

24 December 2009

BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA FOR Q3 AND JANUARY–SEPTEMBER 2009

Current account. In Q3 2009, there was a surplus of LTL 704.5 million on the current account balance (CAB) of the Balance of Payments (BoP) of the country, which accounted for 2.9% of the gross domestic product (GDP). Compared to Q1 and Q2, it grew respectively by LTL 616.5 million (eightfold) and LTL 465.3 million (nearly threefold). In January–September this year, the surplus on CAB made up LTL 1.03 billion or 1.5% of GDP. In Q3 2008, CAB was in deficit by LTL 2.9 billion or –9.9% of GDP, and for January–September the same year the deficit made up LTL 12 billion or –14.5% of GDP.

CAB, and CAB to GDP ratio

	CAB, LTL millions	CAB to GDP ratio, %
2008	–13,259.23	–11.9
Q1	–4,626.19	–18.8
Q2	–4,459.71	–15.5
Q3	–2,929.09	–9.9
Q1–Q3	–12,014.99	–14.5
Q4	–1,244.24	–4.4
2009		
Q1	88.05	0.4
Q2	239.24	1.0
Q3	704.51	2.9
Q1–Q3	1,031.80	1.5

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

	Q3 2009, LTL millions	Q2 2009, LTL millions	Change, %	Contributions, %
Current account balance	704.51	239.24	194.5	194.5
Trade balance	–750.39	–673.44	11.4	–32.2
Balance of services	410.32	146.00	181.0	110.5
Income balance	–45.93	–243.43	–81.1	82.6
Balance of current transfers	1,090.51	1,010.11	8.0	33.6

The change in CAB for Q3 2009 was largely a result of a higher surplus on the service balance and a lower deficit on the income balance.

	Q1–Q3 2009, LTL millions	Q1–Q3 2008, LTL millions	Change, %	Contributions, %
Current account balance	1,031.80	–12,014.99	–108.6	–108.6
Trade balance	–1,916.58	–10,868.10	–82.4	–74.5
Balance of services	945.30	538.26	75.6	–3.4
Income balance	–829.40	–3,760.33	–77.9	–24.4
Balance of current transfers	2,832.48	2,075.18	36.5	–6.3

The surplus on the CAB for January–September 2009 was largely conditioned by lower deficits on the foreign trade balance and income balance.

Foreign trade. According to the data of the Department of Statistics to the Government of the Republic of Lithuania, in Q3 2009, export and import of goods increased quarter on quarter by

8.3% and 8.7%, respectively. Export and import, excluding mineral products, were higher respectively by 4.8% and 8.5%. In January–September 2009, export and import of goods were lower year on year by 32% and 42.2%, respectively, while the deficit on the foreign trade balance went down by 73.2%.

As far as individual groups of goods (according to the Classification by Broad Economic Categories) are concerned, one can see that lower volumes of export and import of intermediate good groups had most significant impact on export and import changes in the first nine months this year.

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

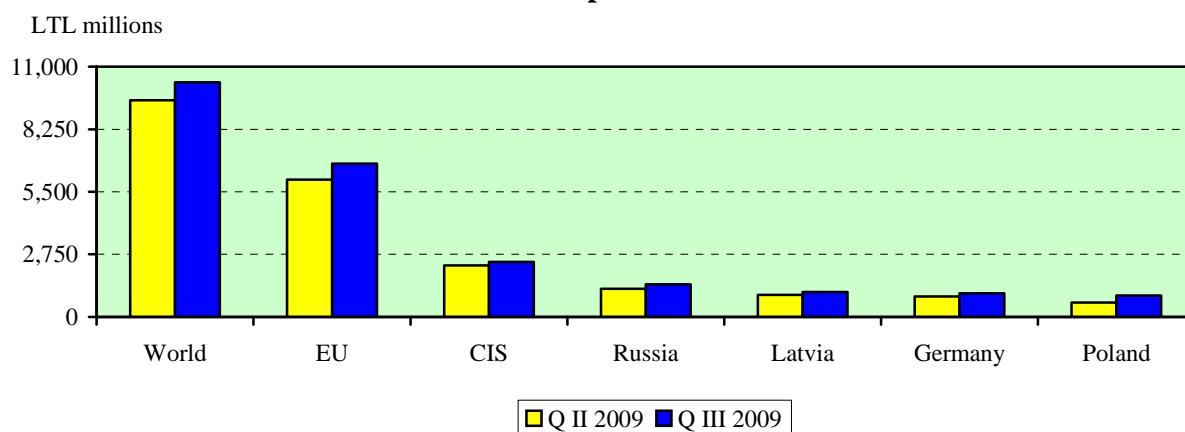
(Q1–Q3 2009 compared to Q1–Q3 2008, percentages)

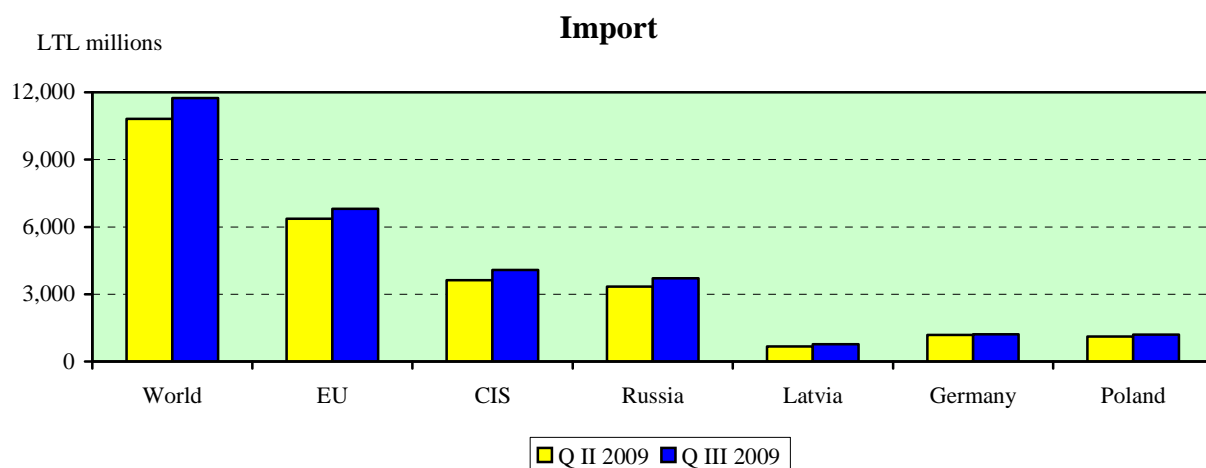
	Export		Import	
	change	impact of factors	change	impact of factors
All goods	-32.0	-32.0	-42.2	-42.2
Investment goods	-45.4	-4.9	-61.1	-8.6
Intermediate goods	-37.3	-20.3	-41.7	-25.6
Consumer goods	-9.5	-2.2	-20.8	-3.9
Motor spirit	-38.6	-3.5	-1.7	0.0
Passenger motor cars	-36.0	-1.1	-67.9	-3.8
Other goods	-24.2	0.0	-66.9	-0.3

In Q3 this year, export of goods to EU countries was higher quarter on quarter by 11.7%, while export of goods to the Commonwealth of Independent States (CIS) countries went up by 7.2%. At the same time, import of goods from EU countries climbed by 7.1%, while import from CIS countries went up by 12.6%.

In three quarters of 2009, export of goods from Lithuania to EU countries narrowed year on year by 27.7% and export to CIS countries decreased by 37.2%. At the same time, import of goods from EU countries lowered by 41.1%, while import from CIS countries went down by 43.4%.

Export





Services. In Q3 2009, export of services grew quarter on quarter by 15.5%, and import of services hiked by 4.1%, leading to an increase of the positive surplus on the service balance by LTL 264.3 million or 2.8 times.

An overall increase in the surplus on the service balance was largely driven by a positive change on the balance of travel services. Transport and travel services continued to dominate in the service export and import structure, which accounted respectively for 48% and 37.7% of total export of services and 36% and 40.1% of total import of services. In January–September 2009, export and import of services were lower year on year by 20.1% and 26.5% respectively, while the positive surplus on the service balance went up by 75.6%.

In Q3 2009, export of services to EU countries made up 67.2% of the total export of services, while import of services from EU countries accounted for 65.4%. Export to CIS countries, compared to total export of services, made up 23.2%, while import from CIS countries versus total import of services accounted for 27%.

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

(Q1–Q3 2009 compared to Q1–Q3 2008, percentages)

	Export		Import	
	change	impact of factors	change	impact of factors
Changes in total services and factors contributing to change				
Total	-20.1	-20.1	-26.5	-26.5
Transport services	-26.7	-15.5	-40.3	-19.1
Travel services	-16.8	-5.0	-22.7	-8.2
Other services	3.5	0.4	4.7	0.8
Changes in transport services and factors contributing to change				
Total	-26.7	-26.7	-40.3	-40.3
Sea transport	-28.9	-2.3	-49.7	-18.2
Air transport	16.5	0.7	-54.4	-2.6
Railway transport	-28.9	-4.8	-50.3	-5.9
Road transport	-32.2	-16.7	-33.2	-11.0
Pipeline transport	3.0	0.0	-27.9	-1.1
Other transport services	-18.9	-3.6	-15.3	-1.5

Income. Total income balance deficit for Q3 2009 was LTL 45.9 million, a quarter-on-quarter decrease by LTL 197.5 million. The balance of compensation of employees included on the total balance of income showed a surplus of LTL 86.4 million. In January–September 2009, total income balance deficit made up LTL 829.4 million, a year-on-year decrease of 2.9 billion or 77.9%. This contraction was largely driven by the narrowing of deficit on the balance of foreign direct investment income.

Current transfers. In Q3 2009, the balance of non-repayable current transfers posted a surplus of LTL 1.1 billion (LTL 2.8 million in January–September 2009). Transfers from the EU support funds made up LTL 969.9 million, a quarter-on-quarter increase of 6.5%, and workers’ remittances from abroad amounted to LTL 622.3 million, a quarter-on-quarter increase of 8.2%. In January–September this year, transfers from EU support funds amounted to LTL 2.7 billion or 4% of GDP, and workers’ remittances from abroad made up LTL 1.7 billion or 2.5% of GDP (in January–September 2008, they were LTL 1.4 billion and LTL 2.1 billion, respectively or 1.7% and 2.5% of GDP).

In January–September 2009, contributions due to the EU budget increased year on year by LTL 94 million (11.8%), and transfers of workers’ remittances abroad from Lithuania went up by LTL 24 million (2.7%).

Capital and financial accounts. The net flow of non-repayable capital transfers (the major source of which are the EU structural support funds used to finance investment projects) made up LTL 913 million in Q3 2009, a quarter on quarter increase by LTL 299.5 million or 48.8%. The flow of transfers for the first nine months of 2009 made up LTL 2.4 billion (in corresponding period in 2008 it was LTL 1.8 billion).

In Q3 2009, total net investment flow on the financial account of the country’s Balance of Payments, excluding official reserve assets, showed capital outflow of LTL 1.26 billion. In January–September 2009, total net outflow of investments equalled to LTL 3.8 billion. The capital outflow was the result of net outflow of other investments. In January–September 2008, net investment flow showed net inflow of LTL 7.2 billion.

Investment flows

(LTL millions)

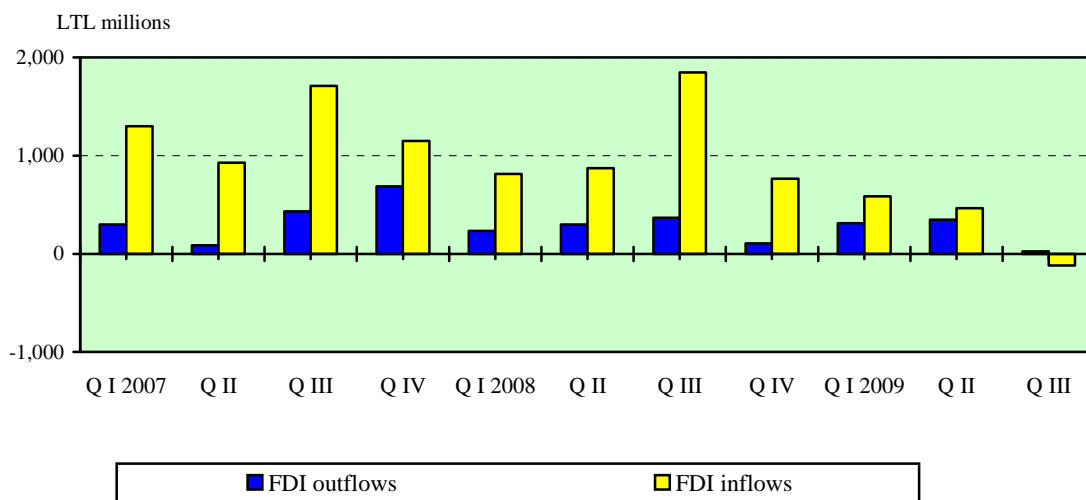
	Foreign assets		Liabilities	
	Q2 2009	Q3 2009	Q2 2009	Q3 2009
Direct investments	-347.5	25.2	463.3	-117.5
Portfolio investments	-1,707.7	-95.5	1,914.1	236.1
Equity securities	-368.7	-311.3	20.7	61.3
Debt securities	-1,339.0	215.8	1,893.4	174.8
Financial derivatives	52.6	32.0	-	-26.1
Other investments	421.1	-885.4	-1,512.4	-432.2
Monetary Financial Institutions	321.5	-1,069.3	-1,318.9	-378.5
Other sectors	99.6	183.9	-384.7	-1,187.0

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. Net FDI flow for Q3 2009 (LTL 92.3 million) showed an outflow of this type of investments. Meanwhile, net FDI flow for the first nine months of 2009 showed an inflow of LTL 299.5 million (0.4% of GDP) of this type of investments (net FDI inflow for corresponding period in 2008 amounted to LTL 2.6 billion or 3.2% of GDP). In Q3 this year, FDI flow to Lithuania contracted quarter on quarter by LTL 580.8 million or 125.4%, while the flow of direct investment by domestic economic entities abroad was lower by LTL 372.7 million or 107.3%. FDI flow to Lithuania for the first nine months of 2009 decreased year on year by LTL 2.6 billion or 73.6%, while the flow of FDI abroad by domestic economic entities was lower by LTL 265.1 million or 29.5%. FDI flow to Lithuania contracted mainly due to a lower flow of reinvestments notwithstanding an increase of FDI into share capital.

Flows of FDI



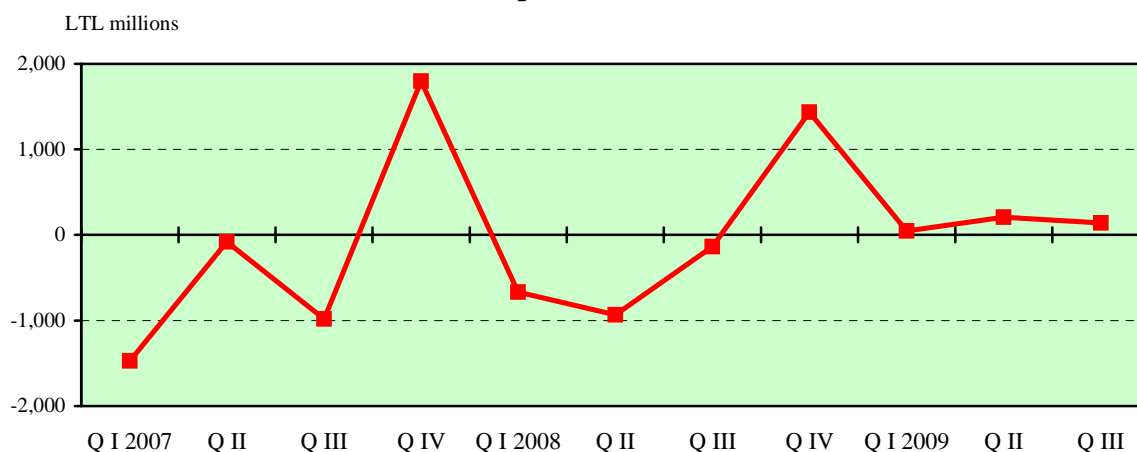
As of 30 September 2009, the amount of FDI accumulated in Lithuania stood at LTL 34.2 billion (EUR 9.9 billion) or LTL 10,259 (EUR 2,971) per capita.

At the end of Q3 2009, investments into manufacturing industry accounted for 26.6%, real estate, rental and types of activities for 15.1%, transport, storage and long distance telecommunications for 14.7%, financial intermediation for 14.3%, wholesale and retail sectors for 13% of total FDIs in Lithuania.

Largest investors in Lithuania were Sweden (12.2%), Germany (10.6%), Denmark (10.5%), Poland (10%), Russia (6.8%), and Estonia (6.7%).

Portfolio investment. Net flow of this type of investments for Q3 2009 made up LTL 140.6 million showing an inflow of these investments into Lithuania. In January–September 2009, net portfolio investment flow also showed an inflow of LTL 391 million of this type of investments.

Net flow of portfolio investment



Net flow of other investments and financial derivatives for Q3 2009 made up LTL 1.3 billion showing their outflow from Lithuania. The outflow of these investments was lower quarter on quarter by LTL 273 million or 26.3%. In January–September 2009, the outflow of the aforesaid investments equalled to LTL 4.6 billion largely due to a lower volume of liabilities of MFIs and other sectors.

Official reserve assets. Official reserve assets grew in Q3 2009 by LTL 488.1 million or 3.2% to LTL 15.9 billion (EUR 4.6 billion) at the end of the quarter. The increase was a result of the

special drawing rights (SDRs) allocation made by the International Monetary Fund (IMF) to Lithuania, like other IMF members. The allocation made to Lithuania in proportion to its existing quota in the Fund was equivalent to LTL 512 million. Furthermore, official reserve assets were pushed up by higher volume of central government deposits with the Bank of Lithuania (LTL 403.9 million) and other factors (LTL 96.7 million). At the same time the growth of official reserve assets was contained because of currency in circulation decreasing by LTL 272 million, external liabilities of the bank of Lithuania going down by LTL 129.9 million, and deposits of other MFIs with the Bank of Lithuania contracting by LTL 122.6 million.

The flow of official reserve assets on the Balance of Payments (showing a decrease of reserves) was LTL 22.5 million. The difference in the official reserve assets' stock change size and the size of the flow on the Balance of Payments emerged due to the fact that the change in SDRs (namely LTL 512 million) is treated as reclassification rather than a transaction and therefore is not showed on the Balance of Payments, but included in calculations of official reserve assets stock.

At the end of Q3 2009, accumulated official reserve assets in terms of good and service import months coverage, was 3.4 months (2.3 months at the end of 2008).

International investment position. On 30 September 2009, the country's total accrued foreign financial assets made up LTL 47 billion and total accrued international financial liabilities amounted to LTL 104.9 billion. The negative balance of international investments was LTL 57.9 billion, i.e. Lithuania was a debtor vis-à-vis the rest of the world.

From the beginning of the year, the country's foreign assets went up by LTL 2.7 billion or 6%, while its international financial liabilities surged by LTL 2.6 billion or 2.5%. Foreign assets were growing due to higher portfolio investments abroad, while liabilities hiked mainly due to an increase in stock of FDIs (predominantly share capital) stock.

Composition of the International Investment Position of the Republic of Lithuania (percentages)

	31-12-2008	30-09-2009
A. Foreign assets	100.0	100.0
1. Direct investment	11.0	12.2
2. Portfolio investment	19.1	20.8
3. Financial derivatives	0.2	0.2
4. Other investment	34.1	33.0
5. Official reserve assets	35.6	33.8
B. Liabilities	100.0	100.0
1. Direct investment	30.9	32.6
2. Portfolio investment	9.9	13.3
3. Financial derivatives	0.3	0.4
4. Other investment	58.9	53.7

In Q3 2009, Lithuania's gross external debt hiked by LTL 1.07 billion or 1.3% to LTL 80.6 billion at the end of September, accounting for 83% of four-quarter moving sum of GDP (at the end of 2008 it was LTL 79.6 billion or 71.6% of GDP). The MFIs' debt accounted for the largest portion of the country's gross external debt (49.5%), general government sector debt made up 18.9%, debt of other sectors accounted for 17.5%, and direct investment liabilities (debts owned by domestic and foreign enterprises to each other) made up 14%. At the end of Q3, the country's net external debt was LTL 39.3 billion or 40.5% of four-quarter moving sum of GDP.