European Investment Bank
The EU bank

Lithuania

Overview

EIB INVESTMENT SURVEY

2017

EIB Group Survey on Investment and Investment Finance Country Overview: Lithuania

About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment and Investment Finance is a unique, EU-wide, annual survey of some 12 300 firms. It collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face. Using a stratified sampling methodology, EIBIS is representative across all 28 member States of the EU, as well as for firm size classes (micro to large) and 4 main sectors. It is designed to build a panel of observations to support time series analysis, observations that can also be linked to firm balance sheet and profit and loss data. EIBIS has been developed and is managed by the Economics Department of the EIB, with support to development and implementation by Ipsos MORI. For more information see: http://www.eib.org/eibis.

About this publication
This Country Overview is one of a series covering each of the 28 EU Member States, plus an EU-wide overview. These are intended to provide an accessible snapshot of the data. For the purpose of these publications, data is weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

About the Economics Department of the EIB
The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The Department, a team of 40 economists, is headed by Debora Revoltella, Director of Economics.

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Disclaimer
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Ipsos Public Affairs

EIBIS 2017 – COUNTRY OVERVIEW

Lithuania

The annual EIB Group Survey on Investment and Investment Finance (EIBIS) is an EU-wide survey of some 12 300 firms that gathers information on investment activities by both SMEs and larger corporates, their financing requirements and the difficulties they face.

As the EU bank, the EIB Group responds to the need to accelerate investment to strengthen job creation and long-term competitiveness and sustainability across all 28 EU Member States.

EIBIS helps the EIB to contribute to a policy response that properly addresses the needs of businesses, promoting investment.

This country overview presents selected findings based on telephone interviews with 400 firms in Lithuania in 2017 (carried out between April and August).

Key results

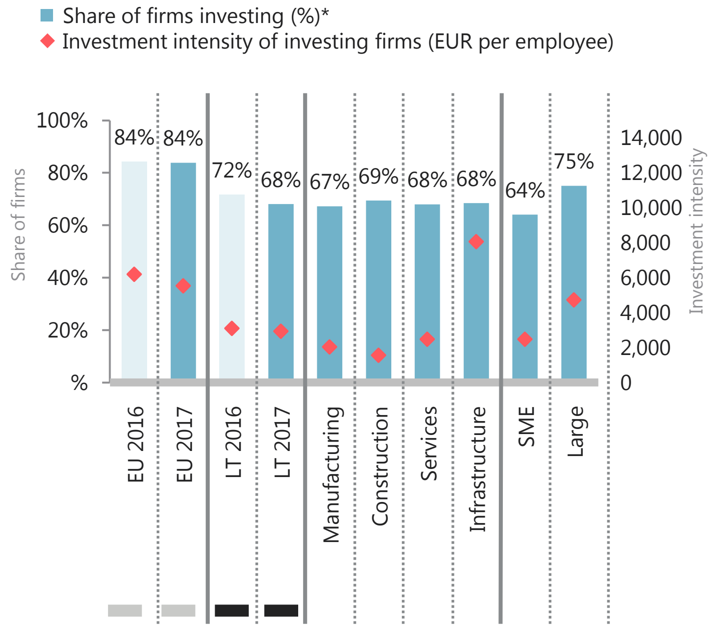
Macroeconomic Context	**In 2016, aggregate investment remained unchanged, at some 15% below its 2008 levels.** Weak investment performance is primarily due to a fall in other buildings and structures. In terms of institutional sectors, corporate investment is furthest below its 2008 level. Investment is forecasted by the European Commission to grow by some 6.4% in 2017.
Investment outlook:	**More firms increased than reduced investment in the last financial year**. Investment expectations for 2017 are optimistic, also compared to the EU average.
Investment activity:	**68% of firms invested in the last financial year**. The proportion of firms investing and the amount of investment per employee are considerably lower than on average in the EU.
Perceived Investment gap:	**31% of firms report having invested too little over the last three years**, double the EU average and slightly more than in the previous EIBIS wave. The share of building stock satisfying high energy efficiency standards is substantially below the EU average.
Investment barriers:	**Uncertainty about the future and availability of skilled staff** continue to be perceived as the main barriers to investment. Business regulations are named as an obstacle more often by firms in the service sector. The availability of skilled staff is a particular concern for large firms.
External finance:	**Financing conditions remain problematic.** 14% of firms report to be external finance constrained. Moreover, the share of firms reporting that they do not use external funding because they are happy relying on internal funds is well below the EU average.
Firm performance:	**Many firms in Lithuania fall in the lowest productivity class**. Large firms make a fairly small contribution to total value added. Employment dynamics over the past three years have been favourable, although the share of firms reporting a decrease in employment is higher than on average in the EU.

INVESTMENT DYNAMICS

INVESTMENT ACTIVITY IN LAST FINANCIAL YEAR

68% of firms in Lithuania invested in the last financial year. The proportion of firms which invested is well below the EU average.

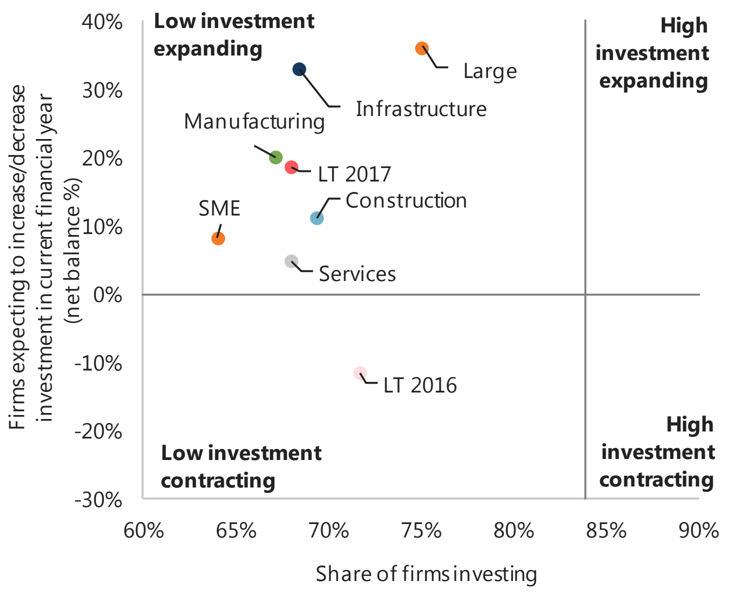
Also, investment intensity, that is investment per employee, is lower in Lithuania than on average in the EU.



*The blue bars indicate the proportion of firms who have invested in the last financial year.
A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities.
Investment intensity is the median investment per employee of investing firms.
Investment intensity is reported in 2015 values (using the Eurostat GFCF deflator).*

Base: All firms (excluding don't know/refused responses).

INVESTMENT CYCLE



Firms' investment activity places Lithuania in the 'low investment expanding' quadrant in the investment cycle.

Expansion in investment seems most widespread among large firms and in the infrastructure sector.

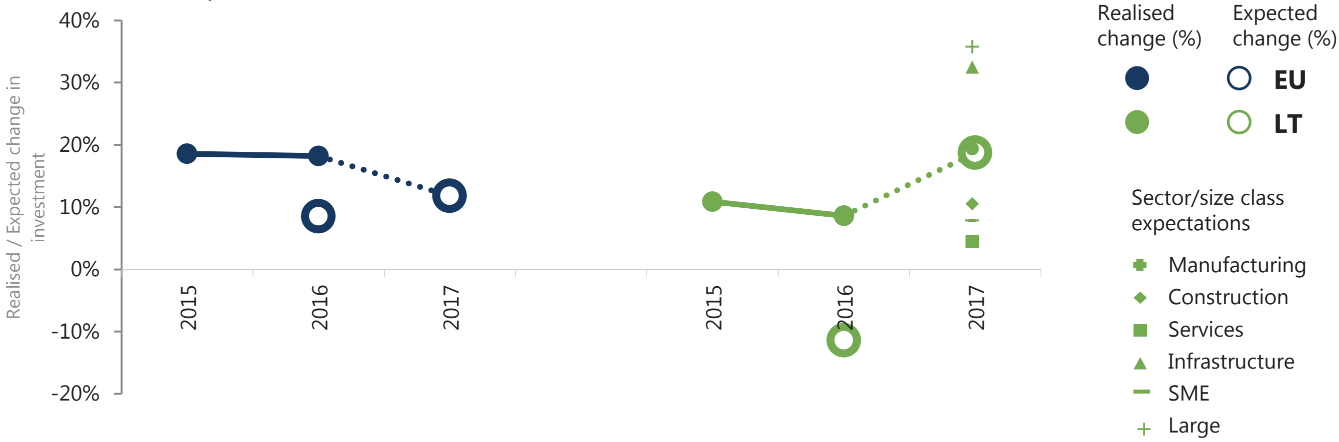
The data show an improvement from the previous EIBIS wave, when Lithuania was in the 'low investment contracting' quadrant.

*Base: All firms
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.
The y-axis line crosses x-axis on the EU average for 2016.*

INVESTMENT DYNAMICS

EVOLUTION OF INVESTMENT EXPECTATIONS

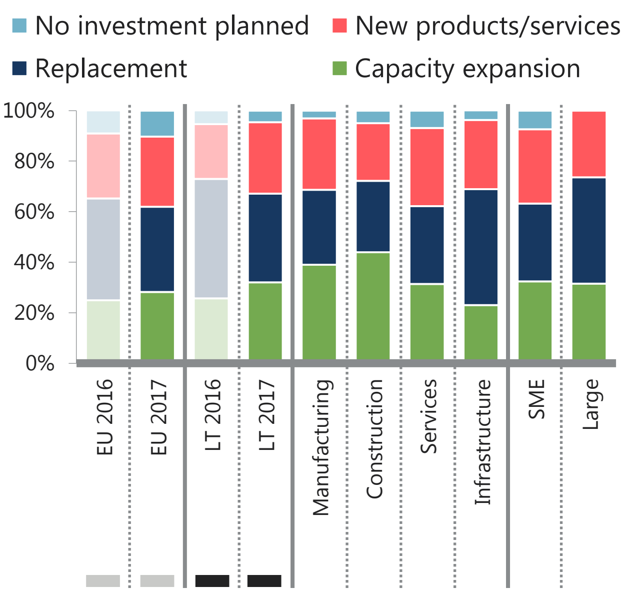
More firms in Lithuania increased than decreased their investment activities in the last financial year, which is substantially better than expectations in the previous wave. Investment expectations for 2017 are more optimistic and above the EU average. The infrastructure sector and large firms are most optimistic about their investment expectations for 2017.



Base: All firms

'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

FUTURE INVESTMENT PRIORITIES



Replacement of existing buildings, machinery, equipment and IT continues to be most commonly cited as an investment priority (35%), despite a sharp decline compared to the previous year.

Investment in new products and services was named by 28% of firms, in line with the EU average.

New products and services as well as capacity expansion have been named more often as future investment priorities than in the previous EIBIS wave. This points towards strengthening business dynamism going forward.

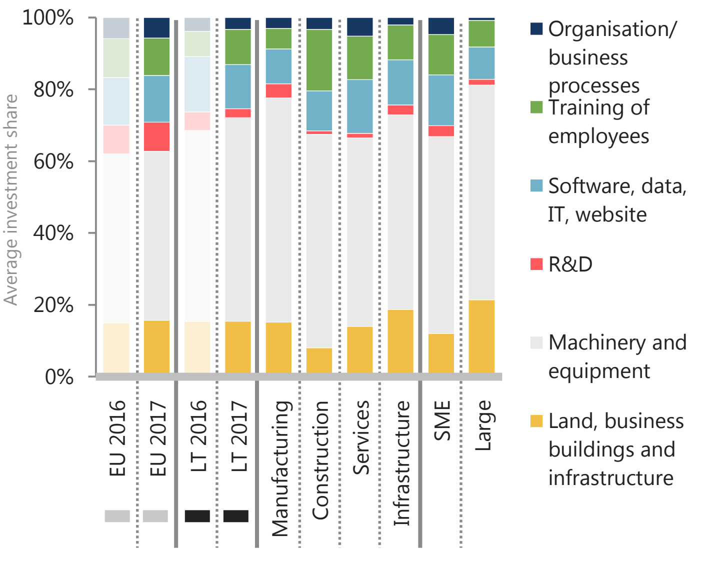
Base: All firms (excluding don't know/refused responses)
Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

INVESTMENT FOCUS

INVESTMENT AREAS

Most investment in Lithuania was directed towards machinery and equipment (57%), more than on average in the EU. Conversely, the share of investment dedicated to R&D is relatively low.

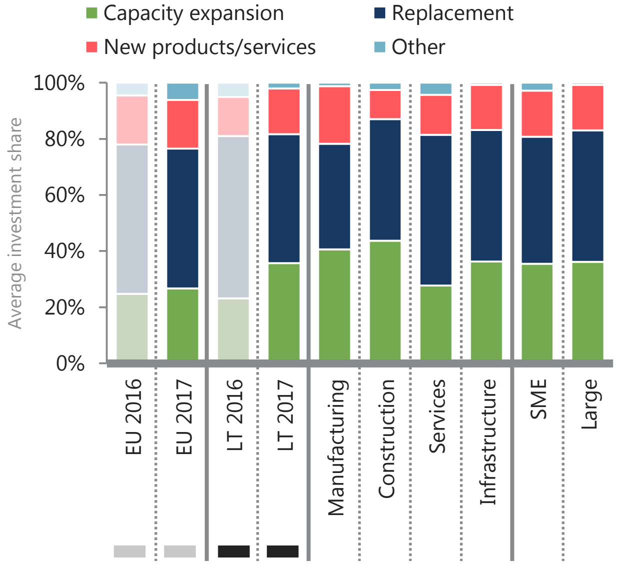
The share of investment dedicated to training is fairly high in the construction sector, but fairly low in manufacturing.



Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR



With 46%, the largest share of investment in Lithuania was dedicated to replacing existing buildings, machinery, equipment and IT, broadly in line with the EU average.

However, both the share of investment in capacity expansion and new products and services have increased compared to the previous year.

Overall, this suggests that business dynamism has strengthened.

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

INVESTMENT FOCUS

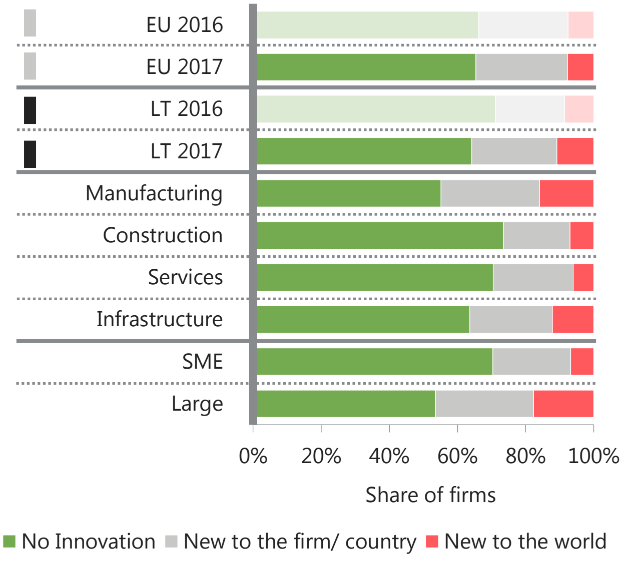
INNOVATION ACTIVITY

The share of firms that innovate increased compared to the previous EIBIS wave.

36% of firms introduced new products, processes or services, slightly above the EU average. This includes 11% which claimed that innovations were new to the global market.

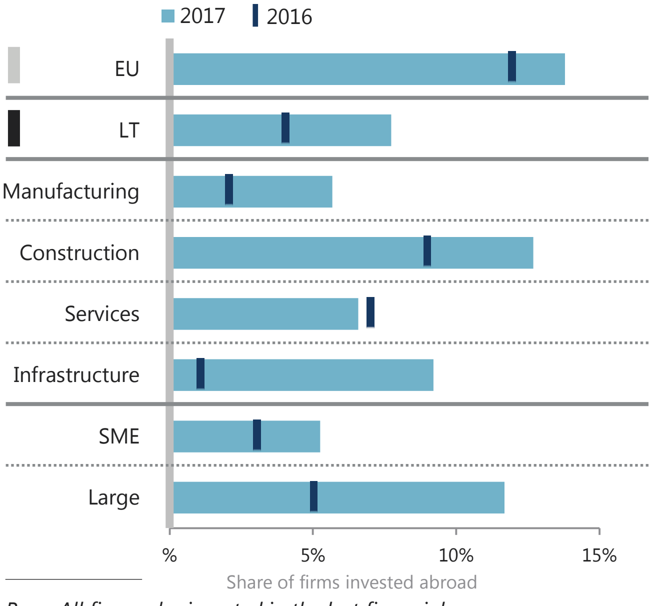
With 45%, firms in the manufacturing sector were more likely to innovate.

Large firms were more likely than SMEs to have innovated in general and to have developed new products, processes or services for the global market.



Base: All firms (excluding don't know/refused responses)
Q. What proportion of total investment was for developing or introducing new products, processes, services?
Q. Were the products, processes or services new to the company, new to the country, new to the global market?

INVESTMENT ABROAD



Overall 8% of firms in Lithuania have invested in another country. This is double the percentage of the previous EIBIS wave, but still well below the EU average.

A higher proportion of construction firms invested abroad (13%).

5% of SMEs have invested in another country. 12% of large firms invested abroad, compared to more than 20% for the EU on average.

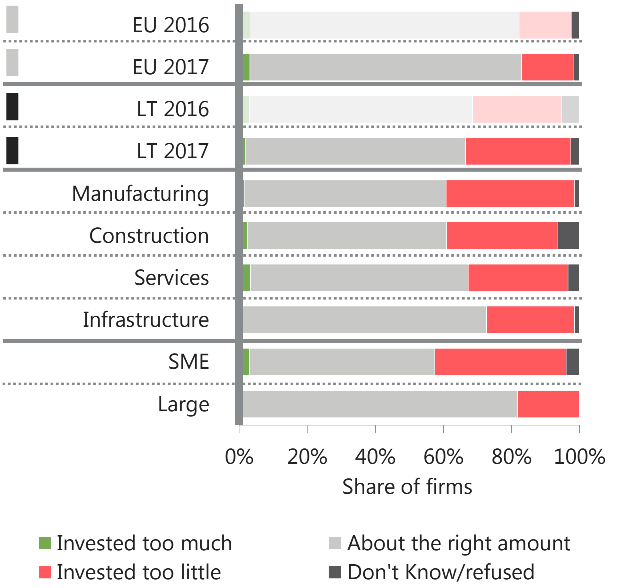
Base: All firms who invested in the last financial year
Q. In the last financial year, has your company invested in another country?

INVESTMENT NEEDS

PERCEIVED INVESTMENT GAP

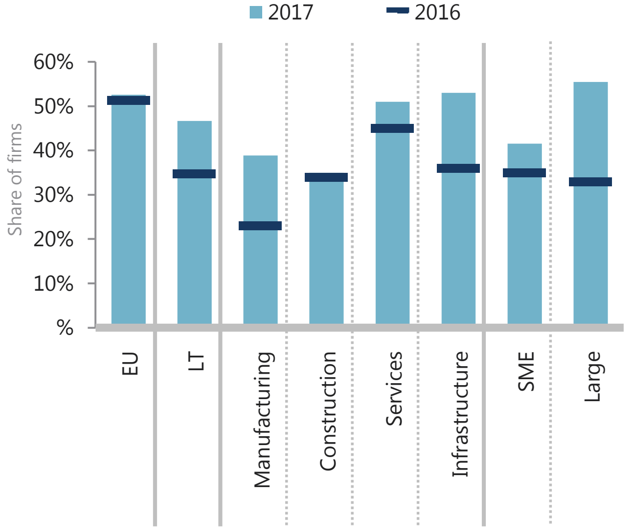
31% of firms report they invested too little over the last three years, slightly above the previous wave (26%) and significantly more than on average in the EU (15%). 65% of firms believe their investment was about the right amount.

Firms in manufacturing are more likely to report having invested too little, as are SMEs.



Base: All firms (excluding 'Company didn't exist three years ago' responses)
Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY



Nearly half of firms in Lithuania report having operated at or above maximum capacity in the last financial year, substantially more than in the previous wave. This share is now closer to the EU average.

Firms in the infrastructure sector are most likely to report operating at or above full capacity (53%).

The share of SMEs reporting to operate at or above full capacity is fairly low.

Base: All firms
Full capacity is the maximum capacity attainable under normal conditions e.g. company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.
Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

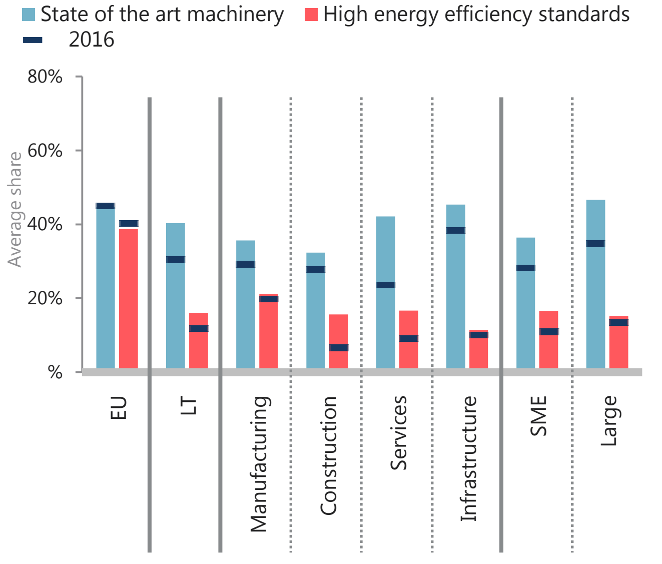
INVESTMENT NEEDS

SHARE OF STATE OF THE ART MACHINERY AND BUILDING STOCK MEETING HIGH ENERGY EFFICIENCY STANDARDS

The average share of state-of-the-art machinery and equipment in firms is at 40%, below the EU average.

16% of firms' building stock satisfies high efficiency standards, which is substantially below the EU average of 39%. This suggests that additional investment in this area is needed.

Larger firms and firms in the infrastructure sector report a fairly high share of state-of-the-art machinery and equipment.

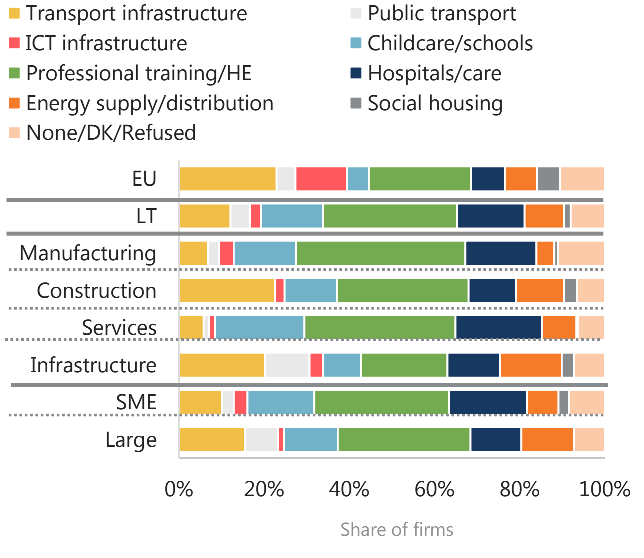


Base: All firms

Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

PUBLIC INVESTMENT PRIORITIES



31% of firms considered professional training and higher education as their priority for public investment, more than the EU average. Also the share of firms identifying childcare, schools and hospitals as priority for public investment was comparatively high.

ICT infrastructure as public investment priority was mentioned substantially less often than on average across the EU, reflecting Lithuania's strong position in this area. Also, a fairly small share of firms saw transport infrastructure as main priority for public investment.

A need for public investment in professional training and higher education was most likely to be prioritised by firms in the manufacturing sector. Firms in the construction and infrastructure sectors were more likely than others to prioritise transport.

Base: All firms

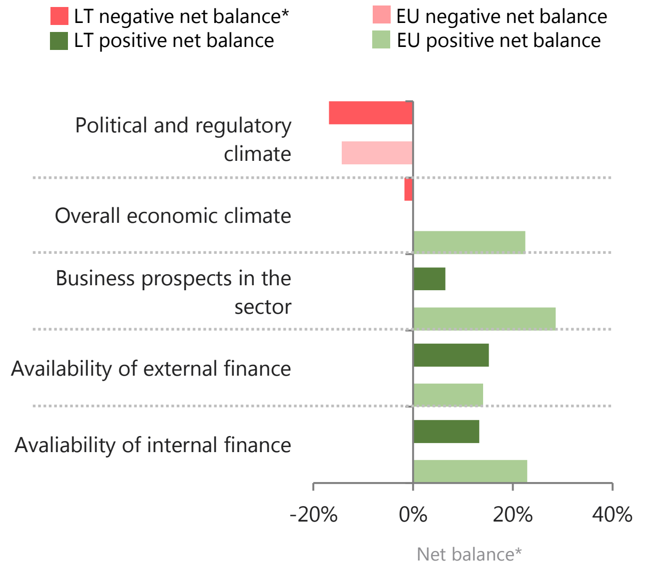
Q. From your business' perspective, if you had to prioritise one area of public investment for the next 3 years, which one would it be?

DRIVERS AND CONSTRAINTS

SHORT TERM INFLUENCES ON INVESTMENT

On balance more firms expect the political and regulatory climate to deteriorate than improve in the next 12 months, slightly less optimistic than the EU average.

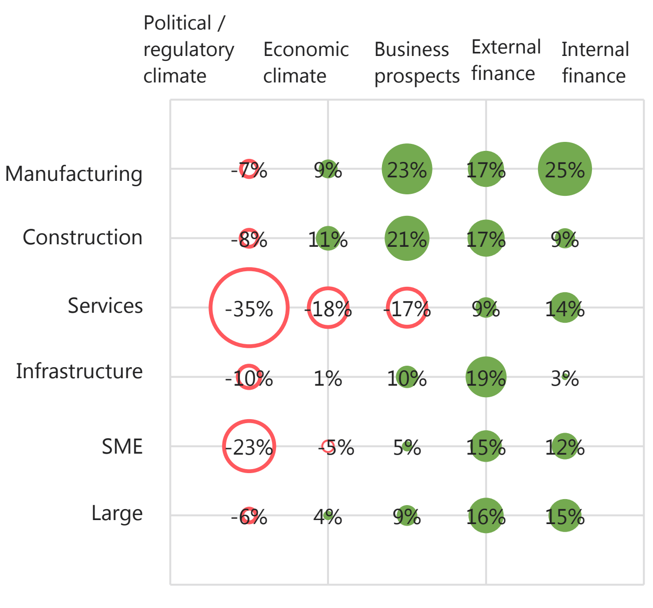
In Lithuania, firms are also relatively pessimistic about the overall economic climate.



Net balance is the share of firms expecting improvement minus the share of firms expecting a deterioration

Base: All firms
Q. Do you think that each of the following will improve, stay the same, or get worse over the next 12 months?

SHORT TERM INFLUENCES BY SECTOR AND SIZE (NET BALANCE)



SMEs and firms in the service sector are fairly likely to be negative about the political and regulatory climate.

Firms in the manufacturing and construction sectors are most likely to expect an improvement in business prospects. Manufacturing firms are most positive about the availability of internal finance.

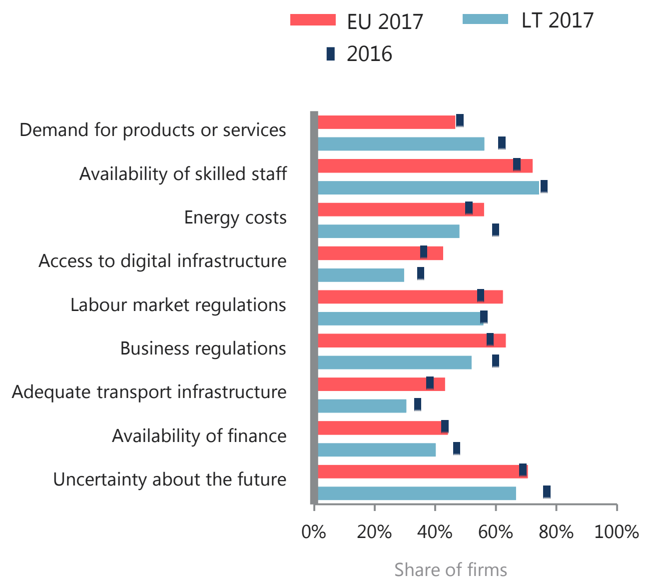
Base: All firms
Q. Do you think that each of the following will improve, stay the same, or get worse over the next 12 months?

DRIVERS AND CONSTRAINTS

LONG TERM BARRIERS TO INVESTMENT

Three-quarters of firms consider the availability of skilled staff as a barrier to their investment activities, and two-thirds say uncertainty about the future is a barrier.

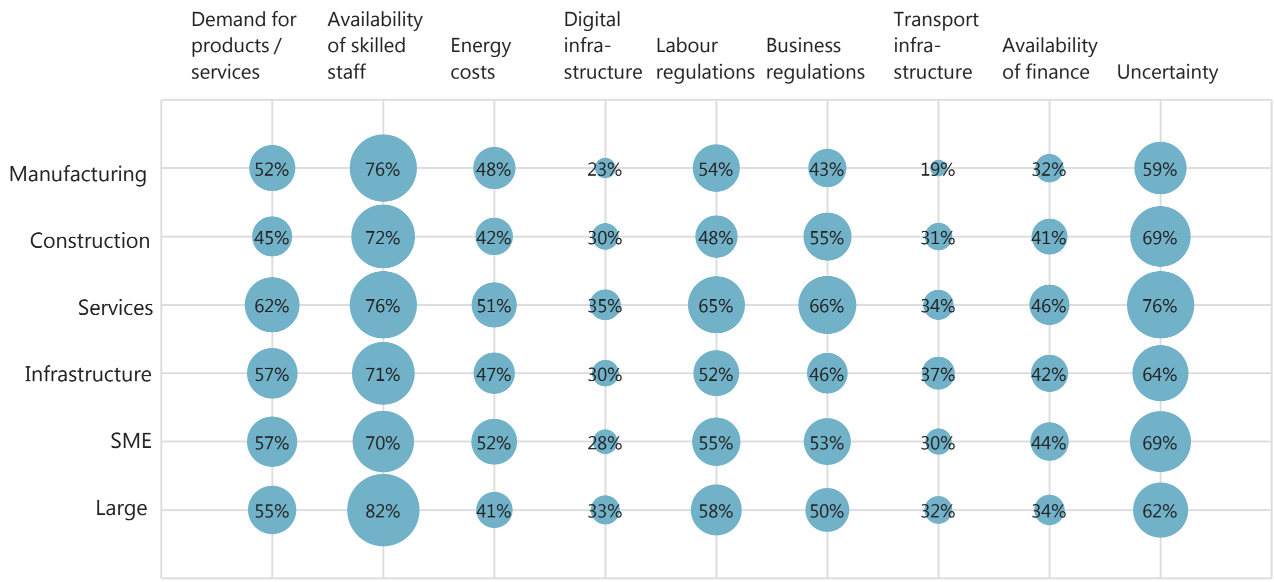
Important differences exist across sectors. Business regulations are perceived to be an obstacle for 66% of firms in the service sector compared with 43% in manufacturing.



Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

Q. Thinking about your investment activities in Lithuania, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

LONG TERM BARRIERS BY SECTOR AND SIZE



Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

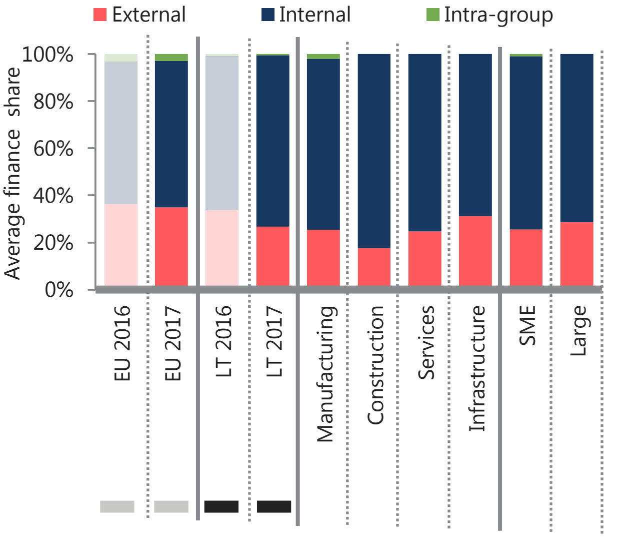
Q. Thinking about your investment activities in Lithuania, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

INVESTMENT FINANCE

SOURCE OF INVESTMENT FINANCE

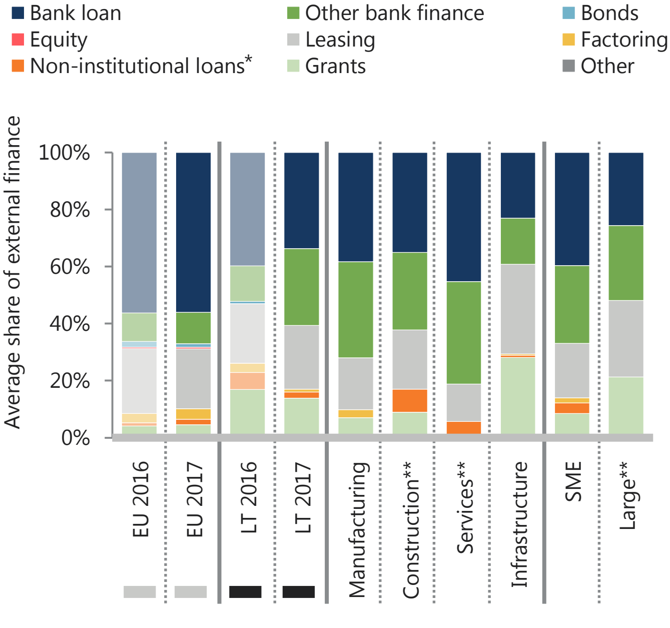
Internal funds account for the highest share of investment finance (73%). This is above the EU average (62%) and the share reported by firms in Lithuania in the previous wave.

Firms in the infrastructure sector finance investment to a larger extent through external finance than firms in the construction sector (31% versus 18%).



Base: All firms who invested in the last financial year (excluding don't know/refused responses)
Q. What proportion of your investment was financed by each of the following?

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES



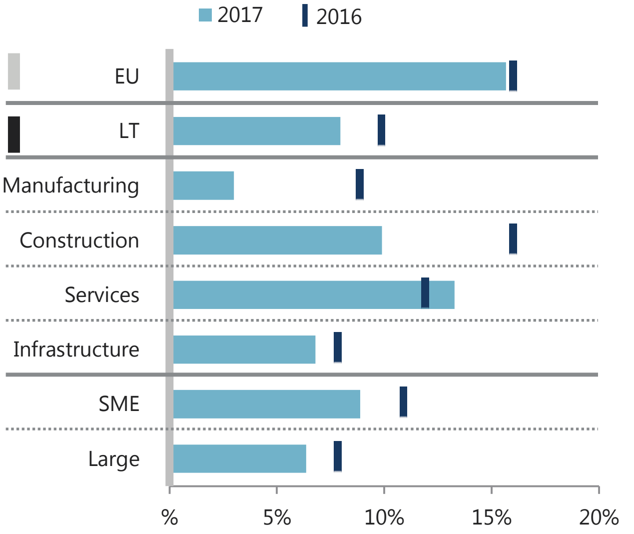
Bank loans account for the highest share of external finance (34%). Other bank lending has more than doubled, to 27%.

Grants account for 14% of external finance. Large firms and firms in the infrastructure sector benefit particularly strongly from grants (making up 21% and 28% respectively of their external finance).

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)
***Caution very small base size less than 30 for Construction, Services and large firms.*
Q. Approximately what proportion of your external finance does each of the following represent?
**Loans from family, friends or business partners*

INVESTMENT FINANCE

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT



8% of all firms in Lithuania say they did not apply for external finance because they were happy to rely exclusively on internal sources. This is half the EU average.

The share of firms in the construction (10%) and service sectors (13%) that are happy to use internal finance only was relatively high.

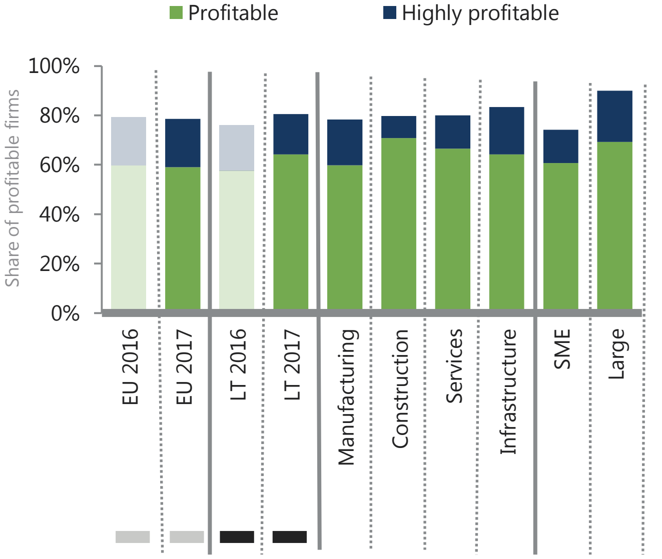
Base: All firms

Q. What was your main reason for not applying for external finance for your investment activities? Was happy to use internal finance/didn't need the finance

SHARE OF PROFITABLE FIRMS

16% of firms in Lithuania report being highly profitable, compared with 18% in the previous wave and this wave's EU average of 20%.

The share of highly profitable firms is highest in the infrastructure and manufacturing sectors (19% and 18%, respectively). It is also higher among large firms than SMEs (21% compared with 13%).



Base: All firms (excluding don't know/refused).

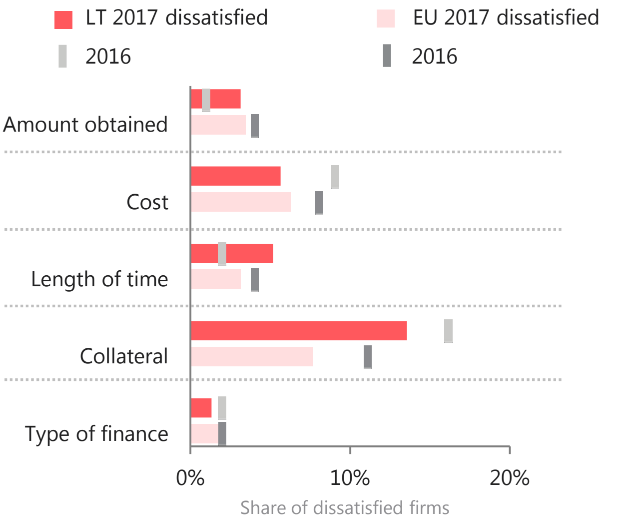
Q: Taking into account all sources of income in, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turnover of 10% or more.

SATISFACTION WITH FINANCE

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

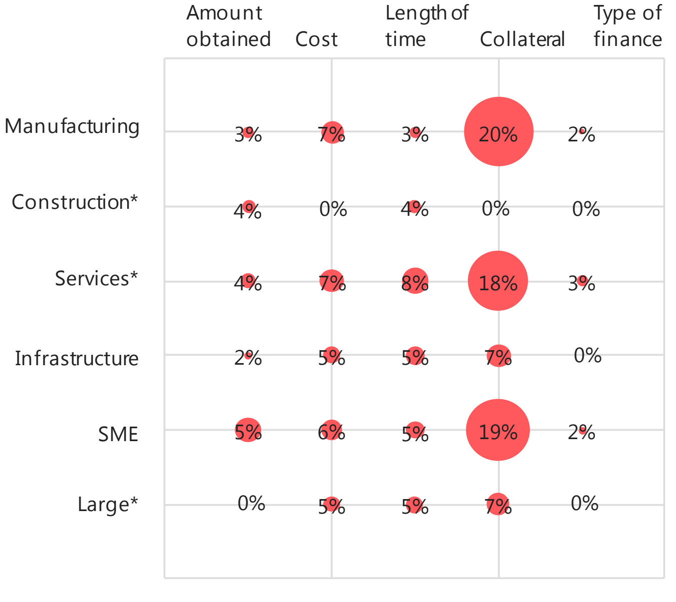
Firms that used external finance are overall satisfied with the conditions offered.

With 14%, the share of dissatisfaction is highest for collateral requirements, almost twice as high as the EU average.



Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)
Q. How satisfied or dissatisfied are you with ....?

DISSATISFACTION BY SECTOR AND SIZE



Dissatisfaction with collateral requirements is most likely to be reported by SMEs and firms in the manufacturing and service sectors.

SMEs are more often dissatisfied with the characteristics of the external funding offered than large firms.

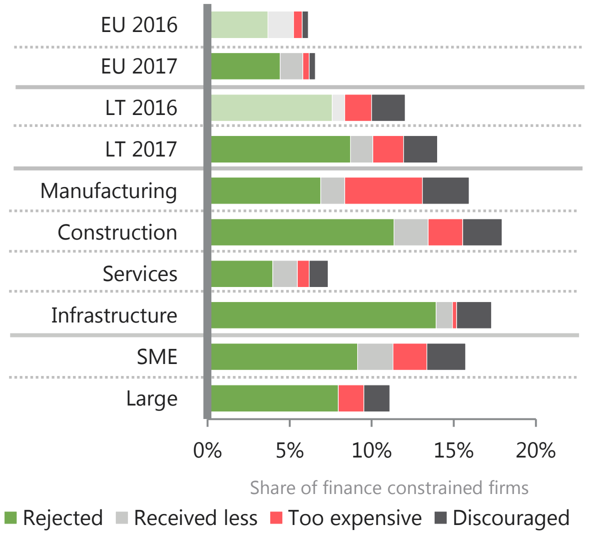
Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)
**Caution very small base size less than 30 for Construction, Services and large firms.*
Q. How satisfied or dissatisfied are you with ....?

SATISFACTION WITH FINANCE

SHARE OF FINANCE CONSTRAINED FIRMS

14% of firms can be considered finance constrained, double the EU average.

Firms in the service sector are substantially less likely to be finance constrained than firms in other sectors.

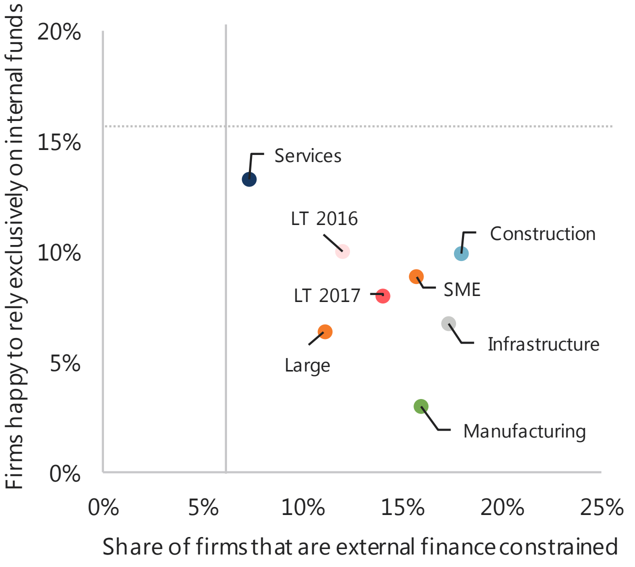


Base: All firms

Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

**Financing constraints for 2016 among non-investing firms estimated*

FINANCING CROSS



Base: All firms

Data derived from the financial constraint indicator and firms indicating main reason for not applying for external finance was 'happy to use internal finance/didn't need finance'

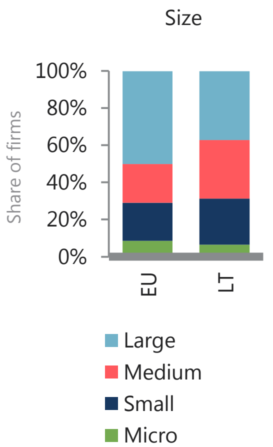
The x- and y-axes lines cross on the EU average for 2016.

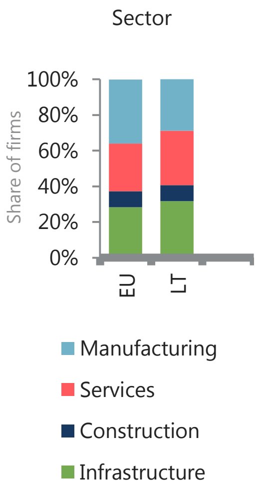
Financing conditions for investment activities remain problematic in Lithuania. The share of firms reporting to be external finance constrained is well below the EU average. Moreover, the share of firms reporting that they do not use external funding because they are happy relying on internal funds is well below the EU average.

Firms in construction and infrastructure sectors are most likely to report being external finance constrained. Only few manufacturing firms say they do not apply for external funding because they are happy to rely on internal sources.

PROFILE OF FIRMS

CONTRIBUTION TO VALUE ADDED





Large firms account for only 37% of value-added, compared to 50% for the EU. This partly reflects the small size of the economy, which makes it more difficult for firms to grow beyond a certain size.

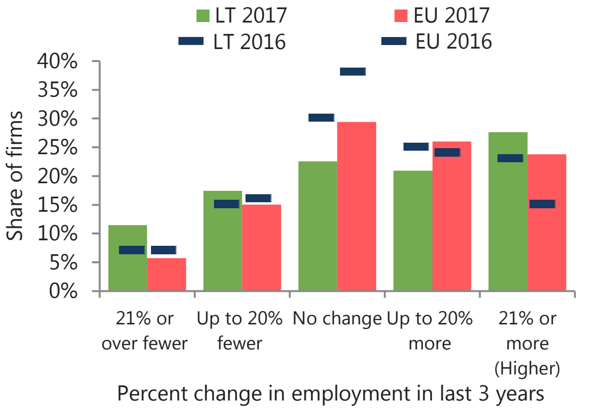
Employment dynamics over the past three years have been favourable in Lithuania, with more firms expanding than contracting. However, the share of firms reporting a decrease in employment is higher than on average in the EU.

Productivity of firms in Lithuania seems lower than on average in the EU. The construction sector is characterised by a particularly high share of firms in the lowest productivity class.

Base: All firms

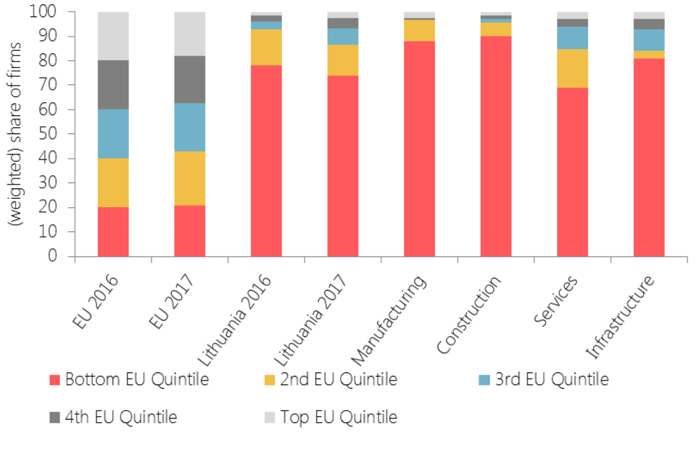
The charts reflects the relative contribution to value-added by firms belonging to a particular size class / sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+.

EMPLOYMENT DYNAMICS IN LAST THREE YEARS



Base: All firms (excluding don't know, refused and missing responses)
Q. Thinking about the number of people employed by your company, by how much has it changed in the last 3 years?

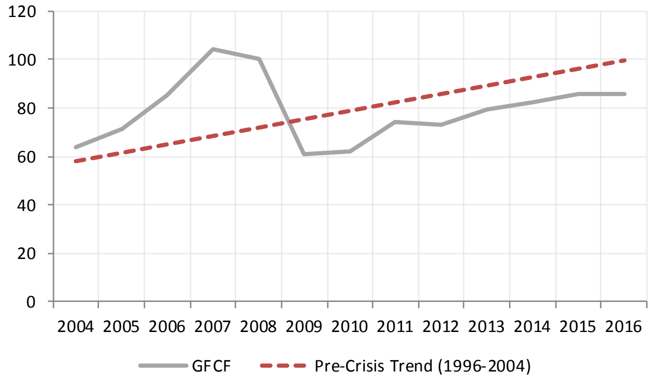
DISTRIBUTION OF FIRMS BY PRODUCTIVITY CLASS



Share of firms by productivity class (Total Factor Productivity). Productivity classes are defined on the basis of the entire EU sample.

MACROECONOMIC INVESTMENT CONTEXT

Investment Dynamics over time



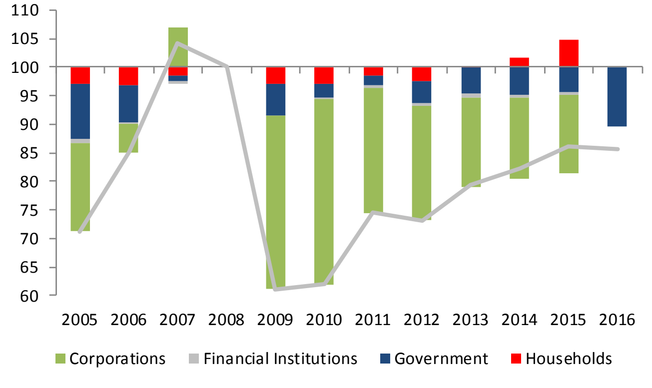
The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); against the series 'pre-crisis trend. The data has been index to equal 100 in 2008. Source: Eurostat.

In 2016, aggregate investment remained unchanged, at some 15% below its 2008 level. Investment in other buildings and structures has declined.

The overall investment gap is bigger when compared to the pre-crisis trend; even though slowing potential growth makes this a difficult benchmark to reach.

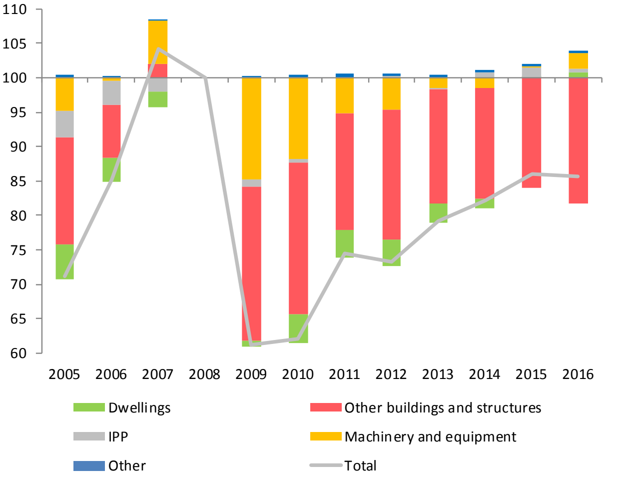
Weak investment performance is primarily due to a fall in other buildings and structures. In terms of institutional sectors, corporate investment is furthest below its 2008 level. Government investment is also below its 2008 level.

Investment Dynamics by Institutional Sector



The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); by institutional sector. The data has been indexed to equal 100 in 2008. Source: Eurostat.

Investment Dynamics by Asset Class



The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); by asset class. The data has been indexed to equal 100 in 2008. Source: Eurostat.

EIB 2017 – COUNTRY TECHNICAL DETAILS

SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS

The final data are based on a sample, rather than the entire population of firms in Lithuania, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

	EU	Lithuania	Manu-facturing	Cons-truction	Services	Infras-tructure	SME	Large	EU vs Lithuania	Manufacturing vs Construction	SME vs Large
	(12338)	(400)	(110)	(96)	(95)	(98)	(345)	(55)	(12338 vs 400)	(96 vs 110)	(345 vs 55)
10% or 90%	1.1%	3.2%	5.5%	5.8%	6.5%	6.1%	3.1%	7.0%	3.4%	8.0%	7.6%
30% or 70%	1.6%	4.9%	8.3%	8.9%	9.9%	9.3%	4.7%	10.6%	5.2%	12.2%	11.6%
50%	1.8%	5.4%	9.1%	9.7%	10.8%	10.1%	5.1%	11.6%	5.6%	13.3%	12.6%

GLOSSARY

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Productivity	Total factor productivity is a measure of how efficiently a firm is converting inputs (capital and labor) into output (value-added). It is estimated by means of an industry-by-industry regression analysis (with country dummies).
Manufacturing sector	Based on the NACE classification of economic activities, firms in group C (manufacturing).
Construction sector	Based on the NACE classification of economic activities, firms in group F (construction).
Services sector	Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade) and group I (accommodation and food services activities).
Infrastructure sector	Based on the NACE classification of economic activities, firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
SME	Firms with between 5 and 249 employees.
Large firms	Firms with at least 250 employees.

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BASE SIZES

Base definition and page reference	EU 2016/ 2017	LT 2016/2017	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 2, 3, 6, 7, 8, 11, 14	12483/12338	407/400	110	96	95	98	345	55
All firms (excluding don't know/refused responses), p. 3	12159/12020	397/383	106	93	89	94	329	54
All firms (excluding don't know/refused responses), p. 5	12071/12073	387/396	109	95	93	98	341	55
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4	10060/10321	338/341	91	82	76	91	293	48
All firms who invested in the last financial year, p. 5	10881/10889	362/357	97	85	81	93	304	53
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	12453/12306	406/396	110	94	93	98	341	55
All firms (data not shown for those who said not an obstacle at all/don't know/refused), p. 9	12483/12338	407/400	110	96	95	98	345	55
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 10	9093/9131	334/327	85	77	74	90	283	44
All firms (excluding don't know, refused and missing responses), p. 14	12162/11513	391/368	104	88	85	90	316	52

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Lithuania

Overview

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