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# **Azerbaijan Economy in the First Eight Months of 2016; Brief Overview**

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CESD- Center for Economic and Social Development concluded its macro-economic survey results for the first eight months in 2016. Both independent and official reports show that GDP continued declining in the reporting period. According to the State Statistic Committee of Azerbaijan, GDP decreased 3.1 % in the first eight months in 2016 since CESD calculations found out 3.9 % decline in the economy. According to the State Statistic Committee reports, the main reason of economic slowdown was economic decline in the construction sector. The committee has reported that 38,027 billion manat (\$23.32 billion US) GDP was produced in the indicated period.

In spite of the fact that declining GDP, the State Statistics Committee announced 1.0 % growth in the industry output.

Meanwhile, the State Committee reported 5.8 % decline in non-oil sector the indicated period.

Independently calculated data show that decline in oil income will continue in 2016, too due to low crude oil price in the world market. Meanwhile, less output is forecasted for 2016 compared to 2015.

## Main Economic Figures for the first eight months of 2016 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	- (negative) 3.1 %	- (negative) 3.9 %
Non-oil GDP Growth	- (negative) 5.8 %	- (negative) 6.5 %
Inflation Rate	10.8%	16.9 %
Industrial Production Increase	1.0 %	1.0 %
Agriculture Production	2.4 %	2.4 %
SOFAZ Assents (July 01 <sup>st</sup> , 2016)	\$ 33, 57 billion US	N/A
Monthly Salary	\$ 313.7 US	\$ 420.0 US
Poverty Line	5,6 %	12,5 %
Exports (January-July, 2016)	\$ 4, 589 billion US	N/A
Imports (January-July, 2016)	\$ 4.757 billion US	N/A
Excess/ Deficit (January-July, 2016)	- (negative) \$ 168 million US	N/A
Budget Revenue	8,281 billion manat (\$ 5,08 billion US)	N/A
Budget Expenditure	9, 348 billion manat (\$ 5,734 billion US)	N/A
Excess/ Deficit	- (negative) 1,067 million manat (\$ 654,6 million US)	N/A
Revenues of citizens Increase	% 8,5	% 7,5
GDP Per Capita (without PPP) in the first eight months of 2016	\$ 2 .425 US	\$ 2. 260 US

**Source;** State Statistic Committee of Azerbaijan Republic and CESD, September 2016

*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.*

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### **GDP Declined by 3.1 %**

Azerbaijan's Gross Domestic Product (GDP) was 38,027 billion manat (\$23.32 billion US) in the first eight months of 2016, down 3.1 percent from the previous year, according to the State Statistical Committee. The decline is caused by 32.3 percent decrease in production of construction products compared to the previous year.

The state committee has reported that 38 percent of the value added was formed in industry, 11.7% in trade, repair of transport vehicles, 9.4 percent in construction, 6.9 percent in transport and storehouse, 2.7 percent in tourist accommodation and catering services, 5.7 percent in industry, forestry and fishery, 1.9 percent in information and communication, and 16.4% in other spheres. New taxes to product and import made 7.3 percent of GDP.

### **Azerbaijani export declined by 37.0 %**

In January-August 2016 foreign trade turnover amounted to \$ 11,330 billion US and in comparison with the same period of 2015 the foreign trade turnover decreased by 24,96%. During the reporting period imports decreased by 6,23 % in annual comparison and made \$ 5, 539 billion US. Exports decreased by 37,0% and amounted to \$ 5, 79 billion US.

### **How much inflation rate in Azerbaijan?**

According to the State Statistics Committee, the prices of consumption products and services increased by 10.8%, including food prices by 12.2%, non-food prices by 15.6% and paid

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services by 4.9%. Meanwhile, in August the consumer prices advanced 0.5%, including food prices by 0.6%, non-food prices surged by 0.5%, and paid services by 0.4%.

CESD price calculations has concluded that annual inflation rate was 16.9 % in the first eight months of 2016.

### **State Budget deficit was 2.8 % of GDP**

In the reporting period, Azerbaijan State Budget's revenue was 8,28 billion manat and its expenditure was 9,35 billion manat. According to the Ministry of Finance of Azerbaijan, the budget deficit was 1, 067 billion manat or 2.8% of GDP.

### **SOCAR oil export declined by 20.4 %**

The SOCAR Marketing & Economic Operations Department has reported that its oil export decreased by 20.4% in August compared with July 2016. The SOCAR reports that it exported 1.531 million tons of oil against 1.924 million tons in July (this year's best indicator). At that, August's oil export via Baku-Novorossiysk oil pipeline reached 169,702 tons (versus 79,992 tons in June), Baku-Supsa - 81,177 tons (274,676 tons), and Baku-Tbilisi-Ceyhan (BTC) n.a. Heydar Aliyev oil pipeline – 1.274 million tons (1.57 million tons). According to the SOCAR, 2016 Azerbaijan exported totally 13.687 million tons of oil via the standard routes, including supplies through Kulevi port – 13.7 million tons in the first eight months of 2016.

Over Jan-Aug export of oil via Baku-Novorossiysk pipeline made up 728,768 tons, Baku-Supsa – 1.58 million tons, and BTC – 11.380 million tons. Also in February it was recorded the export

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of Azerbaijan's crude oil through the Black Sea port of SOCAR in Georgian Kulevi – 14,946 tons, but for March-August transshipment of crude oil through it was not carried out.

The oil export in the line of the MEOD for 2015 has reached 21.996 million tons, including 1.27 million tons to Novorossiysk, 2.79 million tons to Supsa, and 17.9 million to Ceyhan.

For comparison, the Department carried out the best oil export in 2011 – 27.609 million tons, and in June of 2011 it registered the peak of monthly export – 2.57 million tons. In 2011 oil transportation via Baku–Novorossiysk totaled 1.988 million tons, via Baku–Supsa – 2.65 million tons, and BTC – 22.969 million tons.

SOCAR notes that the MEOD exports both its own oil and oil falling on the share of the government within PSA contracts.

*The exchange rate is 1.63 manat to \$1 on September 19h, 2016*

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