



Weekly Market Watch

Weekly Market Watch | Georgia
September 27, 2021

Economy

Trade deficit widened in August 2021

Georgia's robust export growth moderated in August 2021, up 15.7% y/y, compared with a 40.7% y/y growth in July 2021. Reduced copper exports, generally exhibiting monthly volatility, was the major reason behind softer exports, while virus outbreak and pressure on global supply chains might be another reason. Meanwhile, imports growth accelerated compared to previous month, up 26.1% y/y. As a result, trade deficit widened 34.2% y/y. Notably, both exports and imports were also up compared to August 2019 levels (+7.0% and +5.1%, respectively). In August 2021, copper (-23.7% y/y), cars (+9.6% y/y), ferro-alloys (+140.0% y/y), wine (+36.5% y/y) and mineral waters (+23.4% y/y) were the top 5 exported commodities. A 11.9% of exports were directed to the EU (-33.2% y/y), 54.2% to the CIS (+31.5% y/y) and 33.9% to other countries (+23.6% y/y). Petroleum (+87.2% y/y), cars (-28.9% y/y), copper (+135.4% y/y), automatic data processing machines (+194.9% y/y) and pharmaceuticals (+12.4% y/y) represented the top 5 imported commodities in August 2021.

Overall, in 8M21, trade deficit was up by 17.0% y/y to US\$ 3.5bn, as exports increased by 26.0% y/y to US\$ 2.6bn and imports increased by 20.7% y/y to US\$ 6.1bn. Notably, in 8M21 exports and imports were also up by 7.5% and 1.2% compared to 8M19 levels, respectively.

Producer price index up 16.4% y/y in August 2021

Annual PPI for industrial goods came in at 16.4% in August 2021 up from 15.1% in previous month, according to Geostat. Price changes in manufacturing (+18.3% y/y) and electricity, gas, steam and air conditioning (+10.7% y/y) contributed the most to the overall index change in August.

Moody's affirms Georgia's rating at Ba2, maintains stable outlook

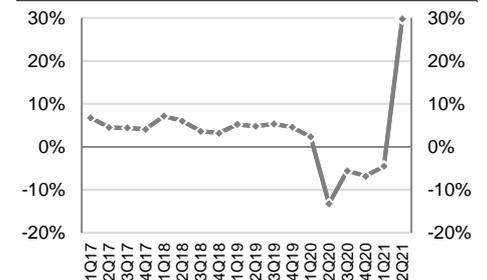
On 20 September 2021, Moody's affirmed Georgia's sovereign credit rating at Ba2, maintaining stable outlook. Based on Moody's, this action is underpinned by the ongoing development of the fiscal and monetary institutions which has enabled an effective macroeconomic policy response to the pandemic-related downturn. Moody's expects Georgia's economy to grow by 7.3% in 2021, while growth is expected to be at potential of 4-5% over the next few years, driven by increased investment in productivity-enhancing infrastructure in agriculture and manufacturing. Moody's expects inflation to fall towards the central bank's inflation target of 3% from 12.8% currently after temporary factors fade and tight monetary policy offsets commodity price and international supply constraint pressures. The current account deficit is also expected to narrow from a peak of 12.5% of GDP in 2020 towards pre-pandemic levels of around 5%, as remittances and non-tourism exports grow solidly and the longer-term benefits of reforms are realized, including reform of the pension system to build domestic savings, based on Moody's.

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 Sep-2021	 BB Stable Affirmed Aug-2021
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Source: Rating agencies



Money market

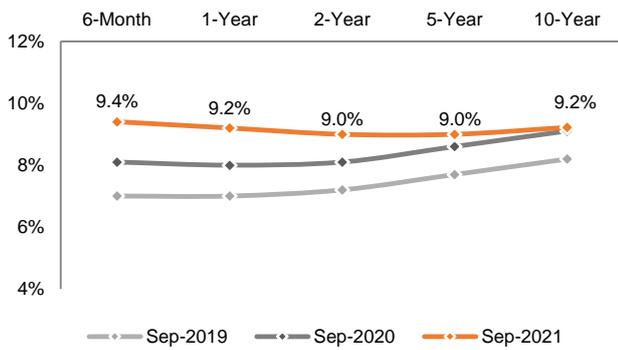
There were no treasury securities auction last week. The nearest treasury security auction is scheduled for September 28, 2021, where GEL 35.0mn nominal value 5-year Benchmark Bonds will be sold.

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

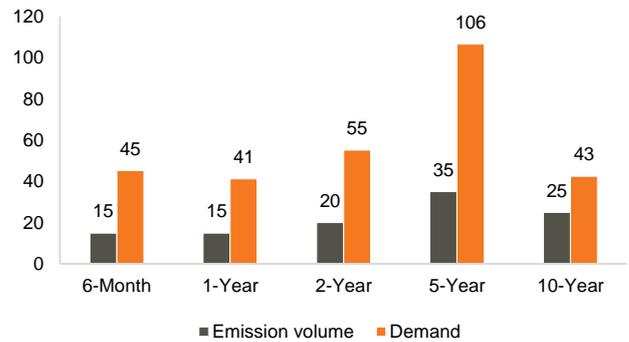
Source: MoF
Note: * As of 31 August 2021

T-bills / T-notes, yield curve



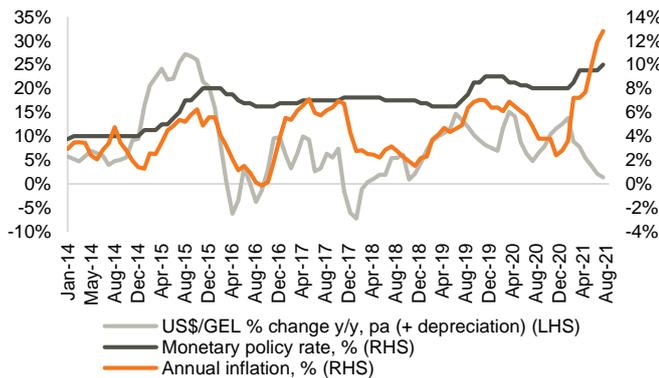
Source: NBG

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



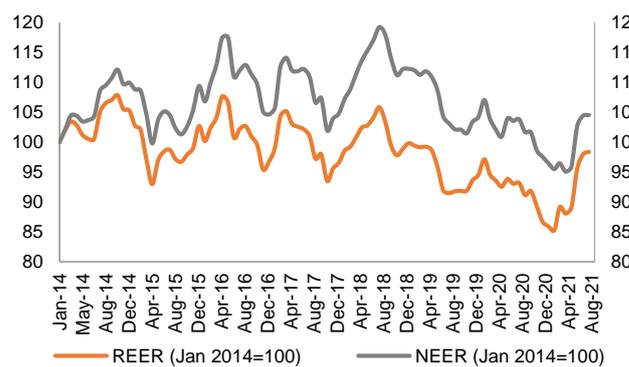
Source: NBG

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



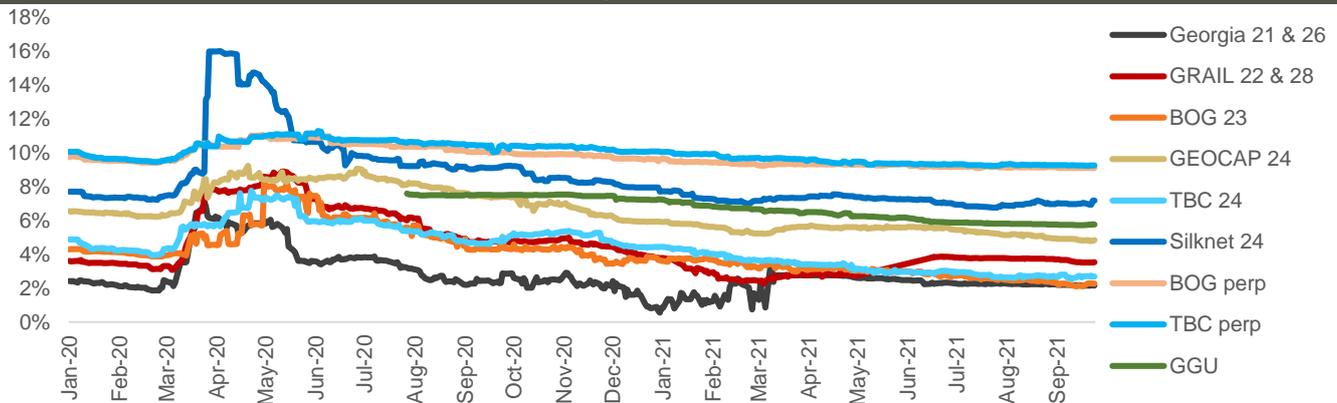
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.27% yield, trading at 106.65 (-0.32% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.96 (-0.05% w/w), yielding 4.83%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 102.80 (-0.13% w/w), yielding 3.53%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.57 (-0.07% w/w) at 2.16% 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	102.57	2.16	119.40	
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	102.80	3.53	232.23	
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.65	2.27	193.05	
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	110.75	9.08	620.23	
GEOCAP 03/24	USD	300	6.125%	Mar-24	-B/B2	102.96	4.83	433.15	
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	108.69	7.16	422.63	
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	108.03	2.67	210.25	
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.62	9.24	618.89	
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.76	5.76	388.77	
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	
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/-/BB	n/a	n/a	n/a	

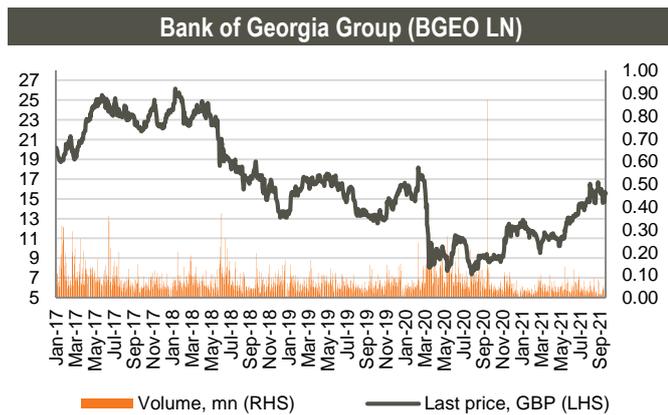
Source: Bloomberg

Equities

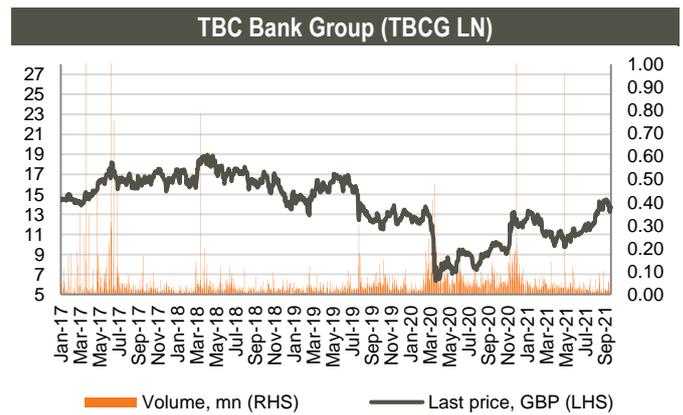
Bank of Georgia Group (BGEO LN) shares closed at GBP 15.54/share (+0.91% w/w and -0.51% m/m). More than 321k shares traded in the range of GBP 14.46 - 15.74/share. Average daily traded volume was 39k in the last 4 weeks. The volume of BGEO shares traded was at 0.65% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 6.16/share (+2.33% w/w and -0.81% m/m). More than 341k shares traded in the range of GBP 5.95 - 6.21/share. Average daily traded volume was 80k in the last 4 weeks. The volume of CGEO shares traded was at 0.71% of its capitalization.

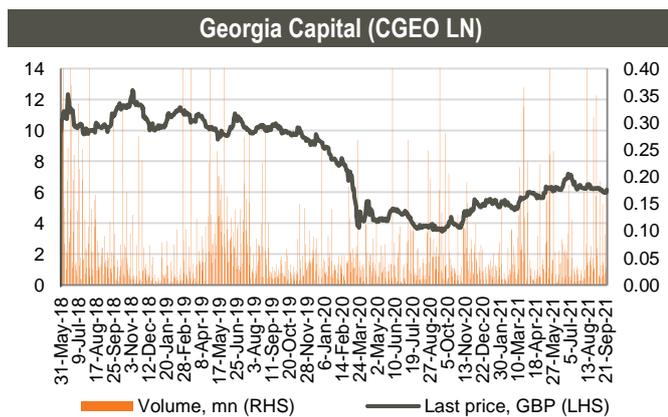
TBC Bank Group (TBCG LN) closed the week at GBP 13.74/share (-2.69% w/w and -2.55% m/m). More than 132k shares changed hands in the range of GBP 13.04 - 14.02/share. Average daily traded volume was 29k in the last 4 weeks. The volume of TBCG shares traded was at 0.24% of its capitalization.



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	15.54	764	38.8%	81.1%	27.4%	5.15x	4.96x	1.05x	0.96x
TBC	TBC	GBP	13.74	758	27.7%	39.5%	9.9%	4.79x	4.60x	0.91x	0.80x
Sberbank	SBER	USD	17.81	96,089	17.9%	51.8%	22.6%	6.35x	6.10x	1.21x	1.09x
Halyk Bank	HSBK	USD	16.90	4,966	16.6%	53.6%	45.1%	4.90x	4.69x	1.22x	1.12x
VTB Bank	VTBR	USD	1.35	8,761	40.9%	62.3%	41.6%	2.96x	2.99x	0.42x	0.39x
Akbank	AKBNK	TRY	5.14	26,728	4.7%	2.0%	-25.8%	3.09x	2.40x	0.37x	0.33x
Garanti	GARAN	TRY	8.82	37,044	22.5%	25.8%	-14.9%	3.42x	2.84x	0.50x	0.43x
Isbank	ISCTR	TRY	5.05	22,725	2.0%	-3.4%	-27.9%	2.63x	1.97x	0.30x	0.26x
PKO	PKO	PLN	42.68	53,350	31.0%	112.1%	48.6%	11.52x	10.81x	1.19x	1.14x
PEKAO	PEO	PLN	103.75	27,231	49.0%	113.3%	69.8%	14.24x	11.46x	1.03x	0.99x
Millennium	MIL	PLN	6.70	8,127	77.7%	153.0%	104.9%	9.59x	8.89x	1.12x	0.95x
Mbank	MBK	PLN	400.00	16,947	81.8%	130.5%	123.2%	13.46x	12.38x	1.02x	0.96x
BRD	BRD	RON	18.80	13,102	19.4%	46.9%	26.5%	11.44x	10.87x	1.52x	1.36x
Banca Transilvania	TLV	RON	2.67	15,291	23.4%	38.1%	30.3%	9.09x	8.47x	1.61x	1.49x
OTP	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	7.89x	7.55x	0.62x	0.56x
Komerčni	KOMB	CZK	863.50	164,108	27.9%	76.9%	31.4%	15.68x	13.54x	1.36x	1.36x
Mean								7.89x	7.16x	0.97x	0.89x
Median								7.12x	6.83x	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	6.16	295	10.0%	78.6%	14.1%	na	na	na	na
Tinc Comm	TINC	EUR	13.34	485	9.3%	0.7%	3.0%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.41	19,200	7.5%	19.7%	-17.9%	3.21x	2.71x	0.42x	0.34x
Deutsche Beteiligungs	DBAN	EUR	36.85	554	11.2%	26.7%	18.3%	4.01x	8.08x	1.08x	0.99x
Eurazeo	RF	EUR	82.55	6,523	25.2%	83.0%	48.7%	9.52x	12.19x	1.07x	0.97x
Carlyle Group	CG	USD	48.49	17,193	31.9%	105.7%	54.2%	15.05x	13.64x	5.49x	5.53x
Mean								7.95x	9.15x	2.01x	1.96x
Median								6.77x	10.13x	1.08x	0.98x

Source: Bloomberg, S&P Capital IQ



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