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The Azerbaijani economy in the first quarter of 2018: Brief Overview

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Baku, April 23, 2018

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

The Azerbaijan economy in the first quarter (January-March) 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 2.3 % in January-March 2018 compared with the same period of previous year: The CESD’ figure for the same period was 1.9 %.

The GDP totaled 17.2 billion manat (\$10.12 billion USD) in the first quarter of 2018.

The State Statistics Committee announced non-oil GDP increased by 2.9 %, while oil GDP increased by 1.5 % in the same period compared with the first quarter of 2017. According CESD’s calculations, it was found that there was a 1.1 % growth in the oil GDP of Azerbaijan in the first quarter of 2018.

Meanwhile, major economic indicators in the banking sector worsened during the first two months of 2018. According to the Central Bank of Azerbaijan, the credit portfolio of Azerbaijani banks was 11,561 billion manat and the portfolio declined by 27.2 % by February 2018 compared to the same month of 2017, when the credit portfolio stood at 15,878 billion manat.

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Main economic figures for the first quarter of 2018 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	2.3 %	1.9 %
Non-oil GDP Growth	2.9 %	2.4 %
Inflation Rate	4.0 %	7.1 %
Oil GDP	1.5 %	1.1 %
Agriculture Production	4.2 %	4.2 %
SOFAZ Assets (April 2018)	\$ 37,632 billion USD	N/A
Monthly Salary (January 2018)	\$305.0 USD	\$355.0 USD
Exports (February 2018)- The State Customs Committee's figure	\$ 2,987 billion USD	N/A
Imports (February 2018)- The State Customs Committee's figure	\$ 1,451 billion USD	N/A
Excess/ Deficit (February 2018)- The State Customs Committee's figure	\$1,536 billion USD	N/A
Budget Revenue	4,563 billion manat (\$ 2.684 billion USD, with the official average rate)	N/A
Budget Expenditure	4,408 billion manat (\$ 2.592 billion USD with the official average rate)	N/A
Excess/ Deficit	155 million manat (\$ 91.17 million USD with the official average rate)	N/A
Revenues of citizens increase	9.8 %	8.7 %
GDP Per Capita (without PPP)	1755 manat (\$ 1032 USD)	\$9650.0 USD

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

According to the State Statistic Committee of Azerbaijan, GDP was 17.2 billion manat in January-March 2018 that is 2.3 percent more than the same period of 2017. The volume of GDP per capita was 1,755.7 manat.

The committee reported that the volume of GDP produced in the non-oil sector of the country increased by 2.9 percent in January-March 2018,, while a 1.3 percent growth was observed in the oil and gas sector as compared to January-March 2017.

Regarding to the structure of GDP, 48.2 percent (8.28 billion manat) of Azerbaijan's GDP accounted for industrial sphere, 6.5 percent (1.1 billion manat) – for construction, 2.7 percent (454.4 million manat) – for agriculture, forestry and fishery. Net taxes on production and import accounted for 6.5 percent of Azerbaijan's GDP.

The committee has reported that 10.3 percent of the GDP (1.76 billion manat), produced in the service sector, accounted for trade and maintenance of vehicles, 6.6 percent (almost 1.1 billion manat) – for transport and warehousing, 2.6 percent (nearly 467.6 million manat) – for accommodation of tourists and catering, 1.6 percent (278.5 million manats) – for information and communication services, 15 percent (2.57 billion manat) – for other services.

Sharp decline in Azerbaijani oil output in March 2018

Azerbaijan produced 740,000 b/d of crude oil and 54,000 b/d of condensate, exported 629,600 b/d of crude oil, 54,000 b/d of condensate and 10,600 b/d of oil products in March 2018.

According to Energy Ministry, average production by Azerbaijan made up 814,600 barrels of oil per day in January, 806,000 barrels in February in accordance with the agreement on keeping

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daily output at 834,000 barrels per day. Daily output was decreased by about 10.0 % in March compared with February 2018.

Meanwhile, 38.7 million tons of crude oil and 28.6 billion cubic meters of natural gas were produced in Azerbaijan in 2017, according to the State Oil Company of Azerbaijan Republic (SOCAR). The company produced 7.4 million tons of crude oil and 6.1 billion cubic meters of natural gas in the reporting period.

Investments in non-oil sector

In January-March 2018, 2,86 billion manat was invested in Azerbaijan's fixed capital from all financial sources, of which 1,46 billion manat or 50.8% was invested in non-oil sector.

The State Statistics Committee has reported that 75.8% of these funds were spent to construction of production facilities, 18.2% to construction of facilities on service areas, 6% to construction of residential houses with the total area of 383,200 m². Domestic investments amounted to 51.7% of total investments.

In the structure of investments in the fixed capital 60.4% made up investments of enterprises and organizations, 13.7% bank loans, 19.4% budget funds, 0.6% off-budget funds, 5.4% private funds, and 0.5% other funds.

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Demand for foreign currency continued increasing

Starting from the beginning of 2018, demand growth on the currency markets has accelerated. As a result, SOFAZ increased the offer on currency auctions. According to the fund, the volume of monthly foreign exchange sales in the first quarter of 2018 was as follows:

January / 2018: \$ 299.1 million

February /2018:\$ 364.1 million, an increase compared to the previous month: 21.7%

March / 2018: \$ 647 million, an increase compared to the previous month: 77.7%

Thus, for the first three months of the current year the total volume of SOFAR's foreign exchange sales amounted to 1310.2 million US dollars, which is 65.1% or \$ 516.8 million more than for the corresponding period of the previous year. Noting that in January-March 2017, the Fund sold a total of \$ 793.4 million in foreign currency. The increase in demand for foreign currency creates certain pressure on the exchange rate. In such a situation, the exchange rate stability depends on volume of the currency supply.

Is the inflation rate really 4.0 %?

Prices for consumer goods and tariffs for services in Azerbaijan stood at 4.0% in January- March 2018, according to the State Statistics Committee.

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The prices for food products increased by 4.5 %, prices for non-food items by 4.3 %, and the cost of paid services by 2.9 % during the reporting period. The monthly inflation rate for March 2018 was 0.2%. The prices for food products increased by 0.5 %, prices for non-food items remained the same and the cost of paid services by 0.1% in March 2018, compared to the same month of 2017. According to the State Committee, the inflation rate was 12.9% in 2017, 5.5% in January 2018 and 4.5 % in February 2018.

Meanwhile, CESD price calculations found a 7.1 % annual inflation rate for the same period of 2018.

Credit portfolio decreased by 27.2 %

The major economic indicators in the banking sector worsened in the first 2 months of 2018. According to the Central Bank of Azerbaijan, the credit portfolio of Azerbaijani banks was 11,561 billion manat and the portfolio declined by 27.2 % by February 2018 compared to the same month of 2017, when the credit portfolio stood at 15,878 billion manat.

The official average exchange rate for April 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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