

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

12 • 2004  
MONTHLY BULLETIN

Latvia's balance of payments is compiled in accordance with the guidelines of the IMF publication *Balance of Payments Manual*, 5th edition, and ECB requirements.

The balance of payments consists of the current account, the capital and financial account, and net errors and omissions. The current account shows exports and imports of goods and services, income (wages and salaries, dividends, interest payments), as well as current transfers, which are not intended for investment in a specified period of time. The capital and financial account reflects capital transfers, which are intended for investment, as well as changes in foreign investment and debt for a definite period, as well as an increase or a decrease in reserve assets.

As of 2000, the responsibility for compiling and publishing the balance of payments on a quarterly and annual basis was taken over by the Bank of Latvia from the Central Statistical Bureau of Latvia (CSB). As of 2001, the Bank of Latvia also publishes the monthly balance of payments (key items).

The purpose of this publication is to disseminate information on economic transactions with foreign countries, providing for a timely analysis of macroeconomic processes.

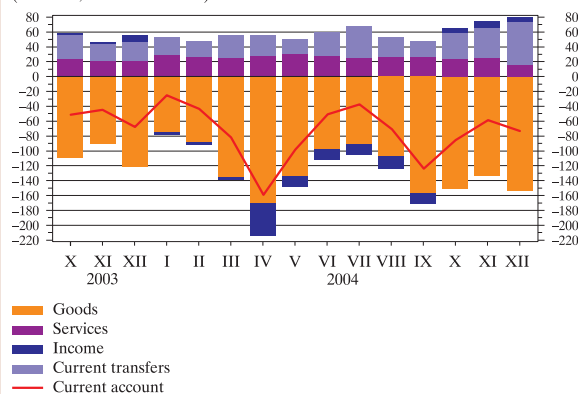
To promote the compilation of the monthly balance of payments (key items), the Bank of Latvia has adopted the "Regulation for Preparing Information on External Payments of Non-Banks", pursuant to which Latvian banks submit to the Bank of Latvia reports on resident non-bank external payments four times a month, and resident non-banks report to the Bank of Latvia on incoming external payments via domestic banks and external payments made via foreign banks once a month.

Apart from statistics on resident non-bank external payments, the following sources are used in compiling the monthly balance of payments (key items): statistics on credit institution foreign assets and liabilities, compiled by the Bank of Latvia; Bank of Latvia statistics on foreign reserves; statistics on government external debt and foreign financial assistance, compiled by the Treasury; aggregated data on contracts concluded between natural persons (residents) and employers (non-residents) for working abroad; and other sources.

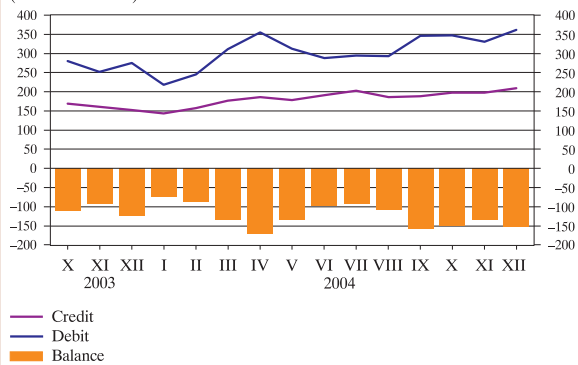
The monthly balance of payments (key items) is compiled within 30 working days after the end of the reporting month. The monthly balance of payments (key items) is revised when compiling the quarterly balance of payments, for which a wider range of data is available, including foreign trade statistics and aggregated data on persons entering and leaving the country, compiled from surveys by the CSB.

In some cases, electronic data processing technologies may have led to slight discrepancies between the total amount shown and the sum of the subitems.

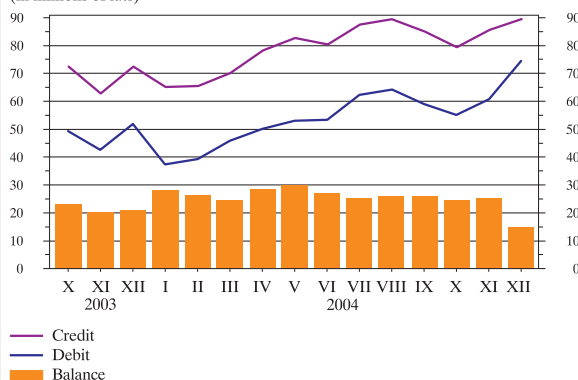
**CURRENT ACCOUNT**  
(net flows; in millions of lats)



**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 <sup>2</sup> |                 | Portfolio investment | Financial derivatives | Other investment | Reserve assets |       |        |                      |
| 2003 |                    |          |        |                   |                                |                 |                      |                       |                  |                |       |        |                      |
| X    | -51.6              | -110.4   | 23.2   | 3.1               | 32.5                           | 3.7             | 35.5                 | 21.5                  | -48.8            | -1.9           | -7.3  | 71.9   | 12.3                 |
| XI   | -44.7              | -91.2    | 20.4   | 3.1               | 23.0                           | 3.4             | 68.8                 | 11.2                  | 17.1             | 4.7            | 88.3  | -52.4  | -27.6                |
| XII  | -68.1              | -123.0   | 20.7   | 8.5               | 25.8                           | 6.0             | 64.1                 | 1.1                   | 53.0             | 0.1            | 16.3  | -6.5   | -2.1                 |
| 2004 |                    |          |        |                   |                                |                 |                      |                       |                  |                |       |        |                      |
| I    | -25.7              | -74.4    | 28.0   | -3.8              | 24.6                           | 3.4             | 35.2                 | 28.9                  | 22.3             | -6.0           | -15.0 | 5.1    | -13.0                |
| II   | -43.5              | -87.5    | 26.3   | -3.0              | 20.7                           | 6.7             | 51.1                 | 10.7                  | 13.8             | 0.5            | 6.1   | 20.1   | -14.3                |
| III  | -82.0              | -134.9   | 24.6   | -3.2              | 31.5                           | 3.8             | 82.8                 | 21.9                  | 13.3             | -2.2           | 55.8  | -6.0   | -4.6                 |
| IV   | -159.1             | -169.7   | 28.3   | -45.1             | 27.4                           | 3.3             | 103.8                | 55.4                  | 252.1            | -1.7           | 5.8   | -207.8 | 52.0                 |
| V    | -98.5              | -134.6   | 29.9   | -13.6             | 19.9                           | 9.3             | 46.5                 | 13.7                  | -143.1           | -3.6           | 36.7  | 142.8  | 42.6                 |
| VI   | -50.9              | -97.8    | 27.0   | -13.9             | 33.7                           | -0.1            | 74.5                 | 11.3                  | 3.3              | 1.4            | 68.9  | -10.3  | -23.5                |
| VII  | -37.8              | -91.0    | 25.4   | -15.0             | 42.9                           | 24.6            | 38.9                 | 22.5                  | -39.9            | 2.7            | 103.8 | -50.2  | -25.7                |
| VIII | -71.3              | -106.9   | 25.9   | -17.2             | 26.9                           | 10.1            | 57.4                 | 25.8                  | -54.4            | 3.9            | 106.9 | -24.8  | 3.8                  |
| IX   | -123.7             | -156.3   | 26.0   | -14.7             | 21.4                           | 3.4             | 97.1                 | 20.5                  | -18.2            | -4.6           | 102.3 | -2.9   | 23.2                 |
| X    | -85.4              | -150.7   | 24.4   | 6.3               | 34.6                           | 23.6            | 52.5                 | 50.7                  | -12.2            | -7.2           | 94.0  | -72.8  | 9.3                  |
| XI   | -58.9              | -132.7   | 25.1   | 8.2               | 40.7                           | -0.2            | 81.0                 | 16.5                  | -8.7             | -0.5           | 61.4  | 12.1   | -21.9                |
| XII  | -73.3              | -152.3   | 14.9   | 5.7               | 58.4                           | 5.6             | 101.5                | 21.2                  | 100.6            | -8.0           | 7.8   | -20.2  | -33.8                |

## 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 |                 |       |
| 2003 |                 |       |                    |       |          |       |        |       |                   |       |                 |       |
| X    | 318.2           | 369.8 | 170.8              | 281.2 | 72.5     | 49.3  | 19.5   | 16.3  | 55.4              | 22.9  | 3.8             | 0.1   |
| XI   | 284.7           | 329.3 | 162.3              | 253.5 | 62.9     | 42.5  | 17.4   | 14.3  | 42.1              | 19.1  | 3.6             | 0.1   |
| XII  | 307.2           | 375.3 | 153.8              | 276.8 | 72.5     | 51.8  | 18.2   | 9.7   | 62.7              | 36.9  | 6.1             | 0.1   |
| 2004 |                 |       |                    |       |          |       |        |       |                   |       |                 |       |
| I    | 271.1           | 296.7 | 144.8              | 219.2 | 65.3     | 37.4  | 18.0   | 21.8  | 43.0              | 18.5  | 3.6             | 0.1   |
| II   | 281.4           | 324.8 | 158.7              | 246.2 | 65.6     | 39.3  | 17.6   | 20.6  | 39.4              | 18.7  | 6.8             | 0.1   |
| III  | 327.8           | 409.8 | 178.1              | 313.0 | 70.3     | 45.8  | 18.7   | 22.0  | 60.6              | 29.1  | 4.0             | 0.2   |
| IV   | 337.8           | 497.0 | 186.9              | 356.6 | 78.4     | 50.1  | 19.2   | 64.3  | 53.4              | 26.0  | 3.4             | 0.1   |
| V    | 321.9           | 420.4 | 179.4              | 314.0 | 82.9     | 53.0  | 18.9   | 32.5  | 40.8              | 20.9  | 9.4             | 0.1   |
| VI   | 346.4           | 397.3 | 192.1              | 289.8 | 80.5     | 53.5  | 19.3   | 33.1  | 54.5              | 20.8  | 1.0             | 1.1   |
| VII  | 378.2           | 416.0 | 204.6              | 295.5 | 87.7     | 62.3  | 21.0   | 36.0  | 65.0              | 22.1  | 24.9            | 0.3   |
| VIII | 347.1           | 418.4 | 187.2              | 294.2 | 90.2     | 64.3  | 23.5   | 40.6  | 46.2              | 19.4  | 10.1            | 0.1   |
| IX   | 342.6           | 466.2 | 190.4              | 346.7 | 85.1     | 59.1  | 24.3   | 39.0  | 42.8              | 21.4  | 3.8             | 0.4   |
| X    | 363.2           | 448.6 | 198.4              | 349.1 | 79.5     | 55.1  | 26.6   | 20.3  | 58.7              | 24.1  | 23.7            | 0.1   |
| XI   | 377.2           | 436.0 | 198.7              | 331.4 | 85.8     | 60.8  | 28.5   | 20.3  | 64.2              | 23.6  | 0.3             | 0.5   |
| XII  | 438.0           | 511.4 | 210.1              | 362.4 | 89.5     | 74.5  | 30.8   | 25.1  | 107.6             | 49.3  | 6.2             | 0.6   |

<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.

<sup>2</sup> As of year 2004, equity capital data of direct investment in Latvia are reported possibly closer to the market value. In assessing the value of listed enterprises, the Riga Stock Exchange data are used, while the value of non-listed enterprises is obtained using the equity capital method (own funds at book value) recommended by the European Central Bank.

## 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 |
| 2003 |        |       |                           |       |                   |       |                      |       |                  |       |        |       |
| X    | 19.5   | 16.3  | 8.9                       | 0.2   | 10.6              | 16.1  | 0                    | 6.3   | 7.6              | 3.9   | 2.9    | 5.8   |
| XI   | 17.4   | 14.3  | 8.8                       | 0.3   | 8.6               | 14.0  | 0                    | 5.0   | 5.7              | 3.4   | 2.8    | 5.7   |
| XII  | 18.2   | 9.7   | 9.1                       | 0.2   | 9.0               | 9.5   | 0                    | 0.4   | 5.8              | 3.1   | 3.2    | 6.0   |
| 2004 |        |       |                           |       |                   |       |                      |       |                  |       |        |       |
| I    | 18.0   | 21.8  | 9.0                       | 0.3   | 9.0               | 21.5  | 0.2                  | 14.7  | 5.9              | 2.7   | 2.9    | 4.1   |
| II   | 17.6   | 20.6  | 8.9                       | 0.3   | 8.7               | 20.3  | 0.2                  | 14.0  | 5.5              | 2.5   | 3.0    | 3.9   |
| III  | 18.7   | 22.0  | 9.2                       | 0.3   | 9.5               | 21.7  | 0.2                  | 15.1  | 5.6              | 2.5   | 3.7    | 4.1   |
| IV   | 19.2   | 64.3  | 9.2                       | 0.4   | 10.0              | 63.9  | 0.2                  | 54.8  | 5.8              | 4.0   | 4.1    | 5.1   |
| V    | 18.9   | 32.5  | 9.1                       | 0.4   | 9.8               | 32.1  | 0.2                  | 23.3  | 5.4              | 4.0   | 4.2    | 4.7   |
| VI   | 19.3   | 33.1  | 9.0                       | 0.4   | 10.2              | 32.7  | 0.2                  | 25.6  | 6.0              | 2.9   | 4.1    | 4.2   |
| VII  | 21.0   | 36.0  | 9.2                       | 0.4   | 11.8              | 35.6  | 0.2                  | 25.6  | 7.1              | 4.3   | 4.6    | 5.7   |
| VIII | 23.5   | 40.6  | 9.1                       | 0.4   | 14.3              | 40.2  | 0.1                  | 26.6  | 9.4              | 7.6   | 4.9    | 6.0   |
| IX   | 24.3   | 39.0  | 9.3                       | 0.4   | 15.0              | 38.6  | 0                    | 24.7  | 9.9              | 7.7   | 5.1    | 6.2   |
| X    | 26.6   | 20.3  | 12.0                      | 0.4   | 14.6              | 19.8  | 0.1                  | 7.1   | 8.7              | 5.5   | 5.8    | 7.3   |
| XI   | 28.5   | 20.3  | 13.4                      | 0.4   | 15.0              | 19.9  | 0.1                  | 6.4   | 8.7              | 6.2   | 6.3    | 7.2   |
| XII  | 30.8   | 25.1  | 13.5                      | 0.4   | 17.4              | 24.7  | 0.1                  | 8.3   | 10.7             | 9.5   | 6.6    | 6.8   |

## FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

|      | Direct investment |      |                |           |                     |                        |               |           |
|------|-------------------|------|----------------|-----------|---------------------|------------------------|---------------|-----------|
|      |                   |      | Equity capital |           | Reinvested earnings |                        | Other capital |           |
|      |                   |      | Abroad         | In Latvia | Abroad              | In Latvia <sup>2</sup> | Abroad        | In Latvia |
| 2003 |                   |      |                |           |                     |                        |               |           |
| X    | -1.1              | 22.6 | -0.9           | 11.2      | 0                   | 1.3                    | -0.1          | 10.1      |
| XI   | -2.0              | 13.1 | -1.8           | 11.9      | 0                   | 0                      | -0.1          | 1.3       |
| XII  | -1.7              | 2.9  | -1.6           | 7.3       | 0                   | -4.6                   | -0.1          | 0.1       |
| 2004 |                   |      |                |           |                     |                        |               |           |
| I    | -2.4              | 31.3 | -2.0           | 2.5       | -0.2                | 11.8                   | -0.3          | 16.9      |
| II   | -11.0             | 21.7 | -10.5          | 3.0       | -0.2                | 11.1                   | -0.3          | 7.6       |
| III  | -3.2              | 25.1 | -2.7           | 3.3       | -0.2                | 12.2                   | -0.3          | 9.6       |
| IV   | -7.0              | 62.3 | -3.1           | 46.9      | 0                   | 12.7                   | -3.9          | 2.7       |
| V    | -6.7              | 20.4 | -2.9           | -0.3      | 0                   | 13.3                   | -3.8          | 7.4       |
| VI   | -7.3              | 18.6 | -3.5           | 0.2       | 0                   | 15.6                   | -3.8          | 2.8       |
| VII  | -2.3              | 24.8 | 0.3            | 7.5       | -0.1                | 11.9                   | -2.5          | 5.4       |
| VIII | -3.5              | 29.3 | -0.9           | 6.8       | 0                   | 12.9                   | -2.5          | 9.6       |
| IX   | -3.8              | 24.3 | -1.3           | 7.5       | 0                   | 11.0                   | -2.5          | 5.8       |
| X    | -3.6              | 54.3 | -3.4           | 41.2      | -0.1                | 5.2                    | -0.2          | 7.9       |
| XI   | -0.9              | 17.4 | -0.5           | 6.0       | -0.1                | 4.7                    | -0.3          | 6.7       |
| XII  | -5.2              | 26.4 | -2.4           | 12.0      | -0.1                | 6.4                    | -2.7          | 8.1       |

<sup>1</sup> As of year 2004, equity capital data of direct investment in Latvia are reported possibly closer to the market value. In assessing the value of listed enterprises, the Riga Stock Exchange data are used, while the value of non-listed enterprises is obtained using the equity capital method (own funds at book value) recommended by the European Central Bank.

## 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 |      |                       |             |
|      |                      |        |             |      |                   |       |                 |        |                          |      |                       |             |
| 2003 |                      |        |             |      |                   |       |                 |        |                          |      |                       |             |
| X    | -54.9                | 6.1    | -2.8        | 1.2  | -52.1             | -53.1 | 1.0             | 4.9    | 4.9                      | 0    | -1.0                  | -0.9        |
| XI   | 23.2                 | -6.0   | -0.6        | 1.5  | 23.7              | 23.4  | 0.4             | -7.5   | -7.5                     | 0    | 4.3                   | 0.4         |
| XII  | 41.2                 | 11.9   | 5.4         | 10.3 | 35.8              | 35.5  | 0.3             | 1.6    | 1.6                      | 0    | -3.4                  | 3.5         |
| 2004 |                      |        |             |      |                   |       |                 |        |                          |      |                       |             |
| I    | 17.4                 | 5.0    | -1.3        | 3.8  | 18.7              | 18.5  | 0.1             | 1.2    | 0.9                      | 0.3  | -0.4                  | -5.6        |
| II   | 13.2                 | 0.6    | -0.9        | 3.5  | 14.2              | 13.7  | 0.5             | -2.9   | -2.9                     | 0.1  | -1.5                  | 2.0         |
| III  | 5.0                  | 8.3    | 1.0         | 7.2  | 4.0               | 4.2   | -0.1            | 1.1    | 1.1                      | 0    | 1.4                   | -3.6        |
| IV   | -3.0                 | 255.1  | -4.9        | 2.5  | 1.9               | 4.0   | -2.1            | 252.6  | 252.8                    | -0.2 | -8.7                  | 7.0         |
| V    | -21.5                | -121.6 | 5.9         | 0.3  | -27.4             | 3.2   | -30.6           | -121.8 | -121.7                   | -0.2 | 2.2                   | -5.8        |
| VI   | 6.4                  | -3.1   | -1.1        | -4.7 | 7.5               | 11.1  | -3.6            | 1.6    | 1.6                      | 0    | 5.2                   | -3.9        |
| VII  | -40.1                | 0.2    | -0.2        | -1.4 | -39.9             | -41.9 | 2.0             | 1.6    | 1.6                      | 0    | -0.4                  | 3.1         |
| VIII | -44.1                | -10.3  | -0.8        | 0.4  | -43.3             | -43.3 | 0.1             | -10.7  | -10.7                    | 0    | 3.4                   | 0.5         |
| IX   | -21.4                | 3.2    | -0.8        | 1.4  | -20.6             | -20.6 | 0               | 1.8    | 1.8                      | 0    | -1.6                  | -3.0        |
| X    | -11.1                | -1.1   | -3.8        | -3.1 | -7.2              | -7.1  | -0.1            | 2.0    | 1.9                      | 0    | -7.5                  | 0.3         |
| XI   | -5.7                 | -2.9   | -3.3        | 0.3  | -2.4              | -29.1 | 26.8            | -3.3   | -3.3                     | 0    | -6.2                  | 5.8         |
| XII  | 91.4                 | 9.2    | -4.4        | 4.0  | 95.8              | 99.0  | -3.2            | 5.2    | 4.4                      | 0.8  | -4.4                  | -3.6        |

## 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   |  |
|      |                  |       |             |       |                      |       |                    |       |        |      |               |  |
| 2003 |                  |       |             |       |                      |       |                    |       |        |      |               |  |
| X    | 23.3             | -30.6 | 0           | -0.1  | 0                    | -2.0  | 19.7               | -34.3 | 3.5    | 5.8  |               |  |
| XI   | -128.3           | 216.6 | 0.1         | 0.2   | 0.1                  | 0.3   | -128.1             | 210.3 | -0.3   | 5.8  |               |  |
| XII  | -44.1            | 60.4  | 0.1         | -1.7  | 0.7                  | -22.2 | -43.6              | 80.9  | -1.3   | 3.4  |               |  |
| 2004 |                  |       |             |       |                      |       |                    |       |        |      |               |  |
| I    | -96.3            | 81.3  | 0           | -1.5  | 0                    | 0.9   | -86.7              | 78.9  | -9.6   | 3.0  |               |  |
| II   | -3.8             | 9.9   | 0           | -0.3  | 0.2                  | -0.5  | 6.9                | 7.7   | -10.9  | 2.9  |               |  |
| III  | -125.5           | 181.3 | 0           | 0.1   | 0                    | -0.4  | -115.5             | 177.7 | -10.0  | 3.8  |               |  |
| IV   | -9.1             | 14.9  | -0.2        | -0.1  | 0                    | -1.9  | -9.4               | -10.2 | 0.5    | 27.2 |               |  |
| V    | -107.2           | 143.9 | -0.6        | 5.3   | -0.1                 | -0.7  | -107.1             | 113.2 | 0.6    | 26.1 |               |  |
| VI   | 19.6             | 49.3  | 0.1         | 3.4   | 0.1                  | -0.3  | 18.1               | 15.2  | 1.4    | 31.0 |               |  |
| VII  | -143.0           | 246.8 | -0.2        | 3.0   | 0.1                  | 1.8   | -136.6             | 224.4 | -6.4   | 17.7 |               |  |
| VIII | -25.6            | 132.5 | 0           | -10.3 | 0.1                  | 0.5   | -19.7              | 122.2 | -6.0   | 20.1 |               |  |
| IX   | -227.2           | 329.5 | 0.2         | 4.3   | 0                    | -1.5  | -220.1             | 306.9 | -7.3   | 19.8 |               |  |
| X    | 46.3             | 47.7  | 0           | 7.0   | 0.1                  | -1.8  | 47.6               | 40.2  | -1.4   | 2.2  |               |  |
| XI   | -96.4            | 157.9 | -0.1        | -1.9  | -0.1                 | -0.7  | -94.8              | 152.3 | -1.5   | 8.1  |               |  |
| XII  | -158.0           | 165.8 | -0.1        | 11.6  | 0.4                  | 2.8   | -145.3             | 139.4 | -13.0  | 12.0 |               |  |

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)).