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# **Azerbaijan Economy in the First Ten 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 ten 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 3.7 % in the first ten months in 2016 since CESD calculations found out 4.1 % 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 49.2 billion manat (\$ 24.6 billion US, with current rate) GDP was produced in the indicated period.

The State Statistics Committee announced 5.5 % decline in non-oil GDP and 0.2 % decline in the industry output for the same period.

The main reason of negative GDP growth is the decline in the construction sector- as the Committee reports.

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 ten months of 2016 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	- (negative) 3.7 %	- (negative) 4.1 %
Non-oil GDP Growth	- (negative) 5.5 %	- (negative) 5.9 %
Inflation Rate	11.6 %	17.8 %
Industrial Production Increase	- (negative) 0.2 %	- (negative) 0.4 %
Agriculture Production	1.8 %	1.8 %
SOFAZ Assents (October 01 <sup>st</sup> , 2016)	\$ 35, 822 billion US	N/A
Monthly Salary	\$ 313.7 US	\$ 420.0 US
Poverty Line	5,6 %	12,5 %
Exports (January-September, 2016)- The State Customs Committee's figure	\$ 6,541 billion US	N/A
Non-oil export (January-September, 2016)- The State Customs Committee's figure	\$ 844,1 million US	N/A
Imports (January- September, 2016)- The State Customs Committee's figure	\$ 6,201 billion US	N/A
Excess/ Deficit (January-September, 2016- The State Customs Committee's figure	\$ 340.0 million US	N/A
Budget Revenue	12,103 billion manat (\$ 7.077 billion US, with current rate)	N/A
Budget Expenditure	12,468 billion manat (\$ 7.291 billion US, with current rate)	N/A
Excess/ Deficit	(negative) 364,3 million manat (\$ 213.0 million US with current rate)	N/A
Revenues of citizens Increase	% 7,5	% 7,1
GDP Per Capita (without PPP) in the first ten months of 2016	5, 111 thousand manat	4.956 thousand manat

**Source;** State Statistic Committee of Azerbaijan Republic and CESD, November 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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### **Negative GDP Growth**

49.2 billion manat (\$ 24.6 billion US, with current rate) GDP was produced in the first ten months of 2016. According to the State Statistics Committee, GDP declined by 3.7% in the indicated period of 2016 compared with the same period of 2015 . The decline in GDP was due to the deterioration of the performance indicators in the construction sector by 27.4%. The share of non-oil sector accounts for GDP in the amount of 32.3 billion manat, where the decline was 5.5%. GDP per capita for the period amounted to 5,111.6 manat, by 4.8% less than in January-October 2015.

### **Investment declined by 26.3 %**

The State Statistics Committee of Azerbaijan has reported that decline of investments in the national economy remains high.

According to the Committee, as of 1 November capital investments in the economy amounted to 11,889 billion manat that was by 26.3% less than a year before. The volume of construction and installation work by 1 November reached 8.608 billion manat that was by 27.4% less than a year earlier.

### **Is inflation rate 11.6 %?**

According to the State Statistics Committee, prices of consumer goods and services in January-October 2016 increased by 11.6%, including food products 13.4%, non-food products 16.3%, paid services provided to population 5.4% compared to the same period of 2015.

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In October 2016 prices of consumer goods and services increased by 1.3%, including food products 2.3%, non-food products 1.1%, paid services provided to population 0.2% compared to September.

Over the month there had been observed go up in prices of rice, flour, macaroni products, buckwheat, oatmeal, barley meal, beef, mutton, chicken meat, fish products, sausage products, dairy products, egg, butter and vegetable oil, sugar and granulated sugar, chocolate and candies, coffee, tea and cacao, pear, grape, greens, tomato, cucumber, potato, carrot, beet, garlic; prices of apple, lemon, tangerine, quince, pomegranate, date, onion, cabbage, pumpkin reduced. No significant changes had been observed in prices of other food products.

In October compared to September go up in prices of non-food products such as fabrics, clothes and shoes, construction materials, furniture and home goods, carpet and other floor coverings, household textiles, jewellery, glassware, cooking utensils, household appliances, telephone and camera, office supplies, spare parts for vehicles had been observed. No significant changes had been observed in prices of other non-food products.

Over the month there was rise in prices of paid services provided to population - apartment rental fees, cleaning, repairing and renting of clothes, repair of shoes, household appliances, furniture, home goods and floor coverings, motor cars, dental services; reducing in prices of international passenger transportation by air and railway transport had been observed. No significant changes had been observed in prices of other paid services.

Meanwhile, CESD's independent inflation rate calculations found out 17.8 % annual inflation rate in the first ten months of 2016.

### **Population income increased by 7.4 %**

According to the official report, per capita income of country population on January-September 2016 compared to the same period of previous year increased by 7.4% in nominal terms and made 3403.6 manat or 378.2 manat at average monthly. During this period 78.6% of population incomes in amount of 32,762 billion manat were spent for final consumption expenditures, 9.2% - payment of taxes, insurance and membership fees, 2.6% - interests on credits and 9.6% were directed to capital formation.

29,735 billion manat or 3089.1 manat per capita average remained at the disposal of population after all mandatory and voluntary fee payments.

### **Gas extraction declined by 9.3%**

State Oil Company of Azerbaijan Republic (SOCAR) has reported that by 1 November 2016 it produced 5.2 billion cu m of gas that was by 9.3 % less than the Jan-Oct 2015 index (5.755 billion cu m). Gas extraction in March reached 547.8 million cu m (this year's still best index), 491.8 million cu m in September, and 503.7 million cu m in October.

Over Jan-Oct 2016 gas extraction in Azerbaijan, according to SOCAR data, totaled 24.637 billion versus Jan-Oct 2015 (24.748 billion cu m).

In 2015 SOCAR produced 6.87 billion cu m of gas that was by 4.86% less than the 2014 index (7.2 billion cu m). The last year's peak of extraction was registered in July (605.4 million cu m).

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**Oil production decreased by 7.3%**

According to the SOCAR, by 1 November 2016 it produced 6.317 million tons of oil against 6.8 million tons for Jan-Oct 2015. In January the index reached 647,000 tons (this year's still best index), 618,600 tons in September and 641,300 tons in October.

Over the past 10 months of 2016 Azerbaijan produced 34.7 million tons of oil against 34.99 million tons a year earlier.

In 2015 SOCAR produced 8.159 million tons of oil against 8.3 million tons in 2014. As a whole, country's production for 2015 totaled 41.58 million tons against 42.067 million tons in 2014.

SOCAR oil production peak in 2014 was registered in March (741,500 tons) and in 2013 (716,200 tons).

*The exchange rate is 1.71 manat to \$1 on November 21th, 2016*

*For more information, please contact us at [info@cesd.az](mailto:info@cesd.az)*

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