

Weekly Market Watch

 Weekly Market Watch | Georgia
 September 5, 2016

Economy

Real GDP up 2.1% y/y in July 2016

Georgia's real GDP growth was 2.1% y/y in July 2016, according to GeoStat's rapid estimates. As a result, output growth averaged 2.7% y/y in 7M16. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

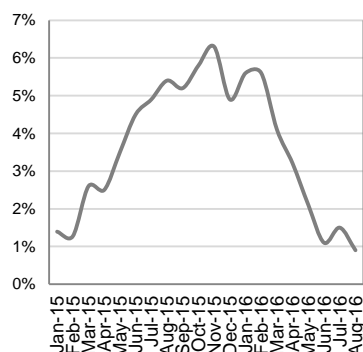
International arrivals up 8.3% y/y in 8M16

International arrivals to Georgia decreased 0.6% y/y to 0.85mn persons in August 2016, according to the Ministry of Internal Affairs. However, the number of tourists (overnight visitors) continues to increase at double-digit rates (+17.3% y/y). A drop in arrivals from Turkey (-41.7% y/y, 11.6% of total) had the largest negative effect on total arrivals in August. Meanwhile, visitor numbers continue to increase from Russia (+11.9% y/y), Ukraine (+47.7% y/y), and Iran (+599.3% y/y). In 8M16, the number of total arrivals is up 8.3% y/y to 4.25mn persons, while the number of overnight visitors has increased 17.7% y/y.

Inflation rate at 0.9% y/y and 0.4% m/m in August 2016

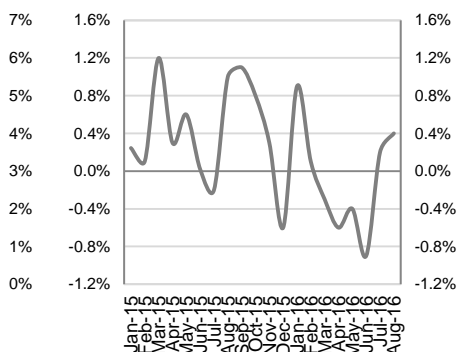
The annual CPI inflation rate retreated to 0.9% y/y in August 2016 from 1.5% in the previous month, while core inflation was at 2.6% y/y, according to GeoStat. Overall price changes were driven by price increases in alcoholic beverages and tobacco (+11.9% y/y, +0.73ppts), health (+3.3% y/y, +0.32ppts), and restaurants and hotels (+4.6% y/y, +0.18ppts). Meanwhile, prices in the transport category decreased (-7.7% y/y, -0.92ppts), as prices were down for purchase of vehicles and for operation of personal transport equipment. On a monthly basis, inflation rate was at 0.4% in August 2016. Price increases in food and non-alcoholic beverages (+1.4% m/m, +0.42ppts) and recreation and culture (+0.9% m/m, +0.06ppts) and a price decrease in the health category (-0.7% m/m, -0.07ppts) were the major drivers of monthly inflation dynamics.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change m/m)



Key macro indicators

	7M16	2015	2014
GDP (% change)	2.7%	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7*	3.7*	4.5
Inflation (eop)	0.9%**	4.9%	2.0%
Gross reserves (US\$ bn)	2.9	2.5	2.7
CAD (% of GDP)	13.1%***	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

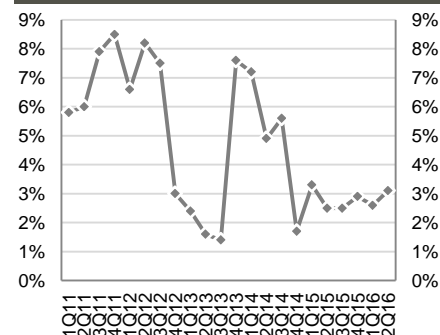
Source: Official data, IMF

*Preliminary results of census, previous data is subject to recalculation

**As of 8M16

***As of 1Q16

Real GDP growth, %



Source: GeoStat

Note: 2Q16 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)
 Economic Freedom Index # 23 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Apr-2016
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Source: Rating agencies

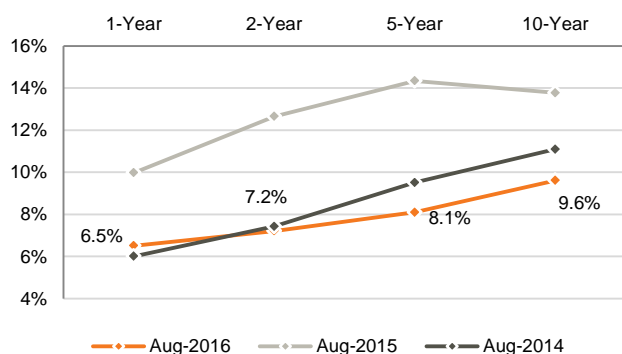
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 780mn (US\$ 338.2mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.8mn) certificates of deposit, with an average yield of 6.57% (up 13bps from previous issue).

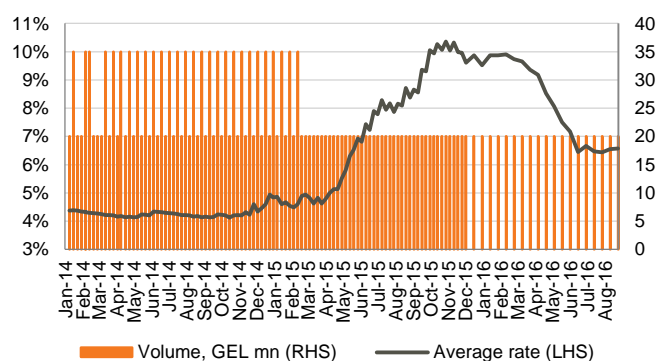
Ministry of Finance Treasury Notes: 10-year GEL 10mn (US\$ 4.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on August 31, 2016. The weighted average yield was fixed at 9.612%. The nearest treasury securities auction is scheduled for September 7, 2016, where GEL 10mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



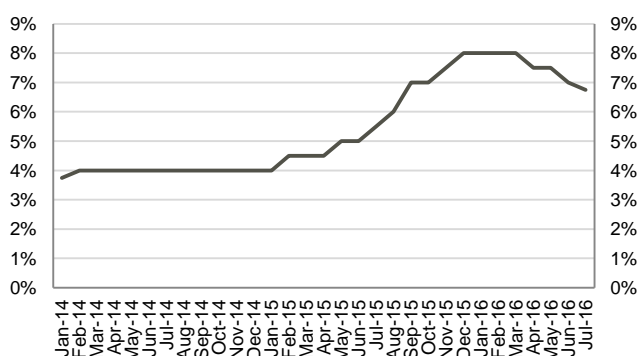
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



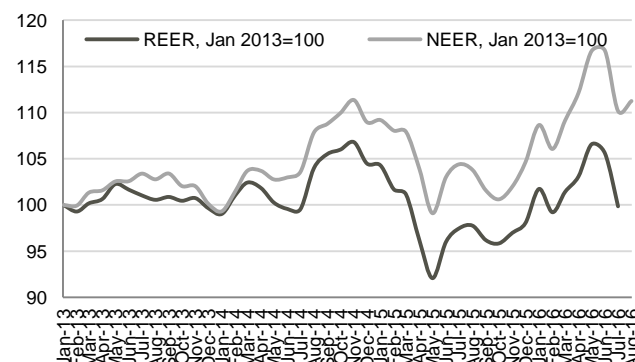
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 7 September 2016

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 (BGEOLN) closed at 5.5% yield, trading at 102.9 (unchanged w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 101.9 (unchanged w/w), yielding 4.1% and (GEOROG 04/21) were trading at 105.3 (unchanged w/w), yielding 5.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.3 (+0.2% w/w), yielding 5.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.2 (+0.1% w/w) at 3.9% yield to maturity.

	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	350	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2016	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2023	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.750%	6.875%	6.000%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/B+/-	BB-/B+/-	BB-/B1	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	105.3	101.9	102.9	112.2	112.3
Mid yield, %	11.0	15.0	7.75	7.75	8.25	5.5	4.1	5.5	3.9	5.3
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	413.4	315.6	408.7	265.2	393.4

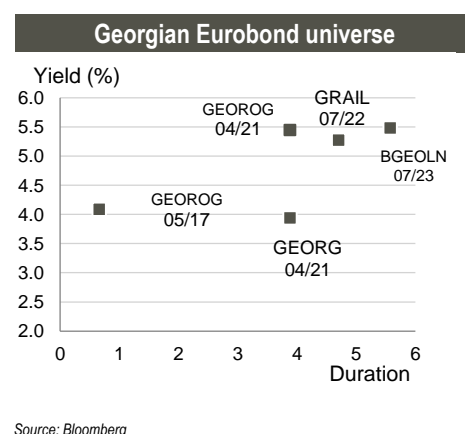
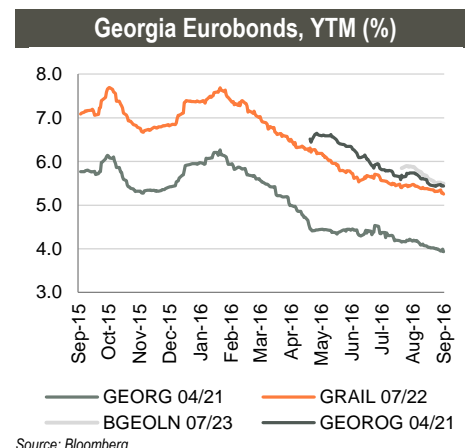
Source: Bloomberg

*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	112.2	3.9	265.2
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	102.9	4.3	288.4
Bulgaria	323	5.000%	19/07/2021	BBB-/	121.2	0.6	-235.6
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	107.1	2.5	254.9
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.3	2.8	154.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	121.2	2.5	126.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.8	2.7	150.2
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.2	3.9	263.2

Source: Bloomberg



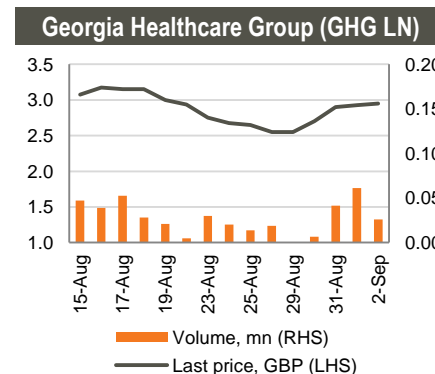
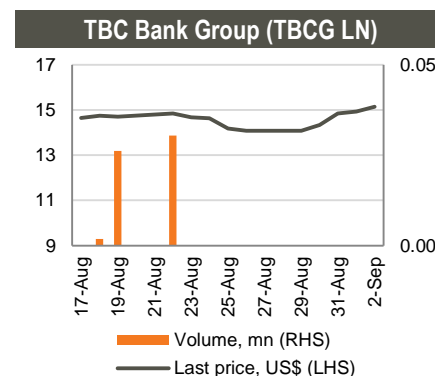
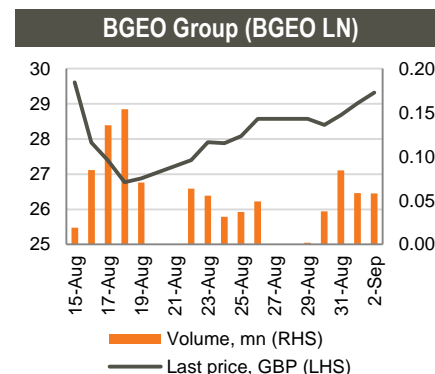
Equities

BGEO Group (BGEO LN) shares closed at GBP 29.32/share (+2.63% w/w and +9.40% m/m). More than 239k shares traded in the range of GBP 28.14 – 29.81/share. Average daily traded volume was 55k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 0.97% w/w and gained 6.10% m/m. The volume of BGEO shares traded was at 0.61% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 11.38 (+6.31% w/w). More than 71k shares changed hands in the range of GBP 10.70 – 11.38/share.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.95/share (+15.69% w/w and -4.84% m/m). More than 154k shares were traded in the range of GBP 2.55 – 3.05/share. Average daily traded volume was 33k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.

On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 37.00 (+5.7% w/w). As a result, the G&T Index went up to 725.5 (+5.6% w/w).



Eastern European banks

Eastern European Banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	39.02	1,541	9.2%	8.2%	46.8%	20.6%	49.9%
TBC	TBC	15.14	744	N/A	N/A	N/A	N/A	N/A
Halyk Bank	HSBK	6.00	1,649	25.9%	22.6%	66.0%	-29.4%	-4.8%
KKB	KKB	1.16	461	-27.4%	-27.4%	4.1%	-69.6%	-57.5%
VTB Bank	VTBR	2.20	14,250	11.7%	11.5%	14.7%	-4.4%	12.7%
Vozrozhdenie Bank	VZRZ	10.58	251	9.6%	9.8%	48.6%	43.4%	26.9%
Sberbank	SBER	9.32	50,298	10.4%	13.2%	51.5%	130.1%	105.1%

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	3.93	517	-5.1%	6.0%	76.1%	N/A	N/A
Mouwasat	MOUWASAT	33.51	1,675	-8.2%	-2.6%	11.5%	1.9%	3.8%
Fortis	FORH	2.65	1,228	-0.3%	8.7%	4.6%	51.0%	10.5%
Raffles	RFMD	1.13	1,978	-1.2%	-1.8%	8.6%	15.7%	12.3%
IHH	IHH	1.61	13,240	-0.3%	5.2%	3.5%	16.8%	16.0%
Bangkok Chain	BCH	0.33	822	-7.6%	-2.9%	17.2%	37.2%	78.5%
Netcare	NTC	2.31	3,378	2.2%	8.3%	8.6%	-29.7%	-19.7%

Source: Bloomberg

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

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