

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

11 • 2002
MONTHLY BULLETIN

The current account deficit (43.3 million lats) was considerably lower than in November 2001 and October 2002 (by 55.0 million lats and 18.6 million lats, respectively). It also showed significant year-on-year improvements in the first eleven months of 2002. Exports of goods continued to follow the upward trend of the previous months. The year-on-year decrease in the goods deficit was determined by the monthly increase in exports and base effects on imports arising from the purchase of two cargo vessels in November 2001. Exports of goods rose by 21.6%, while their imports declined by 12.4%. The largest growth was observed in exports of wood and articles of wood, base metals and food products. The current transfers surplus increased, whereas the income surplus, as well as the services surplus, declined.

The services surplus was only 1.4 million lats lower than in November 2001, as exports of services decreased at a slightly more rapid pace. A decrease in exports of transportation services (by sea, road and pipeline) was partly offset by a notable increase in exports of travel services. In the first eleven months of 2002, exports of travel services grew (in particular towards the end of the period), exceeding significantly their level the year before, while imports of travel services showed no marked changes.

As in the past months, non-residents' direct investment income increased, determining a year-on-year decline of 10.3 million lats in the income surplus. In the first eleven months of 2002, a year-on-year increase of 75.1% was reported for non-residents' income on direct investment in equity capital.

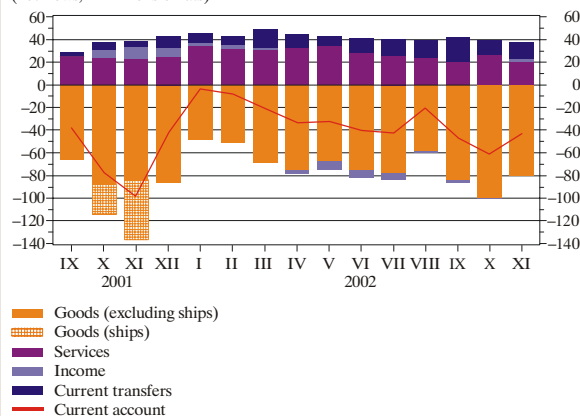
The current transfers surplus was 10.0 million lats higher than in November 2001, offsetting the decline in the income surplus. The increase in the current transfers surplus was largely determined by rising inflows of current transfers in the private sector, which could be attributed to the inclusion of information on external payments executed by private persons through banks in the balance of payments as of 2002.

The capital and financial account posted a surplus of 39.2 million lats.

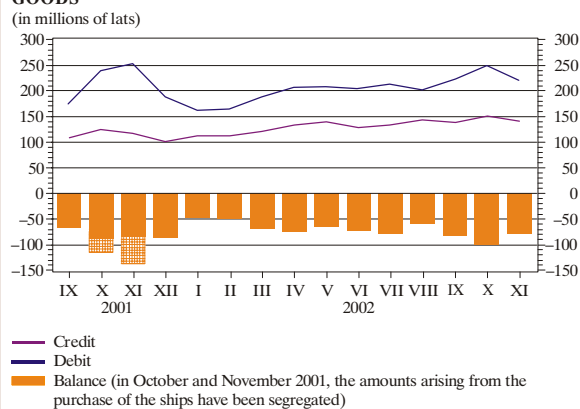
The net inflow of direct investment reached 16.4 million lats. Foreign direct investment in Latvia amounted to 16.9 million lats. About a half of direct investment was made in enterprises' equity capital, while the rest was reinvested earnings and investment in other capital, with the invested amounts being about equal. In the first eleven months of 2002, direct investment (246.3 million lats; a year-on-year increase of 65.3 million lats) covered 69.6% of the current account deficit.

Portfolio investment posted a net inflow of 24.5 million lats, as residents (banks) decreased their portfolio of foreign long-term debt securities.

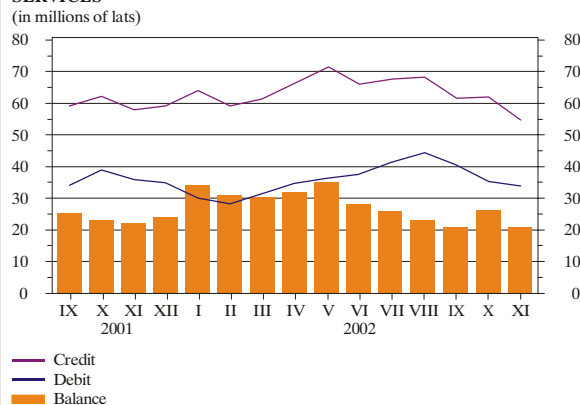
A net outflow of 19.7 million lats was observed in other investment. Residents increased other investment assets by 10.7 million lats. Banks' loans to non-residents (time deposits) decreased, while banks' demand deposits with credit institutions in

CURRENT ACCOUNT
(net flows; in millions of lats)

GOODS



SERVICES



MONTHLY BALANCE OF PAYMENTS (KEY ITEMS)

(balance; in millions of lats)

| | Current account | | | | | Capital account | Financial account | | | | | Errors and omissions | |
|-------------------|--------------------|----------|--------|-------------------|-------------------|-----------------|----------------------|-----------------------|------------------|----------------|-------|----------------------|-------|
| | Goods ¹ | Services | Income | Current transfers | Direct investment | | Portfolio investment | Financial derivatives | Other investment | Reserve assets | | | |
| 2001 ² | | | | | | | | | | | | | |
| IX | -37.6 | -66.1 | 24.9 | 0.2 | 3.3 | 1.3 | 46.0 | 6.2 | 4.3 | 1.8 | 29.1 | 4.5 | -9.7 |
| X | -76.7 | -114.1 | 23.0 | 7.8 | 6.7 | 2.6 | 39.3 | 20.6 | -2.9 | -3.7 | 48.2 | -22.9 | 34.8 |
| XI | -98.3 | -136.7 | 22.1 | 12.3 | 3.9 | 2.5 | 53.0 | 15.5 | 141.9 | -0.4 | 7.0 | -111.1 | 42.9 |
| XII | -43.5 | -85.7 | 24.2 | 8.6 | 9.5 | 1.9 | 84.2 | -86.2 | 88.3 | 4.4 | 106.3 | -28.6 | -42.5 |
| 2002 | | | | | | | | | | | | | |
| I ² | -3.6 | -49.1 | 34.0 | 3.1 | 8.4 | 1.4 | 13.3 | 17.3 | 4.4 | -2.7 | -6.0 | 0.4 | -11.1 |
| II ² | -8.2 | -51.3 | 31.0 | 4.2 | 7.9 | 0.7 | 6.3 | 21.5 | -11.2 | 1.2 | -18.4 | 13.2 | 1.3 |
| III ² | -20.7 | -69.7 | 30.1 | 2.9 | 16.0 | 1.5 | 27.7 | 29.4 | -23.9 | 1.1 | 26.1 | -5.1 | -8.5 |
| IV ² | -34.0 | -74.8 | 31.9 | -4.0 | 12.9 | 0.8 | 33.2 | 18.8 | -54.7 | -0.7 | 57.8 | 11.9 | 0 |
| V ² | -32.4 | -66.9 | 34.9 | -8.5 | 8.1 | 1.0 | 66.6 | 27.3 | -32.8 | 6.8 | 55.8 | 9.5 | -35.2 |
| VI ² | -40.4 | -74.6 | 28.3 | -7.5 | 13.4 | 0.6 | -0.9 | 37.9 | 23.1 | -1.1 | -71.8 | 11.0 | 40.7 |
| VII ² | -43.2 | -78.0 | 26.0 | -5.5 | 14.3 | 1.0 | 55.9 | 21.5 | -5.5 | -3.0 | 31.5 | 11.4 | -13.6 |
| VIII ² | -20.3 | -58.5 | 23.3 | -1.0 | 15.8 | 0.3 | 12.3 | 20.4 | -23.0 | 2.4 | 55.2 | -42.7 | 7.7 |
| IX ² | -45.8 | -83.4 | 20.6 | -3.6 | 20.5 | 0.8 | 56.5 | 20.4 | 8.6 | 2.6 | 35.7 | -10.9 | -11.5 |
| X | -61.9 | -99.9 | 26.5 | -0.8 | 12.2 | 0.6 | 68.1 | 15.3 | -32.4 | -2.8 | 43.1 | 44.9 | -6.8 |
| XI | -43.3 | -79.9 | 20.7 | 2.0 | 13.9 | 0.8 | 38.4 | 16.4 | 24.5 | -0.7 | -19.7 | 17.9 | 4.1 |

CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

| | Current account | | | | | | | | | | Capital account | |
|-------------------|-----------------|-------|--------------------|-------|----------|-------|--------|-------|-------------------|-------|-----------------|-------|
| | Credit | | Goods ¹ | | Services | | Income | | Current transfers | | Credit | Debit |
| | | | Credit | Debit | Credit | Debit | Credit | Debit | Credit | Debit | | |
| 2001 ² | | | | | | | | | | | | |
| IX | 191.2 | 228.8 | 108.3 | 174.4 | 58.8 | 33.9 | 13.6 | 13.4 | 10.4 | 7.1 | 2.0 | 0.7 |
| X | 216.6 | 293.3 | 125.1 | 239.2 | 61.8 | 38.8 | 15.0 | 7.2 | 14.7 | 8.0 | 3.0 | 0.4 |
| XI | 203.3 | 301.6 | 117.4 | 254.1 | 57.7 | 35.5 | 15.8 | 3.6 | 12.3 | 8.4 | 2.8 | 0.2 |
| XII | 192.6 | 236.0 | 101.8 | 187.5 | 58.9 | 34.7 | 14.6 | 6.0 | 17.3 | 7.9 | 2.4 | 0.5 |
| 2002 | | | | | | | | | | | | |
| I ² | 211.4 | 215.0 | 113.3 | 162.4 | 64.0 | 30.0 | 14.5 | 11.4 | 19.6 | 11.3 | 1.5 | 0.2 |
| II ² | 205.4 | 213.6 | 113.5 | 164.8 | 59.3 | 28.3 | 14.0 | 9.8 | 18.7 | 10.8 | 0.8 | 0.2 |
| III ² | 223.9 | 244.6 | 121.4 | 191.1 | 61.6 | 31.5 | 14.7 | 11.8 | 26.2 | 10.2 | 1.9 | 0.4 |
| IV ² | 238.9 | 272.9 | 132.9 | 207.7 | 66.6 | 34.7 | 14.1 | 18.1 | 25.3 | 12.4 | 1.1 | 0.3 |
| V ² | 246.3 | 278.6 | 140.3 | 207.2 | 71.3 | 36.4 | 13.9 | 22.4 | 20.7 | 12.7 | 1.2 | 0.2 |
| VI ² | 234.9 | 275.3 | 129.7 | 204.3 | 65.8 | 37.6 | 14.3 | 21.8 | 25.1 | 11.7 | 1.0 | 0.4 |
| VII ² | 242.9 | 286.1 | 134.5 | 212.5 | 67.4 | 41.4 | 14.1 | 19.6 | 26.9 | 12.6 | 1.8 | 0.9 |
| VIII ² | 259.6 | 279.9 | 143.8 | 202.3 | 67.8 | 44.4 | 14.8 | 15.8 | 33.2 | 17.4 | 0.8 | 0.5 |
| IX ² | 249.8 | 295.6 | 139.7 | 223.1 | 61.1 | 40.5 | 13.9 | 17.5 | 35.0 | 14.5 | 1.1 | 0.3 |
| X | 260.3 | 322.2 | 150.1 | 250.0 | 61.6 | 35.1 | 15.4 | 16.2 | 33.1 | 20.8 | 0.8 | 0.2 |
| XI | 241.5 | 284.8 | 142.7 | 222.6 | 54.6 | 33.9 | 15.1 | 13.2 | 29.1 | 15.2 | 0.8 | 0.1 |

the OECD countries rose at a more rapid pace. Liabilities under other investment declined by 8.9 million lats, as loans repaid by residents exceeded newly attracted funds.

With the Bank of Latvia meeting its contractual obligations under currency swap arrangements, reserve assets decreased by 17.9 million lats in November.

¹ The item *Goods* covers general merchandise and goods for processing (the basic source for these two items is foreign trade statistics published by the Central Statistical Bureau of Latvia), repairs on goods, goods procured in ports by carriers, and non-monetary gold. The data on exports and imports of general merchandise, collected by the Central Statistical Bureau of Latvia, have been adjusted in conformity with the methodology for compiling the balance of payments.

² Data have been revised.

CURRENT ACCOUNT: INCOME

(in millions of lats)

| | Income | | | | | | | | | | | |
|-------------------|--------|-------|---------------------------|-------|-------------------|-------|----------------------|-------|------------------|-------|--------|-------|
| | | | Compensation of employees | | Investment income | | | | | | | |
| | | | | | Direct investment | | Portfolio investment | | Other investment | | | |
| | Credit | Debit | Credit | Debit | Credit | Debit | Credit | Debit | Credit | Debit | Credit | Debit |
| 2001 ¹ | | | | | | | | | | | | |
| IX | 13.6 | 13.4 | 5.6 | 0.3 | 8.1 | 13.2 | 0.1 | 7.4 | 4.9 | 0.7 | 3.1 | 5.0 |
| X | 15.0 | 7.2 | 6.8 | 0.3 | 8.2 | 6.9 | -0.1 | 0.3 | 4.5 | 0.9 | 3.8 | 5.8 |
| XI | 15.8 | 3.6 | 6.7 | 0.3 | 9.1 | 3.3 | -0.1 | -3.5 | 5.4 | 1.6 | 3.8 | 5.2 |
| XII | 14.6 | 6.0 | 6.7 | 0.3 | 7.9 | 5.7 | -0.1 | -1.2 | 4.0 | 1.4 | 4.0 | 5.6 |
| 2002 | | | | | | | | | | | | |
| I ¹ | 14.5 | 11.4 | 6.8 | 0.2 | 7.6 | 11.1 | 0.1 | 3.7 | 4.1 | 1.2 | 3.4 | 6.2 |
| II ¹ | 14.0 | 9.8 | 6.8 | 0.2 | 7.2 | 9.5 | 0.1 | 3.1 | 3.8 | 1.2 | 3.2 | 5.2 |
| III ¹ | 14.7 | 11.8 | 6.7 | 0.2 | 8.0 | 11.6 | 0.1 | 4.1 | 4.3 | 1.3 | 3.5 | 6.2 |
| IV ¹ | 14.1 | 18.1 | 6.8 | 0.2 | 7.3 | 17.9 | 0 | 10.6 | 4.0 | 1.2 | 3.3 | 6.1 |
| V ¹ | 13.9 | 22.4 | 7.0 | 0.2 | 7.0 | 22.2 | 0 | 15.8 | 3.9 | 1.2 | 3.0 | 5.2 |
| VI ¹ | 14.3 | 21.8 | 6.9 | 0.2 | 7.4 | 21.5 | 0 | 14.7 | 3.8 | 1.3 | 3.6 | 5.5 |
| VII ¹ | 14.1 | 19.6 | 6.9 | 0.2 | 7.1 | 19.4 | 0.1 | 14.1 | 4.3 | 1.2 | 2.7 | 4.0 |
| VIII ¹ | 14.8 | 15.8 | 7.1 | 0.2 | 7.7 | 15.5 | 0.1 | 9.7 | 4.4 | 1.2 | 3.2 | 4.7 |
| IX ¹ | 13.9 | 17.5 | 7.0 | 0.2 | 6.9 | 17.3 | 0.1 | 11.1 | 3.9 | 1.2 | 3.0 | 5.0 |
| X | 15.4 | 16.2 | 7.2 | 0.2 | 8.2 | 16.0 | 0.1 | 9.2 | 4.4 | 1.2 | 3.6 | 5.6 |
| XI | 15.1 | 13.2 | 7.2 | 0.2 | 7.9 | 12.9 | 0 | 7.2 | 5.0 | 1.5 | 2.9 | 4.2 |

FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

| | Direct investment | | | | | | | | | |
|-------------------|-------------------|-----------|----------------|-----------|---------------------|-----------|---------------|-----------|-----------------------|-----------|
| | | | Equity capital | | Reinvested earnings | | Other capital | | Financial derivatives | |
| | | | Abroad | In Latvia | Abroad | In Latvia | Abroad | In Latvia | Abroad | In Latvia |
| | Abroad | In Latvia | Abroad | In Latvia | Abroad | In Latvia | Abroad | In Latvia | Abroad | In Latvia |
| 2001 ¹ | | | | | | | | | | |
| IX | -1.2 | 7.4 | -0.7 | 6.3 | -0.1 | 6.0 | -0.4 | -4.9 | 0 | 0 |
| X | 1.9 | 18.6 | 1.2 | 28.4 | 0.1 | -1.6 | 0.6 | -8.1 | 0 | 0 |
| XI | 0.5 | 15.0 | 0 | 27.4 | 0.1 | -5.4 | 0.4 | -7.0 | 0 | 0 |
| XII | -0.2 | -86.0 | -0.7 | 20.1 | 0.1 | -3.1 | 0.4 | -103.0 | 0 | 0 |
| 2002 | | | | | | | | | | |
| I ¹ | 0.2 | 17.1 | -0.1 | 16.0 | 0 | 2.5 | 0.3 | -1.4 | 0 | 0 |
| II ¹ | 0.1 | 21.4 | -0.2 | 19.9 | 0 | 1.9 | 0.3 | -0.4 | 0 | 0 |
| III ¹ | 0.1 | 29.3 | -0.1 | 27.3 | 0 | 2.9 | 0.2 | -0.8 | 0 | 0 |
| IV ¹ | -0.8 | 19.6 | -1.1 | 6.6 | 0 | 6.4 | 0.3 | 6.6 | 0 | 0 |
| V ¹ | -1.0 | 28.3 | -1.3 | 12.9 | 0 | 7.4 | 0.3 | 7.9 | 0 | 0 |
| VI ¹ | -1.2 | 39.2 | -1.6 | 22.1 | 0 | 8.4 | 0.3 | 8.7 | 0 | 0 |
| VII ¹ | -0.6 | 22.1 | -0.9 | 9.7 | -0.1 | 8.1 | 0.4 | 4.3 | 0 | 0 |
| VIII ¹ | 0.3 | 20.0 | 0 | 8.3 | -0.1 | 8.1 | 0.4 | 3.6 | 0 | 0 |
| IX ¹ | 0.2 | 20.2 | -0.1 | 7.3 | -0.1 | 9.1 | 0.4 | 3.4 | 0 | 0.4 |
| X | -0.7 | 16.1 | -0.6 | 6.1 | -0.1 | 8.4 | 0 | 1.1 | 0 | 0.5 |
| XI | -0.5 | 16.9 | -0.2 | 8.8 | 0 | 3.7 | -0.3 | 4.0 | 0 | 0.4 |

¹ Data have been revised.

FINANCIAL ACCOUNT: PORTFOLIO INVESTMENT AND FINANCIAL DERIVATIVES

(net flows; in millions of lats)

| | Portfolio investment | | | | | | | | | | Financial derivatives | | |
|-------------------|----------------------|-------|-------------|-------|-------------------|-------------|-----------------|-----------------|------|--------------------------|-----------------------|-------------|-------------|
| | Assets | | Liabilities | | Equity securities | | Debt securities | | | | Assets | Liabilities | |
| | | | | | Assets | Liabilities | Assets | Bonds and notes | | Money market instruments | | | Liabilities |
| 2001 ¹ | | | | | | | | | | | | | |
| IX | 4.8 | -0.5 | -3.7 | -0.3 | 8.5 | -9.9 | 18.5 | -0.2 | -0.2 | 0 | 0.1 | 1.7 | |
| X | -4.1 | 1.3 | 17.4 | 1.0 | -21.6 | 29.1 | -50.6 | 0.3 | 0 | 0.3 | -1.9 | -1.7 | |
| XI | 45.1 | 96.8 | 5.2 | 1.0 | 39.9 | 39.4 | 0.5 | 95.8 | 95.6 | 0.3 | 0.5 | -0.8 | |
| XII | 95.1 | -6.8 | 6.9 | 0.3 | 88.2 | 4.0 | 84.2 | -7.1 | -7.4 | 0.3 | 0.8 | 3.6 | |
| 2002 | | | | | | | | | | | | | |
| I ¹ | 6.0 | -1.6 | -0.2 | 1.4 | 6.2 | 0.7 | 5.5 | -3.0 | -2.8 | -0.3 | -4.5 | 1.8 | |
| II ¹ | -2.3 | -8.9 | 0 | 0.7 | -2.3 | -6.3 | 4.1 | -9.5 | -9.3 | -0.3 | 1.0 | 0.1 | |
| III ¹ | -34.2 | 10.3 | -12.9 | 18.4 | -21.3 | -20.9 | -0.3 | -8.1 | -7.9 | -0.3 | 0.8 | 0.2 | |
| IV ¹ | -51.3 | -3.3 | -0.9 | -0.5 | -50.4 | -53.0 | 2.5 | -2.8 | -2.8 | 0 | -1.8 | 1.1 | |
| V ¹ | -25.4 | -7.4 | 2.1 | -4.7 | -27.5 | -31.0 | 3.5 | -2.8 | -2.8 | 0 | 0.7 | 6.1 | |
| VI ¹ | 12.3 | 10.8 | -0.3 | 13.3 | 12.6 | 8.1 | 4.4 | -2.4 | -2.4 | 0 | -5.5 | 4.4 | |
| VII ¹ | 6.3 | -11.9 | 0.7 | -13.1 | 5.6 | -1.8 | 7.4 | 1.2 | 1.2 | 0 | 1.2 | -4.1 | |
| VIII ¹ | -24.7 | 1.7 | 0.1 | -1.7 | -24.8 | -24.9 | 0.1 | 3.4 | 3.4 | 0 | 4.4 | -1.9 | |
| IX ¹ | 3.9 | 4.7 | 0.2 | 1.0 | 3.7 | 0.8 | 2.9 | 3.6 | 3.6 | 0 | 1.2 | 1.4 | |
| X | -33.3 | 0.9 | 11.4 | 0.7 | -44.7 | -43.9 | -0.8 | 0.2 | 0.2 | 0 | -0.5 | -2.3 | |
| XI | 22.9 | 1.6 | 0.8 | 1.1 | 22.2 | 22.0 | 0.2 | 0.5 | 1.0 | -0.5 | 0.1 | -0.8 | |

FINANCIAL ACCOUNT: OTHER INVESTMENT

(net flows; in millions of lats)

| | Other investment | | | | | | | | | | | |
|-------------------|------------------|-------|-------------|-------|----------------------|-------------|--------------------|-------------|--------|-------------|---------------|-------------|
| | Assets | | Liabilities | | Monetary authorities | | General government | | Banks | | Other sectors | |
| | | | | | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| 2001 ¹ | | | | | | | | | | | | |
| IX | 11.4 | 17.7 | 0 | 0.3 | 0.3 | -1.4 | 6.1 | 12.2 | 5.0 | 6.6 | | |
| X | -33.4 | 81.6 | 0.1 | -0.1 | -0.3 | 2.3 | -42.3 | 48.3 | 9.2 | 31.0 | | |
| XI | -149.0 | 156.0 | 0 | 0 | -4.0 | 1.4 | -158.2 | 122.5 | 13.2 | 32.2 | | |
| XII | 67.6 | 38.6 | -0.1 | -1.2 | 0.2 | -0.1 | 63.6 | 8.0 | 3.9 | 32.0 | | |
| 2002 | | | | | | | | | | | | |
| I ¹ | -71.8 | 65.8 | 0.1 | 10.8 | 0.5 | 0.2 | -52.9 | 53.3 | -19.5 | 1.5 | | |
| II ¹ | 12.7 | -31.0 | 0 | -12.6 | 0 | 0.7 | 15.8 | -17.8 | -3.2 | -1.4 | | |
| III ¹ | -53.1 | 79.2 | -0.1 | 6.7 | 1.3 | -1.9 | -50.8 | 85.1 | -3.5 | -10.7 | | |
| IV ¹ | 50.1 | 7.7 | 0 | -6.7 | 2.0 | -1.0 | 41.6 | 7.3 | 6.5 | 8.0 | | |
| V ¹ | 32.6 | 23.3 | 0.1 | 0.1 | 0.1 | 0.2 | 27.7 | 24.9 | 4.6 | -1.8 | | |
| VI ¹ | -100.9 | 29.1 | 0 | 1.0 | -0.9 | -0.4 | -104.0 | 17.8 | 4.0 | 10.7 | | |
| VII ¹ | -19.9 | 51.4 | 0.2 | -4.0 | 0.2 | 0 | -16.3 | 52.6 | -4.0 | 2.8 | | |
| VIII ¹ | -15.9 | 71.1 | 0 | -0.2 | 0.1 | 0.5 | -23.5 | 69.6 | 7.5 | 1.2 | | |
| IX ¹ | 32.6 | 3.1 | -0.1 | 0 | 0.6 | -0.4 | 48.5 | 0.1 | -16.3 | 3.5 | | |
| X | -82.4 | 125.5 | 0 | 0.1 | -0.2 | 0.3 | -92.5 | 127.2 | 10.3 | -2.1 | | |
| XI | -10.7 | -8.9 | -0.1 | -0.2 | -0.1 | 0 | -18.4 | -9.0 | 7.9 | 0.2 | | |

¹ Data have been revised.

In some cases, electronic data processing technologies may have led to slight discrepancies between the total amount shown and the sum of the subitems.

Latvia's balance of payments (key items) is first published on the Bank of Latvia's Internet site (www.bank.lv).

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