

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 May 18, 2015

## Economy

### Producer price index up 2.3% m/m and 8.7% y/y in April 2015

PPI for industrial products increased 2.3% m/m in April 2015, according to GeoStat. Monthly index was mainly impacted by a 2.7% increase in manufacturing prices (mostly for chemical products, while food, beverages and tobacco manufacturing prices increased slightly), contributing 2.21ppts to the overall index change.

Annual PPI increased 8.7% in April 2015, with manufacturing prices increasing 11.1% y/y (mostly for manufacture of foods, beverages and tobacco, basic metals, fabricated metal products, and paper and publishing), contributing 9.04ppts to the overall index change. Prices decreased 4.1% y/y (-0.54ppts) in the electricity, gas and water supply category.

### Trade deficit decreased 18.2% y/y in April 2015

According to GeoStat's preliminary figures, the trade deficit decreased 18.2% y/y to US\$ 365mn as exports fell 21.4% y/y to US\$ 186mn, while imports were down 19.3% y/y to US\$ 551mn, in April 2015. While exports continued to decrease, the adjustment in imports was much larger in April than in the previous months, which can be attributed to currency depreciation pressures and savings stemming from lower world commodity prices. Detailed statistics will be published on May 21.

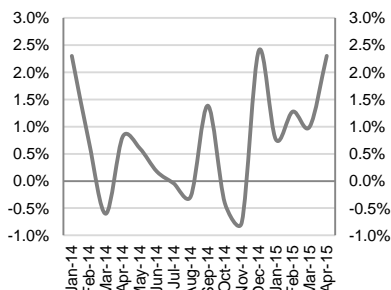
### Money transfers down 24.4% y/y in April 2015

Money transfers decreased 24.4% y/y to US\$ 91.1mn in April 2015, according to NBG. The 40.1% y/y drop in transfers from Russia, accounting for 40.6% of total transfers, was the major contributor. As in previous months, remittances continue robust growth from USA +26.6% y/y (8.9% of total), Turkey +13.4% y/y (6.3%), and Israel +29.9% y/y (2.7%).

### Georgia hosted the 2015 EBRD annual meeting and business forum

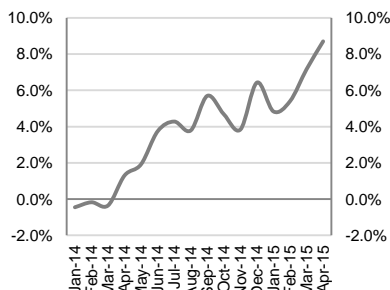
Tbilisi hosted the EBRD annual meeting and business forum on May 14-15, 2015. The event attracted around 2000 international delegates, including government officials and business representatives, and helped raise awareness of the investment climate and opportunities in Georgia. Upcoming sports and business events for the remainder of the year - UEFA Super Cup, European Youth Olympic Festival, BSTDB annual meeting and business forum, and Silk Road forum - will further raise the country's profile and contribute positively to the service sector.

PPI (% change m/m)



Source: GeoStat

PPI (% change y/y)



### Key macro indicators

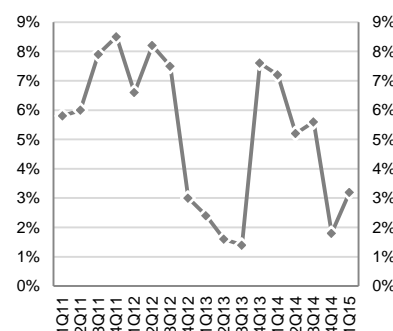
	1Q15	2014	2013
GDP (% change)	3.2%	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	2.5%*	2.0%	2.4%
Gross reserves (US\$ bn)	2.4*	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

\* As of 4M15

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

### Real GDP growth, %



Source: GeoStat, preliminary data for 1Q15

### International ranking of Georgia, 2015

Ease of Doing Business # 15 (regional leader)  
 Economic Freedom Index # 22 (mostly free)  
 Global Competitiveness Index # 69 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

<b>STANDARD &amp; POOR'S</b>  <b>BB-</b> Stable Affirmed Nov-2014	<b>MOODY'S</b> INVESTORS SERVICE  <b>Ba3</b> Positive Affirmed Aug-2014	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Apr-2015
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Source: Rating agencies

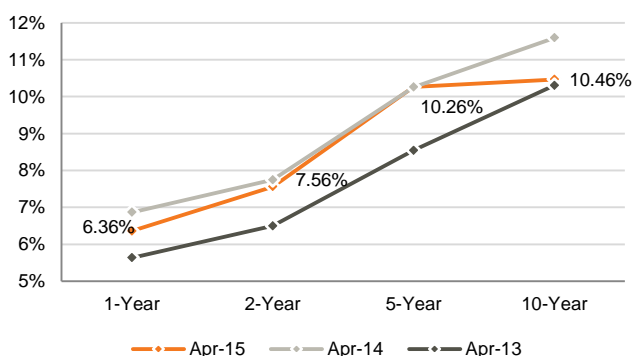
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 296mn) with an average yield of 5.0% (unchanged w/w).

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 8.47mn) certificates of deposit, with an average yield of 6.30% (up by 78bps from previous issue).

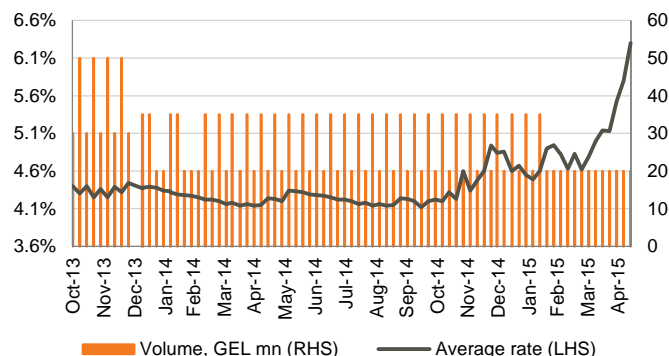
**Ministry of Finance Treasury Notes:** 5-year, GEL 15mn (US\$ 6.40mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. The weighted average yield was fixed at 12.105%. The nearest treasury securities auction is scheduled for May 20, 2015, where GEL 40mn nominal value 364-day T-Bills will be sold.

T-bills / T-notes, yield curve



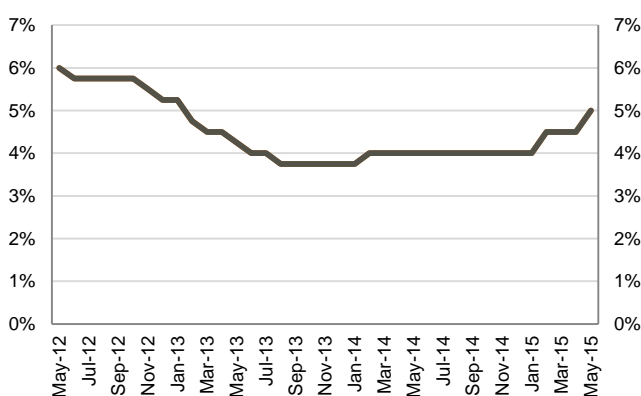
Source: NBG

Certificates of Deposits (weighted average rate)



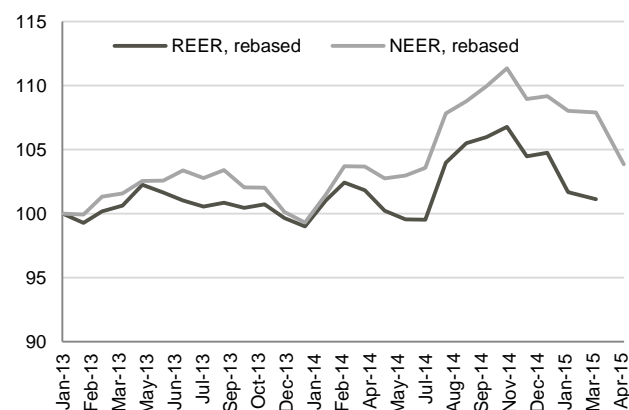
Source: NBG

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

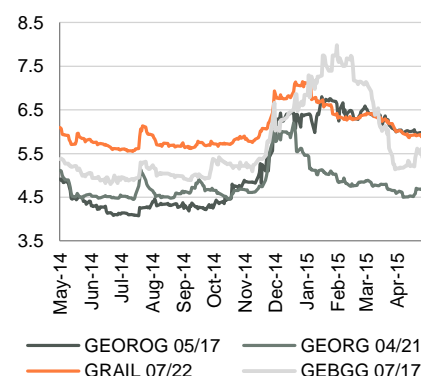


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 5.3% yield, trading at 104.9 (up 0.6% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 101.9 (up 0.1% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 101.9 (down 0.2% w/w) yielding 5.9%.

**Georgian Sovereign Eurobonds** (GEORG; US\$ 500mn; coupon: 6.875% maturity: 04/21) went up to 111.4 (up 0.2% w/w), closing at 4.6% yield to maturity.

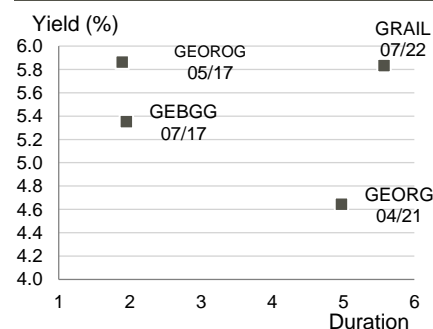
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M <sup>2</sup> 06/15	M <sup>2</sup> RE 03/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	10	20	10	250	400	500	500
Issue date	06/14	03/15	09/14	05/12	07/12	04/11	07/12
Maturity date	06/15	03/17	09/17	05/17	07/17	04/21	07/22
Coupon, %	8.420	9.500	8.750	6.875	7.750	6.875	7.750
Fitch/S&P/Moody's	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Baa3	BB-/BB-/Baa3	BB-/BB-/
Mid price, US\$	99.5	100.0	98.0	101.9	104.8	111.4	111.1
Mid yield, %	9.9	9.5	9.7	5.9	5.4	4.6	5.8
Z-spread, bps	n/a	n/a	n/a	449.2	463.7	282.9	396.1

Source: Bloomberg

Georgian Eurobond universe



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-/Baa3	111.4	4.6	282.9
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	104.3	4.2	203.3
Bulgaria	323	5.000	19/07/2021	BBB-/	120.3	1.5	-119.9
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	103.1	3.4	267.5
Hungary	3,000	6.375	29/03/2021	BB+/BB/Baa1	115.6	3.4	160.2
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	120.0	3.4	149.8
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa3	105.0	3.9	217.2
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	109.6	3.8	196
Ukraine	1,500	7.950	23/02/2021	CC/CC/Ca	47.2	26.2	2423.4

Source: Bloomberg



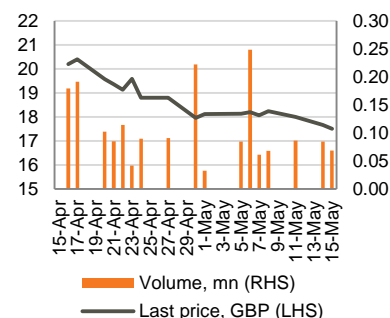
## Equities

**Bank of Georgia Holdings** (BGEO LN) shares closed at GBP 17.50/share (-4.06% w/w and -15.25% m/m). More than 390k shares traded in the range of GBP 17.34 – 18.58/share. Average daily traded volume was 103k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 0.47% w/w and 0.81% m/m. The volume of BOGH shares traded was at 1.09% of its capitalization.

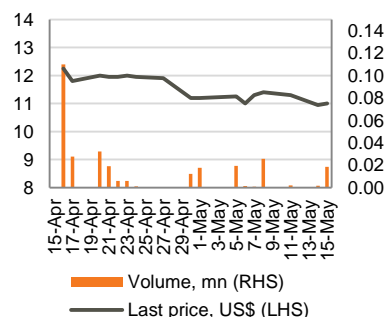
**TBC Bank** (TBCB LI) closed the week at US\$ 11.00 (-3.51% w/w and -8.71% m/m). More than 40k GDRs changed hands in the range of US\$ 10.90 – 11.50/GDR. Average daily traded volume was 12k in the last 4 weeks, less than in the previous month. The price has decreased 15.38% since the start of trading on June 5, 2014.

**On the Georgian stock exchange**, Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w), Teliani Valley shares were traded at GEL 0.25 (+25% w/w) and Liberty Bank shares were traded in the range of GEL 0.013 – 0.0134, closing at GEL 0.013 (-2.99% w/w). As a result, the G&T Index increased to a level of 799.23 (+0.12% w/w).

**Bank of Georgia (BGEO LN)**



**TBC Bank (TBCB LI)**



### Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	27.58	1,090	-9.7%	-20.3%	-23.5%	-14.7%	-30.3%
	TBC	11.00	538	-8.7%	-21.4%	-24.7%	-12.7%	N/A
	Halyk Bank	8.15	2,267	7.2%	25.4%	-7.4%	-4.1%	-13.3%
	KKB	3.22	1,078	0.0%	-5.3%	-0.9%	-15.3%	49.8%
	VTB Bank	2.66	17,250	18.3%	24.4%	45.1%	15.7%	7.1%
	Vozrozhdenie Bank	11.35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	2.74	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg

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



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