

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

4 • 2001
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.

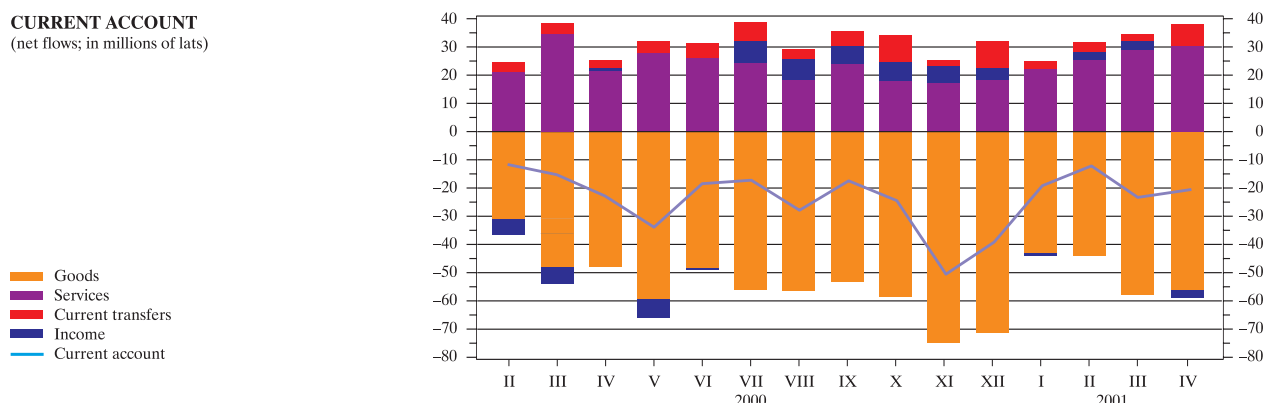
The monthly balance of payments (key items) is compiled within 30 working days after the end of the reporting month. The monthly balance of payments (key items) is revised when compiling the quarterly balance of payments, for which a wider range of data is available, including data from the reporting 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.

The current account deficit was 20.7 million lats in April. It decreased compared with both March 2001 (by 2.9 million lats) and April 2000 (by 2.3 million lats).

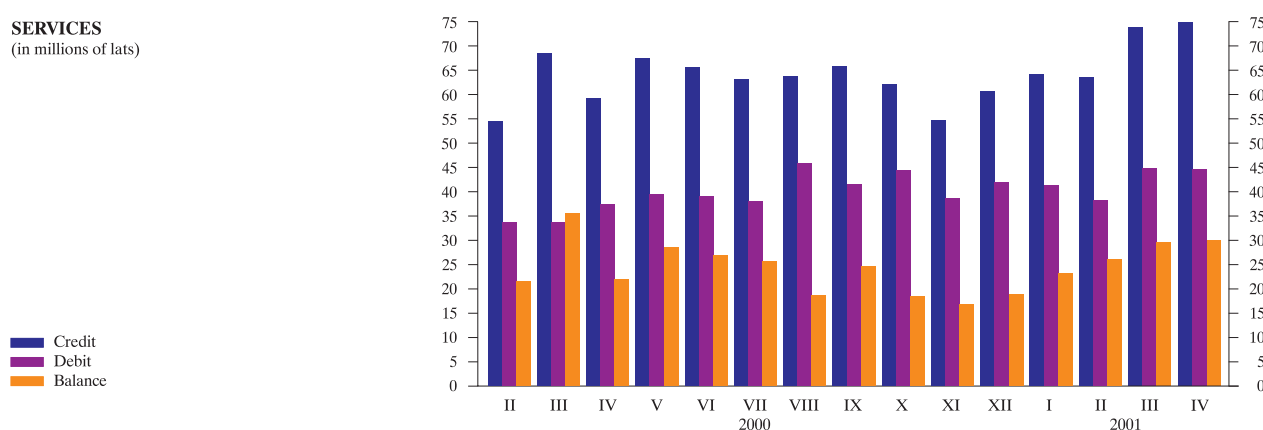
Exports of goods grew compared with April 2000 (by 10.3%), as did their imports (by 12.2%). As a result, the excess of imports over exports slightly increased (from 47.5% to 50.0%). Compared with March, imports and exports of goods declined, leading to a slight decrease in the goods deficit.

CURRENT ACCOUNT
(net flows; in millions of lats)



A month-on-month increase (1.2 million lats) was observed in the services surplus for the fourth consecutive month. The services surplus, which amounted to 30.4 million lats, covered 53.9% of the goods deficit. Growth was a result of the increase in services rendered. The most substantial growth was recorded for the transportation surplus, which, with transportation services rendered increasing and transportation services received decreasing, reached 37.2 million lats. The travel deficit continued to increase in April, to 7.2 million lats. Exports and imports of other services were recorded at approximately equal volumes.

SERVICES (in millions of lats)



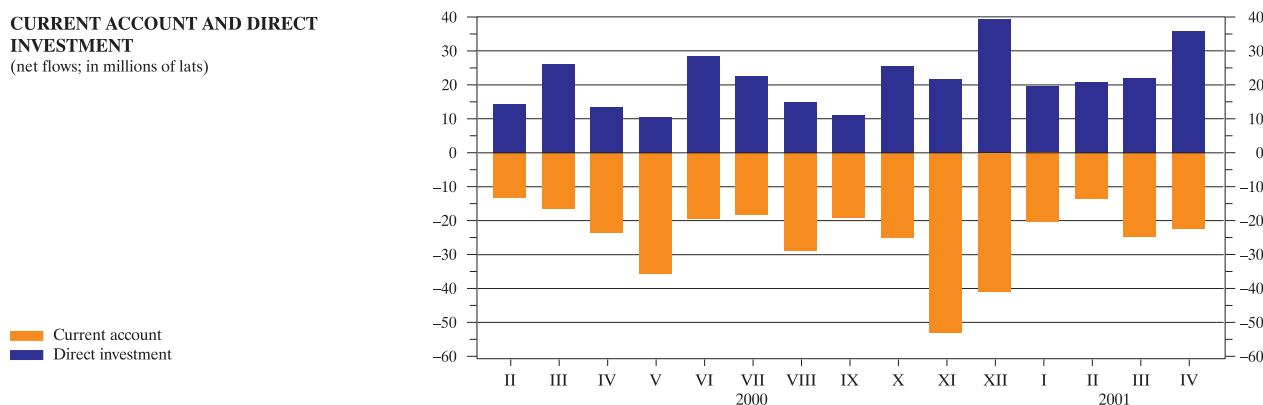
As enterprises released their financial results for 2000, it was possible to revise the scope of income from foreign direct investment. The income account ran in a deficit of 2.3 million lats.

In April, the current transfers surplus was 7.6 million lats, and covered 13.5% of the goods deficit. The 5.3 million lats increase in the current transfers surplus was mainly determined by current transfers received in the private sector.

The surplus in the capital and financial account totalled 13.4 million lats.

The net inflow of direct investment, which amounted to 35.9 million lats in April, covered the current account deficit. Non-residents' direct investment in Latvian enterprises was 36.7 million lats (a year-on-year increase of 2.8 times). Loans to affiliated enterprises accounted for 46.6% of total direct investment made in Latvia in April.

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



A net outflow of portfolio investment was reported (33.4 million lats). Latvian residents' investment in foreign securities increased (predominantly, banks' investment in equity securities and money market instruments). At the same time, non-residents' investment in Latvian government bonds and notes grew by 11.4 million lats.

The net inflow of other investment reached 17.7 million lats. Non-residents' deposits with Latvian banks increased (by 12.2 million lats), as did loans (by 13.3 million lats). Latvian banks' other investment abroad did not change much: currency and deposits with foreign credit institutions increased by 51.3 million lats, while short-term loans to non-residents decreased by 50.8 million lats. Other sectors' foreign assets declined by 4.1 million lats, as deposits and long-term loans decreased.

In April, foreign currency inflows were larger than was needed to cover the current account deficit, and reserve assets increased by 8.5 million lats.

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 | | | | | | | | | | | | |
| 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 |
| IV | -20.7 | -56.4 | 30.4 | -2.3 | 7.6 | 1.7 | 11.7 | 35.9 | -33.4 | 17.7 | -8.5 | 7.3 |

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 | | | | | | | | | | | | |
| 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 |
| IV | 216.6 | 237.3 | 112.7 | 169.1 | 74.8 | 44.4 | 15.1 | 17.4 | 13.9 | 6.3 | 1.9 | 0.3 |

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 | | | | | | Liabilities | | |
| | | | | | Assets | Liabilities | Assets | Bonds and notes | Money market instruments | Financial derivatives | Bonds and notes | Money market instruments | | | |
| 2000 | | | | | | | | | | | | | | | |
| 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 | |
| IV | -0.8 | 36.7 | -44.7 | 11.3 | -10.7 | 0 | -34.0 | 0.5 | -34.5 | 0 | 11.4 | 11.4 | 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 | | | | | | | | | | |
| 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 |
| IV | 5.6 | 12.2 | 0.8 | 3.9 | 0.7 | -0.4 | 0 | 9.1 | 4.1 | -0.5 |

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