

Weekly Market Watch

Weekly Market Watch | Georgia
December 5, 2016

Economy

Real GDP up 1.3% y/y in October 2016

Georgia's economy expanded 1.3% y/y in October 2016, after growing 1.5% y/y in previous month, according to GeoStat's rapid estimates. As a result, output growth averaged 2.5% y/y in 10M16. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Tourist arrivals up 14.1% y/y in November 2016

Total international arrivals to Georgia increased 5.1% y/y to 0.46mn visitors in November 2016, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 14.1% y/y to 0.16mn persons (35.9% of total) in November 2016 after growing 20.9% y/y in previous month. Out of top countries by arrivals, in November 2016 visitors continued to increase from Armenia (+10.8% y/y), Russia (+9.9% y/y) and Ukraine (+16.0% y/y), while arrivals were down from Azerbaijan (-1.8% y/y) and Turkey (-12.1% y/y). Arrivals from EU were up 25.4% y/y. In 11M16, the number of total international arrivals was up 8.0% y/y to 5.86mn persons, while the number of tourists increased 19.3% y/y to 2.54mn persons.

Inflation rate at 0.2% y/y and 0.6% m/m in November 2016

The annual CPI inflation was 0.2% in November 2016 after 0.2% deflation in previous month, according to GeoStat. Core inflation remained unchanged at 0.9% in November, compared to previous month. Overall price changes were driven by price increases in alcoholic beverages and tobacco (+10.5% y/y, +0.65ppts) and health (+1.5% y/y, +0.15ppts) categories. Meanwhile, prices were down in transport category (-3.7% y/y -0.41ppts).

On a monthly basis, inflation rate was 0.6% in November 2016. Price increases in food and non-alcoholic beverages (+0.7% m/m, +0.22ppts), and transport (+1.8% m/m, +0.22ppts) were the major drivers of monthly inflation dynamics.

Tax revenues up 10.5% y/y in November 2016

Consolidated budget tax revenues were up 10.5% y/y to GEL 715.7mn in November 2016. In 11M16, consolidated budget tax revenues stood at GEL 7.9bn (+9.6% y/y) and accounted for 89.9% of annual tax revenue plan, which was revised upward.

2017 draft state budget sent to the parliament

On 30 November 2016, the Parliament received the revised 2017 draft state budget document for discussion. The 2017 budget framework is based on 4.0% economic growth and 4.0% GDP deflator projections and sets the fiscal deficit at 4.1% of GDP. Targeted tax revenues of consolidated budget are set at GEL 9.5bn (+9.2% y/y), accounting for 26.5% of projected GDP. The tax revenue growth partly reflects planned excise tax increases on tobacco, fuels and cars to compensate revenue shortfall from profit tax due to introduction of Estonian tax reform from January 1, 2017. Consolidated budget capital expenditures (including net lending) are set to increase 24.5% y/y to GEL 2.9bn, as government plans to enhance growth supporting infrastructure spending. Based on fiscal consolidation measures current expenditures are set to increase 3.1% y/y to GEL 9.1bn. The government plans to raise GEL 1.8bn in loans, of which GEL 400mn constitute net domestic borrowing and the rest in the form of long-term concessional borrowing from IFIs. Total public debt to GDP ratio for 2017 is projected to reach 44.2% (+0.3ppts y/y), of which external public debt is projected at 34.3% of GDP (unchanged y/y).

Key macro indicators

	10M16	2015	2014
GDP (% change)	2.5%	2.9%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,767	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	0.2% ⁽³⁾	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	13.4% ⁽²⁾	11.8%	10.6%
Fiscal deficit (% of GDP)	3.7%	3.0%
Total public debt (% of GDP)	...	41.4%	35.7%

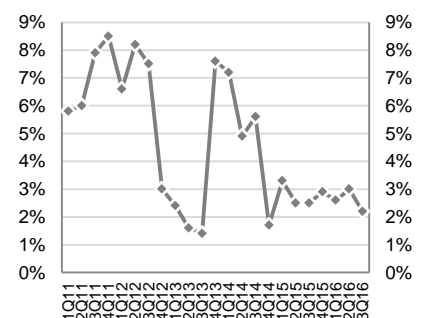
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 2Q16

(3) As of 11M16

Real GDP growth, %



Source: GeoStat

Note: 3Q16 figure based on rapid estimates

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

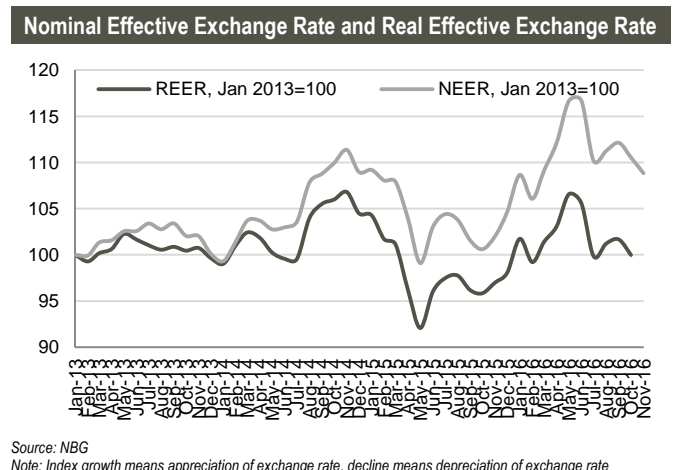
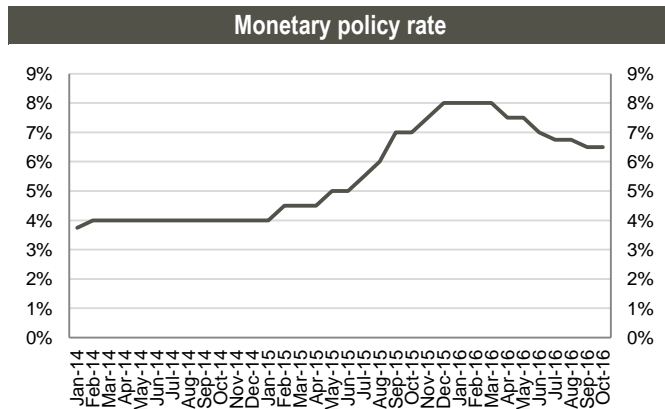
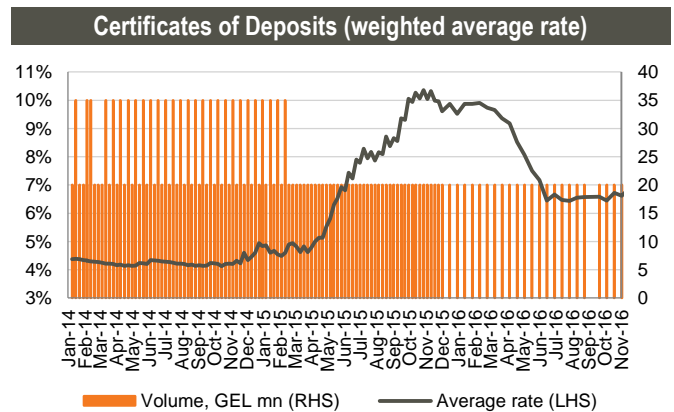
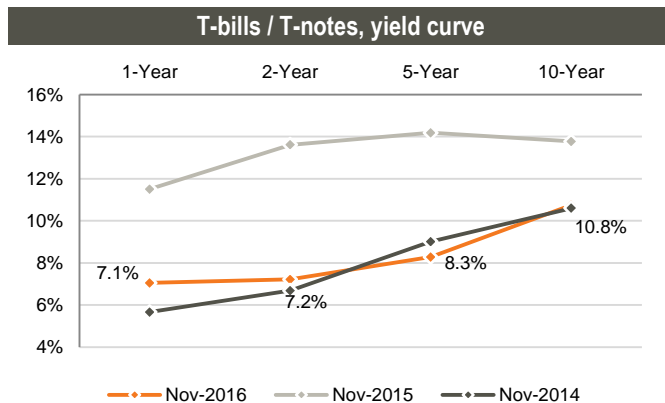


Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,270mn (US\$ 500.9mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 7.9mn) certificates of deposit, with an average yield of 6.83% (up by 21bps from previous issue).

Ministry of Finance Treasury Notes: 10-year GEL 7.5mn (US\$ 3.0mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on November 22, 2016. The weighted average yield was fixed at 10.750%. The nearest treasury securities auction is scheduled for December 7, 2016, where GEL 30mn nominal value 2-year T-Notes will be sold.

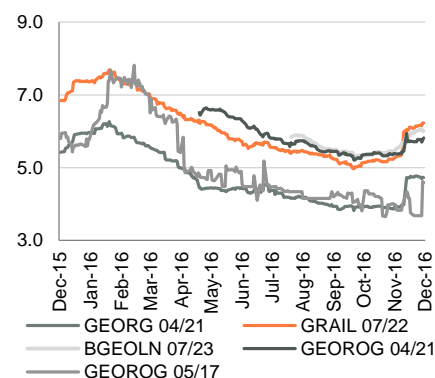


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 6.0% yield, trading at 99.9 (+0.1% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.9 (-0.5% w/w), yielding 4.8% and GEOROG 04/21 traded at 103.7 (-0.1% w/w), yielding 5.8%. Georgian Railway Eurobond (GRAIL) traded at a premium at 106.6 (-0.6% w/w), yielding 6.3%.

Georgian Sovereign Eurobond (GEORG) closed at 108.5 (+0.3% w/w) at 4.7% yield to maturity.

Georgia Eurobonds, YTM (%)



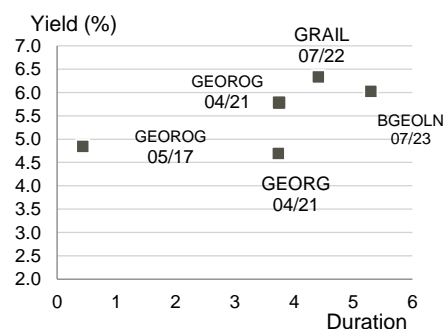
	Local bonds					Eurobonds				
	M2RE 10/19	Nikora 03/18	GWP 12/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	25	5	6*	15	10	250	53.5	350	500	500
Issue date	10/16	03/16	12/15	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	10/19	03/18	12/17	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	7.50	11.00	14.00**	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	-/-	-/-	BB-/	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	102.61	102.72	100.0*	101.46	101.2	103.7	100.9	99.9	108.5	106.6
Mid yield, %	6.5	8.750	14.0	6.25	7.25	5.8	4.8	6.0	4.7	6.3
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	396.7	282.3	402.5	286.9	442.5

Source: Bloomberg

*GWP 12/17 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	108.5	4.7	286.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	99.2	4.9	278.8
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.6	0.7	-243.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	106.8	2.5	233.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.2	3.3	155.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.1	3.7	184.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.6	3.2	153.4
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	101.8	5.1	337.5

Source: Bloomberg

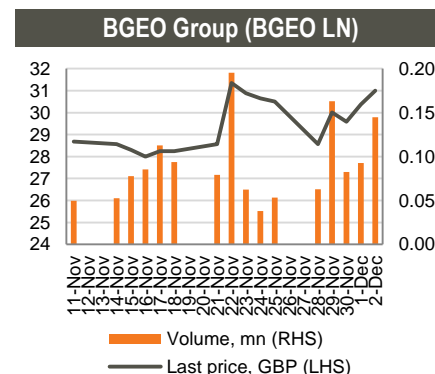
Equities

BGEO Group (BGEO LN) shares closed at GBP 31.00/share (+1.64% w/w and +6.35% m/m). More than 545k shares traded in the range of GBP 29.50 – 31.05/share. Average daily traded volume was 82k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 0.87% w/w and lost 0.04% m/m. The volume of BGEO shares traded was at 1.38% of its capitalization.

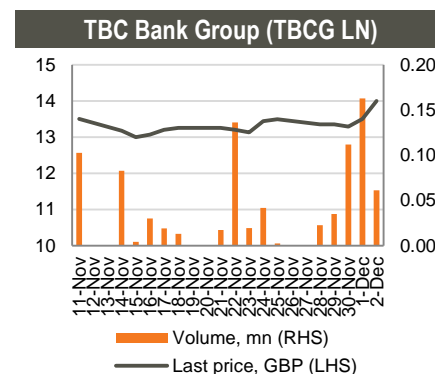
TBC Bank Group (TBCG LN) closed the week at GBP 14.00 (+3.78% w/w and +8.86% m/m). More than 392k shares changed hands in the range of GBP 13.00 – 14.00/share. Averaged daily traded volume was 45k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.69/share (+1.10% w/w and +3.94% m/m). More than 48k shares were traded in the range of GBP 3.60 – 3.75/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.

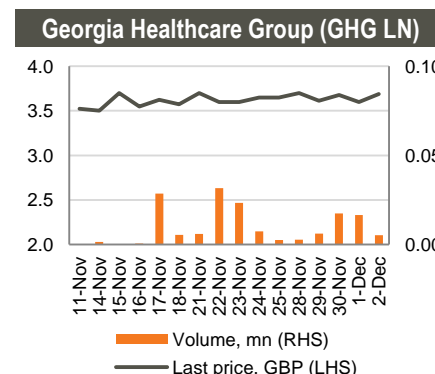
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 908.64 (unchanged w/w).



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	39.28	1,552	9.6%	0.7%	8.9%	40.0%	38.5%
TBC*	TBC	17.74	925	12.2%	47.8%	38.6%	75.7%	85.2%
Halyk Bank	HSBK	5.51	1,515	-15.2%	-8.2%	12.6%	11.3%	-8.2%
KKB	KKB	1.36	542	2.3%	17.7%	-14.5%	11.0%	-15.0%
VTB Bank	VTBR	2.11	13,673	2.1%	-4.0%	6.9%	0.0%	0.5%
Vozrozhdenie Bank	VZRZ	11.14	265	1.8%	5.4%	15.6%	35.0%	21.4%
Sberbank	SBER	10.27	55,424	12.5%	10.2%	24.8%	74.7%	55.6%

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

Healthcare Sector - 2018								
Ticker		Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.68	616	7.1%	19.1%	26.3%	104.7%	78.4%
Mouwasat	MOUWASAT	36.99	1,850	7.7%	9.9%	7.5%	14.0%	20.3%
Fortis	FORH	2.54	1,177	-2.4%	-4.3%	4.1%	-6.6%	1.8%
Raffles	RFMD	1.04	1,814	-5.5%	-8.4%	-10.0%	6.1%	7.3%
IHH	IHH	1.43	11,803	-5.7%	-11.0%	-6.2%	-6.2%	-4.9%
Bangkok Chain	BCH	0.42	1,044	12.5%	27.0%	23.2%	66.8%	93.7%
Netcare	NTC	2.18	3,183	-15.3%	-5.9%	2.0%	-0.6%	-9.0%

Source: Bloomberg

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

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