

Weekly Market Watch

 Weekly Market Watch | Georgia
 September 19, 2016

Economy

Money transfers up 25.3% y/y in August 2016

In August 2016, money transfers increased 25.3% y/y to US\$ 105.8mn after growing 10.4% y/y in previous month, according to NBG. From major remitting countries, money transfers were down only from Russia (-1.6% y/y, 34.9% of total), however strong growth of remittances from other countries was more than sufficient to compensate this decrease: USA (+36.6% y/y), Italy (+18.2% y/y), Greece (up 8X y/y due to last year's low base), Turkey (+32.9% y/y), and Israel (+97.0% y/y). Overall, money transfers were up 2.4% y/y to US\$ 731.8mn in 8M16.

Trade deficit down 0.7% y/y in 8M16, excluding one-offs

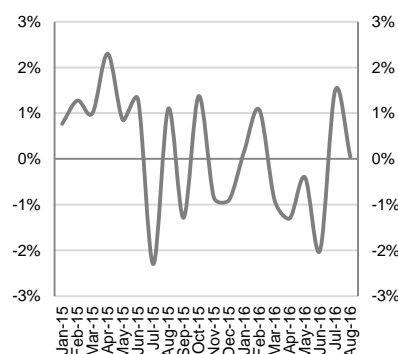
In August 2016, imports increased 9.5% y/y to US\$ 684mn, exports were flat at US\$ 190mn, and the trade deficit widened 13.7% y/y to US\$ 493mn, according to GeoStat's preliminary figures. In 8M16, the trade deficit was down 0.7% y/y to US\$ 3.24bn, excluding one-offs. Detailed foreign trade statistics will be available on September 19, 2016.

Producer price index down 3.4% y/y and up 0.04% m/m in August 2016

PPI for industrial goods increased 0.04% m/m in August 2016, according to GeoStat. A 0.2% price increase for manufacturing contributed the most to the overall index change. In this section prices were up for manufacture of food products, beverages and tobacco (+1.9% m/m), while prices were down for manufacture of basic and fabricated metals (-5.0% m/m). Prices were also down for mining and quarrying (-3.1% m/m).

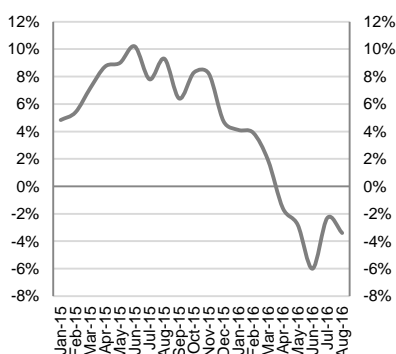
Annual PPI was down 3.4% in August 2016. Falling prices in manufacturing contributed the most to the overall index change (-5.7% y/y, -4.72ppts) as prices were down for manufacture of basic and fabricated metals (-15.3% y/y), and manufacture of chemical products (-18.8% y/y). Meanwhile, supply of electricity, gas and water prices were up 12.0% y/y.

PPI (% change, m/m)



Source: GeoStat

PPI (% change, y/y)



Key macro indicators

	7M16	2015	2014
GDP (% change)	2.7%	2.8%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,759	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%

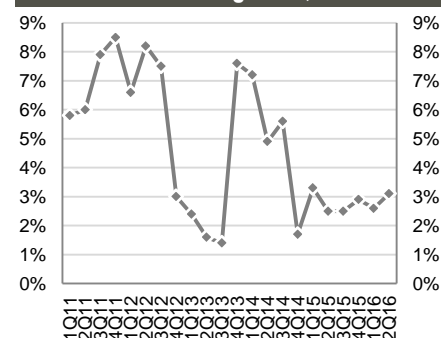
Source: Official data, IMF

*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



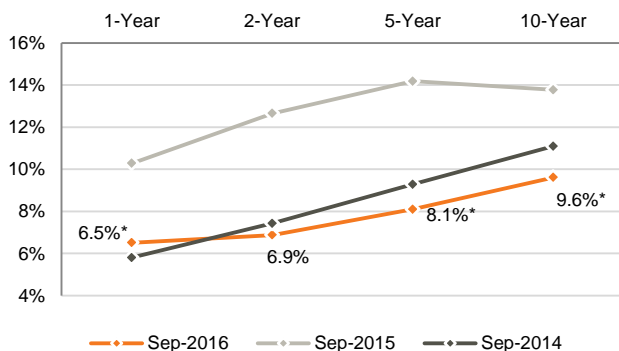
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 800mn (US\$ 346.2mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.7mn) certificates of deposit, with an average yield of 6.45% (down 10bps from previous issue).

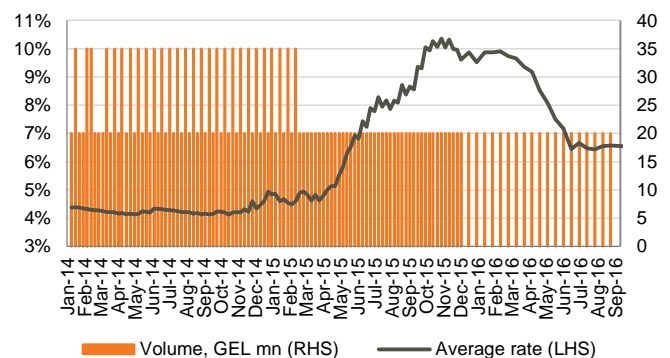
Ministry of Finance Treasury Notes: 2-year GEL 10mn (US\$ 4.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on September 7, 2016. The weighted average yield was fixed at 6.871%. The nearest treasury securities auction is scheduled for September 21, 2016, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



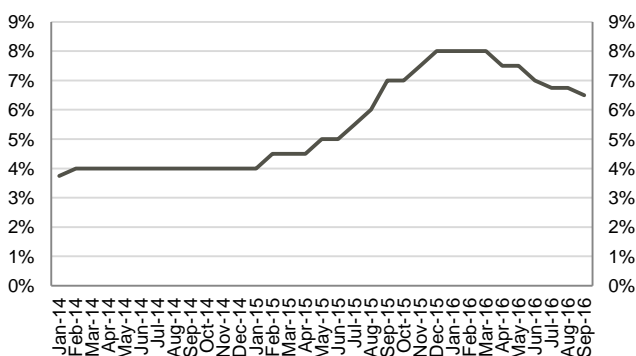
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



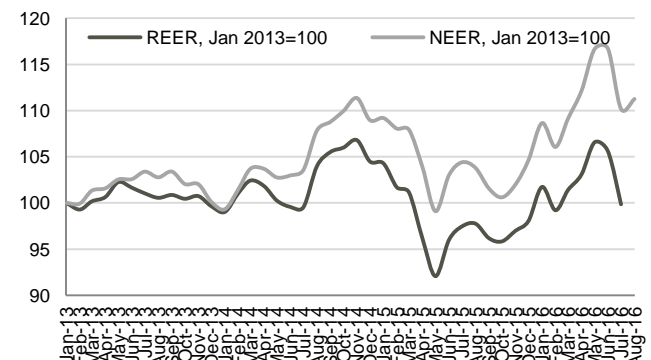
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 26 October 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

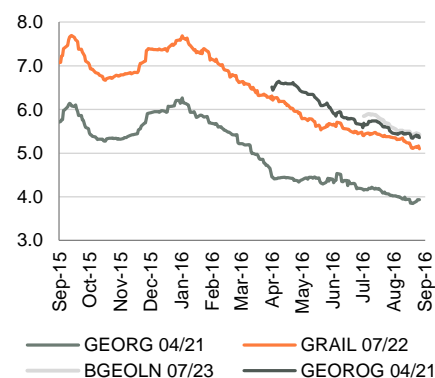


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (BGEOLN) closed at 5.4% yield, trading at 103.4 (+0.1% w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 101.9 (unchanged w/w), yielding 3.9% and (GEOROG 04/21) were trading at 105.6 (-0.1% w/w), yielding 5.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 113.4 (+0.3% w/w), yielding 5.1%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.2 (-0.3% w/w) at 3.9% yield to maturity.

Georgia Eurobonds, YTM (%)



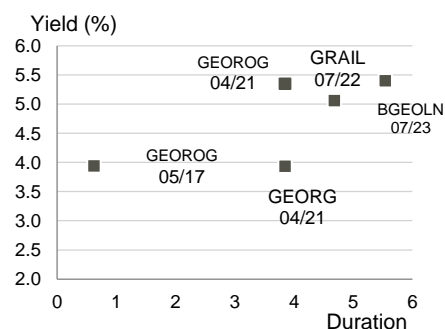
	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	350	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2016	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2023	Apr-2021	Jul-2022
Coupon, %	11.00	14.00**	9.50	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\$	102.73	100.0*	101.9	102.45	101.94	105.6	101.9	103.4	112.2	113.4
Mid yield, %	9.0	15.0	5.75	5.75	6.75	5.4	3.9	5.4	3.9	5.1
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	406.9	302.8	407.4	266.9	372.7

Source: Bloomberg

*GWP 11/17 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	112.2	3.9	266.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	102.3	4.4	297.4
Bulgaria	323	5.000%	19/07/2021	BBB-/	121.1	0.6	-236.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	107.7	2.4	243.6
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.1	2.8	160.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.5	2.6	138.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.7	2.7	156.2
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.2	3.9	265.2

Source: Bloomberg

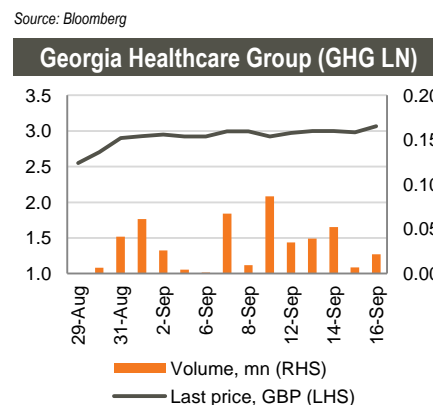
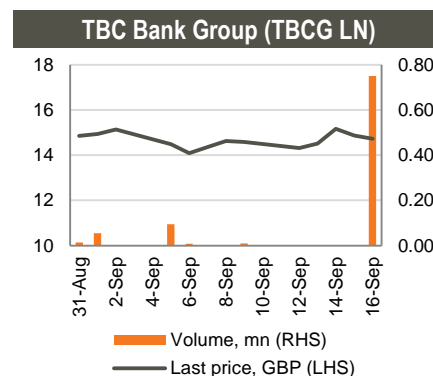
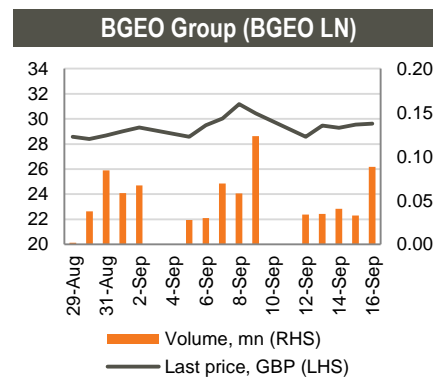
Equities

BGEO Group (BGEO LN) shares closed at GBP 29.62/share (-2.69% w/w and +0.03% m/m). More than 230k shares traded in the range of GBP 28.55 – 30.48/share. Average daily traded volume was 51k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 0.53% w/w and lost 0.72% m/m. The volume of BGEO shares traded was at 0.58% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 11.25 (+2.27% w/w and -3.43% m/m). More than 752k shares changed hands in the range of GBP 10.75 – 11.50/share.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.07/share (+4.96% w/w and -0.24% m/m). More than 154k shares were traded in the range of GBP 2.93 – 3.07/share. Average daily traded volume was 29k 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 (unchanged w/w). As a result, the G&T Index remained at 841.5 (unchanged 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	38.76	1,531	6.6%	13.6%	45.5%	19.8%	33.7%
TBC	TBC	14.72	724	-2.0%	N/A	N/A	N/A	N/A
Halyk Bank	HSBK	5.90	1,622	2.3%	31.1%	46.4%	-30.6%	-8.0%
KKB	KKB	1.59	634	0.0%	0.0%	59.0%	-58.2%	-41.5%
VTB Bank	VTBR	2.23	14,432	10.3%	9.8%	6.8%	-3.2%	8.6%
Vozrozhdenie Bank	VZRZ	10.59	251	4.8%	7.7%	42.4%	43.6%	16.1%
Sberbank	SBER	9.41	50,756	5.7%	17.8%	46.2%	132.2%	86.1%

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	4.01	529	-3.0%	3.0%	82.3%	N/A	N/A
Mouwasat	MOUWASAT	33.68	1,684	-7.1%	-0.7%	8.9%	2.4%	1.5%
Fortis	FORH	2.61	1,208	-8.5%	8.8%	-0.8%	48.4%	6.9%
Raffles	RFMD	1.13	1,966	0.2%	-2.6%	6.3%	15.0%	4.6%
IHH	IHH	1.60	13,137	-4.7%	2.4%	2.0%	15.9%	17.7%
Bangkok Chain	BCH	0.34	842	-2.6%	-3.1%	10.7%	40.5%	73.0%
Netcare	NTC	2.24	3,275	-8.9%	9.4%	5.6%	-31.8%	-23.1%

Source: Bloomberg

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

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