

SUMMARY

- ▶ Trade turnover between Lithuania and Russia amounted to 7.3 billion euro in 2015 and decreased 3.2 billion euro or 30% compared to 2014. Exports of goods dropped 1.9 billion euro or 38%, reaching a value of 3.1 billion euro, while imports fell 1.2 billion euro or 22% until 4.1 billion euro. Despite these strong drops in imports and exports, Russia remains to be Lithuania's most important trade partner.
- ▶ Domestically produced exports to Russia dropped 279 million euro or 47% in 2015, reaching an amount of 315 million euro. The largest category in domestically produced exports in 2015 was machinery and mechanical appliances with a share of 13%, followed by plastics and articles thereof with 9% and mineral fuels and oils with 8%.
- ▶ In 2015 re-exports to Russia dropped almost 1.7 billion euro or 37% and amounted to 2.8 billion euro. The majority of re-exports of goods to Russia consisted of machinery and mechanical appliances with a share of 27%, followed by electronic machinery and equipment with 9% and optical, measuring and medical instruments with 6%.
- ▶ Exports of services to Russia in 2015 amounted to 799 million euro, which was 405 million euros or 34% less than in 2014. The majority of services exported to Russia consisted of transportation services with a share of 65%, followed by travel services with 27% and smaller shares for maintenance and repair services with 3%, ICT services with 2% and other business services with 2%.
- ▶ Last year imports of goods from Russia decreased 1.2 billion euro or 30% until a total value of 4.1 billion euro. The largest share in Lithuanian imports of goods from Russia in 2015 was taken by imports of mineral fuels and oils with a share of 81% in total Lithuanian imports of goods from that country, followed by fertilizers (4%) and salt, stone, plastering materials and cement (3%).
- ▶ In 2015 imports of services from Russia decreased 99.7 million euro or 14.2%, reaching a value of 607 million euro. Transportation services and travel services made up the majority of imports of services from Russia with shares of 53% and 42% respectively. Lithuania also imported small amounts of other business services and ICT services.
- ▶ In the first three quarters of 2016, exports of goods to Russia dropped 86 million euro or 3.8%, while imports decreased 650 million euro or 20.7%. Lithuanian produced exports to Russia in the first nine months of 2016 decreased 23 million euro or 10%, while re-exports dropped 63 million euro or 3.1%.

Table 1. Main Lithuanian-Russian bilateral trade indicators 2013–2015.

	2013		2014		2015	
	Share, %	Rank	Share, %	Rank	Share, %	Rank
Goods						
Country share in total exports of goods	19.8%	1	20.9%	1	13.7%	1
Country share in domestically produced exports	4.8%	8	4.3%	9	2.3%	15
Country share in re-exports	42.8%	1	42.7%	1	29.8%	1
Country share in imports of goods	28.1%	1	20.7%	1	16.9%	1
Services						
Country share in exports of services	22.9%	1	20.6%	1	13.3%	1
Country share in imports of services	13.1%	1	16.8%	1	14.4%	2

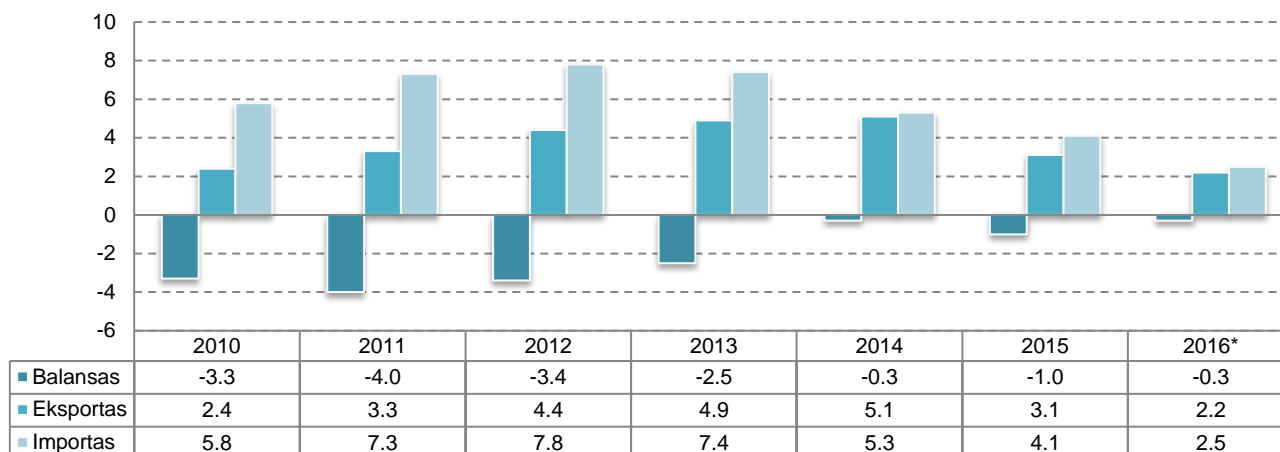
Source: statistics Lithuania, Bank of Lithuania and Enterprise Lithuania calculations.

I. MERCHANDISE TRADE BALANCE

Trade turnover between Lithuania and Russia amounted to 7.3 billion euro in 2015 and has been declining for three years in a row. Since regaining independence Lithuania has a negative merchandise trade balance with Russia. In 2015 the negative trade balance amounted to almost 1 billion euro.

In 2015, exports of goods to Russia dropped 1.9 billion euro or 38%, reaching a value of 3.1 billion euro. Exports of goods mainly decreased due to a fall of re-exports with 1.7 billion euro or 37%, while domestically produced exports were down 279 million euro or 47%. The majority of the large drop was accounted for by re-exports of electrical machinery and equipment, which decreased 423 million euro, re-exports of machinery and mechanical appliances with a decrease of 296 million euro, re-exports of vegetables with 189 million euro, re-exports of fruits and nuts with 160 million euro and domestically produced exports of dairy products with 89 million euro. In 2015, domestically produced exports made up 10% of total exports of goods to Russia, with the other 90% consisting of re-exports.

Figure 1. Lithuanian and Russian bilateral trade in goods 2010–2016*, million euro.

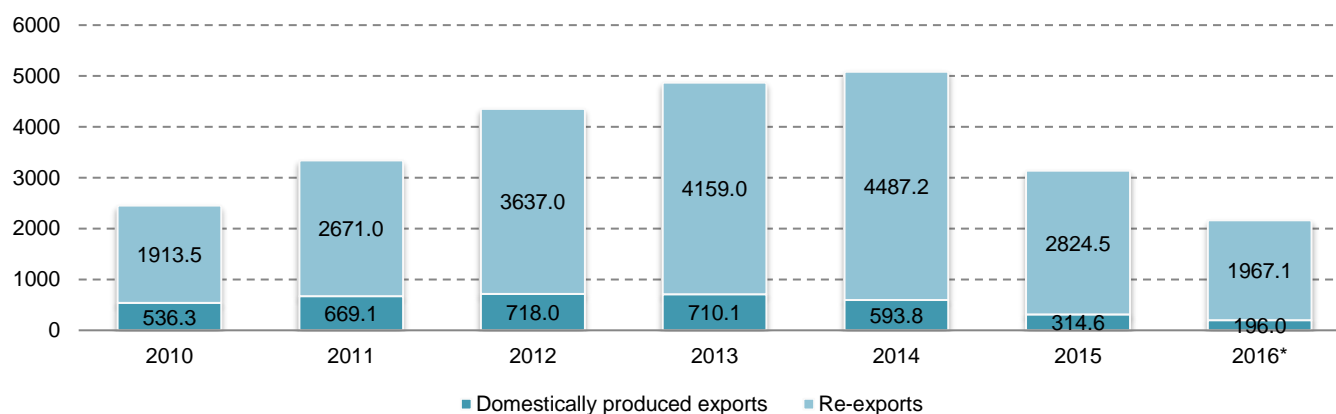


* 2016 January-September

Source: Statistics Lithuania and Enterprise Lithuania calculations.

Last year imports of goods from Russia decreased 3.2 billion euro or 30% until 4.1 billion euro. The largest share in Lithuanian imports of goods from Russia in 2015 was taken by imports of mineral fuels and oils with a share of 81% in total Lithuanian imports of goods from that country, followed by fertilizers (4%) and salt, stone, plastering materials and cement (3%). In the first nine months of 2016, imports of goods from Russia decreased with 20.7% compared to the first nine months of 2015.

Figure 2. Lithuanian exports of goods to Russia 2010-2016*, million euro.



* 2016 January-September

Source: Statistics Lithuania and Enterprise Lithuania calculations.

II. DOMESTICALLY PRODUCED EXPORTS

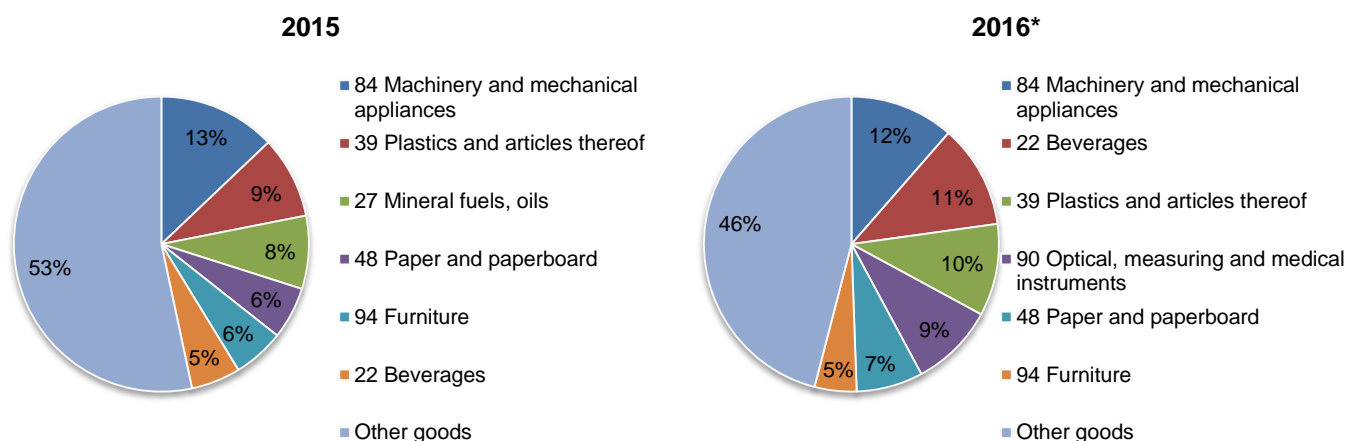
In 2015 Russia was only ranked 15th on the list of most important partners measured by domestically produced exports, while in 2013 Russia ranked 8th. Domestically produced exports to Russia dropped 279 million euro or 47% in 2015, which was the third year in a row that a decrease was reported, reaching a value of 315 million euro. Exports of dairy products accounted for a decrease of 89 million euro, which is a result of the Russian government's food import embargo, because in the first seven months of 2014, Lithuanian producers could still export dairy products to Russia. Other food categories also were cut off from the Russian market due to the embargo, such as meat which decreased 25 million euro, preparations of meat and fish which fell with 6 million euro, miscellaneous edible preparations which decreased 6 million euro, fish decreased with 3 million euro and vegetables with 2 million euro.

Due to the recession in Russia and the strong devaluation of the Russian ruble, other categories also reported strong declines. Electrical machinery decreased with 35 million euro, transport equipment with 27 million euro, beverages with 18 million euro and machinery and mechanical appliances with 14 million euro. Only few categories reported positive growth, among which mineral fuels and oils were the most significant with an increase of 11 million euro, followed by wadding, special yarns, twine and cables with 4 million euro and salt, stone, plastering materials and cement with 4 million euro.

During the first nine months of 2016, domestically produced exports to Russia decreased further, reporting a 23 million euro or 10% decrease compared to the same period in 2015.

Domestically produced exports to Russia are rather diversified. The largest category in domestically produced exports in 2015 was machinery and mechanical appliances with a share of 13%, followed by plastics and articles thereof with 9% and mineral fuels and oils with 8%.

Figure 3. Structure of domestically produced exports to Russia in 2015 and 2016, %.



* 2016 January-September

Source: Statistics Lithuania and Enterprise Lithuania calculations.

With an amount of almost 41 million euro, the largest category in 2015 was machinery and mechanical appliances. Last year exports in this category dropped 14 million euro or 26%. The most important exported items in this category were centrifuges for filtering or purifying water, air-conditioning systems, intake air filters for internal combustion engines and turbo compressors. During the first nine months of 2016, exports in this category dropped 9 million euro or 29% compared to the same period in 2015.

The second largest category was plastics and articles thereof, which had a share of 9% in total domestically produced exports to Russia and amounted to 28 million euro. More than half of exports in this category was made up of plates, sheets, film, foil and strip. It further consisted of plastics in primary form and sacks and bags. The first three quarters of 2016 saw domestically produced exports of plastics and articles thereof to Russia decreasing with 1 million euro or 6%.

Mineral fuels and oils were the third largest category and made up around 8% of total domestically produced goods to Russia in 2015. Exports amounted to 25 million euro and were mainly made up of gas oils and motor oils, compressor lube oils and turbine lube oils. The first nine months of 2016 exports of mineral fuels and oils grew 1 million euro or 12%.

The fourth largest category was paper and paperboard with an exported value of 18 million euro and a share of 6% in total domestically produced exports to Russia. In 2015, exports of paper and paperboard to Russia declined 25% or 6 million euro. Almost three quarters of exports in this category were made up of cartons, boxes, cases, bags and other packing containers. Other items in this category were corrugated paperboard and paper or paperboard labels. During the first three quarters of 2016 exports in this category grew 2 million euro or 15% compared to the same period a year earlier.

Furniture was the fifth largest category with an exported value of almost 18 million euro. In 2015 furniture had a share of around 6% in total domestically produced exports to Russia. In 2015, Lithuanian furniture producers saw their export turnover in Russia declining with 11 million euro or 38%. Most Lithuanian produced furniture exports to Russia consisted of wooden furniture, prefabricated buildings and furniture parts. The first nine months of 2016 saw a decline of 4 million euro or 33%.

Table 2. Domestically produced exports of goods to Russia by commodity category 2010–2016*, million euro.

	2010	2011	2012	2013	2014	2015	2016*
Total	536.3	669.1	718.0	710.1	593.8	314.6	196.0
84 Machinery and mechanical appliances	34.5	44.8	60.4	54.0	54.6	40.6	22.4
39 Plastics and articles thereof	35.4	29.0	33.1	39.1	38.5	28.3	19.8
27 Mineral fuels, oils	10.3	43.9	11.3	11.4	9.3	25.2	7.6
48 Paper and paperboard	18.1	22.7	22.2	22.5	23.9	18.0	14.3
94 Furniture	14.9	23.1	29.0	32.7	28.5	17.7	9.0
22 Beverages	8.5	16.2	18.9	28.3	35.2	17.0	22.3
25 Salt, stone, plastering materials and cement	7.5	11.7	14.5	15.5	9.6	13.9	3.4
44 Wood and articles of wood	8.9	12.1	17.6	23.6	16.5	11.3	5.0
56 Wadding, special yarns, twine, ropes and cables	2.6	3.6	3.8	5.8	7.1	11.0	7.5
28 Inorganic chemicals	2.5	2.7	10.4	8.3	10.8	9.8	6.8
Other goods	393.0	459.3	496.8	468.9	359.7	122.0	77.9

* 2016 January-September

Source: Statistics Lithuania and Enterprise Lithuania calculations.

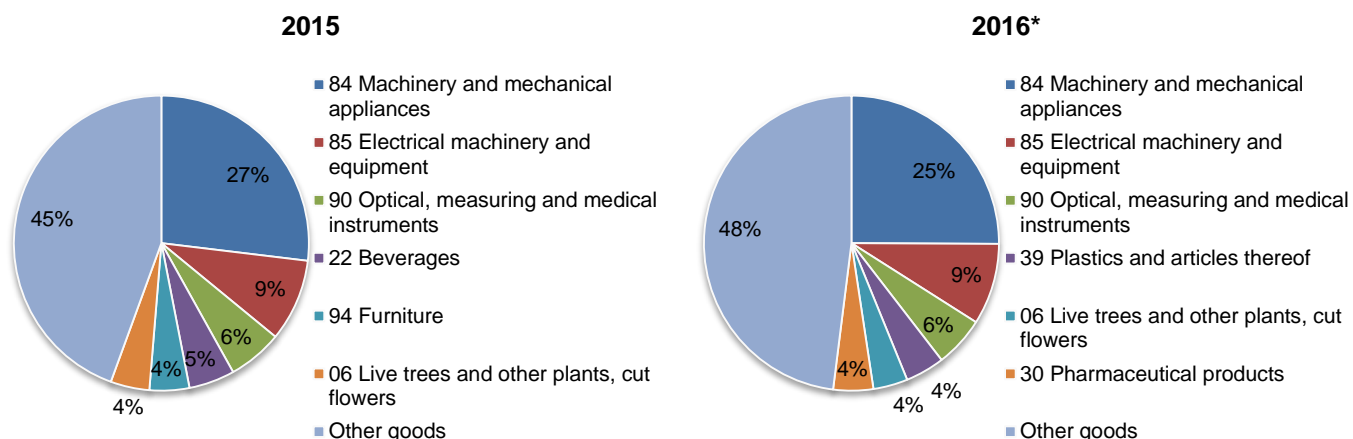
III. RE-EXPORTS OF GOODS

Russia is by far still the most important market for Lithuanian re-exports, but the share of Russia has been dropping sharply from almost 43% in 2013 to less than 30% in 2015. In 2015 re-exports to Russia dropped almost 1.7 billion euro or 37% and amounted to 2.8 billion euro. The majority of the large drop was accounted for by electrical machinery and equipment, which decreased 423 million euro. Machinery and mechanical appliances also had a strong decrease with 296 million euro. Part of the decline was also due to the Russian government's food import embargo with declines for vegetables amounting to 189 million euro and fruits and nuts to 160 million euro. These and the declines of other food categories are due to the fact that the embargo was issued on August

2014 and in the 7 months leading up to the embargo, Lithuanian traders were able to re-export products to Russia. In 2015, most other large categories reported a decline as well, with the exception of pharmaceutical products, which grew 57 million euro and plants and flowers which grew 31 million euro.

In the first three quarters of 2016, Lithuanian re-exports to Russia decreased 3.1%, but in the third quarter there was a year-on-year growth of 2.9%. The best performing categories in 2016 are re-exports of essential oils, perfumery and cosmetics which grew 25 million euro, pharmaceutical products which grew 21 million euro and plastics and articles thereof which grew 16 million euro.

Figure 4. Structure of re-exports to Russia in 2015 and 2016*, %.



* 2016 January-September
Source: Statistics Lithuania and Enterprise Lithuania calculations.

In 2015, the largest category in re-exports to Russia consisted of machinery and mechanical appliances with a share of 27%. Products in this category are very diverse, but the largest items consisted of injection-moulding machines, machinery for the preparation of meat or poultry and air-conditioning systems. Compared to 2015 re-exports of machinery and mechanical appliances to Russia dropped 28% or 296 million euro. In the first nine months of 2016, the decline continued, as 91 million euro or 16% was less re-exported to Russia than in the same period last year.

The second largest category was electrical machinery and equipment with a share of 9%. The majority of products in this category were composed of electrodes, telephones, electrothermic appliances for coffee and tea, electric generating sets and rotary converters. 2015 saw a large drop in re-exports of electrical machinery and equipment to Russia with a decrease of 423 million euro or 62%. In the first three quarters of 2016, there was a growth reported of 7 million euro or 4% compared to the same period in 2015.

The third largest category in 2015 was optical, measuring and medical instruments with a share of 6%. The most re-exported products that can be found in this category are renal dialysis equipment (artificial kidneys, kidney machines and dialysers), transfusion apparatus, syringes, needles, catheters and measuring or checking instruments. 2015 saw re-exports of this category to Russia decreasing with 43 million euro or 20% and this decrease has been reversed in the first three quarters of 2016 when a growth was reported of 14.5 million euro or 15% compared to the first three quarters of 2015.

Table 3. Re-exports of goods to Russia by commodity category 2010–2016*, million euro.

	2010	2011	2012	2013	2014	2015	2016*
Total	1913.5	2671.0	3637.0	4159.0	4487.2	2824.5	1967.1
84 Machinery and mechanical appliances	336.2	514.9	725.9	784.8	1055.8	760.2	493.4
85 Electrical machinery and equipment	131.4	180.5	241.4	302.1	677.8	254.9	175.4
90 Optical, measuring and medical instruments	49.4	89.0	147.7	139.0	212.0	168.9	109.0
22 Beverages	73.3	102.8	150.4	199.0	198.0	141.9	84.5
94 Furniture	43.3	68.9	108.1	155.6	167.2	123.2	74.3
06 Live trees and other plants, cut flowers	10.7	19.2	30.8	61.7	89.5	120.4	86.1
30 Pharmaceutical products	2.2	3.3	9.2	17.5	61.9	119.0	85.3
39 Plastics and articles thereof	77.0	96.8	128.1	149.8	144.8	105.8	92.6
62 Not knitted articles of apparel and clothing	43.7	69.7	88.5	144.6	136.5	89.9	62.4
33 Essential oil, perfumery and cosmetics	32.8	46.0	55.3	67.9	80.5	87.1	78.6
Other goods	1113.4	1479.9	1951.4	2137.0	1663.1	853.3	625.7

* 2016 January-September
Source: Statistics Lithuania and Enterprise Lithuania calculations.

IV. EXPORTS OF SERVICES

Russia is the most important partner measured by exports of services, but the relative importance (share) of Russia has strongly declined since 2013. Exports of services to Russia in 2015 amounted to 799 million euro, which was 405 million euros or 34% less than in 2014. It was already the second year in a row that exports of services to Russia decreased. The largest drop was reported by transportation services with a decrease of 359 euro, followed by travel services with 32 million euro less. There was also negative growth reported by maintenance and repair services and personal, cultural and recreational services with a decrease of 14 and 5

million euro respectively. Other business services and ICT services were able to report positive growth numbers with increasing export turnovers in Russia of 4 million euro and 3 million euro respectively.

The majority of services exported to Russia consisted of transportation services with a share of 65%, followed by travel services with 27% and smaller shares for maintenance and repair services with 3%, ICT services with 2% and other business services with 2%.

Table 4. Exports of services to Russia by Balance of Payments category 2013–2015, million euro.

	2013	2014	2015
Total	1234.6	1204.2	799.1
Transportation services	929.8	876.5	517.7
Travel services	264.3	251.2	218.9
Maintenance and repair services		40.1	26.0
ICT services	12.2	12.1	15.1
Other business services	9.6	10.7	15.0
Other services	18.8	13.6	6.5

Source: Bank of Lithuania and Enterprise Lithuania calculations.

V. IMPORTS OF GOODS

Russia is the most important trade partner measured by imports of goods, but the share of Russia in total imports of goods has been declining in recent years. In 2015 Lithuania imported goods from Russia for an amount of 4.1 billion euro, which was 1.2 billion euro or 22% less than in 2014. That was the third year in a row that imports from Russia reported negative growth. The decrease was mainly caused by a drop in imports of mineral fuels with 1.3 billion euro. A decrease in imports of railway wagons and parts thereof with 10.6 million euro and residues and waste from the food industries with 8.3 million euro also contributed to the decline. On the other hand, imports of fertilizers showed a strong growth with an increase of 49.6 million euro and so did imports of salt, stone, plastering materials and cement which grew 37.8 million euro. In the first nine months of 2016, imports of goods from Russia further decreased with 20.7% compared to the first nine months of 2015.

The largest share in Lithuanian imports of goods from Russia in 2015 was taken by imports of mineral fuels and oils with a share of 81% in total Lithuanian imports of goods from that country, followed by fertilizers (4%) and salt, stone, plastering materials and cement (3%).

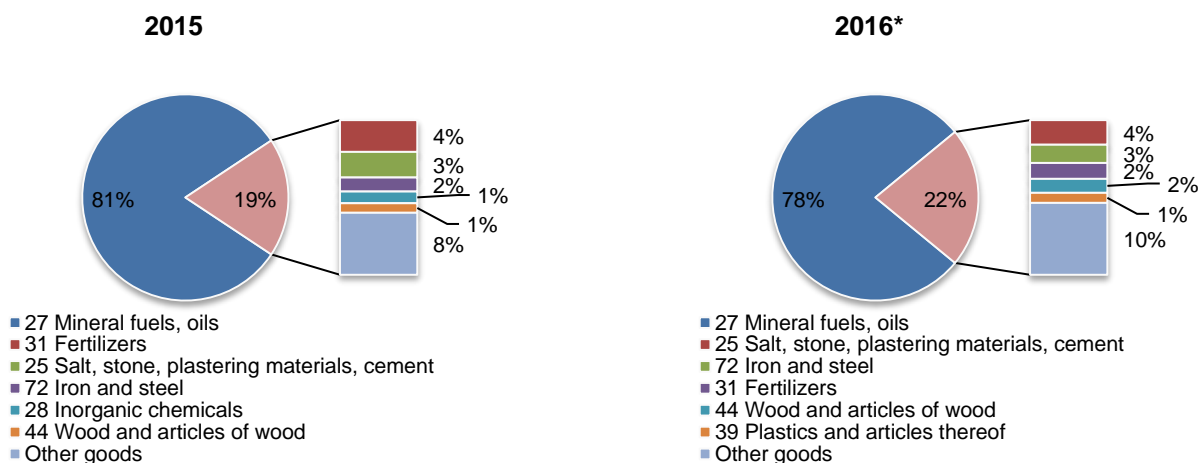
Mineral fuels and oils are the most important category measured by imports of goods. The strong decline of 1.3 billion euro or 28.1% in 2015 is caused by a strong collapse in oil prices and Lithuania's possibility to purchase natural gas from other countries than Russia due to the opening of the LNG terminal at the end of 2014. The imported amount of 3366 million euro in 2015 consisted mostly out of crude oil. That crude oil is mainly used by the ORLEN oil refinery in Mažeikiai. Lithuania also imported natural gas, gas oil and electric current. In the first three quarters of 2016, imports of mineral fuels and oils from Russia further declined with 25.1% compared to the first three quarters of 2015.

The second largest category in imports of goods from Russia in 2015 consisted of fertilizers. Compared to 2014, imports of fertilizers from Russia increased with 49.6 million euro or 45.6%. The first nine months of 2016 saw a decline in imports of fertilizers with 48.5% compared to the same period last year.

The third most important category was salt, stone, plastering materials and cement, which comprised 3% of total imports of Lithuania from Russia. Imports in this category increased with 37.8 million euro or 42%, reaching a value of 158 million euro. The majority of imports in this category consisted of calcium phosphates and crude or unrefined Sulphur. Imports in this category grew further in the first nine months of 2016 with a growth of 4% compared to the same period in 2015.

The fourth category was iron and steel with a share of 2%. In 2015 imports of iron and steel from Russia grew 5.5 million euro or 8.5%. The majority of imports in this category consisted of bars and rods and flat-rolled products. In the first three quarters iron and steel imports from Russia increased further with 15.3%.

Figure 5. Structure of imports of goods from Russia in 2015 and 2016*, %.



* 2016 January-September

Source: Statistics Lithuania and Enterprise Lithuania calculations.

Table 5. Imports of goods from Russia by commodity category 2010–2016*, million euro.

	2010	2011	2012	2013	2014	2015	2016*
Total	5757.7	7315.7	7792.5	7368.3	5347.8	4137.7	2484.8
27 Mineral fuels, oils	5253.4	6660.4	7071.7	6645.8	4684.3	3366.8	1940.3
31 Fertilizers	75.3	104.5	126.8	122.0	108.7	158.4	56.0
25 Salt, stone, plastering materials, cement	82.1	108.0	105.4	129.3	89.9	127.7	86.6
72 Iron and steel	43.2	47.0	65.9	61.9	64.5	69.9	64.1
28 Inorganic chemicals	81.7	68.5	67.0	66.5	64.7	58.3	30.9
44 Wood and articles of wood	21.8	28.2	26.1	28.9	38.8	47.6	49.2
39 Plastics and articles thereof	13.0	24.8	29.8	39.0	36.2	44.5	35.4
84 Machinery and mechanical appliances	19.8	30.1	19.8	24.3	29.8	28.9	14.4
15 Animal or vegetable fats and oils	9.4	19.8	43.6	38.8	34.2	28.5	21.0
29 Organic chemicals	28.4	43.3	53.3	29.0	22.3	21.9	18.6
Other goods	129.8	181.2	183.0	182.9	174.3	185.3	168.1

* 2016 January-September

Source: Statistics Lithuania and Enterprise Lithuania calculations.

VI. IMPORTS OF SERVICES

In 2015 Russia was the second most important partner measured by imports of services. Last year imports of services from Russia decreased almost 100 million euro or 14%, reaching a value of 607 million euro. This decrease was mainly due to a decrease in imports of transportation services with 99 million euro. Imports of ICT services and other business services also decreased with 2 million euro and 1 million euro respectively. In 2015 imports of travel services grew with 2 million euro or 1%.

Transportation services and travel services make up the majority of imports of services from Russia with shares of 53% and 42% respectively. Lithuania also imports small amounts of other business services and ICT services.

Table 6. Imports of services from Russia by Balance of Payments category 2013–2015, million euro.

	2013	2014	2015
Total	530.3	706.7	607.0
Transportation services	391.6	420.6	321.5
Travel services	109.3	251.3	253.4
Other business services	8.0	12.5	11.2
ICT services	7.3	10.9	8.6
Government goods and services	6.5	5.3	5.9
Other services	7.7	6.1	6.4

Source: Bank of Lithuania and Enterprise Lithuania calculations.

VII. PERSPECTIVE SECTORS

Before the food import embargo, exports to Russia were an important source of revenue for the Lithuanian food industry, especially for meat and dairy products. The Russian Federation is undergoing a deep recession but seems to be on a path of recovery. In addition, the Russian ruble devaluated strongly vis-a-vis the euro in recent years. This makes it hard for Lithuanian producers and traders to enter or increase their exporting activities in the Russian market. However, despite these difficulties, Russian imports of textiles and clothing and chemicals have started to grow again in the first 8 months of 2016. There was also a modest increase of Russian imports of electrical machinery and optical, measuring and medical instruments.

IX. RUSSIAN IMPORTS OF GOODS

In 2015, Lithuania was the 56th most important import partner for Russia. In 2015 Russian imports of goods from the world decreased 103.9 billion euro or 24% and in 2014 28.3 billion euro or 9%. In the first 8 months of 2016, compared to the first 8 months of 2015, Russian imports of goods decreased 3.5 billion euro or 3.4%.

Table 7. Russian imports of goods by country, billion euro.

	2011	2012	2013	2014	2015
Total	219.8	245.9	237.1	215.6	164.7
China	34.5	40.3	40.0	38.3	31.7
Germany	26.9	29.8	28.5	24.8	17.1
United States of America	9.2	12.1	12.6	14.0	10.4
Belarus	10.4	10.1	10.5	9.3	7.2
Italy	9.5	10.4	11.0	9.5	7.1
Japan	10.8	12.2	10.2	8.2	6.1
Ukraine	14.4	14.0	11.9	8.1	5.1
France	7.1	10.7	9.8	7.9	5.0
Republic of Korea	8.3	8.5	7.8	6.8	4.1
Kazakhstan	5.0	7.3	4.3	5.4	3.9
Other countries	88.7	97.8	94.8	88.8	70.8

Source: Trademap.

Table 8. Russian imports by commodity group, billion euro.

	2011	2012	2013	2014	2015
Total	219.8	245.9	237.1	215.6	164.7
84 Machinery and mechanical equipment and parts thereof	37.1	45.0	42.9	39.2	30.8
85 Electrical machinery and equipment and parts thereof	22.2	27.7	26.8	25.4	19.0
87 Transport equipment and parts thereof	27.2	34.7	30.3	23.6	13.9
30 Pharmaceutical products	9.5	10.4	11.0	9.6	7.8
39 Plastics and articles thereof	7.2	8.9	8.6	8.3	6.9
90 Optical, measuring and medical instruments	5.5	8.2	6.7	6.0	4.6
73 Articles of iron and steel	5.6	5.9	6.2	5.2	3.7
08 Fruits and nuts	4.5	4.9	4.8	4.1	3.6
72 Iron and steel	4.5	5.0	4.4	4.3	3.0
28 Non-organic chemicals	2.1	2.6	2.6	2.5	2.9
Other goods	94.5	92.6	92.8	87.4	68.6

Source: Trademap.