

- *Economic activity grew 4 percent in November 2023 as hydrocarbon production increased.*
- *Merchandise exports surged 33 percent (yoy) in November 2023, primarily driven by hydrocarbons.*
- *Annual inflation fell further, to 2.6 percent, in November 2023, still within the target range.*
- *The state budget maintained a small surplus of 0.4 percent (yoy) as budget expenditure fell 8.8 percent (yoy) in November 2023.*
- *Credit to the economy more than doubled in November.*

**Economic activity grew by 4 percent in November 2023 due to a rise in hydrocarbon exports, bringing growth to 0.8 percent over the January-November 2023 period.** In November, hydrocarbon GDP grew by 3.7 percent (yoy) after experiencing a fall of 6.3 percent (yoy) in October. Both crude oil and natural gas production picked up markedly in November, growing by 1 percent (mom) and 10 percent (mom), respectively. Non-hydrocarbon GDP marginally increased from the previous month, by 4.2 percent (yoy), with ytd growth at 3.2 percent. This was primarily driven by growth in construction (5.9 percent, yoy), agriculture (4.7 percent, yoy), and retail trade (4.5 percent, yoy). Contractions in non-oil manufacturing, ICT services, hospitality and transport tapered overall growth. On the demand side, investments grew by 11 percent (yoy) in November, owing to a surge in hydrocarbon investments (87.7 percent, yoy) and less contraction in non-hydrocarbon investments than in previous months (11.1 percent, yoy).

**High frequency indicators showed that consumption fell in November 2023.** Credit card operations fell to 0.5 percent (mom) in November after previously growing 13.7 percent in October. Small payments fell 8.5 percent (mom). Money transfers also eased in November, as inflows fell marginally (0.6 percent, mom) – yet remaining almost half of November’s recorded inflows – and outflows were significant (8 percent, mom).

**In November 2023, CPI inflation fell 0.2 percent (mom), driven by a 0.4 percent decline in food inflation.** Service inflation fell 0.1 percent (mom), while non-food inflation fell to zero. As a result, annual inflation fell further to 2.6 percent (from 3.8 percent in October), staying within the inflation target (4+/-2 percent).

**The trade surplus continued to moderate in November 2023, with exports and imports both rising.** In November, merchandise exports surged by 33 percent (yoy) because of the rise in hydrocarbon production. Hydrocarbon exports grew by 41.7 percent (yoy) in November after a 47.6 percent (yoy) fall in

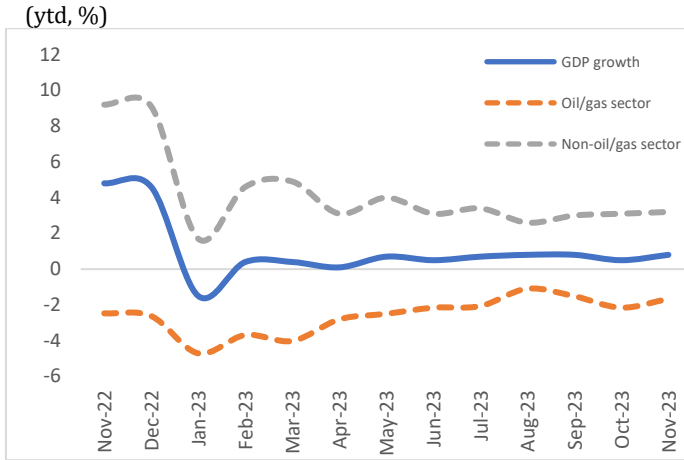
October, mostly because of increased production. While there was a slight rise in the price of crude oil from October to November (from 84.8 USD/barrel to 85.5 USD/barrel), prices remain significantly lower than in 2022 (down 17.2 percent, yoy, in November). Meanwhile, non-hydrocarbon exports increased by 6.4 percent (yoy) in November, driven mainly by exports of fruit and vegetables, electricity, and gold. Merchandise imports continued their strong growth, i.e., 26.7 percent (yoy), primarily in food products, machinery, metals, and transport vehicles. Consequently, the trade surplus contracted moderately from 25.6 percent of GDP in October to 24.2 percent of GDP in November.

**Demand for foreign currency fell significantly.** In December 2023, the State Oil Fund sold FX worth USD 150 million, down from USD 234.7 million in November.

**In November 2023, the state budget recorded a small surplus of 0.4 percent (yoy).** Budget revenues grew 65.7 percent (yoy) due to hydrocarbon revenues more than doubling in November. SOFAZ transfers increased 2.7 times (yoy) in November. Non-hydrocarbon revenues increased by 14.6 percent (yoy), although this was lower than October’s 20.7 percent (yoy) growth. Budget expenditure fell 8.8 percent (yoy) in November, owing to reduced capital and current spending. The budget balance remained in surplus, although lower at 0.6 percent of GDP compared to 0.9 percent of GDP in October.

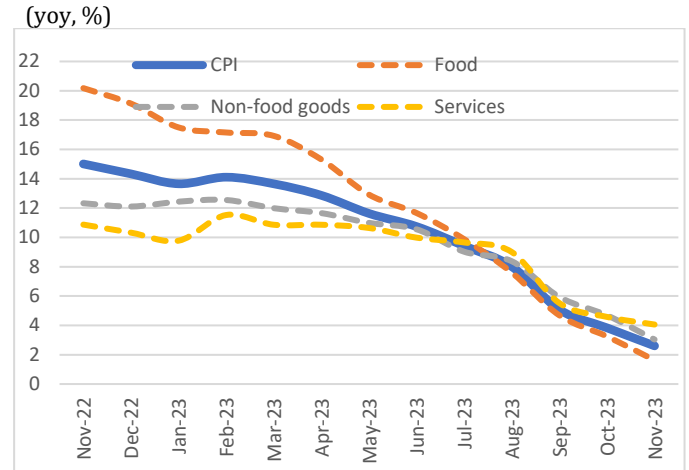
**Overall credit to the economy more than doubled in November 2023.** Total bank credit increased to 1.9 percent (mom) in November, up from 0.7 percent (mom) growth recorded in October. This was primarily because business credit and consumer credit rose 1.4 percent (mom) and 1.8 percent (mom), respectively. Following the revocation of Mugan Bank’s license in October because of insufficient capital to meet minimum requirements, the Deposit Insurance Foundation (appointed as liquidator) issued compensation to depositors. Total deposits increased a modest 0.4 percent (mom) in November, driven by a rise in AZN deposits. FX deposits remained stable.

**Figure 1. The economy picked up slightly in November 2023, driven by the oil and gas sector**



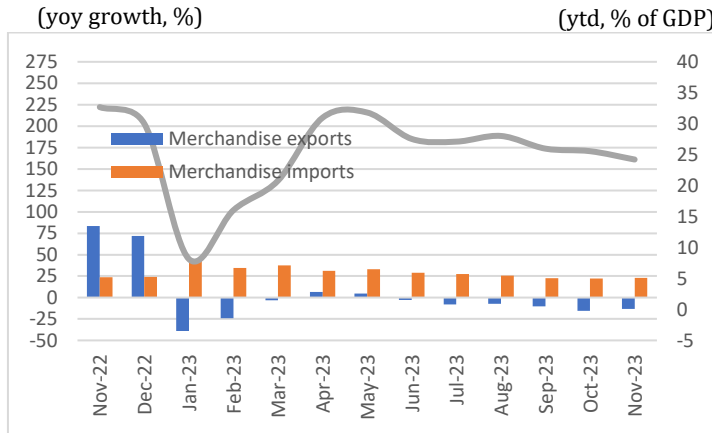
Source: State Statistics Committee

**Figure 2. Inflation fell further in November 2023**



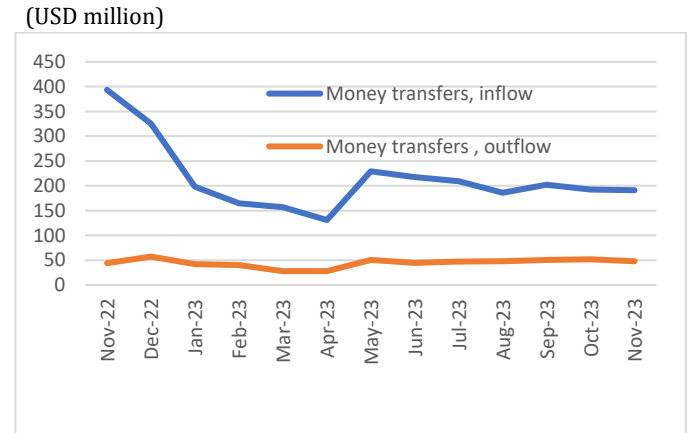
Source: State Statistics Committee

**Figure 3. The trade surplus contracted further as imports rose**



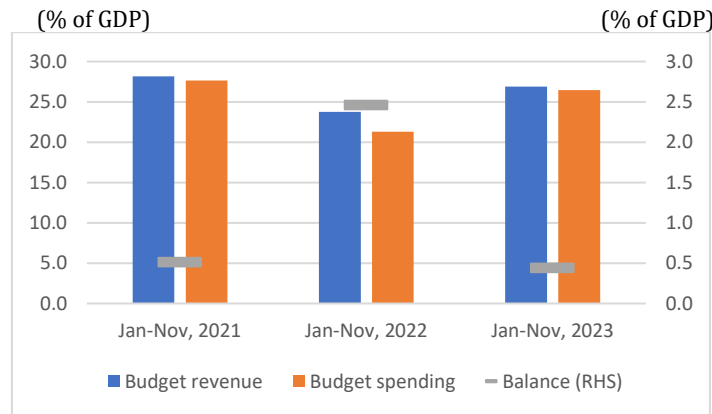
Source: State Customs Committee

**Figure 4. Money transfers continued to ease in November 2023**



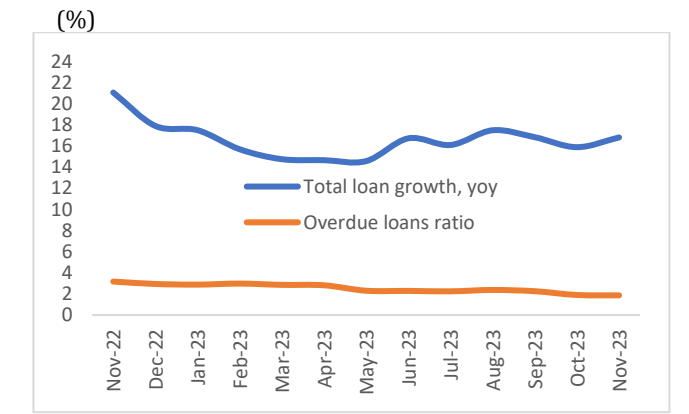
Source: CBA

**Figure 5. The state budget maintained a small surplus in November 2023**



Source: Ministry of Finance

**Figure 6. Credit to the economy surged in November 2023**



Source: CBA