

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

7 • 2003
MONTHLY BULLETIN

In July, the current account deficit of the balance of payments (48.1 million lats) slightly decreased in comparison with June (51.2 million lats), but posted a slight increase in comparison with the corresponding period of the previous year (43.3 million lats). In July, exports and imports of goods expanded by 18.1% and 19.2% year-on-year, respectively. The deficit of goods rose by 16.5 million lats. The surplus of current transfers continued to grow considerably, whereas that of services and the income deficit did not post significant changes.

In July, the surplus of services rose by 0.9 million lats year-on-year and covered 28.9% of the deficit of goods. An increase in the surplus of transportation services (2.1 million lats) was mostly determined by the growth in exports of freight transportation services by rail and road. With a more rapid increase in residents' spending abroad, the deficit of travel services grew by 3.1 million lats year-on-year. Nevertheless, the growth in the deficit of travel services was offset by an increase in the surplus of transportation and other services. With the exports of communications, construction and financial services posting a major pickup, the surplus of other services grew by 2.0 million lats.

In July, the income deficit increased by 1.1 million lats year-on-year. The growth in the income deficit primarily resulted from a rise in non-residents' income from direct investment.

The surplus of the current transfers increased by 11.8 million lats in July as compared with the corresponding period of the previous year and covered 27.6% of the goods deficit. A rise in the current transfers received by other sectors underlay the growth in the current transfers surplus.

The surplus of the capital and financial account was 75.2 million lats, and most of the capital inflow in Latvia was in the form of other investment.

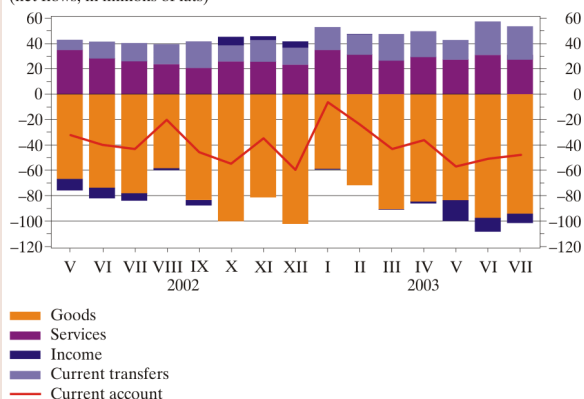
The surplus of direct investment totalled 5.8 million lats, and the net inflow of foreign direct investment in Latvia was 7.4 million lats, with the growth in investment resulting mostly from reinvested earnings by non-residents. Moreover, loans received as other capital by direct investment enterprises were repaid to investors to a larger extent than new loans were attracted from them.

Portfolio investment recorded a net outflow (21.8 million lats), as banks increased their investment in foreign debt securities.

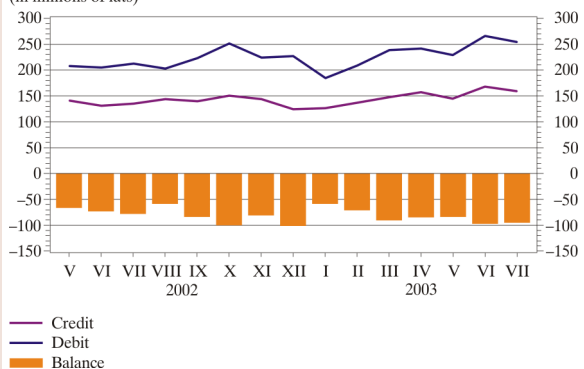
Other investment was the main source of foreign capital inflow in July, resulting in net inflow of other investment in the amount of 93.6 million lats. Residents' other investment on the liabilities' side grew by 151.7 million lats, including an increase in banks' liabilities of 142.4 million lats, whereas that of attracted funds by other sectors totalled 11.0 million lats. Banks placed part of the attracted funds abroad as loans (an increase in banks' loans was 50.0 million lats), and residents' total investment abroad expanded by 58.1 million lats.

In July, reserve assets grew by 3.5 million lats, and the balance of payments recorded a surplus.

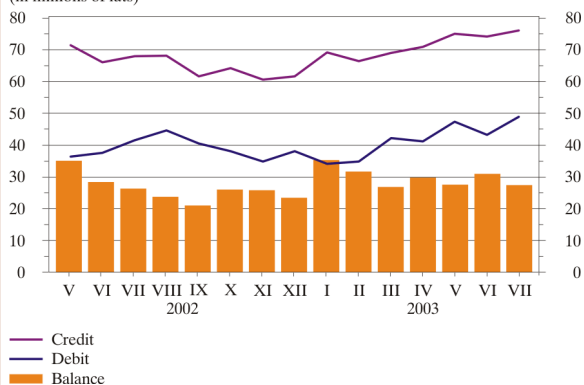
CURRENT ACCOUNT
(net flows; in millions of lats)



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 ¹	Services	Income	Current transfers	Direct investment		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2002													
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	-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	-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	-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
VI	-51.2	-97.5	30.9	-11.0	26.4	1.7	15.5	13.6	-22.1	-6.9	19.5	11.4	33.9
VII	-48.1	-94.5	27.3	-7.1	26.1	1.4	73.8	5.8	-21.8	-0.3	93.6	-3.5	-27.1

CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
			Goods ¹		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
2002												
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	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	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	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
VI	299.2	350.4	167.6	265.1	74.1	43.2	17.2	28.2	40.3	13.9	1.8	0.1
VII	295.3	343.4	158.8	253.3	76.1	48.8	17.2	24.3	43.2	17.1	1.4	0

¹ 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
2002												
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	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	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	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
VI	17.2	28.2	7.7	0.2	9.5	27.9	0.2	20.1	6.1	2.6	3.2	5.2
VII	17.2	24.3	8.1	0.2	9.2	24.1	0.2	16.8	6.1	2.6	2.9	4.6

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								
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	-0.9	21.9	-0.4	7.4	0	7.6	-0.5	6.9
II	-2.4	21.5	-1.9	7.7	0	6.8	-0.5	7.1
III	-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
VI	-0.8	14.4	-0.5	0.6	-0.2	10.5	-0.1	3.3
VII	-1.6	7.4	-1.3	1.9	-0.2	9.7	-0.1	-4.2

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	
2002														
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	-33.4	0.9	2.9	0	-36.3	-36.5	0.1	0.9	1.0	-0.1	0.2	2.0		
II	-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	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		
VI	-31.1	9.0	1.9	4.0	-33.0	-30.0	-3.0	5.1	5.1	0	-0.5	-6.3		
VII	-23.6	1.8	1.8	0.6	-25.4	-28.1	2.7	1.2	1.1	0	1.7	-2.0		

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
2002										
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	-61.3	46.5	0.1	-1.3	-0.3	-7.2	-54.7	57.1	-6.4	-2.0
II	159.8	-82.2	0	0.3	-0.5	-0.3	170.5	-79.0	-10.2	-3.1
III	-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
VI	-96.2	115.7	0.1	-1.6	0	-0.2	-94.0	103.1	-2.3	14.4
VII	-58.1	151.7	0	-1.4	0.3	-0.2	-59.8	142.4	1.4	11.0

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).