

17/03/2014

BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA, JANUARY 2014

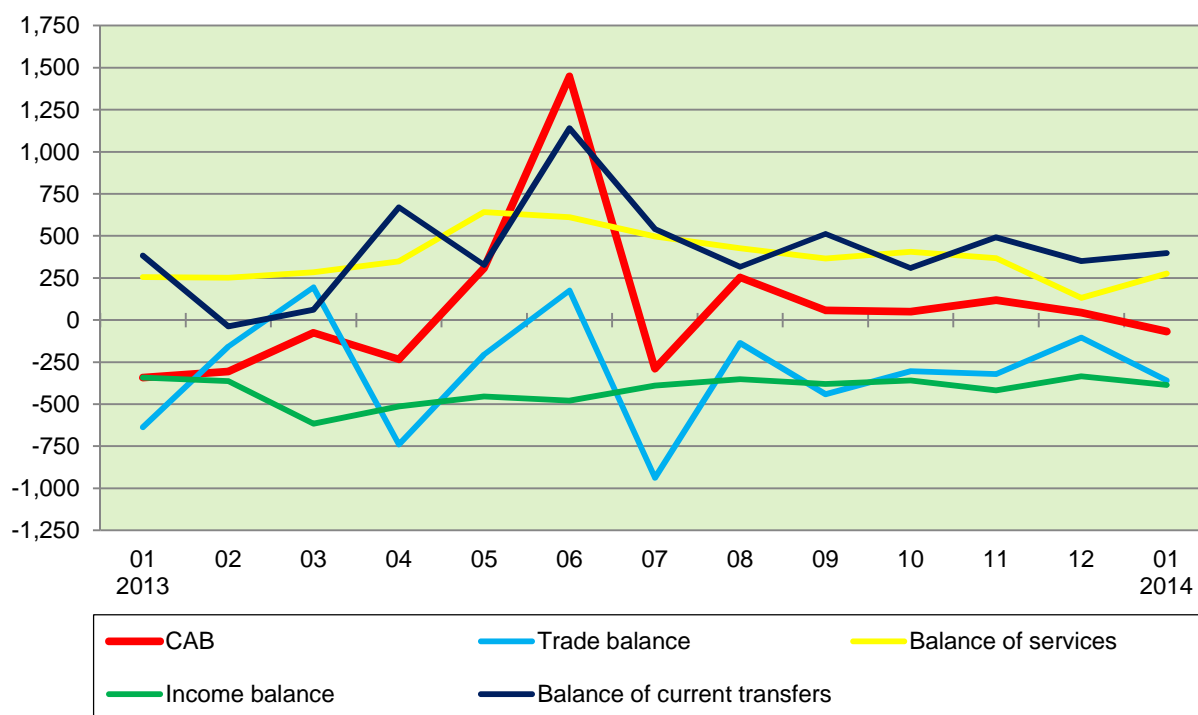
(survey of key indicators)

An increase in the trade and income balance deficit in January 2014 led to a build-up of an LTL 68 million **current account balance (CAB) deficit**. In January 2014, the balance of payments posted a positive **financial account** balance of LTL 1 billion, which was due to net portfolio investment inflows.

Current account. The increasing balances of services (LTL 276.9 million) and of current transfers (LTL 398.9 million) in surplus, as compared to December 2013, did not offset the balance of trade (LTL –358.5 million) and income (LTL –385.3 million) deficit, therefore an LTL 68 million CAB deficit was recorded in January 2014. In January 2013, the current account deficit amounted to LTL 341.6 million, while in December 2013 the CAB posted a surplus of LTL 43.7 million.

CAB and its composite balances

LTL millions



Goods. In January 2014, the foreign trade deficit in the country's balance of payments amounted to LTL 358.5 million. Compared to December 2013, it widened by LTL 253.6 million. In January 2014, compared to last December, the export and import of goods dropped by 15.1 per cent and 11.3 per cent respectively.

In January 2014, compared to the same period in 2013, the trade balance deficit narrowed by LTL 278.7 million, or 43.7 per cent. The export of goods decreased by 10.1 per cent, while imports — by 13.1 per cent in the reference period.

Services. In January 2014, the balance of services posted a surplus of LTL 276.9 million. Month on month, the import of services declined faster (35.7%) than the export of services (24.3%); therefore, the balance of services surplus increased by LTL 144.5 million, i.e. more than doubled. Compared to January 2013, the import of services (5.4%) contracted faster than the export of services (2.8%); therefore, in the reference period, the balance of services surplus increased by LTL 20.9 million or 8.2 per cent only.

Income. In January, the overall income balance deficit amounted to LTL 385.3 million (investment income balance deficit — LTL 390.9 million, the balance of compensation of employees surplus — LTL 5.6 million). Compared to December 2013 and January 2013, the overall income balance deficit widened by LTL 51.2 million (15.3%) and LTL 42.7 million (12.5%) respectively. The increase in the

income balance deficit in the two above-named periods was driven by increases in the balance of direct and other investment income deficit and a decline in the compensation of employees income balance surplus.

Current transfers. In January 2014, the current transfers balance surplus amounted to LTL 398.9 million. Compared to December 2013, it increased by LTL 48.6 million, or 13.9 per cent (In January 2013, the current transfers balance surplus was LTL 382.3 million).

Transfers from EU support funds in January 2014 amounted to LTL 380.2 million, while workers' remittances from abroad — LTL 368.6 million. Compared to December 2013, transfers from EU support funds increased by 2.6 times, while workers' remittances contracted by 29.8 per cent. In January 2013, transfers from EU support funds amounted to LTL 441.5 million, while workers' remittances from abroad — LTL 254 million.

In January 2014, Lithuania's calculated contributions to the EU budget amounted to LTL 170.4 million, while workers' remittances from Lithuania — LTL 190.2 million. In December 2013, Lithuania's contributions to the EU budget stood at LTL 152.8 million, while workers' remittances from Lithuania — LTL 174.3 million (in January 2013, these flows stood at LTL 168.1 million and LTL 138.5 million respectively).

Financial account. In January 2014, the recorded net foreign investment inflow in Lithuania, excluding official reserve assets, amounted to LTL 1.6 billion. Its build-up resulted from an inflow of net portfolio investment. In January 2013 the net investment inflow (LTL 658.7 million) was driven mainly by growth in non-resident direct investment in Lithuania and growth in other investment liabilities to non-residents, while the formation of the deficit in December (LTL 559.9 million) stemmed from an outflow of net portfolio investment as well as growth in other investment foreign assets.

In January 2014, the foreign investment inflows in Lithuania amounted to LTL 1.4 billion. Investment inflows into Lithuania were also recorded in December and January 2013; their flows amounted to LTL 137.2 million and LTL 657.9 million respectively.

In January 2014, as in the respective period last year, a little contraction in Lithuania's investment abroad was recorded, its flow stood at LTL 154.6 million and LTL 0.8 million respectively. In December 2013, investment abroad grew and its flow amounted to LTL 697 million. This growth in claims to non-residents was driven by investment in non-resident portfolio and other investment.

Investment flows

LTL millions

	Net investment flows			Lithuania's investment abroad			Foreign investment in Lithuania		
	January 2014	December 2013	January 2013	January 2014	December 2013	January 2013	January 2014	December 2013	January 2013
Total investment flow (excluding official reserve assets)	1,566.1	-559.9	658.7	154.6	-697.0	0.8	1,411.5	137.2	657.9
Direct investment	156.6	376.9	588.1	-143.3	85.6	154.4	299.9	291.3	433.7
Portfolio investment	1,947.5	-603.9	-67.2	319.7	-350.7	-4.5	1,627.8	-253.2	-62.8
Equity securities	16.4	-9.1	-58.4	32.0	-11.2	-27.7	-15.6	2.0	-30.7
Debt securities	1,931.1	-594.7	-8.8	287.7	-339.5	23.2	1,643.4	-255.2	-32.1
Financial derivatives	-2.6	-6.1	-3.4	6.2	4.1	15.4	-8.7	-10.2	-18.8
Other investment	-535.4	-326.7	141.3	-28.0	-436.0	-164.4	-507.4	109.3	305.7
Monetary financial institutions	-1,397.1	224.1	321.3	-781.8	298.5	-169.1	-615.4	-74.5	490.4
Other sectors	-482.0	839.0	-340.5	-392.8	677.3	-0.2	-89.3	161.7	-340.3

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

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

The totals in some lines and columns may not tally with the total investment flow due to rounding.

Direct investment. In January 2014, as in January and December 2013, net foreign direct investment (FDI) inflows were recorded — LTL 156.6 million, LTL 588.1 million and LTL 376.9 million respectively.

In January 2014 the FDI flow into Lithuania stood at LTL 299.9 million while its increase stemmed from inflows of share capital and reinvestment. In January and December 2013 inflows of this investment

built up in Lithuania as well, their flows amounted to LTL 433.7 million and LTL 291.3 million respectively. The expansion of the above-named inflows in January 2013 stemmed from other capital and reinvestment flows, while in December — growth in reinvested earnings.

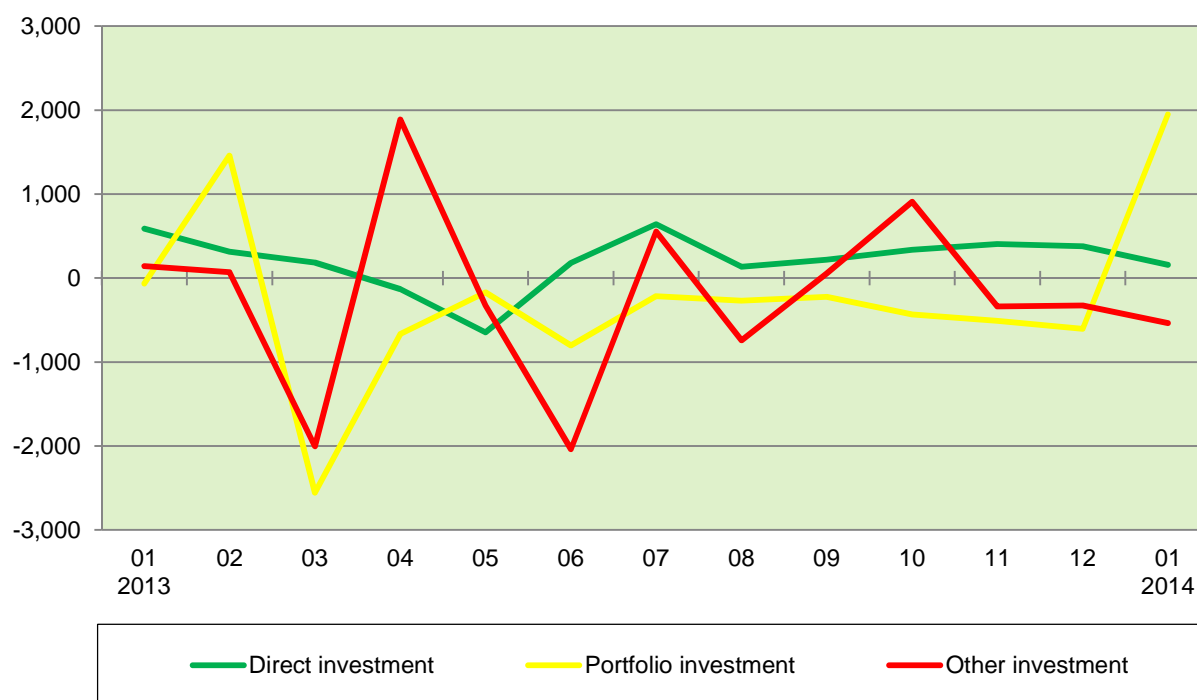
Growth in direct investment abroad by domestic economic entities of LTL 143.3 million, driven by growth in investment in non-residents' other capital, was recorded in January 2014. In January and December 2013, investment abroad posted a decline of LTL 154.4 million and LTL 85.6 million respectively. It was namely the contraction of investment in other capital that resulted in the decline in this investment.

Portfolio investment. In January 2014 the recorded net portfolio investment inflows amounted to LTL 1.9 billion. The inflows of this investment were due to substantial growth in non-resident investment in general government debt securities. In January and December 2013 net portfolio investment outflows built up, with their flows amounting to LTL 67.2 million and LTL 603.9 million respectively. The outflows of this investment were due to a decline in liabilities to non-residents and growth in investment in non-resident debt securities.

In January, the net LTL 538 million outflow of **other investment and financial derivatives** was driven by a decline in liabilities to non-residents and growth in the monetary financial institution (MFI) sector's investment abroad. In January 2013 growth in non-resident investment in the IMF sector led to a build-up of LTL 137.9 million net inflows of this investment, while the net LTL 332.9 million investment outflow in December was due to an increase in general government investment abroad.

Net investment flows

LTL millions



The negative flow of official reserve assets (LTL 565.7 million) in the balance of payments for January 2014 suggests their increase.