



LATVIJAS BANKA

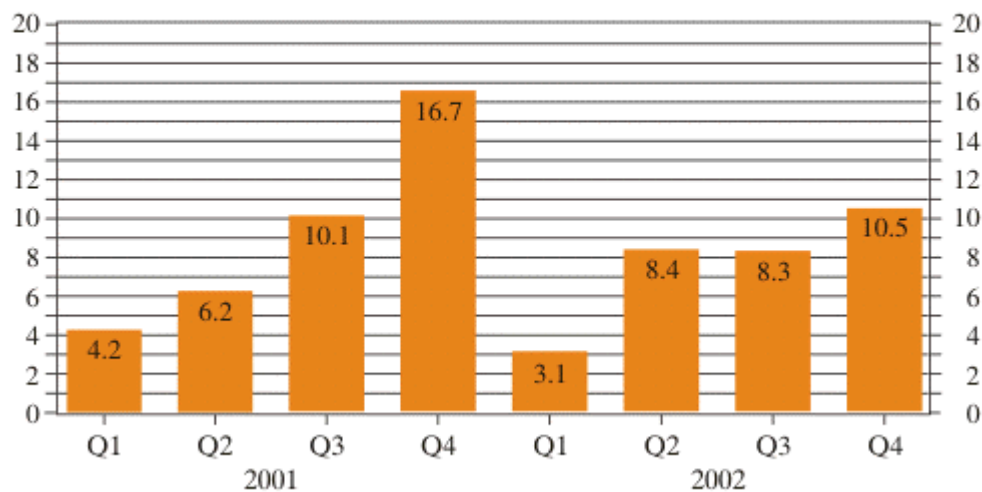
Press Release of March 31, 2003

Latvia's Balance of Payments in the Fourth Quarter of 2002 and in the Year 2002

In the fourth quarter of 2002, the year-on-year decrease of the current account deficit was 68.2 million lats, totaling 150.3 million lats or 10.5% of GDP (in the fourth quarter of 2001, including and excluding purchase of ships 16.7% and 10.8% of GDP, respectively). Exports of goods increased by 21.5%, while imports of goods went up by 3.0%, hence the ratio of the goods deficit to GDP declined substantially (from 25.8% in the fourth quarter of 2001 to 19.7% in the fourth quarter of 2002).

CURRENT ACCOUNT DEFICIT

(% of GDP)



In the fourth quarter, Latvia's exports of goods showed a year-on-year increase of 18.5%, and imports of goods rose by 15.6%. Despite a continued somewhat sluggish economic growth in Europe, exports increased to all EU countries (by 22.4%, reaching 60.9% of total exports). Exports to other countries reported a 16.2% growth, the largest rise being to Estonia, Lithuania, the United States and Norway. The year-on-year growth in exports was 57.9 million lats (most important goods being wood and articles of wood and base metals and articles of base metals).

A year-on-year increase in imports of all basic categories of import goods was recorded (96.1 million lats), the largest rise being in imports of machinery, mechanical appliances and electrical equipment, base metals and articles of base metals and the chemical and allied industries.

In the face of still persisting concerns about negative effects of declining transit sector upon Latvia's economy and payment balance, the services surplus was considerably high and reported a year-on-year increase of 6.0 million lats (to 75.3 million lats). The increase in exports of services (7.9 million lats) was due to the growth in the volume of travel and other services falling into the category of transportation services rendered to non-residents; in

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Latvia's Balance of Payments, Q4, 2002 and Year 2002*

In addition, the increase of transportation services by rail and road offset a decline in other services of transportation by sea related to the transit of oil and products of oil.

With an increase in non-residents' income on direct investment, the income surplus reported a year-on-year decrease (13.6 million lats). The largest income on direct investment non-residents earned in the banking sector.

The year-on-year rise in the current transfer surplus was 22.3 million lats, which was primarily determined by an increase in transfers received by private persons.

The surplus of the capital and financial account was 170.7 million lats (including foreign direct investment of 29.7 million lats). Direct investment in Latvia was made in the amount of 32.9 million lats, of which the largest share (85.0%) went to enterprises' equity capital. Portfolio investment balance was negative (28.2 million lats), as residents (mainly banks) increased their investment in the bonds and notes of the OECD countries. A net inflow of 163.1 million lats was observed in other investment. On the liabilities side, other investment grew by 328.0 million lats, as banks primarily received deposits. On the assets side, other investment went up by 164.9 million lats, as resources were placed in short-term deposits. The Bank of Latvia's reserve assets remained almost unchanged in the fourth quarter of 2002 (a fall by 2.3 million lats).

In 2002, the current account deficit of the payment balance decreased by 57.5 million lats in comparison with the previous year and was 403.1 million lats or 7.8% of GDP (in 2001, including and excluding purchase of ships 9.6% and 7.9%, respectively). Exports of goods, services and current transfers grew faster than imports. The ratio of the goods and current transfers balance to GDP improved, while the ratio of the services surplus to GDP remained unchanged. Though the economic growth rate in Europe was slow, the year-on-year increase in exports of goods was 14.1%; imports of goods increased by 10.5% reflecting high domestic demand.

The increase in exports of goods was determined by growing exports of wood and articles of wood, prepared foodstuffs, base metals and articles of base metals, miscellaneous manufactured articles as well as machinery and mechanical appliances and electrical equipment.

Imports of almost all major categories of goods went up, and only imports of mineral products lagged behind the level of the previous year. The largest growth was reported in imports of machinery, mechanical appliances and electrical equipment, transport vehicles, chemical and allied industries, prepared foodstuffs and base metals and articles of base metals.

Regarding exports and imports of goods, the most important foreign trade partners of Latvia were the EU member states (60.4% and 53.0% of the total turnover, respectively). Exports to the EU countries grew by 10.6%. Exports to other countries also increased substantially (by 16.8%). Latvia's most important partners in export were Germany, the United Kingdom, Sweden, Lithuania, Estonia and Russia, and in imports - Germany, Lithuania, Russia, Finland and Sweden.

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With services to non-residents growing, the services surplus reported a year-on-year increase of 26.0 million lats. The growth in travel services, transportation services by air, rail and road as well as other services rendered to non-residents offset the 2002 decline in the proceeds from other services of transportation by sea and pipeline transportation services, which was due to the reduction in transit of oil and oil products.

The year-on-year decrease in the income balance was 39.6 million lats, and it became negative mainly because of rapidly growing non-residents' income on direct investment and non-residents' income on other investment.

The current transfers surplus increased by 110.5 million lats, mainly owing to the growing volume of the transfers to private persons.

In 2002, Latvia reported the inflow of both long-term and short-term capital. The surplus of direct investment (240.4 million lats) covered 59.6% of the current account deficit and was equal to 4.6% of GDP. Residents (mainly banks through deposits and loans) received 625.2 million lats in other investment. The assets of other investment reported a year-on-year growth of 299.0 million lats, mainly through short-term deposits abroad made by banks. The assets of portfolio investment went up by 137.3 million lats. In 2002, no marked changes were observed in reserve assets.

LATVIA'S BALANCE OF PAYMENTS

(in thousands of lats)

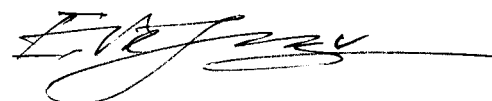
Item	2002				
		I ¹	II ¹	III ¹	IV
CURRENT ACCOUNT					
Goods	-403120	-35948	-107277	-109634	-150262
Credit (exports)	-888433	-170130	-215409	-219908	-282985
Debit (imports)	1588232	348183	403748	418077	418224
Services	-2476665	-518313	-619157	-637985	-701210
Credit (exports)	337356	95335	95547	71170	75304
Debit (imports)	773241	185148	204199	197615	186279
Income	-435885	-89813	-108652	-126445	-110975
Credit	-11788	6536	-21800	-11562	15038
Debit	178202	43219	42367	42529	50087
Current transfers	-189990	-36682	-64167	-54091	-35049
Credit	159745	32311	34386	50666	42382
Debit	330696	64510	71187	95173	99826
	-170950	-32199	-36800	-44507	-57444
CAPITAL ACCOUNT					
Credit	10991	3676	2492	2221	2602
Debit	15200	4382	3412	3878	3527
	-4208	-706	-920	-1657	-926
FINANCIAL ACCOUNT					
Direct investments	432288	45723	91868	126560	168138
Abroad	240440	68689	81242	60849	29660
in Latvia	-5348	359	-2821	364	-3249
Portfolio investment	245788	68331	84063	60486	32908

Bank of Latvia:
Latvia's Balance of Payments, Q4, 2002 and Year 2002

Assets (investment in foreign securities)	-143301	-30708	-64387	-19968	-28238
Equity securities	-137322	-30457	-64446	-14500	-27919
Debt securities	-1725	-13136	879	1061	9472
Bonds and notes	-135597	-17321	-65325	-15561	-37390
Money market instruments	-166246	-26602	-75851	-25953	-37839
Liabilities (foreign investment in Latvian securities)	30649	9282	10527	10392	448
Equity securities	-5979	-251	59	-5468	-319
Debt securities	14761	20451	8129	-13745	-74
Bonds and notes	-20740	-20702	-8070	8278	-245
Money market instruments	-19942	-19937	-8037	8278	-246
Financial derivatives	-798	-766	-33	0	1
Assets	7981	-447	5017	2065	1346
Monetary authorities	-4549	-2607	-6559	6739	-2122
General government	-1725	799	-4689	4372	-2207
Banks	0	0	0	0	0
Other sectors	-2178	-2767	-1870	2367	93
Liabilities	-647	-639	0	0	-8
Monetary authorities	12530	2160	11576	-4674	3468
General government	859	-1338	3139	-3270	2328
Banks	0	0	0	0	0
Other sectors	9565	2269	8437	-2169	1027
Other investment	2106	1229	0	765	113
Assets (Latvia's loans to foreign countries etc.)	326189	-346	37649	125787	163099
Monetary authorities	-298965	-111902	-17666	-4458	-164938
General government	-121	8	110	45	-283
Banks	3952	1854	1208	902	-12
Other sectors	-295446	-87935	-34665	8645	-181492
Liabilities (foreign loans to Latvia etc.)	-7351	-25829	15681	-14051	16848
Monetary authorities	625154	111556	55315	130245	328038
General government	-6856	4878	-5594	-4200	-1941
Banks	-1908	-944	-1271	121	186
Other sectors	601121	120540	50039	122228	308314
	32798	-12919	12141	12096	21479
RESERVE ASSETS					
	979	8535	32347	-42173	2271
Net errors and omissions					
	-40160	-13451	12917	-19147	-20478

¹ Data have been revised.

Item



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