



ECONOMIC NEWS BULLETIN

EMBASSY OF THE REPUBLIC OF AZERBAIJAN

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MACROECONOMY

President Ilham Aliyev signs executive order to increase minimum wages

President of Azerbaijan Ilham Aliyev has today signed an executive order to increase minimum wages as of 1 December 2011. Minimum salaries were increased by 10% to AZN 93.5. The Cabinet of Ministers was tasked with tackling the issues resulting from the order.

No serious risks for Azerbaijan's economy in medium term

The Azerbaijani Central Bank (CBA) does not foresee serious macroeconomic risks for the economy in the medium term, CBA chairman Elman Rustamov said in Parliament today while discussing the draft state budget for 2012 and subsequent three years.

"Azerbaijan's economy is ready for global and local upsets," Mr Rustamov said.

Azerbaijan develops state program to promote non-cash payments

The Azerbaijani Central Bank (CBA) has

prepared a state program to promote non-cash payments. It will cover 2012 to 2016, CBA official Alim Guliyev told media today.

"The package of proposals to promote non-cash payments in Azerbaijan was prepared and submitted to the government," he said. "One proposal is to prepare a special state program. CBA has prepared the final version of the program and agreed it with the banking sector and a number of bodies." He stressed that ensuring the effective use of electronic payment systems and expanding the legal framework will be the primary objectives of the state program.

Azerbaijan's strategic currency reserves reach \$41.5 billion

Azerbaijan's strategic currency reserves have reached \$41.5 billion as of November 1, 2011, Emin Huseynov, Director General of the Central Bank of Azerbaijan (CBA),

Director of the Center for Research and Development said at the Fourth Baku International Banking Conference of the CIS on Thursday.

"This volume is sufficient to finance imports of goods and services for approximately three years," Huseynov said. According to

Huseynov, the growth in deposits volumes in Azerbaijani banks amounted to 21 percent and the loan portfolio - amounted to 19 percent.

The country's banking system has an adequate supply of liquidity. The share of liquid assets in total assets is 18 percent. Capital adequacy is 16 percent and the share of overdue loans in total loan portfolio is 6.3 percent.

"Providing financial stability of Azerbaijan includes modification of regulatory measures and bank supervisory based on Basel 3 standards, improvement of the quality of bank capital and assets, limiting the level of risk, improving the quality of accounting and reporting," Huseynov said.

According to Huseynov, the degree of stability of the financial intermediation depends on the general state of the country's macroeconomic development, and therefore the regulation of the banking sector has a special significance. "Stand up issues of consolidation and restructuring of banks, optimizing the number of banks in order to create a more healthy banks, development financial markets, infrastructure and expansion of services," Huseynov said.

The main task for the banks is to finance the modernization of the economy, for which the banks themselves have to undergo modernization, to increase sufficient assets, improve corporate governance, Huseynov said.

New investment bank to be established in Baku

New investment bank on Islamic principles can be established in Azerbaijan, said the chairman of Coordination Council of Finance Bank Council of the CIS Anatoly Kazakov.

According to him, different discussions are being held in this sphere. If this bank is established, it's planned to invest in Azerbaijan, Russia and CIS Countries. Investments can be directed to material processing, infrastructure projects and other

spheres. This bank is planned to establish within the Islamic banking sector of International Bank of Azerbaijan. This may be completely separate bank.

Azerbaijan's non-oil products exports to grow

From 2012 to 2015, Azerbaijan's exports will increase. According to the socioeconomic development concept for 2012, the average annual export growth will hit 3.5 percent in 2012 and total \$26.608.0 billion.

At the same time, black ink foreign will remain in trade turnover for three years.

In turn, import growth in Azerbaijan will hit 15 percent and reach \$8.413.3 billion in 2012, and 53 percent and \$12.871.1 billion in 2015.

Export growth is still forecasted at the expense of the oil sector. Production will increase from \$24.0316 billion in 2011 to 25.802 billion in 2015.

Today, most of Azerbaijan's exports are oil and oil products (86.73 percent), and Azerbaijan plans to increase oil exports in 2012. Meanwhile, SOCAR Trading plans to increase oil sales to Asia.

By late 2011, SOCAR Trading expects increasing oil sales to Asian countries amounting to 7-9 million barrels per month compared to 5-6 million barrels the previous months.

However, given the Azerbaijani government's strategy to develop the non-oil sector and diversify the country's export potential, increasing non-oil exports is inevitable.

Azerbaijan has already increased chemical exports by 2.3 times.

The Azerkimya Production Unit has increased the export of the main types of products produced by the enterprise to Turkey -- polyethylene, propylene, isopropyl alcohol, propylene glycol, and others.

More than 50 percent of all export products is exported to the Turkish market.

At present, Azerbaijan's export growth is also observed on the following products: ferrous metals (an increase by almost two times - by 81.38 percent compared to 2010), fruits and vegetables - by 72.5 percent, tobacco and tobacco products - by 60.33 percent, aluminum and its products - by 88.37 percent, cotton - by 95.63 percent, vegetable and animal oils - 0.59 percent.

The largest volume of Azerbaijan's export in January-September 2011 accounted for far abroad countries - \$17.3 billion, the CIS countries - 155.7 million manat.

Azerbaijan announces investment competition to privatize enterprise

The Azerbaijani State Property Committee has announced an investment competition to sell 99.1 percent of the shares in Mugan Su Tikinti, the State Property Committee said in the *Mulkiyyet* official publication.

The competition is open to Azerbaijani physical and legal entities and foreign investors. Applicants must submit an investment program with proposals to restore the enterprise's activity.

Applicants must also submit a bank guarantee for five percent of the cost of the investment proposal.

Mugan Su Tikinti specializes in construction and assembly works in the Sabirabad region

FUEL & ENERGY

Kashagan oil transportation through Azerbaijan is possible in 2013

Five to seven million tons of oil from Kashagan oil field in Kazakhstan will be possible to transport through Azerbaijan from 2013, Industry and Energy Minister Natig

Aliyev said at the event dedicated to the Independence Day of Kazakhstan, yesterday in Baku.

Roughly \$33 billion has already invested in the Kashagan field development in the Kazakh sector of the Caspian Sea. Up to 50 million tons of oil a year will be produced in the first stage of Kashagan development. Up to 75 million tons of oil per year will be produced in the second stage in 2018-2019. Probable oil reserves in the Kashagan field are no less than 10 billion tons and gas reserves are more than 1 trillion cubic meters.

According to Aliyev, transportation of Kashagan oil will be carried out within the framework of the Trans-Caspian oil transportation system, which is part of the Kazakh Caspian oil transportation system (KCTS).

SOCAR: Azerbaijan's oil output to hit 45-46 million tons in 2012

Azerbaijan's oil output is expected to reach 45-46 million tons in 2012, SOCAR First Vice-President on Geology, Geophysics and Mining Khoshbakht Yusifzade told journalists today.

He said 8-8.3 million tons of the total volume of oil to be produced in 2012 will account for SOCAR, the rest for the "Azeri-Chirag-Guneshli" field and condensate from the "Shah Deniz" field.

Production volume will be at the same level in 2011, Yusifzade said.

SOCAR commissions new well in Caspian Sea

The State Oil Company of Azerbaijan (SOCAR) has commissioned a new gas-condensate well in the shallow part of the Guneshli field in the Azerbaijani sector of Caspian Sea, SOCAR said on Friday. The new well was commissioned on the Gunashli-11 platform.

According to the report, 140,000 cubic meters of gas and 10 tons of condensate are extracted daily from the well on the interval of 3,665-3,625 meters. Drilling of the well was carried out by SOCAR-AQŞ joint venture on the order of SOCAR's "28 May" Oil and Gas Department.

The shallow part of the Guneshli field is developed by SOCAR at its own expense. The deep part is developed by the block of Azeri-Chirag-Guneshli, along with a consortium of foreign companies. At present, Azerbaijan operates 61 oil and gas condensate fields, 21 of which are in the sea, and the rest - on the land. "Azneft" Production Association of SOCAR has 35 fields on its balance, 15 of which in the sea, and 20 - on the land.

INTERNATIONAL COOPERATION

Caspian region to play key role in gas supplies to Europe

Caspian region has huge gas potential and it will play a key role for gas supplies to Europe, Ulrich Benterbusch, Director for Global Energy Dialogue at the International Energy Agency (IEA) said at the presentation of the IEA special report "World Energy Outlook 2011" in Baku.

"We are pretty much convinced that the Caspian region will play a key role for gas supplies to Europe. We have also convinced that business and governments will find a solution to pipeline problem," he said. Beterbush said that after Fukushima the Western Europe will need more gas.

Beterbush is quite optimistic that Europe's demand for gas in the Caspian region will find right pipeline decision. He said Europe is very keen to increase the energy security.

SOCAR to open oil terminal in UAE this year

SOCAR Aurora Fujairah Terminal in the United Arab Emirates will be opened this year, head of the investment department of the State Oil Company of Azerbaijan Republic (SOCAR) Vagif Aliyev said.

In May, 2010, SOCAR and Swiss Aurora Progress reached an agreement for construction of oilproducts terminal in Fujairah, UAE to develop the oil storages. SOCAR's member company SOCAR Trading S. A., which established joint venture SOCAR Aurora, represents SOCAR in this deal.

SOCAR Aurora Fujairah Terminal will consist of 20 tanks with total capacity of 641 000 cubic meters. The terminal will be supplied with modern equipments and store oil fuel, gasoline, vaporizing oil and other distillates (diesel, gas oil, reactive vaporizing oil and etc.)

The new terminal will be used for storage of oil products not produced in Azerbaijan. SOCAR Aurora terminal will be an independent operator offering oil products storage volumes to the third parties.

Trans Anadolu gas pipeline to reduce costs for Southern Gas Corridor projects

The new gas pipeline Trans Anadolu project between Turkey and Azerbaijan is designed to reduce the cost of implementing the Southern Gas Corridor projects, Turkish Minister of Energy and Natural Resources Taner Yildiz told the media on Friday, Anadolu reported.

"The application of such projects as Nabucco, ITGI and TAP seemed doubtful," he said. "However after a new gas pipeline is built between Turkey and Azerbaijan, the issue of the implementation of these projects will have more emphasis."

Azerbaijan and Turkey have begun working to examine the possibility of building a new gas pipeline which will stretch from the

eastern border of Turkey to the western border of the country, SOCAR President Rovnag Abdullaev said earlier.

Baku and Ankara intend to build a new gas pipeline to Turkey to export most part of the 50 billion cubic metres of gas that Azerbaijan intends to produce in 2025. Most of the players involved in the project intend to resolve all issues on this gas pipeline in 2012.

They also plan to start building immediately so it can be completed by the end of 2017. The second stage of development of the Azerbaijani gas condensate field Shah Deniz will be launched during that period.

First Caspian – Black Sea international conference started in Baku

The 1st Caspian – Black Sea international conference on the theme “Industrial safety, combating offshore and onshore oil spills” opened in Baku today and will run two days.

The representatives of the Ministries of Emergency Situations and Ecology and Natural Resources, oil companies, government agencies, international organizations, Kazakhstan, UK and other countries attend the conference.

Deputy Emergency Situations Minister Faig Tagizade spoke about the measures taken to combat oil spills in Azerbaijan. He said Azerbaijan joined the international convention on combating oil pollution, Azerbaijan and Kazakhstan signed an action plan on combating oil pollution in August, 2011.

Chief Adviser to the Emergency Situations Ministry Ilkin Kengerli spoke about the ministry’s role in eliminating the consequences of the oil spill disasters. He gave information about the activity of the ministry’s Caspian Basin Accident Rescue Service. Noting that the service was founded in 1959, he said 19 successful operations were carried out to eliminate the consequences of the oil spills. He said the service has all necessary equipment to prevent the offshore oil spills.