



Promoting a Lasting Partnership Between Azerbaijan and America

1101 Pennsylvania Avenue, NW • Suite 600 • Washington, DC 20004 • T +1 202.756.4544 • F +1 202.756.7553
info@azerbaijanamericaalliance.org • www.azerbaijanamericaalliance.org

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Azerbaijan to end 2014 with budget surplus



December 10, 2014 (azernews.az) - Azerbaijan sustains stable economic growth with the 2014 coming to an end with a budget surplus, said Finance Minister Samir Sharifov at a business forum organized by the Caspian European Club in Baku on December 9.

"We do not expect a strong decline in revenues because of falling oil prices. This year's budget plan has been going on smoothly with a large surplus. However, the sharp drop in oil prices in the short term by more than 40 percent and the uncertainty in the markets of raw materials due to the predominance of supply over demand can have an impact on our budget revenues. The government will study this issue and develop a plan to curb it," Sharifov said.

The price of AZERI LT CIF Augusta was \$67.79 per barrel on December 9, or \$0.14 per barrel more compared to the price on December 8, SOCAR reported. The average price for AZERI LT, exported from

Azerbaijan via the Ceyhan, Batumi and Supsa ports to Italian Augusta port, was \$72.12 per barrel on December 1-5 or by \$5.98 less than the previous week.

The minister further noted a revision of the oil price in the state budget for 2015 is not the only measure taken by the government to resolve the problems that may arise.

Energy rich Azerbaijan relies on oil for most part of its state revenue. The dependence of the state budget on oil revenues stands at 65 percent. Azerbaijan based its 2014 budget on an oil price of \$100 a barrel. However, in the 2015 budget approved by the Parliament on November 28, the oil price was set at the maximum price - \$90 per barrel.

The state budget revenues are considered to be 19,438 billion manats for 2015 with an expenditure of 21.1 billion manats. The state budget deficit will make 1,662 billion manats or 2.8 percent of the gross domestic product forecasted for 2015.

Sharifov said low oil prices will not have a direct impact on the budget revenues in 2015. "The budget revenues are guaranteed to some extent. Consolidated budget revenues including revenues from the State Oil Fund, will however experience a significant decrease," the minister said.

There has been a decline in the share of oil revenues in Azerbaijan's GDP in recent years; oil sector provided more than 60 percent of GDP in the past but now the figure has dropped to 40 percent. The government expects the declining trend continue into 2015. But, 35-40 percent is still a big figure, and therefore lower oil prices in the world market have a negative impact on foreign trade turnover, which eventually will lead to a decrease in oil revenues, further reducing the revenues of the State Oil Fund.

Although economists don't expect a sharp effect from the lower oil prices on Azerbaijan's economy, there is no doubt that there would be a reduction in the earnings. According to calculations, the figure \$10 below the target price may result in \$260 million cut in the state revenues from oil.

However, the authorities ensure that the Azerbaijani economy can withstand even the price of \$60 per barrel of oil.

The International Monetary Fund earlier announced that risks arising from low oil prices are mitigated in Azerbaijan in the short term by reserve buffers. According to the Moody's forecast, relatively stable macroeconomic environment will remain in Azerbaijan next year, despite the unstable GDP growth.