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BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA, JUNE 2009

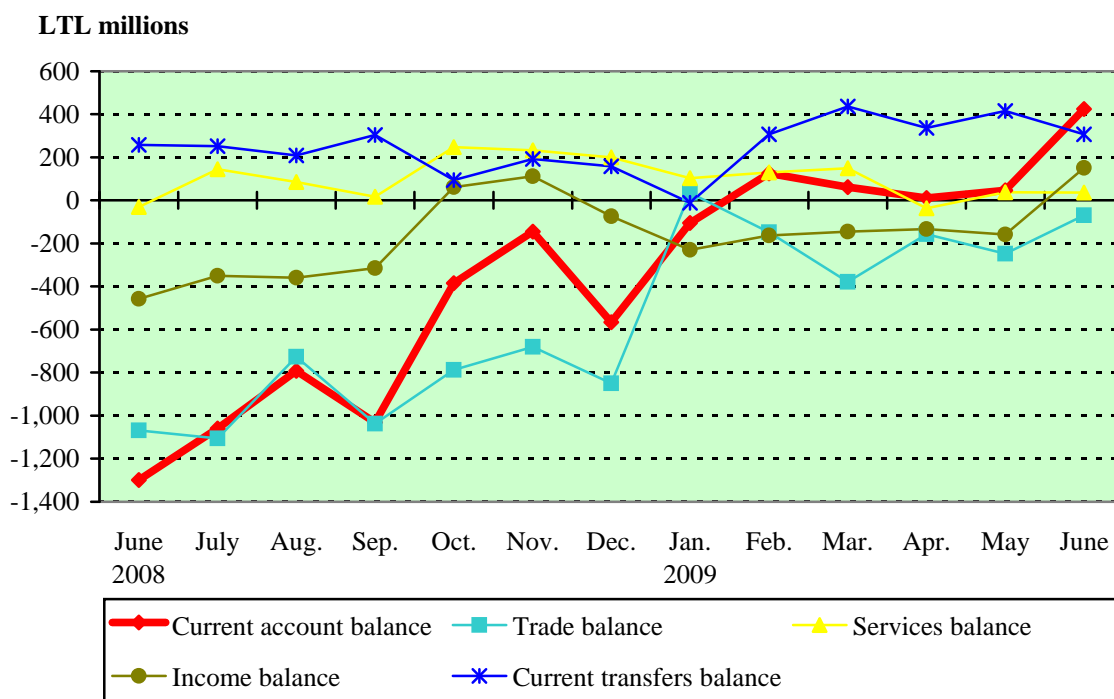
(review of key indicators of the balance)

Current Account. In June 2009, the positive surplus of the current account balance of Lithuania's balance of payments amounted to LTL 424.9 million. On a month-to-month basis, it increased by LTL 377.8 million.

According to preliminary estimates, the surplus of the current account of Lithuania's balance of payments amounted to LTL 482.7 million or 2.1 per cent of GDP in April–June and to LTL 564 million or 1.3 per cent of GDP in January–June. Compared to January–June 2008, the change in the current account balance made up LTL 9.5 billion.

The increase in the current account balance surplus in June was driven by a fall in the income and trade deficits.

The Current Account Balance and Composite Balances



According to the Department of Statistics to the Government of the Republic of Lithuania, in June 2009, export of goods grew by 11.3 per cent and import of goods by 1 per cent on a month-to-month basis. The foreign trade balance deficit ran at LTL 276.1 million narrowing by LTL 311.6 million or 53 per cent compared to May.

In January–June, export shrank by 31 per cent, excluding mineral products – 26.8 per cent, and import fell by 43.5 per cent, excluding mineral products – 44.3 per cent year on year. During the reported period, export of goods from Lithuania to the EU Member States shrank by 27.6 per cent,

to the CIS countries – by 34.6 per cent. Import of goods from the EU Member States fell by 43.8 per cent, from the CIS countries – by 43.6 per cent.

Export of goods declined as a result of a drop in the exports of processed oil lubricants and lubricants received from bitumen minerals (43.6 %), ground vehicles (43 %), electrical machinery and equipment (45.3 %). The import shrinkage was driven by a decline in the imports of crude oil (45.3 %), ground vehicles (73.9 %), boilers, machinery and mechanical equipment (52 %).

In June, the month-on-month export of services increased by 3.9 per cent and the month-on-month import of services grew by 4.2 per cent (export of services shrank by 24.2 % and import of services – by 30 % year on year). In June, the balance of services was positive at LTL 36.4 million and in January–June at LTL 419.6 million (LTL 262.2 million in January–June 2008).

In June, the income balance was positive at LTL 150.8 million. The investment income balance surplus stood at LTL 139.4 million and the compensation of employees balance surplus at LTL 11.4 million. In January–June, the gross income balance was negative and its deficit ran at LTL 680.7 million, shrinking by LTL 2.1 billion or 75.1 per cent year on year. The shrinkage in the deficit was mainly driven by a fall in the deficit of the foreign direct investment income.

Compared to May, the balance of current transfers' surplus (LTL 306.5 million) declined by LTL 109.3 million in June. In January–June this year, this surplus amounted to LTL 1.8 billion (LTL 1.3 billion in January–June 2008).

Transfers from the EU support funds made up LTL 275.1 million and remittances of individuals from abroad LTL 168.6 million in June. In January–June, the said transfers and remittances made up LTL 1.7 billion and LTL 1 billion respectively.

In June, Lithuania's contributions to be paid to the EU budget amounted to LTL 114 million, and in January–June to LTL 691.6 million (LTL 620.7 million in January–June 2008).

Capital and Financial Accounts. Excluding official reserve assets, the gross flow of investment abroad by domestic economic entities (LTL 580.2 million) was negative in June, i.e. it reflected an increase in investment abroad, while the flow of foreign investment in Lithuania (LTL 1.17 billion) was positive, reflecting foreign investment inflows. The gross positive net investment flow (including investment flows from/to Lithuania) amounted to LTL 592.8 billion. In January–June, the gross net investment flow was negative amounting to LTL 2.4 billion. In January–June last year, the gross net investment flow was positive (reflecting capital inflows) and stood at LTL 5.7 billion.

The flow of non-repayable capital transfers to Lithuania made up LTL 8.7 million in June and LTL 1.3 billion in January–June (in January–June 2008, the flow of these transfers amounted to LTL 1.4 billion).

Investment flows
LTL millions

	Foreign assets				Liabilities			
	2009			2008	2009			2008
	May	June	January-June	January-June	May	June	January-June	January-June
Direct investment	-41.8	164.2	-175.7	-529.5	187.3	-26.5	1,542.4	1,674.3
Portfolio investment	-648.6	-468.4	-1,859.4	-1,335.9	13.7	1,700.9	1,757.7	-243.1
Equity securities	-59.9	-63.2	-247.0	54.0	19.0	9.5	-271.2	25.6
Debt securities	-588.7	-405.2	-1,612.3	-1,389.9	-5.3	1,691.4	2,028.9	-268.7
Financial derivatives	23.3	10.2	-19.6	20.8	-	-	-	-18.0
Other investment	1,067.9	-286.3	979.6	-3.5	-779.2	-501.4	-4,644.3	6,176.9
Monetary Financial Institutions	666.0	-462.2	-711.4	768.5	-253.7	2.6	-2,599.0	3,542.9
Other sectors	401.9	176.0	1,691.0	-772.0	-580.1	-591.6	-2,947.4	2,844.7

In June, the net foreign direct investment (FDI) flow was positive, showing inflows of this investment, and amounted to LTL 137.7 million. Compared to May, net FDI inflows contracted by LTL 7.8 million. In January–June, the net FDI flow was also positive and made up LTL 1.37 billion (in January–June 2008, this flow made up LTL 1.14 billion).

In January–June this year, the FDI flow to Lithuania contracted by LTL 131.9 million and the flow of foreign direct investment abroad by domestic economic entities curtailed by LTL 353.8 million year on year.

The positive net portfolio investment flow (LTL 1.23 billion) in May was driven by non-resident investment in Government debt securities. In January–June, the net flow of this investment was negative at LTL 101.6 million.

The negative net flow of other investment and financial derivatives amounted to LTL 777.5 million in June driven by a decline in the liabilities of Lithuanian enterprises. In January–June, the net flow of other investment and financial derivatives was also negative standing at LTL 3.7 billion.

Official reserve assets grew by LTL 895.1 million or 6.2 per cent in June to make up LTL 15.4 billion (EUR 4.5 billion) at the end of the month.

The growth in official reserve assets resulted from an increase in central government deposits with the Bank of Lithuania of LTL 958 million. The reserve assets were also pushed up by higher external liabilities of the Bank of Lithuania (LTL 89.7 million) and other factors (LTL 30.2 million). A deceleration in the growth of official reserve assets was driven by a contraction of LTL 107.2 million in the deposits of other monetary financial institutions with the Bank of Lithuania and of LTL 75.5 million in currency in circulation.