

Weekly Market Watch

 Weekly Market Watch | Georgia
 July 3, 2017

Economy

Real GDP grew 5.3% y/y in May 2017

Georgia's economy expanded 5.3% y/y in May 2017, after growing 2.1% y/y in previous month, according to GeoStat's rapid estimates. Overall, in 5M17 GDP growth was 4.5% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Current account deficit stood at 11.8% of GDP in 1Q17

Current account deficit narrowed to 11.8% of GDP in 1Q17 from 13.5% in 1Q16, decreasing 9.1% y/y in nominal terms to US\$ 377.0mn, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, increased 5.6% y/y to US\$ 819.6mn, as exports increased 22.8% y/y, while imports were up 13.3% y/y. Positive balance in services, the largest positive item of the current account, was up 32.4% y/y to US\$ 336.5mn. Among services, tourism had the largest positive balance and tourism revenues increased 23.3% y/y to US\$ 434.6mn (13.6% of GDP). Net current transfers, the second largest positive item of the current account, were up 19.5% y/y to US\$ 301.2mn. Net FDI, significant item for financing the current account deficit, amounted to US\$ 352.1mn (11.0% of GDP, up 7.2% y/y). The largest investment inflows were directed to transport, real estate and financial sectors.

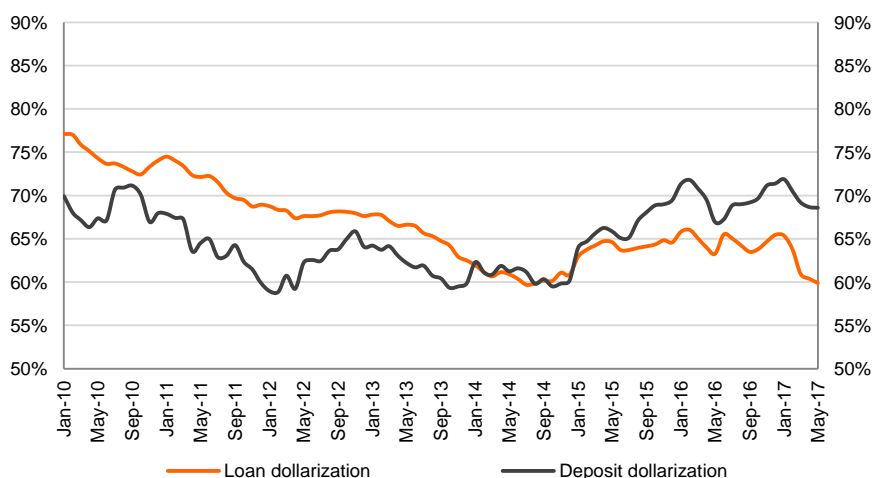
NPLs at 3.7% in May 2017

In May 2017, the banking sector loan portfolio increased 14.3% y/y after growing 13.3% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 25.7% y/y and 0.9% m/m to GEL 19.1bn (US\$ 7.9bn). Deposits were up 12.4% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 21.4% y/y and up 1.1% m/m to GEL 16.4bn (US\$ 6.7bn). Deposit dollarization reached 68.6% (+1.6pts y/y and -0.1pts m/m). NPLs stood at 3.7% in May 2017, flat y/y and m/m.

NBG Purchased USD\$ 40.0mn

On 26 and 28 June 2017, the NBG intervened on the FX market and purchased US\$ 20.0mn and US\$ 20.0mn, respectively, on its foreign exchange auction. Overall, NBG purchased US\$ 89.8mn YTD.

Loan and deposit dollarization



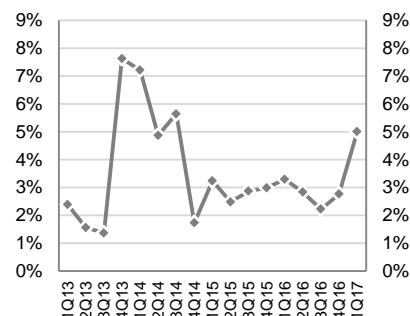
Source: NBG

Key macro indicators

	5M17	2016	2015
GDP (% change)	4.5%	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)	6.6%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	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, G&T

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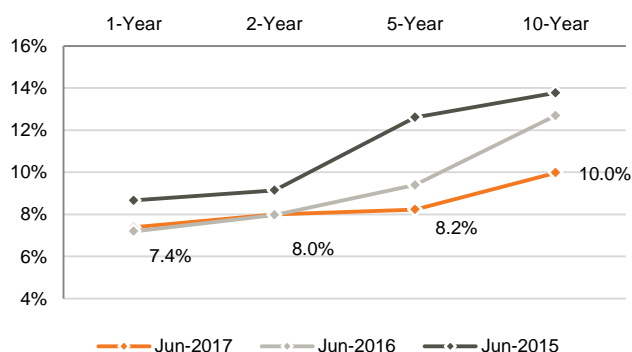
Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,150mn (US\$ 477.7mn).

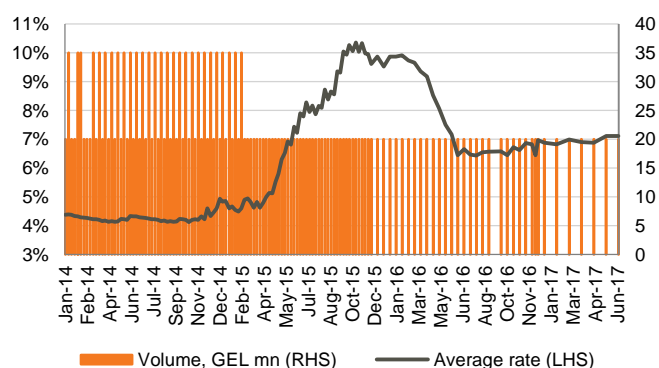
Ministry of Finance Treasury Bills: 5-year GEL 20.0mn (US\$ 8.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on June 28, 2017. The weighted average yield was fixed at 8.228%. The nearest treasury security auction is scheduled for July 5, 2017, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



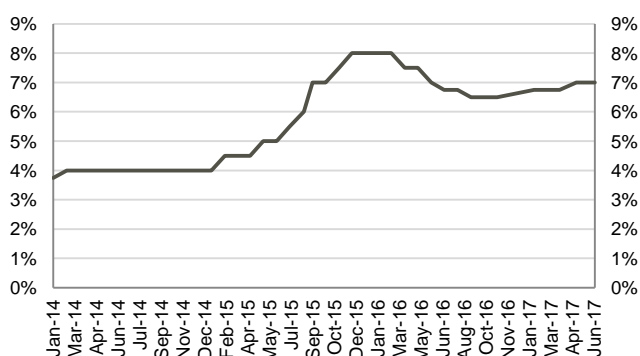
Source: NBG

Certificates of Deposits (weighted average rate)



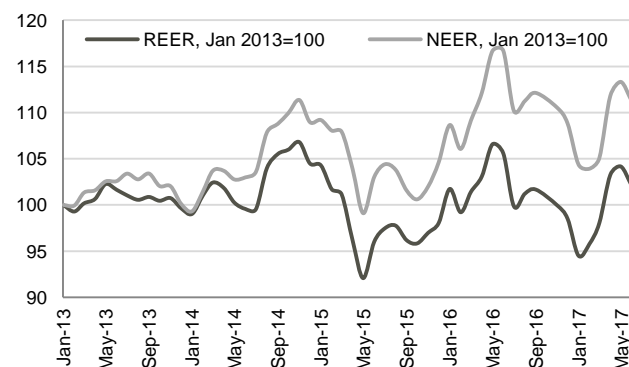
Source: NBG

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

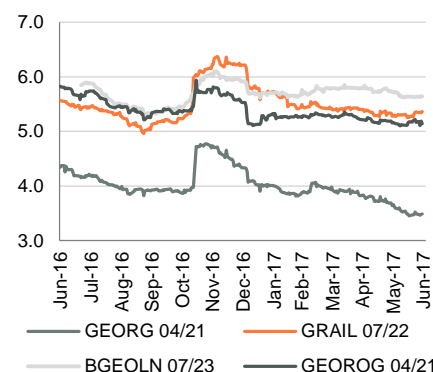


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.6% yield, trading at 101.8 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.3 (unchanged w/w), yielding 10.9%. GOGC Eurobonds (GEOROG) were trading at 105.5 (+0.1% w/w), yielding 5.1%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.2 (-0.2% w/w), yielding 5.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.8 (-0.1% w/w) at 3.5% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

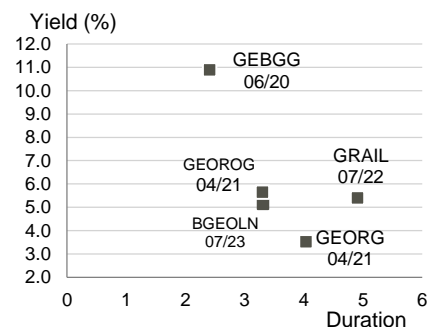
	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	06-20	04/21	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-/-/-	-/-/-	-/-/-	-/-/-	BB-/Baa3	BB-/B+/	BB-/B1	BB-/BB-/Baa3	B+/B+/
Mid price, US\$	n/a	101.6	101.3	100.4	100.3	105.5	101.8	111.8	110.2
Mid yield, %	n/a	6.75%	9.0%	6.50%	10.9	5.1	5.6	3.5	5.4
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	333.7	170.6	348.5	364.4

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

Georgian Eurobond universe



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-/Baa3	111.8	3.5	170.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Baa1	100.4	4.7	262.1
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.5	0.2	-177.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	110.7	1.6	134.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.6	2.8	99.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.3	2.9	105.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa1	106.0	2.8	104.8
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	106.2	3.8	202.1

Source: Bloomberg

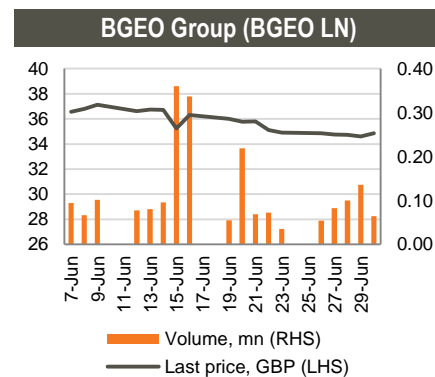


Equities

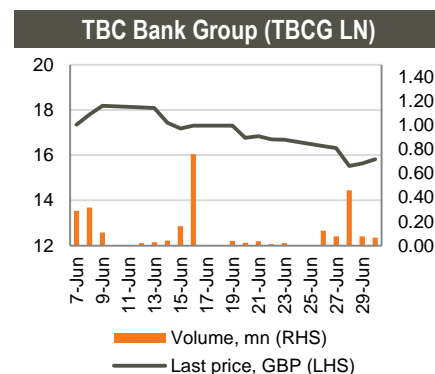
BGEO Group (BGEO LN) shares closed at GBP 34.94/share (+0.06% w/w and -5.49% m/m). More than 452k shares traded in the range of GBP 34.11 – 35.41/share. Average daily traded volume was 115k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.88% w/w and lost 3.39% m/m. The volume of BGEO shares traded was at 1.15% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.84 (-5.04% w/w and -6.82% m/m). More than 819k shares changed hands in the range of GBP 15.50 – 16.52/share. Averaged daily traded volume was 235k in the last 4 weeks.

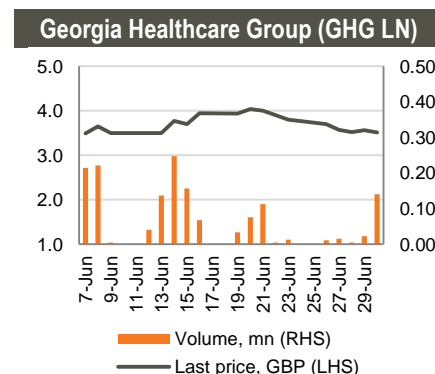
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.56/share (-6.38% w/w and +2.23% m/m). More than 215k shares were traded in the range of GBP 3.50 – 3.80/share. Average daily traded volume was 98k in the last 4 weeks. The volume of GHG shares traded was at 0.16% of its capitalization.



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	44.42	1,751	-7.2%	11.9%	17.4%	16.5%	50.6%
TBC*	TBC	20.86	1,101	-3.7%	10.3%	11.1%	12.4%	66.9%**
Halyk Bank	HSBK	9.15	2,515	24.0%	27.1%	46.4%	52.8%	134.6%
KKB	KKB	0.65	259	-40.9%	-46.7%	-52.9%	-55.0%	-59.1%
VTB Bank	VTBR	2.09	13,557	-8.7%	-5.6%	-8.3%	-12.4%	4.4%
Vozrozhdenie Bank	VZRZ	12.51	297	-5.2%	-4.1%	1.3%	2.2%	27.6%
Sberbank	SBER	10.38	55,991	-11.1%	-10.4%	-8.2%	-10.4%	26.8%

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	4.56	600	2.5%	-0.2%	0.6%	-0.1%	23.0%
Mouwasat	MOUWASAT	42.16	2,108	9.0%	13.2%	6.9%	7.0%	23.3%
Fortis	FORH	2.56	1,329	-18.4%	-6.3%	-2.5%	-3.7%	11.7%
Raffles	RFMD	0.95	1,684	-4.8%	-5.6%	-1.4%	-3.7%	-14.2%
IHH	IHH	1.39	11,486	5.9%	2.6%	-1.5%	-1.5%	-11.6%
Bangkok Chain	BCH	0.40	1,006	10.7%	7.5%	1.6%	-2.3%	15.0%
Netcare	NTC	1.93	2,824	-7.1%	-18.9%	-12.1%	-16.7%	2.0%

Source: Bloomberg

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

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