

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

8 • 2002
MONTHLY BULLETIN

With exports of goods growing markedly, the current account deficit improved significantly in August: it declined both month-on-month (by 14.9 million lats) and year-on-year (by 12.0 million lats), totalling 27.7 million lats. Exports of goods rose 7.1% over the July level, reaching this year's monthly high. At the same time, imports of goods decreased by 5.1%. Hence, the goods deficit declined by 20.2 million lats. A year-on-year increase was also much higher in exports than imports (16.7% and 7.9%, respectively).

The services surplus decreased 5.2 million lats below the August 2001 level. This decrease, which was determined by a decline in the transportation services surplus due to lower exports of transportation services by sea transport (freight transportation and port services), was offset by an increase in the current transfers surplus. No major changes were observed in the travel services deficit; nevertheless, as in previous months, both exports and imports of travel services rose. An increase of 5.5 million lats in the surplus on other services was largely resultant from a decrease in the deficit on insurance services, an increase in the surplus on financial services and improvements in the balance on trade mediation and other trade-related services. This partly offset the decrease in the transportation services surplus.

The income deficit was slightly higher than in August 2001. Non-residents' income on direct investment in equity capital grew (almost all income was reinvested), as did income of residents employed abroad.

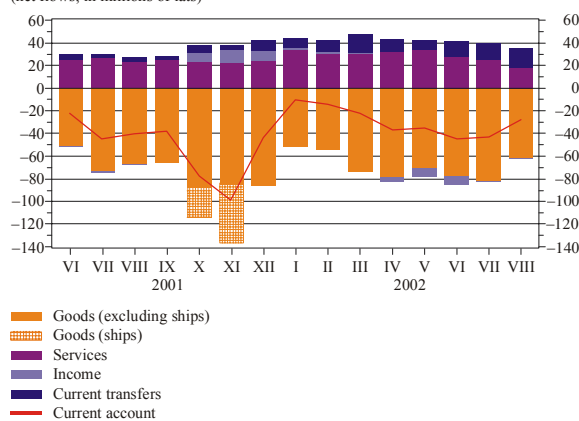
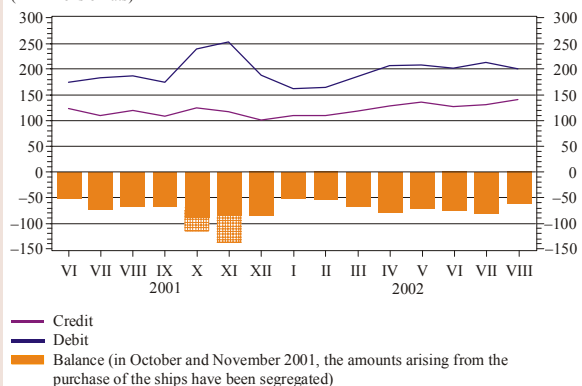
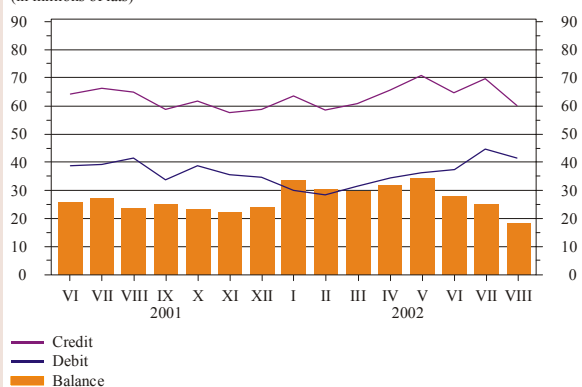
The current transfers surplus grew both month-on-month and year-on-year. A year-on-year increase of 12.4 million lats was effected by a larger inflow of current transfers in the private sector, which could be attributed to the inclusion of information on external payments executed by private persons through banks in the balance of payments as of 2002.

The surplus of the capital and financial account totalled 20.1 million lats in August.

The net inflow of direct investment reached 19.6 million lats, and direct investment was the main source for financing the current account (70.8% of the current account deficit). Foreign direct investment in Latvia amounted to 20.0 million lats, of which investment in enterprises' equity and reinvested earnings was 14.6 million lats (73.0% of direct investment made in Latvia).

Portfolio investment posted a net outflow of 23.0 million lats, because Latvian banks increased mostly investment in foreign bonds and notes.

A net inflow of 63.9 million lats was reported for other investment, mainly because of an increase in deposits held with Latvian banks. Latvian banks received demand deposits from non-resident non-banks in the amount of 94.1 million lats, repaid short-term deposits received from non-residents in previous

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			
2001													
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 ¹	-7.7	-52.2	33.7	2.5	8.3	1.3	15.9	18.4	4.3	-2.7	-4.4	0.4	-9.4
II ¹	-12.2	-54.5	30.8	3.6	7.9	0.6	8.5	22.3	-11.3	1.2	-16.8	13.2	3.1
III ¹	-24.8	-72.9	29.8	2.3	16.0	1.2	30.0	30.3	-24.0	1.1	27.7	-5.1	-6.4
IV ¹	-37.3	-77.9	31.5	-3.7	12.8	0.7	31.8	18.2	-54.6	-0.7	57.1	11.9	4.7
V ¹	-35.6	-70.0	34.5	-8.2	8.0	1.0	65.6	27.0	-32.8	6.8	55.1	9.5	-31.0
VI ¹	-43.9	-77.7	27.7	-7.3	13.3	0.5	-1.7	37.8	23.2	-1.1	-72.5	11.0	45.1
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
VIII	-27.7	-61.2	18.4	-1.1	16.2	0.3	19.8	19.6	-23.0	2.0	63.9	-42.7	7.7

CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
	Credit		Goods ¹		Services		Income		Current transfers		Credit	Debit
			Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
2001												
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 ²	207.7	215.5	110.1	162.3	63.6	29.9	14.5	12.0	19.6	11.3	1.4	0.2
II ²	201.6	213.9	110.2	164.7	58.8	28.0	14.0	10.4	18.6	10.8	0.7	0.2
III ²	220.1	244.9	118.1	191.0	61.1	31.3	14.7	12.4	26.1	10.2	1.9	0.6
IV ²	234.9	272.2	129.6	207.5	65.9	34.4	14.1	17.8	25.3	12.4	1.0	0.3
V ²	242.3	277.9	137.1	207.1	70.6	36.1	13.9	22.1	20.7	12.7	1.2	0.2
VI ²	230.8	274.7	126.4	204.1	65.2	37.4	14.2	21.4	25.0	11.7	1.0	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
VIII	247.8	275.5	140.5	201.7	60.1	41.7	14.8	15.9	32.4	16.2	0.8	0.5

periods and used a part of funds to increase deposits with non-resident credit institutions. In August, the net inflow of banks' other investment totalled 46.1 million lats, and that of other sectors' other investment amounted to 16.0 million lats.

With the Bank of Latvia entering into short-term currency swap arrangements with banks, reserve assets grew by 42.7 million lats in August.

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 Data have been revised.

CURRENT ACCOUNT: INCOME

(in millions of lats)

	Income		Investment income									
			Compensation of employees				Direct investment		Portfolio investment		Other investment	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2001												
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 ¹	14.5	12.0	6.8	0.2	7.6	11.8	0.1	4.4	4.1	1.2	3.4	6.2
II ¹	14.0	10.4	6.8	0.2	7.2	10.2	0.1	3.8	3.8	1.2	3.2	5.1
III ¹	14.7	12.4	6.7	0.2	8.0	12.2	0.1	4.7	4.3	1.3	3.5	6.2
IV ¹	14.1	17.8	6.8	0.2	7.3	17.5	0	10.3	4.0	1.2	3.3	6.0
V ¹	13.9	22.1	7.0	0.2	7.0	21.8	0	15.5	3.9	1.2	3.0	5.2
VI ¹	14.2	21.4	6.8	0.2	7.4	21.2	0	14.4	3.8	1.3	3.6	5.5
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
VIII	14.8	15.9	7.1	0.2	7.7	15.7	0.2	9.8	4.4	1.2	3.1	4.7

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										
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 ¹	0.3	18.1	0	16.0	0	3.1	0.3	-1.0	0	0
II ¹	0.1	22.2	-0.2	19.6	0	2.5	0.3	0	0	0
III ¹	0.1	30.2	-0.1	27.1	0	3.5	0.2	-0.4	0	0
IV ¹	-0.7	18.9	-1.1	6.5	0	6.0	0.3	6.4	0	0
V ¹	-0.7	27.8	-1.1	12.9	0	7.1	0.3	7.7	0	0
VI ¹	-0.7	38.5	-1.1	22.0	0	8.1	0.4	8.4	0	0
VII	-1.8	17.4	-0.9	7.5	-0.2	8.1	-0.6	1.8	0	0
VIII	-0.5	20.0	-0.2	6.1	-0.1	8.5	-0.2	5.4	0	0

¹ Data have been revised.

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
2001														
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 ¹	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 ¹	-2.3	-9.0	0	0.6	-2.3	-6.3	4.1	-9.5	-9.3	-0.3	1.0	0.1		
III ¹	-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 ¹	-51.3	-3.3	-0.9	-0.5	-50.4	-53.0	2.6	-2.8	-2.8	0	-1.8	1.1		
V ¹	-25.4	-7.4	2.1	-4.7	-27.4	-31.0	3.6	-2.8	-2.8	0	0.7	6.1		
VI ¹	12.3	10.8	-0.3	13.3	12.6	8.1	4.5	-2.4	-2.4	0	-5.5	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		
VIII	-24.8	1.8	0.1	-1.6	-24.9	-25.5	0.6	3.4	3.4	0	4.3	-2.3		

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										
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 ¹	-71.9	67.4	0.1	10.8	0.5	0.2	-52.9	53.3	-19.6	3.2
II ¹	12.6	-29.4	0	-12.6	0	0.7	15.8	-17.8	-3.3	0.3
III ¹	-53.2	80.9	-0.1	6.7	1.3	-1.9	-50.8	85.1	-3.6	-9.0
IV ¹	50.0	7.1	0	-6.7	2.0	-1.0	41.6	7.3	6.4	7.4
V ¹	32.4	22.7	0.1	0.1	0.1	0.2	27.7	24.9	4.4	-2.4
VI ¹	-101.1	28.5	0	1.0	-0.9	-0.4	-104.0	17.8	3.8	10.2
VII	-20.7	49.2	0.2	-4.0	0.2	0	-16.3	52.6	-4.7	0.6
VIII	-8.8	72.6	0	-0.2	1.5	0.5	-23.5	69.6	13.3	2.7

¹ 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 Internet site (www.bank.lv).

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