

11 September 2009

BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA, JULY 2009

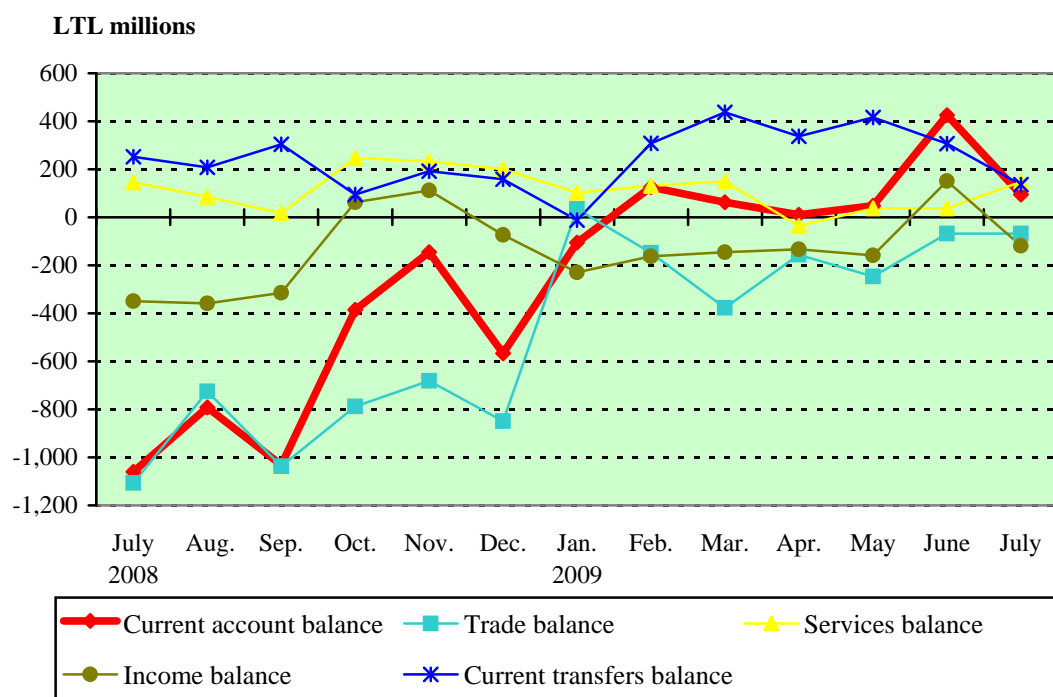
(review of key indicators of the balance)

Current Account. In July 2009, the surplus on the Current Account of Lithuania's Balance of Payments amounted to LTL 95 million, a month-on-month decrease by LTL 329.9 million.

According to preliminary estimate, in January–July the surplus on the Current Account of the Balance of Payments made up LTL 659 million. Compared to January–July 2008, the current account balance change made up LTL 10.6 billion.

Statistics Department under the Government of the Republic of Lithuania has extended the date for publishing foreign trade data in July 2009*, therefore, to calculate the current account balance for July 2009, foreign trade data for June 2009 were used. Econometric estimates of the trade balance for July shows a relatively moderate divergence of the trade balance indicator for July compared to a respective statistical indicator for June, with a slightly bigger probability that it will go up. After the publication of foreign trade data by Statistics Department on 18 July, the Bank of Lithuania is to use the actual foreign trade data for July to release revised data on 25 September.

Current Account Balance and Composite Balances



In June, export of services increased month on month by 14.8 per cent, while import of services grew month on month only by 0.1 per cent (compared to July 2008, export and import of services

*The publishing date was postponed due to the delay by Lithuania's Customs to submit foreign trade data, caused by some problems encountered during the introduction of the new system for processing customs declaration forms in July and eventual delay to submit the data.

contracted respectively by 19.2% and 22.5%). In July, the service balance was positive at LTL 147 million, and for January–July it made up LTL 566.6 million (LTL 406.8 million in January–July 2008).

In July, the total income balance was negative standing at LTL 119.3 million. Negative balance of investment income amounted to LTL 144.1 million, while compensation of employees balance was positive and amounted to LTL 24.8 million. In January–July, total income balance was negative with the deficit making up LTL 800 million, down by LTL 2.3 billion (74.1%) year on year. The deficit shrinkage was mainly driven by a fall in the foreign direct investment income deficit.

Compared to June, the surplus on the balance of current transfers (LTL 136.1 million) declined by LTL 170.3 million in July. In January–July this year, the balance surplus made up LTL 1.9 billion (in January–July 2008 it equalled to LTL 1.6 billion).

In July, transfers from the EU support funds made up LTL 83.6 million and remittances of individuals from abroad made up LTL 190.6 million. In January–July, the said transfers and remittances amounted respectively to LTL 1.8 billion and LTL 1.2 billion.

In July, Lithuania's contributions calculated in the EU budget amounted to LTL 43.4 million, and in January–July it made up LTL 735 million (LTL 669.9 million in January–July 2008).

Capital and Financial Accounts. In July, excluding official reserve assets, total flow of foreign investment by domestic economic entities (LTL 183.7 million) was negative showing an increase of investments abroad. The flow of foreign investments in Lithuania was also negative (LTL 536.5 million) showing investment decrease. The total negative net investments flow (including investment flows from/to Lithuania) amounted to LTL 720.2 million. In January–July, the total net investment flow was negative amounting to LTL 3.1 billion. In January–June last year, the total flow of net investments was positive (showing capital inflows) and stood at LTL 5.5 billion.

In July, the flow of non-repayable capital transfers to Lithuania made up LTL 124.6 million, while in January–July it amounted to LTL 1.4 billion (in January–July 2008, the flow of this type of transfers made up LTL 1.5 billion).

Investment flows

LTL millions

	Foreign assets				Liabilities			
	2009			2008	2009			2008
	June	July	January- July	January- July	June	July	January- July	January- July
Direct investments	164.2	-58.5	-234.2	-644.7	-26.5	-179.8	1,362.6	2,041.0
Portfolio investments	-468.4	109.0	-1,750.4	-1,313.9	1,700.9	68.9	1,826.7	-359.8
Equity	-63.2	-152.2	-399.2	27.3	9.5	0.6	-270.6	-24.7
Debt securities	-405.2	261.2	-1,351.2	-1,341.2	1,691.4	68.3	2,097.2	-335.1
Financial derivatives	10.2	31.0	11.4	25.3	–	–	–	-18.0
Other investment	-286.3	-265.1	714.5	-1,271.1	-501.4	-425.6	-5,069.9	7,002.1
Monetary Financial Institutions	-462.2	-278.2	-989.6	-468.8	2.6	-362.4	-2,961.4	5,090.5
Other sectors	176.0	13.1	1,704.1	-802.3	-591.6	19.8	-2,927.6	2,773.8

In July, net foreign direct investment flow (FDI) was negative, i. e. it showed investment decrease, amounting to LTL 238.3 million. Compared to June, net FDI inflow contracted by LTL 376.1 million mainly due to a decrease of the other capital component in FDI. In January–July, net FDI flow was positive making up LTL 1.1 billion (in January–July 2008 it amounted to LTL 1.4 billion).

In January–July this year, the FDI flow to Lithuania contracted year on year by LTL 678.4 million and the flow of foreign direct investments abroad by domestic economic entities fell by LTL 410.5 million.

The positive net portfolio investment flow (LTL 177.9 million) in July was the result of lower investments into debt securities of non-residents. In January–July, net flow of these investments was positive amounting to LTL 76.2 million.

In July, net flow of other investments and financial derivatives was negative at LTL 659.7 million due to a hike in foreign assets and a decrease in liabilities of Lithuanian MFIs. In January–July, net flow of other investments and financial derivatives was also negative standing at LTL 4.3 billion.

Official reserve assets contracted in July by 6.6 per cent to LTL 14.4 billion (EUR 4.2 billion) at the end of the month.

The contraction resulted from a decrease of LTL 987 million in central government deposits with the Bank of Lithuania. The reserve assets were also pushed down by lower external liabilities of the Bank of Lithuania (LTL 83 million) and deposits of MFIs with the Bank of Lithuania (LTL 2.6 million). Meanwhile, the narrowing of official reserve assets was only partially compensated for by a slight increase in currency in circulation and other factors respectively by LTL 35.4 million and LTL 23.9 million.

Department of Statistics