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

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The Azerbaijan economy in the first nine month (January-September) of 2018: Brief Overview

CESD – the Center for Economic and Social Development – concluded its macro-economic survey results for the first nine months of 2018. According to the State Statistic Committee of Azerbaijan, Gross Domestic Product (GDP) increased by 0.8 % in January-September 2018 compared with the same period of previous year: The CESD’ figure for the same period was 0.6 %.

The GDP totaled 57.76 billion manat (\$33.97 billion USD) in the first nine months of 2018.

The State Statistics Committee announced non-oil GDP increased by 1.0 %, while oil GDP increased by 0.5 % in the same period compared with the first nine months of 2017. According CESD’s calculations, non-oil GDP increased by 0.6 % in the first nine months of 2018.

Meanwhile, the construction sector faced sharp decline in the first nine months of 2018. According to the State Committee, GDP in the construction sector declined by 15.9 % in the first nine of 2018 compared with the same period of 2017 in spite of increasing financing from the state budget in the reporting period.

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

Main Economic Figures	Government Report	CESD Report
GDP Growth	0.8 %	0.6 %
Non-oil GDP Growth	1.0 %	0.8 %
Inflation Rate	2.6 %	6.1 %
Oil GDP	0.5 %	0.4 %
Agriculture Production	4.3 %	4.0 %
SOFAZ Assets (October 2018)	\$ 38 987 billion USD	N/A
Monthly Salary (October 2018)	\$305.0 USD	\$355.0 USD
Exports (Jan-August 2018)- The State Customs Committee's figure	\$ 13 412, billion USD	N/A
Imports (Jan-August 2018)- The State Customs Committee's figure	\$ 6,863 billion USD	N/A
Excess/ Deficit (Jan-August 2018)- The State Customs Committee's figure	\$6.549 billion USD	N/A
Budget Revenue	16, 089 billion manat (\$ 9.464 billion USD, with the official average rate)	N/A
Budget Expenditure	15,666 billion manat (\$9.215 billion USD with the official average rate)	N/A
Excess/ Deficit	423,7 million manat (\$249.2 million USD with the official average rate)	N/A
Revenues of citizens increase	9,5 %	8.6 %
GDP Per Capita (without PPP)	5,889 manat (\$2.526 USD)	\$2.350 USD

Source: State Statistic Committee of Azerbaijan Republic and CESD, October 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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Azerbaijan GDP in the first nine months of 2018

Azerbaijan's GDP in January-September 2018 amounted to almost 57.76 billion manats, which is 0.8 percent more than in the same period of 2017, the report of the State Statistics Committee said.

The volume of GDP produced in the non-oil sector of Azerbaijan increased by one percent compared with January-September 2017, while in the oil and gas sector there was an increase of 0.5 percent.

Growth was observed in all sectors of the economy, except construction sector. Thus, the sphere of transport and warehousing increased by 7.7 percent, tourist accommodation and catering - by 7.6 percent, information and communication services - by 7.7 percent, agriculture, forestry and fishery - by 4.3 percent, trade and repair of vehicles - 2.7 percent, industry - by 1.6 percent, other areas - by 0.4 percent. The construction sector decreased by 15.9 percent.

In the structure of Azerbaijan's GDP, 45.94 percent (almost 26.53 billion manats) were formed in the industry, 6.3 percent (3.6 billion manats) in construction, 5.7 percent (3.3 billion manats) in rural , forestry and fisheries.

As many as 9.5 percent of GDP (5.5 billion manat) produced in the services sector accounted for trade and repair of vehicles, 6.4 percent (3.7 billion manats) - transport and warehousing, 2.5 percent (1.4 billion manats) - accommodation of tourists and catering, 1.6 percent (895.7 million manats) - information and communication services, 14.4 percent (8.3 billion manats) - other services.

Net taxes on products and imports amounted to 7.9 percent of Azerbaijan's GDP (almost 4.6 billion manat). The volume of GDP per capita amounted to 5,889.2 manats

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Azerbaijani oil and gas output

In January-September 2018, Azerbaijan produced 28,994,700 tonnes of crude oil, including gas condensate, Report informs citing the State Statistical Committee.

Of this, 28,956,200 tonnes were marketable crude oil.

Oil production has risen by 0.8%.

In the nine months of 2018, the country produced 22,246,700,000 cubic meters of natural gas, of which 13,833,800,000 cubic meters were marketable natural gas, relevantly up 4.5% and 2.4% in comparison to a year earlier.

Azerbaijani population increases cash dollar purchase

Azerbaijan-based commercial banks sold 385.372 million US dollar to population in August 2018.

According to the information, the dollar sale by banks to population has exceeded the dollar purchase by banks for six months. In the reporting period, banks sold \$542.749 million to the population and purchased \$157.376 million.

Compared to July, the net cash dollar sale increased 28 times. During this period, the cash dollar purchase declined by 10%, and sale ascended 2.9-fold.

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Azerbaijan sees growth in dollarization level of deposits

As of September 1, 2018, the dollarization level of savings of Azerbaijani population in the banks made up 63%.

This figure was 62.3% as of August 1, 2018. In other words, the dollarization level increased by 0.7% in August. The dollarization level was 66.5% at the beginning of the year, 72.2% as of September 1, 2017.

As of September 1, 2018, the savings of Azerbaijani population in the banks amounted to AZN 8,020.8 million, of which 5,053.9 million manat are in foreign currencies.

SOFAZ revenue and expenditure Statement for January-September 2018

Budget revenues of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) for the period of January-September, 2018 reached 14 437.2 million manats, while budget expenditures constituted 8 005.9 million manats.

Revenue of 13 441.6 mln. manats was received from implementation of oil and gas agreements, including 12 658.1 mln. manats from the sale of profit oil and gas, 765.2 mln. manats as bonus payments, 4.1 mln. manats as acreage fee and 14.2 mln. manats as transit payments.

The revenues from managing assets of SOFAZ for January-September, 2018 amounted to 995.6 mln. manats.

As per SOFAZ's 2018 budget, 7 788.0 mln. manats were transferred to the state budget. The expenditures in the amount of 138.6 mln. manats were directed to financing the improvement of social-economic condition of refugees and internally displaced persons, 41.7 mln. manats were used for financing the reconstruction of the Samur-Absheron irrigation system. 16.7 mln. manats were directed to financing Baku-Tbilisi-Kars railway construction and 5.0 mln. manats were

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directed to financing "The state program on the education of Azerbaijani youth abroad in the years 2007-2015". SOFAZ's administrative and operational expenses for the reporting period were 15.9 mln. manats.

The Fund's extra-budgetary expenditures related to the revaluation of foreign exchange totalled 968.7 mln. manats.

The assets of SOFAZ as of October 1, 2018 have increased by 8.88% compared to the beginning of 2018 (USD 35 806.5 mln.) and stood at USD 38 987.7 mln. The increase was mainly due to SOFAZ budget revenues and asset management activity.

Is the inflation rate really 2.6 %?

Prices for consumer goods and tariffs for services in Azerbaijan stood at 2.6% in January-September 2018, according to the State Statistics Committee.

Prices of consumer goods and services in January-September 2018 compared to the corresponding period of 2017 increased by 2.6%, including food products 2.5%, non-food products 3.0%, paid services provided to population 2.5%.

In September of the current year compared to August prices of consumer goods and services increased by 0.2%, including food products 0.4%, non-food products 0.2% and paid services provided to population 0.1%.

During the month prices of flour, semolina, beef, sheep and chicken meat, sausage products, fish products, milk products, cheese and egg, margarine, olive and corn oil, cucumber, tomato, carrot, potato and banana increased while the prices of round rice, buckwheat, lemon, tangerine, apple,

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pear, pomegranate, watermelon, melon, grape, green, sweet pepper, eggplant, blue beans, onion decreased. No significant changes had been observed in prices of other food products.

During the month prices of non-food products such as textile, clothes, construction materials, furniture and household things, carpet and other floor coverings, home textiles, household appliances, small electrical appliances, toys, books, stationery, jewelry prices increased while the prices of medical supplies and equipment, cars, bicycles, mobile phones and tablet PC's decreased. No significant changes had been observed in prices of other non-food products.

In September, compared to August, there had been observed increase in prices of paid services provided to population such as repairing household appliances and cars, passenger transportation to CIS countries by air, prices of barbershop, cosmetology, stomatology and public catering services, renting apartments, computer and education fees at foreign language courses; decrease in prices of vacation tours out of the country, passenger services to CIS countries by railway transport, and by air transport to other countries except CIS countries. No significant changes had been observed in prices of other paid services.

Meanwhile, CESD price calculations found a 6.1 % annual inflation rate for the same period of 2018.

The official average exchange rate for October 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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