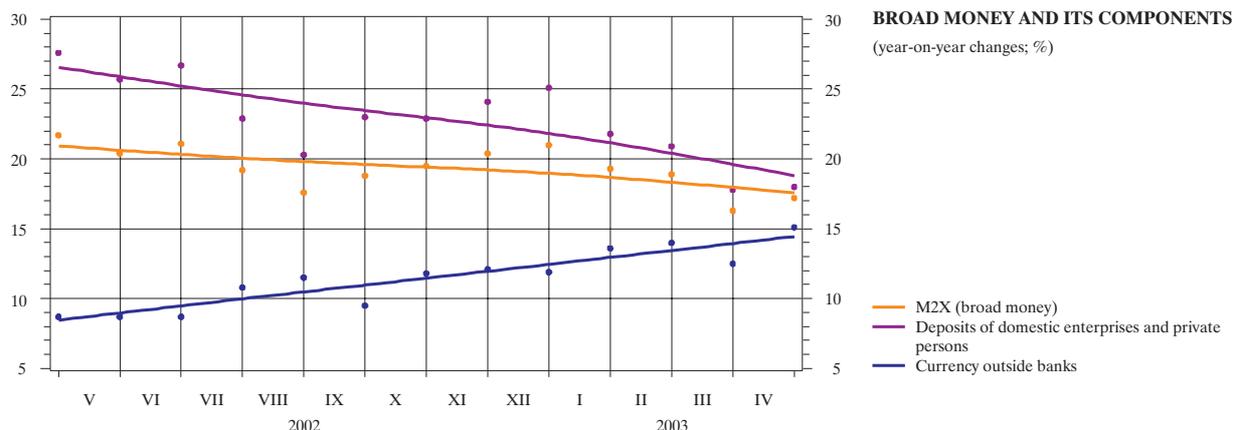


MONETARY BULLETIN

4
2003

Despite negative trends in the global economy, the Latvian national economy continued to enjoy robust growth in April. The latest data on the development of the industrial sector indicated that the demand for goods produced in Latvia was stable. The retail trade growth was indicative of strong domestic demand. Unemployment rate dropped to 8.8%. Inflation remained rather low, although its growth rate increased slightly and the annual rate of consumer price inflation was 2.5%. A rise in the prices on clothing and footwear (3.0%), as well as some foodstuffs and medicine, mostly accounted for the changes in consumer prices in April. The financial sector enjoyed stable growth, with a moderate increase in all major monetary indicators.

In April, broad money M2X and deposits attracted and loans granted by the banking sector posted a slightly slower rise than in March, while the demand for cash remained almost unchanged. The annual increase in broad money reached 17.2%, deposits of domestic enterprises and private persons grew 18.0%, whereas loans granted to the above group of customers rose 39.4%. With banks offering higher interest rates on deposits in lats, the funds attracted were predominantly in the national currency and the rise resulted mostly from private person deposits (an increase of 16.8 million lats; the weighted average interest rates on short-term and long-term deposits were 4.1% and 4.9%, respectively; deposits in foreign currency grew by 5.7 million lats, and the weighted average interest rates on short-term and long-term deposits were 2.0% and 3.3%, respectively). Loans granted to domestic enterprises and private persons in foreign currency posted a higher growth (29.4 million lats), and the weighted average interest rates on such short-term and long-term loans were by 0.5 and 2.7 percentage points lower than those on the loans in lats of the respective term. Mortgage loans recorded the highest pickup (26.3 million lats or 5.8%). Both industrial and commercial credit increased by 10.7 million lats (by 2.3% and 1.5%, respectively). The banking system's net credit to the Government rose slightly (by 6.3 million lats), whereas net claims of credit institutions on the central government recorded a significant increase (44.5 million lats), with the Government's deposits with the banking sector shrinking and those with the central bank growing. The growth of the net domestic assets of the banking system (43.3 million lats) underlay the pickup in the money supply, with net foreign assets of the banking system slightly declining.



In April, assets of credit institutions grew by 91.9 million lats or 2.1% (to 4.5 billion lats). Banks' profit for the first four months of 2003 reached 19.3 million lats, increasing by 27.8% year-on-year.

In the first four months of 2003, fiscal surplus of the general government consolidated budget totalled 2.4 million lats (for the first time since 1999). It resulted from high fiscal surplus in January, since fiscal deficit was observed in April (11.6 million lats). In the first four months of 2003, the general government consolidated budget revenue rose 6.6% year-on-year, whereas expenditure (including net loans) grew 4.9%. Tax revenue posted a year-on-year increase of 9.0%. Growth was reported for all tax revenue items, except for corporate income tax, where the decline resulted from reduced tax rates. Tax revenue in April was the highest monthly indicator in 2003.

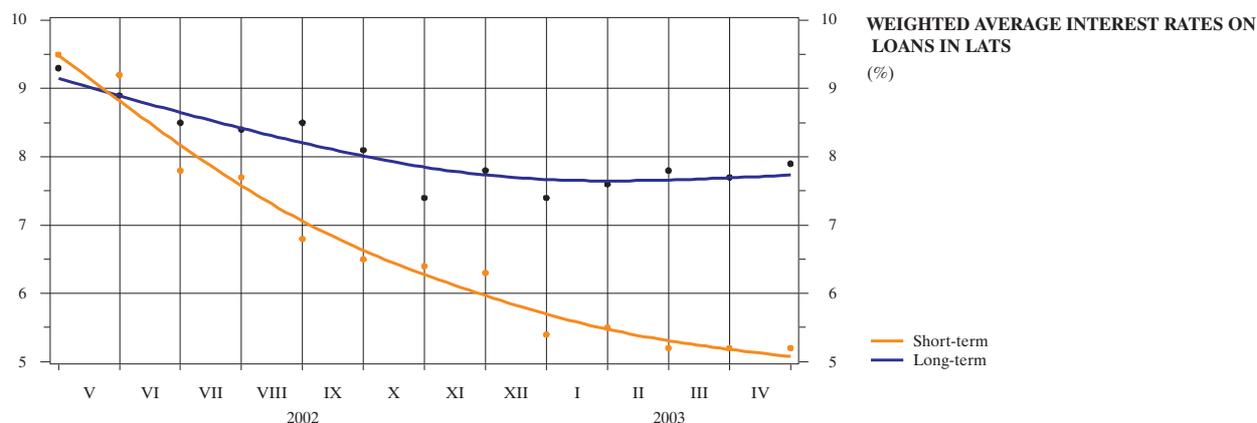
At the end of April, public debt totalled 804.8 million lats. The stock of the public debt did not change significantly in April despite the third issue of 10-year government bonds, since 12-month bills, issued in the previous year, were redeemed in almost the same amount. At 10-year bond auction, banks' demand dropped in comparison with the previous auction of bonds of the same maturity. Rates on securities did not encourage banks' interest in bonds either. In view of the fiscal surplus in the general government consolidated budget, the State Treasury was not willing to increase interest rates, hence the average income rate at the third auction of 10-year bonds was the same as at the second one (4.97%). At the first two auctions, the total amount offered was sold, while at the third one, 79.4% of all bonds offered was sold (12.7 million lats). At the fixed rate (non-competitive) auction at the Latvian Central Depository, bonds in the amount of 0.8 million lats were sold. The amount of 10-year bonds in circulation reached 71.1 million lats, while government securities outstanding totalled 342.2 million lats at the end of April.

In April, monetary base increased by 6.8 million lats or 1.0%. Currency in circulation rose by 1.9 million lats or 0.3%, whereas deposits with the Bank of Latvia grew by 4.9 million lats or 5.0%. As a result of currency swaps, net foreign assets of the central bank increased by 40.7 million lats, and at the end of April, the backing of the national currency with the Bank of Latvia's net foreign assets was 103.3%. Credit granted to banks by the Bank of Latvia also posted a slight increase (3.9 million lats). The Government deposit with the Bank of Latvia grew by 37.4 million lats.

The demand for lats remained high; the level of repo loans granted by the Bank of Latvia (221.3 million lats), as well as that of short-term currency swaps (168.7 million lats) was considerably higher than in March. The turnover on the domestic interbank market declined by 5.2% (to 756.5 million lats). The weighted average interest rate on the Bank of Latvia's repo loans, as well as that on the interbank market was 2.8% in April, whereas overnight RIGIBOR fluctuated within the range of 2.90% to 3.24%.

The declining indicators of the development of the national economies in the United States and Japan determined the drop in the currency exchange rates of the above countries in April. Exchange rates of the US dollar and the Japanese yen against the lats decreased by 1.0%, whereas those of the euro and the British pound grew by 1.8% and 0.4%, respectively.

In April, transportation services by rail continued to develop successfully. The volume of cargos transported by rail expanded by 4.6% year-on-year. The overall cargo turnover in Latvian ports continued to decline year-on-year (by 7.1% in April).



	2003	
	III	IV
Changes in the volume index of industrial output (year-on-year basis; %)	11.0	*
Changes in the CPI		
Month-on-month basis (%)	0.5	0.3
Year-on-year basis (%)	2.2	2.5
Annual rate of core inflation (%)	1.2	1.7
Number of registered unemployed persons (at end of period)	94 093	93 393
Unemployment rate (%)	8.9	8.8
General government consolidated budget fiscal deficit/surplus (in millions of lats)	13.9	2.4
Foreign trade (in millions of lats)		
Exports	134.1	*
Imports	239.6	*
Balance	-105.5	*

MACROECONOMIC INDICATORS

* Figure available at a later date.

Source: Central Statistical Bureau of Latvia.

MONETARY INDICATORS(at end of period; in millions of lats)
(at end of period; in millions of US dollars)*

	2003	
	III	IV
Banking system		
M2X	1 914.0	1 944.0
Currency outside banks	531.0	534.2
Deposits of domestic enterprises and private persons	1 383.0	1 409.7
Demand deposits	779.5	786.3
Time deposits	603.4	623.4
M2D	1 343.8	1 363.6
Net foreign assets	312.3	299.0
Net domestic assets	1 601.6	1 644.9
Loans to domestic enterprises and private persons	1 982.2	2 027.9
Short-term loans	318.0	304.9
Long-term loans	1 664.2	1 723.0
Credit to the Government (net)	130.5	136.8
Bank of Latvia		
M0	703.5	710.3
Currency in circulation	604.9	606.8
Deposits with the Bank of Latvia in lats	98.6	103.5
Net foreign assets	693.1	733.8
Net domestic assets	10.4	-23.5
Credit	73.5	39.9
To banks	60.8	64.7
To the Government (net)	12.6	-24.8
Other items (net)	-63.0	-63.4
International reserves*	1 187.92	1 281.04
Gold	82.11	82.85
Special Drawing Rights	0.09	0.36
Reserve position in the IMF	0.08	0.08
Foreign convertible currencies	1 105.64	1 197.75

EXCHANGE RATES SET BY THE BANK OF LATVIA AND INTEREST RATES

	2003	
	III	IV
Weighted average interest rate on domestic interbank loans in lats	2.6	2.8
Interest rates on loans to domestic enterprises and private persons		
Short-term loans (in lats)	5.2	5.2
Short-term loans (in the OECD countries' currencies)	4.7	4.7
Long-term loans (in lats)	7.7	7.9
Long-term loans (in the OECD countries' currencies)	5.3	5.2
Interest rates on deposits of domestic enterprises and private persons		
Demand deposits (in lats)	0.9	0.9
Demand deposits (in the OECD countries' currencies)	0.7	0.7
Short-term deposits (in lats)	2.8	3.0
Short-term deposits (in the OECD countries' currencies)	2.0	1.7
Long-term deposits (in lats)	5.2	4.9
Long-term deposits (in the OECD countries' currencies)	3.3	3.3
The Bank of Latvia's refinancing rate (at end of period; %)	3.0	3.0
Exchange rates of foreign currencies (at end of period)		
LVL/USD	0.5870	0.5810
LVL/GBP	0.9200	0.9240
LVL/100 JPY	0.4890	0.4840
LVL/EUR	0.6280	0.6390

In April, the producer price index in industry recorded a month-on-month increase of 0.1%, while that in manufacturing remained constant. The producer price index in industry posted a year-on-year growth of 3.0%, including a 3.4% rise in manufacturing.

In March, the output in manufacturing, according to seasonally adjusted data, increased by 8.8% year-on-year, with a particularly rapid growth in the manufacturing of fabricated metal products, wood and products of wood, as well as rubber and plastic products (29.4%, 17.1% and 12.6%, respectively). Mining and quarrying posted a substantial rise (1.8 times), and the volume index of output of electrical energy, gas and water supply grew 1.7%. The volume index of industrial output increased by 11.0%, while the retail trade turnover rose by 11.4%.

	2003	
	III	IV
Bank reserves	172.2	172.4
Vault cash in national currency	73.9	72.5
Deposits with the Bank of Latvia	98.3	99.9
Foreign assets	1 824.8	1 827.9
Vault cash in foreign currency	48.4	46.3
Claims on foreign banks	1 154.1	1 139.9
Claims on foreign non-banks	595.8	603.8
Other assets	26.5	37.9
Claims on the central government (net)	107.7	152.2
Claims on local governments (net)	10.2	9.4
Claims on public enterprises	102.5	102.0
Claims on private enterprises	1 421.6	1 447.2
Claims on private persons	483.3	504.6
Unclassified assets	314.9	313.3
Fixed assets	109.4	109.7
Items in transit	4.1	7.4
Other assets	50.6	52.8
Claims on domestic credit institutions (incl. investments)	150.8	143.4
TOTAL ASSETS	4 437.2	4 529.1
<i>Memo item: Trust assets</i>	<i>555.7</i>	<i>518.9</i>
Demand deposits	459.7	466.0
Public enterprises	30.9	29.1
Private enterprises	215.8	213.9
Private persons	213.0	223.0
Time deposits	353.1	363.4
Public enterprises	34.1	34.6
Private enterprises	105.9	108.9
Private persons	213.1	219.9
Foreign currency deposits of residents	570.1	580.4
Public enterprises	26.8	25.9
Private enterprises	187.2	192.6
Private persons	356.2	361.9
Transit funds	9.6	9.6
Foreign liabilities	2 205.6	2 262.7
Liabilities to foreign banks	464.5	518.0
Liabilities to foreign non-banks	1 646.2	1 651.8
Other liabilities (incl. subordinated liabilities)	94.9	92.9
Liabilities to the Bank of Latvia	60.8	64.7
Debt securities	43.8	43.8
Equity	398.4	409.9
Residents	216.3	226.9
Non-residents	182.1	183.0
Provisions	63.6	62.9
Unclassified liabilities	272.4	265.7
Items in transit	91.6	92.7
Other liabilities (incl. subordinated liabilities)	39.5	38.9
Liabilities to domestic credit institutions	141.3	134.1
TOTAL LIABILITIES	4 437.2	4 529.1
<i>Memo item: Trust liabilities</i>	<i>555.7</i>	<i>518.9</i>

**CONSOLIDATED BALANCE SHEET
OF CREDIT INSTITUTIONS**

(at end of period; in millions of lats)

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The IMF's Dissemination Standards Bulletin Board (<http://dsbb.imf.org>) disseminates the release dates for monetary indicators of the Latvian banking system, monetary indicators of the Bank of Latvia and international reserves. The data are first made available on the Bank of Latvia's website (<http://www.bank.lv>).