

## BALANCE OF PAYMENTS

### of the Republic of Azerbaijan for 9 months of 2021

Over 9 months of 2021, the balance of payments<sup>1</sup> was mainly driven by recovery of prices in global commodity markets and high non-oil exports. Surplus in current account amounted to \$3.9B, deficit in the capital and financial flow account made \$1.5B, reserve assets increased by \$2.4B. Over the period average oil price was 62\$/barrel, non-oil export increased by 38% to \$1.7B.

**Table 1. Key indicators of the balance of payments for 9 months of 2021, mln.\$**

<b>Current operations</b>	<b>3 939.1</b>
Foreign trade balance	6 406.2
Services balance	- 1 765.2
Primary income balance	- 1 065.2
- Investment income repatriation	- 1 047.6
Secondary income balance	363.3
<b>Capital account</b>	<b>-4.5</b>
<b>Financial account</b>	<b>-1 457.5</b>
Net financial assets	740.1
<i>including:</i>	
- direct investments abroad	132.2
- portfolio investments	388.2
- other investments	219.7
Net financial liabilities	- 717.4
<i>including:</i>	
- direct investments to Azerbaijan	3 664.7
- attracted investment repatriation	- 4 281.8
- oil bonus	454.1
- portfolio investments	-177.7
- other investments	- 376.7
<b>Net errors and omissions</b>	<b>- 40.1</b>
<b>Total surplus of the BOP (change in reserve assets of the country; '+' increase, '-' decrease)</b>	<b>2 437.0</b>

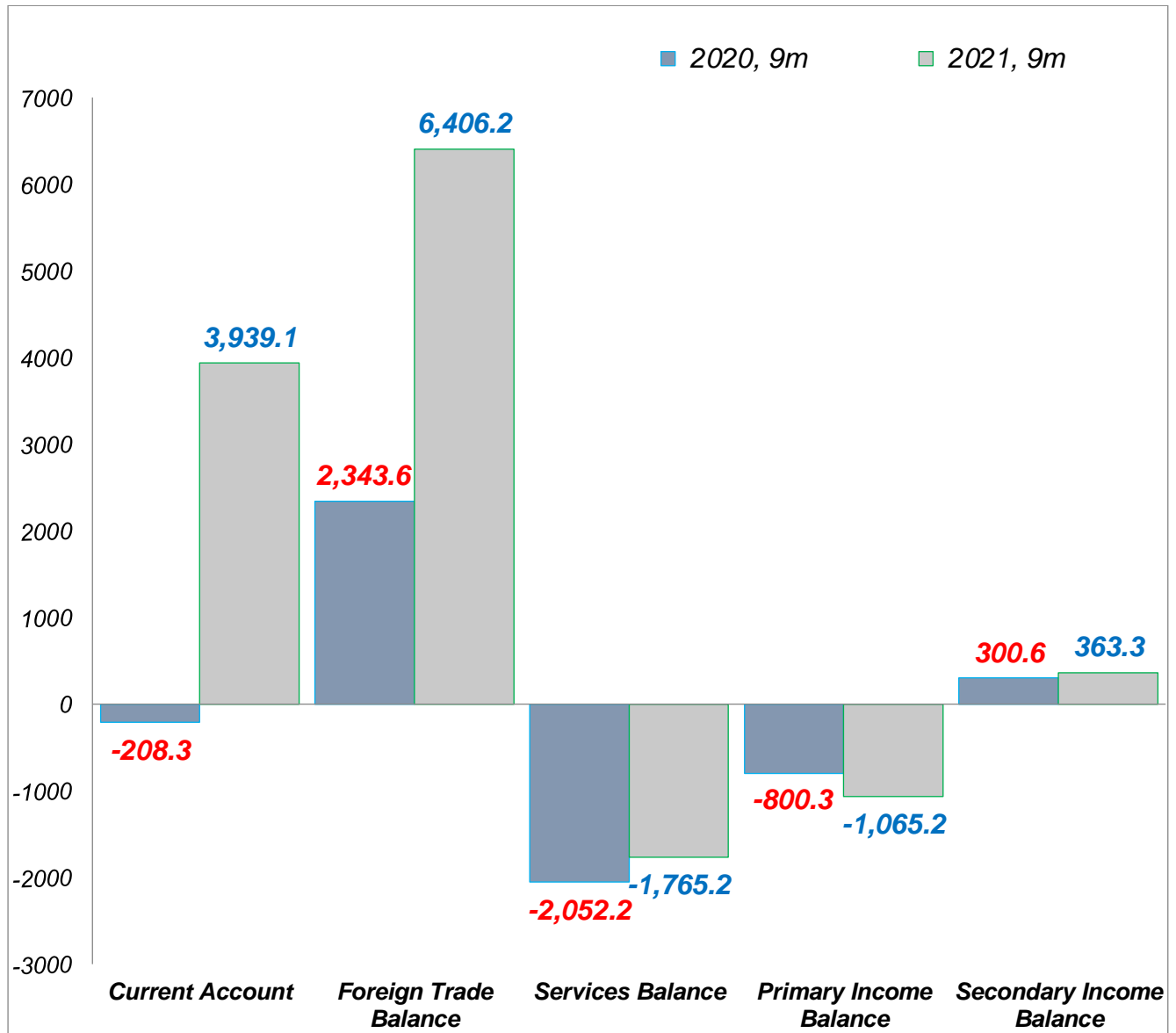
Note: The BOP was calculated at the \$61.9 (y/y \$41.6) average actual crude oil price.

<sup>1</sup> 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 \$3.9B or 10.7% of GDP (\$208.3M worth deficit over 9 months of 2020). Oil and gas current account surplus y/y increased by 2.1 times as much to \$8.2B, while non-oil current account deficit increased by 1.5% to \$4.3B.

**Chart 1. Current account on 9 months 2021, mln.\$**



**External trade balance** made up \$21.4B, \$11B worth oil-gas surplus covered \$4.6B non-oil deficit, resulting in \$6.4B worth surplus in external trade balance. Azerbaijan traded with 183 countries – CIS countries account for 14%, while other countries for 86% of foreign trade.

**Commodity export** amounted to \$13.9B (up by 42.3%). Oil-gas export increased by 43% to \$12.2B due to y/y hike in crude oil prices in global markets (49% or 1.5 times). Crude oil accounts for \$8.9B and oil processing products for \$627M of exported oil products (\$9.6B). Non-oil export increased by 38.1% to \$1.7B.

**Commodity import** y/y increased by 0.9% to \$7.5 B, total value of imported consumer goods amounted to \$3.6B (including \$1.2B worth food products). Non-oil import increased by 3.2% to \$6.2B: import of ships, boats and floating automobiles (40%), railway vehicles (39.4%), sugar (36.6%), furniture (25.6%), alcoholic and non-alcoholic beverages (21%), stone and glass ware (20%), wood ware (16.3%), tobacco and tobacco products (12%), vegetables (10.4%), paper products (7%) and palm oil (4.5%) increased, while import of aircrafts (11.4 times), cereals (13.5%), metals (11.4%), soaps and detergents (8%) and butter (6.7%) decreased.

The share of vehicles, equipment and goods imported via foreign investments was 8.4% (\$0.6B).

**Table 2. Import structure, mln.\$**

	<b>2020, 9 months</b>		<b>2021, 9 months</b>	
	<i>Amount</i>	<i>Weight, %</i>	<i>Amount</i>	<i>Weight, %</i>
<b>Import - total</b>	<b>7 419.5</b>	<b>100.0</b>	<b>7 486.7</b>	<b>100.0</b>
including:				
1. Consumer goods	3 199.1	43.1	3 576.6	47.8
- food products	1 113.7	15.0	1 173.0	15.7
- other	2 085.4	28.1	2 403.6	32.1
2. Investment oriented goods	562.9	7.6	631.4	8.4
3. Other goods	3 657.5	49.3	3 278.7	43.8

### **Services balance**

Total services in Azerbaijan's economic ties with foreign countries made up \$6.9B – \$4.3B worth services was rendered by non-residents to Azerbaijani residents, and \$2.6B by Azerbaijani residents to foreign residents. In general deficit in services balance decreased by 14% to \$1.7B. Non-oil deficit was \$1.3B (down by 29.3%) (in particular in construction and other business services). Deficit in non-oil services balance was \$462.9M (up by 2.2 times).

Transportation accounts for 41.1% of total mutual services turnover. Total size of transportation services made up \$2.8B, 60% 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 \$1.7B, while the value of travelling services provided by non-residents to Azerbaijani residents made up \$1.1B.

Non-oil export of transportation services y/y increased by 11.3%, while import increased by 20.8%. As a result, \$0.2B worth surplus (9 months 2020) increased to \$0.6B surplus (9 months 2021).

Mutual tourism services decreased by 23.1% to \$491.1M. Tourism import (\$367.4M) prevailed over tourism export (\$123.7M), resulting in \$243.7M worth deficit. The number of Azerbaijani citizens visiting foreign countries decreased by 24.7%, while the number of foreign citizens visiting Azerbaijan decreased by 38.2%.

Foreign countries supplied \$367.4M worth touristic services to Azerbaijani citizens. Out of which private expenditures of Azerbaijani citizens in foreign countries account for 88.5% (*funds for shuttle import excluding*).

Cost of construction services to non-residents on the non-oil sector decreased by 3.4 times to \$6M, while cost of other business services to non-residents on the non-oil sector increased by 37.3% to \$668M.

### ***Primary income balance***

Oil-gas deficit made up \$1.5B, while non-oil surplus amounted to \$0.4B, resulting in \$1.1B worth primary income balance deficit (up by 33.1%).

Total turnover of income receipts and payments was \$3.7B. 65% (\$2.4B) of which were payments from Azerbaijan to non-residents: income repatriation (\$1.7B) (including \$1.6B 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 (\$0.2B) and other payments (\$0.2B).

### ***Secondary income balance***

Total value of secondary income operations with foreign countries is estimated to equal \$1.3B – proceeds \$0.8B, and payments \$0.5B. 91.2% of total receipts on secondary income is comprised of remittances of individuals from foreign countries, 7% humanitarian aid goods, and 1.8% other receipts.

Remittances from foreign countries increased by 13.3% to \$772.5M, while remittances to foreign countries increased by 5% to \$402.3M, resulting in \$370.2M worth surplus on remittances.

In total, surplus of secondary income operations made up positive \$363.3M (up by 21%).

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

Net acquisition of financial assets increased by \$740.1M: direct investments abroad (\$132.2M), portfolio investments (\$388.2M) and other investments (\$219.7M).

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<sup>2</sup> 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 \$717.4M: net FDIs (\$-617.1M), oil bonus (\$454.1M), portfolio investments (\$-177.7 M) and other investments (\$-376.7 M).

**Table 3. Net financial assets and liabilities over 9 months 2021, mln.\$**

	<b>Assets</b>	<b>Liabilities</b>
<b>Direct investments</b>	<b>132.2</b>	<b>-617.1</b>
- oil and gas sector	21.4	-1 182.8
- other sectors	110.8	565.7
<b>Oil bonus</b>		<b>454.1</b>
<b>Portfolio investments</b>	<b>388.2</b>	<b>-177.7</b>
<b>Other investments</b>	<b>219.7</b>	<b>-376.7</b>
- trade credits and investments	-88.1	-178.7
- loans	56.1	-704.2
- currency and deposits	251.7	-27.8
- other liabilities		534.0
<b>TOTAL</b>	<b>740.1</b>	<b>717.4</b>

### ***Direct investments***

Total FDI liabilities amounted to \$3.7B. The oil-gas sector accounts for 84.2% of FDIs.

Drop in net financial liabilities (\$-1 182.9 M) on the oil-gas sector of the BoP's direct investments item over 9 months of 2021 stems from the difference between attracted investments (\$3 085.3M) and capital repatriation (\$4 268.2M).

Total amount of FDIs liabilities to the non-oil sector is estimated to equal \$579.3M (up by 16.5%).

### ***Portfolio investments***

Net financial assets on portfolio investments increased by \$388.2M, while net financial liabilities decreased by \$177.7M resulting in \$565.9M negative surplus.

Assets on portfolio investments mainly increased due to the oil-and-gas sector (\$9.9M), the public (\$157.7M), banking (\$112.5M) and private (\$108.1M) sectors. Liabilities decreased due to the public sector (\$179.4M) and increased due to the private sector (\$1.7M).

### ***Loans and other investments***

Net financial assets on loans increased by \$56.1M, while net financial liabilities decreased by \$704.2M. Net financial liabilities on loans increased at the expense of the bank loans (\$62.2M), and decreased at the expense of direct government loans (\$283.2M), government guaranteed loans (\$191.5M), loans of the oil and gas sector (\$250M) and loans of enterprises (\$41.7M).

Net financial assets on currency and deposits increased by \$251.7M, while net financial liabilities decreased by \$27.8M.

### **Reserve assets**

Over 9 months of 2021 country's reserve assets increased by \$2.4B.