

## Georgian Weekly Market Watch (June 09 - June 13)

### Market comment

Last week, London traded Bank of Georgia Holdings (BGEO LN) closed at GBP 23.63 (-3.16% w/w). During the week, more than 550 000 shares were traded in the range of GBP 23.53 – 24.65. Last week was also the first week of trading of TBC bank GDRs on LSE, more than 1,9mn GDRs changed hands in the range of US\$ 12.95 – 13.40 closing at US\$ 13.25.

In the debt world, Bank of Georgia (GEBGG 07/17, +0.3% to 107.6), Georgian Railway (GRAIL 07/22, +0.5% to 112.4) and Georgian Oil and Gas Corporation (GEOROG, +0.5% to 106.9) Eurobond prices went up. While Georgian Sovereign (GEORG 04/21, -0.2% to 113.5) Eurobond price went down.

On the Georgian Stock Exchange, only Bank of Georgia shares (GEB GG) were traded at GEL 45.00 (28.6% w/w) as a result, BG Index increased to the level 1,023.5.

### Money market

Last week, the National Bank of Georgia (NBG) issued 7-day refinancing loans in the amount of GEL 505mn with an average yield amounting 4.00% (-0.25% w/w). NBG also sold 182-day, GEL 20mn Certificates of Deposits. The average yield was 4.33% (down by 5bps).

As for the treasury debt, on June 12, total of GEL 15mn 2-year T-notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 7.700%, maximum yield was 7.820% and the weighted average yield was fixed at 7.789%. The coupon rate was 8.000%. Coupons will be paid semi-annually. The nearest treasury securities auction is scheduled to be held on June 18, 2014, where GEL 30mn nominal value 1-year T-bills will be sold.

### Economy

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#### 1Q14 Preliminary FDI up 15% y/y

Georgia's 1Q14 FDI increased 15% y/y (20% Q/Q) to US\$ 260mn according to GeoStat's preliminary figures. The Financial sector was the largest FDI recipient with 34% of net inflows, followed by the manufacturing sector at around 18% and transports and communications sector (17%). Netherlands topped the list of investors with US\$ 73mn (28% of net inflows), with the Azerbaijan coming second at roughly US\$ 47mn (18% of net inflows).

#### Georgia's money transfer inflows grew by 10.2% y/y in May

According to NBG, total money transfers from abroad amounted US\$ 126.4 (+10.25% y/y) in May, out of this amount US\$ 114.4mn (90.5%) came from 9 big donor countries. Russia accounted for around 50.8% of total foreign money transfers in May, followed by Greece (14.0%) and Italy (8.8%).

#### Public Expenditures on the Frontline: Tackling the Growth and Jobs Agenda in Georgia

Generating growth and creating jobs within a sustainable fiscal framework is Georgia's biggest macroeconomic challenge, says the Georgia Public Expenditure Review (PER) report presented by the World Bank on June 10, 2014. The report points out that fiscal consolidation will be important for Georgia to generate strong growth with macroeconomic stability in an uncertain global environment. The report presents an array of policy options that could help to reduce Georgia's fiscal deficit from 3.7% of GDP in 2014 to 2.5% in 2018.

#### Georgian National currency appreciates against USD and EURO

According to the official exchange rate of NBG, during the week Lari has slightly appreciated against USD and EURO. 1 US Dollar equalled GEL1.7695 (-0.2% w/w) and 1 EUR reached to GEL 2.3994 (-0.7% w/w).

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