

Deloitte.

Business Outlook in Azerbaijan

Deloitte Azerbaijan
2022 results,
seventh edition



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IMPACT THAT
MATTERS
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Introduction



Nuran Kerimov
Managing Partner
Deloitte Azerbaijan

We are delighted to introduce the seventh edition of Business Outlook in Azerbaijan, a macroeconomics journal prepared by Deloitte Azerbaijan. Within this publication, we have analyzed the key macroeconomic indicators that have enabled us to identify the prevailing trends and challenges of Azerbaijani economy.

Between February and May of 2023, Deloitte conducted an extensive "Business Confidence" a survey among leading companies of Azerbaijan. The insights gained from the responses have not only allowed to detect the economic forces shaping the Azerbaijani business environment, including primary drivers, major challenges, and development mechanisms, but have also facilitated the comparative analysis of trends in the national economy.

We have also polled leaders across many industries to complete "Human Capital Trends" survey that aims to capture the emerging human resources tendencies in Azerbaijan. By exploring the evolving landscape of human capital, we intend to shed light on the current situation and prospects for the workforce in Azerbaijan.

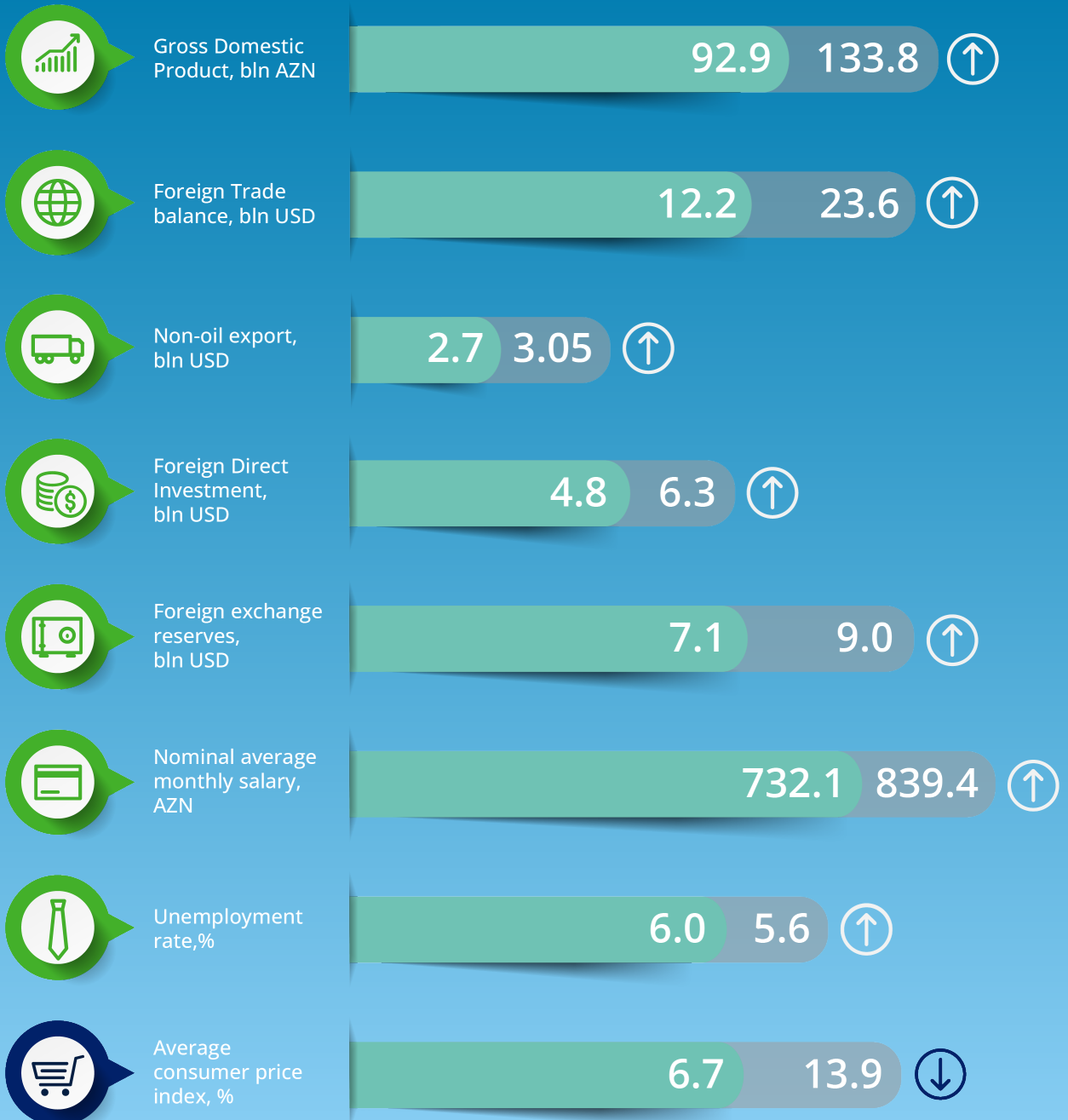
We believe that the insights and analysis presented in this edition will contribute to the comprehension of the country's economic landscape and provide valuable guidance for businesses.

Highlights

Azerbaijan in figures



Key figures 2021 vs 2022





01

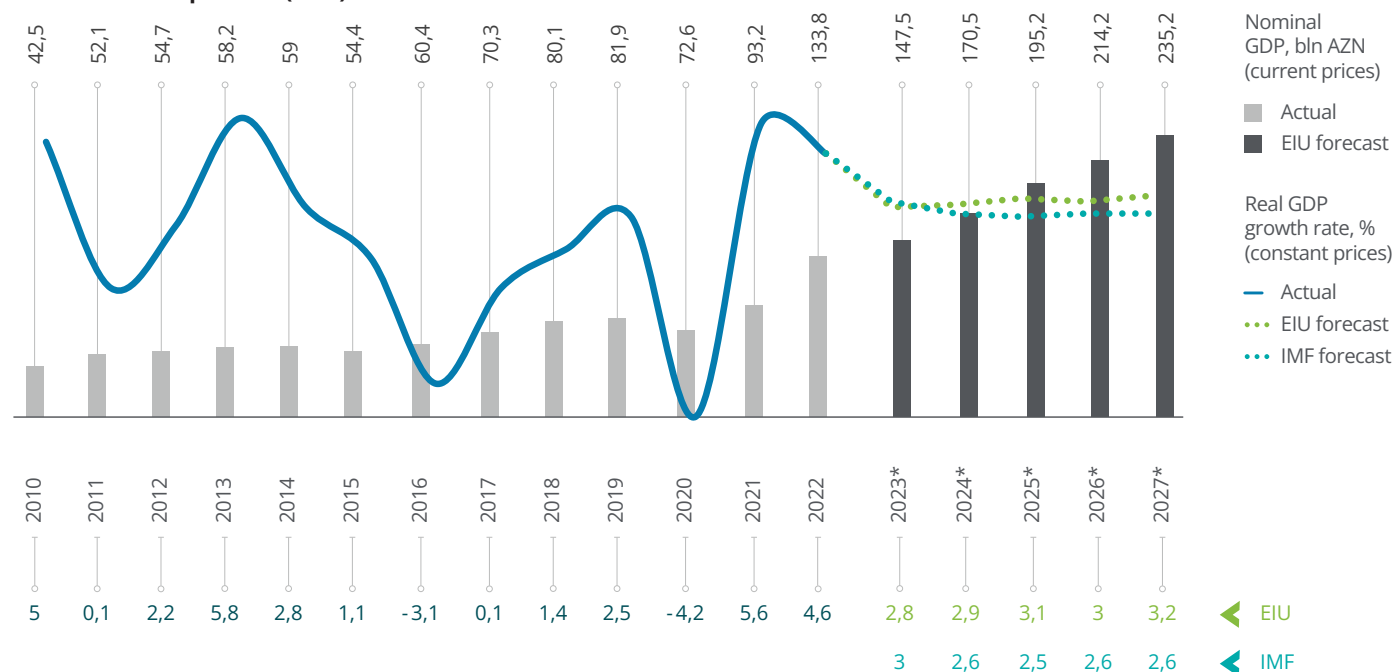
Azerbaijan
in figures





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).

Structure of the gross domestic product, percentage

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



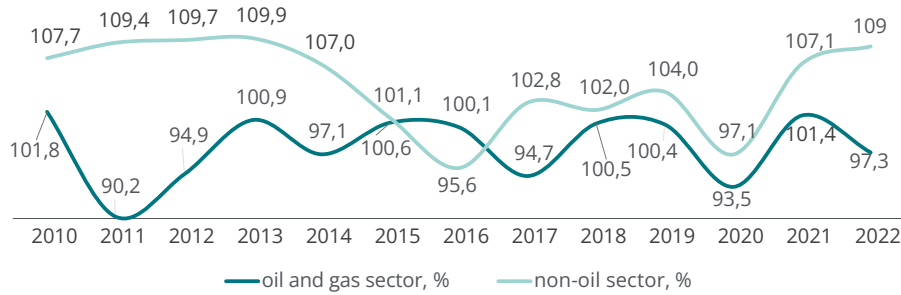
"Today, Azerbaijan is one of the few countries which is independent both economically and politically. This year's economic performance in the post-pandemic period is satisfactory. Our GDP this year has reached a record of 130 billion manats. This is a historical achievement."

Ilham Aliyev
President of the Republic of Azerbaijan



Key macroeconomic indicators

Real GDP Growth by sector



In 2022 Azerbaijan generated a GDP of 133.8 billion AZN, or 4.6 percentage points more than in the previous year. The contribution to the GDP from the non-oil and gas sector increased by 9.1 percentage points and decreased by 2.7 percentage points from the oil and gas sector.

Source: The State Statistical Committee of the Republic of Azerbaijan.



"The most important highlight of 2022 is that despite the positive dynamics of oil and gas prices, 50% of the state budget revenues came from the non-oil sector."

Mikayil Jabbarov
Minister of Economy





Key macroeconomic indicators

Brent oil price forecast, USD/barrel

	2021	2022	2023*	2024*	2025*
EIU	70,4	99,8	86,6	83,7	79,7
World Bank	70,4	100	92	80	

*Forecast

According to the EIU, it is forecasted that oil prices will average 86.6 USD/barrel in 2023. The demand for Azerbaijani hydrocarbons will remain high, thus maintaining macroeconomic stability and economic growth for the country.

Natural gas price forecast, USD/mmbtu

	2021	2022	2023*	2024*
Henry HUB				
EIU	3,85	6,37	4,99	3,77
World Bank	3,9	6,6	6,2	6
Europe				
EIU	16,12	40,34	23,51	14,4
World Bank	16,1	40	32	28

*Forecast



"World oil demand is expected to rise by more than 2% to 101.6 million barrels per day in 2023, exceeding pre-Covid levels. Due to the sanctions policy, the supply of oil for the upcoming year is not expected to meet the demand."

International Energy Agency



"In mid-2022, the Memorandum on Strategic Partnership in the field of Energy was signed between Azerbaijan and the European Union, which is already being implemented. Azerbaijan is increasing its natural gas exports to the global markets."

Ilham Aliyev
President of the Republic of Azerbaijan

bp has announced that the jacket of the "Azeri Central East" platform is ready to sail away to its permanent location in the ACG contract area in the Caspian Sea. It contains three production risers—one water injection, one oil export and one gas export.

The ACE platform and facilities are designed to process up to 100,000 barrels of oil per day. The project is expected to produce up to 300 million barrels over its lifetime.

bp



Key macroeconomic indicators

Azerbaijan's Credit Rating - 2021

Agency	Rating	Forecast	Date
Fitch	BB+	Stable	14 May 2021
S&P	BB+	Stable	22 Jan 2021
Moody's	BA2	Positive	6 April 2021

Azerbaijan's Credit Rating - 2022

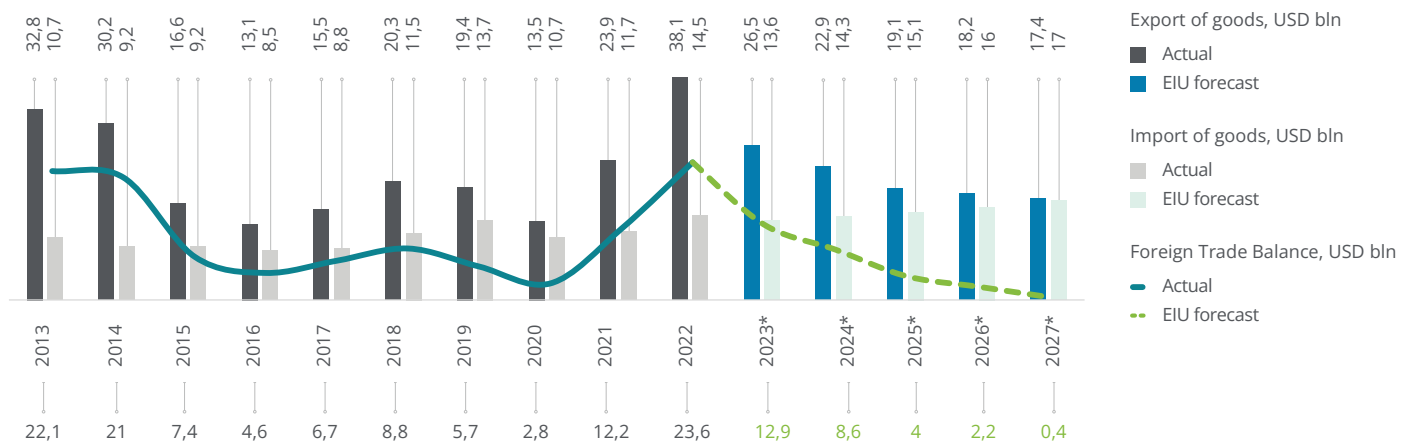
Agency	Rating	Forecast	Date
Fitch	BB+	Positive	21 October 2022
S&P	BB+	Stable	22 Jan 2022
Moody's	BA1	Stable	5 August 2022

Source: EIU, World Bank, Trading Economies.

Fitch's credit rating remained at the same level in 2022. Nevertheless, the forecast changed from **Stable** to **Positive**. Moody's credit rating increased from **BA2** to **BA1** compared to the previous year and is forecasted to be **Stable**.



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



"Export revenue is expected to rise in 2023 due to the increased oil prices, thus softening the negative effect of the escalating inflation rate and decreasing level of foreign borrowing."

EIU

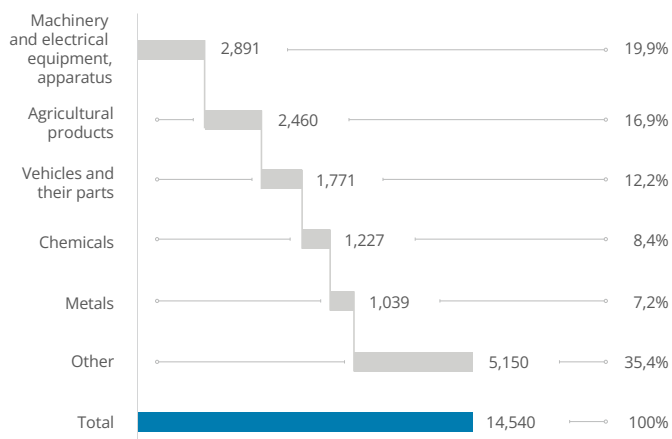
Exports of Azerbaijan for 2022 accounted for 38.147 billion USD of annual foreign trade balance, and imports for 14.540 billion USD. Compared to the previous year, exports increased by 59.6 percentage points and imports by 24.2 percentage points.

As a result, a surplus of 23.607 billion USD was created in foreign trade balance, which is approximately 2 times more than in the previous year.

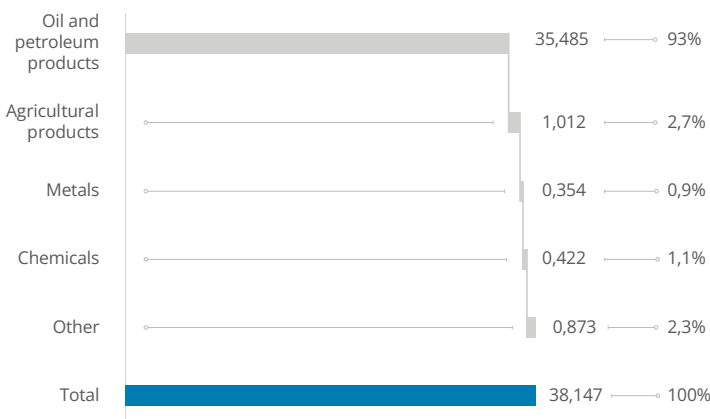


Key macroeconomic indicators

Structure of goods imported by categories, USD bln



Structure of goods exported by categories, USD bln



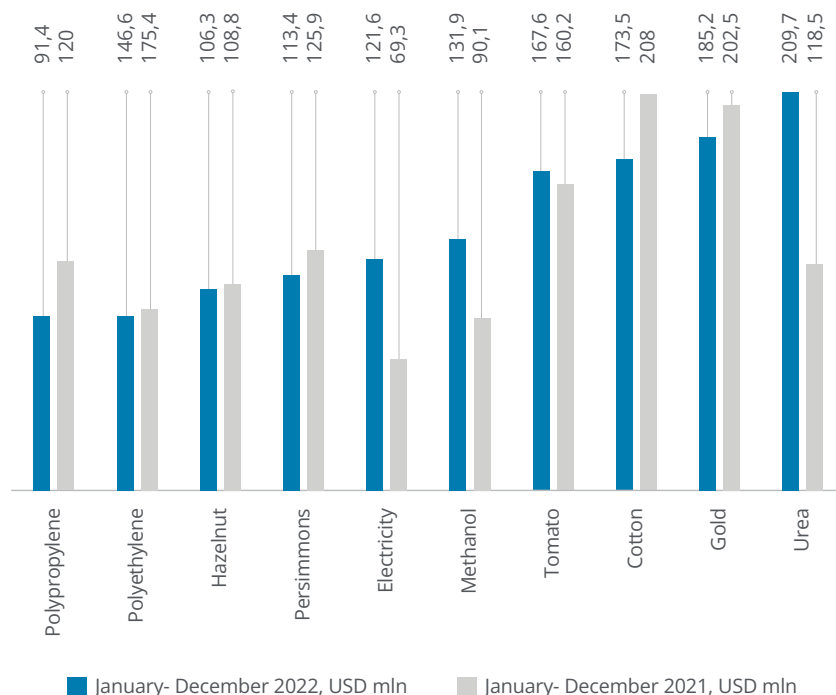
Source: the State Customs Committee of the Republic of Azerbaijan.

Machinery and electrical equipment accounted for 20% of the total imports. Despite a 4% decrease in imports compared to the previous year, this category still accounted for the largest share of imports. Agricultural products ranked second in imports after machinery and electrical equipment.

Oil and petroleum products occupied the largest share of exports, accounting for 93% of total exports, followed by agricultural products accounting for 2.7%.

There is a growth in the production and supply of horticultural products and Azerbaijan leads in the number of positions globally. More specifically, Azerbaijan ranks second in the world's persimmon export and third in the world's supply of hazelnuts.

List of main non-oil goods exported in 2022



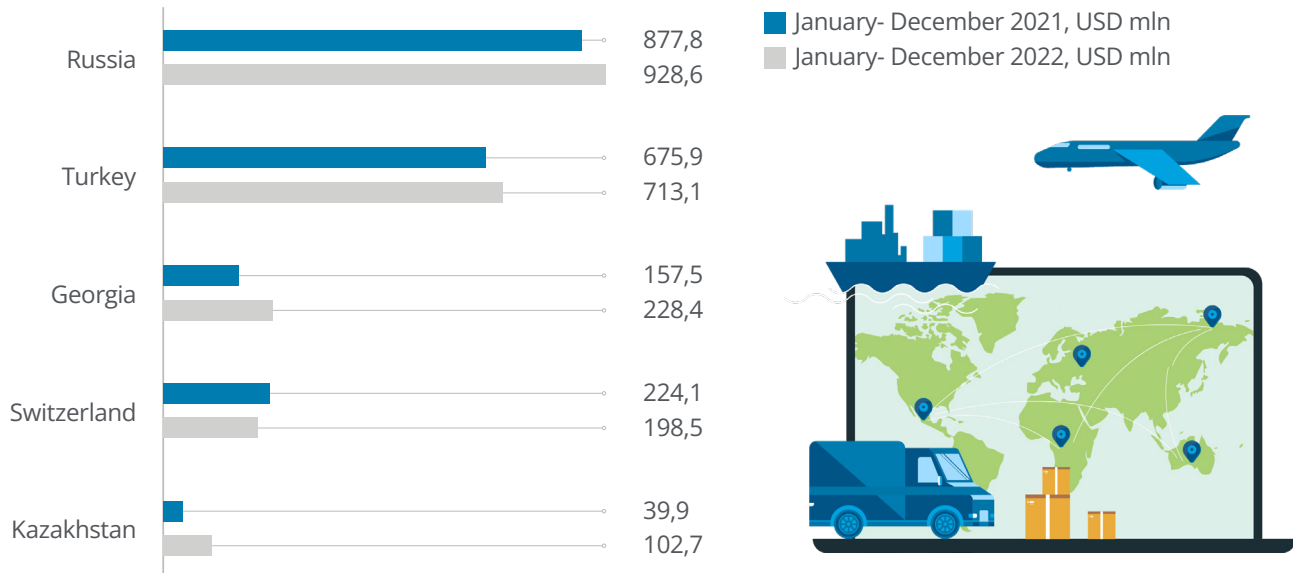
Urea has surpassed the export of gold (185.2 mln USD) and cotton (173.5 mln USD) for 2022, amounting to 209.7 mln USD. Tomato export has increased by 7 mln USD since 2021.

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



Key macroeconomic indicators

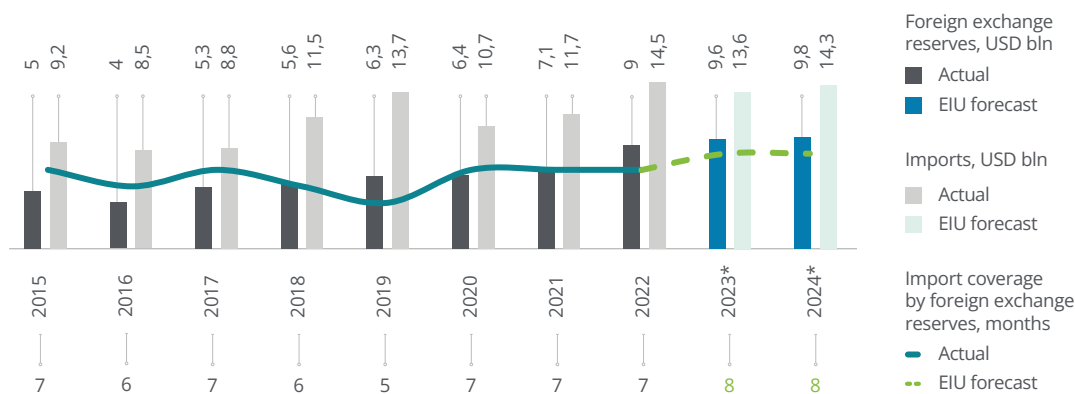
Top five export destinations in the non-oil sector in 2022



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

As in the previous reporting year, Russia remained the top non-oil export destination for Azerbaijan, amounting to 928.6 mln USD in 2022. The increasing trend is followed by Turkey, Georgia, and Kazakhstan.

Import coverage by foreign exchange reserves



The coverage of imports by foreign exchange reserves in 2022 has remained the same, providing a seven-month coverage as it did in 2021. This was due to the fact, that foreign exchange reserves increased from 7.1 bln USD to 9 bln USD, and total imports increased from 11.7 bln USD to 14.5 bln USD in 2022.

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



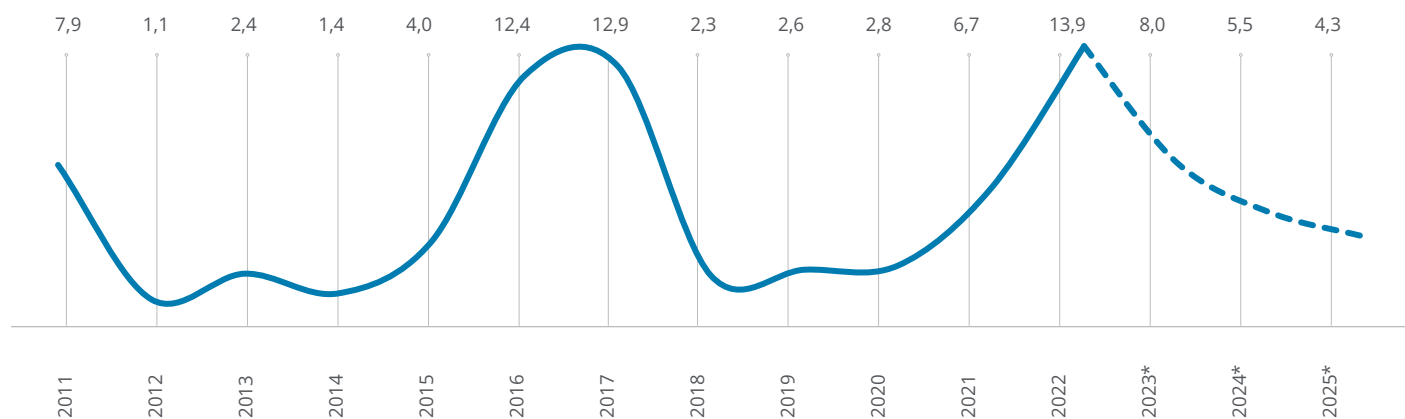
"We recorded an increase in foreign exchange reserves. By the end of 2022, the foreign exchange reserves of the Central Bank increased by 27.1% from the previous year and reached 8.995 USD bln."

the Central Bank of the Republic of Azerbaijan



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.

In comparison with the previous year's figure, the CPI for 2022 increased by 7.2 percentage points and reached annual average of 13.9%, including 19.5% for food and agricultural products, beverages, and tobacco products, 8.6% for non-food products, and 10.4% for paid services provided to the population.



"As a result of the decreased prices for global commodities, it is forecasted that consumer price inflation will be equal to 8% in 2023. Further measures for reducing the effect of inflation are state regulation and price pressures on services and non-food goods. Thus, the inflation rate for the upcoming period covering 2024-2027 years is estimated to be 4.4%."

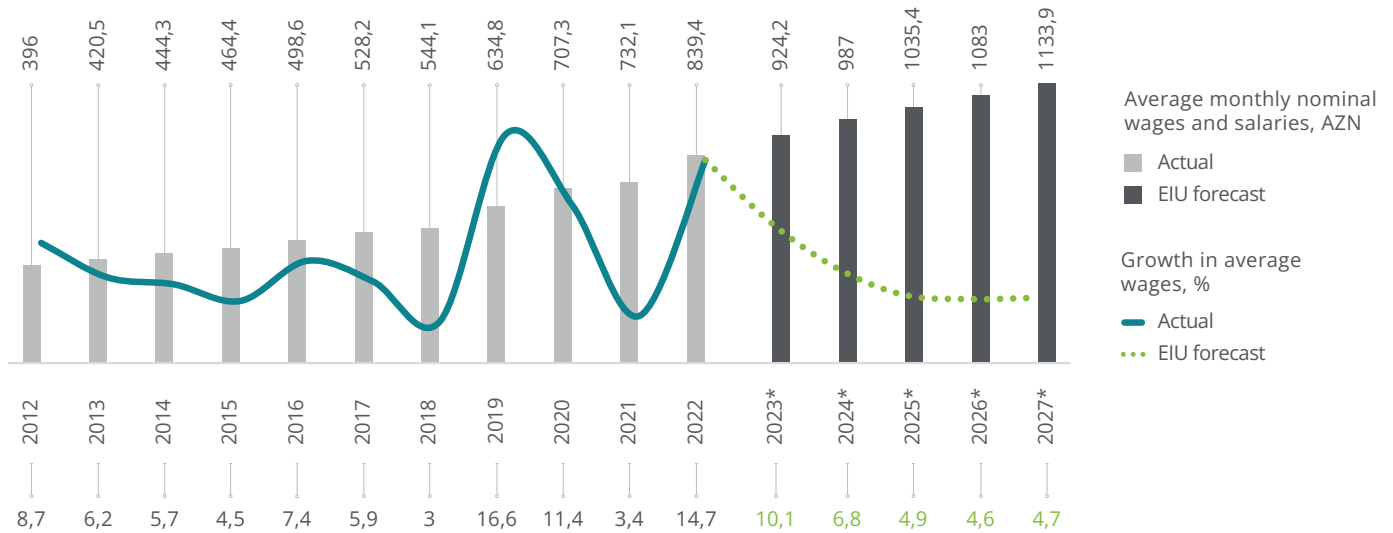
EIU





Key macroeconomic indicators

Average monthly nominal wages and salaries



Source: Actual data- the State Statistics Committee of the Republic of Azerbaijan.

*Forecast – EIU

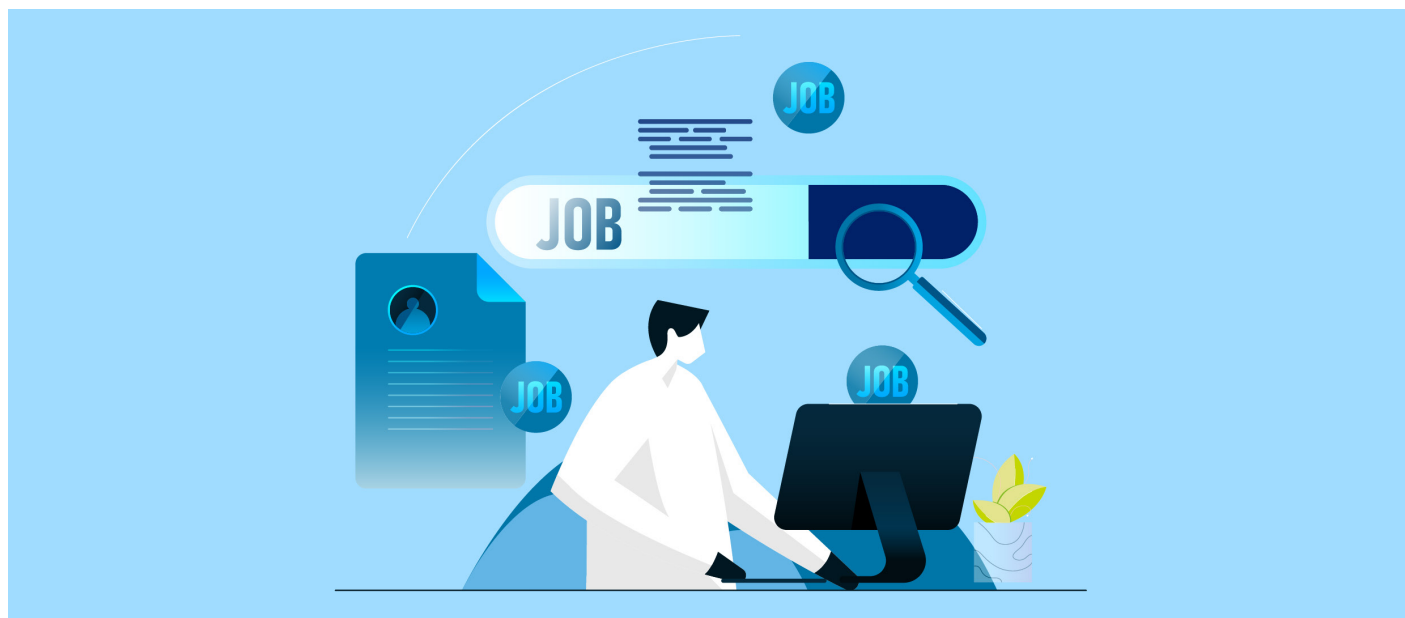
According to the data of 2022, the average monthly nominal salary increased by 14.7% compared to the previous year and amounted to 839.4 manats. The average monthly nominal salary was higher in the mining industry, financial and insurance activity, science and technical activity, as well as the information and communication sectors of the economy.



In accordance with the decree of the Head of the State, as of 1st January 2023, the minimum monthly wage has been increased by 15% from 300 to 345 AZN and the minimum pension has been increased by 16.7% from 240 to 280 AZN.



Key macroeconomic indicators



Unemployment rate



Source: Actual data- the State Statistics Committee of the Republic of Azerbaijan.

*Forecast - EIU



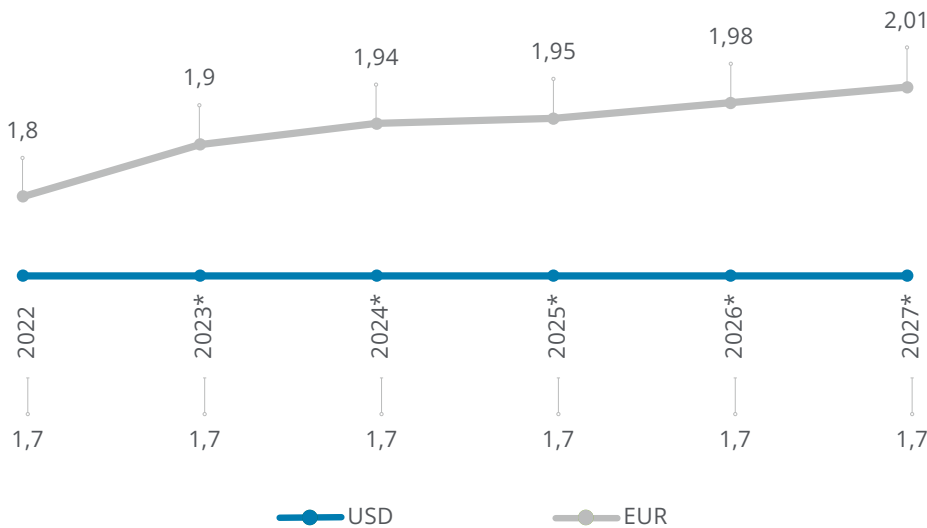
"There is an increase in the number of citizens involved in public work, especially in the regions. On the other hand, the expansion of the self-employment program and the provision of material support for unemployed citizens under this program has affected the unemployment rate. The most appropriate way to eliminate unemployment is to create job positions in the private sector and to expand activities related to increasing the role of the private sector in employment policy."

Vugar Bayramov
Member of Milli Majlis



Key monetary indicators

Exchange rate

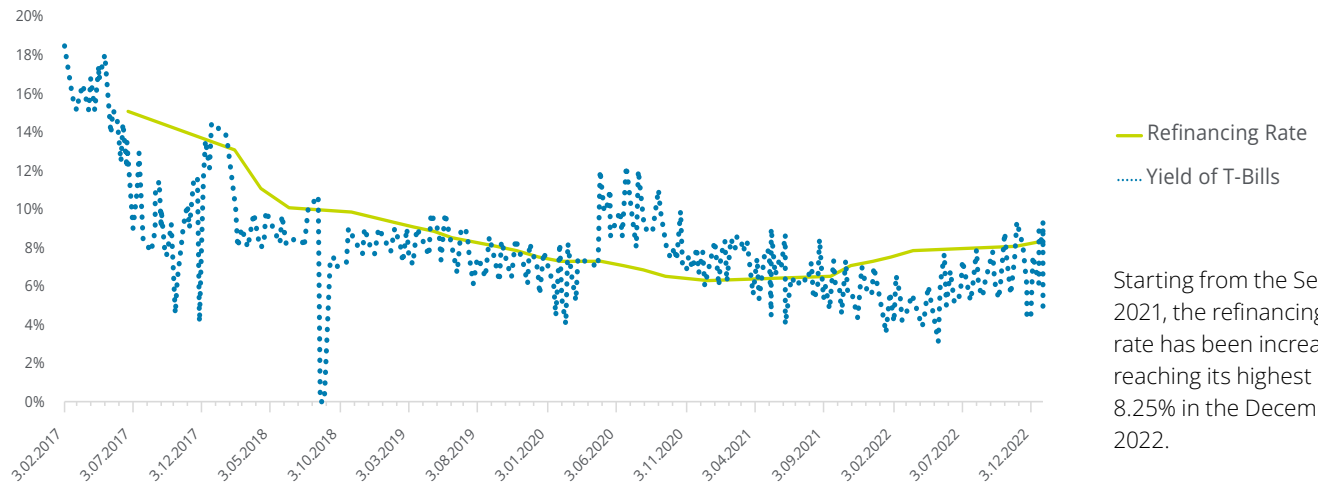


"The manat has remained fixed at 1.7 since April 2017. The forecast for the 2023-2027 period is that the currency will remain fixed at the same rate."

EIU

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

Refinancing rate and yield of T-bills,%



Starting from the September 2021, the refinancing rate has been increasing, reaching its highest point of 8.25% in the December of 2022.

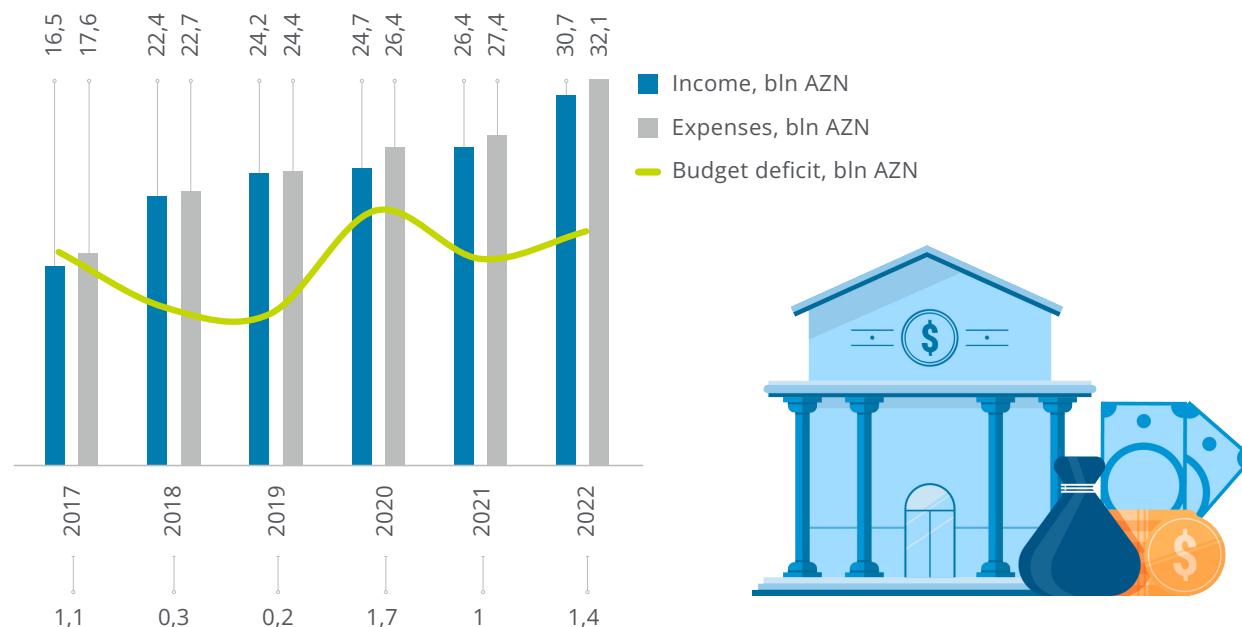
Source: the Central Bank of the Republic of Azerbaijan.





Key monetary indicators

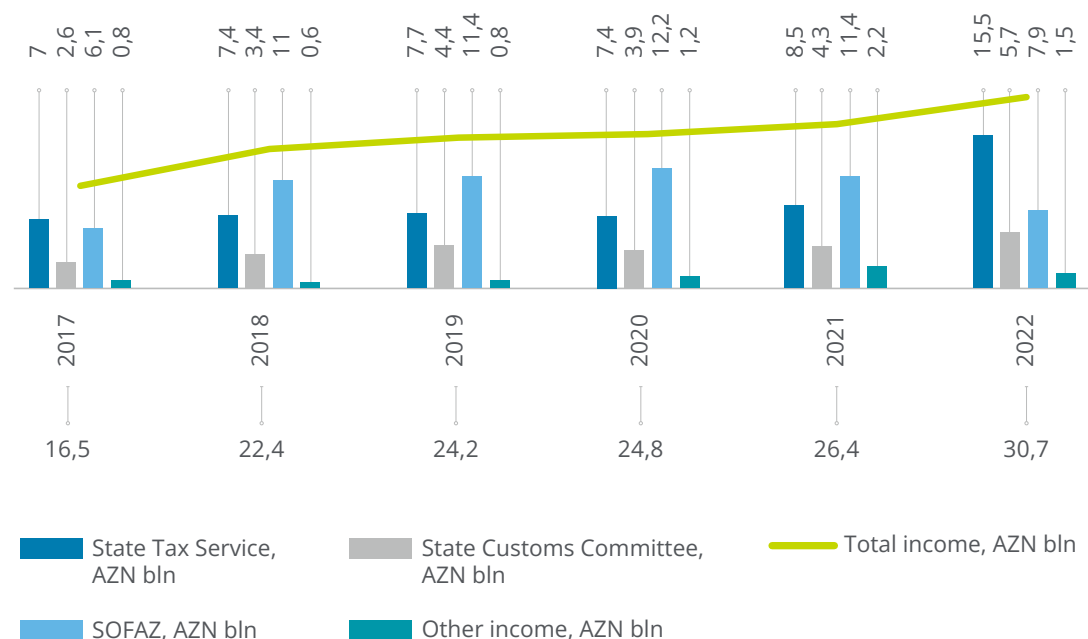
State Budget (actual)



Source: Ministry of Finance of the Republic of Azerbaijan.

According to the Ministry of Finance, the actual state budget income for 2022 amounted to 30660.5 million AZN, which is 1462.7 million AZN more than predicted. Compared to the previous year, there is an increase of 16.2%.

Budget income sources (actual)

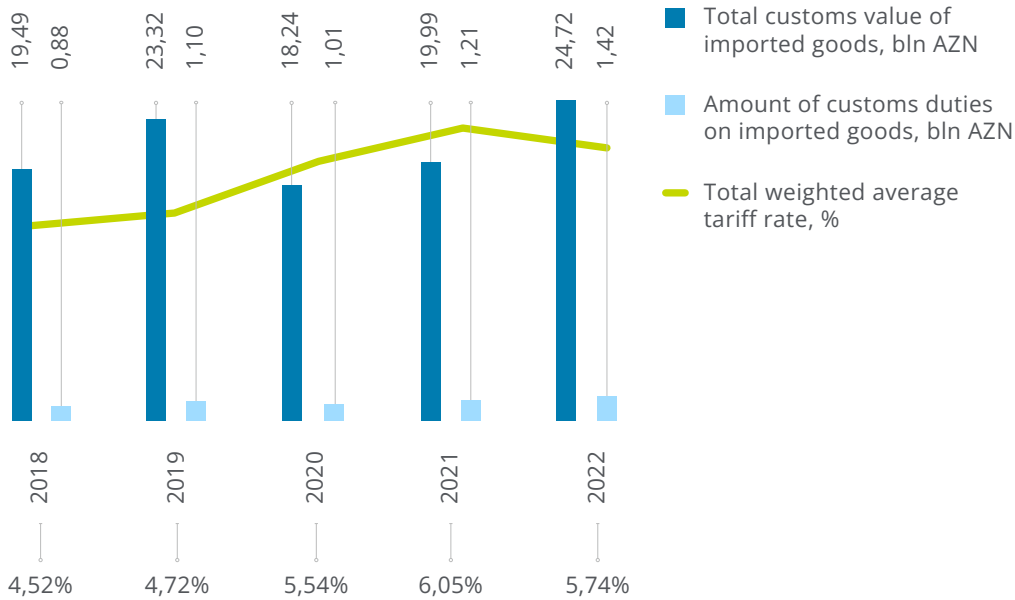


Source: Ministry of Finance of the Republic of Azerbaijan.



Key monetary indicators

Customs duties



Despite the increase of total value of imported goods, the total weighted average tariff rate has decreased for the first time since 2018. More precisely, from 2021 to 2022 the rate decreased by 0.31 percentage points reaching 5.74%.

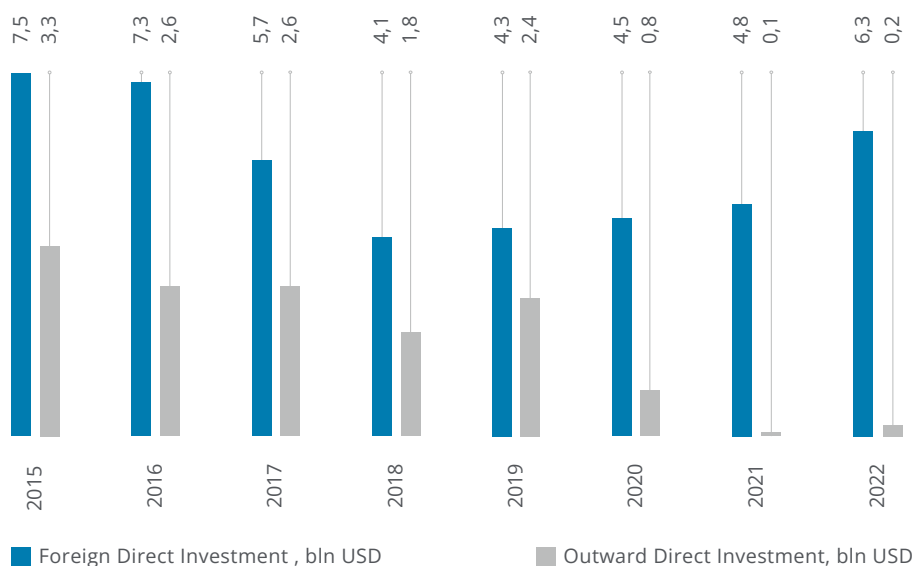
Source: the State Customs Committee of the Republic of Azerbaijan, the Central Bank of the Republic of Azerbaijan.





Key monetary indicators

Direct Investment



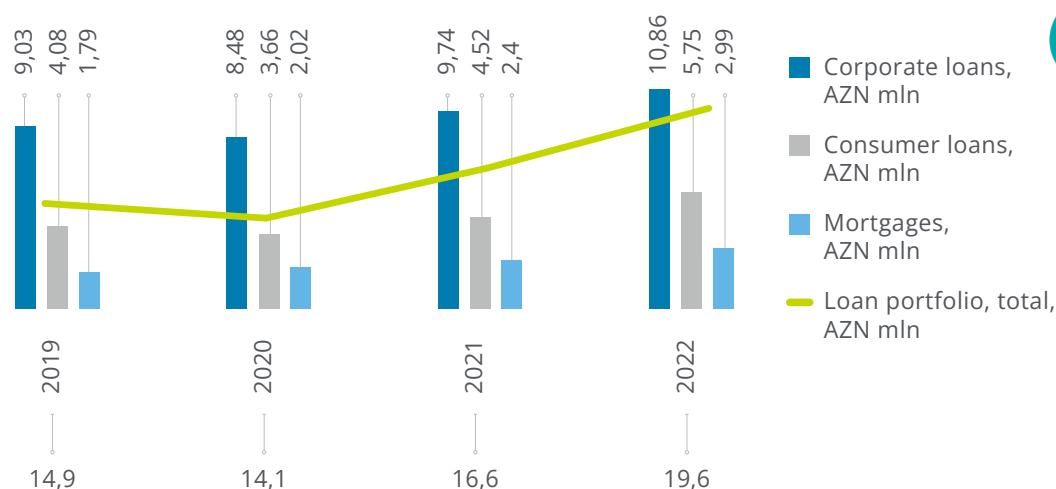
"In 2022, total foreign direct investment amounted to 6.3 bln USD, of which 71% was invested into the oil and gas sector, and total outward direct investment was 0.2 bln USD."

the Central Bank of the Republic of Azerbaijan

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

From 2021 to 2022 the Foreign Direct Investment has increased by 30.9%, reaching 6.3 bln USD. 28% of all FDI came from the United Kingdom, 18.9% from Turkey, 13.2% from Cyprus, and 8.3% from the Russian Federation, with the rest coming from Iran, Japan, the United States, Switzerland, Norway, and Hungary.

Structure of banks' loan portfolio



"Lending activity of the banking sector increased in 2022. Banks' loan portfolio increased by 17.6% (2.9 bln AZN) to 19.6 bln AZN."

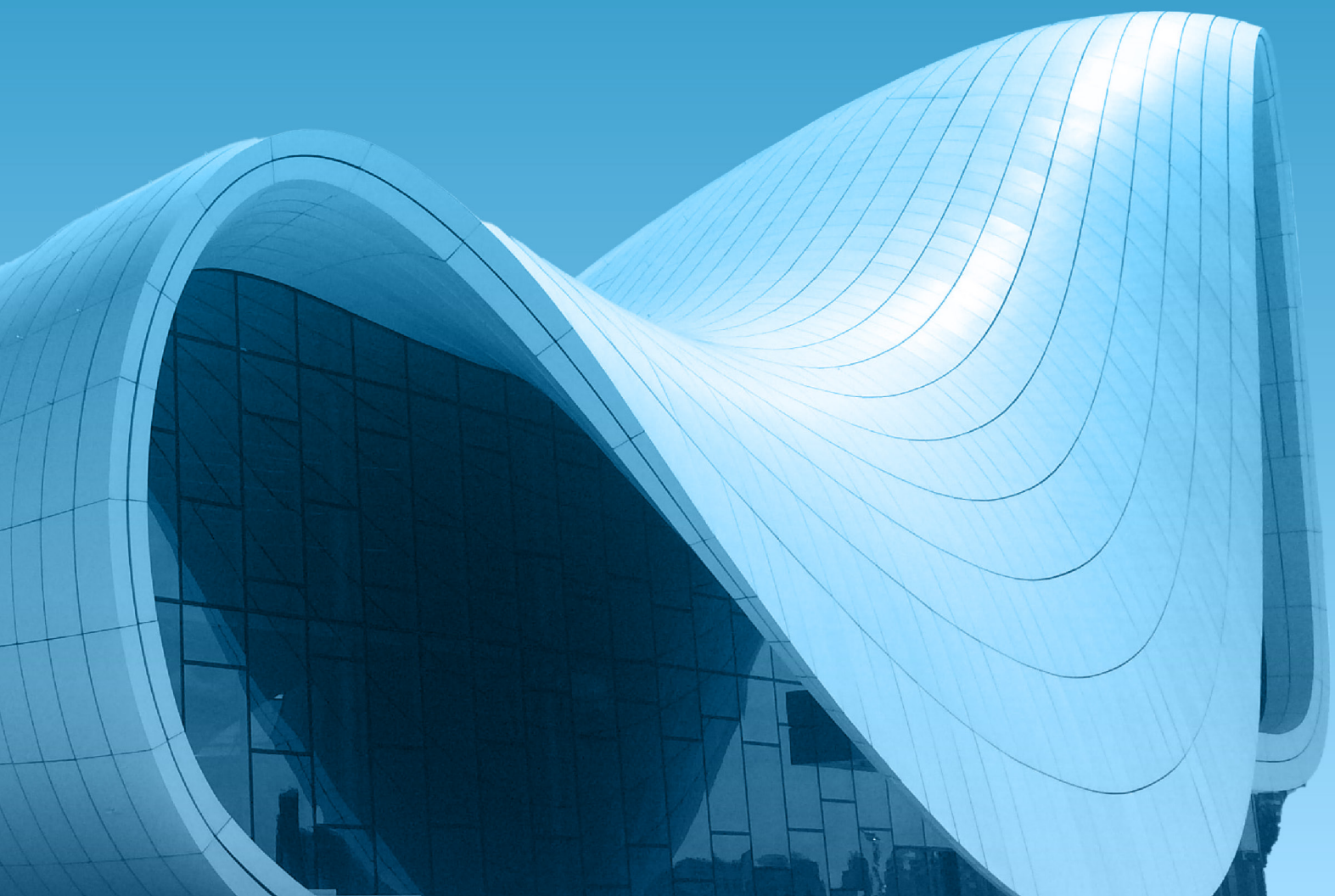
the Central Bank of the Republic of Azerbaijan

Source: the Central Bank of the Republic of Azerbaijan.



02

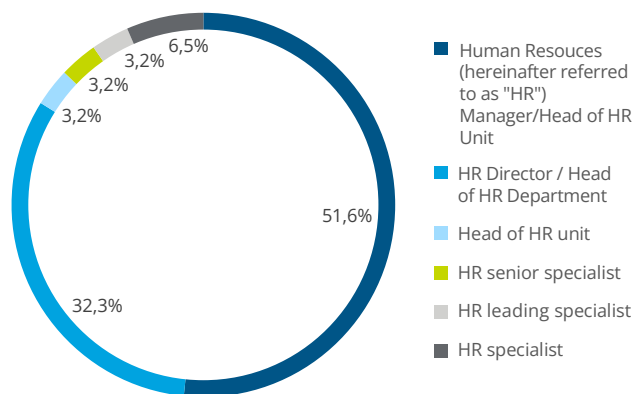
Human Capital
Trends survey





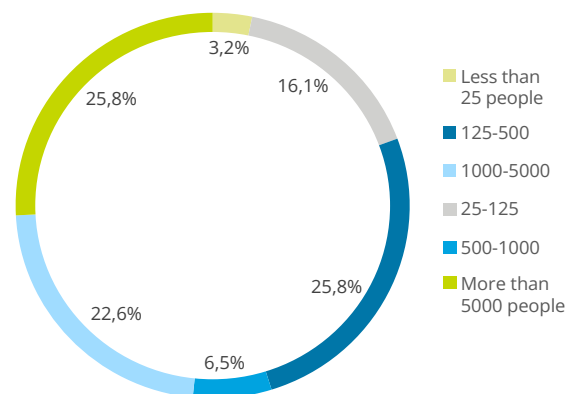
Human Capital Trends survey

Primary positions of respondents



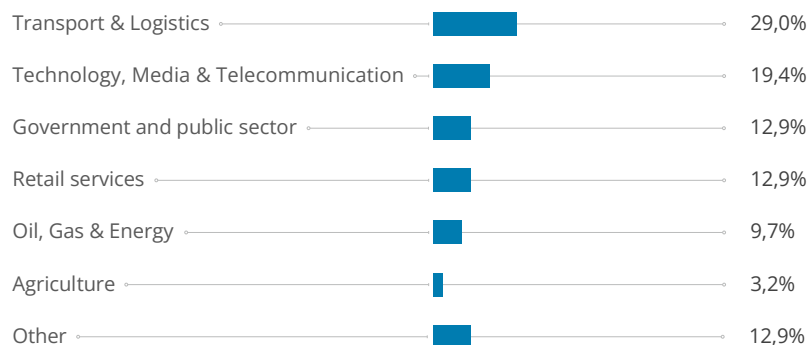
Highlights: The largest number of responses was received from Human Resources Managers/ Heads of HR units (51.6%), followed by HR Directors and Heads of Departments (32.3%).

Company headcount of respondents



Highlights: The majority of respondents represent medium-sized and large-sized enterprises (80.6%), with the remaining part representing small-sized businesses (19.4%).

Primary sector of respondents



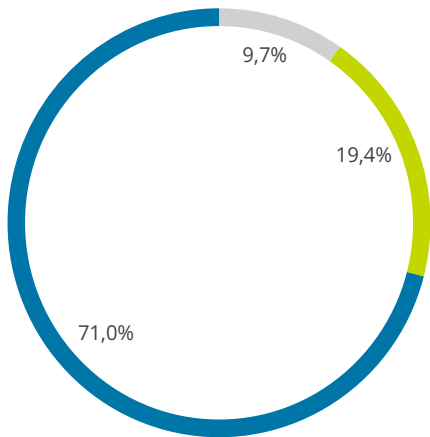
Highlights: The Transport & Logistics services sector accounts for the largest number of respondents at 29%, followed by the Technology, Media & Telecommunication, at 19.4%.





Human Capital Trends survey

How has the purpose of your organization changed in recent years?



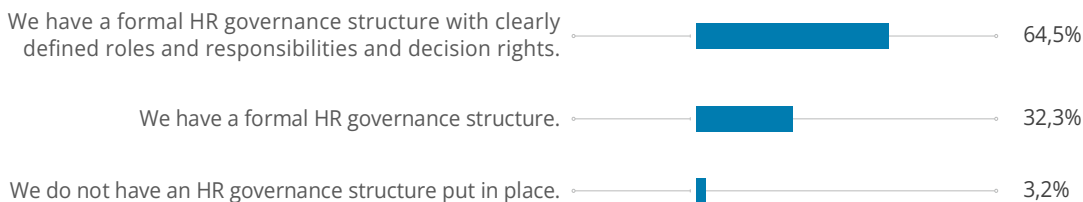
- Our purpose is not changing and is focused on shareholder value.
- Our purpose is evolving to include the needs of customers and employees.
- Our purpose is broadening extensively to include all stakeholders, including the communities we serve and society at large.



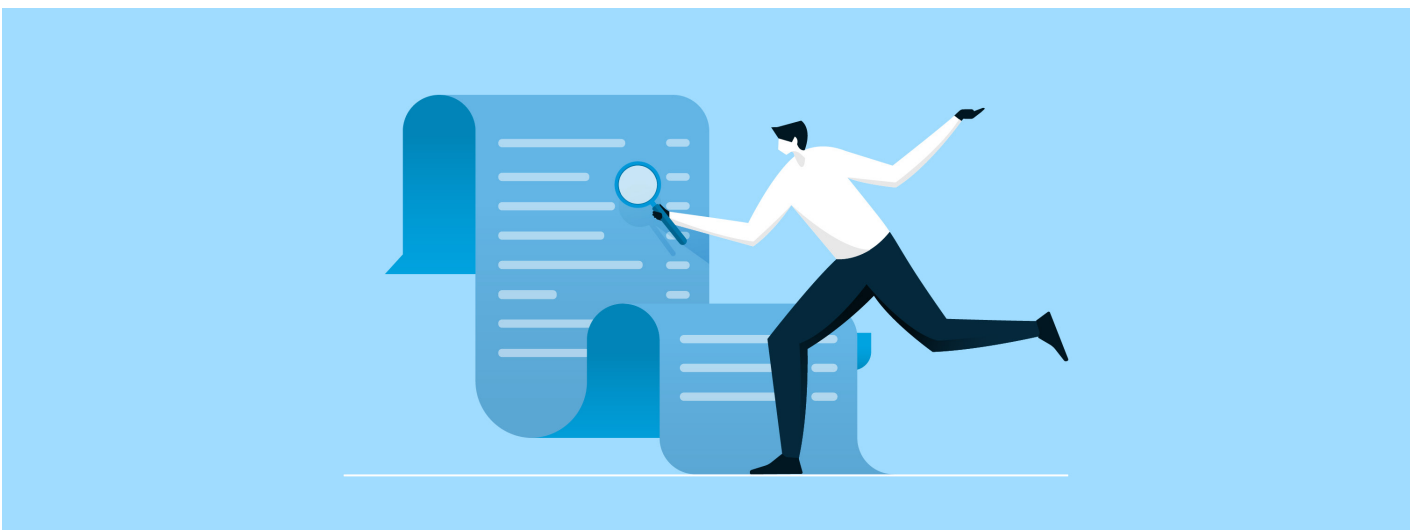
Highlights: The majority of the respondents (71%) believe that the purpose of their enterprise is broadening extensively and encompasses all of the stakeholders and communities they serve. And only 9.7% of the respondents said that the purpose of their organization is unchanged and focuses on shareholders.

Trends: According to Deloitte's 2023 Global Human Capital Trends survey, organizations implementing organizational change were more likely to experience positive outcomes.

To what extent has your company implemented an HR governance structure?



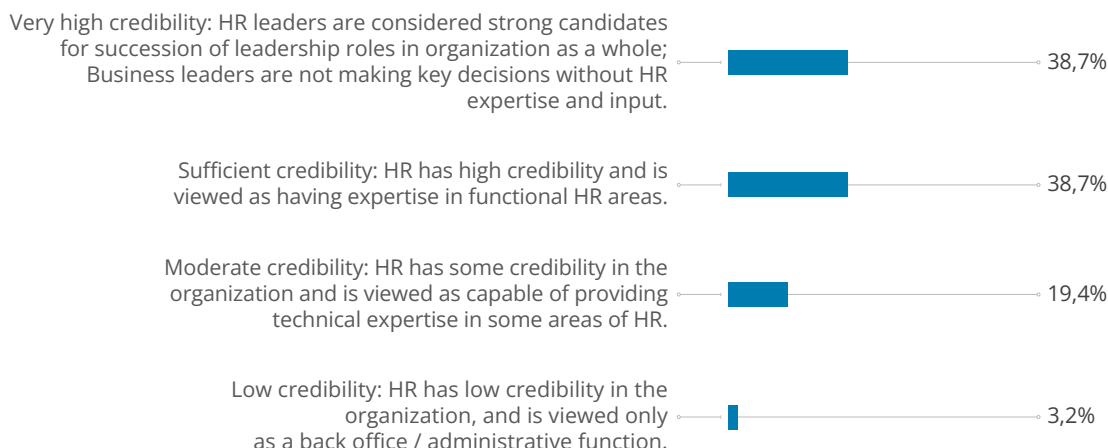
Highlights: Of all respondents, only 3.2% stated that they lack an HR governance structure put in place.





Human Capital Trends survey

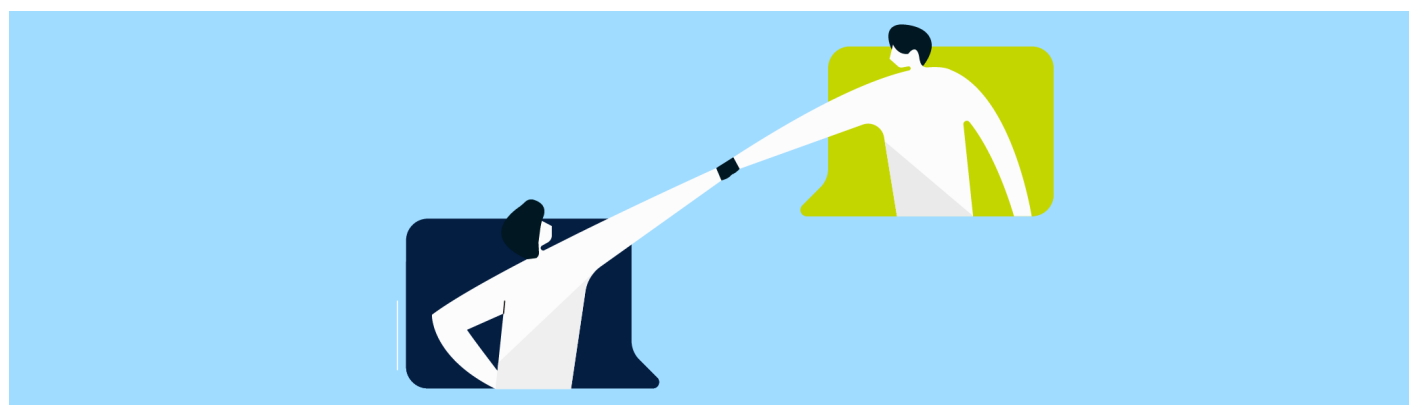
How high is the credibility of HR in your organization?



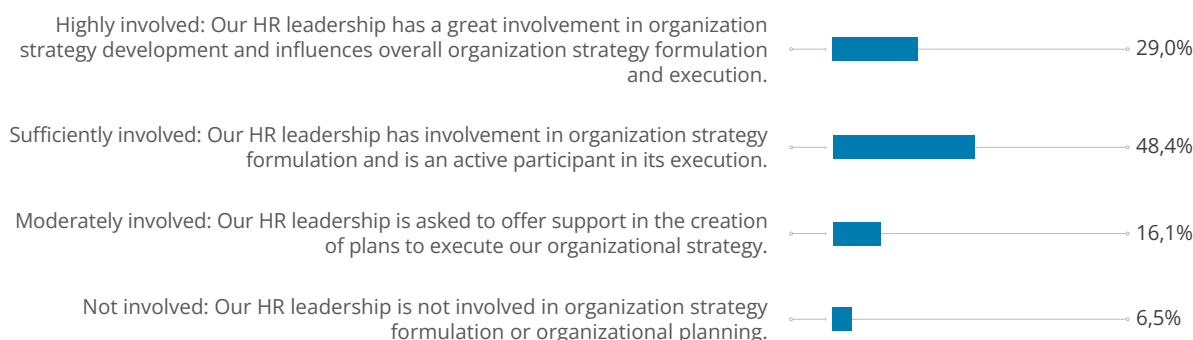
Highlights:

Three-quarters of companies stated that HR leaders have sufficient or very high credibility in expertise in functional areas.

Overall, the majority of responses with very high and sufficient credibility come from Transport & Logistics sector.



To what extent is HR leadership involved in enterprise business strategy?

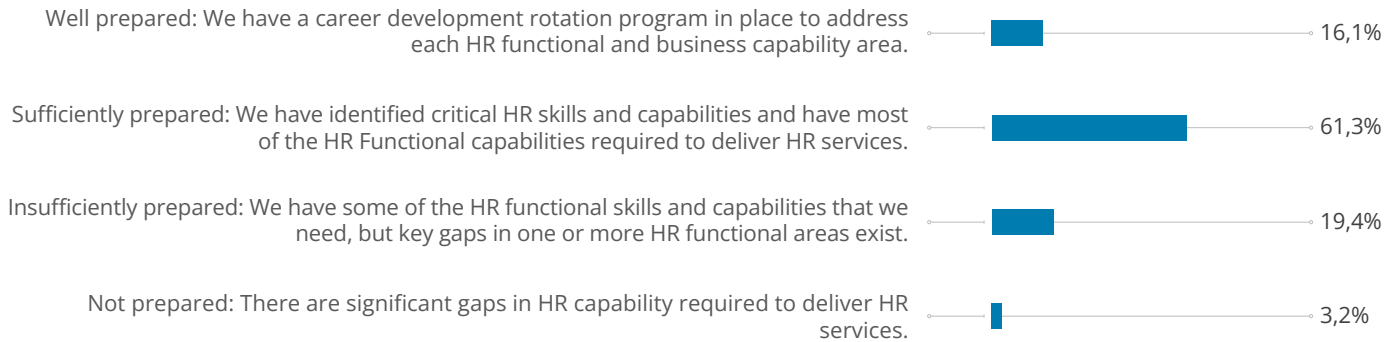


Highlights: In 22.6% of enterprises, HR leadership is either moderately involved or not involved in enterprise business strategy. The majority of the enterprises where HR leadership is either moderately involved or not involved belong to the Government and Public and Technology, Media & Telecommunication sectors, and represent medium-sized organizations.



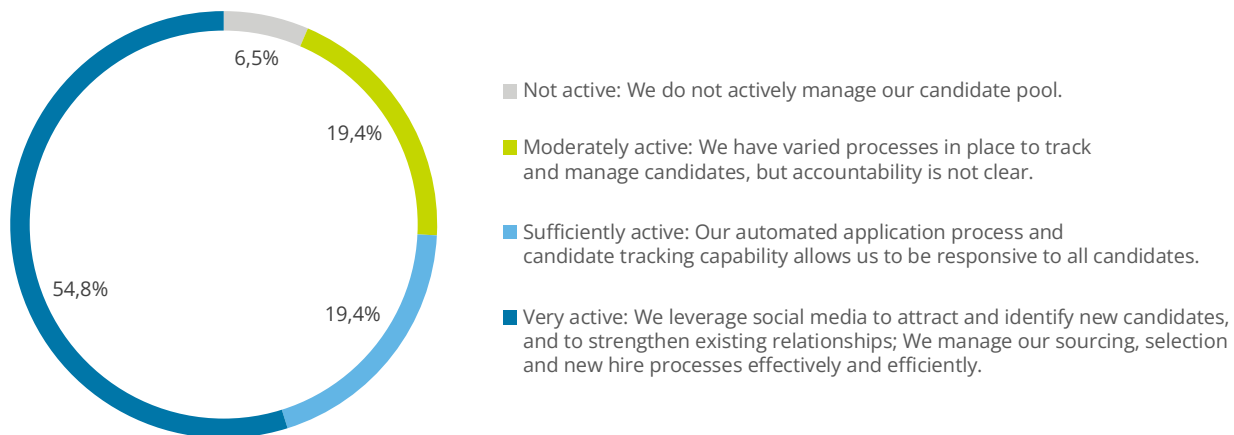
Human Capital Trends survey

To what extent is the HR team prepared for the implementation of key and strategic processes (key HR services) related to HR activity?



Highlights: One-fifth of respondents believe that the HR team is either insufficiently prepared or not prepared for the implementation of key and strategic processes. Insufficient or inadequate preparedness of HR teams to implement key and strategic processes is evident in large within Technology, Media & Telecommunications sector.

How does HR manage the candidate pool for the organization?



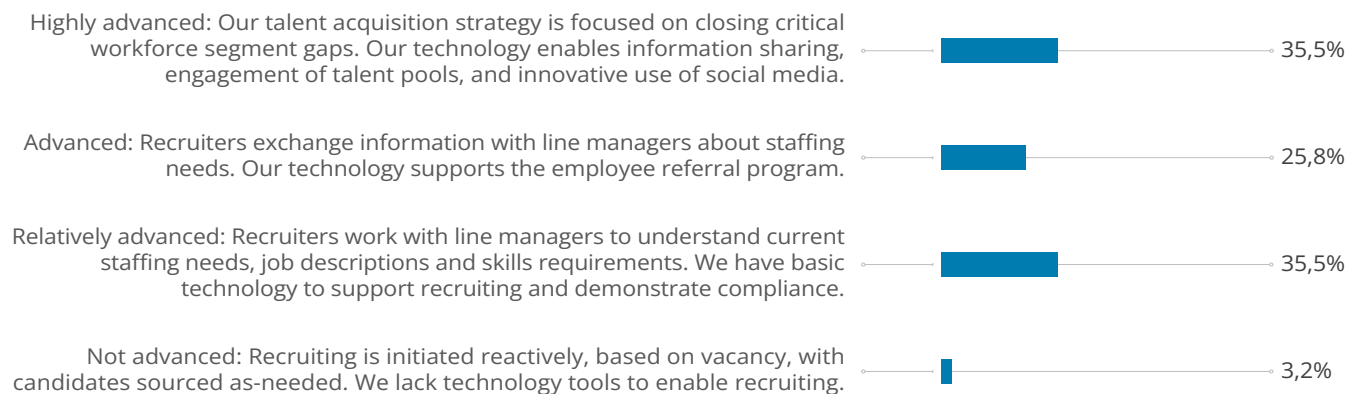
Highlights: More than half of respondents (54.8%) think that HR is very active in leveraging social media. Around half of the respondents who are very active in managing candidate pools for the organization have advanced or highly advanced recruitment process in their organization.

Trends: According to Deloitte's 2023 Global Human Capital Trends survey, instead of clinging to the traditional, narrow definition of "workforce"—which prioritizes full-time employees and treats everyone else as "other"—organizations need to adapt their mindset and practices to fit the real-world talent pool, which is far more complex and increasingly comprised of nontraditional workers with skills and experiences that are strategically important.



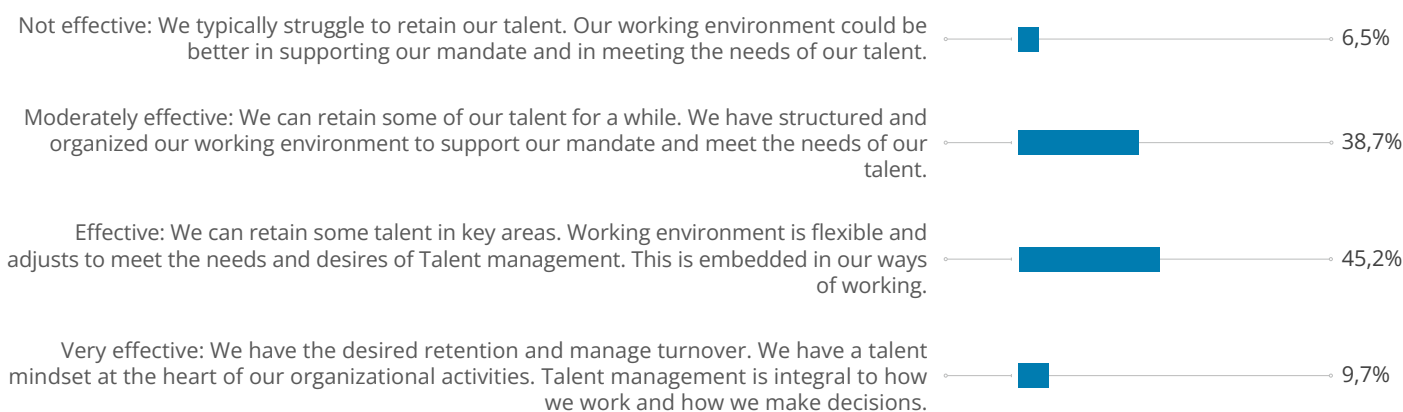
Human Capital Trends survey

How advanced is the recruiting/talent acquisition process?



Highlights: 25.8% of respondents think that talent acquisition processes are advanced within their organization, while 35.5% of respondents believe that it is highly advanced.

How effective is HR at engaging and retaining talent?

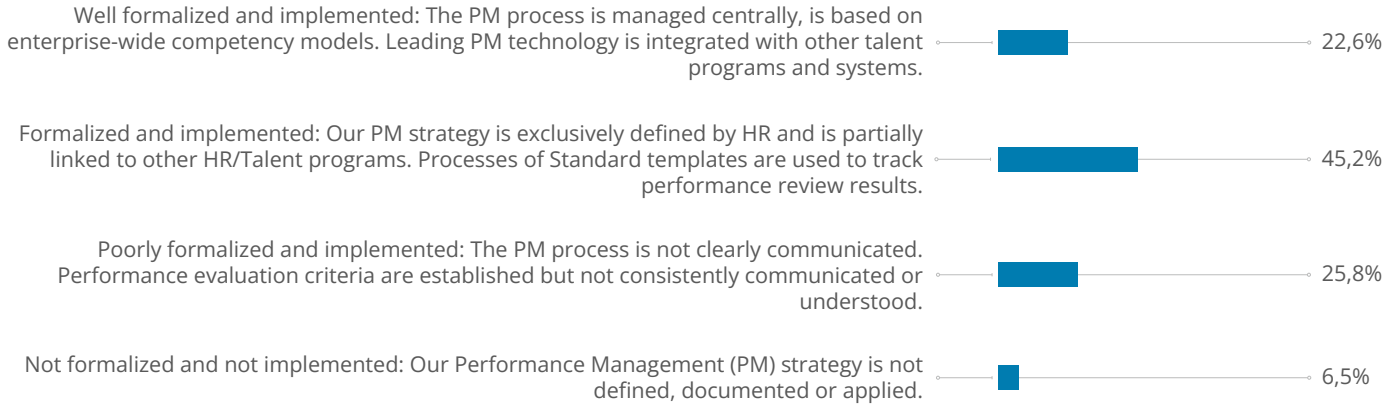


Highlights: Only 6.5% of respondents stated that HR is ineffective and has difficulty retaining talents within the organization.



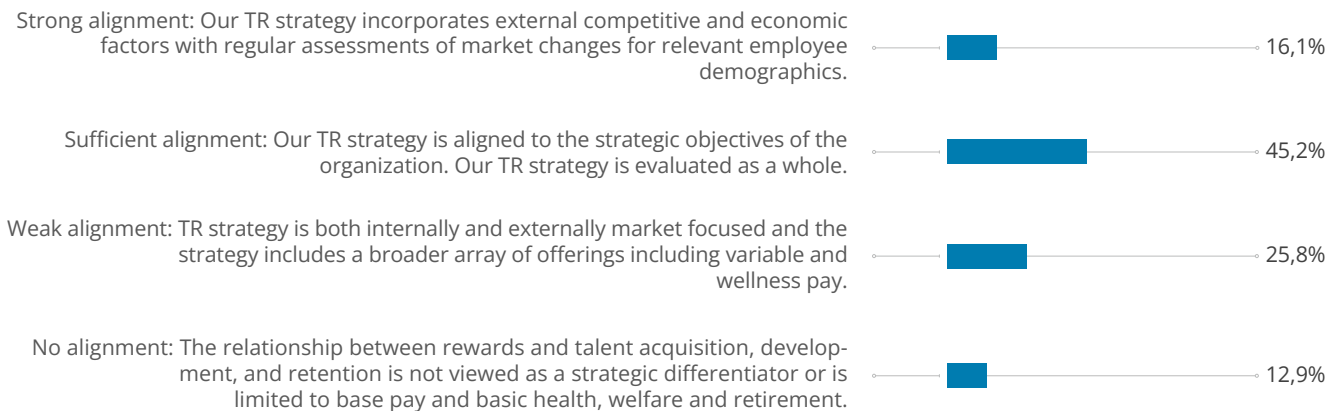
Human Capital Trends survey

To what degree is performance management formalized and implemented throughout the organization?



Highlights: One-third of respondents think that performance management is poor or not formalized and implemented throughout the organization. Most respondents in the Retail services and Technology, Media & Telecommunication sectors stated that they possess poor or unformalized Performance Management strategies.

To what degree is the Total Rewards (hereinafter referred to as "TR") strategy aligned with talent acquisition? How are TR evaluated across the organization?

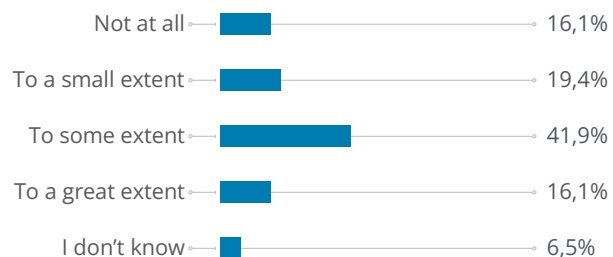


Highlights: 12.9% of respondents think that the Total Rewards strategy is not aligned with talent acquisition, development, and retention. The highest proportion of respondents who think that the Total Rewards strategy is not aligned with talent acquisition possess only a relatively advanced recruitment process.



Human Capital Trends survey

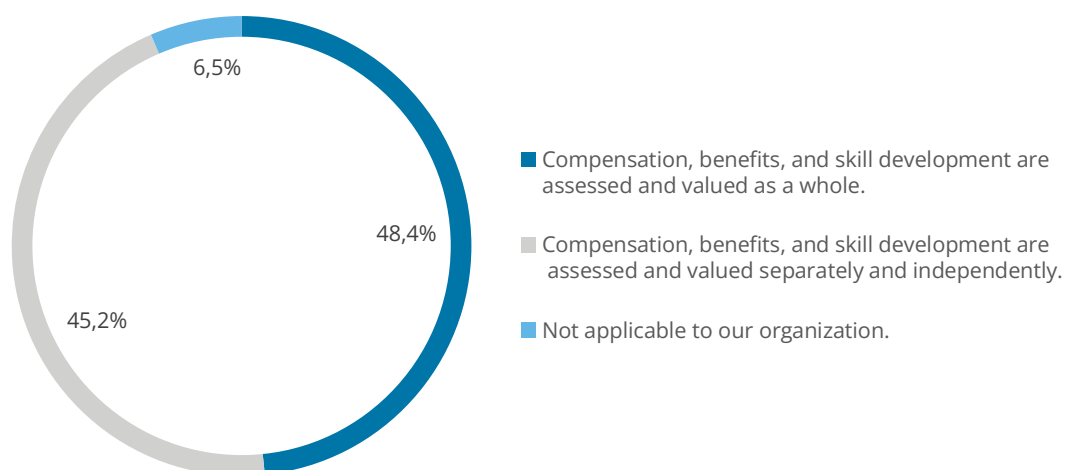
To what extent is your workforce involved in determining how their compensation is structured or are their views considered in decision making?



Highlights: 41.9% of respondents told that HR is to some extent involved in determining how the compensation is structured and their opinions are considered in decision making.



Which of the following statements is the closest to how your organization's leadership views the relationship between compensation, benefits, and skill development?

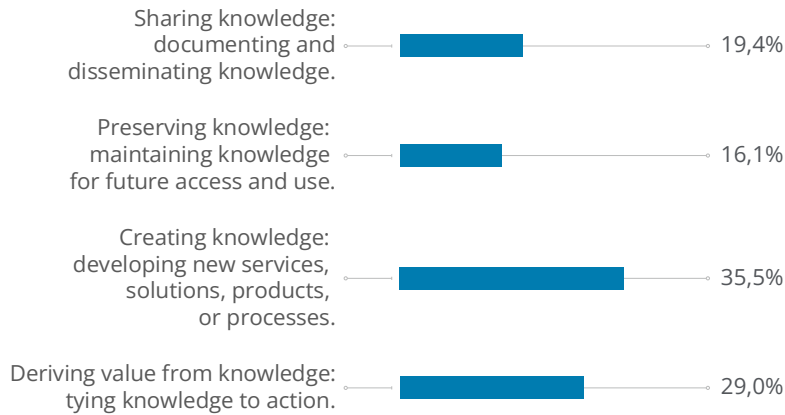


Highlights: 45.2% of respondents stated that compensation, benefits, and skills development are assessed and valued separately and independently. The majority of these responses are received from Transport & Logistics and Technology, Media & Telecommunication sectors. Meanwhile, 48.4% of respondents state that compensation, benefits, and skill development are assessed and valued as a whole, these responses are received from Retail services and Government and Public sectors.



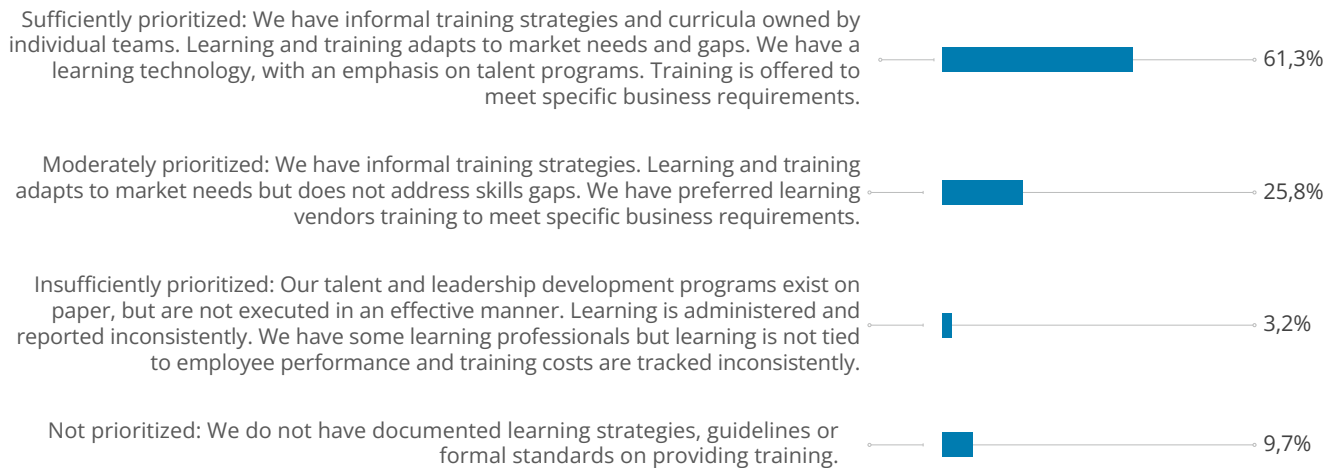
Human Capital Trends survey

How does your organization define 'knowledge management'?



Highlights: Knowledge management was most frequently (35.5%) referred to as creating knowledge: developing new services, solutions, products, or processes. Organizations that refer to the knowledge management in the aforementioned manner are operating within the Transport & Logistics sector.

How does HR set and prioritize Learning & Development across the organization as a whole?

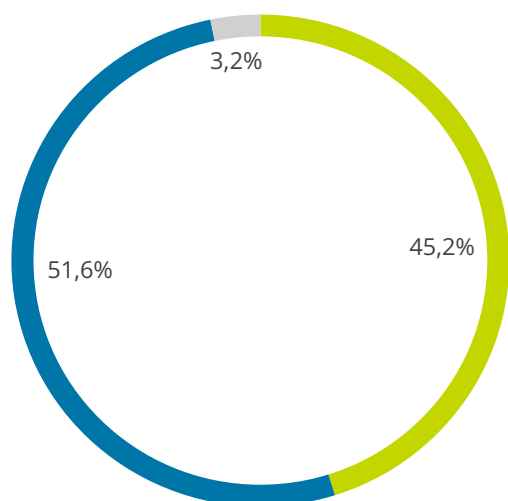


Highlights: 61.3% of respondents think that HR sufficiently sets and prioritizes Learning & Development across the organization as a whole. The majority of respondents who sufficiently prioritize Learning & Development are the enterprises who estimate HR's credibility on a very high level.



Human Capital Trends survey

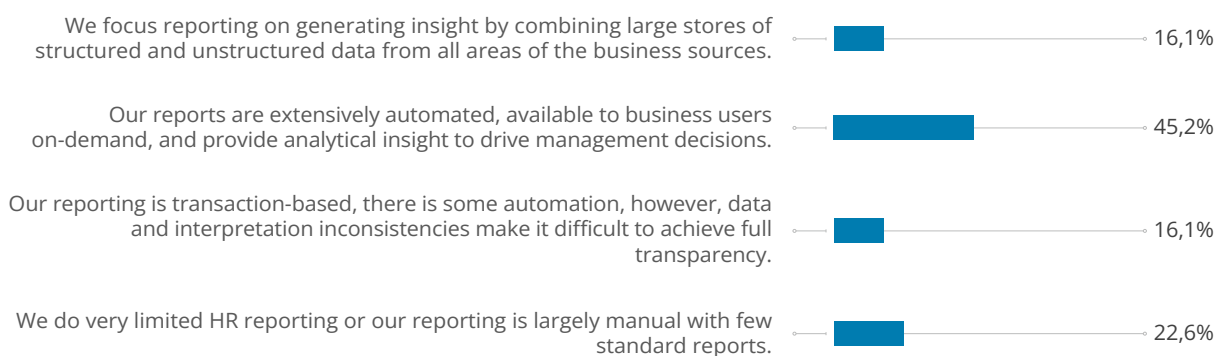
Are leaders in your organization rewarded for developing the skills and capabilities of their teams?



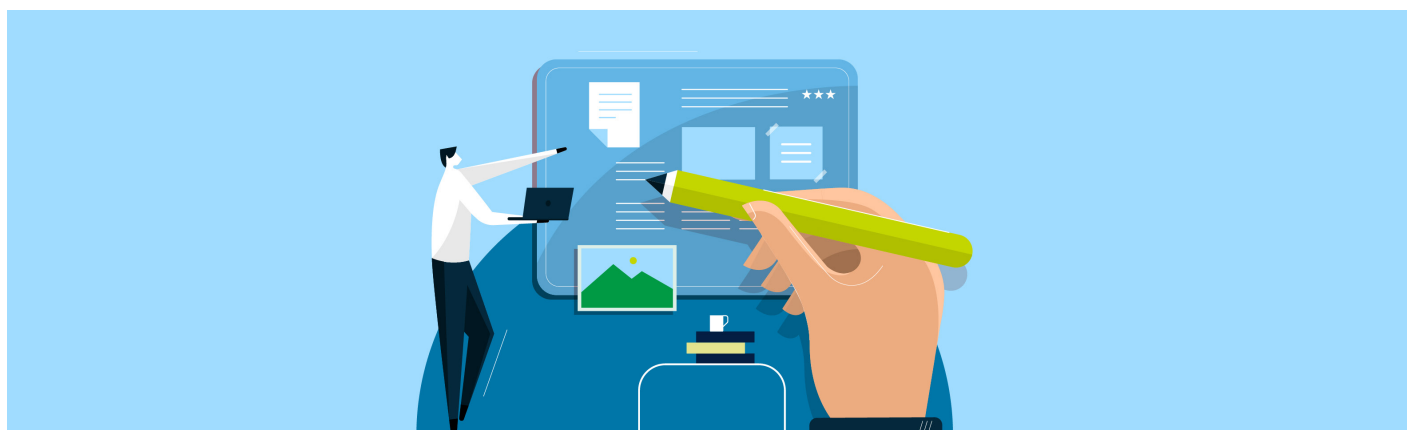
■ Yes ■ No ■ I don't know

Highlights: 51.6% of executives are not rewarded for developing the skills and capabilities of their teams. The majority of responses from executives who said that they are being rewarded for developing the skills and capabilities of their teams are coming from Transport & Logistics sector.

To what degree does HR generate and analyze reports to drive key business decisions?

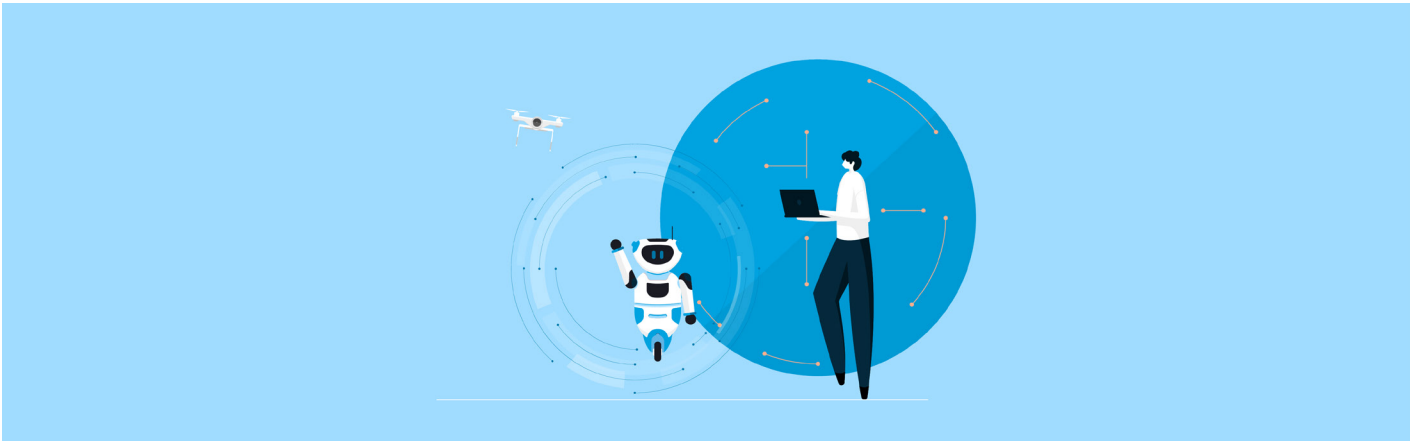


Highlights: Nearly half of the respondents stated that their HR reporting is extensively automated and provides analytical insights to drive management decisions.





Human Capital Trends survey



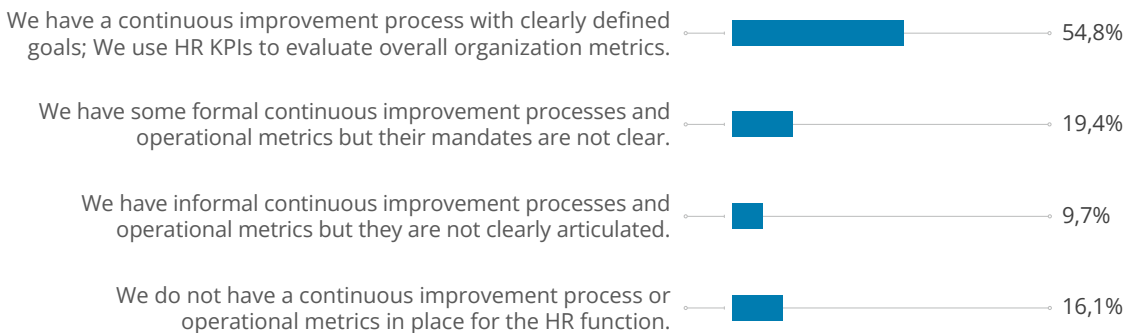
To what degree does HR utilize technology and systems to improve key priorities and functions?



Highlights: 38.7% of respondents stated that HR sufficiently uses technology and systems to improve key priorities and functions, most of whom represent businesses with more than 1,000 employees.

Trends: According to Deloitte's 2023 Global Human Capital Trends, only 16% say their leaders are willing to use technology and systems to improve performance and team effectiveness.

To what degree does HR track operational metrics to drive continuous improvement processes?

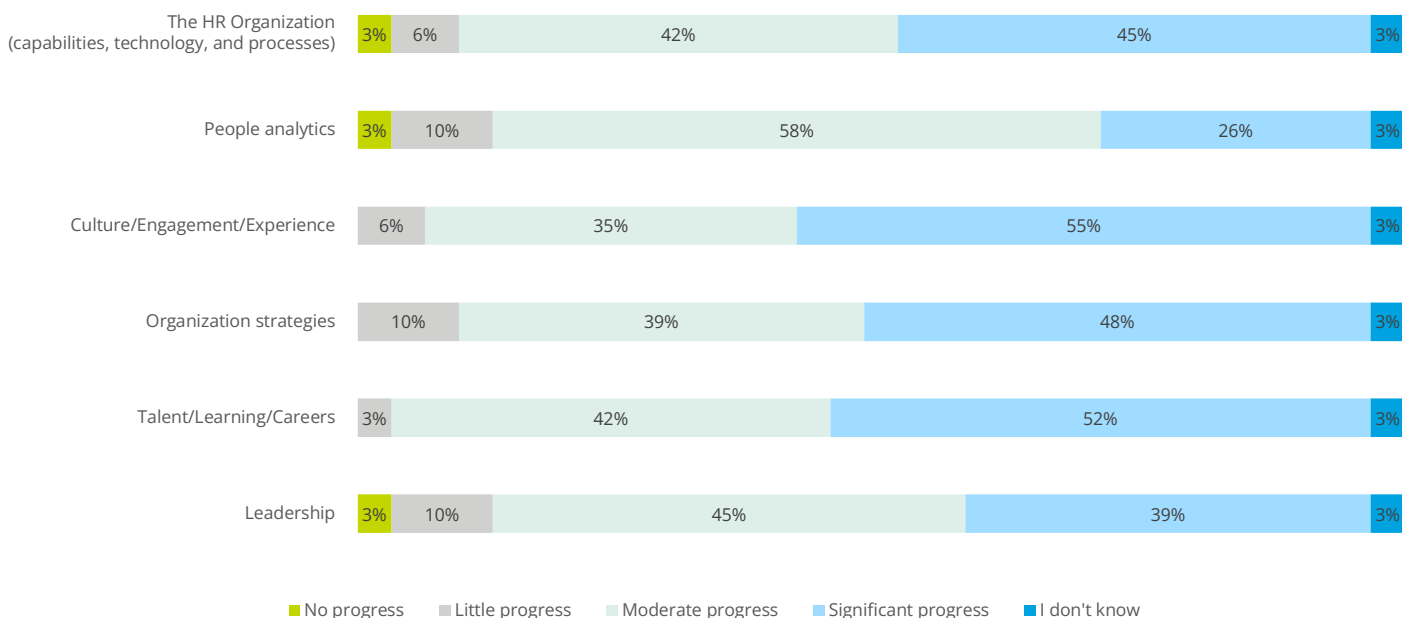


Highlights: Majority (54.8%) of respondents who cited that they use HR KPIs to measure overall organizational performance also say that they are prioritizing Learning and Development across the organization.



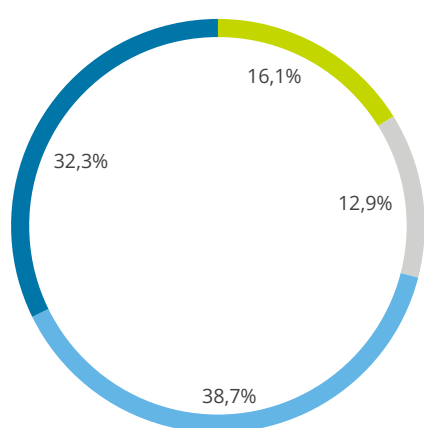
Human Capital Trends survey

How would you rate your organization’s progress over the past ten years regarding the following topics?



Highlights: Talent/learning/careers in more than half of organizations have experienced significant growth over the past decade, as have organizational strategies and culture/engagement/experience.

To what extent had your company defined and developed its brand as an employer?



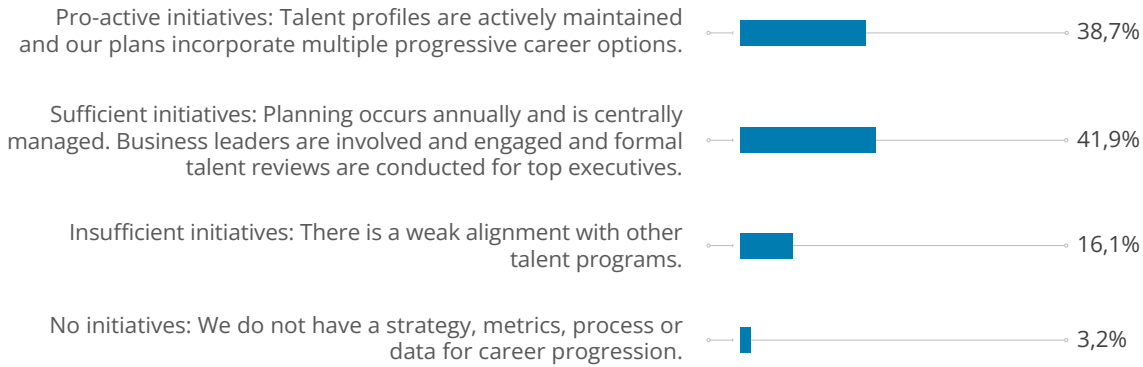
- Not developed: We do not manage or are beginning to develop our employer brand. We face challenges in attracting and retaining the talent we need to achieve our organization’s goals.
- Developed: We proactively manage our employer brand and have a well-defined employee value proposition, but we find it difficult to attract and retain the talent.
- Advanced: We have a clearly defined and supported employee value proposition and we are able to attract and retain some of the talent.
- Well developed: We are able to adjust our employer brand and employee value proposition to meet evolving talent requirements.

Highlights: About 16% of respondents believe that they are not managing the employer brand, causing them to face challenges in attracting and retaining needed talent.



Human Capital Trends survey

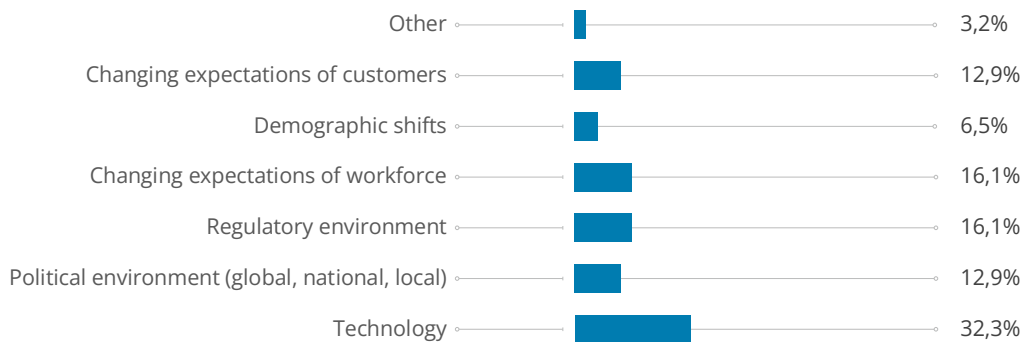
How proactive is HR with succession planning and management initiatives?



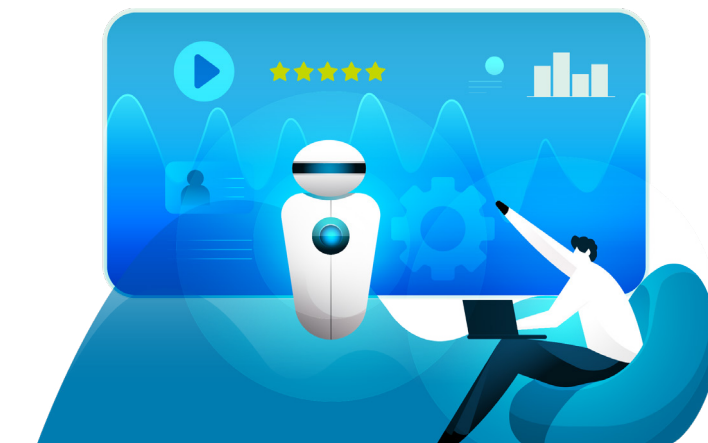
Highlights: HR is sufficiently and proactively engaged in succession planning and management initiatives at most respondent companies (80.6%).

Trends: According to the Deloitte's 2023 Global Human Capital Trends study, to succeed, organizations and employees must learn to navigate this new world together, creating new rules, new boundaries and new relationships.

What has been the biggest driver of change over the past ten years in your organization?

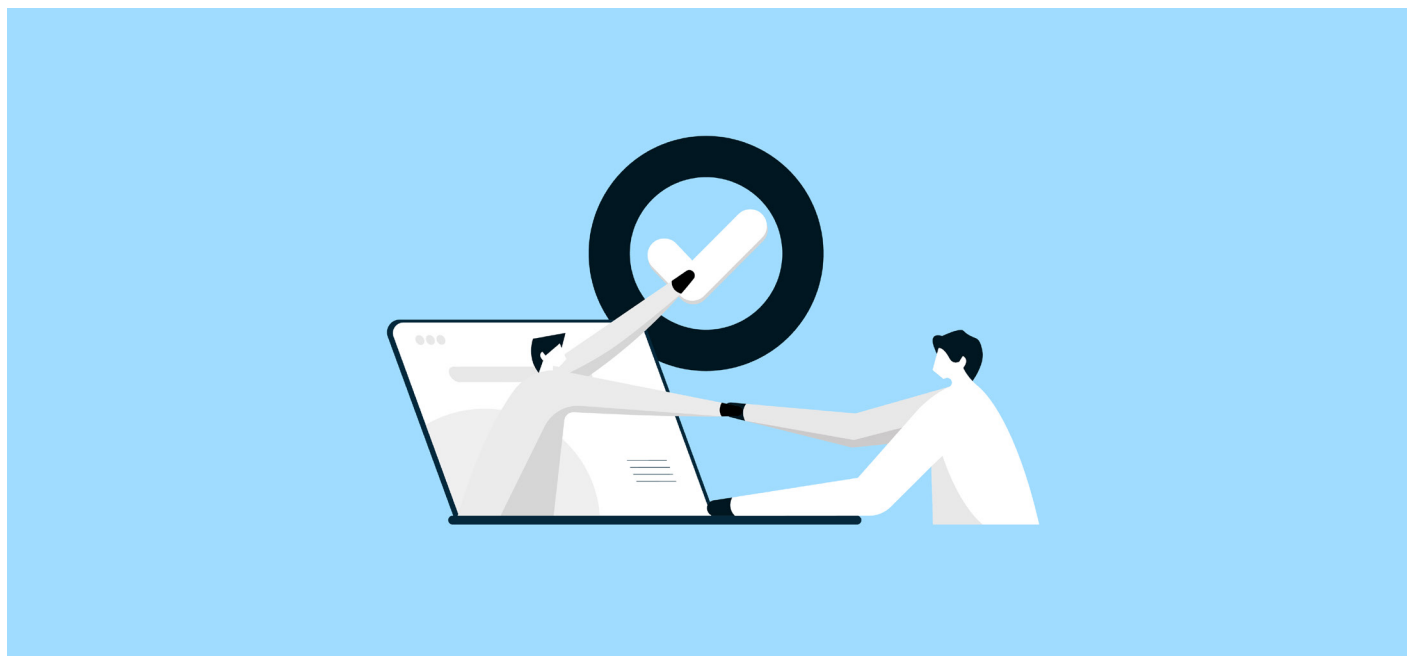


Trends: Similar to the results of Deloitte's 2023 Global Human Capital Trends survey, technology was found to be the biggest driver of change in organizations over the past decade. According to the global survey, the use of technology and people is a "both/and" partnership.

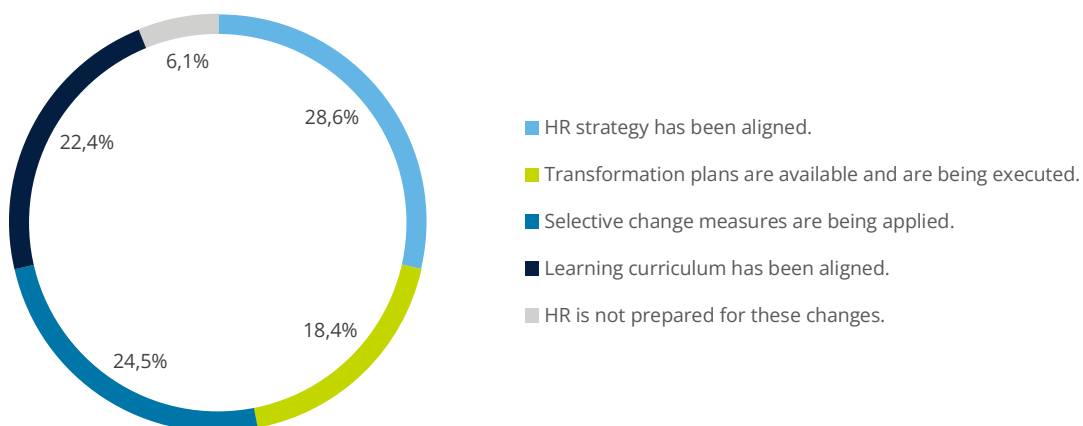




Human Capital Trends survey



To what extent is HR prepared to accompany and support these changes?



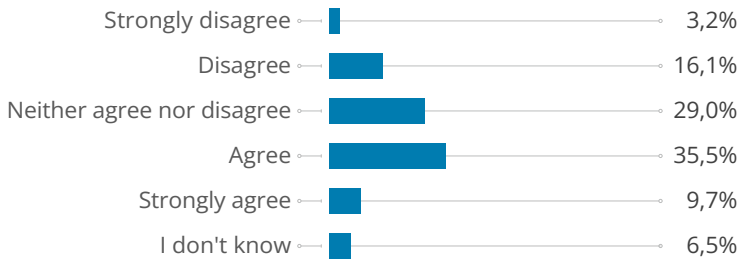
Highlights: Almost half of the survey participants stated that they already aligned their HR strategy for ensuring changes or that they are in the transformation stage, while another half of respondents emphasized that these changes are partially applied or they do not affect HR.

Trends: According to Deloitte's 2023 Global Human Capital Trends, organizations and workers should abandon previous assumptions and adopt a new set of core principles created for a dynamic, borderless world, rather than the stable, compartmentalized world we leave behind.

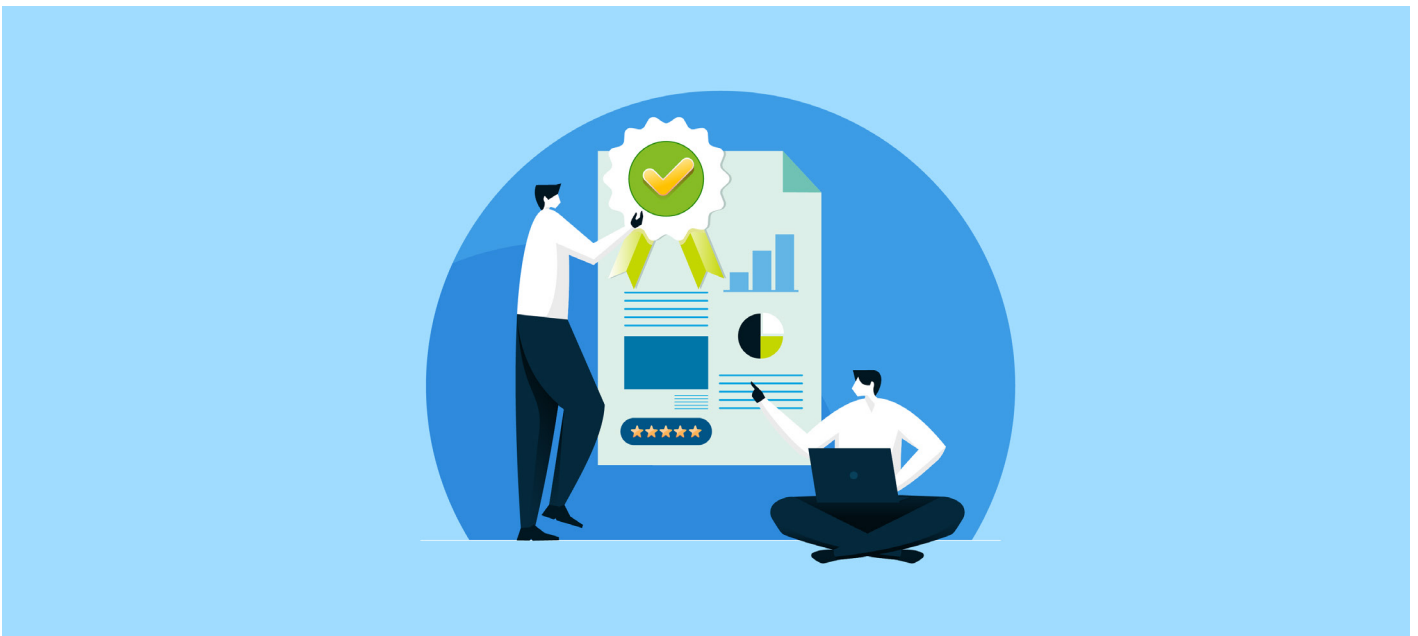


Human Capital Trends survey

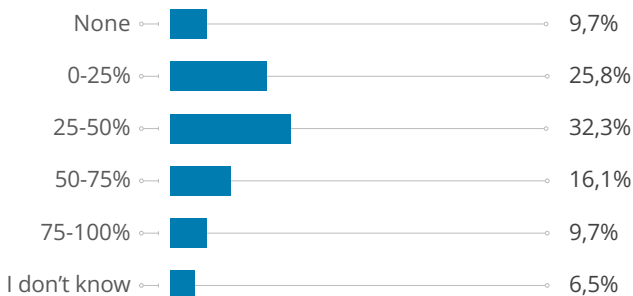
To what extent do you agree or disagree with this statement: "My organization has access to the skills/capabilities necessary to meet business needs."?



Highlights: 20 percent of survey respondents disagree that the skills and abilities needed to meet their organization's business needs are available, and say that more than 50 percent of their employees need to improve their skills and abilities in the coming years.



Approximately what percentage of your workforce needs to change their skills and capabilities in the next three years?



Highlights: 26% of respondents believe that more than 50% of employees need to change their skills and capabilities in the next three years. Respondents who think this way reported that processes and infrastructure to support workforce development are lacking, and there are challenges in identifying development needs and priorities.



Human Capital Trends survey

What do you see as your organization’s greatest barriers to workforce development?



Highlights: 33% of respondents feel that the biggest barrier to their organizations was difficulty identifying development needs and priorities, with majority of these respondents being from medium- to large-sized businesses with more than 500 employees. 20% believe the barrier is created by a lack of interest in the workforce, all respondents from the Transport & Logistics sector and 17.8% believe there are no processes and infrastructure to support workforce development.

Trends: Respondents in the Deloitte’s 2023 Global Human Capital Trends survey stated that their biggest barrier to achieving organizational results is being overwhelmed by too much change at once. However, the dissolution of boundaries creates new opportunities for organizations and workers, who are willing to prove themselves in fundamentally different ways. This means no longer responding to incentives in the marketplace with new strategies against the categories and boundaries of the past.

Which statement best describes your organization’s well-being strategy?



Highlights: The most common (38.7%) definition of a well-being strategy is described as comprehensive and integrated into how work is designed and how the workforce experience is developed.



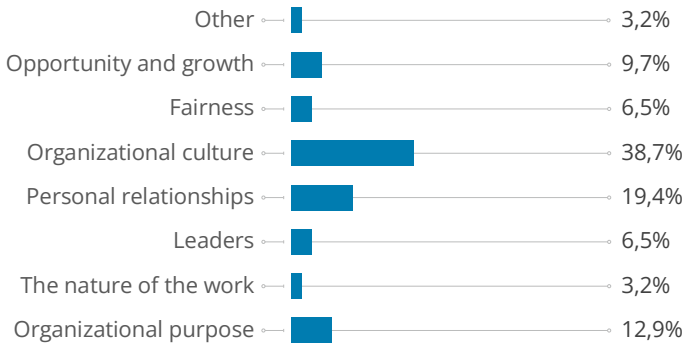
Human Capital Trends survey

How have you redesigned work to promote well-being in your organization? We are:



Highlights: Judging by the responses, usage of technology is considered the most frequent way to redesign work to promote well-being in the organization, while giving workers more autonomy is the next most frequent step taken.

Which factor most influences your organization’s ability to create a sense of belonging?



Highlights: Nearly 40% of respondents believe that organizational culture is the most influential factor in creating a sense of belonging in an organization.





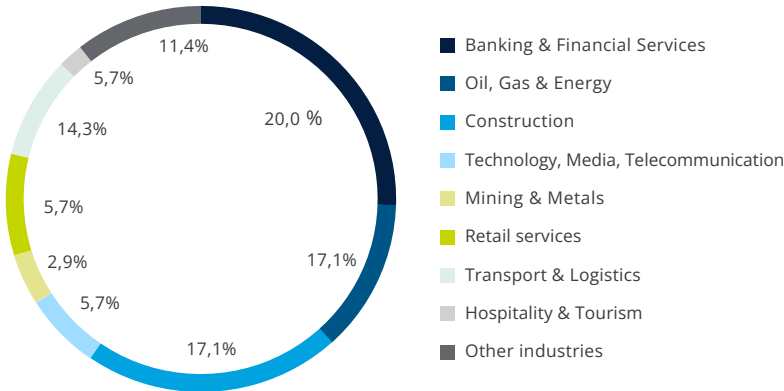
03

Business
Confidence
survey



Participant statistics

Primary sectors of respondents



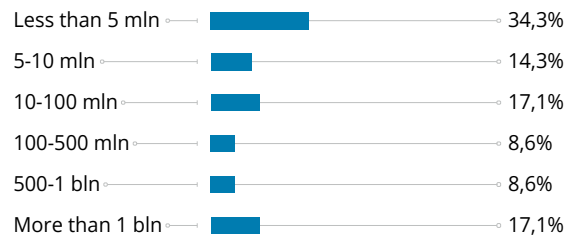
Highlights: The majority of respondents are working in Banking & Financial services (20%). The second largest share of respondents are involved in the Oil, Gas and Energy and Construction businesses (17.1% each).

Trends: Banking & Financial Services, Oil, Gas & Energy, as well as Construction sectors have the largest share among last year's and this year's respondents.

Annual revenue range of respondents (AZN)

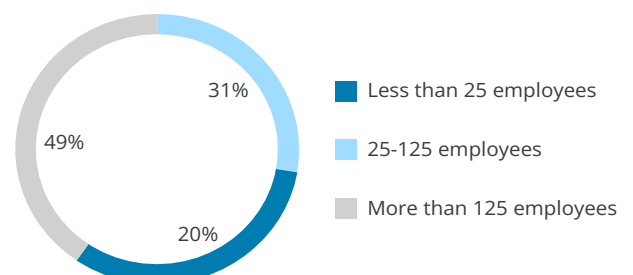
Highlights: In 2022, 34.3% of the total participants generated less than 5 million manats, followed by the companies with revenues of 10-100 million manats and more than 1 billion AZN.

Trends: Unlike last year, this year 17.1 percent of the survey participants were companies with more than one billion revenue.



Company headcount of respondents

Highlights: The majority of respondents (48.6%) employed more than 125 employees; 20% of respondents employed less than 25 employees, and 31% of respondents employed 25-125 employees.

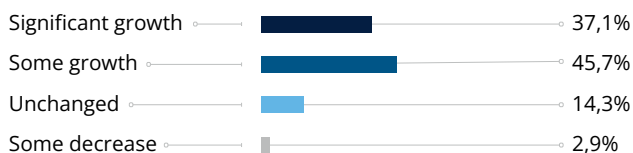




Financial outlook & risks

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

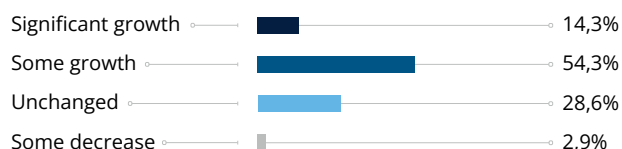
Revenue, AZN



Highlights: 45.7% of respondents believe that there will be slight growth in revenue over the next twelve months. The second largest share (37%) of the respondents believe there will be significant growth in company revenue.

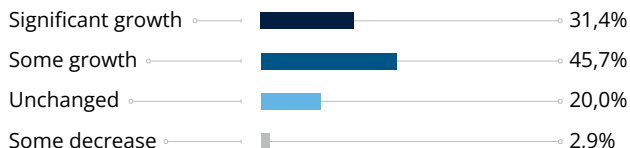
Trends: Compared to the previous year's results, the share of survey participants expecting a significant increase in the company's annual income increased by 20 percentage points reaching 37.1 percent this year.

Operating expenses, AZN



Highlights: A majority of respondents (54.3%) anticipate a moderate increase in operating expenses. More than a quarter of respondents think operational costs will stay the same.

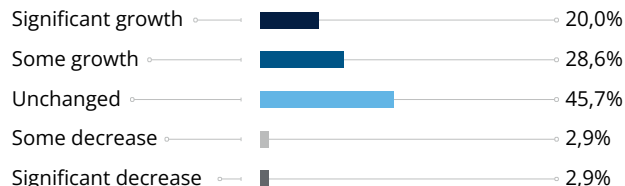
Operating profit, AZN



Highlights: 77.1% of respondents indicated that they expect their company's operational profit to rise.

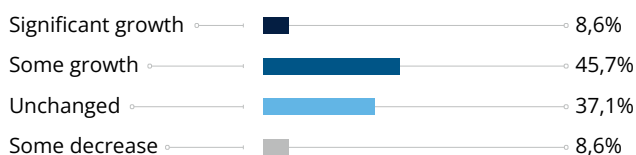
Trends: Majority of respondents, as in the previous year, predicted some growth in operating profit over the next twelve months.

Cost of capital



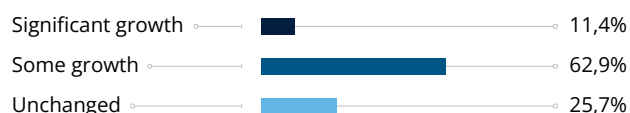
Highlights: Almost half of respondents expect no changes in the cost of capital over the next twelve months.

Staff headcount



Highlights: Nearly half of respondents (46%) anticipate expansion to the company's headcount, whilst 37% didn't expect any changes in terms of staff.

Average wage/salary

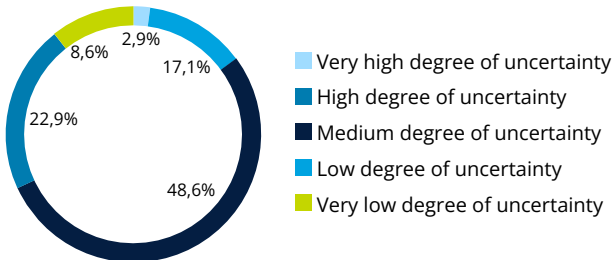


Highlights: The majority of respondents (62.9%) believe that wages will increase moderately over the next twelve months. By contrast, 25.7% of respondents believe that average wages will remain at the same level.



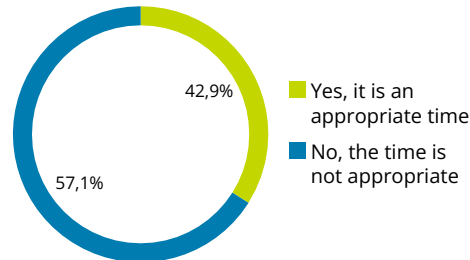
Financial outlook & risks

How do you assess political and economic uncertainty at your company in terms of strategic decision-making?



Highlights: 48.6% of respondents stated that there is medium degree of political and economic uncertainty when making strategic decisions whereas 8.6% considered the levels of uncertainty to be very low.

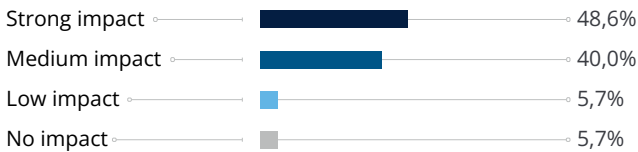
Is now an appropriate time to make risky decisions that may affect the balance sheet?



Highlights: Majority of respondents (57.1%) believe that now is not the time to take risky actions that may have an impact on the balance sheet.

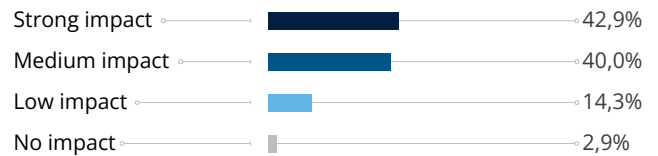
Please evaluate the impact of the risks listed below on your company over the next twelve months.

Inflation and other economic risks



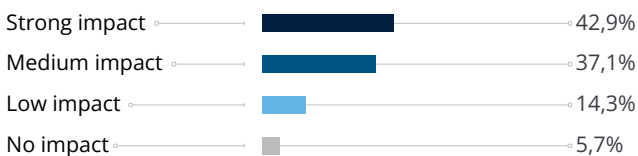
Highlights: The impact of inflation and other economic risks is considered to be high by 48.6% of respondents, and medium by 40% of respondents.

Difficulties with financing



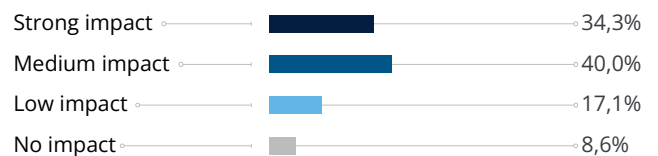
Highlights: 42.9% and 40% of respondents predicted financial issues to have strong and medium impact respectively.

Decrease in demand



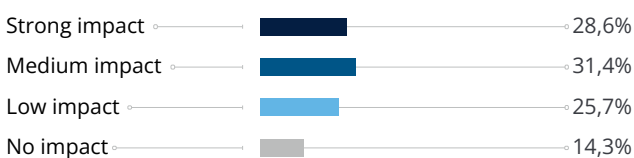
Highlights: 42.9% of respondents, which is almost 3% less than in the previous year, stated that a decline in demand would have a significant effect on the business.

Shortage of suppliers

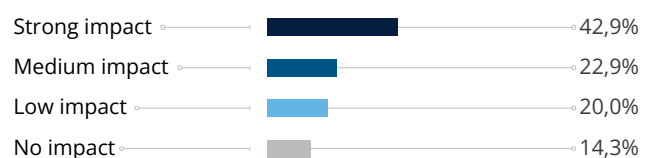


Highlights: According to the majority of responses, a shortage of suppliers can be considered a medium-level risk. Another significant percentage of respondents (34.3%) thinks it could have a strong impact on the company.

Pandemics



Devaluation of national currency

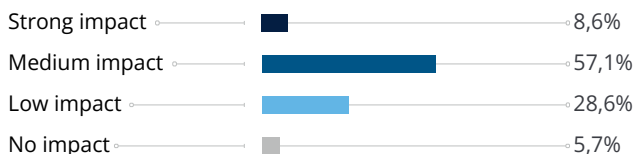




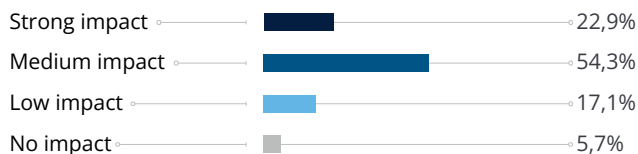
Financial outlook & risks

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

Increased state regulation for businesses in Azerbaijan



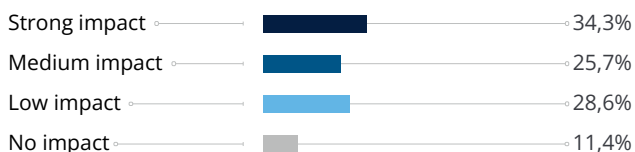
Geopolitical risks for businesses in Azerbaijan



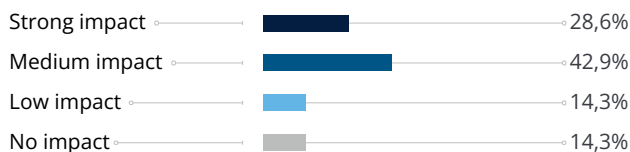
Highlights: More than half of the respondents (57.1%) indicated that increasing state regulation in Azerbaijan would pose a moderate risk to their companies.

Highlights: 54.3 percent of respondents believe that geopolitical risks would have a medium impact on their companies, while 22.9% stated the impact would be high.

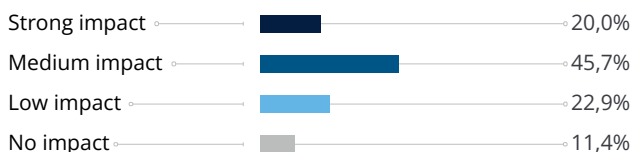
Decrease in cash flow



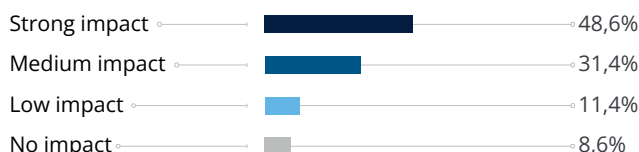
Increase in production costs



Cyber threats



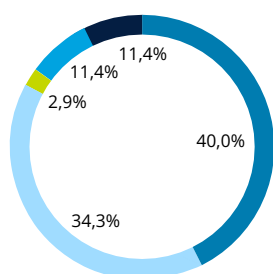
Decrease in core business revenue



Highlights: Almost half of the respondents think that cyber threats might have a medium impact on their company. Another 20% of respondents estimate the level of impact of Cyber threats to be strong.

Highlights: Of respondents, 48.6% and 31.4% predicted that a decline in core business revenue would have a strong and medium impact respectively.

What labor force decisions did your company make in 2022?



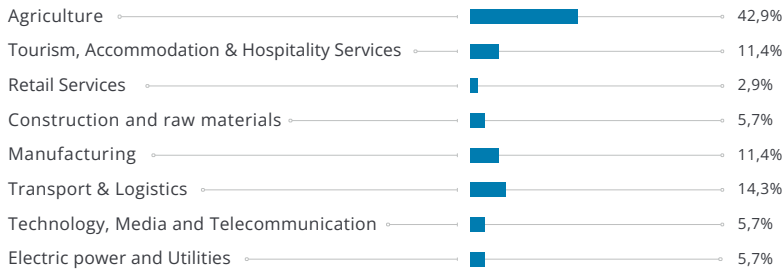
- Made no changes
- Hired new full or part-time employees
- Increased temp. workers/contractors
- Dismissed employees (with no expectation of recall)
- Reduced temp. workers/contractors

Highlights: While 40.0% of surveyed respondents stated that their companies hired new full-time or part-time employees in 2022, the other 34.3% of respondents said that there was no change in the workforce decisions made at their workplaces.



Market environment

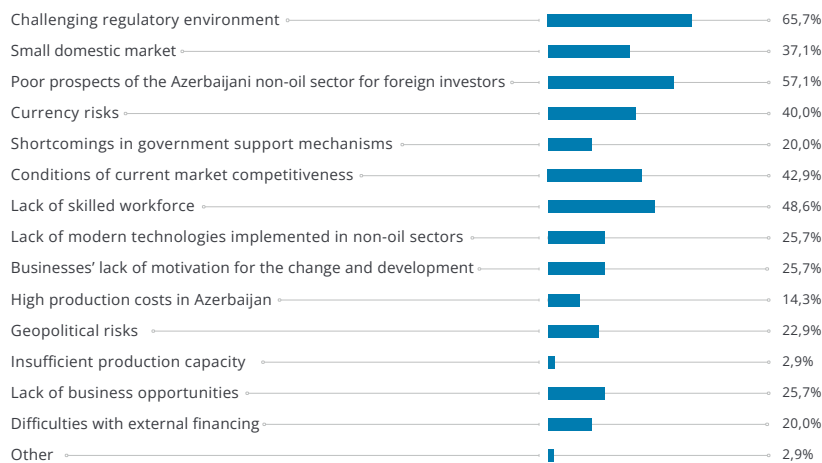
Please select the key industry of Azerbaijan's non-oil sector that you believe will experience the fastest growth over the next five years.



Highlights: The two sectors with the highest growth expectations are Agriculture (42.9%) and Transport & Logistics (14.3%). Tourism, Accommodation & Hospitality services, as well as Manufacturing followed with 11.4% each.

Trends: This year, as in 2021, the first fastest expanding industry in the next five years is expected to be Agriculture, with an increase of 6.9 percentage points from the last year.

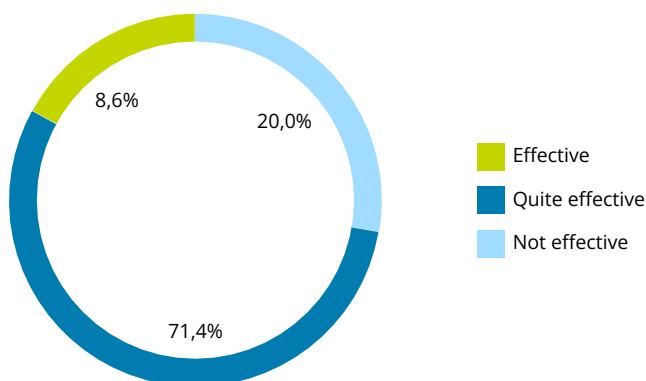
Please evaluate issues that could hinder the growth of Azerbaijan's economy.



Highlights: A total of 65.7 percent of those who took part in the survey believe that the challenging regulatory environment is the most important factor impeding the development of Azerbaijan's economy. According to the survey, poor prospects of the Azerbaijani non-oil sector for foreign investors (57.1%) and lack of skilled workforce (48.6%) are the next factors that can hinder the country's economy the most.

Trends: As in the past year, in 2022, conditions of current market competitiveness, lack of skilled workforce and challenging regulatory environment are the main factors hindering the country's economy.

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



Highlights: The majority of respondents (71.4%) believe that the government's support mechanisms are quite effective at expanding Azerbaijan's non-oil sector.

Trends: The share of those who think that the government's support mechanisms are moderately effective at developing the Azerbaijani non-oil sector has increased by 16.4 percentage points compared to 2021.



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