

# Weekly Market Watch

Weekly Market Watch | Georgia  
December 14, 2015

## Economy

### FDI at US\$ 1.02bn in 9M15

FDI in Georgia hit US\$ 1.02bn (-17.3% y/y) in 9M15, according to GeoStat's preliminary figures. In 3Q15, FDI stood at US\$ 489.0mn (-32.6% y/y and +37.7% q/q). Similar to previous quarters, the transport and communications sector was the largest FDI recipient at US\$ 218.5mn (+64.8% y/y, 44.7% of total) in 3Q, followed by the financial sector at US\$ 72.7mn (+78.6% y/y, 14.9% of total), and the construction sector at US\$ 62.5mn (-65.8% y/y, 12.8% of total). Azerbaijan topped the list of investors with US\$ 172.7mn, followed by Netherlands at US\$ 55.4mn, and Turkey at US\$ 42.9mn.

### Parliament approved 2016 state budget

On December 11, 2015, the Parliament approved the 2016 state budget, setting total inflows at GEL 10.16bn (+2.5% y/y) and total outflows at GEL 10.16bn (+6.0% y/y), leading to a neutral effect on government deposits. In 2016, the state budget projects 3.0% economic growth and sets the fiscal deficit at 3.0% of GDP (unchanged y/y). Targeted tax revenues are set at GEL 7.98bn (+7.8% y/y), accounting for 23.3% of projected GDP. The government plans to raise GEL 1.28bn in loans, of which GEL 200mn constitute net domestic borrowing and the rest in the form of long-term concessional borrowing from IFIs. Total public debt to GDP ratio for 2016 is projected to reach 42.6% (-0.5ppts y/y), of which external public debt is projected at 33.9% of GDP (-0.2ppts y/y).

### Gross international reserves stood at US\$ 2.5bn as of Nov-2015

Gross international reserves increased 1.2% m/m (+US\$ 30.5mn) to US\$ 2.5bn (-4.9% y/y) as of end-November 2015, according to NBG. Net foreign assets of NBG reached 2.3bn (+1.7% m/m and -3.8% y/y). The growth in reserves was attributed to government FX operations, fully compensating for NBG's US\$ 20mn FX intervention in November.

### Property registration up 3.0% y/y and company registration up 2.8% y/y in Nov-2015

Property registration (commercial and residential real estate) increased 3.0% y/y (-5.1% m/m), reaching 44,123 units in November 2015, according to National Agency of Public Registry. Notably, a sharp increase in primary properties (+19.6% y/y, 18.8% of total) fully compensated for a decrease in secondary property registration (-0.3% y/y, 81.2% of total).

Company registration increased 2.8% y/y (-2.2% m/m) to 3,600 units in November 2015. Out of newly registered companies, 97.2% were business legal entities, while 2.8% comprised non-entrepreneurial (non-commercial) legal entities.

### GWP - first non-financial Georgian company assigned the same rating as the sovereign

On December 8, 2015, Fitch assigned a 'BB-' rating to Georgian Water and Power (GWP), the leading company in water and waste water treatment services in Georgia and the sole supplier of those services in Tbilisi. The rating reflects trust in the company, its financial sustainability, and solid management team. GWP is the first non-financial, private Georgian company to be assigned the same rating as the sovereign, the highest that can be granted to a company in Georgia. Galt & Taggart was the provider of rating advisory services to GWP, heading up both the preliminary process and the final stage - the company presentation to Fitch Ratings.

### Key macro indicators

	11M15	2014	2013
GDP (% change)	2.8%***	4.6%	3.3%
GDP per capita (ppp)*	...	9,209	8,526
GDP per capita (US\$)	...	3,676	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	6.3%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

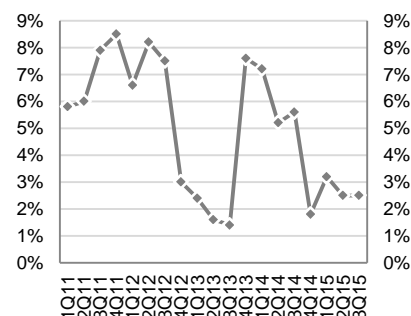
Source: Official data

\*Source: IMF

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

\*\*\*As of 10M15

### Real GDP growth, %



Source: GeoStat

Note: 3Q15 figure based on rapid estimates

### International ranking of Georgia, 2015-16

Ease of Doing Business # 24 (regional leader)

Economic Freedom Index # 22 (mostly free)

Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

<b>STANDARD &amp; POORS</b>  <b>BB-</b> Stable Affirmed May-2015	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Positive Affirmed Mar-2015	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Oct-2015
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Source: Rating agencies



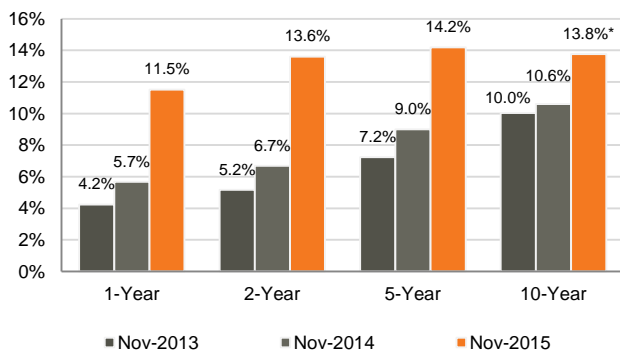
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 292.3mn) with an average yield of 7.5%.

**Certificates of deposit:** NBG sold 92-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 9.61% (down by 37bps from previous issue).

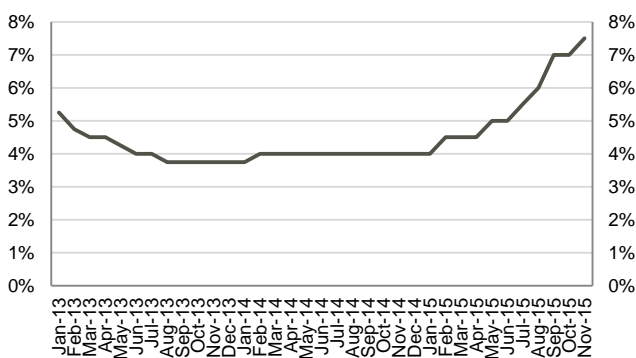
**Ministry of Finance Treasury Notes:** Treasury notes emissions for 2015 have been completed. The last auction took place on December 2, 2015.

T-bills / T-notes, yield curve



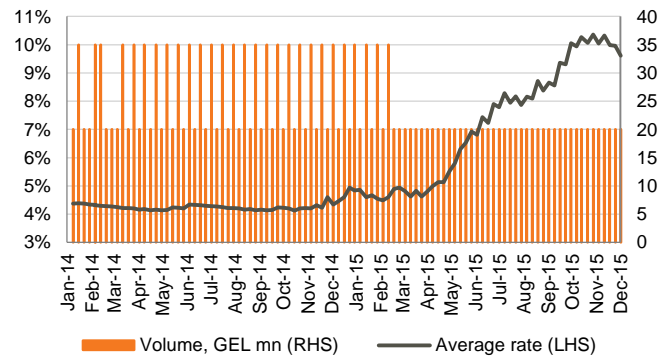
Source: NBG  
\*As of latest auction

Monetary policy rate



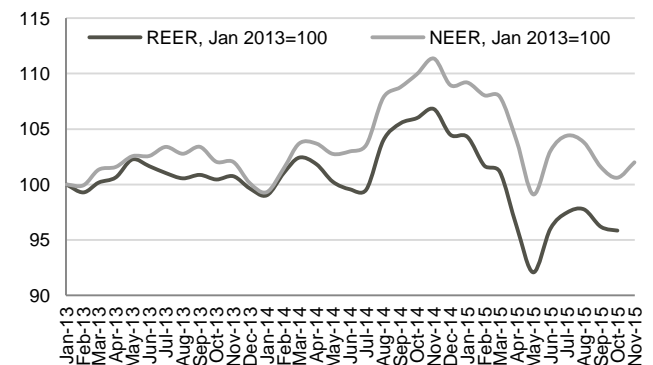
Source: NBG

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



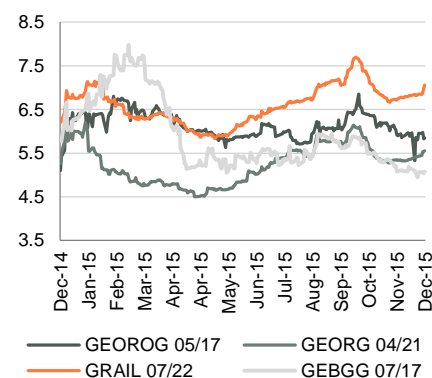
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 4.9% yield, trading at 104.2 (+0.2% w/w). GOGC Eurobonds (GEOROG) were trading at 101.6 (+0.2% w/w), yielding 5.7%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 103.3 (-1.3% w/w), yielding 7.1%.

**Georgian Sovereign Eurobonds** (GEORG) closed at 105.7 (-0.8% w/w) at 5.6% yield to maturity.

**Galt & Taggart and PASHA Bank** were the underwriters and placement agents of GWP's 2-year GEL 6.0mn bond issue on December 10, 2015. Georgian Water and Power issued 6,000 bonds with nominal value of GEL 1,000 each, with quarterly coupon payments. The bonds are floating rate, with the rate set at 7.5% over the NBG's refinancing rate. At present the annual interest rate is 15.0%.

**Georgia Eurobonds, YTM (%)**



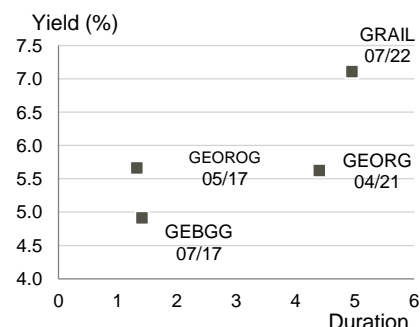
	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
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	101.6	104.2	105.7	103.3
Mid yield, %	15.0	10.1	9.5	9.7	5.7	4.9	5.6	7.1
Z-spread, bps	n/a	n/a	n/a	n/a	545.6	464.5	392.0	539.2

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	105.7	5.6	392.0
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	93.5	5.7	371.9
Bulgaria	323	5.000%	19/07/2021	BBB-/Baa3	120.0	1.3	-247.1
Croatia	1,250	3.875%	30/05/2022	BB-/BB-/Ba1	100.7	3.8	330.1
Hungary	3,000	6.375%	29/03/2021	BB-/BB-/Ba1	114.6	3.3	165.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.1	3.5	170.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB-/Ba1	104.1	4.0	244.1
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	105.7	4.4	274.6

Source: Bloomberg

## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 18.28/share (-4.64% w/w and -3.79% m/m). More than 350k shares traded in the range of GBP 18.06 – 19.64/share. Average daily traded volume was 69k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 3.44% w/w and lost 1.87% m/m. The volume of BOGH shares traded was at 0.89% of its capitalization.

**TBC Bank** (TBCB LI) closed the week at US\$ 9.65 (-3.02% w/w and +6.99% m/m). More than 58k GDRs changed hands in the range of US\$ 9.50 – 9.95/GDR. Average daily traded volume was 130k in the last 4 weeks, less than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 1.70/share (-2.58% w/w and -6.85% m/m). More than 174k shares were traded in the range of GBP 1.65 – 1.74/share. Average daily traded volume was 28k in the last 4 weeks. The volume of GHG shares traded was at 0.1% of its capitalization.

**On the Georgian stock exchange:** There were no trades. As a result, the G&T Index remained at 885.86 (unchanged w/w).

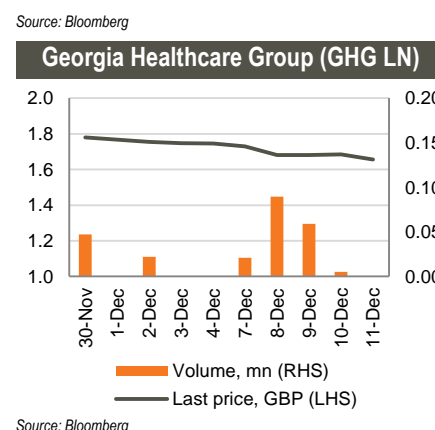
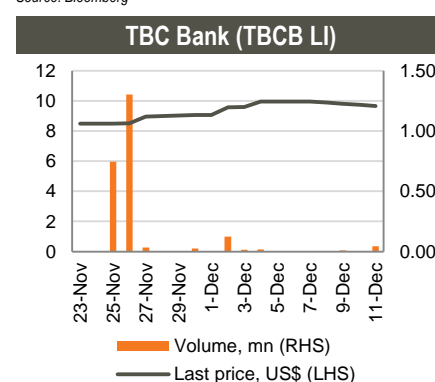
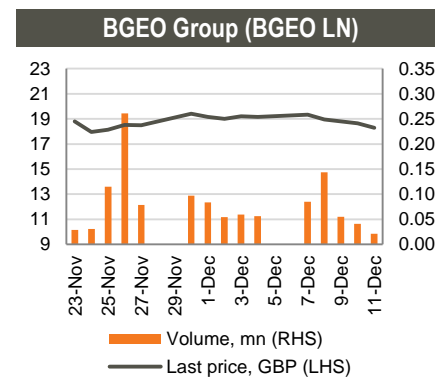
**Liberty Bank's share buyback:** In accordance with Liberty Bank's supervisory board decision, the bank is executing a share buyback: 1.05bn shares to be repurchased (19.0% of total shares outstanding) with a repurchase price of GEL 0.0179/per share (set at 0.75x the unaudited IFRS common equity book value per share as of 30 September 2015), currently trading at 0.5-0.6x book value per share. The initial share buyback period was set at 15 calendar days from November 12, 2015 through November 27, 2015, after which date the bank is accepting applications from minority shareholders who own less than 1% of the shares each for up to 75 calendars days.

Eastern European banks								
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	27.81	1,098	-2.2%	-1.8%	-3.6%	-14.0%	-9.2%
	TBC	9.65	473	12.3%	-2.5%	-12.3%	-23.4%	-24.3%
	Halyk Bank	5.48	1,495	-10.2%	-20.0%	-29.8%	-35.5%	-25.1%
	KKB	1.50	598	-48.1%	-44.9%	-53.3%	-60.5%	-57.4%
	VTB Bank	2.12	13,751	-7.1%	6.6%	-26.3%	-7.7%	4.5%
	Vozrozhdenie Bank	8.62	205	-8.5%	-4.1%	11.3%	16.9%	12.1%
	Sberbank	5.97	32,219	-4.1%	30.2%	13.5%	47.4%	19.9%

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*	2.52	323	-9.2%	nm	nm	nm	nm
	Mouwasat	30.78	1,539	3.8%	-6.5%	-19.2%	-6.4%	-6.7%
	Fortis	2.60	1,205	3.0%	4.8%	8.3%	48.2%	58.6%
	Raffles	3.07	1,764	0.2%	-4.1%	-8.7%	4.5%	2.7%
	IHH	1.46	11,979	-3.2%	7.6%	-7.6%	5.8%	6.0%
	Bangkok Chain	0.23	569	24.0%	17.5%	14.0%	-5.0%	-15.4%
	Netcare	2.00	2,910	-25.9%	-27.2%	-34.2%	-39.2%	-35.8%

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



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