

# LATVIJAS BANKA

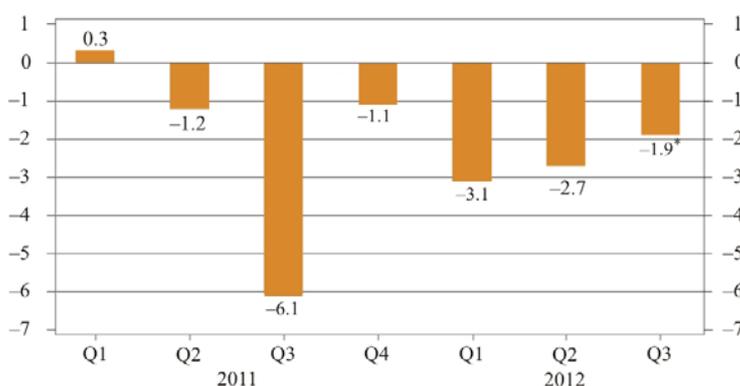
## PRESS RELEASE

Riga, 4 December 2012

### Latvia's Balance of Payments in the Third Quarter of 2012

The rapid export growth, observed over the last few months, accounted for the fall of the **current account deficit** to 74.5 million lats or **1.9%** of the forecast GDP in the **third quarter of 2012**.

#### CURRENT ACCOUNT BALANCE (% of GDP)



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

In the third quarter the foreign trade deficit in **goods and services** contracted to 101.9 million lats. Exports of goods and services expanded by 13.4% year-on-year, with the increase in exports of goods being among steepest in the EU, while imports moved up by 5.3%. Exports of travel and communication services as well as construction increased. The value of transportation services declined quarter-on-quarter, particularly as concerns transportation by rail and sea. In 2013 the transportation sector will also benefit from the raised quotas of transportation by road (to the Ukraine, Georgia and Russia), whereas HARPEX and Baltic Dry indices, reflecting the dynamics of transportation by sea, currently do not point to any essential further growth in this sector.

**The financial account** recorded a small deficit of 135.4 million lats or 3.5% of the forecast GDP in the third quarter. In this period Latvia saw an inflow of foreign direct investment in the amount of 171.4 million lats or 4.4% of the forecast GDP. The most pronounced increase in foreign direct investment was recorded in wholesale and retail trade (from Lithuania), financial intermediation (from Sweden, Cyprus and Lithuania) and transportation and communication sector (from Lithuania, Russia and Sweden). Standard & Poor's and Fitch Ratings upgraded Latvia's credit rating in November: this factor might support foreign direct investment growth in the next period as well.

Although confidence indicators are slightly improving in the EU, the external demand still remains limited and Latvia maintains faster growth than other EU countries. Hence we can generally expect a **minor annual current account deficit**. It is characteristic of other countries as well where, like in Latvia, the income convergence towards the EU

average level is observed. However, such a small deficit which is covered by foreign direct investment and other long-term capital flows, **does not pose any risks to balanced growth of the Latvian economy in the future.**



Mārtiņš Grāvītis  
Press Secretary of Latvijas Banka

Phone: +371 67022349

Fax: +371 67022429

E-mail: [Martins.Gravitis@bank.lv](mailto:Martins.Gravitis@bank.lv)

[www.bank.lv](http://www.bank.lv); [www.macroeconomics.lv](http://www.macroeconomics.lv)