

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

12 • 2002  
MONTHLY BULLETIN

According to data for December 2002 and preliminary data for the year 2002, the current account deficit as a percentage of GDP declined in the fourth quarter of 2002 and the year 2002, owing to an accelerated increase in exports. In 2002, the current account deficit in GDP terms was close to 8%.

In December, the current account deficit (49.0 million lats) was slightly higher than in November 2002 and December 2001. The services and current transfers surpluses showed year-on-year growth, while the income surplus decreased. The goods deficit rose by 17.5 million lats. The year-on-year increases in exports of goods (22.6% in December 2002 and 14.0% in the year 2002) were more marked than in imports (21.6% and 10.5%, respectively).

The services surplus increased both month-on-month and year-on-year (by 7.2 million lats and 3.7 million lats, respectively). Exports of services increased more pronouncedly than imports.

The transportation services surplus increased by 9.3 million lats compared with November, as proceeds from cargo transportation by sea and transportation by road rose. The travel services deficit did not show significant month-on-month changes, whereas with non-residents' spending in Latvia rising, it fell 3.0 million lats below the previous year's level. In 2002, the average monthly year-on-year decrease in the travel services deficit amounted to 1.9 million lats. With imports rising, the other services surplus was lower than the year before.

The income surplus remained roughly the same as in November 2002, whereas its year-on-year decline of 6.5 million lats was largely a result of higher non-residents' direct investment income. According to preliminary data for the year 2002, non-residents' direct investment income rose 1.6 times compared with the year 2001.

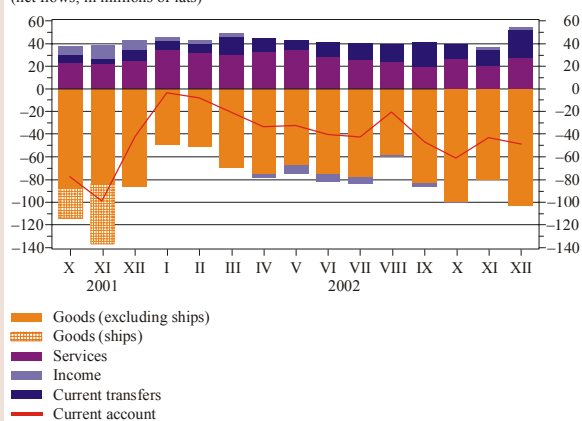
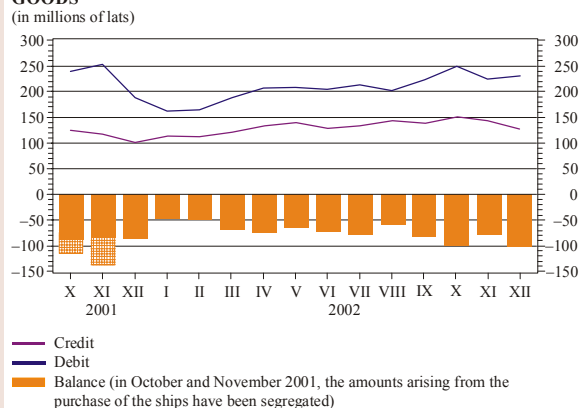
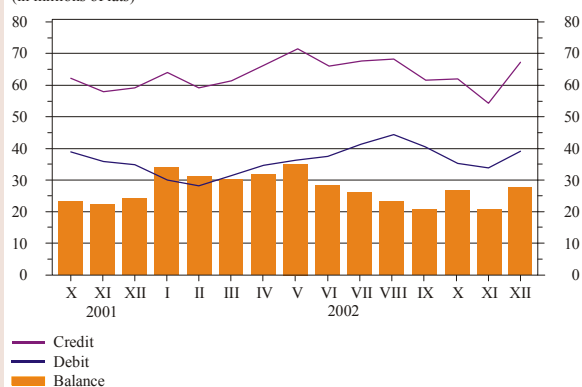
The current transfers surplus was higher than in November 2002 and December 2001. The increase in current transfers received and, hence, growth in the current transfers surplus resulted from rising current transfers received by other sectors (primarily by private persons).

The capital and financial account posted a surplus of 50.9 million lats.

The net inflow of direct investment reached 22.5 million lats in December. According to preliminary data for the year 2002, the net inflow of direct investment reached the high of the last five years, amounting to 268.7 million lats. Besides, foreign direct investment in enterprises' equity and reinvested earnings was higher than in the past years.

Portfolio investment reported a net outflow of 23.4 million lats, as residents (primarily banks) increased their investment in foreign debt securities.

The net inflow of other investment totalled 107.2 million lats. As residents (primarily banks) increased their foreign lending (by 99.3 million lats) and decreased demand deposits with foreign credit institutions, other investment rose by 75.6 million

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													
X	-76.7	-114.1	23.0	7.8	6.7	2.6	39.3	20.6	-2.9	-3.7	48.2	-22.9	34.8
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

## 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												
X	216.6	293.3	125.1	239.2	61.8	38.8	15.0	7.2	14.7	8.0	3.0	0.4
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

lats on the asset side. On the liabilities side, other investment grew (by 182.7 million lats), as banks received demand deposits in the amount of 148.5 million lats and borrowed in the amount of 38.0 million lats.

As inflows of funds were more than sufficient to cover the current account deficit and the Bank of Latvia conducted currency swap deals, reserve assets increased by 60.5 million lats in December. In 2002, reserve assets remained basically unchanged.

<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												
X	15.0	7.2	6.8	0.3	8.2	6.9	-0.1	0.3	4.5	0.9	3.8	5.8
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

**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
	Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia
2001										
X	1.9	18.6	1.2	28.4	0.1	-1.6	0.6	-8.1	0	0
XI	0.5	15.0	0	27.4	0.1	-5.4	0.4	-7.0	0	0
XII	-0.2	-86.0	-0.7	20.1	0.1	-3.1	0.4	-103.0	0	0
2002										
I	0.2	17.1	-0.1	16.0	0	2.5	0.3	-1.4	0	0
II	0.1	21.4	-0.2	19.9	0	1.9	0.3	-0.4	0	0
III	0.1	29.3	-0.1	27.3	0	2.9	0.2	-0.8	0	0
IV	-0.8	19.6	-1.1	6.6	0	6.4	0.3	6.6	0	0
V	-1.0	28.3	-1.3	12.9	0	7.4	0.3	7.9	0	0
VI	-1.2	39.2	-1.6	22.1	0	8.4	0.3	8.7	0	0
VII	-0.6	22.1	-0.9	9.7	-0.1	8.1	0.4	4.3	0	0
VIII	0.3	20.0	0	8.3	-0.1	8.1	0.4	3.6	0	0
IX	0.2	20.2	-0.1	7.3	-0.1	9.1	0.4	3.4	0	0.4
X	-0.7	16.1	-0.6	6.1	-0.1	8.4	0	1.1	0	0.5
XI	-0.5	16.9	-0.2	8.8	0	3.7	-0.3	4.0	0	0.4
XII	-1.2	23.7	-1.5	19.2	0	4.4	0.3	0.3	0	-0.2

## 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	Bonds and notes		Money market instruments	Liabilities			Bonds and notes		Money market instruments
						Assets	Liabilities					Assets	Liabilities	
2001														
X	-4.1	1.3	17.4	1.0	-21.6	29.1	-50.6	0.3	0	0.3	-1.9	-1.7		
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		

## 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										
X	-33.4	81.6	0.1	-0.1	-0.3	2.3	-42.3	48.3	9.2	31.0
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

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)).