

Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
January 11, 2016

Economy

Tax revenues up 36.4% y/y in December 2015

In 2015, total tax revenues increased 1.0% y/y to AZN 8.7bn. Out of this amount, tax revenues collected by the Ministry of Taxes increased 0.1% y/y to AZN 7.1bn (100.1% of the budgeted amount), while tax receipts of the Customs Committee increased 5.3% y/y to AZN 1.6bn (100.07% of the budgeted amount).

On a monthly basis, tax revenues posted a strong growth in December, with receipts of the Ministry of Taxes increasing 32.1% y/y to AZN 618.2mn and tax receipts of the Customs Committee growing 51.5% y/y to AZN 200.0mn.

Turnover at Baku Stock Exchange down 21.6% m/m in December 2015

In December 2015, turnover at the Baku Stock Exchange was down 21.6% m/m (-88.0% y/y) to AZN 219.7mn on the back of reduced trade of debt instruments (-47.3% m/m to AZN 65.6mn). Overall, derivative instruments accounted for 66.9% of total turnover in December 2015. In US\$ terms, turnover declined to 178.2mn (-92.4% y/y and -33.3% m/m).

Overall in 2015, the Stock Exchange trade turnover declined to AZN 8.5bn (-35.0% y/y). Trade in derivatives, introduced in 1H2014, accounted for 73.3% of total turnover. In US\$ terms, turnover declined 45.2% y/y in 2015 to US\$ 9.1bn due to the manat devaluation.

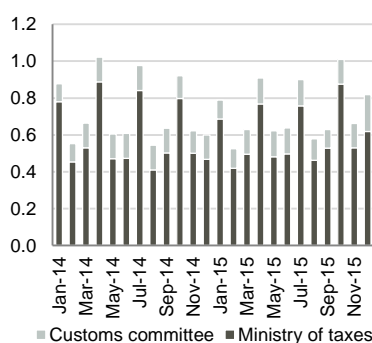
NPLs fell to 6.6% in November 2015

In November 2015, commercial banks loan portfolio increased 1.0% m/m to AZN 177.9mn, driven by lending expansion of 2 state-owned banks. The aggregate loan portfolio of these banks increased by AZN 311.9mn, while the loan portfolio of private banks decreased by AZN 134.0mn. In sectoral terms, loans provided to construction and real estate increased by AZN 157.6mn and to industry by AZN 208.4mn, while loans to agriculture decreased by AZN 64.0mn and to households by AZN 27.1mn. In November 2015, non-performing loans as a share of total loans fell to 6.6% (-0.4 ppts m/m).

Deposit dollarization increased to 75.9% in November 2015

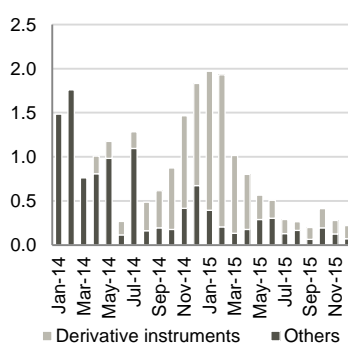
In November 2015, deposits in the banking system increased 2.6% m/m to AZN 448.4mn, due to a AZN 521.1mn increase in FX deposits, mainly by non-financial entities, while deposits of households decreased by AZN 83.4mn. Overall, in November 2015, deposit dollarization inched up slightly to 75.9% (from 74.8% in the previous month).

Tax receipts, AZN bn



Source: Ministry of Taxes, Customs Committee

Turnover at Baku Stock Exchange, AZN bn



Source: Baku Stock Exchange

Key macro indicators

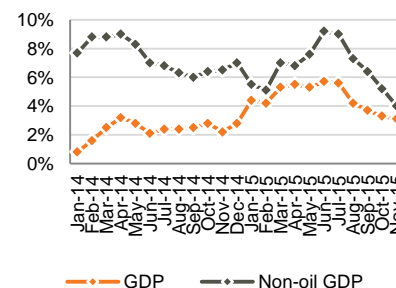
	11M15	2014	2013
GDP (% change)	3.1%	2.8%	5.8%
NO* GDP (% change)	4.0%	7.0%	10.0%
GDP per capita (ppp)	...	17,761	17,135
GDP per capita (US\$)	...	7,936	7,934
Population (mn)	9.7	9.6	9.5
Inflation (eop)	3.7%	-0.1%	3.6%
CAB (% of GDP)**	0.6%	13.9%	16.6%
NO* CAB (% of NOGDP)**	-18.6%	-21.2%	-29.6%
Fiscal balance (% of GDP)***	-3.3%	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 1H15, ****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

STANDARD & POORS BBB- Negative Affirmed Jul-2015	Moody's INVESTORS SERVICE Baa3 Stable Affirmed Dec-2015	FitchRatings BBB- Stable Affirmed Aug-2015
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Source: Rating agencies



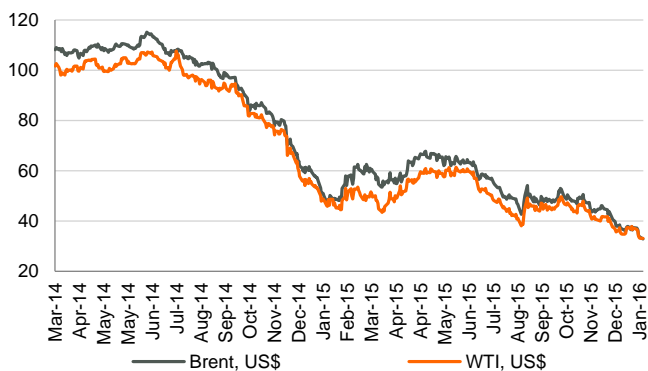
Oil prices and exchange rate

Oil price: Brent oil price was down 10.0% w/w to US\$ 33.6/bbl (down 34.2% y/y), while WTI oil price fell 10.5% w/w to US\$ 33.2/bbl (down 32.0% y/y). In AZN terms, Brent oil price was down 9.7% w/w to AZN 52.6 (up 31.5.7% y/y).

Exchange rate: On January 8, 2016, Central Bank set AZN/US\$ rate at 1.5642 (0.3% w/w) and AZN/EUR at 1.7009 (-0.2% w/w). At Bloomberg AZN/US\$ was trading at 1.5668 (+0.3% w/w) while AZN/EUR was trading at 1.7109 (+0.8% w/w).

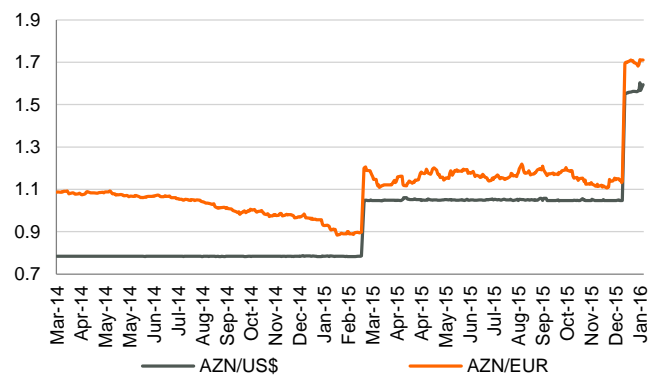
Monetary policy rate: Monetary policy rate remained unchanged at 3.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



Source: Bloomberg

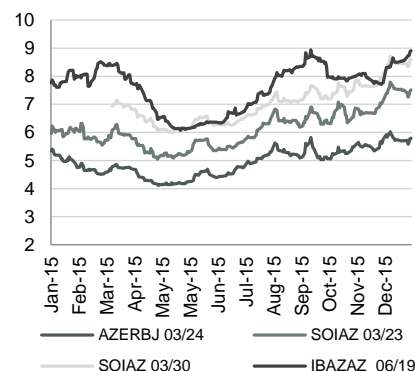


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 8.6% yield, trading at 86.6 (-1.2% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 90.7 (-0.8% w/w), yielding 8.8%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 93.2 (-0.6% w/w) at 5.8% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

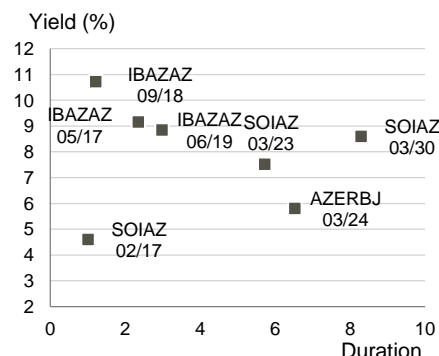


Source: Bloomberg

	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+/-	-/-B1	-/-Ba3	BB -/Ba3
Mid price, US\$	100.9	84.9	86.6	94.5	96.6	90.7
Mid yield, %	4.6	7.5	8.6	10.7	9.2	8.8
Z-spread, bps	337.4	579.4	640.9	888.5	775.7	764.2

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-/BBB-/Baa3	93.2	5.8	386.6
Georgia	500	6.875%	4/12/2021	BB-/BB-/Baa3	103.5	6.1	435.9
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	120.4	1.2	-244.0
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	101.1	3.7	320.9
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	113.8	3.5	172.0
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	118.2	3.4	173.0
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	102.8	4.3	280.5
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Baa3	105.2	4.5	291.6
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	98.3	5.4	339.3

Source: Bloomberg

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