

Weekly Market Watch

Weekly Market Watch | Georgia
December 26, 2016

Economy

Exports up 16.8% y/y in November 2016

In November 2016, exports increased 16.8% y/y to US\$ 218.7mn, imports were up 12.8% y/y to US\$ 649.6mn, and the trade deficit widened 10.9% y/y to US\$ 430.9mn according to GeoStat. Increased exports of manganese ores (up 16X y/y), wine (+52.4% y/y), spirituous beverages (+72.3% y/y), ferro-alloys (+19.6% y/y), and citrus fruit (+259.2% y/y) were the major commodities positively affecting exports growth in November 2016, while copper ores (-39.4% y/y), and pharmaceuticals (-16.0% y/y) exports decreased.

Petroleum (+6.0% y/y), gases (+15.2% y/y), cars (+13.2% y/y), pharmaceuticals (+7.9% y/y), and phones (+40.5% y/y) represented the top 5 imported commodities in November 2016.

In 11M16, trade deficit was up 1.2% y/y to US\$ 4.59bn, excluding one-offs, as imports were down 0.7% y/y to US\$ 6.51bn and exports fell 5.0% y/y to US\$ 1.92bn.

Real GDP up 2.3% y/y in 3Q16

Real GDP grew 2.3% y/y according to GeoStat's preliminary data. GDP deflator was 3.2% y/y. The growth base in 3Q16 was diversified, with hotels and restaurants sector generating the largest increase at 13.4% y/y. Financial sector (+9.8% y/y) and real estate (+7.5% y/y) were the other top performers. Positive growth was also posted in two largest sectors of Georgian economy: trade (+3.6% y/y), and manufacturing (+1.4% y/y). Transport (-4.2% y/y), communication (-0.5% y/y), and agriculture (-0.1% y/y) were the only sectors in the red in 3Q16.

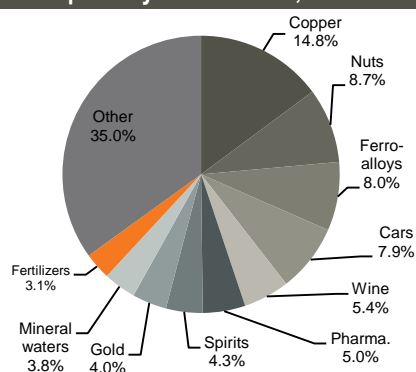
NPLs at 4.0% y/y in November 2016

In November 2016, the banking sector loan portfolio increased 9.5% y/y after growing 7.3% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 13.1% y/y and 5.3% m/m to GEL 17.8bn (US\$ 7.0bn). Deposits were up 10.7% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 14.8% y/y and up 3.4% m/m to GEL 16.2bn (US\$ 6.4bn), and deposit dollarization reached 71.2% (+1.5ppts m/m). NPLs stood at 4.0% in November 2016, up 0.8ppts y/y and up 0.1ppts m/m.

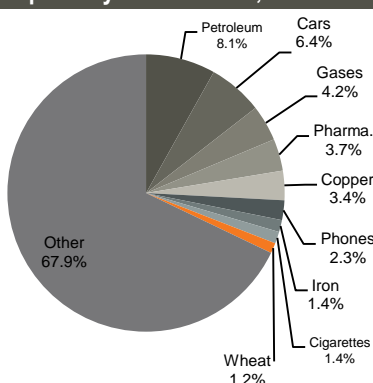
NBG sold US\$ 40mn

Last week, NBG intervened on the FX market and sold US\$ 40mn, aimed at curbing fluctuation of the national currency. Overall, NBG bought total of US\$ 278mn and sold US\$ 280mn at 24 interventions YTD. GEL weakened 14.8% against the US\$ YTD.

Exports by commodities, 11M16



Imports by commodities, 11M16



Source: GeoStat

Note: 11M16 imports provided excluding donated C-hepatitis medicine imports

Key macro indicators

	11M16	2015	2014
GDP (% change)	2.5% ⁽³⁾	2.9%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,767	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	0.2%	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	13.3% ⁽²⁾	11.9%	10.6%
Fiscal deficit (% of GDP)	...	3.7%	3.0%
Total public debt (% of GDP)	...	41.4%	35.7%

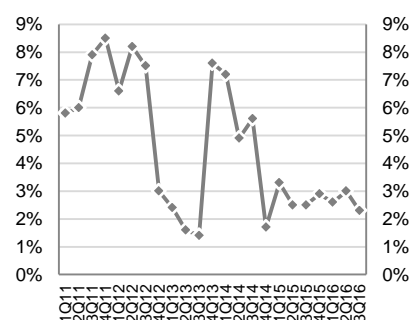
Source: Official data, IMF

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

(2) As of 2Q16

(3) As of 10M16

Real GDP growth, %



Source: GeoStat

International ranking, 2016-17

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 & POOR'S BB- Stable Affirmed Nov-2016	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Sep-2016
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Source: Rating agencies

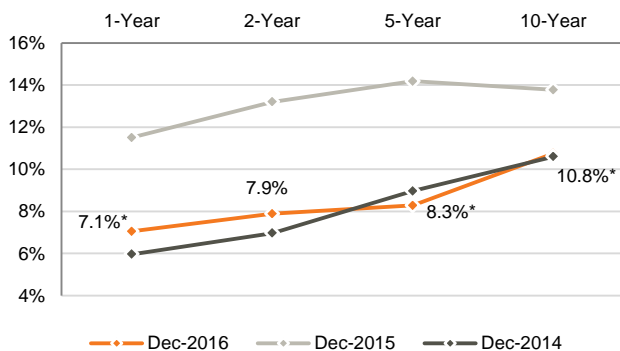


Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,200mn (US\$ 430.9mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 7.5mn) certificates of deposit, with an average yield of 6.97% (up by 10bps from previous issue).

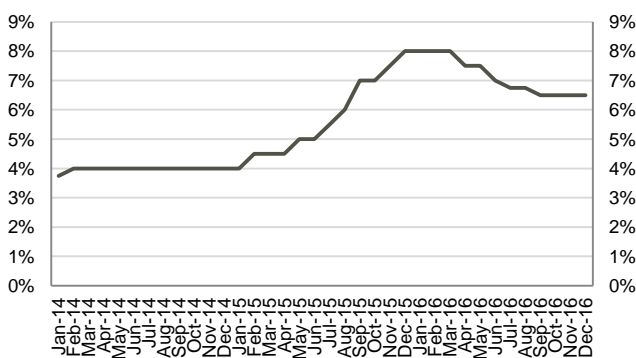
T-bills / T-notes, yield curve



Source: NBG

*Note: As of latest auction. Last auction took place on 7 December, 2016.

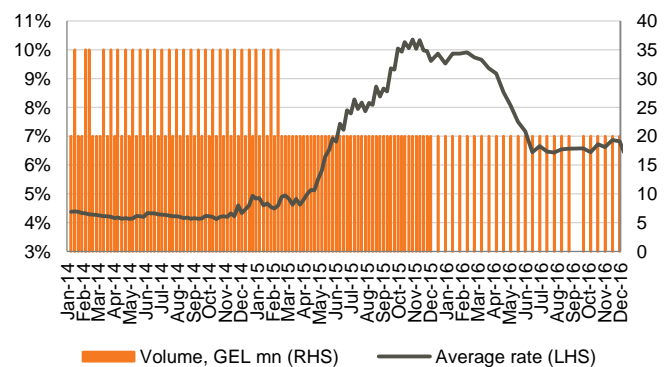
Monetary policy rate



Source: NBG

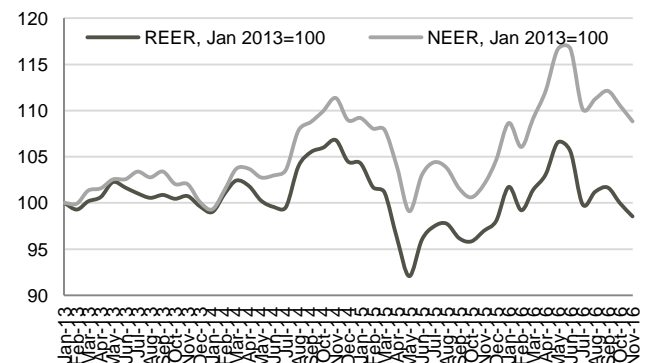
Note: Next revision of a monetary policy rate is scheduled for 25 January 2017

Certificates of Deposits (weighted average rate)



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

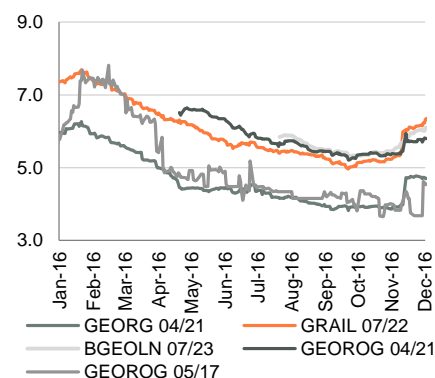
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 6.0% yield, trading at 100.3 (+0.1% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.9 (unchanged w/w), yielding 4.4% and GEOROG 04/21 traded at 104.4 (+0.0% w/w), yielding 5.6%. Georgian Railway Eurobond (GRAIL) traded at a premium at 106.9 (unchanged w/w), yielding 6.3%.

Georgian Sovereign Eurobond (GEORG) closed at 109.7 (+0.5% w/w) at 4.4% yield to maturity.

Georgia Eurobonds, YTM (%)



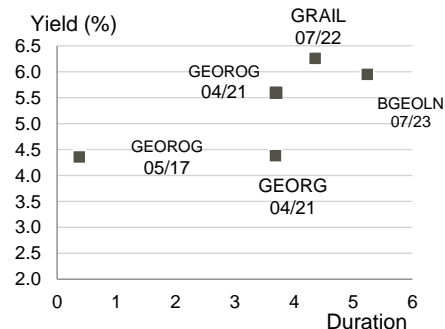
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25	5	15	10	250	53.5	350	500	500
Issue date	12/16	10/16	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	7.50	11.00	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B1	-/-	-/-	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/B+
Mid price, US\$	n/a	103.83	102.57	101.49	100.73	104.4	100.9	100.3	109.7	106.9
Mid yield, %	n/a	6.0	8.750	5.50	7.750	5.6	4.4	6.0	4.4	6.3
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	349.5	388.2	372.7	233.0	410.0

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

**Coupon rate 3.5% 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	109.7	4.4	233.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	99.5	4.8	252.3
Bulgaria	323	5.000%	19/07/2021	BBB-/B1	120.3	0.5	-237.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	107.6	2.4	215.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.1	3.3	133.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	113.9	3.7	163.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.1	3.1	114.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	102.5	5.0	289.9

Source: Bloomberg

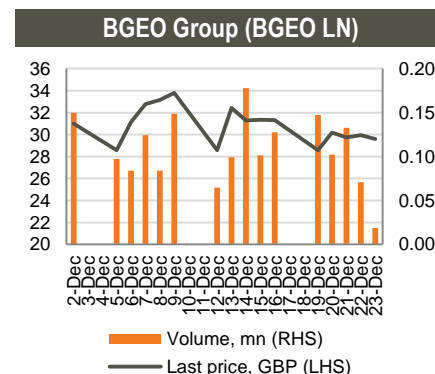
Equities

BGEO Group (BGEO LN) shares closed at GBP 29.59/share (-5.55% w/w and -4.18% m/m). More than 471k shares traded in the range of GBP 29.54 – 31.45/share. Average daily traded volume was 106k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 0.70% w/w and gained 1.63% m/m. The volume of BGEO shares traded was at 1.19% of its capitalization.

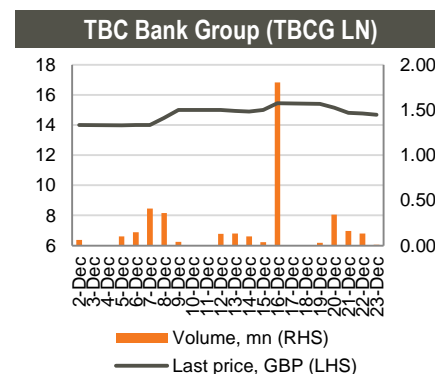
TBC Bank Group (TBCG LN) closed the week at GBP 14.69 (-4.86% w/w and +11.88% m/m). More than 675k shares changed hands in the range of GBP 14.45 – 15.63/share. Averaged daily traded volume was 216k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.55/share (-4.96% w/w and -1.53% m/m). More than 75k shares were traded in the range of GBP 3.50 – 3.80/share. Average daily traded volume was 13k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.

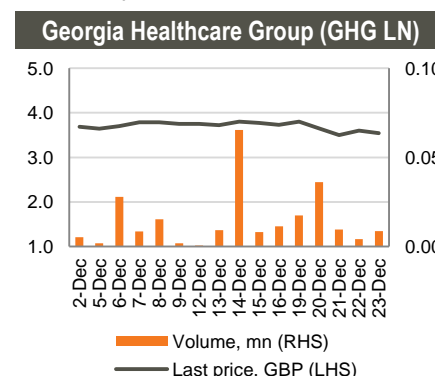
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.017 (unchanged w/w). As a result, the G&T Index remained at 1,176.94 (unchanged w/w).



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*	36.24	1,432	-5.8%	-5.2%	-6.9%	29.2%	29.2%
	TBC*	17.99	939	10.0%	44.0%	38.4%	78.2%	78.2%
	Halyk Bank	HSBK	6.25	1,718	5.4%	-0.8%	35.9%	27.6%
	KKB	KKB	1.38	550	0.7%	-13.2%	12.7%	-2.1%
	VTB Bank	VTBR	2.28	14,788	10.5%	-1.3%	8.2%	4.9%
	Vozrozhdenie Bank	VZRZ	12.28	292	12.2%	13.2%	48.8%	41.7%
	Sberbank	SBER	11.30	60,983	14.1%	16.5%	92.2%	83.7%

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	4.34	572	-3.2%	5.5%	1.1%	90.1%	76.3%
Mouwasat	MOUWASAT	39.34	1,967	12.2%	20.5%	14.7%	21.2%	23.0%
Fortis	FORH	2.64	1,272	4.9%	0.5%	11.5%	-2.9%	-1.3%
Raffles	RFMD	0.96	1,679	-1.4%	-14.4%	-14.2%	-1.8%	-1.6%
IHH	IHH	1.41	11,629	-2.4%	-8.8%	-13.7%	-7.6%	-5.4%
Bangkok Chain	BCH	0.40	991	1.3%	14.7%	15.4%	58.4%	60.2%
Netcare	NTC	2.19	3,207	-7.1%	-7.6%	-1.2%	0.2%	-4.2%

Source: Bloomberg

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

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge