

Weekly Market Watch

 Weekly Market Watch | Georgia
 December 7, 2015

Economy

Real GDP grew 3.0% y/y in October 2015 and 2.8% y/y in 10M15

Georgia's real GDP grew 3.0% y/y in October 2015 (real growth was 3.5% y/y in October 2014), according to GeoStat's rapid estimates. As a result, output growth averaged 2.8% y/y in 10M15. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Business sector supported strong job creation in 3Q15

In 3Q15, production of goods and services by the business sector grew 10.6% y/y to GEL 7.1bn, with industry, trade, construction, and transport and communications sectors accounting for 80.7% of total production, according to GeoStat. Number of employed persons increased 9.3% y/y (+48.4 thousand persons) in 3Q15, with strong job creation in trade (+20.7% y/y), construction (+6.8% y/y), transport and communications (+8.3% y/y), real estate (+10.1% y/y), and hotels and restaurants (+20.5% y/y) sectors contributing most to employment growth.

Inflation at 6.3% y/y and 0.3% m/m in November 2015

Annual CPI inflation rate was recorded at 6.3% in November 2015, up from a 5.8% increase in previous month, according to GeoStat. Overall price changes were driven by price increases in food and non-alcoholic beverages (+5.2% y/y, +1.58ppts), health (+11.5% y/y, +1.09ppts), furnishings and household equipment (+12.9% y/y, +0.81ppts), and housing, water, electricity, gas and other fuels (+9.2% y/y, +0.78ppts). Meanwhile, prices in transport category decreased (-1.6% y/y, -0.19ppts).

Monthly inflation rate was recorded at 0.3% in November 2015. Price increases in food and non-alcoholic beverages (+0.9% m/m, +0.28ppts), housing, water, electricity, gas and other fuels (+1.0% m/m, +0.09ppts), and a price drop in transport category (-1.4% m/m, -0.16ppts) were the major drivers of the monthly inflation dynamics.

International arrivals up 8.4% y/y in November 2015 and up 6.9% y/y in 11M15

Tourist arrivals posted another growth of 8.4% y/y to 0.44mn persons in October 2015, according to the Ministry of Internal Affairs. Increased arrivals from Azerbaijan (+21.9% y/y, 26.4% of total), Turkey (+2.2% y/y, 24.1% of total), and Russia (+7.1% y/y, 12.7% of total) were the major contributors to growth. In 11M15, total arrivals increased 6.9% y/y to 5.43mn persons.

Tax revenues up 10.8% y/y in 11M15

Consolidated budget tax revenues increased 10.2% y/y to GEL 647.6mn in November 2015 and 10.8% y/y to GEL 7.2bn in 11M15, according to the Treasury Service. In 11M15, personal income tax revenues grew 15.3% y/y (27.5% of total), VAT receipts +6.7% y/y (44.6% of total), profit tax receipts +28.5% y/y (12.4% of total), excise tax +6.7% y/y (10.9% of total), and property tax +6.0% y/y (3.5% of total). Receipts from custom duties decreased, but it has a minor share in total tax revenues.

Key macro indicators

	10M15	2014	2013
GDP (% change)	2.8%	4.6%	3.3%
GDP per capita (ppp)*	...	9,209	8,526
GDP per capita (US\$)	...	3,676	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	6.3%***	2.0%	2.4%
Gross reserves (US\$ bn)	2.4	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

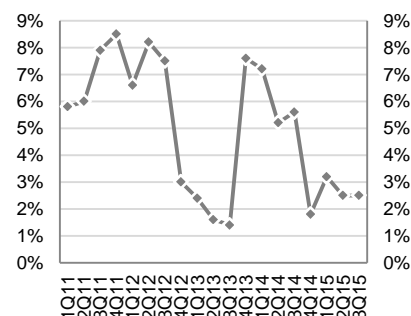
Source: Official data

*Source: IMF

**Preliminary results of census, previous data is subject to recalculation

***As of 11M15

Real GDP growth, %



Source: GeoStat

Note: 3Q15 figure based on rapid estimates

International ranking of Georgia, 2015-16

Ease of Doing Business # 24 (regional leader)
 Economic Freedom Index # 22 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

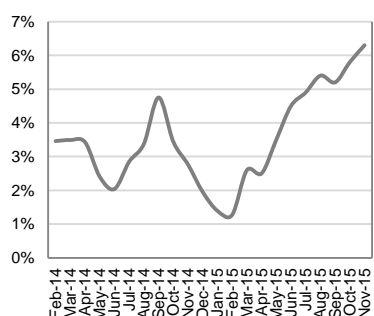
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

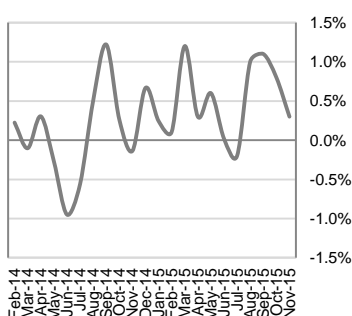
STANDARD & POORS BB- Stable Affirmed May-2015	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Mar-2015	FitchRatings BB- Stable Affirmed Oct-2015
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Source: Rating agencies

Annual CPI inflation (% change y/y)



Monthly CPI inflation (% change m/m)



Source: GeoStat



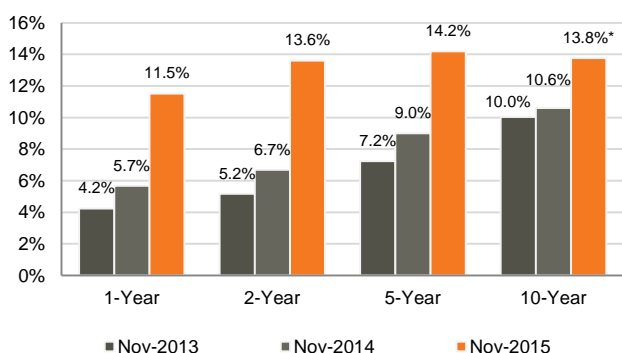
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 291.7mn) with an average yield of 7.5%.

Certificates of deposit: NBG sold 92-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 9.61% (down by 37bps from previous issue).

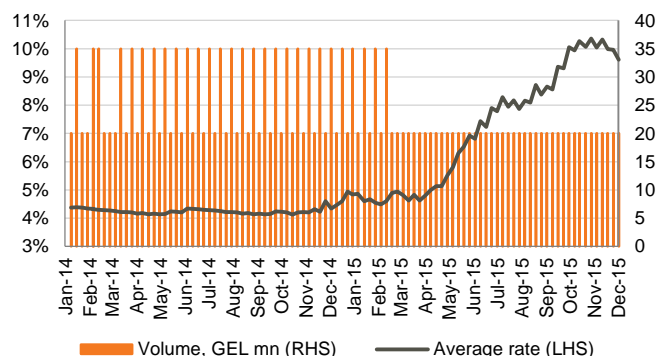
Ministry of Finance Treasury Notes: 2-year GEL 10mn (US\$ 4.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on December 2, 2015. The weighted average yield was fixed at 13.201%.

T-bills / T-notes, yield curve



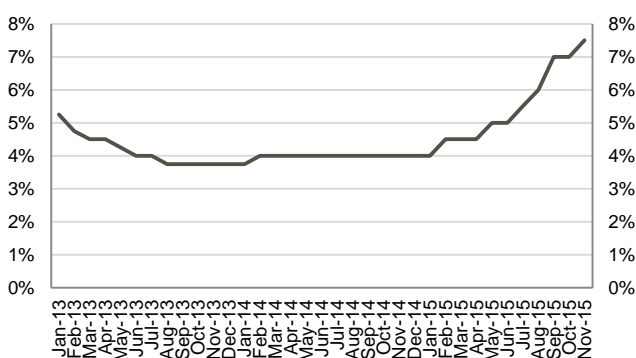
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



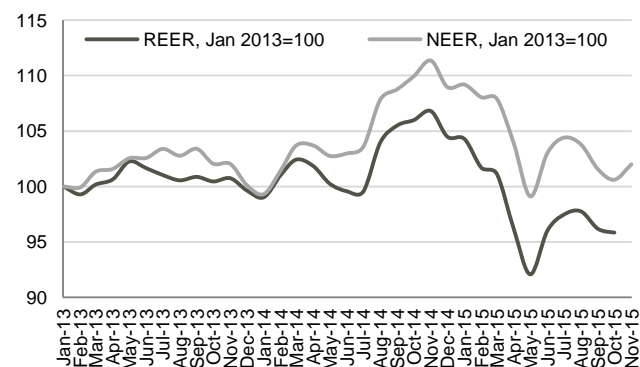
Source: NBG

Monetary policy rate



Source: NBG

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



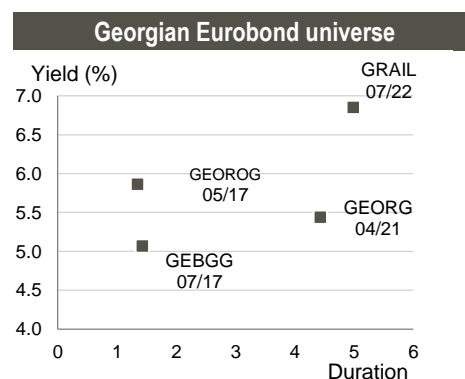
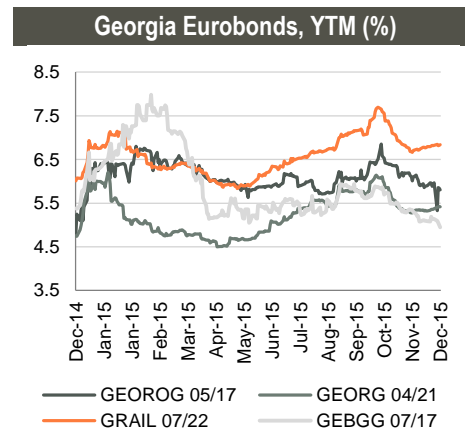
Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.1% yield, trading at 104.0 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 101.4 (+0.1% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.7 (-0.2% w/w), yielding 6.9%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.6 (-0.3% w/w) at 5.4% yield to maturity.

	Local bonds			Eurobonds			
	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	99.0	100	98.0	101.4	104.0	106.6	104.7
Mid yield, %	10.1	9.5	9.7	5.9	5.1	5.4	6.9
Z-spread, bps	n/a	n/a	n/a	545.8	449.8	366.2	514.7

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	106.6	5.4	366.2	
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	95.8	5.4	332.2	
Bulgaria	323	5.000%	19/07/2021	BBB-/Baa3	119.6	1.4	-248.2	
Croatia	1,250	3.875%	30/05/2022	BB-/BB-/Ba1	100.7	3.7	319.7	
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.2	3.4	147.4	
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.2	3.4	165.1	
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	104.7	3.8	221.5	
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.4	4.3	254.3	

Source: Bloomberg

Equities

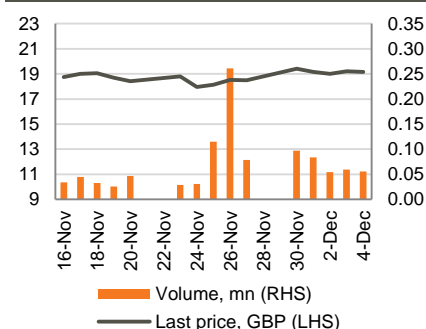
BGEO Group PLC (BGEO LN) shares closed at GBP 19.17/share (+3.62% w/w and -3.23% m/m). More than 349k shares traded in the range of GBP 18.72 – 19.52/share. Average daily traded volume was 62k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 0.52% w/w and gained 1.00% m/m. The volume of BOGH shares traded was at 0.89% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 9.95 (+11.05% w/w and +20.31% m/m). More than 184k GDRs changed hands in the range of US\$ 8.86 – 9.95/GDR. Average daily traded volume was 135k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.74/share (-1.41% w/w and +2.65% since IPO). More than 69k shares were traded in the range of GBP 1.74 – 1.79/share. Average daily traded volume was 175k in the last 4 weeks. The volume of GHG shares traded was at 0.1% of its capitalization.

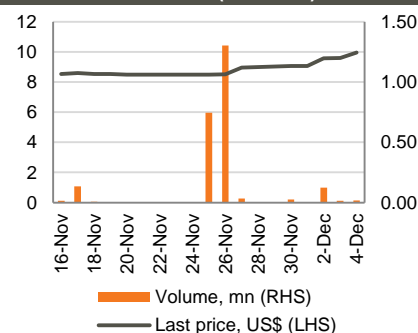
On the Georgian stock exchange: Georgia Leasing Company (GLC) bonds were traded on the GSE, trading volume amounted to US\$ 10k, with 10 bonds changing hands at 8.75% YTM. JSC "Medical Corporation EVEX" bonds were also traded on the GSE, trading volume amounted to US\$ 4k, with 4 bonds changing hands at 9.00% YTM. The G&T Index remained at 885.86 (unchanged w/w).

BGEO Group PLC (BGEO LN)



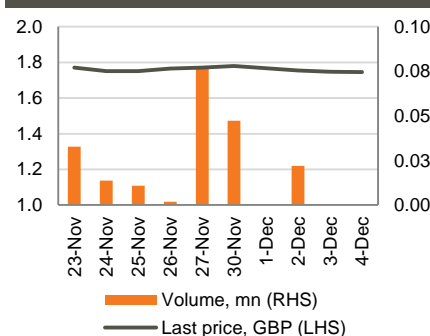
Source: Bloomberg

TBC Bank (TBCB LI)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

Eastern European banks

European Banks									
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
	BGEO*	BGEO	28.96	1,144	-4.9%	8.0%	2.3%	-10.5%	-17.0%
	TBC	TBC	9.95	487	20.3%	9.1%	-10.8%	-21.0%	-27.9%
	Halyk Bank	HSBK	5.90	1,609	-4.8%	-13.1%	-26.7%	-30.6%	-28.9%
	KKB	KKB	1.60	638	-44.6%	-41.2%	-50.3%	-57.9%	-57.3%
	VTB Bank	VTBR	2.07	13,421	-12.2%	6.0%	-27.3%	-10.0%	0.0%
	Vozrozhdenie Bank	VZRZ	9.08	216	-6.4%	12.0%	12.9%	23.1%	22.9%
	Sberbank	SBER	6.55	35,349	-4.1%	42.0%	27.6%	61.7%	18.7%

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	2.64	347	nm	nm	nm	nm	nm
Mouwasat	MOUWASAT	30.45	1,523	-3.2%	-7.2%	-19.9%	-7.4%	-8.4%
Fortis	FORH	2.50	1,159	2.3%	7.1%	2.0%	42.5%	45.1%
Raffles	RFMD	3.02	1,733	-2.1%	-2.6%	-11.9%	2.7%	1.7%
IHH	IHH	1.53	12,580	-0.2%	13.0%	-3.0%	11.1%	9.4%
Bangkok Chain	BCH	0.22	554	16.3%	9.9%	7.1%	-7.5%	-17.8%
Netcare	NTC	2.30	3,354	-17.5%	-16.9%	-23.5%	-30.0%	-29.8%

Source: Bloomberg

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



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