

Weekly Market Watch

 Weekly Market Watch | Georgia
 Aug 6, 2018

Economy

Real GDP growth was 4.0% y/y in June 2018

Georgia's economy grew by 4.0% y/y in June 2018 after growing 7.5% y/y in previous month, according to GeoStat's rapid estimates. In June 2018, the growth was posted in transport, hotels and restaurants, financial intermediation and trade sectors. Overall, real GDP growth was 5.7% y/y in 1H18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation was 2.8% y/y and -0.3% m/m in July 2018

Annual CPI inflation was 2.8% in July 2018 up from 2.2% in June 2018, according to GeoStat. Core inflation was down to 1.4% from 1.6% in previous month. Annual price changes were driven by price increases in transport (+6.9% y/y, +0.93ppts), food and non-alcoholic beverages (+2.3% y/y, +0.67ppts), housing, water, electricity and gas (+5.2% y/y, +0.43ppts) and healthcare (+5.0% y/y, +0.42ppts) categories. On a monthly basis, there was 0.3% deflation in July 2018. Price decrease in food and non-alcoholic beverages (-1.1% m/m, -0.32ppts) was the major driver of monthly inflation dynamics.

Tourist arrivals up 15.0% y/y in July 2018

Total international visits to Georgia increased 10.7% y/y to 0.85mn visitors in July 2018, according to the Ministry of Internal Affairs. A 15.0% y/y growth in tourist arrivals (0.57mn trips, 66.8% of total) drove the international visit growth. Out of top countries by visitors, in July 2018, international visitors continued to increase from Russia (+13.8% y/y), Azerbaijan (+9.8% y/y) and Turkey (+20.5% y/y), while visitors were down from Armenia (-4.2% y/y) and Iran (-9.5% y/y).

NBG purchased US\$ 17.5mn

On August 1, 2018, the NBG intervened on the FX market and purchased US\$ 17.5mn to curb the GEL's appreciation and build reserves. YTD, the NBG purchased US\$ 87.5mn and the GEL strengthened 5.6% against the USD.

Key macro indicators

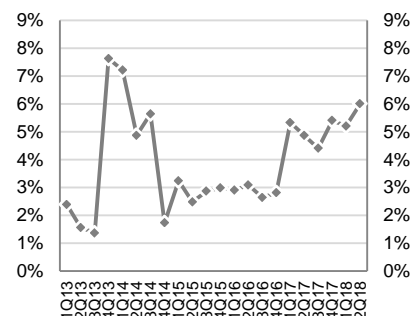
	7M18	2017	2016
GDP (% change)	5.7% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,747	10,053
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.8%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	11.6% ⁽²⁾	8.9	13.2%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 1H18

2) 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

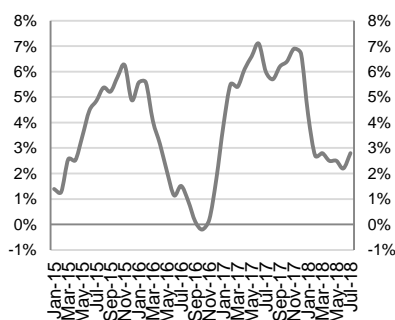
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

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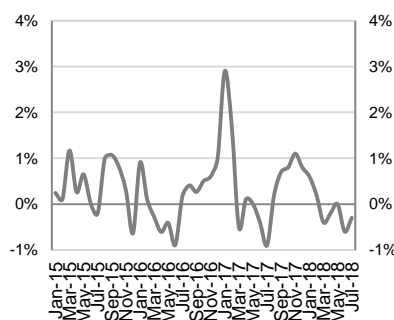
Source: Rating agencies

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)





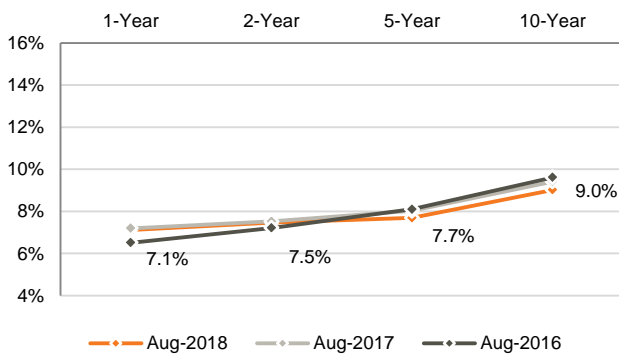
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 790mn (US\$ 322.7mn).

Ministry of Finance Treasury Bills:

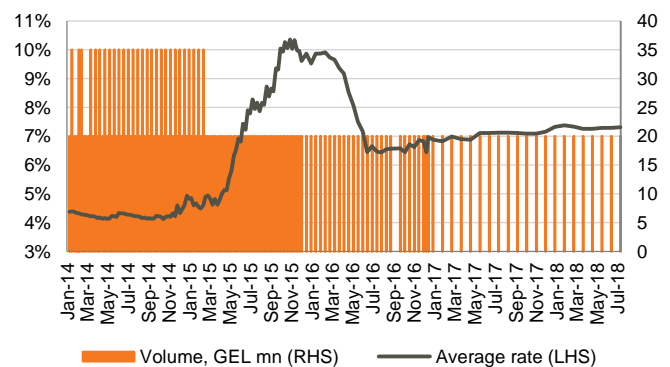
1-year GEL 40.0mn (US\$ 16.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on August 1, 2018. The weighted average yield was fixed at 7.115%.

T-bills / T-notes, yield curve



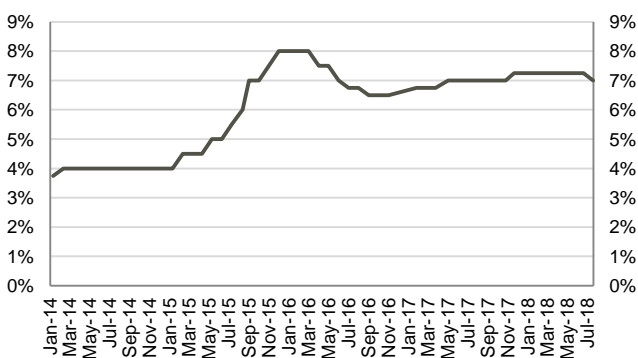
Source: NBG

Certificates of Deposits (weighted average rate)



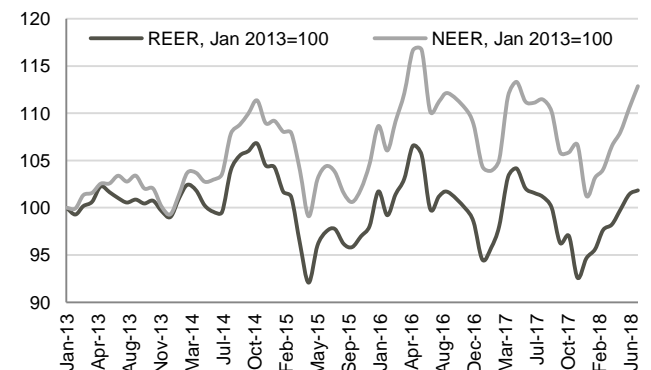
Source: NBG

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



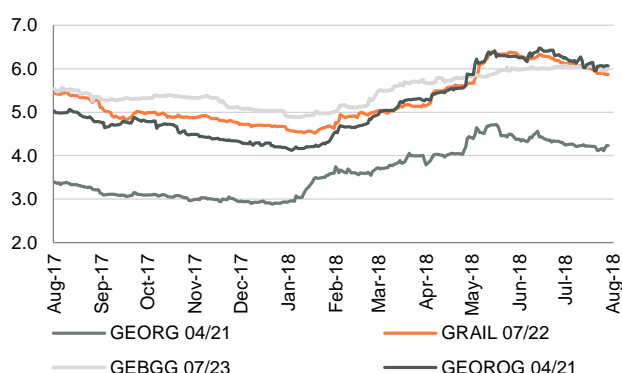
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.0% yield, trading at 100.0 (-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 94.3 (-0.1% w/w), yielding 7.4%.

GOGC Eurobonds (GEOROG) were trading at 101.7 (unchanged w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.6 (+0.2% w/w), yielding 5.9%.

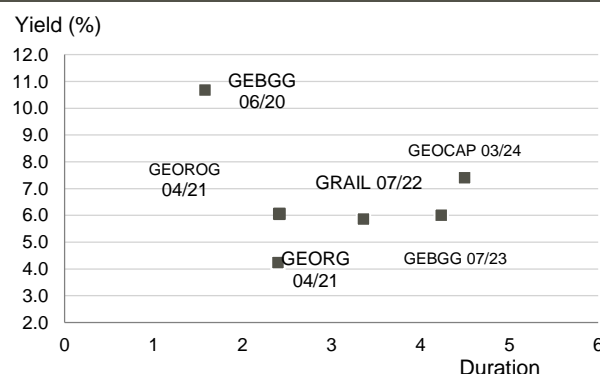
Georgian Sovereign Eurobonds (GEORG) closed at 106.6 (-0.2% w/w) at 4.2% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgia bonds performance

Georgia Eurobonds 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	106.63	4.23	132.51
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.56	5.85	291.05
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	101.69	6.06	315.55
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/B+/-	100.50	10.67	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B+/-	100.03	5.99	303.27
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	94.28	7.39	442.50

Georgia local bonds performance

GWP 12/21	30*	10.75%**	06/12/2021	BB****/-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-/-	102.30	5.50	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-/-	101.95	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-/-	n/a	n/a	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.75%**	18/08/2022	B+****/-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.75%***	28/12/2019	B/-/-	101.05	11.25	n/a

Source: Bloomberg

*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari

**Coupon rate 3.5% over the NBG's refinancing rate

***Coupon rate 4.5% over the NBG's refinancing rate

****Company ratings

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	4.2	132.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.0	4.7	177.8
Bulgaria	323	5.000%	19/07/2021	BBB-/B+/-	114.7	0.0	-33.5
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	111.6	0.8	64.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.3	3.5	57.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.8	3.7	80.9
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.6	3.4	58.1
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	98.5	6.2	333.3

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 17.55/share (-3.33% w/w and -6.10% m/m). More than 291k shares traded in the range of GBP 17.43 – 18.62/share. Average daily traded volume was 63k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.12% w/w and lost 0.14% m/m. The volume of BGEO shares traded was at 0.59% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 9.95/share (-0.51% w/w and -3.03% m/m). More than 933k shares traded in the range of GBP 9.60 – 10.08/share. Average daily traded volume was 121k in the last 4 weeks. The volume of CGEO shares traded was at 2.43% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.46 (+2.71% w/w and -0.11% m/m). More than 155k shares changed hands in the range of GBP 16.80 – 17.78/share. Average daily traded volume was 23k in the last 4 weeks. The volume of TBCG shares traded was at 0.29% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.49/share (+2.90% w/w and +2.31% m/m). More than 386k shares were traded in the range of GBP 2.49 – 2.66/share. Average daily traded volume was 32k in the last 4 weeks. The volume of GHG shares traded was at 0.29% of its capitalization.

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	17.55*	1,124	-6.1%	-23.9%	-29.4%	-27.1%	-27.3%
TBC	TBC	17.46*	1,233	-0.1%	2.1%	6.2%	-0.2%	2.8%
Halyk Bank	HSBK	11.95	3,285	0.4%	-7.0%	-6.6%	21.0%	26.5%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.55	10,018	2.5%	-15.7%	-18.2%	-15.5%	-23.4%
Vozrozhdenie	VZRZ	5.62	133	-11.0%	8.3%	-36.7%	-35.5%	-44.2%
Sberbank	SBER	13.04	70,373	-8.2%	-11.8%	-32.5%	-23.0%	9.2%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	9.949*	499	-3.0%	N/A	N/A	N/A	N/A
Creades	CREDA	30.33	249	-2.4%	-3.4%	-30.0%	-16.7%	-14.1%
CIE du Bois	COMB	451.24	760	-1.9%	-6.8%	-1.1%	4.9%	16.9%
Tinc Comm	TINC	14.15	386	0.4%	-2.0%	-9.9%	-6.3%	-2.6%
Edify	EDIFY	70.18	341	-1.2%	-7.8%	-7.0%	2.4%	10.7%

Source: Bloomberg

*CGEO share price traded and shown in GBP

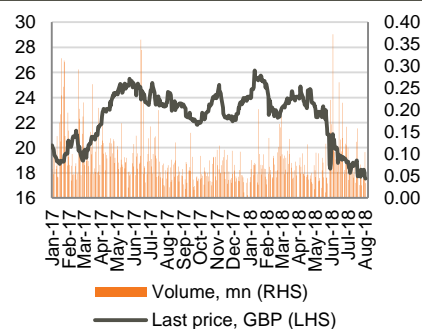
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.66*	456	2.3%	-4.1%	-20.6%	-25.1%	-28.1%
Mouwasat	MOUWASAT	24.00	2,400	-1.1%	1.0%	2.9%	18.9%	19.2%
Fortis	FORH	2.13	1,104	2.8%	-10.0%	8.0%	-15.3%	-16.9%
Raffles	RFMD	0.81	1,448	10.1%	-5.0%	-2.6%	-3.8%	-9.4%
IHH	IHH	1.45	11,941	-2.3%	-4.8%	-6.6%	0.4%	4.0%
Bangkok Chain	BCH	0.49	1,223	0.4%	-11.8%	-6.6%	-1.4%	13.2%
Netcare	NTC	2.10	3,094	1.7%	-12.2%	-2.7%	3.6%	17.1%

Source: Bloomberg

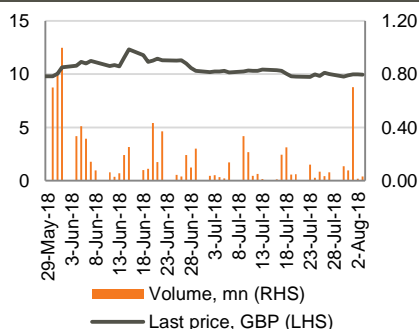
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



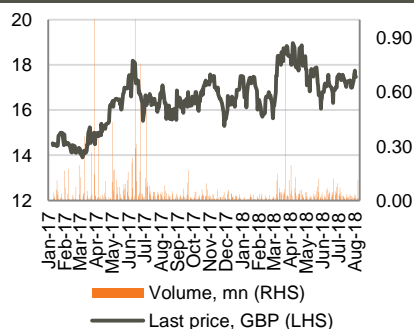
Source: Bloomberg

Georgia Capital (CGEO LN)



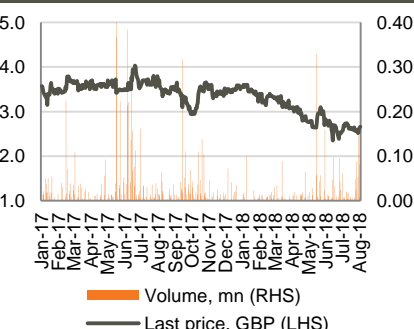
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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