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**‘The impact of changing oil prices on monetary
policy of Azerbaijan’**

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Abstract

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Topic : The impact of changing oil prices on monetary policy of Azerbaijan, retrospective analysis

Parts and explanations;

1. Introduction, general information about oil resource as energy
2. Types of oil and prices
3. How demand-supply works on price of oil?
4. The main reason was weakness of China economy in price reduction of oil in 2014
5. Countries extract and export oil (which surround their economy by more than 75-80%) have to develop their non-oil sector before scarcity.
6. Automobiles and other engines have to be altered with engines hybrid or work with alternative energy
7. USA future plan in scarcity period of oil
8. Huge oil price reduction in 2014
9. History of oil prices by years
10. The role of oil as resource in Azerbaijan economy
11. How did oil price decrease affect to other countries including Azerbaijan?
12. The main reasons of devaluation
13. Similar criterias between devaluation and inflation
14. How Central Bank adjust all macroeconomical issues?
15. Policies and retrospective analysis
16. Conclusion, ,acknowledge, references

Oil as energy

In a global world humanity try to facilitate basic daily routines that is surrounded by activities. Most of these activities occurred with technological equipments cause they are inevitable part of our life. Day by day science developed and found many tools for activating our equipments known as facilitators. These tools were mostly energy, several scientist have explored for identifying the best alternative or optimal way to get energy to move on modern period of science. But in early time, they received that only physical person energy can turn over any vehicle, after a while they determined natural resources can produce energy. That was insane invention of century, cause it meant people would get more energy with using low energy.

Natural resources are divided 2 parts: renewable and non-renewable. Before scientists supposed that only non-renewable resources are able to help them in process of produce energy, but long afterwards they expected and predicted a possibility of using renewable alternative natural resources as energy.

Renewable resources although are non limited but the gaining procedure of energy is on low stage. As examples to renewable resources : Solar energy, wind, plant, land water stream, walking around and other types of energy are able to formalize electricity energy. Let's identify why are renewable sources called like alternative energy?

Main reason on naming is unlimitness. Because an electricity energy accumulated from renewable resources is a production of nature and permanent. Because those natural resources also permanent.

But in non-renewable resources have a limited amount of consumption. As examples to non-renewable resources : Oil, gas, coal, fossil fuels, soil, other minerals and so on.

Non-Renewable resources like oil-gas have limited amount of energy means that you have to take some amount of non-renewable resources to get some amount of energy used in movement.

After invention of natural resources as an energy accumulation, scientist started to define which of non-renewable natural resources has more electricity energy accumulation?

Each of them explored and experimented in laboratory condition, then found accurate usage datas by scientists.

Oil has intense role in global market as energy raw material. Oil has many functions including: energy accumulation for engines, electricity energy production and some products we use in daily life created by oil soak.

Oil as resource has special role in economy for its energy usage. But sometimes the energy production of oil differ from other that is characterized by its composite with other substances. It also has an affects on a price of oil. So, chemists tried to find out all ingredients of oil as resources in detail. Then they divided them to some categories. All these categories were about their ingredients, and let's observe how did these price differentiation formalize?

Chemists reacted these raw materials with other substances and gained different types of oil for their reaction period. Although oil has a constant price index in global world market as raw material sized by barrel, but reacted oil has different price (1 B - 159 L)

We can add some types of results extracted from several times reaction. For instance i would show automobiles and airplane fuel, their ingredients and a price of them.

Auto:

A-72

A-76

Ai-93

Ai-95

5. Ai-98 Firstly note that the letter 'A' means the substances belongs to automobiles and number stated in the name of substance shows the amount of octanus (used in chemistry) in mixture. But the letter 'i' demonstrate that the amount of octanus found in mixture is revealed from exploration method. Quality of mixture determined by number of octanus. There is positive relationship between a name of substance and quality of it. If the number of octanus is high, it means the quality is also in high point.

Next example is due to airplane fuel:

B 100/130

B 85/130

B 91/115

B - 70

All the types of airplane fuels as stated above are having more octanus than automobiles fuels.

For their octanus (not only airplane, but also auto fuels) they have certain price index in a world market.

The price of oil not only diversified for an economical factors but also political because the price determining procedure of oil is belong to macroeconomics that is why all macroeconomical process have economical and political side

Prices of oil brands

Although as we know the price of oil has no constant limitation in world market, but in most world stock exchanges the price of oil changes for their brand types. The price of oil differentiate for their types of brand. The differentiation can be for their chemical characteristics and other composition. And we also stated in previous examples that a type of oil can be determined for internal quality indicators and composition. If we observe some oil types in world stock exchanges we can see different numbers in price of them. If we mean those as wholesalers we will observe various prices on those stock exchanges. Easily can list of some prices of oil types on world stock exchanges as example: For these days in London stock exchange ICE (intercontinental exchange futures) a price of 1 barrel oil named "Brand" is roughly 74 \$(dollars).

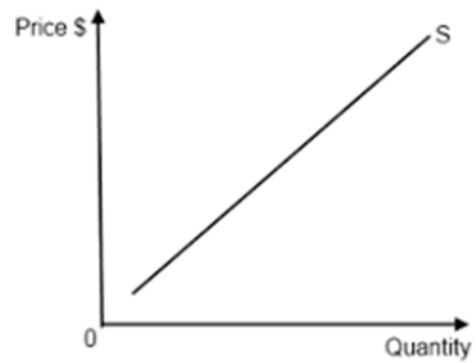
In New-york stock exchange NYMEX(New-York Mercantile Exchange) 1 barrel of oil named "Light" is 65,7 dollars.

But lets identify a price of Azerbaijan oil, in 2008 , there was an maximum level of price level 149,66 \$ dollars. That number a price of Azerbaijan oil was in minimum level of price stage in 2001. The number was 19,15\$ dollars.

But according to today oil price results for Azerbaijan oil is approximately a barrel of Oil named " Azeri Light" is 74,50\$. If we observe prices of oil located on world stock exchanges which stated above it is an available price for Azerbaijan oil. The prices of all types of oil also included Azerbaijan oil brand have available real price according to their values, but sometimes it doesnt work like this. Because sometimes costumers in market can regulate artificially demand-suply graph about a price of oil in world market. This procedure causes artificial or non-real price decreasing of oil in market. Yes, not only these factors have an effects on price reduction of oil in market but also some visible and invisible factors can influence a price. There are many reasons to decrease a price of oil in market, but indeed as i stated above we know also from "introduction to economics" course that main reason is demand-suply. In global market and local markets, a formalizing price of any products can not be predicted by demand-suply curve everytime.

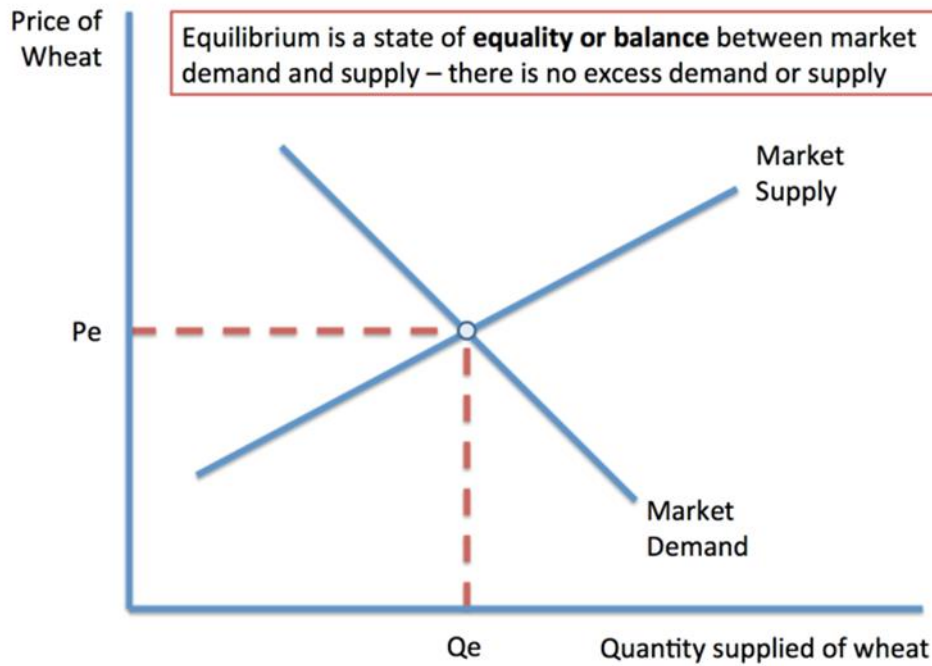
Demand-supply changes oil price

That is why you have to add all variables to your regression analysis to gain more accurate result of it. As we know it is not enough to be aware of total amount of extraction which belongs to export countries and total amount of oil consumption which belongs to import countries to obtain reliable arguement for determining market price of oil. All factors should be listed in detail. The graph of demand-supply only show an amount of extraction or exported oil and consumed oil amount. In this graph an intersection point of demand and supply curve formalize equilibrium point that means optimal point of trade amount of oil. And this point help us to identify how many barrels of oil exported and imported.



But sometimes all this graph and equilibrium point also can not help us to forecast a price of oil for subsequent years, and we have find other facts as stated above. Those factors can affect sometimes directly and indirectly to price of oil in market. Main reason as factors can be mutual misunderstanding between export and import countries on price.

Equilibrium Prices in a Supply and Demand Diagram



Suppliers want to sell their oil with high profit and country imports oil want to decrease price for indirectly decreasing a cost of his product produced in that country with using oil as raw materials. And some process from customer side can influence a price of oil, so suppose that country consume or import some amount of oil to in production of any product. Decreasing in total amount of

production which produced with using oil as raw materials has serious impact on the level of an amount of import and indirectly price of oil. If reduced production level is high, level of imported oil also will be high. But reduction is not felt it means the entity is small business.

Other factors can be tax system received from total amount of oil imported by any firms for using in production. Tax system also regulate an amount of import to keep stable economy. If taxes is high it is a sign of government non-desire to import of oil. For instance in May 2017, Chinese import of oil was 9,2 million barrel in a day, but this number decreased to 8,8 million in June . That was for new tax system in Chinese.

The price of oil changes not only due to economical proses and factors but also there are some political factors that have an impact on it. These political factors can directly influence to oil trade occurs between countries. We can take an example from demographic areas. If these countries located this demographic area, one of them has an oil industry and his occupation is oil extraction and export, this policial factor directly affects to amount of exported oil. Also this procedure (these countries have misunderstanding and problems between them) observed in their relationship and negotiation with other countries indirectly. So an arguement or political issue between United Arabian Emirates and Iran Islam republic causes to process that they dont attend in the same assembly or conference. This case leads them to crisis in their economy indirectly. Even they try to communicate other countries firstly to make a negotiation with them about trade because of disliked relationship. And cauntry believe in that another countyry economy will fall down for this first movement. These political factors almost affects to demand-supply graph of oil indirectly but not directly.

Other factors influence to price of oil

Although all world stock exchanges want to maintain stable a price of oil brands, but it is not possible sometimes. Because as we noted in previous sentences, a price of oil does not depend on only demand-supply facts, there are some factors including: political issues, non-stability of countries which they have an extraction and export of oil, and reduction of other countries dependence of oil as alternative energy. For these factors most of countries try to find out other alternative energy for using as raw materials or energy source because of oil is non-renewable resources. They tend to explore other resources for their future activity. It can be reason for weakness of oil industry that several countries focus on exploration new energy resources. It also drive a supply of oil to the bottom line of demand-supply graph and indirectly to decreasing of oil prices. Cause, if other energy resources are found, some weakness can be observed in oil export industry.

Some countries more interest and passion in using alternative energy resources can be a main reason for falling rate of oil import. Many research and observation demonstrate that which countries focused on import of oil they have no or low amount of oil resources in their countryside area. These countries are also huge industrial countries. And most of them are considered emerging countries. For instance Russian, Turkey, Chinese and etc. can be listed for emerging countries. As we know Chinese is one of the most powerful emerging country for its production rate. Chinese is on top line for its production level among other countries. There so many types of various products produced in Chinese to export world market. Some of these products

produced with usage of oil resource as raw materials (specially automobiles tire-cover, rubber, and other synthetic products).

They need huge amount of oil as raw materials for this huge amount of production. Other these types of countries also try to keep stable their oil import for maintain and protect production level. But there are other countries that they also consider oil import crucial for other reasons besides countries use oil as raw materials in production. They don't import oil resources for using in production system or other industry, they just import as natural energy sources like fuels, engine fuels and so on. According to huge increasing in oil prices these countries search other energy to activate engines. As example: gas and coal

Most of automobiles and other engines activate with fuels released from oil as unique resource. But there are kind of engines activating and working with other alternative energy resources that these kind of engines are not efficient for countries exporting oil. Because this engine working with alternative energy decrease a dependence of non-renewable resources as energy. It also leads oil industry to failure day by day. For example using alternative energy based- engines all over the whole world is prediction for us that in future oil resources only imported as substance in production industry.

Really all industries which produce engines and other new technological equipments that works with oil as fuel have to be attentive to alter their demands with newest one. Because as you know oil is non-renewable and scarcity natural resources that is why it is inevitable to prevent scarcity of oil resources and should improve non-oil industry in future. Generally if we observe all countries that they are able to extract and export oil resources as economical process also including our country Azerbaijan we see that all these

countries economy revenue and governmental budget formalized by oil industry by 90%. This situation tell us if oil will be over all of these countries economy will have seriously failure. According to all this forecast for preventing that economical crisis these countries have to change their economy to be focused on other non-oil industries. Apart economical condition of countries exporting oil, also all firms and companies that produce engines work with oil fuels and release automobiles engines of them also work with fuels characterized by oil have to find other substitution for their engines work principles in future scarcity of oil resources. They have to find available and efficient substitution in a 5-10 year minimally that suddenly economy can feel unexpected shock.

Another economical factors of price alternation of oil resources in a world stock exchanges is non-stability of oil exported countries. But this non-stability can have 2 meaning: economical and political non-stability. Economical non-stability is about not having a stable amount of oil extraction due to periods. So that country that extract 10 million barrel of oil in a day overall, next day could be 8 or 9 million barrel of oil is sign of non-stability of oil extraction. Non-stability of extraction can be reason for non-stability of oil export. It creates indirectly non-stability of supply and influence to demand supply graph of oil. And also leads to price of oil.

Besides these factors, some countries export an oil when observe or forecast for future a price decreasing of oil, immediately organise any assemble or conference among oil exported countries to get union decision on amount of oil supply to adjust a price of oil in world market and world stock exchanges. Even nearer conference was in April 2016 Doha city assembly. Main goal to organise this assemble was a low price of oil in market beside its real value.

With playing this game, USA will be able to use this oil resources not only as oil scarcity and non-renewable resources , but also it sells this low amount of oil resources found in market with more price. Also this leads to future economy development of USA. Main reason for predicted future high price of oil is that we know from "introduction to economy" course as we noted above low amount of product supply can attract more demand and additional price to this product in a market.

For refusing this global problem, all countries exporting and extracting oil have to take the most sufficient usage of oil and try to improve their non-oil industry. The additional substance even can not be able to increase artificially an amount of oil for high profit. Because of qualification will be on low stage for additional substance. That is why only one method is sufficiency and non-oil industry development. Another side of this trade which is known imported(demanded) countries have to be regulate their dependence on oil as resources, and should be obsessive at leading minimal point of oil usage in production as raw materials. They have to find other substitution instead of oil. With implementing this way, most countries that import oil will decrease oil import level automatically by itself. It drives supply (production) surplus in demand-supply graph. In a short-time oil exported countries will get surplus in extraction of oil. Then, in a long-term we can easily see a decrease in amount of extraction and export of oil. It can influence these countries economy seriously. Because, all of them focused on oil industry and raw oil export and 90% of revenue comes from this field in their economy system. The decreasing procedure day by day decrease an income of these countries and leads to economical crisis. Actually Saudia Arabian countries absolutely depend on oil industry about their whole economy. In those Asian countries there is no profitable climate and available lands and a level of science-education and

other factors can help us to convince audience accurate prediction about them in a subsequent years.

There were huge oil price reduction in 2014. All over whole world a price of oil brands fell suddenly during 2011-2014 years period. So that in 2011 years United States oil named as "brand" was roughly 110\$ dollars but in 2014 this number reduced to 29 USD. It was an huge decreasing after a long while. Main reasons in this example also shown as demand-supply impact on market price regulation. But indeed mostly main reason is about an amount of imported and exported oil resources. But in this there was high range of production and consumption together. According to this process either production - supply or consumption - demand were in a high rate that is why demand supply curve shifted to right outward and oil as a resource lost its real market price due to its value.

The impact of China market on oil price

Mostly global economists relating this process and shifting of demand-supply curve to right outward to almost Chinese market development. Because also we stated in previous sentences that when oil extraction of countries is high in this case supply of oil will be also increased. But consumer import amount of oil resources is limited almost because of their production stability. This happens (stability of oil import) in short-term. Cause while countries observing increasing in oil supply in a market after their artificially manipulated increased demand can help this graph to shift. This leads to price decreasing of oil. That is why in long-term period of time imported countries also will increase their import(demand) amount of oil resources.

Chinese is a global emerging country is known as popular name in production industries. All countries and several outstanding companies take over their

production process to Chinese Republic. Because this country is really specialized on production industry. We can not find any other country that is in front of Chinese for low costed production industry. Generally all native workers in China work under strong intense approximately 1 \$ for an hour. This directly influence to cost of product and leads to available price of products for trading in global market easily. China has improved economy among other countries for a specialized field like production. Countries and companies stated above give a production of all details of product to China and assemble procedure occurs in country that company belongs. Those companies with helping only this way can appoint available price to products in a market. Let is take an example for identifying obviously:

Suppose that Apple Inc. do not tend to take over its production function to China. Now, we watch prices of Apple models in market as example can take Iphone X. Rough market price is about 1200-1500\$ dollars. This price formalized by Apple Inc. during its production belongs to China. You can see from back side of phones "Designed in California assembled in China". That is why cost of an Iphone X is about 200-300 \$ for per unit. But if USA assemble his iphone models by himself, price will be high in market and it directly can affect to selling rate of Iphone models. All thsse examples and descriptions were to define how China has a role among other countries for production industry in a market.

Oil as resources is used by people for any goals and acivities for centuries. But a start point of oil industry take place in the middle period of XIX century in a world. First oil well is related to the name of Edwin Darken digged in the middle of XIX century as first oil well in a world. In the middle of this century the main goal and aim were about to light around and as a cure in medicine. But the real price of oil as resources was so low in comparing with todays oil

prices . The reason was that in those years oil as resource were not used in huge field as we noted above as examples a 2 usage method of it. After a long time like today's a utility of oil resource increased its capability for humanity in many ways and industries. Actually nowadays almost all of production industries depend on oil resource that is why a price of oil has a special role on an activity of those industries. Before, a price of oil resource was on low stage in a schedule of resources price cause of its low amount of usage around. For instance in middle period of XIX century oil industry when started a barrel of oil was roughly 2 dollars. That is really insane number observed in world market. (Barrel is a size of oil resources and approximately consist of 159 L or 42 Gallons of oil).

History of oil prices

Similar changes in world countries did not have an impact on oil prices. Thus, as we have already noted, oil prices were extremely low compared to the current period, and the reason for this was not the fact that at that time oil was the main source of energy and resource. Nevertheless, as we have already seen in the preceding articles, the process of using oil as a source of energy began in the mid-19th century. We have noted that the first oil well was drilled in Pennsylvania in 1859 and was associated with Edwin Drake. During this period, the oil was still not as an energy source, but the price was about 2 cent. But later, after this year, oil became known as a source of energy and began to enlighten. But in 1862, John Rockefeller, known as oil millionaire, wanted to enter the oil industry. Hence, he found some areas where oil resources dominated, and he began working for oil production in those areas. In these years, the price of oil in the world market was 10 cents. Even though it's a whole lot more than a few years ago, this price would still not be popular with the oil industry in the world market. A number of companies have gained

enthusiasm by looking at millions of millionaires investing in the oil industry and investing in this area. Certainly, the main purpose of acting in the same market with the leading forces was not only to be rival with them, but also to benefit from artificial price increases due to the domination of these large-scale companies in the market. This, in turn, resulted in the fact that those companies were able to earn large sums of money. However, unexpected events led to a decrease in oil prices due to macroeconomic reasons. In the years when the First World War began, the price of oil began to fall unwanted. Although the price of oil was more than 10 cents and was \$ 1-2. The prices fell again. And the main reason for this was the low demand. Because of the weakening of the manufacturing industry during the First World War, the demand for oil has decreased. Of course, we have already mentioned in a number of explanations that the indices of the manufacturing industry are one of the main factors that cause oil prices to remain stable or to rise. If the manufacturing industry is high enough, it means that the demand for oil will also increase. But if production is weak, demand for oil will be weak. This is exactly what happened during the First World War. Because the war zones are sensitive to warfare, there is a decline in the economy, which leads to their weakening in the manufacturing industry. If a country producing a number of products previously produced enough raw material oil, it would have to reduce this trade because of its production. This, in turn, reduces the demand for oil and reduces the country's oil imports. At present the demand for oil imports is diminishing, and the automatic oil prices in the market drop. Although people were getting coal from the oil before the First World War, but when oil began to emerge as a source of energy, people saw oil as a unique resource in the production of household prod

When we talk about oil prices, we have noted the key factors affecting prices. Now let us give you a detailed

explanation of the most important factor of supply and demand factor. As we know, in the introduction to the economy, we have also learned that the prices formed in the market are formed from the supply-demand schedule. Thus, the demand and supply curve over this graph intersects at certain points and creates the equilibrium point known as that common point. This point also reflects the current market demand and the amount of goods offered in the market as well as automatically forming the price. That is, it shows how much consumed and sold the product sold at a constant price on the market. These figures should be identical, because the subject is talking about the intersection of these lines. Thus, the point of intersection is the amount of consumption and sales formed during the consent with the customer on the market. Now let's control how this pricing is happening. So, as we know from the introduction to the economy, if the demand graph decreases, the demand is rising, but the demand decreases. This graphic is the link between the price of any product in the market and the demand for this product. In this graph, demand and price are inversely proportional to each other. But if we look at the schedule, we will see on the basis of the initial economic assumptions that if the price of the product is high, the offer will increase, but the lower the offer will be less. This offer shows the link between the price of the product in the market and the offer of the company that produces that product. We see a direct proportion between the product's price and the product's offer. This indicates that if the actual market value and price of the product in the market is high, then those companies that produce that product will have a higher bid, so that the revenue can be high. If the price of the product is low then companies producing it will reduce the interest in the production of this product. But in the demand chart, the situation was that if the actual market price of the product is higher, consumers who consume this product will either

have the desire to buy this product, or buyers will try to find another substitute for this product in the market. However, if the product value on the market is low and the current prices are low, consumers will increase the demand for this product.

If you pay attention, we have discussed the events from the buyer's side, but we've analyzed the supply schedule from the manufacturer's side. At the same time, these discussions and market research have been tied to the impact of prices on the product's demand or the manufacturer's offer. However, when we analyze and analyze these demand and supply schedules, the different points in the market will be noticeable.

Now, let's talk about the impact of the actual demand and supply of the product on the price of the product rather than the price and demand of the product. Take examples from oil products. Thus, if the oil market proposal was too much, we would link it with the high price of the product in the classical economy. But this happens in the short term. Because the demand and supply quantity in the long term determines the product price. If oil prices are higher in the market, then it will lead to lower oil prices. The reason is that other oil producing and exporting countries are likely to enter the market with new oil products. This will also lead to varieties of varieties and indirectly reduce the price of this product on the market. Because a lot of products in the market loses value in the long run. Only small quantities are worthwhile.

Also, if the demand for consumers increases in the market, the oil producing countries should increase their oil production so that they can meet the demand. The cost of the product will automatically rise because consumers have a high demand. Without a doubt, the main reason for increasing the demand for these oil consumers in the market can be 2 types. Either the

increase in the number of cars and other engines used in oil refineries, or the extraction of oil-producing factories. However, at the same time increasing the demand and supply leads to the shifting of the graph to the right. And it causes artificial price increase of oil. Undoubtedly this, in turn, creates macroeconomic problems in the market and in some countries. An example of this is an example of inflation. Not only in the market, but also all products with oil products, artificial price increases lead to inflation, as well as in arms production and the engines' launch.

As we know, the main reason for the decline in oil prices in 2014 was a considerable drop in the Chinese manufacturing industry. China maintained its stable production volumes and kept the oil imports stable in the world market. But as oil production fell sharply, China's oil imports dropped. This, in turn, led to a fall in oil prices in the market. This process was due to the fact that most of the oil importing countries were China on the market. This country also diminished the need for raw materials for its oil imports when it lowered its production. If the demand for the product in the market has diminished, it will mean that the price of that product will fall. After these processes and issues, oil prices have gone down in the market. This slowdown in China was expected. Because, as many economists have said, the flooding in China's economy has exploded some time later. Not only did the decline in the world market, but also the weakening of the Chinese economy. China has reduced its national currency yuan market value to eliminate all these problems, so that exports can be stimulated. But this strategy was not favorable for China. Now let's take a look at how China wanted to stimulate exports by manipulating its currency simultaneously. First of all, let's

Here you see China GDP graph shows its economical position in 2014 which year causes indirectly oil prices decrease in market

note that the lowering of this currency can be in many ways. But what is happening in the export stimulus is obvious. If other importing countries often import any product for sale within their own country, they first of all control the exchange rate of that country's currency with other currencies. If the exchange rate of a country producing a product is lower than that of other countries, this would indicate that imported products from that country will be effective in trade. Because the price of the product is repaid in that currency, it will lead to the import of more products by another exchange rate. Such a question may arise if the exchange rate is lower than the rates of other countries, with the market value of the product being exported, which will increase the product in its currency. But this strategy will cause inflation in the long run in that exporting country. Therefore, China has diminished its national currency, the number of its exporting countries, or its stimulus. But this path also did not help China. After observing this problem in the Chinese market, the State Oil Fund of the Republic of Azerbaijan invested in all the financial institutions of China, which is the currency of the Chinese currency, and invested in shares in the future. The fact is that Chinese currency is low now, but China will try to increase the currency again because it is artificially done and because of its inefficiency. The Oil Fund also predicted this forecast and began to invest in the currency. Because Chinese yuan is currently at the forefront of the country's currency, it will lead to more profits from our

national currency. Even according to the 2015 data, the investment made to increase Chinese currency has brought 3 million revenues within two months.

Political issue on oil price

Moreover, as we have already noted, there are political factors as one of the main factors affecting oil prices. Many countries, for political reasons, refuse to sell oil to a number of countries, which in turn affects the economies of these countries. But sometimes, these countries can stop selling oil deliberately against these countries in an attempt to indirectly damage the economies of their rival countries. Here are some examples of history. For example, Saudi Arabia and Israel's six-day war in 1967 led to problems in the oil trade between them. Even here, the United States and the United Kingdom have supported the Israeli side and imposed an embargo on Arab countries in those countries. At the same time, Arab countries understood that oil could be used as a weapon. On the basis of this, all Arab countries located on this peninsula unilaterally put an embargo on oil exports to the US and other western European countries. This was actually a logical step. Because 80-85% of the world's oil exports and exports fall to the Arab countries. Using it, Arab countries have increased oil prices for these countries. Even in 1974 this figure was \$ 13. These types of games are usually carried out against oil-rich countries. With such actions, oil countries actually manipulate oil prices on the world market. And oil, which takes the lead in its economies, is developing a bit of economics by selling them to the world markets at a high price. But it should be noted that these leading countries can import not only oil from the Arab countries, but also from other countries. Therefore, such strategies can often not be successful. It should be taken into account that, as the oil-producing countries' major development economies have gained from oil exports, the number of enterprises dealing with production in the country is

almost at a low level. This means that these countries import many items or foods they use in their households from foreign countries. Even among these imported countries, the US and other Western European countries take a wider role. Therefore, oil-only oil-driven oil economies should increase their oil prices to these countries, and they need to accept a certain price increase in demand from the other side of the process. Because the economy is interrelated. And when one party raises the price of any product, the other country must also avoid losing its value. This process and circulation will lead to high cash circulation and artificial price increases in the economy. This process will also cause inflations. Even if we look at another example, we can see that, in such a situation, Arab countries should take into account the artificial price increase for their political purposes, that oil is depleted and not recoverable. This leads to the fact that these economic strategies for any political purpose may sooner or later be counterproductive. That is, after the oil reserves are exhausted, the area that is the main source of income in the economy will collapse, and this will lead to a weakening of the country in the first place. Arab countries, which are known as wealthy countries, will be in danger of exhausting their oil reserves over the next 100 years. And so it will import oil from other countries and other domestic products imported from the beginning. But when leading countries see these economic weaknesses, they will apply an embargo on these countries.

But this did not happen. So, in 1973, the \$ 13 dollar oil market in the world market re-boosted in 1979 due to another economic-political event. This incident was Iran-Iraq war. After that war, Iranian oil was exhausted in the world market and one of the key countries in the market decreased. In this case, the price of oil increased by about \$ 40. But the sudden increase in oil prices did not last long. The total value of the oil sold at the world market for 5

years has lost its value again. The reason for this was the oil production in the North Sea, in some African countries and Nigeria. This led to a slight decrease in oil prices in the market. That figure was \$ 26. Because the countries involved in the new oil production also generate some sort of diversity, new oil products enter the market, which increases the oil demand of the common world countries. The increase in the offer also reduces the price in competitive conditions. This period lasted 5 years. And in the 1990s, there was a crisis called the Gulf crisis, which led to a reduction in oil supply in the market. The supply was down, and the demand for oil in the market increased, so oil prices rose again to \$ 40. After a while, the price of oil remained stable, and in 2004 the price declined to \$ 10, but later the oil prices rose and remained stable. But in 2014 the oil prices dropped dramatically. That is why many reasons and factors are brought to the world market, but the exact reasons are still unknown. It looks like a miracle that the oil price rises to \$ 115 a barrel in mid-2014, but suddenly the price drops to about \$ 50 at the end of this year. That's why economists are an example of some of the current situations and situations in the world market. But in addition to other factors this year, the most significant factor affecting the price fall is the development of the manufacturing industry in the Chinese market. As a result of this development, China has increased oil imports to boost production. The increase in demand also increased the supply and lowered the price in its place. But other factors, such as the increase in US exports and other reasons, are also said. The reason for this increase in US exports was to hurt the Russian economy by raising oil prices and lowering the price on the market. But there are also some examples of factors and economic situations.

Presence of governmental policies have certain roles in country. Almost all types of these policies related to macroeconomical side of economic

regulation. Cause the main goal on adjustment economic circle and balance money flow is maintaining economical and socio-economical position at constant point. Countries got used to balance economical situation with internal governmental policies like fiscal and monetary. At the same time some countries tend to balance its economy using external activities.

Including: government expenditure, import, export and other trade rules. Main macroeconomical governmental policies are divided two part. Fiscal and monetary policy. These policies used to direct a economics of country based on inflation, unemployment, value(cost) of money and business cycle in country. As you observed all included components are about macroeconomical factors, and it help us to convince audience that this is macroeconomical policy. Both of these policies have similiar charateristics and influences on country economy. Let's give information about them briefly.

Firstly we should approach fiscal policy strategy to identify monetary policy strategy in detail.

Fiscal policy divided 2 parts for its destination structure. To: expansionary and contractionary

1 st one is expansionary fiscal policy, general idea in expansionary stratagy is to increase money circle throughout country and inflation rate. Let's watch that how it works?

There are two key points implemented by government are decreasing tax rates and increasing government spending . That is mostly carried out in a period of low inflation rate

But second one is contractionary fiscal policy, this strategy absolutely stands on reverse. So that in this way main goal focused on decreasing inflation rate. To activate this procedure government raise tax rates and reduct govenmental

spending for demotivating business cycle and consumer willing throughout country. Using this method country gain slight money circle within country and hold inflation rate constantly.

In accordance with rules of working fiscal policy, monetary policy also used to keep stable inflation, unemployment and other macroeconomical components. Monetary policy is implemented by a central bank of government as increase/decrease interest rate. As a fiscal, also divided 2 parts for working principles like expansionary/contractionary.

In first way central bank decrease interest rate to attract owners to get a borrow some amount of money to expand their business and increase people consumer willing in country, because when there are lots of business specially competitors and rivals produce same product decide decrease a price of product for gaining more. In this strategy government reduce unemployment rate and increase inflation rate, in otherwise central bank decide to increase interest rate then all process happen on the contrary.

Actually nowadays almost all of production industries depend on oil resource that is why a price of oil has a special role on an activity of those industries. Before, a price of oil resource was on low stage in a schedule of resources price cause of its low amount of usage around. For instance in middle period of XIX century oil industry when started a barrel of oil was roughly 2 dollars. That is really insane number observed in world market. (Barrel is a size of oil resources and approximately consist of 159 L or 42 Gallons of oil). Mostly global economists relating this process and shifting of demand-supply curve to right ourward to almost Chinese market development. Because also we stated in previous sentences that when oil extraction of countries is high in this case supply of oil will be also increased. But consumer import amount of oil

resources is limited almost because of their production stability. For refusing this global problem, all countries exporting and extracting oil have to take the most sufficient usage of oil and try to improve their non-oil industry. The additional substance even can not be able to increase artificially an amount of oil for high profit. Because of qualification will be on low stage for additional substance. That is why only one method is sufficiency and non-oil industry development. Another side of this trade which is known imported(demanded) countries have to be regulate their dependence on oil as resources, and should be obsessive at leading minimal point of oil usage in production as raw materials. They have to find other substitution instead of oil. With implementing this way, most countries that import oil will decrease oil import level automatically by itself. It drives supply (production) surplus in demand-supply graph. In a short-time oil exported countries will get surplus in extraction of oil. Then, in a long-term we can easily see a decrease in amount of extraction and export of oil. It can influence these countries economy seriously. Because, all of them focused on oil industry and raw oil export and 90% of revenue comes from this field in their economy system. Countries got used to balance economical situation with internal governmental policies like fiscal and monetary. At the same time some countries tend to balance its economy using external activities. Including: government expenditure, import, export and other trade rules. Main macroeconomical governmental policies are divided two part. Fiscal and monetary policy. These policies used to direct a economics of country based on inflation, unemployment, value(cost) of money and business cycle in country.

In 2015, the Central Bank has been working to strengthen the negative impacts of the global economy, including global energy markets and partner countries, on the Azerbaijani economy. 2015 was characterized by the

weakening of global economic growth, sharp decline in world commodity prices, declining currency reserves in some countries and instability of exchange rates. The world's oil price has dropped to the lowest level in the last decade. In general, the strong economic potential in the country has allowed minimizing the negative impact of the unfavorable international economic conjuncture, and a stable development course has been maintained. Changes in the currency market during the high oil prices and the devaluation in the partner countries have led to the need to revise the exchange rate policy and the exchange rate regime. Decisions on balancing the balance of payment policy and exchange rate regime, maintenance of the country's strategic currency reserves and strengthening of the competitiveness of the national economy were adopted. Uncertainties in the global economy have increased in 2015. Global growth in 2015 was lower than expected as a result of economic activity weakening in the world's leading developing countries. The weakening of economic growth in China, sharp decline in global commodity prices, especially energy carriers, toughening monetary policy in the United States and geopolitical tensions have been the most important factors affecting the global economy throughout the year. One of the main factors that have a positive impact on economic growth was the increase in consumer spending. At the same time, the increase in investment has had a positive impact on the employment level during the year and, as a result, the real incomes of the population. Taking into account the economic growth forecasts and risks for 2016, international financial and credit institutions have proposed a number of policy proposals. According to recommendation, the low inflation rates in many CFEs require the continued soft monetary policy in those countries. A fiscal policy that supports growth should be implemented, provided the fiscal balance does not exceed the risk limit. Taking into account

the economic situation in the ECO, broader policy proposals should be included. Raw-exporting countries are encouraged to reduce government spending and more effectively.

Higher prices in country

16% of imported products accounted for Russia, 13% in Turkey, 9% in the USA, 8% in Germany, 6% in Italy and 6% in Japan. During the year, imports of vehicles and their parts increased on fruits and vegetables, wood and articles thereof, ferrous metals and their products, and foodstuffs, cement, tobacco products and furniture increased by local production. In 2015, government regulation of medicines prices led to a decrease in pharmaceutical products prices. Tariff (price) Council has approved the wholesale and retail price of a total of 5050 medicines. Due to the change in the exchange rate of manat, prices for 1,510 new medicines as well as 3540 new pharmaceuticals approved by previous decisions of the Council were determined on 25.12.2015. Thanks to that step of the state, the rise in prices for pharmaceuticals in Azerbaijan could be prevented during the year. However, these prices were high before the policy was put forward.

Devaluation-revaluation, inflation-deflation

In 2015, nominal effective exchange rates, inflation expectations and trade partners increased inflationary expectations, seasonal factors, change in monetary base and world food prices had a decelerating effect. But this step still did not prevent artificial price increases in the country. Because the products manufactured in Azerbaijan are imported from abroad, although raw materials are used in the production process. Because of the current devaluation conditions in the country, the national rate is lower among other currencies, which creates a number of problems in the currency trading. That

is, because of the low value, raw material can be imported by paying more in national currency. This, in turn, leads to the current rise in prices in the country. However, despite the fact that many countries and countries use many methods and ways to prevent it, the most optimal situation our country can take is to fully implement the production in the country.

The downward trend in oil prices in the world market, which is largely affecting the country's economy, is the most devalued economic problem in the country, not just devaluation, but also other macroeconomic problems. As additional information, we can give a detailed explanation of devaluation as an example of other macroeconomic problems. Includes: Inflation, deflation, revaluation and other macroeconomic factors. Devaluation and inflation are often mixed up. But these can be the cause of the origin of each other, either directly or indirectly.

Devaluation means the country's national currency is lost in proportion to the value of the currency or other foreign currencies. However, inflation is characterized by the loss of internal value from the majority of currency circulation throughout the country. There are only 1 difference between these macroeconomic concepts, which is characterized by the economic relations of devaluation and the country's economic relations with inflation. This means that devaluation is a foreign purchasing power for money, but inflation is the inner purchasing power of money. As for the revaluation, this process is a complete reflection of devaluation. That is, if devaluation is the loss of the country's currency between other currencies, the revaluation is the value of the country's currency between other currencies. For example, as we have noted, the sharp decline in oil prices in 2014 was marked by devaluation not only in the world market, but also in oil exporting countries, where our country occupies a key place in Azerbaijan's other economy. The dollar was revalued

indirectly as oil prices were determined by the dollar as a single exchange rate on the world market. Thus, when oil prices declined in 2014, the countries involved in oil exports did not drop into circulation, keeping them in central banks as they observed a decline in their stable economic incomes. As dollar deficits in the markets were created, the dollar was revalued as a currency. And while other currencies were relatively low compared to the dollar, the dollar gained value in the world market.

Deflation is a complete reflection of the inflation macroeconomic indicator. This means that if the inflation is a loss of money due to sufficient cash circulation in the domestic market, the deflation is the artificial value of the money generated by the low turnover in the domestic market. Because, as we have mentioned before, we know from the introduction to the economy that any product or product, which is a minority in the marketplace and almost exclusively, will lead to its price increase. Or, if we explain this example more clearly, we can say that the price of the product in the long term is expected to increase if the offered product offer is low.

Let's take a look at how the process, which causes this inflation, works. If we step back and take control of the event, we can also examine the initial causes of the process. First of all, there should be a certain amount of money circulation throughout the country for its creation. And now, let's just imagine what economic sparks are needed to make money turnover. The high turnover of money is an indicator of the large number of economic entities in the country. This indicator also reflects the ability of entrepreneurial entrepreneurship to be used in the country. The latter steps back on the application of monetary and fiscal policies in the country. If there are many entrepreneurial people and potential entrepreneurs, this means that either

state-owned taxes applicable to entrepreneurship in the country are low or the lending rate of the central bank is low.

The nuance we first mentioned is related to fiscal policy. Thus, by fiscal policy, the state reduces taxes and at the same time creates conditions for the development of small and medium-sized businesses. Thus, the reduction of tax rates in the country is caused by inflationary fiscal policy in the country.

The second nuance is related to the monopoly policy implemented by the state. So, there are two types of monopoly policies that the state can and can do. First of all, the central bank's interest rate is linked to the second kind of reductions. When the above inflation is high, it becomes clear that the interest rate is low (but this is not always the case). Because if the central bank gives loans to entrepreneurs at low interest rates, the number of potential borrowers will increase.

As we have already noted, sometimes the domestic inflation can be observed due to devaluation of the inflation in the domestic market and devaluation. Because these terms are essentially very similar to each other, and there is a major difference between them.

There are two types of devaluation:

1. Official
2. Hidden

Official devaluation indicates a clear devaluation of the media to the media. But secret devaluation is officially concealed by the state and attempts to return the national currency to its previous value.

There are many examples of devaluations. For example, in the 90s, the pound sterling fell to devaluation and lost its value to 11-13%. But these devaluations are weak, as well as the loss of the currency in Azerbaijan. So, on February 21, 2015, according to official information, it was equal to 1.05 manats. This was a 34 per cent increase compared to the previous price. In December, this figure was 1.55.

Both the negative and positive aspects of devaluation can be listed. As an example of the negative side, we can say that people want to replace the local currency banknotes that are in banks and exchange them in foreign currency. This somewhat somewhat of the population, though it is a bit devaluation of the devaluation for the country. Other adverse factors are that if businesses or companies operating in the country or country have fake loans with foreign countries or companies, these loans will create difficulties for those businesses and the country due to their foreign currency presence. As the value of the local currency is lower than that of other foreign currencies, the payment process is also complicated and leads to large debts. The most troubled parties in the devaluation period are profit and gross domestic product. Because of the low-priced currency in the buyer's basket, they feel weakened by the processes taking place in the basket. Another problem is the price added to overseas foods. Because there is a difference between the local currency and the foreign currencies, it is necessary to adapt it to a certain increase in the national currency, which has lost its value in order to keep the foreign currency earnings stable. This is considered to be a factor that adversely affects the welfare of the population.

However, this devaluation macroeconomic indicator has some positive aspects. As the country's national currency is of lower value, an alternative option is to obtain foreign currency by making foreign trade. This is one of the

key factors in reaching exports. In order to avoid this situation, it is necessary to make foreign currency flow to the country and it should not be forgotten that one of the main factors causing this devaluation was the fact that foreign currency was not circulated. As another positive side, the development of the agricultural industry can be seen for Azerbaijan. Because, at other times, many agricultural products were imported from different markets and imported into the country, and now the product produced in the country is sold at a lower price than the product. Thus, we can see that local products are in the market.

The devaluation of the country and the main reason for a number of macroeconomic problems are associated with the fall in oil prices on the world market. As we know, our country is the main source of oil revenues from Azerbaijan's economic activity. But this is not the income, but other industries and industries in our country, along with the Azerbaijani oil, bring in the economy of the country. However, it is clear that 90% of economic income is determined by revenues from oil. Therefore, most of the problems in the economy are oil prices and problems in the world market. It is one of the most recent global challenges to devaluation. Devaluation is the loss of the country's currency between other currencies. This devaluation event causes the country to slow down and weaken. Thus, when the country's national currency is lower than other currencies, this process causes the country to step back in global trade. Commercial processes occur both in exports and in the import process. Because if the country wants to trade with any country and wants to import the product, it will now be less than the amount it receives earlier in the same currency. This also reflects the damage caused. The main reason for the devaluation in 2015, which is taking place in the Azerbaijani economy, was the drop in oil prices in the world market. This sudden decline began to diminish

oil money from oil, which helped shape the country's economy. Thus, there has been a serious shock in the country's economy. We can explain that:

X amount of exported oil equals 10 million euros before devaluation,

X quantity of exported oil equals 8.5 million €

after devaluation.

The weakening in the economy is due to the fact that money in the country's economy turns out to be relatively small compared to the money turnover and the budget.

One fact should not be overlooked: Azerbaijan, as an independent state, could not independently use its natural resources for years to develop its economy. Because from 1918 to 1920, natural resources throughout the country were included in the budget of the Russian Federation, including oil in the 1990s. Moreover, the process of absorbing the potential of natural resources, not only oil and even the non-oil sector, has hindered the sustainable development of the country, which is rich in natural resources such as Azerbaijan. For example, Armenia occupied the Nagorno-Karabakh region of Azerbaijan and owned a number of natural resources and mineral resources located there. In doing so, they are engaged in extraction of these resources by establishing mines in the areas where mineral resources are extracted to make use of many natural resources located in those areas. But there is almost no oil resource among these reserves. Because of the occupied territories surrounding the Lesser Caucasus, these natural resources contain more mineral resources. Examples include perlite in Kalbajar, gold in Zangilan and even Ugandan element in Lachin. But, unfortunately, these resources can not be used by our country. This is one of the key factors in reducing income diversification in Azerbaijan's economy. This kind of political-demographic

problems are damaging to our country and consequently the economic side. One of the potential areas for the development of the non-oil sector in Azerbaijan could be the export of mineral resources mentioned above. But, unfortunately, we have been unable to use our oil reserves for many years. This is a serious economic loss. However, with accurate economic forecasts, we know that the currently used oil reserves are not the only safeguard we can achieve. Because this natural resource will be exhausted in the next 20 years. Therefore, it is important to pay attention to the non-oil sector of Azerbaijan. Even the oil prices on this sector alone do not go down in the market. Elementary devaluation is an example of these problems. Devaluation was observed not only in 2015, but also several times after that, and the main reason was the unstable oil prices after 2014.

However, the fall in oil prices in the market, which is one of the main factors that led to this devaluation in 2015, has not only led to the rise in prices in the country. Because the rise in prices only affected raw materials imported from foreign countries and affected the prices of the products sold in the country because of the rise in prices for raw materials imported locally. However, there are some areas where the prices of the manufacturing industry are not raised at the time of oil prices, and it is also illogical to go. For example, we can show the mining industry as an example of a price drop in oil prices. Most likely, the raw material used as energy in the manufacturing process was not affected by the fact that the oil produced in the country. But if we look at other areas, we've seen growth in these industries in 2015. For example, in agriculture we can show that in 2015 the producer prices of agricultural products increased by 1.2%. Prices increased by 1% for livestock products, 0.8% for plant products and 2.9% for fish and fish products.

The Central Bank uses monetary policy instruments to achieve the monetary policy goal. The Central Bank tries to achieve its ultimate goal by influencing the money supply, exchange rate and interest rates through the monetary policy instruments under its instruction. To make adequate monetary policy decisions, the CBA constantly analyzes and forecasts the macroeconomic situation in the country. The macroeconomic situation is regularly discussed in the Monetary Policy Committee and the Management Board, which are the collegial management bodies of the Central Bank, making decisions on monetary policy based on these discussions. The Central Bank of Azerbaijan (CBA) officially discloses the methods used to raise the value of a number of countries' currency in the world market for its users and the public, and even for economists. The Central Bank informally informs the public about its policies by using the methods used in the current year. The information placed on this site covers the current year.

It is also possible to overcome the low value of the currency in a number of ways, one of which is the floating exchange rate policy that devaluation states are able to devalue enough from devaluation by implementing this policy. Thus, the central bank implemented floating exchange rate policy in order to overcome devaluation in Azerbaijan in 2015. The essence of this policy is that the central bank does not pursue any monopoly policy to raise the value of the national currency, and simply plans to make a profit by releasing the exchange rate freely. For example, for example, we can show how the Japanese exchange rate policy, which is floating exchange rate, has added value to the US currency by establishing foreign trade relations with the US government. For example, Japan was 0.85 cent compared to the new US dollar. This means that when exporting its products, Japan is more inclined to exports, and as a result, USA is forced to do more. Automatically, the yen rose from 0.85 cent to

0.90 cent. This means that while using this new exportation, the Japanese gained a new revision and gained a new revaluation. And so, the USA has diminished tendency to import Japanese goods. Such floating exchange rate policies are of 2 types. The first is a floating exchange rate, and the second is a floating exchange rate policy. The central bank does not interfere with the first floating exchange rate. With such processes, the state wants to value the national currency so that devaluation can be overcome. In this way Azerbaijan also valued the currency in 2015. This is one of the policies of the central bank in the phase of devaluation.

Distinctive features of the practice of implementing economic policy under this model are the following: conducting work in parallel in each specified direction according to agreed programs; adoption of unconventional and bold decisions that take into account the objective laws of economic development and are designed for the future; respect for social orientation; taking into account the national mentality and the use of world practice. The successes achieved in the field of socio-economic development in recent years in our country are the best proof of the viability and rationality of the Azerbaijan model of economic reforms and development. One of the most important areas of consistent and systematic economic reforms carried out in the country since 1995 is the privatization of state property and the creation of favorable conditions for the development of free enterprise. From an institutional point of view, land and agrarian reforms have actually been completed. More than 1350 thousand hectares of land were distributed free of charge to peasants, instead of collective farms and state farms farms were created. Currently, 99.0% of agricultural products are produced in the private sector. This process, along with the socio-political changes in the country, influenced the growth of the economic rationality of agricultural industries. A clear proof of this is the

decline in imports of certain types of food (for example, meat, milk, potatoes, onions, etc.) in recent years. In addition, as a long-term consequence of the implemented and implemented economic reforms and measures (we indicated above with what political documents these economic reforms and measures are being implemented) towards reducing poverty, improving socio-economic well-being, ensuring regional and sectoral development, living standards each year it rises, the progress of the economy in the regional and industry segment is realized. As noted above, the current price increase may be adjusted downward by fully liberalizing the manat rate relative to major currencies. However, by doing so, it is possible to put the non-oil economy at a disadvantage, as well as to neutralize the existence of a number of structural problems of the transition period that need to be solved by ensuring the rule of law and institutional development. The solution of these structural problems is an important factor in influencing the reduction of inflation, and also leads to the elimination of the observed distortions in the economic system. In this regard, any CPI growth (inflation) requires a multilateral analysis and its consideration as a multifactorial process.

The following most important measures should be included in the complex of anti-inflation measures:

- limiting the growth of regulated prices, with the exception of tariffs, the level of which is not covered by the costs of the production of these goods and services;
- ensuring uniform spending of budgetary funds and strengthening control over them;

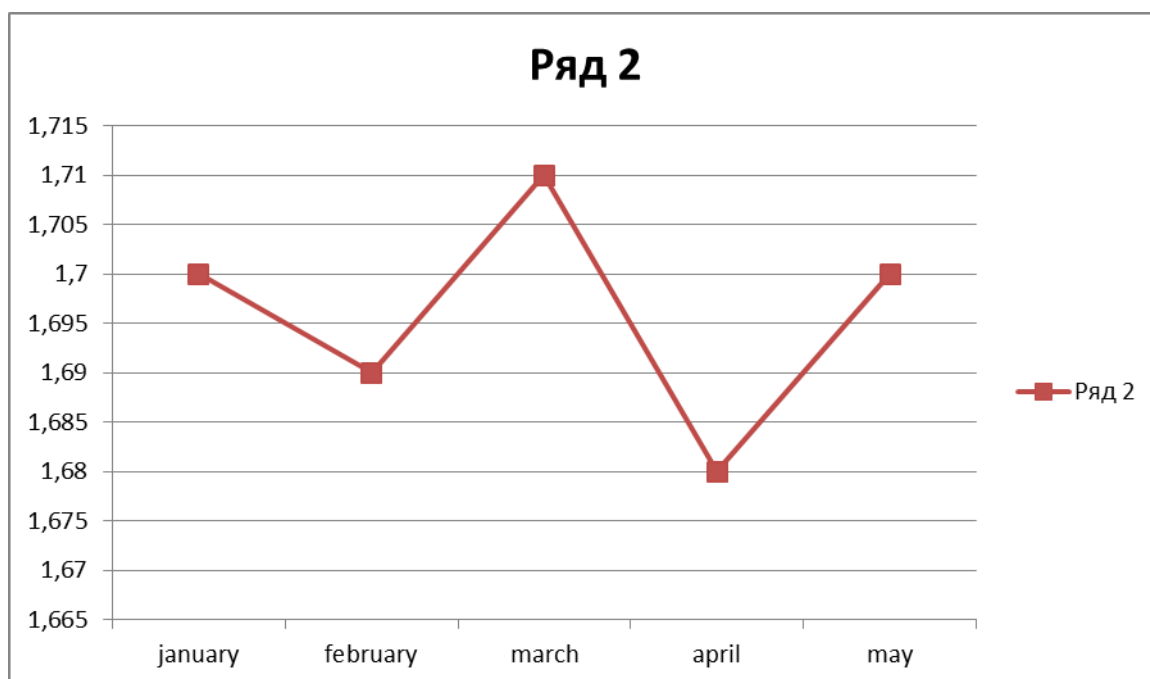
- conducting a balanced exchange rate policy of manat, ensuring the competitiveness of export goods and the development of the non-oil sector of the economy;

- increase in subsequent years, the volume of sterilization of oil revenues; determination of the volume of transfers from the Oil Fund to the State Budget on the basis of the residual principle resulting from the difference between the upper possible limit of budget expenditures (determined on the basis of the allowed level of inflation) and the potential of tax and other non-tax sources of its revenues. For Azerbaijan, in the face of rising oil prices and the purchase of dollar revenues by the National Bank, an attempt to target inflation at these external levels will actually mean restraining the growth of the money supply, which is practically impossible in a real economic situation and insufficient development of financial markets. Consequently, the transition to inflation targeting is possible, firstly, when the current account balance of payments, characterized by huge oil dollar revenues and the need to convert them to ensure financing of public expenditures, will cease to be the main source of money supply growth, and second , after achieving significant development of financial markets, allowing more flexible management of financial flows, creating opportunities to ensure balance in financial flows.

The political and economic conflicts of 2018 affected a number of developing countries, including Azerbaijan. The increase in basic interest rates in the United States, the rise in oil prices and the appreciation of the US dollar directly or indirectly affected international trade, which also affected Azerbaijan's economic relations with neighboring countries. Although the depreciated currency encourages foreign investors to invest in the region, the risks associated with the "Saturday syndrome" (the expectation of a sudden

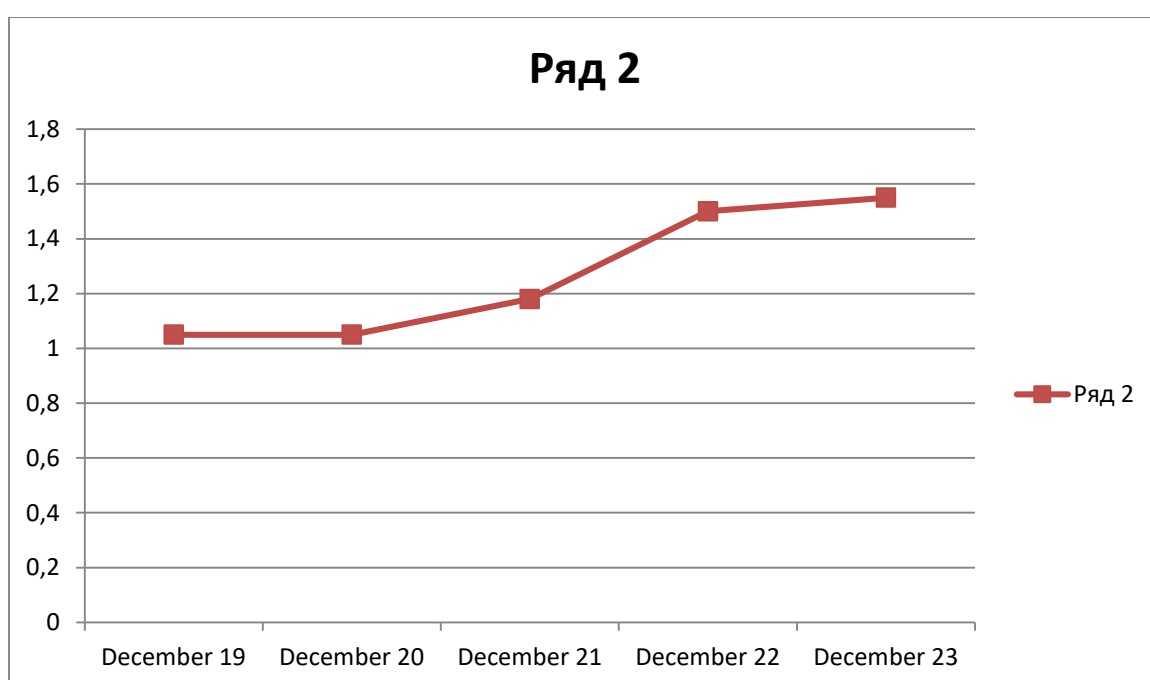
deterioration in the economic situation) simply compensate for the advantages of cheaper investments. Difficult events in the global economy and politics - such as the upcoming Brexit, trade wars, etc. - are potential sources of economic turmoil that should be taken into account individually by governments and central banks in order to diversify risks in advance. Although devaluation is still felt, but this number is constant from the beginning of year till today.

Here is a graph of this year national currency rate divided by USD/AZN



As you see there is no so much changing in currency rate as shown on this graph. But there was a big fluctuation in December 2015 . Let's watch on graph

The rate of manat currency was 1,05 since before till December 20 in 2015, then currency suddenly faced 1,18 in December 21, then after losing value beside USA dollars, next shock became the day after tomorrow. Now manat rate was 1,50



The manat rate remains stable, and no major changes in the course are forecasted for the next six months, although the currencies of neighboring countries lose value. Since oil prices have been high in recent months, the flow of foreign currencies into the country has increased, which contributed to maintaining the stability of the manat. Other macroeconomical activities are

increasing tax revenues. And also an activity of increasing tax revenues by government is almost crucial and mostly known fiscal policy for increasing and fulfilling government budget. Excise tax revenues will increase by \$ 90 million, of which most come from the State Customs Committee - due to the planned increase in excise taxes on alcohol, cigarettes and vehicles. There is a slight increase in corporate tax - by 5.4%. The reasons for the increase are the growth of the non-oil sector, the expiration of benefits granted to non-governmental organizations operating in the non-oil sector, and the restriction of the amount of simplified tax to new amendments to the tax code. The contribution of higher budget expenditures to gross domestic product is certainly a positive factor, but this growth is not sustainable in the long run for a number of reasons. First, it cannot be denied that this makes the economy more vulnerable to oil price fluctuations. Secondly, most of the increased spending goes on investments in fixed capital from the state (in other words, on construction), due to the fact that:

- a) construction costs have a much shorter payback period than others, and
- b) unlike education, health care and social welfare, construction costs do not carry social significance and can be easily reduced if necessary. Finally, the allocation of more resources to the public sector, especially for construction, underlines the possible inefficiency of spending. Finally, the non-oil sector of the Azerbaijani economy should also be considered. Lagging behind in the 2000s, thanks to the boom in oil production and high oil prices, it grew by a significant amount, outpacing the oil sector in pace. Thanks to investments in non-oil industries, reaching several billion dollars a year, the development of these industries was indeed noticeable. But now even they are in crisis. Actually, increase in a price of oil have not only one sided profit to country, but

also there are other sided profitable affects to our country. Let's explain situation:

For instance, you extract and export your oil in high price , then you get huge amount of government budget sustainably till the end of oil resources. It is a globally big problem a scarcity of oil but there is joyfull fact that consist of a possibility of development non-oil sector. Cause the main need is high fundamental budget as investment in new industry. That is why countries those export oil by high price will have a chance in future to take up new business for developing non-oil industry in future.

Sometimes internal policies can not be enough to refresh country economy. Because internal process only can stimulate national desire to consumption and money circulation within country. It can regulate a level of inflation and deflation. But devaluation is about mostly countryside issue that is characterized by value reduction of national currency through other countries currencies. Generally, frequently-faced cause of devaluation is low amount of trade between other countries. Because of entering other country currency into your economy circulation, your currency can get a value after this procedure. That is why countries specially those face frequently these types of macroeconomical problems have to keep and protect an optimal level of trade among other countries. In today economy, most countries tend to trade their products by dollars because of leading currency all over the whole world. And all fixed exchange rates determined by USA government and it's leadind force country known around world. Also we noted above that one cause of devaluation in 2015, in Azerbaijan was about weakness of non-circulated

dollars in country economy. Because a price of oil resources decreased and an amount of dollars Azerbaijan received from world countries also reduced. That is why central bank of Azerbaijan do not directed this low amount of dollars to economy and then devaluation occurred.

All time smooth-thought of governments make a result inevitable. It is mostly like bet games to regulate and adjust devaluation in certain time. Because we can not punish central bank of Azerbaijan that 'why did not you drive all dollars into economy?' Because all government tend to make any health deposit for future policy and activities. Struck by the Dutch disease, the economy of Azerbaijan entered a period of protracted crisis. Oil production reached a peak in 2008-2013, since then it has been declining. No alternative sources of growth have been created - despite the fact that non-oil GDP grew faster than oil, this is not very important, because as soon as transfers from the oil sector cease, it stops growing. The only such tool could be a rise in oil prices, but it is unlikely that such a rise will be soon. The rise in oil prices for the time being disguised for the Azerbaijani authorities the fact that in reality the economy stopped growing after 2010. Incomes grew, and both government revenues and population incomes, as a result, it seemed that everything was fine until the end of 2014. Government spending is also hardly balanced. Military expenses, withdrawal of funds to offshore, ate a significant part of the profits from oil production in the period of growth, now even their reduction does not allow restarting growth.

Given the place and position of Azerbaijan in the region, it can be assumed that in the near future it will become one of the stable financial centers.

However, in order for the Azerbaijani financial market to become attractive from the investment point of view for local and foreign companies, a target program should be developed and a number of institutional changes should be implemented. In addition, this future regional financial center should be characterized by a concentration of its own large-scale financial resources. However, the development of the investment climate, credit and stock markets, as well as investment in fixed capital is mainly due to the inflow of foreign investment and the use of oil revenues, and not through the transformation of local deposits into investments, diversification of the non-oil sector, which could significantly increase the competitiveness of the country's economy, to ensure its constant and dynamic economic growth. This state of affairs, albeit in the short term, overcomes the financial difficulties facing economic growth and contributes to accelerated economic development, but in the long run creates hidden pitfalls for the development of the financial system as a whole, and increases its instability to external shocks.

Studies show that in the near future for the Republic of Azerbaijan the main directions of socio-economic development should be the following:

- raising the standard of living of the population in real value to the level of developing countries;

- increase the competitiveness of the country;

- an increase in the scientific, technical and innovation potential of the country.

The current stage of development of the world economy is characterized by a high degree of globalization. Here, it is not the size of the country's foreign trade balance that plays an important role, but the place of the Azerbaijani economy in the global "chain" of creation of added value. The Azerbaijani economy is currently characterized by a very low level of export diversification, inefficient use of competitive advantages in the export of high-tech industries. The structure of the Azerbaijani economy should be changed, its dependence on external influence should be reduced. In modern conditions, Azerbaijan is creating anew industrial and social infrastructure, transport communications, purchasing new technologies and production lines, creating new industries in the service sector, the country is increasingly entering foreign product markets. At the same time, in order to become an active participant in the modern global economy and a subject of the new information society, it is necessary to diversify the entire economic system of the country and create modern industries and innovative technologies.

At present, the development prospects of resource regions (to which the Azerbaijan Republic belongs) are becoming increasingly important both for the world community as a whole and for individual countries, since the demands of a modern economy based on the production of high-tech products, technologies and services require their needs, the development of new competitive industries. Actually, the newest types of products those are produced by some industries with high-tech technological equipments mostly

located in developed country. Indeed almost all modern techno equipments used in daily routine produced by developed countries companies. Because main reason is about expensive fundamental provision and other expenses. Cost of construction technology equipments value more, that is why developing country does not afford to construct them for production. And countries those produce these kind of products consist of high price and sold to all world countries. Leading strong developed countries use politics with selling this products by high price to fulfill their budget and there are some ways used by these countries to attract developing countries for consumption.

The degree of scientific elaboration of the problem. The study of the characteristics of national economies in the scientific literature is devoted quite a lot of work, which are often associated with the problems of sustainable development. Sustainable development is crucial problem for common industries all over the world based on research. It will cause scarcity of products and can easily be a reason for several macroeconomical issues. Sustainable development is a development of society in which human living conditions improve, and the environmental impact remains within the economic capacity of the biosphere, so that the natural basis of human functioning does not collapse. With sustainable development, the satisfaction of needs is without prejudice to future generations. The concept of sustainable development is seen as a prerequisite for the long-term progress of mankind, accompanied by the increase of capital and the improvement of environmental conditions. The concept of sustainable development implies the development of a region through self-organization with a framework of external support that prevents its transition to a state of irreversible environmental degradation. For humanity as a whole, this concept implies a

partial, focused, supporting transfer of financial resources from rich to poor regions with a wide exchange of environmental knowledge and information.

In fact, we can speak not about an immediate cessation of economic growth in general, but about ending, at the first stage, the irrational growth in the use of environmental resources. It can cause to diminished level of these resources in that country. The latter is difficult to achieve in the world of growing competition, the growth of such current indicators of successful economic activity as productivity and profit. And other facts are focused on sufficient usage of alternative resources gained from nature . At the same time, the transition to the “information society” - the economy of intangible flows of finance, information, images, communications, intellectual property - leads to the so-called “dematerialization” of economic activity: now the volume of financial transactions exceeds trade in tangible goods 7 times The new economy is driven not only by a shortage of material (and natural) resources, but increasingly by an abundance of information and knowledge resources. These intangible resources drive our economy to be leaded intellectually . The energy intensity of economic activity continues to decline, although the total energy consumption is still growing.

Methods of retrospective analysis

A retrospective view of the organization’s business is a distinctive feature of this analysis, which studies the processes already completed and contributes

to the definition of the organization's reserves. This analysis is an integral part in summing up the results of an enterprise and commercial calculations. In a retrospective analysis, accounting and statistical reports are taken as the basis.

The tasks of the retrospective analysis are:

assessment of economic activities and identification of factors affecting the performance of the organization,

evaluation of the enterprise and its services,

assessment and validity of planned tasks, their analysis and tensions.

Assessing the intensity of tasks allows you to determine the degree of use of resources by enterprises and the intensity of costs. The main objective of the analysis is to evaluate the organization's activities, it is carried out in order to identify unused reserves, which is often the main problem of enterprises. Comprehensive identification of reserves to improve production efficiency allows to improve the activity of the enterprise, reveal shortcomings in the activities of workers, identify the culprits, for further material incentives for labor. For high-quality data processing in the process of current analysis, modern software and mathematical methods for processing economic information are used. The current analysis is carried out by the economic and technical services of the company, as well as in the evaluation process involving other units. As a result, an explanatory note is drawn up, which is attached to the annual report, where the organization's economic activities are justified and ways to improve the production process are proposed. The main objectives of the assessment analysis are an objective assessment and monitoring of the results of commercial activities, a comprehensive identification of unused reserves, their mobilization to increase the economic efficiency of production in future periods, as well as the identification of

shortcomings in work and their culprits, the achievement of full compliance with the material and moral incentives based on labor results and quality of work. This type of analysis has a significant drawback - the identified reserves mean forever lost opportunities to increase production efficiency, since they belong to the past period. In the process of analysis, business situations are recorded, the results of the analysis are taken into account only in future work, as the management system receives information, as a rule, late (for example, for the month - only by the middle of the next month) and it's impossible to fill in the shortcomings. Therefore, to increase the effectiveness of the analysis, the task is to speed up the presentation of reports and its analytical processing. The current analysis is carried out by all economic and technical management services, as well as workshops and other units in all sections of the analysis. In general, the enterprise draws up an explanatory note to the annual report on the results of the work for the year, which assesses the business activities and recommends ways to improve the work.

This retrospective analysis can be called historical data analysis. Because in this analysis all the data and information surround company or organization historical data and activity schedule for observing all previous activities of them. In this way experiments and other calculation which is about prediction on future period of company can help us to determine current position and situation of organization. Historical data methods are really helpful to forecast anything about company. But sometimes this method (retrospective analysis) not only used throughout companies to learn their activity schedule and other data. It can be useful for government for controlling finance market of country and lead them successfully before their fall down. For example, you can forecast future inflation with using directly regression and indirectly

retrospective analyses. Because in this way you will approach historical data of country for observing total economical position of it.

You will add all possible variables to your regression equation to find firstly which factors can directly influence to which macroeconomical issue. After decision on macroeconomical term, you should watch historical data of these variables and then you noted them on regression equation. And you can also define all period of macroeconomical indicators schedule and causes of its variables which have more impacts on their changes.

If we watch retrospective analyses of Azerbaijan monetary policy we can find some fluctuation since 2014.

Conclusion

As we stated above oil price changes not only affected to Azerbaijan, but also to all countries around world which extract and export oil resources as a part of their economy. But in 2014 price reduction influenced our economy firstly by lowering income and government budget which was fulfilled by revenue comes from oil export. Then Azerbaijan faced first devaluation in February 2015 roughly 1,05. Next devaluation occurred in December 21 2015 from 1,05 to 1,18 and 1,5 and currently manat currency rate shown 1,7 formally.

Government implemented some policies as example fiscal policy to adjust internal product prices within country. But preventing this devaluation Central Bank used Floating exchange rate policy to increase value of manat all over the world economy.

Floating exchange market decreased devaluation and maintained a rate of currency stable in a market.

Then government increased mass amount of export to add value to currency by floating exchange rate. It was clear floating money because central bank did not regulate currency and currency get a value by itself. But in black floating exchange rate policy it does not work like this.

We noted all indicators in Azerbaijan macroeconomics and how to prevent or stabilize them.

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