EIBIS 2016
EIB Group Survey on Investment and Investment Finance 2016

Country Overview

Lithuania
EIB Group Survey on Investment and Investment Finance Country Overview: Lithuania
© European Investment Bank (EIB), 2016. All rights reserved.

About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment and Investment Finance is a unique, EU-wide, annual survey of 12,500 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 30 economists, is headed by Debora Revoltella, Director of Economics.

Main contributors to this publication
Philipp-Bastian Brutscher, EIB

Disclaimer
The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

About Ipsos Public Affairs
Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector, as well as international and supranational organizations. Its c.200 research staff in London and Brussels focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methodological and communications expertise, helps ensure that our research makes a difference for decision makers and communities.
Lithuania

The annual EIB Group Survey on Investment and Investment Finance (EIBIS) is an EU-wide survey of 12,500 firms that gathers quantitative 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 407 firms in Lithuania in 2016 (July–October). Note: The results are weighted by value-added, reflecting firms’ contribution to the economy.

Key results

Investment outlook: Investment outlook is clouded: more firms expect a contraction in investment than expect an expansion for the current financial year; this comes after a relatively weak investment performance in the last financial year.

Investment activity: Firms’ investment focus is replacement: more than half of firms’ investment in Lithuania is for replacing existing buildings, machinery, equipment and IT.

Investment gap: 26% of firms report having invested too little over the last three years and 66% report having invested about the right amount. The share of machinery and equipment that firms consider ‘state-of-the-art’ and the share of firms’ building stock that satisfies high energy efficiency standards are both well below the EU average.

Investment barriers: Uncertainty and lack of skilled staff are the main barriers to investment; broadly in line with the rest of the EU. ‘Lack of demand’, ‘uncertainty about the future’, ‘energy costs’ and ‘availability of staff with right skills’ stand out as obstacles that are of higher importance in Lithuania than the EU overall.

External finance: 11% of firms are finance constrained: overall the proportion of firms dissatisfied with amount of finance, that had application rejected, thought borrowing costs would be too high or discouraged from applying, higher than the EU average.

Firm performance: Firms in Latvia lag in terms of productivity with around four in five firms falling into the lowest productivity class.
Just over two thirds of firms in Lithuania (72%) invested in the last financial year, as compared with 84% across the EU as a whole.

The intensity of investment (investment per employee) of investing firms is also lower than the EU average.

Investment activity in last financial year compared to previous

Compared to 2014, 35% of firms in Lithuania increased their investment activities in 2015.

Roughly a quarter of firms invested less (27%).

This leaves a slightly positive net balance (of +8%); which is in line with the weak macro-economic investment figures for the year.

Base: All firms (excluding don’t know/refused responses)
*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.
Firms’ investment outlook for 2016 is clouded.

Four in ten firms (39%) expect to invest less in the current financial year compared to the previous one; while only under three in ten firms expect an expansion (27%).

On balance, this means a negative investment outlook (-12%); which places firms within the investment cycle in the ‘low investment; contracting quadrant.'

SMEs are on balance somewhat more neutral about their investment outlook than the aggregate (net balance: -2%); but stand at relatively low levels in terms of current investment activities (with less than 70% of firms investing in the last financial year).
The highest share of investment spend in Lithuania goes on machinery and equipment (53%), followed by land, business buildings and infrastructure (15%) and software, data, IT networks and website activities (also 15%).

Share of investment spend on machinery and equipment is higher than average for construction firms in Lithuania. Services firms invest more in software, data, IT and website compared to other sectors.

Overall four per cent of firms in Lithuania have invested in another country, which is lower than the EU average.

Almost one in ten construction companies in Lithuania have invested abroad.

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?

- Organisation/business processes
- Training of employees
- Software, data, IT, website
- R&D
- Machinery and equipment
- Land, business buildings and infrastructure

Base: All firms who invested in the last financial year
Q. In the last financial year, has your company invested in another country?
• Nearly 3 in 5 Euros invested by firms in Lithuania went into the replacement of existing buildings, machinery and equipment (58%).
• 23% of firms’ investment was allocated to capacity expansion; and 17% to the development of new products, processes and services.

Future investment priorities

• Overall, replacing equipment is the top investment priority in the future for Lithuanian firms.
• Construction firms in Lithuania are more likely than average to prioritise replacing existing buildings, machinery, equipment, IT.

Purpose of investment in last financial year

Base: All firms who invested in the last financial year (excluding don’t know/refused responses)
Q. What proportion of total investment was for (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?
Two thirds of firms in Lithuania (66%) believe their investment over the last three years was about the right amount; a quarter (26%) think they invested too little, which is significantly more than across the EU.

Construction firms are more likely than average to say they have invested too little (35%).

A third of firms in Lithuania (35%) report operating at or above maximum capacity – less than the EU average of 51%.

The share of firms operating at or above full capacity is relatively low for manufacturing firms in Lithuania (23%).
- The average share of machinery and equipment described by firms as being state-of-the-art is 30% in Lithuania, significantly less than the EU average (44%).

- Infrastructure sector companies report having a higher than average share of state-of-the-art machinery and equipment.

On average firms in Latvia report that about 12% of their building stock satisfies high efficiency standards, significantly below the 40% for the EU as a whole.

- The average share of energy efficient building stock is significantly higher for the manufacturing sector.
The political and regulatory climate is cited as the main barrier to implementing planned investment in the current financial year in Lithuania; as is the case for the EU as a whole.

Firms reporting they have invested sufficiently in the last three years and firms reporting they have invested too little over that time both say the political and regulatory climate has a negative effect on their planned investment.

Firms reporting having invested too little over that time both say the political and regulatory climate has a negative effect on their planned investment.

Firms reporting they have invested sufficiently in the last three years and firms reporting they have invested too little over that time both say the political and regulatory climate has a negative effect on their planned investment.

Firms reporting having invested too little are less positive about the role of the overall economic climate.

**Short term influences on investment**

- **Political and regulatory climate**
- **Overall economic climate**
- **Business prospects in the sector**
- **Availability of external finance**
- **Availability of internal finance**

**Base:** All firms who have planned to invest in the current financial year

Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

*Net balance is the share of firms seeing a positive effect minus the share of firms seeing a negative effect*
Firms in Lithuania consider uncertainty about the future and the availability of staff with right skills to be the main structural barriers to investment over the longer-term.

‘Lack of demand’, ‘uncertainty about the future’, ‘energy costs’ and ‘availability of staff with right skills’ stand out as obstacles that are of relatively high importance in Lithuania compared to the EU overall.

### Long term barriers to investment

**Long term barriers by investment performance**

- Firms that invested sufficiently
- Firms that invested too little

#### 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 a major obstacle, a minor obstacle or not an obstacle at all?

- Firms that say they have invested too little in the last three years and firms that say they invested sufficiently during this period hold similar opinions on the long term barriers to investment.
INVESTMENT FINANCE

- Firms in Lithuania rely to a large extent on internal funds to finance their investment activities.
- Bank loans are the most common source of external finance, followed by leasing.
- Firms are on balance satisfied with the external finance they have used; albeit less so with respect to collateral requirements.

### Source of investment finance

<table>
<thead>
<tr>
<th>Type of finance</th>
<th>EU</th>
<th>Lithuania</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
<th>SME</th>
<th>Large</th>
</tr>
</thead>
</table>

### Satisfaction with external finance

#### Amount obtained

- Very satisfied
- Fairly satisfied
- Neither
- Fairly dissatisfied
- Very dissatisfied

#### Cost of finance

#### Maturity

#### Collateral

#### Type of finance

*Caution very small base size less than 30

Base: All firms who used external finance in the last financial year (excluding don’t know/refused responses)

Q. Approximately what proportion of your external finance does each of the following represent?

Q. How satisfied or dissatisfied are you with ...?
- Overall firms in Lithuania want more of the type of finance they are already using.
- Eleven per cent of Lithuanian companies can be considered finance constrained, this is significantly above the EU average of five per cent.

**Share of finance constrained firms**

- Financing constrained firms are less prevalent in the infrastructure sector.

**Base:** All firms who used external finance in the last financial year (excluding don't know/refused responses)

Data is derived from two questions: firms were first asked about the types of external finance used in the last financial year and then which one type of external finance they would want to have a more prominent role over the next 3 years.
In the weighted size distribution, medium-sized companies account for the largest share of firms in Lithuania (32%).

Large companies are underrepresented compared to the EU average.

Firms in Lithuania tend to fall into the lowest productivity class; with some positive outliers in the services sector.

**Base:** All firms

The charts reflect 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+.

**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?
In 2015, aggregate investment is still some 15% below its 2008 levels.

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

The corporate sector and investments in ‘other buildings and structure’ are lagging most compared to 2008.
The EIB Group Survey on Investment and Investment Finance 2016 Country overview: Lithuania

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.

Approximate sampling tolerances applicable to percentages at or near these levels

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>Lithuania</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
<th>SME</th>
<th>Large</th>
<th>EU vs Country</th>
<th>Manufacturing vs Construction</th>
<th>SME vs Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% or 90%</td>
<td>1.0%</td>
<td>3.6%</td>
<td>6.4%</td>
<td>6.4%</td>
<td>7.2%</td>
<td>6.6%</td>
<td>3.0%</td>
<td>8.3%</td>
<td>3.7%</td>
<td>9.0%</td>
<td>8.8%</td>
</tr>
<tr>
<td>30% or 70%</td>
<td>1.5%</td>
<td>5.5%</td>
<td>9.8%</td>
<td>9.8%</td>
<td>11.0%</td>
<td>10.1%</td>
<td>4.6%</td>
<td>12.6%</td>
<td>5.7%</td>
<td>13.8%</td>
<td>13.4%</td>
</tr>
<tr>
<td>50%</td>
<td>1.7%</td>
<td>6.0%</td>
<td>10.7%</td>
<td>10.6%</td>
<td>12.0%</td>
<td>11.0%</td>
<td>5.0%</td>
<td>13.8%</td>
<td>6.2%</td>
<td>15.1%</td>
<td>14.6%</td>
</tr>
</tbody>
</table>

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 a country-by-country regression analysis (with industry 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.
## Base sizes

<table>
<thead>
<tr>
<th>Base definition and page reference</th>
<th>EU</th>
<th>Lithuania</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
<th>SME</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13</td>
<td>12483</td>
<td>407</td>
<td>102</td>
<td>103</td>
<td>101</td>
<td>101</td>
<td>367</td>
<td>40</td>
</tr>
<tr>
<td>All firms (excluding don't know/refused responses), p. 2</td>
<td>11838</td>
<td>393</td>
<td>100</td>
<td>101</td>
<td>94</td>
<td>98</td>
<td>355</td>
<td>38</td>
</tr>
<tr>
<td>All firms (excluding those who have no investment planned/don't know/refused responses), p. 5</td>
<td>12159</td>
<td>397</td>
<td>100</td>
<td>102</td>
<td>95</td>
<td>100</td>
<td>358</td>
<td>39</td>
</tr>
<tr>
<td>All firms (excluding 'Company didn't exist three years ago' responses), p. 6</td>
<td>12453</td>
<td>406</td>
<td>102</td>
<td>103</td>
<td>100</td>
<td>101</td>
<td>366</td>
<td>40</td>
</tr>
<tr>
<td>All firms (excluding don't know, refused and missing responses), p. 13</td>
<td>12162</td>
<td>391</td>
<td>98</td>
<td>99</td>
<td>96</td>
<td>98</td>
<td>356</td>
<td>35</td>
</tr>
<tr>
<td>All firms who invested in the last financial year, p. 2</td>
<td>12281</td>
<td>400</td>
<td>102</td>
<td>102</td>
<td>96</td>
<td>100</td>
<td>360</td>
<td>40</td>
</tr>
<tr>
<td>All firms who invested in the last financial year, p. 4</td>
<td>10881</td>
<td>362</td>
<td>92</td>
<td>97</td>
<td>81</td>
<td>92</td>
<td>324</td>
<td>38</td>
</tr>
<tr>
<td>All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4</td>
<td>10060</td>
<td>338</td>
<td>87</td>
<td>91</td>
<td>75</td>
<td>85</td>
<td>304</td>
<td>34</td>
</tr>
<tr>
<td>All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5</td>
<td>9682</td>
<td>337</td>
<td>82</td>
<td>92</td>
<td>76</td>
<td>87</td>
<td>302</td>
<td>35</td>
</tr>
<tr>
<td>All firms who invested in the last financial year (excluding don't know/refused responses), p. 10</td>
<td>9093</td>
<td>334</td>
<td>85</td>
<td>92</td>
<td>74</td>
<td>83</td>
<td>301</td>
<td>33</td>
</tr>
<tr>
<td>All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses), p. 8</td>
<td>10536</td>
<td>345</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 10, p. 11</td>
<td>4344</td>
<td>144</td>
<td>36</td>
<td>35</td>
<td>25</td>
<td>48</td>
<td>120</td>
<td>24</td>
</tr>
</tbody>
</table>

### Percentage rounding

Percentage with value of less than 0.5 but greater than zero has not been displayed in the charts.