

Weekly Market Watch

 Weekly Market Watch | Georgia
 Sep 25, 2017

Economy

Real GDP grew 4.7% y/y in 2Q17

Georgia's real GDP growth was revised upward to 4.7% y/y from 4.0% y/y rapid estimate figure in 2Q17 by GeoStat. As a result, 1H17 growth came in at 4.9% y/y compared to 3.0% y/y growth in 1H16. Construction was the fastest growing sector in 2Q17 expanding by 16.4% y/y, followed by hotels and restaurants (+12.9% y/y) and mining (+7.4% y/y). Declines were only posted in agriculture (-2.4% y/y) and electricity, gas and water production (-0.9% y/y) sectors.

Exports up 25.6% y/y in August 2017

In August 2017, exports increased 25.6% y/y to US\$ 236.1mn, imports were up 1.2% y/y to US\$ 699.7mn and the trade deficit narrowed 8.0% y/y to US\$ 463.6mn, according to GeoStat. Overall in 8M17, the trade deficit was down 0.9% y/y at US\$ 3.3bn as exports were up 28.5% to US\$1.7bn, while imports increased 7.5% to US\$ 4.9bn.

Increased exports of ferro-alloys (+134.1% y/y), cars (+22.6% y/y), wine (+58.1% y/y) and pharmaceuticals (+65.0% y/y) were the major commodities driving export growth in August 2017. In contrast copper exports were down 7.5% y/y.

Petroleum (+23.4% y/y), copper (+54.7% y/y), cars (-32.8% y/y), pharmaceuticals (+12.8% y/y) and phones (+27.3% y/y) represented the top 5 imported commodities in August 2017.

Producer price index up 0.8% m/m and up 11.5% y/y in August 2017

PPI for industrial goods was up 0.8% m/m in August 2017, according to GeoStat. A 0.6% price increase for manufacturing contributed the most to the overall index change as prices were up for manufacture of basic metals and fabricated metal products (+5.2% m/m) and chemicals and chemical products (+4.0% m/m), while prices were down for food, beverages and tobacco (-1.0% m/m).

Annual PPI was up 11.5% in August 2017. Rising prices in manufacturing (+11.4% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+10.1% y/y) and for mining and quarrying (+18.0% y/y).

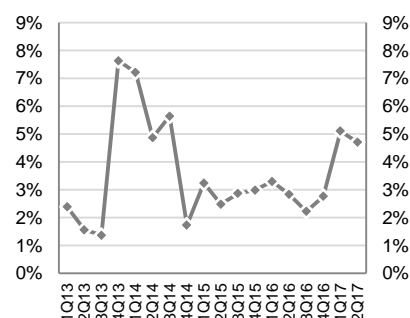
Key macro indicators

	8M17	2016	2015
GDP (% change)	4.7% ⁽¹⁾	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)	5.7%	1.8%	4.9%
Gross reserves (US\$ bn)	2.9	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

(1) As of 7M17

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)

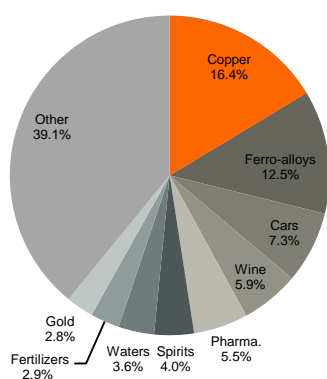
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2017	 Ba2 Stable Affirmed Sep-2017	 BB- Stable Affirmed Sep-2017
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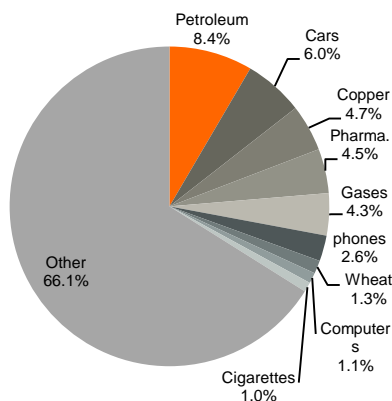
Source: Rating agencies

Exports by commodities, 8M17



Source: GeoStat

Imports by commodities, 8M17



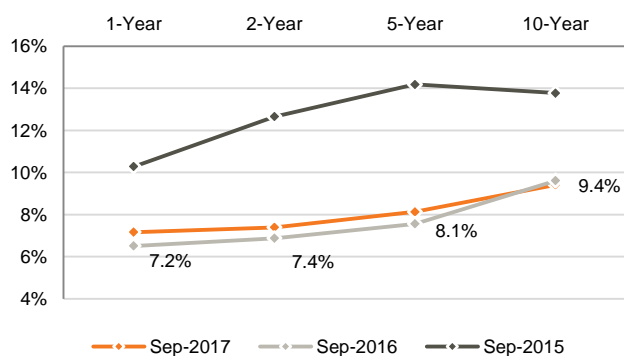
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,050mn (US\$ 423.8mn).

Ministry of Finance Treasury Bills:

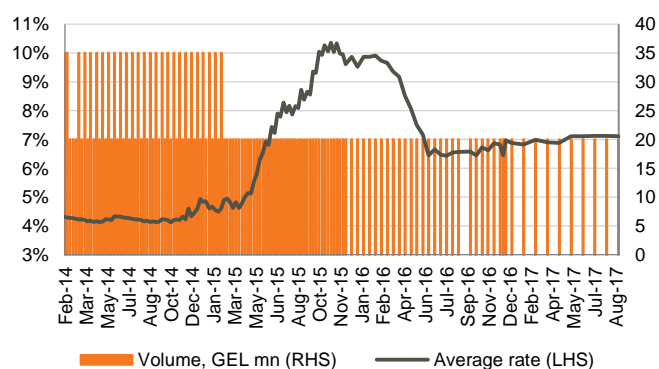
182-days GEL 20.0mn (US\$ 8.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on September 13, 2017. The weighted average yield was fixed at 7.119%. The nearest treasury security auction is scheduled for September 27, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



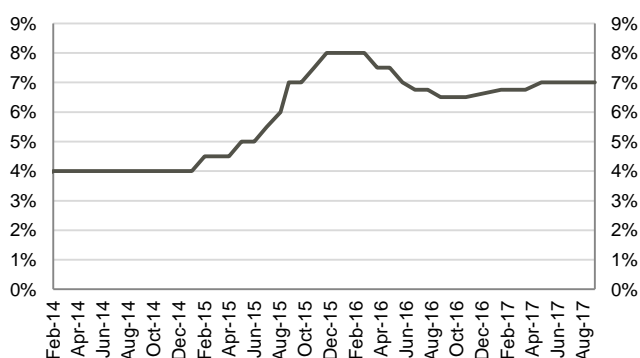
Source: NBG

Certificates of Deposits (weighted average rate)



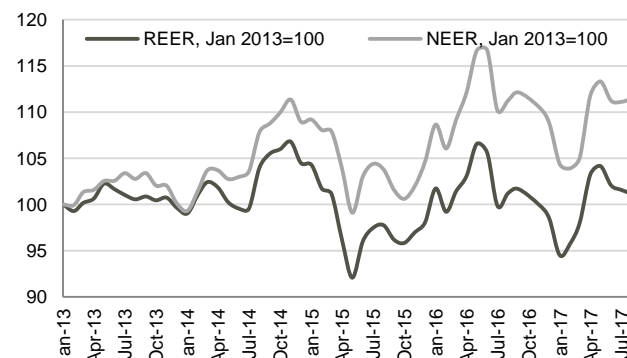
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

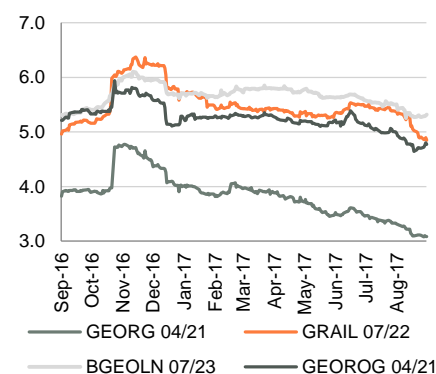
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

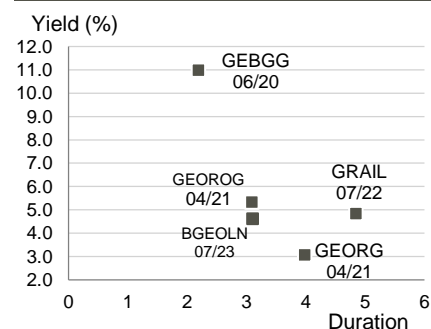
Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.3 (-0.3% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (unchanged w/w), yielding 11.0%. GOGC Eurobonds (GEOROG) were trading at 107.0 (+0.3% w/w), yielding 4.6%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.4 (+0.4% w/w), yielding 4.8%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.7 (+0.1% w/w) at 3.1% yield to maturity.

Georgia Eurobonds, YTM (%)



Georgian Eurobond universe



	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	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	08/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/	-/-	-/-	-/-	BB-/Ba2	BB-/B+	BB-/B1	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	101.4	101.2	100.0	99.8	107.0	103.3	112.7	112.4
Mid yield, %	n/a	6.75%	8.5%	9.0%	11.1	4.6	5.3	3.1	4.8
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	277.4	122.3	290.3	333.6

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	112.7	3.1	122.3
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.2	4.4	232.0
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.5	0.1	-27.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	113.0	1.0	84.3
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.0	2.5	64.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.5	2.7	82.0
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.2	2.5	76.4
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	106.8	3.6	172.3

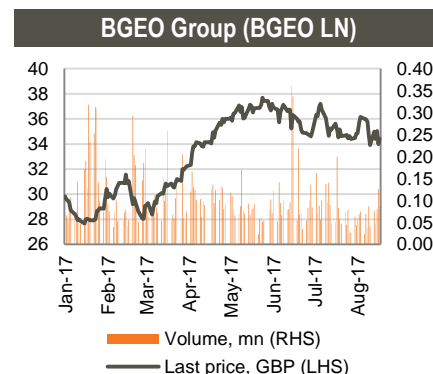
Source: Bloomberg

Equities

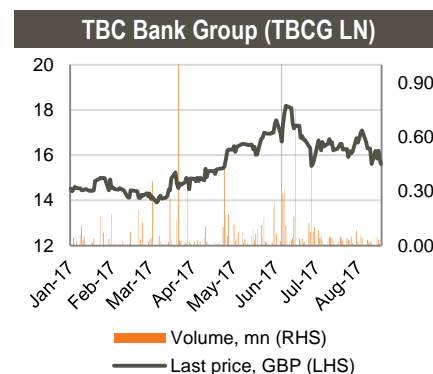
BGEO Group (BGEO LN) shares closed at GBP 32.90/share (-0.21% w/w and -4.89% m/m). More than 205k shares traded in the range of GBP 32.47 – 33.24/share. Average daily traded volume was 56k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.72% w/w and lost 1.18% m/m. The volume of BGEO shares traded was at 0.52% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.39 (+0.43% w/w and +5.20% m/m). More than 311k shares changed hands in the range of GBP 16.00 – 17.01/share. Averaged daily traded volume was 32k in the last 4 weeks.

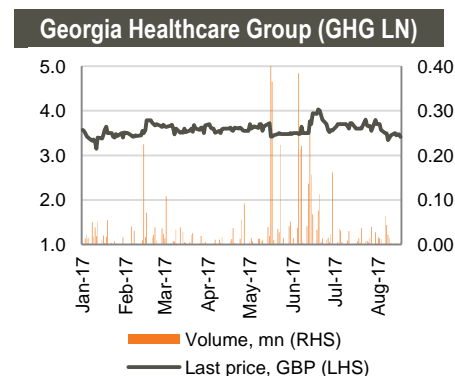
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.20/share (-4.48% w/w and -5.88% m/m). More than 209k shares were traded in the range of GBP 3.15 – 3.40/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.16% of its capitalization.



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	44.45	1,751	-4.3%	-8.5%	6.8%	10.4%	12.1%
TBC*	TBC	21.85	1,157	3.8%	-6.4%	6.3%	11.6%	47.3%
Halyk Bank	HSBK	9.75	2,680	-3.5%	17.3%	36.4%	62.8%	62.5%
KKB	KKB	0.68	271	0.0%	4.6%	-52.6%	-52.9%	-57.2%
VTB Bank	VTBR	2.14	13,835	8.2%	-0.2%	-5.7%	-10.6%	-5.6%
Vozrozhdenie Bank	VZRZ	9.84	234	-0.3%	-23.0%	-24.0%	-19.7%	-7.7%
Sberbank	SBER	13.52	72,937	12.2%	30.8%	15.4%	16.8%	42.7%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are 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*	GHG	4.38	577	-4.8%	-17.4%	-8.6%	-9.0%	5.0%
Mouwasat	MOUWASAT	42.71	2,136	1.9%	10.4%	14.1%	8.4%	34.0%
Fortis	FORH	2.39	1,238	5.4%	-19.0%	-13.2%	-10.2%	-8.4%
Raffles	RFMD	0.83	1,465	-0.1%	-15.7%	-18.6%	-16.3%	-26.9%
IHH	IHH	1.39	11,440	-0.9%	-0.7%	1.9%	-1.9%	-13.0%
Bangkok Chain	BCH	0.46	1,146	8.3%	16.4%	17.1%	11.3%	36.7%
Netcare	NTC	1.72	2,523	-9.2%	-8.9%	-29.7%	-25.6%	-24.6%

Source: Bloomberg

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

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