



# Weekly Market Watch

Weekly Market Watch | Georgia  
December 21, 2015

## Economy

### Trade deficit down 11.2% y/y (excluding one-offs) in 11M15

According to GeoStat's preliminary figures, the trade deficit in November 2015 decreased 24.9% y/y to US\$ 392mn, as exports fell 7.9% y/y to US\$ 187mn, while imports were down 20.1% y/y to US\$ 579mn. In 11M15, exports decreased 23.2% y/y to US\$ 2.0bn, imports fell 15.2% y/y to US\$ 6.6bn (excluding donated c-hepatitis medicine imports of US\$ 318mn in 11M15), and the trade deficit decreased 11.2% y/y to US\$ 4.5bn. Therefore, the adjustment in imports was instrumental in the elimination of external imbalances, easing pressure on GEL. Detailed statistics will be available on December 21, 2015.

### Producer price index down 0.8% m/m and up 8.2% y/y in November 2015

PPI for industrial goods decreased 0.8% m/m in November 2015, according to GeoStat. A 0.6% decline in prices for manufacturing contributed the most (-0.5ppts) to the overall index change (lower prices recorded for manufacture of basic and fabricated metals and chemical products). Prices were also down for mining and quarrying (-5.0% m/m) and supply of electricity, gas, and water (-0.8% m/m).

Annual producer prices in Georgia increased 8.2% in November 2015, with manufacturing prices increasing 7.9% y/y (mostly for food, beverages and tobacco, chemical products, and paper and publishing), contributing +6.46ppts to the overall index change. Prices were also up 13.1% y/y in the electricity, gas, and water supply category, contributing +1.91ppts to the overall index change.

### Money transfers down 18.3% y/y in November 2015 and down 26.2% y/y in 11M15

Money transfers decreased 18.3% y/y to US\$ 85.2mn in November 2015, according to NBG. The 27.1% y/y decline from Russia (39.2% of total) and 41.6% y/y drop from Greece (10.2% of total) were the major contributors to the decline in total money transfers. As in previous months, remittances posted growth from USA +18.2% y/y (9.7% of total), Israel +50.5% y/y (3.7% of total), and Germany +9.7% y/y (2.7% of total), while transfers from Turkey decreased 14.0% y/y (5.8% of total). In 11M15, money transfers decreased 26.2% y/y to US\$ 978.0mn.

### NBG increased its policy rate by 50bps to 8.0%

At its meeting on December 16, 2015, NBG's monetary policy committee increased the policy rate by 50bps to 8.0% - the 7<sup>th</sup> rate increase this year. According to NBG, the tightening of the monetary policy must have a positive effect on the decrease in inflation expectations and no further monetary tightening is anticipated for the coming period unless more shocks take place. NBG noted that the impact of the recent external shocks on the exchange rate has been exhausted and no additional pressure can be expected. According to the current forecast, inflation will remain above its target value of 5.0% in the beginning of 2016 and will start gradual decreasing towards its target value in 2H16. The next committee meeting is scheduled for February 3, 2016.

### New link to Georgia extends Clearstream's coverage to the Caucasus

Clearstream, a leading international central securities depository (ICSD), will expand its international coverage by opening a new domestic link to Georgia on January 11, 2016 - a major milestone for the local capital market development. The link will help foreign investors access the local market and will enable Clearstream to offer Georgian government bonds and supranational bonds via Bank of Georgia, which acts as local custodian and cash correspondent bank.

### Key macro indicators

	11M15	2014	2013
GDP (% change)	2.8%***	4.6%	3.3%
GDP per capita (ppp)*	...	9,209	8,526
GDP per capita (US\$)	...	3,676	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	6.3%	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%

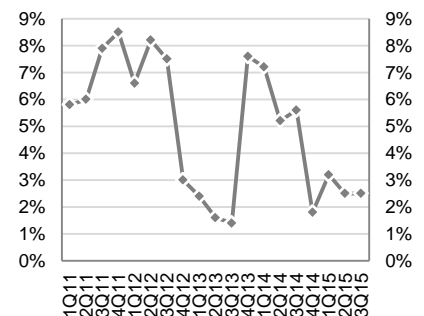
Source: Official data

\*Source: IMF

\*\*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>BB-</b> Stable Affirmed May-2015	 <b>Ba3</b> Positive Affirmed Mar-2015	 <b>BB-</b> Stable Affirmed Oct-2015
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Source: Rating agencies

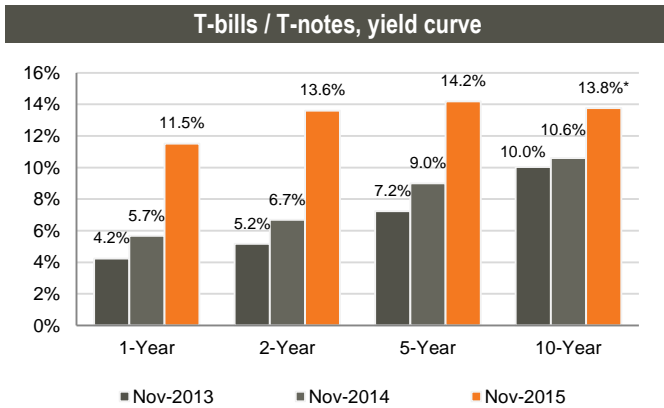


# Money market

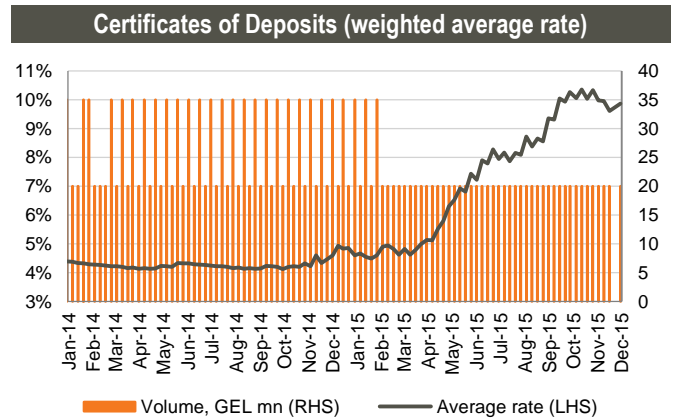
**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 292.0mn).

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 9.87% (down by 9bps from previous issue).

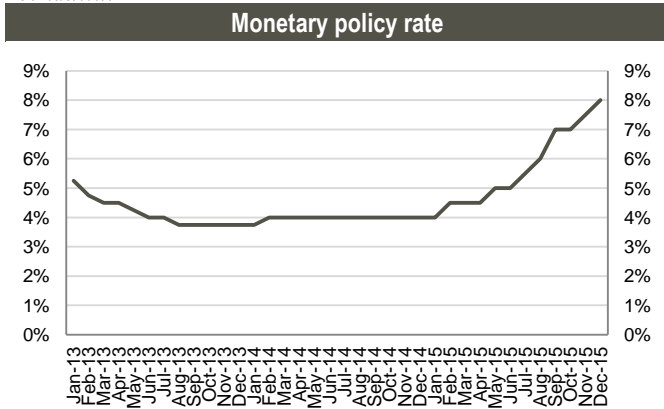
**Ministry of Finance Treasury Notes:** Treasury notes emissions for 2015 have been completed. The last auction took place on December 2, 2015.



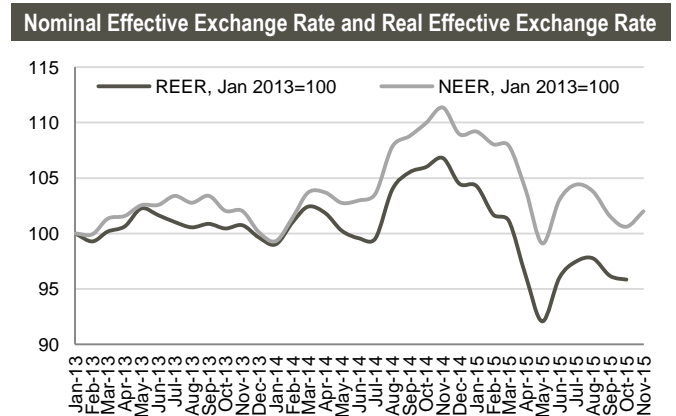
Source: NBG  
\*As of latest auction



Source: NBG



Source: NBG



Source: NBG

Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

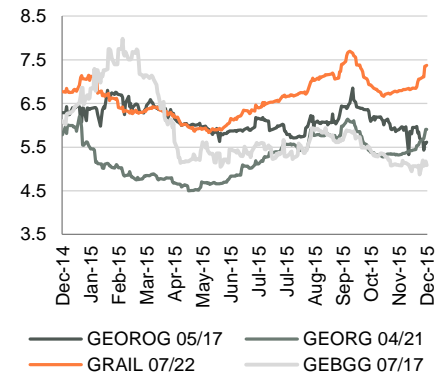


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 5.1% yield, trading at 103.9 (-0.4% w/w). GOGC Eurobonds (GEOROG) were trading at 101.3 (-0.4% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.9 (-1.3% w/w), yielding 7.4%.

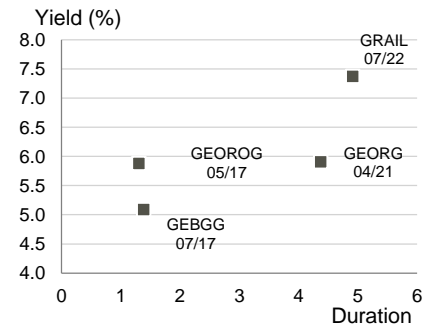
**Georgian Sovereign Eurobonds (GEORG)** closed at 104.3 (-1.3% w/w) at 5.9% yield to maturity.

**Georgia Eurobonds, YTM (%)**



Source: Bloomberg

**Georgian Eurobond universe**



Source: Bloomberg

	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	15.000**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	BB-/-	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/-
Mid price, US\$	100.0*	99.0	100	98.0	101.3	103.9	104.3	101.9
Mid yield, %	15.0	10.1	9.5	9.7	5.9	5.1	5.9	7.4
Z-spread, bps	n/a	n/a	n/a	n/a	538.8	456.0	413.4	567.6

Source: Bloomberg

\*GWP 11/17 bonds are in Georgian lari

\*\*Floating rate with 7.5% over the NBG's refinancing rate

### 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	104.3	5.9	413.4
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/-/Baa3	91.9	6.0	398.2
Bulgaria	323	5.000%	19/07/2021	BBB-/-	120.1	1.3	-225.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	100.1	3.9	337.3
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.1	3.4	168.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	117.7	3.5	172.2
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	103.5	4.1	249.4
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.1	4.3	259.5

Source: Bloomberg

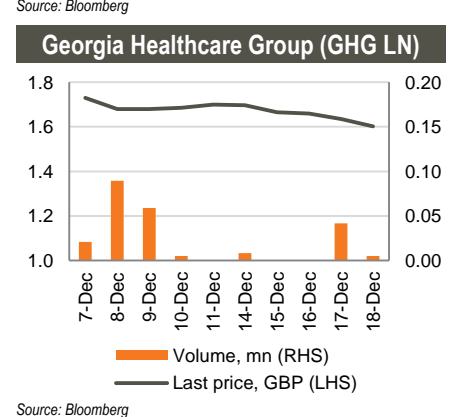
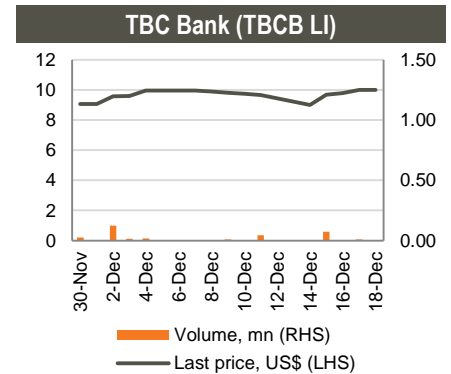
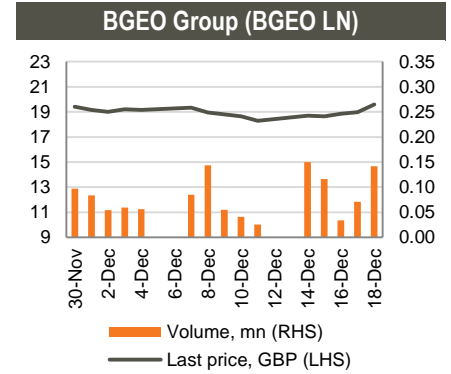
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 19.60/share (+7.22% w/w and +2.83% m/m). More than 513k shares traded in the range of GBP 18.40 – 19.75/share. Average daily traded volume was 86k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 1.35% w/w and 0.10% m/m, respectively. The volume of BOGH shares traded was at 1.30% of its capitalization.

**TBC Bank** (TBCB LI) closed the week at US\$ 10.00 (+3.63% w/w and +17.23% m/m). More than 87k GDRs changed hands in the range of US\$ 9.00 – 10.00/GDR. Average daily traded volume was 121k in the last 4 weeks, more than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 1.60/share (-5.74% w/w and -10.97% m/m). More than 55k shares were traded in the range of GBP 1.60 – 1.70/share. Average daily traded volume was 26k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.

**On the Georgian stock exchange:** There were no trades. As a result, the G&T Index remained at 885.86 (unchanged w/w).



Eastern European banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	29.21	1,154	0.7%	-2.8%	-1.8%	-9.7%	-6.1%
TBC	TBC	10.00	490	17.2%	8.1%	-9.1%	-20.6%	-14.9%
Halyk Bank	HSBK	4.95	1,350	-17.5%	-21.4%	-36.1%	-41.8%	-29.3%
KKB	KKB	1.45	578	7.4%	-46.7%	-54.9%	-61.8%	-56.1%
VTB Bank	VTBR	2.09	13,557	-8.9%	3.4%	-28.8%	-9.0%	11.2%
Vozrozhdenie Bank	VZRZ	8.72	207	-5.7%	-3.9%	5.5%	18.2%	24.7%
Sberbank	SBER	5.88	31,749	-14.9%	20.5%	8.1%	45.3%	27.9%

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

Healthcare sector peers								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG*	GHG	2.39	306	-12.8%	nm	nm	nm	nm
Mouwasat	MOUWASAT	29.86	1,493	0.9%	-9.4%	-21.2%	-9.2%	-7.8%
Fortis	FORH	2.66	1,231	10.4%	-1.8%	2.7%	51.4%	62.8%
Raffles	RFMD	2.93	1,682	-2.6%	-13.4%	-16.1%	-0.4%	0.1%
IHH	IHH	1.47	12,120	-3.1%	4.0%	-4.2%	7.1%	7.3%
Bangkok Chain	BCH	0.24	591	18.4%	18.7%	20.8%	-1.4%	-10.5%
Netcare	NTC	2.16	3,148	-19.1%	-22.7%	-28.3%	-34.2%	-33.0%

Source: Bloomberg  
Note: \*GHG is traded in GBP and is shown in US\$ equivalent



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### **Galt & Taggart**

**Address:** 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

**Tel:** + (995) 32 2401 111

**Email:** [gt@gt.ge](mailto:gt@gt.ge)