

# Azerbaijan Weekly Market Watch

 Weekly Market Watch | Azerbaijan  
 May 8, 2017

## Economy

### CBAR reserves at the highest level in 16 months

Azerbaijan Central Bank (CBAR) reserves were up 4.2% m/m to US\$ 4.6bn in April 2017 (+12.1% y/y), the highest level since end-2015. It is 16.2% higher than the record low recorded in December 2016. In the meantime, the monetary base is up 4.8% m/m to AZN 7.6bn (+13.4% y/y), while in US\$ terms, it is up 6.2% m/m to US\$ 4.5bn (+0.4% y/y).

### CBAR keeps interest rates unchanged

CBAR kept the policy rate stable at 15.0% in the management board meeting held on May 1, 2017. The rate was last changed on August 8, 2016, from 9.5% to 15.0%.

### SOFAZ sold US\$ 220.8mn in April 2017

Azerbaijan State Oil Fund (SOFAZ) sold US\$ 220.8mn FX through auctions organized by CBAR in April 2017, down from US\$ 250.0mn sold in the previous month.

### Crude oil exports and prices up in April 2017

According to the figures published by Azerbaijan State Oil Company (SOCAR), crude oil exports were up 7.3% m/m to 1.7mn tons in April 2017 (+19.1% y/y). In 12-month cumulative terms, crude oil exports were at 20.4mn tons or 4.4% less than in the 12-month period ending in April 2016.

Azeri crude oil price was up 1.8% m/m (+25.1% y/y) to US\$ 53.8 per barrel in April 2017.

### Tax receipts up in 4M17

Azerbaijan Ministry of Taxes collected AZN 2.3bn (+2.3% y/y) in taxes, or 106.3% of the planned amount in 4M17. In monthly terms, tax receipts were up 26.2% y/y to AZN 836.0mn in April 2017.

Customs Committee tax receipts, however, were down 17.8% y/y to AZN 187.0mn in April 2017. In 4M17, on the other hand, Customs Committee receipts were up 17.7% y/y to AZN 758.1mn.

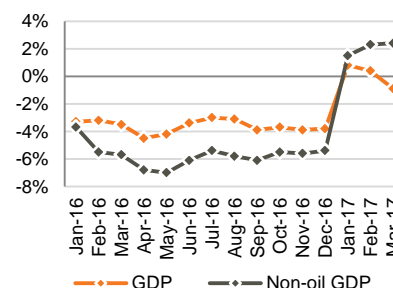
### Key macro indicators

	3M16	2016	2015
GDP (% change)	-0.9%	-3.8%	1.1%
NO* GDP (% change)	2.4%	-5.4%	1.1%
GDP per capita (ppp)	...	17,439	18,030
GDP per capita (US\$)	...	3,897	5,559
Population (mn)	...	9.8	9.7
Inflation (eop)	14.4%	15.5%	7.7%
CAB (% of GDP)	...	-3.6%	-0.4%
NO* CAB (% of NOGDP)	...	-23.3%	-18.3%
Fiscal balance (% of GDP)	-7.2%	0.3%	-5.3%
NO* fiscal bal. (% of NOGDP)	-56.5%	-14.5%	-33.7%
Gross reserves (US\$ bn)	37.6	37.1	38.6

Source: Official data

\* Non-oil

### Real GDP growth, % (YTD)



Source: AzSTAT

### International ranking of Azerbaijan

Ease of Doing Business # 65

Economic Freedom Index # 68 (moderately free)

Global Competitiveness Index # 37 (regional leader)

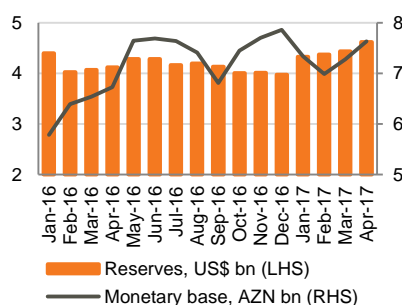
Source: World Bank, Heritage Foundation and World Economic Forum

### Azerbaijan sovereign credit ratings

<b>STANDARD &amp; POORS</b>  <b>BB+</b> Negative Jul-2016	<b>Moody's</b> INVESTORS SERVICE  <b>Ba1</b> Negative Apr-2016	<b>FitchRatings</b>  <b>BB+</b> Negative Aug-2016
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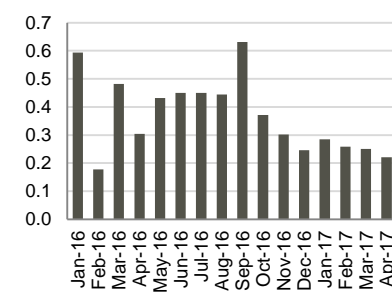
Source: Rating agencies

### CBAR reserves and monetary base



Source: CBAR

### FX sold by SOFAZ, US\$ bn



Source: SOFAZ



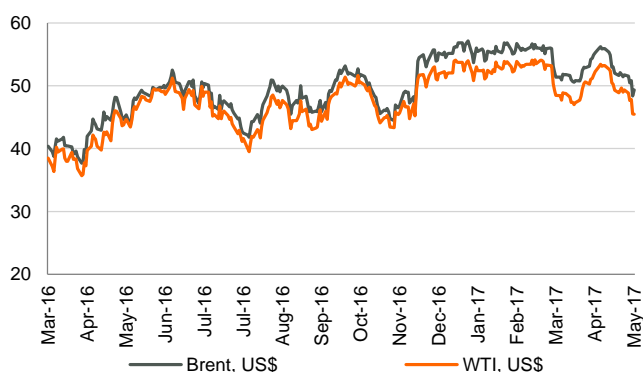
## Oil prices and exchange rate

**Oil price:** Brent oil price was down 4.7% w/w to US\$ 49.3/bbl (up 9.6% y/y), while WTI oil price decreased 7.9% w/w to US\$ 45.4/bbl (up 2.5% y/y). In AZN terms, Brent oil price was down 5.9% w/w to AZN 76.2 (up 22.0% y/y).

**Exchange rate:** On May 5, 2017, Central Bank's AZN/US\$ rate was 1.7026 (0.0% w/w) and AZN/EUR rate was 1.8702 (+1.1% w/w). At Bloomberg AZN/US\$ was trading at 1.6972 (-0.2% w/w) while AZN/EUR was trading at 1.8449 (-0.4% w/w).

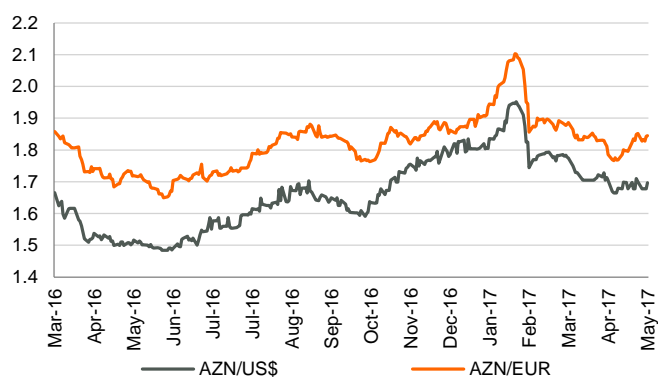
**Monetary policy rate:** Monetary policy rate was unchanged at 15.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



Source: Bloomberg

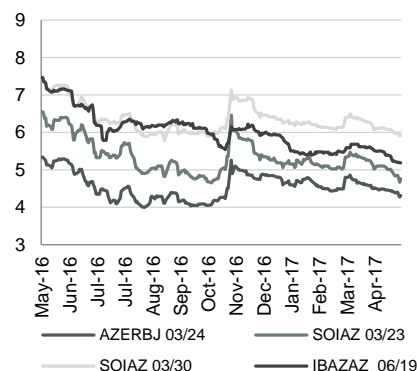


## Fixed income

**Corporate Eurobonds:** State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.0% yield, trading at 108.7 (+0.0% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 100.8 (+0.0% w/w), yielding 5.2%.

**Azerbaijan Sovereign Eurobonds** (AZERBJ 03/24) closed at 102.2 (+0.1% w/w) at 4.4% yield to maturity.

**Azerbaijan Eurobonds, YTM (%)**

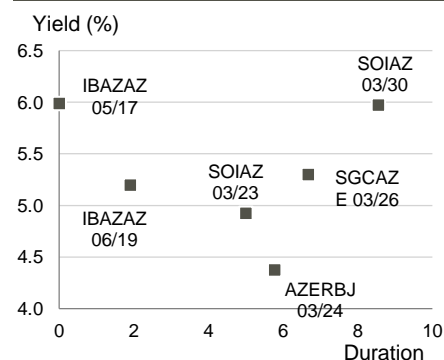


Source: Bloomberg

Eurobonds						
	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 06/19	SGCAZE 03/26	AZERBJ 03/24
Amount, US\$ mn	1000	750	100	500	2,000	1,250
Issue date	Mar-13	Mar-15	May-07	Jun-14	Mar-16	Mar-14
Maturity date	Mar-23	Mar-30	May-17	Jun-19	Mar-26	Mar-24
Coupon, %	4.750%	6.950%	6.170%	5.625%	6.875%	4.750%
Fitch/S&P/ Moody's	BB+/BB-/Ba1	BB+/BB-/Ba1	BB-/Ba3	BB-/Ba3	BB+/-/Ba1	BB+/BB+/-/Ba1
Mid price, US\$	99.1	108.7	100.0	100.8	111.0	102.2
Mid yield, %	4.9	6.0	6.0	5.2	5.3	4.4
Z-spread, bps	288.0	362.8	489.4	357.2	308.8	225.8

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	BB+/BB+/-/Ba1	102.2	4.4	225.8
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	111.1	3.8	193.6
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/-/Baa2	119.4	0.3	-225.9
Croatia	1,250	3.875%	5/30/2022	BB/BB/Baa2	109.1	2.0	173.3
Hungary	3,000	6.375%	3/29/2021	BBB-/BBB-/Baa3	113.1	2.8	92.8
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	116.0	3.1	114.8
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/-/Ba1	106.8	2.6	84.4
Turkey	2,000	5.625%	3/30/2021	BB+/BB/Baa1	105.9	4.0	210.9
Kazakhstan	2,500	5.125%	7/21/2025	BBB-/BBB-/Baa3	108.9	3.9	165.9

Source: Bloomberg

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