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Azerbaijan Economy in the First Half of 2012

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In spite of the fact that government of Azerbaijan (GoA) has failed to achieve projected economic growth forecast for the first half of 2012, the State Statistic Committee reported 1,5 % GDP Growth. Government of Azerbaijan projected 5,7 % growth for 2012. GDP per capita was around \$ 6,0 thousand (without PPP) in the first half of 2012. According to State Committee inflation rate was 2,2 % in this period which officially projected 6,0 %.

Main Economic Figures for the Half of 2012 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	1,5 %	0,2 %
Non-oil GDP Growth	11,3 %	5,5 %
Oil GDP Growth	- 4,7 %	N/A
Inflation Rate	2,2 %	4,3 %
Industrial Production	- 3,0 %	- 5,2 %
Unemployment Rate	5.5%,	18,0 %
Currency Reserve	\$44 billion	N/A
Monthly Salary	\$ 450	\$ 670
Revenues of citizens Increase	% 14,2	% 11,5
Poverty Line	7,6 %	18,5 %

Source; State Statistic Committee of Azerbaijan Republic and CESD, July, 2012

Note; CESD used different methods to calculate macro-economic figures including GDP growth while an aggregation method and a weighting variable are chosen. Reasons how choices of the data source, the aggregation method and the weighting variable create are based on CESD estimation. CESD also used oil production forecast and non-oil import and export, the volume of household and public consumption, capital formation and private and public investment data, as well as the impact of changing inflation on output to forecast GDP. The Center organized focus group discussions including meetings with representatives of different state agencies where estimations of macroeconomic data are included among the subject issues.

Reminded here that official forecasts for the economy of Azerbaijan in 2012 seem quite optimistic. According to the Ministry of Economic Development reports, the Government of Azerbaijan (GoA) targets 5,7 % GDP Growth in 2012, meanwhile The Central Bank of Azerbaijan is eager to keep inflation at single digits. Recently, The Central Bank announced that inflation rate will be kept no higher than 6,0 % in 2012. It is worth to mention that the annual inflation rate for December 2011 was 8%, according to the State Statistical Committee of Azerbaijan. Earlier in 2011, the Ministry of Economic Development forecasted 3,8 % economic growth for 2011, however, later on, the ministry adjusted its figures to 0,2 %. At the same time, the inflation rate for 2011 was also adjusted from 5,0 % to 8,0 %.

Meanwhile, International Monetary Fund (IMF) projected 7,1 % economic growth for Azerbaijan in 2012. The IMF also predicts that the inflation rate in 2012 will be at 10.3 percent. The Fund's estimates show that in 2011 Azerbaijan will have a balance of payments surplus, accounting for 22.7 percent of the GDP, 19.3 percent in 2012, and 8.2 percent in 2016. Earlier, the Asian Development Bank (ADB) predicted a 3 percent GDP growth for Azerbaijan in 2011 and 4.5 percent in 2012 in its Asian Development Outlook Update. ADB kept inflation forecasts for Azerbaijan unchanged, with 7.5 percent predicted in 2011 and 7 percent.

Oil Production Decline 4,7 %

Some 4.7%-decline was observed in production of oil products in Azerbaijan during January-May, 2012.

According to State Statistical Committee, production of gasoline rose 1.7%, kerosene – 4.8%.

Production of diesel fuel decreased by 9.8% to 911.8 thousand tons. Production of lubricating oils dropped 14% to 30.2 thousand tons. AZN 46.4 mln-finished products were in oil processing enterprises storehouses.

Large Decline in Azeri Oil Export

The State Oil Company of Azerbaijan exported 10,4 million tons by Baku-Tbilisi- Ceyhan (BTC) pipeline in the first half of 2012. According to sources in SOCAR, export made 1,9 million tons in January, 1,4 million tons in February, 1,9 million tons in March, 1,9 million tons in April, 1,7 million tons in May, 1,6 million tons in June, 2012. Export by the pipeline has dropped by 1,562,000 tons over the same period of the last year. SOCAR exported 11,9 million tons oil by BTC in the first half of 2011 which means Azeri oil export by BTC fall by 13 % in the first half of 2012 compare with the same period in 2011.

Meanwhile, SOCAR exports over 1.2 million tons of oil by Baku-Supsa in the first half of this year. Oil export by the Baku-Supsa pipeline has dropped by 124,0 thousand tons over the same period of the last year. Export by this route made 315,3 thousand tonnes in January, 161,5 thousand tons in February, 411,9 thousand tons in March, 161,5 thousand tons in April, 165,7 thousand tons in May, 80,8 thousand tons in June. Meanwhile, 1,5 million tons oil exported by Baku-Supsa pipeline in the first half of 2011. 20 % decline was registered in exporting oil by Baku-Supsa pipeline in the first half of 2012 compare the same period last year.

Industrial Production Decline 3,0 %

Azerbaijan's industrial production dropped by 3.0 % in the first half of 2012 compared to the same period of 2011. The main reason of industrial decline is fall in the oil sector.

Oil Dominate in Azerbaijani export

Oil and oil products constituted 92 % of Azerbaijan's export in the first half of 2012 according to CESD sources. Only 6 % of export was non-oil products. CESD concerned over Azeri export's reliance on oil revenue since oil continued to dominate in Azerbaijan's exports accounting for 92, 0% of all exports as of July 12, 2012 despite efforts to diversify Azerbaijan's economy away from oil.

In the first half of 2012 governmental and non-governmental organizations of the country and different natural entities made up trade operations with 133 foreign countries. According to the statistical data turnover of foreign trade was formed 18912.8 million US dollars, 3674.8 million dollars of it size was share of import, 15238.0 million dollars – export and in amount of 11563.2 million dollars positive balance was created.

The State Committee reported inflation was 2,2 % meanwhile the figure is 4.3 % in independent calculations

According to the State Committee price and service tariffs of consumer goods increased by 2,7 % in the first half of 2012 compared to the same period of 2011. The CESD survey verifies that inflation was 4, 3 % in indicated periods. Price increasing observed mainly in food products particularly meats.

The official exchange rate is 0.7865 manat to \$1 on July, 12, 2012

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