

## BALANCE OF PAYMENTS<sup>1</sup>

### of the Republic of Azerbaijan for January – June, 2016

*In January - June, 2016 external economic operations had positive balance on the oil-and-gas sector and negative balance on the non-oil sector.*

*Total proceeds of the oil-and-gas sector chiefly stem from oil-and-gas export and foreign capital attracted to the sector. Payments on this sector reflect repatriation of profit and investments, and import of equipment and services. Total positive surplus on the oil-and-gas sector in January – June, 2016 amounted to USD2.9 B.*

#### *Key indicators of the balance of payments for January – June, 2016*

Mln. \$

|  |                |
|--|----------------|
| <b><i>Current operations</i></b>   | <b>-801.9</b>  |
| Foreign trade balance  | 1933.6         |
| Services balance   | -1755.9        |
| Primary income balance   | -1002.7        |
| - Investment income repatriation   | -892.1         |
| Secondary income balance   | 23.1           |
| <b><i>Capital account</i></b>  | <b>-40.0</b>   |
| <b><i>Financial account</i></b>  | <b>-2180.9</b> |
| <i>Net financial assets</i>  | 4072.8         |
| <i>including:</i>  |                |
| - direct investments abroad  | 1490.0         |
| - portfolio investments  | -82.1          |
| - derivatives  | -0.7           |
| - other investments  | 2665.6         |
| <i>Net financial liabilities</i>   | 1891.9         |
| <i>including:</i>  |                |
| - direct investments attracted to Azerbaijan   | 3693.3         |
| - attracted investment repatriation  | -1547.5        |
| - portfolio investments  | 570.4          |
| - other investments  | -743.3         |
| <b><i>Net errors and omissions</i></b>   | <b>1770.1</b>  |
| <b><i>Total surplus of the BOP (change in reserve assets of country; '+' increase, '-' decrease)</i></b> | <b>-1252.7</b> |

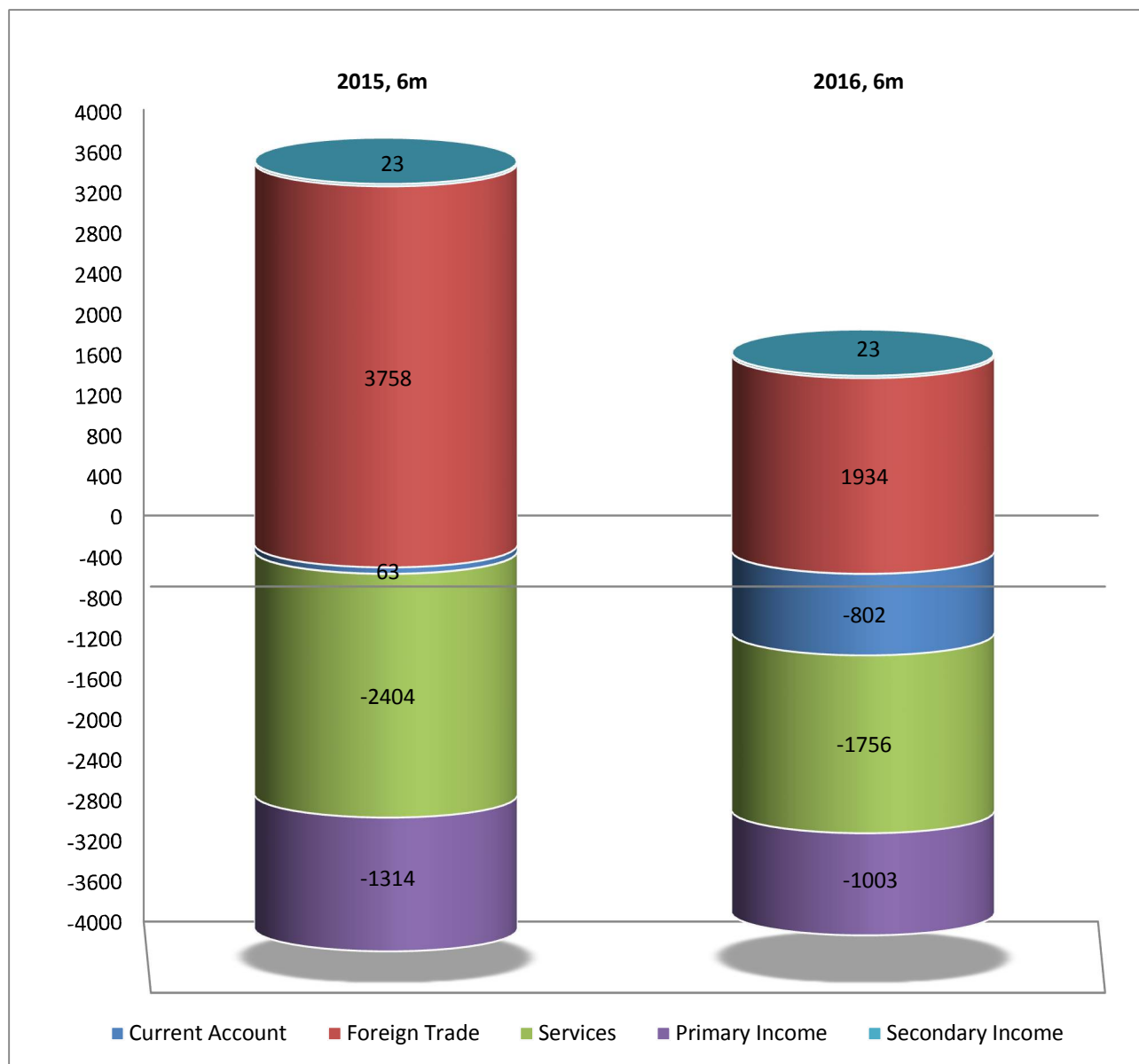
*Note: The BOP was calculated at the 38\$ (y.o.y. 54\$) average actual oil price.*

*1 Go to [http://cbar.az/assets/1186/final\\_metod.pdf](http://cbar.az/assets/1186/final_metod.pdf) for Methodological Guidelines on Compiling the Balance of Payments.*

## Current operations account

In January – June, 2016 current accounts deficit amounted to USD 801.9 M, including USD 2.0 B of current accounts surplus on the oil-and-gas sector. Surplus of the oil-and-gas sector covered 72% of the USD 2.8 B worth of deficit on the non-oil sector.

Mln.\$



### ***External trade balance***

External trade balance made USD 10.6 B, while *positive external trade surplus amounted to USD 1.9 B.*

In January – June, 2016 Azerbaijan traded with up to 166 countries across the world. CIS countries account for 13.6%, while other countries for 86.4% of foreign trade. Our country had more vigorous trade ties with Turkey, Russia, the UK, Italy, the USA, Germany, France, Japan, Taiwan and China (67.5% of total trade).

**Commodity export.** Over the reported period commodity export amounted to USD 6.3 B. Oil-and-gas products account for 91.3% of export

USD 5.0 B worth oil products were exported to foreign countries, of which USD 264.5 M falls to the share of oil products, while USD 4.8 B to export of crude oil.

**Non-oil and gas** export amounted to USD 544.9 M in January – June, 2016.

**Commodity import.** Over the reported period, commodity import constituted USD 4.3 B. Total value of imported consumer goods was USD 1849.4 M.

The share of vehicles, equipment and goods imported through investments comprised 26.5%.

### ***Services balance***

One of the major items in economic relations of Azerbaijan with other countries in January – June, 2016 was mutually provided services, the volume of which was USD 5.7 B. Out of which USD 3.7 B was rendered by non-residents for Azerbaijani residents, and USD 2.0 B – by Azerbaijani residents for residents of foreign countries.

The share of transportation in total services turnover was 16.7%. Total size of transportation services made up USD 952 M, 56.9% of which relates to the utilization of transportation systems of Azerbaijan by non-residents.

Total volume of transportation services provided by Azerbaijani residents to non-residents made up USD 542 M, while the value of travelling services provided by non-residents to Azerbaijani residents made up 410 M.

### ***Primary income balance***

Over the reported period total turnover of income receipts and payments reached USD 1.9 B, 76.4% (USD 1.5 B) of which were payments from Azerbaijan. Its key portion (USD 987 M) fell to the share of income repatriation of foreign investors in oil-and-gas consortiums (mainly in terms of crude oil).

### ***Secondary income balance***

Total value of secondary income operations with foreign countries is estimated to equal USD 617.3 M. 53.5% of which was receipts by Azerbaijan.

90.4% of total receipts on secondary income are comprised of remittances of individuals from foreign countries, 6.1% – value of humanitarian import goods, and 3.5% – other receipts.

In total, surplus of secondary income operations made up positive USD 23.1 M.

## **Financial account<sup>2</sup>**

In January – June 2016 net acquisition of financial assets increased USD 4.1 B, primarily comprised of direct investments abroad (USD 1490.0 M), portfolio investments (USD -82.1 M), derivatives (USD -0.7 M) and other investments (USD 2665.6 M). Net financial liabilities made up USD 1.9 B, primarily comprised of FDIs (USD 2145.8 M.), portfolio investments (USD 489.4 M.), and other investments (USD -743.3 M).

**Net financial assets and liabilities in January – June, 2016**

Mln.\$

|                              | <b>Assets</b> | <b>Liabilities</b> |
|------------------------------|---------------|--------------------|
| <b>Direct investments</b>    | <b>1490.0</b> | <b>2145.8</b>      |
| - oil and gas sector         | 963.1         | 1479.3             |
| - other sectors              | 526.9         | 666.5              |
| <b>Portfolio investments</b> | <b>-82.1</b>  | <b>489.4</b>       |
| <b>Derivatives</b>           | <b>-0.7</b>   |                    |
| <b>Other investments</b>     | <b>2665.6</b> | <b>-743.3</b>      |
| - trade credits and advances | 1739.5        | 300.3              |
| - credits and loans          | 16.4          | -724.2             |
| -deposits and cash currency  | 909.7         | -319.4             |
| <b>T O T A L</b>             | <b>4072.8</b> | <b>1891.9</b>      |

*2 Under the IMF's Balance of Payments Manual (6th Edition), the capital and financial account in the BOP structure is classified under the Assets/Liabilities principle, due to which table indicators are designed accordingly.*

***Direct investments***

Total amount of FDIs was USD 3.7 B, with the 81.7% share of the oil-and-gas sector. Total amount of FDIs to the non-oil sector is estimated to equal USD 674.4 M.

***Credits and other investments***

Over the reported period net financial assets on credits and loans increased by USD 16.4 M, while net financial liabilities decreased by USD 724.2 M.

Net financial assets on deposits and cash increased USD 909.7 M, while net financial liabilities decreased USD 319.4 M.

**Reserve assets**

Over the reported period country's reserve assets decreased by USD 1253 M.