



CENTRAL BANK
OF THE REPUBLIC OF AZERBAIJAN

Balance of Payments Report

2024

Statistics Department

STRUCTURE

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1. GLOSSARY OF TERMS

<u>Current account balance</u>	The current account balance includes i) foreign trade balance, ii) services balance, iii) primary income balance and iv) secondary income balance.
<u>Foreign trade balance</u>	Foreign trade balance is the balance of import and export operations of goods.
<u>Services balance</u>	Services balance is calculated based upon the balance of export and import operations on i) processing and repair, ii) transportation, iii) tourism, iv) royalty and licensing, v) telecommunication and communication, vi) construction, vii) insurance, viii) financial, ix) government, x) other business, xi) personal, cultural and entertainment services.
<u>Primary income balance</u>	Primary income balance is generated based upon the balance of revenue and spending operations on earned and paid factor income, including salaries, direct investment income, dividends, interest, rent and other items.
<u>Secondary income balance</u>	Secondary income balance is generated based upon the balance of revenue and spending operations on current transfers, including money transfers, humanitarian aid, grants, and other items.
<u>Capital and financial flow account</u>	The capital and financial flow account indicates the in- and outflow of capital to/from the country. Capital in- and outflow may be as i) direct, ii) portfolio, iii) trade credits and advances, iv) loans, v) currency and deposits, and in other forms.
<u>Capital account</u>	The capital account shows transactions with the rest of the world on non-produced non-financial assets (e.g., transfers of sportsmen), as well as other capital-oriented transfers (e.g., humanitarian aid in the form of equipment).

<u>Financial account</u>	The financial account records net foreign financial assets and liabilities and includes various investment flows, acquisition of financial liabilities and claims (direct and portfolio investments, loans, currency and deposits and others).
<u>Direct investments</u>	A direct investment is an investment by a resident of a country that entitles to exercise control over the management of an enterprise owned by a resident of another country.
<u>Oil bonus</u>	Premiums paid to the Republic of Azerbaijan regarding the signing or implementation of Production Sharing Agreements in the oil and gas sector.
<u>Portfolio investments</u>	Portfolio investments are investments in securities made by a resident of a country without active participation in the management of an enterprise owned by a resident of another country to earn income. This item includes investments in securities not attributable to direct investments.
<u>Other investments</u>	Other Investments include i) trade credit and advances, ii) loans, iii) currency and deposits operations. Other investments not attributable to direct and portfolio investments and financial derivative instruments are included to this item.
<u>Trade credits</u>	Trade credits (debts) are amounts unpaid by residents in exchange for goods (or supplied services) provided by non-residents to residents or amounts unpaid by non-residents in exchange for goods (or supplied services) provided by residents to non-residents.
<u>Trade advances</u>	Trade advances are amounts paid in advance (in part or in full) by residents in exchange for goods to be delivered (or services to be supplied) by non-residents to residents or amounts paid in advance (in part or in full) by residents in exchange for goods to be delivered (or services to be supplied) by residents to non-residents.

<u>Loans</u>	Loans are money lent in a certain amount, with or without collateral, on the condition that it will be reimbursed in accordance with the concluded contract, for a certain period (with the right to extend the period) and on the condition that interest (commission fees) will be paid.
Currency and deposits	Currency and deposits are money deposited or transferred to current, savings (deposit), correspondent or other accounts, which are to be returned or transferred to another account at the request of investors (depositors) with or without payment of interest or commission fees under relevant contractual conditions, and cash foreign currency.
<u>Reserve assets</u>	Increase/decrease in country's strategic foreign reserves resulting from transactions in the current account and the capital and financial account. In practice, when the current account is in surplus, the surplus funds the capital and financial account deficit. If the current account surplus exceeds the capital and financial account deficit, the difference may increase reserve assets.
<u>Net errors and omissions</u>	Net errors and omissions may be generated as a result of operations not registered on corresponding items of the balance of payments. In practice, it is impossible to ensure that net errors and omissions are '0' in the preparation of the BoP. Experience shows that accurate registration of several transactions in liberal and open economies and on the backdrop of rapid expansion of foreign economic relations is a complicated process, due to incomplete information, time lag between information sources, deviations in assessments and other factors. In most cases, different sources of information are used to record credit and debit sides of a transaction. When one or more of these sources are incomplete, the credit and

	<p>debit sides of the BoP are not equal, resulting in a certain gap. These gaps are summarized and recorded in the net errors and omissions section at the end. For example, if the surplus resulting from the gap between the balance of current account and the balance of capital and financial account flows in the BoP exceeds the increase in reserve assets, this gap should be recorded with a negative sign in the net errors and omissions section.</p>
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2. EXECUTIVE SUMMARY

The balance of payments for 2024¹ was mainly driven by various trends in the external environment. Current account surplus amounted to \$4.7B, deficit in the capital and financial account made \$5.0B (due to the decrease in financial liabilities). Over the period, foreign exchange reserves of the country decreased by \$0.4B resulting from the rise in foreign currency expenditures due to the implementation of strategically important projects, events, and the payment of large financial liabilities. Average crude oil price was 84.0\$/barrel over the period².

TABLE 1. Main indicators of BOP for 2024, mln.\$.

Indicators	2024
Current account balance	4 671.1
Foreign trade balance	8 824.9
Services balance	-2 050.8
Primary income balance	-2 734.7
- <i>Investment income repatriation</i>	-3 152.7
Secondary income balance	631.7
Capital account	-1 .4
Financial account	-5 001.1
Net financial assets	2 707.6
- <i>direct investments abroad</i>	742.4
- <i>portfolio investments</i>	700.4
- <i>other investments</i>	1 264.8
Net financial liabilities	-2 293.5
- <i>direct investments to Azerbaijan</i>	7 046.2
- <i>attracted investment repatriation</i>	-7 272.7
- <i>oil bonus</i>	457.8
- <i>portfolio investments</i>	-960.9
- <i>other investments</i>	-1 563.9
Change in reserve assets	-438.1
Net errors and omissions	-106.7

¹ Go to <https://uploads.cbar.az/assets/4f9ced2ebffd8b2fb6149f920.pdf> for Methodological Guidelines on Compiling the Balance of Payments.

² The average actual oil price was \$84.0 (\$85.9 in 2023) in BoP estimations.

3. CURRENT ACCOUNT BALANCE (CAB)

Current account surplus amounted to \$4.7B or 6.3% of GDP (yoy \$8.3B worth surplus). Oil and gas CAB surplus yoy decreased by 11.9% to \$15.1B, while non-oil-gas CAB deficit increased by 18.5% to \$10.4B.

TABLE 2. Main indicators of CAB for 2024, mln.\$.

Indicators	2023	2024	Change, %
Current account balance	8 329.4	4 671.1	-43.9
- Oil-gas sector	17 091.5	15 057.0	-11.9
- Other sectors	-8 762.1	-10 385.9	18.5
Foreign trade balance	12 805.6	8 824.9	-31.1
Services balance	-2 334.6	-2 050.8	-12.2
Primary income balance	-3 199.1	-2 734.7	-14.5
Secondary income balance	1 057.5	631.7	-40.3

3.1. Foreign trade balance

Foreign trade turnover made up \$43.2B, \$20.3B worth oil-gas surplus covered \$11.5B non-oil-gas deficit, resulting in \$8.8B worth foreign trade surplus. In 2024, Azerbaijan traded with 180 countries – CIS countries account for 14.4%, while other countries for 85.6% of foreign trade.

TABLE 3. Foreign trade balance structure, mln.\$.

Indicators	2023	2024	Change, %
Foreign trade balance	12 805.6	8 824.9	-31.1
- Total export	29 202.1	25 992.0	-11.0
- Total import	-16 396.5	-17 167.1	4.7
Oil-gas sector	23 086.5	20 282.2	-12.1
- Export	25 935.0	22 751.0	-12.3
- Import	-2 848.5	-2 468.8	-13.3
Non-oil-gas sector	-10 280.9	-11 457.3	11.4
- Export	3 267.1	3 241.0	-0.8
- Import	-13 548.0	-14 698.3	8.5

Commodity export decreased by 11.0% to \$26.0B. Oil-gas export amounted to \$22.7B, due to favorable energy prices in global oil markets during the period. Crude oil accounts for \$15.3B, natural gas for \$6.9B and oil processing products for \$0.5B of exported oil-gas products (\$22.7B). Non-oil-gas export decreased by 0.8% to \$3.2B.

Commodity import yoy increased by 4.7% to \$17.2B, including total value of imported consumer goods amounted to \$6.8B (including \$2.3B worth food products). Non-oil-gas import increased by 8.5% to \$14.7B: import of butter (56.9%); commutation devices (37.5%); vegetable oils (32.7%); faucets, valves and pipeline fittings (31.5%); furniture (26.3%); boilers, equipment, mechanical devices (24.5%); electrical machines and apparatus (24.2%); trucks (22.3%); metals (22.1%); computing machines (14.2%); perfume and cosmetics (7.4%); alcoholic and non-alcoholic beverages (6.6%); soaps and detergents (6.3%); stone and glass ware (6.1%); vegetables (5.9%); woodware (4.1%); and vehicles (3.4%) increased, while import of aircrafts (94.6%); ships, boats, and floating structures (54.5%); railway vehicles (47.1%); tractors (31.5%); pharmaceuticals (9.5%); tobacco products (1.0%); sugar (0.8%); cereals (0.6%) and paper products (0.2%) decreased.

The share of machinery-equipment and goods imported via foreign investments was 3.1% (\$0.5B).

TABLE 4. Import structure, mln.\$.

Indicators	2023		2024	
	Amount	Weight, %	Amount	Weight, %
Import	16 396.5	100.0	17 167.1	100.0
<i>including:</i>				
1. Consumer goods	6 477.3	39.5	6 824.3	39.8
- food products	1 987.1	12.1	2 321.4	13.5
- other	4 490.2	27.4	4 502.9	26.3
2. Investment oriented goods	656.2	4.0	532.1	3.1
3. Other goods	9 263.0	56.5	9 810.7	57.1

3.2. Services balance

Total services in Azerbaijan's economic relations with foreign countries made up \$18.3B – non-residents rendered \$10.2B worth services to Azerbaijani residents and Azerbaijani residents rendered \$8.1B worth services to non-residents. In general, deficit in services balance decreased by 12.2% to \$2.1B. Oil-gas deficit was \$1.8B (mainly, in construction and other business services). Deficit in non-oil-gas services balance amounted to \$207.8M (down by 23.8%).

Transportation accounts for 27.6% of total mutual services turnover. Total amount of transportation services made up \$5.1B, 62.8% 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 \$3.2B, while the value of transportation services provided by non-residents to Azerbaijani residents made up \$1.9B.

Non-oil-gas export of transportation services yoy increased by 12.8% and import increased by 7.5%. As a result, surplus on transportation services increased by 11.4% to \$1.3B. Note that, surplus on transportation services in 2023 amounted to \$1.2B.

Mutual tourism services turnover increased by 37.9% to \$3.6B. Tourism export (\$2.0B) prevailed over tourism import (\$1.6B) during the reporting period, resulting in \$450.3M worth surplus. The number of Azerbaijani citizens visiting foreign countries increased by 15.5%, while the number of foreign citizens visiting Azerbaijan increased by 25.9%. Foreign countries supplied \$1.6B worth tourism services to Azerbaijani citizens, out of which personal expenditures of Azerbaijani citizens in foreign countries amounted to 79.1% (excluding funds for shuttle trade import).

Cost of construction services to non-residents on the non-oil-gas sector shrank by 10.5% to \$32.8M, while cost of other business services to non-residents on the non-oil-gas sector increased by 49.9% to \$2.1B.

3.3. Primary income balance

Oil-gas deficit made up \$3.4B, while non-oil-gas surplus amounted to \$647.4M, resulting in \$2.7B worth primary income balance deficit (down by 14.5%).

Total turnover of income receipts and payments was \$7.9B. 67.3% (\$5.3B) of which were payments from Azerbaijan to non-residents: repatriation of income attributable to foreign investors (\$3.9B) (including \$3.5B worth repatriation on foreign investors in oil-gas consortiums in the form of crude oil and natural gas), interest payments to non-residents on the securities portfolio (\$0.3B), interest paid on foreign loans (\$0.5B) and other payments (\$0.6B).

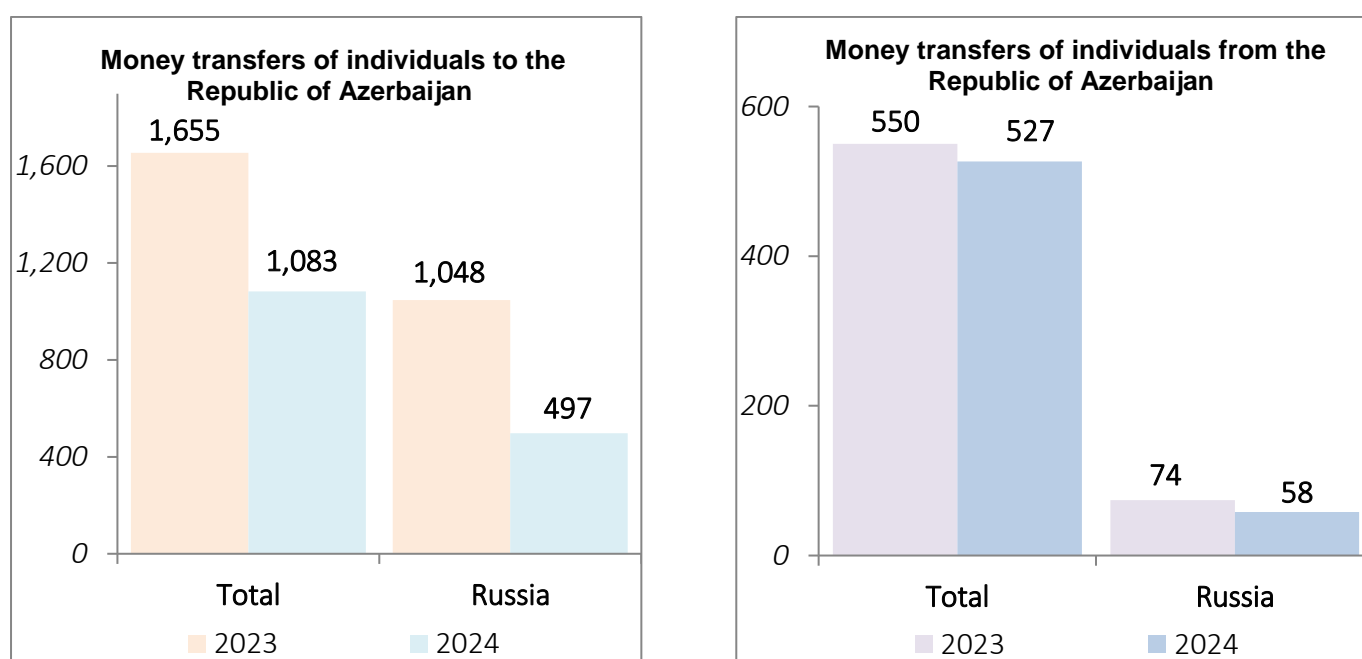
3.4. Secondary income balance

Total volume of secondary income operations with foreign countries was estimated to equal \$1.8B – receipts \$1.2B and payments \$0.6B.

86.9% of total receipts on secondary income includes money transfers of individuals from foreign countries, 11.4% humanitarian goods and other aids, and 1.7% other receipts.

Money transfers of individuals from foreign countries decreased by 34.6% to \$1.1B and money transfers of individuals to foreign countries decreased by 4.2% to \$0.5B, resulting in \$0.6B worth surplus on money transfers of individuals.

CHART 1. Main indicators of money transfers for 2024, mln.\$.



Overall, surplus of secondary income operations made up \$631.7M (down by 40.3%).

4. CAPITAL AND FINANCIAL ACCOUNT³

Net acquisition of financial assets increased by \$2 707.6M: direct investments abroad (\$742.4M), portfolio investments (\$700.4M) and other investments (\$1 264.8M).

Net incurrence of liabilities decreased by \$2 293.5M: net FDIs (\$-226.5M), oil bonus (\$457.8M), portfolio investments (\$-960.9M) and other investments (\$-1 563.9M).

TABLE 5. Net financial assets and liabilities for 2024, mln.\$.

	Assets	Liabilities
Direct investments	742.4	-226.5
- oil-gas sector	-469.0	-1 201.8
- other sectors	1 211.4	975.3
Oil bonus		457.8
Portfolio investment	700.4	-960.9
Other investment	1 264.8	-1 563.9
- Trade credits and advances	1 593.2	-893.2
- Loans	-75.5	-862.4
- Currency and deposits	-252.9	191.7
TOTAL	2 707.6	-2 293.5

³ 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.

4.1. *Direct investments*

Net FDI assets increased by \$742.4M, while net FDI liabilities decreased by \$226.5M.

Total FDI liabilities amounted to \$7.0B, total investments abroad amounted to \$1.8B. In general, there was \$968.9M worth deficit on FDIs.

The oil-gas sector accounted for 80.7% of FDIs. Drop in net incurrence of liabilities (\$-1 201.8M) on the oil-gas sector of the BoP's direct investment item stems from the difference between attracted investments (\$5 687.6M) and capital repatriation (\$-6 889.4M) (in the form of crude oil and natural gas, which is the share of international oil and gas consortiums).

Total FDI liabilities to the non-oil-gas sector decreased by 32.1% \$1.4B.

4.2. *Portfolio investments*

Net financial assets on portfolio investments increased by \$0.7B, while net financial liabilities decreased by \$1.0B.

Assets on portfolio investments mainly increased at the expense of public sector (\$60.8M), equity securities (\$79.7M) and banks (\$719.4M) and decreased at the expense of other sectors (\$159.5M). Liabilities decreased at the expense of the public sector (\$875.0M) equity securities (\$12.7M), banks (\$49.0M) and other sectors (\$24.2M).

4.3. *Oil bonus*

According to Article 29.2 of the 'Agreement on joint development and production sharing for the Azeri and Chirag fields and the Deep-Water Portion of the Gunashli field located in the Azerbaijani sector of the Caspian Sea' ("AÇG HPBS") dated 14 September 2017, total \$3,6B worth oil bonus is planned to be paid in 2018-2025. Annual payment of this amount is \$450M. Funds intended for the current year were paid to Azerbaijan in January 2024.

4.4. *Other investments*

Net acquisition of financial assets on other investments increased by \$1.3B, and net incurrence of liabilities decreased by \$1.6B.

Net financial assets on loans decreased by \$75.5M, and net financial liabilities decreased by \$862.4M. Net financial liabilities on loans increased at the expense of bank sector loans (\$105.9M) and loans of enterprises (\$57.8M) and decreased at the expense of oil-gas sector loans (\$227.4M), government loans (\$422.9M) and government guaranteed loans (\$375.8M).

Net financial assets on currency and deposits decreased by \$252.9M, and net financial liabilities increased by \$191.7M.

5. RESERVE ASSETS

Reserve assets of the balance of payments decreased by \$438.1M⁴.

6. NET ERRORS AND OMISSIONS

Net errors and omissions amounted to minus \$106.7M over the reporting period.

⁴ Without taking into account exchange rate changes, revaluation, and other changes.