

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 22, 2015

Economy

Real GDP up 3.2% y/y in 1Q15

Real GDP increased 3.2% y/y, while GDP deflator was up 5.1% y/y in 1Q15 according to GeoStat's preliminary data. The growth base in 1Q15 was diversified, with mining generating the largest increase at 22.9% y/y. Construction (+17.2% y/y), hotels and restaurants (+8.9% y/y), financial intermediation (+8.9% y/y), and transport (+8.4% y/y) sectors were the other top performers. 1Q15 growth in construction was led by public infrastructure spending and construction of a new gas pipeline, while railway and pipeline transportation drove the growth in the transport sector. Manufacturing (-5.2% y/y) and trade (-2.5% y/y) were the only sectors in the red in 1Q15, driven by reduced manufacturing of alcoholic beverages and tobacco and the decline in car trade. Nominal GDP base was diversified with industry accounting for the largest share (16.5%), followed by trade (16.1%), and transport and communication (11.9%).

Trade deficit down 10.3% y/y in May 2015

According to GeoStat's preliminary figures, the trade deficit decreased 10.3% y/y to US\$ 513mn as exports fell 19.8% y/y to US\$ 195mn, while imports were down 13.1% y/y to US\$ 707mn, in May 2015. Detailed statistics will be available on June 22.

Producer price index up 0.8% m/m and 9.0% y/y in May 2015

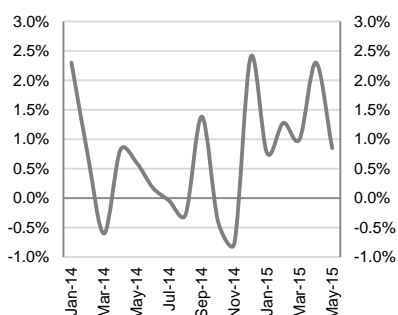
PPI for industrial products increased 0.8% m/m in May 2015, according to GeoStat. A 0.7% increase in manufacturing prices contributed 0.61ppts to the overall index change. The prices were significantly higher for chemical products (+6.2% m/m), while prices grew 0.8% m/m for manufacture of food, beverages and tobacco. Prices decreased for manufacture of basic metals and fabricated metals (-2.0% m/m).

Annual PPI increased 9.0% in May 2015, with manufacturing prices increasing 11.1% y/y (mostly for manufacture of foods, beverages and tobacco, paper and publishing, basic metals and fabricated metal products), contributing 9.05ppts to the overall index change. Prices were 2.7% lower y/y in the electricity, gas and water supply category, contributing -0.33ppts to the overall index change.

Money transfers down 22.7% y/y in May 2015

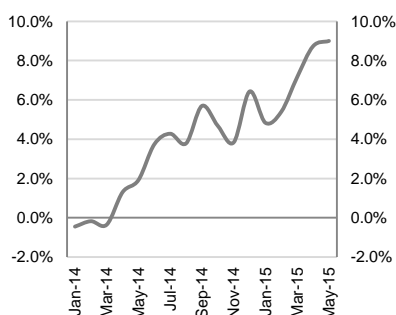
Money transfers decreased 22.7% y/y to US\$ 97.7mn in May 2015, according to NBG. The 41.4% y/y drop in transfers from Russia, accounting for 38.5% of total transfers, was the major contributor to the decline. As in previous months, remittances continue robust growth from USA +22.5% y/y (8.7% of total), Turkey +10.6% y/y (6.5%), and Israel +29.2% y/y (2.5%).

PPI (% change m/m)



Source: GeoStat

PPI (% change y/y)



Key macro indicators

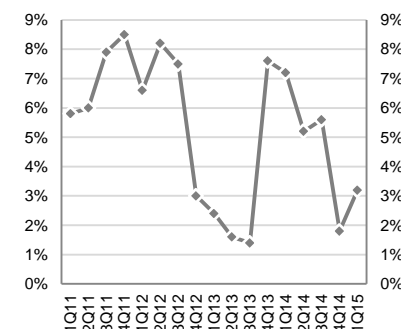
	5M15	2014	2013
GDP (% change)	2.6%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	3.5%	2.0%	2.4%
Gross reserves (US\$ bn)	2.4	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public 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

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



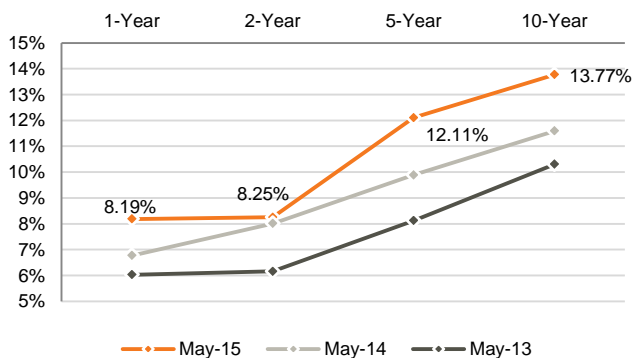
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 312.19mn) with an average yield of 5.0% (unchanged w/w).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.93mn) certificates of deposit, with an average yield of 7.23% (up by 42bps from previous issue).

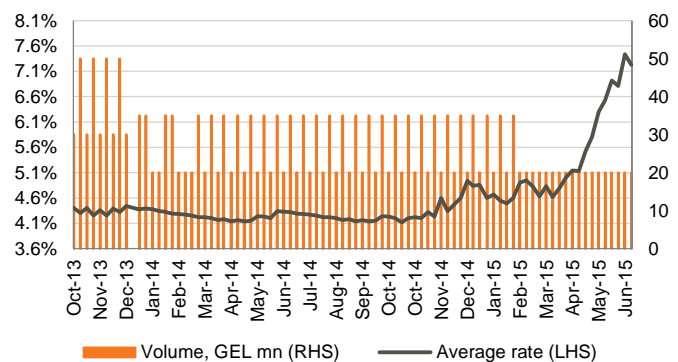
Ministry of Finance Treasury Notes: 5-year, GEL 10mn (US\$ 4.46mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 12.200%, maximum yield was 13.250% and the weighted average yield was fixed at 12.603%.

T-bills / T-notes, yield curve



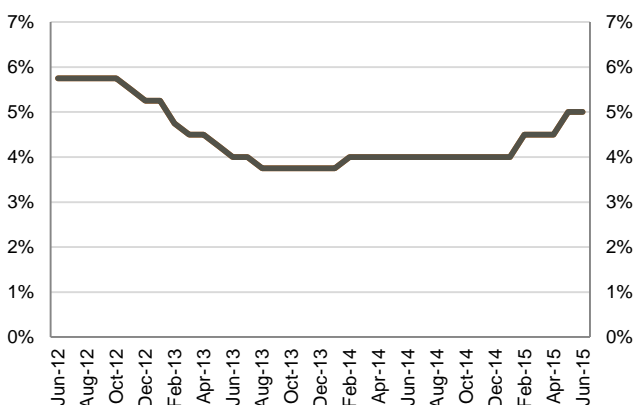
Source: NBG

Certificates of Deposits (weighted average rate)



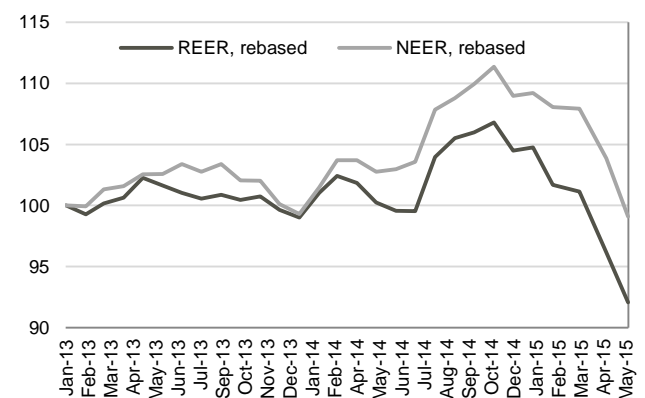
Source: NBG

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

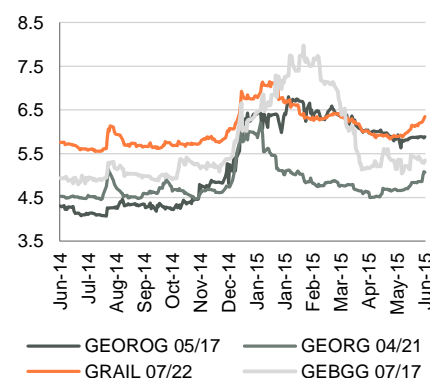


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 5.3% yield, trading at 104.6 (up 0.3 % w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 101.8 (unchanged w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 107.8 (down 0.9% w/w), yielding 6.4%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn; coupon: 6.875% maturity: 04/21) went down to 109.0 (down 1.1% w/w), closing at 5.1% yield to maturity.

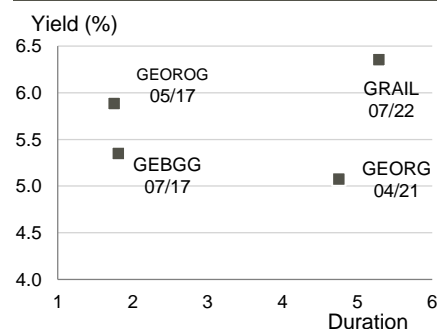
Georgia Eurobonds, YTM (%)



	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-/Baa3	BB-/BB-/Baa3	BB-/BB-/
Mid price, US\$	99.5	100.0	98.0	101.8	104.6	109.0	107.8
Mid yield, %	9.9	9.5	9.7	5.9	5.3	5.1	6.4
Z-spread, bps	n/a	n/a	n/a	458.3	450.6	308.0	430.3

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	108.9	5.1	308.0
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	101.0	4.6	223.4
Bulgaria	323	5.000	19/07/2021	BBB-/	115.8	2.2	-80.9
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	100.4	3.8	291.2
Hungary	3,000	6.375	29/03/2021	BB+/BB/Baa1	113.8	3.7	165.6
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	117.4	3.8	161.6
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa3	102.1	4.5	334.1
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	107.5	4.1	215
Ukraine	1,500	7.950	23/02/2021	CC/CC/Ca	51.6	24.0	2185.3

Source: Bloomberg

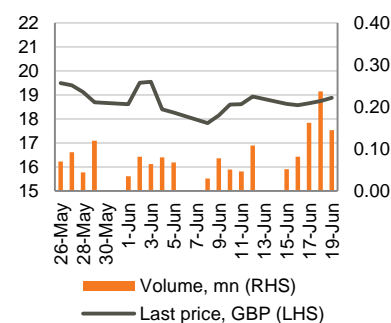
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 18.88/share (-0.26% w/w and +11.19% m/m). More than 677k shares traded in the range of GBP 18.01 – 19.19/share. Average daily traded volume was 87k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 1.35% w/w and 2.58% m/m. The volume of BOGH shares traded was at 1.86% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 11.00 (unchanged w/w and +1.85% m/m). More than 67k GDRs changed hands in the range of US\$ 10.90 – 11.05/GDR. Average daily traded volume was 16k 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.

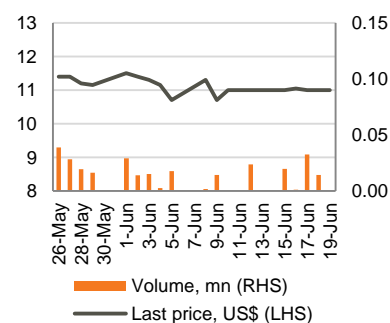
On the Georgian stock exchange, there were no trades. As a result, the G&T Index remained at the same level of 799.12 (unchanged w/w).

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*	BGEO	29.97	1,184	13.8%	14.5%	1.6%	-7.4%	-24.5%
TBC	TBC	11.00	539	1.9%	-7.6%	-9.8%	-12.7%	-20.3%
Halyk Bank	HSBK	7.80	2,128	-7.0%	31.1%	11.4%	-8.2%	-23.5%
KKB	KKB	3.22	1,282	-0.2%	-6.8%	7.0%	-15.4%	60.8%
VTB Bank	VTBR	2.88	18,631	2.1%	42.8%	56.3%	25.0%	8.4%
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%	0.0%	0.0%

Source: Bloomberg

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

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: st@gt.ge