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## **Assessment of economic and social outcomes in Azerbaijan for 2024**

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### Abstract

The study examined the current state of the 2024 state budget of Azerbaijan and the dynamics of the country's socio-economic development in the current year. The projected, revised and expected budget indicators for 2024 were analyzed and evaluated. The study showed the mechanisms of the impact of the structure of budget expenditures on economic development.

The study examined the compliance of the budget parameters planned for the current year with macroeconomic processes, economic development and the current socio-economic situation.

Here, based on the analysis of budget revenues and expenditures, the implementation of the forecast and expected indicators of the budget, the impact of the effective allocation of resources on economic development were shown.

**Keywords:** state budget, budget revenues and expenditures, macroeconomic indicators, resources, GDP, oil and gas and non-oil gas sectors.

### Introduction.

As is known, one of the most important directions of the socio-economic policy and the development course of each country as a whole is the state budget and the process of its organization is one of the main tasks set. As is known, the state budget is the most important financial plan for the implementation of the functions and duties of the state, being both the implementation of centralized cash collection of the state, the creation and use of the budget fund, and also plays a decisive role in the implementation of the functions and duties of the state. In order to maintain the dynamism of sustainable development in the country, to provide an optimal and positive response to international processes, it has become an objective necessity to organize the budget, which is the main financial document of the state, and the budget process in accordance with scientifically substantiated principles and to strengthen financial control over it. The article analyzes approaches to the implementation of state budget policy in the context of accelerating economic growth.

It should be noted that the revised 2024 state budget approved revenues of 36 billion 353.0 million manats (21.384 billion USD), expenditures of 39 billion 707.3 million manats (23.357 billion USD). Azerbaijan's 2024 budget is 3.5 times higher than Armenia's, its military budget is 2.1 times higher, and its social expenditures are 1.5

times higher, while Azerbaijan's state budget is 2.1 times higher than Georgia's main financial document and 7.2 times higher than its military budget. In order for budget expenditures to be more factors affecting economic development, successful continuation of structural reforms, greater diversification of the economy, further optimization of the economic and financial justification of social and investment projects implemented through the budget system, as well as large-scale financial facilities and technologies, and the implementation of preventive measures to prevent these projects from causing additional financial obligations in the future are important tasks ahead in 2025 and subsequent years.

#### Macroeconomic situation for 2024.

In January-October 2024, 103.5 billion manats of gross domestic product were produced, or 4.9 percent more than in the corresponding period of 2023 (Table 1). Compared to January-October of the previous year, the production of added value in the oil and gas sector of the economy increased by 1.7 percent, and in the non-oil and gas sector by 6.8 percent. Compared to January-October of the previous year, the production of added value in the oil and gas sector of the economy increased by 1.7 percent, and in the non-oil and gas sector by 6.8 percent. 37.1 percent of the added value was produced in industry, 10.0 percent in trade; repair of vehicles, 7.0 percent in transport and warehousing, 6.3 percent in construction, 6.2 percent in agriculture, forestry and fishing, 2.4 percent in tourist accommodation and public catering, 1.8 percent in information and communications, and 19.2 percent in other sectors.

Table 1. Macroeconomic indicators of the country's economic and social development in January-October 2024.

Indicator name	January-October 2024, actual		January-October 2024 compared to January-October 2023, in percentage
	manat	US dollar	
Gross domestic product, million manats (dollars)	103495,80	60879.88	104,9
including non-oil and gas GDP	68 685,70	40403.35	106,8
GDP per capita manat (dollars)	10 146,50	5968.53	104,4
Industrial output, million manat (dollars)	53 304,30	31335.47	102,2
including non-oil and gas industry	15 346,20	9027.2	108,7
Fixed capital investment, million manat (dollars)	14 391,10	8465.35	95,6
including non-oil and gas sector	9 867,90	5804.6	98
from non-oil and gas industry	883,8	519.9	119,6

Agricultural output, million manat (dollars)	11 407,10	6710.1	101
including: crop production	5 866,90	3451.12	100,5
Animal husbandry	5 540,20	3258.94	101,5
Information and communication services, million manat (dollars)	2 863,60	1684.47	112,1
Retail trade turnover, million manat (dollars)	48 343,00	28437.1	103,7
Paid services provided to the population, million manat (dollars)	10 192,40	5995.53	108,3
State budget revenues, million manat (million dollars)	31 542,50	18554.41	119,4
State budget expenditures, million manat (million dollars)	28 108,20	16534.24	105,5
	3 434,30	2020.2	x
State budget surplus, million manat (million dollars)	68 097,20	40057.2	105,8
	6 676,10	3927.1	105,3
Nominal income of the population, million manat (million dollars)	14 164,00	8331.7	111,5
	28 404,60	16708.6	123,4
Nominal income per capita of the population, manat (dollars)	193,8		104,1
Deposits of the population in banks, as of October 1, 2024, million manat	1 695,00		109,2

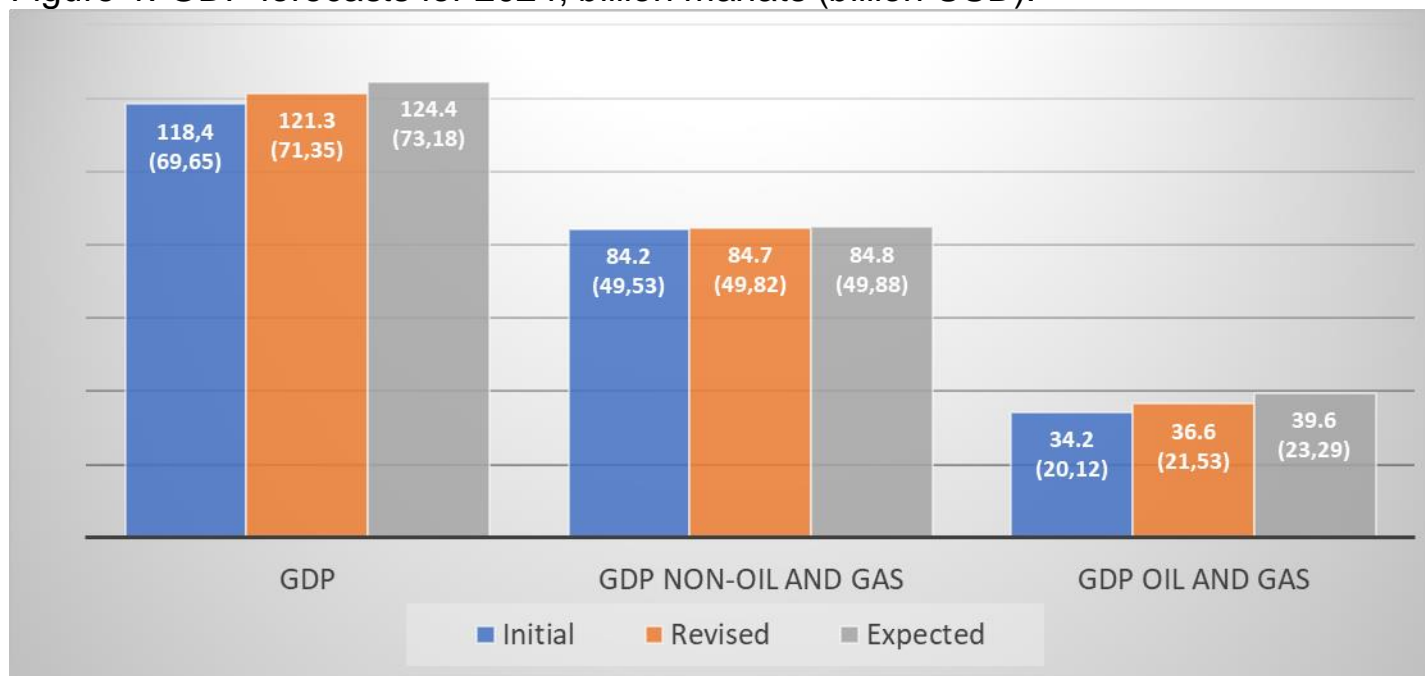
Source: Statistical Committee of the Republic of Azerbaijan.

As can be seen from Table 1, during the 10 months of the current year, the volume of GDP at market prices was 103 billion 495.80 million manat (60879.88 million USD), which is 104.9% compared to the corresponding period of the previous year or 83% compared to the expected GDP for the current year. The conducted analyses show that there will be no risks in the implementation of the expected amount of GDP by the end of the current year. Economic growth in the 10 months of the current year was ensured by the non-oil and gas sector. During this period, the economy grew by 4.9% due to the non-oil and gas sector. Thus, the oil and gas sectors also contributed to economic growth due to the increase in gas production in the Shah Deniz field, but the decrease in oil production reduced this growth by 0.3 percentage points.

Taking into account the initially approved macroeconomic indicators for 2024, including the projected approach to GDP oil prices, current raw material prices and fiscal incentives, the approved GDP amount during the revision of the state budget was increased by 2.9 billion manat (1.71 billion USD) and is expected to be 121.3 billion manat (71.35 billion USD). However, analyzing the macroeconomic indicators for 2024,

the approved GDP amount during the revision is expected to increase by 3.1 billion manat (1.82 billion USD) to 6.0 billion manat (3.53 billion USD) by the end of the year, and GDP will be equal to 124.4 billion manat (73.18 billion USD) (Figure 1).

Figure 1. GDP forecasts for 2024, billion manats (billion USD).



Compared to the revised forecast, the significant increase in GDP, especially in the oil and gas sector, can be explained by the increase in oil prices to 80.0 US dollars when calculating the expected indicators for the current year. The dynamics of Azeri Light oil prices over the past period of the year allows us to say that GDP in the relevant sector will exceed the revised amount by the end of the current year, as well as that tax revenues of the state budget in the oil and gas sector will exceed the forecast (Table 2).

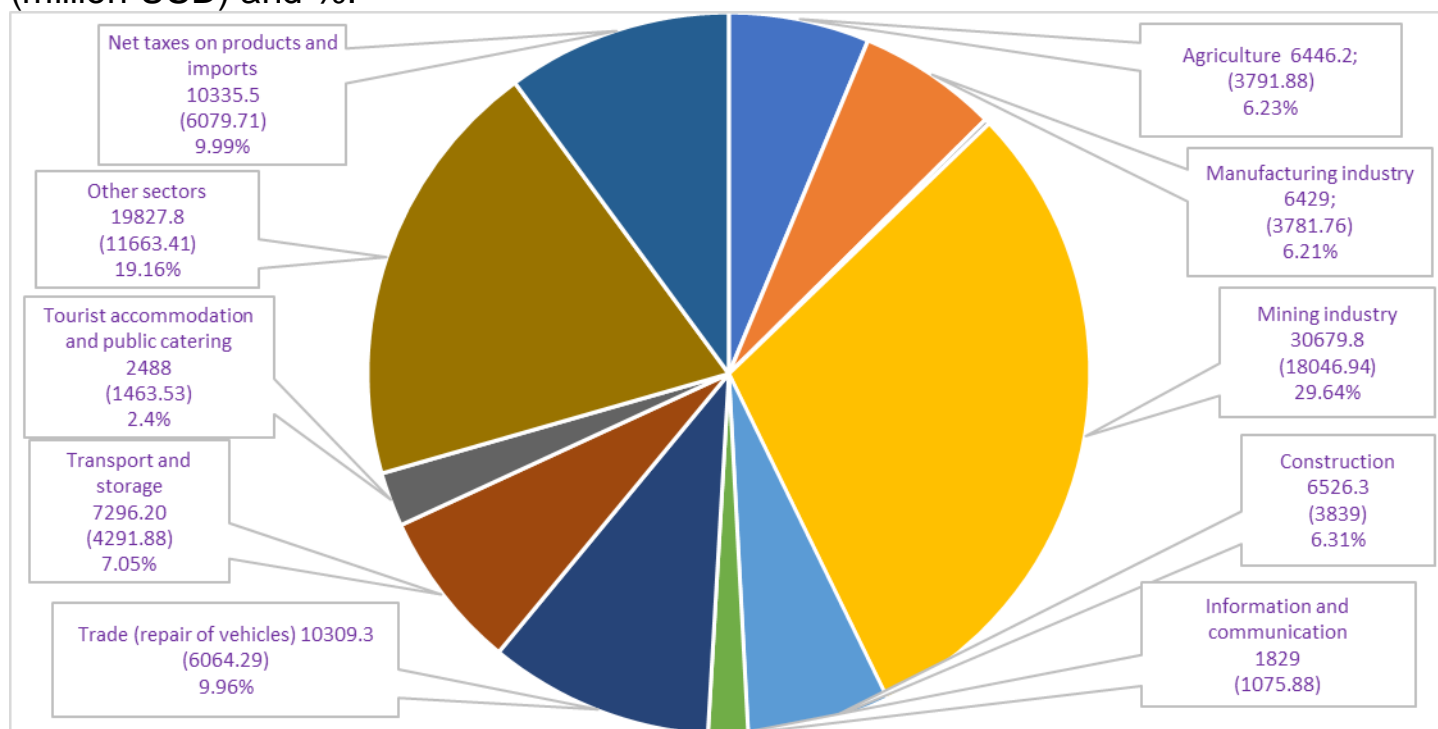
Table 2. Expected macroeconomic indicators for the end of 2024.

	Expected.	
	Manat	US dollar
GDP	124.364	73.16
real growth rate compared to the previous year	4.2%	
GDP annual growth	1.4	0.82
GDP oil and gas sector	39.6	23.29
real growth rate compared to the previous year	0.3%	
Oil production million tons	29.2	
real growth rate compared to the previous year	-3%	
Commodity gas production billion m3	37.8	
real growth rate compared to the previous year	3.8 %	
GDP q/oil and gas sector	84.8	49.88
real growth rate compared to the previous year	6.4%	
State budget revenues	36.4	21.41
Transfer from the SOFAZ to the state budget	12.8	7.53
Tax revenues on the oil and gas sector	5.0	2.94

State budget expenditures	39.7	23.35
Public debt (external and domestic)	28.1752	16.57
Public debt to GDP ratio	22.7%	
Average annual inflation	2.7%	
Manat exchange rate AZN/USD	1.7	1
Price of 1 barrel of oil in US dollars	136	80

During the 10 months of the current year, the growth of the non-oil and gas sector was ensured by domestic demand factors, the share of commercial sectors in the growth of the relevant sector was small, and based on the conducted analyses, it can be concluded that there will be no risks in the implementation of the expected added value in this sector by the end of the current year. During the reporting period, the GDP of the non-oil and gas sector was 68 billion 685.70 million manat (40.40335 billion USD), which is 81% of the amount expected by the end of the current year. During the 10 months of the current year, the non-oil and gas sector developed at a high pace, the growth was 6.8% compared to the same period of the previous year. The main contribution to the growth in this sector was made by the transport and construction sectors (Figure 2). Including: agriculture, forestry and fishing 6 billion 466.2 million manat (3.804 billion USD) 0.9%, industry 38 billion 417.5 million manat (22.599 billion USD) 2.1%, including: mining industry 30 billion 679.8 million manat (18.047 billion USD) 1.1%, processing industry 6 billion 429 million manat (3.782 billion USD) 8.2%, construction 6 billion 526.3 million manat (3.839 billion USD) 15.5%, trade (including repair of vehicles) 10 billion 309.3 million manat (6.064 billion USD) 3.6%, transport and warehousing 7 billion 296.2 million manat (4.292 billion USD) 15.7%, tourist accommodation and public catering 2 billion 488 million (1.464 billion USD) 11.3%, information and communication 1 billion 829 million manat (1.076 billion USD) 12.1%, other sectors 19 billion 827.8 million manat (11.6634 billion USD) 3%, net taxes on products and imports 10 billion 335.5 million manat (6.08 billion USD) 8.5% compared to the same period last year. There were corresponding increases in the above-mentioned sectors. During the reporting period, the highest increases were in the transport and construction sectors, 15.7% and 15.5%, respectively, and the lowest in agriculture, 0.9%. The analysis of all these indicators shows that the total demand formed from investment and consumption occurred at the expense of domestic sources. Thus, the investment activity of the public sector of domestic sources could not replace the reducing effect of foreign sources. Domestic investments increased by 2.8% in real terms compared to the corresponding period of the previous year and amounted to 10 billion 578.7 million manats (6.223 billion USD), these investments were provided at the expense of the state and the share of the public sector increased to 57.6%. During the period under review, investments directed to fixed capital at the expense of foreign sources decreased by 2 billion 132.4 million manats (1.254 billion USD), decreasing by 27.3% year-on-year, thereby exceeding the increasing effect of domestic sources by 2.2% and causing a decrease in total investments.

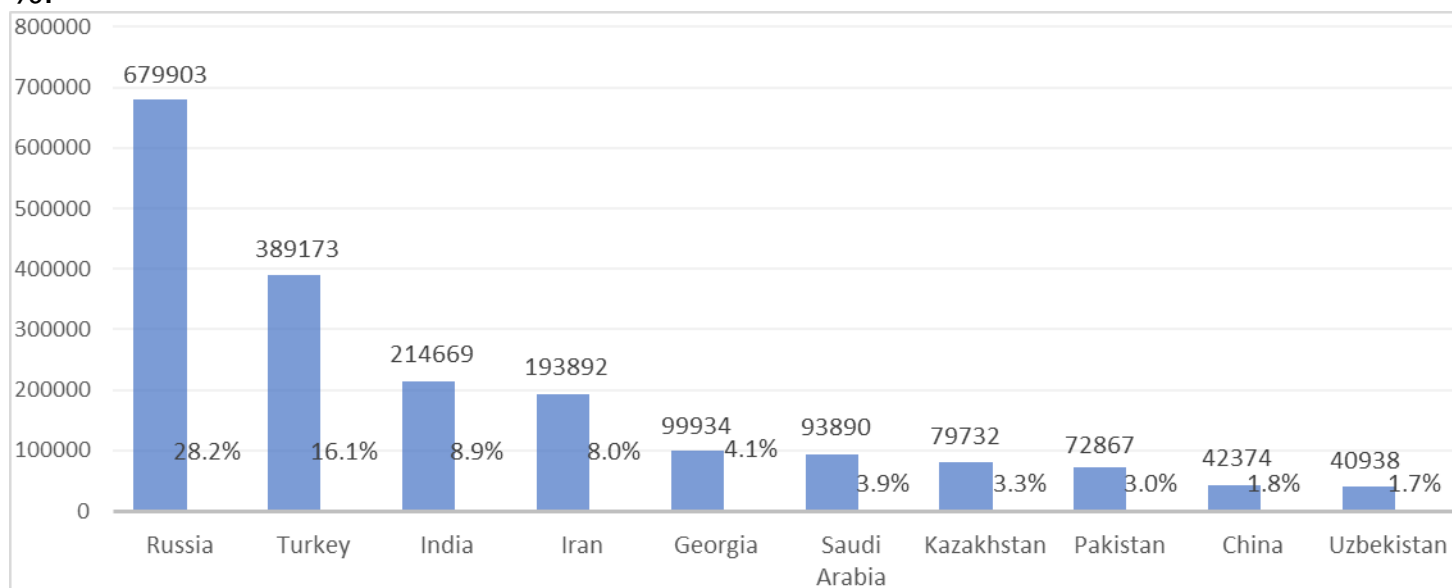
Figure 2. Gross domestic product production and share of sectors, million manats (million USD) and %.



64.0 percent of industrial output was produced in the mining sector, 30.3 percent in the processing sector, 4.7 percent in the electricity, gas and steam production, distribution and supply sector, and 1.0 percent in the water supply, waste treatment and processing sector. In the mining sector, commercial oil production decreased by 3.5 percent, while commercial gas production increased by 6.8 percent. Compared to January-October 2023, the total agricultural output increased by 1.0 percent, including livestock production by 1.5 percent, and crop production by 0.5 percent. According to the State Statistics Committee, the country's foreign trade turnover in January-September 2024 amounted to 34,173.9 million US dollars. The value of products exported from the country accounted for \$19,530.7 million or 57.2 percent of the trade turnover, while the value of imported products accounted for \$14,643.2 million (42.8 percent), resulting in a positive balance of \$4,887.5 million. Compared to January-September 2023, foreign trade turnover decreased by 1.5 percent in actual prices and 4.9 percent in real terms, including imports by 1.2 percent and exports by 7.1 percent. In January-September 2024, exports of non-oil and gas products amounted to \$2 billion 465.1 million and increased by 1.3 percent in actual prices and decreased by 10.3 percent in real terms compared to January-September 2023.

An increase in the number of tourists visiting the country was also observed during the 10 months of the current year (Figure 3). Thus, 2,412,160 tourists visited the country during January-November 2024. This is 28% more than the same period last year. During the 10 months of the current year, there was an 18% increase in the number of visitors from Russia, 14% in the number of visitors from Turkey, 30% in the number of visitors from Iran, and 7% in the number of visitors from Georgia. By region, there was an increase of 109% in the number of visitors from African countries, 93% in the number of visitors from Northeast Asian countries, 90% in the number of visitors from South Asian countries, and 51% in the number of visitors from Southeast Asian countries. This gives reason to say that part of the increase in the number of visitors from these regions is related to the UN COP 29 events held in Azerbaijan.

Figure 3. Number and share of tourists visiting Azerbaijan from the top 10 countries in %.



Source: Tourism Agency of the Republic of Azerbaijan.

In the first 6 months of 2024, 4,214,843 people traveled for business, leisure and entertainment sub-indicators in domestic tourism. This is 696,289 people or 16.53% more than in the same period last year. In the current year, there were 803,365 and 3,409,308 people in the country for business, leisure and entertainment indicators, respectively. The top 5 cities in the above-mentioned indicators are Baku, Sumgayit, Nakhchivan, Ganja and Absheron. In terms of National Parks, 199,567 tourists traveled during the 9 months of the current year. Of these, 157,159 people visited Goygol National Park.

It can be expected that the number of domestic and foreign tourists will more than double by the end of this year. The 29th session of the Conference of the Parties to the UN Framework Convention on Climate Change – COP29, such a prestigious event as it was held in Azerbaijan. The COP29 Presidency has taken important steps towards ensuring the functioning of the Loss and Damage Fund, and currently the total amount of financial support pledged to the Fund exceeds 731.15 million US dollars. Holding a UN event related to COP 29 in Azerbaijan will contribute to better recognition of the country and the development of tourism. Thus, it would be appropriate to organize such events for the development of tourism. At the same time, it can be said that there is a need to develop infrastructures that will support tourism and reduce prices.

### Conclusion and Recommendations.

In order to reduce risks in the real sector, it is necessary for the state to make wider use of mechanisms such as credit guarantees, credit insurance and credit subsidies. In order for risks not to hinder economic growth, it would be appropriate to continue structural reforms, increase financial support and inclusiveness. On the other hand, it is not only banks that finance economic growth, but in world practice, the securities market plays an important role in attracting finance to the real sector. In order to ensure sustainable economic development, we propose the following;

- The business environment and reforms in Azerbaijan should be further improved.
- Foreign trade, investment, competition, regulation and corporate governance in state-owned enterprises should be expanded.
- Access to finance and services should be improved.



- Attention should be paid to creating new jobs, reducing unemployment and poverty.
- Special attention should be paid to the development of education and healthcare, primarily human capital.
- Ensuring economic growth that can be achieved by increasing investments.

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