

PwC's Baltic CEO Survey: cautious optimism is back, CEOs preparing for change 1/12/24



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Baltic CEOs are again cautiously optimistic about economy growth over the next 12 months. More CEOs recognise that competitiveness mostly depends on their company's ability to transform, automate processes and adopt new technology, according to PwC's Baltic CEO Survey 2024.

A survey of 387 CEOs in Latvia, Lithuania and Estonia suggests that cautious optimism has replaced last year's pessimistic outlook. Almost one third of Latvian CEOs (31%), slightly less in Lithuania (24%) and Estonia (18%), expect the global economic situation to improve over the next 12 months, while more than half of Lithuanian and Estonian CEOs and 39% in Latvia do not believe it will change. As for domestic economy, Lithuanian CEOs are the most optimistic – 37% expect growth this year. In Latvia 31% of CEOs are optimistic about their domestic economy growth, while Estonian CEOs are sceptical, with 52% expecting economic decline.

In Central and Eastern Europe (CEE) 51% of CEOs expect economic growth (32% in Western Europe). The survey suggests the situation has improved significantly over the year, as last year's forecasts were decidedly pessimistic – 71% of CEOs in Western Europe expected economic decline.

As optimism returns, CEOs think almost the same about their company's revenue growth over the next 12 months. 37% of Latvian CEOs, 49% in Lithuania and 45% in Estonia expect revenue growth. Baltic CEOs remain highly confident in their ability to meet challenges and grow their revenue over the next three years (72% in Latvia, 79% in Lithuania and 79% in Estonia). This confidence is a few percentage points lower than last year.

CEOs are getting ready for transformation

The survey suggests that CEOs increasingly appreciate the need for change and transformation to stay competitive. 40% of Latvian CEOs (an increase of 9 percentage points), 45% in Lithuania and 49% in Estonia do not believe their company will be economically viable in a decade if it continues on its current path.

Analysing the necessary investment to implement changes more efficiently, CEOs cite process and system automation (68% in Latvia, 65% in Lithuania, 72% in Estonia) as well as workforce upskilling (53% in Latvia, 60% in Lithuania, 59% in Estonia) and investment in technology (50% in Latvia, 48% in Lithuania, 52% in Estonia).

When it comes to key obstacles to business growth, 59% of Latvian CEOs and 67% in Estonia cite regulatory requirements as the main obstacle, while Lithuanian CEOs mention lack of skilled workforce (52%). Latvian CEOs also note lack of technology capacity (53%) and bureaucratic processes in their company (50%). CEOs in other regions (64% in CEE and 65% in Western Europe) cite the impact of regulatory requirements as the main factor that hinders their company from changing the way it creates, delivers and captures value.

Evaluating the impact of generative artificial intelligence (AI) on their company's efficiency, Baltic CEOs do not expect AI solutions to have such a big impact as CEOs elsewhere in CEE. Nearly one third of Baltic CEOs (half of CEOs in CEE) expect AI-driven efficiency increases over the next 12 months.

Workforce availability is still a challenge

Workforce availability is an issue facing Baltic companies in almost every sector. More than half of Latvian and Lithuanian CEOs (64% in Latvia and 52% in Lithuania) say recruitment has become more difficult. Only 7% of Latvian CEOs and 10% in Lithuania say it's become easier to attract new talent, while this year sees the lowest percentage of Estonian CEOs in the last five years saying their company finds it more difficult to attract new talent (38%).

Business growth prospects are largely reflected by plans to attract talent. Lithuanian CEOs are the most optimistic – 55% expect their company's headcount to rise in 2024. This is considerably more than last year (38%) and exceeds the number of CEOs with high hopes in Latvia (24%) and Estonia (28%).

Baltic CEOs have similar views on staff remuneration this year – nearly half of Latvian and Estonian CEOs plan to raise staff salaries by up to 5%, while more Lithuanian CEOs expect a raise of 6–10%.

Geopolitical conflict is top risk and regulatory changes an obstacle

Evaluating the business environment and key threats to business growth, Baltic CEOs highlight geopolitical conflict risk (79% in Latvia, 66% in Lithuania and Estonia). Another key risk is cybersecurity, while last year's threats such as inflation and energy crisis have lost their significance.

Baltic CEOs are all agreed on three main obstacles affecting their business. Latvian CEOs cite regulatory changes as the main issue (40%), suggesting they want stability and a predictable business environment. Lithuanian CEOs cite supply chain disruptions as the main issue (49%). 51% of Estonian CEOs say the main obstacle to business growth is the impact of competition and market breaches.

As for future challenges, Baltic CEOs (63% in Latvia and 65% in Estonia) believe the main challenge will be regulatory changes. Cybersecurity is the next key aspect, while the third factor is competition and market breaches.

When it comes to key government priorities, Latvian CEOs cite making the tax environment more competitive (53%), developing the business environment (45%), strengthening national defence and security (45%), cutting government spending (44%) and tailoring education policies to changes in the economic environment (40%).

Sustainability initiatives

CEOs say their companies are doing a variety of activities to mitigate climate change and adopt a more sustainable business model. These activities are dominated by energy efficiency improvements launched by 55% of Latvian CEOs, 55% in Lithuania and 54% in Estonia. CEOs say their companies are creating innovative, climate-friendly goods, services or technologies (39% in Latvia, 40% in Lithuania, 47% in Estonia) and selling goods, services or technologies that support climate resilience measures (37% in Latvia, 35% in Lithuania, 38% in Estonia).

Nearly one third of Latvian CEOs (31%) say their company has drawn up a transition plan for sustainable growth, while 40% are working to prepare one. Fewer CEOs say their company does not have such a plan and has no intention to prepare one (29%, down from 37% last year). A similar situation is seen in Estonia, where 28% of CEOs say their company has drawn up a transition plan for sustainable growth, while 41% are working to prepare one. Only one fifth (21%) of Lithuanian CEOs say they have drawn up a transition plan, while 44% are working to prepare one.

About the survey

PwC's Baltic CEO Survey was carried out over the period from 5 December 2023 to 16 January 2024 online. PwC surveyed 387 Latvian, Estonian and Lithuanian CEOs in sectors such as manufacturing and automotive, finance, trade, IT and telecommunications, and real estate.

The Latvian CEO companies had the following revenue figures in the last financial year:

- 34% up to EUR 5 million
- 8% EUR 5–10 million
- 13% EUR 11–20 million
- 8% EUR 21–50 million
- 7% EUR 51–99 million
- 6% EUR 100–200 million
- 11% more than EUR 200 million
- 13% did not wish to specify

More information on the survey can be found [here](#).