

**LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)****9 • 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 of 32.3 million lats reported in September was lower than in July and August. The decrease was attributable to a 9.4 million lats increase in the services surplus. Compared with the previous month, exports of goods declined (by 9.8%), as did their imports (by 6.3%). The excess of imports over exports increased to 58.0%, from 51.9% in August. The current account deficit increased by 13.1 million lats year-on-year, because the 5.3 million lats growth in the services surplus was insufficient to offset deterioration in the balances of other current account items.

As the month-on-month decrease in services received was more rapid than in services rendered, the services surplus amounted to 28.6 million lats, covering 45.2% of the goods deficit. A 5.8 million lats decline in transportation services rendered was primarily related to changes in the volume of transportation by sea. The end of the active travel season and the terrorist attacks of September 11 on the United States were the reasons for a decrease in travel services received by residents and a subsequent considerable improvement in the travel balance. Imports of other business services and government services not included elsewhere suffered the largest decreases, which contributed to a decline in the other services deficit.

In September, credit and debit entries of income almost reached balance: the income deficit was 0.3 million lats. The minor month-on-month changes in the income balance were prompted by decreases in compensation of employees received and investment income received.

The current transfers surplus declined slightly below the August level (to 2.7 million lats), as current transfers received by the general government and cash transfers received by other sectors decreased. In September, the current transfers surplus covered 4.3% of the goods deficit.

Surplus in the capital and financial account was 43.5 million lats.

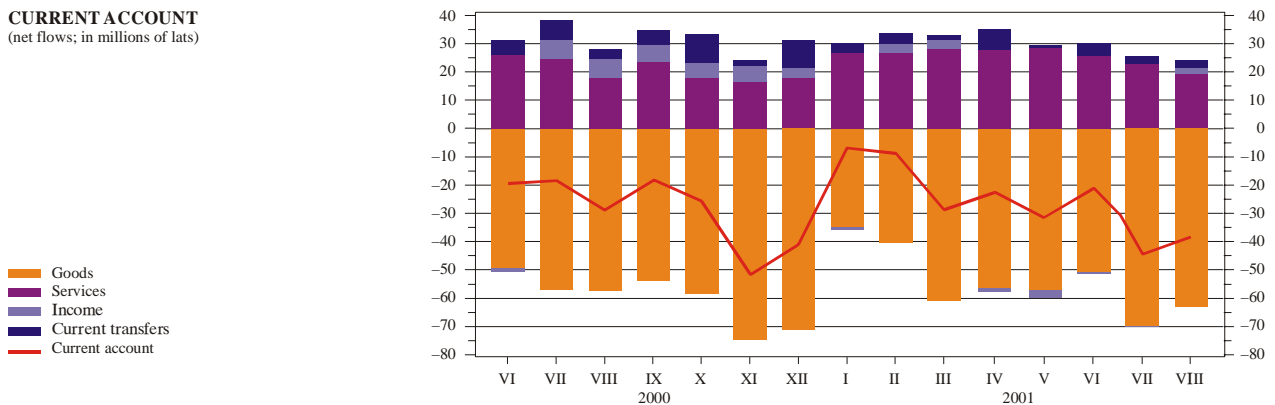
The net inflow of direct investment was 5.4 million lats. Its month-on-month decline could be explained by a decrease in other capital inflow and the repayment of loans in the amount of 13.1 million lats to direct investors.

Portfolio investment reported a net inflow of 9.2 million lats. Residents' portfolio investment decreased by 4.7 million lats, while non-residents' portfolio investment increased.

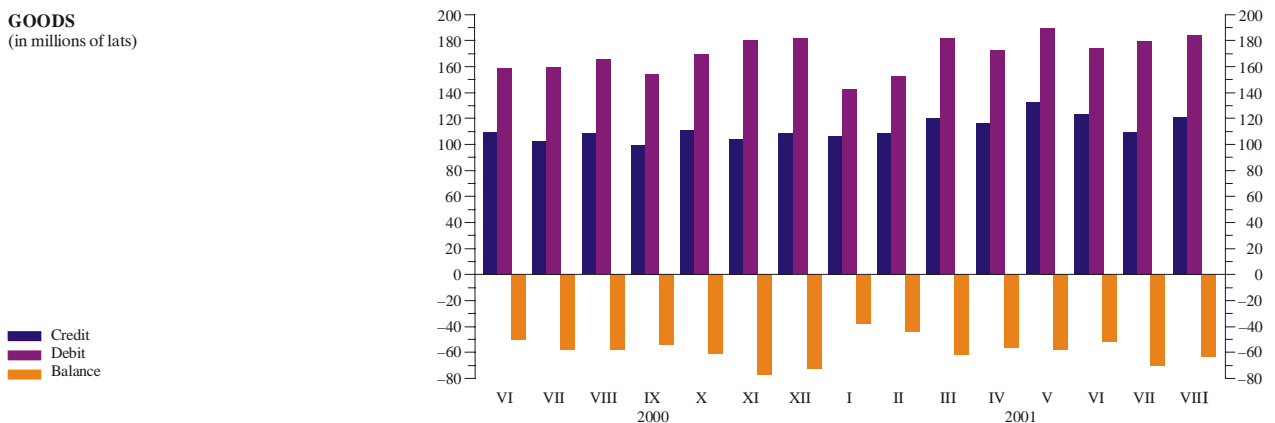
The net inflow of other investment reached 21.6 million lats. As a result of a decrease in assets, an inflow of 4.4 million lats was observed. In line with their active lending business in the domestic market, Latvian banks attracted deposits from non-residents (mainly from OECD credit institutions); funds received this way exceeded, by 15.8 million lats, the amount necessary to satisfy foreign liabilities (repayment of non-residents' deposits).

Currency swap arrangements were the main reason for the September decrease of 4.5 million lats in reserve assets.

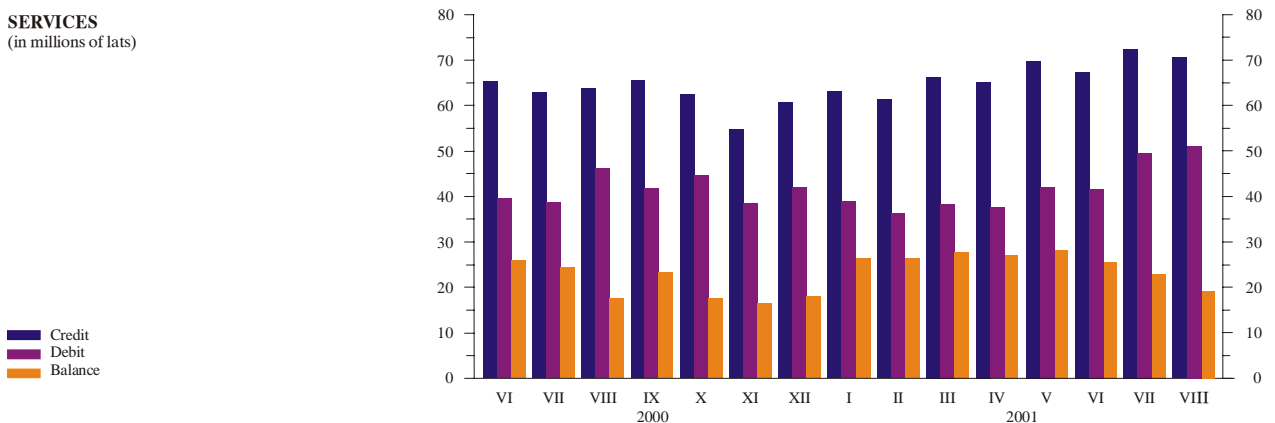
**CURRENT ACCOUNT**  
(net flows; in millions of lats)



**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	Services	Income	Current transfers			Direct investment	Portfolio investment	Financial derivatives	Other investment		Reserve assets
2000													
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	-7.4	-36.9	26.4	0	3.1	1.4	14.9	7.2	9.2	-4.2	-19.8	22.4	-8.9
II	-9.4	-42.9	26.4	3.3	3.8	1.3	-8.9	3.6	-55.6	2.1	64.0	-23.0	17.0
III	-28.4	-60.8	27.7	3.4	1.3	2.1	32.2	-0.5	25.7	0.6	13.3	-6.9	-5.8
IV	-22.4	-55.9	27.3	-1.3	7.5	2.7	2.9	29.8	-36.9	1.1	17.5	-8.5	16.8
V	-30.8	-57.0	28.2	-3.0	1.1	3.0	16.9	26.7	8.0	-1.0	-25.0	8.2	10.8
VI	-21.6	-50.9	25.5	-0.2	3.9	2.3	32.7	8.8	-103.6	1.6	139.1	-13.2	-13.3
VII	-44.8	-69.4	22.7	-0.7	2.6	1.4	27.9	17.2	-51.3	-1.1	89.8	-26.7	15.5
VIII	-38.9	-62.9	19.2	1.4	3.3	1.5	33.2	44.0	49.1	-0.1	-72.9	13.2	4.2
IX	-32.3	-63.3	28.6	-0.3	2.7	1.0	42.5	5.4	9.2	1.8	21.6	4.5	-11.3

## 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		
2000												
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	192.6	200.0	106.5	143.4	62.8	36.5	14.5	14.6	8.7	5.6	2.6	1.2
II	194.7	204.1	109.7	152.6	61.2	34.8	14.3	11.0	9.5	5.7	2.0	0.8
III	211.4	239.8	120.8	181.6	66.0	38.3	15.5	12.1	9.1	7.8	2.3	0.2
IV	211.7	234.2	116.9	172.8	65.1	37.7	14.7	16.0	15.1	7.6	3.4	0.7
V	225.8	256.6	132.9	189.9	70.0	41.9	14.5	17.5	8.4	7.3	4.0	0.9
VI	215.9	237.6	123.5	174.4	67.1	41.6	14.5	14.7	10.7	6.8	2.4	0.2
VII	206.7	251.6	110.1	179.5	72.1	49.5	14.5	15.1	10.1	7.5	2.5	1.0
VIII	216.5	255.4	121.1	184.0	70.4	51.2	14.3	12.9	10.7	7.3	2.0	0.5
IX	190.8	223.1	109.2	172.5	59.2	30.6	13.2	13.5	9.2	6.5	1.7	0.7

## 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														
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	-1.9	9.1	-10.6	19.8	-0.7	0.6	-9.9	-24.8	14.9	19.2	19.3	0	0.3	-4.4
II	-2.0	5.6	-33.0	-22.6	1.6	0.6	-34.6	-37.6	3.0	-23.2	-23.2	0	2.4	-0.3
III	-1.7	1.2	-1.7	27.3	8.9	0.3	-10.5	12.8	-23.4	27.0	27.0	0	-0.4	1.0
IV	-1.2	30.9	-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	27.9	1.0	6.9	5.0	0.3	-4.0	-18.0	14.0	6.6	6.6	0	-1.0	0
VI	2.9	5.9	-94.3	-9.2	-21.8	-0.7	-72.5	-13.1	-59.4	-8.5	-8.5	0	0.5	1.0
VII	-0.4	17.6	-45.8	-5.5	3.2	-3.9	-49.0	-47.6	-1.4	-1.6	-1.7	0	1.3	-2.4
VIII	-0.4	44.3	52.6	-3.5	-6.5	0.7	59.1	29.1	30.0	-4.2	-4.2	0	0.5	-0.6
IX	-1.3	6.7	4.7	4.4	-3.8	4.4	8.6	-10.0	18.6	0	0	0	0.1	1.7

## 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										
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	-89.0	69.2	0.1	-1.4	0.2	0.4	-78.6	65.1	-10.7	5.0
II	145.6	-81.6	0	-0.6	0.1	-0.4	164.8	-85.6	-19.4	5.0
III	59.3	-46.0	-0.1	0.3	-1.6	-0.1	62.4	-51.2	-1.4	5.0
IV	-3.3	20.7	0	3.5	0.7	-0.4	-9.4	23.3	5.4	-5.8
V	-37.8	12.8	0	-3.1	-0.9	0.1	-42.7	19.1	5.7	-3.3
VI	-15.5	154.6	-0.1	-1.5	-0.2	-0.5	-21.1	143.4	5.8	13.2
VII	61.4	28.4	0.1	-1.4	1.0	1.0	61.3	28.2	-1.0	0.6
VIII	-77.7	4.7	-0.1	0	0.2	2.1	-74.0	2.5	-3.7	0.1
IX	4.4	17.2	0	0.3	0.3	-1.5	5.9	12.2	-1.8	6.1

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