**Responding to the Coronavirus Crisis**

**Update on Azerbaijan (13/05/20)**

**Key short-term priorities**
- Ensure macroeconomic and financial stability, provide liquidity to the economy and support to vulnerable workers and other individuals

**EBRD Policy Comparator**

<table>
<thead>
<tr>
<th>Financial Sector</th>
<th>Direct support to firms</th>
<th>Payment holidays</th>
<th>Temporary controls</th>
<th>Support to individuals</th>
<th>Increased social benefits</th>
<th>Health</th>
<th>External Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy rate reduced</td>
<td>Liquidity increased</td>
<td>Wage subsidies</td>
<td>Tax/social sec. contr. deferred</td>
<td>Loan subsidies</td>
<td>Guarantees</td>
<td>Inspections/audits suspended</td>
<td>Loans</td>
</tr>
<tr>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Economic channels of disruption**

**Commodity prices, external imbalances**
- With more than a third of GDP, roughly two-thirds of government revenue and 90 per cent of exports generated by the hydrocarbon sector, the recent oil price decline will hit the economy.
- With large SOFAZ assets at approximately 90 per cent of GDP, a prolonged period of low oil prices and weak global demand could cause serious imbalances in the economy.
- The non-oil and gas sector will be hit by strict containment measures.
- Despite improvements, weaknesses remain in the financial sector, as seen in the elevated share of overdue loans (at 8.4% in 2019).

**Selected crisis impact indicators**

- **EBRD GDP growth outlook (May 2020)**
  - 2020: -3.0%
  - 2021: 3.0%
- **GDP growth**
  - 1.1% y/y in January-March 2020
- **Non-oil and gas GDP growth**
  - 3.5% y/y in January-March 2020
- **Exports of goods**
  - 1.3% y/y in January-February 2020
- **FX sales to commercial banks with the participation of SOFAZ**
  - US$ 2.3bn (10 March – 7 May)

**Crisis response measures to date**

**Support for non-oil and gas sector and vulnerable social groups**
- Total package of up to AZN 3.5 billion (4.3% of GDP) announced.
- Package likely to include wage subsidies, support for micro entrepreneurs, extension of payment deadlines for various taxes, extending loans to business under preferential terms or guaranteed by the state, subsiding interest rate on existing loan portfolio of SMEs.
- The state plans to expand unemployment benefits, increase the limit for provision of electricity to the households under preferential prices and cover tuition costs for students from vulnerable groups.

**Selected crisis response indicators**

- **Loan subsidisation for most affected businesses**
  - (total amount announced)
  - AZN 500 million loans, AZN 20 million cost for the state (for new loans, 60% of businesses will receive state guarantees, 50% interest rate subsidies)
- **Loan subsidisation for SMEs**
  - (total amount announced)
  - AZN 1 billion worth of loans, AZN 50 million cost for state (interest rate subsidies on existing loan portfolio)
- **Support to employee salaries**
  - (total amount announced)
  - AZN 215 million for 300,000 employees
- **Support for entrepreneurs**
  - (total amount announced)
  - AZN 80 million for 300,000 micro entrepreneurs

**To learn more about EBRD’s support to Azerbaijan visit:** [https://www.ebrd.com/azerbaijan.html](https://www.ebrd.com/azerbaijan.html)