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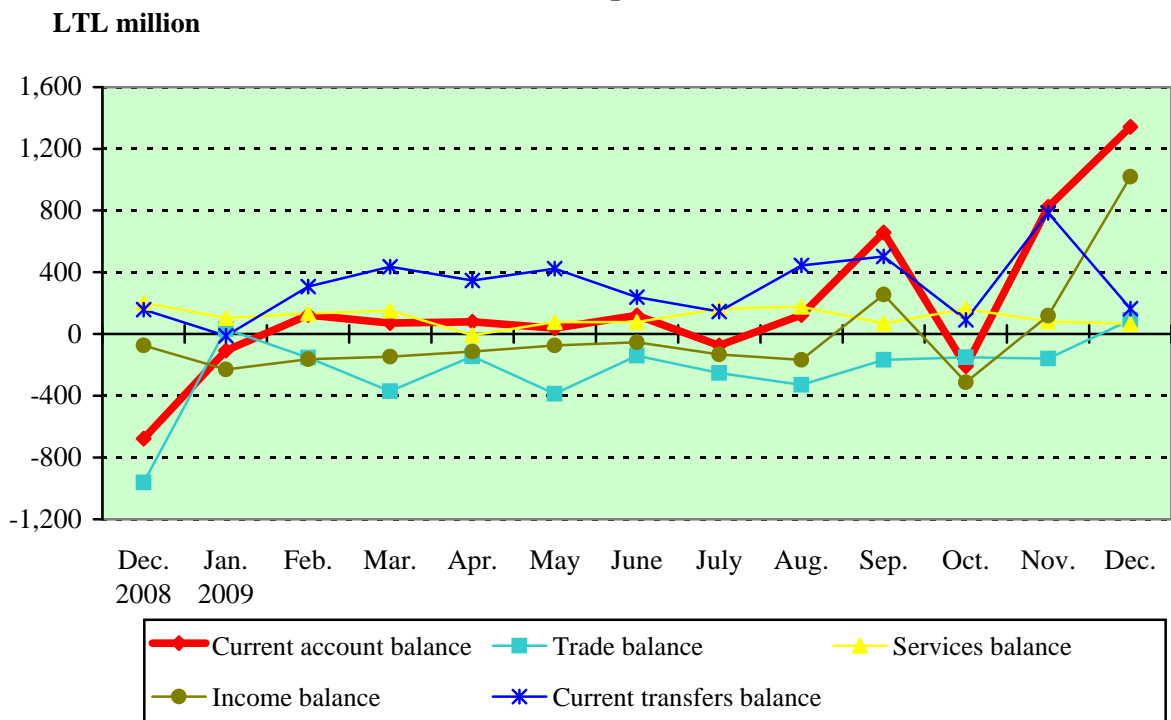
BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA, DECEMBER 2009

(key indicators)

Current Account. In December 2009, the surplus on the current account of Lithuania's Balance of Payments amounted to LTL 1.3 billion, a month-on-month increase of LTL 519.1 million or 63%. The December increase in the current account balance surplus was a result of a jump in the income balance surplus.

According to monthly data, in October–December 2009, the surplus on the current account of Lithuania's Balance of Payments made up LTL 2 billion or 8.2% of GDP, while in January–December it amounted to LTL 3 billion or 3.2% of GDP. For corresponding periods in 2008, the current account was in deficit respectively by LTL 1.2 billion and LTL 13.3 billion.

Current Account Balance and Composite Balances



The data of the Statistics Department to the Government of the Republic of Lithuania showed that the December 2009 export of goods grew month on month by 2.2%, while import of goods went down by 5.2%. In December, foreign trade balance deficit was LTL 122.6 million, a month-on-month decrease by more than three times. In October–December 2009, export and import of goods increased quarter on quarter by 4.2% and 1.1%, respectively.

In January–December export of goods shrank year on year by 26.6%, excluding mineral products by 23.3% and import of goods decreased by 38.2%, excluding mineral products – by 38%. During the reported period, export of goods from Lithuania to EU countries shrank by 21.8%, and export of goods to CIS countries went down by 33.1%. Import of goods from EU countries dropped by 36.8%, and import of goods from CIS countries went down by 39.5%.

In the Balance of Payments, export and import of goods are measured according to FOB (“free on board”) prices, while in foreign trade statistics export is measured according to FOB and data

for import are measured according to CIF ("cost, insurance and freight") prices. Due to the valuation differences the size of the Lithuanian import of goods and foreign trade balance in the Balance of Payments and foreign trade statistics are different. This was the major reason for the December 2009 foreign trade balance on the Balance of Payments to turn positive. On the other hand, the difference in the import value, that comes up in the Balance of Payments is included into import of services so that the said differences in values do not have major impact on the final size of the current account deficit.

In December, export and import of services increased month on month by 3.9% and 6.9%, respectively. The surplus on the balance of services amounted to LTL 67.5 million (in November it accounted for LTL 81.7 million). In January–December, export and import of services declined year on year respectively by 22.2% and 25.2%, and the surplus on the balance of services went up by LTL 37 million or 3%.

In December, the total surplus of the income balance made up LTL 1 billion (surplus on the investment balance was LTL 968.7 million, and surplus on the compensation of employees balance amounted to LTL 50.7 million). Meanwhile, in November the total surplus of the income balance made up LTL 117.8 million. This notable increase of the income balance surplus was the result of a decline in reinvestment in monetary financial institutions. In January–December, total income balance was in deficit which equalled to LTL 6.1 million. On a year-on-year basis, this indicator contracted by LTL 3.7 billion or 99.8%. The deficit shrinkage was largely driven by a change in the balance of direct investment income.

In December, the surplus on the balance of current transfers made up LTL 163.4 million, a month-on-month decrease by of LTL 621.1 million mainly due to a decline in transfers from EU support funds which stood in December at LTL 66.7 million. Meanwhile, remittances of private individuals to Lithuania amounted to LTL 323.3 million, a month-on-month growth by LTL 100 million or 44.8%.

In January–December 2009, the surplus on the balance of current transfers was LTL 3.9 billion (LTL 2.5 billion in January–December 2008). During the reported period, transfers from the EU support funds made up LTL 3.5 billion, whereas remittances by individuals from abroad stood at LTL 2.4 billion.

Lithuania's contributions due to EU budget in December and January–December made up respectively LTL 98.7 million and LTL 1.1 billion (in January–December 2008 they made up LTL 1.2 billion).

Capital and Financial Accounts. In December 2009, excluding official reserve assets, Lithuania's total investment flow abroad showed an increase of LTL 229.9 million in foreign investments abroad, while foreign investments flow in Lithuania showed foreign investments outflow from Lithuania, which made up LTL 3.1 billion. Therefore, after the evaluation of foreign investments flow to and from Lithuania, total net investments flow showed an investments outflow from Lithuania, equal to LTL 3.3 billion. In January–December 2009, total net investments flow reached LTL 6.3 billion, also indicating the investments outflow. In January–December 2008, net investments flow revealed foreign capital inflows to Lithuania, amounting to LTL 8.8 billion.

The flow of non-repayable capital transfers to Lithuania (money of EU support funds for financing investment projects) made up in December LTL 20.9 million, and in January–December they amounted to LTL 3 billion (in January–December 2008, the flow of these transfers amounted to LTL 2 billion).

Investment flows

LTL million

	Foreign assets				Liabilities			
	2009			2008	2009			2008
	November	December	January–December	January–December	November	December	January–December	January–December
Direct investment	-103.2	417.5	-322.2	-792.3	150.2	-1,485.3	579.3	4,297.7
Portfolio investment	-286.2	14.3	-2,087.5	-42.7	9.8	-277.3	5,324.4	-262.6
Equity securities	28.1	-19.4	-743.8	67.9	-6.8	23.4	-238.5	298.5
Debt securities	-314.2	33.7	-1,343.7	-110.6	16.6	-300.6	5,562.9	-561.2
Financial derivatives	-	0.7	157.6	98.6	-9.3	-	-55.7	-64.4
Other investment	-638.1	-662.4	-1,737.1	-2,100.4	-1,898.2	-1,307.7	-8,188.5	7,699.3
Monetary Financial Institutions	-397.1	-823.6	-2,902.5	-269.7	-1,275.4	-927.7	-6,602.4	9,080.7
Other sectors	104.3	161.2	1,510.7	-1,830.7	-231.6	-748.6	-4,134.2	-741.4

(+) – a decrease in foreign assets or an increase in liabilities;

(-) – an increase in foreign assets or a decrease in liabilities.

As a result of a decline in reinvestments, in December foreign direct investment flow (FDI) in Lithuania showed an outflow and amounted to LTL 1.5 billion. Direct foreign investments by the country's agents of economy were on decline either. Their flow amounted to LTL 417.5 million. As a result, net flow of direct investments in December showed their outflow that amounted to LTL 1.1 billion.

In January–December 2009, FDI flow to Lithuania (LTL 579.3 million) contracted year on year by LTL 3.7 billion or 86.5%, and the country's FDI flow to other countries (LTL 322.2 million) melted by LTL 470.1 million or 59.3%. Net FDI inflow into Lithuania of this period equalled to LTL 257.1 million or 0.3% of GDP (in January–December 2008, net FDI inflow made up LTL 3.5 billion or 3.2% of GDP).

In December, net portfolio investment flow showed an outflow of LTL 263 million, while the January–December net flow showed an inflow of LTL 3.2 billion. In January–December 2008, net portfolio investment flow made up LTL 305.3 million showing the investment outflow. Net portfolio investment inflows in January–December 2009 were caused by government debt securities distributed abroad.

In December, net flow of other investments and financial derivatives made up LTL 2 billion showing an outflow of this type of investment, which led to a fall in foreign assets and long-term liabilities of MFIs. In January–December net flow of other investment and financial derivatives also indicated an outflow in the amount of LTL 9.8 billion (in January–December 2008, net flow of this type of investments showed inflows of LTL 5.6 billion).

Official reserve assets decreased in December by LTL 2.3 billion or 12.4%, while in 2009 their increase made up LTL 228.5 million or 1.4%. At the end of December they made up LTL 16 billion (EUR 4.6 billion).

The decline in official reserve assets in December 2009 was driven by a decrease of LTL 2.4 billion in central government deposits with the Bank of Lithuania. The reserves also contracted due to a decline in deposits of other MFIs with the Bank of Lithuania and other factors respectively by LTL 337.8 million and LTL 34.3 million. The narrowing of reserve assets was somewhat offset by a rise of external liabilities of the Bank of Lithuania (LTL 267.3 million), currency in circulation (LTL 180.3 million), and a change of LTL 4.6 million in the value of SDR allocation.