

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

1 • 2003
MONTHLY BULLETIN

In January, the current account deficit was low (7.2 million lats) due to seasonal factors. The year-on-year exports of goods increased by 10.8%, and imports of goods – by 13.1%, resulting in a higher goods deficit (by 9.1 million lats). There was a considerable gain (9.5 million lats) in the current transfers surplus, and a slight rise in the income surplus.

The year-on-year services surplus dropped by 4.7 million lats (to 29.3 million lats), mainly due to an increase in the imports of services. Decrease in exports of cargo transportation services by sea, as well as port services, was partly offset by an increase in cargo transportation services by rail and road. Lower revenue from transportation services resulted mostly from decreased cargo turnover at Ventspils, Latvia's largest port, due to the cut-off of crude oil supply from Russia by pipeline. To sustain the transshipment of oil and oil products and to retain cash flows, crude oil was transported by rail.

Income surplus was 3.8 million lats and faced a year-on-year increase of 0.7 million lats. An increase in the remuneration of residents employed abroad, as well as in residents' proceeds from portfolio investment, facilitated the growth of income surplus.

The year-on-year gain in the current transfers surplus continued, reaching 17.9 million lats. The rise resulted from the increase, of 7.9 million lats, in current transfers received in other sectors (mostly by private persons).

The capital and financial account posted a surplus of 28.1 million lats.

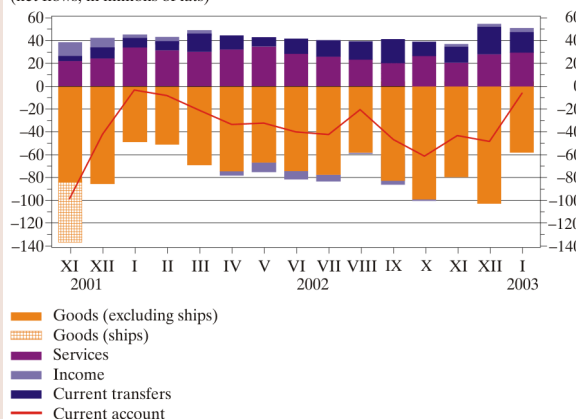
The net inflow of direct investment accounted for 17.3 million lats. Foreign direct investment in Latvia amounted to 19.2 million lats. 8.2 million lats of those were invested in companies' equity, and the remaining amount, in equal proportion, accounted for reinvested earnings and investment in other capital.

Portfolio investment reported a net outflow of 30.8 million lats, as banks increased their investment in bonds and notes of the OECD countries.

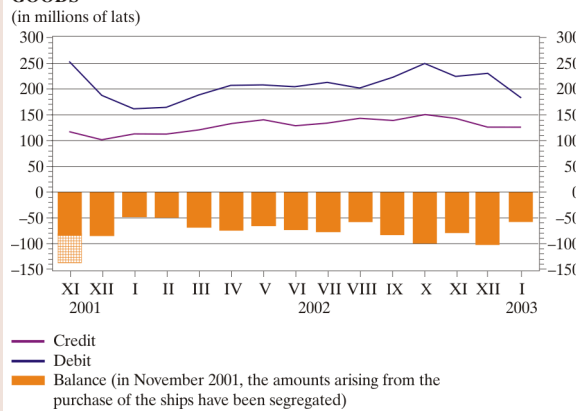
A net outflow of 8.2 million lats was observed in other investment. Banks' loans to non-residents decreased (by 69.9 million lats) but their deposits with foreign credit institutions increased (by 122.2 million lats); as a result assets of other investment rose by 51.3 million lats. Banks increased the amounts of borrowing (time deposits) and demand deposits attracted from non-residents (by 22.1 million lats and 37.0 million lats, respectively), and liabilities under other investment grew by 43.1 million lats.

With the Bank of Latvia meeting its contractual obligations under currency swap arrangements, and reduced willingness of the banks to enter into new currency swap agreements due to increasing liquidity, reserve assets decreased by 47.3 million lats in January.

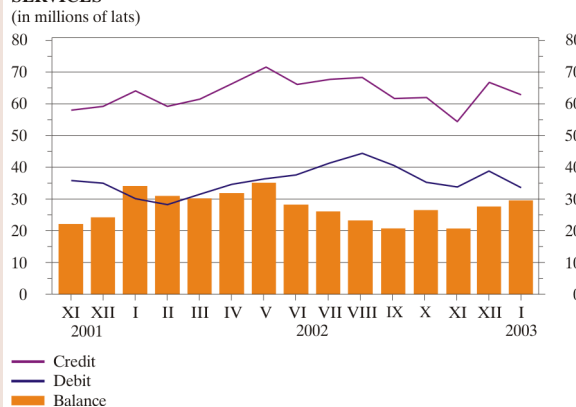
CURRENT ACCOUNT
(net flows; in millions of lats)



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													
XI	-98.3	-136.7	22.1	12.3	3.9	2.5	53.0	15.5	141.9	-0.4	7.0	-111.1	42.9
XII	-43.5	-85.7	24.2	8.6	9.5	1.9	84.2	-86.2	88.3	4.4	106.3	-28.6	-42.5
2002													
I	-3.6	-49.1	34.0	3.1	8.4	1.4	13.3	17.3	4.4	-2.7	-6.0	0.4	-11.1
II	-8.2	-51.3	31.0	4.2	7.9	0.7	6.3	21.5	-11.2	1.2	-18.4	13.2	1.3
III	-20.7	-69.7	30.1	2.9	16.0	1.5	27.7	29.4	-23.9	1.1	26.1	-5.1	-8.5
IV	-34.0	-74.8	31.9	-4.0	12.9	0.8	33.2	18.8	-54.7	-0.7	57.8	11.9	0
V	-32.4	-66.9	34.9	-8.5	8.1	1.0	66.6	27.3	-32.8	6.8	55.8	9.5	-35.2
VI	-40.4	-74.6	28.3	-7.5	13.4	0.6	-0.9	37.9	23.1	-1.1	-71.8	11.0	40.7
VII	-43.2	-78.0	26.0	-5.5	14.3	1.0	55.9	21.5	-5.5	-3.0	31.5	11.4	-13.6
VIII	-20.3	-58.5	23.3	-1.0	15.8	0.3	12.3	20.4	-23.0	2.4	55.2	-42.7	7.7
IX	-45.8	-83.4	20.6	-3.6	20.5	0.8	56.5	20.4	8.6	2.6	35.7	-10.9	-11.5
X	-61.9	-99.9	26.5	-0.8	12.2	0.6	68.1	15.3	-32.4	-2.8	43.1	44.9	-6.8
XI	-43.3	-79.9	20.7	2.0	13.9	0.8	38.4	16.4	24.5	-0.7	-19.7	17.9	4.1
XII	-49.0	-103.2	27.9	2.1	24.1	0.3	50.6	22.5	-23.4	4.8	107.2	-60.5	-1.9
2003													
I	-7.2	-58.2	29.3	3.8	17.9	0.2	27.9	17.3	-30.8	2.2	-8.2	47.3	-20.9

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	Credit	Debit		
2001												
XI	203.3	301.6	117.4	254.1	57.7	35.5	15.8	3.6	12.3	8.4	2.8	0.2
XII	192.6	236.0	101.8	187.5	58.9	34.7	14.6	6.0	17.3	7.9	2.4	0.5
2002												
I	211.4	215.0	113.3	162.4	64.0	30.0	14.5	11.4	19.6	11.3	1.5	0.2
II	205.4	213.6	113.5	164.8	59.3	28.3	14.0	9.8	18.7	10.8	0.8	0.2
III	223.9	244.6	121.4	191.1	61.6	31.5	14.7	11.8	26.2	10.2	1.9	0.4
IV	238.9	272.9	132.9	207.7	66.6	34.7	14.1	18.1	25.3	12.4	1.1	0.3
V	246.3	278.6	140.3	207.2	71.3	36.4	13.9	22.4	20.7	12.7	1.2	0.2
VI	234.9	275.3	129.7	204.3	65.8	37.6	14.3	21.8	25.1	11.7	1.0	0.4
VII	242.9	286.1	134.5	212.5	67.4	41.4	14.1	19.6	26.9	12.6	1.8	0.9
VIII	259.6	279.9	143.8	202.3	67.8	44.4	14.8	15.8	33.2	17.4	0.8	0.5
IX	249.8	295.6	139.7	223.1	61.1	40.5	13.9	17.5	35.0	14.5	1.1	0.3
X	260.3	322.2	150.1	250.0	61.6	35.1	15.4	16.2	33.1	20.8	0.8	0.2
XI	241.5	284.8	142.7	222.6	54.6	33.9	15.1	13.2	29.1	15.2	0.8	0.1
XII	254.7	303.7	124.8	228.0	67.2	39.3	19.5	17.4	43.2	19.1	0.9	0.5
2003												
I	235.5	242.7	125.5	183.7	62.9	33.6	15.6	11.8	31.6	13.7	0.3	0.1

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
2001												
XI	15.8	3.6	6.7	0.3	9.1	3.3	-0.1	-3.5	5.4	1.6	3.8	5.2
XII	14.6	6.0	6.7	0.3	7.9	5.7	-0.1	-1.2	4.0	1.4	4.0	5.6
2002												
I	14.5	11.4	6.8	0.2	7.6	11.1	0.1	3.7	4.1	1.2	3.4	6.2
II	14.0	9.8	6.8	0.2	7.2	9.5	0.1	3.1	3.8	1.2	3.2	5.2
III	14.7	11.8	6.7	0.2	8.0	11.6	0.1	4.1	4.3	1.3	3.5	6.2
IV	14.1	18.1	6.8	0.2	7.3	17.9	0	10.6	4.0	1.2	3.3	6.1
V	13.9	22.4	7.0	0.2	7.0	22.2	0	15.8	3.9	1.2	3.0	5.2
VI	14.3	21.8	6.9	0.2	7.4	21.5	0	14.7	3.8	1.3	3.6	5.5
VII	14.1	19.6	6.9	0.2	7.1	19.4	0.1	14.1	4.3	1.2	2.7	4.0
VIII	14.8	15.8	7.1	0.2	7.7	15.5	0.1	9.7	4.4	1.2	3.2	4.7
IX	13.9	17.5	7.0	0.2	6.9	17.3	0.1	11.1	3.9	1.2	3.0	5.0
X	15.4	16.2	7.2	0.2	8.2	16.0	0.1	9.2	4.4	1.2	3.6	5.6
XI	15.1	13.2	7.2	0.2	7.9	12.9	0	7.2	5.0	1.5	2.9	4.2
XII	19.5	17.4	7.4	0.2	12.0	17.1	0	6.7	8.5	4.4	3.5	6.0
2003												
I	15.6	11.8	7.3	0.2	8.3	11.6	0.2	5.9	5.4	2.1	2.7	3.5

FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment							
			Equity capital		Reinvested earnings		Other capital ¹	
			Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia
2001								
XI	0.5	15.0	0	27.4	0.1	-5.4	0.4	-7.0
XII	-0.2	-86.0	-0.7	20.1	0.1	-3.1	0.4	-103.0
2002								
I	0.2	17.1	-0.1	16.0	0	2.5	0.3	-1.4
II	0.1	21.4	-0.2	19.9	0	1.9	0.3	-0.4
III	0.1	29.3	-0.1	27.3	0	2.9	0.2	-0.8
IV	-0.8	19.6	-1.1	6.6	0	6.4	0.3	6.6
V	-1.0	28.3	-1.3	12.9	0	7.4	0.3	7.9
VI	-1.2	39.2	-1.6	22.1	0	8.4	0.3	8.7
VII	-0.6	22.1	-0.9	9.7	-0.1	8.1	0.4	4.3
VIII	0.3	20.0	0	8.3	-0.1	8.1	0.4	3.6
IX	0.2	20.2	-0.1	7.3	-0.1	9.1	0.4	3.8
X	-0.7	16.1	-0.6	6.1	-0.1	8.4	0	1.6
XI	-0.5	16.9	-0.2	8.8	0	3.7	-0.3	4.4
XII	-1.2	23.7	-1.5	19.2	0	4.4	0.3	0.1
2003								
I	-1.8	19.2	-1.5	8.2	-0.2	5.6	-0.2	5.4

¹ Incl. financial derivatives.

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												
XI	45.1	96.8	5.2	1.0	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	-1.6	-0.2	1.4	6.2	0.7	5.5	-3.0	-2.8	-0.3	-4.5	1.8
II	-2.3	-8.9	0	0.7	-2.3	-6.3	4.1	-9.5	-9.3	-0.3	1.0	0.1
III	-34.2	10.3	-12.9	18.4	-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	2.5	-2.8	-2.8	0	-1.8	1.1
V	-25.4	-7.4	2.1	-4.7	-27.5	-31.0	3.5	-2.8	-2.8	0	0.7	6.1
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	-33.3	0.9	11.4	0.7	-44.7	-43.9	-0.8	0.2	0.2	0	-0.5	-2.3
XI	22.9	1.6	0.8	1.1	22.2	22.0	0.2	0.5	1.0	-0.5	0.1	-0.8
XII	-20.3	-3.1	-3.8	-1.8	-16.5	-17.3	0.8	-1.3	-1.3	0	-1.7	6.6
2003												
I	-31.9	1.1	4.7	0.1	-36.6	-36.7	0.1	1.0	1.0	0	0.2	2.0

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												
XI	-149.0	156.0	0	0	-4.0	1.4	-158.2	122.5	13.2	32.2		
XII	67.6	38.6	-0.1	-1.2	0.2	-0.1	63.6	8.0	3.9	32.0		
2002												
I	-71.8	65.8	0.1	10.8	0.5	0.2	-52.9	53.3	-19.5	1.5		
II	12.7	-31.0	0	-12.6	0	0.7	15.8	-17.8	-3.2	-1.4		
III	-53.1	79.2	-0.1	6.7	1.3	-1.9	-50.8	85.1	-3.5	-10.7		
IV	50.1	7.7	0	-6.7	2.0	-1.0	41.6	7.3	6.5	8.0		
V	32.6	23.3	0.1	0.1	0.1	0.2	27.7	24.9	4.6	-1.8		
VI	-100.9	29.1	0	1.0	-0.9	-0.4	-104.0	17.8	4.0	10.7		
VII	-19.9	51.4	0.2	-4.0	0.2	0	-16.3	52.6	-4.0	2.8		
VIII	-15.9	71.1	0	-0.2	0.1	0.5	-23.5	69.6	7.5	1.2		
IX	32.6	3.1	-0.1	0	0.6	-0.4	48.5	0.1	-16.3	3.5		
X	-82.4	125.5	0	0.1	-0.2	0.3	-92.5	127.2	10.3	-2.1		
XI	-10.7	-8.9	-0.1	-0.2	-0.1	0	-18.4	-9.0	7.9	0.2		
XII	-75.6	182.7	-0.1	-1.8	0.2	-0.1	-70.5	190.1	-5.2	-5.4		
2003												
I	-51.3	43.1	0.1	-1.3	-0.3	-7.2	-54.7	57.1	3.6	-5.5		

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).