

Engines of growth in CEE: *Market-creating innovations and skilled people*



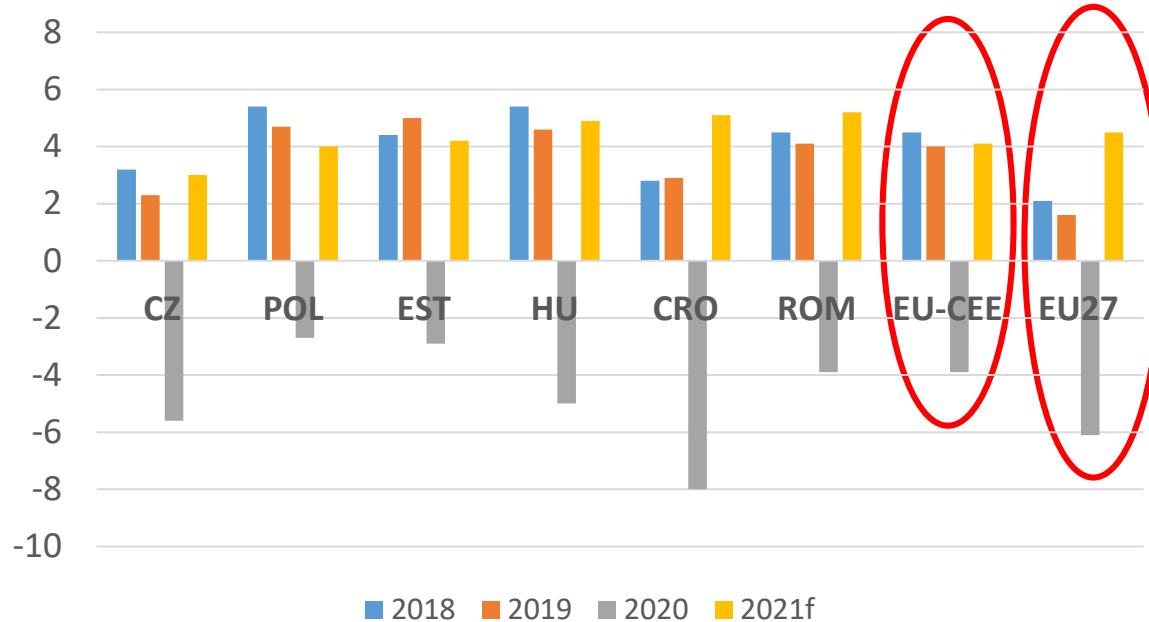
Arnold Schuh
Director, Competence Center for EM & CEE

12. GROW EAST CONGRESS - 26 NOVEMBER 2021



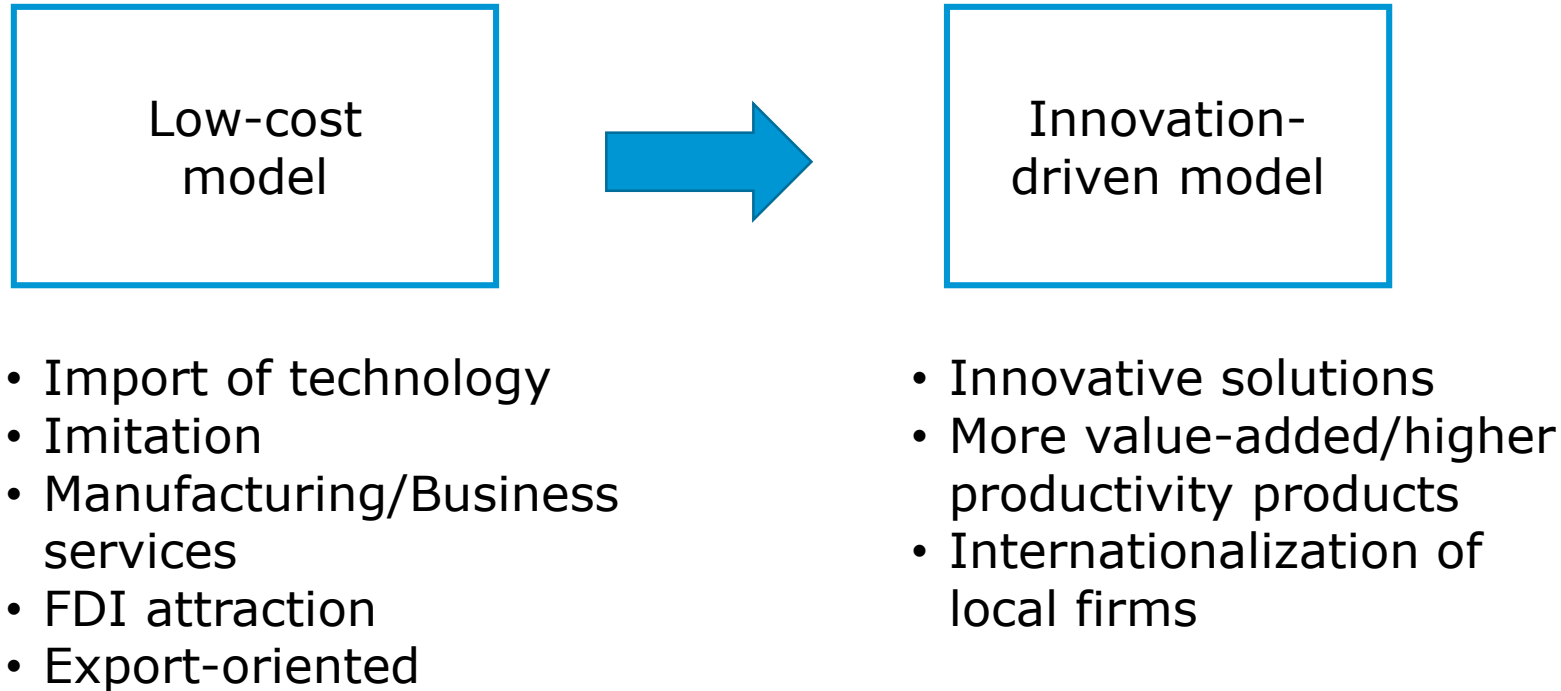
Pandemic interrupted a growth episode in CEE that started in 2015

Change in GDP 2018-2021
(in %; selected countries)

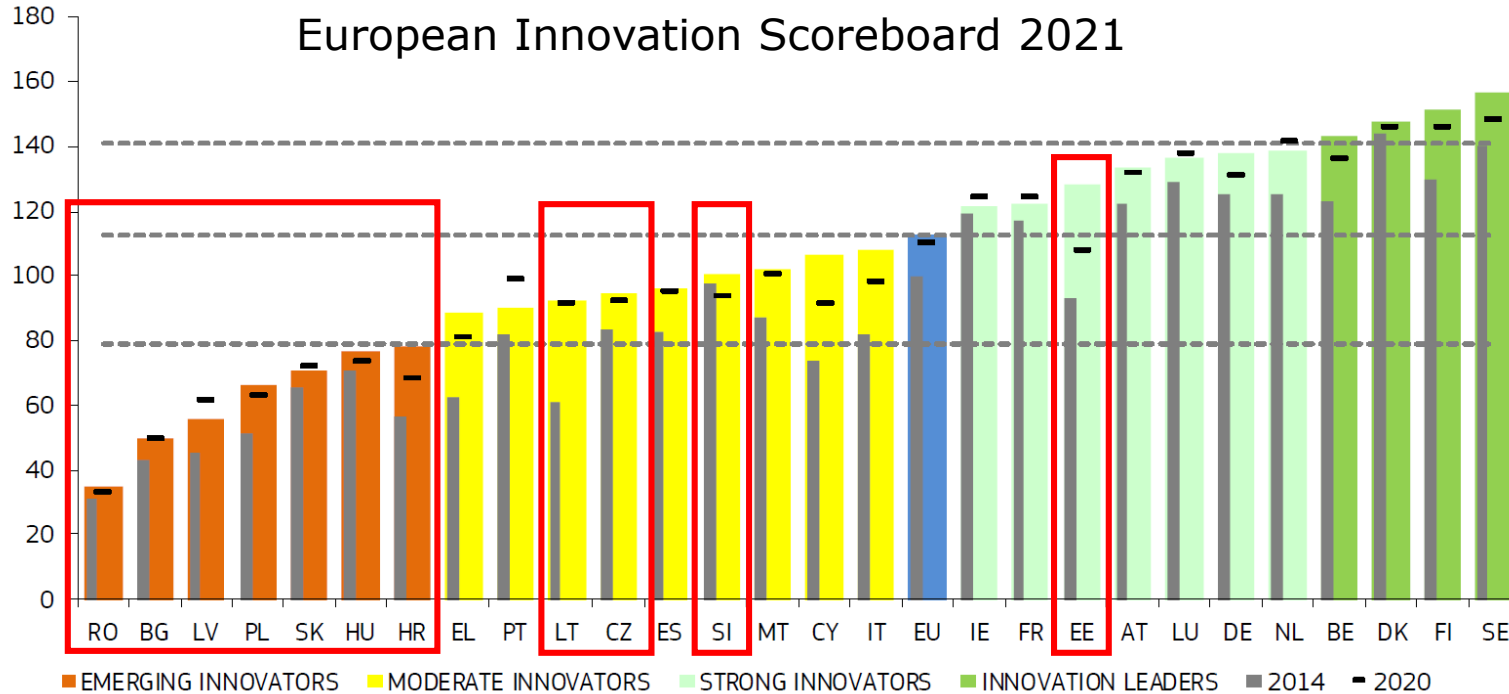


wiiw, June 2021

CEE's prosperity challenge: From a low-cost economic model to an innovation-driven one



EU-CEE countries are lagging in innovation performance – only Estonia stands out



EIS 2021

Estonia – the role model for CEE

- 1.3 mio. inhabitants
- 1,216 startups – **one per every 1,069 citizens!**
- Home of **unicorns**: Skype, Bolt & Wise

“By creating, having, and maintaining Skype in Tallinn, we gained a great insight into how to launch a great global product, and it created a feeling that we can create big things in a small place.”

Taavet Hinrikus, Skype's very first employee and now a serial entrepreneur



Software, e-commerce and pharma show revenue growth in the difficult year 2020



+310%

allegro

+54%



+12%



+126%

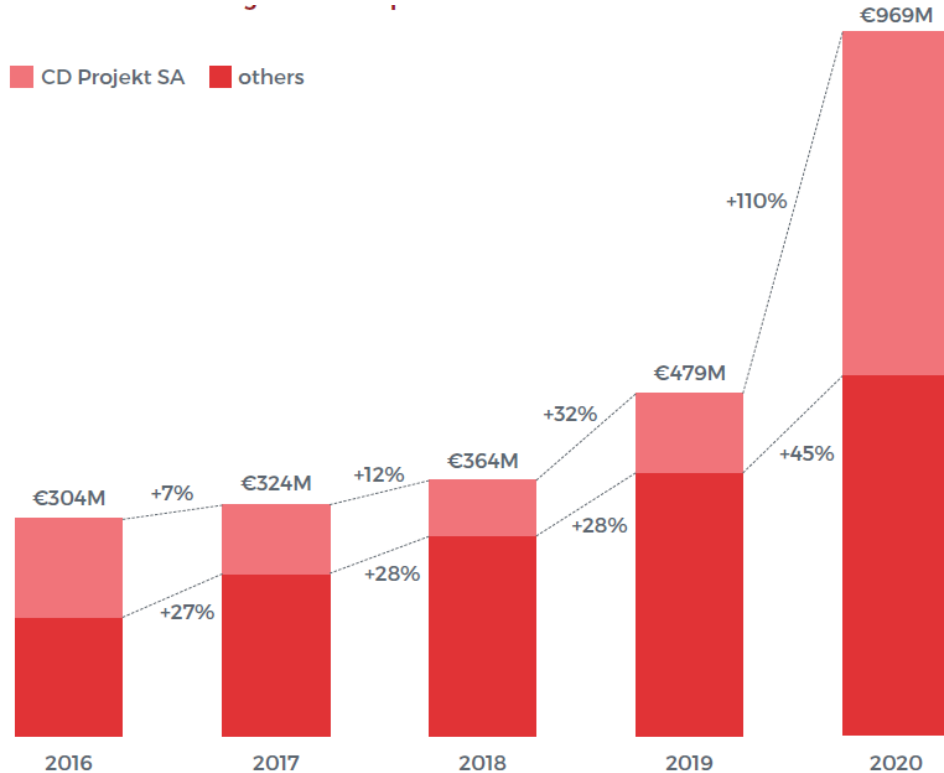


+24%



+3%

Polish video game production: a success story and winner of the pandemic



- € 1 bn. industry
- 470 game producers & publishers
- 64 firms listed at WSE
- 96% export ratio

What did winners right?

- Be in the **right industry**
- Keep **innovating**
- Embrace the **digital surge** (data, channels, promotion ...)
- Have an **agile** organization
- Rely on motivated & skilled **employees**
- Expand **laterally** to related business areas
- Enter new **foreign markets**



Aggressive expansion in the crisis

Wizz Air – low-cost carrier

Opening new bases, attempted to buy UK carrier easyJet + order for 100 airplanes



Allegro – e-shopping platform

Acquires Czech Mall Group + WE|DO to improve presence in Central Europe



Problems hindering successful cooperation in the biopharmaceutical industry in CEE

Lack of
qualified staff
to manage
high-tech firms

Lack of
support from
govt. /regional
authorities

Weak
cooperation
between business
and academia

Distrust
hampers
opening-up to
cooperation

Lack of **funds**
for developing
innovation
cooperation

Puślecki, Trąpczyński &
Staszków, 2021

New challenge: Labor and skill shortage is threatening economic recovery

The supply of **skilled workers is becoming** a problem in Poland
ING, 17.9.21

There are not enough **waiters**, automotive industry **workers** or **IT professionals** in Hungary!
dailynewshungary 9.9.21

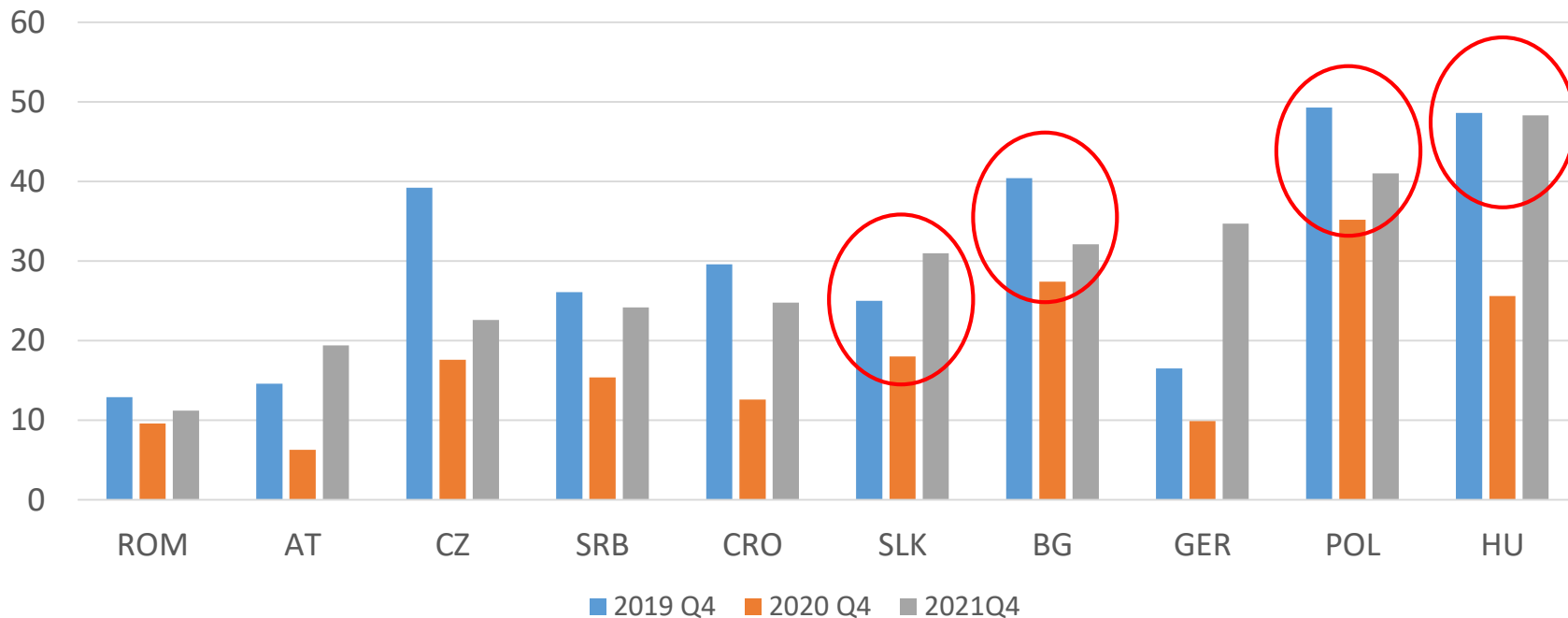
Acute shortage of **IT specialists**:
“The badly set-up education system offers us an insufficient number of qualified graduates and if there are some, they leave to work abroad.”
spectator.sme.sk 13.10.21

Labor shortages are back to haunt **Czech economy**
DW, 23.6.21

More than 40% of manufacturers in HU and POL say that labor shortage curbs production

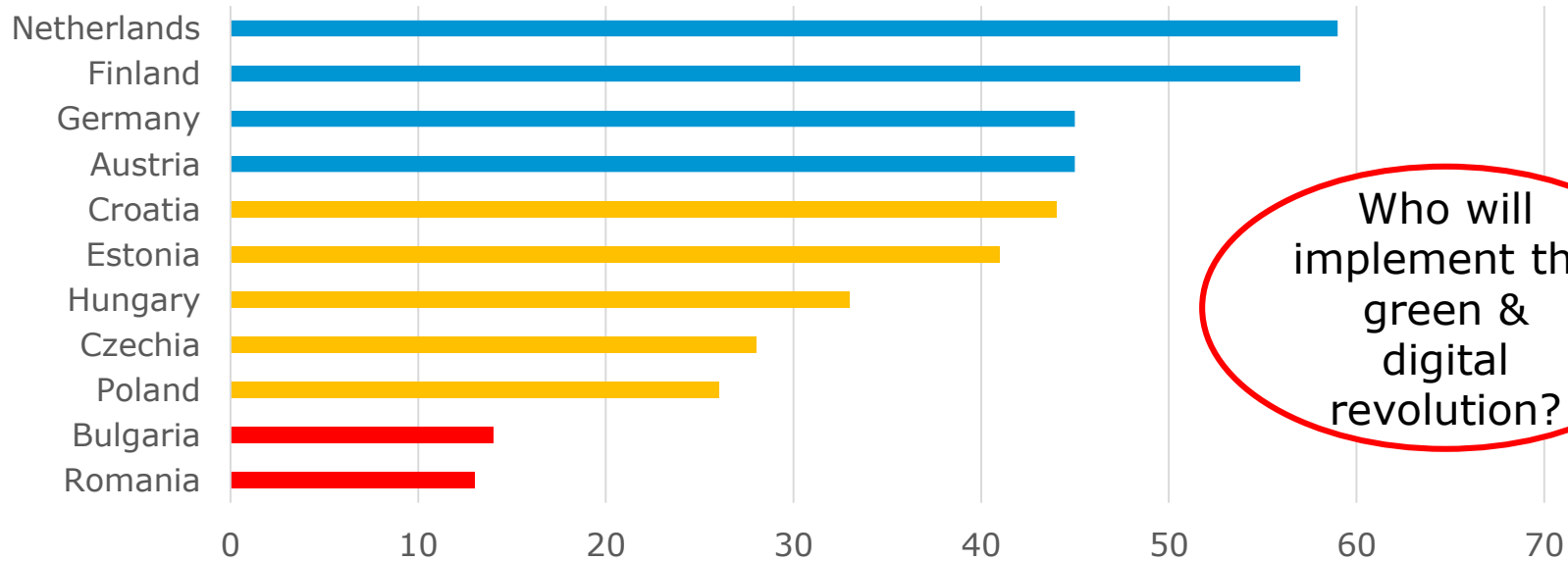
Labour as a limiting factor for production

(in % of businesses, Eurostat, 28.10.21)



... and the lack of digital skills threatens the necessary upgrading of the CEE economies

Share of „All in Employment“ with above basic digital skills
(2019)



Future outlook: Develop skills base, target new industries and build innovation ecosystems

- Turn isolated initiatives into a **broader ecosystem** (video games, cyber security, autonomous driving)
- **Cooperate** better in the national innovation systems and across borders
- Promote „**home grown innovation**“
- Convince existing foreign **multinationals** to move R&D to CEE and attract FDI in future industries
- Target emerging business areas from the „**twin transformation**“
- Develop **skills** needed in an inclusive/green/digitalized/knowledge-based/globalized economy



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