

# Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan  
January 30, 2017

## Economy

### Non-oil GDP down 5.4% y/y in 2016

Non-oil GDP in Azerbaijan was down 5.4% y/y in 2016 on the back of a 27.6% y/y contraction in the construction sector. Excluding construction, non-oil GDP was down 0.7% y/y.

### Consolidated budget surplus at 0.3% of GDP in 2016

Azerbaijan's consolidated budget posted a AZN 0.2bn (US\$ 0.1bn or 0.3% of GDP) surplus in 2016, compared to a budgeted deficit of AZN 8.8bn (US\$ 5.5bn or -15.3% of GDP). Consolidated budget revenues were at AZN 21.6bn, 37.1% higher than budgeted. Consolidated budget expenditure was at AZN 21.4bn or 12.9% lower than budgeted.

In US\$ terms, revenues amounted to US\$ 13.5bn, while expenditures were at US\$ 13.4bn in 2016.

### Key macro indicators

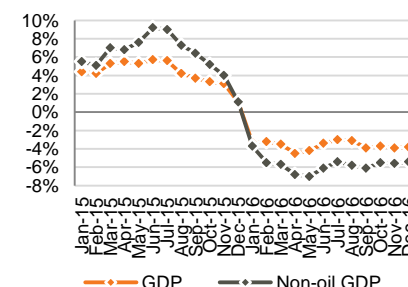
	2016	2015	2014
GDP (% change)	-3.8%	1.1%	2.8%
NO* GDP (% change)	-5.4%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	3,897	5,559	7,991
Population (mn)	...	9.7	9.6
Inflation (eop)	15.5%	7.7%	-0.1%
CAB (% of GDP)**	-4.0%	-0.4%	13.9%
NO* CAB (% of NOGDP)**	-22.7%	-18.4%	-16.5%
Fiscal balance (% of GDP)	0.3%	-5.3%	2.9%
NO* fiscal bal. (% of NOGDP)**	-18.8%	-33.7%	-38.1%
Gross reserves (US\$ bn)***	40.0	38.6	50.9

Source: Official data

\* Non-oil

\*\* 9M16

### Real GDP growth, % (YTD)



Source: AzSTAT

### International ranking of Azerbaijan

Ease of Doing Business # 65

Economic Freedom Index # 91 (moderately free)

Global Competitiveness Index # 37 (regional leader)

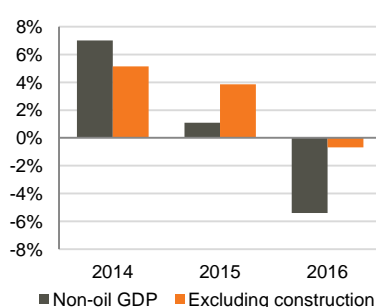
Source: World Bank, Heritage Foundation and World Economic Forum

### Azerbaijan sovereign credit ratings

 <b>BB+</b> Negative Jul-2016	 <b>Ba1</b> Negative Apr-2016	 <b>BB+</b> Negative Aug-2016
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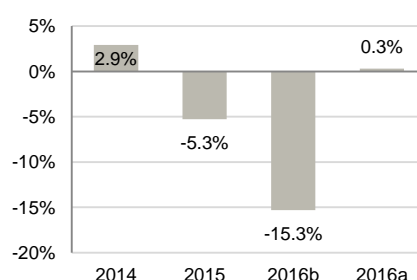
Source: Rating agencies

### Non-oil GDP, y/y % change



Source: AzSTAT

### Consolidated budget, % of GDP



Source: Ministry of Finance and AzSTAT  
 2016b: budgeted  
 2016a: actual



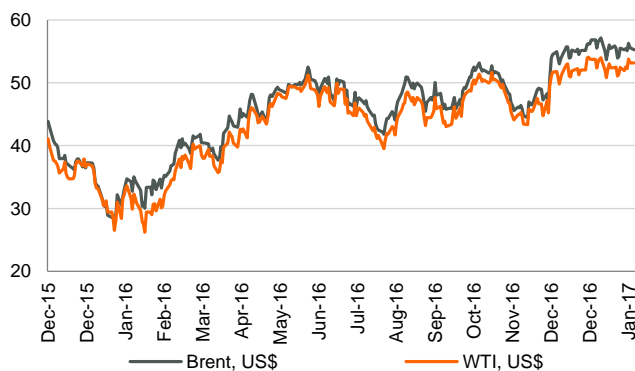
## Oil prices and exchange rate

**Oil price:** Brent oil price was up 0.1% w/w to US\$ 55.5/bbl (up 67.7% y/y), while WTI oil price increased 1.4% w/w to US\$ 53.2/bbl (up 64.6% y/y). In AZN terms, Brent oil price was up 4.1% w/w to AZN 107.8 (up 104.0% y/y).

**Exchange rate:** On January 27, 2016, Central Bank's AZN/US\$ rate was 1.9068 (+4.1% w/w) and AZN/EUR rate was 2.353 (+3.5% w/w). At Bloomberg AZN/US\$ was trading at 1.9410 (+4.0% w/w) while AZN/EUR was trading at 2.0856 (+3.8% w/w).

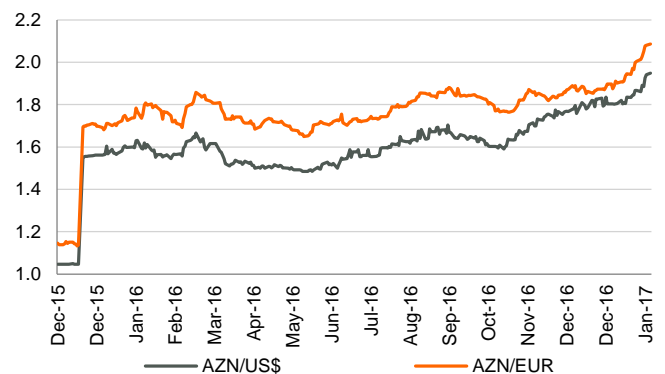
**Monetary policy rate:** Monetary policy rate was unchanged at 15.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



Source: Bloomberg

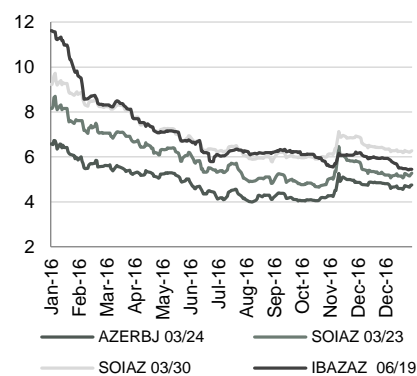


## Fixed income

**Corporate Eurobonds:** State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.3% yield, trading at 106.1 (+0.0% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 100.4 (+0.1% w/w), yielding 5.4%.

**Azerbaijan Sovereign Eurobonds** (AZERBJ 03/24) closed at 99.9 (-0.4% w/w) at 4.8% yield to maturity.

**Azerbaijan Eurobonds, YTM (%)**

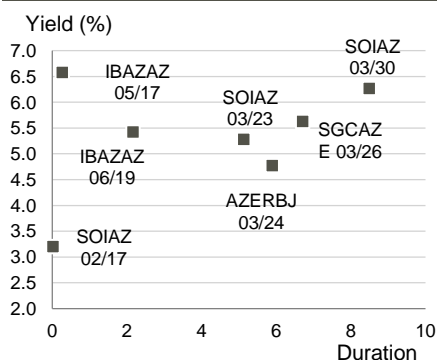


Source: Bloomberg

	Eurobonds						
	SOIAZ 02/17	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 06/19	SGCAZE 03/26	AZERBJ 03/24
Amount, US\$ mn	97.1	1000	750	100	500	1,000	1,250
Issue date	Feb-12	Mar-13	Mar-15	May-07	Jun-14	Mar-16	Mar-14
Maturity date	Feb-17	Mar-23	Mar-30	May-17	Jun-19	Mar-26	Mar-24
Coupon, %	5.450%	4.750%	6.950%	6.170%	5.625%	6.875%	4.750%
Fitch/S&P/Moody's	BB+/BB /Ba1	BB+/BB /Ba1	BB+/BB /Ba1	BB-/Ba3	BB-/Ba3	BB+/- Ba1	BB+/- Ba1
Mid price, US\$	100.1	97.3	106.1	99.9	100.4	108.8	99.9
Mid yield, %	3.2	5.3	6.3	6.6	5.4	5.6	4.8
Z-spread, bps	-1752.4	321.6	376.3	433.1	402.6	326.9	249.3

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	99.9	4.8	248.9
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	110.9	4.0	205.0
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	120.1	0.4	-250.1
Croatia	1,250	3.875%	5/30/2022	BB/BB/Baa2	108.3	2.2	193.5
Hungary	3,000	6.375%	3/29/2021	BBB-/BBB-/Baa3	112.3	3.2	126.3
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	114.5	3.6	152.0
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	106.8	2.8	94.9
Turkey	2,000	5.625%	3/30/2021	BB+/BB/Ba1	102.7	4.9	293.8
Kazakhstan	2,500	5.125%	7/21/2025	BBB-/BBB-/Baa3	107.6	4.1	174.3

Source: Bloomberg

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