



Economic News Bulletin  
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## Macroeconomics

### Trade turnover with Switzerland increases five-fold

The trade partnership between Azerbaijan and Switzerland has seen dramatic increase in the recent years. Thus, the trade turnover between the two countries increased five-fold in January-August in 2019, compared to the same period in 2018, Yusif Abdullayev, Acting Head of Azerbaijan Investment and Export Promotion Fund (AZPROMO), said during the Azerbaijan-Swiss business meeting held in Baku.



“Following the results of January-August 2019, the trade turnover between Azerbaijan and Switzerland increased five times and reached \$1.3 billion,” Abdullayev noted.

Referring to the investments, Abdullayev said that Azerbaijan invested \$2.7 billion in the Swiss economy (\$1.9 billion in the oil sector and \$760 million in the non-oil sector), while Switzerland invested \$861 million in the Azerbaijani economy, of which \$794 million accounted for the non-oil sector.

“The trade between our countries amounted to \$648 million in late 2018, of which \$135 million accounted for exports from Azerbaijan, while \$513 million for import from Switzerland,” he added.

In turn, Vincent Subilia, Director General of the Geneva Chamber of Commerce, praised the work of SOCAR Trading in Switzerland.

Around 2,500 companies are represented in the chamber and it would be good to establish closer relations with Azerbaijani companies, Subilia said, adding that Swiss companies operating in medical and infrastructure sectors are keen on building partnership with Azerbaijan.

Alexey Strunilin, CEO at Swiss bank Hyposwiss Private Bank Geneva SA, said that the Bank is studying

cooperation opportunities in Azerbaijan. “Founded in 1899, the Bank widely operates in the Eastern Europe and Caucasus. We are aiming to study cooperation opportunities in Azerbaijan.”

Hanum Ibrahimova, Ambassador of Azerbaijan to Switzerland, pointed out that currently, 67 Swiss-based companies operating in Azerbaijan. “Holcim is the major company in the country with the largest investment.” The business meeting mulled the possibilities to expand cooperation particularly in logistics, banking, health and infrastructure.

As part of visit, the representatives of Swiss business circles met with Mahmud Mammadgulyev, Deputy Minister of Foreign Affairs. During the meeting, the sides stressed great potential for cooperation in the fields of communications, information technology, tourism, transport and other areas.

Swiss businessmen representing the financial and banking sectors expressed their interest to establish business relations in Azerbaijan’s insurance sector.

Swiss representatives stressed that they have discussed cooperation with China on the transportation of goods via transport and transit corridors through Azerbaijan as part of the Belt and Road initiative.

The delegation praised the cooperation with Azerbaijan in various fields of economy and finance, including SOCAR’s activity in Switzerland, and partnership with Pasha Bank.

Switzerland is one of the largest investors in the non-oil sector of Azerbaijan's economy. In the period of 1992-2018, Switzerland invested about \$851.9 million in Azerbaijan’s economy.

Azerbaijan closely cooperates with Switzerland in the financial sphere, particularly, with the SECO and SDC (Cooperation and Development Agency). Thus, 38 projects with SECO and 16 projects with SDC are being implemented.

As mentioned in the Swiss Cooperation Strategy South Caucasus 2017–2020, Swiss assistance to Azerbaijan aims to create a conducive and risk-conscious business environment that will lead to the improvement and diversification of the country’s income base.

### **Azerbaijan leader in region for financing of SMEs**

Azerbaijan ranks 24th among 141 countries for the “Financing of SMEs” (Small and Medium-sized Enterprises), according to the Global Competitiveness Index 2019

published by the World Economic Forum.



Thereby, in 2019, Azerbaijan ranked above such leading countries as Australia (32th place), Bahrain (33th place), China (34th place), France (38th place) with regards to Small and Medium-sized Enterprises. Finland ranked 1st place for this indicator, and the Republic of Haiti stood on the last place (141st). Azerbaijan left behind neighbouring Turkey (63rd place), Georgia (83rd place), Russia (118th place) and Iran (126th place).

Armenia ranked 69th in the Global Competitiveness Index and was 52nd in terms of Financing of SMEs.

Azerbaijan's overall ranking in the Global Competitiveness Index was 58th out of 141 countries. So, the country climbed up 11 steps in 2019, 2.7 points higher (gaining 62.7 points). Singapore led the with 84.8 points and is followed by the U.S, Hong Kong SAR, Netherlands, Switzerland, Japan, Germany, Sweden, and United Kingdom respectively.

Covering 141 countries, the Global Competitiveness Index 4.0 measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of

productivity and is compiled annually by the World Economic Forum.

Azerbaijan continues to enhance the role and competitiveness of small and medium-sized enterprises (SMEs) in the country's economy.

As a part of support to the entrepreneurs' activities, the Agency for Development of SMEs has been operating in Azerbaijan since 2018. As a single structure with special powers, the Agency organizes, coordinates, evaluates and regulates the services provided by government agencies and organizations in this area through SME houses.

The main task of the Agency is ensuring the succession of reforms, improvement of the business regulation system, and application of effective coordination, enhancing the role and competitiveness of SMEs in the country's economy, as well as the compliance of the management system in this area with modern requirements.

In addition, the Agency established the Friend of SMEs offices in the country as a mechanism that helps to identify and implement initiatives of SMEs, realize their potential, provide them with support at all stages of their development and protect the rights of entrepreneurs.

The share of SMEs in employment in Azerbaijan was 76 percent last year, and in recent years, comprehensive work has been carried out for the development of SMEs. In particular, inspections of business entities have been suspended and the process of obtaining licenses has been simplified. The share of SMEs in Azerbaijan's foreign trade is planned to increase to 40 percent after 2025.

## Industry

### Azerbaijan, Switzerland mull alternative energy cooperation



Azerbaijan's Energy Minister has invited Swiss companies to cooperate in the field of renewable energy sources. Energy Minister Parviz Shahbazov made the remarks while receiving delegation of Western Switzerland business community representatives led by Vincent Subilia, Director General of the Geneva Chamber of Commerce.

Shahbazov stressed that an effective mechanism is being developed in the country to attract foreign investment in renewable energy and there are great opportunities for cooperation with Swiss companies in this direction. He recalled that Azerbaijan is working with the Switzerland's Pure Energy Development SARL in this area.

It was noted during the meeting that playing an important role in marketing a range of energy products and raw materials, including oil, Western Switzerland are interested in working with Azerbaijani companies in renewable energy sector.

The sides hailed successful cooperation between the Azerbaijani state oil company SOCAR and Switzerland. The Swiss company Axpo is a recipient of the Shah Deniz gas, and also represented in the Trans Adriatic Pipeline (TAP) consortium, it was noted.

The sides discussed the current state of development of existing cooperation relations and the prospects for cooperation between the two countries in the field of energy. Switzerland supports large-scale energy and transport projects implemented by Azerbaijan in the region.

Azerbaijan and Switzerland signed a Memorandum of Understanding in the energy sector in 2007, and memorandum laid the foundation for the development of closer ties in this area.

The implementation of the TAP project is an excellent example of bilateral relations in the energy sector. The Swiss company AXPO is involved in the construction of the

TAP, which envisages delivering Azerbaijani gas to Europe.

Azerbaijan state oil company SOCAR successfully operates in Switzerland. Since 2012, SOCAR has been operating ESSO Switzerland's 172 petrol stations under its brand. Presently, Azerbaijan implements a number of measures for further development of alternative energy sector, aimed at reduction of its dependency on oil and gas.

The Energy Ministry has already signed memorandums of understanding with BP, TOTAL and Equinor on alternative energy cooperation. The country is currently working on the new draft law on alternative energy sources together with Norwegian company DNV GL.

According to the Market Analysis Azerbaijan 2019, expansion of renewable electricity generation is estimated at 430 MW in 2018-2020, 840 MW in 2021-2025, and 925 MW in 2026-2030. The share of renewables in the total power generation is expected to be 15 percent by 2020, 25-30 percent by 2025 and 35-40 percent by 2030.

### **Holcim Azerbaijan offers new solution for sustainable waste management**

Two days are remaining until the start of the 10th Azerbaijan International

Environmental anniversary exhibition, which covers such topics as environmental protection, conservation of natural resources and recycling of materials.

Holcim Azerbaijan will join the exhibition with its innovative solutions and will demonstrate its capabilities and methods related to the utilization of tires and oil sludge. This technology is applied at the 180 cement plants in 50 countries, which are all parts of the LafargeHolcim Group and it will be presented at the exhibition under the Geocycle brand.



Bringing international experience in the field of waste management, Holcim Azerbaijan actively working on solutions for Azerbaijan's solid waste challenges bringing a long-term management solution which is in compliance with environmental regulations. The proposed solution ensures to cut down on liabilities associated with landfilling, improve waste utilization, capabilities and contribute to a cleaner living environment. This method, which is innovative, cost-effective and ecologically superior, can be implemented at Holcim's Garadagh cement plant with an additional investment.

Geocycle is one of the leading global operators of waste management services, which is part of the LafargeHolcim group. Our approach is to find the most cost-effective, sustainable solutions to minimizing and repurposing waste of our customers and society at large.

Azerbaijan's Sumgayit Technologies Park (STP) has begun production of H-60 sandwich panels made of polyurethane.

The new high-quality product STP H-60 panel differs in the thickness of polyurethane. Raw materials such as high-quality isocyanate, polyol, pentane and a catalyst are used in the manufacture of polyurethane sandwich panels.

STP panel differs from other similar products thanks to its superior quality, excellent thermal insulation, ease of installation and dismantling, high fire resistance and water resistance, sound insulation and corrosion resistance. The STP also plans to expand the line of sandwich panels with H80 and H40 products. The new assortment of sandwich panels will provide construction companies with a greater selection of products for installation. Thus, they can get a more durable product without significant costs.

Until recently, sandwich panels H50, H70 and H100 were produced in the

STP, used in the construction of walls and roofs.

## Agriculture

### IFC to introduce new agro-financing platform in Azerbaijan

Agriculture plays an important role in diversification of Azerbaijan's economy. The



International Finance Corporation

(IFC) will present a new agricultural risk management platform in Azerbaijan, Trend has reported, citing the IFC chief specialist Leyla Huseynli.

Speaking at the "Microfinance Development in Azerbaijan" investment fair, Huseynli said that the new CLARA (Cash-flow linked Agriculture Risk Assessment tool) platform presented by the IFC covers 40 products. Each of them represents a certain risk management mechanism in the field of agriculture in accordance with the realities of Azerbaijan.

CLARA a new online service designed to quickly and efficiently assess agricultural production risks. The service helps to make prediction calculations for farm enterprises based on technological maps for various agricultural products. Technological

maps containing all the necessary information and instructions for the production of various agricultural products will be stored in the service database.

The CLARA tool was developed as part of an IFC project aimed at improving access to financing for farmers and small and medium-sized businesses.

Azerbaijan became a member of IFC in 1995. To date, IFC has invested \$473 million, of which \$73 million was mobilized from other lenders, financing 56 long-term projects across a range of sectors, including financial services, infrastructure, and manufacturing sectors.

The volume of agricultural production in Azerbaijan amounted to 5 billion 206.7 million manats (\$121.2 million) in January-August 2019, which is 6.2 percent higher than that of the same period in 2018.

The volume of livestock production amounted to 2 billion 557 million manats (\$1.5 billion), crop production - 2 billion 649.7 million manats (\$381 million). Growth in livestock production amounted to 3.1 percent, and in crop production – to 9.2 percent.

The country produced 332,600 tons of meat (a 3 percent increase), 1 million 386 thousand tons of milk (a 1.5

percent increase), 1 billion 242.2 million eggs (a 6.9 percent increase), 15,400 tons of wool (a 1.5 percent increase). In addition, 643.7 tons of silkworm cocoons were produced (a 25.3 percent increase) in January-August 2019.

### **SME Development Agency launches greenhouse farm in Shamkir**

The Agency for Development of Small and Medium-sized Enterprises (SMEs) launched a new Friend of SMEs



and a greenhouse farm in Shamkir region. This is the second Friend of SMEs in Ganja-Gazakh economic region and the eighteenth in the country. The entrepreneurs operating in Shamkir region have been informed about the services and support mechanisms provided by Friend of SMEs to micro, small and medium-sized businesses at the event dedicated to the opening of the new Friend of SMEs office.

Orkhan Mammadov, Chairman of the Board of SME Development Agency, said that SMEs in Shamkir region and surrounding areas can address the new center regarding opening a business, expanding the business activities, as well as protection of rights and interests.

Friend of SMEs in the Shamkir region will provide support and services to SMEs in such areas as information, advice, training, legal assistance, and coordination with government agencies.

Inviting entrepreneurs to close cooperation with the Friend of SMEs, Mammadov noted that the network “Friend of SMEs” will cover other cities and regions of the country.

Later, a presentation on the concept of Friend of SMEs was also held. The event also featured an educational video on domestic market research, a new government support mechanism for SMEs. Then, the event participants got acquainted with the Friend of SMEs office to be operated in the Shamkir Youth Center.

On the same day, Azagro LLC’s greenhouse was opened in the village of Saritapa in Shamkir region with the support of SME Development Agency. The project was implemented based on an investment promotion document and has been invested 2.3 million manats (\$1.35 million). The greenhouse, created in accordance with the Dutch company Cherthon’s project, cultivates flowers on the area of 1 hectare based on innovative technologies. The annual production capacity of the farm is 1.5-2 million flowers.

The greenhouse will contribute positively to increased non-oil exports and employment in the region. The flowers grown here will be sold both on the domestic and foreign markets, like Georgia, Russia. About 30 local residents are employed in the greenhouse.

In a bid to expand the activities of the Azagro, the Agency has provided support in such areas as consulting and legal advisory services, coordination with relevant government agencies, information on public support mechanisms and access to them.

The share of SMEs in employment in Azerbaijan was 76 percent last year, and in recent years, comprehensive work has been carried out for the development of SMEs. In particular, inspections of business entities have been suspended and the process of obtaining licenses has been simplified. The share of SMEs in Azerbaijan’s foreign trade is planned to increase to 40 percent after 2025.

SME Development Agency continues to establish the Friend of SMEs offices across Azerbaijan as a mechanism that helps to identify and implement initiatives of SMEs, realize their potential, provide them with support at all stages of their development and protect the rights of entrepreneurs.



The activities of the Friends of SMEs are focused on a regions' development potential through the creation of new SMEs and the development of the existing ones. Another key aspect of Friends of SMEs' activity is the provision of SMEs with multiple supports for their sustainable development needs. The surveys and monitoring are also the important directions of the activities of Friends of SMEs.

## Transport

### Azerbaijan leaves developed countries behind in efficiency of air transport services

Azerbaijan ranked 12th out of 141 countries in terms of efficiency of air transport services, leaving behind a number of developed countries. In terms of efficiency of air transport services, Azerbaijan left behind such developed countries as Belgium (19th place), Australia (23rd place), France (24th place), Ireland (26th place), Germany (28th place) and Canada (37th place).

On this indicator, Azerbaijan left behind all its neighbors: Turkey ranked 31st, Russia - 52nd, Georgia - 86th and Iran - 132nd.

Such developed countries as the Netherlands (third place), Finland (fourth place), Switzerland (sixth

place) and others were ahead of Azerbaijan on this indicator.

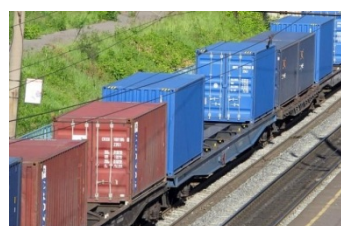
Singapore ranked first on this indicator, while the South African country of Lesotho took the 141st place (the last one).

In general, in the Global Competitiveness Index, Azerbaijan took 58th place among 141 countries. Thus, the country climbed up 11 steps in 2019, 2.7 points more (gaining 62.7 points).

The Global Competitiveness Index is a global study and the accompanying ranking of countries in terms of economic competitiveness, compiled annually by the World Economic Forum.

### Over 34m tons of cargo transported through Azerbaijan within TRACECA

Some 34.88 million tons of cargo was



transported through the territory of Azerbaijan as part of the Euro-Asian

Transport Corridor (TRACECA) in January-August 2019. During the reporting period, 8.5 million tons, or 24.4 percent of all freight traffic within the corridor, accounted for railway transport, the committee reported. It is an increase of 3.4 percent compared to January-August

2018. As many as 22.96 million tons or 65.8 percent of cargo fall on automobile (2.7 percent increase), 3.4 million tons or 9.8 percent - sea transport (27.3 percent decline).

The share of transit cargo transported through the corridor during the reporting period amounted to 16.1 percent of the total freight traffic in this direction or 5.38 million tons, which means a decrease of 15.2 percent compared to 2018.

In 2018, TRACECA transported 52.67 million tons of cargo through Azerbaijan, including 9.34 million tons or 17.7 percent of transit.

The Transport Corridor Europe-Caucasus-Asia (EU TRACECA Program) connects Germany's Frankfurt with Shanghai (China).

The Europe-Caucasus-Asia Transport Corridor (TRACECA) is an international cooperation program in the field of transport between the EU and partner countries in Eastern Europe, South Caucasus and Central Asia. The organization has a permanent secretariat in Baku.

The program participants are Azerbaijan, Georgia, Bulgaria, Romania, Ukraine, Moldova, Turkey, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, Armenia and Afghanistan. So far, 76 projects have been implemented within TRACECA.

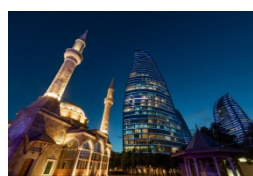
Azerbaijan's revenues from the transportation of goods within the framework of the TRACECA in the first half of 2019 reached 311.63 million manats (\$182.77 million). In addition, revenues from the transit of goods through this transport corridor amounted to 104.23 million manats (\$61.13 million) in the reporting period.

The country's revenues from passenger transportation along the corridor amounted to 70.89 million manats (\$41.58 million). Within the first six months of this year, the volume of TRACECA cargo transportation through the territory of Azerbaijan amounted to 25.1 million tons.

## **Tourism**

### **Over 2 million tourists visit Azerbaijan in 2019**

Azerbaijan has seen increase in the number of tourists visiting the country. Some 2 million 679 thousand foreign citizens visited



Azerbaijan in January-October 2019, the State Tourism Agency has reported. This figure is 10.9 per cent more than in the same period in 2018. The highest increase was recorded in October. Thus, tourists' number rose by 25 percent in October 2019

compared to the same period in 2018. Most tourists were from Russia, Georgia, Iran, Turkey, Saudi Arabia, as well as other CIS countries.

2019 also saw an increase in the number of tourists from Europe. The UK, Germany, Italy, Poland and France are among the countries with growth, whereas the number of tourists from the Middle East dropped in 2019. However, the number of tourists from Saudi Arabia and Iraq has risen and these two countries made it to the top 20 countries for the number of tourists visiting Azerbaijan, according to the State Tourism Agency.

"The autumn-winter tourism season has just started. As it was in summer, a growing tendency is expected in new season as well," a source within the agency said.

The most visited places by foreign citizens are Baku, Shaki, Gabala, Ganja and Lankaran.

It should be noted that Azerbaijan occupies the 39th place among 148 countries in terms of global competitiveness in tourism.

In recent years, the creation of diversified tourism infrastructure in Azerbaijan has increased the interest of foreign tourists to the country. There are many opportunities for tourism in our country, including rural,

health, environmental, cultural, social, and commercial, sports and etc.

### **Announcements and Notifications**

3-6 December 2019 Baku, the capital of Azerbaijan, will be hosting the largest in the Caspian and Caucasus regions the 25th Azerbaijan International Telecommunications, Innovations and High Technologies Exhibition and Conference - Bakutel 2019.



Since its launch, BakuTel has become a leading event and an integral part of the country's telecommunication market. Every year, the exhibition attracts specialists, experts and industry professionals as it offers a platform for presenting the achievements of the telecommunication and information technologies sector. It also showcases innovative ideas and projects and acts as a venue to hold discussions and establish valuable business relations.

For more detailed information of the trade fair, please visit [www.bakutel.az](http://www.bakutel.az)