

# Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan  
February 15, 2016

## Economy

### Central Bank of Azerbaijan increased its refinancing rate by 200bps to 5.0%

On January 15, 2016, Central Bank of Azerbaijan increased its refinancing rate from 3.0% to 5.0% - the first increase since July 13, 2015. At the same time, it widened the interest rate corridor, increasing its lower band from 0.1% to 2.0% and its upper band from 5.0% to 10.0%. According to the Central Bank, the rate increase will help to increase local currency deposits and improve trust in manat.

### Inflation rate at 13.7% y/y and 5.8% m/m in January 2016

Annual CPI inflation rate increased to 13.7% in January 2016, up from 7.7% in the previous month, according to AzSTAT. Food prices were up 18.5% y/y (+9.0ppts m/m), non-food prices were up 17.3% y/y (+6.2ppts m/m), and service prices were up 4.4% (+2.1ppts m/m).

On a monthly basis, inflation rate was at 5.8% in January 2016. Food prices were up 8.7% (+4.3ppts m/m), non-food prices were up 5.6% y/y (-1.5ppts m/m), and service prices were up 2.1% (+0.2ppts m/m).

### Demand for FX fell to US\$ 55.5mn

In three FX auctions organized by the Central Bank over the last week, the regulator offered US\$ 600mn, while demand was limited to US\$ 55.5mn, which is 16.0% lower than in the previous week.

### SOCAR tax payments down 0.7% y/y in January 2016

According to SOCAR statistics, it paid AZN 117.7mn (US\$ 74.3mn) in taxes in January 2016, down from AZN 118.5mn (US\$ 151.1mn) in January 2015, but up from AZN 75.3mn (US\$ 61.1mn) in December 2015.

### Key macro indicators

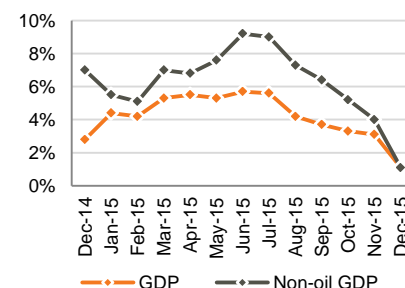
	2015	2014	2013
GDP (% change)	1.1%	2.8%	5.8%
NO* GDP (% change)	1.1%	7.0%	10.0%
GDP per capita (ppp)	...	17,761	17,135
GDP per capita (US\$)	5,559	7,936	7,934
Population (mn)	9.7	9.6	9.5
Inflation (eop)	7.7%	-0.1%	3.6%
CAB (% of GDP)**	0.6%	13.9%	16.6%
NO* CAB (% of NOGDP)**	-18.6%	-21.2%	-29.6%
Fiscal balance (% of GDP)	-5.3%	2.9%	1.8%
NO* fiscal bal. (% of NOGDP)**	-34.0%	-38.4%	-46.5%
Gross reserves (US\$ bn)***	41.8	50.9	50.0

Source: Official data

\*Non-oil

\*\*As of 9M15, \*\*\*As of 3Q15

### Real GDP growth, % (YTD)



Source: AzSTAT

### International ranking of Azerbaijan

Ease of Doing Business # 63  
 Economic Freedom Index # 85 (moderately free)  
 Global Competitiveness Index # 40 (regional leader)

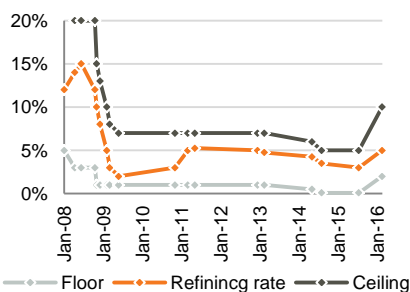
Source: World Bank, Heritage Foundation and World Economic Forum

### Azerbaijan sovereign credit ratings

<b>STANDARD &amp; POOR'S</b>  <b>BB+</b> Stable Jan-2016	<b>Moody's</b> INVESTORS SERVICE  <b>Ba1</b> Under review Feb-2016	<b>FitchRatings</b>  <b>BBB-</b> Stable Affirmed Aug-2015
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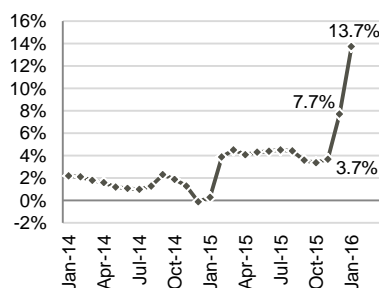
Source: Rating agencies

### Policy rate



Source: CBAR

### Annual inflation



Source: AzSTAT



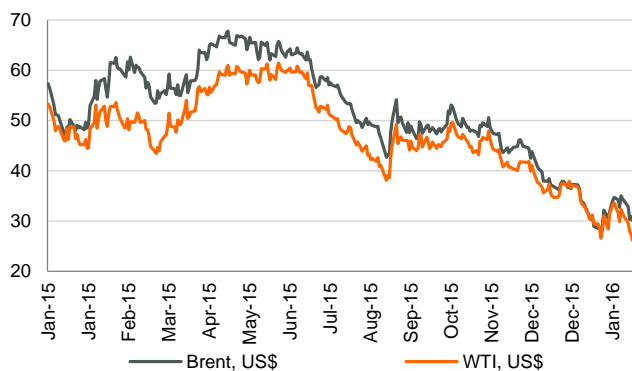
## Oil prices and exchange rate

**Oil price:** Brent oil price was down 6.2% w/w to US\$ 32.0/bbl (down 44.0% y/y), while WTI oil price decreased 9.8% w/w to US\$ 27.9/bbl (down 45.6% y/y). In AZN terms, Brent oil price was down 9.0% w/w to AZN 50.0 (up 11.9% y/y).

**Exchange rate:** On February 12, 2016, Central Bank set AZN/US\$ rate at 1.5745 (-0.7% w/w) and AZN/EUR at 1.7789 (+0.2% w/w). At Bloomberg AZN/US\$ was trading at 1.5635 (-3.0% w/w) while AZN/EUR was trading at 1.7894 (-0.5% w/w).

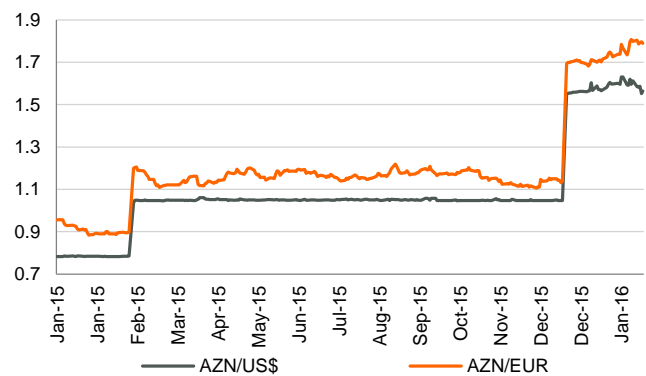
**Monetary policy rate:** Monetary policy rate increased to 5.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



Source: Bloomberg

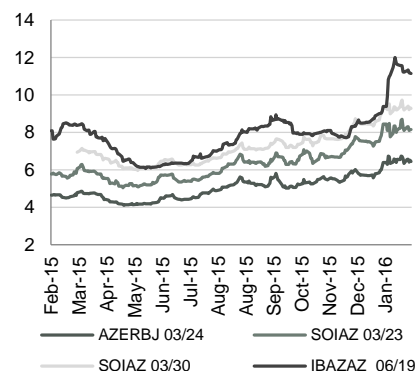


## Fixed income

**Corporate Eurobonds:** State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 9.3% yield, trading at 81.8 (-0.8% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 85.0 (+0.3% w/w), yielding 11.2%.

**Azerbaijan Sovereign Eurobonds** (AZERBJ 03/24) closed at 89.4 (-0.6% w/w) at 6.4% yield to maturity.

**Azerbaijan Eurobonds, YTM (%)**

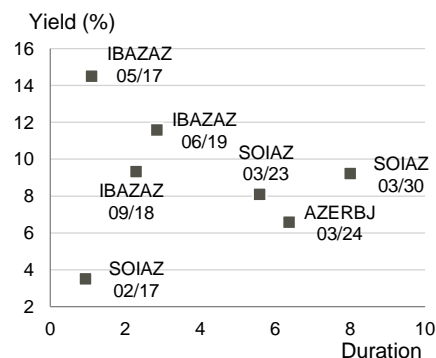


Source: Bloomberg

	Eurobonds					
	SOIAZ 02/17	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 09/18	IBAZAZ 06/19
Amount, US\$ mn	500	1000	750	100	198	500
Issue date	Feb-2012	Mar-2013	Mar-2015	May-2007	Sep-2013	Jun-2014
Maturity date	Feb-2017	Mar-2023	Mar-2030	May-2017	Sep-2018	Jun-2019
Coupon, %	5.450%	4.750%	6.950%	6.170%	7.750%	5.625%
Fitch/S&P/ Moody's	BBB-/BB /Ba1	BBB-/BB /Ba1	BBB-/BB /Ba1	BB-/Ba3	BB-/Ba3	BB -/Ba3
Mid price, US\$	101.7	81.9	81.8	90.6	96.4	85.0
Mid yield, %	3.7	8.2	9.3	14.8	9.3	11.2
Z-spread, bps	316.8	686.6	756.7	1.259.7	825.6	1.047.4

Source: Bloomberg

**Azerbaijan Eurobond universe**



Source: Bloomberg

**Eastern European sovereign 10-year bond performance**

Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Azerbaijan	1,250	4.750%	3/18/2024	BBB-/BB+/Ba1	89.4	6.4	498.7
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	104.6	5.8	465.2
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	120.4	1.1	-240.7
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	101.7	3.6	330.8
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	113.3	3.5	238.3
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	119.5	3.1	191.3
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	103.8	4.0	293.1
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Baa3	106.2	4.3	311.0
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB/Baa2	98.4	5.3	382.5

Source: Bloomberg

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