

BALANCE OF PAYMENTS

of the Republic of Azerbaijan for January- December 2013¹

As in previous years, in January- December, 2013 external economic operations had a positive balance on the oil-and-gas sector and a negative balance on the non-oil sector.

Total proceeds of the oil-and-gas sector chiefly stemmed 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 - December 2013 was USD 22.4 bln.

Key indicators of the balance of payments for January – December, 2013

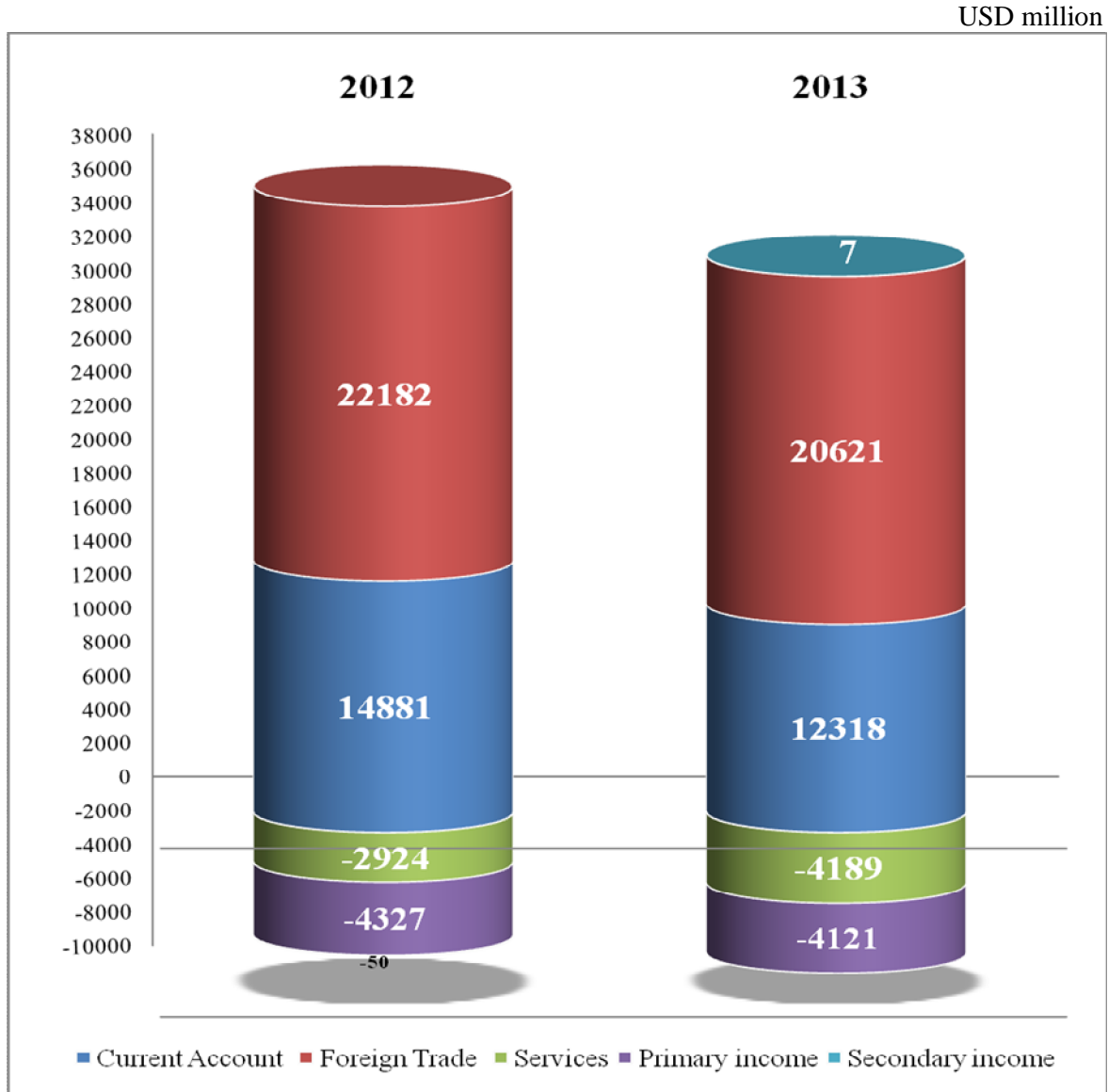
USD million

Current operations and account balance	12304.9
Foreign trade balance	20620.8
Services balance	-4189.0
Primary income balance	-4120.6
- Investment income repatriation	-4190.3
Secondary income balance	6.6
Capital account	-12.9
Financial account	-6488.8
Net financial assets	11759.3
including:	
- direct investments abroad	1477.9
- portfolio investments	322.8
- other investments	9958.6
Net financial liabilities	5270.5
including:	
- direct investments attracted to Azerbaijan	6278.0
- attracted investment repatriation	-3661.0
- oil bonus	2.4
- portfolio investments	1041.3
- other investments	1609.8
Net errors and omissions	-1975.1
Total surplus of the BOP	
(change in reserve assets of the country)	3841.0

¹ Go to http://cbar.az/assets/1186/final_metod.pdf for Methodological Guidelines on Compiling the Balance of Payments.

Current operations account

In January – December, 2013 current accounts surplus amounted to USD 12.3 bln, including USD 22.1 bln of current accounts surplus on the oil-and-gas sector. Surplus of the oil-and-gas sector fully covered USD 9.8 bln deficit on the non-oil sector.



External trade balance

External trade balance made USD 42.9 bln, while positive external trade surplus amounted to USD 20.6 bln.

In January – December, 2013 Azerbaijan traded with up to 152 countries across the world. 9.9 % of external trade falls to the share of CIS countries and 90.1 % – other countries. Our country had more vigorous trade ties with Italy, the United Kingdom, Turkey, the USA, Russia, Indonesia, Germany, Thailand, France and Japan (The share of these countries in overall trade was 68.9%).

Key external trade partners in January – December 2013

(USD million)

	<i>Commodity turnover</i>	<i>Export</i>	<i>Import</i>	<i>Trade balance</i>
<i>Italy</i>	6227	5990	237	+5753
<i>UK</i>	4421	3203	1218	+1985
<i>Turkey</i>	3451	1793	1658	+135
<i>USA</i>	3017	2654	363	+2291
<i>Russian Federation</i>	2820	1165	1655	-490
<i>Indonesia</i>	2800	2772	28	+2744
<i>Germany</i>	2195	1433	762	+671
<i>Thailand</i>	1687	1665	22	+1643
<i>France</i>	1529	1133	396	+737
<i>Japan</i>	1449	1172	277	+895
<i>Others</i>	13336	8796	4540	+4256
Total	42932	31776	11156	+20620
<i>Including:</i>				
CIS	4267	1649	2618	-969
Others	38665	30127	8538	+21589

Commodity export. During the reporting period commodity export amounted to USD 31.8 bln. The share of oil-and-gas products in the export made up 94.4%.

Oil products exported to foreign countries accounted for USD 28.5 bln, of which USD 1.6 bln was oil products and USD 26.9 bln – crude oil.

Out of total exported crude oil, USD 25.3 bln fell to the share of the oil produced by the Azerbaijan International Operating Company (AIOC). Remaining USD 1.6 bln was delivered abroad by other entities, of which USD 303.0 million falls to the share of Shahdeniz condensate and USD 1337.5 million to the SOCAR.

Non-oil-and-gas export of the country in January – December, 2013 was USD 1773 million, the y.o.y. increase being 6%.

Export structure

	2012		2013	
	Amount, million \$	Share, %	Amount, million \$	Share, %
Export - total	32374.0	100.0	31776.4	100.0
including:				
1. Fuel – raw materials	31260.5	96.6	30503.8	96.0
- oil-and-gas products	30700.5	94.9	30003.3	94.4
- other raw materials	560.0	1.7	500.5	1.6
2. Machinery and equipment	120.0	0.4	292.6	0.9
3. Consumer goods	968.2	2.9	954.6	3.0
4. Other goods	25.3	0.1	25.4	0.1

Commodity import. During the reporting period, commodity import constituted USD 11.2 bln. Total value of consumer goods was USD 4474.4 million, of which USD 1380.6 million is the share of food products.

Import structure

	2012		2013	
	Amount, million \$	Share, %	Amount, million \$	Share, %
Import – total	10192.5	100.0	11155.6	100.0
including:				
1. Consumer goods	4375.9	42.9	4474.4	40.1
- food products	1303.6	12.8	1380.6	12.4
- others	3072.3	30.1	3093.8	27.7
2. Investment oriented goods	961.8	9.4	1055.4	9.5
- int'l oil-and-gas concorciums	789.4	7.7	865.3	7.9
- others	172.4	1.7	190.1	1.6
3. Other goods	4854.8	47.7	5625.8	50.4

The share of vehicles, equipment and goods imported through investments comprised 9.5% and equaled USD 1055.4 million. 82% of this amount was the share of goods imported by the oil-and-gas sector. Besides, USD 5625.8 million worth vehicles, equipment, chemical, ferrous and non-ferrous metal products were imported to the country for production purposes.

Services balance

One of the major items in economic relations of Azerbaijan with other countries in January – December, 2013 was mutually provided services, the volume of which was USD 12.4 bln. Out of this amount USD 8.3 bln was rendered by non-residents for Azerbaijani residents, and USD 4.1 bln – services provided by Azerbaijani residents for residents of foreign countries.

The share of transportation services in total services turnover was 14.4%. The total volume of transportation services made up USD 1798.3 million., 54.6% of which fell to the share of services provided by non-residents to Azerbaijani residents.

Total volume of transportation services provided by Azerbaijani residents to non-residents made up USD 815.7 million.

Over the reporting period the value of travelling services provided for non-residents was appraised to be USD 2.4 bln, 36.6% of which relates to business visits of non-residents to Azerbaijan.

In its turn, y.o.y. increase in the value of travelling provided by foreign countries for Azerbaijani residents was 16.1% and made USD 2.9 bln. 62.3% of this amount falls to the share of private expenditures of Azerbaijani citizens (funds for shuttle import excluding).

In total, the share of mutual services in total commodities and services import-export turnover constituted 22.5%.

Primary income balance

Over the reporting period total turnover of income receipts and payments reached USD 6.2 bln. Out of this 83.3% (USD 5.1 bln) were payments from Azerbaijan. The key portion of this amount (USD 4.4 bln) fell to the share of income repatriation of foreign

investors in oil-and-gas consortiums (mainly in terms of crude oil), salaries paid to non-residents (USD 222.9 million) and interest payments for external debts (USD 419.3 million).

Secondary income balance

Total value of secondary income operations with foreign countries is estimated to equal USD 3.3 bln, 50.1% of which was receipts by Azerbaijan.

95.8% of total receipts on secondary income is comprised of remittances of individuals from foreign countries, 1.9% – value of humanitarian import goods, and 2.3% – other receipts.

In total, surplus of secondary income operations made up positive USD 6.7 million.

Financial account²

In January – December, 2013 net acquisition of financial assets equaled USD 11.8 bln. This indicator is primarily comprised of FDIs (USD 1477.9 million), portfolio investments (USD 322.8 million) and other investments (USD 9958.6 million).

Net financial assets and liabilities on January – December, 2013

	Assets	Liabilities
		USD million
Direct investments	1477.9	2617.1
- oil-and-gas sector	1039.0	1629.8
- other sectors	438.9	987.3
Portfolio investments	322.8	1041.3
Other investments	9958.6	1609.7
- Trade credits and advances	4832.3	180.0
- Credits and loans	256.0	408.9
- Deposits and cash	4870.3	1020.8
Oil bonus		2.4
T O T A L	11759.3	5270.5

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 under a new structure.

Direct investments

Total amount of FDIs was USD 6.3 bln. The share of the oil-and-gas sector in the structure of these investments was 82.4%. Attracted investments were channeled to the domestic economy to finance huge oil-and-gas projects, primarily the BP Exploration (Shahdeniz) Ltd. project and works provided by the AIOC in Azeri-Chiragh-Guneshli.

According to estimations, total amount of FDIs to the non-oil sector equaled to USD 1107.7 million, which comprises 17.6% of total FDIs.

Credits and other investments

During the reporting period net financial assets on credits and loans increased USD 256.0 million, while net financial liabilities decreased USD 408.9 million. Whereas net financial liabilities rose against direct government and government guaranteed loans (USD 409.7 million.) and banks (USD 362.8 million), they went down against other entities and companies (USD 363.5 million.).

Net financial assets on deposits and cash increased USD 4.9 bln, while net financial liabilities grew USD 1020.8 million.

Reserve assets

Over the reporting period country's reserve assets rose USD 3841 million.