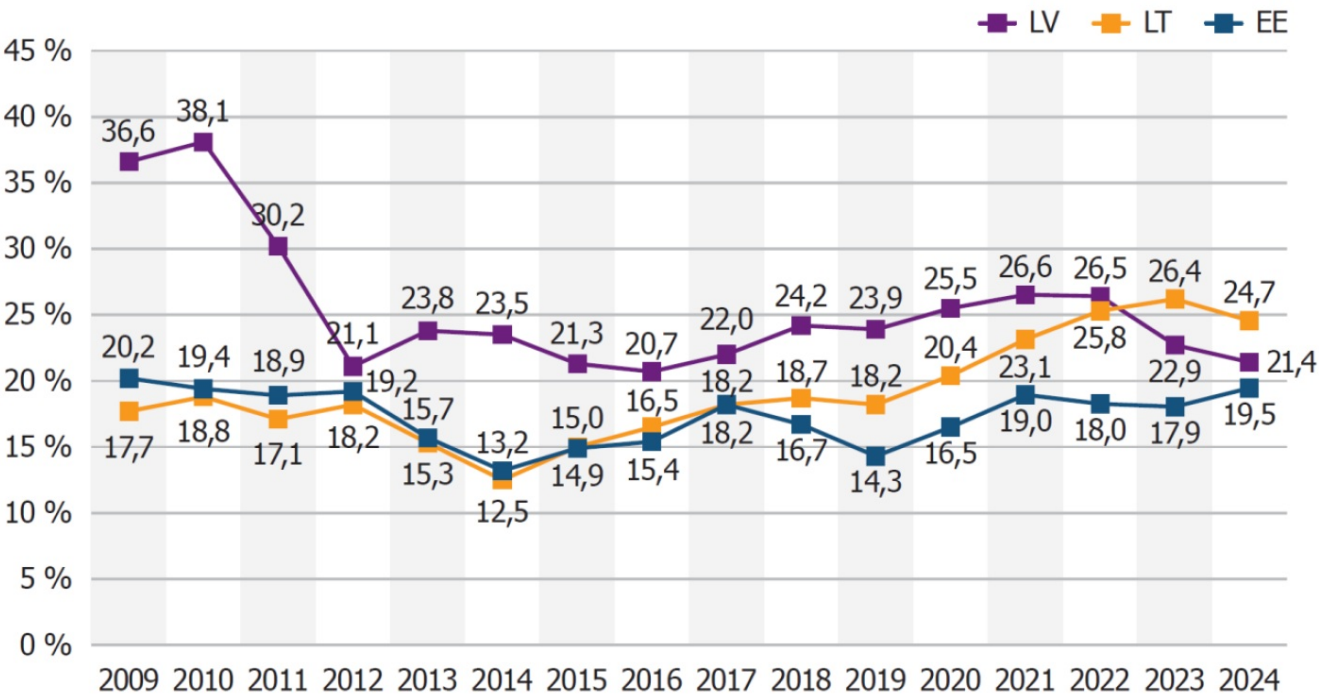


SSE Riga Shadow Economy Index: Latvia's shadow economy continued to decline in 2024

Published: 12.06.2025.



Publication of Stockholm School of Economics in Riga, published on June 12,2025

The latest results of the SSE Riga “Shadow Economy Index for the Baltic States 2009–2024” were presented on June 12 during the annual [Shadow Economy Conference](#), organised in cooperation with the [Latvian Chamber of Commerce and Industry \(LCCI\)](#).

According to the latest data, the shadow economy in Latvia continued to decline in 2024, reaching 21.4% of GDP. This marks a 1.5 percentage point decrease compared to 2023. A similar trend was observed in Lithuania, where the shadow economy dropped by 1.7 percentage points to 24.7% of GDP. In contrast, Estonia saw an increase, with the shadow economy rising to 19.5% of GDP — 1.6 percentage points higher than the previous year.

The Shadow Economy Index has been calculated in the Baltic States since 2009. The latest data show that Lithuania had the highest shadow economy level among the three countries in 2024. Although Estonia still has the lowest shadow economy share, 2024 marks its highest level since the Index was launched.

99 As stated by the study's author, SSE Riga Professor Dr. Arnis Sauka: “The findings show that, in 2024, envelope wages remain the most significant component of the shadow economy in all three countries. Policymakers should be more proactive in tackling this issue — not just through penalties and sanctions, but also through voluntary measures. Demonstrating the efficient use of taxpayer money, reducing bureaucracy, and cutting public sector costs could improve tax morale, which is crucial for reducing the shadow economy. Tax morale cannot be improved by laws alone, but it greatly impacts the size of the shadow economy.”

In 2024, envelope wages accounted for 50.0% of the shadow economy in Latvia, 43.9% in Estonia, and 36.9% in Lithuania.

Undeclared revenue made up 24.6% of the shadow economy in Latvia, 25.9% in Estonia, and 36.8% in Lithuania. Undeclared employment constituted 27.4% of the shadow economy in Latvia, 30.2% in Estonia, and 26.3% in Lithuania.

Compared to 2023, both Latvia and Lithuania saw reductions in the average share of wages hidden from the state. Envelope wages fell by 2.9 percentage points in Latvia, reaching 20.7%, and by 2.7 percentage points in Lithuania, down to 18.1%. In Estonia, however, envelope wages rose to 17.2% (+0.7 percentage points).

Undeclared profits increased in all three Baltic states in 2024. The sharpest increase occurred in Estonia - from 9.5% in 2023 to 12.1% in 2024 (+2.6 percentage points). Nevertheless, Estonia still has the lowest share of undeclared profits. Lithuania leads with the highest share at 20.5% in 2024 (+0.9 percentage points), followed by Latvia at 15.2% (+0.6 percentage points).

Across all three countries, the share of undeclared workers decreased in 2024. In Latvia, 10.9% of employees were unregistered (-0.8 percentage points), in Lithuania – 11.7% (-3.7 percentage points), and in Estonia – 10.6% (-0.1 percentage points).

Dr. Arnis Sauka notes: “We also asked respondents what would happen if a company in their sector were caught providing false data. In Latvia, 5.1% answered ‘nothing serious’, 6.0% in Lithuania, and 9.4% in Estonia. Meanwhile, 35.2% of Latvian respondents, 40.0% in Lithuania, and 30.2% in Estonia said it would result in a serious fine affecting competitiveness. Additionally, 20.4% of Latvian managers, 12.4% in Lithuania, and 17.6% in Estonia said the company would be forced to cease operations.”

The latest Shadow Economy Index also shows that the general level of bribery (percentage of revenue paid unofficially to ‘get things done’) in Latvia decreased from 10.0% in 2023 to 9.3% in 2024. However, bribery increased in Estonia (+0.8 percentage points) and Lithuania (+2.4 percentage points), reaching 7.0% and 10.5% respectively. Moreover, all three countries reported an increase in the average share of contract value paid to secure public procurement. The sharpest rise was in Estonia — from 3.3% in 2023 to 7.4% in 2024. In Latvia, it increased slightly by 0.3 percentage points to 7.8%, and in Lithuania by 2.0 percentage points to 9.9%.

In Latvia, the region with the highest level of shadow economy in 2024 was Kurzeme (24.2%), followed by Latgale (22.7%), Vidzeme (22.2%), the Riga region (21.2%), and Zemgale (18.0%).

By sector, construction remains the industry with the highest shadow economy share in Latvia – 33.8% (-0.4 percentage points from 2023). Other sectors include retail at 26.2% (27.0% in 2023), services at 23.6% (26.4% in 2023), manufacturing at 17.3% (18.9% in 2023), and wholesale trade at 13.0% (same as 2023).

Regarding attitudes, companies in the Baltic States remain relatively satisfied with their tax authorities. In 2024, Latvia’s rating for the State Revenue Service (VID) improved to 3.60 (up from 3.47 in 2023), matching Estonia’s 2024 rating, though that marks a decline from 3.76 in 2023. Lithuania’s rating was 3.72 (slightly down from 3.75 in 2023).

Business satisfaction with tax policy improved in Latvia and Lithuania in 2024. Latvia’s rating rose from 2.60 in 2023 to 2.65 in 2024; in Lithuania, from 2.84 to 3.09. In Estonia, satisfaction decreased from 2.58 to 2.12 — the lowest among the three.

Satisfaction with business legislation also declined in Estonia, from 3.20 in 2023 to 2.93 in 2024. In contrast, Latvia and Lithuania saw slight improvements: from 3.04 to 3.06 in Latvia and from 2.95 to 3.00 in Lithuania. Satisfaction with government support for businesses declined in Latvia (from 2.57 to 2.52) and Estonia (from 2.43 to 2.32), while Lithuania saw a modest increase (from 2.77 to 2.79).

Dr. Arnis Sauka concludes: “The shadow economy in Latvia continues to decrease, which is certainly a good sign. This is likely due in part to government efforts under the national shadow economy reduction plan. However, the pace is slow, raising the question: could more decisive action speed things up? Perhaps it’s time to prioritise shadow economy reduction once again — an issue that seems to have faded from the top of the political and administrative agenda. This is especially critical now, as we face the need to significantly boost defence spending, support economic growth, and operate under fiscal constraints.”

The brochure of the SSE Riga “Shadow Economy Index for the Baltic States 2009–2024” are available below, both in Latvian and

English.



[Shadow Economy Index for the Baltic Countries 2009–2024](#) 

Related topics

[News](#)

<https://www.vid.gov.lv/en/article/sse-riga-shadow-economy-index-latvias-shadow-economy-continued-decline-2024>