

BALANCE OF PAYMENTS

of the Republic of Azerbaijan for January - September 2014 ¹

As in previous years, in January- September, 2014 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 – September, 2014 was USD 16.7 billion.

Key indicators of the balance of payments for January- September, 2014

Mln. \$

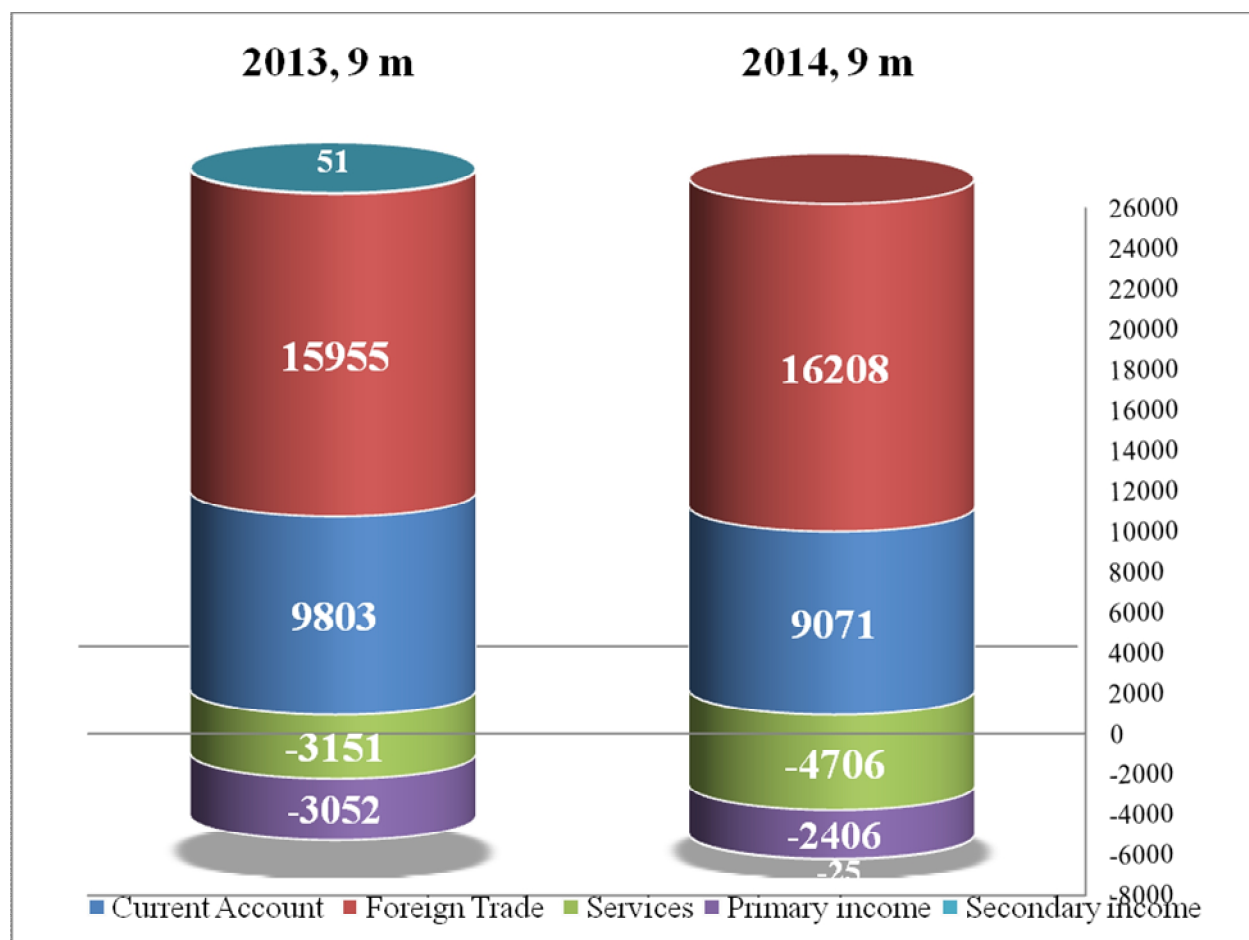
Current operations and account balance	9065.4
Foreign trade balance	16208.3
Services balance	-4706.5
Primary income balance	-2405.7
- Investment income repatriation	-2424.8
Secondary income balance	-25.2
Capital account	-5.5
Financial account	-1883.7
Net financial assets	7855.8
including:	
- direct investments abroad	1206.7
- portfolio investments	156.4
- other investments	6492.7
Net financial liabilities	5972.1
including:	
- direct investments attracted to Azerbaijan	5817.9
- attracted investment repatriation	-2653.4
- oil bonus	17.0
- portfolio investments	1747.7
- other investments	1042.9
Net errors and omissions	-1794.1
Total surplus of the BOP	
(change in reserve assets of the country)	5387.6

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 – September, 2014 current accounts surplus amounted to USD 9.1 bln, including USD 15.1 bln of current accounts surplus on the oil-and-gas sector. Surplus of the oil-and-gas sector fully covered USD 6.0 bln deficit on the non-oil sector.

Mln. \$



External trade balance

External trade balance made USD 29.7 bln, while *positive external trade surplus amounted to USD 16.2 bln.*

In January – September, 2014 Azerbaijan traded with up to 143 countries across the world. 7.6% of external trade falls to the share of CIS countries and 92.4% – other countries. Our country had more vigorous trade ties with Italy, Turkey, the United Kingdom, Germany, the USA, Indonesia, Russia, France, Israel and Japan. (The share of these countries in overall trade was 67.2%).

Key external trade partners in January – September, 2014

(Mln. \$)

	Commodity turnover	Export	Import	Trade balance
Italy	4207	4031	176	+3855
Turkey	2583	1499	1084	+415
UK	2348	2014	334	+1680
Germany	1989	1531	458	+1073

<i>USA</i>	1922	1512	410	+1102
<i>Indonesia</i>	1894	1869	25	+1844
<i>Russian Federation</i>	1559	520	1039	-519
<i>France</i>	1302	1189	113	+1076
<i>Israel</i>	1195	1189	6	+1183
<i>Japan</i>	941	800	141	+659
<i>Others</i>	9716	6778	2938	+3840
Total	29656	22932	6724	+16208
<i>including:</i>				
CIS	2255	702	1553	-851
Others	27401	22230	5171	+17059

Commodity export. During the reporting period commodity export amounted to USD 22.9 bln. The share of oil-and-gas products in the export made up 94.9%.

USD 20.8 bln worth oil products were exported to foreign countries, of which USD 1328.3 mln. falls to the share of oil processing products, while USD 19.4 bln to export of crude oil.

Out of total exported crude oil, USD 18.3 bln fell to the share of the oil produced by the Azerbaijan International Operating Company (AIOC). Remaining USD 1183 mln was delivered abroad by other entities, of which USD 129.1 mln falls to the share of Shahdeniz condensate and USD 1053.9 mln to the SOCAR.

Non-oil-and-gas export of the country in January – September, 2014 was USD 1180 mln, the y.o.y. decrease being 2.5%.

Export structure

	9 months, 2013		9 months, 2014	
	Amount, mln.\$	Share, %	Amount, mln.\$	Share, %
Export - total	23755.6	100.0	22932.0	100.0
<i>including:</i>				
1. Fuel – raw materials	22923.0	96.5	22067.8	96.3
- oil-and-gas products	22545.1	94.9	21752.1	94.9
- other raw materials	377.9	1.6	315.7	1.4
2. Machinery and equipment	214.7	0.9	215.2	0.9
3. Consumer goods	596.3	2.5	628.8	2.7
4. Other goods	21.6	0.1	20.2	0.1

Commodity import. During the reporting period, commodity import constituted USD 6.7 bln. Total value of consumer goods was USD 3056.6 mln, of which USD 913.9 mln is the share of food products.

Import structure

	9 months, 2013		9 months, 2014	
	Amount, mln.\$	Share, %-lə	Amount, mln.\$	Share, %-lə
Import – total	7800.8	100.0	6723.6	100.0
<i>including:</i>				
1. Consumer goods	3338.3	42.8	3065.1	45.6
- food products	1025.5	13.1	916.9	13.6
- others	2312.8	29.7	2148.2	32.0

2. Investment oriented goods	741.7	9.5	715.6	10.6
- int'l oil-and-gas concorciums	575.6	7.4	706.7	10.5
- others	166.1	2.1	8.9	0.1
3. Other goods	3720.8	47.7	2942.9	43.8

The share of vehicles, equipment and goods imported through investments comprised 10.6% and equaled USD 715.6 mln. 98.8% of this amount was the share of goods imported by the oil-and-gas sector. Besides, USD 2942.9 mln 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 – September, 2014 was mutually provided services, the volume of which was USD 10.5 bln. Out of this amount USD 7.6 bln was rendered by non-residents for Azerbaijani residents, and USD 2.9 bln – services provided by Azerbaijani residents for residents of foreign countries

The share of transportation services in total services turnover was 13.8%. The total volume of transportation services made up USD 1464.5 mln. 48.4% 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 755.9 mln.

Over the reporting period the value of travelling services provided for non-residents was appraised to be USD 1604.9 mln. 30.8% 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 11.5% and made USD 2.3 bln. 66.1% 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 26.3%.

Primary income balance

Over the reporting period total turnover of income receipts and payments reached USD 4.8 bln. Out of this 75.2% (USD 3.6 bln) were payments from Azerbaijan. The key portion of this amount (USD 2.9 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 218 mln) and interest payments for external debts (USD 409.7 mln).

Secondary income balance

Total value of secondary income operations with foreign countries is estimated to equal USD 2.8 bln, 49.6% of which was receipts by Azerbaijan. 94.3% of total receipts on secondary income is comprised of remittances of individuals from foreign countries, 3.2% – value of humanitarian import goods, and 2.5% – other receipts.

In total, surplus of secondary income operations made up negative USD 25.2 mln.

Financial account ²

In January – September, 2014 net acquisition of financial assets equalled USD. This indicator is primarily comprised of FDIs (USD 1206.7 mln), portfolio investments (USD 156.4 mln) and other investments (USD 6492.7 mln).

Net financial assets and liabilities on January – September, 2014

Mln. \$

	Assets	Liabilities
Direct investments	1206.7	3164.5
- oil-and-gas sector	893.1	2343.1
- other sectors	313.6	821.4
Portfolio investments	156.4	1747.7
Other investments	6492.7	1042.9
- Trade credits and advances	3064.5	117.5
- Credits and loans	104.1	791.5
- Deposits and cash	3324.1	133.9
Oil bonus		17.0
TOTAL	7855.8	5972.1

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 5.8 bln. The share of the oil-and-gas sector in the structure of these investments was 85.3%. Attracted investments were channelled 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 855 mln, which comprises 14.7% of total FDIs.

Credits and other investments

During the reporting period net financial assets on credits and loans increased USD 104.1 mln, while net financial liabilities increased USD 791.5 mln. Net financial liabilities rose against direct government and government guaranteed loans (USD 292.5 mln), banks (USD 288.2 mln), and other entities and companies (USD 210.8 mln).

Net financial assets on deposits and cash increased USD 3.3 bln, while net financial liabilities grew USD 133.9 mln.

Reserve assets

Over the reporting period country's reserve assets grew USD 5388 mln.