



Weekly Market Watch

Weekly Market Watch | Georgia
Nov 27, 2017

Economy

Exports up 38.3% y/y in October 2017

In October 2017, exports increased 38.3% y/y to US\$ 262.8mn, imports were up 10.4% y/y to US\$ 730.8mn and the trade deficit narrowed 0.9% y/y to US\$ 468.0mn, according to GeoStat. Overall in 10M17, the trade deficit was down 0.9% y/y at US\$ 4.2bn as exports were up 29.4% y/y to US\$ 2.2bn, while imports increased 7.8% y/y to US\$ 6.4bn.

In October 2017, copper (+92.3% y/y), cars (+44.6% y/y), wine (+40.6% y/y), ferro-alloys (+60.1% y/y) and pharmaceuticals (+35.6% y/y) were the top 5 exported commodities; 26.1% of exports were directed to the EU (+6.1% y/y), 48.0% were directed to the CIS (+64.0% y/y) and 25.9% to other countries (+40.4% y/y).

Petroleum (+7.7% y/y), cars (-12.2% y/y), pharmaceuticals (+31.2% y/y), gases (-12.2% y/y) and phones (+6.7% y/y) represented the top 5 imported commodities in October 2017.

Producer price index up 1.1% m/m and up 13.3% y/y in October 2017

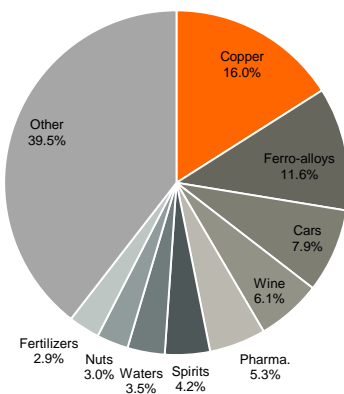
PPI for industrial goods was up 1.1% m/m in October 2017, according to GeoStat. A 0.9% price increase for manufacturing contributed the most to the overall index change as prices were up for food, beverages and tobacco (+1.3% m/m), rubber and plastic products (+7.3% m/m) and chemical products (+1.6% m/m).

Annual PPI was up 13.3% in October 2017. Rising prices in manufacturing (+13.3% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+9.5% y/y) and for mining and quarrying (+24.3% y/y).

NPLs at 3.4% in October 2017

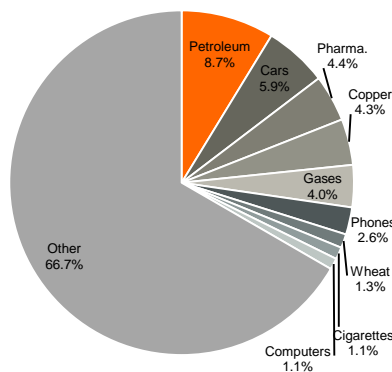
In October 2017, the banking sector loan portfolio increased 16.6% y/y after growing 16.0% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 24.4% y/y and 4.0% m/m to GEL 21.1bn (US\$ 8.1bn). Deposits were up 16.1% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 21.6% y/y and up 3.5% m/m to GEL 19.0bn (US\$ 7.3bn). Deposit dollarization reached 66.4% (-3.3ppts y/y and +1.0ppts m/m). NPLs stood at 3.4% in October 2017 (-0.5ppts y/y and +0.3ppts m/m).

Exports by commodities, 10M17



Source: GeoStat

Imports by commodities, 10M17



Key macro indicators

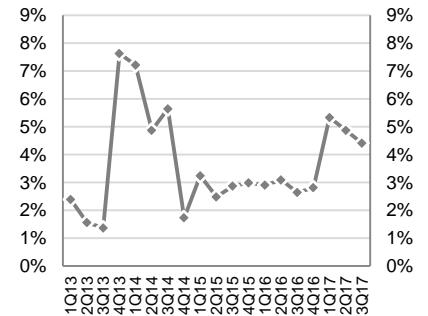
	10M17	2016	2015
GDP (% change)	4.8% ⁽¹⁾	2.8%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,865	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.4%	1.8%	4.9%
Gross reserves (US\$ bn)	2.9	2.8	2.5
CAD (% of GDP)	9.3% ⁽²⁾	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

(1) As of 9M17

(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



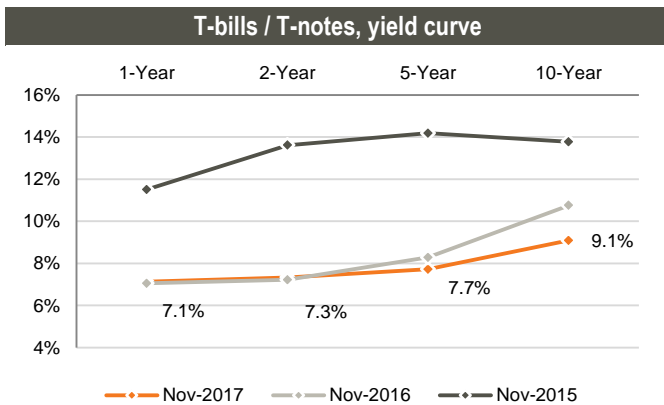
Source: Rating agencies

Money market

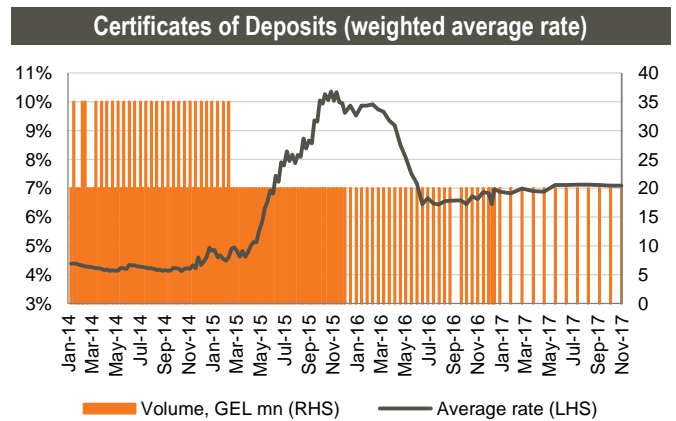
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,040mn (US\$ 383.2mn).

Ministry of Finance Treasury Securities:

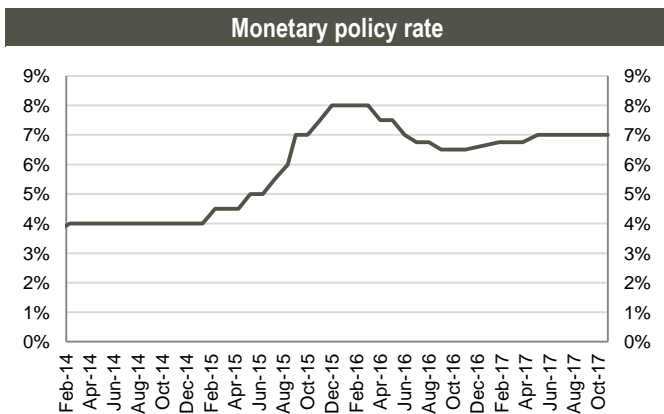
The nearest treasury security auction is scheduled for November 29, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.



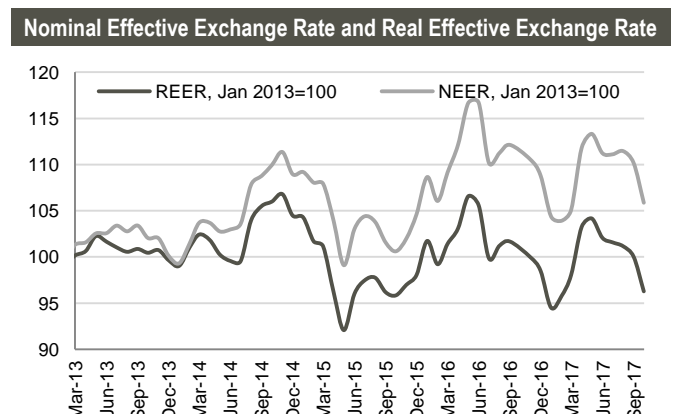
Source: NBG



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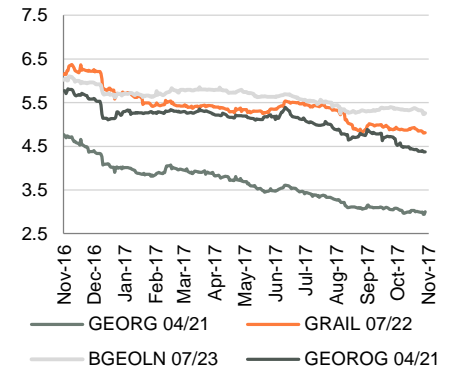
Source: NBG

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

Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.6 (+0.4% 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 107.5 (+0.1% w/w), yielding 4.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.0 (+0.2% w/w), yielding 4.8%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.3 (-0.2% w/w) at 3.0% yield to maturity.

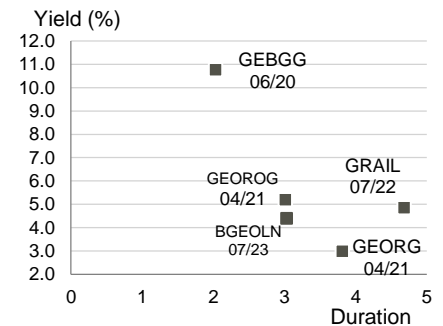
Georgia Eurobonds, YTM (%)


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	107.5	103.6	112.3	112.0
Mid yield, %	n/a	7.00%	8.5%	9.0%	6.50%	10.8	4.4	5.3	3.0	4.8
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	233.3	96.2	272.2	310.3

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

Georgian Eurobond universe


Source: Bloomberg

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	3.0	92.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.6	4.3	208.0
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.5	-0.1	-46.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.8	1.2	103.4
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	111.8	2.7	61.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.8	3.0	88.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.5	2.6	65.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	104.8	4.1	204.2

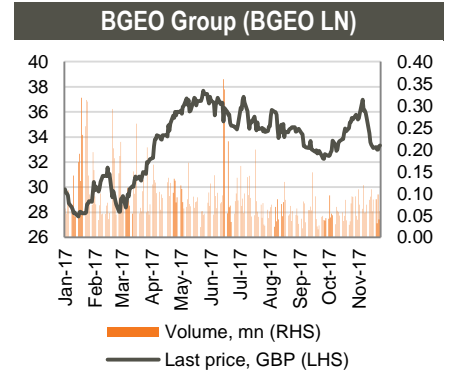
Source: Bloomberg

Equities

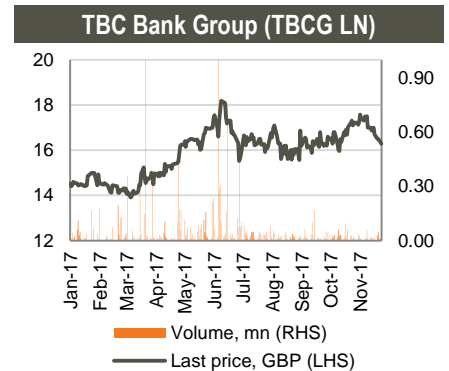
BGEO Group (BGEO LN) shares closed at GBP 33.40/share (+0.81% w/w and -5.01% m/m). More than 307k shares traded in the range of GBP 32.51 – 33.69/share. Average daily traded volume was 73k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.86% w/w and lost 0.72% m/m. The volume of BGEO shares traded was at 0.78% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.26 (-2.63% w/w and -6.01% m/m). More than 102k shares changed hands in the range of GBP 16.25 – 17.00 share. Averaged daily traded volume was 18k in the last 4 weeks.

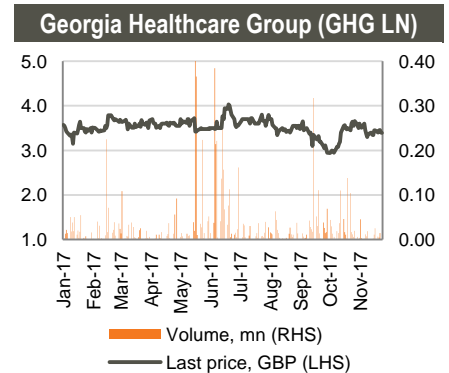
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.40/share (-1.45% w/w and -5.56% m/m). More than 52k shares were traded in the range of GBP 3.40 – 3.50/share. Average daily traded volume was 18k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.



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	33.34*	1,751	-5.2%	-3.9%	-10.2%	11.7%	8.8%
TBC	TBC	16.28*	1,149	-5.9%	3.1%	-4.2%	12.1%	21.1%
Halyk Bank	HSBK	9.75	2,680	3.5%	-6.3%	36.4%	62.8%	64.7%
KKB	KKB	0.68	712	0.0%	0.0%	-38.2%	-52.9%	-50.4%
VTB Bank	VTBR	1.92	12,416	-9.9%	-5.8%	-17.9%	-19.7%	-7.4%
Vozrozhdenie Bank	VZRZ	10.06	239	-5.3%	2.5%	-24.1%	-17.8%	-8.1%
Sberbank	SBER	16.86	90,989	17.7%	30.6%	38.8%	45.7%	63.7%

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	3.40*	596	-5.7%	-3.0%	-2.4%	-4.9%	-7.0%
Mouwasat	MOUWASAT	42.77	2,139	-0.5%	-0.1%	12.2%	8.6%	20.6%
Fortis	FORH	2.15	1,114	-4.1%	-9.3%	-28.4%	-19.2%	-13.2%
Raffles	RFMD	0.81	1,435	-3.2%	-4.1%	-19.3%	-18.0%	-18.9%
IHH	IHH	1.37	11,296	0.9%	-2.4%	2.7%	-3.1%	-4.3%
Bangkok Chain	BCH	0.47	1,161	-5.8%	5.5%	32.3%	12.7%	20.3%
Netcare	NTC	1.59	2,327	-9.2%	-15.7%	-22.9%	-31.4%	-31.1%

Source: Bloomberg

*GHG share price traded and shown in GBP

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