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Estonia: Striving for Increased Investment

The Baltics Attractiveness Survey
2023

Estonia needs to leverage factors such as advanced technology, stable political and social environment, and attractive living conditions to keep the investment environment attractive for investors. Policymakers should support high-tech industries and innovation while addressing investor concerns about planned tax changes. By leveraging these strengths, Estonia can enhance its position as an attractive investment destination.

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Investor Sentiment

56% see the tight labor market as the main economic risk

that impacts investment plans in Estonia. Another economic concern seen by 41% of respondents is **tight supply chains** and **sourcing difficulties**. These difficulties can lead to increased costs, delayed project timelines, and reduced profitability for investments in various sectors, affecting the overall investment climate in Estonia. **Inflation and impact on consumer demand**, and **the war in Ukraine** are seen equally important risks.

Key Location Criteria

24.1% see the quality of life as the most attractive criteria

when establishing new activities in Estonia. This **high standard of living** (quality of environment, leisure activities and culture) combined with Estonia's **small size** and relatively clean environment create an attractive combination. **Stable political** and **social environment** (16,7% of respondents) and **digital infrastructure** (16,7% respondents) are also ranked at the top level.

Expected Growth Sectors

20% see growth in the business and professional services sector,

followed by:

- ✓ Consumer and products (**17%**)
- ✓ Software and IT services sector (**15%**) - Estonia's main success story remains in third place

Sustainability

37% think that Estonia is performing better than other countries

for their investments. When asked about Estonia's performance in sustainability-related factors, the most attractive factor is the **high percentage of renewables in the power supply**. Sustainability emerges as a significant consideration for **strategic decision-making**, with more than one-third of respondents deeming it as a **crucial factor**.

Technology

Over **1 / 3** of the investors

see that Estonia has a **well-established network of technology start-ups** and **research institutions**, and also the **availability of venture capital** and other forms of financing is seen as a strong point. Estonia demonstrates a generally positive outlook towards **digital transformation** with almost half of the respondents stating they are **planning a digital transformation** program.

Talent

40.7% believe that increased diversity in hiring & HR policies

helps Estonia stand out from other countries. Other talent-related factors which play a key role in that are also **investing in digital skills** and **digital culture** for all stakeholders (students, teachers, employees, citizens) (25,9%) and promoting **more business-oriented curriculum** (25,9%). Investors place a strong emphasis on the **availability of digital skills** when devising their investment plans for Estonia - **33%** rate it as **very important** and **15%** rate it as **critical** to their expansion plans.