



Weekly Market Watch

Weekly Market Watch | Georgia
March 29, 2021

Economy

Georgia's economy contracted by 6.2% in 2020

4Q20 real GDP growth was revised downward to -6.8% from the preliminary estimate of -6.5%. For the whole 2020 year, real GDP contracted by 6.2%. By sector, in 2020, real growth was posted in healthcare (+7.9% y/y), agriculture (+3.6% y/y), education (+3.1%), public administration (+1.8% y/y) and mining (+1.5% y/y). Meanwhile, contraction was recorded in hotels and restaurants (-37.9% y/y), transport and storage (-22.3% y/y), trade (-5.6% y/y), art, entertainment and recreation (-18.9% y/y) and in other sectors. In 2020, nominal GDP increased by 0.3% to GEL 49.4bn (US\$ 15.9bn).

NPLs at 2.5% in February 2021

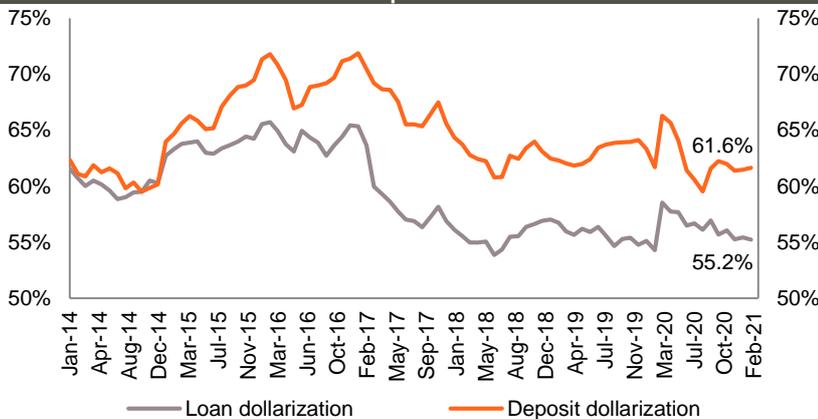
In February 2021, the banking sector loan portfolio increased by 8.3% y/y and 0.3% m/m, excluding FX effect. In unadjusted terms, loan portfolio was up 21.5% y/y (+0.7% m/m), amounting to GEL 38.4bn (US\$ 11.6bn). By sector, corporate lending growth slowed to 6.8% y/y after growing 7.9% y/y in previous month, while retail loan growth was 9.8% y/y, unchanged from previous month (exc. FX effect). Notably, mortgages increased by 10.7% y/y (+10.8% y/y in previous month, exc. FX effects). In February 2021, loan dollarization stood at 55.2% (+0.94ppts y/y and -0.20ppts m/m) and NPLs stood at 2.5% (+0.34ppts y/y and flat m/m).

Bank deposits growth accelerated to 21.4% y/y (+2.9% m/m, exc. FX effect), amounting to GEL 36.0bn (US\$ 10.8bn) in February 2021, after growing 20.7% y/y in previous month. By currency, GEL deposit growth slowed to 36.0% y/y in February after growing 38.4% y/y in previous month, while FX deposit growth accelerated to 12.3% y/y after increasing 10.5% y/y in January 2021 (exc. FX effect). In February 2021, deposit dollarization stood at 61.6% (-0.05ppts y/y and +0.19ppts m/m).

NBG sold US\$ 40mn

On 22 March 2021, the NBG intervened on the FX market and sold US\$ 40mn to limit GEL's depreciation. This was 4th FX intervention YTD for a total sale of US\$ 160mn through FX auctions.

Loan and deposit dollarization



Source: NBG

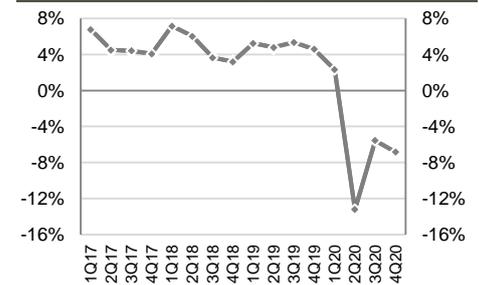
Key macro indicators

	2018	2019	2020
GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,634	14,693
GDP per capita (US\$)	4,722	4,696	4,275
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	7.0%	2.4%
Gross reserves (US\$ bn)	3.3	3.5	3.9
CAD (% of GDP)	6.8%	5.5%	12.0%*
Fiscal deficit (% of GDP)	2.3%	2.1%	9.3%
Total public debt (% of GDP)	38.9%	40.4%	60.0%

Source: Official data, Galt & Taggart

* 9M20

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

- Ease of Doing Business # 7 (Top 10)
- Economic Freedom Index # 12 (mostly free)
- Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings



Source: Rating agencies

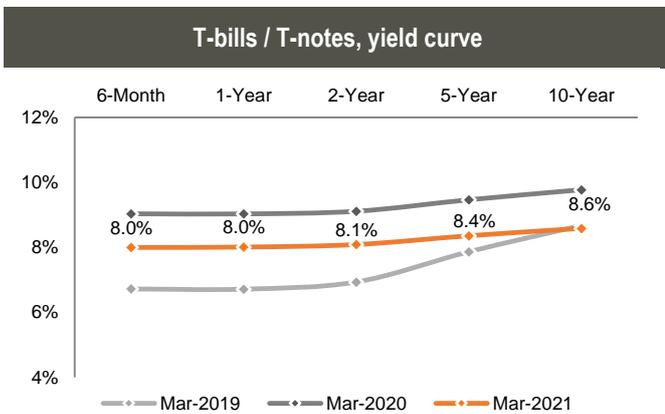
Money market

Ministry of Finance Benchmark Bonds: 5-year GEL 35.0mn (US\$ 10.5mn) Benchmark bonds were sold at the auction held at NBG on March 23, 2021. Total demand was c.2.2x higher and the weighted average yield was fixed at 8.472%, up by 0.36ppts from previous auction held in February, 2021. The nearest treasury security auction is scheduled for the first week of April, 2021, where GEL 15.0mn nominal value 6-month T-bills and GEL 20.0mn nominal value 2-year Benchmark bonds will be sold.

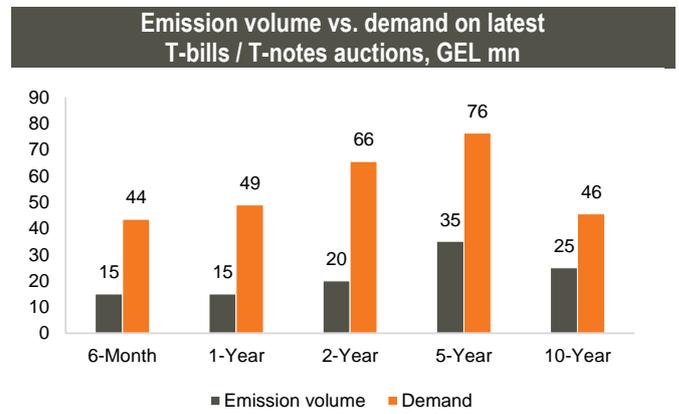
T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	30	135	95
1-year	30	135	575
2-year	40	180	1,250
5-year	105	315	2,336
10-year	25	75	1,262
Total	230	840	5,518

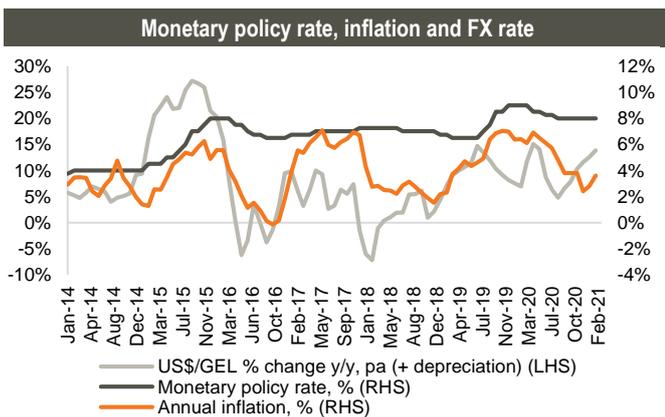
Source: MoF
Note: * As of 28 February 2021



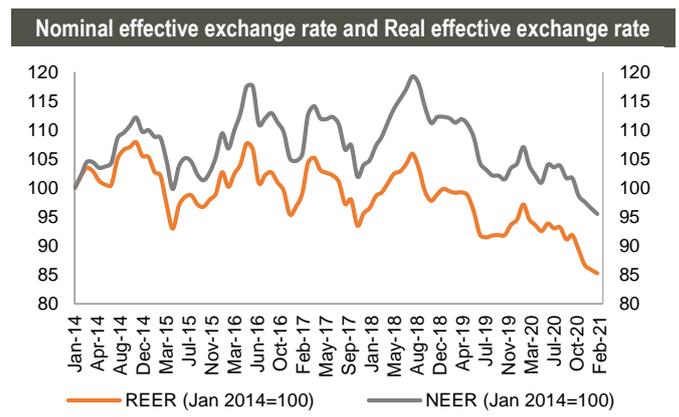
Source: NBG



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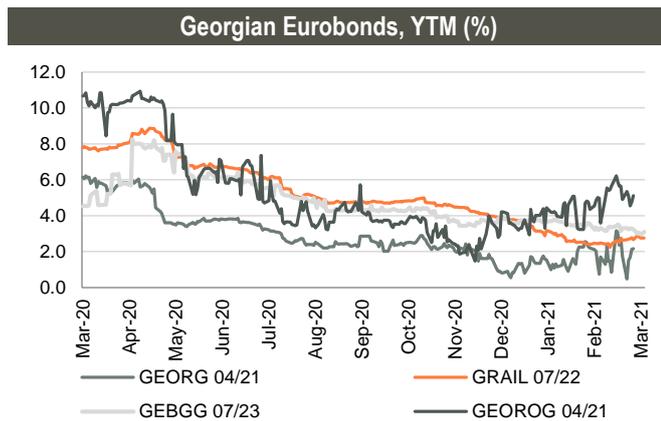


Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

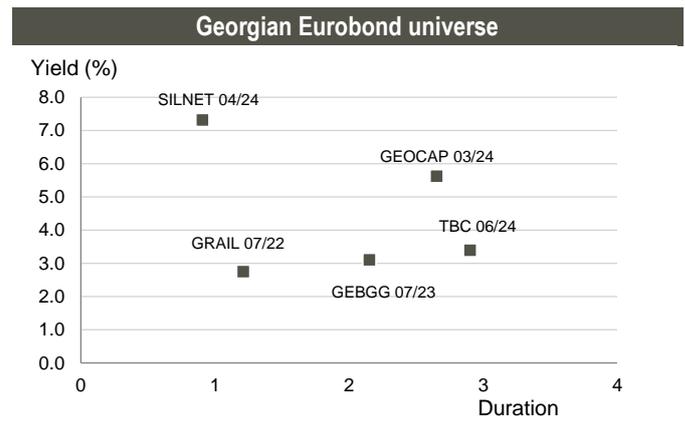
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.10% yield, trading at 106.44 (+0.24% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.35 (-0.23% w/w), yielding 5.62%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.24 (-0.19% w/w), yielding 2.75%.



Source: Bloomberg



Source: Bloomberg

Note: For Silknet duration calculation call date is taken as maturity.

Georgian bonds performance

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
Georgia*	US\$	500	6.875%	Apr-21	BB/BB/Ba2	n/a	n/a	n/a
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	106.24	2.75	253.97
GEOROG 04/21**	US\$	250	6.750%	Apr-21	-/BB/-	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/-/Ba2	106.44	3.10	278.54
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/	108.53	9.24	759.28
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	101.35	5.62	519.59
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	109.79	7.31	598.57
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/-/Ba2	107.13	3.39	290.07
TBC PERP	US\$	125	10.775%	n/a	B-/	106.48	9.62	805.47
GGU 07/25	US\$	250	7.750%	Jul-25	B+/B/-	105.02	6.40	554.80

Georgian local bonds performance

KTW 12/22	US\$	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	100.00	7.50	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/-/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a
Swiss Capital 09/21	GEL	10	14.25%	Sep-21	B-/	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

Source: Bloomberg

*Georgian Government is working to refinance the Eurobond in April 2021

**Georgian Oil and Gas Corporation will be repaying its Eurobond, maturing in April 2021, by the proceeds from EBRD loan, without tapping international markets. See our terminating [report](#).



Fixed income, continued

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	n/a	n/a	n/a
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.43	1.79	160.17
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	102.66	5.39	513.48
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.85	1.03	45.90
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.18	1.09	74.25
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	102.03	2.85	265.78

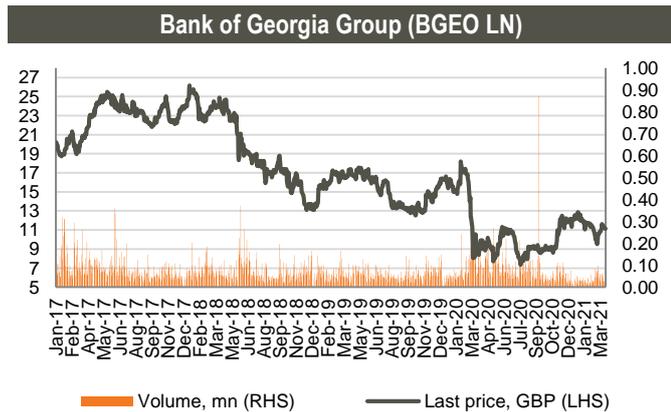
Source: Bloomberg

Equities

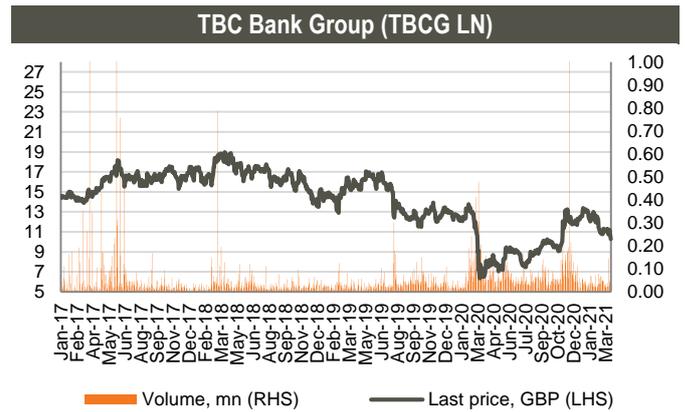
Bank of Georgia Group (BGEO LN) shares closed at GBP 11.12/share (-2.46% w/w and +11.42% m/m). More than 166k shares traded in the range of GBP 10.94 - 11.40/share. Average daily traded volume was 49k in the last 4 weeks. The volume of BGEO shares traded was at 0.34% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.64/share (+1.62% w/w and +11.68% m/m). More than 920k shares traded in the range of GBP 5.55 - 5.76/share. Average daily traded volume was 98k in the last 4 weeks. The volume of CGEO shares traded was at 2.50% of its capitalization.

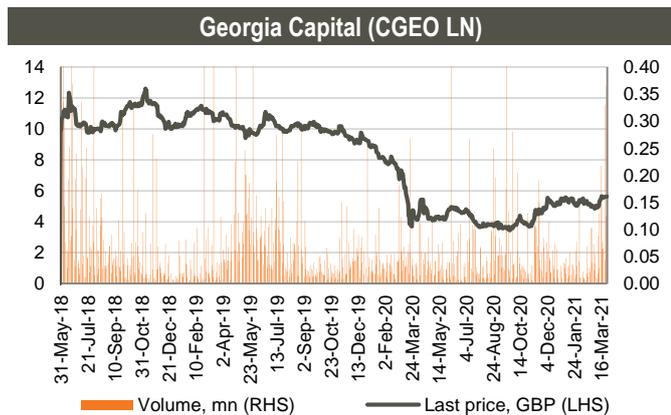
TBC Bank Group (TBCG LN) closed the week at GBP 10.30/share (-4.10% w/w and -5.16% m/m). More than 194k shares changed hands in the range of GBP 10.18 - 11.26/share. Average daily traded volume was 41k in the last 4 weeks. The volume of TBCG shares traded was at 0.35% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Equities, continued

Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	11.12	547	29.2%	8.5%	-8.9%	8.10x	4.55x	0.98x	0.81x
TBC	TBC	GBP	10.30	567	4.0%	37.3%	-17.6%	6.15x	4.43x	0.86x	0.74x
Halyk Bank	HSBK	US\$	14.30	4,202	34.9%	58.9%	22.7%	5.74x	4.22x	1.17x	1.09x
VTB Bank	VTBR	US\$	0.97	6,276	18.0%	15.0%	1.5%	6.49x	2.73x	0.34x	0.32x
Akbank	AKBNK	TRY	4.72	24,544	-7.5%	-17.6%	-31.9%	3.79x	2.98x	0.37x	0.35x
Garanti	GARAN	TRY	6.88	28,896	-4.0%	-13.4%	-33.7%	3.97x	2.99x	0.42x	0.39x
Isbank	ISCTR	TRY	4.84	21,780	-7.5%	-0.2%	-30.9%	3.00x	2.64x	0.30x	0.29x
PKO	PKO	PLN	32.52	40,650	63.3%	38.6%	13.2%	13.60x	12.12x	0.87x	0.87x
PEKAO	PEO	PLN	70.64	18,541	46.3%	23.9%	15.6%	14.79x	11.47x	0.70x	0.70x
Millennium	MIL	PLN	3.84	4,658	42.2%	18.2%	17.4%	63.20x	18.83x	0.49x	0.49x
Mbank	MBK	PLN	212.00	8,975	29.3%	-6.0%	18.3%	34.77x	17.44x	0.51x	0.53x
BRD	BRD	RON	16.00	11,150	28.0%	36.1%	7.7%	13.67x	11.13x	1.21x	1.47x
Banca Transilvania	TLV	RON	2.40	12,492	13.6%	45.9%	6.4%	12.71x	7.71x	1.48x	1.26x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.52x	10.39x	0.70x	0.65x
Komercni	KOMB	CZK	682.00	129,614	40.6%	33.5%	3.8%	15.72x	14.13x	1.11x	1.08x
Mean								14.55x	8.52x	0.77x	0.74x
Median								12.52x	7.71x	0.70x	0.70x

Source: Bloomberg, S&P Capital IQ

Investment management companies

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	5.64	207	56.0%	20.0%	4.4%	na	na	na	na
Tinc Comm	TINC	EUR	12.10	330	-9.0%	-5.1%	-6.6%	na	na	na	na
Sabancı Holding	SAHOL	TRY	8.69	17,731	9.2%	10.3%	-24.2%	3.41x	3.07x	0.45x	0.39x
Deutsche Beteiligungs	DBAN	EUR	35.55	535	16.4%	27.9%	7.4%	na	12.47x	1.21x	1.24x
Eurazeo	RF	EUR	65.55	5,163	46.4%	59.8%	18.1%	30.68x	9.13x	0.92x	0.75x
Carlyle Group	CG	USD	36.86	4,080	55.6%	55.3%	17.2%	6.20x	5.10x	6.09x	4.62x
Mean								13.43x	7.44x	2.17x	1.75x
Median								6.20x	7.12x	1.07x	0.99x

Source: Bloomberg, S&P Capital IQ

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