

Weekly Market Watch

 Weekly Market Watch | Georgia
 July 11, 2016

Economy

International arrivals up 13.0% y/y in 1H16

International arrivals to Georgia increased 4.1% y/y to 0.52mn persons in June 2016, according to the Ministry of Internal Affairs. Increased arrivals from Azerbaijan (+1.9% y/y, 22.3% of total), and Russia (+4.4% y/y, 18.1% of total) contributed the most to the growth. In 1H16, total arrivals increased 13.0% y/y to 2.64mn persons, while visitors staying more than 24 hours increased 18.5% y/y.

Inflation rate at 1.1% y/y and -0.9% m/m in June 2016

Annual CPI inflation rate retreated to 1.1% y/y in June 2016 from 2.1% in previous month, according to GeoStat. Core inflation was 2.9% in June. Overall price changes were driven by price increases in alcoholic beverages and tobacco (+11.6% y/y, +0.71ppts), housing, water, electricity and gas (+6.1% y/y, +0.51ppts), and health (+4.2% y/y, +0.41ppts) categories. Meanwhile, prices in transport category decreased (-9.5% y/y, -1.16ppts), as prices were down for purchase of vehicles.

On a monthly basis, there was 0.9% deflation in June 2016. Price decreases in food and non-alcoholic beverages (-2.6% m/m, -0.79ppts) and price increase in transport (+1.7% m/m, +0.19ppts) categories were the major drivers of the monthly inflation dynamics.

International reserves up 11.2% m/m in June 2016

Gross international reserves increased 11.2% m/m (+US\$ 287.9mn) and 15.0% y/y (+US\$ 373.5mn) to US\$ 2.86bn as of end-June 2016, according to NBG. Increase in reserves was attributed to NBG's FX interventions and operations with commercial banks.

Property registration up 16.0% y/y in June 2016

Property registration (commercial and residential real estate) increased 16.0% y/y (+22.1% m/m), reaching 57,007 units in June 2016, according to the National Agency of Public Registry. Registration increased for primary (+12.1% y/y, 19.7% of total), as well as secondary (+17.0% y/y, 80.3% of total) properties.

Company registration flat in June 2016

In June 2016, company registration increased 0.5% y/y (+5.8% m/m) to 4,039 units, according to the National Agency of Public Registry. Out of newly registered companies, 96.1% were business legal entities, while 3.9% comprised non-entrepreneurial (non-commercial) legal entities.

World Bank ranked Georgia as upper middle income country

Each year on July 1, World Bank revises the analytical classification of the world's economies based on estimates of gross national income (GNI) per capita for the previous year. As of 1 July 2016, the World Bank has raised Georgia's position in a global income ranking, as Georgia's GNI per capita reached \$4,160. Georgia was promoted on the list into the upper middle-income economies, with a GNI per capita between \$4,036 and \$12,475.

Key macro indicators

	6M16	2015	2014
GDP (% change)	2.9%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	1.1%	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%

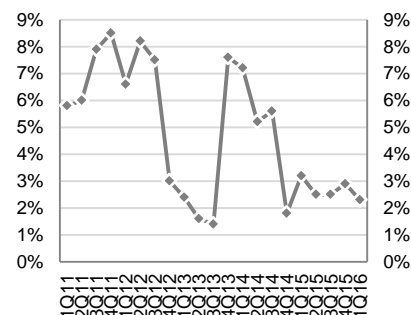
Source: Official data, IMF, G&T

*As of 5M16

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

***As of 1Q16

Real GDP growth, %



Source: GeoStat




Note: 1Q16 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)

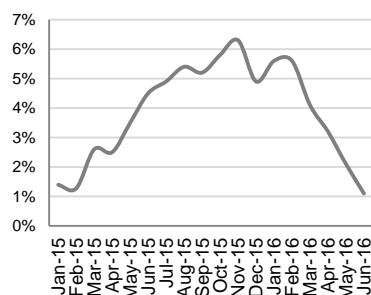
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

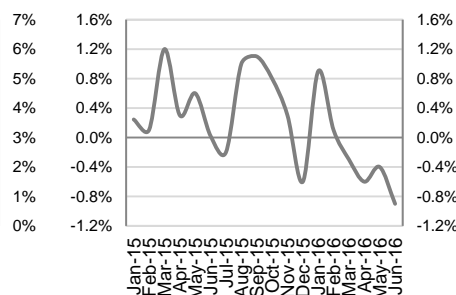
 BB- Stable Affirmed Nov-2015	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Apr-2016
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Source: Rating agencies

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change m/m)



Source: NBG



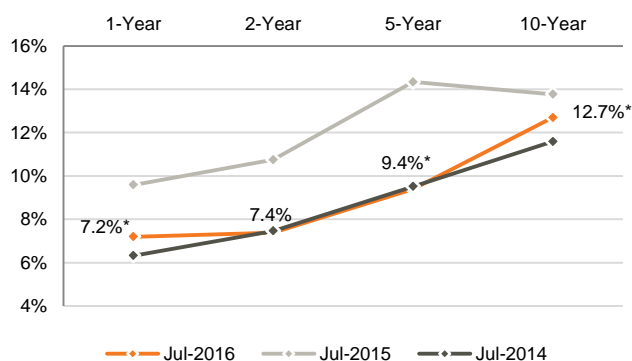
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 350mn (US\$ 150.9mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 6.66% (down 51bps from previous issue).

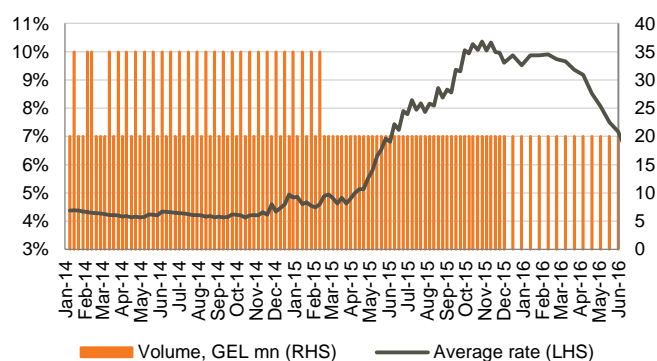
Ministry of Finance Treasury Notes: 2-year GEL 30.0mn (US\$ 13.0mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on July 6, 2016. The weighted average yield was fixed at 7.378%. The nearest treasury securities auction is scheduled for July 13, 2016, where GEL 45mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



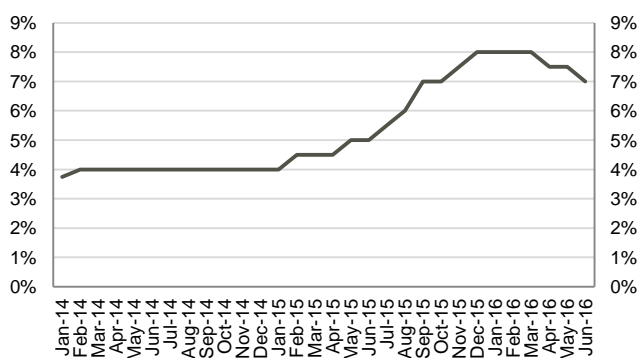
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



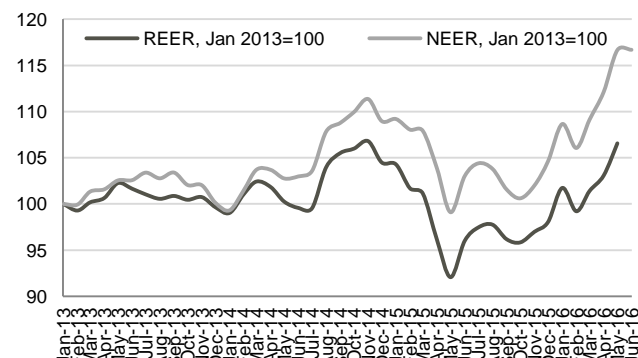
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 15 June 2016

Nominal Effective Exchange Rate and Real Effective Exchange Rate



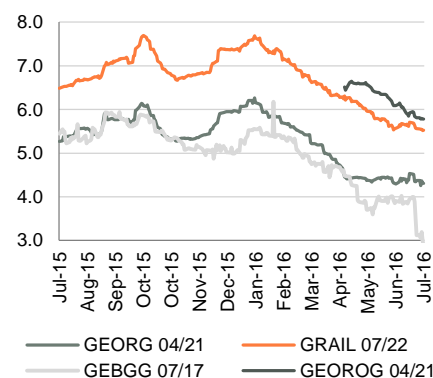
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 2.9% yield, trading at 104.7 (+0.6% w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 102.0 (+0.1% w/w), yielding 4.4% and (GEOROG 04/21) were trading at 104.0 (+0.2% w/w), yielding 5.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.2 (+0.2% w/w), yielding 5.5%.

Georgian Sovereign Eurobonds (GEORG) closed at 110.9 (+0.3% w/w) at 4.3% 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	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	104.0	102.0	104.7	110.9	111.2
Mid yield, %	11.0	15.0	7.75	7.75	8.25	5.8	4.4	2.9	4.3	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	474.9	314.5	318.3	327.6	455.4

Source: Bloomberg

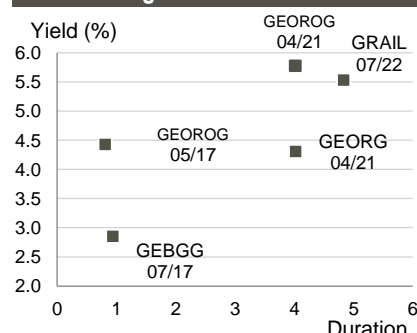
*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% 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-/Ba3	110.9	4.3	327.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	101.8	4.5	328.9
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.0	1.1	-246.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	103.4	3.2	329.0
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.9	3.0	202.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.5	2.9	189.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	108.4	2.7	170.3
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	110.0	3.3	230.9

Source: Bloomberg

Georgian Eurobond universe



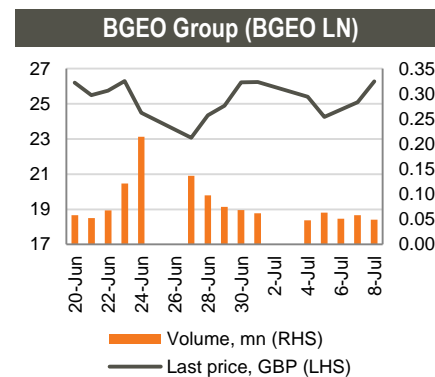
Equities

BGEO Group (BGEO LN) shares closed at GBP 26.28/share (+0.15% w/w and +3.91% m/m). More than 269k shares traded in the range of GBP 23.76 – 26.36/share. Average daily traded volume was 80k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 1.68% w/w and lost 5.75% m/m. The volume of BGEO shares traded was at 0.68% of its capitalization.

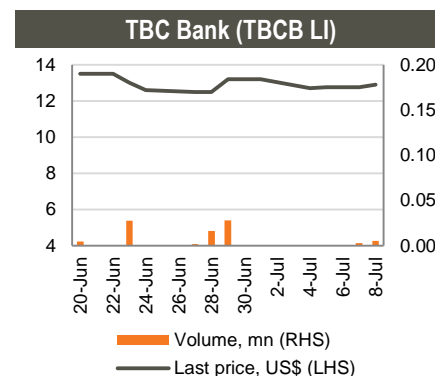
TBC Bank (TBCB LI) closed the week at US\$ 12.90 (-2.27% w/w and +2.38% m/m). More than 8k GDRs changed hands in the range of US\$ 12.70 – 13.00/GDR. Average daily traded volume was 49k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.11/share (+6.87% w/w and +16.48% m/m). More than 77k shares were traded in the range of GBP 2.85 – 3.20/share. Average daily traded volume was 29k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

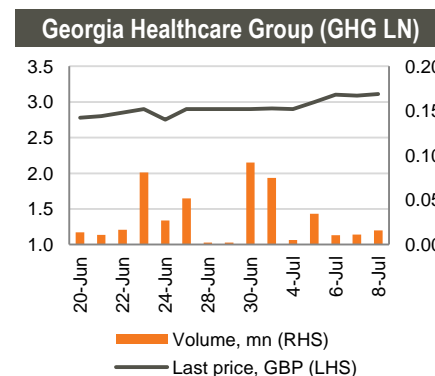
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 38.00 (+5.6% w/w). As a result, the G&T Index went up to 864.70 (+5.5% w/w).



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*	34.07	1,346	-7.3%	22.5%	30.4%	5.3%	20.4%
	TBC	12.90	646	2.4%	34.2%	18.3%	2.4%	35.8%
	Halyk Bank	4.71	1,293	-6.8%	10.7%	0.1%	-44.6%	-42.3%
	KKB	1.59	634	0.0%	72.8%	27.2%	-58.2%	-45.2%
	VTB Bank	2.09	13,518	-4.3%	-4.4%	10.7%	-9.3%	-17.7%
	Vozrozhdenie Bank	10.14	241	0.4%	40.6%	25.5%	37.4%	10.8%
	Sberbank	8.81	47,545	-2.0%	23.7%	69.4%	117.5%	84.3%

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	4.03	531	3.9%	64.6%	71.5%	nm	nm
Mouwasat	MOUWASAT	34.33	1,716	0.6%	11.9%	11.1%	4.4%	-11.3%
Fortis	FORH	2.36	1,095	-3.6%	-9.7%	-10.4%	34.6%	-14.0%
Raffles	RFMD	1.13	1,979	-5.5%	2.0%	17.8%	15.8%	0.5%
IHH	IHH	1.65	13,621	3.4%	-3.3%	12.8%	20.2%	7.0%
Bangkok Chain	BCH	0.35	871	0.6%	11.5%	35.1%	45.3%	69.3%
Netcare	NTC	2.11	3,091	-5.3%	-11.0%	4.8%	-35.6%	-29.6%

Source: Bloomberg

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

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