**Azerbaijan** 

The oil-rich country by the Caspian Sea where the Swedish family Nobel made their fortune. The oil (and gas) industry continues to be the dominant sector in the economy and constitutes more than 90 % of the export, 75 % of state budget revenues and close to half of the GDP. No wonder then that the current low world market prices on oil is hitting the economy dramatically and reducing the official currency reserves. Still the country has a solid cushion in the independent oil fund (”SOFAZ”), partly kept outside the domestic economy, that has been built up and now amounts to 35 billion USD.

With the economy and the currency (Manat, AZN) under pressure, the country suddenly shifted to a free floating exchange regime December 21 previous year, which immediately resulted in a nearly 50 % devaluation of the AZN against the USD. Consequently import will cost much more and both private consumption and investments will slow down. The banking sector, where about 50 % of the loans are in foreign currency, will see the level of non-performing loans grow, from the already high level of 13 % of total loans.

The president Ilham Aliyev (and his family) has a firm grip of the power in the country. The relation with neighboring Armenia (after the war 1992-1994 about the enclave Nagorno-Karabakh) is continuously strained. Otherwise Azerbaijan manages to keep a good balance in relations with both Russia and the West.

Key facts (Sources: IMF, World Bank, ADB, The Economist, Business Monitor Int´l, Central Bank of Azerbaijan)

 2014 2015e 2016f 2017f

Population (mn) 9,6 9,8 9,9 10,0

GDP (nom.; USD, bn) 76,4 60,9 39,6 42

GDP-growth, real (%, y-o-y) +1,3 +1,1 -0,5 +1,0

GDP/capita (USD) 8.026 6.338 4.083 4.270

Budget balance (% of GDP) -0,3 -4,7 -3,0 -2,3

Inflation (CPI; e-o-p, %) 1,4 4,0 8,0 6,0

Export (USD, bn) 32,6 24,0 24,8 25

Import (USD, bn) 19,7 19,3 20,3 21

Balance of trade (USD, bn) +12,9 +4,7 +4,5 +4

Current account (USD, bn) +10,4 +2,8 +2,2 +2,0

Current account (% of GDP) +13,7 +4,5 +5,6 +4,8

Foreign reserves (USD, bn) 14,6 6,2 5,0 5,1

Total external debt (USD, bn) 9,2 9,3 9,5 9,6

Total external debt (% of GDP) 12,0 15,2 23,9 22,9

Exchange rate (AZN/USD) 0,78 1,56 1,70 1,70