

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

7 • 2004
MONTHLY BULLETIN

In July, the current account deficit of the balance of payments was small (30.6 million lats). Year-on-year, the goods deficit did not change substantially. Exports grew at a considerably faster pace than imports (by 16.9% and 9.6%, respectively). Services surplus increased slightly, current transfers surplus posted a higher growth rate, and income deficit was also on the rise.

Compared with the corresponding period of the previous year, services surplus increased by 3.2 million lats in July. Changes in transportation services surplus and travel services deficit were not sizable. Other services surplus increased by 3.0 million lats and was mainly driven by a rise in the rendered marketing services.

In line with the growing non-residents' income from direct investment, in July the income deficit rose by 6.6 million lats year-on-year. Current transfers surplus, in turn, continued to grow, posting an increase of 14.9 million lats, as the Government of Latvia received EU funds.

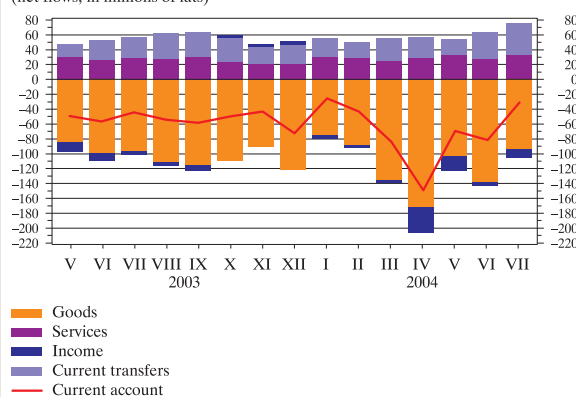
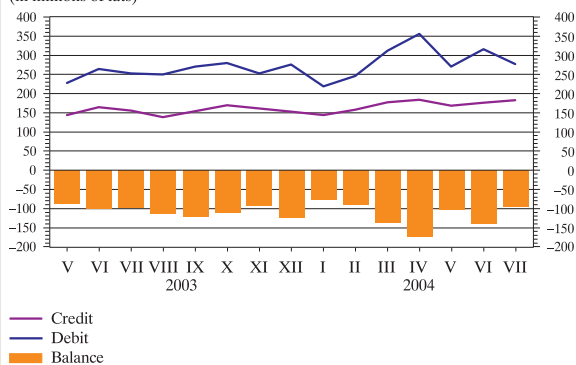
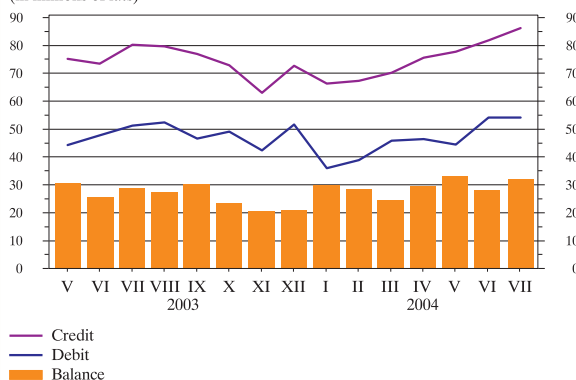
The surplus of the capital and financial account was 59.9 million lats. With the Government receiving EU funds, the surplus of the capital account increased notably (to 24.6 million lats).

In July, the inflow of foreign direct investment in Latvia (18.4 million lats) was mainly in the form of re-invested earnings and investment in equity capital.

Portfolio investment recorded a net outflow (39.0 million lats), mainly due to banks increasing their assets abroad. Banks invested in bonds and notes issued by non-residents.

Other investment recorded a net inflow (103.3 million lats). Banks increased their loans to non-residents (mainly banks) by 160.2 million lats. Liabilities to non-residents reached 239.9 million lats due to banks' short-term borrowing (time deposits) in the amount of 140.1 million lats.

With the Bank of Latvia buying foreign currency, reserve assets increased by 50.2 million lats in July.

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 ²		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2003													
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
VII	-30.6	-94.1	32.2	-11.2	42.5	24.6	35.3	18.6	-39.0	2.6	103.3	-50.2	-29.3

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		
2003												
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
VII	354.2	384.8	183.1	277.2	86.5	54.4	21.0	32.3	63.5	21.0	24.9	0.3

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.

² 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												
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
VII	21.0	32.3	9.0	0.4	12.1	31.9	0.5	22.9	7.1	4.2	4.5	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 ¹	Abroad	In Latvia
2003								
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
VII	0.1	18.4	0.7	3.5	-0.5	13.2	-0.1	1.7

¹ 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		Liabilities			
	Bonds and notes	Money market instruments	Bonds and notes	Money market instruments								
2003												
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
VII	-42.5	3.5	-2.3	1.9	-40.1	-42.4	2.3	1.5	1.5	0	-0.4	3.1

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
2003												
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		
VII	-136.6	239.9	-0.2	6.9	0.1	1.8	-136.6	224.4	0	7.0		

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).