Business Outlook in Azerbaijan

Deloitte Azerbaijan 2022 results, seventh edition
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>02</td>
</tr>
<tr>
<td>Highlights</td>
<td>03</td>
</tr>
<tr>
<td>Azerbaijan in figures</td>
<td>05</td>
</tr>
<tr>
<td>Human Capital Trends survey</td>
<td>19</td>
</tr>
<tr>
<td>Business confidence survey</td>
<td>38</td>
</tr>
<tr>
<td>Contacts</td>
<td>45</td>
</tr>
</tbody>
</table>
Introduction

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" 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.
Highlight

Azerbaijan in figures

- **Gross domestic product**: AZN 133.8 bln
- **Foreign trade balance**: USD 23.6 bln
- **Imports**: USD 14.5 bln
- **Exports**: USD 38.1 bln
- **Oil and Gas prices**: USD 99.8, USD 40
- **USD and EUR vs. AZN**: $1.7, €1.8
- **Foreign exchange reserves**: USD 9 bln
- **Nominal average monthly salary**: AZN 839.4
- **Budget income**: AZN 30.7 bln
### Key figures

**2021 vs 2022**

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>2022</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product, bln AZN</td>
<td>92.9</td>
<td>133.8</td>
<td><strong>↑</strong></td>
</tr>
<tr>
<td>Foreign Trade balance, bln USD</td>
<td>12.2</td>
<td>23.6</td>
<td><strong>↑</strong></td>
</tr>
<tr>
<td>Non-oil export, bln USD</td>
<td>2.7</td>
<td>3.05</td>
<td><strong>↑</strong></td>
</tr>
<tr>
<td>Foreign Direct Investment, bln USD</td>
<td>4.8</td>
<td>6.3</td>
<td><strong>↑</strong></td>
</tr>
<tr>
<td>Foreign exchange reserves, bln USD</td>
<td>7.1</td>
<td>9.0</td>
<td><strong>↑</strong></td>
</tr>
<tr>
<td>Nominal average monthly salary, AZN</td>
<td>732.1</td>
<td>839.4</td>
<td><strong>↑</strong></td>
</tr>
<tr>
<td>Unemployment rate, %</td>
<td>6.0</td>
<td>5.6</td>
<td><strong>↑</strong></td>
</tr>
<tr>
<td>Average consumer price index, %</td>
<td>6.7</td>
<td>13.9</td>
<td><strong>↓</strong></td>
</tr>
</tbody>
</table>
Azerbaijan in figures
"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
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.

"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
"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
"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
Business outlook in Azerbaijan

Structure of goods imported by categories, USD bln

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (USD bln)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and electrical equipment, apparatus</td>
<td>2,891</td>
<td>19.9%</td>
</tr>
<tr>
<td>Agricultural products</td>
<td>2,460</td>
<td>16.9%</td>
</tr>
<tr>
<td>Vehicles and their parts</td>
<td>1,771</td>
<td>12.2%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1,227</td>
<td>8.4%</td>
</tr>
<tr>
<td>Metals</td>
<td>1,039</td>
<td>7.2%</td>
</tr>
<tr>
<td>Other</td>
<td>5,150</td>
<td>35.4%</td>
</tr>
<tr>
<td>Total</td>
<td>14,540</td>
<td>100%</td>
</tr>
</tbody>
</table>

Structure of goods exported by categories, USD bln

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (USD bln)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and petroleum products</td>
<td>35,485</td>
<td>93%</td>
</tr>
<tr>
<td>Agricultural products</td>
<td>1,012</td>
<td>2.7%</td>
</tr>
<tr>
<td>Metals</td>
<td>0,354</td>
<td>0.9%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>0,422</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other</td>
<td>0,873</td>
<td>2.3%</td>
</tr>
<tr>
<td>Total</td>
<td>38,147</td>
<td>100%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Product</th>
<th>January- December 2022, USD mln</th>
<th>January- December 2021, USD mln</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polypropylene</td>
<td>91.4</td>
<td>120</td>
</tr>
<tr>
<td>Polyethylene</td>
<td>146.4</td>
<td>175.4</td>
</tr>
<tr>
<td>Hazelnut</td>
<td>106.3</td>
<td>108.8</td>
</tr>
<tr>
<td>Persimmons</td>
<td>113.4</td>
<td>125.9</td>
</tr>
<tr>
<td>Electricity</td>
<td>121.6</td>
<td>131.9</td>
</tr>
<tr>
<td>Methanol</td>
<td>69.3</td>
<td>89.3</td>
</tr>
<tr>
<td>Tomato</td>
<td>167.6</td>
<td>160.2</td>
</tr>
<tr>
<td>Cotton</td>
<td>208</td>
<td>208</td>
</tr>
<tr>
<td>Gold</td>
<td>185.2</td>
<td>202.5</td>
</tr>
<tr>
<td>Urea</td>
<td>209.7</td>
<td>118.5</td>
</tr>
</tbody>
</table>

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

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.
Key macroeconomic indicators

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

<table>
<thead>
<tr>
<th>Country</th>
<th>January- December 2021, USD mln</th>
<th>January- December 2022, USD mln</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>877,8</td>
<td>928,6</td>
</tr>
<tr>
<td>Turkey</td>
<td>675,9</td>
<td>713,1</td>
</tr>
<tr>
<td>Georgia</td>
<td>157,5</td>
<td>228,4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>224,1</td>
<td>198,5</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>39,9</td>
<td>102,7</td>
</tr>
</tbody>
</table>

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

"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
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%."
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.
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

Business outlook in Azerbaijan

"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

Exchange rate

*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.

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)**

Business outlook in 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%.

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.


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.

02 Human Capital Trends survey
**Human Capital Trends survey**

**Primary positions of respondents**

- Human Resources (hereinafter referred to as “HR”) Manager/Head of HR Unit: 6.5%
- HR Director / Head of HR Department: 3.2%
- Head of HR unit: 3.2%
- HR senior specialist: 3.2%
- HR leading specialist: 3.2%
- HR specialist: 3.2%

**Company headcount of respondents**

- Less than 25 people: 16.1%
- 25-125: 22.6%
- 125-500: 25.8%
- 500-1000: 25.8%
- More than 5000 people: 6.5%

**Primary sector of respondents**

- Transport & Logistics: 29.0%
- Technology, Media & Telecommunication: 19.4%
- Government and public sector: 12.9%
- Retail services: 12.9%
- Oil, Gas & Energy: 9.7%
- Agriculture: 3.2%
- Other: 12.9%

**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**

- 25-125: 22.6%
- 125-500: 25.8%
- 500-1000: 25.8%
- More than 5000 people: 6.5%

**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**

- Transport & Logistics: 29.0%
- Technology, Media & Telecommunication: 19.4%
- Government and public sector: 12.9%
- Retail services: 12.9%
- Oil, Gas & Energy: 9.7%
- Agriculture: 3.2%
- Other: 12.9%

**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?

- 9.7% Our purpose is not changing and is focused on shareholder value.
- 19.4% Our purpose is evolving to include the needs of customers and employees.
- 71.0% 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?

- **64.5%** We have a formal HR governance structure with clearly defined roles and responsibilities and decision rights.
- **32.3%** We have a formal HR governance structure.
- **3.2%** We do not have an HR governance structure put in place.

**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?

Very high credibility: HR leaders are considered strong candidates for succession of leadership roles in organization as a whole; Business leaders are not making key decisions without HR expertise and input. 

Sufficient credibility: HR has high credibility and is viewed as having expertise in functional HR areas.

Moderate credibility: HR has some credibility in the organization and is viewed as capable of providing technical expertise in some areas of HR.

Low credibility: HR has low credibility in the organization, and is viewed only as a back office / administrative function.

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?

Highly involved: Our HR leadership has a great involvement in organization strategy development and influences overall organization strategy formulation and execution.

Sufficiently involved: Our HR leadership has involvement in organization strategy formulation and is an active participant in its execution.

Moderately involved: Our HR leadership is asked to offer support in the creation of plans to execute our organizational strategy.

Not involved: Our HR leadership is not involved in organization strategy formulation or organizational planning.

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

Well prepared: We have a career development rotation program in place to address each HR functional and business capability area.

Sufficiently prepared: We have identified critical HR skills and capabilities and have most of the HR Functional capabilities required to deliver HR services.

Insufficiently prepared: We have some of the HR functional skills and capabilities that we need, but key gaps in one or more HR functional areas exist.

Not prepared: There are significant gaps in HR capability required to deliver HR services.

**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?

- Not active: We do not actively manage our candidate pool.
- Moderately active: We have varied processes in place to track and manage candidates, but accountability is not clear.
- Sufficiently active: Our automated application process and candidate tracking capability allows us to be responsive to all candidates.
- Very active: We leverage social media to attract and identify new candidates, and to strengthen existing relationships; We manage our sourcing, selection and new hire processes effectively and efficiently.

**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?

Highly advanced: Our talent acquisition strategy is focused on closing critical workforce segment gaps. Our technology enables information sharing, engagement of talent pools, and innovative use of social media. 35.5%

Advanced: Recruiters exchange information with line managers about staffing needs. Our technology supports the employee referral program. 25.8%

Relatively advanced: Recruiters work with line managers to understand current staffing needs, job descriptions and skills requirements. We have basic technology to support recruiting and demonstrate compliance. 35.5%

Not advanced: Recruiting is initiated reactively, based on vacancy, with candidates sourced as-needed. We lack technology tools to enable recruiting. 3.2%

**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?

Not effective: We typically struggle to retain our talent. Our working environment could be better in supporting our mandate and in meeting the needs of our talent. 6.5%

Moderately effective: We can retain some of our talent for a while. We have structured and organized our working environment to support our mandate and meet the needs of our talent. 38.7%

Effective: We can retain some talent in key areas. Working environment is flexible and adjusts to meet the needs and desires of Talent management. This is embedded in our ways of working. 45.2%

Very effective: We have the desired retention and manage turnover. We have a talent mindset at the heart of our organizational activities. Talent management is integral to how we work and how we make decisions. 9.7%

**Highlights:** Only 6.5% of respondents stated that HR is ineffective and has difficulty retaining talents within the organization.
To what degree is performance management formalized and implemented throughout the organization?

Well formalized and implemented: The PM process is managed centrally, is based on enterprise-wide competency models. Leading PM technology is integrated with other talent programs and systems. 22,6%

Formalized and implemented: Our PM strategy is exclusively defined by HR and is partially linked to other HR/Talent programs. Processes of Standard templates are used to track performance review results. 45,2%

Poorly formalized and implemented: The PM process is not clearly communicated. Performance evaluation criteria are established but not consistently communicated or understood. 25,8%

Not formalized and not implemented: Our Performance Management (PM) strategy is not defined, documented or applied. 6,5%

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?

Strong alignment: Our TR strategy incorporates external competitive and economic factors with regular assessments of market changes for relevant employee demographics. 16,1%

Sufficient alignment: Our TR strategy is aligned to the strategic objectives of the organization. Our TR strategy is evaluated as a whole. 45,2%

Weak alignment: TR strategy is both internally and externally market focused and the strategy includes a broader array of offerings including variable and wellness pay. 25,8%

No alignment: The relationship between rewards and talent acquisition, development, and retention is not viewed as a strategic differentiator or is limited to base pay and basic health, welfare and retirement. 12,9%

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

- Not at all: 16.1%
- To a small extent: 19.4%
- To some extent: 41.9%
- To a great extent: 16.1%
- I don't know: 6.5%

**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?

- 48.4%: Compensation, benefits, and skill development are assessed and valued as a whole.
- 45.2%: Compensation, benefits, and skill development are assessed and valued separately and independently.
- 6.5%: Not applicable to our organization.

**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.
How does your organization define ‘knowledge management’?

![Knowledge Management Chart]

**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?

- **Sufficiently prioritized:** We have informal training strategies and curricula owned by individual teams. Learning and training adapts to market needs and gaps. We have a learning technology, with an emphasis on talent programs. Training is offered to meet specific business requirements.

- **Moderately prioritized:** We have informal training strategies. Learning and training adapts to market needs but does not address skills gaps. We have preferred learning vendors training to meet specific business requirements.

- **Insufficiently prioritized:** Our talent and leadership development programs exist on paper, but are not executed in an effective manner. Learning is administered and reported inconsistently. We have some learning professionals but learning is not tied to employee performance and training costs are tracked inconsistently.

- **Not prioritized:** We do not have documented learning strategies, guidelines or formal standards on providing training.

**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?

![Pie chart showing 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.]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>I don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>45.2%</td>
<td>51.6%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

**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?

![Bar chart showing the four levels of HR reporting]

- **We focus reporting on generating insight by combining large stores of structured and unstructured data from all areas of the business sources.** 16.1%
- **Our reports are extensively automated, available to business users on-demand, and provide analytical insight to drive management decisions.** 45.2%
- **Our reporting is transaction-based, there is some automation, however, data and interpretation inconsistencies make it difficult to achieve full transparency.** 16.1%
- **We do very limited HR reporting or our reporting is largely manual with few standard reports.** 22.6%

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

<table>
<thead>
<tr>
<th>Technology Integration Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High technology integration: We have a fully functioning, integrated, near-paperless HR technology landscape that is accessible from anywhere with mobile capabilities.</td>
<td>12.9%</td>
</tr>
<tr>
<td>Sufficient technology integration: Our HR technology platform supports the main priorities of the organization and goes beyond organization and employee data to include functions like Talent Acquisition or Performance Management.</td>
<td>38.7%</td>
</tr>
<tr>
<td>Moderate technology integration: We have a strong HR management system (HRMS) with basic workflow but paper is still required to support many processes.</td>
<td>29.0%</td>
</tr>
<tr>
<td>Low technology integration: We have HR technology to manage personnel administration but as they do not adequately meet the needs of the organization, we do not use all available functions.</td>
<td>19.4%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Operational Metrics</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have a continuous improvement process with clearly defined goals; We use HR KPIs to evaluate overall organization metrics.</td>
<td>54.8%</td>
</tr>
<tr>
<td>We have some formal continuous improvement processes and operational metrics but their mandates are not clear.</td>
<td>19.4%</td>
</tr>
<tr>
<td>We have informal continuous improvement processes and operational metrics but they are not clearly articulated.</td>
<td>9.7%</td>
</tr>
<tr>
<td>We do not have a continuous improvement process or operational metrics in place for the HR function.</td>
<td>16.1%</td>
</tr>
</tbody>
</table>
How would you rate your organization’s progress over the past ten years regarding the following topics?

<table>
<thead>
<tr>
<th>The HR Organization (capabilities, technology, and processes)</th>
<th>3%</th>
<th>6%</th>
<th>42%</th>
<th>45%</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>People analytics</td>
<td>3%</td>
<td>10%</td>
<td>58%</td>
<td>26%</td>
<td>3%</td>
</tr>
<tr>
<td>Culture/Engagement/Experience</td>
<td>6%</td>
<td>35%</td>
<td>55%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Organization strategies</td>
<td>10%</td>
<td>39%</td>
<td>48%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Talent/Learning/Careers</td>
<td>3%</td>
<td>42%</td>
<td>52%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>3%</td>
<td>10%</td>
<td>45%</td>
<td>39%</td>
<td>3%</td>
</tr>
</tbody>
</table>

- No progress
- Little progress
- Moderate progress
- Significant progress
- I don’t know

**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.
How proactive is HR with succession planning and management initiatives?

- **Pro-active initiatives:** Talent profiles are actively maintained and our plans incorporate multiple progressive career options. 38.7%
- **Sufficient initiatives:** Planning occurs annually and is centrally managed. Business leaders are involved and engaged and formal talent reviews are conducted for top executives. 41.9%
- **Insufficient initiatives:** There is a weak alignment with other talent programs. 16.1%
- **No initiatives:** We do not have a strategy, metrics, process or data for career progression. 3.2%

**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?

- **Other** 3.2%
- **Changing expectations of customers** 12.9%
- **Demographic shifts** 6.5%
- **Changing expectations of workforce** 16.1%
- **Regulatory environment** 16.1%
- **Political environment (global, national, local)** 12.9%
- **Technology** 32.3%

**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?**

- **28.6%**: HR strategy has been aligned.
- **22.4%**: Transformation plans are available and are being executed.
- **24.5%**: Selective change measures are being applied.
- **18.4%**: Learning curriculum has been aligned.
- **6.1%**: HR is not prepared for 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.
To what extent do you agree or disagree with this statement: "My organization has access to the skills/capabilities necessary to meet business needs."

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>3.2%</td>
</tr>
<tr>
<td>Disagree</td>
<td>16.1%</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>29.0%</td>
</tr>
<tr>
<td>Agree</td>
<td>35.5%</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>9.7%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

**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?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>9.7%</td>
</tr>
<tr>
<td>0-25%</td>
<td>25.8%</td>
</tr>
<tr>
<td>25-50%</td>
<td>32.3%</td>
</tr>
<tr>
<td>50-75%</td>
<td>16.1%</td>
</tr>
<tr>
<td>75-100%</td>
<td>9.7%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

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

- The lack of workforce interest: 20.0%
- The lack of investment: 13.3%
- The difficulty in identifying development needs and priorities: 33.3%
- There are no processes and infrastructure to support workforce development: 17.8%
- There is no clear accountability within the organization: 2.2%
- It is not a leadership priority: 4.4%
- Other: 8.9%

**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?

- Our well-being strategy is comprehensive and integrated into the way we design work and develop our workforce experience to provide purpose and meaning: 38.7%
- Our well-being strategy focuses on the physical, mental, and financial health: 25.8%
- Our well-being strategy focuses on physical health: 9.7%
- Our well-being strategy is focused on managing occupational safety: 9.7%
- We do not have a well-being strategy: 16.1%

**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:**

- Introducing wellness behaviors in day-to-day work: 13.2%
- Redesigning the physical workspace (e.g., standing desks): 7.4%
- Providing part time work/job opportunities: 4.4%
- Increasing remote work opportunities: 11.8%
- Increasing flexible and/or predictable scheduling: 10.3%
- Giving workers more autonomy in how they do their work: 16.2%
- Using technology to promote more connectivity and collaboration: 26.5%
- Not redesigning work to enhance well-being: 10.3%

**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?**

- Other: 3.2%
- Opportunity and growth: 9.7%
- Fairness: 6.5%
- Organizational culture: 38.7%
- Personal relationships: 19.4%
- Leaders: 6.5%
- The nature of the work: 3.2%
- Organizational purpose: 12.9%

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

Primary sectors of respondents

- Banking & Financial Services: 11.4%
- Oil, Gas & Energy: 14.3%
- Construction: 5.7%
- Technology, Media, Telecommunication: 5.7%
- Mining & Metals: 2.9%
- Retail services: 5.7%
- Transport & Logistics: 17.1%
- Hospitality & Tourism: 17.1%
- Other industries: 20.0%

**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.

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 mln</td>
<td>34.3%</td>
</tr>
<tr>
<td>5-10 mln</td>
<td>14.3%</td>
</tr>
<tr>
<td>10-100 mln</td>
<td>17.1%</td>
</tr>
<tr>
<td>100-500 mln</td>
<td>8.6%</td>
</tr>
<tr>
<td>500-1 bln</td>
<td>8.6%</td>
</tr>
<tr>
<td>More than 1 bln</td>
<td>17.1%</td>
</tr>
</tbody>
</table>

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.

**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).

- 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.

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

- 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?

<table>
<thead>
<tr>
<th>Financial metric</th>
<th>Significant growth</th>
<th>Some growth</th>
<th>Unchanged</th>
<th>Some decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue, AZN</strong></td>
<td>![Graph]</td>
<td>![Graph]</td>
<td>![Graph]</td>
<td>![Graph]</td>
</tr>
<tr>
<td>Significant growth</td>
<td>37,1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some growth</td>
<td>45,7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unchanged</td>
<td>14,3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some decrease</td>
<td>2,9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating expenses, AZN</strong></td>
<td>![Graph]</td>
<td>![Graph]</td>
<td>![Graph]</td>
<td>![Graph]</td>
</tr>
<tr>
<td>Significant growth</td>
<td>14,3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some growth</td>
<td>54,3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unchanged</td>
<td>28,6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some decrease</td>
<td>2,9%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Operating profit, AZN</th>
<th>![Graph]</th>
<th>![Graph]</th>
<th>![Graph]</th>
<th>![Graph]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant growth</td>
<td>31,4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some growth</td>
<td>45,7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unchanged</td>
<td>20,0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some decrease</td>
<td>2,9%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Cost of capital</th>
<th>![Graph]</th>
<th>![Graph]</th>
<th>![Graph]</th>
<th>![Graph]</th>
<th>![Graph]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant growth</td>
<td>20,0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some growth</td>
<td>28,6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unchanged</td>
<td>45,7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some decrease</td>
<td>2,9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Staff headcount</th>
<th>![Graph]</th>
<th>![Graph]</th>
<th>![Graph]</th>
<th>![Graph]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant growth</td>
<td>8,6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some growth</td>
<td>45,7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unchanged</td>
<td>37,1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some decrease</td>
<td>8,6%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Average wage/salary</th>
<th>![Graph]</th>
<th>![Graph]</th>
<th>![Graph]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant growth</td>
<td>11,4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some growth</td>
<td>62,9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unchanged</td>
<td>25,7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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.
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**
- Strong impact: 48.6%
- Medium impact: 40.0%
- Low impact: 5.7%
- No impact: 5.7%

**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**
- Strong impact: 42.9%
- Medium impact: 40.0%
- Low impact: 14.3%
- No impact: 2.9%

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

**Decrease in demand**
- Strong impact: 42.9%
- Medium impact: 37.1%
- Low impact: 14.3%
- No impact: 5.7%

**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**
- Strong impact: 34.3%
- Medium impact: 40.0%
- Low impact: 17.1%
- No impact: 8.6%

**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**
- Strong impact: 28.6%
- Medium impact: 31.4%
- Low impact: 25.7%
- No impact: 14.3%

**Devaluation of national currency**
- Strong impact: 42.9%
- Medium impact: 22.9%
- Low impact: 20.0%
- No impact: 14.3%
Please evaluate the impact of the risks listed below on your company over the next twelve months.

**Increased state regulation for businesses in Azerbaijan**
- Strong impact: 8.6%
- Medium impact: 57.1%
- Low impact: 28.6%
- No impact: 5.7%

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

**Geopolitical risks for businesses in Azerbaijan**
- Strong impact: 22.9%
- Medium impact: 54.3%
- Low impact: 17.1%
- No impact: 5.7%

**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**
- Strong impact: 34.3%
- Medium impact: 25.7%
- Low impact: 28.6%
- No impact: 11.4%

**Increase in production costs**
- Strong impact: 28.6%
- Medium impact: 42.9%
- Low impact: 14.3%
- No impact: 14.3%

**Cyber threats**
- Strong impact: 20.0%
- Medium impact: 45.7%
- Low impact: 22.9%
- No impact: 11.4%

**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.

**Decrease in core business revenue**
- Strong impact: 48.6%
- Medium impact: 31.4%
- Low impact: 11.4%
- No impact: 8.6%

**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.
**Business outlook in Azerbaijan**

**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.

- Agriculture: 42.9%
- Tourism, Accommodation & Hospitality Services: 11.4%
- Retail Services: 2.9%
- Construction and raw materials: 5.7%
- Manufacturing: 11.4%
- Transport & Logistics: 14.3%
- Technology, Media and Telecommunication: 5.7%
- Electric power and Utilities: 5.7%

**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.

- Challenging regulatory environment: 65.7%
- Small domestic market: 37.1%
- Poor prospects of the Azerbaijani non-oil sector for foreign investors: 57.1%
- Currency risks: 40.0%
- Shortcomings in government support mechanisms: 20.0%
- Conditions of current market competitiveness: 42.9%
- Lack of skilled workforce: 48.6%
- Lack of modern technologies implemented in non-oil sectors: 25.7%
- Businesses’ lack of motivation for the change and development: 25.7%
- High production costs in Azerbaijan: 14.3%
- Geopolitical risks: 22.9%
- Insufficient production capacity: 2.9%
- Lack of business opportunities: 25.7%
- Difficulties with external financing: 20.0%
- Other: 2.9%

**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.

- Effective: 71.4%
- Quite effective: 20.0%
- Not effective: 8.6%

**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.
Contacts

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

**Tural Hajiyev**  
Partner  
Risk Advisory  
Deloitte Azerbaijan  
thajiyev@deloitte.az

**Ulvi Gasimov**  
Manager  
Risk Advisory  
Deloitte Azerbaijan  
ugasimov@deloitte.az

**Nargiz Ibrahimova**  
Senior Manager  
Risk Advisory  
Deloitte Azerbaijan  
nibrahimova@deloitte.az
Acknowledgements

**Leads:** Tural Hajiyev, Aslan Ibrahimov, Ulvi Gasimov, Nargiz Ibrahimova, Ramina Kavkazi, Leyla Hajibayli, Mayis Gabulov, Kamal Khudaverdiyev, Fidan Gasimzade, Nigar Gaziyeva, Inji Mammadli, Asli Sipahi, Sahin Guler, Kubra Taskin.
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023. For information, contact Deloitte Turkey, Member of Deloitte Touche Tohmatsu Limited.