

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

1 • 2002
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.

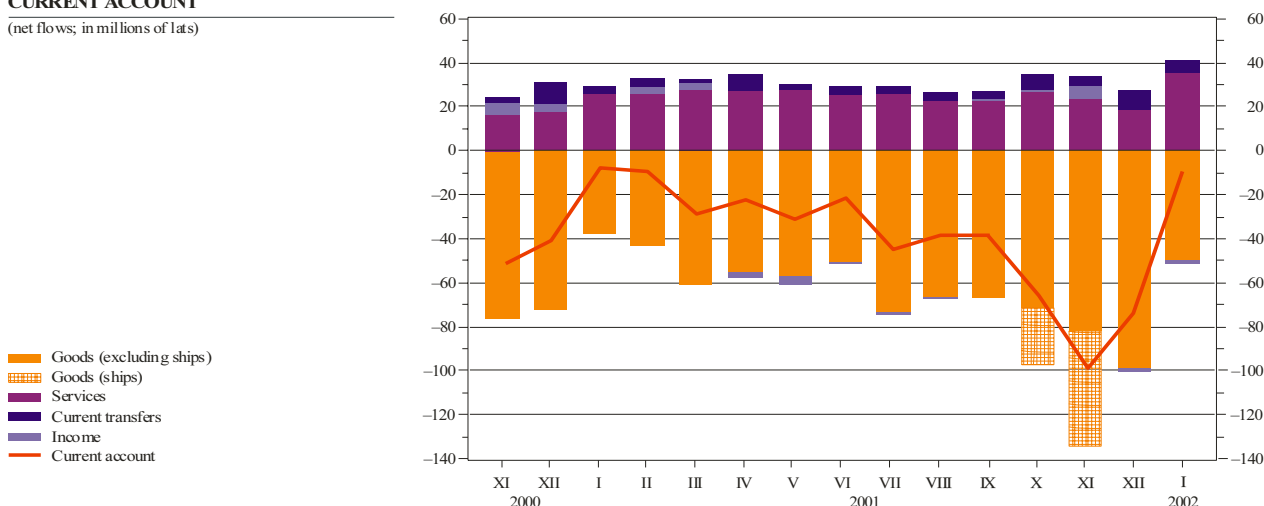
In some cases, electronic data processing technologies may have led to slight discrepancies between the total amount shown and the sum of the subitems.

The current account deficit (10.4 million lats) was slightly higher than in January 2001. The services surplus grew substantially (by 9.7 million lats). The goods deficit increased by 13.6 million lats. As imports of goods grew more markedly than their exports (12.1% and 3.3%, respectively), the excess of imports over exports was 47.3%.

In January, the services surplus amounted to 36.2 million lats, covering 70.3% of the goods deficit.

CURRENT ACCOUNT

(net flows; in millions of lats)



With proceeds from services rendered to non-residents growing over the previous month's level (by 10.8 million lats), the services surplus increased by 17.6 million lats. Proceeds from cargo transportation by sea increased (by 7.4 million lats), as did proceeds from travel services. Expense on other services received from non-residents declined by 5.1 million lats. Residents' spending on travel abroad decreased by 3.6 million lats.

The year-on-year increase in the services surplus was a result of growth in the balance on other services. Proceeds from other services (predominantly, insurance and trade mediation services) rose by 5.3 million lats, but expense on other services (predominantly, financial services and government services not included elsewhere) declined by 4.1 million lats. Changes in the transportation surplus were slight (a decrease of 1.9 million lats); however, the dynamics of proceeds from transportation services reflected the unfavourable economic environment in the sectors rendering transportation services to non-residents. In January, no year-on-year changes were observed in cargo loaded and unloaded at Latvian ports, but proceeds from other services by sea transport decreased by 0.5 million lats. Proceeds from services by rail transport fell by 3.3 million lats, as Russia's tariffs on transportation from the country were unfavourable to Latvia.

The income deficit was 0.4 million lats. A year-on-year decrease in residents' income was more pronounced than in non-residents' income (a difference of 0.4 million lats). The largest decrease, 2.2 million lats, was recorded in residents' income on portfolio and other investment, while non-residents' income on direct and other investment declined by 1.3 million lats.

The current transfers surplus totalled 5.3 million lats, and the principal inflow was in the private sector.

The financial and capital account posted a surplus of 28.3 million lats.

The net inflow of direct investment in the amount of 27.4 million lats fully covered the current account deficit. Non-residents' direct investment in Latvia totalled 27.8 million lats, and the largest part of such investment, 17.1 million lats, was made in equity capital.

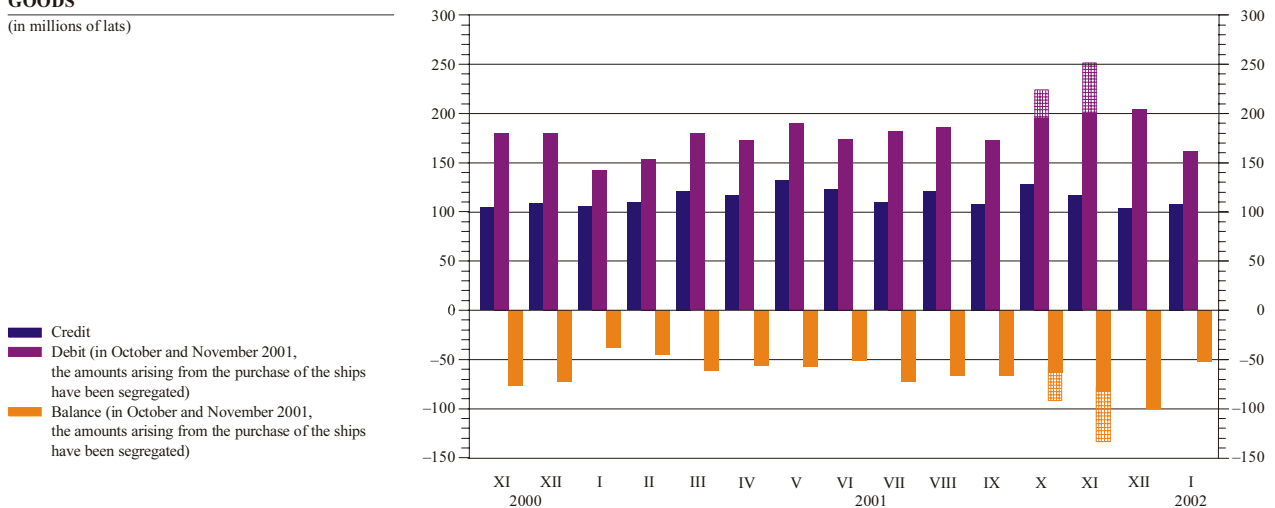
Portfolio investment posted a net inflow of 5.6 million lats, because assets (predominantly, money market instruments) decreased by 7.3 million lats. As non-residents decreased their portfolio of Latvian government securities, liabilities under portfolio investment declined.

A net outflow of other investment totalled 3.5 million lats. Other investment made by Latvian banks in foreign credit institutions was approximately as large as other investment received by Latvian banks from foreign credit institutions, while enterprises' foreign investment increased.

In January, reserve assets decreased by 0.4 million lats.

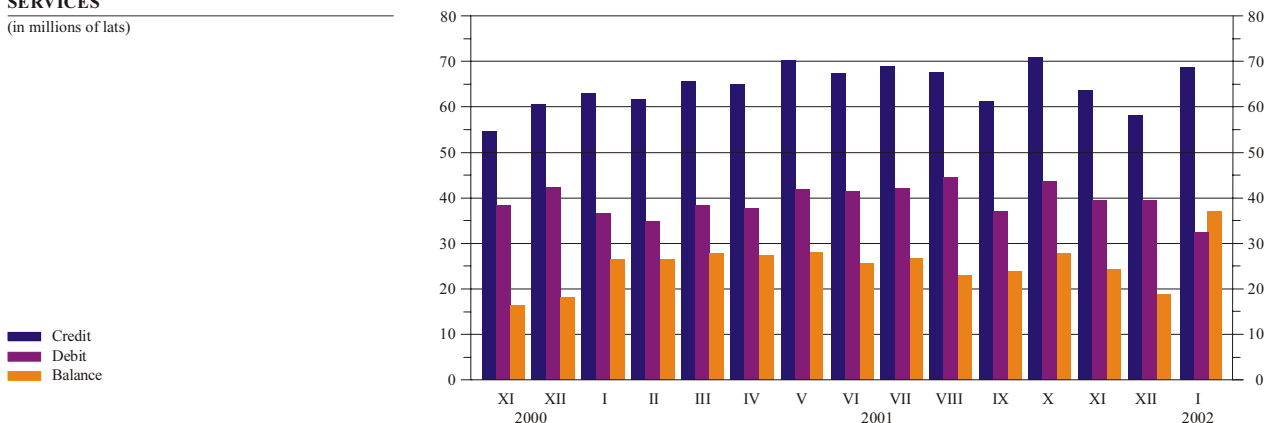
GOODS

(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													
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	-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	-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	-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	-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	-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	-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	-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	-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	-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
XII	-73.5	-99.6	18.6	-1.1	8.6	1.5	99.4	-54.3	88.0	4.4	90.0	-28.6	-27.5
2002													
I	-10.4	-51.5	36.2	-0.4	5.3	1.1	27.2	27.4	5.6	-2.7	-3.5	0.4	-17.9

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												
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	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	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	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	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	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	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	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	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	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
XII	192.6	266.1	103.0	202.6	57.9	39.3	15.6	16.7	16.1	7.5	2.1	0.6
2002												
I	203.6	214.0	109.2	160.8	68.7	32.5	13.2	13.6	12.4	7.2	1.6	0.5

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														
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	9.0	-10.6	19.8	-0.7	0.6	-9.9	-24.8	14.9	19.2	19.3	0	0.3	-4.4
II	-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	-1.7	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	-1.2	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	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	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	-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	-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	-1.0	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
XII	-1.0	-53.3	95.5	-7.6	6.7	-0.4	88.9	4.3	84.5	-7.2	-7.2	0	0.8	3.6
2002														
I	-0.4	27.8	7.3	-1.6	-0.1	1.1	7.3	0.5	6.8	-2.8	-2.8	0	-4.5	1.8

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											
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	-89.1		69.0	0.1	-1.4	0.2	0.4	-78.6	65.1	-10.8	4.8
II	145.5		-81.8	0	-0.6	0.1	-0.4	164.8	-85.6	-19.5	4.8
III	59.2		-46.2	-0.1	0.3	-1.6	-0.1	62.4	-51.2	-1.5	4.8
IV	-2.4		18.3	0	3.5	0.7	-0.4	-9.4	23.3	6.3	-8.2
V	-37.0		10.4	0	-3.1	-0.9	0.1	-42.7	19.1	6.6	-5.8
VI	-14.7		152.1	-0.1	-1.5	-0.2	-0.5	-21.1	143.4	6.6	10.8
VII	67.8		35.4	0.1	-1.4	1.0	1.0	61.5	28.2	5.2	7.6
VIII	-68.0		10.0	-0.1	0	0.2	2.1	-73.8	2.5	5.8	5.4
IX	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
XII	66.1		23.9	-0.1	-1.2	0.2	-0.1	63.9	8.0	2.1	17.3
2002											
I	-65.4		61.9	0.1	10.8	0.5	0.2	-52.9	53.3	-13.1	-2.3

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