20/09/2017

CURRENT ACCOUNT DEFICIT NARROWED

The balance of payments data for Q2 2017 released by the Bank of Lithuania show that:

the **current account balance** (CAB) was in deficit, at EUR 123.5 million, equating to 1.2 per cent of GDP (in Q2 2016 – 3.8% of GDP) (see Chart 1). Although the balances of services and secondary income increased substantially, they did not, however, offset a substantial decrease in primary income inflows;

the deficit on **foreign trade balance** narrowed by 10.6 per cent year on year, to EUR 607 million. In the reference period, export growth (18.1%) was recorded to outpace import growth (14.9%);

the surplus on the **balance of services** amounted to EUR 797.4 million, widening by 33.1 per cent year on year. The build-up of the surplus was driven by the surpluses on the balances of transportation, travel and manufacturing services, which amounted to EUR 526.4, EUR 83.5 and EUR 68.8 million respectively;

the deficit on the **primary income balance** amounted to EUR 503.8 million in Q2, widening by 3.6 per cent year on year. This widening was due to a fall of 17.9 per cent in primary income inflows. In Q2, a deficit of EUR 22.2 million in other primary income was recorded, on the back of less subsidies received from the EU;

the surplus on the **balance of secondary income** amounted to EUR 189.9 million, narrowing by 4.1 per cent year on year. It was due to an increase of 1.5 times (EUR 24.9 million) in contributions to the EU budget. In Q2 2017, personal transfers to Lithuania from abroad grew by 1.4 per cent, while personal transfers from Lithuania contracted by 4.4 per cent year on year.

the negative flow of **net investment on the financial account** amounted to EUR 8.1 million, equating to 0.1 per cent of GDP (a year ago – EUR 178.1 million, equating to 1.9% respectively) (see Chart 2);

the positive flow of **net other investment and financial derivatives** of EUR 1.6 billion was due to an almost EUR 1.1 billion decline in assumed liabilities to non-residents and an increase of EUR 561 million in financial assets abroad;

the **net** negative **direct investment flow** of EUR 103.9 million built up due to a rise in liabilities to non-residents and in financial assets abroad. According to the data of 30 June 2017, accrued foreign direct investment (FDI) in Lithuania stood at EUR 16 billion, or EUR 5,679 per capita on average;

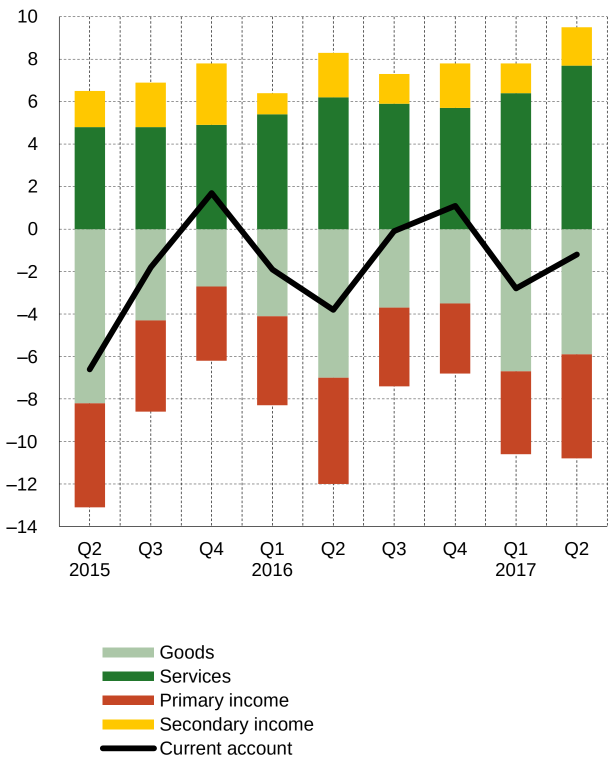
the decrease in **net portfolio investment** of EUR 713.6 million was due to liabilities to non-residents having grown more than assets (EUR 688.2 million) on the back of placement of long-term debt securities (EUR 1.4 billion);

the **official reserve assets** contracted by EUR 823.4 million, to EUR 1.3 billion at the end of the quarter;

The negative **international investment position** amounted to EUR 16.4 billion, or 41.1 per cent of GDP, at the end of Q2, indicating that Lithuania was a debtor vis-a-vis the rest of the world.

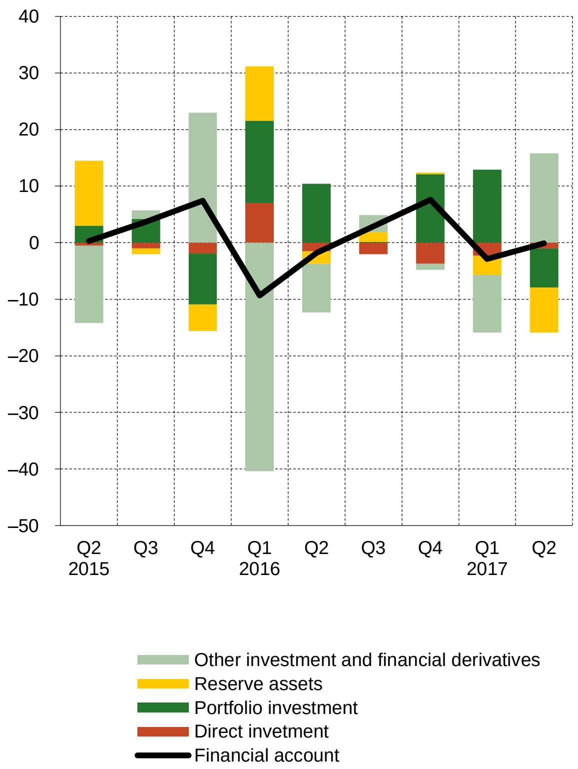
Lithuania's gross external debt stood at EUR 33.1 billion, or 82.8 per cent of GDP, **net debt** – EUR 9.4 billion, or 23.4 per cent of GDP, at the end of Q2.

Chart 1. CAB and its composite flows as a percentage of GDP



Source: Bank of Lithuania.

Chart 2. Net financial account investment flows as a percentage of GDP



Source: Bank of Lithuania.

It should be noted that, when calculating the balance of payments data for Q2 2017, all quarterly and monthly balance of payments data (from Q1 2004 to Q1 2017) as well as international investment position data were revised. The current account (primary and secondary income), the capital and financial accounts (portfolio investment assets and financial derivatives) were subject to major revision.

Detailed data on the country's balance of payments and international investment position as well as external debt for Q2 2017 is available on the Bank of Lithuania website under External Statistics.

Statistics Department
Economics and Financial Stability Service