



Weekly Market Watch

Weekly Market Watch | Georgia
September 20, 2021

Economy

Exports up 14.6% y/y in August 2021

In August 2021, exports increased by 14.6% y/y to US\$ 335.3mn after a 40.6% y/y growth in previous month. Meanwhile, imports growth accelerated in August, up 26.1% y/y to US\$ 838.3mn, after growing 18.3% y/y in previous month. Notably, both exports and imports were also up compared to August 2019 levels - exports up 6.1% and imports up 5.1%. As imports growth surpassed exports, trade deficit increased by 35.1% y/y in August. Overall, in 8M21, trade deficit was up by 17.2% y/y to US\$ 3.5bn, as exports increased by 25.7% y/y to US\$ 2.6bn (up 7.2% compared to 8M19) and imports increased by 20.7% y/y to US\$ 6.1bn (up 1.2% compared to 8M19).

Money transfers up 11.2% y/y in August 2021

In August 2021, money transfers increased by 11.2% y/y to US\$ 204.9mn, after growing 10.4% y/y in previous month, according to NBG. Notably, remittances were also up by 39.9% compared to August 2019. From major remitting countries, money transfers increased strongly from Italy (+20.3% y/y, 16.4% of total), Russia (+7.8% y/y, 18.4% of total), USA (+11.7% y/y, 12.0% of total), Israel (+16.7% y/y, 8.1% of total) and Germany (+47.6% y/y, 4.9% of total). Meanwhile, from major remitting countries, money transfers declined from Greece (-6.4% y/y), Turkey (-3.0% y/y) and Ukraine (-30.9% y/y). Overall, in 8M21 money transfers were up 31.0% y/y to US\$ 1.5bn (+35.2% compared to 8M19).

Real GDP growth at 29.9% in 2Q21

Georgia's 2Q21 real GDP growth came in at 29.9% y/y (up 12.7% compared to 2Q19), based on Geostat, unchanged from the rapid estimate figure. This growth reflected significant increased activity in trade (+53.9% y/y), manufacturing (+42.3% y/y), art & recreation (+133.6% y/y), transport (+47.0% y/y), construction (+36.9% y/y), accommodation and food services (+75.5% y/y), real estate (+17.7% y/y) and financial and insurance (+45.5% y/y). Meanwhile, real growth was down in agriculture (-2.3% y/y) and education (-1.4% y/y). Based on preliminary estimate, Georgia's economy grew by 12.2% y/y in 7M21 (down 4.5% y/y in 1Q, up 29.9% y/y in 2Q and up 9.9% y/y in July). This implies that real GDP also exceed its 2019 level by 5.4% in 7M21.

NBG kept its key rate unchanged at 10.0%

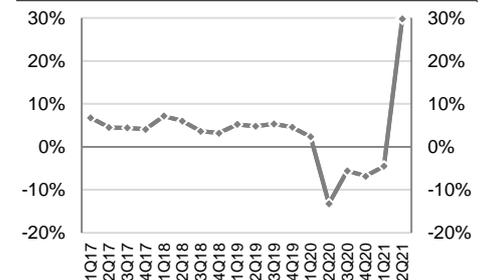
The NBG kept the key rate unchanged at 10.0% on 15 September 2021, after raising it by 0.5ppts in August. The central bank said that 12.8% annual inflation rate of August had exceeded the forecast, and expects the inflation to remain high for the rest of the year. It cited one-off exogenous factors as the key driver of the high inflation, including the sharply increased prices of food and oil in the international markets, contributing around 9.0 percentage points to inflation. Based on NBG, despite the recent GEL appreciation in August, imported inflation (18.7% y/y) was significantly higher than the increase in domestic goods prices (8.2% y/y). According to the NBG's current forecast, inflation is expected to decline significantly from spring 2022, supported by tight monetary policy and fiscal consolidation along with the fade-out of one-off exogenous factors. The next committee meeting is scheduled for 27 October 2021.

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

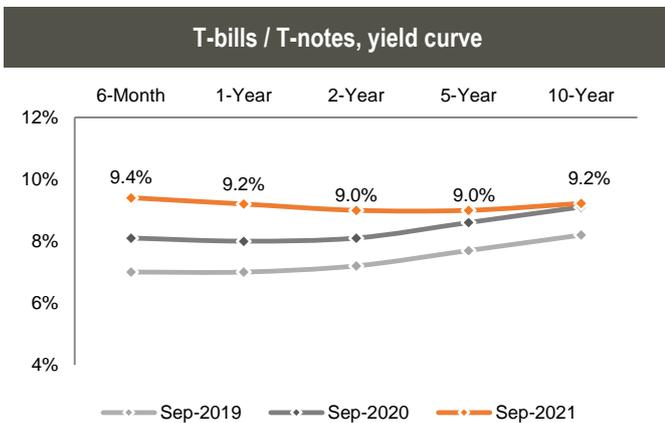
Ministry of Finance T-Bills: 1-year GEL 15.0mn (US\$ 4.8mn) T-Bills were sold at the auction held at NBG on September 14, 2021. Total demand was 2.8x higher and the weighted average yield was fixed at 9.240%, up by 0.050ppts from previous auction held in August, 2021. The nearest treasury security auction is scheduled for September 28, 2021, where GEL 35.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2021

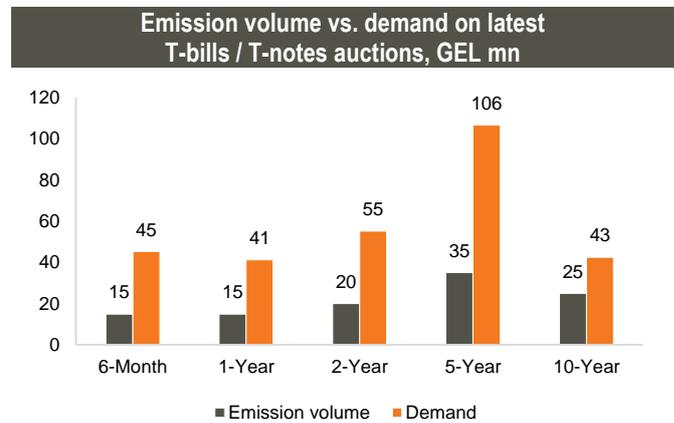
Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	105	45	75
1-year	105	45	290
2-year	140	60	960
5-year	295	140	2,485
10-year	69	25	1,306
Total	714	315	5,116

Source: MoF

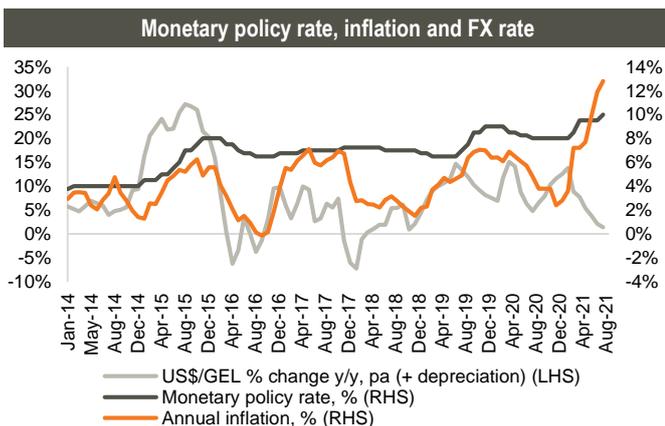
Note: * As of 31 August 2021



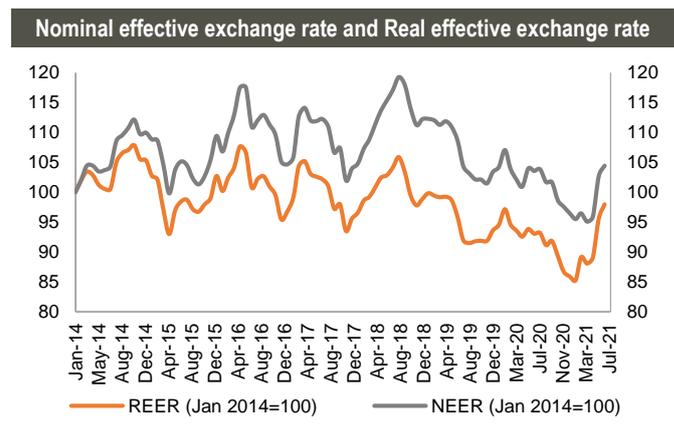
Source: NBG



Source: NBG



Source: NBG, Geostat



Source: NBG

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

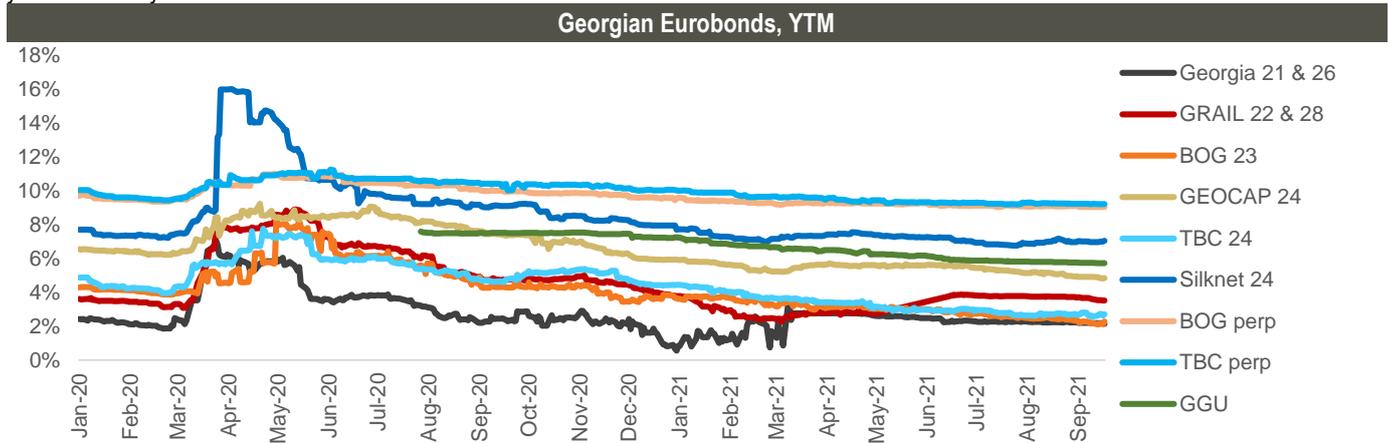


Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.27% yield, trading at 106.71 (-0.25% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.98 (+0.13% w/w), yielding 4.83%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 102.91 (+0.40% w/w), yielding 3.51%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.66 (+0.17% w/w) at 2.14% yield to maturity.



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	102.66	2.14	124.73	
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	102.91	3.51	237.37	
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.71	2.27	197.22	
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	110.69	9.03	630.60	
GEOCAP 03/24	USD	300	6.125%	Mar-24	-B/B2	102.98	4.83	438.26	
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	109.06	7.03	378.08	
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	108.02	2.70	218.25	
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.67	9.20	625.12	
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.95	5.72	375.84	

Georgian local bonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings	Mid price	Mid yield, %	Z-spread, bps	
KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B/Ba2	n/a	n/a	n/a	n/a
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a	n/a
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a	n/a
GLC 07/23	USD	12	5.75%	Jul-23	-/-/-	n/a	n/a	n/a	n/a
GLC 07/23	EUR	3	4.75%	Jul-23	-/-/-	n/a	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/B/B1/-	n/a	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/-/BB-	n/a	n/a	n/a	n/a
Lisi Lake Development	USD	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/-/BB-	n/a	n/a	n/a	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/-/BB	n/a	n/a	n/a	n/a

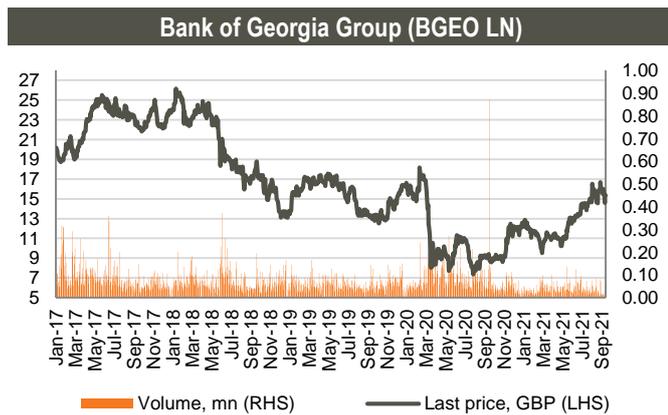
Source: Bloomberg

Equities

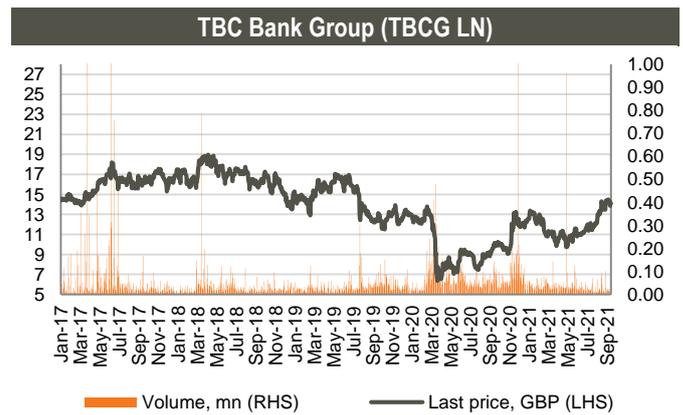
Bank of Georgia Group (BGEO LN) shares closed at GBP 15.40/share (-3.75% w/w and +1.45% m/m). More than 171k shares traded in the range of GBP 14.50 - 16.08/share. Average daily traded volume was 28k in the last 4 weeks. The volume of BGEO shares traded was at 0.35% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 6.02/share (-2.11% w/w and -5.94% m/m). More than 262k shares traded in the range of GBP 6.00 - 6.25/share. Average daily traded volume was 86k in the last 4 weeks. The volume of CGEO shares traded was at 0.55% of its capitalization.

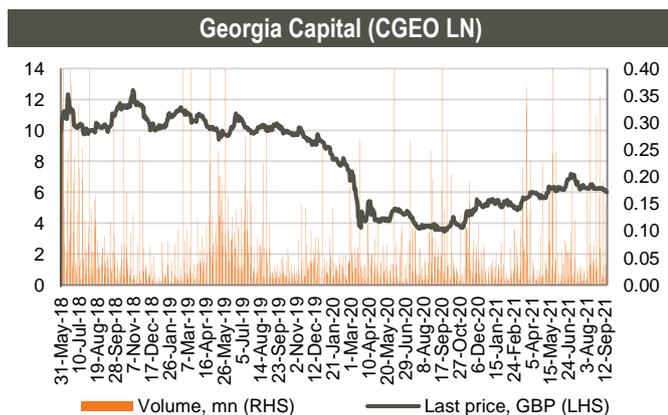
TBC Bank Group (TBCG LN) closed the week at GBP 14.12/share (-2.35% w/w and +5.37% m/m). More than 166k shares changed hands in the range of GBP 13.76 - 14.70/share. Average daily traded volume was 26k in the last 4 weeks. The volume of TBCG shares traded was at 0.30% of its capitalization.



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	15.40	757	33.9%	69.0%	26.2%	5.08x	4.86x	1.04x	0.96x
TBC	TBC	GBP	14.12	779	25.8%	43.9%	13.0%	4.99x	4.73x	0.93x	0.82x
Sberbank	SBER	USD	18.18	98,113	19.2%	48.5%	25.2%	6.48x	6.23x	1.23x	1.11x
Halyk Bank	HSBK	USD	16.90	4,966	15.8%	47.6%	45.1%	4.90x	4.69x	1.22x	1.12x
VTB Bank	VTBR	USD	1.36	8,813	39.1%	51.3%	42.5%	2.98x	3.01x	0.42x	0.39x
Akbank	AKBNK	TRY	5.55	28,860	-7.3%	14.0%	-19.9%	3.36x	2.61x	0.40x	0.36x
Garanti	GARAN	TRY	9.39	39,438	7.3%	40.4%	-9.5%	3.67x	3.05x	0.54x	0.47x
Isbank	ISCTR	TRY	5.27	23,715	-8.2%	5.4%	-24.7%	2.81x	2.08x	0.31x	0.28x
PKO	PKO	PLN	42.31	52,888	37.0%	92.6%	47.3%	11.44x	10.74x	1.18x	1.13x
PEKAO	PEO	PLN	103.35	27,126	47.0%	101.5%	69.1%	14.21x	11.44x	1.03x	0.98x
Millennium	MIL	PLN	6.58	7,982	78.3%	124.6%	101.2%	9.43x	8.75x	1.10x	0.94x
Mbank	MBK	PLN	397.20	16,828	74.4%	119.2%	121.7%	13.39x	12.31x	1.02x	0.96x
BRD	BRD	RON	18.50	12,893	20.1%	43.9%	24.5%	11.28x	10.72x	1.50x	1.34x
Banca Transilvania	TLV	RON	2.66	15,262	24.5%	28.7%	30.0%	9.09x	8.47x	1.61x	1.49x
OTP	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	7.83x	7.49x	0.62x	0.55x
Komerčni	KOMB	CZK	861.50	163,727	26.5%	70.6%	31.1%	15.69x	13.55x	1.36x	1.36x
Mean								7.91x	7.17x	0.97x	0.89x
Median								7.15x	6.86x	1.04x	0.96x

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	6.02	288	7.9%	68.2%	11.5%	na	na	na	na
Tinc Comm	TINC	EUR	13.28	483	7.5%	0.2%	2.5%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.67	19,731	-5.3%	24.3%	-15.6%	3.33x	2.81x	0.43x	0.35x
Deutsche Beteiligungs	DBAN	EUR	38.35	577	14.0%	26.3%	23.1%	4.59x	7.81x	1.12x	1.04x
Eurazeo	RF	EUR	83.35	6,586	25.2%	76.0%	50.2%	9.63x	12.33x	1.09x	0.98x
Carlyle Group	CG	USD	51.13	18,129	37.1%	105.4%	62.6%	15.86x	14.38x	5.79x	5.83x
Mean								8.35x	9.33x	2.11x	2.05x
Median								7.11x	10.07x	1.10x	1.01x

Source: Bloomberg, S&P Capital IQ

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