

Weekly Market Watch

Weekly Market Watch | Georgia
January 4, 2016

Economy

Real GDP grew 5.3% y/y in November 2015

Georgia's real GDP grew 5.3% y/y in November 2015, according to GeoStat's rapid estimates. As a result, output growth averaged 3.0% y/y in 11M15. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

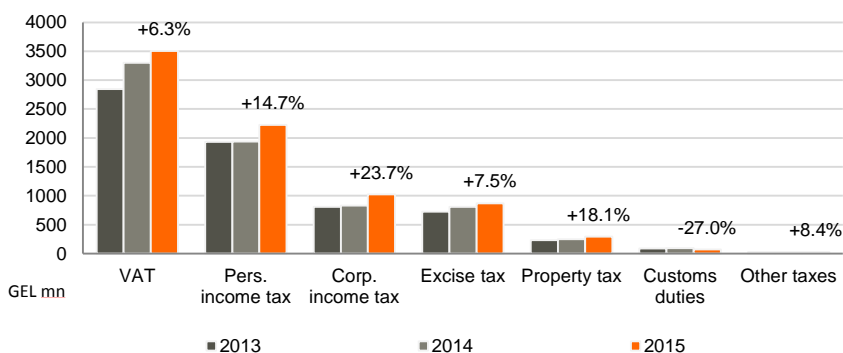
NPLs at 3.1%, down 0.4ppts y/y

In November 2015, the loan portfolio grew 8.1% y/y, excluding the exchange rate effect (+27.8% y/y and +0.1% m/m in unadjusted terms), to GEL 15.8bn (US\$ 6.6bn). Deposits grew 5.7% y/y, excluding the exchange rate effect (+26.0% y/y and +1.4% m/m in unadjusted terms), reaching GEL 14.1bn (US\$ 5.8bn). NPLs remain under control at 3.1% in November 2015, unchanged m/m and down 0.4ppts y/y.

Tax revenues overperformed in 2015

Consolidated budget tax revenues increased 8.8% y/y to GEL 836.7mn in December 2015 and 10.6% y/y to GEL 8.0bn in 2015 (0.4% above the annual plan), according to the Treasury Service. In 2015, personal income tax revenues grew 14.7% y/y (27.8% of total), VAT receipts +6.3% y/y (43.8% of total), profit tax receipts +23.7% y/y (12.8% of total), excise tax +7.5% y/y (10.9% of total), and property tax +18.1% y/y (3.6% of total). Receipts from custom duties decreased, but it has a minor share in total tax revenues.

Consolidated budget tax revenues



Source: Treasury Service

Key macro indicators

	11M15	2014	2013
GDP (% change)	3.0%	4.6%	3.3%
GDP per capita (ppp)*	...	9,209	8,526
GDP per capita (US\$)	...	3,676	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	4.9%***	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

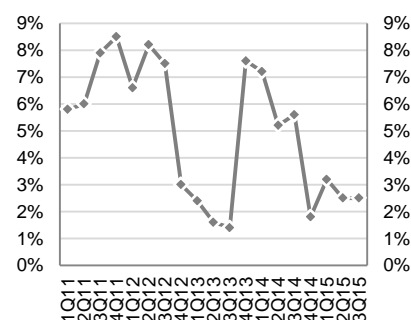
Source: Official data

*Source: IMF

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

***As of 12M15

Real GDP growth, %



Source: GeoStat

Note: 3Q15 figure based on rapid estimates

International ranking of Georgia, 2015-16

Ease of Doing Business # 24 (regional leader)
Economic Freedom Index # 22 (mostly free)
Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2015	 Ba3 Positive Affirmed Mar-2015	 BB- Stable Affirmed Oct-2015
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Source: Rating agencies



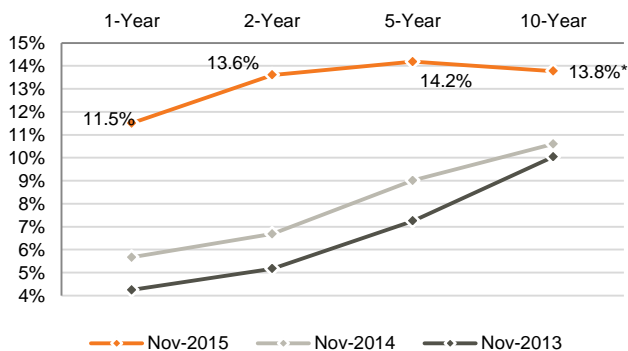
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 292.3mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 9.52% (down by 9bps from previous issue).

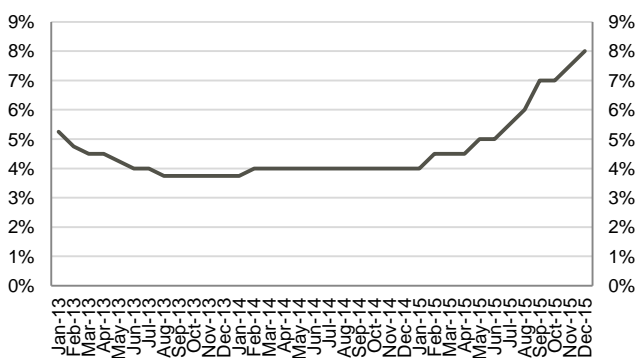
Ministry of Finance Treasury Notes: The nearest treasury securities auction is scheduled for January 6, 2016, where GEL 40mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



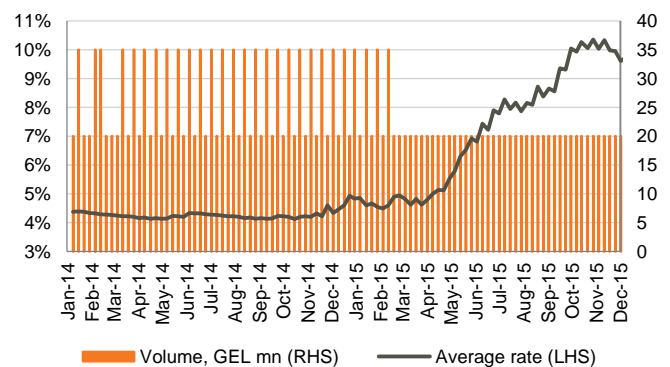
Source: NBG
*As of latest auction

Monetary policy rate



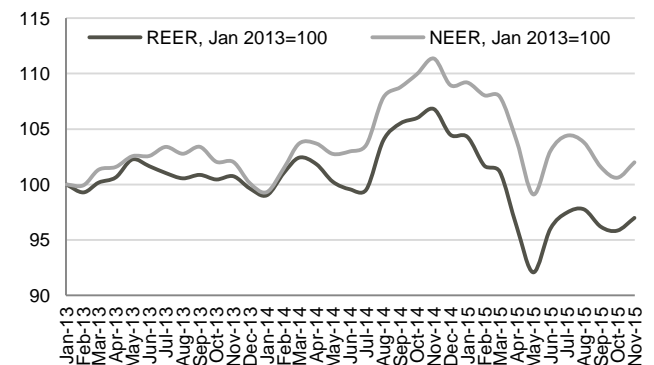
Source: NBG

Certificates of Deposits (weighted average rate)



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

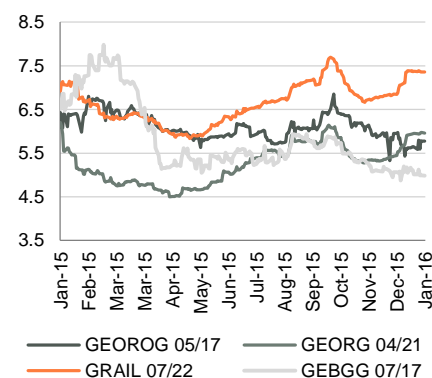
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.0% yield, trading at 103.9 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 101.3 (-0.1% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 102.0 (unchanged w/w), yielding 7.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 104.1 (unchanged w/w) at 6.0% yield to maturity.

Georgia Eurobonds, YTM (%)



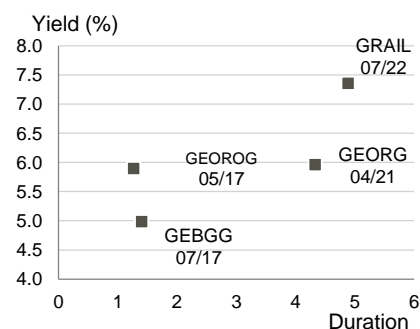
	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	15.000**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	BB-/B+	-/-	-/-	-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0*	99.0	100	98.0	101.3	103.9	104.1	102.0
Mid yield, %	15.0	10.1	9.5	9.7	5.9	5.0	6.0	7.4
Z-spread, bps	n/a	n/a	n/a	n/a	534.7	450.1	411.7	548.3

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% 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	104.1	6.0	411.7
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	93.8	5.7	361.9
Bulgaria	323	5.000%	19/07/2021	BBB-/B+	119.7	1.3	-226.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	100.3	3.8	328.3
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.1	3.4	155.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	117.5	3.5	166.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	103.5	4.1	243.1
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	105.9	4.3	258.3

Source: Bloomberg

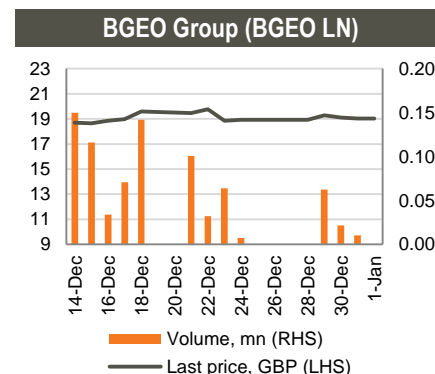
Equities

BGEO Group (BGEO LN) shares closed at GBP 19.04/share (+0.53% w/w and -1.91% m/m). More than 101k shares traded in the range of GBP 18.68 – 19.45/share. Average daily traded volume was 64k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, lost 0.08% w/w and gained 0.05% m/m, respectively. The volume of BOGH shares traded was at 0.26% of its capitalization.

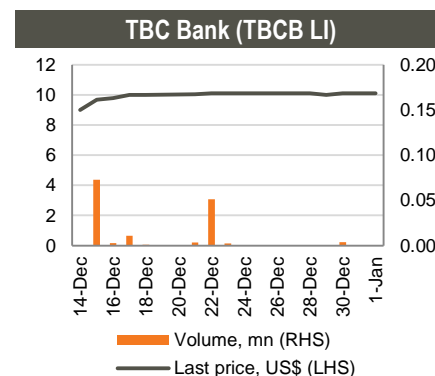
TBC Bank (TBCB LI) closed the week at US\$ 10.10 (unchanged w/w and +11.36% m/m). More than 6k GDRs changed hands in the range of US\$ 10.00 – 10.15/GDR. Average daily traded volume was 12k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.55/share (-5.02% w/w and -12.92% m/m). More than 159k shares were traded in the range of GBP 1.55 – 1.65/share. Average daily traded volume was 24k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.

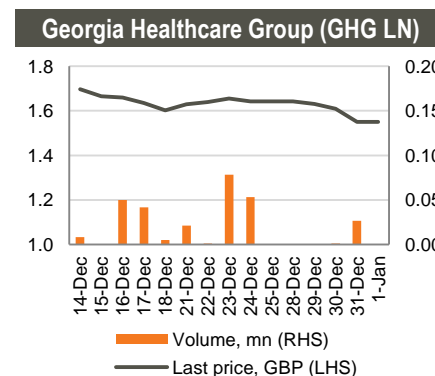
On the Georgian stock exchange: There were no trades. As a result, the G&T Index remained at 885.86 (unchanged w/w).



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*	BGEO	28.05	1,108	-3.1%	1.7%	-5.8%	-13.3%	-14.8%
	TBC	TBC	10.10	495	1.5%	20.8%	-1.0%	-19.8%	-22.0%
	Halyk Bank	HSBK	4.95	1,350	-16.1%	-19.5%	-39.7%	-41.8%	-44.7%
	KKB	KKB	1.23	488	-23.4%	-57.6%	-60.7%	-67.8%	-67.7%
	VTB Bank	VTBR	2.11	13,667	1.8%	2.6%	-21.2%	-8.3%	-4.8%
	Vozrozhdenie Bank	VZRZ	8.25	196	-8.9%	-10.7%	-10.5%	11.9%	21.8%
	Sberbank	SBER	5.88	31,733	-10.2%	19.1%	15.1%	45.2%	51.2%

Source: Bloomberg

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

Healthcare sector peers

		Healthcare Sector peers						
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	GHG*	GHG	2.28	293	-13.3%	nm	nm	nm
	Mouwasat	MOUWASAT	33.73	1,687	7.3%	2.9%	-12.8%	2.2%
	Fortis	FORH	2.71	1,256	8.5%	2.9%	-0.1%	54.4%
	Raffles	RFMD	2.87	1,648	-4.9%	-9.4%	-16.3%	-2.4%
	IHH	IHH	1.49	12,250	-2.6%	6.9%	-4.2%	8.2%
	Bangkok Chain	BCH	0.25	628	13.4%	30.5%	19.8%	4.8%
	Netcare	NTC	2.14	3,124	-6.8%	-21.1%	-31.0%	-34.8%

Source: Bloomberg

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

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