

# Baltics' Attractiveness survey

10 June 2021



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working world



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Investors vote on four differentiators for the European attractiveness: skills, sustainability, stimulus and simplification. How will the Baltics adapt to new investors' priorities?

Linus Dicpetris

EY Partner

# Baltics' Attractiveness snapshot

Foreign investment set to rebound following 2020 downswing with some good news in the Baltics

In 2020, the turbulence and uncertainty caused by COVID-19 caused foreign direct investment (FDI) in Europe to fall 13%. Number of projects in the Baltics in 2020 is

**107** inward investment projects.

Europe has proved its resilience in 2020 because foreign businesses still see it as fundamentally one of the most stable, skilled and sophisticated regions around the world to invest for the long term. Lithuania, Latvia and Estonia are assessed positively for future expansion.

Investment is set to rebound this year as pent-up demand to execute projects is unleashed:

**68%** of executives plan to establish or expand operations in the Baltics in the next 12 months

Evaluating the implementation an attractiveness policy that attracts international investors

**38%**  
Investors confirmed policy being supporting investment attraction

**29%**  
Making strategic decisions, sustainability is considered important factor

**56%**  
Respondents in the Baltics are planning digital transformation program to be implemented

**34%**  
Considering Digital skills as key factor for investment plans

Business Services, R&D and Manufacturing are making this year the Baltics' investment list

**37%**

of investors expect the Baltics attractiveness to improve over the next three years

Digital economy growth will be a defining trend over medium term both in Europe as well as in the Baltics with highest share (74%) in Estonia

Ranking of FDI projects and created jobs by 1 Million of population

Lithuania  
**#2**  
Jobs created

Latvia  
**#4**  
FDI projects

A portrait of Jonas Akelis, a man with a mustache, wearing a dark suit, light blue shirt, and patterned tie. He is looking directly at the camera with a slight smile. The background is a blurred office interior with a staircase.

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Investors recognise Lithuania's attractiveness in Europe: #2 by jobs created per 1 million of population and #6 by number of projects. How will we capitalise on this vote of confidence?

Jonas Akelis

EY Baltics Managing Partner



# Lithuania's attractiveness snapshot

## Foreign investment set to rebound following 2020 downswing in Europe overall with some good news in the Baltics

In 2020, the turbulence and uncertainty caused by COVID-19 caused foreign direct investment (FDI) in Europe to fall 13%. Number of projects in Lithuania in 2020 is

**53** inward investment projects.

Europe has proved its resilience in 2020 because foreign businesses still see it as fundamentally one of the most stable, skilled and sophisticated regions around the world to invest for the long term. Investors in Lithuania assessed positively for future expansion.

Investment is set to rebound this year as pent-up demand to execute projects is unleashed:

**71%** of executives plan to establish or expand operations in Lithuania in the next 12 months. Expansions indicated in Business support (26%), Sales and marketing (21%)

Evaluating the implementation an attractiveness policy that attracts international investors

**60%**

Investors think Lithuania currently Implements an attractive policy for investors

Making strategic decisions, sustainability is considered important factor

**35%**

**48%**

Respondents in Lithuania are planning digital transformation program to be implemented, compared to the Baltics on average - 56%

Considering Digital skills as key factor for investment plans

**46%**

R&D was leading this year Lithuania's investment list with 19 new projects

**50%**

of investors expect the Baltics' attractiveness to improve over the next three years

Digital economy growth will be a defining trend over medium term both in Europe as well as in the Baltics with highest share (74%) in Estonia

Ranking of FDI projects and created jobs by 1 Million of population

**#2**  
Jobs created

**#6**  
FDI projects

“

Investors recognise Latvia's attractiveness in Europe: #5 by jobs created per 1 million of population and #4 by number of projects. How shall we capitalise on this vote of confidence?

Guntars Krols

EY Partner



# Latvia's attractiveness snapshot

## Foreign investment set to rebound following 2020 downswing in Europe overall, but Latvia shows growth in investment

In 2020, the turbulence and uncertainty caused by COVID-19 caused foreign direct investment (FDI) in Europe to fall 13%. Number of projects in Latvia, 2020 is

**43** inward investment projects.

Europe has proved its resilience in 2020 because foreign businesses still see it as fundamentally one of the most stable, skilled and sophisticated regions around the world to invest for the long term. Investors in Latvia assessed positively for future expansion.

Investment is set to rebound this year as pent-up demand to execute projects is unleashed:



Evaluating the implementation an attractiveness policy that attracts international investors



Making strategic decisions, sustainability is considered important factor



Respondents in Latvia are planning digital transformation program to be implemented, higher than the Baltics on average - 56%

Considering Digital skills as key factor for investment plans



Business services, R&D and Manufacturing are making this year the Baltics' investment list

**37%**

of investors expect the Baltics attractiveness to improve over the next three years

Digital economy growth will be a defining trend over medium term both in Europe as well as in the Baltics with highest share (74%) in Estonia

Ranking of FDI projects and created jobs by 1 Million of population





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64% of executives plan to establish or expand operations in Estonia in the next 12 months. How will we capitalise on this vote of confidence?

Olesia Abramova

EY Partner

# Estonia's attractiveness snapshot

Foreign investment set to rebound following 2020 downswing in Europe overall with some good news in the Baltics

In 2020, the turbulence and uncertainty caused by COVID-19 caused foreign direct investment (FDI) in Europe to fall 13%. Number of FDI projects in Estonia in 2020 fell by

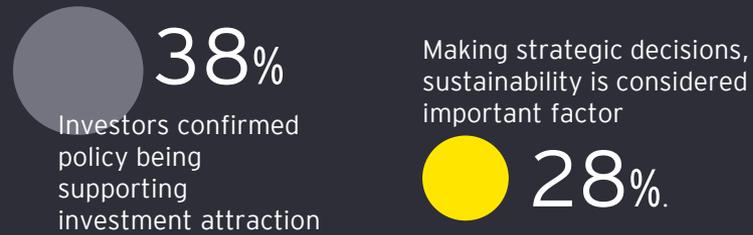
**59%\*** inward investment projects.

Europe has proved its resilience in 2020 because foreign businesses still see it as fundamentally one of the most stable, skilled and sophisticated regions around the world to invest for the long term. Investors in Estonia assessed positively for future expansion.

Investment is set to rebound this year as pent-up demand to execute projects is unleashed:



Evaluating the implementation an attractiveness policy that attracts international investors



Making strategic decisions, sustainability is considered important factor



Considering Digital skills as key factor for investment plans



Business services, Supply chain, Sales and marketing are making this year the Estonian investment list

**30%**

of investors expect Estonian attractiveness to improve over the next three years

Digital economy growth will be a defining trend over medium term both in Europe as well as in the Baltics with highest share (74%) in Estonia

Ranking of FDI projects and created jobs by 1 Million of population



# The four „S“ priorities of multinationals and key ingredients for Europe’s attractiveness

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## Skills

- ▶ **It is imperative to adapt skills** to technology-driven trends accelerated by COVID-19: digital customer experiences, „phygital“ work environments, and more automated production lines and back offices.

## Sustainability

- ▶ **Sustainability increasingly influences location decisions**, including environmental and social long-term value.

## Stimulus

- ▶ While recovery programs will boost long-term attractiveness, **shorter-term stimulus is also needed.**

## Simplification

- ▶ European economies continue down the **hard path of tax harmonization and transparency**, with corporate income tax (CIT) playing less of a role, and digital and environmental taxation and regulation brought to the forefront.

# Methodology

To take the uncertainty of 2020 events into account, EY teams enhanced its methodology for the Attractiveness program to include a **two-pronged approach**:

1

## The “real” attractiveness of Europe for foreign investors

The evaluation of the reality of FDI in Europe is based on the EY European Investment Monitor (EIM), the EY proprietary database produced in collaboration with OCO. This database tracks the FDI projects that have resulted in the creation of new facilities and new jobs. By excluding portfolio investments and M&A, it shows the reality of investment in manufacturing and services by foreign companies across the continent.

An investment in a company is normally included in FDI data if the foreign investor acquires more than 10% of the company’s equity and takes a role in its management. FDI includes equity capital, reinvested earnings and intracompany loans.

2

## The perceived attractiveness of Europe and its competitors by foreign investors

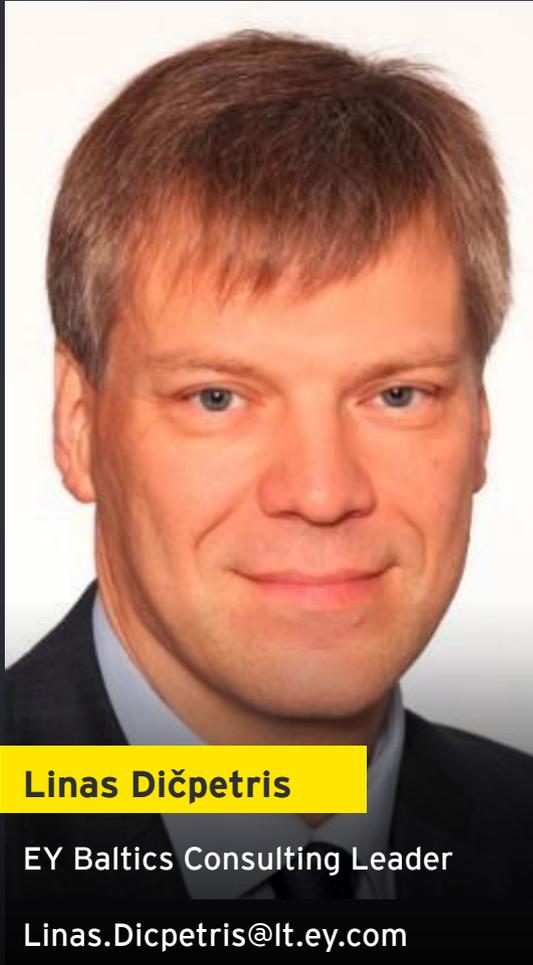
We define the attractiveness of a location as a combination of image, investor confidence, and the perception of a country’s or area’s ability to provide the most competitive benefits for FDI.

Field research was conducted by Euromoney in March and April 2021 via online interviews, with **550 international decision-makers** participating.

The Baltic field research was conducted by Euromoney in March and April 2021 via online interviews, with **150 international decision-makers** participating.



## Contacts in the Baltics



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