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Azerbaijan Economy in The First Quarter, 2014; Brief Overview

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Macro-economic figures for the first quarter of 2014

CESD- Center for Economic and Social Development concluded its macro-economic survey results for the first quarter of year on April 14, 2014. Although, the Government of Azerbaijan (GoA) managed to keep economic growth in the reporting period, but real GDP growth is 2 times lower than the 2014 target. State Statistics Committee reported 2.5 % GDP Growth for the first quarter of 2014.

According to the official reports, oil output declined 3.2 % meanwhile industrial production faced 2.4 % decline in the reporting period. Independent calculated data show that decline in oil production and oil export will continue in 2014, too. 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.

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.

State Statistics Committee also reported only 2.0 % inflation rate for the first three months of 2014. CESD Price Calculations Results, however, come up with 4.3 % inflation rate for the reporting period which is more than 2 times higher than the government figure.

Main Economic Figures for the first Quarter, 2014 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	2.5 %	1,8 %
Non-oil GDP Growth	8.8 %	6,7 %
Oil Production	- 3.2 %	- 3.8 %
Inflation Rate	2.0 %	4.3 %
Industrial Production Increase	-2.4 %	- 3.3 %
Agriculture Production	3.4 %	2.6 %
Currency Reserve	\$ 53,0 billion	N/A
Monthly Salary	\$ 547	\$ 655
Poverty Line	5,6 %	12,5 %
Exports (2013)	\$ 32.8billion	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	% 4,5	% 2,8
GDP Per Capita (without PPP)	\$ 594	\$ 560

Source; State Statistic Committee of Azerbaijan Republic and CESD, April, 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 was GDP increased?

According to the State Statistics Committee, Gross Domestic Products (GDP) in Azerbaijan increased by 2.5 % and it reached to AZN 13.2 billion (\$ 16.92 billion) in January-March, 2014.

The Committee informs that 48.4% of GDP was formed in industrial spheres, 9.6% in construction companies, 9.1% in trade and paid services, 6.1% in transport, 1.8% in information and communication, 2.4% in agrarian sector and 13.4% in other spheres. The value added for per citizen made AZN 1,403.4 (\$ 1,789.2), up 1.1% compared to a year earlier. 54.8% of the value added was produced in non-oil sector, up 8.8% from previous year, dropped in oil-gas sector.

CESD, meanwhile, reports 1.8 % economic growth in the reporting period based on its survey and the methodology.

Oil Output Decreased by 3.2 %

The State Statistics Committee reports that over Jan-Mar the country produced 19.4 million tons of oil that is by 3.2% less than production for the 2013 same period. Oil stocks as of 1 April 2014 totaled 206,800 tons versus 204,700 tons a month earlier and 175,900 tons by 1 February. In January it was produced 3.58 million tons, in February 3.25 million tons, and in March 3.595 million tons.

Crude oil production by all producers in Azerbaijan totaled 77.827 million barrels for Jan-Mar of the year 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.

SOCAR processing segment collapses marketable output in March by 20%

In March the processing segment of the State Oil Company of Azerbaijan (SOCAR), including two oil refineries and Azerikimya production association, collapsed manufacture of output by 20.4%.

The Azerbaijani State Statistics Committee (ASSC) informs that in Jan-Mar the growth in chemical sector production made up 12.3% year-on-year.

As of 1 April 2014 the value of marketable output in chemical sector was estimated at AZN 60.417 million. In January chemical sector produced output for AZN 18.486 million, in February for AZN 19.464 million, and in March for AZN 22.467 million.

Over Jan-Mar 2014 commodity value of oil products (AZN 610.04 million) reduced by 6.2% against the 2013 same period. In January oil products for AZN 170.443 million was produced, in February for AZN 248.66 million, and in March for AZN 190.937 million.

In 2014 SOCAR processing structures produced marketable output for AZN 670.459 million (AZN 188.529 million in January, AZN 268.125 million in February, and AZN 213.405 million). As of 1 April 2014 exchange rate (AZN 0.7843 to the US dollar) marketable output of the SOCAR processing segment was estimated at \$854.85 million.

In 2013 the value of marketable output was estimated at AZN 200.2 million including AZN 20 million in December (the best monthly index for 2013). Commodity price of oil products was reached AZN 2.09 bn including AZN 189.685 million in January (the best monthly index for 2013).

Over 2013 SOCAR processing structures produced marketable output for AZN 2.29 bn against AZN 2.135 bn for 2012. In January 2013 the processing segment made products for AZN 205.446 million (the best monthly index for 2013) and in December - AZN 196.1 million.

The State Committee reported inflation was 2.0 % meanwhile the figure is 4.3 % in independent calculations

According to the State Committee price and service tariffs of consumer goods increased by 2,0 % in the first three months of 2014. 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 0.7924 manat to \$1 on April, 15, 2014

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