

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

2 • 2003  
MONTHLY BULLETIN

In February, the turnover of all current account transactions of Latvia's balance of payments increased significantly year-on-year. A rise in exports of goods (21.4 million lats or 18.9%) testified to Latvia's competitiveness on the external market. Exports of current transfers reported significant growth (11.2 million lats). The growing domestic demand and expanding exports resulted in a more rapid pickup in imports of goods (40.5 million lats or 24.6%). The current account deficit rose to 22.0 million lats.

The services surplus decreased by 2.9 million lats year-on-year. Exports of services increased by 3.8 million lats due to growth in exports of travel services and other services, while a rise in imports of services was observed across all services groups.

With Russia having cut off crude oil exports by pipeline to the port of Ventspils, services related to oil transit and handling, rendered to non-residents, reported a decline. However, since crude oil was transported by rail, and exports of freight transportation services by rail as well as by sea showed an upward trend, exports of transportation services decreased only by 0.6 million lats year-on-year. Imports of transportation services grew by 1.6 million lats, owing to increasing imports of freight transportation services by road and by sea.

Exports of travel services increased by 2.2 million lats year-on-year. Nevertheless, the travel services deficit rose by 1.0 million lats, as the spending of Latvian travellers abroad recorded a higher growth than that of non-residents in Latvia.

Exports of other services recorded the highest growth in communications, financial and advertising services sectors. A year-on-year increase in other services to non-residents amounted to 2.3 million lats. With an expansion of imports of other services (legal services and consulting in business, management and public relations), the surplus of other services rose by 0.3 million lats.

Income surplus recorded a year-on-year increase of 1.3 million lats due to growing income from residents' foreign investment (income from securities) and the remuneration of residents employed abroad. Proceeds from non-residents' direct investment and portfolio investment grew as well; however, due to a decline in income from other investments, non-residents' total income increased by 0.5 million lats only.

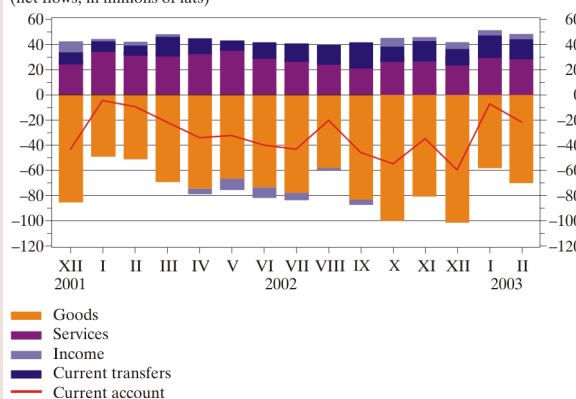
The current transfers surplus encountered the highest growth in comparison with other items of the current account. With an increase in current transfers received, the current transfers surplus rose by 8.0 million lats year-on-year.

The capital and financial account posted a surplus of 23.4 million lats.

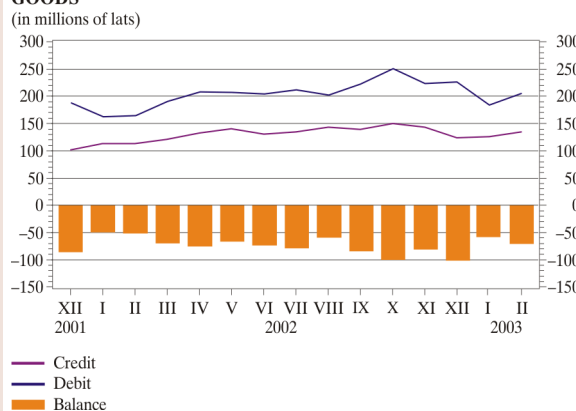
The net inflow of direct investment accounted for 6.2 million lats. Foreign direct investment in Latvia amounted to 8.2 million lats, mostly owing to investment made in companies' equity and reinvested earnings.

Portfolio investment reported a net outflow, resulting from

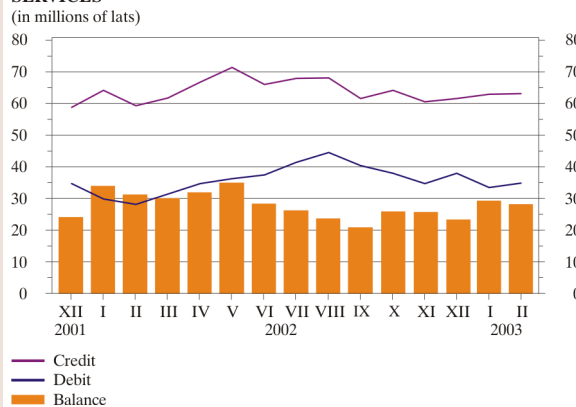
CURRENT ACCOUNT  
(net flows; in millions of lats)



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													
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 <sup>2</sup>													
I	-4.7	-49.1	34.1	1.9	8.4	1.4	12.8	17.4	4.4	-2.7	-6.7	0.4	-9.5
II	-9.4	-51.3	31.1	3.0	7.9	0.7	5.7	21.6	-11.2	1.2	-19.1	13.2	2.9
III	-21.8	-69.7	30.2	1.7	16.0	1.5	27.2	29.6	-23.9	1.1	25.4	-5.1	-6.9
IV	-34.3	-74.8	32.0	-4.4	12.9	0.9	30.8	17.9	-54.7	-0.7	56.4	11.9	2.6
V	-32.6	-66.9	35.1	-8.9	8.1	1.0	64.3	26.4	-32.8	6.8	54.4	9.5	-32.6
VI	-40.3	-73.7	28.4	-8.4	13.4	0.6	-3.2	37.0	23.1	-1.1	-73.2	11.0	42.9
VII	-43.3	-78.0	26.4	-6.0	14.3	1.0	55.9	20.4	-5.5	-3.0	32.6	11.4	-13.6
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	-55.2	-100.4	26.0	6.7	12.5	0.9	61.4	9.1	-31.5	-2.8	41.7	44.9	-7.2
XI	-35.1	-80.9	25.8	3.0	16.9	1.0	41.9	10.4	22.6	-0.7	-8.4	17.9	-7.8
XII	-59.9	-101.7	23.5	5.3	12.9	0.6	64.8	10.2	-19.4	4.8	129.7	-60.5	-5.5
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
II	-22.0	-70.4	28.2	4.3	15.9	0.7	22.7	6.2	-36.5	-1.7	83.4	-28.7	-1.4

## 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		
2001												
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 <sup>2</sup>												
I	211.5	216.3	113.3	162.4	64.1	30.0	14.5	12.6	19.6	11.3	1.6	0.2
II	205.5	214.9	113.5	164.8	59.4	28.3	14.0	11.0	18.7	10.8	0.9	0.2
III	224.0	245.8	121.4	191.1	61.7	31.5	14.7	13.0	26.2	10.2	1.9	0.4
IV	239.1	273.4	132.9	207.7	66.8	34.7	14.1	18.6	25.3	12.4	1.2	0.3
V	246.5	279.1	140.3	207.2	71.4	36.3	14.0	22.9	20.7	12.7	1.2	0.2
VI	235.9	276.3	130.5	204.3	66.0	37.6	14.3	22.7	25.1	11.7	1.0	0.4
VII	243.2	286.6	134.5	212.5	67.9	41.5	14.0	20.0	26.9	12.6	1.9	0.9
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	264.1	319.3	150.6	251.0	64.1	38.1	15.4	8.7	34.0	21.5	1.2	0.2
XI	252.2	287.4	143.1	224.0	60.5	34.7	15.3	12.4	33.2	16.3	1.2	0.1
XII	238.1	298.0	124.5	226.2	61.6	38.1	19.4	14.0	32.6	19.7	1.2	0.6
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
II	243.9	265.9	134.9	205.3	63.2	35.0	15.8	11.5	29.9	14.1	0.9	0.2

residents' (mostly banks') investment in foreign debt securities of various maturities. Assets of residents' portfolio investment increased by 36.1 million lats.

A net inflow of 83.4 million lats was observed in other investment. As non-residents' deposits with banks declined, liabilities under other investment decreased by 79.3 million lats. Banks reduced their demand deposits with foreign credit institutions and time deposits (loans) by 100.3 million lats and 69.7 million lats, respectively. Assets of other investment shrank by 162.6 million lats.

<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> Data have been revised.

## 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												
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 <sup>1</sup>												
I	14.5	12.6	6.8	0.2	7.7	12.4	0.1	5.0	4.1	1.2	3.4	6.2
II	14.0	11.0	6.8	0.2	7.2	10.8	0.1	4.4	3.8	1.2	3.2	5.2
III	14.7	13.0	6.7	0.2	8.0	12.8	0.1	5.4	4.3	1.3	3.5	6.2
IV	14.1	18.6	6.8	0.2	7.3	18.3	0	11.1	4.0	1.2	3.3	6.1
V	14.0	22.9	7.0	0.2	7.0	22.6	0	16.3	3.9	1.2	3.0	5.2
VI	14.3	22.7	6.9	0.2	7.4	22.5	0	15.2	3.8	1.3	3.6	6.0
VII	14.0	20.0	6.9	0.2	7.0	19.8	0	14.6	4.3	1.2	2.7	4.0
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	15.4	8.7	7.2	0.2	8.1	8.4	0	1.2	4.4	1.2	3.7	6.0
XI	15.3	12.4	7.3	0.2	8.1	12.1	0	5.2	5.0	1.4	3.1	5.5
XII	19.4	14.0	7.4	0.3	11.9	13.8	0	3.2	8.5	4.4	3.3	6.2
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
II	15.8	11.5	7.4	0.2	8.4	11.3	0.2	5.2	5.7	2.5	2.5	3.5

## 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
2001								
XII	-0.2	-86.0	-0.7	20.1	0.1	-3.1	0.4	-103.0
2002 <sup>1</sup>								
I	0.2	17.3	-0.1	16.1	0	3.8	0.3	-2.6
II	0.1	21.6	-0.2	20.0	0	3.2	0.3	-1.6
III	0.1	29.5	-0.1	27.4	0	4.1	0.2	-2.0
IV	-0.7	18.6	-1.1	6.6	0	6.9	0.3	5.1
V	-0.9	27.3	-1.2	12.9	0	7.9	0.3	6.4
VI	-1.2	38.2	-1.5	22.1	0	8.9	0.3	7.2
VII	-0.4	20.9	-0.8	7.7	0	8.5	0.3	4.6
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	-0.9	10.0	-0.2	8.5	0.1	-0.1	-0.7	1.7
XI	-0.5	10.9	0.3	9.2	0.1	0.8	-0.8	0.9
XII	-1.9	12.0	-1.0	10.3	0.1	1.4	-0.9	0.3
2003								
I	-1.8	19.2	-1.5	8.2	-0.2	5.6	-0.2	5.4
II	-2.0	8.2	-1.7	3.4	-0.2	4.7	0	0

With banks increasing their demand for the national currency and the Bank of Latvia purchasing foreign currency and entering into currency swap agreements, reserve assets grew by 28.7 million lats in February.

<sup>1</sup> Data have been revised.

## 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												
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 <sup>1</sup>												
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	-31.8	0.4	11.1	0.2	-43.0	-41.8	-1.1	0.2	0.2	0	-0.5	-2.3
XI	21.8	0.8	1.2	-0.2	20.7	20.4	0.3	0.9	0.9	0	0.1	-0.8
XII	-17.9	-1.5	-2.8	-0.1	-15.1	-16.4	1.3	-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
	-36.1	-0.3	0	0.7	-36.2	-23.4	-12.8	-1.0	-1.0	0	0.7	-2.4

## 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												
XII	67.6	38.6	-0.1	-1.2	0.2	-0.1	63.6	8.0	3.9	32.0		
2002 <sup>1</sup>												
I	-71.7	65.0	0.1	10.8	0.5	0.2	-52.9	53.3	-19.4	0.7		
II	12.8	-31.8	0	-12.6	0	0.7	15.8	-17.8	-3.1	-2.2		
III	-53.0	78.4	-0.1	6.7	1.3	-1.9	-50.8	85.1	-3.4	-11.5		
IV	50.3	6.1	0	-6.7	2.0	-1.0	41.6	7.3	6.7	6.4		
V	32.7	21.7	0.1	0.1	0.1	0.2	27.7	24.9	4.8	-3.4		
VI	-100.7	27.5	0	1.0	-0.9	-0.4	-104.0	17.8	4.2	9.1		
VII	-20.4	53.0	0.2	-4.0	0.2	0	-16.3	52.6	-4.4	4.3		
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	-91.5	133.2	0	0.1	-0.2	0.3	-92.5	127.2	1.2	5.7		
XI	-5.8	-2.6	-0.1	-0.2	-0.1	0	-18.4	-9.0	12.9	6.6		
XII	-67.6	197.4	-0.1	-1.8	0.2	-0.1	-70.5	190.1	2.8	9.2		
2003												
I	-51.3	43.1	0.1	-1.3	-0.3	-7.2	-54.7	57.1	3.6	-5.5		
II	162.6	-79.3	0	0.3	-0.5	-0.3	170.5	-79.0	-7.4	-0.2		

<sup>1</sup> Data have been revised.

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)).