

Weekly Market Watch

Weekly Market Watch | Georgia
August 10, 2015

Economy

Inflation rate at 4.9% y/y and -0.2% m/m in July 2015

Annual CPI inflation rate was recorded at 4.9% in July 2015, according to GeoStat. Overall price changes were driven by price increases on food and non-alcoholic beverages (+7.1% y/y, +2.03ppts), health (+7.3% y/y, +0.71ppts), and alcoholic beverages and tobacco (+11.7% y/y, +0.62ppts), while prices in the transport category decreased 0.8% y/y.

Monthly inflation rate was -0.2% in July 2015. Price increases in health (+0.6% m/m, +0.06ppts) and transport (+0.6% m/m, +0.05ppts) and price drops in food and non-alcoholic beverages (-0.8% m/m, -0.25ppts) were the major drivers of the monthly inflation dynamics.

International arrivals up 9.5% y/y in July 2015 and up 4.9% y/y in 7M15

After a 9.3% spike in June 2015, tourist arrivals posted another significant growth of 9.5% y/y to 0.7mn persons in July 2015, according to the Ministry of Internal Affairs. Significantly increased arrivals from Armenia (+11.9% y/y, 24.4% of total), Azerbaijan (+7.9% y/y, 21.7% of total), and Turkey (+12.1% y/y, 20.6% of total) were the major contributors to growth. Arrivals from the EU increased 10.2% y/y in July. In 7M15, arrivals increased 4.9% y/y to 3.1mn persons.

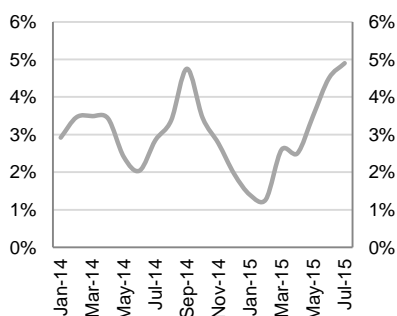
Gross international reserves stood at US\$ 2.45bn end-July 2015

Gross international reserves stood at US\$ 2.45bn (-1.5% m/m) and net foreign assets of NBG at US\$ 2.22bn (-1.5% m/m) as of end-July 2015, according to NBG.

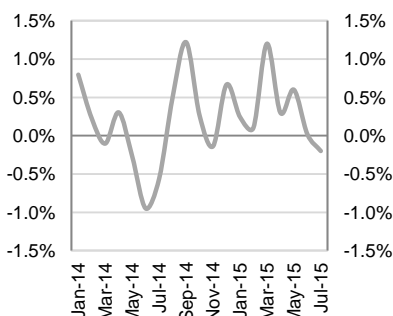
Tax revenues posted a strong performance in 7M15, up 12.1% y/y

Consolidated budget tax revenues increased 12.1% y/y to GEL 4.6bn in 7M15 and 13.0% y/y to GEL 760.8mn in July 2015. In 7M15, personal income tax revenues grew 15.5% y/y (26.5% of total), VAT receipts +6.6% y/y (42.8% of total), excise tax receipts +10.5% y/y (10.6% of total), profit tax receipts +31.0% y/y (15.2% of total), and property tax receipts +9.5% y/y (3.7% of total). The rest – receipts from custom duties and other taxes – decreased but they have a minor share in total tax revenues.

Annual CPI inflation (% change y/y)

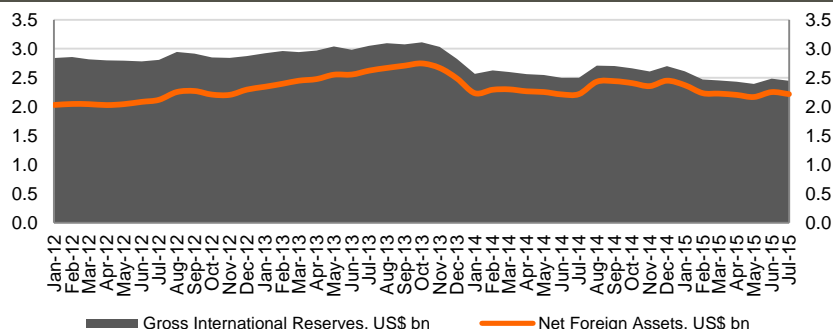


Monthly CPI inflation (% change m/m)



Source: GeoStat

International Reserves



Source: NBG

Key macro indicators

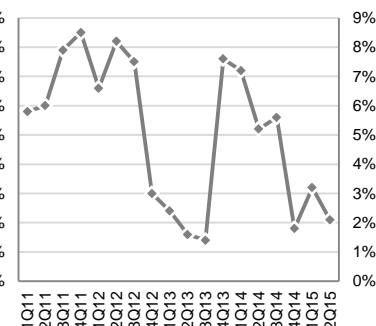
	1H15	2014	2013
GDP (% change)	2.6%	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	4.9%*	2.0%	2.4%
Gross reserves (US\$ bn)	2.5*	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

*As of 7M15

**Preliminary results of census, previous data is subject to recalculation

Real GDP growth, %



Source: GeoStat, rapid estimate for 2Q15

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

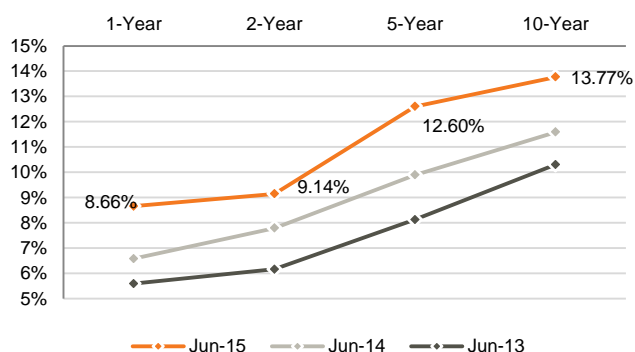
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 305.5mn) with an average yield of 5.5%.

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.8mn) certificates of deposit, with an average yield of 8.16% (down by 1bps from previous issue).

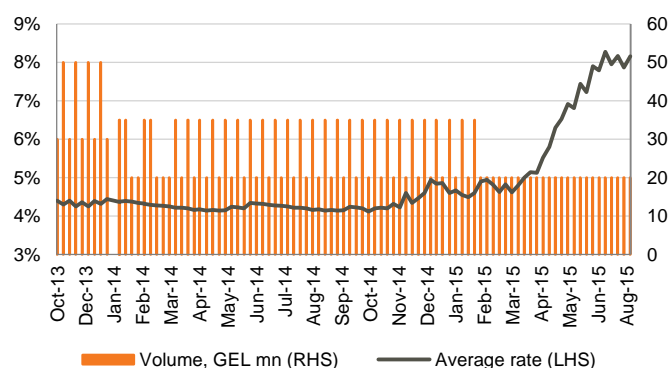
Ministry of Finance Treasury Notes: 2 year, GEL 20mn (US\$ 8.8mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. The weighted average yield was fixed at 12.652%. The nearest treasury securities auction is scheduled for August 12, 2015, where GEL 15mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



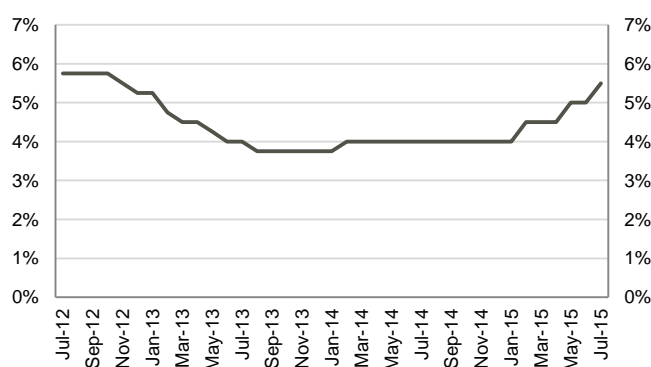
Source: NBG

Certificates of Deposits (weighted average rate)



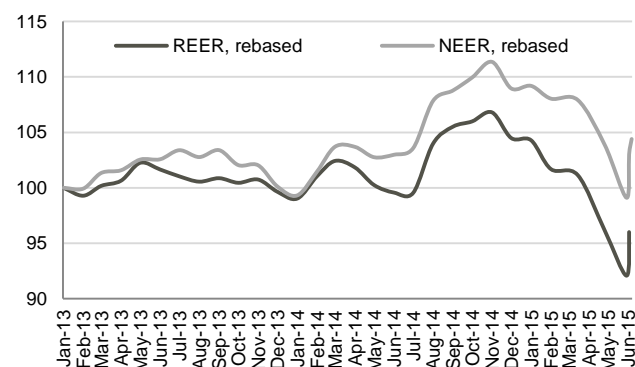
Source: NBG

Monetary policy rate



Source: NBG

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 104.4 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 101.9 (+0.1% w/w), yielding 5.7%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 105.8 (-0.1% w/w), yielding 6.7%.

Georgian Sovereign Eurobonds (GEORG) remained at 106.3 (unchanged w/w), closing at 5.6% yield to maturity.

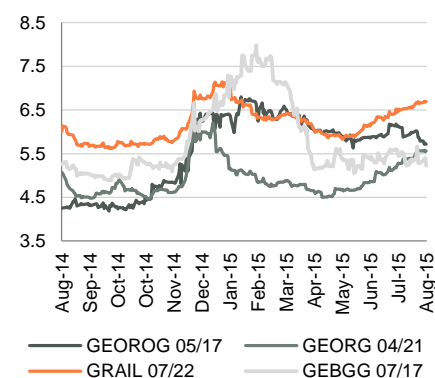
	Local bonds			Eurobonds			
	M ² RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	12-May	12-Jul	11-Apr	12-Jul
Maturity date	03/17	05/17	09/17	17-May	17-Jul	21-Apr	22-Jul
Coupon, %	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-/-	-/-/-	-/-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	99.0	100	98.0	101.9	104.4	106.3	105.8
Mid yield, %	10.1	9.5	9.7	5.7	5.3	5.6	6.7
Z-spread, bps	n/a	n/a	n/a	537.3	436.2	366.4	480.4

Source: Bloomberg

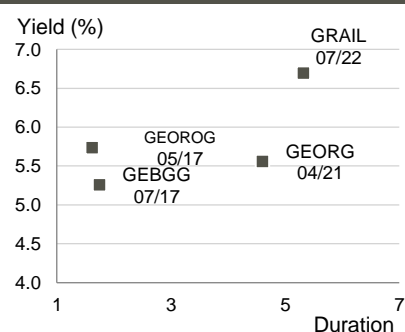
Eastern European sovereign 10-year bond performance							
Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	106.3	5.6	366.4
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	97.8	5.1	286
Bulgaria	323	5.000%	19/07/2021	BBB-/Baa3	115.7	2.2	-79
Croatia	1,250	3.875%	30/05/2022	BB-/BB-/Ba1	102.0	3.5	287
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.3	3.5	166
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.1	3.6	166
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	101.7	4.6	289
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	107.0	4.2	237
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	56.8	21.8	1971

Source: Bloomberg

Georgia Eurobonds, YTM (%)



Georgian Eurobond universe



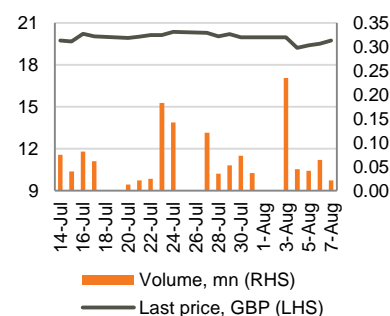
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 19.73/share (-1.15% w/w and +5.17% m/m). More than 406k shares traded in the range of GBP 19.06 – 20.21/share. Average daily traded volume was 70k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 0.12% w/w and gained 2.57% m/m. The volume of BOGH shares traded was at 1.0% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 10.50 (+8.25% w/w and +5.0% m/m). More than 16k GDRs changed hands in the range of US\$ 9.35 – 10.50/GDR. Average daily traded volume was 55k in the last 4 weeks, more than in the previous month.

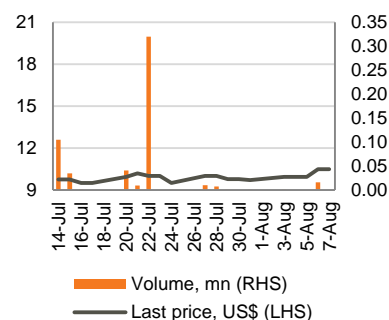
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 35.00, closing at GEL 35.00 (-5.4% w/w), Liberty Bank shares were traded at GEL 0.012 (-7.7% w/w), and Teliani Valley shares were traded at GEL 0.20 (unchanged w/w). As a result, the G&T Index went down to 798.13 (-5.43% w/w).

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*	30.50	1,205	5.4%	11.0%	-9.0%	-5.7%	-26.6%
	TBC	10.50	514	5.0%	-7.1%	-22.2%	-16.7%	-25.5%
	Halyk Bank	7.20	1,964	-10.7%	-12.2%	10.8%	-15.3%	-29.4%
	KKB	2.72	1,085	-13.1%	-15.5%	-15.3%	-28.4%	-43.3%
	VTB Bank	2.15	13,939	-15.5%	-18.1%	5.5%	-6.5%	3.1%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	1.15	24,890	-57.9%	-57.9%	-57.9%	-57.9%	-57.9%

Source: Bloomberg

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

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