



Weekly Market Watch

Weekly Market Watch | Georgia
August 23, 2021

Economy

Trade deficit up 2.0% y/y in July 2021

In July 2021, exports increased by 42.4% y/y and imports increased by 17.2% y/y, resulting trade deficit to grow by just 2.0% y/y. Overall, in 7M21, trade deficit was up by 13.3% y/y to US\$ 2.9bn, as exports increased by 27.8% y/y to US\$ 2.3bn and imports increased by 19.3% y/y to US\$ 5.2bn (notably, in 7M21 exports were also up by 7.7% compared to 7M19 level, while imports remained flat in the same period).

In July 2021, copper (+27.3% y/y), cars (+23.1% y/y), ferro-alloys (+239.6% y/y), wine (+28.9% y/y) and fruits (+25.4% y/y) were the top 5 exported commodities. A 7.1% of exports were directed to the EU (-49.2% y/y), 50.1% to the CIS (+43.4% y/y) and 42.8% to other countries (+100.6% y/y).

Petroleum (+65.2% y/y), cars (-33.3% y/y), copper (+6.0% y/y), vaccines (+885.9% y/y) and pharmaceuticals (+28.7% y/y) represented the top 5 imported commodities in July 2021

Money transfers up 10.4% y/y in July 2021

In July 2021, money transfers increased by 10.4% y/y to a record high of US\$ 208.4mn, after growing 19.3% y/y in previous month, according to NBG. Notably, remittances were also up 34.9% compared to July 2019 level. From major remitting countries, money transfers increased strongly from Italy (+18.8% y/y, 16.0% of total), USA (+13.7% y/y, 12.2% of total), Israel (+14.4% y/y, 7.7% of total) and Germany (+43.4% y/y, 4.8% of total). Meanwhile, remittances were down from Russia (-0.7% y/y), Turkey (-20.7% y/y) and Ukraine (-24.9% y/y) in July. Overall, in 7M21 money transfers were up 34.8% y/y to US\$ 1.3bn (+34.4% compared to 7M19).

Producer price index up 15.1% y/y in July 2021

Annual PPI for industrial goods came in at 15.1% in July 2021 down from 15.7% in previous month, according to Geostat. Price changes in manufacturing (+16.7% y/y) and electricity, gas, steam and air conditioning (+9.9% y/y) contributed the most to the overall index change in July 2021.

NBG sold US\$ 30.0mn

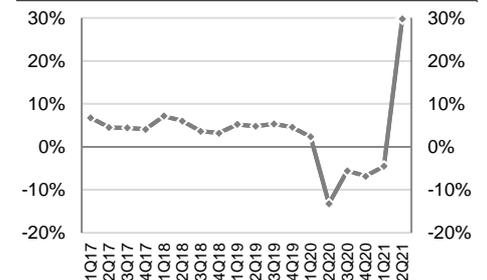
On 20 August 2021, NBG intervened in the FX market and sold US\$ 30.0mn to curb GEL volatility. This was 8th FX intervention in 2021. Previous FX auctions took place during Jan-Apr 2021 with the total sale of US\$ 242.9mn.

Key macro indicators

	2018	2019	2020
GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,613	14,918
GDP per capita (US\$)	4,722	4,696	4,275
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	7.0%	2.4%
Gross reserves (US\$ bn)	3.3	3.5	3.9
CAD (% of GDP)	6.8%	5.5%	12.5%
Fiscal deficit (% of GDP)	2.3%	2.1%	9.3%
Total public debt (% of GDP)	38.9%	40.4%	60.0%

Source: Official data

Real GDP growth, %



Source: Geostat

International ranking, 2019-21

Ease of Doing Business # 7 (Top 10)
Economic Freedom Index # 12 (mostly free)
Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB Negative Affirmed Feb-2021	 Ba2 Stable Affirmed May-2021	 BB Stable Affirmed Aug-2021
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Source: Rating agencies



Money market

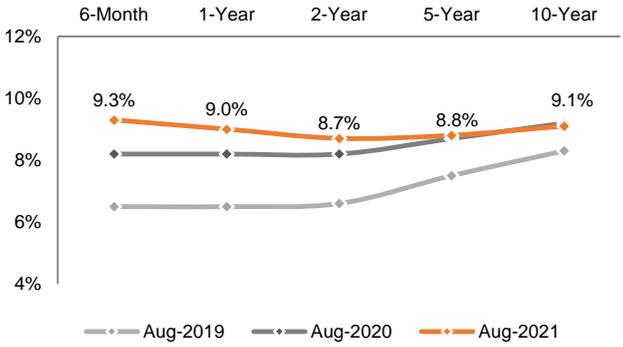
Ministry of Finance T-Bills: There was no treasury security auction last week. The nearest treasury security auction is scheduled for August 24, 2021, where GEL 35.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	90	75	75
1-year	90	75	325
2-year	120	100	940
5-year	259	175	2,448
10-year	69	25	1,306
Total	628	450	5,093

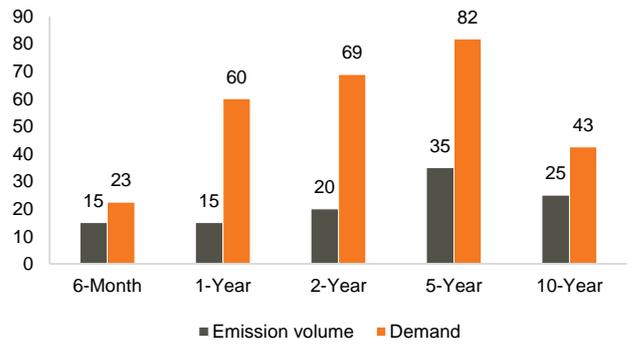
Source: MoF
Note: * As of 31 July 2021

T-bills / T-notes, yield curve



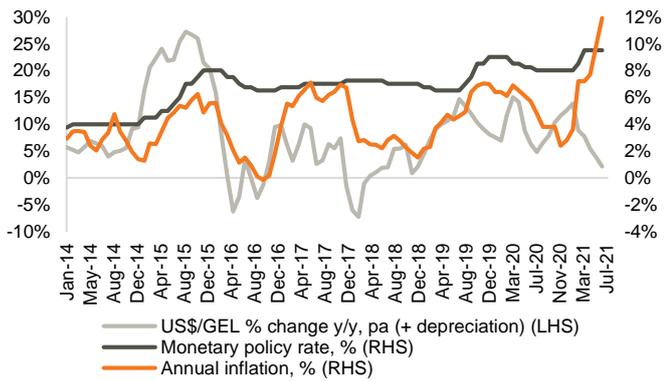
Source: NBG

Emission volume vs. demand on latest T-bills / T-notes auctions, GEL mn



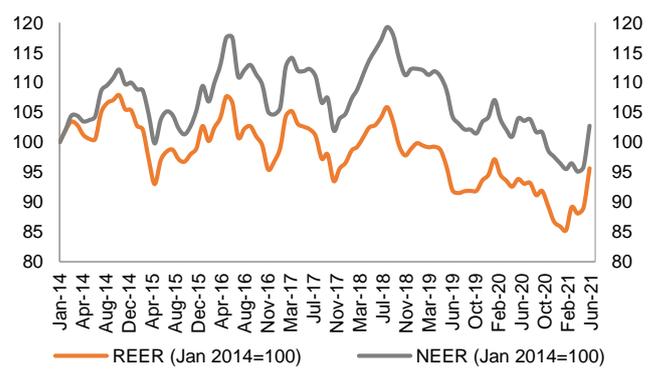
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG, Geostat

Nominal effective exchange rate and Real effective exchange rate



Source: NBG
Note: Index growth/decline means appreciation/depreciation of exchange rate



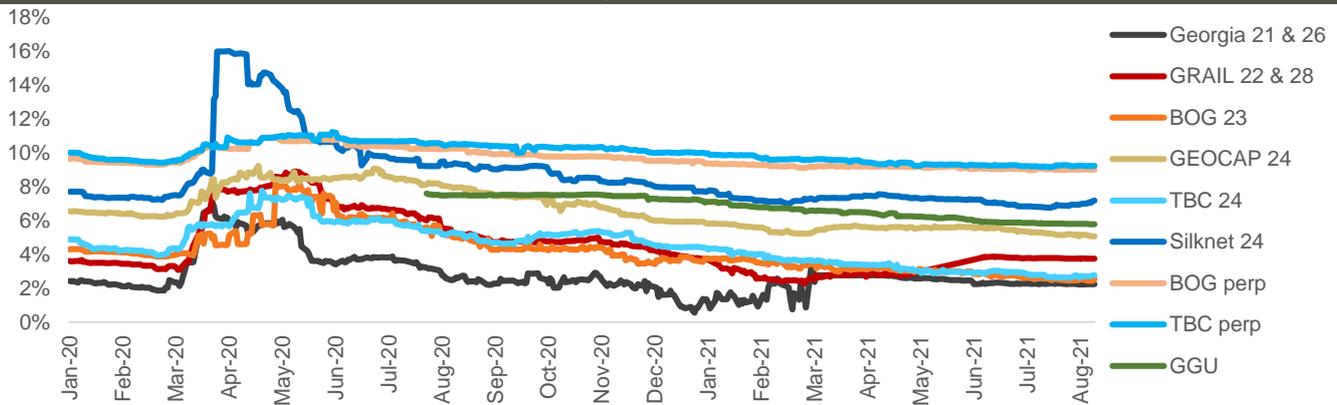
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.52% yield, trading at 106.48 (-0.06% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.51 (+0.22% w/w), yielding 5.06%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.57 (+0.05% w/w), yielding 3.74%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.28 (-0.11% w/w) at 2.23% yield to maturity.

Georgian Eurobonds, YTM



Source: Bloomberg

Georgian bonds performance

Georgian Eurobonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps	
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	102.28	2.23	143.12	
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	101.57	3.74	273.09	
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.48	2.52	222.66	
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	110.37	8.99	655.00	
GEOCAP 03/24	USD	300	6.125%	Mar-24	-B/B2	102.51	5.06	463.28	
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	108.97	7.16	467.87	
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	108.05	2.76	227.28	
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.21	9.22	652.10	
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.88	5.77	410.37	
Georgian local bonds performance									
KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a	
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B/Ba2	n/a	n/a	n/a	
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a	
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a	
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a	
GLC 07/23	USD	12	5.75%	Jul-23	-/-/-	n/a	n/a	n/a	
GLC 07/23	EUR	3	4.75%	Jul-23	-/-/-	n/a	n/a	n/a	
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/B/B1/-	n/a	n/a	n/a	
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/-/BB-	n/a	n/a	n/a	
Lisi Lake Development	USD	12	8.00%	Dec-21	-/-/-/B+	n/a	n/a	n/a	
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/-/BB-	n/a	n/a	n/a	
Swiss Capital 09/21	GEL	10	14.25%	Sep-21	B-/B/-	100.00	14.25	n/a	
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/-/BB	n/a	n/a	n/a	

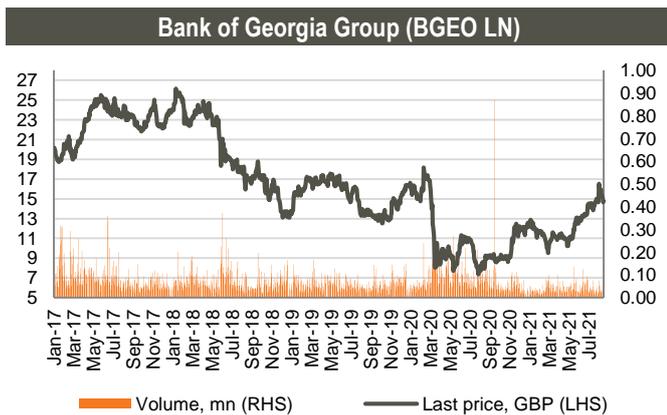
Source: Bloomberg

Equities

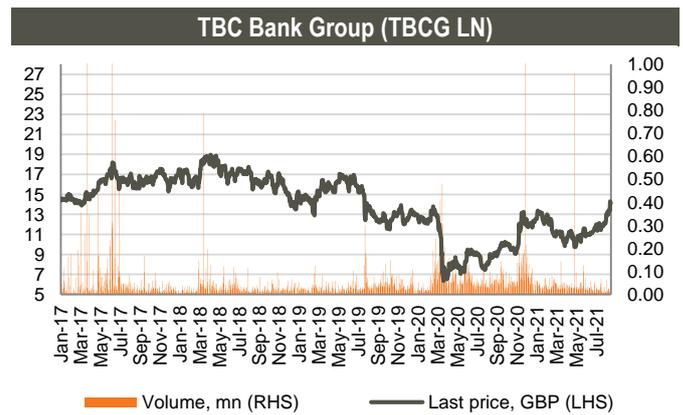
Bank of Georgia Group (BGEO LN) shares closed at GBP 14.76/share (-4.77% w/w and +3.51% m/m). More than 213k shares traded in the range of GBP 14.50 - 15.54/share. Average daily traded volume was 36k in the last 4 weeks. The volume of BGEO shares traded was at 0.43% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 6.25/share (-3.99% w/w and +0.48% m/m). More than 219k shares traded in the range of GBP 6.18 - 6.54/share. Average daily traded volume was 64k in the last 4 weeks. The volume of CGEO shares traded was at 0.46% of its capitalization.

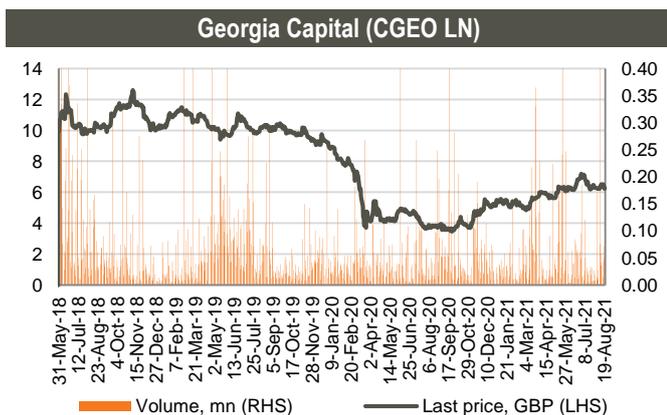
TBC Bank Group (TBCG LN) closed the week at GBP 14.10/share (+8.29% w/w and +23.47% m/m). More than 232k shares changed hands in the range of GBP 13.00 - 14.30/share. Average daily traded volume was 25k in the last 4 weeks. The volume of TBCG shares traded was at 0.42% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Equities, continued

Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2021F	2022F	2021F	2022F
Bank of Georgia	BGEO	GBP	14.76	726	32.5%	70.6%	21.0%	5.14x	4.65x	0.99x	0.93x
TBC	TBC	GBP	14.10	778	23.0%	61.1%	12.8%	4.95x	4.70x	0.92x	0.82x
Sberbank	SBER	USD	17.47	94,254	18.2%	41.1%	20.3%	6.35x	6.11x	1.21x	1.09x
Halyk Bank	HSBK	USD	16.18	4,755	18.5%	48.4%	38.9%	5.03x	4.90x	1.19x	1.13x
VTB Bank	VTBR	USD	1.32	8,528	36.6%	39.1%	37.9%	2.50x	2.97x	0.42x	0.38x
Akbank	AKBNK	TRY	5.59	29,068	-13.2%	10.0%	-19.3%	3.60x	2.69x	0.41x	0.36x
Garanti	GARAN	TRY	9.37	39,354	-0.7%	31.2%	-9.6%	3.68x	3.11x	0.54x	0.47x
Isbank	ISCTR	TRY	5.57	25,065	-8.1%	10.5%	-20.4%	3.06x	2.19x	0.33x	0.29x
PKO	PKO	PLN	38.81	48,513	26.6%	76.3%	35.1%	10.19x	10.29x	1.09x	1.04x
PEKAO	PEO	PLN	102.15	26,811	52.1%	93.8%	67.2%	15.21x	11.79x	1.02x	0.97x
Millennium	MIL	PLN	5.65	6,848	30.1%	91.0%	72.6%	8.51x	7.60x	0.87x	0.82x
Mbank	MBK	PLN	329.80	13,973	49.9%	69.6%	84.0%	11.11x	10.29x	0.84x	0.80x
BRD	BRD	RON	18.60	12,962	29.5%	59.5%	25.2%	11.41x	10.77x	1.50x	1.35x
Banca Transilvania	TLV	RON	2.98	17,098	34.2%	51.8%	32.4%	10.68x	9.57x	1.64x	1.52x
OTP	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	7.76x	7.62x	0.63x	0.55x
Komercni	KOMB	CZK	830.50	157,836	24.0%	55.5%	26.4%	15.10x	13.04x	1.31x	1.31x
Mean								7.77x	7.02x	0.93x	0.86x
Median								7.06x	6.85x	0.96x	0.88x

Source: Bloomberg, S&P Capital IQ

Investment management companies

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2021F	2022F	2021F	2022F
Georgia Capital	CGEO	GBP	6.25	299	21.4%	62.5%	15.7%	na	na	na	na
Tinc Comm	TINC	EUR	12.64	460	2.8%	-4.6%	-2.4%	na	na	na	na
Sabancı Holding	SAHOL	TRY	10.01	20,424	-9.6%	23.4%	-12.7%	3.64x	3.00x	0.45x	0.37x
Deutsche Beteiligungs	DBAN	EUR	36.80	554	-0.1%	26.7%	18.1%	4.40x	7.49x	1.08x	0.99x
Eurazeo	RF	EUR	86.75	6,855	39.7%	100.5%	56.3%	10.02x	12.83x	1.13x	1.02x
Carlyle Group	CG	USD	47.16	16,722	29.2%	78.7%	50.0%	14.66x	13.30x	5.34x	5.38x
Mean								8.18x	9.16x	2.00x	1.94x
Median								7.21x	10.16x	1.10x	1.01x

Source: Bloomberg, S&P Capital IQ

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