

XVI CIS, Baltic States and Caucasus Bond Congress

Government Securities Market in Georgia

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Outline

- **Challenges in Debt Management**
- **Macroeconomic Overview**
- **Government Securities Market**
 - **Primary Market**
 - **Secondary Market and Investor Base**
- **Future Plan**

Challenges of Debt Management

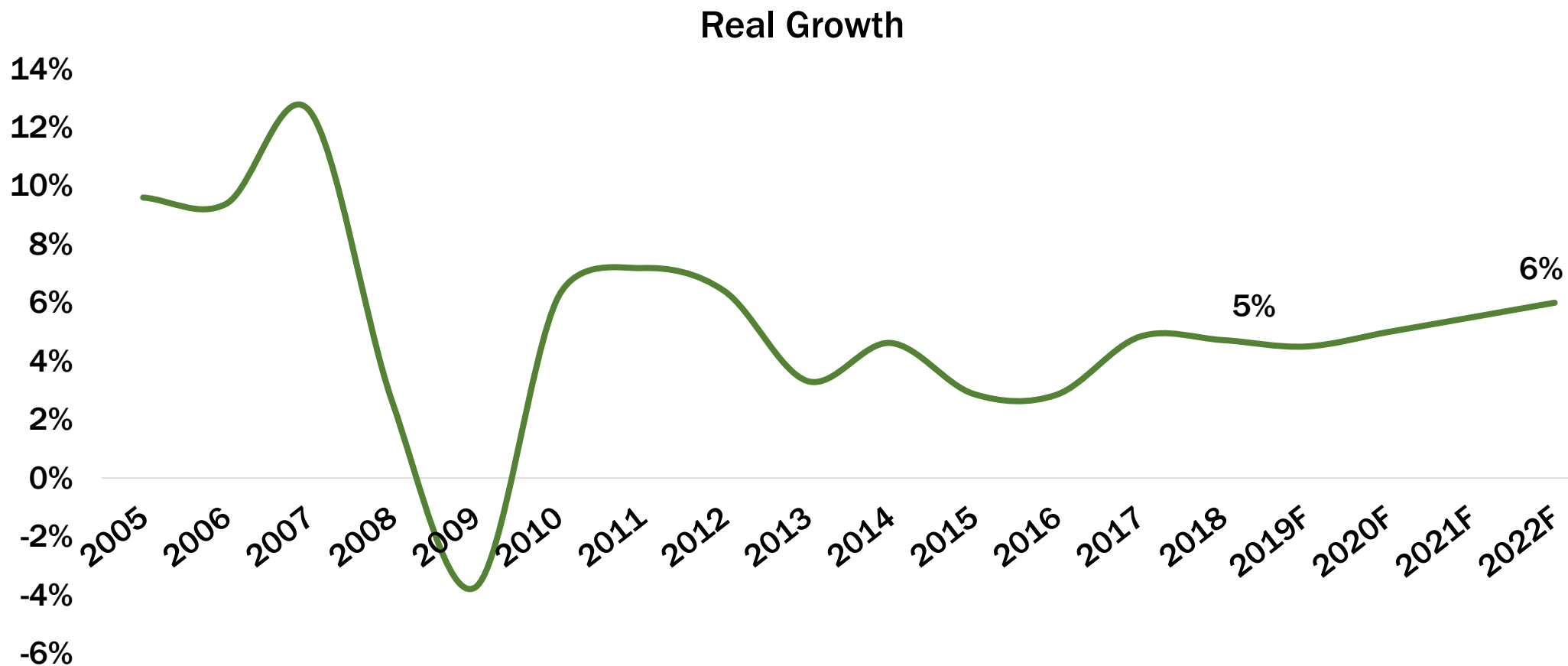
- **External Market**

- High share of external debt into total (**81%**), mostly concessional debt from IFIs
- Available concessional financial resources have been depleting over time

- **Domestic Market**

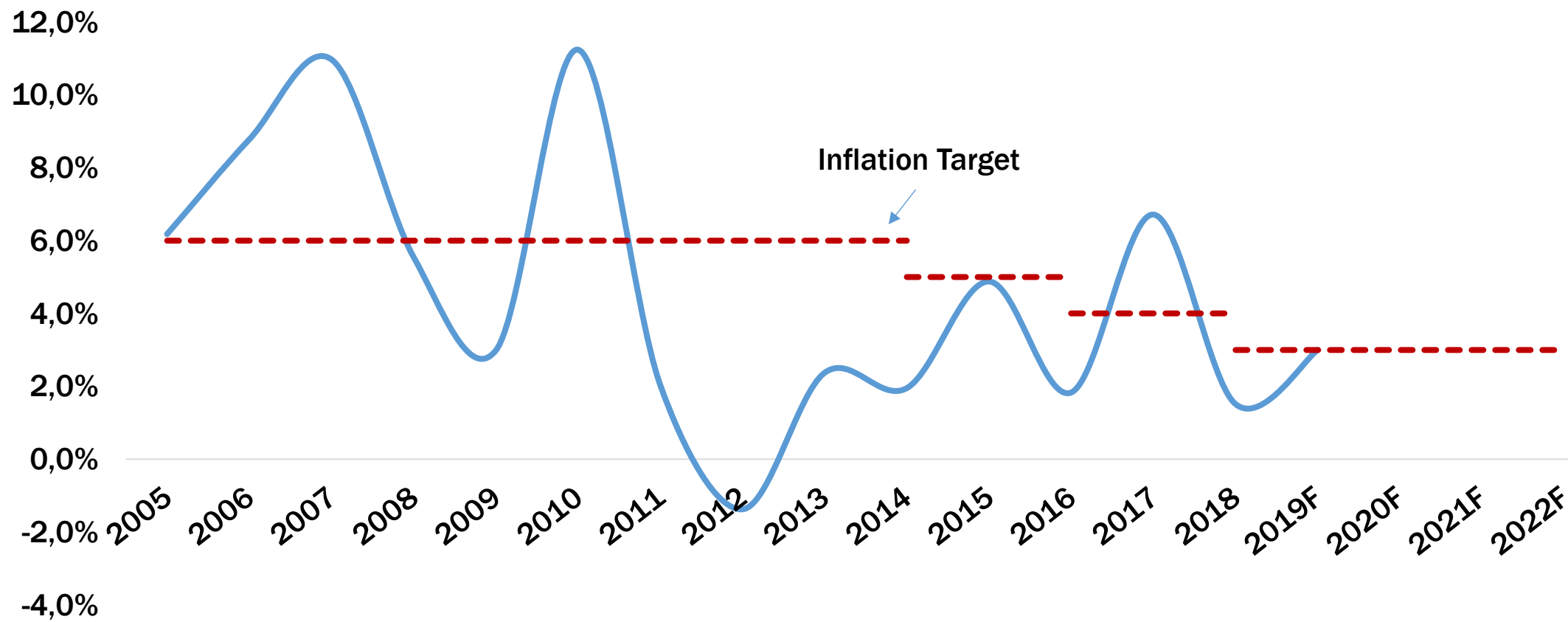
- Non-diversified investor base (mostly banks)
- Relatively small market
- Small size of a single ticket
- Low liquidity on the market

Macroeconomic Overview

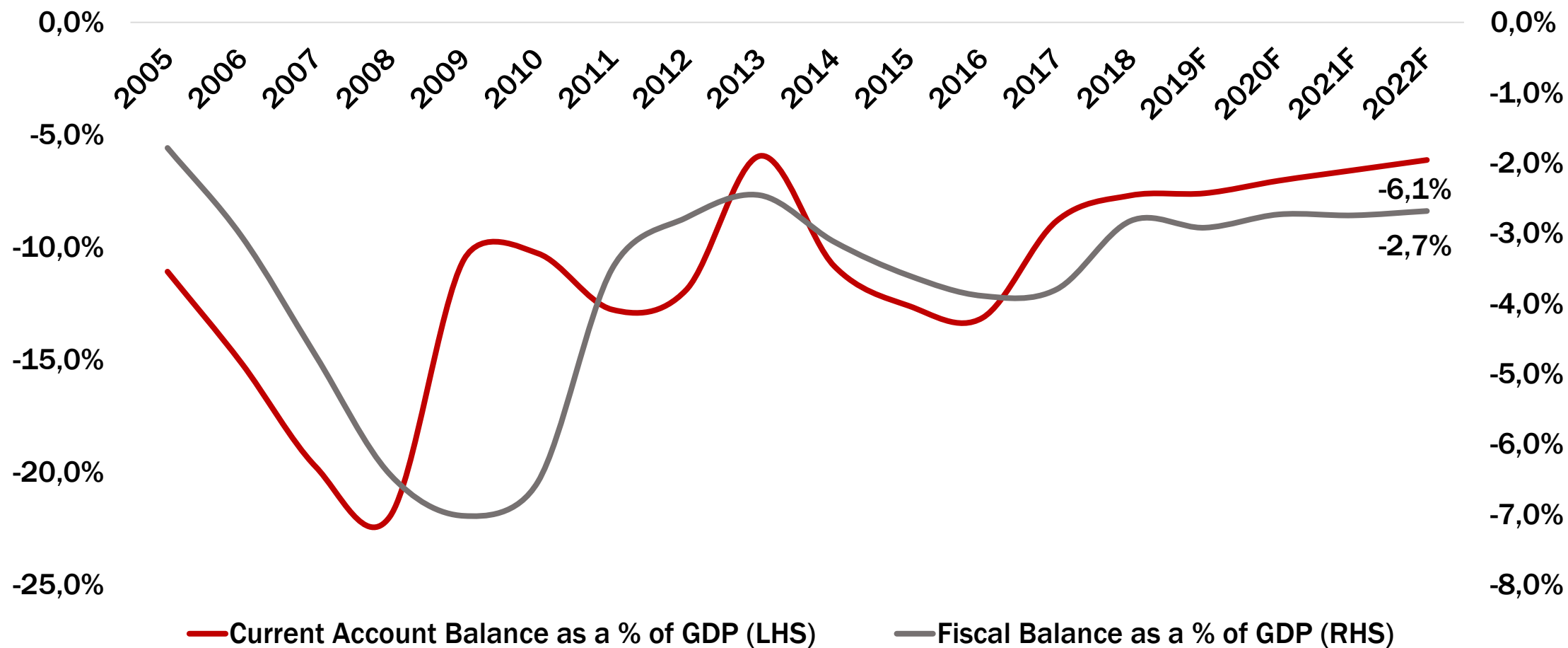


Macroeconomic Overview

CPI Inflation

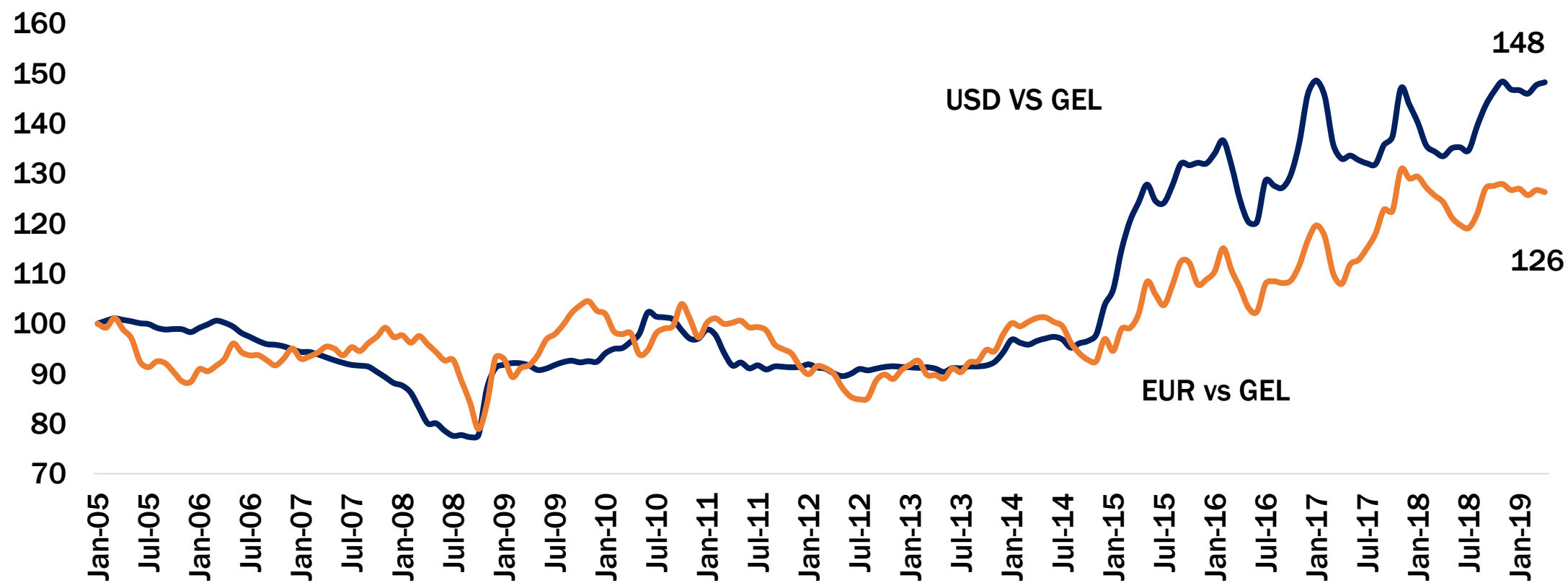


Macroeconomic Overview



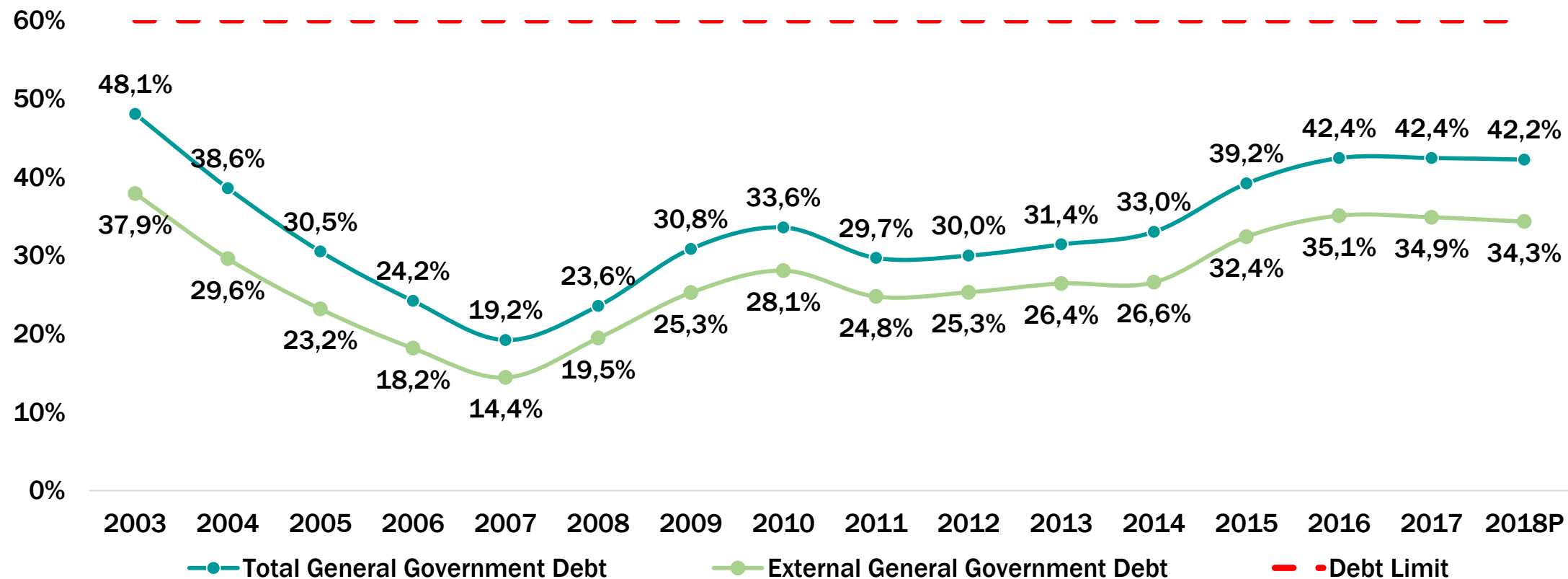
Macroeconomic Overview

Exchange Rate Movement (Index, Jan 2005=100)



Macroeconomic Overview

General Government Debt (% of GDP)



Primary Market

Issuance of the government securities on the domestic market renewed in 2009

<i>T-bills/T-bonds</i>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>6-month</i>	+	+							+	+	+
<i>12-month</i>	+	+	+	+	+	+	+	+	+	+	+
<i>2-year</i>		+	+	+	+	+	+	+	+	+	+
<i>5-year</i>			+	+	+	+	+	+	+	+	+
<i>10-year</i>				+	+	+	+	+	+	+	+

Primary Market

- Quarterly calendar is announced regularly since 2009
- Auctions take place on Tuesday at the NBG through Bloomberg system

Tenor	Frequency
T–bills	Every 2nd week 6M T-Bill
	Every 1st week 12M T-Bill
2-year	Every 2nd week
5-year	Every 4th week
10-year	Once in every quarter

- Benchmark building strategy launched in 2018 for 2, 5 and 10-year maturities with size 240 mln GEL for each tenor



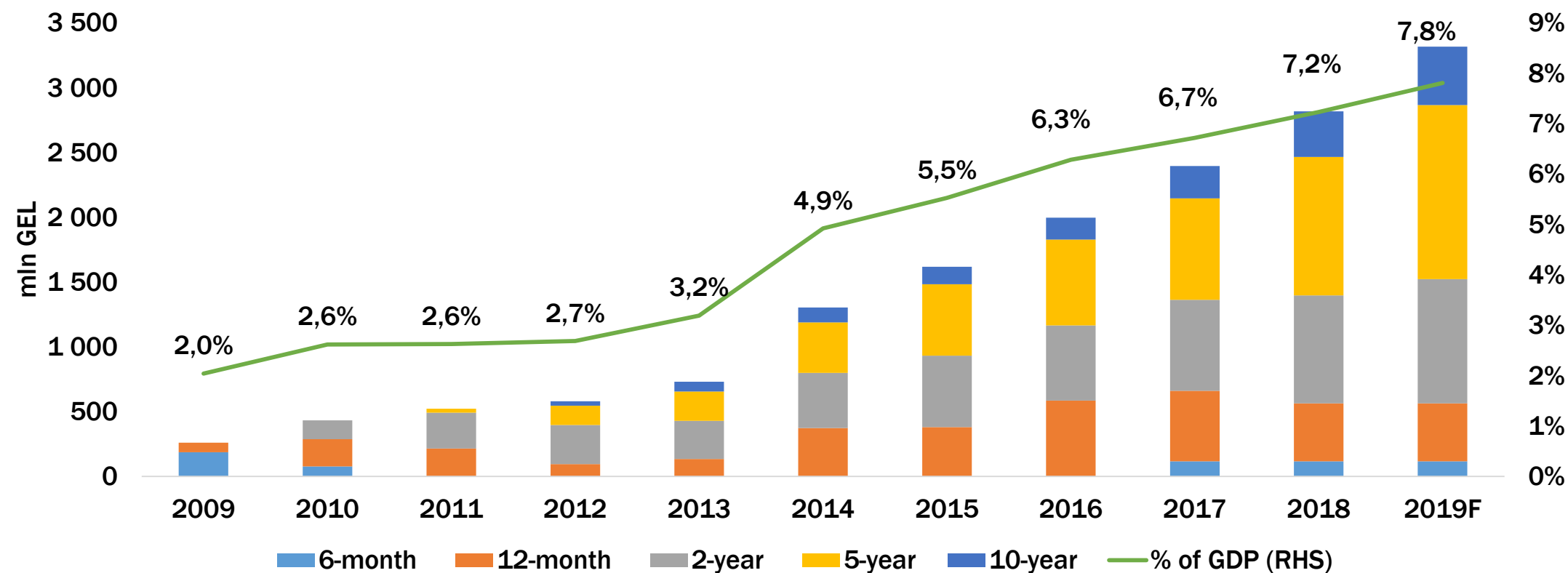
Primary Market

Issuance Calendar for 2019 (two quarters)

In mln GEL	Date	6M	12M	2Y	5Y	10Y
2019	Jan	20	40	40	30	25
	Feb	20	40	40	30	0
	Mar	20	40	40	30	0
	April	20	40	60	30	25
	May	20	40	60	50	0
	Jun	20	40	60	50	0
	Total	120	240	300	220	50

Primary Market

Evolution of Stock of Government Securities



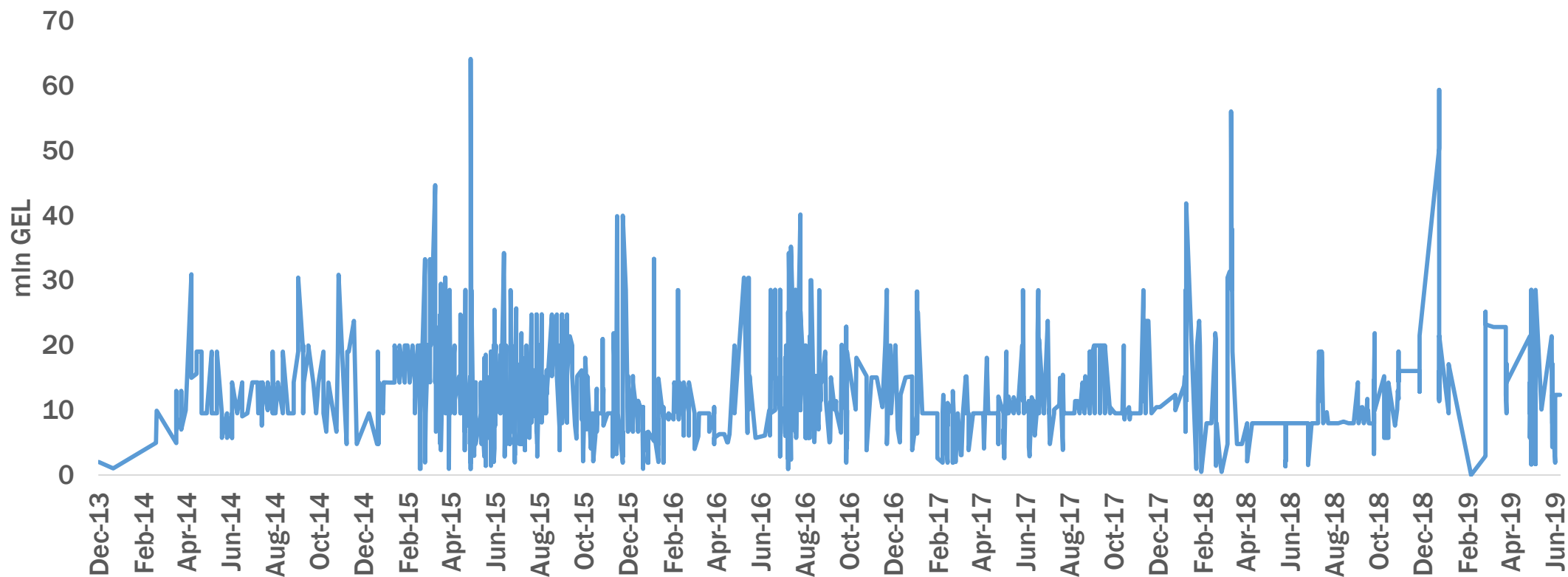
Secondary Market and Investor Base

Underdeveloped Secondary Market

- Secondary market activity is quite low
- Bid-Ask spreads on the secondary market are significantly high
- Investor base is not diversified, mostly banks are buyers of our securities
- Usually, banks are keeping securities until maturity
- Positive signal is that repo transactions between banks became active since 2013
- New big Investor, Georgia's pension agency became operational since January 2019

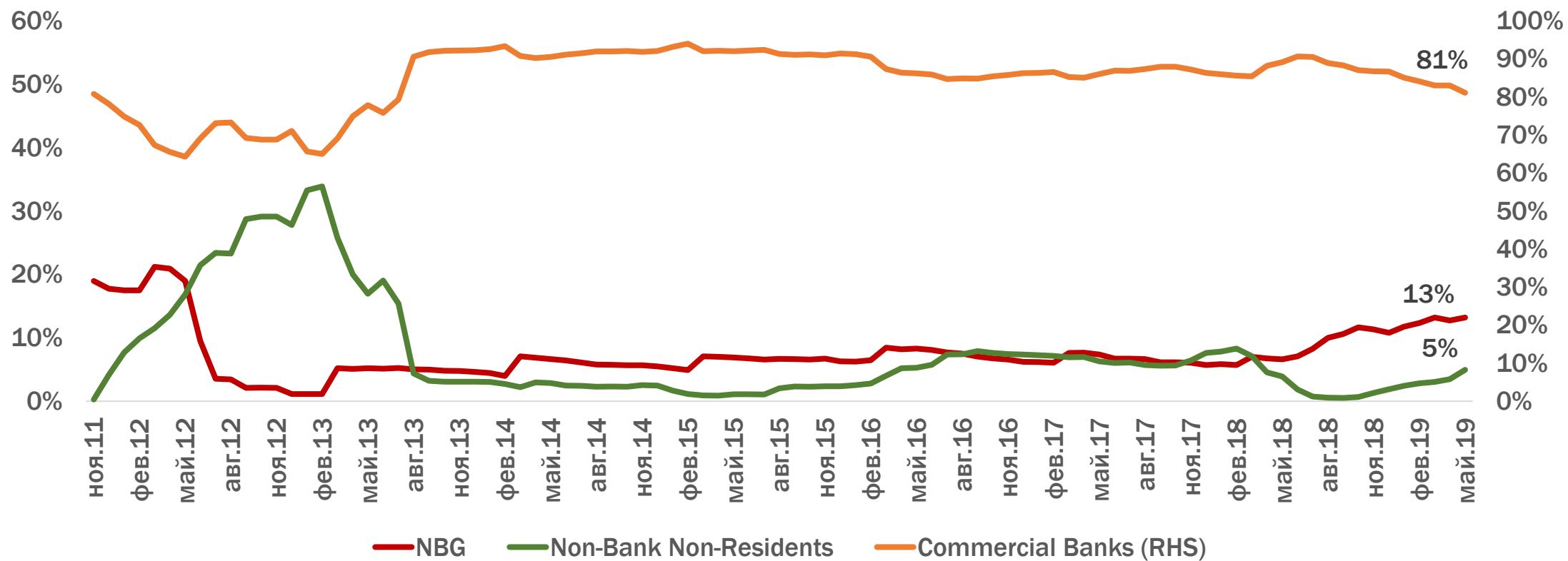
Secondary Market and Investor Base

Repo Transactions Between Banks



Secondary Market and Investor Base

Holder of Government Securities



Future Plan

- Gradual increase of the size of benchmark bonds (triple in 2-3 years, \$300 mln) and overall the market size
- Implementation of Primary Dealers (PD) System to support primary and secondary market development
- Starting Liability Management Operations (LMO) to support benchmark building policy
- Improvement of communication with investors to diversify investor base
- Simplifying the access to the government securities for individuals
- For the medium term, increase the share of domestic debt into total up to **30-35%**

Thank You!