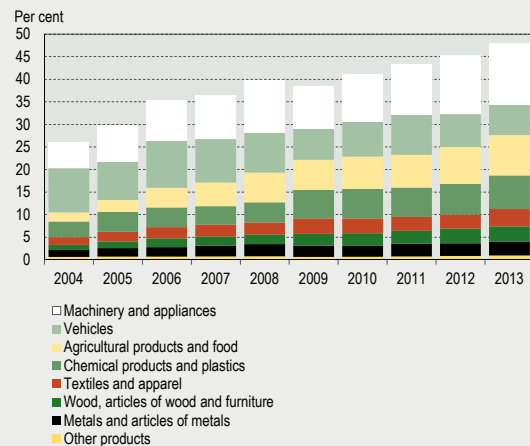


Box 1. Structure and dynamics of Lithuania's re-exports

The economic literature defines “re-exports” as foreign goods that are exported in the same state as previously imported. Although re-exports are included in export/import flows, the factors driving the trends of their developments differ from the factors affecting the exports of goods of Lithuanian origin to some extent. For example, the exports of goods of Lithuanian origin are affected by the developments in unit labour costs in the country, but this factor is less relevant as far as re-exports are concerned. Re-export goods are manufactured outside of Lithuania; therefore, they partly distort the analysis of both export competitiveness and the structural indices relating to exports. The aim of this box is to analyse the structure and dynamics of re-exports in order to improve the understanding of their effects on exports.¹

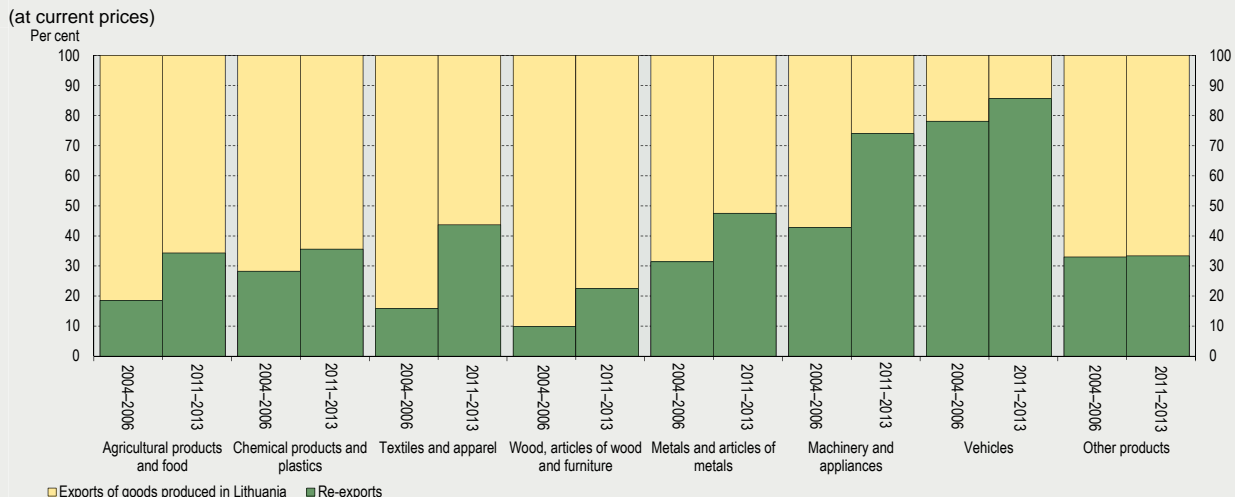
The analysis of export data reveals that the share of re-exports in total exports of goods grew continuously between 2004 and 2013 (see Chart A), with the exception of 2009 when a small decrease was recorded. The share of re-exports, which accounted for 26 per cent of the total exports of goods at the beginning of the analysis period, increased to more than 48 per cent over a decade. Fast growth of re-exports was mostly driven by re-exports of agricultural and food products, machinery and appliances as well as chemicals and plastics. At the end of the analysis period (in 2011–2013), re-exports of these goods also comprised a substantial share of the total exports of goods, i.e. re-exports of machinery and appliances accounted for 12.7 per cent, agricultural and food products — for 8.2 per cent, and chemicals and plastics — for 6.9 per cent. This general growth trend of re-exports excluded only re-exports of vehicles, which showed minor growth. The share of re-exports of these goods in the total exports of goods fell to nearly 8 per cent (in 2011–2013), from close to 10 per cent (in 2004–2006).

Chart A. Share of re-exports in total exports of goods by products (at current prices)



Sources: Statistics Lithuania and Bank of Lithuania calculations.

Chart B. Structure and dynamics of exports by groups of goods (at current prices)



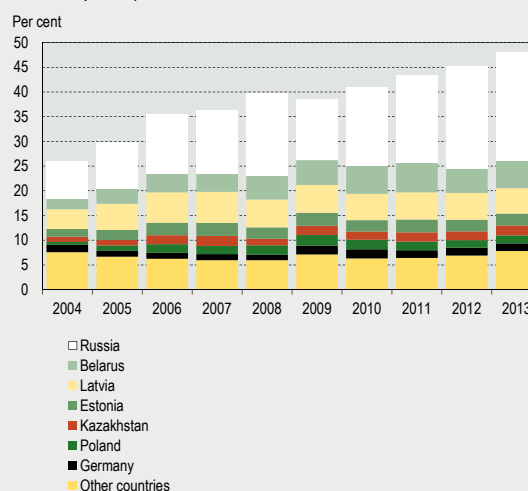
Sources: Statistics Lithuania and Bank of Lithuania calculations.

In addition to the general trends of re-exports and exports of goods of Lithuanian origin, the rise in the share of re-exports can also be seen from the analysis of more comprehensive data (see Chart B). The rise in the share of re-exports was particularly dynamic in the exports of machinery and appliances. In particular, re-exports of these goods increased to 74 per cent of their total exports at the end of the analysis period (in 2011–2013), from nearly 43 per cent at its beginning (in 2004–2006). This increase was mostly driven by re-exports of such goods as boilers, electrical machinery and equipment, sound recorders and reproducers, and parts thereof. Extra strong increase in the share of re-exports — of nearly 28 p.p. — was recorded for textiles and footwear, and re-exports of these goods accounted for nearly 44 per cent of their total exports at the end of the analysis period. The growth in this share was mostly propelled by re-exports of clothes and their accessories as well as footwear. The shares of re-exports of other groups of goods, including agricultural and food products, wood, articles of wood and furniture, metals and articles of metals, increased by 10–16 p.p. in the period covered by the analysis. The shares of re-exports of the former two groups of goods grew continuously throughout the period covered by the analysis. As far as the latter group of goods is concerned, the growth of its share of re-exports stalled between 2007 and 2011 but resumed again in 2012. Re-exports of wood, articles of wood and furniture were fuelled by steady growth in re-exports of the following three groups of goods during the entire period of analysis: furniture, including bedding and mattresses; paper and cardboard; and wood, articles of wood and charcoal. As far as the goods of the group of farm and food products are concerned, the growth of re-exports was uneven and the increase of the share of re-exports was driven by different products in different years. Still, the biggest contributions to the increase of the share of re-exports in the period of analysis were made by edible ices, vegetables and nuts. Somewhat smaller contributions came from soft drinks and alcoholic beverages. The dynamics of re-exports of metals and articles of metals was primarily based on ferrous metals and articles thereof. The shares of re-exports of other groups of goods, such as chemical products and plastics as well as vehicles, in the total exports of these goods increased as well but the rise was marginal.

The analysis of re-export structure in terms of trade partners reveals that those countries are geographically close to Lithuania and the changes in the key re-export markets were minor in the period covered by the analysis. Russia's market accounts for the biggest share of re-exports (for nearly 45 per cent of the total volumes of goods re-exported between 2011 and 2013). In the same period, sizeable shares of re-export goods were also shipped to Belarus (12%), Latvia (12%) and Estonia (5%). The structure of re-exports to all these markets is rather similar and dominated by re-exports of machinery and appliances, land vehicles, plastics and articles thereof as well as pharmaceutical products. The only notable exception that is worth a mention concerns edible vegetables and fruit, which were mostly exported to Russia. Re-exports of other products taken to these markets accounted for a relatively small share of total re-exports. The share of re-export goods, as compared to total exports, increased in all trade partners. However, the change was relatively negligible in many of these countries, with the only exceptions of Russia and Belarus. During the period covered by the analysis, re-exports to Russia, as a share of Lithuania's total exports of goods, increased to slightly more than 20 per cent (in 2009–2011), from nearly 10 per cent (in 2004–2006), and re-exports of Belarus — to 5.5 per cent from 3 per cent.

To sum up, re-exports made a significant contribution to the growth of exports in the period of the analysis and were among the key factors of growth in the exports of certain groups of goods, such as vehicles or machinery and appliances. Hence the results of any analyses of Lithuania's export competitiveness or export development should be interpreted cautiously with due consideration given to the effects of re-exports. This is particularly relevant in the analysis of exports of certain groups of goods, which include a sizeable share of re-exports.

Chart C. Share of re-exports in total exports by countries (at current prices)



Sources: Statistics Lithuania and Bank of Lithuania calculations.

¹ The analysis is based on the Combined Nomenclature (CN) classification. Mineral fuels, mineral oils and products of their distillation as well as bituminous substances and mineral waxes (CN Chapter 23) are excluded from the data of total exports and the exports of goods of Lithuanian origin so as to avoid extreme fluctuations in structural indices caused by the effects of price developments in this group of products on the value of exports.