

19 June 2010

REVIEW OF THE BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA FOR Q1 2010

Current account. In Q1 2010, the surplus on the current account balance (CAB) of the country's Balance of Payments totalled LTL 43.9 million or 0.2% of GDP. In Q4 2009, the surplus on the current account balance made up LTL 2.4 billion (10.1% of GDP), while in Q1 the same year, the current account balance was in deficit of LTL 55.6 million (-0.3% of GDP).

The change on the current account balance in Q1 2010, compared to previously published data for January–March, was revised based on detailed quarterly reports from enterprises, which prompted recalculation of service and investment balances.

CAB and CAB to GDP ratio

	CAB, LTL millions	CAB to GDP ratio (%)
2009	3,528.63	3.8
Q1	-55.58	-0.3
Q2	215.89	0.9
Q3	988.42	4.2
Q4	2,379.90	10.1
2010		
Q1	43.85	0.2

Changes on CAB and Composite Balances. Contributions to Changes on CAB

A. Q1 2010 to Q1 2009

	Q1 2010, LTL millions	Q1 2009, LTL millions	Change (%)	Contributions (%)
Current account balance	43.85	-55.58	-178.9	-178.9
Trade balance	-882.88	-590.28	49.6	526.4
Balance of services	732.96	460.12	59.3	-490.9
Income balance	-412.51	-627.34	-34.2	-386.5
Balance of current transfers	606.28	701.92	-13.6	172.1

B. Q1 2010 to Q4 2009

	Q1 2010, LTL millions	Q4 2009, LTL millions	Change (%)	Contributions (%)
Current account balance	43.85	2,379.90	-98.2	-98.2
Trade balance	-882.88	-458.85	92.4	-17.8
Balance of services	732.96	660.57	11.0	3.0
Income balance	-412.51	1,197.20	-134.5	-67.7
Balance of current transfers	606.28	980.98	-38.2	-15.7

Compared to Q1 2009, the change on the CAB was driven mainly by an increase in the service balance surplus and a decline in the income balance deficit.

Foreign trade. According to the data of the Department of Statistics to the Government of the Republic of Lithuania in Q1 2010, export of goods increased year on year by 11.1% and import of goods went up by 13.9%, while foreign trade deficit grew by 41.3%. Export and import of goods, excluding mineral products, went up respectively by 9.3% and 3.4%. Compared to Q4

2009, export and import of goods fell by 4.6% and 0.5% respectively, while foreign trade deficit surged by 48.6%.

Regarding individual groups (according to the Classification by Broad Economic Categories), an increase in export and import of intermediary goods had the biggest impact on the developments in export and import of goods in Q1 2010.

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

A. Q1 2010 compared to Q1 2009, in percentages

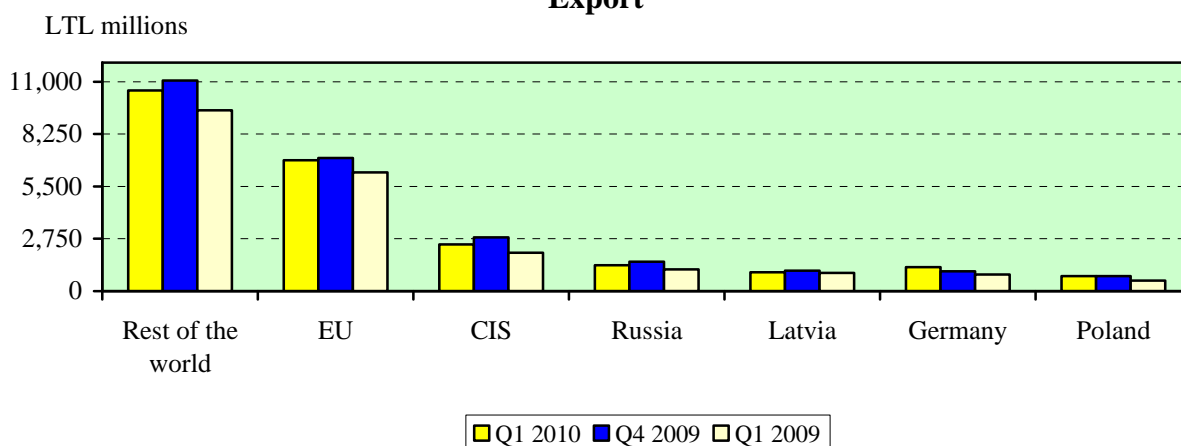
	Export		Import	
	Change	Contributions	Change	Contributions
All goods	11.1	11.1	13.9	13.9
Investment goods	40.0	3.2	-9.4	-0.9
Intermediate goods	10.3	5.2	28.5	16.6
Consumer goods	0.5	0.2	-6.8	-1.9
Motor spirit	31.2	2.3	1,003.9	0.2
Passenger motor cars	7.1	0.2	2.1	0.1
Other goods	-3.3	-0.0	-83.9	-0.2

B. Q1 2010 compared to Q4 2009, in percentages

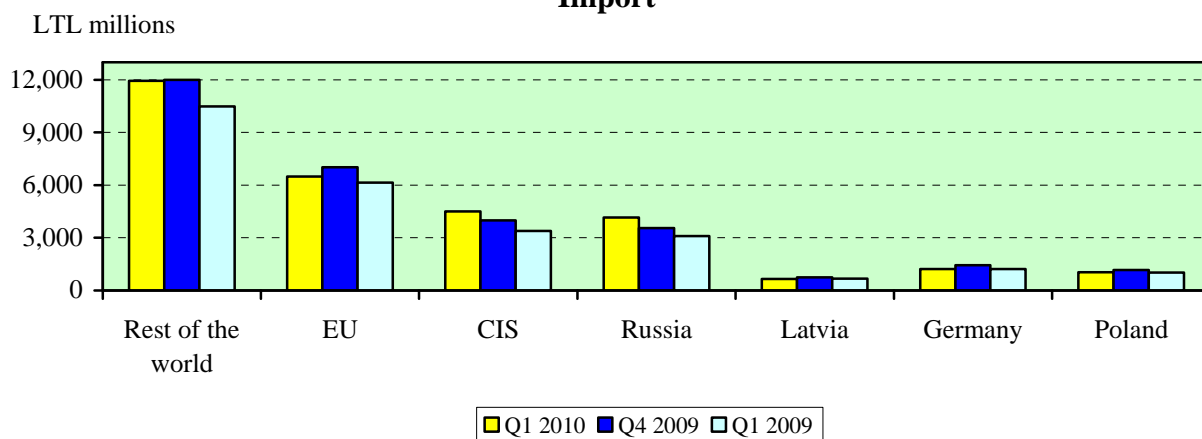
	Export		Import	
	Change	Contributions	Change	Contributions
All goods	-4.6	-4.6	-0.5	-0.5
Investment goods	9.4	0.8	-25.3	-2.7
Intermediate goods	-1.8	-0.8	7.9	4.8
Consumer goods	-11.0	-3.3	-9.6	-2.4
Motor spirit	3.4	0.3	745.3	0.2
Passenger motor cars	-31.2	-1.2	-11.8	-0.4
Other goods	-66.8	-0.4	-0.9	0.0

In Q1 2010, export of goods to EU countries was lower quarter on quarter by 1.8%, while export of goods to CIS countries went down by 13.1%. Import of goods from the EU countries fell by 7.7%, whereas import from the CIS countries went up by 12.7%. In Q1, Lithuania's export of goods to EU member states and CIS countries increased year on year by 10.3% and 22.1% respectively. Import of goods from EU countries grew during the reported period by 5.7% and import from CIS countries grew by 33.3%.

Export



Import



Services. In Q1 2010, export of services increased year on year by 16.9%, while import of services grew by 3.4% leading to a 59.3% (LTL 272.8 million) jump in the surplus on the balance of services.

There were no substantial changes in export and import structure. Transport and travel services accounted respectively for 64.2% and 18.9% of the total export of services and 49% and 27.1% of the total import of services.

In Q1 2010, export of services to EU countries accounted for 56.5% of the total export of services, while import of services from EU countries accounted for 52.9% of the total import of services. Export to CIS countries made up 32.6% of the total export of services, while import from CIS countries accounted for 30.5% of the total import of services.

Changes in export and import of main types of services and contributions to total change Q1 2010 compared to Q1 2009, in percentages

	Export		Import	
	Change	Contributions	Change	Contributions
Changes in total services and contributions to change				
Total	16.9	16.9	3.4	3.4
Transportation services	14.7	9.6	20.7	8.7
Travel services	30.2	5.2	-14.1	-4.6
Other services	12.1	2.1	-2.5	-0.7
Changes in transportation services and contributions to change				
Total	14.7	14.7	20.7	20.7
Sea transport	-10.4	-0.9	53.3	13.6
Air transport	31.2	1.9	47.2	1.2
Railway transport	21.1	3.1	128.4	14.1
Road transport	9.3	4.6	-11.8	-4.4
Pipeline transport	18.9	0.1	-99.3	-7.3
Other transport services	29.4	5.9	20.6	3.5

Income. In Q1, total deficit on the income balance made up LTL 412.5 million, while the deficit on the investment balance totalled LTL 534.2 million and the surplus on the compensation of employees balance made up LTL 121.6 million. Total deficit on the income balance narrowed year on year by 34.2%. The change was largely driven by the decrease in the deficit on the balance of other investment income.

Current transfers. In Q1 2010, the surplus on the current transfers balance totalled LTL 606.3 million. During the period, transfers from EU support funds made up LTL 634.4 million or 3% of GDP, while workers' remittances from abroad made up

LTL 585.6 million or 2.8% of GDP. Transfers from EU support funds declined year on year by LTL 203.7 million (24.3%), whereas workers' remittances from abroad increased by LTL 93.6 million (19%).

In Q1 2010, calculated contributions payable to the EU budget totalled LTL 358.4 million, while transfers of individuals to other countries made up LTL 306.2 million.

Capital and Financial Accounts. In Q1 2010, 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 610.2 million, a year-on-year decrease of LTL 279.3 million or 31.4%.

In Q1 2010, total net investment flow on the financial accounts of the country's balance of payments, excluding official reserve assets, showed the outflow of capital of LTL 409.7 million (in Q1 2009, total net investment flow totalled LTL 1.5 billion also showing the outflow). The outflow of capital was observed mainly due to the decrease in other investment obligations.

Investment flows

Q1 2010, Q4 and Q1 2009; LTL millions

	Net investment flows			Lithuania's investments abroad			Foreign investments in Lithuania		
	Q1 2010	Q4 2009	Q1 2009	Q1 2010	Q4 2009	Q1 2009	Q1 2010	Q4 2009	Q1 2009
Total investment flow (excluding official reserve assets)	-409.7	-3,235.0	-1,453.2	-1,244.9	-1,820.6	-479.5	835.3	-1,414.4	-973.7
Direct investments	-9.9	-243.7	580.9	30.0	158.8	-390.7	-39.9	-402.4	971.5
Portfolio investments	4,725.4	2,210.2	-39.1	-414.5	-1,146.3	90.5	5,139.9	3,356.4	-129.7
Equity securities	429.9	-416.3	-375.3	324.1	-393.2	-33.2	105.8	-23.1	-342.0
Debt securities	4,295.5	2,626.4	336.1	-738.6	-753.1	123.8	5,034.2	3,379.5	212.4
Financial derivatives	-76.2	-28.8	72.2	-13.5	0.7	72.2	-62.6	-29.5	-
Other investments	-5,049.0	-5,172.7	-2,067.1	-846.9	-833.8	-251.6	-4,202.2	-4,338.9	-1,815.5
Monetary financial institutions	-2,664.1	-4,478.8	-2,411.0	1,057.4	-1,174.0	-1,099.7	-3,721.5	-3,304.8	-1,311.4
Other sectors	-845.5	-795.7	-432.4	-488.6	685.4	848.1	-365.9	-1,481.1	-1,280.5

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

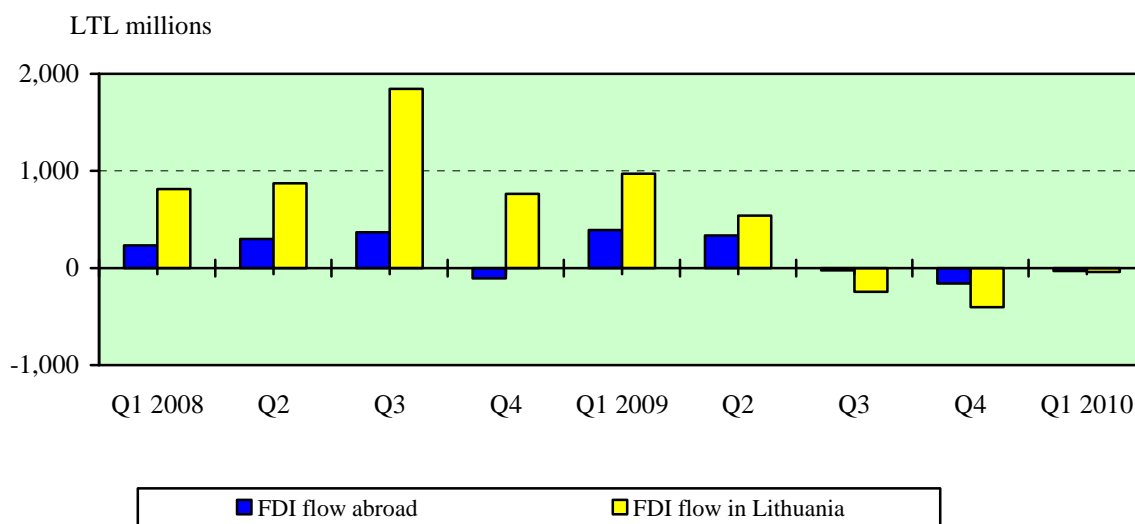
(-) – an increase in foreign assets or a decrease in liabilities.

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

Direct investment. In Q1 2010, net foreign direct investment (FDI) flow totalled LTL 9.9 million revealing the investment outflow from Lithuania. A year ago, net FDI inflow of LTL 580.9 million was registered, while in Q4 2009 net FDI flow showed an outflow of LTL 243.7 million.

In Q1 2010, FDI flow in Lithuania showed an outflow of LTL 39.9 million, while in Q1 2009, FDI inflow of LTL 971.5 million was registered. In Q4 2009, FDI flow in Lithuania showed an outflow of LTL 402.4 million. Lithuania's FDI flow abroad in the first quarter of this year amounted to LTL 30 million, showing a decline of this type of investment.

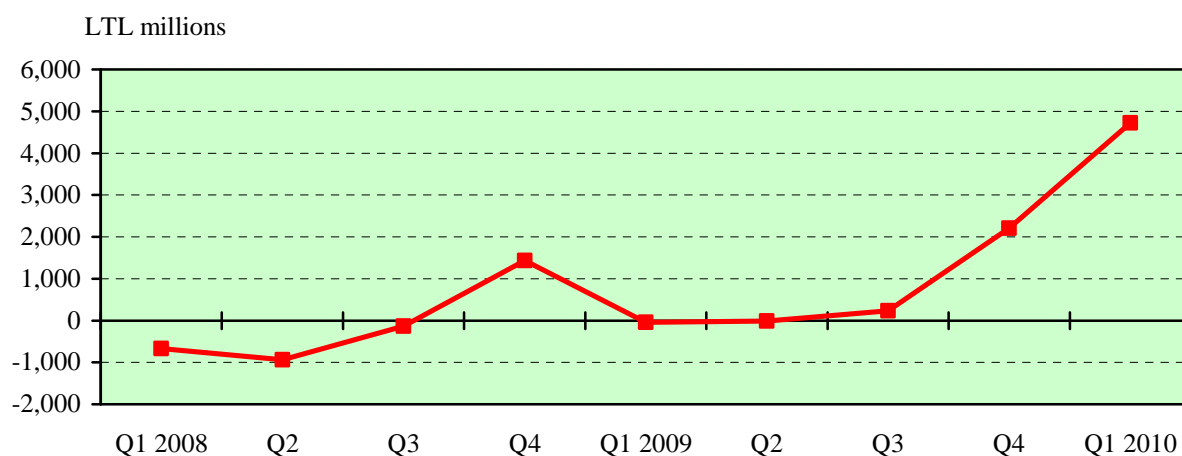
FDI flow



As of 31 March 2010, accumulated FDI in Lithuania totalled LTL 33.5 billion (EUR 9.7 billion) with FDI per capita making up LTL 10,073 (EUR 2,917).

Portfolio investment. Net flow of this type of investments for Q1 2010 made up LTL 4.7 billion showing an inflow of this type of investments into Lithuania. This was the result of revenues generated through the placement of debt securities by general government.

Net flow of portfolio investments



Net flow of **other investments and financial derivatives** for Q1 2010 made up LTL 5.1 billion showing their outflow from Lithuania. Compared to Q1 2009, the outflow of this type of investments increased by LTL 3.1 billion or 2.6 times, but it went down quarter on quarter by LTL 76.3 million or 1.5%. The investment outflow was the result of a decrease in liabilities of MFIs and other sectors.

Official reserve assets. Official reserve assets grew in Q1 2010 by LTL 422.5 million or 2.6% to LTL 16.4 billion (EUR 4.8 billion) at the end of March. Official reserve assets have been pushed up by a hike of LTL 945.9 million in central government's deposits with the Bank of Lithuania as well as by a change in other factors and Special Drawing Rights (SDRs) allocation value respectively by LTL 230.4 million and LTL 14.2 million. At the same time, the increase in official reserve assets was slightly offset by a decline in other MFIs' deposits with the Bank of Lithuania, external liabilities of the Bank of Lithuania, and currency in circulation respectively by LTL 518.5 million, LTL 143.8 million, and LTL 105.7 million.

Negative flow of official reserve assets on the balance of payments (showing an increase in reserve assets) totalled LTL 346.6 million. At the end of Q1 2010, accumulated official reserve assets in terms of good and service import coverage was 3.7 months.

International investment position. On 31 March 2010, the country's total accrued external assets made up LTL 50.6 billion and total accrued international financial liabilities amounted to LTL 106.4 billion. Negative international investment position totalled LTL 55.8 billion, i.e. Lithuania was a debtor vis-à-vis the rest of the world.

In Q1 2010, the country's external assets went up by LTL 1.8 billion or 3.8%, while its international financial liabilities grew by LTL 3.5 billion or 3.4%. External assets grew mainly as a result of an increase in other investments and portfolio investments abroad, while liabilities increased as a result of a hike in portfolio investment liabilities in the government sector.

Composition of the International Investment Position of the Republic of Lithuania

(in percentages)

	31-12-2009	31-03-2010
Assets	100.0	100.0
Direct investment	11.4	10.7
Portfolio investment	21.8	21.9
Financial derivatives	0.3	0.6
Other investment	33.6	34.3
Official reserve assets	32.9	32.5
Liabilities	100.0	100.0
Direct investment	32.3	31.5
Portfolio investment	16.8	22.8
Financial derivatives	0.4	0.4
Other investment	50.5	45.3

In Q1 2010, Lithuania's gross external debt hiked by LTL 3 billion or 3.8% to LTL 82.6 billion at the end of the quarter accounting for 89.8% of four-quarter moving sum of GDP (at the end of 2009, the debt-to-GDP ratio made up 86.5%). At the end of Q1 2010, the share of the MFIs' sector accounted for 40.6% to the country's gross external debt (46.2% at the end of 2009), government debt accounted for 30.3% (23.5% at the end of 2009), debt of other sectors made up 15.2% (15.8% at the end of 2009), and the debt of direct investment liabilities (debts owned by domestic and foreign enterprises to each other) made up 13.6% (14% at the end of 2009). At the end of the first quarter, the country's net external debt totalled LTL 39.8 billion accounting for 43.3% of GDP.