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## According To Expert, High Inflation To Continue In Azerbaijan For Next Few Years

Noyan Tapan - 23/5/2008

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YEREVAN, MAY 23, NOYAN TAPAN. The level of inflation is the highest in Azerbaijan among the CIS countries, Rauf Rajabov, editor-in-chief of the information and analytical agency "3rd View" (Baku) stated at "The Caucasus 2007" international conference organized by the Caucasus Media Institute in Yerevan on May 22. According to him, in 2007 inflation made 16.7% against the programmed 9% in Azerbaijan. This tendency will continue for the next 2-3 years.

The expert said that one of the causes of high inflation is the policy of "shock therapy" conducted by the government: after remaining at the same level for several years, the prices sharply went up in early 2007. In particular, power prices grew by 300%, fixed phone tariffs by 320%, fuel prices by 50% for the population. The expert informed those present that in 2007 Azerbaijan's imports exceeded exports by 420 million manats (1 manat is equal to about .1), which means that Azerbaijan's dependence on external markets is increasing. "Today the country imports half the necessary foodstuffs. Unfortunately, we do not notice wasting our oil revenues," R. Rajabov said. He stated that oil dollars do not affect inflation as they mainly remain in foreign banks.

In his words, Baku has become the most expensive city in the CIS, with monopolies and rife corruption. Despite the a 35% growth of the population's incomes last year, 20% of citizens live below the poverty line.

The expert said that GDP per capita grew fivefold - from 714.3 to 3,474 USD in Azerbaijan in 2007 as compared with 2001. However, even officials admit that the GDP structure does not correspond to the GDP structure of the developed countries' economies, and the oil and gas sector has a leading position in the national economy. According to R. Rajabov, this year oil production will reach its highest level followed by a downward tendency. As a result, foreign investments will decline in parallel with a growth of state investments.

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