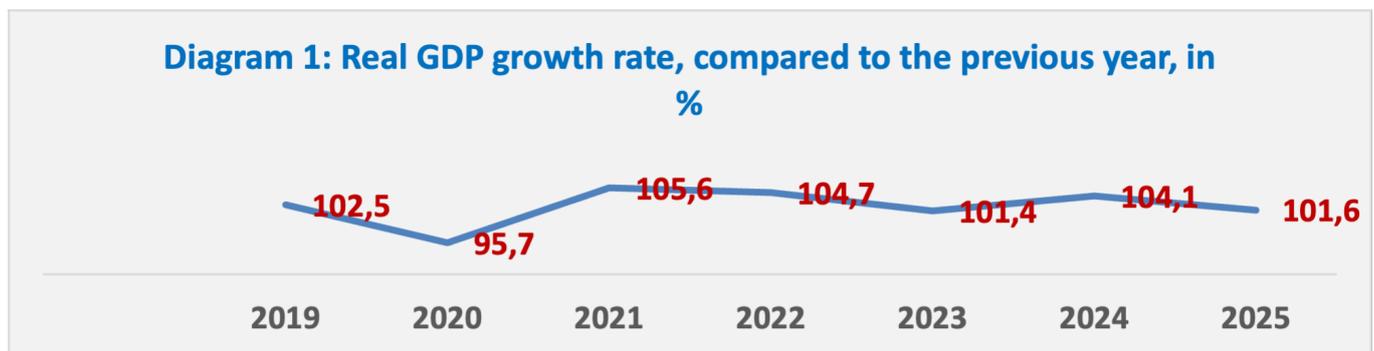


Post-Pandemic Economy: The End of Money-Powered Economic Growth for Azerbaijan

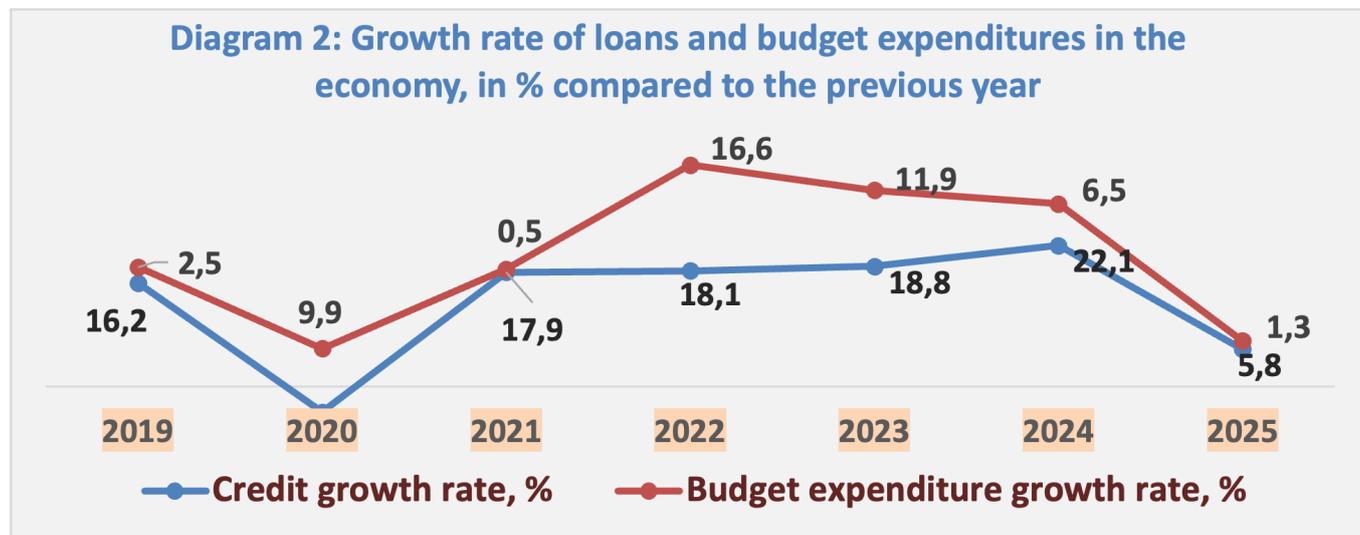
written by BRI Economic Team BAİ İqtisadi Qrupu

Although the final economic indicators for 2025 are not yet available, it is already possible to see the macroeconomic picture of the year based on the results of 11 months. The year 2025 demonstrated that Azerbaijan's stagnation trends gradually strengthened. In theory, stagnation refers to a period of prolonged (on average 3-5 years) weak or flat (0-2% range) economic growth. After 2018, the Azerbaijani economy was mostly either within the "stagnation zone" or did not move far beyond its boundaries. The [diagram](#) below clearly illustrates this conclusion. [\[1\]](#)



It is difficult to link the low economic growth to the effects of the global pandemic. The Azerbaijani economy was almost in the stagnation zone even in 2019. In 2020, the global pandemic pushed the economy into a negative growth zone, as it did worldwide. The relatively high numbers in the following two years were, in fact, *recovery figures*. For example, the 5,6% economic growth in 2021 almost compensated for the decline in 2020 and brought real GDP back to the 2019 level. The cumulative economic growth for 2020-2022 was 5,9%, which shows that the average annual growth was below even 2%. It is also important to note that this growth occurred due to aggressive

monetary and fiscal expansion in response to the pandemic. Economic growth was *money-powered*, as the following diagram shows.



Although credit decreased by 4% during the pandemic year, rapid growth continued over the next three years (2021-2024). During this period, the volume of credit injected into the economy [increased](#) by around 20% annually on average. In absolute terms, the total volume of loans in 2024 exceeded 29 billion manats, almost twice the pre-pandemic level.

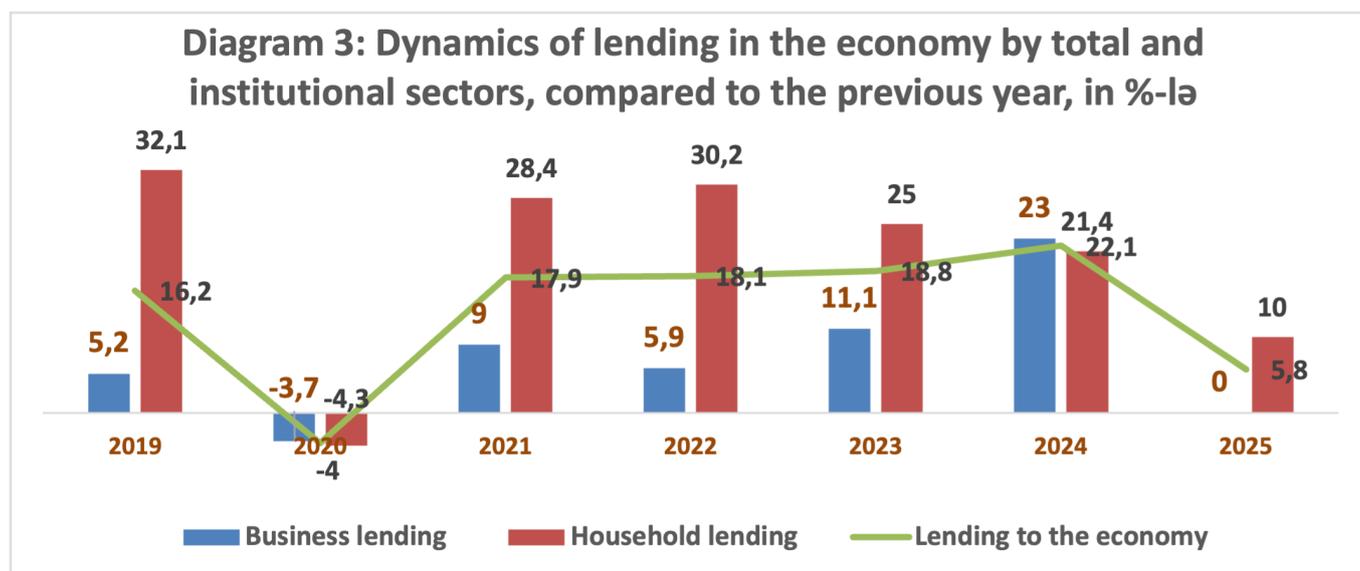
The rapid increase in budget expenditures mainly covered two years (2022-2023). During this period, the average annual growth rate of fiscal expansion was about 14%, and in absolute terms, budget expenditures increased by more than 50% compared to pre-pandemic levels, reaching [36 billion manats](#).

To meet the cash needs created by fiscal and monetary expansion, the Central Bank continuously expanded the money base. Over six years, the [manat money base](#) increased from 12,1 billion manats to 22,2 billion manats. One of the most important points is that, although the government promoted formal campaigns to reduce the shadow economy, [the volume of cash](#) in circulation (M0) continued to grow rapidly. Between 2019 and 2025, the volume of cash in circulation rose from 9,5 billion manats to 17,2 billion manats. Currently, cash accounts for 47% of the total money supply (M2) in

circulation. This level is not only higher than in developed countries but is also on average 3,5 to 4 times higher than in several regional countries (Armenia, Kazakhstan, Georgia). The high volume of cash in circulation indicates the scale of the shadow economy. It also reflects the behavior of businesses and households, who are as cautious as possible and keep as much cash as they can.

Rapid Expansion of Household Credit

The key point is that the rapid growth in credit is driven not by the business sector, which should be the main driver of economic growth, but by households. The figures below illustrate this.

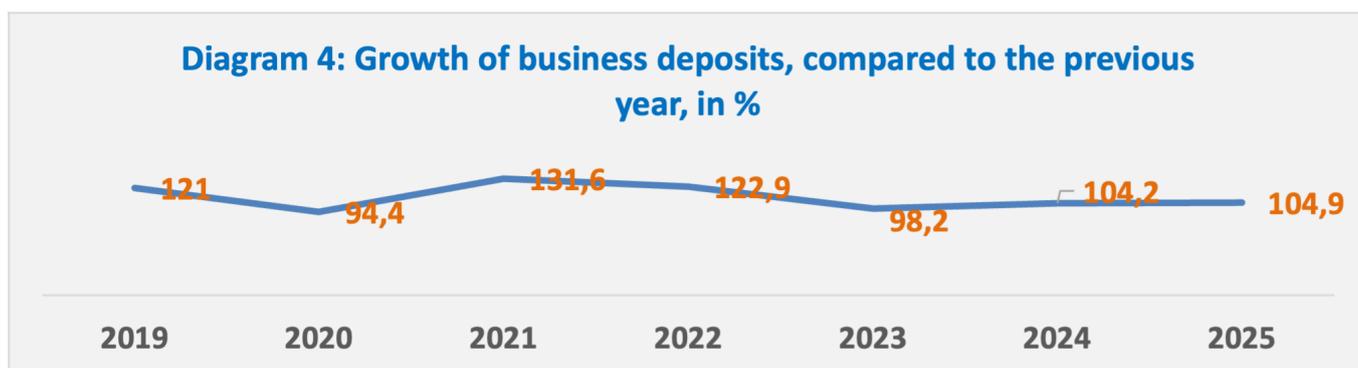


Between 2019 and 2025, total credit increased 2,4 times, reaching 31 billion manats. During this period, household credit grew 3,6 times to 18,7 billion manats, while business credit increased by just over 50% to 12,3 billion manats. 75% of total credit growth came from households. The share of household credit in total lending rose from 40% to 60%.

The most realistic conclusion from this picture is that a consumption-driven economic model has replaced an investment-driven model.

Cautious Business Behavior

The weak credit growth of the business sector, especially the real sector, could be seen as a sign that the business environment is perceived as risky. However, another statistic – the growth dynamics of business deposits – strengthens this impression. The diagram below shows that between 2019 and 2025, the volume of deposits held in business financial structures doubled, reaching 23,6 billion manats.



On the one hand, businesses borrow little. On the other hand, they hold their available funds as dead capital in banks and show no interest in investing. This is a forced choice: They act as cautiously as possible, take minimal risk, and adopt a wait-and-see position in the face of uncertain future conditions.

2025: The Last Year of Attempts to Flood the Economy with Money

People often use the expression: “So-and-so can bury everyone in money.” It means that the person is rich enough to repair any misdeed or mistake with their wealth. The behavior of the governments of most oil and gas countries often manifests this saying as recommendation: They flood the economy with resource money that was not earned through work. However, it seems that 2025 marked the beginning of the end of this stage for Azerbaijan.

In the post-pandemic period, high energy prices, especially because of the Russia-Ukraine war, accelerated the government’s money-printing machine. Ministry of Finance

budget [reports](#) show that in 2020, oil and gas revenues collected through taxes and transfers amounted to 14 billion manats. According to [preliminary data](#) for 2025, the amount will be close to 18,5 billion manats. It should be noted that the 4,5 billion manat increase in oil revenues over six years occurred during a period when oil production [continued to decline](#) thanks to favorable price conditions.

However, the significant drop in oil and natural gas prices in 2025 clearly affected the Azerbaijani economy and influenced government behavior. Central Bank reviews of monetary policy show that, compared to early 2023, crude oil and natural gas [prices fell](#) by nearly half.

According to preliminary figures, the economic picture at the end of 2025 is as follows: low economic growth (1,6%) and zero growth in business lending and a slowdown in household credit growth from 25-30% to 10%. As a result, the 10-15% average annual growth of budget expenditures in the previous three years has been effectively erased.

Unless unexpected geopolitical shocks cause energy prices to rise, 2026 will go down in history as the year when Azerbaijan officially enters the post-oil and belt-tightening era.

[\[1\]](#) The data for 2025 reflects the results of the first 11 months of the year and is taken from this source: https://www.stat.gov.az/news/source/doklad_2025-11.pdf