

October 2020

Baltic Business Outlook SMEs in times of COVID-19

Foreword

In this edition of Baltic Business Outlook we have collected important insights about needs and concerns of small and medium sized enterprises. To evaluate the mood and main tendencies within SMEs segment this year we did several surveys – at the end of the year 2019 and this year in spring and summer. These surveys let us to find out to what extent SMEs have been impacted by the spread of Covid-19 and related restrictions.

We have surveyed 4320 companies in Lithuania, Latvia and Estonia in total.

SMEs are the backbone of Baltic economies, and their confidence indicators can give us a good idea about future developments of economic processes – more in depth findings can be found further within this report.

Executive summary

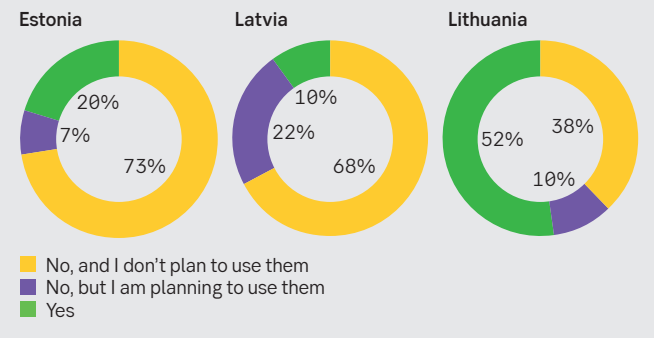
Regarding the results of surveys the overall Covid-19 impact on economics is smaller than it was expected. Comparing Latvian april survey results with june results, the overall assessment of entrepreneurs has improved.

Lithuanian entrepreneurs – the most active in using government support

The majority of surveyed companies have not used and do not plan to use government assistance programmes; they are dealing with new challenges on their own. Situation is different in Lithuania where 52% of respondents said they are already using support programmes.

Slightly more than half of the SEB Group's business customers surveyed in Lithuania benefited from state aid measures provided to companies affected by the coronavirus outbreak. The share of such companies is much higher than in Estonia and Latvia, where about a fifth and a tenth of all surveyed companies have benefited from state support.

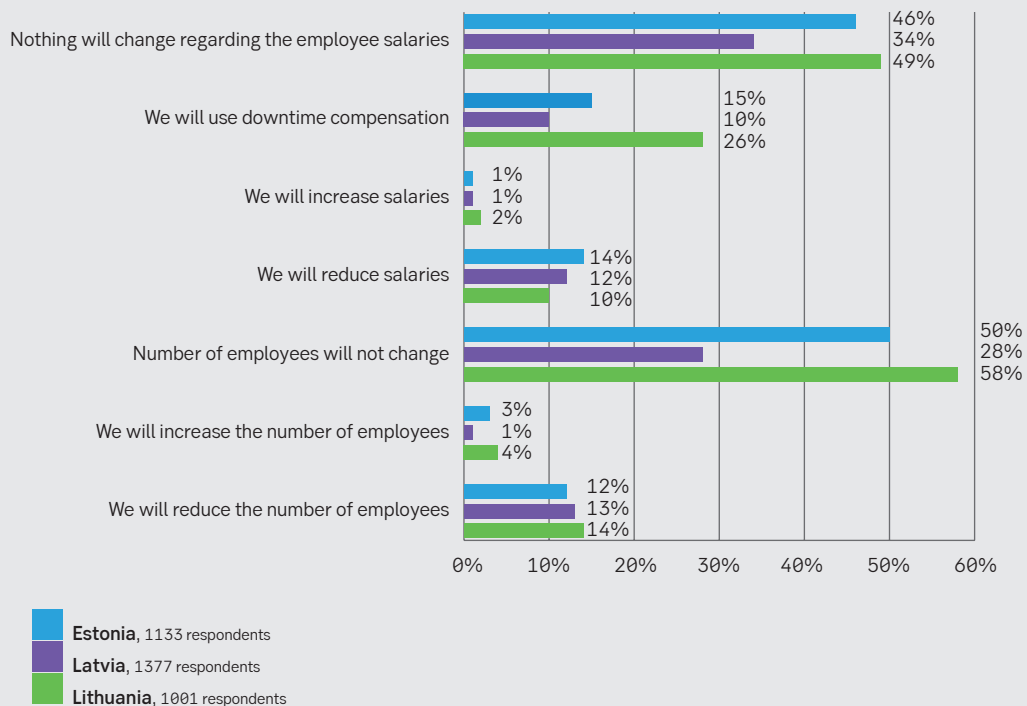
Do you already use any of the support programmes?



Majority of companies do not plan to change personell policy due to COVID-19 situation

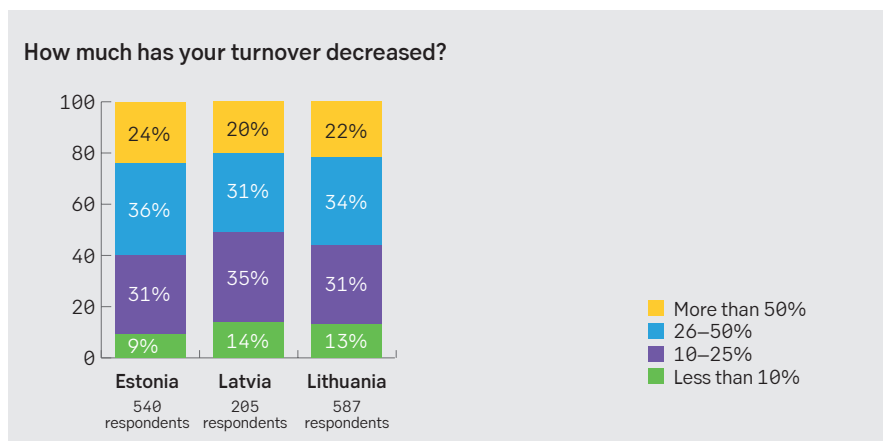
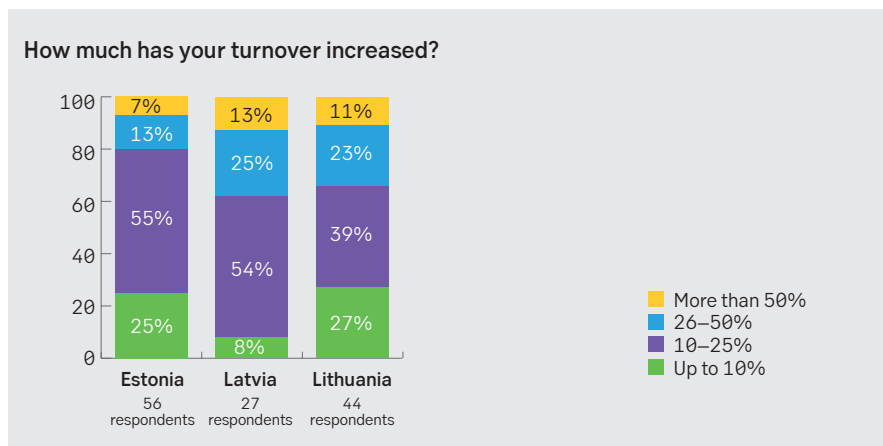
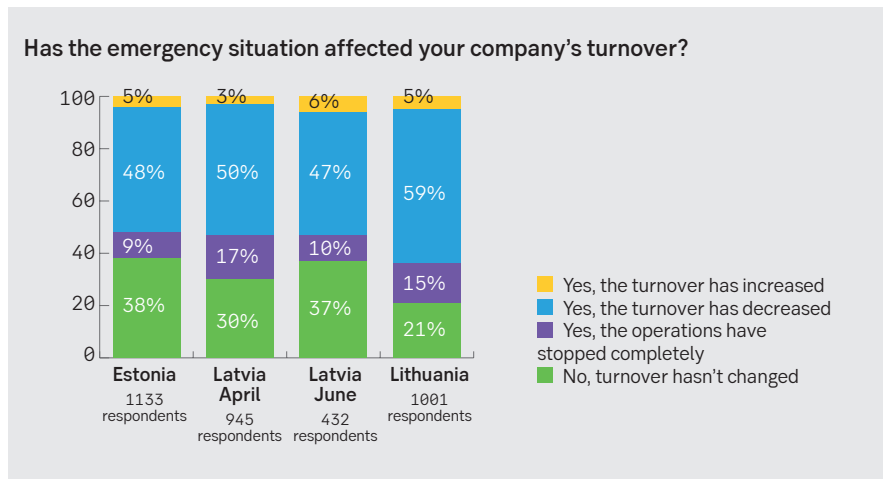
There are no indications that companies plan to make rapid change regarding employee salaries or the number of employees. According to survey more than half of companies will not do that after the emergency situation.

How has the emergency situation affected your personnel policy?



The turnover has decreased for half of companies, yet there are those who have turned crisis into opportunity

Half of the companies' turnover has decreased, additionally 1/10 have stopped their operations completely. For roughly 65% of companies, the turnover decreased between 10 to 50%. Compared to 2019, the fraction of companies with 1-10 employees has increased; same goes for turnover in smaller ranges. Additionally there are companies that managed to transform these challenging times into an opportunity and was able to grow turnover, in some cases – even significantly.



Need for digitalization is still not growing in spite of Covid-19 conditions

Comparing survey results to 2018 and 2019, in Latvia and Estonia importance of digitalization on companies' agenda has obviously grown, what is understandable due to Covid-19 pandemic restrictions. But in Latvia, comparing spring and the end of summer survey results, it has lowered. Digital channels still are being used quite little – more than half of respondent companies do not offer their products or services online. And there are still companies who see no benefit arising from digitalizing their services. Digital sales are the highest in retail and wholesale, information and communication areas. In turn, Lithuanian companies are entering in the e-commerce market much more actively.

