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*News release*

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## **Talent shortages costing Central & Eastern European private businesses an estimated €358 billion each year, shows the PwC EMEA Private Business Survey 2019**

### ***Most respondents are cautiously optimistic about future growth***

The biggest challenge for private businesses in Central & Eastern European (CEE) is a growing skills shortage that is hindering their growth. A PwC survey of 600 private and entrepreneurial businesses across 15 CEE countries (*EMEA Private Business Survey 2019*) shines a spotlight on a wider, ongoing issue across the region. A quarter of companies surveyed said that skills shortages were costing them more than 5% of revenues each year and PwC estimates that the skills shortage is costing the region €358 billion annually in lost revenues – just from the private business sector alone. To put that into perspective, that’s greater than the combined GDP of Croatia, Hungary and Slovakia.

Piotr Wyszogrodzki, CEE Entrepreneurial and Private Business Leader at PwC, said:

“Skills shortages are holding companies back from realising their full potential. The problem is costing revenue and is significantly impacting economic growth in CEE. Compounding the issue are tightening restrictions on immigration from non-EU countries, as well as out migration of skilled workers to seek more lucrative jobs in Western Europe and Russia. Moreover, private companies in CEE face stiff competition for staff from multinational companies with bigger budgets and strong employer brands. Demographic factors are also compounding matters, with the region being characterised by low birth rates, ageing populations, and economic migration.

“Recruitment and staff management is crucial to the future success of any firm. But given the current environment, it’s more important than ever to find people with the right skills, or at least the potential to upskill. It is vital for private businesses to continue dialogue with educational authorities to align the demands of private and other businesses with the expectations of society and qualifications of graduates.”

The survey also found that over half of private businesses across CEE expect growth over the next 12 months, with only 8% expecting lower revenues. Optimism appeared highest in Eurasia (70%), followed by Croatia (67%), while it was lowest in Russia (42%) and Romania (52%).

Igor Lotakov, CEE Clients & Markets Leader at PwC, said:

“The cautious mood possibly reflects global sentiment that storm clouds are looming. Many economists note evidence of an economic slowdown in 2019, which looks set to continue, driven largely by slowing growth in China and amid uncertainty caused by the US-China



trade war. Concerns about the impact of Brexit, Eurozone stability and weakness in Western European economies are also undermining confidence in CEE.

“Yet downturns often bring opportunities, and companies that prepare early – and advance rather than retreat – can benefit enormously during difficult times and beyond. Companies that see digital transformation as the key to unlocking the next stage of growth and get the implementation right have a fighting chance of growing faster when the next upturn comes.”

Encouragingly, 63% of survey respondents recognise that digitalisation will impact the long-term viability of their businesses. But the survey suggests that most leaders (68%) see digitalisation as a way to improve processes, and nearly half of those surveyed view it as a tool to analyse data to tailor products and services. Only 35% appear to have a more sophisticated take on digitalisation, seeing it as a way to develop end-to-end digital solutions that ultimately meet customer needs.

Only 23% of private businesses in CEE plan to allocate more than 5% of their investments to digitalisation, compared with 35% in other parts of Europe such as Scandinavia.

Piotr Wyszogrodzki adds:

“Many more private businesses in Central & Eastern Europe now recognise the importance of having a strategy for digital transformation; however, many are still just at the initial stages of digitalisation.

“To thrive during disruptive times, private businesses should employ a digital strategy that addresses every area of a company to meet present and future needs. If owners and managers don’t think strategically about how to transform their companies now, they risk being unprepared for whatever future lies ahead: one marked by digitalisation, Brexit, a full-blown recession – or all three. The time to act is now.”

Read the full findings at [www.pwc.com/INSERT URL](http://www.pwc.com/INSERT URL)

## **Notes**

### **Methodology**

Between February and April 2019, PwC conducted interviews with key decision makers from 2,993 private businesses with a turnover of at least €10m in 53 countries in Europe, the Middle East and Africa. Of these, 600 private businesses from 15 CEE countries were surveyed, the results of which form the basis of this report. Further insights on Western Europe, the Middle East and Africa are summarised in separate reports. Based on the results of the survey, the economic losses due to skills shortage were calculated. The findings were analysed and evaluated by digital, strategy and private business experts at PwC.

### **About PwC CEE**

At PwC, our purpose is to build trust in society and solve important problems. PwC is a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, advisory and tax services.

PwC has been active in Central and Eastern Europe for more than 25 years. PwC Central and Eastern Europe (PwC CEE) is a network of firms, consisting of separate legal entities in accordance with applicable local laws and regulations. We work to help our clients in local markets become



more successful and globally competitive. Today we have more than 12,000 people, including 275 partners, working in 56 offices across 29 countries in the region.

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