



LITHUANIA – CHINA BILATERAL TRADE

Review

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Enterprise
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SUMMARY

- The trade relationship between Lithuania and China is intense in imports of goods, but less so in exports of goods. The share of imports in turnover of goods between countries consisted of 82.1%, domestically produced goods 13% and re-exported goods 4.9% in 2017. The same year turnover of goods increased by 20.5% and for the first time exceeded 1 billion euros. Imports, domestically produced goods and re-exports – all grew in 2017. Trends have changed a little in the first half of 2018 with domestic exports continued to grow by 10% but re-exports and imports declining. China was 23rd largest export partner for Lithuanian producers and 13th largest import partner in 2017.
- Turnover in goods between countries has almost doubled since 2011 with imports of goods growing almost twice to 823 million euros in 2017, domestic exports increasing 2.5 times to 130 million euros and re-exports 8.8 times to 49 million euros. Lithuania has a large negative trade balance with China which increased again in 2017 to 644 million euros despite both domestically produced goods and re-exports growing faster than imports of goods. Trends have changed somewhat in the first half of 2018 with negative trade balance declining by 22.4% to 318.6 million euros mainly because of the growth of domestic exports and a small decline in imports of goods.
- In 2017 exports of domestically produced goods to China increased by 40.1% and reached a record 130 million euros. Main growth drivers were exports of wood (contributed to growth 9.7%), optical, measuring, medical instruments (contributed 6.8%) and miscellaneous chemical products (mainly diagnostic or laboratory reagents) which contributed 6.4%. Domestic exports kept growing in the first half of 2018 and recorded a 10% y-o-y increase. This time the largest contribution to growth was observed in the furniture sector and machinery. On the other hand, exports of optical, measuring, medical instruments and exports of wood have contributed negatively to growth. In the first half of 2018 domestically produced exports to China mainly consisted of furniture (32.6%), wood (15.1%) and optical, measuring, medical instruments (12.9%).
- In 2017 re-exports of goods to China increased by almost 62% and reached the value of 48.7 million euros. Main growth drivers were re-exports of machinery and mechanical appliances (contributed to growth 48.9%), mineral fuels and mineral oils (contributed 9.3%) and electrical machinery and equipment (contributed 5.5%). In the first half of 2018 re-exports of goods declined by 25.7% mainly due to 82% drop in re-exports of machinery and mechanical appliances. In the first half of 2018 re-exports of goods mainly consisted of copper (21.8%), wood (19.6%) and mineral fuels, mineral oils (12.7%).
- Trade relationship in services between countries is not so intense. In 2017 Lithuania exported services for a value of 17.5 million euros which was 16.3% more than in 2016. About two thirds of all exports of services consisted of transport services, almost one third of business services, the rest was travel and IT services.
- In 2017 Lithuania imported goods from China for an amount of 823 million EUR, which was 16.1% more than in 2016. Main growth drivers were imports of machinery and mechanical appliances (contributed to growth 5.6%), electrical machinery and equipment (contributed 4.4%) and rubber and articles thereof (contributed 1.1%). In the first half of 2018 imports of goods basically stayed at the same level, the decrease recorded was only 0.2% and was mainly caused by the 28.5% decrease in the imports of machinery and mechanical appliances. In the first half of 2018 imports of goods mainly consisted of electrical machinery and equipment (17.7%), machinery and mechanical appliances (17.3%) and furniture (5.4%).
- In 2017 Lithuania imported services from China for an amount of 19.6 million EUR, which was 47.6% more than in 2016. The growth was mainly caused by the increase in imports of transport services which were 2.2 times or 6.8 million euros higher than in 2016 and amounted to 12.3 million euros. Imports of other types of services stayed the same as a year ago. In 2017 imports of services mainly consisted of transport services (62.5%), travel services (18.4%) and other business services (9.1%).
- In 2017 Lithuania was the 112th largest import partner for China.



Figure 1. Lithuanian exports of goods to China 2011-2018 H1 million euros



Source: Statistics Lithuania and Enterprise Lithuania calculations.

Table 1. Bilateral trade between Lithuania and China 2015-2017

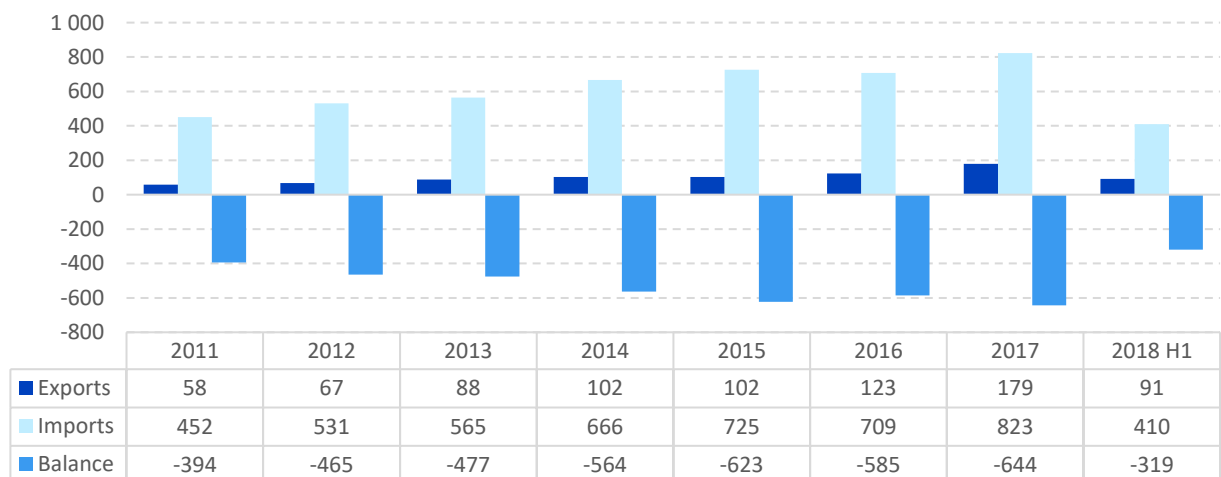
	2015		2016		2017	
	Share, %	Rank	Share, %	Rank	Share, %	Rank
Goods						
Share of partner country in total exports of goods	0.4 %	26	0.5 %	26	0.7 %	24
Share of partner country in domestically produced exports of goods	0.6 %	26	0.7 %	25	0.8 %	23
Share of partner country in re-exports of goods	0.3 %	27	0.3 %	25	0.5 %	25
Share of partner country in imports of goods	2.9 %	13	2.9 %	11	2.9 %	13
Services						
Share of partner country in exports of services	0.5 %	24	0.2 %	32	0.2 %	33
Share of partner country in imports of services	0.5 %	32	0.3 %	35	0.4 %	35

Statistics Lithuania, Bank of Lithuania and Enterprise Lithuania calculations.

I. TRADE BALANCE

Lithuania has a large negative trade of goods balance with China. In recent years negative trade balance was growing fast but since 2014 it stabilised somewhat and in the last three years fluctuates between 550-650 million euros. In the period of 2011-2017 exports of goods grew twice as fast as imports – 20.8% on average per year and imports grew 10.5% on average, but because of a much higher share of imports negative trade balance still kept increasing until it stabilised in the last years.

Figure 2. Bilateral trade of goods between Lithuania and China in 2011-2018 H1, million euro.



Source: Statistics Lithuania.



II. DOMESTICALLY PRODUCED EXPORTS

In 2017 exports of domestically produced goods to China increased by 40.1% and amounted to 130.4 million euros. The largest contributors to growth were exports of wood (9.7%), optical, measuring, medical instruments (6.8%) miscellaneous chemical (mostly diagnostic or laboratory reagents) products (6.4%) and machinery and mechanical appliances (3.3%). In the first half of 2018 domestic exports to China increased by another 10% and amounted to 69.6 million euros. This time the largest contribution to growth was observed in the furniture sector and machinery. On the other hand, exports of optical, measuring, medical instruments and exports of wood have contributed negatively to growth. In the first half of 2018 domestically produced exports to China mainly consisted of furniture (32.6%), wood (15.1%) optical, measuring, medical instruments (12.9%) and machinery and mechanical appliances (10.7%).

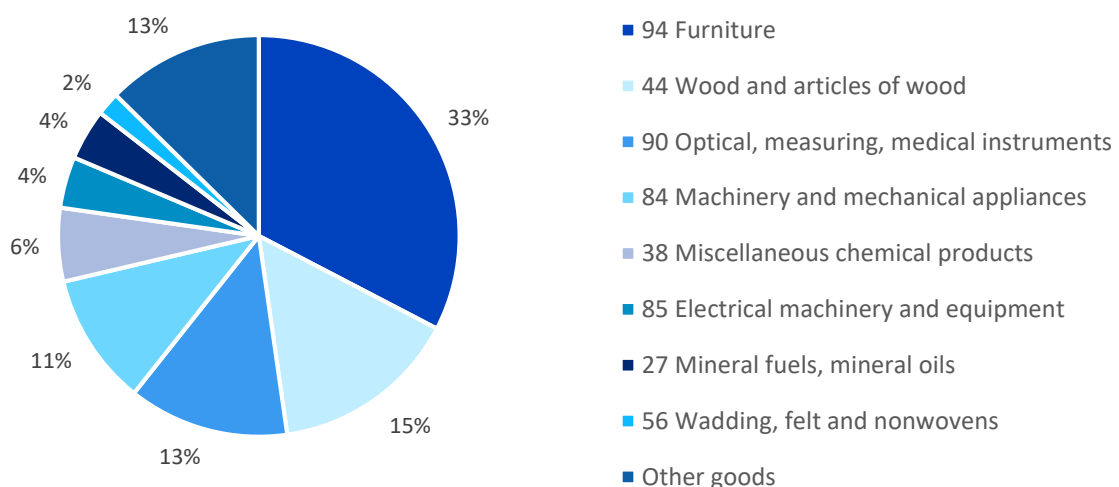
In the first half of 2018 the largest category was furniture which exports grew 29.7% y-o-y and reached the value of 22.7 million euros. Exports of domestically produced furniture grew every year since 2011 with the average yearly growth rate of 24.8% than total domestic exports to China increased by 16.5% on average every year in the period of 2011-2017. This group of goods mainly consisted of furniture (97.6%) and lamps and lighting fittings (2.2%).

In the first half of 2018 the second largest category was wood and articles of wood. Though in 2017 exports of these products grew by 46.8% and reached a value of 28.3 million, over the first half of 2018 exports of wood declined by 12.7% to the value of 10.5 million euros. Over the period of 2001-2017 exports of wood grew at an average annual rate of 4%. Exports of this category of goods in the first half of 2018 mainly consisted of wood in the rough (50.6%), chipped or sawn wood of thickness exceeding 6 mm (31.2%) and assembled flooring panels (17.4%).

In the first half of 2018 the third largest category was optical, measuring, medical instruments. Exports of these products grew by 51.6% in 2017 but a 25.3% y-o-y decline was observed in the first half 2018. In 2017 exports value amounted to 18.5 million euros and in the first half of 2018 export value was 9 million euros. Exports of domestically produced optical, measuring, medical instruments grew at an average annual growth rate of 45.8% over the period of 2011-2017. In the first half of 2018 exports of this category of goods mainly consisted of lasers (61.5%) and medical instruments (14.3%).

The fourth place was taken by machinery and mechanical appliances which exports grew 52.4% y-o-y in the first half of 2018 and reached the value of 7.4 million euros. In 2017 exports of these goods increased by 48% to 9.4 million euros. Lithuanian made machinery and mechanical appliances grew at an average annual growth rate 14.6% over the period of 2011-2017. In the first half of 2018 exports of this category mainly consisted of taps, cocks, valves and similar appliances (66.1%) and air-conditioning machines and equipment (15.4%).

Figure 3. Structure of exports of goods produced in Lithuania to China in 2018 H1, %



Source: Statistics Lithuania and Enterprise Lithuania calculations.



Table 2. Exports of domestically produced goods to China, million euro

Commodity category (by CN)	2011	2012	2013	2014	2015	2016	2017	2018 H1
Total	52.1	56.4	77.6	87.2	76.5	93.1	130.4	69.6
94 Furniture	10.1	13.5	14.8	22.9	27.5	35.6	38.2	22.7
44 Wood and articles of wood	22.4	12.4	33.7	28.1	14.4	19.3	28.3	10.5
90 Optical, measuring, medical instruments	1.9	3.6	2.9	5.4	5.5	12.2	18.5	9.0
84 Machinery and mechanical appliances	4.2	2.2	4.2	9.9	4.9	6.4	9.4	7.4
38 Miscellaneous chemical products	1.4	1.9	2.6	2.1	3.1	0.8	6.7	4.1
85 Electrical machinery and equipment	0.5	1.4	0.8	1.9	1.1	2.2	4.0	2.9
27 Mineral fuels, mineral oils	1.7	2.4	2.4	3.5	4.6	4.2	7.0	2.9
56 Wadding, felt and nonwovens	0.0	0.0	0.0	0.0	0.0	0.5	1.0	1.3
35 Albuminoidal substances; enzymes	1.4	1.4	1.8	1.6	2.5	0.7	2.5	1.2
04 Dairy produce	0.0	0.4	0.0	0.0	0.0	0.0	2.7	0.8
29 Organic chemicals	0.3	0.2	0.2	0.3	0.5	0.2	1.0	0.8
30 Pharmaceutical products	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.8
Other goods	8.1	16.9	14.1	11.6	12.4	11.2	10.1	5.1

Source: Statistics Lithuania and Enterprise Lithuania calculations.

III. EXPORTS OF SERVICES

Trade relationship in services between countries is not so intense. In 2017 Lithuania exported services for a value of 17.5 million euros which was 16.3% more than in 2016. About two thirds of all exports of services consisted of transport services, almost one third of business services, the rest was travel and IT services. In 2017 Lithuania's trade balance in services with China was also negative and amounted to 2.2 million euros.

Table 3. Exports of services to China, million euros

Balance of payments category (EBOPS 2010)	2016	2017
Transportation services	11.3	11.32
Other business services	1.42	5.64
Travel services	1.25	1.11
ICT services	0	0.87
Other services	-0.51	-1.93
Total	15.01	17.45

Source: Statistics Lithuania and Enterprise Lithuania calculations.

IV. IMPORTS OF GOODS

In 2017 Lithuania imported goods from China for an amount of 823 million EUR, which was 16.1% more than in 2016. Main growth drivers were imports of machinery and mechanical appliances (contributed to growth 5.6%), electrical machinery and equipment (contributed 4.4%) and rubber and articles thereof (contributed 1.1%). In the first half of 2018 imports of goods basically stayed at the same level, the decrease recorded was only 0.2% and was mainly caused by the 28.5% decrease in the imports of machinery and mechanical appliances. In the first half of 2018 imports of goods mainly consisted of electrical machinery and equipment (17.7%), machinery and mechanical appliances (17.3%) and furniture (5.4%) and amounted to 409.7 million euros. Over the period of 2011-2017 imports of goods from China grew at an average annual growth rate of 10.5%.

In the first half of 2018 the largest category among imports of goods from China was electrical machinery and equipment which imports grew 5.7% y-o-y and amounted to almost 77 million euros. In 2017 imports of these goods grew by 24.5% and amounted to 157.2 million euros. Over the period of 2011-2017 imports of electrical machinery and equipment grew at an average annual growth rate of 9.6%. In the first half of 2018 imports in this category of goods was well diversified but mainly consisted of telephone sets and mobile phones (13.8%), printed circuits (9%) and television cameras, digital cameras and video camera recorders (6.7%).

In the first half of 2018 the second largest category among imports of goods from China was machinery and mechanical appliances which imports declined 28.5% y-o-y to the value of 50.8 million euros. In 2017 imports of these goods grew by 48.5% to the value of 122.1 million euros. Over the period of 2011-2017 imports of

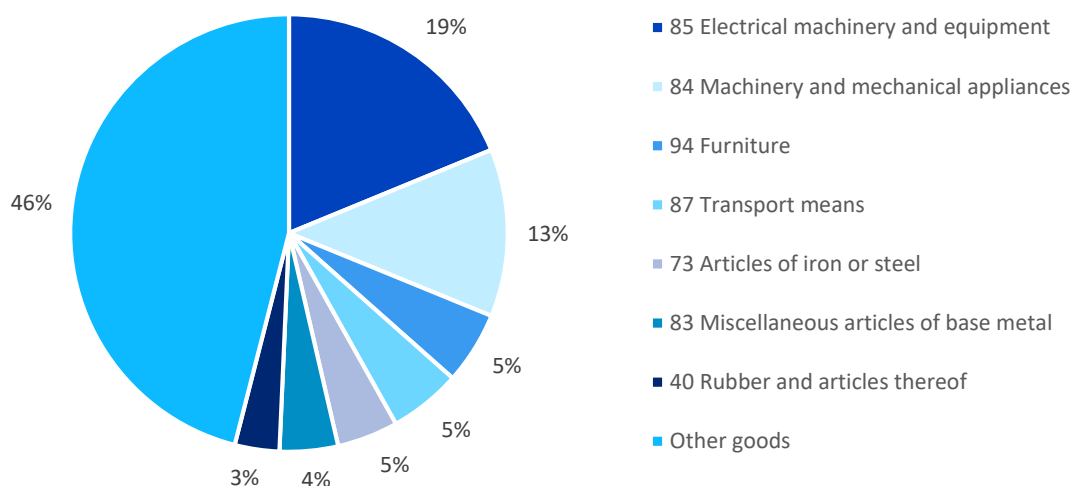


machinery grew at an average annual growth rate of 11.9%. In the first half of 2018 imports of this category mainly consisted of computers and their parts and other automatic data processing machines (26.3%), air or vacuum pumps, air or other gas compressors and fans (7.5%) and taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like (7.4%).

The third largest category among imports from China consisted of furniture which declined by 1% y-o-y in the first half of 2018 and reached the value of 22 million euros. In 2017 imports of furniture also declined by 2.2% to the value of 44.9 million euros. Despite the recent decline imports of furniture was growing at an average annual growth rate of 11% over the period of 2011-2017. Imports in this category mainly consisted of furniture (47%), lamps and lighting fittings including searchlights and spotlights and parts thereof (40.4%) in the first half of 2018.

The fourth largest category among imports from China was transport means, which imported value increased by 6.5% y-o-y in the first half of 2018 and reached the value of 21.8 million euros. In 2017 imports of transport means grew by almost 22% to the value of 37.1 million euros. Over the period of 2011-2017 imports value of transport means grew at an average annual growth rate of 9.8%. In the first half of 2018 imports in this category mainly consisted of parts and accessories for cars, trucks and similar transport means (53%) and parts and accessories for motorcycles and bicycles (37.7%).

Figure 4. Structure of imports of goods from China in 2018 H1, %



Source: Statistics Lithuania and Enterprise Lithuania calculations.

Table 4. Imports of goods from China, million euros

Commodity category (by CN)	2011	2012	2013	2014	2015	2016	2017	2018 H1
Total	451.5	531.3	565.1	666.1	725.3	708.5	822.9	409.7
85 Electrical machinery and equipment	90.8	84.2	97.7	124.0	137.6	126.3	157.2	77.0
84 Machinery and mechanical appliances	62.3	89.1	83.0	89.9	81.3	82.3	122.1	50.8
94 Furniture; bedding, mattresses	24.0	25.3	25.1	37.0	37.1	45.9	44.9	22.0
87 Transport means	21.2	21.5	28.0	29.4	32.2	30.4	37.1	21.8
73 Articles of iron or steel	21.1	24.3	23.5	26.0	40.2	28.7	36.5	18.5
83 Miscellaneous articles of base metal	19.2	26.7	25.5	28.4	30.4	31.2	35.3	17.7
40 Rubber and articles thereof	11.1	11.4	12.4	18.6	22.8	26.8	34.8	13.5
90 Optical, photographic, measuring, medical instruments	13.3	17.7	17.6	18.5	25.2	26.3	33.8	17.3
29 Organic chemicals	6.5	8.0	11.1	16.3	30.6	30.7	32.7	21.0



Commodity category (by CN)	2011	2012	2013	2014	2015	2016	2017	2018 H1
39 Plastics and articles thereof	19.3	23.5	29.9	34.9	28.6	29.0	28.8	14.5
95 Toys, games, and sports requisites	14.6	17.9	20.7	28.1	24.9	25.7	26.8	12.0
Other goods	148.0	181.8	190.4	214.8	234.5	225.2	232.9	123.6

Source: Statistics Lithuania and Enterprise Lithuania calculations.

V. IMPORTS OF SERVICES

In 2017 Lithuania imported services from China for an amount of 19.6 million EUR, which was 47.6% more than in 2016. The growth was mainly caused by the increase in imports of transport services which were 2.2 times or 6.8 million euros higher than in 2016 and amounted to 12.3 million euros. Imports of other types of services stayed the same as a year ago. In 2017 imports of services mainly consisted of transport services (62.5%), travel services (18.4%) and other business services (9.1%).

Table 5. Imports of services from China by balance of payments category, million euros

Category	2016	2017
Transport	5.51	12.27
Travel	3.52	3.62
Other business services	1.99	1.79
IT services	0.38	0.53
Other services	1.9	1.42
Total:	13.3	19.63

Source: Statistics Lithuania and Enterprise Lithuania calculations.

VI. POTENTIAL EXPORT OPPORTUNITIES

The Decision Support Model (DSM)¹ identified 2331 product groups (on 6-digit Combined Nomenclature level) with potential opportunities for Lithuanian exporting companies in China. Most potential export opportunities were identified for industrial engineering, textiles and clothing, food products, and chemical industry.

Table 6. Export opportunities for Lithuanian companies in China, according to the Decision Support Model.

Sector (according to NACE rev. 2)	Number of potential export opportunities
Textiles	394
Food products	277
Wearing apparel	225
Basic metals	163
Computer, electronic and optical products	160
Chemicals and chemical products	144
Products of agriculture, hunting and related services	121
Electrical equipment	92
Rubber and plastics products	92
Machinery and equipment n.e.c.	79
Fabricated metal products, except machinery and equipment	78
Paper and paper products	74
Wood and of products of wood and cork, except furniture; articles of straw and plaiting materials	56
Other mining and quarrying products	55

¹ 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, 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) and possible barriers to market entry for that product (tariffs). The full list of export opportunities for Lithuanian exporters in China is available on request from analitikai@enterpriselithuania.lt.



Sector (according to NACE rev. 2)	Number of potential export opportunities
Other non-metallic mineral products	41
Other manufactured goods	36
Leather and related products	36
Sewerage services; sewage sludge	28
Motor vehicles, trailers and semi-trailers	28
Other transport equipment	28
Metal ores	25
Fish and other fishing products; aquaculture products; support services to fishing	22
Publishing services	21
Beverages	20
Furniture	15
Products of forestry, logging and related services	5
Tobacco products	4
Crude petroleum and natural gas	3
Coal and lignite	2
Library, archive, museum and other cultural services	2
Motion picture, video and television programme production services, sound recording and music publishing	1
Basic pharmaceutical products and pharmaceutical preparations	1
Architectural and engineering services; technical testing and analysis services	1
Electricity, gas, steam and air conditioning	1
Coke and refined petroleum products	1
Grand Total	2331

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

VII. CHINA`S IMPORTS OF GOODS

In 2017 Lithuania was the 112th largest import partner for China.

Table 7. China`s imports by country, billion USD

Country	2013	2014	2015	2016	2017
Total	1 950	1 959	1 680	1 588	1 841
Korea, Republic of	183	190	175	159	178
Japan	162	163	143	146	165
United States of America	153	160	149	135	155
Taipei, Chinese	156	152	143	139	155
China	158	145	143	0	133
Germany	94	105	88	86	97
Australia	99	98	74	71	95
Brazil	54	52	44	46	58
Malaysia	60	56	53	49	54
Viet Nam	17	20	30	37	50
Thailand	39	38	37	39	42
Russian Federation	40	42	33	32	41
Singapore	30	31	28	26	34
Switzerland	56	41	41	40	33
Saudi Arabia	53	49	30	24	32
Indonesia	31	24	20	21	29
Other countries	564	595	449	538	491

Source: Trademap.

Table 8. China`s imports of goods by commodity group, billion USD



Country	2013	2014	2015	2016	2017
All products	1 950	1 959	1 680	1 588	1 841
85 Electrical machinery and equipment	439	424	429	413	455
27 Mineral fuels, mineral oils	315	317	199	177	248
84 Machinery, mechanical appliances	171	179	157	148	170
26 Ores, slag and ash	149	135	94	94	125
90 Optical, photographic, cinematographic, measuring, medical instruments	108	106	100	93	97
87 Transport means	74	90	70	72	79
39 Plastics and articles thereof	72	75	66	61	69
99 Commodities not elsewhere specified	105	83	7	13	67
29 Organic chemicals	66	60	48	44	56
12 Oil seeds and oleaginous fruits	43	46	40	38	44
74 Copper and articles thereof	50	47	38	33	41
88 Aircraft, spacecraft, and parts thereof	23	28	26	23	26
30 Pharmaceutical products	15	18	19	21	25
44 Wood and articles of wood	19	23	19	20	23
72 Iron and steel	21	21	18	17	21
Other products	280	307	352	323	292

Source: Trademap.