

Weekly Market Watch

Weekly Market Watch | Georgia
Apr 23, 2018

Economy

Exports up 33.1% y/y in March 2018

In March 2018, exports increased 33.1% y/y to US\$ 293.9mn, imports were up 34.7% y/y to US\$ 837.7mn and the trade deficit widened 35.6% y/y to US\$ 543.7mn, according to GeoStat.

In March 2018, copper (+9.3% y/y), ferro-alloys (+28.8% y/y), cars (+69.3% y/y), waters (+151.6% y/y) and wine (+39.4% y/y) were the top 5 exported commodities. A 26.2% of exports was directed to the EU (+32.9% y/y), 43.6% to the CIS (+70.2% y/y) and 30.3% to other countries (+1.4% y/y). In March 2018, petroleum (+51.0% y/y), mixed goods (59.4x higher y/y), cars (-4.8% y/y), pharmaceuticals (+32.1% y/y) and gases (-9.6% y/y) represented the top 5 imported commodities.

Overall, in 1Q18, the trade deficit was up 18.1% y/y at US\$ 1.3bn as exports were up 28.4% y/y to US\$ 740.3mn, while imports increased 21.6% y/y to US\$ 2.1bn.

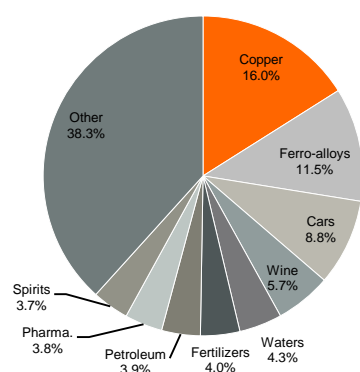
Producer price index down 0.9% m/m and up 6.5% y/y in March 2018

PPI for industrial goods was down 0.9% m/m in March 2018, according to GeoStat. A 0.9% price decrease for manufacturing contributed the most to the overall index change. Annual PPI was up 6.5% in March 2018. Rising prices in manufacturing (+5.5% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+12.1% y/y).

Money transfers up 17.0% y/y in March 2018

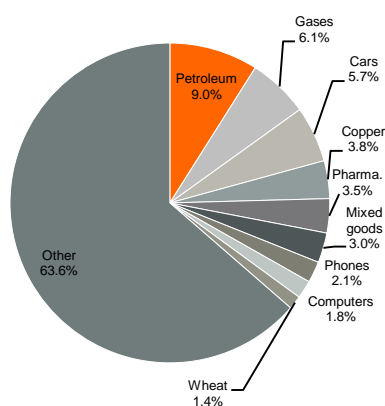
In March 2018, money transfers increased 17.0% y/y to US\$ 131.1mn, after growing 21.0% y/y in previous month, according to NBS. Money transfers were up from almost all major remitting countries: Italy (+39.7% y/y, 11.9% of total), Greece (+19.0% y/y, 10.5% of total), USA (+10.6% y/y, 9.9% of total), Israel (+50.7% y/y, 9.9% of total) and Turkey (+15.0% y/y, 8.1% of total). Meanwhile remittances were slightly down from Russia (-0.5% y/y, 29.1% of total). Overall, in 1Q18 money transfers were up 22.4% y/y to US\$ 355.0mn.

Exports by commodities, 1Q18



Source: GeoStat

Imports by commodities, 1Q18



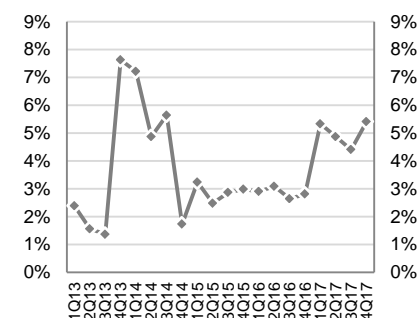
Key macro indicators

	1Q18	2017	2016
GDP (% change)	4.9% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.8%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.4%

Source: Official data, IMF

1) As of 2M18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 <p>BB- Stable Affirmed May-2017</p>	 <p>Ba2 Stable Upgraded Sep-2017</p>	 <p>BB- Positive Affirmed Mar-2018</p>
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Source: Rating agencies



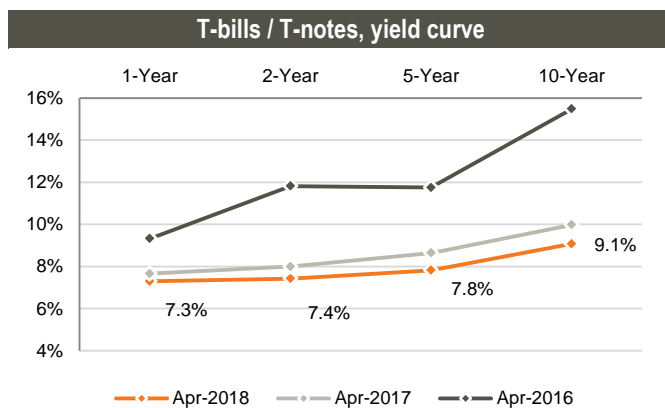
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 830mn (US\$ 341.9mn).

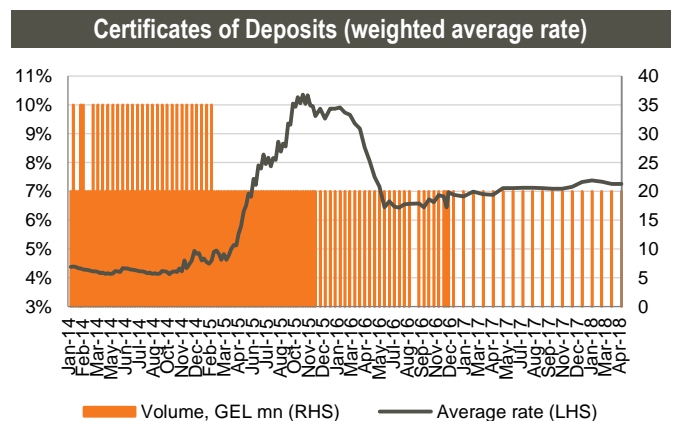
Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.2mn) certificates of deposit, with an average yield of 7.26% (unchanged from previous issue).

Ministry of Finance Treasury Notes:

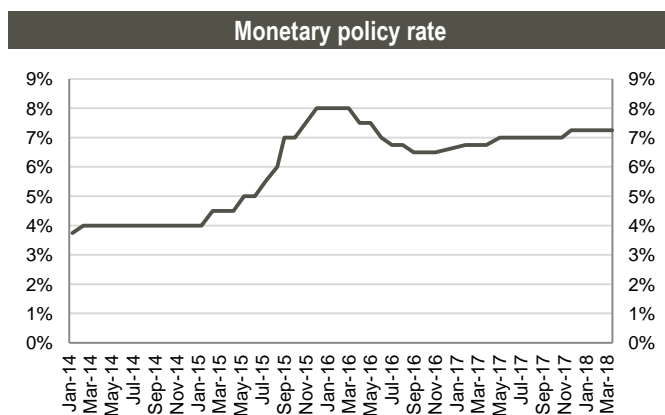
10-year GEL 25.0mn (US\$ 10.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on April 18, 2018. The weighted average yield was fixed at 9.072%. The nearest treasury security auction is scheduled for April 25, 2018, where GEL 30.0mn nominal value 5-year T-Notes will be sold.



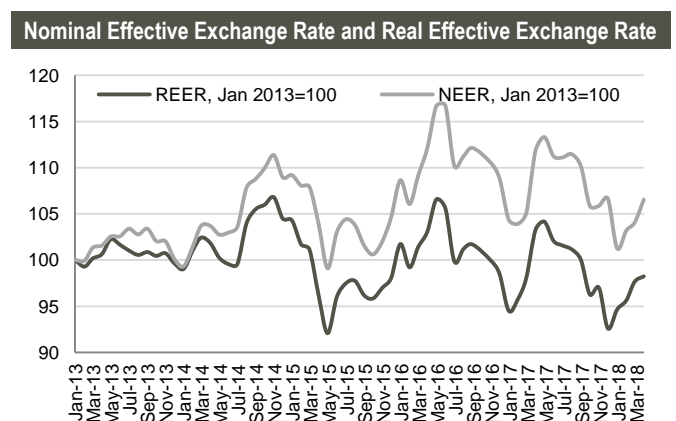
Source: NBG



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Source: NBG

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



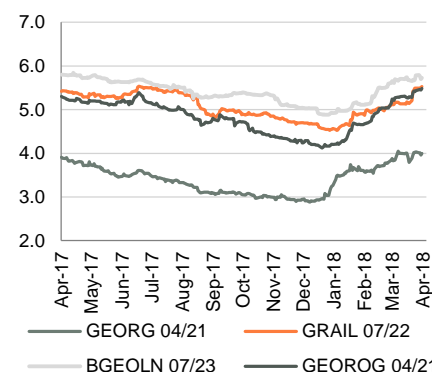
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.7% yield, trading at 101.2 (+0.3% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 96.1 (-0.9% w/w), yielding 6.9%.

GOGC Eurobonds (GEOROG) were trading at 103.5 (-0.3% w/w), yielding 5.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 108.2 (-0.3% w/w), yielding 5.5%.

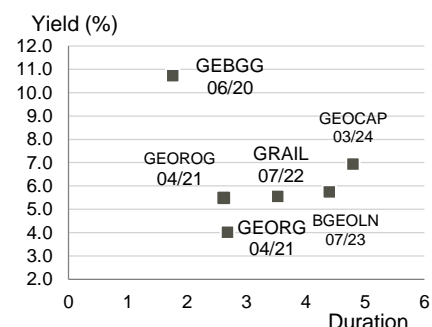
Georgian Sovereign Eurobonds (GEORG) closed at 107.9 (unchanged w/w) at 4.0% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/	-/-	-/-	n/a	-/-B2e	B-/B2a2	BB-/B+	BB-/B1	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	102.8	101.3	101.07	96.1	100.5	103.5	101.2	107.9	108.2
Mid yield, %	n/a	5.5%	3.8%	6.50%	6.9	10.7	5.5	5.7	4.0	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	403.8	346.1	267.2	284.4	119.7	267.9

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-/Ba2	107.9	4.0	119.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	100.6	4.6	173.6
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	116.0	0.1	-27.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	111.5	1.0	76.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	108.5	3.3	50.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	110.9	3.6	77.9
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.3	3.8	109.3
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa2	103.5	4.3	153.3

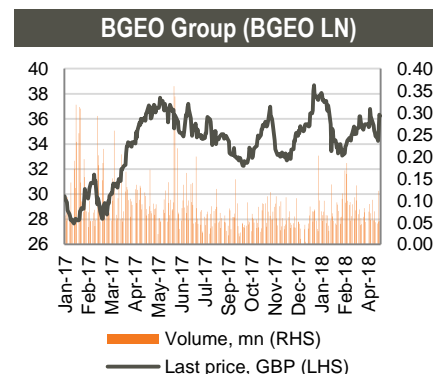
Source: Bloomberg

Equities

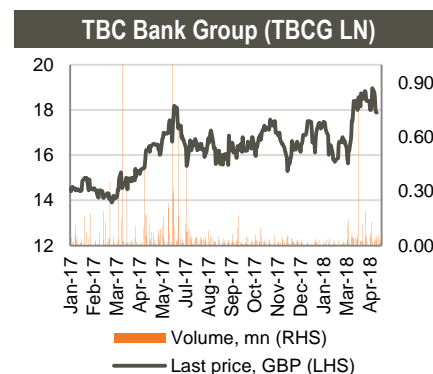
BGEO Group (BGEO LN) shares closed at GBP 36.24/share (+4.62% w/w and +0.06% m/m). More than 316k shares traded in the range of GBP 34.06 – 36.66/share. Average daily traded volume was 67k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.91% w/w and gained 2.50% m/m. The volume of BGEO shares traded was at 0.80% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 18.68 (+4.47% w/w and -0.32% m/m). More than 153k shares changed hands in the range of GBP 17.46 – 18.88 share. Averaged daily traded volume was 50k in the last 4 weeks.

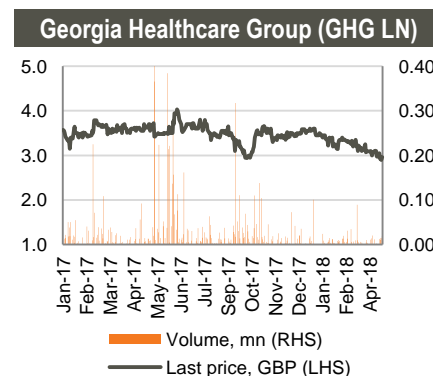
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.96/share (-0.34% w/w and -6.33% m/m). More than 70k shares were traded in the range of GBP 2.90 – 3.18/share. Average daily traded volume was 8k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.



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	36.24*	2,002	0.1%	-4.1%	5.2%	1.9%	5.1%
TBC	TBC	18.68*	1,403	-0.3%	8.4%	9.8%	6.7%	21.5%
Halyk Bank	HSBK	11.80	3,244	-18.3%	-4.8%	27.3%	19.4%	59.9%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-38.2%
VTB Bank	VTBR	1.94	12,565	-4.9%	0.1%	-8.6%	6.0%	-12.9%
Vozrozhdenie Bank	VZRZ	5.42	129	-29.0%	-42.4%	-49.4%	-37.7%	-59.2%
Sberbank	SBER	14.92	80,492	-19.2%	-20.2%	3.4%	-11.9%	31.5%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.96*	547	-6.3%	-14.8%	-15.4%	-16.6%	-16.6%
Mouwasat	MOUWASAT	51.97	2,599	11.4%	20.4%	23.4%	28.7%	34.4%
Fortis	FORH	2.26	1,172	-5.8%	-0.8%	0.7%	-10.0%	-29.9%
Raffles	RFMD	0.89	1,576	1.1%	5.8%	4.8%	6.1%	-13.4%
IHH	IHH	1.57	12,931	-0.8%	3.0%	14.3%	8.8%	14.7%
Bangkok Chain	BCH	0.56	1,392	2.5%	12.6%	15.1%	12.2%	47.7%
Netcare	NTC	2.50	3,676	19.0%	19.7%	39.3%	23.1%	34.8%

Source: Bloomberg

*GHG share price traded and shown in GBP

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge