CHEMICAL INDUSTRY SNAPSHOT

Building on historic strengths

With sales of €699 million in 2017, the chemical and pharmaceutical industries are a longstanding cornerstone of the Latvian economy. The historic commitment to a strong research, development, and manufacturing base in sophisticated chemical and pharmaceutical products was reaffirmed in 2009 when the government made it a priority sector. Chemical and pharmaceutical companies have always been the added value of Latvian products, due to their scientific achievements and the ability of entrepreneurs to turn ideas into competitive products.

Rooted in research

Chemicals and pharmaceuticals account for 10% of the manufacturing industry by turnover. These industries ranked fourth largest industry in Latvia, exporting 72% of their output. Experience and traditions, skills, efficiency and R&D
capacity underpin an ongoing development of the chemical, pharmaceutical and biotechnological sector.

HOW ARE WE DOING?

Distribution of production by subsectors in 2017

- Industrial gases 1%
- Fine chemicals 4%
- Fertilizers & agrochemicals 3%
- Paints & vanishes 4%
- Detergents 1%
- Cosmetics 6%
- Other chemicals 10%
- Synthetic fiber 4%
- Pharmaceuticals 24%
- Rubber compounds 1%
- Plastic compounds 23%
- Glass fiber 19%

An important employer

Latvia’s chemical industry had around 500 companies in 2017; all but a handful were SMEs. Employment in chemicals and pharmaceuticals is stable at 4,000 people, and another 5,000 work in the plastics and rubber compounds subsector and the glass fiber industry. The industry comes in second place when comparing the average salary level with all sectors of the Latvian economy. This implies both high tax payments to the state budget and a higher rate for the Latvian economy as a whole.

Leading with exports

Latvia produces and exports a diverse range of pharmaceuticals and chemical goods, from unique anti-cancer
Latvia exports worldwide, but the core export markets are the Baltic neighbours Lithuania, Estonia and the Confederation of Independent States (CIS) followed by Denmark, Germany, Sweden, and the Netherlands.

**Customer sectors of Latvian chemical exports**

Backed by education and skills

Seven higher education institutions and professional schools collaborate closely with the industry to educate and provide young people with the skills needed for industry.

**PREPARING THE FUTURE**

**Strengths**

- Skilled, flexible and relatively cheap workforce
Modern, flexible plants meeting EU standards
Strong research capacity
High added value products
Proximity and expertise in Russian markets
Broad international cooperation between exporting enterprises
Positive attitude: the industry is a priority sector for economic development

Weaknesses

- Reliance on imported raw material
- Government creates pressure to increase taxes and fees
- Limited industry resources to invest in business development
- Lack of new production technologies (except pharmaceuticals)
- Brain drain: able scientists often move abroad
- Reluctance of research institutions to undertake relevant research
- Ageing workforce
- Skills gaps

OUR CONTRIBUTION TO A COMPETITIVE EUROPE

To reinforce R&D investment, the Latvian government and Education and Science Ministry will support nine National Level Research Centres (NLRC) including centres dedicated to pharmacy and bio-medicine, food processing technologies, nano-structured and multifunctional materials, structural and construction technologies and public health and clinical medicine. Latvian Contract Research Organization (CRO) activities are also gaining recognition.

Clustering to compete globally, The Life Sciences Cluster of Latvia comprises more than 30 pharmaceutical, chemical, and biotechnology companies, as well as educational and research institutions, skilled in organic chemistry and biopolymer research, microbiology and virology, genomics, immunology, biotechnology, and wood chemistry.

Landscape of the European Chemical Industry Website:
http://www.chemlandscape.cefic.org/country/latvia/