



Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
December 5, 2016

Economy

CBAR reserves up 0.1% m/m to US\$ 4.0bn

Central Bank's reserves were up marginally (+0.1% m/m) in November 2016, following two months of minor declines. In annual terms, reserves are down 35.8%.

Oil exports down 13.1% m/m to 1.8mn tons in November 2016

According to SOCAR, the company exported 1.8mn tons of crude oil in November 2016 (-13.1% m/m and -6.2% y/y). In 11M16, exports were down 5.2% y/y to 18.9mn tons. SOCAR exports crude oil belonging to the company as well as to the Azerbaijan state.

Monthly average price of BTC FOB Ceyhan oil was down 9.2% m/m to US\$ 46.6 per barrel, while in annual terms, the price was up 3.2%.

Banking sector loans down 5.7% m/m in October 2016

Banking sector loans declined further in October 2016, down 5.7% m/m to AZN 15.8bn. The decline came on the back of a 7.9% m/m contraction in FX loans, which was likely due to restrictions on FX loans to households put in place in the summer of this year. Excluding mortgage loans, household (HH) loans declined 6.5% m/m to AZN 4.2bn in October 2016.

Non-performing loans (NPL) in nominal AZN terms were down 13.9% m/m in October 2016, resulting in the NPL ratio retreating to 8.7% from 9.5% in the previous month. The main contribution to the improved NPL ratio came from an 18.8% m/m decline in non-performing long-term AZN loans.

Deposits of non-financial corporations up 3.7% m/m in October 2016

Deposits in the banking sector declined 2.7% m/m in October 2016 as non-financial corporations and households decreased their FX deposits in the banking system. Non-financial corporations (NFC), on the other hand increased their total deposits in the banking system by 3.7% m/m. Tripling of local currency term deposits belonging to NFCs is the main factor behind increase in total NFC deposits.

Deposit dollarization down to 75.5% in October 2016

As NFCs increased their local currency savings, overall deposit dollarization declined from 81.0% in August 2016 to 75.5% in October 2016. Deposit dollarization of NFC accounts retreated to 64.4% in October, while that of households and financial corporations (FC) remained broadly flat at 81.1% and 87.4%, respectively.

Key macro indicators

	10M16	2015	2014
GDP (% change)	-3.7%	1.1%	2.8%
NO* GDP (% change)	-5.5%	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)	15.6%	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)***	5.4%	-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

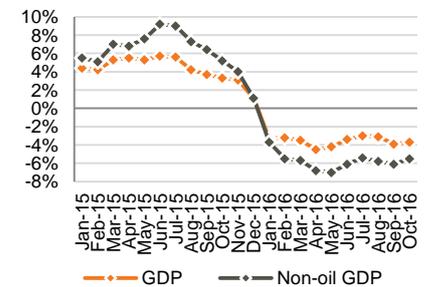
Source: Official data

* Non-oil

**1H16

***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)

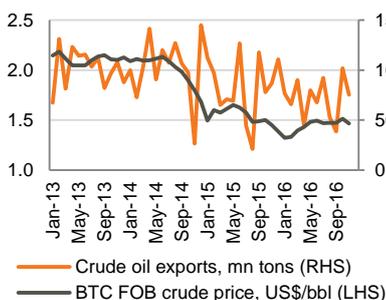
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings



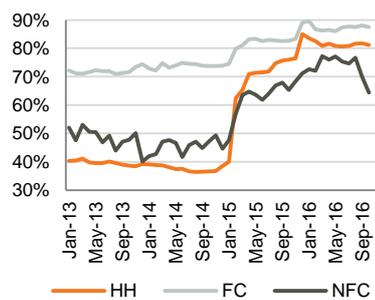
Source: Rating agencies

Oil exports and price



Source: SOCAR

Deposit dollarization ratios



Source: CBAR

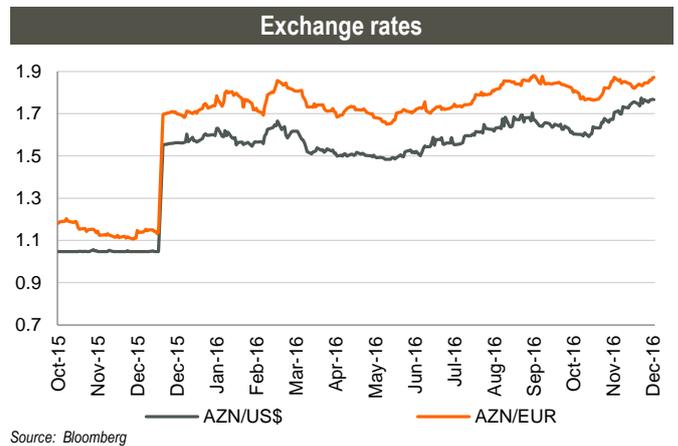
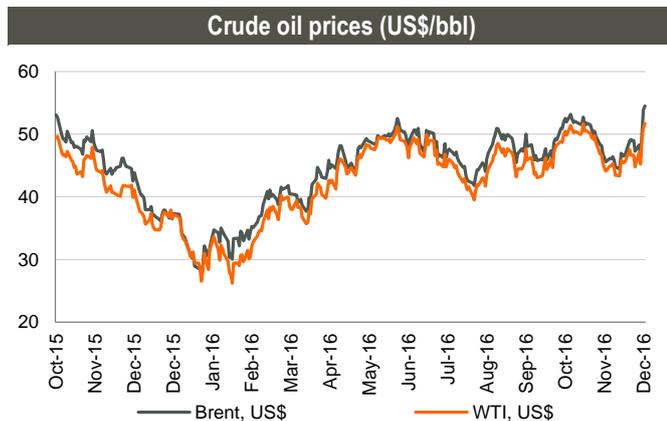


Oil prices and exchange rate

Oil price: Brent oil price was up 15.3% w/w to US\$ 54.5/bbl (up 28.2% y/y), while WTI oil price increased 15.5% w/w to US\$ 51.7/bbl (up 29.4% y/y). In AZN terms, Brent oil price was up 15.3% w/w to AZN 91.3 (up 116.4% y/y).

Exchange rate: On December 2, 2016, Central Bank's AZN/US\$ rate was 1.7339 (+0.8% w/w) and AZN/EUR rate was 1.8516 (+1.9% w/w). At Bloomberg AZN/US\$ was trading at 1.7663 (+0.0% w/w) while AZN/EUR was trading at 1.8720 (+1.5% w/w).

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



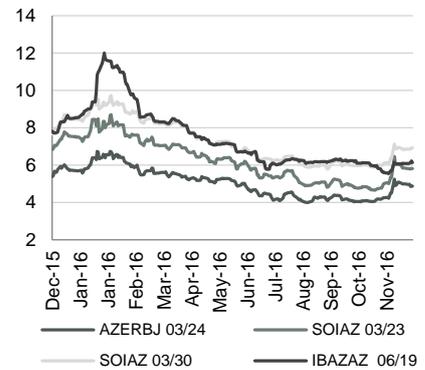


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.9% yield, trading at 100.2 (-0.5% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 98.8 (-0.1% w/w), yielding 6.1%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 99.2 (+0.7% w/w) at 4.9% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

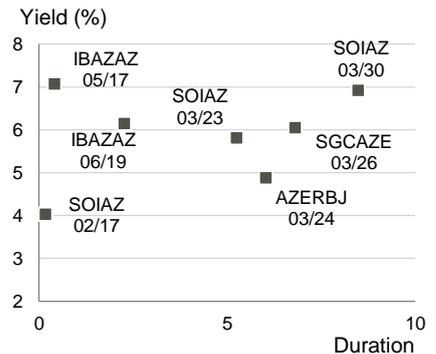


Source: Bloomberg

	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	BB+ /Ba1
Mid price, US\$	100.2	94.5	100.2	99.6	98.8	105.8	99.2	
Mid yield, %	4.0	5.8	6.9	7.1	6.1	6.0	4.9	
Z-spread, bps	-95.2	392.1	459.4	488.8	447.7	387.1	278.8	

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	99.2	4.9	278.8
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	108.5	4.7	286.9
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.6	0.7	-243.5
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	106.8	2.5	233.2
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	112.2	3.3	155.4
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	114.1	3.7	184.1
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	105.6	3.2	153.4
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Ba1	101.8	5.1	337.5
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	105.6	4.3	220.3

Source: Bloomberg



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