

BALANCE OF PAYMENTS¹**of the Republic of Azerbaijan for January – March, 2017**

The country's balance of payments (BoP) had \$380 M worth of **positive surplus** in the current accounts balance (CAB) (y/y \$ 773 mln jump on the backdrop of rising oil prices). CAB deficit was \$ 1.1 B on the non-oil sector. The \$2.1 B worth of financial account deficit of January – March 2016 was replaced by the \$ 308 M surplus.

Key indicators of the balance of payments for January – March 2017 Mln.\$

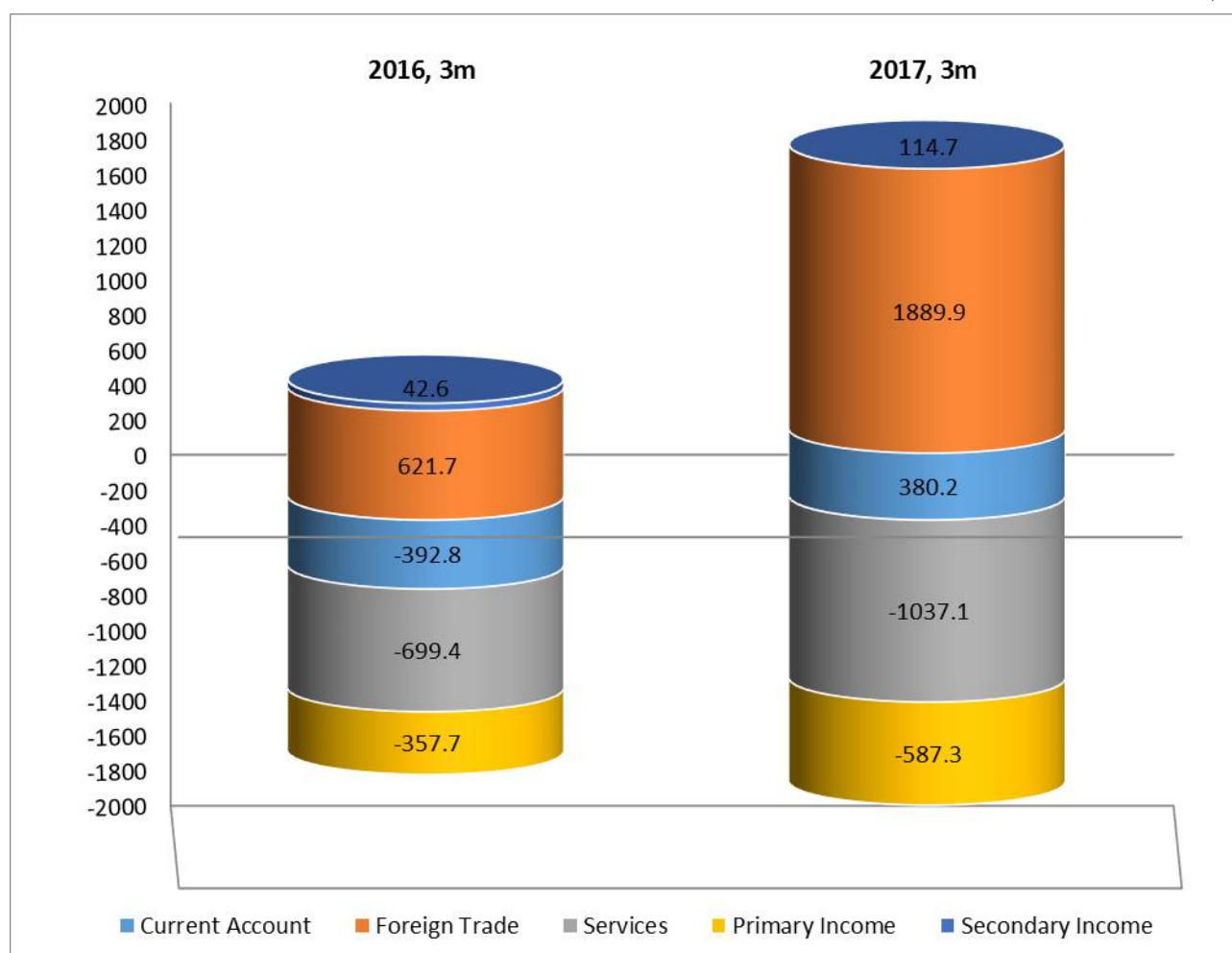
Current operations	380.2
Foreign trade balance	1 889.9
Services balance	-1 037.1
Primary income balance	-587.3
- Investment income repatriation	-432.4
Secondary income balance	114.7
Capital account	0.5
Financial account	308.0
Net financial assets	2 346.4
including:	
- direct investments abroad	531.5
- portfolio investments	-28.8
- other investments	1 843.7
Net financial liabilities	2 654.4
including:	
- direct investments attracted to Azerbaijan	1 623.4
- attracted investment repatriation	-682.8
- portfolio investments	955.5
- other investments	758.3
Net errors and omissions	-225.1
Total surplus of the BOP (change in reserve assets of the country; '+' increase, '-' decrease)	463.6

Note: The BOP was calculated at the 51\$ (y/y 32\$) average actual oil price.

Current operations account

Current account surplus amounted to \$380.2 M, including \$1.5 B surplus on the non-oil sector. Surplus of the oil-and-gas sector fully covered \$1.1 B worth of deficit on the non-oil sector.

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



External trade balance

External trade balance made \$5.2 B, while *positive external trade surplus amounted to \$1.9 B.*

Azerbaijan traded with up to 150 countries around the world. CIS countries account for 12.5%, while other countries for 87.5% of foreign trade.

Commodity export amounted to \$3.6 B, with the 92.9% share of oil-and-gas products.

\$2.9 B worth of oil products were exported to foreign countries: \$124.5 M oil products, and \$2.8 B crude oil.

Non-oil and gas export y/y increased by 10.8% to \$253.5 M.

Commodity import constituted \$1.7 B. Import on the non-oil sector increased to \$1.4 B. Total value of imported consumer goods was \$864 M (including \$324 M worth of food products, \$23 M automobiles, \$30 M tobacco and tobacco products), vehicles and equipment \$197 M, metals \$98 M, chemicals \$51 M, while other products made \$182 M.

The share of vehicles, equipment and goods imported via investments was 12.7%.

Services balance

One of the major items in economic relations of Azerbaijan with other countries was mutually provided services (\$3.0 B). Out of which \$2 B was rendered by non-residents

for Azerbaijani residents, and \$1 B – by Azerbaijani residents for residents of foreign countries.

The share of transportation in total services turnover was 13.1%. Total size of transportation services made up \$397 M, 52.1% of which relates to the use of transportation systems of Azerbaijan by non-residents.

Total volume of transportation services provided by Azerbaijani residents to non-residents made up \$207 M, while the value of travelling services provided by non-residents to Azerbaijani residents made up \$190 M.

Mutual touristic services y/y increased 9.8% to \$1.3 B. Positive balance made up \$52 M in follow-up of Quarter I, 2017.

In its turn, the cost of travel provided by foreign countries for Azerbaijani residents was \$617 M. 71.7% 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 by 62.7% to \$12 M, while the value of other business services paid to non-residents on the non-oil sector made \$180 M.

Primary income balance

Total turnover of income receipts and payments made up \$927 M. 81.7% (\$757 M) of which were payments from Azerbaijan to non-residents: \$454 M income repatriation of foreign investors in oil-and-gas consortiums (mainly in terms of crude oil), \$119 M interest payments to non-residents on the securities portfolio, and \$101 M interest payments on the use of foreign loans.

Secondary income balance

Total value of secondary income operations with foreign countries is estimated to equal \$306 M, 68.7% of which was receipts by Azerbaijan.

95.9% of total receipts on secondary income are comprised of remittances of individuals from foreign countries, 3.2% - value of humanitarian import goods and, 0.9% – other receipts.

In total, surplus of secondary income operations made up positive \$115 M.

Financial account²

Net acquisition of financial assets increased by \$2.3 B: direct investments abroad (\$531.5 M), portfolio investments (\$-28.8 M) and other investments (\$1843.7 M). Net financial liabilities made up \$2.7: FDIs (\$940.6 M), portfolio investments (\$955.5 M) and other investments (\$758.3 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.

Net financial assets and liabilities in January – March, 2017

Mln.\$

	Assets	Liabilities
Direct investments	531.5	940.6
- oil-and-gas sector	453.2	633.1
- other sectors	78.3	307.5
Portfolio investments	-28.8	955.5
Other investments	1 843.7	758.3
- trade credits and advances	748.4	23.5
- credits and loans	14.2	762.0
- deposits and cash currency	1 081.1	-27.2
T O T A L	2 346.4	2 654.4

Direct investments

The oil-and-gas sector accounts for 80.9% of \$1.6 B worth of FDIs.

In January – March, 2017 rise in net financial liabilities (\$633.1 M) on the oil-and-gas sector of the BoP's direct investments item stems from the gap between attracted investments (\$1313.1 M) and capital repatriation (\$680 M).

Total amount of FDIs to the non-oil sector is estimated to equal \$310.3 M.

Box 1. The size, and structure of investments attracted to the Azerbaijani oil-and-gas sector, distribution of shares among investors with their further repatriation in the form of income and capital are being managed under international oil-and-gas contracts and recommendations of the IMF.

Repatriation of income under signed contracts is defined as the income a foreign investor earns from his/her investment. To note, under these contracts investors of relevant consortiums take back all of their investments to the Azerbaijani economy over the reported period in the form of extracted and exported crude oil (capital repatriation). In fact, this operation is the decrease in country's foreign liabilities in the financial account of the BoP ("-" net incurrence of liabilities).

Credits and other investments

Net financial assets on credits and loans increased by \$14.2 M, while net financial liabilities increased by \$762.0 M.

Net financial assets on deposits and cash increased \$1081.1 M, while net financial liabilities decreased \$27.2 M.

Reserve assets

Over the reported period country's reserve assets increased by \$464 M.

Box 2. The Reserve Assets item stands for increase/decrease in country's foreign exchange reserves resulting from operations in current operations and financial accounts. In practice, in the event of deficit/surplus of the current operations account, this deficit/surplus should be financed/covered at the expense of the surplus/deficit of the capital and financial account. However, if the current deficit/surplus is not fully financed/covered at the expense of the surplus/deficit of the capital and financial account, then this gap may be financed/covered at the expense of reserve assets (foreign exchange reserves). If total BoP deficit is not financed by reserve assets (or by contrast, the surplus is not reflected in the rise of reserve assets), the resulting gap is reflected as surplus in the 'Net errors and omissions'.