

Azerbaijan Weekly Market Watch

 Weekly Market Watch | Azerbaijan
 May 16, 2016

Economy

Inflation rate at 9.7% y/y and 0.2% m/m in April 2016

Annual CPI inflation rate inched up to 9.7% in April 2016 from 9.2% in the previous month, according to AzSTAT. In April, food prices were up 9.7% y/y (-0.4ppts m/m), non-food prices were up 15.5% y/y (+1.0ppts m/m), and service sector prices were up 4.7% y/y (+0.9ppts m/m).

On a monthly basis, inflation rate was 0.2% in April 2016. Food prices were up 0.1% (-0.2ppts m/m), non-food prices were up 0.5% y/y (0.0ppts m/m), and service sector prices were flat (-0.5ppts m/m).

SOCAR tax payments down 9.6% y/y in April 2016

According to SOCAR statistics, it paid AZN 119.8mn (-9.6% y/y) in taxes to the state budget and AZN 13.1mn (+10.3%y/y) to the State Social Protection Fund in April 2016.

In 4M16, SOCAR paid AZN 445.0mn (-5.9% y/y) to the state budget and AZN 45.1mn (-3.2% y/y) to the State Social Protection Fund.

Customs Committee receipts up 60.9% y/y in April 2016

Boosted by VAT receipts, Customs Committee revenues increased 60.9% y/y to AZN 227.4mn in April 2016 and 33.3% y/y to AZN 644.3mn in 4M16, making up 35.6% of budgeted revenues for 2016.

Key macro indicators

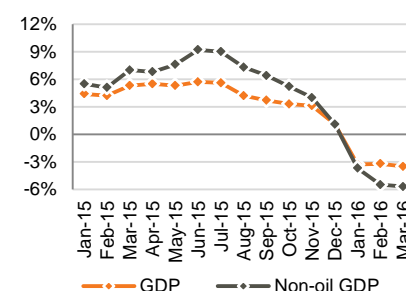
	1Q16	2015	2014
GDP (% change)	-3.5%	1.1%	2.8%
NO* GDP (% change)	-5.7%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	...	5,739	8,055
Population (mn)	...	9.7	9.6
Inflation (eop)*	9.7%	7.7%	-0.1%
CAB (% of GDP)	...	-0.4%	13.9%
NO* CAB (% of NOGDP)	...	-18.4%	-16.5%
Fiscal balance (% of GDP)	8.9%	-5.3%	2.9%
NO** fiscal bal. (% of NOGDP)	-14.9%	-33.7%	-38.1%
Gross reserves (US\$ bn)	38.3	38.6	50.9

Source: Official data

* April 2016

**Non-oil

Real GDP growth, % (YTD)



Source: AzSTAT

International ranking of Azerbaijan

Ease of Doing Business # 63

Economic Freedom Index # 91 (moderately free)

Global Competitiveness Index # 40 (regional leader)

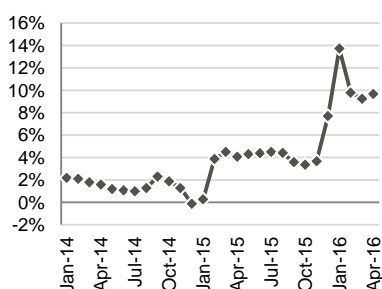
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings

STANDARD & POOR'S BB+ Stable Jan-2016	Moody's INVESTORS SERVICE Ba1 Negative Apr-2016	FitchRatings BB+ Negative Feb-2016
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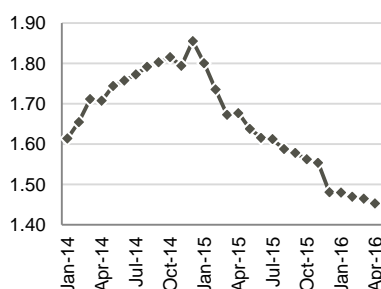
Source: Rating agencies

Annual inflation



Source: AzSTAT

SOCAR tax payments, 12 months moving sum, AZN bn



Source: SOCAR

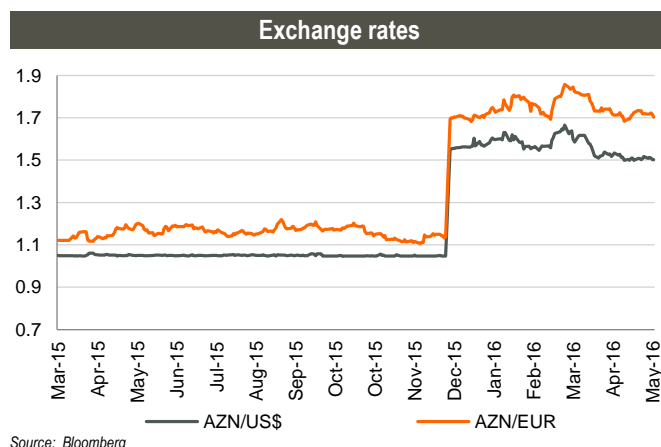
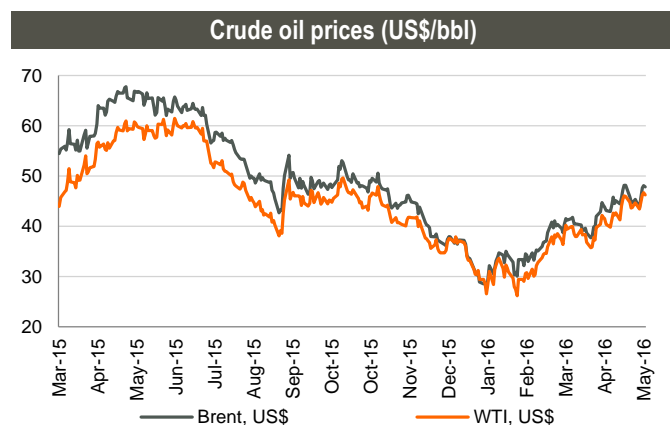
Oil prices and exchange rate

Oil price: Brent oil price was up 5.4% w/w to US\$ 47.8/bbl (down 28.4% y/y), while WTI oil price increased 3.5% w/w to US\$ 46.2/bbl (down 23.6% y/y). In AZN terms, Brent oil price was up 4.4% w/w to AZN 69.4 (up 2.5% y/y).

Exchange rate: On May 13, 2016, Central Bank set AZN/US\$ rate at 1.5093 (+0.1% w/w) and AZN/EUR at 1.7163 (-0.9% w/w). At Bloomberg AZN/US\$ was trading at 1.5015 (-1.0% w/w) while AZN/EUR was trading at 1.7031 (-0.9% w/w).

Monetary policy rate: Monetary policy rate remained unchanged at 7.0%.

FX auctions: In two FX auctions organized by the Central Bank over the last week, State Oil Fund sold US\$ 92.6mn, of which US\$ 55.0mn was bought by CBAR and the rest by commercial banks.



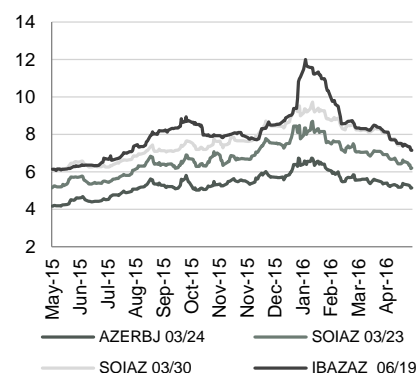


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 7.2% yield, trading at 98.0 (+2.3% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 95.9 (+0.9% w/w), yielding 7.1%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 97.5 (+1.3% w/w) at 5.1% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

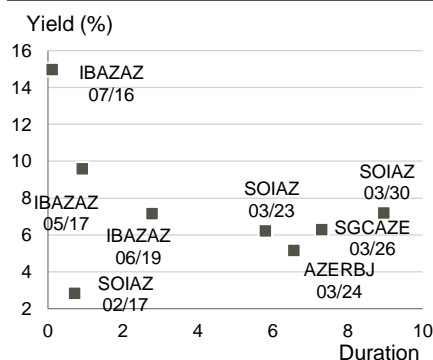


Source: Bloomberg

	Eurobonds							
	SOIAZ 02/17	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 07/16	IBAZAZ 06/19	SGCAZE 03/26	AZERBJ 03/24
Amount, US\$ mn	97.1	1000	750	100	198	500	1,000	1,250
Issue date	Feb-2012	Mar-2013	Mar-2015	May-2007	Sep-2013	Jun-2014	Mar-16	Mar-14
Maturity date	Feb-2017	Mar-2023	Mar-2030	May-2017	Jul-2016	Jun-2019	Mar-26	Mar-24
Coupon, %	5.450%	4.750%	6.950%	6.170%	7.750%	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-/Ba3	BB+/-/Ba1	BB+/-/Ba1
Mid price, US\$	101.9	92.0	98.0	96.9	98.6	95.9	97.5	104.3
Mid yield, %	2.8	6.2	7.2	9.6	15.0	7.1	5.1	6.3
Z-spread, bps	192.3	503.1	544.0	957.9	NA	629.3	368.1	474.4

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	BB+/BB+/Ba1	97.5	5.1	368.1
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	110.9	4.4	313.5
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.3	1.2	-246.3
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	103.2	3.3	313.3
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	114.3	3.2	198.9
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	118.7	3.1	189.2
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	106.2	3.3	215.5
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Baa3	107.5	3.9	270.8
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	106.0	4.3	280.3

Source: Bloomberg

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