

Could the Three Baltic States Become the Next Opportunities for Fastener Manufacturers?

Introduction

Based on Heritage website¹ the statistics for 2020 show:

- Estonia's economy is the 10th freest in the world and the 5th in the EU region. Estonia's economic growth is expected to be 3.9% and absorbs 1.3 billion USD worth of foreign direct investment in 2020.
- Lithuania's economy is the 16th freest in the world and the 9th in the EU region. Lithuania's economic growth is expected to be 3.4% and absorbs 905.1 million USD worth of foreign direct investment in 2020.
- Latvia's economy is the 32nd freest in the world and the 17th in the EU region. Latvia's economic growth is expected to be 4.8% and absorbs 879.4 million USD worth of foreign direct investment in 2020.

The numbers of these 3 countries for 2020 are analyzed as below:

Estonia, with a population of around 1.3 million and the GDP of about 45 billion USD (which can be divided into services (68.1%), industrial (29.2%), and agriculture (2.8%)), has a GDP per capita of 34,096 USD.

◦ The World Bank reported that the main industrial sectors of Estonia are the food industry (dairy products & meat processing), accounting for over 15% of the manufacturing industry, electronics & IT (a traditional sector), the chemical industry (accounting for 6% of the manufacturing industry) and the wood processing

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industry (this sector accounts for over 20% of the manufacturing industry). Altogether, **the manufacturing sector alone contributes to an estimated 13.3% of the country's GDP.**

◦ The total value of exports and imports of goods and services equals 147.0 percent of its GDP.

Lithuania, with a population of around 2.8 million and the GDP of about 97 billion USD (which can be divided into services (68.3%), industrial (28.5%), agriculture (3.3%)), has a GDP per capita of 34,826 USD.

◦ The main industrial sectors of Lithuania are electronics, chemical products, machine tools, metal processing, construction materials, 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.**

Latvia, with a population of 1.9 million and the GDP of 57.8 billion USD (which can be divided into services (73.3%), industrial (22.4%), and agriculture (3.9%)), has the GDP per capita of 29,901 USD.

◦ The industrial sectors of Latvia contribute to 19.5% of its GDP and employ almost one-fourth (23%) of the active workforce. The construction, metallurgy, industrial food-processing, and mechanical engineering sectors are booming. Latvia is well-known for being an important producer of railway equipment, radios, refrigerators, medicines, timber and steel by-products. **Its manufacturing sector is estimated to account for 10% of its total GDP.**



The Fastener Industry in the Baltic Countries

Estonia's Manufacturing Sectors and Relevant Numbers

The manufacturing sector alone contributes an estimated 13.3% of the Estonia's GDP, which means that Estonia makes 6 billion USD through manufacturing. **Fig. 1** reveals the growth of the manufacturing sector of Estonia year on year. For example, Estonia's industrial production plunged by 17.7% year-on-year in May 2020, the lowest record since October 2009, after a downward revised 16.9% slump in a month earlier. On a monthly basis, its industrial production dropped by 0.8% in May.²

On the other hand, the industry sector of Estonia deals in the production of chemical products, textiles, machinery, equipment, electronics, oil shale energy, and timber. Shipbuilding is also part of the industries in Estonia but this industry represents only 0.1% of Estonia's GDP (45-50 million USD in a year). The companies in the shipbuilding sector engage in the manufacture of boats and ships, which are used for both recreational and commercial purposes.³ In a simple sentence, manufacturing in Estonia shows low consumption of fasteners.

Lithuania's Manufacturing Sectors and Relevant Numbers

The World Bank estimates that the manufacturing sector alone contributes 17% of Lithuania's GDP, which means that Lithuania makes 16.5 billion USD through manufacturing. **Fig. 2** shows the growth of its manufacturing sector year on year. For example, the industrial production of Lithuania fell 6.2% year-on-year in May 2020, following an upward revised 12.2% drop in the prior month. It was the sixth straight month of decrease in its industrial production. On a seasonally adjusted monthly basis, its industrial production surged by 6.0%.

The food processing industry is one of the primary sectors of Lithuanian, which accounts for 11% of its total export. There are about 979 food processing companies registered in Lithuania that produce a wide range of products, including dairy products, meat, fish, vegetables and fruits, baked goods and grains, spices, and herbs. The food and beverage sector accounts for over 4.5% of Lithuania's GDP and employs 4.6% of the total workforce. Another significant manufacturing activity in Lithuania is "chemical products," which accounts for over 12.5%

Fig. 1 The Year-on-year Growth(%) of Estonia's Manufacturing Sector

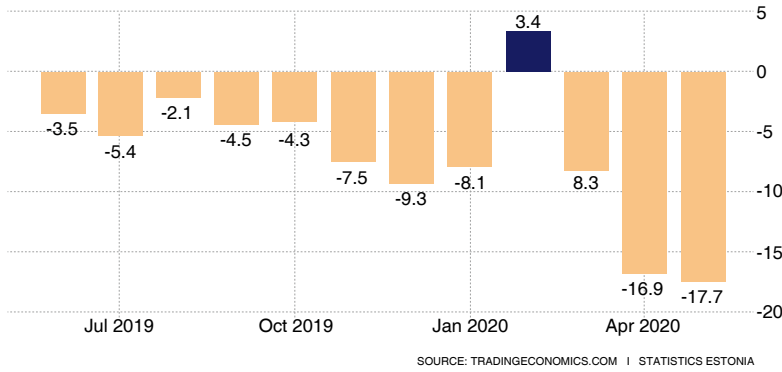


Fig. 2 The Year-on-year Growth(%) of Lithuania's Manufacturing Sector

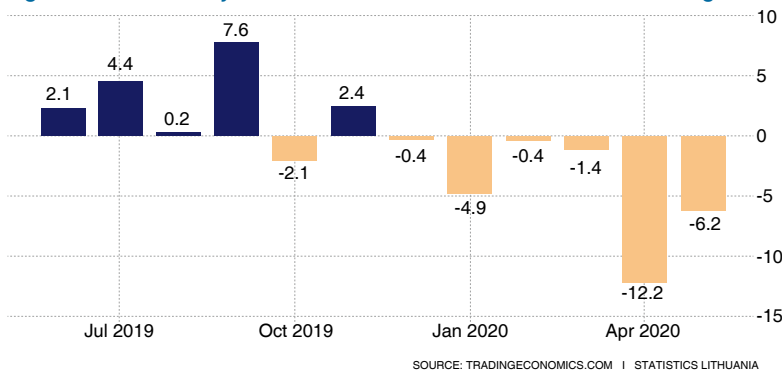
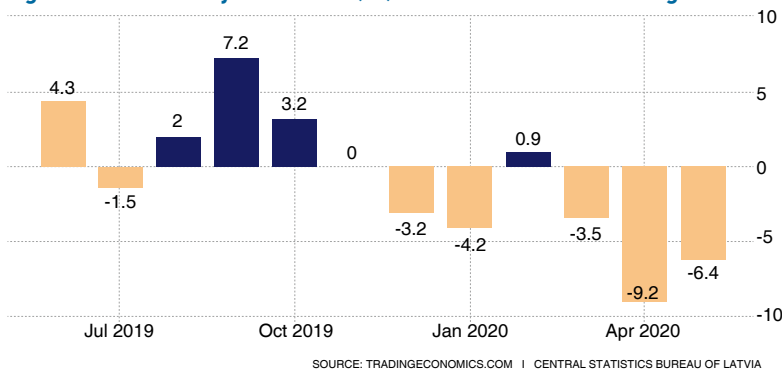


Fig. 3 The Year-on-year Growth(%) of Latvia's Manufacturing Sector



of its total export. Over 80% of the chemicals produced in Lithuania are exported. The furniture production sector employs over 50,000 individuals in Lithuania, with the biggest firms in this industry working together with IKEA. In the automotive industry, Continental AG in 2018 started to build a factory for high precision car electronics – biggest greenfield investment project in Lithuania so far. Another German manufacturer of lighting technology Hella opened a plant in 2018 in Kaunas FEZ, which will produce sensors, actuators and control modules for the automotive industry. Lithuania's automotive cluster experienced a significant growth during the past 5 years. Companies in the automotive and engineering sectors are relatively small but offer flexible services for small and non-standard orders at competitive prices. The sector employs about 3% of the working population and receives 5.6% of FDI.⁴ In a simple sentence, based on furniture companies and the automotive industry in Lithuania, this country can be a desirable market for fastener players.

Latvia's Manufacturing Sectors and Relevant Numbers

Based on the World Bank's report, the manufacturing sector of Latvia is estimated to account for 10% of its total GDP. It means that Latvia make 5.8 billion USD through manufacturing. Fig. 3 shows the growth of its manufacturing sector year on year. For example, the industrial production in Latvia declined 6.4% year-on-year in May of 2020, following a 9.2 percent fall in the previous month.⁵

Latvia's major industries are textiles, processed wood products, processed foods, chemicals, metalwork, and machine building. Latvia builds both small and big machines such as railway cars, buses, washing machines, and radios. The chemical industry makes up a huge chunk of exports. The industry relies on highly specialized and educated human resources who have made great medicinal discoveries over the years. Products manufactured include bio cosmetics and eco-friendly cosmetics. The decline in demand for fibers and detergents may affect the chemical industry over time.⁶ In a simple sentence, based on the machinery industry in Latvia, this country can be an acceptable market for fastener players.

Conclusion

According to the aforementioned (Key Performance Indicators) KPIs (Table 1) in this article and the diversity of fastener users, it is predicted that the fastener market size of Estonia is expected to become smaller in 2021, but in the long term it is a potential market that will attract more FDI to establish fastener factories, which will also boost the industrial development in Estonia.

Lithuania is not the dreamed country for foreigners in the Baltic region, so its FDI/GDP is low, and the manufacturing trend is negative. These factors may restrict the fast growth of local manufacturers (including those in the fastener industry). However, based on the type of their industries, they still need fasteners, so it is a market for foreign fastener producers.

Based on Latvia's numbers, this country has the potential for two types of players in the fastener industry (i.e., exporters to Latvia and manufacturers).

Table 1

Country	GDP Growth	Manufacturing Growth	FDI/GDP
Estonia	3.9%	Negative in 2019 Negative in 2020	2.9
Lithuania	3.4%	Positive in 2019 Negative in 2020	0.9
Latvia	4.8%	Positive in 2019 Negative in 2020	1.5

>> ⁴ <https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-lithuania.html>

⁵ <https://tradingeconomics.com/latvia/industrial-production>

⁶ <https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-latvia.html>