

Weekly Market Watch

 Weekly Market Watch | Georgia
 April 27, 2015

Economy

State Budget – strong performance in 1Q15

State budget total inflows exceeded the plan by GEL 105mn, reaching GEL 2.3bn in 1Q15, according to Treasury Service data. Taxes accounted for 80% of total or GEL 1.8bn (GEL 48.5mn above plan), while the rest (GEL 476mn, GEL 57mn above plan) was mobilized from grants, credits, privatization and others. Privatization was GEL 52.7mn above the plan reaching GEL 63.2mn (GEL 17mn received from the sale of fixed assets and GEL 45mn from the sale of a radiofrequency license).

Total budget outflows reached GEL 2.1bn (GEL 66.5mn below plan), out of which current spending reached GEL 1.77bn (GEL 54.7mn below plan), or 84.2% of total, capex reached GEL 105mn (GEL 12mn below plan), and the rest (GEL 225.4mn) was spent to meet other obligations.

As a result of higher revenues and savings in current spending, the state budget surplus reached GEL 143.7mn, compared to a planned deficit of GEL 56.9mn and government deposits increased by GEL 208.6mn (versus planned GEL 36.6mn) to GEL 643mn as of 1 April.

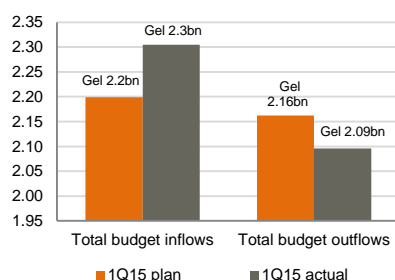
Trade deficit down 2.7ppts q/q in 1Q15

In 1Q15, exports decreased 27.7% y/y to US\$ 503mn, imports fell 3.3% y/y to US\$ 1.77bn, and trade deficit increased 11.7% y/y to US\$ 1.27bn (2.7ppts lower compared to 4Q14), according to foreign trade data released by GeoStat.

In 1Q15, 34% of exports were directed to EU (+21.1% y/y), 35% to CIS (-55.3% y/y), and 31% to other countries (-3.6% y/y), out of which Turkey (8.1% of total) and USA (5.3%) were the largest export destinations. The negative trend in exports was mainly attributed to a 34% y/y drop in re-exports (mainly used car re-exports to CIS), accounting for 32.4% of total exports, while Georgia-originated exports fell 24.2% y/y. Copper (+19.3% y/y), nuts (+138.7% y/y), and pharmaceuticals (+84.0% y/y) were the major Georgian exports expanding significantly in 1Q15.

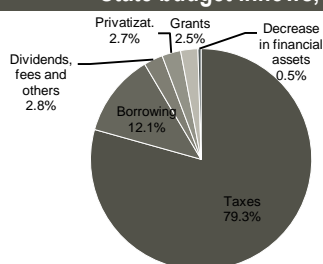
The 3.3% y/y drop in imports was mainly attributed to a 10.6% y/y decrease in consumer goods imports, while capital and intermediate goods imports continued to grow, expanding by 5.2% y/y. In 1Q15, gases (+11% y/y), cars (-10.2% y/y), petroleum (-31.8% y/y), pharmaceuticals (+9.5% y/y), and copper (+41.3% y/y) represented the top 5 imported commodities.

State budget inflows and outflows

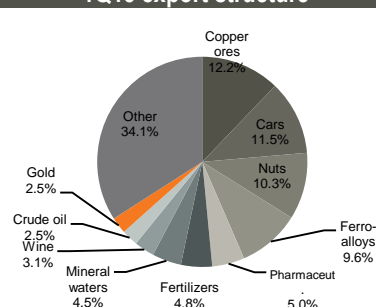


Source: Treasury Service

State budget inflows, 1Q15

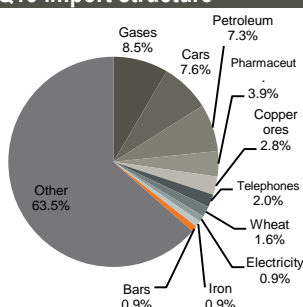


1Q15 export structure



Source: GeoStat

1Q15 import structure

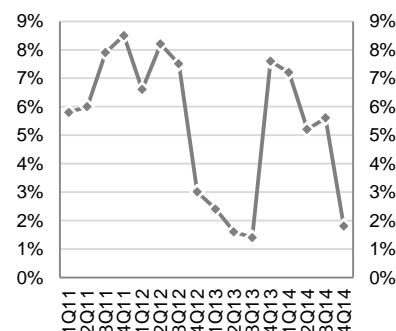


Key macro indicators

	2014E	2013
GDP (% change)	4.8%	3.3%
GDP per capita (ppp)	7,666	7,156
GDP per capita (US\$)	3,681	3,560
Population (mn)	4.5	4.5
Inflation (eop)	2.0%	2.4%
Gross reserves (US\$ bn)	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, G&T Research

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 # 69 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POORS BB- Stable Affirmed Nov-2014	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Aug-2014	FitchRatings BB- Stable Affirmed Apr-2015
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Source: Rating agencies

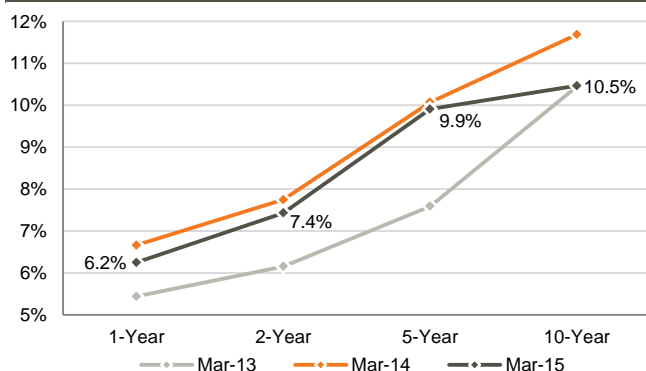
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 310mn) with an average yield of 4.50% (unchanged w/w).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.98mn) certificates of deposit, with an average yield of 5.13% (up by 13bps from previous issue).

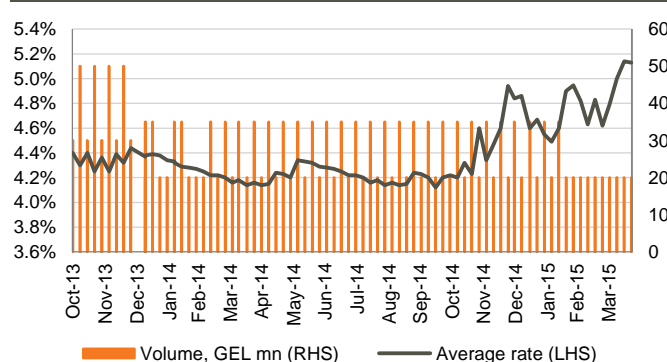
Ministry of Finance Treasury Notes: The nearest treasury securities auction is scheduled for April 29, 2015, where GEL 20mn nominal value 336-day T-Bills will be sold.

T-bills / T-notes, yield curve



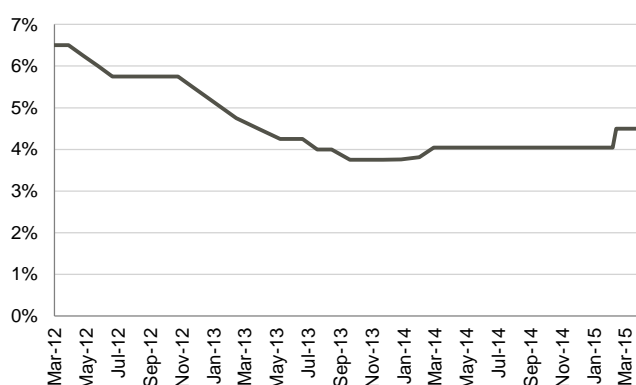
Source: NBG

Certificates of Deposits (weighted average rate)



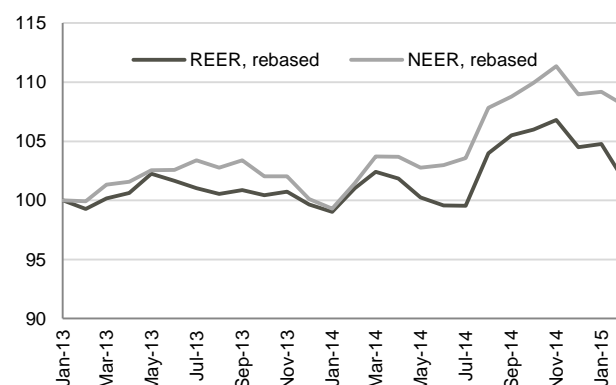
Source: NBG

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

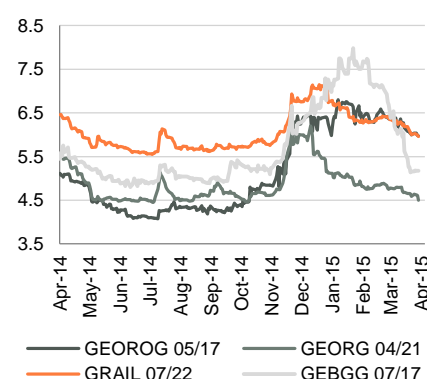


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 5.2% yield, trading at 105.3 (unchanged w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 101.6 (up 0.1% w/w), yielding 6.0%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 110.0 (up 0.4% w/w), yielding 6.0%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn; coupon: 6.875%; maturity: 04/21) went up to 112.3 (up 0.5% w/w), closing at 4.5% yield to maturity.

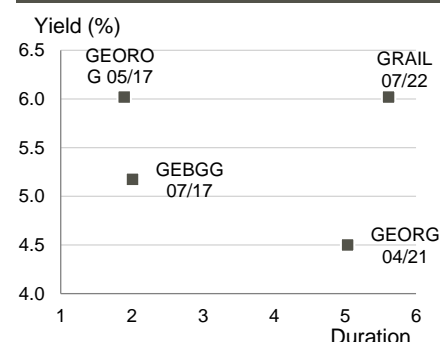
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M ² 06/15	M ² 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-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	99.5	100.0	98.0	101.6	105.3	112.3	110.0
Mid yield, %	9.9	9.5	9.7	6.0	5.2	4.5	6.0
Z-spread, bps	n/a	n/a	n/a	454.3	447	285.4	443.5

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-/Ba3	112.3	4.5	285.2
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	104.1	4.2	225
Bulgaria	323	5.000	19/07/2021	BBB-/	121.7	1.3	-148.9
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	105.0	3.1	268.8
Hungary	3,000	6.375	29/03/2021	BB+/BB/Baa1	116.8	3.2	155.8
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	120.7	3.3	153.6
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa3	103.6	4.2	265.9
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	109.6	3.8	216.1
Ukraine	1,500	7.950	23/02/2021	CCC/CCC-/Caa3	47.2	26.0	2438

Source: Bloomberg

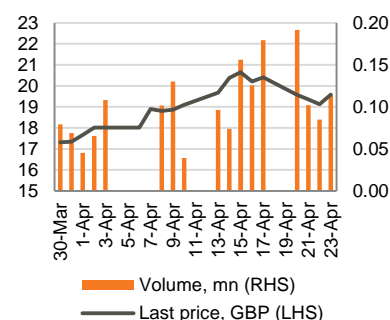
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 18.80/share (-7.84% w/w and +10.20% m/m). More than 430k shares traded in the range of GBP 18.77 – 20.49 /share. Average daily traded volume was 100k in the last 4 weeks, less than in the previous month. FTSE 250 index, of which BOGH is a constituent, has gained 0.89% w/w and 0.85% m/m. The volume of BOGH shares traded was at 1.20% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 11.95 (+1.27% w/w and +0.84% m/m). More than 64k GDRs changed hands in the range of US\$ 11.10 – 12.15/GDR. Average daily traded volume was 21k in the last 4 weeks, less than in the previous month. The price has decreased 8.08% since the start of trading on June 5, 2014.

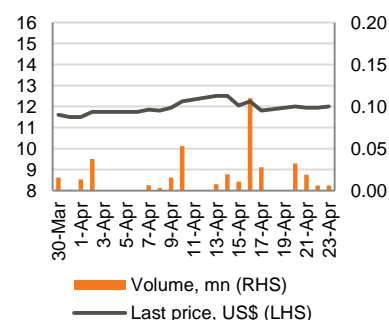
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w) and Liberty Bank shares were traded at GEL 0.0134 (+32.67% w/w). As a result, the G&T Index increased to a level of 798.28 (+0.04% w/w).

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*	28.51	1,126	12.4%	-8.3%	-29.2%	-11.9%	-34.3%
	TBC	11.95	585	0.8%	-7.7%	-15.8%	-5.2%	N/A
	Halyk Bank	7.60	2,114	18.9%	6.3%	-21.6%	-10.6%	-19.9%
	KKB	3.22	1,078	-4.7%	14.8%	-19.5%	-15.3%	46.4%
	VTB Bank	2.26	14,639	3.8%	13.2%	19.5%	-1.8%	9.1%
	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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