

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

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MONTHLY BULLETIN

## PRINCIPLES FOR COMPILING THE MONTHLY BALANCE OF PAYMENTS (KEY ITEMS)

The balance of payments is a statistical statement summarizing the economic transactions of a country's residents with the rest of the world (non-residents) for a definite period of time (a month, a quarter, or a year).

Latvia's balance of payments is compiled in conformity with the guidelines of the IMF's 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 errors and omissions. The current account shows exports and imports of goods and services, income and expense (wages and salaries, dividends, interest payments), as well as current transfers, which are not intended for investment. The capital and financial account reflects received and paid capital transfers, which are intended for investment, as well as changes in foreign investment and debt for a definite period, and an increase or a decrease in reserve assets.

Beginning with the data for 2000, Latvia's balance of payments has been compiled and published by the Bank of Latvia. Previously, this was done by the Central Statistical Bu-

reau of Latvia (CSB), but as of 2000, the responsibility of compiling and publishing the balance of payments on the quarterly and annual basis was taken over by the Bank of Latvia. 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-banks' 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 external payments of resident non-banks, the following data sources are used in compiling the monthly balance of payments (key items): statistics on credit institutions' foreign assets and lia-

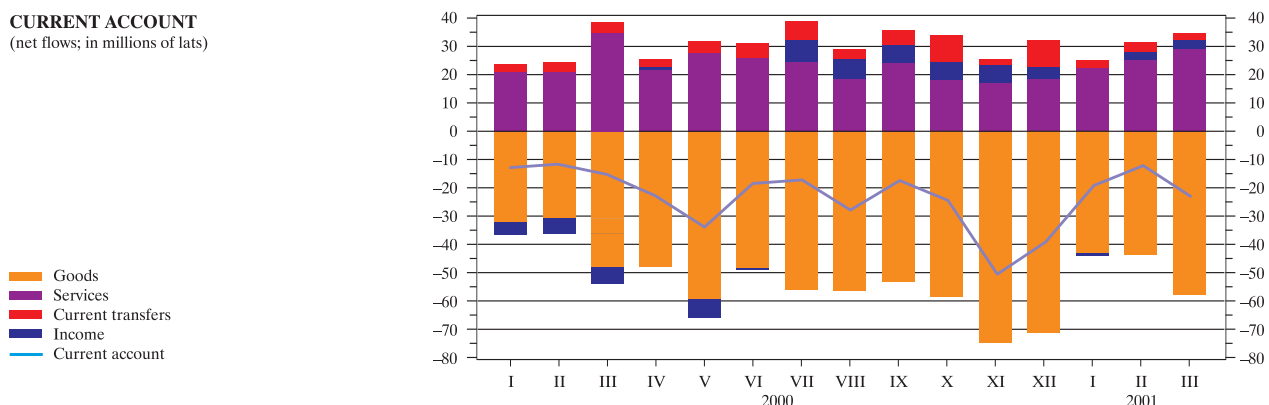
bilities, compiled by the Bank of Latvia; Bank of Latvia statistics on foreign reserves; statistics on government external debt and foreign financial assistance, compiled by the State Treasury; data submitted by enterprises rendering intermediary services in concluding contracts between natural persons (residents) and employers (non-residents) for working abroad; and other data 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 data from the reporting form No. 1-MB "Quarterly Report on Foreign Investment" and No. 3-MB "Quarterly Report on Transportation and Intermediary Services", and foreign trade statistics and aggregated data on persons entering and leaving the country, compiled 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.

In March, the deficit in the balance of payments current account increased compared with February (to 23.6 million lats). This was largely the result of a 14.1 million lats increase in the goods deficit. The services and income surpluses grew slightly. Imports of goods rose at a more rapid pace (by 10.7%) than exports of goods (by 2.7%), and the excess of imports over exports was 49.1% (44.3% in March 2000).

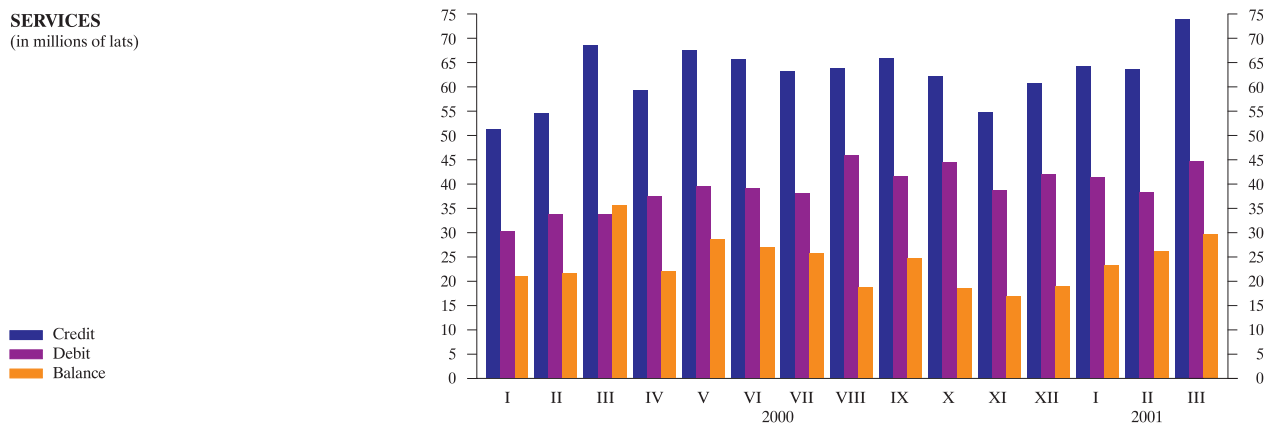
**CURRENT ACCOUNT**  
(net flows; in millions of lats)



The turnover of goods and services was considerably higher than in March 2000. With growth in imports exceeding that in exports, the current account deficit increased by 8.1 million lats.

The services surplus increased by 3.3 million lats compared with February (to 29.2 million lats), covering 50.0% of the goods deficit. Growth was observed for both services rendered to and received from non-residents. The surplus on transportation grew by 3.2 million lats. This was largely a result of increases in transportation services by sea and rail rendered to non-residents (cargoes loaded and unloaded at Latvian ports and transit by rail increased). With the onset of the holiday season, the travel deficit increased (by 3.5 million lats; to 6.9 million lats). The balance on other services increased by 3.7 million lats, turning positive (2.8 million lats), because merchandizing and related services rendered to non-residents grew markedly.

**SERVICES**  
(in millions of lats)



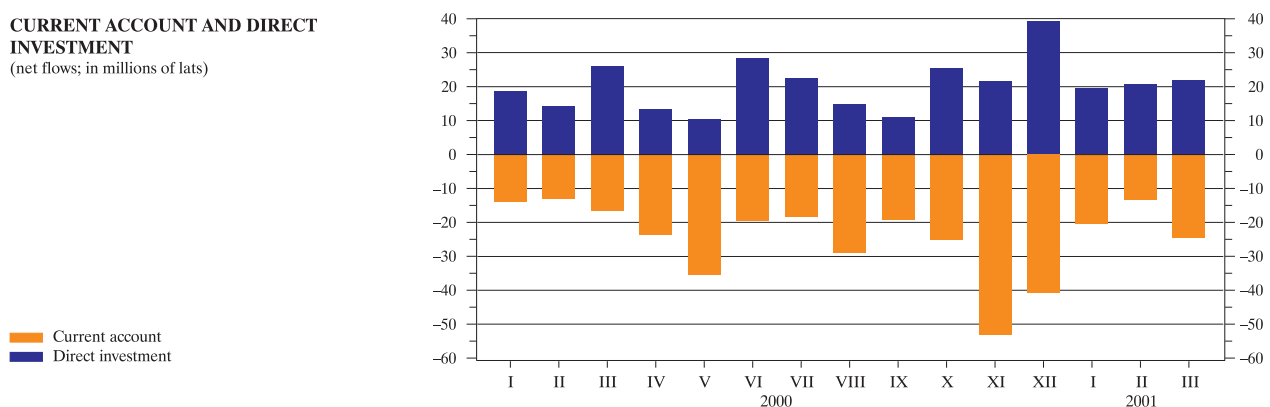
The income surplus increased by 0.9 million lats compared with February, as residents' income on foreign bonds and notes grew. The income surplus covered 5.7% of the goods deficit.

The current transfers surplus declined by 1.3 million lats (to 2.3 million lats), covering 3.9% of the goods deficit. This can largely be attributed to a decrease in current transfers received in the general government sector.

The surplus in the capital and financial account was 43.8 million lats, which covered the current account deficit.

The net inflow of direct investment reached 21.7 million lats, which covered 91.9% of the current account deficit. Non-residents' direct investment in Latvian enterprises totalled 23.3 million lats, including the 11.8 million lats investment in enterprises' other capital.

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



The net inflow of portfolio investment was 50.6 million lats. Latvian residents' investment in foreign securities declined. At the same time, non-residents' investment in Latvian bonds and notes increased by 26.5 million lats.

As residents' other investment abroad exceeded non-residents' other investment in Latvia, there was a net outflow of other investment (23.3 million lats). Changes could be observed mainly in the banking sector.

In March, foreign currency inflows in Latvia were larger than needed to cover the current account deficit. Reserve assets grew by 6.9 million lats; mainly as a result of currency swap arrangements.

## MONTHLY BALANCE OF PAYMENTS (KEY ITEMS)

(balance; in millions of lats)

	Current account					Capital account	Financial account					Errors and omissions
		Goods	Services	Income	Current transfers			Direct investment	Portfolio investment	Other investment	Reserve assets	
2000												
I	-13.1	-32.3	21.0	-4.7	2.7	1.1	13.8	17.9	-1.3	-12.9	10.1	-1.7
II	-12.0	-31.1	21.1	-5.7	3.6	0.6	27.0	13.8	-45.6	43.8	15.1	-15.7
III	-15.5	-48.3	34.9	-6.1	3.9	1.3	0.7	26.0	-13.2	26.3	-38.4	13.5
IV	-23.0	-48.5	21.9	0.5	3.1	1.7	13.3	13.1	28.6	-22.9	-5.5	8.1
V	-34.4	-60.0	27.9	-6.4	4.1	0.8	1.3	10.3	-26.6	-10.0	27.5	32.4
VI	-18.7	-49.3	26.4	-0.4	4.7	2.4	48.7	28.6	-0.3	30.7	-10.2	-32.4
VII	-17.6	-56.8	25.0	7.4	6.8	0.6	19.2	22.2	-3.1	37.6	-37.5	-2.2
VIII	-28.1	-57.2	18.2	7.6	3.4	1.6	14.1	14.5	-59.8	46.2	13.2	12.4
IX	-17.8	-53.7	24.1	6.7	5.0	0.7	24.9	10.4	31.6	-39.0	22.0	-7.8
X	-24.9	-59.1	18.1	6.4	9.7	0.6	35.8	25.3	-21.3	68.9	-37.2	-11.4
XI	-51.2	-75.9	16.5	6.4	1.9	0.1	25.5	21.1	-10.7	7.6	7.5	25.6
XII	-39.7	-71.9	18.6	4.1	9.4	1.3	66.1	39.1	-81.7	85.4	23.4	-27.7
2001												
I	-19.4	-43.2	22.6	-1.3	2.6	1.5	30.0	19.0	20.0	-31.5	22.4	-12.1
II	-12.3	-44.3	25.9	2.4	3.6	1.2	10.2	20.6	-68.8	81.4	-23.0	1.0
III	-23.6	-58.4	29.2	3.3	2.3	1.7	42.1	21.7	50.6	-23.3	-6.9	-20.3

## CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
			Goods		Services		Income		Current transfers			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2000												
I	151.0	164.2	86.0	118.3	51.3	30.2	6.9	11.5	6.8	4.1	1.3	0.3
II	171.0	183.0	101.2	132.2	54.3	33.3	7.0	12.7	8.5	4.8	0.9	0.2
III	197.0	212.5	109.1	157.4	68.5	33.6	9.3	15.4	10.1	6.1	1.3	0.1
IV	178.4	201.5	102.2	150.7	59.2	37.3	10.5	10.1	6.5	3.4	1.7	0.1
V	191.4	225.8	103.9	163.9	67.3	39.3	11.1	17.5	9.1	5.0	0.9	0.1
VI	194.7	213.4	110.1	159.4	65.2	38.8	10.7	11.1	8.7	4.0	2.5	0.1
VII	188.9	206.5	102.7	159.5	63.0	38.0	11.0	3.6	12.1	5.3	0.9	0.3
VIII	193.4	221.4	108.2	165.5	63.6	45.4	11.7	4.1	9.8	6.5	1.6	0
IX	188.7	206.5	100.3	153.9	65.3	41.2	11.3	4.6	11.9	6.8	0.9	0.2
X	201.4	226.3	111.4	170.5	62.2	44.2	13.7	7.3	14.0	4.3	1.8	1.1
XI	180.6	231.7	104.0	179.9	54.7	38.3	13.6	7.3	8.2	6.3	2.0	1.9
XII	200.7	240.4	109.3	181.2	60.4	41.8	14.2	10.1	16.8	7.3	2.4	1.1
2001												
I	188.1	207.5	103.9	147.1	63.9	41.3	12.9	14.2	7.4	4.8	2.7	1.2
II	201.1	213.4	115.8	160.1	63.7	37.8	13.1	10.6	8.6	4.9	1.9	0.8
III	217.6	241.2	118.9	177.3	73.8	44.5	15.6	12.3	9.4	7.1	2.0	0.2

## FINANCIAL ACCOUNT: DIRECT AND PORTFOLIO INVESTMENT

(net flows; in millions of lats)

	Direct investment		Portfolio investment											
	Abroad	In Latvia	Assets	Liabilities	Equity securities		Debt securities							
					Assets	Liabilities	Assets			Liabilities				
							Bonds and notes	Money market instruments	Financial derivatives	Bonds and notes	Money market instruments	Financial derivatives		
2000														
I	3.0	14.9	-3.3	2.0	-3.2	1.5	-0.1	-1.2	1.0	0.1	0.5	0.5	0	0
II	-1.1	14.9	-51.2	5.6	-1.5	0.2	-49.7	-45.2	-4.4	-0.1	5.4	5.4	0	0
III	-4.0	30.0	-16.4	3.2	1.6	2.2	-17.9	-33.3	15.3	0	0.9	0.9	0	0
IV	0.2	13.0	18.5	10.0	1.1	0.1	17.4	16.9	0.4	0	9.9	9.9	0	0
V	-1.2	11.5	-21.9	-4.6	-3.1	4.9	-18.8	-23.9	5.1	0.1	-9.5	-9.5	0	0
VI	-1.3	29.9	0.6	-1.0	0.9	-0.7	-0.3	-9.3	9.5	-0.4	-0.3	2.0	-2.3	0
VII	-0.8	23.0	-6.3	3.2	-2.3	1.4	-4.0	-6.2	1.6	0.6	1.8	2.4	-0.5	-0.1
VIII	-0.9	15.4	-57.1	-2.7	-9.7	-1.0	-47.4	-31.5	-15.7	-0.2	-1.7	-1.7	0.1	0
IX	-1.1	11.5	25.2	6.4	7.1	-3.6	18.1	4.3	13.8	0	10.0	10.6	-0.6	0
X	0.4	24.9	-16.1	-5.2	-1.9	-0.4	-14.2	-6.3	-7.9	0	-4.8	-4.8	0	0
XI	1.4	19.7	-18.0	7.3	-4.5	0.3	-13.4	-13.1	-1.6	1.3	7.0	7.0	0	0
XII	0.8	38.3	-63.7	-18.0	-9.1	-9.6	-54.7	-54.9	0.3	0	-8.4	-8.4	0	0
2001														
I	-0.2	19.2	2.9	17.1	8.0	-0.1	-5.0	-21.3	16.3	0	17.2	17.2	0	0
II	-0.7	21.3	-45.5	-23.3	-8.4	-0.1	-37.2	-39.0	1.8	0	-23.2	-23.2	0	0
III	-1.6	23.3	25.3	25.3	58.0	-1.2	-32.7	-10.2	-22.5	0	26.5	26.5	0	0

## FINANCIAL ACCOUNT: OTHER INVESTMENT

(net flows; in millions of lats)

	Other investment									
			Monetary authorities		General government		Banks		Other sectors	
			Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
2000										
I	34.2	-47.1	1.2	0.6	-0.8	1.2	34.5	-44.9	-0.7	-4.0
II	-10.6	54.4	-1.1	2.3	0.3	-0.7	-12.8	46.4	3.0	6.4
III	-74.3	100.6	13.2	-5.2	-0.2	-0.9	-86.8	99.4	-0.5	7.2
IV	-46.5	23.6	-0.9	-0.5	0.3	-0.1	-47.5	18.4	1.5	5.8
V	-68.5	58.4	-0.5	-0.2	0	0.3	-67.9	50.9	0	7.4
VI	27.5	3.2	2.8	-0.9	0.1	-0.8	23.7	-12.7	0.9	17.6
VII	66.7	-29.1	-0.6	-2.3	-0.3	0.3	67.8	-29.0	-0.2	1.9
VIII	-2.6	48.7	-1.8	0.5	-0.4	1.1	-2.7	45.3	2.3	1.9
IX	-100.2	61.1	3.2	-0.5	0.1	-7.6	-105.4	67.3	1.9	1.9
X	101.6	-32.7	-1.9	-0.2	0.2	1.8	105.7	-31.2	-2.3	-3.1
XI	-70.6	78.2	2.1	-0.7	0.4	0.7	-72.5	81.3	-0.6	-3.1
XII	-65.7	151.1	-2.2	3.9	0	0	-63.0	150.3	-0.6	-3.1
2001										
I	-72.2	40.7	0.4	-5.8	0.2	0.4	-69.5	45.3	-3.3	0.7
II	140.4	-58.9	2.4	-0.9	0.1	-0.4	153.9	-60.1	-16.0	2.3
III	-99.7	76.3	-0.5	1.3	-1.6	-0.4	-90.4	75.5	-7.1	-0.1

Latvia's balance of payments (key items) is first published at the Bank of Latvia's Internet site (<http://www.bank.lv>).