

Responding to the Coronavirus Crisis

Update on Azerbaijan (13/11/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
*			*	*	*	*			*					*		*		*	*	*	

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 reduced demand and oil price decline hit the economy.
- The non-oil and gas sector is hit by containment measures which were extended a few times, although they have been loosened.
- Despite 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.
- Despite improvements, financial sector remains vulnerable, as seen in the elevated share of overdue loans (at 8.4% in 2019).

Selected crisis impact indicators

EBRD GDP growth outlook (Oct 2020)	2020: -3.0%
	2021: 2.5%
GDP growth	-3.8% y/y in January-October 2020
Non-oil and gas GDP growth	-2.3% y/y in January-October 2020
Exports of goods	-30.6% y/y in January-August 2020
% change, in nominal values	
Investment into fixed capital	-3.8% y/y in January-September 2020
of which in non-oil and gas	-24.1% y/y in January-September 2020

Crisis response measures to date

Support for non-oil and gas sector and vulnerable social groups

- Total package of up to AZN 3.3 billion (4.1% of GDP) announced.
- Package includes 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, subsidizing interest rate on existing loan portfolio of SMEs.
- The state expanded unemployment benefits, increased the limit for provision of electricity to the households under preferential prices and covered tuition costs for students from vulnerable groups.

Selected crisis response indicators

Loan subsidisation for most affected businesses	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) (total amount announced)
Loan subsidisation for SMEs	AZN 1 billion worth of loans, AZN 50 million cost for state (interest rate subsidies on existing loan portfolio) (total amount announced)
Support to employee salaries	AZN 215 million for 300,000 employees (total amount announced)
Support for entrepreneurs	AZN 80 million for 300,000 micro entrepreneurs (total amount announced)

Key short-term priorities

Ensure macroeconomic and financial stability, provide liquidity to the economy, support vulnerable groups, develop the economic recovery plan