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Azerbaijan Economy in January, 2014; Brief Overview

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Macro-economic figures for the first month of 2014

CESD- Center for Economic and Social Development concluded its macro-economic survey results for the first month of year on February 20, 2014. Independent calculated data show that decline in oil production and oil export will continue in 2014, too. Meanwhile, the government reports also proof that decline in oil export continue in January, 2013. State Oil Company of Azerbaijan (SOCAR) has recently reported that Azeri oil output by 5.1% in January 2014 compared with the same month last year. The State Statistics Committee reports that this January the country produced 3.58 million tons of oil that is by 5.1% less than production for the 2013 same term. Oil stocks as of 1 February 2014 totaled 175,900 tons versus 198,400 a month earlier.

Although the Government of Azerbaijan (GoA) forecasted growth in oil sector, CESD does not share this optimism, which projects an output of 42,0 million tons of oil in 2014, even though decline in this sector was already registered in the first month of year. CESD forecasts decline in oil output by 2,5 % in 2014 based on its econometric models and PSA matrix.

In fact, ahead of a more pronounced decline in oil production, Azerbaijan's gross domestic product (GDP) growth appears to be slowing from its recent heady pace. Macro-economic results of January, 2014 proof that lower oil production will slow down Azerbaijan's economy this year but the downturn will be offset by expansion in the non-hydrocarbon sector because of high public spending.

CESD assumes that GoA will adjust its macro-economic data for 2014 due to decline in oil sector. Government forecasts 4.7 % GDP Growth in 2014 and 10.0 % growth in non-oil sector. In fact, the non-oil sector will benefit from elevated government spending as well as corporate lending and solid domestic consumption in 2014.

Main Economic Figures for January, 2014 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	0,8 %	0,3 %
Non-oil GDP Growth	7.7 %	5,9 %
Oil GDP	- 6.0 %	- 7.2 %
Inflation Rate	2.2 %	4.1 %
Industrial Production Increase	-4.0 %	- 5.6 %
Agriculture Production	3.3 %	2.5 %
Currency Reserve	\$ 50,0 billion	N/A
Monthly Salary	\$ 540	\$ 650
Poverty Line	5,6 %	12,5 %
Exports (2013)	\$ 32.8 billion	N/A
Imports (2013)	\$ 10 ,7 billion	# \$11,0 billion
Budget Revenue (2013)	\$ 25.0 billion	N/A
Budget Expenditure (2013)	\$ 24.5 billion	N/A
Excess/ Deficit (2013)	\$ 0,5 billion	N/A
Revenues of citizens Increase	% 3,8	% 2,0
GDP Per Capita (without PPP)	\$ 594	\$ 560

Source; State Statistic Committee of Azerbaijan Republic and CESD, February 2014

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 where estimations of macroeconomic data are included among the subject issues.

How much GDP increased?

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According to the State Statistics Committee, GDP was 4.4 billion manat(\$ 5.7 billion US) or more than 0.8 % compared to the same period of previous year. GDP per capita was 465.6 manat(593.6 US dollars) in the first month of 2014.

The State Committee reported that volume of value-added created in the non-oil fields of economy increased by 7.7 % compared to the same period of previous year and it was formed 2.3 billionmanat or 53.8% of GDP. Correspondingly 46.2% of GDP was share of oil-gas production and processing sector and it was decreased by 6.0%.

During January 50.1 % of GDP is produced in the industry, 2.5% in agriculture, forestry and fishing, 7.8% in construction, 7.8% in trade and service fields on maintenance of transport means, 5.6% in transport and warehouse, 2.1% in accommodation of tourists and in the field of catering services, 1.8% in services on information and communication, 15.6 % in the field of social and other types of service, net of tax to the product and import was formed 6.7 % of GDP.

Azerbaijan's oil production fell by 5.1% year-on-year

The State Statistics Committee reports that this January the country produced 3.58 million tons of oil that is by 5.1% less than production for the 2013 same term. Oil stocks as of 1 February 2014 totaled 175,900 tons versus 198,400 a month earlier.

Crude oil production by all producers in Azerbaijan totaled 26.7 million barrels this January against 321.4 million barrels in 2013 and 320.667 million barrels in 2012, 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.

In 2013 the country produced 43.08 million tons (+0.2%). Production totaled 3.815 million tons in May (the highest level in 2013). Oil production for the 4th quarter of 2013 reached 10.545 million tons.

Oil production for the 4 quarter of 2013 reached 10.545 million tons.

In 2012, the country was produced 42.984 million tons of oil, including 3.9 million in January – last year's highest production per month. In 2011, the country was produced 45.37 million tons of oil, including 4.104 million tons in March (the best index for 2011). In 2010 oil production amounted to 50.8 million tons of oil, including 4.5 million tons in August (the best index for 2010).

Some official figures, however, even do not support each other. There are discrepancy even between official reports of state bodies. According to the State Statistic Committee 43,1 million oil produced in 2013. The state committee found out 0,1 % growth in oil output. State Oil Company of Azerbaijan Republic (SOCAR), however, announced that 43,389 million ton oil produced in 2012 (<http://new.socar.az/socar/en/home>).

So, according to official figures oil output in Azerbaijan was 43,4 million ton in 2012 and 43.1 million ton in 2013. Just the comparison of official reports on oil output shows that oil production decreased 0,1 % in 2013 compared with 2012. The amusing thing is that even official figures do not confirm growth in this sector, but the State Statistics Committee officially announced growth for 2013.

Industrial Output declined by 4.0 % in January, 2014

According to the State Statistics Committee, 2.8 billion manat industrial output was produced and services were rendered in the first month of 2014. 3.6 million tons oil and 1.6 billion cubic

metre marketable gas were produced in mining sector with 72.7% industry product. Volume of production in processing sector was formed 19.7% of total products of industry, growth were mainly observed in the production of food products, weaving, cloth, wood processing and wood products, chemistry, construction materials, metallurgy, ready metal products, machine and its equipments, other transport means and etc. 7.0% of produced industry products were share of production, distribution and supply of electricity, gas and steam, 0.6% - water supply, treatment and processing of waste.

Volume of production in non-oil sector of industry increased by 5.6% compared to January of previous year, it was decreased by 5.2% in oil-gas sector. 93.9% of total industry production was share of goods (commodities), 6.1% - industrial services, 81.9% of products were produced in private sector.

The State Committee reported inflation was 2.2 % meanwhile the figure is 4.1 % in independent calculations

According to the State Committee price and service tariffs of consumer goods increased by 2,2 % in the first month of 2014. The CESD survey verifies that inflation was 4,1 % in indicated periods. Price increasing observed mainly in food products particularly meats.

The official exchange rate is 0.7924 manat to \$1 on February, 20, 2014

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