

Weekly Market Watch

Weekly Market Watch | Georgia
March 1, 2021

Economy

Real GDP shrinks 11.5% y/y in January 2021

Georgia's economic contraction widened to 11.5% y/y in January 2021, after a 7.9% y/y contraction in previous month. This is explained by lockdown measures plus a two-week holidays (January 1-15), along with last year's high base. In January, positive growth was posted in information & communication and financial & insurance activities, while growth was down in construction, transportation, manufacturing, accommodation and food services, real estate and trade. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.5% in January 2021

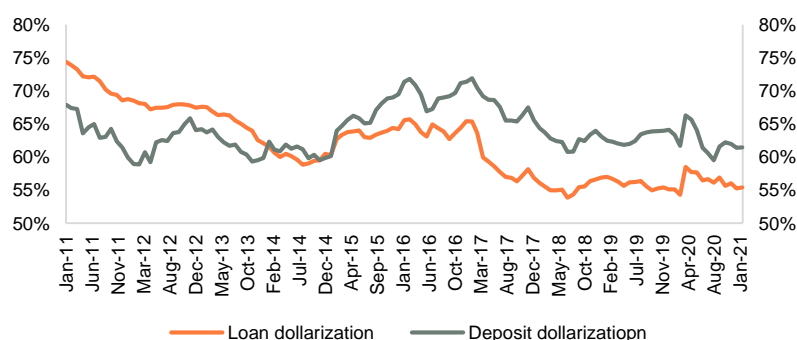
In January 2021, the banking sector loan portfolio increased by 8.9% y/y and reduced slightly by 0.2% m/m, excluding FX effect. In unadjusted terms, loan portfolio was up 19.6% y/y (-0.1% m/m), amounting to GEL 38.2bn (US\$ 11.6bn). By sector, corporate lending increased by 7.9% y/y, while retail loan growth was 9.8% y/y (exc. FX effect). Notably, newly issued mortgages increased by 4.6% y/y, bringing mortgages stock growth to 10.8% y/y (exc. FX effects). In January 2021, loan dollarization stood at 55.4% (+0.31ppts y/y and +0.17ppts m/m) and NPLs stood at 2.5% (+0.38ppts y/y and +0.28ppts m/m).

Bank deposits increased by 20.7% y/y (+0.4% m/m, exc. FX effect) to GEL 34.9bn (US\$ 10.6bn) in January 2021. By currency, GEL deposit growth was 38.4% y/y, while FX deposit increased by 10.5% y/y (exc. FX effect). The deposit dollarization stood at 61.5% (-1.87ppts y/y and +0.06ppts m/m).

S&P Global affirms Georgia at BB

On 26 February 2021, S&P affirmed Georgia's sovereign credit rating at BB. The Outlook was revised to Negative from Stable, reflecting risks to Georgia's ability to generate adequate FX earnings to service its sizable external liabilities over forecast horizon, slow recovery in the tourism sector and weak medium-term outlook for foreign investment inflows. Based on S&P, Georgia's ratings are supported by Georgia's relatively strong institutional arrangements when compared regionally, its floating exchange rate regime and the availability of timely, concessional financing from international financial institutions. S&P forecasts real GDP growth of 4.0% in 2021 in Georgia, supported by the relaxation of containment measures and continuation of some government support measures into 2021.

Loan and deposit dollarization



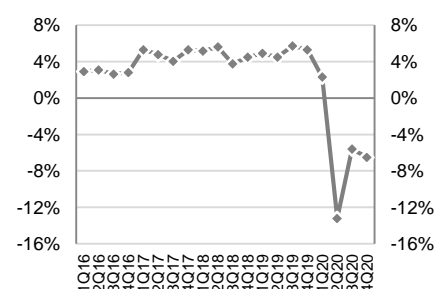
Source: NBG

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

Source: Official data, Galt & Taggart

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

Ease of Doing Business # 7 (Top 10)

Economic Freedom Index # 12 (mostly free)

Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB Negative Affirmed Feb-2021	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Aug-2020	FitchRatings BB Negative Affirmed Feb-2021
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Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 5-year GEL 35.0mn (US\$ 10.6mn) Benchmark bonds were sold at the auction held at NBG on February 23, 2021. Total demand was c.2.2x higher and the weighted average yield was fixed at 8.020%, down by 0.092ppts from previous auction held in January, 2021. The nearest treasury security auction is scheduled for March 2, 2021, where GEL 15.0mn nominal value 6-month T-bills and GEL 20.0mn nominal value 2-year Benchmark bonds will be sold.

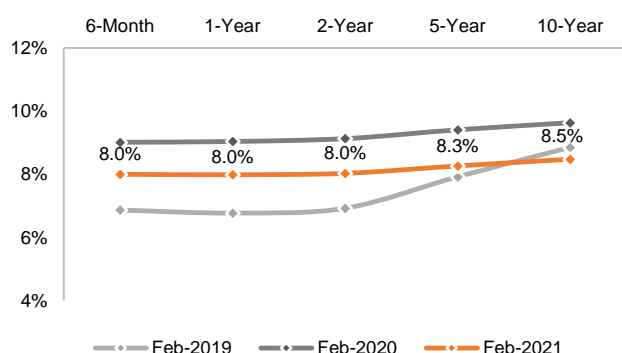
T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	15	150	100
1-year	15	150	610
2-year	20	200	1,230
5-year	70	350	2,298
10-year	25	75	1,262
Total	145	925	5,500

Source: MoF

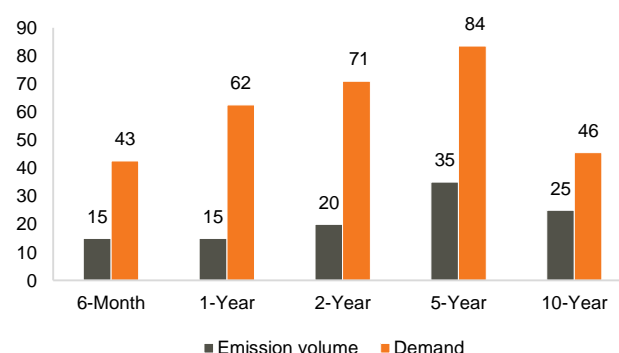
Note: * As of 31 January 2021

T-bills / T-notes, yield curve



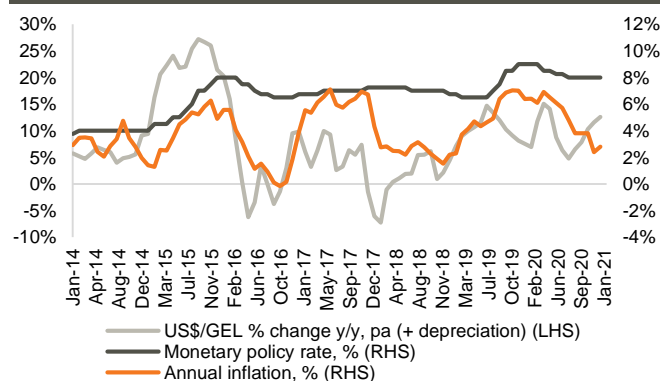
Source: NBG

Emission volume vs. demand on latest T-bills / T-notes auctions, GEL mn



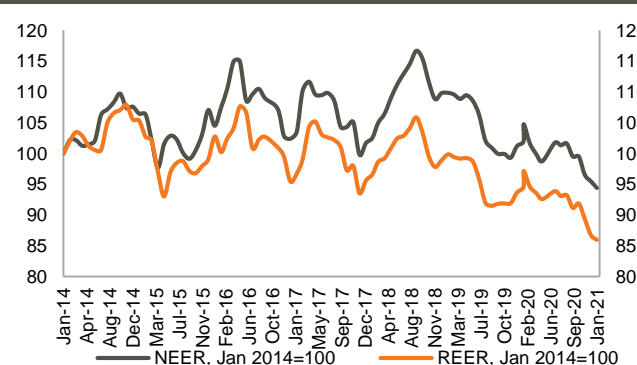
Source: NBG

Monetary policy rate, inflation and FX 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

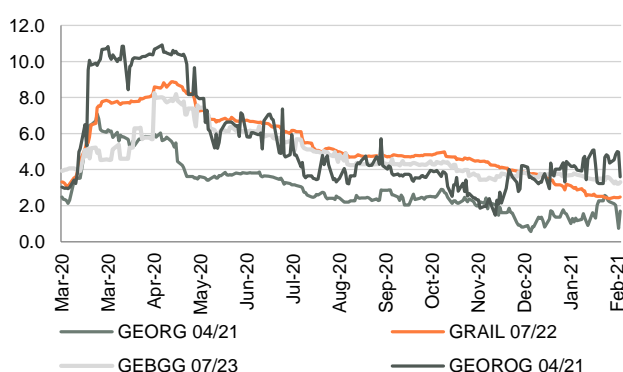
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.31% yield, trading at 106.15 (+0.45% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.49 (+0.05% w/w), yielding 5.22%.

GOGC Eurobonds (GEOROG) were trading at 100.46 (+0.06% w/w), yielding 3.59%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.99 (-0.23% w/w), yielding 2.48%.

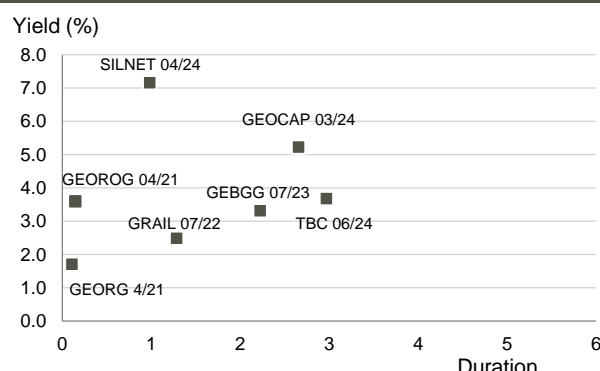
Georgian Sovereign Eurobonds (GEORG) closed at 100.57 (-0.06% w/w) at 1.70% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg
 Note: For Silknet duration calculation call date is taken as maturity.

Georgian bonds performance

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	100.57	1.70	209.18
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	106.99	2.48	227.58
GEOROG 04/21	US\$	250	6.750%	Apr-21	-BB/-	100.46	3.59	320.41
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	106.15	3.31	306.48
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	108.52	9.15	768.01
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	102.49	5.22	484.29
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	110.47	7.15	566.01
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	106.39	3.67	323.57
TBC PERP	US\$	125	10.775%	n/a	B-/-	106.01	9.64	829.93
GGU 07/25	US\$	250	7.750%	Jul-25	B+/B/-	104.08	6.66	594.40

Georgian local bonds performance

KTW 12/22	US\$	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B1/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.24	7.20	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.37	7.25	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	100.00	7.50	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-	100.00	12.00	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a
Swiss Capital 09/21	GEL	10	13.25%	Sep-21	B-/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

Source: Bloomberg



Fixed income, continued

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Baa2	100.57	1.70	209.18
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.59	1.62	136.08
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.01	4.74	453.04
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	110.37	0.95	50.26
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	110.04	0.87	58.89
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B2	100.19	3.08	505.55
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	102.00	3.65	338.04

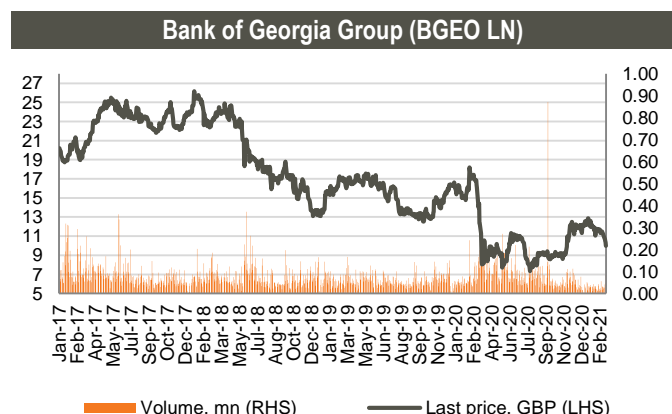
Source: Bloomberg

Equities

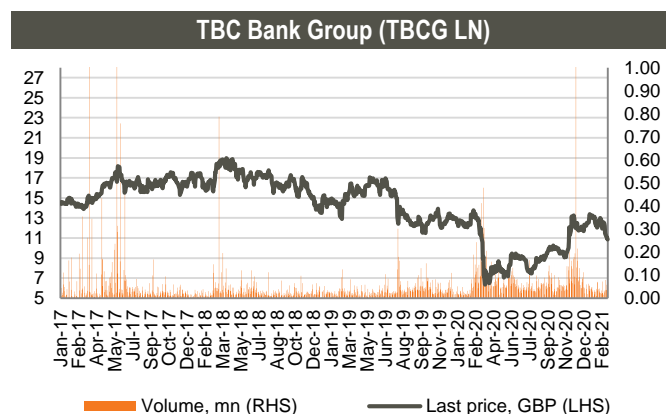
Bank of Georgia Group (BGEO LN) shares closed at GBP 9.98/share (-10.41% w/w and -16.13% m/m). More than 274k shares traded in the range of GBP 9.77 - 11.10/share. Average daily traded volume was 33k in the last 4 weeks. The volume of BGEO shares traded was at 0.56% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.05/share (-1.94% w/w and unchanged m/m). More than 293k shares traded in the range of GBP 4.70 - 5.42/share. Average daily traded volume was 35k in the last 4 weeks. The volume of CGEO shares traded was at 0.80% of its capitalization.

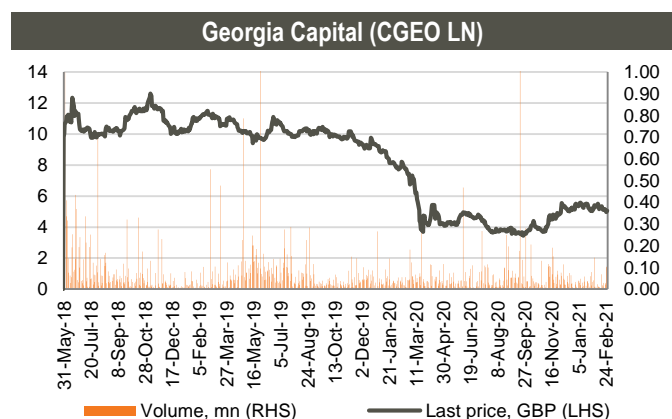
TBC Bank Group (TBCG LN) closed the week at GBP 10.86/share (-5.24% w/w and -11.71% m/m). More than 263k shares changed hands in the range of GBP 10.86 - 11.48/share. Average daily traded volume was 39k in the last 4 weeks. The volume of TBCG shares traded was at 0.48% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Equities, continued

Eastern European banks

								P/E		P/B	
	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	9.98	491	7.9%	-41.8%	-18.2%	6.88x	4.03x	0.83x	0.71x
TBC	TBC	GBP	10.86	597	19.5%	-18.1%	-13.1%	6.14x	4.40x	0.86x	0.73x
Halyk Bank	HSBK	US\$	13.05	3,835	11.5%	-17.4%	12.0%	5.45x	4.93x	1.08x	0.98x
VTB Bank	VTBR	US\$	0.95	6,147	4.0%	-33.5%	-0.6%	6.43x	2.36x	0.33x	0.35x
Akbank	AKBNK	TRY	6.06	31,512	22.2%	-20.1%	-12.6%	7.38x	5.09x	0.73x	0.62x
Garanti	GARAN	TRY	8.92	37,464	29.3%	-16.1%	-14.0%	7.69x	5.13x	0.83x	0.72x
Isbank	ISCTR	TRY	5.73	25,785	15.3%	-9.3%	-18.1%	5.35x	4.33x	0.54x	0.48x
PKO	PKO	PLN	30.14	37,675	35.2%	-6.6%	4.9%	12.96x	11.20x	0.82x	0.79x
PEKAO	PEO	PLN	67.80	17,795	25.6%	-28.9%	11.0%	14.60x	10.80x	0.69x	0.66x
Millennium	MIL	PLN	4.13	5,007	38.4%	-21.0%	26.2%	69.85x	19.77x	0.54x	0.52x
Mbank	MBK	PLN	221.60	9,382	15.4%	-33.5%	23.7%	37.37x	17.81x	0.54x	0.54x
BRD	BRD	RON	14.44	10,063	24.5%	-7.2%	-2.8%	12.17x	9.64x	1.08x	1.27x
Banca Transilvania	TLV	RON	2.15	11,214	4.4%	-5.4%	-4.4%	11.26x	10.45x	1.31x	1.29x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.52x	11.03x	0.70x	0.65x
Komercni	KOMB	CZK	678.00	128,853	24.9%	-8.1%	3.2%	15.26x	13.43x	1.08x	1.03x
Mean								15.42x	8.96x	0.80x	0.76x
Median								11.26x	9.64x	0.82x	0.71x

Source: Bloomberg, S&P Capital IQ

Investment management companies

								P/E		P/B	
	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	5.05	186	35.0%	-31.9%	-6.5%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.30	335	-7.2%	-12.1%	-5.0%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	10.48	21,383	30.3%	11.8%	-8.6%	6.24x	5.49x	0.82x	0.70x
Deutsche Beteiligungs	DBAN	EUR	37.10	558	15.6%	4.7%	12.1%	nmf	12.19x	1.22x	1.21x
Eurazeo	RF	EUR	61.35	4,832	36.5%	-3.1%	10.5%	27.59x	8.35x	0.83x	0.78x
Carlyle Group	CG	USD	34.25	3,791	27.1%	14.9%	8.9%	5.76x	4.74x	5.66x	4.29x
Mean								13.20x	7.69x	2.13x	1.74x
Median								6.24x	6.92x	1.02x	0.99x

Source: Bloomberg, S&P Capital IQ

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