

# Weekly Market Watch

Weekly Market Watch | Georgia  
March 23, 2015

## Economy

### Real GDP grew 4.8% y/y in 2014

Real GDP grew 4.8% y/y in 2014 while the GDP deflator was 3.8%, according to GeoStat. Nominal GDP reached GEL 29.2bn (US\$ 16.5bn) in 2014. Fastest growing sectors were construction (+13.5% y/y), financial intermediation (+10% y/y), real estate (+8.5% y/y), communications (+7.1% y/y), transport (+6.4%) and trade (+6.1%).

### VAT turnover increased 15.5% y/y in February 2015

VAT taxpayers' turnover, major indicator of economic activity, increased by 15.5% y/y in February 2015 according to MOF. This higher turnover rate indicates that output might grow sizably in February; GeoStat's official estimate for February GDP growth will be released on March 31.

### Producer price index up 5.4% y/y and 1.3% m/m in February 2015

Annual PPI increased 5.4% in February 2015 according to GeoStat. The 7.8% y/y increase in manufacturing prices had a major impact on the overall index change (6.4ppts). In electricity, gas and water supply category the prices decreased by 3.9% y/y contributing -0.51ppts to overall price change.

Monthly PPI for industrial products increased 1.3% in February 2015, mainly as a result of the 1.3% increase in manufacturing prices (mostly for foods, beverages, tobacco and basic metals) contributing 1.08ppts to the overall index. The prices fell 5.4% m/m for manufacture of chemical products.

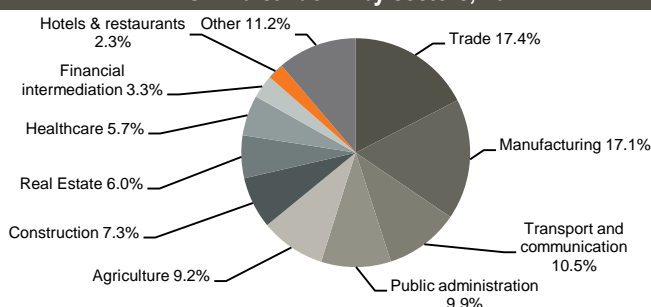
### Money transfers down 21.7% y/y in February 2015

Money transfers decreased 21.7% y/y to US\$ 82mn in February 2015 according to NBG. The 44.2% y/y drop in transfers from Russia, accounting for 34.4% of total transfers, had a major negative impact. Remittances significantly increased from USA +28.2% y/y (8.7% of total), Turkey +32.9% y/y (7.0%), Israel +51.6% y/y (2.7%), and Germany +15.6% y/y, (2.4%).

### NBG sold US\$ 40mn

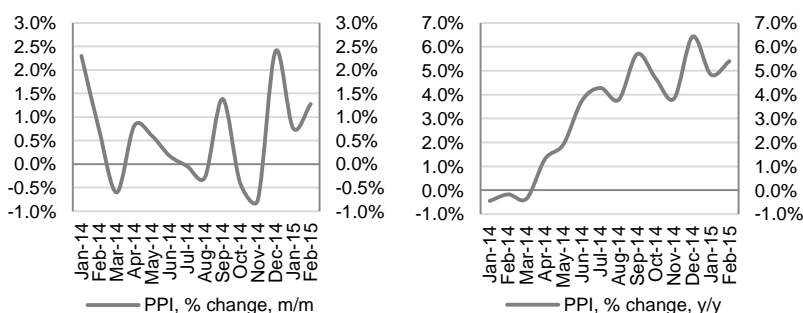
NBG intervened in the FX market on 19 March 2015 and sold US\$ 40mn. However, lari weakened by 1.0% d/d against dollar.

### GDP breakdown by sectors, 2014



Source: GeoStat

### Producer price index



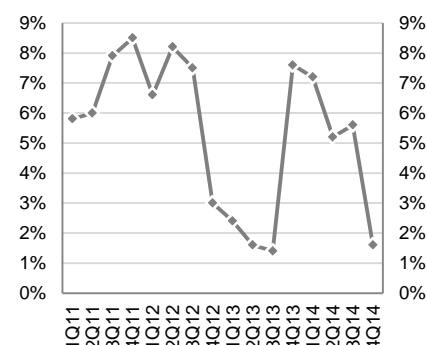
Source: GeoStat

### Key macro indicators

	2014	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)	35.6%	34.7%

Source: Official data, G&T Research

### Real GDP growth, %



Source: GeoStat, 4Q14 data preliminary

### International ranking of Georgia, 2014

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 May-2014	<b>MOODY'S</b> INVESTORS SERVICE  <b>Ba3</b> Positive Affirmed Sep-2014	<b>FitchRatings</b>  <b>BB-</b> Positive Affirmed Oct-2014
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Source: Rating agencies



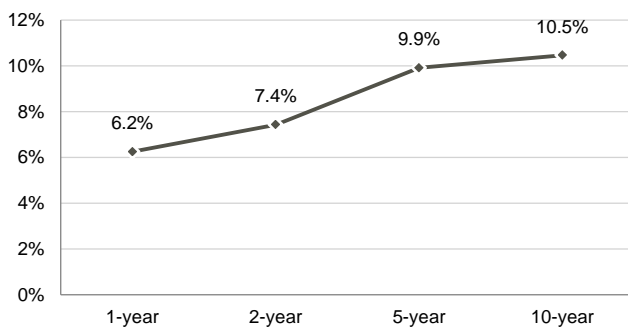
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 306mn) with an average yield of 4.50% (unchanged w/w).

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 9.08mn) certificates of deposits, with an average yield of 4.83% (up by 1bps from previous issue).

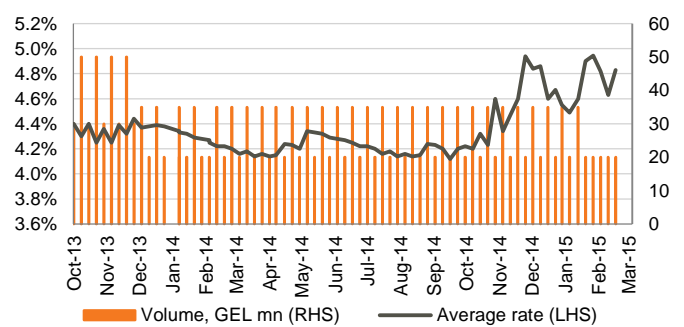
**Ministry of Finance Treasury Notes:** 2-year, GEL 25mn (US\$ 11.45mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 7.070%, maximum yield was 7.480% and the weighted average yield was fixed at 7.429%. The coupon rate was 7.124%. Coupons will be paid semi-annually. The nearest treasury securities auction is scheduled for March 18, 2015, where GEL 15mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



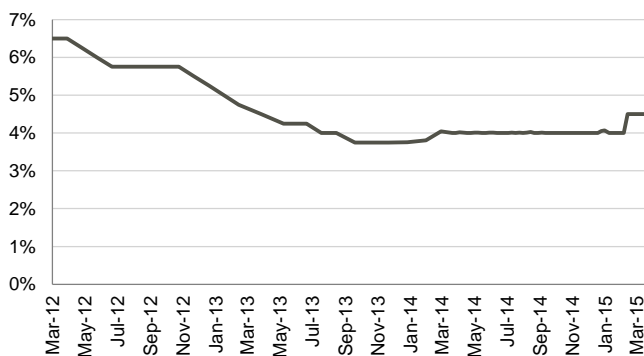
Source: NBG

Certificates of Deposits (weighted average rate)



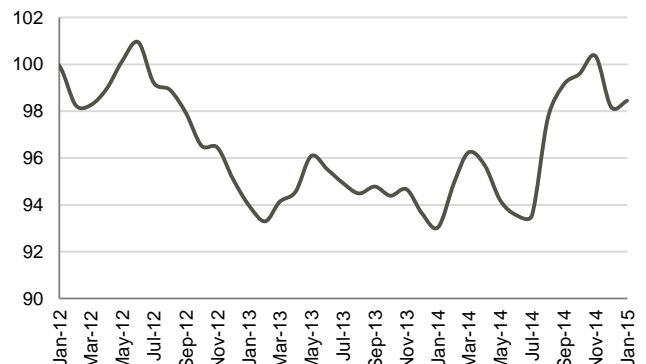
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



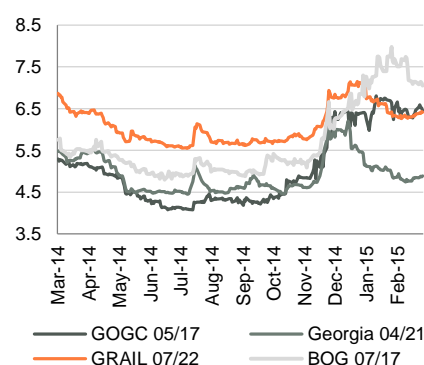
Source: NBG

## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 7.0% yield, trading at 101.4 (up 0.1% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 100.6 (down 0.3% w/w) yielding 6.6%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 107.7 (down 0.3% w/w) yielding 6.4%.

**Georgian Sovereign Eurobonds** (GEORG; US\$ 500mn; coupon: 6.875% maturity: 04/21) went up to 110.3 (down 0.2% w/w) closing at 4.9% YTM.

Georgia Eurobonds, YTM (%)

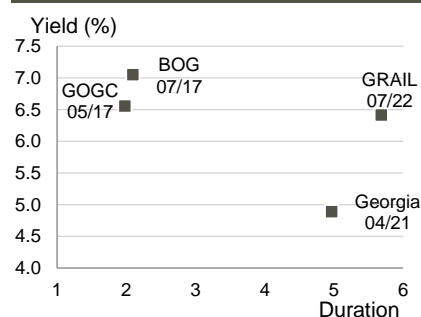


Source: Bloomberg

	Local bonds			Eurobonds			
	M <sup>2</sup> 04/15	M <sup>2</sup> 06/15	GLC 09/17	GOGC 05/17	Georgia 04/21	GR 07/22	BOG 07/17
Amount, US\$ mn	5	10	10	250	500	500	400
Issue date	04/14	06/14	09/14	05/12	04/11	07/12	07/12
Maturity date	04/15	06/15	09/17	05/17	04/21	07/22	07/17
Coupon	9.500%	8.420%	8.750%	6.875%	6.875%	7.750%	7.750%
Fitch/S&P/Moody's	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/	BB-/BB-/Ba3
Mid price, US\$	102.2	102.8	100.0	100.6	110.3	107.7	101.4
Mid yield, %	9.00%	8.00%	8.75%	6.6	4.9	6.4	7.0
Z-spread, bps	n/a	n/a	n/a	578.3	312	473	569.2

Source: Bloomberg

Georgian Eurobond universe



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	110.3	4.9	312
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	100.0	4.7	276.5
Bulgaria	323	5.000%	19/07/2021	BBB-/	123.0	1.2	-123.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	106.0	2.9	251
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	116.0	3.4	164
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	121.1	3.3	149.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa3	98.5	5.3	370.1
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	109.6	3.8	210.6
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC-/Caa3	39.1	31.0	2865.1

Source: Bloomberg

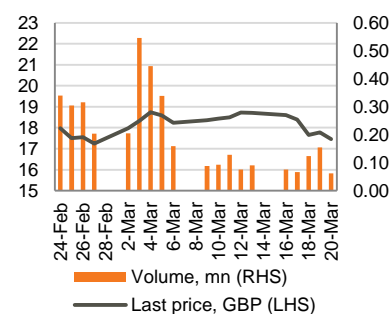
# Equities

**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 17.46/share (-6.63% w/w and -8.11% m/m). More than 570k shares traded in a range of GBP 17.37 – 18.96/share. Average daily traded volume was 199k in the last 4 weeks, lower than in the previous month. FTSE 250 index, of which BOGH is the constituent, has gained 2.50% w/w and 2.42% m/m. The volume of BOGH shares traded was at 1.44% of its capitalization.

**TBC Bank** closed the week at US\$ 11.50 (-4.17% w/w and -9.45% m/m). More than 580k GDRs changed hands in the range of US\$ 11.50 – 12.10/GDR. Average daily traded volume was 81k in the last 4 weeks, more than in the previous month. The price has decreased 11.54% since the start of trading on June 5, 2014.

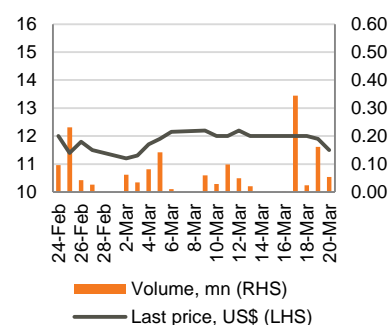
**On the Georgian stock exchange**, Caucasus Energy & Infrastructure shares were traded at GEL 0.87 (+2.35 w/w), Liberty Bank shares were traded at GEL 0.01 (-25.37% w/w) and Liberty Consumer were traded at GEL 0.1 (unchanged w/w). As a result, the G&T Index decreased to the level of 798.90 (-0.03% w/w).

**Bank of Georgia (BGEO LN)**



Source: Bloomberg

**TBC Bank (TBCL LI)**



Source: Bloomberg

## Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	26.14	1,592	-10.7%	-11.4%	-34.6%	-34.1%	-32.5%
TBC	TBC	11.50	563	-9.45%	-5.7%	N/A	N/A	N/A
Halyk Bank	HSBK	5.95	1,655	-8.5%	-15.0%	-47.1%	-42.0%	-29.8%
KKB	KKB	3.45	1,155	0.0%	14.8%	-19.8%	91.7%	72.5%
VTB Bank	VTBR	2.10	13,596	-2.4%	14.0%	-0.2%	-29.9%	13.4%
Vozrozhdenie Bank	VZRZ	11.35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Sberbank	SBER	2.74	N/A	0.0%	0.0%	0.0%	-12.7%	0.0%

Source: Bloomberg

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



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