



THE REPUBLIC OF AZERBAIJAN
MINISTRY OF ECONOMY

AZERBAIJAN – ECONOMIC REVIEW

May-June, 2021



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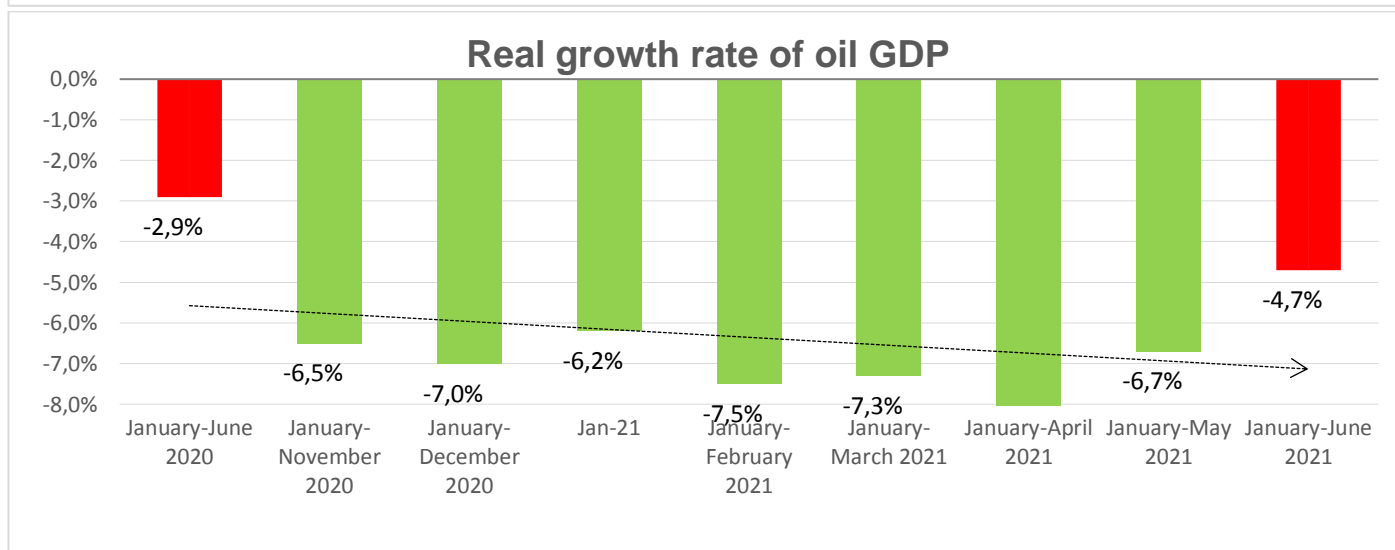
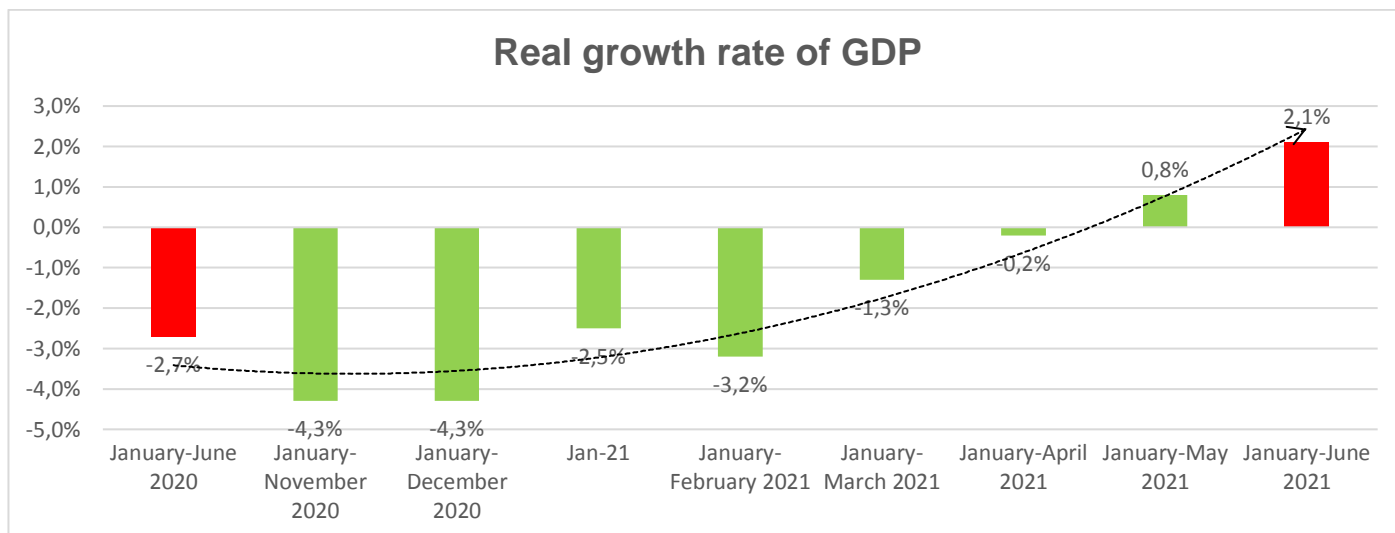
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1. Macroeconomic situation

GDP dynamics – economic growth

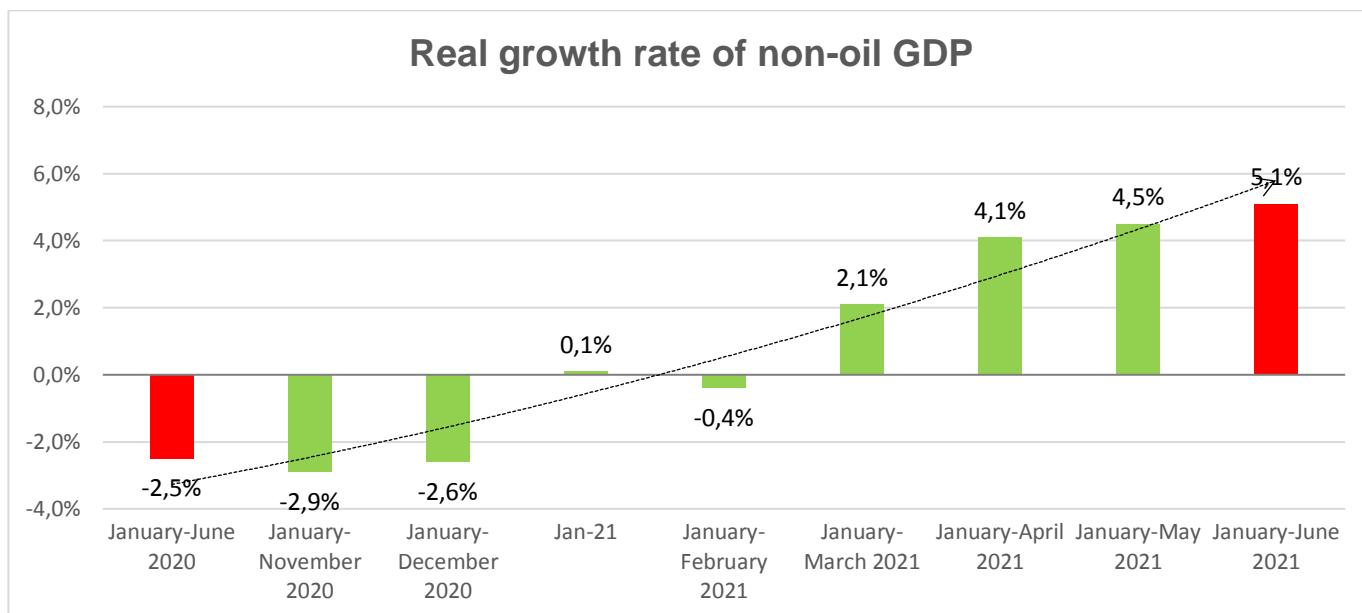
Although the Covid-19 pandemic has had a negative impact on the country's economy since early 2020, the comprehensive measures, including the support of entrepreneurship combined with the ongoing nationwide vaccination process, have contributed to economic revival and restoration of economic activity. In this regard, real GDP in January-June of 2021 increased by 2.1% compared to the same period of 2020 and amounted to 39.9 billion AZN with current prices. Real GDP per capita rose by 1.6% and amounted to **3987.6 AZN or 2345.7 USD (2030.1 USD in the same period of the previous year)**.



In the structure of output of GDP the main share belongs to the production of goods with 51.4%.



Value added produced in the oil sector decreased by 4.7%, and the share of this sector in GDP was 35.8%



The recession in non-oil sector has already stopped and on the whole value added produced in non-oil sector increased by 5.1%, and the percentage of this sector in GDP was 64.2%

Non-oil economy

As to the non-oil economy, there was **16.8% increase in non-oil industry, 9.9% increase in transportation and storage sector, 5.7% increase in agriculture, forestry and fishery, 5.5% increase in information and communication, 2.0% increase in trade and 4.2% increase in other services.**

Output in non-oil industry	
Economic activity	Rate of increase
Pharmaceutical products manufacturing	3.1 times
Computer, electronic and optical products manufacturing	2.5 times
Machinery and equipment manufacturing	48.3%
Electrical equipment manufacturing	60.6%
Production of metallurgical industry products	9.4%
Wood and woodwork manufacturing	24.0%
Tobacco products manufacturing	80.8%
Paper and carton manufacturing	34.2%
Rubber and plastic products manufacturing	29.7%
Food production	8.1%
Construction materials manufacturing	40.2%
Textile industry	10.7%



However, decline was observed in **industry (-1.7%), construction (-1.1%) and tourism and public catering (-6.9%)**.

Fixed capital investments

For the period of January-June 2021 fixed capital investments amounted to **5919.4 million AZN** or decreased by **7.6%** compared to the same period of the previous year. **61.0%** of the fixed capital investments was formed by the internal sources, while **39.0%** of them by the external ones. **46.3%** of investments are directed to oil and **53.7%** to non-oil sector. Investments made in January-June 2021 decreased in oil sector by **2.8%** and in non-oil sector by **11.3%** compared with the corresponding period of the last year.

Transport

The eliminations of restrictions applied due to the pandemic had their impact on cargo and passenger transportation as well. Thus, during January-June 2021 **92.2 million** tons of cargo was shipped by the business entities engaged in transport sector which is **4.2% less** than the corresponding period of 2020.

Consumer market

Goods sold and services rendered in January-June 2021 **increased by 1.7%** on relative prices compared to the same period of 2020. After experiencing downward trend in previous months, consumer market seems to gradually picking up.

Retail

In January-June 2021 retail turnover increased by **1.7%** compared with the corresponding period of the previous year.

Services and Catering

In January-June 2021 public catering turnover decreased by **4.5%** in real terms. The cost of paid services to population increased by **2.3%** in real terms.

Inflation and income of population

Inflation has been at the level of **4.3%**. Rising world food prices and adjustable commodity prices (diesel, gasoline and water) have had a partially boosting effect on inflation. Thus, within the given period, consumer price index was 4.9% in food, beverages and tobacco products, 3.9% in non-food products and 3.5% in paid services. In January-June 2021 **nominal income of population** increased by **0.4%**, compared with the same period of the last year, and amounted to **27.6 billion AZN**.

At the same time, income per capita decreased by **0.1%** and was **2755.4 AZN**.



2. Foreign Trade

Foreign trade in January-June 2021

Indicator	Amount
Turnover	14,20 billion USD
Export	8,81 billion USD
Oil and gas industry products	7,65 billion USD
Non-oil export	1,16 billion USD
Import	5,39 billion USD
Trade balance	+3,42 billion USD
Number of partner countries	171
Number of participants in foreign economic activity	34.605
Number of exported products	2.568
Number of imported products	6.830



**Import-export indicators by sectors in the foreign trade of the Republic of Azerbaijan in
January- June 2021**

Million USD

Product label	Export	Import
Total	8.811,10	5.391,16
Live animals and products of animal origin	7,56	140,46
Vegetable products	316,29	354,42
Animal or vegetable fats and oils and their cleavage products	15,86	117,57
Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	50,27	441,61
Mineral products	7.736,15	154,90
Products of the chemical or allied industries	35,79	636,14
Plastics and articles thereof; rubber and articles thereof	172,17	237,85
Raw hides and skins, leather, furskins and manufactures thereof	6,04	9,09
Wood, cork and articles thereof, plaiting materials	0,15	144,68
Pulp of wood, paper or paperboard and articles thereof	3,32	94,73
Textiles and textile articles	162,75	213,23
Footwear, headgear, umbrellas, walking-sticks, feathers, artificial flowers	0,21	34,74
Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	2,19	116,30
Pearls, precious stones and metals and articles thereof	109,27	10,86
Base metals and articles of base metal	149,13	464,88
Machinery, mechanisms, electrical equipment parts thereof	24,64	1.343,54
Vehicles, aircraft, vessels and associated transport equipment	4,20	553,75
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	11,36	123,89



Miscellaneous manufactured articles	3,00	143,34
Works of art, collectors' pieces and antiques	0,10	0,16

Trade relations with the top 20 countries in terms of foreign trade turnover of the Republic of Azerbaijan in January- June 2021

№	Countries	Turnover		Export		Import	
		Million US dollar	Share, %	Million US dollar	Share, %	Million US dollar	Share, %
	Total	14.202,26	100,00	8.811,10	100,00	5.391,16	100,00
	including:						
1	Italy	3.378,36	23,79	3.160,99	35,88	217,37	4,03
2	Turkey	2.204,45	15,52	1.386,85	15,74	817,60	15,17
3	Russia	1.342,51	9,45	418,51	4,75	924,00	17,14
4	China	822,24	5,79	124,79	1,42	697,45	12,94
5	Germany	478,29	3,37	136,86	1,55	341,43	6,33
6	Georgia	431,51	3,04	389,51	4,42	42,00	0,78
7	India	431,36	3,04	352,62	4,00	78,74	1,46
8	Ukraine	423,96	2,99	204,89	2,33	219,07	4,06
9	Spain	378,61	2,67	342,44	3,89	36,17	0,67
10	Israel	337,23	2,37	324,26	3,68	12,97	0,24
11	United Kingdom	274,54	1,93	137,18	1,56	137,36	2,55
12	Portugal	260,55	1,83	254,96	2,89	5,59	0,10
13	USA	260,27	1,83	30,32	0,34	229,95	4,27
14	Croatia	229,07	1,61	228,06	2,59	1,01	0,02
15	Tunisia	205,37	1,45	203,99	2,32	1,38	0,03
16	Iran Islamic Republic	194,72	1,37	13,79	0,16	180,93	3,36
17	Belarus	188,51	1,33	126,90	1,44	61,61	1,14



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18	Switzerland	163,98	1,15	117,56	1,33	46,42	0,86
19	Thailand	160,01	1,13	134,13	1,52	25,88	0,48
20	Canada	146,06	1,03	140,38	1,59	5,68	0,11
-	Other countries	1.890,66	13,31	582,11	6,60	1.308,55	24,26

Source: The State Customs Committee of the Republic of Azerbaijan

Changes in legislation

According to the Decision #174 of the Cabinet of Ministers dated 18 June 2021, selected goods and equipment to be imported to Azerbaijan for the purpose of the construction of international airports in Fuzuli, Lachin and Zangilan districts have been exempted from customs duties until 1 January 2024.



3. Socio-economic indicators

Income of the population

According to preliminary data, in January-May 2021, the nominal income of the population decreased by 0.8% in nominal terms compared to the same period of the last year and reached 22090 million AZN. Per capita income averaged to 2207.1 AZN.

After all obligatory and voluntary payments, 19796.1 million AZN (1977.9 AZN per capita) remained at the disposal of the population (1.6% less than in the same period of the previous year).

Wages

In January-April 2021, the average monthly nominal wage of employees in the country's economy decreased by 1.9% compared to the same period of 2020 and amounted to 722.3 AZN. Salaries in the oil and gas sector amounted to 3209.2 AZN, whereas in the non-oil and gas sector the amount stood at 670.6 AZN. Salaries of employees of state enterprises amounted to 629.3 AZN, whereas salaries of employees of private enterprises were 836.2 AZN.

In the mining industry, financial and insurance activities, professional, scientific and technical sectors, information and communication, as well as transport and warehousing, the average monthly nominal wage was higher than the national average.

Demographic situation

The population of the country increased by 13945 people or 0.14% from the beginning of the year and reached 10,133,078 people as of May 1, 2021. 53.0% of the total population is urban, 47.0% rural, 49.9% men and 50.1% women. Natural increase decreased by 6.8 percent compared to the same period of the previous year (2020: 14,230 people) and amounted to 13,314 people. Natural increase was 4.1 percent per 1,000 population.

Employment and unemployment

According to preliminary data as of June 1, 2021, the number of economically active population was 5268.8 thousand people, of which 4908.2 thousand people were employed.

As of May 1, 2021, the number of salaried employees was 1678.4 thousand people, including 913.6 thousand people in public sector and 764.8 thousand people in private sector. 32.7 thousand people worked in the oil and gas sector of the economy, and 1645.7 thousand people in the non-oil sector. 23.4% of employees in enterprises and organizations are engaged in production, including 7.2% in construction, 7.4% in processing, 3.4% in agriculture, forestry and fisheries, 1.9% in mining, 1.9% in water supply, waste treatment and processing, 1.6% in the production, distribution and supply of electricity, gas and steam.



Implementation of the Sustainable Development Goals

The first meeting of the conclusion groups on the implementation of the **"United Nations Framework Document on Cooperation for Sustainable Development for 2021-2025"**, jointly organized by the Ministry of Economy of the Republic of Azerbaijan and the United Nations Resident Coordinator in Azerbaijan was held on May 21, 2021.

Steering Committee established for the implementation of the Framework Document met on 10 June 2021 where the Joint Work Plans for 2021 were discussed and approved.

4. Support to entrepreneurship

As a result of reforms in the field of licenses and permits, the Ministry of Economy issued 11,018 licenses from November 2, 2015 to July 1, 2021, and 233 during the first six months of 2021. In January-June 2021, 84 electronic licenses were issued to entrepreneurs through the "Licenses and Permits" portal. In general, since March 1, 2018, when the "Licenses and Permits" portal was launched, through to July 1, 2021, 2059 electronic licenses had been issued via the portal.

Inspections in the field of entrepreneurship in Azerbaijan had been suspended from November 1, 2015 to January 1, 2021. On March 9, 2021, the Law of the Republic of Azerbaijan "On Suspension of Inspections in the Field of Entrepreneurship" was amended so as to extend moratorium on inspections until January 1, 2022.

During the 68 months following the approval of the Law "On Suspension of Inspections in the Field of Entrepreneurship", a total of 33,801 inspections had been conducted in business entities, excluding tax inspections. For comparison, before the suspension was introduced, the number of inspections conducted in business entities, excluding tax inspections, was more than 260,000.

As of 01.07.2021, financial support in the amount of 113,037.0 thousand AZN was distributed to individual (micro) entrepreneurs (119,076 taxpayers) operating in the areas affected by the pandemic, while the employees working in such areas were provided with a wage subsidy totaling 249,241.0 thousand AZN (number of taxpayers: 30,975, number of employees: 285,173 people).

Entrepreneurship Development Fund

During the first six months of 2021, the Entrepreneurship Development Fund provided 546 entrepreneurs with loans worth of 36.6 million AZN, including 14.3 million AZN in soft loans for 533 small and medium-sized projects. These loans have contributed to creation of 1009 new jobs.



The interest on the existing loan portfolio of 1 billion AZN is subsidized for the entrepreneurs operating in areas affected by the pandemic. It is planned to allocate 100 million AZN for this purpose. As of July 1, 2021, the Fund has approved interest subsidies worth of 57.6 million AZN in respect of 4618 loans with loan balance of 826.7 million AZN. Interest subsidies in the amount of 52.8 million AZN in respect of 4479 loans have already been paid to entrepreneurs.

Electronic Credit Platform (ECP)

On June 30, 2020 Electronic Credit Platform started receiving applications for state-guaranteed loans to businesses affected by the pandemic. As of July 1, 2021, more than 4583 applications with total loan requirement of 1.2 billion AZN had been received via the Platform. 1472 applications with total loan demand of 345.8 million AZN were approved as guarantees, and a state guarantee in the amount of 172.1 million AZN was issued for the loans worth 296.4 million AZN on 1240 applications.

Support to Small and Medium Business

An awareness-raising event on "Informing entrepreneurs engaged in exports about the relevant incentive mechanisms" was held on 25 May 2021 with the participation of about 50 entrepreneurs.

The "SME friends" network of the Small and Medium Business Development Agency (SMBDA), which supports the establishment of new micro and small businesses in the regions, development of existing SMEs, protection of the interests of entrepreneurs, realisation and enlightenment of their investment initiatives, has been further expanded. The number of "SME friends" in the country's regions has reached 31 in 25 cities and regions. On May 27, new "SME friend" was put into operation in the Ismayilli region.

5. Economic reforms

In May-June 2021 implementation of the regular and systematic reforms were successfully continued with a view to ensure sustainable economic development, improve social welfare of population and form the qualitatively new model of socio-economic development.

May 3, 2021 President of the Republic of Azerbaijan signed an Order on measures to establish a "green energy" zone in the liberated territories of the Republic of Azerbaijan.

As part of measures directed at ensuring sustainable development of the liberated territories and their rapid integration into the national economy, as well as creating modern and efficient production fields, trade and service infrastructure, benefiting from the industrial potential of the region, Aghdam industrial park has been established in the liberated Aghdam district of Azerbaijan.

On June 17, 2021 President of the Republic of Azerbaijan signed a Decree on the establishment of "Educational Student Loan Fund" under the Ministry of Education of the Republic of Azerbaijan. The



Fund aims to ensure access to education for low-income people, create equal opportunities for education and expand the scope of education.

On June 22, 2021 President of the Republic of Azerbaijan signed a Decree on the establishment of Shusha City State Reserve Department with the mandate of ensuring protection and inviolability of the volume-planning structure of monuments located in the territory of Shusha, as well as restoration, study, proper use thereof.

On April 1, the Affiliated Center of the Fourth Industrial Revolution Network of the World Economic Forum was launched in Azerbaijan under C4IR. The areas for mutual cooperation have been identified as: a) Artificial intelligence and machine learning; b) IoT and urban transformation; c) Digital Trade were selected as areas for mutual cooperation.

Preliminary meetings held in June with the participation of C4IR, UNDP, Ministry of Transport, Communications and High Technologies and Small and Medium Business Development Agency produced an agreement on the joint implementation of the project to launch an updated version of the "rəqəmli.az" platform.

Additionally, an action plan for cooperation with the Skolkovo Foundation of Russia was developed and submitted to the Foundation. Measures are being taken to sign the document.

6. Reconstruction and socio-economic development of the liberated territories

1. The "State Program for the reconstruction and sustainable development of the liberated territories of the Republic of Azerbaijan for 2021-2025" and the relevant Action Plan are currently under consideration by the government.

2. For the purpose of attracting international consulting company specialized in the development of the relevant concept and master plan in connection with the establishment of a "green energy" zone in the liberated territories, on May 3, 2021 President of the Republic of Azerbaijan signed an Order on the allocation of funds in the amount of 1,391,040.0 USD to the Ministry of Energy from the reserve fund of the President of the Republic of Azerbaijan.

3. On May 7, 2021 Shusha was declared "cultural capital" of Azerbaijan by the relevant order of the President of the Republic of Azerbaijan. The move is aimed at restoring historical appearance of Shusha, its former glory along with the traditional rich cultural life, as well as promoting Azerbaijan's centuries-old rich culture, architecture and urban planning in the international arena.

4. By the Order of the President of the Republic of Azerbaijan dated May 8, 2021, for the purpose of construction and installation of boiler houses, indoor systems for heating and hot water supply of 31



buildings in Shusha for the next heating season, initially 1 million manats were allocated to “Azeristiliktechizat” Open Joint-Stock Company from the reserve fund of the President of the Republic of Azerbaijan.

5. By the Order of the President of the Republic of Azerbaijan dated May 8, 2021, 3 million manats were allocated from the reserve fund of the President of the Republic of Azerbaijan for the purpose of construction of the 960-seat secondary school No1 in Shusha.

6. On May 24, 2021, President of the Republic of Azerbaijan Ilham Aliyev signed an Order on the appointment of the Special Representative of the President of the Republic of Azerbaijan in the liberated part of Aghdam district.

7. For the purpose of organizing the activities of the Aghdam industrial park and creating necessary infrastructure on its territory (electricity and heating, gas, water, sewage, communications, transport, fire protection, industrial facilities, administrative, social and other infrastructure facilities), the Ministry of Economy was initially allocated 500,000 manats (\$294,120) from the funds envisaged in the 2021 state budget of Azerbaijan for the reconstruction and restoration of the territories liberated from occupation.

7. Cooperation with the International Organizations

Cooperation with International Economic Organizations

On May 26, 2021, the delegation of the Ministry of Economy of the Republic of Azerbaijan headed by the Minister Mikayil Jabbarov participated at the 5th ECO Ministerial Meeting on Finance/Economy. The Meeting was virtually hosted by the Republic of Tajikistan and attended by the delegations from the Islamic Republic of Afghanistan, the Islamic Republic of Iran, the Republic of Tajikistan and the Republic of Turkey.

On June 23, 2021, the First Economic Forum of the Shanghai Cooperation Organization was held in Dushanbe, Tajikistan. The Forum addressed the topics of the transformation of economy and the application of modern technologies for digitalization, e-commerce and sustainable development, as well as increasing the overall digitalization process in the context of the COVID-19 pandemic. The delegation of Azerbaijan headed by the Deputy Minister of Economy Mr. Elnur Aliyev participated at the event.



Cooperation with International Donors

On May 20, 2021, the Final Conference of the technical assistance project for the Implementation of the Support to Rural and Regional Development in the Republic of Azerbaijan was held online under the chairmanship of the Deputy Minister of Economy Mr. Elnur Aliyev.

On June 18, 2021, Deputy Minister of Economy Mr. Rovshan Najaf met with the Head of Delegation of the European Commission Mr. Kestutis Jankauskas to discuss EU's Multiannual Indicative Programme for Azerbaijan for 2021-2027, as well as the current state of cooperation.

A letter of acceptance on joining of the Republic of Azerbaijan to "Regional Knowledge and Support Technical Assistance on Supporting the Central Asia Regional Economic Cooperation Institute" has been sent to the Asian Development Bank.

On May 4, 2021, 54th ADB Annual General Meeting High-Level Session on the theme "CAREC at 20: Reimagining Regional Cooperation Through Digital Transformation" was held virtually under the chairmanship of Minister of Economy Mr. Mikayil Jabbarov with the participation of ministers and senior government officials and members of CAREC Secretariat at the ADB Headquarters.

On June 30, 2021, Deputy Minister of Economy Mr. Rovshan Najaf co-chaired CAREC Senior Officials' Meeting.

On May 3, 2021, Minister of Economy Mr. Mikayil Jabbarov met with UNDP Representative for Azerbaijan Mr. Alessandro Fracassetti.

On June 22, 2021, Minister of Economy Mr. Mikayil Jabbarov met with International Corporation Director for Europe and Central Asia Ms. Wiebke Schloemer.

Cooperation with International Financial Institutions

On May 26, 2021, a virtual meeting took place between the Minister of Economy Mr. Mikayil Jabbarov and Dr. Bandar Hajjar, President of the Islamic Development Bank Group.

On June 4, 17 and 29, 2021 virtual meetings took place between the Minister of Economy Mr. Mikayil Jabbarov, and high representatives of the European Bank for Reconstruction and Development.



1. Useful links

- Ministry of Economy – www.economy.gov.az
- State Tax Service under the Ministry of Economy - www.taxes.gov.az/az
- State Service on Property Issues under the Ministry of Economy - emlak.gov.az/
- State Service for Antimonopoly Policy and Consumer Market under the Ministry of Economy - consumer.gov.az
- Entrepreneurship Development Fund –www.edf.gov.az
- Azerbaijan Export and Investment Promotion Foundation <http://www.azpromo.az/>
- Small and Medium Business Development Agency –www.smb.gov.az/
- Azerbaijan Investment Company –www.aic.az
- Coordinating Council of the Republic of Azerbaijan on Transit Freight –www.transit.az
- Consumer Goods Expertise Center LLC - www.ekspertiza.az/en/
- Entrepreneurship Support Help Desk –sahibkar.economy.gov.az/
- Sumgait Chemical Industrial Park LLC –www.scip.az/en
- Public Procurements website – www.etender.gov.az/