

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

5 • 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 Bureau 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 once a month resident non-banks report to the Bank of Latvia on incoming external payments via domestic banks and external payments made via foreign banks if the amount of these payments, translated in lats according to the Bank of Latvia's exchange rates as on the day of the transaction, exceeds 1 000 lats.

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 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 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.

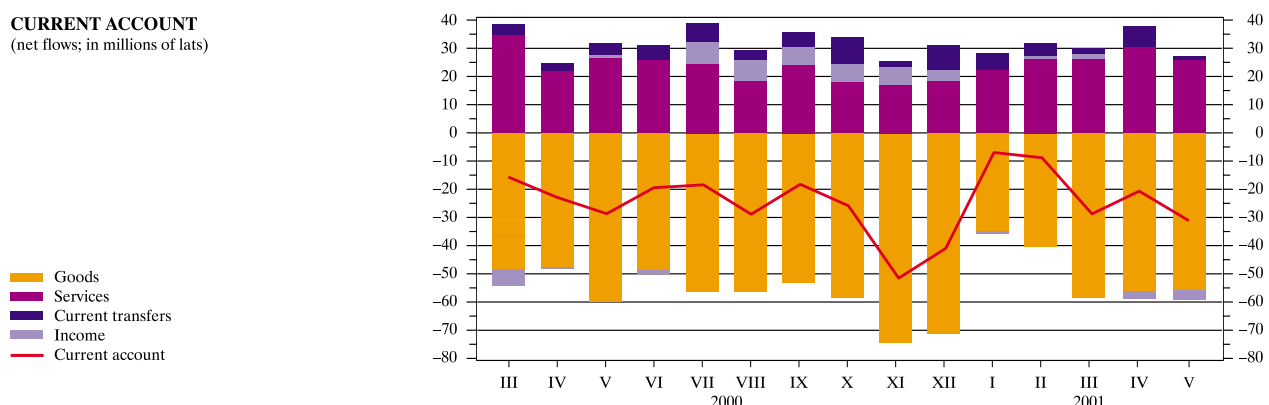
The monthly balance of payments (key items) is compiled within 30 working days after the end of the reporting month. The monthly balance of payments (key items) is revised when compiling the quarterly balance of payments, for which a wider range of data is available, including data from the reporting 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 in May increased to 31.3 million lats. This was caused by a decrease in the surplus recorded for services and current transfers (by 4.7 million lats and 6.1 million lats, respectively) compared with April.

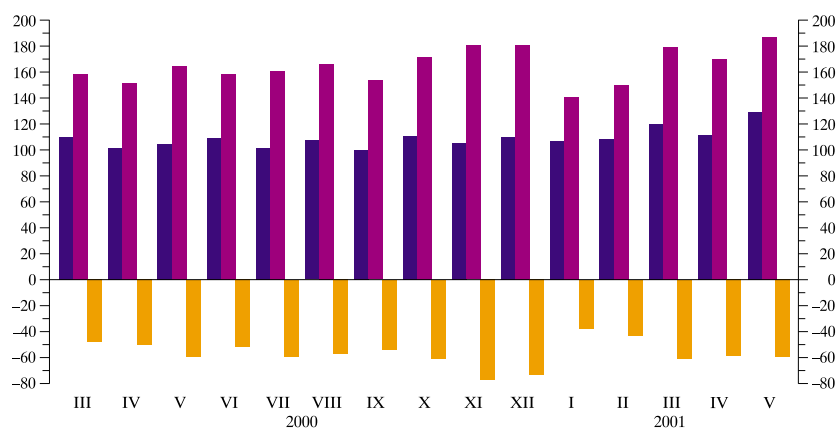
Exports of goods reached a record high in May (129.6 million lats). Imports of goods increased to 185.7 million lats. Both month-on-month and year-on-year, exports grew at a faster rate, thus imports exceeded exports by 43.3% (50.0% in April, 57.7% in May, 2000).

CURRENT ACCOUNT
(net flows; in millions of lats)



GOODS
(in millions of lats)

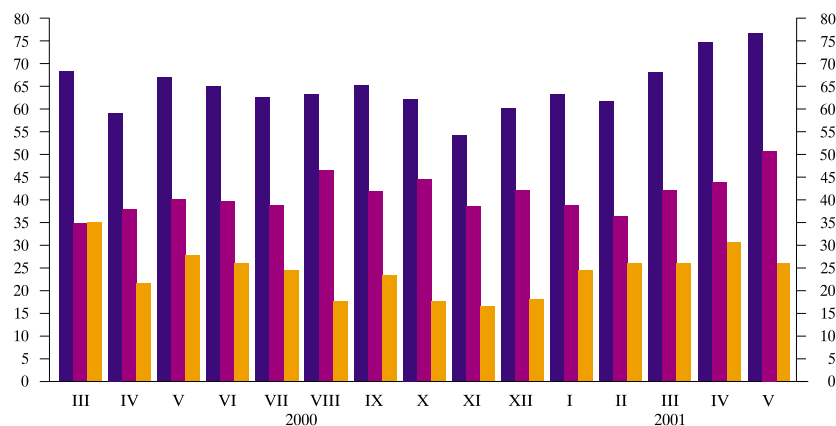
■ Credit
■ Debit
■ Balance



With a faster rate of growth recorded for services received, services surplus decreased to 25.7 million lats in May, covering 45.8% of the goods deficit. As revenue from freight transportation by sea diminished and imports of other kinds of transportation by sea were on the rise, transportation surplus decreased by 4.8 million lats (to 32.4 million lats). Residents' spending increased at a faster rate than non-residents' spending in Latvia and, as a result, the travel services deficit reached 8.0 million lats. Other services surplus increased to 1.2 million lats. The change was most pronounced in merchanting - export of this type of service grew by 2.7 million lats.

SERVICES
(in millions of lats)

■ Credit
■ Debit
■ Balance



Compared with April, income deficit remained almost unchanged. The income of residents employed abroad continued to rise, while income from residents' foreign investments decreased.

The current transfers surplus decreased to 1.5 million lats in May, covering 2.7% of the goods deficit. The decrease was attributed to a decrease in current transfers received in the private sector.

The surplus of the capital and financial account totalled 14.1 million lats.

The net inflow of direct investment (20.9 million lats) covered 66.8% of the current account deficit. Non-residents' direct investment in Latvia increased by 21.4 million lats (including investment in equity in the amount of 12.9 million lats and reinvested earnings in the amount of 7.2 million lats).

The net inflow of portfolio investment totalled 7.6 million lats. Non-residents' investment in Latvian government bonds and notes increased by 6.6 million lats. Investments of Latvian residents in foreign securities remained practically unchanged as Latvian banks increased their investments in foreign bonds and notes by 17.5 million lats and reduced those in money market instruments and equity securities.

Other investment registered a deficit (of 25.7 million lats) resulting from increase in banks' foreign assets outpacing increase in their foreign liabilities in the form of other investment. Non-residents' deposits attracted by Latvian banks increased by 45.3 million lats, whereas borrowing declined by 24.4 million lats. Other investment by Latvian banks abroad increased by 42.6 million lats as deposits with foreign credit institutions grew (by 127.2 million lats) and short-term lending declined. As a result of a decline in foreign deposits and long-term lending, foreign assets of the enterprise sector decreased (by 4.1 million lats).

Currency swap arrangements were the principal reason for a decrease in reserve assets (by 8.2 million lats). The Bank of Latvia did not make interventions in the foreign exchange market, for the inflow of foreign currencies in the country was sufficiently large to cover the current account deficit.

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	Financial derivatives	Other investment	Reserve assets			
2000 ¹													
III	-16.6	-48.3	34.4	-6.7	4.0	1.8	11.5	26.0	-9.1	0	33.0	-38.4	3.3
IV	-24.2	-48.5	21.4	-0.2	3.1	2.1	15.4	13.1	29.4	0	-21.7	-5.5	6.6
V	-27.8	-60.0	27.3	0.7	4.2	1.3	-1.6	10.3	-30.3	0.1	-9.3	27.5	28.1
VI	-19.9	-49.3	25.7	-1.1	4.8	3.0	42.7	28.6	-2.9	-0.4	27.7	-10.2	-25.8
VII	-18.8	-56.8	24.3	6.8	6.9	1.2	19.7	22.2	-4.2	0.5	38.7	-37.5	-2.1
VIII	-29.2	-57.2	17.6	6.9	3.4	2.2	17.3	14.5	-57.7	-0.2	47.5	13.2	9.7
IX	-19.2	-53.7	23.3	6.1	5.1	1.3	23.4	9.7	33.3	0	-41.7	22.0	-5.5
X	-25.9	-59.1	17.7	5.7	9.8	1.0	44.5	25.3	-14.6	0	71.0	-37.2	-19.7
XI	-51.8	-75.9	16.4	5.7	2.0	0.2	24.6	21.1	-11.3	1.3	6.0	7.5	27.0
XII	-40.7	-71.9	18.1	3.5	9.6	1.6	62.9	39.1	-82.2	0	82.6	23.4	-23.8
2001													
I ¹	-7.4	-34.5	24.4	-0.4	3.1	1.4	18.8	8.0	8.7	0	-20.3	22.4	-12.9
II ¹	-8.5	-40.4	25.7	2.4	3.8	1.3	-10.8	4.8	-56.2	0	63.6	-23.0	18.0
III ¹	-28.5	-58.1	25.8	2.5	1.2	2.1	32.3	1.2	25.1	0	12.8	-6.9	-5.9
IV	-20.7	-56.4	30.4	-2.3	7.6	1.7	11.7	35.9	-33.4	0	17.7	-8.5	7.3
V	-31.3	-56.1	25.7	-2.4	1.5	3.0	11.1	20.9	7.6	0	-25.7	8.2	17.3

¹ Data have been revised.

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 ¹												
III	197.1	213.7	109.1	157.4	68.5	34.1	9.3	16.0	10.1	6.1	1.8	0.1
IV	178.5	202.7	102.2	150.7	59.2	37.8	10.5	10.7	6.5	3.4	2.2	0.1
V	191.4	219.2	103.9	163.9	67.3	39.9	11.1	10.4	9.2	5.0	1.4	0.1
VI	194.8	214.7	110.1	159.4	65.2	39.5	10.7	11.8	8.8	4.0	3.1	0.1
VII	189.0	207.8	102.7	159.5	63.0	38.7	11.0	4.2	12.2	5.3	1.5	0.3
VIII	193.5	222.8	108.2	165.5	63.7	46.1	11.7	4.7	9.9	6.5	2.2	0
IX	188.8	208.0	100.3	153.9	65.3	42.0	11.3	5.2	12.0	6.8	1.5	0.2
X	201.5	227.5	111.4	170.5	62.3	44.7	13.7	8.0	14.1	4.3	2.2	1.1
XI	180.7	232.5	104.0	179.9	54.8	38.4	13.6	7.9	8.3	6.3	2.1	1.9
XII	200.9	241.6	109.3	181.2	60.4	42.3	14.2	10.8	16.9	7.3	2.7	1.1
2001												
I ¹	192.9	200.3	106.5	140.9	63.2	38.8	14.5	15.0	8.7	5.6	2.6	1.2
II ¹	195.4	203.8	109.6	150.0	61.9	36.2	14.3	11.9	9.5	5.7	2.0	0.8
III ¹	213.2	241.7	120.7	178.8	67.9	42.1	15.5	12.9	9.1	7.8	2.3	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
V	228.2	259.5	129.6	185.7	76.8	51.1	14.2	16.6	7.6	6.1	3.9	1.0

¹ Data have been revised.

FINANCIAL ACCOUNT: DIRECT AND PORTFOLIO INVESTMENT AND FINANCIAL DERIVATIVES

(net flows; in millions of lats)

	Direct investment		Portfolio investment										Financial derivatives	
	Abroad	In Latvia	Assets	Liabilities	Equity securities		Debt securities						Assets	Liabilities
					Assets	Liabilities	Assets			Liabilities				
							Bonds and notes	Money market instruments		Bonds and notes	Money market instruments			
2000 ¹														
III	-4.0	30.0	-16.4	7.3	1.6	2.2	-17.9	-33.3	15.3	5.1	5.1	0	0	0
IV	0.2	13.0	18.5	10.9	1.1	0.1	17.4	16.9	0.4	10.8	10.8	0	0	0
V	-1.2	11.5	-22.0	-8.3	-3.1	4.9	-18.9	-23.9	5.1	-13.2	-13.1	0	0.1	0
VI	-1.3	29.9	1.1	-3.9	0.9	-0.7	0.2	-9.3	9.5	-3.3	-1.0	-2.3	-0.4	0
VII	-0.8	23.0	-6.9	2.7	-2.3	1.4	-4.6	-6.2	1.6	1.3	1.8	-0.5	0.6	-0.1
VIII	-0.9	15.4	-57.0	-0.7	-9.7	-1.0	-47.2	-31.5	-15.7	0.3	0.2	0.1	-0.2	0
IX	-2.2	11.9	25.2	8.2	7.1	-3.6	18.1	4.3	13.8	11.7	12.3	-0.6	0	0
X	0.3	24.9	-16.1	1.5	-1.9	-0.4	-14.2	-6.3	-7.9	1.9	1.9	0	0	0
XI	1.4	19.7	-19.2	8.0	-4.5	0.3	-14.7	-13.1	-1.6	7.7	7.7	0	1.3	0
XII	0.8	38.3	-63.7	-18.5	-9.1	-9.6	-54.7	-54.9	0.3	-8.9	-8.9	0	0	0
2001														
I ¹	-1.6	9.7	-10.6	19.3	-0.7	0	-9.9	-24.8	14.9	19.2	19.3	0	0	0
II ¹	-1.8	6.6	-33.0	-23.1	1.6	0	-34.6	-37.6	3.0	-23.2	-23.2	0	0	0
III ¹	-1.5	2.7	-1.7	26.8	8.9	-0.2	-10.5	12.8	-23.4	27.0	27.0	0	0	0
IV	-0.8	36.7	-44.7	11.3	-10.7	0	-34.0	0.5	-34.5	11.4	11.4	0	0	0
V	-0.5	21.4	1.0	6.6	5.1	0	-4.1	-18.0	13.9	6.6	6.6	0	0	0

¹ Data have been revised.

FINANCIAL ACCOUNT: OTHER INVESTMENT

(net flows; in millions of lats)

	Other investment										
	Assets		Monetary authorities		General government		Banks		Other sectors		
			Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
2000 ¹											
III	-72.5	105.5	15.0	-0.2	-0.2	-0.9	-86.8	99.4	-0.5	7.2	
IV	-45.7	24.1	-0.1	0	0.3	-0.1	-47.5	18.4	1.5	5.8	
V	-67.9	58.7	0	0.1	0	0.3	-67.9	50.9	0	7.4	
VI	24.8	3.0	0.1	-1.2	0.1	-0.8	23.7	-12.7	0.9	17.6	
VII	67.4	-28.7	0.1	-1.9	-0.3	0.3	67.8	-29.0	-0.2	1.9	
VIII	-0.8	48.2	0	0	-0.4	1.1	-2.7	45.3	2.3	1.9	
IX	-103.2	61.5	0.1	-0.1	0.1	-7.6	-105.4	67.3	1.9	1.9	
X	103.6	-32.6	0	0	0.2	1.8	105.7	-31.2	-2.3	-3.1	
XI	-72.8	78.8	-0.1	-0.1	0.4	0.7	-72.5	81.3	-0.6	-3.1	
XII	-63.6	146.2	-0.1	-0.9	0	0	-63.0	150.3	-0.6	-3.1	
2001											
I ¹	-86.0	65.7	0.1	-1.4	0.2	0.4	-78.6	65.1	-7.7	1.5	
II ¹	148.6	-85.1	0	-0.6	0.1	-0.4	164.8	-85.6	-16.4	1.5	
III ¹	62.3	-49.5	-0.1	0.3	-1.6	-0.1	62.4	-51.2	1.6	1.5	
IV	5.6	12.2	0.8	3.9	0.7	-0.4	0	9.1	4.1	-0.5	
V	-39.4	13.7	0	-3.1	-0.9	0.1	-42.6	19.1	4.1	-2.5	

¹ Data have been revised.

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