



Weekly Market Watch

Weekly Market Watch | Georgia
Dec 25, 2017

Economy

Real GDP grew 4.4% y/y in 3Q17

Georgia's real GDP growth was 4.4% in 3Q17, based on GeoStat. The hotels and restaurants was the fastest growing sector in 3Q17 expanding by 12.6% y/y, followed by mining (+10.6% y/y), construction (+9.3% y/y) and trade (+9.3% y/y). Meanwhile real growth was down 2.8% y/y in agriculture. The trade (18.7%) accounted for the largest share of GDP, followed by industry (17.0%) and by transport and communication (10.7%) sectors.

Exports up 8.2% y/y in November 2017

In November 2017, exports increased 8.2% y/y to US\$ 236.7mn, imports were up 16.9% y/y to US\$ 757.8mn and the trade deficit widened 21.4% y/y to US\$ 521.0mn, according to GeoStat. Overall in 11M17, the trade deficit was up 1.2% y/y at US\$ 4.7bn as exports were up 27.0% y/y to US\$ 2.4bn, while imports increased 8.8% y/y to US\$ 7.1bn.

In November 2017, ferro-alloys (+36.8% y/y), copper (+32.0% y/y), cars (+68.2% y/y), wine (+32.9% y/y) and spirits (+28.2% y/y) were the top 5 exported commodities; A 20.6% of exports were directed to the EU (-19.3% y/y), 50.3% were directed to the CIS (+36.1% y/y) and 29.1% to other countries (-2.9% y/y).

Petroleum (+14.4% y/y), aircrafts (US\$ 43.5mn, one-off), gases (+8.7% y/y), copper (+99.3% y/y) and cars (-11.7% y/y) represented the top 5 imported commodities in November 2017.

Producer price index up 4.3% m/m and up 14.9% y/y in November 2017

PPI for industrial goods was up 4.3% m/m in November 2017, according to GeoStat. A 4.8% price increase for manufacturing contributed the most to the overall index change as prices were up for food, beverages and tobacco (+6.6% m/m) and basic and fabricated metals (+4.8% m/m).

Annual PPI was up 14.9% in November 2017. Rising prices in manufacturing (+15.1% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+11.5% y/y) and for mining and quarrying (+20.1% y/y).

Key macro indicators

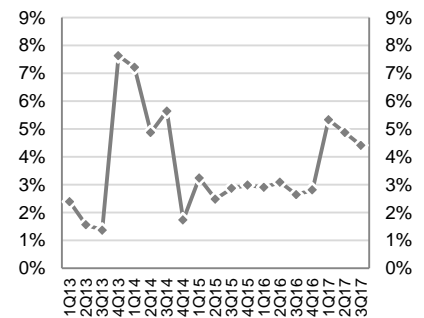
	11M17	2016	2015
GDP (% change)	4.9% ⁽¹⁾	2.8%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,865	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.9%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	9.3% ⁽²⁾	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

(1) As of 10M17

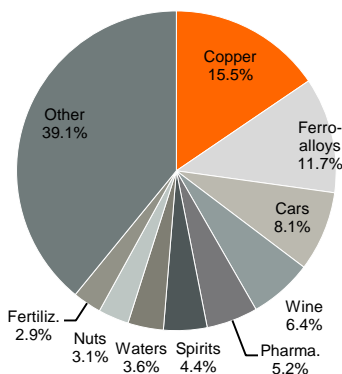
(2) As of 1H17

Real GDP growth, %



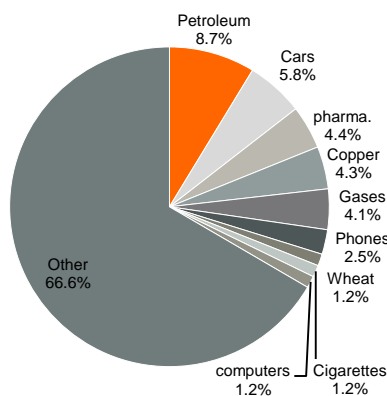
Source: GeoStat

Exports by commodities, 11M17



Source: GeoStat

Imports by commodities, 11M17



International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)
Economic Freedom Index # 13 (mostly free)
Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings



Source: Rating agencies

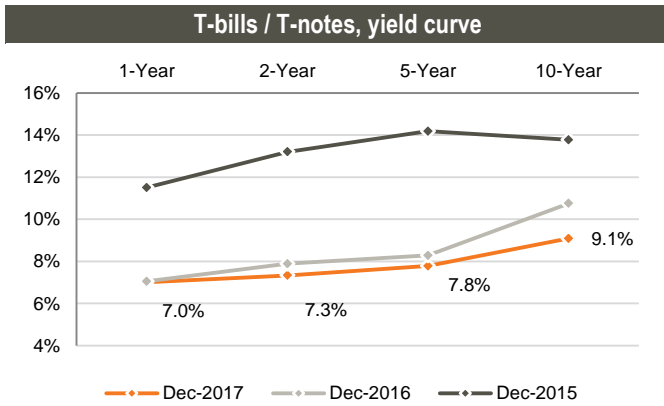


Money market

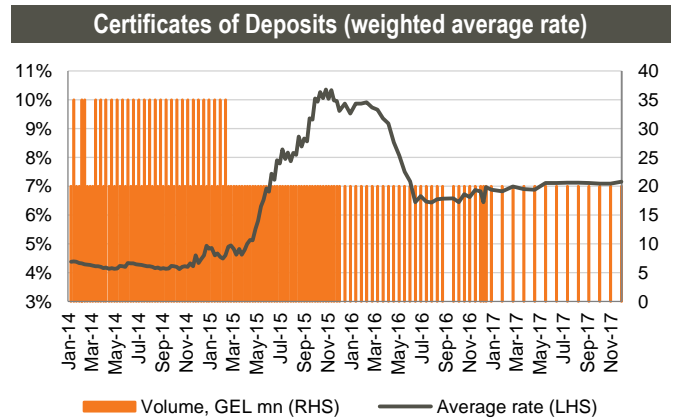
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,280mn (US\$ 506.3mn).

Ministry of Finance Treasury Bills:

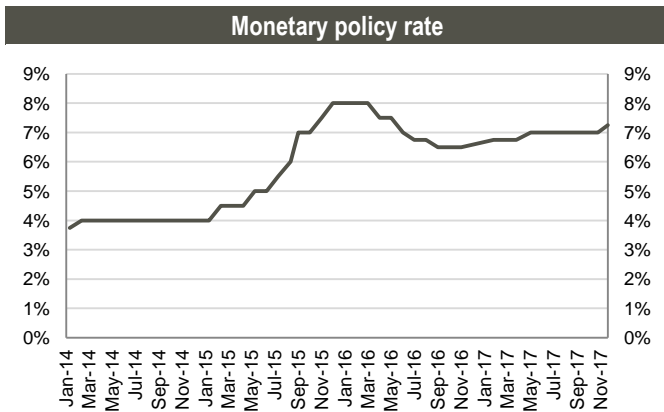
The nearest treasury security auction is scheduled for December 27, 2017, where GEL 12.0mn nominal value 5-year T-Notes will be sold.



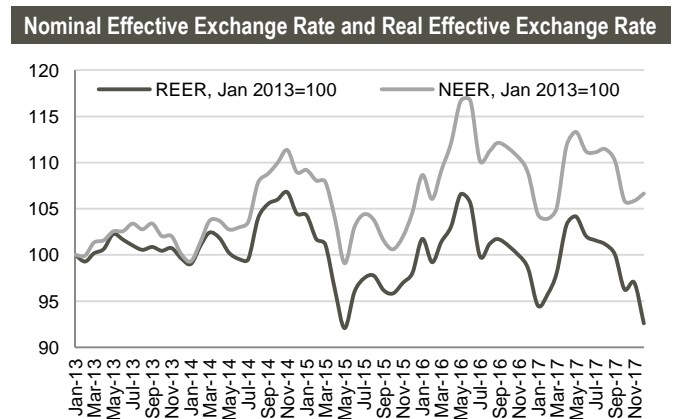
Source: NBG



Source: NBG



Source: NBG



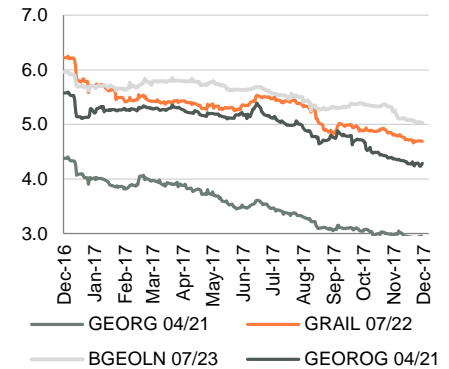
Source: NBG

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

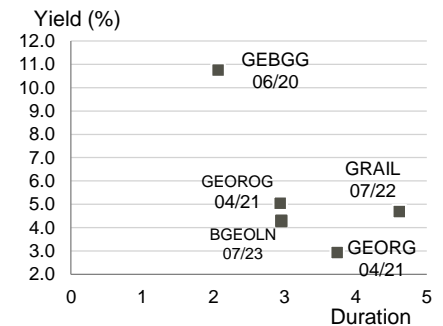
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.0% yield, trading at 104.6 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.8%. GOGC Eurobonds (GEOROG) were trading at 107.6 (-0.1% w/w), yielding 4.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.4 (unchanged w/w), yielding 4.7%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.3 (-0.1% w/w) at 2.9% yield to maturity.

Georgia Eurobonds, YTM (%)


Source: Bloomberg

Georgian Eurobond universe


Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/-/-	-/-/-	-/-/-	-/-/-	n/a	BB-/-/Ba2	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba2	B+/B+/-
Mid price, US\$	n/a	101.4	101.1	101.1	101.72	100.5	107.6	104.6	112.3	112.4
Mid yield, %	n/a	7.00%	8.5%	8.5%	6.50%	10.8	4.3	5.0	2.9	4.7
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	208.1	71.2	241.2	272.6

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	112.3	2.9	71.2
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	103.3	4.1	181.3
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	117.7	0.0	-35.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	112.1	1.1	85.9
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	111.2	2.7	53.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.8	2.9	65.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.2	2.7	56.4
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.4	3.9	165.0

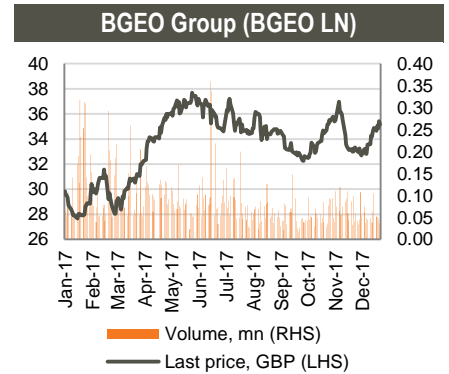
Source: Bloomberg

Equities

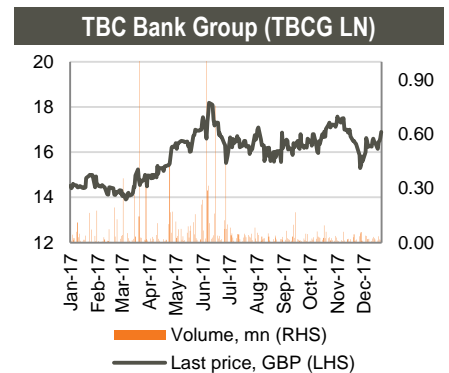
BGEO Group (BGEO LN) shares closed at GBP 35.17/share (+0.80% w/w and +6.58% m/m). More than 198k shares traded in the range of GBP 34.56 – 35.45/share. Average daily traded volume was 52k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 2.16% w/w and lost 2.33% m/m. The volume of BGEO shares traded was at 0.50% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.90 (+2.92% w/w and +2.99% m/m). More than 83k shares changed hands in the range of GBP 16.14 – 17.00 share. Averaged daily traded volume was 24k in the last 4 weeks.

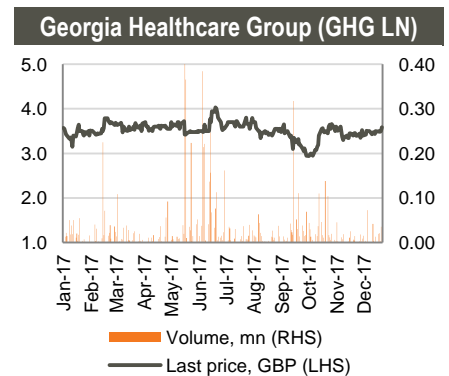
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.59/share (+2.57% w/w and +3.76% m/m). More than 79k shares were traded in the range of GBP 3.40 – 3.60/share. Average daily traded volume was 13k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO	BGEO	35.17*	1,830	6.6%	5.8%	-1.0%	16.9%	11.3%
TBC	TBC	16.90*	1,158	3.0%	0.6%	-4.4%	13.1%	9.5%
Halyk Bank	HSBK	9.67	2,658	2.3%	2.0%	17.6%	61.4%	54.7%
KKB	KKB	0.68	712	0.0%	0.0%	4.6%	-52.9%	-48.9%
VTB Bank	VTBR	1.76	11,418	-6.5%	-19.2%	-17.6%	-26.2%	-23.6%
Vozrozhdenie Bank	VZRZ	9.83	233	-1.5%	-3.9%	-23.4%	-19.7%	-14.0%
Sberbank	SBER	16.72	90,233	3.7%	21.2%	66.1%	44.4%	44.4%

Source: Bloomberg

*BGEO and TBC share prices 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	3.59*	614	3.8%	4.5%	-5.4%	-2.0%	-7.3%
Mouwasat	MOUWASAT	41.19	2,060	-6.4%	-3.5%	4.5%	4.6%	3.8%
Fortis	FORH	2.12	1,098	-1.4%	-9.4%	-30.8%	-20.4%	-22.2%
Raffles	RFMD	0.80	1,418	-3.8%	-2.0%	-18.5%	-19.0%	-18.9%
IHH	IHH	1.42	11,736	5.6%	-0.5%	1.3%	0.6%	-0.1%
Bangkok Chain	BCH	0.48	1,204	-2.2%	6.5%	19.7%	17.0%	20.8%
Netcare	NTC	1.71	2,515	4.7%	-3.0%	-11.6%	-26.2%	-22.2%

Source: Bloomberg

*GHG share price traded and shown in GBP

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