

BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA, JUNE 2012

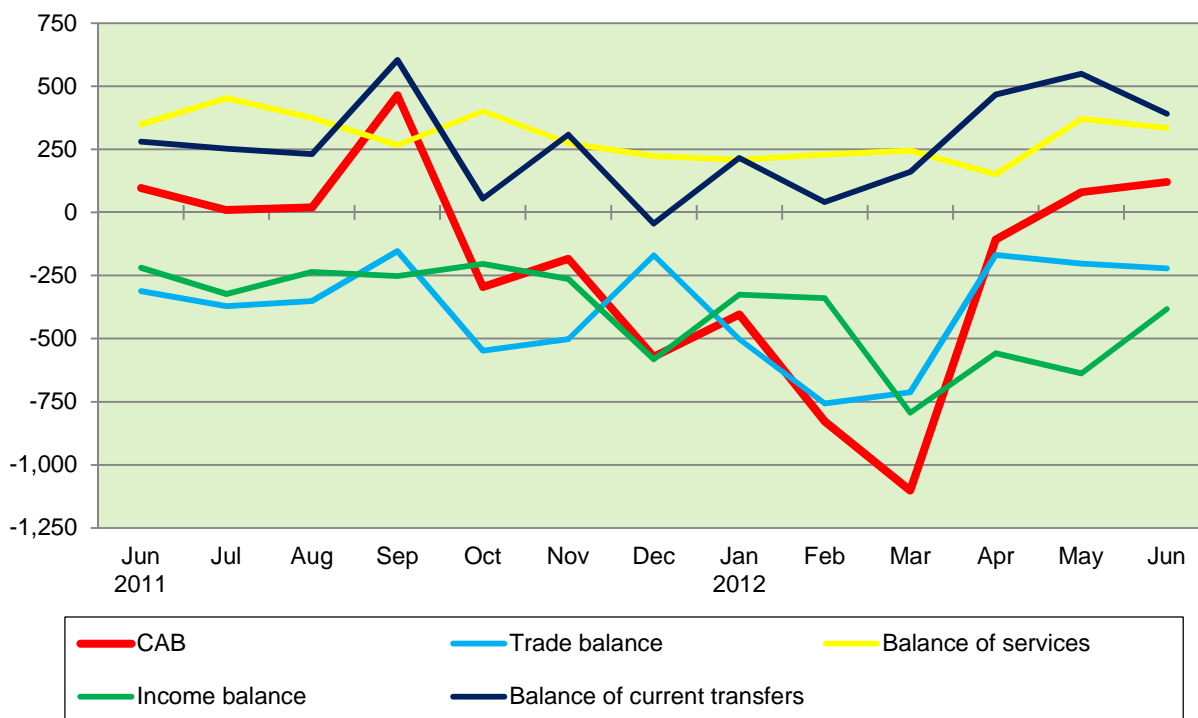
(survey of key indicators)

The **current account balance (CAB)** surplus in Lithuania's balance of payments increased by LTL 40.3 million in June 2012 month on month. Although the surplus in the balance of current transfers decreased, the income balance deficit narrowed significantly too. This is what led to an increase in the CAB surplus. The negative value of the balance of payments' **financial account** balance (LTL -315.6 million) in June 2012 was generated by a rise in official reserve asset and net portfolio investment outflows.

Current account. The CAB surplus in the country's balance of payments stood at LTL 119.9 million in June 2012, increasing by 50.6 per cent month on month. According to preliminary estimates, in April–June 2012 the CAB surplus stood at LTL 91.8 million or 0.3 per cent of GDP, and in January–June 2012 the CAB deficit was LTL 2.2 billion or -4.2 per cent of GDP (compared to the deficit of LTL 1.1 billion or -2.2 per cent of GDP in January–June 2011). The CAB deficit over the last twelve months (July 2011 to June 2012) amounts to LTL 2.8 billion.

CAB and its Composite Balances

LTL millions



Goods. In June 2012, foreign trade deficit in Lithuania's balance of payments amounted to LTL 222.4 million, up by LTL 19.6 million or 9.7 per cent from May. In June 2012, growth in both import and export volumes was almost uniform (at around 20%). Compared to June last year, growth in the exports of goods (5%) slightly outpaced growth in the imports of goods (3.3%).

Exports and imports of goods increased by 7.3 per cent and 5.2 per cent respectively in January–June 2012 year on year.

Services. The surplus of the balance of services made up LTL 335.3 million in June 2012. Export of services boosted by 7.6 per cent and import of services by 15 per cent month on month, thus the surplus of the balance of services declined by LTL 35.2 million or nearly 9.5 per cent. Compared to June 2011, growth in the imports of goods (9.8%) outpaced growth in the exports of goods (6%), hence the surplus of the balance of services contracted by LTL 13 million or 3.7 per cent in the reference period.

During six months of this year, exports of services grew by 8.8 per cent and import of services by 19.9 per cent year on year, the surplus in the balance of services contracted by 16.7 per cent.

Income. The overall income balance deficit was LTL 383.5 million (the investment income balance deficit amounted to LTL 377.5 million and the balance of compensation of employees' deficit to LTL 5.9 million) in June. The overall income balance deficit narrowed by 39.8 per cent month on month and widened more than 1.7 times year on year.

The overall income balance deficit amounted to around LTL 3 billion in January–June 2012 (around LTL 2.1 billion in January–June 2011). The widening of the deficit was driven primarily by the fact that the formerly in surplus balance of compensation of employees turned deficit (the negative change was LTL 305.5 million). Moreover, the widening of deficits in direct, portfolio and other investment income was almost uniform (at around LTL 200 million).

Current transfers. The surplus of the balance of current transfers amounted to LTL 390.4 million in June 2012, narrowing by LTL 158.6 million month on month. In January–June 2012, the surplus of the balance of current transfers (LTL 1.8 billion) contracted by LTL 477.9 million or 20.8 per cent year on year.

Transfers from EU support funds stood at LTL 370.8 million and workers' remittances from abroad at LTL 279.1 million in June 2012, a decline in EU support funds transfers of 29.8 per cent and in workers' remittances from abroad of 13.3 per cent from May. In January–June 2012, EU support funds transfers amounted to LTL 2.1 billion and workers' remittances from abroad to LTL 1.6 billion, an increase of 23.5 per cent in EU support funds transfers and a decline of 25.1 per cent in workers' remittances from abroad year on year.

In June 2012, Lithuania's calculated contributions to the EU budget amounted to LTL 55.6 million, totalling LTL 701.1 million over six months of this year. Workers' remittances from Lithuania made up LTL 197.2 million in June and 1.2 billion in January–June. In January–June last year, these flows amounted respectively to LTL 558.3 million and LTL 1 billion.

The flow of **non-repayable capital transfers** to Lithuania (consisting mainly of funds from EU support funds for financing investment projects) made up LTL 407.8 million in June and LTL 817.6 million in January–June 2012. In January–June 2011, this flow amounted to LTL 927 million.

Financial account. Net foreign investment, excluding official reserve assets, was positive and amounted to LTL 29.1 million in June 2012, pointing to modest investment inflows to Lithuania. This was driven by the size of direct and other investment inflows compared to portfolio investment outflows. A net investment outflow of LTL 1.4 billion was established in January–June this year, mainly on account of declining other investment liabilities to non-residents during the period.

In June 2012, foreign investment in Lithuania was on the rise, with its flow amounting to LTL 179.3 million. An inflow of LTL 456.3 million was established in Lithuania in January–June 2012. In January–June 2011, this investment pointed to LTL 3.4 billion of inflows.

In June 2012, Lithuania's investment abroad was also on the rise, with its flow amounting to LTL 150.2 million. In January–June 2012, this investment hiked by LTL 1.8 billion. In June last year, Lithuania's investment abroad grew by LTL 825.8 million, in January–June by LTL 3.3 billion.

Investment flows*January–June 2012; LTL millions*

	Net investment flows			Lithuania's investment abroad			Foreign investment in Lithuania		
	June	May	January–June	June	May	January–June	June	May	January–June
Overall investment flow (excluding official reserve assets)	29.1	-3,673.6	-1,355.3	-150.2	528.2	-1,811.6	179.3	-4,201.8	456.3
Direct investment	463.6	-18.6	1,301.7	-224.7	517.8	40.8	688.3	-536.4	1,260.9
Portfolio investment	-513.3	-2,265.4	3,124.4	-230.0	-44.5	-178.4	-283.3	-2,220.9	3,302.9
Equities	-215.6	-159.0	-523.2	-37.8	-18.2	-184.5	-177.8	-140.8	-338.8
Debt securities	-297.8	-2,106.5	3,647.7	-192.2	-26.3	6.1	-105.5	-2,080.1	3,641.6
Financial derivatives	0.6	4.5	9.4	16.4	12.5	80.9	-15.7	-8.1	-71.5
Other investment	78.2	-1,394.0	-5,790.8	288.2	42.3	-1,754.9	-210.0	-1,436.3	-4,035.9
Monetary financial institutions	690.3	-1,116.6	-4,021.7	629.1	-72.1	-925.8	61.2	-1,044.5	-3,095.9
Other sectors	-747.2	29.7	-1,566.2	-426.8	113.4	-805.0	-320.4	-83.7	-761.2

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

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

Totals in some rows and columns may not tally with the overall investment flow due to rounding.

Direct investment. Net foreign direct investment (FDI) inflows to Lithuania amounted to LTL 463.6 million in June 2012 and LTL 1.3 billion in January–June. Net FDI inflows amounted respectively to LTL 676.1 million in June and LTL 1.7 billion in January–June 2011.

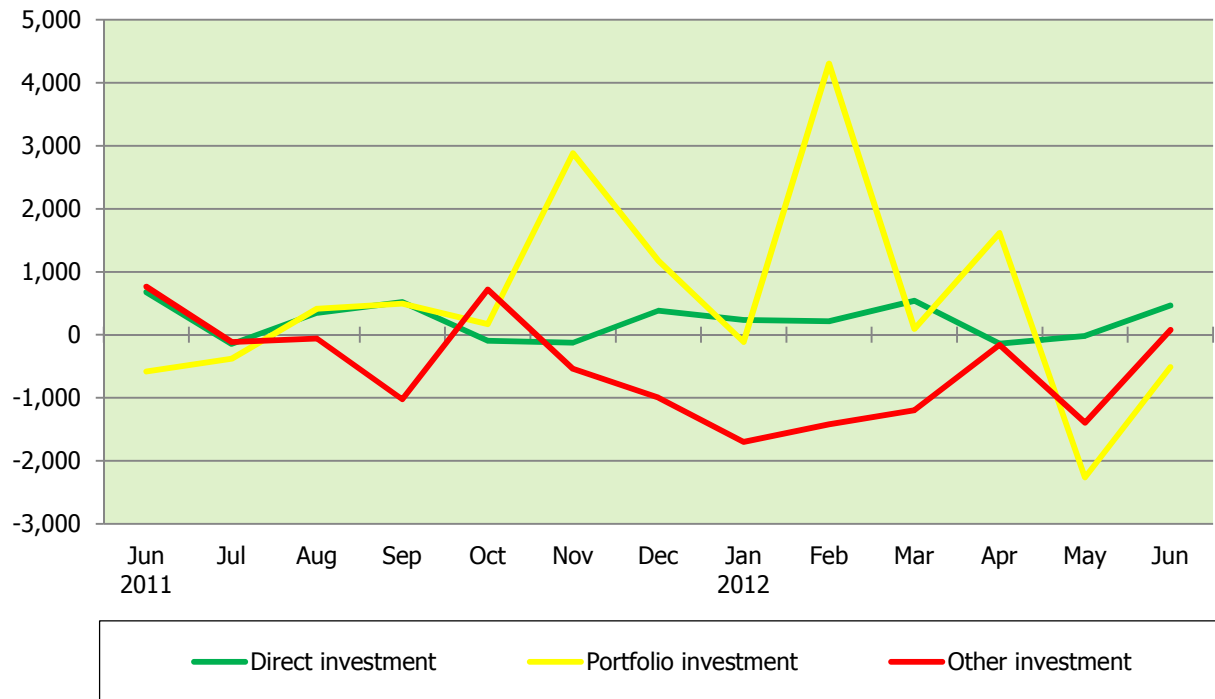
The FDI inflows to Lithuania recorded in June 2012 stood at LTL 688.3 million, recorded in January–June 2012 at LTL 1.3 billion. The FDI flow contracted by LTL 592.3 million compared to January–June 2011. The contraction was generated by outflows of other capital.

Direct investment by domestic economic entities abroad expanded in June this year, with its flow standing at LTL 224.7 million. In January–June, the flow declined and amounted to LTL 40.8 million. In January–June 2011, direct investment abroad surged by LTL 134.3 million.

Portfolio investment. The net portfolio investment inflow was negative and made up LTL 513.3 million in June 2012, while in January–June it was positive and stood at LTL 3.1 billion. Growth in portfolio investment abroad and a decline in it in Lithuania were recorded in June. In January–June 2012, the net portfolio investment inflows were generated by the placements of government bond issues in February and April. Compared to January–June 2011, the net portfolio investment flow grew by LTL 3.8 billion.

A net inflow of **other investment and of financial derivatives** to Lithuania was recorded for the first time this year in June. It amounts to LTL 78.8 million (in January–June 2012, an outflow of this investment of LTL 5.8 billion was recorded). The major impact on the inflow stemmed from the increase in foreign assets of monetary financial institutions and the decrease in liabilities to non-residents. In June 2011, the net inflows of other investment and of financial derivatives made up LTL 760.9 million, while in January–June the outflow of this investment amounted to LTL 927.4 million.

Net investment flows
LTL millions



The negative flow of official reserve assets of LTL 344.7 million on the balance of payments in June 2012 implies their growth.