

Weekly Market Watch

 Weekly Market Watch | Georgia
 November 7, 2016

Economy

Real GDP up 1.5% y/y in September 2016

Georgia's economy expanded 1.5% y/y in September 2016, after growing 2.9% y/y in the previous month, according to GeoStat's rapid estimates. As a result, output growth averaged 2.6% y/y in 9M16. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Tourist arrivals up 20.9% y/y in October 2016

Total international arrivals to Georgia increased 4.5% y/y to 0.5mn visitors in October 2016, according to the Ministry of Internal Affairs. Arrival growth was solely driven by surge in tourist arrivals increasing 20.9% y/y to 0.2mn persons (40.9% of total) in October 2016 after growing 34.2% y/y in previous month. Out of top countries by arrivals, in October 2016 visitors continued to increase from Azerbaijan (+10.1% y/y), Russia (+13.0% y/y), Ukraine (+15.8% y/y), and Iran (+344.3%), while arrivals were down from Armenia (-2.1% y/y) and Turkey (-16.6% y/y). Arrivals from EU were up 20.8% y/y. In 10M16, the number of total international arrivals was up 8.1% y/y to 5.4mn persons, while the number of tourists increased 19.7% y/y to 2.4mn persons.

Inflation rate at -0.2% y/y and 0.5% m/m in October 2016

The annual inflation fell below zero at -0.2% in October 2016 after 0.1% inflation in previous month, according to GeoStat. Core inflation also retreated to 0.9% in October from 1.5% in previous month. Overall price changes were driven by price decreases in transport (-6.7% y/y, -0.79ppts) and furnishings, household equipment and maintenance (-3.9% y/y, -0.25ppts) categories. Meanwhile, prices were up for alcoholic beverages and tobacco (+10.9% y/y +0.67ppts).

On a monthly basis, inflation rate was 0.5% in October 2016. Price increases in food and non-alcoholic beverages (+0.7% m/m, +0.22ppts), health (+2.0% m/m, +0.20ppts), and clothing and footwear (+3.0% m/m, +0.08ppts) were the major drivers of monthly inflation dynamics.

Tax revenues up 8.5% y/y in October 2016

Consolidated budget tax revenues were up 8.5% y/y to GEL 669.1mn in October 2016. In 10M16, consolidated budget tax revenues stood at GEL 7.1bn (+9.5% y/y) and accounted for 82.3% of annual tax revenue plan.

Key macro indicators

	9M16	2015	2014
GDP (% change)	2.6%	2.8%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,759	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	-0.2% ⁽³⁾	4.9%	2.0%
Gross reserves (US\$ bn)	2.9	2.5	2.7
CAD (% of GDP)	13.4% ⁽²⁾	11.8%	10.6%
Fiscal deficit (% of GDP)	...	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

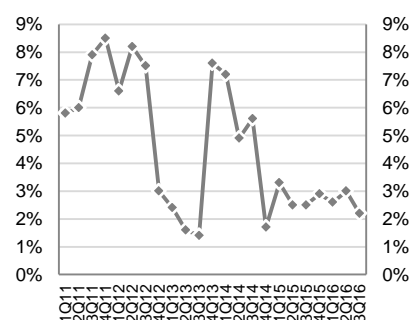
Source: Official data, IMF

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

(2) As of 2Q16

(3) As of 10M16

Real GDP growth, %



Source: GeoStat

Note: 3Q16 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 23 (mostly free)

Global Competitiveness Index # 59 (improving trend)

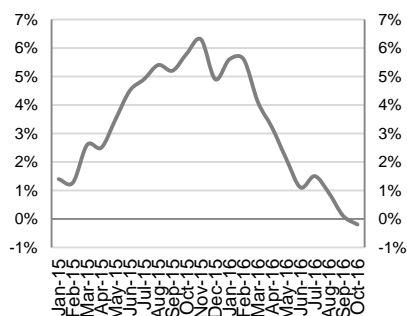
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

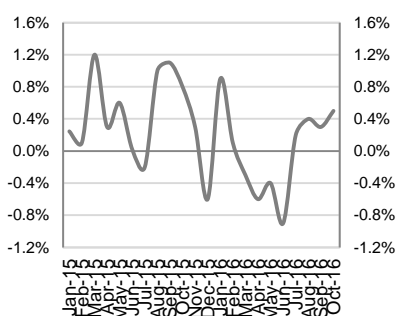
STANDARD & POORS BB- Stable Affirmed May-2016	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Sep-2016
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Source: Rating agencies

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change, m/m)



Source: GeoStat

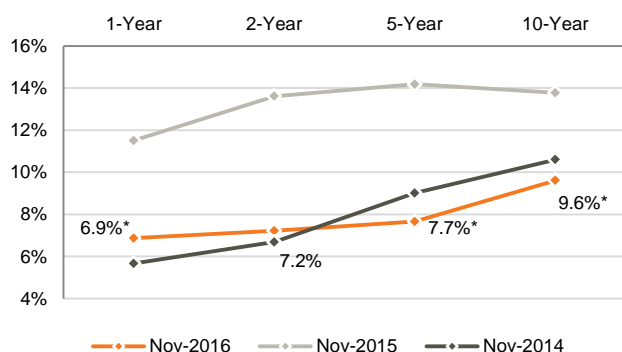
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,250mn (US\$ 516.6mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 6.62% (up by 17bps from previous issue).

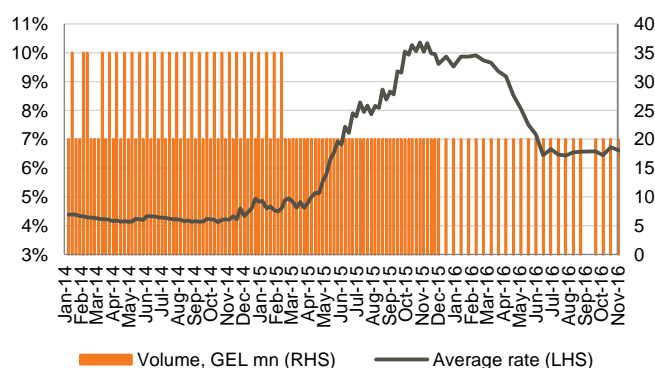
Ministry of Finance Treasury Notes: 2-year GEL 45mn (US\$ 18.7mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on November 2, 2016. The weighted average yield was fixed at 7.216%. The nearest treasury securities auction is scheduled for November 9, 2016, where GEL 50mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



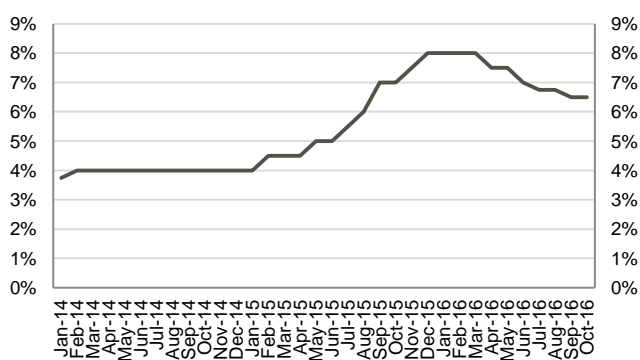
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



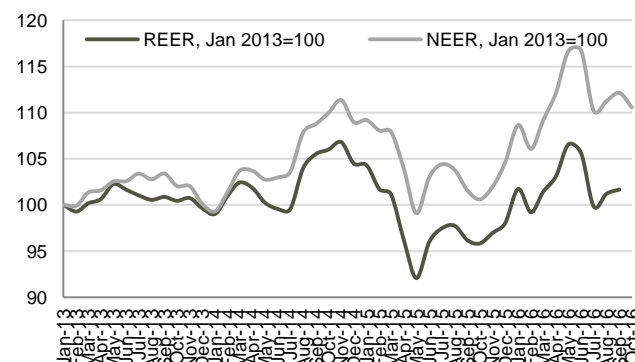
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 14 December 2016

Nominal Effective Exchange Rate and Real Effective Exchange Rate



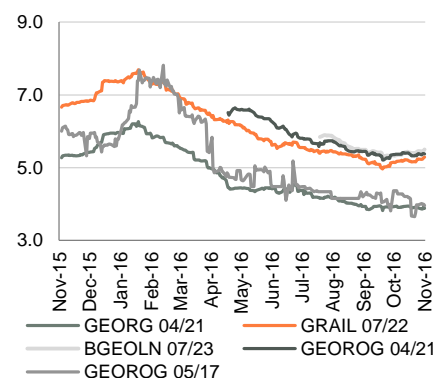
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.5% yield, trading at 102.6 (-0.5% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 101.6 (-0.1% w/w), yielding 3.7% and GEOROG 04/21 traded at 105.3 (-0.1% w/w), yielding 5.4%. Georgian Railway Eurobond (GRAIL) traded at a premium at 111.8 (-0.4% w/w), yielding 5.3%.

Georgian Sovereign Eurobond (GEORG) closed at 111.8 (-0.2% w/w) at 3.9% yield to maturity.

Georgia Eurobonds, YTM (%)



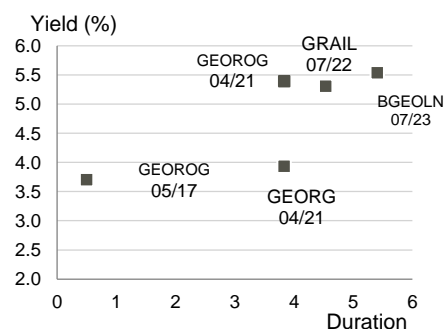
	Local bonds					Eurobonds				
	M2RE 10/19	Nikora 03/18	GWP 12/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	25	5	6*	15	10	250	53.5	350	500	500
Issue date	10/16	03/16	12/15	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	10/19	03/18	12/17	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	7.50	11.00	14.00**	9.50	8.75	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\$	101.3	102.9	100.0*	101.6	101.3	105.3	101.6	102.6	111.8	111.8
Mid yield, %	7.00	8.750	14.0	6.50	7.25	5.4	3.7	5.5	3.9	5.3
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	406.5	183.6	404.6	263.0	391.7

Source: Bloomberg

*GWP 12/17 bonds are in Georgian lari

**Floating rate with 7.5% 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	111.8	3.9	263.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	102.9	4.3	278.6
Bulgaria	323	5.000%	19/07/2021	BBB-/	121.1	0.5	-248.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.0	2.3	221.9
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.7	2.6	131.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.8	2.9	154.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.5	3.0	177.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	105.1	4.3	304.0

Source: Bloomberg

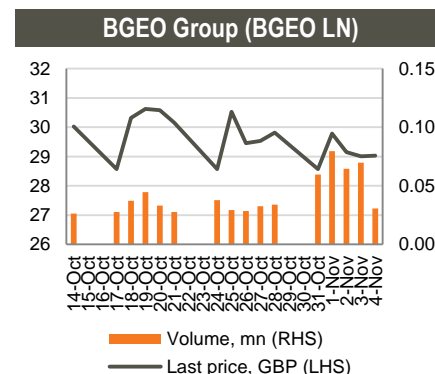
Equities

BGEO Group (BGEO LN) shares closed at GBP 29.03/share (-2.65% w/w and -4.38% m/m). More than 304k shares traded in the range of GBP 28.79 – 29.94/share. Average daily traded volume was 43k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 2.09% w/w and lost 5.81% m/m. The volume of BGEO shares traded was at 0.77% of its capitalization.

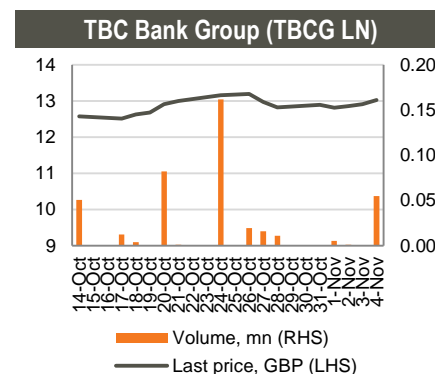
TBC Bank Group (TBCG LN) closed the week at GBP 13.03 (+1.29% w/w and +3.37% m/m). More than 61k shares changed hands in the range of GBP 12.71 – 13.25/share. Averaged daily traded volume was 27k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.50/share (-2.78% w/w and +11.11% m/m). More than 43k shares were traded in the range of GBP 3.45 – 3.55/share. Average daily traded volume was 24k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

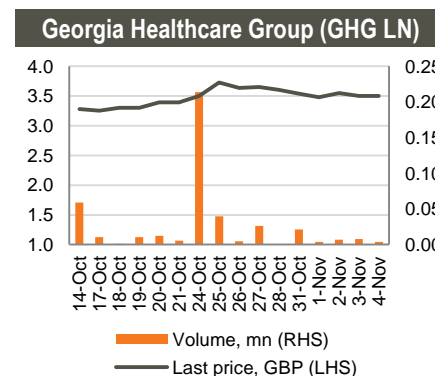
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.016 (unchanged w/w) and Teliani Valley shares were traded at GEL 0.13 (unchanged w/w). As a result, the G&T Index remained at 908.54 (unchanged w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

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	36.35	1,436	-6.0%	-1.4%	11.3%	29.6%	19.4%
TBC*	TBC	16.31	851	1.6%	25.4%	55.3%	61.5%	97.2%
Halyk Bank	HSBK	6.36	1,748	2.4%	32.5%	80.9%	28.5%	2.6%
KKB	KKB	1.33	530	-0.7%	-16.4%	-33.5%	8.6%	-54.0%
VTB Bank	VTBR	2.05	13,310	-8.9%	1.6%	-0.8%	-2.6%	-13.0%
Vozrozhdenie Bank	VZRZ	11.11	264	-3.2%	13.2%	45.0%	34.6%	14.5%
Sberbank	SBER	8.98	48,447	-7.9%	4.4%	17.7%	52.7%	31.4%

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	4.38	577	9.2%	12.3%	57.1%	91.9%	N/A
Mouwasat	MOUWASAT	35.03	1,751	14.5%	-6.8%	3.6%	7.9%	11.3%
Fortis	FORH	2.53	1,171	-3.6%	-9.9%	-2.6%	-7.0%	3.3%
Raffles	RFMD	1.08	1,882	-3.5%	-5.8%	-5.0%	10.1%	4.9%
IHH	IHH	1.52	12,480	-2.4%	-5.8%	-7.0%	-0.8%	-1.1%
Bangkok Chain	BCH	0.38	941	5.9%	3.7%	31.3%	50.4%	97.4%
Netcare	NTC	2.50	3,660	1.2%	7.0%	8.2%	14.3%	-10.3%

Source: Bloomberg

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

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