

# Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan  
February 13, 2017

## Economy

### Non-performing loans up to 9.0% in December 2016

Total loans by commercial banks were up 1.0% m/m (-24.3% y/y) to AZN 16.4bn, driven by 0.7% m/m increase in local currency loans and continued depreciation, which led to a 1.4% increase in FX loans in AZN terms. In US\$ terms, however, FX loans were down 0.8% m/m. Non-performing loans (NPL) were up 2.1% m/m to AZN 1.4bn, driven by a 7.0% m/m increase in overdue local currency loans, while the FX NPL balance was down. Overall, the NPL ratio reached 9.0% in December 2016, with the local currency NPL ratio up to 7.9% and FX NPL ratio down to 10.2%.

### Deposit dollarization down slightly to 75.3% in December 2016

Commercial bank deposits were down 2.5% m/m to AZN 22.1bn in December 2016, driven by a retreat in FX deposits. Local currency deposits were down 1.3% m/m to AZN 5.5bn, while FX deposits were down 2.9% m/m to AZN 16.6bn. In US\$ terms, however, FX deposits were down 5.0% m/m to US\$ 9.4bn. With FX deposits declining more, deposit dollarization retreated slightly to 75.3% in December 2016.

### Exports and trade surplus up in December 2016

According to the Statistical Committee, Azerbaijan's exports were up 4.1% y/y in December 2016 to US\$ 1.2bn, while imports were down 20.4% y/y to US\$ 0.8bn, leading to a US\$ 0.4bn trade surplus (+166.6% y/y). In 2016 exports were down 20.8% y/y to US\$ 13.1bn, while imports were down 7.5% y/y to US\$ 8.5bn, resulting in a US\$ 4.6bn surplus (-37.5% y/y).

### Customs Committee receipts up in January 2017

Customs Committee's receipts were up 67.9% y/y in January 2017 to AZN 174.0mn. In US\$ terms, receipts were up 45.8% y/y to US\$ 95.3mn. In 12-month cumulative terms (12mcs), receipts in AZN terms were up 48.4% y/y in January 2017 to AZN 2.4bn, while in US\$ terms they were down 1.0% y/y to US\$ 1.5bn.

### SOCAR's payments to the budget up in January 2017

SOCAR's tax payments to the state budget and payments to the State Social Protection Fund were up 10.1% y/y in January 2017 to AZN 140.7mn. In 12-month cumulative terms, payments were down 4.0% y/y in January 2017 to AZN 1.6bn.

### Key macro indicators

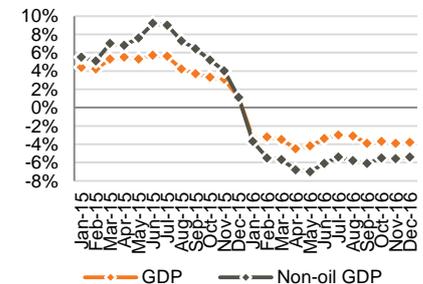
	2016	2015	2014
GDP (% change)	-3.8%	1.1%	2.8%
NO* GDP (% change)	-5.4%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	3,897	5,559	7,991
Population (mn)	...	9.7	9.6
Inflation (eop)	15.5%	7.7%	-0.1%
CAB (% of GDP)**	-4.0%	-0.4%	13.9%
NO* CAB (% of NOGDP)**	-22.7%	-18.4%	-16.5%
Fiscal balance (% of GDP)	0.3%	-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

\*\* 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)

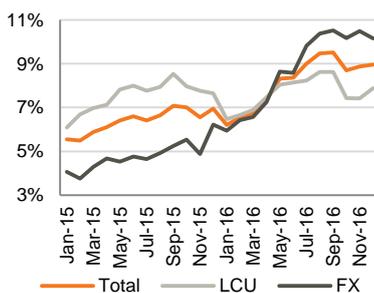
Source: World Bank, Heritage Foundation and World Economic Forum

### Azerbaijan sovereign credit ratings



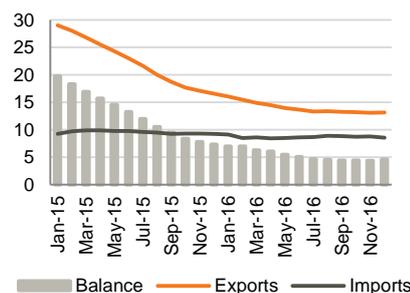
Source: Rating agencies

### NPL ratios



Source: CBAR

### External trade, 12mcs\*, US\$ bn



Source: SOFAZ  
\*12 month cumulative sum

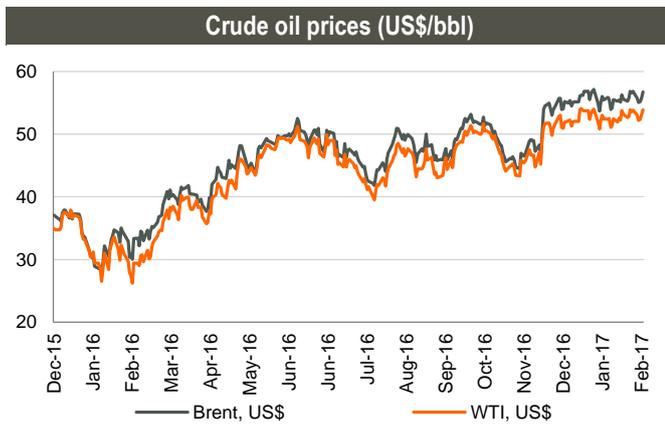


## Oil prices and exchange rate

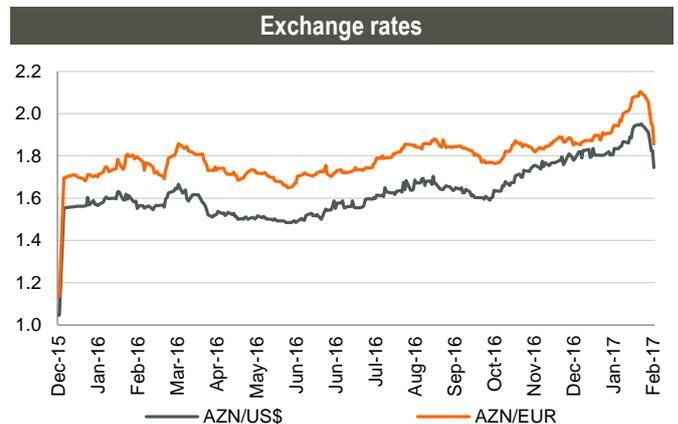
**Oil price:** Brent oil price was down 0.2% w/w to US\$ 56.7/bbl (up 83.9% y/y), while WTI oil price increased 0.1% w/w to US\$ 53.9/bbl (up 96.2% y/y). In AZN terms, Brent oil price was down 10.1% w/w to AZN 98.9 (up 102.2% y/y).

**Exchange rate:** On February 10, 2016, Central Bank's AZN/US\$ rate was 1.7301 (-9.5% w/w) and AZN/EUR rate was 1.8445 (-10.3% w/w). At Bloomberg AZN/US\$ was trading at 1.7445 (-9.9% w/w) while AZN/EUR was trading at 1.8556 (-11.1% w/w).

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



Source: Bloomberg

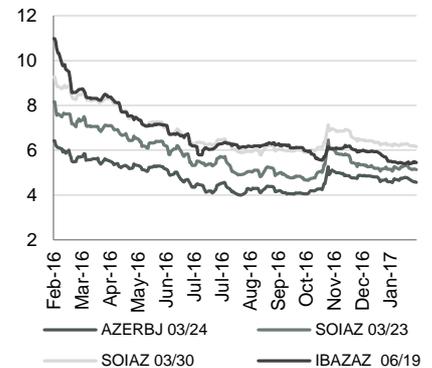


Source: Bloomberg

## Fixed income

**Corporate Eurobonds:** State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.2% yield, trading at 107.1 (+0.5% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 100.4 (-0.1% w/w), yielding 5.4%.

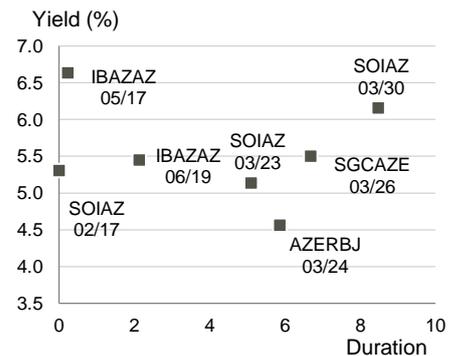
**Azerbaijan Sovereign Eurobonds (AZERBJ 03/24)** closed at 101.1 (+0.9% w/w) at 4.6% yield to maturity.

**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-12	Mar-13	Mar-15	May-07	Jun-14	Mar-16	Mar-14
Maturity date	Feb-17	Mar-23	Mar-30	May-17	Jun-19	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+ /BB+ /Ba1
Mid price, US\$	100.0	98.0	107.1	99.9	100.4	109.8	101.1
Mid yield, %	5.3	5.1	6.2	6.6	5.4	5.5	4.6
Z-spread, bps	-12,702.5	299.5	373.9	368.7	369.8	322.5	238.2

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	101.1	4.6	237.4
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	111.3	3.9	193.3
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	120.1	0.4	-237.8
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba2	108.6	2.1	192.5
Hungary	3,000	6.375%	3/29/2021	BBB-/BBB-/Baa3	112.4	3.2	123.5
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	115.2	3.4	139.6
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	107.5	2.5	73.1
Turkey	2,000	5.625%	3/30/2021	BB+/BB/Ba1	104.0	4.5	261.9
Kazakhstan	2,500	5.125%	7/21/2025	BBB/BBB-/Baa3	108.5	3.9	166.8

Source: Bloomberg



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