

## Location Spotlight – Riga, Latvia

March 2024: Complimentary Abstract / Table of Contents



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# This report provides perspectives on key aspects of the global sourcing market in Riga, Latvia

Location Spotlight – Riga, Latvia

## Riga | at a glance



Moderately mature location in Eastern Europe offering a sizable talent base to drive an array of IT BP functions primarily to service the Nordic, the US, and Germany markets: currently, organizations typically leverage Riga as a satellite center in conjunction with a main hub

**KEY FACTOIDS**

- 18,000+ FTEs in global services sector
- 14,000-16,000 annual tertiary graduates
- 50+ global service centers

Current overview	Key drivers	Key challenge
<ul style="list-style-type: none"> <li>Riga's global services market is 18,000+ Full-Time Employees (FTEs) strong housing, multiple Global Business Services (GBS) organizations, and service providers</li> <li>Riga is primarily leveraged to support IT, non-voice BP, and contact center services for the Nordic, the US, and German markets</li> <li>Riga has one of the lowest market saturations in Europe – hence, it possesses a strong lever to attract investments from global organizations; more than 65% of current players in Riga already have plans to expand operations further</li> </ul>	<ul style="list-style-type: none"> <li>Qualified multilingual talent: 40% of residents have attained higher education, 55% possess basic digital literacy, 54% of residents speak at least two foreign languages</li> <li>Well-developed infrastructure such as robust internet, growing supply of economical office space, and investments to further boost the rail connectivity with the rest of Europe</li> <li>Government stimulus via incentives and proactive support (from investment agencies such as Invest Riga) to firms</li> <li>Robust security measures and stable geopolitical landscape</li> </ul>	<ul style="list-style-type: none"> <li>Compared to some lower talent scalability, scaling operations for</li> <li>Concerns around rebranding and employment</li> <li>Macroeconomic challenges: fiscal deficit continues to impact country's economy</li> </ul>

**KEY PLAYERS:**

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## Riga | risk profile (page 1 of 2)

Geopolitical stability and strong government support for the IT-BP sector

Parameter	Everest Group rating	Comments
Geopolitical	<span style="color: green;">■</span> Highly favorable	<ul style="list-style-type: none"> <li>Latvia presents low systemic political risk – despite government changes, state institutions have been mostly competent enough to provide reliable services</li> <li>Latvia is a member of NATO, WTO, UNESCO, OECD, and the Schengen travel area. Latvia's membership of the European Union ensures free movement of resources. The government is expected to continue pro-European policies – Riga has twin city agreements with 26 cities including Dallas, and is a member of 16 cooperation networks</li> <li>Latvia ranked 38<sup>th</sup> out of 167 countries and was classified as a flawed democracy in the EIU Democracy Index</li> </ul>
Macroeconomic	<span style="color: yellow;">■</span> Favorable, some concerns	<ul style="list-style-type: none"> <li>According to the OECD, Latvia's economic growth will rebound to ~2.5% in 2024 (up from ~1% in 2023)</li> <li>Riga is experiencing growth in several key sectors including GBS, IT, and manufacturing (including pharmaceuticals)</li> <li>Fitch affirmed Latvia's long-term foreign currency sovereign credit ratings at the A- level and upgraded the outlook to positive</li> <li>World Economic Forum has identified rising external debt as one of the foremost risks confronting the country. External debt has been a pertinent issue since the early 2000s – Furthermore, the country faces notable fiscal deficit primarily due to high energy prices and business inputs</li> </ul>
Infrastructure	<span style="color: yellow;">■</span> Favorable, some concerns	<ul style="list-style-type: none"> <li>Riga airport provides direct connectivity to the UK, the Nordics, and other European cities with multiple daily flights to major hubs. The forthcoming high-speed railway line, Rail Baltica, will further enhance the infrastructure of the country and offer expedited transit between Riga and the Baltics and other major European cities</li> <li>While there are some concerns around the aged IT and GBS infrastructure in the city, multiple modern infrastructure projects such as Preses Nama Kvartals, VEF District, Skanste, and Rix Airport City are underway. These projects will significantly increase the supply of grade-A office spaces in Riga – Grade-A office spaces are available at rates starting from 16 -18 Euros per square meter – the lowest in the Baltics. Overall, the supply of office space is expected to increase by ~65,000 square meter by 2025</li> </ul>

Source: Everest Group (2024); EIU, OECD, WEF; inputs from Invest Riga, ABSL Latvia, Colliers, Alliance Group, Sorainen, market players (both GBS organizations and service providers)

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Published
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Reports title	Release date
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