

Weekly Market Watch

 Weekly Market Watch | Georgia
 March 7, 2016

Economy

Real GDP up 0.8% y/y in January 2016

Georgia's real GDP expanded 0.8% y/y in January 2016, according to GeoStat's rapid estimates. External sector was the major drag on growth as exports suffered, while lower imports supported to keep external balance in check. Banking sector credit portfolio growth was supportive to the economic activity with VAT turnover up 7.2% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation rate at 5.6% y/y and 0.1% m/m in February 2016

Annual CPI inflation rate was recorded at 5.6% in February 2016 (unchanged compared to January), according to GeoStat. Overall prices changes were driven by price increases in food and non-alcoholic beverages (+4.6% y/y, +1.43pts), health (+10.5% y/y, +1.00pts), and alcoholic beverages and tobacco (+14.3% y/y, +0.84pts). Meanwhile, prices in the transport category decreased (-1.5% y/y, -0.22pts) due to lower prices on fuel.

On a monthly basis, inflation rate was at 0.1% in February 2016. Price increases in alcoholic beverages and tobacco (+7.5% m/m, +0.45pts) and communication (+4.1% m/m, +0.13pts) and price decreases in the transport category (-2.3% m/m, -0.28pts) were the major drivers of the monthly price dynamics.

International arrivals up 23.9% y/y in February 2016

Arrivals posted robust growth of 23.9% y/y to 0.36mn persons in February 2016, according to the Ministry of Internal Affairs. Increased arrivals from Azerbaijan (+41.9% y/y, 31.6% of total), Turkey (+12.2% y/y, 25.3% of total), Russia (+29.2% y/y, 12.0% of total), and Armenia (+7.5% y/y, 20.8% of total) contributed the most to the growth. Arrivals also grew from the EU (+12.1% y/y). In 2M16, total arrivals increased 13.9% y/y to 0.68mn.

Tax revenues up 14.1% y/y in February 2016

Consolidated budget tax revenues increased 14.1% y/y to GEL 544mn in February 2016, after weak performance in January, according to the Treasury Service of Georgia. In 2M15, tax revenues increased 5.8% y/y to GEL 1.1bn.

Key macro indicators

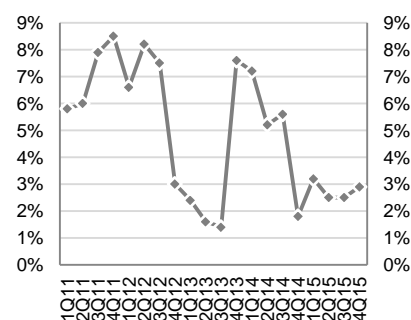
	1M16	2015E	2014
GDP (% change)	0.8%	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,765	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	5.6%*	4.9%	2.0%
Gross reserves (US\$ bn)	2.4	2.5	2.7
CAD (% of GDP)	10.7%	10.6%
Fiscal deficit (% of GDP)	3.0%
Total public debt (% of GDP)	...	41.1%	35.5%

Source: Official data, IMF, G&T

* As of Feb-16

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

Real GDP growth, %



Source: GeoStat

Note: 4Q15 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)
 Economic Freedom Index # 23 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

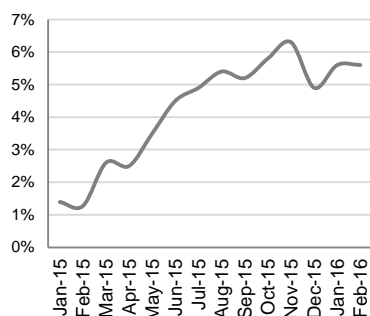
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

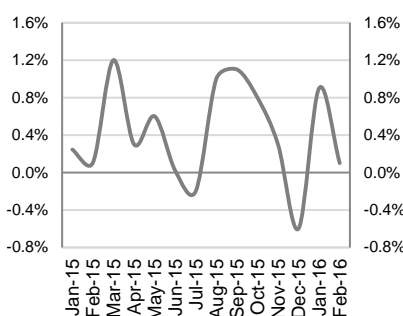
STANDARD & POOR'S BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Mar-2015	FitchRatings BB- Stable Affirmed Oct-2015
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Source: Rating agencies

Annual CPI inflation (% change y/y)



Monthly CPI inflation (% change m/m)



Source: GeoStat

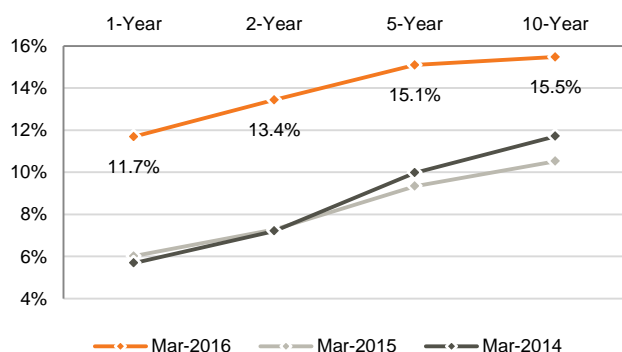
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 281.7mn).

Certificates of deposit: NBG sold 92-day, GEL 20mn (US\$ 8.1mn) certificates of deposit, with an average yield of 9.74% (down by 13bps from previous issue).

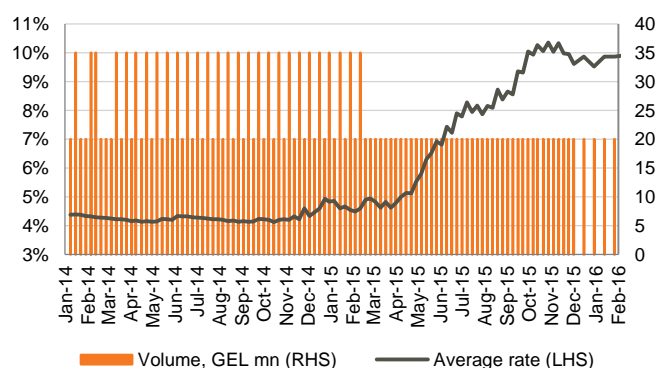
Ministry of Finance Treasury Notes: 1-year GEL 40.0mn (US\$ 16.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on March 2, 2016. The weighted average yield was fixed at 11.264%. The nearest treasury securities auction is scheduled for March 9, 2016, where GEL 40mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



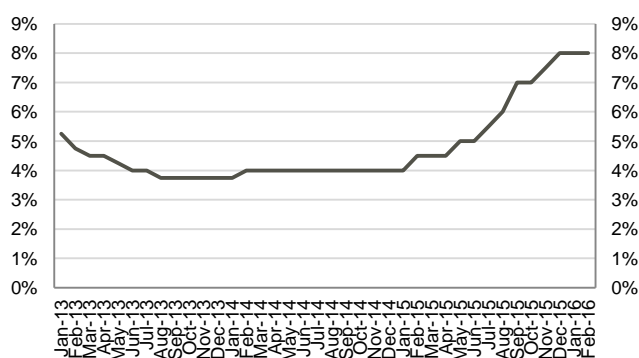
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



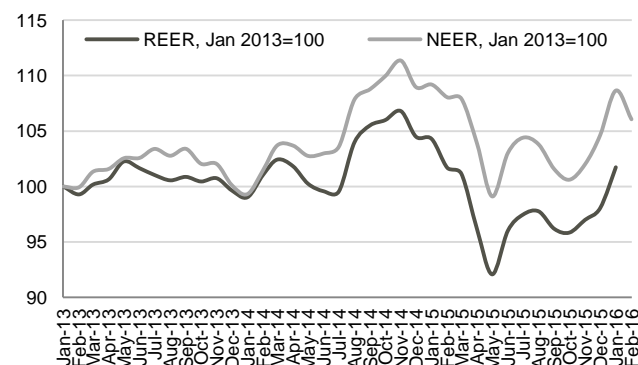
Source: NBG

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

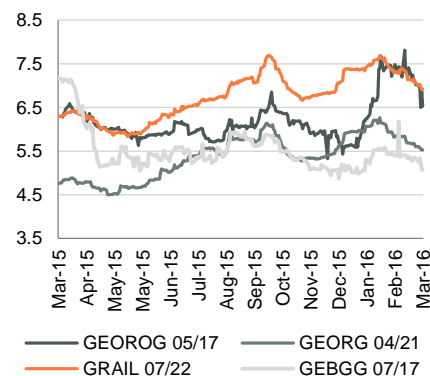


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.1% yield, trading at 103.4 (+0.2% w/w). GOGC Eurobonds (GEOROG) were trading at 100.2 (+0.8% w/w), yielding 6.7%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.3 (+0.7% w/w), yielding 6.9%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.9 (+0.1% w/w) at 5.5% yield to maturity.

Georgia Eurobonds, YTM (%)



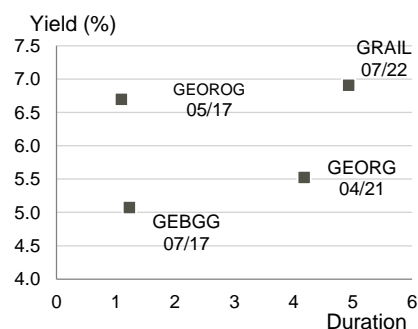
	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	15.000**	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*	99.0	100	98.0	100.2	103.4	105.9	104.3
Mid yield, %	15.0	10.1	9.5	9.7	6.7	5.1	5.5	6.9
Z-spread, bps	n/a	n/a	n/a	n/a	661.2	531.2	415.2	546.7

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% 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	105.9	5.5	415.2
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	95.1	5.5	390.1
Bulgaria	323	5.000%	19/07/2021	BBB-/	120.3	1.1	-244.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	102.1	3.5	330.6
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Baa1	113.6	3.4	198.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.2	3.2	169.2
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa1	104.9	3.7	244.8
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.6	4.2	308.2

Source: Bloomberg

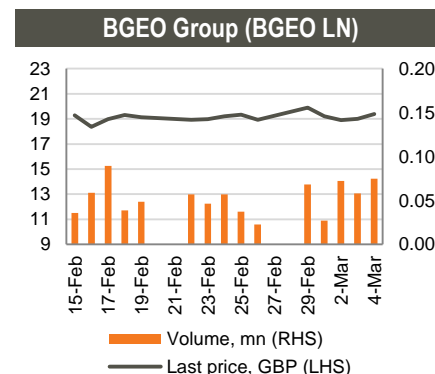
Equities

BGEO Group (BGEO LN) shares closed at GBP 19.40/share (-0.97% w/w and +6.95% m/m). More than 299k shares traded in the range of GBP 18.42 – 20.25/share. Average daily traded volume was 54k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 2.16% w/w and gained 5.21% m/m, respectively. The volume of BOGH shares traded was at 0.76% of its capitalization.

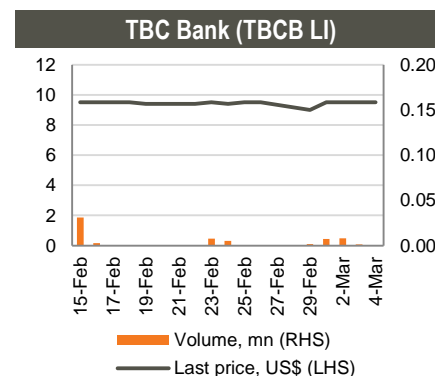
TBC Bank (TBCB LI) closed the week at US\$ 9.50 (unchanged w/w and +1.71% m/m). More than 17k GDRs changed hands in the range of US\$ 9.00 – 9.51/GDR. Average daily traded volume was 9k in the last 4 weeks, more than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.61/share (+5.07% w/w and -12.16% m/m). More than 128k shares were traded in the range of GBP 1.53 – 1.61/share. Average daily traded volume was 19k in the last 4 weeks. The volume of GHG shares traded was at 0.10% of its capitalization.

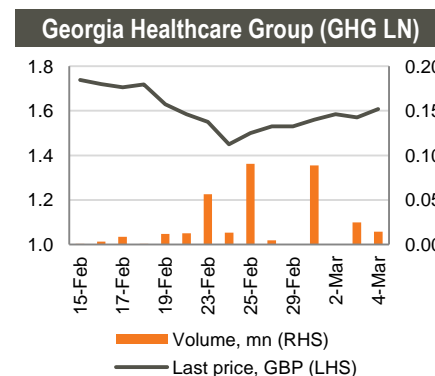
On the Georgian stock exchange: Liberty Bank shares were traded at GEL 0.016 (-5.9% w/w). As a result, the G&T Index went down to 886.18 (-0.01% w/w).



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*	27.62	1,091	4.4%	-4.6%	3.0%	-14.6%	-3.4%
TBC	9.50	465	1.7%	-4.5%	4.2%	-24.6%	-18.8%
Halyk Bank	3.70	1,009	-9.9%	-37.3%	-45.5%	-56.5%	-41.3%
KKB	1.11	443	23.3%	-30.6%	-59.2%	-70.8%	-67.8%
VTB Bank	2.01	13,006	8.2%	-3.1%	2.8%	-12.7%	-6.3%
Vozrozhdenie Bank	7.24	172	7.0%	-20.0%	-10.7%	-1.8%	9.6%
Sberbank	6.44	34,766	16.7%	-1.6%	39.7%	59.1%	34.5%

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*	2.29	293	-14.3%	-13.2%	nm	nm	nm
Mouwasat	30.13	1,507	-4.8%	-4.2%	-8.2%	-8.4%	-16.9%
Fortis	2.56	1,184	0.0%	2.3%	9.5%	45.6%	2.1%
Raffles	3.20	1,841	6.6%	6.1%	3.3%	9.0%	11.1%
IHH	1.58	13,004	-1.6%	3.4%	16.8%	14.9%	5.3%
Bangkok Chain	0.28	695	14.5%	25.4%	37.8%	15.9%	6.0%
Netcare	2.12	3,099	0.4%	-7.8%	-23.5%	-35.5%	-38.2%

Source: Bloomberg

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

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