

## **Interview of Elman Rustamov, Governor of the Central Bank of the Republic of Azerbaijan to the Reuters TV**

**Correspondent:** My interviewee is Mr Elman Rustamov, Governor of the Central Bank of Azerbaijan, he is in Washington for discussions with the World Bank. Welcome to Washington.

**E.Rustamov:** Thank you.

**Correspondent:** Taking into account that the Azerbaijani economy is oil based, I would like to start our discussion with oil prices. I would like to know your thoughts on the backdrop of rising oil prices.

**E.Rustamov:** Indeed, today oil prices are very high, higher than expected, and prices are very favorable for Azerbaijan as an oil producer and exporter, because it brings additional revenues to the country. I think that by the yearend prices will be lower than today. However, in any case, they will be higher than we forecasted prior to the beginning of the year.

**Correspondent:** In general, could you modify your targets and does it mean that the government may make changes to expenditures?

**E.Rustamov:** It is possible, but I should also mention that the country has a considerable size of foreign exchange reserves generated from oil revenues, which equal to 60% of GDP. Consequently, changes in targets or expenditures are not directly linked to rising oil prices, the reason is that the country is in the course of improvement and modernization of its infrastructure and some of these key projects may need additional funding and certain additional tranches are possible for the purpose. However, I don't expect it to be significant. Hence, expenses may be corrected, however, they are not directly related to high oil prices.

**Correspondent:** Both emerging and developing economies also face inflationary pressures not only because of high oil prices, but also because of rising food prices. I would like to know; do you feel any inflationary pressures in Azerbaijan?

**E.Rustamov:** We can mainly speak about foreign shocks rather than high oil prices. Food prices are rising on a global scale and the Food and Agriculture Organization (FAO) is

predicting further price hikes. Azerbaijan imports most part of food and food prices are rising. In developing countries and emerging market economies food accounts for major part of household budget. Consequently, food prices are an issue of concern for Azerbaijan as well.

**Correspondent:** You have said that food prices worry you. Do you find it possible to make any corrections in terms of lessening the burden of low income families?

**E.Rustamov:** We take measures against inflation, particularly by means of the monetary policy. Competent authorities will take actions to keep inflation targets on a single-digit rate by means of these measures. Also, the legacy of the 'boom' of the crisis is that the government strives to maintain high nominal income of the population that will prevail over inflation. For instance, real income was two times as much as the inflation rate last year. Moreover, the government has social projects and the targeted social aid program helps low income families to resist these pressures.

**Correspondent:** Thank you so much, Mr Rustamov for being with us, with the Reuters. It was me – Lizzie with you and here is Reuters.