

20/12/2013

BALANCE OF PAYMENTS OF THE REPUBLIC OF LITHUANIA FOR Q3 AND THREE QUARTERS OF 2013

In Q3 2013, the **current account** balance (CAB) of Lithuania's balance of payments posted a surplus of LTL 21.7 million, which was driven by the surplus balances of services and current transfers that offset the foreign trade and income balance deficits. A surplus CAB this year is recorded for a second quarter in a row. The CAB surplus for three quarters of 2013 amounted to LTL 820.1 million. The negative value (LTL 920.1 million) of the BOP **financial account** balance in Q3 2013 resulted from an increase in official reserve assets.

The country's foreign assets increased (3.4%), whereas international financial liabilities decreased somewhat in Q3 2013 quarter on quarter. Gross external debt grew by 1 per cent, while net external debt contracted by 1.2 per cent in the reference period.

Please note that the BOP for Q3 2013 has included revised data of the BOP for Q2 2013.

Current Account. The country's BOP current account balance surplus amounted to LTL 21.7 billion (0.1% of GDP) for Q3 and LTL 820.1 million (0.9% of GDP) for three quarters of 2013. For four quarters (Q4 2012 to Q3 2013), the CAB surplus was about LTL 1.4 billion (1.2% of GDP). The positive change of the CAB for Q3 2013 was LTL 269.3 million year on year.

Current account balance

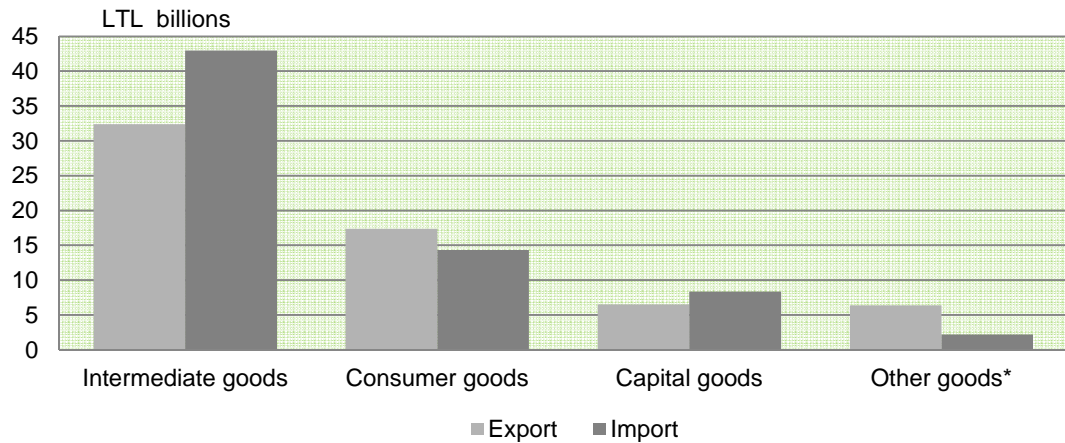
	CAB, LTL millions	CAB-to-GDP ratio, %
2012	-234.01	-0.2
Q1	-2,228.42	-8.7
Q2	1,681.51	5.9
Q3	-247.68	-0.8
Q1-Q3	-794.59	-0.9
Q4	560.58	1.9
2013		
Q1	-723.48	-2.7
Q2	1,521.90	5.0
Q3	21.66	0.1
Q1-Q3	820.08	0.9

Foreign trade. In Q3 2013, foreign trade deficit in the country's BOP amounted to LTL 1.5 billion, widening by almost 2 times quarter on quarter. This widening was driven by growth in the import of goods (9.8%) outpacing growth in the export of goods (6.5%)¹.

According to Statistics Lithuania, major contribution to overall foreign trade export and import changes (in Q3 2013 quarter on quarter) stemmed from growth in the export of intermediate goods and import of capital goods. Evaluating the year-on-year impact of the changes in the groups of goods (over 9 months of 2013 year on year), it should be noted that major contribution stemmed from an increase in the export of consumer goods and import of capital goods.

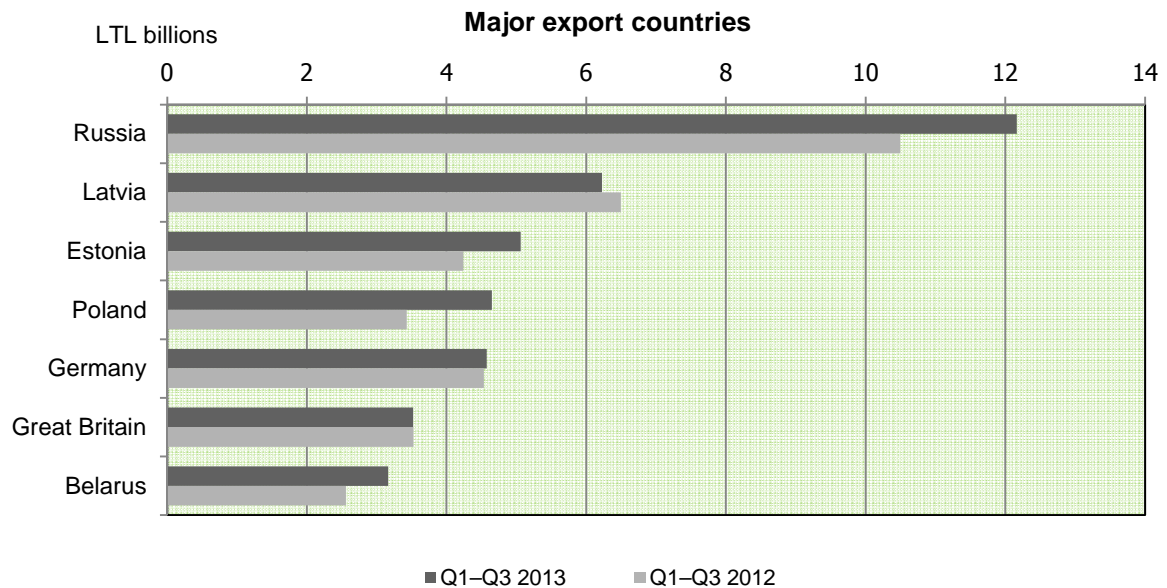
¹ The volumes of the export and import of goods in the balance of payments were calculated at FOB prices (see <http://www.lb.lt/metodologija> 4).

Foreign trade by macroeconomic category in Q1–Q3 2013

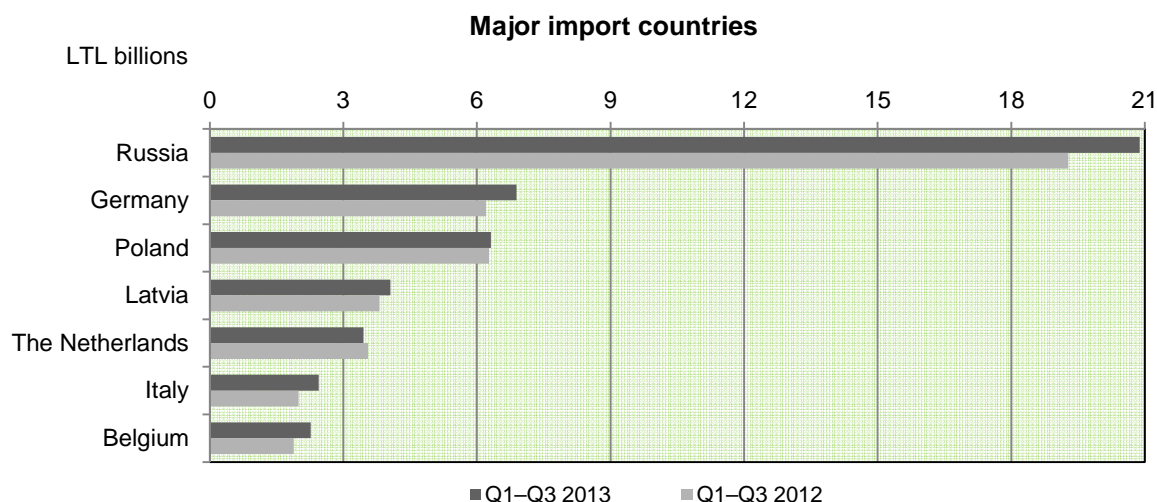


*– motor spirit; passenger motor cars; goods not elsewhere specified.

In Q3 2013, exports of goods to the EU² Member States grew by 8.1 per cent, to the CIS countries — 5.9 per cent quarter on quarter. Imports of goods from EU countries rose by 6.0 per cent, from the CIS countries — 17.1 per cent in the reference period. Over 9 months of 2013, exports of goods to EU and CIS countries increased by 5.5 per cent and 16.7 per cent respectively, imports of goods — 9.4 per cent and 8.6 per cent year on year.



² The EU includes 28 Member States.



Services. In Q3 2013, exports of services shrank by 0.3 per cent, while imports of services grew by 9 per cent quarter on quarter, leading to a decline in the balance of services surplus of 19.5 per cent, which was LTL 1.3 billion. Over three quarters of the current year, exports of services expanded by 15.5 per cent, imports of services — 18.2 per cent and the overall balance of services surplus — 8.6 per cent year on year. In Q3 2013, among the individual balances of services, the biggest was the surplus of road transport services (LTL 743.1 million), while the biggest deficit (LTL –394.5 million) was in the balance of sea transport services.

In Q3 2013, exports of transport and travel services accounted respectively for 58.1 per cent and 24.4 per cent of total exports of services (in Q3 2012 — 56.8% and 26.3% of total exports of services respectively). Imports of transport and travel services accounted respectively for 59 per cent and 20.6 per cent of total imports of services (in Q3 2012 — 55.4% and 22.4% respectively).

In Q3 of the current year, exports of services to EU countries accounted for 56.9 per cent, imports of services from EU countries — 61.8 per cent of total exports of services. Exports to CIS countries accounted for 33.4 per cent of total exports of services, imports from CIS countries — 25.8 per cent of total imports of services.

Changes in exports and imports of main groups of services, and contributions to the changes

(Q1–Q3 2013 as compared to Q1–Q3 2012, %)

	Exports		Imports	
	change	contribution	change	contribution
Changes in total services and contributions to the changes				
Total	15.5	15.5	18.2	18.2
Transport services	17.4	10.4	25.4	14.1
Travel services	4.1	1.0	1.8	0.4
Other services	24.6	4.1	16.7	3.7
Changes in transport services and contributions to these changes				
Total	17.4	17.4	25.4	25.4
Sea transport	15.6	0.8	8.7	2.5
Air transport	–10.9	–0.8	28.3	2.1
Railway transport	–4.5	–0.4	–6.2	–1.1
Road transport	27.1	11.6	53.5	12.5
Pipeline transport	1.4	0.0	–10.9	–0.1
Other transport services	17.8	6.2	44.0	9.5

Income. In Q3 2013, the build-up of the overall income balance deficit (LTL 1.1 billion) resulted from the deficit balance of investment income, the contribution to which stemmed from an increase in foreign investors' reinvestment share and the payouts of interest on portfolio investment to non-residents. In Q3 2013 the overall income balance deficit narrowed by LTL 324.6 quarter on quarter, which was driven by a decline of LTL 888.1 million in the payouts of dividends on direct investment to non-residents. The surplus in the compensation of employees balance amounted to LTL 56.4 million in Q3 2013, an increase of LTL 48.6 million quarter on quarter.

The increase of LTL 232.1 million in the overall income balance deficit for three quarters of 2013 year on year resulted from a decline in direct investment income from non-residents.

Current transfers. The surplus in the balance of non-repayable current transfers for Q3 2013 amounted to LTL 1.4 billion (4.3% of GDP), for three quarters — LTL 3.9 billion (4.4% of GDP). In Q3 transfers from EU support funds accounted for 2.3 per cent of GDP and workers' remittances from abroad — 4.2 per cent of GDP, LTL 746 million and LTL 1.3 billion respectively. Transfers from the aforementioned sources for three quarters of 2013 amounted respectively to LTL 3.1 billion (3.5% of GDP) and LTL 3.3 billion (3.7% of GDP).

Year on year, transfers from EU support funds contracted by LTL 26.5 million (0.9%), whereas workers' remittances from abroad boosted by LTL 718.8 million (28%). The overall surplus in the balance of current transfers increased by LTL 1 billion (36.5%).

In Q3 2013, Lithuania's calculated contributions to the EU budget amounted to LTL 318.1 million (those for three quarters — LTL 1.2 billion). Workers' remittances abroad stood at LTL 428.6 million for Q3 and LTL 1.3 billion for the three quarters. Contributions to the EU budget surged by LTL 232.8 million, whereas workers' remittances abroad contracted by LTL 549.2 million year on year.

Capital and Financial Accounts. In Q3 2013, the capital account balance (the major source of which is non-repayable capital transfers from EU structural support funds used to finance investment projects) stood at LTL 886 million (in Q2 2013 — LTL 1.3 billion). The capital account balance for three quarters of 2013 was LTL 2.2 billion, an increase of LTL 156.7 million, or 7.6 per cent year on year.

In the BOP financial account for Q3 2013 (excluding official reserve assets), the recorded net investment inflows into Lithuania stood at LTL 705.2 million. Their build-up stemmed from the positive balance of direct investment. In Q1–Q3 2013, the net outflow of investment (due to the net outflow of portfolio and other investment) amounted to LTL 2.5 billion.

Investment flows

(Q3, Q2, Q1–Q3 2013, LTL millions)

	Net investment			Lithuania's investment abroad			Foreign investment in Lithuania		
	Q3 2013	Q2 2013	Q1–Q3 2013	Q3 2013	Q2 2013	Q1–Q3 2013	Q3 2013	Q2 2013	Q1–Q3 2013
Total investment flow (excluding official reserve assets)	145.54	-2,721.47	-4,437.52	-559.66	-145.92	-1,957.91	705.20	-2,575.55	-2,479.61
Direct investment	997.54	-599.48	1,484.12	9.56	-67.48	57.31	987.98	-532.0	1,426.81
Portfolio investment	-708.47	-1,639.67	-3,511.19	-286.86	-490.78	-627.71	-421.61	-1,148.89	-2,883.48
Equity securities	-403.39	-88.53	-601.76	-233.99	-0.93	-296.17	-169.40	-87.60	-305.59
Debt securities	-305.08	-1,551.14	-2,909.43	-52.87	-489.85	-331.54	-252.21	-1,061.29	-2,577.89
Financial derivatives	-6.91	-3.63	-3.29	34.20	15.65	85.81	-41.11	-19.28	-89.10
Other investment	-136.62	-478.69	-2,407.16	-316.56	396.69	-1,473.32	179.94	-875.38	-933.84
Monetary financial institutions	640.99	-926.69	-1,099.79	144.0	96.35	-524.25	496.99	-1,023.04	-575.54
Other sectors	-944.02	171.23	-1,704.29	-618.38	63.33	-1,099.85	-325.64	107.90	-604.44

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

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

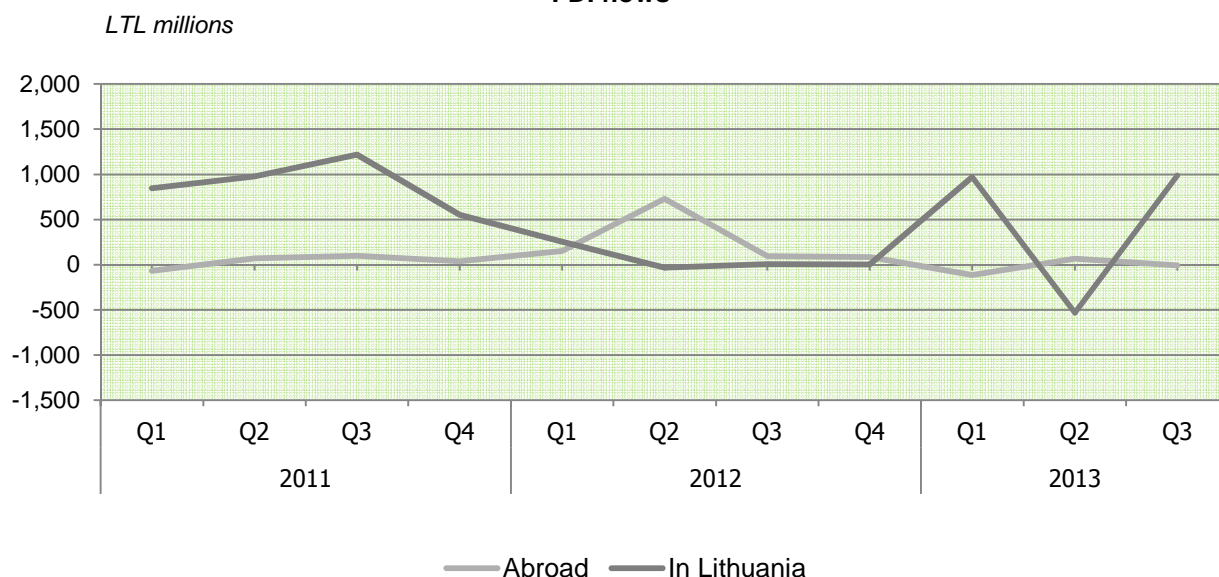
The totals in some lines and columns may not tally with the total investment flow due to rounding.

Direct investment. In Q3, as in the first three quarters of 2013, the recorded net positive FDI inflows amounted respectively to LTL 997.5 million (3.1% of GDP) and LTL 1.5 billion (1.7% of GDP). For comparison: in Q3 and in the three quarters of 2012, the net FDI inflows amounted respectively to LTL 1.6 billion (5.1% of GDP) and LTL 631.4 million (0.7% of GDP).

In Q3, as in Q1–Q3 2013, the recorded FDI inflows in Lithuania amounted respectively to LTL 988 million (3.1% of GDP) and LTL 1.4 billion (1.6% of GDP). FDI inflows into Lithuania for four quarters (Q4 2012 to Q3 2013) amounted to LTL 1.7 billion (1.4% of GDP). Inflows during the reference periods were received because of the positive flow of reinvestment and other capital in Lithuania.

In Q3, as in the three quarters of 2013, Lithuanian economic entities' direct investment abroad declined, with their flows standing respectively at LTL 9.6 million and LTL 57.3 million. For four quarters (Q4 2012 to Q3 2013), the negative flow of this investment abroad amounted to LTL 25.5 million, which suggests an increase in this investment.

FDI flows



As of 30 September 2013, accumulated FDI in Lithuania amounted to LTL 42 billion (EUR 12.15 billion), or LTL 14, 223 (EUR 4,119) per capita on average.

Portfolio investment. In Q3 2013, the net outflow of this investment abroad amounted to LTL 708.5 million, in the three quarters — LTL 3.5 billion (LTL 442.6 million and LTL 3.4 billion inflows respectively in 2012). The outflow of portfolio investment in Q3 and over the three quarters of 2013 was received by redemption from non-residents of debt securities issued by the general government.

Net flow of portfolio investment



The net outflow of **other investment and financial derivatives** from Lithuania for Q3 and the three quarters of 2013 was LTL 143.5 million and LTL 2.4 billion respectively. The outflow of investment in these periods was driven by an increase in non-resident debt for goods and services, an increase in credit to non-residents granted by the monetary financial institutions (MFI) sector, and a decrease in credit received from non-residents. For comparison: in Q3 2012, a net inflow of this investment (LTL 35 million) was recorded, whereas in Q1–Q3 of 2012 — an outflow of investment of LTL 5.3 billion. The outflow of this investment was determined by an increase in the deposits abroad of MFI's and a decrease in loans from non-residents.

Official reserve assets. The negative flow of Lithuania's official reserve assets on the balance of payments (LTL 1.1 billion) for Q3 2013 signals their increase. The recorded positive flows of official reserve assets for Q1–Q3 2013, as for the last four quarters (LTL 1.5 billion and LTL 983.3 million respectively) signal their decrease. At the end of Q3 2013, official reserve assets amounted to LTL 20.5 billion (around EUR 5.9 billion). At the end of Q3 2013, the goods and services import coverage of accumulated official reserve assets was 2.3 months (at the end of 2012 — 2.7 months).

International investment position. As of 30 September 2013, the country's total accumulated financial foreign assets amounted to LTL 56.9 billion and its total accumulated international financial liabilities — LTL 112.8 billion. The negative international investment position was LTL 59.9 billion, i.e. Lithuania is a debtor vis-à-vis the rest of the world.

In Q3 2013, the country's foreign assets surged by LTL 1.8 billion (3.4%), whereas its international financial liabilities contracted by LTL 587.2 million (0.5%). Foreign assets grew mainly on account of an increase in official reserve assets, while international financial liabilities contracted on account of a decline in direct and portfolio investment.

Composition of the international investment position
(percentage)

	31/12/2012	30/09/2013
External assets	100.0	100.0
Direct investment	11.8	12.0
Portfolio investment	16.8	17.8
Financial derivatives	0.8	0.6
Other investment	31.8	33.7
Official reserve assets	38.8	35.9
Liabilities	100.0	100.0
Direct investment	35.6	37.2
Portfolio investment	31.1	28.4
Financial derivatives	0.2	0.2
Other investment	33.1	34.2

In Q3 2013, Lithuania's gross external debt increased by LTL 818.8 million, or 1 per cent. At the end of September 2013, gross external debt was LTL 82.3 billion, or 69.7 per cent of GDP (at the end of 2012, the debt-to-GDP ratio was 75.4%). At the end of Q3 2013, general government debt was 44.3 per cent of the country's gross external debt (47.1% at the end of 2012), the debt of the MFI's sector — 29.2 per cent (28.6% previously), the debt of other sectors — 11 per cent (11% previously), direct investment liabilities (indebtedness between domestic and foreign enterprises) — 15.3 per cent (13.2% previously). At the end of September 2013, the country's gross external debt was LTL 35.4 billion, or 30 per cent of GDP (LTL 38.3 billion, or 33.6% of GDP, at the end of 2012).