

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

5 • 2003  
MONTHLY BULLETIN

In May, the current account deficit of the balance of payments increased (to 57.2 million lats) year-on-year. Although in May, the growth rate of imports and exports of goods was slower year-on-year, it still remained high in the first five months of 2003 (a year-on-year increase of 14.3% and 17.8%, respectively). The moderate pickup in exports of goods in May (3.1%) was determined by a comparatively high level of exports in the corresponding period of the previous year, but the growth rate of imports of goods shrank (to 10.2%), mostly as a result of declining exports of mineral products and base metals. In May, the deficit of goods and income rose year-on-year. The surplus of current transfers continued to grow, while that of services declined.

In May, the surplus of services (27.6 million lats) decreased by 7.5 million lats year-on-year, as a result of increasing imports of travel services and other services. The surplus of transportation services did not record significant changes (an increase of 0.7 million lats). Although exports of crude oil from Russia by oil main to the port of Ventspils had not been resumed, the volume of freight received at and dispatched from Latvian ports increased, with the volume of oil products and various types of dry freight expanding. The rise in the surplus of transportation services was also facilitated by higher exports of freight transportation services by sea.

The income deficit grew by 7.4 million lats year-on-year. The growth was mostly determined by a rise in income from direct investment by non-residents (9.5 million lats).

The current transfers surplus increased by 7.2 million lats year-on-year, with transfers received by private persons accounting for most of the growth.

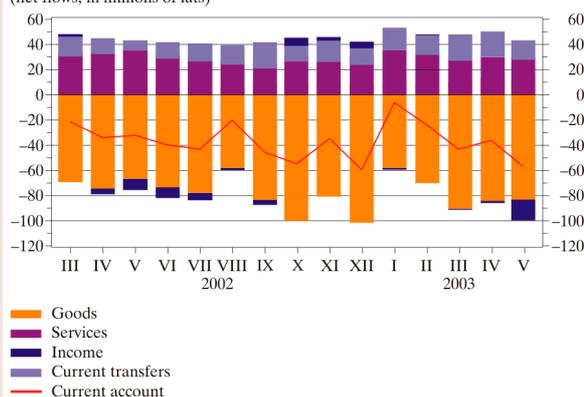
In May, the capital and financial account posted a surplus of 53.6 million lats.

The net inflow of direct investment reached 27.1 million lats, covering 47.4% of the current account deficit. Inward direct investment inflow accounted for 26.7 million lats (mostly in companies' equity and as reinvested earnings).

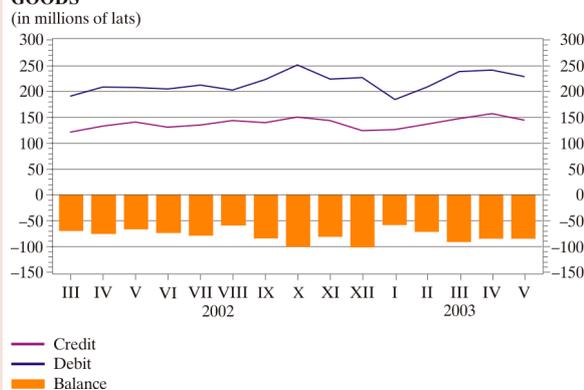
Portfolio investment reported a net inflow in May (16.2 million lats), as banks reduced their investment in bonds and notes issued by non-residents. Liabilities of portfolio investment increased (by 2.9 million lats), mostly as a result of non-residents acquiring equities (investment certificates) and Latvian government securities denominated in lats.

A net inflow was recorded also in other investment (43.5 million lats), mostly due to a rise in residents' foreign liabilities. On the asset side, a decrease of 4.0 million lats in other investment was attributed to the fact that matured loans granted by banks were received, and banks' demand deposits with foreign credit institutions increased to a lesser extent. At the same time, assets of other sectors grew as well. Liabilities under other investment rose by 39.5 million lats, with banks increasing borrowing (time deposits) and demand deposits from non-residents (by 13.4 million lats and 28.7 million lats, respectively).

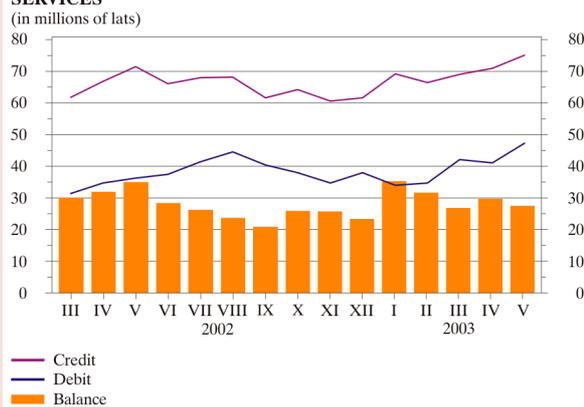
CURRENT ACCOUNT  
(net flows; in millions of lats)



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			
2002													
III	-21.8	-69.7	30.2	1.7	16.0	1.5	27.2	29.6	-23.9	1.1	25.4	-5.1	-6.9
IV	-34.3	-74.8	32.0	-4.4	12.9	0.9	30.8	17.9	-54.7	-0.7	56.4	11.9	2.6
V	-32.6	-66.9	35.1	-8.9	8.1	1.0	64.3	26.4	-32.8	6.8	54.4	9.5	-32.6
VI	-40.3	-73.7	28.4	-8.4	13.4	0.6	-3.2	37.0	23.1	-1.1	-73.2	11.0	42.9
VII	-43.3	-78.0	26.4	-6.0	14.3	1.0	55.9	20.4	-5.5	-3.0	32.6	11.4	-13.6
VIII	-20.4	-58.5	23.7	-1.5	15.8	0.4	13.4	20.3	-23.0	2.4	56.3	-42.7	6.7
IX	-45.9	-83.4	21.0	-4.1	20.5	0.9	57.3	20.2	8.6	2.6	36.8	-10.9	-12.3
X	-55.2	-100.4	26.0	6.7	12.5	0.9	61.4	9.1	-31.5	-2.8	41.7	44.9	-7.2
XI	-35.1	-80.9	25.8	3.0	16.9	1.0	41.9	10.4	22.6	-0.7	-8.4	17.9	-7.8
XII	-59.9	-101.7	23.5	5.3	12.9	0.6	64.8	10.2	-19.4	4.8	129.7	-60.5	-5.5
2003													
I <sup>2</sup>	-6.4	-58.6	35.2	-0.7	17.7	0.2	23.2	21.1	-32.5	2.2	-14.8	47.3	-17.1
II <sup>2</sup>	-24.2	-71.6	31.6	0.1	15.6	0.6	31.2	19.1	-35.2	-1.7	77.6	-28.7	-7.6
III <sup>2</sup>	-43.4	-90.7	26.8	-0.2	20.7	0.4	5.0	28.3	28.8	-5.6	-117.2	70.7	38.0
IV	-36.3	-84.6	29.8	-1.5	20.0	0.4	42.6	26.4	-11.5	6.7	67.0	-46.1	-6.6
V	-57.2	-83.7	27.6	-16.3	15.3	0.8	52.8	27.1	16.2	4.5	43.5	-38.6	3.6

## 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		
2002												
III	224.0	245.8	121.4	191.1	61.7	31.5	14.7	13.0	26.2	10.2	1.9	0.4
IV	239.1	273.4	132.9	207.7	66.8	34.7	14.1	18.6	25.3	12.4	1.2	0.3
V	246.5	279.1	140.3	207.2	71.4	36.3	14.0	22.9	20.7	12.7	1.2	0.2
VI	235.9	276.3	130.5	204.3	66.0	37.6	14.3	22.7	25.1	11.7	1.0	0.4
VII	243.2	286.6	134.5	212.5	67.9	41.5	14.0	20.0	26.9	12.6	1.9	0.9
VIII	260.0	280.4	143.8	202.4	68.2	44.5	14.7	16.2	33.2	17.4	0.8	0.5
IX	250.2	296.1	139.8	223.1	61.6	40.5	13.8	17.9	35.0	14.5	1.2	0.3
X	264.1	319.3	150.6	251.0	64.1	38.1	15.4	8.7	34.0	21.5	1.2	0.2
XI	252.2	287.4	143.1	224.0	60.5	34.7	15.3	12.4	33.2	16.3	1.2	0.1
XII	238.1	298.0	124.5	226.2	61.6	38.1	19.4	14.0	32.6	19.7	1.2	0.6
2003												
I <sup>2</sup>	242.3	248.7	125.7	184.3	69.2	34.0	15.6	16.3	31.8	14.1	0.3	0.1
II <sup>2</sup>	248.5	272.7	136.2	207.7	66.4	34.7	15.8	15.7	30.1	14.5	0.9	0.3
III <sup>2</sup>	268.1	311.5	147.2	237.9	68.9	42.1	17.6	17.8	34.5	13.8	0.7	0.3
IV	281.1	317.4	156.7	241.4	70.9	41.2	16.8	18.3	36.6	16.6	0.8	0.3
V	271.7	328.8	144.6	228.3	75.0	47.4	16.3	32.6	35.8	20.5	1.0	0.2

With the Bank of Latvia engaging in currency swaps and foreign currency purchase transactions, reserve assets grew by 38.6 million lats in May.

<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											
			Compensation of employees		Investment income							
					Direct investment		Portfolio investment		Other investment			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2002												
III	14.7	13.0	6.7	0.2	8.0	12.8	0.1	5.4	4.3	1.3	3.5	6.2
IV	14.1	18.6	6.8	0.2	7.3	18.3	0	11.1	4.0	1.2	3.3	6.1
V	14.0	22.9	7.0	0.2	7.0	22.6	0	16.3	3.9	1.2	3.0	5.2
VI	14.3	22.7	6.9	0.2	7.4	22.5	0	15.2	3.8	1.3	3.6	6.0
VII	14.0	20.0	6.9	0.2	7.0	19.8	0	14.6	4.3	1.2	2.7	4.0
VIII	14.7	16.2	7.1	0.2	7.6	16.0	0	10.1	4.4	1.2	3.2	4.7
IX	13.8	17.9	7.1	0.2	6.8	17.7	0	11.5	3.9	1.2	3.0	5.0
X	15.4	8.7	7.2	0.2	8.1	8.4	0	1.2	4.4	1.2	3.7	6.0
XI	15.3	12.4	7.3	0.2	8.1	12.1	0	5.2	5.0	1.4	3.1	5.5
XII	19.4	14.0	7.4	0.3	11.9	13.8	0	3.2	8.5	4.4	3.3	6.2
2003												
I <sup>1</sup>	15.6	16.3	7.3	0.2	8.3	16.1	0.1	9.4	5.4	2.2	2.8	4.5
II <sup>1</sup>	15.8	15.7	7.4	0.2	8.4	15.5	0.1	8.8	5.8	2.5	2.6	4.1
III <sup>1</sup>	17.6	17.8	7.7	0.2	9.8	17.6	0.2	10.0	6.7	2.8	2.9	4.8
IV	16.8	18.3	8.0	0.3	8.8	17.9	0.2	9.7	5.8	2.7	2.9	5.5
V	16.3	32.6	7.8	0.2	8.5	32.4	0.2	25.8	5.5	2.9	2.8	3.6

## 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								
III	0.1	29.5	-0.1	27.4	0	4.1	0.2	-2.0
IV	-0.7	18.6	-1.1	6.6	0	6.9	0.3	5.1
V	-0.9	27.3	-1.2	12.9	0	7.9	0.3	6.4
VI	-1.2	38.2	-1.5	22.1	0	8.9	0.3	7.2
VII	-0.4	20.9	-0.8	7.7	0	8.5	0.3	4.6
VIII	0.5	19.8	0.1	7.4	0	8.5	0.4	3.9
IX	0.3	19.8	-0.1	6.1	0	9.6	0.4	4.1
X	-0.9	10.0	-0.2	8.5	0.1	-0.1	-0.7	1.7
XI	-0.5	10.9	0.3	9.2	0.1	0.8	-0.8	0.9
XII	-1.9	12.0	-1.0	10.3	0.1	1.4	-0.9	0.3
2003								
I <sup>1</sup>	-0.9	21.9	-0.4	7.4	0	7.6	-0.5	6.9
II <sup>1</sup>	-2.4	21.5	-1.9	7.7	0	6.8	-0.5	7.1
III <sup>1</sup>	-0.9	29.2	-0.5	9.1	0	8.1	-0.4	12.0
IV	-0.6	27.0	-0.2	11.1	-0.2	8.2	-0.2	7.6
V	0.5	26.7	0.5	13.1	-0.2	9.6	0.1	4.0

<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		Liabilities			
						Bonds and notes	Money market instruments		Bonds and notes	Money market instruments		
2002												
III	-34.2	10.3	-12.9	18.4	-21.3	-20.9	-0.3	-8.1	-7.9	-0.3	0.8	0.2
IV	-51.3	-3.3	-0.9	-0.5	-50.4	-53.0	2.5	-2.8	-2.8	0	-1.8	1.1
V	-25.4	-7.4	2.1	-4.7	-27.5	-31.0	3.5	-2.8	-2.8	0	0.7	6.1
VI	12.3	10.8	-0.3	13.3	12.6	8.1	4.4	-2.4	-2.4	0	-5.5	4.4
VII	6.3	-11.9	0.7	-13.1	5.6	-1.8	7.4	1.2	1.2	0	1.2	-4.1
VIII	-24.7	1.7	0.1	-1.7	-24.8	-24.9	0.1	3.4	3.4	0	4.4	-1.9
IX	3.9	4.7	0.2	1.0	3.7	0.8	2.9	3.6	3.6	0	1.2	1.4
X	-31.8	0.4	11.1	0.2	-43.0	-41.8	-1.1	0.2	0.2	0	-0.5	-2.3
XI	21.8	0.8	1.2	-0.2	20.7	20.4	0.3	0.9	0.9	0	0.1	-0.8
XII	-17.9	-1.5	-2.8	-0.1	-15.1	-16.4	1.3	-1.3	-1.3	0	-1.7	6.6
2003												
I <sup>1</sup>	-33.4	0.9	2.9	0	-36.3	-36.5	0.1	0.9	1.0	-0.1	0.2	2.0
II <sup>1</sup>	-34.3	-0.8	-1.1	0.3	-33.2	-20.4	-12.8	-1.1	-1.0	-0.1	0.7	-2.4
III <sup>1</sup>	25.9	2.8	-1.1	0.7	27.0	15.3	11.8	2.2	2.2	-0.1	-2.9	-2.7
IV	-15.9	4.4	0	4.5	-15.9	-15.6	-0.2	-0.2	-0.2	0	0.2	6.5
V	13.3	2.9	-0.7	1.9	14.1	16.8	-2.7	1.0	1.0	0	-1.9	6.4

## 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
2002												
III	-53.0	78.4	-0.1	6.7	1.3	-1.9	-50.8	85.1	-3.4	-11.5		
IV	50.3	6.1	0	-6.7	2.0	-1.0	41.6	7.3	6.7	6.4		
V	32.7	21.7	0.1	0.1	0.1	0.2	27.7	24.9	4.8	-3.4		
VI	-100.7	27.5	0	1.0	-0.9	-0.4	-104.0	17.8	4.2	9.1		
VII	-20.4	53.0	0.2	-4.0	0.2	0	-16.3	52.6	-4.4	4.3		
VIII	-16.3	72.7	0	-0.2	0.1	0.5	-23.5	69.6	7.1	2.7		
IX	32.2	4.6	-0.1	0	0.6	-0.4	48.5	0.1	-16.8	5.0		
X	-91.5	133.2	0	0.1	-0.2	0.3	-92.5	127.2	1.2	5.7		
XI	-5.8	-2.6	-0.1	-0.2	-0.1	0	-18.4	-9.0	12.9	6.6		
XII	-67.6	197.4	-0.1	-1.8	0.2	-0.1	-70.5	190.1	2.8	9.2		
2003												
I <sup>1</sup>	-61.3	46.5	0.1	-1.3	-0.3	-7.2	-54.7	57.1	-6.4	-2.0		
II <sup>1</sup>	159.8	-82.2	0	0.3	-0.5	-0.3	170.5	-79.0	-10.2	-3.1		
III <sup>1</sup>	-125.9	8.7	0	-0.6	0	-2.8	-118.6	16.4	-7.4	-4.3		
IV	-2.6	69.6	-0.1	2.1	-0.2	-1.7	2.3	63.9	-4.6	5.2		
V	4.0	39.5	0	-1.9	0.1	-0.4	7.7	42.7	-3.8	-0.8		

<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)).*