

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 25, 2018

Economy

Real GDP growth revised up to 5.3% in 1Q18

1Q18 economic growth in Georgia was revised up to 5.3% from 5.2% rapid estimate figure according to GeoStat. In 1Q18, the fastest growing sectors in real terms were: real estate operations (+13.4% y/y), social and personal service activities (+13.4% y/y), mining (+11.4% y/y), hotels and restaurants (+10.9% y/y) and electricity, gas and water supply (+10.0% y/y). Real growth was down 2.2% y/y in agriculture. The largest sectors were trade (16.9% of total), mining (10.1% of total) and construction (8.9% of total) in 1Q18.

Exports up 50.2% y/y in May 2018

In May 2018, exports growth surged 50.2% y/y to record high US\$ 323.3mn, imports were up 25.2% y/y to US\$ 803.4mn and the trade deficit widened 12.5% y/y to US\$ 480.1mn, according to GeoStat. Overall, in 5M18, exports increased 28.0% y/y to US\$ 1.3bn, imports were up 23.4% y/y to US\$ 3.6bn and the trade deficit widened 20.9% y/y to US\$ 2.3bn.

Increased exports of copper (+47.7% y/y), ferro-alloys (+184.6% y/y), cars (+67.1% y/y) and wine (+33.7% y/y) were the major commodities driving exports growth in May 2018. A 16.7% (-16.5% y/y) of exports were directed to the EU, 47.6% (+74.9% y/y) to the CIS and 35.7% (+84.3% y/y) to other countries.

Petroleum (+36.6% y/y), cars (+20.9% y/y), air-turbines (111x higher y/y) and pharmaceuticals (+11.9% y/y) represented the major imported commodities in May 2018.

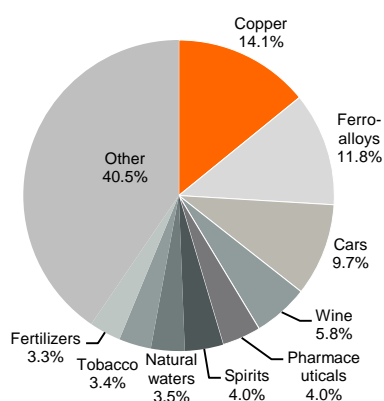
Producer prices up 8.4% y/y in May 2018

Producer price index was up 8.4% y/y in May 2018. Rising prices in manufacturing (+7.1% y/y) and electricity, gas and water supply (+15.2% y/y) contributed the most to the overall index change.

NBG Purchased US\$ 10.0mn

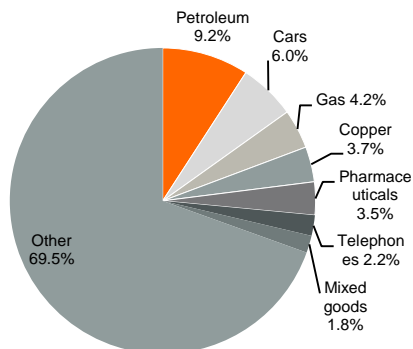
On 22 June 2018, the NBG intervened on the FX market for the second time this year and purchased US\$ 10.0mn on its foreign exchange auction. YTD, the NBG purchased US\$ 30.0mn

Exports by commodities, 5M18



Source: GeoStat

Imports by commodities, 5M18



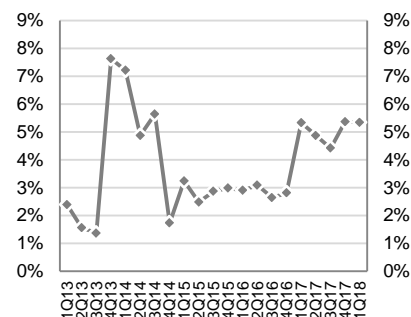
Key macro indicators

	5M18	2017	2016
GDP (% change)	5.5% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 4M18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba2 Stable Upgraded Sep-2017	FitchRatings BB- Positive Affirmed Mar-2018
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Source: Rating agencies



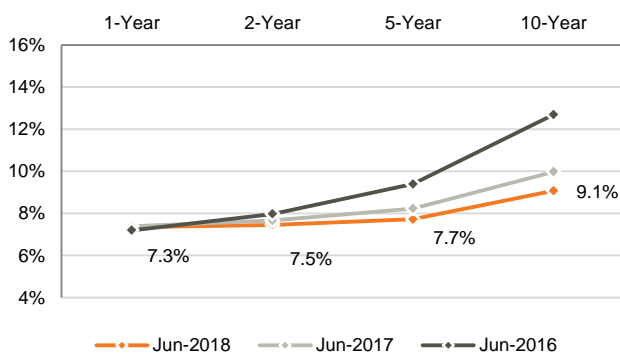
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,100mn (US\$ 447.6mn).

Ministry of Finance Treasury Notes:

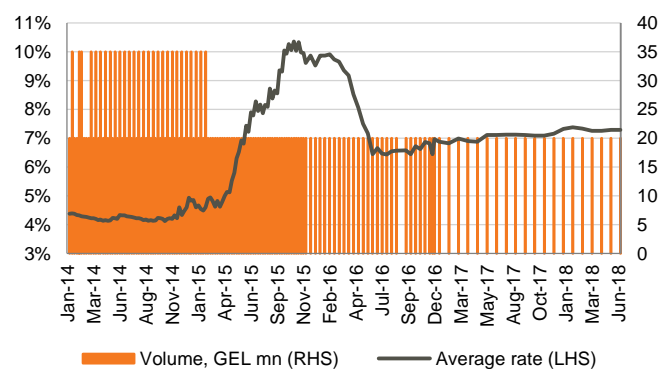
There was no treasury security auction during 18-22 June 2018. The nearest treasury security auction is scheduled for June 27, 2018, where GEL 30.0mn nominal value 5-year Benchmark bonds will be sold.

T-bills / T-notes, yield curve



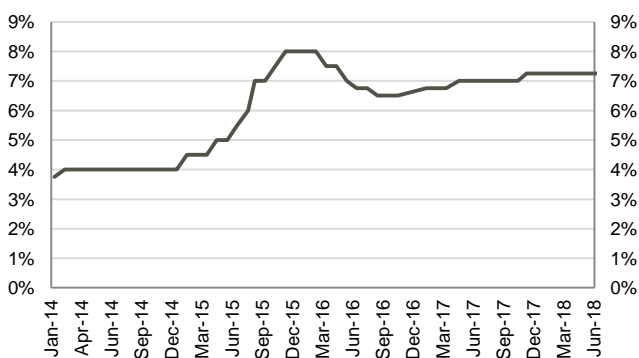
Source: NBG

Certificates of Deposits (weighted average rate)



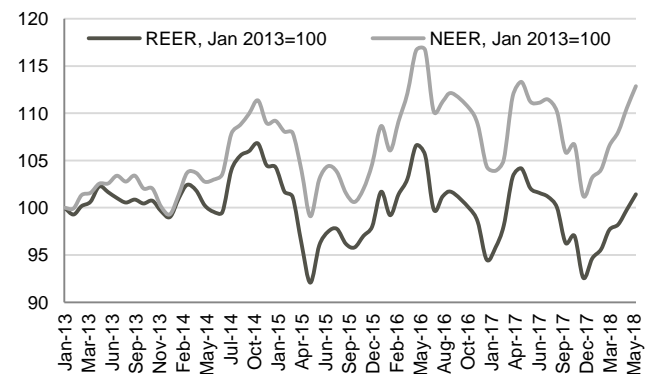
Source: NBG

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 Group Eurobonds (GEBGG) closed at 6.0% yield, trading at 100.0 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.4 (-0.4% w/w), yielding 7.3%.

GOGC Eurobonds (GEOROG) were trading at 100.9 (-0.1% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.0 (-0.3% w/w), yielding 6.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.5 (+0.1% w/w) at 4.4% yield to maturity.

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	GEBGG 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.75**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/-/-	-/-/-	-/-/-	n/a	-B+/B2	B-/B2	BB-/B+	BB-/B2	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	102.5	101.3	102.05	94.4	100.5	100.9	100.0	106.5	105.0
Mid yield, %	n/a	5.5%	3.8%	6.00%	7.3	10.7	6.4	6.0	4.4	6.3
Z-spread, bps	n/a	n/a	n/a	n/a	442.0	346.1	354.8	309.6	152.2	341.8

Source: Bloomberg

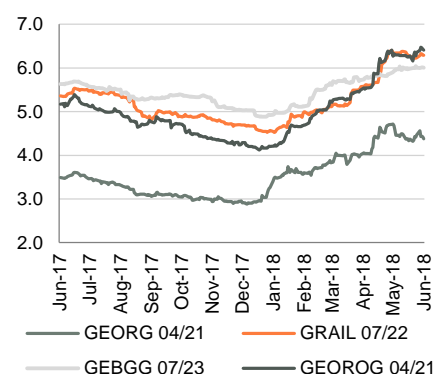
*GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari

**Coupon rate 3.5% 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-/Ba2	106.5	4.4	152.2
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	99.1	4.9	201.5
Bulgaria	323	5.000%	19/07/2021	BBB-/-/-	115.2	0.0	-32.0
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.7	1.1	98.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.1	3.7	80.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.1	4.0	113.6
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.4	3.7	87.0
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	99.6	5.8	291.0

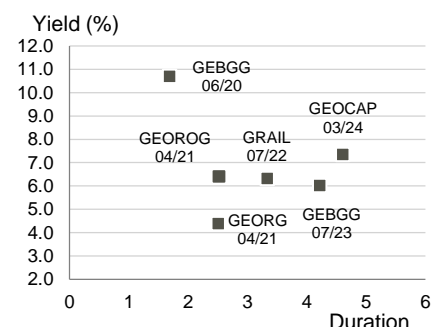
Source: Bloomberg

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 19.27/share (-0.01% w/w and -16.21% m/m). More than 686k shares traded in the range of GBP 18.83 – 19.40/share. Average daily traded volume was 140k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.03% w/w and 0.91% m/m, respectively. The volume of BGEO shares traded was at 1.40% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 11.32/share (-8.22% w/w). More than 1,106k shares traded in the range of GBP 11.10 – 12.30/share. The volume of CGEO shares traded was at 2.83% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.90 (-0.94% w/w and -3.76% m/m). More than 291k shares changed hands in the range of GBP 16.12 – 17.24 share. Averaged daily traded volume was 44k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.55/share (-5.56% w/w and -15.84% m/m). More than 45k shares were traded in the range of GBP 2.55 – 2.69/share. Average daily traded volume was 21k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

Eastern European Banks

	Ticker	Share price, US\$	MCapUS \$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	19.272*	1,257	-16.2%	-20.4%	-19.0%	-19.9%	-18.9%
TBC	TBC	16.90*	1,216	-3.8%	-9.1%	0.0%	-3.4%	1.3%
Halyk Bank	HSBK	11.90	3,271	-5.9%	-16.2%	23.3%	20.4%	39.2%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	4.6%
VTB Bank	VTBR	1.47	9,494	-16.9%	-28.5%	-17.3%	-19.9%	-28.5%
Vozrozhdenie Bank	VZRZ	6.28	149	16.5%	-14.0%	-28.3%	-27.8%	-49.4%
Sberbank	SBER	13.94	75,231	-7.5%	-27.5%	-15.9%	-17.7%	39.4%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	11.32*	584	N/A	N/A	N/A	N/A	N/A
Creades	CREDA	31.23	387	-3.0%	-16.3%	-11.6%	-14.3%	1.8%
Compagnie du Bois	COMB	458.93	773	-1.9%	-8.1%	9.8%	6.7%	20.7%
Tinc Comm	TINC	13.98	381	-1.2%	-2.9%	-4.1%	-7.5%	-0.2%
Edify	EDIFY	71.05	345	-4.3%	-6.9%	5.2%	3.7%	17.1%

Source: Bloomberg

*CGEO share price traded and shown in GBP

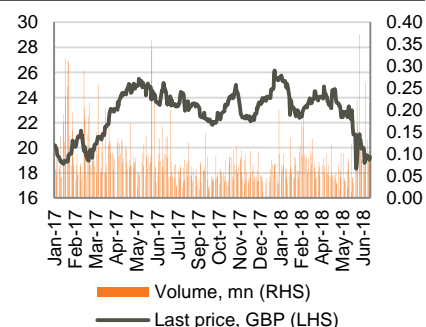
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.55*	445	-15.8%	-18.3%	-29.0%	-28.2%	-34.6%
Mouwasat	MOUWASAT	24.24	2,424	-1.2%	3.3%	17.7%	20.1%	15.0%
Fortis	FORH	2.05	1,064	-3.9%	-13.6%	-7.8%	-18.4%	-33.0%
Raffles	RFMD	0.74	1,317	-8.7%	-15.7%	-10.0%	-11.3%	-22.6%
IHH	IHH	1.50	12,338	-6.2%	-2.7%	5.1%	3.7%	7.2%
Bangkok Chain	BCH	0.47	1,174	-7.6%	-11.8%	-3.7%	-5.3%	18.5%
Netcare	NTC	2.07	3,048	-12.6%	-5.3%	9.4%	2.1%	7.1%

Source: Bloomberg

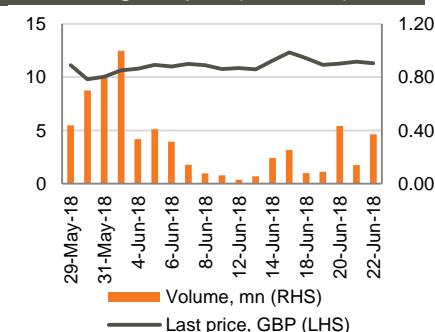
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



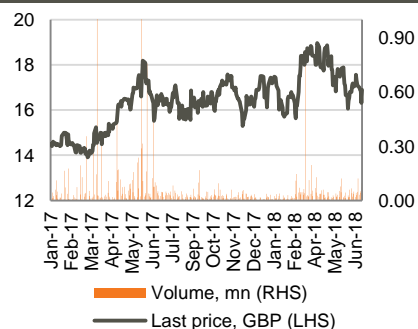
Source: Bloomberg

Georgia Capital (CGEO LN)



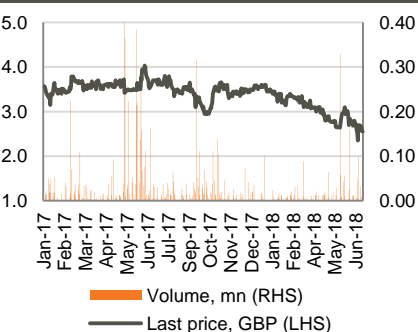
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg



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