Responding to the Coronavirus Crisis
Update on Azerbaijan (13/11/20)

Key short-term priorities
Ensure macroeconomic and financial stability, provide liquidity to the economy, support vulnerable groups, develop the economic recovery plan

EBRD Policy Comparator

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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
- -2.3% y/y in January-October 2020

**Exports of goods**
- -30.6% y/y in January-August 2020

**Investment into fixed capital**
- -3.8% y/y in January-September 2020
- -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, subsiding 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)

**Loan subsidisation for SMEs**
- AZN 1 billion worth of loans, AZN 50 million cost for state (interest rate subsidies on existing loan portfolio)

**Support to employee salaries**
- AZN 215 million for 300,000 employees

**Support for entrepreneurs**
- 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)

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