

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

10 • 2003  
MONTHLY BULLETIN

In October, the current account deficit of the balance of payments decreased (to 43.0 million lats, one of the lowest levels in 2003), improving by 9.8 million lats year-on-year. Exports of goods reached an all-time high, with imports of goods increasing simultaneously as well. Exports of goods grew by 20.0 million lats or 13.3% year-on-year, and their imports expanded by 30.2 million lats or 12.0%. A slight rise in the surplus of services offset the decline in the income surplus. The current transfers surplus increased by 20.0 million lats. The surplus of services, income and current transfers covered 61.1% of the goods deficit.

The services surplus posted a year-on-year pickup of 3.1 million lats, with exports of services recording higher growth. A major increase was reported in exports of other services (mostly construction) and travel services.

In October 2003, the balance on income turned positive (6.0 million lats) as in the corresponding period of the previous year. The income surplus declined by 3.1 million lats year-on-year as a result of higher income from direct investment by non-residents in Latvia.

In October, the current transfers received reached 55.0 million lats, their surplus growing by 20.0 million lats year-on-year. An increase in current transfers received by other sectors (including private persons) underlay the growth in current transfers.

The surplus of the financial and capital account was 33.1 million lats.

In October, the net inflow of direct investment grew both year-on-year and month-on-month and reached a high (25.7 million lats) in 2003. In Latvia, direct investment amounted to 26.6 million lats (including 18.4 million lats invested as other capital). Investment in companies' equity capital and reinvested earnings were 5.1 million lats and 3.1 million lats, respectively.

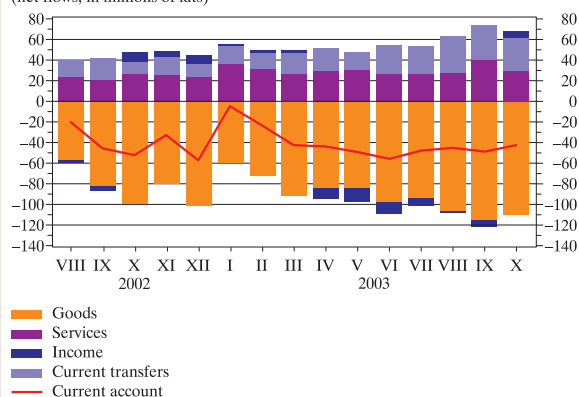
Portfolio investment posted a net outflow of 52.8 million lats. Residents (mostly banks) purchased foreign debt securities (bonds and notes).

Other investment shifted to a net outflow (11.6 million lats), with the most significant changes occurring in the banking sector. Other investment shrank by 29.9 million lats on the liabilities side, mostly as a result of banks reducing their liabilities to foreign credit institutions. On the asset side, other investment declined by 18.4 million lats, mainly due to a decrease in short-term loans to non-residents by banks.

In October, reserve assets dropped by 71.9 million lats, with the Bank of Latvia meeting its contractual obligations under currency swap agreements.

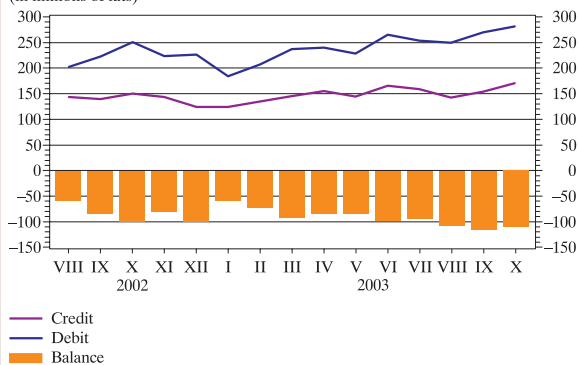
## CURRENT ACCOUNT

(net flows; in millions of lats)



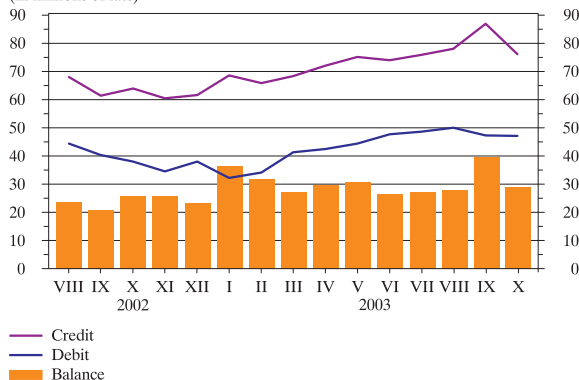
## GOODS

(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			
2002													
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
X	-43.0	-110.7	29.1	6.0	32.5	1.7	31.4	25.7	-52.8	-1.9	-11.6	71.9	9.9

## CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
			Goods <sup>1</sup>		Services		Income		Current transfers		Credit	Debit
			Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
2002												
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
X	321.0	364.0	170.6	281.2	76.3	47.3	19.1	13.1	55.0	22.4	1.9	0.1

<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
2002												
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
X	19.1	13.1	8.7	0.2	10.4	12.9	0	4.1	7.6	3.5	2.8	5.3

**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								
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
X	-0.9	26.6	-0.6	5.1	0	3.1	-0.3	18.4

## 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												
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
X	-55.4	2.6	-3.2	-0.8	-52.2	-53.0	0.8	3.4	3.4	0	-1.0	-0.9

## 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												
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		
X	18.4	-29.9	0	-0.1	0	-2.0	19.7	-34.3	-1.4	6.5		

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 website ([www.bank.lv](http://www.bank.lv)).