

## Factors Affecting the Development of Catering Enterprises in Latvia

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**Abstract.** In the European Union, including Latvia, catering services are the largest industry in the hospitality sector. The industry of catering services generates the largest part of value added and the majority of jobs in the hospitality sector. The research hypothesis is that the development of catering enterprises is unequal across the regions of Latvia, and various factors having different correlative interrelations affect it. The research aim is to investigate the factors affecting the development of catering enterprises in Latvia. According to the research result, low-turnover micro enterprises dominate in the industry of catering services in Latvia, and the number and proportion of enterprises of this size tend to increase. Medium and large catering enterprises in Latvia are concentrated in Riga region. The geographic distribution of catering enterprises in the regions of Latvia is uneven: the highest concentration of enterprises is in Riga region. In the period of 2005-2010, the number of enterprises has increased in the regions but these changes were insignificant. In Latvia, the number of catering enterprises per 1000 inhabitants significantly lags behind that in other European countries. A correlation analysis showed that household expenses on restaurants, cafes, and hotels ( $r=0.97$ ); the number of visitors in tourist accommodations ( $r=0.93$ ); food expenses of foreign overnight travellers ( $r=0.91$ ); the number of foreign visitors in tourist accommodations ( $r=0.74$ ); and household expenses on food and non-alcoholic beverages ( $r=0.65$ ) affected the turnover of catering enterprises in Latvia. However, the number of residents ( $r=0.78$ ) and the average net monthly wage of employees ( $r=0.53$ ) affected the number of catering enterprises in Latvia. An analysis of the factors affecting the development of catering enterprises showed that during the economic crisis, households in Latvia concentrated their economic resources for satisfying their primary needs by reducing their expense on eating outside their home. The overnight traveller expense on food declined in Latvia, thus, the demand for services of catering enterprises also fell. After comparing the number of visitors in tourist accommodations in the regions of Latvia and the number of catering enterprises in the regions of Latvia, a causal relationship was observed – the number of catering enterprises was greater in the regions having a greater number of visitors in tourist accommodations.

**Key words:** catering enterprises, development, factors, hospitality industry.

**JEL code:** M21

### Introduction

The Ministry of Economics of the republic of Latvia defines tourism as one of the export-oriented service industries that has to be developed in the country, as this industry has a large multiplicative effect on the economy, and the industry's growth stimulates the demand for services of catering, transportation, entertainment, and commerce (Ministry of Economics, 2009).

Latvian businessmen also regard tourism as a prospective industry of the national economy (SEB bank, 2010).

An important component of tourism is a hospitality industry made up of industries of accommodation and catering (Eurostat, 2009).

In the European Union, including Latvia, the industry of catering services is the largest industry in the hospitality sector.

According to statistical data, the largest proportion (80% on average) has been composed of economically active market sector statistical units (hereinafter catering enterprises) in the hospitality industry in Latvia in the period of 2005-2010. They created 81% of jobs on average in the hospitality industry as well as made up 73% of the industry's total turnover on average, and this proportion tended to rise (Central Statistical Bureau of Latvia, 2012c).

In 2006 in the European Union (EU-27), the industry of catering services created 2/3 of the hospitality

industry's total value added and 3/4 of this industry's jobs (Eurostat, 2009).

Therefore, it is important to identify the factors determining the development of the industry of catering services.

**Research hypothesis:** the development of catering enterprises is unequal across the regions of Latvia, and various factors having different correlative interrelations affect it.

The research **aim** is to investigate the factors affecting the development of catering enterprises in Latvia.

The following **tasks** are set to achieve the research aim:

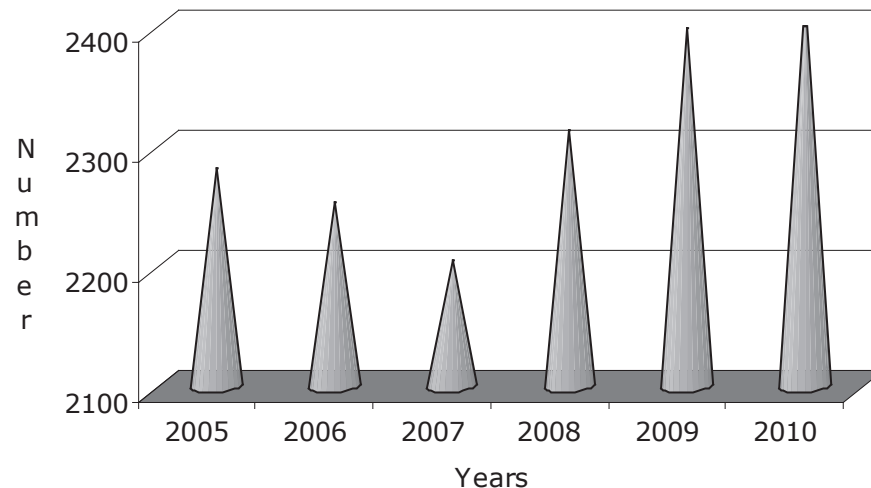
- 1) to investigate the changes in indicators of catering enterprises in Latvia;
- 2) to identify the factors affecting the performance of catering enterprises and investigate their mechanism of effects;
- 3) to analyse the changes in the factors affecting the performance of catering enterprises.

The research **object** is enterprises engaged in the industry of catering services. The research **subject** is their affecting factors.

The research period is extended from 2005 to 2010.

The present research is based on data of the CSB surveys. Documents developed by the Ministry of Economics of the Republic of Latvia as well as Eurostat

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Source: authors' construction based on the Central Statistical Bureau of Latvia, 2012a

Fig. 1. Changes in the number of catering enterprises in Latvia in 2005 - 2010

data were used to achieve the aim, execute the tasks, and prove or reject the hypothesis.

The following research **methods** were employed: the monographic method, statistical methods for economic analysis, synthesis and analysis, and pair-wise correlation analysis.

Research **novelty** – the factors affecting the development of catering enterprises were identified and analysed by means of pair-wise correlation analysis.

## Research results and discussion

### 1. Characteristics of catering enterprises in Latvia

Catering enterprises provide food and beverage supply services by offering food and beverages both for immediate consumption, and to tourists and domestic consumers. Traditional restaurants, self-service restaurants or restaurants offering take-away food as well as permanent or temporary catering places with or without seats provide catering enterprises (Central Statistical Bureau of Latvia, 2011).

One of the indicators characterising the development of catering enterprises is a number of these enterprises (Figure 1).

According to the data of Figure 1, the number of catering enterprises gradually decreased in Latvia in the period of 2005-2007 (the economic boom period). I. Millere (2009) explains the decrease in the number of catering enterprises by the fact that market entry barriers emerged in the country in 2005, which hindered the establishment of new catering enterprises in the industry. Another reason, which affected the decrease, was Latvia's accession to the EU, which increased the number and scope of administrative procedures. The authors of the present paper agree to this opinion.

The number of catering enterprises decreased mostly in Latvia's capital city, whereas the change in its regions was insignificant.

Totally, the number of catering enterprises in the country increased in the period of 2008-2010.

According to the CSB data, the number of enterprises employing 2-9 individuals gradually decreased until 2008, whereas a different trend was observed after 2008: the number of large and medium enterprises decreased, while that of micro enterprises increased (Central Statistical Bureau of Latvia, 2012c).

Figure 2 shows that micro enterprises dominated in the industry of catering enterprises, and their number and proportion increased during the economic recession.

The number and proportion of medium-size catering enterprises was low, and they were mainly concentrated in the capital city – Riga. In the period of analysis, 6.6 large catering enterprises operated in Latvia on average and their number was insignificant. Therefore, the data of Figure 2 do not include them, as their proportion did not exceed 1%. All large enterprises were located in Riga. The authors explain the concentration of medium and large enterprises in the capital city by the large number of residents, and domestic and foreign tourists in this region.

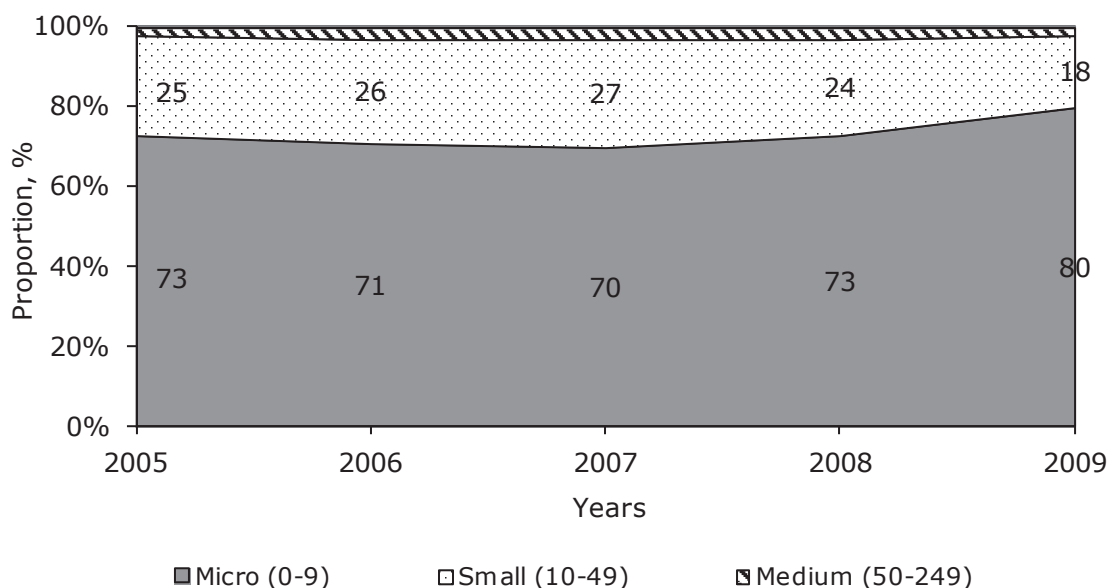
The geographic distribution of catering enterprises is uneven in the regions of Latvia (Table 1).

The data of Table 1 show that the highest concentration of enterprises engaged in the industry of catering services was in Riga region where 1260 enterprises or 54.5% of all catering enterprises operated on average.

On average, 14.3% of catering enterprises operated in Pieriga region. In the other regions, the proportion of enterprises was low, and no changes in their percentage distribution occurred in the period of 2005-2010.

Regardless of the decrease in the total number of catering enterprises until 2007, the turnover of the industry's enterprises increased from year to year (Table 2).

According to the data of Table 2, an increase in the turnover of catering enterprises was observed also in 2008 with the emergence of the first indications of an economic crisis. An upward trend in turnover was also observed in the country until 2005. Millere (2009) believes that it indicated the development and expansion of these enterprises.



Source: authors' calculations based on the Central Statistical Bureau of Latvia, 2012c

Fig. 2. Percentage distribution of the number of catering enterprises by size group in Latvia in 2005 – 2009

Table 1  
Percentage distribution of the number of catering enterprises by region in Latvia in 2005 – 2010

Region	2005	2006	2007	2008	2009	2010
Riga	56	55	54	54	54	54
Pieriga	14	14	14	14	15	15
Vidzeme	6	7	7	7	7	7
Kurzeme	10	10	10	10	9	9
Zemgale	7	8	8	8	8	8
Latgale	7	7	7	7	7	7

Source: authors' calculations based on the Central Statistical Bureau of Latvia, 2012a

Table 2  
Total turnover, average turnover, and average labour productivity of catering enterprises in Latvia in 2005 – 2010

Indicators	2005	2006	2007	2008	2009	2010
Turnover, thou. LVL	196 646	254 218	301 735	311 432	216 547	217 630
Annual increase rate, %	-	29	19	3	-30	1
Average turnover (per enterprise), LVL	87 476	113 187	139 563	135 997	91 757	102 222
Annual increase rate, %	-	29	23	-3	-33	11
Average labour productivity (per employee), LVL	8 176	10 067	11 795	12 118	10 560	11 196
Annual increase rate, %	-	23	17	3	-13	6

Source: Central Statistical Bureau of Latvia, 2012 c and authors' calculations

Irrespective of the fact that the turnover of catering enterprises increased, their annual increase rate gradually declined from 29% in 2006 to 3% in 2008. A significant decrease in their turnover was observed in 2009, while it slightly increased in 2010. Since the turnover increased

faster than the number of employees in this industry, the average labour productivity also rose in the period of 2005-2008. In 2009, the turnover decreased much faster than the number of employees in the industry, thus, the average labour productivity declined as well. In 2010,

Table 3

**Number of catering enterprises per 1000 inhabitants in Latvia and its regions in 2005 - 2010**

Region	2005	2006	2007	2008	2009	2010
Latvia	1.0	1.0	1.0	1.0	1.1	1.1
Riga	1.8	1.7	1.7	1.8	1.8	1.8
Pieriga	0.8	0.6	0.8	0.9	0.9	0.9
Vidzeme	0.6	0.6	0.6	0.7	0.7	0.8
Kurzeme	0.7	0.7	0.7	0.8	0.8	0.7
Zemgale	0.6	0.6	0.6	0.6	0.7	0.7
Latgale	0.4	0.4	0.5	0.4	0.5	0.5

Source: authors' calculations based on the Central Statistical Bureau of Latvia, 2012; 2012a

the labour productivity increased at the expense of a decrease in the number of employees.

Since micro enterprises dominate in the industry, an average turnover per enterprise is insignificant. This indicator has a similar trend compared with the industry's total turnover.

The indicator "number of enterprises per 1000 inhabitants" may be used to characterise the development of catering enterprises.

The data of Table 3 show that the number of catering enterprises per 1000 inhabitants both in the entire Latvia and in all its regions slowly increased. It indicated the development of enterprises in the industry. In Latvia, there was only 1 catering enterprise per 1000 inhabitants, while in the capital city this indicator was 1.8. In the other regions, the number of catering enterprise per 1000 inhabitants was below the average indicator in the country, and there were no significant differences among the regions, except the regions of Latgale and Riga. The large number of residents in Daugavpils city (the second largest city in Latvia after the capital city) reduced this indicator for Latgale region. The total number of catering enterprises in this region is the smallest one in the country.

If compared with European countries, this indicator in Latvia significantly lagged behind the respective indicator of other European countries. In the North-European countries, this indicator was 2 times greater, in the Middle-European countries – 3-4 times, while in the South-European countries – even 7 times greater (data of 2006) (authors' calculations based on Eurostat, 2009; Central Statistical Bureau of Latvia, 2008a). These data showed that not only residents but also foreign tourists affected the demand for services of catering enterprises. The high capacity utilisation rate of catering enterprises in such tourism regions as Spain (6.0), Portugal (8), Cyprus (8), and Greece (8.4) indicated it (authors' calculations based on Eurostat, 2009; Statistical Yearbook of..., 2008).

## 2. Identification of the factors affecting the development of catering enterprises

The authors performed a pair-wise correlation analysis to identify the factors affecting changes in the number and turnover of catering enterprises. The correlation analysis showed that a medium-strong linear correlation existed between the variable "turnover of catering enterprises", and the factors "household expenses on food and non-alcoholic beverages" and "number of foreign visitors in tourist accommodations" (correlation

coefficients were 0.65 and 0.74, respectively). A strong positive linear correlation existed between the turnover of catering enterprises, and the factors "household expense on restaurants, cafes, and hotels", "number of visitors in tourist accommodations", and "food expense of overnight travellers" (the correlation coefficients were 0.97, 0.93, and 0.91, respectively). The turnover of catering enterprises increases with the increase in the household expense on restaurants, cafes, and hotels as well as the number of visitors in tourist accommodations and the food expense of overnight travellers in Latvia.

According to the pair-wise correlation analysis, there was no correlation between the turnover of catering enterprises and the number of residents. Therefore, changes in the number of residents in the country did not affect changes in the turnover of catering enterprises. A weak positive correlation existed between the average monthly net wage of employees and the turnover of catering enterprises ( $r=0.4$ ).

By means of the pair-wise correlation analysis, the authors found out (Table 4) that a strong negative linear correlation existed between the variable "number of catering enterprises" and the factor "number of residents" in the regions of Latgale, Zemgale, and Vidzeme. It means that the number of catering enterprises increased with a decrease in the number of residents in these regions. In Pieriga region, there was a strong positive linear correlation between these variables, i.e. the number of catering enterprises increased with the increase in the number of residents in this region. It may be explained by the fact that Pieriga region was the only region in the country that had a positive change in the number of residents. In the regions of Riga and Kurzeme, a weak negative linear correlation existed between the number of catering enterprises and the number of residents, while a medium-strong negative linear correlation was observed in the entire country.

According to the pair-wise correlation analysis, there was a medium-strong negative linear correlation between the number of catering enterprises and the average monthly net wage of employees in all the regions. There was a weak negative linear correlation between the variable "number of catering enterprises" and the factor "number of visitors in tourist accommodations" in the regions of Latgale, Zemgale, and Vidzeme, i.e. the regions in which the number and proportion of tourists were the lowest in the country, whereas a weak positive linear correlation was identified in Kurzeme region. There was a medium-strong linear correlation between these

Table 4

## Values of correlation coefficients

Region	Factors				
	Number of residents	Average monthly net wage of employees	Number of visitors in tourist accommodations	Household expense on food and non-alcoholic beverages	Household expense on restaurants, cafes, and hotels
Latvia	-0.78	0.53	-0.44	0.28	-0.51
Riga	-0.37	0.75	-0.54	-0.04	-0.69
Pieriga	0.94	0.75	-0.61	0.37	-0.45
Vidzeme	-0.93	0.65	-0.49	0.42	-0.39
Kurzeme	-0.28	0.61	0.13	0.55	0.41
Zemgale	-0.91	0.55	-0.36	0.36	-0.25
Latgale	-0.82	0.68	-0.26	0.61	-0.08

Note: Quantitative variable – number of catering enterprises

Source: authors' calculations

Table 5

## Household expenses on food and non-alcoholic beverages as well as restaurants, cafes, and hotels and their proportion in the total expense on consumption in Latvia in 2005 – 2010

Year	Expense on food and non-alcoholic beverages		Expense on restaurants, cafes and hotels	
	on average per household member a month, LVL	proportion, %	on average per household member a month, LVL	proportion, %
2005	39.65	31.0	7.15	5.6
2006	43.69	28.1	9.17	5.9
2007	51.01	25.5	11.71	5.8
2008	59.33	25.6	12.83	5.5
2009	52.04	26.7	8.46	4.3
2010	50.47	28.3	6.87	3.9

Source: Household Budget in..., 2006; Household Budget Survey..., 2007; 2008; 2009; 2010; 2011 and authors' calculations

variables in the regions of Riga and Pieriga. No correlation existed between the number of foreign visitors in tourist accommodations and the number of catering enterprises.

A weak linear correlation was observed between the total household expense on consumption, the household expense on food and the number of catering enterprises in all the regions of Latvia, except the regions of Kurzeme and Latgale. A medium-strong linear correlation existed between these variables in the regions of Kurzeme and Latgale.

Either a weak or a medium-strong linear correlation existed between the number of catering enterprises and the household expense on restaurants, cafes, and hotels in all the regions of Latvia, except Kurzeme where a weak positive linear correlation was observed.

So, the pair-wise correlation analysis performed by the authors showed that several socio-economic factors affected the development of catering enterprises. The authors will present their research findings on the changes in the main factors for the period of analysis in the paper, i.e. 1) household expenses on restaurants, cafes, and hotels; 2) household expenses on food and non-alcoholic beverages; 3) the number of visitors in tourist accommodations; 4) the number of foreign

visitors in tourist accommodations; and 5) food expenses of overnight travellers.

### 3. Analysis of the factors affecting the performance of catering enterprises

The private consumption of Latvian residents significantly increased in the period until 2008. The household expense on consumption per household member a month gradually rose from LVL 128 in 2005 to LVL 232 in 2008 or by 81% in the period of 2005-2008 (Household Budget Survey..., 2008).

An increase in wages positively affected the increase in the household expense on consumption. In Latvia, the average wage of employees engaged in the national economy rose even two times in the period of 2005-2008, while the average size of old age pensions increased by 56% (Central Statistical Bureau of Latvia, 2012d; Mistre, Muska, 2011). An increase in the household expense on consumption was promoted by loans widely offered by banks and other financial institutions at acceptable interest rates (Household Budget Survey..., 2008).

In 2009, an increase trend in the household expense on consumption was not observed anymore. The household consumption expense per household member

**Number of visitors in tourist accommodations in Latvia in 2005- 2010**

<b>Indicator</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Number of visitors, thou.	1155	1330	1487	1556	1114	1312
including foreign visitors, thou.	730	816	845	945	754	878
Proportion of foreign visitors in the total number of visitors, %	63	61	57	61	68	70

**Source: Central Statistical Bureau of Latvia, 2012b and authors' calculations**

a month in 2009 amounted to LVL 195, which was LVL 37 or 16% less than in 2008 (Household Budget Survey..., 2010).

The decrease in the household expense on consumption was related with a decrease in the employment rate caused by the economic crisis in 2009 and a decrease in wages. The number of job seekers almost doubled in 2009 and reached 200.7 thousand or 16.9% of economically active population. The average net monthly wage of employees engaged in the national economy fell by 2.3%. However, the average size of old age pensions of pensioners registered at social security institutions rose by 16.1%. Financial liabilities of households might cause an additional effect on the household expense on consumption, as many households that took consumption loans and mortgage loans paid back significant sums on borrowed funds (these sums were not classified as expenses on consumption) and, thus, they were forced to limit their expenses on consumption (Household Budget Survey..., 2010).

The economic crisis negatively affected domestic consumption in 2010 as well: the household expense on consumption shrank by 8.8% (Household Budget Survey..., 2011). In 2010, wages also continued falling, whereas the unemployment rate rose; in the result, many households were forced to subsist on social benefits of the central and local government. According to a survey of the study "DnB Nord Latvian Barometer" conducted in May of 2011, totally 31% of Latvian residents (aged from 18 to 74) had taken at least one loan, and they were paying it back (Household Budget Survey..., 2011).

The percentage distribution of household consumption expenses in Latvia changed in relation with changes in household income.

In the period of 2005-2007, the proportion of expense on food and non-alcoholic beverages in the total consumption expense declined from 31% in 2005 to 25.5% in 2007. Such a downward trend was relative, as the average monthly expense on food per household member continued increasing from LVL 39.65 in 2005 to LVL 51.01 in 2007. Although, the proportion of expense on food in 2008 remained constant compared with 2007, in real prices the expense on food increased by 16%; however, in constant prices this expense decreased by 1.9%, as prices on this group of expense increased by 18% in 2008 (Household Budget Survey..., 2009).

Millere (2009) believes that "a decrease in the proportion of expense on food indicates an increasing trend in consuming food outside home, i.e. the use services of catering enterprises". The authors of the paper also agree to this view, and the CSB data proved it as well.

According to Table 5, in the period of 2005-2008, the average expense on restaurants, cafes, and hotels in household budgets (in real prices) increased from LVL 7.15 in 2005 to LVL 12.83 in 2008. The proportion of expense on restaurants, cafes, and hotels in the total expense on consumption also gradually increased. In this period, an annual increase rate for the expense on restaurants, cafes, and hotels exceeded that for the expense on food and non-alcoholic beverages.

In 2009, the percentage distribution of household expenses changed, as households adapted to the decrease in economic resources. The main priority of households still was expenses on food in 2009. Households spent 27% of their income on food on average in 2009; the proportion of this expense slightly rose to 26% compared with 2008. At the same time, the expense on food decreased from LVL 59.33 to LVL 52.04 per household member a month (a decrease of 12%). Households significantly saved their income on restaurants, cafes, and hotels or 34% in 2009 (Household Budget Survey..., 2010).

In 2010, households spent on food 28% on average, and the proportion of this expense continued rising. At the same time, the real expense on food decreased to LVL 50.47 on average per household member a month (a decrease of 3%). In 2010, the expense on restaurants, cafes, and hotels declined by 19%.

Therefore, beginning with 2009, the demand for catering services in the country started decreasing, thus, the turnover of catering enterprises also declined.

After analysing the percentage distribution of household expenses for the regions of Latvia, one can see that the largest expense on restaurants, cafes, and hotels was specific to households living in the regions of Riga and Pieriga, whereas households living in the regions of Latgale and Vidzeme spent the least on it, i.e. in the regions where the number of catering enterprises was small (Household Budget in..., 2006; Household Budget Survey..., 2007; 2008; 2009; 2010; 2011).

In the period of 2005-2008, the number of visitors in tourist accommodations in Latvia gradually increased and reached almost 1.6 million in 2008, while in 2009 the number of visitors decreased by 28% and fell below the level of 2005 (Table 6).

In 2010, the number of tourists increased by 18%. According to Table 6, the majority or 63% of visitors in tourist accommodations on average were foreign tourists in the period of analysis. The proportion of foreign tourists in tourist accommodations in Riga exceeded even 70%, thus, the proportion of foreign tourists in the rest of Latvia was less than 30% (Muska, Bite, 2012). It also affected the uneven development of catering enterprises in Latvia.

Table 7

**Proportion of visitors in tourist accommodations in the regions of Latvia in 2005 - 2010**

Regions	2005	2006	2007	2008	2009	2010
Riga	57	55	55	56	62	59
Pieriga	17	18	17	16	15	15
Vidzeme	6	6	6	5	4	5
Kurzeme	11	12	13	15	12	13
Zemgale	3	4	3	2	2	3
Latgale	4	5	5	5	5	4

Source: Muska, Bite, 2012

Table 8

**Expenses of foreign tourists in Latvia in 2005 - 2010**

Indicator	2005	2006	2007	2008	2009	2010
Expenses of overnight travellers, mln LVL	164.7	228.2	290.7	324.1	270.1	263.5
Annual increase rate, %	-	39	27	11	-17	-2
Food expenses of overnight travellers, mln LVL	50.6	73.0	90.1	88.0	73.7	68.9
Annual increase rate, %	-	44	23	-2	-16	-7
Proportion of food expense in the total expense, %	30	32	31	27	27	26

Source: Tourism in Latvia..., 2006; 2007; 2008; 2009; 2010; 2011

Data on the number of visitors in tourist accommodations in the regions of Latvia are summarised in Table 7.

An analysis of the percentage distribution of tourists by region showed that more than half of visitors in tourist accommodations concentrated in Riga region, while more than 10% of them – in the regions of Pieriga and Kurzeme. In the other regions, the proportion of tourists did not exceed 6% of their total number.

The percentage distribution of tourists was uneven not only by region but also by republican city and municipality. The main destinations for recreation and business in Kurzeme region were Liepaja and Ventspils, in Latgale region – Daugavpils and Rezekne, in Vidzeme region – Cesis municipality and Valmiera, and in Pieriga region – Jurmala. The largest number of catering enterprises outside Riga region was in these republican cities and in Cesis municipality. According to data of the CSB, the largest number of catering enterprises was observed in the mentioned territories of Latvia.

According to a cluster analysis performed by the authors before, the best situation in the sector of tourist accommodations was observed in the capital city of Latvia, i.e. Riga region. In terms of development level, this region is followed by the regions of Pieriga and Kurzeme. The development level of tourist accommodations located in the regions of Vidzeme, Latgale, and Zemgale lagged behind that in the other regions (Muska, Bite, 2011). The same relates with catering enterprises broken down by region in Latvia.

Along with an increase in the number of tourists in Latvia in the period of 2005-2008, the expense of foreign tourists also increased in the country (Table 8).

According to Table 8, the food expense of foreign tourists gradually increased in the period of 2005-2007. Since 2008, the food expense has gradually decreased

irrespective of the fact that the number of foreign tourists in Latvia rose in 2008 and 2010. Therefore, the demand for services of catering enterprises declined as well. An analysis of the annual increase rates showed that the expense on food decreased faster than the total expense of tourists. The expense on food was the second largest item of expenses for foreign overnight travellers (after expenses on accommodation) (Tourism in Latvia..., 2006; 2007; 2008; 2009; 2010; 2011).

## Conclusions

1. Low-turnover micro enterprises dominate in the industry of catering services in Latvia, and the number and proportion of enterprises of this size tend to increase. Medium and large catering enterprises in Latvia are concentrated in Riga region.
2. The geographic distribution of catering enterprises in the regions of Latvia is uneven: the highest concentration of enterprises is in Riga region. In the period of 2005-2010, the number of enterprises has increased in the regions but these changes were insignificant. In Latvia, the number of catering enterprises per 1000 inhabitants significantly (2-7 times) lags behind that in other European countries.
3. The turnover of catering enterprises in Latvia was affected by household expenses on restaurants, cafes, and hotels ( $r=0.97$ ); the number of visitors in tourist accommodations ( $r=0.93$ ); food expenses of foreign overnight travellers ( $r=0.91$ ); the number of foreign visitors in tourist accommodations ( $r=0.74$ ); and household expenses on food and non-alcoholic beverages ( $r=0.65$ ).
4. The number of catering enterprises in Latvia was affected by the number of residents ( $r=0.78$ ) and the average net monthly wage of employees ( $r=0.53$ ).

5. During the economic crisis, households in Latvia concentrated their economic resources for satisfying their primary needs by reducing their expense on eating outside their home. The overnight traveller expense on food declined in Latvia, thus, the demand for services of catering enterprises also fell.

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