

Weekly Market Watch

 Weekly Market Watch | Georgia
 January 3, 2017

Economy

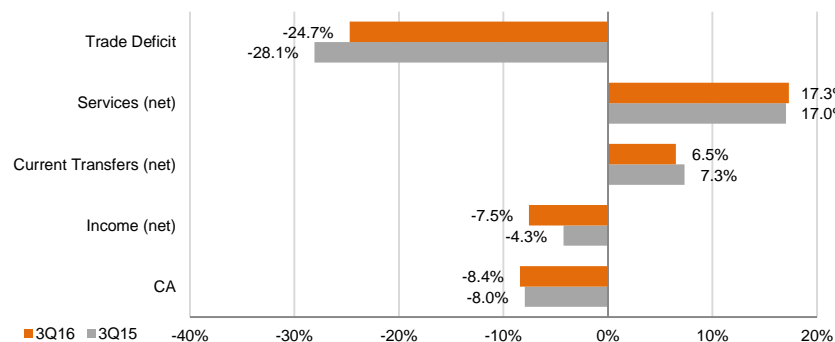
Real GDP up 2.0% y/y in November 2016

Georgia's economy expanded 2.0% y/y in October 2016, after growing 1.3% y/y in previous month, according to GeoStat's rapid estimates. As a result, output growth averaged 2.4% y/y in 11M16. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Current account deficit stood at 8.4% of GDP in 3Q16

Current account deficit widened to 8.4% of GDP in 3Q16 from 8.0% of GDP in 3Q15, increasing 11.5% y/y in nominal terms to US\$ 316.7mn, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, decreased 7.0% y/y (excluding c-hepatitis medicines) to US\$ 930.8mn, as exports fell 1.8% y/y, while imports were down 4.7% y/y; in unadjusted terms trade deficit was up 56.6% y/y. Positive balance in services was up 7.5% y/y to US\$ 652.8mn. Among services, tourism had the largest positive balance, increasing 10.1% y/y to US\$ 817.0mn (21.7% of GDP). Net current transfers, the largest positive item of the current account, were up 164.7% y/y to US\$ 1.2bn, on the back of 4.1x increase in the government sector transfers due to the international aid received for hepatitis-C elimination program (911.6mn). Net FDI, significant item for financing the current account deficit, amounted to US\$ 421.0mn (11.2% of GDP, up 2.2% y/y). The largest investment inflows were directed to transport, construction and manufacturing sectors.

Current account, as % of GDP



Source: NBG

Note: Trade deficit and current transfers provided excluding C-hepatitis medication related imports/transfers

Key macro indicators

	11M16	2015	2014
GDP (% change)	2.4%	2.9%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,767	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	1.8% ⁽³⁾	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	8.4% ⁽²⁾	11.9%	10.6%
Fiscal deficit (% of GDP)	3.7%	3.0%
Total public debt (% of GDP)	...	41.4%	35.7%

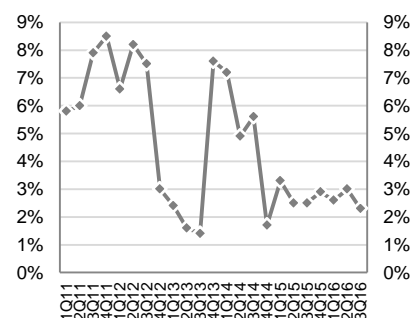
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 3Q16

(3) As of 12M16

Real GDP growth, %



Source: GeoStat

International ranking, 2016-17

Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 23 (mostly free)

Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

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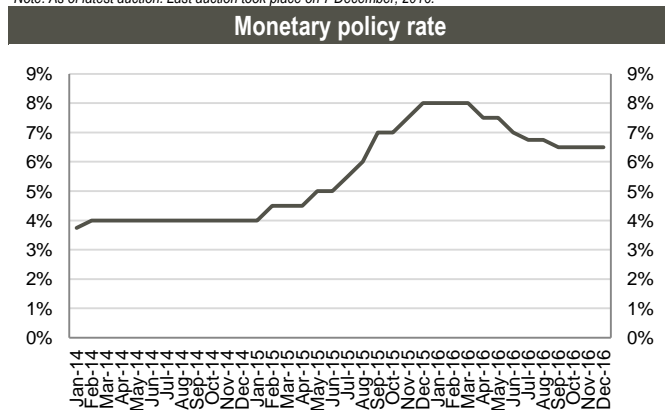
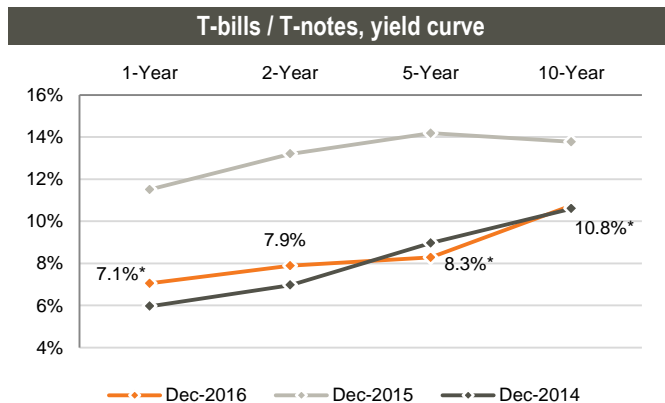
Source: Rating agencies



Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,300mn (US\$ 491.7mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 7.5mn) certificates of deposit, with an average yield of 6.88% (up by 5bps from previous issue).



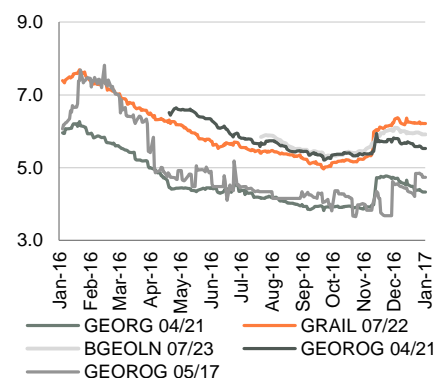


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.9% yield, trading at 100.4 (+0.1% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.8 (-0.1% w/w), yielding 4.6% and GEOROG 04/21 traded at 104.4 (+0.2% w/w), yielding 5.5%. Georgian Railway Eurobond (GRAIL) traded at a premium at 107.1 (+0.2% w/w), yielding 6.2%.

Georgian Sovereign Eurobond (GEORG) closed at 109.8 (+0.1% w/w) at 4.3% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

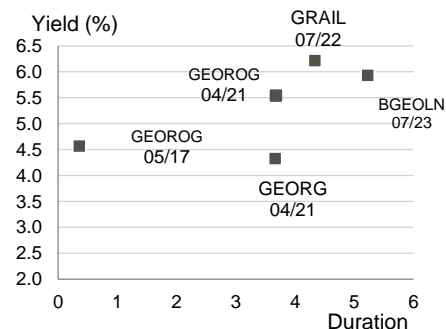
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25	5	15	10	250	53.5	350	500	500
Issue date	12/16	10/16	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	7.50	11.00	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B-	-/-	-/-	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/B+
Mid price, US\$	n/a	103.83	102.57	101.49	100.73	104.6	100.8	100.4	109.8	107.1
Mid yield, %	n/a	6.0	8.750	5.50	7.750	5.5	4.6	5.9	4.3	6.2
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	349.9	283.3	368.6	234.6	412.2

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

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

Georgian Eurobond universe



Source: Bloomberg

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	109.8	4.3	234.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	99.6	4.8	255.1
Bulgaria	323	5.000%	19/07/2021	BBB-/B-	119.9	0.6	-254.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	107.8	2.3	215.3
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.2	3.3	130.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.2	3.7	162.6
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.3	3.0	111.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	102.6	4.9	296.7

Source: Bloomberg

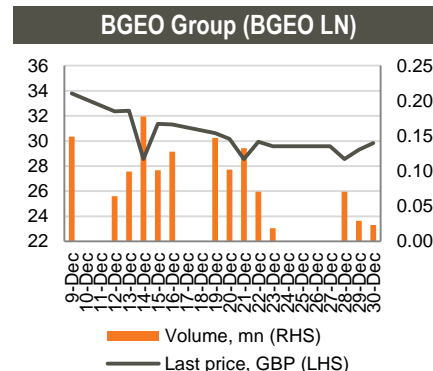
Equities

BGEO Group (BGEO LN) shares closed at GBP 29.84/share (+0.84% w/w and +0.84% m/m). More than 212k shares traded in the range of GBP 29.06 – 30.51/share. Average daily traded volume was 83k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 0.94% w/w and gained 3.03% m/m. The volume of BGEO shares traded was at 0.54% of its capitalization.

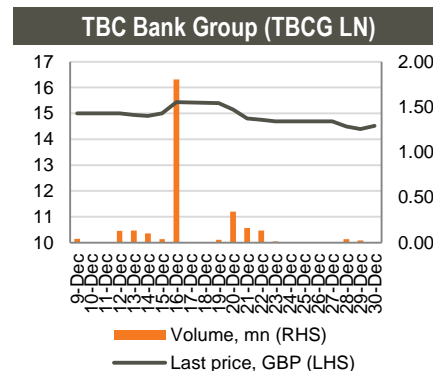
TBC Bank Group (TBCG LN) closed the week at GBP 14.52 (-1.16% w/w and +9.26% m/m). More than 206k shares changed hands in the range of GBP 14.19 – 14.98/share. Averaged daily traded volume was 210k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.57/share (+0.74% w/w and -2.86% m/m). More than 26k shares were traded in the range of GBP 3.50 – 3.65/share. Average daily traded volume was 13k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.

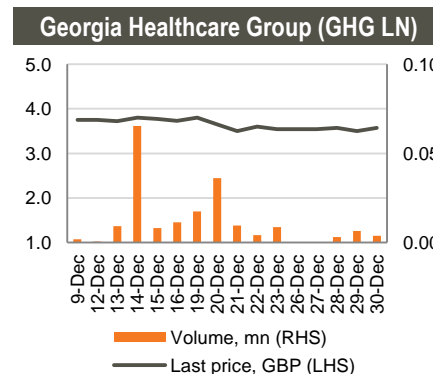
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 1,176.94 (unchanged w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	36.57	1,444	-7.0%	-4.6%	8.3%	30.3%	35.8%
TBC*	TBC	17.42	909	-1.9%	39.4%	37.2%	72.5%	69.2%
Halyk Bank	HSBK	5.99	1,647	8.7%	-3.4%	27.3%	21.0%	18.6%
KKB	KKB	1.45	576	6.3%	8.2%	-9.1%	18.0%	18.0%
VTB Bank	VTBR	2.37	15,339	12.2%	5.6%	15.4%	12.2%	14.8%
Vozrozhdenie Bank	VZRZ	12.23	290	9.8%	6.2%	21.3%	48.2%	50.2%
Sberbank	SBER	11.73	63,304	14.2%	20.9%	31.9%	99.5%	107.4%

Source: Bloomberg

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

Note: 6M, YTD, and 1Y changes in TBC share prices calculated using GDR prices on those dates.

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.41	581	-5.8%	11.3%	14.4%	93.0%	93.5%
Mouwasat	MOUWASAT	39.45	1,973	6.7%	28.7%	14.9%	21.6%	15.7%
Fortis	FORH	2.70	1,298	6.0%	2.9%	12.6%	-0.9%	0.1%
Raffles	RFMD	0.99	1,731	-4.6%	-12.2%	-14.4%	1.2%	3.8%
IHH	IHH	1.42	11,686	-0.8%	-7.4%	-14.1%	-7.1%	-4.0%
Bangkok Chain	BCH	0.41	1,029	-1.4%	16.3%	16.7%	64.5%	65.9%
Netcare	NTC	2.34	3,419	6.4%	-5.0%	9.8%	6.8%	10.8%

Source: Bloomberg

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

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