

12 February 2013

**BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA, DECEMBER 2012**

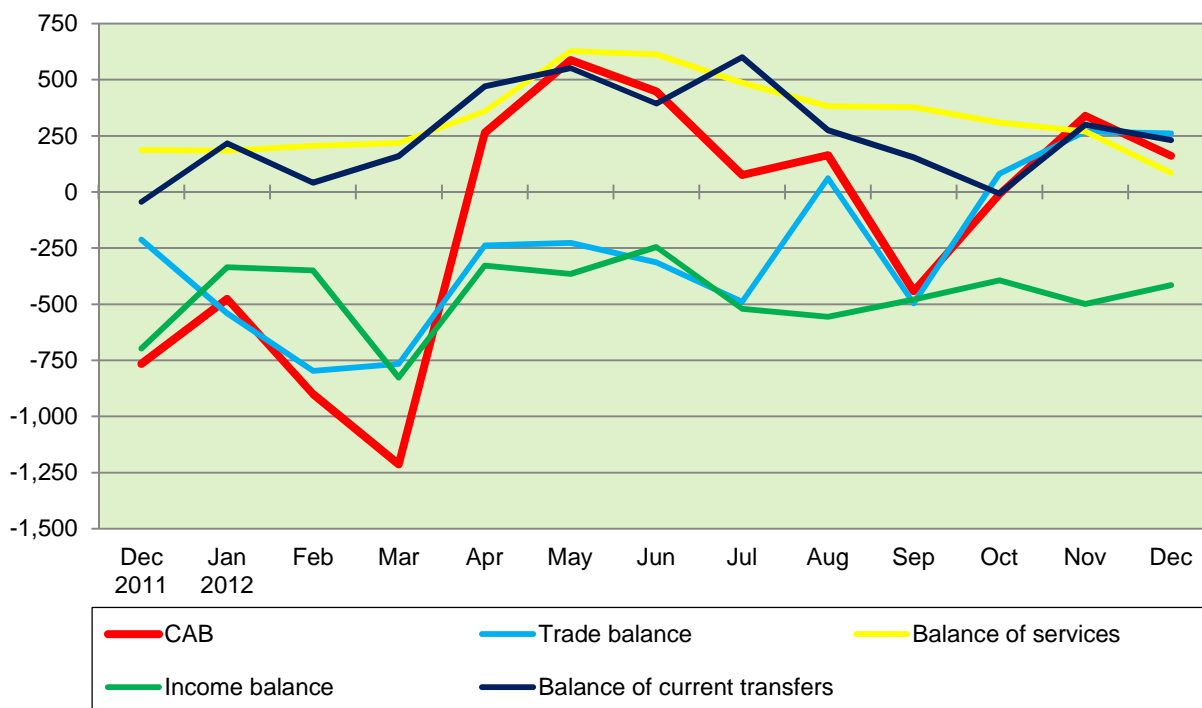
(Survey of key indicators)

While decreasing from November, in December 2012 the surplus balances of foreign trade, services and current transfers offset the decreasing income balance deficit, leading to a build-up of an LTL 161.4 million surplus in the **current account balance (CAB)** in December. In January–December 2012, a CAB surplus was recorded for the seventh time. The negative **financial account balance** (LTL –89.7 million) in the balance of payments in December 2012 was determined by the growing foreign assets of direct and portfolio investment.

**Current account.** In December 2012, the CAB surplus on the country's balance of payments amounted to LTL 161.4 million (LTL 339.5 million in November). According to preliminary estimates, in October–December 2012 the CAB surplus stood at about LTL 490.9 million, or 1.7 per cent of GDP, while in January–December 2012 a deficit of about LTL 1 billion, or –0.9 per cent of GDP was recorded. In January–December 2011, an almost LTL 4 billion CAB deficit was recorded.

**CAB and its Composite Balances**

LTL millions



**Goods.** In December 2012, a surplus of LTL 260.5 million built up in the foreign trade balance of the country's balance of payments; month on month, the surplus decreased by LTL 8.3 million, or more than 3.1 per cent. While, in December 2012, the volumes of trade export and import in the balance of payments shrank month on month, a stronger decline in the import of goods (9.1%) than that in the export of goods (8.9%) in the reference period that led to a surplus in the trade balance.

In January–December 2012, the export and import of goods increased by 14.4 per cent and 9.2 per cent respectively year on year. As the export of goods grew faster than the import of goods, the trade balance deficit narrowed by almost LTL 3 billion, or 48.8 per cent in the reference period.

**Services.** Due to a higher increase in the import of services (14.7%) and a decline in the export of services (4.1%), the surplus in the balance of services decreased by LTL 184.4 million, or 68.4 per cent in December 2012 month on month. As compared to December 2011, growth in the import of services

(20.3%) outpaced that in the export of services (7.2%), hence the surplus in the balance of services contracted by LTL 101.5 million, or 54.4 per cent in the reference period. In January–December 2012, a year-on-year increase at a similar proportion in the export and import of services, and in the balance was recorded, which accounted, respectively, for 18.8 per cent, 18.4 per cent and 19.7 per cent.

**Income.** In December, the total deficit in the income balance was LTL 415.5 million (the deficit in the balance of investment income—LTL 420.1 million and the surplus in the balance of compensation of employees—LTL 4.6 million). The total deficit in the income balance narrowed by LTL 83.4 million (16.7%) month on month, whereas year on year, it also narrowed by LTL 281.4 million or 40.4 per cent. The narrowing of the deficit in the total income balance in December 2012 was affected by the narrowing of the deficit in the balance of direct investment income.

In January–December 2012, the total deficit in the income balance widened by LTL 437.3 million, or 9 per cent year on year, and stood at LTL 5.3 billion (LTL 4.9 billion in January–December 2011). The widening of the deficit during the reference period was driven by a nearly double widening of the deficit in the balance of other investment income and a 40.9 per cent widening of the deficit in the balance of portfolio investment (the negative change was LTL 225.4 million and LTL 488.8 million respectively). The widening of the above deficits was counterbalanced by an LTL 764.6 million (18.9%) decline in the balance of direct investment income, the decline in which was affected by a 1.7-times increase in direct investment income.

**Current transfers.** In December 2012, the surplus in the balance of current transfers stood at 231.1 million, decreasing by LTL 68.7 million month on month. In January–December 2012, the surplus in the balance of current transfers (LTL 3.4 billion) decreased by LTL 316.9 million, or 8.6 per cent year on year.

In December 2012, transfers from the European Union (EU) support funds amounted to LTL 246.5 million and workers' remittances from abroad—LTL 318.4 million. Month on month, transfers from EU support funds grew by 4.5 per cent, whereas workers' remittances contracted by 9.3 per cent. In January–December 2012, transfers from EU support funds and workers' remittances from abroad amounted to LTL 3.6 billion each. Year on year, transfers from EU support funds went up by 17.6 per cent, while workers' remittances from abroad declined by 10.3 per cent.

In December 2012, Lithuania's calculated contributions to the EU budget amounted to LTL 113.2 million, and during twelve months—LTL 1.2 billion. Workers' remittances from Lithuania stood at LTL 238.7 million in December and LTL 2.7 billion in January–December. In January–December 2011, Lithuania's contributions to the EU budget and workers' remittances stood at LTL 1.1 billion and LTL 2.3 billion respectively.

The balance of **capital account** (which shows the flow of non-repayable capital transfers to Lithuania) stood at LTL 179.7 million in December 2012 and at LTL 2.5 billion in January–December 2012. In December 2011, the flow of these transfers stood at LTL 123.4 million, and in January–December 2011—at LTL 2.6 billion respectively.

**Financial account.** In December 2012, the net outflow of foreign investment, excluding official reserve assets, amounted to LTL 43.7 million. This outflow was driven by the net outflow of direct and portfolio investment. A net outflow of investment abroad (LTL 436 million) also built up in January–December 2012, as the net inflow of direct and portfolio investment did not offset declining other investment liabilities to non-residents.

The positive LTL 505.4 million flow of foreign investment in Lithuania in December 2012 shows its inflows; during twelve months, the flow of this investment to Lithuania amounted to LTL 1.3 billion (LTL 6.4 billion in January–December 2011).

The recorded negative flows of Lithuania's investment abroad stood, respectively, at LTL –549.1 million in December 2012 and LTL –1.7 billion in January–December, which shows investment growth. For comparison, in December 2011, the positive LTL 2.2 billion flow of investment abroad showed its contraction, and the negative flow (LTL –305.4 million) in January–December 2011 shows the increase of investment abroad.

## Investment flows

January–December 2012; LTL millions

	Net investment flows			Lithuania's investment abroad			Foreign investment in Lithuania		
	December	November	January–December	December	November	January–December	December	November	January–December
Total investment flow (excluding official reserve assets)	-43.7	-150.3	-436.0	-549.1	642.7	-1,739.6	505.4	-793.0	1,303.7
Direct investment	-18.6	344.9	2 414.4	-257.7	35.2	-302.6	239.0	309.6	2,717.0
Portfolio investment	-29.0	-218.7	3,135.5	-49.9	-251.4	-884.1	20.9	32.7	4,019.6
Equities	128.2	-13.4	-786.5	-9.1	-16.8	-643.0	137.3	3.4	-143.5
Debt securities	-157.2	-205.3	3,921.9	-40.8	-234.6	-241.1	-116.4	29.3	4,163.1
Financial derivatives	-1.6	-1.3	17.3	9.8	8.2	161.8	-11.4	-9.6	-144.5
Other investment	5.6	-275.1	-6,003.0	-251.3	850.6	-714.7	256.9	-1,125.7	-5,288.4
Monetary financial institutions	347.6	515.8	-2,958.2	-17.3	965.4	1,154.6	364.9	-449.6	-4,112.8
Other sectors	-321.2	-616.2	-2,865.9	-179.6	-141.7	-1,792.8	-141.6	-474.5	-1,073.1

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

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

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

**Direct investment.** In December 2012, the net negative foreign direct investment (FDI) flow amounted to LTL -18.6 million and showed its outflow, whereas its positive flow of LTL 2.4 billion in January–December showed its inflows into Lithuania. In December and January–December 2011, net FDI stood, respectively, at LTL 540.4 million and LTL 3.5 billion, and it represented inflows.

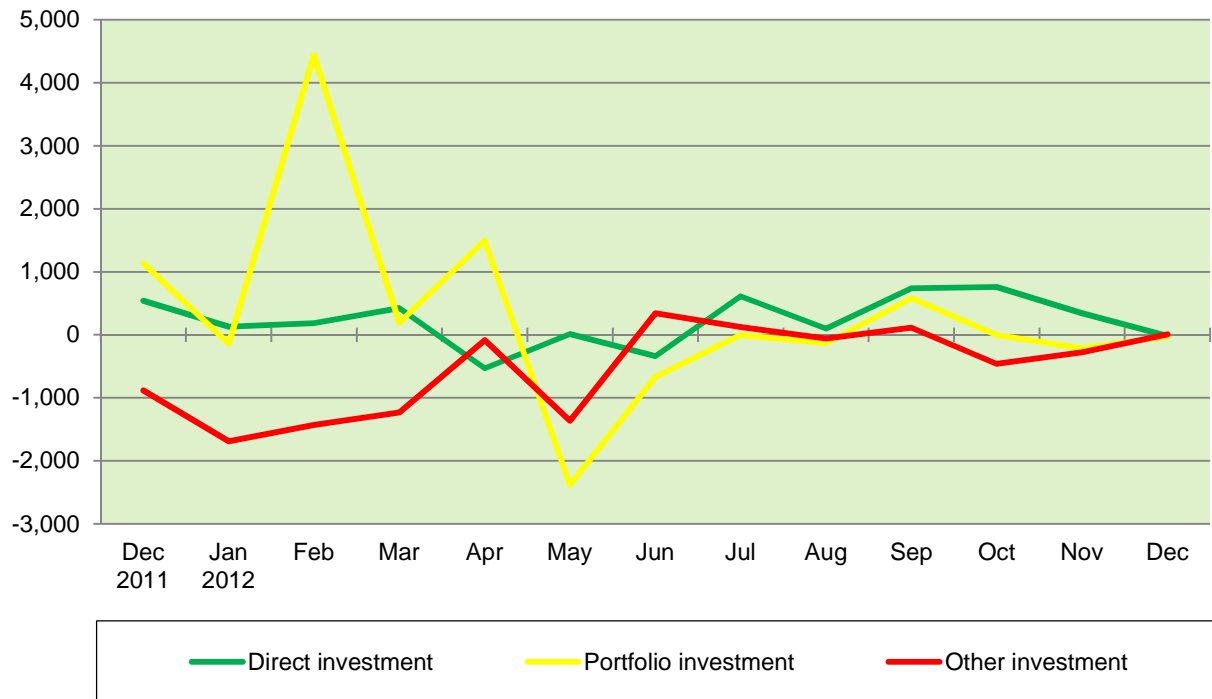
In December and in January–December 2012, positive FDI flows into Lithuania showed investment inflows and amounted, respectively, to LTL 239 million and LTL 2.7 billion. In December, the inflows were driven by increasing re-investment in Lithuania, and in twelve months—by inflows of other capital. Driven by a decline in reinvestment, in January–December 2012 FDI inflows into Lithuania contracted by LTL 875.7 million year on year.

The negative flows of domestic economic entities' direct investment abroad in December and January–December 2012 amounted to LTL -257.7 million and LTL -302.6 million, showing rising direct investment abroad. In December, the rise in investment abroad was affected by higher requirements for FDI other capital to non-residents, and in January–December— by an increase in investment in the equity capital of non-residents. As compared to January–December 2011, the direct investment flow abroad increased by LTL 165.3 million due to investment in the equity capital of non-residents.

**Portfolio investment.** In December 2012, the negative flow of net portfolio investment stood at LTL -29 million, showing an investment outflow, which resulted from Lithuanian entities' investment in non-resident long-term debt securities abroad. In January–December 2012, the build-up of the net positive LTL 3.1 billion flow of portfolio investment inflows was affected by the placements of government bond issues. In December and January–December 2011, the net flows of portfolio investment inflows stood at LTL 1.1 billion and LTL 4.2 billion respectively.

In December 2012, the net inflow of **other investment and financial derivatives** into Lithuania was about LTL 4 million, whereas in January–December, a net negative outflow of nearly LTL 6 billion was recorded. In the reference periods in 2011, outflows were recorded, which amounted, respectively, to LTL 880.2 million and LTL 1.6 billion. In December, the inflows of this investment were affected mainly by the MFI sector's increased liabilities to non-residents, and in January–December—a more pronounced decline in the MFI sector's liabilities to non-residents.

**Net investment flows**  
LTL millions



The negative flow of official reserve assets (LTL -46 million) in the balance of payments implies their growth.