



Weekly Market Watch

Weekly Market Watch | Georgia
Dec 11, 2017

Economy

Tourist arrivals up 21.8% y/y in November 2017

Total international arrivals to Georgia increased 14.1% y/y to 0.52mn visitors in November 2017, according to the Ministry of Internal Affairs. A 21.8% y/y growth in tourist arrivals (0.20mn persons, 38.4% of total) drove arrival growth. Out of top countries by arrivals, in November 2017, visitors continued to increase from Armenia (+7.2% y/y), Russia (+35.2% y/y), Azerbaijan (+11.2% y/y), Turkey (+6.8% y/y) and Iran (+92.5% y/y). Arrivals from EU were down 1.0% y/y to over 14,000 visitors. In 11M17 international arrivals increased 18.4% y/y to 6.95mn visitors, while tourist arrivals increased 27.6% y/y to 3.2mn.

Inflation was 6.9% y/y and 1.1% m/m in November 2017

The annual CPI inflation was 6.9% in November 2017 up from 6.4% inflation in previous month, according to GeoStat. Core inflation was 5.1% in November compared to 4.4% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+7.5% y/y, +2.24ppts), transport (+15.8% y/y, +2.02ppts), and alcoholic beverages and tobacco (+19.4% y/y, +1.24ppts) categories. On a monthly basis, there was 1.1% inflation in November 2017. Price increases in transport (+2.8% m/m, +0.39ppts) and food and non-alcoholic beverages (+0.8% m/m, +0.26ppts) categories were the major drivers of monthly inflation dynamics.

International reserves up 7.9% y/y in November 2017

Gross international reserves were up 7.9% y/y to US\$ 3.0bn in November 2017, while reserves were up 1.8% m/m, according to NBG. There were no FX interventions by central bank in November. Change in reserves was attributed to government FX operations and/or asset revaluation.

Cooperation with IMF

On 6 December 2017, the Executive Board of the IMF completed the first review of Georgia's performance under the three-year program. The review finds that the program is on track with all end-June 2017 performance criteria and structural benchmarks met. Economic activity has strengthened on the back of stronger growth in main trading partners. Fiscal overperformance and efforts to address structural weaknesses have helped boost confidence. The completion of the review enables the release of SDR 30mn (about US\$ 42.4mn), bringing total disbursements under the arrangement to SDR 60mn (about US\$ 84.8mn, total program amount is about US\$ 297.5mn).

Key macro indicators

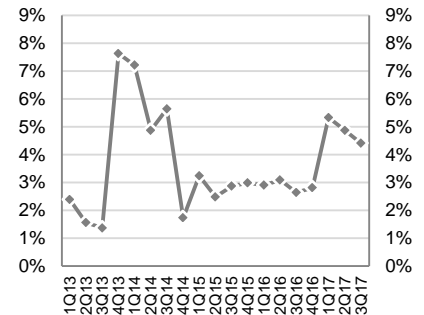
	11M17	2016	2015
GDP (% change)	4.9% ⁽¹⁾	2.8%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,865	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.9%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	9.3% ⁽²⁾	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total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

Note: Rapid estimate for 3Q17

International ranking, 2017-18

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

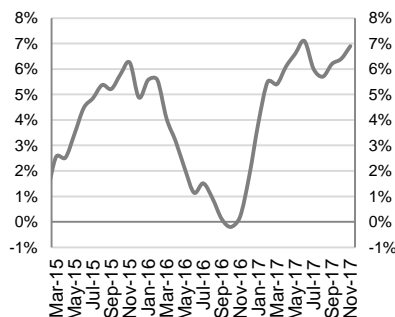
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

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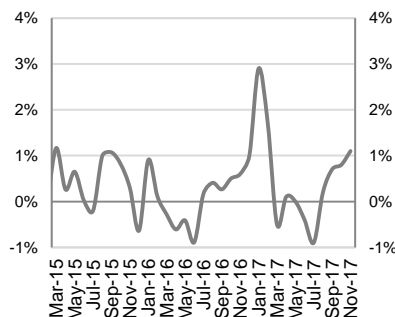
Source: Rating agencies

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



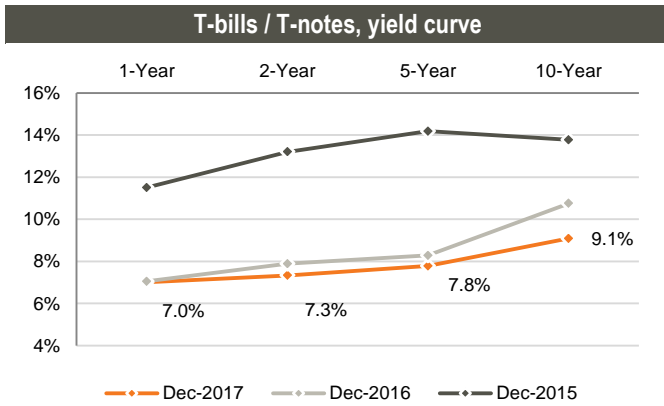


Money market

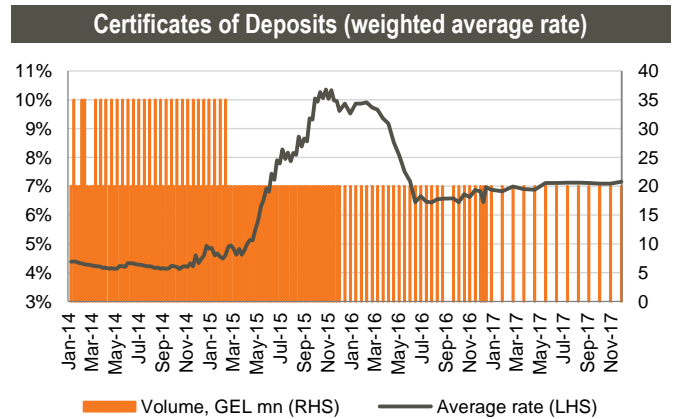
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,200mn (US\$ 444.9mn).

Ministry of Finance Treasury Bills:

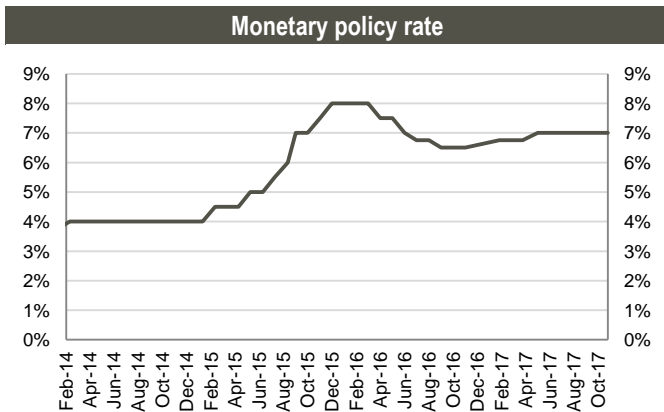
1-year GEL 20.0mn (US\$ 7.4mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on December 6, 2017. The weighted average yield was fixed at 7.005%. The nearest treasury security auction is scheduled for December 13, 2017, where GEL 20.0mn nominal value 182-days T-Bills will be sold.



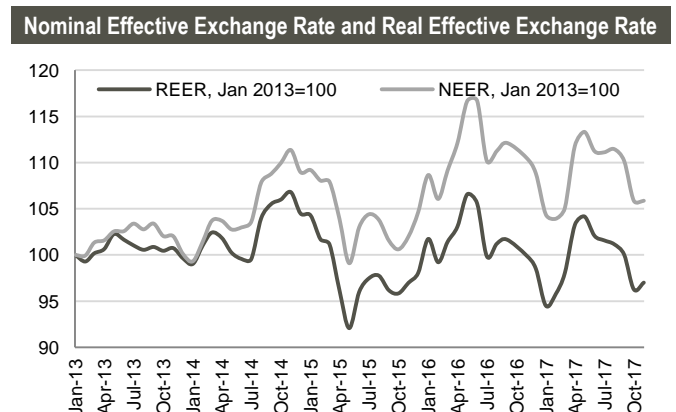
Source: NBG



Source: NBG



Source: NBG



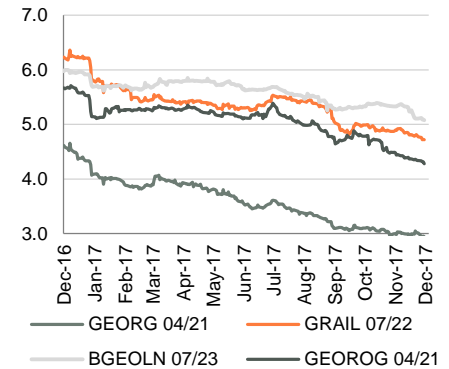
Source: NBG

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

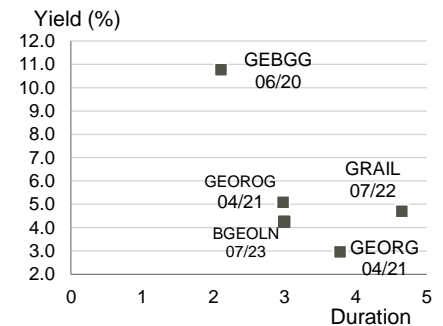
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.1% yield, trading at 104.4 (+0.1% 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 107.7 (+0.2%w/w), yielding 4.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.5 (+0.4% w/w), yielding 4.7%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.4 (+0.2% 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	100.0	101.72	100.5	107.7	104.4	112.4	112.5
Mid yield, %	n/a	7.00%	8.5%	8.5%	6.50%	10.8	4.3	5.1	2.9	4.7
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	215.7	84.6	252.8	286.7

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	112.4	2.9	84.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.9	4.2	197.5
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.4	-0.1	-48.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	112.0	1.1	97.8
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	111.7	2.6	55.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.1	2.9	70.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.4	2.7	63.5
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.2	3.9	182.5

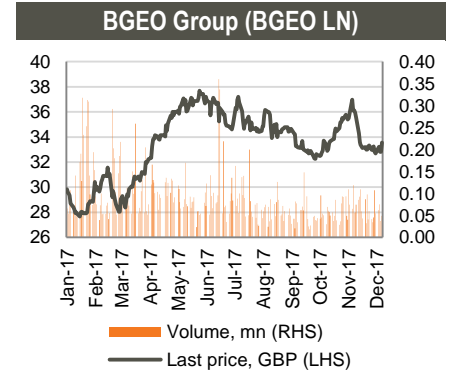
Source: Bloomberg

Equities

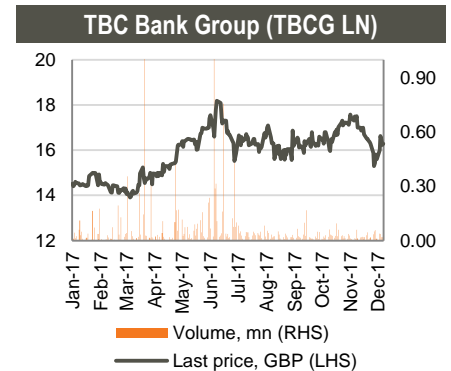
BGEO Group (BGEO LN) shares closed at GBP 33.56/share (+2.66% w/w and -7.14% m/m). More than 268k shares traded in the range of GBP 32.61 – 33.65/share. Average daily traded volume was 63k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.70% w/w and lost 1.52% m/m. The volume of BGEO shares traded was at 0.68% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.29 (+4.42% w/w and -6.11% m/m). More than 132k shares changed hands in the range of GBP 15.51 – 16.97 share. Averaged daily traded volume was 24k in the last 4 weeks.

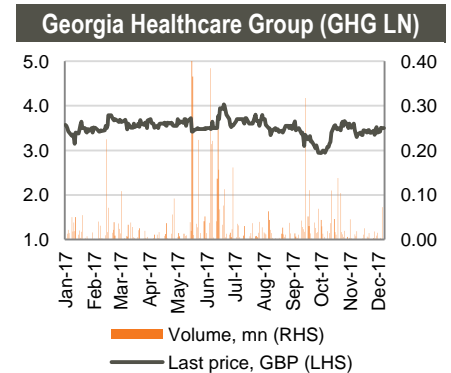
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.50/share (+2.94% w/w and +3.86% m/m). More than 77k shares were traded in the range of GBP 3.40 – 3.60/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.



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	33.56*	1,771	-7.1%	1.2%	-8.8%	12.5%	1.2%
TBC	TBC	16.29*	1,155	-6.1%	0.6%	-8.5%	12.2%	12.6%
Halyk Bank	HSBK	9.60	2,639	3.0%	-0.2%	24.7%	60.3%	70.8%
KKB	KKB	0.68	712	0.0%	0.0%	4.6%	-52.9%	-47.5%
VTB Bank	VTBR	1.81	11,755	-12.6%	-14.6%	-17.7%	-24.0%	-15.0%
Vozrozhdenie Bank	VZRZ	9.95	236	-2.6%	0.9%	-23.6%	-18.7%	-10.7%
Sberbank	SBER	16.13	87,049	6.8%	16.5%	47.7%	39.4%	46.6%

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	3.50*	617	3.9%	0.0%	-4.1%	-2.0%	-7.7%
Mouwasat	MOUWASAT	42.46	2,123	-1.5%	-1.1%	7.2%	7.8%	7.4%
Fortis	FORH	2.28	1,180	7.1%	-5.6%	-24.2%	-14.5%	-9.3%
Raffles	RFMD	0.79	1,401	-7.5%	0.5%	-20.8%	-20.0%	-22.6%
IHH	IHH	1.38	11,346	2.3%	-1.3%	-3.5%	-2.7%	-4.7%
Bangkok Chain	BCH	0.49	1,215	-5.6%	8.3%	20.3%	18.0%	18.1%
Netcare	NTC	1.65	2,415	-6.4%	-12.0%	-14.0%	-28.8%	-26.7%

Source: Bloomberg

*GHG share price traded and shown in GBP



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