

June 25 2009

## BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA, Q1 2009

**Current account.** In Q1 2009, a surplus of LTL 81.3 million or 0.4% of GDP was recorded on the Current Account of the Balance of Payments for the first time since 1994. The change on the current account balance (CAB) was positive making up LTL 4.65 billion year on year, and LTL 1.18 billion quarter on quarter. CAB for four quarters (from Q2 2008 to Q1 2009) was negative yet, while the deficit made up LTL 8.3 billion or 7.7% of GDP.

### CAB and CAB to GDP ratio

	CAB, LTL millions	CAB to GDP ratio, %
2008	-12,905.07	-11.6
Q1	-4,572.06	-18.7
Q2	-4,351.36	-15.2
Q3	-2,884.55	-9.7
Q4	-1,097.10	-3.8
2009		
Q1	81.31	0.4

### Changes in CAB and Composite Balances. Factors contributing to Change in Current Account

	Q1 2009, LTL millions	Q1 2008, LTL millions	Change, %	Contributions, %
Current account balance	81.31	-4,572.06	-101.8	-101.8
Trade balance	-493.03	-4,328.14	-88.6	-83.9
Services balance	381.95	150.53	153.7	-5.1
Income balance	-539.47	-1,161.04	-53.5	-13.6
Current transfers balance	731.86	766.59	-4.5	0.8

The change in the current account balance for Q1 2009 was largely determined by a decline in the deficits on the foreign trade and income balances.

Foreign trade. According to the data of the Department of Statistics under the Government of the Republic of Lithuania, in Q1 2009 export of goods went down year on year by 25% and import of goods decreased by 41.5%. Excluding mineral products export and import of goods decreased respectively by 22.9% and 42.6%. Compared to Q4 2008, the period in 2008, when foreign trade amount was the lowest, export and import of goods went down (respectively by 24.4% and 32.9%).

A rapidly decreasing import of goods prompted a decline in the Lithuanian foreign trade deficit from Q2 2008 and in Q1 2009 it stood at LTL 1.09 billion, a fall of LTL 4.3 billion compared to Q1 2008. The fall in prices for crude oil and oil products contributed significantly to these developments.

According to the Classification by Broad Economic Categories, the largest decline was registered in the export of capital goods, intermediate goods and motor spirits and in the import of capital, intermediate goods and passenger motor cars.

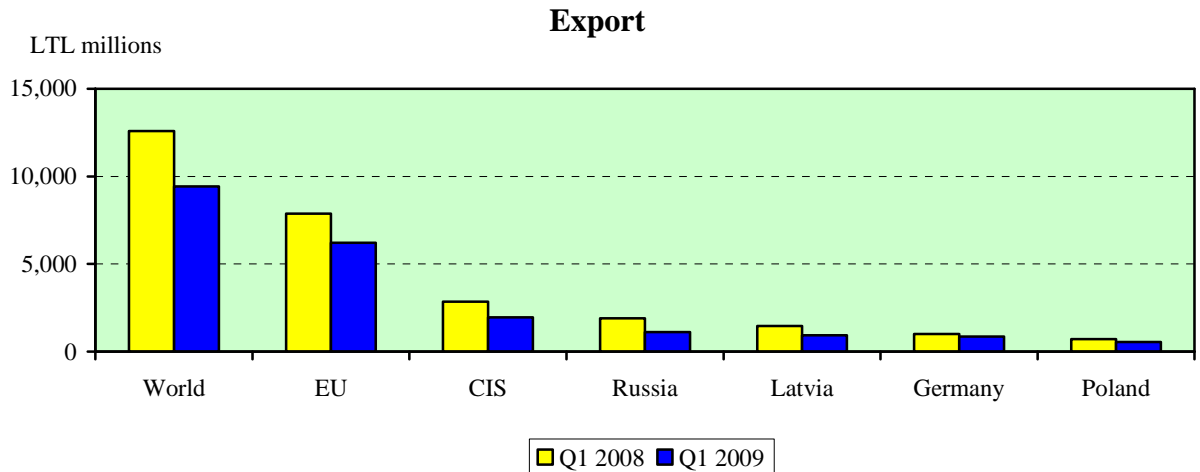
## Changes of export and import of main groups of goods and factors contributing to total change

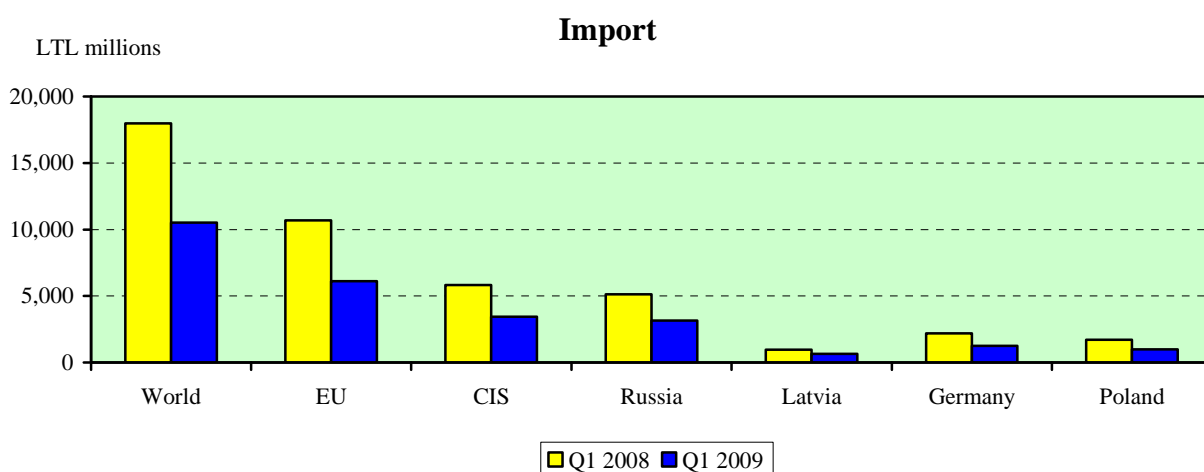
Q1 2009 as compared to Q1 2008, %

	Export		Import	
	change	contributions	change	contributions
Total	-25.0	-25.0	-41.5	-41.5
Capital goods	-41.0	-4.1	-59.0	-8.6
Intermediate goods	-28.6	-15.2	-41.3	-24.2
Consumer goods	-6.8	-1.7	-17.8	-3.5
Motor spirit	-35.4	-3.1	12.3	0.0
Passenger motor cars	-29.0	-0.9	-68.0	-4.3
Other goods	-22.7	0.0	-85.7	-0.9

In Q1 2009, export of goods from Lithuania to the EU states and CIS countries declined year on year by 21.1% and 31.1% respectively. Import of goods from EU and CIS countries fell respectively by 42.9% and 40.7%.

The share of export of goods to EU countries accounted for 65.9% of total export of goods, a rise from 57.7% in Q4 2008, whereas the share of export of goods to CIS countries accounted for 20.8%, a drop from 30.1% in Q4 2008. Compared to total import, the share of import of goods from the EU made up 58.1% (previously 46.5%), whereas imports from the CIS accounted for 32.8% (previously 32.1%).





**Services.** In Q1 2009, export of services decreased year on year by 18.1%, and import of services went down by 30%; consequently, total surplus of the positive balance of services grew by LTL 231.4 million or one and a half time. Compared to Q4 2008, the rate at which export and import of goods declined was even higher, while the surplus on the balance of services fell by 43.8%.

The decline of total export and import of services was largely determined by the decline in the scale of transport services. Export decline was driven mainly by shrinking export of road and railway transport services, while import decline was determined by shrinking import of sea and road transport services. The surplus on the balance of services for Q1 was positive standing at LTL 464.2 million, whereas the balance of travel services was negative, at LTL 55 million. Transport and travel services continued to prevail in the composition of export and import of services accounting respectively for 62.6% and 19.8% of the total export of services and 47.8% and 28.3% of the total import of services.

In Q1 2009, export of services to EU countries made up 59.4% of the total export of services, while import of services from EU countries accounted for 58.8%. Export to CIS countries made up 29.8% of the total export of services, whereas import from CIS countries made up 31.5% of the total import of services.

## Changes of export and import of main types of services and factors contributing to total change

Q1 2009 as compared to Q1 2008, %

	Export		Import	
	change	contributions	change	contributions
<b>Changes in total services and factors contributing to change</b>				
Total	-18.1	-18.1	-30.0	-30.0
Transport services	-24.1	-16.3	-38.3	-20.8
Travel services	-14.7	-2.8	-23.6	-6.1
Other services	7.4	1.0	-15.6	-3.1
<b>Changes in transport services and factors contributing to change</b>				
Total	-24.1	-24.1	-38.3	-38.3
Sea transport	-13.8	-1.1	-47.4	-15.5
Air transport	24.8	0.7	-73.9	-2.8
Railway transport	-36.1	-6.8	-45.8	-5.7
Road transport	-27.3	-14.0	-34.8	-12.6
Pipeline transport	48.0	0.2	3.3	0.2
Other transport services	-16.6	-3.1	-17.9	-1.9

**Income.** The income balance for Q1 2009 was negative making up LTL 539.5 million (in Q1 2008, negative income balance made up LTL 1.16 billion). A decline in the income balance deficit was determined by negative reinvestment by non-residents (which is included on the current account of the balance of payments as payments to non-residents, and recorded as direct investment on the financial account). The balance of compensation of employees, which forms a part of the income balance, was also negative (LTL 46.7 million).

**Current transfers.** In Q1 2009, the surplus on the balance of non-repayable current transfers amounted to LTL 731.9 million (in Q1 2008, it made up LTL 766.6 million, and in Q4, it made up LTL 443.2 million). Transfers from the EU support funds amounted to LTL 838.1 million, while workers' remittances from abroad made up LTL 491.9 million. Year on year, transfers from EU funds climbed by 5.4%, while remittances went down by 18%.

During the period under review, contributions to the EU budget increased by LTL 7.9 million (2%), whereas remittances by individuals in Lithuania to other countries went down by LTL 51.6 million (16.9%).

**Capital and financial accounts.** The net flow of non-repayable capital transfers (the major source of which is the EU structural support funds used to finance investment projects) made up LTL 887.3 million in Q1 2009, a decrease of LTL 27.7 million or 3% year on year.

In Q1 2009, total net investment flow on the financial accounts of the country's balance of payments showed the capital outflow of LTL 1.87 billion (in Q1 and Q2 2008, this flow showed net inflow of LTL 848.2 million and LTL 1.6 billion respectively). Total net capital outflow was the result of negative net flow of other investments.

## Investment flows

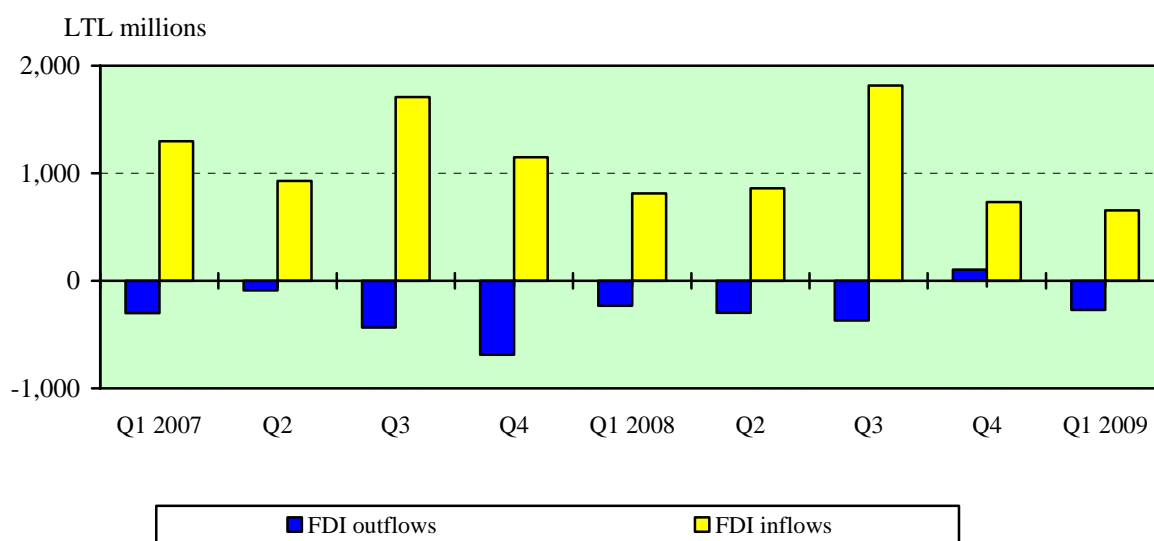
LTL millions

	Foreign assets		Liabilities	
	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Direct investment	-269.4	-232.1	656.6	814.7
Portfolio investment	-268.2	-309.5	-46.5	-359.2
Equity securities	-19.4	20.6	-297.4	8.7
Debt securities	-248.7	-330.1	250.9	-367.8
Financial derivatives	-72.2	15.6	-	-14.7
Other investment	-103.2	-833.8	-1,769.7	1,767.2
Monetary financial institutions	-1,099.7	-371.1	-1,311.4	1,239.4
Other sectors	996.5	-462.7	-1,234.7	1,459.4

**Direct investment.** In Q1 2009, net foreign direct investment (FDI) inflow made up LTL 387.2 million or 1.9% of GDP (In Q1 and Q4 of 2008, it accounted respectively for 2.4% and 2.9% of GDP). During Q1 this year, FDI flow to Lithuania declined year on year by LTL 158.1 million or 19.4%. Although foreign direct investment into equity capital rose during the reviewed period, a decline in reinvestments reduced gross FDI flow to Lithuania.

In Q1 2009, the flow of direct investment by domestic economic entities to other countries went up year on year by LTL 37.3 million, and quarter on quarter by LTL 375.2 million.

### Flows of FDI

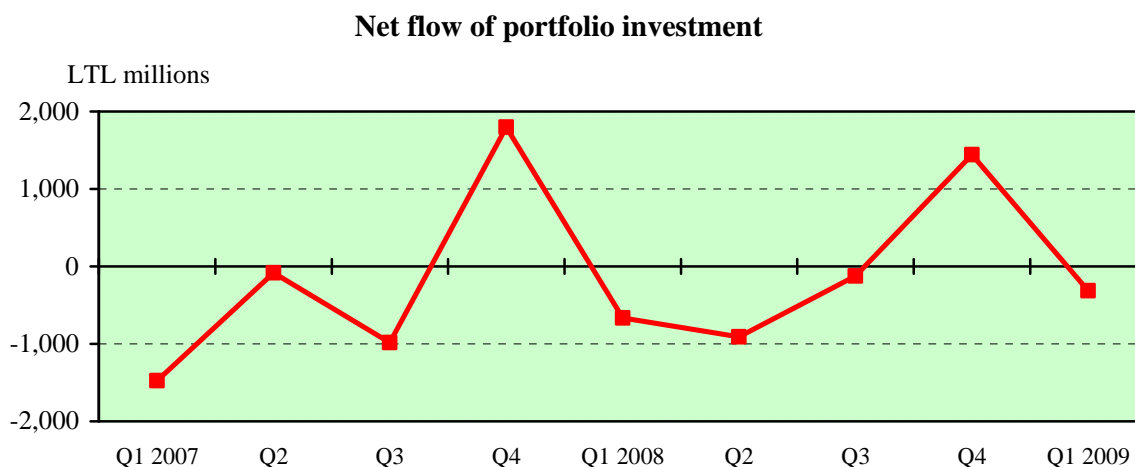


As of 31 March 2009, accumulated FDI in Lithuania amounted to LTL 32.3 billion (EUR 9.4 billion) or LTL 9,665 (EUR 2,799) per capita.

As of 31 March 2009, investments in the manufacturing industry accounted for 23.1% of the total FDI in Lithuania, in real estate, lease and other business activities for 16.5%, in financial intermediation for 16.4%, transport, storage and telecommunications for 13.7%.

The largest investors were Sweden (16.3%), Germany (9.8%), Denmark (9.4%), Estonia (7.5%), the Netherlands (6.3%) and Latvia (6.3%).

**Portfolio investment.** Net flow of these investment was negative in Q1 2009 (showing investment outflow from Lithuania), standing at LTL 314.7 million. It was the result of an increase in investment in other countries by MFIs and other sectors.



Net flow of **other investment** in Q1 2009 was also negative (showing the outflow of investment from Lithuania) standing at LTL 1.87 billion (in Q4 2008, negative net flow of these investments made up LTL 697.2 million). The investment outflow was the result of a decrease in liabilities of MFIs and other sectors.

**Official reserve assets.** In Q1 2009, the country's official reserve assets shrank by 5.7% to LTL 14.9 billion (EUR 4.3 billion) at the end of March. The decline of official reserve assets was driven by a decline in currency in circulation by LTL 1.3 billion and deposits of other MFIs with the Bank of Lithuania by LTL 417.6 million.

The narrowing of official reserve assets was partly offset by an increase in central government deposits with the Bank of Lithuania and other factors by LTL 853.1 million and LTL 40.6 million respectively.

At the end of Q1 2009, accumulated official reserve assets, in terms of goods and services import months coverage, was 2.4 months (2.3 months at the end of 2008).

**International investment position.** On 31 March 2009, the country's accumulated total foreign financial assets made up LTL 44.1 billion and accumulated total international financial liabilities amounted to LTL 100.7 billion. Negative international investment position made up LTL 56.6 billion, which means that Lithuania was a debtor vis-à-vis the rest of the world.

In Q1 2009, the country's foreign assets declined by LTL 356 million (0.8%) and its international financial liabilities went down by LTL 1.5 billion (1.5%). The decline in foreign assets was driven by a decrease in official reserve assets, whereas the decline in liabilities was driven by a decrease in stocks of other investments (loans) and portfolio investment.

**Composition of the international investment position of the Republic of Lithuania**  
*Percent*

	31-12-2008	31-03-2009
<b>A. Foreign assets</b>	100.0	100.0
1. Direct investment	11.0	11.7
2. Portfolio investment	19.1	19.7
3. Financial derivatives	0.2	0.4
4. Other investment	34.2	34.5
5. Official reserve assets	35.5	33.7
<b>B. Liabilities</b>	100.0	100.0
1. Direct investment	30.8	32.1
2. Portfolio investment	9.9	9.2
3. Financial derivatives	0.3	0.5
4. Other investment	59.0	58.2

In Q1 2009, Lithuania's gross external debt declined by LTL 1.2 billion or 1.6% to LTL 78.3 billion at the end of March or 72.7 % of four-quarter moving sum of GDP (at the end of 2008, it was LTL 79.6 billion accounting for 71.4% of GDP).

Department of Statistics