

Weekly Market Watch

 Weekly Market Watch | Georgia
 July 10, 2017

Economy

Tourist arrivals up 43.0% y/y in June 2017

Total international arrivals to Georgia increased 28.5% y/y to 0.67mn visitors in June 2017, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 43.0% y/y to 0.33mn persons (49.3% of total) in June after posting a 19.6% y/y growth in May 2017. Out of top countries by arrivals, in June 2017, visitors continued to increase from Armenia (+28.8% y/y), Russia (+45.0% y/y), Iran (+222.1% y/y) and Azerbaijan (+16.6% y/y), while arrivals were down from Turkey (-6.4% y/y). Arrivals from EU were up 27.0% y/y to over 34,500 visitors. In 1H17 international arrivals increased 13.4% y/y to 3.0mn visitors, while tourist arrivals increased 29.1% y/y to 1.3mn.

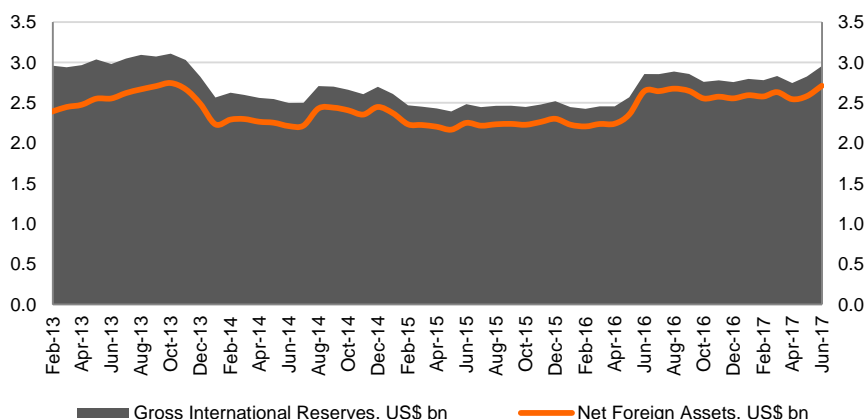
Inflation was up 7.1% y/y and down 0.4% m/m in June 2017

The annual CPI inflation was 7.1% in June 2017 after 6.6% inflation in previous month, according to GeoStat. Core inflation was 4.5% in June, up from 3.7% in previous month. Overall price changes were driven by price increases in food and non-alcoholic beverages (+9.5% y/y, +2.87ppts), transport (+15.3% y/y, +1.92ppts), and alcoholic beverages and tobacco (+18.2% y/y, +1.18ppts) categories. On a monthly basis, there was 0.4% deflation in June 2017. Price decrease in food and non-alcoholic beverages (-1.5% m/m, -0.45ppts) and price increase in alcoholic beverages and tobacco (+2.5% m/m, +0.17ppts) categories were the major drivers of monthly inflation dynamics.

International reserves up 3.5% y/y in June 2017

Gross international reserves were up 3.5% y/y to US\$ 3.0bn in June 2017, while reserves were up 4.6% on monthly bases, according to NBG. The increase in reserves was partly related to FX interventions by NBG, with a total purchase of US\$ 70mn in June 2017.

International Reserves



Source: NBG

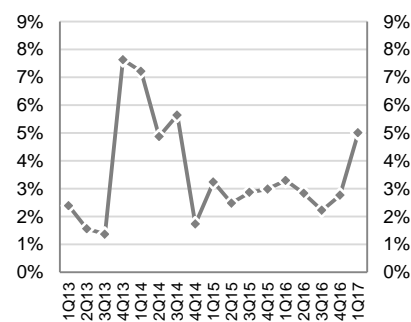
Key macro indicators

	1H17	2016	2015
GDP (% change)	4.5% ⁽¹⁾	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)	7.1%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	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

1) As of 5M17

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 & POOR'S BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Mar-2017
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Source: Rating agencies

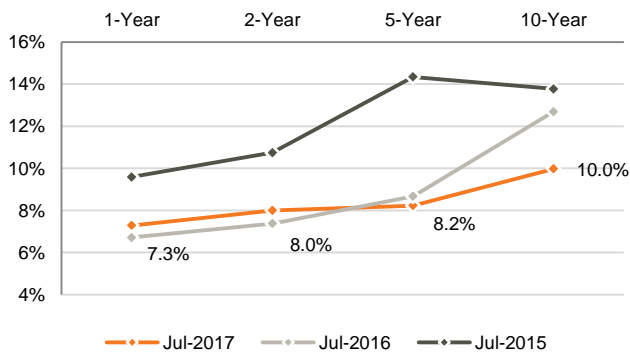


Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,100mn (US\$ 458.9mn).

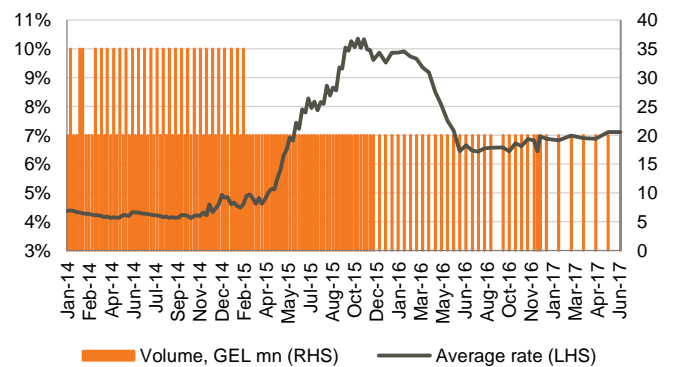
Ministry of Finance Treasury Bills: 1-year GEL 50.0mn (US\$ 20.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on July 5, 2017. The weighted average yield was fixed at 7.282%. The nearest treasury security auction is scheduled for July 12, 2017, where GEL 20.0mn nominal value 182-days T-Bills and GEL 45.0mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



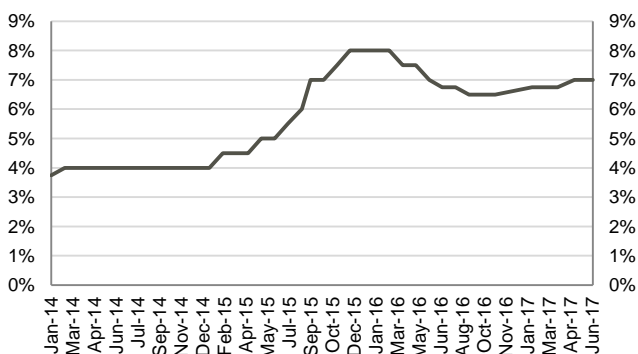
Source: NBG

Certificates of Deposits (weighted average rate)



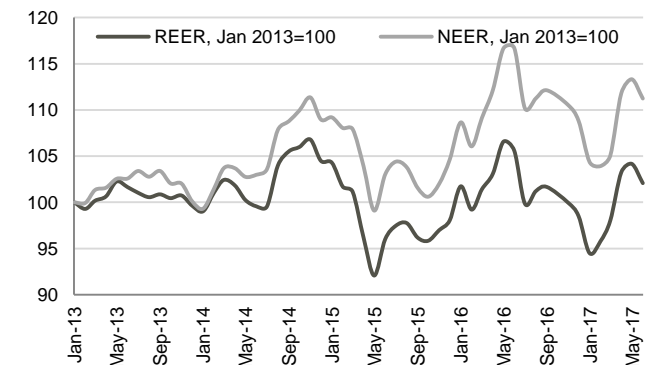
Source: NBG

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

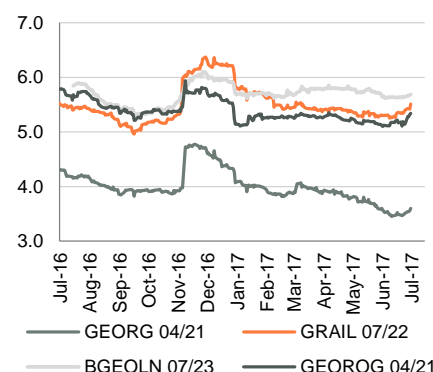


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.7% yield, trading at 101.6 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.8 (-0.5 w/w), yielding 11.1%. GOGC Eurobonds (GEOROG) were trading at 104.7 (-0.8% w/w), yielding 5.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.4 (-0.7% w/w), yielding 5.6%.

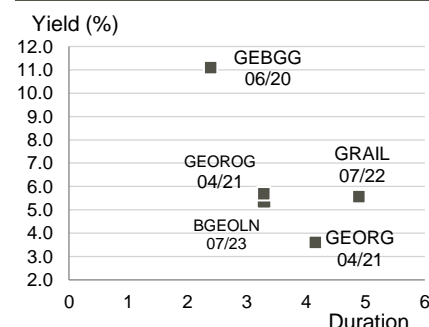
Georgian Sovereign Eurobonds (GEORG) closed at 111.4 (-0.4% w/w) at 3.6% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	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	09/14	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	8.75	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B+	-/-	-/-	-/-	BB-/Ba3	BB-/B+	BB-/B1	BB-/BB-/Ba3	B+/B+
Mid price, US\$	n/a	101.5	101.3	100.4	99.8	104.7	101.6	111.4	109.4
Mid yield, %	n/a	6.75%	9.0%	6.50%	11.1	5.4	5.7	3.6	5.6
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	348.7	170.9	356.0	359.6

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-/Ba3	111.4	3.6	170.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	98.7	5.0	283.3
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.4	0.2	-180.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	110.1	1.7	140.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.2	2.9	101.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.2	3.1	117.6
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.6	2.9	111.9
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	105.3	4.1	218.8

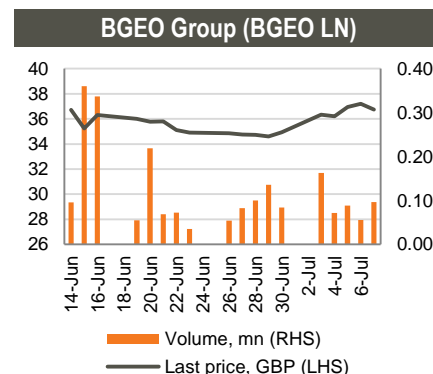
Source: Bloomberg

Equities

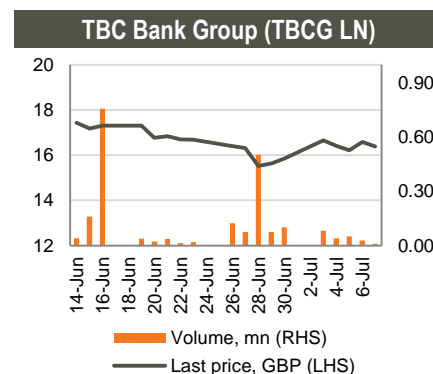
BGEO Group (BGEO LN) shares closed at GBP 36.74/share (+5.15% w/w and +0.49% m/m). More than 474k shares traded in the range of GBP 34.80 – 37.39/share. Average daily traded volume was 116k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.11% w/w and lost 1.70% m/m. The volume of BGEO shares traded was at 1.20% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.39 (+3.47% w/w and -5.53% m/m). More than 211 shares changed hands in the range of GBP 15.85 – 16.75/share. Averaged daily traded volume was 111k in the last 4 weeks.

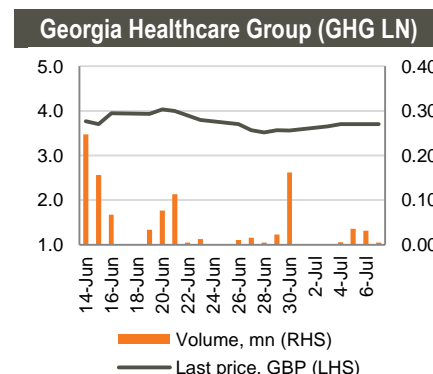
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.70/share (+4.01% w/w and +6.02% m/m). More than 79k shares were traded in the range of GBP 3.65 – 3.80/share. Average daily traded volume was 117k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.



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	46.81	1,845	-1.5%	8.8%	22.8%	21.3%	42.6%
TBC*	TBC	21.23	1,120	-3.4%	10.6%	13.4%	13.1%	67.1%**
Halyk Bank	HSBK	9.25	2,543	22.5%	20.8%	58.1%	54.4%	96.6%
KKB	KKB	0.65	259	-40.9%	-46.7%	-55.0%	-55.0%	-59.1%
VTB Bank	VTBR	2.12	13,725	-5.5%	-8.7%	-10.2%	-11.3%	3.2%
Vozrozhdenie Bank	VZRZ	12.56	298	-4.1%	-4.7%	1.1%	2.6%	24.5%
Sberbank	SBER	10.55	56,936	-6.1%	-10.6%	-10.6%	-8.9%	18.7%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

** 1Y change in TBC share prices calculated using GDR price

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.78	630	5.7%	2.4%	5.6%	3.6%	27.6%
Mouwasat	MOUWASAT	39.46	1,973	-0.2%	4.1%	0.5%	0.2%	15.0%
Fortis	FORH	2.41	1,249	-20.5%	-17.3%	-13.8%	-9.5%	0.6%
Raffles	RFMD	0.96	1,690	-4.0%	-7.6%	-4.1%	-3.4%	-17.4%
IHH	IHH	1.36	11,206	-3.2%	0.6%	-4.4%	-3.9%	-17.7%
Bangkok Chain	BCH	0.40	990	4.0%	4.5%	-3.9%	-3.8%	12.2%
Netcare	NTC	1.93	2,821	-4.5%	0.2%	-17.9%	-16.8%	-9.4%

Source: Bloomberg

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

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