

LATVIA / LITHUANIA / ESTONIA

Baltic Weekly Brief

21-27 SEPTEMBER 2026

People, financing and capacity.

The strongest Baltic economic signal this week came from the labour market.

All three Baltic states are redesigning access for foreign workers while demographic pressure and labour shortages remain part of the economic background. Growth forecasts for Latvia and Estonia improved, but fiscal space remains tight. Investment continued to move into ports, energy storage and defence technology.

Rail Baltica and airBaltic remained major stories, but both sit within this broader picture rather than defining it.

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01 / LABOUR & MIGRATION

Three systems, one constraint

LATVIA

~32,400

Proposed ceiling; not in force.

LITHUANIA

24,706

2026 quota; exhausted.

ESTONIA

1,292

2026 quota; broad exemptions.

Different legal scopes: the headline quotas are not a like-for-like measure of access to foreign labour.

Latvia approved a 71-measure immigration package covering third-country workers, foreign students, residence permits and employment controls. Most measures still require legislative changes before taking effect. ^[01]

The most economically significant proposal may be the planned quota for workers from third countries. Business organisations FICIL, LDDK and LTRK have opposed a proposed ceiling equivalent to 2% of the number of Latvian citizens, arguing that it is not linked closely enough to actual labour-market demand. ^[02]

Latvia had 1.845 million inhabitants at the beginning of 2026, 87.9% of them Latvian citizens. Applied to that population, a 2% ceiling would correspond to roughly 32,400 people. ^[03]

That is higher in absolute terms than Lithuania's 2026 foreign-worker quota of 24,706, despite Lithuania having the much larger population. Lithuania exhausted that quota during the year. Once it is used, work-based residence permits remain possible under higher salary requirements and for specified high-value shortage occupations. ^[04]

Lithuania is also narrowing some external migration channels. From 1 November, applications for temporary residence permits will no longer be accepted through external service-provider offices in Bosnia and Herzegovina, Kazakhstan, Kyrgyzstan and Uzbekistan. The Interior Ministry says the decision was taken on national-security grounds. ^[05]

Estonia operates a very different model. Its formal 2026 immigration quota is only 1,292 people, equivalent to 0.1% of the permanent population. But the headline number covers only part of labour migration. ICT workers, startup employees, top specialists, short-term workers and several other categories are excluded from the quota. ^[06]

SIGNAL

The three systems are moving in different ways. Latvia is preparing a relatively high numerical ceiling combined with tighter controls. Lithuania has already reached its quota and is narrowing some entry channels. Estonia keeps a very small formal quota but leaves large categories outside it. None of the three has removed the underlying demand for foreign labour.

02-03 / GROWTH & INVESTMENT

Growth improves. Capital needs a route.

02 / Growth and fiscal capacity

The latest EBRD update raised its 2026 GDP growth forecasts for Latvia and Estonia to 2.4%, from 2.0% and 2.1% respectively in June. Lithuania remains ahead at 3.0%.

For 2027, the forecasts converge much more closely: 2.1% for Latvia, 2.2% for Lithuania and 2.3% for Estonia. ^[07]

Estonia shows where the limits begin to appear. The government has agreed on a 2027 budget target with a deficit of 4% of GDP and says spending will be around €250 million lower than initially envisaged. The final budget and four-year fiscal strategy are due to be presented on 28 September. ^[08]

Infrastructure timing is already part of the adjustment. Estonia has extended the planned Rail Baltica timetable and is reviewing investment priorities as defence expenditure, transport projects and other demands compete for the same fiscal space.

Growth has returned across the region, but the composition of that growth will depend increasingly on which investment programmes governments can sustain alongside higher defence spending and existing infrastructure commitments.

03 / Infrastructure and finance

Klaipėda moved one of the largest Baltic infrastructure projects into its main construction-procurement stage this week.

The southern port expansion is planned to create around 100 hectares of new territory and 1.3 kilometres of quay infrastructure. The port estimates that the developed area could eventually handle around 30 million tonnes of cargo annually.

Nearly €600 million of Klaipėda Port's 2026-2029 investment programme is allocated to the southern expansion. Including expected private investment, the overall project could exceed €1 billion. ^[09]

Lithuania is also trying to widen the channels through which private capital reaches companies and projects. The government approved proposed changes to expand the role of alternative investment funds, including measures addressing the limited availability of domestic depositary services.

Supervisors could be allowed to permit Lithuanian alternative investment fund managers to obtain those services elsewhere in the EU. The Finance Ministry explicitly links the sector to financing SMEs, private companies, infrastructure, renewable energy, private debt and other long-term investment. The legislation still requires parliamentary approval. ^[10]

Klaipėda provides the physical side of that investment story; the fund reform addresses part of the financial architecture behind it.

04-05 / ENERGY & DEFENCE

Investment moves into operating capacity.

04 / Energy flexibility

192 MW / 420 MWh

Raudsepa battery project, Estonia

Latvia opened another large renewable project this week when Estonian developer Sunly inaugurated a 54 MW solar park near Matiši.

The solar park is the first operating part of a wider hybrid project designed to combine solar and wind generation with battery storage behind a shared grid connection. Total planned investment is around €100 million, with financing involving the EIB, EBRD and SEB. ^[11]

The more important feature is not another 54 MW of solar capacity, but the attempt to combine generation and storage within the same grid connection.

Estonia is moving in the same direction on a larger storage scale. Taaleri SolarWind III and KJK Fund III invested in the 192 MW / 420 MWh Raudsepa battery energy storage project around 50 kilometres south of Tartu. Construction starts in September 2026, with full operation planned for November 2027. Revenue is expected to come from both electricity arbitrage and ancillary-services markets. ^[12]

Baltic renewable investment is beginning to move beyond the simple addition of generation capacity. Storage, balancing and more efficient use of constrained grid connections are becoming commercial assets of their own.

05 / Defence integration

Integration & entry

ORIGIN / Anduril · Mach Industries

Latvia's ORIGIN and US defence-tech company Anduril signed a memorandum to explore integrating ORIGIN's BLAZE autonomous interceptor with Anduril's Lattice command-and-control platform.

The programme includes joint testing, demonstrations and validation in Latvia. It is not a procurement contract or an investment commitment, but it establishes a defined technology-integration programme rather than another round of exploratory meetings. ^[13]

Lithuania produced a different type of signal. The Economy and Innovation and Defence ministries signed an agreement with US-based Mach Industries covering the establishment of a Lithuanian unit and cooperation on possible assembly, integration or manufacturing capacity for advanced defence systems and components. ^[14]

There is no announced investment amount, factory site, employment target or production volume yet. Mach Industries therefore remains an industrial-entry signal rather than a confirmed manufacturing investment.

The important change is gradual rather than dramatic: Baltic-US defence-tech ties are acquiring local entities, testing programmes, integration work and potential production capacity.

06 / HOUSING

One direction, three different markets.

Housing provided another example of why common Baltic headline numbers can hide very different market structures.

HOUSE PRICES / Q2 2026 / YEAR-ON-YEAR CHANGE

MARKET	ANNUAL CHANGE	MARKET READING
Lithuania	+14.3%	Fastest annual increase of the three.
Latvia	+11.4%	Growth concentrated in existing dwellings.
Estonia	+5.8%	Slower annual growth; +3.5% quarter on quarter.

[15] gimstamumas.lt [16] stat.gov.lv [17] stat.ee

In the second quarter, house prices were 14.3% higher year on year in Lithuania, 11.4% higher in Latvia and 5.8% higher in Estonia. ^[15]

Latvia's structure is particularly uneven. Prices of existing dwellings rose 13.3% year on year, while new dwellings increased by only 1.7%. ^[16]

Estonia recorded much slower annual growth, at 5.8%, although prices still increased 3.5% from the previous quarter. ^[17]

Lithuania is combining rapid appreciation with already higher absolute price levels. Latvia's rise is concentrated heavily in existing housing. Estonia is moving more slowly after its earlier property cycle.

SIGNAL The headline direction is common. The markets underneath it are not.

07-08 / TRANSPORT

Construction, financing and restructuring.

~34%

Rail Baltica Phase I funding secured

€350m

airBaltic DIP financing commitments

07 / Rail Baltica

Rail Baltica remains the largest individual infrastructure project in the region.

The three Baltic governments agreed this week that the main line should become operational within the EU's next 2028-2034 Multiannual Financial Framework. They will jointly seek at least €10 billion in dedicated EU funding and want an EU co-financing rate of up to 85% to remain available. ^[18]

Construction itself is already substantial. Around 247 kilometres of the main line are currently in the construction phase across Estonia, Latvia and Lithuania.

Financing remains much further behind. Around €5.19 billion has so far been secured against the current estimated €15.3 billion cost of Phase I - approximately 34%. ^[19]

The project has moved into a different risk phase. Large-scale construction is now visible across the region; the harder task is bringing financing, national construction programmes, railway systems and rolling stock together into one functioning cross-border railway.

08 / airBaltic

The other major transport story moved from liquidity pressure into formal restructuring.

Fitch downgraded airBaltic's Long-Term Issuer Default Rating to D following the airline's Chapter 11 filing in the United States. Flight operations continue, and the airline has secured commitments for €350 million in debtor-in-possession financing. ^[20]

Shortly before the filing, Fitch had estimated that airBaltic needed around €156 million in short-term financing and described its alternatives without new funding as limited.

The immediate liquidity question has now been overtaken by a larger one: what financing, ownership and leasing structure will emerge from the restructuring process.

THE WEEK IN ONE LINE

The Baltics are not short of projects.

Ports are expanding. Renewable generation and battery storage are attracting capital. Defence-tech relationships are becoming more concrete. Growth forecasts have improved.

The harder constraints sit underneath: **people, financing and capacity**.

Governments are trying to manage labour shortages while tightening migration systems, fund higher defence expenditure while keeping infrastructure programmes moving, and add generation while building the storage and grid flexibility needed to use it.

That is the economic thread running through this week's Baltic signals - broader than any single railway, airline or investment project.

SOURCE DIRECTORY

Numbered links correspond to the references in the text. Click to open the source.

01 / Latvia: 71-measure immigration plan

balticfocus.org

02 / Business organisations: proposed 2% quota

ficil.lv

03 / Latvia: population and citizenship data

stat.gov.lv

04 / Lithuania: 2026 worker quota exhausted

migracija.lrv.lt

05 / Lithuania: external application offices

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06 / Estonia: 2026 immigration quota

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07 / EBRD: Baltic growth forecasts

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08 / Estonia: 2027 budget and fiscal strategy

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09 / Klaipėda: southern port expansion

portofklaipeda.lt

10 / Lithuania: alternative investment funds

finmin.lrv.lt

11 / Sunly: Matiši solar and hybrid project

investinlatvia.org

12 / Taaleri: Raudsepa battery project

taaleri.com

13 / ORIGIN and Anduril: integration MoU

suasnews.com

14 / Mach Industries: planned Lithuanian entry

eimin.lrv.lt

15 / Baltic house-price comparison

gimstamumas.lt

16 / Latvia: Q2 dwelling prices

stat.gov.lv

17 / Estonia: Q2 dwelling prices

stat.ee

18 / Baltic declaration on Rail Baltica

valitsus.ee

19 / Rail Baltica: construction and financing

balticfocus.org

20 / airBaltic: default and Chapter 11

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