

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

3 • 2003
MONTHLY BULLETIN

According to preliminary data, the current account deficit of the balance of payments constituted approximately 5% of GDP in the first quarter of 2003.

In March, the surplus of services and current transfers (36.8 million lats and 20.7 million lats, respectively) increased both year-on-year and month-on-month. Exports and imports of goods grew 22.2% and 26.4% year-on-year, respectively, and the deficit of goods reached 93.3 million lats. Wood and articles of wood, base metals and articles of base metals, textiles and textile articles accounted for the growth in exports of goods, while mineral products, machinery and mechanical appliances, electrical equipment, and base metals and articles of base metals determined the growth in imports of goods. The deficit of the current account totalled 35.1 million lats in March.

An increase in the services surplus (6.6 million lats year-on-year) resulted from the growth in exports of transportation services.

In the first three months of 2003, with oil prices remaining high and the demand for oil transportation increasing on the global market, the surplus of freight transportation services by sea recorded a considerable pickup year-on-year. Export of Russian crude oil by pipeline to the port of Ventspils had not been resumed yet, therefore the surplus of both other transportation services by sea (services rendered by stevedore companies at ports) and transportation services by pipeline decreased. However, the volume of crude oil transported by rail increased and underlay the growth in exports of freight transportation services by rail. The surplus of freight transportation services by road also rose, and the pickup in the above types of transportation services exceeded the drop in the surplus of oil transit related services.

In March, travel services posted a deficit, which grew by 1.9 million lats year-on-year, owing to higher spending by residents abroad.

With the growth in imports of services exceeding that of exports of services, the surplus of other services decreased by 2.2 million lats year-on-year.

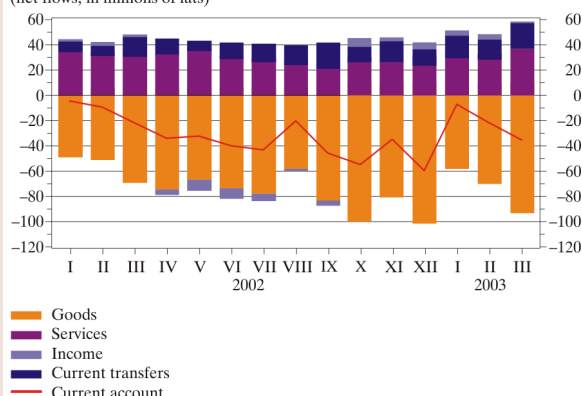
The level of income of residents abroad and that of non-residents in Latvia was approximately the same. The year-on-year decrease of 1.1 million lats in income surplus mostly resulted from higher income gained from direct investment by non-residents.

The current transfers surplus continued to grow, in March increasing by 4.7 million lats year-on-year. The most pronounced rise was reported in current transfers received in other sectors (mostly by private persons).

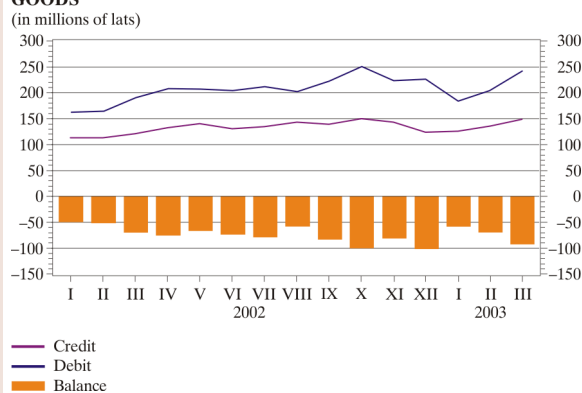
The capital and financial account posted a surplus of 11.6 million lats.

In March, the net inflow of direct investment (27.0 million lats) was quite high in comparison with January and February, and direct investment covered 76.9% of the current account deficit.

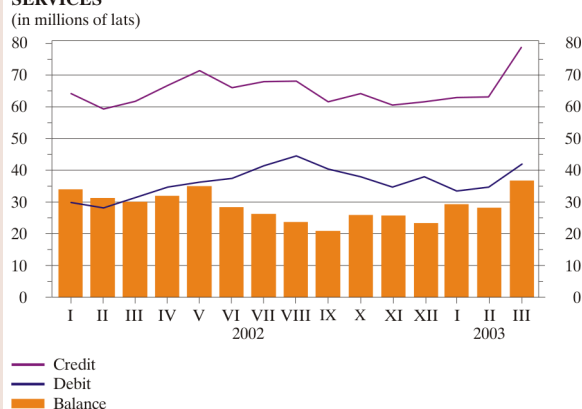
CURRENT ACCOUNT
(net flows; in millions of lats)



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			
2002													
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
III	-35.1	-93.3	36.8	0.6	20.7	0.4	11.2	27.0	25.3	-5.6	-106.3	70.7	23.5

CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
	Goods ¹		Services		Income		Current transfers		Credit	Debit		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit				
2002												
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
III	279.0	314.1	148.3	241.5	78.6	41.9	18.0	17.4	34.1	13.3	0.7	0.3

Both the investment made in companies' equity and reinvested earnings (16.3 million lats), as well as loans granted by direct investors (other capital of 10.7 million lats), accounted for the inflow of direct investment in Latvia.

With banks reducing their investment in debt securities by 26.8 million lats, in March, portfolio investment reported a net inflow of 25.3 million lats.

A net outflow of 106.3 million lats was observed in other investment, mostly owing to an increase in the assets of other investment in the banking sector. Borrowing from non-residents (time deposits) decreased by 33.5 million lats, whereas demand de-

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
2002												
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
III	18.0	17.4	7.7	0.2	10.3	17.2	0.4	7.7	6.7	2.8	3.2	6.7

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								
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
III	0	27.0	0.1	10.2	-0.2	6.1	0.1	10.7

posits attracted from them grew by 44.9 million lats (the amount of non-bank deposits expanded and that of demand deposits of credit institutions declined). A rise of 118.6 million lats was reported on the asset side in banks' other investment: loans, demand deposits with non-resident credit institutions and other assets increased by 46.1 million lats, 66.4 million lats and 6.1 million lats, respectively.

With the Bank of Latvia purchasing foreign currency in the amount of 12.9 million lats on the spot market and repaying matured currency swaps, reserve assets decreased by 70.7 million lats.

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	
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	-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		
II	-36.1	-0.3	0	0.7	-36.2	-23.4	-12.8	-1.0	-1.0	0	0.7	-2.4		
III	22.1	3.3	-3.9	1.0	25.9	14.3	11.6	2.2	2.2	0	-2.9	-2.7		

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										
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
III	-118.3	12.0	0	-0.6	0	-2.7	-118.6	16.4	0.3	-1.2

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).