

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 April 11, 2016

## Economy

### International arrivals up 16.8% y/y in March 2016

Arrivals posted robust growth for the second consecutive month, increasing 16.8% y/y to 0.45mn persons in March 2016, according to the Ministry of Internal Affairs. Increased arrivals from Azerbaijan (+19.1% y/y, 29.2% of total), Russia (+15.8% y/y, 12.7% of total), Turkey (+6.9% y/y, 22.8% of total), Armenia (+4.3% y/y, 21.1% of total), and Iran (+1065.8% y/y, 3.0% of total) contributed the most to the growth. In 1Q16, total arrivals increased 15.0% y/y to 1.13mn persons.

### Inflation rate at 4.1% y/y and -0.3% m/m in March 2016

Annual CPI inflation rate was recorded at 4.1% in March 2016 down from 5.6% in previous month, according to GeoStat. Overall price changes were driven by price increases in health (+10.2% y/y, +0.96ppts), alcoholic beverages and tobacco (+14.0% y/y, +0.84ppts), and food and non-alcoholic beverages (+2.3% y/y, +0.74ppts) categories. Meanwhile, prices in the transport category decreased (-3.6% y/y, -0.46ppts), as prices were down for the purchase of vehicles.

On a monthly basis, there was 0.3% deflation in March 2016. Price decreases in food and non-alcoholic beverages (-1.0% m/m, -0.30ppts) and transport (-0.8% m/m, -0.10ppts) and price increase in alcoholic beverages and tobacco (+1.5% m/m, +0.10ppts) categories were the major drivers of the monthly inflation dynamics.

### Tax revenues up 11.5% y/y in March 2016

Consolidated budget tax revenues were up 11.5% y/y to GEL 940mn in March 2016. In 1Q16, consolidated budget tax revenues stood at GEL 2.05bn and accounted for 102.3% of the planned amount.

### Gross international reserves stood at US\$ 2.5bn as of end-March 2016

Gross international reserves increased 1.3% m/m (+US\$ 30.8mn) to US\$ 2.5bn as of end-March 2016, according to NBG. On an annual basis, gross reserves increased 0.2% y/y (+US\$ 3.8mn). The growth in reserves was partly attributed to NBG's 2 FX interventions with a US\$ 15mn purchase in March.

### Key macro indicators

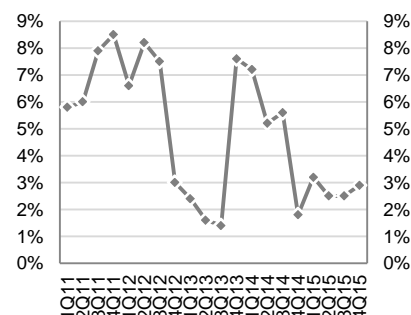
	3M16	2015	2014
GDP (% change)	1.7%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	4.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.5	2.5	2.7
CAD (% of GDP)	....	11.8%	10.6%
Fiscal deficit (% of GDP)	....	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

Source: Official data, IMF, G&T

\*As of 2M16

\*\*Preliminary results of census, previous data is subject to recalculation

### 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 # 66 (improving trend)

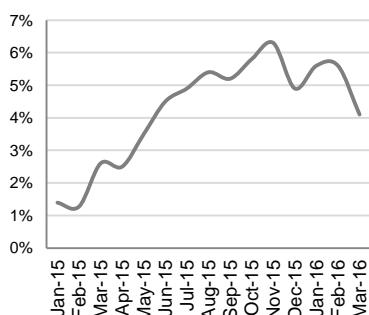
Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

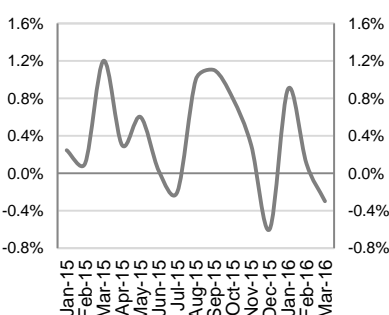
<b>STANDARD &amp; POOR'S</b>  <b>BB-</b> Stable Affirmed Nov-2015	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Oct-2015
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Source: Rating agencies

### Annual CPI inflation (% change y/y)



### Monthly CPI inflation (% change m/m)



Source: GeoStat



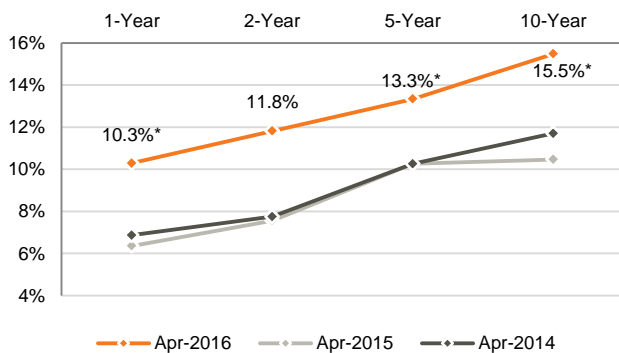
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 780mn (US\$ 338.4mn).

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 8.7mn) certificates of deposit, with an average yield of 9.18% (down by 48bps from previous issue).

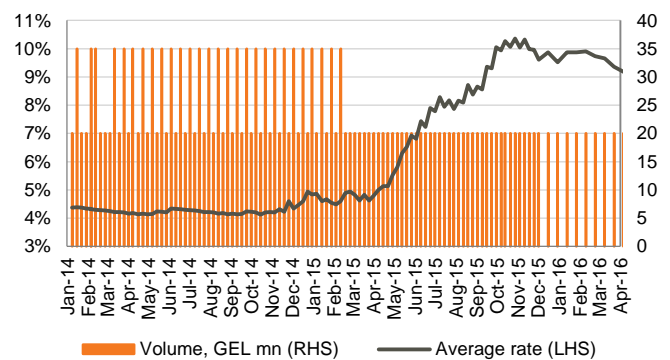
**Ministry of Finance Treasury Notes:** 2-year GEL 20.0mn (US\$ 8.7mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on April 6, 2016. The weighted average yield was fixed at 11.817%. The nearest treasury securities auction is scheduled for April 20, 2016, where GEL 30mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



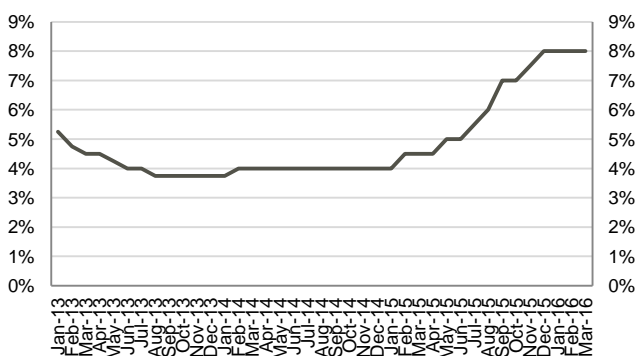
Source: NBG  
\*As of latest auction

Certificates of Deposits (weighted average rate)



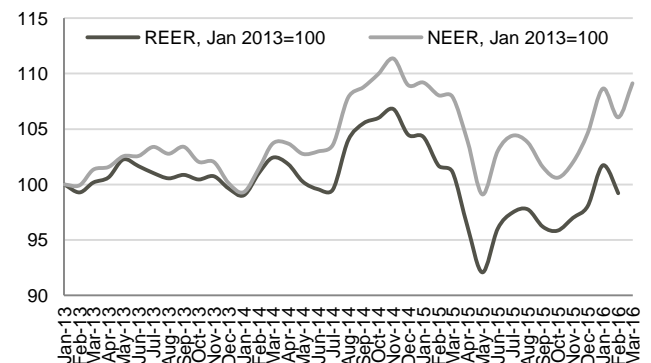
Source: NBG

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

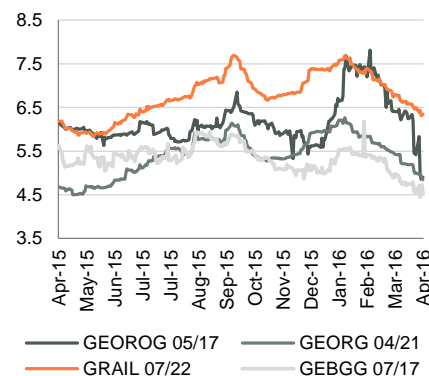


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 4.5% yield, trading at 103.8 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 102.1 (+1.2 w/w), yielding 4.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.8 (+0.4% w/w), yielding 6.4%.

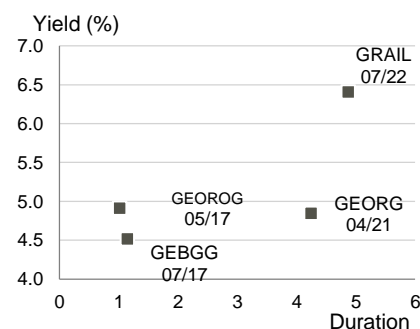
**Georgian Sovereign Eurobonds (GEORG)** closed at 108.9 (+0.6% w/w) at 4.8% yield to maturity.

**Georgia Eurobonds, YTM (%)**



Source: Bloomberg

**Georgian Eurobond universe**



Source: Bloomberg

	Local bonds					Eurobonds			
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.500**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	102.1	103.8	108.9	106.8
Mid yield, %	11.0	15.0	7.75	7.75	8.25	4.9	4.5	4.8	6.4
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	479.8	399.2	361.7	507.9

Source: Bloomberg

\*GWP 11/17 bonds are in Georgian lari

\*\*Floating rate with 7.5% 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	108.9	4.8	361.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	94.9	5.6	409.1
Bulgaria	323	5.000%	19/07/2021	BBB/-/-	120.0	1.1	-238.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	103.0	3.3	318.9
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.8	3.3	207.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.9	3.2	193.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.3	3.6	245.4
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	108.1	3.8	263.3

Source: Bloomberg

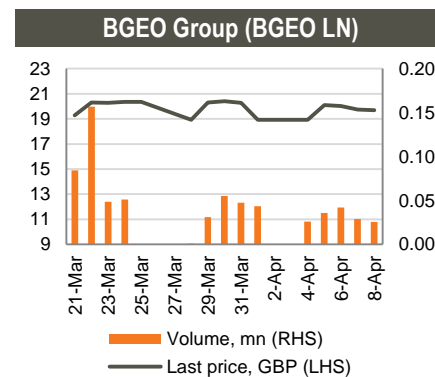
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 19.70/share (-3.10% w/w and +1.34% m/m). More than 158k shares traded in the range of GBP 19.70 – 20.44/share. Average daily traded volume was 59k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, lost 0.16% w/w and gained 0.60% m/m, respectively. The volume of BOGH shares traded was at 0.40% of its capitalization.

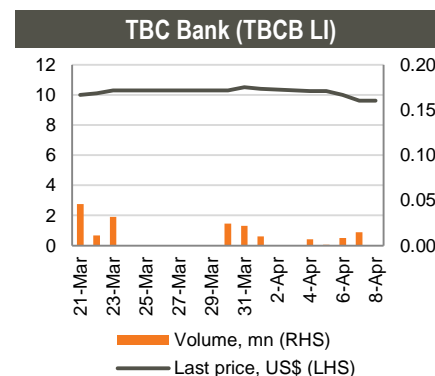
**TBC Bank** (TBCB LI) closed the week at US\$ 9.61 (-7.60% w/w and -7.60% m/m). More than 30k GDRs changed hands in the range of US\$ 9.61 – 10.40/GDR. Average daily traded volume was 32k in the last 4 weeks, more than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 1.74/share (-1.00% w/w and +8.18% m/m). More than 114k shares were traded in the range of GBP 1.66 – 1.77/share. Average daily traded volume was 90k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.

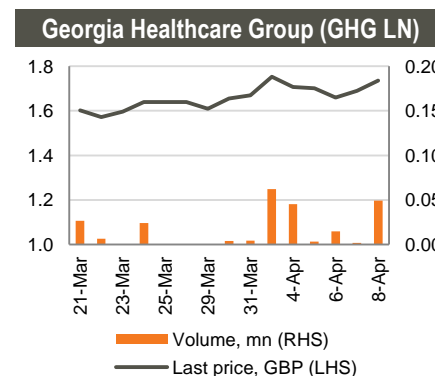
**On the Georgian stock exchange:** Liberty Bank shares were traded at GEL 0.016 (unchanged w/w) and Bank of Georgia shares were traded at GEL 35.00 (-10.3% w/w). As a result, the G&T went down to 796.75 (-10.09% w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

### Eastern European banks

Eastern European Banks								
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	BGEO	27.81	1,099	0.6%	6.4%	-1.6%	-14.0%
	TBC	TBC	9.61	471	-7.6%	-11.8%	11.7%	-23.7%
	Halyk Bank	HSBK	4.25	1,159	3.7%	-9.6%	-31.3%	-50.0%
	KKB	KKB	0.92	367	-8.0%	-26.4%	-68.2%	-75.8%
	VTB Bank	VTBR	2.18	14,140	6.2%	15.8%	-4.9%	-5.1%
	Vozrozhdenie Bank	VZRZ	7.21	171	-1.9%	-10.7%	-25.5%	-2.3%
	Sberbank	SBER	7.12	38,425	13.2%	36.9%	26.5%	75.8%

Source: Bloomberg

Note: \* BGEO is traded in GBP and is 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	2.45	314	7.3%	4.1%	nm	nm	nm
Mouwasat	MOUWASAT	30.73	1,537	-1.1%	-0.6%	-7.3%	-6.5%	-9.4%
Fortis	FORH	2.62	1,213	2.8%	-0.8%	0.8%	49.1%	-7.1%
Raffles	RFMD	3.33	1,919	5.0%	15.5%	4.4%	13.5%	17.1%
IHH	IHH	1.71	14,084	10.4%	16.8%	15.7%	24.4%	4.1%
Bangkok Chain	BCH	0.31	782	13.8%	21.3%	61.8%	30.6%	25.4%
Netcare	NTC	2.38	3,476	10.6%	17.8%	-14.1%	-27.6%	-33.3%

Source: Bloomberg

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

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