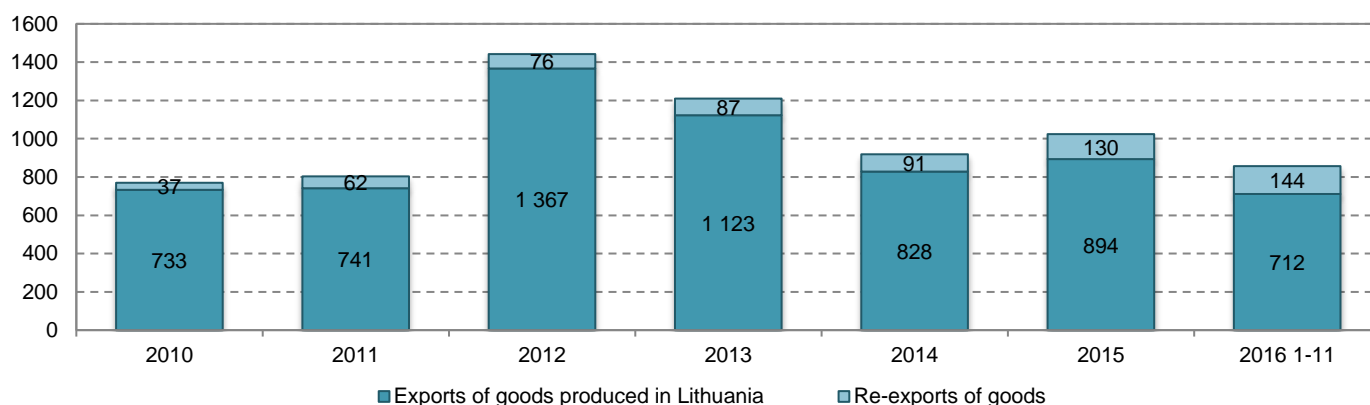


**SUMMARY**

- ▶ In 2015 trade turnover in goods between the United Kingdom and Lithuania decreased 12%. Total exports of goods to the United Kingdom amounted to more than 1 billion euro in 2015, which was 12% more than in 2014, while imports of goods from the United Kingdom decreased with 31.3%. In the first eleven months of 2016, turnover decreased 10% compared to the same period in 2015, with exports decreasing 9% and imports 11%.
- ▶ In 2015, 87% of exports of goods to the United Kingdom were domestically produced, while the remaining 13% were re-exports.
- ▶ In 2015 the export value of domestically produced exports to the United Kingdom increased with 8% to reach a value of 894 million euro. The growth was mainly driven by a strong increase in exports of furniture, wood products and grain. About a quarter of domestically produced exports to the United Kingdom consisted of mineral fuels, followed by furniture with a share of 16% and fertilizers with 12%. During the first eleven months of 2016 the exported value of domestically produced exports to the United Kingdom was about 14.9% smaller than in 2015 during the same period. This decrease was mainly accounted for by mineral fuels, which fell by 72%.
- ▶ In 2015, the value of re-exports to the United Kingdom grew 47.5% until 133.7 million euro. The majority of re-exported goods to the United Kingdom consisted of pharmaceutical products with a share of 23%, wood with 8.8% and electronic machinery and equipment with 7.7%. In the first eleven months of 2016, re-exports increased a further 32.8%.

**Figure 1. Lithuanian exports to the United Kingdom 2010-2016 1-11, million EUR.**



Source: Statistics Lithuania and Enterprise Lithuania calculations.

- ▶ In 2015 the export value of services to the United Kingdom equalled 252.4 million euro, 26% more than in 2014. In 2015 exports of services mainly consisted of transport services which comprised 62.6% of total exports of services to the United Kingdom, the second place was taken by other business services with 13.5% and the third place was taken by IT services with a share of 9.9%. In the first three quarters of 2016, exports of services to the United Kingdom increased 33.8%.

**Table 1. Bilateral trade between Lithuania and the United Kingdom 2013-2015.**

	2013		2014		2015	
	Share, %	Rank	Share, %	Rank	Share, %	Rank
<b>Goods</b>						
Share of partner country in total exports of goods	4.93 %	7	3.77 %	8	4.47 %	7
Share of partner country in domestically produced exports of goods	7.57 %	3	5.98 %	6	6.62 %	5
Share of partner country in re-exports of goods	0.90 %	10	0.86 %	12	1.41 %	9
Share of partner country in imports of goods	2.37 %	12	4.22 %	7	2.95 %	11
<b>Services</b>						
Share of partner country in exports of services	3.34 %	9	3.40 %	9	4.21 %	8
Share of partner country in imports of services	5.83 %	5	5.83 %	6	5.22 %	6

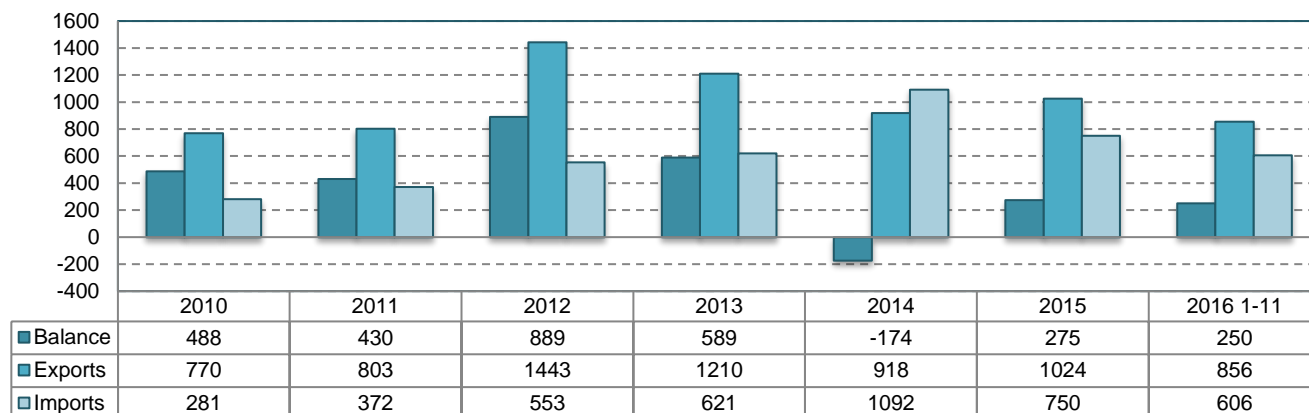
Source: Statistics Lithuania, Bank of Lithuania and Enterprise Lithuania calculations.

- ▶ In 2015 Lithuania had a trade surplus of goods amounting to 250 million euro, while in 2014 Lithuania had a trade deficit with the United Kingdom of 174 million euro. During the first eleven months of 2016, Lithuania again reported a trade surplus of goods with the United Kingdom, amounting to 250 million euro.
- ▶ In 2015 Lithuania imported goods from the United Kingdom for an amount of 750 million euro, 31.3 % less than in 2014. Imports of goods from the United Kingdom were dominated by machinery and mechanical appliances with a share of 23%, followed by electrical machinery and equipment with 14% and optical, measuring and medical equipment with 8%. During the first eleven months of 2016 imports fell 11.1% compared to the first eleven months of 2015.
- ▶ The value of imported services comprised 219.8 million euro which was 13.2% smaller than in 2014. Transport services remained the largest import category with a share of 41.4%, travel services with 23.8% and other business services with 8.8%. In the first three quarters of 2016, imports of services from the United Kingdom decreased 7.5%.

## I. TRADE BALANCE

In 2015 Lithuania had a trade surplus of goods amounting to 250 million euro, while in 2014 Lithuania had a trade deficit with the United Kingdom of 174 million euro. The deficit in 2014 was caused by a strong fall in exports of mineral fuels, while imports of electronic machinery grew four times (with 318.9 million euro). During the first eleven months of 2016, Lithuania again reported a trade surplus of goods with the United Kingdom, amounting to 250 million euro.

Figure 1. Bilateral trade of goods between Lithuania and UK in 2010-2016 1-11, million EUR.



Source: Statistics Lithuania.

In 2015 Lithuania had a negative trade in services balance with the United Kingdom, amounting to a deficit of 6.5 million euro, but in the first three quarters of 2015, the balance was positive with a surplus of 78 million euro. According to Balance of Payments statistics, Lithuania had a positive trade (of goods and services) balance with the United Kingdom of 262 million euro in 2015, up from a 179 million euro deficit in 2014. The first three quarters of 2016 saw a surplus of 266.5 million euro.<sup>1</sup>

## II. DOMESTICALLY PRODUCED EXPORTS

In 2015, the United Kingdom was Lithuania's 5<sup>th</sup> largest export partner measured by domestically produced exports. In 2015 the export value of domestically produced exports to the United Kingdom increased by 8% to 894 million euro. About one fourth (227.3 million euro) of total domestically produced exports to the United Kingdom was comprised of mineral fuels, however its export value decreased three years in a row, but in 2015 the drop was only 2.2% despite the strong drop in prices. The main growth drivers in 2015 were exports of furniture which increased 20.7% or 25 million euro, exports of wood products which grew 28.5% or 10 million euro, while exports of grains jumped from 0.9 million euro in 2014 to 9.3 million euro in 2015.

As was mentioned earlier, almost a quarter of total exports of domestically produced exports to the United Kingdom in 2015 consisted of mineral fuels. The export value of mineral fuels to the United Kingdom is decreasing since 2013, but in 2015 the drop was only 2.2%. Almost all exports in this category of goods was comprised of diesel fuel. The first eleven months of 2016 saw a strong drop in exports of mineral fuels to the United Kingdom of 157.7 million euro or 72.4%.

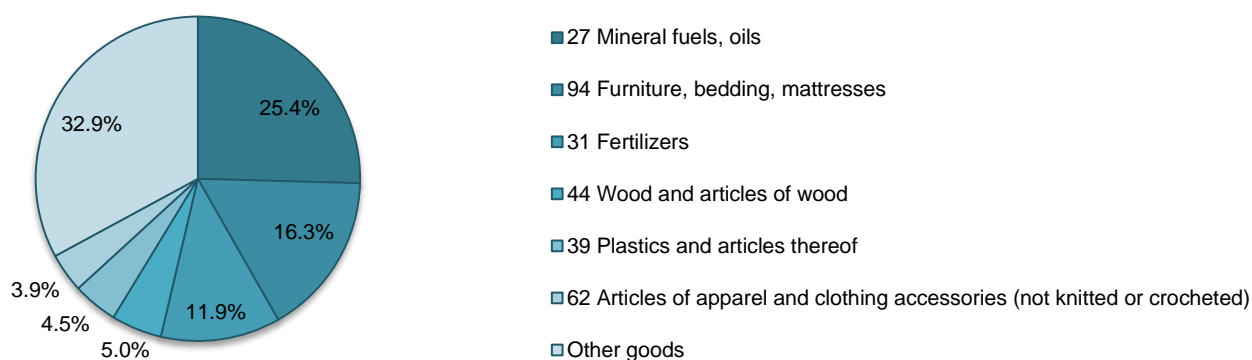
In 2015 the second place was taken by furniture, comprising 16.3% of total domestically produced exports to the United Kingdom. The export value of furniture is growing each year since 2010, and during the period of 2010-2015 increased more than twice and amounted to 146 million euro. In this category of goods about 85% of export value is comprised of furniture and chairs, and about 8.5% consisted of prefabricated wooden structures. The first eleven months of 2016 saw a further increase of 13.7% compared to 2015 during the same period.

In the third place in 2015 was exports of fertilizers, comprising almost 12% of total exports of domestically produced goods to the United Kingdom. Exports in this category decreased with 2% (or 2.2 million euro). The majority of fertilizers to the United Kingdom was made up of nitrogen fertilizers and diammonium phosphate (DAP). The first eleven months of 2016 saw a strong drop of 59.1% in this category, partly caused by significantly lower global fertilizer prices.

The fourth place in 2015 was taken by wood and articles of wood, with a share of 5% in total domestically produced exports to the United Kingdom. The export value of these products in 2015 increased by 28.5% (or 10 million euro). About 46% of the export of this category of goods was comprised of wooden window frames, doors and floor panels, about 15% was firewood and wood pellets, and 14.6% was comprised of wooden profiles. From January to November 2016, exports in this category grew almost 40% or 17.1 million euro compared to the same period in 2015.

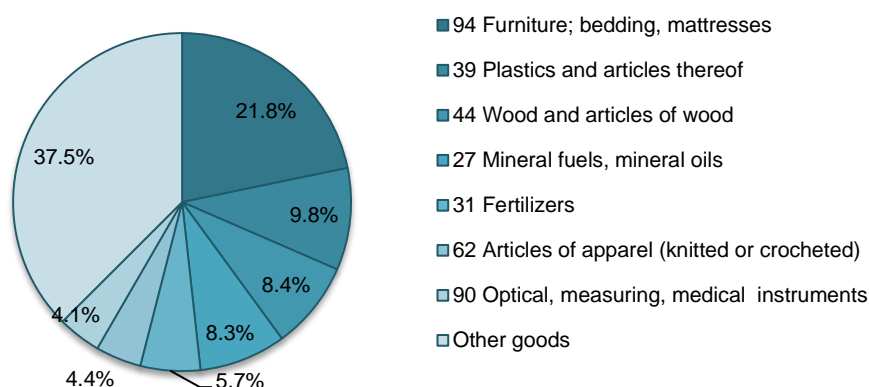
Fifth place in 2015 was taken by exports of plastics and articles thereof, making up 4.5% of total domestically produced exports to the United Kingdom. Exports of plastics and articles thereof is growing for the fourth year in a row, with a growth in 2015 of 24.2% (or 7.8 million euro). Slightly more than 42% of goods in this category consisted of carboys, boxes, and caps, while about a quarter was made up of panels, sheets and films.

<sup>1</sup> Total goods and services trade according to the Balance of Payments methodology can be found on: [http://ec.europa.eu/eurostat/product?code=bop\\_c6\\_q&mode=view&language=EN](http://ec.europa.eu/eurostat/product?code=bop_c6_q&mode=view&language=EN). Note that besides the CIF/FOB conversion, under the new Balance of Payments methodology (BPM6) goods and services trade data are no longer additive.



Source: Statistics Lithuania and Enterprise Lithuania calculations.

Figure 4. Structure of domestically produced exports to the United Kingdom in 2016 1-11, %.



Source: Statistics Lithuania and Enterprise Lithuania calculations.

Table 2. Exports of goods produced in Lithuania to the United Kingdom, million euro.

Commodity category (by CN)	2010	2011	2012	2013	2014	2015	2016 1-11
<b>Total</b>	<b>733</b>	<b>741</b>	<b>1367</b>	<b>1123</b>	<b>828</b>	<b>894</b>	<b>712</b>
27 Mineral fuels, oils	320	282	846	624	233	227	59
94 Furniture, bedding, mattresses	68	76	90	93	121	146	155
31 Fertilizers	70	106	108	84	109	107	41
44 Wood and articles of wood	22	25	22	25	35	45	60
39 Plastics and articles thereof	19	18	25	27	32	40	70
62 Articles of apparel (not knitted or crocheted)	39	37	35	36	32	35	31
23 Residues and waste from the food industries	55	42	45	36	33	27	25
90 Optical, measuring, medical instruments	16	18	22	18	20	24	30
19 Preparations of cereals, flour, starch or milk	3	9	15	18	21	22	25
61 Articles of apparel (knitted or crocheted)	8	9	13	15	18	21	18
Other goods	114	120	147	147	176	200	199

Source: Statistics Lithuania and Enterprise Lithuania calculations.

### III. EXPORTS OF SERVICES

In 2015 the export value of services to the United Kingdom amounted to 252.4 million euro, 26% more than in 2014. In 2015 the United Kingdom was the 8<sup>th</sup> largest export market for Lithuanian exporters of services. In 2015 exports of services mainly consisted of transport services which comprised 62.6% of total exports of services to the United Kingdom, second place was taken by other business services with 13.5%, and the third place by IT services with 9.9%. In 2015 the largest growth was recorded in exports of transport services which grew 37.1 million euro reaching a value of 158.1 million euro and IT services which almost doubled. In the first three quarters of 2016, exports of services to the United Kingdom increased 33.8%.

**Table 3. Exports of services to the United Kingdom, million EUR.**

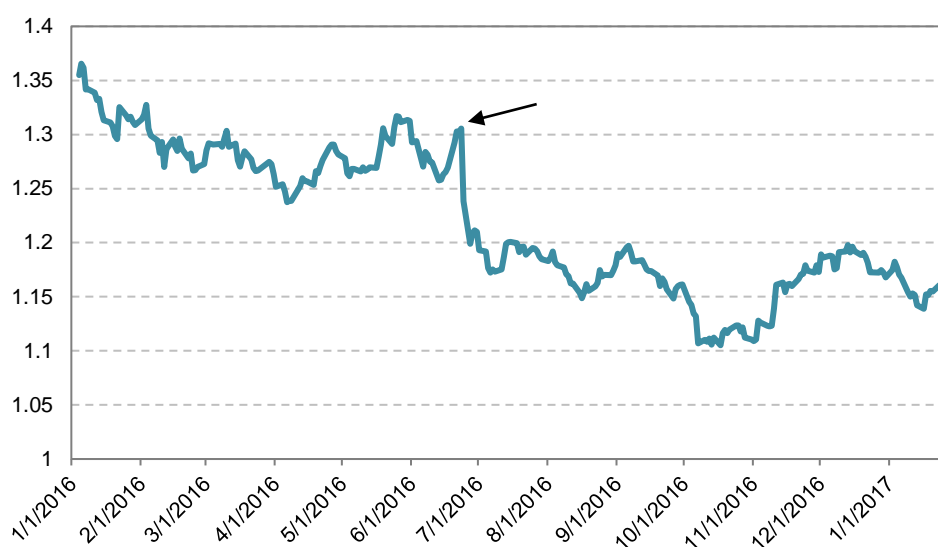
Category	2013	2014	2015	2015 annual change, %
<b>Total</b>	<b>179.8</b>	<b>200.3</b>	<b>252.4</b>	<b>26.0%</b>
Transport services	104.0	121.0	158.1	30.6%
Other business services	30.5	26.3	34.0	29.5%
Telecommunications, computer and information services	8.6	13.9	25.1	80.1%
Travel services	12.5	13.9	14.5	4.5%
Manufacturing services on physical inputs owned by others	22.2	18.1	14.3	-21.4%
Construction	0.1	1.9	2.3	22.0%
Personal, cultural, and recreational services	0.7	0.7	2.1	226.9%
Other services	1.3	4.6	2.0	-56.3%

Source: Bank of Lithuania and Enterprise Lithuania calculations.

#### IV. CURRENCY EXCHANGE RATE

As of 27 January 2017, the pound sterling (GBP) depreciated 10.1% versus the euro (EUR) since 23 June 2016, the day of the „Brexit” referendum. The pound sterling exchange rate is expected to remain volatile due to the uncertainty concerning British negotiations with the European Union.

**Figure 5. Pound sterling (GBP) versus the euro (EUR) currency exchange rate.**



Source: European Central Bank.

#### V. POTENTIAL EXPORT OPPORTUNITIES

Due to the strong fall of the pound sterling, potential export opportunities are limited, but there still have been product groups that reported import growth between July 2016 and November 2016. According to the Decision Support Model (DSM)<sup>2</sup>, the top 10 of product groups which are most promising for Lithuanian exporters in the United Kingdom contains items produced by the electro-technical engineering industry, the metal processing industry, the wood processing industry, the plastics manufacturing industry, the furniture industry and the food industry. The DSM also identified potential export opportunities in the United Kingdom for products manufactured by the clothing and apparel industry and the packaging industry.

<sup>2</sup> The Decision Support Model (DSM) is used to identify suitable export opportunities. The DSM takes into account Lithuania’s revealed comparative advantage (products in which Lithuania is a relatively strong exporter in world markets), short-term and long-term import (value) growth of the product under consideration and the degree of market concentration for this product (an assessment whether it is difficult to enter the market for that product, the lower the index, the least concentrated the import market for this product). The full list of export opportunities for Lithuanian exporters in the United Kingdom is available on request from [analitikai@versli Lietuva.lt](mailto:analitikai@versli Lietuva.lt).

**Table 4. Top-10 export opportunities for Lithuanian companies in the United Kingdom according to the Decision Support Model.**

HS six-digit product code and description	Short-term import growth (2016 Jul-Nov vs. 2015 Jul-Nov)	Long-term average import growth (2010-2015)	Import market size in 2015 (million euro)	Degree of concentration (HHI-index for 2015)
730690 Tubes, pipes and hollow profiles 'e.g., open seam, riveted or similarly closed', of iron or steel (excl. of cast iron, seamless or welded tubes and pipes and tubes and pipes having internal and external circular cross-sections and an external diameter of > 406,4 mm)	70.8%	25.1%	71.4	0.135
940600 Prefabricated buildings, whether or not complete or already assembled	17.7%	9.0%	196.6	0.091
392113 Plates, sheets, film, foil and strip, of cellular polyurethanes, unworked or merely surface-worked or merely cut into squares or rectangles (excl. self-adhesive products, floor, wall and ceiling coverings of heading 3918 and sterile surgical or dental adhesion barriers of subheading 3006.10.30)	32.2%	9.2%	120.0	0.119
940560 Illuminated signs, illuminated nameplates and the like, with a permanently fixed light source	39.9%	18.8%	30.7	0.155
902830 Electricity supply or production meters, incl. calibrating meters therefor	73.2%	28.8%	79.8	0.262
081190 Frozen fruit and nuts, uncooked or cooked by steaming or boiling in water, whether or not sweetened (excl. strawberries, raspberries, blackberries, mulberries, loganberries, black, white or red currants and gooseberries)	22.6%	9.8%	69.1	0.070
940190 parts of seats, n.e.s.	3.4%	8.4%	1243.7	0.093
620444 Women's or girls' dresses of artificial fibres (excl. knitted or crocheted and petticoats)	2.2%	16.0%	157.7	0.115
620339 Men's or boys' jackets and blazers of textile materials (excl. of wool, fine animal hair, cotton or synthetic fibres, knitted or crocheted, and wind-jackets and similar articles)	6.2%	13.3%	47.1	0.138
940330 Wooden furniture for offices (excl. seats)	6.7%	7.6%	104.6	0.099

Source: Eurostat Comext, UN COMTRADE, Statistics Lithuania and Enterprise Lithuania calculations.

## VI. IMPORTS OF GOODS

The United Kingdom was Lithuania's 8<sup>th</sup> largest import partner for goods in 2015. In 2015 Lithuania imported goods from the United Kingdom for an amount of 750 million euro, 31.3 % less than in 2014. This trend is mainly due to a more than ten times increase of the import value of wiring used in telecommunications in 2014 which were subsequently re-exported to Russia. In 2015 Lithuania did almost not import this item from the United Kingdom resulting in a 75% decrease in imports of the electronic machinery category. Other categories that saw a decrease in 2015 were machinery and mechanical appliances with 11.8% (or 23.3 million euro), plastics with 25.3% (or 14 million euro) and footwear with 35.2% (or 6.8 million euro). In 2015 most growth was recorded by imports of organic chemical products which increased six times until 20 million euro, perfumery and cosmetic preparations grew 47% (or 10.1 million euro) and miscellaneous chemical products 35.6% (or 8.6 million euro). During the first eleven months of 2016 imports fell 11.1% compared to the first eleven months of 2015.

Imports of goods from the United Kingdom were dominated by machinery and mechanical appliances with a share of 23%, followed by electrical machinery and equipment with 14% and optical, measuring and medical equipment with 8%.

In the first place according to import value in 2015 was machinery and mechanical equipment that comprised about 23% of total imports from the United Kingdom. Import of these goods dropped by 11.8% to 174 million euro. Imports in this category of goods are diverse. About 21% is made up of notebooks and similar data processing devices and about 18% are internal combustion piston engines. The shares of other goods in the structure are smaller with parts of office equipment taking a share of 5.2% and bulldozers, graders and similar equipment accounting for 4%. During the first eleven months of 2016, imports in this category dropped a further 13.1% compared to the first eleven months of 2015.

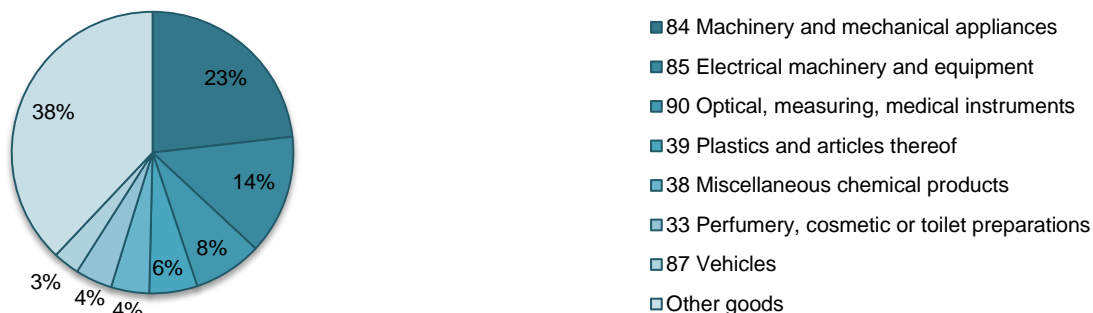
The second place in 2015 was taken by imports of electric machinery and equipment. The import value of these goods dropped almost 75%, because of the peak in imports of wiring in 2014 that was already mentioned. Despite the decline, electric machinery and equipment imports comprised 13.8% of the total value of imports from the United Kingdom. Imports of this group is also diverse, with around 13% consisting of monitors and projectors, about 11.3% consisting of telephone devices, around 10% of electric heaters and 9.5% were electric circuit apparatus. From January-November 2016 the value of imports of this group decreased by 6.3% compared to January-November 2015.

The third place was taken by optical, measurement, and medical equipment. Imports of this group of goods dropped by 9.9% (or 6.5 million euro) and took about 8% of total imports from the United Kingdom. Medical equipment is dominating in the import structure of this group of goods with a majority share of 53%, the second place is taken by devices for physical or chemical analysis with about 10%. During the first eleven months of 2016, imports of optical, measurement, and medical equipment from the United Kingdom dropped a further 21.9% compared to the first eleven months of 2015.

In the fourth place in 2015 were imports of plastics and articles thereof that dropped by 25.3% (or 14 million euro), it made up 5.5% of all imports from this trading partner. Imports in this group of goods were dominated by plastics in primary form, comprising about 51.8% of total imported plastics and articles thereof from the UK. From January-November 2016 the value of imports of this group increased again by 6% compared to January-November 2015.

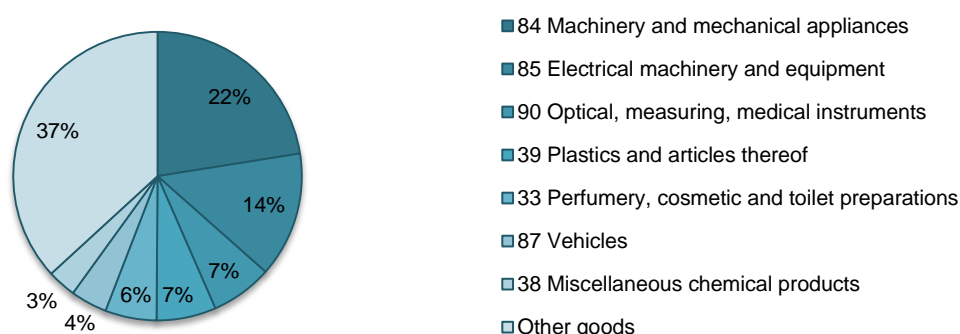
Miscellaneous chemical products in 2015 were in the fifth place measured by imported value from the United Kingdom. Compared to 2014, the imported value of these goods increased by 35.6% (or 8.6 million euro) and accounted for 4.4% of total imports from the United Kingdom. More than half of imports consisted of diagnostic or laboratory reagents with a share of around 16% and initiators of reactions represented about 15%. During the first eleven months of 2016, imports in this category dropped 38.7% compared to the first eleven months of 2015.

**Figure 6. Structure of imports of goods from the United Kingdom in 2015, %.**



Source: Statistics Lithuania and Enterprise Lithuania calculations.

**Figure 7. Structure of imports of goods from the UK in 2016 1-11, %.**



Source: Statistics Lithuania and Enterprise Lithuania calculations.

**Table 5. Imports of goods from the United Kingdom, million euro.**

Commodity category (by CN)	2010	2011	2012	2013	2014	2015	2016 1-11
<b>Total</b>	<b>281</b>	<b>372</b>	<b>553</b>	<b>621</b>	<b>1092</b>	<b>750</b>	<b>606</b>
84 Machinery and mechanical appliances	38	59	90	121	198	174	136
85 Electrical machinery and equipment	28	44	51	95	414	103	85
90 Optical, measuring, medical instruments	15	17	26	37	66	60	42
39 Plastics and articles thereof	16	24	32	54	56	41	40
38 Miscellaneous chemical products	4	7	14	14	24	33	20
33 Essential oils and resinoids; perfumery, cosmetic or toilet preparations	3	4	5	13	22	32	35
87 Vehicles	36	49	37	32	29	23	25
29 Organic chemicals	18	17	86	30	3	20	4
30 Pharmaceutical products	5	8	6	5	10	13	12
64 Footwear, gaiters and the like; parts of such articles	1	1	2	9	19	13	3
94 Furniture, bedding, mattresses	1	1	2	4	16	12	9
51 Wool, fine or coarse animal hair	6	7	10	9	12	11	10
Other goods	112	135	194	198	224	215	185

Source: Statistics Lithuania and Enterprise Lithuania calculations.

## VII. IMPORTS OF SERVICES

In 2015 the United Kingdom was Lithuania's 6<sup>th</sup> largest import partner for services. The value of imported services comprised 219.8 million euro, which was 13.2% smaller than in 2014. Transport services remained the largest import category with a share of 41.4%, travel services followed with 23.8% and other business services had a share of 8.8%. The largest decrease in imports of services from the United Kingdom was reported by travel services with 27.8 million euro or 34.7%, followed by manufacturing services with 24.6 million euro or 91% and other business services with 17.16 million euro or 46.8%. The largest increase in imports of services from the United Kingdom was reported by transport services with 25.6 million euro or 39.3%. In the first three quarters of 2016, imports of services from the United Kingdom decreased a further 7.5%.

**Table 6. Imports of services from the United Kingdom, million euro.**

Category	2013	2014	2015	2015 annual change, %
<b>Total</b>	<b>235.1</b>	<b>253.2</b>	<b>219.8</b>	<b>-13.2%</b>
Transport services	56.6	65.3	90.9	39.3%
Travel services	73.6	80.1	52.3	-34.7%
Other business services	36.3	36.5	19.4	-46.8%
Telecommunications, computer and information services	10.7	14.3	16.4	14.0%
Maintenance and repair services	0.0	12.8	12.1	-5.6%
Personal, cultural, and recreational services	3.6	5.3	10.2	92.4%
Charges for the use of intellectual property	5.7	5.5	7.7	40.9%
Insurance services	2.3	2.4	3.8	58.9%
Manufacturing services on physical inputs owned by others	42.1	27.0	2.4	-91.0%
Other services	4.1	4.0	4.5	14.5%

Source: Bank of Lithuania and Enterprise Lithuania calculations.

## VII. UNITED KINGDOM IMPORTS

In 2015 Lithuania was the 50<sup>th</sup> largest import partner for the United Kingdom.

**Table 7. United Kingdom imports by country, billion euro.**

Country	2011	2012	2013	2014	2015
<b>Total</b>	<b>515</b>	<b>536</b>	<b>495</b>	<b>522</b>	<b>567</b>
Germany	63	65	67	75	85
China	47	44	43	48	57
United States of America	44	48	41	44	52
Netherlands	34	37	40	40	43
France	28	29	31	33	35
Belgium	22	22	24	26	28
Italy	17	17	19	21	23
Spain	14	14	15	17	19
Ireland	15	15	14	15	17
Norway	27	26	19	21	17
Poland	8	9	9	10	11
Turkey	7	7	7	8	10
Canada	14	15	11	10	10
Sweden	9	11	9	9	9
Switzerland	9	21	8	8	9
Japan	14	11	8	8	9
India	8	7	7	8	8
United Kingdom <sup>3</sup>	3	4	4	7	7
Czech Republic	5	5	5	6	7
Russian Federation	9	12	8	8	6
Korea, Republic of	3	4	4	5	6
Other countries	112	114	101	96	99

Source: Trademap.

**Table 8. United Kingdom imports of goods by commodity group, billion euro.**

Commodity category (by CN)	2011	2012	2013	2014	2015
<b>Total</b>	<b>515</b>	<b>536</b>	<b>495</b>	<b>522</b>	<b>567</b>
87 Vehicles	50	47	50	57	70
84 Boilers, machinery and mechanical appliances	58	59	60	64	70
85 Electrical machinery and equipment	46	44	44	46	54
27 Mineral fuels, mineral oils	66	74	66	61	46
30 Pharmaceutical products	19	21	21	25	30
71 Natural or cultured pearls, precious or semi-precious stones, precious metals	51	65	28	27	29
90 Optical, measuring, medical instruments	12	13	13	14	16
39 Plastics and articles thereof	14	14	14	15	16
88 Aircraft, spacecraft, and parts thereof	8	10	11	13	14
61 Articles of apparel and clothing accessories (knitted or crocheted)	10	9	10	11	12
62 Articles of apparel and clothing accessories (not knitted or crocheted)	10	9	9	10	12
94 Furniture, bedding, mattresses	7	7	7	9	10
29 Organic chemicals	12	13	10	9	9
73 Articles of iron or steel	7	7	7	8	8
22 Beverages, spirits and vinegar	7	7	7	7	8
Other goods	140	138	137	146	162

Source: Trademap.

<sup>3</sup> Trade between United Kingdom and United Kingdom can be explained by re-import activities.