

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

8 • 2003
MONTHLY BULLETIN

In August, the current account deficit of the balance of payments (45.3 million lats) grew by 24.9 million lats year-on-year (as a result of a rise in the goods deficit), but decreased by 2.8 million lats month-on-month. Imports of goods rose 23.5% year-on-year, whereas their exports shrank by only 1.2%. The current transfers surplus posted a considerable growth, while the surplus of services and the income deficit recorded a slight change. The surplus of services and current transfers covered 58.3% of the deficit of goods.

In August, the surplus of services increased by 4.4 million lats year-on-year. With a decrease in imports of other services, the surplus of other services posted the highest growth (2.9 million lats). The deficit of travel services slightly decreased, whereas a minor increase was reported in the surplus of transportation services, with income from exports of transportation services by rail recording the highest rise.

The income deficit decreased by 6.7 million lats in comparison with July, as in majority of direct investment enterprises profit for 2002 was calculated and distributed already in the first part of the year. The year-on-year drop in the income deficit was 1.1 million lats, mostly due to a rise in the remuneration of residents employed abroad.

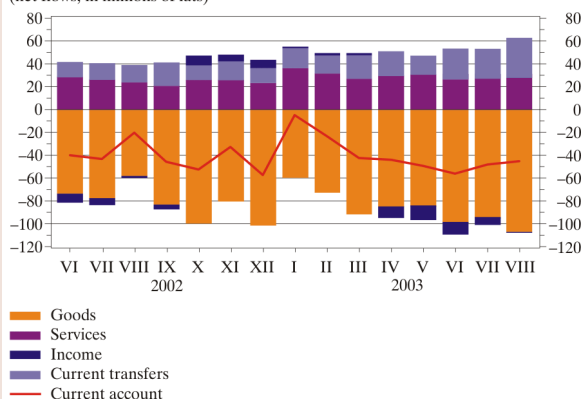
In August, the surplus of current transfers reached a high in recent years (34.8 million lats or 32.3% of the deficit of goods), recording a year-on-year increase of 19.0 million lats. The pickup in the current transfers surplus mostly resulted from a rise in current transfers received by other sectors (including private persons).

The surplus of the financial and capital account was 74.0 million lats.

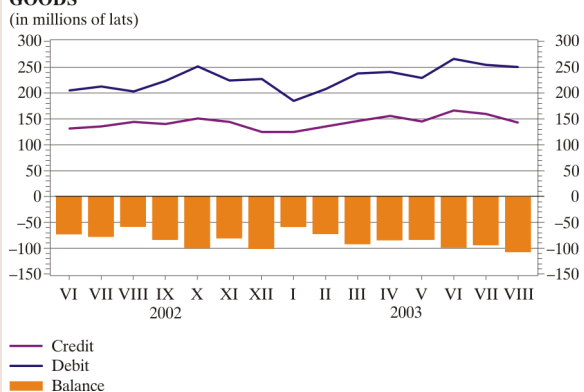
Direct investment recorded a net outflow as a result of both an increase in residents' direct investment abroad, as well as repayment of non-resident direct investors' loans. In Latvia, investment in the share capital of direct investment enterprises amounted to 2.4 million lats, and 9.1 million lats accounted for reinvested earnings. Repaying direct investors' loans, outflow of 18.9 million lats in the form of other capital was observed, and the balance of direct investment in Latvia became negative (7.3 million lats). In the first eight months of 2003, foreign direct investment in Latvia accounted for 127.8 million lats.

Portfolio investment recorded a net outflow (31.1 million lats), resulting from residents' (mostly banks') growing investment in foreign bonds and notes.

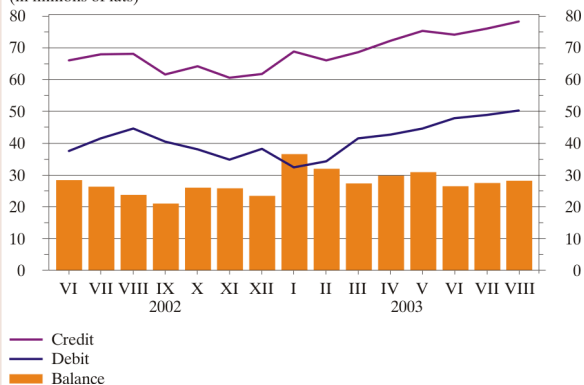
A net inflow of 104.6 million lats was observed in other investment. With banks attracting time deposits and demand deposits (a total of 112.2 million lats) and long-term loans to the enterprise sector increasing by 30.0 million lats, other investment on the liabilities' side expanded by 136.6 million lats. Other investment on the asset side grew by 32.0 million lats as a result of a rise in banks' time deposits with credit institutions abroad.

CURRENT ACCOUNT
(net flows; in millions of lats)

GOODS



SERVICES



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													
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 ²	-52.8	-100.4	26.0	9.1	12.5	0.9	57.7	6.8	-31.6	-2.8	40.4	44.9	-5.8
XI ²	-32.8	-80.9	25.8	5.4	16.9	1.0	38.1	8.2	22.4	-0.7	-9.7	17.9	-6.4
XII ²	-57.7	-101.7	23.5	7.6	12.9	0.6	60.4	6.6	-19.5	4.8	129.0	-60.5	-3.3
2003													
I ²	-4.9	-59.9	36.5	0.8	17.7	0.2	24.3	20.4	-32.1	2.2	-13.5	47.3	-19.6
II ²	-23.6	-72.9	31.8	1.9	15.6	0.7	31.6	18.5	-34.9	-1.7	78.4	-28.7	-8.6
III ²	-42.8	-92.1	27.2	1.4	20.7	0.4	1.4	23.6	28.6	-5.6	-115.9	70.7	40.9
IV ²	-44.3	-85.4	29.7	-10.0	21.5	1.3	35.4	18.8	-14.6	6.7	70.7	-46.1	7.6
V ²	-49.7	-84.2	30.8	-12.9	16.5	1.6	55.9	22.6	17.3	4.6	50.1	-38.6	-7.8
VI ²	-56.4	-99.1	26.3	-10.8	27.3	2.8	11.4	18.2	-21.6	-6.9	10.3	11.4	42.2
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
VIII	-45.3	-107.8	28.1	-0.4	34.8	1.2	72.8	-9.6	-31.1	-4.5	104.6	13.5	-28.7

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		
2002												
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 ²	263.9	316.7	150.6	251.0	64.1	38.1	15.3	6.2	33.8	21.3	1.2	0.2
XI ²	252.2	284.9	143.1	224.0	60.5	34.7	15.3	9.9	33.2	16.3	1.2	0.1
XII ²	238.0	295.6	124.5	226.2	61.7	38.2	19.3	11.7	32.5	19.6	1.2	0.6
2003												
I ²	240.1	244.9	124.0	183.9	68.8	32.3	15.6	14.8	31.7	13.9	0.3	0.1
II ²	246.6	270.2	134.6	207.5	66.0	34.3	15.8	13.9	30.1	14.5	0.9	0.3
III ²	265.9	308.7	145.3	237.4	68.6	41.4	17.6	16.1	34.4	13.7	0.7	0.3
IV ²	282.0	326.3	155.0	240.4	72.2	42.6	16.4	26.4	38.4	16.9	1.6	0.3
V ²	273.4	323.2	144.3	228.5	75.3	44.5	16.3	29.2	37.5	21.0	1.8	0.2
VI ²	298.6	355.0	165.9	265.0	74.1	47.9	17.1	27.9	41.5	14.2	2.9	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
VIII	291.0	336.3	142.1	249.9	78.2	50.2	18.4	18.7	52.3	17.5	1.6	0.4

With the Bank of Latvia meeting its contractual obligations under currency swap agreements, in August reserve assets decreased by 13.5 million lats.

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											
			Compensation of employees		Investment income							
					Direct investment		Portfolio investment		Other investment			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2002												
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 ¹	15.3	6.2	7.2	0.2	8.1	6.0	0	-1.2	4.4	1.2	3.7	6.0
XI ¹	15.3	9.9	7.3	0.2	8.0	9.7	0	2.8	5.0	1.4	3.1	5.5
XII ¹	19.3	11.7	7.4	0.3	11.9	11.5	0	0.7	8.5	4.4	3.3	6.3
2003												
I ¹	15.6	14.8	7.3	0.2	8.3	14.6	0	7.7	5.4	2.1	2.8	4.8
II ¹	15.8	13.9	7.4	0.2	8.4	13.7	0	6.8	5.8	2.5	2.6	4.4
III ¹	17.6	16.1	7.7	0.2	9.8	15.9	0.2	8.2	6.7	2.7	2.9	5.0
IV ¹	16.4	26.4	7.6	0.2	8.8	26.2	0.1	17.9	5.8	2.6	3.0	5.7
V ¹	16.3	29.2	7.9	0.2	8.4	29.0	0.1	21.3	5.5	2.8	2.8	4.9
VI ¹	17.1	27.9	7.9	0.2	9.2	27.7	0.1	20.0	6.1	2.6	3.0	5.1
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
VIII	18.4	18.7	8.0	0.2	10.3	18.5	0.2	9.5	7.2	5.2	2.9	3.8

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								
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 ¹	-0.7	7.6	-0.2	8.4	0.1	-2.6	-0.6	1.8
XI ¹	-0.3	8.5	0.3	9.2	0.1	-1.7	-0.8	1.0
XII ¹	-1.7	8.4	-1.0	10.2	0.1	-1.0	-0.9	-0.8
2003								
I ¹	-0.9	21.3	-0.4	7.7	0	5.2	-0.4	8.3
II ¹	-2.4	20.8	-1.9	7.9	0	4.4	-0.4	8.5
III ¹	-0.9	24.4	-0.5	9.3	0	5.7	-0.4	9.4
IV ¹	-0.2	19.0	-0.7	9.5	-0.1	8.6	0.6	0.8
V ¹	-0.9	23.5	-1.5	14.6	-0.1	9.9	0.6	-1.0
VI ¹	-0.5	18.7	-1.0	7.8	-0.1	10.8	0.6	0.2
VII	-1.6	7.4	-1.3	1.9	-0.2	9.7	-0.1	-4.2
VIII	-2.2	-7.3	-2.1	2.4	-0.2	9.1	0	-18.9

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		Liabilities			
	Bonds and notes	Money market instruments	Bonds and notes	Money market instruments								
2002												
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 ¹	-32.0	0.4	11.1	0.2	-43.1	-41.9	-1.2	0.2	0.2	0	-0.5	-2.3
XI ¹	21.6	0.8	1.2	-0.2	20.5	20.3	0.2	0.9	0.9	0	0.1	-0.8
XII ¹	-18.1	-1.5	-2.8	-0.1	-15.3	-16.4	1.2	-1.3	-1.3	0	-1.7	6.6
2003												
I ¹	-33.5	1.5	2.8	-0.1	-36.3	-36.5	0.1	1.5	1.5	0	0.2	2.0
II ¹	-34.1	-0.9	-1.2	0.1	-32.8	-20.4	-12.4	-1.0	-1.0	0	0.7	-2.4
III ¹	25.8	2.8	-1.2	0.6	27.0	15.3	11.8	2.2	2.2	0	-2.9	-2.7
IV ¹	-15.4	0.8	0	0.5	-15.4	-15.2	-0.2	0.2	0.3	0	0.2	6.5
V ¹	13.8	3.5	-0.8	1.6	14.6	17.5	-2.9	1.9	1.9	0	-1.8	6.4
VI ¹	-31.3	9.7	0.1	4.7	-31.5	-28.6	-2.9	5.0	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
VIII	-32.0	0.9	2.4	0.1	-34.4	-34.6	0.2	0.8	0.8	0	-1.7	-2.8

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												
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 ¹	-89.5	129.9	0	0.1	-0.2	0.3	-92.5	127.2	3.2	2.4		
XI ¹	-3.8	-5.9	-0.1	-0.2	-0.1	0	-18.4	-9.0	14.9	3.3		
XII ¹	-63.9	192.9	-0.1	-1.8	0.2	-0.1	-70.5	190.1	6.5	4.8		
2003												
I ¹	-61.6	48.1	0.1	-1.3	-0.3	-7.2	-54.7	57.1	-6.7	-0.4		
II ¹	159.5	-81.0	0	0.3	-0.5	-0.3	170.5	-79.0	-10.6	-2.0		
III ¹	-126.2	10.3	0	-0.6	0	-2.8	-118.6	16.4	-7.7	-2.7		
IV ¹	-1.9	72.6	-0.1	2.1	-0.2	-1.7	2.3	63.9	-4.0	8.2		
V ¹	4.2	45.9	0	-1.9	0.1	-0.4	7.7	42.7	-3.6	5.6		
VI ¹	-98.5	108.7	0.1	-1.6	0	-0.2	-94.0	103.1	-4.6	7.4		
VII	-58.1	151.7	0	-1.4	0.3	-0.2	-59.8	142.4	1.4	11.0		
VIII	-32.0	136.6	-0.1	-0.1	0.1	3.3	-32.1	103.2	0.1	30.2		

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 website (www.bank.lv).