

**EMBASSY OF INDIA
BAKU (AZERBAIJAN)**

NO.BKU/COM/201/1/2015

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ECONOMIC AND COMMERCIAL REPORT FOR THE MONTH OF AUGUST, 2015

Overview: The GDP of Azerbaijan increased by 5.6% compared to January-July, 2014 and reached US\$30.57 billion. The Industry Sector accounted for 35% of GDP, Construction Sector – 13.6%, Agriculture Sector – 6%, Transport Sector – 5.7%, Trade & service sector – 12.5%, Communication Sector – 1.9% and the share of other fields in the GDP was 17.2%. As compared to the same period of 2014, value added in non-oil sector increased by 9% and increase in oil-gas sector was 1%.

➤ Production of industry products increased by 3.5% compared to corresponding period of last year and was reported at US \$15.05 billion. 63.8% of it was produced in mining sector, 28.5% in processing sector, 6.9% in distribution and supply of electricity, gas and steam sector, 0.8% in water supply, sewerage, waste management and remediation activities. The production output increased in mining sector by 2%, marketable gas sector by 10.6% and the production of oil decreased by 1.8%,

➤ In the last six months, the production of meat increased by 1.8% and reached 256.9 thousand tons, production of milk increased by 3.7% and reached 1144.8 thousand tons, production of egg increased 1% and reached 898 million units and production of plant-growing products increased 15.8%.

➤ According to the data of State Customs Committee during January-July foreign trade turnover of the country was US \$12.78 billion out of which 58% (US\$7.47 billion) of commodity circulation was exported goods and 42% (US\$5.305 billion) were imported goods. While 22% (US\$1.16 billion) of the total goods were imported from CIS countries, 29.28% (US\$1.55 billion) of the total goods were imported from EU countries and 48.8% (US\$2.587 billion) were imported from other countries. As regards exports, 3.8% (US\$284 million) of the goods were exported to CIS countries, 62.17% (US\$4.645 billion) of the goods were exported to EU countries and 34% (US\$2.5 billion) of exported goods were sent to other countries. The majority of foreign trade operations were with Italy, Germany, Russia, the USA and Turkey.

➤ During July the prices and service tariffs of consumer goods decreased by 0.7% as compared to June. The prices of food products decreased by 1.7% and prices of non-food products remained at same level. In January-July of the current year prices and service tariffs of consumer goods increased by 3.7% compared to the corresponding period of 2014 as well as, prices of food products increased by 5.8%, prices of non-food products by 2.9% and service tariffs by 1.2%.

➤ During January-June, average monthly salary of employees increased by 4% compared to the corresponding period of 2014 and was reported at AZN 457.2 (US\$435.43). In January-July 2015, the income of the population increased by 6.4% and per capita income reached AZN 2484.1 (US\$2365.81). 74.1% of income was spent towards final consumption, 9.3% towards taxes, social insurance and membership dues and 14% towards the growth of savings and capital, 2.6% for payment of credit interests.

➤ According to the data of Ministry of Finance, in January-June 2015, the state budget showed an income of AZN 7.8 billion (US\$7.43 billion) and expenditure of AZN 8.6 billion (US\$8.19 billion). AZN 4.0 billion (US\$3.81 billion) of budget was spent on development of economy, AZN 1.0 billion (US\$952 million) on social protection and social security and AZN 945.4 million (US\$900.38 million) on education & health. There was a budget deficit of AZN 770.9 million (US\$734.19 million) during the said period i.e. 2.9% of GDP.

➤ Amount of deposits of population in banks during a year increased by 13.9% and were reported at AZN 7.7 billion (US\$7.33 billion) as on 1st July 2015. During July, the exchange rate of national currency for 1 US dollar was equal to 1.05 Manat and 1 Euro 1.16 Manat.

(I) Foreign Trade*: (In Million US \$)

US \$ (In millions)	January-June,2015	January-June,2014	Changes at 100 base value	Changes in %
Import	4699.0	4125.0	113.92	13.9
Export	6231.0	11246.0	55.41	-44.6
Total Trade	10930.0	15371.0	71.11	-28.9
Balance	1533.0	7122.0	21.52	-78.5

*Source: State Statistical Committee of Azerbaijan

(II) Total foreign trade of Azerbaijan with major trade partners*: (in million US\$)

Country	January-June,2015	January-June,2014	Changes at 100 base value	Changes in %
1. Italy	1555	2822	55.10	-44.9
2. Germany	1153	1243	92.76	-7.2
3. Russia	979	923	106.07	6.1
4. USA	796	544	146.32	46.3
5. Turkey	748	813	92.00	-8.0
6. France	533	830	64.22	-35.8
7. Israel	398	781	50.96	-49.0
8. Austria	342	240	142.50	42.5
9. Czech Republic	309	167	185.03	85.0
10. Indonesia	306	1400	21.86	-78.1

*Source : State Statistical Committee of Azerbaijan

(III) Trade with India:

Total trade with India during the period January-June, 2015 was around US \$ 181 million with an Import of US\$ 21 million and Export of US\$ 160 million.

[Total trade with India in January-June, 2014: US \$ 483 million, Import: US\$ 17 million, Export: US\$ 466 million]

(IV) Top Commodities Traded: (In Million US \$):

HS Code	Items	Import from India, January-June,2015	Import from India, January - June,2014	Export to India January-June,2015	Export to India January-June,2014
20220/020230	Meat of large horned livestock	3.47	3.26	-	-
71140	Cucumbers and gherkins	0.11	-	-	-
71320	Chick peas (garbanzos)	0.16	-	-	-
90230	Black tea	0.10	-	-	-
100610	Rice in the husk	0.77	-	-	-
100620/100630	Rice	1.49	0.16	-	-
210690	Other foodstuff	0.26	0.30	-	-
240110	Tobacco leaf	0.12	0.10	-	-
240120	Tobacco, partly or wholly stemmed /stripped	0.13	-	-	-
270900	Crude oil	-	-	157.75	461.77
280120	Iodine	-	-	1.04	1.16
300220	Human vaccine	1.84	0.11	-	-
300490	Drugs	2.64	1.10	-	-
380899	Other insecticides	0.13	-	-	-
390110	Polyethylene, specific mass less than 0.94	-	-	0.52	-
392210	Bath, shower-baths, wash-basins of plastics	0.26	-	-	-
410419	Cattle skins	-	-	0.70	0.65
420329	Other gloves of natural leather	0.15	-	-	-
841590	Parts for air-conditioners	0.48	0.40	-	-
842952	Types of mechanical spades and excavators	0.13	-	-	-
843890	Parts of equipment for food industry	0.16	-	-	-
845590	Components of hot roll machinery's	1.33	1.90	-	-
847920	Machinery for the extraction or preparation of animal or fixed vegetable fats or oils	0.23	-	-	-
850131	Electric engines and energy generators of an direct current	0.57	-	-	-
852352	"Intellectual" cards	0.19	0.33	-	-
870322/870323	Cars	2.27	4.17	-	-
940390	Parts for furniture	0.14	-	-	-

*Source: State Statistical Committee of Azerbaijan

(V) Main economic indices:*

Gross Domestic Product	January-July, 2015 (in millions)	% over January-July, 2015
GDP	32,057.5	5.6
Structure of GDP	% January-July, 2015	% January-July, 2014
Industry	35.0	44.8
Transport & Communication	7.6	6.4
Trade & Services	12.4	9.8
Agriculture	6.0	4.8
Construction	13.6	11.2
Others	25,4	23.0

*Source: State Statistical Committee, Average rate of exchange: US\$1=AZN. 1.0479

(VI) Main trade, investment and other commercial information:

First container train from China arrives at Baku int'l trade port

The first container train arrived at Baku International Sea Trade Port from China via the Trans-Caspian international transport route on August 3. It became possible as a result of efforts by the Coordination Committee of Trans-Caspian international transport route created in October 2013. The train, consisting of 82 containers and 41 platforms, departed from China's Shihezi city on July 28. It traveled more than 4,000 kilometers, passed through the Kazakh port of Aktau. Kazakhstan Temyr Zholy, China Railways, Azerbaijan Railways, Azerbaijan Caspian Shipping Company and Baku International Sea Trade Port are overseeing the project.

Azerbaijan and Iran to expand economic relations

On 3 August, a delegation headed by Azerbaijan's Minister of Economy and Industry Shahin Mustafayev visited Tehran. Representatives of Azerbaijan's energy, transport, telecommunications, banking, and oil companies accompanied Mustafayev during his two-day visit to Iran. During the visit, Shahin Mustafayev met with Iran's President Mr. Hassan Rouhani and several Iranian Ministers and discussed expansion of mutual cooperation in the field of energy, transport, telecommunications and banking. Economic, trade and humanitarian relations between Azerbaijan and Iran are developing rapidly and their further expansion is of great importance, said Iran's President Hassan Rouhani, according to Azerbaijani Economy and Industry Ministry

Japan allocates \$1M to Azerbaijan

Japan delivered a grant worth \$900,000 (100 million yen) for Azerbaijan to develop its agricultural sector. The signing ceremony of exchange notes and other documents for the grant was held at the residence of the Japanese ambassador in Baku on 6 August. Azerbaijani Minister of Agriculture Heydar Asadov and Japanese ambassador to Azerbaijan Tsuguo Takahashi signed the notes.

Foreign companies show interest in Sumgayit Chemical Industrial Park

Foreign companies are showing great interest in Azerbaijan's Sumgayit Chemical Industrial Park. This was noted during recent meetings with representatives from the SYSCON Company headquartered in the United Arab Emirates, as well as the Chinese Chongqing International Association Company last week at the Sumgayit Chemical Industrial Park's office. The first construction phase of the Sumgayit Chemical Industrial Park will be completed by late 2015. It is scheduled to accommodate 35-40 enterprises, which will create 10,000 new jobs in the chemical park. Azerbaijan is planning to commission some rigs for the production of polypropylene and high-density polyethylene at the park in 2016-2017.

IFC lends \$25 million to Azerbaijani bank

International Finance Corporation (IFC), a member of the World Bank Group, has allocated a \$25 million subordinated loan to Azerbaijani AccessBank to stimulate lending for small businesses. The IFC's support will help the bank increase services to a number of micro, small, and medium-sized enterprises. Such enterprises are the key sources of employment and innovation, but they often face limited access to credits and other forms of financing. The support is expected to contribute to the development of Azerbaijan's non-oil sector and will promote sustainable development in the country.

Azerbaijan, Pakistan to cooperate in nuclear research

Azerbaijan and Pakistan have determined priority cooperation areas in the sphere of high technologies, the Azerbaijani Ministry of Communications and High Technologies said on August 25. Cooperation issues were discussed during a meeting between Ali Abbasov, Azerbaijani Minister of Communications and High Technologies and Muhammad Irfan Burney, Chairman of the National Engineering and Scientific Commission of Pakistan (NESCOM), the ministry said. "Azerbaijan is interested in cooperation with Pakistan in the field of nuclear research," Abbasov said.

Azerbaijan slashes prices for over 1,000 medicines

Azerbaijan continues on its way to reduce prices for medicines in the country, releasing a list of the names of 801 more medicines due to receive price cuts. The government had decided to strengthen state control over the pharmaceutical market since March. The process of price controls on essential medicines will be completed before the end of 2015. The Tariff Council announced that it cut prices on 801 medicines at its latest meeting on August 25. A list of these medicines is available on the Council's website. The Tariff Council had already reduced prices for 256 medicines on July 30. As of now, the prices of 1057 essential medicines have been reduced, which will ultimately cut overall medical costs. As a result, compared with the current price, prices of 46% of approved medicines are reduced by more than 2 times, the prices of more than 24% are reduced more than 3 times, prices on 94% of medicines were reduced in general.

Intel Security enters Azerbaijani market

Intel Security and McAfee solutions are set to enter Azerbaijani market, according to a message from the BAKOTECH international group of companies. BAKOTECH Group is a flagship in Value Added IT Distribution, operating in over 20 countries. BAKOTECH became an official distributor of Intel Security in Azerbaijan according to an agreement signed between Intel Security and Value-added IT Distribution – a purveyor of information security and IT-infrastructure services.

Baku, Ankara, Ashgabat focus on transportation, energy projects

Azerbaijani, Turkish, and Turkmen officials convened in the Turkish city of Antalya on August 28 to further boost joint regional projects. Foreign Ministers Elmar Mammadyarov, Mevlut Cavusoglu, and Rashid Meredov discussed projects carried out by the three countries in various areas including energy, transport, tourism and sports, regional cooperation, bilateral relations, and other issues of mutual interest. One of the main issues of discussion between the three countries was the cooperation in the fields of transport and energy, which currently stands at the center of economic projects carried out in the region. Azerbaijan and Turkmenistan are eyeing a bid to diversify exports and supply their gas to an energy-starved Europe in search of new sources to ensure its energy security. Turkey, with its favorable geographical position, acts as a reliable transportation corridor between the energy-rich Caspian littoral states and Europe.

(VII) Trade delegations to and from India:

From Azerbaijan: NIL

To Azerbaijan: NIL

(VIII) Number of Indian trade enquiries received and replied: 16

(IX) Number of Azeri enquiries received and replied: nil

(X) Business visas issued by the Mission: 8

(XI) India's trade/investment interests: [2015]

- Textiles and Garments
- Pharmaceuticals
- Black tea
- Meat
- Rice
- Gems & Jewelry
- Cars, mobile phones
- Food Processing Machinery
- Power and industrial equipment
- Granite and marble
- Inorganic chemicals
- Seeds
- Oil & Gas sector....potential investment destination

(XII) The principal five export destinations: [2015]

- Italy
- Germany
- France
- Israel
- Austria

(XIII) The principal five import sources: [2015]

- Russia
- Turkey
- USA
- Germany
- Japan

(XIV) The principal five export commodities: [2015]

- Mineral products
- Vegetable products
- Foodstuffs, alcoholic and soft drinks. Tobacco
- Oils of animal or vegetable origin
- Produce of chemical and related areas

(XV) The principal five import items: [2015]

- Machines, mechanisms, electric-technical and home appliances
- Non-precious stones and articles of them
- Land, air, and sea transport means
- Foodstuffs, alcoholic and soft drinks. Tobacco
- Vegetable products

(XVI) The main items of import from India to Azerbaijan: [2015]

- Meat of large horned livestock
- Drugs

- Cars
- Human Vaccine
- Rice

(XVII) Items of export from Azerbaijan to India: [2015]

- Crude Oil
- Iodine
- Cattle skins
- Polyethylene, specific mass less than 0.94

(XVIII) For registration of Pharmaceutical Products in Azerbaijan for export

Log on to: www.pharma.az

(XIX) Information on various Tenders:

Log on to: <http://tender.gov.az/new/index.php?lan=en>

(XX) Information on schedules of various fairs & Exhibitions in Azerbaijan during 2013

Log on to: www.iteca.az

(XXI) Information on trade statistics & other related data:

Log on to: www.stat.gov.az

(XXII) Information on monetary policy & banking system etc.

Log on to: www.cbar.az

(XXIV) Information on custom tariff/regulations etc.

Log on: www.dgk.gov.az/en/

(XXV) Information on Investment in Azerbaijan:

Log on to: <http://www.azpromo.az/1/en>

(XXVI) Information on “Doing business in Azerbaijan”:

Log on to: <http://www.bakermckenzie.com/Azerbaijan/>

TRADE ORGANISATIONS:

1. THE AZERBAIJAN REPUBLIC CHAMBER OF COMMERCE AND INDUSTRY

Address: Istiglaliyat str. 31, Baku AZ1001, Azerbaijan

Tel: (0099412) 492 89 12

Fax: (00994 12) 497 19 97

Email: expo@chamber.az

URL: www.chamber.az

2. NATIONAL CONFEDERATION OF ENTREPRENEURS ORGANISATION OF REPUBLIC OF AZERBAIJAN

Address: 57, Acad Hassan Aliyev Street, Baku, Az 1110, Azerbaijan

Tel: (00994 12) 465 72 42/ 465 72 44/ 465 72 45 / 465 72 46

Fax: (00994 12) 465 72 43/ 465 72 42

Email: office@ask.org.az

URL: www.ask.org.az

3. AZERBAIJAN MARKETING SOCIETY

Address: 43, SamadVurgun str., World Business Center, 5th floor, Baku, AZ1009, Azerbaijan

Tel : (00994 12) 430 01 00/ 430 57 57
Fax : (00994 12) 430 01 00
Email: info@marketing.az, office@marketing.az
URL: www.marketing.az

4. “AMCHAM”, THE AMERICAN CHAMBER OF COMMERCE IN AZERBAIJAN

Address: 96, Nizami str., Landmark Building, Baku, AZ-1010
Tel: (00994 12) 497 13 33
Fax: (00994 12) 497 10 91
E-mail: chamber@amchamaz.org
URL: www.amchamaz.org

5. EUROPEAN ECONOMIC CHAMBER OF TRADE COMMERCE AND INDUSTRY FOR AZERBAIJAN

Address: 3, 4-th Boyuk Gala lane, Old City, Baku, Azerbaijan AZ1000
Tel: (00994 12) 497 19 44 /497 17 49
Fax: (00994 12) 497 25 91
Email: info@eeig.az
URL: www.eeig.az

6. GERMAN-AZERBAIJAN CHAMBER of COMMERCE

Address: NigarRafibeyli Str. 49, 1005 Baku, Azerbaijan
Tel: (00994 12) 448 39 95
Fax: (00994 12) 497 63 05
E-mail: mail@ahk-baku.de
URL: www.ahk-baku.de

7. TUSIAB: INTERNATIONAL SOCIETY OF TURKISH-AZERBAIJANI BUSINESSMEN

Address: Ataturk ave.130, Baku, Azerbaijan
Tel: (00994 12) 497 15 86,
Fax: (00994 12) 497 17 13
Email: tusiab@tusiab.org
URL: www.tusiab.org

(Norbu Negi)
Second Secretary & Cd'A.a.i.
Embassy of India, Baku (Azerbaijan)
Tel: 00994-12-5646344/5646354, Fax: 4472572
Email: hoc.baku@indianembassybaku.in
Website: www.indianembassybaku.in