Statistics in focus

EXTERNAL TRADE

THEME 6 – 17/2000

Contents

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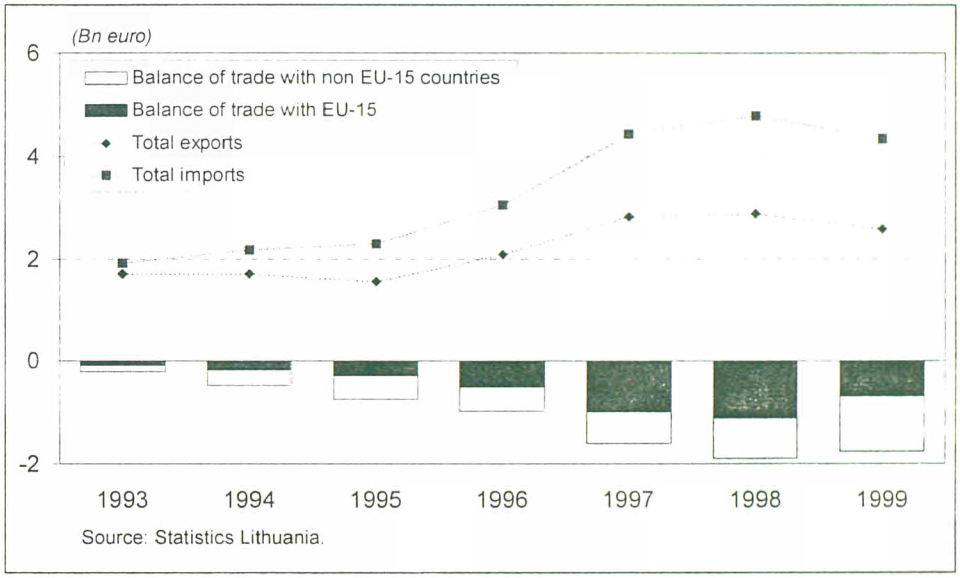
Lithuania and the EU

Tim Allen

Over the past years, Lithuania imported more than it exported. Its trade figures in 1999 were particularly affected by the Russian crisis, although the latest data for the first quarter of 2000 show clear signs of a recovery. Lithuania's trade relations with the European Union (EU) have prospered: more than half of its exports were destined for the EU market in 1999, while only a sixth headed for the NIS (New Independent States). The EU imported relatively large amounts of textile products, followed by wood and refined petroleum from Lithuania.

Fig. 1 **Lithuania's external trade**



Source: Statistics Lithuania.

Exports hard hit by Russian crisis

Lithuania is in population terms the largest of the three Baltic countries (the two others being Estonia and Latvia). In some aspects, its economy is similar to those of its Baltic neighbours – all are relatively small in size, rely somewhat on transit trade with Russia and have a currency board arrangement to stabilise their money's external value. In 1999, Lithuania's GDP per capita (6,200 PPS – purchasing power standards) was slightly less than a third of that of the EU and somewhere between that of Estonia (7,700 PPS) and Latvia (5,800 PPS). It was particularly hard hit by the impact of the Russia crisis, which erupted in August 1998. The effects of this crisis rippled through the Lithuanian economy and affected trade (see also figure 1), which weakened economic growth considerably. To put this into figures, for 1998 as whole, real GDP growth remained high at 5.1% (after a substantial 7.3 % in 1997) but turned negative (-4.1%) in 1999. Inflation remained remarkably low in 1999 (0.8% - see page three for comparison with EU). Over the past seven years, Lithuania's imports more than doubled in value terms, while exports grew at a slower pace, which resulted in a widening trade gap. Trade flows gained pace in particular from 1995 onwards. The year 1999 saw a decline in both imports and exports as the Russian crisis took its toll. The figures for the first quarter of 2000 on the other hand show a clear sign of recovery with exports up by 27.2% compared to the same period in 1999[1].

(1) See press release 8 June 2000 by Statistics Lithuania

Re-direction of trade

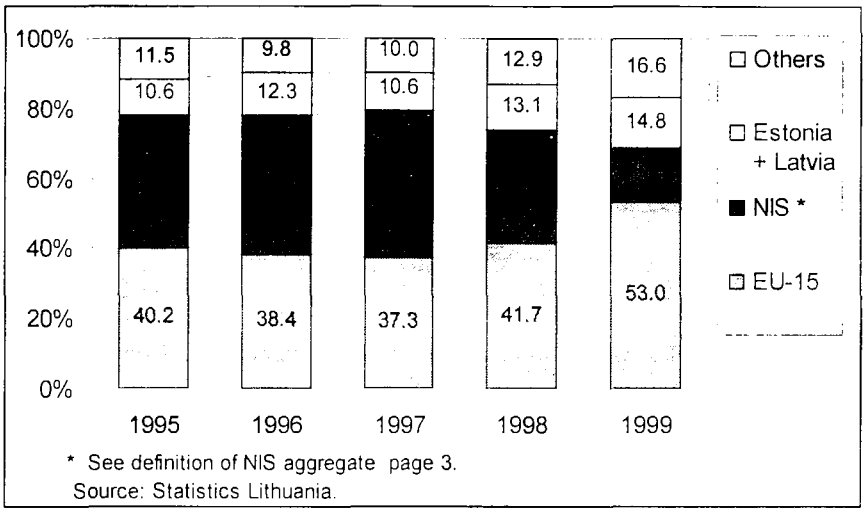
Overall, Lithuania reported to have imported goods worth 4.3 bn euro while it exported 2.6 bn euro worth in 1999. Over the past years, the direction of trade has shifted towards the West and away from Russia (see also figure 2) although less notably than for the other Baltic countries. The relative share of exports to the EU for example declined between 1995 and 1997 and increased only from 1998 onwards. Lithuania's trade deficit in 1999 was mostly with non-EU countries.

Historic *Hanse* ties with Germany and neighbouring Latvia were important as the two countries absorbed a large share of Lithuania's exports (roughly 30% in 1999) in recent years. On the import side Russia remained a major supplier of goods (around a fifth of overall imports in 1999) – although figures for 1999 were affected by the overall fall in trade. In particular exports to Russia fell sharply, but first signs of a recovery in Russia in the last quarters of 1999 (arguably due to very high oil prices and a strong devaluation of the rouble) might have a positive long-run impact on Lithuania's trade with Russia. (Some measurement problems may have also contributed to an under-recording of Lithuania's export figures as traders sought to evade customs duties levied in general and in particular by Russia.)

Large current account deficit

Lithuania spent the equivalent of around 48% of its GDP on imports, which places it quite high among EU member states while its export performance measured in relation to GDP was less outstanding in EU terms (as figure 3 shows). This discrepancy also manifested itself in a low cover rate (i.e. how much of imports are covered by export receipts), where it ranked alongside Portugal (both countries with a ratio of around 0.6) but ahead of Greece (0.4).

Fig. 2 **Lithuania's main export partners**



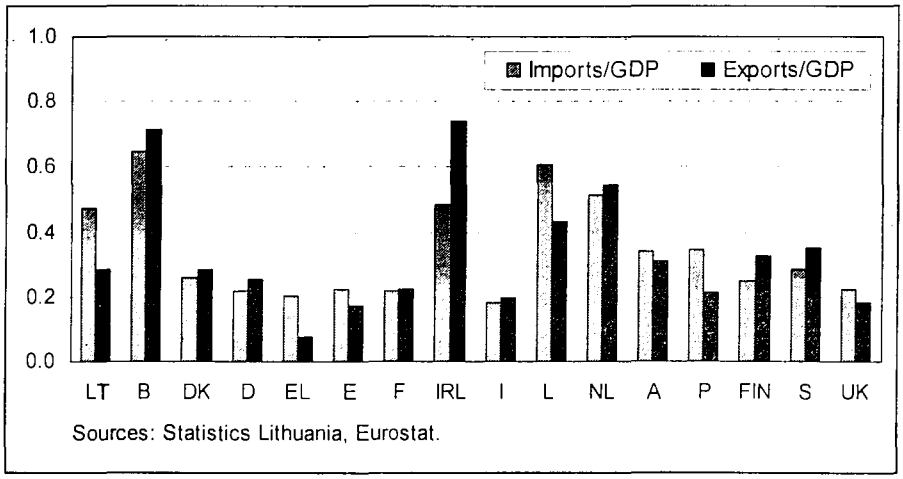
* See definition of NIS aggregate page 3.
Source: Statistics Lithuania.

Tab. 1 **Lithuania's trade by main partners, 1999**

Partners	1998	1999	Share in 1999	Variation 99/98	Annual variation 99/95
	(Mio euro)		*(%)*		*(%)*
			Imports		
Total	**4 794**	**4 349**	**100.0**	**-9.3**	**17.2**
EU-15	2 322	2 052	47.2	-11.6	22.2
Russia	972	875	20.1	-10.0	5.1
Germany	893	719	16.5	-19.5	19.1
Poland	248	235	5.4	-5.1	25.2
Utd Kingdom	184	190	4.4	3.5	24.4
Italy	204	183	4.2	-10.2	35.3
			Exports		
Total	**2 896**	**2 585**	**100.0**	**-10.8**	**13.5**
EU-15	1 209	1 371	53.0	13.4	21.7
Germany	416	436	16.9	5.0	15.1
Latvia	314	322	12.5	2.7	26.2
Denmark	134	174	6.7	30.0	36.2
Russia	417	151	5.8	-63.9	-16.0
UK	113	141	5.5	25.4	24.1

Source: Statistics Lithuania.

Fig. 3 **Lithuania in comparison to EU Member states, 1999**



Sources: Statistics Lithuania, Eurostat.

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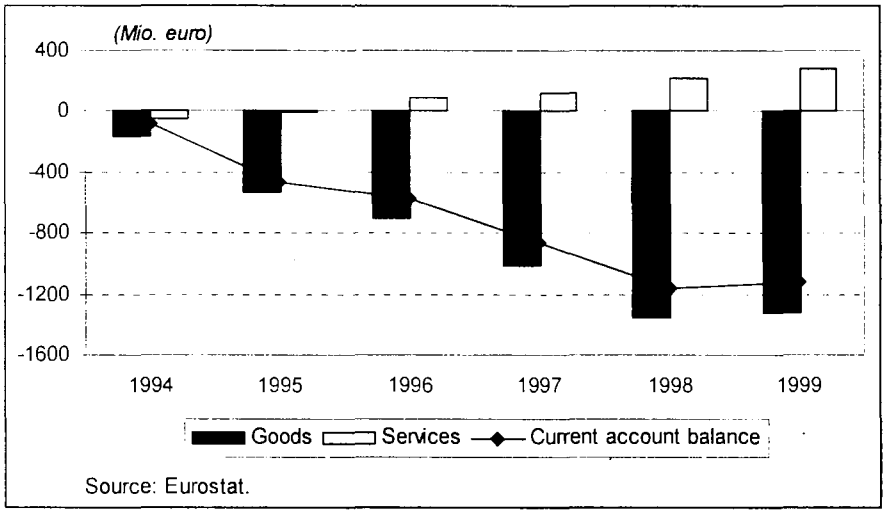
Furthermore, Lithuania's currency peg to the dollar probably has served it well in terms of providing foreign exchange (and thus trade) stability, but the tie to the dollar has meant that its currency has appreciated against the currencies of its major trading partners (as the dollar did). This in turn has made its exports dearer while imports became cheaper thus contributing to an increasing current account deficit, which reached 12% of GDP in 1998. The current account data for 1999 (see figure 4) shows a slight decrease in the deficit for 1999.

Fig. 4 **Lithuanian balance of payments : goods vs. services**



Source: Eurostat.

Refining crude oil

Its geographical location as a gateway to Russia, Belarus and the Ukraine together with access to sea shipping have made it flourish as a transit location – just like the other Baltic states. Raw materials, steel and crude oil made up the bulk of transit trade. However, substantial value added was also created - especially from imports of crude oil from Russia that were treated in one of the Baltic's largest refineries and exported on generating export receipts for Lithuania. EU-Lithuanian trade was dominated by imports of intermediary (roughly 46%) and consumer goods (around 30%) into the EU. Imports translated in terms of products into textiles and clothing, followed by wood and refined petroleum. EU exports to Lithuania on the other hand took a large share in intermediary and equipment goods (see table 2).

Tab. 2 **EU-Lithuania trade by product classified by type of use, 1999**
(Reporter: EU-15, partner: Lithuania)

Product groups (CEA)	Imports	Exports	Share in total		Annual variation 99/96	
			Imports	Exports	Imports	Exports
	(Mio euro)		(%)		(%)	
Total	**1 613**	**2 085**	**100.0**	**100.0**	**13.0**	**12.6**
Agricultural products	53	46	3.3	2.2	24.0	13.6
Food products	78	199	4.8	9.6	5.0	1.9
Consumer goods	489	345	30.3	16.5	22.9	13.5
Automobile	11	142	0.7	6.8	96.9	-3.0
Equipment goods	88	466	5.4	22.4	37.5	16.4
Intermediary goods	746	799	46.2	38.3	8.0	18.1
Energy	134	13	8.3	0.6	4.7	9.3
Miscellaneous products	12	20	0.8	1.0	0.2	-6.4

Source: Eurostat.

➢ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The country aggregates: EU: EU-15.
NIS (New Independent States): Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Uzbekistan, Russia, Tajikistan, Turkmenistan, Ukraine.

Data sources: Customs sources. Eurostat Comext database: Phare domain for Lithuania's trade with the rest of the world (from 1995 to 1999); EEC special trade domain for bilateral trade between the EU and Lithuania. Divergences between the two sources on figures concerning bilateral trade can be partly explained by the use of different methodologies and concepts.

System: Special trade (1993-1994: general trade). The slight fall in exports during 1993-95 shown in figure 1 is essentially due to a change in data methodology from general trade to special trade and not due to an actual decline in exports.

Classification. The nomenclature used in table 2 (*CEA* or *Classification for Economic Analysis*) facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators that are less geared to production analysis.

Statistical values: EU: values CIF for imports and FOB for exports; Lithuania: CIF/FOB.

In this report, 1 Bn euro= 1000 million euro

Basic figures for 1999

	Lithuania	EU-15
Population (Mio)	3.7	375.3
GDP/capita (in PPS)	6 200	21 190
Unemployment rate	14.1%	9.2%
Inflation rate	0.8% *	1.2%

* *PROXY HICP*

See also "Eurostat Statistics in focus, External trade, no .14/1998, Lithuania's foreign trade" which you can order.
For further information, please consult www.europa.eu.int/comm/eurostat

Further information:

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