



Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
March 20, 2017

Economy

Non-oil GDP up 2.3% y/y in 2M17

GDP was up 0.4% y/y in 2M17, following a 0.8% y/y increase in 1M17. Non-oil GDP was up 2.3% y/y in 2M17, while oil GDP contracted 3.2% y/y. In sectoral breakdown, growth was mainly driven by transportation and storage (+6.6% y/y), trade (+1.4% y/y), construction (+1.2% y/y), and agriculture (+3.2% y/y). Main negative contribution came from a 3.7% y/y contraction in mining and quarrying on the back of falling oil and gas extraction.

Inflation rate at 13.0% y/y in February 2017

Annual CPI inflation rate increased from 11.9% in the previous month to 13.0% in February 2017. In February, food prices were up 16.6% y/y (+2.2ppts m/m), non-food prices were up 12.6% y/y (+0.3ppts m/m), and service sector prices were up 8.8% y/y (+1.0ppts m/m).

Trade surplus up 80.1% y/y to US\$ 0.8bn in January 2017

According to the Statistical Committee, exports were up 40.3% y/y to US\$ 1.2bn in January 2017 imports were up 1.6% y/y to US\$ 0.5bn resulting in US\$ 0.8bn trade surplus (+80.1% y/y).

Preliminary figures for February 2017 indicate 27.1% y/y contraction in non-mineral exports (N-M), after 46.7% y/y increase in January 2017, while total imports were down 2.8% y/y.

Contraction in N-M exports in February 2017 was primarily driven by 97.7% decline in export of transportation goods which is explained by exceptionally high base in February of the previous year. Main positive contribution to exports in February 2017 came from 318.1% increase in exports of cotton.

Imports in February 2017 were subdued due to fall in imports of machinery (-35.7% y/y), metals (-31.0% y/y), and stone/glass (-39.7% y/y). Positive contribution to imports came from imports of mineral products (+237.6% y/y), foodstuff (+118.7% y/y), and transportation goods (+75.1% y/y).

Key macro indicators

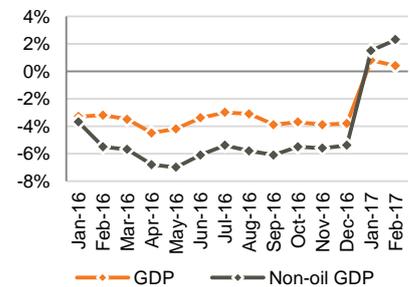
	2M16	2016	2015
GDP (% change)	0.4%	-3.8%	1.1%
NO* GDP (% change)	2.3%	-5.4%	1.1%
GDP per capita (ppp)	17,993
GDP per capita (US\$)	...	3,897	5,559
Population (mn)	...	9.8	9.7
Inflation (eop)	13.0%	15.5%	7.7%
CAB (% of GDP)**	-4.0%	...	-0.4%
NO* CAB (% of NOGDP)**	-22.7%	...	-18.4%
Fiscal balance (% of GDP)	...	0.3%	-5.3%
NO* fiscal bal. (% of NOGDP)	...	-14.5%	-33.7%
Gross reserves (US\$ bn)	...	37.1	38.6

Source: Official data

* Non-oil

** 9M16

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)

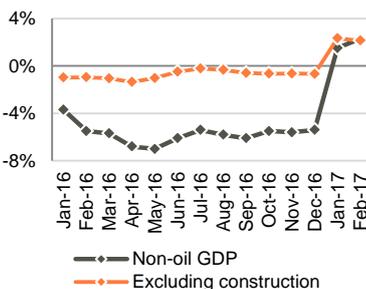
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings



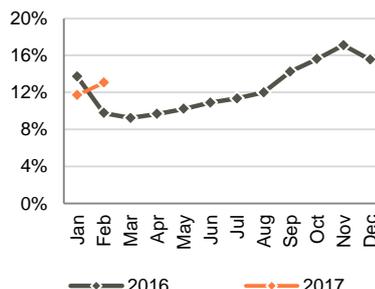
Source: Rating agencies

GDP, y/y % change, YTD



Source: AzSTAT

Annual inflation, %



Source: AzSTAT

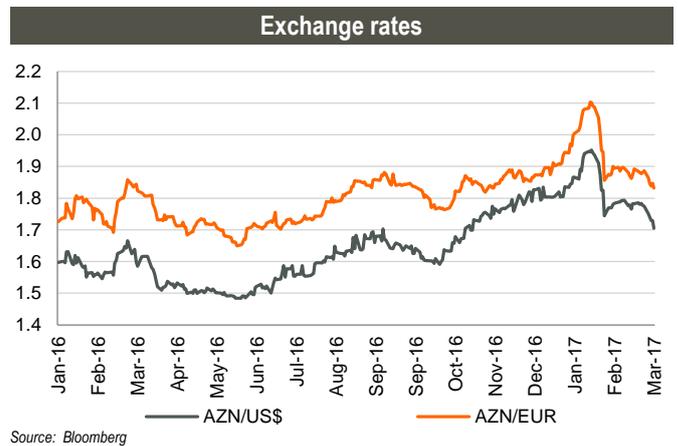
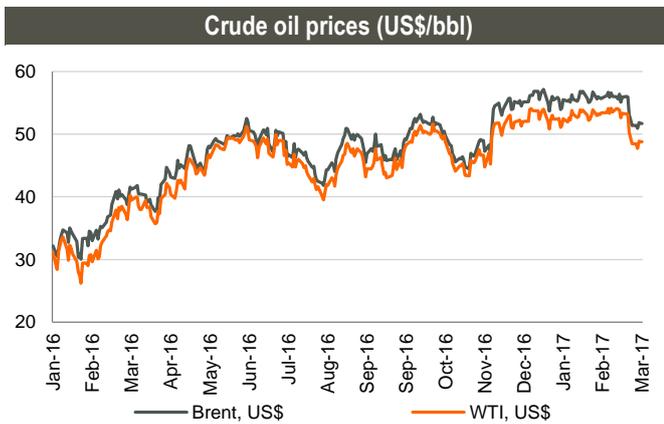


Oil prices and exchange rate

Oil price: Brent oil price was up 0.6% w/w to US\$ 51.7/bbl (up 24.4% y/y), while WTI oil price increased 0.6% w/w to US\$ 48.8/bbl (up 21.3% y/y). In AZN terms, Brent oil price was down 3.3% w/w to AZN 88.1 (up 32.8% y/y).

Exchange rate: On March 17, 2017, Central Bank's AZN/US\$ rate was 1.7202 (-1.3% w/w) and AZN/EUR rate was 1.8529 (+0.3% w/w). At Bloomberg AZN/US\$ was trading at 1.7050 (-3.9% w/w) while AZN/EUR was trading at 1.8320 (-2.9% w/w).

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



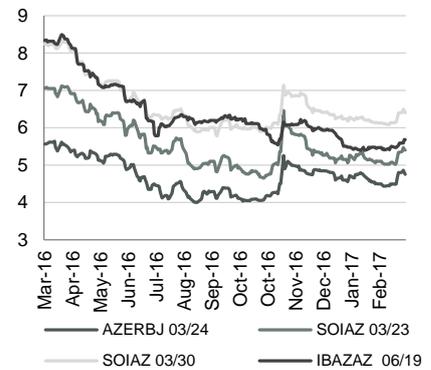


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.4% yield, trading at 104.9 (+0.1% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 99.9 (-0.2% w/w), yielding 5.7%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 100.0 (+0.3% w/w) at 4.7% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

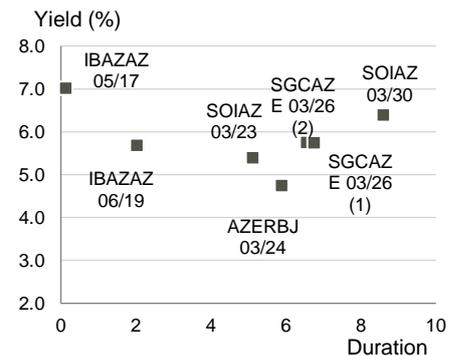


Source: Bloomberg

	Eurobonds						
	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 06/19	SGCAZE 03/26 (1)	SGCAZE 03/26 (2)	AZERBJ 03/24
Amount, US\$ mn	1000	750	100	500	1,000	1,000	1,250
Issue date	Mar-13	Mar-15	May-07	Jun-14	Mar-16	Mar-17	Mar-14
Maturity date	Mar-23	Mar-30	May-17	Jun-19	Mar-26	Mar-26	Mar-24
Coupon, %	4.750%	6.950%	6.170%	5.625%	6.875%	6.875%	4.750%
Fitch/S&P/ Moody's	BB+/BB/Ba1	BB+/BB/Ba1	BB-/Ba3	BB-/Ba3	BB+/-/Ba1	BB+/-/Ba1	BB+/BB+/Ba1
Mid price, US\$	96.8	104.9	99.9	99.9	107.8	107.9	100.0
Mid yield, %	5.4	6.4	7.0	5.7	5.8	5.7	4.7
Z-spread, bps	323.8	388.8	592.1	399.9	337.5	338.4	247.8

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	100.0	4.7	247.8
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	110.6	4.0	203.3
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.7	0.4	-225.7
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba2	109.2	2.0	171.1
Hungary	3,000	6.375%	3/29/2021	BBB-/BBB-/Baa3	111.9	3.2	122.6
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	115.2	3.3	125.7
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	106.6	2.8	89.5
Turkey	2,000	5.625%	3/30/2021	BB+/BB/Ba1	104.0	4.5	255.7
Kazakhstan	2,500	5.125%	7/21/2025	BBB-/BBB-/Baa3	106.9	4.1	175.4

Source: Bloomberg



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