

Baltic CEO survey: optimism about growth, concern about attracting workers 1/8/22



Head of Marketing and Communications,
PwC Latvia
Kalvis Gavars

CEOs in Baltic companies remain optimistic about economic growth globally and in the Baltic States and are most concerned about attracting workers, according to PwC's latest [Baltic CEO Survey](#).

Taken by 291 CEOs in Latvia, Lithuania and Estonia, the survey shows that a hopeful view of the future is significantly greater than two years ago. In 2020, global economic growth was expected by only 13% of CEOs in Latvia (18% in Lithuania, and only 9% in Estonia), yet this year a positive assessment was given by 50% of CEOs in Latvia (42% in Lithuania, and 64% in Estonia). The opinion of Baltic CEOs' last year was similar to this year's results. This is still slightly less than in Europe, where 81% of CEOs in Western Europe and 68% in Central and Eastern Europe (CEE) are confident about economic growth. CEO optimism about growth of the Latvian economy has increased (50% of CEOs). This is considerably more than last year (43%) and two years ago (only 14%).

"The optimistic outlook is strengthened by a growing demand in many sectors and by confidence that the end of the pandemic will mark the beginning of rapid economic growth," says Zlata Elksnina-Zascirinska, country managing partner and chair of the board of PwC Latvia. "In the early months of this year we can see a "return" to pre-pandemic levels. Governments are discussing ways to phase out the restrictions, while organisations resume services in person. However, this comeback needs quotation marks because the changes we saw in the last two years have forever changed many processes in society, relationships and the business space. CEOs are seeing good potential for growth in this new, deeply digitalised world and they continue to adapt their daily lives to it."

The challenge of attracting talent

One of the issues featuring as this year's top challenge in the CEO survey is the availability of labour. 89% of CEOs in Lithuania, 75% in Estonia and 67% in Latvia say they are finding it harder to attract new workers. The CEOs concerned about this last year were only about half that number.

Along with the expected economic growth, CEOs are preparing for headcount and wage increases. 61% of CEOs in Lithuania, 55% in Estonia and 40% in Latvia expect a headcount increase over the next 12 months (slightly more Latvian CEOs plan to keep their headcount at the current level). Nearly all Lithuanian and Estonian CEOs expect a wage increase (82% in Latvia). Wage increase forecasts range from 6% to 10% – this is the increase expected by more than a half of CEOs in Lithuania and Estonia (a third in Latvia while another third mentioned a wage increase of up to 5%).

CEOs across the Baltics have tried to motivate their workers to get vaccinated against Covid-19. With 43%, Latvia has had the greatest number of employment terminations with unvaccinated workers (16% in Lithuania, and only 6% in Estonia). Nearly all CEOs said the pandemic has fundamentally changed their daily lives – remote work and online meetings instead of business trips are top changes mentioned by 60–80% of CEOs. Investment in business digitalisation is a third change mentioned by about a half of CEOs.

Revenue expected to grow, with exports to neighbouring countries

CEOs across the Baltics expect growth in operations and revenues over the next few years. Confidence about revenue growth over the next three years was expressed by 78% of CEOs in Latvia, 86% in Lithuania, and 88% in Estonia. This assessment has to do with their optimism about economic growth globally and in each Baltic State. However, the hopeful view might be clouded by the current rise in electricity prices.

Latvian CEOs basically link revenue growth to organic growth (65%), launching new products or services (63%), and improving operational efficiency (63%). Fewer CEOs expect to conquer new markets (21%). CEOs across the Baltics recognise their closest neighbours as key export markets (Latvia is mentioned by 37% of CEOs in Lithuania and by 30% in Estonia). Germany, Finland and Sweden are also significant markets.

Thinking about efficiency and expecting it also from government

Since one of the greatest CEO challenges in recent years has been improving efficiency, they expect similar actions from their governments. Latvian CEOs take a generally positive view of what the government has done in terms of defence and security (27%), mostly criticising failure to cut public administration costs – 83% of Latvian CEOs believe the government has not worked efficiently.

The priorities CEOs expect from the government are a competitive tax environment (the top priority in Latvia and Lithuania), a good fit between education policy and economic change, and opening the labour market to third-country nationals (the top priority in Estonia but not mentioned as essential in Latvia). Latvian CEOs also said developing the business environment is an important task for the government.

Risks – health, geopolitics, cybersecurity

Among top risks capable of slowing down business growth globally, Baltic CEOs mention public health threats (65% in Latvia, 52% in Lithuania, and 48% in Estonia), geopolitical conflicts (45% in Latvia), macroeconomic volatility (42% in Latvia), and cyberthreats (39% in Latvia). Cyberthreats are mentioned as the second top risk in Lithuania (50%) and Estonia (38%), while geopolitical conflicts are much more relevant in Latvia. Cyberthreats are still a top risk named by CEOs globally (49%), with health threats being mentioned as equally worrying (48%).

CEOs in CEE and Western Europe say their top risks are cyberthreats (40% in CEE, 50% in Western Europe), health threats (53% in CEE, 37% in Western Europe) and macroeconomic volatility (48% in CEE, 38% in Western Europe).

Baltic CEOs do not perceive climate change as a considerable risk – this is mentioned by only about a fifth of CEOs. The widely discussed initiatives for achieving climate neutrality are not among the priorities of Baltic CEOs – a commitment to reducing harmful emissions is mentioned by only 21% CEOs in Latvia, 17% in Lithuania, and 25% in Estonia. These percentages are similar to Eastern European CEO survey data, but they are slightly higher in Western Europe (31%).

About the survey

PwC conducted this Baltic CEO survey over the period from 2 December 2021 to 12 January 2022 online. The survey was taken by 291 respondents – Latvian, Estonian and Lithuanian executives from trade, finance, construction, manufacturing, IT and telecoms, health care, transport, and other sectors.

[More details and insights into the survey findings.](#)

[A report on the survey findings.](#)