

Country Profile:

Republic of Azerbaijan



Background: Azerbaijan - a nation with a majority-Turkic and majority-Shia Muslim population - was briefly independent (from 1918 to 1920) following the collapse of the Russian Empire; it was subsequently incorporated into the Soviet Union for seven decades. Azerbaijan has yet to resolve its conflict with Armenia over



Nagorno-Karabakh, a primarily ethnic Armenian-populated region that Moscow recognized in 1923 as an autonomous republic within Soviet Azerbaijan after Armenia and Azerbaijan disputed the territory's status. Armenia and Azerbaijan reignited their dispute over the area in 1988; the struggle escalated militarily after both countries attained independence from the Soviet Union in 1991. By May 1994, when a cease-fire took hold, ethnic Armenian forces held not only Nagorno-Karabakh but also seven surrounding provinces in the territory of Azerbaijan. The OSCE Minsk Group, co-chaired by the US, France, and Russia, is the framework established to mediate a peaceful resolution of the conflict. Corruption in the country is widespread, and the government, which eliminated presidential term limits in a 2009 referendum and approved extending presidential terms from 5 to 7 years in 2016, has been accused of authoritarianism. Although the poverty rate has been reduced and infrastructure investment has increased substantially in recent years due to revenue from oil and gas production, reforms have not adequately addressed weaknesses in most government institutions, particularly in the education and health sectors, as well as the court system.

Location: Southwestern Asia, bordering the Caspian Sea, between Iran and Russia, with a small European portion north of the Caucasus range

Geographic coordinates: 40 30 N, 47 30 E

Map references: Asia

Area: total: 86,600 sq km land: 82,629 sq km water: 3,971 sq km note: includes the exclave of Naxçıvan Autonomous Republic and the Nagorno-Karabakh region; the region's autonomy was abolished by Azerbaijani Supreme Soviet on 26 November 1991

Land boundaries: total: 2,013 km border countries: Armenia (with Azerbaijan-proper) 566 km, Armenia (with Azerbaijan-Naxcivan exclave) 221 km, Georgia 322 km, Iran (with Azerbaijan-proper) 432 km, Iran (with Azerbaijan-Naxcivan exclave) 179 km, Russia 284 km, Turkey 9 km

Coastline: 0 km (landlocked); note - Azerbaijan borders the Caspian Sea (713 km)

Maritime claims: none (landlocked)

Geography - note: both the main area of the country and the Naxcivan exclave are landlocked¹

Azerbaijan at a Glance

| | |
|----------------------------------|---|
| Capital: | Baku |
| Official language: | Azerbaijani |
| Population: | 2017 estimate 9,867,250 |
| Government: | Presidential State |
| Independence (From Soviet Union) | Declared:30 August 1991 Adopted: 18 October 1991 |
| National Currency: | Manat(AZN) |
| Area: | Total: 86,600 sq km Land: 82,629 sq km Water: 3,971 sq km |

Government

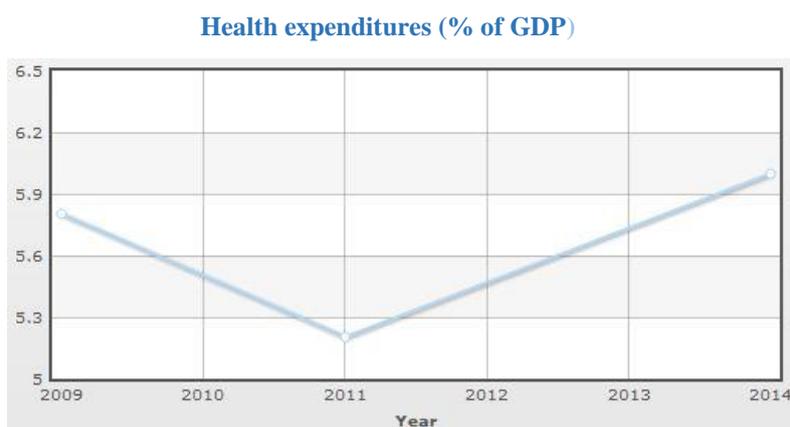
| | |
|---------------------------|--|
| Country name: | conventional long form: Republic of Azerbaijan former: Azerbaijan Soviet Socialist Republic local long form: Azarbaycan Respublikasi |
| Government type: | republic |
| Capital: | Baku (Baki) |
| Administrative divisions: | 59 rayons (rayonlar; rayon - singular), 11 cities (saharlar; sahar - singular), 1 autonomous republic (muxtar respublika) |
| Independence: | 30 August 1991 (from Soviet Union) |
| National holiday: | Founding of the Democratic Republic of Azerbaidzhan, 28 May (1918) |

¹ - <http://www.economywatch.com/economic-statistics/Azerbaijan/Geography/>

| | |
|---------------------|---|
| Constitution: | adopted 12 November 1995 |
| Legal system: | based on civil law system |
| Executive branch: | <p>chief of state: President</p> <p>head of government: Prime Minister</p> <p>cabinet: Council of Ministers appointed by the president and confirmed by the National Assembly</p> <p>elections: president elected by popular vote to a five-year term (eligible for a second term);</p> <p>prime minister and first deputy prime minister appointed by the president and confirmed by the National Assembly</p> |
| Legislative branch: | unicameral National Assembly or Milli Mejlis (125 seats; members elected by popular vote to serve five-year terms) |
| Judicial branch: | Supreme Court |

Health expenditures: 6% of GDP (2014)

| Country | 2009 | 2011 | 2014 |
|------------|------|------|------|
| Azerbaijan | 6 | 5.2 | 5.8 |



Literacy

| Country | 1999 | 2003 | 2010 | 2016 |
|------------|------|------|------|------|
| Azerbaijan | 99.8 | 99.8 | 98.8 | 98.8 |

Economy - overview:

Prior to the decline in global oil prices since 2014, Azerbaijan's high economic growth was attributable to rising energy exports, and some non-export sectors also featured double-digit growth. Oil exports through the Baku-Tbilisi-Ceyhan Pipeline, the Baku-Novorossiysk, and the Baku-Supsa Pipelines remain the main economic driver, but efforts to boost Azerbaijan's gas production are underway. The expected completion of the geopolitically important Southern Gas Corridor between Azerbaijan and Europe will open up another source of revenue from gas exports. Declining oil prices caused a 3.1% contraction in GDP in 2016, and a 1% decline in 2017, reinforced by a sharp reduction in the construction sector. The economic decline has been accompanied by higher inflation and a weakened banking sector in the aftermath of the two sharp currency devaluations since 2015.

Azerbaijan has made limited progress with market-based economic reforms. Pervasive public and private sector corruption and structural economic inefficiencies remain a drag on long-term growth, particularly in non-energy sectors, but the government has made efforts to combat corruption, particularly in customs and with the "ASAN" one-stop window concept for government services. Several other obstacles impede Azerbaijan's economic progress, including the need for more foreign investment in the non-energy sector and the continuing conflict with Armenia over the Nagorno-Karabakh region. While trade with Russia and the other former Soviet republics remains important, Azerbaijan has expanded trade with Turkey and Europe and is seeking new markets for non-oil/gas exports, mainly from the agricultural sector, for example with Gulf Cooperation Council member countries, the US, and others.

Azerbaijan Economic Indicators

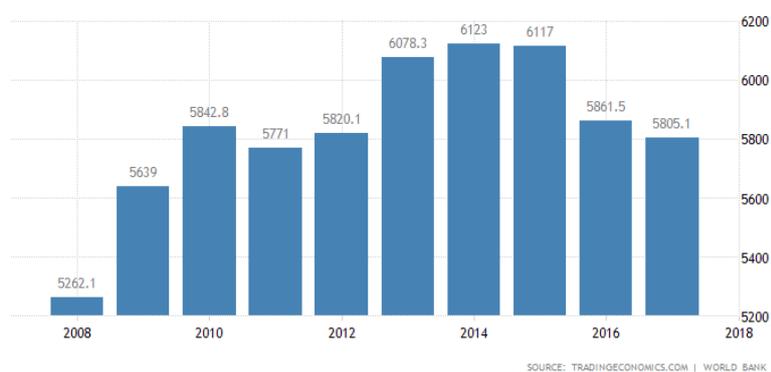
| Markets | Last | Reference | Previous | Range | Frequency |
|-------------------------------|-------|-----------|----------|--------------|-----------|
| <u>CURRENCY</u> | 1.69 | Jan/19 | 1.69 | 0.78 : 1.92 | Daily |
| GDP | Last | Reference | Previous | Range | Frequency |
| <u>GDP</u> | 40.75 | Dec/17 | 37.87 | 3.05 : 75.24 | Yearly |
| <u>GDP ANNUAL GROWTH RATE</u> | 1.3 | Jun/18 | 2.3 | -3.9 : 40.4 | Quarterly |
| <u>GDP PER CAPITA</u> | 5805 | Dec/17 | 5862 | 1216 : 6123 | Yearly |
| <u>GDP PER CAPITA PPP</u> | 15847 | Dec/17 | 16001 | 3320 : 16715 | Yearly |
| Labor | Last | Reference | Previous | Range | Frequency |
| <u>POPULATION</u> | 9.8 | Dec/17 | 9.7 | 1.59 : 9.8 | Yearly |
| <u>UNEMPLOYMENT RATE</u> | 5 | Dec/17 | 5 | 4.5 : 11.8 | Yearly |
| Prices | Last | Reference | Previous | Range | Frequency |
| <u>INFLATION RATE (%)</u> | 2.3 | Dec/18 | 2.3 | -1.8 : 25.4 | Monthly |

| Trade | Last | Reference | Previous | Range | Frequency |
|--|---------|-----------|----------|-------------------|-----------|
| <u>BALANCE OF TRADE (USD Thousand)</u> | 2316121 | Sep/18 | 2605062 | -306551 : 8201764 | Quarterly |
| <u>CURRENT ACCOUNT USD Million)</u> | 1565 | Sep/18 | 1967 | -738 : 6029 | Quarterly |
| <u>CURRENT ACCOUNT TO GDP (%)</u> | 5.6 | Dec/17 | -3.2 | -31.9 : 35.3 | Yearly |
| <u>EXPORTS (USD Thousand)</u> | 5310991 | Sep/18 | 5338065 | 129728 : 9996038 | Quarterly |
| <u>IMPORTS (USD Thousand)</u> | 2994870 | Sep/18 | 2733003 | 312012 : 3120490 | Quarterly |
| Government | Last | Reference | Previous | Range | Frequency |
| <u>GOVERNMENT DEBT TO GDP (%)</u> | 46.4 | Dec/17 | 51.1 | 7.3 : 51.1 | Yearly |
| <u>GOVERNMENT BUDGET (% of GDP)</u> | -1.6 | Dec/17 | -0.4 | -1.6 : 0.9 | Yearly |

<https://tradingeconomics.com/azerbaijan/indicators>

GDP per capita

The Gross Domestic Product per capita in Azerbaijan was last recorded at 5805.10 US dollars in 2017. The GDP per Capita in Azerbaijan is equivalent to 46 percent of the world's average. GDP per capita in Azerbaijan averaged 3505.90 USD from 1990 until 2017, reaching an all time high of 6123 USD in 2014 and a record low of 1216.10 USD in 1995.²



GDP per capita PPP

The Gross Domestic Product per capita in Azerbaijan was last recorded at 15847.40 US dollars in 2017, when adjusted by purchasing power parity (PPP). The GDP per Capita, in Azerbaijan,

² . <https://tradingeconomics.com/azerbaijan/gdp-per-capita>

when adjusted by Purchasing Power Parity is equivalent to 89 percent of the world's average. GDP per capita PPP in Azerbaijan averaged 9570.74 USD from 1990 until 2017, reaching an all the time high of 16715.10 USD in 2014 and a record low of 3319.80 USD in 1995³.



Foreign Trade Evaluation

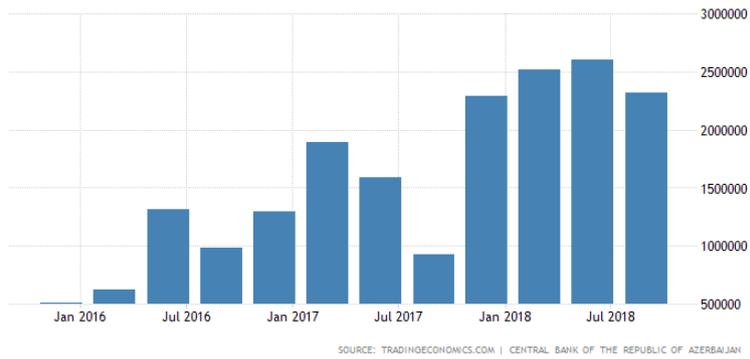
| Trade | Last | Previous | Highest | Lowest | Unit | Trend |
|--------------------------------------|------------|----------|------------|------------|--------------|-------|
| <u>BALANCE OF TRADE</u> | 2316121.00 | Sep/18 | 8201764.00 | -306551.00 | USD Thousand | |
| <u>CURRENT ACCOUNT</u> | 1565 | Sep/18 | 8201764.00 | -738.00 | USD Million | |
| <u>CURRENT ACCOUNT TO GDP</u> | 5.6 | Dec/17 | 35.30 | -31.90 | percent | |
| <u>EXPORTS</u> | 5310991.00 | Sep/18 | 9996038.00 | 129728.00 | USD Thousand | |
| <u>IMPORTS</u> | 2994870.0 | Sep/18 | 3120490.00 | 312012.00 | USD Thousand | |

Balance of Trade⁴

Azerbaijan recorded a trade surplus of 2316121 USD Thousand in the third quarter of 2018. Balance of Trade in Azerbaijan averaged 2344797.22 USD Thousand from 1998 until 2018, reaching an all the time high of 8201764 USD Thousand in the second quarter of 2008 and a record low of -306551 USD Thousand in the fourth quarter of 1998.

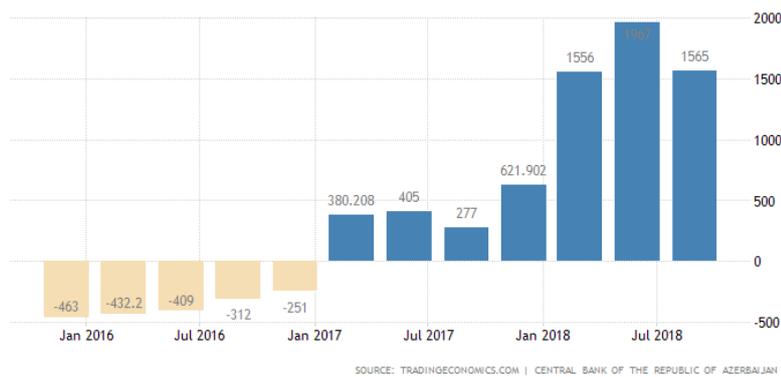
³ . <https://tradingeconomics.com/azerbaijan/gdp-per-capita-ppp>

⁴ . <https://tradingeconomics.com/azerbaijan/balance-of-trade>



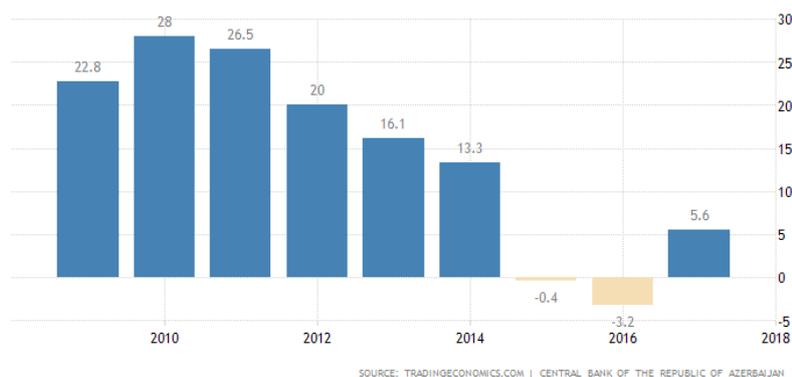
Current Account

Azerbaijan recorded a Current Account surplus of 1565 USD Million in the third quarter of 2018. Current Account in Azerbaijan averaged 1380.34 USD Million from 1999 until 2018, reaching an all the time high of 6029 USD Million in the second quarter of 2008 and a record low of -738 USD Million in the first quarter of 2004.



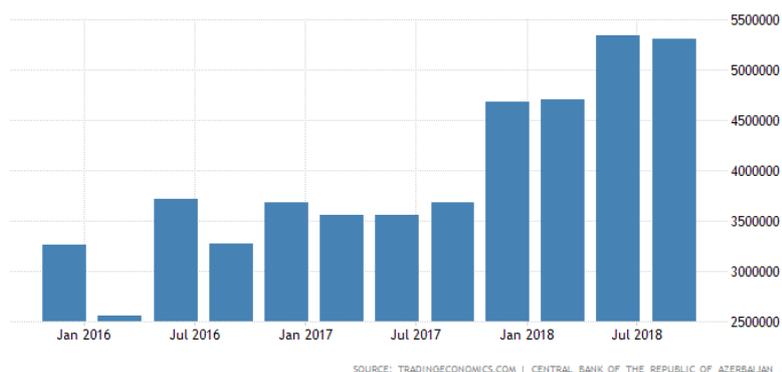
Current Account to GDP

Azerbaijan recorded a Current Account surplus of 5.60 percent of the country's Gross Domestic Product in 2017. Current Account to GDP in Azerbaijan averaged -0.22 percent from 1992 until 2017, reaching an all time high of 35.30 percent in 2008 and a record low of -31.90 percent in 1998.



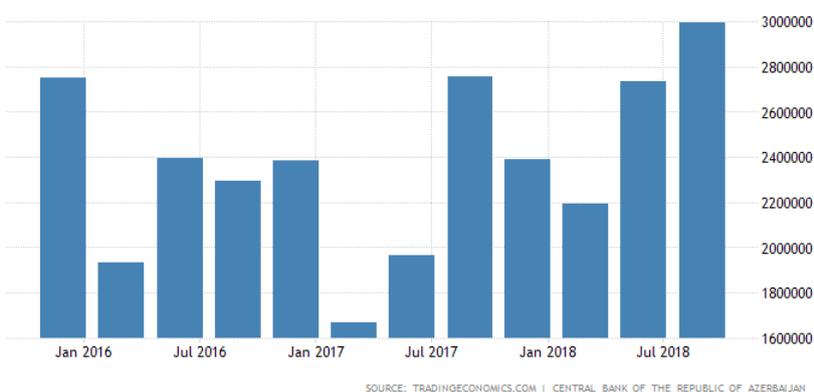
Exports

Exports in Azerbaijan decreased to 5310991 USD Thousand in the third quarter of 2018 from 5338065 USD Thousand in the second quarter of 2018. Exports in Azerbaijan averaged 3868927.08 USD Thousand from 1998 until 2018, reaching an all time high of 9996038 USD Thousand in the second quarter of 2008 and a record low of 129728 USD Thousand in the first quarter of 1998.



Imports

Imports in Azerbaijan increased to 2994870 USD Thousand in the third quarter of 2018 from 2733003 USD Thousand in the second quarter of 2018. Imports in Azerbaijan averaged 1524129.87 USD Thousand from 1998 until 2018, reaching an all time high of 3120490 USD Thousand in the fourth quarter of 2012 and a record low of 312012 USD Thousand in the first quarter of 1999.



Azerbaijan - Foreign direct investment

Foreign direct investment, net outflows (BoP, current US\$)

The latest value for Foreign direct investment, net outflows (BoP, current US\$) in Azerbaijan was \$2,573,601,000 as of 2016. Over the past 20 years, the value for this indicator has fluctuated between \$9,628,755,000 in 2007 and \$4,000 in 1997.

Definition: Foreign direct investment refers to direct investment equity flows in an economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. This series shows net outflows of investment from the reporting economy to the rest of the world. Data are in current U.S. dollars.

Foreign direct investment, net outflows (% of GDP)

Foreign direct investment, net outflows (% of GDP) in Azerbaijan was 6.80 as of 2016. Its highest value over the past 20 years was 30.33 in 2005, while its lowest value was 0.00 in 1997.

Foreign direct investment, net (BoP, current US\$)

The latest value for Foreign direct investment, net (BoP, current US\$) in Azerbaijan was (\$1,926,065,000) as of 2016. Over the past 21 years, the value for this indicator has fluctuated between \$5,034,521,000 in 2007 and (\$2,443,393,000) in 2014.

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Foreign direct investment, net inflows (BoP, current US\$)

The latest value for Foreign direct investment, net inflows (BoP, current US\$) in Azerbaijan was \$4,499,666,000 as of 2016. Over the past 21 years, the value for this indicator has fluctuated between \$5,293,250,000 in 2012 and \$129,937,000 in 2000.

Foreign direct investment, net inflows (% of GDP)

Foreign direct investment, net inflows (% of GDP) in Azerbaijan was 11.89 as of 2016. Its highest value over the past 21 years was 55.08 in 2003, while its lowest value was 2.46 in 2000.



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