

## LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

5 • 2004  
MONTHLY BULLETIN

In May, the current account deficit of the balance of payments (69.4 million lats) decreased considerably month-on-month. It was determined by a substantial drop (85.2 million lats) in imports of goods, following their sizeable growth in the months prior to Latvia's accession to the EU. The year-on-year growth rate of exports and imports (17.1% and 18.6%, respectively) stabilised after the rapid acceleration in March and April. The services and current transfers surplus posted a minor pickup, while the increase in income deficit was higher.

In May, the services surplus grew both month-on-month and year-on-year (by 3.7 million lats and 2.3 million lats, respectively), determined by higher exports of travel services and other services. The transportation services surplus fell year-on-year, mostly due to shrinking exports of freight transportation services by sea as a result of a drop in tanker charter rates.

The income deficit grew by 8.3 million lats year-on-year, driven by a rise in non-resident income in Latvia (mostly in income from direct investment).

The current transfers surplus increased by 3.7 million lats year-on-year, with transfers received by other sectors (incl. private persons) growing.

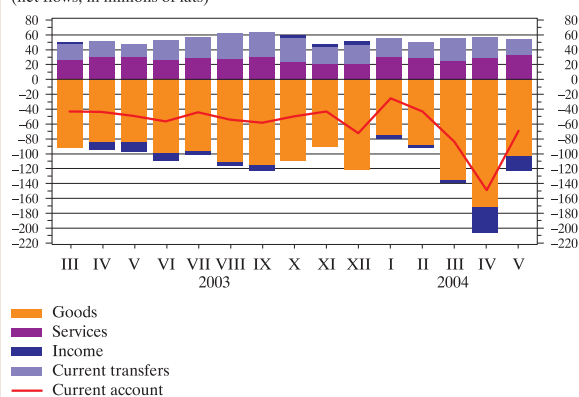
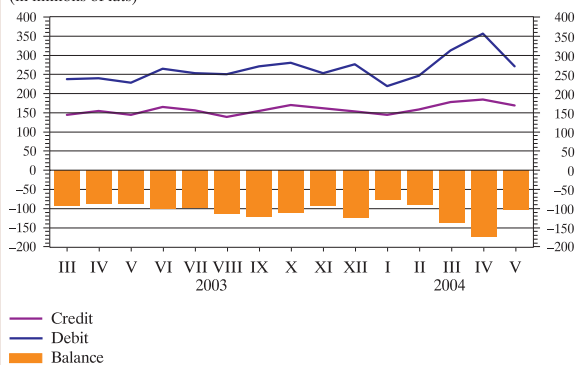
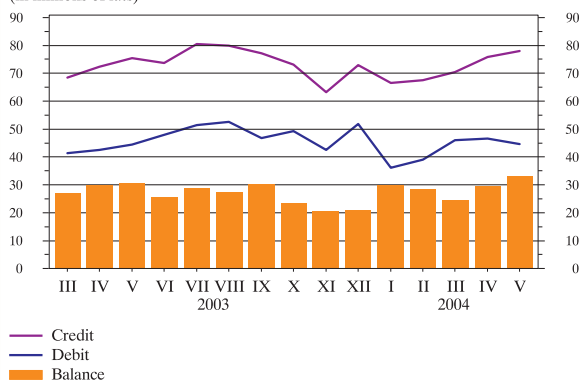
In May, the surplus of the capital and financial account was 80.2 million lats. The most significant changes in the financial account resulted from the Treasury redeeming the eurobonds and enterprises engaging in long-term borrowing and reducing their foreign assets.

In May, the net inflow of direct investment was 9.6 million lats. The low level of direct investment was partly due to a decrease in direct investment in equity in Latvia, under the effect of a transaction where shares owned by a non-resident were sold to Latvian residents. The net inflow of foreign direct investment in Latvia was 8.1 million lats.

Portfolio investment posted a net outflow of 126.1 million lats. Banks increased their investment in money market instruments by 30.6 million lats, and the Treasury redeemed the 5-year eurobonds issued in 1999 in the amount of 225 million euros. Banks issued bonds in the amount of 20.0 million lats in order to receive long-term funds abroad for lending to domestic enterprises and private persons.

The net inflow of other investment was 48.7 million lats. Bank other investment posted a minor net inflow of 6.1 million lats. Banks attracted demand deposits and repaid the borrowings (redeemed time deposits), as well as increased the level of demand deposits with credit institutions abroad. Other sectors (enterprises) received long-term loans in the amount of 24.3 million lats and reduced deposits abroad by 13.2 million lats.

With the Bank of Latvia meeting its contractual obligations to banks under currency swap agreements and Latvia redeeming the eurobonds issued in 1999, reserve assets shrank by 142.8 million lats in May.

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 <sup>2</sup>		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2003													
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 <sup>3</sup>	-25.2	-74.4	30.2	-5.1	24.2	1.6	32.3	28.0	21.0	-6.0	-15.8	5.1	-8.8
II <sup>3</sup>	-43.0	-87.5	28.5	-4.3	20.3	3.1	48.2	9.8	12.5	0.5	5.3	20.1	-8.3
III <sup>3</sup>	-84.0	-134.9	24.4	-4.6	31.1	1.9	79.3	20.4	12.1	-2.2	55.1	-6.0	2.8
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
V	-69.4	-101.9	33.1	-20.9	20.2	9.3	70.9	9.6	-126.1	-4.2	48.7	142.8	-10.8

## 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	Credit	Debit		
2003												
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 <sup>3</sup>	271.8	296.9	144.8	219.2	66.6	36.3	17.8	23.0	42.6	18.5	1.7	0.1
II <sup>3</sup>	282.8	325.8	158.7	246.2	67.6	39.1	17.5	21.8	39.0	18.7	4.9	1.8
III <sup>3</sup>	327.4	411.4	178.1	313.0	70.5	46.1	18.6	23.2	60.2	29.1	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
V	305.6	375.0	169.1	271.0	77.9	44.8	19.0	39.9	39.6	19.4	9.4	0.1

<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> As of year 2004, equity capital data of direct investment in Latvia are reported possibly closer to the market value. In assessing the value of listed enterprises, the Riga Stock Exchange data are used, while the value of non-listed enterprises is obtained using the equity capital method (own funds at book value) recommended by the European Central Bank.

<sup>3</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
2003												
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 <sup>1</sup>	17.8	23.0	9.0	0.3	8.8	22.7	0	16.1	5.9	2.5	2.9	4.1
II <sup>1</sup>	17.5	21.8	8.9	0.3	8.5	21.5	0	15.3	5.5	2.3	3.0	3.9
III <sup>1</sup>	18.6	23.2	9.2	0.3	9.4	22.9	0	16.4	5.6	2.4	3.7	4.1
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
V	19.0	39.9	8.9	0.3	10.1	39.6	0.6	29.5	5.3	5.7	4.1	4.4

## FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment							
			Equity capital		Reinvested earnings		Other capital	
			Abroad	In Latvia	Abroad	In Latvia <sup>2</sup>	Abroad	In Latvia
2003								
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 <sup>1</sup>	-2.2	30.2	-2.3	3.4	0	13.6	0.1	13.2
II <sup>1</sup>	-10.8	20.6	-10.9	3.9	0	12.9	0.1	3.8
III <sup>1</sup>	-2.9	23.3	-3.0	3.5	0	14.0	0.1	5.8
IV	-2.0	68.0	-1.5	51.9	-0.3	10.1	-0.3	6.0
V	1.6	8.1	-1.1	-10.5	-0.4	11.7	3.0	6.8

<sup>1</sup> Data have been revised.

<sup>2</sup> As of year 2004, equity capital data of direct investment in Latvia are reported possibly closer to the market value. In assessing the value of listed enterprises, the Riga Stock Exchange data are used, while the value of non-listed enterprises is obtained using the equity capital method (own funds at book value) recommended by the European Central Bank.

## FINANCIAL ACCOUNT: PORTFOLIO INVESTMENT AND FINANCIAL DERIVATIVES

(net flows; in millions of lats)

	Portfolio investment										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	
2003														
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 <sup>1</sup>	17.6	3.5	-1.3	3.8	18.8	18.7	0.1	-0.3	-0.6	0	-0.4	-5.6		
II <sup>1</sup>	13.4	-0.9	-0.9	3.5	14.4	13.9	0.5	-4.4	-4.4	0	-1.5	2.0		
III <sup>1</sup>	5.2	6.8	1.1	7.2	4.2	4.3	-0.1	-0.4	-0.4	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	-8.3	7.0		
V	-22.5	-103.6	4.7	8.3	-27.2	3.6	-30.8	-111.9	-111.7	0	1.8	-6.0		

## 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										
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 <sup>1</sup>	-93.1	77.3	0	-1.5	0	0.9	-86.7	78.9	-6.4	-1.0
II <sup>1</sup>	-0.6	6.0	0	-0.3	0.2	-0.5	6.9	7.7	-7.7	-1.0
III <sup>1</sup>	-122.3	177.3	0	0.1	0	-0.4	-115.5	177.7	-6.8	-0.1
IV	-4.6	-22.8	-0.2	-0.1	0	-1.9	-9.4	-10.2	5.1	-10.6
V	-95.8	144.5	-0.6	5.3	-0.1	-0.7	-107.1	113.2	12.0	26.7

<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)).