

Saare county Economic Review 2017

Created by the Saare Development Center

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Saare county covers the islands of Saaremaa and Muhu with the surrounding small islands and the Ruhnu island in the Gulf of Riga. The area of the county is 2,932 km², or 6.7% of the area of Estonia. Population 33,925. Kuressaare is located 210 km from Tallinn (3.5-4h), from Tartu 328 km (5.5-6h) and 155 km (2.5h) from Pärnu.

In 2017, the working age population in the county was 25,200. The share of the labor force in Saare County in 2017 was 68.8%, compared with 71.6% throughout Estonia. The average unemployment rate in Saaremaa county and Estonia was 7.9% and 5.8% respectively. Foreign labor is an increasingly common in many enterprises in the Saare county. According to the Tax and Customs Board, in 2017, 5028 jobs out of 16,000 registered employees were outside Saare county – there is a potential for companies to attract them back to their home island with higher salary level.

The average salary of people outside Saare county was €1,279 in 2017, which is 401 euros higher than of the people working in the county (€878). Very few people in Saare county work in the sectors that carry vigorous wage growth in Tallinn (information technology, financial sector and management staff). On the other hand, a big share of employees work in sectors with the lowest wages - the accommodation and catering sectors. The average salary growth of the European Union has been around 2-3% in recent years, in Estonia 6-7%, in Saare county about 5%. Current low-cost economic model has exhausted itself. Companies that do not invest and do not create smart jobs requiring a higher level of qualification will be forced to stop their current business model due to shortage of cheap labor.

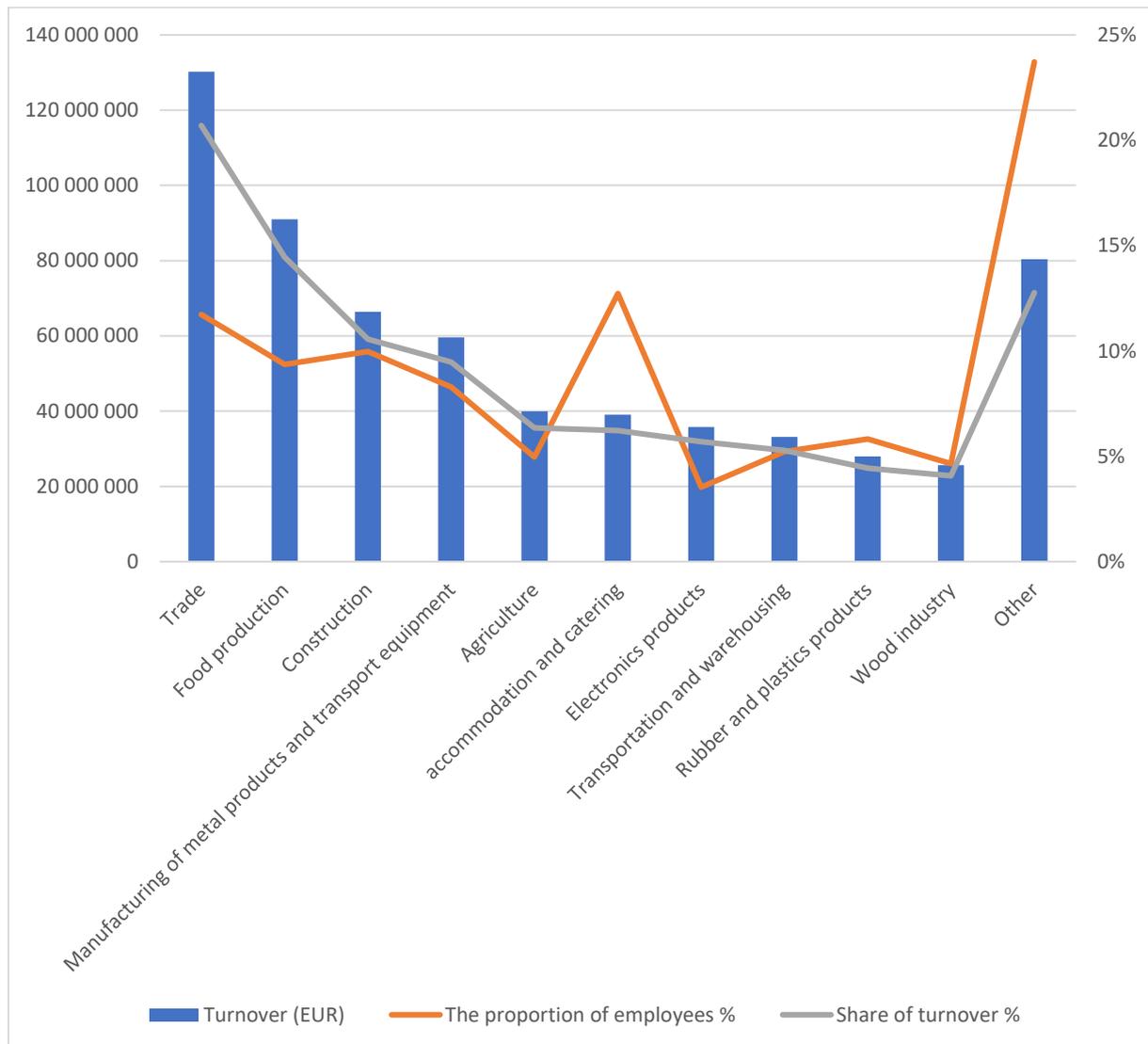
The ferry connection between the mainland and Muhu island is attracting more and more passengers every year. In addition to ferry connections, Saaremaa has flight connection with Tallinn. There still is a huge potential for growth in the number of air passengers, including a possible opening of international flights to Sweden, Latvia and Finland. Island's cargo ports are Roomassaare and Estonian western-most deep port on the northern shore.

The Saaremaa Development Center has mapped free industrial land surrounding Kuressaare town. Only the area near the Roomassaare Port is owned by the municipality. Market price for production property is about 3 €/m². In a case of bigger investments, construction right can be acquired with incentives.

In Saaremaa, businesses generated 629 million euros turnover in 2017, 196 million from which is export. The median salary in Q2, 2018 equaled 958€. Added value per employee was €21,037 in 2017, while 22.3% of employees had higher education.

The island's economy is driven by strong manufacturing sectors such as food production, manufacturing of metal products and transport equipment, electronics products, rubber and plastics products. In addition - trade, tourism and accommodation, agriculture and construction

hold strong positions, and the wood industry and forestry sector are on the rise. The business of Saare county is versatile. In 2017, 46,3% of employment was in industrial production, as tourism remains seasonal.



Drawing 1. Turnover of the economic sectors of the Saare county. Share of turnover and workforce in sectors.

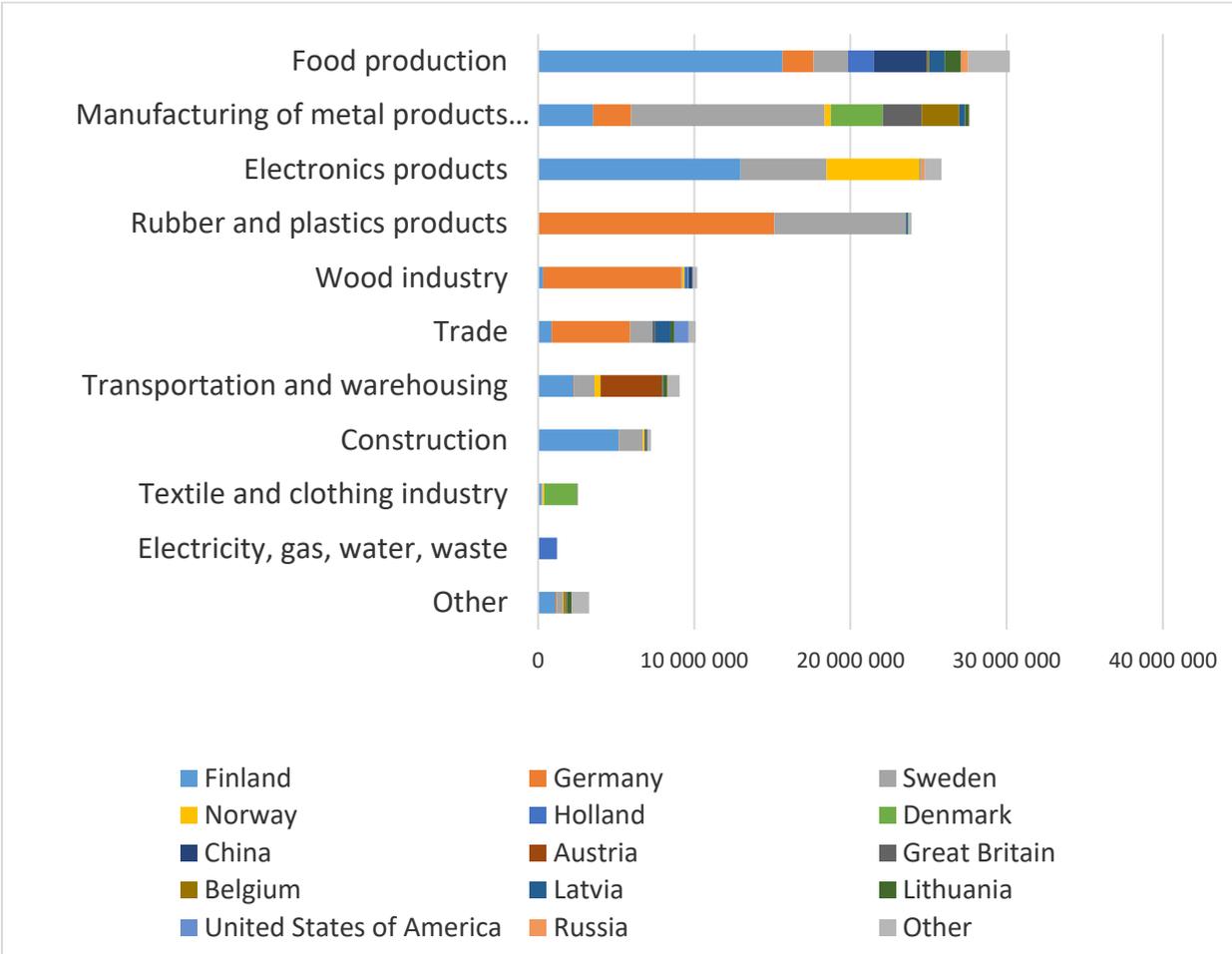
The largest companies are Saaremaa Tarbijate Ühistu (367 employees, trade), OÜ SPA TOURS (347, tourism), Merinvest (327, rubber products), Saaremaa Lihatööstus (233, meat products), Baltic Workboats (178, shipbuilding), Ionix Systems OÜ (164, eire systems) and Ouman Estonia OÜ (160, electronics) .

There were 3 large companies (over 250 employees), 22 medium-size (50-249 employees), 113 small-size companies (10-49 employees) and 1033 micro-companies (1-9 employees) in Saare county in 2017.

The largest 2017 turnover (€43.4 million) in Saare county was in Saaremaa Tarbijate Ühistu, the turnover of which has annually increased in 2015-2017. Other companies with a high turnover are Baltic Workboats AS, AS Saaremaa Piimatööstus, OÜ Saaremaa Lihatööstus and Incap Electronics Estonia OÜ.

The Small Craft Competence Center (SCC) provides services for small craft design, model testing and materials lab. Thanks to the activity of the TalTech SCC in Saaremaa, the small craft building cluster has become an important development tool. Business development is supported with curricula both in TalTech and Kuressaare Vocational Training School. If there were 290 exporting companies in Saare county in 2015, then in 2017 this number was 323.

In the exports of Saaremaa companies, the main target countries are Finland (28% of exports), Germany (23%) and Sweden (22%). Only about 5% of goods are exported outside Europe.



Drawing 2. Exports of goods in Saaremaa county in 2016 by sectors and export countries.