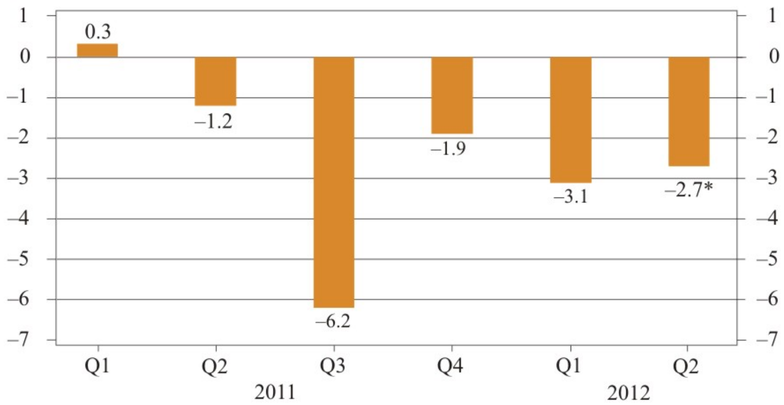
PRESS RELEASE

Riga, 3 September 2012

Latvia's Balance of Payments in the Second Quarter of 2012

In the second quarter of 2012, the current account deficit of Latvia's balance of payments amounted to 103.4 million lats or **2.7%** of the forecast gross domestic product (GDP).

CURRENT ACCOUNT BALANCE
(% of GDP)



* Calculation is based on the Bank of Latvia's GDP forecast.

Note: Data adjusted starting with the first quarter of 2010.

The current account deficit remained broadly unchanged quarter-on-quarter. Foreign trade deficit in goods grew in the second quarter, yet at the same time the surplus of services and current transfers increased.

Foreign trade deficit in goods and services expanded to 164.9 million lats or 4.3% of the forecast GDP in the second quarter, as the growth in the imports of goods quarter-on-quarter slightly outpaced that of the exports of goods. As concerns the trade in services, the growth rate of the exports of services, particularly that of transportation services by air and by road, was higher than that of the imports. Exports of travel services also increased due to seasonal factors.

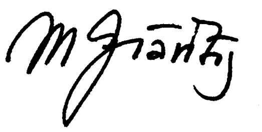
The deficit of the income account grew to 68.1 million lats or 1.8% of the forecast GDP in the second quarter on the account of an increase in the dividends paid to foreign investors. Conversely, the surplus of the current transfers account expanded to 129.5 million lats or 3.4% of the forecast GDP.

In the second quarter, 155.0 million lats were received from EU funds. Payments from the European Regional Development Fund resumed at the end of June and were already reflected in an increase of the capital account (the surplus of the capital account grew to

61.8 million lats or 1.6% of the forecast GDP in the second quarter), whereas the European Social Fund payments resumed in July and will influence the balance of payments in the third quarter.

The financial account recorded a small deficit of 53.3 million lats or 1.4% of the forecast GDP in the second quarter. Foreign direct investment inflows into Latvia (mainly in financial intermediation and manufacturing) totalled 42.5 million lats or 1.1% of the forecast GDP.

According to Eurostat, Latvia recorded the second highest year-on-year nominal export growth in the EU in the first five months of 2012 (14.4%). The increase in the imports of goods, however, was also significant since the manufacturing of export goods requires imports of intermediate goods and resources as well as due to the rising investment. Consequently, the deficit of the foreign trade in goods did not decrease. **Nevertheless, it has to be noted that the current account deficit is small in comparison to the pre-crisis years and overall no significant increase can also be expected in 2012.**



Mārtiņš Grāvītis
Press Secretary of Latvijas Banka

Phone: +371 67022349
Fax: +371 67022429
E-mail: Martins.Gravitis@bank.lv
www.bank.lv; www.macroeconomics.lv