



Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
May 22, 2017

Economy

Non-oil GDP up 1.9% y/y in 4M17

Azerbaijan's non-oil GDP was up 1.9% y/y in 4M17, supported by growth in transportation and storage (+5.3% y/y), trade (+1.7% y/y), and agriculture (+3.2% y/y), along with an increase in net taxes (+2.7% y/y). After 4.7% y/y growth in 3M17, the construction sector returned to negative territory (-0.4% y/y). With oil and gas production down, oil GDP was down 6.7% y/y, resulting in overall GDP contracting 1.2% y/y in 4M17.

Nominal GDP in AZN terms was up 22.1% y/y to AZN 20.1bn, while in US\$ terms, it was up 8.4% y/y to US\$ 11.4bn.

Inflation rate at 14.4% y/y in April 2017

Compared to March 2017, annual CPI inflation rate remained flat at 14.4% y/y in April 2017. Food prices were up 20.2% y/y (+0.4ppts m/m), non-food prices were up 12.4% y/y (-0.3ppts m/m), and service sector prices were up 8.8% y/y (+0.0ppts m/m).

Trade surplus up 116.1% y/y to US\$ 2.1bn in 3M17

According to the Statistical Committee, exports were up 35.4% y/y to US\$ 1.3bn in March 2017, while imports were down 36.1% y/y to US\$ 0.5bn, resulting in a US\$ 0.7bn trade surplus (+738.1% y/y). In 3M17 exports were up 28.6% y/y to US\$ 3.6bn, while imports were down 17.1% y/y, resulting in a US\$ 2.1bn trade surplus (+116.1% y/y).

Non-oil exports were up 8.2% y/y to US\$ 264.9mn in 3M17.

Preliminary figures for April 2017 indicate a 46.2% y/y increase in non-mineral exports (N-M), after a 22.4% y/y increase in March 2017, while total imports in April 2017 were down 15.6% y/y to US\$ 0.7bn. In 4M17, according to preliminary figures, N-M exports were up 16.1% y/y to US\$ 370.0mn, while total imports were down 16.5% y/y to US\$ 2.2bn.

Key macro indicators

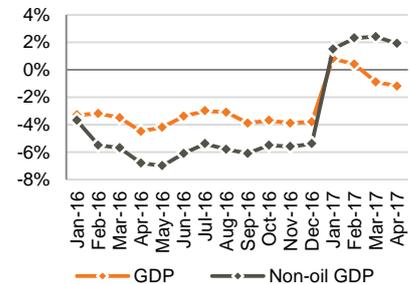
	4M16	2016	2015
GDP (% change)	-1.2%	-3.8%	1.1%
NO* GDP (% change)	1.9%	-5.4%	1.1%
GDP per capita (ppp)	...	17,439	18,030
GDP per capita (US\$)	...	3,897	5,559
Population (mn)	...	9.8	9.7
Inflation (eop)	14.4%	15.5%	7.7%
CAB (% of GDP)	...	-3.6%	-0.4%
NO* CAB (% of NOGDP)	...	-23.3%	-18.3%
Fiscal balance (% of GDP)**	-7.2%	0.3%	-5.3%
NO* fiscal bal. (% of NOGDP)**	-56.5%	-14.5%	-33.7%
Gross reserves (US\$ bn)**	37.6	37.1	38.6

Source: Official data

* Non-oil

**3M17

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)

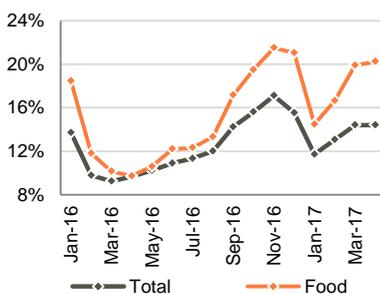
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings



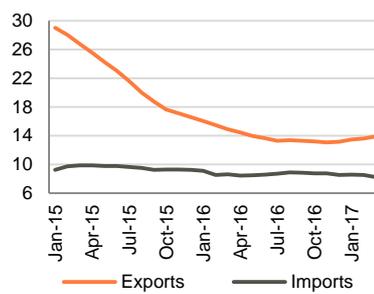
Source: Rating agencies

Inflation, y/y % change



Source: AzSTAT

External trade, 12 month cumulative, US\$ bn



Source: AzSTAT

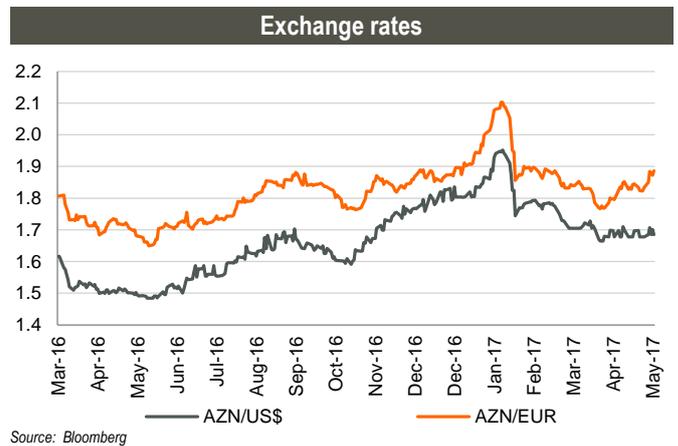
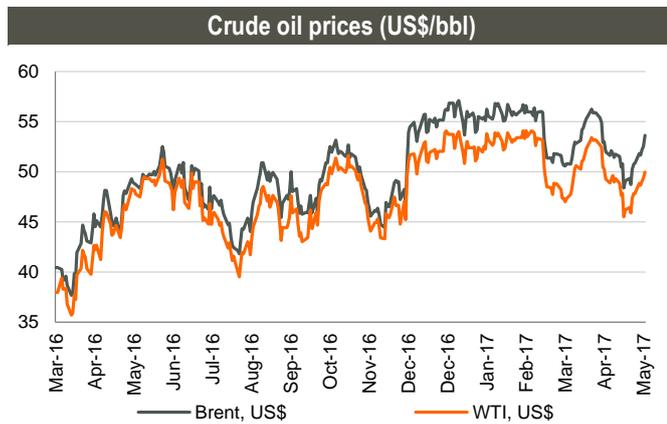


Oil prices and exchange rate

Oil price: Brent oil price was up 5.5% w/w to US\$ 53.6/bbl (up 9.9% y/y), while WTI oil price increased 4.5% w/w to US\$ 50.0/bbl (up 3.8% y/y). In AZN terms, Brent oil price was up 5.9% w/w to AZN 90.3 (up 23.9% y/y).

Exchange rate: On May 19, 2017, Central Bank's AZN/US\$ rate was 1.7023 (-0.0% w/w) and AZN/EUR rate was 1.8916 (+1.6% w/w). At Bloomberg AZN/US\$ was trading at 1.6850 (+0.4% w/w) while AZN/EUR was trading at 1.8863 (+2.9% w/w).

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



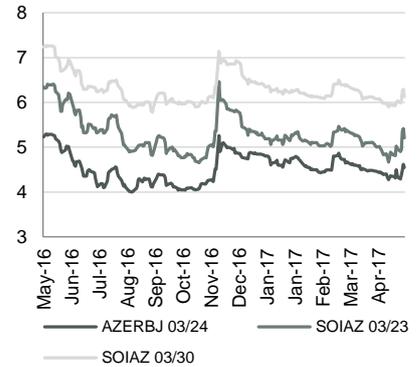


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.1% yield, trading at 107.2 (-0.8% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 84.1 (-7.0% w/w), yielding 16.6%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 101.2 (-1.3% w/w) at 4.6% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

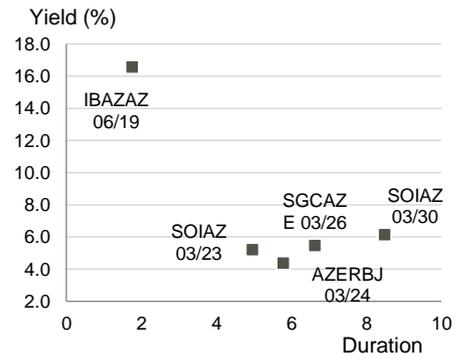


Source: Bloomberg

Eurobonds					
	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 06/19	SGCAZE 03/26	AZERBJ 03/24
Amount, US\$ mn	1000	750	500	2,000	1,250
Issue date	Mar-13	Mar-15	Jun-14	Mar-16	Mar-14
Maturity date	Mar-23	Mar-30	Jun-19	Mar-26	Mar-24
Coupon, %	4.750%	6.950%	5.625%	6.875%	4.750%
Fitch/S&P/ Moody's	BB+/BB /Ba1	BB+/BB /Ba1	CCC-/Caa3	BB+/-/Ba1	BB+/BB+/Ba1
Mid price, US\$	97.7	107.2	84.1	109.8	101.2
Mid yield, %	5.2	6.1	16.6	5.5	4.6
Z-spread, bps	329.7	390.8	1505.1	338.5	256.6

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	101.2	4.6	256.6
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	111.2	3.7	200.1
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.5	0.3	-278.7
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba2	109.2	1.9	175.5
Hungary	3,000	6.375%	3/29/2021	BBB-/BBB-/Baa3	112.9	2.8	106.5
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	116.1	3.0	122.7
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	106.8	2.6	93.9
Turkey	2,000	5.625%	3/30/2021	BB+/BB/Ba1	105.6	4.0	228.7
Kazakhstan	2,500	5.125%	7/21/2025	BBB-/BBB-/Baa3	108.9	3.8	178.4

Source: Bloomberg



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