Estonia

Overview

European Investment Bank

EIB INVESTMENT SURVEY

2023

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Estonia

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EIB Investment Survey Country Overview 2023: 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.

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EIBIS 2023 – Estonia overview

KEY RESULTS

Investment dynamics and focus
In the context of decelerating economic growth and tightening monetary policy, firms in Estonia remained relatively positive about their investment intentions for 2023 at the time of the interviews (April-July 2023). In addition, eighty-six per cent report to have invested in 2022. A larger share of firms expected to increase rather than decrease investment in 2023 (a positive net balance of 7%). This is in line with EIBIS 2022 (4%) and remains above pre-pandemic levels. The figures in Estonia match those for the EU overall.

Investment needs and priorities
More than three-quarters of firms in Estonia (77%) believe they invested about the right amount over the last three years. This is similar to EIBIS 2022 (79%) and the current EU average (82%). Looking at investment priorities for the next three years, firms in Estonia are most likely to prioritize capacity expansion (42%), ahead of replacement (29%) and investment in new products or services (19%). Firms in Estonia are more likely to prioritize capacity expansion than firms across the EU as a whole (42% versus 30%, respectively).

Estonian firms remain, on balance, pessimistic about short-term drivers and constraints to investment. Although the figure for the economic climate has improved slightly since EIBIS 2022, it is still very negative (-41% versus –57% net negative in EIBIS 2022). Perceptions of the political/regulatory climate have become more negative, on balance (-39% versus -29% in EIBIS 2022). Expectations for business prospects and for the availability of internal and external finance are stable but have remained negative (-16%, -6% and -21%, respectively). Expectations were, on balance, more pessimistic in Estonia than in the EU overall.

Energy market developments
The energy crisis hit Estonian firms hard, but to a lesser extent than firms across the whole EU. Energy prices were a major concern for 59% of firms, while uncertainty about prices, availability and regulatory frameworks was a major concern for 40%. However, compared with the EU as a whole, firms in Estonia were less concerned about uncertainty, energy availability and regulatory frameworks/stricter climate standards.

Estonian firms are equally as likely as those across the EU (97% versus 95%) to have responded to the energy shock by adopting one or more relevant strategies. The strategies most frequently reported by Estonian firms were to seek energy savings/efficiencies (78%) or to pass increased energy costs on to customers (69%). Exceeding the EU average (24%), a third of Estonian firms mention that stopping or reducing the production of certain goods is a priority or strategy (34%).

International trade
Almost all Estonian firms trading internationally faced some type of disruption (97%). Access to commodities or raw materials (70%) and access to semiconductors or microchips (63%) were the main obstacles encountered.

Despite these difficulties, fewer than half (46%) changed or are planning to change their sourcing strategy. Firms in Estonia are less likely than those across the EU to mention the increase stocks and inventory (23%) but as likely to report the investment in digital inventory and inputs tracking (22%). Almost a quarter (23%) of importers in Estonia are diversifying or increasing the countries they import from or have plans to do so, while 3% have reduced or plan to reduce the share of goods or services imported from abroad. Again, figures are in line with the EU average.

EIBIS 2023 – Estonia overview

Climate change and energy efficiency
Climate change is increasingly perceived as a reality by Estonian firms, with 70% saying weather events have impacted their business (up from 51% in EIBIS 2022). Despite this, less than half (45%) have taken measures to build resilience against such risks. Both figures are in line with the EU average (64% and 36%, respectively). Estonian firms were as likely to invest in solutions to avoid or reduce the exposure to physical risks (30%), as to buy insurance to offset climate related losses (29%). Both of these figures were higher than in the EU overall (20% and 13%, respectively).

The share of Estonian firms regarding the transition to stricter climate standards and regulations as a risk is around twice as high as the proportion seeing it as opportunity (44% and 23%, respectively). This is similar to EIBIS 2022. The share that see the transition as a risk is higher than the EU average (33%). While nearly nine in ten (89%) Estonian firms are taking actions to reduce their greenhouse gas (GHG) emissions, only a minority (27%) sets and monitors relevant targets. The main actions taken are waste minimisation and recycling (77%) and investments in energy efficiency (62%). Estonian firms were more likely than those throughout the EU to be investing in waste minimisation and recycling (77% versus 67%) and new, less polluting, business areas and technologies (45% versus 32%), but were less likely to be investing in onsite/offsite renewable energy generation (30% versus 41%).

In Estonia, 52% of firms have already invested in tackling the impacts of weather events and the process of reducing carbon emissions, with a similar proportion (53%) planning to invest in the next three years. Both figures are in line with EIBIS 2022 and the current EU average (56% and 54%, respectively).

Innovation activities
In 2022, more than four in ten firms in Estonia (43%) developed or introduced new products, processes or services as part of their investment activities. This is in line with the EU average (39%) and EIBIS 2022 (33%). Less than one in ten firms in Estonia (8%) say the products, processes or services were new to either the country or global markets, again broadly consistent with EIBIS 2022 (4%) and the EU average (13%).

More than six in ten firms in Estonia (63%) have used one or more advanced digital technologies, in line with the EU average (70%). Estonian firms are making more use of robotics (54%) and the Internet of things (48%) than other digital technologies. However, compared to firms throughout the EU, they are making less use of 3D printing and Platforms.

Investment impediments
The most frequently mentioned long-term impediments to Estonian firms' investment are the availability of skilled staff (83%), uncertainty about the future (83%) and energy costs (73%). These are also the main barriers for firms across the EU. Feedback was generally similar to that received in EIBIS 2022, but now more Estonian firms view adequate transport infrastructure as an obstacle (36% versus 21%).

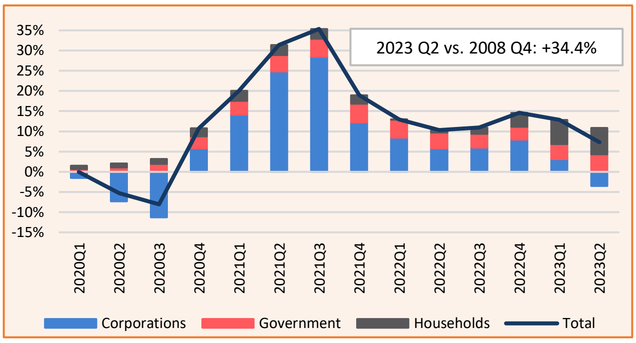
Access to finance
The proportion of Estonian firms that are financially constrained (6.2%) is very similar to the EU average (6.1%). This proportion has remained broadly stable in recent years. Following monetary policy tightening and deteriorating external finance conditions, Estonian firms are increasingly dissatisfied with the cost of finance. Since EIBIS 2022, the share of firms dissatisfied with the cost of external finance has increased from 5% to 26%, higher than the EU average (14%).

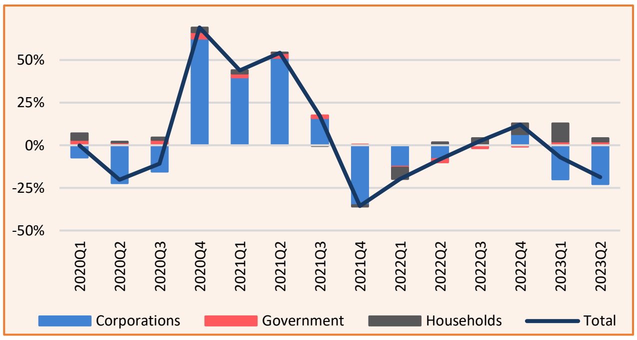
Note on how to read the results:
EIBIS 2023 overview presents the results of the survey run in 2023. Questions in the survey might point to "last financial year" (2022) or expectations for the current year (2023). The text and the footnote referring to the question will specify in each case which year is considered.

Investment dynamics and focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

- Following Estonia's strong rebound in aggregate investment from the pandemic, the increase in the investment level started to reverse in Q4 2021, and apart from a temporary moderate rise in Q4 2022, it has encountered a continuous decline since then.
- After having reached a peak level in Q3 2021 on the back of stronger corporate investment, aggregate investment growth sharply decreased due to mostly weakening corporate activity, resulting in a lower total investment level by Q2 2022 (10.3% higher than in Q4 2019).
- Household and corporate investment growth started to recover again in the second half of 2022, which helped to support aggregate investment.
- Between Q1 2023 and Q2 2023, household investment, albeit contributing positively, only partly managed to compensate the recurring decline in the growth momentum of corporate investment, resulting in overall falling investment. Government investment remained fairly stable.

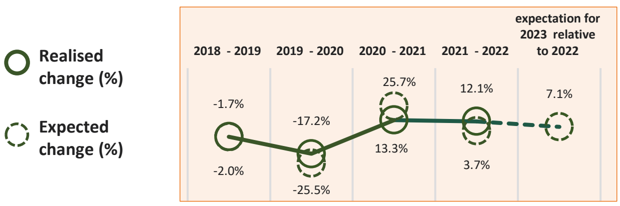




The LHS chart shows the evolution of total gross fixed capital formation (GFCF) by institutional sector, in real terms and non seasonally nor calendar adjusted. The nominal GFCF source data was transformed into four-quarter sums and deflated using the implicit deflator for total GFCF (2015=100 euro). 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.

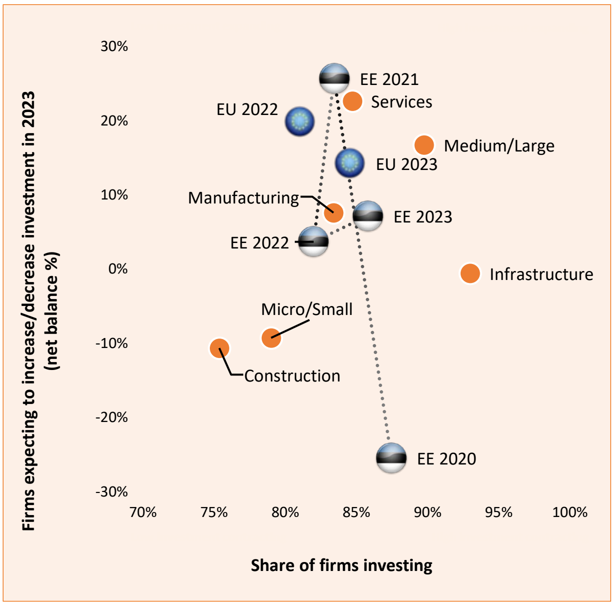
INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

- In spite of the economic context, firms in Estonia held a positive investment outlook for 2023, with a net balance of 7% expecting to increase rather than decrease investment. This is broadly in line with the average across the EU (14%) and consistent with EIBIS 2022.
- Service firms are the most likely to expect to increase rather than decrease their investment (net balance of 23%), while the net balance is negative in the construction sector (-11%).
- Medium or large firms have a more positive outlook than micro or small firms (+17% versus -9%, respectively).
- The share of Estonian firms having invested in 2022 closely matches the EU as a whole (86% versus 85%) and is consistent with the figure from EIBIS 2022 (82%).



'Realised change' is the share of firms that invested more minus those that invested less; 'Expected change' is the share of firms that expect(ed) to invest more minus those that 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 €500.

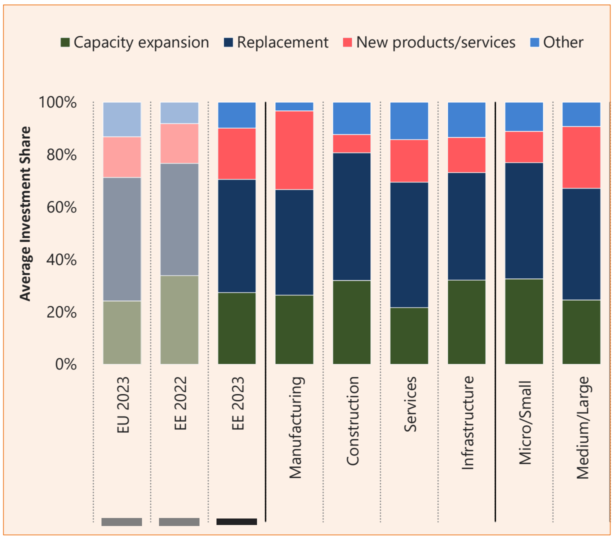
Base for share of firms investing: All firms (excluding don't know/refused responses)

Base for expected and realised change: All firms

Investment dynamics and focus

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

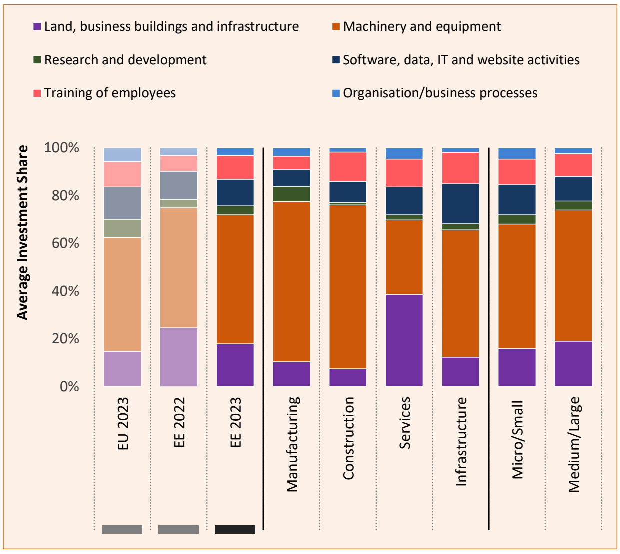
- On average, firms in Estonia spent 43% of their investment on replacement in 2022, the same proportion as in EIBIS 2022 and in line with the current EU average (47%).
- Investment in capacity expansion accounted for more than a quarter of total investment (27%), again broadly in line with the current EU average (24%) but slightly lower than EIBIS 2022 (34%).
- Investment in new products and services accounted for a lower share of the total expenditure (20%), although this is higher in the manufacturing sector (30%) and lower in the construction sector (7%).
- Investment in new products and services accounted for a higher share of total expenditure among medium or large firms than among micro or small firms (24% versus 12%).



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

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

INVESTMENT AREAS



- Investment in intangible assets (R&D, software, training and business processes) by firms in Estonia accounted for 28%, in line with EIBIS 2022 (25%), but lower than the EU average (38%). In particular, firms in Estonia have invested a lower proportion in R&D than the EU as a whole (4% versus 8%).
- The level of investment in intangible assets was consistent across different sectors. Construction firms (69%) and manufacturing firms (67%) invested a relatively high share of investment in machinery and equipment.

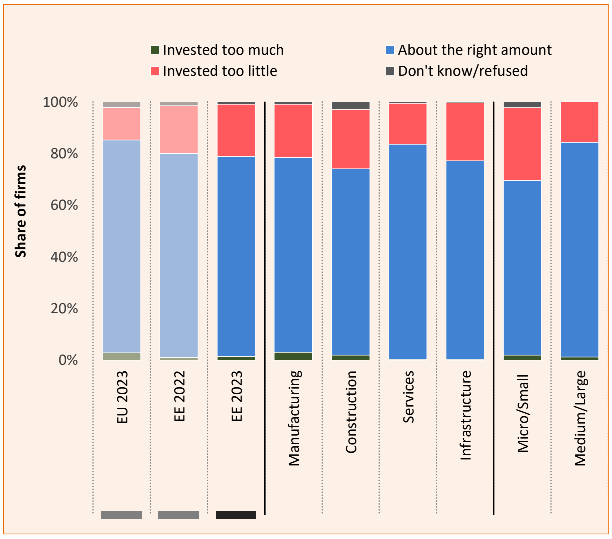
Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

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

Investment needs and priorities

PERCEIVED INVESTMENT GAP

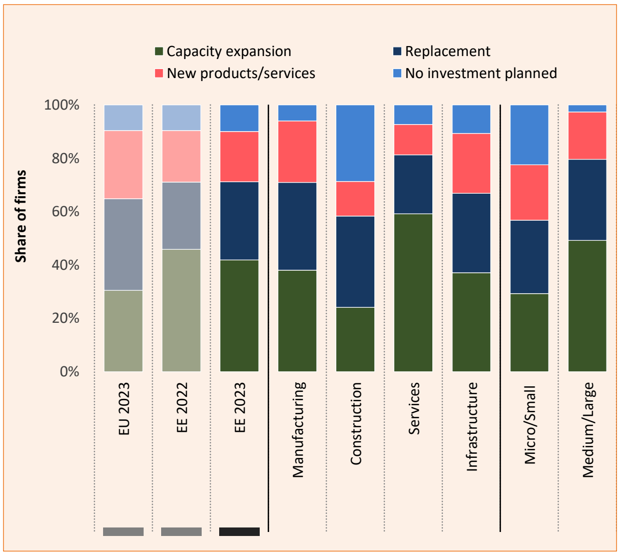
- Firms do not perceive major gaps in terms of investment. More than three-quarters of Estonian firms (77%) believe that their investment activities over the last three years were at about the right amount. This share is similar to EIBIS 2022 (79%) and the current EU average (82%).
- One in five firms in Estonia (20%) believe they invested too little, in line with EIBIS 2022 (18%) but higher than the EU average (13%). Only 2% report too much investment, again similar to EIBIS 2022 (1%) and in line with the EU average (2%).
- Medium or large firms are more likely than micro or small firms to say they have invested the right amount over the last three years (83% versus 68%, respectively).
- Findings were consistent across different sectors.



Q. Looking back at your investment over the last three 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



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 or services?

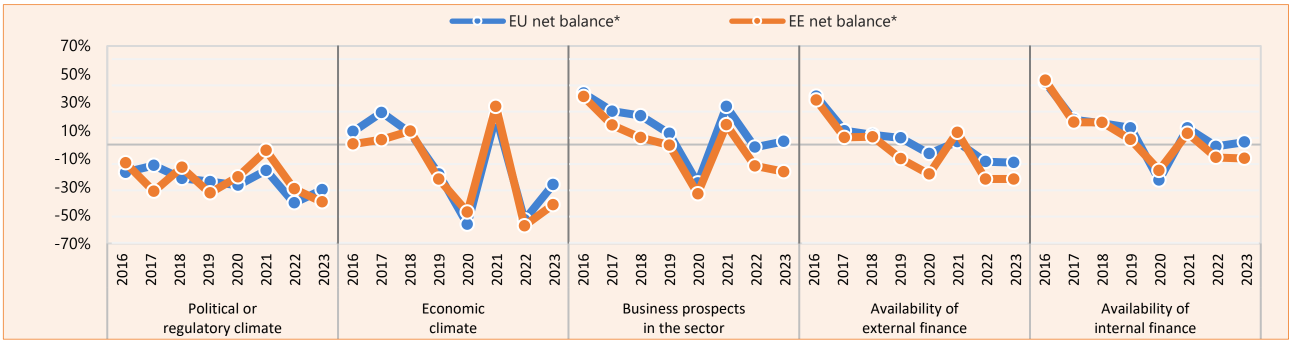
Base: All firms (excluding don't know/refused responses)

- As in EIBIS 2022, investment in capacity expansion remains the most commonly cited priority for the next three years (42%) by firms in Estonia. The share of firms prioritizing replacement and investment in new products or services has also remained stable (29% and 19%, respectively).
- The share of firms with no investment planned represents one in ten firms (10%), the same proportion as in EIBIS 2022.
- Compared with the EU average, firms in Estonia are more likely to prioritise capacity expansion (42% versus 30%).
- The share of firms prioritising investment in capacity expansion ranges from 24% in the construction sector to 59% in the services sector. Construction firms are the most likely to have no investment planned (29%).
- Medium or large firms are more likely to prioritise capacity expansion than micro or small firms (49% versus 29%, respectively), while micro or small firms are far more likely to have no investment planned (23% versus 3% of medium or large firms).

Investment needs and priorities

SHORT-TERM DRIVERS AND CONSTRAINTS

- Firms in Estonia remain, on balance, pessimistic about the investment conditions for the next year.
- In Estonia, expectations are generally the same as last year and although the figure for the economic climate has improved slightly, it is still very negative (rising from -57% to -41% in net balance terms). Perceptions of the political/regulatory climate have become even more negative (-39% versus -29%, on balance, in EIBIS 2022).
- Expectations are, on balance, more pessimistic in Estonia than in the EU overall. This holds in particular for business prospects in the sector (-16% versus +7%).
- Expectations for the availability of internal and external finance are stable but remain net negative (-6% and -21%, respectively).



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

Base: All firms

**Net balance is the share of firms expecting an improvement minus the share of firms anticipating a deterioration.*

SHORT-TERM DRIVERS AND CONSTRAINTS BY SECTOR AND SIZE (net balance %)

	Political / regulatory climate	Economic climate	Business prospects	External finance	Internal finance
Estonia	39%	41%	16%	21%	6%
Manufacturing	46%	39%	14%	24%	3%
Construction	31%	43%	40%	15%	16%
Services	34%	50%	22%	11%	5%
Infrastructure	36%	36%	4%	30%	6%
Micro/Small	35%	48%	25%	22%	15%
Medium/Large	41%	37%	11%	21%	0%

Please note: green figures represent a positive net balance, while red figures represent a negative net balance.

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

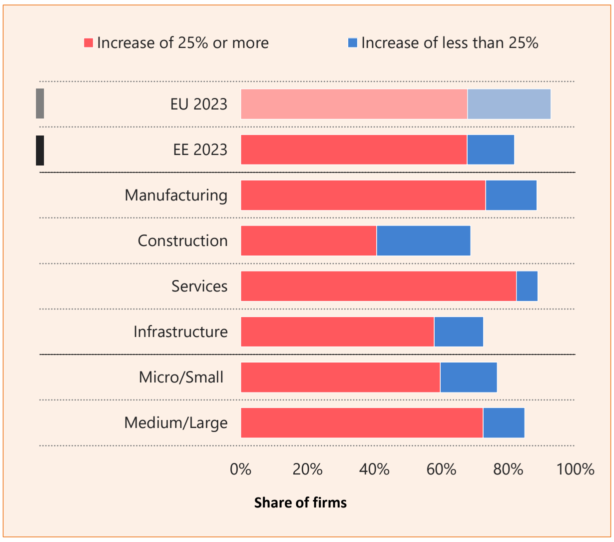
Base: All firms

- Across all sectors and size bands, firms in Estonia are consistently more negative than positive about all of the aspects of investment conditions.
- Manufacturing firms are, on balance, most negative about the political/regulatory climate (-46% in net balance terms), followed by infrastructure (-36%) and services (-34%). Construction firms are the most pessimistic on balance, with regards to business prospects for their sector (-40%) and internal finance (-16%). Infrastructure firms are most likely to expect access to external finance getting worse instead of improving (-30% on balance).
- With the exception of the political/regulatory climate, Estonian micro/small firms are consistently more pessimistic across all aspects of investment conditions than medium/large firms.

Energy market developments

INCREASED SPENDING ON ENERGY

- Firms in Estonia are less likely than those across the EU to have faced increases in energy costs (82% versus 93%). However, the same share of firms (68%) has faced an increase of 25% or more.
- While services firms in Estonia have been the most likely to face an increase in energy costs of 25% or more (82%), construction firms were the least likely to face such an increase (41%).
- Medium/large Estonian firms have not only faced overall slightly more energy price increases compared to micro/small firms (85% versus 77%, respectively), but also more often increases of 25% or more (72% versus 60%).



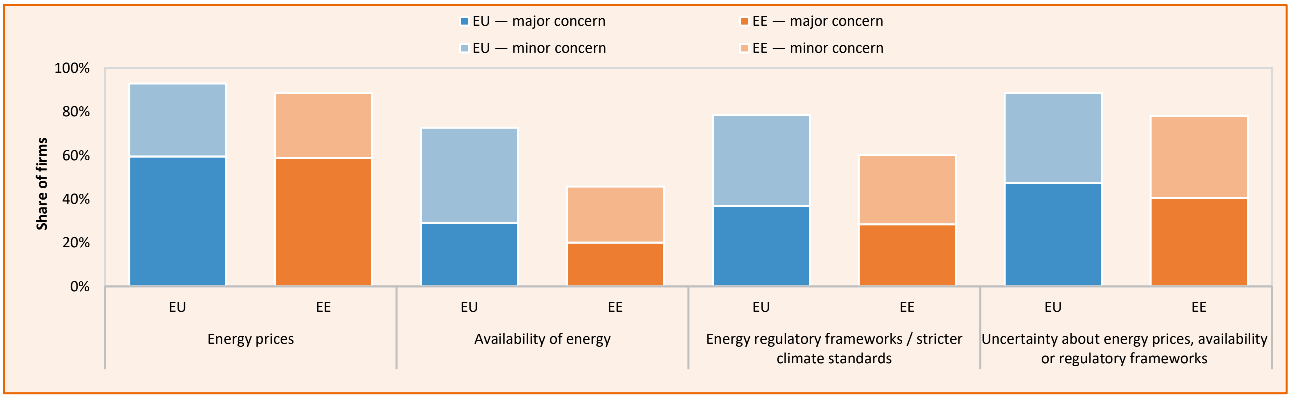
Q. Since the beginning of 2022, by how much has your company's spending on energy (including gas, electricity, oil) changed on average?

Please note: Responses of 'spending on energy stayed about the same' and 'spending on energy decreased' not shown on chart.

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

IMPACT OF ENERGY SHOCK

- The energy crisis hit Estonian firms strongly, but to a lesser extent than firms across the EU. As for EU firms in general, Estonian firms are concerned about energy prices and uncertainty. Energy prices are a major concern for nearly six in ten Estonian firms (59%).
- Compared with the EU overall, firms in Estonia are less likely to have concerns related to uncertainty (78% versus 89%), energy availability (46% versus 73%) and regulatory frameworks/stricter climate standards (60% versus 79%).



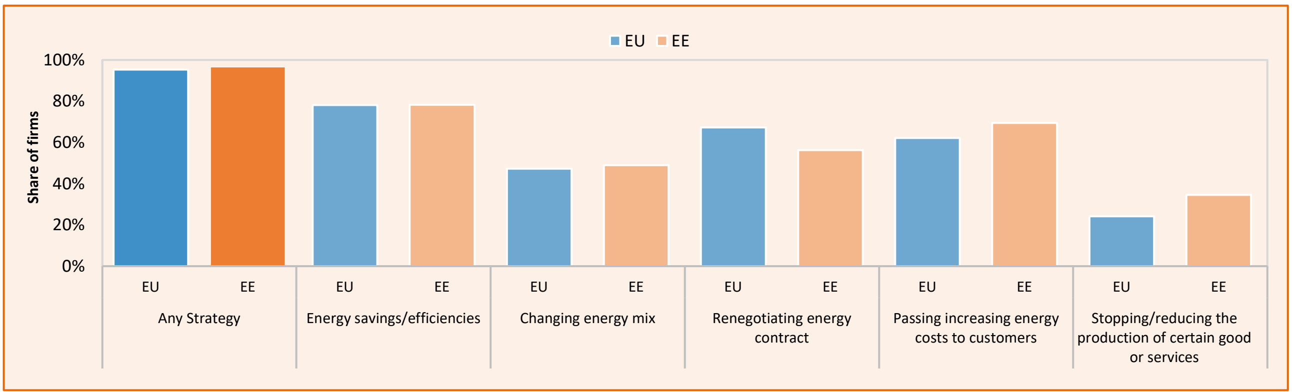
Q. Thinking about the energy shock, to what extent is your company concerned about …?

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

Energy market developments

STRATEGIES TO DEAL WITH THE ENERGY SHOCK

- Estonian firms are equally as likely than those across the EU (97% versus 95%) to have responded to the energy shock by adopting at least one of the strategies proposed.
- In Estonia, the most frequently adopted strategy or priority is to seek energy savings/efficiencies (78%), followed by passing increased energy costs on to customers (69%).
- Compared with the EU as a whole, firms in Estonia are more likely to mention stopping or reducing the production of certain goods or services (34% versus 24%) as a strategy or priority. Estonian firms are less likely to mention the renegotiation of energy contracts (56% versus 67%).

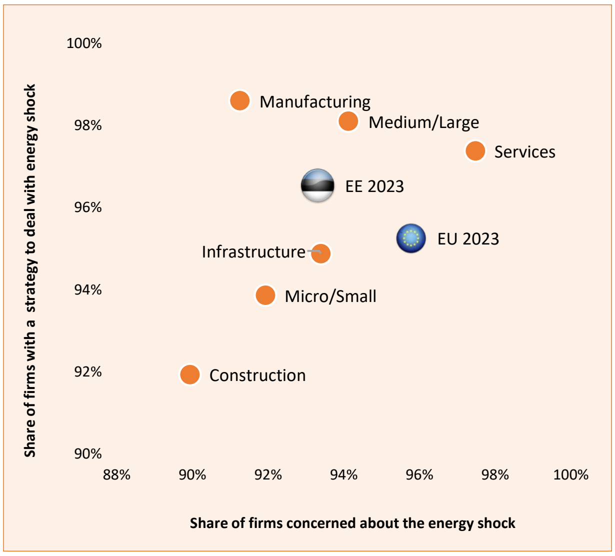


Q. Which, if any of the following, are your priorities/strategies to deal with the recent developments in the energy market?

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

IMPACT AND STRATEGIES TO DEAL WITH ENERGY SHOCK

- The proportion of firms in Estonia concerned about the energy shock is similar to that seen across the EU as whole (93% versus 96%). A similar proportion to the EU average adopt strategies to help deal with recent developments in the energy market (97% versus 95%).
- In Estonia, the level of concern about the energy shock is at a relatively similar and high level for firms in all sectors, as well as across different size bands.
- While only small differences between sectors exist, construction firms exhibit the lowest share of firms to have adopted strategies in response to the energy shock (92%).



Q. Which, if any, of the following, are your priorities/ strategies to deal with the recent developments in the energy market?

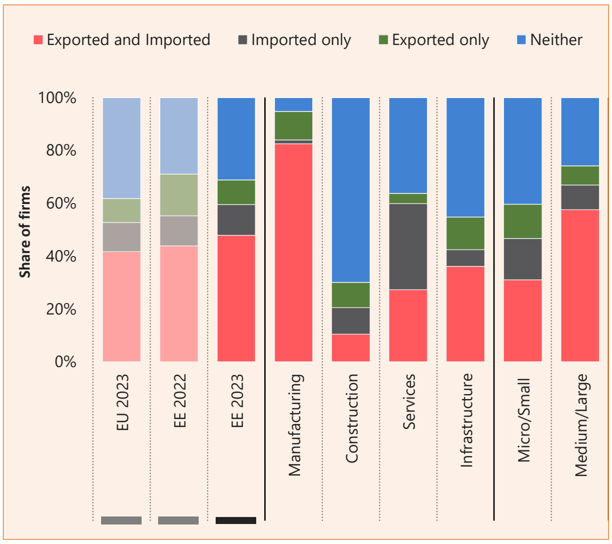
Q. Thinking about the energy shock, to what extent is your company concerned about …

Base: All firms for 'share of firms concerned about the energy shock'
Base: All firms (excluding don't know/refused responses) for 'share of firms with a strategy to deal with the energy shock'

International trade

ENGAGEMENT IN INTERNATIONAL TRADE

- Overall, 69% of Estonian firms report to be engaged in international trade. This figure is similar to EIBIS 2022 (71%) and in line with the EU average (62%).
- The share of firms that engage in international trade ranges from 95% among manufacturing firms to 30% among construction firms. More than eight out of ten firms in the manufacturing sector (83%) are both exporters and importers of goods and/or services.
- Medium or large firms are more likely than micro or small firms to be engaged in both exporting and importing (58% versus 31%).

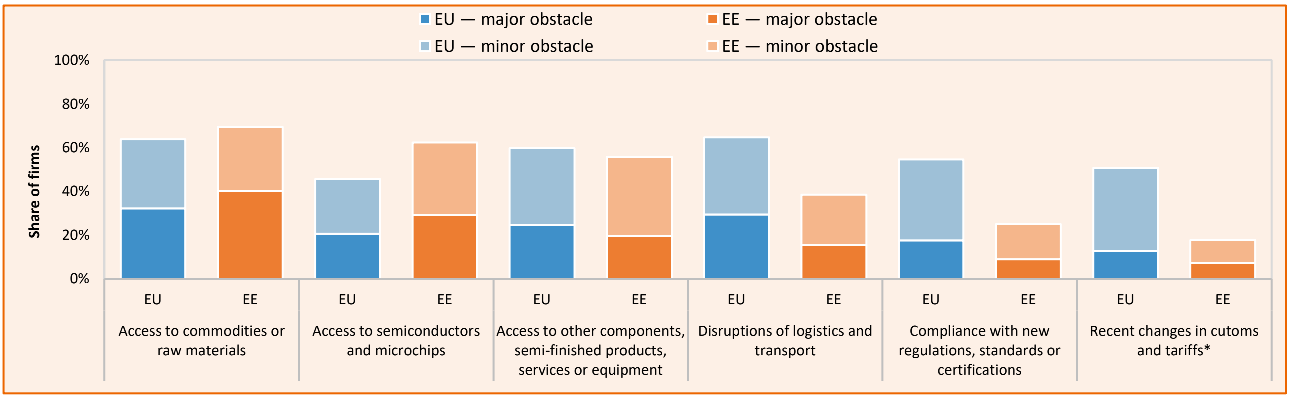


Q. In 2022, did your company export or import goods and/or services?

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

DISRUPTIONS RELATED TO INTERNATIONAL TRADE

- Firms in Estonia consider access to commodities or raw materials and access to semiconductors or microchips as the main obstacles to international trade (40% and 29%, respectively, consider these as major obstacles).
- Access to commodities or raw materials (71% versus 64%) and semiconductors or microchips (62% versus 46%) has been more of an obstacle to firms in Estonia than in the EU as a whole.
- By contrast, firms in Estonia are less likely than those in the EU overall to report facing obstacles regarding disruptions of logistics and transport (38% versus 65%), compliance with new regulations, standards or certifications (25% versus 55%) and recent changes in customs and tariffs (18% versus 51%).



Q. Since the beginning of 2022, were any of the following an obstacle to your business's activities?

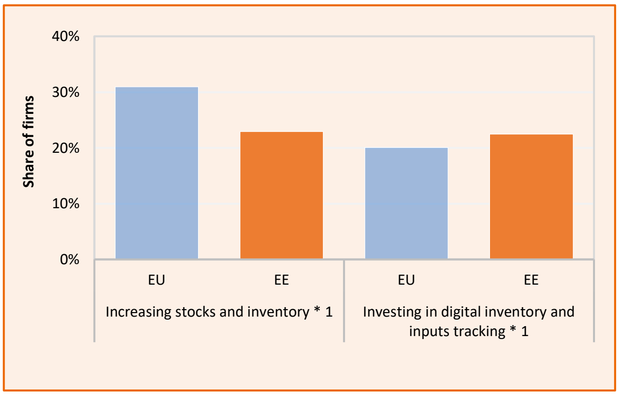
Base: All firms (excluding don't know/refused/not applicable responses)
**Base: All importers and exporters (excluding don't know/refused/not applicable responses)*

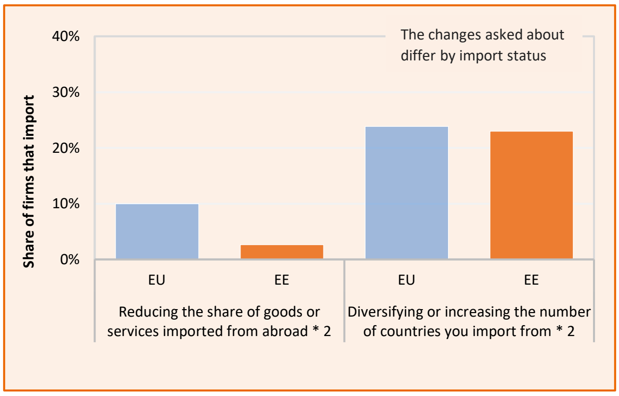
International trade

SOURCING STRATEGY

- Asked about realised or potential changes to their sourcing strategy, just under a quarter of firms in Estonia (23%) report increasing stocks and inventory, slightly fewer than across the EU (31%). A similar proportion (22%) mentions investing in digital inventory and inputs tracking, similar to the EU average.

- Almost a quarter (23%) of importers in Estonia are diversifying or increasing the number of countries they import from or have plans to do so, while 3% have reduced or plan to reduce the share of goods or services imported from abroad. Again, these figures are broadly in line with the EU average.





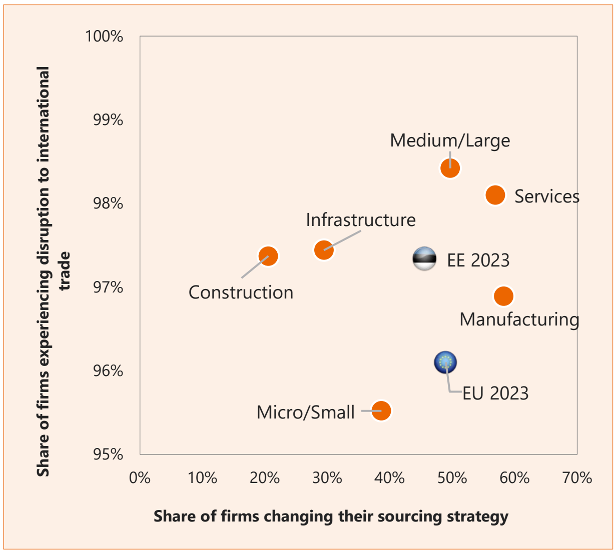
*** 1 = Asked to all, 2 = Asked to all importers**

Q. Since the beginning of 2022, has your company made or are you planning to make any of the following changes to your sourcing strategy?

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

DISRUPTIONS AND SOURCING STRATEGY

- While almost all firms faced at least one of the disruptions to international trade asked about (97%), fewer than half (46%) have changed their sourcing strategy or are planning to change it. These figures were very similar in the EU as a whole (96% and 49%, respectively).
- Manufacturing and services firms are most likely to have changed or have plans to change their sourcing strategy (58% and 57%, respectively). Infrastructure and construction firms are the least likely to have done so (29% and 21%, respectively).



Q. Since the beginning of 2022, were any of the following an obstacle to your business's activities?

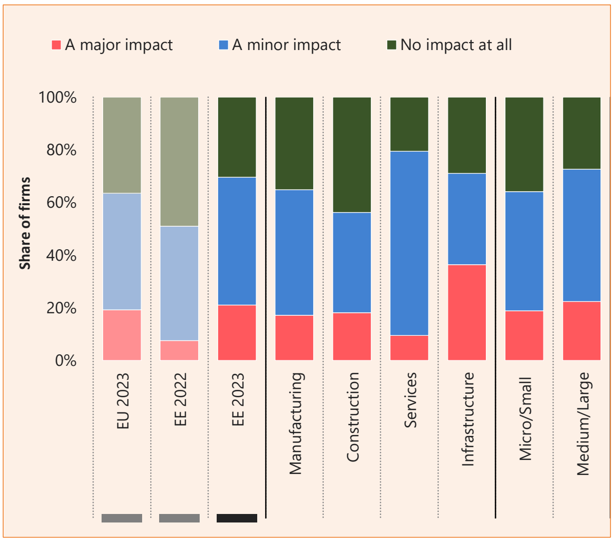
Q. Since the beginning of 2022, has your company made or are you planning to make any of the following changes to your sourcing strategy?

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

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

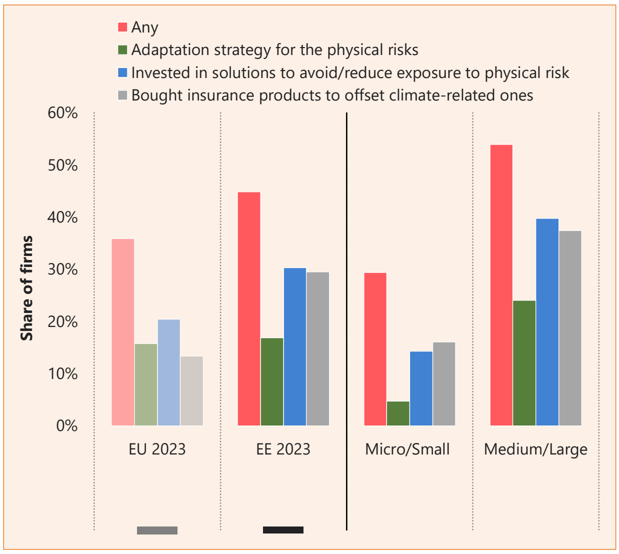
- Climate change is increasingly being perceived as a reality by Estonian firms, with seven in ten (70%) reporting weather events as having an impact on their business. This is higher than EIBIS 2022 (51%) and consistent with the current EU average (64%).
- The share of firms that report weather events as having an impact on their business ranges from 80% in the services sector to 56% in the construction sector.



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)

BUILDING RESILIENCE TO PHYSICAL RISK



- More than four in ten Estonian firms (45%) have developed or invested in measures to build resilience to the physical risks to their company caused by climate change. This is broadly in line with the EU average (36%).
- Estonian firms were as likely to invest in solutions to avoid or reduce the exposure to physical risks (30%), as to buy insurance products to offset climate-related losses (29%). Firms in Estonia were less likely to adapt their strategy (17%).
- Compared to the EU overall, firms in Estonia were more likely to have invested in solutions to avoid or reduce the exposure to physical risks (30% versus 20%) and to have bought insurance products to offset climate-related losses (29% versus 13%).
- Medium or large firms were more likely than micro or small firms to have taken at least one of the actions mentioned to build resilience to physical risks (54% versus 29%).

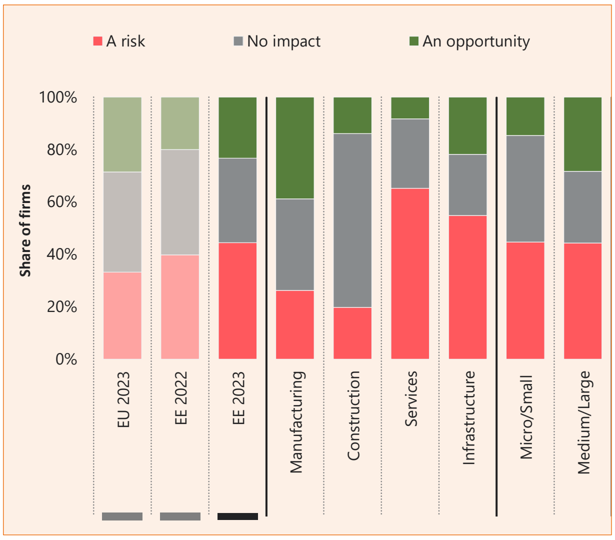
Q. Has your company developed or invested in any of the following measures to build resilience to the physical risks to your company caused by climate change?

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

- The share of Estonian firms seeing the transition to stricter climate standards and regulations as a risk is around twice as high as the proportion that see it as an opportunity (44% and 23%, respectively). This is in line with EIBIS 2022. The share of Estonian firms that see the transition as a risk is higher than the EU average (33%).
- Firms in the services and infrastructure sectors are most likely to see the transition to a net zero emission economy over the next five years as a risk (65% and 55%, respectively). Firms in the manufacturing sector are most likely to see it as an opportunity (39%), while firms in the construction sector are the most likely to say it will have no impact (66%).
- Findings are consistent across firm size.

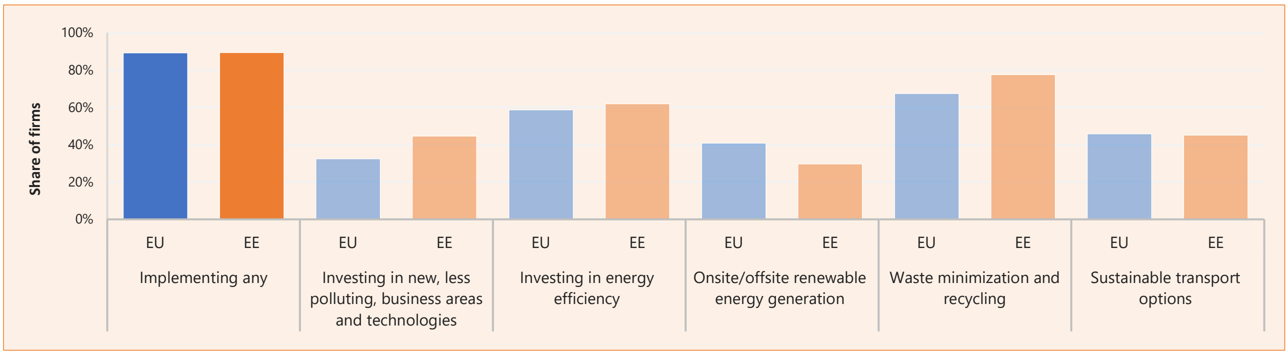


Q. Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?

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

ACTIONS TO REDUCE GREENHOUSE GAS EMISSIONS

- Matching the EU average, nearly nine in ten Estonian firms (89%) are taking actions in order to reduce Greenhouse Gas (GHG) emissions.
- The main action taken by firms in Estonia is waste minimization and recycling (77%), followed by investments in energy efficiency (62%), sustainable transport options (45%) and investing in new, less polluting, business areas and technologies (45%).
- Compared to the EU overall, Estonian firms are more likely to be investing in waste minimization and recycling (77% versus 67%) and new, less polluting, business areas and technologies (45% versus 32%), but are less likely to be investing in onsite/offsite renewable energy generation (30% versus 41%).



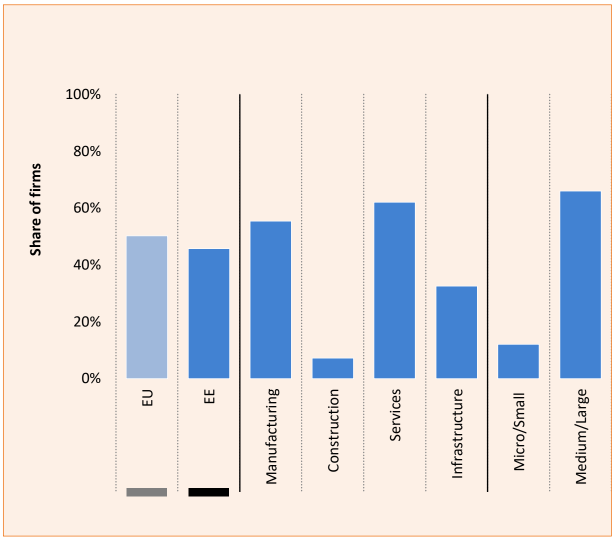
Q. Is your company investing or implementing any of the following, to reduce greenhouse gas (GHG) emissions?

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

Climate change and energy efficiency

ENERGY AUDIT

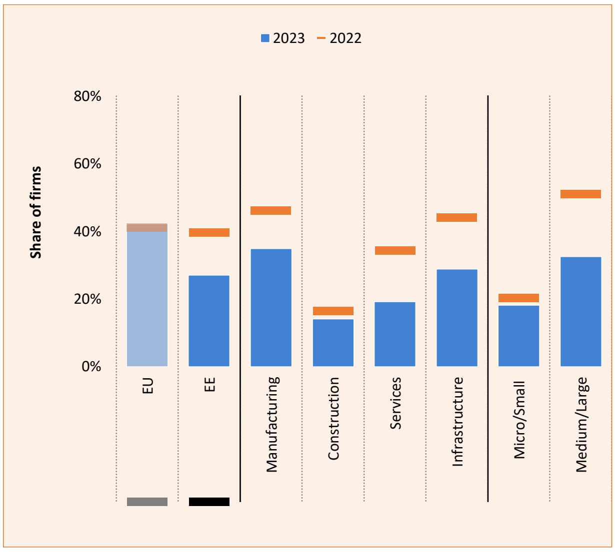
- More than four out of ten Estonian firms (46%) have had an energy audit in the past three years. That is an assessment of the energy needs and efficiency of their company's building or buildings. This is slightly lower than the EU as a whole (50%).
- In Estonia, more than a half of services firms (62%) and manufacturers (55%) have had an energy audit, but fewer infrastructure (33%) or construction firms (7%) have taken this action.
- Two-thirds of medium or large firms (66%) have had an energy audit in the past three years. This proportion is much lower among small or micro firms (12%).



Q. In the past three years, has your company had an energy audit (i.e. an assessment of the energy needs and efficiency of your company's building or buildings?

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

CLIMATE CHANGE TARGETS FOR OWN GREENHOUSE GAS EMISSIONS



- Slightly more than a quarter of firms in Estonia (27%) report that they set and monitor targets for their own GHG emissions, compared with 40% in EIBIS 2022. This is lower than the current EU average (42%).
- The share of firms that set and monitor targets for their own GHG emissions ranges from 35% among manufacturing firms to 14% among construction firms.
- A third (32%) of medium or large firms set and monitor targets, compared with 18% of small or micro firms.

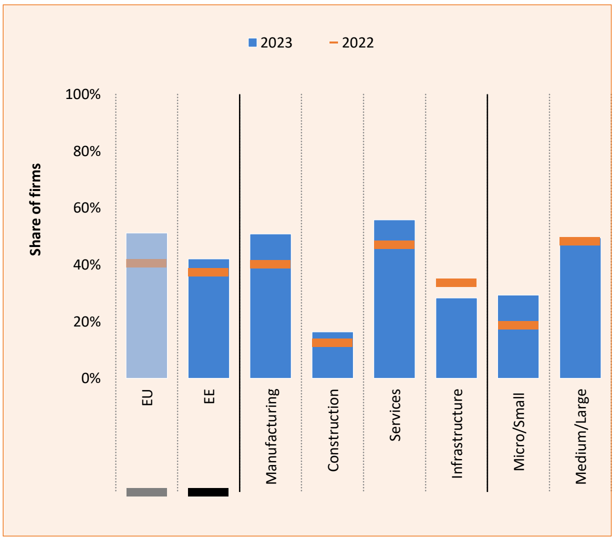
Q. Does your company... sets and monitors targets for its own greenhouse gas (GHG) emissions?

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

Climate change and energy efficiency

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

- Over four in ten (42%) Estonian firms invested in measures to improve energy efficiency in 2022, similar to EIBIS 2022 (37%). This is broadly in line with the EU average of 51%.
- At least half of firms in services (56%) and manufacturing (51%) invested in energy efficiency, while construction firms were the least likely to be doing so (16%).
- Medium or large firms were more likely than micro or small firms to have invested in measures to improve energy efficiency in 2022 (49% versus 29%).

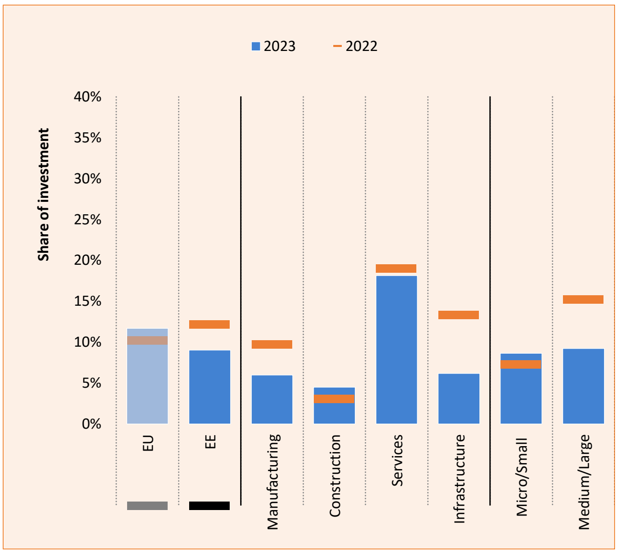


Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms

AVERAGE SHARE OF INVESTMENT IN MEASURES TO IMPROVE ENERGY EFFICIENCY

- An average of 9% of the investment made by firms in Estonia was directed towards measures to improve the organisation's energy efficiency. This is in line with EIBIS 2022 (12%) and the current EU average (12%).
- The share of investment in efficiency ranges from 18% among services firms to 4% among construction firms.
- Relative to EIBIS (2022), infrastructure firms reduced their investment in energy efficiency by over half (13% versus 6%).
- The share of investment was the same for medium or large firms and for micro or small firms (both 9%). The former also reduced their investment by 6 percentage points relative to EIBIS (2022) (15% versus 9%).

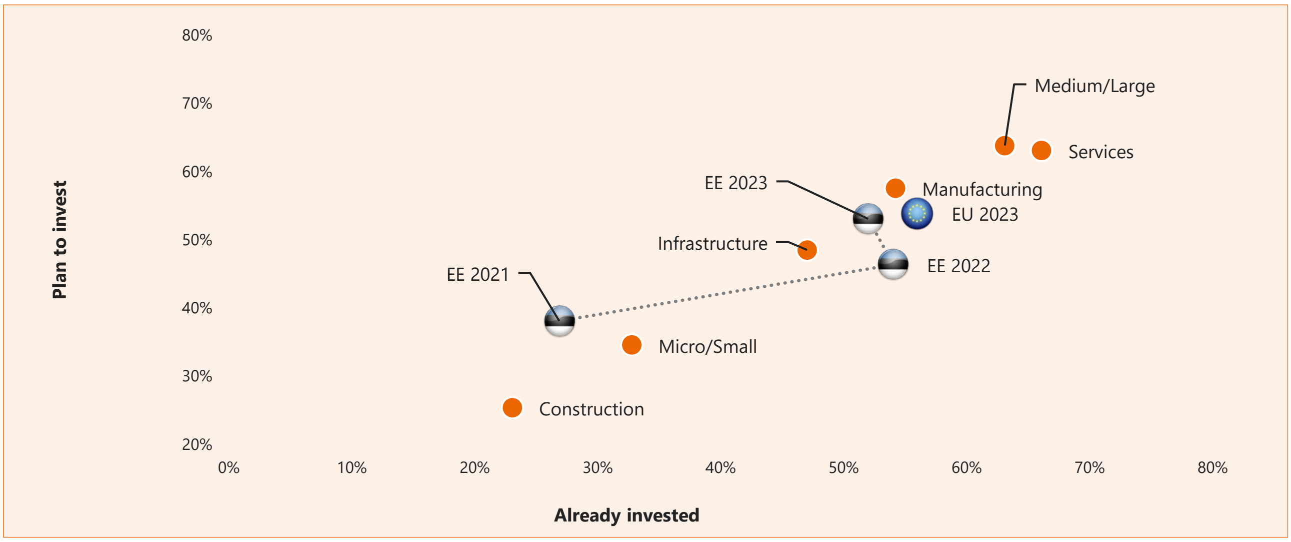


Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

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

Climate change and energy efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT



EIBIS 2022/2023:
Q. Which of the following applies to your company regarding investments to tackle the impacts of weather events and to help reduce carbon emissions?
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?

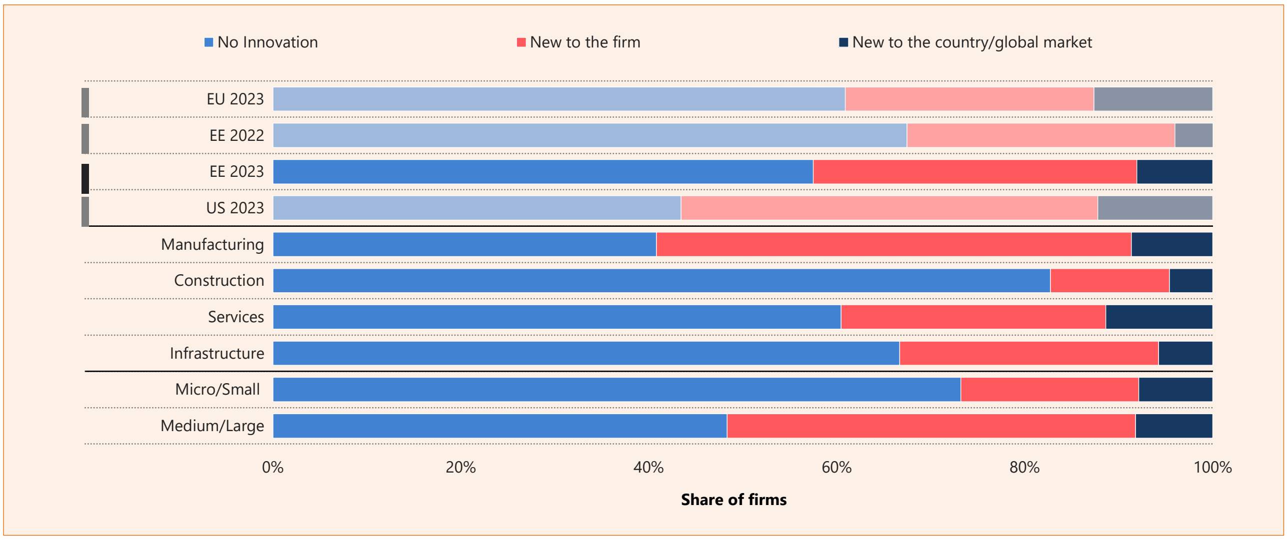
Please note: question change and an additional answer option was included in 2022, this may have influenced the data. Treat comparison to 2021 with caution.

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

- In Estonia, 52% of firms have already invested in tackling the impacts of weather events and dealing with the process of reducing carbon emissions. This is similar to EIBIS 2022 (54%) and is in line with the current EU average (56%).
- Just over half (53%) of Estonian firms have plans to invest in these areas in the next three years, again in line with the EU average (54%), but higher than in EIBIS 2022 (46%).
- Medium or large firms are more likely than small or micro firms to have already invested (63% versus 33%) and to have plans to invest (64% versus 35%).
- The construction sector reports the lowest share of firms that have already invested (23%) and that have plans to invest (25%).

Innovation activities

INNOVATION ACTIVITY



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

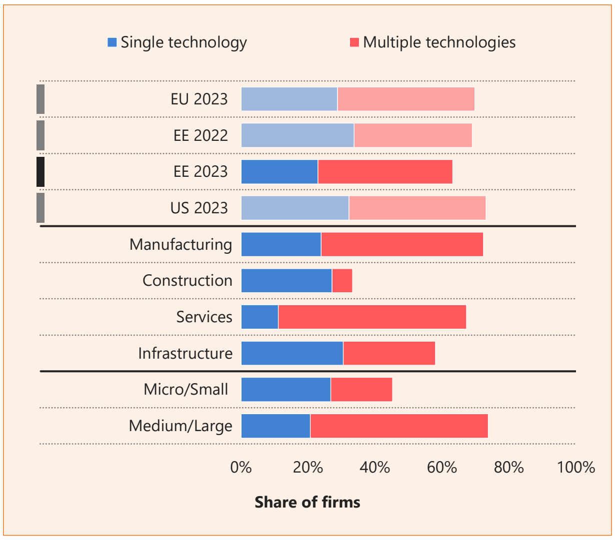
Base: All firms (excluding don't know/refused responses)

- More than four in ten Estonian firms (43%) developed or introduced new products, processes or services as part of their investment activities in 2022, broadly in line with EIBIS 2022 (33%) and the current EU average of 39%. By contrast, more than half of US firms (57%) developed or introduced new products, processes or services.
- Less than one in ten firms in Estonia (8%) report the development/ introduction of products, processes or services new to either the country or global market. This is broadly consistent with EIBIS 2022 (4%) and the current EU average (13%).
- Manufacturing had the highest proportion of firms investing in innovation (59%). The lowest proportion is seen in the construction sector (17%).
- More medium or large firms invested in innovation than small or micro firms (52% versus 27%).

Innovation activities

USE OF ADVANCED DIGITAL TECHNOLOGIES

- Overall, 63% of firms in Estonia use at least one advanced digital technology, in line with EIBIS 2022 (69%) and the EU average (70%).
- Firms in the construction sector are the least likely to have used at least one advanced digital technology (33%) and to have adopted multiple technologies (6%).
- Medium or large firms are more likely than small or micro firms to have used at least one advanced digital technology (74% versus 45%) and to implement multiple technologies (53% versus 18%).
- The digital technologies that Estonian firms are most likely to be using are robotics (54%) and the Internet of things (48%). However, in comparison to firms across the EU they are making relatively less use of Platforms (34% versus 50%) and 3D printing (9% versus 23%).



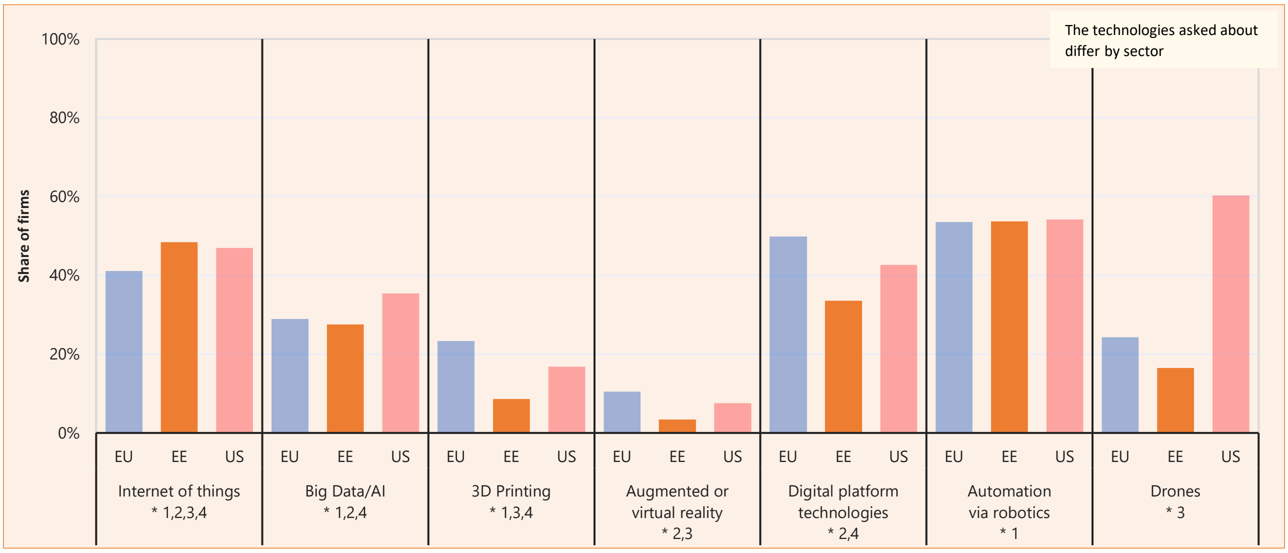
Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business.

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

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 to manufacturing firms, 2 = Asked to services firms, 3 = Asked to construction firms, 4 = Asked to 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.

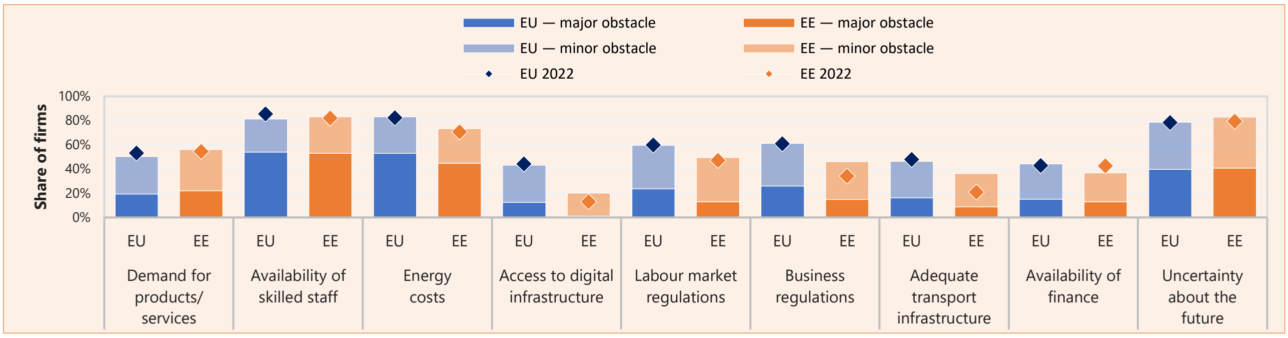
Base: All firms (excluding don't know/refused responses);
Sample size EE: Manufacturing (123); Construction (96); Services (109); Infrastructure (69).

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

Investment impediments

LONG-TERM BARRIERS TO INVESTMENT

- As in EIBIS 2022, the most frequently mentioned long-term barriers to investment in Estonia are the availability of skilled staff (83%), uncertainty about the future (83%) and energy costs (73%). These are also the main barriers for firms across the EU.
- Most of the findings in Estonia are very similar to those in EIBIS 2022. The exception is adequate transport infrastructure, where the proportion describing it as an obstacle has risen from 21% to 36%.
- Overall Estonian firms are less likely to consider each of the following factors an obstacle compared to firms across the EU: energy costs (73% versus 83%), access to digital infrastructure (20% versus 43%), labour market regulations (49% versus 60%), business regulations (46% versus 61%) and adequate transport infrastructure (36% versus 46%)



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 that said not an obstacle at all/don't know/refused)

LONG-TERM BARRIERS BY SECTOR AND SIZE

	Demand for products/ services	Availability of skilled staff	Energy costs	Digital infrastructure	Labour regulations	Business regulations	Transport infrastructure	Availability of finance	Uncertainty about the future
EE	56%	83%	73%	20%	49%	46%	36%	37%	83%
Manufacturing	60%	79%	76%	26%	52%	34%	47%	34%	75%
Construction	48%	91%	56%	19%	50%	54%	17%	40%	80%
Services	53%	90%	88%	20%	49%	58%	30%	25%	91%
Infrastructure	57%	79%	64%	14%	45%	47%	35%	48%	86%
Micro/Small	55%	86%	71%	24%	55%	54%	20%	48%	82%
Medium/Large	57%	81%	75%	18%	46%	41%	46%	30%	83%

Share of firms

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

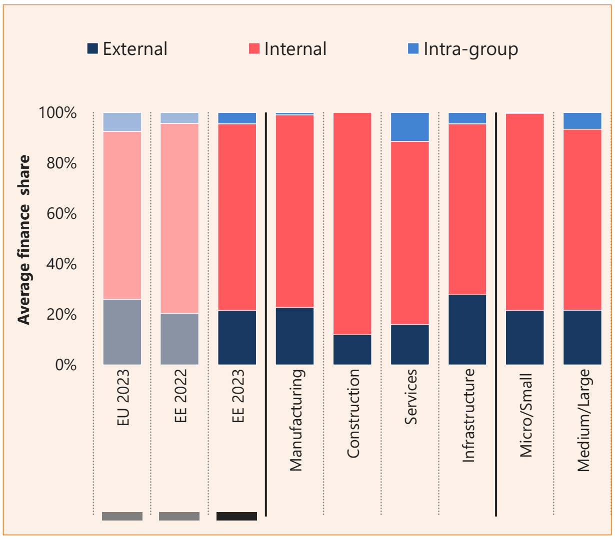
Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

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

Access to finance

SOURCE OF INVESTMENT FINANCE

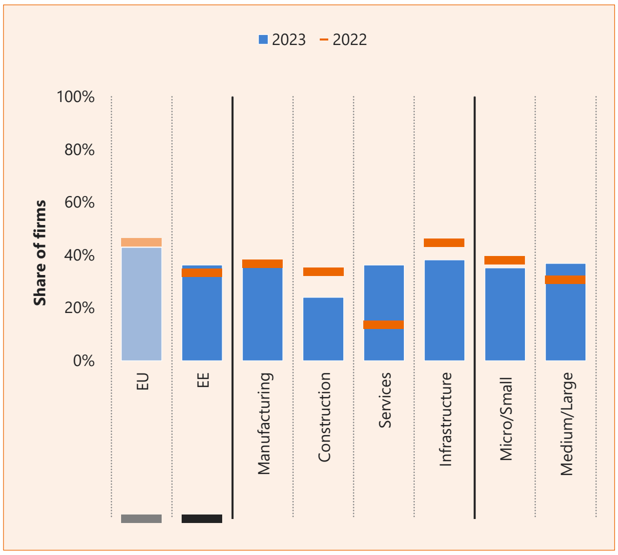
- Internal sources accounted for the largest share of investment finance for firms in Estonia (74%), followed by external finance (22%). The remainder (4%) came from intra-group financing. All proportions are similar to EIBIS 2022 and are in line with the EU average.
- In all sectors, the majority of investment finance came from internal sources, which was particularly high in the construction sector (88%).
- Medium or large firms financed a higher proportion of their investment through intra-group funding than small or micro firms (7% versus less than 1%).



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

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

USE OF EXTERNAL FINANCE



- Just over a third of firms in Estonia (36%) who invested in the last financial year financed at least some of this investment through external sources. This is in line with EIBIS 2022 (33%) and the current EU average (43%).
- Construction firms (24%) were the least likely to have secured investment finance from external sources.
- The share of firms that have secured investment finance from external sources was similar for medium or large firms (37%) and for small or micro firms (35%).

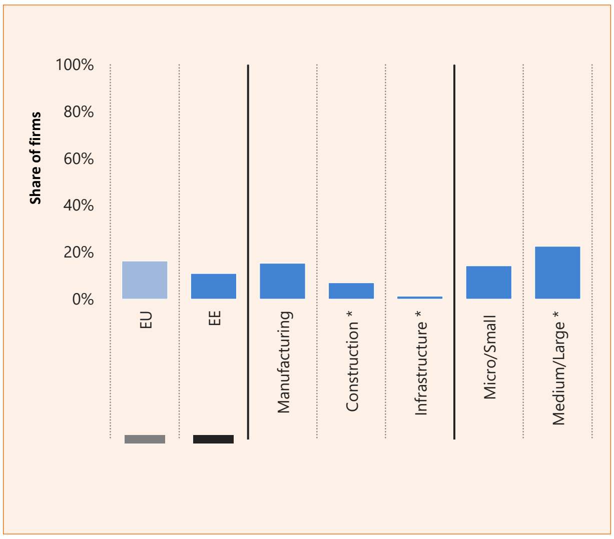
Q. Approximately what proportion of your investment in the last financial year was financed by each of the following

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

Access to finance

SHARE OF FIRMS WITH FINANCE FROM GRANTS

- Around one in ten firms using external finance in Estonia received grants (11%), similar to the EU average (16%).
- The share of firms that received grants ranged from 15% among manufacturing firms to 1% among services firms, and from 23% among small or micro firms to 5% among medium or large firms.

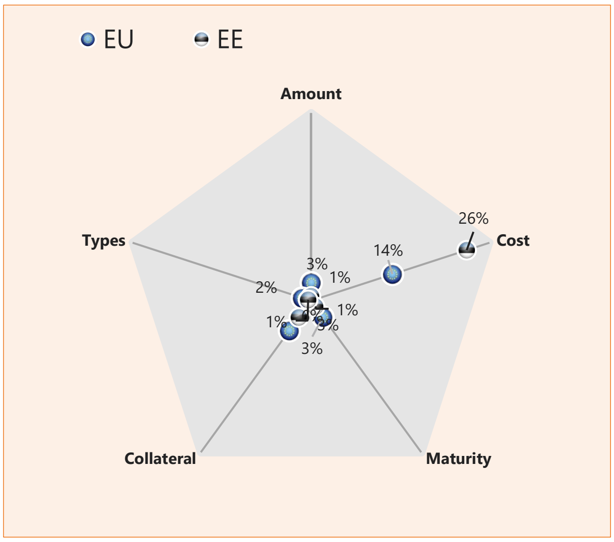


Q. What proportion of your total investment in the last financial year was financed by grants?

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

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED (% of firms)

- Except for the cost of obtaining external finance, no more than 3% of firms in Estonia are dissatisfied with any of the aspects included in the survey.
- Nevertheless, there has been a sharp increase in the share of firms in Estonia that are dissatisfied with the cost of finance (up from 5% in EIBIS 2022 to 26% now). The level of dissatisfaction is higher than in the EU overall (14%).
- Otherwise, levels of dissatisfaction in Estonia are very similar to the EU average.



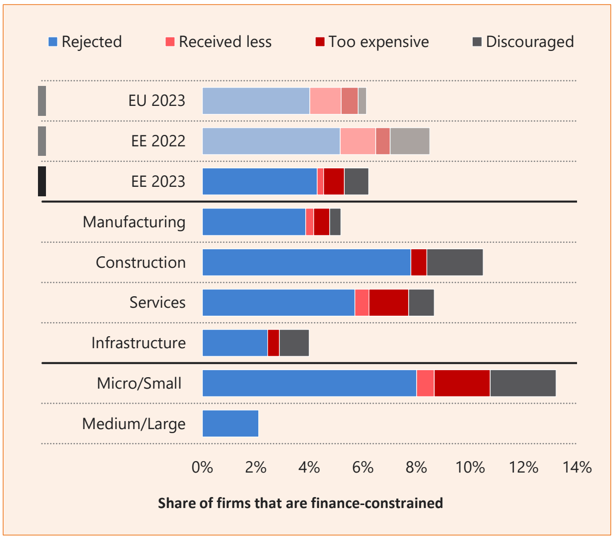
Q. How satisfied or dissatisfied are you with …?

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

Access to finance

SHARE OF FINANCE-CONSTRAINED FIRMS

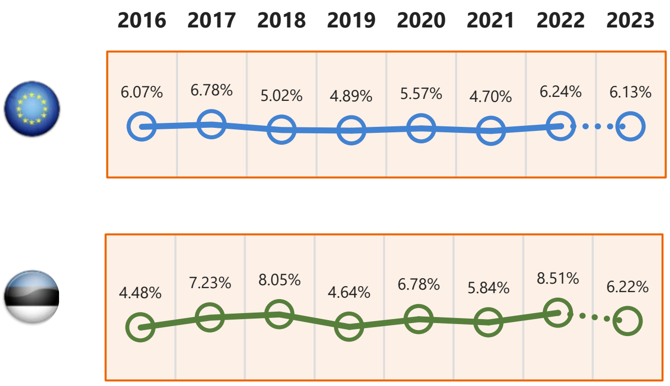
- The share of financially constrained firms in Estonia (6.2%) is very similar to the EU average (6.1%) but lower than in EIBIS (2022) (8.5%).
- While Estonian firms in the construction sector report the highest level of financial constraint (10.5%), firms in the infrastructure sector are the least financially constrained (4.4%).
- The share of finance-constrained firms in Estonia is higher among small or micro firms than medium or large firms (13.2% versus 2.1%).
- As in EIBIS 2022, the main constraint reported by firms in Estonia is rejection (4.3%), followed by discouragement (0.9%).



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 that 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

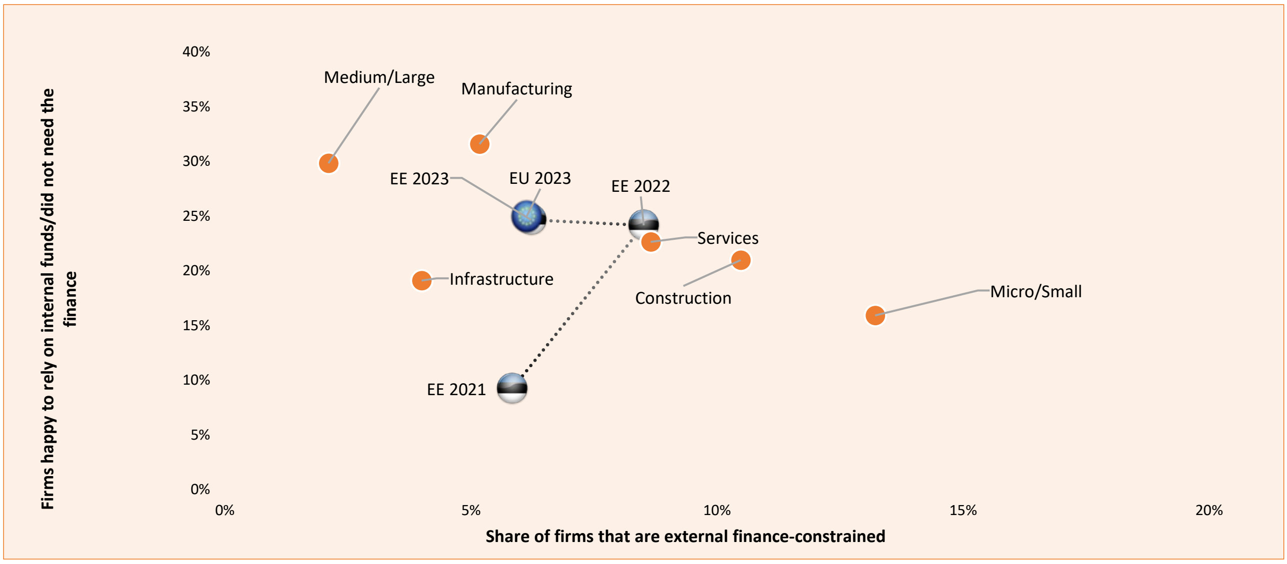


- The proportion of Estonian firms that are financially constrained has remained broadly stable in recent years, ranging from 4.5% in 2016 to 8.5% in 2022. The figure for EIBIS 2023 (6.2%) is in the middle of this range.

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

Access to finance

FINANCING CROSS



Data derived from the financial constraint indicator and firms indicating main reason for not applying for external finance was 'happy to use internal finance/didn't need finance'

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

- While 6% of Estonian firms can be considered financially constrained in EIBIS 2023, a quarter (25%) are happy to rely on internal finance.
- The share of firms in Estonia that are happy to rely on internal finance is very similar to EIBIS 2022 (24%) and is identical to the current EU average.
- In Estonia, micro and small firms tend to be more financially constrained and less happy about relying on internal funds than medium and large firms (13% and 16% for micro/small firms whereas 2% and 30% for medium and large firms, respectively). Across different sectors, a similar proportion of firms is financially constrained and is happy to rely on internal finance.

EIBIS 2023 – 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	Construction	Services	Infrastructure	Micro/ Small	Medium/ Large	EU vs EE	Manuf vs Constr	Micro/Small vs Medium/Large
	(12030)	(802)	(401)	(125)	(97)	(109)	(69)	(329)	(72)	(12030 vs 401)	(125 vs 97)	(329 vs 72)
10% or 90%	1.1%	3.9%	4.9%	8.5%	6.6%	11.2%	8.8%	3.2%	7.5%	5.0%	10.7%	8.2%
30% or 70%	1.8%	6.0%	7.5%	12.9%	10.1%	17.1%	13.4%	4.9%	11.5%	7.7%	16.4%	12.5%
50%	1.9%	6.5%	8.2%	14.1%	11.1%	18.6%	14.6%	5.4%	12.6%	8.4%	17.9%	13.6%

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 2023 country overview refers interchangeably to 'the past/last financial year' or to '2022'. Both refer to results collected in EIBIS 2023, where the question is referring to the past financial year, with the majority of the financial year in 2022 in case the financial year is not overlapping with the calendar year 2022.

EIBIS 2023 – Country technical details

The country overview presents selected findings based on telephone interviews with 401 firms in Estonia (carried out between April and July 2023).

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

Base definition and page reference	EU 2023/2022	US 2023	Estonia 2023/2022	Manufacturing	Construction	Services	Infrastructure	Micro/Small	Medium/Large
All firms, p. 5 (bottom left), p. 8 (top), p. 8 (bottom), p. 16 (top)	12030/12021	802	401/400	125	97	109	69	329	72
All firms (excluding don't know/refused responses), p. 5 (bottom right)	11624/11682	776	396/391	122	96	108	69	325	71
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 6 (top)	10147/9704	692	335/319	102	79	93	61	270	65
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 6 (bottom)	9948/9501	704	349/326	107	82	97	63	281	68
All firms (excluding 'Company didn't exist three years ago' responses), p. 7 (top)	12015/12005	802	401/400	125	97	109	69	329	72
All firms (excluding don't know/refused responses), p. 7 (bottom)	11880/11814	794	386/377	120	92	105	68	316	70
All firms (excluding don't know/refused responses), p. 9 (top)	11812/NA	782	393/NA	123	96	106	67	322	71
All firms (data not shown for those that said not an obstacle at all/don't know/refused), p. 9 (bottom)	12030/NA	802	401/NA	125	97	109	69	329	72
All firms (excluding don't know/refused responses), p. 10 (top)	11739/NA	786	388/NA	122	92	105	67	320	68
All firms (excluding don't know/refused responses), p. 10 (bottom)	11739/NA	786	388/NA	122	92	105	67	320	68
All firms (excluding don't know/refused responses) p. 11 (top)	11978/11975	800	398/399	123	96	109	69	326	72
All firms (excluding don't know/refused/not applicable responses), p. 11 (bottom)	6692/NA	284	149/NA	39	29	41	28	120	29
All firms (excluding Don't know/refused responses), p. 12 (top left)	11918/NA	797	396/NA	121	96	109	69	326	70
All firms that import (excluding don't know/refused responses), p. 12 (top right)	6151/NA	240	208/NA	94	22	70	22	158	50
All firms (excluding don't know/refused responses), p. 12 (bottom)	10139/NA	717	319/NA	107	77	86	48	259	60
All firms (excluding Don't know / refused responses) p. 13 (top)	11930/11911	797	391/393	124	93	105	68	320	71
All firms (excluding Don't know / refused responses), p. 13 (bottom)	11944/11909	789	398/394	123	97	108	69	328	70
All firms (excluding don't know/refused responses), p. 14 (top)	11433/11172	771	362/361	113	85	100	63	295	67
All firms (excluding don't know/refused responses), p. 14 (bottom)	11956/11964	800	399/394	124	97	108	69	327	72
All firms (excluding don't know/refused responses), p. 15 (top)	11549/NA	766	391/NA	123	97	103	67	323	68
All firms (excluding don't know/refused responses), p. 15 (bottom)	11836/11712	791	392/388	121	97	106	67	326	66
All firms that have invested in the last financial year (excluding don't know/refused responses), p. 16 (bottom)	10210/9752	707	342/321	103	81	96	62	273	69
All firms (excluding don't know/refused responses), p. 17	11721/11685	770	396/383	123	97	107	68	325	71
All firms (excluding don't know/refused responses), p. 18	11738/11735	780	400/397	124	97	109	69	328	72
All firms (excluding don't know/refused responses), p. 19 (top)	12009/11980	801	400/397	125	96	109	69	329	71
All firms (excluding don't know/refused responses), p. 19 (bottom)	11916/11844	800	398/394	123	96	109	69	328	70
All firms (data not shown for those who said not an obstacle at all/don't know/refused), p. 20 (top)	12030/12021	802	401/400	125	97	109	69	329	72
All firms (data not shown for those who said not an obstacle at all/don't know/refused), p. 20 (bottom)	12030/12021	802	401/400	125	97	109	69	329	72
All firms who invested in the last financial year (excluding don't know/refused responses), p. 21 (top)	10517/10051	697	353/337	108	82	97	66	282	71
All firms who invested in the last financial year (excluding don't know/refused responses), p. 21 (bottom)	10517/10051	697	353/337	108	82	97	66	282	71
All firms using external finance (excluding don't know/refused responses), p. 22 (top)	4269/4107	265	110/115	39	19	23	29	81	29
All firms that used external finance in the last financial year (excluding don't know/refused responses), p. 22 (bottom)	4184/3988	264	105/108	37	17	23	28	76	29
All firms (excluding don't know/refused responses), p. 23 (top)	11544/11504	729	392/390	123	92	108	68	322	70
All firms (excluding don't know/refused responses), p. 23 (bottom)	11544/11504	729	392/390	123	92	108	68	322	70
All firms (excluding don't know/refused responses), p. 24	11544/11473	729	392/390	123	92	108	68	322	70

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Overview

EIB INVESTMENT SURVEY

2023