



Economic News Bulletin
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Macroeconomics

Azerbaijan significantly increases non-oil export

Azerbaijani companies exported non-oil products worth \$356.4 million in 1Q18, which is 35 percent higher than in the same period of 2017. This is reported in the Export Review, published April 27 by the Center for Analysis of Economic Reforms and Communications.

During the period, the greatest share of the exported non-oil products fell on electricity (\$33.9 million), gold (\$30.9 million) and polyethylene (\$26.3 million).

Electricity exports during the period increased 8.6 times, fruits and vegetables - 45.7 percent, ferrous metals and products made of them - 34.8 percent, chemical products - 29.5 percent, cotton yarn - 24.8 percent, tea - 12.9 percent, aluminum and products made of it - by 4 percent.

In the list of the main importers of non-oil products from Azerbaijan in January-March 2018 the first place was taken by Russia (\$98.7 million), followed by Turkey (\$97.6 million), Switzerland (\$33.8 million), Georgia (\$31.8 million) and China (\$11.9 million).

In March 2018, non-oil exports from Azerbaijan amounted to \$115 million. During the period, Azerbaijan mostly exported electricity (\$13.6 million), tomatoes (\$9.3 million) and peeled hazelnuts (\$8.3 million). In March, Turkey (\$32.2 million) became the largest importer of Azerbaijani non-oil products.

Azerbaijani economy showed biggest growth in CIS in 27 years – survey

The Azerbaijani economy has shown the greatest growth among the CIS countries in over 27 years (from 1990 to 2017), according to a macroeconomic survey of the CIS oil economies prepared by the Analytical Credit Rating Agency (ACRA).

“All the countries that became part of the CIS, including Georgia, faced a significant decline in the level of economic activity during the collapse of the Soviet Union and the subsequent period of transformation of economies. The peak of fall of these countries’ economies was observed in 1995, when the reduction in real terms, averaged 48 percent as compared to 1990,” says the survey.



From 2003 to 2007, the economies of most CIS countries reached the 1990 levels and surpassed them, according to the survey. The last recovered economies were the economies of Tajikistan (by 2013) and Georgia (by 2017), and the economies of Ukraine and Moldova were not completely restored after the collapse of the USSR, says the survey. From 1990 to 2017, only Azerbaijan and Kazakhstan were able to increase the real GDP by more than two times: economic activity increased by 2.6 and 2.03 times, respectively, in these countries, says the survey.

Thus, according to the survey, the most significant indicators of recovery and growth in economic activity were demonstrated by the oil economies of Azerbaijan and Kazakhstan during the period.

Meanwhile, the structure of the contributions of growth sources in these economies differs sufficiently, therefore, in 2016-2017, the economic growth in the two countries showed different dynamics.

“Among the basic trends in the formation of Azerbaijan’s GDP from 1990 to 2017 one can single out a significant economic trend of introduction of new basic means, mainly connected with extracting capacities,” said the survey. “Throughout the period (with the exception of the year 2008 and 2010-2011) production capacities in Azerbaijan grew at a much higher rate than labor resources.”

The authors of the survey note that in the 2000s, a significant inflow of investment (mainly in the oil and gas industry) and the multiplier effect to non-oil segments gave Azerbaijan’s economy significant impetus for the growth, which weakened by 2015-2016.

The regular contribution to economic growth is also made by fixed assets (from 0.4 to 4 percent in 2012-2016), however, the effect is offset by a negative rate of factor productivity, according to the survey. “In 2017, the non-oil part of the real GDP showed a 2.7 percent growth, which reflects positive contribution of the business cycle component,” the ACRA said. “In 2017, oil prices played the role of

constraining factor, which was expressed in nominal GDP growth (by 0.1 percent). From 2018 to 2019, Azerbaijan's GDP should be fixed in growth zone, given quite positive expectations regarding the dynamics of oil prices (according to ACRA forecast, in 2018 and 2019, the price of a barrel of Brent crude oil will be \$58 and \$60, respectively). However, the lack of full sources for such growth will keep the pace at the level of potential growth rates."

According to the agency, one shouldn't expect a significant level of overheating in the Azerbaijani economy, which minimizes the risks for gradual weakening of inflationary processes and for the average annual inflation rate's reaching the level (6-8 percent) established by the Central Bank of Azerbaijan for 2018-2019.

Industry

Azerbaijan to create roadmap for integrated development of mining industry



Azerbaijan's AzerGold closed joint stock company intends to work out a strategic roadmap for integrated development of the mining industry in Azerbaijan, Zakir Ibrahimov, chairman of board of AzerGold CJSC, said. "We intend to work out a

strategic roadmap that will reflect a number of key tasks to develop the mining industry in Azerbaijan, as well as estimate the reserves of non-ferrous metals, with the assistance of international consultants," Ibrahimov said. "In particular, it is planned to collect information referring to the Soviet-era archives and convert it into electronic form in accordance with modern standards and re-evaluate the mineral resources on the basis of international standards," he added. "In this direction, AzerGold actively cooperates with the Azerbaijani Ministry of Ecology and Natural Resources," he said. "Then it is planned to preliminary calculate the economic efficiency of the fields and start to prepare a strategic action plan for the exploration, construction and operation of the fields," he said. AzerGold CJSC launched its activity in July 2016.

The company is engaged in research and exploration of deposits of precious and non-ferrous metals, their extraction, processing and sale, application of new technologies in this sphere, improvement of material and technical base and performance of other work connected with development of this area.

Sumgayit Industrial Park deploys mass production of oil storage tanks

The American society of mechanical engineers (ASME) has audited the

process of production of high-pressure



crude oil storage tanks, as well as the finished tanks themselves, at the Sumgayit Technology

Park (STP), Trend was informed at STP on April 20. The Sumgayit Industrial Park began production of the tanks, together with the South Korean Seoul Machinery Company.

The STP was awarded with international certificates ASME Sec VIII DIV1, ASME Sec VIII DIV2, ASME Sec I and NBIC. The presence of international ASME certificates allows the company to establish mass production of high-pressure tanks for the oil and gas industry of the country. By localizing the production of tanks, STP has established the production of import-substituting products, and oil companies operating in Azerbaijan no longer need to purchase such equipment outside the country.

Agriculture

Azerbaijan aims to increase hazelnut production

Azerbaijan intends to significantly increase hazelnut production in 2018, according to the Azerbaijan Hazelnut Exporters Consortium.

Its representative noted that the Consortium plans to increase production by almost 48 percent.

"We plan to produce 60,000-65,000 tons of hazelnut in 2018, which is much more than last year. As for exports, this depends not only on increasing production, but also on prices in world market," he told Trend on April 8, adding that if prices do not drop, the growth of exports will be about 10 percent. Noting the importance of increasing production, the Consortium representative noted that it is necessary to apply right agrotechnical measures in the gardens.

"To this end, the Consortium has



created a new training center for 60 people. Three times a week we

provide farmers with the necessary training," he said. In addition, last year the Consortium sent a delegation of exporters to a hazelnut processing plant in the U.S. state of Oregon so that they would learn the process. The representative added that this year the work will continue to expand the geography of exports.

"This year our goal will be to conclude agreements with large buyer companies. Having the necessary advertising, it will be possible to conclude more profitable contracts with such companies," he noted.

Presently, the main markets for the Azerbaijani hazelnut are Italy, Russia and Germany. Chairman of the Consortium Ismail Orujov has earlier informed that this year it is also planned to start supplying hazelnut to the markets of Africa and Arab countries.

Today Azerbaijan makes up 4 percent of world hazelnut production and ranks 5th in the world for hazelnut exports. Thanks to appropriate weather conditions, the country produces about 40,000-50,000 tons of in-shell hazelnuts annually.

Several varieties of hazelnuts, such as Atababa, Ashrafli, Ghalib, Ganja, Sachagly, Topgara and Yagly, are cultivated in Azerbaijan. Many of the country's hazelnut orchards are situated in the foothills of the Caucasus Mountains in the regions of Gakh, Zagatala and Balakan.

Last year, Azerbaijan produced 45,500 tons of hazelnut, which was 32.9 percent higher than in 2016. The country exported hazelnuts worth over \$100 million in 2017.

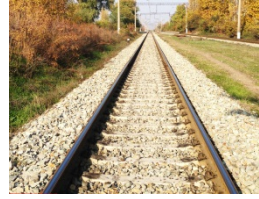
Transport

Interest for North-South project growing

Interest of cargo shippers in the International North-South Transport Corridor project is growing, Eduard

Alyrzaev, first deputy CEO of Russian Railways Logistics (RRL), said.

"There is interest on the part of forwarding companies, cargo owners, major Russian exporters," he noted. "For



example, authorities of the Stavropol province, as well as the major Russian steel companies are interested in the project. As for foreign countries, we are in contact with Finland, which exports a fairly large amount of paper to India." Alyrzaev went on to add that the operators and countries participating in the transport corridor project have become more active. At the same time, it is necessary to further develop the marketing part of the project, he said.

"Together with ADY Express and ADY Container, our Azerbaijani partners, we are actively promoting and advertising the project in Azerbaijan, Russia, Iran, India and even European countries," he noted. "The biggest cooperation in this direction is between Russia and Azerbaijan. There are some results; however, a lot of work is needed to be done."

The North-South transport corridor is designed to connect Northern Europe with India and Southeast Asia. The route will also connect the railways of Iran, Azerbaijan and Russia.

At an initial stage, six million tons of cargo are planned to be transported through the corridor per year and 15-20 million tons of cargo in future.

Tourism

Azerbaijan assumes presidency of Global Healthcare Travel Council

Azerbaijan has taken over the presidency of the Global Healthcare Travel Council (GHTC) from the United Arab Emirates (UAE). Ruslan Guliyev, President of the Association for Support to Health and Thermal Tourism in Azerbaijan, was elected as president at the Council's meeting organized as part of the exhibition "HESTOUREX" Congress and Exhibition (Health, Sports and Alternative Tourism) in Antalya. A total of 48 representatives from 22 countries participated in the voting, which also saw the election of six vice-presidents of the Council. Member of the Board of Directors of the Association for Support to Health and Thermal Tourism in Azerbaijan Jeyhun Ashurov was elected as Deputy Secretary General of the organization.

Addressing the meeting, Ruslan Guliyev highlighted Azerbaijan's health tourism potential and prospects. He provided an insight into the organization's platform.

"Election of Azerbaijan to the World Health Tourism Organization testifies to Azerbaijan's constantly growing influence in the world. According to the outcomes of the meeting, the International Health Tourism Forum will be held in Azerbaijan in 2019, which will contribute to the expansion of tourism in the country," Guliyev said.

GHTC is the forum of National Councils in the Healthcare Travel industry. It works to raise awareness of Healthcare Travel as one of the world's largest industries, supporting 100 million jobs and generating 12 per cent of world GDP. Azerbaijan joined the GHTC in 2014. 60 countries, including Russia, Great Britain, Germany, Turkey and India, are members of the organization.

Announcements and Notifications

Azerbaijani-Swiss business forum due in Baku

An Azerbaijani-Swiss business forum



is planned to be held in Baku in July 2018. This was announced during a

meeting of Azerbaijan's Economy Minister, the chairman of the Joint Commission on Cooperation between the Government of Azerbaijan and the

Federal Council of Switzerland Shahin Mustafayev and Swiss Ambassador to Baku Philip Stalder.

The minister highlighted the development of the Azerbaijani-Swiss relations, and noted that the Azerbaijani president attaches great importance to expansion of the cooperation between the two countries. There was noted that the head of the Azerbaijani state annually participates in the Davos Forum and other important events.

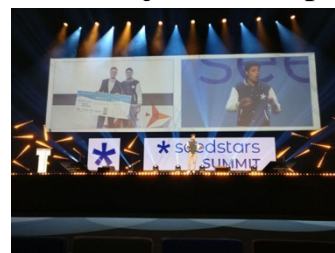
There was noted that an Azerbaijani-Swiss business forum is planned to be held in Azerbaijan during the visit of the head of the Federal Department of Economic Affairs, Education and Research, Swiss commerce minister Johann Niklaus Schneider-Ammann to Azerbaijan.

During the visit, the Swiss minister will also familiarize with the Sumgait Chemical Industrial Park and the Balakhani Industrial Park. Mustafayev further noted that the illegal activities of some Swiss companies in the occupied territories of Azerbaijan is unacceptable.

There are currently 71 Swiss companies in Azerbaijan. Azerbaijan has invested \$ 1.2 billion in Switzerland. The trade between the two countries amounted to \$240 million in 2017, which shows more than a 40 percent growth.

Azerbaijani startup takes part in Seedstars Summit 2018 final

Azerbaijani startup has participated in Seedstars Summit held in Lozanna, Switzerland, with the organizational support of Barama Innovation and Entrepreneurship Center supported by Azercell Telecom and PASHA Bank. 12 participants out of 60 startups qualified to the final round to compete for USD 1,000,000. Azerbaijan was represented in the competition by “Wake Me Up” project which won the qualifying round in the country last year. Notably, “Wake Me Up” is a new and invaluable device which will prevent user from sleeping and protect from different kinds of accidents through specially designed glasses.



According to the operating principle, the device receives the signals from sensor and instantly activates voice and vibration sensors on the glasses. The device identifies each time when you feel like sleeping and prevents the possible dangers.

It should be noted that Seedstars is a Swiss based group of companies which has the goal of impacting people’s lives in emerging markets through technology and entrepreneurship.

Through different activities of startup scouting, company building and acceleration programs, the team has now access to entrepreneurs, investors, incubators, corporations and government officials from dozens of countries. This year over 75 countries from Asia, Africa and Europe joined the competition. The competition which also brought together recognized investors and company managers had panel discussions about health, technology, environment, social networks and other important topics.

Barama Innovation and Entrepreneurship Center was founded in 2009 by Azercell with the aim to support entrepreneurship in Azerbaijan. The Center generally supports IT projects and start-ups operating in this industry and helps them become successful businesses.