Economic situation in Lithuania

Lithuania – a member country of European Union, Eurozone, NATO and EBPO – lies on the eastern coast of the Baltic Sea. It shares its border lines with Latvia, Poland (both – EU members), Belarus, and Russian exclave of Kaliningrad Oblast.

Since joining the EU and in 2004, Lithuania has been facing a rapid nominal growth of 6.0% annually (including the impact of inflation) or real growth of 2.7% in its economy.

Not only has it been developing rapidly on economic side, but on political and social as well. This rapid development let the country to be where it is now in 2018:

16\textsuperscript{th} in Ease of Doing Business (World bank, 2017)

19\textsuperscript{th} in Index of Economic Freedom (Heritage Foundation, 2018)

41\textsuperscript{st} in Global Competitiveness Report (World Economic Forum, 2018)

29\textsuperscript{th} in Environmental Performance Index (Yale University, 2018).

\begin{center}
\begin{tabular}{l|c|c|c|c|c|c|c|l} 
 & \multicolumn{2}{c|}{2018 Q1} & \multicolumn{2}{c|}{2017 Q1} & \multicolumn{2}{c|}{Change} & 2017 & 2016 & Change \\
GDP, million EUR & & & & & & & & & \\
Lithuania TOTAL & 10,861 & 10,208 & 6.4% & 41,866 & 38,655 & 8.3% & & & \\
\end{tabular}
\end{center}

According to Statistics Lithuania, Lithuania is on a steady growth of National GDP, reaching 41.9 billion EUR in 2017 (+8.3\% vs. 2016). Part of this growth is offset by a 3.9\% annual inflation, though the net growth of 4.4\% remains high. The GDP for the first quarter of 2018 is also on a steady growth, even after taking into consideration an inflation rate of 2.3\%.

Due to high emigration in the last decade and its continuation now and due to negative birth rate, the annual growth in population up to this date is negative. Therefore, the GDP per capita over these years has risen at even a higher rate than the National GDP, reaching 14,800 EUR in 2017 (+9.7\% vs. 2016). Looking at the more recent numbers, we see a 7.3\% increase in GDP per capita in Q1 of 2018 vs Q1 of 2017.
As mentioned above, the negative slope of population number has concluded in 2.81 million people in Lithuania at the beginning of 2018 which is 39,000 people (or -1.4%) less than at the beginning of the same period in 2017.

<table>
<thead>
<tr>
<th>Population, TH</th>
<th>2018</th>
<th>2017</th>
<th>Difference, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithuania TOTAL</td>
<td>2,808,901</td>
<td>2,847,904</td>
<td>-1.4</td>
</tr>
</tbody>
</table>

On the positive note, it is worth mentioning that Foreign Direct Investments (FDI) are increasing year after year, meaning that foreign investors despite shrinking population are more eager to do their business here in Lithuania each year. Per the latest data of the 1st quarter of 2018, 15.2 billion EUR is invested in Lithuania as FDI and this is 993 million EUR higher as compared to the corresponding quarter in 2017 (+7.0%).

<table>
<thead>
<tr>
<th>FDI, million EUR</th>
<th>2018 Q1</th>
<th>2017 Q1</th>
<th>Change</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithuania TOTAL</td>
<td>15,192</td>
<td>14,199</td>
<td>7.0%</td>
<td>13,926</td>
<td>13,497</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

For more information about Lithuania’s business environment, please check a recent analysis made by Invest Lithuania.
Klaipėda – a crossroad of trade routes

About Klaipėda

Klaipėda is the third largest city in Lithuania lying on the western side of Lithuania on the coast of the Baltic Sea. It is a regional business, education, culture, tourism and administration centre. Historically, the city was a very important crossroad for various trade routes, as it was the place where North met South and East met West. Such an importance remains nowadays as well as Klaipėda is an only seaport city of Lithuania, a country with an external boarder of European Union and Schengen area.

Klaipėda has a multipurpose, universal, deep-water ice-free port, providing high quality services which makes Klaipėda the most important and biggest Lithuanian transport hub, connecting sea, land and railway routes from East to West.

Continuous investment in the development of the port makes it the biggest EU seaport on the Eastern coast of the Baltic sea per cargo handled.

Moreover, Klaipėda was the first city among the three Baltic States where the Free Economic Zone (FEZ) was established in 2002. Since then, more than 100 companies started their operations there, including the leading companies in their industry - more than 600 million EUR has already been invested in the FEZ.

Economic situation in Klaipėda

Population and Employment

According to Statistics Lithuania, there were 148.9 thousand people living in the city as of January 2018, facing a decline of -1.6% as compared to the same period in a previous year.

<table>
<thead>
<tr>
<th>Population, TH</th>
<th>2018</th>
<th>2017</th>
<th>Difference, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Klaipėda City</td>
<td>148,908</td>
<td>151,309</td>
<td>-1.6</td>
</tr>
<tr>
<td>Klaipėda District</td>
<td>56,131</td>
<td>54,635</td>
<td>2.7</td>
</tr>
<tr>
<td>Klaipėda City &amp; District</td>
<td>205,039</td>
<td>205,944</td>
<td>-0.4</td>
</tr>
<tr>
<td>Vilnius City &amp; District</td>
<td>644,059</td>
<td>641,220</td>
<td>0.4</td>
</tr>
<tr>
<td>Kaunas City &amp; District</td>
<td>381,007</td>
<td>383,764</td>
<td>-0.7</td>
</tr>
<tr>
<td>Šiauliai City &amp; District</td>
<td>141,784</td>
<td>142,655</td>
<td>-0.6</td>
</tr>
<tr>
<td>Lithuania TOTAL</td>
<td>2,808,901</td>
<td>2,847,904</td>
<td>-1.4</td>
</tr>
</tbody>
</table>

Even though it seems that the number of people is decreasing in the cities, it is not, as majority of these people simply moved to the surrounding area to live as there is a rapid development of new residential areas there. Considering Klaipėda city and Klaipėda District together, we only see a slight decrease of -0.4% which is a more stable result as compared to the country.

One of the reasons for the number of people remaining more stable is because the unemployment level in Klaipėda City and District area is lower than the average in Lithuania.
GDP and Salary level

Considering GDP and GDP per capita, it is important to mention that Klaipėda County generates higher amount of GDP per capita than other 7 out of 10 Counties in Lithuania, being just behind Vilnius and Kaunas Counties. This indicates that Klaipėda is relatively more efficient in terms of product created as compared to majority of the country.

### Unemployment level

<table>
<thead>
<tr>
<th></th>
<th>2018 August 1st</th>
<th>2017 August 1st</th>
<th>Difference, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Klaipėda City</td>
<td>6,469</td>
<td>5,827</td>
<td>11.0</td>
</tr>
<tr>
<td>Klaipėda City, %</td>
<td>7.2</td>
<td>6.3</td>
<td>0.9 pp</td>
</tr>
<tr>
<td>Klaipėda County</td>
<td>12,766</td>
<td>12,111</td>
<td>5.4</td>
</tr>
<tr>
<td>Klaipėda County, %</td>
<td>6.6</td>
<td>6.1</td>
<td>0.5 pp</td>
</tr>
<tr>
<td>Vilnius City</td>
<td>25,123</td>
<td>21,553</td>
<td>16.6</td>
</tr>
<tr>
<td>Vilnius City, %</td>
<td>7.2</td>
<td>6.2</td>
<td>1.0 pp</td>
</tr>
<tr>
<td>Vilnius County</td>
<td>38,211</td>
<td>33,959</td>
<td>12.5</td>
</tr>
<tr>
<td>Vilnius County, %</td>
<td>7.5</td>
<td>6.6</td>
<td>0.9 pp</td>
</tr>
<tr>
<td>Kaunas City</td>
<td>15,390</td>
<td>12,759</td>
<td>20.6</td>
</tr>
<tr>
<td>Kaunas City, %</td>
<td>8.8</td>
<td>7.1</td>
<td>1.7 pp</td>
</tr>
<tr>
<td>Kaunas County</td>
<td>29,337</td>
<td>25,259</td>
<td>16.1</td>
</tr>
<tr>
<td>Kaunas County, %</td>
<td>8.5</td>
<td>7.2</td>
<td>1.3 pp</td>
</tr>
<tr>
<td>Šiauliai County</td>
<td>13,693</td>
<td>13,345</td>
<td>2.6</td>
</tr>
<tr>
<td>Šiauliai County, %</td>
<td>8.5</td>
<td>8.1</td>
<td>0.4 pp</td>
</tr>
<tr>
<td>Lithuania TOTAL</td>
<td>142,660</td>
<td>134,117</td>
<td>6.4</td>
</tr>
<tr>
<td>Lithuania, %</td>
<td>8.2</td>
<td>7.6</td>
<td>0.6 pp</td>
</tr>
</tbody>
</table>

### GDP, million EUR

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>Difference, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Klaipėda County</td>
<td>4,281</td>
<td>4,326</td>
<td>-1.0</td>
</tr>
<tr>
<td>Vilnius County</td>
<td>16,073</td>
<td>15,068</td>
<td>6.7</td>
</tr>
<tr>
<td>Kaunas County</td>
<td>7,721</td>
<td>7,432</td>
<td>3.9</td>
</tr>
<tr>
<td>Šiauliai County</td>
<td>2,737</td>
<td>2,703</td>
<td>1.3</td>
</tr>
<tr>
<td>Panevėžys County</td>
<td>2,263</td>
<td>2,274</td>
<td>-0.5</td>
</tr>
<tr>
<td>Alytus County</td>
<td>1,213</td>
<td>1,219</td>
<td>-0.5</td>
</tr>
<tr>
<td>Marijampolė County</td>
<td>1,177</td>
<td>1,196</td>
<td>-1.6</td>
</tr>
<tr>
<td>Tauragė County</td>
<td>734</td>
<td>737</td>
<td>-0.4</td>
</tr>
<tr>
<td>Telšiai County</td>
<td>1,315</td>
<td>1,328</td>
<td>-1.0</td>
</tr>
<tr>
<td>Utena County</td>
<td>1,141</td>
<td>1,155</td>
<td>-1.2</td>
</tr>
<tr>
<td>Lithuania TOTAL</td>
<td>38,655</td>
<td>37,439</td>
<td>3.2</td>
</tr>
</tbody>
</table>
The numbers above indicate that the economy in the country is growing strong, though being third strongest in the country Klaipėda County has suffered a slight decline of GDP in 2016. Nevertheless, the peaking growth in monthly salaries (below) indicates that there will be a significant growth in GDP in 2017 and 2018.
Enterprises in the region

The main factor for salaries and GDP to remain growing is to have a vital economy, which is usually assured by small and medium enterprises, “the engine of the economy”.

For the past years we see an increasing number of active businesses taking place in both Klaipėda County and Klaipėda City, meaning that each year more companies are opening than closing. As we can see from the table below, majority of companies established are small companies with 0-9 people working there (81.0% of all companies both in the County and in the City), while there are also few big companies with 1000+ employees as well.

Moreover, we notice a long-term company growth in both Klaipėda County (+1.1% annually over 16-year period) and in Klaipėda City (+1.8% annually), which is a clear indicator that entrepreneurial spirit is no stranger to the locals. However, it is important to mention that the number of companies with over 500 employees has decreased. This could be explained by automatization of various processes and internal changes within company (e.g. Švyturys brewery has relocated some of its operations to Utena city).

<table>
<thead>
<tr>
<th># companies</th>
<th>Klaipėda County</th>
<th>Klaipėda City</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–4 employees</td>
<td>7,387</td>
<td>7,292</td>
</tr>
<tr>
<td>5–9 employees</td>
<td>2,125</td>
<td>2,088</td>
</tr>
<tr>
<td>10–19 employees</td>
<td>1,041</td>
<td>1,058</td>
</tr>
<tr>
<td>20–49 employees</td>
<td>689</td>
<td>690</td>
</tr>
<tr>
<td>50–99 employees</td>
<td>309</td>
<td>303</td>
</tr>
<tr>
<td>100–149 employees</td>
<td>96</td>
<td>89</td>
</tr>
<tr>
<td>150–249 employees</td>
<td>50</td>
<td>49</td>
</tr>
<tr>
<td>250–499 employees</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>500–999 employees</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>1 000+ employees</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11,746</td>
<td>11,620</td>
</tr>
</tbody>
</table>
During the 2017 the number of active businesses increased by 1.1% and at the beginning of 2018 it reached a total of 11,746 companies in Klaipėda County. It has increased by 0.1% to a total of 6,620 companies in Klaipėda City. The highest growth was observed in Financial and Insurance, and Construction sectors.

As we can see, over the longer period there was a huge increase of companies in mining and quarrying, and electricity and gas management sectors. This may have been triggered by support of national government on producing solar electricity. However, we can see a huge drop in construction business which is explained by the global financial crisis which happened after financial and real estate bubbles exploded.

<table>
<thead>
<tr>
<th>Economic activity</th>
<th>Klaipėda County</th>
<th>Klaipėda City</th>
<th>Annual change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry and fishing</td>
<td>257</td>
<td>257</td>
<td>0.40%</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>27</td>
<td>29</td>
<td>-6.90%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>975</td>
<td>992</td>
<td>-1.70%</td>
</tr>
<tr>
<td>Electricity and gas management</td>
<td>102</td>
<td>101</td>
<td>1.00%</td>
</tr>
<tr>
<td>Water supply and waste management activities</td>
<td>50</td>
<td>51</td>
<td>-2.00%</td>
</tr>
<tr>
<td>Construction</td>
<td>1,107</td>
<td>1,065</td>
<td>3.90%</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles</td>
<td>2420</td>
<td>2425</td>
<td>-0.20%</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>1,326</td>
<td>1,317</td>
<td>0.70%</td>
</tr>
<tr>
<td>Accommodation and food service activities</td>
<td>511</td>
<td>508</td>
<td>0.60%</td>
</tr>
<tr>
<td>Information and communication</td>
<td>195</td>
<td>187</td>
<td>4.30%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>82</td>
<td>77</td>
<td>6.50%</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>668</td>
<td>647</td>
<td>3.20%</td>
</tr>
<tr>
<td>Professional, scientific and technical activities</td>
<td>959</td>
<td>949</td>
<td>1.10%</td>
</tr>
<tr>
<td>Administrative and support service activities</td>
<td>453</td>
<td>436</td>
<td>3.90%</td>
</tr>
<tr>
<td>Public management and defense</td>
<td>43</td>
<td>42</td>
<td>2.40%</td>
</tr>
<tr>
<td>Education</td>
<td>398</td>
<td>395</td>
<td>0.80%</td>
</tr>
<tr>
<td>Health and social work; other social service activities</td>
<td>378</td>
<td>365</td>
<td>3.60%</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>519</td>
<td>511</td>
<td>1.60%</td>
</tr>
<tr>
<td>Other activities</td>
<td>1275</td>
<td>1266</td>
<td>0.70%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>11,746</td>
<td>11,620</td>
<td><strong>1.10%</strong></td>
</tr>
</tbody>
</table>

**Foreign Direct Investment**

Another principal factor defying city’s economic attractiveness is the level of Foreign Direct Investment per capita. Klaipėda County is #2 only behind Vilnius.
Moreover, **74.4% of all FDI** in Klaipėda County **is based in Klaipėda city**, with FDI from Denmark, Cyprus and Germany alone combining half of them.

The biggest industries for FDI are Manufacturing, Logistics, Oil Refinery and Shipping.

<table>
<thead>
<tr>
<th>FDI, million EUR</th>
<th>2016</th>
<th>2015</th>
<th>Difference, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Klaipėda County</td>
<td>1,114</td>
<td>1,212</td>
<td>-8.1</td>
</tr>
<tr>
<td>Vilnius County</td>
<td>9,889</td>
<td>9,528</td>
<td>3.8</td>
</tr>
<tr>
<td>Kaunas County</td>
<td>1,488</td>
<td>1,508</td>
<td>-1.3</td>
</tr>
<tr>
<td>Šiauliai County</td>
<td>262</td>
<td>177</td>
<td>48.0</td>
</tr>
<tr>
<td>Panevėžys County</td>
<td>336</td>
<td>316</td>
<td>6.3</td>
</tr>
<tr>
<td>Alytus County</td>
<td>143</td>
<td>138</td>
<td>3.6</td>
</tr>
<tr>
<td>Marijampolė County</td>
<td>134</td>
<td>141</td>
<td>-5.0</td>
</tr>
<tr>
<td>Tauragė County</td>
<td>27</td>
<td>25</td>
<td>8.0</td>
</tr>
<tr>
<td>Telšių County</td>
<td>364</td>
<td>264</td>
<td>37.9</td>
</tr>
<tr>
<td>Utena County</td>
<td>170</td>
<td>189</td>
<td>-10.1</td>
</tr>
<tr>
<td><strong>Lithuania TOTAL</strong></td>
<td><strong>13,926</strong></td>
<td><strong>13,497</strong></td>
<td><strong>3.2</strong></td>
</tr>
</tbody>
</table>

**Places to invest in Klaipėda**

With a current trend of city development, Klaipėda is looking forward to achieving its aims for Klaipėda 2030 strategy. However, not all of them are equally easy to achieve as population-driven targets (190,000 people in the city and 25,000 new workplaces by the end of 2030) seems to be the most challenging ones due to the number of people in both Klaipėda and Lithuania being on a steady decline for the last 25 years. Therefore, an economic factors-triggered nudge may be the one which could turn the negative trend upside down. It should naturally come from private businesses, namely, new investments.

As a city with a direct access to the Baltic Sea, Klaipėda is an ideal place for setting up a high-scale business. First, Klaipėda Sea Port is rapidly developing, and with a current plan of constructing a new deep-water seaport, it is expected to demonstrate a sole leadership in the region. Moreover, even the most distant point in Europe can be reached in less than one week by the ship, providing Klaipėda with a competitive edge.

Moreover, the Free Economic Zone in Klaipėda plays a very important role in providing the best conditions for new businesses coming to the city. Last year alone it secured five awards, including one for Quick Launch opportunities, at the Global Free Zones of the Year 2017 rankings, published by Financial Times’ fDi Intelligence service annually since 2010. Klaipėda FEZ has been also recognized for its specialization in the plastics industry, contribution to the national economy, energy efficiency and expansion of its investors. Klaipėda FEZ became the first ever and the only free economic zone to receive the Quick Launch Award from fDi Intelligence.

Investors wishing to establish an operation in Lithuania’s Klaipėda FEZ can use the zone’s Fast Factory Launch scheme (FlexStart). The scheme offers companies sites complete with necessary construction permits, and the ability to make minor edits to customize the site to an investor’s needs. Outside of Klaipėda, construction permits in Lithuania can take anywhere up to six months. Additionally, the FlexStart programme aims to allow investors to start operations in less than one month, with customizable pre-built manufacturing facilities. New offices are currently under construction to be offered to SMEs as part of the programme.
If for any reason the incoming business’ owners prefer to use other place to build their factory, there is around 100 ha of free space in Klaipėda City territory and much more around with prices starting at a bit over 1000 EUR/a within the city territory and less than 500 EUR/a around the city.

However, smaller businesses are not forgot either. Currently there are a lot of various places for small business in the city, suitable for unique needs. There is more than 20,000 m² of free space in Class A office buildings (including the new ones under construction) alone, not mentioning Class B and Class C offices. It is important to mention, that the prices start at a 7 EUR + utilities per square meter per month there.

Additionally, there are several modern business incubators, such as The Culture Factory, Castle Workshop or The Swarm, inviting people to operate their young businesses there and providing all the necessary infrastructure. As working capital is a common issue for young business, these incubators are offering very attractive prices for these premises starting as low as 1.5 EUR + VAT + utilities per square meter per month.

Looking for a business location that bridges East and West? A city with one of the most profitable ice-free port in the EU, linking Scandinavia, the EU, the CIS and China. It’s time to discover Klaipėda.