



Weekly Market Watch

Weekly Market Watch | Georgia
Dec 18, 2017

Economy

FDI up 17.6% y/y in 3Q17

FDI in Georgia stood at US\$ 594.5mn (+17.6% y/y) in 3Q17, according to GeoStat's preliminary figures. Similar to previous quarters, the transport and communications sector was the largest FDI recipient at US\$ 177.8mn (-13.5% y/y, 29.9% of total) in 3Q17, followed by the construction at US\$ 116.2mn (+85.6 y/y, 19.5% of total). Azerbaijan topped the list of investors with US\$ 154.1mn, followed by Turkey with US\$ 138.6mn and UK with US\$ 63.4mn.

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\$ 757.7mn and the trade deficit widened 21.4% y/y to US\$ 521.0mn according to GeoStat's preliminary figures. In 11M17, trade deficit was up 1.2% to US\$ 4.7bn as exports increased 27.0% y/y to US\$ 2.4bn, while imports were up 8.8% y/y to US\$ 7.1bn. Detailed foreign trade statistics will be available on December 19, 2017.

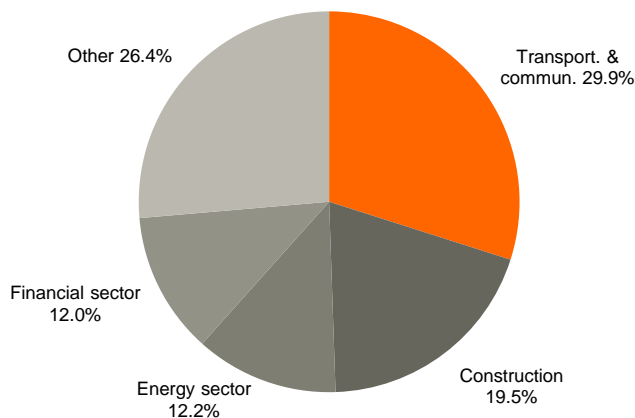
Money transfers up 24.8% y/y in November 2017

In November 2017, money transfers increased 24.8% y/y to US\$ 122.1mn after growing 20.0% y/y in previous month, according to NBG. Money transfers were up from all major remitting countries: Russia (+10.4% y/y, 32.1% of total), Italy (+29.3% y/y, 10.5% of total), Greece (+47.3% y/y, 10.2% of total), USA (+11.7% y/y, 9.5% of total), Israel (+93.6% y/y, 9.4% of total) and Turkey (+17.1% y/y, 7.8% of total). In 11M17 money transfers were up 20.2% y/y to US\$ 1.2bn.

NBG Increases its policy rate to 7.25%

At its meeting on 13 December 2017, NBG's monetary policy committee decided to increase its policy rate by 0.25 percentage points to 7.25%. According to NBG, the nominal effective exchange rate depreciated significantly following its last monetary policy meeting on October 25. This increased the pressure on prices and inflation came in at 6.9% in November. The regulator noted that decision on further tightening of the monetary policy as well as its duration would depend on the reduction of the exchange rate-related pressure on prices. NBG anticipates that the inflation will start declining with the expiration of one-off factors in the beginning of 2018. The next committee meeting is scheduled for 31 January 2018.

FDI by sectors, 3Q17



Source: GeoStat

Key macro indicators

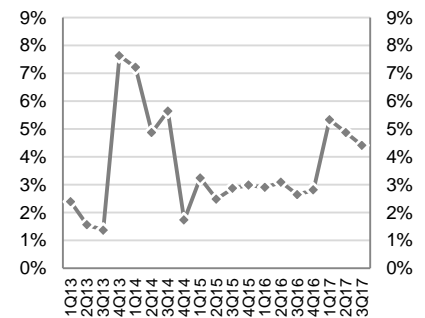
	11M17	2016	2015
GDP (% change)	4.9% ⁽¹⁾	2.8%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,865	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.9%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	9.3% ⁽²⁾	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total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

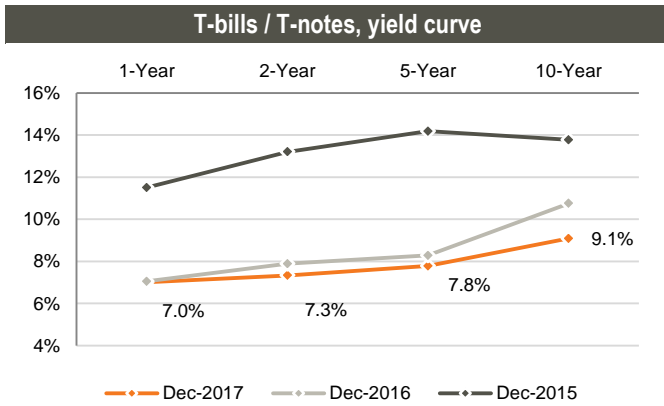


Money market

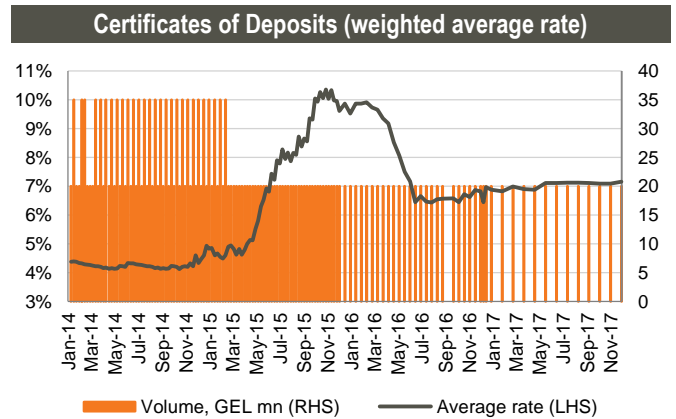
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,150mn (US\$ 446.2mn).

Ministry of Finance Treasury Bills:

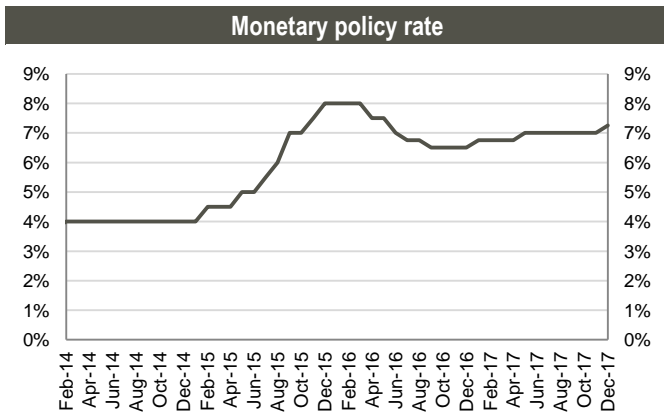
182-days GEL 20.0mn (US\$ 7.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on December 13, 2017. The weighted average yield was fixed at 7.045%. The nearest treasury security auction is scheduled for December 27, 2017, where GEL 12.0mn nominal value 5-year T-Notes will be sold.



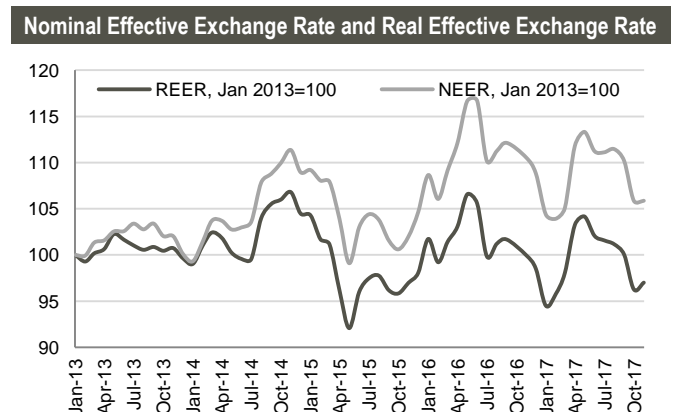
Source: NBG



Source: NBG



Source: NBG



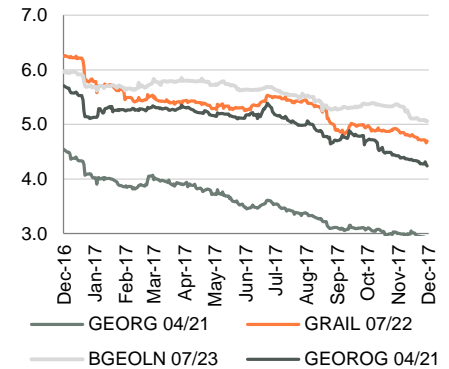
Source: NBG

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 (+0.2% 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 (unchanged w/w), yielding 4.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.4 (-0.1% w/w), yielding 4.7%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.4 (unchanged w/w) at 2.9% yield to maturity.

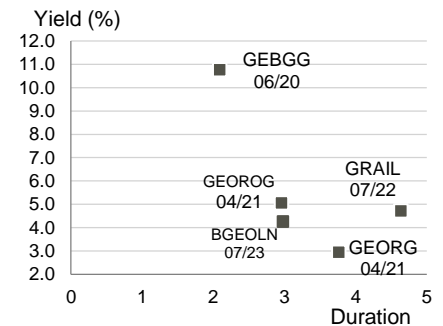
Georgia Eurobonds, YTM (%)


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	101.1	101.72	100.5	107.7	104.6	112.4	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	213.0	80.4	251.4	282.4

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	2.9	80.4
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	103.2	4.2	191.0
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.3	-0.1	-49.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	112.0	1.1	96.6
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	111.5	2.7	56.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.0	2.9	69.6
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.3	2.7	60.3
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.4	3.9	172.2

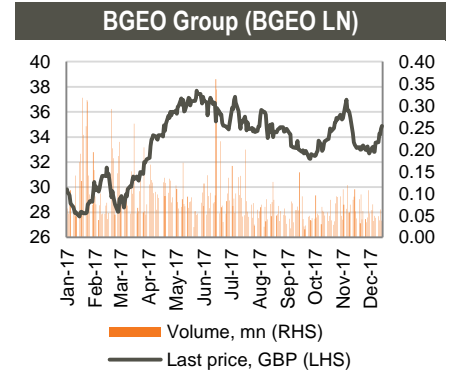
Source: Bloomberg

Equities

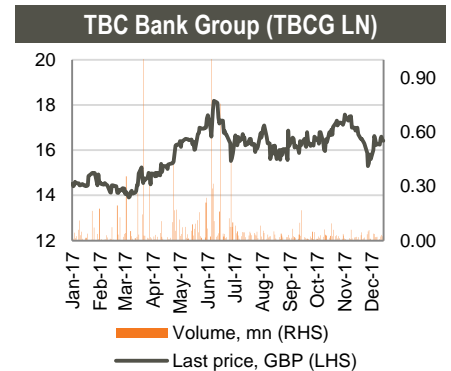
BGEO Group (BGEO LN) shares closed at GBP 34.74/share (+3.52% w/w and +4.07% m/m). More than 244k shares traded in the range of GBP 33.24 – 34.91/share. Average daily traded volume was 58k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.16% w/w and lost 1.68% m/m. The volume of BGEO shares traded was at 0.62% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.43 (+0.86% w/w and -2.78% m/m). More than 98k shares changed hands in the range of GBP 16.07 – 16.80 share. Averaged daily traded volume was 25k in the last 4 weeks.

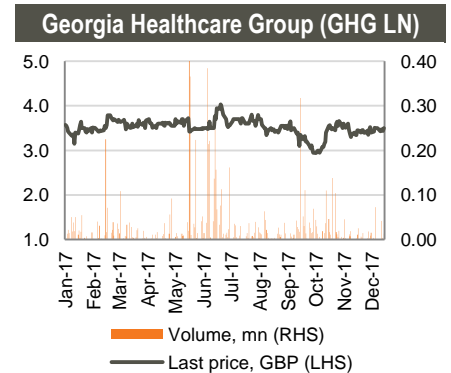
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.40/share (-2.86% w/w and +1.68% m/m). More than 57k shares were traded in the range of GBP 3.40 – 3.50/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.



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	34.89*	1,830	4.5%	5.8%	-1.0%	16.9%	11.3%
	TBC	16.42*	1,158	-2.8%	0.6%	-4.4%	13.1%	9.5%
	Halyk Bank	HSBK	2,658	2.3%	2.0%	17.6%	61.4%	54.7%
	KKB	0.68	712	0.0%	0.0%	4.6%	-52.9%	-48.9%
	VTB Bank	VTBR	11,418	-6.5%	-19.2%	-17.6%	-26.2%	-23.6%
	Vozrozhdenie Bank	VZRZ	233	-1.5%	-3.9%	-23.4%	-19.7%	-14.0%
	Sberbank	SBER	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	3.50*	614	4.7%	4.5%	-5.4%	-2.0%	-7.3%
	Mouwasat	MOUWASAT	41.19	-6.4%	-3.5%	4.5%	4.6%	3.8%
	Fortis	FORH	2.12	-1.4%	-9.4%	-30.8%	-20.4%	-22.2%
	Raffles	RFMD	0.80	-3.8%	-2.0%	-18.5%	-19.0%	-18.9%
	IHH	IHH	1.42	5.6%	-0.5%	1.3%	0.6%	-0.1%
	Bangkok Chain	BCH	0.48	-2.2%	6.5%	19.7%	17.0%	20.8%
	Netcare	NTC	1.71	4.7%	-3.0%	-11.6%	-26.2%	-22.2%

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



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