

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

4 • 2004
MONTHLY BULLETIN

In April, the current account deficit of the balance of payments grew to 149.1 million lats (the year-on-year increase was determined by the goods deficit, which had doubled). Exports and imports of goods expanded by 19.3% and 48.2%, respectively, as businesses accumulated stocks of goods before May 1, 2004, when import duties and taxes on several commodities rose. No essential changes were recorded in the services surplus, whereas the income deficit and the current transfers surplus increased.

With both exports and imports of services growing, the services surplus remained almost unchanged year-on-year. The transportation services surplus shrank by 3.5 million lats, while that of other services increased due to a pickup in exports of construction and financial intermediation services.

Considerable changes were observed in income flows. With non-resident income from direct investment in Latvia growing in April, income deficit increased by 24.5 million lats year-on-year. In April, banks paid out dividends from the retained earnings.

The current transfers surplus was high in April as well (a year-on-year rise of 5.5 million lats, driven by an increase in foreign financial assistance received by the Government).

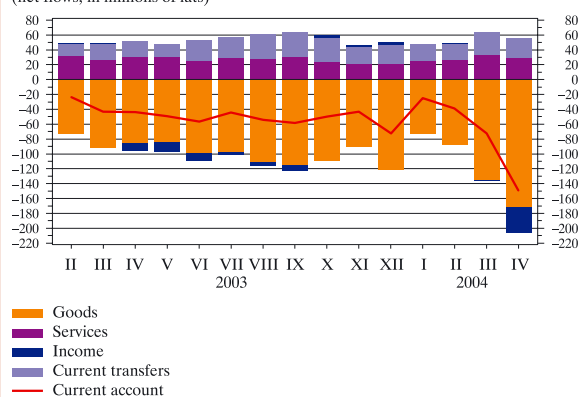
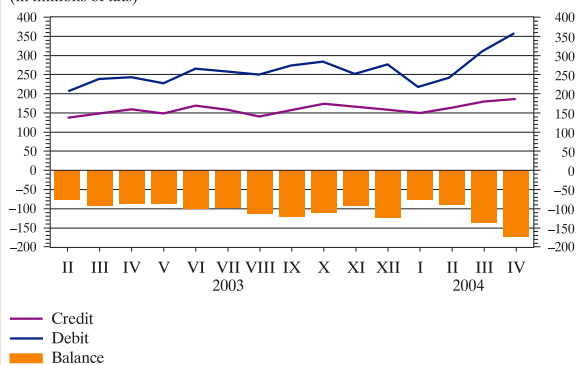
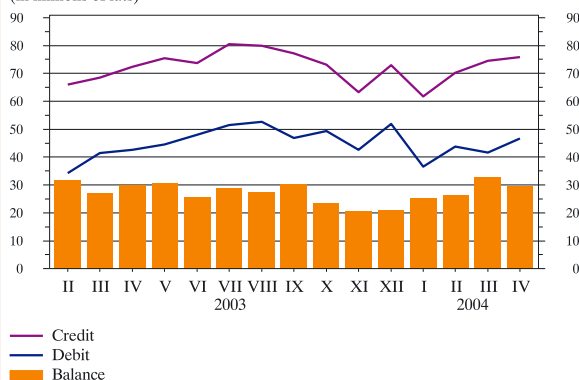
In April, the surplus of the financial and capital account was 79.9 million lats. The most significant transaction of the financial account in April was the issue of eurobonds in the amount of 400 million euro, organised by the Treasury. Part of receipts from the issue was placed on the Treasury's account with the Bank of Latvia in early April.

Inflow of direct investment also reached a notable level (68.0 million lats; the net inflow of direct investment was 66.0 million lats). Direct investment in equity capital of banks and enterprises in Latvia totalled 51.9 million lats, whereas reinvested earnings amounted to 10.1 million lats.

Due to the Government Eurobond issue, portfolio investment posted a net inflow (251.0 million lats). Residents increased their investment in foreign assets by 8.0 million lats (mostly in equity securities) whereas with an increase in portfolio investment on the liabilities side, an inflow of 258.9 million lats in Latvia was observed.

Residents reduced their foreign liabilities, and it was the main reason for a net outflow (27.3 million lats) in other investment. Banks increased their foreign claims (expanding their loans) and decreased their foreign liabilities (repaying the demand deposits) in the total amount of 19.5 million lats, whereas enterprises contracted their deposits abroad and repaid their loans.

In April, reserve assets grew by 207.8 million lats, mainly due to placing the receipts from Eurobond issue on the Treasury's account with the Bank of Latvia. The Bank of Latvia also conducted direct foreign exchange transactions, selling the national currency in the amount of 47.2 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 ¹	Services	Income	Current transfers	Direct investment		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2003													
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	-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	-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	-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	-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	-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	-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
III	-72.4	-135.7	32.8	-0.3	30.8	1.9	81.1	19.9	5.0	-2.2	64.1	-5.7	-10.6
IV	-149.1	-171.2	29.4	-34.2	27.0	-0.6	80.5	66.0	251.0	-1.2	-27.3	-207.8	69.1

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		
2003												
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	299.8	344.0	156.6	252.9	80.5	51.5	17.5	22.1	45.3	17.6	1.4	0
VIII	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	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	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	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	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
III	329.3	401.7	176.7	312.4	74.5	41.7	18.8	19.1	59.4	28.6	2.2	0.3
IV	332.5	481.5	185.1	356.2	75.9	46.6	19.5	53.7	52.0	25.0	1.6	2.2

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							
					Direct investment		Portfolio investment		Other investment			
Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	
2003												
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	22.1	8.1	0.2	9.4	21.9	0.4	15.0	6.1	2.6	2.9	4.3
VIII	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	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	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	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	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
III	18.8	19.1	9.0	0.2	9.8	18.8	0.4	12.1	5.6	2.3	3.8	4.4
IV	19.5	53.7	8.9	0.2	10.6	53.5	0.9	44.3	5.7	3.8	4.0	5.3

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
2003								
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	-2.7	10.8	-1.5	7.2	-0.4	11.0	-0.8	-7.5
VIII	-3.4	7.2	-2.2	4.3	-0.4	10.4	-0.8	-7.5
IX	-3.1	6.6	-1.9	3.9	-0.4	10.8	-0.9	-8.1
X	-0.5	24.9	-0.5	11.4	0.1	3.9	-0.2	9.6
XI	-1.4	15.2	-1.3	12.0	0.1	2.4	-0.2	0.8
XII	-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
III	-2.3	22.3	-1.7	6.0	-0.3	7.9	-0.4	8.3
IV	-2.0	68.0	-1.5	51.9	-0.3	10.1	-0.3	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
2003												
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	1.0	-0.4	-0.2	-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	1.8	-0.8	1.5	-42.1	-42.2	0.1	0.2	0.2	0	1.6	4.5
X	-55.0	3.3	-2.9	-0.1	-52.1	-53.0	1.0	3.4	3.4	0	-1.0	-0.9
XI	23.1	1.3	-0.6	0.2	23.7	23.4	0.4	1.2	1.2	0	4.3	0.4
XII	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
III	2.2	2.8	-0.7	2.8	2.8	4.9	-2.1	0	0	0	1.4	-3.6
IV	-8.0	258.9	-7.2	3.9	-0.7	1.7	-2.4	255.0	255.3	-0.2	-8.3	7.0

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
2003												
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	-57.4	147.7	0	-1.4	0.3	-0.2	-59.8	142.4	2.1	7.0		
VIII	-30.1	121.1	-0.1	-0.1	0.1	3.3	-32.1	103.2	2.0	14.7		
IX	-26.9	133.8	0	0.2	-0.2	-2.7	-27.0	132.1	0.3	4.2		
X	26.9	-32.0	0	-0.1	0	-2.0	19.7	-34.3	7.1	4.4		
XI	-124.7	215.2	0.1	0.2	0.1	0.3	-128.1	210.3	3.2	4.4		
XII	-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		
III	-112.9	177.1	0	0.1	0	-0.4	-115.5	177.7	2.6	-0.3		
IV	-4.6	-22.8	-0.2	-0.1	0	-1.9	-9.4	-10.2	5.1	-10.6		

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).