

Weekly Market Watch

 Weekly Market Watch | Georgia
 Oct 2, 2017

Economy

Real GDP grew 4.3% y/y in August 2017

Georgia's economy expanded 4.3% y/y in August 2017, after growing 3.8% y/y in previous month, according to GeoStat's rapid estimates. Overall, in 8M17 GDP growth was 4.7% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

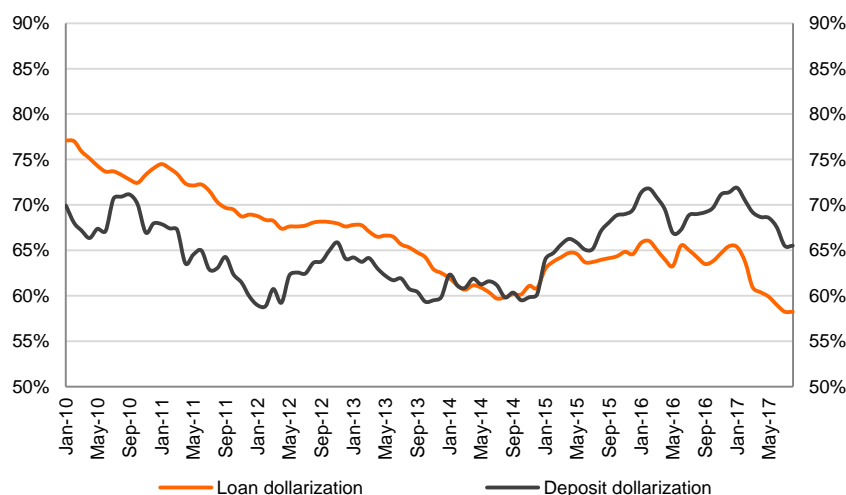
Current account deficit stood at 7.4% of GDP in 2Q17

Current account deficit narrowed to 7.4% of GDP in 2Q17 from 12.3% in 2Q16, decreasing 39.4% y/y in nominal terms to US\$ 276.2mn, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, decreased 12.7% y/y to US\$ 858.3mn, as exports increased 25.4% y/y, while imports were up 3.4% y/y. Positive balance in services, the largest positive item of the current account, was up 38.7% y/y to US\$ 507.3mn. Among services, tourism had the largest positive balance and tourism revenues increased 27.8% y/y to US\$ 658.7mn (17.6% of GDP). Net current transfers, the second largest positive item of the current account, were up 4.4% y/y to US\$ 316.9mn. Net FDI, significant item for the financing of the current account deficit, amounted to US\$ 289.3mn (7.7% of GDP, down -13.4% y/y). The largest investment inflows were directed to transport and construction sectors.

NPLs at 3.3% in August 2017

In August 2017, the banking sector loan portfolio increased 13.6% y/y after growing 13.1% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 19.8% y/y and 0.9% m/m to GEL 19.7bn (US\$ 8.1bn). Deposits were up 18.2% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 22.2% y/y and up 5.0% m/m to GEL 17.8bn (US\$ 7.3bn). Deposit dollarization reached 65.5% (-3.5ppts y/y and flat m/m). NPLs stood at 3.3% in August 2017 (-0.7% y/y and -0.1% m/m).

Loan and deposit dollarization



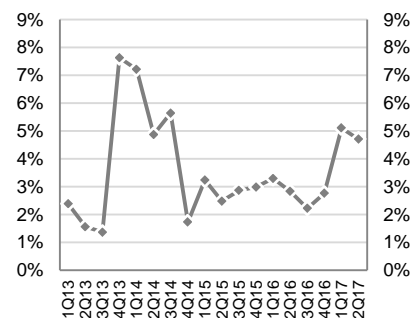
Source: NBG

Key macro indicators

	8M17	2016	2015
GDP (% change)	4.7%	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)	5.7%	1.8%	4.9%
Gross reserves (US\$ bn)	2.9	2.8	2.5
CAD (% of GDP)	...	13.5%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

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

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



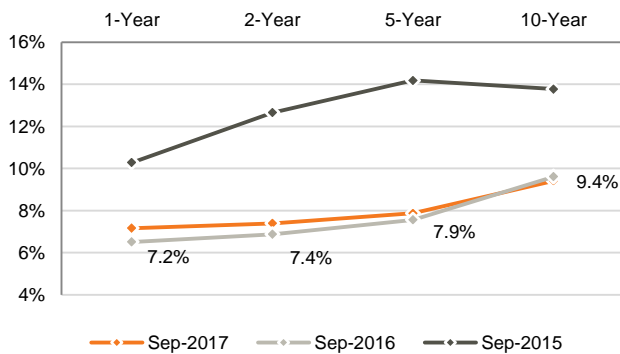
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,000mn (US\$ 412.0mn).

Ministry of Finance Treasury Notes:

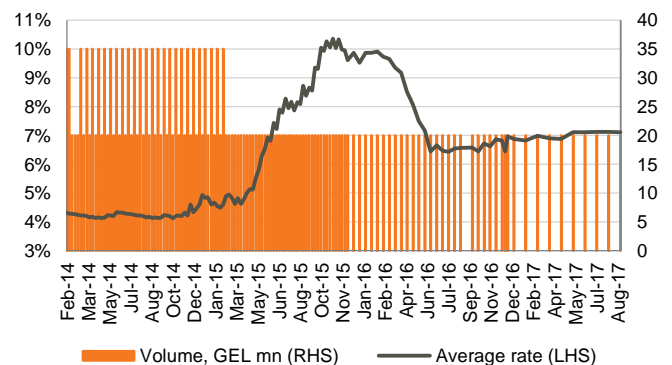
5-year GEL 20.0mn (US\$ 8.1mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on September 27, 2017. The weighted average yield was fixed at 7.871%. The nearest treasury security auction is scheduled for October 4, 2017, where GEL 30.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



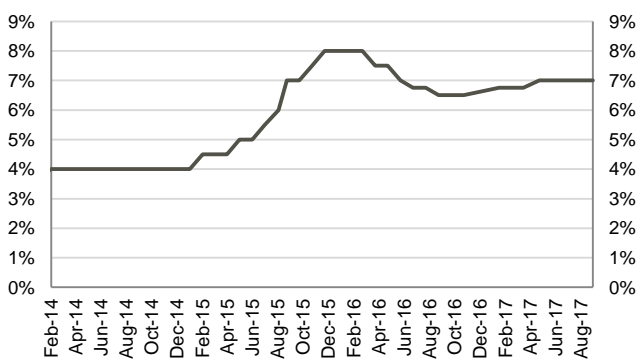
Source: NBG

Certificates of Deposits (weighted average rate)



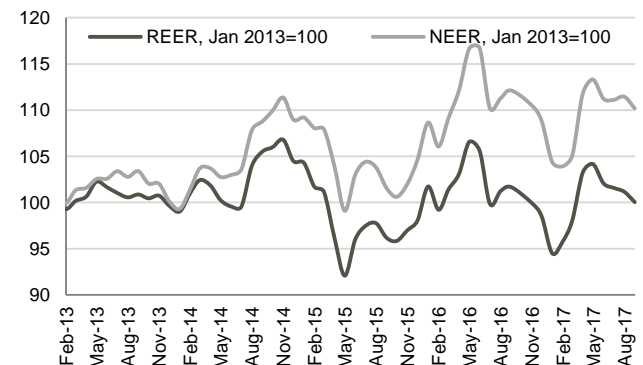
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

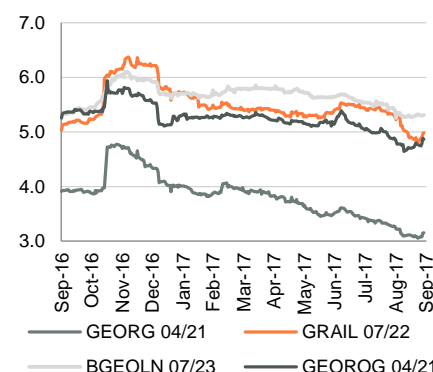
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.4 (+0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (unchanged w/w), yielding 11.0%. GOGC Eurobonds (GEOROG) were trading at 106.1 (-0.9% w/w), yielding 4.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.5 (-0.9% w/w), yielding 5.0%.

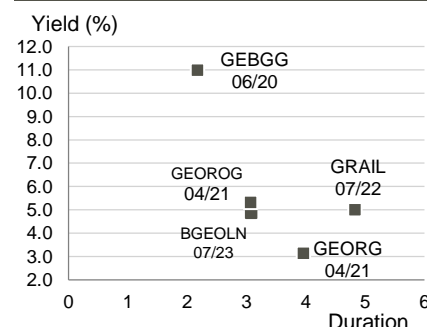
Georgian Sovereign Eurobonds (GEORG) closed at 112.4 (-0.3% w/w) at 3.1% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	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	08/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B-	-/-	-/-	-/-	BB-/Ba2	BB-/B+	BB-/B1	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	101.4	101.2	100.0	100.0	106.1	103.4	112.4	111.5
Mid yield, %	n/a	6.75%	8.5%	9.0%	11.0	4.9	5.3	3.1	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	299.6	125.7	304.5	328.1

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

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	112.4	3.1	125.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.9	4.2	215.7
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.6	0.1	-30.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	112.8	1.0	85.9
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.8	2.5	64.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.8	2.8	91.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.1	2.5	74.6
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	106.5	3.6	176.1

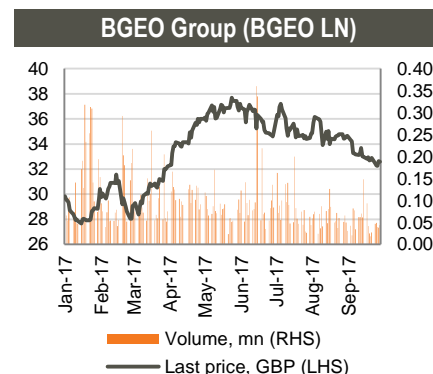
Source: Bloomberg

Equities

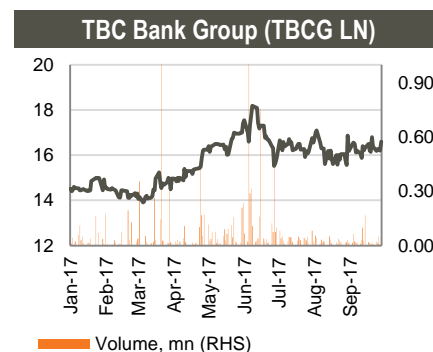
BGEO Group (BGEO LN) shares closed at GBP 32.60/share (-0.91% w/w and -5.29% m/m). More than 216k shares traded in the range of GBP 32.02 – 32.97/share. Average daily traded volume was 54k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.77% w/w and gained 1.71% m/m. The volume of BGEO shares traded was at 0.55% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.60 (+1.28% w/w and +5.13% m/m). More than 126k shares changed hands in the range of GBP 16.00 – 16.98/share. Averaged daily traded volume was 33k in the last 4 weeks.

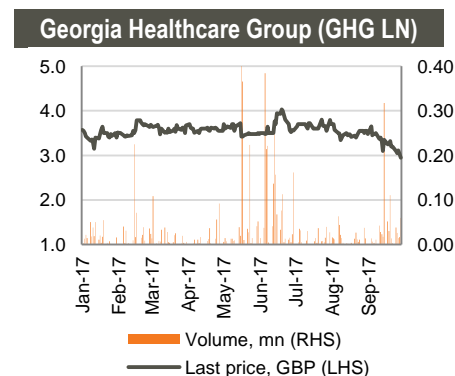
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.95/share (-7.81% w/w and -15.81% m/m). More than 155k shares were traded in the range of GBP 2.95 – 3.20/share. Average daily traded volume was 41k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.



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	43.36	1,708	-7.2%	-7.4%	3.9%	8.2%	11.7%
TBC*	TBC	21.85	1,157	1.4%	-0.8%	9.9%	12.1%	37.5%
Halyk Bank	HSBK	9.55	2,625	-8.2%	6.1%	32.6%	59.4%	49.2%
KKB	KKB	0.68	271	0.0%	4.6%	-44.3%	-52.9%	-57.2%
VTB Bank	VTBR	2.18	14,133	7.9%	4.1%	-1.6%	-8.6%	-5.1%
Vozrozhdenie Bank	VZRZ	9.76	232	-0.9%	-22.4%	-25.2%	-20.3%	-10.7%
Sberbank	SBER	14.55	78,523	10.6%	42.6%	25.6%	25.7%	51.5%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are 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	4.10	539	-14.0%	-17.6%	-14.7%	-14.6%	-3.2%
Mouwasat	MOUWASAT	42.21	2,111	-1.4%	0.1%	13.3%	7.1%	29.2%
Fortis	FORH	2.25	1,168	-5.0%	-15.8%	-17.7%	-15.4%	-13.5%
Raffles	RFMD	0.84	1,482	-0.9%	-12.1%	-17.0%	-15.3%	-25.4%
IHH	IHH	1.39	11,440	0.4%	-0.4%	2.1%	-1.9%	-10.9%
Bangkok Chain	BCH	0.45	1,133	4.2%	11.8%	21.1%	10.1%	33.2%
Netcare	NTC	1.71	2,507	-10.5%	-14.2%	-28.0%	-26.1%	-26.9%

Source: Bloomberg

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

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