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## Economic Overview of 2024: Trends and Challenges

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### Abstract

In this paper, an analysis of Azerbaijan's economic and social performance in 2024 is presented, highlighting key trends and challenges. The discussion covers macroeconomic indicators, sectoral contributions, investment dynamics, regional disparities, and issues related to transparency and data credibility. By examining these aspects, the paper provides a comprehensive overview of the country's economic landscape, identifying emerging opportunities and persistent obstacles to sustainable development.

**Keywords:** Azerbaijan, macroeconomic indicators, 2024, GDP growth, sectoral contributions, investments, employment, regional economic disparities, Inflation, unemployment, poverty

According to the SSC, enterprises, organizations, and individual entrepreneurs in Azerbaijan produced a total of 126.3 billion manats worth of Gross Domestic Product (GDP) in 2024, which represents a 4.1% increase compared to 2023. For comparison, GDP in 2023 amounted to 123.0 billion manats, reflecting a nominal GDP growth of 102.7% ( $126.3/123.0$ ). However, nominal GDP figures for 2023 and 2024 show a decline compared to 2022. In 2022, the country's GDP reached 133.9 billion manats, which is 8.8% higher than 2023 and 6% higher than 2024.

In terms of real GDP production, growth was recorded as 4.7% in 2022, 1.1% in 2023, and 4.1% in 2024.

According to international standards, GDP growth is measured based on real indicators rather than nominal values when compared to previous periods. The discrepancy between the SSC's reported growth rate of GDP and the figures derived from dividing GDP volumes across years stems from the methodology. SSC calculates growth using comparative prices (i.e., prices of the compared year) rather than actual values<sup>1</sup>. This process utilizes the GDP deflator, an index reflecting changes in overall prices. The GDP deflator is determined as the ratio of nominal GDP to real GDP.

Notably, the SSC's January-December 2024 report on the macroeconomic indicators of the country's economic and social development does not disclose the GDP deflator.

At current prices, Azerbaijan's GDP amounted to \$78.8 billion in 2022, \$72.3 billion in 2023, and \$74.3 billion in 2024. According to the CIS Statistics Committee, the GDP of Kazakhstan, a

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<sup>1</sup> [https://www.stat.gov.az/special\\_version/menu/5/faq/az4.php](https://www.stat.gov.az/special_version/menu/5/faq/az4.php)

country with a population nearly twice that of Azerbaijan, was 3.6 times higher than Azerbaijan's GDP in 2023 at current prices.

In 2024, the production of marketable oil and natural gas, which are the main contributors to GDP in the oil and gas sector, amounted to 29 million tons and 38.7 billion cubic meters, respectively. Compared to the previous year, marketable oil production decreased by 3.6%, while marketable gas production increased by 6.2%. As a result, GDP production in the oil and gas sector grew by 0.3% in 2024, while the non-oil and gas sector saw a 6.2% increase. Consequently, the share of the oil and gas sector in GDP was 32.15% in 2024, compared to 38.86% in 2023.

The decline in oil production, along with falling crude oil<sup>2</sup> and natural gas<sup>3</sup> prices in 2024, has led to an increased share of the non-oil sector in GDP. This trend is expected to continue.

Regarding GDP per capita, it amounted to 12,382.5 manats in 2024, a 3.6% increase compared to the previous year. According to the CIS Statistics Committee, GDP per capita in 2023 was \$7,126.2 in Azerbaijan, \$8,210.1 in Georgia, and \$8,168.2 in Armenia. Within the CIS, the highest figures were recorded in Russia (\$13,900) and Kazakhstan (\$13,132.5).

For 2024, GDP per capita in Azerbaijan reached \$7,283.8, while in Georgia and Armenia, it stood at \$8,882.6 and \$8,575, respectively. From 2005 to 2023, Azerbaijan led the South Caucasus region in GDP per capita. However, in 2023-2024, Azerbaijan lost this position, ranking last in the region. This trend is also expected to persist.

GDP per capita in Azerbaijan amounted to 12,382.5 manats in 2024, marking a 3.6% increase compared to the previous year. According to the CIS Statistics Committee, GDP per capita in 2023 was \$7,126.2 in Azerbaijan, \$8,210.1 in Georgia, and \$8,168.2 in Armenia. Among CIS countries, the highest GDP per capita figures in 2023 were recorded in Russia (\$13,900) and Kazakhstan (\$13,132.5).

In 2024, Azerbaijan's GDP per capita reached \$7,283.8, while Georgia and Armenia reported \$8,882.6 and \$8,575, respectively. Azerbaijan, which led the South Caucasus in GDP per capita from 2005 to 2023, lost this position in 2023-2024, ranking last in the region. This trend is expected to persist.

In 2024, 21.4 billion manats were invested in fixed assets, a 0.7% decrease compared to 2023. This marks the first decline in investments since 2020. According to the State Statistics Committee, investments in the oil and gas sector decreased by 10.2%, while investments in the non-oil and gas sector increased by 3.3%. Specifically, 5.7 billion manats were directed toward the oil and gas sector, and 15.7 billion manats were allocated to the non-oil and gas sector.

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<sup>2</sup> <https://www.statista.com/statistics/262860/uk-brent-crude-oil-price-changes-since-1976/>

<sup>3</sup> <https://www.statista.com/statistics/1303056/natural-gas-price-index-worldwide/>

The attraction of new investments to the oil and gas sector is expected to become more challenging due to the energy transition. Investment in renewable and alternative energy sources is anticipated to rise, but their physical volumes are likely to remain smaller than those in the oil and gas sector. Consequently, investments in fixed assets are expected to decline further in the coming years.

In 2024, 3.1 billion manats (94.7%) of the investments made in fixed assets using foreign and international organization funds came from investors from the United Kingdom, Turkey, the United States, Switzerland, Japan, Russia, Norway, Iran, the UAE, India, France, Kyrgyzstan, and Hungary. The United Kingdom maintained its leadership in foreign investments in 2024, primarily due to BP's financing of oil and gas sector operations.

Agricultural production in 2024 increased by 1.5% compared to 2023, including a 1.7% growth in livestock production and a 1.1% growth in crop production. However, this represents the lowest growth rate in the past decade.

In 2024, the consumer price index (CPI) was reported by the State Statistics Committee (SSC) as 102.2% compared to 2023. This includes 101.3% for food products, beverages, and tobacco, 101.6% for non-food goods, and 104.0% for paid services provided to the population. However, this announcement appears unconvincing. Since no alternative inflation calculations have been conducted, it is impossible to provide accurate information on real price increases.

Long-standing experience indicates that the SSC regularly falsifies inflation, unemployment, and poverty figures in its annual reports based on surveys. The official data presented for these three critical macroeconomic indicators distort the actual reality.

For instance, according to the SSC, as of January 1, 2025, the number of unemployed individuals registered with the State Employment Agency's local branches was 217,200. This implies a national unemployment rate of 4%. However, observations in the labor market suggest that real unemployment is significantly higher than this figure.

As of December 1, 2024, the number of wage employees stood at 1,775,300, with 884,400 working in the public sector and 890,900 in the non-public sector. Consequently, the share of wage employees in the employed population (which the SSC reports as 5,029,800) is 35.3%. In contrast, in many developing countries, this share typically ranges between 50% and 70%.

In recent years, although the share of the public sector in salaried employment in Azerbaijan has declined, overall growth in the number of wage employees remains weak. From 2007 to 2024—a span of 17 years—the number of wage employees increased by only 375,300, which averages an annual growth of approximately 22,000. This indicates that the annual reports claiming the creation of hundreds of thousands of new jobs are inaccurate.

Employment statistics do not include data on informal employment or information about closed workplaces, which casts doubt on the transparency of employment figures.

One concerning trend highlighted in the 2024 statistical report is the high concentration of business activities in Baku. During the year, 68.7% of micro-business entities, 73.0% of small businesses, 68.7% of medium-sized enterprises, and 76.5% of large businesses were established in the capital. This statistic underscores the regional economic imbalance in Azerbaijan, confirming that the regions are lagging behind in overall development.

According to the State Tax Service under the Ministry of Economy of Azerbaijan, as of January 1, 2025, the number of individual entrepreneurs registered to engage in business activities without establishing a legal entity exceeded 1.389 million. Of these, 26.5% were registered in Baku, 10.2% in the Lankaran-Astara economic region, 7.9% in the Gazakh-Tovuz region, and 7.1% in the Central Aran economic region. This suggests that individuals in the regions prefer individual entrepreneurship over creating legal entities to pursue business initiatives.

Finally, it is noteworthy that the 2024 macroeconomic report published by the SSC does not include results from household surveys related to poverty. Recent practice suggests that the SSC does not have the authority to disclose this indicator, likely due to its significant political implications.