

Weekly Market Watch

 Weekly Market Watch | Georgia
 August 2, 2021

Economy

Real GDP growth was 18.7% y/y in June 2021

Georgia's economy grew by 18.7% y/y in June 2021, bringing GDP growth to 29.8% y/y in 2Q21, based on Geostat's rapid estimates. Notably, real GDP of June 2021 was also up by 9.5% compared to June 2019 level. Overall, in 1H21, real growth was 12.7% y/y (+5.7% compared to 1H19). In June, growth was broad-based with economic activity up in manufacturing, financial and insurance, transport, trade, hotels & restaurants, real estate and construction sectors. Meanwhile, growth was down only in mining sector. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.2% in June 2021

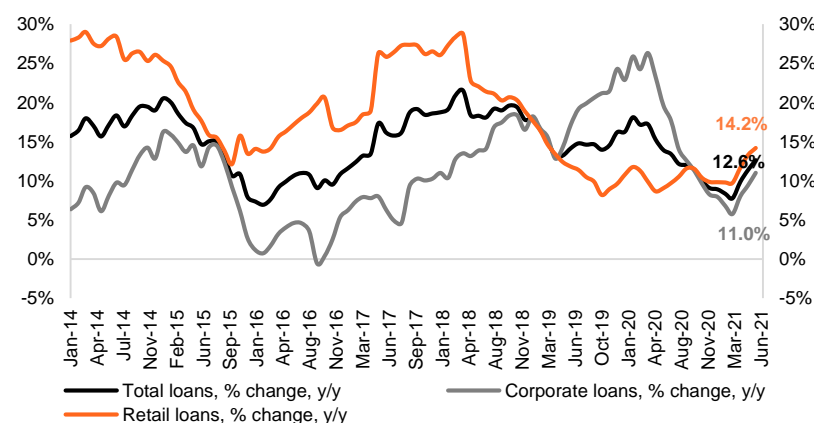
In June 2021, the banking sector loan portfolio growth came in at 12.6% y/y (+1.7% m/m), excluding FX effect, after a 11.3% y/y growth in previous month. In unadjusted terms, loan portfolio was up 16.0% y/y (-0.8% m/m due to GEL appreciation), amounting to GEL 39.2bn (US\$ 12.4bn). By sector, loan growth accelerated further in both corporate and retail segments to 11.0% y/y and 14.2% y/y, respectively (exc. FX effect) in June. Notably, newly issued mortgages increased by 115.2% y/y, bringing mortgages stock growth to 13.0% y/y, after a 12.3% y/y growth in previous month (exc. FX effect). In June 2021, loan dollarization reduced to 52.4% (-4.07ppts y/y and -1.55ppts m/m) and NPLs stood at 2.2% (-0.16ppts y/y and -0.11ppts m/m).

Bank deposits growth slowed to 17.0% y/y (-0.1% m/m, exc. FX effect) to GEL 34.5bn (US\$ 10.9bn) in June 2021. By currency, GEL deposits growth slowed to 24.4% y/y and FX deposits slowed to 12.4% y/y (exc. FX effect). The deposit dollarization stood at 60.0% (-1.39ppts y/y and -0.70ppts m/m).

Tbilisi residential property price index up 10.1% y/y and down 0.4% q/q in 2Q21

Residential property price index (RPPI) was up 10.1% y/y in 2Q21, after a 13.6% y/y growth in previous quarter, according to Geostat. Notably, prices increased in both segments, with prices up by 17.9% y/y for detached houses and by 7.5% y/y for flats. On a quarterly basis, price increased by 2.2% q/q for detached houses, while it reduced by 1.3% q/q for flats, which led to a 0.4% q/q drop in total RPPI in 2Q21.

Bank loan portfolio growth (exc. FX effect)



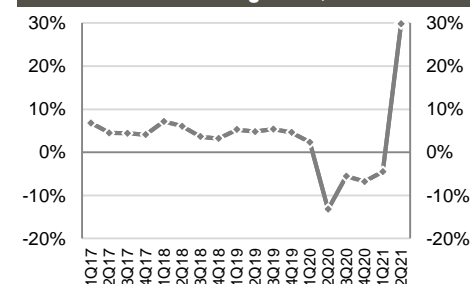
Source: NBG

Key macro indicators

	2018	2019	2020
GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,613	14,918
GDP per capita (US\$)	4,722	4,696	4,275
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	7.0%	2.4%
Gross reserves (US\$ bn)	3.3	3.5	3.9
CAD (% of GDP)	6.8%	5.5%	12.5%
Fiscal deficit (% of GDP)	2.3%	2.1%	9.3%
Total public debt (% of GDP)	38.9%	40.4%	60.0%

Source: Official data

Real GDP growth, %



Source: Geostat

International ranking, 2019-21

Ease of Doing Business # 7 (Top 10)

Economic Freedom Index # 12 (mostly free)

Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB Negative Affirmed Feb-2021	Moody's INVESTORS SERVICE Ba2 Stable Affirmed May-2021	FitchRatings BB Negative Affirmed Feb-2021
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Source: Rating agencies



Money market

Ministry of Finance Benchmark Bonds: 5-year GEL 35.0mn (US\$ 11.4mn) Benchmark bonds were sold at the auction held at NBG on July 27, 2021. Total demand was c.2.3x higher and the weighted average yield was fixed at 9.021%, down by 0.064ppts from previous auction held in June, 2021. The nearest treasury security auction is scheduled for 3 August 2021, where GEL 15.0mn nominal value 6-month T-bills and GEL 20.0mn nominal value 2-year Benchmark bonds will be sold.

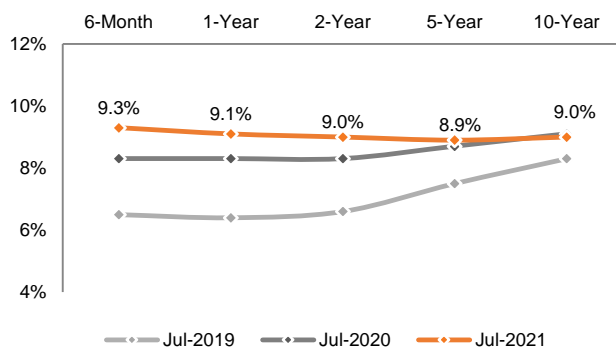
T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	75	90	60
1-year	75	90	360
2-year	100	120	1,310
5-year	259	175	2,412
10-year	69	25	1,281
Total	578	500	5,422

Source: MoF

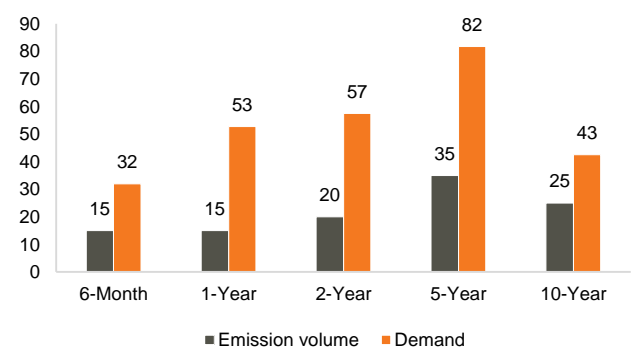
Note: * As of 30 June 2021

T-bills / T-notes, yield curve



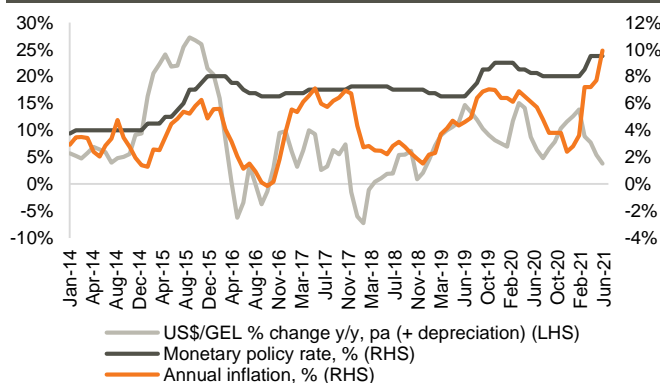
Source: NBG

Emission volume vs. demand on latest T-bills / T-notes auctions, GEL mn



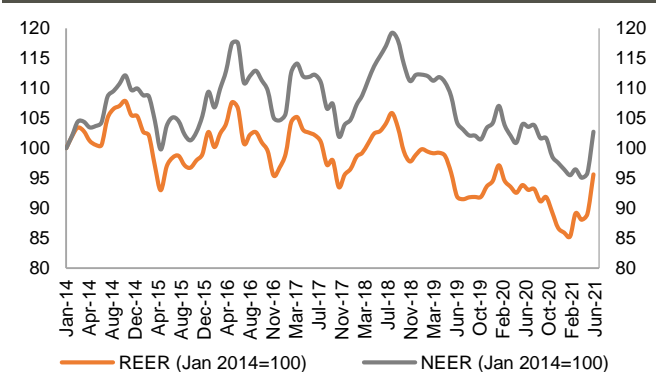
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG, Geostat

Nominal effective exchange rate and Real effective exchange rate



Source: NBG

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

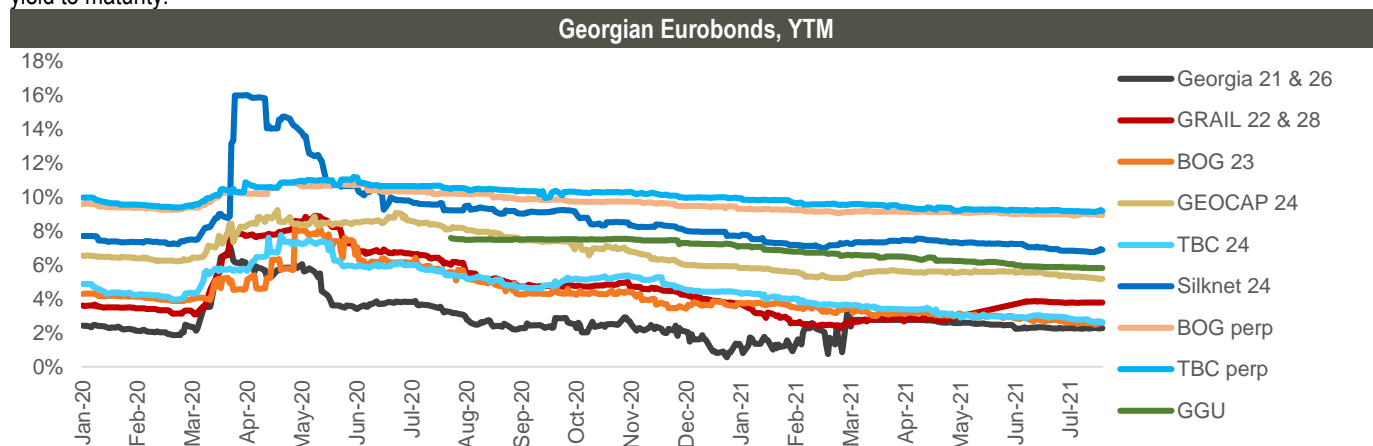


Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.59% yield, trading at 106.55 (-0.05% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.28 (+0.17% w/w), yielding 5.17%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.34 (-0.01% w/w), yielding 3.78%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.14 (-0.10% w/w) at 2.27% yield to maturity.



Georgian bonds performance

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	102.14	2.27	153.38
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	101.34	3.78	282.07
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.55	2.59	232.75
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	110.31	8.94	669.92
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	102.28	5.17	479.37
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	109.83	6.89	393.06
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	108.62	2.62	218.79
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.48	9.16	654.75
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.85	5.80	431.59

Georgian local bonds performance

KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B/-	n/a	n/a	n/a
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a
GLC 08/21	USD	10	7.50%	Aug-21	-/-/-	100.00	7.50	n/a
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Lisi Lake Development	USD	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a
Swiss Capital 09/21	GEL	10	14.25%	Sep-21	B-/B/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

Source: Bloomberg

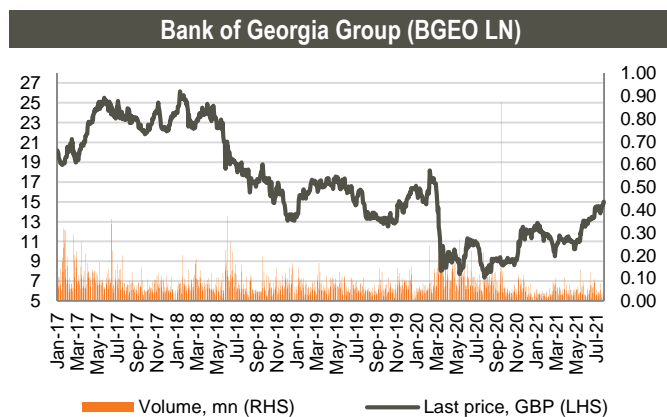


Equities

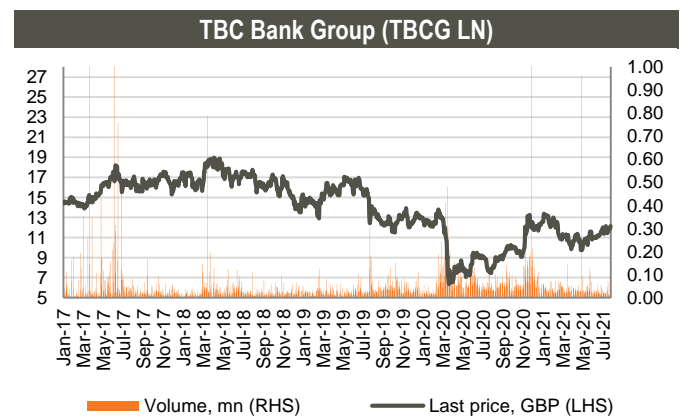
Bank of Georgia Group (BGEO LN) shares closed at GBP 15.00/share (+2.74% w/w and +11.61% m/m). More than 152k shares traded in the range of GBP 14.22 - 15.20/share. Average daily traded volume was 34k in the last 4 weeks. The volume of BGEO shares traded was at 0.31% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 6.29/share (-0.16% w/w and -12.64% m/m). More than 71k shares traded in the range of GBP 6.28 - 6.56/share. Average daily traded volume was 25k in the last 4 weeks. The volume of CGEO shares traded was at 0.15% of its capitalization.

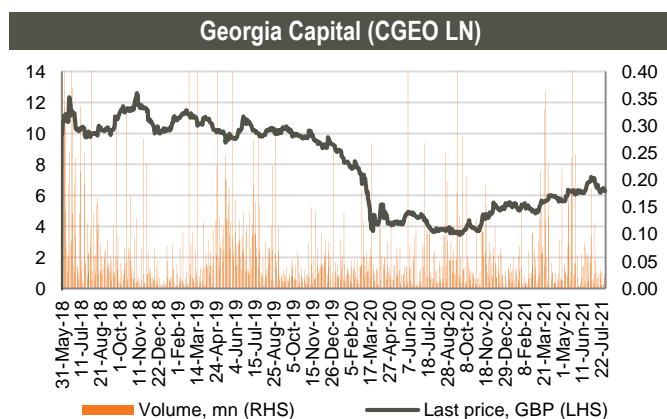
TBC Bank Group (TBCG LN) closed the week at GBP 12.14/share (+2.02% w/w and +4.66% m/m). More than 67k shares changed hands in the range of GBP 11.74 - 12.18/share. Average daily traded volume was 22k in the last 4 weeks. The volume of TBCG shares traded was at 0.12% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Equities, continued

Eastern European banks

								P/E		P/B	
	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	2021F	2022F	2021F	2022F
Bank of Georgia	BGEO	GBP	15.00	738	30.7%	104.1%	23.0%	5.74x	4.85x	1.17x	1.01x
TBC	TBC	GBP	12.14	670	-0.3%	62.5%	-2.9%	4.82x	4.15x	0.85x	0.74x
Sberbank	SBER	USD	16.65	89,856	21.0%	41.3%	14.7%	5.77x	5.79x	1.13x	1.02x
Halyk Bank	HSBK	USD	14.92	4,384	17.5%	35.6%	28.1%	4.64x	4.51x	1.10x	1.04x
VTB Bank	VTBR	USD	1.31	8,463	41.6%	32.1%	36.8%	3.23x	3.20x	0.47x	0.39x
Akbank	AKBNK	TRY	5.26	27,352	-17.6%	0.4%	-24.1%	3.34x	2.53x	0.38x	0.34x
Garanti	GARAN	TRY	8.52	35,784	-8.5%	21.4%	-17.8%	3.93x	2.82x	0.50x	0.43x
Isbank	ISCTR	TRY	5.27	23,715	-14.2%	9.8%	-24.7%	2.80x	2.06x	0.31x	0.27x
PKO	PKO	PLN	37.84	47,300	31.0%	74.4%	31.8%	10.53x	10.17x	1.07x	1.02x
PEKAO	PEO	PLN	94.12	24,704	47.8%	84.8%	54.0%	13.83x	11.00x	0.94x	0.90x
Millennium	MIL	PLN	4.93	5,980	25.8%	67.1%	50.8%	7.45x	6.37x	0.76x	0.72x
Mbank	MBK	PLN	320.80	13,591	64.0%	68.5%	79.0%	10.42x	9.76x	0.82x	0.77x
BRD	BRD	RON	18.00	12,544	19.7%	56.3%	21.1%	11.71x	10.34x	1.32x	1.28x
Banca Transilvania	TLV	RON	2.80	16,066	22.0%	51.4%	24.4%	10.06x	9.01x	1.54x	1.43x
OTP	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	8.87x	8.25x	0.63x	0.57x
Komerční	KOMB	CZK	799.00	151,849	22.0%	53.7%	21.6%	15.45x	12.85x	1.27x	1.25x
Mean								7.66x	6.73x	0.89x	0.82x
Median								6.61x	6.08x	0.89x	0.84x

Source: Bloomberg, S&P Capital IQ

Investment management companies

								P/E		P/B	
	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	2021F	2022F	2021F	2022F
Georgia Capital	CGEO	GBP	6.29	301	25.0%	72.3%	16.5%	na	na	na	na
Tinc Comm	TINC	EUR	12.50	455	-0.8%	-4.9%	-3.5%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.48	19,343	-10.0%	13.1%	-17.3%	3.43x	2.83x	0.42x	0.35x
Deutsche Beteiligungs	DBAN	EUR	37.25	560	9.9%	32.1%	19.6%	4.95x	7.65x	1.10x	1.01x
Eurazeo	RF	EUR	81.95	6,475	41.8%	86.9%	47.7%	15.07x	15.06x	1.08x	1.00x
Carlyle Group	CG	USD	50.52	17,913	56.6%	72.5%	60.7%	16.10x	15.85x	8.06x	4.67x
Mean								9.89x	10.35x	2.67x	1.76x
Median								10.01x	11.36x	1.09x	1.00x

Source: Bloomberg, S&P Capital IQ

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