

Azerbaijan Budget 2026: Expectations and Challenges

Karamat Ismayilov

CESD Press

Center for Economic and Social Development (CESD)

Jafar Jabbarli 44, Baku, Az 1065, Azerbaijan

Phone; (99412) 597-06-91 Email; info@cesd.az

URL; www.cesd.az

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Introduction

According to the information provided by the Ministry of Finance of the Republic of Azerbaijan, the “Disclosure on the preliminary indicators of the state and consolidated budgets for 2026” was prepared in accordance with the methodology of the “Open Budget Survey” in order to ensure the principles of transparency. The forecasts reflected in the document will support Azerbaijan's economic stability, the sustainability of its development potential in the coming years, and the strengthening of the country's position as a reliable partner in the international arena. The 2026 state budget is part of the strategy to reduce the dependence of the Azerbaijani economy on oil and ensure sustainable growth. The share of the oil and gas sector in revenues is limited to 42.6 percent, and emphasis is placed on expanding the tax base and diversifying exports. Increasing social spending will strengthen support mechanisms for the population.

Global economic situation and the impact of key trends on the Azerbaijani economy

In 2025, the global economy is expected to slow down amid rising trade barriers, policy uncertainty, and geopolitical risks. Global GDP growth is expected to be around 2.8-3.0% in the first half of 2025, slightly above the 2.8% growth in 2024, but economic growth in Europe and developing countries is weakening. Global inflation is expected to decline to 3.6-4.5% in 2025, but remains at 2.9-3.1% in the United States (highest since March). In the Eurozone, it is around 2.3-2.6%. Stabilizing energy prices and weak demand are lowering inflation, but trade barriers pose a risk of inflation rising again. Weak global economic growth (2.8-3.0%), trade barriers and energy price volatility are particularly affecting an oil and gas-dependent economy like Azerbaijan. Azerbaijan's GDP growth is projected to be in the range of 3-3.5% in 2025, which is relatively stable against the backdrop of the global slowdown, but declining oil production and weak foreign trade pose risks. GDP growth was recorded at 3.2% in the first half of 2025, thanks to the development of the non-oil sector (approximately 5-6%). However, oil production decreased to 577 thousand barrels/day in March 2025, down 0.7% compared to 2024. Stabilizing the oil price at 70 USD/barrel has a positive impact on the budget and foreign exchange reserves continue to increase, but the foreign trade balance weakens due to the decline in oil exports.

Forecasts for the medium and long term indicate that a gradual downward trend in oil prices will prevail. This is associated with the slowdown in global economic growth and the acceleration of energy transition processes.

The International Monetary Fund (IMF) predicts that Azeri Light oil will be \$73.5 in 2026, and the price will not fall below \$70 by 2030.

Fitch Ratings has forecast the price of Brent oil at \$65 per barrel for 2026-2027, and \$60 for the medium term.

The World Bank expects the average oil price to drop to \$60/barrel in 2026.

The Asian Development Bank (ADB) has forecast the average price of Brent crude oil at \$74 per barrel in 2025 and \$71 in 2026.

The US Department of Energy forecasts that Brent crude oil prices will average \$51 in 2026.

The government has conservatively projected an oil price of \$65 in its 2026 budget. This is \$5 lower than the 2025 budget price (\$70) and increases the likelihood of prices falling to the \$60-\$70 range on global markets. MP Vugar Bayramov calls this approach “unconservative” because the forecasts could also include a \$50-\$60 range. Some sources, however, believe that if reserves continue to build from 2025, a lower price could be recorded in 2026. Demand growth is expected to remain subdued, with consumption in OECD countries and growth slowing in emerging markets. OPEC+ may need to maintain or deepen cuts to compensate for supply, especially if global GDP growth remains weak. The decline in demand could also coincide with increased competition for market share between OPEC+ and other oil producers.

Main macroeconomic indicators

According to the State Statistical Committee of the Republic of Azerbaijan, during January-August 2025, Gross Domestic Product increased by 1.0 percent in real terms and amounted to 83.0 billion manat in value terms. During the reporting period, the non-oil and gas sector increased by 2.6 percent, while the oil and gas sector decreased by 2.1 percent, and GDP per capita increased by 0.6 percent in real terms and amounted to 8111.3 manat. During the reporting period, industry, which has a significant specific weight in the GDP structure, decreased by 1.2 percent in real terms and created 29.0 billion manat of added value.

In 2024, the economy saw a significant increase in several key sectors, leading with the highest relative increase in their contribution to GDP, along with transport and warehousing, information and communications. Other sectors also continued their steady growth path compared to previous years and strengthened the diversification trend in the economic landscape. At the same time, the industrial sector of the economy has declined, with its share in GDP falling from 39.6% in 2023 to 35.9%.

Table 2. GDP by economic activity, in percent

	2022	2023	2024
Agriculture and fishing	4,6	5.5	5.7
Industry	51.3	39.6	35.9
including:			
Mining	44.9	33.2	29.4
From that:			
Crude oil and gas production	43.8	31.7	27.9
Manufacturing	5.3	5.1	5.3
Construction	4.8	6.3	6.7
Trade; vehicle repair	8.2	10.4	10.7
Transportation and warehousing	6.1	6.4	7
Tourist accommodation and public catering	1.5	2.2	2.4
Information and communication	1.4	1.7	1.9
Other areas	14.7	18.7	19.9
Net taxes on products and imports	7.4	9.2	9.8

Figure 1. Structure of GROSS DOMESTIC PRODUCT in 2024 (in percent)

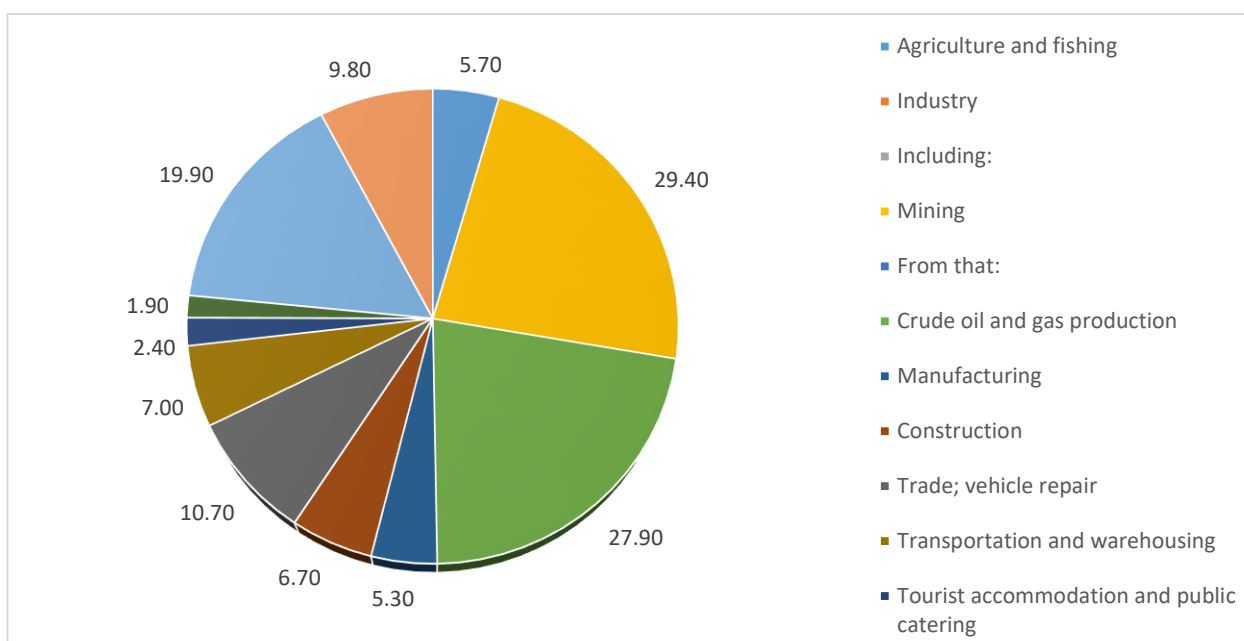


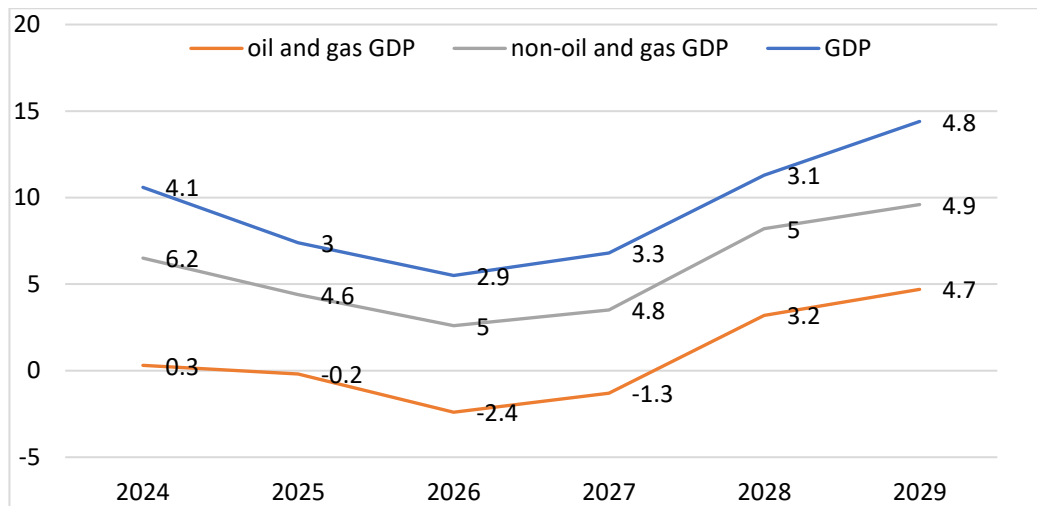
Table 2. GROSS DOMESTIC PRODUCT, per capita manat and dollars

Years	million manat	million dollar	manat	dollar
2020	72578,1	42693,0	7257,8	4269,3
2021	93203,2	54825,4	9278,9	5458,2
2022	133972,7	78807,5	13270,9	7806,4
2023	123128,4	72428,5	12126,1	7133,0
2024	126337,0	74315,9	12382,5	7283,8

During the first 8 months of 2025, the amount of funds allocated to fixed assets decreased by 0.2% compared to the same period of last year and amounted to 11.4 billion manat. 3.2 billion manat or 27.8% of investments were directed to the oil and gas sector, and 8.2 billion manat or 72.2% to the non-oil and gas sector, an increase of 8% compared to last year.

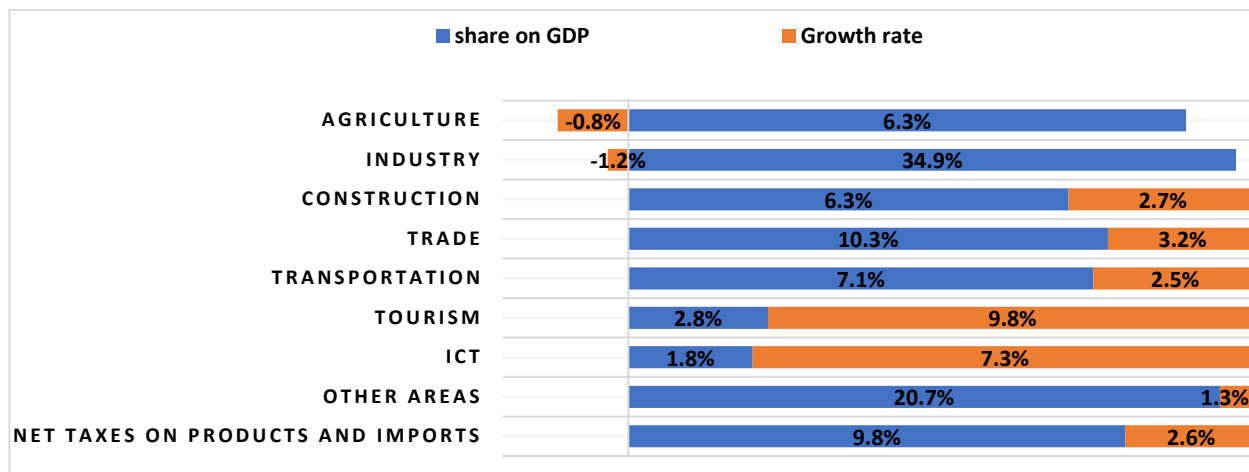
According to the forecasts provided by the Ministry of Economy of the Republic of Azerbaijan, the average annual export price of a barrel of oil is assumed to be 65 US dollars for 2026-2029. According to the Ministry's forecasts, by the end of 2026, GDP is expected to reach 134.1 billion manat, including non-oil and gas GDP of 101.7 billion manat. In 2029, GDP is projected to reach 161.8 billion manat, and non-oil and gas GDP is projected to reach 129.5 billion manat. In the medium term, the real GDP growth rate is projected to be 3.5% per year, and non-oil and gas GDP is projected to be 4.9 percent. In 2029, the share of the non-oil and gas sector in GDP is expected to increase to 80%.

Chart 1. GDP growth rate



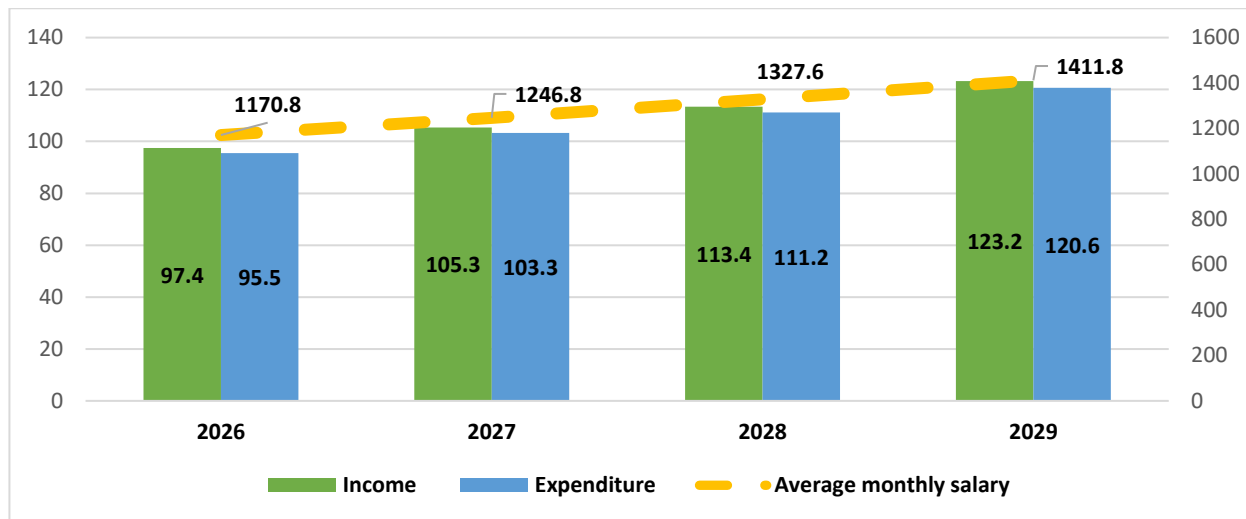
During the first 8 months of 2025, the share of the agricultural and industrial sectors in GDP decreased by 0.8% and 1.2%, respectively. The largest growth during the reporting period was in the tourism and ICT sectors, with an increase of 9.8% and 7.3%, respectively.

Figure 2. Sectors' share in GDP and growth rates, January-August 2025



In the medium term, population income is projected to increase to 123.2 billion manats and expenditures to 120.6 billion manats in 2029.

Figure 3. Nominal population income and expenditures (left scale, in billion manats) and average monthly salary forecast (right scale, in manats)



Main directions of budget revenues in 2026

Increasing the share of the non-oil and gas sector in the revenue structure attracts attention as a continuation of the government's economic diversification policy. Thus, 22 billion 73 million manats (57.4%) of the revenue is expected to generate the non-oil and gas sector, and 16 billion 350 million manats (42.6%) the oil and gas sector. Revenues through the State Tax Service are projected to exceed 16.8 billion manats. According to the draft state budget of Azerbaijan for 2026, the consolidation and optimization of revenue sources is a priority, which will be implemented with a conservative approach, taking into account global economic risks (for example, fluctuations in oil prices). The state budget revenues are projected at 38.423 billion manats (a 0.2% increase compared to 2025), and the consolidated budget revenues are projected at 44.825 billion manats (a 2% increase). With a conservative oil price target of \$65/barrel, oil revenues remain the main source of budget revenues and remain high (approximately 42.6% of budget revenues). Greater attention should be paid to reducing the budget's dependence on oil revenues.

Main directions

The main directions of the 2026 revenue policy are as follows:

Direction	Description	Objectives and measures
Supporting entrepreneurial activity and reducing the tax burden	Expanding the tax base and optimizing tax rates.	Stimulating economic activity, supporting small and medium-sized businesses; increasing competitiveness by reducing the tax burden.
Creating a favorable investment climate	Incentive mechanisms to attract investments in	Increasing foreign and domestic investments, improving the business

Direction	Description	Objectives and measures
	strategic sectors (energy, tourism, IT).	environment by improving investment legislation.
Improving administration in the field of taxes and customs	Application of digital technologies, strengthening of risk-based control systems.	Increasing the efficiency of tax and customs collection, preventing the shadow economy; tax revenues are projected to increase by 0.2% in 2026.

Main directions of budget expenditures in 2026

The priorities of the expenditure policy in 2026 are socio-economic development, strengthening the defense capability and modernization of infrastructure. This policy aims to maintain economic stability, increase social welfare and support the country's long-term development priorities. Next year, state budget expenditures are expected to amount to 41 billion 548.6 million manat, which is an increase of 141 million manat (0.3%) compared to 2025. The priority directions of expenditures include strengthening the country's defense capability and national security, social protection and social security, restoration and reconstruction of the liberated territories, education and healthcare.

Direction	Description	Objectives and measures
Increasing social spending	Increasing funds allocated to salaries, pensions, social benefits and scholarships.	Improving the well-being of vulnerable groups of the population; 15.5 billion manat (approximately 37.3% of the budget) is planned to be allocated for social spending in 2026, which is a 1.5% increase compared to 2025.
Defense and security spending	Modernization of the Armed Forces, strengthening of security infrastructure.	Ensuring national security; 8.7 billion manats (21% of the budget) are allocated for defense in 2026, which is a 0.8% increase compared to 2025.
Infrastructure and economic development	Investments in transport, energy and digital infrastructure projects.	Supporting economic diversification, developing the non-oil sector; infrastructure spending in 2026 will amount to 7.2 billion manat (17.3% of the budget).
Education and healthcare	Modernization of educational institutions, improvement of the quality of healthcare services.	Increasing investments in human capital; it is planned to allocate 5.1 billion manat to education and 2.8 billion manat to healthcare (an increase of 12% and 7%, respectively).
Restoration of Karabakh and Eastern Zangezur	Reconstruction and development projects in the liberated territories.	Accelerating the economic and social revival of the region; 3.5 billion manats (9% of the budget) will be spent for this purpose in 2026.

State budget deficit for 2026

The state budget deficit is projected to amount to 3 billion 125.6 million manat (2.3% of GDP). This is 74 million manat (2.4%) more than the approved figure for 2025. The deficit is expected to be financed through domestic and foreign borrowing, privatization proceeds, and the balance of the unified treasury account.

Forecast indicators of tax and non-tax revenues of the state budget for 2026		
		in million manats
Bodies providing budget revenues		Forecast
State budget revenues, including		38423,0
Tax revenues, including		21290,0
The State Tax Service under the Ministry of Economy, including		16258,0
	personal income tax	2566,8
	corporate income tax	6580,0
	value added tax	4434,8
	excise taxes	1482,0
	property tax on legal entities	376,0
	land tax on legal entities	47,0
	mining tax	151,0
	simplified tax	429,0
	road tax	191,4
State Customs Committee, including		5032,0
	value added tax	4750,0
	excise taxes	234,0
	road tax	48,0
Non-tax revenues, including		17133,0
The State Tax Service under the Ministry of Economy, including		563,0
	state duty	362,0
	other income	201,0
State Customs Committee, including		1818,0
	customs duties	1818,0
State Service for Property Issues under the Ministry of Economy		40,0

	Revenues from the State Oil Fund	12750,0
	Revenues from paid services of budget organizations	1021,0
	Other	941,0

Budget Overview: Forecast of growth in revenue and expenditure

The consolidated budget revenues for 2026 are projected at 44 billion 825.3 million manat, which is an increase of 874.7 million manat or 2.0% compared to the approved indicator for 2025. The consolidated budget expenditures are expected to be 48 billion 683.1 million manat. This is 1 billion 53.7 million manat or 2.2% more than in 2025. As a result, a deficit of 3 billion 857.8 million manat is expected to arise in the consolidated budget.

Parameters of the state budget for 2026 and the next three years						
Indicators	Implemented in 2024	Approved in 2025	Forecast			
			2026	2027	2028	2029
Income	37161,8	38356,0	38423,0	39072,5	39567,0	40103,0
Oil and gas revenues, including	17561,5	18311,0	16350,0	15250,0	14305,0	13480,0
<i>Transfer from the National Fund to the state budget</i>	<i>12781,0</i>	<i>14481,0</i>	<i>12750,0</i>	<i>11900,0</i>	<i>11050,0</i>	<i>10200,0</i>
Non-oil and gas revenues	19600,3	20045,0	22073,0	23822,5	25262,0	26623,0
Expenses	37713,6	41407,6	41548,6	42200,0	43125,0	43333,2
Current expenses	21343,4	24753,9	24771,7	25027,2	25590,7	26227,7
Main costs	15074,6	14254,1	14319,3	14549,8	14734,3	14089,5
Public debt servicing costs	1295,6	2399,6	2457,6	2623,0	2800,0	3016,0
Deficit (surplus)	-551,8	-3051,6	-3125,6	-3127,5	-3558,0	-3230,2
Sources of deficit financing	2328,4	3051,6	3125,6	3127,5	3558,0	3230,2

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