



Macroview of Azerbaijan Economy: *economic growth and prospects for monetary policy*

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*The views in this presentation are those of the author and do not necessarily represent the views of the Central Bank of Azerbaijan.

Azerbaijan at a Glance

Area: 86,600 sq. km

Population, 2023 June: 10.2 million

GDP 2022: US\$ 78.7 billion

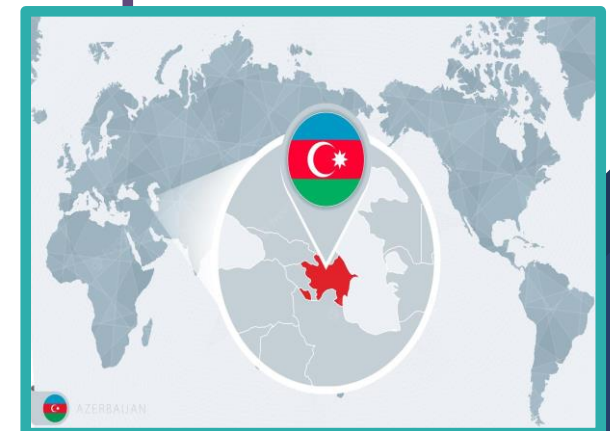
GDP, 2023, 6 months: US\$ 35.5 billion

GDP per capita, 2022: US\$ 7,798

Real GDP growth, 2022: 4.6%

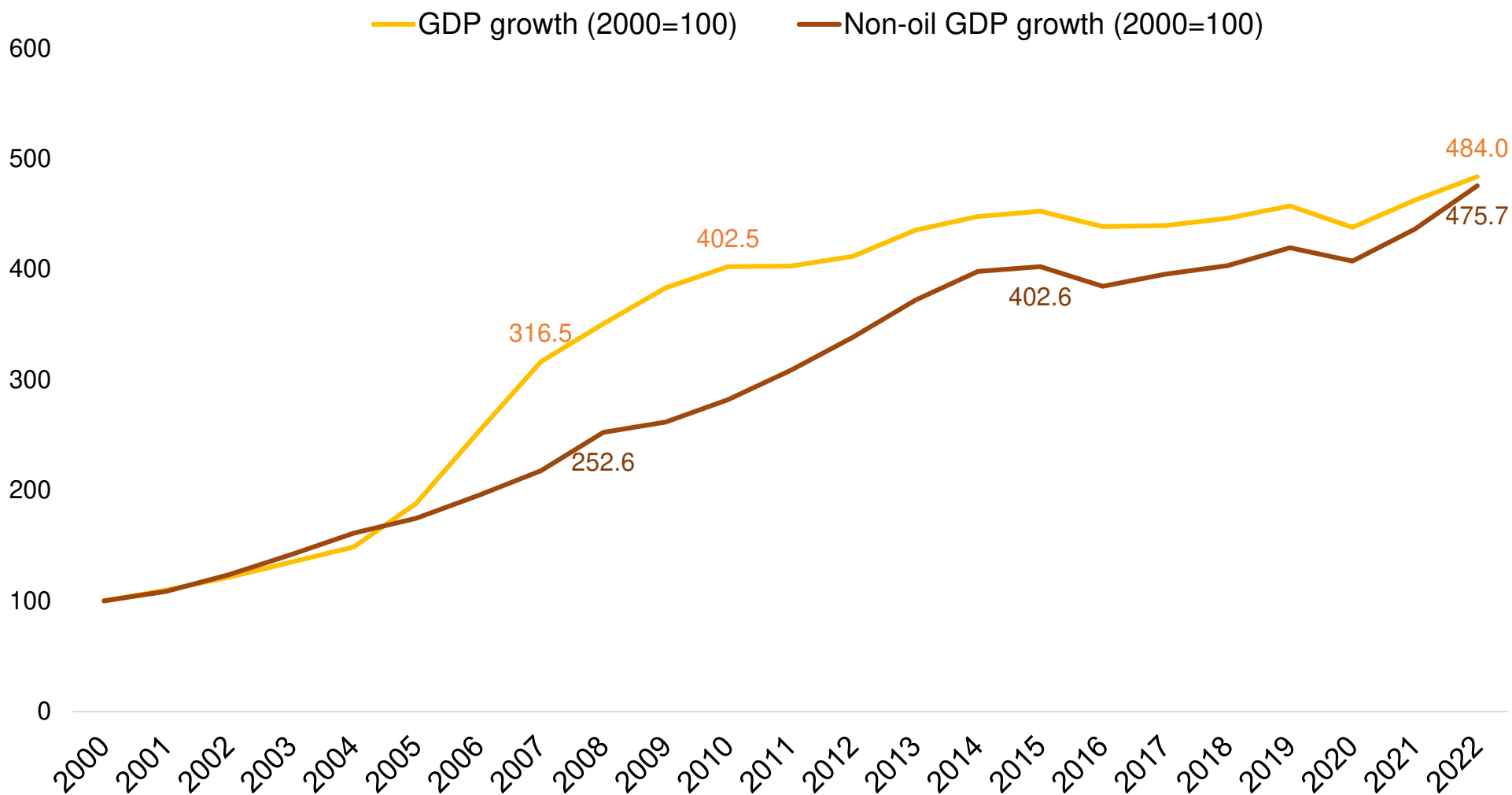
Real GDP growth, 2023, 6 months: 0.5%

Inflation rate, 2022: 14.4%



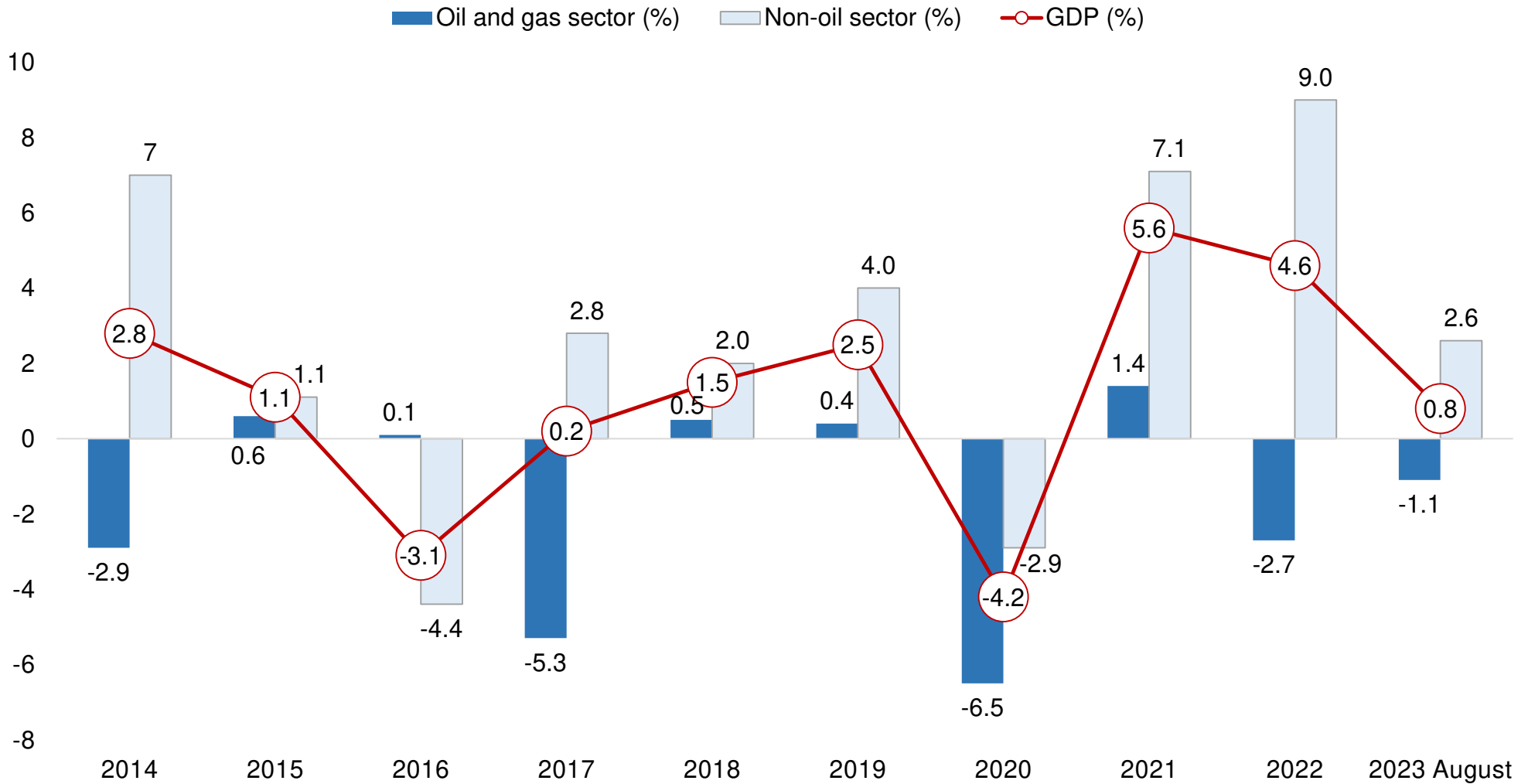
Source: State Statistical Committee of Azerbaijan Republic (SSC)

Both total GDP and non-oil GDP grew by almost 5 times over the last two decades



Source: SSC

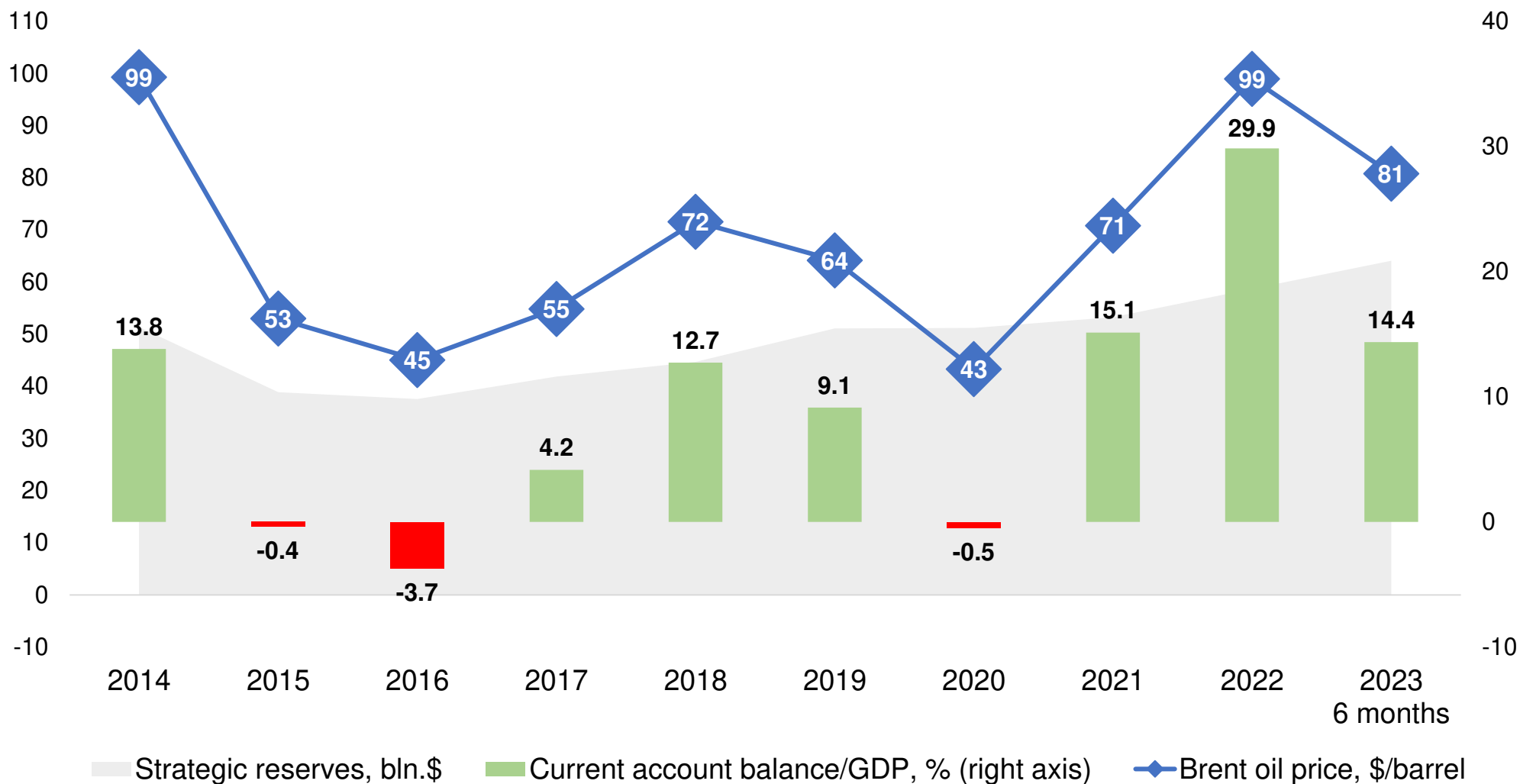
During recent years non-oil economy has been a key driver of overall growth



Source: SSC

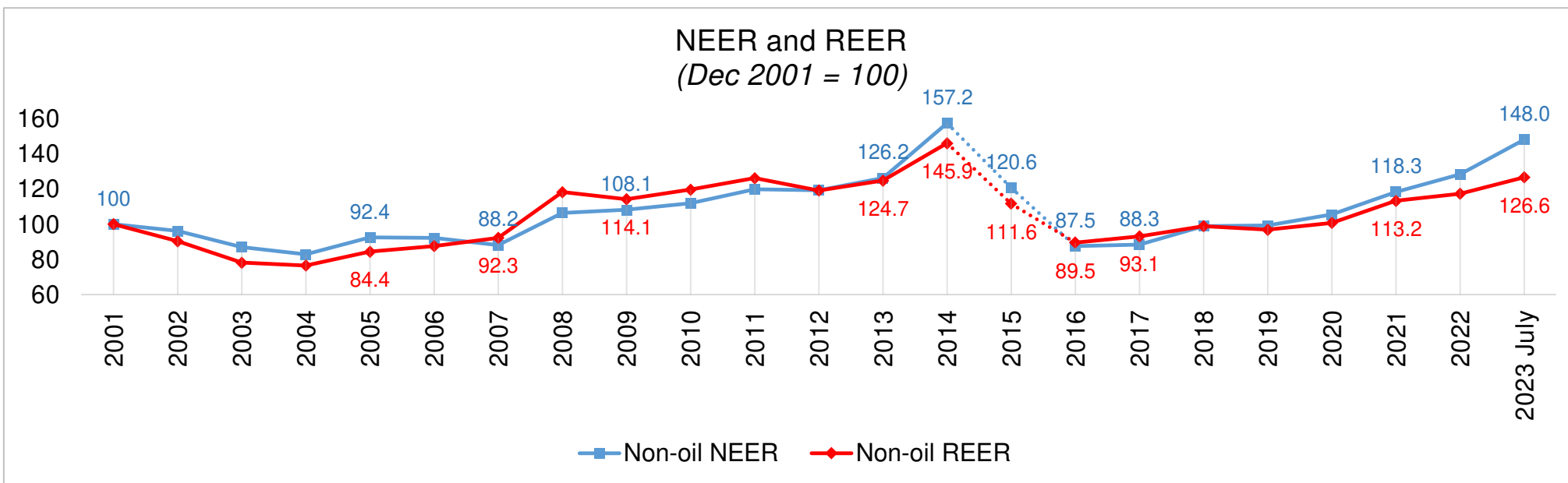
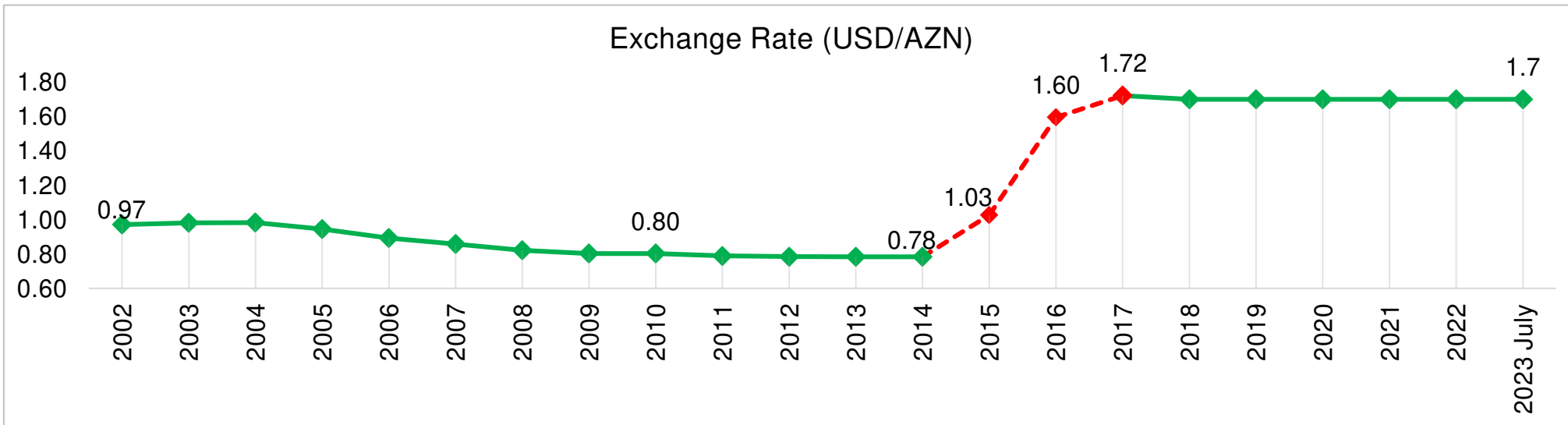
Note: Net taxes are excluded from oil&gas sector and non-oil&gas sector.

External balance is mostly in surplus, contributing to the build up of reserves



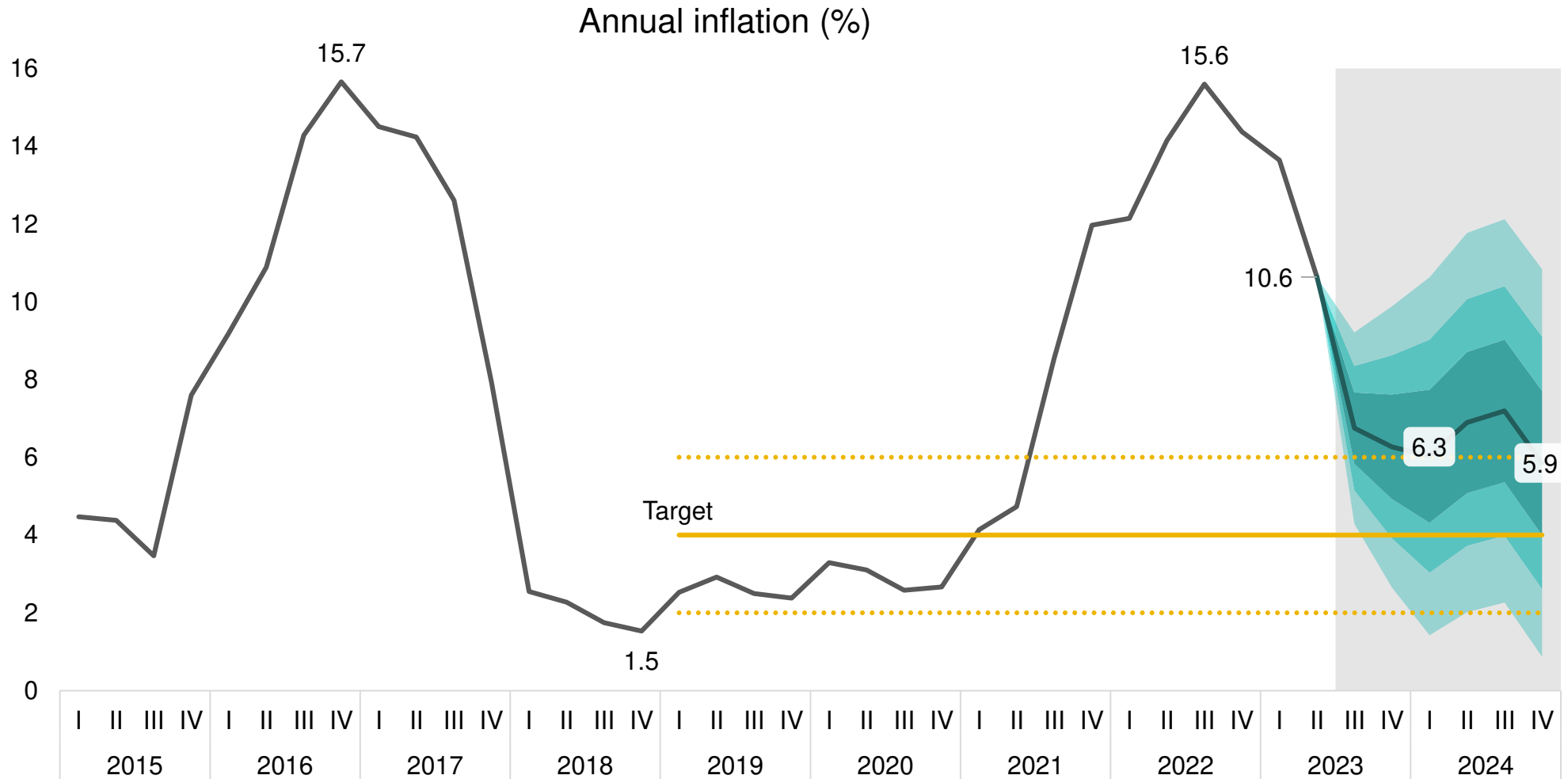
Source: Central Bank of Azerbaijan Republic (CBAR), SSC, IMF

Overall the exchange rate has been stable, supporting appreciation of NEER to curb inflation



Source: CBAR

Inflation has been off the target range, but is forecasted to return to the range

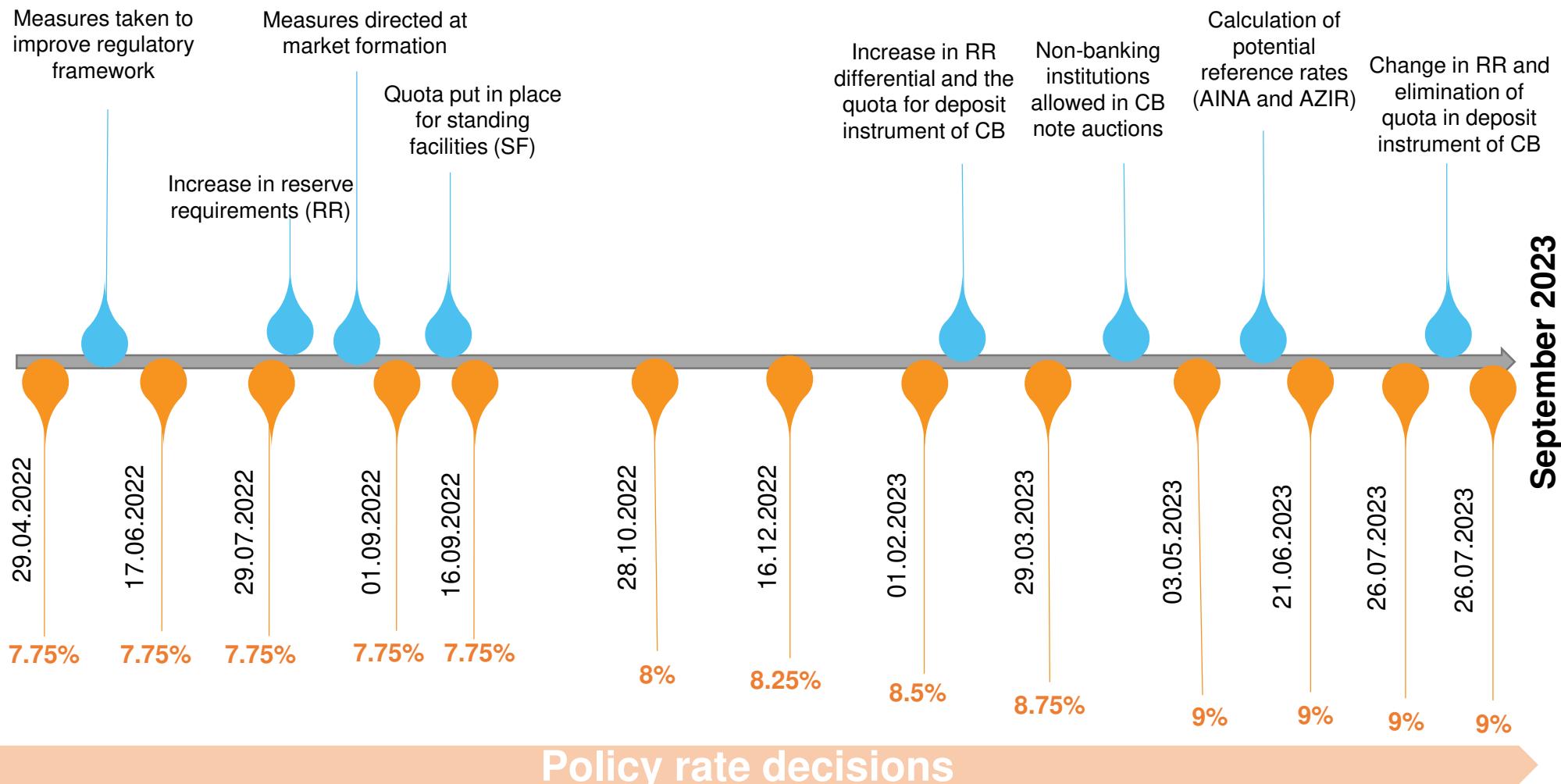


Source: CBAR estimation

- The actual annual inflation rate for August 2023 stands at 8%.

Monetary policy was tightened, significant measures taken to improve transmission

Policy decisions to strengthen monetary policy transmission



Source: CBAR

Monetary policy: *lessons learned and key priorities*

Lessons learned

- Nature of shocks should be considered in determining the magnitude of policy response to fight against inflation:
 - external demand versus supply shocks
 - external versus internal shocks
- Frequency of inflation forecasts should be revisited in times of high volatility:
 - volatility of inflation rates in the trade partners
 - volatility of exchange rates affecting nominal effective exchange rate
- Monetary tightening speed is also crucial in terms of financial stability after a long accommodative monetary policy.

Key priorities

- To further enhance the monetary transmission despite significant progress in interbank money market
- To focus on the improvement of monetary instruments for liquidity provision and sterilization
- To improve liquidity management framework in the presence of excessive liquidity
- To improve the inflation forecasting framework

Thank you for your attention