

Weekly Market Watch

 Weekly Market Watch | Georgia
 January 23, 2017

Economy

Exports up 5.1% y/y in December 2016

In December 2016, exports increased 5.1% y/y to US\$ 194.0mn, imports were up 1.9% y/y to US\$ 737.1mn (excluding C-hepatitis medication imports), and the trade deficit widened 0.8% y/y to US\$ 543.1mn according to GeoStat. Increased exports of ferro-alloys (+75.3% y/y), cars (+18.7% y/y), wine (+9.6% y/y), spirituous beverages (+59.0% y/y), and fertilizers (+116.6% y/y) were the major commodities positively affecting exports growth in December 2016, while copper ores (-10.7% y/y), and pharmaceuticals (-38.8% y/y) exports decreased. Petroleum (+80.0% y/y), gases (+21.3% y/y), cars (+21.0% y/y), pharmaceuticals (-4.2% y/y), and phones (+62.6% y/y) represented the top 5 imported commodities in December 2016.

In 2016, trade deficit was up 0.8% y/y to US\$ 5.1bn, excluding one-offs, as imports were down 0.7% y/y to US\$ 7.2bn and exports fell 4.1% y/y to US\$ 2.1bn.

Money transfers up 16.7% y/y in December 2016

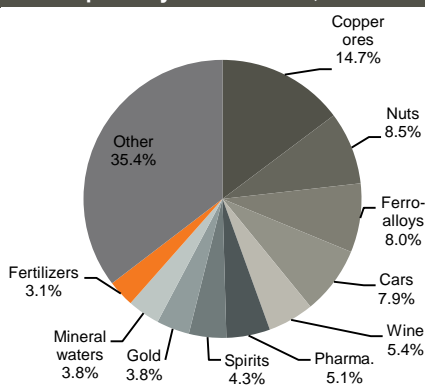
In December 2016, money transfers increased 16.7% y/y to US\$ 119.0mn after growing 14.8% y/y in previous month, according to NBG. Money transfers were up from all major remitting countries: Russia (+2.5% y/y, 34.9% of total), USA (+39.0% y/y, 11.9% of total), Italy (+12.4% y/y, 10.3% of total), Greece (+22.9% y/y, 10.0% of total) and Turkey (+51.5% y/y, 7.0% of total). Overall, money transfers were up 6.6% y/y to US\$ 1.15bn in 2016.

Producer price index up 4.8% m/m and up 7.5% y/y in December 2016

PPI for industrial goods increased 4.8% m/m in December 2016 following a 2.8% m/m growth in previous month, according to GeoStat. A 5.4% price increase for manufacturing contributed the most to the overall index change. In this section prices were up for manufacture of basic and fabricated metals (+22.8% m/m vs +8.4% m/m in Nov-16) and up for manufacture of food products, beverages and tobacco (+2.5% m/m).

Annual PPI was up 7.5% in December 2016 after a 1.7% growth in previous month. Rising prices in manufacturing contributed the most to the overall index change (+7.4% y/y,) as prices were up for manufacture of basic and fabricated metals (+35.5% y/y vs. +4.7% y/y in Nov-16) and food products, beverages and tobacco (+5.9% y/y). Upward pressure on prices also came from supply of electricity, gas and water (+5.1% y/y), and mining and quarrying (+16.3% y/y vs. +5.9% y/y in Nov-16) sections.

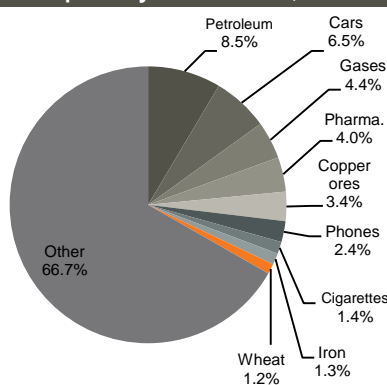
Exports by commodities, 2016



Source: GeoStat

Note: 2016 imports provided excluding donated C-hepatitis medicine imports

Imports by commodities, 2016



Key macro indicators

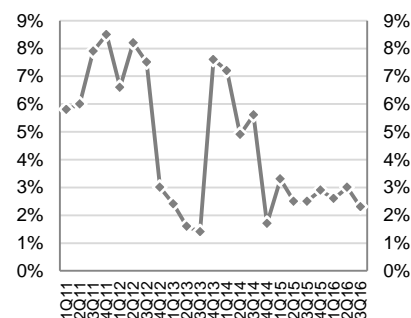
	11M16	2015	2014
GDP (% change)	2.4%	2.9%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,767	3,676
Population (mn)	3.7	3.7	4.5
Inflation (eop)	1.8%(1)	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	8.4%(2)	11.9%	10.6%
Fiscal deficit (% of GDP)	3.7%	3.0%
Total public debt (% of GDP)	...	41.4%	35.7%

Source: Official data, IMF

(1) As of 12M16

(2) As of 3Q16

Real GDP growth, %



Source: GeoStat

International ranking, 2016-17

Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 23 (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 Nov-2016	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Sep-2016
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Source: Rating agencies

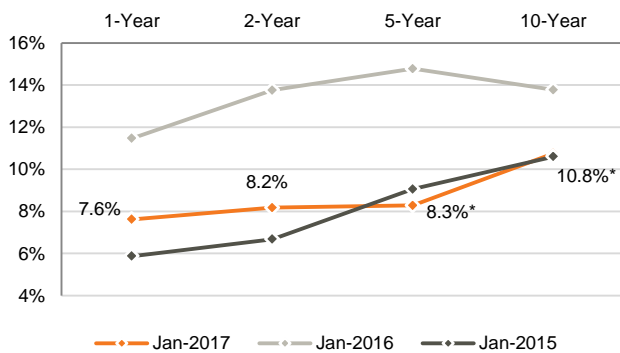


Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,250mn (US\$ 469.5mn).

Ministry of Finance Treasury Securities: 1-year GEL 40.0mn (US\$ 15.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on January 18, 2017. The weighted average yield was fixed at 7.623%. The nearest treasury security auction is scheduled for January 25, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.

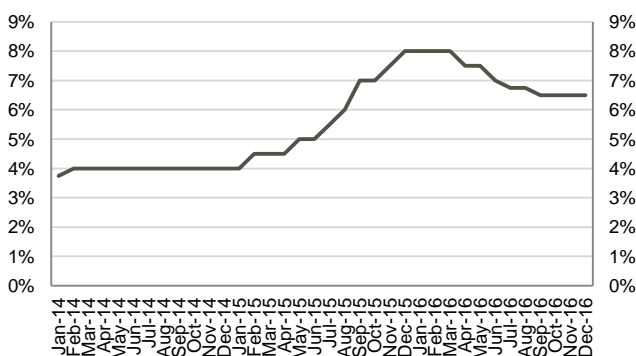
T-bills / T-notes, yield curve



Source: NBG

*Note: As of latest auction.

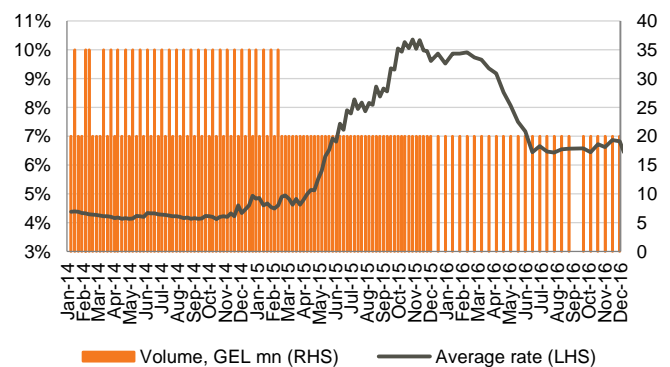
Monetary policy rate



Source: NBG

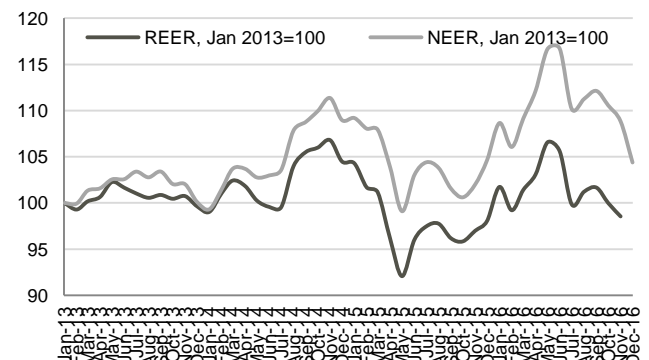
Note: Next revision of a monetary policy rate is scheduled for 25 January 2017

Certificates of Deposits (weighted average rate)



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

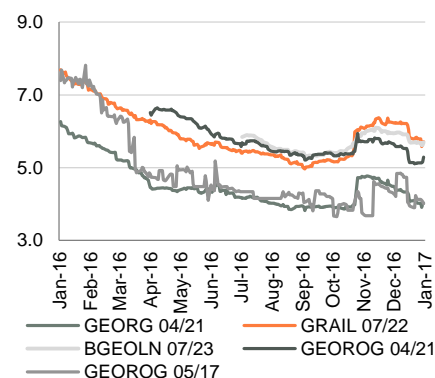
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.6 (+1.2% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.7 (-0.1% w/w), yielding 4.6% and GEOROG 04/21 traded at 105.6 (+1.0% w/w), yielding 5.3%. Georgian Railway Eurobond (GRAIL) traded at a premium at 109.3 (+2.1% w/w), yielding 5.8%.

Georgian Sovereign Eurobond (GEORG) closed at 110.9 (+1.0% w/w) at 4.0% yield to maturity.

Georgia Eurobonds, YTM (%)



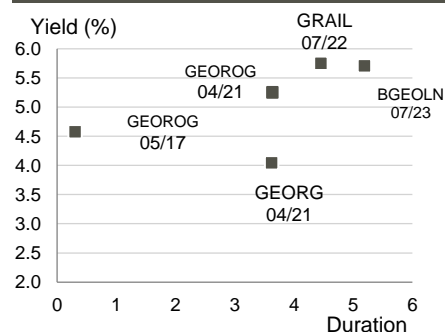
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25	5	15	10	250	53.5	350	500	500
Issue date	12/16	10/16	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	7.50	11.00	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B1	-/-	-/-	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/B+
Mid price, US\$	n/a	101.84	102.42	101.44	100.82	105.6	100.7	101.6	110.9	109.3
Mid yield, %	n/a	6.750	8.750	4.750	7.500	5.3	4.6	5.7	4.0	5.8
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	320.4	242.7	342.2	202.4	376.0

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

**Coupon rate 3.5% 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	110.9	4.0	202.4
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	100.2	4.7	246.0
Bulgaria	323	5.000%	19/07/2021	BBB-/B1	119.9	0.5	-233.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.4	2.2	196.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.4	3.2	115.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.7	3.5	144.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.4	2.9	101.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	102.3	5.0	300.4

Source: Bloomberg

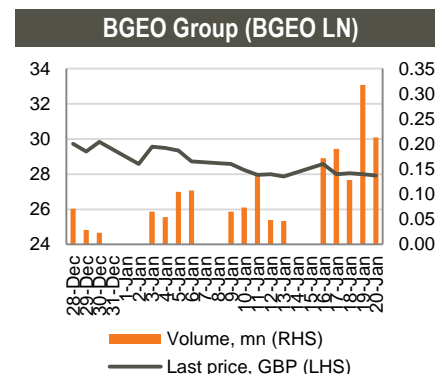
Equities

BGEO Group (BGEO LN) shares closed at GBP 27.84/share (+0.18% w/w and -7.49% m/m). More than 1,020k shares traded in the range of GBP 27.24 – 28.17/share. Average daily traded volume was 103k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 1.24% w/w and gained 2.10% m/m. The volume of BGEO shares traded was at 2.58% of its capitalization.

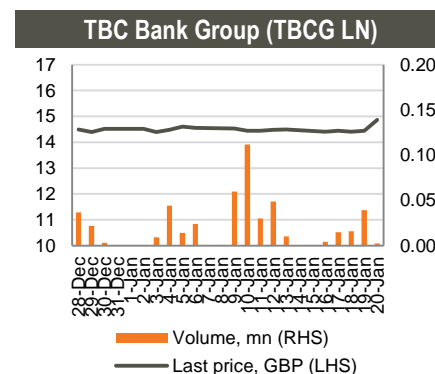
TBC Bank Group (TBCG LN) closed the week at GBP 14.86 (+2.48% w/w and -1.91% m/m). More than 75k shares changed hands in the range of GBP 14.19 – 15.00/share. Averaged daily traded volume was 27k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.50/share (+2.94% w/w and -4.11% m/m). More than 108k shares were traded in the range of GBP 3.37 – 3.70/share. Average daily traded volume was 20k in the last 4 weeks. The volume of GHG shares traded was at 0.08% of its capitalization.

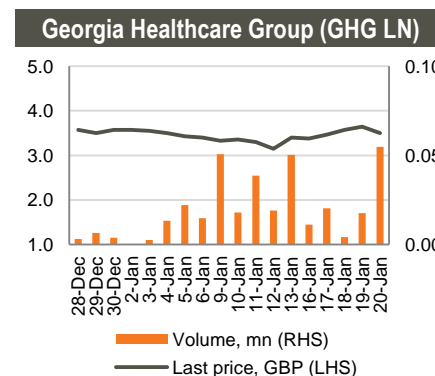
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.017 (unchanged /w). As a result, the G&T Index remained at 1,177.93 (unchanged w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	34.43	1,360	-7.7%	-8.3%	-4.8%	22.7%	45.5%
TBC*	TBC	18.33	956	-2.1%	60.1%	36.8%	81.5%	105.9%
Halyk Bank	HSBK	6.00	1,649	-4.0%	-9.1%	5.3%	21.2%	42.9%
KKB	KKB	1.32	526	-0.8%	-4.3%	-17.0%	7.8%	46.7%
VTB Bank	VTBR	2.26	14,639	-3.0%	7.7%	8.7%	7.1%	42.3%
Vozrozhdenie Bank	VZRZ	12.62	300	8.3%	12.6%	25.6%	52.9%	100.0%
Sberbank	SBER	11.40	61,523	-3.1%	17.3%	25.6%	93.9%	163.9%

Source: Bloomberg

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

Note: 6M, YTD, and 1Y changes in TBC share prices calculated using GDR prices on those dates.

Healthcare Sector Peers

Ticker		Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.32	568	-4.3%	3.7%	-0.8%	89.0%	86.7%
Mouwasat	MOUWASAT	37.76	1,888	-4.8%	21.3%	4.1%	16.4%	47.2%
Fortis	FORH	2.70	1,301	1.6%	1.2%	1.7%	-0.6%	7.8%
Raffles	RFMD	1.02	1,784	3.1%	-6.6%	-11.2%	4.2%	11.4%
IHH	IHH	1.42	11,684	-0.2%	-7.5%	-13.0%	-7.1%	-4.5%
Bangkok Chain	BCH	0.44	1,104	13.1%	22.9%	26.1%	76.4%	80.6%
Netcare	NTC	2.39	3,490	6.2%	-5.3%	5.4%	9.0%	29.0%

Source: Bloomberg

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

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