

Weekly Market Watch

Weekly Market Watch | Georgia
January 9, 2017

Economy

Tourist arrivals up 14.8% y/y in December 2016

Total international arrivals to Georgia increased 4.3% y/y to 0.49mn visitors in December 2016, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 14.8% y/y to 0.18mn persons (36.6% of total) in December 2016 after growing 14.1% y/y in previous month. Out of top countries by arrivals, in December 2016 visitors continued to increase from Armenia (+9.5% y/y), Azerbaijan (+3.9% y/y) and Ukraine (+14.0% y/y), while arrivals were down from Russia (-2.3% y/y) and Turkey (-16.7% y/y). Arrivals from EU were up 28.6% y/y. In 2016, total international arrivals were up 7.6% y/y to 6.35mn persons; Out of total, tourist arrivals accounted for 42.7% increasing 19.1% y/y, transit visitors were down 5.8% y/y (20.8% of total) and same-day visitors increased 4.4% y/y (36.5% of total).

Inflation rate at 1.8% y/y and 1.0% m/m in December 2016

The annual CPI inflation was 1.8% in December 2016 after 0.6% inflation in previous month, according to GeoStat. Core inflation was at 1.8% in December. Overall price changes were driven by price increases in alcoholic beverages and tobacco (+13.1% y/y, +0.80ppts), food and non-alcoholic beverages (+1.6% y/y, +0.51ppts), and transport (+2.2% y/y, +0.26ppts) categories.

On a monthly basis, inflation rate was 1.0% in December 2016. Price increases in food and non-alcoholic beverages (+1.5% m/m, +0.47ppts), and transport (+2.3% m/m, +0.27ppts) were the major drivers of monthly inflation dynamics.

Tax revenues above the budgeted figure in 2016

In December 2016, consolidated budget tax revenues were up 10.7% y/y to GEL 926.2mn. In 2016, consolidated budget tax revenues stood at GEL 8.8bn (+9.7% y/y) and accounted for 100.5% of annual tax revenue plan, which was revised upward by GEL 55mn in December 2016.

Key macro indicators

	11M16	2015	2014
GDP (% change)	2.4%	2.9%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,767	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	1.8% ⁽³⁾	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	8.4% ⁽²⁾	11.9%	10.6%
Fiscal deficit (% of GDP)	3.7%	3.0%
Total public debt (% of GDP)	...	41.4%	35.7%

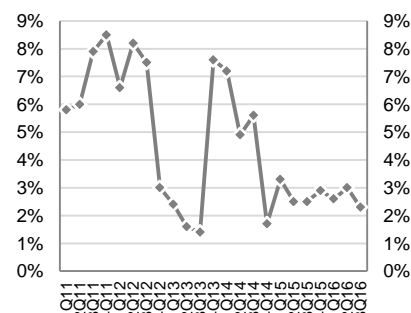
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 3Q16

(3) As of 12M16

Real GDP growth, %



Source: GeoStat

International ranking, 2016-17

Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 23 (mostly free)

Global Competitiveness Index # 59 (improving trend)

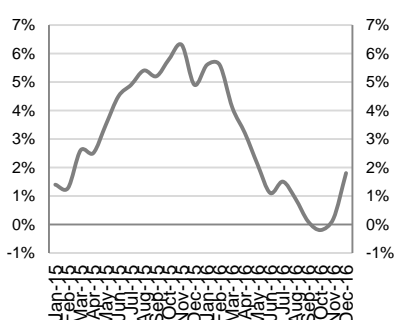
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

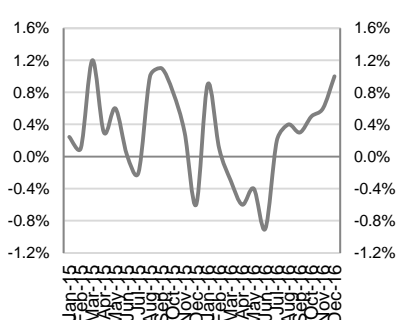
 BB- Stable Affirmed Nov-2016	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Sep-2016
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Source: Rating agencies

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change, m/m)



Source: GeoStat

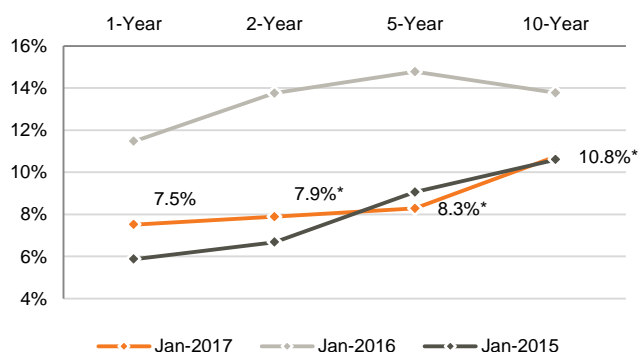
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,150mn (US\$ 430.8mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 7.5mn) certificates of deposit, with an average yield of 6.88% (up by 5bps from previous issue).

Ministry of Finance Treasury Notes: 1-year GEL 40.0mn (US\$ 15.1mn) T-bills of Ministry of Finance were sold at the auction held at NBG on January 4, 2017. The weighted average yield was fixed at 7.510%. The nearest treasury securities auction is scheduled for January 11, 2017, where GEL 20.0mn nominal value 2-year T-Notes will be sold.

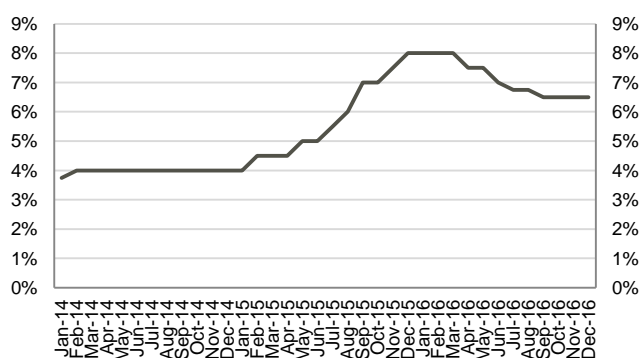
T-bills / T-notes, yield curve



Source: NBG

*Note: As of latest auction. Last auction took place on 7 December, 2016.

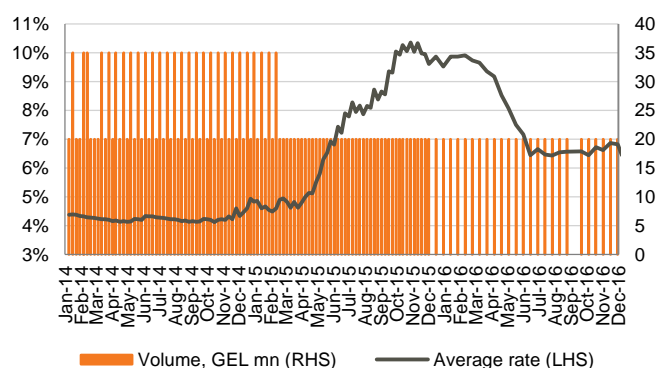
Monetary policy rate



Source: NBG

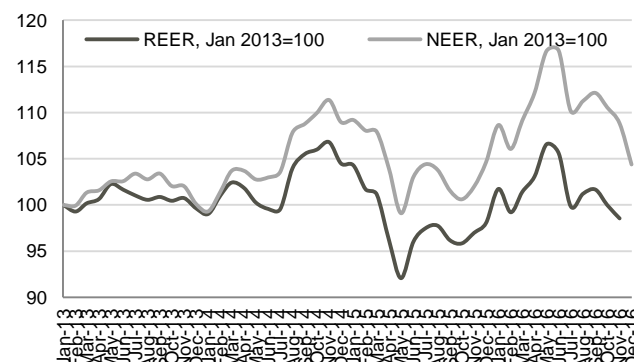
Note: Next revision of a monetary policy rate is scheduled for 25 January 2017

Certificates of Deposits (weighted average rate)



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

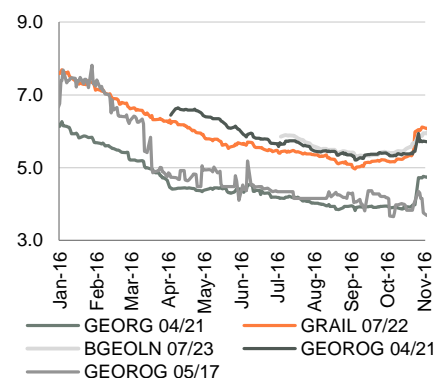
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.6 (+1.3% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.8 (unchanged w/w), yielding 4.6% and GEOROG 04/21 traded at 106.1 (+1.4% w/w), yielding 5.1%. Georgian Railway Eurobond (GRAIL) traded at a premium at 109.1 (+1.9% w/w), yielding 5.8%.

Georgian Sovereign Eurobond (GEORG) closed at 110.8 (+0.8% w/w) at 4.1% yield to maturity.

Georgia Eurobonds, YTM (%)



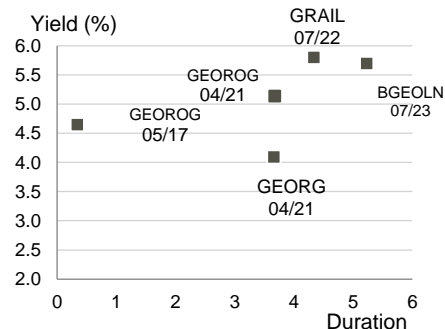
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25	5	15	10	250	53.5	350	500	500
Issue date	12/16	10/16	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	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-/	-/-	-/-	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/B+
Mid price, US\$	n/a	103.8	102.5	101.4	100.7	106.1	100.8	101.6	110.8	109.1
Mid yield, %	n/a	6.0	8.750	5.25	7.750	5.1	4.6	5.7	4.1	5.8
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	319.0	244.5	354.7	209.9	394.5

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

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

Georgian Eurobond universe



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	110.8	4.1	216.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	100.7	4.6	248.7
Bulgaria	323	5.000%	19/07/2021	BBB-/	120.1	0.5	-246.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.7	2.1	194.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.0	3.1	113.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.1	3.5	146.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.6	2.9	103.0
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	103.0	4.8	103.1

Source: Bloomberg

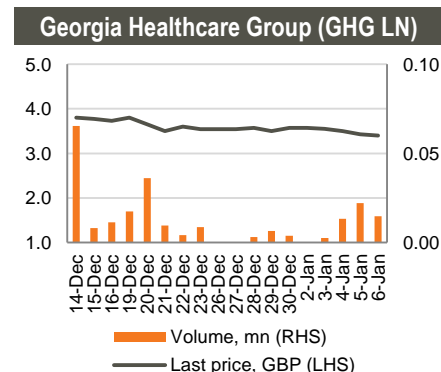
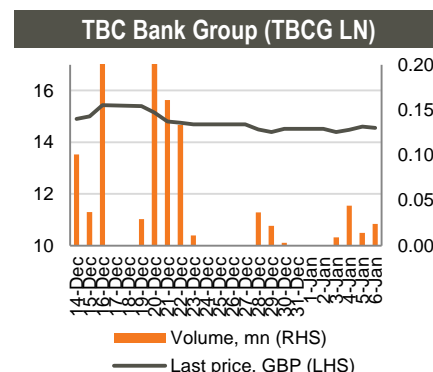
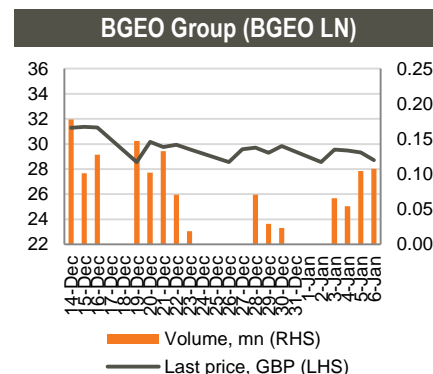
Equities

BGEO Group (BGEO LN) shares closed at GBP 29.41/share (-3.75% w/w and -7.74% m/m). More than 347k shares traded in the range of GBP 28.31 – 29.96/share. Average daily traded volume was 88k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 1.32% w/w and gained 5.09% m/m. The volume of BGEO shares traded was at 0.88% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 14.60 (+0.21% w/w and +3.93% m/m). More than 94k shares changed hands in the range of GBP 14.19 – 14.80/share. Averaged daily traded volume was 178k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.40/share (-4.00% w/w and -8.17% m/m). More than 56k shares were traded in the range of GBP 3.40 – 3.60/share. Average daily traded volume was 13k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.

On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 1,176.94 (unchanged w/w).



Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	35.36	1,397	-10.3%	-7.6%	10.7%	26.0%	32.7%
TBC*	TBC	17.91	934	1.0%	43.3%	40.5%	77.4%	73.9%
Halyk Bank	HSBK	5.82	1,600	5.4%	-9.8%	23.7%	17.6%	20.0%
KKB	KKB	1.45	576	11.6%	8.6%	-9.1%	18.0%	15.6%
VTB Bank	VTBR	2.33	15,112	11.6%	6.4%	14.3%	10.6%	17.8%
Vozrozhdenie Bank	VZRZ	12.60	299	14.1%	9.7%	25.9%	52.7%	56.0%
Sberbank	SBER	11.64	62,818	13.5%	19.0%	40.1%	98.0%	115.6%

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	4.19	551	-10.8%	8.5%	4.3%	83.3%	82.8%
Mouwasat	MOUWASAT	38.08	1,904	-2.1%	22.3%	10.9%	17.3%	13.9%
Fortis	FORH	2.80	1,349	12.4%	8.7%	18.3%	3.1%	4.0%
Raffles	RFMD	1.03	1,799	0.1%	-7.4%	-10.3%	5.2%	9.6%
IHH	IHH	1.43	11,779	-1.0%	-9.2%	-12.5%	-6.4%	-2.4%
Bangkok Chain	BCH	0.42	1,047	-0.3%	20.0%	20.3%	67.4%	61.9%
Netcare	NTC	2.33	3,401	5.0%	-8.3%	13.8%	6.3%	12.0%

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