

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

7 • 2002  
MONTHLY BULLETIN

In July, the current account deficit was slightly lower than the year before, totalling 42.6 million lats. The decline was mostly a result of growth in the current transfers surplus. Although the exports of goods level in July was one of the highest in 2002, the goods deficit increased. Exports of goods rose by 21.8 million lats, while imports grew by 30.0 million lats. The services surplus declined slightly.

The current account deficit decreased also month-on-month: although the goods deficit increased by 5.4 million lats, the income deficit declined (by 8.7 million lats) and the service surplus grew (by 3.0 million lats).

The service surplus amounted to 25.0 million lats. As services received from non-residents increased at a more rapid pace year-on-year, the service surplus declined by 1.9 million lats. The decrease in transportation services surplus (by 2.7 million lats) was determined mainly by growth in transportation services received by sea. Compared to the first few months of 2002, a decrease was recorded in the transportation services rendered; however, there was an increase over June and year-on-year.

On account of both residents' and non-residents' travel expenditure increasing, the travel services deficit remained practically unchanged year-on-year. The surplus on other services, however, rose by 1.0 million lats as a result of growth in financial services rendered.

The rapid increase in non-residents' direct investment income observed during the previous three months was followed by a decline in July. Non-residents' income in July exceeded residents' income by 0.8 million lats, and the income deficit remained practically unchanged year-on-year.

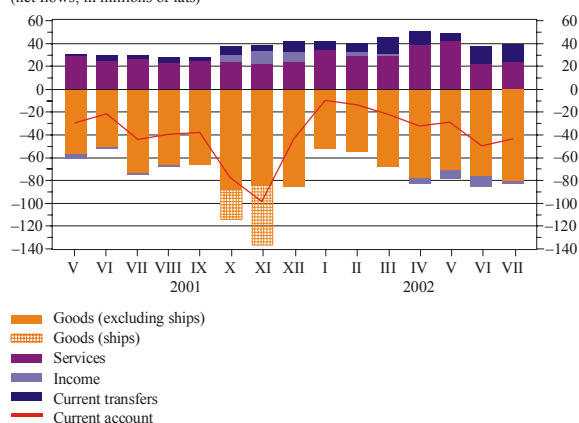
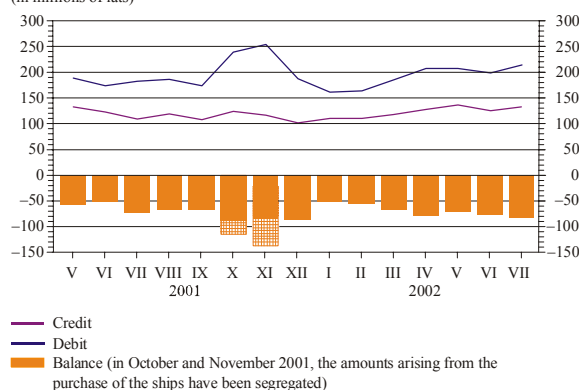
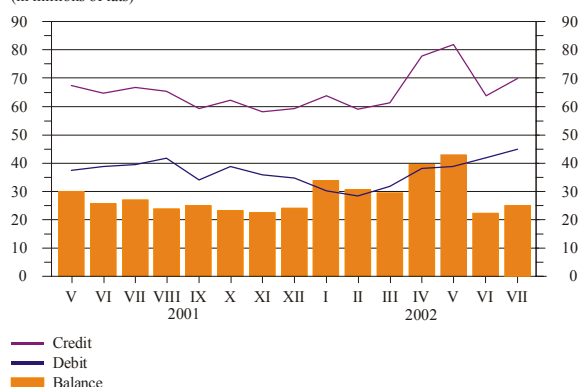
For the current transfers surplus, an 11.7 million lats year-on-year increase was recorded. This growth was determined by an increase in the inflow of current transfers in the private sector, as information on external payments executed by private persons through banks has been included in the balance of payments as of 2002.

The financial and capital account posted a surplus of 45.5 million lats.

The net inflow of direct investment amounted to 15.7 million lats. Inflow of foreign direct investment in Latvia totalled 17.4 million lats. Most of direct investment went to enterprises' equity capital and reinvested earnings.

The net outflow of portfolio investment (8.2 million lats) was a result of decline in the volume of shares in Latvian enterprises owned by non-residents. At the same time, residents' portfolio of foreign securities decreased by 3.8 million lats.

The net inflow of other investment (28.5 million lats) was determined by growth in loans received by residents. Liabilities under other investment increased by 49.2 million lats, as banks' borrowing (time deposits from non-banks) offset the decrease in non-residents' demand deposits. Banks' short-

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
2001													
V	-29.7	-57.2	29.8	-3.2	0.9	3.3	16.2	27.4	8.0	-1.0	-26.4	8.2	10.3
VI	-21.8	-51.0	25.6	-0.4	4.0	2.5	31.9	9.5	-103.6	1.6	137.7	-13.2	-12.6
VII	-44.4	-73.3	26.9	-1.0	2.9	1.7	39.6	16.7	-48.5	-1.7	99.8	-26.7	3.1
VIII	-39.7	-66.5	23.6	-0.7	3.8	1.9	46.1	43.4	50.9	-0.1	-61.3	13.2	-8.2
IX	-37.7	-66.1	24.9	0.2	3.2	1.3	42.6	6.2	4.5	1.8	25.6	4.5	-6.2
X	-76.8	-114.1	23.0	7.7	6.7	2.5	39.7	20.4	-2.5	-3.7	48.4	-22.9	34.6
XI	-98.5	-136.7	22.2	12.1	3.9	2.4	53.5	15.7	142.2	-0.4	7.1	-111.1	42.5
XII	-43.7	-85.7	24.1	8.4	9.4	1.8	96.4	-74.0	88.3	4.4	106.4	-28.6	-54.5
2002													
I	-9.8	-52.1	33.5	1.4	7.5	0.9	19.2	20.4	4.3	-2.7	-3.2	0.4	-10.3
II	-14.1	-54.4	30.5	2.5	7.3	0.1	11.8	24.3	-11.3	1.2	-15.6	13.2	2.2
III	-22.0	-67.7	29.4	1.2	15.2	1.6	28.4	27.3	-24.0	1.1	29.1	-5.1	-8.0
IV	-32.7	-78.1	39.4	-5.3	11.3	0.4	22.1	17.4	-52.5	-0.7	46.0	11.9	10.2
V	-29.0	-71.2	42.8	-7.1	6.5	0.9	45.4	24.3	-35.8	6.8	40.6	9.5	-17.3
VI	-48.0	-76.0	22.0	-9.5	15.5	0.6	38.7	47.4	25.6	-2.0	-43.1	11.0	8.7
VII	-42.6	-81.4	25.0	-0.8	14.6	1.0	44.5	15.7	-8.2	-2.9	28.5	11.4	-2.9

## 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		
2001												
V	222.2	252.0	132.7	189.9	66.9	37.1	14.4	17.6	8.3	7.3	4.2	0.9
VI	213.0	234.8	123.4	174.4	64.3	38.7	14.4	14.8	10.8	6.8	2.7	0.2
VII	201.1	245.5	109.4	182.6	66.3	39.4	14.1	15.1	11.2	8.3	2.8	1.0
VIII	211.4	251.2	120.4	186.9	65.1	41.5	14.0	14.7	11.9	8.1	2.3	0.5
IX	191.2	228.9	108.3	174.4	58.8	33.9	13.6	13.4	10.4	7.1	2.0	0.7
X	216.6	293.4	125.1	239.2	61.8	38.8	15.0	7.3	14.7	8.0	2.9	0.4
XI	203.3	301.8	117.4	254.1	57.7	35.6	15.8	3.7	12.3	8.4	2.7	0.3
XII	192.5	236.2	101.8	187.5	58.8	34.7	14.6	6.1	17.3	7.9	2.4	0.6
2002												
I	206.9	216.6	110.1	162.2	63.4	30.0	14.7	13.4	18.6	11.1	1.5	0.5
II	201.0	215.2	110.2	164.6	58.6	28.2	14.3	11.8	17.9	10.6	0.7	0.7
III	219.1	241.1	118.1	185.9	60.9	31.5	14.9	13.8	25.2	9.9	2.3	0.7
IV	241.2	274.0	129.2	207.3	77.4	38.0	12.8	18.1	21.8	10.5	1.0	0.6
V	250.8	279.8	136.6	207.8	81.5	38.7	14.1	21.2	18.6	12.1	1.1	0.2
VI	231.9	279.9	126.8	202.8	64.0	41.9	14.5	24.1	26.6	11.1	0.9	0.4
VII	240.8	283.4	131.2	212.6	69.7	44.7	13.9	14.7	26.0	11.4	1.8	0.9

term deposits facilitated growth in assets under other investment. Banks' other investment showed a net inflow (36.3 million lats).

With the Government of Latvia making payments related to the credits received, and the Bank of Latvia meeting its contractual obligations under currency swap arrangements, reserve assets declined by 11.4 million lats in July.

<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 income							
					Direct investment		Portfolio investment		Other investment			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2001												
V	14.4	17.6	5.6	0.3	8.8	17.3	0.3	11.1	4.5	0.8	4.0	5.4
VI	14.4	14.8	5.6	0.3	8.8	14.6	0.3	8.6	4.5	0.8	4.0	5.2
VII	14.1	15.1	5.9	0.3	8.2	14.9	0.1	8.9	5.0	0.8	3.1	5.1
VIII	14.0	14.7	6.0	0.3	8.0	14.4	0.1	8.9	4.8	0.8	3.1	4.7
IX	13.6	13.4	5.6	0.3	8.1	13.2	0.1	7.4	4.9	0.7	3.1	5.0
X	15.0	7.3	6.8	0.3	8.2	7.1	-0.1	0.4	4.5	0.9	3.8	5.8
XI	15.8	3.7	6.7	0.3	9.1	3.4	-0.1	-3.4	5.4	1.6	3.8	5.2
XII	14.6	6.1	6.7	0.3	7.9	5.9	-0.1	-1.1	4.0	1.4	4.0	5.6
2002												
I	14.7	13.4	6.8	0.2	7.9	13.2	0.4	6.5	4.1	1.2	3.4	5.4
II	14.3	11.8	6.8	0.2	7.5	11.5	0.4	5.9	3.8	1.2	3.2	4.4
III	14.9	13.8	6.7	0.2	8.3	13.6	0.4	6.9	4.3	1.3	3.5	5.4
IV	12.8	18.1	5.4	0.2	7.4	17.9	0.1	10.5	4.0	1.2	3.2	6.2
V	14.1	21.2	7.0	0.2	7.1	21.0	0.2	15.5	3.9	1.2	3.0	4.3
VI	14.5	24.1	7.0	0.2	7.6	23.8	0.2	17.4	3.8	1.3	3.6	5.2
VII	13.9	14.7	6.6	0.2	7.3	14.5	0.2	9.9	4.3	1.2	2.7	3.3

## FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment									
			Equity capital		Reinvested earnings		Other capital		Financial derivatives	
			Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia
2001										
V	-1.1	28.5	-0.8	12.6	-0.2	5.6	-0.1	10.4	0	-0.1
VI	2.9	6.5	-0.4	8.1	-0.2	6.3	3.5	-7.9	0	0
VII	-0.4	17.1	0.1	5.0	-0.1	6.4	-0.5	5.7	0	0
VIII	-0.8	44.2	-0.4	2.9	-0.1	7.6	-0.3	33.7	0	0
IX	-1.0	7.2	-0.5	6.1	-0.1	6.0	-0.4	-4.9	0	0
X	2.1	18.3	1.4	27.9	0.1	-1.5	0.6	-8.1	0	0
XI	0.8	14.8	0.3	27.1	0.1	-5.3	0.4	-7.0	0	0
XII	0.1	-74.1	-0.4	20.0	0.1	-3.0	0.4	-91.2	0	0
2002										
I	-2.8	23.2	-2.5	17.7	-0.2	4.5	-0.1	1.0	0	0
II	-3.0	27.3	-2.7	21.4	-0.2	3.9	-0.1	2.0	0	0
III	-3.0	30.2	-2.5	23.8	-0.2	4.9	-0.2	1.6	0	0
IV	-1.1	18.5	-0.1	3.2	-0.1	6.2	-0.8	9.1	0	0
V	-0.5	24.8	-0.1	13.3	-0.2	7.7	-0.3	3.8	0	0
VI	-0.4	47.8	0	22.5	-0.2	8.6	-0.3	16.7	0	0
VII	-1.8	17.4	-0.9	7.5	-0.2	8.1	-0.6	1.8	0	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		Liabilities			
	Bonds and notes	Money market instruments	Bonds and notes	Money market instruments								
2001												
V	1.0	6.9	5.0	0.3	-4.0	-18.0	14.0	6.6	6.6	0	-1.0	0
VI	-94.3	-9.2	-21.8	-0.7	-72.5	-13.1	-59.4	-8.5	-8.5	0	0.5	1.0
VII	-45.4	-3.0	3.1	-0.4	-48.6	-46.5	-2.1	-2.6	-2.6	0	-0.3	-1.4
VIII	55.4	-4.5	-6.4	-0.3	61.7	31.6	30.2	-4.2	-4.2	0	0.5	-0.6
IX	4.8	-0.3	-3.7	-0.3	8.5	-9.9	18.5	0	0	0	0.1	1.7
X	-4.1	1.6	17.4	1.5	-21.6	29.1	-50.6	0.1	-0.1	0.3	-1.9	-1.7
XI	45.1	97.1	5.2	1.3	39.9	39.4	0.5	95.8	95.6	0.3	0.5	-0.8
XII	95.1	-6.8	6.9	0.3	88.2	4.0	84.2	-7.1	-7.4	0.3	0.8	3.6
2002												
I	6.0	-1.7	-0.2	1.3	6.2	0.7	5.5	-3.0	-2.8	-0.3	-4.5	1.8
II	-2.3	-9.0	0	0.6	-2.3	-6.3	4.1	-9.5	-9.3	-0.3	1.0	0.1
III	-34.2	10.2	-12.9	18.3	-21.3	-20.9	-0.3	-8.1	-7.9	-0.3	0.8	0.2
IV	-52.3	-0.3	-1.2	0.5	-51.1	-53.9	2.9	-0.8	-0.7	0	-1.8	1.1
V	-29.0	-6.8	2.1	-4.0	-31.1	-34.6	3.6	-2.8	-2.8	0	0.7	6.1
VI	11.6	13.9	-0.5	16.4	12.1	5.9	6.2	-2.4	-2.4	0	-6.4	4.4
VII	3.8	-12.0	0.4	-13.2	3.3	-3.2	6.6	1.2	1.2	0	1.2	-4.1

## 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
2001												
V	-37.1	10.7	0	-3.1	-0.9	0.1	-42.7	19.1	6.5	-5.4		
VI	-14.8	152.5	-0.1	-1.5	-0.2	-0.5	-21.1	143.4	6.5	11.1		
VII	67.7	32.1	0.1	-1.4	1.0	1.0	61.5	28.2	5.1	4.3		
VIII	-68.1	6.8	-0.1	0	0.2	2.1	-73.8	2.5	5.7	2.2		
IX	11.4	14.1	0	0.3	0.3	-1.4	6.1	12.2	5.0	3.0		
X	-33.2	81.6	0.1	-0.1	-0.3	2.3	-42.3	48.3	9.4	31.0		
XI	-148.9	156.0	0	0	-4.0	1.4	-158.2	122.5	13.3	32.2		
XII	67.7	38.6	-0.1	-1.2	0.2	-0.1	63.6	8.0	4.0	32.0		
2002												
I	-70.9	67.7	0.1	10.8	0.5	0.2	-52.9	53.3	-18.6	3.5		
II	13.5	-29.1	0	-12.6	0	0.7	15.8	-17.8	-2.3	0.6		
III	-52.1	81.2	-0.1	6.7	1.5	-1.9	-50.8	85.1	-2.7	-8.7		
IV	44.8	1.1	0	-6.7	2.0	-1.0	41.6	7.3	1.3	1.5		
V	26.0	14.6	0.1	0.1	0.1	0.2	27.7	24.9	-1.9	-10.5		
VI	-80.8	37.7	0	1.0	-0.9	-1.5	-104.0	17.8	24.1	20.3		
VII	-20.7	49.2	0.2	-4.0	0.2	0	-16.3	52.6	-4.7	0.6		

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 Internet site ([www.bank.lv](http://www.bank.lv)).