

BALANCE OF PAYMENTS

of the Republic of Azerbaijan for January- March 2014¹

As in previous years, in January- March, 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 - March 2014 was USD 5.6 bln.

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

Mln. \$

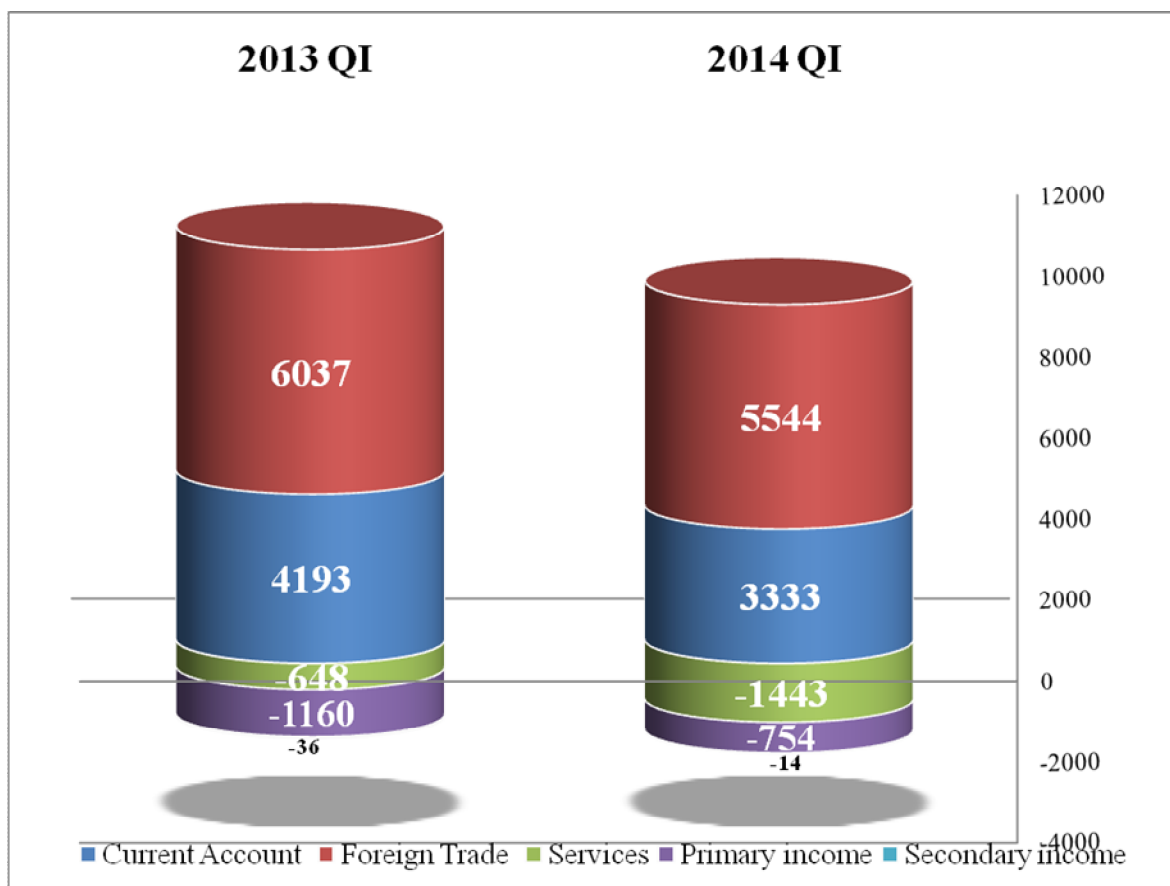
Current operations and account balance	3330.1
Foreign trade balance	5543.8
Services balance	-1443.4
Primary income balance	-753.6
- Investment income repatriation	-770.6
Secondary income balance	-14.3
Capital account	-2.4
Financial account	-609.5
Net financial assets	3446.2
including:	
- direct investments abroad	163.5
- portfolio investments	76.4
- other investments	3206.3
Net financial liabilities	2836.7
including:	
- direct investments attracted to Azerbaijan	1910.9
- attracted investment repatriation	-969.8
- oil bonus	17.0
- portfolio investments	1232.9
- other investments	645.7
Net errors and omissions	61.3
Total surplus of the BOP (change in reserve assets of the country)	2781.9

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 – March, 2014 current accounts surplus amounted to USD 3.3 bln, including USD 5.0 bln of current accounts surplus on the oil-and-gas sector. Surplus of the oil-and-gas sector fully covered USD 1.6 bln deficit on the non-oil sector.

Mln. \$



External trade balance

External trade balance made USD 9.5 bln, while *positive external trade surplus amounted to USD 5.5 bln.*

In January – March, 2014 Azerbaijan traded with up to 117 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, Turkey, the United Kingdom, Indonesia, Germany, the USA, Russia, Israel, France and Japan. (The share of these countries in overall trade was 72.5%).

Key external trade partners in January – March 2014

(Mln. \$)

	<i>Commodity turnover</i>	<i>Export</i>	<i>Import</i>	<i>Trade balance</i>
<i>Italy</i>	1433	1394	39	+1355
<i>Turkey</i>	849	519	330	+189
<i>UK</i>	829	724	105	+619
<i>Indonesia</i>	775	766	9	+757

<i>Germany</i>	745	599	146	+453
<i>USA</i>	586	531	55	+476
<i>Russian Federation</i>	497	165	332	-167
<i>Israel</i>	440	438	2	+436
<i>France</i>	370	335	35	+300
<i>Japan</i>	335	306	29	+277
<i>Others</i>	2605	1727	878	+849
Total	9464	7504	1960	+5544
<i>including:</i>				
CIS	727	224	503	-279
others	8737	7280	1457	+5823

Commodity export. During the reporting period commodity export amounted to USD 7.5 bln. The share of oil-and-gas products in the export made up 95.1%.

USD 6.7 bln worth oil products were exported to foreign countries, of which USD 413.8 mln. falls to the share of oil processing products, while USD 6.3 bln to export of crude oil.

Out of total exported crude oil, USD 6.0 bln fell to the share of the oil produced by the Azerbaijan International Operating Company (AIOC). Remaining USD 302.9 mln was delivered abroad by other entities, of which USD 41.4 mln falls to the share of Shahdeniz condensate and USD 261.5 mln to the SOCAR.

Non-oil-and-gas export of the country in January – March, 2014 was USD 365 mln, the y.o.y. decrease being 15.4%.

Export structure

	Q1, 2013		Q1, 2014	
	Amount, mln.\$	Share, %	Amount, mln.\$	Share, %
Export - total	8273.2	100.0	7503.6	100.0
<i>including:</i>				
1. Fuel – raw materials	7955.4	96.2	7228.1	96.3
- oil-and-gas products	7841.8	94.8	7138.7	95.1
- other raw materials	113.6	1.4	89.4	1.2
2. Machinery and equipment	122.3	1.5	90.2	1.2
3. Consumer goods	185.6	2.2	176.6	2.4
4. Other goods	9.9	0.1	8.7	0.1

Commodity import. During the reporting period, commodity import constituted USD 2.0 bln. Total value of consumer goods was USD 959.2 mln, of which USD 301.1 mln is the share of food products.

Import structure

	Q1, 2013		Q1, 2014	
	Amount, mln.\$	Share, %	Amount, mln.\$	Share, %
Import-total	2235.8	100.0	1959.9	100.0
<i>including:</i>				
1. Consumer goods	939.9	42.0	959.2	48.9
- food products	292.8	13.1	301.1	15.4
- others	647.1	28.9	658.1	33.5
2. Investment oriented goods	251.6	11.3	166.2	8.5

- int'l oil-and-gas concorciums	201.1	9.0	161.0	8.2
- others	50.5	2.3	5.2	0.3
3. Other goods	1044.3	46.7	834.5	42.6

The share of vehicles, equipment and goods imported through investments comprised 8.5% and equaled USD 166.2 mln. 96.9% of this amount was the share of goods imported by the oil-and-gas sector. Besides, USD 834.5 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 – March, 2014 was mutually provided services, the volume of which was USD 3.6 bln. Out of this amount USD 2.5 bln was rendered by non-residents for Azerbaijani residents, and USD 1.1 bln – services provided by Azerbaijani residents for residents of foreign countries.

The share of transportation services in total services turnover was 11.8%. The total volume of transportation services made up USD 419.7 mln. 45.3% 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 229.6 mln.

Over the reporting period the value of travelling services provided for non-residents was appraised to be USD 606.8 mln. 33.5% 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 24.4% and made USD 814.3 mln. 64.1% 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 27.3%.

Primary income balance

Over the reporting period total turnover of income receipts and payments reached USD 1.3 bln. Out of this 78.1% (USD1.0 bln) were payments from Azerbaijan. The key portion of this amount (USD 814.9 mln) 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 57.5 mln) and interest payments for external debts (USD 125.8 mln).

Secondary income balance

Total value of secondary income operations with foreign countries is estimated to equal USD 756.6 mln, 49.1% of which was receipts by Azerbaijan.

94.4% of total receipts on secondary income is comprised of remittances of individuals from foreign countries, 2.4% – value of humanitarian import goods, and 3.2% – other receipts.

In total, surplus of secondary income operations made up positive USD 14.3 mln.

Financial account²

In January – March, 2014 net acquisition of financial assets equalled USD 3.4 bln. This indicator is primarily comprised of FDIs (USD 163.5 mln), portfolio investments (USD 76.4 mln) and other investments (USD 3206.3 mln).

Net financial assets and liabilities on January – March 2014

	Assets	Liabilities
		Mln. \$
Direct investments	163.5	941.2
- oil-and-gas sector	112.2	686.8
- other sectors	51.3	254.4
Portfolio investments	76.4	1232.9
Other investments	3206.3	645.7
- Trade credits and advances	1594.1	50.8
- Credits and loans	21.7	356.6
-Deposits and cash	1590.5	238.3
Oil bonus		17.0
TOTAL	3446.2	2836.8

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 1.9 bln. The share of the oil-and-gas sector in the structure of these investments was 86.3%. 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 261.1 mln, which comprises 13.7% of total FDIs.

Credits and other investments

During the reporting period net financial assets on credits and loans increased USD 21.7 mln, while net financial liabilities increased USD 356.6 mln. Net financial liabilities rose against direct government and government guaranteed loans (USD146.3 mln), banks (USD56.1 mln), and other entities and companies (USD154.2 mln).

Net financial assets on deposits and cash increased USD 1.6 bln, while net financial liabilities grew USD 238.3 mln.

Reserve assets

Over the reporting period country's reserve assets grew USD 2782 mln.