

**Deloitte.**

# Business Outlook in Azerbaijan

Deloitte Azerbaijan  
2023 results



**MAKING AN  
IMPACT THAT  
MATTERS**  
*since 1845*

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# Introduction



**Nuran Kerimov**  
**Managing Partner**  
Deloitte Azerbaijan

Deloitte Azerbaijan is pleased to present the new edition of Business Outlook in Azerbaijan, a comprehensive journal that offers an in-depth analysis of the key macroeconomic indicators providing a clear overview of the Azerbaijani economy's performance. By diligently examining these indicators, we have been able to identify the dominant trends and significant challenges currently impacting the economy.

Insights we obtained from the “Business Confidence” survey conducted between April and June 2024 among leading Azerbaijani companies have encouraged us to recognize the key economic factors affecting the business environment. Moreover, the survey findings have facilitated a comparative analysis of trends within the national economy, highlighting shifts and patterns over time.

In anticipation of COP29, we have conducted an analysis and research utilizing data from the Ministry of Energy, the latest regulations, and statistical numbers to capture the emerging trends in renewable energy in Azerbaijan. Our objective is to illuminate the current landscape and potentials for sustainable energy development in Azerbaijan.

We firmly believe that the insights and analysis presented in this edition will enhance the understanding of the country's economic landscape and provide essential guidance for businesses.

# Highlights

## Azerbaijan in figures



# Key figures

## 2022 vs 2023



\* Percentage Points

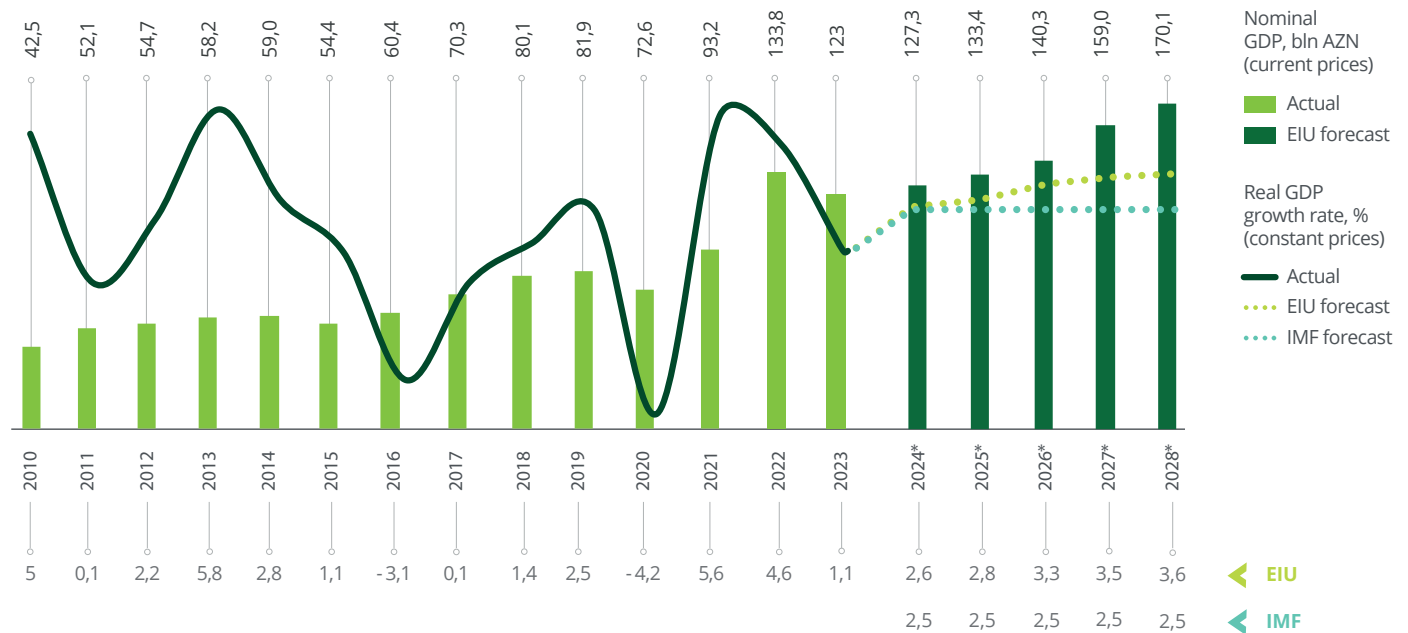
# Azerbaijan in figures





# Key macroeconomic indicators

## Gross domestic product (GDP)



Source: Actual data – the State Statistical Committee of the Republic of Azerbaijan, The Central Bank of the Republic of Azerbaijan.

\*Forecast – Economist Intelligence Unit (hereinafter referred to as EIU), International Monetary Fund (IMF).

In 2023, Azerbaijan's GDP was 123.0 billion AZN. The contribution to GDP from the non-oil and gas sector increased by 3.7%, while it decreased by 2.3% from the oil and gas sector.



"This year, our economic growth is a bit modest because of the slight decline in oil production. But if we look at the past years, the GDP of Azerbaijan grew by more than four times for the last 20 years, and that was a very remarkable achievement. At the same time, we managed to conduct a very sophisticated, social policy."

**Ilham Aliyev**  
 President of the Republic of Azerbaijan

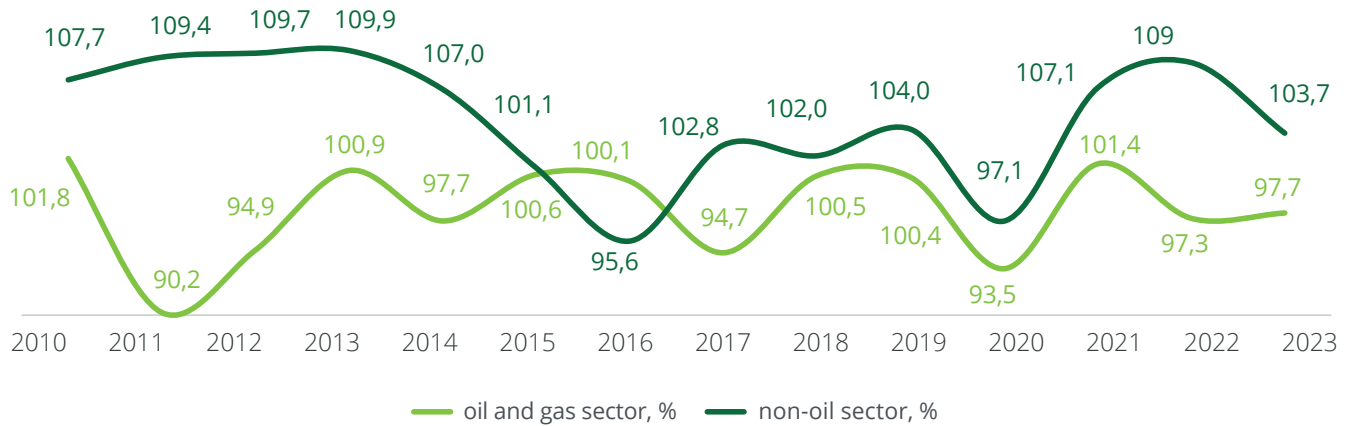
## Structure of the gross domestic product, %

Sectors	2021	2022	2023
Industry	42,5	51,1	40,5
Trade and repair of transport means	10,1	8,2	10,0
Transportation and storage	6,9	6,0	6,2
Agriculture, forestry and fishing	5,9	4,8	5,5
Construction	5,9	4,8	6,2
Information and communication	1,8	1,4	1,7
Accommodation and food services	1,3	1,6	2,2
Net taxes on production and import	8,4	7,4	9,1
Social and other sectors	17,2	14,7	18,6



# Key macroeconomic indicators

## GDP Growth by sector, %



Source: The State Statistical Committee of the Republic of Azerbaijan



"The reforms and support measures implemented in the non-oil and gas sector during recent years provide the stability of economic growth today. In 2023, the non-oil and gas sector had growth dynamics of 3.7%."

**Mikayil Jabbarov**  
Minister of Economy of Azerbaijan







# Key macroeconomic indicators

## Brent oil price forecast, USD/barrel

	2022	2023	2024*	2025*	2026*
<b>EIU</b>	99,8	82,6	79,7	75,6	71,2
<b>World Bank</b>	100	84	81	80	

\*Forecast.

The EIU has predicted a decline in oil prices. According to the forecast, the average oil price is expected to fall from 79.7 USD per barrel in 2024 to 71.2 USD per barrel in 2026.

## Natural gas price forecast, USD/mmbtu

	2022	2023	2024*	2025*
<b>Henry HUB</b>				
<b>EIU</b>	6,37	2,5	2,8	3,1
<b>World Bank</b>	6,37	2,54	3,3	4
<b>Europe</b>				
<b>EIU</b>	40,34	13,1	10	8,1
<b>World Bank</b>	40,34	13,11	12,5	13

\*Forecast.



"The softening of market conditions in 2023 was primarily driven by the demand side. The rapid expansion of renewables and improving nuclear availability weighed on natural gas demand in Europe and mature markets in Asia, driving prices lower. Mild winter weather conditions together with gas-saving measures also reduced gas use in the residential and commercial sectors. As such, global gas demand grew by an estimated 0.5% in 2023, which was not enough to make up the losses of 2022 when demand dropped by 1.5%."

**International Energy Agency**



"The global oil market is set to remain fairly tight in 2024. Since early December prices have averaged just above 80 USD/barrel for dated Brent Blend, despite OPEC+ confirming reduced output quotas in 2024 and additional voluntary cuts by Saudi Arabia and Russia."

**EIU**

The Ministry of Energy report shows that Azeri-Chirag-Gunashli, Shahdeniz, Absheron, and SOCAR produced 48.3 billion cubic meters of gas, with a 3.2% increase in production compared to the previous year.



# Key macroeconomic indicators

## Azerbaijan's Credit Rating-2022

Agency	Rating	Outlook	Date
<b>Fitch</b>	BB+	Positive	21 October 2022
<b>S&amp;P</b>	BB+	Stable	22 Jan 2021
<b>Moody's</b>	BA1	Stable	5 August 2022

## Azerbaijan's Credit Rating-2023

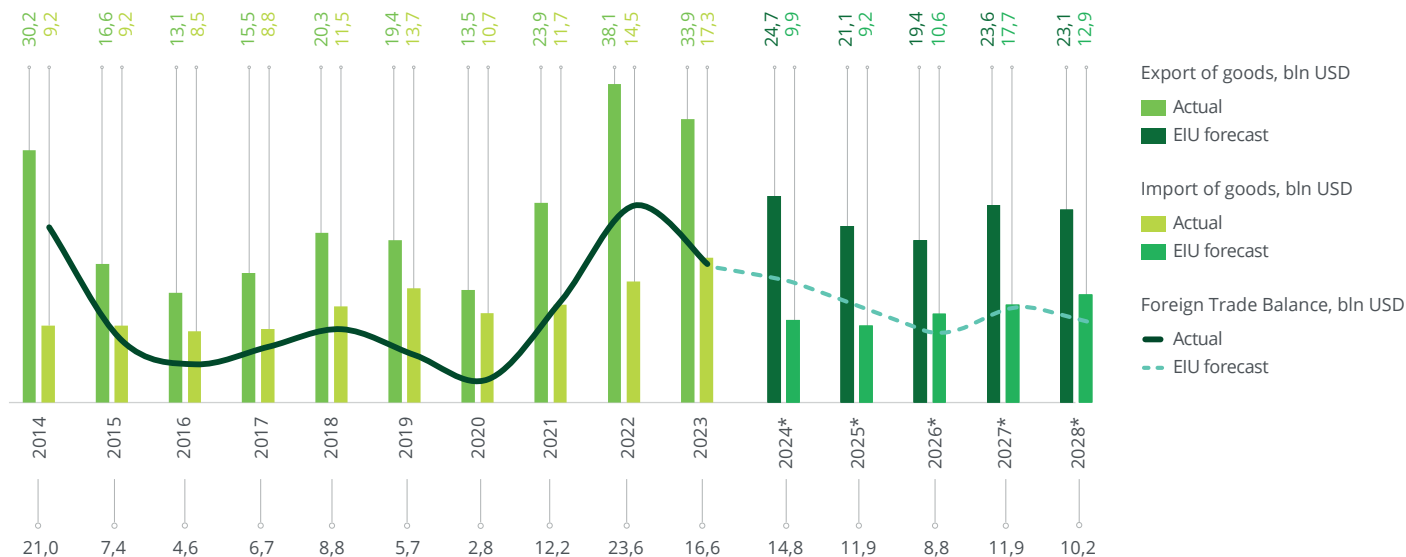
Agency	Rating	Outlook	Date
<b>Fitch</b>	BB+	Positive	31 March 2023
<b>S&amp;P</b>	BB+	Stable	6 September 2023
<b>Moody's</b>	BA1	Stable	21 August 2023

Azerbaijan has consistently received a BB+ rating from Fitch and S&P, while Moody's has rated it slightly lower at BA1. Fitch's recent forecast reflects a positive trend in their assessment, while S&P and Moody's continue to perceive stability in the agency's credit outlook.



Source: EIU, World Bank, Trading economies

## Foreign Trade Balance

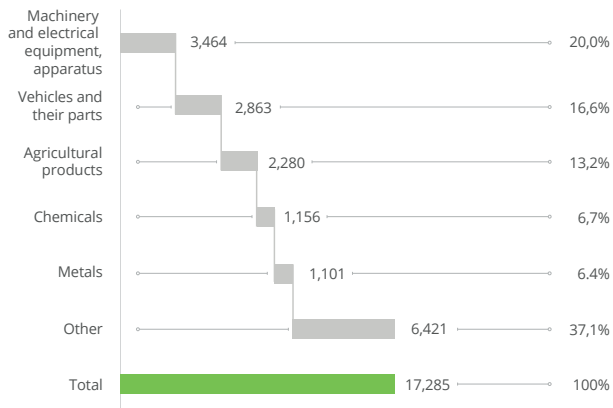


Source: Actual data- the State Statistical Committee of the Republic of Azerbaijan, the State Customs Committee of the Republic of Azerbaijan.  
\* Forecast- EIU

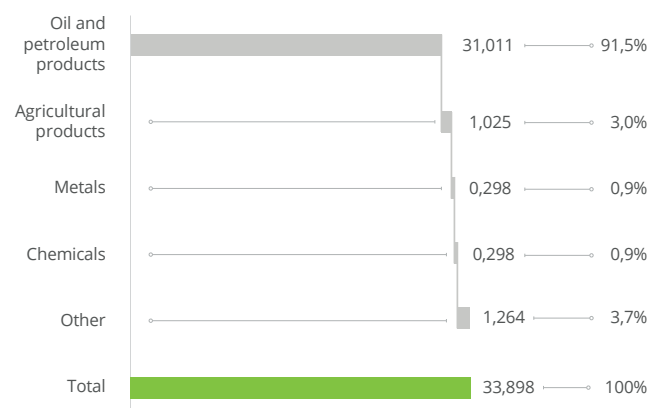
In January-December 2023 Azerbaijan's total exports amounted to 33.9 billion USD and imports to 17.3 billion USD. Comparing to the previous year, exports decreased by 11% while imports increased by 19.3%. As a result, the surplus in the foreign trade balance decreased relative to the prior year.

# Key macroeconomic indicators

Structure of goods imported by categories, bln USD



Structure of goods exported by categories, bln USD

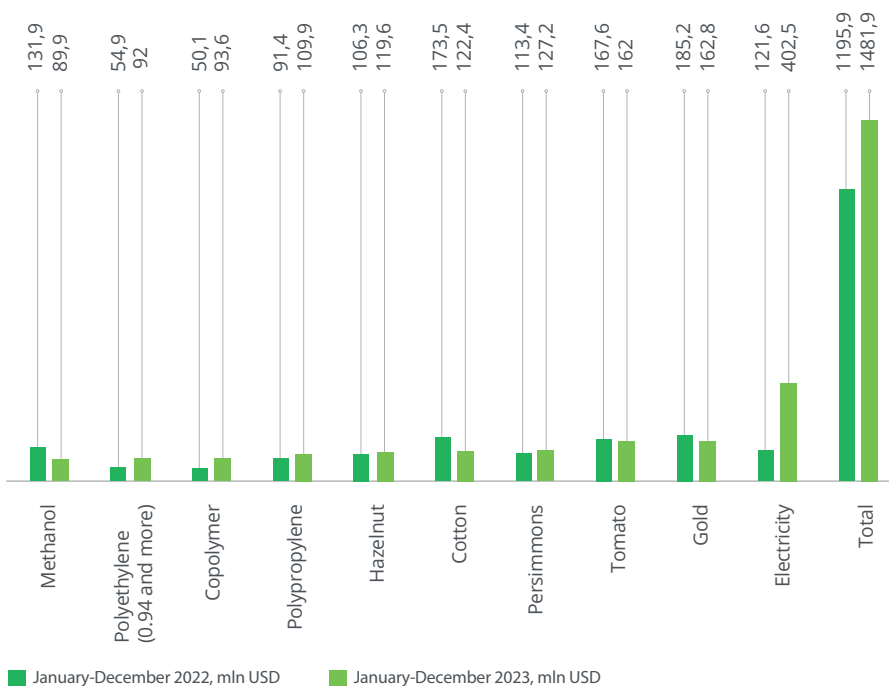


Source: the State Customs Committee of the Republic of Azerbaijan.

Machinery and electrical equipment remained at the forefront, comprising 20% of the overall imported goods volume, maintaining its leading position from the previous year. Following closely behind are vehicles and their components, accounting for 17% of the total, imports marking a 5% increase compared to the previous year.

In 2023, petroleum products constituted the largest proportion of exported goods, making up 91.5% of the total exports, followed by agricultural products totaling 3%.

List of main non-oil goods exported in 2023, mln USD

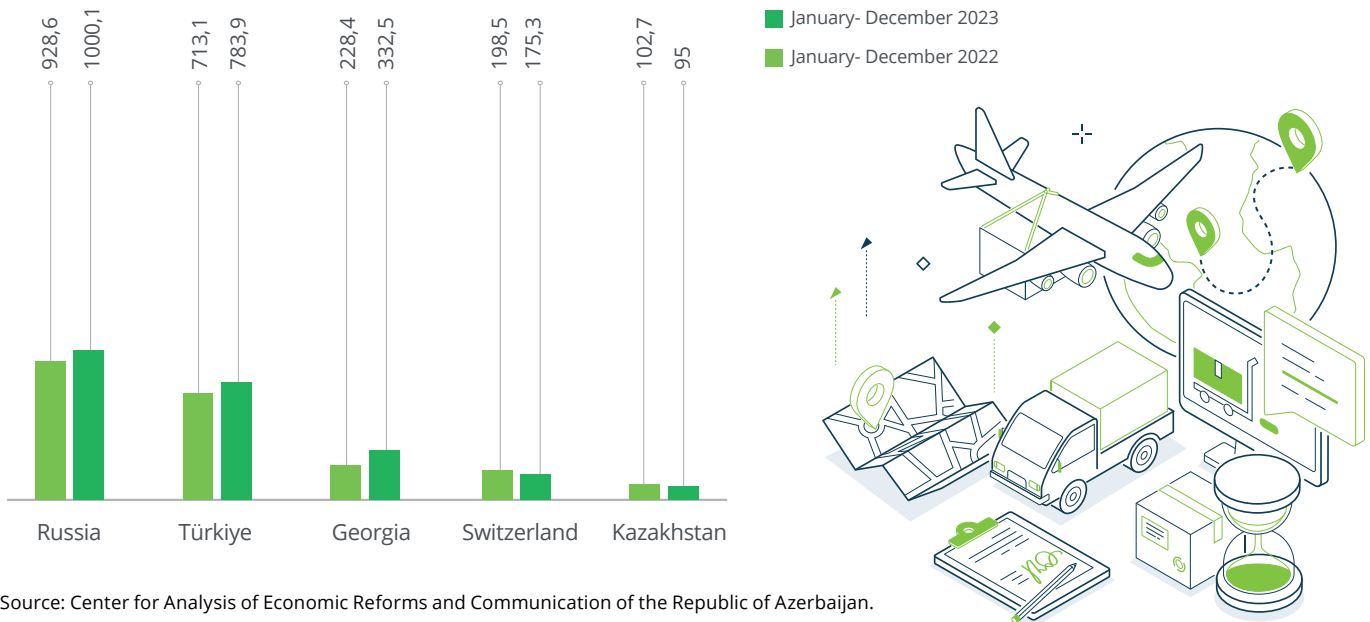


In contrast to the previous year's list of non-oil products exported, which included urea (209.7 mln USD), gold (185.2 mln USD), and cotton (173.5 mln USD), this year's top exported goods were electricity (402.5 mln USD), followed by gold (162.8 mln USD), and tomatoes (162 mln USD).

Source: Center for Analysis of Economic Reforms and Communication of the Republic of Azerbaijan.

# Key macroeconomic indicators

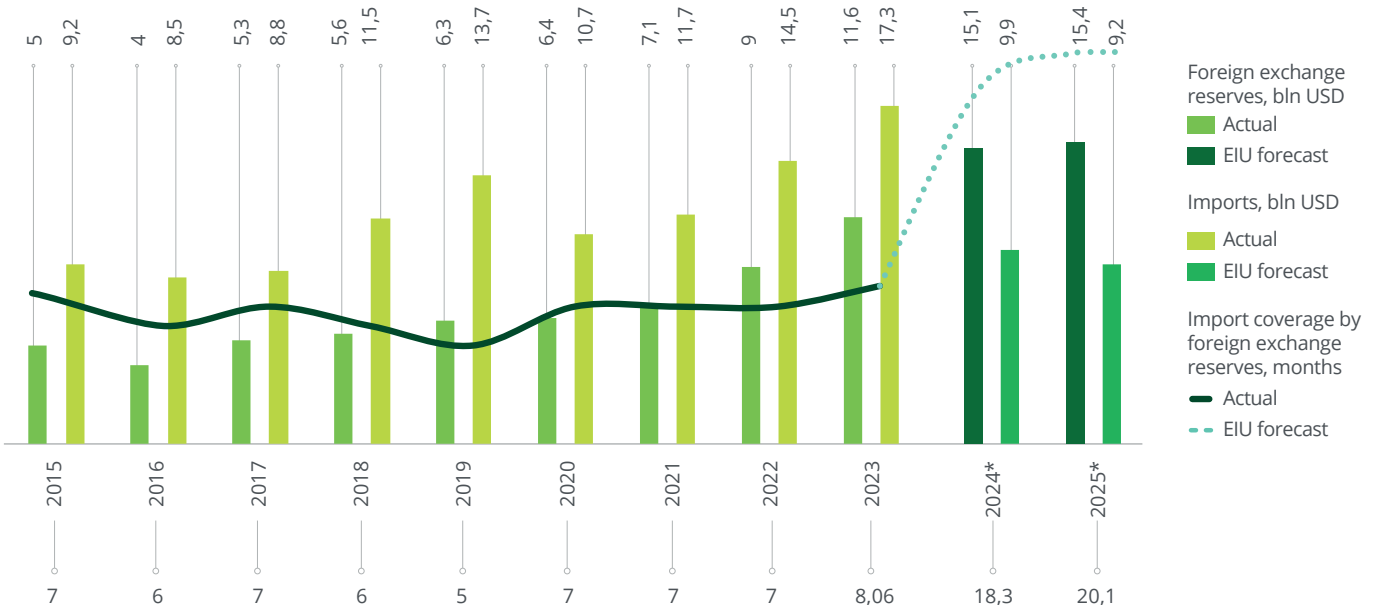
## Top five export destinations in the non-oil sector in 2023, mln USD



Source: Center for Analysis of Economic Reforms and Communication of the Republic of Azerbaijan.

In January-December 2023, Azerbaijan's non-oil exports reached 3.35 bln USD, having increased by 9.8% over the same period of the previous year.

## Foreign exchange reserves



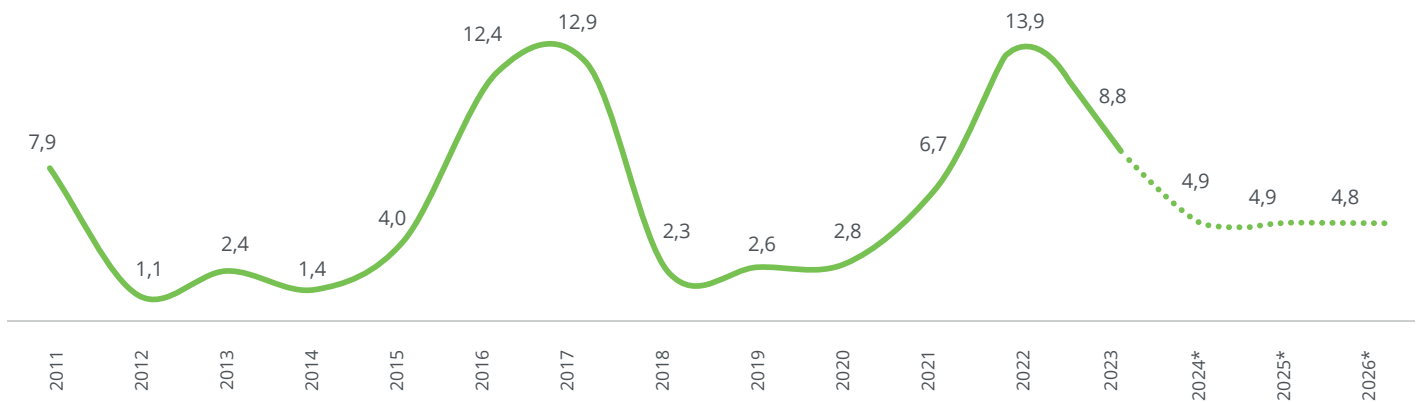
Source: Actual data – the State Customs Committee of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan  
\*Forecast – EIU.

From 2020 to 2023, Azerbaijan's foreign exchange reserves grew significantly from 6.4 bln USD to 11.6 bln USD. During the same period, imports also increased, rising from 10.7 bln USD to 17.3 bln USD. Despite the rise in imports, the coverage of imports by foreign exchange reserves improved, climbing from 7 months in 2020 to 8.06 months in 2023.



# Key macroeconomic indicators

## Average consumer price index, %



Source: Actual data – the State Customs Committee of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan  
\*Forecast – EIU.

The average consumer price index for 2023 reached annual average of 8.8%, including 9.6% for food and agricultural products, beverages, and tobacco products, 8.4% for non-food products, and 8.2% for paid services provided to the population.



"We expect annual inflation to trend downwards over the forecast period, averaging 4.4% in 2024-2028, owing to continuously healthy GDP growth and easing international prices for key commodities. State price regulation will help to stabilise domestic food price inflation, combined with the government's objective of achieving food security."

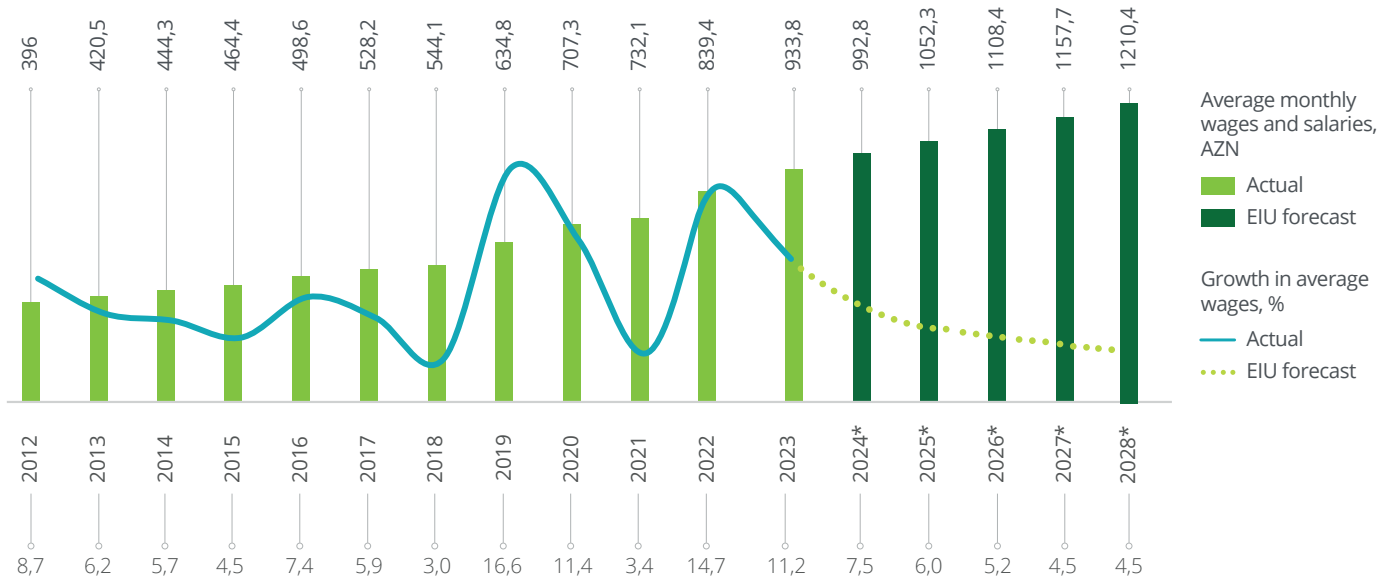
EIU





# Key macroeconomic indicators

## Average monthly nominal wages and salaries



Source: Actual data – the State Customs Committee of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan  
\*Forecast – EIU.



"In 2003, our minimum wage was 9 AZN – many probably do not remember that. Now it is 345 AZN. Of course, this is not enough, but the dynamics are there and will be continued. The minimum pension was 20 AZN in 2003. Today it has reached 280 AZN. The average pension is more than 500 AZN. The average salary is 940 AZN."

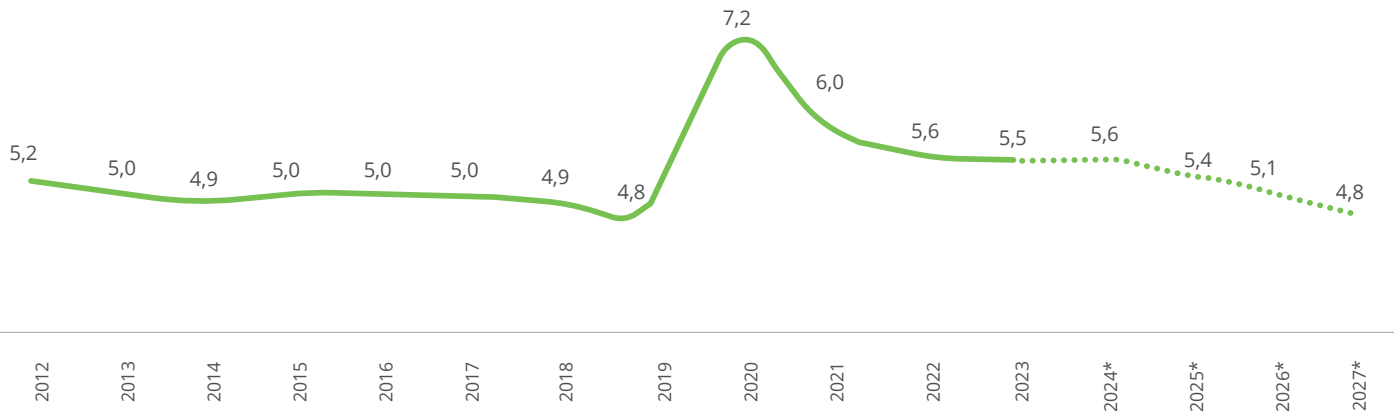
**Ilham Aliyev**  
President of the Republic of Azerbaijan





# Key macroeconomic indicators

## Unemployment rate, %



Source: Actual data – the State Customs Committee of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan  
 \*Forecast – EIU.



"The full digitalization of state services in the areas of labor, employment, and social protection, including over 140 electronic services provided to the public and the establishment of a single labor relations platform, has created a robust support mechanism for citizens. As a result of comprehensive reforms in our country, employment opportunities have increased, while unemployment and poverty rates have significantly declined to 5.5%, and social payments have substantially increased."

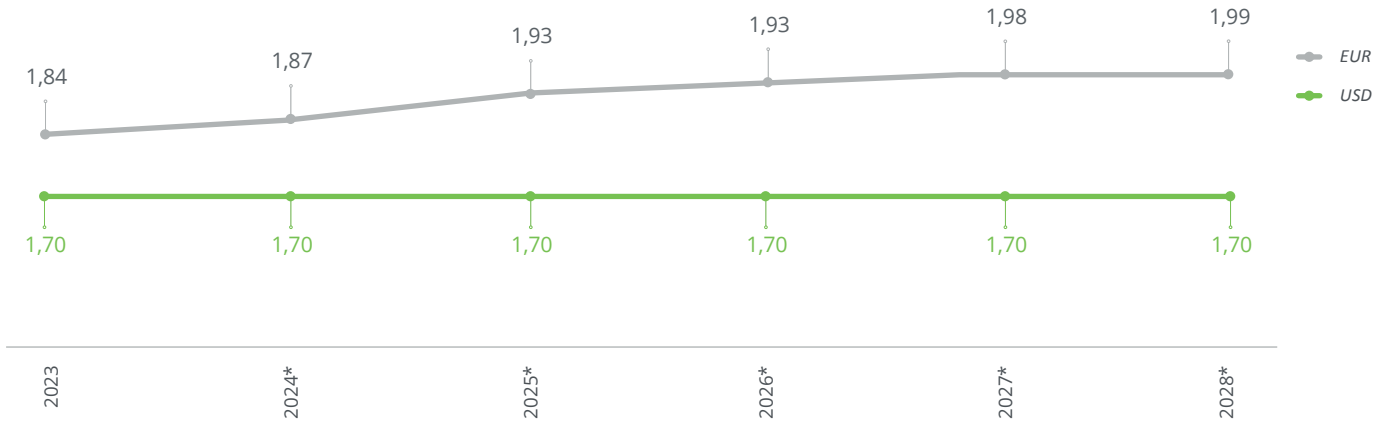
**Ilham Aliyev**  
 President of the Republic of Azerbaijan





# Key monetary indicators

## Exchange rate



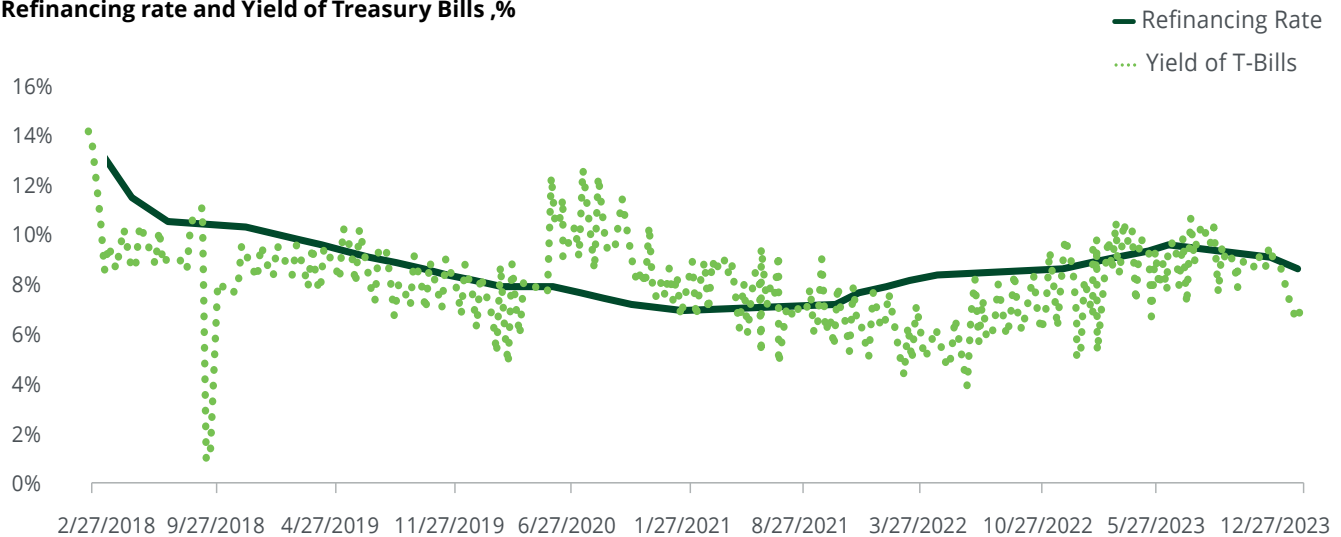
Source: Actual data – the Central Bank of the Republic of Azerbaijan.  
\*Forecast – EIU.



"Although we expect oil prices to fall throughout 2024-2028, the CBA is likely to maintain the peg to the US dollar. Demand for foreign currency is fully met via frequent auctions jointly held by the CBA and SOFAZ. The strong reserves position and positive macroeconomic backdrop will ensure the stability of the manat."

## EIU

### Refinancing rate and Yield of Treasury Bills, %



Source: Actual data – the Central Bank of the Republic of Azerbaijan.

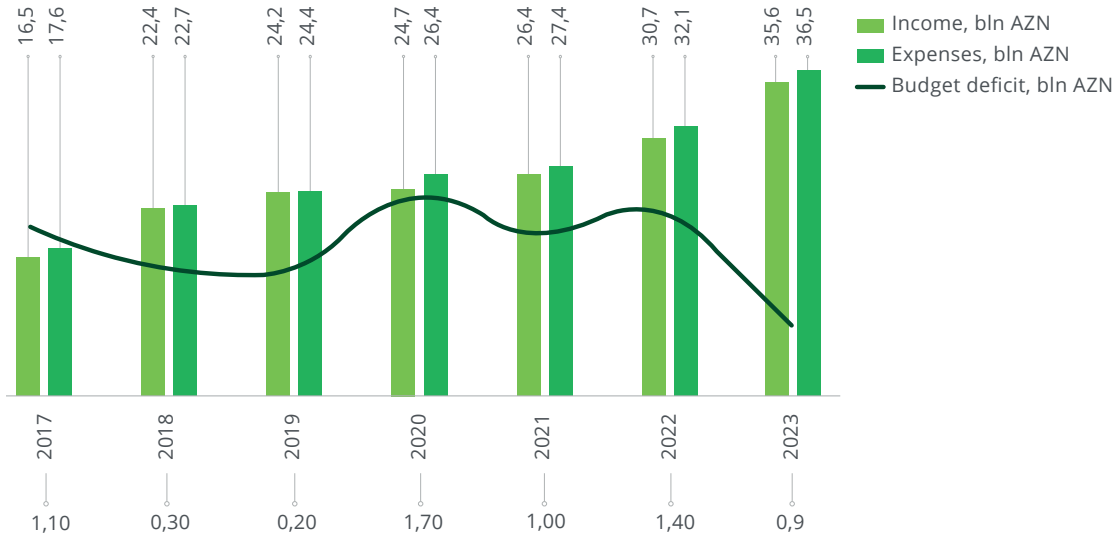
In the first half of 2023, the refinancing rate exhibited an upward trend. However, toward the end of the year, the Central Bank made a strategic decision to reduce the refinancing rate considering changes in internal and external factors affecting inflation, ultimately bringing it down to 8% by the year-end.





# Key monetary indicators

## State Budget (actual)



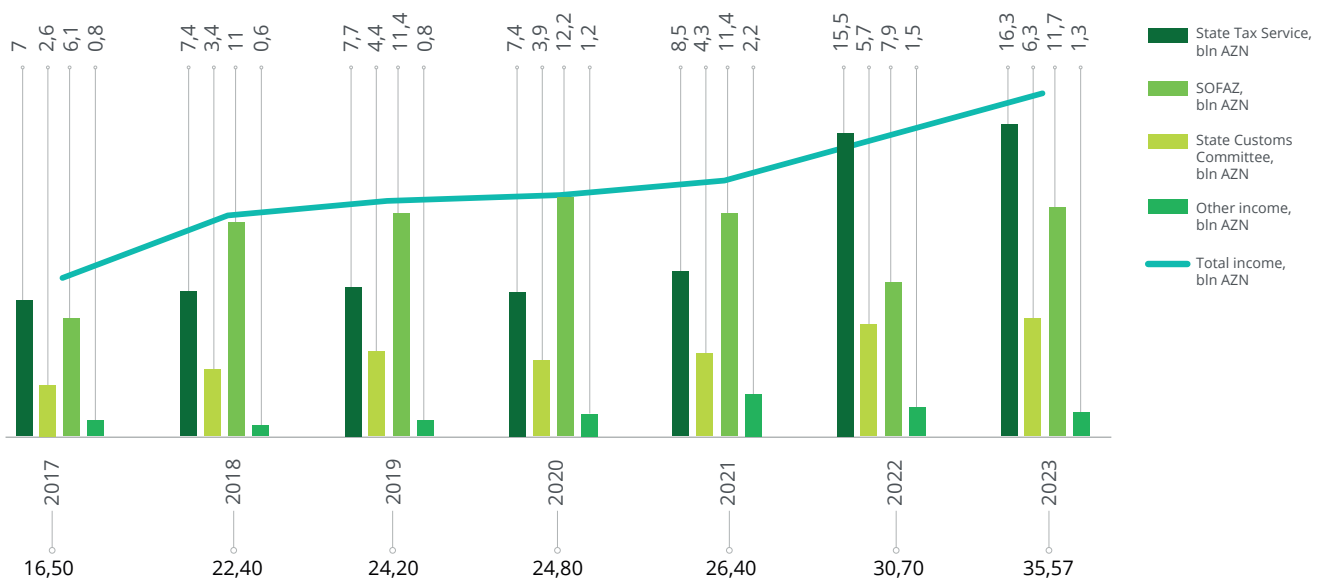
Source: Ministry of Finance of the Republic of Azerbaijan.



"The 2023 state budget revenue exceeded expectations by 5%, reaching 35,574.8 million AZN, 1,684.3 million AZN more than forecasted. This represents a 16% increase compared to 2022, amounting to 4,895.2 million AZN."

**Samir Sharifov**  
Minister of Finance of Azerbaijan

## Budget income sources (actual)



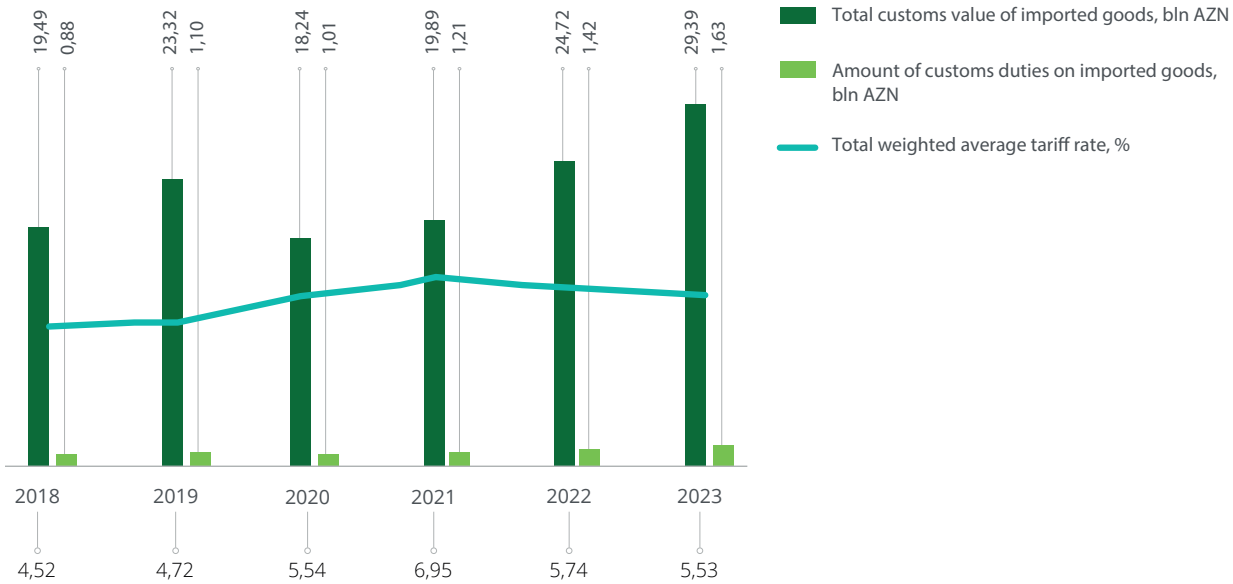
Source: Ministry of Finance of the Republic of Azerbaijan

In 2023, Azerbaijan's budget revenue significantly increased, rising from 30,660.5 million AZN in 2022 to 35,574.8 million AZN in 2023. This growth is primarily attributed to increased contributions from SOFAZ.



# Key monetary indicators

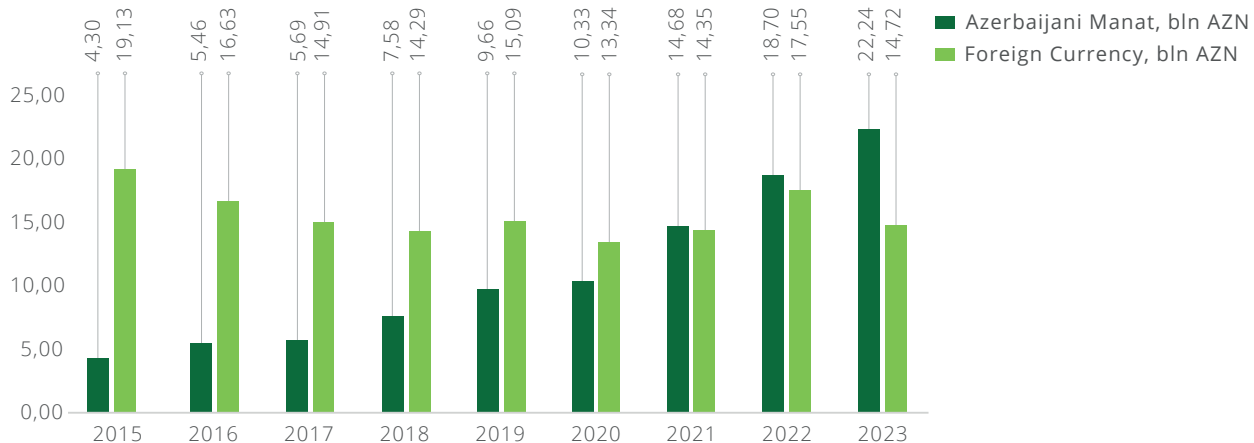
## Customs duties



Source: the State Customs Committee of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan.

The volume of import duties collected over 12 months was 1.63 billion AZN. The total weighted average tariff rate decreased by 1.42 percentage points from 2021 to 2023, reaching 5.53%.

## The structure of the total deposit base by currencies (for the period end)



Source: Actual data - the Central Bank of the Republic of Azerbaijan.



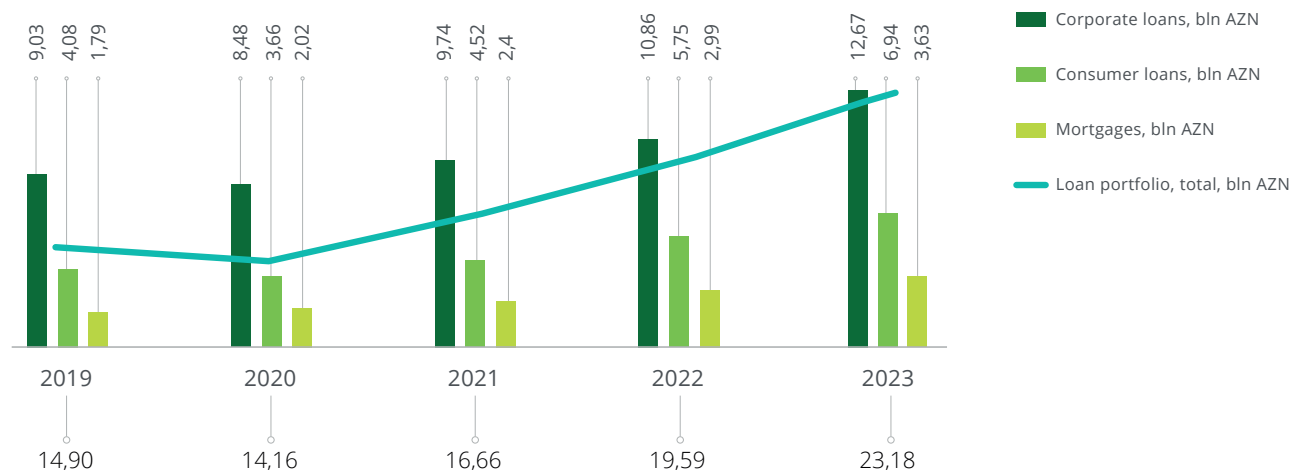
"One of the risks specific to our financial sector is the risk of dollarization, which refers to the volume of foreign currency liabilities in our banks. In 2015, this figure was 85%, but today it stands at 37%, meaning that 37% of total individual deposits are in foreign currency. This is quite a significant achievement, and we see that this figure decreases every month because people's confidence in the national currency, the manat, is increasing day by day."

**Taleh Kazimov**  
**Governor of the Central Bank of the Republic of Azerbaijan**



# Key monetary indicators

## Structure of banks' loan portfolio



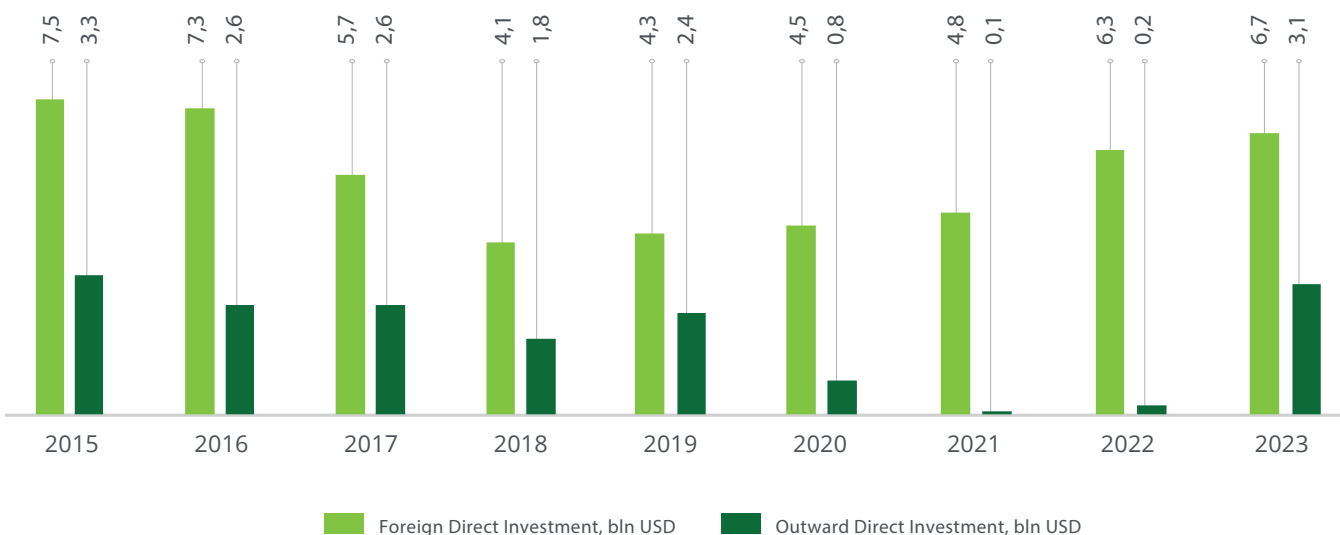
Source: Actual data – the Central Bank of the Republic of Azerbaijan.



"Last year, banks' loans to the economy increased by 18.3% and reached 23.2 billion AZN. The dollarization rate of loans was 18.8%."

**Zakir Nuriyev**  
Chairman of Azerbaijan Banks Association Public Union

## Direct Investment



Source: the State Customs Committee of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan



"In 2023, Azerbaijan attracted 6.7 billion USD in foreign direct investments (FDI). The top five countries contributing to FDI were the United Kingdom with 1.9 billion USD, Türkiye with 1.3 billion USD, Cyprus with 792 million USD, Russia with 617 million USD, and Iran with 396 million USD."

**Samir Nasirov**  
Director of the Statistics Department of the Central Bank of Azerbaijan

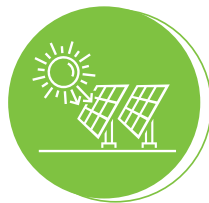
# Renewable Energy Landscape



# Renewable Energy Landscape

Azerbaijan has significant potential for renewable energy sources. The technical potential of the country's onshore renewable energy sources is 135 GW, while offshore sources have a potential of 157 GW (35 GW is suitable for fixed-bottom projects and 122 GW for floating wind). The economic potential of renewable energy sources includes 23 GW of solar PV, 3 GW of onshore wind energy, 520 MW of energy from mountain rivers, and 380 MW of bioenergy.

## Economic Potential of Renewable Energy



**Solar**  
23 GW



**Wind**  
3 GW



**Small hydro**  
520 MW



**Bio**  
380 MW



## Sustainable Energy Goals

### Azerbaijan's Nationally Determined Contributions (NDC), 2023:

- Achieve 30% share of renewables in installed capacity by 2030. According to Ministry of Energy, keeping current pace of energy transition, Azerbaijan can reach 32.6% already by 2027 and 34.6% by 2030 accordingly.
- Use of compressed natural gas or electricity for passenger buses in Baku from 2025 on
- Assess the production of green hydrogen and green ammonia for a capacity of up to 12 GW within the project with Fortescue
- Develop 1.5 GW offshore wind and 1 GW solar PV plants, and MoU on development of energy storage systems within the projects with ACWA2030

### COP26

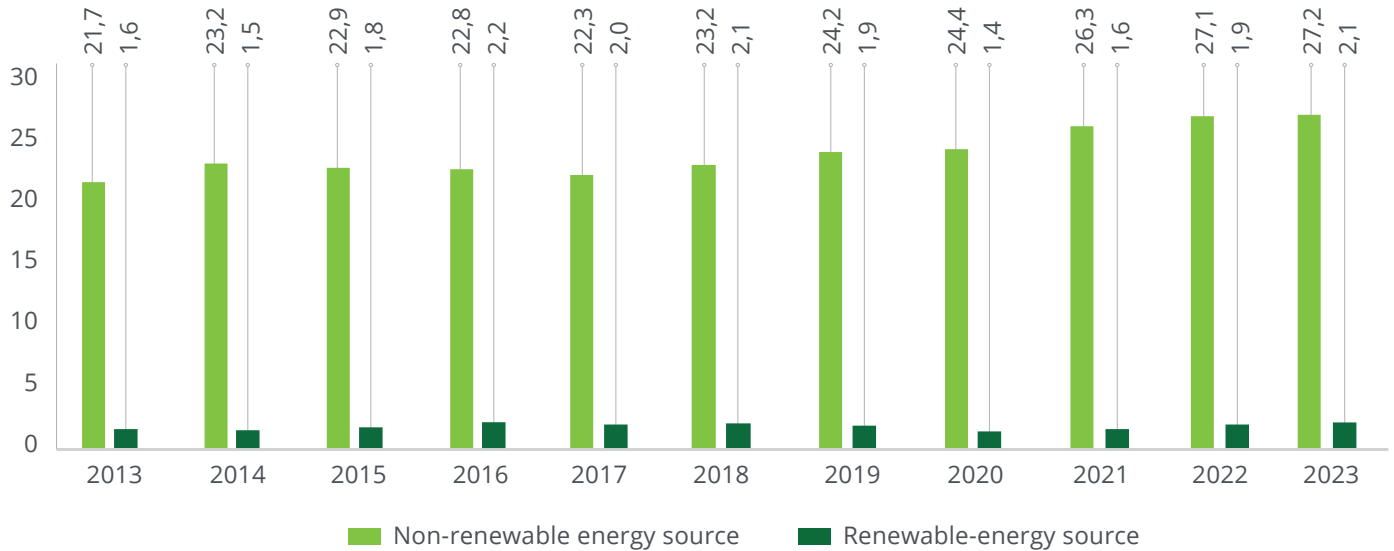
- Achieve decrease in greenhouse gas emissions by 35% by 2030, and by 40% by 2050, compared to 1990 levels
- Transform the liberated territories into "Green Energy Zone"





# Renewable Energy Indicators

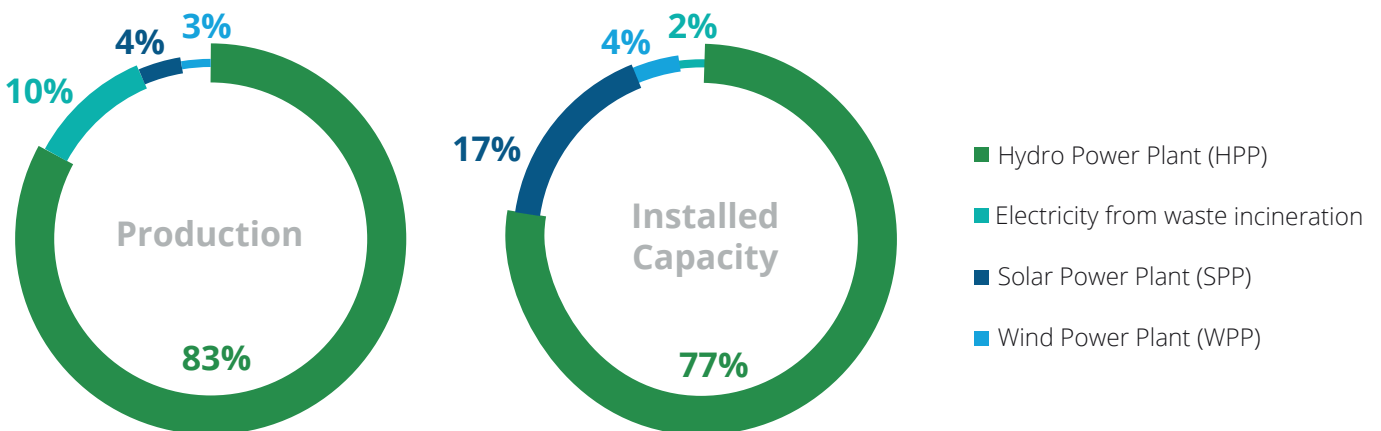
## Total Energy Production, TWh



Source: till 2022-The State Statistical Committee of the Republic of Azerbaijan; 2023- The Ministry of Energy of the Republic of Azerbaijan

In 2023, Azerbaijan generated 29.3 TWh of energy, a 1% increase from the previous year. This total included 27.2 TWh from thermal power plants, 1.76 TWh from hydropower, 56.6 GWh from wind, 79.4 GWh from solar, and 223 GWh from waste incineration. Azerenergy produced 26.4 TWh, with 24.8 TWh from thermal power and 1.6 TWh from hydropower. The State Energy Agency of Nakhchivan AR contributed 481 GWh, while other Independent Power Producers generated 2.3 TWh, and Azerishig provided 42 GWh of wind power.

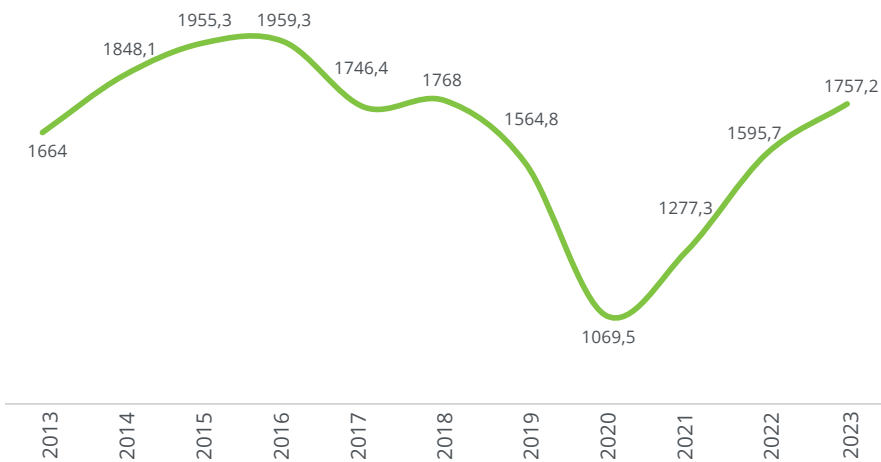
## Renewable Energy Source Shares in 2023





# Renewable Energy Indicators

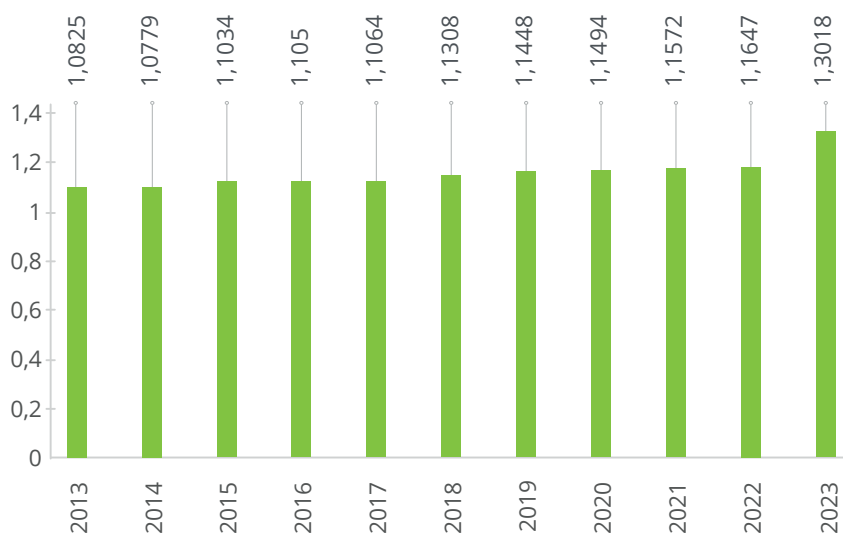
## Hydroelectric Energy Production, GWh



From 2020 onwards, hydroelectric energy production in Azerbaijan showed a notable recovery. After reaching a historical low of 1.07 TWh in 2020, production increased steadily each year, rising to 1.75 TWh by 2023.

Source: till 2022-The State Statistical Committee of the Republic of Azerbaijan; 2023- The Ministry of Energy of the Republic of Azerbaijan

## Hydroelectric power plant capacity, GW



Source: till 2022-The State Statistical Committee of the Republic of Azerbaijan; 2023- The Ministry of Energy of the Republic of Azerbaijan



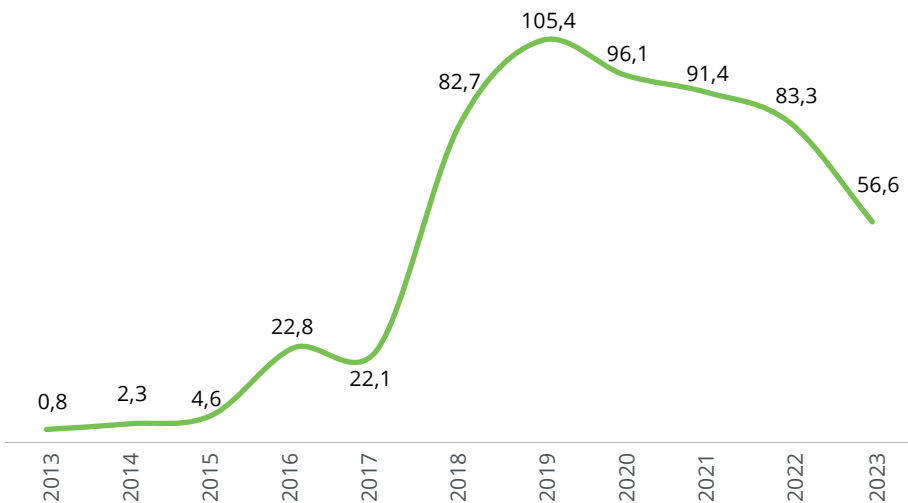
“Currently, we are actively developing our hydropower potential in the territories of Karabakh and Eastern Zangezur, which were liberated from occupation three years ago. We have already commissioned 170 megawatts of hydropower plants, and by the end of this year it will reach 270 megawatts. In two to three years, the capacity of hydroelectric power plants will be 500 megawatts. This will be another important contribution to the process of transition to green energy.”

**Ilham Aliyev**  
President of the Republic of Azerbaijan



# Renewable Energy Indicators

## Wind Energy Production, GWh



Starting from 2017, wind energy production experienced a significant growth and peaked at 105.4 GWh in 2019. Subsequent to this growth, production gradually declined in the next years and reached 56.6 GWh by 2023.

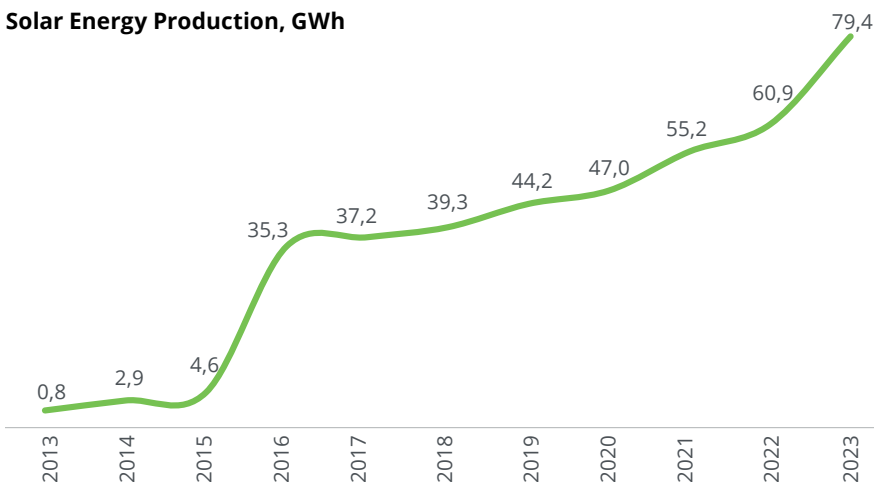
Source: till 2022-The State Statistical Committee of the Republic of Azerbaijan; 2023- The Ministry of Energy of the Republic of Azerbaijan



"Azerbaijan has significant offshore wind (OSW) resource, located close to the shore and its main population center, in relatively shallow water. It has an opportunity to use this resource to generate over 35% of its electricity demand by 2040 with the industry continuing to develop beyond this."

## The World Bank

## Solar Energy Production, GWh



Azerbaijan has experienced a huge jump in solar energy production over the 10 - year period. Solar energy production increased approximately eight times in 2016 and followed the increasing trend till 2023.

Source: till 2022-The State Statistical Committee of the Republic of Azerbaijan; 2023- The Ministry of Energy of the Republic of Azerbaijan



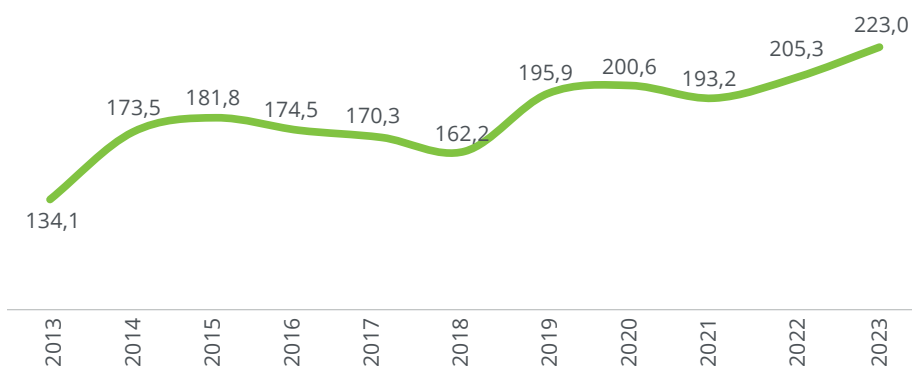
"In less than 3 months, new generation capacities of 385 megawatts solar power plants have already been created and I am sure that in 2023, additional powers will be included in our overall system, and this is just the beginning of the work. Great potential lies in the liberated territories. Accurate calculations have already been made and the production of solar and wind energy types can reach about 9-10 thousand megawatts."

**Ilham Aliyev**  
President of the Republic of Azerbaijan



# Renewable Energy Indicators

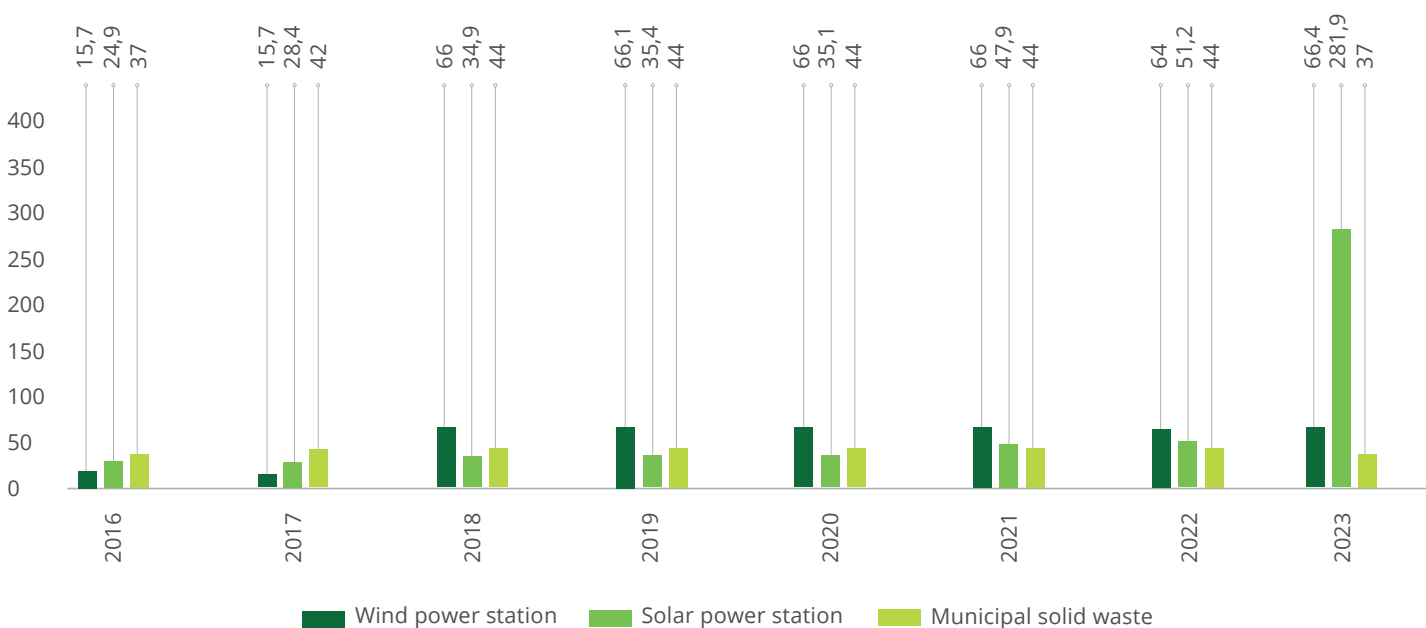
## Energy production form solid wastes, GWh



Solid waste, particularly biomass, is the second largest source of renewable electricity production in Azerbaijan. Over the period from 2020 to 2023, there has been a noticeable upward trajectory in production, starting at 200.6 GWh in 2020 and steadily increasing to 223 GWh by 2023.

Source: till 2022-The State Statistical Committee of the Republic of Azerbaijan; 2023- The Ministry of Energy of the Republic of Azerbaijan

## Other renewable energy capacity, MW



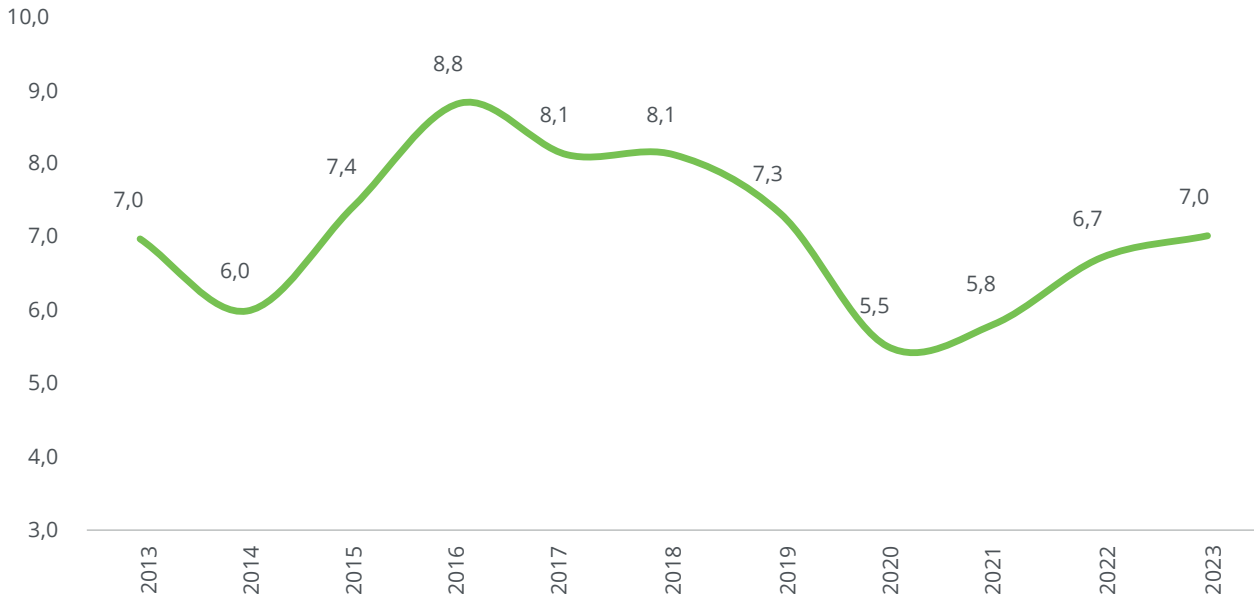
Source: till 2022-The State Statistical Committee of the Republic of Azerbaijan; 2023- The Ministry of Energy of the Republic of Azerbaijan

Since 2020, Azerbaijan's total renewable energy capacity has consistently grown. Starting at 1.3 GW in 2020, the capacity steadily increased to 1.32 GW by 2022, and then experienced a significant rise to 1.69 GW in 2023. Concurrently, renewable power supply expanded from 1.4 thousand GWh in 2020 to a peak of 2.1 thousand GWh in 2023.



# Renewable Energy Indicators

Share of energy from renewables in the total energy production,%



Source: till 2022-The State Statistical Committee of the Republic of Azerbaijan; 2023- The Ministry of Energy of the Republic of Azerbaijan

The share of energy from renewables within total energy production has followed a steady rise from 2020 to 2023. Over the 4-year period, the share increased by approximately 30 percentage point and reached 7% in 2023.



"As the host of COP29, the level of responsibility that we have is certainly increasing. If we improve the production of renewable energy resources in Azerbaijan to 5 gigawatts, it will replace a large part of the natural gas we use for electricity, and we can reach our target on the use of renewable energy resources in an even shorter period of time."

**Ilham Aliyev**  
President of the Republic of Azerbaijan





# Renewable Energy Initiatives

## Policy Landscape

### State Program on the Use of Alternative and Renewable Energy Sources (2004)

The State Program aims to promote power generation from renewable sources, optimize hydrocarbon energy use, assess renewable energy potential, improve energy efficiency, create job opportunities, and enhance energy capacity for Azerbaijan's energy security.

### Establishment of Azerbaijan's renewable energy agency (2020)

Azerbaijan Renewable Energy Agency under the Ministry of Energy of the Republic of Azerbaijan was established by the President of the Republic of Azerbaijan dated 22 September 2020 and the Charter of the Agency was approved.

### Azerbaijan 2030: National Priorities of Socio-Economic Development

In early 2021, the President approved the "Azerbaijan 2030: National Priorities for Socio-economic Development" with one of the top priorities being a clean environment and a country of "green growth" focusing on increasing the use of renewable energy sources to drive sustainable development.

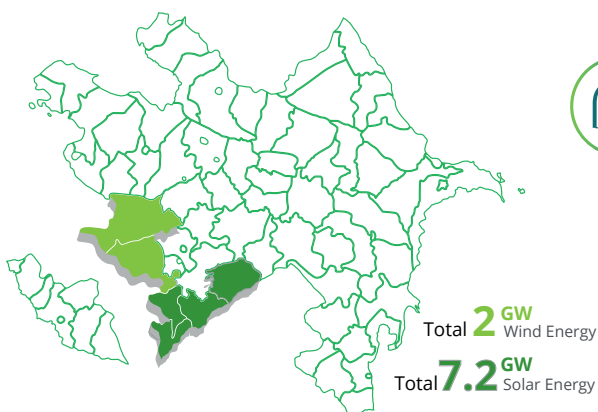
### Action Plan for the Implementation of the National Strategy for the Development of Renewable Energy (2020-2025)

The Action Plan for the Implementation of the National Strategy for the Development of Renewable Energy (2020-2025) aims to increase Azerbaijan's renewable energy capacity to enhance its energy exports and support long-term economic growth.

### Law on the Use of Renewable Energy Sources in the Production of Electricity (2021)

The law related to the "On the Use of Renewable Energy Sources in the Generation of Electricity" in Azerbaijan highlights the intention to attract private investments through renewable energy auctions and also discusses Azerbaijan's renewable energy potential and pilot projects in solar and wind energy.

### Renewable Energy Potential In The Liberated Territories



## Projects

Since 2020, cooperation on renewable energy projects has begun with Masdar, ACWA Power, bp, Fortescue Future Industries, China Gezhouba Group Overseas Investment, Total Energies, Nobel Energy, A-Z Czech Engineering and Baltech.



### 240 MW Khizi-Absheron Wind Power Plant:

- Agreement signed on January 9, 2020, with ACWA Power.
- Expected to be exploited in 2025



### 230 MW Garadagh Solar Power Plant:

- Agreement signed on January 9, 2020, with Masdar
- Inaugurated on October 26, 2023.



### Cooperation on studying and developing renewable energy projects and "green hydrogen":

- Framework Agreement signed on December 15, 2022, with Australia's Fortescue Future Industries (FFI)
- Projects with a capacity of up to 12 GW



### Offshore and Onshore Wind Projects:

- Agreements signed on February 3, 2023, with ACWA Power
- Offshore wind project up to 1.5 GW.
- Onshore wind project up to 1 GW.
- Memorandum for Battery Energy Storage System.



### Neftchala and Bilasuvar Solar PV Projects, Absheron-Garadagh Wind Project:

- Investment Agreements signed on October 26, 2023, with Masdar.
- Combined capacity of 1 GW.



### Implementation of renewable energy projects:

- Memorandum of Understanding signed on June 1, 2023, with China Gezhouba Group Overseas Investment.
- Projects with a capacity of 2 GW.



"Azerbaijan's decision to introduce renewables auctions is a big step towards a more diversified and sustainable energy sector, and we are proud to play a key role in this process. We would like to thank the Ministry of Energy, the Azerbaijan Renewable Energy Agency under the Ministry of Energy and all stakeholders who have worked towards this."

**Aida Sitdikova**  
**Head of Energy for Eurasia, Middle East and Africa in the EBRD's Sustainable Infrastructure Group**

# Green Energy Zone at a glance

## Executive Summary

The President of the Republic of Azerbaijan, Ilham Aliyev, has initiated a strategic vision for establishing a "Green Energy Zone" in the liberated territories of the Republic of Azerbaijan. This initiative aims to leverage the region's high renewable energy potential and promote sustainable and environmentally friendly energy practices.

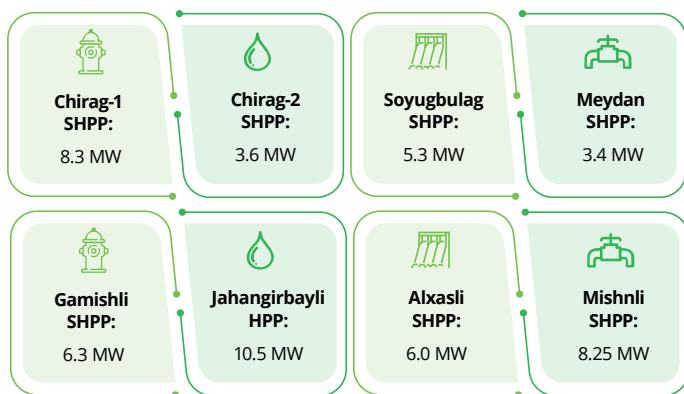
## Funding and Strategic Vision

The President allocated almost 1.4 million USD from the reserve fund to the Ministry of Energy for the project.

Since May 2021, the government is preparing the concept for the development of Green Energy Zone with consultation and collaboration with different national and international stakeholders.

## Key Projects and Developments

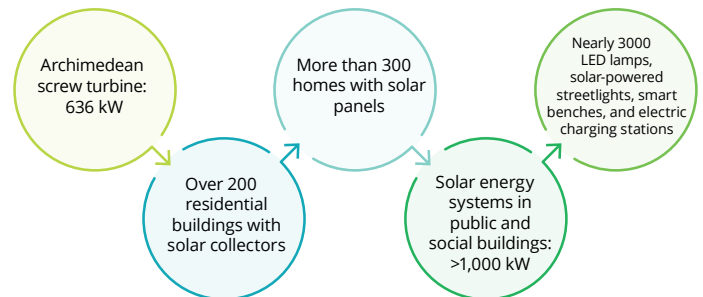
- Renewable Energy Initiatives:** Projects include generating electricity from renewable sources, using electric vehicles, installing solar panels on buildings, and employing solar-based LED lamps for public lighting.
- Energy Infrastructure:** Emphasis on constructing the required and adapted energy infrastructure and ensuring energy security is part of the restoration process.
- Hydroelectric Power Plants:** Restoration of 32 hydroelectric power plants including the opening of 8 new stations in 2023:



## Partnerships and Agreements

- Executive Agreement for 240 MW "Shafag" Solar Power Station in the Zangilan/Jabrayil zone signed on June 3, 2021, with BP.
- Contracts for construction of solar power plants signed with "China Gezhouba Group Overseas Investment" and "Nobel Energy".

## Existing Capacities



The Cabinet of Ministers approved the "Action Plan for the creation of a Green Energy Zone" encompassing four key pillars:

- Infrastructure Development:** Establishing energy supply infrastructure, including electric power transmission networks and the Azerbaijan-Türkiye-Europe Energy Corridor.
- Diversification of Energy:** Promoting electricity generation from renewable sources like solar, wind, and hydroelectric power.
- Energy Efficiency Measures:** Enhancing energy efficiency in construction and transportation sectors.
- Adoption of Green Technologies:** Implementing solar energy systems and energy-efficient lighting with plans for a showcase pavilion for Green Energy Zones.

## Coordination and Monitoring

A "Working Group for Coordination and Monitoring regarding the Application of Requirements" was established by the Cabinet of Ministers' Resolution of August 3, 2022, No. 459c to oversee the implementation of green technologies and energy efficiency measures.

"Production of renewable types of energy is one of the most important tasks on our agenda in the field of energy. The energy production potential of solar power plant in liberated Jabrayil district will be equal to 240 megawatts. I can say that as a result of the conducted accurate analysis, it became clear that it is possible to produce nearly 10,000 megawatts of renewable wind and solar electricity in the liberated territories."

**Ilham Aliyev**  
President of the Republic of Azerbaijan

# Business confidence survey

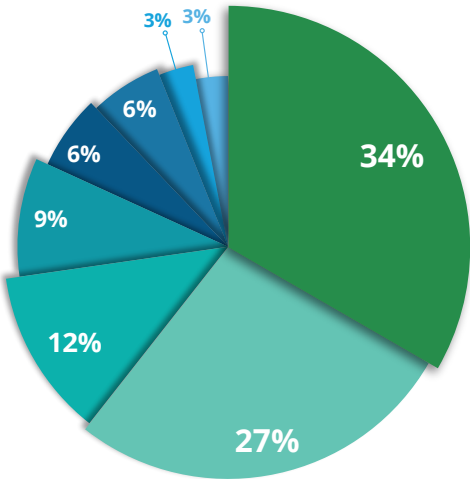




# Business confidence survey

## Participant statistics

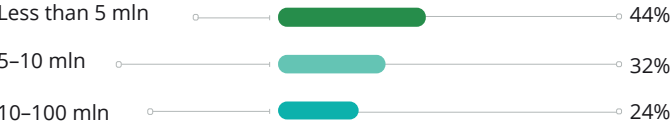
### Primary sectors of respondents



- Construction
- Transport & Logistics
- Retail services
- Agriculture
- Banking & Financial Services
- Technology, Media, Telecommunication
- Other industries
- Life Sciences & Healthcare

**Highlights:** The majority of respondents are working in the Construction sector (33%), while the second largest share is involved in Retail services (27%).

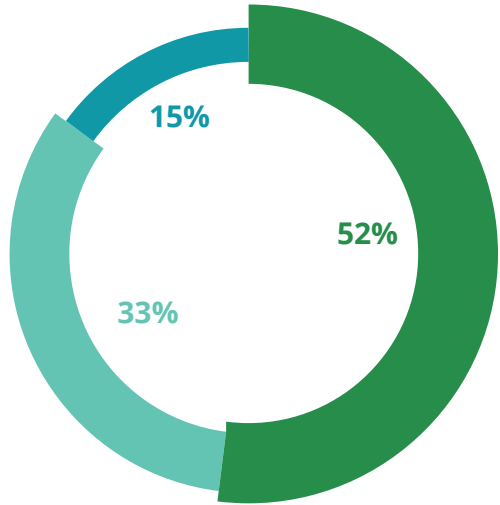
### Annual revenue range of respondents (AZN)



**Highlights:** In 2023, 44% of the total participants generated less than 5 million manats, followed by the companies with revenues of 5-10 million AZN.

### Company headcount of respondents

**Highlights:** A significant portion (52%) of the respondents' companies had a workforce ranging from 25 to 125 employees.



- Less than 25 employees
- 25-125 employees
- > 125 employees





# Business confidence survey

## Financial outlook & risks

**What changes do you expect to key financial and operating metrics at your company over the next twelve months?**

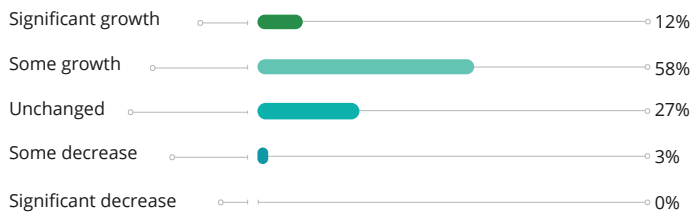
### Revenue, AZN



**Highlights:** According to 36% of respondents, revenue is expected to increase significantly during the next 12 months. 33% of respondents, think that there will be some growth in corporate revenue.

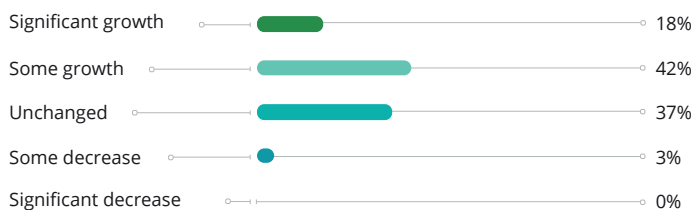
**Trends:** The number of survey respondents who anticipated no change in the company's revenue grew by 9.7 percentage points to 24% this year compared to the results of the previous year.

### Operating expenses, AZN



**Highlights:** The majority of participants (58%) anticipate a moderate increase in operating expenses. 27% of respondents believe that operating costs will remain the same.

### Operating profit, AZN



**Highlights:** The operating profit of their company is expected to increase, according to 60% of respondents.

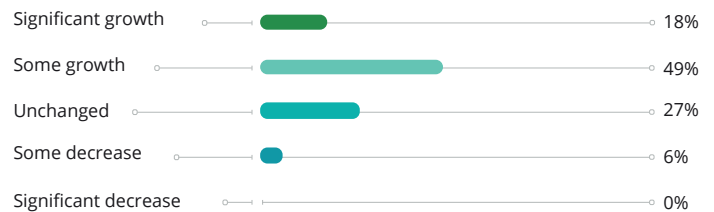
**Trends:** Similar to the previous year, the majority of respondents anticipate some growth in operating profit in the upcoming year.

### Cost of capital, AZN



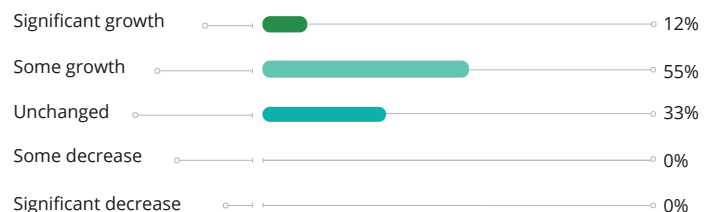
**Highlights:** Over half of the respondents (52%) anticipate that the cost of capital will remain unchanged over the next twelve months.

### Staff headcount



**Highlights:** Nearly half of respondents (67%) foresee some growth in the company's headcount, whereas 27% predict no changes in staff levels.

### Average wage/salary



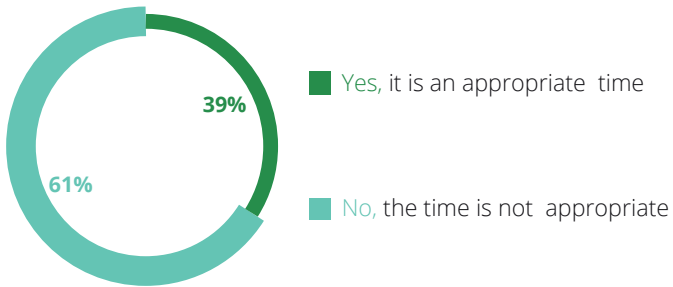
**Highlights:** The majority of respondents (55%) expect wages to increase moderately over the next twelve months, while 33% believe that average wages will stay the same.





# Business confidence survey

Is now an appropriate time to make risky decisions that may affect the balance sheet?



**Highlights:** Most of the participants (61%) think that this is not the appropriate time to engage in risky actions that could affect their balance sheet.

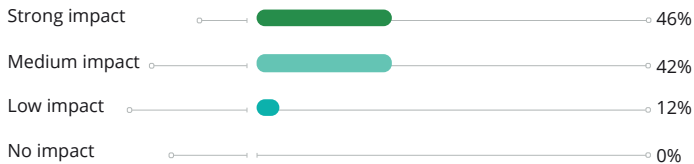




# Business confidence survey

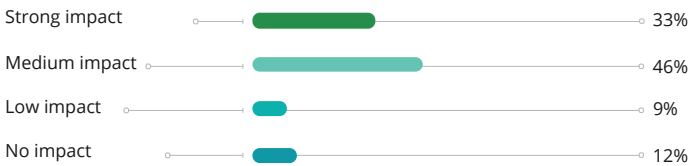
Please evaluate the impact of the risks listed below on your company over the next twelve months.

## Inflation and other economic risks



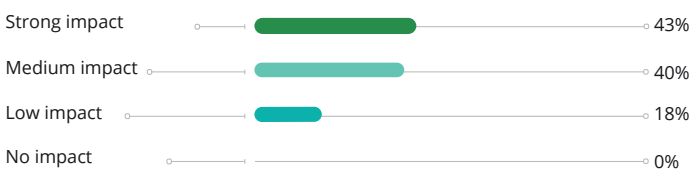
**Highlights:** 46% of respondents perceive inflation and other economic risks to have a strong impact, whereas 42% regard them as having a medium impact, indicating differing levels of concern among those surveyed about these economic factors.

## Difficulties with financing



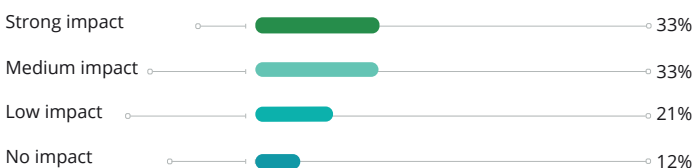
**Highlights:** Four-fifths of respondents believe that financing challenges will have a medium to strong impact on the company in the coming 12 months.

## Decrease in demand



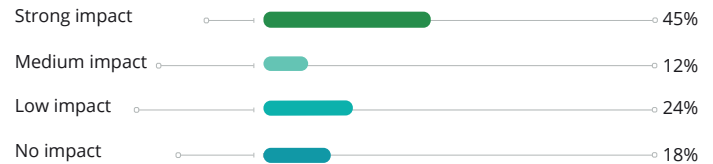
43% of respondents stated that a decline in demand would have a significant effect on the business.

## Shortage of suppliers



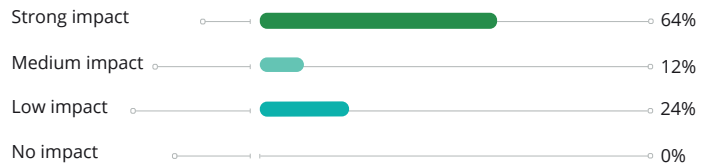
**Highlights:** A third of respondents said that a shortage of suppliers constituted a high-level risk. Another third of those surveyed believe it might have a medium effect on the business.

## Pandemics



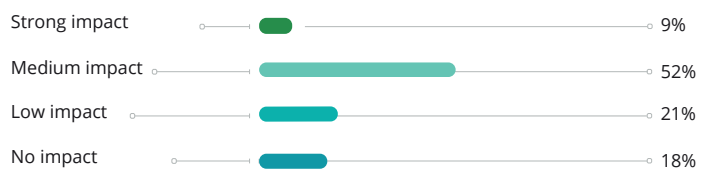
**Highlights:** 45% of respondents believe that pandemics would have a strong impact on their companies, while 12% stated the impact would be medium.

## Devaluation of the national currency



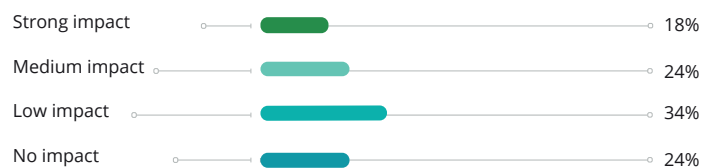
**Highlights:** According to the majority of responses (64%), a devaluation of national currency can be considered a high-level risk. Another 24% of respondents thinks it could have a low impact on the company.

## Increased state regulation



**Highlights:** A majority of the participants (52%) expressed that their companies would be at a moderate risk from increased governmental regulation in Azerbaijan.

## Geopolitical risks for businesses in Azerbaijan

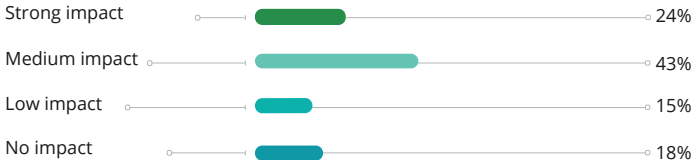


**Highlights:** 34% of respondents believe that geopolitical risks would have a low impact on their companies, while 18% stated the impact would be high.



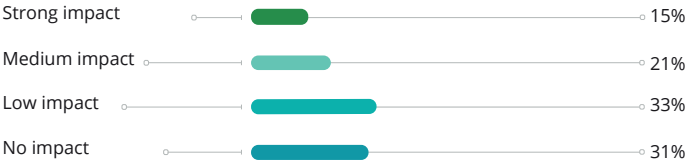
# Business confidence survey

### Decrease in cash flow



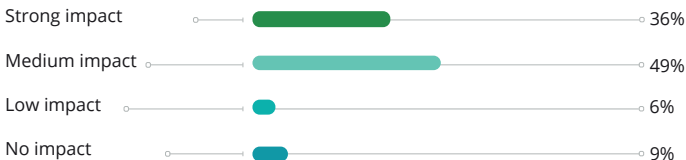
**Highlights:** 43% of respondents believe that a decrease in cash flow would have a moderate impact on their companies, while 15% stated the impact would be low.

### Cyber threats



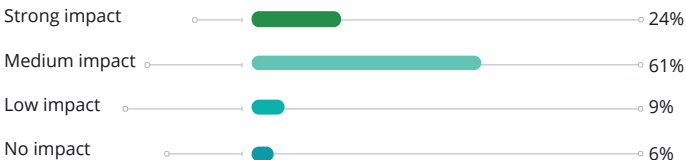
**Highlights:** One third of the respondents perceive cyber threats as having a low impact on their company, whereas an additional 15% indicate that the impact of cyber threats is expected to be strong.

### Increase in production cost



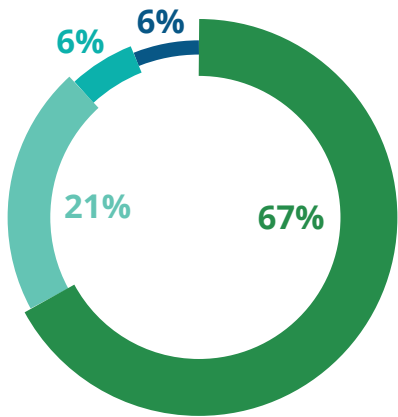
**Highlights:** The impact of increased production costs is considered to be medium by 49% of respondents, and strong by 36% of respondents.

### Decrease in core business revenue



**Highlights:** While 6% of respondents believed that a decline in core business revenue would have no impact at all, 61% of respondents indicated concern that such a fall could have medium impact on their operations.

### What labor force decisions did your company make in 2023?



**Highlights:** 67% of respondents in the survey reported that their companies hired new full-time or part-time employees in 2023, while 21% indicated that there was no change in their workplace's workforce decisions.

- Made no changes
- Hired new full- or part-time employees
- Increased temp. workers / contractors
- Dismissed employees (with no expectation of recall)

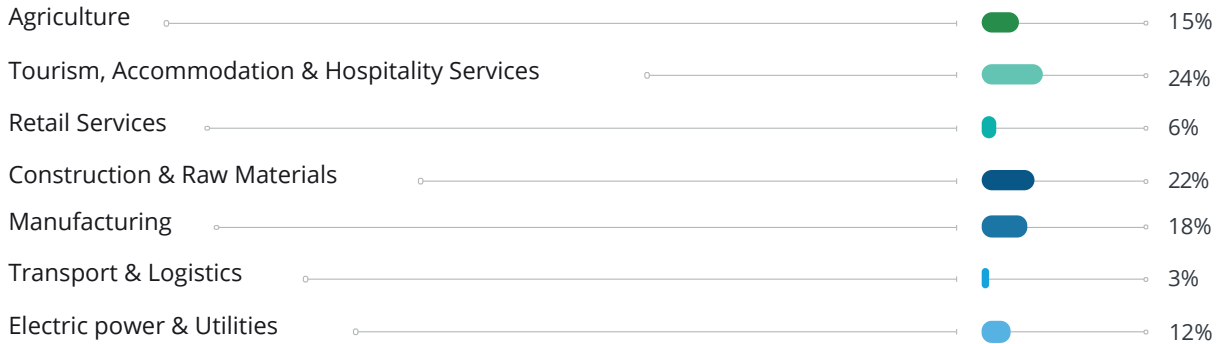




# Business confidence survey

## Market environment

Please select the key industry of Azerbaijan's non-oil sector that you believe will experience the fastest growth over the next five years.



**Highlights:** The sector anticipated to have the highest growth is Tourism, Accommodation & Hospitality services, which is expected to grow by 24%, and Construction & Raw materials, projected to grow by 21%, with Production following closely at 18%.

**Trends:** Unlike the previous two years, when agriculture was anticipated to be the fastest-growing industry, this year the tourism sector has taken the lead.





# Business confidence survey

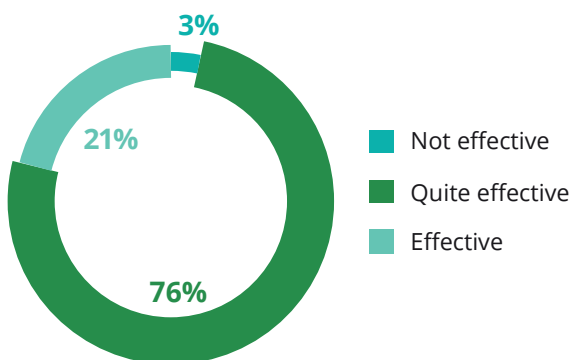
**Please evaluate issues that could hinder the growth of Azerbaijan's economy.**



**Highlights:** 52% of participants identified the shortage of skilled workforce as the primary obstacle to Azerbaijan's economic development. Additionally, 42% cited the small domestic market, while 39% highlighted the poor prospects of the Azerbaijani non-oil sector for foreign investors as other significant factors potentially hindering the country's economy.

**Trends:** Similar to the previous year, in 2023, the Azerbaijani economy continues to face significant challenges primarily due to the shortage of skilled workforce and the limited attractiveness of the non-oil sector to foreign investors. These ongoing issues have persisted as key obstacles impacting the country's economic growth and development.

**Please assess the effectiveness of the government's efforts to support and develop the Azerbaijani non-oil sector.**



**Highlights:** A significant majority of respondents, comprising 76%, are of the opinion that the government's support mechanisms are quite effective in contributing to the expansion of Azerbaijan's non-oil sector.

**Trends:** The proportion of respondents who consider the government's support mechanisms moderately effective in developing Azerbaijan's non-oil sector has risen by 4.6 percentage points from the previous year.



# Contacts



**Nuran Kerimov**  
**Managing Partner**  
Deloitte Azerbaijan  
nkerimov@deloitte.az



**Tural Hajiyev**  
**Partner**  
Technology & Transformation  
Deloitte Azerbaijan  
thajiyev@deloitte.az



**Ulvi Gasimov**  
**Senior Manager**  
Technology & Transformation  
Deloitte Azerbaijan  
ugasimov@deloitte.az





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