



# Weekly Market Watch

Weekly Market Watch | Georgia  
Mar 5, 2018

## Economy

### Real GDP growth was 4.4% y/y in January 2018

Georgia's economy expanded 4.4% y/y in January 2018, according to GeoStat's rapid estimates. In January 2018, the growth was recorded in manufacturing, construction, trade, hotels and restaurants sectors. Growth was down in transport, communication, and electricity, gas and water supply sectors. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### Inflation was 2.7% y/y and 0.2% m/m in February 2018

The annual CPI inflation retreated to 2.7% in February 2018 from 4.3% inflation in previous month, according to GeoStat. Core inflation was also down to 1.7% in February from 3.0% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+3.4% y/y, +1.04ppts), alcoholic beverages and tobacco (+7.4% y/y, +0.49ppts) and transport (+2.9% y/y, +0.41ppts) categories. On a monthly basis, there was 0.2% inflation in February 2018. Price increases in food and non-alcoholic beverages (+0.4% m/m, +0.13ppts), hotels and restaurants (+2.1% m/m, +0.09ppts) and alcoholic beverages and tobacco (+1.2% m/m, +0.08ppts) categories were the major drivers of monthly Inflation dynamics.

### NPLs at 2.9% in January 2018

In January 2018, the banking sector loan portfolio increased 19.6% y/y after growing 16.4% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 14.2% y/y and down -1.9% m/m to GEL 21.9bn (US\$ 8.8bn). Deposits were up 17.9% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 11.6% y/y and down -3.2% m/m to GEL 19.2bn (US\$ 7.7bn). Deposit dollarization reached 64.4% (-7.5ppts y/y and -1.2ppts m/m). NPLs stood at 2.9% in January 2018 (-0.9ppts y/y and +0.1ppts m/m).

### Key macro indicators

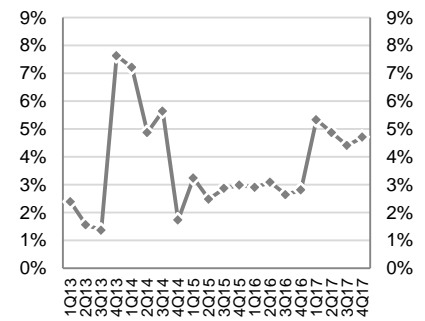
	1M18	2017	2016
GDP (% change)	4.4%	4.8%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	...	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.7% <sup>(2)</sup>	6.7%	1.8%
Gross reserves (US\$ bn)	3.1	3.0	2.8
CAD (% of GDP)	...	7.1% <sup>(1)</sup>	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.6%

Source: Official data, IMF

(1) As of 9M17

(2) As of 2M17

### Real GDP growth, %



Source: GeoStat

Note: Rapid estimate for 4Q17

### International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)  
Economic Freedom Index # 16 (mostly free)  
Global Competitiveness Index # 67

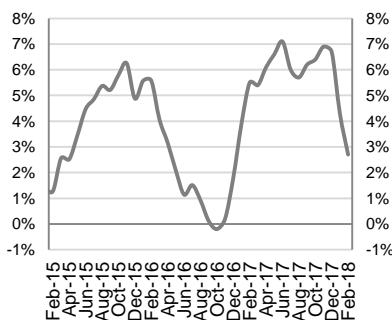
Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

 <b>BB-</b> Stable Affirmed May-2017	 <b>Ba2</b> Stable Affirmed Sep-2017	 <b>BB-</b> Stable Affirmed Sep-2017
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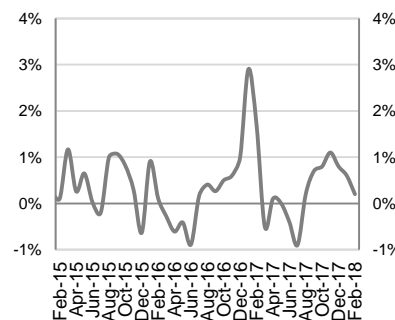
Source: Rating agencies

### Annual CPI inflation (% change, y/y)



Source: GeoStat

### Monthly CPI inflation (% change, m/m)



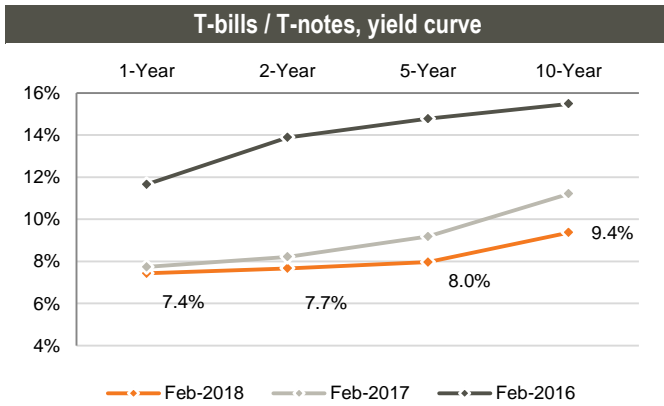


# Money market

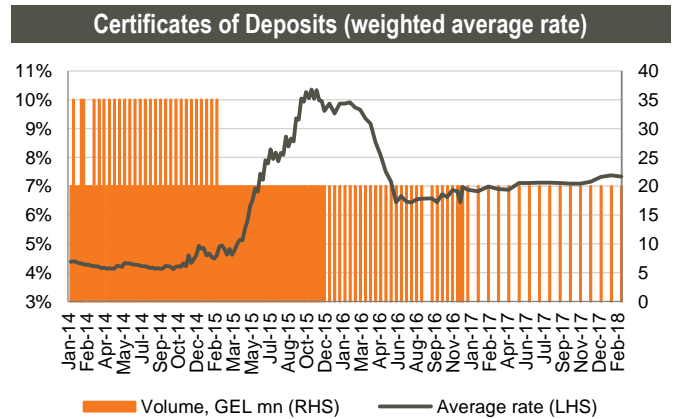
**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 890.0mn (US\$ 360.4mn).

**Ministry of Finance Treasury Notes:**

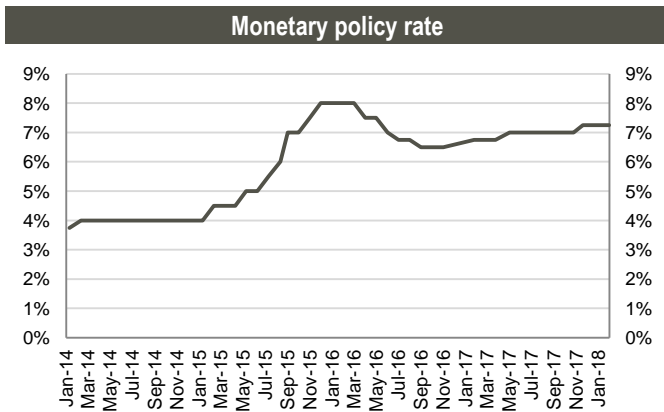
The nearest treasury security auction is scheduled for March 7, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.



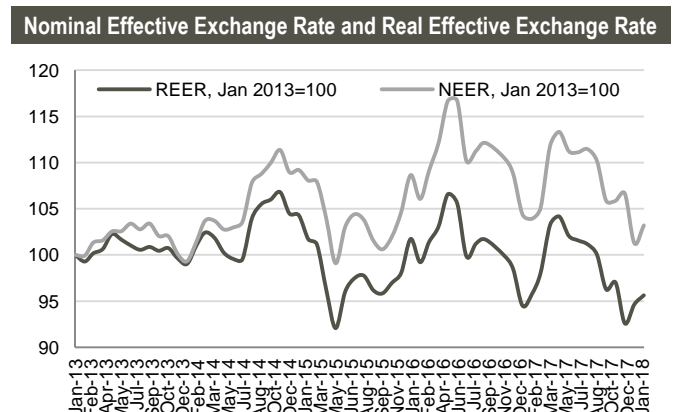
Source: NBG



Source: NBG



Source: NBG



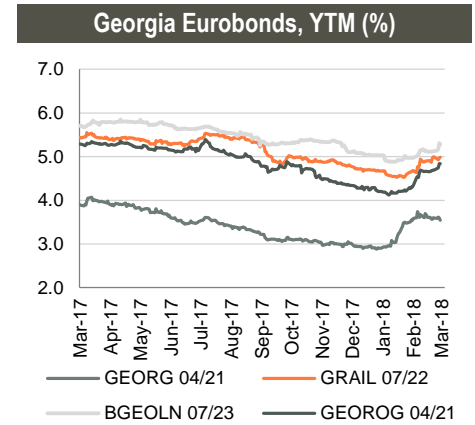
Source: NBG

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

# Fixed income

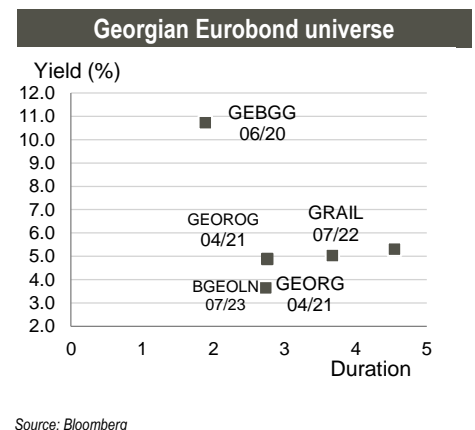
**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.3 (-0.8% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. GOGC Eurobonds (GEOROG) were trading at 105.4 (-0.5% w/w), yielding 4.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.5 (-0.3% w/w), yielding 5.0%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 109.4 (-0.2% w/w) at 3.6% yield to maturity.



	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	103.0	101.3	101.3	101.14	100.5	105.4	103.3	109.4	110.5
Mid yield, %	n/a	5.5%	8.5%	3.8%	6.50%	10.7	4.9	5.3	3.6	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	228.3	256.8	103.1	234.3

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	109.6	3.6	97.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.4	4.5	171.8
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	116.7	0.1	-31.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.2	1.2	85.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	109.4	3.2	55.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	111.9	3.5	81.2
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	104.2	3.0	50.5
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	104.1	4.2	158.0

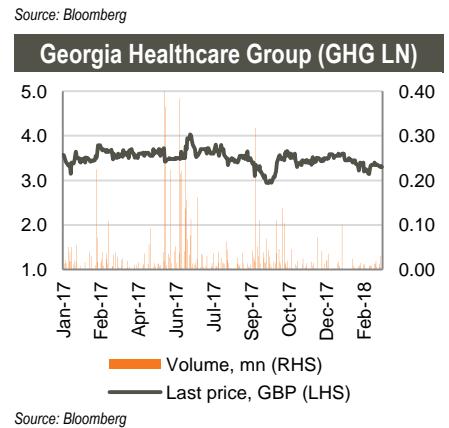
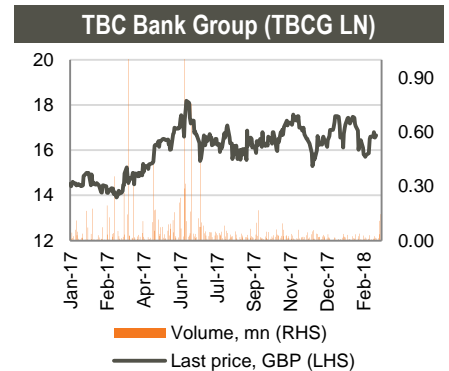
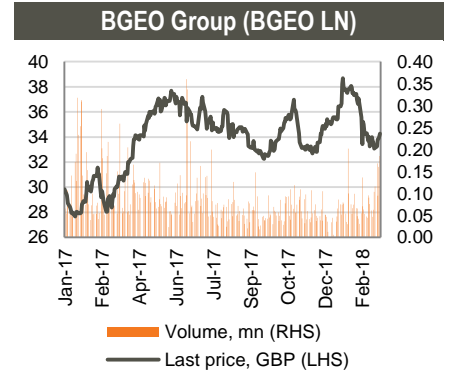
Source: Bloomberg

# Equities

**BGEO Group (BGEO LN)** shares closed at GBP 34.26/share (+3.44% w/w and -6.80% m/m). More than 708k shares traded in the range of GBP 32.98 – 34.16/share. Average daily traded volume was 91k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 2.19% w/w and lost 2.99% m/m. The volume of BGEO shares traded was at 1.80% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 16.20 (-2.72% w/w and -1.46% m/m). More than 315k shares changed hands in the range of GBP 15.42 – 16.80 share. Averaged daily traded volume was 26k in the last 4 weeks.

**Georgia Healthcare Group (GHG LN)** shares closed at GBP 3.30/share (-1.64% w/w and -1.49% m/m). More than 52k shares were traded in the range of GBP 3.28 – 3.40/share. Average daily traded volume was 8k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.



Eastern European Banks								
	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO	34.26*	1,858	-6.8%	4.8%	-1.2%	-3.7%	17.5%
	TBC	16.2*	1,181	-1.5%	3.8%	0.1%	-7.4%	15.2%
	Halyk Bank	14.25	3,917	11.3%	45.9%	41.1%	44.2%	119.9%
	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-38.2%
	VTB Bank	2.06	13,349	9.0%	11.7%	-5.8%	12.6%	-6.1%
	Vozrozhdenie Bank	8.39	199	-5.4%	-16.1%	-15.5%	-3.6%	-34.7%
	Sberbank	19.93	107,557	3.2%	22.6%	46.7%	17.7%	74.5%

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	3.3*	598	-1.5%	-2.9%	-5.1%	-7.0%	-9.6%
	Mouwasat	47.19	2,360	-2.1%	8.1%	9.8%	16.9%	25.7%
	Fortis	2.47	1,281	25.2%	11.0%	5.7%	-1.7%	-11.3%
	Raffles	0.86	1,515	3.4%	8.6%	5.6%	2.1%	-14.0%
	IHH	1.55	12,783	0.0%	12.6%	10.6%	7.5%	17.8%
	Bangkok Chain	0.52	1,300	-0.7%	8.3%	17.6%	4.8%	40.6%
	Netcare	2.11	3,101	-2.5%	27.1%	12.8%	3.9%	-10.4%

Source: Bloomberg  
\*GHG share price traded and shown in GBP

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