

Baltics' Attractiveness survey

16 June 2021



A portrait of Linas Dicpetris, a man with short brown hair and blue eyes, wearing a dark blue suit, white shirt, and a red tie with a small white pattern. He is standing in front of a modern building with large glass windows and a grey overhang. The background is slightly blurred.

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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?

Linas 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:



Evaluating the implementation an attractiveness policy that attracts international investors



Investors confirmed policy being supporting investment attraction

Making strategic decisions, sustainability is considered important factor



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

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

Latvia



A portrait of Jonas Akelis, a man with short brown hair and a mustache, wearing a dark suit, light blue shirt, and a patterned tie. He is looking directly at the camera with a slight smile. The background is a blurred modern building with glass and concrete.

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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.

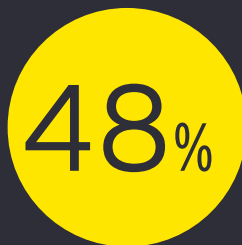
Investment is set to rebound this year as pent-up demand to execute projects is unleashed:



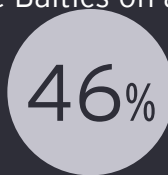
Evaluating the implementation an attractiveness policy that attracts international investors



Making strategic decisions, sustainability is considered important factor



Considering Digital skills as key factor for investment plans



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



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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

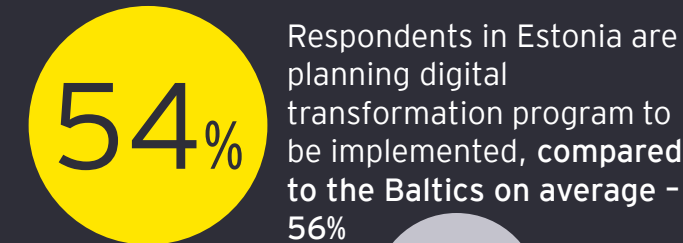
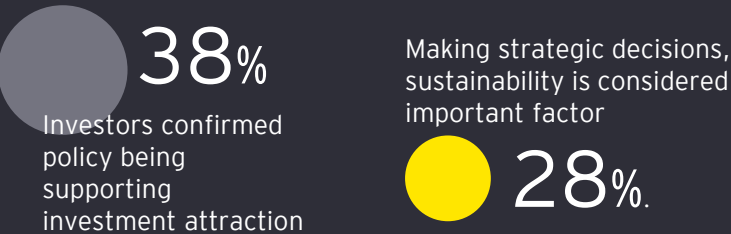
59%* inward investment projects.

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



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

Investors see that for Estonia the future growth will come from



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

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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