

## Location Spotlight – Estonia

September 2023: Complimentary Abstract / Table of Contents



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# This report provides perspectives on key aspects of the global sourcing market in Estonia


Location Spotlight – Estonia

## Estonia | at a glance




Primarily leveraged by GBS organizations and service providers to support IT applications development and maintenance (IT-ADM) and contact center (CC) services delivery to the Western European and Scandinavian markets

KEY FACTOIDS



**8,000-9,000**  
annual tertiary graduates



**45-55%** savings over London  
**20-30%** costlier than Warsaw

Location Spotlight – Estonia

## Estonia | risk profile (page 1 of 2)

Stable geopolitical environment and availability of robust infrastructure; some concerns around macroeconomic environment

Parameter	Everest Group rating	Comments
Geopolitical	<div style="display: flex; justify-content: center; gap: 5px;"> <span style="width: 10px; height: 10px; background-color: #008000; border: 1px solid #008000;"></span> <span style="width: 10px; height: 10px; background-color: #ffff00; border: 1px solid #ffff00;"></span> </div>	<ul style="list-style-type: none"> <li>Estonia is ranked 14<sup>th</sup> out of 180 countries in the Corruption Perceptions Index 2022, indicating significantly lower levels of perceived corruption</li> <li>Historical tensions, border disputes, and concerns over Russian foreign policy in the region influence Estonia's external geopolitics</li> <li>Estonia is ranked 27<sup>th</sup> out of 167 countries globally and 2<sup>nd</sup> out of 28 countries in Eastern Europe in the Democracy Index compiled by the Economist Intelligence Unit (EIU), indicating a relatively high level of democratic governance</li> </ul>
Macroeconomic	<div style="display: flex; justify-content: center; gap: 5px;"> <span style="width: 10px; height: 10px; background-color: #ffff00; border: 1px solid #ffff00;"></span> </div>	<ul style="list-style-type: none"> <li>Estonia's economic outlook has sharply deteriorated as a result of the war in Ukraine and a subsequent rapid cooling of economic activity in 2022, marked by surging inflation, rising interest rates, and weakening external demand</li> <li>Standard &amp; Poor's credit rating for Estonia stands at AA-, indicating strong creditworthiness and a stable economic and political environment</li> <li>Estonia has experienced a notable increase in its gross external debt following the COVID-19 crisis, having surged from 76% of GDP in 2019 to 85% in 2021</li> </ul>
Infrastructure	<div style="display: flex; justify-content: center; gap: 5px;"> <span style="width: 10px; height: 10px; background-color: #008000; border: 1px solid #008000;"></span> <span style="width: 10px; height: 10px; background-color: #ffff00; border: 1px solid #ffff00;"></span> </div>	<ul style="list-style-type: none"> <li>Despite efforts to diversify its energy sources, Estonia continues to face vulnerability due to its energy links with Russia</li> <li>Well-developed transport network with good ports and railways</li> <li>Estonia boasts a high-quality ICT infrastructure for shared services, which is at par with other prominent European locations</li> </ul>

■ Highly favorable   
 ■ Favorable, some concerns   
 ■ Least favorable

Source: Everest Group (2023); EIU; Transparency International; OECD; World Bank; World Economic Forum (WEF); investment agencies; interviews with market participants

**Current overview**

- Primarily leveraged by GBS organizations and service providers to support IT-ADM and contact center services delivery
- Apart from English and Estonian, there is evidence of Russian, German, French, and Finnish language talent availability
- Tallinn, the country's capital, is the primary destination for global services activity, with limited traction in other cities

**Key drivers**

- Availability of advanced IT technology and digital infrastructure
- Business-friendly tax system with less red tape
- High quality human capital with multilingual proficiency
- Significant cost arbitrage of 45-55% for delivery of IT-BP services over London
- One of the most transparent and the least corrupt countries in the Central and Eastern European region

**Key challenges**

- Significant challenges around lower scalability driven by a smaller talent base and declining population
- Concerns around surging inflation, rising interest rates, fiscal spending, and weakening external demand
- Historical tensions, border disputes, and concerns over Russian foreign policy in the region influence Estonia's external geopolitics

**KEY PLAYERS:**

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## Locations Insider™

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
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Risk Watch 2023: Tracking Risks in a Volatile and Uncertain World of Global Services Delivery	April 2023
Talent Demand Trends   India IT Services – H2 2022	May 2023
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<b>Location Spotlight – Estonia</b>	<b>September 2023</b>
Location Spotlight – Vietnam	Q3 2023
Location Spotlight – Indonesia	Q3 2023
Global Locations State of the Market – PEAK Matrix®	Q3 2023

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