

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

6 • 2004  
MONTHLY BULLETIN

In June, the current account deficit of the balance of payments (81.3 million lats) was larger than that of the corresponding period of the previous year and also month-on-month. A rise in the current account deficit resulted from the goods deficit due to one-off increase of investment goods imports. Year-on-year, exports of goods grew by 6.4% and imports of goods by 19.3%.

Compared with the corresponding period of the previous year, services surplus increased only slightly. With transportation services (mainly by air) from non-residents growing more, transportation services surplus decreased by 2.9 million lats. When the bustling tourism season started, the travel services rendered increased, driving the travel services deficit down by 1.8 million lats. The other services surplus, supported by a fall in financial services received and a rise in construction services rendered grew by 3.0 million lats.

The income deficit declined year-on-year and was 4.2 million lats, as non-residents' investment income (mainly from direct investment in Latvia) dropped by 3.6 million lats. Both residents' investment income and workers remittances for employment abroad grew slightly.

The current transfers surplus, mostly as a result of an increase in current transfers received by other sectors (including private persons), continued to grow and amounted to 34.6 million lats in June.

In June, the surplus of the capital and financial account was 90.9 million lats. Mainly the increasing inflow of foreign direct investment in Latvia and a rise in other investment brought about the changes in the financial account.

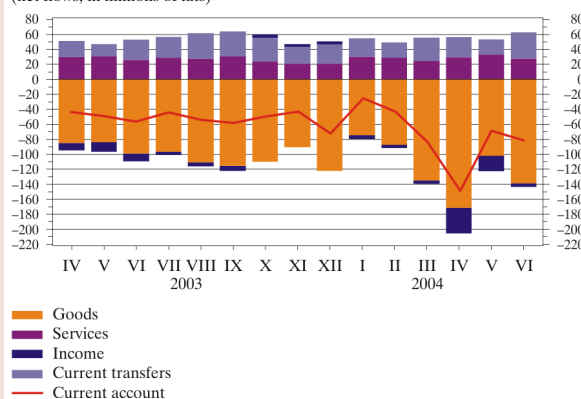
The inflow of foreign direct investment (30.0 million lats) in June was mostly in the form of reinvested earnings and investment in other capital in Latvia. Residents' direct investment abroad recorded an overall growth (totaling 6.8 million lats; investment mainly in equity capital of enterprises) and in June fell only behind the notable investment record of February. Direct investment net inflow in June was 23.2 million lats.

With banks reducing investment in non-resident bonds and notes, portfolio investment recorded a net inflow (7.0 million lats).

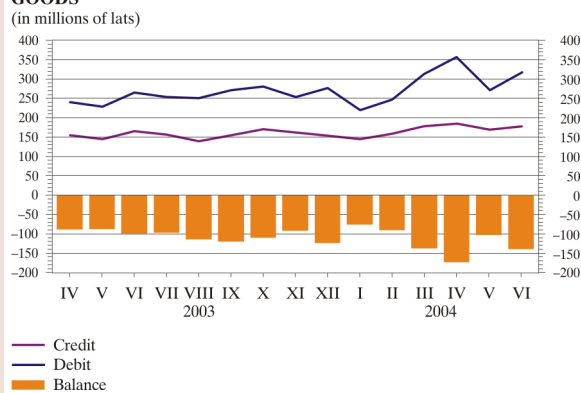
Other investment recorded a net inflow (69.5 million lats). Other investment of residents abroad shrank by 23.2 million lats mainly due to banks reducing loans to non-residents. Liabilities to non-residents grew by 46.3 million lats. To fund their investment projects, other sectors (enterprises) mainly used the long-term borrowing (in the amount of 30.3 million lats).

In June, with the demand for lats increasing and the Bank of Latvia buying foreign currency, reserve assets increased by 10.3 million lats.

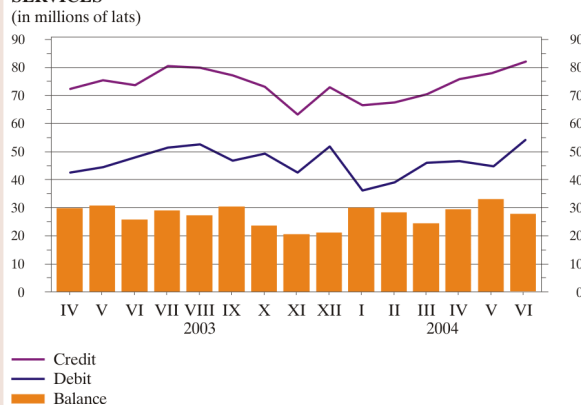
CURRENT ACCOUNT  
(net flows; in millions of lats)



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 <sup>1</sup>	Services	Income	Current transfers	Direct investment <sup>2</sup>		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2003													
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	-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	-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	-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
VI	-81.3	-139.5	27.7	-4.2	34.6	-0.1	91.0	23.2	7.0	1.5	69.5	-10.3	-9.5

## 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		
2003												
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	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	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	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
VI	332.9	414.3	176.7	316.2	82.1	54.4	19.9	24.1	54.2	19.6	1.0	1.1

<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.

## 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												
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	17.8	23.0	9.0	0.3	8.8	22.7	0	16.1	5.9	2.5	2.9	4.1
II	17.5	21.8	8.9	0.3	8.5	21.5	0	15.3	5.5	2.3	3.0	3.9
III	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
VI	19.9	24.1	9.0	0.3	10.9	23.8	0.8	16.0	6.0	3.1	4.1	4.7

## 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>1</sup>	Abroad	In Latvia
2003								
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	-2.2	30.2	-2.3	3.4	0	13.6	0.1	13.2
II	-10.8	20.6	-10.9	3.9	0	12.9	0.1	3.8
III	-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
VI	-6.8	30.0	-5.8	4.9	-0.7	13.9	-0.3	11.1

<sup>1</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										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	
2003														
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	17.6	3.5	-1.3	3.8	18.8	18.7	0.1	-0.3	-0.6	0	-0.4	-5.6		
II	13.4	-0.9	-0.9	3.5	14.4	13.9	0.5	-4.4	-4.4	0	-1.5	2.0		
III	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		
VI	5.0	2.0	-1.8	4.9	6.8	10.3	-3.5	-2.9	-2.9	0	5.4	-3.9		

## 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										
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	-93.1	77.3	0	-1.5	0	0.9	-86.7	78.9	-6.4	-1.0
II	-0.6	6.0	0	-0.3	0.2	-0.5	6.9	7.7	-7.7	-1.0
III	-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
VI	23.2	46.3	0.1	-3.6	0.1	-0.3	18.1	15.2	5.0	34.9

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)).