## LATVIJAS BANKA

# LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

### 4 • 2006 MONTHLY BULLETIN

Latvia's balance of payments is compiled in accordance with the guidelines of the IMF publication *Balance of Payments Manual*, 5th edition, and ECB requirements.

The balance of payments consists of the current account, the capital and financial account, and net errors and omissions. The current account shows exports and imports of goods and services, income (wages and salaries, dividends, interest payments), as well as current transfers, which are not intended for investment in a specified period of time. The capital and financial account reflects capital transfers, which are intended for investment, as well as changes in foreign investment and debt for a definite period, as well as an increase or a decrease in reserve assets.

As of 2000, the responsibility for compiling and publishing the balance of payments on a quarterly and annual basis was taken over by the Bank of Latvia from the Central Statistical Bureau of Latvia (CSB). As of 2001, the Bank of Latvia also publishes the monthly balance of payments (key items).

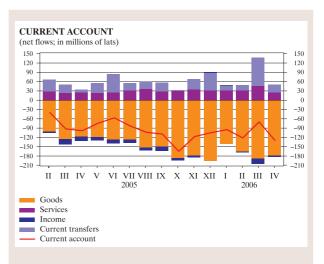
The purpose of this publication is to disseminate information on economic transactions with foreign countries, providing for a timely analysis of macroeconomic processes.

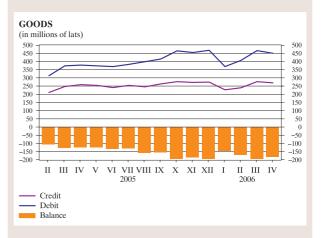
To promote the compilation of the monthly balance of payments (key items), the Bank of Latvia has adopted the "Regulation for Preparing Information on External Payments of Non-Banks", pursuant to which Latvian banks submit to the Bank of Latvia reports on resident non-bank external payments four times a month, and resident non-banks report to the Bank of Latvia on incoming external payments via domestic banks and external payments made via foreign banks once a month.

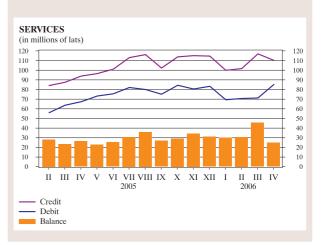
Apart from statistics on resident non-bank external payments, the following sources are used in compiling the monthly balance of payments (key items): statistics on credit institution foreign assets and liabilities, compiled by the Bank of Latvia; Bank of Latvia statistics on foreign reserves; statistics on government external debt and foreign financial assistance, compiled by the Treasury; aggregated data on contracts concluded between natural persons (residents) and employers (non-residents) for working abroad; and other sources.

The monthly balance of payments (key items) is compiled within 30 working days after the end of the reporting month. The monthly balance of payments (key items) is revised when compiling the quarterly balance of payments, for which a wider range of data is available, including foreign trade statistics and aggregated data on persons entering and leaving the country, compiled from surveys by the CSB.

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







#### MONTHLY BALANCE OF PAYMENTS (KEY ITEMS)

(balance; in millions of lats)

	Current account					Capital	•						Errors and
		Goods <sup>1</sup>	Services	Income	Current transfers	account		Direct invest- ment	Portfolio invest- ment	Financial deriva- tives	Other invest- ment	Reserve assets	omissions
2005													
II	-39.9	-102.0	28.3	-3.3	37.0	1.0	1.0	30.1	-28.3	-3.0	67.0	-64.8	37.9
III	-92.7	-126.3	23.7	-15.8	25.8	27.6	44.0	40.8	9.7	-1.0	16.9	-22.4	21.0
IV	-98.4	-119.6	26.5	-12.7	7.4	10.7	84.4	8.6	-30.6	-4.2	124.0	-13.4	3.3
V	-74.0	-119.2	23.2	-10.5	32.5	3.4	71.0	10.8	7.9	-2.0	81.5	-27.2	-0.4
VI	-56.5	-128.6	25.5	-11.5	58.1	0.9	30.6	12.2	76.3	-12.3	0.5	-46.1	24.9
VII	-83.2	-127.9	31.0	-9.8	23.5	9.9	110.9	14.2	-35.4	-10.3	156.8	-14.4	-37.7
VIII	-103.3	-154.0	36.1	-8.6	23.2	19.2	88.9	19.4	-92.2	-7.5	231.0	-61.8	-4.8
IX	-109.4	-150.9	27.1	-13.1	27.5	7.0	125.6	57.2	-55.0	-6.6	190.6	-60.7	-23.2
Х	-164.7	-189.0	29.4	-6.6	1.6	2.8	228.7	18.0	14.5	-5.8	196.3	5.7	-66.8
XI	-117.3	-180.7	34.6	-3.9	32.7	14.6	115.1	6.7	7.7	1.1	101.2	-1.5	-12.4
XII	-105.1	-194.9	31.1	1.4	57.3	11.6	130.2	21.7	75.2	-6.3	39.1	0.6	-36.7
2006													
Ι	-94.7	-141.8	30.2	0.1	16.8	8.1	126.6	56.9	-32.3	-7.1	123.5	-14.5	-40.0
II	-121.7	-167.2	30.9	-1.1	15.8	1.0	93.6	26.1	-23.5	-1.1	161.0	-68.9	27.1
III	-69.6	-189.6	45.6	-16.8	91.2	30.4	75.7	63.6	-70.8	0.6	176.9	-94.7	-36.5
IV	-130.2	-179.4	25.0	-2.0	26.2	14.6	72.3	133.3	-35.5	5.9	-17.3	-14.1	43.3

# CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account											
			Goods <sup>1</sup>		Services	Services		Income		sfers		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2005												
Π	384.9	424.8	211.1	313.1	84.5	56.2	29.5	32.8	59.7	22.7	1.1	0
III	426.8	519.4	247.0	373.3	87.7	64.0	30.2	46.1	61.8	36.0	27.8	0.1
IV	430.1	528.5	258.7	378.3	94.2	67.7	31.0	43.7	46.2	38.8	10.8	0.1
V	446.5	520.4	254.5	373.7	96.8	73.6	34.0	44.5	61.2	28.7	5.1	1.7
VI	465.2	521.7	241.2	369.8	101.3	75.8	35.8	47.3	86.9	28.7	1.4	0.5
VII	467.4	550.6	255.4	383.3	113.2	82.2	37.7	47.6	61.0	37.4	10.7	0.7
VIII	459.7	563.0	245.4	399.4	116.3	80.2	43.0	51.6	55.0	31.8	19.3	0.1
IX	473.0	582.3	264.4	415.3	102.4	75.3	37.3	50.4	68.9	41.4	7.1	0.1
Х	481.7	646.4	276.9	465.9	114.1	84.7	40.7	47.3	49.9	48.4	3.2	0.4
XI	501.5	618.8	273.4	454.2	115.3	80.7	42.3	46.1	70.5	37.8	14.7	0.2
XII	537.4	642.5	274.4	469.2	114.8	83.7	42.5	41.1	105.7	48.4	11.8	0.3
2006												
I	441.5	536.2	228.0	369.8	100.0	69.7	41.5	41.3	72.0	55.2	8.6	0.5
Π	447.7	569.4	240.2	407.5	101.8	70.9	39.1	40.2	66.6	50.8	1.2	0.2
III	575.0	644.6	277.1	466.7	117.1	71.5	45.2	62.0	135.6	44.3	30.8	0.5
IV	508.3	638.4	270.3	449.7	110.4	85.4	45.6	47.6	82.1	55.8	14.8	0.2

<sup>&</sup>lt;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											
			Compensation of employees		Investment	nvestment income						
							Direct investment		Portfolio investment		Other invest	tment
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2005												
П	29.5	32.8	14.0	0.6	15.5	32.2	0.1	20.0	8.7	5.9	6.7	6.2
III	30.2	46.1	15.3	0.6	15.0	45.5	0.2	33.5	7.4	4.9	7.3	7.1
IV	31.0	43.7	15.9	0.7	15.1	43.0	0.4	28.8	7.4	6.0	7.4	8.3
V	34.0	44.5	17.5	0.7	16.5	43.7	0.4	29.9	8.2	4.9	7.9	8.9
VI	35.8	47.3	18.6	0.7	17.2	46.6	0.4	33.1	8.9	5.1	8.0	8.4
VII	37.7	47.6	19.0	0.8	18.7	46.8	0.2	33.1	9.5	4.2	9.0	9.4
VIII	43.0	51.6	19.0	0.8	24.0	50.8	6.8	36.2	8.8	4.8	8.4	9.7
IX	37.3	50.4	19.2	0.8	18.1	49.5	0.3	35.4	9.4	4.2	8.4	9.9
Х	40.7	47.3	20.3	0.8	20.4	46.5	2.7	29.1	9.4	4.9	8.3	12.5
XI	42.3	46.1	20.7	0.9	21.5	45.2	2.7	25.1	9.9	7.5	8.8	12.6
XII	42.5	41.1	20.8	0.9	21.7	40.2	2.7	23.4	9.1	4.0	9.9	12.8
2006												
I	41.5	41.3	21.0	0.8	20.5	40.6	0.8	22.1	10.2	5.5	9.6	12.9
II	39.1	40.2	20.9	0.8	18.2	39.4	0.8	21.5	8.3	4.4	9.0	13.5
III	45.2	62.0	21.4	0.8	23.8	61.3	0.9	37.3	10.9	6.3	12.0	17.7
IV	45.6	47.6	21.6	1.1	24.0	46.5	1.2	23.7	12.1	7.2	10.7	15.6

### FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment												
			Equity capital		Reinvested earning	s	Other capital						
	Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia					
2005													
П	-4.3	34.4	-3.1	16.6	0	17.6	-1.2	0.2					
ш	-5.6	46.4	-4.0	15.3	-0.3	31.1	-1.2	0.1					
IV	-8.5	17.1	-6.4	37.8	-0.3	-28.5	-1.7	7.8					
v	-5.1	15.8	-3.0	2.6	-0.3	6.1	-1.7	7.1					
VI	-6.9	19.1	-4.8	3.1	-0.3	9.3	-1.7	6.8					
VII	-9.4	23.7	-3.7	0	-0.1	26.1	-5.6	-2.4					
VIII	-14.4	33.9	-8.7	6.0	-0.1	30.3	-5.6	-2.4					
IX	-10.2	67.5	-3.1	24.2	-0.2	29.5	-6.9	13.8					
Х	-2.0	20.0	0.4	-0.4	-2.6	21.5	0.1	-1.1					
XI	-2.2	8.9	0.2	-5.9	-2.6	17.6	0.1	-2.8					
XII	-3.5	25.2	-1.1	-5.0	-2.6	15.8	0.1	14.4					
2006								-					
I	-2.0	58.9	-0.9	15.6	-0.8	20.4	-0.3	22.9					
П	-5.5	31.6	-4.2	4.3	-0.8	19.5	-0.5	7.8					
III	-4.8	68.4	-2.6	26.1	-0.8	31.8	-1.3	10.5					
IV	-8.6	141.8	-8.2	128	-0.8	15.4	0.4	-1.5					

#### FINANCIAL ACCOUNT: PORTFOLIO INVESTMENT AND FINANCIAL DERIVATIVES

(net flows; in millions of lats)

	Portfolio investment											
			Equity secur	rities	Debt securit	ties						
	Assets	Liabilities	Assets	Assets Liabilities A		Assets			Liabilities			Liabilities
						Bonds and notes	Money market instru- ments		Bonds and notes	Money market instru- ments		
2005												
II	-32.4	4.2	-2.0	0.8	-30.5	-31.7	1.2	3.3	3.5	-0.2	2.4	-5.4
III	7.3	2.4	1.1	-0.3	6.2	4.4	1.8	2.7	2.7	0	4.1	-5.1
IV	-16.0	-14.6	-0.1	2.0	-16.0	-15.5	-0.5	-16.5	-16.5	0	1.2	-5.4
V	5.6	2.3	-2.5	2.0	8.1	7.8	0.3	0.3	0.3	0	-0.6	-1.4
VI	1.7	74.6	-1.6	1.8	3.3	3.6	-0.3	72.8	72.8	0	0.9	-13.1
VII	-37.1	1.7	-3.8	0.7	-33.2	-32.0	-1.2	1.0	1.8	-0.8	-1.6	-8.7
VIII	-99.1	6.9	-2.8	1.2	-96.3	-95.5	-0.9	5.7	5.7	0	-0.6	-6.9
IX	-55.2	0.2	-5.7	-1.2	-49.4	-48.8	-0.6	1.3	1.3	0	-2.4	-4.3
Х	12.1	2.4	-3.5	-0.1	15.7	15.5	0.1	2.5	2.5	0	2.1	-7.9
XI	13.4	-5.7	-3.0	0.5	16.4	14.9	1.5	-6.2	-6.2	0	2.6	-1.5
XII	74.0	1.2	-5.6	-0.1	79.6	75.7	3.9	1.3	1.3	0	4.3	-10.6
2006												
Ι	-32.6	0.3	-6.8	2.5	-25.8	-26.6	0.9	-2.1	-2.7	0.5	2.2	-9.3
Π	-25.8	2.3	-4.3	-0.8	-21.4	-20.7	-0.7	3.0	2.8	0.2	2.1	-3.2
III	-71.7	0.9	-6.5	-2.1	-65.2	-65.4	0.2	3.0	3.0	0.1	0	0.6
IV	-26.3	-9.3	-11.9	-0.5	-14.3	-14.4	0.1	-8.8	-8.8	0	4.0	1.9

### FINANCIAL ACCOUNT: OTHER INVESTMENT

(net flows; in millions of lats)

	Other investment												
			Monetary auth	orities	General govern	nment	Banks		Other sectors				
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2005													
п	105.0	-38.0	-0.3	-15.0	0.1	-0.2	132.4	-19.2	-27.3	-3.7			
III	-28.3	45.2	0.1	-0.1	0	-7.2	-1.5	56.8	-26.8	-4.3			
IV	119.5	4.5	-0.2	3.7	0	-2.7	129.2	-5.5	-9.5	9.0			
v	28.4	53.1	-0.6	0.4	0	-23.3	38.6	70.4	-9.6	5.6			
VI	-68.5	69.0	0	-7.2	0	1.4	-57.6	65.9	-10.9	9.0			
VII	17.9	138.9	0	5.5	0	-0.5	34.3	105.5	-16.4	28.4			
VIII	86.1	145.0	0	-0.1	0	-4.6	103.1	121.6	-17.1	28.1			
IX	-19.4	210.1	0.1	-6.1	0	-1.1	1.8	189.5	-21.3	27.8			
Х	-51.3	247.6	0.1	6.9	0	-6.7	-57.6	243.3	6.3	4.1			
XI	83.6	17.6	0	4.3	0	-1.1	130.2	9.7	-46.6	4.7			
XII	-366.3	405.4	0.1	-11.0	0	0.5	-297.7	410.3	-68.6	5.6			
2006													
I	-60.8	184.4	-0.2	1.1	0	-0.5	-35.1	156.8	-25.5	27.0			
II	-29.3	190.3	0	0.4	0	53.9	26.1	116.3	-55.4	19.7			
III	98.2	78.7	-0.1	1.9	0	-2.1	164.9	62.9	-66.6	15.9			
IV	-301.2	283.9	-1.3	-4.7	0	-3.2	-214.2	141.4	-85.7	150.4			

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).

Latvijas Banka K. Valdemāra ielā 2A, Riga, LV-1050, Latvia Tel: +371 702 2300 Fax: +371 702 2420 info@bank.lv