

# Weekly Market Watch

Weekly Market Watch | Georgia  
 April 3, 2017

## Economy

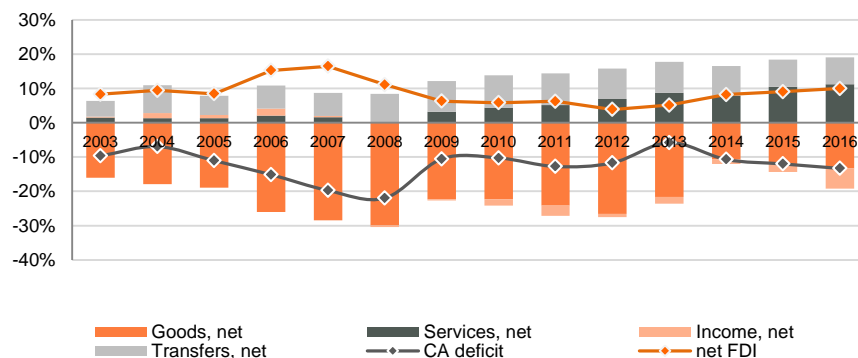
### Real GDP grew 4.4% y/y in February 2017

Georgia's economy expanded 4.4% y/y in February 2017, after growing 5.2% y/y in previous month, according to GeoStat's rapid estimates. As a result, output growth averaged 4.8% y/y in 2M17. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### Current account deficit stood at 13.3% of GDP in 2016

Current account deficit widened to 13.3% of GDP in 2016 from 12.0% in 2015, increasing 13.6% y/y in nominal terms to US\$ 1.9bn, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, decreased 3.5% y/y to US\$ 3.8bn, as exports fell 6.5% y/y, while imports were down 4.9% y/y. Positive balance in services, the largest positive item of the current account, was up 10.7% y/y to US\$ 1.6bn. Among services, tourism had the largest positive balance and tourism revenues increased 11.9% y/y to US\$ 2.2bn (15.1% of GDP). Net current transfers, the second largest positive item of the current account, were down 0.8% y/y to US\$ 1.1bn. Net FDI, significant item for financing the current account deficit, amounted to US\$ 1.4bn (10.0% of GDP, up 12.9% y/y). The largest investment inflows were directed to transport, energy and construction sectors.

### Current account, as % of GDP



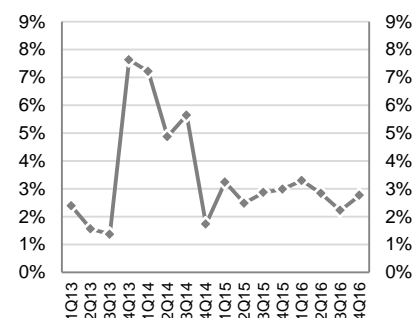
Source: NBG

### Key macro indicators

	2M17	2016	2015
GDP (% change)	4.8%	2.7%	2.9%
GDP per capita (ppp)	...	...	9,630
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	5.5%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	2.8	2.5
CAD (% of GDP)	...	13.3%	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF, G&T

### Real GDP growth, %



Source: GeoStat

### International ranking, 2017

Ease of Doing Business # 16 (Top 20)  
 Economic Freedom Index # 13 (mostly free)  
 Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

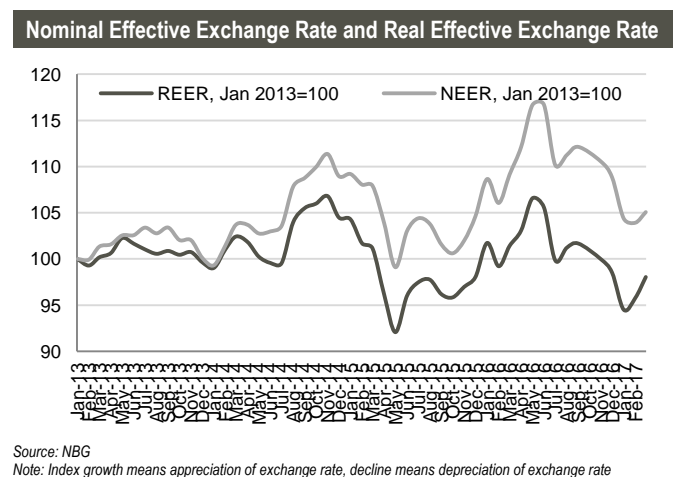
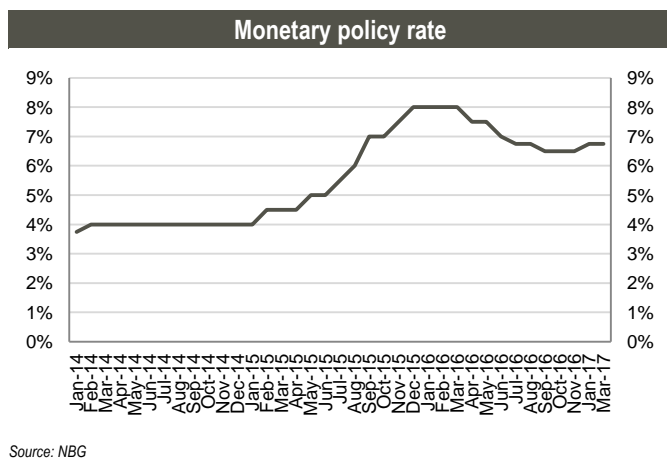
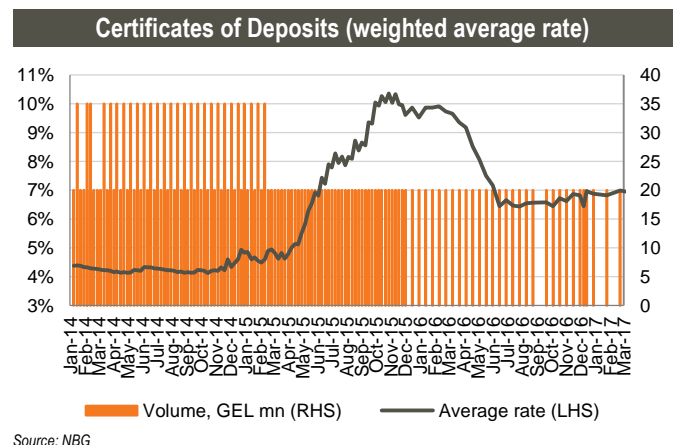
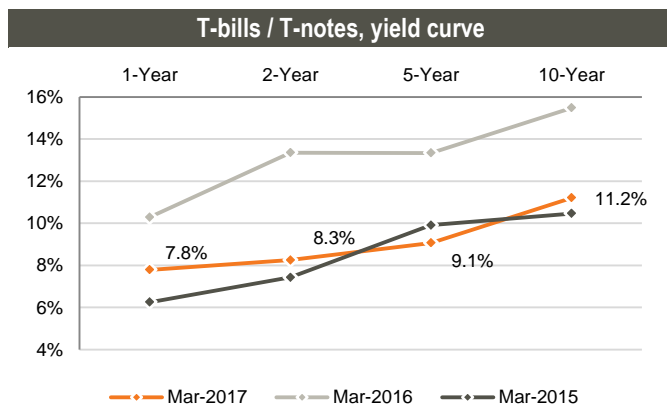
 <b>BB-</b> Stable Affirmed Nov-2016	 <b>Ba3</b> Stable Affirmed Mar-2016	 <b>BB-</b> Stable Affirmed Mar-2017
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Source: Rating agencies

# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,200mn (US\$ 490.4mn).

**Ministry of Finance Treasury Notes:** 5-year GEL 20.0mn (US\$ 8.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on March 29, 2017. The weighted average yield was fixed at 9.065%. The nearest treasury security auction is scheduled for April 5, 2017, where GEL 45.0mn nominal value 1-year T-Bills will be sold.



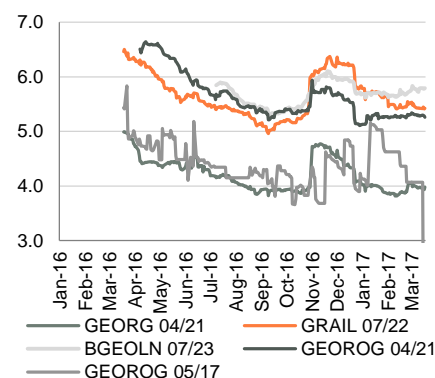


## Fixed income

**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 101.1 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 105.4 (+0.1% w/w), yielding 5.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.6 (unchanged w/w), yielding 5.4%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 111.0 (+0.2% w/w) at 3.9% yield to maturity.

**Georgia Eurobonds, YTM (%)**



Source: Bloomberg

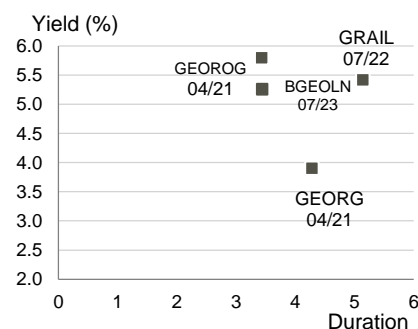
	Local bonds				Eurobonds			
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	04/21	07/23	04/21	07/22
Coupon, %	10.25	7.5	11.0	8.75	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/	-/-	-/-	-/-	BB-/B+	BB-/B1	BB-/BB-/Ba3	B+/B+
Mid price, US\$	n/a	101.7	101.7	100.8	105.4	101.1	111.0	110.6
Mid yield, %	n/a	6.75%	9.0%	6.75%	5.3	5.8	3.9	5.4
Z-spread, bps	n/a	n/a	n/a	n/a	332.6	196.9	336.1	364.7

Source: Bloomberg

\*GWP 12/21 bonds are in Georgian lari

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

**Georgian Eurobond universe**



Source: Bloomberg

### 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	111.0	3.9	196.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	100.8	4.6	240.6
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.7	0.4	-228.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	109.0	2.0	183.6
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.8	2.9	101.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.1	3.1	111.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.8	2.7	87.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	104.6	4.4	243.5

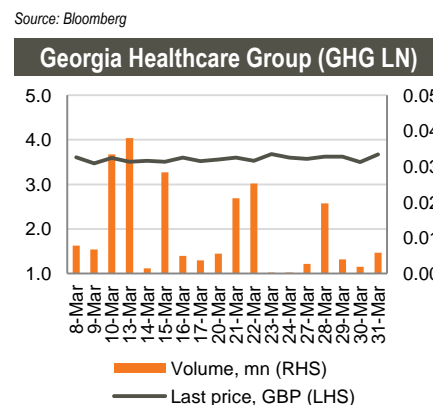
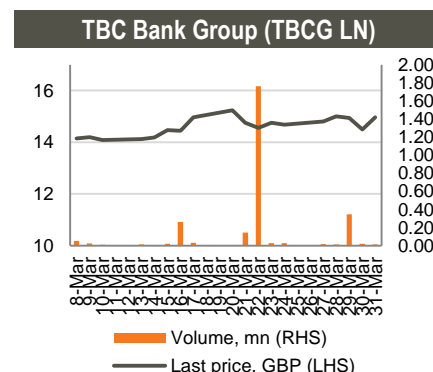
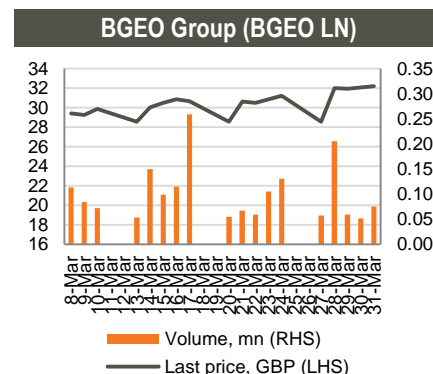
Source: Bloomberg

## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 32.22/share (+3.24% w/w and +14.87% m/m). More than 449k shares traded in the range of GBP 30.76 – 32.39/share. Average daily traded volume was 99k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.05% w/w and gained 1.07% m/m. The volume of BGEO shares traded was at 1.14% of its capitalization.

**TBC Bank Group** (TBCG LN) closed the week at GBP 14.97 (+1.98% w/w and +5.65% m/m). More than 401k shares changed hands in the range of GBP 14.27 – 15.20/share. Averaged daily traded volume was 139k in the last 4 weeks.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.67/share (+1.94% w/w and +0.82% m/m). More than 34k shares were traded in the range of GBP 3.50 – 3.67/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



### Eastern European Banks

Eastern European Banks									
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
	BGEO*	40.37	1,594	12.4%	9.6%	7.2%	43.9%	38.3%	
	TBC*	18.76	988	8.2%	63.8%	50.1%	85.7%	78.7%	
	Halyk Bank	HSBK	7.21	1,982	12.3%	20.4%	12.7%	45.7%	71.7%
	KKB	KKB	1.22	486	10.9%	-15.6%	-8.6%	-0.4%	-2.4%
	VTB Bank	VTBR	2.29	14,833	4.6%	-4.1%	2.8%	8.5%	3.3%
	Vozrozhdenie Bank	VZRZ	13.10	311	1.3%	7.0%	15.0%	58.7%	74.3%
	Sberbank	SBER	11.54	62,278	0.3%	-0.3%	23.1%	96.3%	65.8%

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	4.60	606	3.1%	4.3%	19.8%	101.4%	91.3%
Mouwasat	MOUWASAT	38.00	1,900	0.2%	-3.6%	20.9%	17.1%	25.0%
Fortis	FORH	2.79	1,444	-0.5%	4.8%	11.3%	2.6%	5.1%
Raffles	RFMD	1.01	1,773	1.3%	2.5%	-9.7%	3.5%	-9.2%
IHH	IHH	1.36	11,160	2.5%	-4.2%	-11.6%	-11.3%	-19.9%
Bangkok Chain	BCH	0.38	944	3.8%	-8.3%	8.3%	50.9%	22.0%
Netcare	NTC	1.91	2,789	-18.9%	-17.8%	-22.2%	-12.9%	-22.4%

Source: Bloomberg

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

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