

# Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan  
September 26, 2016

## Economy

### Oil production up 3.1% y/y in August 2016

Azerbaijan produced 3.5mn tons of crude oil in August 2016, +3.1% y/y (-4.0% m/m), according to SOCAR. Growth was driven by 6.2% y/y increase in non-SOCAR production, while SOCAR production was down 9.0% y/y.

In 12 month cumulative terms, production was up 1.6% y/y to 41.9mn tons.

### Gas production up 35.3% y/y in August 2016

According to SOCAR, gas production was up 35.3% y/y in August 2016 to 2.5bcm in gross terms (includes commercially available gas and re-injected/flared gas), mainly due to the low base of the previous year. In monthly terms, production was down 1.8%. SOCAR's gross gas production in August 2016 was down 11.9% y/y, while non-SOCAR production was up 58.3% y/y.

Production of commercially available gas was up 42.1% y/y to 1.4bcm (-17.4% m/m) in August 2016, according to AzSTAT.

In 12 cumulative terms, gross gas production as of August 2016 was up 6.6% y/y and up 2.2% m/m to 30.0bcm.

### Key macro indicators

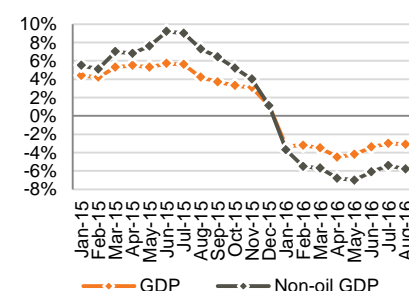
	7M16	2015	2014
GDP (% change)	-3.1%	1.1%	2.8%
NO* GDP (% change)	-5.8%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	...	5,739	8,055
Population (mn)	...	9.7	9.6
Inflation (eop)	12.0%	7.7%	-0.1%
CAB (% of GDP)**	-4.6%	-0.4%	13.9%
NO* CAB (% of NOGDP)**	-24.9%	-18.4%	-16.5%
Fiscal balance (% of GDP)**	3.8%	-5.3%	2.9%
NO* fiscal bal. (% of NOGDP)**	-20.8%	-33.7%	-38.1%
Gross reserves (US\$ bn)**	39.4	38.6	50.9

Source: Official data

\* Non-oil

\*\*1H16

### 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)

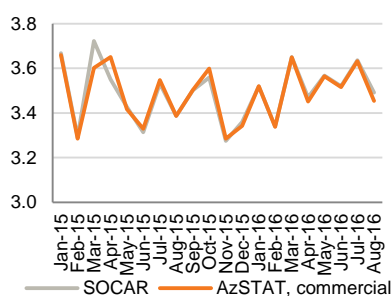
Source: World Bank, Heritage Foundation and World Economic Forum

### Azerbaijan sovereign credit ratings

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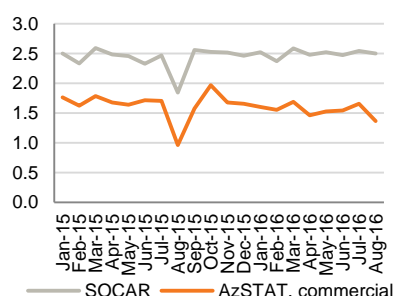
Source: Rating agencies

### Crude oil production, mn ton



Source: AzSTAT, SOCAR

### Natural gas production, bcm



Source: AzSTAT

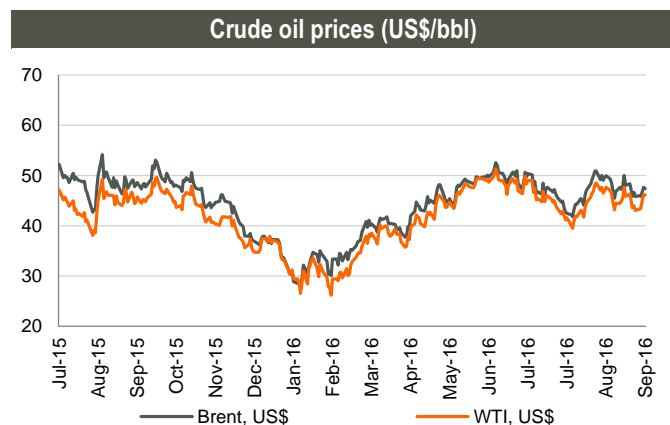
## Oil prices and exchange rate

**Oil price:** Brent oil price was up 3.5% w/w to US\$ 47.4/bbl (down 0.8% y/y), while WTI oil price increased 7.2% w/w to US\$ 46.1/bbl (up 3.9% y/y). In AZN terms, Brent oil price was up 3.0% w/w to AZN 78.2 (up 56.4% y/y).

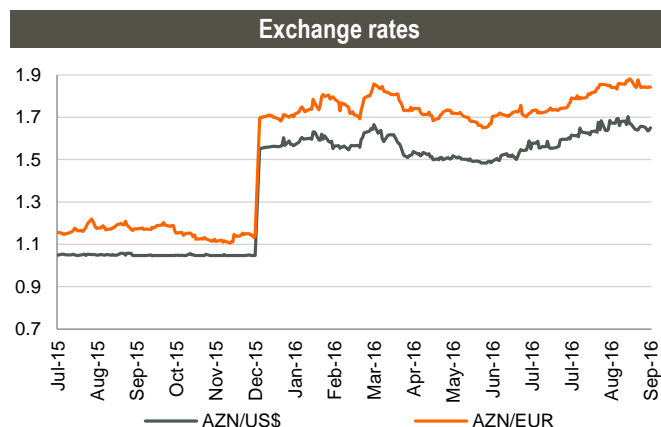
**Exchange rate:** On September 23, 2016, Central Bank set AZN/US\$ rate at 1.6292 (-0.5% w/w) and AZN/EUR at 1.8241 (-0.9% w/w). At Bloomberg AZN/US\$ was trading at 1.6495 (-0.5% w/w) while AZN/EUR was trading at 1.8416 (+0.1% w/w).

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

**FX auctions:** In FX auction organized by the Central Bank over the last week, State Oil Fund sold US\$ 133.8.0mn to commercial banks.



Source: Bloomberg



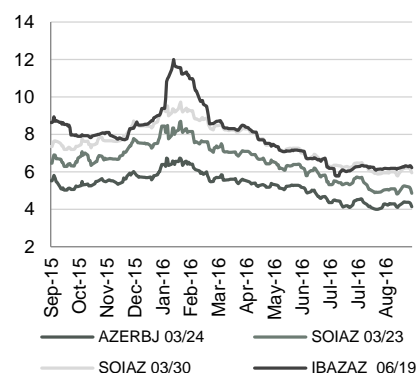
Source: Bloomberg

## Fixed income

**Corporate Eurobonds:** State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.0% yield, trading at 108.9 (+2.0% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 98.5 (+0.3% w/w), yielding 6.2%.

**Azerbaijan Sovereign Eurobonds** (AZERBJ 03/24) closed at 103.6 (+1.3% w/w) at 4.2% yield to maturity.

**Azerbaijan Eurobonds, YTM (%)**

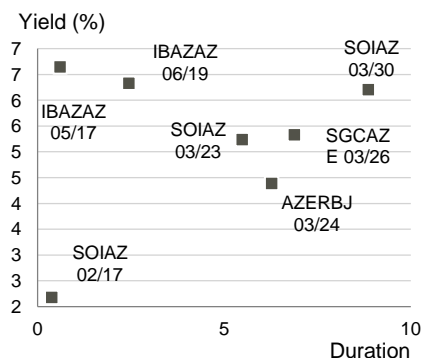


Source: Bloomberg

	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-2012	Mar-2013	Mar-2015	May-2007	Jun-2014	Mar-16	Mar-14
Maturity date	Feb-2017	Mar-2023	Mar-2030	May-2017	Jun-2019	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\$	101.2	99.0	108.9	99.6	98.5	112.5	103.6
Mid yield, %	2.0	4.9	6.0	6.8	6.2	5.2	4.2
Z-spread, bps	n/a	392.2	443.4	521.5	510.8	375.5	280.7

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	103.6	4.2	280.7
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	112.1	3.9	261.8
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	121.0	0.6	-236.2
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	108.4	2.3	233.9
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	115.8	2.6	137.9
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	121.0	2.5	126.1
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	108.1	2.6	143.4
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Ba1	108.1	3.7	243.7
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	113.0	3.4	199.4

Source: Bloomberg

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## **Galt & Taggart**

**Address:** 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

**Tel:** + (995) 32 2401 111

**Email:** gt@gt.ge