



Weekly Market Watch

Weekly Market Watch | Georgia
Feb 5, 2018

Economy

Real GDP growth was 4.7% y/y in December 2017

Georgia's economy expanded 4.7% y/y in December 2017, according to GeoStat's rapid estimates. Real GDP growth was 4.7% y/y in 4Q17 (5.7% in October, 3.7% in November and 4.7% in December) and 4.8% y/y for the entire 2017. In December 2017, the growth was recorded in social and personal services, healthcare, hotels and restaurants and manufacturing, while growth was down in electricity, gas and water supply, communication, transport and construction sectors. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

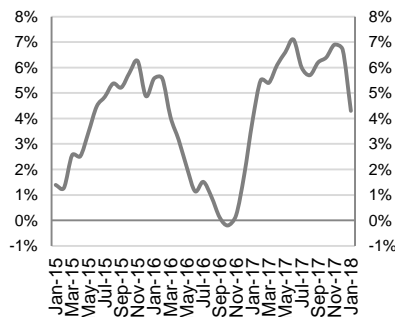
Inflation was 4.3% y/y and 0.6% m/m in January 2018

The annual CPI inflation retreated to 4.3% in January 2018 from 6.7% inflation in previous month, according to GeoStat. Core inflation was also down to 3.0% in January from 4.7% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+4.7% y/y, +1.44ppts), transport (+6.6% y/y, +0.91ppts), and alcoholic beverages and tobacco (+11.5% y/y, +0.75ppts) categories. On a monthly basis, there was 0.6% inflation in January 2018. Price increases in food and non-alcoholic beverages (+1.7% m/m, +0.52ppts) and housing, water, electricity, gas and other fuels (+2.7% m/m, +0.21ppts) and price decrease in clothing and footwear (-2.1% m/m, -0.08ppts) categories were the major drivers of monthly Inflation dynamics.

NBG keeps its policy rate unchanged at 7.25%

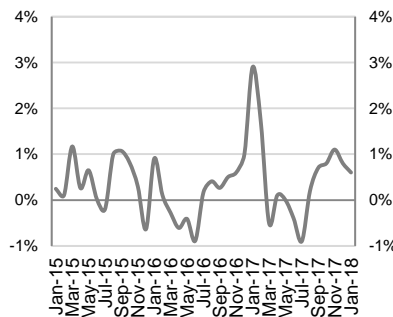
At its meeting on 31 January 2018, NBG's monetary policy committee decided to keep its policy rate at 7.25%. NBG noted that despite recent appreciation of the nominal effective exchange rate, the effect of its recent depreciation on inflation persists. Inflation was above the 4.0% target in 2017 and came in at 6.7% in December 2017, mostly driven by one-off factors. NBG, however, anticipates that the annual inflation rate will decrease in the first months of 2018, and remain close the target rate of 3.0% during 2018. The next committee meeting is scheduled for 14 March 2018.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



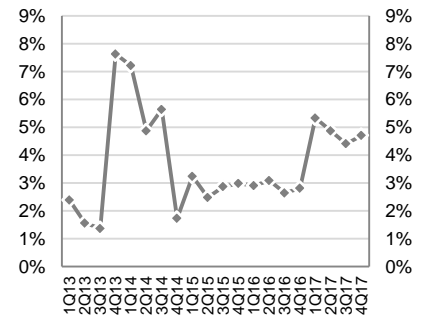
Key macro indicators

	2017	2016	2015
GDP (% change)	4.8%	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)	6.7%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	7.1%(1)	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 9M17

Real GDP growth, %



Source: GeoStat

Note: Rapid estimate for 4Q17

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

 BB- Stable Affirmed May-2017	 Ba2 Stable Affirmed Sep-2017	 BB- Stable Affirmed Sep-2017
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Source: Rating agencies

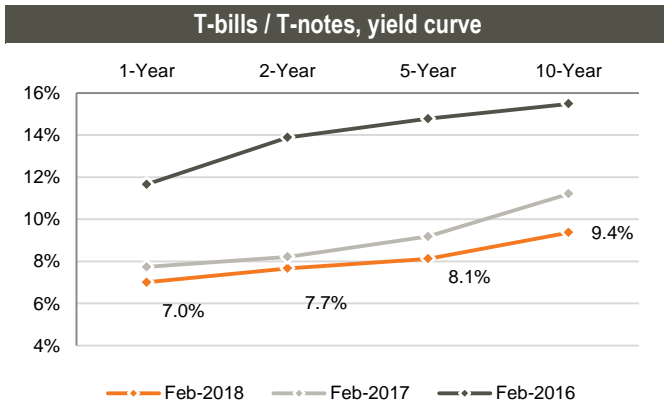


Money market

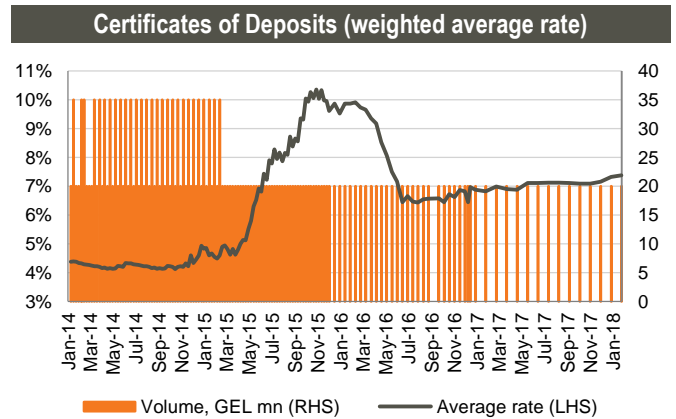
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 987.5mn (US\$ 395.6mn).

Ministry of Finance Treasury Notes:

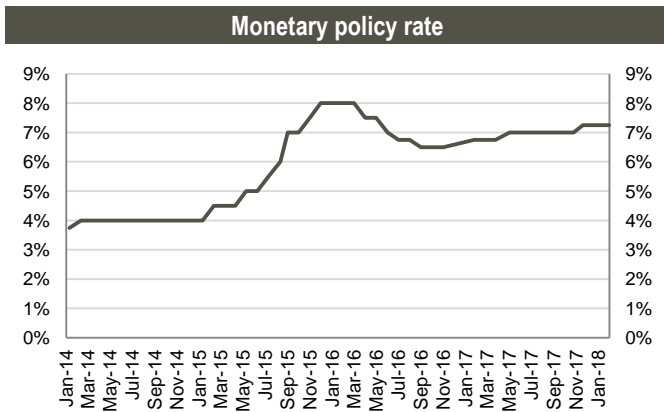
The nearest treasury security auction is scheduled for February 7, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.



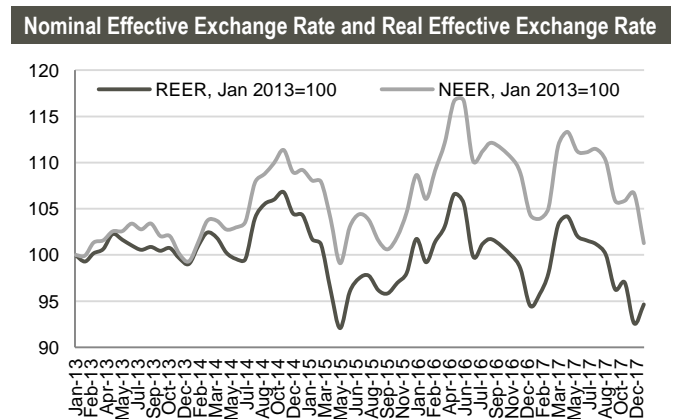
Source: NBG



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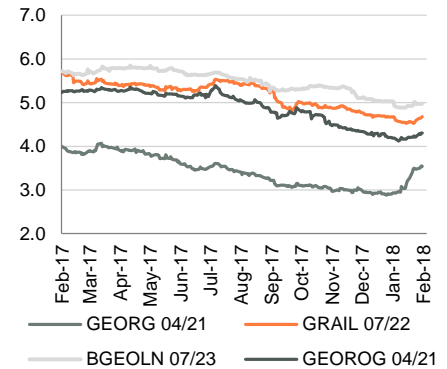
Source: NBG

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

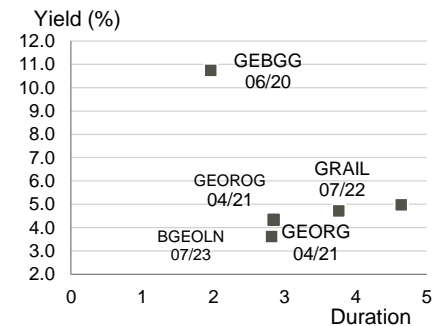
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.0% yield, trading at 104.9 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. GOGC Eurobonds (GEOROG) were trading at 107.2 (-0.4% w/w), yielding 4.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.1 (-0.4% w/w), yielding 4.7%.

Georgian Sovereign Eurobonds (GEORG) closed at 109.7 (-0.4% w/w) at 3.6% 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	102.8	101.3	101.3	101.19	100.5	107.2	104.9	109.7	112.1
Mid yield, %	n/a	5.75%	8.5%	3.8%	6.50%	10.7	4.3	5.0	3.6	4.7
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	179.6	227.4	107.4	206.7

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	109.7	3.6	107.4
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	103.7	4.1	133.0
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	117.0	0.1	-30.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.6	1.1	75.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	110.1	3.0	45.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	113.3	3.2	55.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	104.4	3.0	55.5
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	104.8	4.0	145.6

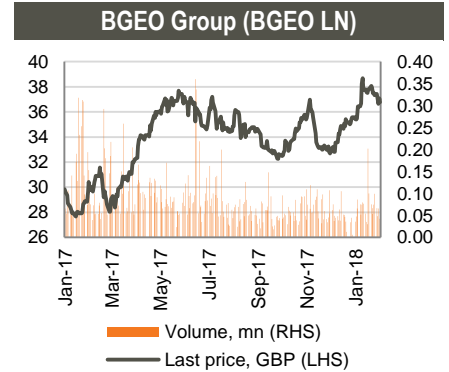
Source: Bloomberg

Equities

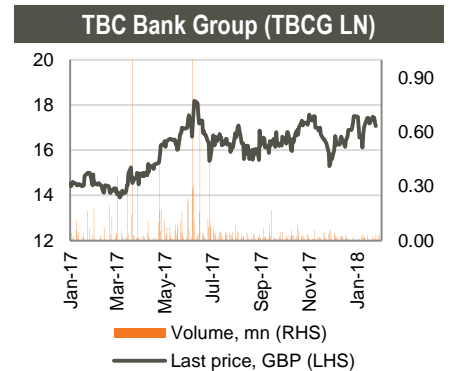
BGEO Group (BGEO LN) shares closed at GBP 36.98/share (-2.53% w/w and +3.96% m/m). More than 354k shares traded in the range of GBP 36.56 – 37.70/share. Average daily traded volume was 73k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.45% w/w and lost 1.71% m/m. The volume of BGEO shares traded was at 0.65% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.02 (-8.25% w/w and -8.46% m/m). More than 84k shares changed hands in the range of GBP 15.68 – 17.24 share. Averaged daily traded volume was 15k in the last 4 weeks.

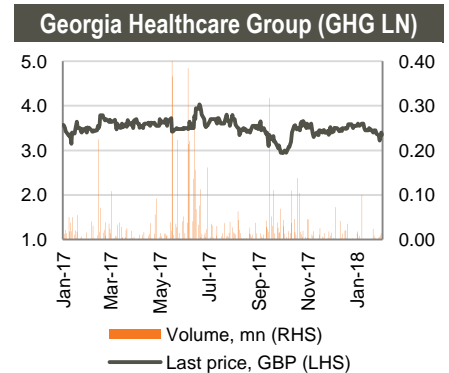
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.22/share (-6.67% w/w and -9.30% m/m). More than 38k shares were traded in the range of GBP 3.20 – 3.44/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



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	36.98*	2,060	4.0%	3.4%	7.3%	4.0%	28.2%
TBC	TBC	16.02*	1,199	-8.5%	-6.9%	-4.4%	-8.5%	10.9%
Halyk Bank	HSBK	13.15	3,615	33.1%	38.7%	39.9%	33.1%	127.5%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-54.7%
VTB Bank	VTBR	1.89	12,248	3.3%	-9.6%	-2.1%	3.3%	-17.5%
Vozrozhdenie Bank	VZRZ	9.17	218	5.3%	-9.7%	-11.9%	5.3%	-27.3%
Sberbank	SBER	19.57	105,587	15.6%	34.8%	67.9%	15.6%	64.6%

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	3.22*	600	-9.3%	-9.9%	-15.2%	-9.3%	-8.0%
Mouwasat	MOUWASAT	45.33	2,266	12.0%	5.8%	12.6%	12.3%	17.6%
Fortis	FORH	2.30	1,195	-8.3%	3.8%	-5.0%	-8.3%	-17.0%
Raffles	RFMD	0.85	1,499	1.0%	2.4%	-10.7%	1.0%	-17.7%
IHH	IHH	1.54	12,696	6.8%	15.6%	11.8%	6.8%	8.9%
Bangkok Chain	BCH	0.51	1,270	2.4%	1.3%	21.1%	2.4%	22.8%
Netcare	NTC	2.13	3,131	4.9%	20.6%	14.8%	4.9%	-10.6%

Source: Bloomberg

*GHG share price traded and shown in GBP



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