

## BALANCE OF PAYMENTS

### of the Republic of Azerbaijan for January- June 2014 <sup>1</sup>

As in previous years, in January- June, 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 - June 2014 was USD 11.6 bln.

#### Key indicators of the balance of payments for January – June, 2014

Mln. \$

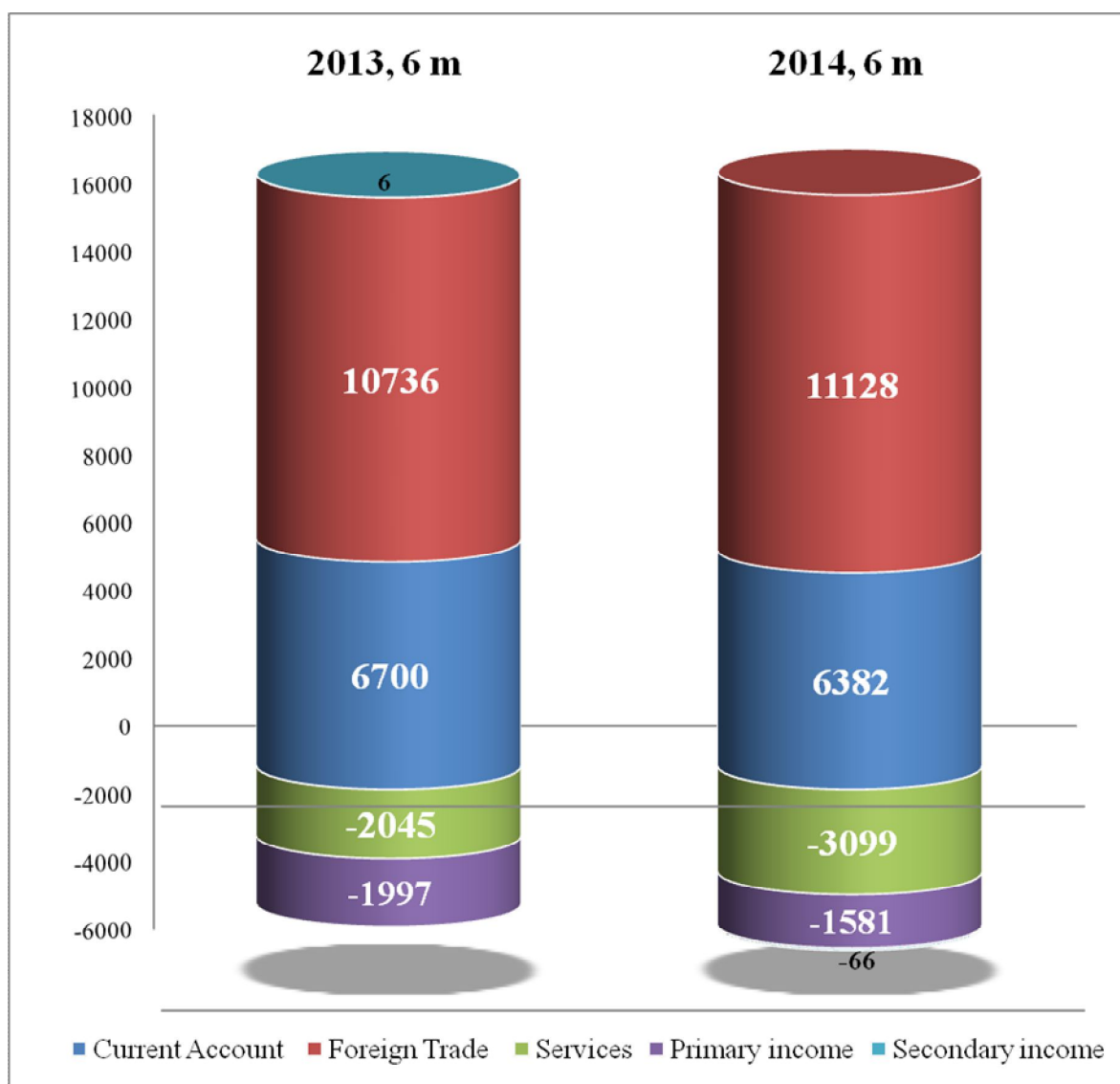
<b>Current operations and account balance</b>	<b>6377.7</b>
Foreign trade balance	11127.9
Services balance	-3098.8
Primary income balance	-1581.2
- Investment income repatriation	-1621.2
Secondary income balance	-66.2
Capital account	-4.0
<b>Financial account</b>	<b>-1493.3</b>
Net financial assets	6045.6
including:	
- direct investments abroad	367.2
- portfolio investments	104.8
- other investments	5573.6
Net financial liabilities	4552.3
including:	
- direct investments attracted to Azerbaijan	3866.8
- attracted investment repatriation	-1795.4
- oil bonus	17.0
- portfolio investments	1747.7
- other investments	716.2
<b>Net errors and omissions</b>	<b>-513.4</b>
<b>Total surplus of the BOP</b>	<b>4371.0</b>
<b>(change in reserve assets of the country)</b>	<b>4371.0</b>

<sup>1</sup> Go to [http://cbar.az/assets/1186/final\\_metod.pdf](http://cbar.az/assets/1186/final_metod.pdf) for Methodological Guidelines on Compiling the Balance of Payments.

## Current operations account

In January – June, 2014 current accounts surplus amounted to USD 6.4 bln, including USD 10.3 bln of current accounts surplus on the oil-and-gas sector. Surplus of the oil-and-gas sector fully covered USD 3.9 bln deficit on the non-oil sector.

Mln. \$



### *External trade balance*

External trade balance made USD 20.1 bln, while *positive external trade surplus* amounted to USD 11.1 bln.

In January – June, 2014 Azerbaijan traded with up to 136 countries across the world. 7.7% of external trade falls to the share of CIS countries and 92.3% – other countries. Our country had more vigorous trade ties with Italy, the United Kingdom, Turkey, Indonesia, the USA, Germany, Russia, France, Israel and Japan. (The share of these countries in overall trade was 69.1%).

**Key external trade partners in January – June 2014**

	(Mln. \$)			
	<i>Commodity turnover</i>	<i>Export</i>	<i>Import</i>	<i>Trade balance</i>
<i>Italy</i>	2817	2718	99	+2619
<i>UK</i>	1872	1628	244	+1384
<i>Turkey</i>	1729	1025	704	+321
<i>Indonesia</i>	1399	1381	18	+1363
<i>USA</i>	1378	1068	310	+758
<i>Germany</i>	1268	970	298	+672
<i>Russian Federation</i>	1058	373	685	-312
<i>France</i>	828	759	69	+690
<i>Israel</i>	781	778	3	+775
<i>Japan</i>	721	639	82	+557
<i>Others</i>	6209	4255	1954	+2301
<b>Total</b>	<b>20060</b>	<b>15594</b>	<b>4466</b>	<b>+11128</b>
<i>including:</i>				
<b>CIS</b>	<b>1542</b>	<b>489</b>	<b>1053</b>	<b>-564</b>
<b>others</b>	<b>18518</b>	<b>15105</b>	<b>3413</b>	<b>+11692</b>

**Commodity export.** During the reporting period commodity export amounted to USD 15.6 bln. The share of oil-and-gas products in the export made up 94.9%.

USD 14.1 bln worth oil products were exported to foreign countries, of which USD 719.8 mln. falls to the share of oil processing products, while USD 13.4 bln to export of crude oil.

Out of total exported crude oil, USD 12.5 bln fell to the share of the oil produced by the Azerbaijan International Operating Company (AIOC). Remaining USD 907.8 mln was delivered abroad by other entities, of which USD 75.7 mln falls to the share of Shahdeniz condensate and USD 832.1 mln to the SOCAR.

**Non-oil-and-gas** export of the country in January – June, 2014 was USD 794 mln, the y.o.y. decrease being 9.2%.

**Export structure**

	H1, 2013		H1, 2014	
	Amount, mln	Share, %	Amount, mln.\$	Share, %
<b>Export - total</b>	<b>15831.6</b>	<b>100.0</b>	<b>15593.8</b>	<b>100.0</b>
<i>including:</i>				
1. Fuel – raw materials	15195.1	96.0	14981.8	96.1
- oil-and-gas products	14957.3	94.5	14800.3	94.9
- other raw materials	237.8	1.5	181.5	1.2
2. Machinery and equipmen	171.8	1.1	156.6	1.0
3. Consumer goods	450.0	2.8	438.0	2.8

4. Other goods	14.7	0.1	17.4	0.1
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**Commodity import.** During the reporting period, commodity import constituted USD 4.5 bln. Total value of consumer goods was USD 2007.9 mln, of which USD 632.5 mln is the share of food products.

### *İdxalın strukturu*

	H1, 2013		H1, 2014	
	Amount, mln.\$	Share, %	Amount, mln.\$	Share, %
<b>Import-total</b>	<b>5095.8</b>	<b>100.0</b>	<b>4465.9</b>	<b>100.0</b>
including:				
1. Consumer goods	2106.7	41.3	2007.9	45.0
- - food products	619.6	12.2	632.5	14.2
- others	1487.1	29.1	1375.4	30.8
2. Investment oriented goods	519.4	10.2	441.6	9.9
- int'l oil-and-gas concorciums	378.4	7.4	433.7	9.7
- others	141.0	2.8	7.9	0.2
3. Other goods	2469.7	48.5	2016.4	45.1

The share of vehicles, equipment and goods imported through investments comprised 9.9% and equaled USD 441.6 mln. 98.2% of this amount was the share of goods imported by the oil-and-gas sector. Besides, USD 2016.4 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 – June, 2014 was mutually provided services, the volume of which was USD 7.0 bln. Out of this amount USD 5.0 bln was rendered by non-residents for Azerbaijani residents, and USD 2.0 bln – services provided by Azerbaijani residents for residents of foreign countries.

The share of transportation services in total services turnover was 12.9%. The total volume of transportation services made up USD 905.4 mln. 48.5% 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 465.9 mln.

Over the reporting period the value of travelling services provided for non-residents was appraised to be USD 1105.3 mln. 31.5% 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 15.4% and made USD 1.6 bln. 65.4% 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 25.9%.

### *Primary income balance*

Over the reporting period total turnover of income receipts and payments reached USD 3.2 bln. Out of this 74.8% (USD 2.4 bln) were payments from Azerbaijan. The key portion of this amount (USD 1.9 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 149.4 mln) and interest payments for external debts (USD 240.9 mln).

### *Secondary income balance*

Total value of secondary income operations with foreign countries is estimated to equal USD 1.8 bln, 48.1% of which was receipts by Azerbaijan.

92.7% of total receipts on secondary income is comprised of remittances of individuals from foreign countries, 3.7% – value of humanitarian import goods, and 3.6% – other receipts.

In total, surplus of secondary income operations made up positive USD 66.2 mln.

## **Financial account<sup>2</sup>**

In January – June, 2014 net acquisition of financial assets equalled USD 6.0 bln. This indicator is primarily comprised of FDIs (USD 367.2 mln), portfolio investments (USD 104.8 mln) and other investments (USD 5573.6 mln).

### *Net financial assets and liabilities on January – June 2014*

	Mln. \$	
	<b>Assets</b>	<b>Liabilities</b>
<b>Direct investments</b>	<b>367.2</b>	<b>2071.4</b>
- oil-and-gas sector	266.8	1518.8
- other sectors	100.4	552.6
<b>Portfolio investments</b>	<b>104.8</b>	<b>1747.7</b>
<b>Other investments</b>	<b>5573.6</b>	<b>716.2</b>
- Trade credits and advances	2923.1	73.7
- Credits and loans	56.9	505.2
-Deposits and cash	2593.6	137.3
<b>Oil bonus</b>		<b>17.0</b>
<b>TOTAL</b>	<b>6045.6</b>	<b>4552.3</b>

*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 3.9 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 569.0 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 56.9 mln, while net financial liabilities increased USD 505.2 mln. Net financial liabilities rose against direct government and government guaranteed loans (USD 151.8 mln), banks (USD 192.1 mln), and other entities and companies (USD 161.3 mln).

Net financial assets on deposits and cash increased USD 2.6 bln, while net financial liabilities grew USD 137.3 mln.

### **Reserve assets**

Over the reporting period country's reserve assets grew USD 4371 mln.