

Weekly Market Watch

Weekly Market Watch | Georgia
Oct 16, 2017

Economy

Exports up 27.2% y/y in September 2017

In September 2017, exports increased 27.2% y/y to US\$ 257.5mn, imports were up 5.5% y/y to US\$ 684.8mn and the trade deficit narrowed 4.3% y/y to US\$ 427.3mn according to GeoStat's preliminary figures. In 9M17, trade deficit was down 1.1% to US\$ 3.7bn as exports increased 28.3% y/y to US\$ 1.9bn, while imports were up 7.4% y/y to US\$ 5.6bn. Detailed foreign trade statistics will be available on October 19, 2017.

Tourism revenues up 28.5% y/y in 9M17

Tourism inflows to Georgia increased 25.1% y/y to US\$ 304.0mn in September 2017 and 28.5% y/y to US\$ 2.2bn in 9M17, according to NBG's preliminary estimates.

IMF revises Georgia's real GDP growth upwards to 4.3% in 2017 from 3.5%: IMF team visited Tbilisi from Sep-25 to Oct-9 to conduct discussions on the first review of the IMF program approved in April 2017. Completion of the review will make an additional US\$ 42.3mn available to Georgia, bringing total disbursements to US\$ 84.6mn out of total US\$ 285.3mn program amount. At the conclusion of the mission, IMF staff issued the following statement: "Georgia's economic reform program is off to a strong start. All quantitative performance targets for end-June were met, most by large margins. The economy has grown faster than expected this year due to prudent policies and stronger economic activity in Georgia's main trading partners. Growth has been revised upwards to 4.3% in 2017 from 3.5%, supported by exports, tourism, and investment. The current account balance is projected to narrow to 10.4% of GDP in 2017, from 12.8% of GDP in 2016. Economic growth is expected to strengthen over the medium term with continued implementation of the economic reforms. These reforms will promote private investment, productivity growth, and improve export competitiveness".

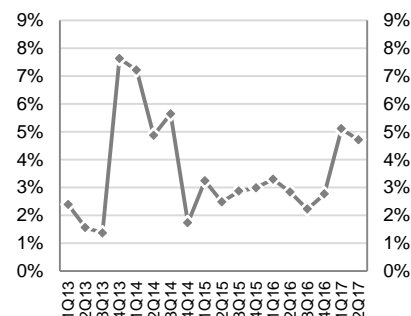
Key macro indicators

	9M17	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)	6.2%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	...	12.8%	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 8M17

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 16 (Top 20)
Economic Freedom Index # 13 (mostly free)
Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

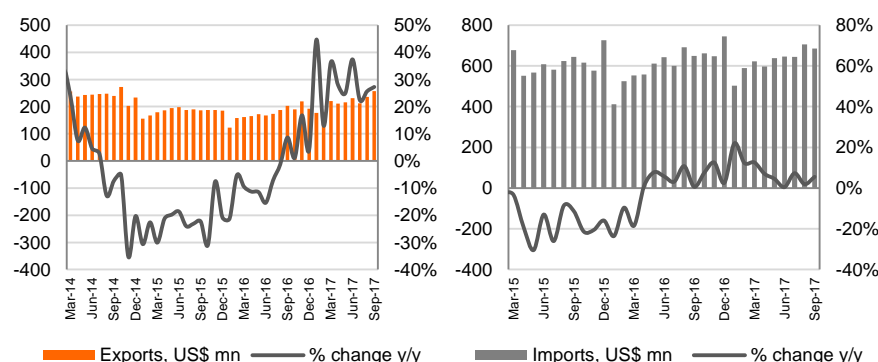
Georgia sovereign credit ratings

STANDARD & POORS BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Sep-2017	FitchRatings BB- Stable Affirmed Sep-2017
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Source: Rating agencies

Exports

Imports



Source: GeoStat

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,100mn (US\$ 443.6mn).

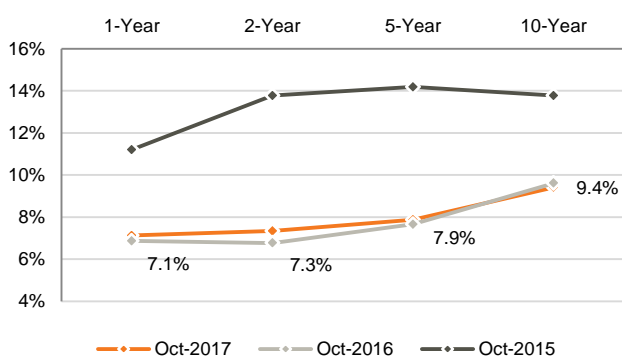
Ministry of Finance Treasury Bills:

182-days GEL 20.0mn (US\$ 8.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on October 11, 2017. The weighted average yield was fixed at 7.122%.

Ministry of Finance Treasury Notes:

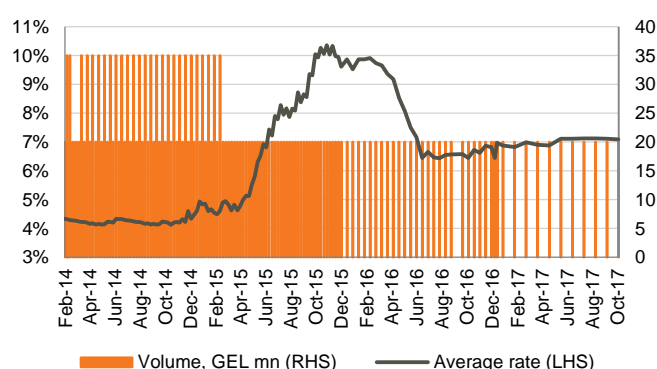
2-year GEL 20.0mn (US\$ 8.1mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on October 11, 2017. The weighted average yield was fixed at 7.338%. The nearest treasury security auction is scheduled for October 18, 2017, where GEL 20.0mn nominal value 10-year T-Notes will be sold.

T-bills / T-notes, yield curve



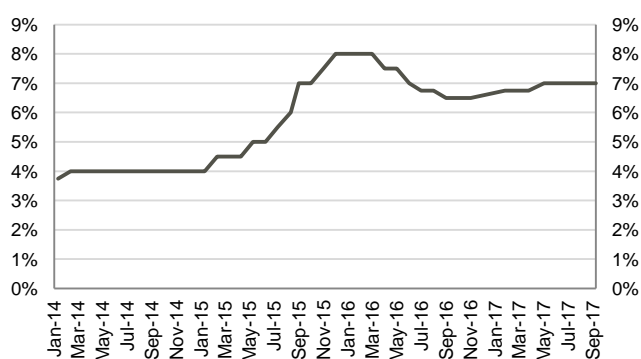
Source: NBG

Certificates of Deposits (weighted average rate)



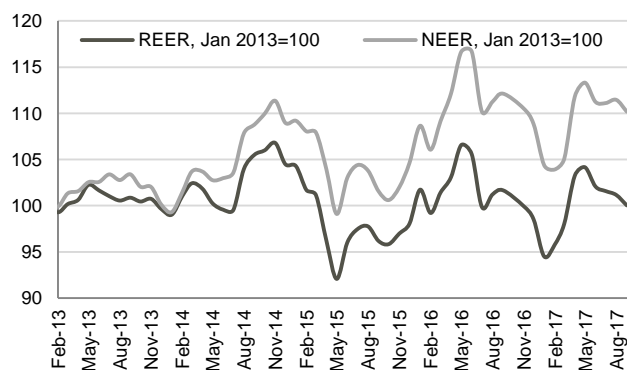
Source: NBG

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

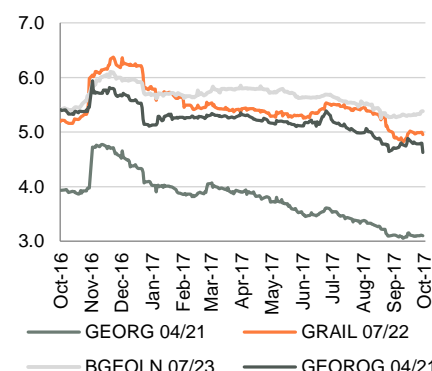


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.4% yield, trading at 103.1 (-0.2% 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 106.7 (+0.4% w/w), yielding 4.7%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.7 (+0.2% w/w), yielding 5.0%.

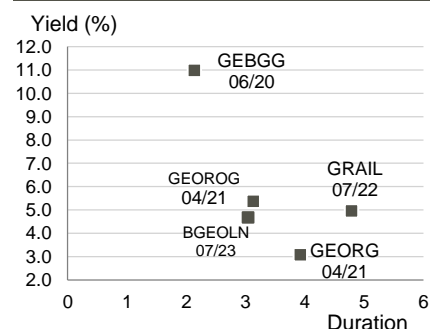
Georgian Sovereign Eurobonds (GEORG) closed at 112.5 (+0.1% w/w) at 3.1% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	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	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B+	-/-	-/-	-/-	n/a	BB-/B+	BB-/B+	BB-/B+	BB-/B+	B+/B+
Mid price, US\$	n/a	101.4	101.2	100.0	101.73	100.0	106.7	103.1	112.5	111.7
Mid yield, %	n/a	6.75%	8.5%	9.0%	6.50%	11.0	4.7	5.4	3.1	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	279.3	119.1	299.6	335.2

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	112.5	3.1	119.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	103.3	4.2	209.7
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.4	0.1	-29.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	112.9	1.0	85.6
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.7	2.5	64.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.8	2.8	88.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.1	2.5	69.7
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	106.4	3.6	175.7

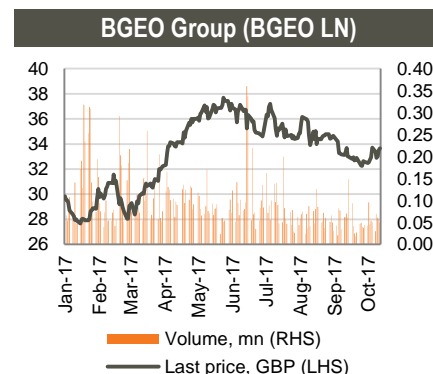
Source: Bloomberg

Equities

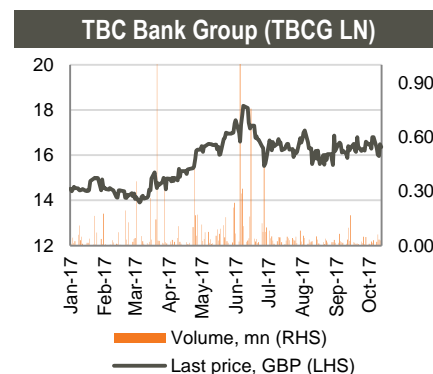
BGEO Group (BGEO LN) shares closed at GBP 33.65/share (-0.18% w/w and -0.09% m/m). More than 267k shares traded in the range of GBP 32.49 – 33.77/share. Average daily traded volume was 48k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.53% w/w and gained 3.48% m/m. The volume of BGEO shares traded was at 0.68% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.35 (-2.62% w/w and -0.30% m/m). More than 168k shares changed hands in the range of GBP 15.80 – 16.80 share. Averaged daily traded volume was 22k in the last 4 weeks.

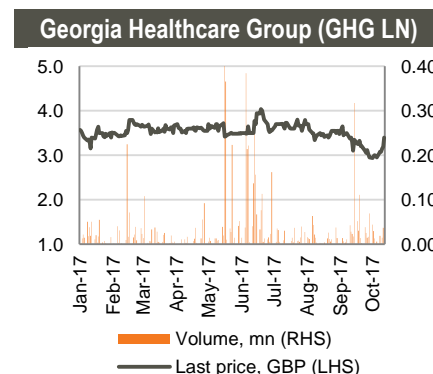
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.40/share (+15.17% w/w and +2.95% m/m). More than 180k shares were traded in the range of GBP 2.90 – 3.44/share. Average daily traded volume was 32k in the last 4 weeks. The volume of GHG shares traded was at 0.14% of its capitalization.



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	43.46	1,712	-0.7%	-8.8%	-3.3%	10.3%	9.3%
TBC*	TBC	21.15	1,119	-0.4%	-3.0%	7.5%	10.3%	34.5%
Halyk Bank	HSBK	9.44	2,595	-0.7%	-0.4%	24.2%	57.6%	43.2%
KKB	KKB	0.68	712	0.0%	13.3%	-39.3%	-52.9%	-48.9%
VTB Bank	VTBR	2.12	13,764	-2.9%	2.4%	-3.0%	-11.0%	-4.3%
Vozrozhdenie Bank	VZRZ	9.73	231	0.0%	-21.4%	-24.2%	-20.5%	-16.0%
Sberbank	SBER	14.20	76,634	0.0%	32.5%	28.4%	22.7%	42.6%

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	4.06	535	-8.9%	-17.0%	-13.4%	-13.9%	-0.3%
Mouwasat	MOUWASAT	42.66	2,133	-0.6%	3.9%	13.0%	8.3%	43.6%
Fortis	FORH	2.35	1,218	-2.5%	-6.9%	-18.1%	-11.7%	-10.2%
Raffles	RFMD	0.86	1,528	10.1%	-8.0%	-17.2%	-12.7%	-21.7%
IHH	IHH	1.35	11,149	-3.1%	-1.6%	-0.3%	-4.4%	-14.0%
Bangkok Chain	BCH	0.48	1,193	7.9%	22.7%	26.4%	15.9%	40.1%
Netcare	NTC	1.84	2,698	-1.4%	-1.0%	4.8%	-20.4%	-28.8%

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