

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

1 • 2004
MONTHLY BULLETIN

In January, the current account deficit of the balance of payments was 24.7 million lats. The growth in exports and imports of goods increased rapidly year-on-year, reaching 17.6% and 19.0%, respectively. The current transfers and income surplus increased, whereas that of services declined.

The services surplus shrank by 11.4 million lats year-on-year, mostly due to lower exports of freight transportation services by sea. No other essential changes in the amount of exports and imports of transportation services were observed. The growing turnover at ports, as well as that of rail freight and oil products transported by pipeline demonstrates the growth potential of the transport sector. With exports of travel services expanding, their deficit contracted by 1.4 million lats year-on-year. The surplus of other services shrank by 3.0 million lats as a result of a higher pickup in their imports.

The income account remained in surplus. In January, the year-on-year growth in residents' income (mostly due to a rise in the remuneration of residents employed abroad) exceeded that of non-residents earned in Latvia by 0.4 million lats. Most part of non-residents' income from direct investment in equity was re-invested.

With the amount of current transfers in other sectors growing (including private person transactions), the current transfers surplus posted a year-on-year pickup of 4.2 million lats.

The surplus of the financial and capital account was 20.8 million lats.

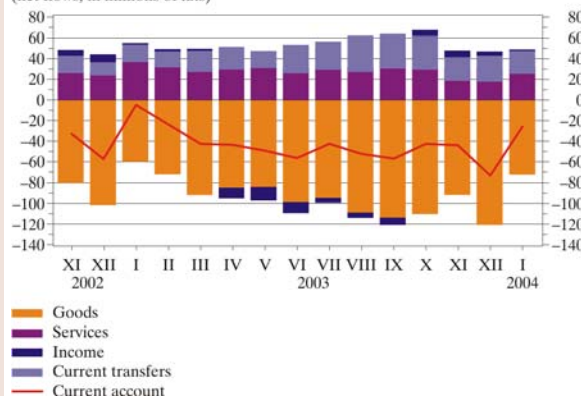
The net inflow of direct investment was 10.0 million lats. In Latvia, 11.1 million lats were invested in the form of foreign direct investment (including reinvested earnings and other capital in the amount of 7.5 million lats and 6.0 million lats, respectively).

Like in previous months, portfolio investment recorded a net inflow of 15.7 million lats, with banks reducing their investment in foreign debt securities.

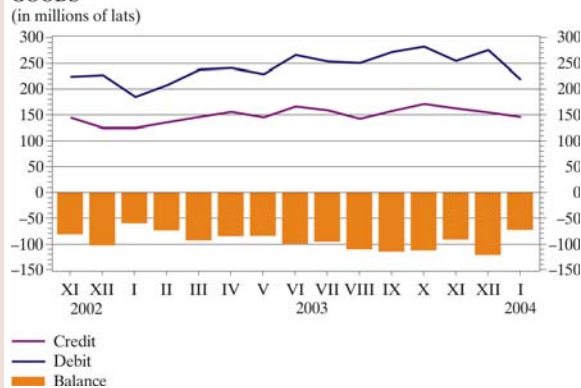
As the growth in investments abroad slightly exceeded that of funds attracted from non-residents, other investment recorded a net outflow. With banks receiving demand deposits, other investment increased by 96.1 million lats on the liabilities side. As banks increased demand deposits with non-resident credit institutions, other investment grew by 100.8 million lats on the asset side.

With the Bank of Latvia meeting its contractual obligations under currency swap agreements, reserve assets decreased by 5.1 million lats in January.

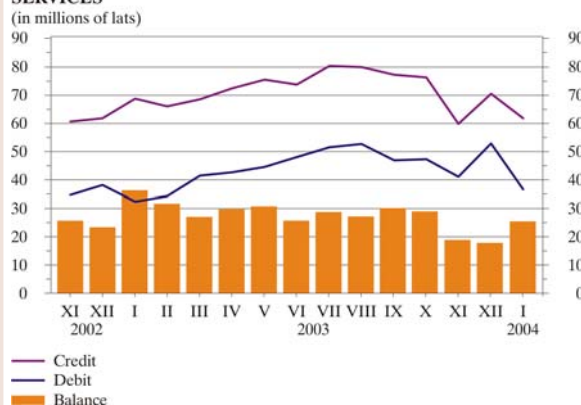
CURRENT ACCOUNT
(net flows; in millions of lats)



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 ¹	Services	Income	Current transfers	Direct investment		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2002													
XI	-32.8	-80.9	25.8	5.4	16.9	1.0	38.1	8.2	22.4	-0.7	-9.7	17.9	-6.4
XII	-57.7	-101.7	23.5	7.6	12.9	0.6	60.4	6.6	-19.5	4.8	129.0	-60.5	-3.3
2003													
I	-4.9	-59.9	36.5	0.8	17.7	0.2	24.3	20.4	-32.1	2.2	-13.5	47.3	-19.6
II	-23.6	-72.9	31.8	1.9	15.6	0.7	31.6	18.5	-34.9	-1.7	78.4	-28.7	-8.6
III	-42.8	-92.1	27.2	1.4	20.7	0.4	1.4	23.6	28.6	-5.6	-115.9	70.7	40.9
IV	-43.8	-85.3	29.8	-9.7	21.5	1.3	37.7	18.6	-14.9	6.7	73.4	-46.1	4.8
V	-49.4	-84.1	30.8	-12.6	16.5	1.6	60.1	24.2	17.0	4.6	52.9	-38.6	-12.3
VI	-56.5	-99.0	25.7	-10.6	27.3	2.8	15.2	19.5	-21.9	-6.9	13.1	11.4	38.6
VII	-43.0	-95.2	28.9	-4.4	27.6	1.4	64.9	4.2	-25.6	-0.3	90.1	-3.5	-23.3
VIII	-52.5	-109.3	27.4	-5.1	34.5	1.2	68.3	0.1	-31.4	-4.5	90.7	13.5	-17.0
IX	-57.2	-114.2	30.3	-6.8	33.4	2.4	-6.2	-0.3	-41.2	6.0	106.6	-77.4	61.0
X	-43.0	-110.7	29.1	6.0	32.5	1.7	31.4	25.7	-52.8	-1.9	-11.6	71.9	9.9
XI	-44.2	-91.7	18.9	5.9	22.8	1.5	67.5	15.5	20.3	4.7	79.5	-52.4	-24.9
XII	-73.8	-120.9	17.6	4.2	25.3	4.1	63.9	10.6	51.5	0.9	-0.1	1.0	5.9
2004													
I	-24.7	-72.9	25.1	1.2	21.9	1.6	19.2	10.0	15.7	-6.9	-4.7	5.1	4.0

CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
	Goods ¹		Services		Income		Current transfers		Credit	Debit		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit				
2002												
XI	252.2	284.9	143.1	224.0	60.5	34.7	15.3	9.9	33.2	16.3	1.2	0.1
XII	238.0	295.6	124.5	226.2	61.7	38.2	19.3	11.7	32.5	19.6	1.2	0.6
2003												
I	240.1	244.9	124.0	183.9	68.8	32.3	15.6	14.8	31.7	13.9	0.3	0.1
II	246.6	270.2	134.6	207.5	66.0	34.3	15.8	13.9	30.1	14.5	0.9	0.3
III	265.9	308.7	145.3	237.4	68.6	41.4	17.6	16.1	34.4	13.7	0.7	0.3
IV	282.3	326.0	155.1	240.4	72.4	42.6	16.4	26.2	38.4	16.9	1.6	0.3
V	273.6	323.0	144.4	228.5	75.4	44.6	16.3	29.0	37.5	21.0	1.8	0.2
VI	298.4	354.9	166.0	265.0	73.7	48.0	17.1	27.6	41.6	14.2	2.9	0.1
VII	300.8	343.7	157.6	252.8	80.4	51.5	17.5	21.8	45.3	17.6	1.4	0
VIII	292.1	344.6	141.0	250.2	80.0	52.6	18.6	23.7	52.6	18.1	1.6	0.4
IX	300.9	358.1	156.6	270.7	77.2	46.8	18.8	25.6	48.3	14.9	3.0	0.6
X	321.0	364.0	170.6	281.2	76.3	47.3	19.1	13.1	55.0	22.4	1.9	0.1
XI	280.2	324.4	162.1	253.8	59.9	41.0	17.0	11.0	41.3	18.5	1.7	0.2
XII	304.4	378.2	154.0	275.0	70.5	52.9	18.1	13.9	61.7	36.4	4.3	0.2
2004												
I	265.4	290.1	145.8	218.8	61.7	36.6	18.0	16.8	39.9	17.9	1.7	0.1

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.

CURRENT ACCOUNT: INCOME

(in millions of lats)

	Income											
			Compensation of employees		Investment income				Portfolio investment		Other investment	
					Direct investment				Credit	Debit	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit				
2002												
XI	15.3	9.9	7.3	0.2	8.0	9.7	0	2.8	5.0	1.4	3.1	5.5
XII	19.3	11.7	7.4	0.3	11.9	11.5	0	0.7	8.5	4.4	3.3	6.3
2003												
I	15.6	14.8	7.3	0.2	8.3	14.6	0	7.7	5.4	2.1	2.8	4.8
II	15.8	13.9	7.4	0.2	8.4	13.7	0	6.8	5.8	2.5	2.6	4.4
III	17.6	16.1	7.7	0.2	9.8	15.9	0.2	8.2	6.7	2.7	2.9	5.0
IV	16.4	26.2	7.6	0.2	8.8	25.9	0.1	17.7	5.8	2.6	3.0	5.6
V	16.3	29.0	7.9	0.2	8.4	28.7	0.1	21.1	5.5	2.8	2.8	4.8
VI	17.1	27.6	7.9	0.2	9.2	27.4	0.1	19.8	6.1	2.6	3.0	5.0
VII	17.5	21.8	8.1	0.2	9.4	21.6	0.4	14.7	6.1	2.6	2.9	4.3
VIII	18.6	23.7	8.1	0.2	10.5	23.5	0.4	14.0	7.2	5.2	2.8	4.2
IX	18.8	25.6	8.0	0.2	10.8	25.4	0.4	14.4	7.6	6.2	2.8	4.7
X	19.1	13.1	8.7	0.2	10.4	12.9	0	4.1	7.6	3.5	2.8	5.3
XI	17.0	11.0	8.6	0.2	8.4	10.8	0	2.9	5.7	2.9	2.7	5.0
XII	18.1	13.9	9.0	0.2	9.1	13.6	0	5.1	5.8	2.7	3.2	5.9
2004												
I	18.0	16.8	9.0	0.2	8.9	16.5	0.3	9.5	5.9	2.5	2.8	4.6

FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment							
			Equity capital		Reinvested earnings		Other capital	
			Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia
2002								
XI	-0.3	8.5	0.3	9.2	0.1	-1.7	-0.8	1.0
XII	-1.7	8.4	-1.0	10.2	0.1	-1.0	-0.9	-0.8
2003								
I	-0.9	21.3	-0.4	7.7	0	5.2	-0.4	8.3
II	-2.4	20.8	-1.9	7.9	0	4.4	-0.4	8.5
III	-0.9	24.4	-0.5	9.3	0	5.7	-0.4	9.4
IV	-0.2	18.8	-0.7	9.9	-0.1	8.3	0.6	0.6
V	-0.9	25.2	-1.5	15.0	-0.1	9.6	0.6	0.6
VI	-0.5	20.0	-1.1	8.2	-0.1	10.5	0.6	1.4
VII	-2.8	7.0	-1.5	6.6	-0.4	10.7	-0.9	-10.4
VIII	-3.4	3.5	-2.2	3.7	-0.4	10.1	-0.9	-10.4
IX	-3.2	2.9	-1.9	3.3	-0.4	10.5	-0.9	-10.9
X	-0.9	26.6	-0.6	5.1	0	3.1	-0.3	18.4
XI	-1.6	17.0	-1.9	11.0	0	1.5	0.3	4.5
XII	-2.2	12.9	-1.4	9.1	0	2.2	-0.9	1.5
2004								
I	-1.1	11.1	-0.9	-2.5	-0.3	7.5	0	6.0

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			Bonds and notes		Money market instruments
						Assets	Liabilities					Assets	Liabilities	
2002														
XI	21.6	0.8	1.2	-0.2	20.5	20.3	0.2	0.9	0.9	0	0.1	-0.8		
XII	-18.1	-1.5	-2.8	-0.1	-15.3	-16.4	1.2	-1.3	-1.3	0	-1.7	6.6		
2003														
I	-33.5	1.5	2.8	-0.1	-36.3	-36.5	0.1	1.5	1.5	0	0.2	2.0		
II	-34.1	-0.9	-1.2	0.1	-32.8	-20.4	-12.4	-1.0	-1.0	0	0.7	-2.4		
III	25.8	2.8	-1.2	0.6	27.0	15.3	11.8	2.2	2.2	0	-2.9	-2.7		
IV	-15.5	0.6	0	0.3	-15.5	-15.2	-0.3	0.2	0.3	0	0.2	6.5		
V	13.7	3.3	-0.8	1.4	14.6	17.5	-3.0	1.9	1.9	0	-1.8	6.4		
VI	-31.4	9.5	0.1	4.5	-31.6	-28.6	-3.0	5.0	5.1	0	-0.5	-6.3		
VII	-26.5	0.9	-0.4	-0.3	-26.1	-29.1	3.0	1.1	1.1	0	1.7	-2.0		
VIII	-31.2	-0.1	3.0	-0.9	-34.2	-34.6	0.4	0.8	0.8	0	-1.7	-2.8		
IX	-42.9	1.7	-0.8	1.5	-42.1	-42.2	0.1	0.2	0.2	0	1.6	4.5		
X	-55.4	2.6	-3.2	-0.8	-52.2	-53.0	0.8	3.4	3.4	0	-1.0	-0.9		
XI	22.0	-1.7	-1.0	0.2	23.0	23.0	0	-1.9	-1.9	0	4.3	0.4		
XII	38.8	12.7	4.7	11.1	34.1	34.0	0.1	1.6	1.6	0.1	-2.7	3.5		
2004														
I	15.4	0.2	-2.0	0.6	17.4	17.4	0	-0.3	-0.6	0.3	-1.3	-5.6		

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
2002										
XI	-3.8	-5.9	-0.1	-0.2	-0.1	0	-18.4	-9.0	14.9	3.3
XII	-63.9	192.9	-0.1	-1.8	0.2	-0.1	-70.5	190.1	6.5	4.8
2003										
I	-61.6	48.1	0.1	-1.3	-0.3	-7.2	-54.7	57.1	-6.7	-0.4
II	159.5	-81.0	0	0.3	-0.5	-0.3	170.5	-79.0	-10.6	-2.0
III	-126.2	10.3	0	-0.6	0	-2.8	-118.6	16.4	-7.7	-2.7
IV	-1.7	75.1	-0.1	2.1	-0.2	-1.7	2.3	63.9	-3.7	10.8
V	4.5	48.5	0	-1.9	0.1	-0.4	7.7	42.7	-3.3	8.1
VI	-98.2	111.3	0.1	-1.6	0	-0.2	-94.0	103.1	-4.4	10.0
VII	-56.9	146.9	0	-1.4	0.3	-0.2	-59.8	142.4	2.6	6.2
VIII	-29.6	120.3	-0.1	-0.1	0.1	3.3	-32.1	103.2	2.6	13.9
IX	-26.4	133.0	0	0.2	-0.2	-2.7	-27.0	132.1	0.8	3.4
X	18.4	-29.9	0	-0.1	0	-2.0	19.7	-34.3	-1.4	6.5
XI	-134.4	213.9	0.1	0.2	0.1	0.3	-128.1	210.3	-6.5	3.1
XII	-42.5	42.4	0.1	-1.7	0.7	-47.9	-43.6	80.9	0.3	11.0
2004										
I	-100.8	96.1	0	-1.5	0	0.9	-86.7	78.9	-14.1	17.8

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 website (www.bank.lv).