

Weekly Market Watch

 Weekly Market Watch | Georgia
 March 14, 2016

Economy

FDI at US\$ 1.35bn in 2015

FDI in Georgia hit US\$ 1.35bn in 2015, a 23.2% decline compared to 6 year high FDI in 2014, according to GeoStat's preliminary figures. In 4Q15, FDI decreased 49.1% y/y to US\$ 268mn, according to preliminary figures (Geostat will release final figures in August 2016).

In 2015, similarly to 2014, the transport and communications sector was the largest FDI recipient at US\$ 594.0mn (+37.0% y/y, 44.0% of total), followed by the financial sector at US\$ 191.2mn (+65.8% y/y), and the construction sector at US\$ 129.1mn (-59.2% y/y). Azerbaijan topped the list of investors at US\$ 541.8mn (+58.7% y/y, 40.1% of total), followed by United Kingdom at US\$ 198.4mn (+84.5% y/y), and Netherlands at US\$ 111.0mn (-70.3% y/y, 8.2% of total).

Gross international reserves stood at US\$ 2.4bn as of end-Feb 2016

Gross international reserves decreased 0.9% m/m (-US\$ 21.6mn) to US\$ 2.4bn as of end-February 2016, according to NBG. On an annual basis, gross reserves fell 1.8% y/y (-US\$ 43.6mn). The fall in reserves was attributed to government FX operations and/or asset revaluation.

NBG keeps its policy rate unchanged at 8.0%

At its meeting on March 9, 2016, NBG's monetary policy committee decided to keep the policy rate unchanged at 8.0%. NBG cited that monetary tightening has already resulted in decreased inflationary expectations. NBG expects that inflation will start decreasing after 1Q16 but will remain within the target level of 5.0% in 2016. The next committee meeting is scheduled for April 4, 2016.

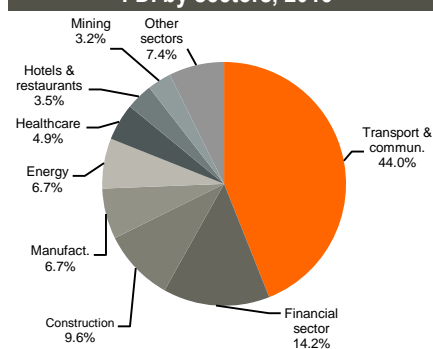
Strong job creation in business sector continued in 4Q15

In 4Q15, production of goods and services by the business sector increased 7.5% y/y to GEL 7.4bn. Production was up in all sectors except manufacturing (down 3.3% y/y), with particularly robust growth in mining (+60.3% y/y), and hotels and restaurants (+43.3% y/y). Like in previous quarters job creation was strong - number of employed persons increased 9.3% y/y to 584 thousand persons (+49.5 thousand persons y/y and +15.8 thousand persons q/q), with particularly upward trend in agriculture (+23.8% y/y, 2% of total), trade (+17.7% y/y, 24.4% of total), hotels and restaurants (+25.1% y/y, 5.3% of total), and operations in real estate (+11.3% y/y, 9.9% of total).

Property registration up 17.3% y/y in Feb-2016

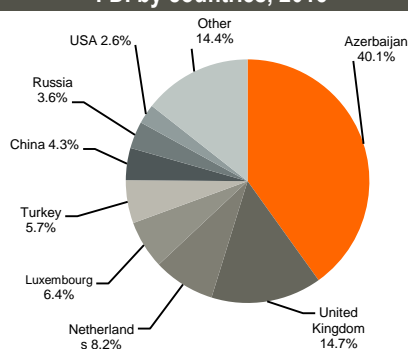
Property registration (commercial and residential real estate) increased 17.3% y/y (+49.4% m/m), reaching 53,213 units in February 2016, according to the National Agency of Public Registry. Registration increased for both primary (+44.5% y/y, 21.4% of total) and secondary (+11.6% y/y, 78.6% of total) properties.

FDI by sectors, 2015



Source: GeoStat

FDI by countries, 2015



Key macro indicators

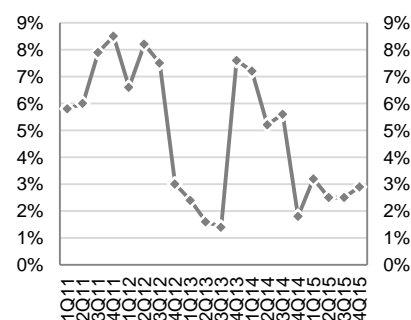
	2M16	2015E	2014
GDP (% change)	0.8%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,765	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	5.6%	4.9%	2.0%
Gross reserves (US\$ bn)	2.4	2.5	2.7
CAD (% of GDP)	10.7%	10.6%
Fiscal deficit (% of GDP)	3.0%
Total public debt (% of GDP)	...	41.1%	35.5%

Source: Official data, IMF, G&T

* As of Jan-16

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

Real GDP growth, %



Source: GeoStat

Note: 4Q15 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)
 Economic Freedom Index # 23 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Mar-2015	FitchRatings BB- Stable Affirmed Oct-2015
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Source: Rating agencies



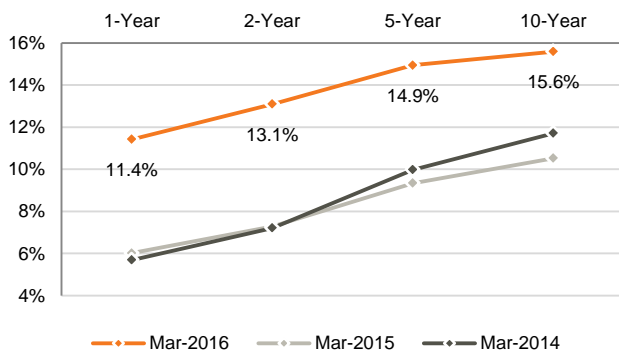
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 285.6mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.1mn) certificates of deposit, with an average yield of 9.66% (down by 25bps from previous issue).

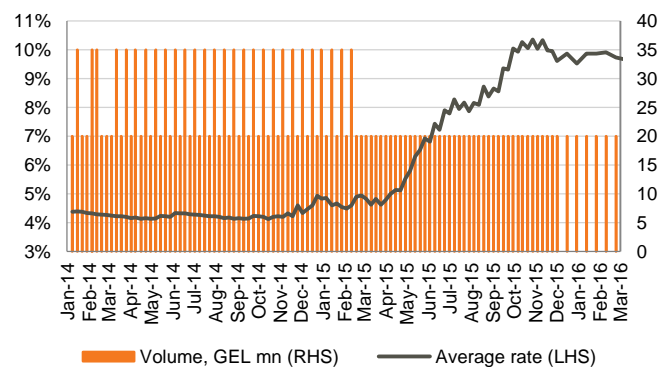
Ministry of Finance Treasury Notes: 2-year GEL 40.0mn (US\$ 16.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on March 9, 2016. The weighted average yield was fixed at 13.355%. The nearest treasury securities auction is scheduled for March 23, 2016, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



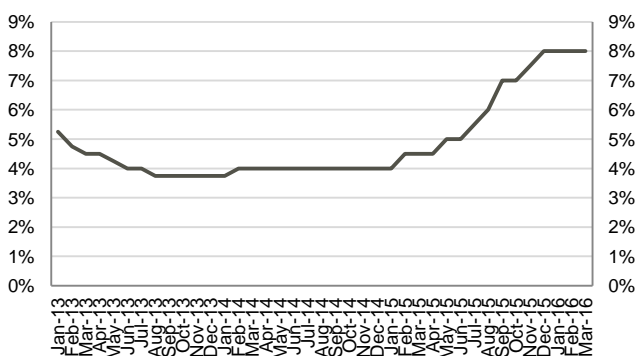
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



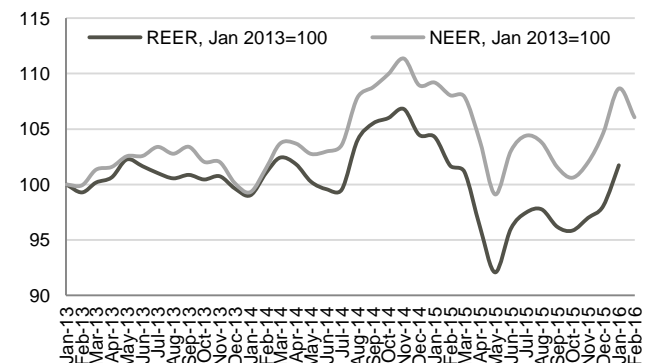
Source: NBG

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

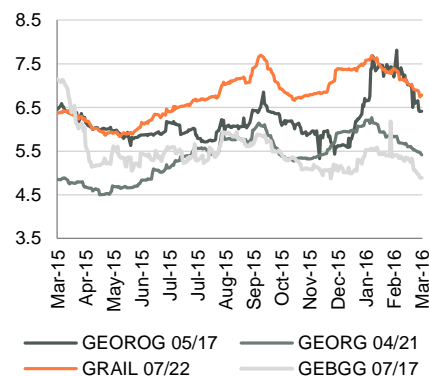


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 4.9% yield, trading at 103.6 (+0.2% w/w). GOGC Eurobonds (GEOROG) were trading at 100.5 (+0.3% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.9 (+0.6% w/w), yielding 6.8%.

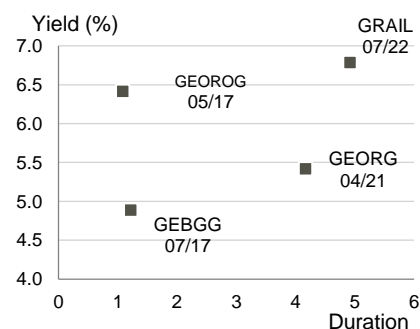
Georgian Sovereign Eurobonds (GEORG) closed at 106.4 (+0.5% w/w) at 5.4% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	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	100.5	103.6	106.4	104.9
Mid yield, %	15.0	10.1	9.5	9.7	6.4	4.9	5.4	6.8
Z-spread, bps	n/a	n/a	n/a	n/a	488.4	397.8	395.0	522.7

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% 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	106.4	5.4	395.0
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	94.1	5.7	399.7
Bulgaria	323	5.000%	19/07/2021	BBB-/B+	120.3	1.1	-246.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	102.4	3.4	319.2
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Baa1	113.4	3.4	189.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.9	3.2	168.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa1	105.1	3.7	228.9
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.1	4.1	261.3

Source: Bloomberg

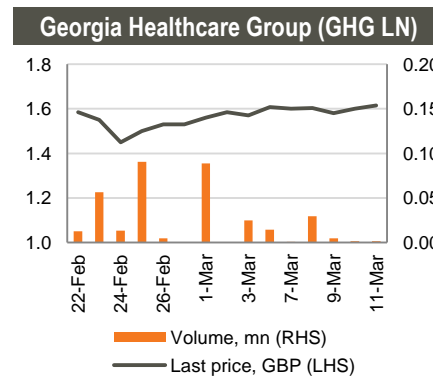
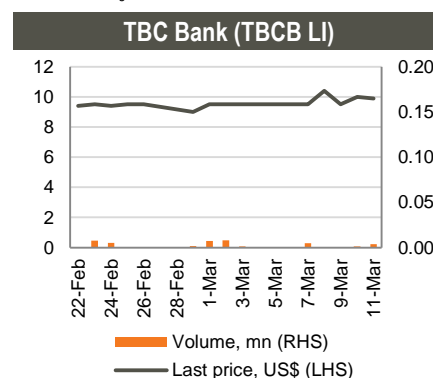
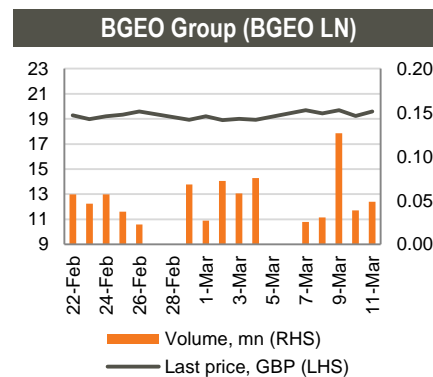
Equities

BGEO Group (BGEO LN) shares closed at GBP 19.60/share (+1.03% w/w and +24.21% m/m). More than 270k shares traded in the range of GBP 19.14 – 20.00/share. Average daily traded volume was 53k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, lost 1.94% w/w and gained 9.38% m/m, respectively. The volume of BOGH shares traded was at 0.68% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 9.90 (+4.21 w/w and +5.32% m/m). More than 10k GDRs changed hands in the range of US\$ 9.50 – 10.40/GDR. Average daily traded volume was 4k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.62/share (+0.47% w/w and -4.01% m/m). More than 37k shares were traded in the range of GBP 1.58 – 1.62/share. Average daily traded volume was 18k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

On the Georgian stock exchange: There were no trades. As a result, the G&T remained at 886.18 (unchanged w/w).



Eastern European banks

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	28.23	1,115	23.7%	1.5%	-0.4%	-12.7%	2.3%
TBC	9.90	485	5.3%	2.6%	0.0%	-21.4%	-17.5%
Halyk Bank	4.75	1,296	31.8%	-13.3%	-30.7%	-44.1%	-22.9%
KKB	1.00	399	42.9%	-33.3%	-63.2%	-73.7%	-71.0%
VTB Bank	2.13	13,829	30.4%	0.6%	7.2%	-7.2%	6.7%
Vozrozhdenie Bank	7.54	179	16.8%	-12.0%	-16.1%	2.2%	9.9%
Sberbank	6.76	36,482	32.9%	13.2%	47.5%	66.9%	44.1%

Source: Bloomberg

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

Healthcare sector peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	2.33	298	-4.4%	-10.1%	nm	nm	nm
Mouwasat	31.98	1,599	9.6%	6.2%	-2.9%	-2.7%	-12.1%
Fortis	2.51	1,164	11.0%	-3.4%	1.2%	43.0%	1.5%
Raffles	3.19	1,833	7.8%	4.0%	-0.5%	8.5%	11.4%
IHH	1.59	13,074	1.1%	9.5%	17.4%	15.5%	9.5%
Bangkok Chain	0.29	711	19.7%	25.0%	46.8%	18.7%	12.3%
Netcare	2.23	3,256	8.2%	11.1%	-18.8%	-32.2%	-35.5%

Source: Bloomberg

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

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