

BALANCE OF PAYMENTS

of the Republic of Azerbaijan for 2021

In 2021, the balance of payments¹ was mainly driven by recovery of prices in global commodity markets and high non-oil exports. Surplus in current account amounted to \$8.3 B, deficit in the capital and financial flow account made \$5.1B, reserve assets increased by \$3.1B. Over the period average oil price was 67\$/barrel, non-oil export increased by 44% to \$2.6B.

Table 1. Key indicators of the balance of payments for 2021, mln.\$

Current operations	8 291.6
Foreign trade balance	11 273.6
Services balance	- 2 122.9
Primary income balance	- 1 318.6
- <i>Investment income repatriation</i>	- 1 413.0
Secondary income balance	459.5
Capital account	- 4.2
Financial account	- 5 052.4
Net financial assets	2 563.3
<i>including:</i>	
- <i>direct investments abroad</i>	77.0
- <i>portfolio investments</i>	457.5
- <i>other investments</i>	2 028.8
Net financial liabilities	- 2 489.1
<i>including:</i>	
- <i>direct investments to Azerbaijan</i>	4 795.3
- <i>attracted investment repatriation</i>	- 6 960.0
- <i>oil bonus</i>	457.0
- <i>portfolio investments</i>	- 61.5
- <i>other investments</i>	- 719.9
Net errors and omissions	- 153.6
Total surplus of the BOP (change in reserve assets of the country; '+' increase, '-' decrease)	3 081.4

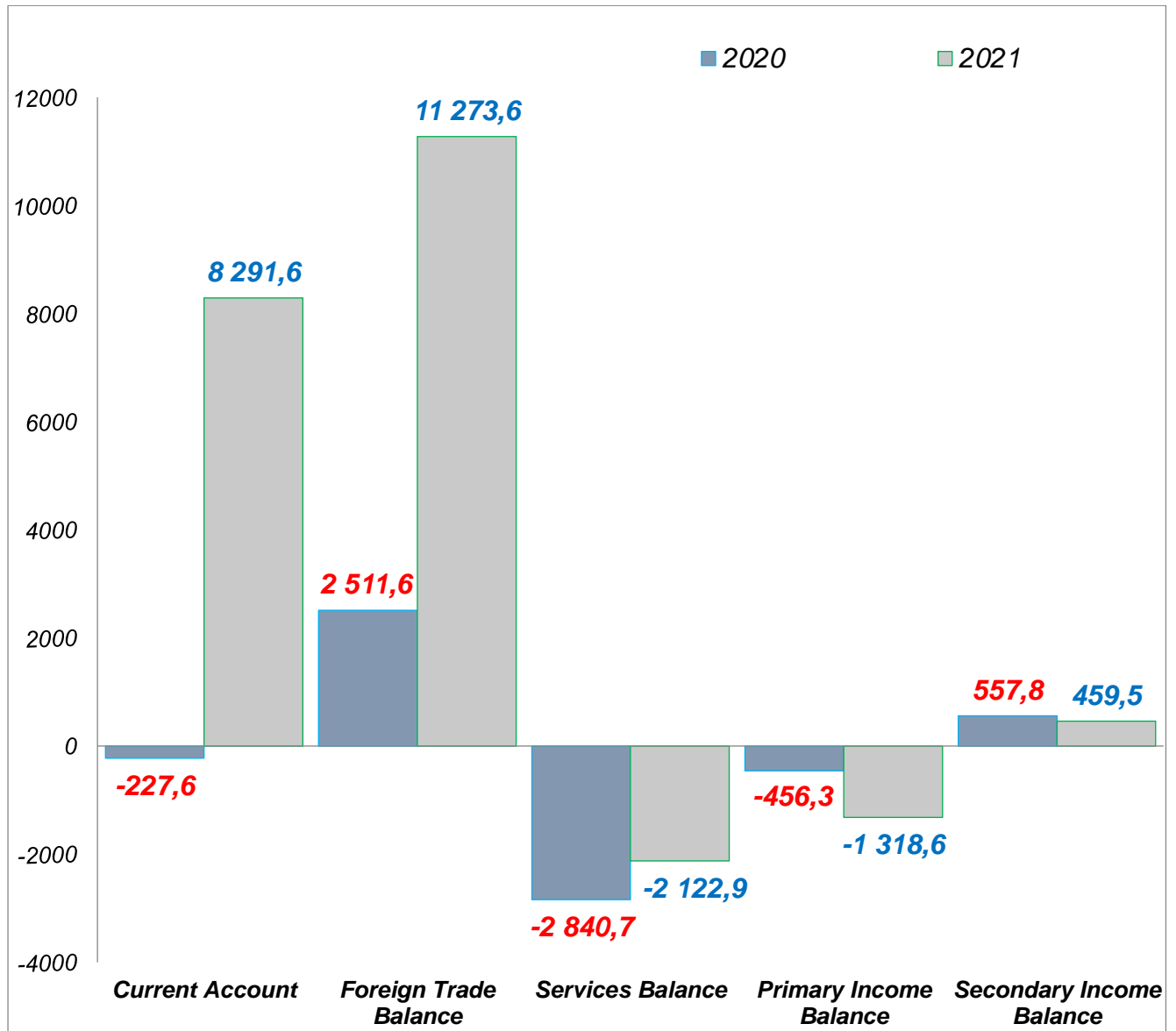
Note: The BOP was calculated at the \$66.8 (y/y \$40.8) average actual crude oil price

¹ Go to <https://uploads.cbar.az/assets/4f9ced2ebffd8b2fb6149f920.pdf> for Methodological Guidelines on Compiling the Balance of Payments.

Current account

Current account surplus amounted to \$8.3B or 15.2% of GDP (\$227.6M worth deficit in 2020). Oil and gas current account surplus y/y increased by 2.8 times as much to \$14B, while non-oil current account deficit increased by 7.7% to \$5.7B

Chart 1. Current account for 2021, mln.\$



External trade balance made up \$32.1B, \$17.5B worth oil-gas surplus covered \$6.2B non-oil deficit, resulting in \$11.3 B worth surplus in external trade balance. Azerbaijan traded with 189 countries – CIS countries account for 14%, while other countries for 86% of foreign trade.

Commodity export amounted to \$21.7B (up by 1.7 times). Oil-gas export increased by 1.8 times as much to \$19.1B due to y/y hike in crude oil prices in global markets (64%). Crude oil accounts for \$12.7B and oil processing products for \$0.8B of exported oil products (\$13.5B). Non-oil export increased by 43.8% to \$2.6B.

Commodity import y/y increased by 3.4% to \$10.4 B, total value of imported consumer goods amounted to \$5B (including \$1.7B worth food products). Non-oil import increased by 7.2% to \$8.8B: import of automobiles (2.7 times), portable computers (64,6%), trucks (59.4%), sugar (42.6%), pharmaceuticals (40.1%), perfumes and cosmetics (36%), alcoholic and non-alcoholic beverages (27.2%), wood ware (25.5%), furniture (23.7%), stone and glass ware (22.1%), palm oil (12.8%), vegetables (10.5%), paper products (8.6%), cereals (7.8%), metals (6.5%) and tobacco products (6.3%) increased, while import of aircrafts (9.9 times), railway vehicles (38.6%), communication devices (14,1%), butter (3.5%), ships, boats and floating structures (3.3%), and soaps and detergents (2.9%) decreased.

The share of vehicles, equipment and goods imported via foreign investments was 8% (\$0.8B).

Table 2. Import structure, mln.\$

	2020		2021	
	<i>Amount</i>	<i>Weight, %</i>	<i>Amount</i>	<i>Weight, %</i>
Import - total	10 076.6	100.0	10 418.7	100.0
including:				
1. Consumer goods	4 327.5	42.9	5 002.8	48.0
- food products	1 524.9	15.1	1 721.0	16.5
- other	2 802.6	27.8	3 281.8	31.5
2. Investment oriented goods	815.1	8.1	821.5	7.9
3. Other goods	4 934.0	49.0	4 594.4	44.1

Services balance

Total services in Azerbaijan's economic ties with foreign countries made up \$9.7B – \$5.9B worth services was rendered by non-residents to Azerbaijani residents, and \$3.8B by Azerbaijani residents to foreign residents. In general deficit in services balance decreased by 25.3% to \$2.1B. Non-oil deficit was \$1.6B (down by 31.9%) (in particular in construction and other business services). Deficit in non-oil services balance was \$477.7M (12.6%).

Transportation accounts for 40.8% of total mutual services turnover. Total size of transportation services made up \$4B, 60.5% of which relates to the use of transportation systems of Azerbaijan by non-residents. Total value of transportation services provided by Azerbaijani residents to non-residents made up \$2.4B, while the value of travelling services provided by non-residents to Azerbaijani residents made up \$1.6B.

Non-oil export of transportation services y/y increased by 12.7%, while import increased by 20.2%. As a result, \$0.3B worth surplus (2020) increased to \$0.8B surplus in 2021 (up by 2.4 times).

Mutual tourism services increased by 22.1% to \$0.9B. Tourism import (\$0.6B) prevailed over tourism export (\$0.3B), resulting in \$0.3B worth deficit. The number of Azerbaijani citizens visiting foreign countries decreased by 16.3%, while the number of foreign citizens visiting Azerbaijan decreased by 0.5%.

Foreign countries supplied \$561.6M worth touristic services to Azerbaijani citizens. Out of which private expenditures of Azerbaijani citizens in foreign countries account for 87% (*funds for shuttle import excluding*).

Cost of construction services to non-residents on the non-oil sector decreased by 35.4% to \$18.7M, while cost of other business services to non-residents on the non-oil sector increased by 29% to \$961M.

Primary income balance

Oil-gas deficit made up \$1.8B, while non-oil surplus amounted to \$0.5B, resulting in \$1.3B worth primary income balance deficit (up by 2.9 times).

Total turnover of income receipts and payments was \$4.9B. 63.3% (\$3.1B) of which were payments from Azerbaijan to non-residents: income repatriation (\$2.3B) (including \$2.1B worth repatriation on foreign investors in oil-gas consortiums as crude oil), interest payments to non-residents on securities portfolio (\$0.3B), interest payments on foreign loans (\$0.3B) and other payments (\$0.2B).

Secondary income balance

Total value of secondary income operations with foreign countries is estimated to equal \$2B – proceeds \$1.2B, and payments \$0.8B.

91.9% of total receipts on secondary income is comprised of remittances of individuals from foreign countries, 6.2% humanitarian aid goods, and 1.9% other receipts.

Remittances from foreign countries increased by 3.6% to \$1.2B, while remittances to foreign countries increased by 18.9% to \$0.7B, resulting in \$0.5B worth surplus on remittances.

In total, surplus of secondary income operations made up positive \$460M (down by 17.6%).

Financial account²

Net acquisition of financial assets increased by \$2 563.3M: direct investments abroad (\$77.0M), portfolio investments (\$457.5M) and other investments (\$2 028.8M).

² Under the IMF's Balance of Payments Manual (sixth edition), the capital and financial account in the BOP structure is classified under the Assets/Liabilities principle.

Net financial liabilities decreased by \$2 489.1M: net FDIs (\$-2 164.7M), oil bonus (\$457.0M), portfolio investments (\$-61.5M) and other investments (\$-719.9M)

Table 3. Net financial assets and liabilities in 2021, mln.\$

	Assets	Liabilities
Direct investments	77.0	-2 164.7
- oil and gas sector	37.0	-2 903.0
- other sectors	40.0	738.3
Oil bonus		457.0
Portfolio investments	457.5	-61.5
Other investments	2 028.8	-719.9
- trade credits and investments	371.2	-543.2
- loans	94.3	-746.1
- currency and deposits	1 563.3	35.4
- other		534.0
TOTAL	2 563.3	-2 489.1

Direct investments

Total FDI liabilities amounted to \$4.8 B.

The oil-gas sector accounts for 83.5% of FDIs.

Drop in net financial liabilities (\$-2 903 M) on the oil-gas sector of the BoP's direct investments item in 2021 stems from the difference between attracted investments (\$4 004.9M) and capital repatriation (\$6 907.9M worth capital repatriation of oil-gas consortiums as crude oil and natural gas).

Total amount of FDIs liabilities to the non-oil sector is estimated to equal \$790.3M (up by 30.5%)

Portfolio investments

Net financial assets on portfolio investments increased by \$457.5M, while net financial liabilities decreased by \$61.5M resulting in \$519M negative surplus.

Assets on portfolio investments mainly increased due to the oil-and-gas sector (\$10M), the public (\$170.9M), banking (\$140M) and private (\$136.6M) sectors. Liabilities decreased due to the public sector (\$179.4M) and increased due to the private sector (\$117.9M).

Loans and other investments

Net financial assets on loans increased by \$94.3M, while net financial liabilities decreased by \$746.1M. Net financial liabilities on loans increased at the expense of the bank loans (\$15.9M) and loans of the oil and gas sector (\$129.8M) and decreased at the expense of direct government loans (\$546.8B), government guaranteed loans (\$288.7M) and loans of enterprises (\$56.3M).

Net financial assets on currency and deposits increased by \$1.6B, while net financial liabilities decreased by \$35.4M.

Reserve assets

In 2021 country's reserve assets increased by \$3.1B.