



**Center for Economic and Social Development (CESD)**

## **Azerbaijan Economy in the first quarter of 2011; Comparative Analysis**

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### Macro-economic figures for the first quarter of 2011

According to the State Statistic Committee of Azerbaijan Republic, overall the country's economy has risen by 1.6 percent. The non-oil sector has risen by 5.6 percent; industrial production has risen by 0.3 percent. In the industrial growth the non-oil sector industry has risen by 9.8 percent. The level of currency reserves has reached \$34.7 billion in the mentioned period.

### Main Economic Figures for First Quarter of 2011 in Azerbaijan

Main Economic Figures	Government Report	CESD Report
GDP Growth	1,6 %	0,4 %
Non-oil GDP Growth	5,6 %	3,4 %
Inflation Rate	9,6 %	12,9 %
Industrial Production Increase	0,3 %	0,0 %
Currency Reserve	\$ 34,7 billion	N/A
Monthly Salary	\$ 430	N/A
Poverty Line	9,1 %	14,5 %
Budget revenues	\$ 3,503 billion	N/A
Budget Expenditure	\$ 2,641 billion	N/A
Exports	\$ 3,4 billion	N/A
Imports	\$ 1,3 billion	# \$1,5 billion
Revenues of citizens Increase	% 16,0	% 9,0

**Source;** State Statistic Committee of Azerbaijan Republic and CESD, April 2011

*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.*

In the first quarter of 2011 inflation has risen by 9.1 percent. In addition, more than 16 percent growth has been noted in the population incomes. The average monthly salary has been around 340 AZN or \$430. The level of poverty has been 9.1 percent.

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### **State Budget of Azerbaijan Republic**

#### **Revenues to the state budget**

According to the State Statistic Committee of Azerbaijan Republic, in the first quarter of the current year revenues of the state budget have been fulfilled 2.768 billion AZN or 118.0 percent. In comparison with the same period of the previous year it is 3.2 percent more. The Ministry of Taxes has guaranteed the entry of 1.161 billion AZN into the state budget which is 151.0 million AZN or 15 percent more in comparison with the same period of the previous year. 58.7 percent or 681.0 million AZN of the mentioned fund come from the non-oil sector. In comparison with the same period of the previous year it is 132.0 million AZN or 24.0 percent more.

In the non-state sector as a real result of increase of economic activity and the activities carried out to expand economy, scale of the revenues of this sector has risen by 20, 9 percent more in comparison with the same period of 2010 and specific weight of tax revenues has reached from 67, 6 percent to 71, 1 percent increasing by 3.5 percent more in comparison with the previous year.

In accordance with the state law of the Republic of Azerbaijan on the state budget of 2011, 1.12 billion AZN budget duty has been forecasted for the State Customs Committee. In the first quarter of the current year as a result of import-export operations carried out, 240.6 million AZN custom payments have been gathered and directed to the state budget. Forecast has been fulfilled 100.2 percent which is 17.1 percent more in comparison with the same period of the previous year.

In the first quarter of the current year 1.33 billion AZN fund has been transferred to the state budget from the State Oil Fund. On additional revenues 36.0 million AZN have been directed to the state budget. In comparison with the same period of the previous year additional revenues have been 32.0 million AZN more. In the first quarter of 2011 the expenses of the state budget have been fulfilled 87.3 percent or 2.87 billion AZN more than forecasted and 108.0 million AZN or 5.5 percent more in comparison with the same period of the previous year.

#### **Budget expenditures**

According to the State Statistic Committee of Azerbaijan Republic, expense orders from organizations have been financially fulfilled, there have not been any other debts on salary, pension, relief, internal and external debts and additional expenses

In the first quarter, in accordance with the economic classification 47.9 percent or 1.0 billion AZN of income have been directed to financing social expenses. In comparison with the same period of 2010 it is 14.9 percent or 129.0 million AZN more.

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In comparison with the same period of the previous year in the first quarter of the current year 17.2 percent or 57.0 million AZN more have been spent on the payment of social pensions and reliefs, 14.2 percent or 70.0 million AZN more have been directed to the payment fund of labor, and 3.8 percent or 1.6 million AZN more have been spent on food and medicine expenses.

Commitments have been met on paying implied payments to IDPs, pensioner and contribution receivers. In the first quarter of the current year 408 million AZN fund which is 19.2 percent more in comparison with the same period of 2010 has been directed to social safety and security expenses considering funds allocated for the following quarters.

In accordance with functional classification in the first quarter of 2011 in comparison with the same period of the previous year 21.9 percent have been directed to military expenses, 21.8 percent to medical expenses, 18.3 percent to agriculture, forestry and fishery expenses, 12.4 percent to education expenses, 11.9 percent fund has been directed to culture, art, information and physical culture expenses.

In the first quarter of the current year 546.0 million AZN fund has been spent on state investment expenses, financing of main investment projects have been provided. Out of the same fund 78.0 million AZN have been spent on construction and restoration of educational, medical, cultural, sport and other socio-cultural and domestic places. 94 million AZN have been spent on construction and restoration of houses and other such kind of domestic places for disabled-soldiers, martyr families and 5.5 million AZN fund has been spent on construction and restoration of sport complexes and other sport places in the regions.

363.0 million AZN have been spent on construction and restoration of the main energy, water supply, gas, transportation, communal, land-reclamation infrastructures, as well as 144.0 million AZN on construction and restoration of transportation infrastructure, 24.0 million AZN on construction and restoration works in Baku metro stations, 17.0 million AZN on increase of authorized capital of 'Baku electricity system' stock company, 10.0 million AZN have been spent on reconstruction of drinking water and irrigation drainage, 20.0 million AZN on the implementation of 'The State Program on formation and development of cosmic industry in the Azerbaijan Republic' and 143.0 million AZN have been spent on 'Azerbaijan Airlines' close joint- stock company.

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Alongside with expenses allocated from the state budget, 206.0 million AZN fund has been directed from abroad to construction and reconstruction of highways, water supply and land-reclamation, agriculture, social and other infrastructures by the Azerbaijan government.

In the first quarter of the current year implied 63.0 million AZN have been allocated on the budget of the Nakhchivan Autonomous Republic from the state budget and 181.0 million AZN subsidy has been thoroughly allocated for local expenses of regions and cities from the centralized expenses implied to regulate local incomes and outcomes.

In the first quarter of 2011 relevant orders have been signed by the president of the Azerbaijan Republic to allocate 31.0 million AZN from the Reserve Fund of the President of the Azerbaijan Republic for implementation of several social and infrastructure projects of key importance and for continuation of renovation and construction works.

In the reporting period 14.3 million AZN have been allocated to finance events of state importance which were not envisaged in the state budget before from the reserve fund of the state budget and 7.0 million AZN fund has already been spent.

Management of the country's internal and external debts, fulfilling debt duties in the international level as well as within country has been kept in the focus of attention and for this purpose 154.0 million AZN fund has been directed from the budget.

In the first quarter of 2011 from the state budget 15.0 million AZN have been spent to finance the activities of Azerbaijan Republic's diplomatic representatives abroad and 3.5 million AZN have been spent to finance several international and republic events of international and local importance held in our country.

### **Funds and discounted loans allocated for agriculture product producers**

According to the State Statistic Committee of Azerbaijan Republic, financial support for agriculture product producers is being continued by government. In the reporting period 25.0 million AZN have been directed to the implementation of 'The State Program on people's secure supply with agriculture products in the Azerbaijan Republic during 2008-2015'. 27.5 million AZN discounted loans have been offered to the entrepreneurs. 10.0 million AZN of this has been the fund allocated for the development of entrepreneurship from the state budget.

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In comparison with the previous year the number of investment projects has risen by 1.7 times and the amount of lended discounted loans has risen by 1.4 times. On the basis of discounted loans 25 big and large-scale projects as well as investment projects for construction and reconstruction of five modern fridge storage-complexes with the capacity of 29.5 thousand tons, 5 bakery products companies with the annual productive capacity of 78.1 thousand tons, three poultry industries with the annual productivity of 13 million breeding eggs and 0.6 thousand tons poultry, two meat factories with the annual productivity of 19.8 thousand tons, five cattle complexes with 500 cattle giving milk and other products have been financed.

Regarding implementation of the order on improvement of the employment of local people in the Baku districts on the basis of the fund of National Fund for Support Entrepreneurship, 2.2 million AZN loans have been offered to 24 entrepreneurs. On the basis of these discounted loans it is envisaged to build new working places in the Baku districts.

In accordance with 'Single Window' system more than 14 thousand entrepreneurs have been registered in the first quarter of the current year. In comparison with the relevant period of the previous year it means 46.1 percent increase in the number of people registered. In the first quarter of 2011, 61.2 percent entrepreneurs registered are from the regions.

14.0 million AZN have been directed to 'Agroleasing' open joint-stock company to purchase agricultural equipments and chemistry substances and 4.5 million AZN have been directed to State Agency for Agriculture Credits near the Ministry of Agriculture to lend loans to agriculture product producers.

### **Revenues of the State Social Protection Fund**

According to the State Statistic Committee of Azerbaijan Republic, in the first quarter of 2011 revenues of the State Social Protection Fund have been 521 million AZN, increasing by 19 percent or 83 million AZN in comparison with the same period of the previous year. Social insurance revenues have been 270 million AZN, increasing by 15 percent or 35 million AZN in comparison with the first quarter of the previous year. 58.2 percent of social insurance revenues fall to the non-budget organizations' share, their social insurance payments have increased by 17.3 percent or 23 million AZN in comparison with the same period of the previous year. Revenues from physical persons have increased by 24 percent and the payments of landowners have increased by 40 percent. During the quarter 250 million AZN have entered to the treasury account of the Fund as a transfer of the state budget. The amount of the revenues of the Fund has enabled to finance expenses on time.

In the first quarter of 2011 the expenditures of State Social Safety Fund have been 466 million AZN. The Fund has spent 457 million AZN to finance pensions and contributions. It is 46

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million AZN or 11.2 percent more in comparison with the first quarter of the previous year. 97 percent or 444 million AZN of this amount have been spent on the payment of pensions and 13 million AZN have been spent on the payment of contributions. Currently the amount of monthly payments to people is around \$200 million.

4.2 million AZN have been spent on increasing the insurance part of the pensions of the 620 thousand labor pensioners by 5.7 percent according to the order of the president of the Azerbaijan Republic dated February 15th, 2011 .

The average monthly amount of labor pensions has reached 114 AZN till the end of the quarter. It has increased by 14 percent in comparison with the situation on April 1st last year. The implied monthly average amount has been more than 150 AZN.

### **Foreign trade turnover**

According to the State Statistic Committee of Azerbaijan Republic, this year in January-February physical and legal individuals of the country have had commercial operations with 102 foreign countries in amount of \$4.7 billion.

Exported products from Azerbaijan have covered \$3.4 billion and imported products have covered \$1.3 billion of foreign trade turnover

In comparison with January-February of the previous year physical volume of the foreign trade turnover has increased by 9.9 percent, as well as import 1.9 times and export has increased by 3.8 percent. As a result of export prevailing import \$2.1 billion positive saldo has emerged.

More than 85 percent of external commercial operations have been conducted with Italy, United States of America, France, Russia Federation, Malaysia, Ukraine, Turkey, Spain, Bulgaria, China, Germany, India, Israel and Kazakhstan.

*The official exchange rate is 0.7924 AZN to \$1 on April 19, 2011*

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