

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

10 • 2002
MONTHLY BULLETIN

In October, exports of goods reached the high of 2002, and concurrently, imports of goods also rose. Exports of goods were 25.0 million lats or 20.0% higher than in October 2001, while imports of goods were 10.8 million lats or 4.5% higher. Hence, the goods deficit declined. The services surplus slightly rose, as did that of current transfers, both covering 38.7% of the goods deficit. The current account deficit decreased by 14.9 million lats, totalling 61.9 million lats.

A year-on-year increase of 3.5 million lats in the services surplus was mostly effected by declining imports of services. With transportation services rendered by sea transport decreasing, proceeds from exports of services declined. This decline (a decrease of 3.0 million lats in the transportation services balance) was offset by the improving balances of travel services and other services.

Though the income deficit was observed also in October, it was lower than in the past months. Owing largely to an increase in non-residents' investment income on direct investment in Latvia, the positive balance on income declined year-on-year (by 8.5 million lats), turning negative (0.8 million lats).

The current transfers surplus was 5.5 million lats higher than the year before, because current transfers received by the private sector grew in excess of current transfers executed by this sector. The increase in the current transfers surplus was largely determined 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.

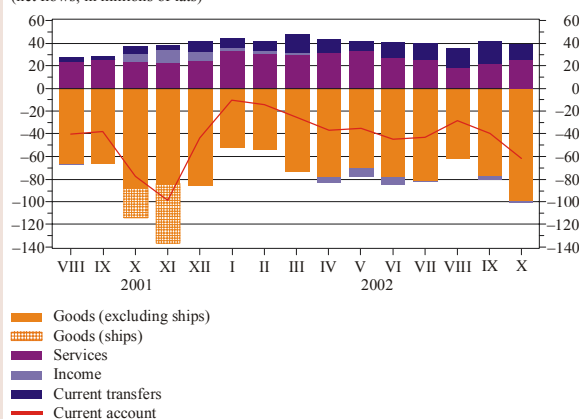
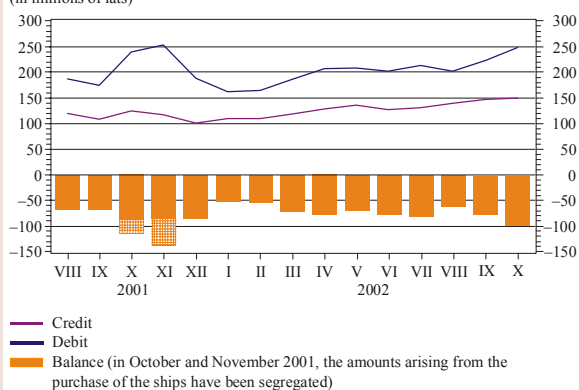
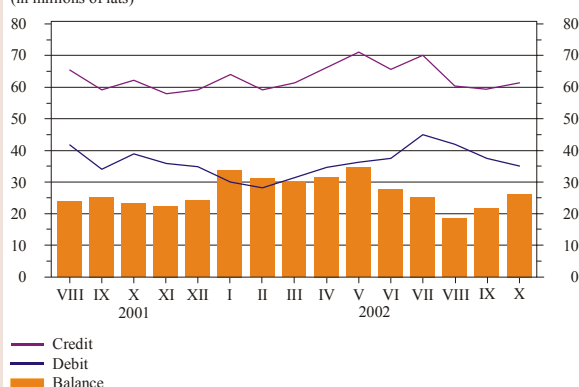
The surplus of the capital and financial account was 68.7 million lats.

The net inflow of direct investment totalled 15.3 million lats. In Latvia, foreign direct investment was made in the amount of 16.1 million lats. Such investment in enterprises' equity capital and reinvested earnings amounted to 6.1 million lats and 8.4 million lats, respectively. In the period since the beginning of 2002, foreign direct investment in equity capital and reinvested earnings amounted to 133.3 million lats (87.5 million lats in the corresponding period of 2001) and 64.9 million lats or 59.1% and 28.8% of total foreign direct investment in Latvia in this period, respectively.

As residents, primarily banks, purchased debt securities and decreased their portfolio of equity securities, portfolio investment posted a net outflow of 32.4 million lats.

A net inflow of other investment was reported (43.1 million lats). Banks increased claims on non-residents (by 94.5 million lats), whereas enterprises reduced their demand deposits held abroad. Thus, on the asset side, residents' other investment grew by 82.4 million lats. An increase of 125.5 million lats in residents' liabilities was largely driven by non-banks' demand deposits and loans (time deposits) received by banks.

In October, due to repayments made under the currency swap arrangement and a decrease in the Government's deposit with the Bank of Latvia, reserve assets declined by 44.9 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 ¹	Services	Income	Current transfers	Direct investment		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2001													
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
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

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												
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
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

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												
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
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

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										
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
X	-0.7	16.1	-0.6	6.1	-0.1	8.4	0	1.1	0	0.5

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												
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
X	-33.3	0.9	11.4	0.7	-44.7	-43.9	-0.8	0.2	0.2	0	-0.5	-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												
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		
X	-82.4	125.5	0	0.1	-0.2	0.3	-92.5	127.2	10.3	-2.1		

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).