

25 September 2009

BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA, Q2 AND H1 2009

Current account. In Q2 2009, there was a small deficit of LTL 36.6 million accounting for 0.2% of GDP on the Current Account of Lithuania's Balance of Payments. Compared to Q1 2009, negative change in the Current Account Balance made up LTL 124.7 million, but was positive compared to Q2 2008, making up LTL 4.4 billion. In H1 of the current year, the surplus on the Current Account Balance was LTL 51.4 million or 0.1% of GDP. Compared to H1 of 2008, the positive change made up LTL 9.1 billion.

CAB, and CAB to GDP ratio

	CAB, LTL millions	CAB to GDP ratio, %
2008	-13,259.23	-11.9
Q1	-4,626.19	-18.9
Q2	-4,459.71	-15.6
H1	-9,085.90	-17.1
Q3	-2,929.09	-9.8
Q4	-1,244.24	-4.4
2009		
Q1	88.05	0.4
Q2	-36.61	-0.2
H1	51.44	0.1

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

	Q2 2009, LTL millions	Q1 2009, LTL millions	Change, %	Contributions, %
Current account balance	-36.61	88.05	-141.6	-141.6
Trade balance	-672.17	-492.75	36.4	-203.8
Balance of services	134.86	388.98	-65.3	-288.6
Income balance	-509.41	-540.04	-5.7	34.8
Balance of current transfers	1,010.11	731.86	38.0	316.0

	H1 2009, LTL millions	H1 2008, LTL millions	Change, %	Contributions, %
Current account balance	51.44	-9,085.90	-100.6	-100.6
Trade balance	-1,164.92	-7,937.46	-85.3	-74.5
Balance of services	523.84	275.81	89.9	-2.7
Income balance	-1,049.45	-2,735.51	-61.6	-18.6
Balance of current transfers	1,741.97	1,311.26	32.8	-4.7

The negative change in the current account balance for Q2 2009 was largely determined by a decrease in the surplus on the balance of services and an increase in the foreign trade balance deficit.

Foreign trade. According to the data of the Department of Statistics under the Government of the Republic of Lithuania, in Q2 2009, compared to Q1 the same year, export of domestic goods increased by 1% and import went up by 2.8%. Export of goods, excluding mineral products, went

up by 1.1% and import went down by 0.1%. In H1 2009, export and import of goods fell year on year respectively by 31% and 43.3%, while foreign trade deficit contracted by 76.8%.

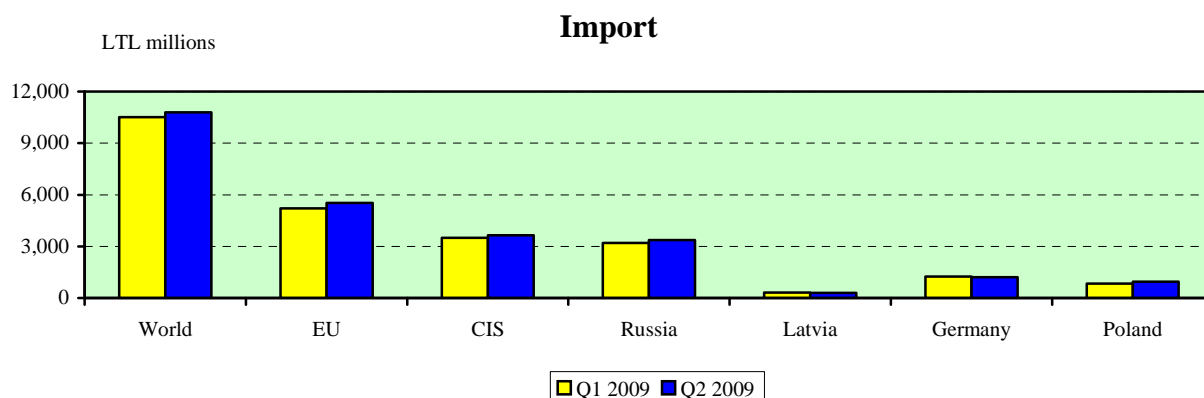
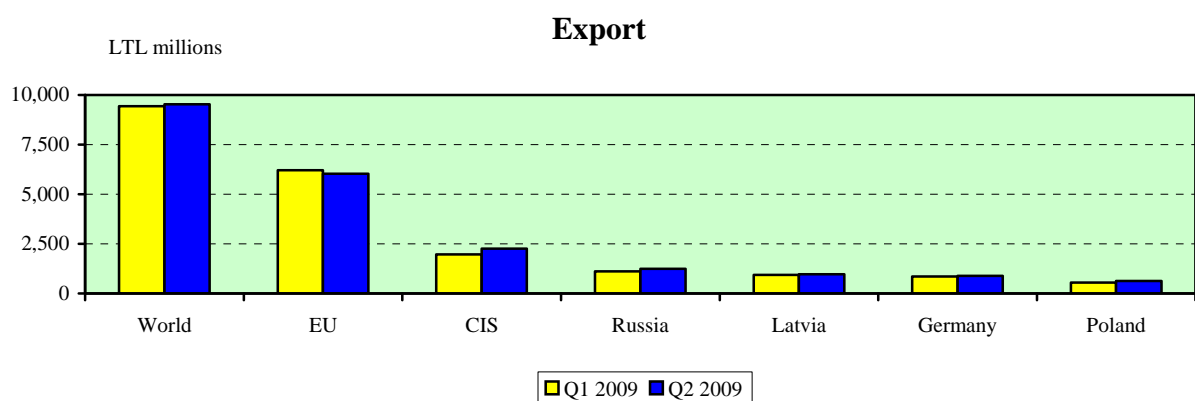
Regarding impact of individual groups of goods (according to the Classification by Broad Economic Categories) to changes in export and import of goods in H1 2009, the decline in export was mainly driven by a fall in export of investments and intermediate goods, motor spirits, as well as a decrease in import of intermediate goods and passenger motor cars.

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

H1 2009 as compared to H1 2008, percentages

	Export		Import	
	change	contributions	change	contributions
Total goods	-31.0	-31.0	-43.3	-43.3
Capital goods	-47.5	-5.1	-63.3	-9.4
Intermediate goods	-36.0	-19.5	-42.7	-25.7
Consumer goods	-7.3	-1.7	-19.9	-3.7
Motor spirit	-41.4	-3.7	-11.2	0.0
Passenger motor cars	-31.4	-1.0	-69.1	-4.1
Other goods	-20.5	0.0	-75.1	-0.4

In Q2 2009, export of goods from Lithuania to EU countries decreased by 3%, whereas export of goods to CIS countries grew year on year by 15.2%. At the same time, import of goods from EU countries climbed by 5.9%, while imports from CIS countries grew by 4.5%.



Services. In Q2 2009, export of services increased quarter on quarter by 18.9%, and import of services went up by 40.5%; consequently, total surplus of the balance of services contracted by LTL 254.1 million or 65.3%.

The contraction of the surplus on the balance of services was mainly driven by higher deficits on balances of travels and construction services. Despite of it, positive balances of services for transport and other business services contributed to the surplus of the total balance of services (LTL 134.9 million). Transport and travel services continued to prevail in the composition of export and import of services and made up, respectively, 51.5% and 31.9% of the total export of services and 35.2% and 42.2% of total import of services.

In H1 2009, export and import of services declined year on year respectively by 20.3% and 26.5%, whereas the service balance surplus went up by 89.9%.

In Q2 2009, export of services to EU countries made up 65.1% of the total export of services, while import of services from EU countries accounted for 63.9%. The export to CIS countries made up 24.6% of the total export of services, whereas import from CIS countries accounted for 29.5% of the total import of services.

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

Q2 2009 as compared to Q1 2009, percentages

	Export		Import	
	change	contributions	change	contributions
Changes in total services and factors contributing to change				
Total	18.9	18.9	40.5	40.5
Transport services	-2.1	-1.3	4.1	2.0
Travel services	91.9	18.2	108.2	30.8
Other services	11.6	2.0	32.2	7.7
Changes in transport services and factors contributing to change				
Total	-2.1	-2.1	4.1	4.1
Sea transport	-1.2	-0.1	18.5	5.2
Air transport	17.4	0.8	11.6	0.2
Railway transport	-0.3	0.0	-17.0	-1.9
Road transport	-4.4	-2.2	6.6	2.5
Pipeline transport	-75.1	-0.6	-45.1	-3.5
Other transport services	0.1	0.0	11.9	1.6

Income. Total income balance for Q2 2009 was negative making up LTL 509.4 million. The decrease in the income balance deficit in Q2 2009 was largely due to a decrease in the other income balance deficit. The balance of compensation of employees which forms a part of the income balance was also negative (LTL 31.8 million). In H1 2009, negative balance of income amounted to LTL 1 billion, a year-on-year decrease of LTL 1.7 billion or 61.6%.

Current transfers. In Q2 2009, the surplus on the balance of non-repayable current transfers amounted to LTL 1 billion (in H1 2009, it made up LTL 1.7 billion). Transfers from the EU support funds amounted to LTL 911.2 million, while workers' remittances from abroad made up LTL 575 million. Compared to Q1 2009, transfers from EU climbed by 8.7% and remittances went up by 16.9%. In H1 this year, transfers from the EU support funds made up LTL 1.7 billion or 3.9% of GDP, whereas workers' remittances to Lithuania comprised LTL 1.1 billion or 2.4% of GDP.

In H1 2009, contributions due to the EU budget decreased year on year by LTL 70.9 million (11.4%), and transfers of workers' remittances abroad went down by LTL 57.1 million (9.5%).

Capital and financial accounts. In Q2 2009, 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 613.5 million, a year on year decrease of LTL 273.8 million or 30.9%. In H1 this year, this type of transfers amounted to LTL 1.5 billion (in H1 2008, they made up LTL 1.4 billion).

In Q2 2009, total net investment flow on the financial accounts of the country's balance of payments, excluding official reserve assets, showed the capital inflow of LTL 47.9 million. In H1 this year total net investment flow however was negative (amounting to LTL 1.8 billion), showing the capital outflow. Total net capital outflow was the result of negative net flow of other investments. In H1 2008, this flow showed net inflow of LTL 5.7 billion.

Investment flows

LTL millions

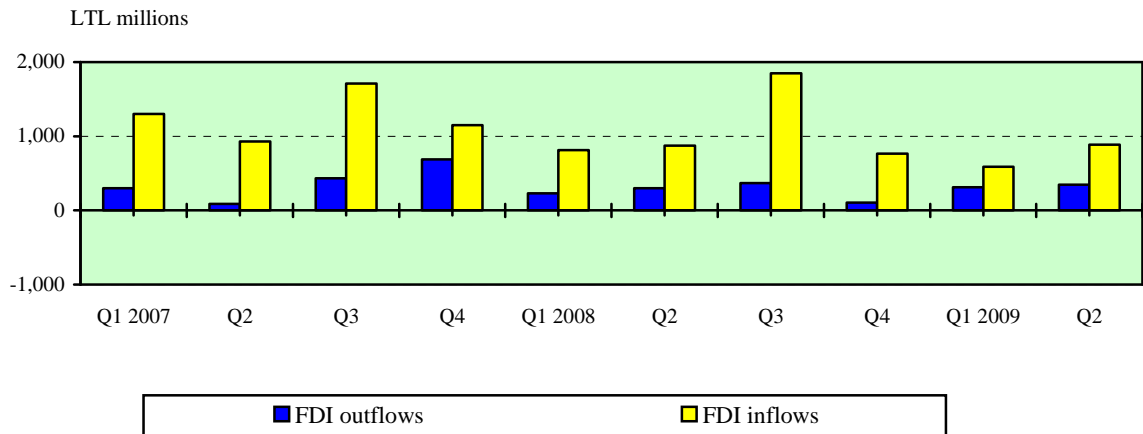
	Foreign assets		Liabilities	
	Q1 2009	Q2 2009	Q1 2009	Q2 2009
Direct investments	-310.7	-344.9	586.7	885.6
Portfolio investments	90.5	-1,640.2	-46.5	1,910.4
Equity	-33.2	-390.5	-297.4	17.0
Debt securities	123.8	-1,249.7	250.9	1,893.4
Financial derivatives	72.2	52.6	-	-
Other investment	-183.2	694.6	-2,038.8	-1,510.3
Monetary Financial Institutions	-1,099.7	321.5	-1,311.4	-1,318.9
Other sectors	916.5	373.1	-1,503.8	-384.7

*Decreases in assets and increases in liabilities are recorded with the plus (+) sign.
Increases in assets and decreases in liabilities are recorded with the minus (-) sign.*

Direct investments. In Q2 2009, inflow of net foreign direct investment (FDI) made up LTL 540.7 million or 2.3% of GDP, and in H1, it was of LTL 816.7 million or 1.8% of GDP. (In Q2 and H1 2008, it respectively accounted for 2% and 2.2% of GDP.) During Q2 this year, FDI flow to Lithuania increased quarter on quarter by LTL 298.9 million or 50.9%. In two quarters this year, FDI flow to Lithuania declined year on year by LTL 213.8 million or 12.7%. It was largely due to a decrease in reinvestment flow, notwithstanding an increase in foreign direct investments into equity capital.

In Q2 2009, the flow of direct investment by domestic economic entities to other countries went up quarter on quarter by LTL 34.2 million or 11%. Compared to the same period last year, in H1 2009, FDI flow to other countries went up by LTL 126.1 million or 23.8%.

Flows of FDI



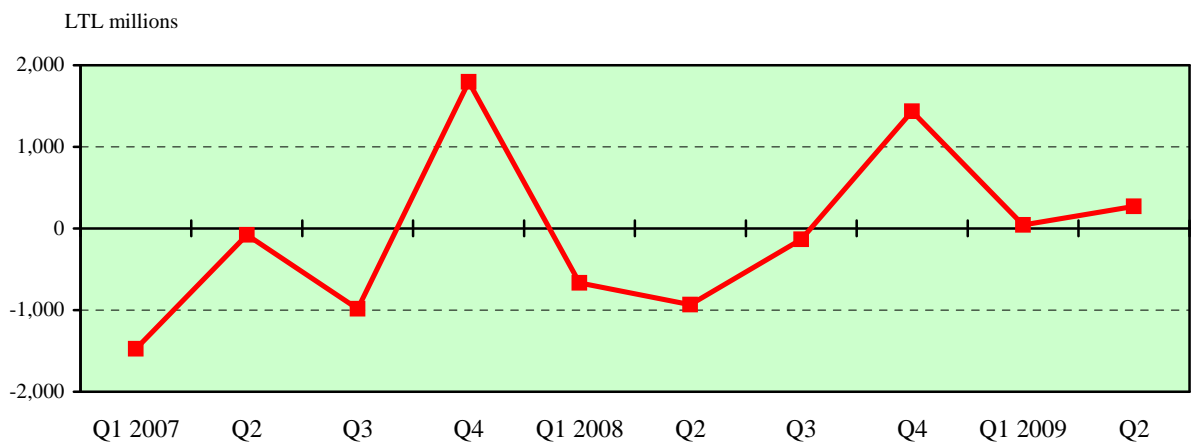
The data as of 30 June 2009 showed the amount of accrued FDI in Lithuania stood at LTL 33.3 billion (EUR 9.7 billion) or LTL 9,981 (EUR 2,891) per capita.

As of 30 June 2009, investments in the manufacturing industry accounted for 27.2%, real estate, lease and other business activities for 15.4%, financial intermediation for 15.1%, transport, storage and telecommunications for 14.2%, wholesale and retail trade sector for 13.2%.

Biggest investors in Lithuania were Sweden (14.8%), Poland (11%), German (9.8%), Denmark (9.1%), Estonia (7.1%), and the Netherlands (6.1 %).

Portfolio investment. In Q2 2009, net flow of this type of investments was positive (showing investment inflow in Lithuania) making up LTL 270.2 million. It was largely due to non-resident investments into government-issued debt securities. In H1 2009 net flow of portfolio investments was also positive making up LTL 314.2 million.

Net flow of portfolio investment



Net flow of **other investment** in Q2 2009 was negative (showed investment outflow from Lithuania) at LTL 815.7 million. Negative flow of this type of investment decreased quarter on quarter by LTL 1.4 billion. In H1 2009, negative net flow of other investments equalled to LTL 3 billion. The investment drain was occurred mainly due to a decrease in liabilities of MFIs and other sectors.

Official reserve assets. In Q2 2009, the country's official reserve assets rose by 3.4% to LTL 15.4 billion (EUR 4.5 billion) at the end of June. The growth in official reserve assets resulted from an increase in central government deposits with the Bank of Lithuania of LTL 691 million, also by the growth of external liabilities of the Bank of Lithuania and other factors by LTL 131.4 million and LTL 99.1 million respectively. On the other hand, the growth of official reserve assets was contained by a decline in currency in circulation and deposits of other MFIs with the Bank of Lithuania by LTL 316.3 million and LTL 93.7 million respectively.

At the end of Q2 2009, accumulated official reserve assets, in terms of good and service import months coverage, was 2.9 months (2.3 months at the end of 2008).

International investment position. As of 30 June 2009, the country's total accrued foreign financial assets made up LTL 45.2 billion and total accrued international financial liabilities amounted to LTL 102.6 billion. Negative international investment position showed LTL 57.4 billion, which means that Lithuania was a debtor vis-à-vis the rest of the world.

Since the beginning this year, the country's foreign assets climbed by LTL 895 million (2%) and its international financial liabilities increased by LTL 227.6 million (0.2%). The growth of foreign assets was driven by an increase in portfolio investment abroad, whereas the growth of liabilities was the result of an increase in outstanding amount of FDI and portfolio investment.

Composition of the International Investment Position of the Republic of Lithuania

Percentages

	31-12-2008	30-06-2009
A. Foreign assets	100.0	100.0
1. Direct investment	11.0	12.2
2. Portfolio investments	19.1	21.5
3. Financial derivatives	0.2	0.3
4. Other investment	34.1	31.9
5. Official reserve assets	35.6	34.1
B. Liabilities	100.0	100.0
1. Direct investment	30.9	32.5
2. Portfolio investments	9.9	11.7
3. Financial derivatives	0.3	0.4
4. Other investment	58.9	55.4

In Q2 2009, Lithuania's gross external debt soared by LTL 1.4 billion or 1.7% to LTL 79.5 billion at the end of June, or by 77% of four-quarter moving sum of GDP (at the end of 2008, it was LTL 79.6 billion accounting for 71.4% of GDP).