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# **Azerbaijan Economy in the First Four Months, 2014; Brief Overview**

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## **Macro-economic figures for the first four months of 2014**

CESD- Center for Economic and Social Development concluded its macro-economic survey results for the first month of year on May 20, 2014. Both independent and official reports show that oil GDP continued declining in the reporting period. According to the State Statistic Committee of Azerbaijan, oil GDP decreased 3.2 % in the first four months of 2014 since CESD calculations found out 4.1 % decline in the oil sector.

By reason of decline in oil sector, industry output decreased by 2.0 % in the indicated period according to the official reports. Meanwhile, total GDP increased by 3.2 % according to the State Committee primarily as a consequence of growth in non-oil sector. The State Committee reported 9.0 % growth in non-oil sector the indicated period.

Independently calculated data show that decline in oil production and oil export will continue in 2014, too. Meanwhile, BP, a operator in AIOC, also forecasts less output for 2014 compared to 2013. Unlike independent forecasts and business calculations, the government estimation is optimistic. Although the Government of Azerbaijan (GoA) forecasted growth in oil sector, CESD does not share this optimism, which projects an output of 42,0 million tons of oil in 2014, even though decline in this sector was already registered in the first month of year. CESD forecasts decline in oil output by 2,5 % in 2014 based on its econometric models and PSA matrix. In fact, ahead of a more pronounced decline in oil production, Azerbaijan's gross domestic product (GDP) growth appears to be slowing from its recent heady pace. Macro-economic results of January, 2014 proof that lower oil production will slow down Azerbaijan's economy this year but the downturn will be offset by expansion in the non-hydrocarbon sector because of high public spending.

## Main Economic Figures for the first four months, 2014 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	3,2 %	2,5 %
Non-oil GDP Growth	9.0 %	7,8 %
Oil GDP	- 3.2 %	- 4.1 %
Inflation Rate	1.9 %	4.2 %
Industrial Production Increase	-2.0 %	- 2.7 %
Agriculture Production	3.3 %	2.5 %
Currency Reserve	\$ 50,0 billion	N/A
Monthly Salary	\$ 540	\$ 650
Poverty Line	5,6 %	12,5 %
Exports (2013)	\$ 32.8 billion	N/A
Imports (2013)	\$ 10 ,7 billion	# \$11,0 billion
Budget Revenue (2013)	\$ 25.0 billion	N/A
Budget Expenditure (2013)	\$ 24.5 billion	N/A
Excess/ Deficit (2013)	\$ 0,5 billion	N/A
Revenues of citizens Increase	% 7,1	% 6,0
GDP Per Capita (without PPP) created in the first four months of 2014	\$ 2476	\$ 2040

**Source;** State Statistic Committee of Azerbaijan Republic and CESD, May 2014

*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.*

### **How much GDP increased?**

According to the State Statistics Committee, Gross Domestic Product (GDP) reached to 18.2 billion manat (\$ 23.33 billion US) in the first four months of 2014. GDP increased by 3.2% in the reporting period compared to corresponding time of 2013. 60.9% of GDP was created in output production, 31.9% in service fields and its 7.2% formed net taxes for product and import. Output production in non-oil sector increased by 9.0% compared to January-April of last year. GDP per capita was 1942.6 manat or 2476.5 US dollars in the first four months of 2014.

### **Azerbaijan's oil GDP fell by 3.2 %**

The State Statistics Committee reports that Azerbaijan's oil GDP fell by 3.2 % due to decline in oil output. Oil fell to 14.1 million tonnes in January-April 2014, down 1.4 percent on the same period a year earlier, citing lower output at main oilfields Azeri, Chirag and Guneshli (ACG) as a reason for the decline.

Production at the ACG last year fell 2.2 percent to 32.2 million tonnes from 32.9 million.

### **Azerbaijan's gas export fell by 51.7% in Jan-Apr**

The State Customs Committee (SCC) reports that gas export totaled 3.079 bn cu m in the first four months of 2014 versus 7.294 bn cu m in 2013, In April gas export totaled 680.601 million cu m against 737.174 million cu m in March, 730.368 million cu m in February and 930.924 million cu m in January.

According to cargo customs entries, 1.001 bn cu m for \$175.804 million was registered in Jan-Apr 2014 versus 3.035 bn cu m for \$701.98 million in 2013. At that, 179.501 million cu m for

\$29,849 million was registered in April against 264.799 million cu m for \$37.302 million in March, 266.994 million cu m for \$47.220 million in February and 289.801 million cu m for \$61,432 million in January. At that, physical export of gas fell by 36.1% in Jan-Apr and financial export – by 51.7% against the first quarter of 2013.

The export price reached \$175.61 in 2014 against \$229.03 per 1,000 cu m for 2013. In January the price was \$211.98, in February - \$176.86, in March - \$140.87 and in April - \$166.29.

In Jan-Apr Azerbaijan exported 760,956 tons of gas condensate via BTC pipeline including 188,520 tons in January, 153,683 tons in February, 255,650 tons in March and 156,103 tons in April. In 2013 its supplies totaled 2.215 million tons, including 198,165 tons in December.

**The State Committee reported inflation was 2.2 % meanwhile the figure is 4.1 % in independent calculations**

According to the State Committee price and service tariffs of consumer goods increased by 2,2 % in the first month of 2014. The CESD survey verifies that inflation was 4,1 % in indicated periods. Price increasing observed mainly in food products particularly meats.

*The official exchange rate is 0.7924 manat to \$1 on May, 23, 2014*

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