

Weekly Market Watch

 Weekly Market Watch | Georgia
 February 6, 2017

Economy

Real GDP grew 2.2% y/y in 2016

Georgia's real GDP growth averaged 1.2% y/y in 4Q16 (growth was 1.3% in October, 2.0% in November and 0.3% in December), according to GeoStat's rapid estimates. As a result, output growth averaged 2.2% in 2016 after growing 2.9% in 2015, based on preliminary data. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics. Detailed 2016 GDP statistics will be published on 30 March 2017.

Tax revenues up 26.3% y/y in January 2017

Consolidated budget tax revenues were up 26.3% y/y to GEL 712.5mn in January 2017. The 2017 consolidated budget tax revenues are planned at GEL 9.5bn (+8.6% compared to 2016 actual tax revenues).

Inflation rate at 3.9% y/y and 2.9% m/m in January 2017

The annual CPI inflation was 3.9% in January 2017 after 1.8% inflation in previous month, according to GeoStat. Core inflation was at 2.8% in January. Overall price changes were driven by price increases in transport (+10.8% y/y, +1.35ppts), alcoholic beverages and tobacco (+18.9% y/y, +1.14ppts), and food and non-alcoholic beverages (+3.3% y/y, +0.99ppts), categories.

On a monthly basis, prices rose 2.9% in January 2017. Price increases in food and non-alcoholic beverages (+4.2% m/m, +1.27ppts), and transport (+7.2% m/m, +0.94ppts) categories were the major drivers of monthly inflation dynamics.

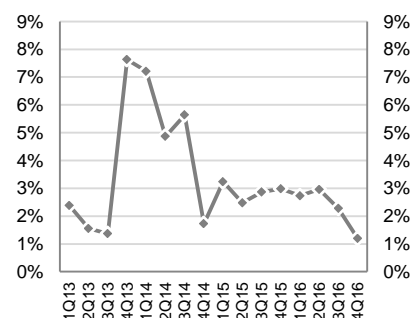
Key macro indicators

| | 1M17 | 2016 | 2015 |
|------------------------------|------|---------------------|-------|
| GDP (% change) | ... | 2.2% | 2.9% |
| GDP per capita (ppp) | ... | ... | 9,630 |
| GDP per capita (US\$) | ... | ... | 3,767 |
| Population (mn) | 3.7 | 3.7 | 3.7 |
| Inflation (eop) | 3.9% | 1.8% | 4.9% |
| Gross reserves (US\$ bn) | ... | 2.8 | 2.5 |
| CAD (% of GDP) | ... | 8.4% ⁽¹⁾ | 11.9% |
| Fiscal deficit (% of GDP) | ... | 4.1% | 3.7% |
| Total public debt (% of GDP) | ... | ... | 41.4% |

Source: Official data, IMF, G&T

(1) As of 3Q16

Real GDP growth, %



Source: GeoStat




Note: rapid estimate for 4Q16

International ranking, 2016-17

Ease of Doing Business # 16 (Top 20)
 Economic Freedom Index # 23 (mostly free)
 Global Competitiveness Index # 59 (improving trend)

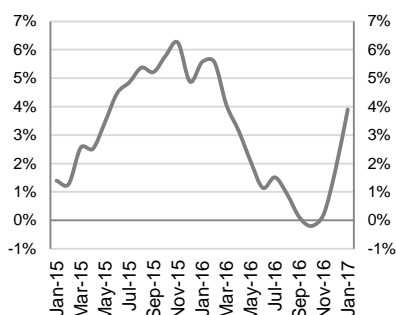
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

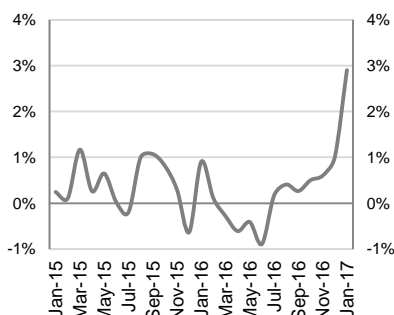
| | | |
|---|---|---|
|  BB- Stable Affirmed Nov-2016 |  Ba3 Stable Affirmed Mar-2016 |  BB- Stable Affirmed Sep-2016 |
|---|---|---|

Source: Rating agencies

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change, m/m)



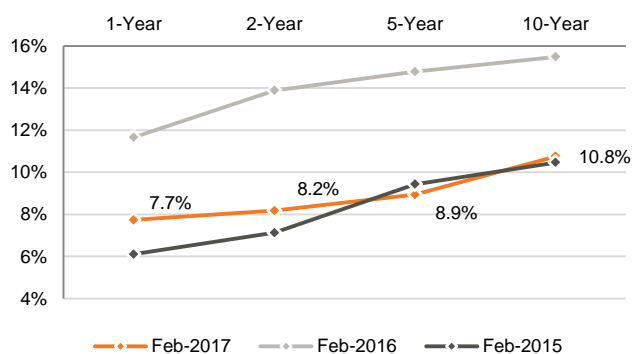
Source: GeoStat

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,100mn (US\$ 406.1mn).

Ministry of Finance Treasury Bills: 1-year GEL 40.0mn (US\$ 14.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on February 1, 2017. The weighted average yield was fixed at 7.735%. The nearest treasury security auction is scheduled for February 8, 2017, where GEL 20.0mn nominal value 182-day T-bills and GEL 40.0mn nominal value 2-year T-Notes will be sold.

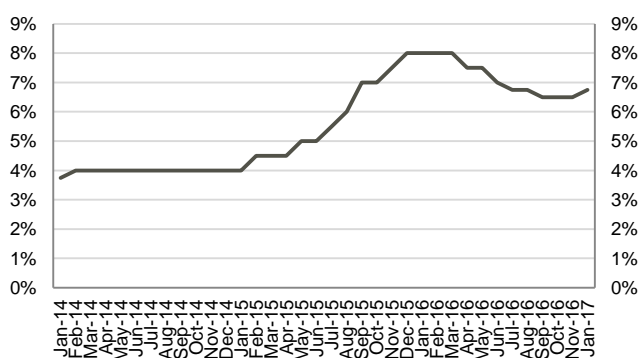
T-bills / T-notes, yield curve



Source: NBG

*Note: As of latest auction.

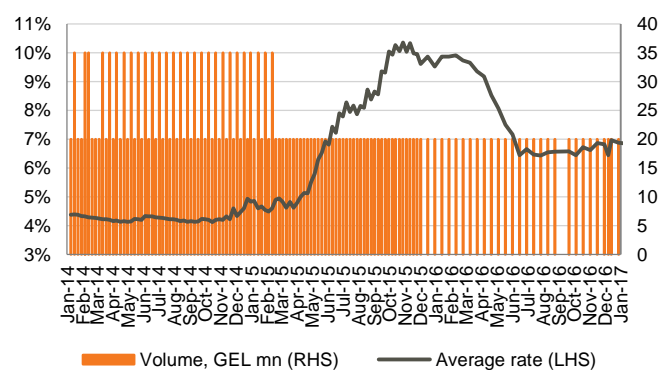
Monetary policy rate



Source: NBG

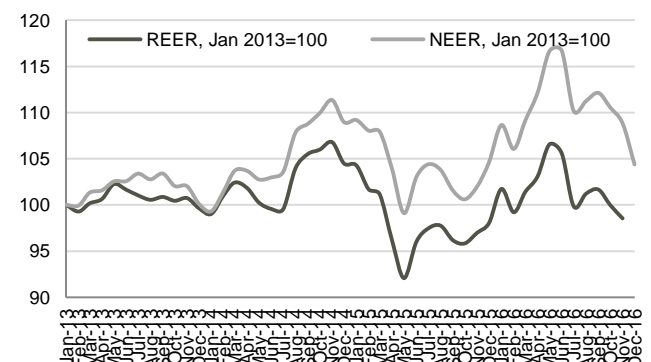
Note: Next revision of a monetary policy rate is scheduled for 7 March 2017

Certificates of Deposits (weighted average 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: Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.5 (-0.1% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.6 (+0.1% w/w), yielding 4.7% and GEOROG 04/21 traded at 105.6 (unchanged w/w), yielding 5.3%. Georgian Railway Eurobond (GRAIL) traded at a premium at 109.4 (unchanged % w/w), yielding 5.7%.

Georgian Sovereign Eurobond (GEORG) closed at 111.0 (unchanged w/w) at 4.0% yield to maturity.

| | Local bonds | | | | | Eurobonds | | | | |
|-------------------|--------------|---------------|-----------------|---------------|--------------|-----------------|-----------------|-----------------|----------------|----------------|
| | GWP 12/21 | M2RE 10/19 | Nikora 03/18 | EVEX 05/17 | GLC 09/17 | GEOROG 04/21 | GEOROG 05/17 | BGEOLN 07/23 | GEORG 04/21 | GRAIL 07/22 |
| Amount, US\$ mn | 30* | 25 | 5 | 15 | 10 | 250 | 53.5 | 350 | 500 | 500 |
| Issue date | 12/16 | 10/16 | 03/16 | 05/15 | 09/14 | 04/16 | 05/12 | 07/16 | 04/11 | 07/12 |
| Maturity date | 12/21 | 10/19 | 03/18 | 05/17 | 09/17 | 04/21 | 05/17 | 07/23 | 04/21 | 07/22 |
| Coupon, % | 3.50** | 7.50 | 11.00 | 9.50 | 8.75 | 6.750 | 6.875 | 6.000 | 6.875 | 7.750 |
| Fitch/S&P/Moody's | BB-/B+ | -/- | -/- | -/- | -/- | BB-/B+ | BB-/B+ | BB-/B1 | BB-/BB-/Ba3 | BB-/B+ |
| Mid price, US\$ | n/a | 101.81 | 102.09 | 101.33 | 100.78 | 105.6 | 100.6 | 101.5 | 111.0 | 109.4 |
| Mid yield, % | n/a | 6.750 | 9.000 | 4.500 | 7.500 | 5.3 | 4.7 | 5.7 | 4.0 | 5.7 |
| Z-spread, bps | n/a | n/a | n/a | n/a | n/a | 336.8 | 186.5 | 367.1 | 206.6 | 361.6 |

Source: Bloomberg

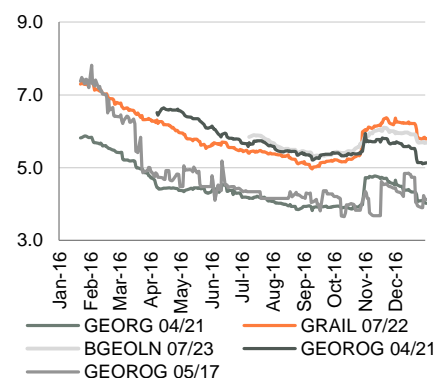
*GWP 12/21 bonds are in Georgian lari

**Coupon rate 3.5% over the NBG's refinancing rate

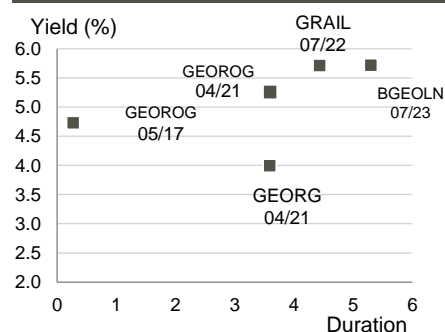
| Eastern European sovereign 10-year bond performance | | | | | | | |
|---|-----------------|-----------|---------------|---------------------------|-----------------|--------------|---------------|
| Issuer | Amount, US\$ mn | Coupon, % | Maturity date | Ratings (Fitch/S&P/Moody) | Mid price, US\$ | Mid yield, % | Z-spread, bps |
| Georgia | 500 | 6.875% | 12/04/2021 | BB-/BB-/Ba3 | 111.0 | 4.0 | 206.0 |
| Azerbaijan | 1,250 | 4.750% | 18/03/2024 | BB+/BB+/Ba1 | 100.2 | 4.7 | 251.2 |
| Bulgaria | 323 | 5.000% | 19/07/2021 | BBB-/BB+/Baa2 | 120.2 | 0.4 | -236.5 |
| Croatia | 1,250 | 3.875% | 30/05/2022 | BB/BB/Baa2 | 108.2 | 2.2 | 197.1 |
| Hungary | 3,000 | 6.375% | 29/03/2021 | BBB-/BBB-/Baa3 | 112.4 | 3.2 | 117.8 |
| Romania | 2,250 | 6.750% | 07/02/2022 | BBB-/BBB-/Baa3 | 114.6 | 3.5 | 152.4 |
| Russia | 3,500 | 5.000% | 29/04/2020 | BBB-/BB+/Ba1 | 107.1 | 2.7 | 88.1 |
| Turkey | 2,000 | 5.625% | 30/03/2021 | BB+/BB/Ba1 | 103.8 | 4.6 | 267.3 |

Source: Bloomberg

Georgia Eurobonds, YTM (%)



Georgian Eurobond universe



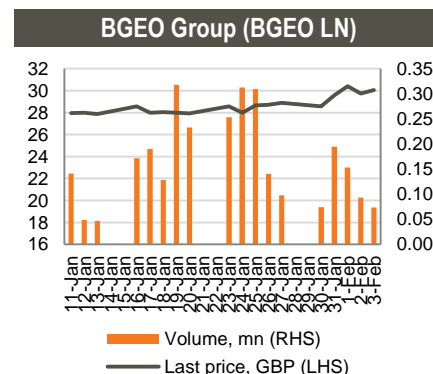
Equities

BGEO Group (BGEO LN) shares closed at GBP 30.07/share (+4.12% w/w and +1.73% m/m). More than 588k shares traded in the range of GBP 28.75 – 30.45/share. Average daily traded volume was 155k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 1.21% w/w and gained 1.49% m/m. The volume of BGEO shares traded was at 1.49% of its capitalization.

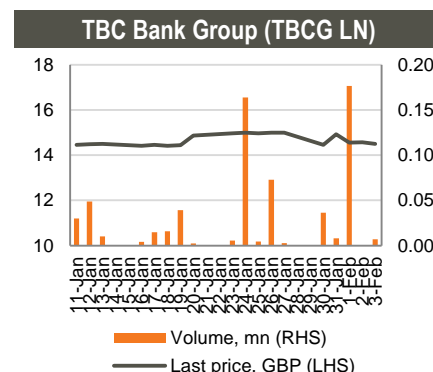
TBC Bank Group (TBCG LN) closed the week at GBP 14.50 (-3.27% w/w and +0.69% m/m). More than 227k shares changed hands in the range of GBP 14.12 – 15.00/share. Averaged daily traded volume was 40k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.50/share (+2.11% w/w and -3.84% m/m). More than 17k shares were traded in the range of GBP 3.40 – 3.55/share. Average daily traded volume was 16k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.

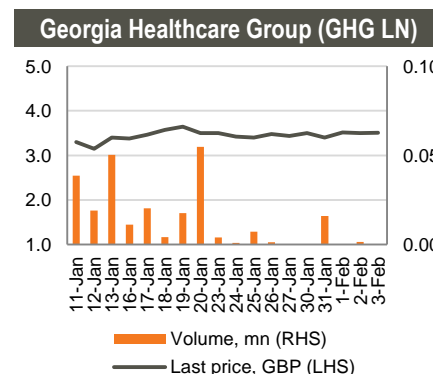
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.017 (unchanged /w). As a result, the G&T Index remained at 1,177.93 (unchanged w/w).



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 | 37.60 | 1,485 | 3.8% | 4.1% | 5.0% | 34.0% | 51.5% |
| TBC* | TBC | 18.13 | 946 | 2.7% | 58.4% | 39.5% | 79.5% | 101.5% |
| Halyk Bank | HSBK | 5.76 | 1,583 | -4.0% | -10.7% | 20.0% | 16.4% | 40.5% |
| KKB | KKB | 1.50 | 598 | 3.8% | 12.8% | -5.7% | 22.4% | 66.7% |
| VTB Bank | VTBR | 2.32 | 15,034 | -3.7% | 12.8% | 18.2% | 10.0% | 35.8% |
| Vozrozhdenie Bank | VZRZ | 13.02 | 309 | 6.1% | 17.2% | 33.6% | 57.8% | 95.9% |
| Sberbank | SBER | 12.00 | 64,761 | -0.8% | 31.9% | 43.0% | 104.1% | 134.0% |

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 | 4.39 | 578 | 0.8% | 0.7% | 6.5% | 92.1% | 69.0% |
| Mouwasat | MOUWASAT | 38.56 | 1,928 | -2.3% | 10.1% | 4.1% | 18.8% | 25.6% |
| Fortis | FORH | 2.74 | 1,320 | 0.0% | 6.5% | -3.5% | 0.9% | 10.8% |
| Raffles | RFMD | 1.03 | 1,808 | 4.3% | -4.9% | -8.7% | 5.7% | 6.5% |
| IHH | IHH | 1.42 | 11,702 | 0.5% | -6.0% | -11.9% | -7.0% | -9.8% |
| Bangkok Chain | BCH | 0.40 | 997 | -3.2% | 7.5% | 11.0% | 59.3% | 63.2% |
| Netcare | NTC | 2.39 | 3,491 | 3.8% | -7.3% | 5.6% | 9.1% | 17.7% |

Source: Bloomberg

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

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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge