



Economic News Bulletin  
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## Macroeconomics

### Private sector gradually becoming engine of Azerbaijan's economy

The private sector is gradually becoming the engine of Azerbaijan's economy, Executive Director of the Center for economic reforms and communications Vusal Gasimli said. He noted that the private sector played an important role in increasing the country's non-oil exports. "Last year, Azerbaijan's non-oil exports grew by 35 percent. The private sector made a big contribution to this growth, as 70 percent of non-oil exports fell to share of the private sector," Gasimli added. Gasimli noted the significant role of the private sector in the development



of non-oil sector of Azerbaijani economy.

"Today, the country's economy has new growth points - non-oil industry, tourism, transport and logistics, agriculture. The private sector also plays an important role in the development of these areas," he said. Gasimli added that as a result, the tourism sector has grown by a third.

"In agriculture there is development of traditional for Azerbaijan, but forgotten in the Soviet period directions. Also, in the non-oil industry Azerbaijan again began the development of the steel sector, engineering and other areas", he said.

### Import duties can be reduced in Azerbaijan

Azerbaijan can reduce import duties on certain types of goods, Chairman of the State Customs Committee Safar Mehdiyev said. He noted that the issue can be considered during the discussion of the package of changes and proposals for the next year. "The government will consider all proposals received from entrepreneurs and, if necessary, take an appropriate decision," Mehdiyev added. Starting from January 1, 2018, a new system of customs duties has come into force in Azerbaijan.

New duties are regulated by the "Nomenclature of Foreign Economic

Activity, Customs Rates for Import and Export.” Entered into force from this year the new system is three-stage. Since 2001, seven rates have been in effect in Azerbaijan - 0, 0.5, 1, 3, 5, 10 and 15. Now, from this year, only three rates remain - 0, 5 and 15 percent.

Most of the production goods (raw materials and equipment) are taxed at this year’s zero rate, including even those from which a customs duty of 0.5 percent was previously collected. This applies to those types of commodity groups (in particular, 84 and 85 groups), which already, under the order of the Cabinet of Ministers, are subject to VAT at zero rate when importing.



He further stressed that customs revenues of Azerbaijan’s state budget amounted to 1.323 million manats (\$778 million) for the five months of this year, adding that this is 37 percent more than the budget revenue forecast for January-May 2018.

“The customs revenue forecast for the first five months of 2018 was 964 million manats (\$567 million),” Mehdiyev said. “This means that we exceeded the forecast by 359 million manats (\$211 million) or 37 percent.” The customs revenue forecast of Azerbaijan’s state budget for 2018 is 2.43 billion manats (1.43 billion).

He also touched upon a single administrative customs building on the border with Georgia.

“If the talks are successful, then it will be the first joint administrative building in the region, where customs officers of the two countries will work. The new building is planned to be built near the Sinig Korpu checkpoint,” Mehdiyev said.

He stressed that in case the issue is resolved in a positive way, then it will lead to a significant simplification of the trade and speed up the passage of citizens and cargo through the checkpoints.

There are six operating customs posts subordinate to the Balakan and Tovuz customs offices between Azerbaijan and Georgia, namely Sadikhli, Sinig Korpu, Jandargol, Mazimchay, Muganli automobile posts and the Beyuk Kasik railway post.

## **Industry**

### **Number of residents of industrial zones to be increased**

The number of residents of industrial zones is being expanded in Azerbaijan. The country’s Economy Minister Shahin Mustafayev said during an expanded meeting of the Board of the Ministry that currently, the Neftchala Industrial Zone, which

is the first industrial zone in the country, has nine members, and more than 45 million manats (\$26.47 million) of investments have been invested in the enterprises created here so far. “In this industrial zone, 225 people are still working, and after the start of the residents’ activities, the number of employees will be increased to 500 people. This year, the enterprise for processing and canning of fish of another resident of the city, “Azproduct” LLC Company, will start operating,” said Economy Minister Shahin Mustafayev.

He noted that the construction works in the Masalli Industrial Zone have already been fully completed.



Entrepreneurs show great interest in the industrial zone, and they have presented 33 projects worth more than 33 million manats (\$19.41 million). “Two entrepreneurs have already been registered as members of the industrial district, and currently other projects are being analyzed. In general, 9 projects worth 7.1 million manats (\$4.18 million) will be implemented in the first stage in the Masalli Industrial Zone,” the minister added.

Mustafayev also informed about the progress of construction works carried out in Hajigabul Industrial Zone, which will be completed in 2018.

“Today, we have received requests to establish heavy engineering and special railcar building factories, and enterprises manufacturing composite materials, equipment for production of construction materials, automotive component parts and plastic products in the industrial district. The proposals were examined, and the decision was adopted on admission to membership of Hajigabul Industrial Park LLC of the “ATEF Industrial Complex” and “Plasstech” LLC Company,” said the minister.

He stressed that construction work in Sabirabad Industrial Zone is also planned to be completed this year. “We have already received requests to create terminals for re-processing of used wheels in the industrial district, for the production of bio-fertilizers (organic), and for the procurement of wool.”

Besides, there are five industrial parks (the Sumgait Chemical Industrial Park, industrial parks in Garadagh, Balakhany, Mingachevir and Pirallahi settlements).

A number of agricultural and high technology parks also operate in Azerbaijan. Establishment of these parks and zones in the country will help expand the export potential, create import substitutive goods and increase employment.

## **SOCAR: SGC to help Europe ensure energy security**

The Southern Gas Corridor (SGC) will help Europe achieve its goals of diversifying gas sources and ensuring energy security, Emil Gasimli, head of Marketing and Business Development Department of Azerbaijan's state oil company SOCAR, said.

He was speaking at the panel discussion "Energy security" as part of the Baku Summit of the Alliance of Conservatives and Reformists in Europe (ACRE).

"We understand that energy security, diversification and recarbonization remain priorities for Europe," Gasimli said. "Natural gas is one of the purest types of fuel and we believe that this project will help Europe to achieve its goals."

SOCAR representative stressed that the project is on schedule, and the implementation of two projects within the SGC has already been completed. He reminded that the opening ceremony of the Trans-Anatolian Natural Gas Pipeline (TANAP) will be held in a few days.

The launching ceremony of the first stage of the Southern Gas Corridor



project was held in Baku on May 29. The next stage will be commissioning of the TANAP gas pipeline, through which the gas will enter the territory of Turkey and further Europe. The launching ceremony of TANAP will take place on June 12 in Turkish Eskisehir.

## **Agriculture**

### **Some 15 agricultural parks to start operating in Azerbaijan in 2018**

In 2018, 15 agricultural parks will start operating in Azerbaijan.



"Currently, work is underway to create agricultural parks, which are of particular importance in strengthening food security. At the moment, work is underway to create 45 agricultural parks in 30 regions of the country. The first stage of work has been completed in three of these agricultural parks, and in general, 15 agricultural parks will be commissioned in 2018," the Ministry of Economy said.

During the meeting, instructions were given to the relevant structures of the ministry to continue studying the possibilities of creating large farms and agricultural parks in other areas.

It was noted that over the past period of 2018, the National Fund for Entrepreneurship Support under the Ministry of Economy issued 397 loans

to entrepreneurs by using repaid loans, the total cost of projects of which is 371 million manats, as well as soft loans in the amount of 64.4 million manats.

Around 69 percent of these loans fell on the agricultural sector and 31 percent accounted for industry and other sectors. As much as 92 percent of the granted loans fell on the regions. In 2018, at least 170 million manats worth preferential loans will be issued to entrepreneurs by using the returned funds. In general, to date, state concessional loans in the amount of 2.2 billion manats have been issued to more than 35,000 entrepreneurs.

One billion manats of these loans fall to the share of the state budget, and the other part to the share of returned loans.

### **Azerbaijan intends to increase export of pomegranate products**

Azerbaijan plans to increase exports of pomegranate and products derived from it in the coming years,



Chairman of the Azerbaijan Pomegranate Producers and Exporters Association Farhad Garashov said. "The figures are growing from year to year. From October 2017 to March this year, exports of both pomegranate and products made of it valued \$12 million. Usually the harvest of

pomegranate begins in October. With proper storage, the product is kept until March," Garashov said.

The chairman of the association noted that today the products made of pomegranates of Azerbaijani origin are exported to many countries, including Australia, Canada and Russia.

"As for the pomegranate itself, today it is mainly exported to Russia. Our goal is to expand the geography of supplies, in particular to establish exports to Europe and North America," he said.

Garashov also said that in 2017, processing enterprises in Azerbaijan purchased about 20,000 tons of pomegranate from local farmers for production of juices, narsharab (pomegranate syrup) and other products.

The Azerbaijan Pomegranate Producers and Exporters Association was established on October 31, 2016. Today it brings together 26 members.

### **Transport**

#### **BTK to shorten transportation time between China, Europe**

The Baku-Tbilisi-Kars (BTK) route within the framework of the Silk Road will ensure the economic growth of the whole region, reducing the time of transportation between China and Europe by about 15 days.

The BTK railway will ensure the economic growth of the whole region of the Caspian and Black Seas, as well as provide access to remote markets for local countries, according to the Bulgarian Ministry of Transport.



“Our country is striving to provide suitable land and sea routes for servicing Euro-Asian transport through the new railway corridor. Our analysis shows that the construction of the Baku-Tbilisi-Kars railway line within the Silk Road will be an alternative to the route through Russia and will ensure the economic growth of all region.”

The ministry said that the Bulgarian side actively participated in the discussions of the new project of the multimodal transport corridor “Persian Gulf - Black Sea”.

“The cooperation of the parties within the framework of this project will promote the development of transport links between Asia and Europe and the establishment of effective trade routes between the countries of the European Union, including Bulgaria, and Iran. Our country has a strategic geographical position and potential to become a transport hub in Europe. With the implementation of all priority transport projects Bulgaria will be the most direct route from Asia

to Europe,” the Bulgarian ministry concluded.

On October 30, a solemn ceremony was held at the Baku International Sea Trade Port on the occasion of the opening of the BTK railway. Two routes from Kazakhstan to Turkish Mersin have already been sent via this route. The first train, consisting of 30 containers, on November 4, delivered 600 tons of wheat to the Turkish city of Mersin. The second freight train left Kazakhstan on November 27. The train has already reached Georgia.

The BTK railway is constructed on the basis of the Azerbaijan-Georgia-Turkey intergovernmental agreement. The main purpose of the project is to improve economic relations between the three countries and attract foreign direct investment by connecting Europe and Asia. The project implementation began in 2007 and construction began in 2008. The line is intended to transport one million passengers and 6.5 million tons of freight at the first stage. This capacity will then reach 3 million passengers and 17 million tons of cargo.

## **Tourism**

### **Number of tourists visiting Azerbaijan increases**

Azerbaijan has become a popular tourist destination for visitors from all over the world in recent years.

With iconic landmarks such as the Flame Tower, as well as Maiden Tower and Shirvanshah Palace, included in the UNESCO's world heritage list, it is obvious why tourists flock to this beautiful land. During January-April of this year, 847,600 foreigners and stateless persons arrived in Azerbaijan from 182 countries, which is 13.4 percent more compared to the corresponding period of the previous year. In January-April of this year, the growth of people visiting Azerbaijan from the Persian Gulf countries (except for Iran) was observed most. Compared with January-April last year, the number of Kuwaiti nationals who arrived in the country increased by 6.4 times, citizens of Bahrain - by 2.6 times, citizens of Qatar - by half, citizens of Saudi Arabia by 2.2 times, citizens of Oman - by 1.6 times, citizens of Iraq - 1.6 times, citizens of the United Arab Emirates - by 1.2 times. The number of arrivals from Iran decreased by 5.4 percent.

During this period of this year, the number of arrivals from EU member states increased by 12.4 percent and amounted to 32,000 people, the number of arrivals from CIS countries increased by 9.4 percent and amounted to 284,900 people. As many as 60.6 percent of foreigners and stateless persons arrived in the country



by rail and car, 38.6 percent by air, 0.8 percent by sea.

A total of 28.3 percent of the arrivals are Russian citizens, 21.9 percent are citizens of Georgia, 13.4 percent are citizens of Iran, 11.3 percent are Turkish citizens, 4.6 percent are citizens of the United Arab Emirates, two percent are citizens of Ukraine, 1.9 percent - citizens of Iraq, 16.5 percent - citizens of other countries. About 66.8 percent of those who arrived in Azerbaijan are men, 33.2 percent are women.

In 2017, about 2.690 million tourists visited Azerbaijan, which is 20 percent more than the indicator of 2016. Mostly Azerbaijan was visited by tourists from Russia - 853,082 people (31.6 percent of the total amount of tourists). The second and third lines of attendance are occupied by citizens of Georgia – 537,000 (19.9 percent) and Iran – 362,000 people (13.4 percent). Turkey is on the fourth line with 301,000 tourists (11.2 percent), the first five is closed by tourists from the UAE – 102,000 people (3.8 percent). In 2017 there was an increase in the tourist flow from Saudi Arabia (4.5 times), Oman (7.4 times), the United Arab Emirates (1.9 times), Iran (1.4 times), India (2,3 times). Tourism in Azerbaijan is developing rapidly, and to support the flow of foreign visitors, comprehensive activities are carried out.

Azerbaijan is engaged in the efforts to diversify the non-oil economy, and tourism industry is one of the promising sectors to contribute to the achievement of this ambitious goal. Thanks to all these, the country has improved its tourism performance in the Travel and Tourism Competitiveness Report 2017 released by experts of the World Economic Forum (WEF). The country is placed 71st among the most improved economies in 2017, rising 13 spots in the global ranking.

## **Announcements and Notifications**

### **Baku to host 24th International Construction Exhibition**

24th Azerbaijan International Construction Exhibition will be held in Baku, Azerbaijan, from October 23 to 26, 2018. The largest exhibition of the Caspian region in the construction area WorldBuild Baku is the most important professional event of the whole region in the field of construction and architecture, design and repair. Every year thousands of specialists from different countries visit the exhibition, who finds business partners here. WorldBuild Baku 2017 welcomed 310 companies from 28 countries, 8 852 visitors got acquainted with the exposition.



**BakuBuild** Azerbaijan

The WorldBuild Baku is supported by Ministry of Economy of Azerbaijan, State Committee for Town Planning and Architecture of Azerbaijan, State Housing Development Agency under the President of Azerbaijan, The Union of Architects of Azerbaijan, Azerbaijan Export and Investment Promotion Foundation (AZPROMO) and National Confederation of The Entrepreneurs (Employers) Organizations of Azerbaijan (AEC). The exhibitions are organized by Iteca Caspian and its partner ITE Group.

WorldBuild Baku will offer an extensive business program which includes B2B meetings between the exhibitors and local distributors. The exhibition will also host a number of professional events in cooperation with the Union of Architects of Azerbaijan.

WorldBuild Baku is one of the most effective channels for attracting innovative products and services to the country's construction market, and this year will be no exception; WorldBuild Baku 2018 will cover a full range of building materials, including facade, construction and finishing, windows and doors, paints and varnish, construction machinery and much more.