

Weekly Market Watch

 Weekly Market Watch | Georgia
 Nov 5, 2018

Economy

Georgia ranks 6 out of 190 countries in 2019 Doing Business

Georgia improved its position by 3 places as is ranked 6th in the WB's 2019 Doing Business. With this ranking, Georgia is the highest ranked economy in the Europe and Central Asia region, followed by Macedonia (10), Azerbaijan (25) and Kazakhstan (28). Georgia made notable improvements in the following areas as measured by 2019 DB report: 1) Georgia made starting a business easier by allowing voluntary value added tax registration at the time of business incorporation; 2) Georgia made paying taxes easier by levying income tax on distributed profits rather than on taxable profits; 3) Georgia made enforcing contracts easier by introducing random and automatic assignment of cases to judges throughout the courts. Report also mentions that Georgia reduced its relative gap to the best regulatory performance on starting a business the most globally in 2017/18.

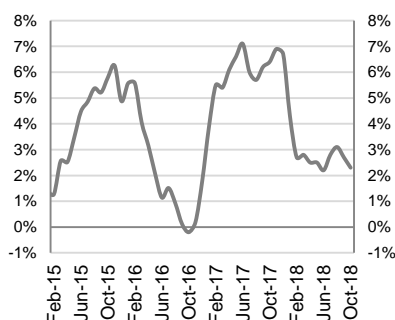
Real GDP growth was 5.6% y/y in September 2018

Georgia's economy grew by 5.6% y/y in September 2018 after growing 2.0% y/y in previous month, according to Geostat's rapid estimates. In September 2018, the growth was posted in manufacturing, financial intermediation, trade, real estate, transport and hotels and restaurants sectors. Overall, real GDP growth was 4.9% y/y in 9M18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation was 2.3% y/y and 0.3% m/m in October 2018

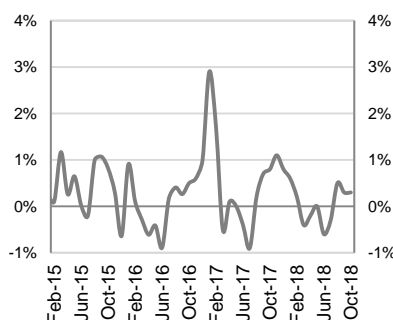
Annual CPI inflation was 2.3% in October 2018 down from 2.7% in previous month, according to Geostat. Core inflation was 1.7% unchanged compared to the previous month. Annual price changes were driven by price increases in transport (+6.5% y/y, +0.86ppts), healthcare (+6.1% y/y, +0.51ppts) and alcoholic beverages and tobacco (+5.7% y/y, +0.39ppts) categories, while prices were down in clothing and footwear (-7.1% y/y, -0.25ppts). On a monthly basis, there was 0.3% inflation in October 2018. Price increase in clothing and footwear (+6.3% m/m, +0.2ppts) was the major driver of monthly inflation dynamics.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



Key macro indicators

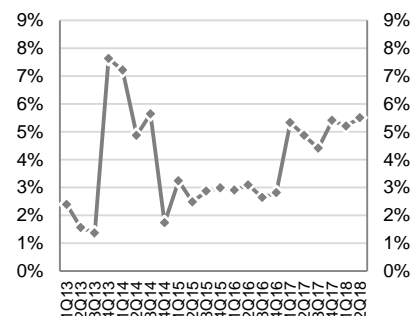
	10M18	2017	2016
GDP (% change)	4.9% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,742	10,065
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.3%	6.7%	1.8%
Gross reserves (US\$ bn)	3.2	3.0	2.8
CAD (% of GDP)	10.3% ⁽²⁾	8.8%	13.1%
Fiscal deficit (% of GDP)	...	3.3%	2.9%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 9M18

2) As of 1H18

Real GDP growth, %



Source: GeoStat

International ranking, 2018-19

Ease of Doing Business # 6 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 66

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POORS BB- Stable Affirmed May-2018	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Sep-2018	FitchRatings BB- Positive Affirmed Aug-2018
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Source: Rating agencies

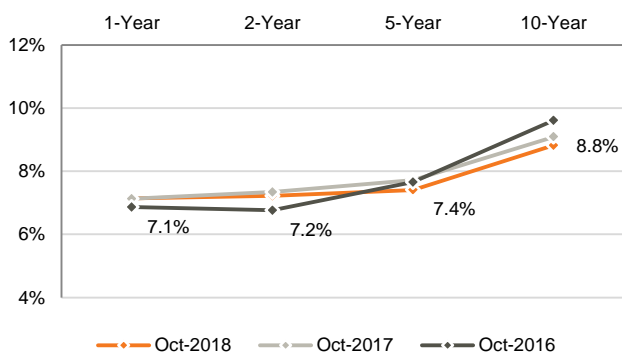
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,170mn (US\$ 430.1mn).

Ministry of Finance Benchmark Bonds:

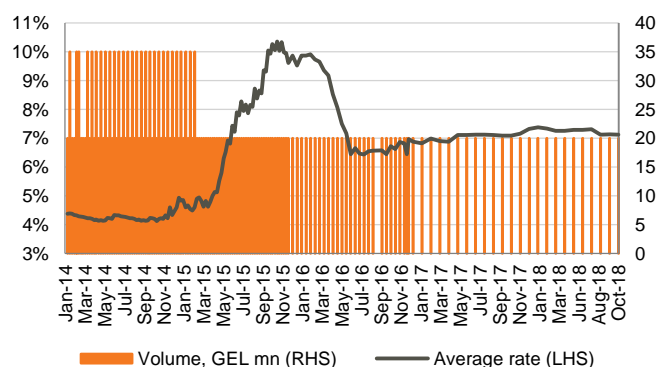
The nearest treasury security auction is scheduled for November 7, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



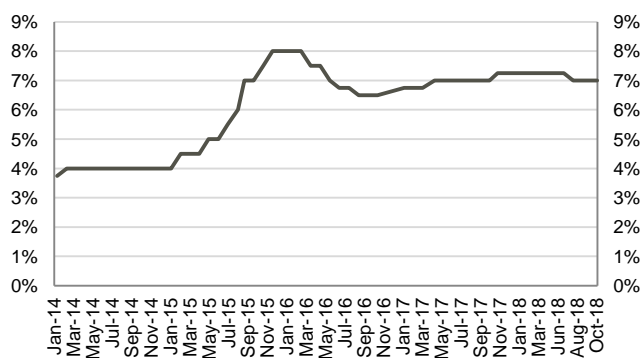
Source: NBG

Certificates of Deposits (weighted average rate)



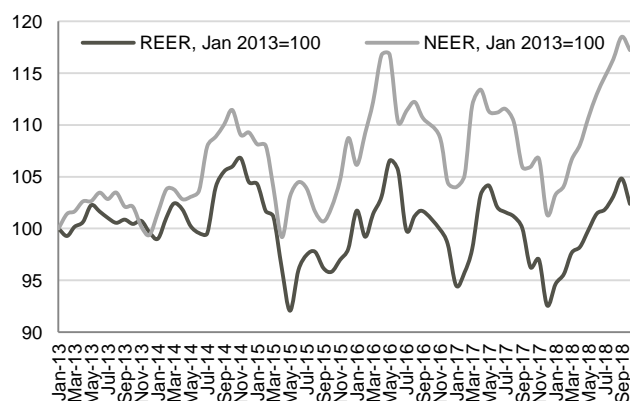
Source: NBG

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



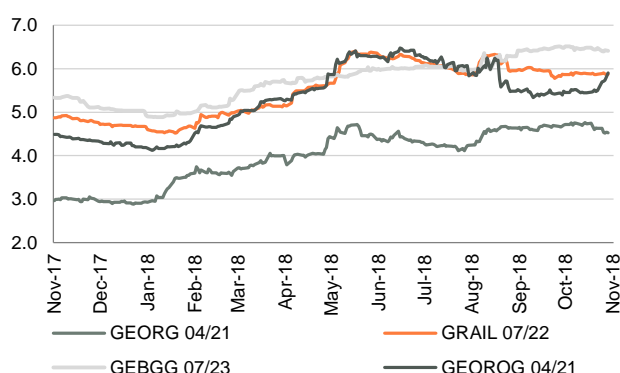
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.4% yield, trading at 98.3 (+0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 92.3 (unchanged w/w), yielding 7.9%.

GOGC Eurobonds (GEOROG) were trading at 101.9 (-0.1% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.4 (+0.2% w/w), yielding 5.8%.

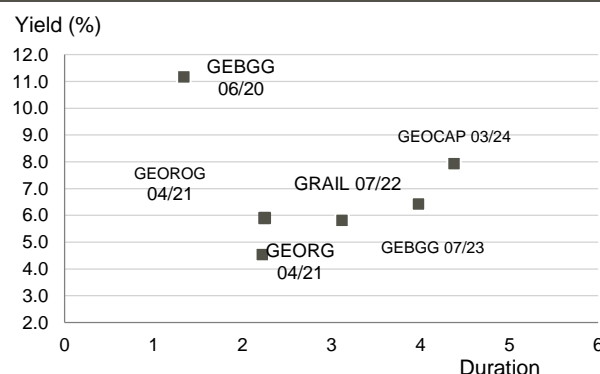
Georgian Sovereign Eurobonds (GEORG) closed at 105.3 (+0.1% w/w) at 4.5% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgia bonds performance

Georgia Eurobonds 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	105.35	4.53	142.04
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.35	5.80	266.36
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	101.92	5.90	279.43
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/B2	99.75	11.17	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	98.33	6.41	326.16
GEOCAP 03/24	300	6.125%	18/03/2024	-B+/B2	92.28	7.92	476.37

Georgia local bonds performance

GWP 12/21	30*	10.50%**	06/12/2021	BB****/-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-/-	102.29	5.25	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-/-	101.83	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-/-	n/a	n/a	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.50%**	18/08/2022	B+****/-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.50%***	28/12/2019	B/-/-	101.01	11.25	n/a

Source: Bloomberg

*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian Lari

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

***Coupon rate 4.5% over the NBG's refinancing rate

****Company ratings

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	105.3	4.5	142.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	99.0	5.0	179.9
Bulgaria	323	5.000%	19/07/2021	BBB-/B2	113.3	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.6	0.9	73.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	106.0	3.7	62.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	107.9	4.1	97.7
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.8	3.7	69.0
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	98.0	6.5	344.5

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.43/share (+10.51% w/w and -4.03% m/m). More than 435k shares traded in the range of GBP 15.05 – 16.67/share. Average daily traded volume was 66k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 5.23% w/w and lost 4.70% m/m. The volume of BGEO shares traded was at 0.89% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 12.08/share (+5.06% w/w and +5.67% m/m). More than 131k shares traded in the range of GBP 11.49 – 12.25/share. Average daily traded volume was 59k in the last 4 weeks. The volume of CGEO shares traded was at 0.34% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.10 (+8.64% w/w and -0.70% m/m). More than 222k shares changed hands in the range of GBP 15.52 – 17.34/share. Average daily traded volume was 31k in the last 4 weeks. The volume of TBCG shares traded was at 0.41% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.30/share (-4.17% w/w and +3.84% m/m). More than 72k shares were traded in the range of GBP 2.30 – 2.49/share. Average daily traded volume was 23k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	16.428*	1,047	-4.0%	-7.0%	-29.6%	-31.7%	-31.6%
TBC	TBC	17.1*	1,203	-0.7%	-2.4%	-3.8%	-2.3%	-2.7%
Halyk Bank	HSBK	11.70	3,438	9.3%	0.4%	-8.6%	18.4%	20.0%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.27	8,256	-4.9%	-18.1%	-30.7%	-30.4%	-37.7%
Vozrozhdenie	VZRZ	7.00	166	2.2%	23.8%	36.5%	-19.5%	-30.8%
Sberbank	SBER	11.94	64,410	-3.8%	-10.4%	-18.3%	-29.5%	-16.7%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	12.082*	600	5.7%	20.8%	N/A	N/A	N/A
Creades	CREDA	30.67	251	2.9%	1.7%	-2.3%	-15.8%	-17.3%
CIE du Bois	COMB	444.96	750	-5.4%	-3.0%	-6.3%	3.5%	6.9%
Tinc Comm	TINC	13.94	380	-2.7%	-2.0%	-3.3%	-7.7%	-5.3%
Edify	EDIFY	63.16	307	-8.1%	-10.1%	-16.9%	-7.8%	0.7%

Source: Bloomberg

*CGEO share price traded and shown in GBP

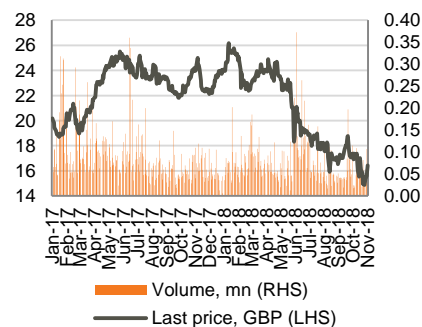
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.3*	393	3.8%	-13.2%	-16.8%	-35.2%	-35.0%
Mouwasat	MOUWASAT	20.00	2,000	-7.1%	-16.7%	-19.5%	-0.9%	-5.9%
Fortis	FORH	1.90	986	2.7%	-8.9%	-20.2%	-24.4%	-14.5%
Raffles	RFMD	0.79	1,424	-4.5%	-3.3%	-8.8%	-5.4%	-5.8%
IHH	IHH	1.19	9,833	-5.9%	-17.7%	-21.8%	-17.3%	-9.2%
Bangkok Chain	BCH	0.59	1,472	-0.5%	19.8%	8.3%	18.7%	19.9%
Netcare	NTC	1.76	2,590	5.6%	-15.1%	-27.1%	-13.2%	-1.8%

Source: Bloomberg

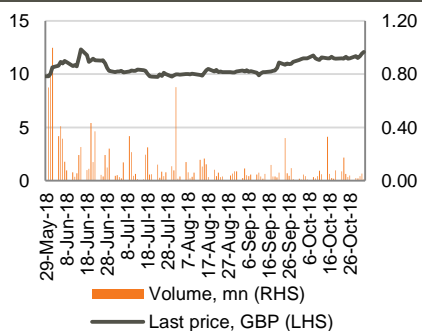
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



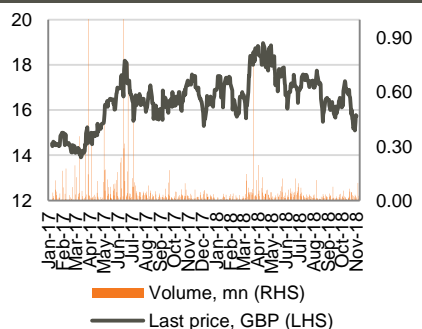
Source: Bloomberg

Georgia Capital (CGEO LN)



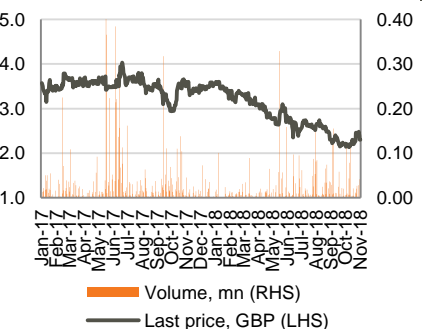
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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