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# Azerbaijan Economy in 2012

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## Azerbaijan Economy in 2012

Azerbaijan oil production started to decline rapidly since 2010. In fact, dramatic fall in oil industry continues to hamper the country's total growth in 2012. It was the main reason that Government of Azerbaijan (GoA) has adjusted its previous official forecast of 5.7 % GDP growth in 2012 to 2.5 % in the second half of 2012. Thanks to affected growth in non-oil sector, the country was able to keep growth track last year since State Statistics Committee announced GDP growth was 2.2 % in this period. Oil production, however, has still had a profound effect on Azerbaijan's domestic sector. One way to characterize its impact is by looking at the rents produced by oil - that is, the returns in excess of production costs - in the Azerbaijan economy.

GDP increased by 2.2 % in 2012 according to State Statistics Committee. The committee reports that industry production decreased by 7.8 % in non-oil sector and 4,2 % in oil sector.

According to the primary calculations done by the state committee, AZN 54,0 billion ( \$ 69,23 billion US) GDP was produced in the reporting period. In this period with current prices in amount of AZN 77, 9 billion ( \$ 100,0 billion US) products and services were produced and it was AZN 4.5 billion ( \$ 5,8 billion US) more than 2011.

Meanwhile, Azerbaijan's oil output made 43 million tons in 2012. According to the State Statistics Committee, oil output has dropped by 2.4 million tons compare with previous year. Considering that oil production in Azerbaijan made 45.4 million tons in 2011 which is a drop of 5,4 million tons over 2010. In the results, Azerbaijan's oil production drops by 5.3% in 2012

### Main Economic Figures for 2012 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	2,2 %	1,65 %
Non-oil GDP Growth	9,7 %	7,5 %
Oil GDP Growth	- 5,3 %	- 6,0 %
Inflation Rate	1,1 %	3,0 %
Industrial Production	- 5,0 %	- 7,0 %
Unemployment Rate	5.2%,	14,0 %
Currency Reserve	\$ 46,5 billion	N/A
Monthly Salary	\$ 516,0	\$ 705,0
Revenues of citizens Increase	% 13,8	% 9,0
Poverty Line	6,0 %	15,0 %

**Source;** State Statistic Committee of Azerbaijan Republic and CESD, January, 2013

*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.*

## **GDP Growth in 2012**

GDP increased by 2.2% in 2012 and reached to 54.0 billion manat- as State Statistics Committee reported. In this period with current prices in amount of 77, 9 billion manat products and services were produced and it was 4.5 billion manat more than 2011. Value of goods and services spent to product output was formed 23.9 billion manat or 30.7% on output of product and services.

Last year non-oil GDP increased by 9.7%, its special weight in GDP increased from 48.8% to 52.7%. Correspondingly 47.3 percent of GDP was share of oil-gas production and processing fields and decreased by 5.0% compared to previous year.

## **Azerbaijan's oil production drops by 5.3% in 2012**

Crude oil production by all producers in Azerbaijan totaled 320.667 million barrels in 2012 against 338.467 million barrels in 2011, 379.224 million barrels in 2010, 375.807 million barrels in 2009 and 332.07 million barrels in 2008. The State Statistics Committee reports that for 2012 the country was produced 42.98 million tons that is by 5.3% less than in 2011. It was produced 3.6 million tons in December 2012, and the highest production for 2012 was recorded in January – 3.9 million tons. Oil stocking reserves by 1 January 2012 totaled 267,300 tons.

In 2011 the country was produced 45.37 million tons of oil that is by 11.5% less than production for 2010. In December 2011 the country was produced 3.165 million tons, and the highest production level was recorded last year in March – 4.104 million tons. In 2010 oil production amounted to 50.8 million tons of oil, including 4.5 million tons in August (the best index for 2010).

CESD experts mentioned decline in oil production is mainly connected with potential end of oil boom in Azerbaijan: Oil production was peaked in 2010. Starting 2011 oil production in Azerbaijan will dramatically decrease. Azerbaijani oil production will be kept around 42-44 million tonnes in upcoming 2 years based on Production Sharing Agreement (PSA). Meanwhile, the latest predictions confirm that oil production will be decreased to about 36 million ton in 2015. Even with current prices of crude oil in the world market, SOFAZ's assets will be totally spent within the budget lines if current unbelievable transfers' level kept. Keeping such fantastic transfers can result in negative consequences because of theatrical cutting of budget expenditure lines due to potential lack of financial resources.

## **Oil export decreased 6,9 % in 2012**

Azerbaijan exported 34,9 million tons of oil in 2012 which was 6,9 % less than compare with previous year. Of the overall volume of export, 1,99 million tons were exported by Baku-Novorossiysk pipeline, 3,9 million tons by Baku-Supsa pipeline. BTC exported 27,99 million tons of oil. The railroad exported 1,01 million tons.

Over 2011 the country's oil export reached 37.45 million tons of oil (data of controlling and measuring appliances) and cargo custom declarations recorded only 27.825 million tons for \$22.911 bn, i.e. 74.3% of overall export. Average export price of Azeri oil, according to customs statistics, made up \$823.39 per ton in 2011.

In 2011 it was carried 30.658 million tons via Baku-Tbilisi-Ceyhan (BTC) named after Heydar Aliyev, 3.812 million tons via Baku-Supsa pipeline, 1.996 million tons via Baku-Novorossiysk pipeline and 982.801 tons by rail via Baku-Batumi route.

In 2010 the country exported 31.86 million tons of crude oil for \$18.45 million versus 27.829 million tons for \$11.989 million in 2009.

By 1 January 2011 the pipelines pumped (data of controlling and measuring appliances) 4.414 million tons of oil (including 3.066 million tons in December) against 41.29 million tons in 2009 and carried 1.24 million tons (70,626 tons) by rail against 1.399 million tons.

It was pumped 2.247 million tons out of the total transportation via Baku-Novorossiysk oil pipeline in 2010 (against 2.48 million tons in 2009), 35.18 million tons (34.57 million tons) via BTC, 3.985 million tons (4.235 million tons) via Baku-Supsa oil pipeline.

In 2008 the average export price of Azerbaijani oil reached \$565.67 per ton (including \$373.89 per ton in December of that year), in 2009 - \$430.83 per ton (\$547.66 per ton in December), in 2010 - \$579.19 per ton (\$630.18 per ton). In 2011 the average export price was \$683.65 per ton.

## **Income of population increased by 13.8 % in 2012**

According to the results of 2012 income of population compared to the previous year increased by 13.8% and reached to 34.7 billion manat. Volume of incomes on per capita was on average 3784.3 manat or 315.4 manat in a month. Growth of per capita income increased by 12.2% and exceeded increase of consumer prices by 11.1%, i.e in fact per capita income increased by 11.0 %.

61.0 % of income was directed to the final consumption, 8.6 % - to the taxes, social insurance and membership dues, 1.1 % - to the payment of percents on credits, 29.3% - to the growth of deposits and capitals.

Income in the population disposal made up 31.7 milliard manat and increased by 13.8% compared to the previous year

### **Foreign Trade: Oil Still Dominates**

During January-November, 2012 legal and natural entities registered in Azerbaijan made up trade operations with 154 partners of world countries. According to the statistical data turnover of foreign trade was formed 39, 473 billion US dollars, 8, 444 billion dollars of it size was share of import, 31, 028 billion dollars – export and in amount of 22,583 billion dollars positive balance was created.

Export on non-oil products was in amount of 1, 477 billion dollars and exceeded the level of January-November 2011 by 11.2%. 82.7 % of foreign trade operations were realized with Italy, United States of America, Russian Federation, Turkey, Israel, France, Indonesia, India, Germany, Greece, China, Taiwan (province of China), Great Britain, Republic of Georgia, Czech, Bulgaria, Ukraine and Malaysia, the rest (17.3%) were realized with other countries.

### **The State Committee reported inflation was 1,1 % meanwhile the figure is 3.0 % in independent calculations**

According to the State Committee price and service tariffs of consumer goods increased by 1,1 % in 2012 compared to 2011. The CESD survey verifies that inflation was 3,0 % in indicated periods. Price increasing observed mainly in food products particularly meats.

*The official exchange rate is 0.7854 manat to \$1 on January, 18, 2013*

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