

**ALFRED NOBEL UNIVERSITY**  
**DEPARTMENT OF THE GLOBAL ECONOMICS**

**Bachelor's Thesis**

“Development and ways of realization of the international investment project  
“Travel Company” in Lithuania”

Student: Chepyzhko E.A.

Group: IER16-English

Specialty: 292 “International economic relations”

Supervisor: Shkura I.S., Candidate of economic sciences

**Dnipro, 2020**

**ALFRED NOBEL UNIVERSITY**  
**DEPARTMENT OF THE GLOBAL ECONOMICS**

First (bachelor) level  
Specialty 292 International economic relations

Approved by:  
Head of Department \_\_\_\_\_

\_\_\_\_\_  
(signature, last name, initials, scientific degree, academic status)

“ \_\_\_\_\_ ” \_\_\_\_\_ 20\_\_ p.

**The Bachelor's Thesis**  
**Assignment**

Chepyzhko Ekaterina

1. Title “Development and ways of realization of the international investment project “Travel Company” in Lithuania”

2. Supervisor Shkura I.S., Candidate of economic sciences

Approved with the Order of " \_\_\_\_ " \_\_\_\_\_ 20\_\_, No. \_\_\_\_\_

3. Deadline for submission of \_\_\_\_\_

4. Aim of the paper: to analyze the macroeconomic situation in Lithuania and its business climate, to assess the prospects for the development of the tourism industry and develop an investment project for opening a travel company in Lithuania

5. Thesis outline (list of issues to be developed):

**SECTION 1. THE ECONOMY OF LITHUANIA: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS**

1.1. General characteristics of the development of the economy of Lithuania over the last 15 years

1.2. Structural changes in the economy of Lithuania

1.3. The tourism industry in Lithuania and its participation in international tourism market

**SECTION 2. FOREIGN ECONOMIC ACTIVITY OF LITHUANIA: INTERNATIONAL TRADE AND CAPITAL MOVEMENT**

2.1. Analysis of international trade in Lithuania

2.2. Scope and main directions of foreign direct investment in Lithuania

2.3. Assessment of investment climate in Lithuania and the degree of its attractiveness to Ukrainian investors

**SECTION 3. DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT IN TOURISM INDUSTRY**

3.1. Analysis of demand for travel services in Lithuania

3.2. Substantiation of the investment project for the start of travel company in Lithuania and the assessment of the need for investment resources

3.3. Assessment of estimated income and economic effectiveness of the investment project in tourism industry

6. Date of issue of the assignment \_\_\_\_\_

7. Thesis schedule

no	Stages	The deadline for submission	
		Schedule date	Actual date
1	Chapter 1		
2	Chapter 2		
3	Chapter 3		
4	The whole paper		

Student

\_\_\_\_\_  
signature

Chepyzhko E.A.  
last name, initials

Supervisor

\_\_\_\_\_  
signature

Shkura I.S.  
last name, initials

## SUMMARY

*“Development and ways of realization of the international investment project “Travel Company” in Lithuania”*

The bachelor's thesis is devoted to the consideration of the main indicators of the economy of Lithuania. The general characteristics of the development of the economy of Lithuania, the main industries and their contribution to the Lithuanian GDP and economic growth are presented. The structural changes in the economy of Lithuania are considered. One of the most important industries in Lithuania is tourism, and its part in international tourism market is quite high. The main trends international trade of Lithuania are studied. The analysis of stocks of foreign direct investment of Lithuania is provided. The material reveals opportunities and threats concerning international economic relations. The investment climate in Lithuania and the degree of its attractiveness to Ukrainian investors, the main benefits and potential threats for a foreign investor are considered. The international investment project of travel company in Lithuania is developed. The necessary investments and the sources are presented. The analysis of demand for travel services in Lithuania was done. The substantiation of the investment project for the start of travel company in Lithuania and the assessment of the need for investment resources are presented. The assessment of estimated income and indicators of the economic effectiveness of the investment project in tourism industry are calculated.

Key words: Lithuania, tourism industry, international trade, foreign direct investment, investment climate, investment project, travel company, economic effectiveness

## АНОТАЦІЯ

*«Розробка та шляхи реалізації міжнародного інвестиційного проекту»  
Туристична компанія» в Литві»*

У бакалаврській роботі проведено аналіз економіки Литви. Представлено загальну характеристику розвитку економіки Литви, основні галузі та їх вплив на економіку країни. Розглядаються структурні зміни в економіці Литви. Вивчається туристична галузь Литви та її місце у міжнародному туристичному ринку. Вивчається роль Литви у міжнародних економічних відносинах. Наведено аналіз міжнародної торгівлі та прямих іноземних інвестицій Литви. Розкриваються можливості та загрози, що стосуються міжнародних економічних відносин. Розглянуто інвестиційний клімат у Литві та ступінь його привабливості для українських інвесторів, основні вигоди та потенційні загрози для іноземного інвестора. Представлено ідею міжнародного інвестиційного проекту туристичної компанії в Литві, обґрунтовано обсяг потрібних інвестицій. Проведено аналіз попиту на туристичні послуги в Литві. Представлено обґрунтування інвестиційного проекту щодо старту туристичної компанії в Литві та оцінку потреби в інвестиційних ресурсах. Розраховано прогнозований дохід та показники економічної ефективності інвестиційного проекту в туристичній галузі.

Ключові слова: Литва, туристична галузь, міжнародна торгівля, прямі іноземні інвестиції, інвестиційний клімат, інвестиційний проект, туристична компанія, економічна ефективність

## CONTENTS

INTRODUCTION.....	6
SECTION 1. THE ECONOMY OF LITHUANIA: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS .....	9
1.1. General characteristics of the development of the economy of Lithuania over the last 15 years.....	9
1.2. Structural changes in the economy of Lithuania .....	15
1.3. The tourism industry and its participation in international tourism market .	20
SECTION 2. FOREIGN ECONOMIC ACTIVITY OF LITHUANIA: INTERNATIONAL TRADE AND CAPITAL MOVEMENT .....	28
2.1. The analysis of international trade in Lithuania .....	28
2.2. The scope and main directions of foreign direct investment in Lithuania ...	33
2.3. Assessment of investment climate in Lithuania and the degree of its attractiveness to Ukrainian investors .....	40
SECTION 3. DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT IN TOURISM INDUSTRY .....	49
3.1. Analysis of demand for travel services in Lithuania .....	49
3.2. Substantiation of the investment project for the start of travel company in Lithuania and the assessment of the need for investment resources .....	51
3.3. The assessment of income and economic effectiveness of the investment project in tourism industry .....	55
CONCLUSIONS AND PROPOSALS .....	61
REFERENCES .....	63
APPENDICES.....	68

## INTRODUCTION

*The actuality of the research topic* is that in many countries tourism is important for creating GDP, new jobs, activating the balance of international trade. In the modern market, tourism opens up quite a lot of new opportunities for different types of business and stimulates economic growth. The results of the research confirm that tourism has a significant impact on construction, agriculture, production of consumer goods and is therefore analysed as a catalyst for socioeconomic development and is recognized as a priority economic activity in many countries. Business structures and state institutions are increasingly interested in the impact of tourism on economic growth. Economic growth caused by tourism is an important subject of discussion to create country and region development plans, planning economic development, marketing tools and making business promotion decisions. Every country participating in international tourist exchanges seeks to promote inbound tourism in order to strengthen its positive economic impact.

*The aim* of the thesis is to analyze the macroeconomic situation in Lithuania and its business climate, to assess the prospects for the development of the tourism industry and develop an investment project for opening a travel company in Lithuania.

*The objectives* of the thesis are:

- to research the general characteristics of the development of the economy of Lithuania;
- to evaluate structural changes in the economy of Lithuania;
- to identify the participation of tourism industry in economy of Lithuania and international tourism market;
- to analyse international trade in Lithuania;
- to consider the scope and main directions of foreign direct investment in Lithuania;

- to assess the investment climate in Lithuania and the degree of its attractiveness to Ukrainian investors;
- to analyse demand for travel services in Lithuania;
- to develop the investment project for the start of travel company in Lithuania and the assessment of the need for investment resources;
- to assess estimated income and economic effectiveness of the investment project in tourism industry.

**The object** of study are the international relations and investment climate in Lithuania for foreign investors.

**The subject** of study is the international project in tourism industry in Lithuania.

**Method.** During the study, general scientific methods of cognition, analysis and synthesis, a process approach, methods of systemic, strategic, economic and statistical analysis were used.

**The practical significance** of the work means the possibility of development directions for the development of foreign economic relations in the tourism industry, as well as implement a real investment project to open a tourism company in Lithuania.

**The first section** of the paper deals with the analysis of the economy of Lithuania. The material includes the general characteristics of the development of the economy of Lithuania, the main industries and their impact on the Lithuanian economy. The structural changes in the economy of Lithuania are considered. The tourism industry in Lithuania and its participation in international tourism market are studied.

**The second section** describes the place and role of Lithuania in international economic relations. The analysis of international trade and foreign direct investment of Lithuania are provided. The material reveals opportunities and threats concerning international economic relations. The investment climate in Lithuania and the degree of its attractiveness to Ukrainian investors, the main benefits and potential threats for a foreign investor are considered.

***The third section*** provides a rationale for the main idea of an international investment project to implement in Lithuania, the values, forms and ways of making investments. To consider these tasks, the analysis of demand for travel services in Lithuania was done. The substantiation of the investment project for the start of travel company in Lithuania and the assessment of the need for investment resources are presented. The assessment of estimated income and economic effectiveness of the investment project in tourism industry are calculated.



## SECTION 1

### THE ECONOMY OF LITHUANIA: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS

#### 1.1. General characteristics of the development of the economy of Lithuania over the last 15 years

Lithuania joined the EU in 2004 and the OECD in 2018. The economic growth and the modernization of the Lithuanian economy have been significant during this period. The damage to the Lithuanian economy caused by the global financial crisis of 2009 was manifested in a drop in GDP by 16.8%. Nevertheless, the Lithuanian economy recovered faster than other European countries, mainly due to an efficient banking system and diversified industry. In 2019, GDP growth amounted to 3.4% - from 3.5% in the previous year - due to an increase in investments in equipment, construction, the agricultural sector and an increase in private consumption. The IMF predicts a reduction in economic growth rates to 2.7% and 2.5% in 2020 and 2021 amid weaker global conditions, with private consumption rising above 3%.

Lithuania's macroeconomic indicators are high. The debt to GDP ratio fell to 31.8% from 34.2% in 2018. A decrease in the indicator is forecasted in 2020 and 2021 (29.9% and 28.3%, respectively). The increase in government spending (wages and social benefits) led to a balanced government budget in 2019, after a three-year surplus.

According to the IMF, the government's balance was 0.3% in 2019, and it is forecasted that it will not change in the near-term forecast. Lithuania had the highest inflation in the EU in 2017 (3.7%), as a result of which the rate fell to 2.3% in 2019. The IMF expects a rate cut in 2020-2021 to 2.2%. Wage growth will be balanced by the projected drop in oil prices.

The unemployment rate has not changed and amounted to 6.1% in 2019, which corresponds to the IMF forecast. High immigration has led to labour

shortages. Lithuania has one of the lowest population growth rates in the world. In 2020-2021, minimum wages and harsh labour market conditions will lead to higher wages. According to the World Bank, about 22.2% of the population of Lithuania lives below the national poverty line, while according to Lithuanian statistics in 2018, 11.1% of the population lived in absolute poverty.

Lithuania has a population of less than three million people. The development of the economy in the market has continued since independence in 1991. Table A.1 of Appendix A shows the main economic indicators of Lithuania over the past 15 years.

The political and economic environment of Lithuania contributes to the development of the market. The growth of per capita income over the past 25 years has been higher than most OECD and Baltic countries, which contributed to the convergence of OECD average incomes (Fig. 1.1).

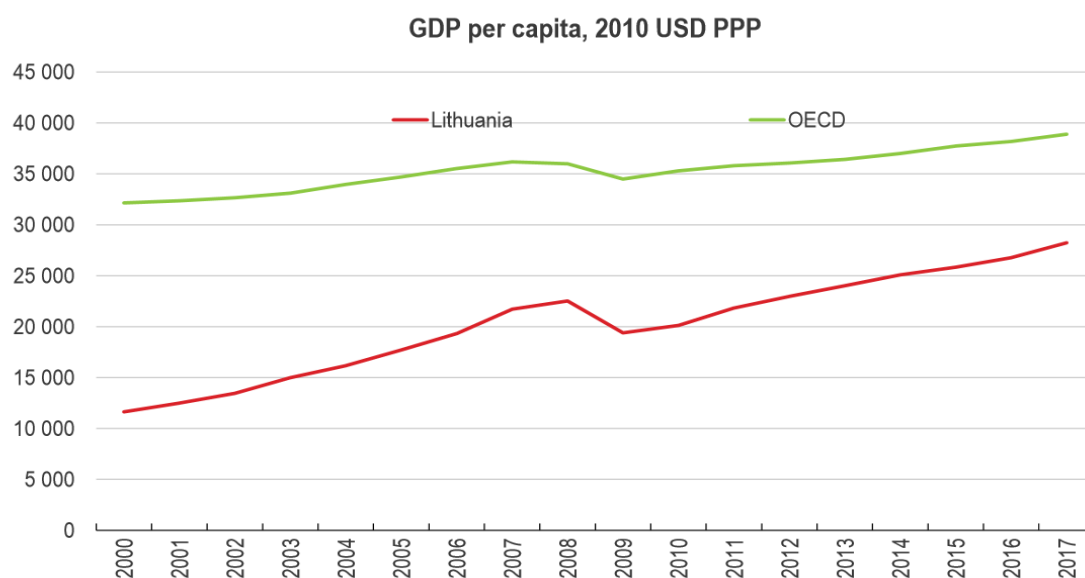


Fig. 1.1. GDP per capita

*Source: OECD Economic Outlook database.*

Lithuania is a member of the global trading system. The country joined the World Trade Organization in 2001, in the euro area in 2015. The fiscal position of the country is characterized by stability after a long period of deficit and growing debt. Since 2000, the standard of living in Lithuania has improved. During the global financial crisis of 2009, foreign investment declined, unemployment

increased by almost 18%. In 2014, service exports declined due to sanctions against Russia and a slowdown in other major trading partners.

Despite the high economic performance and reforms over the past 25 years, Lithuania faces some problems. Labour productivity is about two-thirds of OECD average, which is caused by informal employment and skills mismatch (Fig. 1.2).

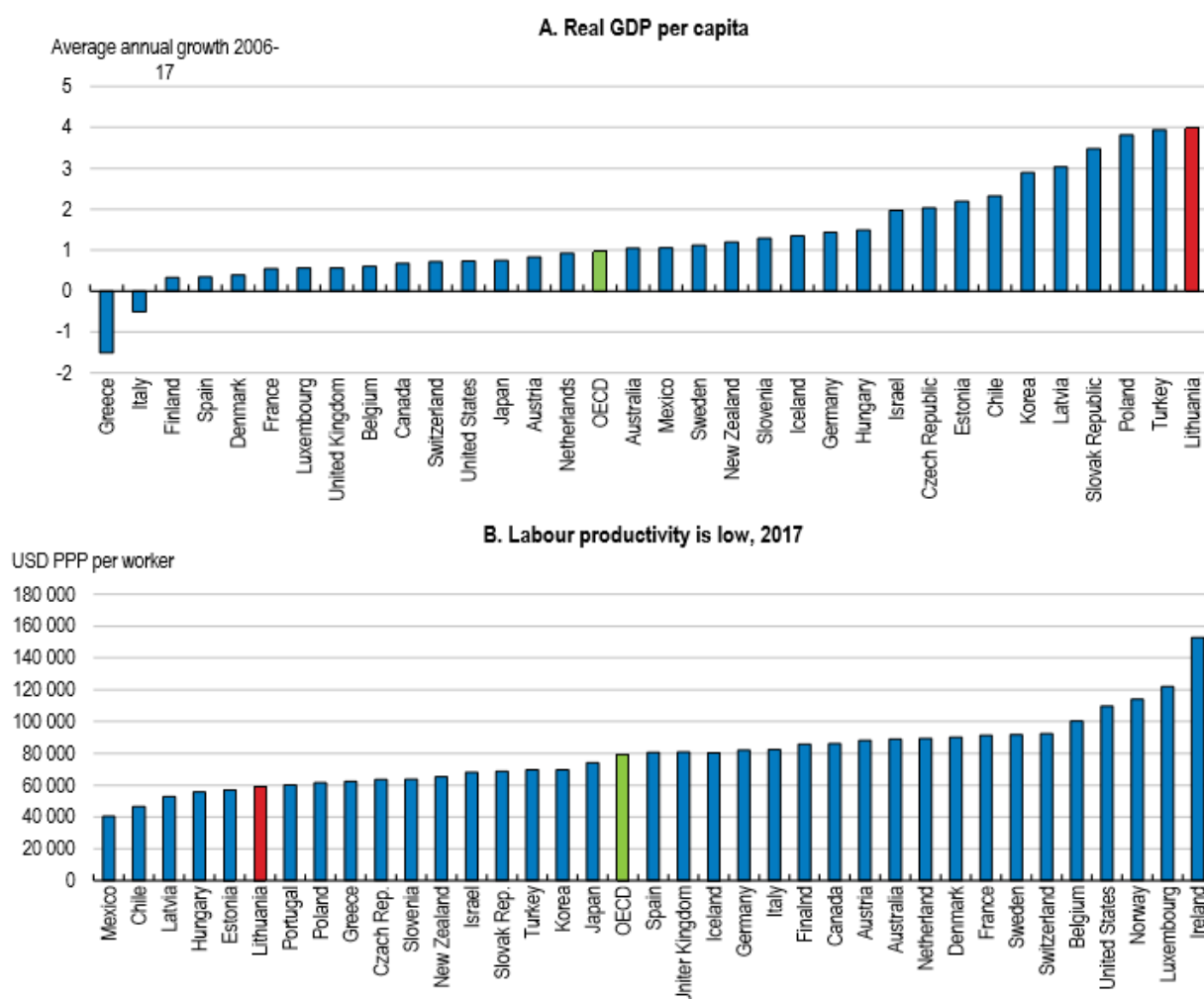


Fig. 1.2. Lithuania is growing faster than most OECD countries

Source: OECD Economic Outlook database.

Accelerating economic growth requires growth in labour productivity, which is behind the OECD average, and has slowed in recent years (Fig. 1.3). The new socio-economic model of the country requires simplifying the rules for attracting labour migrants from non-EU countries, modernizing labour relations, financial constraints for manufacturing firms and reducing informality. Management reforms will increase the efficiency of state enterprises. It is also necessary to adapt

the education system to the needs of the labour market and help the unemployed in finding employment.

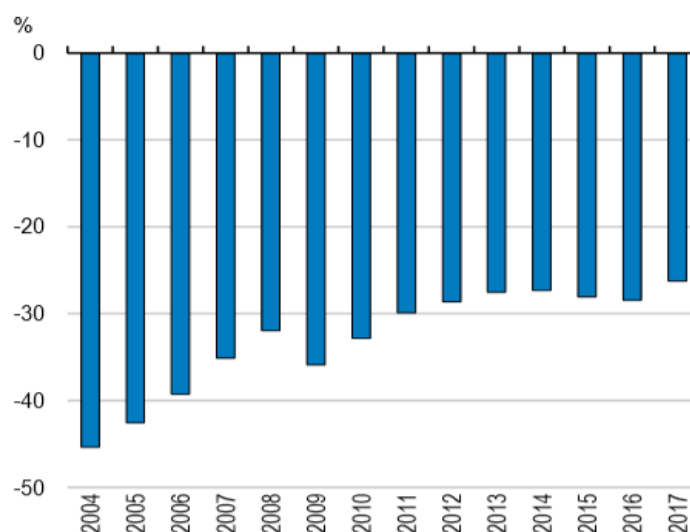


Fig. 1.3. The productivity gap remains large (labour productivity gap with respect to the OECD average)

*Source: OECD Economic Outlook database.*

Lithuania has high wage inequality with low quality work. High social security contributions and tight labor market regulation affect labor market opportunities, exacerbating inequality and reducing tax revenues, and lead to an increase in informal employment. Despite low barriers, foreign investment is not growing. The demographic situation in Lithuania is critical. The population of Lithuania is aging and shrinking, youth emigration is growing. Labor force decreasing is estimated at about 1% each year. Talent immigration is constrained by strict regulation and a lack of attractive jobs.

Lithuania has significantly improved the welfare of its citizens, however, some areas remain below OECD levels (Fig. 1.4).

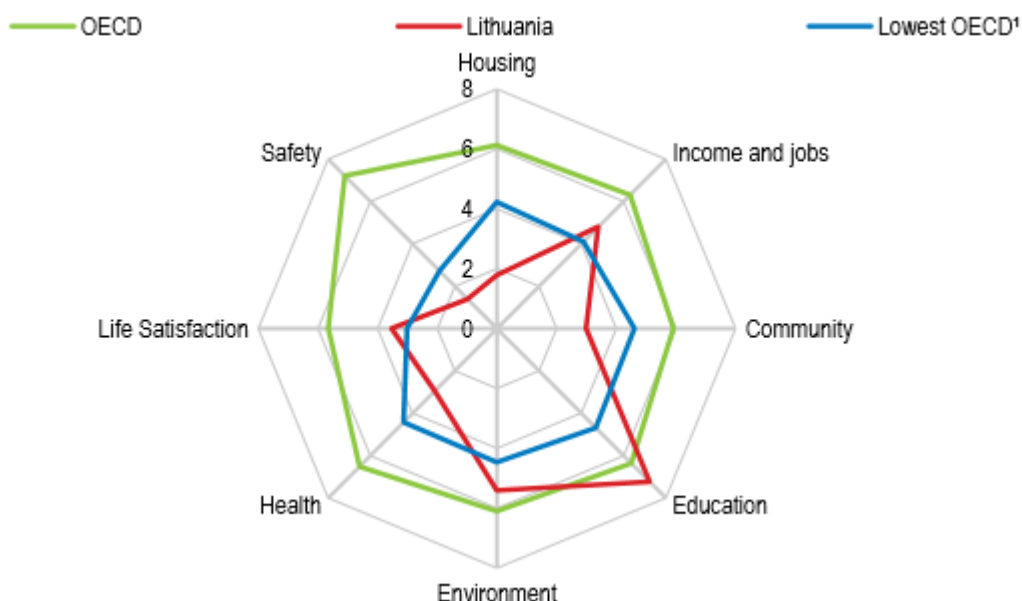


Fig. 1.4. Directions for the well-being improvement

1. Lowest OECD refer to the 17 countries with the lowest score among the OECD countries. Data are for 2016 or latest available year.

*Source: OECD Better life index indicators database; Eurostat; Gallup database; and World Bank World Development Indicators.*

The quality and affordability of housing is increasing due to increased investment in housing. However, many dwellings are small in area and poorly equipped. The health care system has improved, become more efficient and affordable, but some health indicators, such as low life expectancy, require better health status. According to polls, many Lithuanians are unhappy with the social and psychological climate in the country.

The quality of the environment is good in Lithuania, which has natural beauty. At the same time, the water quality in some lakes and rivers is low.

Income inequality and poverty are relatively high, especially among older Lithuanians and those living in rural areas. Income disparity in households is higher than in most OECD countries due to unequal incomes, low social benefits and low tax redistribution (Fig. 1.5).

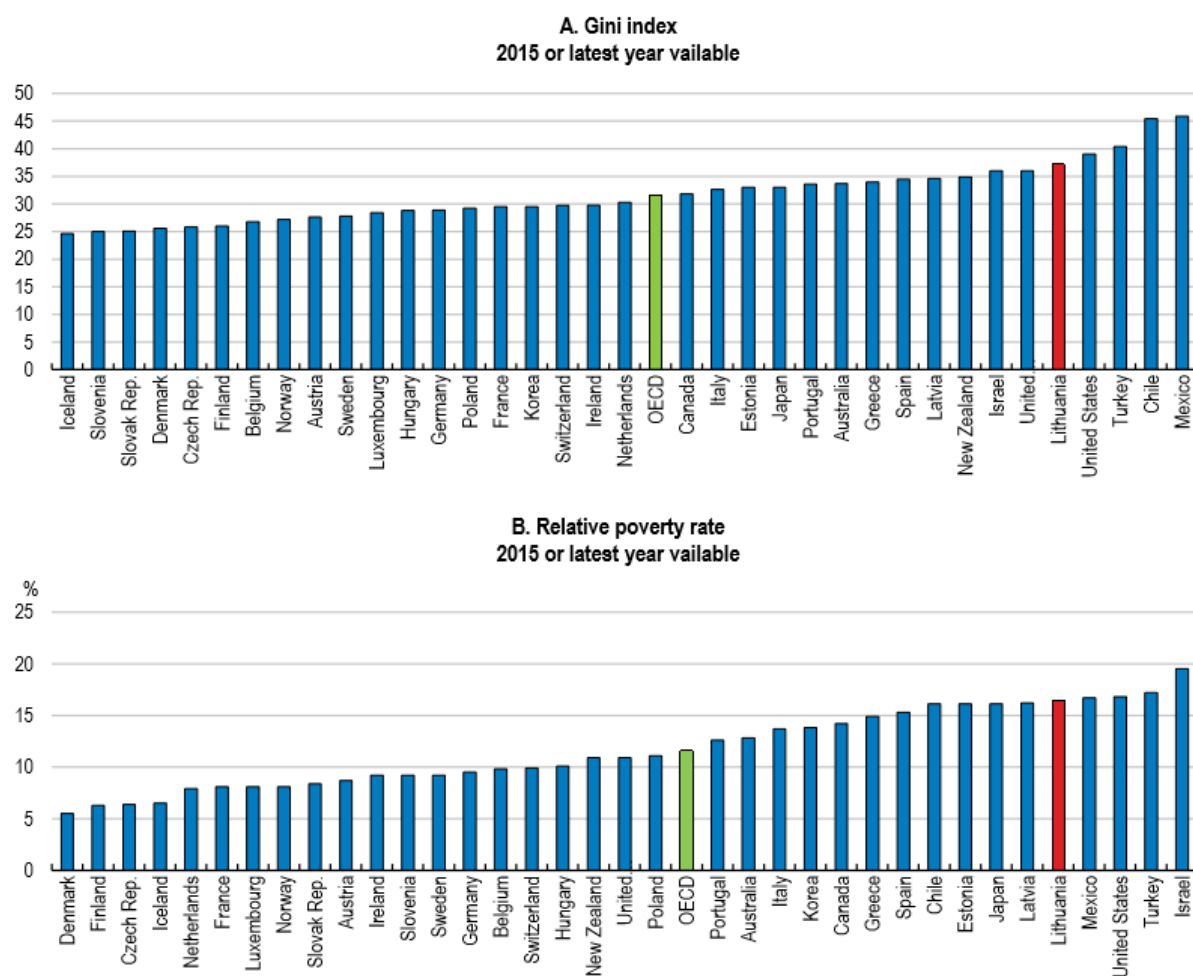


Fig. 1.5. Inequality and poverty rates are high

Note: The two indicators are calculated in disposable income after taxes and transfers.

Source: *OECD Income Distribution and Poverty database*.

The number of low-skilled and vulnerable workers is above the OECD average. About 17% of the population lives in relative poverty with incomes below 50% of the average. Women, the youngest and the elderly, are particularly affected. The risk of poverty in Lithuania decreases with the level of education of citizens. Regional differences in income and unemployment are quite high.

The government has begun to solve these problems through comprehensive reforms to boost economic growth. These reforms, which started in 2017 under the auspices of the “new social model”, provide labor market reform that fosters growth, along with increased social protection and more sustainable public finances.

## 1.2. Structural changes in the economy of Lithuania

The economic growth in Lithuania has strengthened. Economic activity strengthened in 2017, recovering from a slowdown in 2015 and 2016, and remains solid into 2018 (Table 1.2 and Fig. 1.6-1.7).

Table 1.2

Macroeconomic indicators and projections of Lithuania. Annual percentage change, volume (2010 prices)

	2014 current prices (EUR million)	2015	2016	2017	2018	2019
Gross domestic product (GDP)	36 568	2.0	2.3	3.9	3.4	2.9
Private consumption	22 777	4.0	4.9	3.8	3.7	3.5
Government consumption	6 073	0.2	1.3	1.0	0.9	0.8
Gross fixed capital formation	6 905	4.8	-0.5	7.3	7.6	5.3
Final domestic demand	35 756	3.5	3.3	3.9	3.9	3.4
Stockbuilding <sup>1</sup>		3.8	-0.8	-0.9	-0.5	0.0
Total domestic demand	35 809	7.2	2.3	3.1	3.7	3.4
Exports of goods and services	29 658	-0.4	3.5	13.6	6.9	4.4
Imports of goods and services	28 898	6.2	3.5	12.8	7.1	5.1
Net exports <sup>1</sup>		-5.2	-0.1	0.8	-0.1	-0.4
Other indicators (growth rates, unless specified)						
Potential GDP		2.6	2.6	2.5	2.6	2.8
Output gap <sup>2</sup>		0.1	-0.1	1.3	2.1	2.2
Employment		1.2	2.0	-0.5	-0.4	-0.4
Unemployment rate		9.1	7.9	7.1	6.6	6.2
GDP deflator		0.3	1.0	4.2	3.1	2.8
Harmonised consumer price index		-0.7	0.7	3.7	2.8	2.6
Harmonised core consumer price index		1.9	1.7	2.6	2.0	2.5
Current account balance <sup>3</sup>		-2.9	-1.2	0.4	-0.2	-0.5
General government financial balance <sup>3</sup>		-0.2	0.3	0.5	0.5	0.5
Underlying government financial balance <sup>2</sup>		-0.5	0.2	0.1	-0.1	-0.2
Underlying government primary financial balance <sup>2</sup>		1.0	1.5	1.2	0.9	0.7
General government gross debt <sup>3</sup>		53.8	51.7	48.0	43.1	41.6
General government gross debt, Maastricht definition <sup>3</sup>		42.6	40.1	39.7	34.8	33.4

1. Contributions to change in real GDP.

2. As a percentage of potential GDP.

3. As a percentage of GDP.

Source: OECD Economic Outlook 103 database and updates.

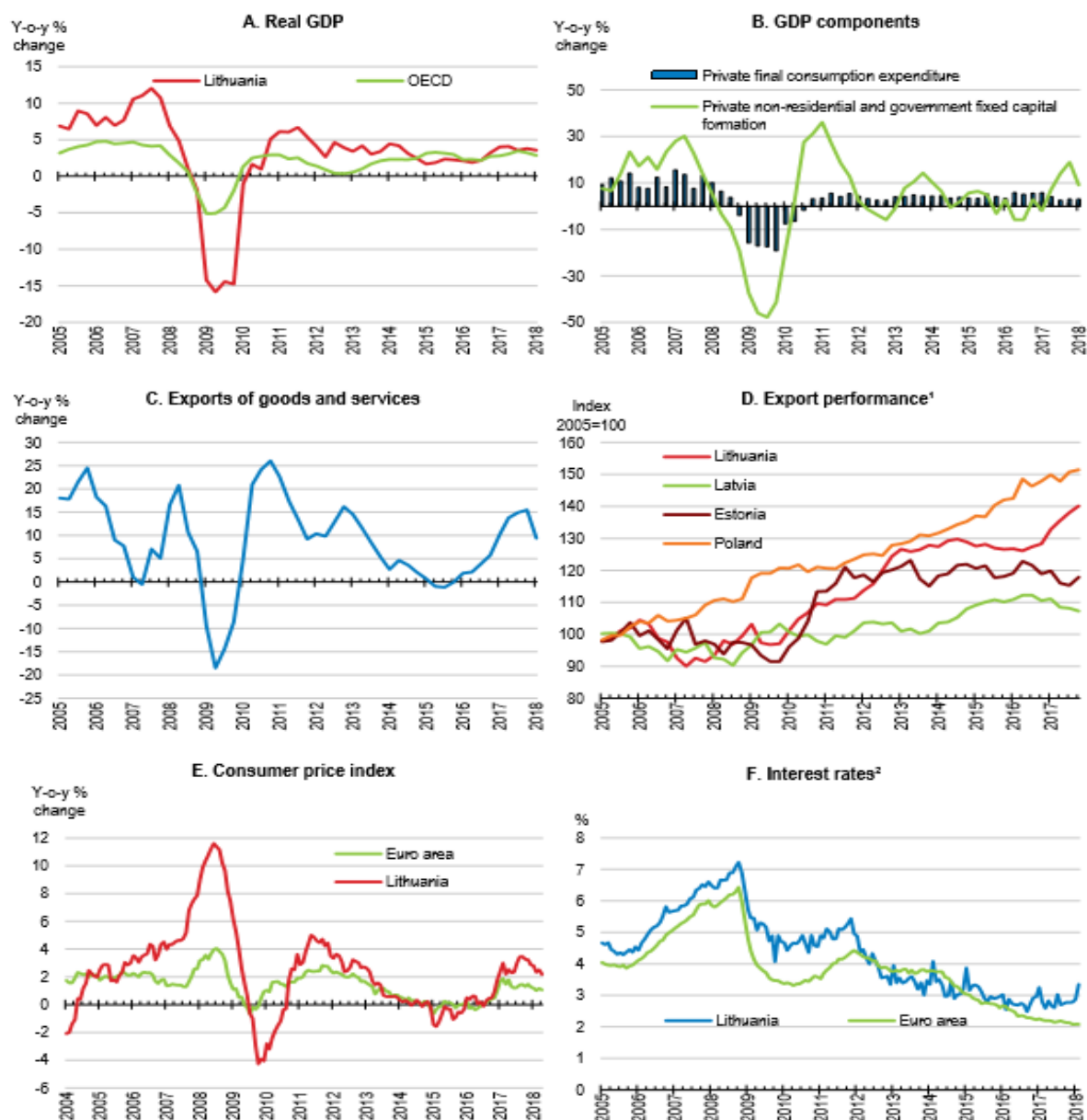


Fig. 1.6. Economic indicators of Lithuania

1. Export performance is measured as actual growth in exports relative to the growth of the country's export market, which represents the potential export growth for a country assuming that its market shares remain unchanged.

2. Data refer to annualised agreed rate on loans other than revolving loans and overdrafts, convenience and extended credit card debt to non-financial corporations of less or equal to 1 million euros.

Source: OECD Economic Outlook database; and Eurostat.



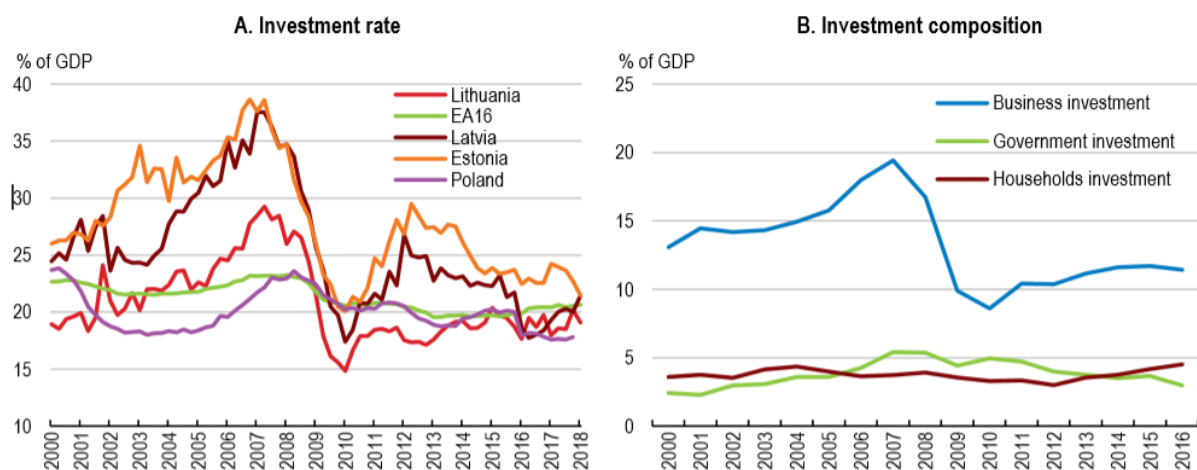


Fig. 1.7. Investment rates remain low

Source: OECD Economic Outlook database; and Eurostat.

Agriculture contributes 2.9% to the GDP and employs 8% of the workforce (World Bank, 2019). Lithuania's main agricultural products are wheat, wood, barley, potatoes, sugar beets, wine and meat (beef, mutton and pork). Arable land and permanent crops cover 2 million hectares, 34.2% of the country's territory.

The industrial sector accounts for 25.5% of GDP, employing around 25% of the active population. The main industrial sectors are electronics, chemical products, machine tools, metal processing, construction material, household appliances, food processing, light industry (including textile), clothing and furniture. The country is also developing oil refineries and shipyards. The World Bank estimates that the manufacturing sector alone contributes to 17% of the country's GDP.

Lastly, the services sector contributes 60.3% to the GDP and employs more than two thirds of the active population (68%). The information technology and communications sectors are the most important contributors to the GDP. Tourism is one of the fastest growing sectors of the country's economy (with 3.6 million arrivals in 2018).

Table 1.3

## The employment and value added by sector in Lithuania in 2019

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	7.6	24.7	67.2
Value Added <i>(in % of GDP)</i>	2.9	26.4	60.3
Value Added <i>(Annual % Change)</i>	-1.9	5.7	3.3

*Source: World Bank*

Household consumption is supported by falling unemployment, rapid wage increases and favourable credit conditions. After last year's impressive performance on the back of broad based external demand recovery, export growth weakened. Domestic investment rebounded in 2017, largely due to growing business investment in double digits. Knowledge-based investment growth was particularly strong. High capacity utilisation continues to spur private investment, although the investment rate in the business sector is well below its pre-crisis level (Fig. 1.7).

Low business confidence may be part of the explanation but other factors, including the difficulties faced by firms in finding adequately-skilled workers, and large informality can also deter investment. As a catching up economy Lithuania needs more investment to boost productivity and close the income gap. Inflation has receded in early 2018 as the impact of last year's hikes in some excise duties is abating (Fig. 1.6, Panel E). Service price inflation remains elevated, however, reflecting strong wage and domestic demand growth.

Stronger activity has also helped reduce unemployment, which edged down to less than 7% of the labour force towards the end of 2017, more than 10 percentage points below its 2010-peak (Fig. 1.8).

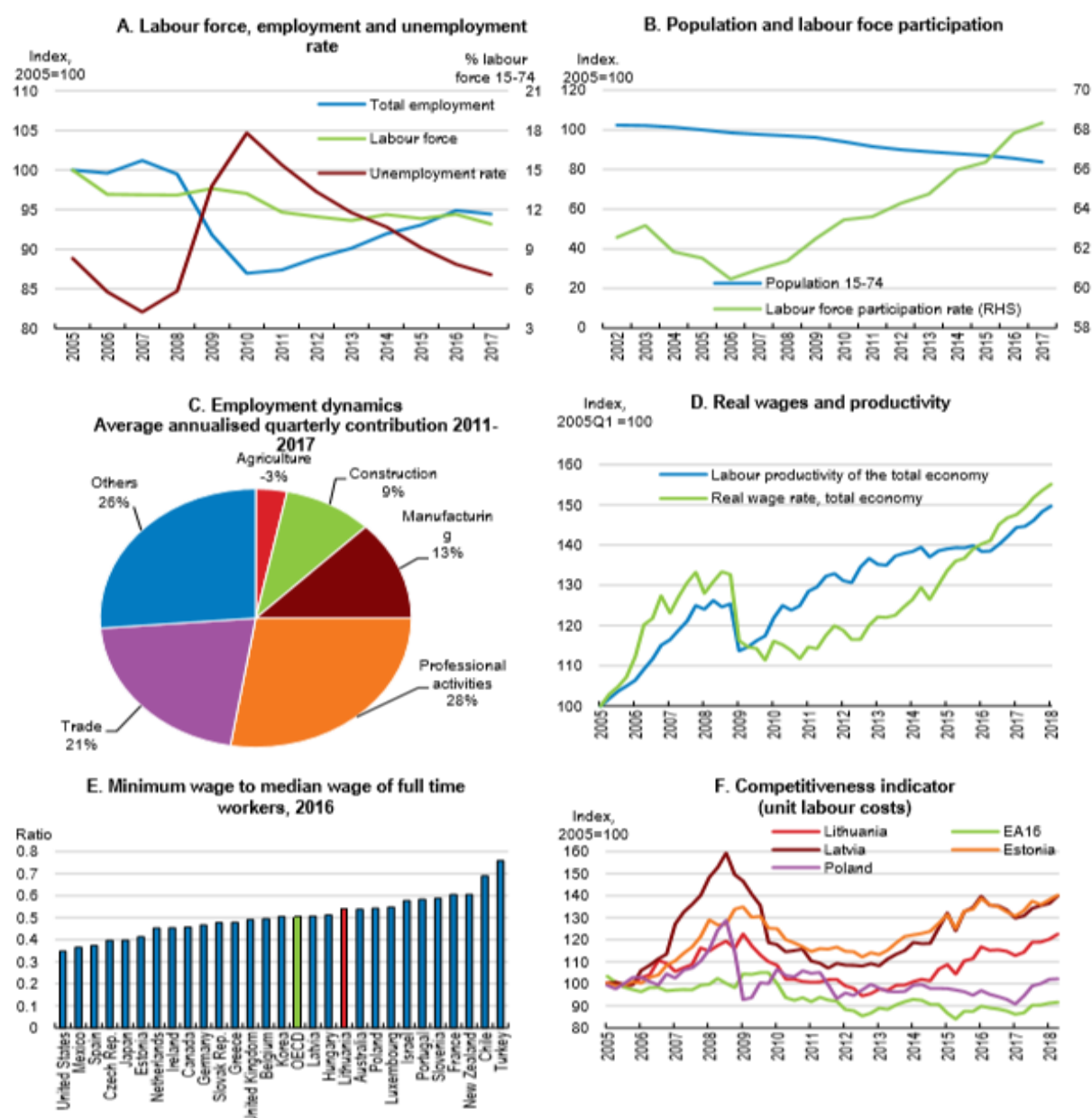


Fig. 1.8. Labour market and wage developments in Lithuania

Source: OECD Labour force statistics database; OECD Economic Outlook database; and Eurostat.

Lower unemployment is due not only to the employment gains in sectors such as industry and services, but also reflects a shrinking labour force as a result of unfavourable demographics. At the same time, labour force participation, especially among older workers, rose potentially reflecting a rising retirement age and low pensions and social support. External positions are sustainable with

foreign debt at 83% of GDP in 2017 and the net international investment position on an improving trend.

The deficit is financed essentially by a rise in foreign direct investment (FDI) and in portfolio investment. The inward FDI stock stood at around 37 % in 2017, less than in other Baltic countries. Many projects in recent years concerned shared services centres, which require little capital expenditure and hence do not contribute much to the FDI stock. By this token more FDI would not only improve external sustainability but help boost productivity with transfer of know how. Therefore, improving the business environment to attract FDI remains important.

### 1.3. The tourism industry and its participation in international tourism market

Tourism occupies a key position in the Lithuanian economy. In 2018, the share of tourism in economy was approximately 4.9% of GDP. Growth is expected up to 5% by 2020. In 2017, tourism provided jobs for 47.2 thousand people, or 4.9% of the total employment in the country.

In 2018, 1.7 million foreign tourists visited Lithuania, staying for 3.7 million nights and spending 1.2 billion EUR. The share of tourism in the export of services is estimated at 12.2%. Most of all there were tourists from Germany: 214.1 thousand night visitors, an increase of 21.6% compared to 2017. This is the maximum indicator for Germany, where the cost of a trip is on average 430 EUR. Russia, Poland, Belarus and Latvia are also the main consumers of Lithuanian tourism services. The United States is a fast-growing market with investments in overseas marketing, leading to further growth of 11.6% in China (+ 20.6%), Japan (+ 22.3%) and Israel (+ 27.3%). The share of Ukrainian and British tourists has also grown the latter due to a new direct route from London City Airport.

The interest of Lithuanians in their country is constantly growing. Inbound and local tourism divide the tourism market of Lithuania in half: Lithuanians who

travelled in the country and stayed in tourist hotels occupied 51.8% of the market (a total of 1.9 million tourists), which is 12.4% more than for same period last year.

Table 1.3

Domestic, inbound and outbound tourism in Lithuania

TOURISM FLOWS, THOUSAND	2014	2015	2016	2017	2018
Domestic tourism					
Total domestic trips	13 894	14 148	14 224	14 247	14 678
Overnight visitors (tourists)	2 649	2 663	2 554	2 528	2 641
Same-day visitors (excursionists)	11 245	11 484	11 670	11 719	12 037
Nights in all types of accommodation	3 431	3 570	3 719	3 934	4 355
Hotels and similar establishments	1 292	1 367	1 406	1 554	1 715
Other collective establishments	2 139	2 204	2 313	2 380	2 640
Inbound tourism <sup>2</sup>					
Total international arrivals	5 217	5 049	5 322	5 590	6 115
Overnight visitors (tourists)	2 063	2 071	2 296	2 523	2 825
Same-day visitors (excursionists)	3 155	2 977	3 026	3 067	3 291
Top markets					
Belarus	425	366	395	432	443
Latvia	229	254	274	308	362
Russian Federation	326	212	217	257	286
Poland	162	175	197	218	250
Germany	174	189	203	214	242
Nights in all types of accommodation	3 034	3 011	3 273	3 431	3 737
Hotels and similar establishments	2 251	2 247	2 429	2 527	2 725
Other collective establishments	783	764	844	904	1 012
Outbound tourism					
Total international departures	4 291	3 981	4 143	4 294	4 703
Overnight visitors (tourists)	1 789	1 860	1 953	2 032	2 244
Same-day visitors (excursionists)	2 503	2 121	2 191	2 262	2 458
Top destinations					
Latvia	232	221	226	233	250
United Kingdom	205	213	211	213	215
Belarus	177	154	156	158	202
Poland	140	149	150	160	169
Germany	117	106	110	123	132

Source: OECD Tourism Statistics (Database).

Tourism management and financing in Lithuania is aimed at stimulating the export of tourism services. In 2019, the national tourism administration structures were re-organised. The Ministry of Economy and Innovation has lead responsibility for tourism, and the Tourism Policy Division remains responsible for shaping national tourism policy, destination development and international relations.

A new public institution Lithuania Travel, is now responsible for raising the awareness of Lithuania as a tourism destination and for the development of inbound and local tourism. Lithuania Travel carries out marketing and tourism promotion, and reports to the Ministry of the Economy and Innovation.

The State Consumer Rights Protection Authority, under the Ministry of Justice, is responsible for the supervision of tour operators, travel agencies and accommodation providers. It represents consumer interests in the event of a tour operator insolvency. Co-ordination is assisted by the Tourism Council, whose role includes drafting policy proposals and advising on a wide range of tourism matters. This 22-member Advisory Body is chaired by the Ministry of Economy and Innovation, with membership drawn from related ministries including Agriculture, Communication, Foreign Affairs, and Culture, as well as tourism associations.

Municipalities are involved in tourism at the local level, including through the operation of Local Tourism Information Centres. The Chamber of Tourism of the Republic of Lithuania represents the country's ten principal tourism associations, and presents over 900 businesses.

Table 1.4

Tourism receipts and expenditure in Lithuania, million EUR

	2014	2015	2016	2017	2018
Inbound tourism					
Total international receipts	1 116	1 161	1 246	1 381	1 503
International travel receipts	1 042	1 041	1 090	1 169	1 274
International passenger transport receipts	74	120	157	212	229
Outbound tourism					
Total international expenditure	938	1 013	1 095	1 158	1 361
International travel expenditure	796	857	913	984	1 186
International passenger transport expenditure	142	156	182	174	175

Note:

1. Trips from demand side surveys; Nights from supply side surveys.
2. Arrivals from demand side surveys; Nights from supply side surveys.

Source: *OECD Tourism Statistics (Database)*.

The government budget for tourism is approximately EUR 1.2 million with a further EUR 3.1 million allocated from EU funding. In 2018, the City of Vilnius introduced a city tax of EUR 1 per person per night which is levied on all visitors

using accommodation services. The tax revenues will be used to fund international marketing activities and improve the city's infrastructure and quality of life for residents. A similar tax was previously applied in five other towns and resorts.

### *Tourism policies and programmes*

The main challenges for Lithuanian tourism include diversifying the offer, protecting important cultural and natural heritage, improving transport connectivity, and encouraging the uptake of digital technologies. Other priorities include improving tourism education and skills, extending the season, and improving the overall quality and sustainability of the offer.

The Lithuanian Tourism Development Programme 2014-20 set out national tourism development objectives, goals and development priorities, and is supported by the Strategy for Tourism Marketing 2016-20. The strategic objective is to increase the competitiveness of the tourism sector via new product development, and improvements to tourism infrastructure and quality of service. Under the Programme, four priority tourism products were identified for development: cultural, business, health and green (eco) tourism, in priority regions for tourism development. These priorities are aligned to EU Structural Fund support.

The Ministry of the Economy and Innovation is working closely with other relevant ministries to implement the Programme, including the ministries of Culture, Transport and Communications, Health, Foreign Affairs, Agriculture, and Environment as well as the Health Resort Science and Research Centre, municipalities and the private sector. Particular attention has been paid to cultural tourism, with significant investment made to support the renovation of museums, churches and other iconic places. Investment in business tourism has resulted in Vilnius becoming the host city of the Baltic Sea region's leading annual trade show for the meeting and event industry, CONVENE. The research of natural resources has also been progressed in close co-operation with the Council of Science, while educational hiking trails and observation towers have been built to support green tourism.

A new long term Strategy for Tourism to cover the period from 2021-2031 is now in development, and will aim to tackle and prioritise key forward-looking issues, namely:

- developing public and private tourism infrastructure;
- creating and developing attractive tourism routes;
- improving Lithuania's accessibility;
- increasing qualifications and improving entrepreneurial skills;
- developing certification and accreditation schemes for services providers;
- developing the information database holding details of Lithuania's tourism product;
- co-operating with neighbouring countries to implement joint marketing activity;
- creating tourism clusters to deliver joint public and private tourism marketing projects;
- increasing the supply of shoulder and off-season cultural events and attractions.

Growing innovation, rapid modernisation and many emerging challenges for the development of tourism require highly qualified workforce. To this end, further investment is prioritised to develop the required skills, including improved language, sales and marketing skills, professionalism and intercultural competence.

Particular efforts are needed to increase the competitiveness of rural tourism, as the development of specialised rural tourism services represent a major challenge. Small scale rural tourism appears of little interest to most tour operators and travel agencies, but it has great potential for Lithuania. In order to promote exports of rural tourism and green ecotourism services, the Government is focused on supporting and improving the existing online rural tourism promotion channels in international markets and introducing operator sales training. As more niche tourism products arrive into the market, special attention will be given to



supporting areas such as gastronomy, bird watching and tourism of nuclear energy sites.

As part of efforts to identify the most effective ways to increase the competitiveness of the tourism sector, and prepare sustainable tourism development guidelines, Lithuania is working with neighbouring countries in the Baltic Sea Region to achieve the UN Sustainable Development Goals as they apply to tourism.

Table 1.5

### Enterprises and employment in tourism in Lithuania

	Number of establishments <sup>2</sup>	Number of persons employed			
	2017	2014	2015	2016	2017
Tourism industries	18 301	45 891	46 181	46 884	47 168
Accommodation services for visitors <sup>1</sup>	3 238	11 816	12 354	13 142	14 457
Hotels and similar establishments	411	11 816	12 354	13 142	14 457
Food and beverage serving industry	3 864	13 062	13 640	12 495	13 065
Passenger transport	6 798	8 973	9 346	9 643	9 124
Air passenger transport	28	516	609	768	824
Railways passenger transport	1	386	420	505	385
Road passenger transport	6 743	7 893	8 140	8 363	7 908
Water passenger transport	26	178	177	7	7
Passenger transport supporting services		544	597	670	730
Transport equipment rental	858	432	303	445	459
Travel agencies and other reservation services industry	1 245	3 117	3 286	3 308	3 377
Cultural industry	671	4 386	3 769	3 296	2 875
Sports and recreation industry	1 627	3 561	2 886	3 885	3 081

1. Data for accommodation service for visitors refer to number of establishments.

2. Data refer to number of enterprises.

Source: OECD Tourism Statistics (Database).

### *Towards sustainable tourism in the Baltic Sea Region*

Together Estonia, Finland and Germany, Lithuania is leading a project to identify how the UN's Sustainable Development Goals for tourism can be achieved in practice in the Baltic Sea Region. The project has targeted a wide number of interest groups, including national and regional tourism authorities, local associations, destination management organizations, the private sector, and academic institutions.

Table 1.6

Internal tourism consumption in Baltics, 2017, Million EUR

	Domestic tourism expenditure	Inbound tourism expenditure	Internal tourism consumption
Consumption products	859 p	1 306 p	2 165 p
Tourism characteristic products	529 p	585 p	1 114 p
Accommodation services for visitors	104 p	174 p	278 p
Food and beverage serving services	47 p	203 p	250 p
Passenger transport services	190 p	69 p	259 p
Air passenger transport services	111 p	50 p	161 p
Railways passenger transport services	14 p	5 p	19 p
Road passenger transport services	63 p	12 p	75 p
Water passenger transport services	2 p	2 p	4 p
Passenger transport supporting services	46 p	29 p	75 p
Transport equipment rental services	38 p	21 p	59 p
Travel agencies and other reservation services industry	87 p	18 p	105 p
Cultural services	15 p	44 p	59 p
Sports and recreation services	4 p	26 p	30 p
Other consumption products	330 p	721 p	1 051 p

p Provisional data

Source: OECD Tourism Statistics (Database).

The main aim is to develop a tourism flagship process to make the Baltic Sea region more sustainable, particularly encouraging the commercial tourism sector to operate with reference to the SDGs. One of the biggest challenges in the Baltic Sea region is to accurately measure the impact of tourism, which cannot currently be fully evaluated due to a lack of appropriate measurement tools. In this context, the countries of the Baltic Sea region have created the Baltic Sea Tourism Centre and an Expert Group on Sustainable Tourism. Based on the outcomes of a

workshops, best practice assessment around the Baltic Sea, and the development of an awards scheme, the initiative will provide valuable insight to strengthen the process of sustainable tourism development. The core partners have agreed to the continuation of the co-operation to support the further sustainable development of tourism in the Baltic Sea region. A Working Group of the Baltic Sea Tourism Centre will promote the implementation of the Sustainable Tourism Award, monitor related legislation and identify topics and challenges for future projects at a transnational level.

Business structures and governmental institutions are more and more interested in the impact of tourism on economic growth. Tourism-driven economic growth is an important subject of discussion for creating country and region development plans, planning economic development, marketing tools and making business stimulation decisions. Tourism is an active generator of cross-border exchange of goods manufactured by different industries. The tourism industry by its nature is not only oriented to residents of the country. Foreign tourists use the supply of local tourism market operators, natural resources, pay for utilities, and all this have a positive impact on the local economy. Travelers going to another country increase the volume of trade, financial income, which creates jobs, helps to collect more taxes and stimulate other economic activities. The economic impact created on the basis of foreign tourists' expenses can be analysed as the basis for the economic product of inbound tourism impact to economic growth.

## SECTION 2

### FOREIGN ECONOMIC ACTIVITY OF LITHUANIA: INTERNATIONAL TRADE AND CAPITAL MOVEMENT

#### 2.1. The analysis of international trade in Lithuania

The main trend influencing the trends in foreign economic activity of Lithuania is a slowdown in economic growth. After the rapid growth of the economy in 2019, experts predict a slowdown in economic growth in 2020. Private consumption, which accounts for two-thirds of GDP, becomes a key factor in economic growth. This indicator will be stable due to some benefits, such as an increase in non-taxable personal income, indexation of pensions, an increase in the minimum wage and steady trends in the labor market.

The labor market in Lithuania has competitive advantages, such as a high level of immigration that exceeds the emigration flow. At the same time, tougher competition in the labor market and an increase in the minimum wage at a faster pace than labor productivity will negatively affect the competitiveness of companies in export activity and foreign economic activity. This can lead to a decrease in exports of goods and services (80% of GDP).

Increased tension in international trade negatively affects the Lithuanian economy. The result may be the negative contribution of foreign trade to a country's economic growth. The volume of investments is projected (almost 20% of GDP), including investments financed by the EU, will stay in 2020 at the level of previous years. Private investment in equipment and intellectual property will be an important driver of economic growth. Lithuanian companies face a shortage of human resources and excessively high capacity utilization.

Residential construction will contribute less to investment growth due to less favorable financing conditions.

Public and external accounts are almost in balance. The Lithuanian government has approved a budget according to which revenue growth is expected

to reach 9%, while spending growth is projected to reach 8%. The bill raises excise taxes on alcohol, tobacco and fuel, and cancels the excise tax exemption on diesel fuel used for heating. It broadens the property tax base and introduces a tax on polluting cars. The tax package also contains innovations on taxation of assets of credit organizations and retail companies. The growth of the threshold of non-tax payments is reduced.

Social spending will be a significant proportion in the cost structure. The deficit will turn into a surplus due to the balance of municipalities and the social security system. The purpose of fiscal policy is to accumulate a reserve (up to 1.6 billion EUR in 2020, or 3.3% of GDP) and reduce public debt, 75% of which are owned by non-residents, and almost 30% of which are denominated in foreign currency.

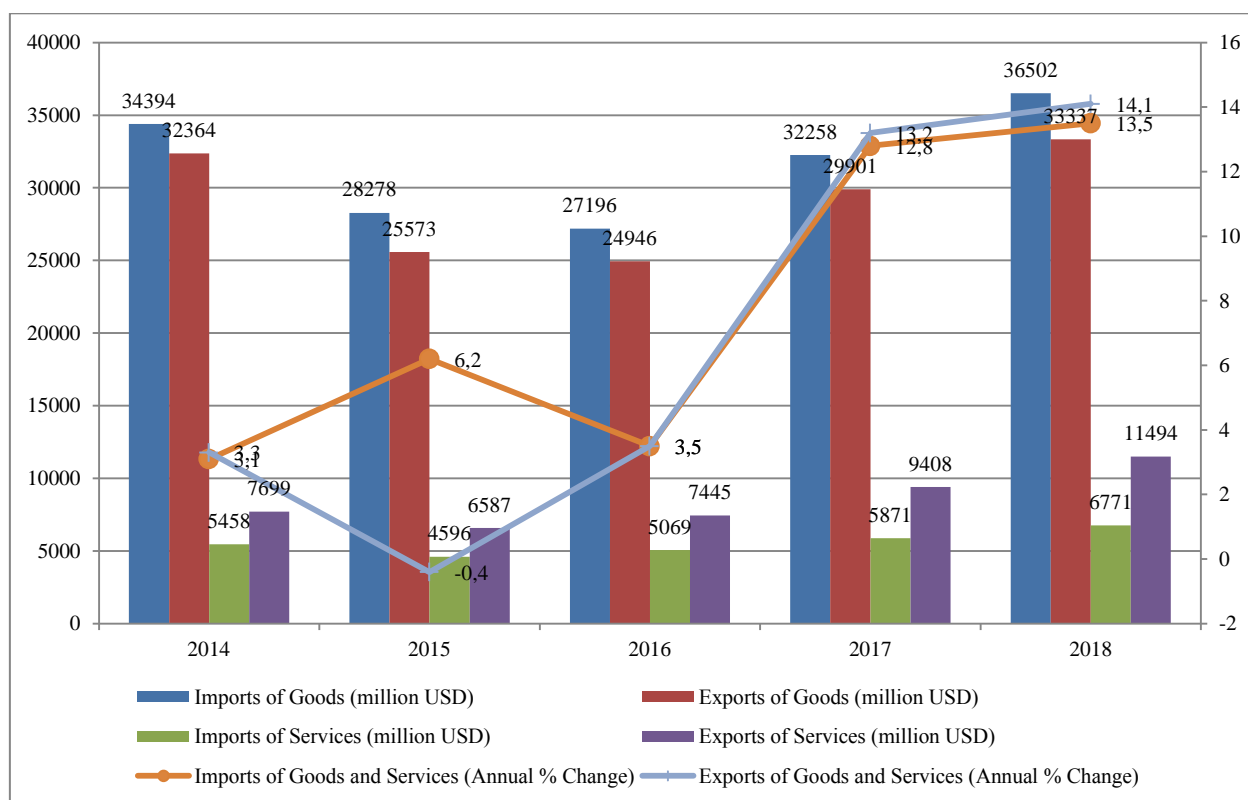


Fig. 2.1. The main indicators of foreign trade in Lithuania

Source: World Trade Organisation (WTO)

The level of openness of the Lithuanian economy is very high, foreign trade is 149% of GDP in 2018. The main imports are petroleum oils, furniture, cigars, syrups and cigarillos, medicines, crude oil, automobiles and tractors. The EU share in the structure of foreign trade is the highest. In 2018 it amounted to 58.5% of

exports. The largest export countries are Latvia and Poland, Russia (14%), the US (5.2%) and Belarus (3.8%). The largest import countries are the EU (68.2%), Russia (14.2%), Kazakhstan (2.8%) and China (2.8%) in 2018. Diplomatic disagreements between the EU and Russia and the Russian embargo on EU agricultural products have damaged Lithuania, as well as the Baltic states.

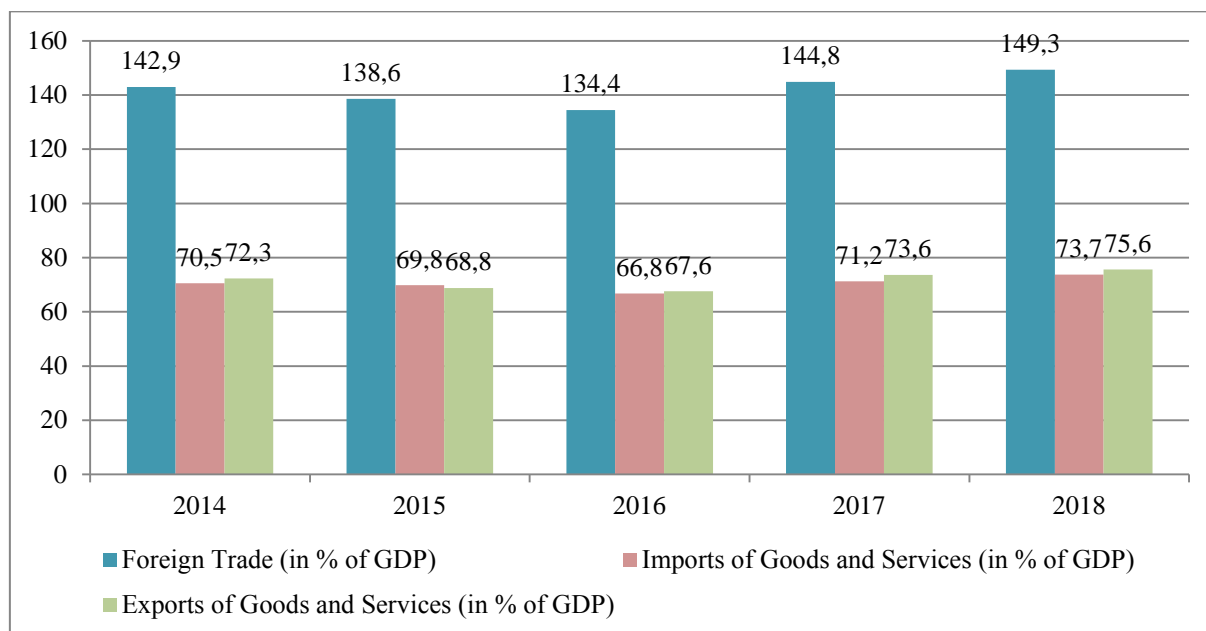


Fig. 2.2. The share of foreign trade in GDP of Lithuania

Source: World Bank

In 2018, export growth amounted to 12% and reached 33.4 billion US dollars. The import growth rate was 13% and reached 36.5 billion US dollars. Lithuania's trade balance is negative, primarily due to energy imports, especially Russian gas. The trade balance in 2018 amounted to -3.1 billion US dollars. However, the trade balance of services is positive (11.4 billion US dollars of exports versus 6.7 billion US dollars of imports). In general, the trade balance for goods and services has a surplus and is estimated at 1.9% of GDP in 2018.

The analysis showed that trade in services is a promising direction in terms of investments in Lithuania. The object of the study is the possibility of developing an investment project in the tourism sector. Therefore it is interesting to study the export and import of services in Lithuania in recent years.

The fig. 2.3 shows the dynamics of the export and import of services in Lithuania from 2013 to 2018.

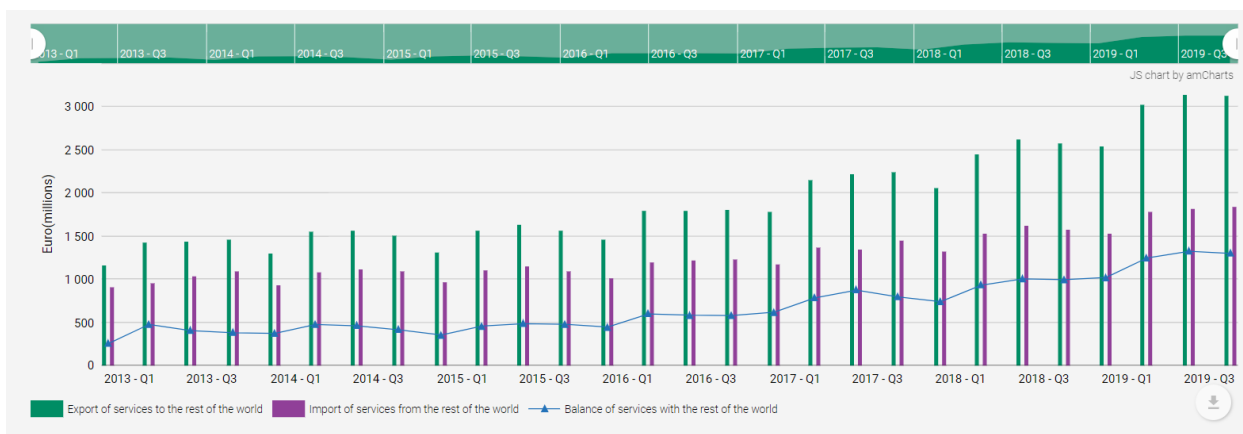


Fig. 2.3. Export and import of services in Lithuania, EUR millions

Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

As can be seen from the fig., there is an increase in the export of all types of services in Lithuania. The quarterly dynamics indicates an increase in the volume of export of services in the 3rd quarter of each year. The volumes of import of services are lower in comparison with the volumes of exports. Moreover, the import of services is seasonal. The growth in imports of services was in the 3rd quarter. The detail information about export and import of services we can see on table 2.1. The whole data about the dynamics of the international trade is presented in appendix B.

Table 2.1

Export and import of services in Lithuania, EUR millions

	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019	Q4/2019
Total									
Exports	2232,1	2054,94	2442,59	2616,79	2563,39	2538,12	3018,58	3126,27	3122,03
Imports	1438,96	1318,13	1515,03	1614,5	1570,19	1520,62	1775,8	1804,83	1825,99
Balance	793,14	736,81	927,56	1002,29	993,2	1017,5	1242,78	1321,44	1296,04
The growth rate									
Exports		-7,9%	18,9%	7,1%	-2,0%	-1,0%	18,9%	3,6%	-0,1%
Imports		-8,4%	14,9%	6,6%	-2,7%	-3,2%	16,8%	1,6%	1,2%
Balance		-7,1%	25,9%	8,1%	-0,9%	2,4%	22,1%	6,3%	-1,9%
European Union (28 countries)									
Exports	1461,1	1383,94	1666,95	1804,66	1789,46	1774,54	2100,45	2223,18	2214,86
Imports	936,6	830,78	981,77	1010,68	974,11	980,82	1182,11	1145	1192,51
Balance	524,5	553,16	685,18	793,98	815,35	793,72	918,34	1078,18	1022,35
The growth rate									
Exports		-5,3%	20,4%	8,3%	-0,8%	-0,8%	18,4%	5,8%	-0,4%
Imports		-11,3%	18,2%	2,9%	-3,6%	0,7%	20,5%	-3,1%	4,1%
Balance		5,5%	23,9%	15,9%	2,7%	-2,7%	15,7%	17,4%	-5,2%

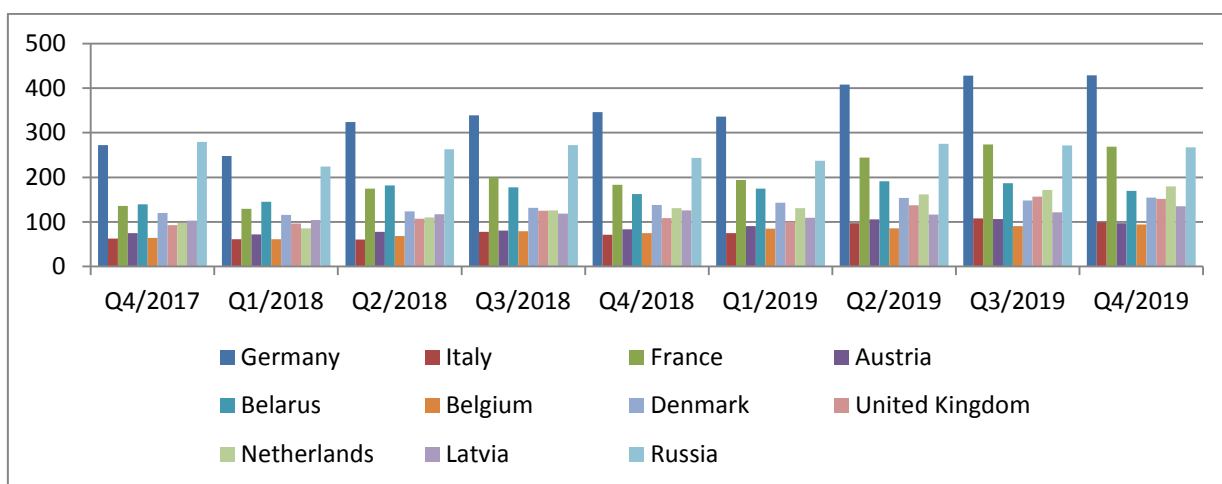
Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

The main strategic trade partner of Lithuania is EU. The export growth rate in the 3rd quarter of 2019 was 39.9% compared to the 4th quarter of 2017; import - 26.9%; trade balance - 63.4%.

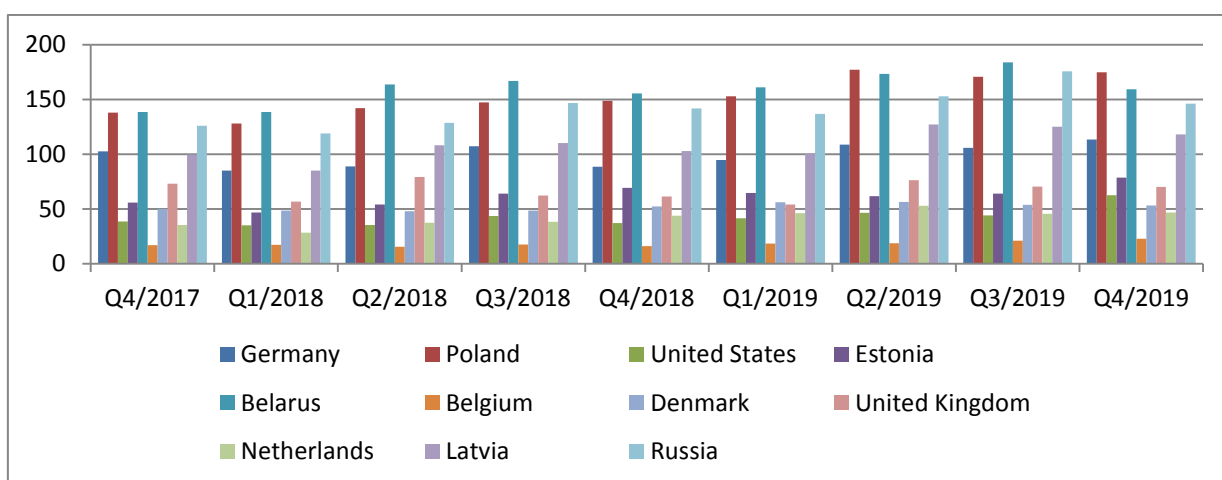
The export growth rate to the EU countries in the 3rd quarter of 2019 amounted to 51.6% compared to the 4th quarter of 2017; import - 27.3%; trade balance - 94.9%.

It can be concluded that in Lithuania the volume of export of services has increased over the past 3 years. Import volume also tends to increase. Moreover, the trade balance is positive in the considered period of time.

The fig. 2.4 shows the dynamics of the export and import between Lithuania and the main trade partners.



#### A. Export of services



#### B. Import of services

Fig. 2.4. The main Lithuanian external trade partners



*Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>*

The main trading partner countries are Lithuania, Great Britain, Germany, France, Denmark, Russia, Belgium. The volume of foreign trade in services with these countries has increased over the period.

Of course, the dynamics of exports and imports depend on the pace of economic growth. Foreign trade has an impact on the investment attractiveness of the country and its business climate. This is important to consider when justifying investment projects in Lithuania.

Experts predict in 2020 a slight current account deficit. Despite the restriction of imports due to reduced domestic demand, reduced demand for goods and services in the EU will lead to a deficit. The result of this fact is a reduction in the trade surplus (2.3% in 2019), caused by a high level of export of services, in particular tourism and road transport.

Transfers are estimated in 2.2% of GDP and mainly include remittances from foreign specialists and European funds, are still stable, but they do not compensate for the deficit of income (5.3%). This trend is caused by a high level of stock of FDI in the country (25% of GDP). A nominated change in portfolio investment abroad is projected.

The structure of Lithuania's gross external debt (75.7% of GDP in 2018) is represented by the following sources: state (39%), central bank (27.5%), commercial banks (11%) and non-financial organizations (26%), the assets located abroad (84% of GDP). The external debt of the state is denominated in euros. Thus, the investment attractiveness of Lithuania for foreign investors requires a detailed study.

## 2.2. The scope and main directions of foreign direct investment in Lithuania

Foreign direct investment in Lithuania includes lasting economic financial relations and interests between a foreign direct investor (non-resident) and a subject of direct investment in the country (resident). Transactions and income

during the period, outstanding amounts at the end of the period are in EUR millions.

Lithuanian law protects foreign investments and the rights of investors in the next ways:

- The Constitution and the Law on Foreign Capital Investment protect all forms of private property against nationalization or requisition;
- International agreements, such as the 1958 New York Convention on the recognition and enforcement of foreign arbitral awards, offer protection;
- Bilateral agreements with the United States and other western countries on the mutual protection and encouragement of investments reinforce these protections. The U.S. and Lithuania BIT has been in effect since 2001;
- The Law on Capital Investment in Lithuania and other acts regulate customs duties, taxes, and relationships with financial and inspection authorities. This law also establishes dispute settlement procedures;
- In the event of justified expropriation, applicable law entitles investors to compensation equivalent to the fair market value of the expropriated property;
- Foreign investors may defend their rights under the Washington Convention of 1965 by applying to either Lithuanian courts or directly to the International Center for the Settlement of Investment Disputes. To date, Lithuania has not been involved in any major investment disputes with American or other foreign investors;
- State institutions and officials are obligated to keep commercial secrets confidential and must pay compensation for any loss or damage caused by illegal disclosure. Lithuania legalized the possibility of hiring private bailiffs to enforce court judgments in 2003.

Lithuania's commercial laws conform to EU requirements, and include the principles of the free establishment of companies, protection of shareholders' and creditors' rights, free access to information, and registration procedures. Relevant laws include: the Company Law and Law on Partnerships (2004), the Law on

Personal Enterprises (2004), the Law on Investments (1999), the Law on Bankruptcy of Enterprises (2001), and the Law on Restructuring of Enterprises (2001). The Civil Code of 2000 governs commercial guarantees and security instruments. It provides for the following types of guarantee and security instruments to secure fulfillment of contractual obligations: forfeiture, surety, guarantee, earnest money, pledge, and mortgage.

The fig. 2.5 shows the dynamics of the inward FDI in Lithuania from 2004 to 2018. It can be concluded that investment has increased over the past 15 years. This testifies to the attractiveness of Lithuania for foreign investors.

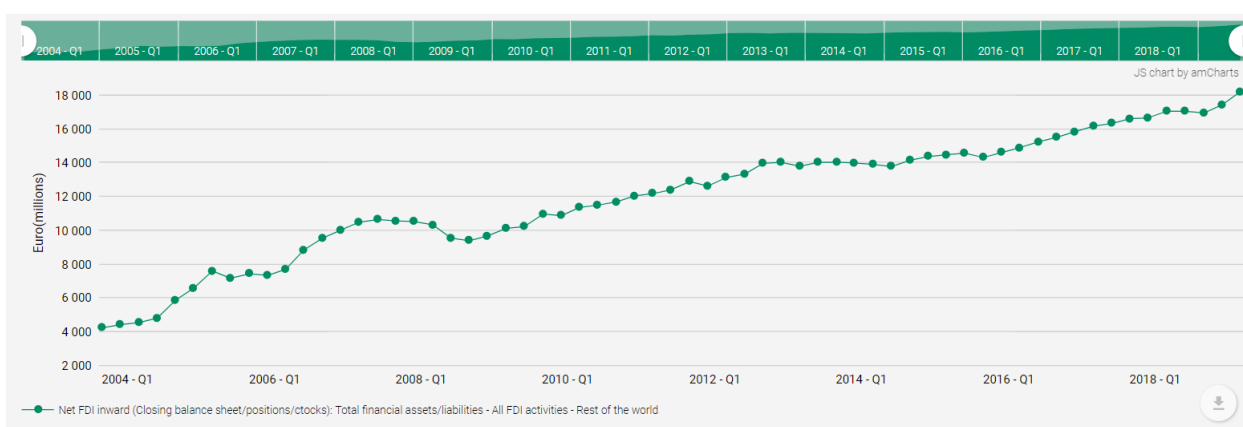


Fig. 2.5. Inward FDI in 2004-2018

Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

Inward foreign direct investment by country in Lithuania are presented in table 2.2. Inward foreign direct investment by activity in Lithuania are presented in Appendix C, table C.1.

As can be seen from the table, the largest investment in Lithuania came from countries in Europe and Asia. The most attractive sectors for investing in the Lithuanian economy are manufacturing, retail, financial and insurance, real estate, information technology, professional, scientific and technical activities

Country's direct investment abroad includes lasting economic financial relations and interests between a Lithuanian direct investor (resident) and a subject of direct investment abroad (non-resident).

Table 2.2

## Inward foreign direct investment by country, euro (millions)

	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019
Total	16,148.39	16,305.01	16,592.19	16,641.51	17,033.80	17,031.76	16,928.51	17,415.24	18,181.88
Europe	15,117.30	14,954.60	15,259.22	15,433.17	15,847.01	15,899.41	16,023.84	16,465.45	17,290.50
Africa	8.02	7.38	7.49	7.40	8.50	10.25	10.66	9.96	10.52
America	460.99	685.68	595.98	419.67	316.85	315.69	88.91	76.75	78.10
Asia	498.49	590.63	658.73	710.44	791.50	739.76	726.10	784.62	749.83
Oceania and polar regions	-4.23	-2.92	-3.25	-0.37	-0.84	3.70	2.79	7.58	-27.16
International Organisations	67.97	69.64	74.10	71.27	70.91	62.97	72.16	71.42	80.22
Extra-EU not allocated	-0.10	-	-0.08	-0.07	-0.13	-0.02	4.05	-0.54	-0.13

Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

The fig. 2.6 shows the dynamics of the outward FDI in Lithuania.

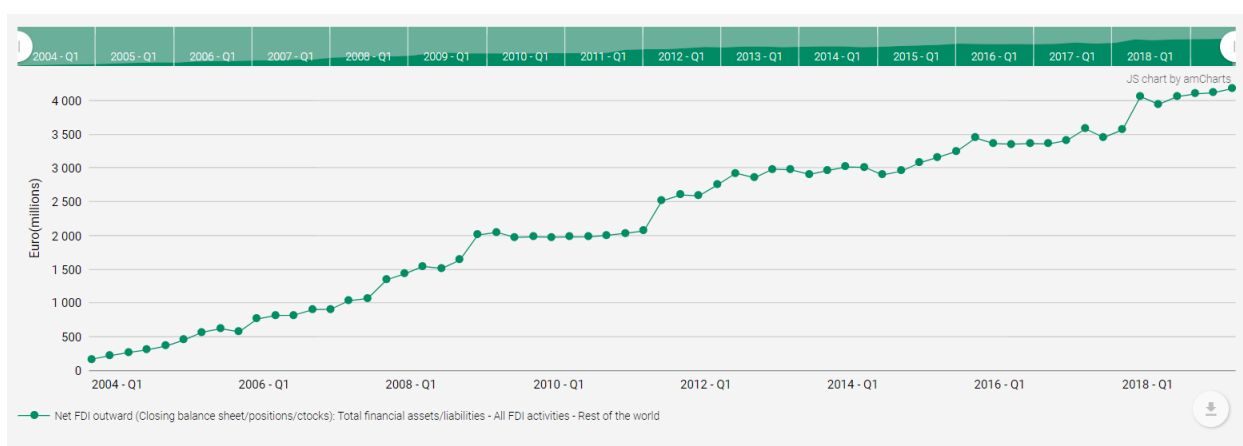


Fig. 2.6. Outward FDI in 2004-2018

Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

In Lithuania, over the past 15 years, the volume of outward foreign direct investment has increased. The most significant growth occurred in the last 2 years, due to favourable changes in the legislation in the field of investment, as well as the economic growth of the country.

Outward foreign direct investment by country in Lithuania are presented in table 2.3. Outward foreign direct investment by activity in Lithuania are presented in Appendix C, table C.2.

Table 2.3

Outward foreign direct investment by country, euro (millions)

	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019
Total	3,577.46	3,449.83	3,564.58	4,056.66	3,941.25	4,055.06	4,094.42	4,112.83	4,175.46
Europe	3,552.26	3,400.21	3,511.65	4,000.92	3,884.19	3,993.79	4,033.01	4,051.09	4,109.63
Africa	0.28	0.37	0.50	0.65	0.85	0.85	0.85	0.85	1.77
America	12.40	12.66	12.41	13.04	14.90	20.26	16.89	16.68	17.99
Asia	12.52	36.59	40.02						

Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

The leader among the regions in the investment sphere is Europe. The most attractive sectors of the economy for the outward FDI are manufacturing, professional, scientific and technical activities, financial and insurance activities, wholesale and retail trade; repair of motor vehicles and motorcycles.

The fig. 2.7 shows the dynamics of the inward stock of FDI in Lithuania over the past 6 years. The OECD defines FDI stocks as the total amount of direct investment at the current date, most often at the end of a quarter or year. The inward FDI stock is the value of capital and net loans granted by foreign investors to companies located in Lithuania. During 2013-2018, the value of foreign direct investment in Lithuania was estimated in the amount from approximately 17.5 billion US dollars to almost 17.8 billion US dollars.

FDI flows to Lithuania have been unstable in recent years. The reason for the negative trend was the global financial crisis, the economic and political crisis with the participation of Russia and Ukraine, as well as global trade and economic sanctions against Russia by the EU countries, including the Baltic countries.

Despite the fact that in 2017 the volume of FDI flows amounted to 652 million U.S. dollars, in 2018 it reached 905 million U.S. dollars. According to the UNCTAD World Investment Report 2019, total stock of foreign direct investment at the beginning of 2019 was 17.7 billion U.S dollars (about one third of GDP).

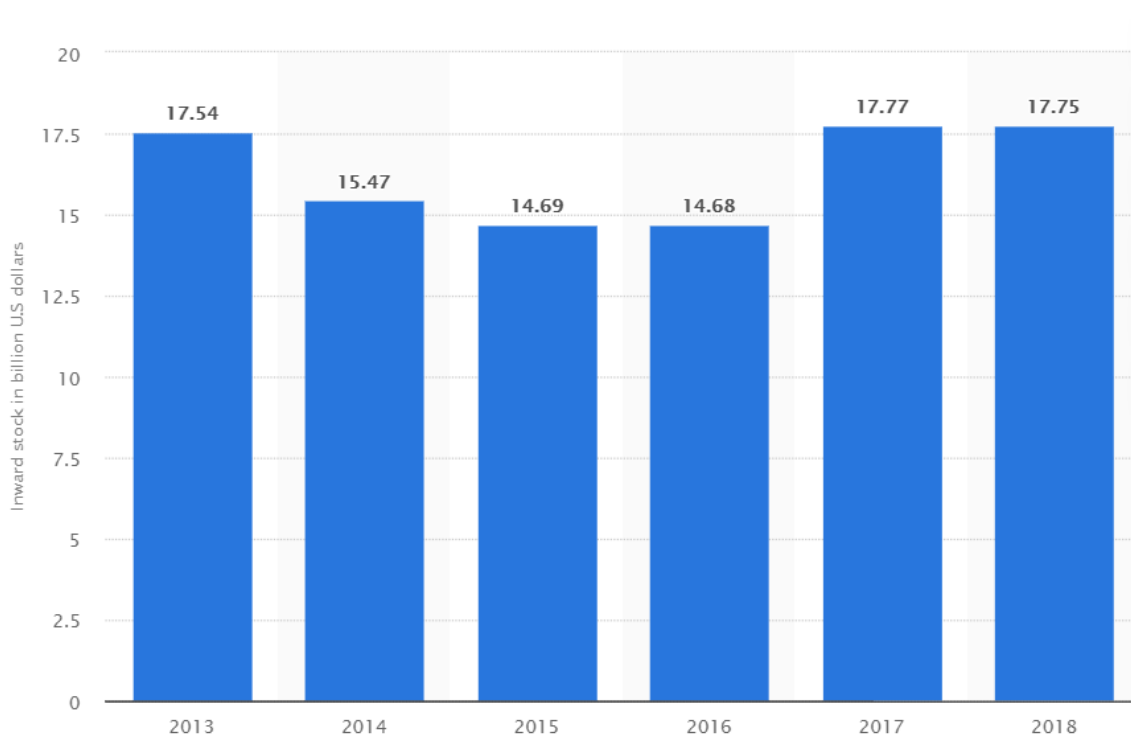


Fig. 2.7. FDI inward stock in Lithuania from 2013 to 2018, billion U.S. dollars

Source: *Foreign Direct Investment Statistics: Data, Analysis and Forecasts*.

FDI stocks are accumulated mostly in the sectors of manufacturing (17.4%), financial and insurance services (27.1%), real estate (12.8%), wholesale and retail trade (11.9%). In 2018, the information technology sector made a significant contribution to the growth in FDI.

Table 2.4

#### The main indicators of investment climate in Lithuania

Foreign Direct Investment	2016	2017	2018
FDI Inward Flow (million USD)	264	652	905
FDI Stock (million USD)	14,679	17,769	17,748
Number of Greenfield Investments	53	69	90
FDI Inwards (in % of GFCF)	-2.6	n/a	n/a
FDI Stock (in % of GDP)	32.2	n/a	n/a

Source: *UNCTAD*

Table 2.5

Direct Investment from/in counterpart economy on the 1th of January, 2019

<b>From Top Five Sources/To Top Five Destinations (US Dollars, millions)</b>					
<b>Inward Direct Investment</b>			<b>Outward Direct Investment</b>		
Total Inward	18,172	100%	Total Outward	3,527	100%
Sweden	4,369	24%	Netherlands	901	25.5%
Netherlands	2,432	13.3%	Cyprus	737	20.9%
Cyprus	1,266	6.9%	Latvia	474	13.4%
Estonia	1,160	6.3%	Estonia	362	10.2%
Poland	1,102	6.0%	Poland	354	9.9%
“0” reflects amounts rounded to +/- USD 500,000.					

Source: Lithuanian Department of Statistics

According to OECD, in 2018 Sweden was the biggest investor (22.7% of the total stock accumulated in the energy sector), followed by the Netherlands (14.8%), Estonia (10.1%), Cyprus (7.4 %) and Germany (6.8%).

Table 2.6

Sources of portfolio investment on the 1th of January, 2019

<b>Portfolio Investment Assets</b>								
<b>Top Five Partners (Millions, US Dollars)</b>								
<b>Total</b>			<b>Equity Securities</b>			<b>Total Debt Securities</b>		
All Countries	9,976	100%	All Countries		100%	All Countries	7,150	100%
Luxembourg	1,190	12%	Luxembourg	1,151	41%	Latvia	299	4%
Ireland	1,111	11%	Ireland	1,078	38%	Netherlands	189	3%
Latvia	314	3%	France	116	4%	France	150	2%
France	266	3%	Estonia	94	3%	Poland	146	2%
Germany	169	2%	Germany	57	2%	Sweden	122	1%

Source: Lithuanian Department of Statistics

Lithuania's investment attractiveness lies in tax incentives for non-residents who can receive profit from highly developed infrastructure and skilled workers. The government simplified the procedures for issuing building permits, improved access to electricity, provided more reliable protection for minority investors, and converted the tax payment system to digital form. But Lithuania depends on the export of services to Russia. It is sensitive to negative political and economic factors. The capacity of the domestic market of Lithuania is small, and population incomes are lower than in other European countries.

### 2.3. Assessment of investment climate in Lithuania and the degree of its attractiveness to Ukrainian investors

Lithuania's business environment is determined by its strategic location at the crossroads of Europe and Eurasia. A diversified highly developed economy, EU laws and regulations, skilled labour, highly developed IT infrastructure, low inflation and a stable democratic government are the advantages of business in Lithuania. The economic growth in Lithuania was stable after the global economic crisis of 2009. The country joined the EU in 2015 and the OECD in May 2018. Resident's income level in Lithuania is lower than in most EU countries. GDP per capita (at purchasing power parity) is about 42.1 percent of the EU average.

Since 2016, the Government of Lithuania has reduced barriers to investment, introduced partnerships with the private sector and financial benefits and support for investors. In 2013, it was adopted the law that improved land use transparency and improved the business climate. In 2017, it was adopted a new Labour Code that protects the interests of both workers and employers.

In Lithuania, equal treatment for domestic and foreign investors with minimal restrictions on their activities is used. Foreign investors have the right to repatriate or reinvest profits without restrictions and may submit disputes to the International Centre for the Settlement of Investment Disputes. Lithuania offers a number of tax incentives for small companies and large investors. Tax incentives and privileges are applied in seven Special Economic Zones.

U.S. executives complain about the complex procedures for obtaining business permits and residence permits, and the low level of corruption in the government. Obstacles to investment include transport barriers, poor air connections with European cities, and lack of access to open, transparent information on tax collection and public procurement. Energy costs in Lithuania are reduced as a result of diversification projects and decreasing of global oil prices.



Table 2.7

## The global indexes of business environment of Lithuania

Measure	Year	Index/Rank	Source and Website Address
TI Corruption Perceptions Index	2017	38 of 180	<a href="http://www.transparency.org/research/cpi/overview">http://www.transparency.org/research/cpi/overview</a>
World Bank's Doing Business Report "Ease of Doing Business"	2020	11 of 190	<a href="http://www.doingbusiness.org/rankings">http://www.doingbusiness.org/rankings</a>
Global Competitiveness Index	2019	39 out of 141	World Economic Forum, Global Competitiveness Report
Economic Freedom of the World	2019	16 out of 162	Fraser Institute
Environmental Performance Index	2018	29 out of 180	Yale University
Paying Taxes Ranking	2020	18 out of 190	Paying Taxes Ranking
Global Innovation Index	2017	40 of 127	<a href="https://www.globalinnovationindex.org/analysis-indicator">https://www.globalinnovationindex.org/analysis-indicator</a>
U.S. FDI in partner country (M USD, stock positions)	2017	329	Lithuanian Department of Statistics
World Bank GNI per capita	2015	USD 14,77	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

Source: The official Government agency for Foreign Direct Investment and Business Development "Invest Lithuania". URL: <https://investlithuania.com/investor-guide/economic-overview/>

The determinant to start a business in Lithuania is the openness to, and restrictions upon, foreign investment.

### *1. Foreign Direct Investment Policy*

Lithuanian laws provide equal protection for both foreign and national investors. Foreign investments do not require special permits from government bodies. Authorities are not entitled to interfere with the legal ownership of property of foreign investors. In case of justified expropriation, investor receives the compensation equivalent to the market value of the assets. According to the legislation, state institutions and officials keep trade secrets and have financial and other responsibility for illegal disclosure of commercial information.

As a member of the European Union, Lithuania is subject to the investment requirements of the WTO. "Invest Lithuania" is a government institution that works with foreign investors. It provides information for potential and real investors on business expenses, labour, tax and legal conditions and other business areas. The institution helps to establish a company, receive state funding, and

protects the rights of investors in Lithuania. There are official offices in Vilnius and major cities of Lithuania. “Invest Lithuania” has representative offices in Belgium, Kazakhstan and the US (Chicago).

Every year, the Lithuanian government holds a conference with foreign investors, discusses their problems and ways to improve the investment climate in Lithuania.

## *2. Limits on Foreign Control and Right to Private Ownership and Establishment*

Foreign investors have the right to repatriate profits, dividends or income in any form, as well as reinvest income without limits and restrictions after paying taxes. Legislation does not limit foreign ownership or control. Foreign investors are free to conduct business in any sector of the economy, except the following restrictions:

- The Law on Investment prohibits the investment of foreign capital in companies that ensure national security and defense.
- The Law on Investment requires the government to obtain permission and license for business in sectors that can pose a risk to human life, health or the environment, including the manufacture and trade in weapons.
- Since May 2014, non-residents are allowed to buy agricultural or forest land.

The Law on Investment allows investment in Lithuania in the following forms:

- creation of a company or acquisition of part or whole of the registered capital of a functioning company registered in Lithuania;
- acquisition of securities of any type;
- creation, acquisition and increase in the value of long-term assets;
- provision of funds or other assets to business entities in which the investor owns a stake, which allows to control or have a significant impact on the company;
- implementation of concession or leasing agreements.

Foreign investors are entitled to create branches or representative offices. They can invest in the form of money, assets, or intellectual or industrial property. The State Property Bank checks the financial results and size of companies participating in tenders for state or municipal property, and terminates the tender in case of non-compliance with the requirements for participating companies.

Business Facilitation is presented in Appendix A.

The Lithuanian Government neither incentivizes nor restricts outward investment.

### *3. Bilateral Investment Agreements and Taxation Treaties*

Lithuania concluded 55 bilateral treaties which stimulate and provide mutual protection of investors' rights. These agreements provide favorable conditions for investments on a reciprocal basis. Most of the treaties on investment promotion and protection do not provide for Lithuania to expand treatment, incentives, or privileges relating to regulated investments provided for in a common market, customs union, economic union, free trade zone or a regional economic development agreement that the country belongs to or may belong in the future, or to expand the provisions of a current or future agreement regarding double taxation with a third country. The U.S. has had bilateral investment treaty (BIT) with Lithuania since 2001. Since 2001, the U.S. entered into a bilateral investment treaty (BIT) with Lithuania.

Lithuania has also concluded 54 bilateral tax treaties, including with the US, to avoid double taxation of income and capital and to prevent tax evasion. These agreements provide a number of tax benefits for foreign investment in Lithuania.

### *4. Industrial Policies*

There are many incentives for investors in Lithuania. The tax rate for corporate income and capital gains is 15 percent.

The annual real estate tax ranges from 0.3 to 3 percent, depending on the market value of the property.

Lithuanian municipalities provide additional benefits to investors to support the creation of new jobs, construction of the infrastructure objects, production of goods and services. The additional incentives for investors are provided by the introduction

of energy-saving technologies. Strategic investors can be exempted from taxes or have incentives for up to ten years.

There are seven free economic zones (FEZs) in Lithuania near the cities of Siauliai, Kaunas, Klaipeda, Panevezys, Kedainiai, Akmene and Marijampole. FEZs in Kaunas and Klaipeda are the largest. 15 enterprises operate in Klaipeda FEZs, and 20 enterprises operate in Kaunas FEZs. Enterprises in FEZs apply the same accounting and reporting rules as other enterprises. The main advantages of registering a business in FEZs:

- exemption from corporate income tax for a 6-year period and a 50% tax reduction over the next 10 years for companies with investments more than 1.2 million US dollars;
- exemption from real estate tax and dividend tax from foreign companies.

#### *5. Labor Policies and Practices*

The cost of labor in Lithuania is lower compared to other European countries. Labor laws are very strict for the employer. White-collar workers work 40 hours a week, and blue-collar workers work 48 hours with an extra charge for overtime. Maternity leave in Lithuania lasts up to 126 days, and the government compensates 100 percent of wages. A father can take one-month parental leave with 100 percent salary compensation. Sick leave in Lithuania is granted up to 14 days at any time and no more than 90 days a year. During the first two days, the employee is paid 80-100 percent of the salary at the expense of the employer, and the remaining days - at the expense of SODRA (social security body in Lithuania) at 80 percent of wage. Lithuania is a member of the ILO and has ratified its main conventions.

The minimum wage is adjusted by the government. In 2018, the minimum monthly wage in Lithuania was 400 EUR (496 US dollars). The average monthly salary was approximately 884.8 EUR (1097 US dollars). The employer pays social security contributions from 30.48% to 32.1%. Employees pay social security contributions of 9%.

The Lithuanians prefer working in the EU countries, so the labor force decreased. Businesses face with a shortage of skilled construction workers, truck

drivers, salespeople, nurses and medical professionals because of outflow of labor. The unemployment rate is declining. At the end of 2017, this indicator was at the level of 6.9 percent.

Lithuania's labor relations are peaceful. Labor unions do not have undue influence. Since 1991 Lithuanian enterprises didn't face with serious strikes or other problems in work.

Lithuanians are highly educated nation among the European countries. Lithuania takes the fourth place in the EU in the number of residents with higher education and the first place in the Baltic countries. Lithuania is one of the five EU member states where the highest percentage of the population knows at least one foreign language. 90 percent of Lithuanians speak at English, Polish, or Russian.

The main goal of the Labor Code adopted in 2017 is to attract foreign investment, create new jobs, and simplify labor relations. The new law canceled the employee's prior notice of termination of employment, introduced new types of work contract (project-based contracts and job-sharing contracts). The law requires employers who are not members of unions to create work councils to represent staff interests, and to establish a standard company compensation policy.

The policy of the Government of Lithuania ensures the free movement of capital and does not restrict the flow of financial resources. In 1994, Lithuania ratified Article VIII of the Articles of Agreement of the International Monetary Fund regarding the liberalization of all current payments and the conclusion of non-discriminatory currency agreements. The government does not limit loans associated with commercial transactions or the provision of services, as well as financial loans. Foreign companies can open accounts in Lithuanian commercial banks without restrictions.

Lithuania has a favorable consumer market. GDP per capita is \$ 14,879. The average age of the population is 43.7 years. The population of Lithuania is rapidly declining (net growth rate -1.08%, combined with an emigration rate of 6.1 migrants at 1000 people). The share of the young people in the population structure is small (people aged 0-24 years accounted for 26% in 2017).

Lithuanian consumer is price-sensitive despite the economic growth. The purchasing power in Lithuania is lower than in the EU countries. There is significant income inequality. The Gini Index is 37.9 points (77th in the world, the highest in the EU average at 31 points).

The consumer market in Lithuania is quite developed. Consumers are segmented by income, age and social group. High-income people prefer quality products and services of well-known brands. Consumers tend to choose imported goods. Economic growth has contributed to consumer spending. The population became more demanding on the level and quality of service. People pay more attention to health, leisure and travel. The main consumers associations are: State Consumer Protection Agency (VVTAT), Lithuanian Institute of Consumers, Alliance of Consumer Organizations of Lithuania (LVOA).

The main factor for doing business is taxation. In Lithuania, a value added tax (VAT) is levied at a rate of 21%. Some goods and services are tax deductible at reduced tax rates, but tourism does not have such benefits.

The corporate tax rate and the capital gains tax rate is 15%. Foreign companies pay the same taxes and receive tax benefits as local companies. Profits from the sale of shares in a Lithuanian company or a company registered in the EU may be exempted from taxation if the investor owns more than 10% of the shares of the company. The tax exemption is valid for at least two years.

Companies have tax deductions and tax benefits. The tax rate for depreciation of tangible and intangible assets varies from 5% to 33.3%.

Start-up expenses, interest expenses and bad debts are deductible. Deductions do not apply to provisions for doubtful debts, fines and penalties.

Taxes are deductible excluding VAT and corporation tax.

Payment for entertainment is charged up to 50% (from January 1, 2018), and their deduction is limited to 2% of the company's income.

Tax losses may be carried forward. For each year, they can only be compensated by 70% of taxable profit. The remaining losses can be set off against the income of previous years. Losses from the sale of shares can be carried forward for up

to five years and can only be set off against income from the sale of shares. Transfer of losses is not allowed.

There are no stamp duties in Lithuania. A small fee is charged for the issuance of certain documents by public services.

Social security contributions paid by company have been reduced since 2019. Employers should increase workers' salaries by a factor of 1.289. New employer contribution rates range from 1.45% to 2.17% for income up to 136,344 EUR per year. Employers withhold 0.16% of the total salary in the Guarantee Fund, which provides financial assistance to employees in case of bankruptcy of the company. They also pay a contribution of 0.16% of gross wages to the Long-term Employment Fund. Let's consider the main strengths and weaknesses of investment project in Lithuania.

Table 2.8

The comparative analysis of the features of Lithuanian investment climate

Positive Features	Negative features
<ul style="list-style-type: none"> <li>– Lithuania's economic growth is one of the highest among the EU countries (3.5% in 2017), diversification of the national economy, skilled labor, low tax rates for companies, developed infrastructure;</li> <li>– Lithuania is a EU member located next to the East European countries;</li> <li>– the legal system protects both the rights of both foreign and domestic investors, provides guarantees and the safety of investments;</li> <li>– Lithuania receives EU funding for business development;</li> <li>– foreign investors can invest in infrastructure;</li> <li>– a democratic and stable political system;</li> <li>– highly developed transport infrastructure, one of the highest quality road networks in the region;</li> <li>– international relations (member of the EU since 2004 and NATO), access to international capital markets;</li> <li>– favourable business environment as evidenced by its 11th place in the <i>World Bank's Doing Business</i> 2020 report;</li> <li>– Stable and healthy public and external accounts.</li> </ul>	<ul style="list-style-type: none"> <li>– a fairly low level of income, which impedes the development of the tourism industry;</li> <li>– high migration of the Lithuanian population to EU countries, which makes it difficult to find qualified labour;</li> <li>– high inflation of wages;</li> <li>– relatively inefficient bureaucracy, high level of corruption and lack of transparency in in certain sectors may hamper the attraction of investors;</li> <li>– high dependence on exports to Russia and emerging countries making the economy vulnerable to external shocks;</li> <li>– high external debt.</li> </ul>

As it can be seen in Table 2.8, Lithuanian investment climate can be treated as favourable due to the relatively high development of overall economics and infrastructure as well as the reliable legal system. However, low income level causing large emigration and inefficient bureaucracy are the spheres that need to be improved and strengthened in order to attract more foreign investment. The creation of investment-favourable climate in the country is related to the steady legal regulation of investment activities. Lithuanian legal regulations ensure equal conditions for domestic and foreign investors, and almost all economic sectors are available for foreign investors. Even more, the government promotes investment by creating free economic zones with tax exemptions.

The laws in Lithuania ensure equal treatment of foreigners and domestic investors. No special permit from government authorities is necessary in order to invest foreign capital. Apart from a few exceptions, nearly all sectors of the economy are freely accessible. To encourage investment, the government has also created free economic zones with tax benefits and one-stop shop services. In recent years, various measures have also been taken to protect minority investors and facilitate administrative procedures (the payment of taxes and social contributions is now done online). Government measures to stimulate or limit FDI, the prevailing trends in foreign trade are favorable for starting a business in the service sector.



### SECTION 3

## DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT IN TOURISM INDUSTRY

### 3.1. Analysis of demand for travel services in Lithuania

The competitive advantage of the future travel company is a wide range of tours offered, relatively low prices available to most customers, high quality service. The users of the travel company's services are citizens of Lithuania and other countries:

- business people
- individual tourists (groups of tourists)
- VIP customers.

Price segment - average and above average. The quality of services will be above average and high, which will attract consumers and increase their loyalty. Tourist trips are divided into the following categories: 1-2 days, 4-7 days, 10-12 days, 14-16 days, 24-30 days. Depending on the cycle of travel and rest, the price is determined. The average ticket price is estimated at 2145 € for 7 days. Segmentation of customers is presented in the Table 3.1.

Table 3.1

Segmentation of customers by revenue from sales of travel packages

Segments	Revenue share for the year, %
Corporate clients	58
Private clients	42
Total	100

The target market is the provision of various services in tourism (booking tickets and selling tours before organizing various events abroad and within the country). Demand for tourist services tends to grow steadily, due to rising welfare. Studies show that a fairly stable layer of consumers of tourist services has formed in Lithuania, which is due to the specific climate and historical and geographical features.

The estimated sales volume by analogy with the results of the main competitors during the first year of operation in the tourism market is shown in Table 3.2.

Table 3.2

Sales volumes of tours per month, taking into account the seasonality factor

Month	1	2	3	4	5	6	7	8	9	10	11	12
Number of tours, pcs.	468	404	361	361	383	468	425	383	340	340	361	468

The range of tours offered by the company includes trips from popular and inexpensive to the most expensive and prestigious. Popular routes in summer are Bulgaria, Turkey, Spain, Greece, etc. In autumn and winter popular destinations are Egypt, Israel, UAE, where at this time comes the tourist season, there are excellent conditions for recreation, sunbathing, swimming and scuba diving.

Tours are sold independently, without intermediaries.

The price of tours consists of the price of tour operators whose services we use, plus the added commission of 10%.

The company's price list contains the main types of tours, which are presented in table 3.3.

Table 3.3

Price list for the main tours of the travel company

Country	Hotel	Conditions	Number of days	Price for the tour (2 persons), €
Egypt (Hurghada, Sharm El Sheikh)	Golf 2*	breakfast + dinner	7	550
	Ambassador 3*	breakfast + dinner	7	1150
	Beach Albatros 4*	all inclusive	7	1570
	Conrad Sharm El Sheikh Resort 5*	breakfast	7	2000
Spain (Costa Brava, Costa del Sol, Ibiza Island)	El Tiburon 2*	breakfast	7	2430
	Carmen Teresa 3*	breakfast	7	2490
	Torrequebrada 5*	breakfast	7	4800
UAE (Abu Dhabi, Dubai)	Royalton 2*	breakfast + dinner	7	2500
	Montreal 3*	breakfast + dinner	7	3970
	Arabian Park 4*	breakfast	7	4630

On average, it is planned to sell about 5100 tourist packages for the year at an average price of 2145 €. The sales plan takes into account seasonality and a

gradual increase in sales to 80-110% on average over three years.

The company also provides additional travel services, such as booking hotels in 10 countries (from 50 €), booking airline tickets 40 €, train tickets 17 €, tickets for sports and cultural events from 20 to 45 €, visa support (from 175 €), transfer (from 50 €), organization of business trips (exhibitions, fairs, congresses), excursions.

### 3.2. Substantiation of the investment project for the start of travel company in Lithuania and the assessment of the need for investment resources

The aim of the project is to open a travel agency in Lithuania. For the implementation of the project it was decided to choose a promising direction, which provides an exclusive contract with a partner, a hotel base, low cost of transportation. As tourism is highly developed in Lithuania, the investor does not plan to compete in all areas, but will choose mostly popular and several unique tourist directions. It needs a team of professionals, an agency base, a website and an advertising campaign. Tourist activity will be registered and the company will receive a license.

The business plan is designed for 3 years of activity. At the end of this period, the company will continue to operate if the goals and objectives are achieved.

The travel company will be organized in 2020 in Vilnius. The company's reputation will be confirmed by the agreement with the city authorities to obtain a license to work in tourism.

To implement the idea, the company rents an office of 40m<sup>2</sup> space. The investor needs to purchase computers and office equipment, connect telephone numbers, hire qualified personnel, conclude partnership agreements with companies that transport passengers and provide hotel services.

The company will provide the following activities: sending tourists abroad and receiving foreign tourists in Lithuania. At the initial stage of the travel

agency's business, it is necessary to focus on the sale of tourist vouchers. And the reception of foreigners will be after the consolidation of the company in the market.

The company will work as a travel agent: to buy tours from tour operators and sell them to customers, that is, to be an intermediary between the client and the tour operator. For its services, the agency will charge a commission of 10% of the tour sold. After the sale of the tour and the transfer of profits by the agency to the account of the tour operator, the tour operator pays a commission to the agency.

Firstly, an agency will conclude a contract, after which many additional operator services will be available to the travel company:

- the possibility of on-line booking, which greatly facilitates the work;
- receiving the latest special offers and news by subscribing to the newsletter by e-mail, if a customer plans a regular purchase of tours of this company;
- schedule of study tours;
- information on sub-agency cooperation.

Several tour operators, which are leaders in the market of travel services, were selected as suppliers.

The schedule of the working day is planned to be set from 10.00 to 19.00 hours, seven days a week, which allows company to provide service at any time convenient for the client.

The director of the company will organize the work, plan the work of the masters and record customers. The main staff are sales managers of travel services.

Form of ownership - LLC. The tax system is a general, and taxpayer pays income tax.

Profit is formed from the proceeds from the provision of services and the retail mark-up for tours, less costs (rental of premises, employee wages, depreciation of equipment, cost of tours).

The table shows the sales plan for the year.

Table 3.4

## Sales plan per year excluding seasonality factor

Services	Average sales, units / year	Price per unit	Revenue, €	Revenue structure
Travel packages	5100	2 145,0 €	10 939 500,0	99,4%
Hotel reservation	360	50,0 €	18 000,0	0,2%
booking of air tickets	360	40,0 €	14 400,0	0,1%
booking of train tickets	360	17,0 €	6 120,0	0,1%
booking tickets for sports and cultural events	120	30,0 €	3 600,0	0,0%
visa support	60	175,0 €	10 500,0	0,1%
transfer	300	50,0 €	15 000,0	0,1%
Total per year			11 007 120,0	

The company receives most of the revenue from sales of services from the sale of tourist services - 99.4%.

The volume of sales of tourism services will depend directly on the seasonality factor with the traditional decrease in demand in the winter and increase in the summer. The influence of seasonality factor is taken into account. Sales of tours grow in the summer, in the autumn months the number of business events, conferences and other events increases, in winter trips for New Year's holidays and Christmas are popular. Therefore, it is necessary to smooth seasonal fluctuations. For example, in February, March, when there is a decrease in sales, company can offer discounts to tourists for trips at this time. The seasonality factor in the calculations on the investment plan will also be taken into account.

On the part of operators, additional sales promotion is possible with the help of promotions and bonus programs (when overfulfilling a sales plan, agencies receive discounts on operator products).

To promote services to the consumer, distribution channels, resort complexes, the airport, insurance services, and direct work with individuals will be used.

Advertising is planned to be carried out in large firms (financial companies, trading houses, banks, insurance companies), and the media.

The growth in sales will also be affected positively by the growth of company recognition, the expansion of the customer base and the increase in customer loyalty. To promote services and increase customer loyalty discounts will be used:

- seasonal discounts;
- discounts for the holidays;
- family discounts;
- group discounts;
- children's discounts;
- special discounts (for those who own a discount coupon or for customers who bring a new client to the company);
- discounts for regular customers.

A travel company will use various channels to promote its services on television, in newspapers, on the Internet.

The Internet is the easiest way to get information about a tour and travel agency from anywhere in the world. The travel agency places information for tourists on tours, additional services, contact details on its website.

The company will issue booklets with a description of the tours to attract potential tourists. All booklets have a unique design and decoration through photographs that recreate the atmosphere of these tours. They give the potential client an idea of what awaits him. For example, the sights of various countries: monasteries, museums, theaters and many other wonderful places. All this will attract customers who want to visit interesting places. Almost all brochures contain information in two languages: Lithuanian, for the local population, and English, for foreign tourists.

In addition to advertising booklets, a website, a travel company will advertise on television and in print media, which are one of the most effective means of disseminating advertising.

An important factor in advertising is the corporate identity of the

organization. This is a unique set of color, graphic, verbal, typographic design elements that provide visual and semantic unity of the offered services, information, design. Travel company will develop its own corporate identity, which allows the consumer to quickly and accurately find the services of the company. So, a travel company will actively promote its services through various types of advertising.

Given the high intensity of competition in the industry, it is advisable for a travel agency to create an image based on a number of promotional events (table 3.5)

Table 3.5

Measures to promote the travel company at the opening (one-time) and supporting (monthly)

Cost items	Amount, €
distribution of advertising booklets and printing products	1 000,0
advertising in online magazines and on TV	1 500,0
logo design, organization, development of site and SEO-optimization, SEO-promotion	8 000,0
creation of an outdoor sign	3 000,0
target advertizing and promotion on social networks	6 000,0
Total	19 500,0

Social networks (Facebook, Instagram) were chosen as the main channel for attracting a large number of customers because of the absence of fixed costs (group management) and a large congestion of the target audience (targeted advertising). It is planned to allocate up to 6,000 € per month to support the work of groups and accounts and their content filling.

### 3.3. The assessment of income and economic effectiveness of the investment project in tourism industry

The term of the project from the moment of registration procedures and obtaining permits to the start of sales of services is 3 months. The opening of the travel company is scheduled for early July 2020.

The one-time investments of the preparatory period (279,460.0 €) include

certain cost items (table).

Table 3.6

One-time investments for opening a travel company, €

Cost items	Amount, €
registration, expenses for obtaining permits, paperwork	2 500,0
repair and remodeling of premises	24 000,0
the purchase of office furniture and equipment	82 770,0
equipment installation and furniture assembly	60 000,0
staff recruitment	10 000,0
promotions for the opening and development of the site, support for social network accounts	19 500,0
fixed costs in the first month	80 690,0
Total	279 460,0

The total cost of opening a travel company is planned to be spent in the amount of 279,460.0 € (including the purchase of furniture and equipment 82,770.0 €).

The company must determine the support and management team of employees and specialists. The staff involves 9 people (table 3.7).

Table 3.7

Staffing and salary of the travel company, €

Position	Number, people	salary, €	Total, €
Director	1	2 800,0	2 800,0
Accountant	1	1 700,0	1 700,0
Manager	6	1 650,0	9 900,0
Cleaning worker	1	900,0	900,0
Total	9		15 300,0
Deductions			4 590,0
Total with deductions			19 890,0

The company manages by the director, sales managers are engaged in sales. The accountant keeps accounting. There is a vacancy of a room cleaner in the company staff. Thus, the payroll with deductions will amount to 19 890,0 €.

The cost of renting an office will be 10 thousand € per month. The rent is planned to be concluded with the lessor for a period of 3 years.

The fixed current costs include the costs of maintaining the business, which do not change depending on the volume of services provided.

Fixed monthly expenses include:



- rent (10 000,0 €),
- salary (19 890,0 €);
- expenses for marketing activities (8 500,0 €),
- utility bills, electricity and garbage collection (total 28 000,0 €)

Fixed costs are shown in the table below. Depreciation of office equipment in Lithuania is tax deductible at rate 33.3% (computer, software).

Table 3.8

Fixed monthly expenses of the travel company, €

Cost items	Amount, €
Rental fee	10 000,0
Depreciation of office equipment at rate 33.3%	2 297,0
Salary of staff	19 890,0
Online tour search and reservation system	1 800,0
Advertising (booklets, advertising in magazines and on TV, promotion in social networks)	8 500,0
Utilities	14 000,0
Electricity fee	5 500,0
Payment under an agreement with a transport company	15 203,0
Garbage collection	3 500,0
Total costs per month	80 690,0
Total costs per year	968 280,0

Variable monthly expenses include the cost of acquiring tours from tour operators - 820,462.5 € (9,845,550.0 € per year), while the travel agency receives 10% of the sales of tours. Fixed costs are 968,280.0 € per year.

The calculation of financial indicators of revenue, cash flows, net profit and net cash flow are given in the Appendix D, table D.1-D.3.

The calculations took into account the growth of sales by 3% annually over 3 years of operation, which is explained by the growth of the customer base, increased customer loyalty and increased recognition of the company. The seasonality coefficient for this type of business was also taken into account from 85% to 110%, which reflects the demand for tourist services depending on the month of the year.

Investments for the implementation of the project will be made partly at the expense of own funds, and partly at the expense of credit funds (in the percentage

ratio - 64% / 36%). The Bank of Lithuania was chosen as the creditor bank, as this bank has the best offer for opening an account for small businesses and a lending program. In particular, the program “Business-Turnover Credit” was selected with the agreed lending conditions: interest rate 1.6%, term - 2 years, unsecured. Credit funds - 100,000 €. Own funds - 179,460 €. Calculation of loan repayments is shown in Appendix in table 4. A P&L statement is based on the information about the costs and income of the company.

Table 3.9

P&L statement of the travel company, €

Indicators	2020	2021	2022
Sales	10 273 312,0	10 581 511,4	10 898 956,7
Purchases	9 189 180,0	9 216 255,3	9 189 180,0
Gross Profit	1 084 132,0	1 365 256,1	1 709 776,7
Wages	238 680,0	238 680,0	238 680,0
Rent	240 000,0	240 000,0	240 000,0
Administrative expense	237 600,0	237 600,0	237 600,0
Management expense	150 000,0	150 000,0	150 000,0
Selling&Marketing expense	102 000,0	102 000,0	102 000,0
Debts	51 612,8	51 612,8	-
Operating profit	64 239,2	345 363,3	741 496,7
Tax (15%)	9 635,9	51 804,5	111 224,5
Net income	54 603,3	293 558,8	630 272,2

Table 3.10

Cash flows statement of the travel company, €

Cash Flow	2020	2021	2022
<b>Cash Flow from operating activities</b>	<b>64 239,2</b>	<b>345 363,3</b>	<b>741 496,7</b>
Operating profit	64 239,2	345 363,3	741 496,7
<b>Cash flow from financing activities</b>	<b>35 264,5</b>	<b>- 95 675,4</b>	<b>- 95 740,7</b>
Credit	100 000,0	-	-
Credit payment	- 51 612,8	- 51 612,8	-
Taxation paid	- 13 122,7	- 44 062,6	- 95 740,7
<b>Cash flow from investing activities</b>	<b>179 460,0</b>	<b>-</b>	<b>-</b>
Investments	179 460,0	-	-
Net cash from all activities	278 963,7	249 687,9	645 756,0

According to the conditions of the loan agreement with the Bank of Lithuania, the loan rate is 1.6%, so the discount rate is 1.6%.

The discount coefficient is determined as:

$$K_n = \frac{1}{(1+r)^n} \quad (3)$$

where  $K_n$  - the discount coefficient,  $r$  - the discount rate,  $n$  - the number of a period,  $n = 1 \dots N$ .

$$K_1 = \frac{1}{(1 + 0.016)^1} = 0.984$$

$$K_2 = \frac{1}{(1 + 0.016)^2} = 0.969$$

$$K_3 = \frac{1}{(1 + 0.016)^3} = 0.953$$

The NPV is calculated by the next formula:

$$NPV = \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^n} \quad (4)$$

where  $CF$  - the cash flow for the given year.  $CF_1$  is for year one,  $CF_2$  is for year two,  $CF_n$  is for additional years,  $r$  - the discount rate,  $n$  - the number of a period,  $n = 1 \dots N$ .

The discount coefficient, the amount of discounted cash flows and the net present value are shown in the table below.

Table 3.11

Calculation of discounted cash flows and NPV of the project

Period	Discount coefficient	Cash flow, €	DCF, €
0	1	- 279 460,0	- 279 460,0
1	0,984	51 116,5	50 311,5
2	0,969	249 687,9	241 885,7
3	0,953	542 530,4	517 300,6
NPV			530 037,7

The net present value for 3 years will be 530 037.7 €, it exceeds the amount of investment. This means that the recovery period of the initial investment will be about 1/2 years.

The formula and calculation of IRR follows:

$$0 = NPV = \sum_{n=1}^N \frac{CF_n}{(1+IRR)^n} - C_0 \quad (5)$$

where:  $CF_n$  - net cash inflow during the period  $n$ ,  $C_0$  - total initial investment costs, IRR - the internal rate of return,  $n$  - the number of a period,  $n = 1 \dots N$ .

Next, we present the calculation of investment performance indicators in the table 3.12.

Table 3.12

Indicators for evaluating the effectiveness of investments

Return on investment	Return on investment with discount	IRR	Payback period, years	Discounted payback period, years
202%	190%	53%	0,50	0,53

One of the main dynamic indicators of investment efficiency is the ROI, which allows investor to determine the extent to which the investor's value increases per 1 € of investment. In our case, the discounted return on investment was 202%. Thus, we can conclude that the project is effective. NPV is positive (530 037.7 €) and IRR is also high - 53%. DPP is 1/2 years. Thus, such an investment is acceptable to investors.

We calculate the breakeven point by the formula:

$$BEP = \frac{Sales * Fixed Costs}{(Sales - Variable Costs)}$$

According to the revenue and expenses for 2020 and the calculations made, the year of BEP in monetary terms amounted to 9,175,490.2 €.

## CONCLUSIONS AND PROPOSALS

Since renewed independence in 1991 and transition from a centrally planned to a market economy, Lithuania has substantially raised well-being of its citizens. Thanks to a market-friendly environment the country grew faster than most OECD countries over the past ten years. The financial system is resilient, and fiscal positions stabilised after a long period of deficits and rising debt. Yet productivity has remained subdued due to stringent labour market regulations, informality and skills mismatch. Wage and income inequality are high, fuelling emigration. The population is ageing fast and declining, particularly because of emigration, putting pressure on the pension system. A wide-reaching labour market, unemployment benefits and pension reform entitled “New Social Model” implemented in 2017 is expected to reinvigorate inclusive growth and underpin the sustainability of public finances.

Lithuania’s business environment is determined by its strategic location at the crossroads of Europe and Eurasia. A diversified highly developed economy, EU laws and regulations, skilled labour, highly developed IT infrastructure, low inflation and a stable democratic government are the advantages of business in Lithuania. The economic growth in Lithuania was stable after the global economic crisis of 2009. The country joined the EU in 2015 and the OECD in May 2018. Resident’s income level in Lithuania is lower than in most EU countries. GDP per capita (at purchasing power parity) is about 42.1 percent of the EU average.

Of course, the dynamics of exports and imports depend on the pace of economic growth. Foreign trade has an impact on the investment attractiveness of the country and its business climate. This is important to consider when justifying investment projects in Lithuania.

The aim of the project is to open a travel agency in Lithuania. The business plan is designed for 3 years of activity. The travel company will be organized in 2020 in Vilnius. Variable monthly expenses include the cost of acquiring tours

from tour operators - 820,462.5 € (9,845,550.0 € per year), while the travel agency receives 10% of the sales of tours. Fixed costs are 968,280.0 € / month.

Investments for the implementation of the project will be made partly at the expense of own funds, and partly at the expense of credit funds (in the percentage ratio - 64% / 36%). Credit funds - 100,000 €. Own funds - 179,460 €.

The discounted return on investment was 190%. Thus, we can conclude that the project is effective. NPV is positive (530 037.0 €) and IRR is also high - 53%. DPP is 1/2 years. Thus, such an investment is acceptable to investors.

According to the revenue and expenses for 2020 and the calculations made, the year of BEP in monetary terms amounted to 9,175,490.2 €.

## REFERENCES

1. Aliperti, G., Cruz, A.M. (2019). Investigating tourists' risk information processing. *Annals of Tourism Research*, 79, pp. 1-18.
2. UNWTO World Tourism Barometer (Vol. 18, Issue 2, May 2020). UNWTO, Madrid, Spain. 2020.
3. World Economic Forum (2019). Outbreak readiness and business impact protecting lives and livelihoods across the global economy. URL: [http://www3.weforum.org/docs/WEF\\_HGHI\\_Outbreak\\_Readiness\\_Business\\_Impact.pdf](http://www3.weforum.org/docs/WEF_HGHI_Outbreak_Readiness_Business_Impact.pdf). [24 May 2020].
4. Romão, J., Guerreiro, J., Rodrigues, P.M.M. (2017). Territory and sustainable tourism development: A space-time analysis on european regions. *The Region*, 4 (3), p. 1. URL: 10.18335/region.v4i3.142 [24 May 2020].
5. Klemeshev, A.P., Korneevets, V.S., Palmowski, T., Studzieniecki, T. & Fedorov, G.M. (2017), Approaches to the definitions of the Baltic Sea Region, *Baltic Region*, 9, No. 4, pp. 4-20.
6. Sigala, M. (2020). Tourism and COVID-19: Impacts and implications for advancing and resetting industry and research. *Journal of Business Research*. Vol. 117, pp. 312-321
7. Sokhanvar, A. (2019) Does foreign direct investment accelerate tourism and economic growth within Europe? *Tourism Management Perspectives*. Vol.29. pp. 86-96.
8. Wanner, A., Seier, G., Pröbstl-Haider, U. (2020). Policies related to sustainable tourism – An assessment and comparison of European policies, frameworks and plans. *Journal of Outdoor Recreation and Tourism*. Vol. 29. Pp. 50-55.
9. Morf, A., Moodie, J., Gee, K., Giacometti, A., Strand, H. (2019). Towards sustainability of marine governance: Challenges and enablers for stakeholder integration in transboundary marine spatial planning in the Baltic Sea. *Ocean & Coastal Management*. Vol. 1771. Pp. 200-212.

10. Krugman, P.R., Obstfeld, M., & Melitz, M.J. (2015). International Economics: Theory and Policy, Global Edition (Vol. Tenth edition, global edition). Boston: Pearson. URL: <http://search.ebscohost.com/login.aspx?direct=true&site=eds-live&db=nlebk&AN=1419045> [24 May 2020].
11. Farid, M., Keen, M., Michael, Papaioannou, G., Parry, I.W.H., Pattillo, C.A., Ter-Martirosyan, A. (2016). After Paris; Fiscal, Macroeconomic and Financial Implications of Global Climate Change. IMF Staff Discussion Notes. URL: <http://search.ebscohost.com/login.aspx?direct=true&site=eds-live&db=edsrep&AN=edsrep.p.imf.imfsdn.16.01> [24 May 2020].
12. Stiglitz, J.E. (2017). Globalization and its discontents revisited anti-globalization in the era of Trump Joseph E. Stiglitz. URL: <http://search.ebscohost.com/login.aspx?direct=true&site=eds-live&db=edswao&AN=edswao.497220709> [24 May 2020].
13. Trebilcock, M., Howse, R., Eliason, A. (2012). The Regulation of International Trade: 4th Edition. Hoboken: Routledge. Retrieved from <http://search.ebscohost.com/login.aspx?direct=true&site=eds-live&db=edsebk&AN=507572> [24 May 2020].
14. Schwarzhappel, M., Hunya, G. FDI in Central, East and Southeast Europe: Declines due to Disinvestment. WIIW FDI REPORT 2018. The Vienna Institute for International Economic Studies. URL: <https://wiiw.ac.at/declines-due-to-disinvestment-dlp-4548.pdf> [24 May 2020].
15. Lithuania: foreign investment. URL: <https://santandertrade.com/en/portal/establish-overseas/lithuania/investing> [24 May 2020].
16. Foreign Direct Investment Statistics: Data, Analysis and Forecasts. URL: <http://www.oecd.org/corporate/mne/statistics.htm> [24 May 2020].
17. Gestrin, M.V. (2019), The contribution of international business investment to the Sustainable Development Goals: Key actors and recent trends, OECD, Paris. URL: [www.oecd.org/investment/The-contribution-of-international-business-investment-to-the-sustainabledevelopment-goals.pdf](http://www.oecd.org/investment/The-contribution-of-international-business-investment-to-the-sustainabledevelopment-goals.pdf) [24 May 2020].



18. Investment Climate Statements: Lithuania. 2018. URL: <https://www.state.gov/reports/2018-investment-climate-statements/lithuania/> [24 May 2020].

19. World investment report. Investment and new industrial policies. UNCTAD. 2018. URL: [https://unctad.org/en/PublicationsLibrary/wir2018\\_en.pdf](https://unctad.org/en/PublicationsLibrary/wir2018_en.pdf) [28 May 2020].

20. Schwab, K. The Global Competitiveness Report. 2019. World Economic Forum. URL: [http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf) [28 May 2020].

21. Global Investment Competitiveness Report 2017/2018: Foreign Investor Perspectives and Policy Implications. Default Book Series. October 2017. URL: <http://documents.worldbank.org/curated/en/169531510741671962/pdf/121404-PUB-PUBLIC-PUBDATE-10-25-2017.pdf> [28 May 2020].

22. Meunier, S. (2017). Integration by Stealth: how the European Union Gained Competence over Foreign Direct Investment. JCMS, 55 (3), pp. 593-610. URL: 10.1111/jcms.12528 [28 May 2020].

23. Durán J. FDI and Investment Uncertainty in the Baltics. Luxembourg: Publications Office of the European Union, 2019. URL: [https://ec.europa.eu/info/sites/info/files/economy-finance/eb043\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/eb043_en.pdf) [24 May 2020].

24. Canton, E. and Solera, I. (2016) "Greenfield Foreign Direct Investment and Structural Reforms in Europe: what factors determine investments?," European Commission, European Economy Discussion Paper 33.

25. Durán, J. and Poissonnier, A. (2017) "Catching-up economies and price dynamics in the Baltics," European Commission, Economic Brief, forthcoming.

26. Poissonnier, A. (2017) "The Baltics: Three Countries, One Economy?," European Commission, Economic Brief 024, 28 April 2017.

27. Sunesen, E.R., Jeppesen, T., Henriksen, J.J. Grunfelder, J. (2018). The World in Europe, global FDI flows towards Europe. Intra-European FDI. ESPON

- EGTC, Luxembourg. URL: <https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/0/440/1525770844/espon-fdi-08-main-report-intra-european-fdi.pdf> [24 May 2020].
28. Economic situation in Lithuania. URL: [https://www.klaipeda.lt/file/repository/06.08\\_Klaipeda%20city%20Economic%20Analysis%20\(2018-08-31\).pdf](https://www.klaipeda.lt/file/repository/06.08_Klaipeda%20city%20Economic%20Analysis%20(2018-08-31).pdf) [24 May 2020].
29. Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/> [24 May 2020].
30. Official Statistics Portal of Statistics Lithuania. URL: <https://www.stat.gov.lt/> [24 May 2020].
31. Foreign direct investment (FDI) in Lithuania. URL: <https://www.nordeatrade.com/en/explore-new-market/lithuania/investment> [24 May 2020].
32. Investment Climate Statements: Lithuania. 2018. URL: <https://www.state.gov/reports/2018-investment-climate-statements/lithuania> [24 May 2020].
33. World investment report. SPECIAL ECONOMIC ZONES. UNCTAD. 2019. URL: [https://unctad.org/en/PublicationsLibrary/wir2019\\_en.pdf](https://unctad.org/en/PublicationsLibrary/wir2019_en.pdf) [24 May 2020].
34. World Bank's 2020 Doing Business report. URL: <https://www.doingbusiness.org/content/dam/doingBusiness/country/l/lithuania/LTU.pdf> [24 May 2020].
35. The official Government agency for Foreign Direct Investment and Business Development "Invest Lithuania". URL: <https://investlithuania.com/investor-guide/economic-overview/> [24 May 2020].
36. IMF. URL: [https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weorept.aspx?sy=1995&ey=2023&scsm=1&ssd=1&sort=country&ds=.&br=1&c=946&s=NGDP\\_RPCH](https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weorept.aspx?sy=1995&ey=2023&scsm=1&ssd=1&sort=country&ds=.&br=1&c=946&s=NGDP_RPCH),

PPPGDP,PPPPC,PCPIPCH,LUR,GGXWDG\_NGDP&grp=0&a=&pr.x=38&pr.y=5 [24 May 2020].

37. Salmani, B., Hossein, P., Somayeh, R. (2014). Assessing the dynamic economic impact of tourism for OIC members. *World Applied Sciences Journal*, 32 (6), pp. 1098-1105. URL: 10.5829/idosi.wasj.2014.32.06.1927 [24 May 2020].

38. Seghir, G.M., et al. (2015). Tourism spending-economic growth causality in 49 countries: A dynamic panel data approach. *Procedia Economics and Finance*, 23, pp. 1613-1623. [https://doi.org/10.1016/S2212-5671\(15\)00402-5](https://doi.org/10.1016/S2212-5671(15)00402-5) [24 May 2020].

39. UNWTO. Tourism highlights - 2017 edition. Madrid. URL: <http://www.e-unwto.org/doi/book/10.18111/9789284419029>

40. World Travel and Tourism Council. Travel and tourism economic impact 2017-country reports (2017). URL: <https://www.wttc.org/research/economic-research/economic-impact-analysis/country-reports/>

41. Cottrell, S., Raadik-Cottrell, J. (2015). Editorial: The state of tourism in the Baltics Special issue. *Scandinavian Journal of Hospitality and Tourism*, 15 (4), pp. 321-326. URL: 10.1080/15022250.2015.1081798 [24 May 2020].

## APPENDICES

### **Appendix A. Business Facilitation in Lithuania**

The process of company registration in Lithuania involves the following steps that can be accomplished online at <http://www.registrucentras.lt/en/>:

- Check and reserve the name of the company (limited liability company). It takes about one day and costs approximately EUR 16;
- Register at the Company Register, including registration with State Tax Inspectorate (the Lithuanian Revenue Authority) for corporate tax, VAT, and State Social Insurance Fund Board (SODRA). It takes one day and costs approximately EUR 57;

Complete VAT registration. It takes three days to complete at no charge.

Table A.1

## Macro-economic indicators of Lithuania

Year	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP in \$ (PPP), Bln.	24.63	33.66	54.56	60.40	68.89	72.08	61.87	63.65	68.90	72.85	76.72	80.75	83.29	86.33	91.24
GDP per capita in \$ (PPP)	6,786	9,618	16,422	18,472	21,319	22,539	19,562	20,552	22,752	24,382	25,904	27,537	28,671	30,097	32,298
GDP growth (real), %	...	3.8	7.7	7.4	11.1	2.6	-14.8	1.6	6.0	3.8	3.5	3.5	2.0	2.3	3.8
Inflation, %	...	1,0	2,7	3,8	5,8	11,2	4,2	1,2	4,1	3,2	1,2	0,2	-0,7	0,7	3,7
Unemployment rate, %	...	16.4	8.3	5.8	4.2	5.8	13.8	17.8	15.4	13.4	11.8	10.7	9,1	7.9	7.1
Government debt, % of GDP	...	23	18	17	16	15	29	36	37	40	39	41	3	40	37

Source: IMF

## Appendix B. Transactions in export and import of services in Lithuania

Table B.1. Transactions in export and import of services, EUR millions

	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019	Q4/2019
Total									
Exports	2232,1	2054,94	2442,59	2616,79	2563,39	2538,12	3018,58	3126,27	3122,03
Imports	1438,96	1318,13	1515,03	1614,5	1570,19	1520,62	1775,8	1804,83	1825,99
Balance	793,14	736,81	927,56	1002,29	993,2	1017,5	1242,78	1321,44	1296,04
European Union (28 countries)									
Exports	1461,1	1383,94	1666,95	1804,66	1789,46	1774,54	2100,45	2223,18	2214,86
Imports	936,6	830,78	981,77	1010,68	974,11	980,82	1182,11	1145	1192,51
Balance	524,5	553,16	685,18	793,98	815,35	793,72	918,34	1078,18	1022,35
Euro Area (18 countries)									
Exports	1048,89	986,17	1209,48	1309	1316,52	1318,23	1559,1	1657,72	1648,07
Imports	551,49	495,52	582	619,66	598,48	604,14	736,5	705,7	754,5
Balance	497,4	490,65	627,48	689,34	718,04	714,09	822,6	952,02	893,57
Commonwealth of Independent States									
Exports	460,37	405,18	491,3	495,84	451,15	457,65	530,32	518,1	496,91
Imports	287,9	277,99	313,39	334,58	322,7	319,99	352,64	386,6	334,53
Balance	172,47	127,19	177,91	161,26	128,45	137,66	177,68	131,5	162,38
Offshore financial centers									
Exports	38,9	33,19	31,11	26,45	38,46	34,92	36,26	34,17	33,09
Imports	54,65	58,34	47,37	83,05	96,81	63,3	60,77	70,63	74,15
Balance	-15,75	-25,15	-16,26	-56,6	-58,35	-28,38	-24,51	-36,46	-41,06
Ireland									
Exports	29,88	32,08	27,91	27,48	32,04	30,74	32,3	30,73	39,11
Imports	55,69	56,69	62,89	58,73	62,01	48,53	66,33	69,99	67,91
Balance	-25,81	-24,61	-34,98	-31,25	-29,97	-17,79	-34,03	-39,26	-28,8

Austria									
Exports	74,57	71,54	77,95	80,84	83,3	90,27	105,94	106,18	97,28
Imports	12,3	11,37	10,03	12,19	13,01	14,98	13,69	16,64	19,78
Balance	62,27	60,17	67,92	68,65	70,29	75,29	92,25	89,54	77,5
Belarus									
Exports	139,12	144,88	181,9	177,09	162,14	174,85	191,07	186,61	169,31
Imports	138,49	138,33	163,75	166,81	155,29	161,03	173,36	183,75	159,25
Balance	0,63	6,55	18,15	10,28	6,85	13,82	17,71	2,86	10,06
Belgium									
Exports	63,65	61,24	68,11	79,39	74,84	85,13	85,85	90,86	93,87
Imports	16,88	17,01	15,32	17,48	16,03	18,31	18,52	21,03	22,63
Balance	46,77	44,23	52,79	61,91	58,81	66,82	67,33	69,83	71,24
Bulgaria									
Exports	3,74	2,74	3,35	3,53	2,95	3,4	3,08	3,55	4,51
Imports	6,14	6,53	6,51	15,14	7,07	5,53	7,91	17,38	8,93
Balance	-2,4	-3,79	-3,16	-11,61	-4,12	-2,13	-4,83	-13,83	-4,42
Czech Republic									
Exports	13,38	8,1	10,58	12,04	14,72	13,15	13,62	11,78	18,4
Imports	7,64	5,64	6,97	8,42	7,29	9,86	8,79	10,71	12,94
Balance	5,74	2,46	3,61	3,62	7,43	3,29	4,83	1,07	5,46
Denmark									
Exports	120,3	115,9	123,53	131,2	137,71	142,81	153,51	148,19	154,1
Imports	49,79	48,56	47,96	48,33	52,2	55,96	56,29	53,68	53,23
Balance	70,51	67,34	75,57	82,87	85,51	86,85	97,22	94,51	100,87
United Kingdom									
Exports	93,04	96,07	107,28	124,97	108,55	100,34	137,26	156,73	151,35
Imports	72,96	56,6	79,23	62,26	61,23	53,84	76,18	70,26	70,19
Balance	20,08	39,47	28,05	62,71	47,32	46,5	61,08	86,47	81,16
Egypt									
Exports	0,15	0,21	0,13	0,26	0,1	0,46	0,75	0,28	1,41

Imports	4,62	5,97	7,46	6,76	8,98	8,01	3,12	7,84	17,48
Balance	-4,47	-5,76	-7,33	-6,5	-8,88	-7,55	-2,37	-7,56	-16,07
Estonia									
Exports	62	52,9	69,11	61,64	77,51	75,02	76,68	69,69	75,37
Imports	55,81	46,63	54,09	63,89	69,17	64,43	61,68	64,03	78,4
Balance	6,19	6,27	15,02	-2,25	8,34	10,59	15	5,66	-3,03
Greece									
Exports	4,47	2,48	2,25	3,21	2,63	1,5	2,28	2,46	1,93
Imports	6,12	6,09	20,45	38,24	11,41	10,78	40,45	33,11	10,14
Balance	-1,65	-3,61	-18,2	-35,03	-8,78	-9,28	-38,17	-30,65	-8,21
Hong Kong									
Exports	2,05	1,62	2,08	1,87	2,37	3,14	2,86	2,16	2,28
Imports	3,76	1,85	6,96	6,38	5,16	1,62	1,41	1,83	1,66
Balance	-1,71	-0,23	-4,88	-4,51	-2,79	1,52	1,45	0,33	0,62
India									
Exports	1,92	7,87	3,71	1,49	1,15	1,54	1,79	1,96	1,65
Imports	1,46	0,77	0,58	2,45	0,86	0,91	0,58	0,83	0,84
Balance	0,46	7,1	3,13	-0,96	0,29	0,63	1,21	1,13	0,81
Spain									
Exports	43,91	39,83	43,76	62,49	52,2	51,53	72,57	94,13	75,37
Imports	12,63	10,27	18,17	14,2	12,16	13,11	22,86	15,66	15,63
Balance	31,28	29,56	25,59	48,29	40,04	38,42	49,71	78,47	59,74
Italy									
Exports	62,65	61,13	60,21	77,7	71,03	74,92	96,89	107,49	99,13
Imports	14,96	19,03	24,09	24,65	21,49	19,78	29,7	24,75	19,84
Balance	47,69	42,1	36,12	53,05	49,54	55,14	67,19	82,74	79,29
Japan									
Exports	18,63	0,78	0,65	0,74	0,34	0,98	0,81	1,55	0,4
Imports	1,91	1,6	1,07	1,39	0,78	1,13	0,71	0,71	0,72
Balance	16,72	-0,82	-0,42	-0,65	-0,44	-0,15	0,1	0,84	-0,32



United States									
Exports	49,02	43,72	49,82	61,07	68,68	49,99	57,78	66,17	86,16
Imports	38,49	34,94	35,36	43,59	37,05	41,55	46,44	44,16	62,37
Balance	10,53	8,78	14,46	17,48	31,63	8,44	11,34	22,01	23,79
Canada									
Exports	1,72	2,69	2,14	2,07	1,8	2,41	2,54	3,12	2,22
Imports	3,18	1,65	1,61	2	3,27	3,08	1,37	2,03	2,43
Balance	-1,46	1,04	0,53	0,07	-1,47	-0,67	1,17	1,09	-0,21
Kazakhstan									
Exports	16,65	15,2	17,4	18,97	21,74	13,15	19,98	18,78	17,99
Imports	5,8	5,27	5,6	5,59	5,27	5,21	4,94	5,1	7,42
Balance	10,85	9,93	11,8	13,38	16,47	7,94	15,04	13,68	10,57
China									
Exports	5,79	3,84	5,26	5,14	8,74	7,54	10,62	8,7	14,52
Imports	5,48	4,97	5,45	5,11	5,64	6,66	7,21	7,55	8,46
Balance	0,31	-1,13	-0,19	0,03	3,1	0,88	3,41	1,15	6,06
Cyprus									
Exports	8,05	8,38	14,49	12,52	13,06	8,14	7,73	9,61	10,39
Imports	13,1	19,6	17,23	17,63	17,95	16,74	17,24	15,39	12,16
Balance	-5,05	-11,22	-2,74	-5,11	-4,89	-8,6	-9,51	-5,78	-1,77
Croatia									
Exports	0,81	0,99	1,07	0,96	1,01	1,24	2,01	1,43	1,4
Imports	3,98	3,83	0,73	1,57	1,58	1,17	1,73	5,11	1,61
Balance	-3,17	-2,84	0,34	-0,61	-0,57	0,07	0,28	-3,68	-0,21
Latvia									
Exports	102,57	103,95	117,13	118,29	125,52	108,96	116,22	121,28	134,7
Imports	99,49	84,83	108,1	110,02	102,83	100,47	126,99	124,99	118,06
Balance	3,08	19,12	9,03	8,27	22,69	8,49	-10,77	-3,71	16,64
Poland									
Exports	67,08	69,4	89,39	92,95	83,76	63,19	94,92	102,61	92,97

Imports	137,9	128,03	141,9	147,26	148,76	152,77	177,09	170,59	174,82
Balance	-70,82	-58,63	-52,51	-54,31	-65	-89,58	-82,17	-67,98	-81,85
Luxembourg									
Exports	20,43	12,48	14,67	21,06	20,05	18,37	17,69	37,64	20,33
Imports	3,49	1,78	2,46	3,57	3,17	3,41	5,06	4,32	3,59
Balance	16,94	10,7	12,21	17,49	16,88	14,96	12,63	33,32	16,74
Malta									
Exports	0,86	1,32	11,35	8,85	1,5	2,1	2,49	5,32	1,66
Imports	47,19	33,32	34,56	15,49	26,68	30,21	14,81	5,08	40,18
Balance	-46,33	-32	-23,21	-6,64	-25,18	-28,11	-12,32	0,24	-38,52
Netherlands									
Exports	97,85	85,82	109,6	125,91	130,93	130,85	161,71	171,66	179,24
Imports	35,29	28,16	37,27	38,25	43,75	46,08	52,78	45,49	46,73
Balance	62,56	57,66	72,33	87,66	87,18	84,77	108,93	126,17	132,51
Norway									
Exports	93,22	69,7	82,86	83,37	90,14	90,53	112,94	96,54	101,74
Imports	52,88	51	56,27	51,27	54,72	43,74	57,21	51,45	53,92
Balance	40,34	18,7	26,59	32,1	35,42	46,79	55,73	45,09	47,82
Portugal									
Exports	3,73	4,03	5,04	4,29	3,36	3,77	4,1	5,19	5,56
Imports	2,87	1,8	3,22	3,49	5,78	2,98	2,83	2,33	7,72
Balance	0,86	2,23	1,82	0,8	-2,42	0,79	1,27	2,86	-2,16
France									
Exports	135,65	129,25	174,86	199,58	182,86	193,62	244,23	273,27	268,42
Imports	37,27	36,25	26,72	32,4	34,22	33,02	38,57	49,94	52,68
Balance	98,38	93	148,14	167,18	148,64	160,6	205,66	223,33	215,74
Romania									
Exports	5,02	2,26	4,97	2,87	3,37	4,93	4,32	8,74	5,34
Imports	9,98	8,93	11,73	9,91	9,49	9,55	10,77	9,76	9,41
Balance	-4,96	-6,67	-6,76	-7,04	-6,12	-4,62	-6,45	-1,02	-4,07

Russia									
Exports	279,58	224,23	263,09	272,35	243,41	236,61	275,18	271,26	267,08
Imports	126,03	118,94	128,62	146,58	141,74	136,74	152,75	175,65	146,05
Balance	153,55	105,29	134,47	125,77	101,67	99,87	122,43	95,61	121,03
Slovakia									
Exports	2,64	2,93	2,72	2,84	2,78	2,58	3,2	2,48	3,78
Imports	3,43	5,1	6,11	5,24	4,44	6,54	7,43	8,45	4,94
Balance	-0,79	-2,17	-3,39	-2,4	-1,66	-3,96	-4,23	-5,97	-1,16
Slovenia									
Exports	3,47	3,45	3,08	3,25	4,08	2,7	2,88	2,77	3,66
Imports	1,3	1,44	1,42	1,91	1,23	1,52	2,56	2,5	1,62
Balance	2,17	2,01	1,66	1,34	2,85	1,18	0,32	0,27	2,04
Finland									
Exports	35,59	33,3	40,92	42,29	49,6	52,18	59,58	55,28	58
Imports	22,03	14,65	23,75	26,21	23,65	29,34	36,9	34,2	30,99
Balance	13,56	18,65	17,17	16,08	25,95	22,84	22,68	21,08	27,01
Sweden									
Exports	95,75	90,08	106,05	114,02	108,24	113,09	120,95	119,39	126,41
Imports	67,07	45,69	66,31	66,93	58,36	57,49	73,35	68,21	74,18
Balance	28,68	44,39	39,74	47,09	49,88	55,6	47,6	51,18	52,23
Switzerland									
Exports	50,97	64,78	70,75	79,58	74,13	82,05	92,56	94,49	77,87
Imports	14,59	12,77	11,88	13,54	17,74	13,47	14,65	14,35	16,4
Balance	36,38	52,01	58,87	66,04	56,39	68,58	77,91	80,14	61,47
Turkey									
Exports	2,19	1,82	6,39	20,1	9,36	5,57	31,68	38,64	45,44
Imports	6,33	7,36	12,94	20,27	12,78	4,19	15,05	22,97	25,35
Balance	-4,14	-5,54	-6,55	-0,17	-3,42	1,38	16,63	15,67	20,09
Ukraine									
Exports	16,99	14,35	22,41	20,96	16,39	28,17	34,23	30,47	32,55

Imports	13,31	12,71	12,56	12,52	16,07	13,94	17,69	17,89	16,92
Balance	3,68	1,64	9,85	8,44	0,32	14,23	16,54	12,58	15,63
Hungary									
Exports	7,58	6,65	5,93	7,26	5,83	7,57	5,66	6,91	5,86
Imports	13,1	9,89	12,77	13,66	11,51	10,35	15,71	17,57	24,52
Balance	-5,52	-3,24	-6,84	-6,4	-5,68	-2,78	-10,05	-10,66	-18,66
Germany									
Exports	271,91	247,98	324,07	339,08	345,9	336,27	407,51	427,9	428,74
Imports	102,61	85,02	88,78	107,3	88,38	94,63	108,54	105,74	113,19
Balance	169,3	162,96	235,29	231,78	257,52	241,64	298,97	322,16	315,55
Other countries									
Exports	123,52	112,97	114,62	111,22	123,57	122,76	148,61	132,27	144,53
Imports	111,61	127,26	136,15	165,87	189,99	167,96	184,55	201,81	210,7
Balance	11,91	-14,29	-21,53	-54,65	-66,42	-45,2	-35,94	-69,54	-66,17

Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

## Appendix C. Inward foreign direct investment by economic activity in Lithuania

Table C.1. Inward foreign direct investment by economic activity, euro (millions)

Type of economic activity	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019
All activities	16,148.39	16,305.01	16,592.19	16,641.51	17,033.80	17,031.76	16,928.51	17,415.24	18,181.88
Agriculture, forestry and fishing	273.25	299.42	283.89	290.45	306.71	290.43	296.92	312.16	317.13
Mining and quarrying	59.69	54.24	47.92	49.92	51.32	53.89	61.76	82.32	86.40
Manufacturing	2,558.30	2,918.90	2,876.73	2,773.24	2,894.50	2,928.99	2,636.97	2,566.89	2,828.61
Electricity, gas, steam and air conditioning supply	272.43	281.06	291.80	286.36	269.88	265.75	282.79	298.79	368.41
Water supply; sewerage, waste management and remediation activities	10.64	11.56	12.15	11.47	10.77	10.34	10.96	11.62	12.72
Construction	486.92	503.51	508.12	481.90	407.29	410.15	428.26	453.71	481.91
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,917.88	1,898.66	2,036.26	2,013.49	2,016.28	1,995.63	2,032.30	2,141.04	2,195.80
Transportation and storage	375.52	377.36	349.46	370.01	362.05	397.76	383.46	435.34	466.12
Accommodation and food service activities	54.15	60.41	80.06	131.98	140.69	113.00	108.77	106.28	129.12
Information and communication	1,066.25	1,073.73	1,168.62	1,174.37	1,196.02	1,143.95	1,186.84	1,188.07	1,273.64
Financial and insurance activities	5,030.42	4,776.83	4,709.77	4,776.36	4,805.23	4,810.85	4,740.60	4,826.13	4,973.74
Real estate activities	2,144.84	2,121.85	2,181.99	2,201.54	2,134.53	2,152.20	2,228.70	2,352.34	2,397.52
Professional, scientific and technical activities	1,177.95	1,187.74	1,223.85	1,296.96	1,624.95	1,627.21	1,666.34	1,745.89	1,729.36
Administrative and support service activities	269.72	277.33	345.75	291.27	307.65	312.67	326.61	330.22	326.22
Education	0.84	0.73	0.80	0.86	0.75	0.83	0.82	0.82	0.80
Human health and social work activities	33.74	34.47	35.05	36.93	32.59	32.69	34.30	40.88	47.25
Arts, entertainment and recreation	17.63	20.23	20.43	20.05	20.90	14.63	15.32	18.15	20.12
Other service activities	2.85	2.78	1.56	1.43	1.22	2.84	2.91	2.91	2.66
Private real estate activities	395.37	404.20	417.98	432.92	450.47	467.95	483.88	501.68	524.35

Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

Table C.2. Outward foreign direct investment by economic activity, euro (millions)

Type of economic activity	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019
All activities	3,577.46	3,449.83	3,564.58	4,056.66	3,941.25	4,055.06	4,094.42	4,112.83	4,175.46
Agriculture, forestry and fishing	27.19	27.18	26.08	25.98	28.22	29.53	32.30	30.53	33.02
Mining and quarrying	-1.01	-0.92	-1.04	-1.29	-0.58	-0.24	-0.23	-0.21	-0.20
Manufacturing	358.09	352.35	341.33	345.05	368.01	387.25	385.82	388.64	387.52
Electricity, gas, steam and air conditioning supply	0.55	0.75	12.12	22.22	12.72	20.23	15.55	14.91	18.85
Water supply; sewerage, waste management and remediation activities	-1.61	-1.81	-1.82	-1.92	-2.97	-2.18	-2.02	-1.71	-0.98
Construction	58.72	63.17	66.30	66.60	64.10	66.00	67.87	68.44	73.23
Wholesale and retail trade; repair of motor vehicles and motorcycles	600.38	675.26	835.91	865.77	881.30	928.53	882.28	889.05	885.69
Transportation and storage	48.61	58.44	61.83	74.65	108.60	104.17	108.52	120.14	117.31
Accommodation and food service activities	1.46	-0.03	-0.02	0.17	2.69	2.55	2.50	1.97	2.06
Information and communication	94.27	79.18	80.20	99.54	110.61	102.19	94.52	93.30	108.01
Financial and insurance activities	941.81	1,000.92	1,001.56	990.48	786.69	808.88	809.98	847.43	828.42
Real estate activities	228.65	213.59	215.23	254.90	252.47	224.86	255.45	252.71	256.83
Professional, scientific and technical activities	993.96	747.14	710.49	1,105.02	1,119.56	1,168.39	1,225.01	1,194.07	1,247.27
Administrative and support service activities	114.84	123.26	107.69	99.48	102.29	110.28	111.66	108.20	112.49
Education	15.09	14.87	12.14	12.28	12.30	10.45	10.74	11.08	11.27
Human health and social work activities	0.63	0.73	0.76	1.45	0.70	0.69	0.79	0.56	0.60
Arts, entertainment and recreation	2.72	2.75	2.98	3.59	1.45	1.27	1.40	1.22	1.10
Other service activities	0.05	0.09	-0.06	-0.27	-0.50	-0.57	-0.56	-0.62	-0.42
Private real estate activities	93.06	92.91	92.90	92.96	93.59	92.78	92.84	93.12	93.39

Source: Lietuvos Bankas. Bank of Lithuania. Eurosystem. URL: <https://www.lb.lt/>

## Appendix D

Table D.1 - Key financial indicators for revenue, cash flow, net profit - 2020, €

Indicators	Months											
	1	2	3	4	5	6	7	8	9	10	11	12
Seasonality coefficient, %	110%	95%	85%	85%	90%	110%	100%	90%	80%	80%	85%	110%
Sales	1 008 986,0	871 397,0	779 671,0	779 671,0	825 534,0	1 008 986,0	917 260,0	825 534,0	733 808,0	733 808,0	779 671,0	1 008 986,0
Variable costs	902 508,8	779 439,4	697 393,1	697 393,1	738 416,3	902 508,8	820 462,5	738 416,3	656 370,0	656 370,0	697 393,1	902 508,8
Gross profit	106 477,3	91 957,6	82 277,9	82 277,9	87 117,8	106 477,3	96 797,5	87 117,8	77 438,0	77 438,0	82 277,9	106 477,3
Fixed costs	84 991,1	84 991,1	84 991,1	84 991,1	84 991,1	84 991,1	84 991,1	84 991,1	84 991,1	84 991,1	84 991,1	84 991,1
Profit before	21 486,2	6 966,6	- 2 713,2	- 2 713,2	2 126,7	21 486,2	11 806,4	2 126,7	- 7 553,1	- 7 553,1	- 2 713,2	21 486,2
Income tax	3 222,9	1 045,0			319,0	3 222,9	1 771,0	319,0				3 222,9
Net profit	18 263,3	5 921,6	- 2 713,2	- 2 713,2	1 807,7	18 263,3	10 035,5	1 807,7	- 7 553,1	- 7 553,1	- 2 713,2	18 263,3

Table D.2 - Key financial indicators for revenue, cash flow, net profit - 2021, €

Indicators	Months											
	13	14	15	16	17	18	19	20	21	22	23	24
Seasonality coefficient, %	110%	95%	85%	85%	90%	110%	100%	90%	80%	80%	85%	110%
Sales	1 039 255,6	897 538,9	803 061,1	803 061,1	850 300,0	1 039 255,6	944 777,8	850 300,0	755 822,2	755 822,2	803 061,1	1 039 255,6
Variable costs	902 508,8	779 439,4	697 393,1	697 393,1	738 416,3	902 508,8	820 462,5	738 416,3	656 370,0	656 370,0	697 393,1	929 584,0
Gross profit	136 746,8	118 099,5	105 668,0	105 668,0	111 883,8	136 746,8	124 315,3	111 883,8	99 452,2	99 452,2	105 668,0	109 671,6
Fixed costs	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1
Profit before	47 454,7	28 807,4	16 375,9	16 375,9	22 591,6	47 454,7	35 023,2	22 591,6	10 160,1	10 160,1	16 375,9	20 379,4
Income tax	7 118,2	4 321,1	2 456,4	2 456,4	3 388,7	7 118,2	5 253,5	3 388,7	1 524,0	1 524,0	2 456,4	3 056,9
Net profit	40 336,5	24 486,3	13 919,5	13 919,5	19 202,9	40 336,5	29 769,7	19 202,9	8 636,1	8 636,1	13 919,5	17 322,5

Table D.3 - Key financial indicators for revenue, cash flow, net profit - 2022, €

Indicators	Months											
	25	26	27	28	29	30	31	32	33	34	35	36
Seasonality coefficient, %	110%	95%	85%	85%	90%	110%	100%	90%	80%	80%	85%	110%
Sales	1 070	924 465,1	827 153,0	827 153,0	875 809,0	1 070 433,2	973 121,1	875 809,0	778 496,9	778 496,9	827 153,0	1 070 433,2
Variable costs	902 508,8	779 439,4	697 393,1	697 393,1	738 416,3	902 508,8	820 462,5	738 416,3	656 370,0	656 370,0	697 393,1	902 508,8
Gross profit	167 924,5	145 025,7	129 759,8	129 759,8	137 392,8	167 924,5	152 658,6	137 392,8	122 126,9	122 126,9	129 759,8	167 924,5
Fixed costs	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1	89 292,1
Profit before tax	78 632,4	55 733,6	40 467,7	40 467,7	48 100,6	78 632,4	63 366,5	48 100,6	32 834,8	32 834,8	40 467,7	78 632,4
Income tax 15%	11 794,9	8 360,0	6 070,2	6 070,2	7 215,1	11 794,9	9 505,0	7 215,1	4 925,2	4 925,2	6 070,2	11 794,9
Net profit	66 837,5	47 373,5	34 397,5	34 397,5	40 885,5	66 837,5	53 861,5	40 885,5	27 909,6	27 909,6	34 397,5	66 837,5

Table D.4 - Repayment of loans, €

Показатели	Months											
	1	2	3	4	5	6	7	8	9	10	11	12
Loan annuity payment	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1
	13	14	15	16	17	18	19	20	21	22	23	24
Loan annuity payment	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1	4 301,1
Total amount payable												103 225,6 €



