

Latvia

Tourism in the economy

Tourism is one of Latvia's main drivers of economic development, an important source of export revenue and a key contributor to GDP.

In 2016, tourism directly contributed EUR 1 billion, amounting to 4.1% of Latvia's total GDP. Tourism direct exports totalled EUR 783 million, representing 4.5% of total exports. The tourism sector, together with induced impacts, provided almost 79 000 jobs and accounted for 8.9% of total employment in 2016.

The number of hotels and other tourist accommodation providers has increased in recent years. In 2016 there were 607 establishments (37 453 beds) compared to 544 in 2014 (33 459 beds). The impact of sharing economy services such as Airbnb, has also continued to grow, with over 10% of visitors now estimated to use such services.

Hotels and other similar establishments recorded 2.3 million guests in 2016, an increase of 7.7% over 2015 levels, of which nearly 70% were international visitors (1.5 million). The largest tourism markets are Russia (208 800), Germany (187 800), Lithuania (158 800) and Estonia (145 300) together accounting for 45% of foreign tourists.

There were 12 million domestic trips in total in 2016, of which 3 million included overnight stays and 9 million were same-day visits. Receipts from domestic travel totalled EUR 328 million, of which overnight visitor trips accounted for EUR 111 million.

Tourism governance and funding

The Ministry of Economics (the “Ministry”) is responsible for the development and implementation of tourism policy in Latvia. Its main responsibilities are determined by the Tourism Law of 1998, under which it is charged to:

- Develop national tourism policy and organise and coordinate its implementation,
- Develop draft legislation and regulations,
- Represent the State's interests in the tourism industry,
- Plan state aid to the tourism industry,
- Prepare and implement international agreements regarding co-operation in the field of tourism, as well as coordinate the development of international projects.

In 2016 the tourism board of Latvia (the Latvian Tourism Development Agency) was merged with the Investment and Development Agency of Latvia (the “Agency”), which is supervised by the Ministry.

The new tourism tasks of the Agency include:

- Ensuring implementation of Latvian tourism development policy,

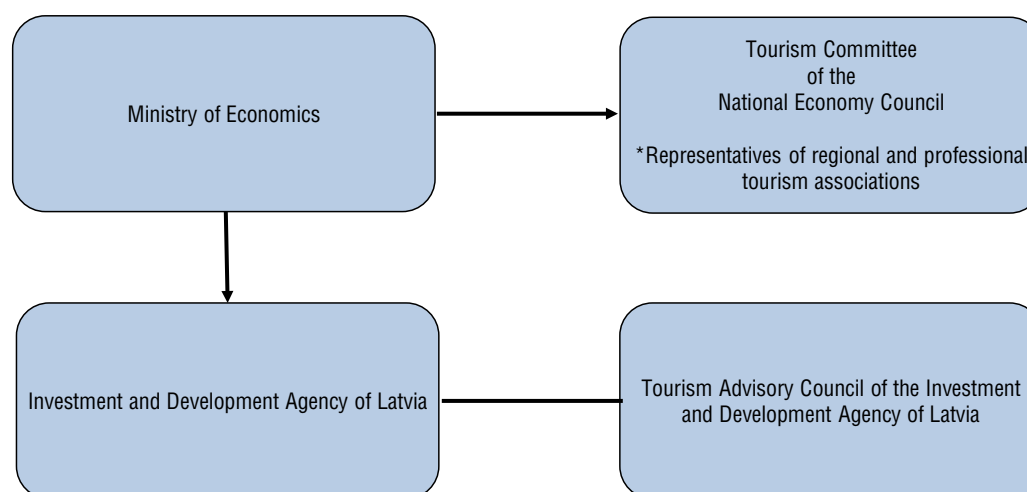
- Promoting Latvia as an attractive tourist destination to both national and international markets,
- Introducing tourism projects developed by a partnership of the public and private sectors,
- Attracting financial resources for tourism development,
- Introducing quality management into the tourism sector, including the assessment of compliance by Latvian tourism operators and related service and retail providers,
- Helping to implement international co-operation agreements in the tourism sector.

The Ministry and Agency co-operate actively with the regions of Latvia via four regional tourism associations. If more detailed issues are to be resolved, co-operation with local municipalities and tourism information centres is also possible. The Ministry also co-operates with sector associations on issues related to specific topics such as accommodation or the activities of travel agencies.

Coordination over nationally relevant issues regarding tourism is undertaken by the Tourism Committee of the National Economy Council, which includes representatives of the tourism associations, regional associations and other bodies.

In 2016, the total budget for tourism marketing was EUR 2 million, including state funding of EUR 500 000 plus co-funding from the European Regional Development Fund (ERDF), and funds for the implementation of the EURO VELO 13 and EDEN projects. During the period of ERDF funding (2014-2020), Latvia has allocated EUR 20 million to tourism marketing and other promotional activities.

Latvia: Organisational chart of tourism bodies



Source: OECD, adapted from the Ministry of Economics, 2018.

Tourism policies and programmes

Three main challenges have been identified for competitive and sustainable tourism development:

- Decrease of average spending by tourists per day. During the evaluation of the Latvian Tourism Guidelines for the period of 2014-2016, it has been noted that while the number

of tourists is rising and has exceeded the forecasts by 8%, the total expenditure has not reached the expected rates due to a decrease of average spending per tourist per day.

- Strong tourism seasonality leading to fluctuations in business turnover. The average occupancy rate in the low season falls to 30%, while in the high season it can reach 60-80%.
- Low competitiveness of Latvia as a tourism destination in the region, the EU and globally. Latvia is relatively unknown as a tourism destination and it is important to raise market awareness.

The Ministry of Economics has developed the Latvian Tourism Development Guidelines for 2014-2020, which is the main tourism policy document. The overall goal is to ensure sustainable growth of the Latvian tourism sector by facilitating the competitiveness of Latvian tourism services in export markets.

Latvian tourism policy aims to increase the competitiveness of Latvian tourism supply by:

- Meeting the criteria of sustainable tourism product development,
- Encouraging international competitiveness,
- Reducing seasonal imbalance in tourism flows,
- Extending the average length of stay.

Overall, Latvia's most competitive tourism sectors are MICE tourism, health tourism, nature tourism, and cultural tourism and creative industries.

The policy response to the identified challenges has focused on the following activities:

- Improving the quality of tourism offer. In order to increase the average spending of tourist per day, it is important to improve the quality of tourism offer to increase the willingness of visitors to pay higher prices. The Latvian Tourism Development Guidelines for 2014-2020 support only quality tourism product development. The product has to be sustainable, offer innovative solutions, be export oriented, and offer high quality with high added value.
- Improving education and skills in tourism. In order to improve the quality of services, it is important to improve the education and skills of the service providers. The qualifications of undergraduate students have been redesigned, with improved efficiency in higher education in tourism and beauty/spa studies.
- Combating seasonality. Latvia has set MICE and wellness/health tourism as key priorities in tourism development, to minimise the negative effects of seasonality.
- Improving competitiveness in the region. To increase Latvia's competitiveness as a tourism destination, Latvia has set the VAT rate for accommodation below the general VAT rate, to ensure prices are regionally competitive.

The Investment and Development agency of Latvia is providing support for SMEs in various activities to improve the international competitiveness of Latvia as a tourist destination. Three main activities, financed through the European Regional Development Fund (ERDF), include:

- Organising national stands in international tourism fairs and exhibitions abroad,
- Marketing and promotional activities,
- Financial support to SMEs for individual stands and participation in tourism-related conferences and seminars abroad.

Statistical profile

Table 1. Latvia: Domestic, inbound and outbound tourism

	2012	2013	2014	2015	2016
TOURISM FLOWS, THOUSAND					
Domestic tourism					
Total domestic trips	12 149	12 151	11 413	10 691	12 197
Overnight visitors (tourists)	3 796	3 156	3 258	2 972	3 071
Same-day visitors (excursionists)	8 353	8 995	8 155	7 718	9 126
Nights in all types of accommodation	7 678	7 289	8 447	6 542	7 233
Hotels and similar establishments	450	467	671	592	400
Specialised establishments	220	431	427	322	416
Other collective establishments	261	249	320	435	357
Private accommodation	6 748	6 142	7 029	5 193	6 060
Inbound tourism					
Total international arrivals	5 569	5 822	6 246	6 842	6 797
Overnight visitors (tourists)	1 435	1 536	1 843	2 024	1 793
Same-day visitors (excursionists)	4 134	4 286	4 403	4 818	5 004
Top markets					
Russian Federation	273	333	348	204	209
Germany	123	123	168	179	188
Lithuania	203	210	266	145	159
Estonia	121	146	181	139	145
Finland	65	72	80	83	101
Nights in all types of accommodation	5 792	7 009	7 822	8 145	8 766
Hotels and similar establishments	2 756	3 060	3 269	3 566	3 146
Specialised establishments	..	..	..	..	..
Other collective establishments	138	164	121	152	136
Private accommodation	2 717	3 552	4 202	4 217	4 959
Outbound tourism					
Total international departures	2 265	1 777	1 846	1 719	1 939
Overnight visitors (tourists)	1 398	1 246	1 362	1 242	1 250
Same-day visitors (excursionists)	867	530	484	478	689
Top destinations					
Lithuania	152	123	134	171	231
Estonia	141	158	95	168	190
Russian Federation	131	162	138	121	36
Sweden	116	98	86	75	78
Germany	135	94	95	71	37
TOURISM RECEIPTS AND EXPENDITURE, MILLION EUR					
Inbound tourism					
Total international receipts	833	896	935	1 024	783 p
International travel receipts	581	651	719	807	783 p
International passenger transport receipts	252	245	216	217	..
Outbound tourism					
Total international expenditure	674	676	682	721	628 p
International travel expenditure	529	538	537	554	628 p
International passenger transport expenditure	145	138	145	167	..

.. Not available; | Break in series; p Provisional data

Source: OECD Tourism Statistics (Database).



StatLink  <http://dx.doi.org/10.1787/888933640614>

Table 2. **Latvia: Enterprises and employment in tourism**

	Number of establishments	Number of persons employed				
	2015	2012	2013	2014	2015	2016
Total	..	..	..	..	..	..
Tourism industries	13 428	72 200	69 500	74 900	73 800	79 600
Accommodation services for visitors	1 108	3 400	4 300	5 700	5 500	6 000
Hotels and similar establishments	444	2 500 e	3 200	4 600	5 000	4 700
Food and beverage serving industry	4 689	24 900	22 200	23 600	24 800	24 500
Passenger transport	1 478	18 000	18 800	20 200	18 400	22 100
Air passenger transport	16	2 400 e	..	..	..	..
Railways passenger transport	66	3 900	3 400	4 900	4 200	3 500
Road passenger transport	1 361	9 700	12 800	13 400	12 400	15 700
Water passenger transport	35	2 000 e	..	..	..	..
Passenger transport supporting services	..	..	..	..	..	..
Transport equipment rental	805	..	..	..	..	..
Travel agencies and other reservation services industry	960	2 700	2 600 e	2 800	2 400	1 500 e
Cultural industry	1 999	12 900	13 300	12 300	12 800	15 600
Sports and recreation industry	2 389	10 300	8 200	10 000	9 500	9 400
Retail trade of country-specific tourism characteristic goods	..	..	..	..	..	..
Other country-specific tourism industries	..	..	..	..	..	..
Other industries	..	..	..	..	..	..

.. Not available; e Estimated value

Source: OECD Tourism Statistics (Database).

StatLink  <http://dx.doi.org/10.1787/888933640633>



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