

Weekly Market Watch

 Weekly Market Watch | Georgia
 October 19, 2015

Economy

Trade deficit down 1.2% y/y in 9M15

In 9M15, trade deficit narrowed 1.2% y/y to US\$ 4.0bn as exports decreased 23.7% y/y to US\$ 1.6bn, while imports fell 8.9% y/y to US\$ 5.7bn, according to GeoStat's preliminary figures. Excluding one-offs (donated c-hepatitis medicine imports), the trade deficit was down 9.0% y/y to US\$ 3.7bn, as imports fell 14.1% y/y to US\$ 5.3bn. Notably, the lower imports supported external adjustment and eased pressure on GEL. Detailed statistics will be available on October 21, 2015.

Money transfers down 32.9% y/y in September 2015 and down 26.8% y/y in 9M15

Money transfers decreased 32.9% y/y to US\$ 88.6mn in September 2015, according to NBG. The 45.0% y/y decline from Russia (41.5% of total) and 62.7% y/y drop from Greece (down 6.0pts y/y to 7.5% of total) were the major contributors to a decline in total money transfers. As in previous months, remittances posted strong growth from USA +18.2% y/y (9.9% of total), Israel +24.3% y/y (3.3% of total), and Germany +19.8% y/y (2.8% of total), while transfers from Turkey decreased 14.9% y/y (5.8% of total). In 9M15, money transfers decreased 26.8% y/y to US\$ 802.9mn.

International cooperation continues

Tbilisi hosted the Silk Road Forum, a joint effort by the Government of Georgia, the Government of People's Republic of China, and the Asian Development Bank, on October 15-16, 2015. This event aims to establish a platform for an annual high level meeting of all interested states and international organizations in order to explore opportunities and enhance partnership in four main areas of cooperation: transport, energy, trade, and business-to-business contacts.

The European Investment Bank (EIB) lends Georgia EUR 100mn to finance rehabilitation and extension of the municipal sewerage system and the construction of a mechanical biological wastewater treatment plant in the country's second largest city of Kutaisi. The total project cost, which addresses water supply and wastewater investments in several municipalities in western Georgia, is EUR 280mn, co-financed by the ADB (EUR 172mn) and with grants from the Neighbourhood Investment Facility (EUR 4.75mn) and the Eastern Partnership Technical Assistance Trust Fund (EUR 3.25mn), according to the EIB.

Key macro indicators

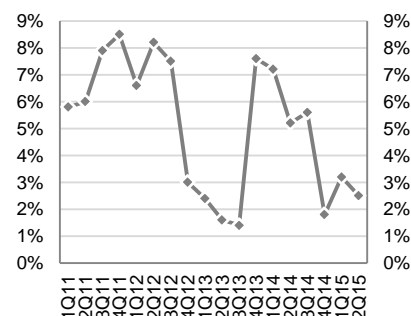
	9M15	2014	2013
GDP (% change)	2.8%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	5.2%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

*As of 8M15

**Preliminary results of census, previous data is subject to recalculation

Real GDP growth, %



Source: GeoStat

International ranking of Georgia, 2015

Ease of Doing Business # 15 (regional leader)
 Economic Freedom Index # 22 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

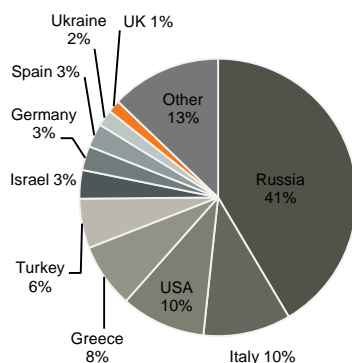
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POORS BB- Stable Affirmed May-2015	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Mar-2015	FitchRatings BB- Stable Affirmed Oct-2015
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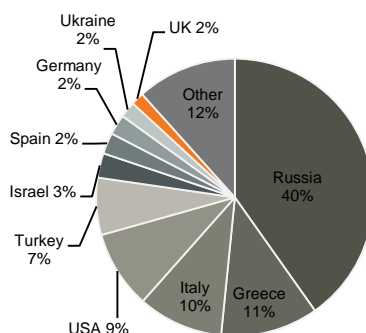
Source: Rating agencies

Money transfers by countries, Sep-2015



Source: NBG

Money transfers by countries, 9M15





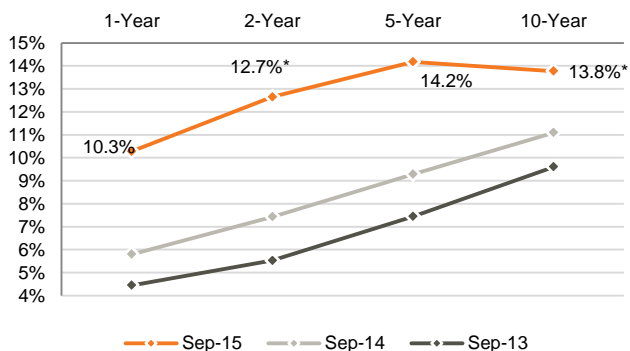
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 292.7mn) with an average yield of 7.0%.

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 10.27% (up by 22bps from previous issue).

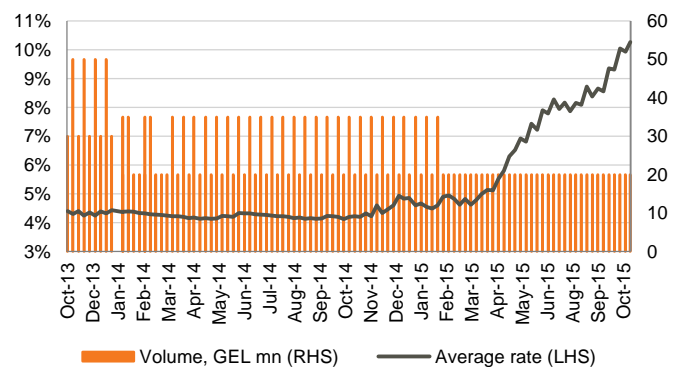
Ministry of Finance Treasury Notes: 1-year GEL 10mn (US\$ 4.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on October 13, 2015. The weighted average yield was fixed at 11.20%. The nearest treasury securities auction is scheduled for November 4, 2015, where GEL 10mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



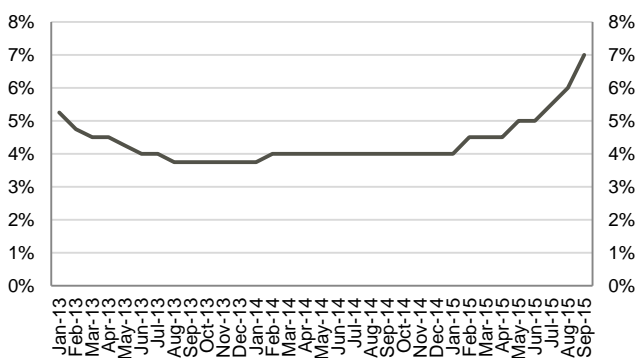
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



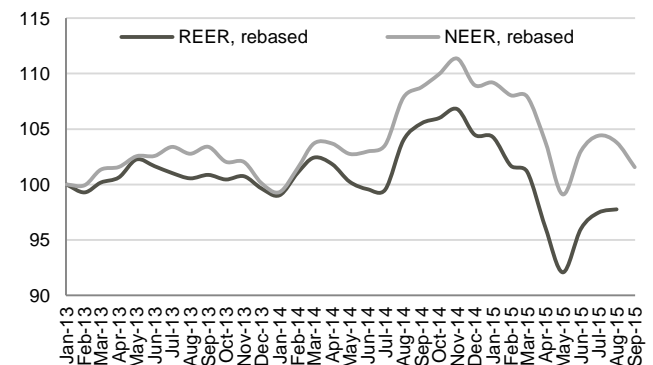
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate



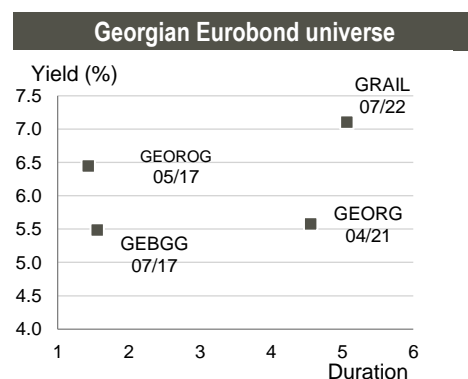
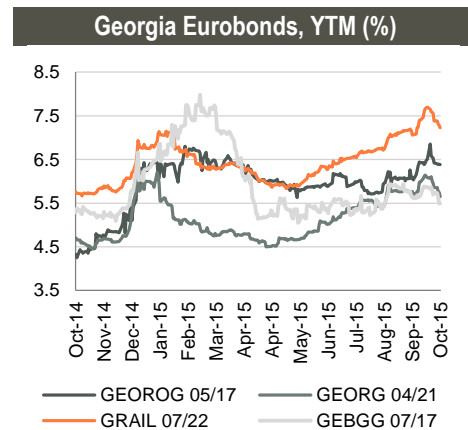
Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.5% yield, trading at 103.6 (+0.3% w/w). GOGC Eurobonds (GEOROG) were trading at 100.6 (+0.1% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 103.4 (+1.8% w/w), yielding 7.1%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.0 (+1.2% w/w) at 5.6% yield to maturity.

	Local bonds			Eurobonds			
	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	99.0	100	98.0	100.6	103.6	106.0	103.4
Mid yield, %	10.1	9.5	9.7	6.4	5.5	5.6	7.1
Z-spread, bps	n/a	n/a	n/a	587.3	491.7	408.6	610.8

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	
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	106.0	5.6	408.6	
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	97.9	5.1	322.3	
Bulgaria	323	5.000%	19/07/2021	BBB-/Baa3	119.2	1.5	-250.7	
Croatia	1,250	3.875%	30/05/2022	BB-/BB-/Ba1	101.1	3.7	311.9	
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.9	3.2	172.5	
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.2	3.2	168.3	
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.2	3.7	327.7	
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	107.9	4.0	254.4	
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	79.3	13.9	1232.9	

Source: Bloomberg

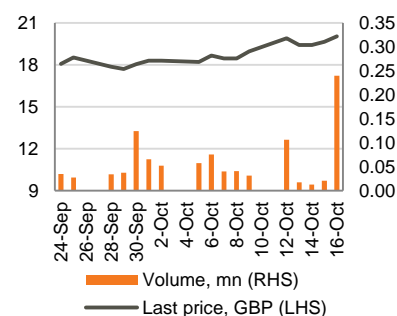
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 20.02/share (+5.59% w/w and +6.94% m/m). More than 397k shares traded in the range of GBP 18.51 – 20.35/share. Average daily traded volume was 56k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 1.13% w/w and lost 0.99% m/m. The volume of BOGH shares traded was at 1.01% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 8.88 (+1.49 w/w and -6.43% m/m). More than 32k GDRs changed hands in the range of US\$ 8.51 – 9.00/GDR. Average daily traded volume was 23k in the last 4 weeks, less than in the previous month.

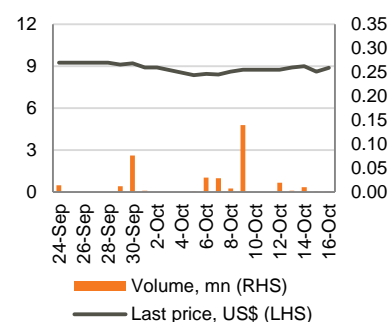
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 909.85 (unchanged w/w).

Bank of Georgia (BGEO LN)



Source: Bloomberg

TBC Bank (TBCB LI)



Source: Bloomberg

Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	30.92	1,221	6.7%	-2.0%	2.6%	-4.4%	-11.2%
	TBC	8.88	435	-6.4%	-6.6%	-27.5%	-29.5%	-40.8%
	Halyk Bank	6.08	1,658	-5.1%	-26.7%	-17.8%	-28.5%	-36.5%
	KKB	2.89	1,152	6.3%	-0.3%	-10.2%	-23.9%	-15.0%
	VTB Bank	2.45	15,883	19.6%	-5.9%	6.7%	6.6%	27.5%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	6.10	32,920	20.7%	14.7%	-0.7%	50.6%	-15.4%

Source: Bloomberg

Note: * BGEO is traded in GBP and is shown in US\$ equivalent

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