

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 March 6, 2017

## Economy

### Real GDP grew 5.2% y/y in January 2017

Georgia's economy expanded 5.2% y/y in January 2017, after growing 0.3% y/y in previous month, according to GeoStat's rapid estimates. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### Tax revenues up 11.7% y/y in February 2017

Consolidated budget tax revenues were up 11.7% y/y to GEL 607.3mn in February 2017. The 2017 consolidated budget tax revenue plan stands at GEL 9.5bn (+8.6% compared to 2016 actual tax revenues).

### Inflation rate at 5.5% y/y and 1.7% m/m in February 2017

The annual CPI inflation was 5.5% in February 2017 after 3.9% inflation in previous month, according to GeoStat. Core inflation was at 3.1% in February. Overall price changes were driven by price increases in transport (+17.4% y/y, +2.12ppts), food and non-alcoholic beverages (+5.5% y/y, +1.66ppts) and alcoholic beverages and tobacco (+16.3% y/y, +1.03ppts) categories. On a monthly basis, prices rose 1.7% in February 2017. Price increases in food and non-alcoholic beverages (+1.7% m/m, +0.51ppts), and transport (+3.5% m/m, +0.48ppts) categories were the major drivers of monthly inflation dynamics.

### Tourist arrivals up 16.4% y/y in February 2017

Total international arrivals to Georgia increased 2.1% y/y to 0.37mn visitors in February 2017, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 16.4% y/y to 0.14mn persons (38.0% of total) in February 2017 after posting a 32.4% y/y growth in January 2017. Out of top countries by arrivals, in February 2017 visitors continued to increase from Armenia (+7.7% y/y), Russia (+31.4% y/y) and Ukraine (+10.6% y/y), while arrivals were down from Turkey (-21.0% y/y) and Azerbaijan (-6.6%). Arrivals from EU were up 18.5% y/y.

### NPLs at 3.8% y/y in January 2017

In January 2017, the banking sector loan portfolio increased 11.7% y/y after growing 10.7% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 18.2% y/y and 1.2% m/m to GEL 19.1bn (US\$ 7.1bn). Deposits were up 10.5% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 18.0% y/y and up 1.0% m/m to GEL 17.2bn (US\$ 6.3bn). Deposit dollarization reached 71.9% (+0.5ppts y/y and m/m). NPLs stood at 3.8% in January 2017, up 0.7ppts y/y and up 0.3ppts m/m.

### Key macro indicators

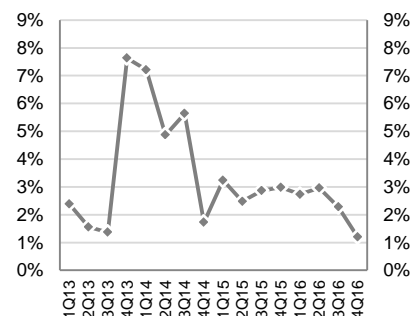
	2M17	2016	2015
GDP (% change)	5.2% <sup>(2)</sup>	2.2%	2.9%
GDP per capita (ppp)	...	...	9,630
GDP per capita (US\$)	...	...	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	5.5%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	2.8	2.5
CAD (% of GDP)	...	8.4% <sup>(1)</sup>	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	...	41.4%

Source: Official data, IMF, G&T

(1) As of 3Q16

(2) As of 1M17

### Real GDP growth, %



Source: GeoStat

Note: rapid estimate for 4Q16

### International ranking, 2016-17



Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 13 (mostly free)

Global Competitiveness Index # 59 (improving trend)

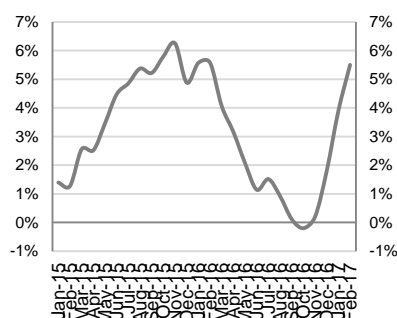
Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

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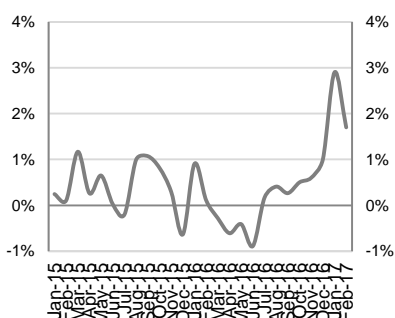
Source: Rating agencies

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



Source: GeoStat

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

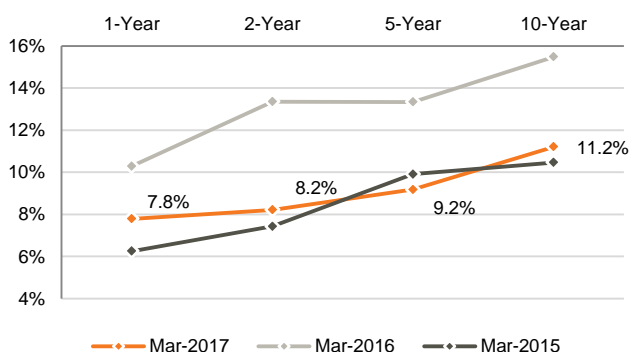


# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,120mn (US\$ 461.1mn).

**Ministry of Finance Treasury Notes:** 1-year GEL 50.0mn (US\$ 19.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on March 1, 2017. The weighted average yield was fixed at 7.788%. The nearest treasury security auction is scheduled for March 7, 2017, where GEL 20.0mn nominal value 182-days T-Bills will be sold.

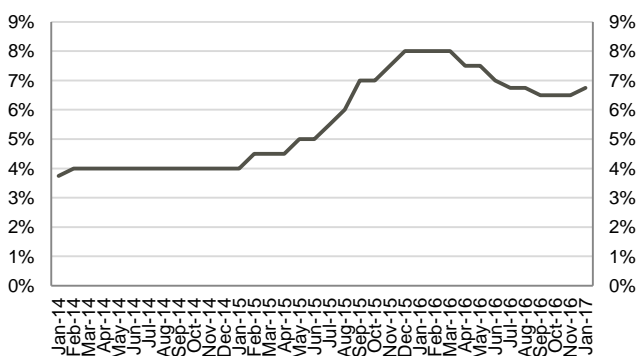
**T-bills / T-notes, yield curve**



Source: NBG

\*Note: As of latest auction.

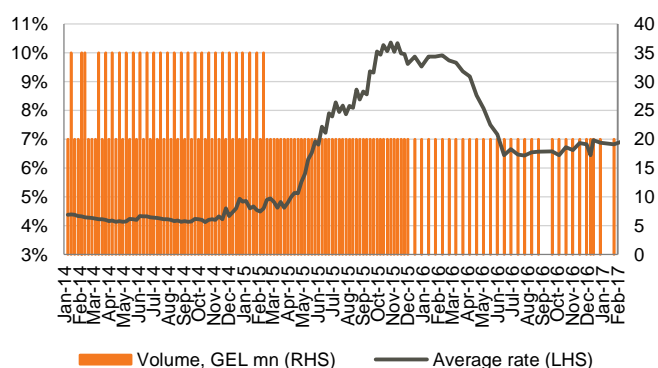
**Monetary policy rate**



Source: NBG

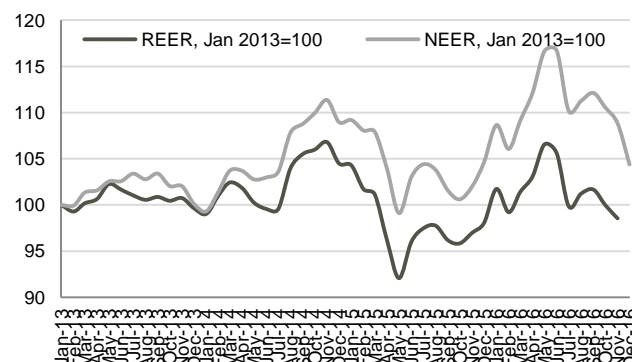
Note: Next revision of a monetary policy rate is scheduled for 7 March 2017

**Certificates of Deposits (weighted average rate)**



Source: NBG

**Nominal Effective Exchange Rate and Real Effective Exchange Rate**



Source: NBG

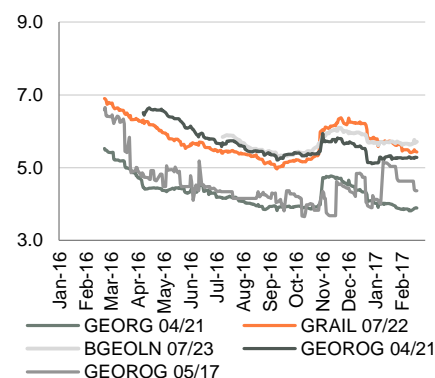
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

# Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.4 (-0.5% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.6 (unchanged w/w), yielding 3.5% and GEOROG 04/21 traded at 105.5 (+0.1% w/w), yielding 5.3%. Georgian Railway Eurobond (GRAIL) traded at a premium at 110.4 (-0.1 % w/w), yielding 5.5%.

**Georgian Sovereign Eurobond (GEORG)** closed at 111.2 (-0.2% w/w) at 3.9% yield to maturity.

**Georgia Eurobonds, YTM (%)**



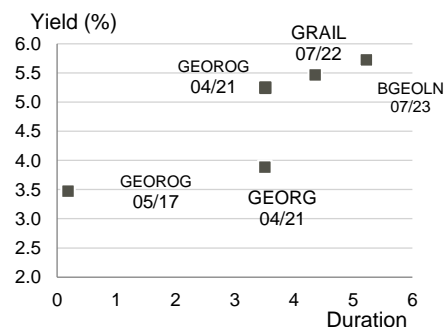
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	15.0	5.0	15.0	10.0	250	53.5	350	500	500
Issue date	12/16	05/15	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	05/17	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	9.5	11.0	9.5	8.8	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/I-/	-/-	-/-	-/-	-/-	BB-/B+/-	BB-/B+/-	BB-/B1	BB-/BB-/Ba3	B+/B+/-
Mid price, US\$	n/a	101.2	102.0	101.2	100.7	105.5	100.6	101.4	111.2	110.4
Mid yield, %	n/a	4.00%	9.00%	4.00%	7.50%	5.3	3.5	5.7	3.9	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	314.6	1.9	344.9	179.6	324.5

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	111.2	3.9	179.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.5	4.5	219.9
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.9	0.4	-242.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	109.0	2.0	179.9
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.0	3.2	115.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.6	3.3	111.9
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.5	2.5	58.4
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	103.5	4.7	259.8

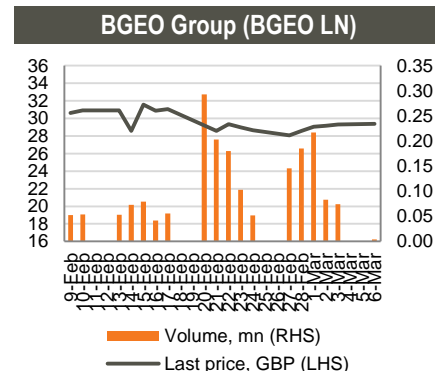
Source: Bloomberg

## Equities

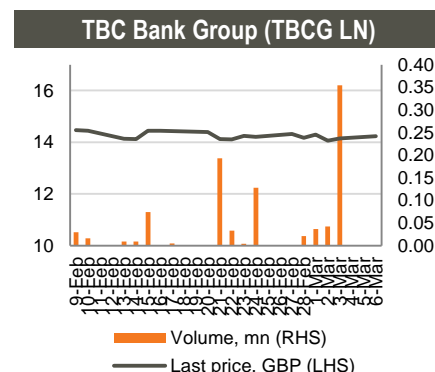
**BGEO Group** (BGEO LN) shares closed at GBP 29.30/share (+2.30% w/w and -2.56% m/m). More than 705k shares traded in the range of GBP 27.89 – 29.63/share. Average daily traded volume was 102k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.58% w/w and gained 2.56% m/m. The volume of BGEO shares traded was at 1.79% of its capitalization.

**TBC Bank Group** (TBCG LN) closed the week at GBP 14.15 (-0.42% w/w and -3.03% m/m). More than 455k shares changed hands in the range of GBP 13.78 – 14.35/share. Averaged daily traded volume was 46k in the last 4 weeks.

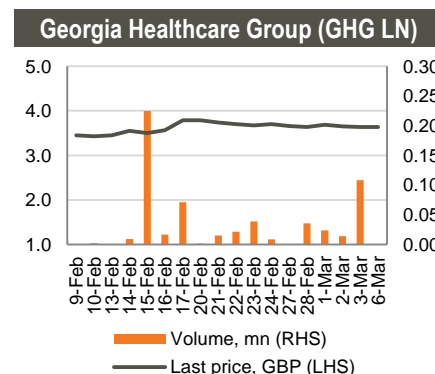
**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.64/share (-1.62% w/w and +3.78% m/m). More than 182k shares were traded in the range of GBP 3.60 – 3.72/share. Average daily traded volume was 33k in the last 4 weeks. The volume of GHG shares traded was at 0.14% of its capitalization.



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*	BGEO	36.03	1,423	-2.5%	-8.6%	-9.0%	28.4%	28.1%
TBC*	TBC	17.46	911	-3.3%	52.5%	45.5%	72.9%	83.8%
Halyk Bank	HSBK	6.49	1,784	12.9%	17.6%	7.1%	31.1%	68.6%
KKB	KKB	1.10	439	-22.8%	-15.1%	-4.8%	-10.2%	10.0%
VTB Bank	VTBR	2.22	14,393	-3.4%	6.3%	-1.3%	5.3%	5.8%
Vozrozhdenie Bank	VZRZ	12.93	307	-2.0%	17.1%	21.3%	56.7%	76.0%
Sberbank	SBER	11.61	62,629	-2.8%	13.1%	20.1%	97.4%	78.5%

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	37.93	1,896	1.1%	-2.5%	13.1%	16.9%	23.5%
Mouwasat	MOUWASAT	2.75	1,423	-0.7%	10.3%	2.1%	1.1%	7.5%
Fortis	FORH	0.99	1,738	-3.7%	-3.4%	-13.1%	1.5%	-6.7%
Raffles	RFMD	1.34	10,990	-6.0%	-7.7%	-18.6%	-12.7%	-15.4%
IHH	IHH	0.37	919	-7.2%	-12.5%	12.8%	46.8%	35.9%
Bangkok Chain	BCH	2.36	3,456	0.2%	6.6%	-2.9%	7.9%	10.9%
Netcare	NTC	37.93	1,896	1.1%	-2.5%	13.1%	16.9%	23.5%

Source: Bloomberg

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

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