

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

11 • 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

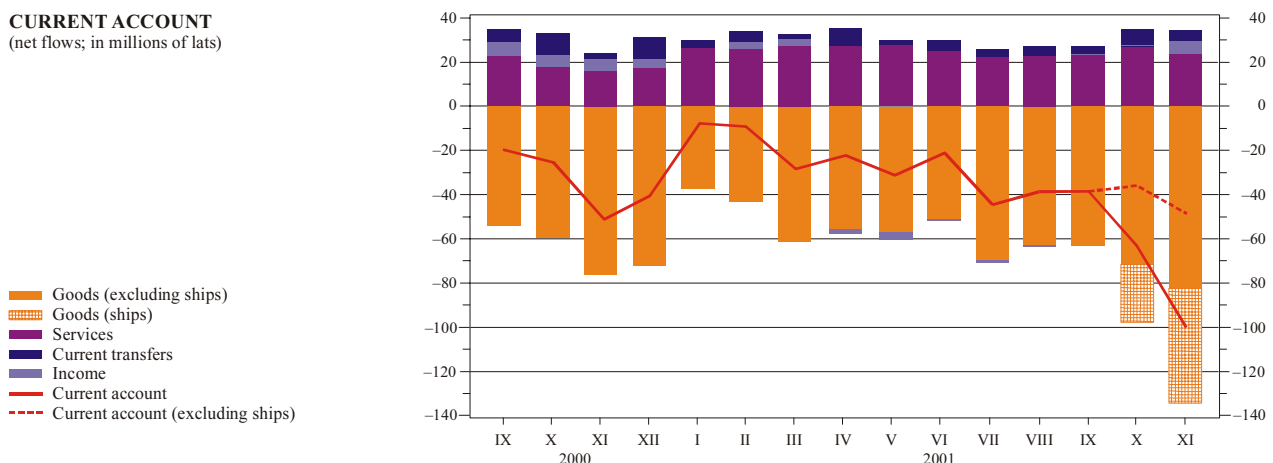
on credit institutions' foreign assets and liabilities, compiled by the Bank of Latvia; Bank of Latvia statistics on foreign reserves; statistics on government external debt and foreign financial assistance, compiled by the State Treasury; data submitted by enterprises rendering intermediary services 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 November value of exports was slightly higher than the monthly average for 2001; however, the current account deficit reached 99.8 million lats, increasing sharply as the state joint-stock company in privatisation *Latvijas kuģniecība* purchased two new ships (52.1 million lats). The goods deficit increased month-on-month, as imports of goods grew by 28.6 million lats and exports of goods declined by 7.7 million lats.

CURRENT ACCOUNT
(net flows; in millions of lats)



The acquisition of new ships also led to the year-on-year increase in the goods deficit and the current account deficit. At the same time, the positive balances on services and current transfers grew (by 7.7 million lats and 2.2 million lats, respectively). A higher goods deficit (by 57.8 million lats) was determined by unbalanced increases in exports and imports of goods (by 14.5% and 40.5%, respectively). (Excluding the amount spent to purchase the two ships, the latter increased by only 11.6%.)

With proceeds received by Latvian ports declining, the services surplus fell 3.7 million lats below the October level. This can be attributed to the efforts of the Russian government to encourage exporters to use domestic ports: tariffs on freight transportation by rail were lowered as of August 1, 2001, provided that freight was intended for exports through Russian ports.

Surplus on other services declined month-on-month (to 0.1 million lats), owing mainly to lower proceeds from communications and construction services provided.

With residents' income on portfolio investment growing and non-residents' investment on direct investment decreasing, the income surplus was larger than the one in October (by 5.5 million lats). As a result of the increase in current transfers received by the private sector, surplus on current transfers decreased by 2.8 million lats.

In November, the capital and financial account was in surplus (78.7 million lats).

The net inflow of direct investment was 34.4 million lats (including non-residents' investment in equity capital in the amount of 30.3 million lats). In October and November, non-residents' investment in equity capital equalled 45.4% of investment made in the first eleven months of 2001. This confirms investors' growing interest in the Latvian economy.

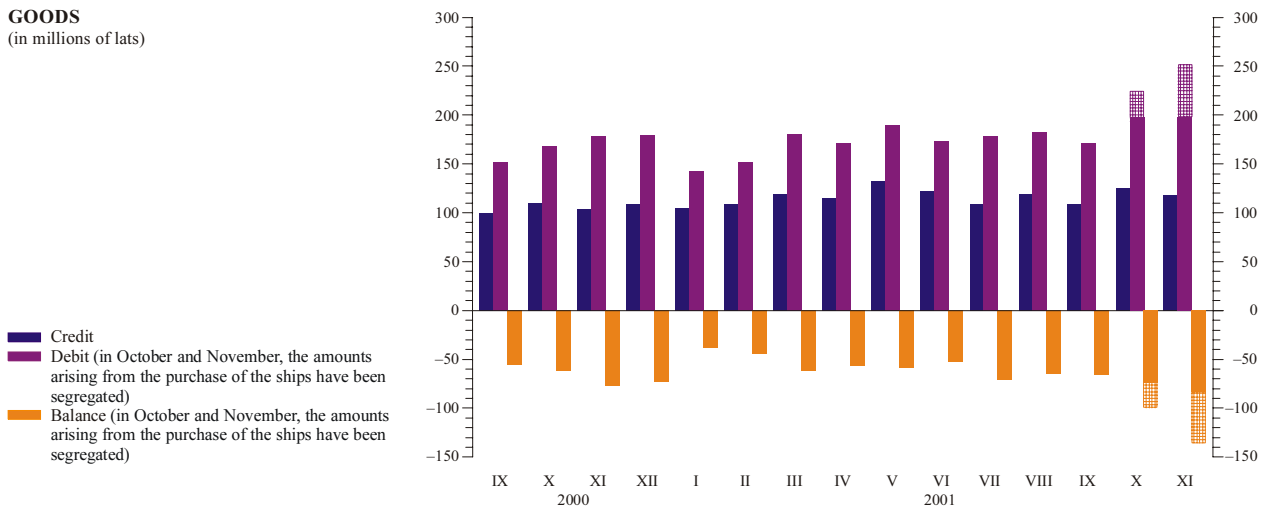
In November, portfolio investment posted net inflow. Banks decreased their portfolio of long-term debt securities by 39.8 million lats and received 5.2 million lats from sales of shares in private companies. The Latvian government issued 7-year eurobonds in the amount of 200 million euros. The largest investors buying eurobonds were from Germany, the United Kingdom and France.

Despite significant flows, the net inflow of other investment was low (11.2 million lats). Loans received by Latvian banks from non-residents (predominantly as short-term deposits) grew by 190.9 million lats. Part of these funds were placed with credit institutions in the OECD countries (136.3 million lats), and part was used to repay demand deposits (69.5 million lats). Loans received by the enterprise sector amounted to 39.4 million lats.

As the Bank of Latvia conducted outright purchases of foreign currencies in the interbank market and the State Treasury received proceeds from the issuance of eurobonds, reserve assets increased by 111.1 million lats in November, and the balance of payments was in surplus.

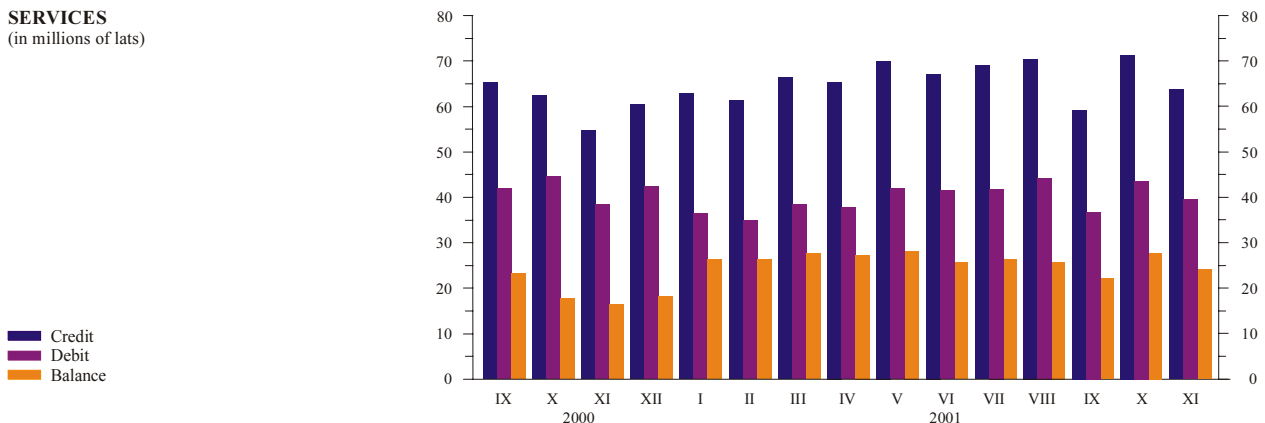
GOODS

(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	Services	Income	Current transfers			Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
2000													
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	-8.1	-37.9	26.5	0	3.1	1.4	14.5	7.1	9.2	-4.2	-20.1	22.4	-7.8
II ¹	-10.2	-43.8	26.5	3.3	3.8	1.3	-9.3	3.5	-55.6	2.1	63.7	-23.0	18.2
III ¹	-28.3	-60.9	27.9	3.4	1.3	2.1	31.8	-0.6	25.7	0.6	13.0	-6.9	-5.5
IV ¹	-22.8	-55.9	27.6	-2.0	7.5	2.7	1.8	30.2	-36.9	1.1	15.9	-8.5	18.3
V ¹	-31.0	-57.2	28.5	-3.1	0.8	3.0	15.8	27.2	8.0	-1.0	-26.6	8.2	12.2
VI ¹	-21.6	-51.0	25.8	-0.3	3.9	2.3	31.5	9.3	-103.6	1.6	137.4	-13.2	-12.3
VII ¹	-44.6	-73.2	26.7	-1.0	2.8	1.5	43.3	17.0	-48.4	-1.7	103.2	-26.7	-0.1
VIII ¹	-40.4	-66.5	23.1	-0.7	3.7	1.6	49.7	43.7	50.9	-0.1	-57.9	13.2	-10.9
IX ¹	-38.7	-66.0	23.9	0.2	3.2	1.1	46.2	6.5	4.5	1.8	28.9	4.5	-8.6
X	-62.5	-97.4	27.8	0.1	7.0	2.2	48.4	29.6	-2.3	-3.7	47.7	-22.9	12.0
XI	-99.8	-133.7	24.1	5.6	4.2	2.3	76.4	34.4	142.2	-0.4	11.2	-111.1	21.1

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												
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	191.8	200.0	105.7	143.5	62.9	36.4	14.5	14.5	8.7	5.6	2.6	1.2
II ¹	194.6	204.8	109.6	153.4	61.3	34.8	14.2	10.9	9.5	5.7	2.0	0.8
III ¹	211.5	239.8	120.8	181.7	66.2	38.2	15.4	12.0	9.1	7.8	2.3	0.2
IV ¹	211.9	234.7	116.9	172.8	65.3	37.7	14.6	16.6	15.1	7.6	3.4	0.7
V ¹	225.6	256.5	132.7	189.9	70.3	41.8	14.4	17.5	8.1	7.3	4.0	0.9
VI ¹	216.0	237.5	123.4	174.4	67.4	41.6	14.4	14.7	10.7	6.8	2.4	0.2
VII ¹	203.5	248.2	109.4	182.6	68.8	42.1	14.1	15.1	11.2	8.3	2.5	1.0
VIII ¹	213.8	254.2	120.4	186.9	67.6	44.5	14.0	14.7	11.8	8.1	2.0	0.5
IX ¹	193.4	232.1	108.3	174.4	61.1	37.2	13.6	13.4	10.3	7.1	1.7	0.7
X	225.7	288.3	126.8	224.2	71.4	43.6	14.0	13.9	13.6	6.6	2.6	0.4
XI	208.7	308.5	119.1	252.8	63.6	39.5	14.9	9.3	11.1	6.9	2.6	0.3

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		Assets	Liabilities			
								Bonds and notes	Money market instruments					Bonds and notes
2000														
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	-1.9	9.0	-10.6	19.8	-0.7	0.6	-9.9	-24.8	14.9	19.2	19.3	0	0.3	-4.4
II ¹	-2.0	5.5	-33.0	-22.6	1.6	0.6	-34.6	-37.6	3.0	-23.2	-23.2	0	2.4	-0.3
III ¹	-1.7	1.1	-1.7	27.3	8.9	0.3	-10.5	12.8	-23.4	27.0	27.0	0	-0.4	1.0
IV ¹	-1.2	31.4	-49.0	12.0	-11.8	0.2	-37.2	-1.4	-35.8	11.8	11.8	0	0.7	0.4
V ¹	-1.1	28.4	1.0	6.9	5.0	0.3	-4.0	-18.0	14.0	6.6	6.6	0	-1.0	0
VI ¹	2.9	6.4	-94.3	-9.2	-21.8	-0.7	-72.5	-13.1	-59.4	-8.5	-8.5	0	0.5	1.0
VII ¹	-0.4	17.4	-45.4	-3.0	3.2	-0.4	-48.6	-46.5	-2.1	-2.6	-2.6	0	-0.3	-1.4
VIII ¹	-0.8	44.5	55.4	-4.5	-6.3	-0.3	61.7	31.6	30.2	-4.2	-4.2	0	0.5	-0.6
IX ¹	-1.0	7.5	4.8	-0.3	-3.7	-0.3	8.5	-9.9	18.5	0	0	0	0.1	1.7
X	0.8	28.7	-3.7	1.4	17.5	0.6	-21.2	29.3	-50.5	0.8	0.8	0	-1.9	-1.7
XI	-0.4	34.8	45.9	96.3	5.1	0.5	40.7	40.2	0.5	95.8	95.8	0	0.5	-0.8

¹ Data have been revised.

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	Assets
2000											
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	-89.1	69.0	0.1	-1.4	0.2	0.4	-78.6	65.1	-10.8	4.8	
II ¹	145.5	-81.8	0	-0.6	0.1	-0.4	164.8	-85.6	-19.5	4.8	
III ¹	59.2	-46.2	-0.1	0.3	-1.6	-0.1	62.4	-51.2	-1.5	4.8	
IV ¹	-2.4	18.3	0	3.5	0.7	-0.4	-9.4	23.3	6.3	-8.2	
V ¹	-37.0	10.4	0	-3.1	-0.9	0.1	-42.7	19.1	6.6	-5.8	
VI ¹	-14.7	152.1	-0.1	-1.5	-0.2	-0.5	-21.1	143.4	6.6	10.8	
VII ¹	67.8	35.4	0.1	-1.4	1.0	1.0	61.5	28.2	5.2	7.6	
VIII ¹	-68.0	10.0	-0.1	0	0.2	2.1	-73.8	2.5	5.8	5.4	
IX ¹	11.5	17.4	0	0.3	0.3	-1.4	6.1	12.2	5.1	6.3	
X	-36.7	84.4	0.1	-0.1	-0.3	2.4	-42.1	48.3	5.6	33.8	
XI	-152.0	163.2	0	0	-4.0	1.4	-157.9	122.5	9.9	39.4	

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>).