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FUTURE OUTLOOK FOR THE DEVELOPMENT OF THE NON-OIL SECTOR IN THE REPUBLIC OF AZERBAIJAN

Abstract: *this paper explores the strategic transition of Azerbaijan's national economy from a hydrocarbon-dependent model toward a diversified structure. It identifies the untapped potential of key non-oil industries, including agriculture, digital technologies, and transit logistics, which act as primary engines for sustainable development. Furthermore, the study evaluates the impact of government-led reforms, institutional support mechanisms, and foreign direct investments in fostering a resilient business ecosystem. Ultimately, the findings offer actionable insights for policymakers to optimize resource allocation, enhance global competitiveness, and secure long-term macroeconomic stability.*

Keywords: *national economy, investment, development, competitiveness, innovation, reforms.*

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ПЕРСПЕКТИВЫ РАЗВИТИЯ НЕНЕФТЯНОГО СЕКТОРА В АЗЕРБАЙДЖАНСКОЙ РЕСПУБЛИКЕ

Аннотация: в данной работе исследуется стратегический переход национальной экономики Азербайджана от модели, зависимой от углеводородов, к диверсифицированной структуре. Выявляется нереализованный потенциал ключевых отраслей ненефтяного сектора, включая сельское хозяйство, цифровые технологии и транзитную логистику, которые выступают в качестве основных двигателей устойчивого развития. Кроме того, в исследовании оценивается влияние проводимых государством реформ, механизмов институциональной поддержки и прямых иностранных инвестиций на формирование устойчивой бизнес-экосистемы. В конечном итоге, полученные результаты предлагают практические рекомендации для директивных органов по оптимизации распределения ресурсов, повышению глобальной конкурентоспособности и обеспечению долгосрочной макроэкономической стабильности.

Ключевые слова: национальная экономика, инвестиции, развитие, конкурентоспособность, инновации, реформы.

In recent years, significant measures have been continuously implemented toward the development of the non-oil sector of the Republic of Azerbaijan. The development of the non-oil sector plays an important role in increasing the country's GDP. Achieving sustainable economic progression and bolstering competitiveness within Azerbaijan necessitates a strategic focus on diversifying its non-oil sectors. To mitigate the historical vulnerability associated with a hydrocarbon-dependent economic model, the state has initiated comprehensive structural reforms aimed at fostering resilience against external shocks. Central to this agenda is the modernization of fiscal policies and the digitalization of corporate frameworks, which serves to optimize the investment climate for both domestic and international capital [1, p.10]. Furthermore, the strategic establishment of regional industrial clusters, agricultural hubs, and advanced logistical networks has effectively catalyzed manufacturing capabilities beyond the metropolitan centers. In tandem, targeted export promotion under the «Made in Azerbaijan» initiative has facilitated the global market integration of high-potential sectors, including agriculture, tourism, and information technologies [3, p.83]. This transformative trajectory is currently being accelerated by the economic reintegration of the liberated territories, which offer substantial, untapped opportunities in smart agriculture, digital infrastructure, and sustainable green energy [2, p.350].

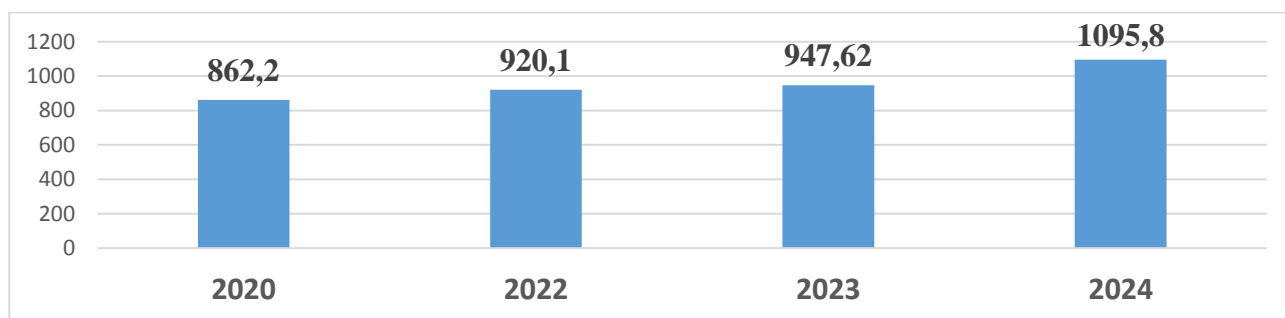


Fig.1. State budget expenditures allocated to agriculture in the Republic of Azerbaijan in recent years (million manats, 1USD=1,70 AZN)

Source: *Statistical Yearbook of Azerbaijan 2025*, www.stat.gov.az

In recent years, the volume of financial funds allocated from the state budget of the Republic of Azerbaijan for the development of the non-oil sector has also been increasing. Agriculture is considered one of these sectors. The conducted analyses indicate that a significant change has been recorded in the dynamics of state budget expenditures allocated to agriculture in the Republic of Azerbaijan in recent years. For instance, while 862,2 million manats of financial funds were allocated to the agricultural sector in 2020, this indicator increased to 947,62 million manats in 2023, and reached 1095.8 million manats in 2024 (Figure 1).

The development of the furniture sector can also play a vital role in the advancement of other branches of the non-oil sector. In recent years, the development of the furniture industry sector has been expanding in all countries of the world [4,p.1]. The modern furniture market is considered a highly competitive economic sector. The world furniture market is a huge economic sector that brings high profits. In this market, designers and manufacturers, distributors and end consumers have interests. In this highly competitive environment, furniture companies are constantly trying to improve their production technologies. In addition, international furniture companies are optimizing production processes and applying innovative technologies. Modern furniture consumers around the world are increasingly demanding. There is a trend in the international furniture market to combine traditional production methods with modern digital technologies [10, p.47].

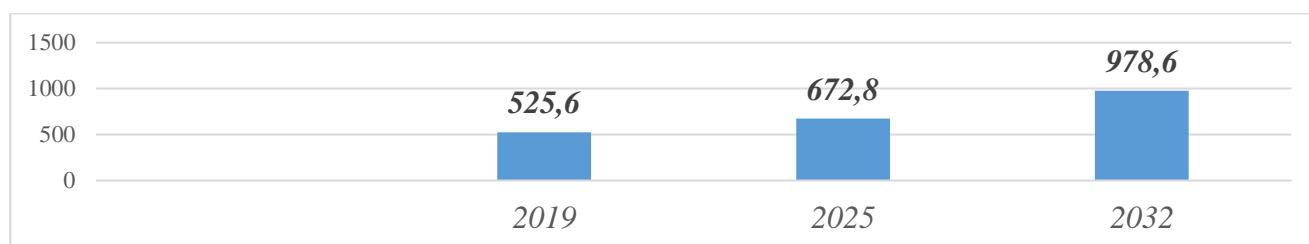


Fig.2. World furniture market statistical indicators (billion US dollars)

Source: <https://www.persistencemarketresearch.com/market-research/furniture-market.asp>

According to recent analysis, the global furniture market grew from 525.6 billion US dollars in 2019 to 672.8 billion US dollars in 2025. The market is projected to expand further, reaching 978.6 billion US dollars by 2032 (Figure 2).

Leading large furniture manufacturing enterprises in Azerbaijan «Hasanoglu Mebel», «Embawood» LLC, «Saloglu», «Gardashlar Mebel» CJSC, «Foriella» LLC, «Madeyra», «Ideal Design» and other companies are considered. The «Gardashlar Mebel» factory is currently one of the largest and most modern furniture manufacturers in the Republic of Azerbaijan. Specializing in more than 17 furniture categories, the company's main areas of activity include office furniture, soft bed furniture sets, various types of kitchen and children's furniture [5, p.2]. *The factory, which has more than 340 permanent employees, has implemented more than 350 projects.* «Gardashlar Mebel» has organized the production quality and the level of service provided to customers in accordance with international standards. Thus, the factory's production quality and management system have been awarded ISO international certificates. This company is constantly developing in the direction of producing and improving office furniture in Azerbaijan. «Gardashlar Mebel» CJSC has started exporting furniture to America since 2020. The «Saloglu» furniture enterprise of the Republic of Azerbaijan has been operating in the field of furniture production and sale since 2000. Another modern furniture factory has been opened under the «Saloglu» furniture manufacturing enterprise in the Agstafa district of the Republic of Azerbaijan. The products produced not only meet the needs of the domestic market, but are also exported. In the domestic market, furniture is offered to consumers in the enterprise's own stores and in representative offices located in many regions [6, p.20]. The furniture enterprise «Saloglu» cooperates with the world's leading furniture companies. This company works to bring innovative solutions, advanced technologies and international experience in the field of furniture production to Azerbaijan. Furniture is produced in the «Saloglu» factories with the latest technological equipment and by professional specialists.

Furniture for bedrooms, dining rooms and living rooms at the «Saloglu» furniture factory is 18 thousand units, in 2023 it produced 7.9 thousand units of this type of furniture. This is 2.3 times less than the production potential. These figures show that the production capacity of the «Saloglu» furniture production enterprises is used only up to 44%. «Saloglu» enterprises have the production capacity and potential to double

furniture production. It should be noted that in 2023, in the Gazakh district of the Republic of Azerbaijan, 22.3 thousand pieces of furniture for sitting on a wooden frame were produced. Its share in the production of this type of furniture was 34%. In order to replace imports, it is necessary to improve the quality indicators of the products produced and increase their assortment. During local production, it is important to take into account the structure of imports in this area and to create new furniture products within the purchasing power of the population. In order to reduce dependence on imports, it is necessary to increase the production volume of trees, which are the main raw material base of furniture, in the Republic of Azerbaijan. For this, it is necessary to study the experience of the Turkish state. Turkey is in the first position in the world as a furniture exporter to foreign countries. Azerbaijan is also one of the countries that imports furniture from Turkey the most. The Turkish state plants various types of trees for the production of furniture on vacant land. Within 8–10 years, the trees grow and are cut down and sold to furniture factories. This experience should also be implemented in Azerbaijan. Planting trees is necessary for the production of furniture. For this, there are large vacant lands in the republic [7, p.55].

Industrial production in the Republic of Azerbaijan is considered one of the important issues facing the country. For the creation of clusters, it is important to have leading enterprises in this field. Enterprises operating in the field of furniture production are present in every region of the Republic of Azerbaijan. Leading large furniture production enterprises in Azerbaijan «Hasanoglu Furniture», «Embawood» LLC, «Saloglu», «Gardashlar Furniture» CJSC, «Foriella», Examples include «Madeira», «Ideal Design» and other companies. Regional clusters can be organized on the basis of these leading large enterprises. A cluster for the production of furniture products can be created in the Gazakh region of the Republic of Azerbaijan. The large enterprise «Saloglu» operating in this area can control small and medium-sized firms in the region. In 2023, 22.3 thousand pieces of wood-framed furniture were produced in the Gazakh region of the republic. The location of the Gazakh region close to the Russian border is also favorable for wood raw materials imported from Russia. Attracting additional enterprises to the industrial cluster to be created on this basis will

allow for the formation of a competitive environment and the creation of additional production opportunities. Furniture enterprises will be able to improve product quality and reduce prices by taking advantage of the favorable environment created by the state for clusters [8, p.256]. In the Gazakh district of the Republic of Azerbaijan can create conditions for attracting investors, further improving the provision of the population with quality furniture products, and increasing the competitiveness and export of local products. In the structure of manufacturing industry exports in the Republic of Azerbaijan, the share of furniture exports in production in 20I23 was 3.26%, a decrease of up to 1.7% compared to 2022. These figures show that despite the increase in the volume of furniture exports, the competitiveness of this sector is still at a low level. In order to replace imports in all industrial sectors of the Republic of Azerbaijan, it is necessary to improve the quality indicators of the products produced and increase their variety [9, p.92]. During local production, it is important to take into account the structure of imports in this area and to create reasonably priced products within the purchasing power of the population.

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