



Economic News Bulletin
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Macroeconomics

Minister: Azerbaijan ensured macroeconomic stability in 2017

A meeting of five parliamentary committees for discussing the draft state and consolidated budgets for 2018 was held in Baku. Addressing the meeting, Azerbaijan's Finance Minister Samir Sharifov underlined that Azerbaijan achieved the goal of ensuring macroeconomic stability and completing the first stage of the process of restoring public confidence in the national currency in 2017.

This was achieved thanks to political and economic measures conducted

under the leadership of the head of state, he noted.

Sharifov noted that the draft state and consolidated budgets were prepared taking into account the expectations in the global and national economy. "Azerbaijan's state budget revenues for 2018 are expected to total 20.127 billion manats, expenses – 20.905 billion manats," said the minister. He added that the draft state budget was prepared by taking into account the oil price at \$45 per barrel.

Sharifov also added that the revenues from the Ministry of Taxes are expected to total 7.907 billion manats, from State Customs Committee – 2.43 billion manats, and the State Oil Fund – 9.216 billion manats in 2018. At the same time, he noted that Azerbaijan will increase the excise tax rate on imports of tobacco and alcohol products by two times since 2018.

The minister said that such a decision was made due to the fact that a sharp reduction in the exchange rate of Azerbaijani manat against the US dollar led to an increase in prices for imported alcohol and tobacco products, as well as to a reduction in excise tax rates in manat. "This [increase of excise tax] will protect the domestic market and help ensure a healthy lifestyle for the population," noted Sharifov.

The minister further spoke about the banking sector of the country and the

situation with the International Bank of Azerbaijan (IBA).

He stated that none of the depositors of the IBA suffered losses as a result of the bank's recovery process. Sharifov recalled that for the last 12 years Azerbaijan's banking sector has faced a crisis for the first time.

"Our neighbors today have the same problems. Kazakhstan still can not cope with the banking crisis that began back in 2008, and Russia even closed the country's fourth largest bank. We can not say that we have solved all the problems of the sector, but we are working on it," he said.

The International Bank of Azerbaijan has been at the stage of recovery since July 2015, which is related to the preparation for the privatization of the state-owned shares of the bank. To restore the bank's financial position, its troubled assets were transferred to Aqrarkredit non-bank credit organization. In exchange for troubled assets, the organization provides IBA with liquid funds.

Industry

First industrial clusters to appear in Azerbaijan

The state has set the goal that future development of Azerbaijan should be connected with the development of industry. So, the country attracts

significant amount of public investment in industrial sectors that are of strategic importance for republic.

Creation of industrial cluster, a



regional concentration of related industries in a particular location, is one of these measures,

which can attract all the key players from both home and abroad. Such clusters are actively established in many cities around the world.

The first industrial clusters in Azerbaijan will appear in Sumgayit and Balakhani settlement. The clusters will be formed around the SOCAR Polymer petrochemical complex in the Sumgayit Chemical Industrial Park and the Balakhani landfill for the disposal of solid domestic waste, the director of the Research Institute of Economic Reforms, Vilayat Veliyev, told journalists on November 13.

"With the advent of clusters in Azerbaijan, a new stage in the development of industry will begin," he added.

Director of the Institute noted that, in particular, SOCAR Polymer will produce about 200 types of raw materials and semi-finished products on the basis of which small and medium-sized enterprises will be able

to produce a large number of goods - from household appliances to complex machinery and machines.

"The creation of clusters will provide an opportunity for small and medium-sized businesses to unite around SOCAR Polymer and the Balakhani landfill for solid domestic waste utilization, and create their own production chain based on raw materials produced at these enterprises," Veliyev said.

He added that at present the government is working on the formation of a legal basis for the creation of industrial clusters, in connection with which various studies have been conducted and foreign experience has been studied.

The total cost of the SOCAR Polymer project is \$750 million. In the first quarter of 2018, it is planned to put into operation a plant for the production of polypropylene, and in the third quarter - a polyethylene plant. At the first stage, the production capacity will amount to 120,000 tons of polyethylene and 180,000 tons of polypropylene. By 2021, the total capacity can reach 570,000 tons of products. The petrochemical complex will sell its products both inside the country and abroad - in Turkey, Europe and CIS countries.

The Balakhani landfill for solid domestic waste utilization was

established in the 1960s, and since 2009 it has been transferred to the balance of Temiz Şəhər OJSC. Since that time, the implementation of the project on integrated waste management in Baku jointly with the World Bank, which allowed the activities of the landfill to be brought into line with international standards, has been launched.

Four more residents to settle in Sumgayit Chemical Industrial Park until year-end

Sumgayit Chemical Industrial Park continues to attract new players and very soon four more residents will start operating in the Park.

Azerbaijani Deputy Economy



Minister Niyazi Safarov told reporters that until the new residents will start to operate until the

end of 2017. He said that currently, 5,600 people work in the industrial park and once the new residents begin to operate, the number of new jobs will also increase. "In general, 12 residents invest about \$1.4 billion in Sumgayit Chemical Industrial Park," the deputy minister noted.

The Park established in 2011 covers an area of 167.66 hectares and resides nearby Sumgayit city that is 32.5 km away from Baku. The Park is able to

accommodate 35-40 companies, which provides the opening of thousands new jobs.

He added that 35 residents have been registered in all five industrial parks and three industrial zones in Azerbaijan.

Safarov reminded that very serious preferences are provided to residents of industrial parks and zones.

Meanwhile, the deputy minister added, other businessmen who do not work in industrial parks and zones can also take advantage of these benefits (mechanisms for promotion of investments and exports).

The official also spoke about the construction of other industrial zones. He said that currently, the construction of two such zones is underway at an accelerated pace in the Masalli and Hajigabul districts.

“We plan to complete the infrastructure work by the end of the year in the Masalli industrial zone. We hold regular meetings with the entrepreneurs of this region and the surrounding regions and to date, we have already received 30 different projects that can be implemented in this zone,” Safarov said.

“As for the Hajigabul industrial zone, the work there, as well as in other industrial parks and zones, is carried

out promptly and efficiently. Currently, organizational work is conducted in Hajigabul industrial zone, and the holding of first tender has already started,” he added.

The deputy minister noted that the creation of industrial parks, the support of their residents, and the general industrialization of the regions contribute not only to the development of the country, but also to improving the competitiveness of the economy and employment.

Currently, Neftchala Industrial Zone operates in the country and next such a zone is planned to be created in Hajigabul district. A total of 4 million manats (\$2.35 million) is allocated from the Presidential Contingency Fund for the establishment of the Hajigabul Industrial Zone.

In addition to industrial zones, five industrial parks have been established in the republic: the Sumgait Chemical Industrial Park, Balakhani, Garadagh, Mingachevir and Pirallahi industrial parks.

Main purpose of the establishment of such parks in the country are the creation of favorable conditions in the country for further development of industrial production, provision of support to entrepreneurs, and increasing employment of population in the sphere.

Agriculture

State program for development of sericulture approved

Sericulture, an ancient and important



agricultural sphere, for centuries occupied a unique place in

Azerbaijan. The government of Azerbaijan seeks to revive this ancient industry, which may become one of the most important segments of the non-oil economy.

Recently President Ilham Aliyev signed a decree approving the "State Program for Development of Silkworm Breeding and Sericulture in Azerbaijan in 2018-2025".

According to the decree, the state program is approved to develop silkworm breeding and sericulture, increase export potential in this sphere, and ensure employment of rural population.

The Ministry of Agriculture and Ministry of Economy will collaborate to take necessary measures stipulated in the state program.

The history of sericulture in Azerbaijan dates back to almost fifteen hundred years and has very rich history.

When it comes to silk in Azerbaijan, the first place that comes to mind is ancient city of Sheki, which once considered the largest center for the production of silk and silk farming in the Middle Ages.

Delicate fabrics, beautiful clothes, and colorful kelagayis (silk headscarf) manufactured by Sheki craftsmen from raw silk, were exported to foreign countries, so the city became famous for its silk throughout the world.

In the Soviet period, Azerbaijan ranked second after Uzbekistan for the production of silk cocoon, but was considered first in fiber quality. The country annually produced 7,800 tons of raw cocoons in 1960-1970.

Azerbaijan produced only 236 kilograms of silk in 2015, while in 2016 this figure amounted to 71 tons. According to estimates, the volume of silk production by the end 2017 is expected to increase by 2-3 times.

Transport

Azerbaijan Railways expanding co-op with Stadler Rail Group

Azerbaijan Railways CJSC and



Stadler Rail Group have agreed to further expand

cooperation, said the Azerbaijani company. The

agreement was reached during the meeting of the Chairman of Azerbaijan Railways CJSC Javid Gurbanov and Stadler Rail Group CEO Peter Spuhler.

During the meeting, Gurbanov spoke about the projects of international and regional transport corridors, being implemented by Azerbaijan Railways. The parties also discussed the construction of 30 sleeping cars ordered from Stadler for use on the Baku-Tbilisi-Kars (BTK) railway.

Thirty cars for BTK include cars of five different types: 18 of them – sleeping cars of the second class for 32 seats in 4-person compartments, 3 cars of the first class for 16 berths in 2-person compartments, 3 cars of the first and 3 cars of the second class with 20 couchettes per each and 3 cars of the second class with 18 couchettes, including one coupe for disabled people, and a dining car for 28 seats.

Tourism

Flow of tourists to Azerbaijan has grown by 20.1%

The Ministry of Culture & Tourism of Azerbaijan informs that of them, 727 577 people are from Russia, 439 305 ones from Georgia, 320 904 ones from Iran, 249 210 ones from Turkey, 81 742 ones from UAE, 54 242 ones from Iraq, 49 809 ones from Ukraine, 31 821 ones from Saudi Arabia, and

remaining 321 994 ones from other countries.

"Mostly foreigners visited the country in June - 313 515 people. The majority of visitors, in particular 31.9%



accounted for citizens of Russia, 19.2% for citizens of Georgia, 14% for Iran and 10.9% for Turkey," the MCTA said.

Compared to Jan-Oct 2016, the quantity of visitors from Iran increased by 115 782 people, from the UAE by 42 811 people, and from Russia 96 040 ones. For Jan-Oct 2016 the country was visited by 1 894 707 foreign nationals. Growth for the year is 381 807 people or 20.1%.

Announcements and Notifications

Baku`s bid to host World Expo 2025 was introduced in Paris

A reception has been held in Paris to introduce Baku`s bid to host the World Expo exhibition in 2025.

First Vice President of the Republic of Azerbaijan Mehriban Aliyeva attended the event.

The host of the event described Azerbaijan as the pearl of the Caucasus, saying the country has

ancient history and rich culture. He said he is honored that First Vice President of Azerbaijan Mehriban Aliyeva attends the event.

2017 Astana were among the most popular in terms of visitor numbers.

First Vice President Mehriban Aliyeva addressed the reception.

The event then featured the screening of a promotional video on Azerbaijan. World Expos, known officially as International Registered Exhibitions, are organized every five years by Bureau International des Expositions (BIE). The themes of World Expos are designed to raise awareness of and find responses to universal challenges of our time. The next World Expo will take place in Dubai, UAE, between 20 October 2020 and 10 April 2021 under the theme “Connecting Minds, Creating the Future”.

Four countries are candidates to host World Expo 2025: France (in Greater Paris), Japan (in Osaka), the Russian Federation (in Ekaterinburg), and Azerbaijan (in Baku). The 170 Member States of the BIE will elect the host country at the 164th General Assembly in November 2018.

Azerbaijan has been a member of the BIE since 2008. Its first Expo participation since gaining independence in 1991 was at World Expo 2000 in Hannover. The Azerbaijani pavilions at World Expo 2015 Milan and Specialised Expo