

BALANCE OF PAYMENTS ¹

of the Republic of Azerbaijan for 2010

As in previous years, in 2010 external economic operations had positive balance on the oil-gas sector and negative balance on the non-oil sector. In general, income of the oil-gas sector is primarily formed through export of oil and natural gas and foreign capital attracted to the sector. Payments by this sector reflect repatriation of profit and investments and import of equipment and services. In 2010, total positive surplus on the oil-gas sector equalled to USD 19.5 billion.

Key indicators of the Balance of Payments

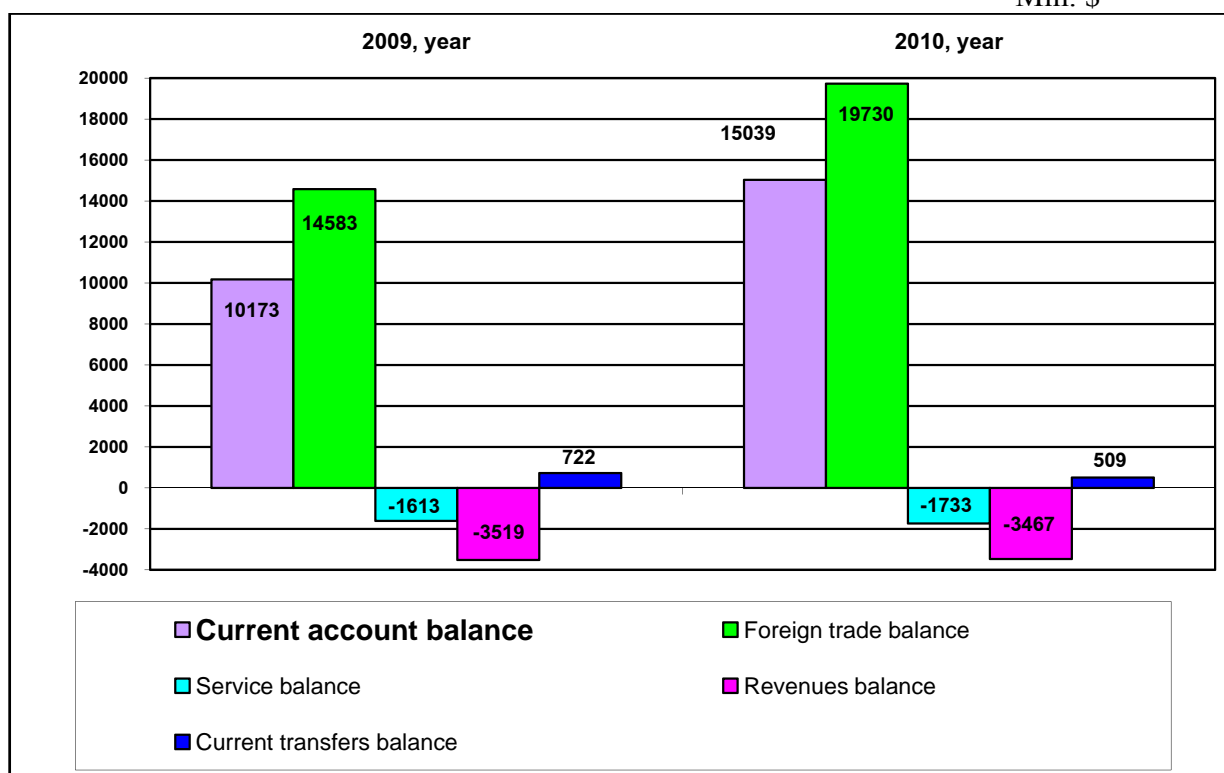
	Mln. \$	
	2009	2010
<i>I. Current operations account balance</i>	<i>10172.8</i>	<i>15039.6</i>
Foreign trade balance	14582.9	19730.4
Services balance	-1612.6	-1732.9
Income balance	-3519.2	-3467.0
-Investment income repatriation	-3152.6	-3052.4
Current transfers balance	721.7	509.1
<i>II. Capital and financial account balance</i>	<i>-7481.8</i>	<i>-4578.4</i>
Direct investments	146.2	329.1
- attracted to Azerbaijan	2899.0	3347.3
- invested abroad	-326.1	-232.0
- Investment repatriation	-2426.7	-2786.2
Loans and other investments	-7628.0	-4907.5
<i>III. Total surplus of the Balance of Payments (change in reserve assets of the country)</i>	<i>2691.0</i>	<i>10461.2</i>

Current operations account

In 2010, current account surplus amounted to USD 15.0 billion, including USD 19.9 billion of current account surplus on the oil-gas sector. Surplus of the oil-gas sector fully covered USD 4.8 billion deficit on the non-oil sector.

¹ Go to http://cbar.az/assets/1430/BOP_Methodological_Guidelines_updt.pdf for Methodological Guidelines on Compiling the Balance of Payments.

Mln. \$



External trade balance

External trade turnover constituted USD 33.2 billion and *external trade surplus made up USD 19.7 billion*. In 2010 Azerbaijan traded with 150 countries throughout the world. 12 percent of external trade falls to the share of CIS countries and 88 percent – other countries. Our country had more vigorous trade ties with Italy, the USA, France, Israel, Russia, the United Kingdom, Turkey, Ukraine, Georgia and China. (Share of these countries in overall trade was 68 percent).

Key external trade counterparts in 2010

(Mln. \$)

	<i>Commodity turnover</i>	<i>Export</i>	<i>Import</i>	<i>Trade balance</i>
<i>Italy</i>	7476	7356	120	+7236
<i>USA</i>	2665	2451	214	+2237
<i>France</i>	2001	1865	136	+1729
<i>Russian Federation</i>	1968	862	1106	-244
<i>Israel</i>	1811	1751	60	+1691
<i>United Kingdom</i>	1761	1452	309	+1143
<i>Turkey</i>	1619	905	714	+191
<i>Ukraine</i>	1328	910	418	+492
<i>Georgia</i>	981	939	42	+897
<i>China</i>	945	311	634	-323
<i>Others</i>	10667	7674	2993	+4681
Total	33222	26476	6746	+19730
<i>including:</i>				
CIS countries	4117	2165	1952	+213
Other countries	29105	24311	4794	+19517

Commodity export. In the reporting period commodity export amounted to USD 26.5 billion. Share of oil-gas products in the export made up 94.9 percent.

Oil products exported to foreign countries amounted to USD 23.8 billion, of which USD 1571.5 mln. was oil products and USD 22.3 billion – crude oil.

Out of total volume of exported crude oil, USD 21.0 fell to the share of the oil produced by the Azerbaijan International Operating Company (AIOC). Remaining USD 1.3 billion of total exported crude oil was delivered abroad by other entities, of which USD 126.3 mln. falls to the share of Shahdeniz condensate and USD 1162.5 mln. to SOCAR.

Non-oil-gas export of the country in 2010 was USD 1.4 billion having increased by 20 percent against the previous year.

Export structure

	2009		2010	
	Amount, mln.\$	Share, in %	Amount, mln.\$	Share, in %
Export - total	21096.8	100.0	26476.0	100.0
including:				
1. Fuel – raw materials	20217.3	95.9	25398.6	95.9
- oil-gas products	19969.5	94.7	25107.5	94.8
- other raw materials	247.8	1.2	291.1	1.1
2. Vehicles and equipment	257.0	1.2	336.1	1.3
3. Consumer goods	594.3	2.8	725.6	2.7
4. Other goods	28.2	0.1	15.7	0.1

Commodity import. During the reporting period commodity import constituted USD 6.7 billion. Total value of consumer goods was USD 2954.3 mln. of which USD 1050.4 mln. is the share of food products.

Import structure

	2009		2010	
	Amount, mln.\$	Share, in %	Amount, mln.\$	Share, in %
Import – total	6513.9	100.0	6745.6	100.0
including:				
1. Consumer goods	2587.0	39.7	2954.3	43.8
- food products	826.7	12.7	1050.4	15.6
- others	1760.3	27.0	1903.9	28.2
2. Investment oriented goods	773.3	11.9	689.0	10.2
- int'l oil-gas concorciums	402.2	6.2	559.0	8.3
- others	371.1	5.7	130.0	1.9
3. Other goods	3153.6	48.4	3102.3	46.0

Share of vehicles, equipment and goods imported through investments comprised 10.2 percent and equalled to USD 689.0 mln. 81.1 percent of this amount was the share of goods imported by oil-gas sector. Besides, USD 3102.3 mln 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 2010 was mutually provided services, the volume of which reached USD 5862.7 mln. Out of this amount USD 3797.8 mln was rendered by non-residents for Azerbaijani residents, and USD 2064.9 mln. – services provided by Azerbaijani residents for residents of foreign countries. Thus, the services balance was negative USD 1732.9 mln.

Share of transportation services in total services turnover was 24.6 percent. The total volume of transportation services made up USD 1444.7 mln., 55.4 percent 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 644.0 mln.

During the reporting period the value of touristic services provided for non-residents was appraised to be USD 620.7 mln, 33.5 percent of which was related to business visits of non-residents to Azerbaijan.

In its turn, the value of touristic services provided by foreign countries for Azerbaijani residents doubled against the similar period of the previous year and made up USD 745.0 mln; 73.9 percent of this amount falls to the share of private expenditures of Azerbaijani citizens (funds for shuttle import excluding).

The share of mutual services in total commodities and services import-export turnover constituted 15percent.

Income balance

During the reporting period total turnover of income receipts and payments reached USD 4818.2 mln. Out of this 86 percent (USD 4142.6 mln) was the payments from Azerbaijan. Key portion of this amount (USD 3082.4 mln) fell to the share of income repatriation of foreign investorts in oil-gas concorciums (mainly in terms of crude oil), salaries paid to non-residents (USD 113.6 mln) and interest payments for external debts (USD 212.0 mln).

Balance of current transfers

Total volume of current transfers is assessed to be USD 2.3 billion, 60.9 percent of which was receipts by Azerbaijan.

94.2 percent of total receipts on current transfers is comprised of remittances of individuals from foreign countries, 2.3 percent – value of humanitarian import goods, and 3.5 percent – other receipts.

In total, surplus of current transfer operations made up USD 509.1 mln.

Capital and financial flow

In 2010 total volume of attracted capital from abroad increased by 1.5 times against the relevant period of the previous year and amounted to USD 8.3 billion. This indicator is mainly comprised of foreign direct investments and external loans.

The structure of attracted foreign capital

	2009		2010	
	Amount, mln.\$	Share, in %	Amount, mln.\$	Share, in %
Direct investment	2899.0	51.5	3347.3	40.3
- oil-gas sector	2146.3	38.1	2573.4	31.0
- other sectors	752.7	13.4	773.9	9.3
Loans and other investments	2729.9	48.5	4966.2	59.7
- government guaranteed loans	646.8	11.5	735.5	8.8
- loans without government guarantee	1020.9	18.1	2635.3	31.7
- oil-gas sector	77.0	1.4	667.6	8.0
- banks	734.8	13.0	1686.6	20.3
- others	209.1	3.7	281.1	3.4
- other investments	1062.2	18.9	1595.4	19.2
Oil bonus	1.0	-	2.0	-
T O T A L	5629.9	100.0	8315.5	100.0

Direct investments

Total amount of foreign direct investments was USD 3347.3 mln. Share of oil-gas sector in the structure of these investments was 76.9 percent. Attracted investments were channelled to domestic economy to finance huge oil-gas projects, primarily BP Exploration (Shahdeniz) Ltd. project and works provided by Azerbaijan International Operating Company in Azeri-Chiragh-Guneshli.

According to assessments, total amount of foreign direct investments to non-oil sector equalled to USD 773.9 mln which comprises 23.1percent of total foreign direct investments.

Loans and other investments

The share of loans and other investment in attracted foreign capital increased by 1.8 times in comparison with relevant period of the previous year and made up 59.7 percent (USD 4966.2 mln). The growth primarily was due to increase in oil-gas sector and foreign borrowings of banks.

Government and government guaranteed loans (loans allocated by international financial institutions and other organisations) made up 21.8 percent (USD 735.5 mln) of total loans, while loans without government guarantee comprised 78.2 percent (USD

2635.3 mln), out of which USD 1686.6 mln was attracted by banks, USD 667.6 mln – by oil-gas sector, USD 281.1 mln by other entities and companies.

During the reporting period, USD 2052.0 mln of previously attracted loans have been repaid. Out of repaid loans, 44.3 percent (USD 909.9 mln) falls to the share of the banking sector, 12.3 percent (USD 252.2 mln) – to the share of government and government guaranteed loans, 30 percent (USD 615.9 mln) – to oil-gas sector and 13.4 percent (USD 274.1 mln) to other entities and companies.

Reserve assets

During the reporting period reserve assets of Azerbaijan increased by USD 10461.2 mln.