

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 December 12, 2016

## Economy

### International reserves up 0.7% m/m in November 2016

Gross international reserves increased 0.7% m/m (+US\$ 19.0mn), while reserves were up 12.1% y/y (+US\$ 299.7mn) to US\$ 2.78bn as of end-November 2016, according to NBG. The increase in reserves on a monthly basis was attributed to government and/or banking sector FX operations.

### FDI up 4.9% y/y in 9M16

FDI in Georgia stood at US\$ 463.3mn (-4.1% y/y) in 3Q16, according to GeoStat's preliminary figures. Similar to previous quarters, the transport and communications sector was the largest FDI recipient at US\$ 140.3mn (-29.7% y/y, 30.3% of total) in 3Q, followed by the construction sector at US\$ 69.3mn (+18.6% y/y, 15.0% of total), the manufacturing at US\$ 62.1mn (+265.5% y/y, 13.4% of total), and the financial sector at US\$ 51.1mn (-25.5% y/y, 11.0% of total). Azerbaijan topped the list of investors with US\$ 151.2mn, followed by Turkey at US\$ 111.1mn, Luxembourg at US\$ 52.1mn, and Czech Republic at US\$ 28.5mn. Overall, FDI in 9M16 stood at US\$ 1.3bn, up 4.9% y/y.

### Job creation in business sector continued in 3Q16

In 3Q16, production of goods and services by the business sector increased 15.8% y/y to GEL 8.2bn. Manufacturing accounted for the largest share (21.2%) in production, followed by construction (20.5%) and trade (16.9%), while production was up in all sectors except for transport and communication (down 1.6% y/y). Like in previous quarters job creation was strong - number of employed persons increased 6.6% y/y to 606 thousand persons (+37.4 thousand persons y/y and +5.0 thousand persons q/q), with particularly upward trend in trade (+10.0% y/y, 25.7% of total), real estate (+8.3% y/y, 9.8% of total), hotels and restaurants (+7.7% y/y, 5.5% of total), and healthcare (+7.4% y/y, 10.4% of total).

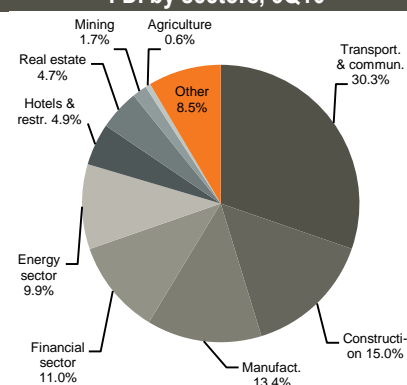
### EIB's record lending of EUR 450mn to Georgia

On 9 December 2016, the European Investment Bank (EIB) signed three loan agreements in Georgia: EUR 250mn to finance new construction and upgrading of priority roads, EUR 100mn for the rehabilitation and upgrading of municipal infrastructure and a EUR 100mn intermediated loan to implement the projects of SMEs and midcap companies in the horticulture and wine sectors. The loans are covered by the European Union's comprehensive guarantee.

### GWP bond issuance

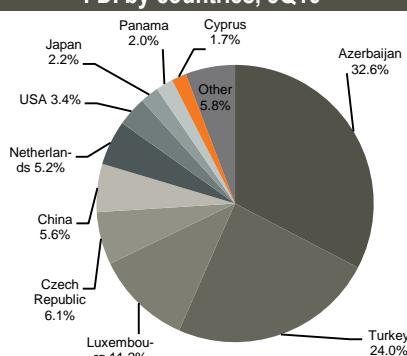
Water utilities company - GWP, completed its third successful issuance of 5-year GEL 30.0mn bonds on December 6, 2016 (details provided on fixed income page).

FDI by sectors, 3Q16



Source: GeoStat

FDI by countries, 3Q16



### Key macro indicators

	11M16	2015	2014
GDP (% change)	2.5% <sup>(3)</sup>	2.9%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,767	3,676
Population (mn)	3.7 <sup>(1)</sup>	3.7 <sup>(1)</sup>	4.5
Inflation (eop)	0.2%	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	13.3% <sup>(2)</sup>	11.9%	10.6%
Fiscal deficit (% of GDP)	...	3.7%	3.0%
Total public debt (% of GDP)	...	41.4%	35.7%

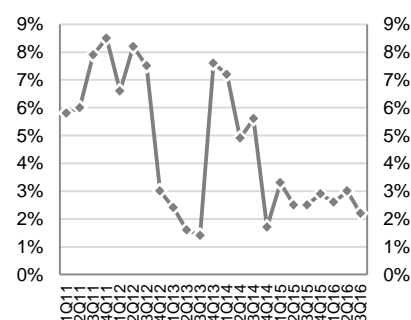
Source: Official data, IMF

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

(2) As of 2Q16

(3) As of 10M16

### Real GDP growth, %



Source: GeoStat

Note: 3Q16 figure based on rapid estimates

### 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

<b>STANDARD &amp; POOR'S</b>  <b>BB-</b> Stable Affirmed Nov-2016	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Sep-2016
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Source: Rating agencies

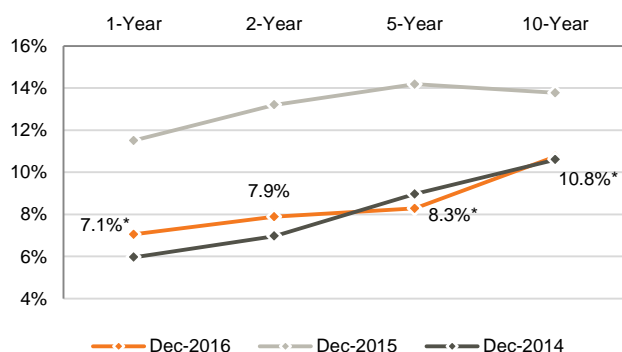
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,270mn (US\$ 493.4mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 7.9mn) certificates of deposit, with an average yield of 6.83% (up by 21bps from previous issue).

**Ministry of Finance Treasury Notes:** 2-year GEL 30.0mn (US\$ 11.6mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on December 7, 2016. The weighted average yield was fixed at 7.884%.

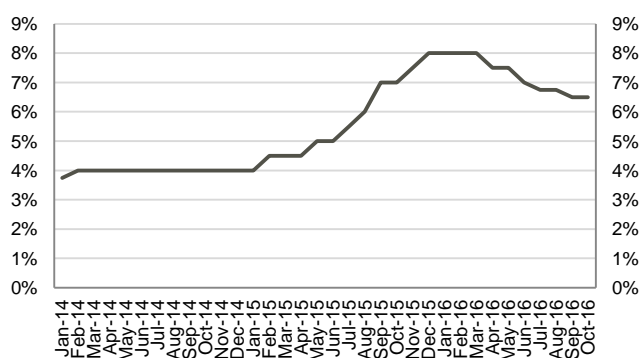
**T-bills / T-notes, yield curve**



Source: NBG

\*Note: As of latest auction

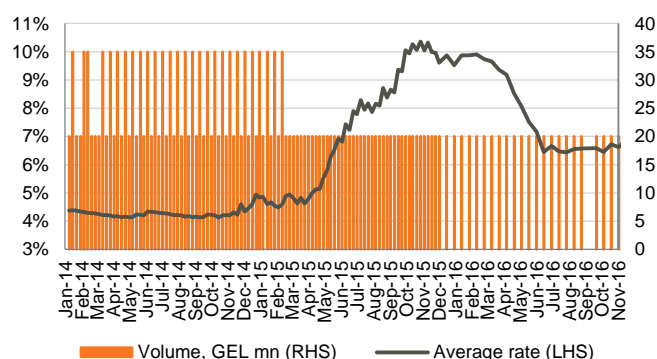
**Monetary policy rate**



Source: NBG

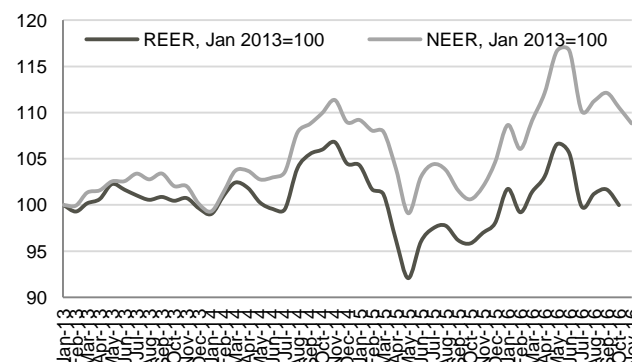
Note: Next revision of a monetary policy rate is scheduled for 14 December 2016

**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 6.0% yield, trading at 99.9 (unchanged w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.9 (unchanged w/w), yielding 4.6% and GEOROG 04/21 traded at 104.1 (+0.4% w/w), yielding 5.7%. Georgian Railway Eurobond (GRAIL) traded at a premium at 106.9 (+0.3% w/w), yielding 6.3%.

**Georgian Sovereign Eurobond (GEORG)** closed at 108.9 (+0.4% w/w) at 4.6% yield to maturity.

**Water utilities company, "GWP"** completed its third successful issuance of 5-year GEL 30.0mn bonds on December 6, 2016. The placement is the largest amount ever-issued in local currency by a non-financial institution in Georgia. The bonds were issued with an annual coupon rate of NBG's local currency refinancing rate plus 3.5%. Galt & Taggart and Pasha Bank acted as co-lead managers.

	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-/B1	-/-	-/-	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB- /Ba3	BB-/BB-
Mid price, US\$	n/a	102.61	102.72	101.46	101.2	104.1	100.9	99.9	108.9	106.9
Mid yield, %	n/a	6.5	8.750	6.25	7.25	5.7	4.6	6.0	4.6	6.3
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	376.2	267.8	392.4	271.9	429.7

Source: Bloomberg

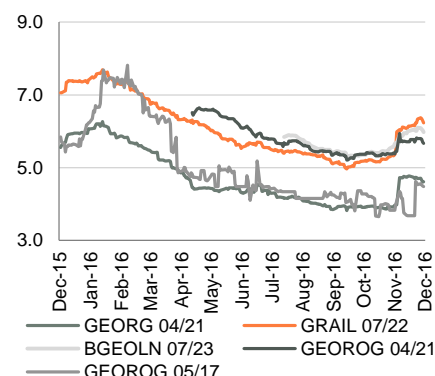
\*GWP 12/21 bonds are in Georgian lari

\*\*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-/Ba3	108.9	4.6	271.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	99.9	4.8	261.7
Bulgaria	323	5.000%	19/07/2021	BBB-/B1	119.8	0.6	-245.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	107.0	2.5	226.3
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.0	3.1	138.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.2	3.7	181.2
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.1	3.1	140.4
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	102.5	5.0	317.1

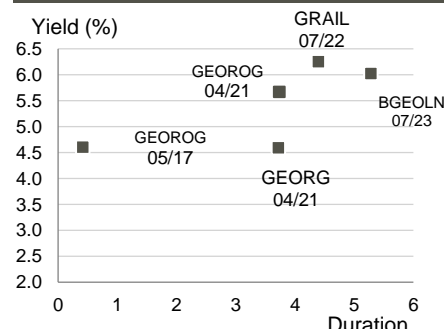
Source: Bloomberg

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

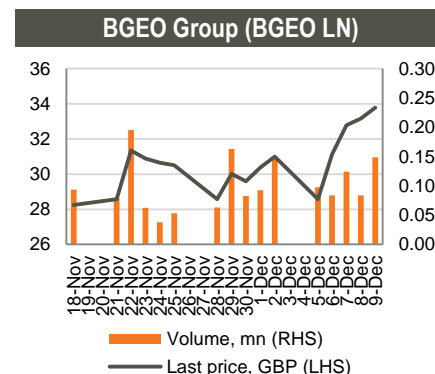
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 33.79/share (+9.00% w/w and +16.88% m/m). More than 538k shares traded in the range of GBP 30.74 – 35.61/share. Average daily traded volume was 96k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 1.67% w/w and gained 0.76% m/m. The volume of BGEO shares traded was at 1.36% of its capitalization.

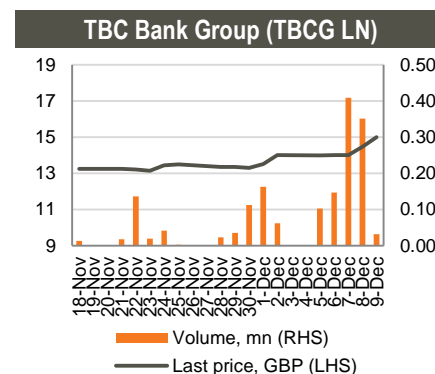
**TBC Bank Group** (TBCG LN) closed the week at GBP 15.00 (+7.14% w/w and +14.29% m/m). More than 1,040k shares changed hands in the range of GBP 13.93 – 15.15/share. Averaged daily traded volume was 89k in the last 4 weeks.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.75/share (+1.63% w/w and +5.63% m/m). More than 55k shares were traded in the range of GBP 3.65 – 3.80/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.

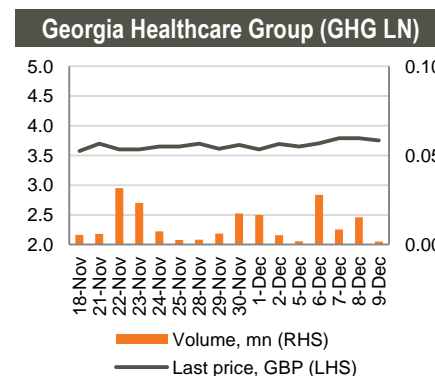
On the Georgian stock exchange, Liberty Bank was traded at GEL 0.017 (unchanged w/w). As a result, the G&T Index remained at 908.64 (unchanged w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

### Eastern European Banks

Eastern European Banks								
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	42.52	1,680	18.5%	5.3%	13.6%	51.6%	49.1%
	TBC*	18.88	985	15.8%	57.3%	45.2%	86.9%	92.6%
	Halyk Bank	HSBK	5.94	1,633	-7.9%	-6.3%	18.8%	4.4%
	KKB	KKB	1.37	546	5.4%	-13.8%	11.8%	-8.7%
	VTB Bank	VTBR	2.36	15,261	12.0%	2.2%	6.9%	9.4%
	Vozrozhdenie Bank	VZRZ	11.31	269	1.5%	6.2%	37.0%	30.0%
	Sberbank	SBER	11.20	60,443	15.6%	15.4%	90.5%	81.2%

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	4.72	621	7.1%	21.7%	25.0%	106.6%	85.2%
Mouwasat	MOUWASAT	39.52	1,976	5.9%	17.3%	14.7%	21.8%	28.5%
Fortis	FORH	2.56	1,185	1.6%	-4.5%	3.7%	-5.9%	5.3%
Raffles	RFMD	1.02	1,777	-4.7%	-9.7%	-14.9%	3.9%	1.6%
IHH	IHH	1.45	11,925	-3.2%	-10.4%	-8.8%	-5.2%	-2.3%
Bangkok Chain	BCH	0.41	1,013	6.1%	27.5%	17.1%	61.9%	79.2%
Netcare	NTC	2.27	3,325	-11.9%	-2.0%	4.5%	3.9%	-4.5%

Source: Bloomberg

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

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