

BALANCE OF PAYMENTS

of the Republic of Azerbaijan for January- December 2014¹

As in previous years, in January - December, 2014 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 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, 2014 amounted to USD 20.1 billion.

Key indicators of the balance of payments for January – December, 2014

Mln. \$

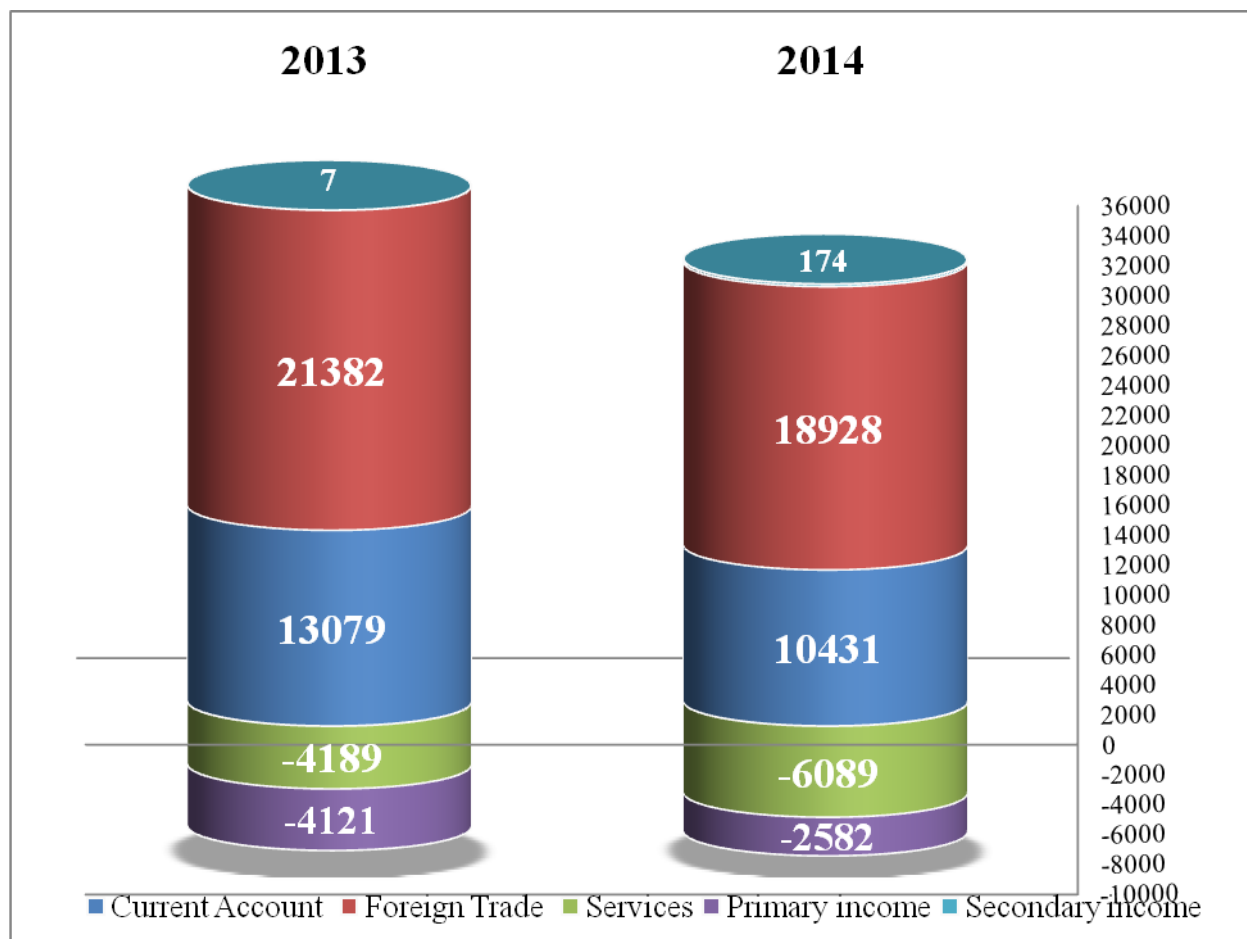
Current operations and account balance	10423.6
Foreign trade balance	18927.6
Services balance	-6089.6
Primary income balance	-2581.7
- Investment income repatriation	-2599.4
Secondary income balance	174.2
Capital account	-6.9
Financial account	-3419.1
Net financial assets	11692.2
including:	
- direct investments abroad	2208.8
- portfolio investments	429.5
- other investments	9053.9
Net financial liabilities	8273.1
including:	
- direct investments attracted to Azerbaijan	8049.2
- attracted investment repatriation	-3635.7
- oil bonus	17.0
- portfolio investments	1750.9
- other investments	2091.7
Net errors and omissions	-2810.3
Total surplus of the BOP	
(change in reserve assets of the country)	4194.2

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, 2014 current accounts surplus amounted to USD 10.4 bln, including USD 18.0 bln of current accounts surplus on the oil-and-gas sector. Surplus of the oil-and-gas sector fully covered USD 7.6 bln deficit on the non-oil sector.

Mln. \$



External trade balance

External trade balance made USD 37.6 bln, while *positive external trade surplus amounted to USD 18.9 bln*.

In January – December, 2014 Azerbaijan traded with up to 154 countries across the world. 8.3% of external trade falls to the share of CIS countries and 91.7% – other countries. Our country had more vigorous trade ties with Italy, Turkey, the United Kingdom, Germany, the USA, Russia, Indonesia, Israel, France and Japan. (The share of these countries in overall trade was 66.9%).

Key external trade partners in January – December, 2014

(Mln. \$)

	Commodity turnover	Export	Import	Trade balance
Italy	5066	4806	260	+4546
Turkey	3441	1962	1479	+483
UK	2708	2222	486	+1736
Germany	2679	2020	659	+1361

<i>USA</i>	2453	1922	531	+1391
<i>Russian Federation</i>	2174	703	1471	-768
<i>Indonesia</i>	2045	2012	33	+1979
<i>Israel</i>	1790	1767	23	+1744
<i>France</i>	1676	1524	152	+1372
<i>Japan</i>	1115	883	232	+651
<i>Others</i>	12445	8439	4006	+4433
Total	37592	28260	9332	+18928
<i>including:</i>				
CIS	3116	938	2178	-1240
Others	34476	27322	7154	+20168

Commodity export. Over the reporting period commodity export amounted to USD 28.3 bln. Oil-and-gas products account for 94.2% of export.

USD 25.3 bln worth oil products were exported to foreign countries, of which USD 1768.2 mln falls to the share of oil processing products, while USD 23.5 bln to export of crude oil.

Out of total exported crude oil, USD 22.1 bln fell to the share of the oil produced by the Azerbaijan International Operating Company (AIOC). Remaining USD 1383.7 mln was delivered abroad by other entities, of which USD 173.5 mln falls to the share of Shahdeniz condensate and USD 1210.2 mln to the SOCAR

Non-oil-and-gas export of the country in January – December, 2014 was USD 1632 mln, with the 4% y.o.y. decrease.

Export structure

	2013		2014	
	Amount, mln.\$	Share, %	Amount, mln.\$	Share, %
Export - total	31702.9	100.0	28259.6	100.0
<i>including:</i>				
1. Fuel – raw materials	30430.4	96.0	27073.0	95.8
- oil-and-gas products	30003.3	94.7	26627.3	94.2
- other raw materials	427.1	1.3	445.7	1.6
2. Machinery and equipment	292.6	0.9	269.6	1.0
3. Consumer goods	954.6	3.0	885.0	3.1
4. Other goods	25.3	0.1	32.0	0.1

Commodity import. Over the reporting period, commodity import constituted USD 9.3 bln. Total value of consumer goods was USD 4168.7 mln, of which USD 1220.1 mln is the share of food products.

Import structure

	2013		2014	
	Amount, mln.\$	Share, %	Amount, mln.\$	Share, %
Export – total	10320.6	100.0	9332.0	100.0
<i>including:</i>				
1. Consumer goods	4463.3	43.3	4168.7	44.7
- food products	1314.1	12.8	1220.1	13.1
- others	3149.2	30.5	2948.6	31.6

2. Investment oriented goods	1055.4	10.2	1127.9	12.1
- int'l oil-and-gas consortiums	865.3	8.4	1114.4	12.0
- others	190.1	1.8	13.5	0.1
3. Other goods	4801.9	46.5	4035.4	43.2

The share of vehicles, equipment and goods imported through investments comprised 12.1% and equaled USD 1127.9 mln. 98.8% of this amount was the share of goods imported by the oil-and-gas sector. Besides, USD 4035.4 mln worth of 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, 2014 was mutually provided services, the volume of which was USD 14.7 bln. Out of this amount USD 10.4 bln was rendered by non-residents for Azerbaijani residents, and USD 4.3 bln – services provided by Azerbaijani residents for residents of foreign countries.

The share of transportation services in total services turnover was 14.3%. Total size of transportation services made up USD 2097.5 mln, 46.9% 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 1113.6 mln.

Over the reporting period the value of travelling services provided for non-residents was appraised to be USD 2431.5 mln. 28.3% 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 4.6% and made USD 3.0 bln. 67.4% 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 28.1%.

Primary income balance

Over the reporting period total turnover of income receipts and payments reached USD 5.9 bln. Out of this 71.8% (USD 4.3 bln) were payments from Azerbaijan. The key portion of this amount (USD 3.1 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 286.5 mln) and interest payments for external debts (USD 547.5 mln).

Secondary income balance

Total value of secondary income operations with foreign countries is estimated to equal USD 3.4 bln, 52.5% of which was receipts by Azerbaijan

95% of total receipts on secondary income are comprised of remittances of individuals from foreign countries, 2.8% – value of humanitarian import goods, and 2.2% – other receipts.

In total, surplus of secondary income operations made up positive USD 174.2 mln.

Financial account ²

In January – December, 2014 net acquisition of financial assets equaled USD 11.7 bln, which is primarily comprised of FDIs (USD 2208.8 mln), portfolio investments (USD 429.5 mln) and other investments (USD 9053.9 mln.)

Net financial assets and liabilities on January – December, 2014

	Assets	Liabilities
		Mln. \$
Direct investments	2208.8	4413.5
- oil-and-gas sector	1481.0	3133.0
- other sectors	727.8	1280.5
Portfolio investments	429.5	1750.9
Other investments	9053.9	2091.7
- Trade credits and advances	4085.7	138.2
- Credits and loans	189.2	1543.5
- Deposits and cash	4779.0	410.0
Oil bonus		17.0
T O T A L	11692.2	8273.1

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 8.0 bln. The oil-and-gas sector accounts for 83.6% of these investments. 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 1318.5 mln, which comprises 16.4% of total FDIs.

Credits and other investments

During the reporting period net financial assets on credits and loans increased by USD 189.2 mln, while net financial liabilities increased by USD 1543.5 mln. Net financial liabilities rose against direct government and government guaranteed loans (USD 423.5 mln), banks (USD 449.4 mln), and other entities and companies (USD 670.6 mln).

Net financial assets on deposits and cash increased USD 4.8 bln, while net financial liabilities grew USD 410.0 mln.

Reserve assets

Over the reporting period country's reserve assets grew USD 4194 mln.