

Coronavirus response in 2021: building back better

Update on Azerbaijan (16 June 2021)



Covid-19 policy response

- **The authorities implemented a crisis response package of economic and social support in 2020** worth in excess of 4.6 per cent of gross domestic product (GDP) (AZN 3.3 billion). The package included wage subsidies, support for micro entrepreneurs, extended payment deadlines for various taxes, loans to business on preferential terms, state guarantees and subsidised interest rates on the existing loan portfolios of small and medium-sized enterprises. The business package was bolstered by comprehensive social assistance measures.
- **Efforts to support the economy continue in 2021.** The 2021 budget allocated another AZN 261 million (0.3 per cent of GDP) for fighting the pandemic. Benefits to businesses have been expanded and additional social assistance has been provided. The central bank lifted some measures in January 2021: inspections of credit institutions suspended in 2020 have resumed and additional capital requirements for consumer loans have been reinstated.

Macroeconomic indicators (%)

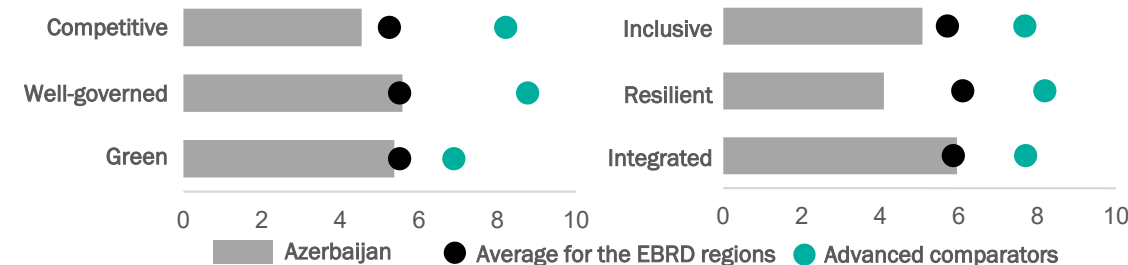
	2018	2019	2020	Short-term indicators
GDP growth	1.4	2.2	-4.3	EBRD GDP growth forecast (June 2021) 2021: 2.0%; 2022: 2.5% GDP quarterly growth: -1.3% y/y (Q1 2021), 0.8% y/y (Jan-May 2021) Non-oil and gas growth: 2.1% y/y (Q1 2021), 4.5% y/y (Jan-May 2021) Investments: -8.7% y/y (Jan-Apr 2021), non-oil: -15.2% y/y (Jan-Apr 2021) Retail trade turnover: 0.1% y/y (Jan-Apr 2021) Annual inflation: 4.9% y/y (May 2021)
Annual inflation (end-year)	2.3	2.7	2.8	
Government balance/GDP	5.5	8.2	-6.4	
Current-account balance/GDP	12.8	9.1	-0.5	
Net FDI/GDP	1.7	2.9	-1.0	
Public debt/GDP (end-year)*	19.0	18.9	23.4	
Unemployment rate (end-year)	4.9	4.8	n/a	

* Public debt consists of domestic and external debt in 2020 and only external debt in 2018-19.

Key short-term priorities

- Continue pursuing governance reforms in the state sector to bring about efficiency gains and support economic recovery.
- Complete banking-sector reform, including by improving the regulatory framework and supervision.
- Continue to develop a sustainable and competitive energy market with a sound regulatory framework and institutions.

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Well-governed

- A public holding company has been established for the central management of state-owned enterprises to boost state-sector efficiency and transparency.

Green

- Efforts to green the economy are continuing. The authorities have published an in-depth review of the energy efficiency policy and are currently working on a draft national action plan to enhance energy efficiency and the use of renewable energy sources.

Resilient

- The full deposit insurance scheme was extended in December 2020, with an increase in the upper limit of the insured amount. To support SMEs, the deposits of individual entrepreneurs were also included in the scheme, up to a certain threshold.

Digital

- A myGov portal mobile application was launched in February 2021 to make public services more accessible.