



## STATE OIL FUND OF THE REPUBLIC OF AZERBAIJAN

### **SOFAZ revenue and expenditure Statement for January-March 2020**

The oil and gas revenues of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) amounted to AZN 3 772.1 million during the period of January-March 2020. The inflow of AZN 2 997.9 million from the sale of profit oil and gas was in accordance with the prices of futures contracts in the months of December, January and February when crude oil prices were higher than the budgeted price level for the year 2020. The average net price of crude oil for these months constituted \$59. During this period, AZN 767.8 million was generated from bonus payments, AZN 4.9 million from transit revenues and AZN 1.5 million from acreage payments.

On aggregate, SOFAZ's budget expenditures constituted AZN 4 697.8 million during January-March of the current year. Despite the sharp decline in crude oil prices throughout this period, SOFAZ has ensured the implementation of its functions related to the protection of macroeconomic and fiscal balance, the fulfillment of obligations to the consolidated and state budget. Thus, USD 2 771.8 million of foreign currency was sold in exchange of AZN 4 712.1 million, in order to meet the growing demand for foreign currency in the foreign exchange market through January-March 2020. As a result of these currency sales, the amount of AZN 4 631.0 million was transferred to the state budget, of which AZN 1 793.5 million were transferred ahead of schedule. At the same time, AZN 60.9 million were directed to financing the improvement of social-economic condition of refugees and internally displaced persons. During this period, SOFAZ's administrative and operational expenses for the reporting period were AZN 5.9 million.

During this quarter, the market value change of SOFAZ assets stemming from the short-term market volatility has declined by AZN 2 148.6 million, while extra-budgetary expenditures related to the foreign exchange movements totaled AZN 281.1 million.

Coronavirus pandemic has created substantial threats to global economy in first quarter of the current year, as all countries experience shocks to both supply and demand, and increase in unemployment. Major international financial institutions forecast severe slowdown in global economy by the end of the year. These factors resulted in large levels of volatility in the global financial markets, while during this period the major equity indices dropped by around 20%-25%. Considering that substantial part of the assets of many similar institutional investors are allocated into equities, the decline in the stock markets resulted in a loss of around 14% to 16% for these type of investors. The turmoil has also affected SOFAZ's investment portfolio. However, as it was mentioned before, more than 80% of SOFAZ's investment portfolio is allocated into highly liquid and less volatile fixed income instruments, and gold, which have substantially reduced the negative effects of financial turbulence.

Consequently, as a result of early budget transfers, as well as the short term volatilities in the market value of SOFAZ's investments, the value of the Fund's assets under management as of the end of the first quarter of 2020 was USD 41 349.5 million.