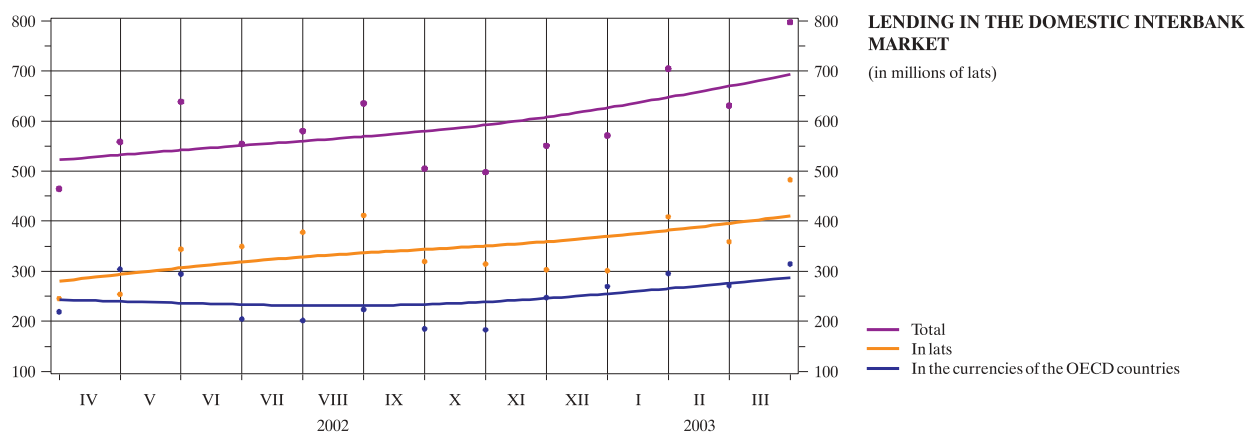


The data on the industrial and retail trade growth in February, made available to the public, as well as the economic situation in March indicated a robust growth of the national economy. Developments in the financial sector and the stable fiscal situation also confirmed that. In March, CPI increased by 0.5%, and the annual consumer price inflation was 2.2%. A price rise of non-food products had the most significant impact on it: prices of fuel, medicine and clothing and footwear increased by 2.2%, 1.9% and 1.6%, respectively. Rising food prices also pushed up the price level (by 0.5%, including 5.9% for vegetables and 3.5% for fruit).

Broad money M2X increased by 34.9 million lats or 1.9% month-on-month. Deposits of domestic enterprises and private persons were by 35.8 million lats or 2.7% higher than in February. The annual growth rate of broad money and its components, deposits of domestic enterprises and private persons and cash in circulation, declined to 16.3%, 17.8% and 12.5%, respectively. After a relatively stable period of half a year, the growth of deposits in foreign currencies accelerated (21.6 million lats, reaching its high since March 2002). Deposits in lats increased by 14.2 million lats. Demand deposits recorded a considerable growth (30.7 million lats), reaching 56.4% of total deposits. Although cash in circulation increased by 6.8 million lats, cash outside banks decreased by 0.9 million lats due to a substantial increase in vault cash.

Although growth in the money supply resulted from an increase in the banking system's net domestic assets (30.1 million lats), its net foreign assets also recorded a slight increase, in contrast to the last six months. Loans granted to domestic enterprises and private persons showed a lower growth in March (55.5 million lats) than in February, with the annual growth rate dropping to 38.2%. Loans to private persons increased in excess of loans to enterprises (by 5.0% and 2.2%, respectively). Both long-term and short-term loans demonstrated an upward trend. The growth rate of loans granted in lats and in foreign currencies was about the same. Mortgage loans recorded the highest pickup (20.1 million lats or 4.6%), while industrial credit rose by 14.2 million lats. With government deposits with banks increasing, the banking system's net credit to the Government fell by 15.1 million lats.



In March, credit institutions' assets grew by 117.3 million lats or 2.7% (to 4.4 billion lats). Credit institutions' foreign assets posted a rapid growth, while foreign liabilities showed a slight increase. In the first three months of 2003, banks' profit amounted to 14.5 million lats (a year-on-year increase of 19.8%).

The weighted average interest rate on short-term and long-term loans in lats, granted to domestic enterprises and private persons, showed minor changes month-on-month and was 5.2% and 7.7%, respectively. The weighted average interest rate on short-term loans granted in the OECD currencies rose to 4.7%, while that on long-term loans declined to 5.3%. Stable weighted average interest rates were reported for short-term deposits (2.8% and 2.0% for deposits made in lats and the OECD currencies, respectively). The weighted average interest rate on long-term deposits in lats increased to 5.2%, while that of long-term deposits in the OECD currencies decreased to 3.3%.

In March, the fiscal deficit of the general government consolidated budget was 0.8 million lats only, and in the first three months of 2003, the surplus in the budget totalled 13.9 million lats (the fiscal deficit for the corresponding period of 2002 was 3.2 million lats). In the first three months of 2003, the general government consolidated budget

revenue and expenditure increased by 8.3% and 4.4%, respectively. Excise tax income showed the highest growth (20.0%).

Public debt rose by 28.3 million lats (to 801.5 million lats). The external debt remaining almost constant, the net issue of government securities contributed most to the growth in the public debt.

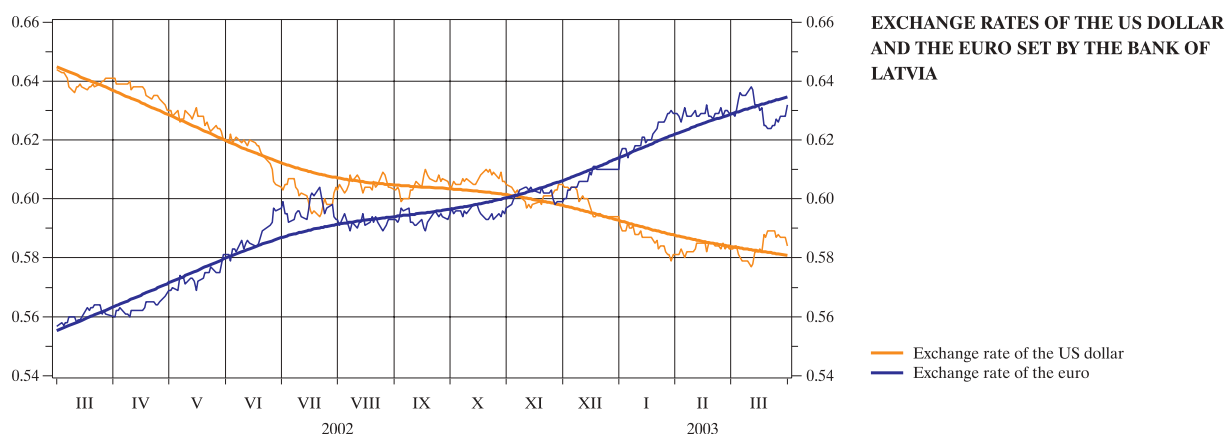
In March, a 10-year government bond auction was held, where banks purchased all offered securities in the amount of 20.0 million lats, with the average yield of 4.97% (22 basis points lower than in the first 10-year bond auction in February). In addition, bonds with the same yield were sold at a fixed-rate (non-competitive) auction in the amount of 5.0 million lats at the Latvian Central Depository. Likewise, a 6-month bill auction showed high demand, with securities in the amount of 3.6 million lats sold at an average discount rate of 3.04% (40 basis points lower than at the previous 6-month bill auction in September 2002). The entire amount offered (0.9 million lats) was also sold at the 6-month bill fixed-rate (non-competitive) auction at the Latvian Central Depository.

An increase in the reserve requirement determined by the growth in deposits and the growing demand for lats facilitated the demand for loans under repurchase agreements issued by the Bank of Latvia and the interbank market turnover. In March, the Bank of Latvia issued repo loans in the amount of 135.3 million lats (1.5 times exceeding their amount in February), with the weighted average interest rate of 2.8%. The domestic interbank market demonstrated a particularly high turnover (797.9 million lats), but the weighted average interest rate on interbank credits granted in lats remained low at 2.6%. For almost the entire month the average overnight RIGIBOR was below 3.0%.

The turnover of short-term foreign currency swap transactions was considerably lower than in February (20.8 million lats), and foreign currency swaps showed a significant decline (from 125.3 million lats at the end of February to 42.6 million lats at the end of March). Hence, despite the central bank's interventions on the foreign exchange market, purchasing foreign currency in the net amount of 12.9 million lats, the Bank of Latvia's net foreign assets decreased by 71.7 million lats in March.

The exchange rate of the US dollar against the lats increased by 0.7%, while that of euro decreased by 0.2%.

The Latvian Statistical Bureau has changed the methodology of calculating the unemployment rate in order to fully comply with the international requirements regarding the indicator. So far, the unemployment rate was derived from the number of the unemployed persons registered with the State Unemployment Service against the number of economically active population over 15 years of age. Since the status of a registered unemployed, as stipulated by



| | 2003 | |
|---|------------------|------------------|
| | II | III |
| Changes in the volume index of industrial output (year-on-year basis; %) ¹ | 9.9 | * |
| Changes in the CPI | | |
| Month-on-month basis (%) | 0.3 | 0.5 |
| Year-on-year basis (%) | 2.1 | 2.2 |
| Annual rate of core inflation (%) | 1.2 | 1.2 |
| Number of registered unemployed persons (at end of period) | 93 617 | 93 617 |
| Unemployment rate (%) | 8.9 ² | 8.9 ² |
| General government consolidated budget fiscal surplus (in millions of lats) | 14.7 | 13.9 |
| Foreign trade (in millions of lats) | | |
| Exports | 123.0 | * |
| Imports | 206.5 | * |
| Balance | -83.5 | * |

MACROECONOMIC INDICATORS

¹ Seasonally adjusted data.

² The methodology of calculating the unemployment rate has been changed, defining the number of economically active population more precisely.

* Figure available at a later date.

MONETARY INDICATORS

(at end of period; in millions of lats)

(at end of period; in millions of US dollars)*

| | 2003 | |
|--|----------|----------|
| | II | III |
| Banking system | | |
| M2X | 1 879.1 | 1 914.0 |
| Currency outside banks | 531.9 | 531.0 |
| Deposits of domestic enterprises and private persons | 1 347.2 | 1 383.0 |
| Demand deposits | 748.8 | 779.5 |
| Time deposits | 598.4 | 603.4 |
| M2D | 1 330.5 | 1 343.8 |
| Net foreign assets | 307.6 | 312.3 |
| Net domestic assets | 1 571.5 | 1 601.6 |
| Loans to domestic enterprises and private persons | 1 926.7 | 1 982.2 |
| Short-term loans | 310.7 | 318.0 |
| Long-term loans | 1 616.0 | 1 664.2 |
| Credit to the Government (net) | 145.6 | 130.5 |
| Bank of Latvia | | |
| M0 | 751.5 | 703.5 |
| Currency in circulation | 598.1 | 604.9 |
| Deposits with the Bank of Latvia in lats | 153.3 | 98.6 |
| Net foreign assets | 764.8 | 693.1 |
| Net domestic assets | -13.4 | 10.4 |
| Credit | 56.3 | 73.5 |
| To banks | 29.2 | 60.8 |
| To the Government (net) | 27.0 | 12.6 |
| Other items (net) | -69.6 | -63.0 |
| International reserves* | 1 324.16 | 1 187.92 |
| Gold | 88.22 | 82.11 |
| Special Drawing Rights | 0.09 | 0.09 |
| Reserve position in the IMF | 0.08 | 0.08 |
| Foreign convertible currencies | 1 235.77 | 1 105.64 |

EXCHANGE RATES SET BY THE BANK OF LATVIA AND INTEREST RATES

| | 2003 | |
|---|--------|--------|
| | II | III |
| Weighted average interest rate on domestic interbank loans in lats | 2.5 | 2.6 |
| Interest rates on loans to domestic enterprises and private persons | | |
| Short-term loans (in lats) | 5.2 | 5.2 |
| Short-term loans (in the OECD countries' currencies) | 4.4 | 4.7 |
| Long-term loans (in lats) | 7.8 | 7.7 |
| Long-term loans (in the OECD countries' currencies) | 5.9 | 5.3 |
| Interest rates on deposits of domestic enterprises and private persons | | |
| Demand deposits (in lats) | 0.9 | 0.9 |
| Demand deposits (in the OECD countries' currencies) | 0.8 | 0.7 |
| Short-term deposits (in lats) | 2.7 | 2.8 |
| Short-term deposits (in the OECD countries' currencies) | 2.0 | 2.0 |
| Long-term deposits (in lats) | 4.9 | 5.2 |
| Long-term deposits (in the OECD countries' currencies) | 3.6 | 3.3 |
| The Bank of Latvia's refinancing rate (at end of period; %) | 3.0 | 3.0 |
| Exchange rates of foreign currencies (at end of period) | | |
| LVL/USD | 0.5830 | 0.5870 |
| LVL/GBP | 0.9240 | 0.9200 |
| LVL/100 JPY | 0.4980 | 0.4890 |
| LVL/EUR | 0.6290 | 0.6280 |

the Republic of Latvia law, can be granted to persons of working age only, in order to prevent incompatibility of age groups, data on registered unemployed persons and economically active population within one age group—from 15 years of age till the retirement age—are used in the calculations now. According to the recalculated data, the

unemployment rate both in February and March was 8.9% (the number of registered unemployed persons increased by 0.5%).

In March, the volume of cargos transported by rail expanded by 12.6% year-on-year. As a result of declining oil transit and unfavourable climatic conditions, cargo turnover in Latvian ports dropped 16.0% year-on-year.

In March, the producer price index in industry indicated a rise of 0.6% month-on-month.

February showed a continued growth in all major industries. The seasonally adjusted output in manufacturing was up by 8.5%, in electricity, gas and water supply by 8.8%, and in mining and quarrying by 31.3% year-on-year. The volume index of industrial output rose by 9.9% and retail trade turnover by 14.3%.

| | 2003 | |
|--|----------------|----------------|
| | II | III |
| Bank reserves | 218.0 | 172.2 |
| Vault cash in national currency | 66.2 | 73.9 |
| Deposits with the Bank of Latvia | 151.8 | 98.3 |
| Foreign assets | 1 724.2 | 1 824.8 |
| Vault cash in foreign currency | 46.8 | 48.4 |
| Claims on foreign banks | 1 041.8 | 1 154.1 |
| Claims on foreign non-banks | 615.3 | 595.8 |
| Other assets | 20.2 | 26.5 |
| Claims on the central government (net) | 102.5 | 107.7 |
| Claims on local governments (net) | 16.0 | 10.2 |
| Claims on public enterprises | 106.3 | 102.5 |
| Claims on private enterprises | 1 385.2 | 1 421.6 |
| Claims on private persons | 460.1 | 483.3 |
| Unclassified assets | 307.5 | 314.9 |
| Fixed assets | 106.1 | 109.4 |
| Items in transit | 6.4 | 4.1 |
| Other assets | 51.8 | 50.6 |
| Claims on domestic credit institutions (incl. investments) | 143.2 | 150.8 |
| TOTAL ASSETS | 4 319.9 | 4 437.2 |
| <i>Memo item: Trust assets</i> | <i>481.5</i> | <i>555.7</i> |
| Demand deposits | 442.5 | 459.7 |
| Public enterprises | 28.3 | 30.9 |
| Private enterprises | 208.5 | 215.8 |
| Private persons | 205.7 | 213.0 |
| Time deposits | 356.1 | 353.1 |
| Public enterprises | 39.1 | 34.1 |
| Private enterprises | 106.2 | 105.9 |
| Private persons | 210.8 | 213.1 |
| Foreign currency deposits of residents | 548.6 | 570.1 |
| Public enterprises | 19.3 | 26.8 |
| Private enterprises | 177.7 | 187.2 |
| Private persons | 351.7 | 356.2 |
| Transit funds | 10.0 | 9.6 |
| Foreign liabilities | 2 181.4 | 2 205.6 |
| Liabilities to foreign banks | 525.7 | 464.5 |
| Liabilities to foreign non-banks | 1 573.2 | 1 646.2 |
| Other liabilities (incl. subordinated liabilities) | 82.5 | 94.9 |
| Liabilities to the Bank of Latvia | 29.3 | 60.8 |
| Debt securities | 45.5 | 43.8 |
| Equity | 399.7 | 398.4 |
| Residents | 217.4 | 216.3 |
| Non-residents | 182.3 | 182.1 |
| Provisions | 62.5 | 63.6 |
| Unclassified liabilities | 244.2 | 272.4 |
| Items in transit | 75.0 | 91.6 |
| Other liabilities (incl. subordinated liabilities) | 37.7 | 39.5 |
| Liabilities to domestic credit institutions | 131.5 | 141.3 |
| TOTAL LIABILITIES | 4 319.9 | 4 437.2 |
| <i>Memo item: Trust liabilities</i> | <i>481.5</i> | <i>555.7</i> |

CONSOLIDATED BALANCE SHEET OF CREDIT INSTITUTIONS

(at end of period; in millions of lats)

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The IMF's Dissemination Standards Bulletin Board (<http://dsbb.imf.org>) disseminates the release dates for monetary indicators of the Latvian banking system, monetary indicators of the Bank of Latvia and international reserves. The data are first made available on the Bank of Latvia's website (<http://www.bank.lv>).