

BALANCE OF PAYMENTS¹**of the Republic of Azerbaijan for January – December, 2016**

In January – December, 2016 current account deficit on the balance of payments amounted to \$1.4 B. Current account deficit on the non-oil sector y/y decreased by 15% (\$1013 M.) to \$5.8 B. Financial account deficit y/y decreased by 69.4% to \$2.8 B (deficit makes \$2.3 B excluding dollarization).

Key indicators of the balance of payments for January – December 2016

Mln.\$

<i>Current operations</i>	-1 363.4
Foreign trade balance	4 206.3
Services balance	-3 154.5
Primary income balance	-2 472.0
- Investment income repatriation	-2 152.9
Secondary income balance	56.8
<i>Capital account</i>	-40.1
<i>Financial account</i>	-2 761.5
<i>Net financial assets</i>	7 244.4
<i>including:</i>	
- direct investments abroad	2 573.6
- portfolio investments	-44.3
- derivatives	-0.7
- other investments	4 715.8
<i>Net financial liabilities</i>	4 482.9
<i>including:</i>	
- direct investments attracted to Azerbaijan	7 323.6
- attracted investment repatriation	-2 824.0
- portfolio investments	443.6
- other investments	-460.3
<i>Net errors and omissions</i>	3 625.8
<i>Total surplus of the BOP (change in reserve assets of the country; '+' increase, '-' decrease)</i>	-539.2

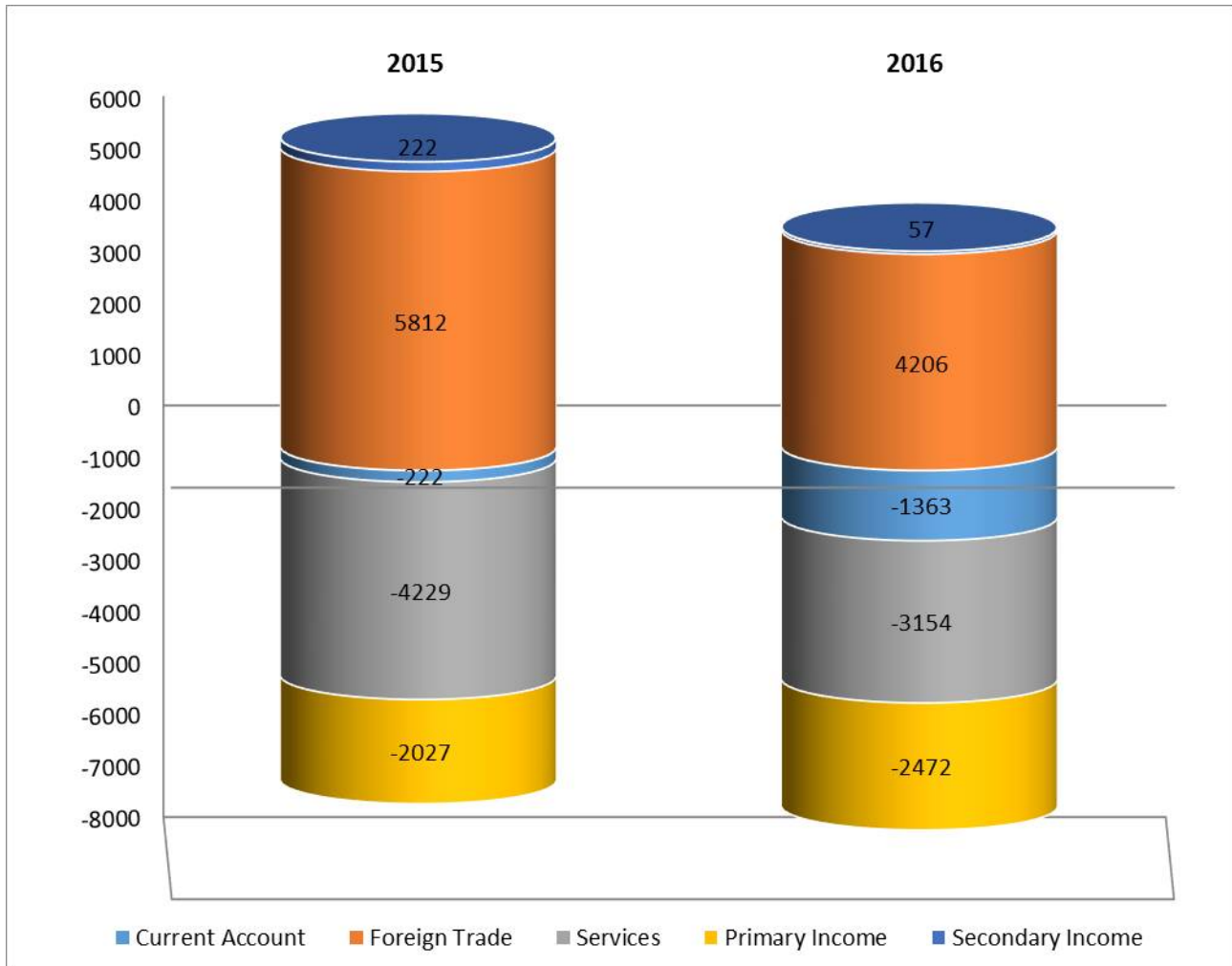
Note: The BOP was calculated at the 42\$(y/y 48\$) average actual oil price.

¹ Go to http://cbar.az/assets/1186/final_metod.pdf for Methodological Guidelines on Compiling the Balance of Payments.

Current operations account

Current account deficit amounted to \$1363 M, including USD 4.4 B of current account surplus on the oil-and-gas sector. Surplus of the oil-and-gas sector covered 76.3% of the \$5.8 B worth of deficit on the non-oil sector.

Mln.\$



External trade balance

External trade balance made \$22.2 B, while *positive external trade surplus amounted to \$4.2 B.*

In January – December, 2016 Azerbaijan traded with up to 186 countries around the world. CIS countries account for 14%, while other countries for 86% of foreign trade.

Commodity export amounted to \$13.2 B, with the 91.2% share of oil-and-gas products.

\$10.7 B worth of oil products were exported to foreign countries: \$490.8 M oil products, and \$10.2 B crude oil.

Non-oil and gas export y/y decreased 22.6% to \$1.2 B.

Commodity import constituted \$9.0 B. Total value of imported consumer goods was \$3977.3 M, including \$1448.3 M worth of food products. Non-oil import y/y decreased 9.4% to \$6.7 B, mainly due to fall in import of vehicles (52.7%), tobacco and tobacco products (48.6%), and pharmaceuticals (27.5%).

The share of vehicles, equipment and goods imported via investments was 23.1%.

Services balance

One of the major items in economic relations of Azerbaijan with other countries in January – December, 2016 was mutually provided services, the volume of which was \$11.9 B. Out of which \$7.5 B was rendered by non-residents for Azerbaijani residents, and \$4.4 B – by Azerbaijani residents for residents of foreign countries.

The share of transportation in total services turnover was 16.9%. Total size of transportation services made up \$2015 M, 54.4% of which relates to use of transportation systems of Azerbaijan by non-residents.

Total volume of transportation services provided by Azerbaijani residents to non-residents made up \$1096 M, while the value of travelling services provided by non-residents to Azerbaijani residents made up \$919 M.

Mutual touristic services y/y increased 6% to \$5.2 B, accordingly, offsetting y/y \$294 M worth of deficit with \$219 M worth of surplus.

In its turn, the cost of travel provided by foreign countries for Azerbaijani residents was \$2494.4 M, 72.9% of this amount falls to the share of private expenditures of Azerbaijani citizens (funds for shuttle import excluding).

The value of construction services paid to non-residents on the non-oil sector y/y decreased 1.8 times as much to \$120 M, while the value of other business services paid to non-residents on the non-oil sector y/y decreased 29.6% to \$638 M.

Primary income balance

Total turnover of income receipts and payments reached \$4.3 B, 78.7% (\$3.4 B) of which were payments from Azerbaijan: \$2361 M income repatriation of foreign investors in oil-and-gas consortiums (mainly in terms of crude oil), salaries paid to non-residents (\$251 M) and interest payments for external debts (\$438 M).

Secondary income balance

Total value of secondary income operations with foreign countries is estimated to equal \$1184.2 M, 52.4% of which was receipts by Azerbaijan.

90.9% of total receipts on secondary income are comprised of remittances of individuals from foreign countries, 5.2% - value of humanitarian import goods and, 3.9% – other receipts.

In total, surplus of secondary income operations made up positive \$56.8 M.

Financial account²

Net acquisition of financial assets increased \$7.2 B: direct investments abroad (\$2573.6 M), portfolio investments (\$-44.3 M), derivatives (\$-0.7 M) and other investments (\$4715.8 M). Net financial liabilities made up \$4.5 B: net FDIs (\$4499.6 M), portfolio investments (\$443.6 M) and other investments (\$-460.3 M).

Net financial assets and liabilities in January – December, 2016

Mln.\$

	Assets	Liabilities
Direct investments	2 573.6	4 499.6
- oil and gas sector	2 035.2	2 810.8
- other sectors	538.4	1 688.8
Portfolio investments	-44.3	443.6
Derivatives	-0.7	
Other investments	4 715.8	-460.3
- trade credits and advances	4 718.1	105.7
- credits and loans	-7.1	-9.4
-deposits and cash currency	4.8	-556.6
T O T A L	7 244.4	4 482.9

Direct investments

The oil-and-gas sector accounts for 76.7% of \$7.3 B worth of FDIs.

Total amount of FDIs to the non-oil sector is estimated to equal \$1706.2 M

Credits and other investments

Net financial assets on credits and loans decreased by \$7.1 M, while net financial liabilities decreased by \$9.4 M

Net financial assets on deposits and cash increased \$4.8 M, while net financial liabilities decreased \$556.6 M.

Reserve assets

Over the reported period country's reserve assets decreased by \$539 M.

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 accordingly.