European Investment Bank

Estonia

Overview

EIB INVESTMENT SURVEY

2022

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European
Investment Bank

EIB Investment Survey Country Overview 2022: Estonia

About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment, which has been administered since 2016, is a unique, annual survey of some 13 000 firms. It covers firms in all European Union Member States and also includes a sample of firms in the United States.

The survey collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face, such as climate change and digital transformation. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Members States and the United States, as well as across four classes of firm size (micro to large) and four main economic sectors (manufacturing, construction, services and infrastructure). The survey is designed to build a panel of observations, supporting the analysis of time-series data. Observations can also be linked back to data on firm balance sheets and profit and loss statements. The EIBIS was developed by the EIB Economics Department. It is managed by the department with the support of Ipsos MORI.

About this publication
These reports provide an overview of data collected for the 27 EU Member States and the United States. They are intended to provide a snapshot of the data. For the purpose of these publications, data are weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

Download the findings of the EIB Investment Survey for each EU country or explore the data portal at www.eib.org/eibis.

About the Economics Department of the EIB
The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The department and its team of 40 economists is headed by Debora Revoltella, director of economics.

Main contributors to this publication
Colin Bermingham, Julie Delanote, Francisca de Novais e Silva.

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EIBIS 2022 – Estonia Overview

KEY RESULTS

Investment Dynamics and Focus
EIBIS 2022 finds that at the time of interviews (April-July 2022), Estonian firms were recovering from COVID-19 in reasonably good shape and, on balance, with a positive outlook. Estonian firms had positive expectations on investment for the whole of 2022, with a net balance of 4% of firms expecting to increase rather than decrease investment but this is much lower than in EIBIS 2021 (26%). The share of Estonian firms having invested in 2021 (82%) was similar to the past three years.

Investment Needs and Priorities
Estonian firms did not signal major investment gaps, with 79% saying they had invested the right amount over the last three years, similar to EIBIS 2021. Looking ahead to the next three years, investment in capacity expansion is the main priority for firms' investment (46%), followed by replacement (25%). This is a different pattern of investment from the EU as whole, where replacement has the highest share of investment (36%) but it similar to what was found for Estonia in EIBIS 2021.

Covid-19 Impact
The pandemic was a major shock for Estonian firms but the impact was uneven. Around a third of Estonian firms (35%) are considered to be COVID-19 'winners' as they had not experienced a sales drop as a result of COVID-19 and were expecting higher sales in 2022 compared to 2019. On the other side of the spectrum, 43% of firms experienced losses in 2020 and/or 2021 and 8% of firms did not expect to recover from the pandemic-era loss of business in 2022.

Overall, 37% of Estonian firms have received some form of financial support in response to COVID -19, which is some way below the EU average of 60%. This is mostly in the form of subsidies or some type of financial support that does not need to be paid back (32%). Only 3% of firms report that they are still receiving financial support, lower than the EU overall (10%).

Firms' Transformation, Innovation and Digitalisation
The policy support was instrumental for firms to transform. Many Estonian firms – 61% in total – took actions as a response to COVID-19, up from 47% in 2021. The significant increase shows that firms are still reacting to the changed realities brought about by the pandemic. Becoming more digital (48%) is the most commonly citied investment or action. On average, 69% of Estonian firms used at least one advanced digital technology.

The combined impact of the pandemic reduced firms' innovation. A third (33%) of Estonian firms developed or introduced new products, processes or services as part of their investment activities, down from 48% in EIBIS 2021. Only 4% of Estonian firms report the development/ introduction of products, processes or services that were new to either the country or global market, which is slightly down from EIBIS 2021 and opens up a gap with the EU overall (10%).

International Trade
Most Estonian firms (82%) faced disruptions to their international trade since 2021 and 89% report war in Ukraine and/or COVID-19 as creating obstacles to international trade. Among Estonian firms facing disruptions due to international trade, 61% reported taking actions to mitigate their impact.

EIBIS 2022 – Estonia Overview

Drivers and Constraints
Firms have become more pessimistic about all short-term drivers of investment. This is most notably the case for the economic climate, but also the political climate, prospects in their own sectors , and the availability of external and internal finance.

Looking at long term impediments to investment, skills and uncertainty continue to play an important role, with 82% and 80% of Estonian firms respectively mentioning those as constraints. Uncertainty is more likely to be mentioned as a constraint compared to EIBIS 2021. There has also been a surge in the share of Estonian firms reporting energy costs as a constraint to investment (71%), especially those viewing it as a major barrier (41%).

Investment Finance
In line with the tightening of global and European financial conditions, firms start mentioning a worsening of their outlook for finance. The share of Estonian firms considered financially constrained is 8.5%, which is a slight increase from 6.2% in EIBIS 2021.

Climate Change and Energy Efficiency
In contrast to the EU as a whole, Estonian firms are more likely to regard the transition to stricter climate standards and regulations as a risk rather than an opportunity over the next five years (40% and 20% respectively), a similar picture to EIBIS 2021. A substantial majority of Estonian firms (87%) have already taken actions with the aim of reducing Greenhouse Gas (GHG) emissions - 63% are making investments in waste minimization and recycling, 55% in energy efficiency, and 40% in less polluting business areas and technologies.

A half of Estonian firms (51% in total) see themselves as affected by physical climate change risks, and 40% have taken actions for building resilience against these risks, in line with the EU average. While 25% of Estonian firms invested in solutions to reduce/avoid exposure, 15% have bought insurance to off-set climate-related losses.

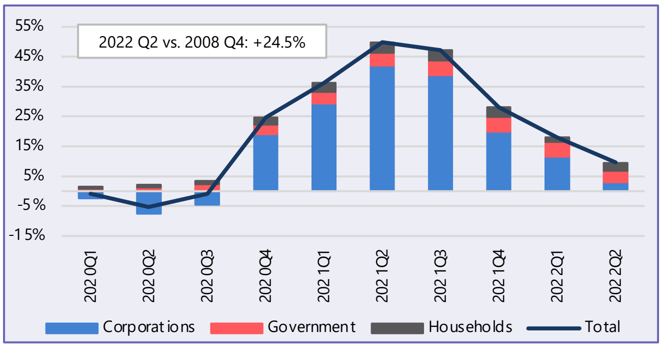
Looking at investment in climate change more broadly, 54% of Estonian firms have already invested and 46% have plans to invest in climate change adaptation over the next three years.

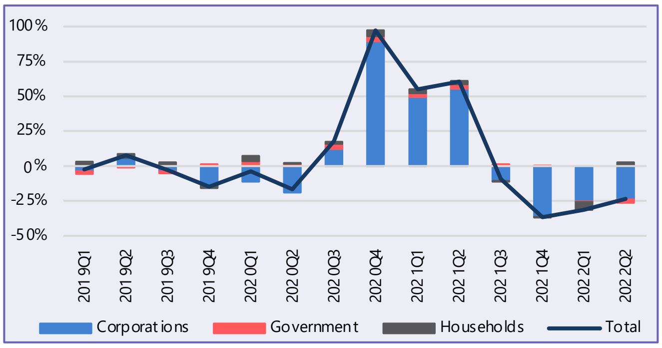
Firm Management, Gender Balance and Employment
In 2021, 40% of Estonian firms used a strategic monitoring system but only 24% are striving for gender balance. Both of these figures are below the EU average.

Investment dynamics and focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

- Estonia's strong rebound from its moderate fall in aggregate investment at the beginning of the pandemic reversed as of Q3 2021.
- After having reached a peak level of +49.8% in Q2 2021 relative to Q4 2019, on the back of stronger corporate investment, aggregate investment stood in Q2 2022 at a level only 9.6% higher than the one in Q4 2019.
- Household and government investment remained roughly stable in the course of 2021 and the first half of 2022, while the decline in corporate investment was the main driver behind the downward trend in overall investment levels between Q3 2021 and Q2 2022.

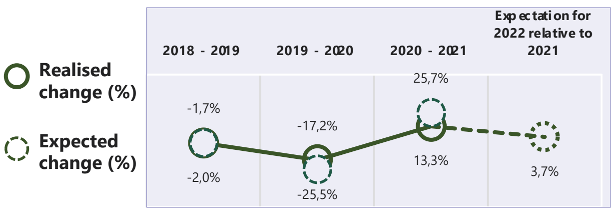




The LHS chart shows the evolution of total gross fixed capital formation (GFCF) by institutional sector, in real terms and non seasonally nor calendar adjusted. The nominal GFCF source data was transformed into four-quarter sums and deflated using the implicit deflator for total GFCF (2015=100 euro). The four-quarter sum of total GFCF in 2019Q4 is normalised to 0.
The RHS chart shows the y-o-y % change in total real GFCF by institutional sector. The implicit deflator for total GFCF (2015=100 euro) was used for deflating the nominal GFCF source data.
Source: Eurostat, authors' own calculations.

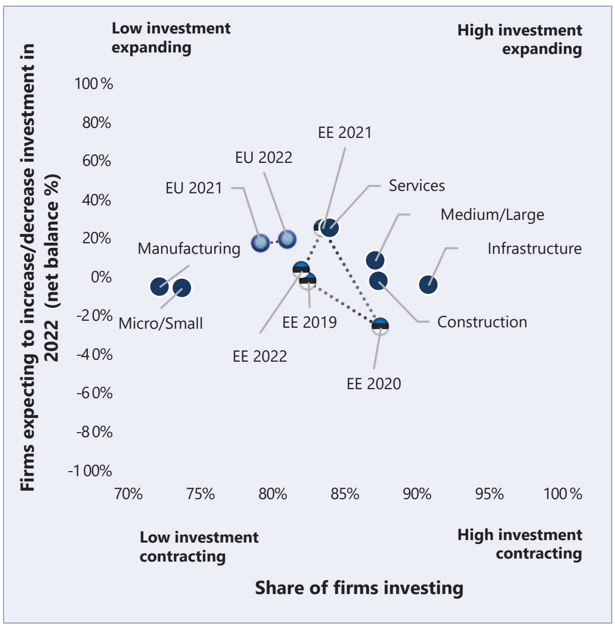
INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

- Firms operating in Estonia have an, on balance, positive outlook on their future investment, but the share of firms expecting to increase rather than decrease investment has declined since EIBIS 2021 (from 26% to 4%) and is below the EU average (20%).
- Firms in the services sector (26%) and medium/large firms (9%) have the highest share of firms expecting to increase rather than decrease their investment.
- Infrastructure firms are the most likely to be currently investing (91%).



'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

Base for expected and realised change: All firms



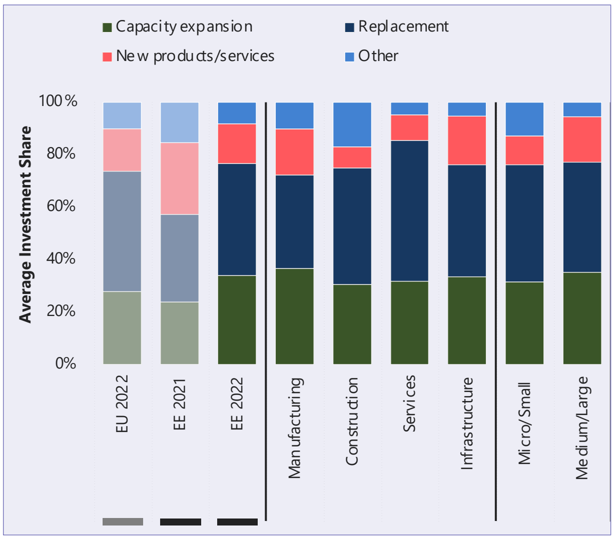
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

Base for share of firms investing: All firms (excluding don't know/refused responses)

Investment dynamics and focus

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms' investment)

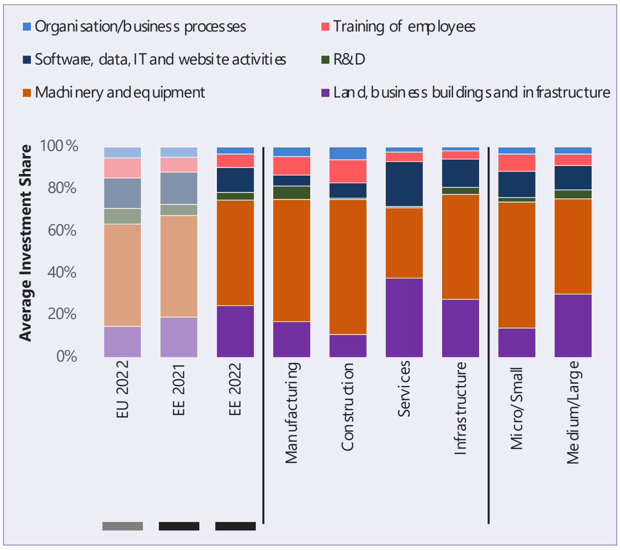
- On average, firms in Estonia spent 43% of their investment on replacing capacity, similar to the EU average of 46% and slightly up from last year (33%). Shares ranged from 36% in the manufacturing sector to 54% in the services sector.
- Investment in capacity expansion accounted for a smaller share of total investment (34%, similar to the EU average of 28%).
- Investment in new products and services stood at 15%, a fall on last year's figure of 27%. The share of investment in this is lowest in the construction sector on 8%.



Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms who have invested in the last financial year (excluding don't know/ refused responses)

INVESTMENT AREAS



- On average, investment in intangible assets (such as in research and development, software, training or business processes) by Estonian firms accounted for about 25% of total investment, slightly lower than in EIBIS 2021 (33%) and the EU average (37%).
- Across all sectors and sizes of firms the average investment in 'tangible' versus 'intangible' assets was similar.
- The average share of investment for machinery and equipment was highest for construction firms (64%), while the average investment in land, business buildings and infrastructure and software, data, IT, website was highest among services firms (38% and 22% respectively).
- The share of investment in machinery and equipment was higher among micro/small firms (60%) than medium/large firms (45%). Medium/large firm's investment share in land, business buildings and infrastructure was twice that of micro/small firms (30% versus 14%).

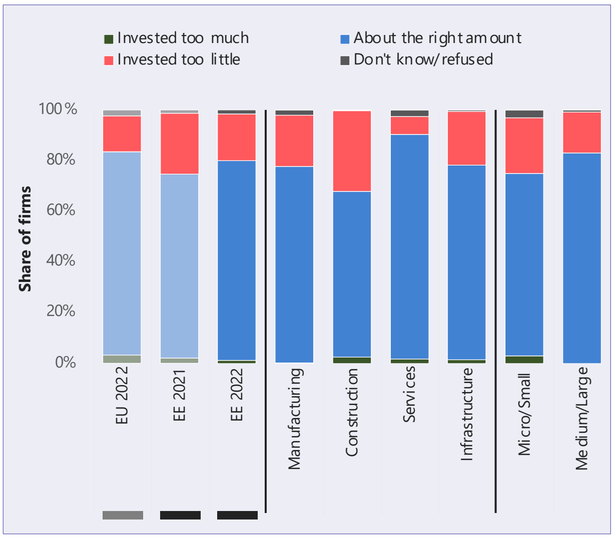
Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Investment needs and priorities

PERCEIVED INVESTMENT GAP

- Firms do not perceive major investment gaps. In spite of difficult circumstances, 79% of Estonian firms believe their investment over the last three years was about the right amount, while one per cent report having invested too much. These figures are in line with the EU average (80%) and similar to what was found in EIBIS 2021 (73%).
- Firms in the construction sector are the least likely to report that they have invested the right amount (66%).

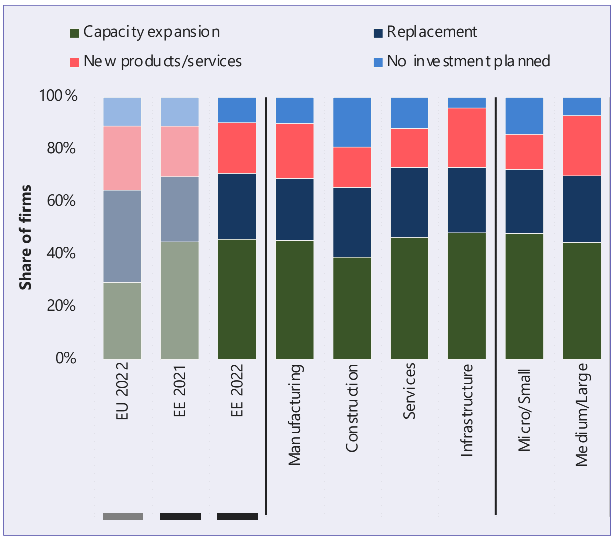


Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

Base: All firms (excluding 'Company didn't exist three years ago' responses)

FUTURE INVESTMENT PRIORITIES

- Looking ahead to the next three years, capacity expansion for existing products/services is the most commonly cited investment priority among Estonian firms (46%), followed by replacement (25%) and developing or introducing new products/services (19%). Shares of investment are similar to EIBIS 2021.
- This contrasts with the pattern in the EU as a whole, where replacement has the largest share of investment priority (36%), followed by capacity expansion (29%).
- 10% of Estonian firms have no investment planned. Construction firms have the highest share of firms with no investment planned (19%). While the number of micro/small firms with no investment planned is double that of medium large firms (14% versus 7%).

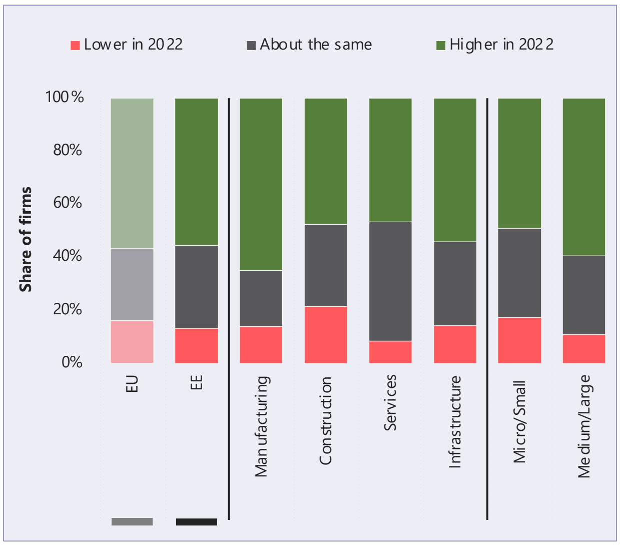


Q. Looking ahead to the next three years, which is your investment priority (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms (excluding don't know/refused responses)

Impact of COVID-19

IMPACT OF COVID-19 ON SALES OR TURNOVER BY END OF 2022 COMPARED TO 2019



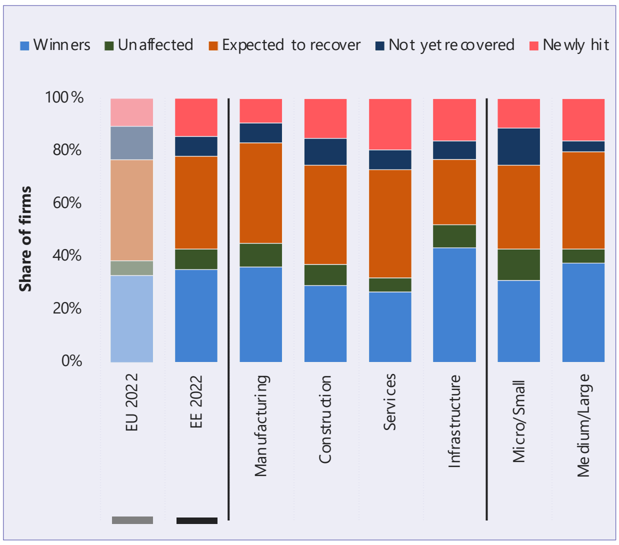
- Asked about the persistent impact of COVID-19 on sales, 13% of Estonian firms expected their sales in 2022 to be lower compared to 2019 and 56% of firms anticipated a sales increase. This is in line with the EU average.
- Expectations among manufacturing firms are more positive with 65% expecting their sales in 2022 to be higher than in 2019 at the time of interview.
- The construction sector has the highest share of firms that were expecting lower sales in 2022 compared with 2019 (21%).

Q. Compared to 2019, do you expect your sales or turnover in 2022 to be higher, lower or about the same?

Base: All firms (excluding don't know/refused responses)

IMPACT ON FIRMS' SALES OR TURNOVER AND EXPECTED RECOVERY

- About 43% of firms in Estonia were negatively impacted by COVID-19. Nevertheless, 35% expected sales in 2022 to at least match their 2019 level. These figures are similar to the EU average.
- Around 35% of firms were COVID-19 "winners" in that they did not experience a loss of sales or turnover in 2021-2022 and expected higher sales in 2022 than in 2019.
- 14% of firms expected a sales drop in 2022, back to or below pre-pandemic levels, in spite of not having experienced any year-on-year sales decline (newly hit firms). The services sector has the highest share of 'newly hit' firms (20%).
- Compared to medium/large firms, micro/small firms have a higher share of firms who have either not been affected (12% versus 5%) or are not yet recovered (14% versus 4%).



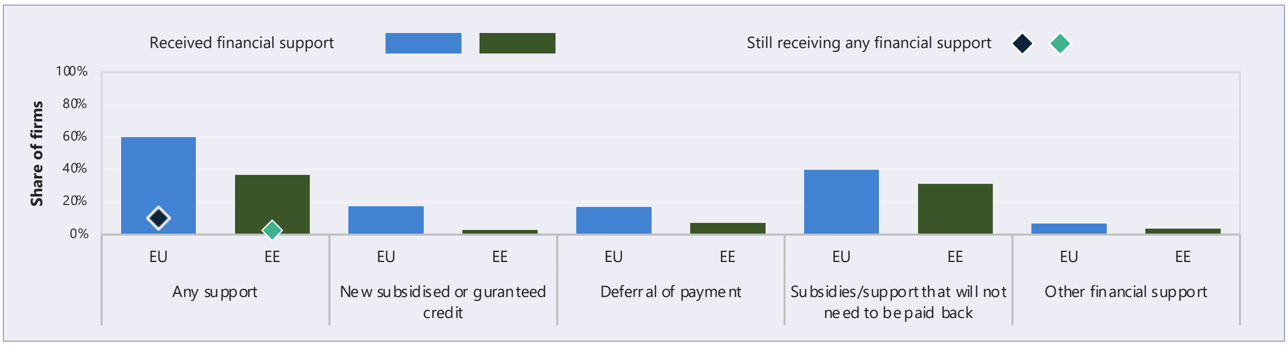
Q. Compared to 2019, before the pandemic started, did your companies sales and turnover in 2020 decline, increase or stay the same?
Q. Compared to 2020, did your companies sales and turnover in 2021 decline, increase or stay the same?
Q. Compared to 2019, do you expect your sales or turnover in 2022 to be higher, lower or about the same?

Base: All firms (excluding don't know/refused responses)

Impact of COVID-19

FINANCIAL SUPPORT RECEIVED IN RESPONSE TO COVID-19

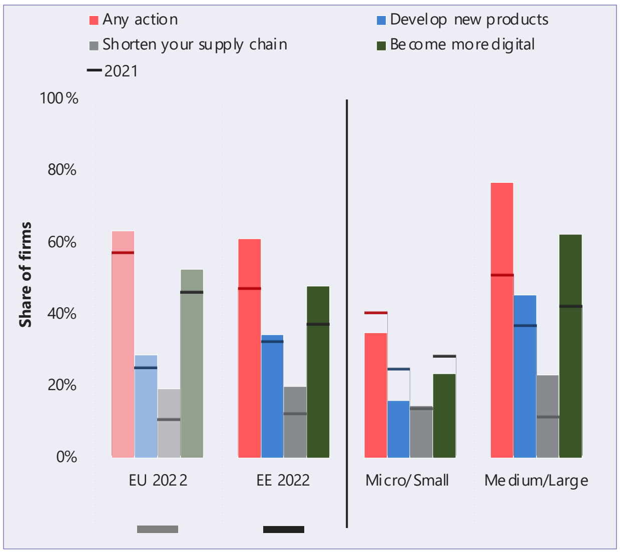
- Overall, 37% of Estonian firms have received some form of financial support in response to COVID-19, which is lower than the EU average of 60%.
- The most frequent type of financial support received by Estonian firms is subsidies or another type of financial support that did not need to be paid back (32%), followed by deferrals of payment (7%).
- Estonian firms were less likely than the EU average to have received any of the individual financial support types.
- 3% of all Estonian firms are still receiving financial support, which is lower than in the EU overall (10%).



Q. Since the start of the pandemic, have you received any financial support?
Q. Are you still receiving {any of} this financial support?

Base: All firms (excluding don't know/refused responses)

ACTIONS AS A RESULT OF COVID-19



- 61% of Estonian firms report having taken at least one short-term action as a result of COVID-19, an increase from 47% in EIBIS 2021.
- The most cited area of action or investment is to become more digital, as reported by 48% of Estonian firms, followed by developing new products, services or processes (35%). These figures are in line with the EU average.
- 19% of Estonian firms report shortening their supply chains, the same as the EU average.
- The share of medium/large firms taking action as a result of COVID-19 has increased from 51% in EIBIS 2021 to 77%.
- Medium/large firms are more likely than micro/small firms to have responded to COVID-19 by developing new products (45% versus 24%) or becoming more digital (62% versus 28%).

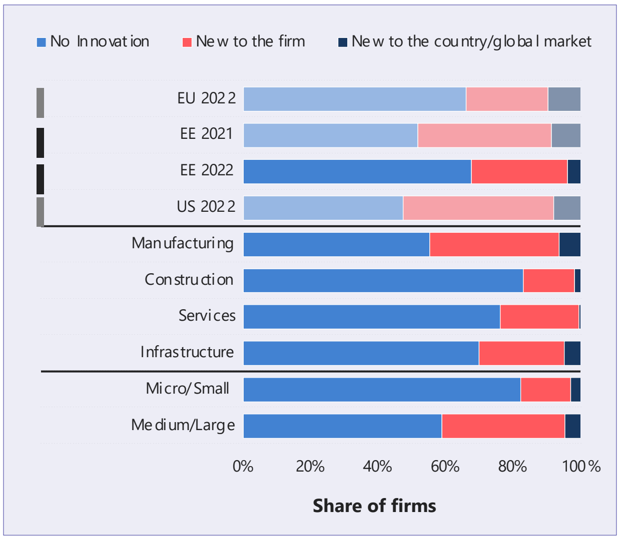
Q. As a response to the COVID-19 pandemic, have you taken any actions or made investments to...?

Base: All firms (excluding don't know/refused responses)

Innovation activities

INNOVATION ACTIVITY

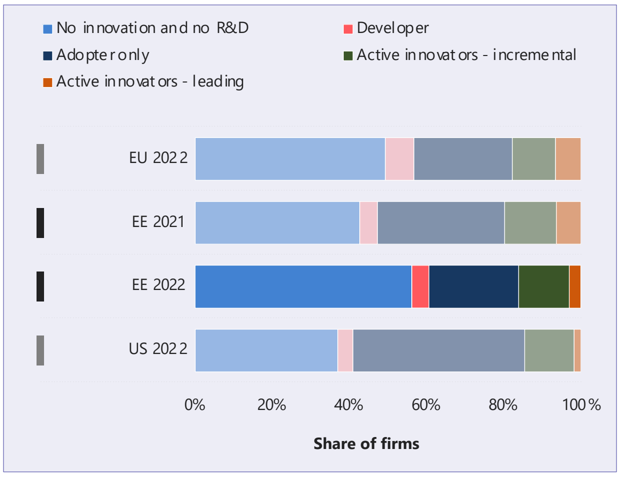
- 33% of Estonian firms developed or introduced new products, processes or services as part of their investment activities in 2021, fewer than in EIBIS 2021 (48%).
- 4% of Estonian firms report the development/ introduction of products, processes or services that were new to either the country or global market, which is lower than the EU average of 10% and slightly down from EIBIS 2021 (9%).
- Innovation was more common among manufacturing firms (45%) and less common among construction firms (17%).
- Medium/large firms (41%) were twice as likely to have innovated as micro/small firms (18%).



Q. What proportion of total investment was for developing or introducing new products, processes, services?
Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Base: All firms (excluding don't know/refused responses)

INNOVATION PROFILE



- When firms' innovation and research and development behaviour is profiled more widely, 16% of Estonian enterprises can be classified as 'active innovators' — that is, as firms that invested significantly in research and development and introduced a new product, process or service.
- More Estonian firms are 'incremental innovators' (13%) than 'leading active innovators' (3%). These figures are in line with the EU average.
- On the negative side, 56% of Estonian firms did not innovate or invest in R&D in 2021, higher (but not significantly so) to EIBIS 2021 and the EU as a whole.

Q. What proportion of total investment was for developing or introducing new products, processes, services?
Q. Were the products, processes or services new to the company, new to the country, new to the global market?
Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company's future earnings?

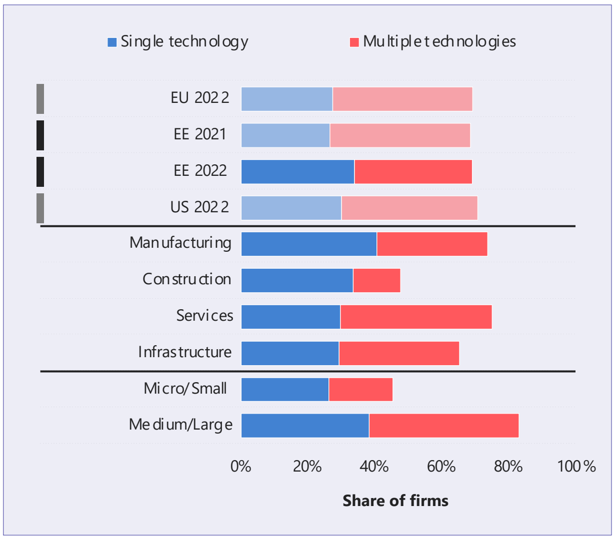
Base: All firms (excluding don't know/refused responses)

The 'No innovation and no R&D' group comprises firms that did not introduce any new products, processes or services in the last financial year. The 'Adopter only' introduced new products, processes or services but without undertaking any of their own research and development effort. 'Developers' are firms that did not introduce new products, processes or services but allocated a significant part of their investment activities to research and development. 'Incremental' and 'Leading innovators' have introduced new products, processes and services and also invested in research and development activities. The two profiles differ in terms of the novelty of the new products, processes or services. For incremental innovators these are 'new to the firm'; for leading innovators' these are new to the country/world'.

Innovation activities

USE OF ADVANCED DIGITAL TECHNOLOGIES

- The majority (69%) of Estonian firms are using at least one advanced digital technology, identical to the EU average (69%).
- Construction firms have the lowest share of firms using digital technologies (48%). Around two-thirds or more of firms in all other sectors are employing at least one digital technology, including 75% of services firms.
- Medium/large firms are more likely than micro/small firms to implement digital technologies (83% versus 45%) with the majority of these bigger firms utilising multiple technologies (45%).
- Compared to firms across the EU, fewer Estonian firms had adopted 3-D printing (9% versus 23%).



EIBIS 2022
Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business?

EIBIS 2021
Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

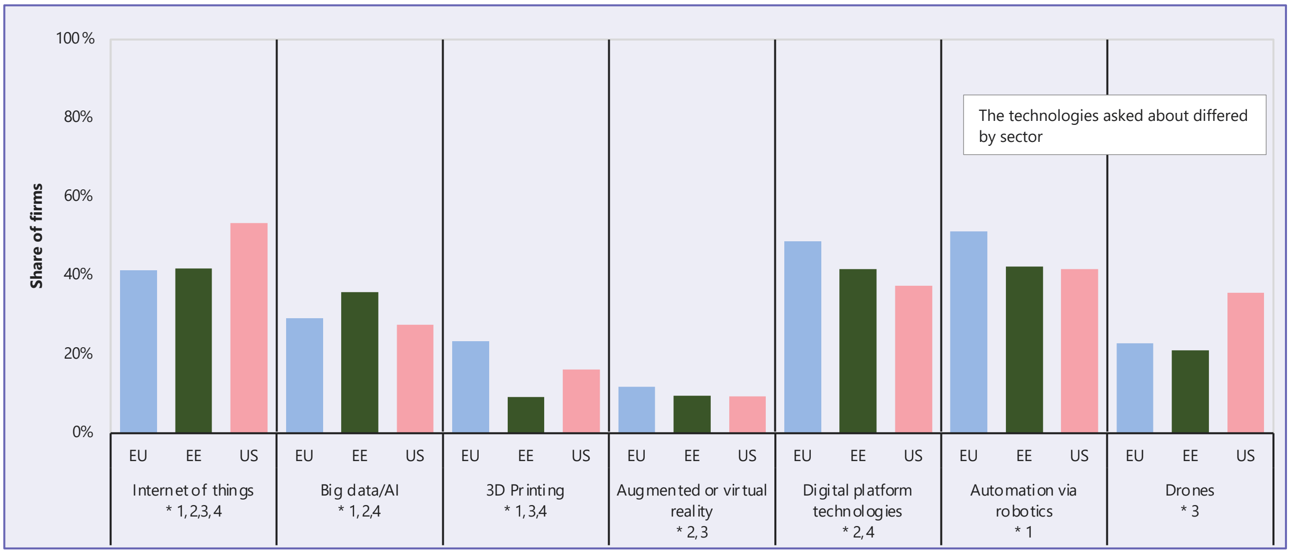
Base: All firms (excluding don't know/refused responses)

Please note: question wording and definition changed between 2021 and 2022, comparisons between the two waves should not be made.

Reported shares combine used the technology 'in parts of business' and 'entire business organised around it'

Single technology is where firms have used one of the technologies asked about. Multiple technologies is where firms have used more than one of the technologies asked about

ADVANCED DIGITAL TECHNOLOGIES



*** Sector: 1 = Asked of Manufacturing firms, 2 = Asked of Services firms, 3 = Asked of Construction firms, 4 = Asked of Infrastructure firms**

Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business?

Base: All firms (excluding don't know/refused responses);
Sample size EE: Manufacturing (111); Construction (113); Services (88); Infrastructure (84)

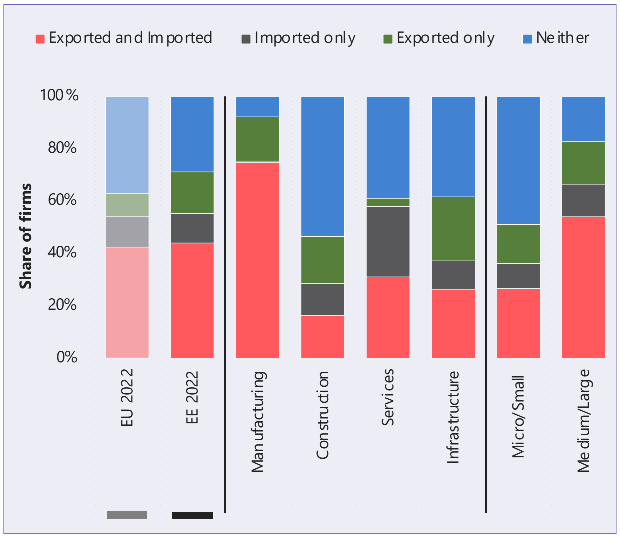
Reported shares combine used the technology 'in parts of business' and 'entire business organised around it'

Please note: question wording changed between 2021 and 2022, comparisons between the two waves should not be made.

International trade

ENGAGEMENT IN INTERNATIONAL TRADE

- 44% of Estonian firms exported or imported goods or services in 2021, in line with the EU average of 42%, and 71% engaged in any international trade.
- Manufacturing firms (92%) are most likely to be engaged in international trade, while firms in the construction sector are the least likely (46%).
- Medium/large firms (83%) are more likely than micro/small firms (51%) to engage in international trade.

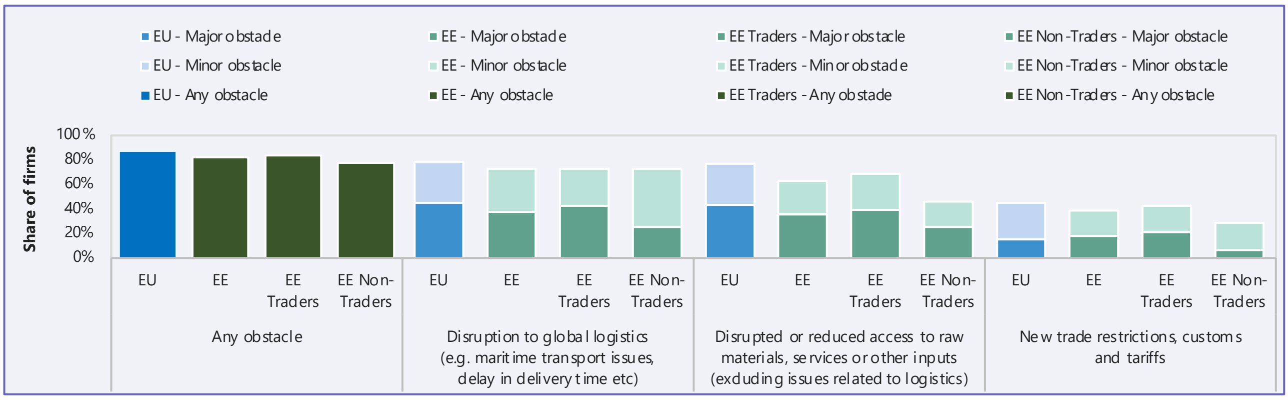


Q. In 2021, did your company export or import goods and/or services?

Base: All firms (excluding don't know/refused responses)

DISRUPTIONS RELATED TO INTERNATIONAL TRADE

- Most Estonian firms – 82% in total – faced disruptions due to international trade. This is similar to the EU overall (87%).
- The most commonly encountered obstacles for Estonian firms were disruptions to global logistics (73%) and disruptions or reduced access to raw materials, services or other inputs (63%) followed by new trade restrictions, customs and tariffs (39%).
- Fewer firms in Estonia were impacted by disrupted or reduced access to raw materials, services or other inputs than firms across the EU (63% versus 77%).



Q. Since 2021, did any of the following present an obstacle to your business's activities?

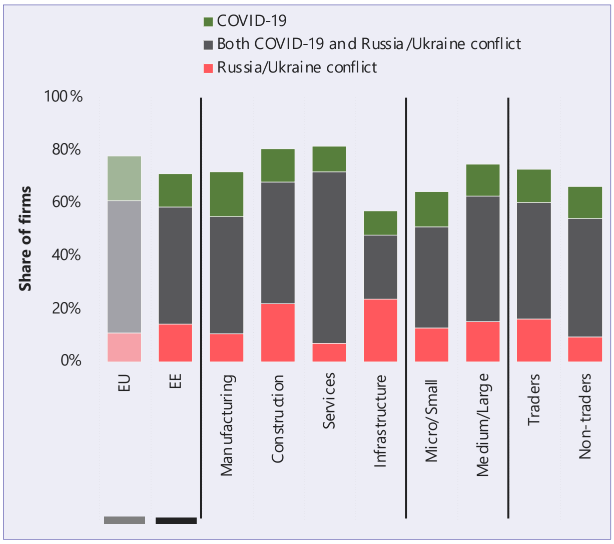
Any obstacle combines 'minor' and 'major' obstacles into one category

Base: "Any obstacle" - All firms (excluding those who said don't know/refused/not applicable responses to all three international trade obstacles)
Base: Individual obstacles - All firms (excluding those who said don't know/refused/not applicable)

International trade

EXTERNAL FACTORS IMPACTING INTERNATIONAL TRADE

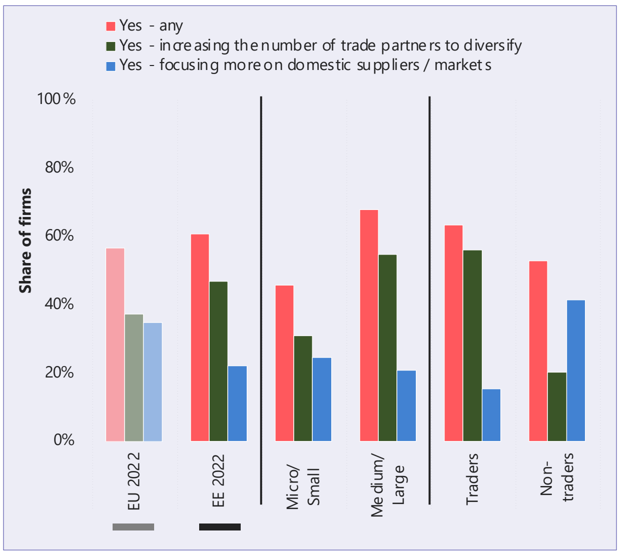
- Seven in ten (71%) of Estonian firms are impacted by at least one of the external factors disrupting international trade. This is lower than the EU average of 78%.
- 44% of Estonian firms are impacted by both the Russia-Ukraine conflict and COVID-19, similar to the EU overall.
- The infrastructure sector (57%) has the lowest share of firms impacted by the international obstacles mentioned. Services and construction have the most (82% and 81%).
- Medium/large firms (75%) and traders (73%) have the highest share of firms impacted by COVID-19 and/or the Russia/Ukraine conflict.



Q. You have just said that you experienced {an obstacle/obstacles} to your business activities since 2021. Did Covid-19 and/or the Russia-Ukraine conflict, including the sanctions imposed by the International community, contribute to this in anyway?

Base: All firms (excluding don't know/refused responses)

ACTIONS TO MITIGATE INTERNATIONAL TRADE DISRUPTIONS



- Overall, 61% of Estonian firms facing trade disruptions took actions to mitigate their impact, which is similar to the EU average (57%).
- Estonian firms are more than twice as likely to increase the number of trade partners (47%) than focus more on domestic suppliers or markets (22%). This may reflect the relatively small size of the domestic economy.
- More medium/large firms than micro/small firms have taken action to mitigate the impact of international trade disruptions (68% versus 46%). In particular, they were more likely to have increased the number of trade partners to diversify (55% versus 31%).

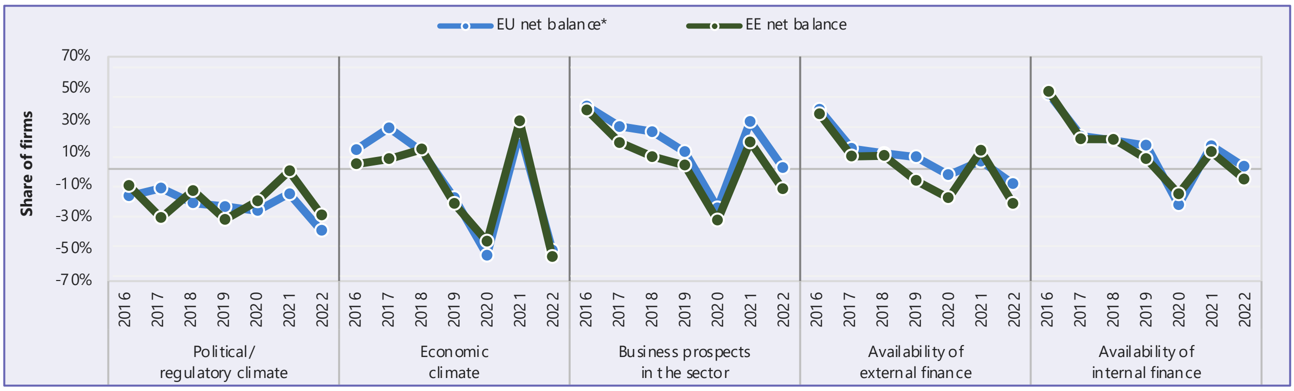
Q. Is your company taking any actions to mitigate the impact of these disruptions?

Base: All firms facing trade disruptions (excluding don't know/refused responses)

Drivers and constraints

SHORT-TERM FIRM OUTLOOK

- In spite of the upward trend in their outlook last year, Estonian firms are again more pessimistic about investment conditions for the next year, similar to the pattern seen in the EU as a whole.
- Expectations have become negative again on every dimension asked about, most notably in relation to the economic climate (declining from +34% to -57%).
- The outlook has also become negative in respect of business prospects in the sector (declining from +20% to -11%), the availability of internal finance (declining from +13% to -5%) and of external finance (declining from +14% to -21%).
- The upward trend on the political/regulatory climate has been halted and the outlook is now also negative (declining from +0.4% to -29%).



Q, Do you think that each of the following will improve, stay the same, or get worse over the next 12 months?

**Net balance is the share of firms seeing improvement minus the share of firms seeing a deterioration*

Base: All firms

SHORT-TERM FIRM OUTLOOK BY SECTOR AND SIZE (net balance %)

	Political / regulatory climate	Economic climate	Business prospects	External finance	Internal finance
Estonia	29%	57%	11%	21%	5%
Manufacturing	31%	52%	8%	18%	3%
Construction	29%	65%	32%	22%	9%
Services	37%	78%	28%	43%	14%
Infrastructure	19%	42%	6%	7%	1%
Micro/Small	29%	51%	15%	20%	6%
Medium/Large	29%	61%	9%	22%	4%

- Estonian firms are consistently more negative than positive across every dimension.
- The one exception is infrastructure firms which are just about net positive about their business prospects and the availability of internal finance.
- Outlook is similar across firm size although services firms are among the most pessimistic on several dimensions.

Please note: green figures are positive, red figures are negative

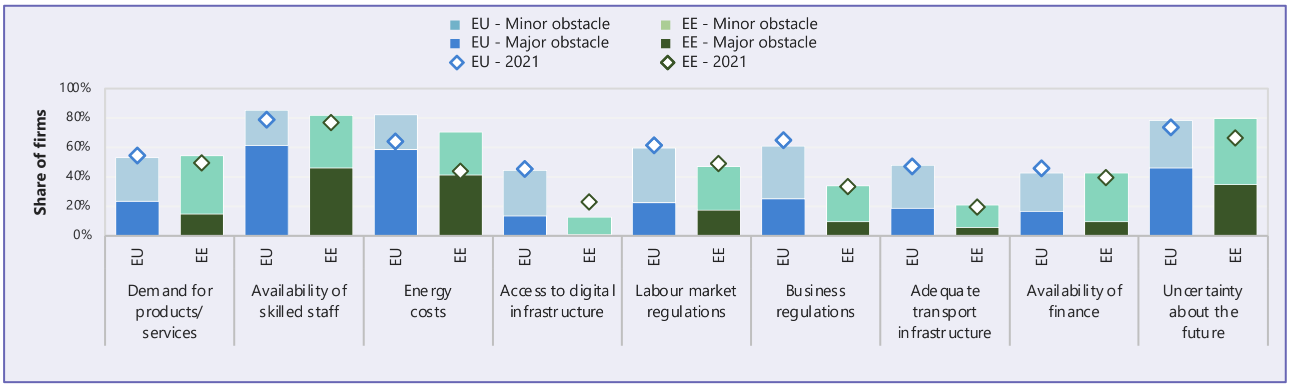
Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

Base: All firms

Drivers and constraints

LONG-TERM BARRIERS TO INVESTMENT

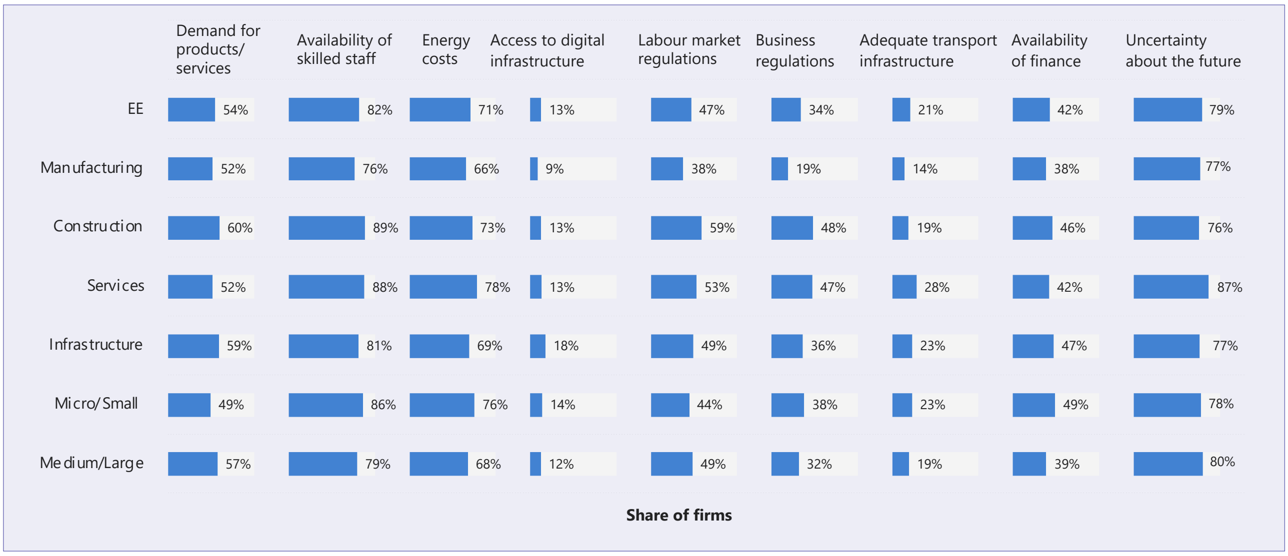
- The most frequently mentioned long-term barriers to investment in Estonia are the availability of skilled staff (82%), uncertainty about the future (80%), and energy costs (71%).
- The main change from EIBIS 2021 is the barrier related to energy costs (up from 44% to 71%). Uncertainty about the future is also a more commonly mentioned barrier (up from 66% to 71%).
- Firms in Estonia are less inclined than firms across the EU to say that energy costs (71% versus 82%), access to digital infrastructure (13% versus 44%), labour market regulations (47% versus 60%) and business regulations (34% versus 61%) are barriers to investment.



Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

LONG-TERM BARRIERS BY SECTOR AND SIZE



Reported shares combine 'minor' and 'major' obstacles into one category

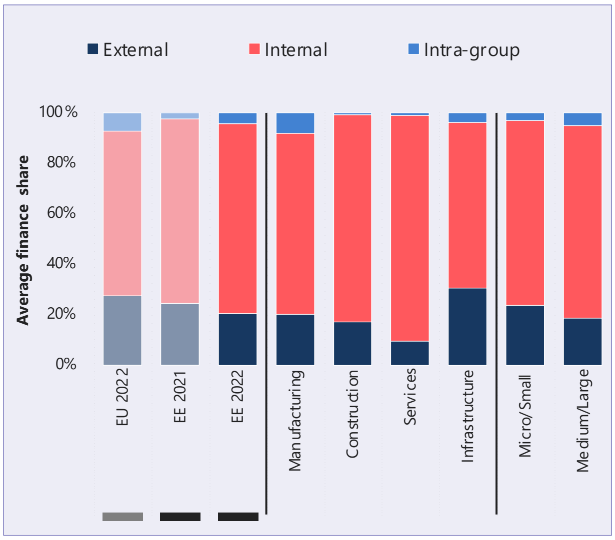
Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

Access to finance

SOURCE OF INVESTMENT FINANCE

- Internal financing still accounted for the largest share of finance for Estonian firms in 2022 (75%), similar to EIBIS 2021 (73%) but higher than the EU average of 65%.
- A fifth (21%) of Estonian firms investment comes from external finance, which is lower than the EU average (28%). 31% of funding among infrastructure firms is from external finance, the highest of any sector.
- The use of intra-group financing made up, on average, 4% of the overall investment spend by Estonian firms, in line with the EU overall. Manufacturing firms make more use of intra-groups finance than other sectors.



Q. What proportion of your investment was financed by each of the following?

Base: All firms who invested in the last financial year (excluding don't know/ refused responses)

USE OF EXTERNAL FINANCE

- A third (33%) of Estonian firms, who invested in the last financial year, financed at least some of their investment through external finance, a similar proportion as EIBIS 2021 (39%) but lower than the EU average (45%).
- The use of external finance is highest among infrastructure firms (45%) and lowest among service firms (14%). This may reflect the larger quantities of financing needed for infrastructure investment relative to investment by services firms.

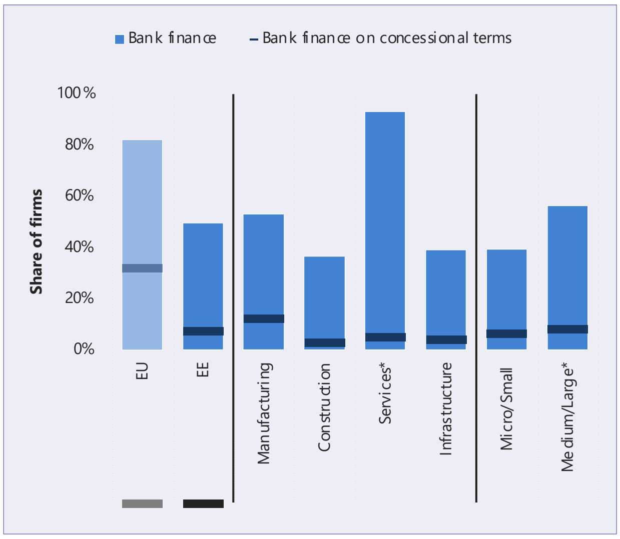
Q. Approximately what proportion of your investment in the last financial year was financed by each of the following

Base: All firms who invested in the last financial year (excluding don't know/ refused responses)

Access to finance

ACCESS TO BANK FINANCE AND CONDITIONS

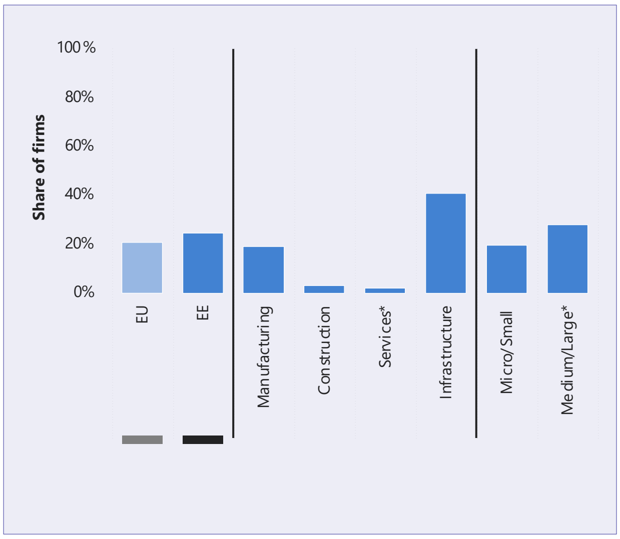
- A half (50%) of Estonian firms, who used external finance in the last financial year, used bank finance to finance at least some of their investment activity, far short of the EU average.
- 8% of Estonian firms using external finance received bank finance on concessional terms, some way below the EU average of 32%.



Q. Which of the following types of external finance did you use for your investment activities in the last financial year?
Q. Was any of the bank finance you received on concessional terms (e.g. subsidised interest rates, longer grace period to make debt payments)?

Base: All firms who used external finance (excluding don't know/refused responses)
** Caution base size <30*

SHARE OF FIRMS WITH FINANCE FROM GRANTS



- A quarter (25%) of Estonian firms, who used external finance in the last financial year, financed at least some of their investment activity through grants, similar to the EU overall (21%).

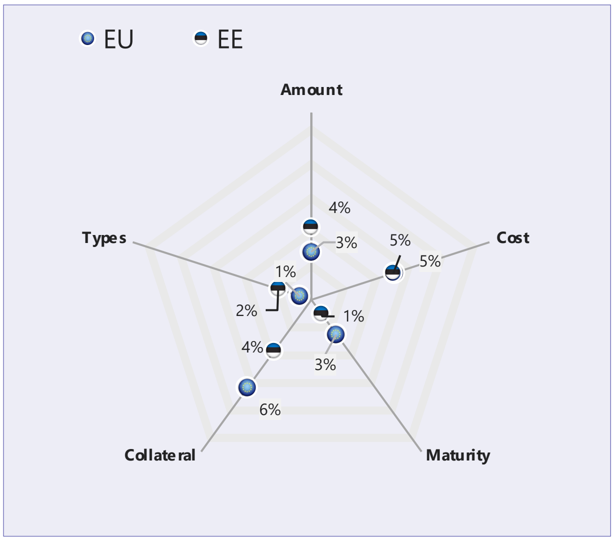
Q. What proportion of your total investment in your last financial year was financed by grants?

Base: All firms using external finance (excluding don't know/refused responses)
** Caution base size <30*

Access to finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED (% of firms)

- A small share of Estonian firms that used external finance in 2021 are dissatisfied with the finance conditions received.
- Estonian firms are most dissatisfied with the cost of finance (5%), the amount (4%) and collateral requirements (4%) similar to the EU overall.



Q. How satisfied or dissatisfied are you with …?

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

DISSATISFACTION BY SECTOR AND SIZE (% of firms)

	Amount	Cost	Maturity	Collateral	Type
EE	4%	5%	1%	4%	2%
Manufacturing	0%	4%	0%	0%	5%
Construction	4%	6%	0%	4%	1%
Services*	0%	0%	0%	20%	0%
Infrastructure	9%	7%	3%	3%	0%
Micro/Small	1%	9%	3%	4%	1%
Medium/Large*	6%	2%	0%	4%	2%

- Dissatisfaction levels are low across all sectors and size classes.
- Infrastructure firms had the highest levels of dissatisfaction about the amount (9%) and cost (7%).

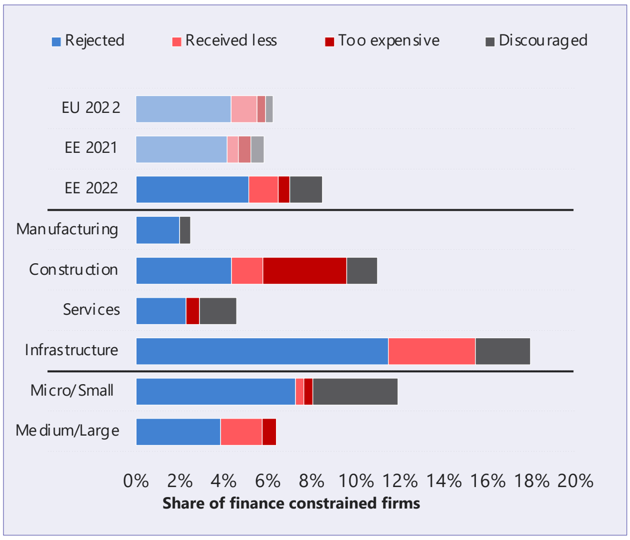
Q. How satisfied or dissatisfied are you with …?

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)
** Caution base size <30*

Access to finance

SHARE OF FINANCE CONSTRAINED FIRMS

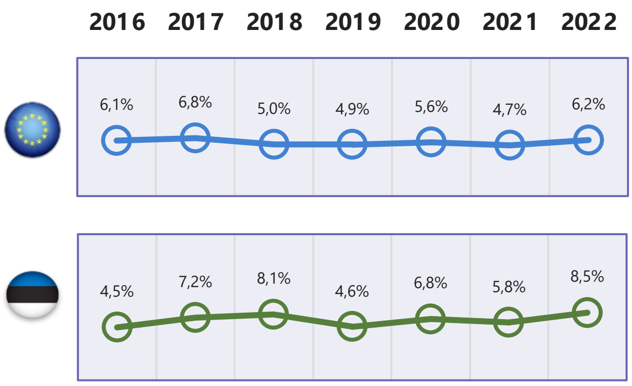
- The main constraint reported by Estonian firms is being rejected (5.2%), followed by being discouraged (1.5%) and receiving less (1.3%). These figures are in line with the EU overall.
- Firms in the infrastructure sector are the most finance constrained (18.0%) and service firms are the least constrained (4.6%).
- Micro/small firms are more likely than medium/large firms to have been discouraged (3.9% versus 0%).



Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

Base: All firms (excluding don't know/refused responses)

FINANCING CONSTRAINTS OVER TIME



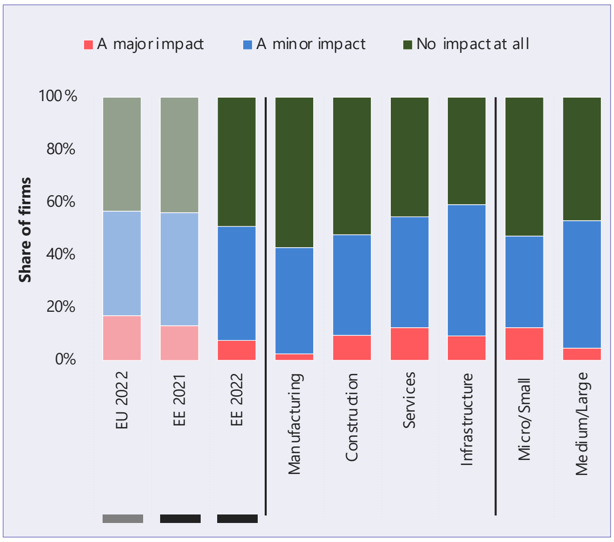
- The proportion of Estonian firms that are finance constrained is now 8.5%, slightly up from EIBIS 2021 and at the highest level on record but still broadly in line with the EU average.

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

- The majority of Estonian firms, 51% say climate change currently has an impact on their business, with 8% reporting a major impact (8%).
- The infrastructure sector (59%) has the highest share of firms who say that climate change has had an impact on their business whilst the manufacturing sector (43%) has the lowest.

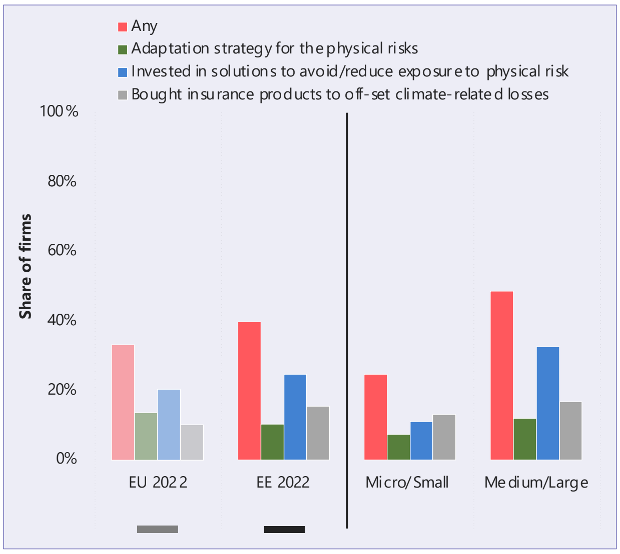


Q. Thinking about the impact of climate change on your company, such as losses due to extreme climate events, including droughts, flooding, wildfires or storms or changes in weather patterns due to progressively increasing temperature and rainfall. What is the impact, also called physical risk, of this on your company?

Base: All firms (excluding don't know/refused responses)

Please note: question wording changed between 2021 and 2022. Comparisons should be treated with caution.

BUILDING RESILIENCE TO PHYSICAL RISK



- 40% of Estonian firms have already developed or invested in measures to build resilience to the physical risks to their company caused by climate change, which is similar to the EU average (33%).
- As is the case in the EU as a whole, Estonian firms mainly invested in solutions to avoid or reduce the exposure to physical risks (25%), while 15% have bought insurance to off-set climate-related losses.
- Medium/large firms are nearly twice as likely as micro/small firms to have taken any measure (49% versus 25%), and are more likely to have invested in solutions to avoid or reduce exposure to physical risks (33% versus 11%).

Q. Has your company developed or invested in any of the following measures to build resilience to the physical risks to your company caused by climate change?

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – RISKS ASSOCIATED WITH THE TRANSITION TO A NET ZERO EMISSION ECONOMY OVER THE NEXT FIVE YEARS

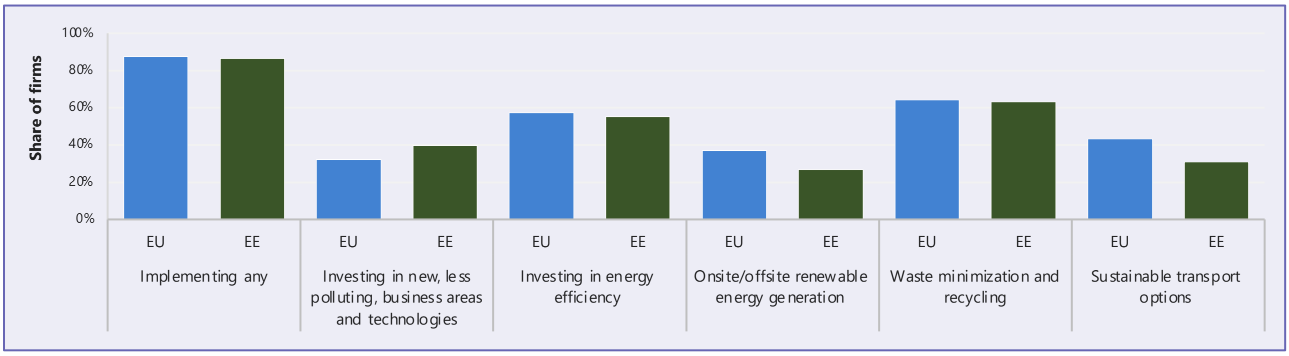
- Estonian firms are twice as likely to see the transition to stricter climate standards and regulations as a risk rather than an opportunity over the next five years (40% and 20% respectively). This is a similar picture to EIBIS 2021.
- This contrasts with the EU, where the outlook is more evenly balanced – 29% of firms see the transition as an opportunity and 33% as a risk.
- 40% of Estonian firms believe the transition will have no impact on their business, which is in line with the EU average.

Q. Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?

Base: All firms (excluding don't know/refused responses)

ACTIONS TO REDUCE GHG EMISSIONS

- 87% of Estonian firms take actions in order to reduce Greenhouse Gas (GHG) Emissions, almost identical to the EU average (88%).
- The main actions in Estonia are waste minimization and recycling (63%) and investments in energy efficiency (55%), followed by investing in less polluting business areas and technologies (40%).
- Compared to the EU average, Estonian firms are less likely to invest in renewable energy generation (27% versus 37%) and sustainable transport options (31% versus 43%).



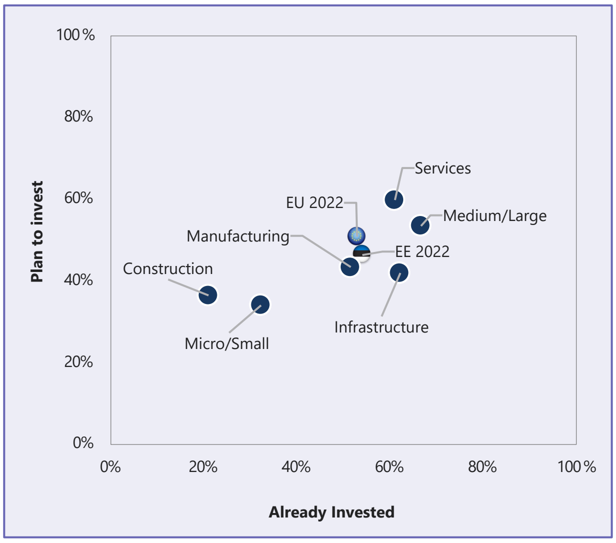
Q. Is your company investing or implementing any of the following, to reduce Greenhouse Gas (GHG) emissions?

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

- Over a half (54%) of Estonian firms have already invested in tackling the impacts of weather events and dealing with the process of reducing carbon emissions. While 46% have plans to invest over the next three years. Similar to the EU average.
- Construction firms are the least likely to have invested (21%) or to be planning to invest in the next three years (37%).
- Medium/large firms (54%) are the most likely to have already invested and to have plans to invest over the next three years (54% and 67%) respectively). So far only a minority of micro/small firms have invested to tackle the effects of climate change and slightly fewer have plans to do so in the next 3 years (34% and 32% respectively).

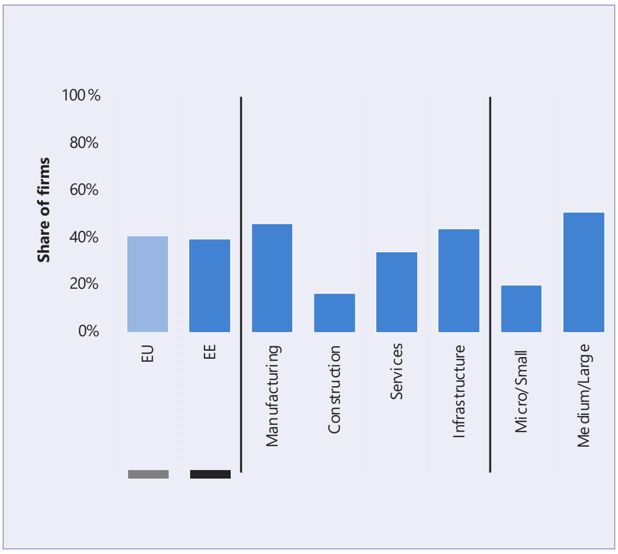


EIBIS 2022
Q. Which of the following applies to your company regarding investments to tackle the impacts of weather events and to help reduce carbon emissions?

Base: All firms (excluding don't know/refused responses)

EIBIS 2021
Q. Now thinking about investments to tackle the impacts of weather events and to deal with the process of reduction in carbon emissions, which of the following applies?
Please note: question change and an additional answer option was included in 2022, this may have influenced the data. Treat comparison to previous waves with caution.

CLIMATE CHANGE TARGETS FOR OWN GREENHOUSE GAS (GHG) EMISSIONS



- 40% of Estonian firms report that they set and monitor targets for their own Greenhouse Gas emissions, which is in line with the EU average (41%).
- Firms in the construction sector have the lowest share of firms (16%) who set and monitor targets for Greenhouse Gas emissions.
- Medium/large firms (51%) are more than twice as likely as micro/small firms (20%) to have set and monitored targets.

Q. Does your company... set and monitor targets for its own Greenhouse Gas (GHG) emissions

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

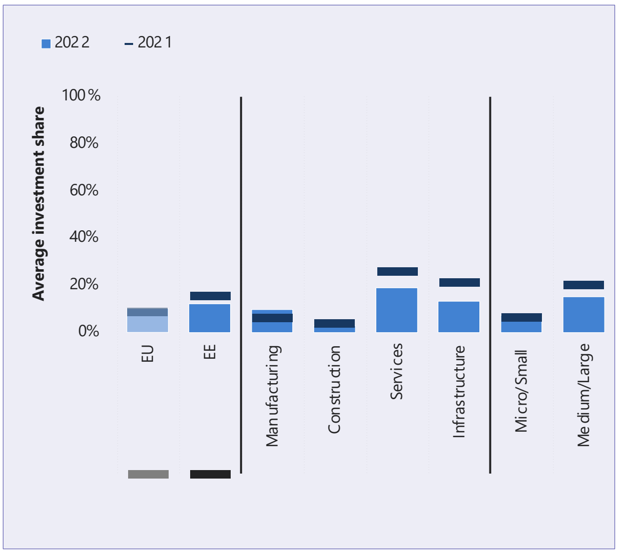
SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

- The share of Estonian firms investing in measures to improve energy efficiency in 2021 is 37% in EIBIS 2022, similar to EIBIS 2021, and in line with the EU average of 40%.
- Construction firms have the lowest share of firms investing in measures to improve energy efficiency (12%).
- Medium/large firms are more than twice as likely as micro/small firms to have invested in energy efficiency (48% versus 19%).

Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms

AVERAGE SHARE OF INVESTMENT IN MEASURES TO IMPROVE ENERGY EFFICIENCY



- Overall, the average share of investment in measures to improve energy efficiency within Estonia was 12%, similar to EIBIS 2021 (16%) and in line with the EU average (10%).
- The share of investment is lowest among construction firms (3%).
- The average share of investment for medium/large firms is twice that of micro/small firms.

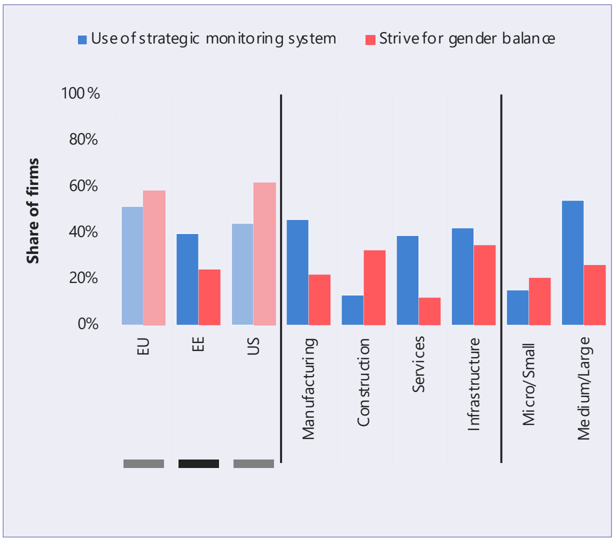
Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Firm management, gender balance and employment

FIRM MANAGEMENT AND GENDER BALANCE

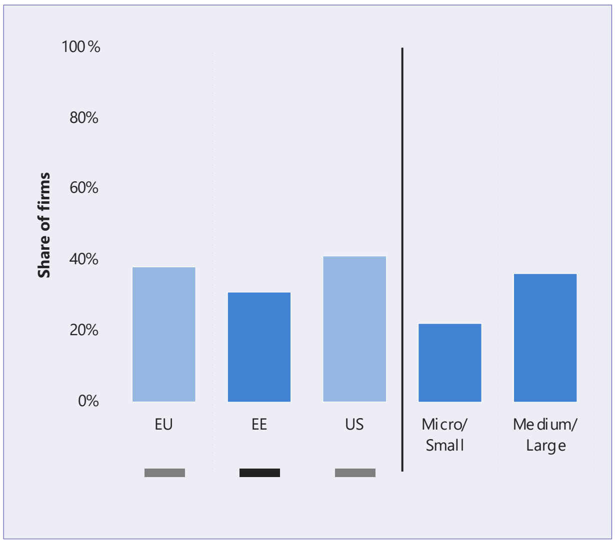
- 40% of Estonian firms use a strategic monitoring system, a lower proportion than in the EU as a whole (52%).
- Construction firms (13%) are the least likely to be using a strategic monitoring system, while medium/large firms (54%) are more likely than micro/small firms (15%) to be doing so.
- 24% of Estonian firms are striving for gender balance which is less than half the EU average of 58%. The figure is higher among construction firms (33%) and infrastructure firms (35%).



Q Does your company...?

Base: All firms (excluding don't know/refused responses)

FIRMS WHO HAVE INCREASED EMPLOYEE NUMBERS SINCE 2019



- 31% of Estonian firms have increased their employment since 2019, which is similar to the EU average of 38%.
- Medium/large firms are slightly more likely to have increased employee numbers since 2019 than small/micro firms (36% versus 22%).

Q. How many people does your company employ either full or part time at all its locations, including yourself?

Q. How many people did your company employ either full or part time at all its locations at the beginning of 2019, before the COVID-19 pandemic?

Base: All firms (excluding don't know/refused/did not exist in 2019 responses)

EIBIS 2022 – Country technical details

SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS

The final data are based on a sample, rather than the entire population of firms in Estonia , so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

	EU	US	EE	Manufacturing	Services	Construction/ Infrastructure	Micro/ Small	Medium/ Large	EU vs EE	Manufacturing vs Construction/ Infrastructure	Micro/Small vs Medium/Large
	(12021)	(800)	(400)	(111)	(90)	(198)	(322)	(78)	(12021 vs 400)	(111 vs 198)	(322 vs 78)
10% or 90%	1.1%	4.1%	4.5%	7.6%	10.3%	6.4%	3.2%	6.9%	4.6%	9.9%	7.6%
30% or 70%	1.7%	6.2%	6.9%	11.5%	15.8%	9.7%	5.0%	10.6%	7.1%	15.1%	11.6%
50%	1.8%	6.8%	7.5%	12.6%	17.2%	10.6%	5.4%	11.5%	7.7%	16.4%	12.7%

GLOSSARY

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Manufacturing sector	Based on the NACE classification of economic activities: firms in group C (Manufacturing).
Construction sector	Based on the NACE classification of economic activities: firms in group F (Construction).
Services sector	Based on the NACE classification of economic activities: firms in group G (wholesale and retail trade) and group I (accommodation and food Services activities).
Infrastructure sector	Based on the NACE classification of economic activities: firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
Micro/Small	Firms with between 5 and 49 employees.
Medium/Large	Firms with at least 50 or more employees.

Note: the EIBIS 2022 country overview refers interchangeably to 'the past/last financial year' or to '2021'. Both refer to results collected in EIBIS 2022, where the question is referring to the past financial year, with the majority of the financial year in 2021 in case the financial year is not overlapping with the calendar year 2021.

EIBIS 2022 – Country technical details

The country overview presents selected findings based on telephone interviews with 400 firms in Estonia (carried out between April and July 2022).

BASE SIZES *(*Charts with more than one base; due to limited space, only the lowest base is shown)*

Base definition and page reference	EU 2022/ 2021	US 2022	EE 2022/ 2021	Manufact-uring	Construct-ion	Services	Infrast-ructure	Micro/ Small	Medium/ Large
All firms, p. 3, p.12, p.13, p. 21 (top)	12021/11920	800	400/401	111	114	90	84	322	78
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4 (top)	9704/9670	668	319/341	87	96	64	71	249	70
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4 (bottom)	9501/9523	668	326/328	90	99	63	73	254	72
All firms (excluding 'Company didn't exist three years ago' responses), p. 5 (top)	11735/11648	778	397/398	110	113	89	84	319	78
All firms (excluding don't know/refused responses), p. 5 (bottom)	11814/11765	780	377/392	109	105	82	80	303	74
All firms (excluding don't know/refused responses), p. 6 (top)	11810/NA	795	389/NA	108	112	86	82	313	76
All firms (excluding don't know/refused responses), p. 6 (bottom)	11725/NA	784	384/NA	106	110	85	82	309	75
All firms (excluding don't know/refused responses), p. 7 (top)	11945/11857	762	399/400	111	113	90	84	321	78
All firms (excluding don't know/refused responses), p. 7 (bottom)	11989/11891	796	400/398	111	114	90	84	322	78
All firms (excluding don't know/refused responses), p. 8 (top)	11735/11648	778	397/398	110	113	89	84	319	78
All firms (excluding not applicable/don't know/refused responses to all 3 questions), p. 8 (bottom)	8728/8780	615	301/312	83	92	60	65	233	68
All firms (excluding don't know/refused responses), p. 9	11980/NA	800	397/NA	111	113	88	84	319	78
All firms (excluding don't know/refused responses), p. 10 (top)	11975/NA	798	399/NA	111	114	90	83	321	78
All firms (excluding those who said don't know/refused/not applicable responses to all three international trade obstacles) p. 10 (bottom)	11382/NA	790	359/NA	107	103	79	69	284	75
All firms (excluding don't know/refused responses), p. 11 (top)	9339/NA	680	281/NA	86	84	68	43	218	63
All firms facing trade disruptions (excluding don't know/refused responses), p. 11 (bottom)	9265/NA	707	265/NA	78	79	67	41	206	59
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 14	10051/8675	665	337/297	91	101	67	77	265	72
All firms who used external finance (excluding don't know/ refused responses), p. 15 (top)	4107/4059	275	115/105	34	33	14	33	89	26
All firms who used external finance (excluding don't know and refused) p. 15 (bottom)	4155/4100	280	115/107	34	33	14	33	89	26
All firms who used external finance in the last financial year (excluding don't know/refused responses) , p. 16	3988/3964	270	108/105	33	32	12	29	84	24
All firms (excluding don't know/refused responses), p. 17	11504/11518	715	390/380	106	112	87	84	318	72
All firms (excluding don't know/refused responses), p. 18 (top)	11911/11849	790	393/395	110	113	87	82	316	77
All firms (excluding don't know/refused responses), p. 18 (bottom)	11909/NA	784	394/NA	111	114	87	81	316	78
All firms (excluding don't know/refused responses), p. 19 (top)	11172/11384	759	361/371	101	104	80	75	292	69
All firms (excluding don't know/refused responses), p. 19 (bottom)	11964/NA	794	394/NA	110	112	88	83	316	78
All firms (excluding don't know/refused responses), p. 20 (top)	11685/NA	763	383/NA	109	111	81	81	308	75
All firms (excluding don't know/refused responses), p. 20 (bottom)	11712/NA	783	388/NA	108	112	84	83	312	76
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 21 (bottom)*	9752/9617	677	321/335	88	99	62	71	256	65
All firms (excluding don't know/refused responses) p. 22 (top)	11696/11616	785	386/391	107	112	87	79	311	75
All firms (excluding don't know/refused/did not exist in 2019 responses) p. 22 (bottom)	11662/11718	783	390/397	107	111	87	84	315	75

European
Investment Bank

Economics Department
economics@eib.org
www.eib.org/economics

Information Desk
+352 4379-22000
info@eib.org

European Investment Bank
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg
+352 4379-1
www.eib.org

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Estonia

Overview

EIB INVESTMENT SURVEY

2022