

# Coronavirus response in 2021: building back better

## Update on Azerbaijan (06 December 2021)



### Covid-19 policy response

- **Efforts to support the economy continued in 2021.** The 2021 budget allocated another AZN 261 million (0.3 per cent of GDP) to fighting the pandemic. Benefits to businesses have been expanded and additional social assistance has been provided.
- **Monetary policy measures have been largely phased out.** 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.
- **The recovery has been stronger than expected thanks to improving terms of trade.** Rising demand and higher prices for oil and gas, supported by a gradual increase in oil production quotas, are supporting the country's overall economic performance.

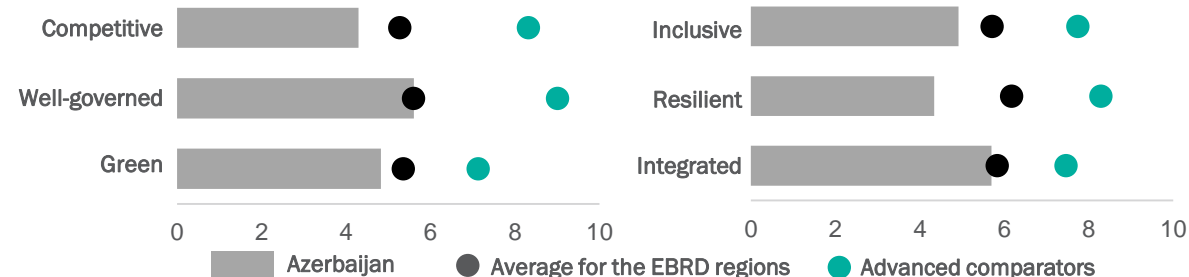
### Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	1.4	2.5	-4.3	<b>EBRD GDP growth forecast (Nov 2021)</b> <b>2021: 4.0%; 2022: 3.2%</b> GDP growth: 4.9% y/y (Jan-Oct 2021)
Annual inflation (year end)	2.3	2.6	2.8	Non-oil and gas growth: 5.9% y/y (Jan-Oct 2021)
Government balance/GDP	5.5	9.1	-6.5	Investment: -11.5% y/y (Jan-Oct 2021), non-oil: -13.1% y/y (Jan-Oct 2021)
Current-account balance/GDP	12.8	9.1	-0.5	Retail trade turnover: 2.9% y/y (Jan-Oct 2021)
Net FDI/GDP	1.7	2.9	1.8	Annual inflation: 10.0% y/y (Oct 2021)
General government debt/GDP (year end)	18.7	17.7	21.4	
Unemployment rate (year end)	4.9	4.8	7.2	

### Key short-term priorities

- The government should aim to diversify the economy to enhance its resilience to shocks.
- Implementing the "Azerbaijan 2030" vision and the accompanying strategies needs to go hand in hand with enhancing public administrative capacity.
- The authorities should continue to develop a sustainable and competitive energy market with a sound regulatory framework and institutions.

### EBRD assessment of transition qualities (ATQs), 2021<sup>1</sup>



### Building back better: key ongoing initiatives

- Well-governed**
  - The government outlined its main directional and policy priorities in its Azerbaijan 2030 vision. Effective management of the state's role in the economy via market-oriented reforms, bolstering private institutions, government-friendly business management and the further liberalisation of trade practices are seen as key factors for economic recovery.
- Green**
  - A new law on the use of renewable energy sources in the production of electricity was signed in July 2021, together with a presidential decree on implementing the renewable energy law.
- Resilient**
  - The full deposit insurance scheme was extended in December 2020. 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.

To learn more about the EBRD's support for Azerbaijan, visit: <https://www.ebrd.com/azerbaijan.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.