

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 August 17, 2015

## Economy

### Trade deficit down 12.1% y/y in July 2015

According to GeoStat's preliminary figures, the trade deficit in July 2015 decreased 12.1% y/y to US\$ 475mn as exports fell 24.0% y/y to US\$ 187mn, while imports were down 15.8% y/y to US\$ 662mn. Detailed statistics will be available on August 21. In 7M15, exports decreased 23.8% y/y to US\$ 1.3bn, imports fell 10.6% y/y to US\$ 4.3bn, and the trade deficit decreased 3.6% y/y to US\$ 3.0bn.

### Producer price index down 2.3% m/m and up 7.8% y/y in July 2015

PPI for industrial goods decreased 2.3% m/m in July 2015, according to GeoStat. A 2.3% decrease in manufacturing prices contributed -1.93ppts to the overall index change. The prices were down for chemical products (-10.9% m/m), manufacture of food, beverages, and tobacco (-1.8% m/m), and manufacture of basic metals and fabricated metal products (-3.8% m/m).

Annual PPI increased 7.8% in July 2015, with manufacturing prices increasing 10.3% y/y (mostly for foods, beverages and tobacco, paper and publishing, basic metals and fabricated metals, and rubber and plastic products), contributing 8.44ppts to the overall index change. Prices were 4.4% lower y/y in the electricity, gas and water supply category, contributing -0.58ppts to the overall index change.

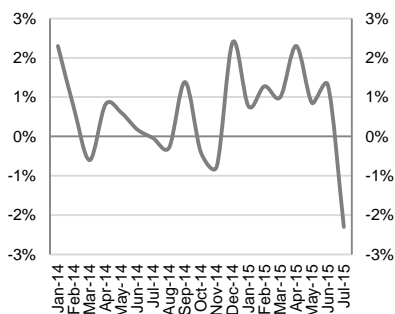
### Money transfers down 31.8% y/y in July 2015

Money transfers decreased 31.8% y/y to US\$ 93.4mn in July 2015, according to NBG. The 40.5% y/y decline from Russia (46.2% of total) and 76.1% y/y drop from Greece (4.8% of total) were the major contributors to the decline in money transfers. As in previous months, remittances continue strong growth from USA +17.3% y/y (9.1% of total), Turkey +20.9% y/y (6.6% of total), and Israel +52.7% y/y (3.0% of total). In 7M15, money transfers decreased 24.2% y/y to US\$ 632.0mn.

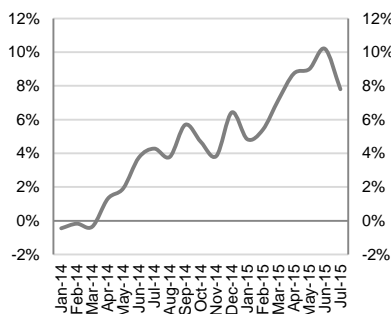
### NBG increases policy rate by 50 basis points to 6.0%

At its meeting on August 12, 2015, NBG's monetary policy committee increased the policy rate by 50 basis points to 6.0%. The decision to raise the policy rate was guided by increased inflation expectations, as well as domestic and external risks affecting the inflation forecast. NBG cited that annual inflation "may slightly exceed the target level" by the end of 2015, as external and internal demand remains weak. It also reiterated its earlier forecast for a further rate increase to 6.5% by the end of the year.

PPI (% change m/m)



PPI (% change y/y)



Source: GeoStat

### Key macro indicators

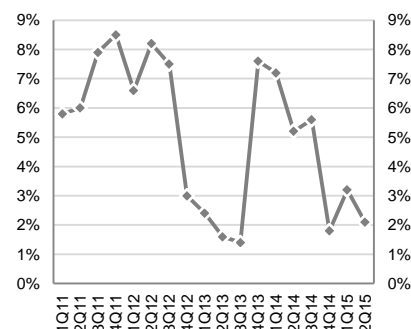
	1H15	2014	2013
GDP (% change)	2.6%	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	4.9%*	2.0%	2.4%
Gross reserves (US\$ bn)	2.5*	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public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

<b>STANDARD &amp; POOR'S</b>  <b>BB-</b> Stable Affirmed Nov-2014	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Positive Affirmed Aug-2014	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Apr-2015
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Source: Rating agencies



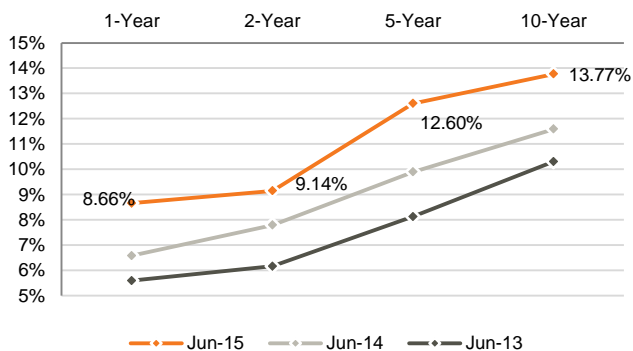
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 303.1mn) with an average yield of 6.0%.

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 8.7mn) certificates of deposit, with an average yield of 8.09% (up by 22bps from previous issue).

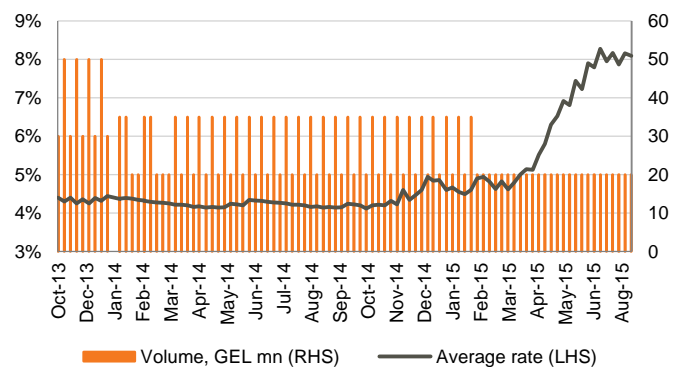
**Ministry of Finance Treasury Notes:** The nearest treasury securities auction is scheduled for August 19, 2015, where GEL 20mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



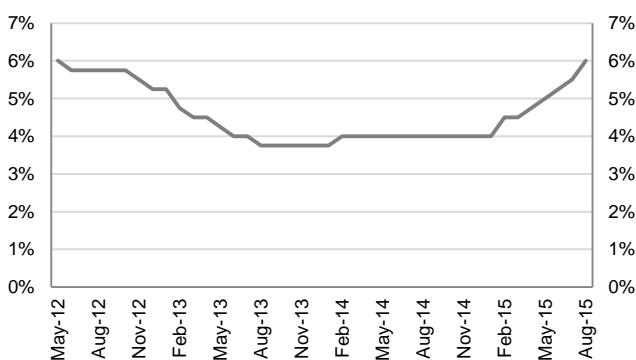
Source: NBG

Certificates of Deposits (weighted average rate)



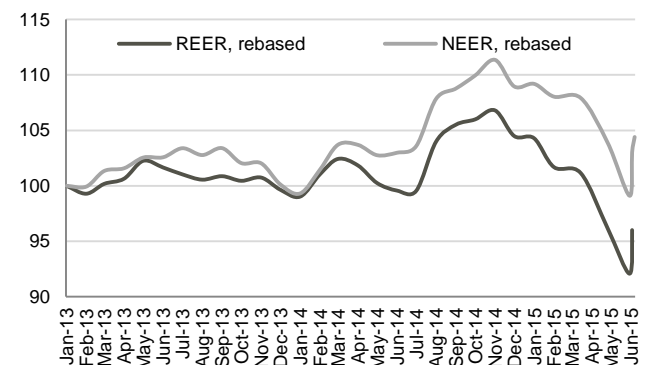
Source: NBG

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 5.6% yield, trading at 103.8 (-2.4% w/w). GOGC Eurobonds (GEOROG) were trading at 101.8 (-0.1% w/w), yielding 5.8%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 105.8 (unchanged w/w), yielding 6.7%.

**Georgian Sovereign Eurobonds (GEORG)** remained at 106.9 (+0.6% w/w), closing at 5.4% yield to maturity.

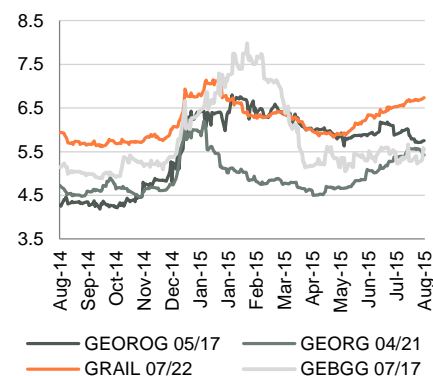
	Local bonds			Eurobonds			
	M <sup>2</sup> RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	12-May	12-Jul	11-Apr	12-Jul
Maturity date	03/17	05/17	09/17	17-May	17-Jul	21-Apr	22-Jul
Coupon, %	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-/-	-/-/-	-/-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba:	BB-/BB-/
Mid price, US\$	99.0	100	98.0	101.8	103.8	106.9	105.8
Mid yield, %	10.1	9.5	9.7	5.8	5.6	5.4	6.7
Z-spread, bps	n/a	n/a	n/a	538.7	459.1	359.4	481.0

Source: Bloomberg

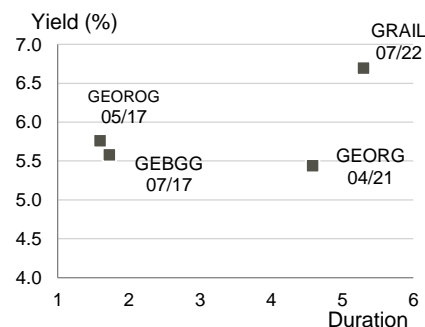
Eastern European sovereign 10-year bond performance							
Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	106.9	5.4	359.4
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	97.0	5.2	300
Bulgaria	323	5.000%	19/07/2021	BBB-/	115.5	2.2	45
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	102.3	3.5	280
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.7	3.5	167
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.6	3.5	156
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	101.3	4.7	299
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	106.7	4.3	245
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	57.9	21.3	1953

Source: Bloomberg

Georgia Eurobonds, YTM (%)



Georgian Eurobond universe



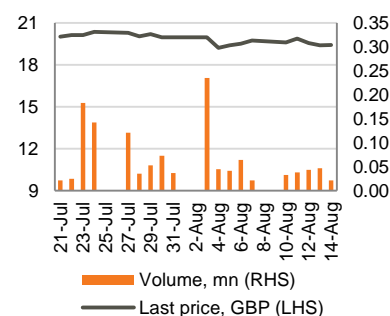
## Equities

**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 19.40/share (-1.67% w/w and -1.72% m/m). More than 181k shares traded in the range of GBP 18.95 – 19.89/share. Average daily traded volume was 64k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 0.20% w/w and 0.12% m/m. The volume of BOGH shares traded was at 0.5% of its capitalization.

**TBC Bank (TBCB LI)** closed the week at US\$ 10.20 (-2.86% w/w and +4.51% m/m). More than 3k GDRs changed hands in the range of US\$ 10.00 – 10.20/GDR. Average daily traded volume was 34k in the last 4 weeks, less than in the previous month.

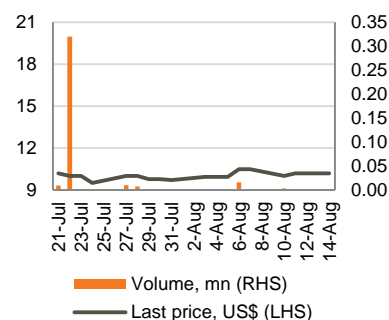
**On the Georgian stock exchange**, Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w), and Liberty Bank shares were traded at GEL 0.0125 (+4.2% w/w). As a result, the G&T Index went up to 798.19 (+0.01% w/w).

**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*	30.31	1,197	-1.5%	8.9%	-12.7%	-6.3%	-26.4%
	TBC	10.20	500	4.5%	-6.8%	-25.5%	-19.0%	-32.0%
	Halyk Bank	7.12	1,942	-14.2%	-11.0%	9.5%	-16.2%	-30.2%
	KKB	2.72	1,085	-6.2%	-15.5%	-15.5%	-28.4%	-47.7%
	VTB Bank	2.13	13,829	-19.3%	-16.7%	-2.9%	-7.2%	-1.2%
	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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