

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 October 17, 2016

## Economy

### Money transfers up 13.1% y/y in September 2016

In September 2016, money transfers increased 13.1% y/y to US\$ 100.2mn after growing 25.3% y/y in previous month, according to NBG. From major remitting countries, money transfers were down only from Russia (-4.9% y/y, 34.9% of total), however strong growth of remittances from other countries was more than sufficient to compensate this decrease: Greece (+61.9% y/y), USA (+39.5% y/y), Israel (+97.2% y/y), Turkey (+44.7% y/y), and Italy (+10.6% y/y). Overall, money transfers were up 3.6% y/y to US\$ 832.0mn in 9M16.

### Exports up 8.3% y/y in September 2016

In September 2016, imports decreased 1.6% y/y to US\$ 631.1mn (excluding one-offs), exports increased 8.3% y/y to US\$ 201.8mn, and the trade deficit narrowed 5.7% y/y to US\$ 429.3mn, according to GeoStat's preliminary figures. In 9M16, the trade deficit was down 1.1% y/y to US\$ 3.68bn, excluding one-offs. Detailed foreign trade statistics will be available on October 19, 2016.

### Producer price index down 1.9% y/y and up 0.2% m/m in September 2016

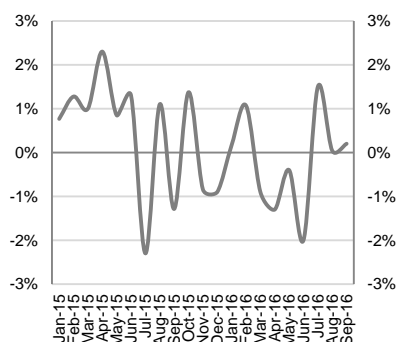
PPI for industrial goods increased 0.2% m/m in September 2016, according to GeoStat. A 0.2% price increase for manufacturing contributed the most to the overall index change. In this section prices were up for manufacture of food products, beverages and tobacco (+1.2% m/m), while prices were down for manufacture of basic and fabricated metals (-2.2% m/m). Prices were also up for electricity, gas, and water (+1.0% m/m).

Annual PPI was down 1.9% in September 2016. Falling prices in manufacturing contributed the most to the overall index change (-4.1% y/y, -3.43ppts) as prices were down for manufacture of basic and fabricated metals (-13.1% y/y), and manufacture of chemical products (-17.7% y/y). Meanwhile, supply of electricity, gas and water prices were up 13.7% y/y.

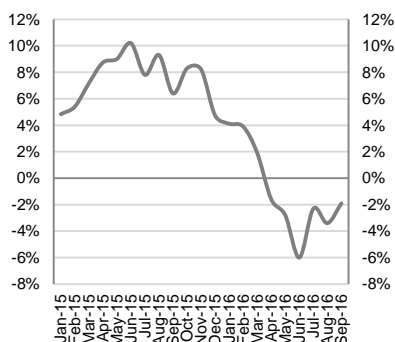
### NBG sold US\$ 40mn

Last week, NBG intervened on the FX market and sold US\$ 40mn, aimed at curbing fluctuation of the national currency. Overall, NBG bought total of US\$ 278mn and sold US\$ 240mn at 23 interventions YTD. GEL weakened 0.1% w/w and strengthened 2.6% YTD against the US\$.

PPI (% change, m/m)



PPI (% change, y/y)



Source: GeoStat

### Key macro indicators

|                              | 9M16                 | 2015               | 2014  |
|------------------------------|----------------------|--------------------|-------|
| GDP (% change)               | 2.7% <sup>(3)</sup>  | 2.8%               | 4.6%  |
| GDP per capita (ppp)         | ...                  | 9,630              | 9,209 |
| GDP per capita (US\$)        | ...                  | 3,759              | 3,676 |
| Population (mn)              | 3.7 <sup>(1)</sup>   | 3.7 <sup>(1)</sup> | 4.5   |
| Inflation (eop)              | 0.1%                 | 4.9%               | 2.0%  |
| Gross reserves (US\$ bn)     | 2.9                  | 2.5                | 2.7   |
| CAD (% of GDP)               | 13.4% <sup>(2)</sup> | 11.8%              | 10.6% |
| Fiscal deficit (% of GDP)    | ....                 | 3.8%               | 3.0%  |
| Total public debt (% of GDP) | ...                  | 41.5%              | 35.5% |

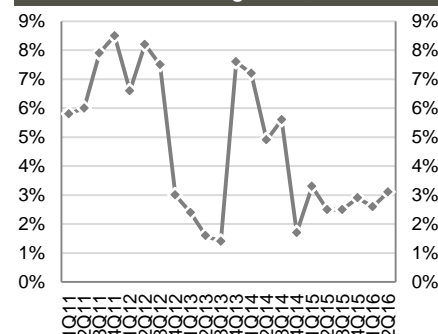
Source: Official data, IMF

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

(2) As of 2Q16

(3) As of 8M16

### Real GDP growth, %



Source: GeoStat

### International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)  
 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

|   |   |   |
|---|---|---|
| <b>STANDARD &amp; POORS</b><br><br><b>BB-</b><br>Stable<br>Affirmed<br>Nov-2015 | <b>Moody's</b><br>INVESTORS SERVICE<br><br><b>Ba3</b><br>Stable<br>Affirmed<br>Mar-2016 | <b>FitchRatings</b><br><br><b>BB-</b><br>Stable<br>Affirmed<br>Apr-2016 |
|---|---|---|

Source: Rating agencies



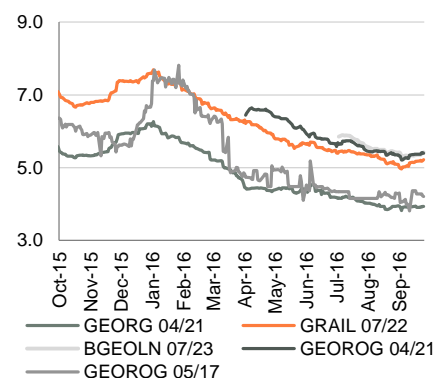


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobond (BGEOLN) closed at 5.4% yield, trading at 103.4 (-0.2% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 101.6 (-0.1% w/w), yielding 4.0% and GEOROG 04/21 traded at 105.3 (-0.1% w/w), yielding 5.4%. Georgian Railway Eurobond (GRAIL) traded at a premium at 112.4 (-0.2% w/w), yielding 5.2%.

**Georgian Sovereign Eurobond (GEORG)** closed at 112.1 (unchanged w/w) at 3.9% yield to maturity.

**Georgia Eurobonds, YTM (%)**



Source: Bloomberg

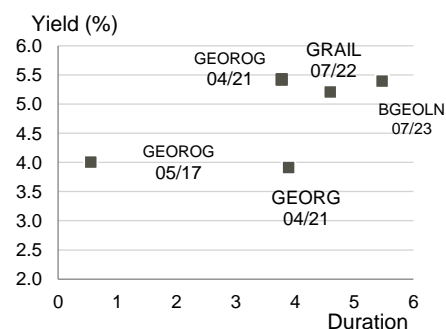
|                   | Local bonds   |                 |              |               |              | Eurobonds       |                 |                 |                |                |
|-------------------|---------------|-----------------|--------------|---------------|--------------|-----------------|-----------------|-----------------|----------------|----------------|
|                   | M2RE<br>10/19 | Nikora<br>03/18 | GWP<br>11/17 | EVEX<br>05/17 | GLC<br>09/17 | GEOROG<br>04/21 | GEOROG<br>05/17 | BGEOLN<br>07/23 | GEORG<br>04/21 | GRAIL<br>07/22 |
| Amount, US\$ mn   | 25            | 5               | 6*           | 15            | 10           | 250             | 250             | 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\$   | 100.66        | 103.04          | 100.0*       | 101.78        | 101.56       | 105.3           | 101.6           | 103.4           | 112.1          | 112.4          |
| Mid yield, %      | 7.25          | 8.750           | 15.0         | 6.50          | 7.125        | 5.4             | 4.0             | 5.4             | 3.9            | 5.2            |
| Z-spread, bps     | n/a           | n/a             | n/a          | n/a           | n/a          | 400.6           | 263.5           | 393.2           | 258.8          | 385.0          |

Source: Bloomberg

\*GWP 11/17 bonds are in Georgian lari

\*\*Floating rate with 7.5% over the NBG's refinancing rate

**Georgian Eurobond universe**



Source: Bloomberg

**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               | 112.1           | 3.9          | 258.8         |
| Azerbaijan | 1,250           | 4.750%    | 18/03/2024    | BB+/-/Ba1/-               | 104.2           | 4.1          | 262.2         |
| Bulgaria   | 323             | 5.000%    | 19/07/2021    | BBB-/                     | 121.0           | 0.5          | -243.6        |
| Croatia    | 1,250           | 3.875%    | 30/05/2022    | BB/BB/Ba2                 | 107.1           | 2.5          | 247.9         |
| Hungary    | 3,000           | 6.375%    | 29/03/2021    | BB+/BB+/Ba1               | 114.8           | 2.8          | 153.6         |
| Romania    | 2,250           | 6.750%    | 07/02/2022    | BBB-/BBB-/Baa3            | 118.7           | 2.9          | 157.7         |
| Russia     | 3,500           | 5.000%    | 29/04/2020    | BBB-/BB+/Ba1              | 106.9           | 2.9          | 167.9         |
| Turkey     | 2,000           | 5.625%    | 30/03/2021    | BBB-/NR/Baa3              | 106.6           | 4.0          | 270.2         |

Source: Bloomberg

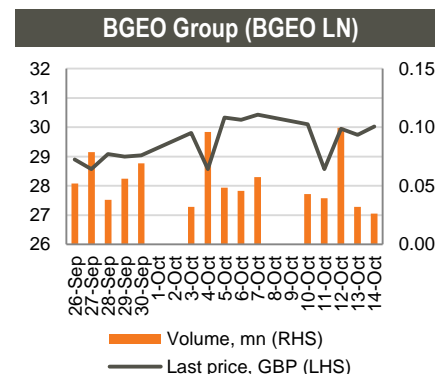
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 30.03/share (-1.31% w/w and +2.56% m/m). More than 240k shares traded in the range of GBP 29.60 – 30.80/share. Average daily traded volume was 56k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 0.08% w/w and gained 1.98% m/m. The volume of BGEO shares traded was at 0.61% of its capitalization.

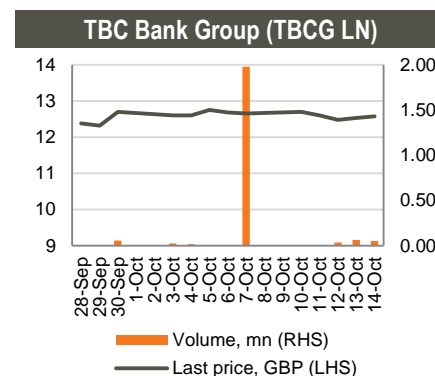
**TBC Bank Group** (TBCG LN) closed the week at GBP 12.58 (-0.59% w/w and +9.35% m/m). More than 147k shares changed hands in the range of GBP 12.00 – 13.00/share. Averaged daily traded volume was 227k in the last 4 weeks.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.28/share (+3.15% w/w and +9.25% m/m). More than 122k shares were traded in the range of GBP 3.04 – 3.50/share. Average daily traded volume was 19k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.

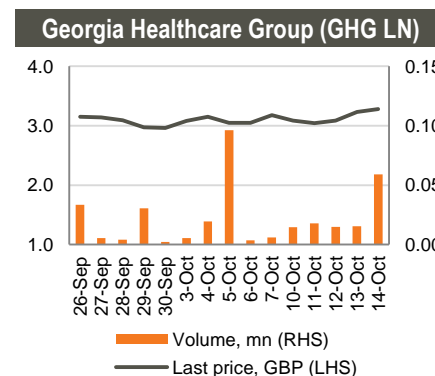
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 908.54 (unchanged w/w).



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*             | 36.23             | 1,431         | -6.4%   | -0.6%   | 19.5%   | 29.1%    | 17.2%   |
|  | TBC*              | 15.37             | 756           | 4.5%    | 14.7%   | 53.7%   | 52.2%    | 73.1%   |
|  | Halyk Bank        | HSBK              | 6.55          | 1,801   | 11.0%   | 16.5%   | 67.7%    | 7.7%    |
|  | KKB               | KKB               | 1.38          | 550     | -13.2%  | -13.2%  | 50.0%    | -52.2%  |
|  | VTB Bank          | VTBR              | 2.11          | 13,699  | -5.1%   | -1.0%   | -0.8%    | -13.7%  |
|  | Vozrozhdenie Bank | VZRZ              | 11.39         | 271     | 7.5%    | 11.1%   | 58.8%    | 17.8%   |
|  | Sberbank          | SBER              | 9.43          | 50,875  | 0.2%    | 1.8%    | 27.2%    | 54.5%   |

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      | 4.06              | 535           | 1.2%    | -9.7%   | 60.2%   | 77.8%    | N/A     |
| Mouwasat      | MOUWASAT | 30.46             | 1,523         | -9.6%   | -17.2%  | -4.4%   | -6.1%    | -7.9%   |
| Fortis        | FORH     | 2.67              | 1,235         | 2.2%    | 4.8%    | -1.2%   | -1.9%    | 6.6%    |
| Raffles       | RFMD     | 1.08              | 1,886         | -4.1%   | -6.4%   | -4.2%   | 10.3%    | 1.6%    |
| IHH           | IHH      | 1.52              | 12,489        | -4.9%   | -9.1%   | -11.4%  | -0.8%    | -3.5%   |
| Bangkok Chain | BCH      | 0.36              | 890           | 5.7%    | -0.1%   | 13.5%   | 42.3%    | 80.0%   |
| Netcare       | NTC      | 2.43              | 3,553         | 8.1%    | 7.6%    | -2.8%   | 11.0%    | -17.3%  |

Source: Bloomberg

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

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