

# Weekly Market Watch

Weekly Market Watch | Georgia  
November 2, 2015

## Economy

### Real GDP grew 2.2% y/y in September 2015 and 2.7% y/y in 9M15

Georgia's real GDP grew 2.2% y/y in September 2015 (real growth was 4.1% y/y in September 2014), according to GeoStat's rapid estimates. As a result, output growth averaged 2.7% y/y in 9M15. Based on our estimates, tourism (visitors up 12.6% y/y), operations in real estate (property registration up 9.1% y/y), and banking sector credit portfolio growth (+12.8% y/y in real terms) were the main contributors to growth, while exports remained a drag in September. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### NPLs in comfortable territory

In September 2015, the loan portfolio grew 12.8% y/y, excluding the exchange rate effect (+35.7% y/y and +2.1% m/m in unadjusted terms), to GEL 15.7bn (US\$ 6.6bn). Deposits grew 5.9% y/y, excluding the exchange rate effect (+29.2% y/y and +3.2% m/m in unadjusted terms), reaching GEL 13.8bn (US\$ 5.8bn). NPLs remain under control at 2.9% in September 2015, down 0.4ppts m/m and down 0.6ppts y/y. In addition, the banking sector remains profitable - ROE reached 16.3% in 3Q15, up 0.9ppts y/y.

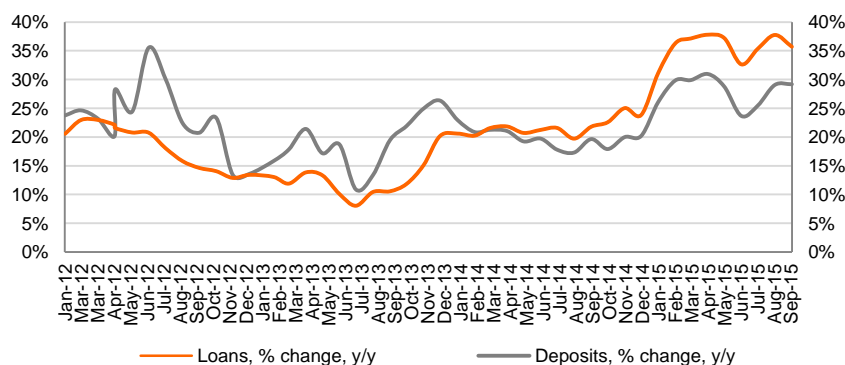
### NBG sold US\$ 20mn

NBG sold US\$ 20mn on the FX market to support the lari on 27 October 2015. It was NBG's 7th intervention this year, with total sales of US\$ 247mn. The lari has weakened 0.5% in October and 21.5% ytd against the dollar (US\$ per unit of lari), 13.4% ytd against the Euro, and 1.3% ytd against the Turkish lira.

### International ranking

According to the 2016 Doing Business report, Georgia ranks 24th among 189 economies and 4th in Europe and Central Asia after Macedonia, Lithuania and Latvia. Notably, there was no change in ranking compared to 2015, as the methodology was updated with new measures of regulatory quality in 4 indicator sets; Georgia ranked 15th in 2015 based on the previous methodology. 2016 Doing Business report captured 2 new reforms implemented in the country: 1) Georgia made dealing with construction permits easier by reducing the time needed for issuing building permits and 2) Georgia made enforcing contracts easier by introducing an electronic filing system for court users. The report also highlights Georgia's outstanding performance, through 39 regulatory reforms, over the past 12 years in all 10 areas measured by Doing Business. Strengthening minority investor protection is mentioned among the most notable reforms in Georgia.

### Loans/deposits growth y/y



Source: NBG

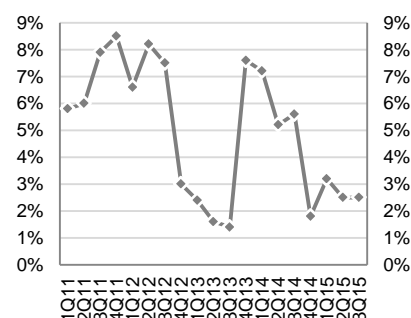
### Key macro indicators

	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)	5.2%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	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

### 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>Fitch Ratings</b>  <b>BB-</b> Stable Affirmed Oct-2015
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Source: Rating agencies



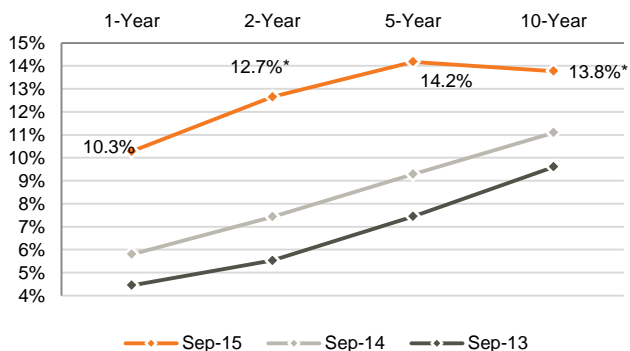
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 292.1mn) with an average yield of 7.0%.

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 10.36% (up by 9bps from previous issue).

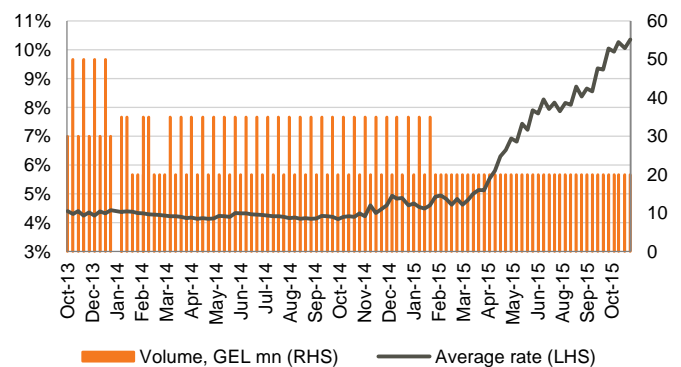
**Ministry of Finance Treasury Notes:** The nearest treasury securities auction is scheduled for November 4, 2015, where GEL 10mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



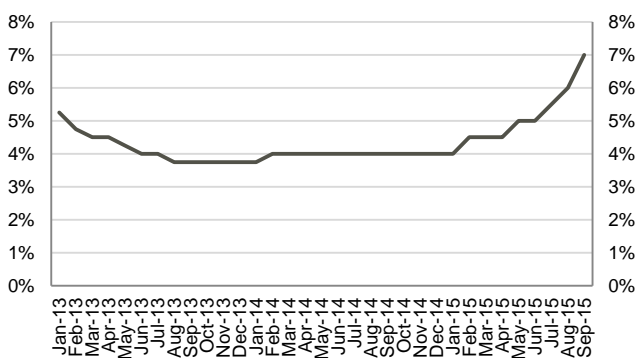
Source: NBG  
\*As of latest auction

Certificates of Deposits (weighted average rate)



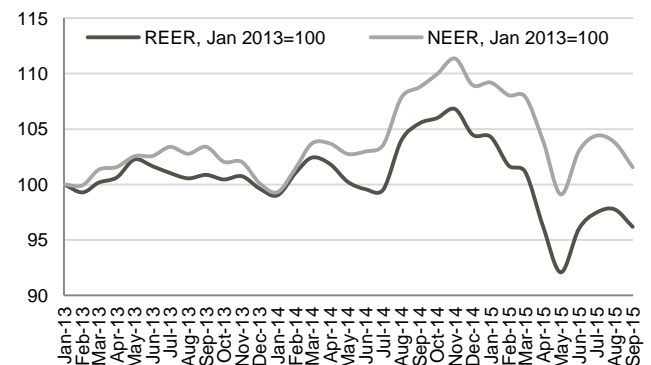
Source: NBG

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

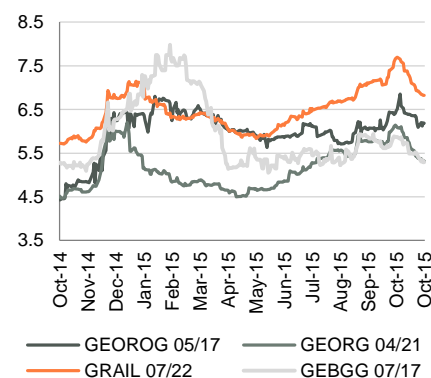


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 5.3% yield, trading at 103.9 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 101.1 (-0.3% w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.6 (+1.2% w/w), yielding 6.7%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 107.3 (+0.3% w/w) at 5.3% yield to maturity.

**Georgia Eurobonds, YTM (%)**

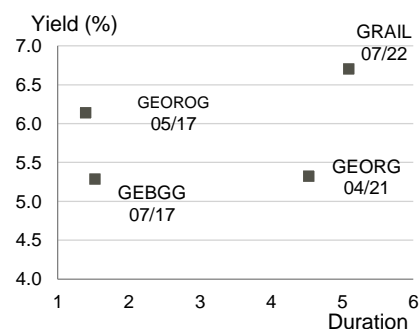


Source: Bloomberg

	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	105.6
Mid yield, %	10.1	9.5	9.7	6.1	5.3	5.3	6.7
Z-spread, bps	n/a	n/a	n/a	577.0	475.8	367.8	509.9

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	107.3	5.3	367.8
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	96.0	5.3	337.3
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.5	1.4	-235.6
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	100.8	3.7	317.1
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.2	3.3	170.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.3	3.3	159.2
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.4	3.7	224.7
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	107.8	4.0	238.0
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	79.5	14.0	1233.8

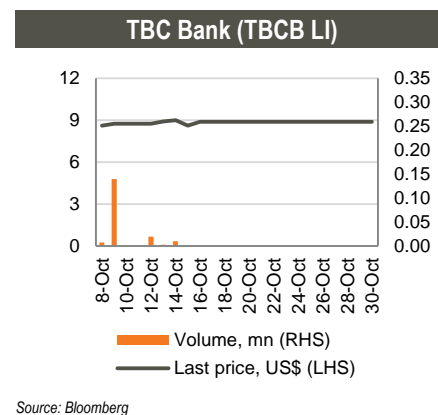
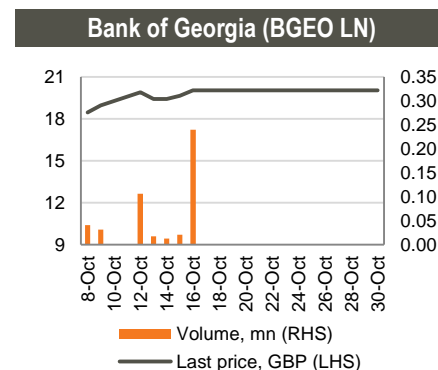
Source: Bloomberg

## Equities

**Bank of Georgia Holdings** (BGEO LN) shares closed at GBP 20.02/share (-6.28% w/w and +10.92% m/m). More than 250k shares traded in the range of GBP 19.21 – 21.32/share. Average daily traded volume was 53k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 0.84% w/w and gained 2.48% m/m. The volume of BOGH shares traded was at 0.63% of its capitalization.

**TBC Bank** (TBCB LI) closed the week at US\$ 8.27 (-5.38% w/w and -10.11% m/m). More than 82k GDRs changed hands in the range of US\$ 8.27 – 9.00/GDR. Average daily traded volume was 24k in the last 4 weeks, less than in the previous month.

**On the Georgian stock exchange**, Bank of Georgia shares were traded at GEL 38.00 (-5.0% w/w), and Liberty Consumer shares were traded at GEL 0.11 (unchanged w/w). As a result, the G&T Index went down to 864.87 (-4.92% w/w). Notably, EVEX bonds were traded for the first time on the GSE. Total trading volume amounted to US\$ 209k, with 200 bonds changing hands at 9.2% YTM.



### Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	30.92	1,221	13.3%	-0.7%	12.3%	-4.4%	-22.7%
	TBC	8.88	435	-3.5%	-9.3%	-20.7%	-29.5%	-38.8%
	Halyk Bank	6.08	1,658	2.9%	-23.4%	-21.5%	-28.5%	-38.0%
	KKB	2.89	1,152	0.0%	-3.7%	-10.2%	-23.9%	-22.9%
	VTB Bank	2.45	15,883	21.3%	2.3%	-1.3%	6.6%	25.8%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	6.10	32,920	23.6%	21.5%	2.2%	50.6%	-19.6%

Source: Bloomberg

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

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