

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 May 30, 2016

## Economy

### NPLs at 3.6% in April 2016

In April 2016, the loan portfolio grew 6.6% y/y, excluding the exchange rate effect (+4.2% y/y and -3.0% m/m in unadjusted terms), to GEL 15.5bn (US\$ 6.9bn). Deposits grew 14.2% y/y, excluding the exchange rate effect (+11.4% y/y and +1.1% m/m in unadjusted terms), reaching GEL 14.4bn (US\$ 6.5bn). On a monthly basis, loan growth was down due to GEL appreciation, lowering FX-denominated loan nominal value in GEL terms. NPLs remain under control at 3.6% in April 2016, unchanged y/y and up 0.4ppts m/m.

### Property registration up 32.4% y/y in April 2016

Property registration (commercial and residential real estate) increased 32.4% y/y (-7.4% m/m), reaching 55,882 units in April 2016, according to the National Agency of Public Registry. Registration increased for primary (+66.1% y/y, 23.9% of total), as well as secondary (+24.5% y/y, 76.1% of total) properties.

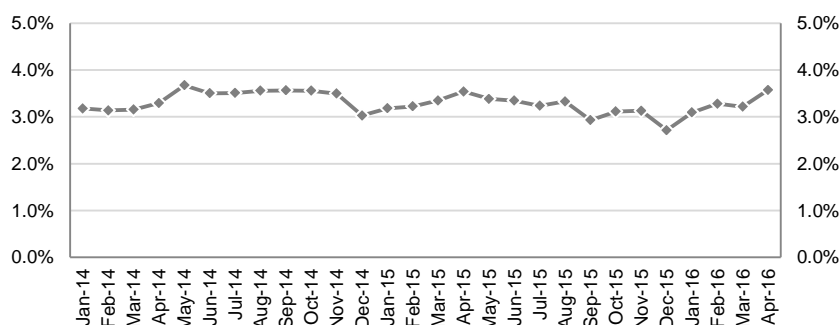
### Company registration up 10.6% y/y in April 2016

In April 2016, company registration increased 10.6% y/y (-16.9% m/m) to 4,081 units, according to National Agency of Public Registry. Out of newly registered companies, 97.3% were business legal entities, while 2.7% comprised non-entrepreneurial (non-commercial) legal entities.

### Unemployment rate at 12 year low

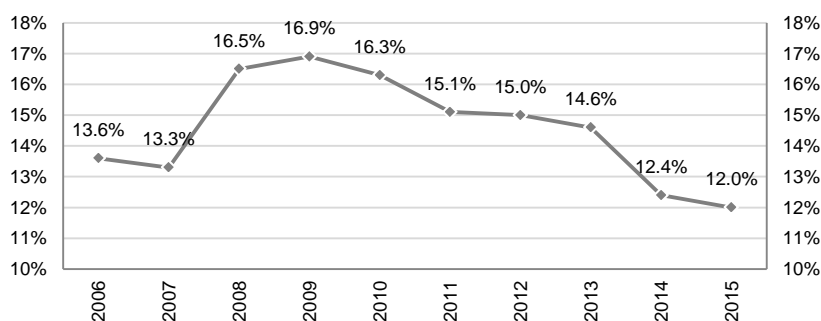
In 2015, the annual unemployment rate in Georgia fell by 0.4ppts y/y to 12.0% (12 year low), according to GeoStat. Out of employed persons, the share of hired labor increased by 2.7ppts and accounted for 42.5% of total (753.4 thousand persons, highest number since record started), while share of self-employed persons declined to 57.5% of total (1.0mn persons).

NPLs



Source: NBG

Unemployment rate



Source: GeoStat

Key macro indicators

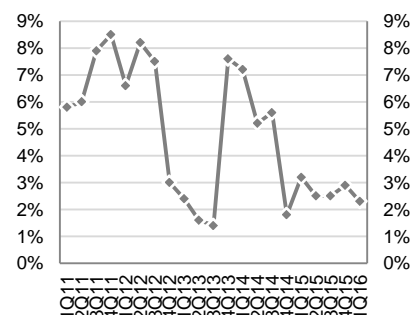
	4M16	2015	2014
GDP (% change)	2.3%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	3.2%	4.9%	2.0%
Gross reserves (US\$ bn)	2.5	2.5	2.7
CAD (% of GDP)	....	11.8%	10.6%
Fiscal deficit (% of GDP)	....	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

Source: Official data, IMF, G&T

\*As of 3M16

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

Real GDP growth, %



Source: GeoStat

Note: 1Q16 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)

Economic Freedom Index # 23 (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 Nov-2015	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Apr-2016
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Source: Rating agencies



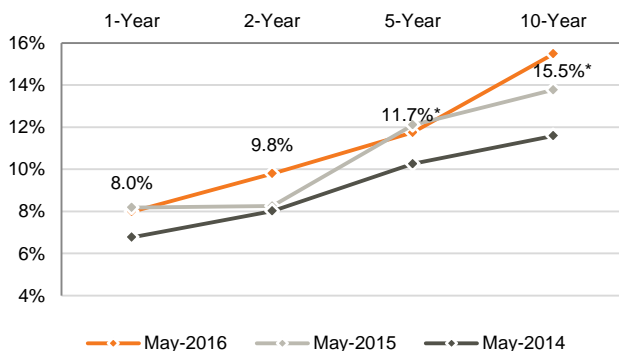
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 6-day refinancing loans of GEL 250mn (US\$ 116.4mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 9.1mn) certificates of deposit, with an average yield of 7.50% (down 102bps from previous issue).

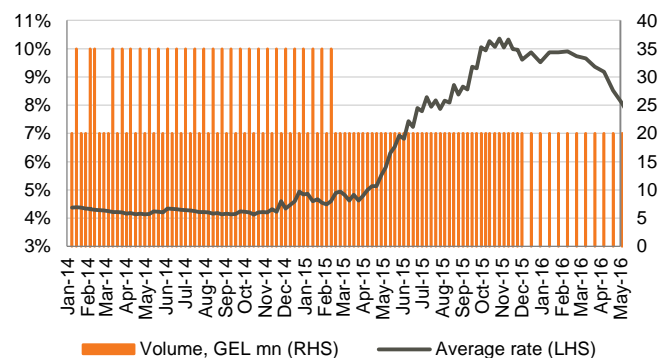
**Ministry of Finance Treasury Notes:** 1-year GEL 45.0mn (US\$ 20.7mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on May 18, 2016. The weighted average yield was fixed at 7.986%. The nearest treasury securities auction is scheduled for June 1, 2016, where GEL 25mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



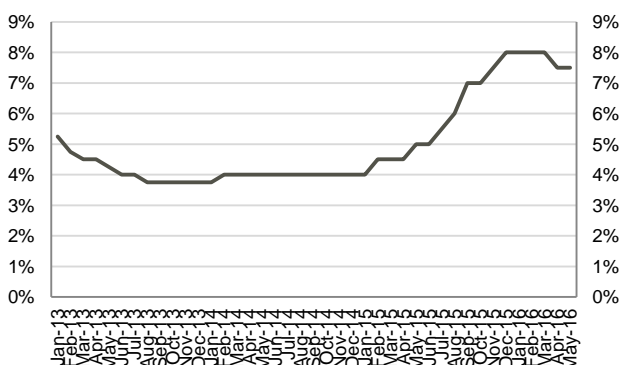
Source: NBG  
\*As of latest auction

Certificates of Deposits (weighted average rate)



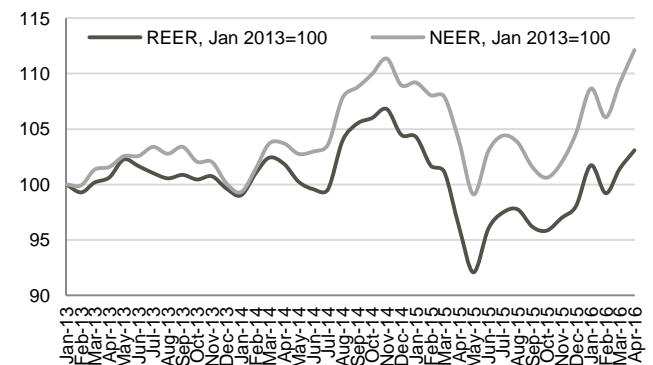
Source: NBG

Monetary policy rate



Source: NBG  
Note: Next revision of a monetary policy rate is scheduled for 15 June 2016

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

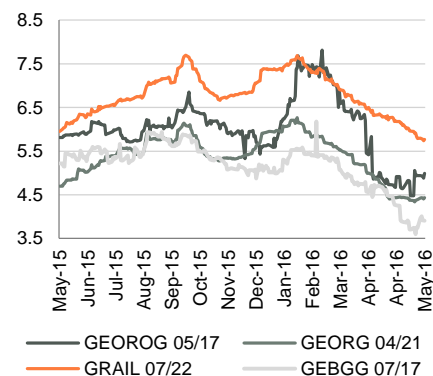


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 3.9% yield, trading at 104.1 (-0.4% w/w). GOGC Eurobonds (GEOROG) were trading at 101.9 (unchanged w/w), yielding 4.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.0 (+0.4% w/w), yielding 5.8%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 110.6 (-0.2% w/w) at 4.4% yield to maturity.

**Georgia Eurobonds, YTM (%)**



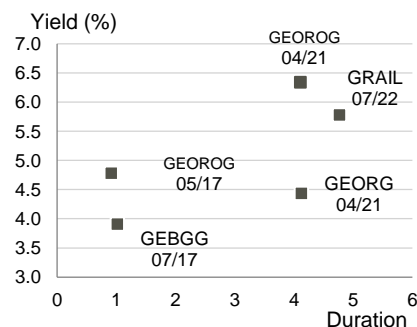
	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/	-/-	-/-	-/-	BB-/	BB-/	BB-/BB-/	BB-/BB-/	BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	101.7	101.9	104.1	110.6	110.0
Mid yield, %	11.0	15.0	7.75	7.75	8.25	6.3	4.8	3.9	4.4	5.8
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	493.5	385.7	282.0	304.4	436.2

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	110.6	4.4	304.4
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	96.6	5.3	369.6
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.2	1.1	-247.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	102.7	3.4	324.6
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.7	3.3	189.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.2	3.2	181.9
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.5	3.5	218.6
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.0	4.0	265.9

Source: Bloomberg

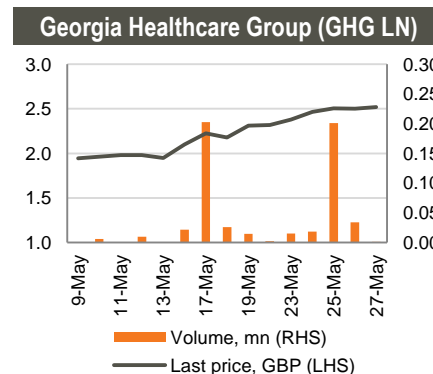
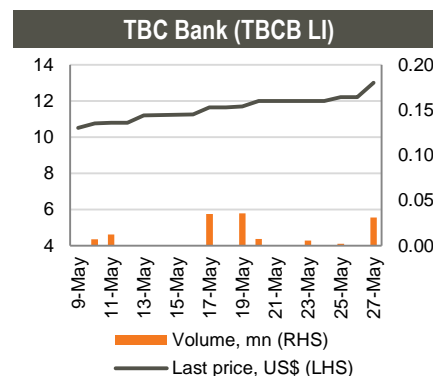
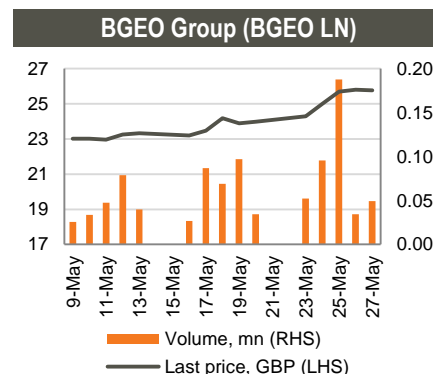
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 25.77/share (+7.42% w/w and +15.10% m/m). More than 419k shares traded in the range of GBP 23.73 – 26.50/share. Average daily traded volume was 63k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 2.86% w/w and gained 0.74% m/m, respectively. The volume of BOGH shares traded was at 1.06% of its capitalization.

**TBC Bank** (TBCB LI) closed the week at US\$ 13.00 (+8.33% w/w and +23.81% m/m). More than 38k GDRs changed hands in the range of GBP 11.75 – 13.00/GDR. Average daily traded volume was 11k in the last 4 weeks, more than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 2.52/share (+8.62% w/w and +30.57% m/m). More than 269k shares were traded in the range of GBP 2.21 – 2.62/share. Average daily traded volume was 35k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.

**On the Georgian stock exchange** Liberty Bank shares were traded at GEL 0.015 (-5.7% w/w). As a result, the G&T went down to 796.64 (-0.01% w/w).



Eastern European banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	37.71	1,490	15.7%	38.7%	35.5%	16.6%	26.8%
TBC	TBC	13.00	651	23.8%	36.8%	45.1%	3.2%	14.0%
Halyk Bank	HSBK	4.81	1,312	25.9%	33.2%	-21.8%	-43.4%	-35.9%
KKB	KKB	1.59	634	17.8%	89.3%	-0.6%	-58.2%	-50.3%
VTB Bank	VTBR	2.05	13,252	-2.5%	9.6%	-4.9%	-11.1%	-34.9%
Vozrozhdenie Bank	VZRZ	9.78	232	26.4%	43.1%	6.1%	32.6%	16.0%
Sberbank	SBER	8.48	45,748	9.2%	41.5%	24.8%	109.3%	47.0%

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*	GHG	3.69	486	31.3%	73.7%	38.5%	nm	nm
Mouwasat	MOUWASAT	34.48	1,724	0.6%	13.9%	13.5%	4.9%	-9.4%
Fortis	FORH	2.45	1,134	-8.6%	0.9%	1.6%	39.4%	-3.3%
Raffles	RFMD	1.12	1,937	-0.9%	8.5%	12.4%	14.4%	4.0%
IHH	IHH	1.60	13,160	-5.3%	3.8%	6.3%	16.2%	1.5%
Bangkok Chain	BCH	0.31	782	2.0%	13.8%	34.8%	30.6%	50.3%
Netcare	NTC	2.12	3,095	-15.3%	6.0%	-15.3%	-35.5%	-34.3%

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



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