

LATVIA'S BALANCE OF PAYMENTS (KEY ITEMS)

12 • 2003
MONTHLY BULLETIN

According to preliminary data, in the fourth quarter of 2003, the current account deficit ratio to GDP did not record considerable changes year-on-year, but posted a slight decline in comparison with the second and third quarters of 2003.

In December, the current account deficit of the balance of payments reached 73.8 million lats, its increase being determined by a rise in the goods deficit. A year-on-year pickup in the current transfers surplus offset the drop in the services and income surplus. An increase in exports of goods in December (23.7%) as well as in the fourth quarter (16.4%) exceeded that in imports of goods (21.6% and 15.5%, respectively). In 2003, imports of goods recorded a higher increase than their exports.

The services, income and current transfers surplus covered 39.0% of the goods deficit.

The services surplus shrank by 5.9 million lats year-on-year, mostly due to a rise in imports of travel services. No considerable changes were recorded in the transportation services surplus. In December, exports of transportation services by rail and road continued to grow, and imports of transportation services also posted a pickup. The surplus of other services slightly increased, with their imports and exports expanding. Exports of construction services increased considerably year-on-year.

The income surplus posted a drop of 3.4 million lats year-on-year. A rise in the remuneration of residents employed abroad continued to grow (a pickup of 1.6 million lats). The income from non-resident direct investment in Latvia also increased (by 4.4 million lats). According to preliminary data, in 2003 income from non-resident direct investment in Latvia rose by 40.8 million lats year-on-year, reaching 136.5 million lats.

The current transfers surplus continued to grow (by 12.4 million lats), the rise being determined by a pickup in current transfers received by the Government and other sectors.

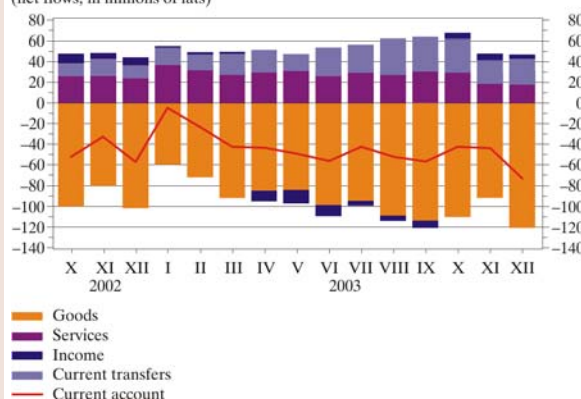
The surplus of the financial and capital account was 68.0 million lats.

The net inflow of direct investment was 10.6 million lats. Non-residents invested in Latvia 12.9 million lats as direct investment (mostly in companies' equity in the amount of 9.1 million lats). According to preliminary data, in 2003, direct investment in Latvia amounted to 200.4 million lats, and residents invested 19.9 million lats abroad.

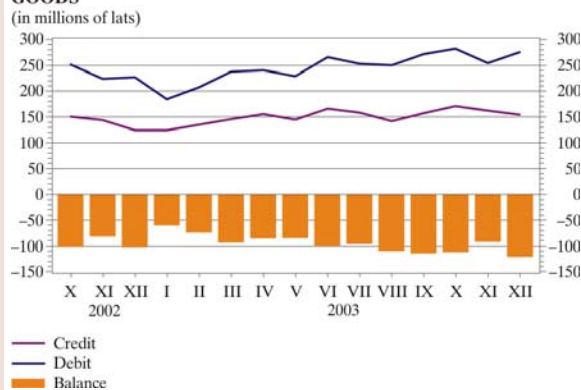
Portfolio investment posted a net inflow of 51.5 million lats. Residents (mostly banks) reduced their investment in foreign debt securities, resulting in a 38.8 million lats drop on the assets side of portfolio investment. With non-residents mostly acquiring equities (shares) in Latvian banks and enterprises, liabilities under portfolio investment grew by 12.7 million lats.

With banks receiving long-term and short-term time deposits and the Government repaying long-term foreign loans in the amount of 47.9 million lats, residents' other investment on the liabilities side increased by 42.4 million lats. Residents' other investment on the asset side posted a pickup of equal value, mostly as a result of banks granting long-term and short-term loans.

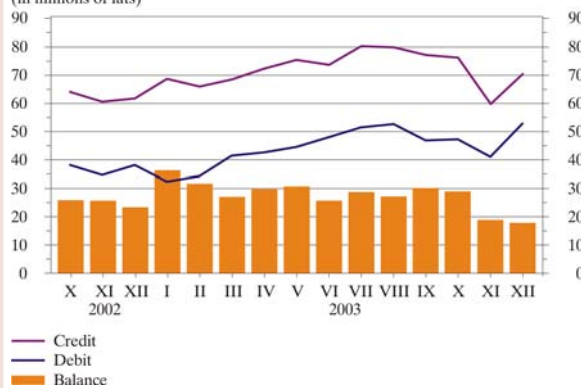
CURRENT ACCOUNT
(net flows; in millions of lats)



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													
X	-52.8	-100.4	26.0	9.1	12.5	0.9	57.7	6.8	-31.6	-2.8	40.4	44.9	-5.8
XI	-32.8	-80.9	25.8	5.4	16.9	1.0	38.1	8.2	22.4	-0.7	-9.7	17.9	-6.4
XII	-57.7	-101.7	23.5	7.6	12.9	0.6	60.4	6.6	-19.5	4.8	129.0	-60.5	-3.3
2003													
I	-4.9	-59.9	36.5	0.8	17.7	0.2	24.3	20.4	-32.1	2.2	-13.5	47.3	-19.6
II	-23.6	-72.9	31.8	1.9	15.6	0.7	31.6	18.5	-34.9	-1.7	78.4	-28.7	-8.6
III	-42.8	-92.1	27.2	1.4	20.7	0.4	1.4	23.6	28.6	-5.6	-115.9	70.7	40.9
IV	-43.8	-85.3	29.8	-9.7	21.5	1.3	37.7	18.6	-14.9	6.7	73.4	-46.1	4.8
V	-49.4	-84.1	30.8	-12.6	16.5	1.6	60.1	24.2	17.0	4.6	52.9	-38.6	-12.3
VI	-56.5	-99.0	25.7	-10.6	27.3	2.8	15.2	19.5	-21.9	-6.9	13.1	11.4	38.6
VII	-43.0	-95.2	28.9	-4.4	27.6	1.4	64.9	4.2	-25.6	-0.3	90.1	-3.5	-23.3
VIII	-52.5	-109.3	27.4	-5.1	34.5	1.2	68.3	0.1	-31.4	-4.5	90.7	13.5	-17.0
IX	-57.2	-114.2	30.3	-6.8	33.4	2.4	-6.2	-0.3	-41.2	6.0	106.6	-77.4	61.0
X	-43.0	-110.7	29.1	6.0	32.5	1.7	31.4	25.7	-52.8	-1.9	-11.6	71.9	9.9
XI	-44.2	-91.7	18.9	5.9	22.8	1.5	67.5	15.5	20.3	4.7	79.5	-52.4	-24.9
XII	-73.8	-120.9	17.6	4.2	25.3	4.1	63.9	10.6	51.5	0.9	-0.1	1.0	5.9

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												
X	263.9	316.7	150.6	251.0	64.1	38.1	15.3	6.2	33.8	21.3	1.2	0.2
XI	252.2	284.9	143.1	224.0	60.5	34.7	15.3	9.9	33.2	16.3	1.2	0.1
XII	238.0	295.6	124.5	226.2	61.7	38.2	19.3	11.7	32.5	19.6	1.2	0.6
2003												
I	240.1	244.9	124.0	183.9	68.8	32.3	15.6	14.8	31.7	13.9	0.3	0.1
II	246.6	270.2	134.6	207.5	66.0	34.3	15.8	13.9	30.1	14.5	0.9	0.3
III	265.9	308.7	145.3	237.4	68.6	41.4	17.6	16.1	34.4	13.7	0.7	0.3
IV	282.3	326.0	155.1	240.4	72.4	42.6	16.4	26.2	38.4	16.9	1.6	0.3
V	273.6	323.0	144.4	228.5	75.4	44.6	16.3	29.0	37.5	21.0	1.8	0.2
VI	298.4	354.9	166.0	265.0	73.7	48.0	17.1	27.6	41.6	14.2	2.9	0.1
VII	300.8	343.7	157.6	252.8	80.4	51.5	17.5	21.8	45.3	17.6	1.4	0
VIII	292.1	344.6	141.0	250.2	80.0	52.6	18.6	23.7	52.6	18.1	1.6	0.4
IX	300.9	358.1	156.6	270.7	77.2	46.8	18.8	25.6	48.3	14.9	3.0	0.6
X	321.0	364.0	170.6	281.2	76.3	47.3	19.1	13.1	55.0	22.4	1.9	0.1
XI	280.2	324.4	162.1	253.8	59.9	41.0	17.0	11.0	41.3	18.5	1.7	0.2
XII	304.4	378.2	154.0	275.0	70.5	52.9	18.1	13.9	61.7	36.4	4.3	0.2

Reserve assets decreased by 1.0 million lats. In December, with the market exchange rate of the lats reaching the limit of the intervention band, the Bank of Latvia purchased foreign currency from banks, resulting in an increase in reserve assets. However, with the Bank of Latvia meeting its contractual obligations under currency swap agreements, at the end of December reserve assets were close to the level of the previous month. In 2003, reserve assets increased by 30.9 million lats.

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							
					Direct investment		Portfolio investment		Other investment			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
2002												
X	15.3	6.2	7.2	0.2	8.1	6.0	0	-1.2	4.4	1.2	3.7	6.0
XI	15.3	9.9	7.3	0.2	8.0	9.7	0	2.8	5.0	1.4	3.1	5.5
XII	19.3	11.7	7.4	0.3	11.9	11.5	0	0.7	8.5	4.4	3.3	6.3
2003												
I	15.6	14.8	7.3	0.2	8.3	14.6	0	7.7	5.4	2.1	2.8	4.8
II	15.8	13.9	7.4	0.2	8.4	13.7	0	6.8	5.8	2.5	2.6	4.4
III	17.6	16.1	7.7	0.2	9.8	15.9	0.2	8.2	6.7	2.7	2.9	5.0
IV	16.4	26.2	7.6	0.2	8.8	25.9	0.1	17.7	5.8	2.6	3.0	5.6
V	16.3	29.0	7.9	0.2	8.4	28.7	0.1	21.1	5.5	2.8	2.8	4.8
VI	17.1	27.6	7.9	0.2	9.2	27.4	0.1	19.8	6.1	2.6	3.0	5.0
VII	17.5	21.8	8.1	0.2	9.4	21.6	0.4	14.7	6.1	2.6	2.9	4.3
VIII	18.6	23.7	8.1	0.2	10.5	23.5	0.4	14.0	7.2	5.2	2.8	4.2
IX	18.8	25.6	8.0	0.2	10.8	25.4	0.4	14.4	7.6	6.2	2.8	4.7
X	19.1	13.1	8.7	0.2	10.4	12.9	0	4.1	7.6	3.5	2.8	5.3
XI	17.0	11.0	8.6	0.2	8.4	10.8	0	2.9	5.7	2.9	2.7	5.0
XII	18.1	13.9	9.0	0.2	9.1	13.6	0	5.1	5.8	2.7	3.2	5.9

FINANCIAL ACCOUNT: DIRECT INVESTMENT

(net flows; in millions of lats)

	Direct investment							
			Equity capital		Reinvested earnings		Other capital	
			Abroad	In Latvia	Abroad	In Latvia	Abroad	In Latvia
2002								
X	-0.7	7.6	-0.2	8.4	0.1	-2.6	-0.6	1.8
XI	-0.3	8.5	0.3	9.2	0.1	-1.7	-0.8	1.0
XII	-1.7	8.4	-1.0	10.2	0.1	-1.0	-0.9	-0.8
2003								
I	-0.9	21.3	-0.4	7.7	0	5.2	-0.4	8.3
II	-2.4	20.8	-1.9	7.9	0	4.4	-0.4	8.5
III	-0.9	24.4	-0.5	9.3	0	5.7	-0.4	9.4
IV	-0.2	18.8	-0.7	9.9	-0.1	8.3	0.6	0.6
V	-0.9	25.2	-1.5	15.0	-0.1	9.6	0.6	0.6
VI	-0.5	20.0	-1.1	8.2	-0.1	10.5	0.6	1.4
VII	-2.8	7.0	-1.5	6.6	-0.4	10.7	-0.9	-10.4
VIII	-3.4	3.5	-2.2	3.7	-0.4	10.1	-0.9	-10.4
IX	-3.2	2.9	-1.9	3.3	-0.4	10.5	-0.9	-10.9
X	-0.9	26.6	-0.6	5.1	0	3.1	-0.3	18.4
XI	-1.6	17.0	-1.9	11.0	0	1.5	0.3	4.5
XII	-2.2	12.9	-1.4	9.1	0	2.2	-0.9	1.5

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		Liabilities			
	Bonds and notes	Money market instruments	Bonds and notes	Money market instruments								
2002												
X	-32.0	0.4	11.1	0.2	-43.1	-41.9	-1.2	0.2	0.2	0	-0.5	-2.3
XI	21.6	0.8	1.2	-0.2	20.5	20.3	0.2	0.9	0.9	0	0.1	-0.8
XII	-18.1	-1.5	-2.8	-0.1	-15.3	-16.4	1.2	-1.3	-1.3	0	-1.7	6.6
2003												
I	-33.5	1.5	2.8	-0.1	-36.3	-36.5	0.1	1.5	1.5	0	0.2	2.0
II	-34.1	-0.9	-1.2	0.1	-32.8	-20.4	-12.4	-1.0	-1.0	0	0.7	-2.4
III	25.8	2.8	-1.2	0.6	27.0	15.3	11.8	2.2	2.2	0	-2.9	-2.7
IV	-15.5	0.6	0	0.3	-15.5	-15.2	-0.3	0.2	0.3	0	0.2	6.5
V	13.7	3.3	-0.8	1.4	14.6	17.5	-3.0	1.9	1.9	0	-1.8	6.4
VI	-31.4	9.5	0.1	4.5	-31.6	-28.6	-3.0	5.0	5.1	0	-0.5	-6.3
VII	-26.5	0.9	-0.4	-0.3	-26.1	-29.1	3.0	1.1	1.1	0	1.7	-2.0
VIII	-31.2	-0.1	3.0	-0.9	-34.2	-34.6	0.4	0.8	0.8	0	-1.7	-2.8
IX	-42.9	1.7	-0.8	1.5	-42.1	-42.2	0.1	0.2	0.2	0	1.6	4.5
X	-55.4	2.6	-3.2	-0.8	-52.2	-53.0	0.8	3.4	3.4	0	-1.0	-0.9
XI	22.0	-1.7	-1.0	0.2	23.0	23.0	0	-1.9	-1.9	0	4.3	0.4
XII	38.8	12.7	4.7	11.1	34.1	34.0	0.1	1.6	1.6	0.1	-2.7	3.5

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												
X	-89.5	129.9	0	0.1	-0.2	0.3	-92.5	127.2	3.2	2.4		
XI	-3.8	-5.9	-0.1	-0.2	-0.1	0	-18.4	-9.0	14.9	3.3		
XII	-63.9	192.9	-0.1	-1.8	0.2	-0.1	-70.5	190.1	6.5	4.8		
2003												
I	-61.6	48.1	0.1	-1.3	-0.3	-7.2	-54.7	57.1	-6.7	-0.4		
II	159.5	-81.0	0	0.3	-0.5	-0.3	170.5	-79.0	-10.6	-2.0		
III	-126.2	10.3	0	-0.6	0	-2.8	-118.6	16.4	-7.7	-2.7		
IV	-1.7	75.1	-0.1	2.1	-0.2	-1.7	2.3	63.9	-3.7	10.8		
V	4.5	48.5	0	-1.9	0.1	-0.4	7.7	42.7	-3.3	8.1		
VI	-98.2	111.3	0.1	-1.6	0	-0.2	-94.0	103.1	-4.4	10.0		
VII	-56.9	146.9	0	-1.4	0.3	-0.2	-59.8	142.4	2.6	6.2		
VIII	-29.6	120.3	-0.1	-0.1	0.1	3.3	-32.1	103.2	2.6	13.9		
IX	-26.4	133.0	0	0.2	-0.2	-2.7	-27.0	132.1	0.8	3.4		
X	18.4	-29.9	0	-0.1	0	-2.0	19.7	-34.3	-1.4	6.5		
XI	-134.4	213.9	0.1	0.2	0.1	0.3	-128.1	210.3	-6.5	3.1		
XII	-42.5	42.4	0.1	-1.7	0.7	-47.9	-43.6	80.9	0.3	11.0		

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).