

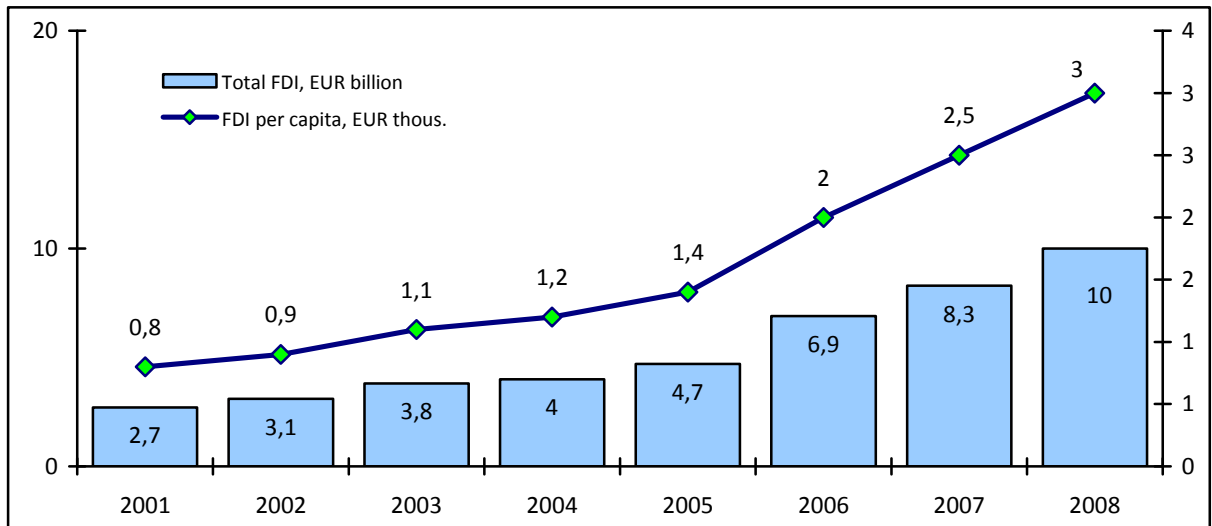
OVERVIEW OF LITHUANIAN ECONOMY IN 2007

Overview of Foreign Direct Investment

According to the estimates of Statistics Lithuania, foreign direct investment (FDI) stood at LTL 34.6 billion (EUR 10.02 billion) on 1 January 2008, up 19.6% year-on-year. On average, FDI per capita was LTL 10,300, or EUR 2,980.

Figure 1

Foreign Direct Investment in Lithuania at the beginning of the year

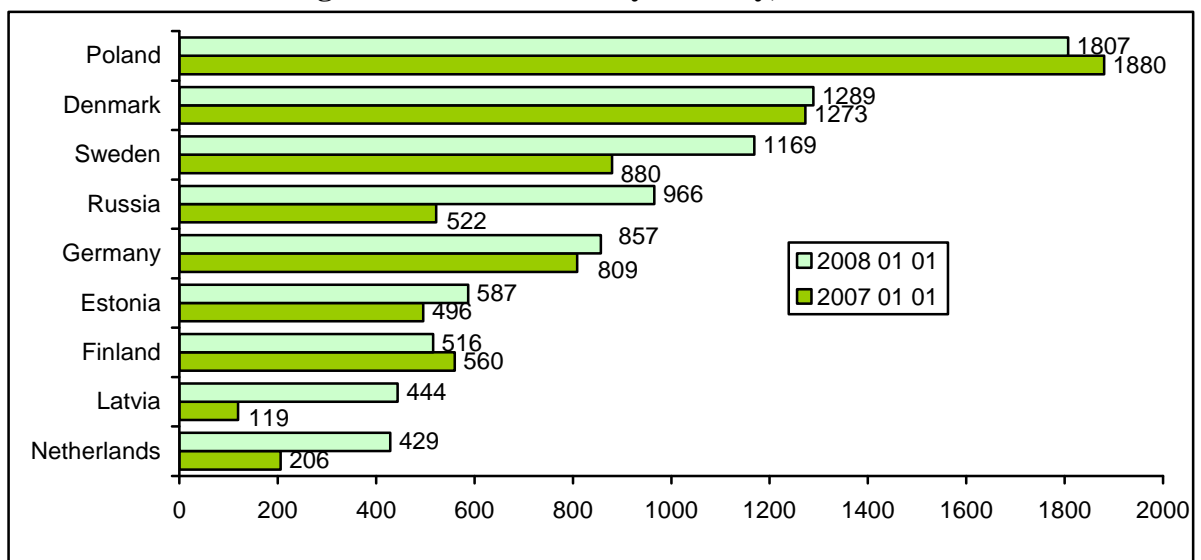


Source: Statistics Lithuania, www.stat.gov.lt

The largest investor was Poland with EUR 1.8 billion (18% of total FDI) invested in Lithuania followed by Denmark (EUR 1.3 billion or 12.9%), Sweden (EUR 1.2 billion or 11.7%), Russia (EUR 966 million or 9.6%), Germany (EUR 857 million or 8.6%), Estonia (EUR 587 million or 5.9%), Finland (EUR 516 million or 5.2%), Latvia (EUR 444 million or 4.4%), and the Netherlands (EUR 429 million or 4.3%).

Figure 2

Foreign Direct Investment by Country, EUR million



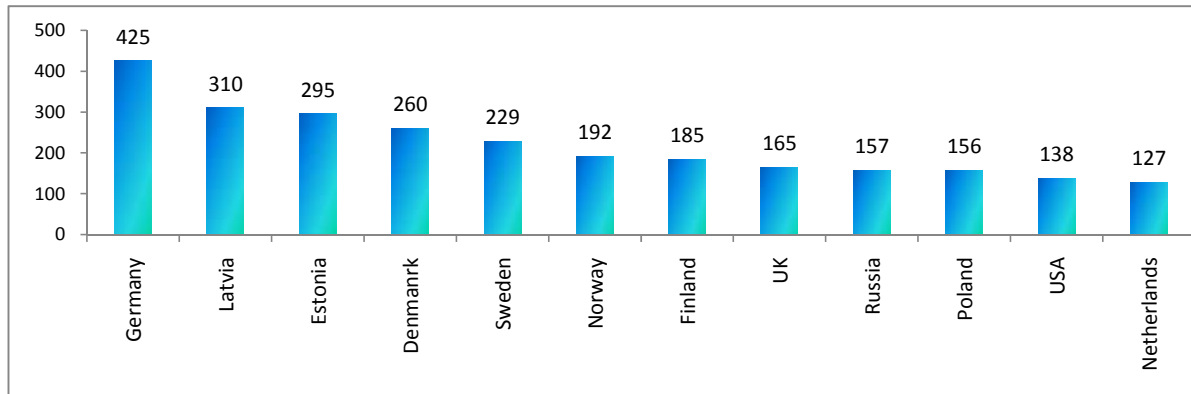
Source: Statistics Lithuania, www.stat.gov.lt

Direct investments from EU-27 and CIS countries were EUR 8 billion (80.3%) and EUR 1 billion (10%) of total foreign direct investment respectively.

On 1 January 2008, there were 3,396 foreign investors in Lithuania. Most of them were from Germany (425), Latvia (310) and Estonia (295). Meanwhile, Poland, which was the largest FDI investor in Lithuania by value during the period concerned, ranked only tenth in terms of the number of investors (156) as the majority of all investments came from a single large Polish investor, i.e. the oil refining concern PKN ORLEN.

Figure 3

Number of Foreign Investors in Lithuania on 1 January 2008



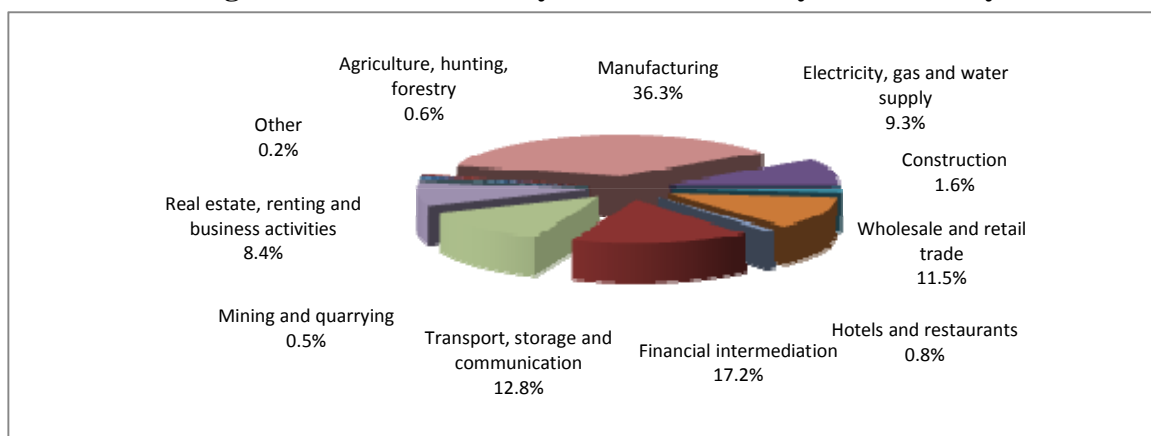
Source: Statistics Lithuania, www.stat.gov.lt

Most FDI went to the manufacturing industry (36.3% of total FDI, of which 23.4% to manufacturing of petrochemical products), financial intermediation (17.2%), transport, storage and communications (12.8%), wholesale and retail trade (11.5%), electricity, gas and water supply (9.3%), real estate, renting and other business activities (8.4%).

In the manufacturing industry, major investment areas were manufacturing of petroleum products and chemicals (64.4% of total investment in the manufacturing industry) as well as manufacturing of foodstuffs, drinks and tobacco (12.1%).

Figure 4

Foreign Direct Investment by Economic Activity on 1 January 2008

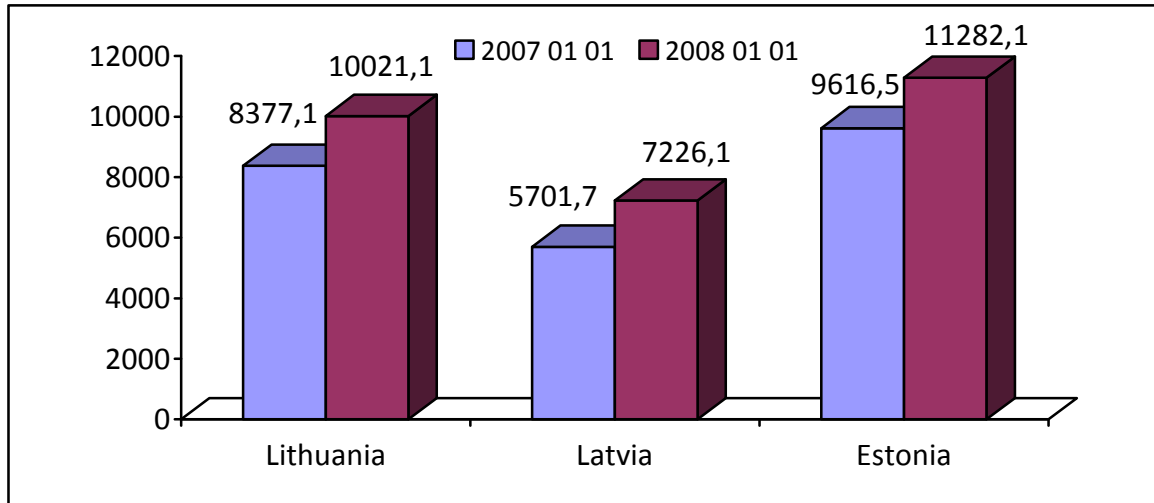


Source: Statistics Lithuania, www.stat.gov.lt

Compared with the neighbouring countries, foreign direct investment accrued in Lithuania on 1 January 2008 was still below the Estonian figure of EUR 11.3 billion, while the Latvian indicator remained the lowest among the three Baltic States standing at EUR 7.2 billion. It should be noted that the gap between Lithuania and Estonia has been shrinking as recently FDI has been growing faster in Lithuania (up 19.6% in 2007) than in Estonia (up 17.3% in 2007).

Figure 5

Foreign Direct Investment in the Baltic States, EUR million

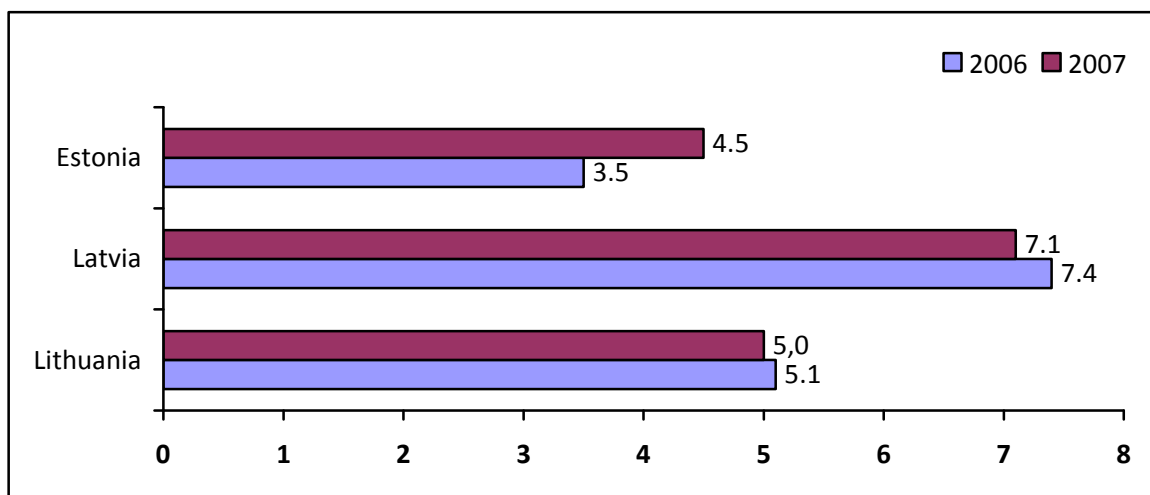


Source: National Statistical Offices

In 2007, Lithuania lagged behind Latvia but managed to overtake Estonia in terms of the net FDI flow to GDP ratio. However, the indicator concerned shrank in Lithuania in 2007 compared with the previous year, while the net FDI flow to GDP ratio increased by one percentage point in Estonia.

Figure 6

Net Foreign Direct Investment Flow to GDP Ratio, %



Source: National Statistical Offices, Central Banks

On 1 January 2008, FDI per capita in Lithuania was almost three times as low as in Estonia (EUR 2,977 vs. EUR 8,404). In terms of this indicator, Latvia was also ahead of Lithuania as its FDI per capita was EUR 3,192.

Table 1

Foreign Direct Investment in the Baltic States

Country	FDI, EUR bn 2008 01 01	Year-on-year increase, %	FDI per capita on 01 01 2008, EUR	Net FDI flow to GDP ratio in 2007
Lithuania	10.02	19.6	2,977	5.0
Latvia	7.2	26.7	3,192	7.1
Estonia	11.3	17.3	8,404	4.5

Source: National Statistical Offices, DnB NORD Bank

Overview of Foreign Trade

In 2007, Lithuanian visible exports and imports were worth LTL 43.2 billion (EUR 12.5 billion) and LTL 61.5 billion (EUR 17.8 billion) respectively. In 2007, the volume of exports and imports rose by 11.2% and 14.5% respectively compared with 2006. As the growth of imports was faster than that of exports, the Lithuanian foreign trade deficit was LTL 18.3 billion (EUR 5.3 billion) and rose by 23.4% from a year earlier.

Table 2

Foreign Trade Balance, EUR million

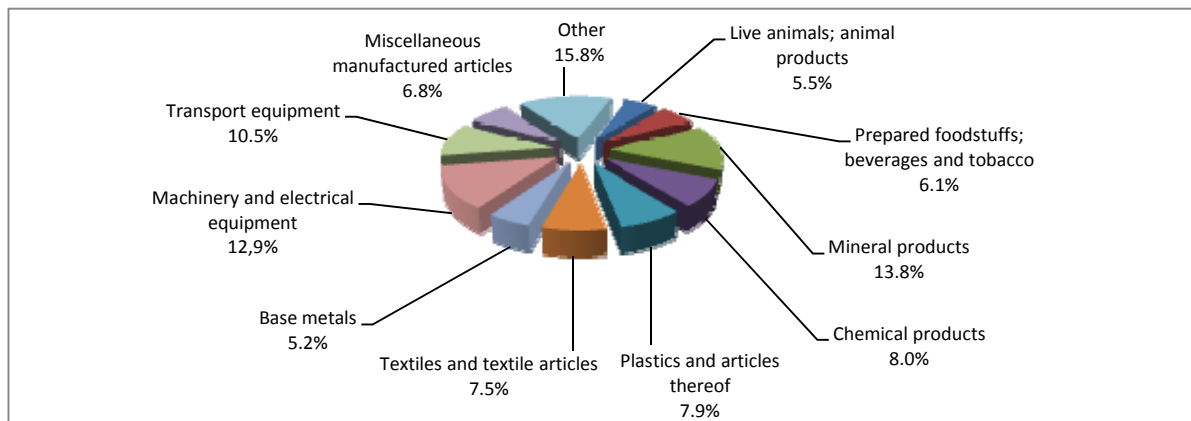
	Exports	Imports	Balance
2007	12513	17812	-5303
Quarter 1	2799	3972	-1176
Quarter 2	3169	4596	-1426
Quarter 3	3349	4624	-1276
Quarter 4	3195	4620	-1424
2006	11263	15429	-4166

Source: Statistics Lithuania, www.stat.gov.lt

The growth of exports relied on increasing export volumes of plastics and plastic ware (74.8%), surface vehicles (23.5%), fertilisers (48.9%), and machines and mechanical equipment (21%). In 2007, the largest export product groups in Lithuania were mineral products (13.8%), machines and mechanical and electrical equipment (12.9%) as well as vehicles and auxiliary transport equipment (10.5%).

Figure 7

Breakdown of Exports by Product Groups in 2007



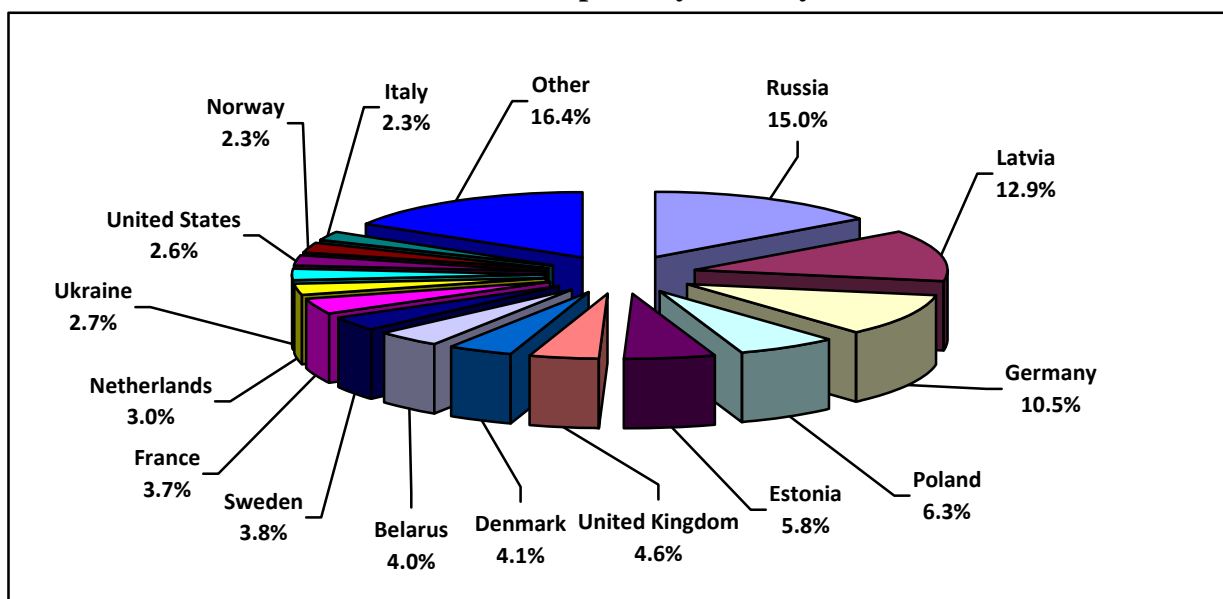
Source: Statistics Lithuania, www.stat.gov.lt

The analysis of foreign trade statistics in 2007 by macroeconomic categories shows that exports of cars were growing very strongly (25.2%). Growth in the investment product group was also among the fastest (26.1%) Meanwhile, imports of consumer goods grew significantly stronger than their exports (26.5% vs. 16.4%). This trend was the major factor contributing to the increase in foreign trade deficit.

In 2007, Russia was the major export partner of Lithuania as exports to Russia were worth LTL 6,472.9 million and rose by 30.6 percent. Exports to Russia account for 15.0 percent of total Lithuanian exports. Other equally significant export partners of Lithuania with strongly rising export volumes were Latvia (12.8% of total exports), Germany (10.5%) and Poland (6.3%).

Figure 8

Breakdown of Exports by Country in 2007



Source: Statistics Lithuania, www.stat.gov.lt

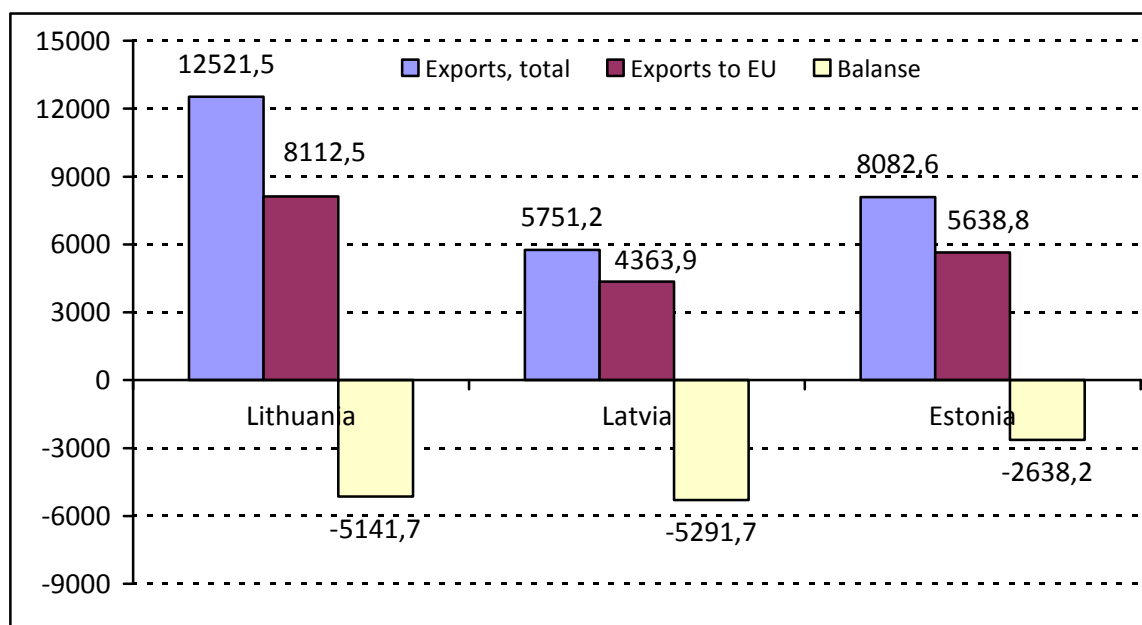
The majority of exports, i.e. 64.8%, went to the EU countries in 2007. This shows that products of Lithuanian origin are of good quality and can compete on the EU market. CIS markets accounted for 24.4% of exports. The EU's share of exports rose by 1 percentage point year-on-year, while the relative weight of the CIS market increased by three percentage points.

In 2007, Lithuania enjoyed the highest volume of exports compared with the other Baltic States (EUR 12,521.5 million). In this period, Estonian exports stood at EUR 8,082.6 million, while Latvia's indicator was twice as low as that of Lithuania standing at EUR 5,751.2 million. All the three countries mainly exported to EU countries but the Latvian exports to the EU accounted for as much as 75.9%, while the Lithuanian and Estonian indicators stood at 64.8% and 69.8% respectively.

In 2007, foreign trade deficit was similar in Lithuania and Latvia standing at EUR 5,141.7 million and EUR 5,291.7 million respectively. The indicator was twice as low in Estonia measuring EUR 2,638.2 million.

Figure 9

Exports of the Baltic States in 2007, EUR million



Source: National Statistical Offices, Central Banks, DnB NORD Bank