

Baltic Focus Briefing

28 September - 4 October 2026

“The number of people who reach higher education will remain a ceiling for Estonia’s economy.”

Toomas Asser, Rector of the University of Tartu

Asser’s argument was explicitly economic: Estonia cannot build a more knowledge-intensive economy faster than it expands the pool of people with the necessary skills and expertise.

Latvia’s election gives United List a commanding lead

Latvia enters the new week with a substantially changed political landscape.

Prime Minister Andris Kulbergs’ United List won **35.3% of the vote and a provisional 41 of the Saeima’s 100 seats** in the 3 October election. Turnout was **51.79%**.

The scale of the victory makes United List the clear centre of the coming coalition negotiations. The next question is how that mandate translates into the composition of the government and into Latvia’s 2027 fiscal and economic policy.

NUMBERS OF THE WEEK

6.1% vs 3.0%

Preliminary September HICP inflation in Lithuania and Estonia

Lithuania’s annual HICP inflation reached an estimated **6.1%**, compared with **3.0% in Estonia**. Lithuania’s monthly increase was also stronger, at 0.9%, against 0.5% in Estonia.

What it means: Baltic inflation is no longer moving along a single regional trajectory. Price pressure is considerably stronger in Lithuania.

€7.6 billion

Lithuania’s services exports in Q2, up 19.8% year on year

Lithuania recorded a **€2.7 billion services trade surplus**, equivalent to 11.9% of GDP. Transport accounted for 48.1% of services exports, while road transport alone generated a **€1.7 billion surplus**.

What it means: services remain a major external earner for Lithuania, with road transport still carrying an unusually large share of that strength.

6%

Annual growth in Estonia’s retail trade volume in August

Retail volumes increased by **6% year on year**, accelerating from 4% in July. Stores selling manufactured goods recorded an 8% increase and were the main driver of growth.

What it means: Estonia’s consumer recovery is extending beyond essential purchases, with discretionary goods contributing more strongly to growth.

Energy & Climate

Lithuania's battery boom becomes a market story

Lithuania now has **1,195 MW / 2,261 MWh** of battery storage connected to its transmission and distribution networks.

By the end of 2026, projects already moving towards connection could push total installed battery capacity beyond **2 GW and 4 GWh**. Less than a year ago, Lithuania effectively had only the 200 MW Energy Cells system at this scale.

The expansion is already changing market design. Litgrid is procuring **154 MW of a new fast active power response service**, created partly to make greater use of the rapidly growing storage fleet.

What it means: batteries are moving from being individual investment projects to becoming infrastructure capable of changing how Lithuania balances and operates its electricity system.

Enefit adds 167 MW of wind capacity in Lithuania

Estonian state-owned Eesti Energia, through Enefit, officially opened the Kelmė I and II wind farms in Lithuania.

The two projects add **167 MW of capacity** and represent investment of around **€324 million**. Enefit is also developing battery systems of 16 MW and 18 MW at the two sites.

The project is another example of the Baltic electricity market becoming economically more integrated: an Estonian state-owned company is investing in generation and storage capacity in Lithuania while the regional electricity systems increasingly operate as a connected market.

Lithuania moves its €884 million Social Climate Plan into the financing stage

Lithuania and the European Commission signed the financing agreement for the country's Social Climate Plan on 30 September.

The programme provides for around **€884 million** in investment through 2032, including approximately **€663 million from the EU Social Climate Fund and €221 million from Lithuania**.

The money will support housing renovation, cleaner transport, energy efficiency and measures aimed at vulnerable households and small businesses.

The €884 million is not a new allocation announced this week - the plan had already been approved. The signing is the milestone that moves it towards implementation.

Estonia opens a €75 million oil-shale mine

Viru Keemia Grupp opened its new **€75 million Uus-Kiviõli mine**, designed to provide raw material for shale-oil production for roughly another three decades.

The existing Ojamaa mine is expected to close, with nearly 530 employees moving to the new operation.

The investment provides a sharp counterpoint to the region's rapid expansion of wind and battery capacity. Estonia is simultaneously developing cleaner energy infrastructure and committing substantial capital to a long-lived oil-shale asset.

Industry & Manufacturing

Lithuania starts building a Leopard 2A8 industrial base

Construction has started on a Leopard 2A8 tank assembly and repair facility in the Kaunas Free Economic Zone.

Lithuania Defense Services plans to invest around **€50 million** and create up to **80 jobs**.

The economic significance goes beyond the purchase of tanks. Lithuania is using a major defence procurement programme to create permanent assembly and maintenance capacity inside the country.

BLRT moves foundry production from Tallinn to Kohila

BLRT Grupp opened its new foundry in Kohila following an investment of nearly **€14 million**.

The plant replaces older production in Tallinn and increases annual capacity from around one million to **three million kilograms of castings**. It also expands the company's ability to manufacture larger and heat-treated components.

This is relatively traditional industrial investment - modern machinery, greater production capacity and export-oriented manufacturing - at a time when much Baltic investment attention is concentrated on technology, energy and defence.

Snaigė's restructuring ends in bankruptcy proceedings

Lithuanian refrigerator manufacturer Snaigė has moved to terminate its restructuring process and initiate bankruptcy proceedings.

The company has cited continuing losses, difficult market conditions and liabilities exceeding **€12 million**.

The case marks the failure of a multi-year effort to restructure one of Lithuania's long-established manufacturers and provides a counterweight to the new industrial capacity being added elsewhere in the region.

Agriculture & Trade

Latvia declares a nationwide agricultural emergency

Latvia has declared an agricultural emergency across the country after prolonged rainfall and waterlogged fields disrupted harvesting and autumn field work. The emergency regime is scheduled to remain in force until **10 January 2027**.

The Agriculture Ministry expects the 2026 grain harvest at around **3 million tonnes, 4% below 2025**, while agricultural production costs in Q2 remained around **43% above their 2019-2021 level**.

The risk is not confined to this year's harvest. Excessively wet fields are also disrupting winter-crop sowing, potentially carrying part of the weather shock into the 2027 production cycle.

Russian grain becomes a Baltic-wide policy issue

Estonia has decided to prohibit transit of Russian and Belarusian grain. Such transit through Estonia has so far been almost non-existent, making the decision primarily preventive.

The move comes as Latvia faces increasing Russian grain flows and tightens controls. Latvia has introduced additional checks on third-country grain cargoes, is preparing higher infrastructure charges and is considering wider restrictions on Russian and Belarusian imports and transit.

What it means: Russian grain is becoming more than a Latvian port issue. It increasingly intersects with Baltic agricultural competition, sanctions policy and transport infrastructure.

FINTECH

Eleving refinances expensive debt with a €200 million bond

Latvia-headquartered Eleving Group priced a **€200 million senior secured bond at a fixed 9% coupon**.

The proceeds will primarily refinance its €90 million 2028 bond, repay part of its Mintos liabilities and support continued development of its loan portfolio.

The debt being refinanced carries a **13% coupon**. On €90 million, the four-percentage-point difference corresponds to roughly **€3.6 million in gross annual coupon payments**, before transaction costs and other differences in the financing structure.

What it means: Eleving is refinancing debt raised during a considerably more expensive funding environment, providing a concrete example of how changing capital-market conditions are reaching Baltic financial companies.

Public Finance & Infrastructure

Estonia enters a more difficult fiscal cycle

Estonia's draft 2027 state budget contains around **€20.2 billion in expenditure and €19.4 billion in revenue**, with the general government deficit projected at **4% of GDP**.

At the same time, major investment commitments continue. Around **€445 million** is planned for Rail Baltica in 2027 and approximately **€274 million** for road maintenance and development.

The government says it reduced planned expenditure by another €250 million to bring the deficit down from the 4.5% level permitted under the EU's defence-related fiscal flexibility.

What it means: Estonia illustrates a problem that will increasingly matter across the Baltics - defence and strategic infrastructure spending are rising simultaneously, while fiscal room is becoming tighter.

What to Watch This Week

Latvia's government formation

President Edgars Rinkēvičs begins consultations with parties elected to the new Saeima on **5 October**, starting with election winner United List.

With 41 provisional seats, United List needs coalition partners to command a parliamentary majority.

September inflation

Estonia publishes its full September consumer-price data on **7 October**. Latvia follows with September CPI on **8 October**.

With Lithuania already reporting preliminary HICP inflation of 6.1% and Estonia 3.0%, the releases will show more clearly how far inflation dynamics are diverging across the Baltic economies.

THE WEEK IN ONE SENTENCE

The Baltics continued adding substantial energy and industrial capacity, but the same week also exposed widening inflation differences, tighter public finances and very uneven conditions across established industries.