

Azerbaijan Economy Trade and Budget

Azerbaijan | Economy
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Trade: non-oil balance improves

According to the Customs Committee, Azerbaijan's merchandise exports increased by 10% y/y in June 2014, while imports decreased by 25% y/y. For 1H14, however, total exports fell by 6% y/y, while imports declined by 20% y/y. The growth in exports in June was mainly driven by agricultural products and minerals (crude oil, natural gas, and oil products).

Contraction in imports, on the other hand, was a result of slower economic growth and new regulations that ban imports of older used cars and stricter rules on consumer loans. For example, the fall in imports of iron and steel, glass and glassware, various machinery, and wood, among others, could be explained by falling demand in the construction sector. In this category, imports of cement also fell dramatically. However, this was probably caused by the inauguration of the Akkord Cement plant in the Qazakh district resulting in the substitution of imported cement with local cement.

Car imports in US\$ terms, declined by 26% y/y in June, while the number of cars imported declined by 54% to 3,783 units. Imports of electronic consumer goods such as TVs, cameras, and sound recorders fell for a fourth month in a row in June, decreasing by 44% y/y after a fall of 55% y/y in May. This can probably be explained by the new strict regulations on consumer credit implemented in early 2014.

Following a pick-up in April, the non-energy trade balance improved for the second consecutive month on the back of falling imports. The trade deficit decreased to US\$ 0.4bn in June from US\$ 0.9bn in April. As the factors behind the current trend are expected to remain in place for the remainder of the year, the trade deficit will keep contracting.

Budget: non-oil balance improves

Azerbaijan's consolidated budget posted a surplus of 5.7% of GDP in 1H14 compared to 5.2% in 1H13 and 3.6% in 1Q14. Almost flat expenditure, along with slightly higher revenue compared to 1H13, were the main factors behind the surplus. On the revenue side, non-oil revenues increased by more than 17% from US\$ 3.8bn in 1H13 to US\$ 4.5bn in 1H14.

Oil revenue, however, declined by 2.8% from US\$ 10.5bn in 1H13 to US\$ 10.2bn in 1H14. The main factor behind the falling oil revenue was the 3.4% decline in State Oil Fund revenues, which fell from US\$ 8.6bn in 1H13 to US\$ 8.3bn in 1H14. Nevertheless, with expenditures falling more sharply, the Fund was able to post a surplus and increase its reserves from US\$ 35bn in 1H13 to US\$ 38bn in 1H14. The Fund's gold reserves also increased from 0.7mn ounces in 1H13 to 1.0mn ounces in 1H14.

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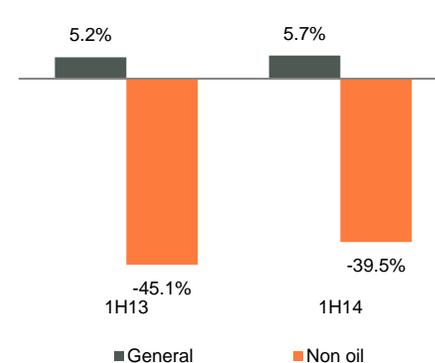
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Figure 1: Non-energy trade balance, US\$ bn



Source: Customs Committee

Figure 2: Consolidated budget balance, %

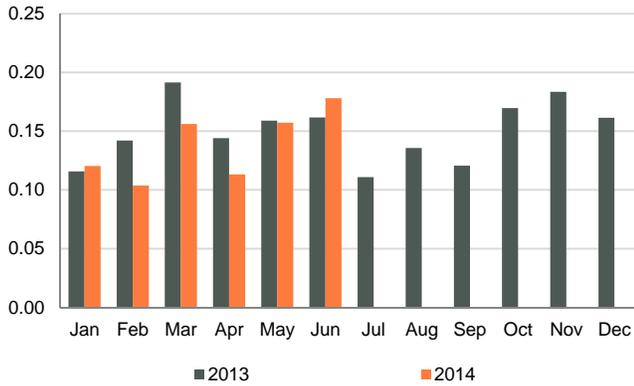


Source: Ministry of Finance, AzSTAT



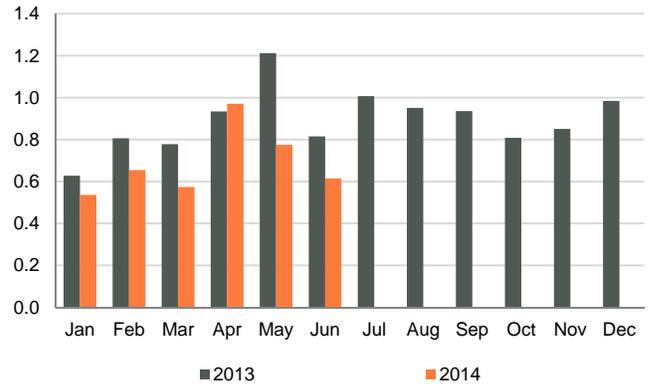
Supplementary charts

Figure 3: Non-energy exports, US\$ bn



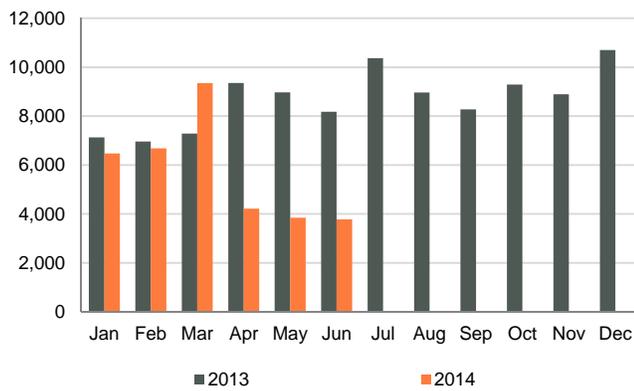
Source: Customs Committee

Figure 4: Total imports, US\$ bn



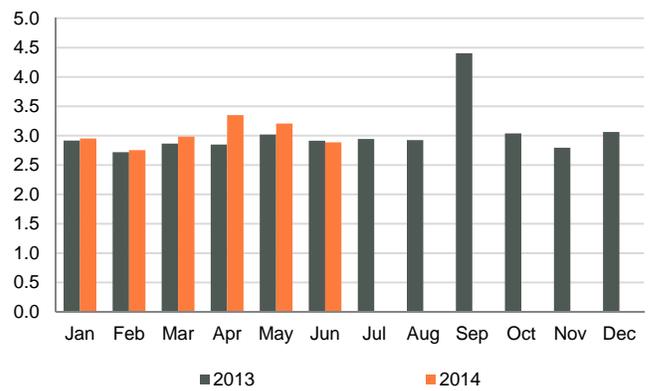
Source: Customs Committee

Figure 5: Car imports, units



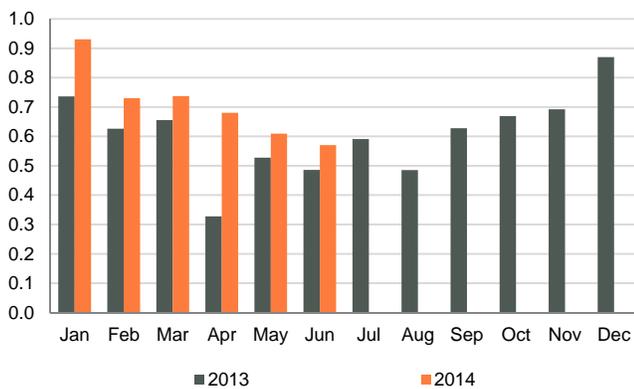
Source: Customs Committee

Figure 6: Crude oil exports, mn ton



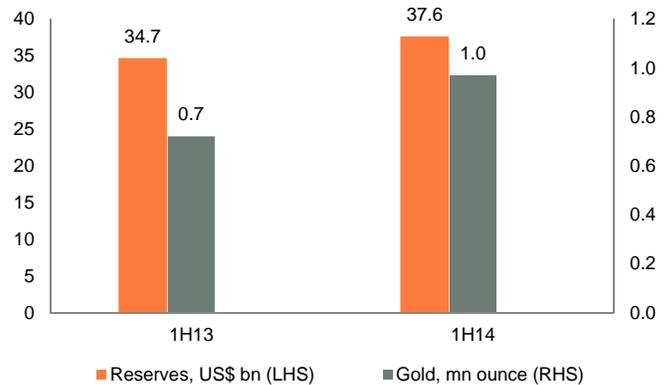
Source: Customs Committee

Figure 7: Natural gas exports, bcm



Source: Customs Committee

Figure 8: SOFAZ reserves



Source: SOFAZ



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