The Contribution of the Regions to the National Economy: A Comparison Between Azerbaijan and Neighboring Countries

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The distribution of national income across the regions of a given country provides an important statistical basis for assessing the geography of socio-economic inequality. Indeed, the government can partially reduce the impact of sharp regional disparities in national income on socio-economic inequality by using mechanisms of redistribution, especially various social and capital transfers to households, as well as tax breaks and subsidies. However, this fact does not change the real picture of the role that different regions play in the formation of the national economy. For example, if the difference in per capita GDP between the richest and poorest regions of the country is eightfold, the government can reduce the socio-economic disparities between these regions to six- or sevenfold at best through fiscal redistribution.

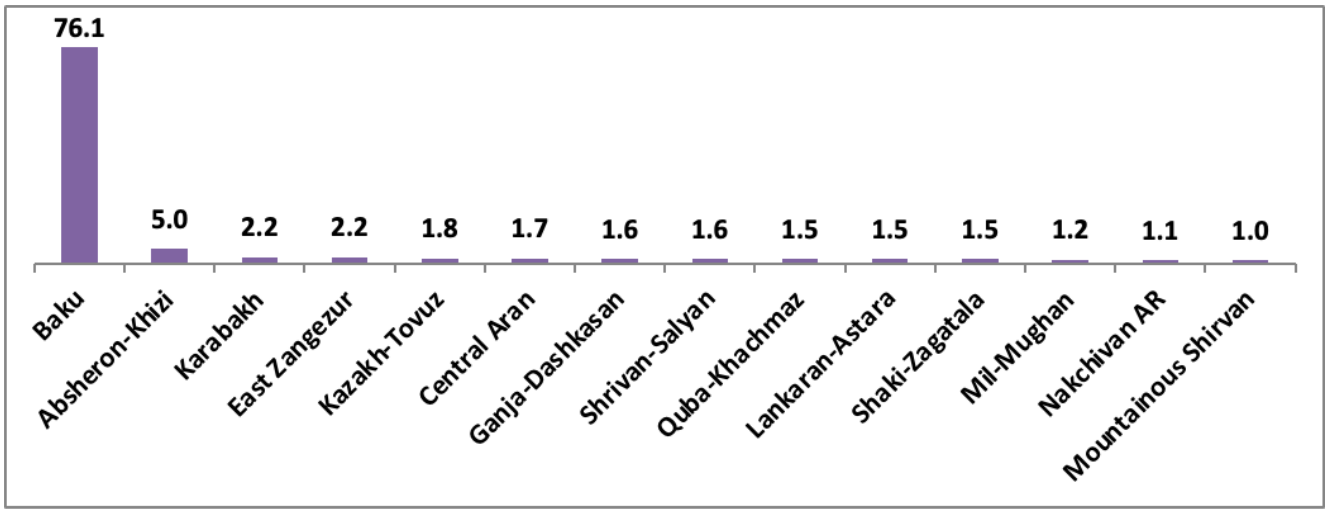
One of the latest articles by the Baku Research Institute Economic Team focuses on the extent to which regional GDP is reflected in the national statistical reports of Azerbaijan and neighboring countries. The current analysis specifically addresses the problem mentioned above: the share of different regions in national income and the evaluation of inequality in economic capacity based on deviations of regional per capita income from the national average and the capital city benchmark.

The main indicator used to measure the contribution of regions to the economy is the volume of GDP generated in those

regions. This figure reflects the role that various parts of the country play in the creation of national income. As we noted in our previous article, currently, with the exception of the Baku and Nakhchivan economic regions, GDP data for the remaining regions of the country are not published. According to the Baku City Statistics Department, Baku produced a GDP of 94,5 billion manats in 2023, which accounted for 77 percent of the total national figure. During the same period, GDP in the Nakhchivan economic region was 1,4 billion manats, or approximately 1,1 percent of the national total.

Although the State Statistics Committee does not publish GDP data for other regions, it provides figures for the volume of goods and services produced. Using this data, we calculated the GDP volume and per capita GDP for all economic regions. The calculation method is quite simple: According to official statistics, GDP in 2023 made up about 72 percent (123 billion manats) of the total volume of goods and services produced (171,6 billion manats) across the national economy. By applying this ratio to the regional breakdown of goods and services output in official statistics, it is possible to approximate the GDP of each economic region and administrative district (including cities) with minor deviations. Based on these calculations, the contribution of Azerbaijan's 14 economic regions to the national GDP is as follows:

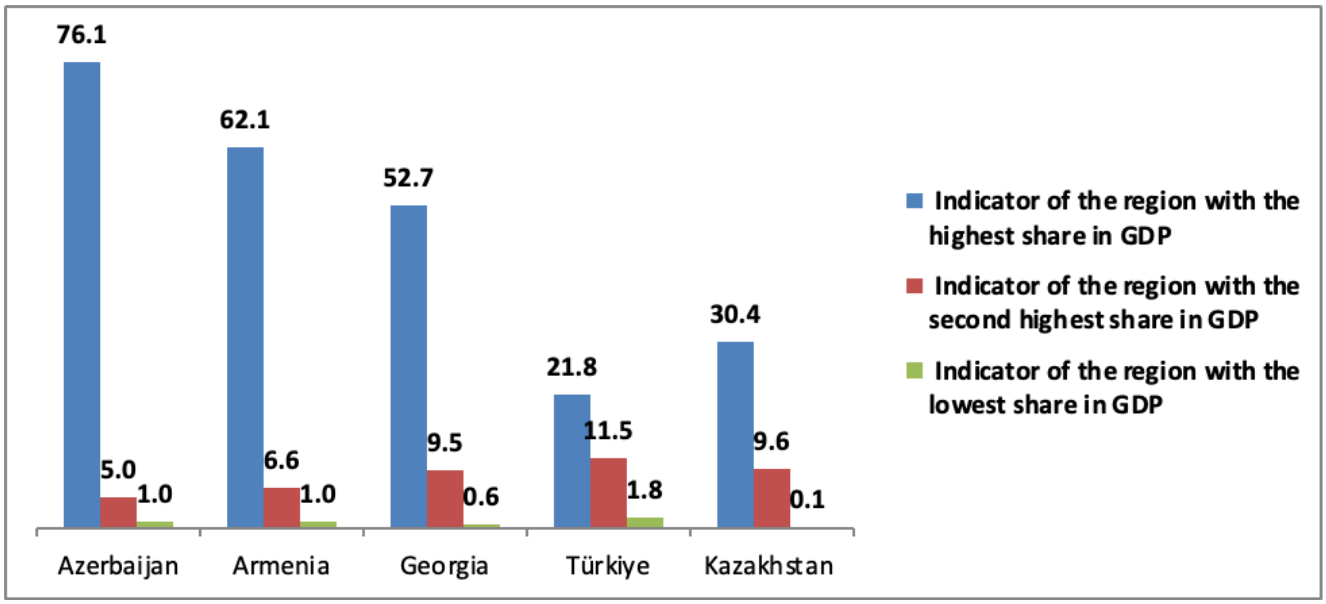
Diagram 1: The share of Azerbaijan's economic regions in the formation of national GDP, as a percentage of the total



As seen in the diagram above, more than 76 percent of Azerbaijan's economy is generated in the capital city of Baku, while less than 24 percent comes from the rest of the country's regions. The highest contribution after Baku comes from the Absheron-Khizi economic region at 5 percent. Other economic regions each contribute about 1–2 percent. The contribution of the capital city, which has the highest share, is 15 times greater than that of the second-highest region, Absheron-Khizi.

When Azerbaijan's corresponding indicator is compared with other countries in the region – such as Armenia, Georgia, Kazakhstan, and Türkiye – it becomes evident that Azerbaijan exhibits an extremely high level of geographic concentration in GDP. This is clearly illustrated in the diagram below (see Diagram 2).

Diagram 2: Geographic concentration of GDP in Azerbaijan and four other regional countries, share of regions in national GDP, %



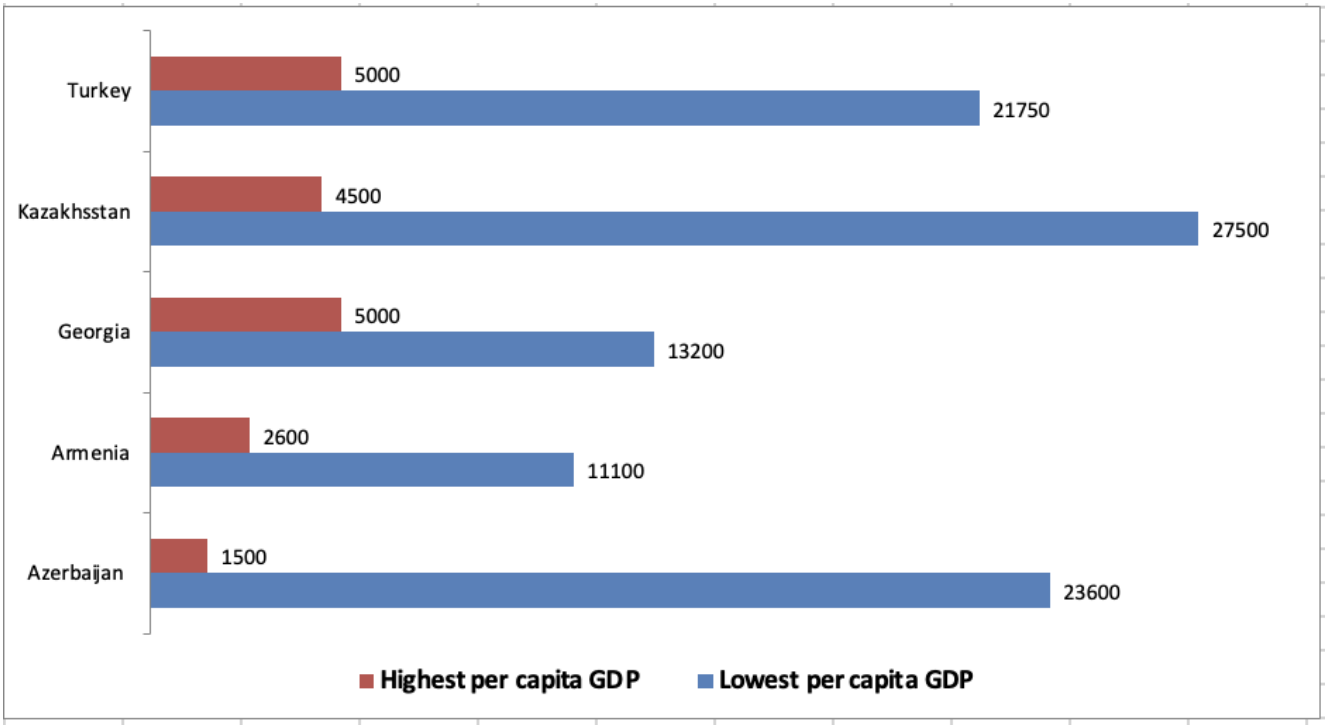
As shown in Diagram 2, the contribution of a single economic region (the capital Baku) to Azerbaijan's GDP exceeds 76 percent. In comparison, the equivalent figure is 62,1 percent in Armenia (Yerevan), 52,7 percent in Georgia (Tbilisi), 30,4 percent in Turkey (Istanbul), and 21,8 percent in Kazakhstan (Almaty). For Armenia, the data refer to 2022, as this is the most recent period for which official statistics are available. For the other countries, the data refer to 2023.

The comparison reveals that Kazakhstan has the most geographically balanced distribution of economic capacity. According to official data, the top region in terms of GDP contribution has a 21,8 percent share. The second-highest region contributes nearly half of that at 11,5 percent. This same ratio stands at 15 in Azerbaijan, 9,4 in Armenia, 5,5 in Georgia, and 3,2 in Türkiye. At the same time, the gap between the regions with the highest and lowest GDP shares is 12 times in Kazakhstan, 300 times in Turkey, 88 times in Georgia, 76 times in Azerbaijan, and 62 times in Armenia.

Geographic differences in per capita regional GDP are among the indicators of socio-economic inequality. For instance, the European Union's statistics agency regularly publishes data on disparities in regional per capita GDP within member states. The agency also calculates the degree to which regional per capita GDP deviates from the national average as a separate

metric. Based on similar indicators, a comparison of Azerbaijan with four countries in the region yields interesting results. The following diagram presents the highest and lowest regional per capita GDP figures, in US dollars, across the five countries:

Diagram 3: Highest and lowest per capita regional GDP in each country, in US dollars



In Azerbaijan, the highest per capita GDP figure is $23.600 (Baku), and the lowest is $1.500 (Lankaran-Astara economic region), a difference of more than 15 times. In Kazakhstan, the highest is $27.500 (Almaty), and the lowest is $4.500 (Turkestan province). In Armenia, the highest is $11.100 (Yerevan), and the lowest is $2.600. In Georgia, the highest is $13.200 (Tbilisi), and the lowest is $5.000. In Türkiye, the highest is $21.700 (Istanbul), and the lowest is also $5.000. As shown, the gap between the highest and lowest regional per capita GDP in the other four countries is significantly narrower than in Azerbaijan, which indicates that geographic socio-economic inequality is less severe in those countries. The corresponding ratio is about 4 in Armenia and Turkey, 2,6 in Georgia, and 6 in Kazakhstan.[1]

[1] We converted the regional per capita GDP figures for each country into US dollars based on the official exchange rates for the respective years. The Turkish statistical agency provides these figures both in the national currency and in US dollars. For the other countries, the official exchange rate data were sourced from the following links: Kazakhstan; Georgia; Armenia; Azerbaijan.