

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)**2 • 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.

In February, the current account deficit (15.7 million lats) rose only slightly compared with January. Growth in exports and imports of goods was insignificant (0.4% and 1.8%, respectively). The excess of imports over exports was 49.4%. The balances of income and current transfers improved, while the services surplus decreased (by 6.7 million lats).

Both the services surplus and the current transfers surplus were higher than in February 2001 (by 3.2 million lats and 2.4 million lats, respectively); however, this could not offset a 10.2 million lats increase in the goods deficit.

The services surplus covered 54.6% of the goods deficit. With the positive balance on other services rising, the services surplus increased year-on-year. Proceeds from transportation services declined (by 4.7 million lats), owing partly to a decline in cargo transportation by rail and a lower cargo turnover at Latvian ports. The other services surplus rose 6.5 million lats over February 2001, as exports of other services increased and imports decreased. Exports of other services increased, owing mainly to growth in insurance services as well as trade mediation and other trade-related services.

The income surplus totalled 2.6 million lats, falling slightly below the level of February 2001, as residents' income on portfolio investment and other investment declined.

Growth in the current transfers surplus was mainly a result of an increase in current transfers received by the private sector.

The capital and financial account surplus was only 2.8 million lats. Residents' foreign liabilities (portfolio investment and other investment) declined.

Direct investment inflow amounted to 29.9 million lats, and the largest part of such investment (57.9%) was invested in enterprises' equity capital. Direct investment in the form of reinvested earnings and other capital totalled 4.3 million lats and 8.3 million lats, respectively.

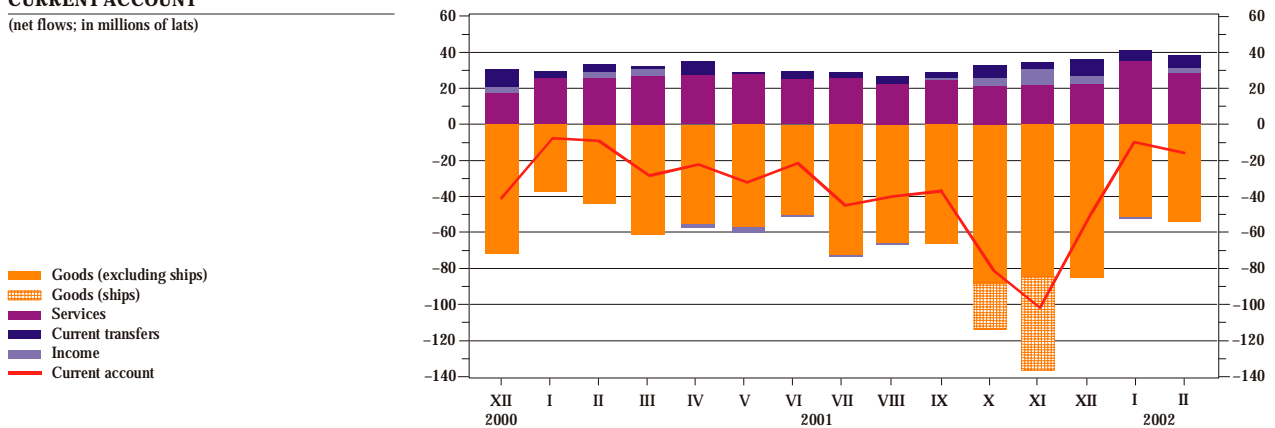
A net outflow of 11.5 million lats was observed for portfolio investment. It was resultant from an increase in residents' portfolio of foreign debt securities (by 3.2 million lats) and a decrease in non-residents' portfolio of Latvian government bonds (by 9.4 million lats).

The net outflow of other investment was 30.0 million lats. The main reason for a 43.6 million lats decrease in liabilities under other investment was a decline in non-residents' demand deposits with Latvian banks. Latvian banks decreased deposits with credit institutions in the OECD countries (by 71.1 million lats) and increased short-term lending to non-residents (by 53.9 million lats). Assets under other investment declined by 13.6 million lats.

The Bank of Latvia repaid foreign currencies under currency swap arrangements, and reserve assets decreased by 13.2 million lats in February.

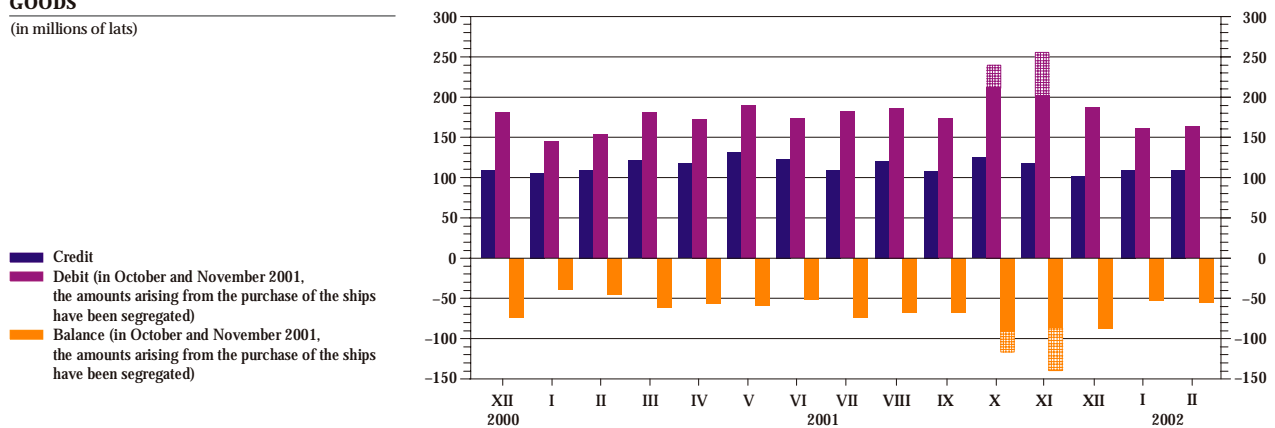
CURRENT ACCOUNT

(net flows; in millions of lats)



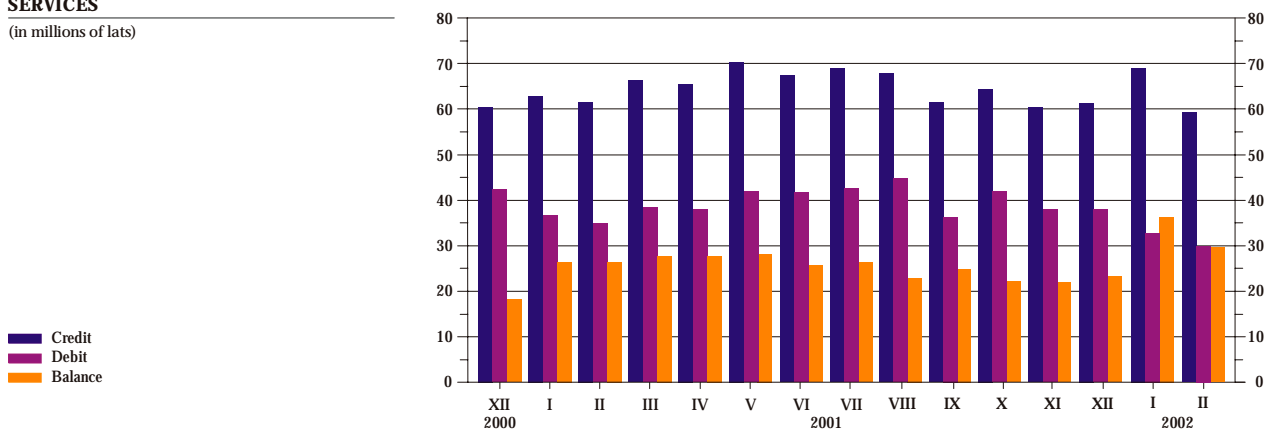
GOODS

(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													
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 ¹													
I	-8.3	-37.9	26.4	0	3.1	1.4	14.5	7.1	9.2	-4.2	-20.1	22.4	-7.6
II	-10.3	-43.8	26.3	3.3	3.8	1.3	-9.3	3.5	-55.6	2.1	63.7	-23.0	18.4
III	-28.5	-60.9	27.7	3.4	1.3	2.1	31.8	-0.6	25.7	0.6	13.0	-6.9	-5.3
IV	-22.9	-55.9	27.5	-2.0	7.5	2.7	1.8	30.2	-36.9	1.1	15.9	-8.5	18.4
V	-31.2	-57.2	28.3	-3.1	0.8	3.0	15.8	27.2	8.0	-1.0	-26.6	8.2	12.4
VI	-21.9	-51.0	25.5	-0.3	3.9	2.3	31.5	9.3	-103.6	1.6	137.4	-13.2	-11.9
VII	-44.6	-73.3	26.1	-0.3	2.8	1.5	43.3	16.9	-48.4	-1.7	103.3	-26.7	-0.2
VIII	-39.7	-66.5	23.0	0	3.7	1.6	49.7	43.6	50.9	-0.1	-57.8	13.2	-11.6
IX	-37.1	-66.1	24.9	0.9	3.2	1.1	46.3	6.4	4.5	1.8	29.1	4.5	-10.3
X	-81.0	-114.1	22.2	4.2	6.6	2.4	44.3	25.3	-2.6	-3.7	48.2	-22.9	34.3
XI	-102.1	-136.7	22.0	8.7	3.9	2.3	58.2	20.5	142.1	-0.4	7.0	-111.1	41.6
XII	-49.2	-85.7	23.4	3.7	9.4	1.7	102.2	-67.8	88.2	4.4	106.0	-28.6	-54.6
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
II	-15.7	-54.0	29.5	2.6	6.2	0.8	2.0	29.1	-11.5	1.2	-30.0	13.2	12.9

¹Data 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												
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 ¹												
I	191.8	200.1	105.7	143.5	62.8	36.5	14.5	14.5	8.7	5.6	2.6	1.2
II	194.5	204.8	109.6	153.4	61.2	34.8	14.2	10.9	9.5	5.7	2.0	0.8
III	211.4	239.9	120.8	181.7	66.1	38.3	15.4	12.0	9.1	7.8	2.3	0.2
IV	212.0	234.9	116.9	172.8	65.4	37.9	14.6	16.6	15.1	7.6	3.4	0.7
V	225.3	256.6	132.7	189.9	70.1	41.8	14.4	17.5	8.1	7.3	4.0	0.9
VI	215.7	237.6	123.4	174.4	67.2	41.6	14.4	14.7	10.7	6.8	2.4	0.2
VII	203.2	247.8	109.4	182.6	68.5	42.4	14.1	14.4	11.2	8.3	2.5	1.0
VIII	213.8	253.5	120.4	186.9	67.6	44.6	14.0	14.0	11.8	8.1	2.1	0.5
IX	193.5	230.5	108.3	174.4	61.2	36.3	13.6	12.7	10.3	7.1	1.7	0.7
X	219.1	300.1	125.1	239.2	64.3	42.1	15.0	10.8	14.7	8.0	2.8	0.4
XI	205.7	307.8	117.4	254.1	60.2	38.1	15.8	7.1	12.2	8.4	2.6	0.3
XII	194.9	244.1	101.8	187.4	61.3	37.9	14.6	10.9	17.3	7.9	2.2	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
II	195.1	210.8	109.6	163.7	59.3	29.8	13.7	11.1	12.5	6.2	1.5	0.7

¹Data 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														
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 ¹														
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	17.3	-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	44.4	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	7.4	4.8	-0.3	-3.7	-0.3	8.5	-9.9	18.5	0	0	0	0.1	1.7
X	2.1	23.2	-4.2	1.6	17.4	1.5	-21.6	29.1	-50.6	0.1	-0.1	0.3	-1.9	-1.7
XI	0.8	19.7	45.0	97.1	5.2	1.2	39.9	39.4	0.5	95.8	95.6	0.3	0.5	-0.8
XII	0.1	-67.9	95.0	-6.8	6.8	0.3	88.2	4.0	84.2	-7.1	-7.4	0.3	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
II	-0.8	29.9	-3.2	-8.3	0	0.9	-3.2	-7.9	4.8	-9.2	-9.2	0	1.0	0.1

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	
2000											
XII	-63.6	146.2	-0.1	-0.9	0	0	-63.0	150.3	-0.6	-3.1	
2001 ¹											
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	35.5	0.1	-1.4	1.0	1.0	61.5	28.2	5.2	7.8	
VIII	-68.0	10.2	-0.1	0	0.2	2.1	-73.8	2.5	5.7	5.6	
IX	11.5	17.6	0	0.3	0.3	-1.4	6.1	12.2	5.0	6.5	
X	-31.4	79.6	0.1	-0.1	-0.3	2.3	-42.3	48.3	11.2	29.0	
XI	-147.0	154.0	0	0	-4.0	1.4	-158.2	122.5	15.2	30.2	
XII	69.6	36.4	-0.1	-1.2	0.2	-0.1	63.6	8.0	5.8	29.8	
2002											
I	-65.4	61.9	0.1	10.8	0.5	0.2	-52.9	53.3	-13.1	-2.3	
II	13.6	-43.6	0	-12.6	0	0.7	16.0	-18.2	-2.4	-13.6	

¹ Data have been revised.

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