Embassy of Sweden
Tallinn

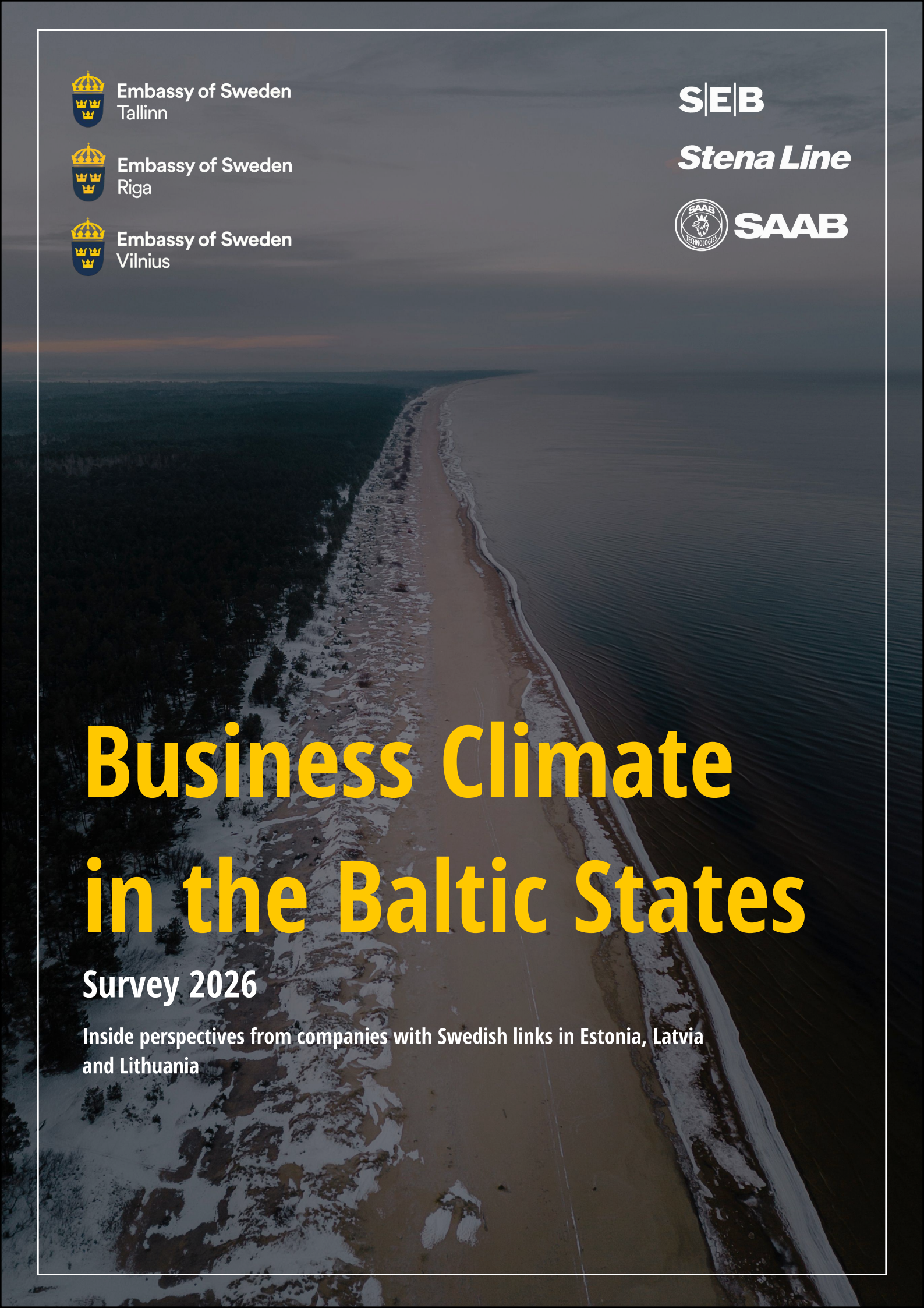
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Business Climate in the Baltic States

Survey 2026

Inside perspectives from companies with Swedish links in Estonia, Latvia and Lithuania

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Acknowledgements

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Foreword

We live in serious times with growing geopolitical uncertainty. Sweden is a driving force in the increasingly important Nordic-Baltic cooperation, which has never been deeper.

The 2026 Baltic Business Climate Survey gives a direct account of how Swedish companies view conditions in Estonia, Latvia and Lithuania. As security, business resilience, and economic growth become ever more interdependent, companies across the Baltic states continue to perform well. Swedish companies remain committed to the Baltic markets.

Most companies report a profit, and many plan to maintain or increase investments. The three markets share many strengths, including EU market access, capable workforces and growing digital services. These are just three of the key ingredients already in place for further growth, innovation and job creation.

At the same time, some companies remain cautious about expansion. Access to skilled labour, predictable rules and efficient administration recur throughout the survey. In other words, the findings suggest that growth potential remains untapped across all the three markets.

We hope this report supports constructive dialogue between business and government across the region on how the business environment can become yet stronger.

Charlotte Wrangberg, Ambassador of Sweden to Estonia



Daniel Olsson, Ambassador of Sweden to Latvia



Urban Andersson, Ambassador of Sweden to Lithuania



Executive summary

The 2026 survey draws on 214 responses from companies with Swedish ownership, management or other links to Sweden. The sample includes 85 companies in Estonia, 73 in Latvia and 56 in Lithuania.

Profitability is widespread in all three markets. 69 per cent of Estonian respondents, 66 per cent of Latvian respondents and 71 per cent of Lithuanian respondents report a profit in 2025. These results give companies a stable operating base. Latvia records the lowest number of companies reporting a loss.

Investment remains positive, with limited appetite for rapid expansion. Across the region, 40 per cent plan to increase investment during the next 12 months. Estonia records the highest share at 46 per cent, followed by Lithuania at 38 per cent and Latvia at 34 per cent. Investment intentions have weakened since the previous survey in Estonia and Latvia, while Lithuania remains close to its earlier result.

Cost efficiency is the most frequently selected factor for maintaining competitiveness in all three countries. Staff development and local relationships have gained importance since 2021. Companies increasingly depend on skills, training and local networks alongside cost control.

Operating conditions have improved in all three countries since 2021. Estonia has strengthened an already favourable position and retains its lead in digitalisation, however Latvia and Lithuania show the clearest catch-up from lower starting points. Latvia records sizeable gains in the financial system, physical infrastructure, market access and digitalisation, while Lithuania now rates seven of the eight assessed conditions at 4.2.

Access to specialists and key personnel remains the lowest-rated condition in each market, showing that skills shortages persist as infrastructure and services improve.

Government-related conditions have also moved in a positive direction. The largest changes concern licences, permits and approvals: Latvia rises from 2.6 in 2021 to 3.7 in 2026, Lithuania from 3.1 to 4.1, and Estonia from 3.6 to 4.0. Taxation improves modestly in Latvia and Lithuania and remains favourable in Estonia. Corruption is the exception. Its reported effect has fallen in Estonia and Lithuania but risen slightly in Latvia. Across the region, companies continue to emphasise predictable rules, consistent implementation and simpler procedures.

Geopolitical developments were assessed for the period since 2022, so there is no direct comparison with the previous survey. The 2026 results show varied effects across countries and sectors. In Latvia, 41 per cent report a decrease in business due to geopolitical change, while 36 per cent report no change. Estonia is close to balance between gains and losses, and Lithuania records slightly more gains than losses. Differences between industries are larger than those between countries, with customer demand, raw-material costs and energy prices shaping outcomes across the region.

Climate responsibility and labour rights receive high and similar ratings across all three countries. Company size explains more variation than location, with larger companies placing greater emphasis on both issues; direct comparison with 2021 is not possible because the earlier survey used different questions.


Vilnius Business District

Introduction and method

The Baltic Business Climate Survey 2026 provides first-hand perspectives from companies operating in Estonia, Latvia and Lithuania. The survey covered companies with Swedish capital, local companies with Swedish management, subsidiaries or branches of Swedish companies, and other companies with a stated link to Sweden.

Fieldwork took place from April to June 2026. The questionnaire was distributed online to more than 3,000 contacts from embassy and Swedish Chamber of Commerce lists, with telephone follow-up. More than 300 responses were received. The final analytical sample contains 214 responses with fewer than eight unanswered questions: 85 from Estonia, 73 from Latvia and 56 from Lithuania.

All respondents answered a mandatory question on their company's connection to Sweden. Company-size results refer to local employment in full-time equivalents. Responses were anonymous and analysed in aggregate.

The latest Baltic survey was conducted in 2021. The two surveys are separate cross-sections, and some questions used different response formats. Where a 2021 question used a nine-point scale, results have been converted proportionally to the five-point scale used in 2026. Comparisons show the direction of change more reliably than its exact size.

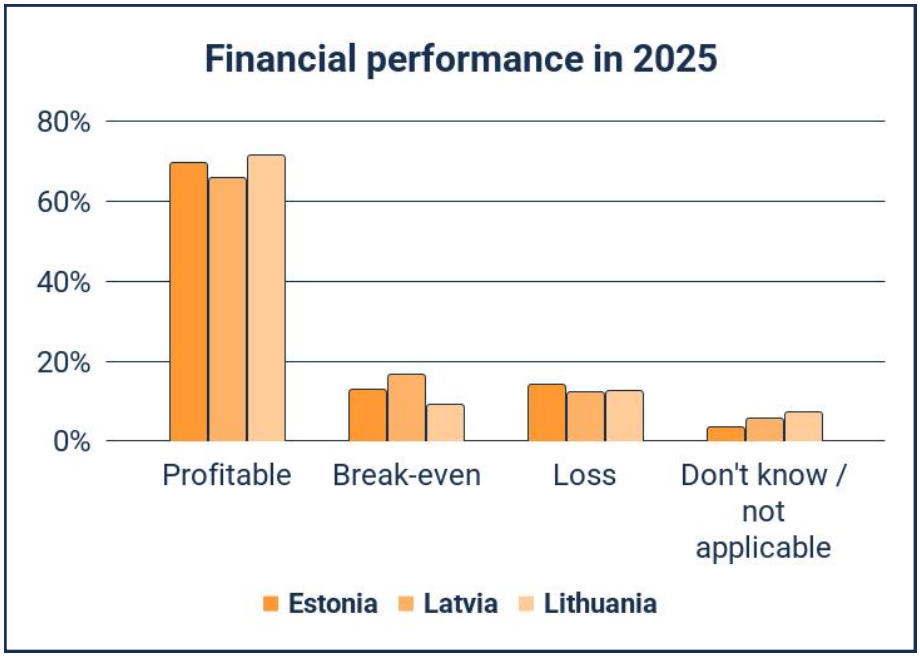
For questions on the operating environment, respondents rated how fully each condition met their business needs, from 1, "not at all", to 5, "fully". The Swedish brand, corruption, climate responsibility and labour rights used a scale from 1, "not at all", to 5, "to a great extent". Percentages for multiple-choice questions can add to more than 100 per cent.

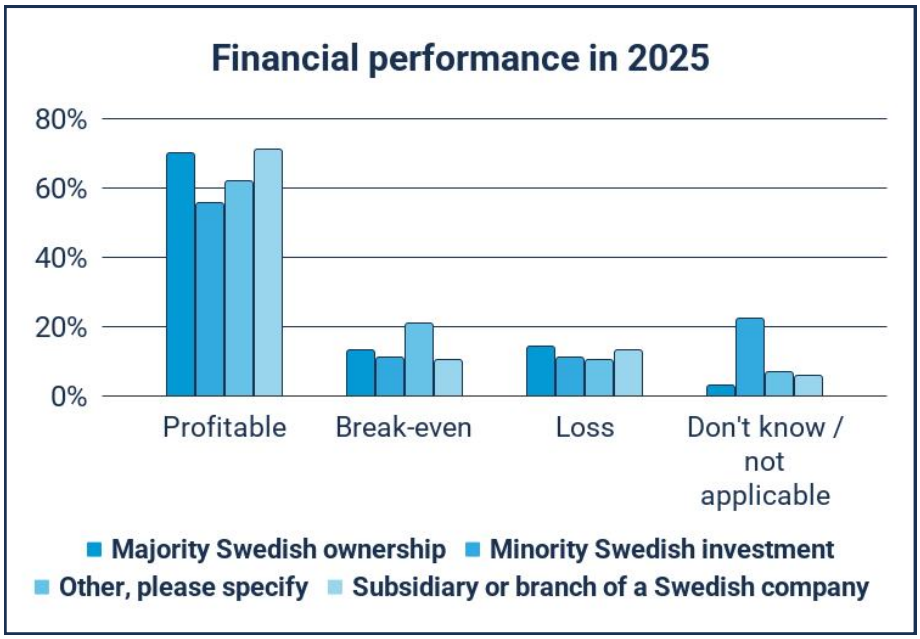
Small subgroups are reported as descriptive findings. The minority Swedish investment category contains nine companies. Industry findings with small bases should also be read with care. Exploratory analysis was used to examine investment plans, and regression analysis tested whether country differences in corruption ratings remained after accounting for company characteristics.

Theme 1: Financial Performance

Most companies report a profit across the Baltic states

Profitability is widespread in all three markets, giving most companies a stable base for continued operations. In 2025, 69 per cent of respondents in Estonia, 66 per cent in Latvia and 71 per cent in Lithuania report a profit. Losses are reported by 14 per cent in Estonia, 12 per cent in Latvia and 13 in Lithuania.[1]

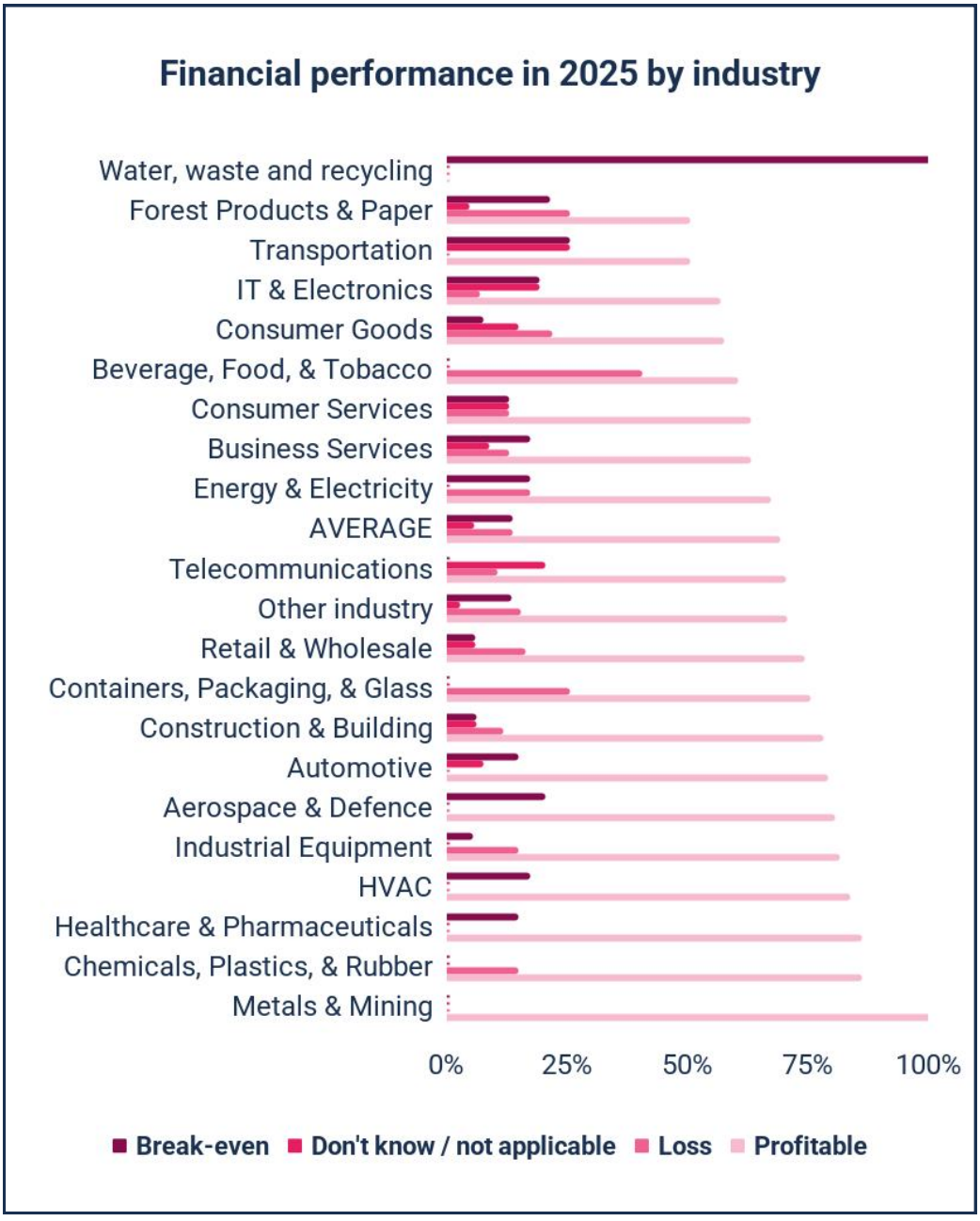




[1] Base: full sample, EE n=85, LV n=73, LT n=56; don't know / not applicable included in the base. To each average or percentage variable added the base and comment if base is small and result should be taken with caution.

The previous survey recorded lower profitable shares in all three countries. The increase is largest in Estonia. Losses have fallen markedly in Estonia and Lithuania, while Latvia records a higher loss share than before. The comparison is directional because the response formats changed between survey rounds.

Companies with majority Swedish ownership and subsidiaries or branches of Swedish companies report profits more often than companies with other links to Sweden. Industry results vary widely.[2] High profitable shares appear in several industrial, healthcare and construction sectors, while some service, consumer, transport, IT and forest-product sectors report weaker results. Small industry bases mean that these figures are indicative.[3]



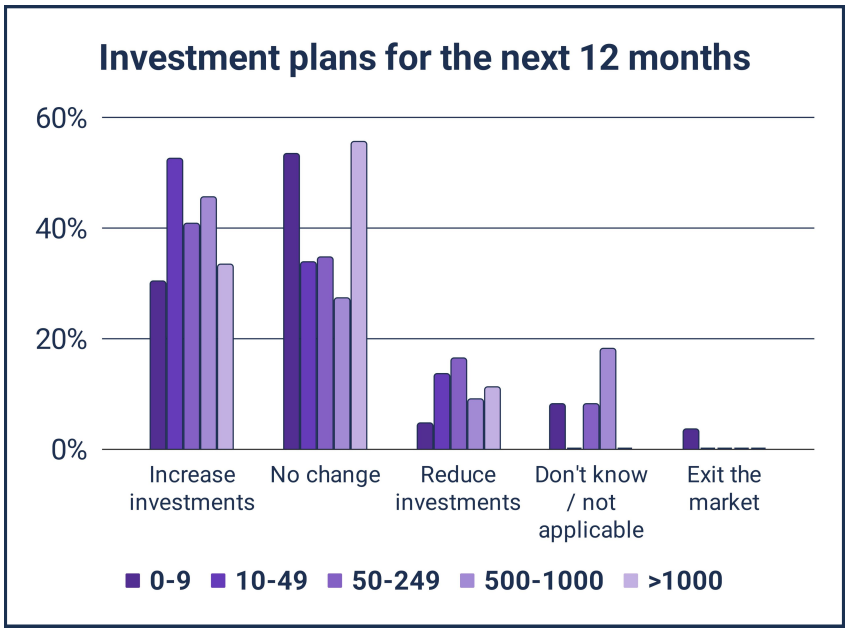
[2] Base: majority Swedish ownership n=107, subsidiary/branch n= 69, other link n=29, minority Swedish investment n=9

[3] Base: companies per industry. Percentages for the smallest sectors rest on a handful of companies and are indicative.

Investment remains positive, while expansion plans are restrained

Most companies plan to maintain or increase investment, which indicates continued commitment to the region. Forty per cent intend to invest more during the next 12 months. Estonia leads at 46 per cent, followed by Lithuania at 38 per cent and Latvia at 34 per cent. Only a small minority plan to reduce investment or leave the market.[4]





Investment intentions have fallen since the previous survey in Estonia and Latvia. Lithuania remains close to its earlier result. Exploratory analysis identifies local employment as the clearest dividing factor. Companies with 10 to 1,000 local employees are more likely to plan an increase than the smallest and largest firms.

Recent geopolitical experience also matters. Among companies in the middle size bands whose business was unchanged or increased after 2022, 60 per cent plan to invest more. Current profitability alone does not explain investment plans across the region.

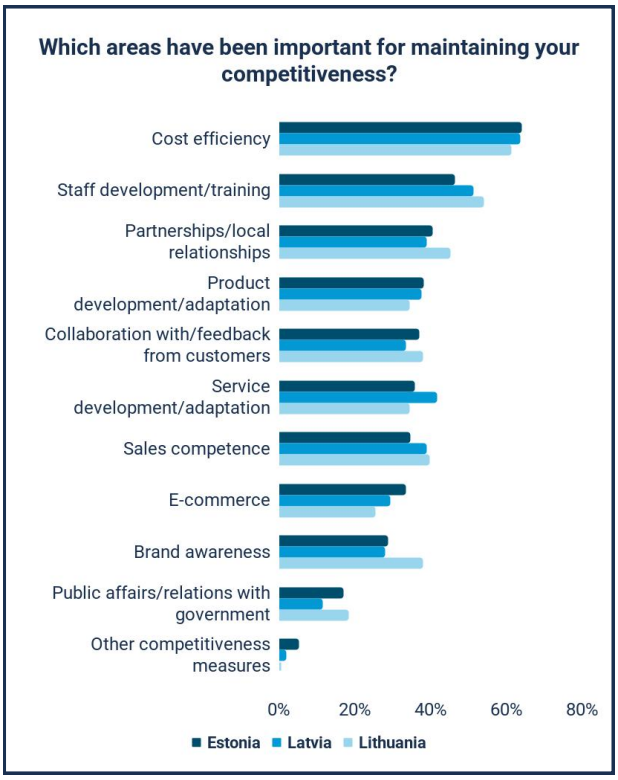
[4] Base: full sample.

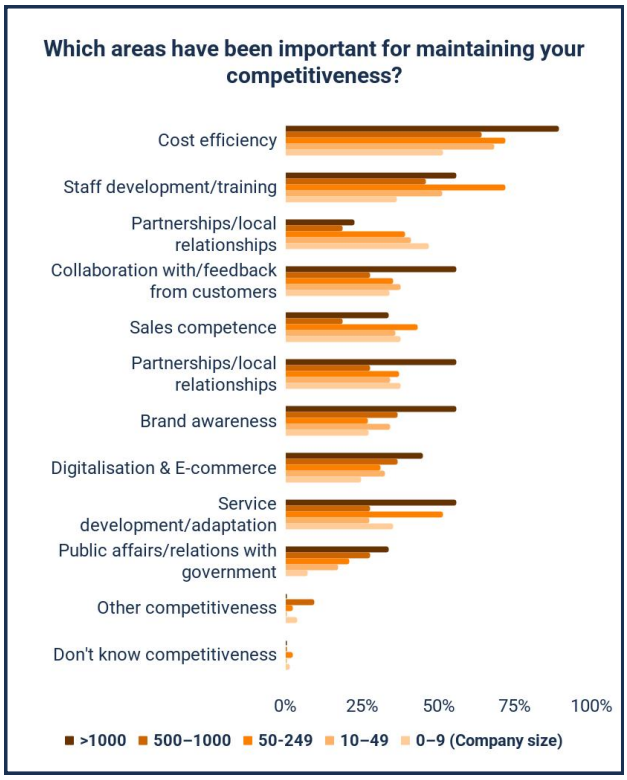
Cost efficiency leads, while skills and relationships gain importance

Cost efficiency remains the most frequently selected factor for maintaining competitiveness in all three countries. Around two thirds of companies in Latvia and Lithuania select it. In Estonia, the share has risen from 52 per cent in 2021 to 64 per cent in 2026.

The range of priorities has widened. Staff development now ranks close to 50 per cent across the region, while around 40 per cent select partnerships and local relationships. The increase in staff development is strongest in Estonia and Lithuania. Larger companies place greater emphasis on cost efficiency and tend to select more factors overall.[5]

These results show that cost control remains important, while growth increasingly depends on skills, training and local relationships.



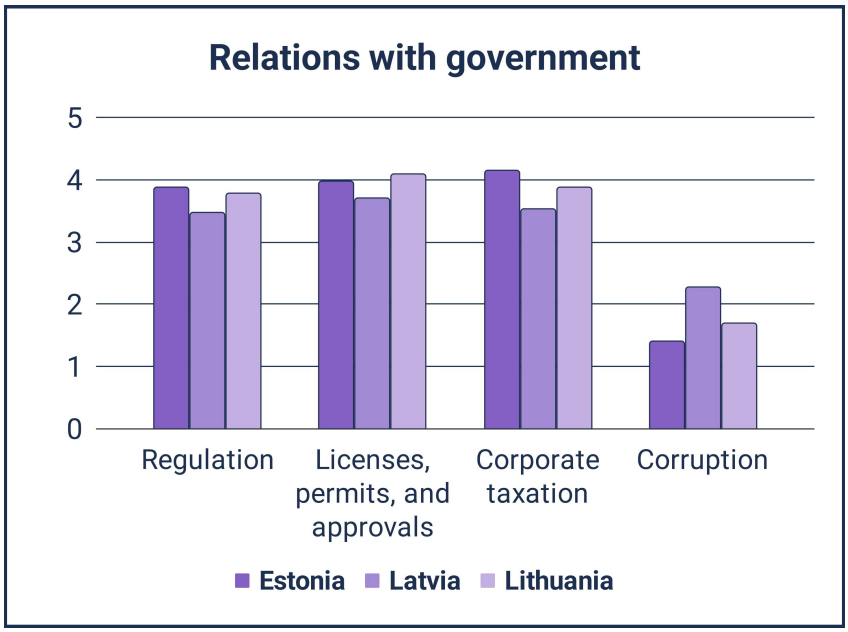


[5] Base: full sample, shares sum to more than 100% because companies could select several factors.

Theme 2: Relations with Government

Administrative conditions have improved

Companies generally view taxation, licensing and regulation as meeting their business needs. Respondents rated each condition on a five-point scale from 1, “not at all”, to 5, “fully”. Estonia records the highest average rating for corporate taxation, at 4.1, followed by Lithuania at 3.9 and Latvia at 3.5.[6]



Licences, permits and approvals receive an average rating of 4.1 in Lithuania, 4.0 in Estonia and 3.7 in Latvia. Latvia shows the largest improvement since 2021. Regulation is rated 3.9 in Estonia, 3.8 in Lithuania and 3.5 in Latvia.

The ratings are above the midpoint in all three countries. Companies generally find these conditions workable, while open responses show that predictability and consistent implementation remain important.

[6] Averaged over companies giving a rating (excludes "don't know"/blank), which varies by item - corporate taxation: EE 81, LV 66, LT 50; licences & permits: EE 79, LV 71, LT 50; regulation: EE 81, LV 70, LT 51.

Corruption has a limited average effect, with Latvia higher

Companies were asked how much corruption affects their business, from 1, “not at all”, to 5, “to a great extent”. Estonia records the lowest average rating, at 1.4, followed by Lithuania at 1.7 and Latvia at 2.3. Since the previous survey, the reported effect has fallen in Estonia and Lithuania and risen slightly in Latvia.

The difference for Latvia remains statistically significant after accounting for local employment, connection to Sweden, climate responsibility, regulation, licences and permits, taxation and business culture ($p < 0.01$). The Lithuanian difference is weaker ($p < 0.10$). For Latvia, the result indicates a country-level concern that is not explained by the observed company characteristics included in the model.

> “Equally important is a more rigorous and fair approach to addressing corruption risks, ensuring a transparent and level playing field for all market participants. This would reinforce the trust necessary for long-term commitment and deeper economic integration.” (Latvia; 10–49 local employees; subsidiary or branch of a Swedish company; other sector.)

Predictability and simpler administration are common priorities

Companies in Estonia ask for more predictable taxation, simpler reporting, faster permits, more engineers, access to foreign labour and lower energy costs. One respondent noted that frequent legislative changes make long-term planning difficult.

In Latvia, predictability is the clearest concern. Companies ask for simpler compliance, better public digital services, changes to VAT reporting and e-invoicing, stronger action on the shadow economy and corruption, and more consistent treatment by public authorities.

In Lithuania, companies focus on a simpler and more stable tax system, faster permitting, clearer municipal planning and less documentation. They also mention digital identification, electricity-grid capacity, transport infrastructure and access to business credit.

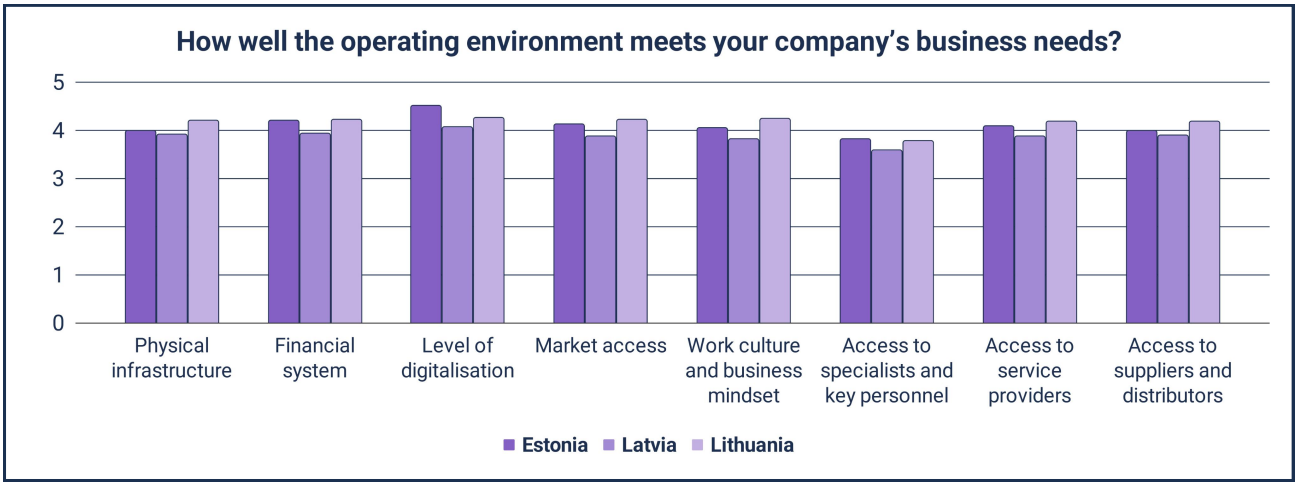
Across the region, companies place considerable value on stable rules and clear procedures. Frequent changes raise administrative costs and make investment planning harder.


SEB

Theme 3: Market Conditions

Operating conditions have improved and country differences have narrowed

Companies give favourable ratings to most parts of the operating environment. Respondents rated how fully each condition met their business needs on a five-point scale from 1, "not at all", to 5, "fully". Lithuania receives average ratings of 4.2 for physical infrastructure, market access, work culture, access to service providers, and access to suppliers and distributors. Estonia leads in digitalisation at 4.5 and shares the highest financial-system rating with Lithuania, at 4.2. Latvia's ratings range from 3.6 to 4.1.[7]



All eight assessed conditions have improved since 2021. Digitalisation shows the clearest convergence. Estonia remains ahead, while Latvia and Lithuania have closed much of the earlier gap. Physical infrastructure has also improved across all three countries.

Access to specialists and key personnel remains the lowest-rated condition, particularly in Latvia. As other operating conditions become more similar, skills, customer access and sector needs are likely to carry more weight in company decisions.

Skills pressure is strongest among mid-sized companies

The clearest company-size gap appears among firms with 500 to 1,000 local employees. They give the lowest average rating for access to specialists and key personnel, at 3.0, and for market access, at 3.6. Companies with more than 1,000 employees give the highest ratings for financial systems and digitalisation.[8]

Category	0-9	10 -- 49	50-249	500-1000	>1000	Grand Total
Level of digitalisation	4.3	4.2	4.3	3.9	4.4	4.3
Financial system	4.0	4.2	4.1	4.4	4.6	4.1
Market access	4.1	3.9	4.2	3.6	4.3	4.1
Access to service providers	4.1	3.9	4.1	4.0	4.2	4.0
Work culture and business mindset	3.9	4.0	4.3	3.8	3.9	4.0
Physical infrastructure	3.9	4.0	4.3	4.0	4.2	4.0
Access to suppliers and distributors	4.1	3.9	4.0	3.7	3.8	4.0
Access to specialists and key personnel	3.9	3.7	3.6	3.0	3.8	3.7

[7] Averaged over companies giving a rating, per condition. NA excluded.

[8] Base: companies giving a rating per band. The 500–1,000 band (11 companies) and >1,000 band (9 companies) are small, so their scores are descriptive.

This pattern suggests that labour shortages become more restrictive as companies expand. Mid-sized firms need a wider range of specialist skills and may have fewer recruitment and training resources than the largest companies.

Open responses reinforce this finding. Companies across the region call for stronger technical and vocational education, easier access to foreign workers, lower energy costs, stronger electricity grids and better transport.

> "There is a need for new educational institutions and new training programmes. There is a shortage of qualified and educated workforce in our industry." (Latvia; 10–49 local employees; majority Swedish ownership; Forest Products & Paper.)

Lithuanian companies also mention access to credit, while Latvian companies place more emphasis on public-sector digitalisation and administrative consistency. Future growth depends on demand, skills and the infrastructure needed to serve that demand.

Swedish brand

The Swedish brand makes a positive contribution across the region. Companies were asked 'how much the Swedish brand contributes to their business', on a five-point scale from 1, "not at all", to 5, "to a great extent". The average rating is 3.7 in Latvia and Lithuania and 3.3 in Estonia. The Swedish brand therefore contributes positively in each market, with the strongest ratings in Latvia and Lithuania.

Ratings have increased since 2021 in all three countries. Latvia records the largest rise, from 3.2 to 3.7. Lithuania increases from 3.5 to 3.7, while Estonia moves from 3.2 to 3.3. This suggests that the Swedish connection has become more useful to companies in Latvia, while remaining a consistent business asset in Estonia and Lithuania.

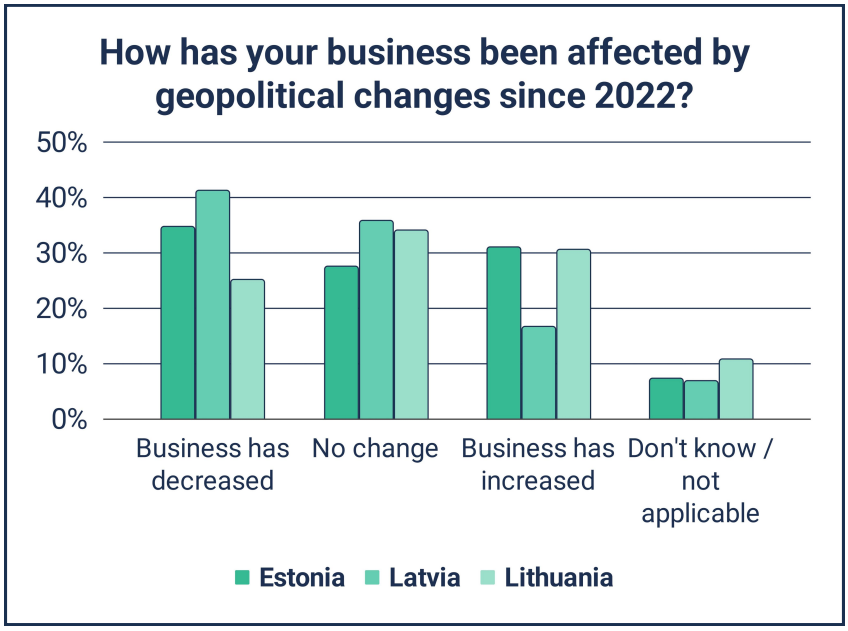
Its value varies by company type. Subsidiaries and branches rate the contribution at 4.0 in Latvia and 3.8 in both Estonia and Lithuania. Other ownership groups report a wider range of results, suggesting that the benefit depends on how a company uses its Swedish connection in the local market.

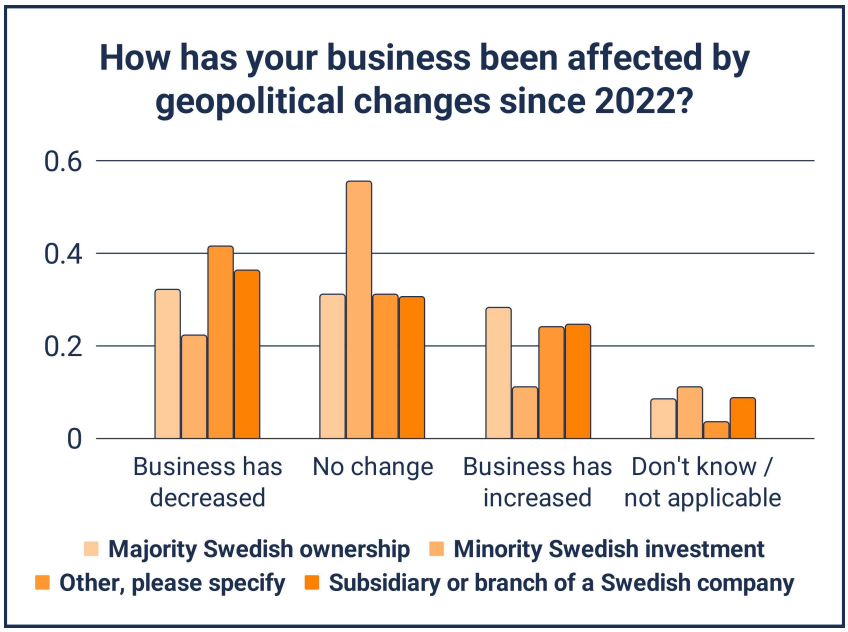
Theme 4: Geopolitics

Geopolitical effects differ more by sector than country

Latvia records the clearest negative balance since 2022. Forty-one per cent of Latvian companies report a decrease in business, compared with 35 per cent in Estonia and 25 per cent in Lithuania. An increase is reported by 16 per cent in Latvia, 31 per cent in Estonia and 30 per cent in Lithuania. Lithuania is the only market where gains exceed losses.[9]

The pattern is broadly similar across the main types of connection to Sweden. The minority Swedish investment group reports more companies with no change, although the category contains only nine respondents.[10]



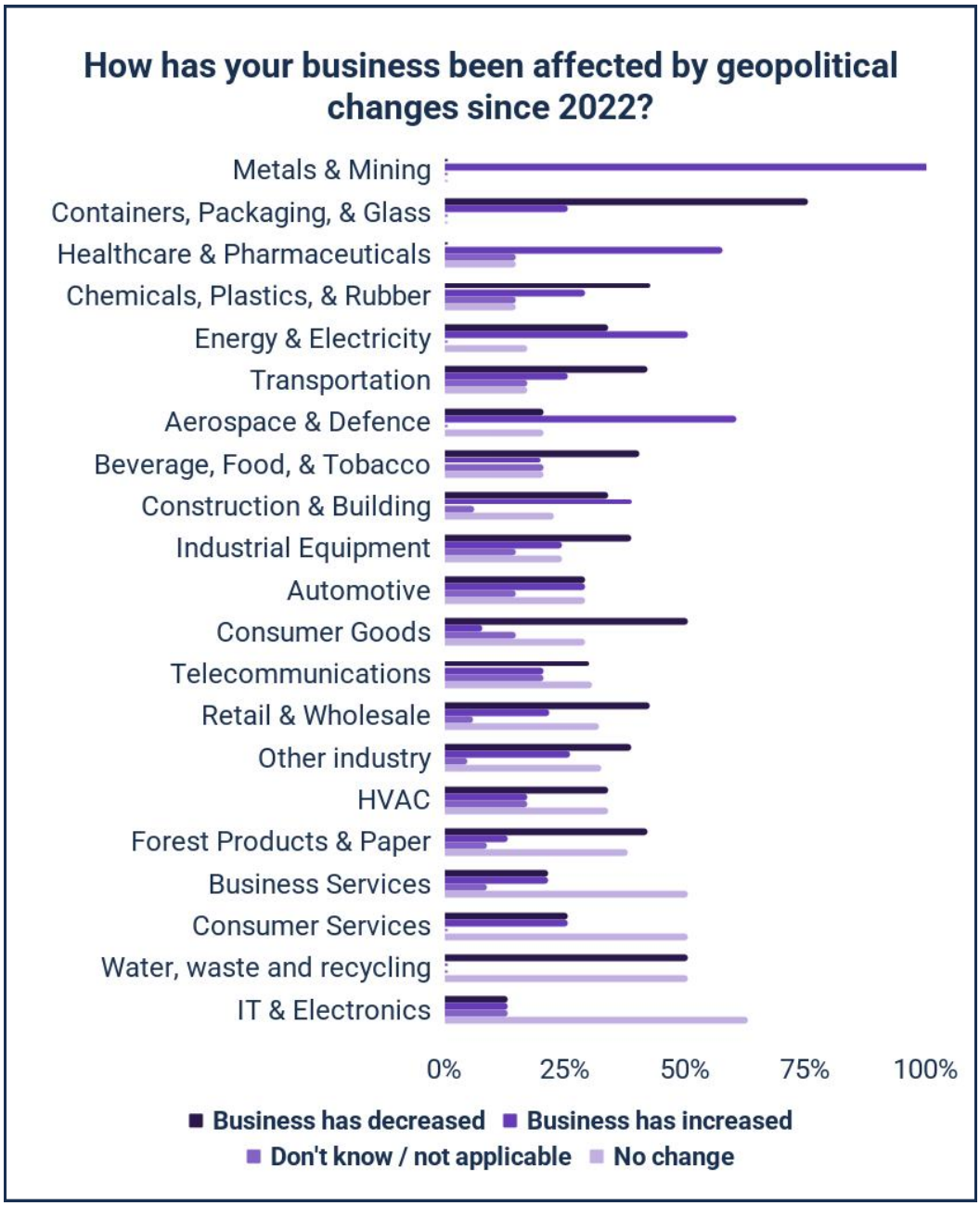


[9] Base: EE 84 (one left the question blank), LV 73, LT 56.

[10] Base: majority 107, subsidiary/branch 69, other link 29, minority 9.

Industry differences are larger than country differences. Metals and mining, aerospace and defence, healthcare and pharmaceuticals, and energy and electricity report high shares of increased business. Several consumer, transport, chemical, packaging, waste and forest-product sectors report higher shares of decreased business. IT and electronics stands out for stability, with 63 per cent reporting no change.[11]

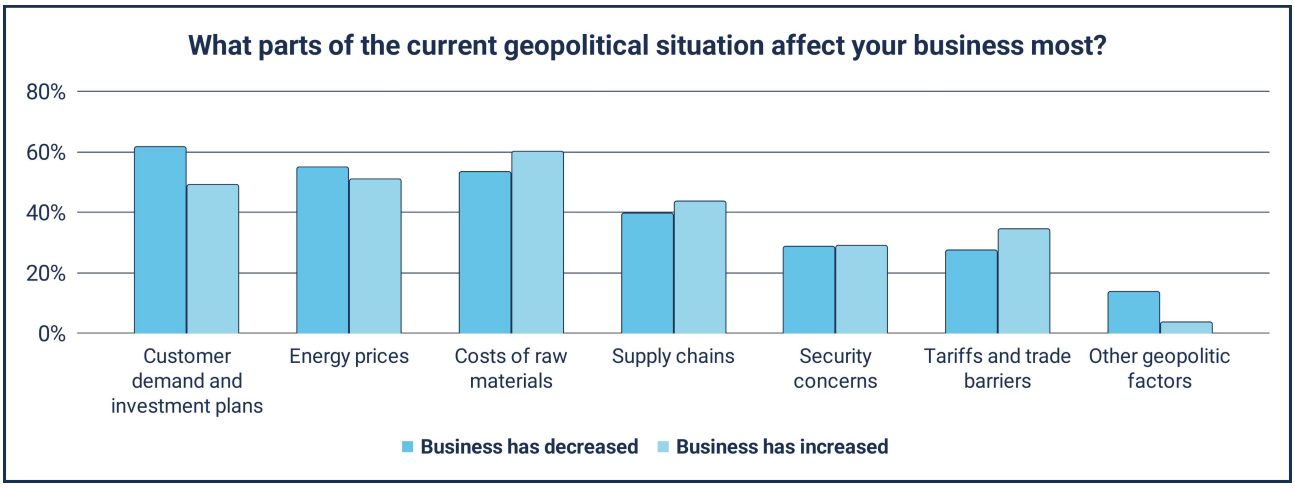
National averages therefore cover a divided sector picture. Geopolitical change has reduced demand and raised costs in some industries, while defence, energy, healthcare and related sectors have gained new business.



[11] Base: companies per industry. Percentages for the smallest sectors rest on a handful of companies and are indicative.

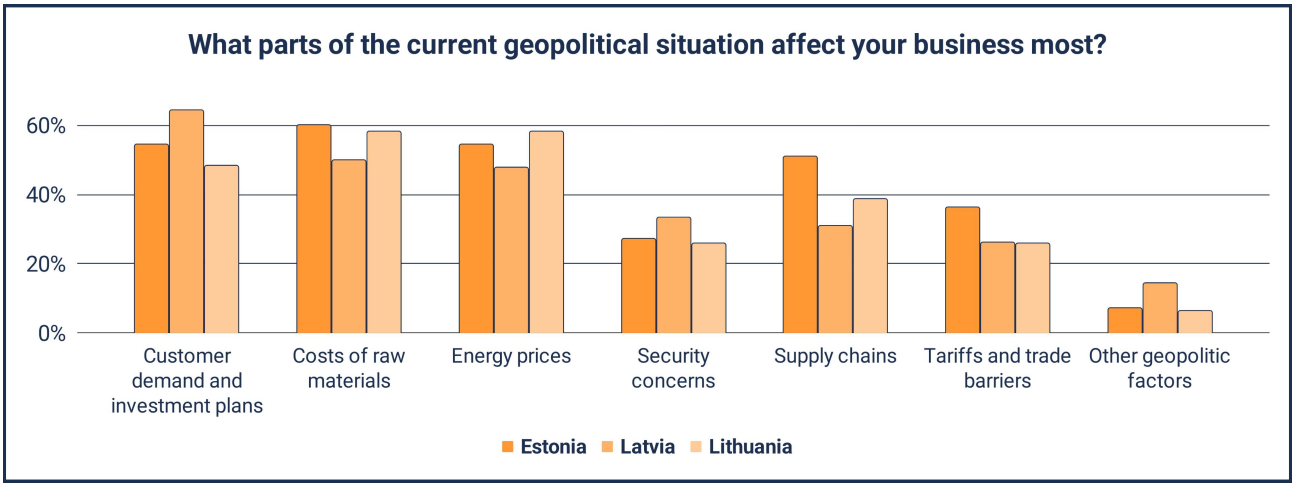
Demand, raw materials and energy are the main channels

Among companies whose business changed, customer demand and investment plans, raw-material costs and energy prices are the most frequently selected factors. These lead in all three countries. Estonian companies report greater exposure to supply-chain disruption than companies in Latvia or Lithuania.[12]



The order changes little between companies reporting gains and losses. Customer demand ranks first among companies whose business decreased, while raw-material costs rank first among those whose business increased. Energy prices are prominent in both groups.

The effect of each factor depends on the company's sector, customers and place in the supply chain.



[12] Base: the 128 companies reporting a change in business (Estonia 55, Latvia 42, Lithuania 31); 126 of them named at least one factor. Not asked of companies reporting no change.

Open comments show different effects across companies

Open responses mention higher employment and living costs, interest rates, sanctions, fuel prices, closed borders and weaker demand in Nordic markets.

> "Cost of living and cost for employment has increased. Had to adapt the whole business after 2022 to remain competitive. Returning to 2021 levels of turnover in 2027, hopefully." (Estonia; 0–9 local employees; majority Swedish ownership; IT & Electronics / Telecommunications.)

Other comments refer to reduced access to workers from Belarus, the war in Ukraine, continued imports of Russian wood into the EU and greater caution among Swedish investors.

> "It is important to work with the EU to ensure that the sanctions against Russia are implemented in practice... We have seen progress, but it is not yet enough." (Lithuania; 10–49 local employees; majority Swedish ownership; Forest Products & Paper.)

The comments show several routes through which geopolitical change reaches companies. Costs and weaker demand have reduced business for some, while changes in supply, defence spending, energy markets and customer priorities have created opportunities for others.


Riga City Center

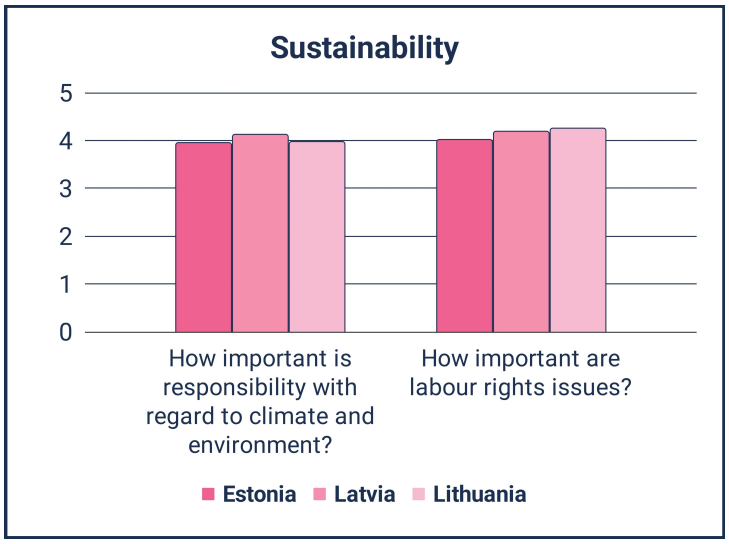
Theme 5: Sustainability and Social Issues

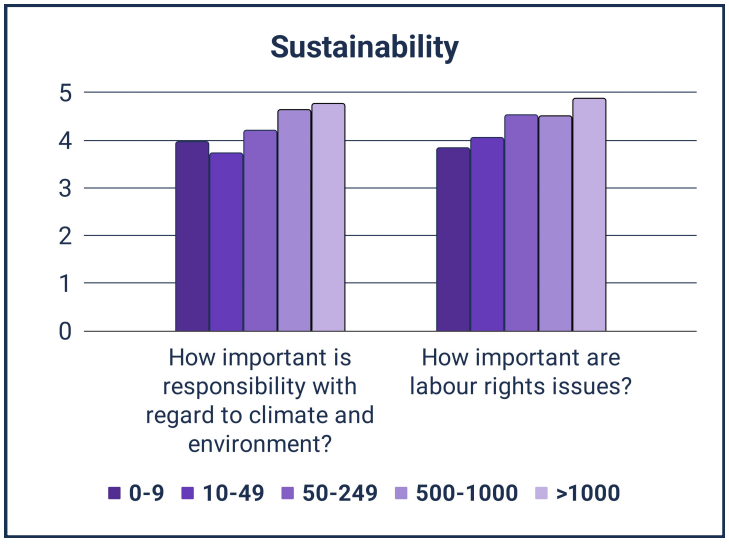
Climate responsibility and labour rights receive high ratings across the region

Companies were asked how important climate and environmental responsibility and labour rights are for their business, on a five-point scale from 1, “not at all”, to 5, “to a great extent”. Climate responsibility receives an average rating of 4.1 in Latvia and 4.0 in Estonia and Lithuania. Labour rights receive 4.2 in Latvia and Lithuania and 4.0 in Estonia.

Country differences are small. Company size shows a clearer pattern. Companies with at least 500 local employees give the highest ratings, and those with more than 1,000 employees rate climate responsibility at 4.8 and labour rights at 4.9.[13]

Larger companies appear more likely to manage these issues through formal policies and reporting. The largest size bands are small, so the results should be read as descriptive.

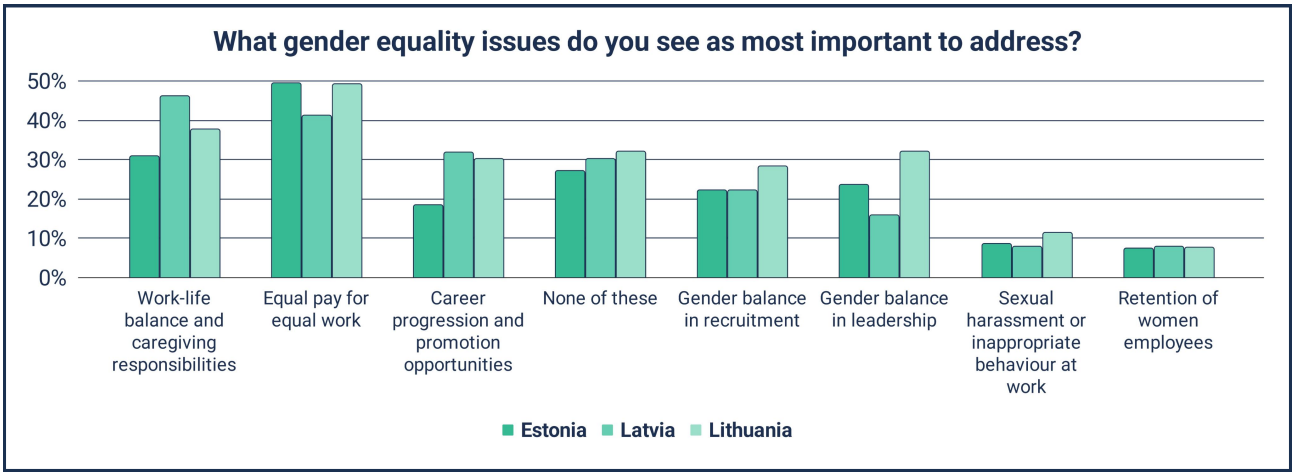




[13] Base by country: climate responsibility EE 80, LV 64, LT 53; labour rights EE 75, LV 62, LT 53. By size, the top bands are small: >1,000 employees and 500–1000 rest on 8 companies each, so they are descriptive.

Equal pay is the most common gender-equality priority

Equal pay for equal work is the most frequently selected issue in all three countries: 49 per cent in Estonia, 41 per cent in Latvia and 49 per cent in Lithuania. Work-life balance receives the highest share in Latvia. Career progression receives more attention in Latvia and Lithuania than in Estonia, while gender balance in leadership is selected most often in Lithuania.



Around 30 per cent of respondents select none of the listed issues, with little difference between countries. The survey cannot distinguish between companies that see no current problem, companies that give priority to other issues and companies that have not formalised their approach.

Companies with more than 1,000 local employees identify a wider range of priorities, including equal pay, career progression and gender balance in leadership. No company in this group selected none of the listed issues, although the subgroup is small.[14]

[14] Base: companies that answered the gender question, EE 81, LV 63, LT 53 (total 197); 17 respondents skipped it. This is why "selected none of these" is 29% of 197, not of 214.

Business Climate

Respondents were asked to answer two questions:

(1) What makes the business climate attractive for your company?

(2) What practical measures would improve the business climate? Below is a summary of both of these questions.

Workforce, location and digitalisation lead the open responses

Estonian respondents most often cite the tax environment, digitalisation and clear regulation. They also value a skilled, multilingual workforce and relatively low bureaucracy. Their suggested improvements focus on stable taxation, simpler reporting, faster permits, more engineers and vocational skills, access to foreign workers and lower energy costs.



Latvian respondents most often cite workforce and location. They value an educated and cost-efficient labour force, proximity to Sweden and the Nordic region, familiar EU rules, digitalisation and relatively low operating costs. Their priorities include stable rules, simpler compliance, better public digital services, VAT and e-invoicing, action on the shadow economy, technical education, foreign labour and infrastructure.



Lithuanian respondents most often cite workforce, location and logistics, followed by business culture, regulation, infrastructure and digitalisation. Their suggested improvements include a simpler and more stable tax system, faster permits, clearer municipal planning, reliable electronic identification, stronger grid and transport capacity, easier access to credit and more engineering skills.



Shared strengths, different emphasis

The three markets share several advantages. Workforce quality, location, digitalisation and clear regulation appear throughout the open responses. Tax and regulation also appear among suggested improvements, as companies value familiar rules and want greater stability and simpler application.

Location carries particular weight in Latvia and Lithuania, where companies stress proximity to Sweden and the Nordic region. Estonia stands out for digital public services and its tax system.

> "Very flexible corporate taxation and a fantastic digital landscape. It is easy to manage the business digitally." (Estonia; 0–9 local employees; other link to Sweden; Business Services.)

The Baltic business offer combines proximity, skills, digital services, EU market access and competitive costs. Labour shortages, unstable rules and infrastructure constraints can reduce the value of these advantages.

Conclusions

Most companies are profitable, while investment remains cautious

Most surveyed companies report profitable operations in 2025. Investment plans remain positive, although the share planning an increase has fallen since the previous survey in Estonia and Latvia. Lithuania is broadly unchanged.

Operating conditions have improved and the three markets receive similar ratings on many measures. Estonia retains a lead in digitalisation. Lithuania records the highest ratings for several physical and market conditions. Latvia remains close on most measures but receives lower ratings on corruption.

Cost efficiency remains the leading success factor, while staff development and local relationships have become more important. Access to skills is likely to carry more weight as broader operating conditions converge.

Geopolitical developments have produced different outcomes by country and sector. Energy, mining, defence and pharmaceuticals report an increase in business. Consumer, transport, and forest report a decrease. Demand, raw-material costs and energy prices are the main channels.

The results identify five practical priorities:

1. Stable tax and regulatory rules that support long-term planning.
2. Simpler reporting, faster permits and reliable public digital systems.
3. More technical and vocational training, together with access to foreign labour.
4. Continued investment in energy, electricity grids and transport.
5. Consistent enforcement and further action on the shadow economy and grey zones.

Companies with Swedish links regard the Baltic states as favourable places to operate, while remaining careful about expansion. Their requests are practical: stable rules, efficient administration and reliable access to skills and infrastructure.

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