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Azerbaijan Economy in 2016; Brief Overview

Center for Economic and Social Development (CESD)

**Caspian Plaza, 3rd Block, 13th Floor
J.Jabbarli str. 44,
Baku, Azerbaijan**

Phone: (99412) 5970691

(99412) 4975684

Fax: (99412) 4975684

Email: info@cesd.az

URL: www.cesd.az

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CESD- Center for Economic and Social Development concluded its macro-economic survey results for 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 3.8 % in 2016 since CESD calculations found out 4.4 % decline in the economy. According to the State Statistic Committee reports, the main reason of economic slowdown was economic decline in the construction sector. 27.6 % decline in the construction sector has been reported in 2016. The committee has reported that 59, 98 billion manat (\$ 37.49 billion US, with the official average rate for 2016) GDP was produced in the indicated period.

The State Statistics Committee announced 5.6 % decline in non-oil GDP and 0.4 % decline in the industry output for the same period.

More information about the last year's economic performance and forecasts for 2017 can be found at the CESD's other report:

http://cesd.az/new/wp-content/uploads/2017/01/2017-forecast-for-the-economy_Azerbaijan-1.pdf

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Main Economic Figures in 2016 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	- (negative) 3.4 %	- (negative) 4.4 %
Non-oil GDP Growth	- (negative) 5.6 %	- (negative) 6.1 %
Inflation Rate	12.4 %	18.6 %
Industrial Production Increase	- (negative) 0.4 %	- (negative) 0.7 %
Agriculture Production	2.6 %	2.6 %
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-November, 2016)- The State Customs Committee's figure	\$ 8,3 billion US	N/A
Imports (January- November, 2016)- The State Customs Committee's figure	\$ 7.7 billion US	N/A
Excess/ Deficit (January-November, 2016- The State Customs Committee's figure	\$ 0.6 billion US	N/A
Budget Revenue	17,501 billion manat (\$ 10.938 billion US, with the official average rate for 2016)	N/A
Budget Expenditure	17, 742 billion manat (\$ 11.088 billion US with the official average rate for 2016)	N/A
Excess/ Deficit	(negative) 241,2 million manat (\$ 150.75 with the official average rate for 2016)	N/A
Revenues of citizens increase	% 8.7	% 8,1
GDP Per Capita (without PPP)	6.223 thousand manat (\$ 3.889 thousand US)	\$ 3.70 thousand US

Source; State Statistic Committee of Azerbaijan Republic and CESD, January 2017

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

The State Statistics Committee of Azerbaijan Republic has reported that Gross Domestic Product (GDP) in amount of 59, 98 billion manat (\$ 37.49 billion US, with the official average rate for 2016) or less for 3.8% of 2015 have been produced by country residents in 2016. The main reason of decrease was reduction of value added in construction sector for 27.6% compared to the 2015.

At the same time, during this period value added production in information and communication areas increased by 4.5%, in agriculture, forestry and fishing – 2.6%, trade and repair of vehicles – 1.5%, industry – 0.4%, accommodation of tourists and public catering – 0.1%.

Last year value added in industry has been created in amount of 22434,5 million manat, in trade and repair of vehicles – 6152,2 million manat, in construction – 6004,4 million manat, in transport and storage – 4102,4 million manat, in agriculture, forestry and fishing – 3369,6 million manat, in accommodation of tourists and public catering – 1436,3 million manat, in information and communication – 1060,2 million manat.

10836,9 million manat of GDP was produced in other areas of economy, net taxes on product and import made 4591,2 million manat.

Last year 39403,1 million manat (65.7%) of GDP was share of non-oil areas of economy, 34.3% (20584,6 million manat) - oil-gas sector.

Industrial Production Declined by 0.4 %

The State Statistics Committee has reported that industrial products at 32.3 billion manat (\$ 20.18 billion US) or less than 0.4% compared to the corresponding period of the previous year

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were produced in the field of industry in 2016. Product output in non-oil sector of industry has increased by 5.0% and decreased by 1.1% in oil sector.

65.4% of industry product was produced in mining sector, 28.2% in processing sector, 5.6% in production, 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 has decreased by 1.4% and marketable gas production by 3.9%.

Production of food products in processing sector increased by 4.0%, textile industry products by 2.7 times, production of clothing by 41.0%, production of wood products by 10.8%, production of paper and cardboard by 1.3%, production of metallurgical industrial products by 0.3%, production of ready metal products by 24.9%, computer and electronic products by 7.4%, electrical equipment by 3.3 times, automobile, trailer and semi-trailers by 17.0%, production of furniture by 9.0%, installation and maintenance activities of machine and equipment by 10.7% and production of beverage decreased by 10.0%, tobacco products by 13.4%, leather and leather products and shoes by 67.9%, production of printing products by 12.1%, chemical industrial products by 12.7%, rubber and plastic products by 13.3%, construction materials by 10.6%, machine and equipment by 14.9%.

Production volume in the sector of electricity, gas and steam production, distribution and supply decreased by 0.5% and in the sector of water supply, waste management and remediation activities decreased by 0.7%

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S&P promises zero economic growth and further fall of GDP per capita to Azerbaijan in 2017

In the process of making the sovereign rating for Azerbaijan, S&P has published long-term economic forecasts for the country. According to the Agency, this year Azerbaijan will have zero economic growth with nominal GDP of 67.0 billion manat (\$35 billion US) against fall of 4% and nominal GDP of 58 billion manat (\$36 billion US) in 2016. In 2018 growth will make up 3% with nominal GDP of 73 billion manat (\$37 billion US), in 2019 – 4%, 81 billion manat (\$ 40 billion US), in 2020 – 4%, 87 billion manat (\$44 billion US).

In 2017, GDP per capita will be \$3,600 US that will be by 1.2% lower than in 2016 (\$3,700), when a decline was 5.1%. In 2018, the rate will return to level of \$3,700 US (+1.8%), and in 2019 and 2020 will amount by \$4,000 US with growth of 2.8%.

Is inflation rate 12.4 %?

According to the State Statistics Committee prices of consumer goods and services in 2016 increased by 12.4% compared to the same period of 2015. Meanwhile, CESD's independent inflation rate calculations found out 18.6 % annual inflation rate in 2016.

The official average exchange rate for 2016 was 1.6 manat to \$1 according to the Central Bank of Azerbaijan.

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

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