

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 November 9, 2015

## Economy

### Inflation rate at 5.8% y/y and 0.8% m/m in October 2015

Annual CPI inflation rate was recorded at 5.8% in October 2015, according to GeoStat. Overall price changes were driven by price increases in food and non-alcoholic beverages (+4.1% y/y, +1.27ppts), health (+11.1% y/y, +1.04ppts), and furnishings and household equipment (+13.1% y/y, +0.82ppts), while prices in the transport category decreased 1.1% y/y.

Monthly inflation rate was recorded at 0.8% in October 2015. Price increases in food and non-alcoholic beverages (+0.9% m/m, +0.26ppts) and health (+2.0% m/m, +0.20ppts), and a price drop in the transport category (-0.8% m/m, -0.09ppts) were the major drivers of the monthly inflation dynamics.

### International arrivals up 7.3% y/y in October 2015 and up 6.8% y/y in 10M15

After a 12.6% spike in September 2015, tourist arrivals posted another growth of 7.3% y/y to 0.5mn persons in October 2015, according to the Ministry of Internal Affairs. Increased arrivals from Armenia (+9.2% y/y, 25.5% of total), Azerbaijan (+5.1% y/y, 21.6% of total), and Russia (+15.3% y/y, 15.5% of total) were the major contributors to growth. In 10M15, total arrivals increased 6.8% y/y to 5.0mn persons.

### Tax revenues posted a strong performance in 10M15, up 10.9% y/y

Consolidated budget tax revenues increased 6.8% y/y to GEL 616.5mn in October 2015 and 10.9% y/y to GEL 6.5bn, according to the Treasury Service. In 10M15, personal income tax revenues grew 15.0% y/y (27.2% of total), profit tax receipts +29.0% y/y (13.3% of total), VAT receipts +6.9% y/y (44.4% of total), excise tax +5.6% y/y (10.9% of total), and property tax +7.2% y/y (3.0% of total). The rest – receipts from customs duties and other taxes – decreased, but they have a minor share in total tax revenues.

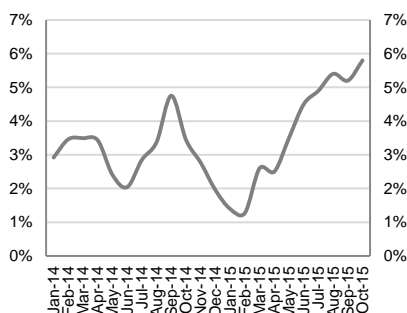
### NBG increased its policy rate by 50bps to 7.5%

At its meeting on November 4, 2015, NBG's monetary policy committee increased the policy rate by 50bps to 7.5%. As NBG cited, monetary tightening is addressing the lari depreciation-related increase in inflation expectations and NBG expects that inflation will move to its target level of 5.0% in 2H16. NBG also stated that the impact of the recent external shocks on the exchange rate has been exhausted on the back of the adjustment in imports. The next committee meeting is scheduled for December 16, 2015.

### Gross international reserves stood at US\$ 2.4bn as of October 2015

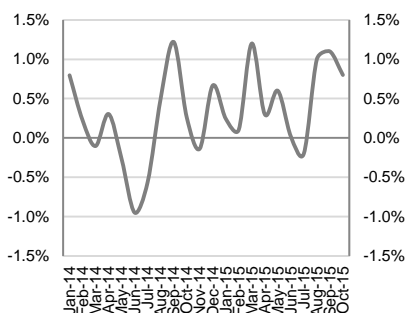
Gross international reserves stood at US\$ 2.4bn (-0.6% m/m and -8.0% y/y) and net foreign assets of NBG reached US\$ 2.2bn (-0.5% m/m and -7.4% y/y) as of end-October 2015, according to NBG. The drop in reserves partly reflected NBG's sale of US\$ 20mn on the FX market in October.

Annual CPI inflation (% change y/y)



Source: GeoStat

Monthly CPI inflation (% change m/m)



### Key macro indicators

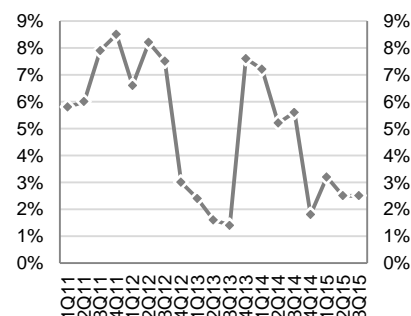
	9M15	2014	2013
GDP (% change)	2.7%	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7*	4.5	4.5
Inflation (eop)	5.8%**	2.0%	2.4%
Gross reserves (US\$ bn)	2.4**	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

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

\*\*As of 10M15

### Real GDP growth, %



Source: GeoStat

Note: 3Q15 figure based on rapid estimates

### International ranking of Georgia, 2015-16

Ease of Doing Business # 24 (regional leader)

Economic Freedom Index # 22 (mostly free)

Global Competitiveness Index # 66 (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 May-2015	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Positive Affirmed Mar-2015	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Oct-2015
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Source: Rating agencies



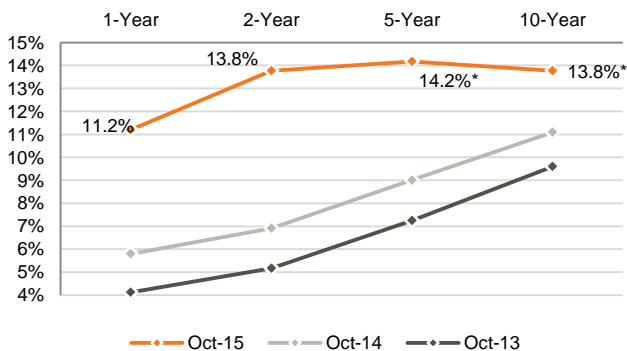
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 292.1mn) with an average yield of 7.5%.

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 10.04% (down by 2bps from previous issue).

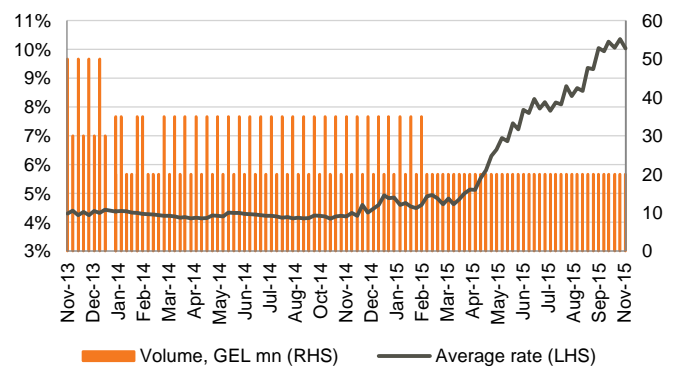
**Ministry of Finance Treasury Notes:** 2-year GEL 10mn (US\$ 4.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on November 4, 2015. The weighted average yield was fixed at 13.606%. The nearest treasury securities auction is scheduled for November 11, 2015, where GEL 10mn nominal value 1-year T-Bills will be sold.

**T-bills / T-notes, yield curve**



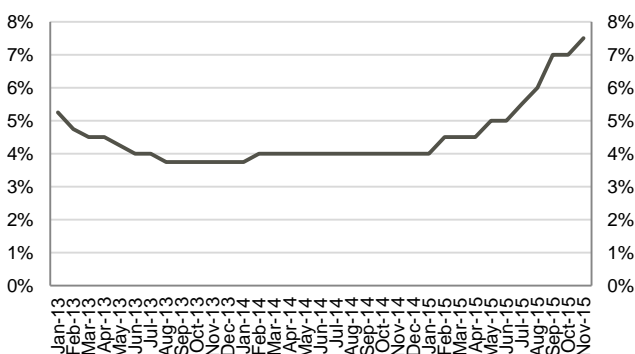
Source: NBG  
\*As of latest auction

**Certificates of Deposits (weighted average rate)**



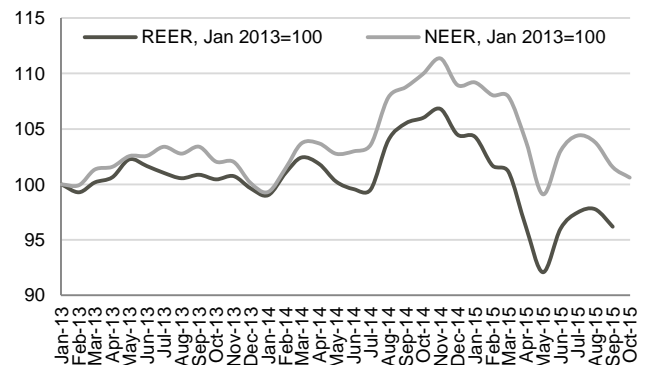
Source: NBG

**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

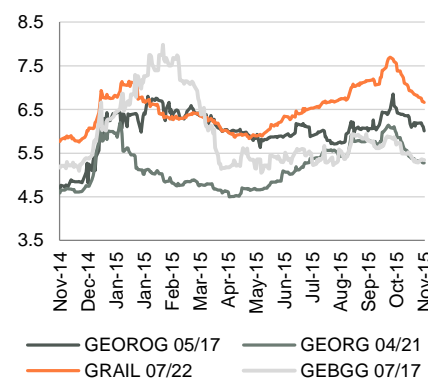


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 5.2% yield, trading at 103.9 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 101.1 (unchanged w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.8 (+0.2% w/w), yielding 6.7%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 107.3 (unchanged w/w) at 5.3% yield to maturity.

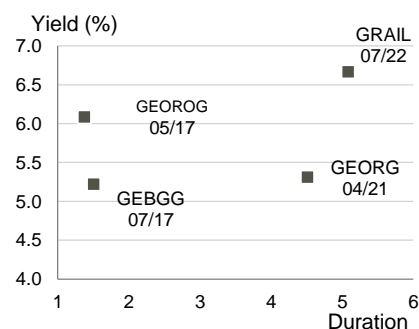
**Georgia Eurobonds, YTM (%)**



	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	103.9	107.3	105.8
Mid yield, %	10.1	9.5	9.7	6.1	5.2	5.3	6.7
Z-spread, bps	n/a	n/a	n/a	565.6	424.1	350.2	477.8

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	107.3	5.3	350.2
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	96.5	5.3	316.2
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.3	1.5	-231.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	100.1	3.8	327.1
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.4	3.4	153.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.3	3.5	166.0
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.7	3.6	198.4
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	107.3	4.1	234.0
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	79.7	14.0	1221.1

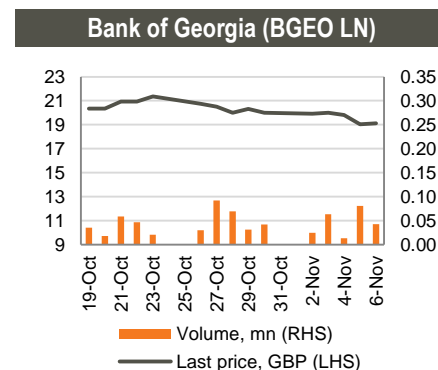
Source: Bloomberg

## Equities

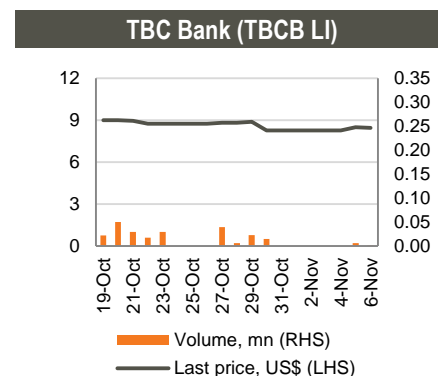
**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 19.09/share (-4.55% w/w and +2.36% m/m). More than 236k shares traded in the range of GBP 18.42 – 20.14/share. Average daily traded volume was 53k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 0.25% w/w and gained 0.16% m/m. The volume of BOGH shares traded was at 0.60% of its capitalization.

**TBC Bank (TBCB LI)** closed the week at US\$ 8.45 (+2.18% w/w and unchanged m/m). More than 7k GDRs changed hands in the range of US\$ 8.27 – 8.60/GDR. Average daily traded volume was 17k in the last 4 weeks, less than in the previous month.

**On the Georgian stock exchange**, Bank of Georgia shares were traded at GEL 39.00 (+2.6% w/w). As a result, the G&T Index went up to 887.23 (+2.59% w/w).



Source: Bloomberg



Source: Bloomberg

### Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	28.83	1,139	1.5%	-4.8%	4.0%	-10.9%	-20.9%
	TBC	8.45	414	0.0%	-19.5%	-23.2%	-32.9%	-42.1%
	Halyk Bank	6.10	1,664	-0.3%	-15.3%	-22.8%	-28.2%	-27.0%
	KKB	2.89	1,152	0.0%	6.3%	-10.2%	-23.9%	-22.9%
	VTB Bank	2.27	14,710	7.9%	4.4%	-16.5%	-1.3%	29.3%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	6.27	33,811	25.1%	32.6%	-1.6%	54.7%	-10.0%

Source: Bloomberg

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

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