

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

6 • 2003
MONTHLY BULLETIN

In June, the current account deficit of the balance of payments (51.2 million lats) decreased month-on-month, but increased year-on-year. The surplus of current transfers and services, as well as the deficit of goods and income grew year-on-year. Increase in exports of goods (28.4%) was slightly slower than that in imports (29.8%).

In June, the surplus of services rose by 2.5 million lats year-on-year. With exports of transportation services (mostly by rail and road) increasing, the surplus of transportation services rose by 3.2 million lats. The deficit of travel services remained unchanged year-on-year, whereas the surplus of other services posted a slight decline (0.7 million lats).

The income deficit grew by 2.6 million lats year-on-year. Non-residents' income increased by 5.5 million lats, primarily as a result of a pickup in income from direct investment. Residents' income abroad also recorded a rise (2.9 million lats) due to higher income both from investment (by 2.1 million lats), as well as remuneration of those employed abroad.

Continuing the trend of the first five months of 2003, the surplus of current transfers recorded a rapid growth (13.0 million lats) year-on-year, with transfers received by private persons accounting for most of the increase.

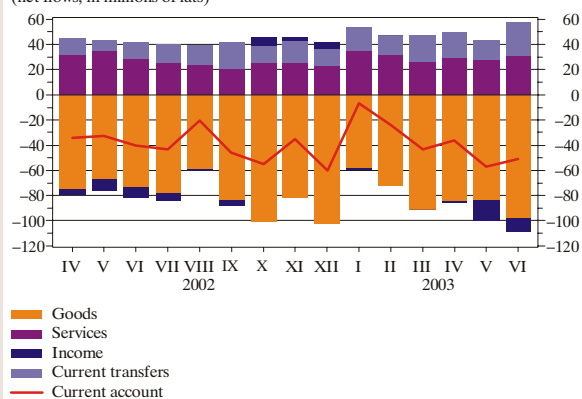
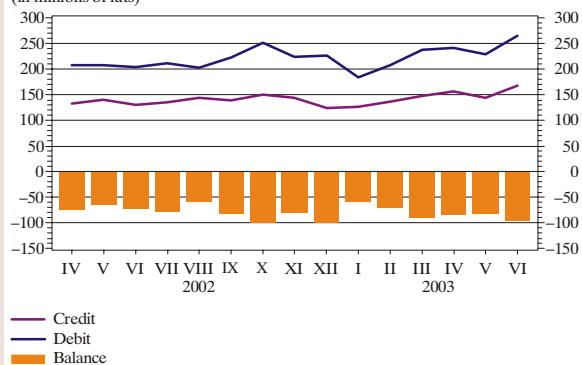
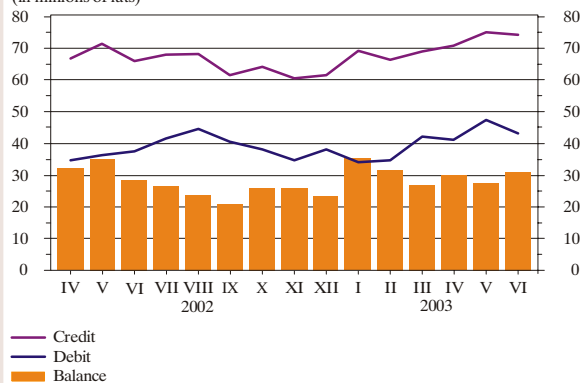
In June, the capital and financial account posted a surplus of 17.2 million lats.

In June, the net inflow of direct investment (mostly as reinvested earnings) reached 14.4 million lats. Direct investment abroad by residents was rather small, and the surplus of direct investment amounted to 13.6 million lats in June.

With residents (mostly banks) increasing portfolio investments in securities (mostly bonds and notes) and non-residents acquiring Latvian securities on a smaller scale (in the amount of 9.0 million lats), portfolio investment recorded a net outflow of 22.1 million lats.

In June, a net inflow of 19.5 million lats was reported in other investment. Demand deposits attracted by banks from non-residents grew by 127.4 million lats, whereas such time deposits declined by 23.2 million lats. Thus banks' other investment liabilities against non-residents rose by 103.1 million lats, and, with banks increasing their demand deposits with non-resident credit institutions (by 153.3 million lats) and with loans declining, banks' other investment on the asset side grew by 94.0 million lats. Borrowing by other sectors also increased (by 14.4 million lats), largely as long-term liabilities.

With the Bank of Latvia mostly meeting its contractual obligations under currency swap agreements, reserve assets declined by 11.4 million lats in June.

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 ¹	Services	Income	Current transfers	Direct investment		Portfolio investment	Financial derivatives	Other investment	Reserve assets			
2002													
IV	-34.3	-74.8	32.0	-4.4	12.9	0.9	30.8	17.9	-54.7	-0.7	56.4	11.9	2.6
V	-32.6	-66.9	35.1	-8.9	8.1	1.0	64.3	26.4	-32.8	6.8	54.4	9.5	-32.6
VI	-40.3	-73.7	28.4	-8.4	13.4	0.6	-3.2	37.0	23.1	-1.1	-73.2	11.0	42.9
VII	-43.3	-78.0	26.4	-6.0	14.3	1.0	55.9	20.4	-5.5	-3.0	32.6	11.4	-13.6
VIII	-20.4	-58.5	23.7	-1.5	15.8	0.4	13.4	20.3	-23.0	2.4	56.3	-42.7	6.7
IX	-45.9	-83.4	21.0	-4.1	20.5	0.9	57.3	20.2	8.6	2.6	36.8	-10.9	-12.3
X	-55.2	-100.4	26.0	6.7	12.5	0.9	61.4	9.1	-31.5	-2.8	41.7	44.9	-7.2
XI	-35.1	-80.9	25.8	3.0	16.9	1.0	41.9	10.4	22.6	-0.7	-8.4	17.9	-7.8
XII	-59.9	-101.7	23.5	5.3	12.9	0.6	64.8	10.2	-19.4	4.8	129.7	-60.5	-5.5
2003													
I	-6.4	-58.6	35.2	-0.7	17.7	0.2	23.2	21.1	-32.5	2.2	-14.8	47.3	-17.1
II	-24.2	-71.6	31.6	0.1	15.6	0.6	31.2	19.1	-35.2	-1.7	77.6	-28.7	-7.6
III	-43.4	-90.7	26.8	-0.2	20.7	0.4	5.0	28.3	28.8	-5.6	-117.2	70.7	38.0
IV	-36.3	-84.6	29.8	-1.5	20.0	0.4	42.6	26.4	-11.5	6.7	67.0	-46.1	-6.6
V	-57.2	-83.7	27.6	-16.3	15.3	0.8	52.8	27.1	16.2	4.5	43.5	-38.6	3.6
VI	-51.2	-97.5	30.9	-11.0	26.4	1.7	15.5	13.6	-22.1	-6.9	19.5	11.4	33.9

CURRENT AND CAPITAL ACCOUNTS

(in millions of lats)

	Current account										Capital account	
	Goods ¹		Services		Income		Current transfers		Credit	Debit		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit				
2002												
IV	239.1	273.4	132.9	207.7	66.8	34.7	14.1	18.6	25.3	12.4	1.2	0.3
V	246.5	279.1	140.3	207.2	71.4	36.3	14.0	22.9	20.7	12.7	1.2	0.2
VI	235.9	276.3	130.5	204.3	66.0	37.6	14.3	22.7	25.1	11.7	1.0	0.4
VII	243.2	286.6	134.5	212.5	67.9	41.5	14.0	20.0	26.9	12.6	1.9	0.9
VIII	260.0	280.4	143.8	202.4	68.2	44.5	14.7	16.2	33.2	17.4	0.8	0.5
IX	250.2	296.1	139.8	223.1	61.6	40.5	13.8	17.9	35.0	14.5	1.2	0.3
X	264.1	319.3	150.6	251.0	64.1	38.1	15.4	8.7	34.0	21.5	1.2	0.2
XI	252.2	287.4	143.1	224.0	60.5	34.7	15.3	12.4	33.2	16.3	1.2	0.1
XII	238.1	298.0	124.5	226.2	61.6	38.1	19.4	14.0	32.6	19.7	1.2	0.6
2003												
I	242.3	248.7	125.7	184.3	69.2	34.0	15.6	16.3	31.8	14.1	0.3	0.1
II	248.5	272.7	136.2	207.7	66.4	34.7	15.8	15.7	30.1	14.5	0.9	0.3
III	268.1	311.5	147.2	237.9	68.9	42.1	17.6	17.8	34.5	13.8	0.7	0.3
IV	281.1	317.4	156.7	241.4	70.9	41.2	16.8	18.3	36.6	16.6	0.8	0.3
V	271.7	328.8	144.6	228.3	75.0	47.4	16.3	32.6	35.8	20.5	1.0	0.2
VI	299.2	350.4	167.6	265.1	74.1	43.2	17.2	28.2	40.3	13.9	1.8	0.1

¹ The item *Goods* covers general merchandise and goods for processing (the basic source for these two items is foreign trade statistics published by the Central Statistical Bureau of Latvia), repairs on goods, goods procured in ports by carriers, and non-monetary gold. The data on exports and imports of general merchandise, collected by the Central Statistical Bureau of Latvia, have been adjusted in conformity with the methodology for compiling the balance of payments.

CURRENT ACCOUNT: INCOME

(in millions of lats)

	Income		Compensation of employees				Investment income					
	Credit	Debit	Credit	Debit	Credit	Debit	Direct investment		Portfolio investment		Other investment	
							Credit	Debit	Credit	Debit	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2002												
IV	14.1	18.6	6.8	0.2	7.3	18.3	0	11.1	4.0	1.2	3.3	6.1
V	14.0	22.9	7.0	0.2	7.0	22.6	0	16.3	3.9	1.2	3.0	5.2
VI	14.3	22.7	6.9	0.2	7.4	22.5	0	15.2	3.8	1.3	3.6	6.0
VII	14.0	20.0	6.9	0.2	7.0	19.8	0	14.6	4.3	1.2	2.7	4.0
VIII	14.7	16.2	7.1	0.2	7.6	16.0	0	10.1	4.4	1.2	3.2	4.7
IX	13.8	17.9	7.1	0.2	6.8	17.7	0	11.5	3.9	1.2	3.0	5.0
X	15.4	8.7	7.2	0.2	8.1	8.4	0	1.2	4.4	1.2	3.7	6.0
XI	15.3	12.4	7.3	0.2	8.1	12.1	0	5.2	5.0	1.4	3.1	5.5
XII	19.4	14.0	7.4	0.3	11.9	13.8	0	3.2	8.5	4.4	3.3	6.2
2003												
I	15.6	16.3	7.3	0.2	8.3	16.1	0.1	9.4	5.4	2.2	2.8	4.5
II	15.8	15.7	7.4	0.2	8.4	15.5	0.1	8.8	5.8	2.5	2.6	4.1
III	17.6	17.8	7.7	0.2	9.8	17.6	0.2	10.0	6.7	2.8	2.9	4.8
IV	16.8	18.3	8.0	0.3	8.8	17.9	0.2	9.7	5.8	2.7	2.9	5.5
V	16.3	32.6	7.8	0.2	8.5	32.4	0.2	25.8	5.5	2.9	2.8	3.6
VI	17.2	28.2	7.7	0.2	9.5	27.9	0.2	20.1	6.1	2.6	3.2	5.2

FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment								
	Abroad		Equity capital		Reinvested earnings		Other capital		
			Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia	Abroad
2002									
IV	-0.7		18.6	-1.1	6.6	0	6.9	0.3	5.1
V	-0.9		27.3	-1.2	12.9	0	7.9	0.3	6.4
VI	-1.2		38.2	-1.5	22.1	0	8.9	0.3	7.2
VII	-0.4		20.9	-0.8	7.7	0	8.5	0.3	4.6
VIII	0.5		19.8	0.1	7.4	0	8.5	0.4	3.9
IX	0.3		19.8	-0.1	6.1	0	9.6	0.4	4.1
X	-0.9		10.0	-0.2	8.5	0.1	-0.1	-0.7	1.7
XI	-0.5		10.9	0.3	9.2	0.1	0.8	-0.8	0.9
XII	-1.9		12.0	-1.0	10.3	0.1	1.4	-0.9	0.3
2003									
I	-0.9		21.9	-0.4	7.4	0	7.6	-0.5	6.9
II	-2.4		21.5	-1.9	7.7	0	6.8	-0.5	7.1
III	-0.9		29.2	-0.5	9.1	0	8.1	-0.4	12.0
IV	-0.6		27.0	-0.2	11.1	-0.2	8.2	-0.2	7.6
V	0.5		26.7	0.5	13.1	-0.2	9.6	0.1	4.0
VI	-0.8		14.4	-0.5	0.6	-0.2	10.5	-0.1	3.3

FINANCIAL ACCOUNT: PORTFOLIO INVESTMENT AND FINANCIAL DERIVATIVES

(net flows; in millions of lats)

	Portfolio investment										Financial derivatives			
	Assets	Liabilities	Equity securities		Debt securities					Assets	Liabilities			
			Assets	Liabilities	Assets	Bonds and notes		Money market instruments	Liabilities			Bonds and notes		Money market instruments
2002														
IV	-51.3	-3.3	-0.9	-0.5	-50.4	-53.0	2.5	-2.8	-2.8	0	-1.8	1.1		
V	-25.4	-7.4	2.1	-4.7	-27.5	-31.0	3.5	-2.8	-2.8	0	0.7	6.1		
VI	12.3	10.8	-0.3	13.3	12.6	8.1	4.4	-2.4	-2.4	0	-5.5	4.4		
VII	6.3	-11.9	0.7	-13.1	5.6	-1.8	7.4	1.2	1.2	0	1.2	-4.1		
VIII	-24.7	1.7	0.1	-1.7	-24.8	-24.9	0.1	3.4	3.4	0	4.4	-1.9		
IX	3.9	4.7	0.2	1.0	3.7	0.8	2.9	3.6	3.6	0	1.2	1.4		
X	-31.8	0.4	11.1	0.2	-43.0	-41.8	-1.1	0.2	0.2	0	-0.5	-2.3		
XI	21.8	0.8	1.2	-0.2	20.7	20.4	0.3	0.9	0.9	0	0.1	-0.8		
XII	-17.9	-1.5	-2.8	-0.1	-15.1	-16.4	1.3	-1.3	-1.3	0	-1.7	6.6		
2003														
I	-33.4	0.9	2.9	0	-36.3	-36.5	0.1	0.9	1.0	-0.1	0.2	2.0		
II	-34.3	-0.8	-1.1	0.3	-33.2	-20.4	-12.8	-1.1	-1.0	-0.1	0.7	-2.4		
III	25.9	2.8	-1.1	0.7	27.0	15.3	11.8	2.2	2.2	-0.1	-2.9	-2.7		
IV	-15.9	4.4	0	4.5	-15.9	-15.6	-0.2	-0.2	-0.2	0	0.2	6.5		
V	13.3	2.9	-0.7	1.9	14.1	16.8	-2.7	1.0	1.0	0	-1.9	6.4		
VI	-31.1	9.0	1.9	4.0	-33.0	-30.0	-3.0	5.1	5.1	0	-0.5	-6.3		

FINANCIAL ACCOUNT: OTHER INVESTMENT

(net flows; in millions of lats)

	Other investment									
	Assets	Liabilities	Monetary authorities		General government		Banks		Other sectors	
			Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
2002										
IV	50.3	6.1	0	-6.7	2.0	-1.0	41.6	7.3	6.7	6.4
V	32.7	21.7	0.1	0.1	0.1	0.2	27.7	24.9	4.8	-3.4
VI	-100.7	27.5	0	1.0	-0.9	-0.4	-104.0	17.8	4.2	9.1
VII	-20.4	53.0	0.2	-4.0	0.2	0	-16.3	52.6	-4.4	4.3
VIII	-16.3	72.7	0	-0.2	0.1	0.5	-23.5	69.6	7.1	2.7
IX	32.2	4.6	-0.1	0	0.6	-0.4	48.5	0.1	-16.8	5.0
X	-91.5	133.2	0	0.1	-0.2	0.3	-92.5	127.2	1.2	5.7
XI	-5.8	-2.6	-0.1	-0.2	-0.1	0	-18.4	-9.0	12.9	6.6
XII	-67.6	197.4	-0.1	-1.8	0.2	-0.1	-70.5	190.1	2.8	9.2
2003										
I	-61.3	46.5	0.1	-1.3	-0.3	-7.2	-54.7	57.1	-6.4	-2.0
II	159.8	-82.2	0	0.3	-0.5	-0.3	170.5	-79.0	-10.2	-3.1
III	-125.9	8.7	0	-0.6	0	-2.8	-118.6	16.4	-7.4	-4.3
IV	-2.6	69.6	-0.1	2.1	-0.2	-1.7	2.3	63.9	-4.6	5.2
V	4.0	39.5	0	-1.9	0.1	-0.4	7.7	42.7	-3.8	-0.8
VI	-96.2	115.7	0.1	-1.6	0	-0.2	-94.0	103.1	-2.3	14.4

In some cases, electronic data processing technologies may have led to slight discrepancies between the total amount shown and the sum of the subitems. Latvia's balance of payments (key items) is first published on the Bank of Latvia's website (www.bank.lv).