CENTRAL BANK OF THE REPUBLIC OF AZERBAIJAN

MONETARY POLICY REVIEW

January – December 2017

The main goal of this publicly disclosed quarterly review is to present the analysis of current macroeconomic developments and information on the monetary policy implemented by the Central Bank of the Republic of Azerbaijan to broad public.

Baku – 2018

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ACRONYMS

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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
NBCI	Non-bank Credit Institution
FDI	Foreign direct investment
SSC	The State Statistics Committee
DGCs	Developing countries
DDCs	Developed countries
OECD	The Organization for Economic Cooperation and Development
CPI	The consumer price index
APPI	The agricultural producer price index
SME	Small and medium-sized enterprises
NEER	The nominal effective exchange rate
OPEC	The Organization of the Petroleum Exporting Countries
REER	The real effective exchange rate
RSM	Real Sector Monitoring
IPPI	The industrial producer price index
NFES	The National Fund for Entrepreneurial Support
UNCTAD	The United Nations Conference of Trade and Development
GDP	Gross Domestic Product
WTO	The World Trade Organization

EXECUTIVE SUMMARY

In 2017 the CBA implemented a policy oriented towards macroeconomic sustainability, the policy rate and money supply sources were regulated in accordance with macroeconomic stability and development of the national economy targets.

The balance of payments improved, pressure on foreign exchange reserves abated, the external value of the national currency stabilized and inflation expectations relatively slowed down. These positive outcomes ensued deep macroeconomic maneuvers and a flexibly coordinated macroeconomic policy framework.

The CBA implemented the anti-inflationary monetary policy. The size of money supply was regulated in light of economic growth and inflation forecasts, developments in financial markets and the banking system's liquidity position. Parameters of the interest rate corridor responded to indicators of the economic cycle, analyses of inflationary risks and processes in various segments of financial markets. The Bank took into consideration monetary policy's transmission capacity when taking policy decisions, doing it in a preventive regime.

In general, implemented policy actions resulted in stronger positive trends on safeguarding macroeconomic stability in 2017.

I. GLOBAL ECONOMIC ENVIRONMENT AND THE EXTERNAL SECTOR

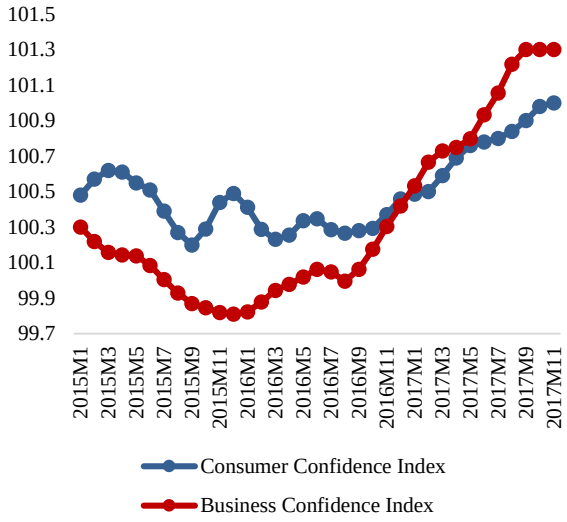
1.1 Global economic trends

The economy revived in 2017. Growth exceeded forecasts particularly in DDCs. Despite lingering political uncertainties, global growth outlook improved. Energy prices are drawing closer to the level of 2014.

Global economic growth. Global economic recovery continued in Quarter IV 2017 on the backdrop of rising commodity prices, and higher investment and trade. Economic growth accelerated in 120 countries in 2017, the highest indicator since 2010.

OECD's business and consumer confidence indices rose steadily over the year (Graph 1). Both indices have peaked since the global financial crisis.

Graph 1. Business and Consumer Confidence indexes in OECD countries



Source: OECD

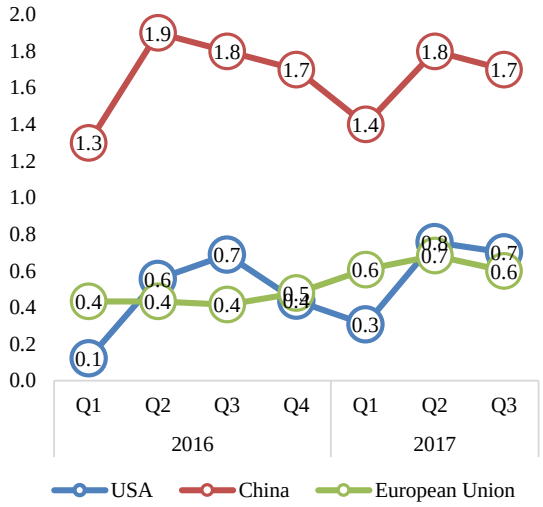
Economic growth in Germany, Japan, South Korea and the USA was higher than expected in the second Half of 2017.

Stronger external demand resulted in higher than expected economic activity in the USA. The newly approved US Corporate Tax Law is expected to increase investments in a short run having an upward effect on GDP.

Economic growth outlook has improved compared to the early year in

most euro zone countries. According to IMF's January update, economic growth stood at 2.4% in the euro zone, 0.3 p.p. higher than October estimations.

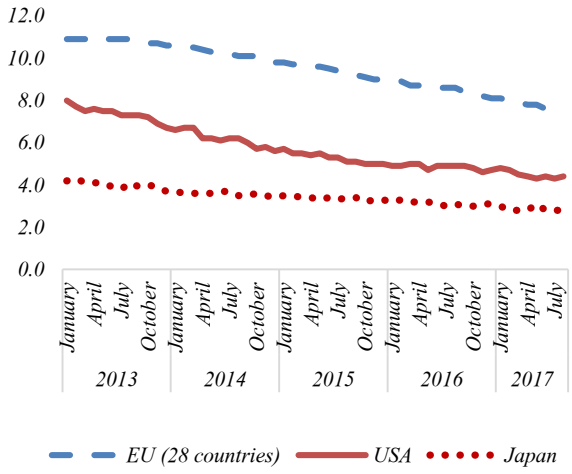
Graph 2. Quarterly economic growth (quarter on quarter)



Source: OECD

In general, economic growth in DGCs also was higher than expected. According to official data, economic growth in China stood at 6.9% in 2017, 0.2 p.p. higher compared to 2016. Particularly, accelerated economic growth in Poland and Turkey strengthened overall economic growth in European DGCs. Azerbaijani trade partners grew by 3.1% in 2017 (average non-oil weighted across 15 countries).

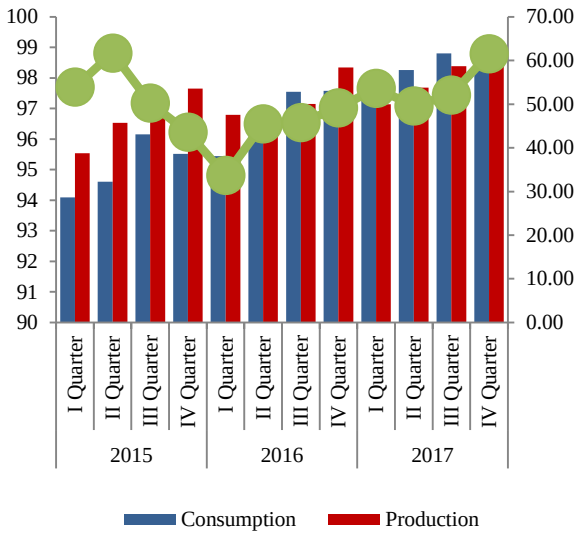
Graph 3. Unemployment rate, % (seasonally adjusted)



Source: OECD

Global commodity prices. Relative rise in commodity prices kicked off in 2016 continued in 2017 as well. Particularly, energy prices underwent upswings. Relatively stable oil prices of the early year were replaced by considerably high prices in II half of the year. In general, Brent oil price rose by 21%, up by 24.5% compared to the average indicator of 2016. Currently medium term oil futures stand at $54.

Graph 4. World oil market, production-consumption, thousand barrels/day

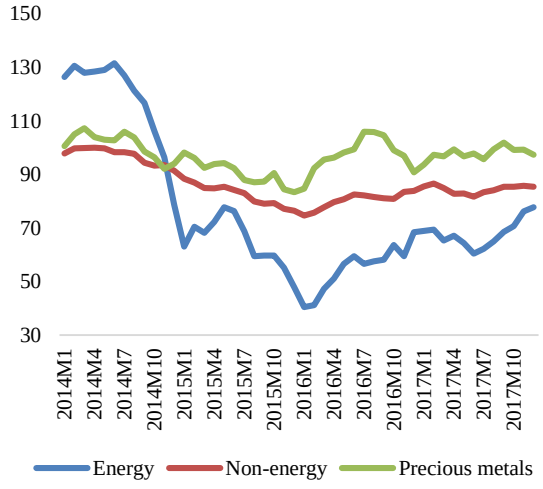


Source: Energy Information Agency (EIA)

The average price for natural gas y/y increased by 20.5% in 2017.

Agricultural product prices have dropped by 3% since the early year.

Graph 5. Price indices (2005=100)



Source: The World Bank

Global financial markets and the monetary policy. A number of DDCs continued transition to a tight monetary policy. The ECB is expected to halt asset purchases and increase the refinancing rate in the near future as a result of recovered economic activity.

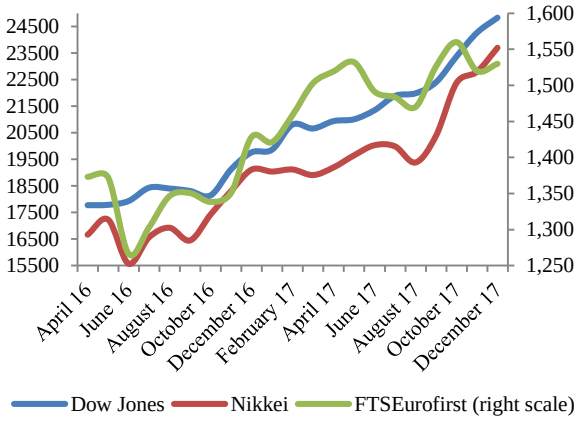
The US Fed increased the benchmark rate 3 times in 2017 – in April, June and December. Also, in September the US Fed decided to reduce its swollen balance sheet in the aftermath of the global financial crisis, under which it is planning to gradually sell securities and other assets in its balance sheet in upcoming years. The Bank of England decided to shift the interest rate to 0.5% from 0.25% due to greater than target inflation rates amid the depreciated pound in the aftermath of the Brexit referendum.

The ECB kept interest rates at 0%. The policy of assets purchase is expected to continue in 2018 since inflation has not reached the desired level. The interest rate was increased to

0.25% in August and to 0.5% in November in the Czech Republic, where the target rate has been 0.05% over recent 2 years.

Some central banks of DGCs loosened, while others tightened the monetary policy over the period. The refinancing rate has been decreased by 6.75 p.p since the early year to 7% in Brazil, while the policy rate was decreased by 0.25 p.p. to 6% in India.

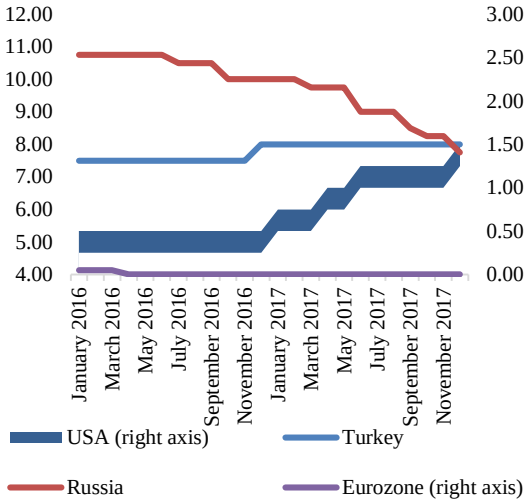
Graph 6. Dynamics of financial indexes



Source: Reuters

Russia reduced the refinancing rate to 7.75% (10% early year) due to high economic growth rate forecasts and sustained low inflation. In general, Russia is planning to transit to a neutral monetary policy in the year to come.

Graph 7. Key rates of central banks



Source: Central banks of concerned countries

Global economic developments and pursued policies affected the FX market. The US dollar depreciated against a number of leading currencies over the year – 6.3% against the Japanese yen, 8.2% against the pound, 12.5% against the euro, 6.2% against the Russian ruble, 6.3% against the Chinese yuan, while it gained 5.6% against the Turkish lira.

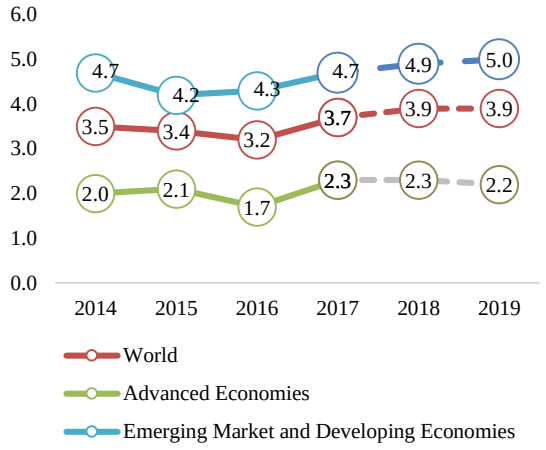
The English pound, having appreciated against the USD, slumped against the euro amid lingering Brexit

related uncertainties. Ongoing recovery in the euro zone was critical in strengthening of the euro.

Forecasts and risks. The IMF raised global growth forecast for upcoming years. The recent update projects global economic growth to stand at 3.9% in 2018 (up by 0.2% of 2017 growth, relatively higher than the forecast of the early year) – DDCs are expected to grow by 2.3%, DGCs are by 4.9% in 2017.

High global growth forecasts for upcoming two years are driven by accelerated growth in DDCs. US economic growth is expected to stand at 2.7% in 2018 in response to the tax reform. Although economic recovery is expected to linger in the euro zone, political uncertainties still slow down economic growth.

Graph 8. Global economic growth, annual



Source: IMF, Global Economic Outlook, January, 2018.

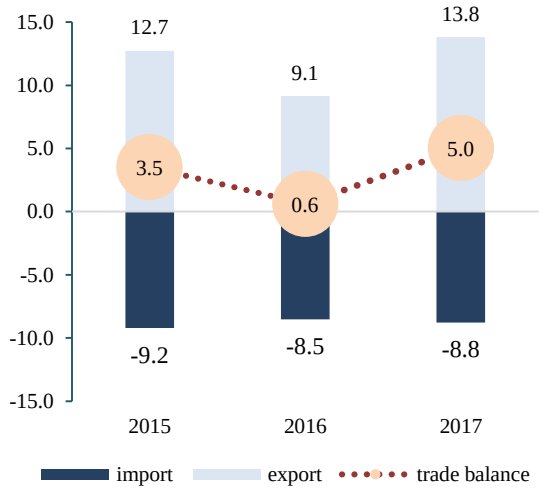
Asia is expected to grow by 6.5% in 2018-2019. Due to lingering problems in China, particularly in the financial sector, growth will relatively slow down in upcoming years.

1.2 Azerbaijani external sector developments

Higher non-oil exports, import substitution related efforts, and rising global oil prices weighed in on the foreign economic position of Azerbaijan in 2017.

According to the State Customs Committee (SCC), foreign trade turnover amounted to $22.6 billion: exports $13.8 billion and imports $8.8 billion, resulting in trade surplus ($5 billion).

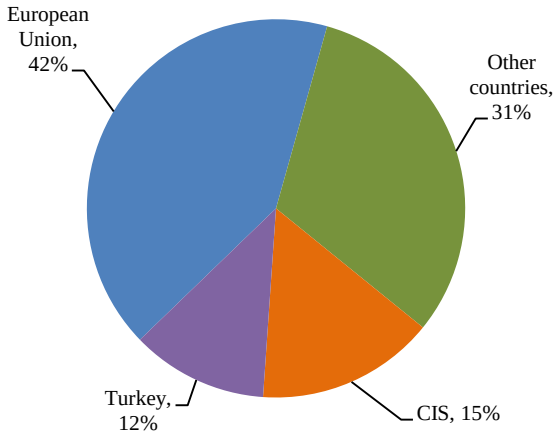
Graph 9. Trade balance, USD bn.



Source: SCC

Azerbaijan traded with up to 187 countries.

Graph 10. Main trade partners, 2017, %



Source: SCC

EU countries account for 42% of trade turnover: Italy 50%, Germany 10%, Czechia 7%, and France 5%.

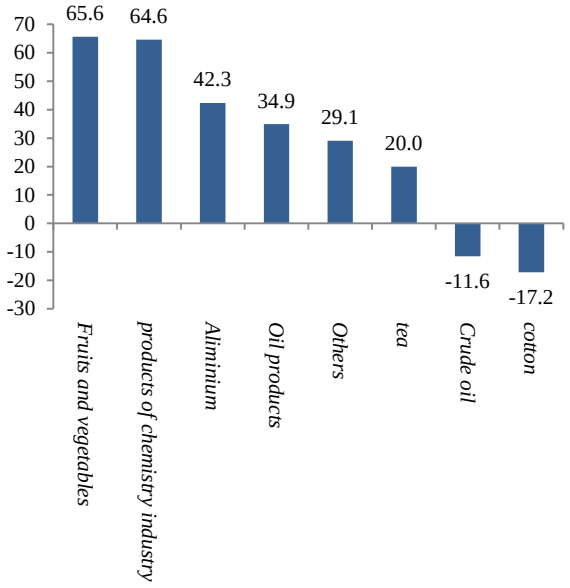
CIS countries account for 15% of trade turnover: Russia 62%, and Ukraine 24%.

Other countries account for 31% of trade ties: China (18%), USA (11%), and Israel (9%).

Turkey accounts for 12% of total trade ties.

Commodities' export rose by 51.1%, driven by the oil sector – the value of exports increased by 64.6% on crude oil.

Graph 11. Change in export of commodities. 2017 (y.o.y., %)



Source: SCC

Non-oil exports increased driven by high export of tea (65.6%), fruits and vegetables (34.9%), chemical products (42.3%) and aluminum (20%).

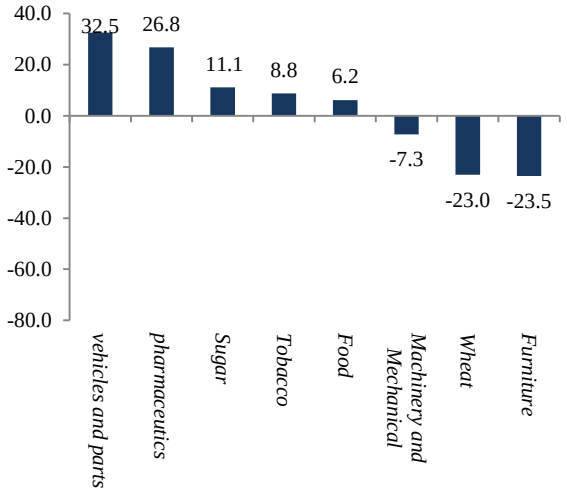
Key export partners include Italy (31.9%), Turkey (9.9%), Israel (4.6%), Russia (4.3%), Czechia (4%), and Canada (3.9%).

Commodities import rose by 2.9%. Import of the public sector dropped by 3.4%.

Russia accounts for 17.7%, Turkey 14.5%, China 9.7%, USA 8.2%, Ukraine 5.4%, Germany 5.1% and Italy for 3.6% of imported products.

Imports increased on meat, milk, tea, butter and other oils made of milk, vehicles and parts, while it decreased on wheat, cement, ferrous products and furniture.

Graph 12. Change in export of products, 2017, (y.o.y.), %

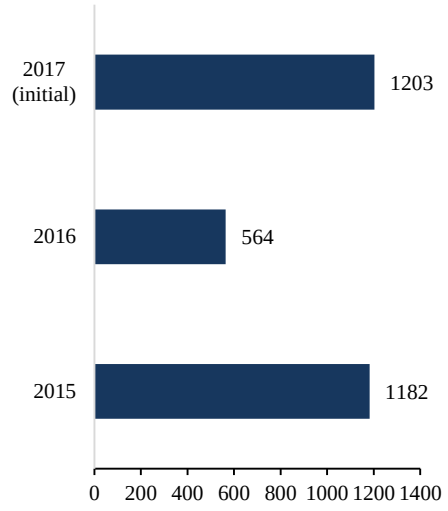


Source: SCC

The situation in economic partners affected the dynamics of money remittances along with non-oil exports. According to initial data,

remittances to the country amounted to $ 1.2 billion.

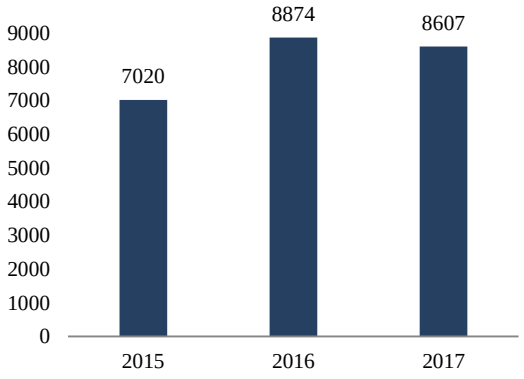
Graph 13. Inflow of remittances, mln.$



Source: CBA

FDIs constituted AZN 8.6 billion equivalent (55.4% of total investments).

Graph 14,. Foreign investments, mln. manat



Source: SSC

Great Britain, Turkey, Russia, Iran, USA, Japan, Malaysia, Switzerland and Czechia account for major part of investments to fixed capital stock among foreign countries and international organizations.

Positive external sector developments weighed on the dynamics of foreign exchange reserves. Strategic foreign exchange reserves increased over 11% amid the improved balance of payments (BoP), sufficient to cover thirty-month import of goods and services exceeding the sovereign debt by 2.9 times.

II. MACROECONOMIC PROCESSES IN AZERBAIJAN

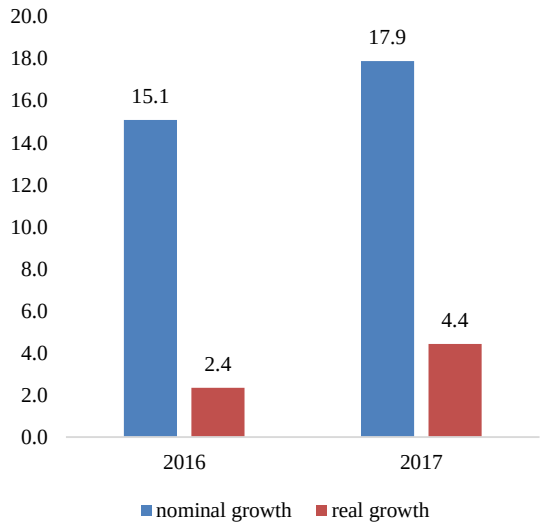
2.1. Aggregate demand

Economic growth was mainly driven by domestic demand as before.

According to the SSC, ***final consumption expenditures*** y/y increased by 17.9% in nominal terms (initial data), while the real growth rate of consumption expenditures was 4.4%.

Nominal final consumption expenditures amounted to AZN 40.8 billion, 83.1% of household income (initial data). Average consumer purchased on average AZN 387.9 worth of commodities and services monthly (y/y up by AZN 48.8)

Graph 15. Dynamics of final consumption over previous year, %



Source: SSC

Goods and services sold in the consumer market to meet consumer demand increased by 2.2% to AZN 45.3 billion.

Retail trade turnover increased by 2.5% to AZN 35.3 billion. Retail non-food trade turnover amounted to AZN 17.4 billion.

Consumers spent 50.7% of their funds on food, beverage and tobacco at retail trade outlets.

Table 1. The share of spending items in trade outlets in 2017, in %

Spending item	*Share, %*	
	2016	2017
Food beverage and tobacco	49.9	50.7
Knitwear, clothing and shoes	17.4	17.8
Electric appliances and furniture	6.3	6.0
Computers, telecommunication devices and others	0.8	0.7
Pharmaceuticals and medicals	1.4	1.3
Fuel	5.6	5.5
Other non-food stuff	18.6	18.0

Source: SSC

An average consumer purchased on average AZN 153.1 worth of food, beverage and tobacco and AZN 148.8 worth of nonfood items monthly for private consumption in retail trade.

Catering turnover increased by 3.4%, while paid services to the population increased by 1.2%.

Consumer demand was driven by rise in population's nominal income – population's money income increased by 8.3% nominally. Population's per capita money income rose by 7.2% and disposable income increased by 8.5% to AZN 45 billion.

In January – November average nominal monthly salary y/y increased by 6.2% to AZN 525.

Bank loans to households, one of the components of consumer demand, dropped by 21.4%. As of the end-2017 retail consumer lending portfolio amounted to AZN 4.6 billion.

Government expenditures were one of the critical factors of domestic demand**.** According to the Ministry of Finance of the Republic of Azerbaijan, state budget expenditures amounted to AZN 17.6 billion in 2017[1].

Following the economic classification, 38 % (AZN 6.7 billion) of state budget expenditures were channeled to social spending (salary fund, pension and social allowances,

[1] *Source: http://www.maliyye.gov.az/*

drugs and food), y/y up by 7.3% (AZN 453.7 million).

Investment expenditures. Investment to the economy y/y decreased by 2.6% to AZN 15.6 billion. AZN 8.5 billion worth of investments was channeled to the oil, while AZN 7.1 billion to the non-oil sector. Public sector accounts for 37.8%, while private sector accounts for 62.2% of total investments.

44.6% of funds channeled to fixed capital stemmed from domestic, while 55.4% from foreign sources.

Table 2. Investment sources, %

	2016	**2017**
Funds of enterprises and organizations	67.2	63.4
Bank loans	11.6	14.1
Budget funds	13.9	15.4
Off-budget funds	1.0	1.3
Population's own funds	4.2	5.1
Other funds	2.1	0.7

Source: SSC

Funds of enterprises and organizations prevailed in total investments (63.4%).

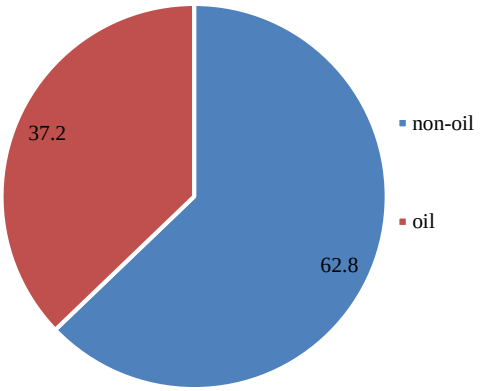
2.2. Aggregate supply and employment

Economic growth kept pace with aggregate supply in 2017.

Economic growth. According to the SSC, real GDP increased by 0.1% in real terms to AZN 70.1 billion in nominal terms. Per capita GDP was AZN 7205.

The mining industry extracted 38.7 mln tons of crude oil, 18.2 mln m3 of natural gas. Oil extraction dropped by 5.6%, while gas extraction dropped by 3%.

Graph 16. Sectoral economic growth, %

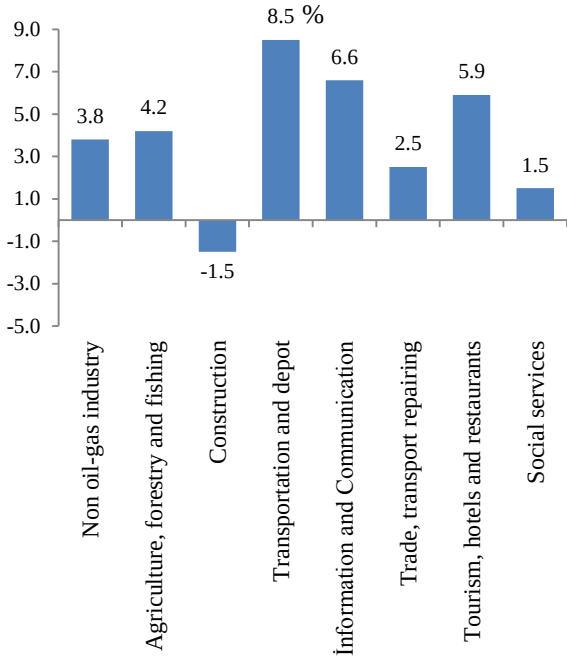


Source: SSC

The value added in the non-oil sector y/y increased by 2.7% in real terms to AZN 44.1 billion (62.8% of GDP).

The non-oil sector posted growth on most areas.

Graph 17. Sectoral growth of economy, to corresponding period of previous year, %



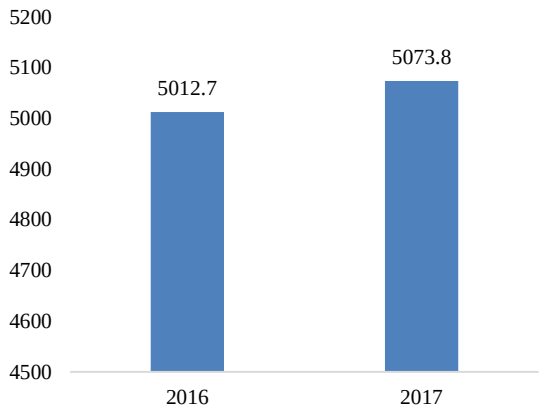
Source: SSC

The non-oil and gas industry grew by 3.8%.

Employment. As of the end-2017 the economically active population was numbering 5073.8 thousand persons, y/y up by about 61.1 thousand persons.

According to the SSC, as of 1 December 2017 the number of hired labor y/y increased by about 0.4% to 1521.2 thousand persons.

Graph 18. Economically active persons, end of period, thousand



Source: SSC

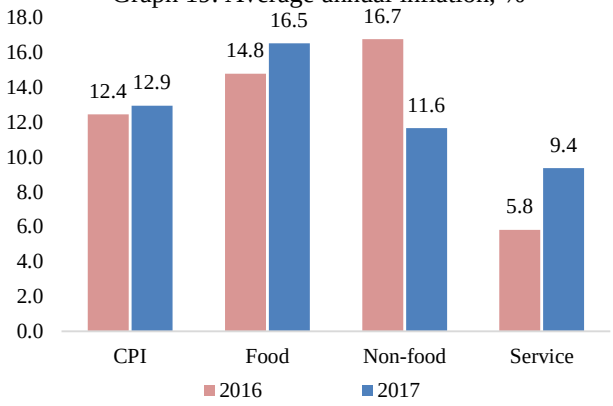
22.8% of hired labor employed by enterprises and organizations was involved in production, including 6.6% in construction, 6.9% processing, 3.2% agriculture, and 2.2% mining.

2.3. Inflation

The annual inflation rate slightly fell towards the end-period; inflation was mainly driven by non-demand factors over the year.

The Consumer Price Index (CPI). According to the SSC, average annual inflation was 12.9% in 2017. CPI components –annual average change in food prices was 16.5%, in non-food prices was 11.6%, and in services was 9.4%.

Graph 19. Average annual inflation, %



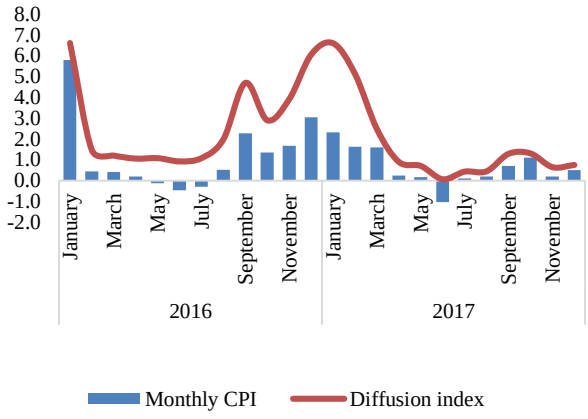
Source: SSC

Food prices account for 7%, non-food 2.9%, and services for 3% of average annual inflation.

Average monthly inflation was 0.6% in 2017, (y/y down by 2 times (0.6 p.p.)). Inflation peaked in January (2.3%), while June saw 1% deflation.

The diffusion index – a measure of change dynamics pertaining to the number of goods and services with rising and falling prices in the basket of consumer goods also decreased yearend compared to early year.

Graph 20. Scale of inflation, %



Source: SSC, CBA estimations on the basis of SSC

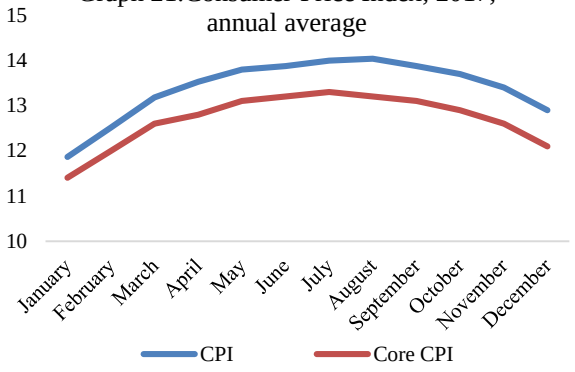
Overall, prices for 116 out of 520 items of goods and services declined and remained unchanged for 115 items.

Analyses display that inflation mainly stemmed from non-monetary factors. Foreign inflationary factors were extremely volatile, changes in

administrative prices and inflation expectations affected inflation. On the backdrop of the stable FX market, even of appreciation of the exchange rate to some extent, inflation was driven by inflationary processes in trade partners, and changes in supply and demand across particular commodity groups.

Average annual core inflation was 12.1%, which is calculated by excluding the goods and services prices of which are regulated by the government, as well as seasonal agricultural products from consumption basket.

Graph 21.Consumer Price Index, 2017, annual average



Source: SSC

As it was noted, expectations also contributed to swings in consumer prices. Overall heightened under certain cost factors, they were prone to lowering. Regular RSM by the CBA revealed that price expectations in trade fell in home appliances and vehicles, and rose in furniture for upcoming 3 months. They hiked in services – transportation, hotels, and tourism. Price expectations fell in processing - food and beverages, chemical, machinery, plastic mass, and rose in construction, metallurgy and other non-metal mineral products. In general, price expectations heightened in construction.

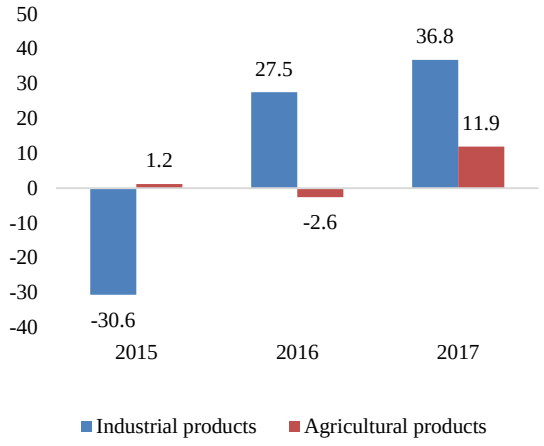
The Producer Price Index (PPI). According to the SSC, the GDP deflator, that measures price swings in all domestically produced goods and services, was 16%.

Having changed more on industrial products, the IPPI y/y increased by 36.8%, mostly due to price upswings in mining, and electricity, gas and steam generation

(36.5% and 53.9% respectively). Prices hiked 36.6% in oil-gas and 13.6% in metal extraction.

Prices in processing rose by 30.3% - tobacco products (43.9%), the knitting industry (40%), oil processing (40%), the chemical industry (30.9%), metallurgy and metal production (38.3%), and production of vehicles and towed vehicles.

Graph 22.Annual average change in PPI, %



Source: SSC

The APPI increased by 11.9% due to price hikes of animal products (13.5%) – prices for beef rose by 24,5%, lamb 12.6% and poultry 19.7%. Prices rose by 6.4% on forestry, and 1.3% on fish and fishery products. Prices for plant growing products hiked by 10.6%, mostly owing to price hikes of imported fruits and vegetables.

Transportation tariffs increased by 6.9%, attributable to 7.6% hike in cargo services. Whereas prices for passenger transportation increased by 6.8%, prices for communication and postal services remained unchanged.

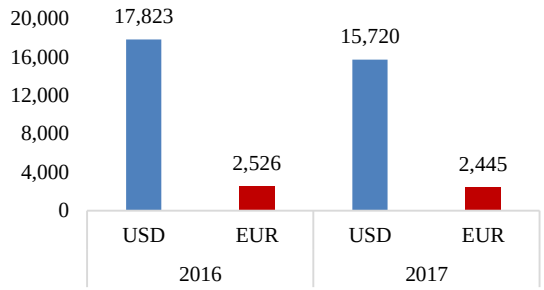
III. THE MONETARY AND EXCHANGE RATE POLICY

3.1. The FX market and the exchange rate of manat

The exchange rate of manat against foreign currencies was adequate to the behavior of BoP. High currency proceeds resulting from the improved BoP, the export promotion and import substitution policy stabilized the FX market. As a result of macroeconomic policy actions taken in such an environment manat strengthened against the US dollar by 4%. The exchange rate of manat has been under additional appreciation pressures since Half II, 2017.

The FX market diminished in size y/y: USD denominated transactions decreased by 5.8%, while EUR transactions decreased by 5.4%.

Graph 23.Turnover in FX market, m. currency units



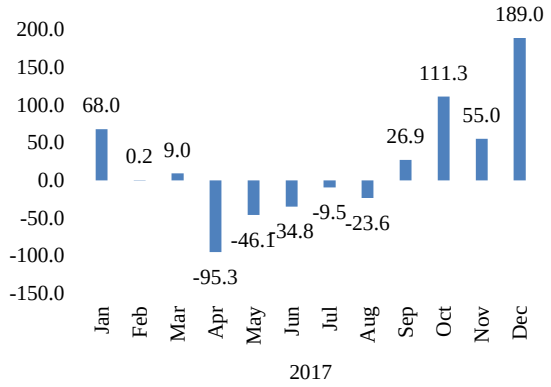
Source: CBA

Transactions in USD account for 83%, and other currencies for 17 % of FX market transactions.

The Interbank FX market accounts for 24%, while the Intrabank FX market 76% of currency transactions. 56.7% of USD denominated transactions in the Interbank market aimed to regulate banks' currency position. 95.8% of transactions in the Intrabank market comprise currency sales to legal entities.

The FX cash market also shrank. Net cash sold by banks in USD was $26.5 million ($445.4 million in 2016), attributable to the stability of manat.

Graph 24. Net sale of cash foreign currency, mln. USD



Source: CBA

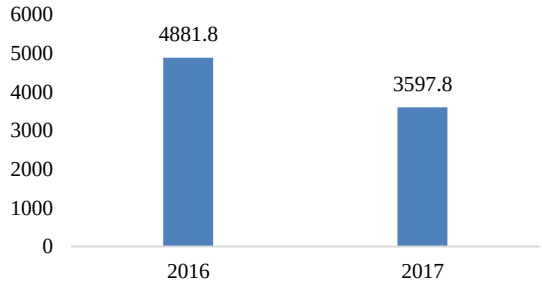
Packaged efforts to safeguard macroeconomic and financial stability, and macroeconomic resilience related policy decisions contributed to a more flexible exchange rate. To make the exchange rate further flexible the CBA changed the currency auction facility from 12 January 2017 onward, under which auctioned currency is sold at prices quoted by market participants. In other words, the auction completes with the sale of currency from the bank offering the highest to the one offering the lowest price.

The CBA holds currency auctions twice a week up-front informing market participants on parameters via Bloomberg terminal.

The CBA scrapped the requirement for banks to buy or sell cash and cashless foreign currency at ±4% from the officially set exchange rate on 12 January 2017.

The Bank held $3597.8 million worth of 99 currency auctions to organize currency sales of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) (y/y down by 26.3%).

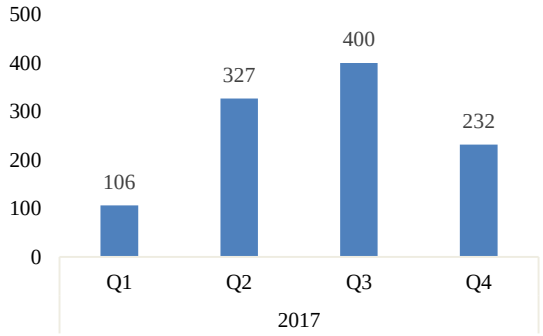
Graph 25. SOFAZ currency sales, mln. USD



Source: CBA

On non-auction days the interbank FX market operated on the Bloomberg platform. Out-of-auction interbank FX market transactions amounted to $1065 million.

Graph 26. The volume of interbank FX operations on Bloomberg, m. USD

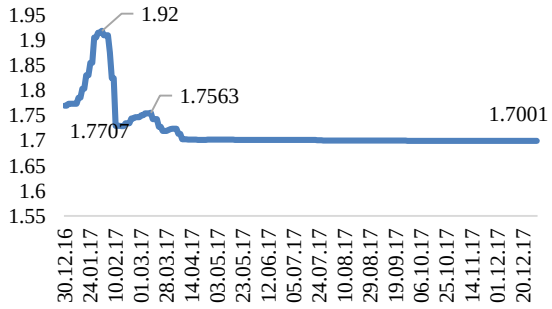


Source: CBA

An official exchange rate of manat was set on the basis of the exchange rate on interbank transactions (auction and off- auction).

Manat reacted to supply and demand in the FX market with several appreciation and depreciation waves. Having appreciated in January and the first half of February, the USD started to lose value from the second half of February. Whereas the USD/AZN exchange rate stood at AZN 1.7707, it peaked to AZN 1.9200 on 01.02.17, and slumped to AZN 1.7000 on 06.12.17. As of the end-period the USD depreciated against AZN by 4%. An average daily official USD/AZN exchange rate was AZN 1.7206 over the year.

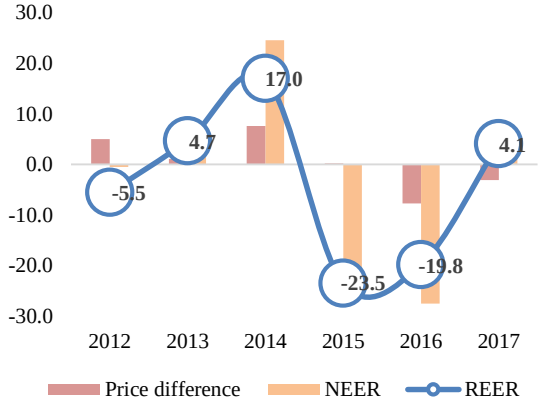
Graph 27. USD/AZN exchange rate



Source: CBA

Dynamics of bilateral exchange rates affected that of multilateral exchange rates. Total trade weighted non-oil REER appreciated 4.1%.

Graph 28. Dynamics of REER (2000=100)



Source: CBA

1% depreciation of the NEER and inflation differences in partner countries has an upward effect on the REER.

The non-oil REER has depreciated 36% since the end of 2014, which is critical in terms of import substitution and non-oil export promotion.

The new exchange rate regime allows the CBA to maintain reserves at a required level. As of 29 December 2017 CBA's foreign exchange reserves constituted $5.3 billion, exceeding internationally set sufficiency standards (coverage of three month import of goods and services, the ratio to money supply in the national currency etc.).

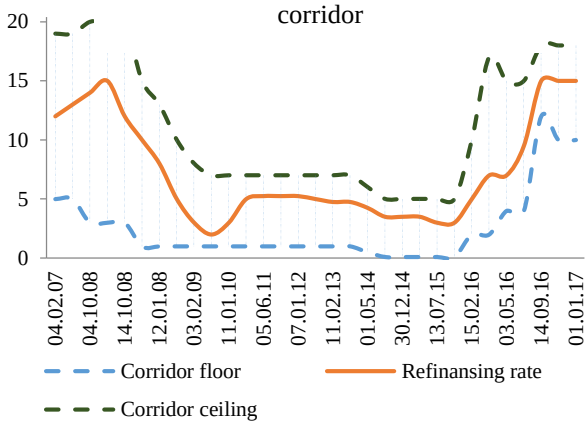
3.2. Monetary policy tools

Monetary policy tools were employed in light of inflation and money supply targets and monetary policy's pass through capacity.

Having discussed interest rate parameters for several times over the year the CBA decided to leave the refinancing rate unchanged. The Bank did not tighten the monetary policy in response to cost-push high inflation. Given the macroeconomic stance and the situation in the money market the CBA Management Board took a decision to move the floor of the interest rate corridor 2 p.p. down at its 21 June 2017 meeting. As of the end-period the ceiling of the interest rate corridor stood at 18%, the refinancing rate at 15%, and the floor at 10%.

The Bank kept various term (1, 7, 14 and 28 day) standing facilities and open market operations active to meet economy's demand for money and effectively manage liquidity. The Bank also approved the list of securities accepted as collateral in monetary policy operations, and enriched the list of standing facilities and open market operations[2].

Graph 29. Parameters of interest rate corridor



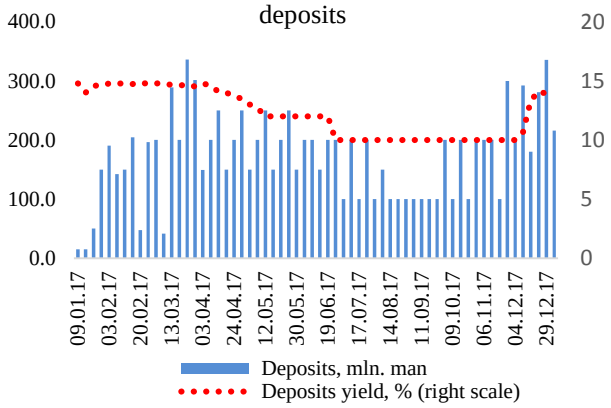
Source: CBA

CBA's sterilization tools are in higher demand on the backdrop of accumulated excess liquidity. The Bank held 61 deposit auctions on attraction of available funds in the national currency and 49 auctions on placement of notes as of the end-period. Maturity of deposits was 14

[2]Please go to 'Monetary policy tools' web-page of www.cbar.az for the list of monetary policy tools and securities accepted as collateral in monetary policy operations.

days, while notes were placed for 28 days. Total outstanding amount of funds attracted at deposit auctions and placement of notes made up AZN1.9 billion as of end-2017, y/y up by 10.2 times.

Graph 30.Volume and yield of CBA's deposits

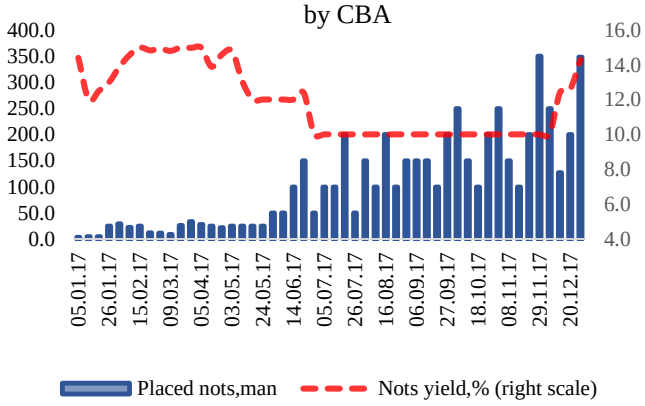


Source: CBA

AZN1013 million worth of funds were attracted at deposit auctions, while AZN926 million worth of funds were attracted via placement of notes.

Deposit and short-term notes placement operations both sterilize excess money supply and promote development of the money market meanwhile contributing to the improvement of the monetary policy's operational framework and extension of the interbank market.

Graph 31.Volume and yield of notes placed by CBA



Source: CBA

To note, deposits are attracted and notes are placed at interest rates fluctuating between the floor of the interest rate corridor and the refinancing rate (currently 10%-15%) – over the year deposits were attracted at 10%-14.87%, while notes were placed at 10.01%-14.99%.

The reserve requirements were left unchanged over the period.

Table 3. Reserve requirements, %

	Foreign currency denominated liabilities	*Liabilities in manat and precious metals*	*Funds attracted from n/resident financial sector*
01.05.2011	2	2	2
01.07.2011	3	3	3
01.08.2014	2	2	2
01.03.2015	0.5	0.5	0.5
30.12.2015	0.5	0.5	0.5
03.03.2016	1	0.5	0

Source: CBA

The reserve requirement on liabilities in the national currency and precious metals stood at 0.5%, on foreign currency liabilities at 1%, and on liabilities to the non-resident financial sector and settlements with international financial institutions 0%.

Reserve requirements were still applied on an averaging basis, to allow more flexible management of liquidity by banks.

To effectively regulate money, supply thereby supporting price stability, changes made to the 'Regulations on the rate, calculation and maintenance of required reserves' on holding required reserves on liabilities in manat and precious metals in correspondent accounts in manat and on foreign currency liabilities in correspondent accounts in foreign currency took effect on 1 August 2017; banks started to maintain their reserves under new requirements from 15 August 2017 onward.

Monitoring findings display that banks' cumulative balances on correspondent accounts with the CBA considerably exceeded amounts to be maintained as required reserves over the reported period.

3.3. Money supply

The CBA controlled money supply channels in coordination with concerned authorities, base money became a main operational anchor of the monetary policy.

Money base sources were managed in coordination with related public authorities. Money base in manat increased by 8.7% to AZN 8543.2 million as of the end-period.

The structural element of money base – cash in circulation rose by 16.9%. On the other hand, balance of correspondent accounts in manat decreased by 58.5%.

Broad money supply (M2) amounted to AZN 12466.4 (AZN 11546.3 early year).

Cash stock, savings of individuals and deposits of legal entities in the structure of money supply in manat (M2) performed differently: cash stock increased by 17.5%, savings of individuals 66.9%, while deposits of legal entities decreased by 16%.

Table 4: Money aggregates, mln. manat

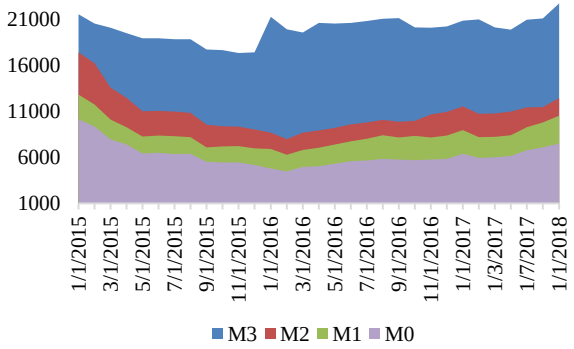
	01.01.16	01.01.17	01.01.18
M0	4 776	6 377	7490
M1	6 897	8 960	10544
M2	8 678	11 546	12466
M3	21 287	20 890	22772

Source: CBA

Term deposits of individuals in manat increased by 84%.

Broad money supply in manat (M3) increased by 9% to AZN 22772 million.

Graph 32. Dynamics of money aggregates, mln. man

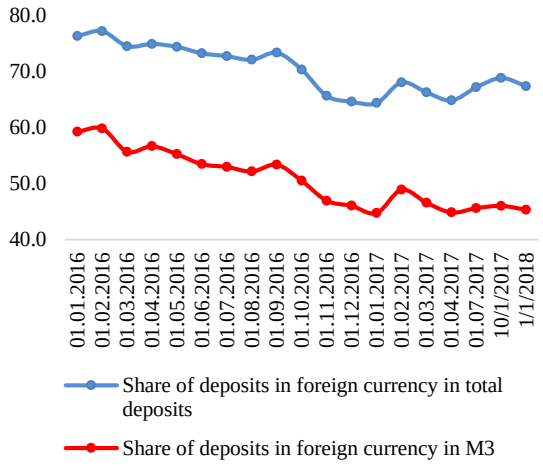


Source: CBA

Dollarization of deposits underwent no considerable changes;

foreign currency denominated savings and deposits account for 45.3% of the M3 aggregate (44.7% early year).

Graph 33. Dollarization %



Source: CBA

Savings of individuals in manat increased by 66.9%, while those in foreign currency decreased by 15.2%. As a result, dollarization of deposits of individuals decreased to 66.5% (79.6% early year).

Graphs and charts

Graphs

Tables

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