

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

9 • 2002  
MONTHLY BULLETIN

In September, the current account deficit was approximately the same as the year before, because deterioration in the goods, services and income balances was offset by a significant increase in the current transfers surplus. As in the first two months of the third quarter, exports of goods were high (145.6 million lats). Imports of goods rose by 20.8 million lats above the August level. The current account deficit totalled 38.8 million lats in September. According to preliminary data, the ratio of the current account deficit to GDP was lower in the third quarter than in the previous quarter and the third quarter of 2001.

Despite a decrease in transportation services rendered by sea transport to non-residents in September, the services surplus was only 3.3 million lats lower than the year before. The travel services balance improved considerably, partly compensating for a decrease in the transportation services surplus.

With non-residents' income in Latvia (mostly, direct investment income on equity) growing, the income surplus decreased year-on-year, running into a deficit of 4.0 million lats. Residents' income did not change substantially; compensation received by residents abroad grew, while residents' investment income decreased.

The current transfers surplus was 17.3 million lats higher than the year before. Growth was recorded in both outward and inward flows of current transfers in the private sector. The increase in the current transfers surplus was effected by rising inflows 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.

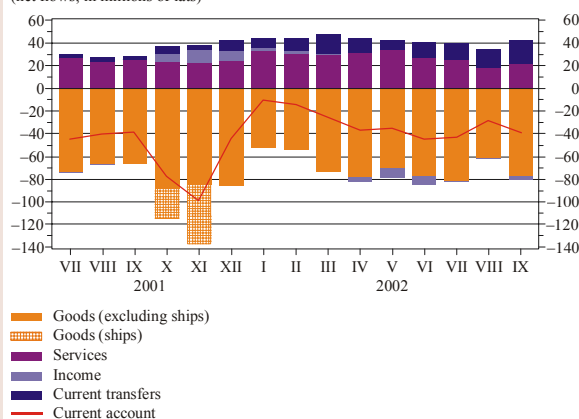
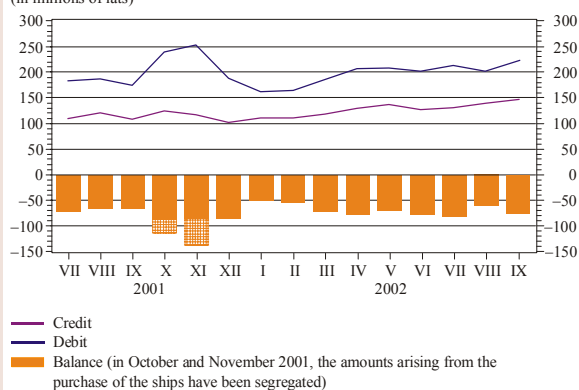
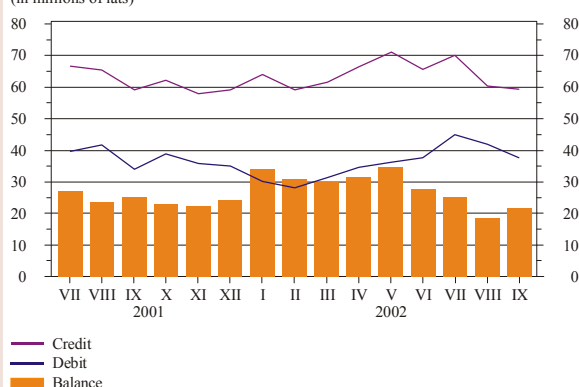
Surplus in the capital and financial account totalled 57.2 million lats in September. Foreign direct investment inflow in Latvia rose, and residents' portfolio and other investment outside Latvia decreased.

The net inflow of direct investment amounted to 15.1 million lats, largely owing to non-residents' investment in equity capital of enterprises and reinvested earnings. In the first nine months of 2002, foreign direct investment in Latvia was made in the amount of 209.3 million lats (a year-on-year increase of 57.7 million lats), which covered 77.3% of the current account deficit.

With residents' portfolio investment declining (by 6.7 million lats) and non-residents' portfolio of Latvian government bonds and notes increasing, portfolio investment posted a net inflow of 11.0 million lats.

Residents' other investment assets decreased by 27.2 million lats, as banks reduced their deposits with OECD credit institutions, but enterprises made demand and short-term deposits in the amount of 20.3 million lats. An increase of 11.5 million lats in residents' other investment liabilities could largely be attributed to loans received by enterprises.

As the Government increased its foreign currency deposit with the Bank of Latvia, reserve assets grew by 10.9 million lats.

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													
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	-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	-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	-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	-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	-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	-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
IX	-38.8	-76.9	21.6	-4.0	20.5	0.7	56.5	15.1	11.0	2.6	38.7	-10.9	-18.4

## CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
	Credit		Goods <sup>1</sup>		Services		Income		Current transfers		Credit	Debit
			Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
2001												
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	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	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	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	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	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	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
IX	252.3	291.1	145.6	222.5	59.0	37.4	14.0	18.0	33.7	13.3	1.0	0.3

<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												
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	14.5	12.0	6.8	0.2	7.6	11.8	0.1	4.4	4.1	1.2	3.4	6.2
II	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	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	14.1	17.8	6.8	0.2	7.3	17.5	0	10.3	4.0	1.2	3.3	6.0
V	13.9	22.1	7.0	0.2	7.0	21.8	0	15.5	3.9	1.2	3.0	5.2
VI	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
IX	14.0	18.0	7.0	0.2	6.9	17.7	0.2	11.3	3.9	1.2	2.9	5.2

**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										
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	0.3	18.1	0	16.0	0	3.1	0.3	-1.0	0	0
II	0.1	22.2	-0.2	19.6	0	2.5	0.3	0	0	0
III	0.1	30.2	-0.1	27.1	0	3.5	0.2	-0.4	0	0
IV	-0.7	18.9	-1.1	6.5	0	6.0	0.3	6.4	0	0
V	-0.7	27.8	-1.1	12.9	0	7.1	0.3	7.7	0	0
VI	-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
IX	-1.1	16.2	-0.7	9.5	-0.1	9.6	-0.2	-3.2	0	0.4

## 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												
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	-51.3	-3.3	-0.9	-0.5	-50.4	-53.0	2.6	-2.8	-2.8	0	-1.8	1.1
V	-25.4	-7.4	2.1	-4.7	-27.4	-31.0	3.6	-2.8	-2.8	0	0.7	6.1
VI	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
IX	6.7	4.2	0	0.6	6.7	3.5	3.2	3.6	3.6	0	1.2	1.4

## 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												
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	-71.9	67.4	0.1	10.8	0.5	0.2	-52.9	53.3	-19.6	3.2		
II	12.6	-29.4	0	-12.6	0	0.7	15.8	-17.8	-3.3	0.3		
III	-53.2	80.9	-0.1	6.7	1.3	-1.9	-50.8	85.1	-3.6	-9.0		
IV	50.0	7.1	0	-6.7	2.0	-1.0	41.6	7.3	6.4	7.4		
V	32.4	22.7	0.1	0.1	0.1	0.2	27.7	24.9	4.4	-2.4		
VI	-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		
IX	27.2	11.5	-0.1	0	-0.8	-0.4	48.5	0.1	-20.3	11.9		

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)).