

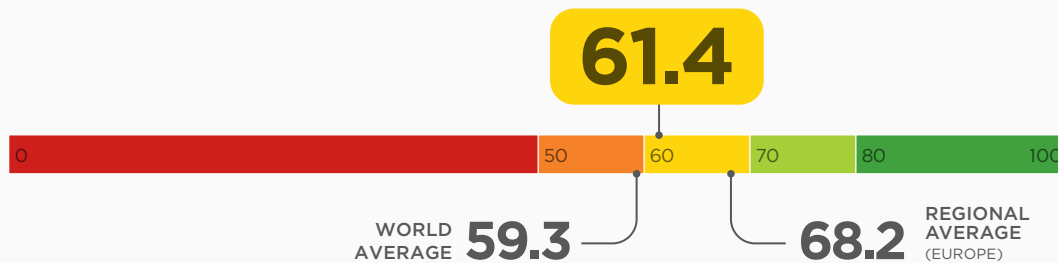
WORLD RANK: **75** | REGIONAL RANK: **37**
 ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

AZERBAIJAN

Azerbaijan's economic freedom score is 61.4, making its economy the 75th freest in the 2023 *Index*. Its score is essentially unchanged from last year. Azerbaijan is ranked 37th out of 44 countries in the European region, and its overall score is above the world average.

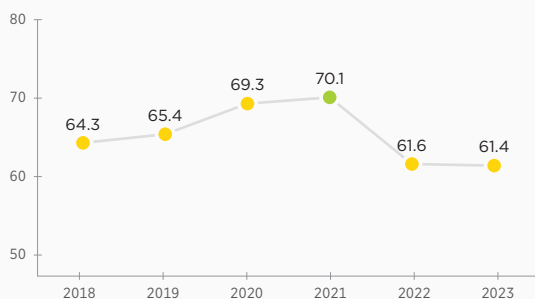
Wide-ranging reforms have resulted in some progress in regulatory efficiency and economic diversification, improving Azerbaijan's overall macroeconomic and entrepreneurial environments. Openness to global trade and investment has aided the country's transition to a more market-based system, but deeper institutional and systemic reforms are needed to strengthen the foundations of economic freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +31.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.1 million

GDP (PPP):
\$160.7 billion
5.6% growth in 2021
5-year compound annual growth 1.1%
\$15,882 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
6.7%

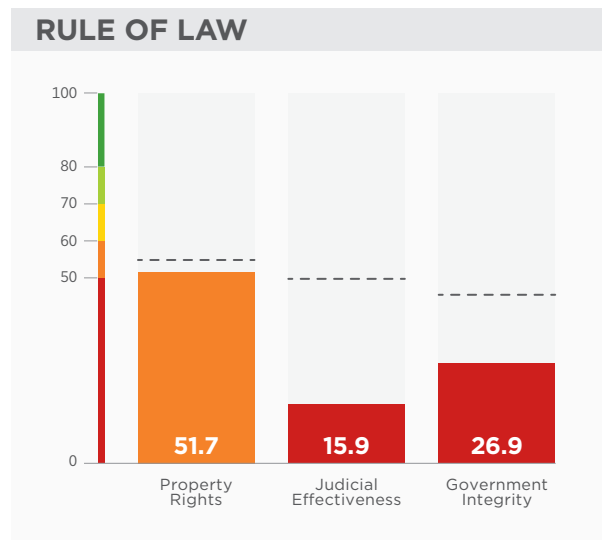
FDI INFLOW:
-\$1.7 billion

PUBLIC DEBT:
26.4% of GDP

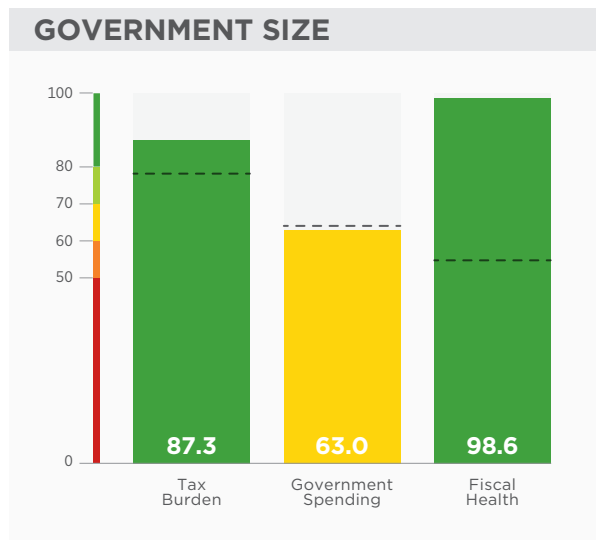
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: President Ilham Aliyev was elected to a fourth term in 2018 amid allegations of electoral fraud. His father, Heydar, ruled Azerbaijan first as a Soviet republic and then as an independent country until his death in 2003. Armenia's decades-long occupation of parts of Azerbaijani territory ended in 2020 when both sides agreed to a Russian-backed peace plan. Efforts to boost Azerbaijan's energy production are underway. Construction of the Southern Gas Corridor, a pipeline transporting gas from Azerbaijan to European customers, was completed in 2020. Some non-energy segments of the economy, such as agriculture, logistics, and information technology, require more development.

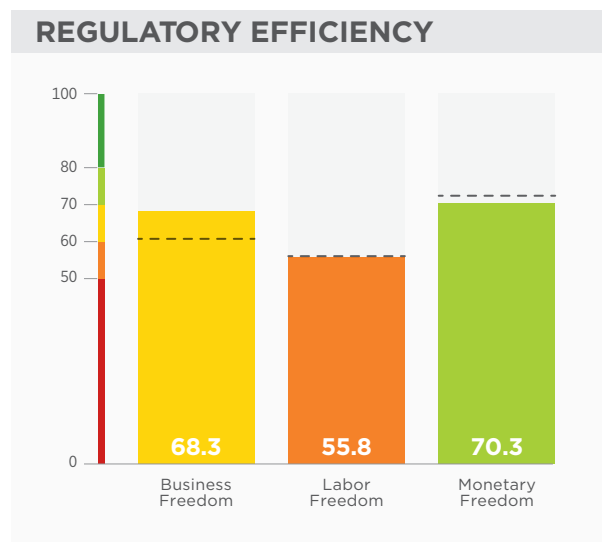
12 ECONOMIC FREEDOMS | AZERBAIJAN



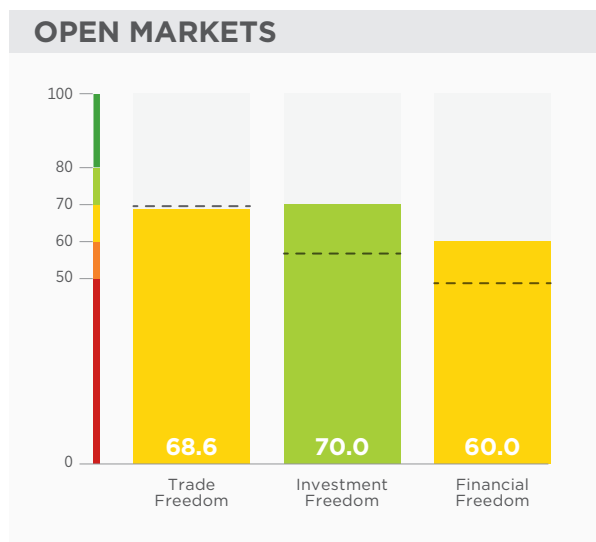
The overall rule of law is weak in Azerbaijan. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are, respectively, 25 percent and 20 percent. The tax burden equals 15.8 percent of GDP. Three-year government spending and budget balance averages are, respectively, 35.1 percent and 2.1 percent of GDP. Public debt equals 26.4 percent of GDP.



The private sector would benefit from more competition. The oil and gas sectors dominate the economy. Relatively flexible employment regulations have recently been implemented, but enforcement has been uneven. The most recent available inflation rate is 6.7 percent.



The trade-weighted average tariff rate is 8.2 percent, and nontariff barriers continue to increase the cost of trade. Azerbaijan has gradually been moving toward greater diversification of its economy. The financial sector is dominated by state-owned banks but remains stable.