

## LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

6 • 2002  
MONTHLY BULLETIN

In June, the current account deficit increased, amounting to 48.0 million lats. A year-on-year increase was observed in the goods deficit and the income deficit. The services surplus declined slightly, while the current transfers surplus increased. Imports of goods grew more markedly than their exports (by 16.3% and 2.8%, respectively). The growth of the former was due to higher imports of transport vehicles, machinery and mechanical appliances, electrical equipment, prepared foodstuffs, mineral products and products of the chemical industry. A month-on-month increase of 19.0 million lats was recorded in the current account deficit, primarily due to the decline of the service surplus.

The service surplus was 22.0 million lats. The year-on-year decline in the service surplus (3.6 million lats) was a result of growth in the transportation services (predominantly, by sea transport) and travel services received. A decrease was recorded also in the transportation services rendered; however, this decline was offset by growth in the travel services and other services rendered. In the first six months of 2002, the services surplus covered 49.5% of the goods deficit.

With the increase in non-residents' income on direct investment, the income deficit rose by 9.1 million lats year-on-year. The greatest part of income from direct investment holdings (14.6 million lats in June) was reinvested, and the financial resources were invested in the development of domestic enterprises.

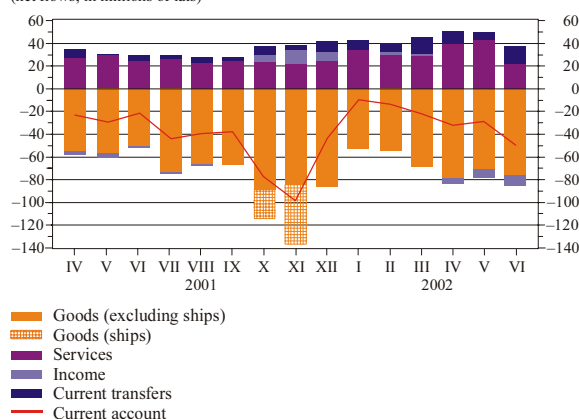
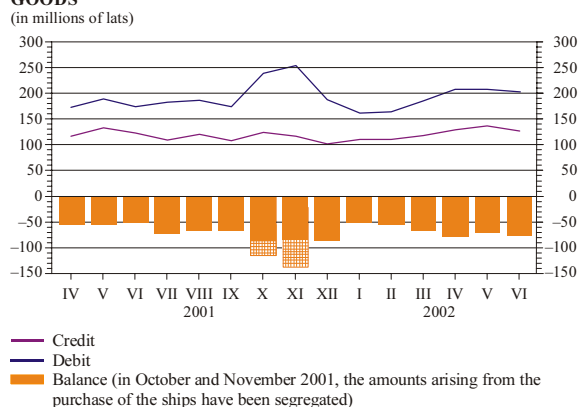
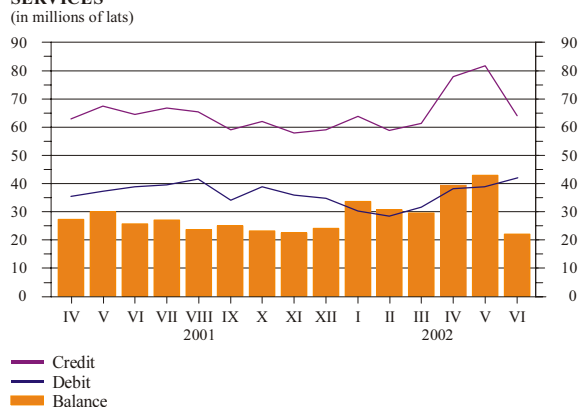
The current transfers surplus reached 15.5 million lats, thus indicating a 11.5 million lats year-on-year increase. Such growth was determined by an increase in the inflow of current transfers in private sector, because information on external payments that private persons execute through banks is included in the balance of payments as of 2002.

The financial and capital account posted a surplus of 39.3 million lats.

In June, the net inflow of direct investment totalled 47.4 million lats and covered 98.8% of the current account deficit, while in the first six months of 2002 it fully covered the current account deficit. Non-residents' direct investment in enterprises' equity capital of Latvia amounted to 22.5 million lats, and the growth was mostly determined by acquisition of shares in the privatized company by non-residents. Direct investment in other capital and reinvested earnings in Latvia amounted to 16.7 million lats and 8.6 million lats, respectively.

Portfolio investment posted a net inflow of 25.6 million lats. As banks restructured foreign assets, residents' portfolio investment assets declined by 11.6 million lats. With non-residents acquiring shares of Latvian enterprises and the stock of government debt securities, owned by non-residents, decreasing, liabilities under portfolio investment rose by 13.9 million lats.

A net outflow of other investment totalled 43.1 million lats. Assets under other investment increased by 80.8 million lats.

CURRENT ACCOUNT  
(net flows; in millions of lats)GOODS  
(in millions of lats)SERVICES  
(in millions of lats)

## MONTHLY BALANCE OF PAYMENTS (KEY ITEMS)

(balance; in millions of lats)

	Current account					Capital account	Financial account					Errors and omissions	
	Goods <sup>1</sup>	Services	Income	Current transfers	Direct investment		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2001													
IV	-23.2	-55.9	27.2	-2.1	7.6	3.0	2.2	30.4	-36.9	1.1	16.1	-8.5	18.0
V	-29.7	-57.2	29.8	-3.2	0.9	3.3	16.2	27.4	8.0	-1.0	-26.4	8.2	10.3
VI	-21.8	-51.0	25.6	-0.4	4.0	2.5	31.9	9.5	-103.6	1.6	137.7	-13.2	-12.6
VII	-44.4	-73.3	26.9	-1.0	2.9	1.7	39.6	16.7	-48.5	-1.7	99.8	-26.7	3.1
VIII	-39.7	-66.5	23.6	-0.7	3.8	1.9	46.1	43.4	50.9	-0.1	-61.3	13.2	-8.2
IX	-37.7	-66.1	24.9	0.2	3.2	1.3	42.6	6.2	4.5	1.8	25.6	4.5	-6.2
X	-76.8	-114.1	23.0	7.7	6.7	2.5	39.7	20.4	-2.5	-3.7	48.4	-22.9	34.6
XI	-98.5	-136.7	22.2	12.1	3.9	2.4	53.5	15.7	142.2	-0.4	7.1	-111.1	42.5
XII	-43.7	-85.7	24.1	8.4	9.4	1.8	96.4	-74.0	88.3	4.4	106.4	-28.6	-54.5
2002													
I	-9.8	-52.1	33.5	1.4	7.5	0.9	19.2	20.4	4.3	-2.7	-3.2	0.4	-10.3
II	-14.1	-54.4	30.5	2.5	7.3	0.1	11.8	24.3	-11.3	1.2	-15.6	13.2	2.2
III	-22.0	-67.7	29.4	1.2	15.2	1.6	28.4	27.3	-24.0	1.1	29.1	-5.1	-8.0
IV	-32.7	-78.1	39.4	-5.3	11.3	0.4	22.1	17.4	-52.5	-0.7	46.0	11.9	10.2
V	-29.0	-71.2	42.8	-7.1	6.5	0.9	45.4	24.3	-35.8	6.8	40.6	9.5	-17.3
VI	-48.0	-76.0	22.0	-9.5	15.5	0.6	38.7	47.4	25.6	-2.0	-43.1	11.0	8.7

## CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
	Credit		Goods <sup>1</sup>		Services		Income		Current transfers		Credit	Debit
			Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
2001												
IV	209.2	232.4	116.9	172.8	62.5	35.2	14.6	16.7	15.2	7.6	3.7	0.7
V	222.2	252.0	132.7	189.9	66.9	37.1	14.4	17.6	8.3	7.3	4.2	0.9
VI	213.0	234.8	123.4	174.4	64.3	38.7	14.4	14.8	10.8	6.8	2.7	0.2
VII	201.1	245.5	109.4	182.6	66.3	39.4	14.1	15.1	11.2	8.3	2.8	1.0
VIII	211.4	251.2	120.4	186.9	65.1	41.5	14.0	14.7	11.9	8.1	2.3	0.5
IX	191.2	228.9	108.3	174.4	58.8	33.9	13.6	13.4	10.4	7.1	2.0	0.7
X	216.6	293.4	125.1	239.2	61.8	38.8	15.0	7.3	14.7	8.0	2.9	0.4
XI	203.3	301.8	117.4	254.1	57.7	35.6	15.8	3.7	12.3	8.4	2.7	0.3
XII	192.5	236.2	101.8	187.5	58.8	34.7	14.6	6.1	17.3	7.9	2.4	0.6
2002												
I	206.9	216.6	110.1	162.2	63.4	30.0	14.7	13.4	18.6	11.1	1.5	0.5
II	201.0	215.2	110.2	164.6	58.6	28.2	14.3	11.8	17.9	10.6	0.7	0.7
III	219.1	241.1	118.1	185.9	60.9	31.5	14.9	13.8	25.2	9.9	2.3	0.7
IV	241.2	274.0	129.2	207.3	77.4	38.0	12.8	18.1	21.8	10.5	1.0	0.6
V	250.8	279.8	136.6	207.8	81.5	38.7	14.1	21.2	18.6	12.1	1.1	0.2
VI	231.9	279.9	126.8	202.8	64.0	41.9	14.5	24.1	26.6	11.1	0.9	0.4

Banks deposited funds mostly with non-residents' credit institutions, while demand deposits of other sectors declined by 25.9 million lats. As residents acquired loans and attracted deposits, liabilities under other investment increased by 37.7 million lats (of which banks and enterprises attracted long-term loans totalling 29.3 million lats).

<sup>1</sup> 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.

## CURRENT ACCOUNT: INCOME

(in millions of lats)

	Income		Investment income									
			Compensation of employees		Direct investment		Portfolio investment		Other investment			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2001												
IV	14.6	16.7	5.2	0.3	9.4	16.4	0.3	10.2	5.1	0.8	4.0	5.5
V	14.4	17.6	5.6	0.3	8.8	17.3	0.3	11.1	4.5	0.8	4.0	5.4
VI	14.4	14.8	5.6	0.3	8.8	14.6	0.3	8.6	4.5	0.8	4.0	5.2
VII	14.1	15.1	5.9	0.3	8.2	14.9	0.1	8.9	5.0	0.8	3.1	5.1
VIII	14.0	14.7	6.0	0.3	8.0	14.4	0.1	8.9	4.8	0.8	3.1	4.7
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	7.3	6.8	0.3	8.2	7.1	-0.1	0.4	4.5	0.9	3.8	5.8
XI	15.8	3.7	6.7	0.3	9.1	3.4	-0.1	-3.4	5.4	1.6	3.8	5.2
XII	14.6	6.1	6.7	0.3	7.9	5.9	-0.1	-1.1	4.0	1.4	4.0	5.6
2002												
I	14.7	13.4	6.8	0.2	7.9	13.2	0.4	6.5	4.1	1.2	3.4	5.4
II	14.3	11.8	6.8	0.2	7.5	11.5	0.4	5.9	3.8	1.2	3.2	4.4
III	14.9	13.8	6.7	0.2	8.3	13.6	0.4	6.9	4.3	1.3	3.5	5.4
IV	12.8	18.1	5.4	0.2	7.4	17.9	0.1	10.5	4.0	1.2	3.2	6.2
V	14.1	21.2	7.0	0.2	7.1	21.0	0.2	15.5	3.9	1.2	3.0	4.3
VI	14.5	24.1	7.0	0.2	7.6	23.8	0.2	17.4	3.8	1.3	3.6	5.2

## FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment									
	Abroad		Equity capital		Reinvested earnings		Other capital		Financial derivatives	
			Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia
2001										
IV	-1.2	31.6	-0.5	10.1	-0.2	7.4	-0.5	13.9	0	0.1
V	-1.1	28.5	-0.8	12.6	-0.2	5.6	-0.1	10.4	0	-0.1
VI	2.9	6.5	-0.4	8.1	-0.2	6.3	3.5	-7.9	0	0
VII	-0.4	17.1	0.1	5.0	-0.1	6.4	-0.5	5.7	0	0
VIII	-0.8	44.2	-0.4	2.9	-0.1	7.6	-0.3	33.7	0	0
IX	-1.0	7.2	-0.5	6.1	-0.1	6.0	-0.4	-4.9	0	0
X	2.1	18.3	1.4	27.9	0.1	-1.5	0.6	-8.1	0	0
XI	0.8	14.8	0.3	27.1	0.1	-5.3	0.4	-7.0	0	0
XII	0.1	-74.1	-0.4	20.0	0.1	-3.0	0.4	-91.2	0	0
2002										
I	-2.8	23.2	-2.5	17.7	-0.2	4.5	-0.1	1.0	0	0
II	-3.0	27.3	-2.7	21.4	-0.2	3.9	-0.1	2.0	0	0
III	-3.0	30.2	-2.5	23.8	-0.2	4.9	-0.2	1.6	0	0
IV	-1.1	18.5	-0.1	3.2	-0.1	6.2	-0.8	9.1	0	0
V	-0.5	24.8	-0.1	13.3	-0.2	7.7	-0.3	3.8	0	0
VI	-0.4	47.8	0	22.5	-0.2	8.6	-0.3	16.7	0	0

As the Bank of Latvia repaid foreign currencies under currency swap arrangements and the Government made payments related to the credits received, reserve assets decreased by 11.0 million lats in June.

## 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		Liabilities			
	Bonds and notes	Money market instruments	Bonds and notes	Money market instruments								
2001												
IV	-49.0	12.1	-11.8	0.2	-37.2	-1.4	-35.8	11.8	11.8	0	0.7	0.4
V	1.0	6.9	5.0	0.3	-4.0	-18.0	14.0	6.6	6.6	0	-1.0	0
VI	-94.3	-9.2	-21.8	-0.7	-72.5	-13.1	-59.4	-8.5	-8.5	0	0.5	1.0
VII	-45.4	-3.0	3.1	-0.4	-48.6	-46.5	-2.1	-2.6	-2.6	0	-0.3	-1.4
VIII	55.4	-4.5	-6.4	-0.3	61.7	31.6	30.2	-4.2	-4.2	0	0.5	-0.6
IX	4.8	-0.3	-3.7	-0.3	8.5	-9.9	18.5	0	0	0	0.1	1.7
X	-4.1	1.6	17.4	1.5	-21.6	29.1	-50.6	0.1	-0.1	0.3	-1.9	-1.7
XI	45.1	97.1	5.2	1.3	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	6.0	-1.7	-0.2	1.3	6.2	0.7	5.5	-3.0	-2.8	-0.3	-4.5	1.8
II	-2.3	-9.0	0	0.6	-2.3	-6.3	4.1	-9.5	-9.3	-0.3	1.0	0.1
III	-34.2	10.2	-12.9	18.3	-21.3	-20.9	-0.3	-8.1	-7.9	-0.3	0.8	0.2
IV	-52.3	-0.3	-1.2	0.5	-51.1	-53.9	2.9	-0.8	-0.7	0	-1.8	1.1
V	-29.0	-6.8	2.1	-4.0	-31.1	-34.6	3.6	-2.8	-2.8	0	0.7	6.1
VI	11.6	13.9	-0.5	16.4	12.1	5.9	6.2	-2.4	-2.4	0	-6.4	4.4

## 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												
IV	-2.5	18.6	0	3.5	0.7	-0.4	-9.4	23.3	6.2	-7.9		
V	-37.1	10.7	0	-3.1	-0.9	0.1	-42.7	19.1	6.5	-5.4		
VI	-14.8	152.5	-0.1	-1.5	-0.2	-0.5	-21.1	143.4	6.5	11.1		
VII	67.7	32.1	0.1	-1.4	1.0	1.0	61.5	28.2	5.1	4.3		
VIII	-68.1	6.8	-0.1	0	0.2	2.1	-73.8	2.5	5.7	2.2		
IX	11.4	14.1	0	0.3	0.3	-1.4	6.1	12.2	5.0	3.0		
X	-33.2	81.6	0.1	-0.1	-0.3	2.3	-42.3	48.3	9.4	31.0		
XI	-148.9	156.0	0	0	-4.0	1.4	-158.2	122.5	13.3	32.2		
XII	67.7	38.6	-0.1	-1.2	0.2	-0.1	63.6	8.0	4.0	32.0		
2002												
I	-70.9	67.7	0.1	10.8	0.5	0.2	-52.9	53.3	-18.6	3.5		
II	13.5	-29.1	0	-12.6	0	0.7	15.8	-17.8	-2.3	0.6		
III	-52.1	81.2	-0.1	6.7	1.5	-1.9	-50.8	85.1	-2.7	-8.7		
IV	44.8	1.1	0	-6.7	2.0	-1.0	41.6	7.3	1.3	1.5		
V	26.0	14.6	0.1	0.1	0.1	0.2	27.7	24.9	-1.9	-10.5		
VI	-80.8	37.7	0	1.0	-0.9	-1.5	-104.0	17.8	24.1	20.3		

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](http://www.bank.lv)).