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The Azerbaijani economy in the first two months of 2018: Brief Overview

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The Azerbaijan economy in the first two months (January-February) of 2018: Brief Overview

CESD – the Center for Economic and Social Development – concluded its macro-economic survey results for the first two months of 2018. According to the State Statistic Committee of Azerbaijan, Gross Domestic Product (GDP) increased by 1.3% in January-February 2018 compared with the same year of previous year: The CESD' figure for the same period was 0.9%.

The GDP totaled 11.5 billion manat (\$6.76 billion USD) in the first two months of 2018.

The State Statistics Committee announced non-oil GDP increased by 2.3%, while oil GDP remained the same as in January-February 2017. According CESD's calculations, it was found that there was a 0.2% decline in the oil GDP of Azerbaijan in the first two months of 2018.

Meanwhile, major economic indicators in the banking sector worsened during the beginning of 2018. According to the Central Bank of Azerbaijan, the credit portfolio of Azerbaijani banks was 11.656 billion manat and the portfolio declined by 30.3% by February 2018 compared to the same month of 2017, when the credit portfolio stood at 16.705 billion manat.

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Main economic figures for the first two months of 2018 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	1.3	0.9 %
Non-oil GDP Growth	2.3 %	2.1 %
Inflation Rate	4.7 %	7.6 %
Oil GDP	0.0 %	- (negative) 0.2 %
Agriculture Production	3.4 %	3.4 %
SOFAZ Assets (January 2018)	\$35 806 billion USD	N/A
Monthly Salary (January 2018)	\$305.0 USD	\$355.0 USD
Poverty Line	5,6 %	12,5 %
Exports (January 2018)- The State Customs Committee's figure	\$1,543 billion USD	N/A
Imports (January 2018)- The State Customs Committee's figure	\$688,0 million USD	N/A
Excess/ Deficit (January 2018)- The State Customs Committee's figure	\$855.0 million USD	N/A
Budget Revenue	2,609 billion manat (\$1.534 billion USD, with the official average rate)	N/A
Budget Expenditure	2,469 billion manat (\$1.536 billion USD with the official average rate)	N/A
Excess/ Deficit	139,9 million manat (\$82.29 million USD with the official average rate)	N/A
Revenues of citizens increase	7.5 %	7,0 %
GDP Per Capita (without PPP)	1.178 manat (\$692.0 USD)	\$560.0 USD

Source: State Statistic Committee of Azerbaijan Republic and CESD, March 2018

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 for the first two months of 2018

According to the State Statistic Committee of Azerbaijan, GDP was 11.5 billion manat (\$6.76 billion USD) in the first two months of 2018. The Committee has announced a 1.3% growth for the indicated period; meanwhile, CESD found 0.9% economic growth for the same indicator.

The Committee has underlined that non-oil GDP increased by 2.3% and oil GDP remained at the same level in the first two months of the year; GDP per capita was calculated at 1.178 manat (\$692.0 USD).

The structure of GDP was as follows: 43.3% was produced in industry, 9.6% in trade, 6.5% in transportation, 6.2% in construction, 2.7% in agriculture, 2.6 % in tourism, 1.6% in communications, and 15.9% in other sectors.

By how much did industrial output increase?

The State Statistics Committee has reported that 7.6 billion manat (\$4.47 billion USD) industrial output was produced in the first two months of 2018. The committee has reported that industrial production increased by 1.4% in January-February 2018, compared to the same period of 2017. The non-oil industry increased by 8.4%, while the oil industry increased 0.4% in the reporting period.

75.0% of industrial output was registered in the mining sector, 20.0% in the processing sector, 4.4% in the electricity sector, and 0.6% was in the water and other sectors.

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The State Statistics Committee has reported that oil output increased by 0.5% and gas output declined by 9.4% in the indicated period.

Demand for foreign currency continued increasing

The State Oil Fund of Azerbaijan (SOFAZ) supplied \$364.1 million USD in February auctions. The demand for foreign currency through auctions increased by 18.0% in February 2018, compared with the previous month; namely, SOFAZ sold \$299.1 million USD in January 2018.

For the entire year of 2017, SOFAZ sold \$3,608.42 million USD through currency auctions. It should be reminded here that since 2017, the Fund's assets are present in the foreign exchange market and indirectly as part of a transfer from the SOFAZ budget to the Central Bank, to maintain financial stability.

Oil output continued declining

According to the Ministry of Energy of Azerbaijan, daily oil production of oil in Azerbaijan amounted to 806 thousand barrels, of which 751 thousand barrels fell to oil and 55 thousand barrels to condensate in February 2018. Every day, 621.3 thousand barrels of oil, 55 thousand barrels of condensate and 20.4 thousand barrels of oil products were exported.

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In January 2018, Azerbaijan produced 814.6 thousand barrels of oil per day. It means that the volume of oil production decreased by 1.05% in February in comparison to January.

In 2017, Azerbaijan produced an average of 781.9 thousand barrels of oil. The country's obligations under the OPEC + agreement are less than 800,000 barrels per day.

Azerbaijan's oil output is expected to decline by 5.0 % in 2018

Azerbaijan's oil output is expected to decline in 2018, with the country likely to continue to show strong compliance with the OPEC/non-OPEC production cut deal, according to forecasts from analysts and leading energy information agencies. In its latest monthly oil market report released in December, OPEC said it expected Azeri oil output to decline by 50,000 b/d to average 800,000 b/d for 2017.

Its current forecast for Azeri output in 2018 is 760,000 b/d, which would represent a 5% drop in output year on year.

Is the inflation rate really 4.7%?

Prices for consumer goods and tariffs for services in Azerbaijan stood at 4.7% in January-February 2018, according to a March 9 announcement of the State Statistics Committee.

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The prices for food products increased by 5.8%, prices for non-food items by 4.7%, and the cost of paid services by 3.3% during the reporting period. The monthly inflation rate for February 2018 was 0.2%. The prices for food products increased by 0.4%, prices for non-food items by 0.4% and the cost of paid services by 0.1% in February 2018, compared to February 2017. According to the State Committee, the inflation rate was 12.9% in 2017 and 5.5% in January 2018.

Meanwhile, CESD price calculations found a 7.6 % annual inflation rate for the same period of 2018.

Problems in the banking sector deepen

The major economic indicators in the banking sector worsened at the beginning of 2018. According to the Central Bank of Azerbaijan (CBAR), the credit portfolio of Azerbaijani banks was 11.656 billion manat and the portfolio declined by 30.3% in the February 2018 period, compared to the same month in 2017, when the credit portfolio was 16.705 billion manat. Meanwhile, the deposit portfolio of banks decreased, too. According to the CBAR, the total deposit portfolio was 7,497 billion manat in the first month of 2018. Considering banks had a 7,747 billion manat portfolio in the same period of 2017, the portfolio declined by about 4.0% in the first month of 2018.

The official average exchange rate for March, 2018 was 1.70 manat to \$1 according to the Central Bank of Azerbaijan.

For more information, please contact us at info@cesd.az

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