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Azerbaijan Economy in the First Half of 2014; Brief Overview

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Macro-economic figures for the first half of 2014

CESD- Center for Economic and Social Development concluded its macro-economic survey results for the first half of year on July, 15, 2014. Both independent and official reports show that oil GDP continued declining in the reporting period. According to the State Statistic Committee of Azerbaijan, oil GDP decreased 3.9 % in the first four months of 2014 since CESD calculations found out 4.8 % decline in the oil sector.

Because of decline in oil sector, industry output decreased by 2.4 % in the indicated period according to the State Statistic Committee. Meanwhile, total GDP increased by 2.1 % according to the state reports primarily as a consequence of growth in non-oil sector. The State Committee reported 7.0 % growth in non-oil sector the indicated period.

Meanwhile, oil output declined in the indicated period. According to State Statistic Committee, oil production in Azerbaijan declined by 5.4% in June, 2014 compared to previous month. Crude oil production by all producers in Azerbaijan totaled 158.287 million barrels for the indicated period against 321.4 million barrels in 2013, 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.

The State Statistics Committee reports that over the first six month of 2014, the country produced 21.218 million tons of oil that is by 2.7% less than production for the 2013 same term. Oil stocks as of 1 July 2014 totaled 270,800 tons versus 344,100 tons a month earlier. In May it was produced 3.69 million tons of oil (this year's best figure), but in June production dropped to 3.47 million tons.

Main Economic Figures for the first half of 2014 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	2,1 %	1,4 %
Non-oil GDP Growth	7.0 %	5,8 %
Oil GDP	- 3.4 %	- 4.5 %
Inflation Rate	1.6 %	3.9 %
Industrial Production Increase	-2.4 %	- 3.2 %
Agriculture Production	6.0 %	4.9 %
Currency Reserve	\$ 54,0 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	% 7,1	% 6,0
GDP Per Capita (without PPP) created in the first half of 2014	\$ 3905	\$ 3650

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

According to the State Statistics Committee, Gross Domestic Product (GDP) reached 28.7 billion manat (\$ 36.8 billion US) in the first half of 2014. GDP increased by 2.1 % in the indicated period compared to the same period in 2013. 46.0% of GDP were produced in the field of industry, 10.7% in the construction sector, 10.3% in trade and paid service fields, 5.2% in transport, 1.6% in information and communication enterprises, 4.4% in agrarian unit, 14.7% in other fields. GDP per capita (without PPP) was 3063.3 manat (3905.2 US dollars) and it increased by 0.8% compared to the corresponding of last year.

The State Statistic Committee reported that 56.3% of value added was produced in non-oil sector and it increased by 7.0% compared January-June of last year and it decreased by 3.9% in oil-gas sector.

Official Report: Industry Declined by 2.4 %

According to the State Statistic Committee, Azerbaijan produced 16.9 billion manat (\$ 21.7 billion US) industrial output in the first half of 2014. The industrial output declined by 2.4% compared with the corresponding period of last year. 12.3 billion manat (\$ 15.8 billion US) or 72.9% of products was produced in mining sector, 21.2 million tons oil and 9, 1 billion cubic metre marketable gas was extracted.

The government agency reported that during first six months in the processing sector of industry in amount of 3.6 billion manat (\$ 4.6 billion US) industrial products were produced. Output of food production in this unit increased by 2.4%, production of tobacco products (60.3%), production of clothing (30.9%), production of ready metal products (7.0%), production of

construction materials (16.8%), production of electronic equipment (30.2%), production of automobile and trailers (38.0%), production of other transport means (2.9 times), production of furniture (17.2%), production of jewelry, music, sport and medical equipment (60.2%), installation and maintenance of machine and equipment (11.2%). In amount of 2.4 billion manat or 1.7 percent more than the same period last year industrial products were produced in non-oil processing industry. Production output in non-oil sector of industry increased by 4.2% and it decreased by 3.4% in oil-gas sector.

Oil industry of Azerbaijan has declined by 3.4%.

The State Statistics Committee of Azerbaijan reported oil and gas industry dropped by 3.4% in the first half of 2014. Meanwhile, decline was registered previous months, too: 3.0 % in May and April, 3.6% in March, 4.8% in February and 5.2% in January, growth by 1.1% in 2013.

In June oil production in Azerbaijan declined by 5.4% compared to May 2014. Crude oil production by all producers in Azerbaijan totaled 158.287 million barrels for Jan-Jun against 321.4 million barrels in 2013, 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.

The State Statistics Committee reports that over Jan-Jun the country produced 21.218 million tons of oil that is by 2.7% less than production for the 2013 same term. Oil stocks as of 1 July 2014 totaled 270,800 tons versus 344,100 tons a month earlier. In May it was produced 3.69 million tons of oil (this year's best figure), but in June production dropped to 3.47 million tons.

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 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).

Non-oil Export Declined by 11.0 %

The State Statistic Committee reported that Azerbaijan's export was 9.5 billion dollars in the first five months of 2014 and from this amount, 310.2 million dollars was sent to CIS member countries, 96.7% or 9169.1 million dollars was share of customers of other foreign countries.

Non-oil export declined by 11.0 % in the first five months of 2014- the state agency reported. In this period country's import was 3509.9 billion dollars. Value of imported products from other foreign countries was 2655.7 million dollars and 854.2 million dollars from CIS member countries.

The Committee reported that 46.4% of foreign trade turnover were carried out with European Union countries, 9.0% with CIS member countries, 44.6% with other foreign countries. Thus, during five months volume of goods exported from the country was higher for 2.7 times than the value of goods imported to the country and in amount of 5969.4 million dollars positive balance was created. Taking into account the data of reports received from AIOC and State Oil Company commodity turnover with foreign countries was formed 17.2 billion dollars, as well as, export 13.7 billion dollars and positive balance was 10.2 billion dollars.

In June 2014 Azerbaijan's gas production declined by 2.1% against May.

The State Statistics Committee (SSC) informs that for Jan-Jun Azerbaijan produced 9.1 bn cu m of marketable gas that exceeded by 2.9% the index for the 2013 same term. Gas production in January made up 1.647 bn cu m, in February 1.413 bn cu m, in March 1.474 bn cu m, in April 1.58 bn cu m, in May 1.517 bn cu m, and in June 1.485 bn cu m.

In 2013 gas extraction was 17.857 bn cu m of marketable gas (+3.6% versus the 2012 index), including 1.69 bn cu m (month's best index for 2013) and in the 4th quarter of 2013 - 4.777 bn cu m.

In 2012 the country was produced 17.2 bn cu m of gas, including 2.415 bn cu m in January (the 2012 best index) and 1.49 bn cu m in December. In 2011 the country produced 25.7 bn cu m of gas, including 2.257 bn in October (the best indicator in 2011).

In 2010, the country produced 26.2 bn cu m, including 2.286 bn in July (the best figure in 2010). In 2009, gas production reached 23.58 bn cu m (+0.8%) and delivery 16.3 bn cu m (-0.1%). Private producers extracted 10.1 bn cu m of gas (+9%). In 2008, Azerbaijan produced 22.847 bn cu m of natural gas (+35.6% against the 2007 index), including 9.146 bn cu m (+66.1%) by private producers.

World Bank: Azerbaijan was ranked 4th place for GDP Per Capita among CIS countries

In 2013, Azerbaijan increased its per capita GDP to \$7,812 (against \$7,394) in the current US dollar value, according to the World Bank's database.

For this indicator the country is 67th among world countries and fourth among all the CIS states lagging behind only Russian Federation (14,612), Kazakhstan (13,172) and Turkmenistan (7,987). Of the former Soviet countries Azerbaijan also outstrips the Baltic states.

Azerbaijan is followed by Belarus (7,575), Ukraine (3,900), Georgia (3,602), Armenia (3,505) and others.

Luxembourg (111,000 per capita), Norway (101,000) and Qatar (93,000) remain the richest in the world.

Official Inflation Rate: Is it real?

State Statistic Committee reported that in June compared to May **prices and service tariffs of consumer goods** decreased by 1.2%, as well as the prices of food products (2.9%), prices of non-food products (0.1%) and service tariffs increased by 0.2%. During January-June compared to the corresponding period of 2013 prices of consumer goods and service tariffs increased by 1.6%, as well as, prices of food products (1.2%), prices of non-food products (3.6%), service tariffs (0.3%).

According to the CESD price monitoring results, inflation rate was 3.9 % in the first half of 2014.

Income of Population increased by 4.7 %

In the first half of 2014 income of population increased by 4.7% compared to corresponding period of last year and reached to 17.8 billion manat and income on per capita increased by 3.3% and reached to 1895.0 manat. 70.2% of income was used to final consumption, 9.2% - to the payment of taxes, social insurance and membership dues, 18.0 % to the growth of deposits and capitals.

During January-May average monthly wage of employees increased by 6.5% and reached to 438.1 manat (\$ 561.7 US). Salary/wage of persons engaged in industry, construction, transport and etc. were higher and during January-May average monthly salary/wage of persons engaged in industry was 707.9manat, salary/wage of persons engaged in construction complex – 618.3 manat.

The official exchange rate is 0.7924 manat to \$1 on July, 15, 2014

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