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Azerbaijan Economy in the First Eleven 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 eleven 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 3.9 % in the first eleven months in 2016 since CESD calculations found out 4.4 % 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 54.42 billion manat (\$ 30.92 billion US, with current official rate) GDP was produced in the indicated period.

The State Statistics Committee announced 5.6 % decline in non-oil GDP and 0.6 % 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.

Main Economic Figures for the first eleven months of 2016 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	- (negative) 3.9 %	- (negative) 4.4 %
Non-oil GDP Growth	- (negative) 5.6 %	- (negative) 6.1 %
Inflation Rate	12.1 %	18.4 %
Industrial Production Increase	- (negative) 0.6 %	- (negative) 0.9 %
Agriculture Production	1.8 %	1.8 %
SOFAZ Assents (October 01 st , 2016)	\$ 35, 822 billion US	N/A
Monthly Salary	\$ 313.7 US	\$ 420.0 US
Poverty Line	5,6 %	12,5 %
Exports (January-October, 2016)- The State Customs Committee's figure	\$ 10,848 billion US	N/A
Imports (January- October, 2016)- The State Customs Committee's figure	\$ 6,958 billion US	N/A
Excess/ Deficit (January-October, 2016- The State Customs Committee's figure	\$ 3.89 billion US	N/A
Budget Revenue	12,965 billion manat (\$ 7.366 billion US, with official current rate)	N/A
Budget Expenditure	13,927 billion manat (\$ 7.913 billion US, with current official rate)	N/A
Excess/ Deficit	(negative) 961,9 million manat (\$ 546.53 million US with current official rate)	N/A
Revenues of citizens increase	% 7,5	% 7,1
GDP Per Capita (without PPP) in the first eleven months of 2016	5,649 thousand manat	4.956 thousand manat

Source; State Statistic Committee of Azerbaijan Republic and CESD, December 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

54.43 billion manat (\$ 30.92 billion US, with current official rate) GDP was produced in the first eleven months of 2016. GDP per capita for the indicated period was 5.649 manat manat (\$ 3.209 US with current official rate). According to the State Statistics Committee, 66.0% of GDP was produced in non-oil sector and 34.0 % - oil-gas sector. The committee has reported that during this period value added production in information and communication areas compared to corresponding period of the previous year increased by 4.4 %, in agriculture, forestry and fishing – 2.3 %, trade and repair of vehicles – 1.7 %, accommodation of tourists and public catering – 0.6 %, industry – 0.3 %; in construction decreased by 27.9 %, transport and warehouse – 1.0 %, other economies – 2.6 %.

The committee has underlined that declining of production in construction sector became the main factor influenced on decreasing of gross domestic product on January-November of the current year by 3.9 % compared to the same period of previous year.

Income of Population increased by 8.3 %

According to the State Statistics Committee, income of country population on January-November 2016 compared to the same period of previous year increased by 8.3% in nominal terms and reached to 40028.5 million manat. 79.4% of incomes were directed to payment of final consumption expenditures, 9.1% - payment of taxes, insurance and membership fees, 2.6% - interests on credits and 8.9% - capital formation. Nominal amount of income per capita compared to the same period of previous year increased by 7.7% and made 4154.7 manat. 36382.0 million manat or 3776.3 manats per capita average remained at the disposal of population after all mandatory and voluntary fee payments.

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Oil production declined by 1.5 %

The State Statistics Committee reports that for Jan-Nov 2016 the country produced 37.717 million tons of oil that was by 1.5% less than production for Jan-Nov 2015. In March production totaled 3.65 million tons (this year's still best index). Oil stocks as of 1 December 2016 reached 421,400 tons against 315,700 tons by 1 January 2016. Over Jan-Nov 2016 production of commercial oil totaled 37.67 million tons (-1.5% year-on-year). In March 2016 the index reached 3.649 million tons (this year's still best index).

In 2015 crude oil production by all producers in Azerbaijan reached about 310.6 million barrels in 2015 against 313.632 million barrels in 2014, 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. For 2015 the country produced 41.689 million tons of oil that was less than production for 2014 by 0.8%. In March the country registered the highest production index for 2015 - 3.716 million tons. Oils stocks by 1 January 2016 totaled 315,700 tons. Over 2015 production of commercial oil totaled 41.605 million tons (-0.7% year-on-year).

The Balance of Payments

The Central Bank of Azerbaijan running payment balance statistics has reported that deficit in current account of the balance of payments for the first 3 quarters of 2016 kept, but accumulation of reserves assets went on for the 2nd quarter at a run.

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The CBA reports that as of 1 October 2016 the current account surplus reached \$1.1 billion versus \$222.495 million by 1 January 2016. In Q1 the net surplus was estimated in \$432.151 million, \$369.74 million in Q2, and \$311.378 million in Q3 of 2016.

In Q1 of 2015 the net surplus was estimated in \$57.868 million, \$5.412 million in Q2, \$177.265 million in Q3 and \$473.04 million in Q4.

At that, the current account surplus on oil and gas sector reached \$3.03 billion for the first 3 quarters of 2016 and deficit on other sector \$4.145 bn. The current account surplus on oil and gas sector reached \$522.49 million for Q1, 1.504 billion for Q2, and \$1.005 billion for Q3. Deficit on other sector reached \$954.699 million, \$1.87 billion, and \$1.316 billion respectively.

In 2015, the current account surplus on oil and gas sector was \$6.548 billion, including \$2.146 billion in Q1, \$1.75 billion in Q2, \$1.5 billion in Q3 and \$1.106 billion in Q4. Deficit for \$6.77 billion was registered on other sectors, including \$2.088 billion in Q1, \$1.747 billion in Q2, \$1.365 billion in Q3, and \$1.569 billion in Q4.

Trade balance surplus for the first 3 quarters of 2016 totaled \$2.914 billion (including \$6.9 billion on oil sector). Trade balance surplus for Q1 of 2016 totaled \$621.706 million (including \$1.55 billion on oil sector), \$1.312 billion (\$2.916 billion) in Q2, and \$981.35 million (\$2.46 billion).

Trade balance surplus for 2015 totaled \$5.8 billion (including \$11.68 billion on oil sector), including \$1.757 billion (\$3.45 billion) in Q1, \$2 billion (\$3.46 billion) in Q2, \$1.54 billion (\$2.786 billion) in Q3, and \$509.849 million (\$1.98 billion) in Q4.

The deficit of the balance of services for the past 3 quarters of 2016 was equal to \$2.27 billion (including \$1.958 million on oil and gas sector). The deficit of the balance of services for Q1 of 2016 was equal to \$699.446 million (including \$645.509 million on oil and gas sector), \$1.056 billion (726.610 million) in Q2, and \$414.605 million (\$486.188 million) in Q3.

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The deficit of the balance of services for 2015 was equal to \$4.228 billion (\$3.06 billion on oil and gas sector), including \$1.1 billion (\$933.46 million) in Q1, \$1.29 billion (\$808.386 million) in Q2, \$1.03 billion (\$747.183 million) in Q3, and \$795.047 million (\$575.435 million) in Q4 of 2015.

The capital account (\$40.099 million) was also in deficit for past 3 quarters of 2016. The index did not change in Q3.

For the first 3 quarters of 2016 it was spent \$1.19 billion of reserve assets. For Q1 of 2016 it was spent \$1.27 billion of reserve assets, \$18.1 million in Q2, and \$62.48 million in Q3.

For comparison, in 2015 it was spent \$11.329 billion of reserve assets, including \$4.59 billion in Q1, \$1.718 billion in Q2, \$2.8 billion in Q3, and \$2.187 billion in Q4.

Oil contributes 86.0 % of the total export

The overall oil & gas export (oil, gas and petroleum products) continued to form at least 86.35% of the total export from Azerbaijan as of 1 December.

The State Customs Committee (SCC) informs that for Jan-Nov the export of Azerbaijan exceeded \$7.178 billion with overall export of \$8.315 billion. Oil export reached 19.099 million tons (-5.11% year-on-year) for \$5.896 billion that was by 28.62% less than a year earlier. Export of petroleum products totaled 1.388 million tons (-30.33%) for \$358.3 million (-47.98%). Gas export did not exceed 6.18 billion cu m (-18.56%) for \$923.1 million (-36.18%).

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Investment declined by 28.0 %

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 December capital investments in the economy amounted to AZN 13.009 billion that was by 28% less than a year before. For comparison, over the past 10 months of 2016 investments (AZN 11.889 billion) fell by 26.3% year-on-year.

The volume of construction and installation work by 1 December reached AZN 8.608 billion that was by 27.9% less than a year earlier. For 10 months of the current year CIW (AZN 8.6 billion) fell by 27.4% year-on-year.

Is inflation rate 12.1 %?

According to the State Statistics Committee Prices of consumer goods and services in January-November 2016 increased by 12.1%, including food products 14.1%, non-food products 16.8%, paid services provided to population 5.6% compared to the same period of 2015.

In November 2016 prices of consumer goods and services increased by 1.7%, including food products 2.6%, non-food products 1.9%, paid services provided to population 0.3% compared to October.

Over the month there had been observed go up in prices of rice, flour, buckwheat, biscuit and pakhlava, macaroni products, beef, mutton and poultry, fish products, sausage products, dairy products, cheese and egg, butter and vegetable oils, sugar and granulated sugar, coffee, tea and cacao, alcoholic drinks, pear, pomegranate, quince, tomato, cucumber and decreasing in prices of

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banana, apple, lemon, tangerine, date, chestnut, cabbage, greens, root, onion. No significant changes had been observed in prices of other food products.

In November compared to October go up in prices of non-food products such as fabrics, clothes and shoes, construction materials, medicines, furniture and home goods, jewellery, carpet and other floor coverings, household textiles, glassware, cooking utensils, household appliances, personal computers, stationery, books, 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, household appliances, car repair services, international passenger transportation by railway, air and sea 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 18.4 % annual inflation rate in the first eleven months of 2016.

The official exchange rate is 1.76 manat to \$1 on December 22nd, 2016, however, the “black market” is 1.93 manat to \$ 10 dollar

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