

CESD, www.cesd.az

Better research, better policy, better reform

CESD | CENTER FOR ECONOMIC
& SOCIAL DEVELOPMENT

Global Think-Tank

The Azerbaijani economy in the first nine months of 2019: Brief Overview

Center for Economic and Social Development (CESD)

Caspian Plaza, 3rd Block, 13th floor
J.Jabbarli str. 44,
Baku, Azerbaijan
Phone: (99412) 5943665
Fax: (99412) 5943665
Email: info@cesd.az
URL: www.cesd.az

Baku, October 21, 2019

The Azerbaijani economy in the first nine months of 2019: Brief Overview

The Azerbaijan economy in the first nine (January-September) of 2019: Brief Overview

CESD – the Center for Economic and Social Development – concluded its macro-economic survey results for the first nine months of 2019. According to the State Statistic Committee of Azerbaijan, Gross Domestic Product (GDP) increased by 2.5 % in January-September 2019 compared with the same period of previous year: The CESD's figure for the same period was 2.0 %.

The GDP totaled 58 464 billion manat (\$34,390billion USD) in the first nine months of 2019.

The State Statistics Committee announced non-oil GDP increased by 3.5 % in the same period compared with the first nine months of 2018. According CESD's calculations, non-oil GDP increased by 2.9 % in the first nine months of 2019.

According to the State Statistics Committee, oil production in Azerbaijan was 28 million 216.2 thousand tons in the first nine months of 2019, which is 2.7% lower than the same period last year. Meanwhile, in the total oil production for the same period, commodity oil accounted for 28 million 147.4 thousand tons which a decrease of 2.8% compare with first nine months of 2018.

The Azerbaijani economy in the first nine months of 2019: Brief Overview

Main economic figures for the first nine months of 2019 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	2.5 %	2.0%
Non-oil GDP Growth	3.5 %	2.9 %
Inflation Rate	2.6%	7.5 %
Industrial Production	1.7 %	1.3 %
Agriculture Production	7.1 %	5.9 %
SOFAZ Assets (July 1st, 2019)	\$ 42 463 billion USD	N/A
Monthly Salary	\$352.9 USD	\$395.0 USD
Exports (Jan-Sep. 2019)- The State Customs Committee's figure	\$ 12,958 billion USD	N/A
Imports (Jan-Sep. 2019)- The State Customs Committee's figure	\$ 9,381 billion USD	N/A
Excess/ Deficit (Jan-Sep 2019)- The State Customs Committee's figure	\$ 3.577 billion USD	N/A
Budget Revenue	16, 871 billion manat (\$ 9.924 billion USD, with the official average rate)	N/A
Budget Expenditure	16,690 billion manat (\$ 9,817 billion USD with the official average rate)	N/A
Excess/ Deficit	180,6 million manat (\$ 106.2 .0 million USD with the official average rate)	N/A
Revenues of citizens increase	6.7 %	6.1 %
GDP Per Capita for the first nine months of 2019 (without PPP)	5 910 manat (\$ 3476 USD)	\$ 3150 USD

Source: State Statistic Committee of Azerbaijan Republic and CESD, October 2019

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.

The Azerbaijani economy in the first nine months of 2019: Brief Overview

GDP Growth in Azerbaijan

According to the State Statistics Committee of Azerbaijan Gross Domestic Product (GDP) increased in amount of 58464.2 million manat in January-September 2019 or 2.5 percent compared to the corresponding period of the previous year in the country .

Value added produced in non-oil and gas sector of the economy increased by 3.5%, while in oil-gas sector it increased by 1.1%

The committee reports that during this period the increasing of production in all sectors of the economy excluding construction sector, was observed. Value added produced in information and communication areas increased by 16,4%, agriculture, forestry and fishing areas – 7.1%, accommodation of tourists and public catering – 4,9%, trade; repair of vehicles – 3.0%, industry – 2.5%, transport and warehouse – 1.3%, in other service fields – 2.2%, while in construction it decreased by 5.6%.

GDP per capita had been equal to 5910.1 manat.

Oil industrial production decreased by 2.8 %

According to the State Statistics Committee of Azerbaijan, industrial products at 34,7 milliard manat in January-September 2019 or more for 1.7 percent compared to the corresponding period of the 2018 were produced by industrial enterprises and individual entrepreneurs operating in this field. Product output in non oil-gas sector of industry increased by 15,6 percent.

69.9 percent of industrial products were produced in mining sector, 25,2 percent in manufacturing sector, 4,2 percent in production, distribution and supply of electricity, gas and steam, 0,7 percent in the sector of water supply, waste management and remediation activities.

Oil production in mining sector decreased by 2,8 percent, while marketable gas production increased by 29.3 percent.

The Azerbaijani economy in the first nine months of 2019: Brief Overview

The committee reports that production of wood manufacturing and production of wood products in manufacturing sector increased by 99.0 percent, tobacco products by 78.5 percent, finished metal products by 78.1 percent, computer, electronic and optical products by 77.2 percent, beverage by 40.4 percent, textile industry products by 39.2 percent, furniture by 29.5 percent, installation and maintenance activities of machine and equipment by 28.2 percent, rubber and plastic products by 26.1 percent, paper and cardboard by 25.0 percent, chemical industrial products by 20.6 percent, food products by 15.1 percent, pharmaceutical products by 12.6 percent, polygraphic products by 11.8 percent, production of clothes by 10,6 percent, construction materials by 4.2 percent, machine and equipment by 1.8 percent, while production of oil products decreased by 1,0 percent, electrical equipment by 8,5 percent, other vehicles by 11.9 percent, metallurgical industrial products by 14,6 percent, leather and leather products and shoes by 25,2 percent, automobile, trailers and semi-trailers by 32.2 percent,.

Production volume in the sector of electricity, gas and steam production, distribution and supply increased by 2.5 percent and in the sector of water supply, waste management and remediation activities it increased by 7,4 percent.

Oil export decreased

Azerbaijan exported 21.5 million tons of crude oil and crude oil products worth \$10.458 billion in January to August 2019. By comparison, 19.9 million tons of crude oil worth \$10.493 billion was exported in the same period in 2018. Thus, in 2018, oil exports increased by 7.6 percent in quantitative terms, while decreasing by 0.4 percent in value terms.

The first eight months of 2019 also saw increase in gas exports as natural gas exports from the country reached 7.4 billion cubic meters with the cost of \$1.421 billion.

In the same period of 2018, Azerbaijan exported 4.6 billion cubic meters of natural gas worth \$877.7 million. Thus, in the reporting period of 2019, gas exports increased both in quantitative (by 60.1 percent) and in monetary terms (by 61.9 percent).

The Azerbaijani economy in the first nine months of 2019: Brief Overview

As to electricity exports, this figure amounted to 1.346 billion kWh and was worth \$58.4 million in January to August 2019 compared to 1.264 billion kWh worth \$59.6 million recorded in the same period in 2018.

Azerbaijan exports electricity to Georgia, Turkey, Russia and Iran. Azerenergy is the main exporter of electric energy in the country. Azerbaijan, which has been exporting electricity to neighboring countries for a long time, has already begun exporting energy to European countries, including Greece, Romania, Bulgaria and Hungary.

The total oil exports from Azerbaijan amounted to 29.5 million tons worth \$15.7 billion, gas exports – 7.9 billion cubic meters worth \$1.5 billion, and electricity exports - 1.4 billion for \$65.6 million in 2018.

Azerbaijan mainly carries out oil exports through Baku-Tbilisi-Ceyhan (BTC) oil pipeline, and gas exports via the South Caucasus Pipeline (SCP), namely the Baku-Tbilisi-Erzurum.

Currently, an average of 110,000 tons of oil and 94 million cubic meters of gas are extracted per day in Azerbaijan from offshore and onshore fields, including the Shah Deniz, Azeri-Chirag-Gunashli (ACG) and Umid fields, which are jointly operated with foreign companies.

ACG is the largest oil and gas field in the Caspian Sea, covering more than 432 square kilometers. A contract for the development of ACG block of oil and gas fields was signed in 1994 for 30 years. Proven oil reserves of ACG block of oil and gas fields are estimated at 1.2 billion tons, while gas reserves make 350 billion cubic meters.

On September 14, 2017, a modified and redeveloped agreement was signed on joint development and shared distribution of production from the Azeri, Chirag fields and the deepwater part of the Gunashli field (ACG). The new agreement provides for the development of the field until 2050.

Oil output decreased by 2.7%

According to the State Statistics Committee, oil production in Azerbaijan was 28 million 216.2 thousand tons in the first nine months of 2019, which is 2.7% lower than the same period last year. Meanwhile, in the total oil production for the same period, commodity oil accounted for 28 million 147.4 thousand tons which a decrease of 2.8% compare with first nine months of 2018.

The Azerbaijani economy in the first nine months of 2019: Brief Overview

Is the inflation rate really 2.6 %?

According to the State Statistics Committee of Azerbaijan, Prices of consumer goods and services in January-September of 2019 compared to the same period of 2018 increased by 2.6%, including food products, beverage and tobacco products 3.5%, non-food products 1.3%, paid services provided to population 2.4%.

In September of current year compared to August prices of consumer goods and services increased by 0.3%, including food products, beverage and tobacco products 0.7%, non-food products 0.1%, while prices of paid services provided to population remained the same.

During the month increasing in prices of rice, flour, semolina and buckwheat, macaroni products, beef, sheep and chicken meat, fresh fish, nonpasteurized skimmed milk, sweetened condensed milk, brinza and solid and soft cheese with rumen yeast, curd, egg, table margarine, orange, banana, hazelnut, nut, chestnut, cucumber, tomato, pepper, egg-plant, green bean, carrot, garlic, potato, sugar, coffee, cocoa powder, ice-cream, cola, lemonade, beer, decreasing in prices of boiled sausage, yogurt, sour cream, butter, olive and sunflower oil, lemon, tangerine, apple, pear, pomegranate, grape, kivi, cabbage, pumpkin, beet, onion, dried peas, lentil, sugar powder, vodka, and energy drinks were observed. No significant changes were observed in prices of other food products.

In September compared to August there was rise in prices of non-food products such as furniture and home goods, bicycles, TV sets, air conditioner, paint, brick, parquet, cut wood, decreasing in prices of wallpapers, cement, refrigerators, synthetic detergent in powder, mobile phones, laptop were observed. No significant changes were observed in prices of other paid services.

Meanwhile, CESD price calculations found a 7.5 % annual inflation rate for the same period of 2018.

The official average exchange rate for October 2019 was 1.70 manat to \$1 according to the Central Bank of Azerbaijan.

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

The Azerbaijani economy in the first nine months of 2019: Brief Overview

Reading list/ References

Bayramov, V et al., Economic effects estimation for the Eurasian Economic Union: Application of regional linear regression, *Communist and Post-Communist Studies*, accessed July 30, 2019 <https://doi.org/10.1016/j.postcomstud.2019.07.001>

Bayramov, Vugar and Abbas, Gulnara, “Oil shock in the Caspian Basin: Diversification policy and subsidized economies”, *Elsevier, Resources Policy* 54 (2017):149–156, accessed July 15, 2019 <https://doi.org/10.1016/j.resourpol.2017.10.006>

Bayramov, Vugar and Orujova, Laman, “Volatility, Diversification and Oil Shock in Resource-Rich Turkic Countries: Avenues for Recovery”, *Bilig*, no. 83 (2017): 303325, accessed July 22, 2019 <http://bilig.yesevi.edu.tr/yonetim/icerik/makaleler/2080-published.pdf>

The Azerbaijani economy in the first nine months of 2019: Brief Overview

CESD, www.cesd.az

Vugar Bayramov, Ending Dependency: How is oil revenues effectively used in Azerbaijan, Baku, 2009, <http://www.cesd.az/documents/book.pdf>

Vugar Bayramov, Tim McNaught, Elchin Rashidov, Baku, 2011, http://www.cesd.az/Oil_Rev.pdf

CESD, Currency market in Azerbaijan: Challenging environment for the national currency, Baku, 2016, http://cesd.az/new/wp-content/uploads/2016/09/CESD_Research_Paper_Currency_Market.pdf

Public Administration in EU Eastern Partner Countries: Comparative Report 2011, https://eceap.eu/wp-content/uploads/2017/10/11_Review_No11.pdf

Vugar Bayramov, A Comparative Study on Development of Small and Medium Enterprises (SMEs) in Azerbaijan, Baku, 2017, http://cesd.az/new/wp-content/uploads/2017/11/CESD_SME_Paper_2017.pdf

CESD Research Group, Foreign debt of Azerbaijan in 2018: realities and perspectives, http://cesd.az/new/wp-content/uploads/2018/02/Azerbaijan_Foreign_Debt_2018.pdf

CESD Expert Group, The national currency rate of Azerbaijan: after the presidential elections, 2018, http://cesd.az/new/wp-content/uploads/2018/04/CESD_Research_Paper_Currency_Market_2018.pdf

Vugar Bayramov Ahmad Alili, Inventory of Energy Subsidies in the EU's Eastern Partnership Countries, Paris, 2018, https://read.oecd-ilibrary.org/environment/inventory-of-energy-subsidies-in-the-eu-s-eastern-partnership-countries_9789264284319-en#page1

The Azerbaijani economy in the first nine months of 2019: Brief Overview