

# SAAREMAA DEVELOPMENT CENTER

## Mapping and overview of the business activity and business environment in Saare County

2020

Saare Development Center

2021



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## General description of the county

Saare County includes the islands of Saaremaa and Muhu together with the small islands surrounding them, as well as the island of Ruhnu in the Gulf of Riga. The area of the county is 2,922 km squared or 6.7% of the total area of Estonia. In administrative terms, the county is divided into three rural municipalities, with the town of Kuressaare being part of the Saaremaa Rural Municipality. Saare County has one town, nine small towns and 492 villages. The sea is the most important influence on the lives of Saare County's people.<sup>1</sup>

At the beginning of 2020, Uku Varblane (Foresight Centre at the Riigikogu) and Garri Raagmaa (University of Tartu) wrote a forward-looking article describing Saare County in the year 2035.

The island of Saaremaa is located in Estonia's farthest territory, at the European Union's periphery. It is very sparsely populated. One of the prerequisites for development is better access. Ferry traffic or even a bridge is not enough. In the face of market failure, local proactive and capable development workers and open-minded politicians are paramount in decision-making. They are the ones who raise awareness and create good conditions without which investors may not be able to discover and take an interest in this remote area. Secondly, here, far from the main buildings of universities, educating local entrepreneurs and workers, acquiring knowledge from all across the world, and networking, that is, strengthening the innovation system locally, are becoming increasingly important.<sup>2</sup>

## Population

The people are the county's greatest riches. An overview of the population composition provides us with an insight into the county's past, present and future. Care must be taken to ensure that people have offspring to carry local life forward in the future. The population includes all local people and includes foreigners and stateless persons.<sup>3</sup> Population analysis is essential in terms of the overall economic performance. Longer life expectancy has a positive impact on employment. A decrease in the average age of the population in the region is also one of the pillars for maintaining productivity and ensuring future growth. The ability to use existing resources efficiently is key to maintaining and increasing the competitiveness of the region.

From 2016–2020, the population of Estonia increased slightly. Population in the period under observation increased by 1.1%, i.e., by 14,433 people. The populations of Harju County (4.4%), Tartu County (3.0%) and Hiiu County (0.5%) all increased. Every other county saw a reduction in the number of residents from 2016–2020. The situation in Saare County compared to the rest of Estonia was good because only three counties witnessed population growth: Harju (27,006 people), Tartu (4,617 people) and Hiiu (46 people). Saare County ranked fourth, with a population decline of 275 people (0.8%). The counties of Ida-Viru (8,475 people) and Lääne-Viru (2,009 people) witnessed the largest decline in population during the period of observation.

Table 1. Population change. Source: analysis of the data of Statistics Estonia

County	Population change 2016–2020	Position
Harju	27 006	1
Tartu	4 617	2
Hiiu	46	3
Saare	-275	4

<sup>1</sup> Saare County fishing area development strategy 2019–2030+

<sup>2</sup> Lugusid Saaremaalt aastal 2035 (U. Varblane, G. Raagmaa. 2020)

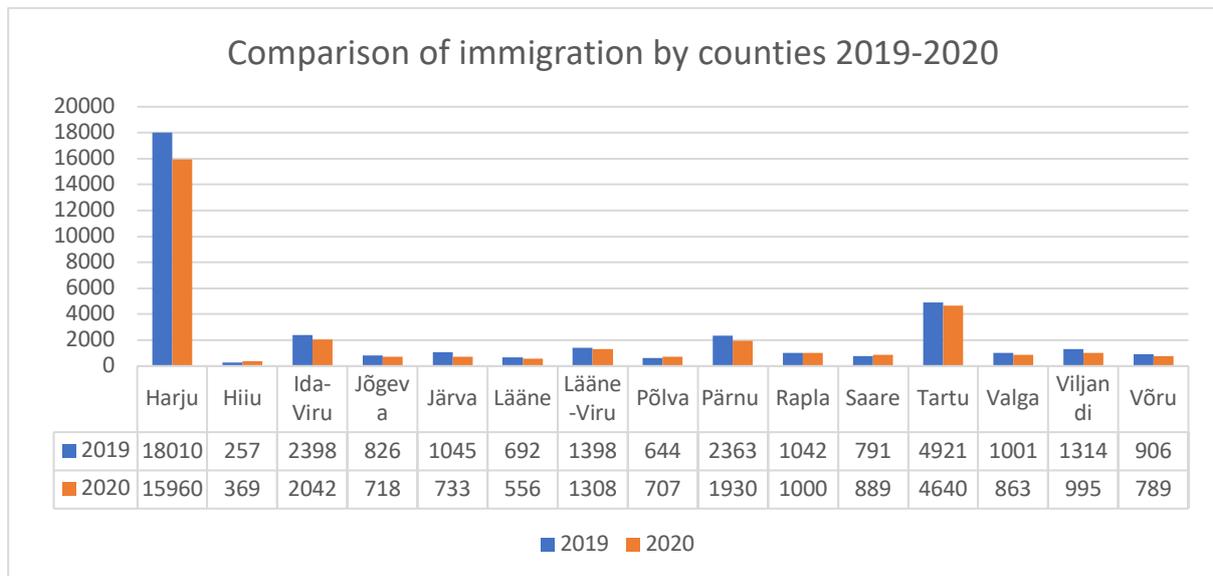
<sup>3</sup> <https://www.stat.ee/et/avasta-statistikat/valdkonnad/rahvastik>

Rapla	-369	5
Pärnu	-403	6
Lääne	-435	7
Põlva	-1 088	8
Valga	-1 111	9
Järva	-1 161	10
Viljandi	-1 411	11
Jõgeva	-1 428	12
Võru	-1 542	13
Lääne-Viru	-2 009	14
Ida-Viru	-8 475	15

Population change is influenced by the natural population change in the region and the migration balance (immigration – emigration). The natural population change in Saare County over the last five years equates to an average negative of 107 and the average migration balance has been a positive 37.

From 2019 to 2020, the population of Saare county declined by 51. It is certainly difficult to compete with centres of gravity such as Harju and Tartu Counties (Figure 1) but according to the information from 2019–2020, immigration to these counties decreased. The fact that immigration (the number of new inhabitants registered in the county) to Saare county was a record high 889 in 2020, with a migration balance of positive 64, should be welcomed.

Figure 1. Comparison of immigration by counties 2019–2020 Source: analysis of the data of Statistics Estonia



Tables 2 and 3 show the migration balances of counties in 2019 and 2020 and rank the counties according to the results. In 2019, there were seven counties with a positive migration balance, while in 2020, only four. Saare County is among the counties that managed to keep a positive balance in 2019 and 2020.

Table 2. Migration balance in 2019. Source: analysis of the data of Statistics Estonia

County	Migration	Position
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	<b>balance in 2019</b>	
Harju	5 768	1
Pärnu	482	2
Saare	30	3
Rapla	26	4
Valga	16	5
Viljandi	7	6
Järva	0	7
Lääne	-9	8
Hiiu	-27	9
Tartu	-76	10
Jõgeva	-133	11
Võru	-187	12
Põlva	-265	13
Lääne-Viru	-292	14
Ida-Viru	-750	15

*Table 3. Migration balance in 2020. Source: analysis of the data of Statistics Estonia*

<b>County</b>	<b>Migration balance in 2020</b>	<b>Position</b>
Harju	3 924	1
Tartu	394	2
Hiiu	108	3
Saare	64	4
Põlva	-26	5
Pärnu	-62	6
Lääne	-75	7
Rapla	-92	8
Viljandi	-124	9
Jõgeva	-192	10
Lääne-Viru	-222	11
Järva	-226	12
Võru	-269	13
Valga	-269	13
Ida-Viru	-1 012	15

In general, Saare County is relatively stable and, compared to other Estonian counties, in a rather strong position in terms of population dynamics.

Figure 2. The Population of Saare County. Source: analysis of the data of Statistics Estonia

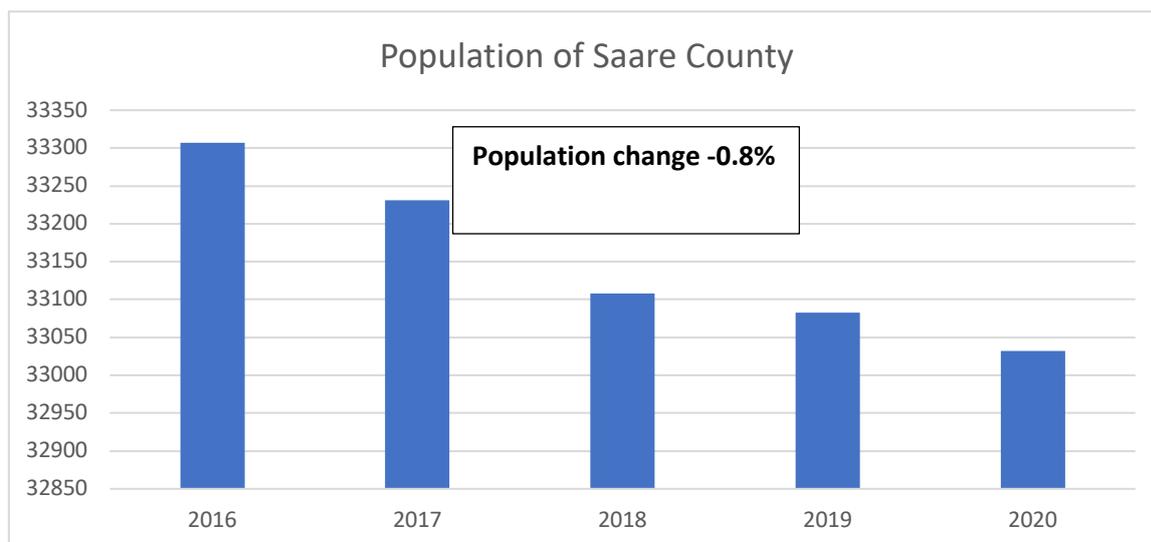
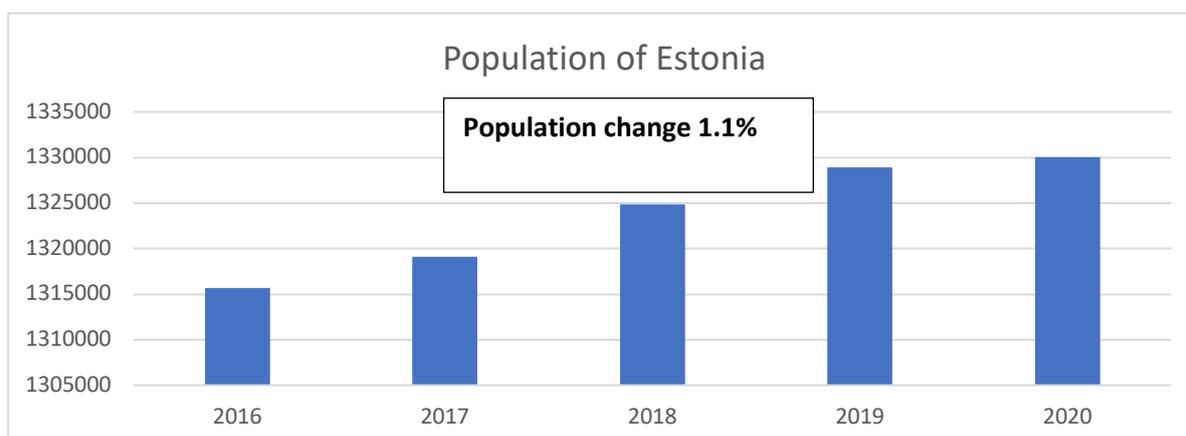


Figure 3. Population of Estonia. Source: analysis of the data of Statistics Estonia



The population forecast by Statistics Estonia for Estonia by 2045 is 1,324,018 people. Figure 3 shows that the population of Estonia has increased by 1.1% in the period 2016–2020 and is forecast to decrease by 0.5% over the next two decades. Looking at the population changes forecast by Statistics Estonia for 2045, the further growth of Harju and Tartu Counties is evident and the rest of Estonia will be the basis for this growth.

Figure 4. Population forecast for 2045. Source: analysis of the data of Statistics Estonia

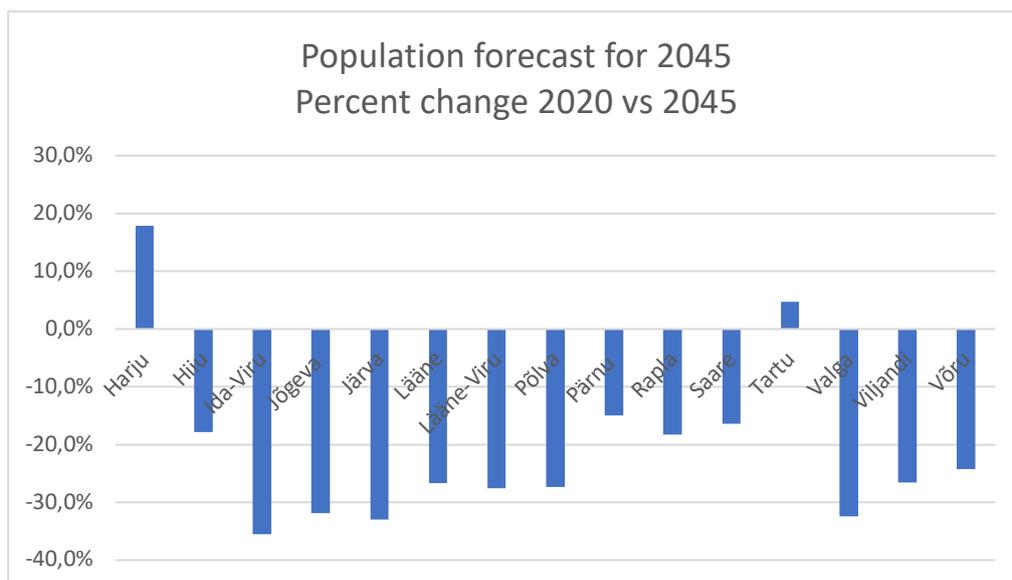


Figure 4 shows that all counties except Harju and Tartu are losing inhabitants. The forecast for Saare County is -16.4%, which means 5,400 fewer inhabitants (Figure 5). This is still a good result compared to the rest of the counties as according to the forecast, only Pärnu County is expected to lose fewer inhabitants. The forecasts by Statistics Estonia have been made according to the population of 2019. Recently, Statistics Estonia made population forecasts based on the information from 2012, and the margin of error between the forecasts for 2020 and reality was 10% and more in some counties. This means that according to the forecast made in 2012, Estonian counties have done much better than shown by the trend in 2012. We hope that the forecast for 2045 can also be significantly slowed. The information in the forecast will certainly be ringing an important alarm bell.

Figure 5. Population forecast for Saare County for 2045. Source: analysis of the data of Statistics Estonia

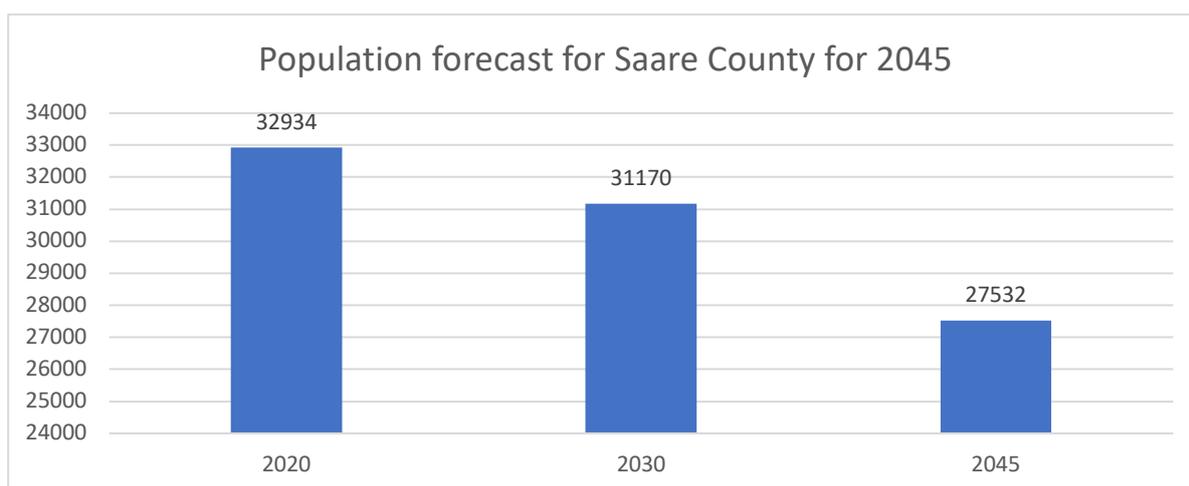


Table 4. Population change 2020–2045. Source: analysis of the data of Statistics Estonia

Population change 2020–2045, in %		
County	Change	Position
Harju	17,9%	1
Tartu	4,7%	2
Pärnu	-14,9%	3
Saare	-16,4%	4
Hiiu	-17,8%	5
Rapla	-18,3%	6
Võru	-24,2%	7
Viljandi	-26,5%	8
Lääne	-26,6%	9
Põlva	-27,4%	10
Lääne-Viru	-27,6%	11
Jõgeva	-31,9%	12
Valga	-32,4%	13
Järva	-33,0%	14
Ida-Viru	-35,5%	15

## Factors impacting the business environment

### Labour force

In addition to the general population numbers, the working-age population must be viewed separately. As a whole, the working-age population is divided into three main groups: employees, i.e., the employed, unemployed, and economically inactive. The total number of employees and the unemployed constitute the economically active population, i.e., the labour force. Active job searching is any activity with the intention of finding a job or starting a business. The inactive population includes those who do not want to or are unable to work, such as housewives, non-working students, people with disabilities, etc.<sup>4</sup>

In the Estonian statistics, the working-age population includes people aged 15–74 years<sup>5</sup>. Looking at the changes lying ahead for the counties in terms of the working-age population, the overall picture of the availability of resources depicts its deterioration.

<sup>4</sup> <https://www.stat.ee/et/avasta-statistikat/valdkonnad/tooelu/tooturg>

<sup>5</sup> At the time of compiling the analysis, the working-age is officially (since 2021) 15–89 years. As the analysis is based on the information submitted up to the year 2020, we use the ages 15–74 to define working-age population.

Figure 6. Working-age population forecast. Source: analysis of the data of Statistics Estonia

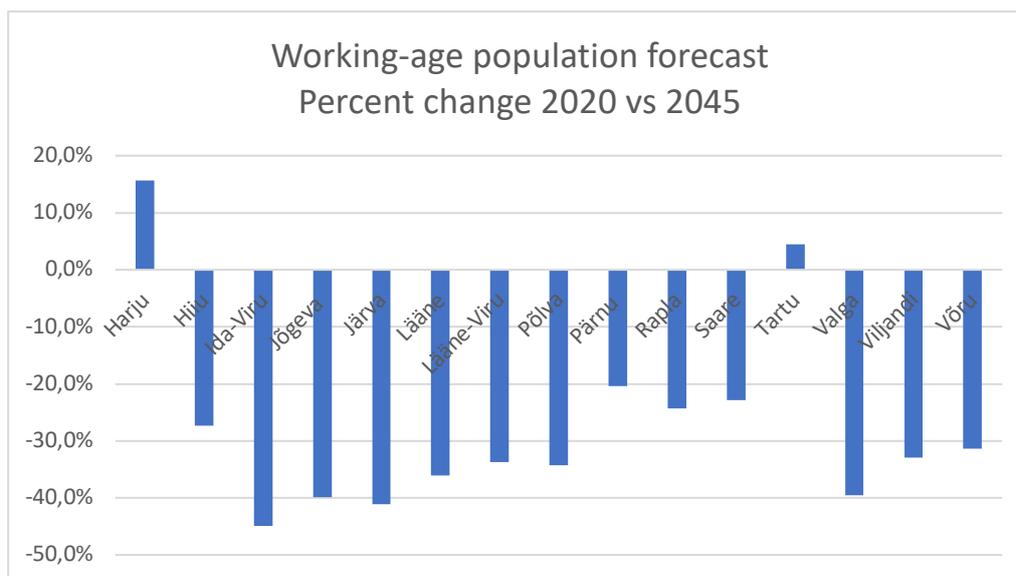
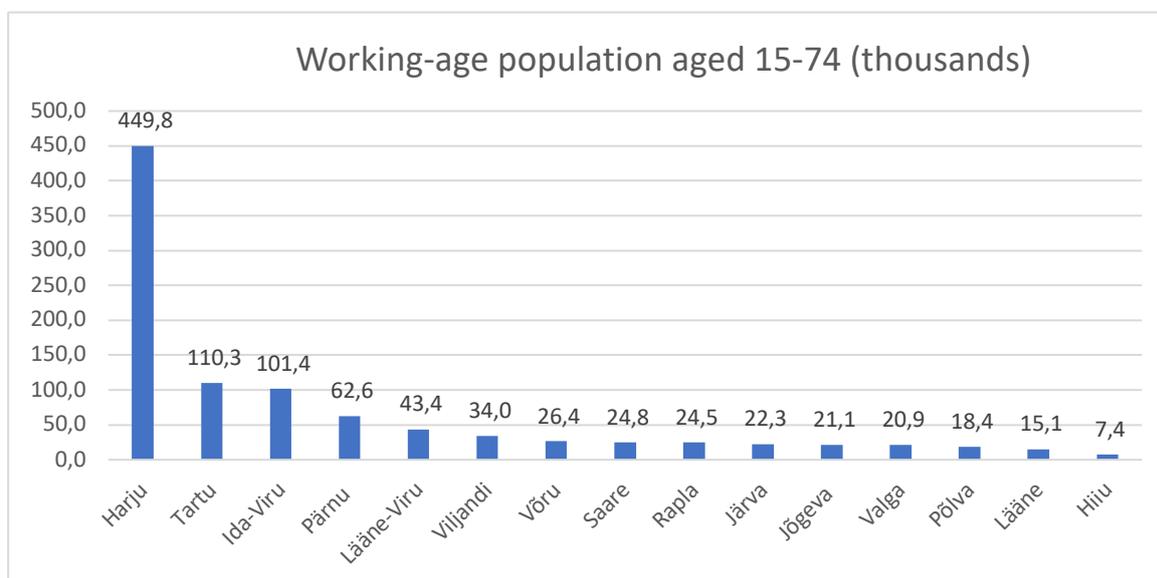


Figure 6 shows that the working-age population will decrease even more in terms of percentage. For example, if the population in Saare County is forecast to decline by -16.4% (Table 4), the working-age population is expected to change by -22.9% (Figure 6). For the sake of clarity, it should be said that the working-age population is the total population aged 15–74. In 2020, the working-age population in Saare County included 24,750 people, of whom 6,600 were inactive, i.e. 26.7%, and 900 were unemployed. Compared to other counties, the situation in Saare County in terms of the working-age population was average (Figure 7).

Figure 7. Working-age population by counties. Source: analysis of the data of Statistics Estonia



Thus, the number of workers available will be approximately 17 thousand people. If we assume that the proportion of inactive people in the population remains at around the same level (e.g. 25%), then by 2045, at an unemployment rate of 5%, the number of people employed in Saare County will

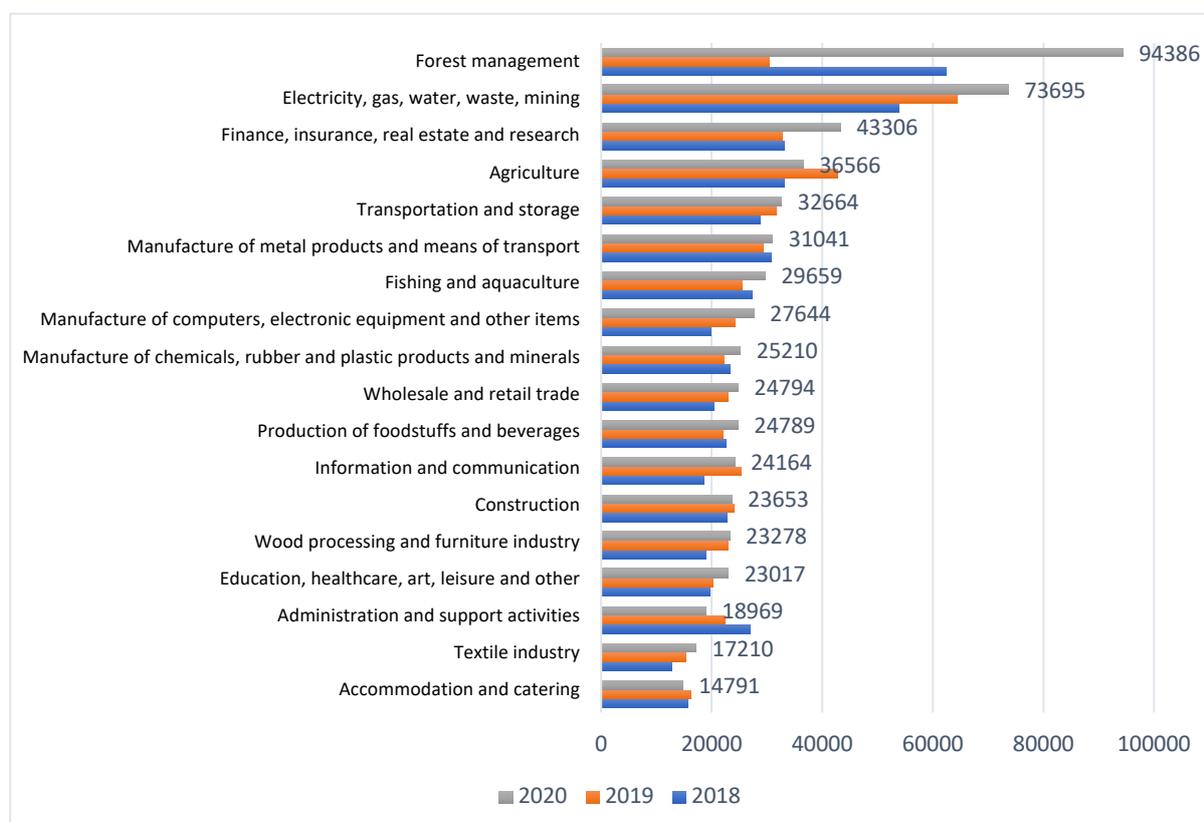
be 13,365. This is 4,000 people less than in 2020. That is the number of people not involved in adding value to the economy daily. If the population forecast is correct, it is all the more important that productivity per employee must significantly increase.

If the decline in the working-age population is known in advance, the country will be more focused on finding a balance in the supply and demand of the labour market, so that the number of employed people would be higher. Furthermore, businesses in the region need to critically review their business models, as much more needs to be achieved with less in the future. At the county level, one of the factors of productivity is the value added per employee, where the operating profit, labour costs and depreciation are added up and divided by the number of employees. Table 5 shows the added value and its change in the enterprises in Saare County, and Figure 8 shows the added value in the sectors per employee, separately. The management efficiency of the enterprises in Saare County is demonstrated by the fact that enterprises can create increasingly more added value per employee.

Table 5. Added value of Saaremaa enterprises, and its change during 2017–2020. Source: analysis of the data of the commercial register

	2016	2017	2018	2019	2020
Added value per employee	22 321	23 466	24 390	25 121	27 263
Growth compared to the previous year	-	5,1%	3,9%	3,0%	8,5%

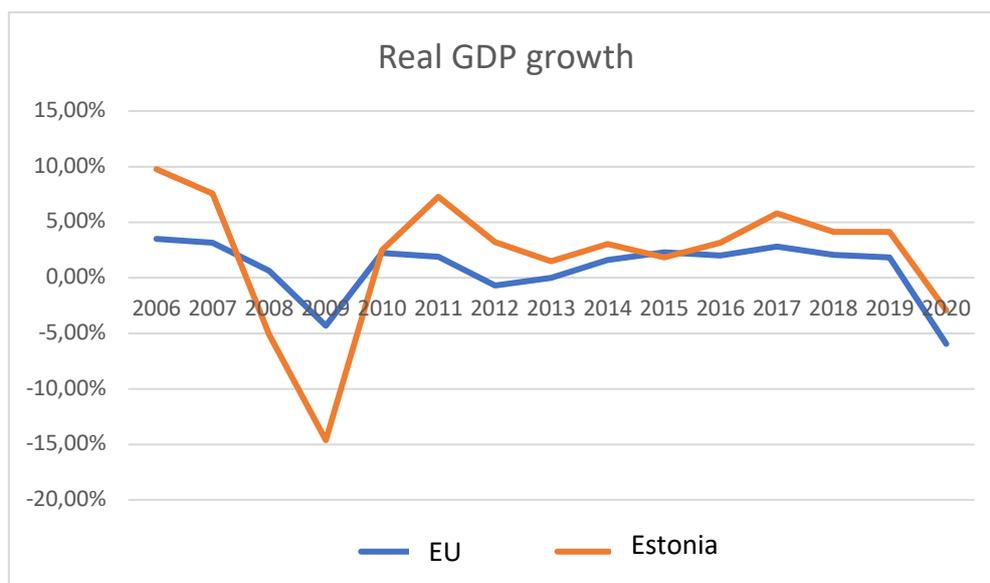
Figure 8. Added value per employee in different sectors of Saare County during 2016–2020. Source: analysis of the data of the commercial register



The Estonian Research and Development, Innovation and Entrepreneurship Strategy (RDIE) 2021–2035 establishes nominal labour productivity (economic added value per employee) as one of the major indicators of the economic state, and the reference base is the average result of EU-27. The base level was established in 2019 at 78.7%. The target level by 2035 will be 110% of the EU-27 average. In this light, Saare County has been moving in the right direction, since one of the regional measures of labour productivity is the added value that enterprises can create using the resources available. Table 5 shows that the added value has been growing nicely, but the result for 2019 is still below the average of Estonia, which was around 28,000 per employee. As seen from the data of the commercial register, a strong step forward has been taken in 2020, but unfortunately, there is no nationwide reference base with other counties across 2020.

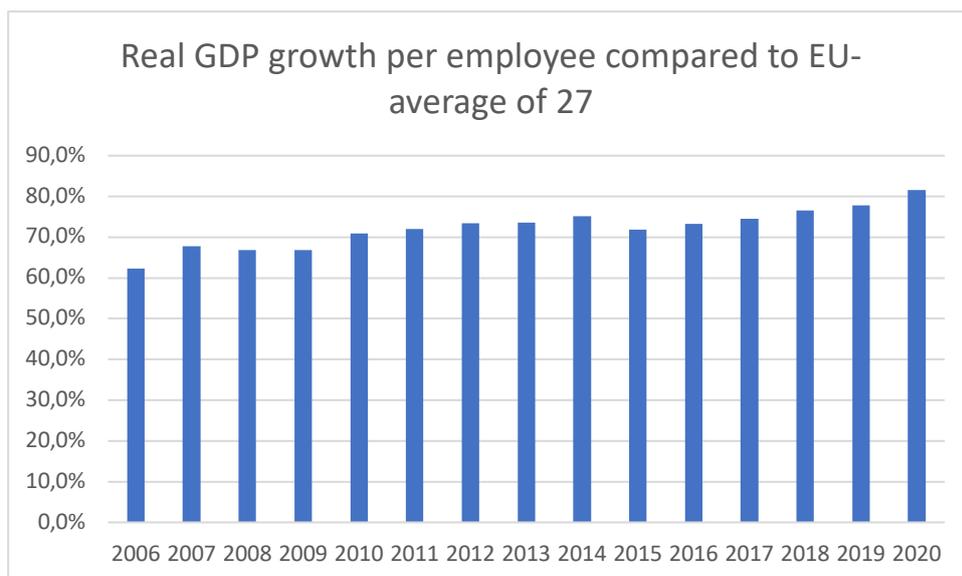
While labour productivity is considered to be one of the mirrors of an economy, compared to the EU-27, Estonia's growth from 2006 to 2020 has been 1.46% on average. To achieve the necessary 110% level by 2035, the annual increase from 2021 onwards should be 1.9%. If we compare Estonia's growth and the growth in the EU-27 over the last 14 years, Estonia is doing well. As compared to last year's result, the GDP has increased more than in the EU-27 in as many as 11 years. In addition, it is a good thing that compared to the 2008–2009 crisis and the 2019–2020 situation, Estonia's decline has been lower than that of the European Union.

Figure 9. Real GDP growth in Estonia and the EU-27. Source: Eurostat



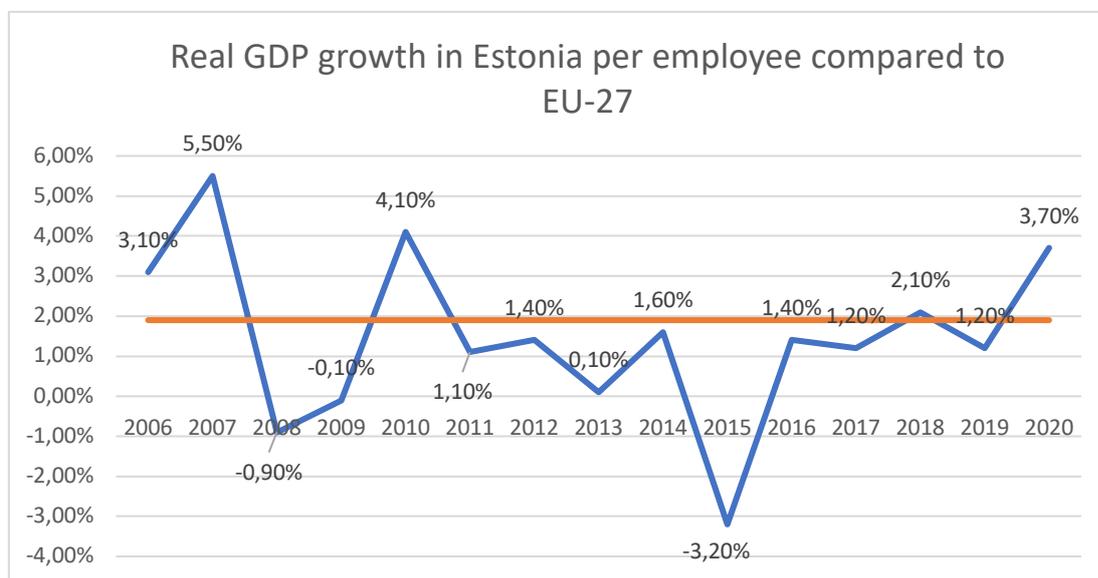
One of the important measures of productivity is GDP growth, but another is the employment rate, and the hours worked are also compared. The beautiful scene of real growth becomes somewhat sadder if Estonia's result is compared with the GDP per employee. It should be noted that the real growth per employee is improving steadily compared to the EU and had reached 81.5% by 2020.

Figure 10. Real GDP growth per employee. Source: Eurostat



On the other hand, the problem is that the change described above is not fast enough to meet the objective of the RDIE. The following figure shows the annual changes in real GDP growth per employee. In addition, the figure shows a horizontal trend line at 1.9%, which marks the ambitious target of the development plan of the RDIE – to achieve productivity of 110% of the EU average, with real GDP growth of 1.9% per employee necessary from 2021 onwards. As we can see, Estonia's result has been better than the goal that is set for the future, in only five years.

Figure 11. Real GDP growth per employee compared to EU-27. Source: analysis of the data of Eurostat

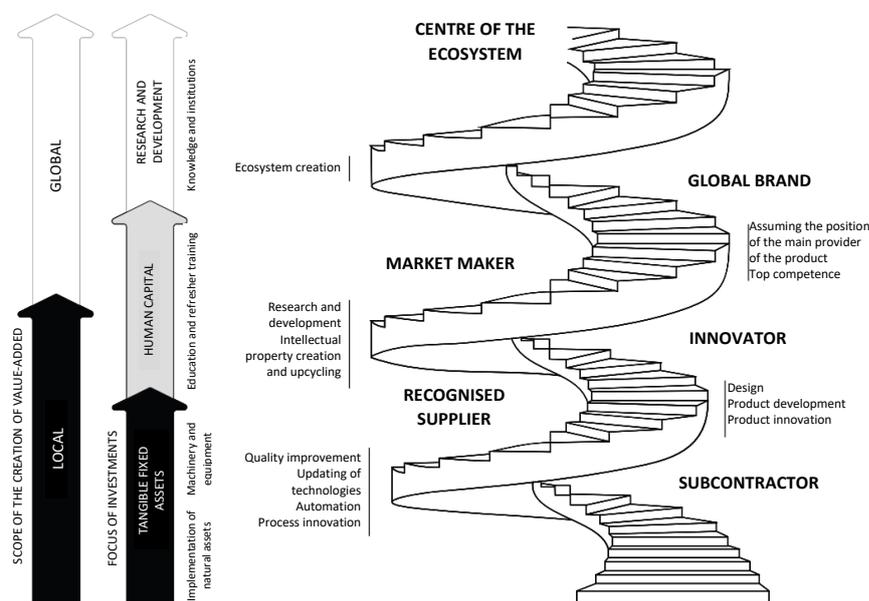


Estonia has set itself an ambitious goal of reaching 110% of the European Union average. The average growth of the country in the last 14 years has been 1.49%, and 1.14% in the past 7 years. This shows that growth has slowed down compared to the EU-27. If we want to achieve annual growth of 1.9%, the impact of the business development catalysts needs to be considered more carefully. Here, policymakers and all business support system participants have a lot of food for thought.

In 2018, the Foresight Centre drew up the report, Productivity Development Scenarios 2035. This report, too, focuses on productivity as one of the economic growth indicators of long-term importance. The report points out that Estonia's productivity has decreased, which means that the efficiency and sustainability of the use of resources leave something to be desired. The present analysis does not linger on the reasons for productivity, but the development model of the investments and value chain of enterprises (Figure 12) should be pointed out separately.

The lower level of the development model is characterised by low-added value local enterprises and sub-contractors that do not have a specific market advantage; they are not well-known internationally and are tied to end-users through long supply chains. In terms of the creation of added value, subcontractors are located at the lowest level, which indicates production activity of a local nature. The business model of subcontracting companies is mostly based on low prices supported by cost-efficient resources – cheap raw materials, labour force, land and buildings, etc., where productivity is mainly driven by capital-intensive investments in fixed assets. The change from being a sub-contractor operating based on a price advantage to becoming a “recognised supplier” presumes investments into the quality of the product or service (e.g. by complying with ISO standards), earning trust and recognition in the eyes of distributors and customers, the development of specific skills and knowledge and the development of a niche to achieve higher added value. The development strategy of recognised suppliers is supported by investments into the implementation of new technologies, quality development and development of corporate images. An example from Estonia is one of the biggest and most recognised exporters, the former Elcoteq, which focused on specific subcontracting from several multinational enterprises with a strong brand (Ericsson). The higher the enterprise’s position in the value chain, the more long-term and more diversified financing model the business model requires.<sup>6</sup>

Figure 12 Source: Männasoo et al (2018)

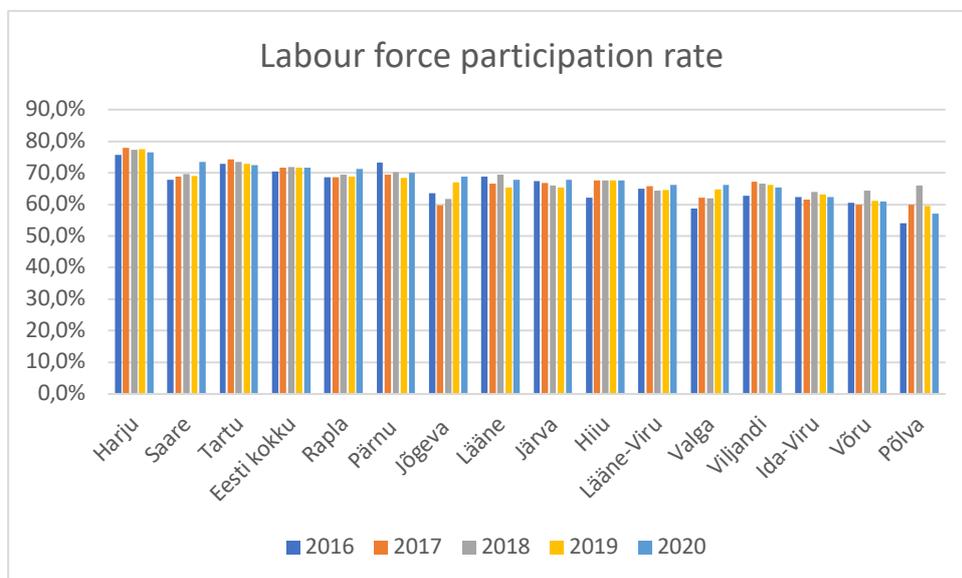


The labour force participation rate shows the proportion of the working-age population that is economically active, that is, either employed or unemployed, but looking for work. In Saare County,

<sup>6</sup> Productivity development scenarios 2035

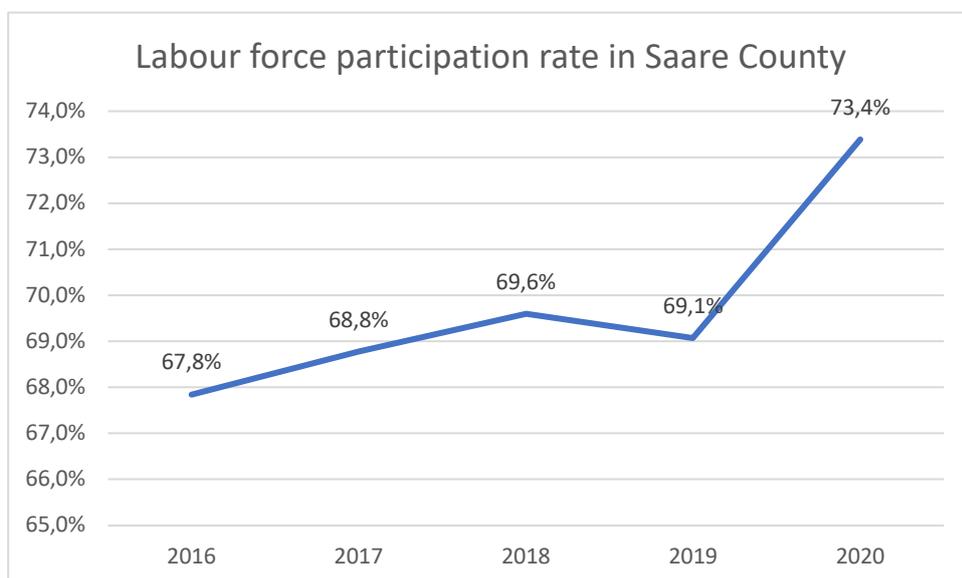
the labour force participation rate is one of the highest in Estonia. Figure 13 shows the counties according to the results of 2020, ranking them from left to right.

Figure 13. Labour force participation rate. Source: analysis of the data of Statistics Estonia



What is very important here is the change from 2016–2020 (Figure 14). The labour force participation rate has increased by 8.4%, which is very positive given the overall decline in population and the working-age population previously mentioned.

Figure 14. Labour force participation rate in Saare County. Source: analysis of the data of Statistics Estonia



### Education level of the workforce

The educational level of the workforce is a potentially important component in creating higher added value. The more complex products and services are offered, the smarter labour resources the businesses need. For the sake of clarity, education levels are explained in Table 6.

Table 6 Education level. Source: Handbook on Education Statistics 2021

Education levels according to ISCED-A <sup>7</sup>	
ISCED 0-2	<b>Primary education or lower</b>
ISCED 1	Basic education (6 classes of basic school) or lower
ISCED 2	Basic education (9 classes of basic school) or lower
ISCED 1-2	Vocational education not based on basic education, vocational education based on basic education
ISCED 3-4	<b>Secondary education, post-secondary and pre-tertiary education</b>
ISCED 3	General secondary education
ISCED 3	Vocational secondary education (including secondary or technical education) based on basic education
ISCED 4	Vocational secondary education based on secondary education
ISCED 5-8	<b>Tertiary education</b>
ISCED 5	Vocational secondary education based on secondary education
ISCED 6-8	Higher education, Master's degree and Doctoral level degree
ISCED 6	Bachelor's degree
ISCED 7-8	Master's study, Doctoral study

Statistics Estonia has issued data up to the year 2019 and in 2019, the situation in Saare County was as follows:

- Primary education or lower – 3,200 people
- Secondary level education – 9,600 people
- Tertiary education – 4,300 people

Table 7. Breakdown of education levels of the workforce in 2019 (thousands). Source: analysis of the data of Statistics Estonia

	Estonia	Harju	Hiiu	Ida-Viru	Jõgeva	Järva	Lääne	L-Viru	Põlva	Pärnu	Rapla	Saare	Tartu	Valga	Viljandi	Võru
Primary	66	22	1	6	2	3	1	5	2	7	3	3	6	2	3	2
Secondary	345	152	3	37	8	9	6	15	6	24	9	10	38	9	11	10
Tertiary	292	170	2	22	5	3	3	8	3	13	5	4	37	3	9	5

Estonia's figures for 2019 were as follows:

- Primary education or lower – 65,900 people
- Secondary level education – 344,600 people
- Tertiary education – 292,000 people

Between 2016 and 2019, Estonia's educational level changed from the primary towards the tertiary. As a whole, there are relatively fewer people with primary and secondary level education levels and more people with a tertiary level of education.

<sup>7</sup> Handbook on Education Statistics 2021

Table 8. Change in education levels in Estonia in 2016–2019. Source: analysis of the data of Statistics Estonia

Change in education levels in Estonia in 2016–2019

Primary level	-8,7%
Secondary level	-1,7%
Tertiary level	8,7%

The situation in Saare County is the opposite. The number of people with a primary or lower education level has increased and the number of people with a secondary and tertiary education level has decreased.

Table 9. Change in education levels of Saare County in 2016–2019. Source: analysis of the data of Statistics Estonia

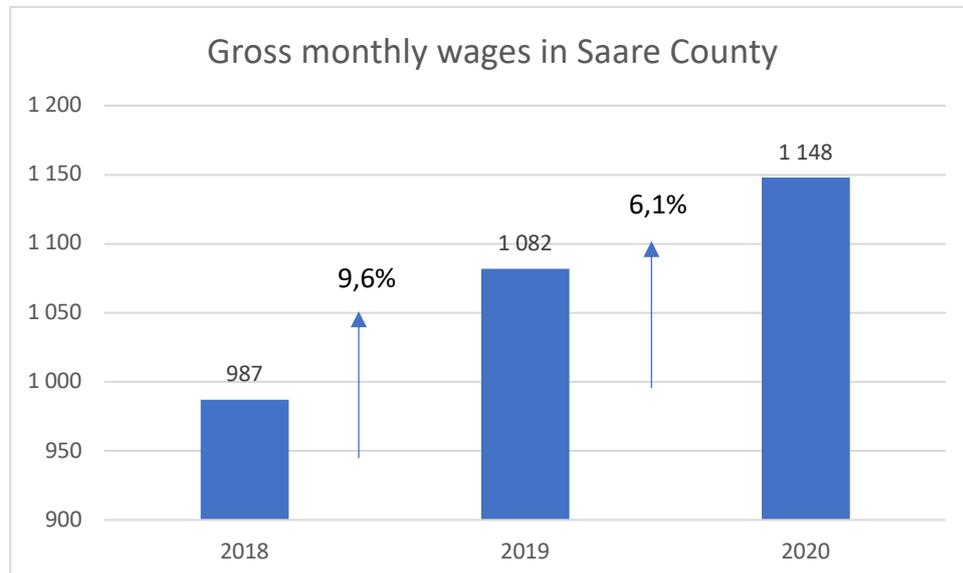
Change in education levels in Saare County in 2016–2019

Primary level	6,7%
Secondary level	-1,0%
Tertiary level	-6,5%

### Wages

According to Statistics Estonia, gross monthly wages in Estonia have increased by 10.5% in the period 2018–2020. By counties, Lääne County has witnessed the smallest increase in gross monthly wages (1.9%), and Põlva County the largest (22.5%). Saare County was one of the regions with the highest wage growth, where gross monthly wages increased by 16.3% – from 987 euros to 1,148 euros.

Figure 15. Gross monthly wages in Saare County, 2018–2020. Source: analysis of the data of Statistics Estonia



Expressed as a percentage, the growth has been strong, but the gap with the Estonian average, led by the Harju and Tartu Counties, is still large. The average monthly gross wages of Harju county in 2020 were 1,588 euros and in Tartu County, 1,447 euros. The remaining counties are relatively equal (1,100–1,199 euros).

Figure 16. Gross monthly wages in Estonia by counties 2018–2020. Source: analysis of the data of Statistics Estonia



### Connections

The uniqueness of Saare County compared to most counties in Estonia is undoubtedly the fact that it is an island and therefore, the smooth movement of goods and people is essential for the functioning of the economy. Saare County is connected to mainland Estonia through sea and air transport.

The largest providers of ferry transport are TS Laevad (praamid.ee, Virtsu-Kuivastu routes) and Saaremaa Laevakompanii (Tuule routes, Triigi-Sõru routes). The year 2020 was exceptional in the world as a whole due to the global pandemic, and this was also expressed quite pronouncedly in terms of vessel traffic. In the first half of the year, the government decided to impose a lockdown on the islands, which meant exceptionally low vessel traffic. It was important to maintain the movement of essential goods. While in the previous years the increase or decrease in passenger and vehicle volumes can be linked to success or failure, in 2020, it was directly due to the restrictions. Even after the lifting of the restrictions, both domestic and foreign tourists were hesitant to travel. The number of trips on the Virtsu-Kuivastu route decreased by 6.2% in 2020. The decreased number of trips resulted in a decrease of passenger transport by 20.6% and the number of vehicles decreased by 9.9%.

Table 10. Ferry connections 2018–2020. Source: Annual reports of TS Laevad OÜ

Ferry connections <sup>8</sup>			
	2018	2019	2020
<b>Number of trips</b>	20 876	21 010	20 118
Virtsu-Kuivastu	15 566	15 656	14 678
Rohuküla-Heltermaa	5 310	5 354	5 440
<b>Number of passengers</b>	2 301 000	2 396 000	1 976 000
Virtsu-Kuivastu	1 703 000	1 774 000	1 409 000
Rohuküla-Heltermaa	597 000	622 000	567 000
<b>Number of vehicles</b>	999 000	1 046 000	963 000
Virtsu-Kuivastu	735 000	769 000	693 000
Rohuküla-Heltermaa	263 000	277 000	270 000

<sup>8</sup> Annual reports of TS Laevad OÜ 2019 and 2020.

Compared to most counties in Estonia, Saare County is special because it has an airport. It is not only important to have an air connection, but to utilise it very actively. In 2020, there were 2,191 trips related to the Kuressaare Airport, carrying 16,856 people.

Table 11. Number of passengers by months 2018–2020. Source: Annual reports of TS Laevad OÜ

Number of passengers by months <sup>9</sup>				
	2018	2019	2020	% change 19 vs 20
January	1319	1459	1623	11,2%
February	1230	1395	1580	13,3%
March	1712	1915	696	-63,7%
April	1564	2014		-100,0%
May	1730	1701	573	-66,3%
June	1668	1807	1525	-15,6%
July	5048	4974	2287	-54,0%
August	1989	2301	2035	-11,6%
September	1535	1613	1465	-9,2%
October	1784	1781	1745	-2,0%
November	2174	1994	1646	-17,5%
December	1431	1663	1681	1,1%
Total	23184	24617	16856	-31,5%

The replacement of the earlier 18-seater aircraft with a larger 48-seater aircraft certainly contributed to this. In terms of air travel, only Tallinn Airport has higher nationwide absolute numbers to demonstrate. Of the regional airports (Kuressaare, Kärdla, Tartu, Ruhnu, Pärnu, and Kihnu), the Kuressaare Airport was the most successful (Figure 17). Passenger transport has increased by 26.9% since 2016. For understandable reasons, the number of passengers in 2020 was 31.5% lower, translating to 7,756 passengers less (Figure 18).<sup>10</sup>

<sup>9</sup> Kuressaare Airport 2020

<sup>10</sup> Annual report of Tallinn Airport for 2020.

Figure 17. Number of air passengers 2016–2020. Source: Tallinn Airport

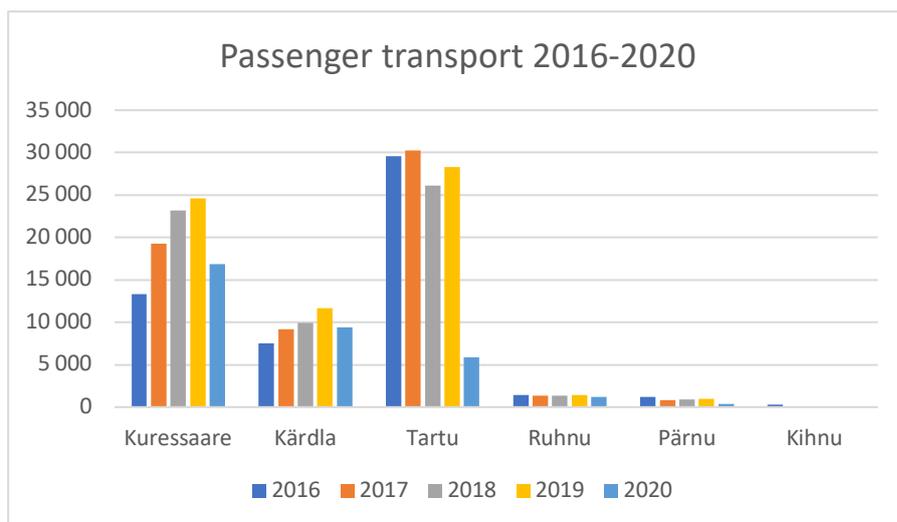
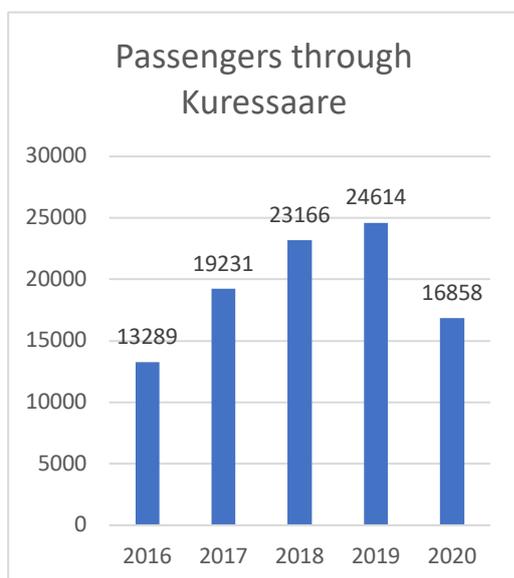


Figure 18. Number of passengers through Kuressaare Airport. Source: Tallinn Airport



Aircraft movements were carried out to an extent relatively similar to that of regional airports. What is important to know when interpreting the data is that instruction flights are also included in aircraft movements. This is why, for example, the number of passengers moving through Tartu Airport has completely dried up (-79.3%), but the number of aircraft movements is still high (4,206 flights, Figure 19). In 2020, the Kuressaare Airport serviced 18.7% fewer flights, which in numbers means 505 units less (Figure 20).<sup>11</sup>

<sup>11</sup> Annual report of Tallinn Airport for 2020.

Figure 19. Number of aircraft movements. Source: Tallinn Airport

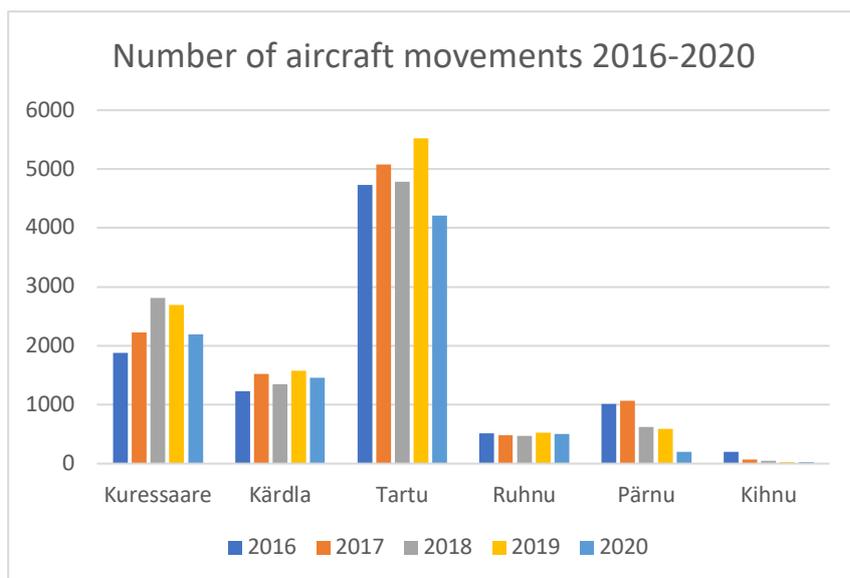
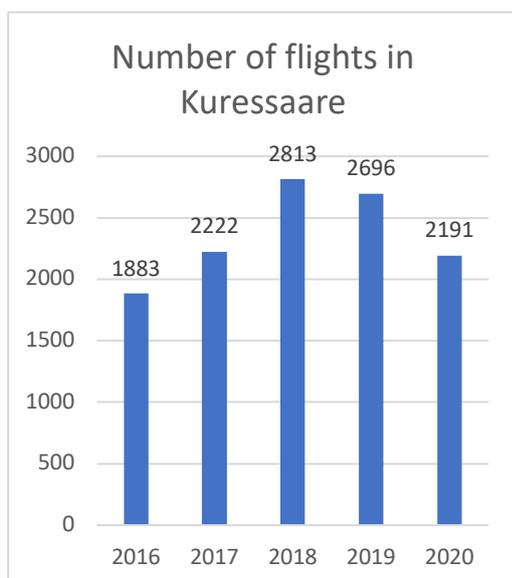


Figure 20. Number of aircraft movements in Kuressaare. Source: Tallinn Airport



## The Estonian economy and the structure and general indicators of the county's business environment

### Estonian economy

The year 2020 will certainly go down in history as a year of extraordinary events. A rare and unexpected high-impact event occurred – the Covid-19 pandemic – which was not anticipated or was considered very unlikely to occur. As enterprises had rather conservative prospects for the future and the liquidity was low, the planned major investment decisions were postponed. To halt the economic downturn caused by the coronavirus pandemic, one of history's biggest operations to rescue the economy was launched, and successfully at that. Enterprises were supported by both monetary and fiscal policies, which ensured stable funding conditions and sufficient liquidity. Eesti Pank<sup>12</sup> points out that the economy in the euro area suffered a total of 15.4% decline in the first half of 2020. At the beginning of the second half of the year, due to a reduction in infection rates and with thanks to support measures, it was possible to continue normal activities. The continuation of business activities and the application of various support measures boosted the economy and even though the restrictions became more severe in the fourth quarter, the decline in the euro area in 2020 was only -6.8%. The US economy fell by -3.5% and the Chinese economy grew by 2.3%. The GDP of the world economy decreased by -3.4%<sup>13</sup>.

Estonia was also affected by the coronavirus crisis and its impact. According to the forecasts made in the first half of the year, the outlook for enterprises was rather negative and an economic downturn of up to 10% was talked about. This was a completely new situation and there was a lot of uncertainty involved. Fortunately, the spread of the virus was controlled at the beginning of the second half of the year and support measures were opened for enterprises (e.g. remuneration of wages by the Unemployment Insurance Fund, measures of the Rural Development Foundation, KredEx measures, etc.) whose activities were most affected by the restrictions imposed to help prevent the virus from spreading. As the annual total, the real GDP growth in Estonia decreased by only 2.9%, which is a very good result compared to other European countries. For example, Latvia's economy declined by 3.6%, Finland by 2.8%, France by 8.1%, Germany by 4.9% and Spain by 10.8%. As a whole, the Estonian economy declined by double the European average<sup>14</sup>. Of course, the crisis did not affect all sectors equally and there were areas where the turnover of enterprises exceeded pre-crisis levels, such as in the information and communication, construction, and processing industries. There were also those whose economic performance was weaker for perfectly understandable reasons, such as in accommodation and catering, tourism services and passenger transport, and entertainment and leisure.

Gross domestic product at current prices fell by 3.2% and amounted to 26.8 billion euros in 2020. Compared to 2019, GDP at current prices decreased by 898 million euros. The GDP at the current prices of Saare County decreased by 5.2% and the GDP decreased by 21 million euros. The volume index of industrial production in Estonia (seasonally and working-day adjusted) decreased by 5.9% and the investments of enterprises in tangible fixed assets decreased by 346 million euros or 10.96% compared to 2019. The processing industry was the one to hold back investments the most, with the investment volume decreasing by 18.13 or 10 million euros. The second major area was transportation and storage, where investments in fixed assets decreased by 104 million euros,

<sup>12</sup> Eesti Pank annual report 2020

<sup>13</sup> World Bank - <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

<sup>14</sup> Economic survey 2020 by the Ministry of Economic Affairs and Communications

meaning 26.68% fewer investments than in 2019. There were also sectors that increased their investments in fixed assets. Investment volumes increased the most in agriculture, forestry and fishing, by 39 million euros or 12.11%, and water supply; sewerage, waste management and pollution management, by 30 million euros or 47.68%, compared to 2019. As mentioned above, the low volume of investments was linked, above all, to the high uncertainty regarding the near future.

Retail sales of retail companies increased by 62.7 million in Estonia. Although shopping centres were closed, the companies reacted very quickly to the changes and opened up online shops and home delivery options. The consumer price index declined by 0.4%, which was one of the largest declines in the euro area. The fall in prices was caused by the temporary measures imposed by local governments and by a reduction in the excise duties on fuel, gas and electricity. The prices of services were put under pressure by tourism-related activities, which ended up in a more complicated situation during the crisis. For the year as a whole, accommodation, flight and ferry tickets fell in prices to a greater extent, with a price drop of 10% to 15%. At the same time, the average monthly gross wages and salaries increased from 1,407 euros to 1,448 euros. Consumer goods and services at somewhat cheaper prices, as well as the growth of average wages probably had a positive impact on the results of retail companies. This is very well illustrated by the 30.3% increase in the operating profit of the wholesale and retail companies of Saare County compared to 2019. Wholesale and retail trade is by far the largest business sector in Saare County, overtaking the other sectors by almost double.

The volumes of the construction sector decreased in 2020, but the result was not as dramatic as expected at the beginning of the pandemic. To alleviate the crisis, the government targeted 100 million euros through KredEx into measures for the reconstruction of housing. According to Statistics Estonia, the construction volume index decreased by 11.2% in Estonia and abroad and the sales revenue decreased by 4.9% compared to 2019. The construction price index decreased by 0.4% due to the decreased construction volume. In the construction sector, the value added per employee was 21,400 euros. The results of the construction sector of Saare County did not differ significantly from the average figures of Estonia.

In 2020, agricultural production decreased by only 2.3% compared to 2019. Crop production decreased by 8% while milk production and livestock production dropped by 2.3% and 1%, respectively. The most striking in the annual agricultural statistics is the decrease in net value added by 32.5% or 44 million euros, and the decrease in the undertaking's income by 14.7% or 17.8 million euros. In Saare County, agriculture is a sector where the value added per employee has steadily been the highest, although it decreased significantly in 2020 (-14.4%). The relative importance of the area of activity in the economy of Saare County is bigger than the average in Estonia, and this position is stable. In 2020, investments in the sector increased and profitability decreased, so the resulting pressure on (and slight reduction in) wages is understandable.

Tourism and accommodation were one of the most negatively impacted of sectors of 2020. Due to cross-border mobility restrictions, the Estonian economy lost 1.3 billion euros in tourism income. The number of tourists accommodated decreased by 52%. Passenger transport decreased from 221.9 million passengers to 144.9 million passengers, which is 22% less than in 2019. Similarly, the purchase of travel services by non-residents has decreased, as well as the number of accommodated foreign tourists, where both sectors lost 70% of their 2019 result, compared to only 4% in the 2009

economic crisis<sup>15</sup>. Since foreign tourists are prevailing in Estonia and Saaremaa, the coronavirus crisis affected the housing and catering sector most severely. Net turnover and added value fell by about a third and the overall situation was the same in Iwerestonia. Several support measures were set up by the state for the sector's enterprises, but were not sufficient to prevent a sudden fall. In Saare County, enterprises in the accommodation and catering sector were forced to give up nearly a quarter of their workforce, but the loss could not be avoided at the end of the year, regardless. Fortunately, the lack of foreign tourists was compensated for by the somewhat more active domestic tourism, but the results for the year were still poor.

The processing industry is one of the biggest employers in Estonia, with one in five people employed in the processing industry. This figure is among the highest of the EU countries. The processing industry is highly dependent on foreign markets, and the beginning of the pandemic was rather difficult for enterprises. Our main export markets are Finland and Sweden, and well-functioning trade with these countries is of crucial importance for the sector and the Estonian economy as a whole. Finland, Germany and Sweden are the main export destination countries for the manufacturing industry of Saare County.

The volume of industrial production has mostly decreased across all sectors. Repair and installation of machinery and equipment decreased the most (25.5%), followed by the production of leather goods (24.8%), production of fuel oils (22.7%) and manufacture of other means of transport (20.8%). The production of chemicals and chemical products underwent an exponential increase, which is a very good sign, given the coronavirus crisis. Many enterprises were able to respond quickly to the new situation and meet the increased demand for certain products. In addition to chemical products, the production of paper and paper products yielded a good result, increasing the production volume by 7.1%, and the production of timber and timber products increased by 5.1%. The Estonian processing industry is quite human-capital-intensive and the ever-increasing wages force enterprises to increase their productivity to maintain competitiveness. This is done through investments in fixed assets, processes, research and development and people.<sup>16</sup>

The processing industry sector with the highest turnover in Saare County is the production of foodstuffs and beverages. The net turnover of the enterprises in the sector in the period of 2017–2019 has exceeded 100 million euros, but has been in a slight decline in recent years. The year 2020 was also difficult for the sector in Estonia as a whole because it was troubled by interruptions in supply chains and coronavirus breakouts within companies<sup>17</sup>.

In 2020, the downward trend in the sector's added value turned to growth in Saare County, mainly due to the substantial increase in operating profit. 2019 was a difficult year for enterprises in the sector in terms of profitability, as the three largest enterprises ended the year at a loss. The number of employees in the sector has remained stable and the average wages have been steadily increasing, but the growth rate is clearly below the average of the sectors. Investments in fixed assets have remained on a similar level year after year and no significant increases or decreases have occurred.

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<sup>15</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

<sup>16</sup> The sectoral overview has been prepared on the basis of the economic review 2020 by the Ministry of Economic Affairs and Communications, the Eesti Pank annual report for 2020 and the analysis of the data of the commercial register.

<sup>17</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

Export produced a very good result, where the result of 2020 decreased by only 0.6% compared to 2019.<sup>18</sup> The main export articles are communication equipment, oils and other coal tar products, refined petroleum products, prefabricated buildings and passenger cars.

Import decreased by 6% compared to 2019. The main import articles are refined petroleum products, passenger cars, communication equipment, packaged medicines and oils and other coal tar products.

The export volume of Saare County was still rather positive in light of Estonia's strong performance – in 2020, the export of the county's companies increased by 4.6% and the ratio of export to total turnover also improved. The share of export in the sales revenue of companies also underwent a slight decrease.

In 2020, Estonia exported goods and services to 184 countries and imported them from 143 countries<sup>19</sup>. In the same period, the companies of Saaremaa exported their products and services to 44 destination countries, which is one less than in 2019<sup>20</sup>. Similarly to Estonia as a whole, the export partners of the companies in Saare County are rather concentrated, with nearly 2/3 of the export volumes being made up of Finland, Germany and Sweden. While these three countries have been the main export destination countries for the county's companies year after year, the other export partners have been relatively volatile. Among these, distant countries such as Japan and China have found their place. In 2020, the fourth largest export market was Oman (for the first time), thanks to the company Baltic Workboats AS.

Estonia's main export destination countries are Finland (2.24 billion euros), Sweden (1.49 billion euros), Latvia (1.29 billion euros), the United States (1.12 billion euros) and Germany (900 million euros).

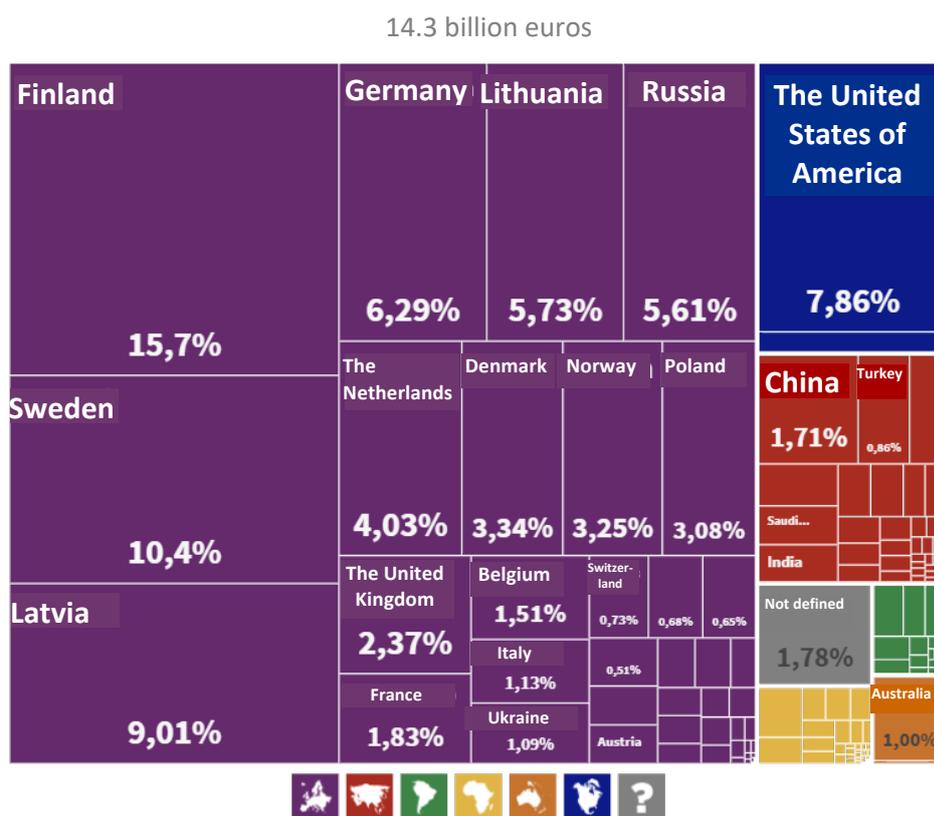
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<sup>18</sup> Eesti Pank annual report 2020

<sup>19</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

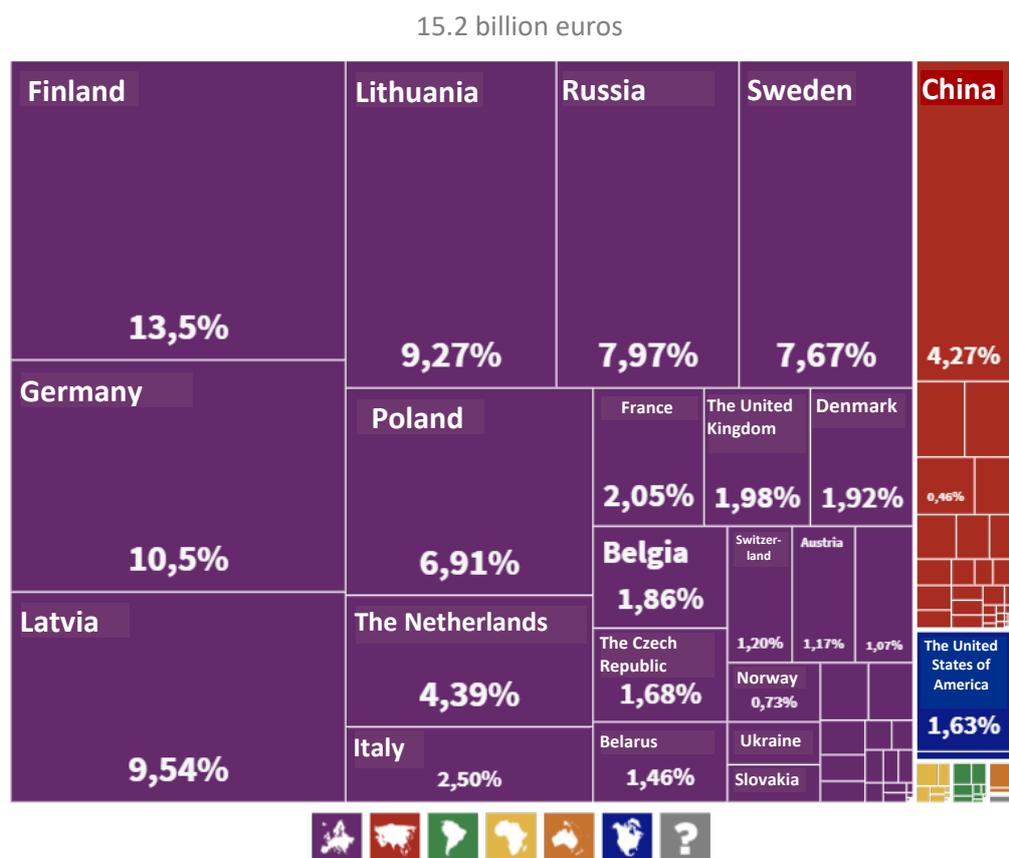
<sup>20</sup> Since in the annual reports, companies are not required to declare the names of the export destination countries (they can note down “other EU countries”), this number may be but may not necessarily have to be higher.

Figure 21. Export. Source: valiskaubandus.stat.ee



The decrease in imports was mainly influenced by the decrease in the import of means of transport, mineral products and machinery and equipment (including electrical equipment). Estonian production depends largely on imported production inputs, which is why export and import are generally moving in the same direction. Overall trade activity should recover or even increase in 2021, increasing both Estonia's export and import. Import will be increasing due to the increase in the import of production inputs, the acceleration of investment activity and the growth of domestic demand (Ministry of Economic Affairs and Communications). The main import origin countries are Finland (2.05 billion euros), Germany (1.59 billion euros), Latvia (1.45 billion euros), Lithuania (1.4 billion euros) and Russia (1.21 billion euros).

Figure 22. Import. Source: valiskaubandus.stat.ee



### General economic indicators

Table 12. General economic indicators. Source: analysis of the data of Statistics Estonia and the commercial register

General economic indicators of Estonia				General economic indicators of Saare County		
Year	2019	2020	% change	2019	2020	% change
GDP at current prices (million)	27 732	26 835	-3,2%	409	388	-5,2%
GDP per capita	20 901	20 184	-3,4%	12 353	11 712	-5,2%
Business turnover (million)	72 490	-	-	706	710	0,6%
Export (million)	14 382	14 286	-0,7%	190 157	198 909	4,6%
Average wages	1 407	1 448	2,9%	1 082	1 148	6,1%
Employment rate	68,4%	66,7%	-2,5%	65,5%	69,8%	6,6%
Total added value (million)	15 870	-	-	206	220	6,7%
Added value per employee		-	-	25 121	27 263	8,5%
Tertiary level education	292 000	-	-	4 300	-	-

## General indicators of the corporate sectors of Saare County

Similar to Estonia as a whole, the results of the corporate sectors of Saare County for 2020 were not under as much negative pressure as elsewhere in the world. The main reason for this is the strength and resilience of the main trading partners of the enterprises in the county – in Finland, Sweden and Germany, the GDP declined less than the average<sup>21</sup>.

Even though the total corporate turnover in Saare County remained stable, increasing by 0.6% compared to 2019, it is certainly not possible to call the year 2020 stable when looking at the different sectors in more detail. In 2020, the economy of Saare County was led by the processing industry, whose share in the added value of Saare County remained at a level more than double the rest of Estonia (33.4% vs 14.4%). Wholesale and retail trade continued to show a stable positive trend and grew considerably faster than the average for the third year in a row. The strong growth in wholesale and retail trade is certainly due to the rather mild domestic restrictions on economic activity and the movement of people. There was a strong year after the great drop in the manufacture of metal products and other means of transport in 2019. The timber and furniture industry continued in a stable growth trend and was also one of the sectors with the highest growth. In addition, information and communication and the textile industry showed significant growth, but their share in the county's economy is rather small. For understandable reasons, the year 2020 was a difficult one for the accommodation and catering sector which fell by nearly a third.

The dynamics of the turnover of the corporate sectors in Saare County in the past 5 years are shown in Table 13. The dynamics of the financial indicators of the corporate sectors are analysed in more detail in the following chapter, but here are some explanations for the sudden fluctuations:

- In 2016, there was a significant change in the sector when the company Saaremaa Laevakompanii, which had so far been organising the ferry connection, was replaced by the company TS Laevad OÜ, which is not registered in Saare County.
- In 2017–2018, the main area of activity of Reta Puit OÜ was forest management and in the remaining years, wholesale and retail trade, which explains the significant fluctuations in the indicators of both sectors.

Figure 23 shows that wholesale and retail trade accounted for 25% of the business turnover of Saare County, and this share keeps increasing. The largest sector in the processing industry – the production of foodstuffs and beverages – accounted for 14% of the total turnover, and the manufacture of metal products and means of transport accounted for 10%. Construction with a share of 11% in 2020 was between them. For understandable reasons, accommodation and catering took the biggest hit in 2020.

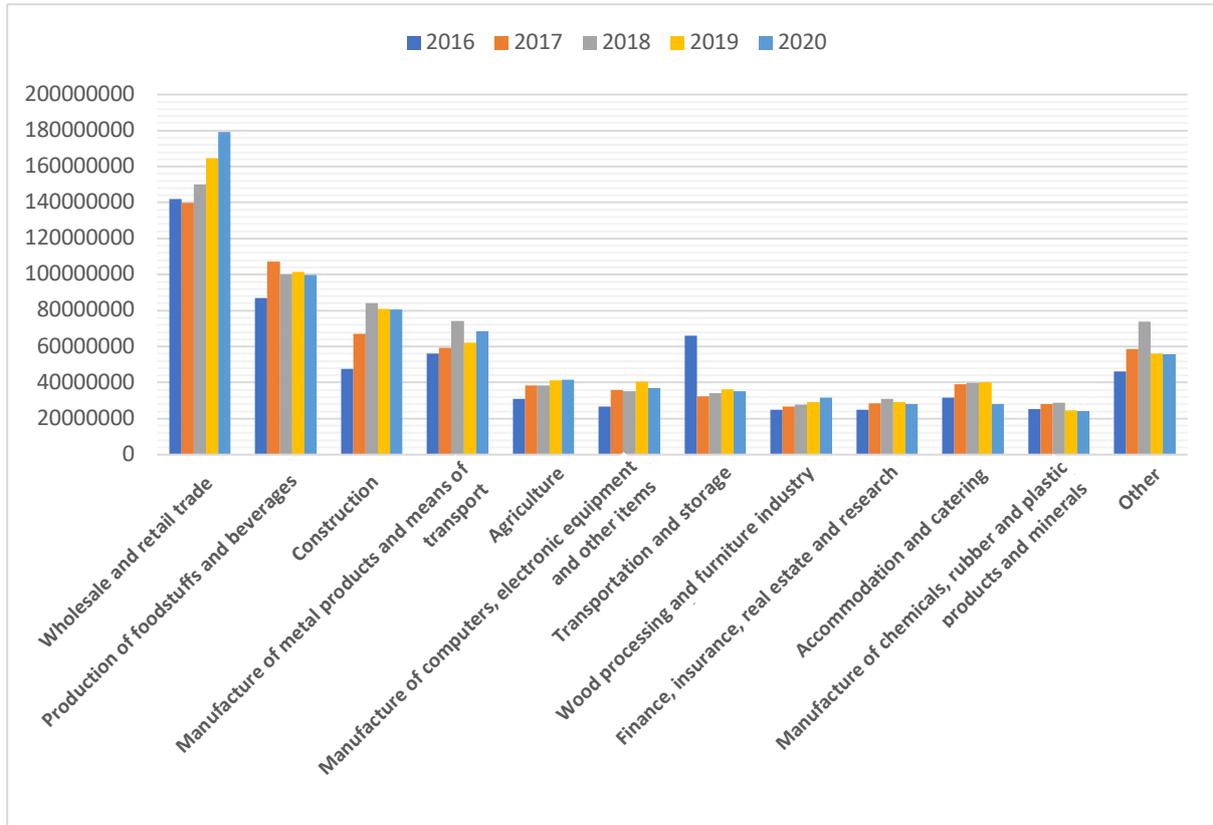
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<sup>21</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

Table 13. Sales revenue of Saaremaa companies in 2016–2020. Source: analysis of the data of the commercial register

Area	2016	2017	2018	2019	2020	Change 2019– 2018	Change 2020– 2019
Total amount	609 820 542	661 587 258	717 603 859	706 225 214	710 258 998	-1,5%	0,6%
Wholesale and retail trade	141 948 399	139 724 400	150 006 108	164 607 855	179 097 143	9,7%	8,8%
Production of foodstuffs and beverages	87 011 854	107 349 748	100 219 409	101 346 337	99 820 010	1,1%	-1,5%
Construction	47 675 385	67 010 867	84 000 048	80 795 479	80 468 420	-3,8%	-0,4%
Manufacture of metal products and means of transport	56 069 517	59 383 485	74 152 440	62 299 965	68 650 605	-16,0%	10,2%
Agriculture	31 003 186	38 495 033	38 561 048	41 147 960	41 575 132	6,7%	1,0%
Manufacture of computers, electronic equipment and other items	26 763 250	36 053 719	35 124 670	40 667 471	37 094 626	15,8%	-8,8%
Transportation and storage	66 084 368	32 423 935	34 025 657	36 134 216	35 293 596	6,2%	-2,3%
Wood processing and furniture industry	24 937 433	26 849 144	27 791 436	29 178 574	31 775 284	5,0%	8,9%
Finance, insurance, real estate and research	24 839 635	28 611 429	30 831 157	29 155 537	28 129 003	-5,4%	-3,5%
Accommodation and catering	31 813 753	38 960 703	39 972 556	40 295 464	28 102 412	0,8%	-30,3%
Manufacture of chemicals, rubber and plastic products and minerals	25 392 997	28 054 925	28 757 314	24 519 519	24 369 895	-14,7%	-0,6%
Education, healthcare, art, leisure and other	10 003 527	11 228 068	12 100 971	13 439 786	14 415 670	11,1%	7,3%
Electricity, gas, water, waste, mining	13 520 701	11 064 522	11 300 321	11 932 647	12 120 277	5,6%	1,6%
Administration and support activities	6 829 826	8 050 279	9 602 306	9 437 053	7 251 781	-1,7%	-23,2%
Information and communication	5 241 628	5 464 385	6 196 064	5 896 548	6 902 595	-4,8%	17,1%
Textile industry	3 898 347	4 013 280	4 210 265	5 386 703	6 286 298	27,9%	16,7%
Forest management	4 442 559	16 577 355	26 969 710	6 263 394	5 247 583	-76,8%	-16,2%
Fishing and aquaculture	2 344 177	2 271 981	3 400 405	3 720 706	3 585 037	9,4%	-3,6%
<b>TOTAL PROCESSING INDUSTRY</b>	<b>224 073 398</b>	<b>261 704 301</b>	<b>270 255 534</b>	<b>263 398 569</b>	<b>267 996 718</b>	<b>-2,5%</b>	<b>1,7%</b>
The share of the processing industry	36,74%	39,56%	37,68%	37,30%	37,74%		

Figure 23. The turnover of the main sectors of Saaremaa in 2020. Source: analysis of the data of the commercial register



## Number of people employed by enterprises in Saaremaa

Table 14 shows the number of people employed by various sectors of Saare County in 2016–2020. During this period, most sectors have undergone significant changes. The average largest increase in the number of employees was noted mainly in 2018–2019 and 2020, the growth slowed down or even began to decline.

Table 14. Number of people employed in different sectors in 2016–2020. Source: analysis of the data of the commercial register

Area of activity	2016	2017	2018	2019	2020	Change 2020–2016
Wholesale and retail trade	1 111	1 038	1 036	1 074	1 107	-0,4%
Construction	823	871	989	1011	998	21,3%
Accommodation and catering	882	1 047	1 040	1 019	785	-11,0%
Production of foodstuffs and beverages	811	789	735	748	750	-7,5%
Manufacture of metal products and means of transport	650	706	759	783	711	9,4%
Transportation and storage	705	500	506	502	522	-26%
Wood processing and furniture industry	402	431	431	425	457	13,7%
Finance, insurance, real estate and research	410	486	444	459	430	4,9%
Manufacture of chemicals, rubber and plastic products and minerals	480	497	499	438	397	-17,3%
Agriculture	365	372	390	372	392	7,4%
Education, healthcare, art, leisure and other	286	308	313	310	326	14,0%
Manufacture of computers, and electronic equipment and other items	268	302	305	325	316	17,9%
Textile industry	150	166	181	186	199	32,7%
Administration and support activities	169	183	191	189	195	15,4%
Information and communication	107	108	144	118	149	39,3%
Electricity, gas, water, waste, mining	165	111	111	109	114	-30,9%
Forest management	59	93	124	67	71	20,3%
Fishing and aquaculture	46	49	57	61	60	30,4%
<b>Total</b>	<b>7 889</b>	<b>8 075</b>	<b>8 255</b>	<b>8 196</b>	<b>7 979</b>	<b>1,1%</b>

The table below shows that in many corporate sectors in Saare County, average wages continued to grow at a fast pace in 2020. However, compared to previous years, the growth rate of wages in 2020 slowed down significantly and in several sectors, even a decline in average income was observed.

Table 15. Average wages in Saaremaa across sectors in 2016–2020. Source: analysis of the data of the commercial register

Area of activity	2016	2017	2018	2019	2020	Change 2020–2019
Electricity, gas, water, waste, mining	1109	1197	1243	1307	1448	10,8%
Manufacture of metal products and means of transport	1037	1144	1303	1287	1337	3,9%
Manufacture of chemicals, rubber and plastic products and minerals	959	1025	1105	1122	1173	4,5%
Production of foodstuffs and beverages	910	1027	1070	1131	1159	2,5%
Manufacture of computers, electronic equipment and other items	921	932	981	1082	1090	0,7%
Transportation and storage	1159	894	991	1113	1090	-2,1%
Construction	811	900	962	1065	1089	2,3%
Information and communication	942	1015	986	962	1086	12,9%
Agriculture	820	942	957	1046	1029	-1,6%
Wood processing and furniture industry	805	870	916	1030	1029	-0,1%
Finance, insurance, real estate and research	750	876	918	997	1020	2,3%
Wholesale and retail trade	770	820	875	949	994	4,7%
Education, healthcare, art, leisure and other	784	739	799	882	950	7,7%
Fishing and aquaculture	681	743	805	839	886	5,6%
Accommodation and catering	742	735	771	794	856	7,8%
Textile industry	627	680	652	793	826	4,2%
Administration and support activities	797	847	1124	935	793	-15,2%
Forest management	601	894	867	770	761	-1,2%

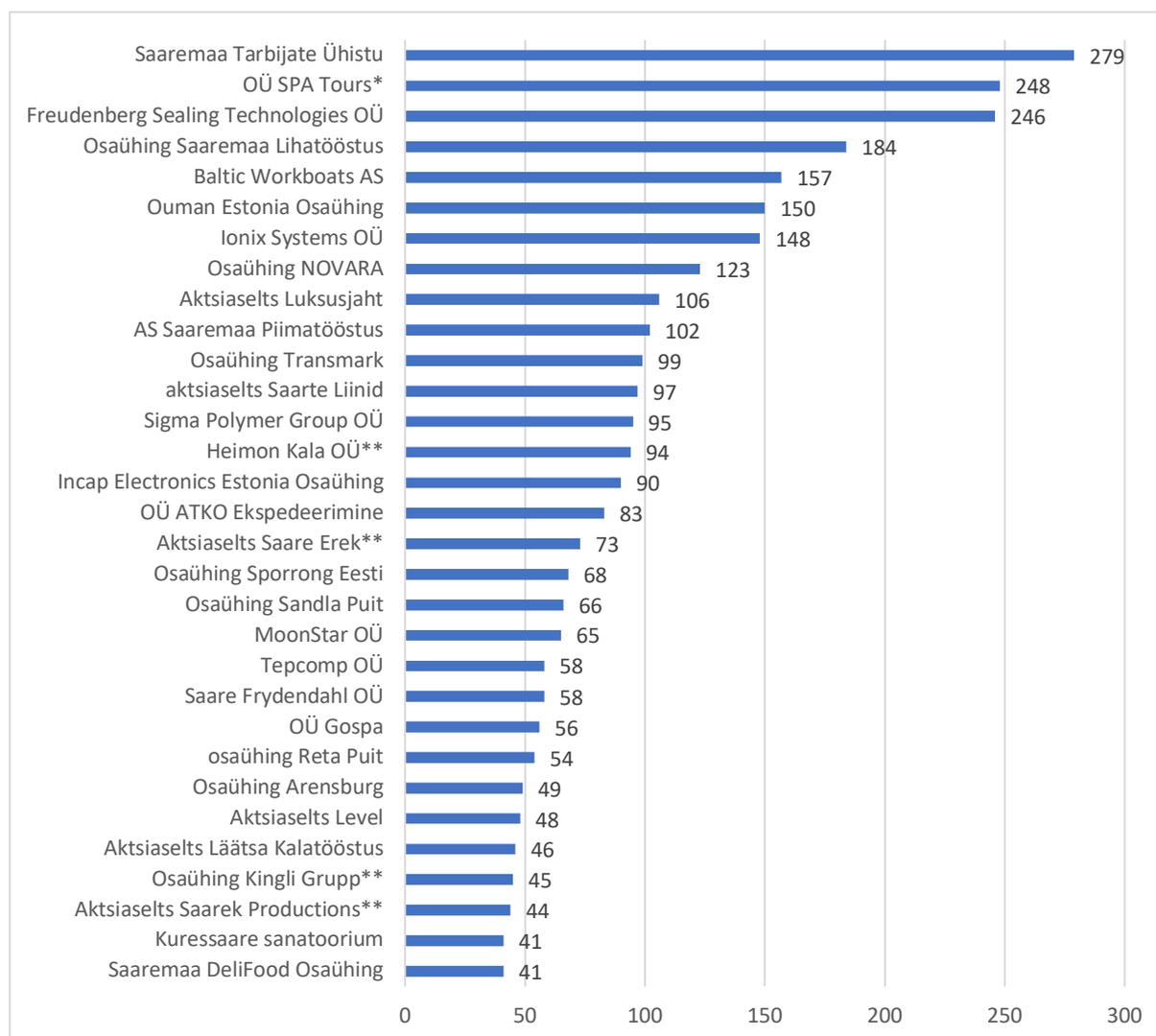
### Largest employers and enterprises with the largest turnover

The largest private sector employers in Saare County are shown in Figure 24. The enterprises with the largest number of employees are Saaremaa Tarbijate Ühistu (279), OÜ SPA Tours (248), Freudenberg Sealing Technologies OÜ (246), Osaühing Saaremaa Lihatoöstus (184) and Baltic Workboats AS (157). The number of employees in all the companies mentioned above has declined significantly since 2017–2018 and the number of employees at OÜ SPA Tours has decreased the most, by almost a third. Among the ten largest employers, the private limited company Osaühing NOVARA has shown stable growth in the period 2016–2020. The number of employees at AS Saaremaa Piimatööstus, Aktsiaselts Luksusjaht and Ouman Estonia Osaühing has remained stable during the same period.

In 2020, the 31 Saaremaa enterprises with the largest number of employees had a total of 3,113 employees, which is 39% of the total private sector employees. Compared to the period five years back, the data for 2020 showed a marked difference in the concentration of the workforce in large companies. At the same time, it is certainly not yet possible to call it a trend, as this decrease has been very much influenced by the "unique nature" of 2020 and the decrease in the workforce in the five largest enterprises in Saare County.

According to the analysis of the annual reports, there were 3,383 enterprises in Saare County in 2020. There was 1 large enterprise (over 250 employees), 23 medium-sized enterprises (50–249 employees), 119 small enterprises (10–49 employees) and 1,380 micro enterprises (1–9 employees). The rest of the enterprises did not have any employees.

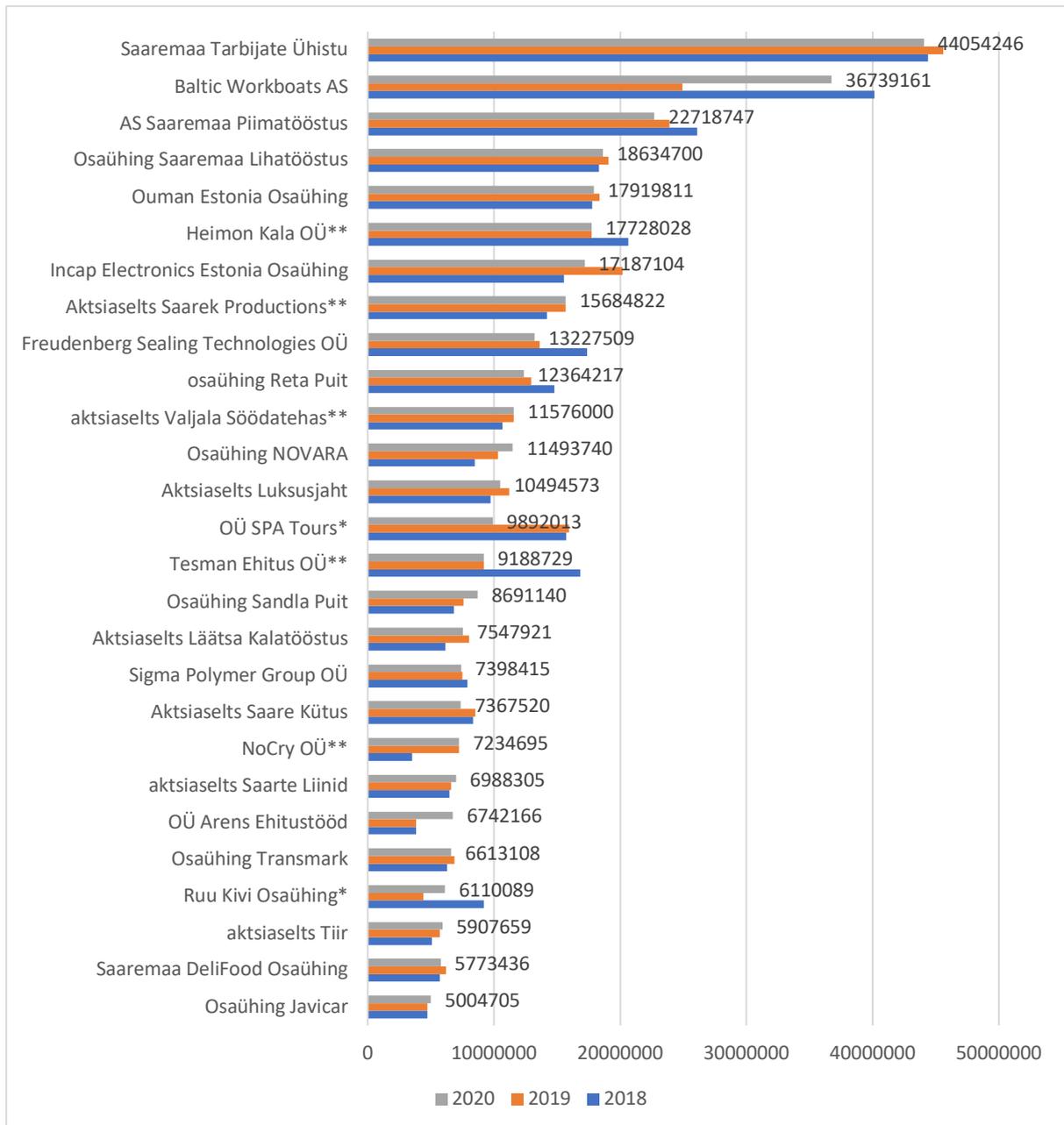
Figure 24. Largest enterprises in Saaremaa according to number of employees in 2020. \* The principal place of business of the enterprises marked is outside Saare County. \*\* Information on the enterprises marked is derived from the economic results for 2019 as no report for the last period is available. Source: analysis of the data of the commercial register.



In 2020, there were 27 enterprises in Saare County with a turnover of more than 5 million euros. Figure 25 shows the turnover of these enterprises between 2018 and 2020. In 2020, Saaremaa Tarbijate Ühistu continued to be the enterprise with the largest turnover in Saare County, with a turnover of 44 million euros. The next largest is Baltic Workboats AS, whose turnover recovered from the great fall in 2019 and again amounted to more than 36 million euros in 2020. The enterprises ranking next with their turnover in 2020 were AS Saaremaa Piimatööstus, OÜ Saaremaa Lihatoöstus and Ouman Estonia Osaühing, whose turnovers have remained stable.

In 2020, the enterprises shown in Figure 25 accounted for 49.3% of the total turnover of the county's business, and the 10 largest accounted for 10% of the total turnover.

Figure 25. Largest enterprises in Saaremaa according to sales revenue in 2020. \* The principal place of business of the enterprises marked is outside Saare County. \*\* Information on the enterprises marked is derived from the economic results for 2019 as no report for the last period is available. Source: analysis of the data of the commercial register.



## The added value of the economic sectors of Saare County

The added value of most of the corporate sectors of Saare County increased in 2020. The biggest source of added value in Saare County over the past years has been the wholesale and retail trade sector, whose growth has been driven mainly by the increase in operating profit and, to a lesser extent, the increase in labour costs. Finance, insurance, real estate and research, and the production of foodstuffs and beverages were among the largest sectors in 2020. The added value created in Saare County is very evenly distributed across the sectors, characterising the broad nature of the economy.

Table 16. Value added<sup>22</sup> in Saaremaa across different sectors in 2018–2020. Source: analysis of the data of the commercial register

Field	2018	2019	2020	Change 2020–2019
Wholesale and retail trade	21196238	24627815	27446961	11,4%
Construction	22509864	24207316	23605452	-2,5%
Manufacture of metal products and means of transport	23347540	23029890	22070401	-4,2%
Finance, insurance, real estate and research	14701924	15004918	18621659	24,1%
Production of foodstuffs and beverages	1657672	16478196	18591854	12,8%
Transportation and storage	14560233	15644742	17050708	9,0%
Agriculture	12945311	15909588	16197794	1,8%
Accommodation and catering	16291525	16631021	11610835	-30,2%
Wood processing and furniture industry	8165075	9783350	10638046	8,7%
Manufacture of chemicals, rubber and plastic products and minerals	11670293	9728573	10008226	2,9%
Manufacture of computers, electronic equipment and other items	6035548	7846415	8735471	11,3%
Electricity, gas, water, waste, mining	5978845	7018106	8401186	19,7%
Education, healthcare, art, leisure and other	6145329	6275959	7503653	19,6%
Forest management	7742899	2042690	6701410	228,1%
Administration and support activities	5132987	4233814	3698929	-12,6%
Information and communication	2677657	2992197	3600444	20,3%
Textile industry	2312194	2862033	3424853	19,7%
Fishing and aquaculture	1558746	1559320	1779539	14,1%
<b>Total</b>	<b>184 629 880</b>	<b>205 875 943</b>	<b>219 687 421</b>	<b>6,7%</b>

In Saare County, labour costs accounted for 61.6% of the gross added value in 2020, which is a high rate compared to the rest of Estonia, but its relative importance has decreased compared to 2019.

<sup>22</sup> In this analysis, the following formula has been used to calculate the added value: Added value = operating profit + labour costs + depreciation of fixed assets.

This is mainly due to the growth of operating profit, the relative importance of which increased from 17.6% in 2019 to 20.7% in 2020.

Figure 26 shows that the share of labour costs is the highest in accommodation and catering, the textile industry, the production of foodstuffs and beverages, and construction. The operating profit of the sectors of accommodation and catering and the production of foodstuffs and beverages is also very low compared to labour costs, which in the medium to long term gives cause for concern. Entrepreneurship is primarily aimed at generating profits, the lack of which can be accepted in the short term, but not in the long term. The production of foodstuffs and beverages managed to increase the operating profit significantly in 2020 compared to the previous year, which is a positive sign.

Figure 27 shows the added value per employee of the sectors of Saare County in 2020, and according to this figure, accommodation and catering as an area of activity for which last year was indeed exceptionally difficult, ranked last again. The good result of the forest management sector is due to the exceptionally high operating profit of one enterprise as a result of the sale of real estate. The development and dynamics of added value are more specifically described in the following chapter, which analyses the different sectors in more detail.

Figure 26. Share of the components of the value added across sectors in 2020. Source: analysis of the data of the commercial register

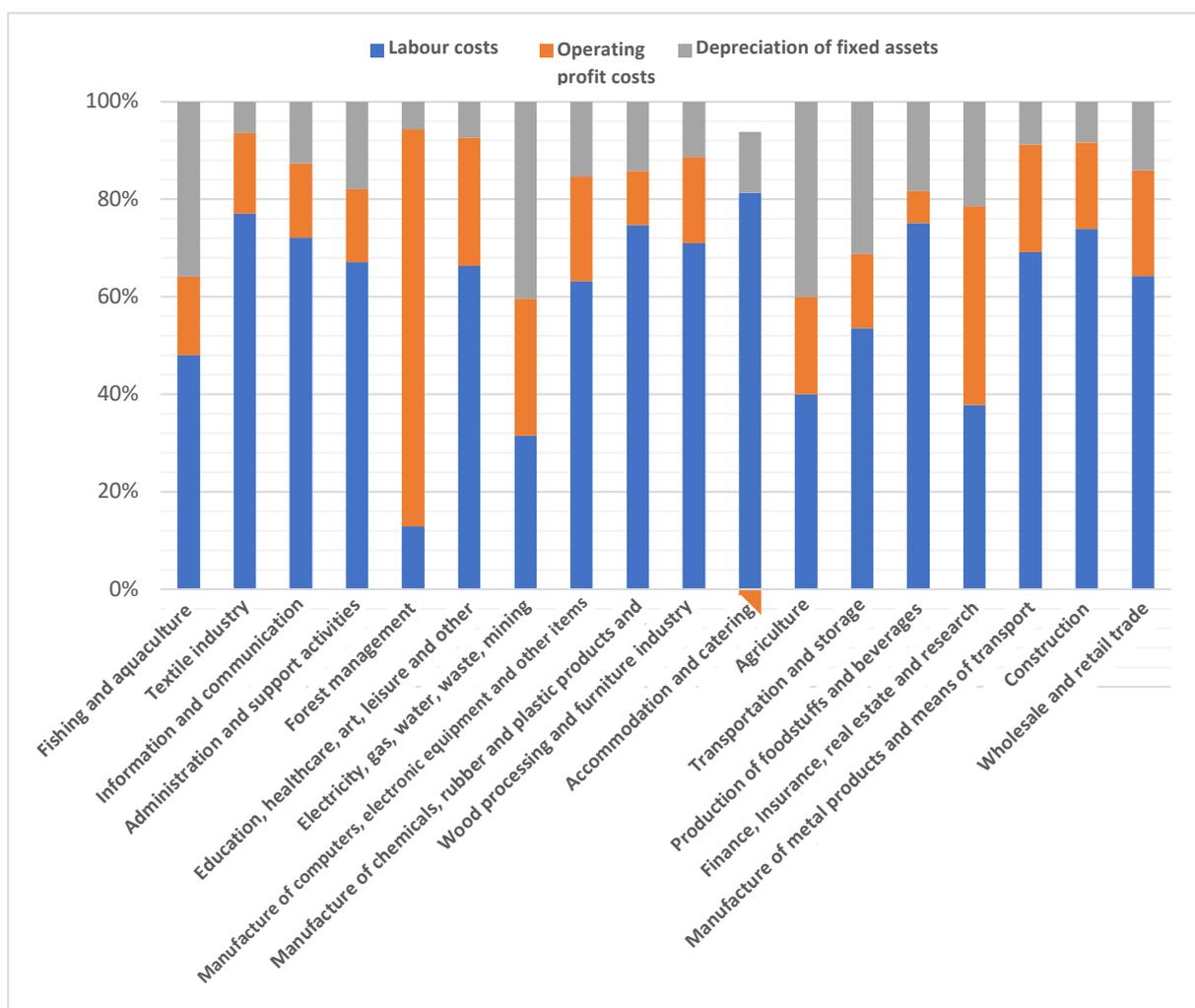


Figure 27. Added value per employee in different sectors in Saaremaa 2016–2020. Source: analysis of the data of the commercial register

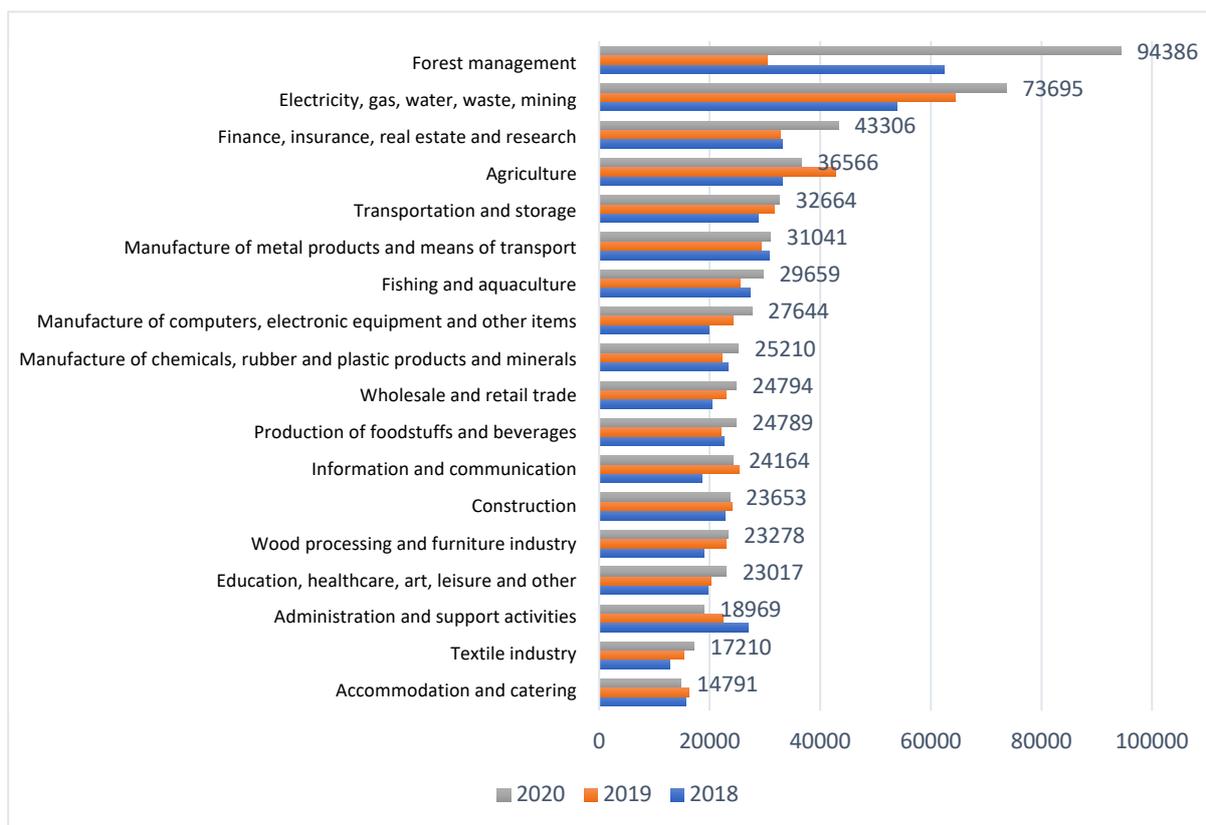


Table 17. Added value of Saaremaa enterprises, and its change 2017–2020. Source: analysis of the data of the commercial register

	2016	2017	2018	2019	2020
Added value per employee	22 321	23 466	24 390	25 121	27 263
Growth compared to the previous year	-	5,1%	3,9%	3,0%	8,5%

## Overview of the economic sectors

This chapter gives a more detailed overview of the different economic sectors of Saare County. First, the largest sectors in the processing industry will be examined, followed by all other major sectors according to their net turnover.

### Production of foodstuffs and beverages

The production of foodstuffs and beverages is the largest processing industry sector in Saare County. The net turnover of the enterprises in the sector in the period of 2017–2019 has exceeded 100 million euros, but has been in a slight decline in recent years. The year 2020 was also difficult for the sector in Estonia as a whole because it was troubled by interruptions in supply chains and coronavirus breakouts within enterprises<sup>23</sup>.

In 2020, the downward trend in the sector's added value turned to growth in Saare County, mainly due to the substantial increase in operating profit. 2019 was a difficult year for the enterprises in the sector in terms of profitability, as the three largest enterprises ended the year at a loss. The number of employees in the sector has been stable and the average wages have been steadily increasing, but the growth rate is clearly below the average of the sectors. Investments in fixed assets have remained on a similar level year after year and no significant increases or decreases have occurred.

Table 18. General indicators of the foodstuffs production sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	87 012	107 350	100 219	101 346	99 820	-1,5%
Added value (EUR thousand)	16 667	21 041	16 577	16 478	18 592	12,8%
Added value per employee (EUR)	20 551	26 667	22 553	22 030	24 789	12,5%
Number of employees	811	789	735	748	750	3,1%
Average wages	910	1 027	1 070	1 131	1 159	2,5%

The largest enterprises in the sector are shown in the table below. It is difficult to conclude the developments in this sector as the information on the largest enterprises (Heimon Kala OÜ, Aktsiaselts Aarek Productions and Aktsiaselts Läätsa Kalatööstus) was not available for 2020 at the time of preparing the analysis. For the analysis, the information from 2019 regarding these enterprises has been used.

Table 19. Largest enterprises in the foodstuffs production sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
AS Saaremaa Piimatööstus	22 718 747	7 400 845	102	28 649
Osaühing Saaremaa Lihetööstus	18 634 700	121 154	184	25 756
Heimon Kala OÜ	17 728 028	12 072 867	94	16 467

<sup>23</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

Aktsiaselts Saarek Productions	15 684 822	14 380 157	44	55 090
Aktsiaselts Läätsa Kalatööstus	7 547 921	5 601 886	46	31 803

### Manufacture of metal products and means of transport

Saare County is probably best known for the sector of manufacturing of metal products and means of transport, especially the shipbuilding sector, which accounts for most of the sector's net turnover in Saaremaa. From 2016 to 2020, the sector peaked in 2018, when the sales turnover exceeded 74 million euros and the number of employees neared 800. The drop in 2019 was relatively steep, but last year, the sector recovered and is moving again in an upwards trend. The trend of the sector in Estonia as a whole was rather negative – production volumes and investments decreased and orders were low<sup>24</sup>. In this context, the results of the enterprises in Saare County are a positive exception. The demand for recreational craft in Estonia and on a global scale was positively affected by the coronavirus pandemic. In particular, sales volumes increased with regard to hunting, boats and canoes<sup>25</sup>, as people had the time and money and were looking for something to do in a situation where everything was closed.

The sector's output is almost entirely exported, which is why the sector is highly dependent on external demand.

The volume of investments in the sector has been steadily growing and profitability is high, which are signs of the sector's good and sustainable position. The wage level in the sector is the highest in the processing industry and comes second only after the sector which has five times fewer employees – electricity, gas, water, waste and mining.

The development of recreational craft building enterprises is supported by the Small Craft Competence Centre located in Kuressaare, where applied research is carried out, product development projects are implemented and specialist information about the maritime industry is collected. In addition, the TalTech College in Kuressaare offers tertiary-level vocational education for the preparation of the necessary workforce for the sector.

*Table 20. General indicators of the metal product and means of transport manufacture sector in Saaremaa. Source: analysis of the data of the commercial register*

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	56 070	59 383	74 152	62 300	68 651	10,2%
Added value (EUR thousand)	18 661	18 776	23 348	23 030	22 070	-4,2%
Added value per employee (EUR)	28 709	26 595	30 761	29 412	31 041	5,5%
Number of employees	650	706	759	783	711	-9,2%
Average wages	1037	1144	1303	1287	1337	3,9%

The largest enterprises in the metal products and means of transport manufacture sector in Saare County are the following:

- Baltic Workboats AS – the manufacture of small and medium-sized aluminium workboats.
- AS Luksusjaht – the manufacture of plastic yachts and launches.

<sup>24</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

<sup>25</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

- OÜ Sporrong Eesti – the manufacture of various metal products (badges, medals, elements of uniforms, tiepins, etc.).
- OÜ Kingli Grupp – the production of various construction elements.
- Ionix Systems OÜ – the production of electrical and electronic equipment for motor, air and military vehicles.

Table 21. Largest enterprises in the metal product and means of transport manufacture sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
Baltic Workboats AS	36 739 161	28 941 574	157	59 875
Aktsiaselts Luksusjaht	10 494 573	No data	106	30 612
Osaühing Sporrong Eesti	3 958 812	3 135 446	68	26 339
Osaühing Kingli Grupp	3 464 800	3 413 893	45	22 153
Ionix Systems OÜ	2 816 233	2 816 129	148	13 982

### Manufacture of computers, electronic equipment and other items

In 2020, the electronics industry was mainly affected by the supply difficulties caused by the coronavirus crisis, which resulted in a total decrease of 2% in the sales revenue of the electronics industry in Estonia<sup>26</sup>. At the same time, the demand for electronic equipment remained high and difficulties in the supply of components were the main problem. In Saare County, the sector is dominated by two companies that have mainly focused on export markets. The development of the main indicators of the sectors for the period 2016–2020 is shown in the table below. In this period, the added value of the sector has increased considerably, as well as the added value per employee. It was mainly driven by an increase in operating profit, but also by the significantly larger investments, especially in 2018–2019. The wage level in the sector is higher than the average in Saare County, but wage growth has been slower than the average. Similar trends in the sector were also observed in Estonia as a whole.

Table 22. General indicators of the computer, electronic equipment and other item manufacture sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	26 763	36 054	35 125	40 667	37 095	-8,8%
Added value (EUR thousand)	5 039	6 061	6 036	7 846	8 735	11,3%
Added value per employee (EUR)	18 801	20 070	19 789	24 143	27 644	14,5%
Number of employees	268	302	305	325	316	-2,8%
Average wages	921	932	981	1 082	1 090	0,7%

As mentioned, the sector of the manufacture of computers, electronics and other items is the face of the two largest companies. Ouman Estonia OÜ manufactures energy-efficient thermal controllers and ventilation and cooling equipment. Incap Electronics Estonia Osaühing specialises in the

<sup>26</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

manufacture of high-tech and high-quality electronic and electro-mechanical equipment. The main area of activity of Tepcomp OÜ is the manufacture of electronic components.

Table 23. Largest enterprises in the computer, electronic equipment and other item manufacturing sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Value added per employee
Ouman Estonia Osäühing	17 919 811	17 865 601	150	24 686
Incap Electronics Estonia Osäühing	17 187 104	15 280 377	90	42 652
Tepcomp OÜ	1 302 640	1 302 591	58	15 726

### Wholesale and retail trade

Wholesale and retail trade is by far the largest business sector in Saare County, overtaking the other sectors by almost double. Although in 2020, the spread of COVID-19 had an impact on certain stores, the total turnover increased considerably faster than in Estonia as a whole. The sector is characterised by an annual net turnover growth of nearly 10%, which has been broad-based, that is, the lion's share of the growth has not come from the largest enterprises. All other sector indicators are also in a strongly positive trend. Given the number of employees in the sector, what is particularly positive is the added value of the indicators per employee and the average wage growth rate that is faster than in the rest of the county's corporate sectors. The average wages in the sector have not yet reached the average of the county, but their increase in 2020 is impressive, because, in Estonia as a whole, wages in trade decreased by nearly a tenth in the same year<sup>27</sup>. Compared to 2019, the operating profit of the sector increased by as much as 30.3%, which in turn had a very strong impact on the increase in added value.

Table 24. General indicators of the wholesale and retail trade sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	141 948	139 724	150 006	164 608	179 097	8,8%
Added value (EUR thousand)	21 576	21 726	21 196	24 628	27 447	11,4%
Added value per employee (EUR)	19 420	20 930	20 460	22 931	24 794	8,1%
Number of employees	1 111	1 038	1 036	1 074	1 107	3,1%
Average wages	770	820	875	949	994	4,7%

The largest company in the wholesale and retail trade and the entire private sector is Saaremaa Tarbijate Ühistu. The largest enterprises in the rest of the sector are shown in Table 25.

<sup>27</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

Table 25. Largest enterprises in the wholesale and retail trade sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
Saaremaa Tarbijate Ühistu	44 054 246	0	279	24 075
Osaühing Reta Puit	12 364 217	3 997 610	54	48 844
Aktsiaselts Saare Kütus	7 367 520	0	27	26 777
NoCry OÜ	7 234 695	7 133 640	25	24 187
Ruu Kivi Osaühing	6 110 089	158 168	5	89 548
Aktsiaselts Tiir	5 907 659	75 169	25	21 838

## Construction

According to Statistics Estonia, in 2020, the sales revenue of the construction sector in Estonia decreased by 4.9% compared to the previous year, and the added value and employment rate also decreased<sup>28</sup>. The same trend was also observed in 2020 in the construction sector of Saare County. Up to 2019, all of the sector's overall indicators (Table 26) moved upwards and then stabilised. Of course, it is difficult to draw conclusions from this as 2020 was undoubtedly out of the ordinary and, for example, in the construction sector, this was expressed by a significant reduction in private sector orders.

Table 26. General indicators of the construction sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	47 675	67 011	84 000	80 795	80 468	-0,4%
Added value (EUR thousand)	14 690	18 431	22 510	24 207	23 605	-2,5%
Added value per employee (EUR)	17 850	21 161	22 760	23 994	23 653	-1,4%
Number of employees	823	871	989	1011	998	-1,3%
Average wages	811	900	962	1065	1089	2,3%

The largest enterprises in the sector are engaged in the construction of residential and non-residential buildings for both private and public sectors, and in road construction.

Table 27. Largest enterprises in the construction sector in Saaremaa 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Employees	Added value per employee
Tesman Ehitus OÜ	9 188 729	9	45 623
OÜ Arens Ehitustööd	6 742 166	20	37 676
Aktsiaselts Level	3 868 892	48	25 441
Osaühing Klotoid	3 534 497	37	31 116

<sup>28</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

## Agriculture

In Saare County, agriculture is a sector where the added value per employee has steadily been the highest, although it underwent a significant decline in 2020 (-14.4%). The relative importance of the area of activity in the economy of Saare County is larger than the average in Estonia, and this position remains stable. In 2020, investments in the sector increased and profitability decreased, so the resulting pressure and a slight reduction in wages are understandable.

Table 28, General indicators of the agricultural sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	31 003	38 495	38 561	41 148	41 575	1,0%
Added value (EUR thousand)	9 831	14 894	12 945	15 910	14 334	-9,9%
Added value per employee (EUR)	26 934	40 036	33 193	42 768	36 566	-14,5%
Number of employees	365	372	390	372	392	5,4%
Average wages	820	942	957	1 046	1 029	-1,6%

What is interesting is that Lithuania is the main country of export for the major agricultural sector enterprises in the county.

Table 29. Largest enterprises in the agricultural sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover		Employees	Added value per employee
Aktsiaselts Valjala Söödatehas	11576000	0	22	3955
Kärļa Põllumajandusühistu	3570078	53529	35	35980
Kõljala Põllumajanduslik osaühing	2842901	112872	37	48113
Valjala Seakasvatuse Osaühing	2551899	0	19	27639
Osaühing Saare Peekon	2 5451 62	0	15	22035

## Accommodation and catering

The year 2020 was the worst in history for tourism. According to the World Tourism Organization, the number of international trips in the world fell by more than 70%, compared to a drop of only 4% during the 2009 economic crisis<sup>29</sup>. Since foreign tourists are prevalent in Estonia and Saaremaa, the coronavirus crisis affected the accommodation and catering sector the most. Net turnover and added value fell by about a third and the overall situation in Estonia was the same. Several support measures were set up by the state for the sector's enterprises but were not sufficient to prevent a sudden fall. In Saare County, enterprises in the accommodation and catering sector were forced to give up nearly a quarter of their workforce but the loss could not be avoided at the end of the year,

<sup>29</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

regardless. Fortunately, the lack of foreign tourists was compensated for by the somewhat more active domestic tourism, but the results for the year were still poor.

Table 30. General indicators of the accommodation and catering sector in Saaremaa Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	31814	38961	39973	40295	28102	-30.3%
Added value (EUR thousand)	31 814	38 961	39 973	40 295	28 102	-30,3%
Added value per employee (EUR)	12 187	14 757	16 292	16 631	11 611	-30,2%
Number of employees	13817	14 095	15 665	16 321	14 791	-9,4%
Average wages	882	1 047	1 040	1 019	785	-23,0%

The general indicators of the largest enterprises in the accommodation and catering sectors are given in the table below. None of them managed to avoid a significant decline compared to 2019 but at the same time, the enterprises which were already more focused on domestic tourists or were able to adapt quickly to the crisis had a softer landing.

Table 31. Largest enterprises in the accommodation and catering sector in Saaremaa 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Employees	Added value per employee
OÜ SPA Tours	9 892 013	248	13 894
OÜ Gospa	2 920 135	56	17 734
Aktsiaselts Kuressaare Sanatoorium	1 449 764	41	13 585
Osahing Pädaste Mõis	1 048 489	20	19 888

### Transportation and storage

In 2020, the global COVID-19 pandemic and the resulting closure of state borders and the imposition of nationwide movement restrictions caused a significant drop in freight and passenger transport for all modes of transport. The capacity of Estonian enterprises (tons) decreased by just over 20%. The biggest drop, 28%, occurred in the railway<sup>30</sup>. The decline in Saare County's enterprises was quite marginal in light of this trend. Against a slight decline in net sales, the sector managed to significantly increase its added value thanks to a growth of as much as 61% in operating profit.

Table 32. General indicators of the transportation and storage sector in Saaremaa Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	66 084	32 424	34 026	36 134	35 294	-2,3%
Added value (EUR	24 509	13 420	14 560	15 645	17 051	9,0%

<sup>30</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

thousand)						
Added value per employee (EUR)	34 765	26 840	28 775	31 665	32 664	3,2%
Number of employees	705	500	506	502	522	4,0%
Average wages	1 159	894	991	1 113	1 090	-2,1%

The largest enterprises in the sector have remained the same year after year and most of their overall indicators have also remained practically equivalent. In 2016, there was a significant change in the sector when the enterprise Saaremaa Laevakompanii, which had so far been organising the ferry connection, was replaced by the company TS Laevad OÜ, which is not registered in Saare County.

Table 33. Largest enterprises in the transportation and storage sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
Aktsiaselts Saarte Liinid	6 988 305	0	97	71 771
Osaühing Transmark	6 613 108	1 152 829	99	24 589
Aktsiaselts ML-Transport	2 024 588	277 145	19	42 383
Osaühing Saare Gaas	1 414 410	72 312	13	40 618
Aktsiaselts Siimu Auto	1 080 892	354 114	16	21 211

### Wood processing and furniture industry

The wood processing and furniture industry sector comprises two areas, which have been moving quite controversially in Estonia in recent years. The wood industry has been growing steadily, has not been disturbed by the crisis of 2020 and has increased its sales volumes due to the strong domestic demand<sup>31</sup>. The furniture industry, however, has been more volatile due to the fluctuating external demand. As a whole, the year 2020 was good for the sector in Estonia and Saare County. Due to the continued drop in raw material prices, the sector was able to increase its investments and profitability. What is worrying is that in the given situation, the wage level in the sector did not move closer to the average wages.

Table 34. General indicators of the wood processing and furniture industry sector in Saaremaa Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	24 937	26 849	27 791	29 179	31 775	8,9%
Added value (EUR thousand)	7 826	8 107	8 165	9 783	10 638	8,7%
Added value per employee (EUR)	19 468	18 810	18 944	23 020	23 278	1,1%
Number of employees	402	431	431	425	457	7,5%
Average wages	805	870	916	1 030	1 029	-0,1%

<sup>31</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

The enterprises of the sector in Saare County are mainly engaged in the production of timber, garden and summer houses and other similar buildings.

Table 35. Largest enterprises in the wood processing and furniture industry sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
Osaühing NOVARA	11 493 740	7 071 679	123	28 846
Osaühing Sandla Puit	8 691 140	4 586 987	66	38 164
Aksiaselts Saare Ere	3 340 896	1 688 057	73	20 299
OÜ Insel Woodhouse	1 196 140	0	27	21 465
Osaühing Kalla Mööbel	1 074 145	0	25	19 104

### Manufacture of chemicals, rubber and plastic products and minerals

In the rubber and plastic industry, sales hardly declined in Saare County in 2020. Compared to 2019, the profitability of the enterprises increased significantly and the number of employees decreased, resulting in an upwards jump in the added value per employee. The volume of investments remained stable in 2020, but decreased in Estonia as a whole by a fifth in the rubber and plastic industry sector<sup>32</sup>.

Table 36. General indicators of the chemicals, rubber and plastic products manufacturing sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	25 393	28 055	28 757	24 520	24 370	-0,6%
Added value (EUR thousand)	9 629	11 128	11 670	9 729	10 008	2,9%
Added value per employee (EUR)	20 059	22 391	23 387	22 211	25 210	13,5%
Number of employees	480	497	499	438	397	-9,4%
Average wages	959	1 025	1 105	1 122	1 173	4,5%

The sector's companies are almost entirely focused on export markets. The main areas of activity of the two largest enterprises are the manufacture of rubber components mainly for the machinery and car industry.

Table 37. Largest enterprises of the chemicals, rubber and plastic products manufacture sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
Freudenberg Sealing Technologies OÜ	13 227 509	13 227 509	246	21 864
Sigma Polymer Group OÜ	7 398 415	7 398 415	95	33 709
OÜ Duschy	872 363	641 073	20	14 747

<sup>32</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

## Textile industry

For the textile industry of Saare County, 2020 was one of the most successful years of all time, both in absolute terms and compared to the previous year. While sales in Estonia as a whole showed a small increase, the net turnover and added value of the enterprises of Saare County increased by nearly a fifth. The growth of the added value was mainly driven by the growth of operating profit by more than 80%. The number of employees and average wages also continued to increase, although the latter remains well below the average of the county. The situation of the sector is similar across Estonia as the ratio of the wage level of the sector to the average wages is barely 70%.

Table 38. General indicators of the textile industry sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	3 898	4 013	4 210	5 387	6 286	16,7%
Added value (EUR thousand)	1 886	2 260	2 312	2 862	3 425	19,7%
Added value per employee (EUR)	12 573	13 613	12 775	15 387	17 210	11,8%
Number of employees	150	166	181	186	199	7,0%
Average wages	627	680	652	793	826	4,2%

The main areas of activity of the largest enterprises in the sector are the manufacture of fishing traps and the production of household textiles from various materials such as silk, cotton, bamboo and flax.

Table 39. Largest enterprises in the textile industry sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
Saare Frydendahl OÜ	2 051 566	1 900 805	58	17 173
MoonStar OÜ	1 981 665	196 809	65	18 794
OÜ Saarevõrk	1 182 648	761 239	30	24 302

## Electricity, gas, water, waste and mining

The sales figures of the electricity, gas, water, waste and mining sector have remained very stable from 2016 to 2020. At the same time, the emergency situation announced in 2020 also affected water and heating companies as the consumption volumes of the business sector decreased significantly. Nevertheless, the sector managed to significantly increase its operating profit and labour costs, which also resulted in an increase in added value. The wage level of the sector continues to be the highest in Saare County.

Table 40. The general indicators of the electricity, gas, water, waste and mining industry sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR)	13 521	11 065	11 300	11 933	12 120	1,6%

thousand)						
Added value (EUR thousand)	7 127	6 288	5 979	7 018	8 401	19,7%
Added value per employee (EUR)	43 193	56 652	53 863	64 386	73 695	14,5%
Number of employees	165	111	111	109	114	4,6%
Average wages	1 109	1 197	1 243	1 307	1 448	10,8%

In addition to water and heat companies, the sector in Saaremaa also includes producers of wind energy and milled peat.

Table 41. Largest enterprises in the electricity, gas, water, waste and mining industry sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
Aktsiaselts Kuressaare Soojus	4 232 465	0	33	84 764
Aktsiaselts Kuressaare Veevärk	2 700 060	0	32	50 944
Five Wind Energy OÜ	1 305 560	0	0	-
Osaühing MV Turvas	1 226 367	1 198 871	16	47 681

### Forest management

The dynamics of the financial indicators of the forest management sector of Saare County in the period of 2016–2020 have been fluctuating, mainly because in certain years, the enterprise Reta Puit has been mainly engaged in forestry management and certain years, in wholesale and retail trade. For example, in 2017–2018, this enterprise contributed to half of the net turnover of the whole sector. Despite this distinction, the sales turnover of the sector was in a clear decline in 2020. The main reason for this was the difficulties of wood storage due to the mild winter in our entire region. The explosive growth in the profitability and thus added value of the sector is caused by the extraordinary sale of real estate by one enterprise, which certainly does not provide adequate feedback on the development of the sector – the forest management sector is in a downward trend in Saare County.

Table 42. General indicators of the forest management sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	4 443	16 577	26 970	6 263	5 248	-16,2%
Added value (EUR thousand)	1 854	5 563	7 743	2 043	6 701	228,1%
Added value per employee (EUR)	31 429	59 817	62 443	30 488	94 386	209,6%
Number of employees	59	93	124	67	71	6,0%
Average wages	601	894	867	770	761	-1,2%

The largest enterprises in the sector are engaged in stocking up forests and in purchasing and processing timber.

Table 43. Largest enterprises in the forest management sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Enterprise	Turnover	Export	Employees	Added value per employee
Osaühing S.E.G.U.	955 177	105 354	14	23 799
Osaühing Pärna Metsad	931 434	0	10	36 639
Torgu Mets OÜ	458 784	0	1	47 414

### Fishing and aquaculture

The fishing and aquaculture sector is one of the smaller sectors in Saare County according to net turnover. At the same time, this sector traditionally has a significant position and holds future potential for the county. These possibilities are expressed in increasing the added value of fishery products, which means that fish are not sold raw but would be processed to produce products for which a higher price could be charged. Here, attention should also be paid to the restoration and establishment of spawning grounds to process species that have not been used much until now and experiment with new species (e.g. eel)<sup>33</sup>. In 2018, the sales volumes and profitability of the sector increased significantly and have since stabilised. The investment volume in the sector is growing steadily year after year, and the added value has also been created.

Table 44. General indicators of the fishery and aquaculture sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	2 344	2 271	3 400	3 721	3 585	-3,6%
Added value (EUR thousand)	1 031	921	1 559	1 559	1 780	14,1%
Added value per employee (EUR)	22 420	18 801	27 346	25 563	29 659	16,0%
Number of employees	46	49	57	61	60	-1,6%
Average wages	681	743	805	839	886	5,6%

Table 45. Largest enterprises in the fishery and aquaculture sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Company	Turnover	Employees	Added value per employee
Osaühing Kaabeltau	968 737	23	26 408
Osaühing Monistico	785 974	14	37 770

<sup>33</sup> Saare County fishing area development strategy 2014–2020+

## Information and communication

The ICT sector is one of the sectors on which the global coronavirus crisis has had a positive impact. Enterprises and individuals were forced to seek digital and virtual solutions, which in turn increased orders for this sector<sup>34</sup>. In Saare County, information and communication enterprises also experienced significant growth, but the sector is different in nature from the “typical” ICT in Estonia. In Saare County and in Estonia as a whole, the wage level of the sector increased by over 10%, but if in Saaremaa, the wage level of the sector is below the average of the county, in Estonia as a whole, it forms 177.8% of the average gross wages.

Table 46. General indicators of the information and communication sector in Saaremaa. Source: analysis of the data of the commercial register

Indicators	2016	2017	2018	2019	2020	Change 2019–2020
Net turnover (EUR thousand)	5 242	5 464	6 196	5 897	6 903	17,1%
Added value (EUR thousand)	2 399	2 213	2 678	2 992	3 600	20,3%
Added value per employee (EUR)	22 420	20 489	18 595	25 358	24 164	-4,7%
Number of employees	107	108	144	118	149	26,3%
Average wages	942	1015	986	962	1 086	12,9%

The areas of activity of the information and communication enterprises in Saaremaa are the publishing of newspapers (including online), publication, preparation of radio programs, and the programming and selling of computer technology and services.

Table 47. Largest enterprises in the information and communication sector in Saaremaa in 2020. Source: analysis of the data of the commercial register

Company	Turnover	Employees	Added value per employee
Osaühing Saaremaa Raadio	683 389	32	6 010
Osaühing Raadio Kadi	603 950	23	16 830
KonceptForm Osaühing	457 368	7	56 346
Osaühing Teetormaja	394 003	8	21 616

## Other sectors

Other important enterprises in Saare County are listed in Table 48 and are engaged in areas such as real estate, healthcare and welfare services.

Table 48. Largest enterprises in other sectors in Saaremaa in 2020. Source: analysis of the data of the commercial register

Company	Turnover	Employees	Added value per employee
OÜ SPA Varad	2 014 988	0	

<sup>34</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

Osühing Kuressaare Elamute Hooldus	1 402 153	24	21831
Terviseagentuur OÜ	1 365 561	21	23908
Osühing Kuressaare Perearstikeskus	1 148 328	13	55694
OÜ ATKO Ekspedeerimine	1 706 706	83	17739

## Export in Saaremaa economy

In 2020, the export of Estonian goods fell by only 1%, which is an exceptionally good result in the context of the global pandemic<sup>35</sup>. The export volume of Saare County was still quite positive in light of Estonia's strong performance – in 2020, export by the county's enterprises increased by 4.6% and the ratio of export to total turnover also improved. The share of export in the sales revenue of enterprises also underwent a slight decrease.

In 2020, Estonia exported goods and services to 184 countries and imported them from 143 countries<sup>36</sup>. In the same period, the enterprises of Saaremaa exported their products and services to 44 destination countries, which is one less than in 2019<sup>37</sup>. Similar to Estonia as a whole, the export partners of the enterprises in Saare County are rather concentrated, with nearly 2/3 of the export volumes being made up by Finland, Germany and Sweden. While these three countries have been the main export destination countries for the county's enterprises year after year, the other export partners have been relatively varied. Among these, distant countries such as Japan and China have found their place. In 2020, the fourth largest export market was Oman (for the first time), thanks to the enterprise Baltic Workboats AS.

Table 49. Export from Saaremaa 2016–2020. Source: analysis of the data of the commercial register

	2016	2017	2018	2019	2020
Export	150 727 710	182 163 372	189 630 326	190 140 705	198 909 267
Sales revenue	609 820 542	661 587 258	717 603 859	706 225 214	710 258 998
Share of export in sales revenue	24,72%	27,53%	26,43%	26,92%	28,01%

The number of exporting enterprises in the county has been steadily increasing since 2017 and this trend continued in 2020. This year, there were 239 enterprises in total in Saaremaa that sold their products or services outside Estonia. This represents a total of 7.1% of the enterprises analysed in this survey.

<sup>35</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

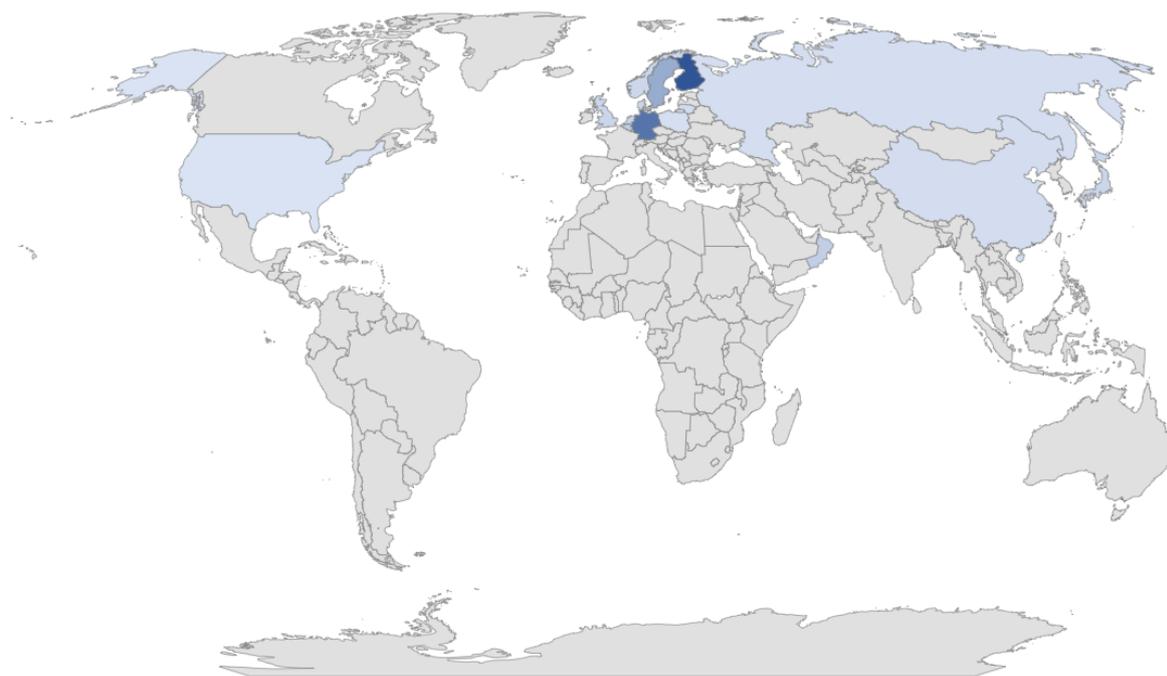
<sup>36</sup> Economic review 2020 (Ministry of Economic Affairs and Communications and Ministry of Finance)

<sup>37</sup> Since in the annual reports, enterprises are not required to declare the names of the export destination countries (they can note down "other EU countries"). This number may, but may not necessarily have to be higher.

Table 50. Number of exporting enterprises in Saaremaa 2016–2020. Source: analysis of the data of the commercial register

	2016	2017	2018	2019	2020
Enterprises exporting goods or services	247	216	229	233	239

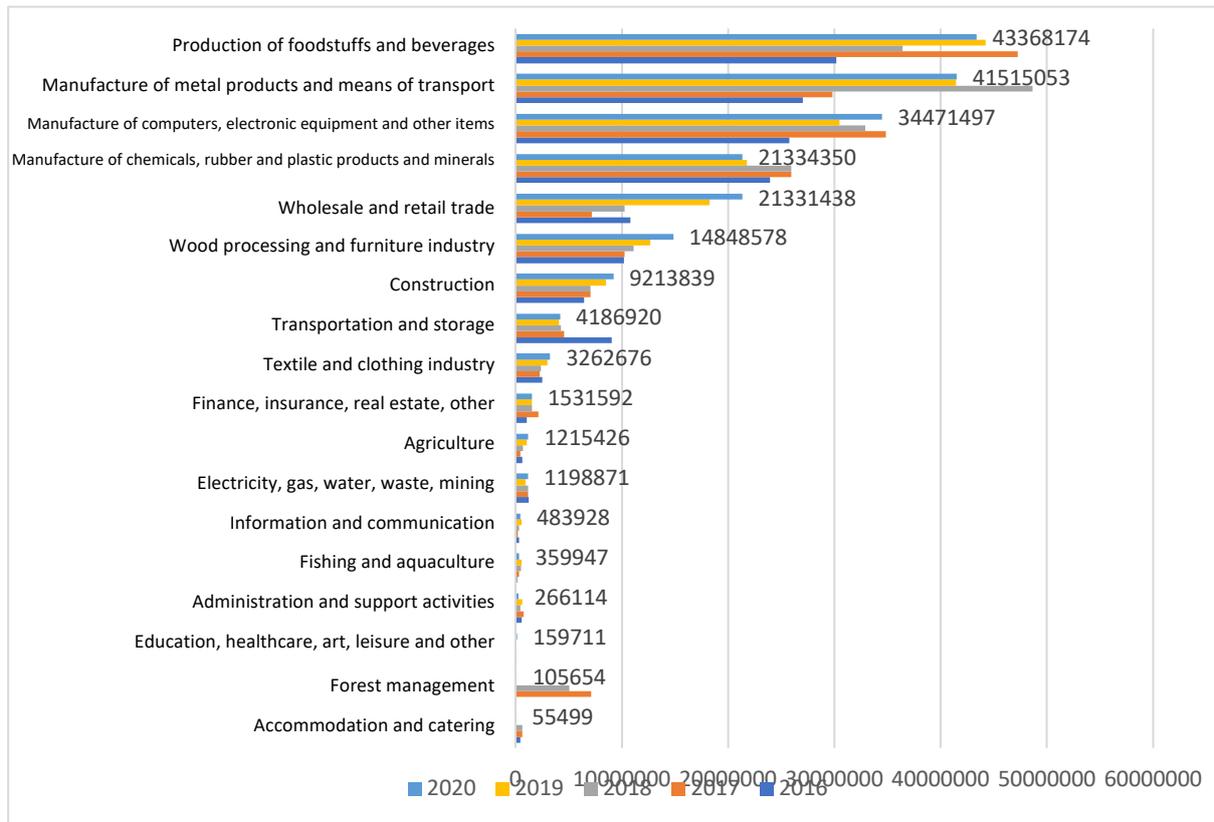
Figure 28. Main export destination countries of Saaremaa enterprises in 2020. Source: analysis of the data of the commercial register



The export from Saare County has been relatively broadly distributed across sectors. The figure below clearly shows that the three biggest exporters are the foodstuffs and beverages industry, the manufacture of metal products and means of transport, and the manufacture of computers, electronic equipment and other items. Of these, the export of the first two is relatively evenly distributed across destination countries (see Table 51). The manufacture of computers, electronic equipment and other items has mainly focused on three markets – Finland, Sweden and Norway.

Virtually all major sectors were able to increase their export volumes in 2020; only foodstuffs and beverages production and the manufacture of chemical, rubber and plastic products were in a slightly downwards trend. In 2020, the biggest export turnover growth was achieved by the wood processing and furniture industry (17.3%) and wholesale and retail trade (16.7%). The manufacture of computers, electronic equipment and other items (13.0%), which had a slight decline in export volume in previous years, also increased significantly. The 1.6% growth in the transport and storage sector in 2020 is positive, being remarkable in the context of the closure of borders. The good results of the forest management sector in 2017–2018 were caused by Reta Puit OÜ, whose main area of activity in the given period was forest management.

Figure 29. Export turnover of corporate sectors in Saaremaa 2016–2020. Source: analysis of the data of the commercial register



The main foreign trade destination countries of Saaremaa are shown in Figure 30 and Table 51 below. The main export markets of the county are Finland, Germany and Sweden, which coincide with those of the rest of Estonia. The volumes to Norway and Denmark have dropped annually, but Belgium, Japan, the Netherlands and Great Britain, for example, have increased their share.

Figure 30. Export markets of Saaremaa in 2016–2020. Source: analysis of the data of the commercial register

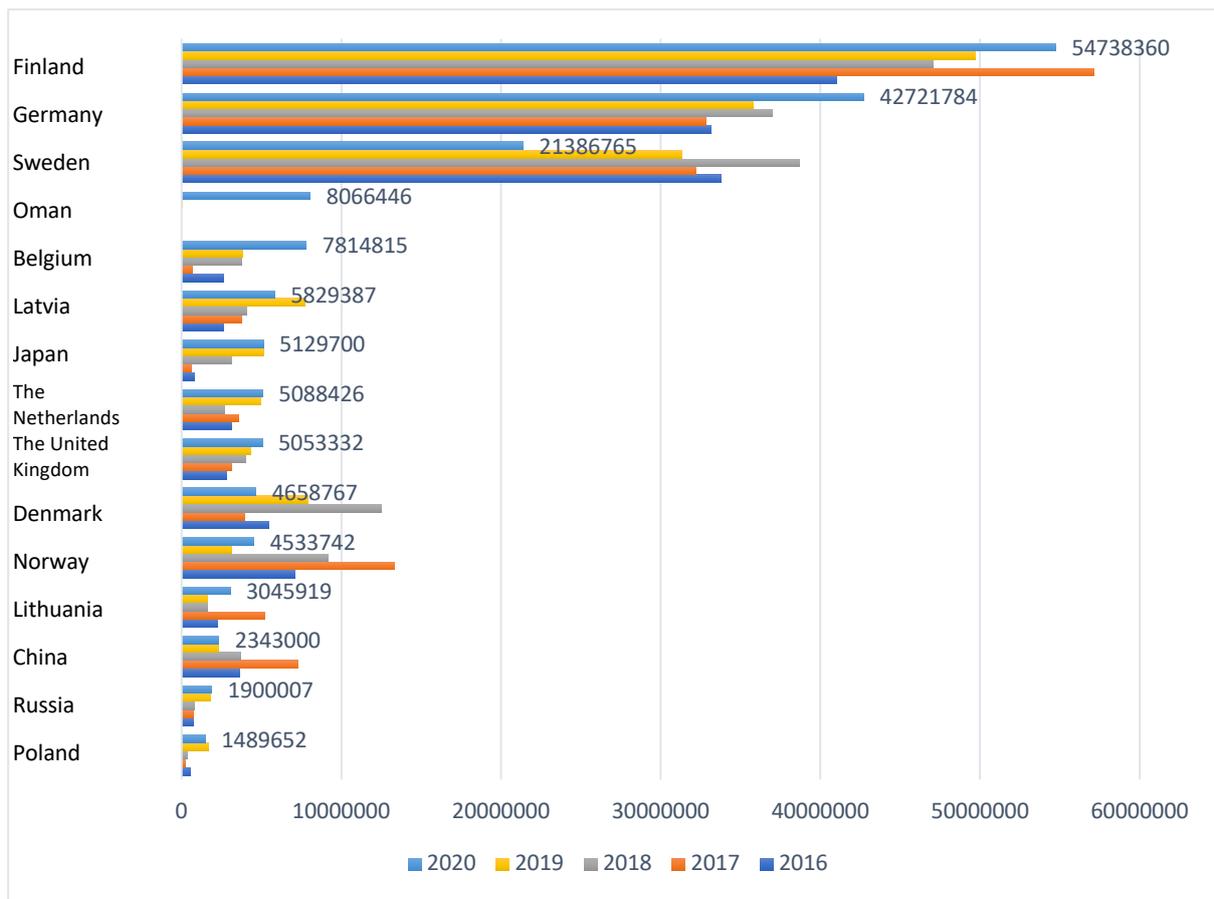


Table 51. Comparison of the corporate sectors and export destination countries of Saaremaa in 2020 (thousand euros). Source: analysis of the data of the commercial register

Sector	Finland	Germany	Sweden	Belgium	Latvia	Japan	The Netherlands	Great Britain	Denmark	Norway	Other	Total
Production of foodstuffs and beverages	14 966	1 976	3 148	726	4 000	5 125	1 443	90	131	0	11 764	43 368
Manufacture of metal products and trailers	5 389	10 692	2 449	7 084	444	0	621	2 816	340	430	11 249	41 515
Manufacture of computers, electronic equipment and other	20 441	0	7 414	0	242	0	989	0	3	2 989	2 394	34 471
Manufacture of chemicals, rubber and plastics	211	13 228	5 016	0	56	0	0	0	0	130	2 694	21 334
Wholesale and retail trade	492	3 790	2 248	1	5	0	0	2 112	2 254	48	10 381 <sup>38</sup>	21 331
Wood processing and furniture industry	405	12 931	38	0	16	5	1	19	3	746	685	14 849
Construction	8 656	19	425	2	0	0	1	0	0	49	62	9 214
Other	4177	86	648	2	1 066	0	2 034	17	1 928	142	2 726	12 826
Total	54 738	42 722	21 387	7 815	5 829	5 130	5 088	5 053	4 659	4 534	41 954	198 909

<sup>38</sup> The export volume of approximately 8.5 MEUR has been indicated in the information of the commercial register as “Other European Union countries” or “Other countries outside the European Union” and therefore, the destination country cannot be determined.