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Azerbaijan Economy in the First Nine 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 nine 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 nine months in 2016 since CESD calculations found out 4.3 % 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 43.436 billion manat (\$ 22.861 billion US) GDP was produced in the indicated period.

In spite of the fact that declining GDP, the State Statistics Committee announced 0.2 % growth in the industry output.

Meanwhile, the State Committee reported 6.1 % decline in non-oil sector the indicated period.

Independently calculated data show that decline in oil income will continue in 2016, too due to low crude oil price in the world market. Meanwhile, less output is forecasted for 2016 compared to 2015.

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

Main Economic Figures	Government Report	CESD Report
GDP Growth	- (negative) 3.9 %	- (negative) 4.3 %
Non-oil GDP Growth	- (negative) 6.1 %	- (negative) 6.5 %
Inflation Rate	11.2 %	17.4 %
Industrial Production Increase	0.2 %	0.0 %
Agriculture Production	2.4 %	2.4 %
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-August, 2016)	\$ 5790,3 billion US	N/A
Non-oil export (January-August, 2016)	\$ 742,7 million US	N/A
Imports (January-August, 2016)	\$ 5540,0 billion US	N/A
Excess/ Deficit (January-August, 2016)	\$ 250.3 million US	N/A
Budget Revenue	10,103 billion manat (\$ 6.275 billion US)	N/A
Budget Expenditure	10,622 billion manat (\$ 6.597 billion US)	N/A
Excess/ Deficit	(negative) 519,1 million manat (\$ 322.4 million US)	N/A
Revenues of citizens Increase	% 7,4	% 7,1
GDP Per Capita (without PPP) in the first nine months of 2016	\$ 4. 512 thousand manat	\$ 4.155 thousand US

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

Azerbaijani GDP declined by 3.9 % in the first nine months of 2016. According to the State Statistics Committee of Azerbaijan, GDP made 43.436 billion manat (\$ 22.861 billion US) in the indicated period. GDP per capita for the first nine months of 2016 was 4. 512 thousand manat (\$ 2.837 thousand US).

The State Committee has reported that 65.7% of GDP was formed in non-oil sectors, 34.3% in oil and gas sector. The value added rose 5.5% in information and communication sector, 2.4% in forestry, agriculture and fishery, 2.3% in trade, repair of transport facilities, 1.8% in tourism accommodation and catering, 1% in industry, declined 32% in construction, 1.2% in transport and storehouse, 2.5% in other spheres of economy. Decrease in production of construction caused 3.9% decline of GDP compared to a year earlier.

Meanwhile, CESD survey and calculations found 4.3 % GDP decline in the indicated period. According to the CESD experts, the main reason of sharp declining of GDP was slowdown in the certain sectors mainly in the construction sector. Decline in constructions sector was more than 30.0 % in the last couple of months due to falling of demand. CESD expects that economic slowdown will continue in remaining months of 2016 due to low crude oil prices in the world market.

Non-oil GDP declined by 6.1%

The non-oil sector of Azerbaijan in the first nine months of 2016 remained a brake of the national economy, losing high rate of development: the decline in it was stronger than in the

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economy as a whole. The State Statistics Committee of Azerbaijan informs that by 1 October 2016 Azerbaijan's non-oil GDP amounted to 28.536 billion manat that was 6.1% lower than the first nine months of 2015.

Government Reports 0.2% growth in industrial products

According to the State Statistics Committee, industrial products at 23.0 billion manat (\$ 14.28 billion US) or more than 0.2% compared to the corresponding period of the previous year were produced by industrial enterprises and by natural entities engaged in this sector in the first nine months of 2016.

65.7% of industry product was produced in mining sector, 28.2% in processing sector, 5.3% in distribution and supply on electricity, gas and steam, 0.8% in the sector of water supply, waste management and remediation activities. Oil production in mining sector decreased by 0.3% and marketable gas production by 1.6%.

Production of food products in processing sector increased by 4.3%, textile industry products by 2.7 times, production of clothing by 34.6%, production of wood products by 32.2%, production of paper and cardboard by 9.2%, production of printing products by 12.7%, production of ready metal products by 18.5%, computer and electronic products by 14.9%, electrical equipment by 2.6 times, automobile, trailer and semi-trailers by 14.0%, production of furniture by 16.3%, installation and maintenance activities of machine and equipment by 53.6% and production of beverage decreased by 12.2%, tobacco products by 6.9%, leather and leather products and shoes by 68.9%, chemical industrial products by 15.3%, rubber and plastic products by 13.3%, construction materials by 16.2%, production of metallurgical industrial products by 1.1%, machine and equipment by 10.1%.

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Production volume in the sector of electricity, gas and steam production, distribution and supply has been decreased by 2.9% and in production output in water supply, waste management and remediation activities it was decreased by 0.2%.

Foreign Trade Relations

The State Statistics Committee has reported that Azerbaijan realized trade operations with 173 countries of the world; goods exported to 102 countries and imported from 167 countries. Foreign trade turnover on January-August, 2016 made 14055,1 million USD taking into account value of statistically estimated exported crude oil and natural gas registered in the customs agencies but customs formalities of which not completed, including export value – 8,515 billion US, import value - \$ 5,540 billion US and positive trade balance reached to 2975,1 million USD. 38.2 % of trade turnover was the share of EU countries, 12.0 % - CIS member countries and 49.8 % other countries.

In total value of exported goods the share of crude oil, oil products, natural gas, fruits and vegetables, plastics, ferrous metals and items, aluminum and aluminum products, sugar, chemical products, cotton yarn and vegetable, in total value of imported goods the share of machines, mechanisms, electric apparatus, equipment, ferrous metal items, food products, transport means and spare parts, plastics and plastic products, pharmaceuticals products prevailed.

Is annual inflation rate 11.2 %?

State Statistics Committee has reported that prices of consumer goods and services including food products, non-food products and paid services provided to population in January-September 2016 increased respectively by 11.2 %, as well as food products 12.7%, non-food products 15.9%, paid services provided for population 5.2% compared to the same period of 2015. In September 2016 prices of consumer goods and services increased compared to April 2.3 %, including food products 4.0 %, but prices of non-food products increased 1.6 %, prices of paid services provided to population 0.6 %. Over the month there has been observed go up in prices of rice, buckwheat flour, chicken meat, sausages, egg, butter and vegetable oil, sugar and granulated sugar, lemon, orange, tangerine, banana, apple, pear, carrot, beet and decreasing in prices of macaroni, mutton and beef, raw milk, cherry plum, strawberry, cucumber, tomato, egg-plant, pepper, bean, cabbage, potato, garlic, onion and greens. There are no any significant changes in the prices of other food products. Compared to August an increase in prices of non-food products such as fabrics, clothes and shoes, construction materials, jewelry, furniture and home appliances, carpet and other floor coverings, glassware, cooking utensils, gas stove, electric stove, air conditioner and decreasing in prices of TV set and computers, refrigerator and washing machine, spare parts for vehicles has been observed in September. There are no any significant changes in the prices of other non-food products. Over the month the prices of paid services provided to population, services of international passenger transportation by air and railway transport decreased, but prices of tuition fees in higher education institutions, tourism fees to suburbs, rental fees of flats, cleaning and repairing fees of clothes, shoes, household appliances, furniture, home furnishings, floor coverings, dental services, hairdressing and cosmetic services, housing and household services increased. There are no any significant changes in the prices of other paid services/

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Meanwhile, CESD alternative survey shows 17.4 % inflation rate for the first nine months of 2016.

Oil Production Decreased by 10.2 %

In September oil production in Azerbaijan decreased by 10.2% compared to August 2016.

The State Statistics Committee reports that for Jan-Sept 2016 the country produced 31.268 million tons of oil that was by 0.3% more than production for Jan-Sept 2015. In March production totaled 3.65 million tons (this year's still best index), in August 3.459 million tons, and in September 3.108 million tons.

Oil stocks as of 1 October 2016 reached 234,300 tons against 289,400 tons by 1 September, 369,100 tons by 1 August and 315,700 tons by 1 January 2016.

Over the first nine months of 2016 production of commercial oil totaled 31.2 million tons (-0.3% year-on-year). In March 2016 the index reached 3.649 million tons (this year's still best index), in August 3.454 million tons, and in September 3.097 million tons.

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).

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Investments Declined by 30.4 %

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 October capital investments in the economy amounted to 10.268 billion manat that was by 30.4% less than a year before. For comparison, over the past 8 months of 2016 investments (8.999 billion manat) fell by 30.7% year-on-year.

The volume of construction and installation work by 1 October reached 7.3 billion manat that was by 32% less than a year earlier. For 8 months of the current year CIW (6.408 billion manat) fell by 32.3% year-on-year.

The exchange rate is 1.61 manat to \$1 on October 21th, 2016

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