

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

9 • 2003
MONTHLY BULLETIN

In September, the current account deficit of the balance of payments (48.9 million lats) posted minor changes year-on-year and month-on-month. A year-on-year increase in the goods deficit was almost offset by a rise in the surplus of services and current transfers. Although exports of goods expanded considerably in September, imports growth was stronger. The income deficit increased.

The services surplus totalled 39.7 million lats, growing both month-on-month and year-on-year (by 11.6 million lats and 18.7 million lats, respectively). The surplus of transportation services and other services posted the highest pickup in comparison with the corresponding period of the previous year, resulting mostly from a rise in exports of transportation services by road and financial services. The surplus of transportation services by sea declined slightly (by 0.7 million lats), since a drop in exports of oil transit-related services was offset by an increase in exports of freight transportation services by sea.

In September, the income deficit (6.2 million lats) grew by 2.1 million lats year-on-year, mostly due to an increase in non-residents' income from direct investment and from portfolio investment.

The current transfers surplus remained high (33.6 million lats). In September, current transfers received by other sectors (including private persons) recorded a major year-on-year increase.

The surplus of the financial and capital account was 23.4 million lats. Direct investment and other investment were the major sources for financing the current account deficit.

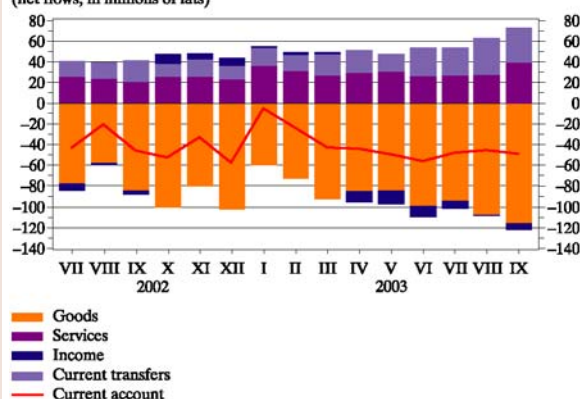
The net inflow of direct investment amounted to 20.5 million lats. In Latvia, 21.8 million lats were invested mostly in companies' equity and as reinvested earnings (9.0 million lats and 9.4 million lats, respectively).

Portfolio investment posted a net outflow (28.0 million lats). Residents (mostly banks) placed the funds attracted abroad in bonds and notes issued by non-residents, and portfolio investment on the assets side increased by 39.4 million lats. With non-residents acquiring equities (shares) of domestic origin, as well as government debt securities, liabilities under portfolio investment grew by 11.4 million lats.

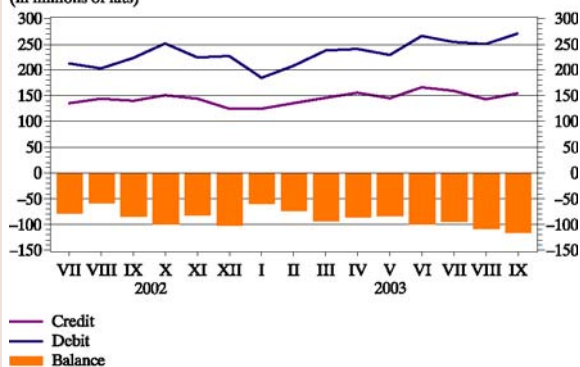
Other investment recorded a net inflow (99.9 million lats). Residents' other investment on the liabilities side increased by 133.0 million lats. In September, non-resident demand deposits and short-term borrowing (time deposits) attracted by banks increased (by 62.4 million lats and 26.1 million lats, respectively), as did banks' long-term borrowing (time deposits) from foreign credit institutions (by 43.6 million lats). With banks mostly increasing lending and decreasing demand deposits, residents' assets under other investment increased by 33.1 million lats in September.

With banks increasing their demand for lats, and the Bank of Latvia engaging in currency swaps, reserve assets grew by 77.4 million lats in September.

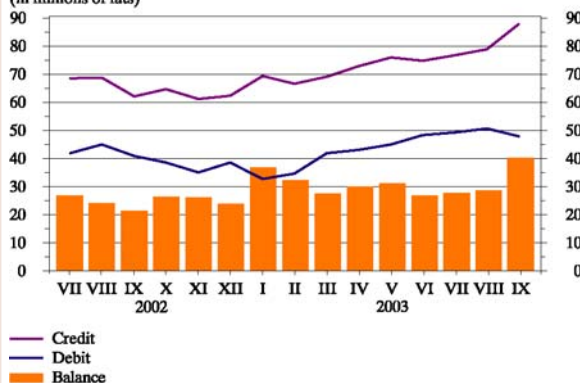
CURRENT ACCOUNT
(net flows; in millions of lats)



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													
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	-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	-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	-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	-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	-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	-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	-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	-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	-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
IX	-48.9	-116.0	39.7	-6.2	33.6	2.4	21.0	20.5	-28.0	6.0	99.9	-77.4	25.5

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												
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	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	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	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	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	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	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	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	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	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
IX	309.1	357.9	154.2	270.1	87.1	47.5	18.4	24.6	49.3	15.7	3.0	0.6

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												
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	15.3	6.2	7.2	0.2	8.1	6.0	0	-1.2	4.4	1.2	3.7	6.0
XI	15.3	9.9	7.3	0.2	8.0	9.7	0	2.8	5.0	1.4	3.1	5.5
XII	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	15.6	14.8	7.3	0.2	8.3	14.6	0	7.7	5.4	2.1	2.8	4.8
II	15.8	13.9	7.4	0.2	8.4	13.7	0	6.8	5.8	2.5	2.6	4.4
III	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	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	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	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
IX	18.4	24.6	8.0	0.2	10.4	24.4	0.2	13.5	7.6	6.3	2.6	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								
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	-0.7	7.6	-0.2	8.4	0.1	-2.6	-0.6	1.8
XI	-0.3	8.5	0.3	9.2	0.1	-1.7	-0.8	1.0
XII	-1.7	8.4	-1.0	10.2	0.1	-1.0	-0.9	-0.8
2003								
I	-0.9	21.3	-0.4	7.7	0	5.2	-0.4	8.3
II	-2.4	20.8	-1.9	7.9	0	4.4	-0.4	8.5
III	-0.9	24.4	-0.5	9.3	0	5.7	-0.4	9.4
IV	-0.2	19.0	-0.7	9.5	-0.1	8.6	0.6	0.8
V	-0.9	23.5	-1.5	14.6	-0.1	9.9	0.6	-1.0
VI	-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
IX	-1.4	21.8	-1.6	9.0	-0.2	9.4	0.4	3.4

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								
2002												
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	-32.0	0.4	11.1	0.2	-43.1	-41.9	-1.2	0.2	0.2	0	-0.5	-2.3
XI	21.6	0.8	1.2	-0.2	20.5	20.3	0.2	0.9	0.9	0	0.1	-0.8
XII	-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	-33.5	1.5	2.8	-0.1	-36.3	-36.5	0.1	1.5	1.5	0	0.2	2.0
II	-34.1	-0.9	-1.2	0.1	-32.8	-20.4	-12.4	-1.0	-1.0	0	0.7	-2.4
III	25.8	2.8	-1.2	0.6	27.0	15.3	11.8	2.2	2.2	0	-2.9	-2.7
IV	-15.4	0.8	0	0.5	-15.4	-15.2	-0.2	0.2	0.3	0	0.2	6.5
V	13.8	3.5	-0.8	1.6	14.6	17.5	-2.9	1.9	1.9	0	-1.8	6.4
VI	-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
IX	-39.4	11.4	0.2	8.2	-39.6	-39.6	0	3.1	3.1	0	1.6	4.5

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												
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	-89.5	129.9	0	0.1	-0.2	0.3	-92.5	127.2	3.2	2.4		
XI	-3.8	-5.9	-0.1	-0.2	-0.1	0	-18.4	-9.0	14.9	3.3		
XII	-63.9	192.9	-0.1	-1.8	0.2	-0.1	-70.5	190.1	6.5	4.8		
2003												
I	-61.6	48.1	0.1	-1.3	-0.3	-7.2	-54.7	57.1	-6.7	-0.4		
II	159.5	-81.0	0	0.3	-0.5	-0.3	170.5	-79.0	-10.6	-2.0		
III	-126.2	10.3	0	-0.6	0	-2.8	-118.6	16.4	-7.7	-2.7		
IV	-1.9	72.6	-0.1	2.1	-0.2	-1.7	2.3	63.9	-4.0	8.2		
V	4.2	45.9	0	-1.9	0.1	-0.4	7.7	42.7	-3.6	5.6		
VI	-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		
IX	-33.1	133.0	0	0.2	-0.2	-2.7	-27.0	132.1	-6.0	3.4		

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).