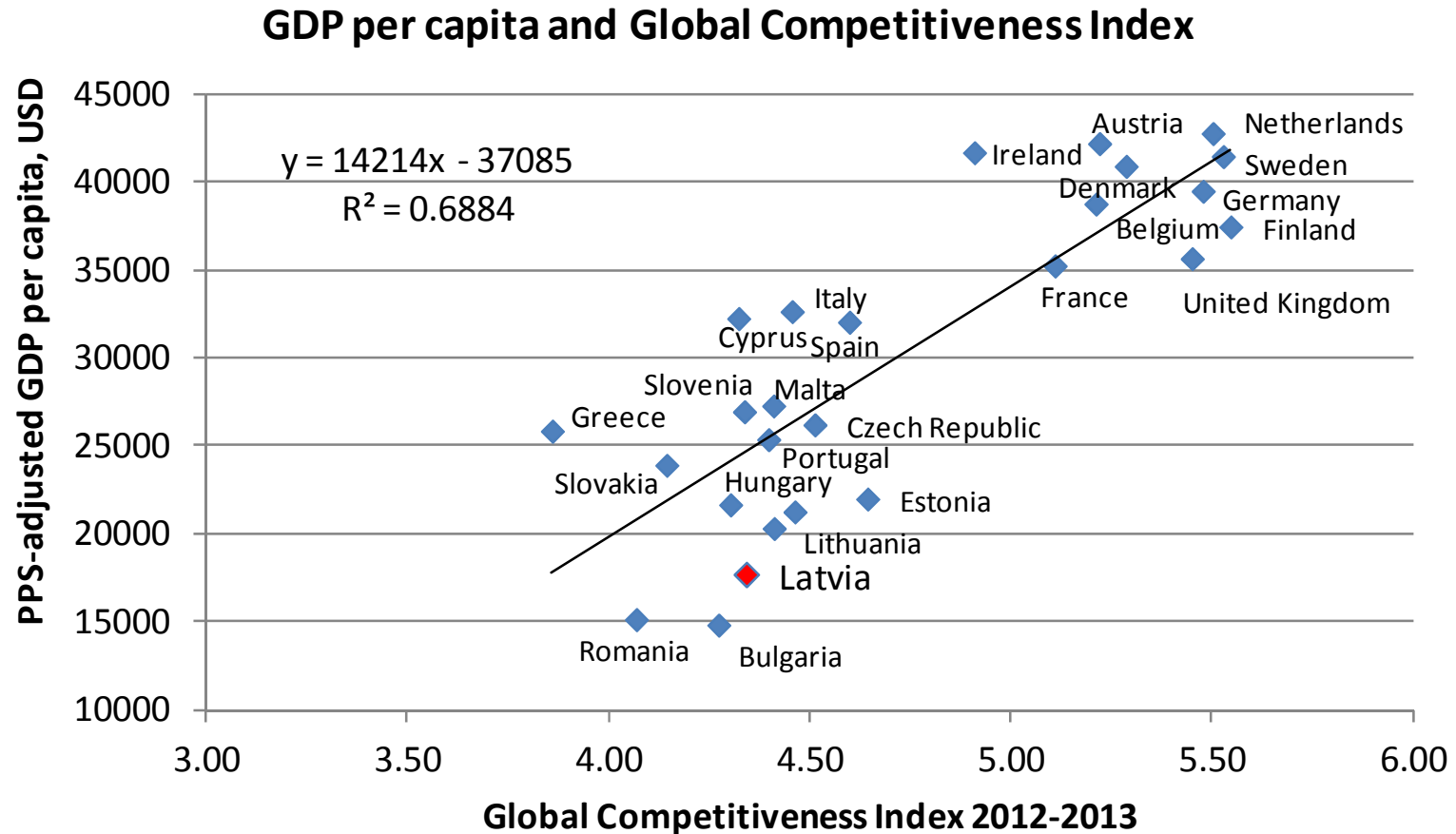
Source: Eurostat

What is Latvia good / not so good at?

Indicator	Value	Rank/144
Health and primary education	6.0	45
Macroeconomic environment	5.1	46
Labor market efficiency	4.8	27
Higher education and training	4.8	42
Technological readiness	4.7	38
Goods market efficiency	4.4	47
Financial market development	4.4	52
Infrastructure	4.1	64
Institutions	4.0	59
Business sophistication	3.9	71
Innovation	3.2	64
Market size	3.1	91

Source: Global Competitiveness Index 2012-2013

Income levels are related to competitiveness



Sources: World Economic Forum, World Bank

Conclusions

- Relative income levels of more than 70-75% from the EU-15 average appear to be “safe territory” for a new EU member state to stop losing its population
- Continuing convergence even at a lower pace than that of last decade, Latvia could reach 75% of EU-15 income by 2017
 - By then there will be about 1.9 million people in Latvia
 - Population will be even more concentrated in Riga and the region adjacent to Riga and the larger regional cities
 - Smaller towns that are relatively far away from Riga will increasingly lose critical mass
 - Average income and purchasing power will rise, though!
- Further convergence with EU average is not guaranteed, though. There is a risk that without further reforms Latvia will hit a productivity and income “ceiling” and stagnate once it has reached the current level of the Czech Republic / Slovenia



Thank you!

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