



# 12/09

# Economic Research Center NEWSLETTER





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## Projects

### Economic Research Center launched cooperation with SECO

Economic Research Center has launched implementation of “Alternative Inflation Rate and Model Development” project since December 1 of 2009. The project is financed by the Switzerland's State Secretariat for Economic Co-operation (SECO). Its noteworthy, that this is the first cooperation of SECO with civil society institutes in Azerbaijan.

It is intended to prepare monthly inflation report and quarterly economic review by the Economic Research Center at the initial stage. One of the main project directions is to build econometric model for measuring impact level of factors influencing to inflation level in Azerbaijan and working out of inflation forecast for future. Along with this, it is planned to popularize “Family inflation calculator” ([www.inf.erc-az.org](http://www.inf.erc-az.org)), organize enlightenment campaigns, seminars, conferences, TV Talk shows and radiodebates.

Calculation of consumer price index on separate regions and sectors, preparing of indicators of prognosis and factors periodically are main products of the project.

### Inflation results of November month presented

Economic Research Center (ERC) has estimated the value of the minimum consumer basket in the country based on statistical price observations conducted in 11 regions of Azerbaijan on November of 2009 within the frame of “Calculation of Alternative Inflation Level” program of the “Institutional Support” project, financed by OSI Budapest Fund.

Results of Statistical observations show that this year in November consumer price index (CPI) increased 0,33 %. At that time prices in Baku increased 0,22 %, in regions 0,44 %. During the month, there were increase in services 0,06 %, in food-stuffs prices 0,60 %, and decrease in prices of nonfood-stuffs 0,01 %.

In November on commodity groups the highest price increase observed in food-stuffs sector on pomegranate 46,33 %, greenery 18,71 %, grape 13,50 %, in non-food-stuff sector on heaters it was 5,59 %. The highest price decrease observed in food-stuffs on chicken egg 16,19 %, salt 4,83 %, in non-food-stuffs sector on linolium 4,52 %, cement 4,26 %.



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Statistical Observations on 10 month of 2009 show that in this period in Azerbaijan occurred 0,37 % deflation. In this period the highest indicator on consumer basket with decreasing -3,28 % has been registered on nonfood-stuffs. In report period the prices of food-stuffs decreased 2,64 %, prices of services increased 9,70 %. Consumer price index (CPI) in Azerbaijan decreased 1,40 % in comparison with November of last year. Including annual deflation on food-stuffs were 5,03 %, on nonfood-stuffs were 3,43 %. For last year in service sector has been observed 9,84 % price increase.

The experts of the Economic Research Center held calculations of the value of consumer basket based on current year's November prices and normative defined by the latest judgment of the Cabinet of Ministers in 30 April, 2009. According to those calculations the cost of living in Azerbaijan in November is 137,55 AZN per capita. Including that the value of minimum consumer basket for able-bodied population was 130 AZN, for pensioners 120,11 AZN, and for children (0-15 years) was 162,53 AZN.

In November minimum service fees for able-bodied population per capita was 74,88 AZN (In October 76,99 AZN), for pensioners 70,51 AZN (In October 72,95 AZN), for parents of children (0-15 years) 86,79 AZN, (In October 89,71 AZN).

In November there was observed decrease in minimum food-stuffs expenses of population in comparison with previous month. However, observations of ERC shows that during the mentioned period there were observed entirely 0,60 % price increase in food-stuffs. The Experts of ERC explain this difference with price decrease on food-stuffs with high level of special share (for instance: chicken egg 16.19%, salt 4.83% and etc.) included into consumer basket by The Cabinet of Minister and high level. Even more increase in prices of food-stuffs (for instance: pomegranate 46.33%, greens 18.71%, grape 13.50% and etc.) not included in consumer basket caused 0.60% inflation in food-stuffs at the end of the month

During the month population's expenses of nonfood-stuffs in the market price were respectively 30,02 AZN,(In October 27,03 AZN) 27,34 AZN,(In October 24,75 AZN), 58,27 AZN,(In October 54,27 AZN), absence of increase of service prices that is included into consumer basket made the minimum service fee expenses stay constant 25,1 AZN, 22,26 AZN and 17,47AZN.



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## Meetings

### Researchers of the South Caucasus and Central Asia met

On December 16-23, 2009 Chairman of the ERC Management Board, Gubad Ibadoglu attended seminar with invitation and assistance of Research Institute of the Ministry Foreign Affairs of the Royal Norwegian Kingdom (NUPI) in Almaty. The seminar aimed to develop research abilities, knowledge and skills of researchers of 3 directions (management, economy and international relations) from the South Caucasus and Central Asia. There were trainings on "Effective ways of using policy documents", "Role of policy analyses in researchers and their different methods" for participants during the seminar. Presentations of participants on their research topics also heard. The seminar goal was to assist participants in increasing quality of their policy researches that they will present on April 12, 2010.

After the presentation of policy documents, participants will make final presentation at another event organized in Oslo in mid of May.



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## Business trips

### Gubad Ibadoglu delivered a lecture at an American University.

On December 7-12 Chairman of ERC Management Board and Associate Professor, Azerbaijan State Economic University, Gubad Ibadoglu was on business trip in the USA. This trip has been realized with invitation of famous University of North Carolina (UNC). On December 10, 2009 he delivered a lecture on "The Effects of Dutch Disease -- Evidence from Azerbaijan" for Professors and Instructors of Economic Department of UNC. Students of Duke University will also join the lecture. Dr. Gubad Ibadoglu will report the results of a recent survey of state- and private-sector firms in Azerbaijan and determine whether these risk factors have, in fact, led to observable symptoms of Dutch Disease among these individual firms. The survey provides a useful separation of the effects of Dutch Disease from the effects of the global financial crisis; the coincidence of the two, I argue, has created a "perfect storm" for private manufacturing firms in Azerbaijan. He discussed the role played by SOFAZ, the Azerbaijani sovereign-wealth fund, in reducing the severity of the symptoms of the Dutch Disease. I related the increase in oil revenues to macroeconomic stability, exchange rate policy, inflation, deficit of payment balance and foreign debt. This lecture is sponsored by the Center for Slavic, Eurasian, and East European Studies and the Department of Economics of UNC.

Moreover, individual and group meetings of Gubad Ibadoglu with researchers of the North Carolina and Duke Universities in energy security field in Eurasia region have been planned. It is expected to reach agreement among these universities and higher education institutes of Azerbaijan, as well as building relations of local researchers with ERC.

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