

Weekly Market Watch

 Weekly Market Watch | Georgia
 August 24, 2015

Economy

Trade deficit down 12.1% y/y in July 2015 and down 3.6% y/y in 7M15

In July 2015, exports decreased 24.0% y/y to US\$ 186.9mn, imports fell 15.8% y/y to US\$ 662.0mn, and trade deficit narrowed 12.1% y/y to US\$ 475.1mn, according to foreign trade data released by GeoStat. Gold (+50.5% y/y) and fertilizers (+38.5% y/y) were the major Georgian exports expanding significantly in July. Exports to EU increased 10.5% y/y, while CIS markets were a major drag, decreasing 39.8% y/y. In July 2015, imports continued the downward trend, savings from lower oil prices and car imports being the major contributors.

In 7M15, exports fell 23.8% y/y to US\$ 1.3bn, imports decreased 10.6% y/y to US\$ 4.3bn, and trade deficit contracted 3.6% y/y to US\$ 3.04bn. 27% of exports were directed to the EU (-0.4% y/y), 39% to the CIS (-44.3% y/y), and 34% to other countries (-0.8% y/y), out of which Turkey (9.9% of total), and USA (5.4%) were the largest export destinations. A 66.6% drop in car exports (8.7% of total) had the largest negative impact. Nuts (+146.5% y/y), crude oil (+178.0% y/y), and gold (+74.1% y/y) were the major Georgia exports increasing significantly in 7M15.

In 7M15, pharmaceuticals (+126.0% y/y), petroleum (-29.8% y/y), cars (-31.6% y/y), gases (+21.8% y/y), and copper ores (+5.3% y/y) represented the top 5 imported commodities. 32% of imports came from EU (+2.9% y/y), 25% from the CIS (-6.3% y/y), and 43% from other countries (-20.5% y/y), with Turkey (17.3% of total), and China (8.2%) being the largest trading partners.

Excluding one-offs trade deficit down 28.6% y/y in July 2015 and down 11.0% y/y in 7M15

Excluding donated C hepatitis medicaments imports totaling US\$ 232.6mn (out of which US\$ 143.6mn was imported in May and US\$ 89mn in July) trade deficit narrowed 28.6% y/y in July 2015 and 11.0% y/y in 7M15.

Property registration up 0.2% y/y and company registration up 14.5% y/y in July 2015

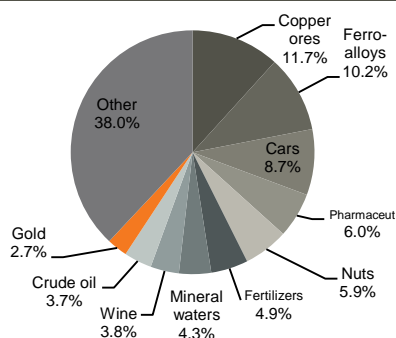
Property registration (commercial and residential real estate) increased 0.2% y/y (+0.1% m/m), reaching 49,203 units in July 2015, according to the National Agency of Public Registry (NAPR). Registration decreased for primary (-2.6% y/y, 20% of total) and increased for secondary (+1.0% y/y, 80% of total) properties.

Company registration increased 14.5% y/y (+4.0% m/m) to 4,180 units in July 2015. Out of newly registered companies, 98.1% were business legal entities while 1.9% comprised non-entrepreneurial (non-commercial) legal entities.

FDI totaled US\$ 1.76bn (10.6% of GDP) up 86.7% y/y in 2014

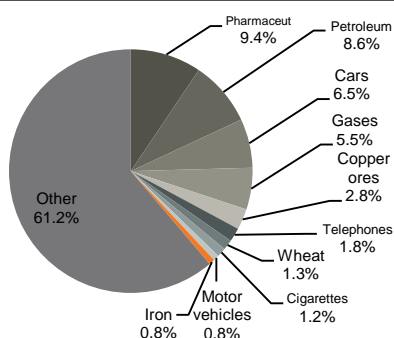
According to GeoStat's final figures, FDI increased 86.7% y/y to US\$ 1.76bn in 2014, the biggest inflow since 2007. The final number has been revised significantly upwards from preliminary estimate, standing at US\$ 1.27bn (+35.1% y/y). Transport and communication sector was the largest FDI recipient at US\$ 433.7mn, increasing 209.5% y/y and accounting for 24.7% of total, followed by construction at US\$ 316.6mn (+535.1% y/y, 18.05 of total), and manufacturing at US\$ 205.4mn (+105.9% y/y, 11.7% of total). Netherlands topped the list of investors with US\$ 373.7mn (+144.0% y/y, 21.3% of total), followed by Azerbaijan at US\$ 341.4mn (+316.6% y/y, 19.4% of total), and China (+142.5% y/y, 12.4% of total).

Exports by product 7M15



Source: GeoStat

Imports by product 7M15



Key macro indicators

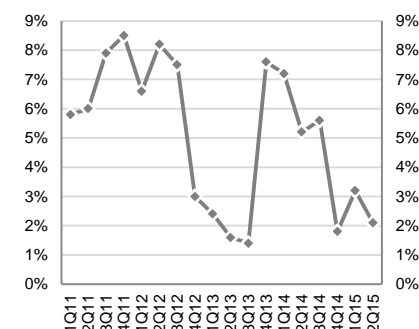
	1H15	2014	2013
GDP (% change)	2.6%	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	4.9%*	2.0%	2.4%
Gross reserves (US\$ bn)	2.5*	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public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



Source: Rating agencies



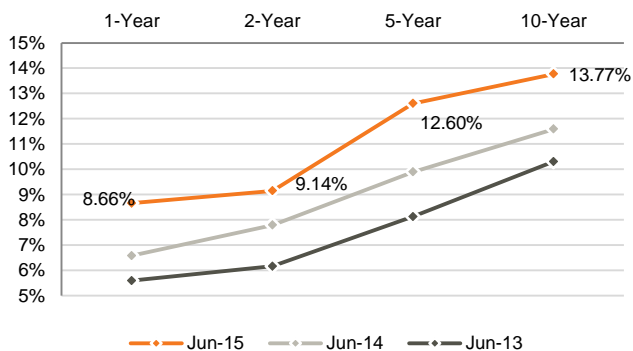
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 301.1mn) with an average yield of 6.0%.

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.6mn) certificates of deposit, with an average yield of 8.72% (up by 56bps from previous issue).

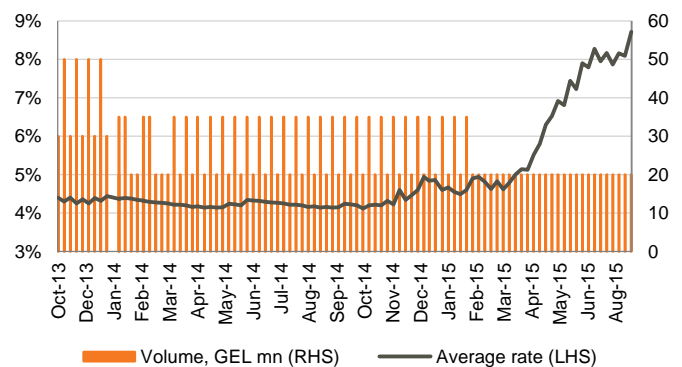
Ministry of Finance Treasury Notes: 1 year, GEL 20mn (US\$ 8.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG. The weighted average yield was fixed at 9.975%. The nearest treasury securities auction is scheduled for August 26, 2015, where GEL 10mn nominal value 10-year T-Notes will be sold.

T-bills / T-notes, yield curve



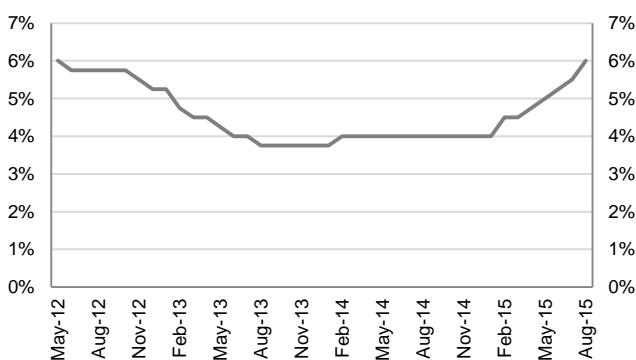
Source: NBG

Certificates of Deposits (weighted average rate)



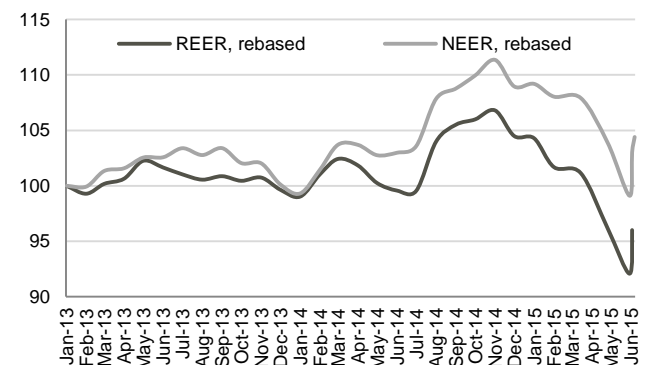
Source: NBG

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

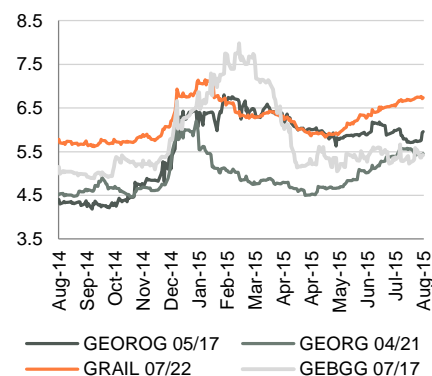


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.6% yield, trading at 103.8 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 101.4 (-0.4% w/w), yielding 6.0%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 105.5 (-0.3% w/w), yielding 6.7%.

Georgian Sovereign Eurobonds (GEORG) remained at 106.6 (-0.3% w/w), closing at 5.5% yield to maturity.

Georgia Eurobonds, YTM (%)

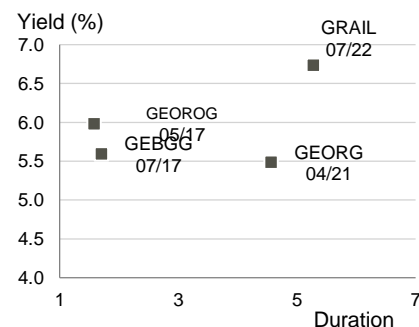


Source: Bloomberg

	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	101.4	103.8	106.6	105.5
Mid yield, %	10.1	9.5	9.7	6.0	5.6	5.5	6.7
Z-spread, bps	n/a	n/a	n/a	548.3	506.9	380.0	497.3

Source: Bloomberg

Georgian Eurobond universe



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	106.6	5.5	380
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	96.1	5.3	330
Bulgaria	323	5.000%	19/07/2021	BBB-/	117.1	1.9	16
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	102.3	3.5	289
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.6	3.5	179
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.4	3.5	173
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	99.2	5.2	361
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	106.1	4.4	271
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	56.4	22.0	1917

Source: Bloomberg

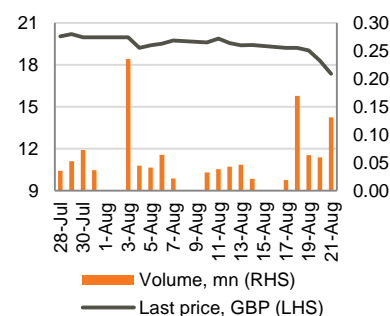
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 17.36/share (-10.52% w/w and -13.20% m/m). More than 442k shares traded in the range of GBP 17.36 – 19.33/share. Average daily traded volume was 67k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 4.22% w/w and 4.95% m/m. The volume of BOGH shares traded was at 1.1% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 10.10 (-0.98% w/w and -0.98% m/m). More than 4k GDRs changed hands in the range of US\$ 10.10 – 10.20/GDR. Average daily traded volume was 4k in the last 4 weeks, less than in the previous month.

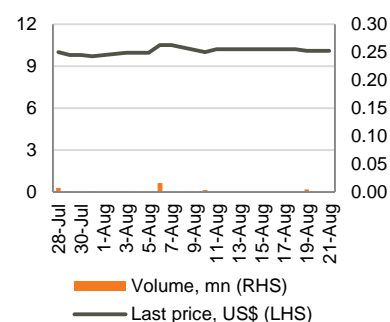
On the Georgian stock exchange, Teliani Valley shares were traded at GEL 0.155 (-22.7% w/w), Liberty Consumer shares were traded at GEL 0.1326 (+32.6% w/w), Liberty Bank shares were traded at GEL 0.013 (+4.0% w/w), and Caucasus Energy & Infrastructure shares were traded at GEL 0.80 (-8.0% w/w). As a result, the G&T Index went down to 797.17 (-0.13% 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*	27.23	1,076	-12.5%	-8.6%	-6.9%	-15.8%	-34.3%
	TBC	10.10	495	-1.0%	-9.8%	-20.5%	-19.8%	-33.6%
	Halyk Bank	6.81	1,858	-17.9%	-11.6%	4.8%	-19.9%	-34.8%
	KKB	2.72	1,085	-6.2%	-15.5%	-21.2%	-28.4%	-42.7%
	VTB Bank	1.96	12,727	-22.8%	-33.0%	-8.7%	-14.6%	-9.9%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	4.08	22,019	-17.9%	-31.3%	-16.8%	0.7%	-54.5%

Source: Bloomberg

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

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