

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

2 • 2004  
MONTHLY BULLETIN

In February, the year-on-year growth was almost equal for imports and exports of goods (17.7% and 18.7%, respectively) and the goods deficit increased by 15.0 million lats. An increase in the current transfers surplus offset the decrease in the services surplus. The current account deficit reached 38.7 million lats.

With exports of transportation services by sea decreasing, the services surplus shrank by 5.3 million lats year-on-year. Both exports and imports of services increased. With exports of travel services and other services posting a slightly higher growth, the travel services deficit decreased, whereas the surplus of other services increased.

The income surplus did not post essential year-on-year changes. The highest growth was recorded in the remuneration of residents employed abroad (1.4 million lats) and in the non-residents' income from direct investment (1.7 million lats).

The current transfers surplus increased by 5.0 million lats year-on-year, as the upward trend in current transfers received by other sectors (including private persons), observed already in 2003, continued.

The surplus of the financial and capital account was 56.0 million lats.

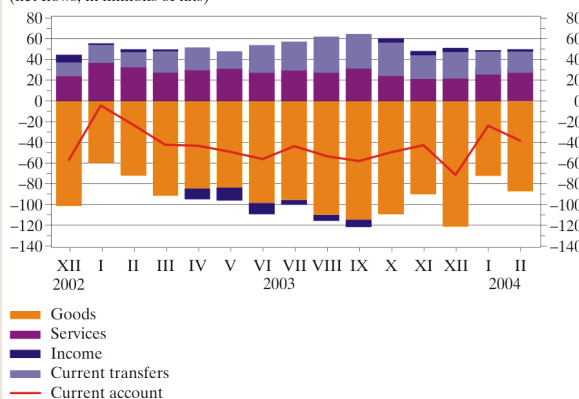
In Latvia, 17.6 million lats were invested in the form of foreign direct investment, mostly in companies' equity and as reinvested earnings. Residents' direct investment abroad was quite substantial (9.5 million lats; investment in companies' equity), therefore the net inflow of direct investment accounted for only 8.1 million lats.

Portfolio investment recorded a net inflow (10.1 million lats). As a result of banks reducing their investment in bonds and notes issued abroad, inflow of financial resources was observed in Latvia.

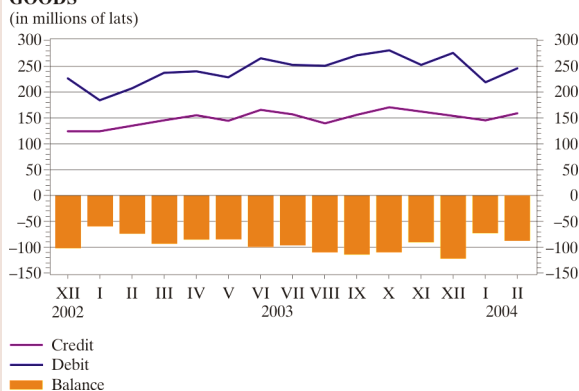
The net inflow of other investment was 14.2 million lats. Residents' other investment shrank by 7.0 million lats on the asset side, with banks' demand deposits abroad recording a decrease, and the level of the increase recorded in banks' loans being slightly lower. With residents (mostly banks) receiving demand deposits and long-term borrowings (time deposits) and repaying short-term borrowings (time deposits), other investment grew by 7.2 million lats on the liabilities side.

With the Bank of Latvia mostly meeting its contractual obligations under currency swap agreements, reserve assets decreased by 20.1 million lats in February.

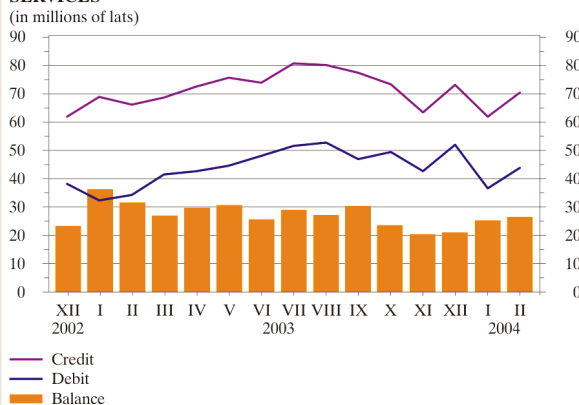
CURRENT ACCOUNT  
(net flows; in millions of lats)



GOODS



SERVICES



## MONTHLY BALANCE OF PAYMENTS (KEY ITEMS)

(balance; in millions of lats)

	Current account					Capital account	Financial account						Errors and omissions
	Goods <sup>1</sup>	Services	Income	Current transfers	Direct investment		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2002													
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 <sup>2</sup>	-44.2	-96.3	29.0	-4.6	27.6	1.4	69.1	8.0	-25.5	-0.3	90.4	-3.5	-26.2
VIII <sup>2</sup>	-54.0	-110.4	27.3	-5.4	34.4	1.2	72.5	3.8	-31.3	-4.5	91.0	13.5	-19.7
IX <sup>2</sup>	-58.4	-115.2	30.4	-7.1	33.4	2.4	-2.1	3.5	-41.1	6.0	106.9	-77.4	58.1
X <sup>2</sup>	-50.0	-109.7	23.7	4.0	32.0	1.8	37.6	24.4	-51.7	-1.9	-5.1	71.9	10.6
XI <sup>2</sup>	-43.3	-90.6	20.6	4.1	22.6	1.5	80.9	13.8	24.4	4.7	90.5	-52.4	-39.1
XII <sup>2</sup>	-72.0	-122.4	21.1	3.9	25.4	4.1	47.2	9.1	51.7	0.1	-7.2	-6.5	20.8
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
II	-38.7	-87.9	26.5	2.1	20.6	3.1	52.9	8.1	10.1	0.5	14.2	20.1	-17.4

## CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
			Goods <sup>1</sup>		Services		Income		Current transfers		Credit	Debit
			Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
2002												
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 <sup>2</sup>	299.8	344.0	156.6	252.9	80.5	51.5	17.5	22.1	45.3	17.6	1.4	0
VIII <sup>2</sup>	291.0	345.0	140.0	250.3	79.9	52.6	18.6	24.0	52.6	18.2	1.6	0.4
IX <sup>2</sup>	300.0	358.4	155.6	270.8	77.3	46.8	18.8	25.9	48.3	14.9	3.0	0.6
X <sup>2</sup>	318.2	368.3	170.8	280.6	73.1	49.4	19.3	15.4	54.9	22.9	1.9	0.1
XI <sup>2</sup>	284.4	327.7	162.3	252.9	63.2	42.6	17.3	13.1	41.6	19.1	1.7	0.2
XII <sup>2</sup>	307.2	379.2	153.8	276.2	73.0	51.9	18.0	14.2	62.3	36.9	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
II	285.0	323.7	158.4	246.3	70.3	43.8	17.5	15.4	38.7	18.1	4.9	1.8

<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.

<sup>2</sup> Data have been revised.

## CURRENT ACCOUNT: INCOME

(in millions of lats)

	Income												
	Credit		Debit		Compensation of employees		Investment income						
							Direct investment		Portfolio investment		Other investment		
2002													
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 <sup>1</sup>	17.5	22.1	8.1	0.2	9.4	21.9	0.4	15.0	6.1	2.6	2.9	4.3	
VIII <sup>1</sup>	18.6	24.0	8.1	0.2	10.5	23.7	0.4	14.4	7.2	5.2	2.8	4.2	
IX <sup>1</sup>	18.8	25.9	8.0	0.2	10.8	25.7	0.4	14.7	7.6	6.2	2.8	4.7	
X <sup>1</sup>	19.3	15.4	8.9	0.2	10.4	15.1	-0.1	5.9	7.6	3.5	2.9	5.7	
XI <sup>1</sup>	17.3	13.1	8.8	0.3	8.5	12.9	-0.1	4.4	5.7	3.0	2.8	5.5	
XII <sup>1</sup>	18.0	14.2	9.1	0.2	8.9	13.9	-0.1	5.1	5.8	2.6	3.1	6.2	
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	
II	17.5	15.4	8.8	0.2	8.8	15.2	0.3	8.5	5.5	2.3	3.0	4.4	

## FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment									
	Abroad		In Latvia		Equity capital		Reinvested earnings		Other capital	
					Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia
2002										
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 <sup>1</sup>	-2.7	10.8	-1.5	7.2	-0.4	11.0	-0.8	-7.5		
VIII <sup>1</sup>	-3.4	7.2	-2.2	4.3	-0.4	10.4	-0.8	-7.5		
IX <sup>1</sup>	-3.1	6.6	-1.9	3.9	-0.4	10.8	-0.9	-8.1		
X <sup>1</sup>	-0.5	24.9	-0.5	11.4	0.1	3.9	-0.2	9.6		
XI <sup>1</sup>	-1.4	15.2	-1.3	12.0	0.1	2.4	-0.2	0.8		
XII <sup>1</sup>	-1.2	10.2	-1.1	7.5	0.1	3.0	-0.2	-0.3		
2004										
I	-1.1	11.1	-0.9	-2.5	-0.3	7.5	0	6.0		
II	-9.5	17.6	-9.5	7.2	-0.3	6.9	0.3	3.6		

<sup>1</sup> 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			Bonds and notes		Money market instruments
						Assets	Liabilities					Assets	Liabilities	
2002														
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 <sup>1</sup>	-26.5	1.0	-0.4	-0.2	-26.1	-29.1	3.0	1.1	1.1	0	1.7	-2.0		
VIII <sup>1</sup>	-31.2	-0.1	3.0	-0.9	-34.2	-34.6	0.4	0.8	0.8	0	-1.7	-2.8		
IX <sup>1</sup>	-42.9	1.8	-0.8	1.5	-42.1	-42.2	0.1	0.2	0.2	0	1.6	4.5		
X <sup>1</sup>	-55.0	3.3	-2.9	-0.1	-52.1	-53.0	1.0	3.4	3.4	0	-1.0	-0.9		
XI <sup>1</sup>	23.1	1.3	-0.6	0.2	23.7	23.4	0.4	1.2	1.2	0	4.3	0.4		
XII <sup>1</sup>	41.1	10.6	5.3	9.0	35.8	35.5	0.3	1.6	1.6	0	-3.4	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		
II	10.6	-0.6	-2.5	-1.8	13.2	12.6	0.5	1.2	1.2	0.1	-1.5	2.0		

## 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										
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 <sup>1</sup>	-57.4	147.7	0	-1.4	0.3	-0.2	-59.8	142.4	2.1	7.0
VIII <sup>1</sup>	-30.1	121.1	-0.1	-0.1	0.1	3.3	-32.1	103.2	2.0	14.7
IX <sup>1</sup>	-26.9	133.8	0	0.2	-0.2	-2.7	-27.0	132.1	0.3	4.2
X <sup>1</sup>	26.9	-32.0	0	-0.1	0	-2.0	19.7	-34.3	7.1	4.4
XI <sup>1</sup>	-124.7	215.2	0.1	0.2	0.1	0.3	-128.1	210.3	3.2	4.4
XII <sup>1</sup>	-40.5	33.4	0.1	-1.7	0.7	-47.9	-43.6	80.9	2.3	2.0
2004										
I	-100.8	96.1	0	-1.5	0	0.9	-86.7	78.9	-14.1	17.8
II	7.0	7.2	0	-0.3	0.2	-0.5	6.9	7.7	0	0.2

<sup>1</sup> 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 website ([www.bank.lv](http://www.bank.lv)).