

Weekly Market Watch

 Weekly Market Watch | Georgia
 May 7, 2018

Economy

Real GDP growth was 5.6% y/y in March 2018

Georgia's economy expanded 5.6% y/y in March 2018 after growing 5.5% y/y in previous month, according to GeoStat's rapid estimates. In March 2018, the growth was recorded in social and personal service activities, manufacturing, transport, real estate operations and trade sectors. Overall, real GDP growth was 5.2% y/y in 1Q18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Tourist arrivals up 24.9% y/y in April 2018

Total international arrivals to Georgia increased 16.8% y/y to 0.60mn visitors in April 2018, according to the Ministry of Internal Affairs. A 24.9% y/y growth in tourist arrivals (0.28mn persons, 46.6% of total) drove arrival growth. Out of top countries by arrivals, in April 2018, visitors continued to increase from Azerbaijan (+10.4% y/y), Turkey (+29.2% y/y), Russia (+43.4% y/y) and Iran (+98.5% y/y), while arrivals were down from Armenia (-6.9% y/y). Arrivals from EU were up 17.9% y/y to over 31,000 visitors. Overall, in 4M18 international arrivals were up 15.9% to 2.06mn persons while tourist arrivals were up 27.3% to 0.94mn persons.

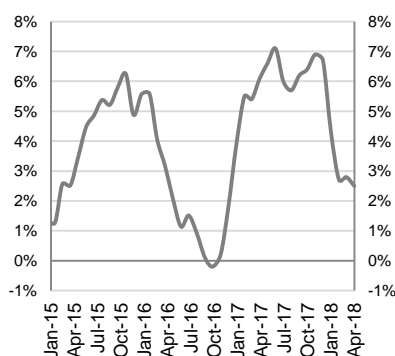
Inflation was 2.5% y/y and -0.2% m/m in April 2018

Annual CPI inflation was 2.5% in April 2018 down from 2.8% in March 2018, according to GeoStat. Core inflation was unchanged at 1.8% in April. Annual price changes were driven by price increases in food and non-alcoholic beverages (+2.1% y/y, +0.66ppts), transport (+2.9% y/y, +0.43ppts), alcoholic beverages and tobacco (+5.6% y/y, +0.38ppts) and housing, water, electricity, gas and other fuels (+4.6% y/y, +0.38ppts). On a monthly basis, there was 0.2% deflation in April 2018. Price decrease in food and non-alcoholic beverages (-0.4% m/m, -0.11ppts) was the major driver of monthly Inflation dynamics.

NBG keeps monetary policy rate unchanged at 7.25%

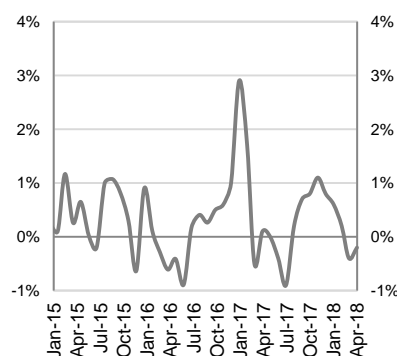
At its meeting on 1 May 2018, NBG's monetary policy committee decided to keep its key rate unchanged at 7.25%. Inflation was 2.8% in March, below the 3.0% target, but the decision takes into account increased risks of transmission of inflationary pressures from the main trading partner countries due to higher volatility in financial markets. The next committee meeting is scheduled for 13 June 2018.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



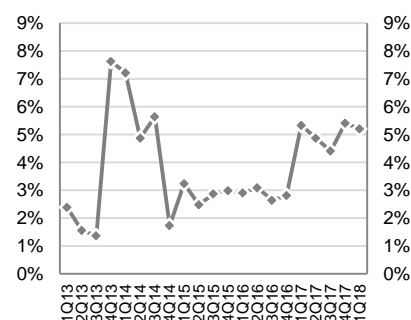
Key macro indicators

	4M18	2017	2016
GDP (% change)	5.2% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0 ⁽¹⁾	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.4%

Source: Official data, IMF

1) As of 1Q18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba2 Stable Upgraded Sep-2017	FitchRatings BB- Positive Affirmed Mar-2018
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Source: Rating agencies



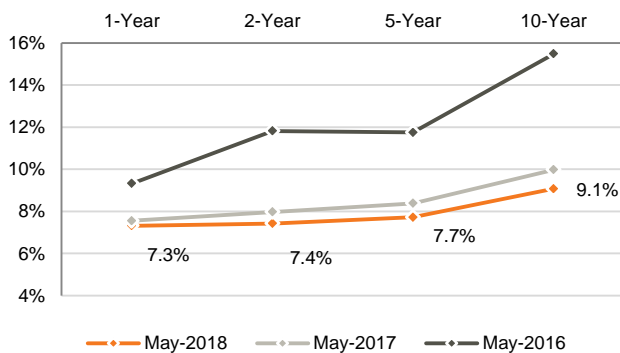
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 990mn (US\$ 403.0mn).

Ministry of Finance Treasury Bills:

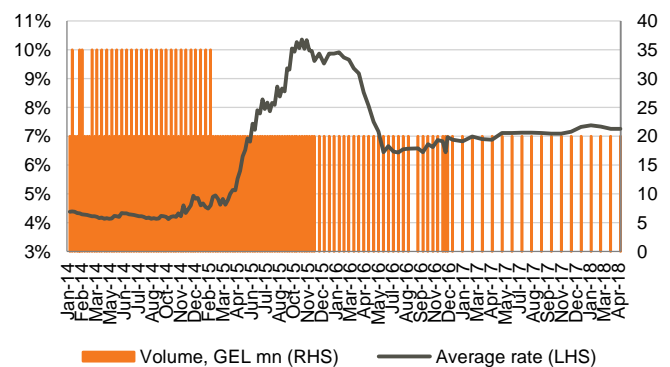
1-year GEL 40.0mn (US\$ 16.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on May 2, 2018. The weighted average yield was fixed at 7.313%. The nearest treasury security auction is scheduled for May 8, 2018, where GEL 40.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.

T-bills / T-notes, yield curve



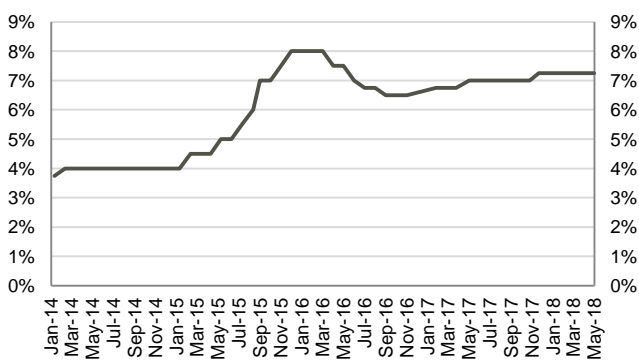
Source: NBG

Certificates of Deposits (weighted average rate)



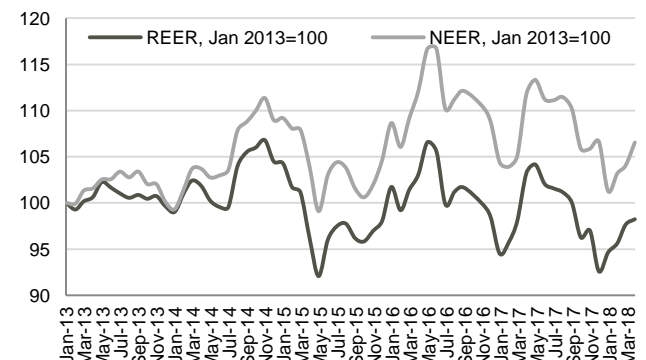
Source: NBG

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



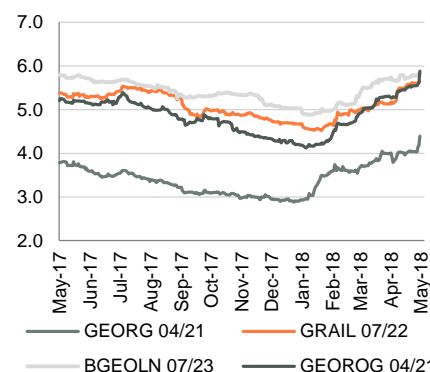
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 100.8 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 95.3 (-0.2% w/w), yielding 7.1%.

GOGC Eurobonds (GEOROG) were trading at 102.4 (-0.8% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.6 (-0.3% w/w), yielding 5.7%.

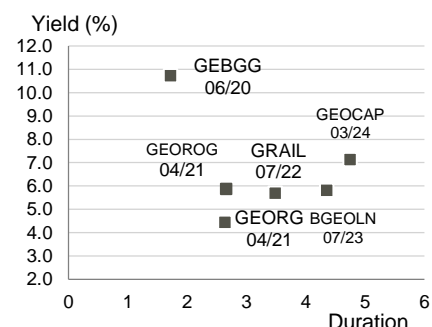
Georgian Sovereign Eurobonds (GEORG) closed at 106.6 (-1.1% w/w) at 4.4% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B2	-/-	-/-	n/a	-/-B2e	B-/B2	BB-/B+	BB-/B1	BB-/BB-/B2	B+/B+
Mid price, US\$	n/a	102.8	101.3	101.07	95.3	100.5	102.4	100.8	106.6	107.6
Mid yield, %	n/a	5.5%	3.8%	6.50%	7.1	10.7	5.9	5.8	4.4	5.7
Z-spread, bps	n/a	n/a	n/a	n/a	419.2	346.1	302.9	289.5	158.8	279.7

Source: Bloomberg

*GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari

**Coupon rate 3.5% 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-/Ba2	106.6	4.4	158.8
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	97.6	5.2	229.8
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	115.8	0.0	-31.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	111.2	1.0	84.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.5	3.6	79.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.4	4.0	112.6
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.1	3.9	110.4
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa2	102.1	4.8	200.5

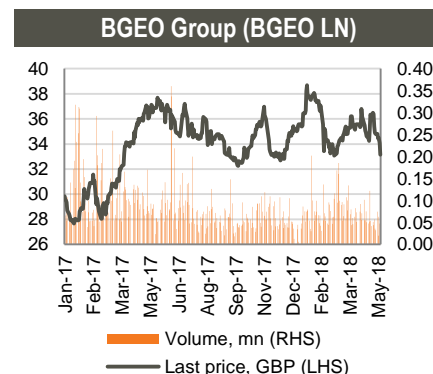
Source: Bloomberg

Equities

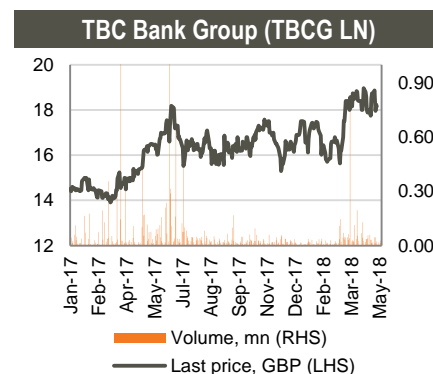
BGEO Group (BGEO LN) shares closed at GBP 33.16/share (-4.77% w/w and -6.38% m/m). More than 308k shares traded in the range of GBP 33.14 – 35.12/share. Average daily traded volume was 59k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.74% w/w and gained 6.01% m/m. The volume of BGEO shares traded was at 0.78% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.46 (-3.85% w/w and -3.00% m/m). More than 83k shares changed hands in the range of GBP 17.06 – 18.50 share. Averaged daily traded volume was 27k in the last 4 weeks.

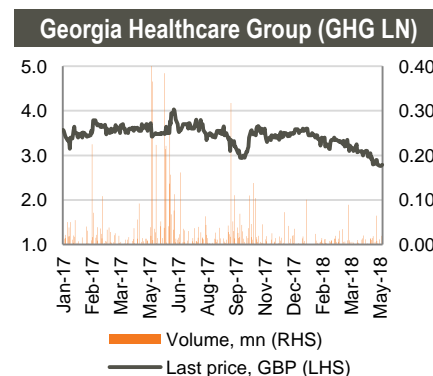
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.79/share (-0.36% w/w and -8.52% m/m). More than 31k shares were traded in the range of GBP 2.77 – 2.90/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO	BGEO	33.16*	1,767	-6.4%	-6.8%	-7.7%	-6.8%	-8.9%
TBC	TBC	17.46*	1,280	-3.0%	8.4%	0.3%	-0.2%	6.5%
Halyk Bank	HSBK	13.10	3,601	-3.7%	3.1%	35.1%	32.6%	73.1%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-36.4%
VTB Bank	VTBR	1.84	11,911	-6.9%	-1.6%	-10.3%	0.4%	-19.5%
Vozrozhdenie Bank	VZRZ	5.22	124	-26.2%	-40.6%	-49.3%	-40.0%	-59.0%
Sberbank	SBER	14.76	79,656	-20.3%	-23.0%	4.4%	-12.8%	26.1%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.79*	497	-8.5%	-17.9%	-20.5%	-21.4%	-22.9%
Mouwasat	MOUWASAT	47.53	2,376	-0.6%	3.6%	11.8%	17.7%	23.2%
Fortis	FORH	2.36	1,226	19.5%	27.8%	7.1%	-6.0%	-30.1%
Raffles	RFMD	0.84	1,488	-1.6%	-0.2%	0.5%	0.2%	-15.4%
IHH	IHH	1.53	12,585	0.3%	-0.3%	15.6%	5.9%	6.8%
Bangkok Chain	BCH	0.54	1,359	0.7%	4.8%	9.6%	9.6%	43.0%
Netcare	NTC	2.43	3,578	4.1%	15.4%	38.5%	19.9%	22.8%

Source: Bloomberg

*GHG share price traded and shown in GBP

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