

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 12, 2017

Economy

FDI up 3.7% y/y in 1Q17

FDI in Georgia stood at US\$ 403.3mn (+3.7% y/y) in 1Q17, according to GeoStat's preliminary figures. Similar to previous quarters, the transport and communications sector was the largest FDI recipient at US\$ 141.1mn (-30.1% y/y, 35.0% of total) in 1Q17, followed by the real estate at US\$ 80.3mn (+277.0% y/y, 19.9% of total), and the financial sector at US\$ 79.6mn (+37.8% y/y, 19.7% of total). Azerbaijan topped the list of investors with US\$ 97.3mn, followed by Turkey at US\$ 81.5mn, UK at US\$ 80.1mn, and United Arab Emirates at US\$ 38.7mn.

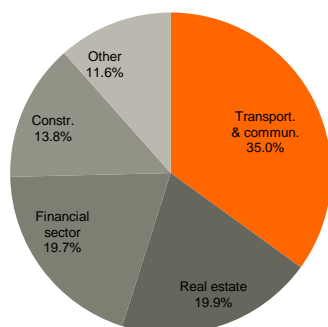
Tourist arrivals up 19.6% y/y in May 2017

Total international arrivals to Georgia increased 5.7% y/y to 0.55mn visitors in May 2017, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 19.6% y/y to 0.25mn persons (44.4% of total) in May after posting a 29.7% y/y growth in April 2017. Out of top countries by arrivals, in May 2017, visitors continued to increase from Armenia (+8.9% y/y), Russia (+16.8% y/y), Ukraine (+20.2% y/y) and Azerbaijan (+8.5% y/y), while arrivals were down from Turkey (-24.4% y/y). Arrivals from EU were up 13.0% y/y to over 28,000 visitors. In 5M17 international arrivals increased 9.7% y/y to 2.3mn visitors, while tourist arrivals increased 25.0% y/y to 0.98mn.

International reserves up 10.0% y/y in May 2017

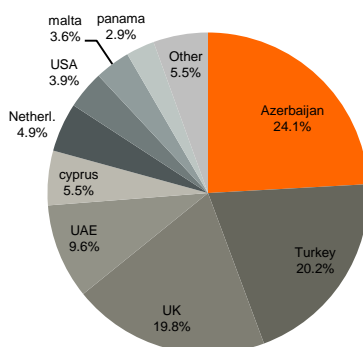
Gross international reserves were up 10.0% y/y to US\$ 2.8bn in May 2017, while reserves were up 2.9% on monthly bases, according to NBG. There were no interventions in the FX market by NBG in May; The increase in reserves was related to government FX operations and/or asset revaluation.

FDI by sector, 1Q17



Source: GeoStat

FDI by country, 1Q17



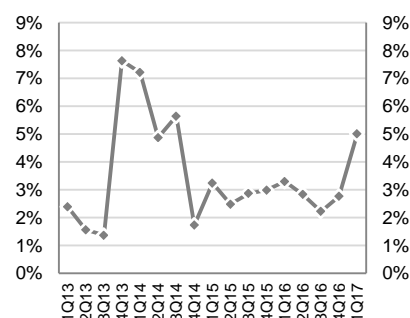
Key macro indicators

	5M17	2016	2015
GDP (% change)	4.2% ⁽¹⁾	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.6%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	2.8	2.5
CAD (% of GDP)	...	13.3%	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF, G&T

(1) As of 4M17

Real GDP growth, %



Source: GeoStat

International ranking, 2017

Ease of Doing Business # 16 (Top 20)
 Economic Freedom Index # 13 (mostly free)
 Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed Nov-2016	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Mar-2017
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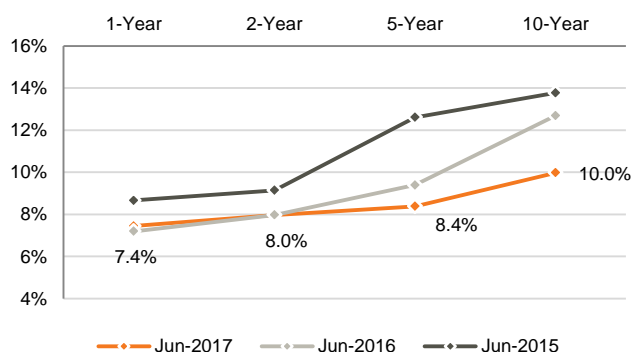
Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,150mn (US\$ 477.4mn).

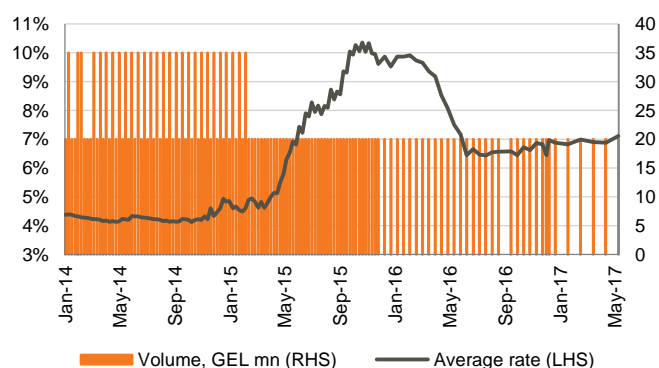
Ministry of Finance Treasury Notes: 1-year GEL 50.0mn (US\$ 20.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 7, 2017. The weighted average yield was fixed at 7.447%. The nearest treasury security auction is scheduled for June 14, 2017, where GEL 40.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.

T-bills / T-notes, yield curve



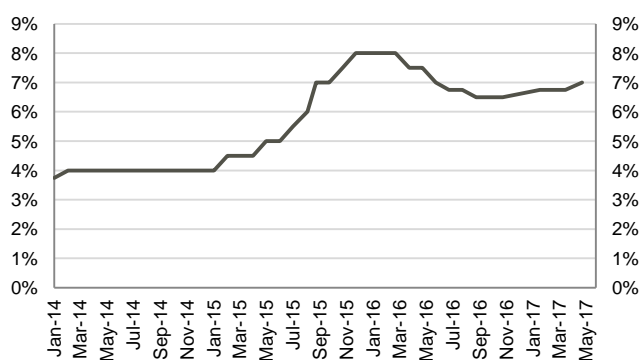
Source: NBG

Certificates of Deposits (weighted average rate)



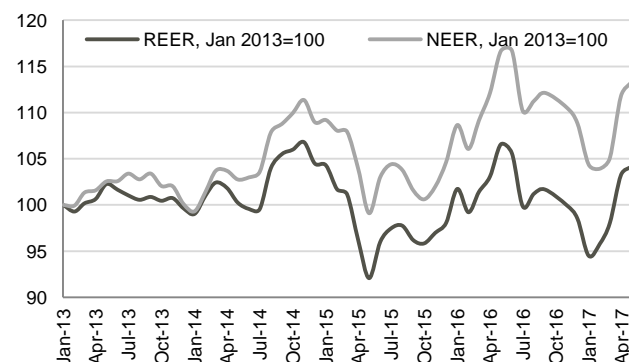
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

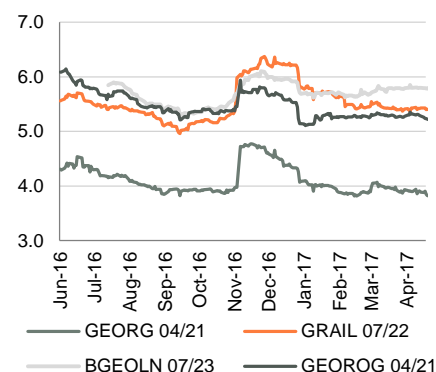
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.6% yield, trading at 101.9 (+0.5% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (-0.2% w/w), yielding 10.8%. GOGC Eurobonds (GEOROG) were trading at 105.6 (unchanged w/w), yielding 5.1%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.7 (-0.1% w/w), yielding 5.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.9 (+0.2% w/w) at 3.5% yield to maturity.

Georgia Eurobonds, YTM (%)



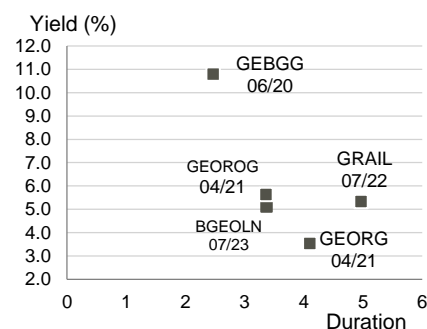
	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	8.75	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/-/-	-/-/-	-/-/-	-/-/-	BB-/-/Ba3	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba3	B+/-B+/-
Mid price, US\$	n/a	101.6	101.6	100.5	100.5	105.6	101.9	111.9	110.7
Mid yield, %	n/a	6.75%	9.0%	6.50%	10.8	5.1	5.6	3.5	5.3
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	336.7	177.6	347.3	369.2

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

Georgian Eurobond universe



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	111.9	3.5	177.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.8	4.4	245.5
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.7	0.2	-236.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	111.1	1.5	141.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.5	2.6	86.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.9	2.8	102.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.8	2.5	87.8
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	106.5	3.8	202.6

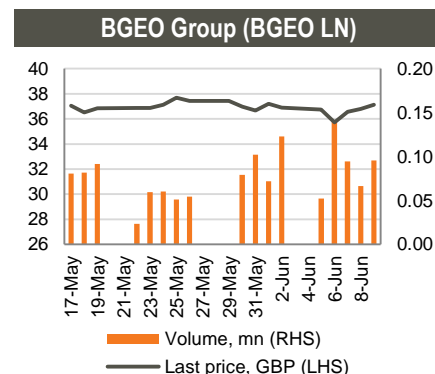
Source: Bloomberg

Equities

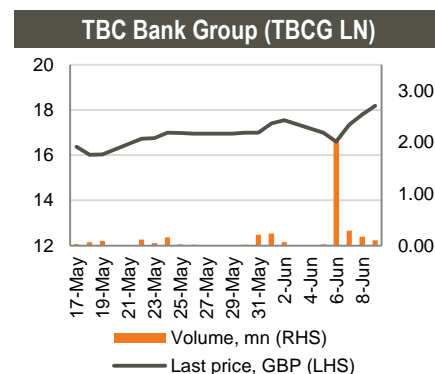
BGEO Group (BGEO LN) shares closed at GBP 37.12/share (+0.57% w/w and +1.48% m/m). More than 450k shares traded in the range of GBP 35.51 – 37.22/share. Average daily traded volume was 78k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.27% w/w and lost 0.35% m/m. The volume of BGEO shares traded was at 1.14% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 18.18 (+3.59% w/w and +10.18% m/m). More than 354k shares changed hands in the range of GBP 16.55 – 18.33/share. Averaged daily traded volume was 200k in the last 4 weeks.

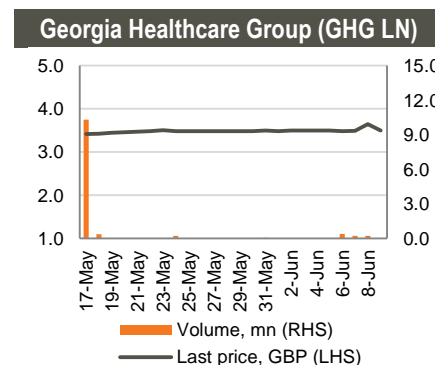
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.50/share (unchanged w/w and -5.41% m/m). More than 304k shares were traded in the range of GBP 3.40 – 3.68/share. Average daily traded volume was 632k in the last 4 weeks. The volume of GHG shares traded was at 0.23% of its capitalization.



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	46.03	1,816	-2.1%	25.9%	14.8%	19.7%	39.5%
TBC*	TBC	21.39	1,127	1.2%	19.4%	18.6%	14.3%	67.1%**
Halyk Bank	HSBK	7.59	2,086	2.6%	16.1%	37.5%	26.7%	54.9%
KKB	KKB	1.10	439	2.8%	0.0%	-15.1%	-23.9%	-30.8%
VTB Bank	VTBR	2.22	14,360	-1.5%	0.3%	6.0%	-7.2%	5.8%
Vozrozhdenie Bank	VZRZ	13.04	310	2.3%	1.2%	18.1%	6.5%	32.9%
Sberbank	SBER	11.10	59,877	-4.6%	-2.7%	8.1%	-4.1%	29.0%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

** 1Y change in TBC share prices calculated using GDR price.

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.48	590	-4.8%	-5.0%	-6.0%	-2.5%	33.8%
Mouwasat	MOUWASAT	39.79	1,989	3.2%	4.7%	2.3%	1.0%	17.5%
Fortis	FORH	2.96	1,535	-9.5%	8.5%	18.9%	11.4%	21.2%
Raffles	RFMD	1.00	1,748	0.4%	0.2%	-3.0%	0.9%	-14.4%
IHH	IHH	1.41	11,644	-0.5%	5.7%	-2.2%	-0.1%	-10.2%
Bangkok Chain	BCH	0.40	991	4.4%	9.7%	-5.7%	-3.8%	10.3%
Netcare	NTC	2.00	2,920	-0.2%	-15.7%	-9.9%	-13.9%	-11.3%

Source: Bloomberg

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



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