



THE REPUBLIC OF AZERBAIJAN
MINISTRY OF ECONOMY

AZERBAIJAN – ECONOMIC REVIEW

January, 2021

March 13, 2021 - Baku



Contents

1. Macroeconomic situation	3
2. Foreign Trade	6
3. Socio-economic indicators	10
4. Support to entrepreneurship	11
5. Taxation	13
6. Industry	14
7. Management and privatization of state property and real estate management	14
8. COVID-19	15
9. Cooperation with the International Organizations	15
10. Useful links	16
11. Contacts	17

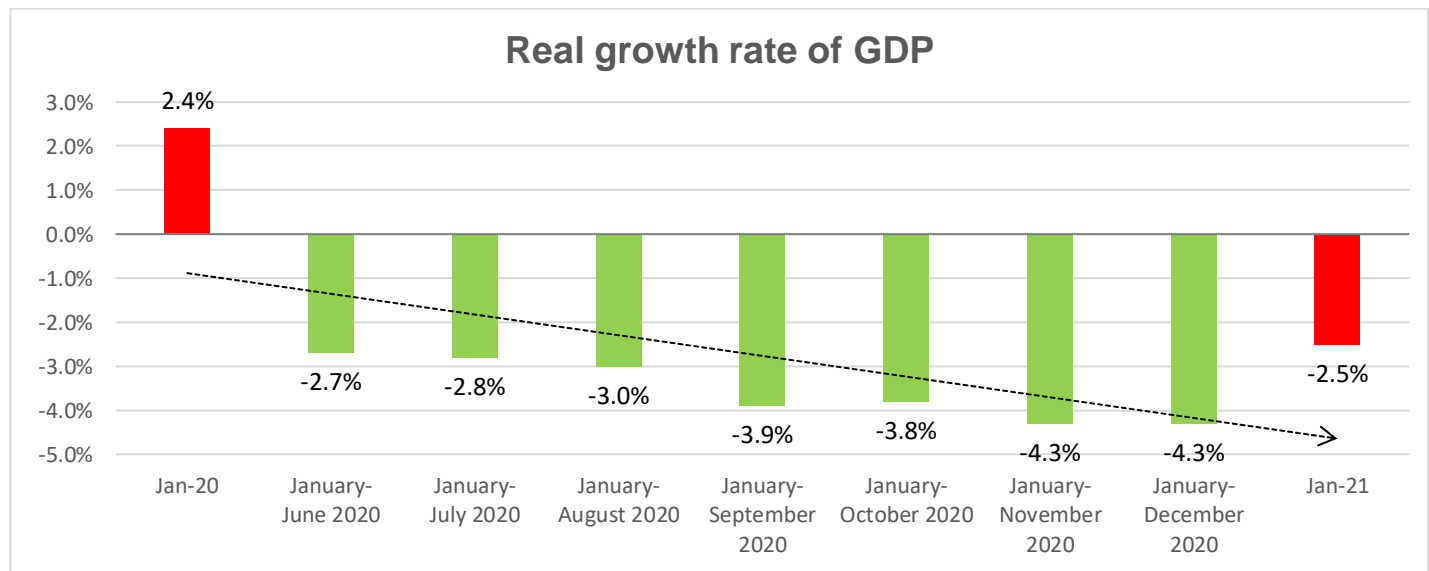


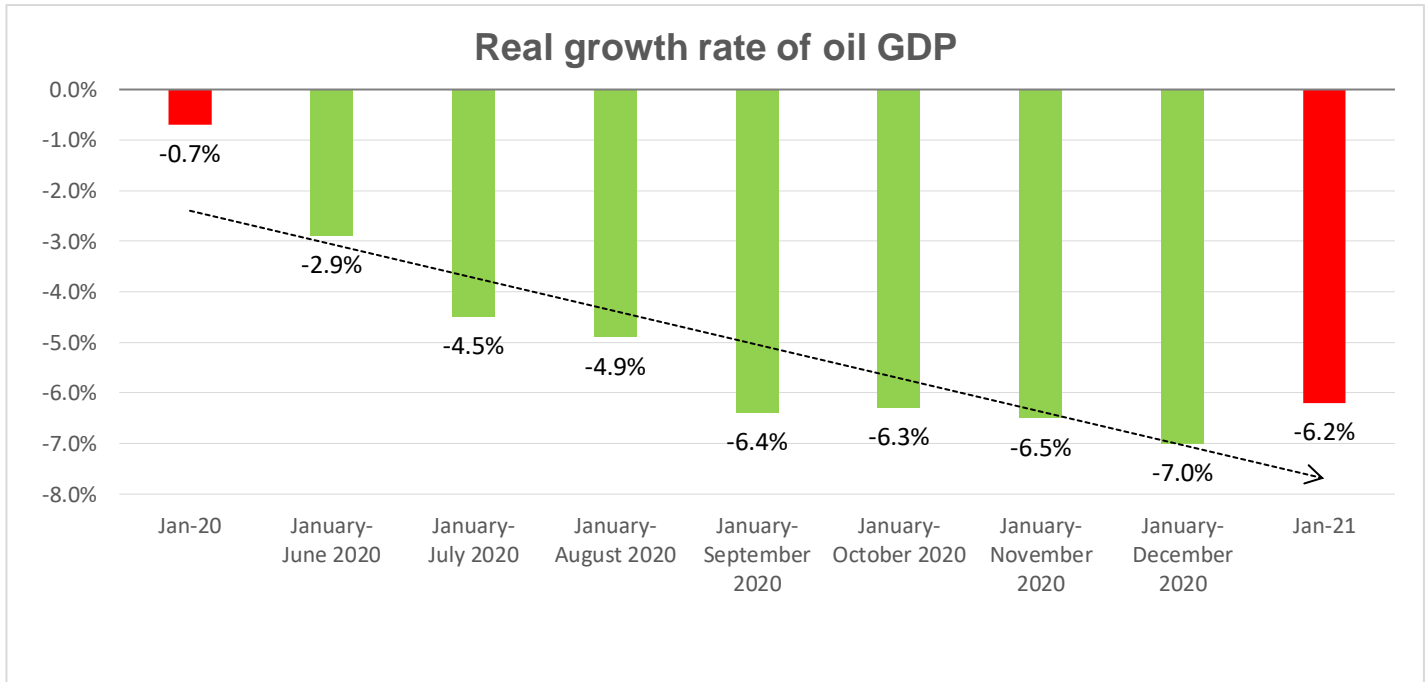
1. Macroeconomic situation

GDP dynamics – economic growth

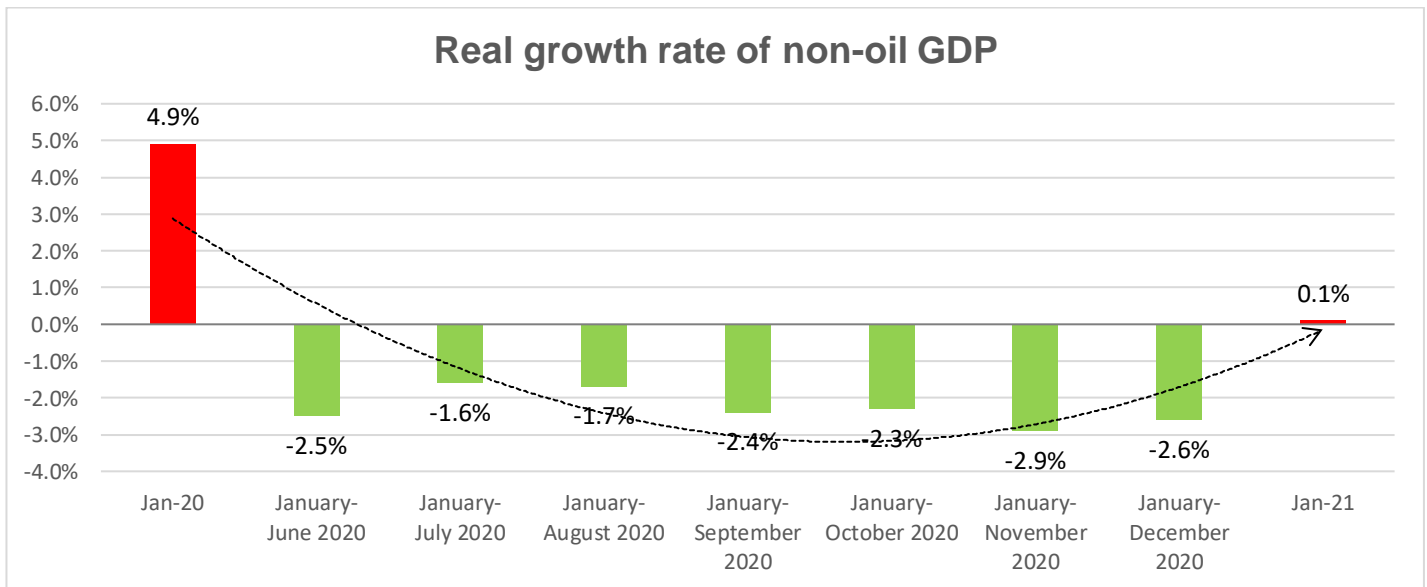
Covid-19 pandemics has continued its negative impact on the country's economy during January 2021 as it was in 2020. In this regard, compared with January 2020, in the respective period of 2021 the real GDP decreased by 2.5% and amounted to 3.7 bln. AZN with current prices. Real GDP per capita dropped by 3.0% and amounted to **625.6 AZN or 368.0 USD (392.9 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 48.5%.





Value added produced in the oil sector decreased by 6.2%, and the share of this sector in GDP was 36.5%



Value added produced in non-oil sector increased by 0.1%, and the percentage of this sector in GDP was 63.5%



Non-oil economy

As to the non-oil economy, there was **13.2% increase** in **non-oil industry**, **10.6% increase** in **transportation and storage sector**, **2.3% increase** in **agricultureforestry and fishery**, **construction4.1%** and **other services 0.5%**.

Output in non-oil industry	
Economic activity	Rate of increase
Pharmaceutical products manufacturing	10.4 times
Metallurgical industry	8.1%
Machinery and equipment manufacturing	23.5 %
Wood and woodwork manufacturing	2.8 times
Tobacco products manufacturing	2.9 times
Paper and carton manufacturing	21.4%
Rubber and plastic products manufacturing	97.0%
Chemical industry	14.3%
Textile industry	10.9%
Pharmaceutical products manufacturing	10.4 times
Metallurgical industry	8.1%
Machinery and equipment manufacturing	23.5 %
Wood and woodwork manufacturing	2.8 times

However, decline was observed in **tourism and public catering (-69.9%)**, **information and communication sector (-5.1%)** and **trade (-1.4%)**.

Fixed capital investments

For the period of January 2021 fixed capital investments amounted to **724.0 mln. AZN** or decreased by **27.5%** compared to the same period of the previous year. **52.1%** of the fixed capital investments were formed by the internal sources, while **47.9%** of them by the external ones. **55.8%** of investments are directed to oil and **44.2%** of them to non-oil sector. Investments made in January 2021 decreased in oil sector by **15.1%** and in non-oil sector by **38.8%** compared with the corresponding period of the last year.

Transport

Restrictions introduced due to the pandemic had their impact on cargo and passenger transportation as well. Thus, during the period of January 2021 **15.5 mln.tones** of cargo were transported by the business entities engaged in transport sector, and **12.0% decrease** was observed compared with the corresponding period of 2020.



Consumer market

Besides, the introduced restrictions led to downturn in economic activity and slowdown in the development of trade, which did not leave consumer market unaffected. Thus, goods sold and services rendered in January 2021 **decreased by 8.2%** on relative prices compared to the same period of 2020.

Retail

In January 2021 retail turnover also dropped by **1.4%** compared with the corresponding period of the previous year.

Services and Catering

In January 2021 public catering turnover decreased by **68.6%** in real terms, the cost of paid services to population dropped by **25.1%** in real terms.

Inflation and income of population

Inflation was at the level of **3.3%**. Despite the reducing effect on inflation has been emanated from the narrowing of demand, rising prices of diesel and petrol commodities pushed the last year average annual consumer prices to increase at 0.5 percentage point. Besides that, monetary policy, especially the stability of the national currency, has played an important role in the formation of single-digit inflation.

In January 2021 **nominal income of population** decreased by **1.3%**, compared with the same period of the last year, and amounted to **4.0 bln. AZN**.

At the same time, income per capita decreased by **1.8%** and was **401.1 AZN**. In order to minimize the impact of the emerged situation, measures are being carried out to support entrepreneurship, employment, social welfare and financial stability.

2. Foreign Trade

Within the framework of measures taken to reduce the negative impact of the increase in the price of imported food wheat on the prices of flour and flour products sold within the country, the Resolution No. 36 was approved by the Cabinet of Ministers on February 16, 2021 to set the export duty for the export of wheat and flour (wheat flour and wheat-rye flour). The export duty for 1000 kg was set to be 200 US dollars until May 1, 2021.



Foreign trade in January 2021

Indicator	Amount
Turnover	2,41bln.
Export	1,62bln.
Oil and gas industry products	1,48bln.
Non-oil export	0,15bln.
Import	0,79 bln.
Trade balance	+0,84bln.
Number of partner countries	122
Number of participants in foreign economic activity	7.865
Number of exported products	833
Number of imported products	4.752



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

Product label	Export	Import
Total	1.624.01	787,50
Live animals and products of animal origin	1,48	19,56
Vegetable products	38,24	46,33
Animal or vegetable fats and oils and their cleavage products	1,73	13,94
Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	5,52	57,19
Mineral products	1486,54	15,58
Products of the chemical or allied industries	3,05	99,02
Plastics and articles thereof; rubber and articles thereof	22,79	38,95
Raw hides and skins, leather, furskins and manufactures thereof	0,68	0,74
Wood, cork and articles thereof, plaiting materials	0,00	16,17
Pulp of wood, paper or paperboard and articles thereof	1,36	10,51
Textiles and textile articles	20,37	23,14
Footwear, headgear, umbrellas, walking-sticks, feathers, artificial flowers	0,03	3,12
Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0,08	14,51
Pearls, precious stones and metals and articles thereof	9,98	0,65
Base metals and articles of base metal	28,36	69,62
Machinery, mechanisms, electrical equipment parts thereof	2,09	232,36
Vehicles, aircraft, vessels and associated transport equipment	0,19	66,82
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	0,91	17,04
Miscellaneous manufactured articles	0,36	16,28
Works of art, collectors' pieces and antiques	0,02	0,12



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

№	Countries	Turnover		Export		Import	
		Million US dollar	Share, %	Million US dollar	Share, %	Million US dollar	Share, %
	Total	2.411,51	100,00	1.624,01	100,00	787,50	100,00
	including:						
1	Italy	743,93	30,85	722,54	44,49	21,39	2,72
2	Turkey	261,17	10,83	146,82	9,04	114,35	14,52
3	China	216,27	8,97	106,88	6,58	109,39	13,89
4	Russia	159,81	6,63	44,70	2,75	115,11	14,62
5	Ukraine	144,61	6,00	115,58	7,12	29,03	3,69
6	Spain	144,11	5,98	138,57	8,53	5,55	0,70
7	India	120,71	5,01	109,20	6,72	11,51	1,46
8	Germany	92,90	3,85	2,04	0,13	90,86	11,54
9	Croatia	61,98	2,57	61,85	3,81	0,13	0,02
10	US	48,48	2,01	3,58	0,22	44,89	5,70
11	Romania	35,20	1,46	33,72	2,08	1,48	0,19
12	Israel	32,29	1,34	31,35	1,93	0,95	0,12
13	Portugal	30,80	1,28	29,63	1,82	1,17	0,15
14	Iran Islamic Republic	30,05	1,25	1,66	0,10	28,39	3,61
15	Georgia	28,75	1,19	23,16	1,43	5,58	0,71
16	United Kingdom	23,93	0,99	1,96	0,12	21,97	2,79
17	Australia	21,14	0,88	20,98	1,29	0,16	0,02
18	Switzerland	16,36	0,68	10,05	0,62	6,31	0,80
19	Japan	14,85	0,62	1,27	0,08	13,57	1,72
20	Poland	12,04	0,50	0,30	0,02	11,75	1,49
-	Other countries	172,13	7,13	18,12	1,12	153,96	19,54

Source: The State Customs Committee of the Republic of Azerbaijan



3. Socio-economic indicators

Income of the population

According to preliminary data, in January 2021, the nominal income of the country's population decreased by 1.3% in nominal terms compared to the same period of the last year and amounted to 4011.2 mln. AZN. Per capita income averaged 401.1 AZN. In January 2021 after all mandatory and voluntary payments, the population had at its disposal 3577.7 mln. AZN, or 2% less than the same period of the last year.

Wages

According to the preliminary data of 2020, the average monthly nominal wage of employees in the country's economy increased by 11.4% compared to 2019 and amounted to 707.3 AZN. Salaries in the oil and gas sector amounted to 3326.3 AZN, in the non-oil and gas sector - 651.2 AZN. Salaries of employees of state enterprises were 631.1 AZN, and those of private enterprises were 801.8 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

During the last year, the country's population increased by 52,025 people or 0.5% and reached 1,011,9133 as of January 1, 2021. The population density per square kilometer was 117 people, 53.0% of the total population was urban, 47.0% rural, 49.9% men and 50.1% women. In 2020, 126,571 births were registered in the country, and this constituted 12.7 per 1,000 population.

Employment and unemployment

According to preliminary data as of February 1, 2021, the number of economically active population was 5253.4 thousand people, of which 4877.3 thousand people were employed.

As of January 1, 2021, the number of salaried employees was 1691.8 thousand people, including 910.8 thousand people in the public sector and 781.0 thousand people in the private sector. 33.8 thousand people worked in the oil and gas sector of the economy, and 1658.0 thousand people in the non-oil sector. 24.3% of employees in enterprises and organizations are engaged in production, including 7.8% in construction, 7.5% in processing, 3.6% in agriculture, forestry and fisheries, 2.0% in mining, 1.7% in water supply, waste treatment and processing, 1.8% were engaged in the production, distribution and supply of electricity, gas and steam.

According to preliminary data for 2020, the average monthly number of hours worked per employee was 139.5 hours.



4. Support to entrepreneurship

In accordance with the Decree of the President of the Republic of Azerbaijan dated October 19, 2015 "On reducing the number of types of business activities requiring special permits (licenses), simplification of procedures for issuing special permits (licenses) and ensuring transparency", the issuance of licenses through the "ASAN service" centers continued successfully.

As a result of reforms in the field of licenses and permits, the Ministry of Economy issued 10,370 licenses from November 2, 2015 to February 1, 2021, and 83 in January 2021. In order to implement paragraph 4.1 of Decree No. 1205 dated January 21, 2017, the Ministry of Economy together with the State Agency for Citizen Services and Social Innovations under the President of the Republic of Azerbaijan created the "Licenses and Permits" portal for electronic issuance of licenses and permits. In January 2021, 22 electronic licenses were issued to entrepreneurs through the portal. In general, since March 1, 2018, when the "Licenses and Permits" portal was launched, to February 1, 2021, 1812 electronic licenses were issued through the portal.

During the 63 months following the approval of the Law of the Republic of Azerbaijan "On Suspension of Inspections in the Field of Entrepreneurship", a total of 20,899 inspections were conducted in business entities, including 1522 inspections in January 2021. For comparison, in the 63 months before the suspension of inspections, the number of inspections conducted in business entities, excluding tax inspections, was more than 260,000.

Electronic Credit Platform (ECP)

Acceptance of applications through the Electronic Credit Platform for the issuance of state-guaranteed loans to businesses affected by the pandemic began on June 30, 2020 and as of February 19, 2021 more than 3,600 applications with a total loan requirement of 1 bln. AZN were received through this tool. 680 applications with a total loan demand of 206.3 mln. AZN were approved as guarantees, and a state guarantee in the amount of 86.2 mln. AZN was issued for 149.1 mln. AZN loans on 456 applications.

Support to Small and Medium Business

During the reporting period the Small and Medium Business Development Agency of the Republic of Azerbaijan (SMBDA) supported the country's entrepreneurs, took an active part in solving their problems, organized a number of events, and provided various support for entrepreneurship development.



Thus, on January 15, 2021, a meeting was organized by SMBDA between business entities engaged in cotton production and sectorial business associations in Saatli region. Representatives of the Ministry of Agriculture, Saatli District Executive Power, municipalities, SMBDA, Entrepreneurship Development Fund, Azerbaijan Furniture Manufacturers Association and 20 business entities engaged in cotton production in Saatli District took part in the online meeting. During the event, in the framework of the platform of state-entrepreneur cooperation the questions of entrepreneurs were answered and it was announced that in January-March 2021, SMBDA is planning to organize various educational and informative events for entrepreneurs of Saatli region on the study of the domestic market.

On January 28, 2021, the Public Council under the SMBDA in partnership with the Azerbaijan Food and Beverage Industry Association organized an online forum on "Food Industry and Catering Sector: Current Situation and Prospects". During the event the participants discussed challenges faced by SMEs in the food industry and catering during the pandemic and their expectations in the post-pandemic period, as well as the problems of businesses operating in the food business.

The project "Promotion of SME digitalization in Azerbaijan" funded by the European Union within the framework of EU4Business and implemented by the Organization for Economic Cooperation and Development (OECD) has been launched. The main objectives of the project are to expand SME access to digital infrastructure and their digital technology applications, increase the range of digital tools needed to support the internationalization of SMEs, and improve e-government services for them. Under the project, a working group will be set up under the coordination of the SMBDA with the involvement of relevant central executive bodies. The OECD experts will conduct a comprehensive assessment of the current situation with the SME digitization in Azerbaijan and provide recommendations to the government on policy measures in this area in order to ensure the digital transformation of SMEs in the country.

The Expert Commission on Financing of Education, Science and Research Projects, launched by the Order of the Minister of Economy dated January 19, 2021, will support innovative development of SMEs. In accordance with the local legislation, the SMBDA is responsible for financing of these projects through competition. Any legal entity belonging to SME or an individual engaged in entrepreneurial activity without establishing a legal entity has the right to participate in the competition. The amount of funding for each project submitted to the Agency is up to 20,000 AZN.

The "Azerbaijan" pavilion has been organized at the "Global Village" International Fair, which is traditionally held every year in Dubai, United Arab Emirates. Products of a number of local companies - fruits and vegetables, fruit juices, compotes, honey, tea, jam, sweets, canned goods, carpets, rugs, national souvenirs, etc. were demonstrated under the "Made in Azerbaijan" brand.



During the reporting period a number of business-oriented trainings and seminars were organized by the SMBDA for those who want to start a business, micro and small business entities in Baku, Sumgayit, Khachmaz, Yevlakh and Sheki. At the same time, the trainers of the SME Development Centers prepared training materials on various topics in accordance with the training needs of entrepreneurs.

5. Taxation

Reforms in the economic sphere, including developments in economic policy and legislation

The “Criteria for Determining a Startup” was approved by the Resolution of the Cabinet of Ministers of the Republic of Azerbaijan dated January 29, 2021. Alongside this, by the Decision of the Cabinet of Ministers dated February 2, 2021, the "Rules for the Form, Application, Registration and Use of Electronic Invoices" were approved.

According to a new Article (164.1.52) introduced to the Tax Code of the Republic of Azerbaijan on December 30 2020, import of equipment and materials for reconstruction projects of large oil refineries (annual crude oil refining capacity not less than 3 mln. tons) on the basis of the approval document of the body (institution) determined by the relevant executive authority - is exempted from VAT for 2 years starting from January 1, 2021.

Amendments to the Law of the Republic of Azerbaijan “On Social Insurance”

According to the Law “On Amendments to the Law of the Republic of Azerbaijan “On Social Insurance” dated May 8, 2020, in the framework of social reforms in the country, the amount of the minimum monthly wage has been set at 250 AZN since September 1, 2019. This significant change of a social nature has also led to an increase in the amount of compulsory state social insurance premiums, calculated from a certain percentage of the minimum monthly wage on income from non-employment activities. For this reason, from January 1, 2021 to January 1, 2026, the rates of the compulsory state social insurance premiums for insured persons earning income from non-employment activities will be 50% of the minimum monthly wage in the construction sector and 25% in other sectors. It is intended to be calculated by applying differential interest rates.

Support to entrepreneurship during the Covid-19 pandemic

Funds in the amount of 112.2 mln. AZN were transferred to the bank accounts of 107,304 taxpayers under the program of financial support to individual (micro) entrepreneurs operating in areas affected by the pandemic. Under wage subsidy program, 25,094 taxpayers received payments totaling 246.0 mln. AZN.



6. Industry

By the Decree of the President of the Republic of Azerbaijan dated January 22, 2021, the Agency for Development of Economic Zones with the status of a public legal entity has been established under the Ministry of Economy on the basis of the “Sumgayit Chemical Industrial Park” Limited Liability Company in order to continue the economic reforms in the country, to further improve the management and control mechanisms of the existing industrial parks, industrial districts and agro-parks in the country, to increase the effectiveness of measures in this area and to ensure closer coordination and systematization.

The decree stipulates that the Economic Zones Development Agency is a public legal entity that prepares and implements measures for the organization, management and development of industrial parks (except for Balakhani Industrial Park), industrial districts (except for industrial districts established in the Nakhchivan Autonomous Republic) and agro-parks, as well as participates in the state support measures provided in this direction.

Alongside this, by the Decree of the President of the Republic of Azerbaijan dated January 6, 2021, the “Center for Analysis and Coordination of the Fourth Industrial Revolution” public legal entity was established under the Ministry of Economy.

The decree stipulates that the Center is a public legal entity that carries out cooperation and coordination between the Republic of Azerbaijan and international organizations operating in the field of the Fourth Industrial Revolution, as well as analysis and coordination of challenges, initiatives, strategies and projects in the field of digital economy.

7. Management and privatization of state property and real estate management

By the decision of the Tariff Council of the Republic of Azerbaijan dated January 4, 2021, new tariffs on services related to cadaster, registration and technical inventory of real estate and land plots were established by the State Service for Property Affairs under the Ministry of Economy.



8. COVID-19

The Azerbaijani Government has taken timely preventive measures to contain the spread of the coronavirus in the country. As of March 12, 2021, there have been 238,959 people infected with the virus, 230,461 people recovered, 5,230 active coronavirus patients and 3268 deaths.

To tackle its economic consequences, Presidential Order on “Measures to reduce the negative impact of the coronavirus pandemic on the economy of the Republic of Azerbaijan” was adopted. The Action Plan developed in accordance with the Order covered pandemic and post-pandemic measures. The support program is estimated at **1.47 bln.USD (3.1% of GDP)**.

The special quarantine regime will remain in effect at least **until April 1, 2021**. Restaurants, cafes, and educational institutions (the latter in stages) are open as of February 1, 2021. Most other business and services are open, except shopping malls. The Baku metro remains closed and buses only operate Monday – Friday. Masks are mandatory in all public places (both inside and outside). Non-compliance with the rules regarding social distancing, movement restrictions, mask mandates, and gathering in large groups can result in fines up to 600 AZN. Quarantine measures are subject to change at short notice.

The Government of Azerbaijan approved the Chinese Sinovac vaccine CoronaVac. Vaccines are available for tiered groups beginning January 18, 2021.

9. Cooperation with the International Organizations

Cooperation with international donors

The project proposals presented by the United Nations Industrial Development Organization (UNIDO) and covering various areas affected by the COVID-19 crisis were submitted to the Ministry of Foreign Affairs of the Republic of Azerbaijan.

Requests for support in the process of drafting a project on risk assessment for inspections operated by the State Service for Antimonopoly and Consumer Market Control under the Ministry of Economy were sent to the relevant international donors.

With the support of the United Nations Development Program (UNDP), the Ministry of Economy held an event on "Sustainable Investment: Opportunities and Trends for the Azerbaijani Economy" on January 21, 2021 in the framework of the "Joint SDG Fund" project. A series of seminars on this topic is planned to be held this year.



10. 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/



11. Contacts

Gunel Israfilova

Interstate Economic Cooperation Department
Ministry of Economy

(012) 310 28 00 (ext.20 73)

gunel.israfilova@economy.gov.az

gunelisrafilova7@gmail.com