

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 September 21, 2015

## Economy

### Real GDP up 2.5% y/y in 2Q15 and 2.8% y/y in 1H15

Real GDP increased 2.5% y/y (0.4ppts upward revision from the 2Q15 rapid estimate), according to GeoStat. The growth base in 2Q15 was diversified, with construction generating the largest increase at 14.5% y/y. Mining (+12.7% y/y), financial intermediation (+10.6% y/y), hotels and restaurants (+7.3% y/y), and real estate (+5.9% y/y) sectors were the other top performers. Manufacturing (-3.2% y/y) was the only sector in the red in 2Q15, as a result of a reduction in manufacture of non-alcoholic and alcoholic beverages and tobacco products. In 1H15, real GDP grew 2.8% y/y (3.2% y/y in 1Q and 2.5% y/y in 2Q).

### Trade deficit down 3.0% y/y in 8M15

According to GeoStat's preliminary figures, the trade deficit in August 2015 decreased 0.5% y/y to US\$ 433mn, as exports fell 23.4% y/y to US\$ 190mn, while imports were down 8.6% y/y to US\$ 623mn. As a result, in 8M15, exports decreased 23.7% y/y to US\$ 1.5bn, imports fell 10.2% y/y to US\$ 4.9bn, and the trade deficit decreased 3.0% y/y to US\$ 3.5bn.

### Producer price index up 1.1% m/m and up 9.3% y/y in August 2015

PPI for industrial goods increased 1.1% m/m in August 2015, according to GeoStat. A 6.4% increase in supply of electricity, gas, and water and 0.5% increase in manufacturing contributed +0.83ppts and +0.38ppts to the overall index change, respectively. The prices were up for manufacture of basic metals and fabricated metals (+4.7% m/m) and chemical products (+3.2% m/m), while prices were down for manufacture of food, beverages, and tobacco (-1.6% m/m).

Annual PPI increased 9.3% in August 2015, with manufacturing prices increasing 11.2% y/y (mostly for foods, beverages, and tobacco, basic metals, fabricated metals, and paper and publishing), contributing +9.14ppts to the overall index change. Prices were up 1.7% y/y in the electricity, gas, and water supply category, contributing +0.30ppts to the overall index change.

### Money transfers down 35.1% y/y in August 2015 and down 25.9% y/y in 8M15

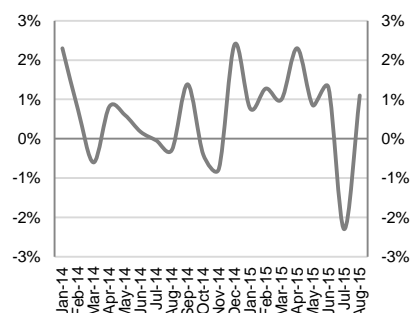
Money transfers decreased 35.1% y/y to US\$ 84.4mn in August 2015, according to NBG. The 44.5% y/y decline from Russia (44.5% of total) and 93.0% y/y drop from Greece (down 11.7ppts y/y to 1.4% of total) were the major contributors to the decline in money transfers. As in previous months, remittances posted strong growth from USA +20.4% y/y (10.2% of total), Turkey +15.3% y/y (7.1% of total), and Israel +30.5% y/y (3.3% of total). In 8M15, money transfers decreased 25.9% y/y to US\$ 714.3mn.

### Property registration up 2.8% y/y and company registration down 7.8% y/y in August 2015

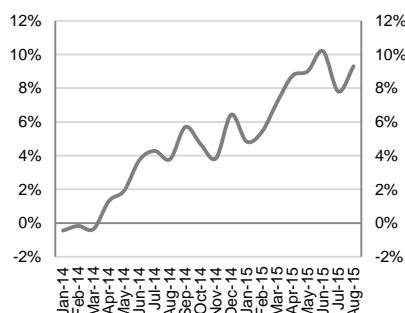
Property registration (commercial and residential real estate) increased 2.8% y/y (-17.9% m/m), reaching 40,420 units in August 2015, according to the National Agency of Public Registry (NAPR). Registration increased for both primary (+14.5% y/y, 18.5% of total) and secondary (+0.5% y/y, 81.5% of total) properties.

Company registration decreased 7.8% y/y (-32.0% m/m) to 2,843 units in August 2015. Out of newly registered companies, 96.7% were business legal entities, while 3.3% comprised non-entrepreneurial (non-commercial) legal entities.

PPI (% change m/m)



PPI (% change y/y)



Source: GeoStat

### Key macro indicators

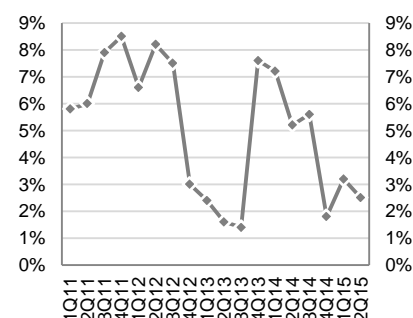
	8M15	2014	2013
GDP (% change)	2.8%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	5.4%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

\*As of 1H15

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

### Real GDP growth, %



Source: GeoStat, preliminary 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; POORS</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



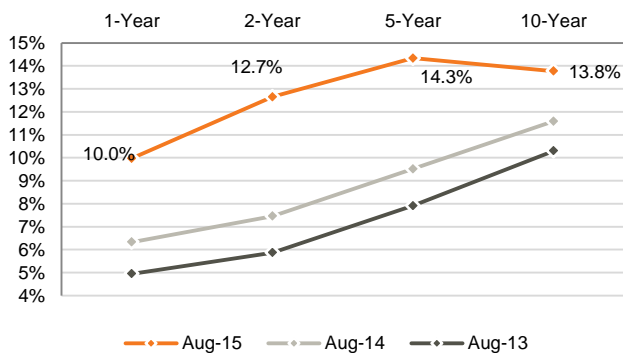
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 287.9mn) with an average yield of 6.0%.

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 9.36% (up 70bps from previous issue).

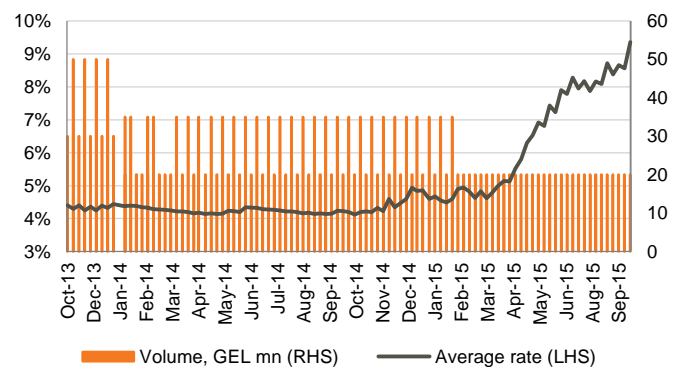
**Ministry of Finance Treasury Notes:** The nearest treasury securities auction is scheduled for September 23, 2015, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



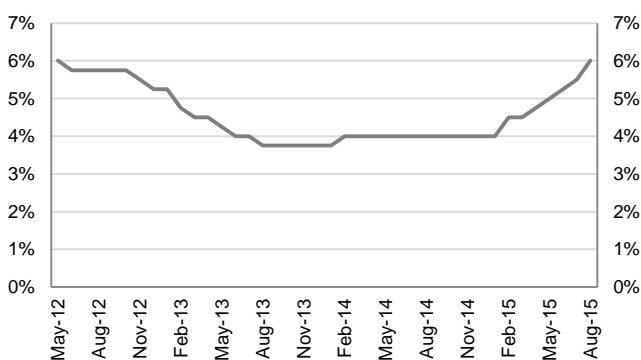
Source: NBG

Certificates of Deposits (weighted average rate)



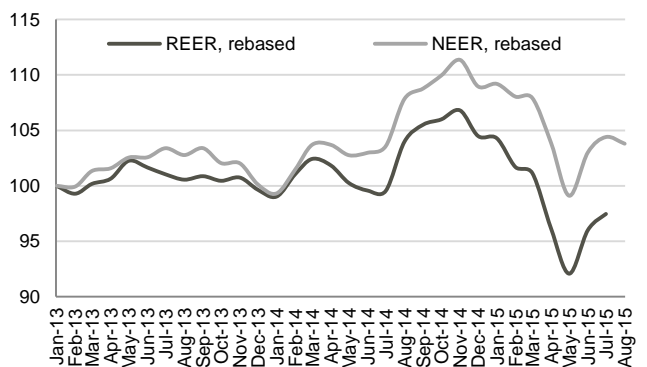
Source: NBG

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 5.7% yield, trading at 103.5 (+0.2% w/w). GOGC Eurobonds (GEOROG) were trading at 101.1 (-0.1% w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 103.6 (+0.2% w/w), yielding 7.1%.

**Georgian Sovereign Eurobonds (GEORG)** remained at 105.6 (+0.4% w/w), closing at 5.7% yield to maturity.

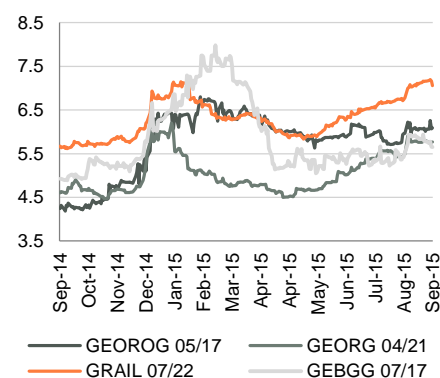
	Local bonds			Eurobonds			
	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	9.500	9.500	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	101.1	103.5	105.6	103.6
Mid yield, %	10.1	9.5	9.7	6.1	5.7	5.7	7.1
Z-spread, bps	n/a	n/a	n/a	584.1	482.6	401.8	543.4

Source: Bloomberg

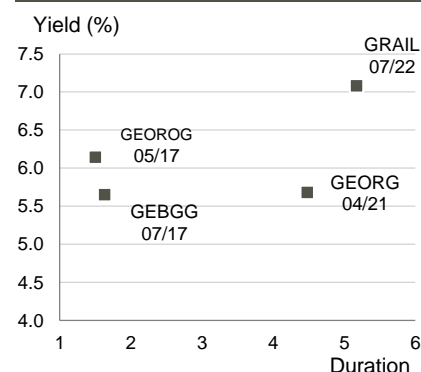
Eastern European sovereign 10-year bond performance								
Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps	
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	105.6	5.7	401.8	
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	97.7	5.1	303.7	
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.0	1.6	-40.5	
Croatia	1,250	3.875%	30/05/2022	BB-/BB-/Ba1	102.4	3.5	281.6	
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.0	3.4	188.7	
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.9	3.4	162.4	
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	103.7	4.1	259.0	
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	106.4	4.3	266.6	
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	78.1	13.8	1231.5	

Source: Bloomberg

Georgia Eurobonds, YTM (%)



Georgian Eurobond universe



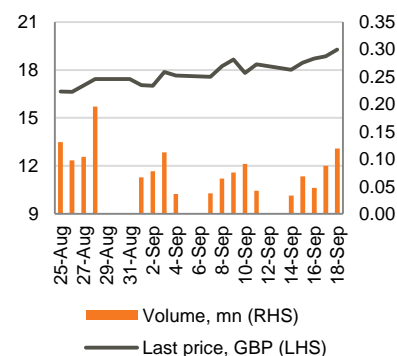
## Equities

**Bank of Georgia Holdings** (BGEO LN) shares closed at GBP 19.28/share (+5.01% w/w and +0.42% m/m). More than 355k shares traded in the range of GBP 17.85 – 19.28/share. Average daily traded volume was 82k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 0.10% w/w and 3.78% m/m. The volume of BOGH shares traded was at 0.9% of its capitalization.

**TBC Bank** (TBCB LI) closed the week at US\$ 9.25 (-6.57% w/w and -9.31% m/m). More than 20k GDRs changed hands in the range of US\$ 9.11 – 9.90/GDR. Average daily traded volume was 4k in the last 4 weeks, more than in the previous month.

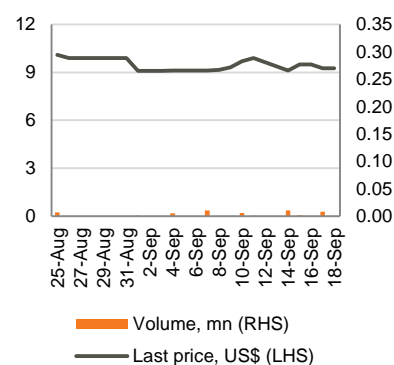
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 40.00 (+5.3 w/w), Teliani Valley shares were traded at GEL 0.20 (unchanged w/w), and Liberty Bank shares were traded at GEL 0.0129 (-0.8% w/w). As a result, the G&T Index went up to 909.85 (+5.17 w/w).

**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	30.03	1,186	-0.1%	0.9%	15.4%	-7.1%	-25.5%
TBC	TBC	9.25	453	-9.3%	-15.9%	-22.9%	-26.6%	-41.6%
Halyk Bank	HSBK	6.30	1,719	-10.5%	-18.7%	10.5%	-25.9%	-44.6%
KKB	KKB	2.72	1,085	0.0%	-15.4%	-21.2%	-28.4%	-36.7%
VTB Bank	VTBR	2.02	13,116	-2.4%	-31.2%	0.9%	-12.0%	-4.5%
Vozrozhdenie Bank	VZRZ	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
Sberbank	SBER	4.88	26,358	6.5%	-10.2%	12.4%	20.6%	-41.9%

Source: Bloomberg

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



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