

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:

16th in Ease of Doing Business ([World bank, 2017](#))

19th in Index of Economic Freedom ([Heritage Foundation, 2018](#))

41st in Global Competitiveness Report ([World Economic Forum, 2018](#))

29th in Environmental Performance Index ([Yale University, 2018](#)).

Annual GDP growth  **+ 8.3%**

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%.

GDP, million EUR	2018 Q1	2017 Q1	Change	2017	2016	Change
Lithuania TOTAL	10,861	10,208	6.4%	41,866	38,655	8.3%

Annual GDP per capita growth  **+ 9.7%**

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.

GDP per capita, TH EUR	2018 Q1	2017 Q1	Change	2017	2016	Change
Lithuania TOTAL	3.52	3.28	7.3%	14.80	13.50	9.7%

Annual population
shrink

↓ - 1.4%

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.

Population, TH	2018	2017	Difference, %
Lithuania TOTAL	2,808,901	2,847,904	-1.4

FDI increase in 2017

↑ + 7.0%

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%**).

FDI, million EUR	2018 Q1	2017 Q1	Change	2017	2016	Change
Lithuania TOTAL	15,192	14,199	7.0%	13,926	13,497	3.2%

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

Insignificant
population decrease
in the region

↓ - 0.4%

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.

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

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.

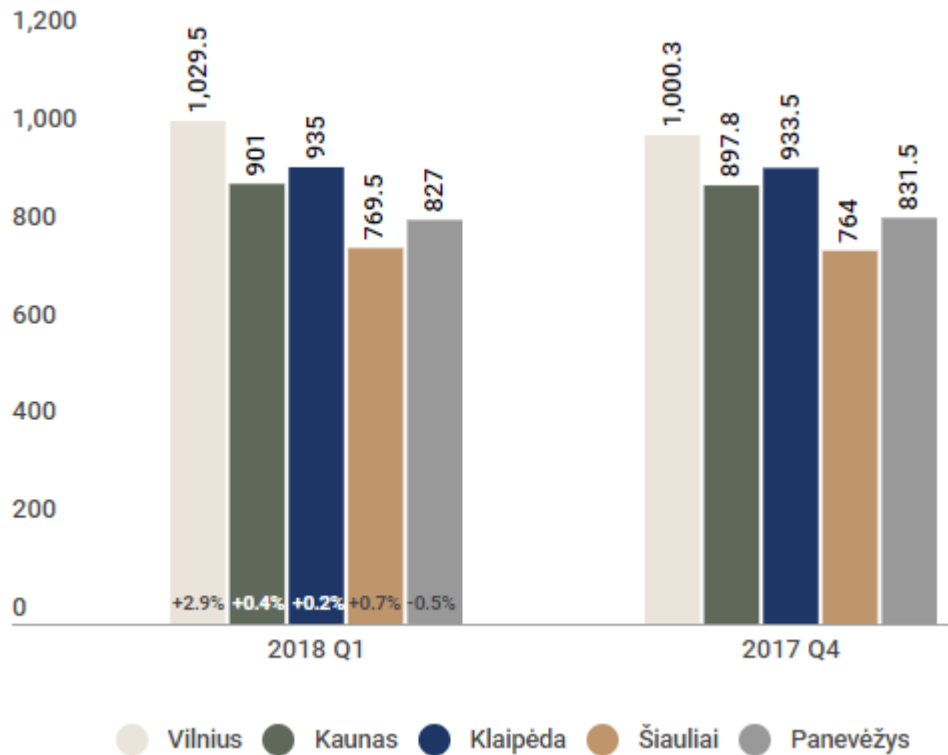
Unemployment level	2018 August 1st	2017 August 1st	Difference, %
Klaipėda City	6,469	5,827	11.0
Klaipėda City, %	7.2	6.3	0.9 pp
Klaipėda County	12,766	12,111	5.4
Klaipėda County, %	6.6	6.1	0.5 pp
Vilnius City	25,123	21,553	16.6
Vilnius City, %	7.2	6.2	1.0 pp
Vilnius County	38,211	33,959	12.5
Vilnius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

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.

GDP, million EUR	2016	2015	Difference, %
Klaipėda County	4,281	4,326	-1.0
Vilnius County	16,073	15,068	6.7
Kaunas County	7,721	7,432	3.9
Šiauliai County	2,737	2,703	1.3
Panevėžys County	2,263	2,274	-0.5
Alytus County	1,213	1,219	-0.5
Marijampolė County	1,177	1,196	-1.6
Tauragė County	734	737	-0.4
Telšiai County	1,315	1,328	-1.0
Utena County	1,141	1,155	-1.2
Lithuania TOTAL	38,655	37,439	3.2

GDP per capita, TH EUR	2016	2015	Difference, %
Klaipėda County	13.3	13.3	0.0
Vilnius County	20.0	18.7	7.0
Kaunas County	13.5	12.8	5.5
Šiauliai County	10.0	9.7	3.1
Panevėžys County	9.9	9.7	2.1
Alytus County	8.5	8.3	2.4
Marijampolė County	8.0	8.0	0.0
Tauragė County	7.4	7.2	2.8
Telšiai County	9.4	9.3	1.1
Utena County	8.4	8.3	1.2
Lithuania TOTAL	13.5	12.9	4.7



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**.

Gross monthly salary, EUR	2018 Q1	2017 Q4	Change	2017	2016	Change
Klaipėda County	855.6	853.1	0.3%	806.6	753.0	7.1%
Vilnius County	996.2	971.2	2.6%	939.8	863.7	8.8%
Kaunas County	874.0	869.9	0.5%	828.0	760.2	8.9%
Šiauliai County	734.2	740.2	-0.8%	708.6	654.1	8.3%
Panevėžys County	765.8	769.5	-0.5%	735.2	676.1	8.7%
Alytus County	737.1	740.8	-0.5%	707.7	656.3	7.8%
Marijampolė County	711.4	707.2	0.6%	686.7	637.4	7.7%
Tauragė County	694.3	697.7	-0.5%	670.8	622.5	7.8%
Telšiai County	784.5	803.4	-2.4%	748.2	684.4	9.3%
Utena County	741.5	748.8	-1.0%	717.6	666.9	7.6%
Klaipėda City	935.0	933.5	0.2%	878.3	818.2	7.3%
Vilnius City	1,029.5	1,000.3	2.9%	968.7	890.4	8.8%
Kaunas City	901.0	897.8	0.4%	854.5	780.1	9.5%
Šiauliai City	769.5	764.0	0.7%	738.6	682.0	8.3%
Panevėžys City	827.0	831.5	-0.5%	792.5	722.8	9.6%
Lithuania TOTAL	887.7	876.4	1.3%	840.4	774.0	8.6%

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).

# companies	Klaipėda County					Klaipėda City				
	2018	2017	Change	2002	Average change	2018	2017	Change	2002	Average change
0–4 employees	7,387	7,292	1.30%	5,519	1.80%	4,166	4,174	-0.20%	3,084	1.90%
5–9 employees	2,125	2,088	1.80%	1,499	2.20%	1,199	1,178	1.80%	928	1.60%
10–19 employees	1,041	1,058	-1.60%	750	2.10%	589	612	-3.80%	436	1.90%
20–49 employees	689	690	-0.10%	528	1.70%	348	346	0.60%	264	1.70%
50–99 employees	309	303	2.00%	258	1.10%	187	180	3.90%	148	1.50%
100–149 employees	96	89	7.90%	90	0.40%	60	54	11.10%	52	0.90%
150–249 employees	50	49	2.00%	49	0.10%	35	35	0.00%	24	2.40%
250–499 employees	32	34	-5.90%	22	2.40%	26	27	-3.70%	16	3.10%
500–999 employees	10	10	0.00%	15	-2.50%	4	4	0.00%	13	-7.10%
1 000+ employees	7	7	0.00%	8	-0.80%	6	6	0.00%	8	-1.80%
TOTAL	11,746	11,620	1.10%	8,738	1.90%	6,620	6,616	0.10%	4,973	1.80%

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.

Economic activity	Klaipėda County					Klaipėda City				
	2018	2017	Change	2009	Annual change	2018	2017	Change	2009	Annual change
Forestry and fishing	257	257	0.40%	187	3.60%	66	68	-2.90%	56	1.80%
Mining and quarrying	27	29	-6.90%	14	7.60%	8	8	0.00%	2	16.70%
Manufacturing	975	992	-1.70%	904	0.80%	497	510	-2.50%	465	0.70%
Electricity and gas management	102	101	1.00%	21	19.20%	53	54	-1.90%	10	20.40%
Water supply and waste management activities	50	51	-2.00%	37	3.40%	24	26	-7.70%	22	1.00%
Construction	1,107	1,065	3.90%	1,049	0.60%	573	555	3.20%	664	-1.60%
Wholesale and retail trade; repair of motor vehicles	2420	2425	-0.20%	2469	-0.20%	1329	1361	-2.40%	1428	-0.80%
Transportation and storage	1,326	1,317	0.70%	1,137	1.70%	822	824	-0.20%	766	0.80%
Accommodation and food service activities	511	508	0.60%	492	0.40%	236	238	-0.80%	224	0.60%
Information and communication	195	187	4.30%	136	4.10%	139	135	3.00%	103	3.40%
Finance and insurance	82	77	6.50%	71	1.60%	62	57	8.80%	48	2.90%
Real estate activities	668	647	3.20%	590	1.40%	440	436	0.90%	450	-0.20%
Professional, scientific and technical activities	959	949	1.10%	713	3.30%	630	637	-1.10%	507	2.40%
Administrative and support service activities	453	436	3.90%	316	4.10%	286	277	3.20%	230	2.50%
Public management and defense	43	42	2.40%	46	-0.70%	18	18	0.00%	22	-2.20%
Education	398	395	0.80%	365	1.00%	235	230	2.20%	191	2.30%
Health and social work; other social service activities	378	365	3.60%	297	2.70%	221	214	3.30%	166	3.20%
Arts, entertainment and recreation	519	511	1.60%	348	4.50%	255	252	1.20%	162	5.20%
Other activities	1275	1266	0.70%	1211	0.60%	726	716	1.40%	689	0.60%
TOTAL	11,746	11,620	1.10%	10,403	1.40%	6,620	6,616	0.10%	6,205	0.70%

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.

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

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.