

Georgian Weekly Market Watch (June 30 - July 04)

Market comment

Last week, London traded Bank of Georgia Holdings (BGEO LN) closed at GBP 24.51 (+4.8% w/w). During the week, more than 210 000 shares were traded in the range of GBP 23.00 – 24.68. TBC Bank closed the week at US\$14.6 (+2.8% w/w), more than 370 000 GDRs changed hands in the range of US\$ 13.70 – 14.66.

In the debt world, Bank of Georgia (GEBGG 07/17, -0.2% to 107.7) and Georgian Sovereign (GEORG 04/21, -0.2% to 113.6) Eurobond prices went down. While Georgian Railway (GRAIL 07/22,+0.2% to 113.1) and Georgian Oil and Gas Corporation (GEOROG,+0.3% to 107.3) Eurobond prices went up.

On the Georgian stock exchange, Bank of Georgia shares (GEB GG) were traded at GEL 36.00 (-16.3% w/w) as a result, BG Index decreased to the level of 822.3 (-16.0% w/w).

Money market

Last week, the National Bank of Georgia (NBG) issued 7-day refinancing loans in the amount of GEL 500mn with an average yield of 4.00% (unchanged w/w). NBG also sold 91-day, GEL 35mn certificates of deposits. The average yield was 4.28% (down by 4bps).

As for treasury debt, on July 2, total of GEL 30mn 364-day T-Bills of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 6.290%, maximum yield was 6.520% and the weighted average yield was fixed at 6.403% The nearest treasury securities auction is scheduled for July 9, 2014, where GEL 20mn nominal value 2-year T-Notes will be sold.

Economy

Real GDP grew at 6.3% y/y in May 2014

Last week, GeoStat announced its rapid estimate for May 2014 economic growth at 6.3% y/y. Monthly rapid estimations are based on VAT turnover, fiscal and monetary statistics.

Annual inflation rate was 2.0% in June 2014

According to GeoStat, annual inflation rate in Georgia was recorded at 2.0% in June 2014. The most significant contributions to the annual CPI growth were made by health (+5.6% y/y), alcoholic beverages and tobacco (+7.5% y/y), transport (+3.2% y/y) and food and non-alcoholic beverages (+0.7% y/y). June 2014 monthly inflation rate in Georgia was -0.9%. In the given period the most significant impact on the inflation rate was made by price changes in food and non-alcoholic beverages (-3.5% m/m) and alcoholic beverages and tobacco (+1.0% m/m).

International investment position in 1Q14

According to NBG, net international investment position (IIP) of Georgia decreased by US\$ 595.7mn (GEL 1.0bn) y/y and amounted to US\$16.4bn (GEL 28.7bn, 101.0% of GDP) as of 1Q14. As of March 31, 2014 the total international assets were US\$5.8bn (GEL10.1bn) with the following composition: reserve assets - 45.1%, other investments - 29.7%, direct investment abroad - 24.1% and portfolio investment and financial derivatives - 1.0%.

Balance of payments as of 1Q14

According to NBG, 1Q14 current account deficit of Georgia was US\$362.8mn (GEL 634.8mn, 10% of GDP). Merchandise trade traditionally has been the major contributor in formation of negative current account balance and amounted to US\$849.7mn (GEL1.5bn, +14.0% y/y) in 1Q14.

Georgian national currency depreciates against USD and appreciates against EUR

According to the official exchange rate of the NBG, during the week Georgian Lari has slightly depreciated against USD and appreciated against EUR. 1 US Dollar equalled GEL1.7693 (+0.01% w/w) and 1 EUR reached to GEL 2.4045 (-0.15% w/w).

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