THE CENTRAL BANK OF THE REPUBLIC OF AZERBAIJAN

MONETARY POLICY REVIEW

January –March 2015

The key goal of the review is to present current macroeconomic state analyses and expectations of the Central Bank of the Republic of Azerbaijan (CBA). Another goal of the present publicly disclosed review is to regularly deliver to the public possible impacts of the policy pursued by the CBA on the economy. The review is quarterly disclosed to the public four times a year.

Baku – 2015

TABLE OF CONTENTS

Table of contents

ACRONYMS

CBA	The Central Bank of Azerbaijan
ADB	The Asian Development Bank
EBRD	The European Bank for Reconstruction and Development
ILO	The International Labor Organization
IMF	The International Monetary Fund
FDI	Foreign Direct Investment
SSC	The State Statistics Committee
DGCs	Developing countries
DDCs	Developed countries
OECD	The Organization for Economic Cooperation and Development
CPI	Consumer Price Index
OG	Output gap
APPI	Agricultural Producer Price Index
SME	Small and medium entrepreneurship
NEER	Nominal Effective Exchange Rate
OPEC	Organization of the Petroleum Exporting Countries
REER	Real EffectiveExchange Rate
RSM	Real Sector Monitoring
PPI	Producer Price Index
NFES	The National Fund for Entrepreneurship Support
UNCTAD	United Nations Conference of Trade and Development
GDP	Gross Domestic Product
WTO	The World Trade Organization

EXECUTIVE SUMMARY

In Quarter I of the current year the CBA operated in a complex external economic environment. Prices slumped in the global oil market in parallel with worsened economic growth outlook in a number of trade partner countries. At the same time, national currencies depreciated in most partner countries. Direct and indirect impact of the external economic environment significantly increased foreign currency demand in the FX market.

Over the reporting period the CBA implemented the monetary and exchange rate policy taking into account new trends in the balance of payments and the FX market. The Bank's decisions on exchange rate policy directed to boosting strategic sustainability of country's international solvency. Over the period the CBA introduced a new operational framework of the exchange rate policy.

Inflation remains contained in single digits in Quarter I, 2015. The prices of key consumer goods maintained at an acceptable level.

Overall, the Azerbaijani economy continued its dynamic growth in Quarter I, 2015 amid complicated global processes in the world economy.

I. GLOBAL ECONOMIC ENVIRONMENT AND THE EXTERNAL SECTOR

1.1.Global economic trends

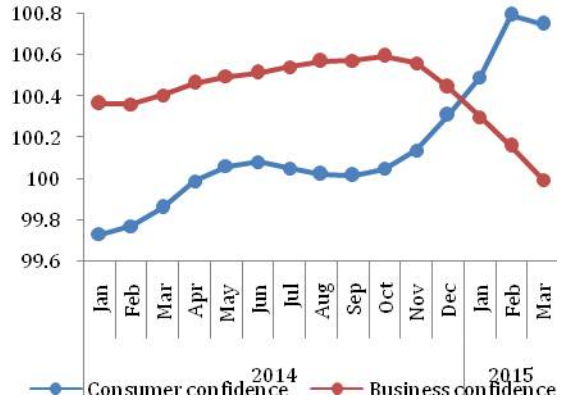
In Quarter I, 2015 the global economic growth rate was lower than expected. Equally, global economic growth varied across regions.

According to preliminary estimates, global economic growth was 2.4% in Quarter I, 2015, which is lower by 0.9% points comparatively with previous quarter. DDCs grew 1.5% (1.9% - previous quarter), while DGCs grew 3% (4.5% - previous quarter) *(the Barclays Bank)*.

Estimations suggest that growth in DDCs in Quarter I was lower than expected. Despite relative improvement in the US labor market, harsh winter negatively affected consumer demand. Although the depreciated exchange rate comparatively stimulated export in the euro zone, the fragile business – investment activity hindered economic growth. The depreciated Japanese national currency had a positive contribution to the economic activity through higher export.

The key reasons for low economic growth in DGCs are weak internal demand, slump in prices for raw materials, capital outflow due to tapering expectations in the USA, as well as the higher geopolitical tension. Initial findings of surveys suggest that the global business activity was affected by low demand in Asia, particularly in China.

Graph 1. Consumer and Business confidence index in OECD countries

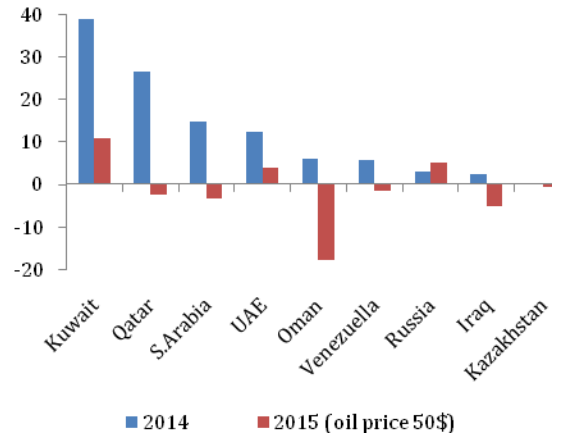


Source: OECD (www.oecd.org)

Slump in oil prices has a negative effect on economic growth in major oil exporters and is accompanied with deterioration of external balance. Deficit of the

Current Account Balance in most countries further escalated with parallel pressures on exchange rates of national currencies. At the same time, major oil exporters are facing the necessity for public spending cuts.

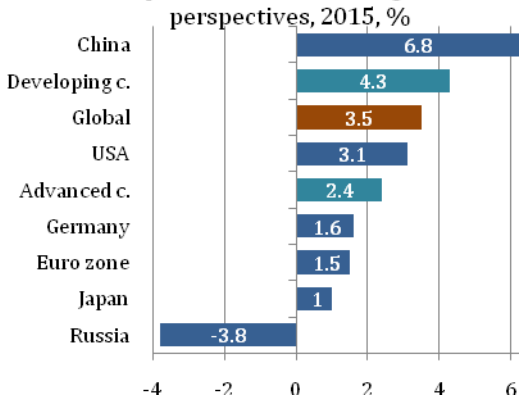
Graph 2. Current Account Balance to GDP ratio in oil exporting countries, %



Source: UBS

The IMF in its recent (April) release left its global growth projection for 2015 unchanged compared with the previous one. Global growth is predicted to be 3.5%, 2.4% in DDCs, and 4.3% in DGCs. As for projections across countries, growth is revised up on certain countries (e.g. Japan), while it is revised down on others (e.g. Russia, China).

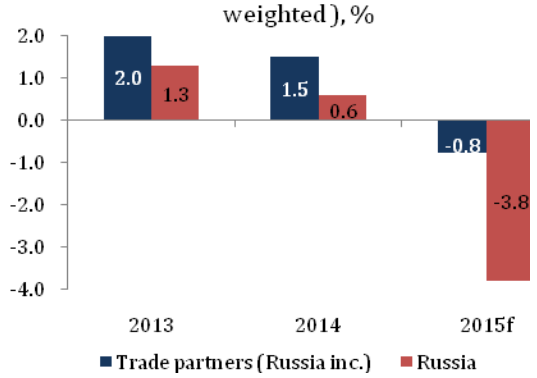
Graph 3. Global economic growth perspectives, 2015, %



Source: IMF

The economic growth rate in our main trade partners is decreasing. Particularly, observable negative economic dynamics in Russia and Ukraine takes down the overall weighted growth rate on trade partners. Estimations based upon IMF projections across countries suggest that recession in Azerbaijan's 15 trade partners is expected to be 0.8% in 2015 (non-oil export weighted).

Graph 4. Economic growth perspectives in trade partners, (non-oil export weighted), %



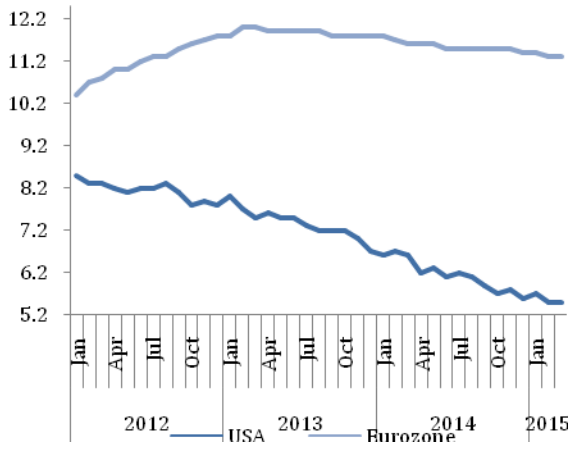
Source: Estimations of the IMF and the CBA

International ratings of partner countries are deteriorating on this backdrop.

Weak global growth reflects itself in the dynamics of unemployment. Global employment has not so far reached the pre-crisis level. Unemployed people are numbering about 200 m. throughout the world.

As of the end-reporting period unemployment was 5.5% in the USA, and 11.3% in the euro zone, while remaining unchanged in Japan in Quarter I (3.4%).

Graph 5. Unemployment dynamics in USA and Euro zone



Source: Eurostat, US Department of Labor

Amid the weak global trade growth rate, prices in world commodity markets were prone to decline over Quarter I, 2015.

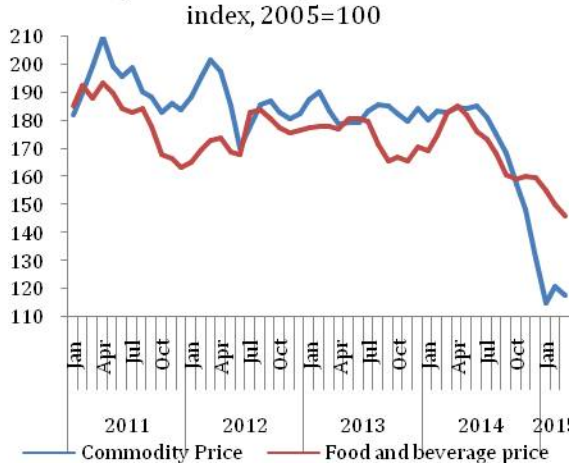
Table1. Shifts in world commodity prices, March, 2015, in %

	Relative to beginning of the year,%	*Compared with the same period of the previous year,%*
Commodity	-10.2	-35.8%
Non-fuel	*-7.6*	*-18*
Food	*-8.5*	*-20.2*
Metal	*-9.5*	*-18.4*
Gold	*-0.5*	*-8.8*
Fuel	*-12.1*	*-45.1*
Natural gas	*-14.7*	*-18.4*

Source: IMF

Over the period the Commodity Price Index and the Food Price İndex dropped accordingly 10.2% and 8.5%. Price decline trends in global markets are explained by both demand and supply factors.

Graph 6. Commodity and Food Price index, 2005=100



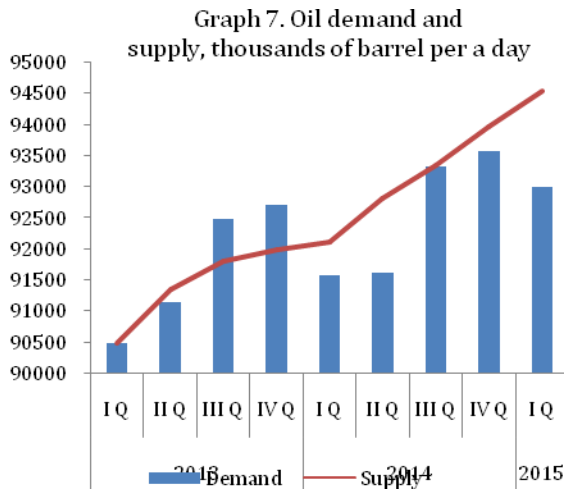
Source: IMF

The World Bank projects 9.4% drop in food prices in 2015.

Metal prices declined more than fuel prices in the global market, which displays that supply factors prevail in the fuel products market. The price for the Brent oil slumped 4.3% relative the beginning of the year and made USD 55.8 as of the end-Quarter I. The average oil price y.o.y decreased to USD 55 in Quarter I. In current January the oil prices plunged to historical low in recent 5 years, with USD 48 monthly average.

The expectations associated with low economic growth and oil demand in Asia and Europe, high oil supply across non-OPEC and OPEC countries. High military – political tension in certain oil exporters had an ascending effect on global oil prices.

The IMF projects the global oil price *(Brent, WTI, and Dubai Fateh - middle)* to be USD 58.14 in 2015, and USD 65.65 in 2016.



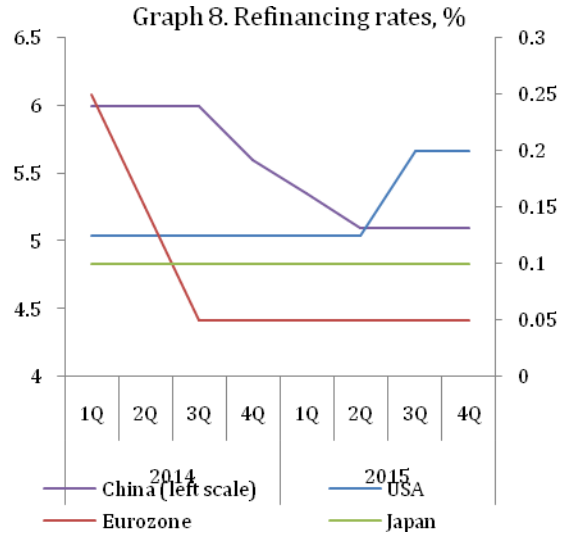
Source: The International Energy Agency (www.iea.org)

Inflationary pressures drop on major countries amid low global commodity prices.

The IMF projects 0.4% inflation in DDCs and 5.4% in DGCs as of end-2015. High inflation in certain DGCs can be attributed to devaluation.

Regional differences in global growth lead to the synchronized monetary policy across countries. The US Fed is expected to tighten the monetary policy from the second half of the year onward. The ECB, as it had declared, launched QE over the reporting period (monthly EUR 60 b). The support program to spread up to

September, 2016 is accompanied with the depreciation of euro. Over the reporting period, of 30 leading countries base interest rates declined in 15 countries, rose in 1 country and remained stable in 14 countries *(JPMorgan).* The policy rate decreased 4 p.p. in Russia and 0.25 p.p. in Turkey over the quarter. The China's Central Bank pumped liquidity to the economy by reducing reserve requirements.



Source: JPMorgan

The probability of the tighter monetary policy by the US Fed is accompanied with appreciation of the US dollar against a number of other currencies. Over the period while the US dollar appreciated by 12.5% against the euro, 20.8% against the Georgian lari, and 12.5% against the Turkish lira, it depreciated 2.1% against the Swiss franc.

[redacted]

1. [redacted]

2. [redacted]

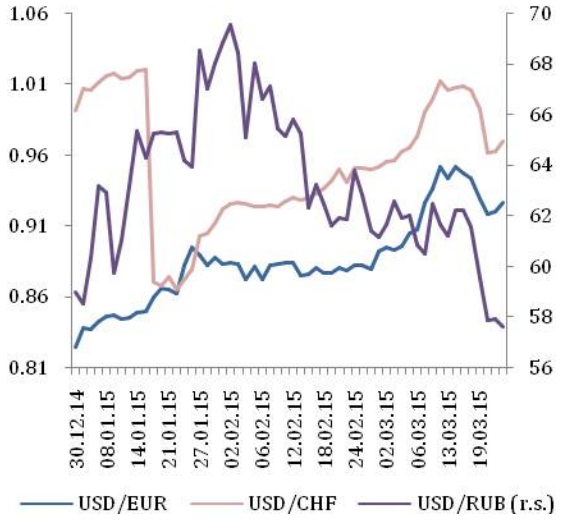
4. [redacted]

6. [redacted]

7. [redacted]

Source: Rabah Arezki, Olivier Blanchard "Seven Questions About The Recent Oil Slump" IMF, 2014

Graph 9. USD exchange rate dynamics



Source: Bloomberg

Deeper regional variances in global growth, as well as high shifts in capital flows and commodity prices lead to different economic exposures across country groups and countries.

The key risks in DDCs include low demand, particularly weak investment activity, low factor productivity (the euro zone), appreciation of the dollar (the USA) and deflationary expectations (the euro zone).

The key risks in DGCs include weak response of export to high demand, geopolitical expansion, drops in prices of energy and unstable assets prices.

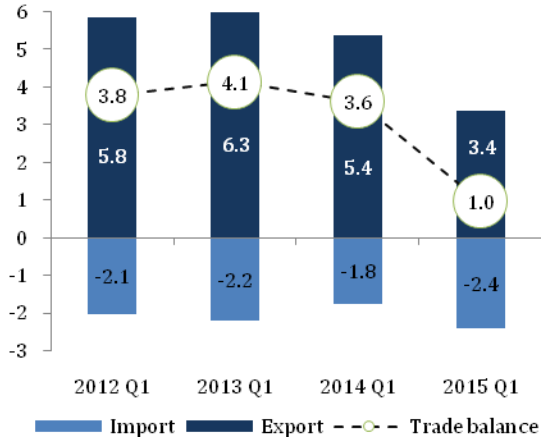
Given weak growth projections and risks, international financial institutions recommend continuing an accommodative monetary policy, increasing infrastructure investments and accelerating institutional – structural reforms to boost productivity.

1.2. Azerbaijan's external sector developments

The conjuncture in the global commodity market and the economic situation in key trade partners have a significant impact on foreign exchange inflows to the country.

According to the State Customs Committee (SCC), in Quarter I, 2015 foreign trade turnover constituted USD 5.8 b., of which export accounts for USD 3.4 billion, while import accounts for USD 2.4 billion.

Graph 10. Trade balance, USD bln. $



Source: SCC

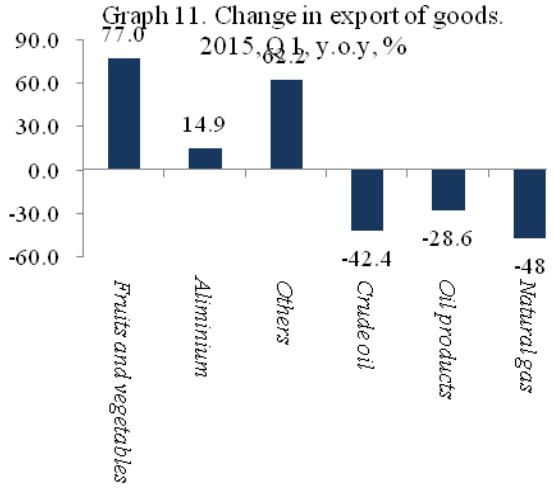
Over the period the surplus of trade balance was USD 1 billion with export prevailing over import by 39.3%.

61.5% of export was supplied to EU countries and 2.3% to CIS countries. The EU accounts for 25.4% and the CIS – 19.4%of import.

In Quarter I y.o.y decrease in export was 37.1%, which is primarily on the non-oil sector with a higher share in export. Export dropped 42.4% on crude oil, 28.6% on oil products and 48% on natural gas.

Export of fruits and vegetables, products of the chemical industry, aluminum and materials posted a high growth rate. Export of fruits and vegetables went up 77%, chemical products – 3 times and aluminum – 14.9%.

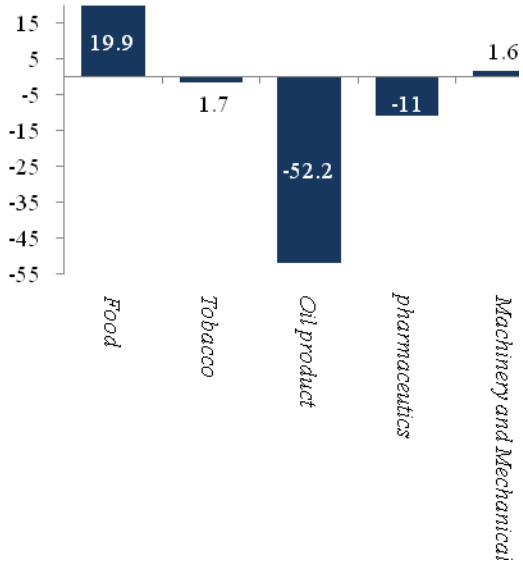
Graph 11. Change in export of goods. 2015, Q1, y.o.y, %



Source: SCC

Y.o.y increase in import was 37.7%. Also import on the public sector increased 38%. Import on a number of products declined due to expansion of domestic production.

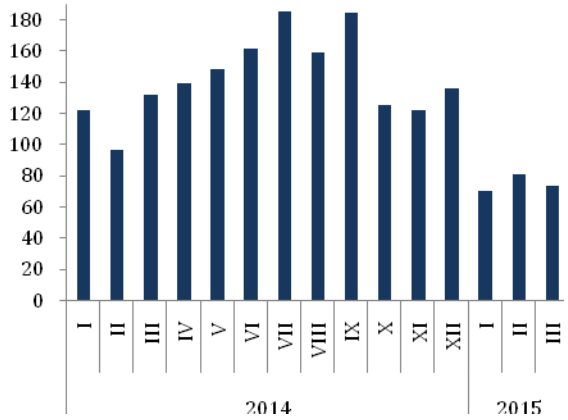
Graph 12. Change in import of goods, 2015, Q1, y.o.y, %



Source: SCC

The current situation in economic partner countries affected the dynamics of remittances. According to initial estimations, remittances to the country in Quarter I y.o.y decreasing 36% and constituted USD 224.1 m.

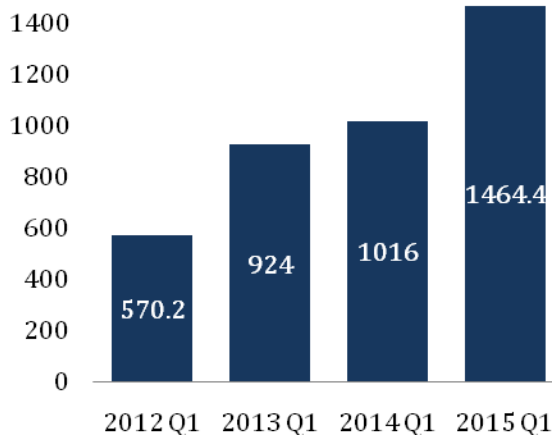
Graph 13. Inflow of remittances, mln. $



Source: CBA

Over the reporting period FDIs continued to flow to the country. According to the SSC, the size of FDIs to the country economy equaled to AZN 1.5 b. in Quarter I, 2015, which constitutes 46.9% of total investments. The y.o.y growth rate of FDIs made 67%.

Graph 14. Foreign investments, mln. manat



Source: SSC

Investments from Great Britain, Norway, Turkey, Russia, Iran, the USA and Japan account for most part of investments from foreign countries and organizations (84.5 %).

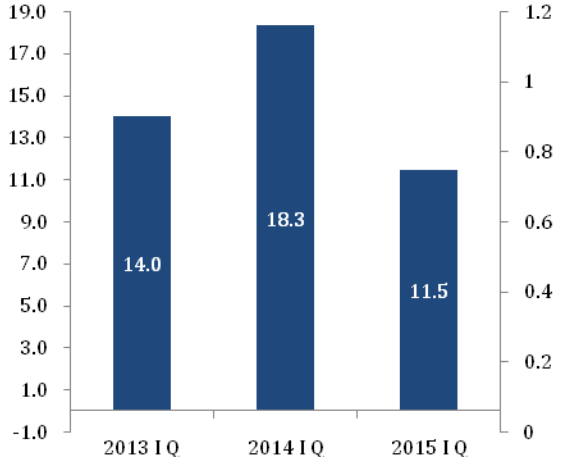
II. MACROECONOMIC PROCESSES IN AZERBAIJAN

2.1. Aggregate demand

The key components of aggregate demand positively affected economic growth over the reporting period.

Final consumption expenditures. In Quarter I, 2015 population's consumption expenditures y.o.y increased 11.5% to AZN 7.2 b., which constitutes 75.7 % of population's income.

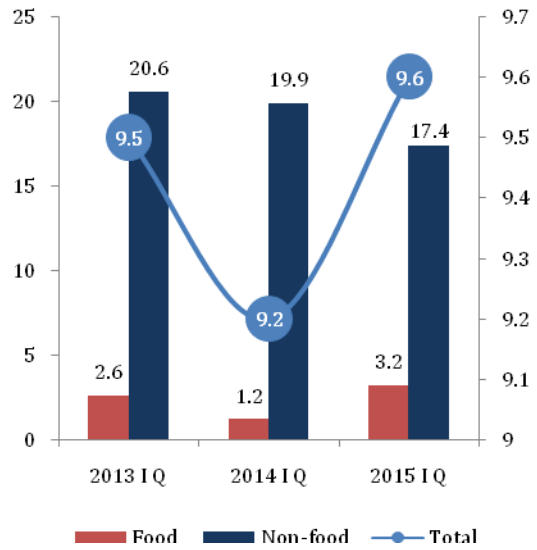
Graph 15. Changes in final consumption, y.o.y. %



Source: SSC

High consumption expenditures conditioned growth of retail commodity turnover. Over the quarter every consumer purchased on average AZN 269 worth of commodities and chargeable services with y.o.y AZN 25.7 increase. Over the period the size of commodities and services sold in the consumer market to meet consumers' demand increased 8.7% to AZN 7.7 b. Trade accounted for 81.6% and services accounted for 18.4% of real growth on the consumer market.

Graph 16. Dynamics of retail trade turnover, y.o.y. %



Source: SSC

Retail trade turnover increased 9.6% to AZN 5.8 b.

Over the reporting period consumers spent 50.2% of their funds on food, beverage and tobacco in retail trade outlets.

Table2. Share of spending items in trade outlets in Quarter 1, 2015

Spending item	Share, in %
Food, beverage and tobacco	50.2
Knitwear, clothing and shoes	17.8
Electric appliances and furniture	5.7
Computers, telecommunication equipment and other devices	0.8
Pharmaceuticals and medicals	1.2
Fuel	6.6
Other non-food stuff	17.7

Source: SSC

Overall, over the quarter retail trade turnover rose 3.2% on food and 17.4% on non-food products.Every consumer monthly purchased on average AZN 101.7 worth of food, beverage and tobacco and AZN100.7 worth of non-food products retail trade outlets for private consumption.

To note, a portion of non-food products was purchased via e-trade. In January – March, 2015 consumers purchased AZN 2.7 m. worth of consumer goods via e-trade, y.o.y increase being 1.7 times.

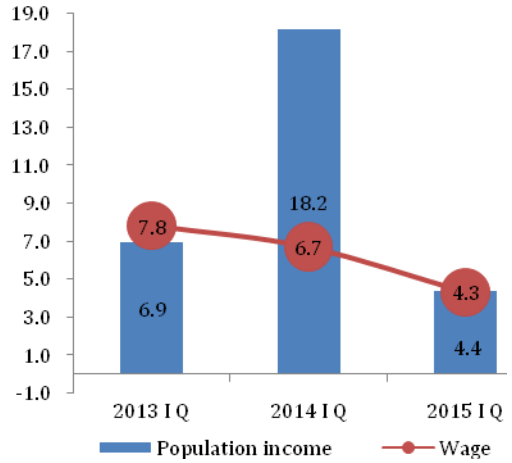
In January – March, 2015 y.o.y increase in catering turnover was 14.4% and paid services to the population 5.3%.

Expansion of consumer demand in the first instance stemmed from rise in income of the population. Over the period income of households rose 5.3% in nominal and 2.5% in real terms.

Per capita income rose 4% in nominal and 1.2% in real terms. Disposable income of the population increased 5.3% to AZN 8.6 b.

Average monthly salary nominally increased 4.3% to AZN 444.5 in Quarter I.

Graph 17. Population income and wage, y.o.y, %



Source: SSC

In Quarter I consumer demand was also affected by loans issued to

households. The volume of the lending portfolio of households as of the end-quarter I approximated AZN 8.3 b., with 7.3% rise relative the beginning of the year. The number of credit cards rose 1% in Quarter I.

Government spending. Public expenditures were the one of the key factors of internal demand in Quarter I, 2015. Government's consumption expenditures were primarily directed to expenses on goods and services from the state budget. Budget spending totaled AZN 2.7 b., and the AZN 80.1 worth of surplus from the budget implementation constituted 1.1% of GDP.

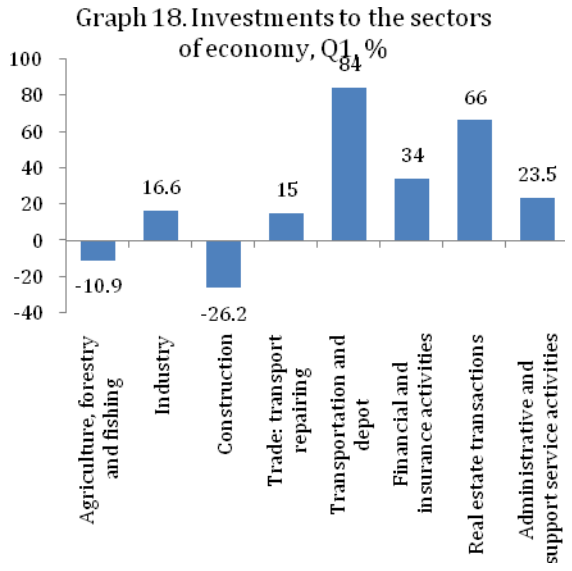
AZN 1.4 b. worth of budget expenditures (53.7%) were channeled to the development of the economy, AZN 359,1 m. (13.4%) to social protection and welfare of the population, AZN 140.2 m. (5.2%) to financing of education, and AZN 60.6 m. (2.3%) to financing of healthcare.

Investment expenditures. In Quarter I, 2015 investment to the country economy rose 3% to AZN 3.2 b. In January – March investments to the oil sector constituted AZN 1.5 b., while investments to the non-oil sector made AZN 1.7 b.

Y.o.y increase in the size of investments was 16.6% in segments of industry, 84% in transportation and warehousing, 3.8 times in information and communication, 15% in trade, 66% in real estate related operations, 13.7 times in tourism and catering, and 34% in financial and insurance activities.

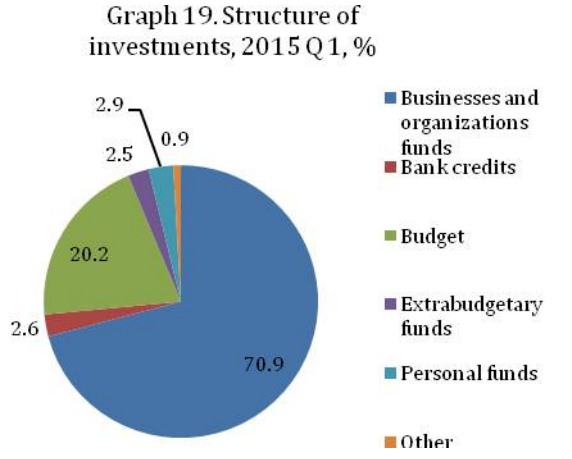
In Quarter I y.o.y increase in the overall residential area was 10.9% to 414.5 thousand square meters.

54.7% (AZN 1.8 b.) of funds channeled to capital stock stemmed from domestic sources, while 45.3% (AZN 1.4 b.) from foreign sources.



Source: SSC

As in previous years funds of entities and organizations prevailed in total investments over the reporting period.



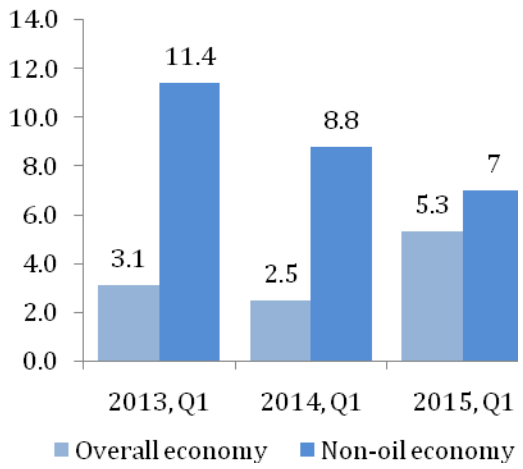
Source:SSC

2.2. Aggregate supply and employment

In Quarter I, 2015 GDP kept pace with aggregate demand.

Economic growth. In Quarter I, 2015 GDP rose 5.3% in real terms to nominal AZN 11.5 b.

Graph 20. Economic growth, y.o.y, %

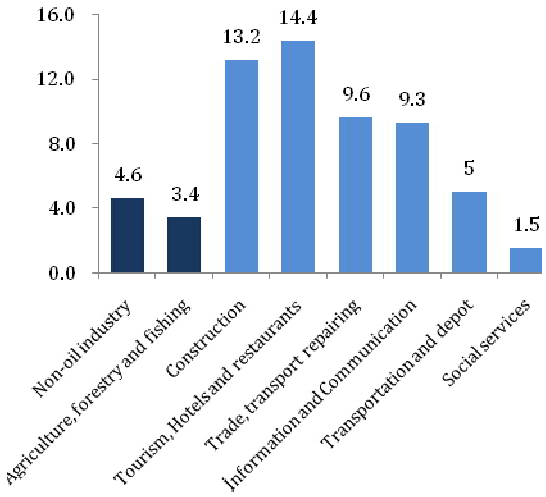


Source:SSC

GDP growth was mainly driven by the activity in the non-oil sector. Over the reporting period the oil sector grew 3.4%, while the non-oil sector raised 7%.The non-oil sector accounted for 68% of GDP, which made 3.8. p.p. contribution to total growth. About 80% of GDP stems from the private sector.

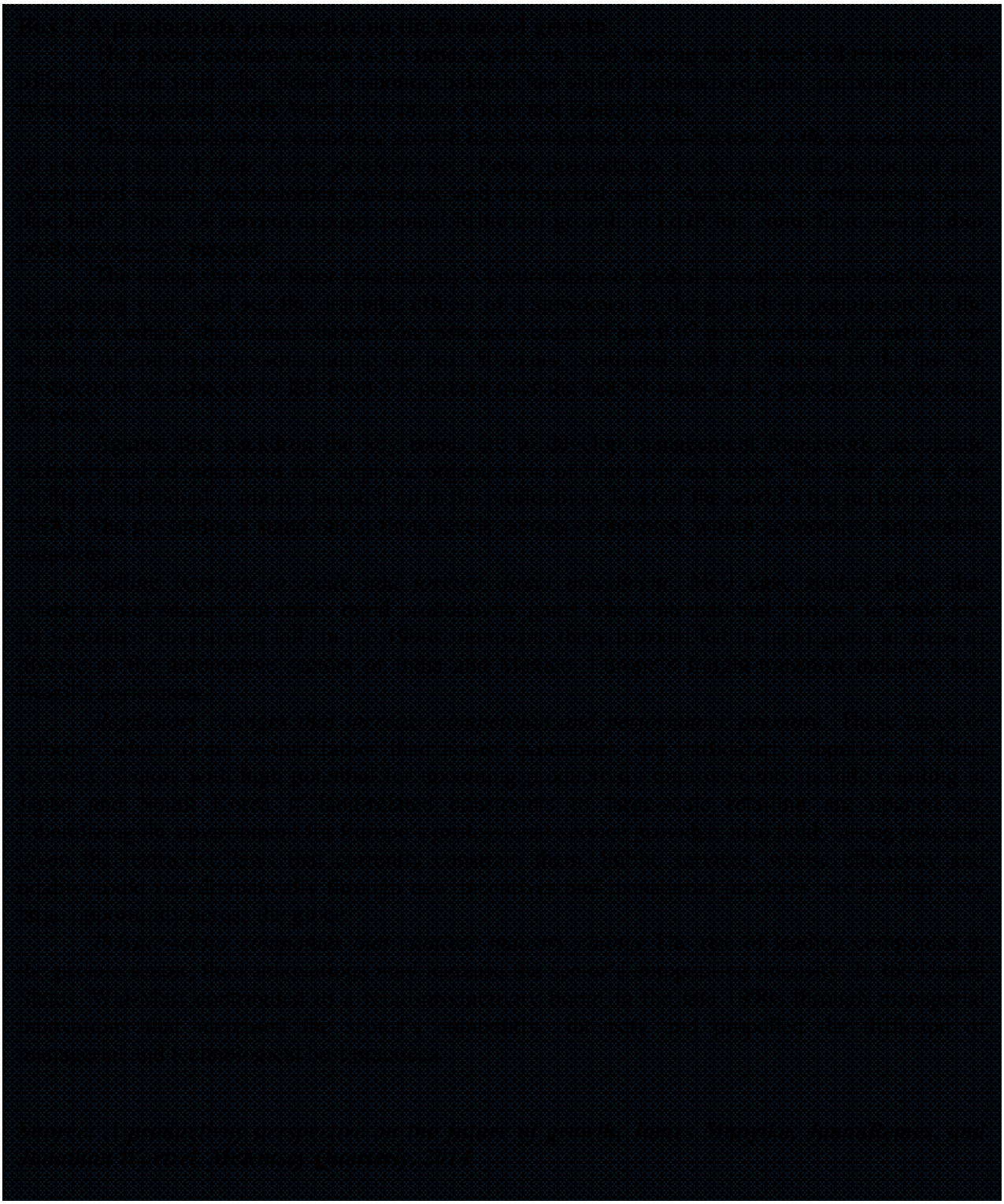
As seen from the below chart, over the quarter all sectors of the non-oil sector posted growth.

Graph 21. Sectorial growth of economy, y.o.y, %



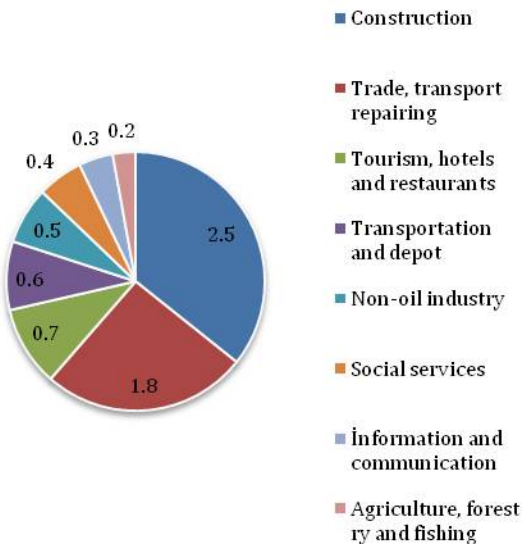
Source:SSC

The highest growth rate among sectors was in tourism and catering, construction, trade and repairs of vehicles, as well as information and communication.



The construction sector made 2.5 p.p. contributions to 7% growth of the non-oil sector.

Graph 22. Contributions of sectors to non oil economic growth in the Q1, %



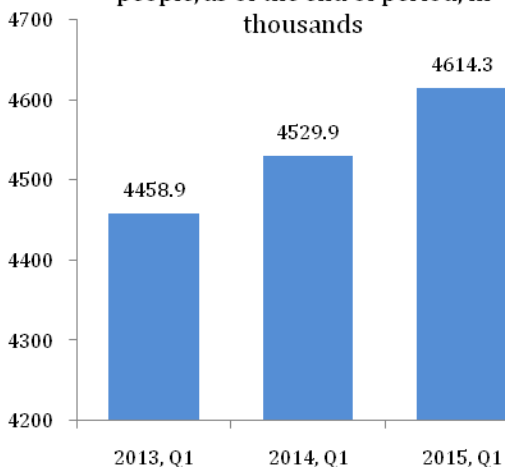
Source: CBA estimations based upon SSC data

Efforts of previous years led to ongoing positive trends in the non-oil industry. Overall, the non-oil industry posted 4.6% growth in Quarter I, 2015. Excluding oil industry, the highest growth rate in the industry stems from manufacturing of leather and leather products, shoes, jewelry, musical, sports and medical equipment, installation and repairs of machines and equipment, chemicals, pharmaceuticals, and production of rubber and plastic materials.

Over the reporting period the mining industry yielded 10.5 m. ton crude oil, 5.2 million/m^3 natural gas, 18.6 kg silver, and over 530 kg gold.

Employment. As of the end reporting period the economically active population in the country numbered 4851.5 thousand persons, of which 95.1% was engaged in various segments of the economy and the social sector.

Graph 23. Number of employed people, as of the end of period, in thousands



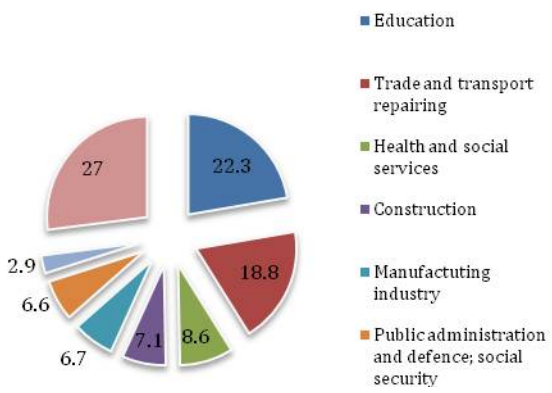
Source:SSC

Over the quarter newly created jobs numbered 30,000, as well as 25,000 permanent jobs, which contributed to the increase in the

share of the employed in the economically active population.

According to the SSC, the number of hired labor was 1514.1 thousand people as of end-February. Of the hired labor engaged in enterprises and organizations 22.7% are engaged in production and 77.3% in services.

Graph 24. Employees by sectors of economic activities



Source:SSC

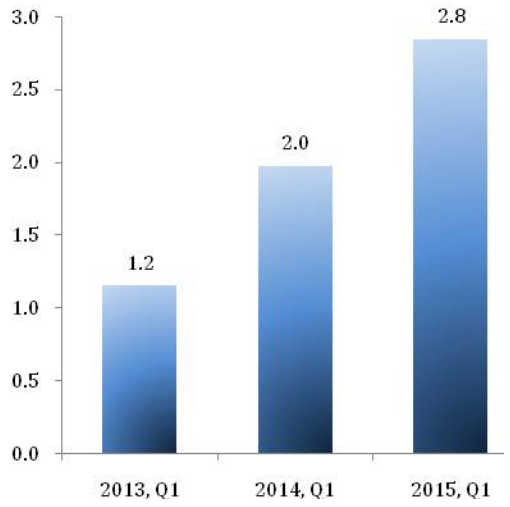
High economic growth of the non-oil sector also contributed to employment. The number of hired labor engaged in the non-oil sector y.o.y increased 18.4 thousand to 1477.3 thousand people. Overall, 97.6% of hired labor is engaged in the non-oil sector, while 2.4% in the oil sector.

2.3. Inflation

In Quarter I, 2015 price stability was maintained and inflation was at an acceptable level.

Consumer Price Index (CPI). Average annual inflation was 2.8% in Quarter I, 2015.

Graph25 Annual average inflation, %

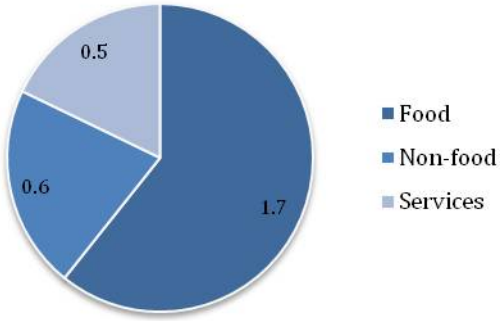


Source: SSC

The CPI components - food prices changed 3.9%, non-food prices 2.4%, and services1.6%.

Estimations suggest that 1.7 p.p. of the 2.8% average annual inflation stemmed from rise in food prices, 0.6 p.p. from rise in non-food products and 0.5 p.p. from rise in services.

Graph 26. Components of annual average inflation, %

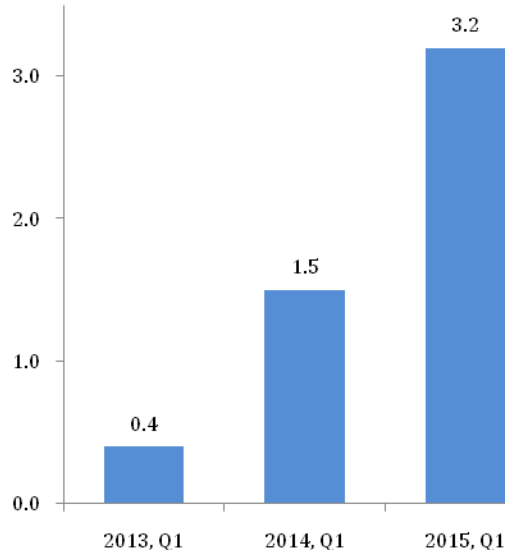


Source: CBA estimations based upon SSC data

As can be seen from the graph, food prices made higher contribution to average annual inflation vs. other components over the reporting period. Prices for vegetable-oil and fatsy.o.y gained 9.6%, fruits 9.1%, coffee, tea and cacao 8% in January – March.

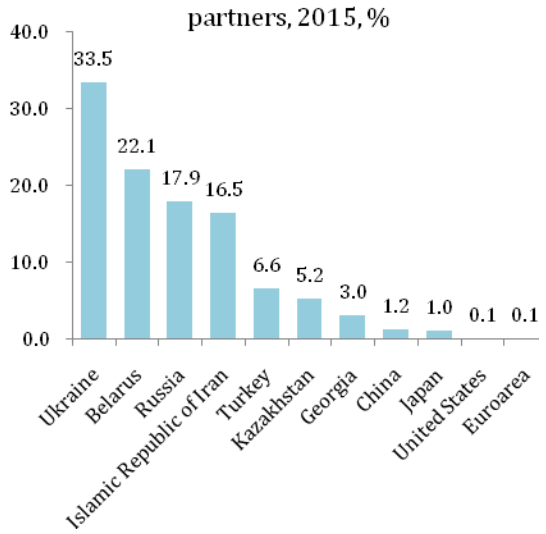
The average annual core inflation, which is inflation adjusted from swings in prices for commodities regulated by the Government and seasonal factors made3.2%.

Graph 27. Annual average core inflation, %



Source: SSC

Graph 28. Forecast of the annual average inflation in trade partners, 2015, %



Source: IMF

In Quarter I, 2015 the NEER, inflation expectations and seasonal factors had an upward effect on prices, with a downward effect by shifts in the money base and global food prices.

Average annual inflation in foreign trade partners was 7.4%, 4.6 p.p. more than the one in Azerbaijan. CBA estimations built upon IMF – projections suggest that average annual inflation in key trade partners will be 7.9% in 2015.

International organizations project single-digit inflation in Azerbaijan in 2015.

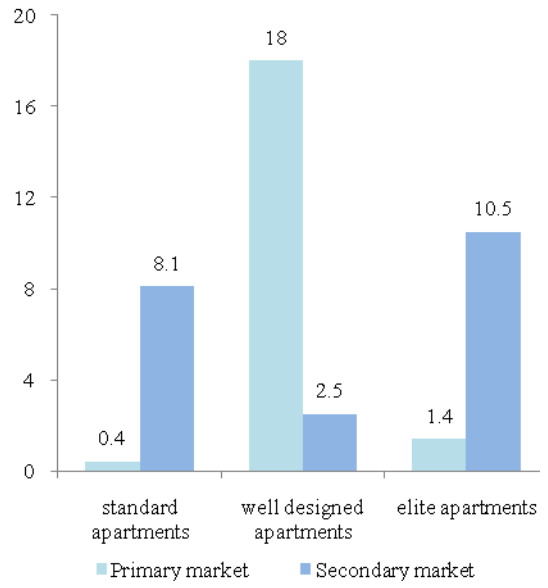
Industrial Producer Price Index (IPPI). In Quarter I, 2015 the IPPI decreased 41.6%, due to 45.4% downswing in the mining and 15.4% in the processing industries.

The Agricultural Producer Price Index (APPI) grew 10.3% in Quarter I, 2015. Price hike was 2.4% on animal products, 18% on plant products and5.8% on fish and fish products.

Real estate prices. According to the SSC, prices in the housing market y.o.y. gained 10% in Quarter I, 2015.

Prices in secondary and primary markets respectively grew by10% and 12.7%.

Graph 29. Price changes in housing market, y.o.y, %



Source: SSC

The highest price hike in the secondary market was observed in low-quality apartments (13.3%), and in the primary market in well-designed apartments (18%).

III. THE MONETARY AND EXCHANGE RATE POLICY

3.1. The FX market and the exchange rate of Manat.

Over the reporting period the CBA implemented its exchange rate policy in the foreign exchange market with increasing demand for foreign currencies.

Slump of oil prices in global commodity markets from the end of 2014, parallel to the psychological impact of high devaluation trends in our country's key trade partners triggered high demand for foreign currencies, particularly US dollar in the domestic FX market.

Demand for foreign currency was high in both segments of the domestic FX market – cash and non-cash FX markets alike.

Over the reporting period total size of the FX market y.o.y grew 2.6 times. 91% of transactions were conducted in the US dollar, while 9% in other currencies. The size of turnover of currency transactions in the US dollar y.o.y increased 2.3 times, while the volume of euro operations rose 2.4 times.

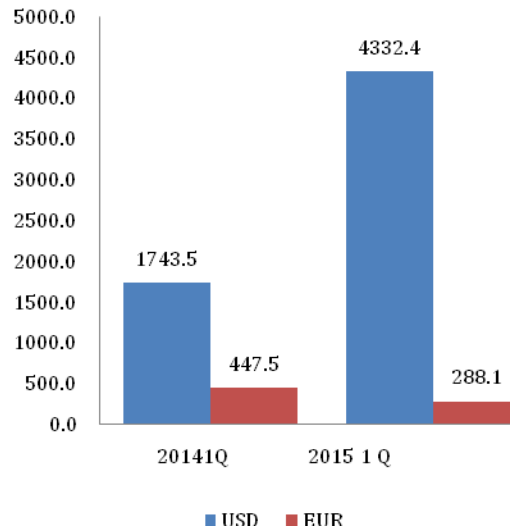
Table 3.Size of FX market turnover, *million.currency units*

	2014 (Q I)	2015 (Q I)	*y.o.y growth, in %*
Size of USD operations, in dollars	7789	18341	*235*
Size of EUR operations, in euros	612	1491	*244*

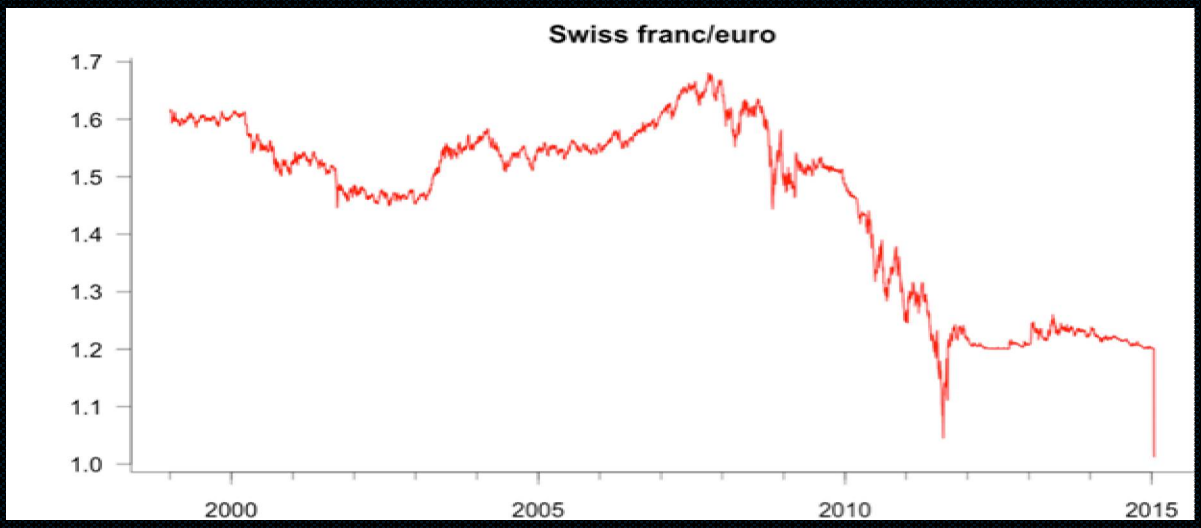
Source: CBA

Banks sold 2.1 times as much net cash foreign currency to the population.

Qrafik 30. Net cash foreign currency sold by bank branches, USD



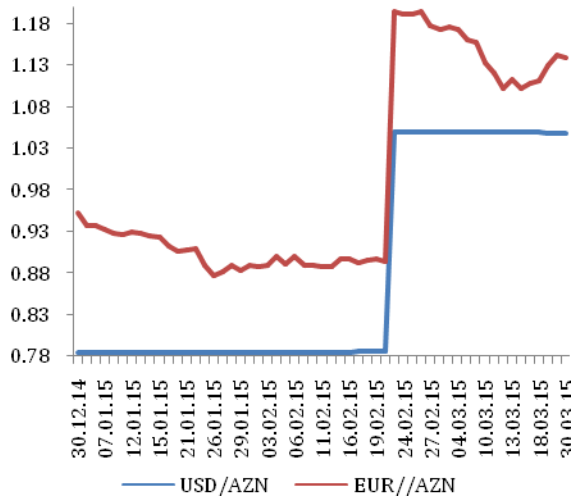
Source: CBA


Swiss franc/euro
1.7
1.6
1.5
1.4
1.3
1.2
1.1
1.0
2000
2005
2010
2015

The Management Board of the CBA decided to set the exchange rate of US dollar against AZN at AZN 1.05 as of 21 February 2015 in light of the situation in the FX market. The decision was taken to create additional stimuli for the diversification of the national economy, further enhance its international competitiveness and export capacity, and ensure strategic sustainability of the balance of payments and country's international solvency.

Shortly before the decision making, the exchange rate of Manat peaked against currencies of partner countries. Manat appreciated on average 30% against currencies of trade partners from early 2014 to February, 2015. Within this period the Russian ruble depreciated against the USD 86%, the euro 20%, the Kazakh Tenge20%, the Turkmen Manat 22%, the Moldova Leu 17%, the Belarus Ruble 52%, the Ukrainian Hryvnia169%, the Turkish lira 13%, the Iranian real 12%, and the Georgian Lari 31%. Thus, adjustment of the exchange rate neutralized average weighted appreciation of Manat against the above currencies with the 33.55%.

Graph 31. Exchange rate of Manat against USD&EUR



Source: CBA

Also the CBA changed the operational framework of the exchange rate policy over the reporting period considering the new situation in the FX market. The CBA abandoned the dollar peg and started to target the currency basket value comprising USD and EUR.

The main advantage of the currency basket mechanism lays under the potential of partly

distribution of changes in USD/EUR exchange rates in global markets, between USD/AZN and EUR/AZN exchange rates. In parallel, the currency value is regulated in relation to the situation in the FX market, inflation, and financial stability targets. Otherwise stated, the regulated basket value allows to reflect swings in EUR/USD exchange rate on the one hand and the stance of the balance of payments on the other hand in the exchange rate.

The advantage of targeting the currency basket value over targeting bilateral exchange rate is that this framework eventually enables to persistently influence the effective exchange rates of Manat against all currencies. It also further improves the CBA influence on the money base and interest rates enabling the exchange rate to be determined by the market.

Inclusion of the euro and the dollar to the basket relates to the use of these currencies in country's foreign economic ties. At the same time, since exchange rates of other currencies are affected by the exchange rates of the dollar and the euro, they may be assessed as the dollar group and the euro group currencies.

The CBA remains active in the FX market in the currently applied framework. The CBA intervenes in the FX market within the corridor (range between buying and selling rates).

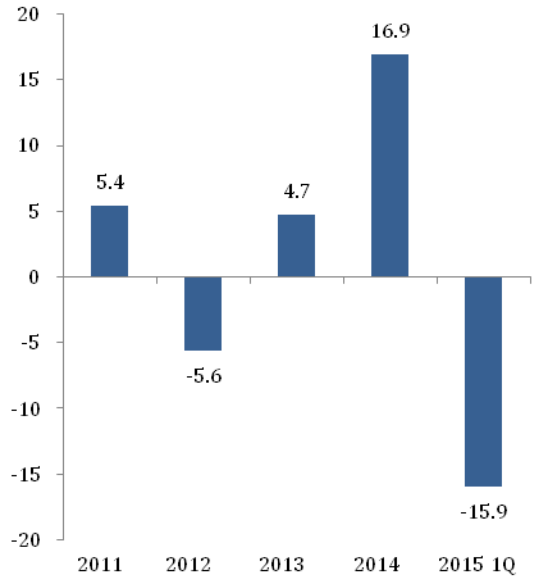
Currently, market players are gradually adapting to the new exchange rate regime.

As a result of the policy decisions the nominal bilateral exchange rate of Manat depreciated against the currencies of major partner countries as of end-Quarter I. The dynamics of the nominal bilateral exchange rate of Manat caused shifts

in real bilateral exchange rates. The real bilateral exchange rate of Manat depreciated 21.1% against the US dollar, 10.7% against the euro, 13.2% against the Turkish lira, 21.1% against the Russian ruble, while it appreciated 2.5% against the Belarus ruble.

The REER (*non-oil trade weighted*) depreciated 15.9% over the reporting period stemming from 17.3% depreciation of the NEER.

Qrafik 32. Dynamics of REER, %



Source: CBA

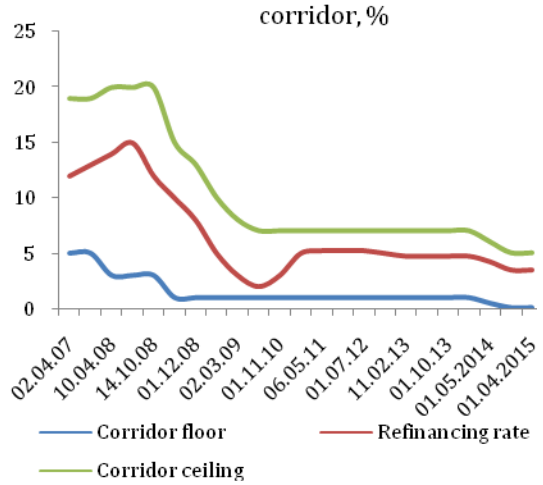
The depreciated REER positively affects the competitiveness of the non-oil sector, offsets import and stimulates the development of export oriented sectors.

3.2. Monetary policy tools

In Quarter I, 2015 the CBA used policy tools in light of the dynamics of money supply, economic growth prospects, as well as price and financial stability targets.

The CBA left the parameters of the interest rate corridor unchanged over the reporting period in consideration of the inflation rate, aggregate demand factors affecting economic growth and growth rates of money supply. Currently, the CBA's refinancing rate is 3.5%, the corridor ceiling is 5%, and the corridor floor is 0.1%.

Graph 33. Parameters of interest rate corridor, %



Source: CBA

The CBA deployed the above parameters to regulate liquidity injections and absorptions of the banking system.

Open market operations and required reserves were conducted to adjust growth rates of money supply and the liquidity level in the banking system over the reporting period.

The CBA decreased the reserve requirement to 0.5% from 2% in view of recent trends in movements in money supply and in an effort to support economic growth through allowing drops in interest rates in Quarter I. Accordingly, required reserves of banks with the CBA were decreased by AZN 226 million.

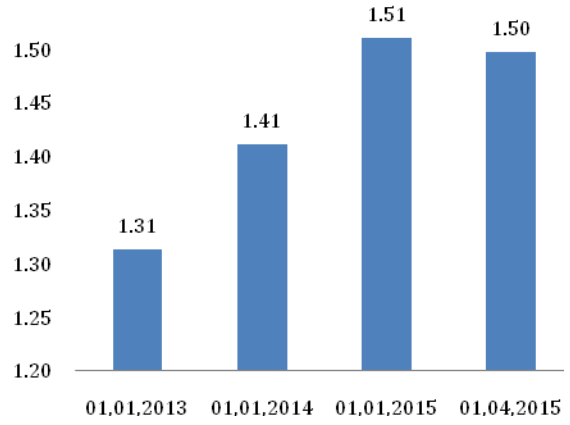
3.3. Money supply

Over the reporting period money supply in Manat was affected by seasonal factors and the processes in the FX market.

In Quarter I of the current year the money base decreased 27.7% to AZN 8339.4 m. CBA's currency sales had a decreasing, while other factors (CBA's market operations etc.) had an increasing effect on shifts in the money base.

The money multiplier of the banking system remained nearly unchanged over the quarter, which y.o.y increased by 3.1%.

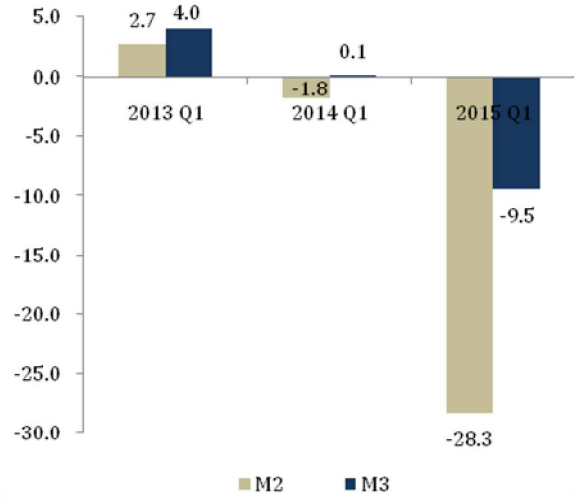
Graph 34. Money multiplier, end of period



Source: CBA

Over the quarter broad money supply in Manat (M2) dropped 28.3% to AZN 12493.1 m. as of the end-period.

Graph 35. Quarterly change in money supply, %



Source: CBA

Table 4.Money aggregates, m. Manat

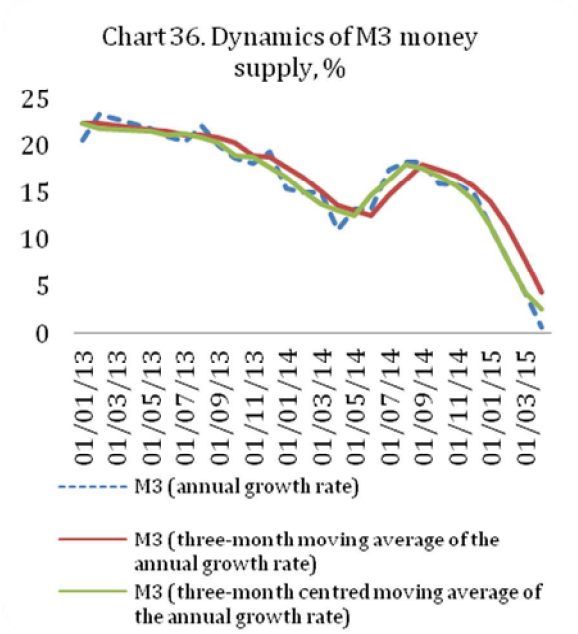
	01.01.13	01.01.14	01.01.15	01.04.15
M0 *(Cash)*	9256.6	10458.7	10152.5	7396.6
M1 *(Cash, demand savings and deposits)*	11107.9	12736.9	12830.4	9292.7
M2 *(Cash, demand and terms savings and deposits, in manat)*	13806.4	16434.8	17435.8	12493.1
M3 *(Cash, demand and terms savings and deposits, in manat and foreign currency)*	16775.3	19359.8	21566.4	19516.4

Source: CBA

Cash money supply in Manat decreased by 27.1% in Quarter I.

Over the quarter broad money supply (M3) decreased by 9.6% to AZN 19516.4 m. as of 01.04.2015. The M3 money aggregate y.o.y rose 0.7%. The decline in the M3 money aggregate is associated with the drop in net foreign assets. Net foreign assets accounted for 55%, while net domestic assets for 45% in the decrease of the broad money supply.

Foreign currency denominated deposits accounted for 57.9% of total savings and deposits as of the end-period.



Source: CBA

The share of foreign currency denominated deposits and savings in the M3 money supply was 36% as of the end period. Whereas deposits and savings in Manat decreased 30%, deposits and savings in foreign currency gained 69.8% in Quarter I.

Chartsandtables used

Charts

Tables

The Central Bank of the Republic of Azerbaijan

Tel.: (+99412) 493 11 22

Fax: (+99412) 493 55 41

http://www.cbar.az

mail@cbar.az

Address: 32 R.Behbudov Str., AZ1014, Baku