

## **BALANCE OF PAYMENTS<sup>1</sup>**

### **of the Republic of Azerbaijan for January – September, 2016**

*In January – September, 2016 current account deficit on the balance of payments amounted to \$ 1.1 B. Current account deficit on the non-oil sector y/y decreased by 20.3% (\$1056 M.) to \$ 4.1 B. Financial account deficit y/y decreased 3.3 times as much to \$ 2.0 B (deficit makes \$ 1.5 B excluding dollarization).*

#### **Key indicators of the balance of payments for January – September, 2016**

Mln. \$

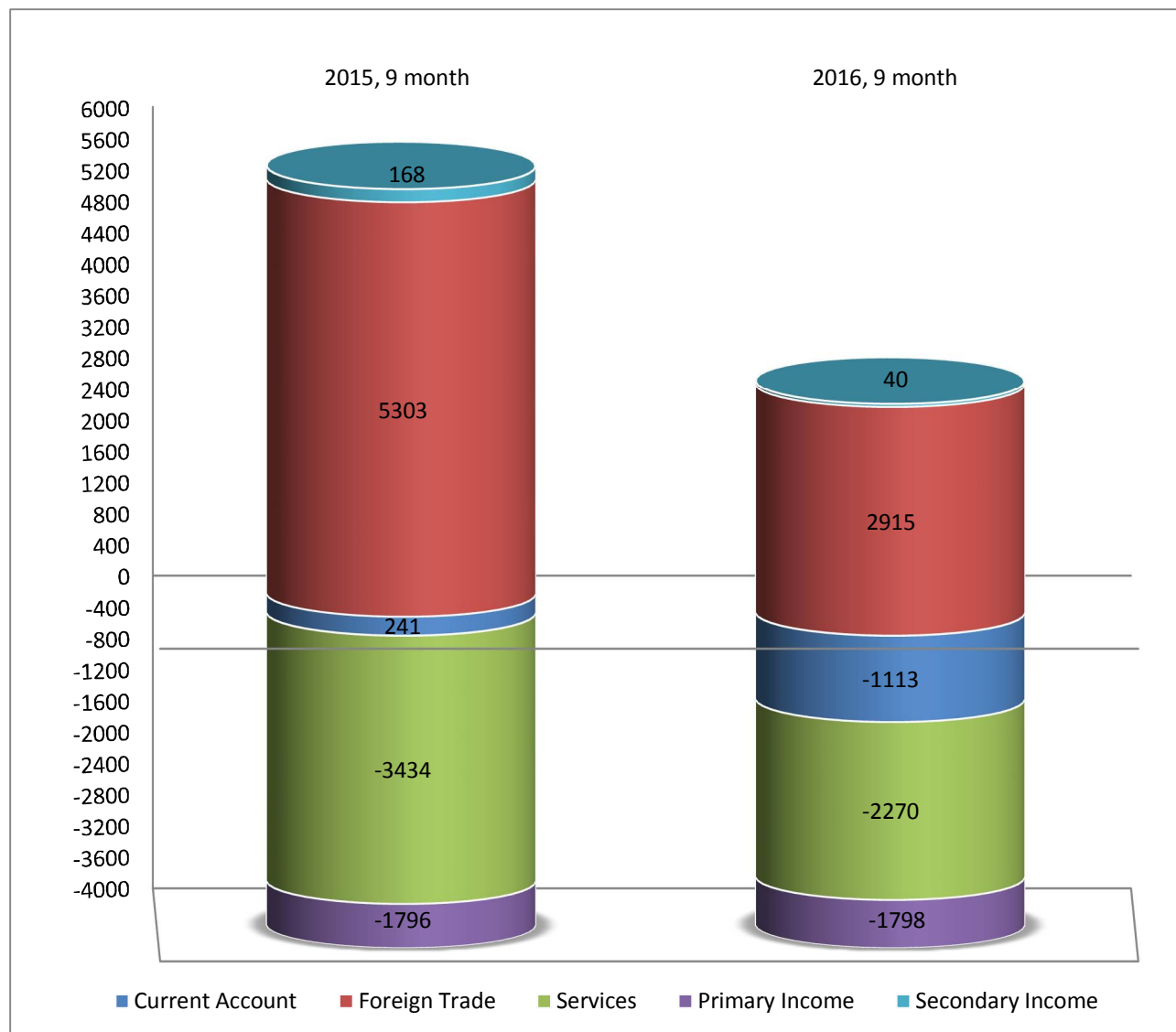
<b>Current operations</b>	<b>-1113.3</b>
Foreign trade balance	2914.9
Services balance	-2270.5
Primary income balance	-1797.9
- Investment income repatriation	1566.8
Secondary income balance	40.2
<b>Capital account</b>	<b>-40.1</b>
<b>Financial account</b>	<b>-1973.7</b>
Net financial assets	4572.4
including:	
- direct investments abroad	2086.8
- portfolio investments	-52.2
- derivatives	-0.7
- other investments	2538.5
Net financial liabilities	2598.7
including:	
- direct investments attracted to Azerbaijan	5430.0
- attracted investment repatriation	-2088.0
- portfolio investments	481.6
- other investments	-1224.9
<b>Net errors and omissions</b>	<b>1936.9</b>
<b>Total surplus of the BOP (change in reserve assets of the country; '+' increase, '-' decrease)</b>	<b>-1190.2</b>

*Note: The BOP was calculated at the 40\$ (y/y 51\$) average actual oil price.*

## Current operations account

Current accounts deficit amounted to \$ 1113.3 M, including USD 3.0 B of current accounts surplus on the oil-and-gas sector. Surplus of the oil-and-gas sector covered 73.1% of the \$ 4.1 B worth of deficit on the non-oil sector.

Mln.\$



### *External trade balance*

External trade balance made \$ 16.2 B, while *positive external trade surplus amounted to \$ 2.9 B.*

In January – September, 2016 Azerbaijan traded with up to 178 countries across the world. CIS countries account for 13%, while other countries for 87% of foreign trade.

**Commodity export** amounted to \$ 9.5 B, with the 91.8% share of oil-and-gas products.

\$ 7.7 B worth of oil products were exported to foreign countries, of which \$346.4 M falls to the share of oil products, while \$ 7.4 B to export of crude oil.

**Non-oil and gas export** amounted to \$ 784.3 M in January – September, 2016.

**Commodity import** constituted \$ 6.6 B. Total value of imported consumer goods was \$ 2923.1 M, including \$ 1055.0 M worth of food commodities. Non-oil import y/y decreased 13% to \$ 4.8 B, mainly due to fall in import of vehicles (64.9%), tobacco and tobacco products (47.8%), and pharmaceuticals (29.2%).

The share of vehicles, equipment and goods imported through investments was 24.5%.

### ***Services balance***

One of the major items in economic relations of Azerbaijan with other countries in January – September, 2016 was mutually provided services, the volume of which was \$8.8 B. Out of which \$ 5.5 B was rendered by non-residents for Azerbaijani residents, and \$ 3.3 B – by Azerbaijani residents for residents of foreign countries.

The share of transportation in total services turnover was 16.8%. Total size of transportation services made up \$ 1471 M, 56.2% 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 \$ 827 M, while the value of travelling services provided by non-residents to Azerbaijani residents made up \$ 644 M.

Mutual touristic services y/y increased 8.3% to \$ 3.9 B, accordingly, offsetting y/y \$ 259 M worth of deficit with \$ 207 M worth of surplus.

In its turn, the cost of travel provided by foreign countries for Azerbaijani residents was \$1847.9 M, 72.6% 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 2.2 times as much to \$ 86 M, while the value of other business services paid to non-residents on the non-oil sector y/y decreased 27.9% to \$ 474 M.

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

Total turnover of income receipts and payments reached \$ 3 B, 77.3% (\$ 2.5 B) of which were payments from Azerbaijan. Its key portion (\$ 1791 M) fell to the share of income repatriation of foreign investors in oil-and-gas consortiums (mainly in terms of crude oil).

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

Total value of secondary income operations with foreign countries is estimated to equal \$ 901.7 M, 52.2% of which was receipts by Azerbaijan.

91.9% of total receipts on secondary income are comprised of remittances of individuals from foreign countries, 4.5% - value of humanitarian import goods and, 3.6% – other receipts.

In total, surplus of secondary income operations made up positive \$ 40.2 M.

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

Net acquisition of financial assets increased \$ 4.B: direct investments abroad (\$ 2086.8 M), portfolio investments (\$ -52.2 M), derivatives (\$ -0.7 M), and other investments (\$2538.5 M). Net financial liabilities made up \$ 2.6 B: net FDIs (\$3342.0 M), portfolio investments (\$481.6 M), and other investments (\$ -1224.9 M).

***Net financial assets and liabilities in January – September, 2016***

Mln.\$

	<b>Assets</b>	<b>Liabilities</b>
<b>Direct investments</b>	<b>2086.8</b>	<b>3342.0</b>
- oil and gas sector	1502.3	2221.3
- other sectors	584.5	1120.7
<b>Portfolio investments</b>	<b>-52.2</b>	<b>481.6</b>
<b>Derivatives</b>	<b>-0.7</b>	
<b>Other investments</b>	<b>2538.5</b>	<b>-1224.9</b>
- trade credits and advances	2482.6	244.5
- credits and loans	-157.9	-878.3
-deposits and cash currency	213.8	-591.1
<b>T O T A L</b>	<b>4572.4</b>	<b>2598.7</b>

*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.*

***Direct investments***

Total amount of FDIs was \$ 5.4 B, with the 79.2% share of the oil-and-gas sector. Total amount of FDIs to the non-oil sector is estimated to equal \$ 1131.8 M.

***Credits and other investments***

Net financial assets on credits and loans decreased by \$ 157.9 M, while net financial liabilities decreased by \$ 878.3 M.

Net financial assets on deposits and cash increased \$ 213.8 M, while net financial liabilities decreased \$ 591.1 M.

**Reserve assets**

Over the reported period country's reserve assets decreased by \$ 1190 M.