

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 29, 2015

Economy

Trade deficit down 10.4% y/y in May 2015

In May 2015, exports decreased 19.6% y/y to US\$ 195mn, imports fell 13.1% y/y to US\$ 707mn, and trade deficit decreased 10.4% y/y to US\$ 513mn, according to foreign trade data released by GeoStat. As a result, in 5M15, exports fell 24.8% y/y to US\$ 884mn, imports decreased 9.0% y/y to US\$ 3.0bn, and trade deficit decreased 0.4% y/y to US\$ 2.1bn. The 19.6% y/y decline in exports in May was predominantly due to a decline in re-exports (-45.3% y/y, mostly used cars). Georgia originated exports experienced the lowest decline (-1.4% y/y) since weaker external demand started to affect export performance in September 2014. Nuts (+240% y/y) and gold (+89% y/y) were the major Georgia originated exports expanding significantly in May.

In 5M15, 27% of exports were directed to the EU (-4.4% y/y), 38% to the CIS (-46.2% y/y), and 35% to other countries (+3.4% y/y), out of which Turkey (9.8% of total) and China (5.3%) were the largest export destinations. A 63.7% y/y drop in car exports (10.0% of total) had the largest negative impact. Nuts (+154.1% y/y), pharmaceuticals (+70.3% y/y), and gold (+82.6% y/y) were the major Georgian exports expanding significantly in 5M15.

In 5M15, pharmaceuticals (+127.8% y/y), petroleum (-28.3% y/y), cars (-17.3% y/y), gases (+18.2% y/y), and copper ores (+30.3% y/y) represented the top 5 imported commodities. 31% of imports were originated from the EU, 26% from the CIS, and 43% from other countries, with Turkey (17.3% of total), and China (8.5%) being the largest trading partners.

NPLs remain low

In May 2015, loan portfolio monthly growth was flat, while excluding exchange rate effect, the loans grew 16.6% y/y (+37.2% y/y in unadjusted terms) to GEL 14.9bn (US\$ 6.4bn). Deposits grew 8.9% y/y excluding exchange rate effect (+28.8% y/y and -1.4% m/m in unadjusted terms), reaching GEL 12.8bn (US\$ 5.5bn). NPLs remain under control at 3.4% (-0.2ppts m/m, and -0.3ppts y/y).

Key macro indicators

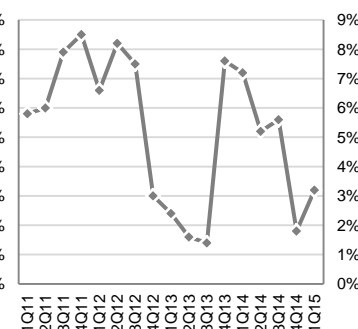
	5M15	2014	2013
GDP (% change)	2.6%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	3.5%	2.0%	2.4%
Gross reserves (US\$ bn)	2.4	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public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

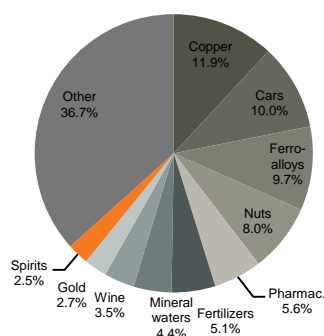
Source: World Bank, Heritage Foundation and World Economic Forum

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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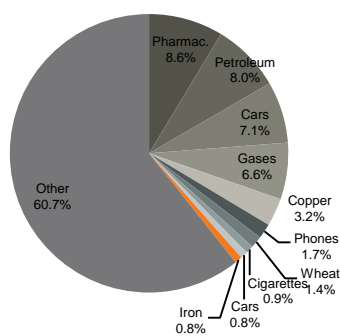
Source: Rating agencies

Exports by product



Source: GeoStat

Imports by product



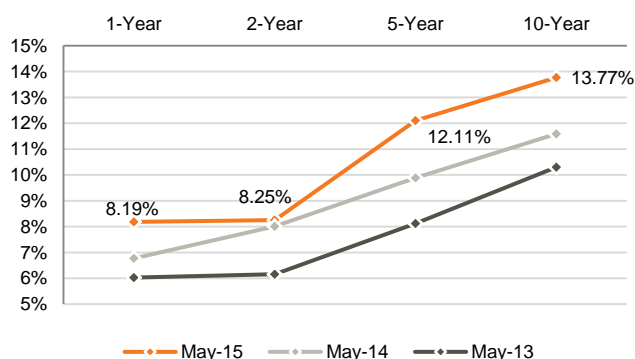
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 311.26mn) with an average yield of 5.0% (unchanged w/w).

Certificates of deposit: NBG sold 181-day, GEL 20mn (US\$ 8.89mn) certificates of deposit, with an average yield of 7.90% (up by 46bps from previous issue).

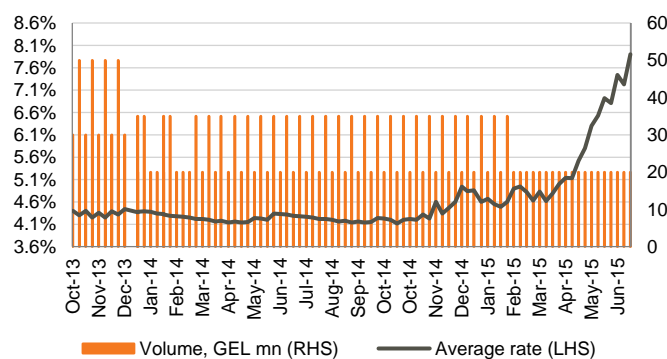
Ministry of Finance Treasury Notes: The nearest treasury securities auction is scheduled for July 1, 2015, where GEL 40mn nominal value 364-day T-Bills will be sold.

T-bills / T-notes, yield curve



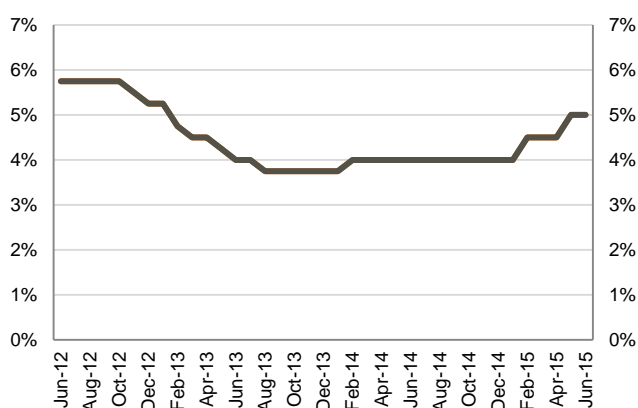
Source: NBG

Certificates of Deposit (weighted average rate)



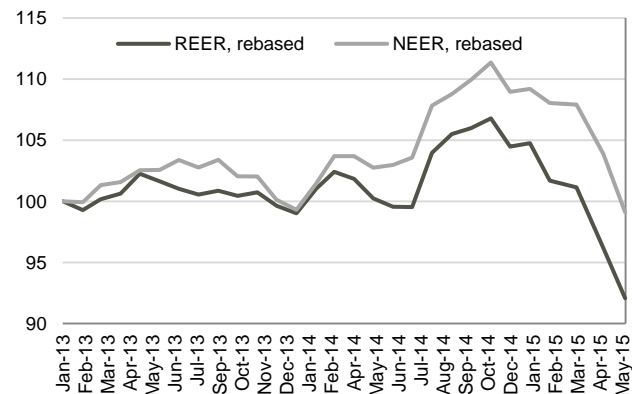
Source: NBG

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

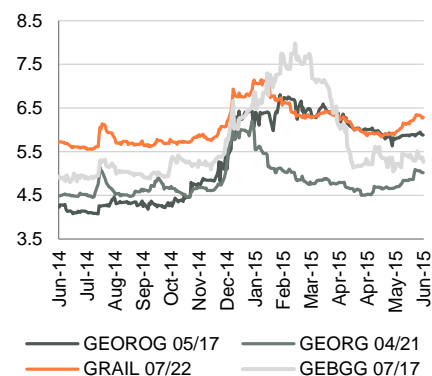


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.3% yield, trading at 104.6 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 101.6 (-0.2% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 108.3 (+0.5% w/w), yielding 6.3%.

Georgian Sovereign Eurobonds (GEORG) went up to 109.2 (+0.2% w/w), closing at 5.0% yield to maturity.

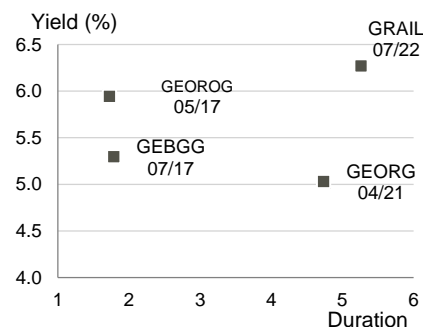
Georgia Eurobonds, YTM (%)



	Local bonds				Eurobonds			
	M2RE 06/15	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	10	20	15	10	250	400	500	500
Issue date	06/14	03/15	05/15	09/14	05/12	07/12	04/11	07/12
Maturity date	06/15	03/17	05/17	09/17	05/17	07/17	04/21	07/22
Coupon, %	8.420	9.500	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	100	98.0	101.6	104.6	109.2	108.3
Mid yield, %	9.9	9.5	9.5	9.7	5.9	5.3	5.0	6.3
Z-spread, bps	n/a	n/a	n/a	n/a	527.5	468.6	296.3	422.5

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	109.2	5.0	296.3
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	102.5	4.4	197.6
Bulgaria	323	5.000	19/07/2021	BBB/-	116.3	2.1	-100.6
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	101.4	3.6	273.7
Hungary	3,000	6.375	29/03/2021	BB+/BB/Baa1	114.2	3.6	150.6
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	117.9	3.7	153.2
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa3	103.4	4.2	303.9
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	108.1	4.0	199.3
Ukraine	1,500	7.950	23/02/2021	CC/CC/Ca	53.2	23.3	2096.8

Source: Bloomberg

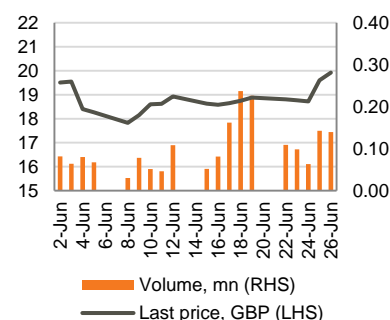
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 19.91/share (+5.51% w/w and +2.21% m/m). More than 552k shares traded in the range of GBP 18.69 – 20.10/share. Average daily traded volume was 97k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 0.66% w/w and lost 1.53% m/m. The volume of BOGH shares traded was at 1.40% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 10.55 (-4.09% w/w and -7.46% m/m). More than 32k GDRs changed hands in the range of US\$ 10.50 – 11.20/GDR. Average daily traded volume was 11k in the last 4 weeks, less than in the previous month.

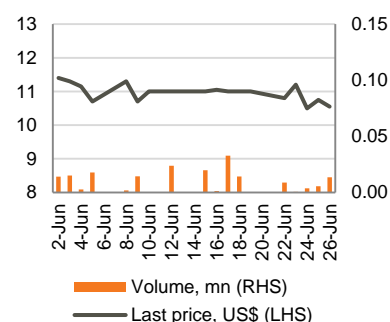
On the Georgian stock exchange, there were no trades. As a result, the G&T Index remained at 799.12 (unchanged w/w).

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*	31.35	1,238	4.5%	25.3%	-1.7%	-3.1%	-21.9%
	TBC	10.55	517	-7.5%	-10.2%	-16.9%	-16.3%	-26.2%
	Halyk Bank	8.70	2,373	17.4%	31.8%	20.0%	2.4%	-16.3%
	KKB	3.20	1,276	0.0%	-5.3%	3.2%	-15.8%	60.0%
	VTB Bank	2.79	18,093	-10.9%	34.9%	26.0%	21.4%	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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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: st@gt.ge