



Weekly Market Watch

Weekly Market Watch | Georgia
March 22, 2021

Economy

Exports increased by 2.9% y/y in February 2021

In February 2021, trade deficit narrowed by 21.2% y/y to US\$ 347.9mn as exports increased by 2.9% y/y to US\$ 270.3mn and imports fell by 12.2% y/y to US\$ 618.2mn.

In February 2021, copper (+12.5% y/y), ferro-alloys (+7.0% y/y), cars (-50.6% y/y), wine (+27.2% y/y) and fertilizers (+47.3% y/y) were the top 5 exported commodities. A 19.3% of exports were directed to the EU (+0.5% y/y), 49.5% to the CIS (+4.0% y/y) and 31.2% to other countries (+2.8% y/y).

Cars (+5.4% y/y), copper (-8.8% y/y), petroleum (-13.5% y/y), gases (-8.4% y/y) and pharmaceuticals (-21.2% y/y), represented the top 5 imported commodities in February 2021.

Overall, in 2M21, trade deficit was down 18.8% y/y to US\$ 665mn as exports reduced by 6.8% y/y to US\$ 495mn and imports decreased by 14.1% y/y to US\$ 1.2bn.

Money transfers up 17.5% y/y in February 2021

In February 2021, money transfers increased by 17.5% y/y to US\$ 161.4mn, after growing 19.2% y/y in previous month, according to NBG. From major remitting countries, money transfers increased strongly from Italy (+31.8% y/y, 17.7% of total), Greece (+19.9% y/y, 12.2% of total) and USA (+32.9% y/y, 11.9% of total). Meanwhile, remittances declined from Russia (-12.4% y/y, 15.6% of total). Overall, in 2M21 money transfers were up 18.3% y/y to US\$ 331.1mn.

Producer price index up 16.9% y/y in February 2021

Annual PPI for industrial goods was up 16.9% in February 2021 from 15.6% in previous month, according to Geostat. Price changes in manufacturing (+16.2% y/y) and electricity, gas, steam and air conditioning (+22.3% y/y) contributed the most to the overall index change.

NBG increased its policy rate by 0.5ppts to 8.5%

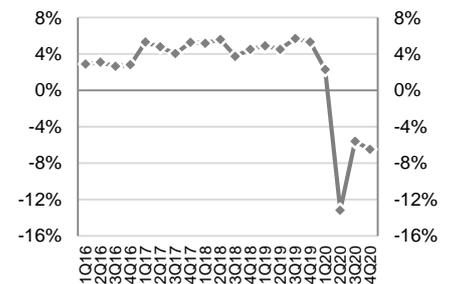
At its meeting on 17 March 2021, NBG's monetary policy committee decided to increase its policy rate by 0.5ppts to 8.5%, citing increased inflation risks stemming from price increases in international commodity markets, higher production costs due to pandemic and persistence of depreciated exchange rate. However, it highlighted that there is no apparent need to further tighten the monetary policy during the year. Annual inflation stood at 3.6% in February. The reduction of inflation since last December is related to government subsidy program of utility bills, contributing to temporary low inflation. The NBG cited that it expects the inflation rate to increase following the completion of the government subsidy program from March 2021. NBG forecasts annual inflation to remain at an average 4-4.5% in 2021 and then gradually approach the 3.0% target. Among other factors pressuring the inflation upward, the regulator named inflation remaining above the target for a prolonged period, intensifying the risks for increased inflation expectations that could possibly be translated into the increased inflation in the future. The next committee meeting is scheduled for 28 April 2021.

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

Source: Official data, Galt & Taggart

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

- 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 Aug-2020	 BB Negative Affirmed Feb-2021
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Source: Rating agencies



Money market

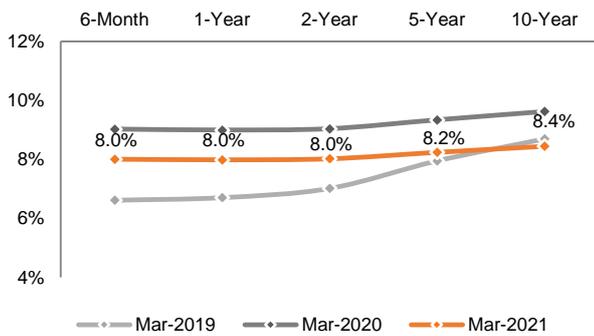
There were no treasury securities auction last week. The nearest treasury security auction is scheduled for March 23, 2021, where GEL 35.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	30	135	100
1-year	30	135	610
2-year	40	180	1,230
5-year	70	350	2,298
10-year	25	75	1,262
Total	195	875	5,500

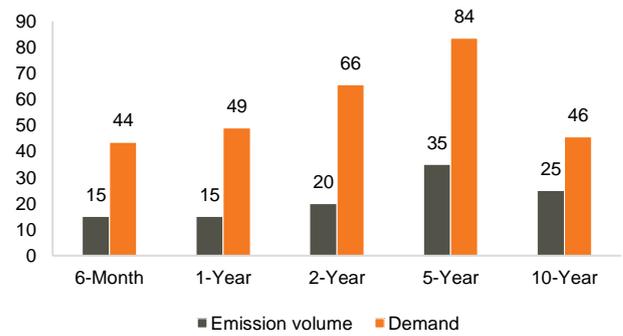
Source: MoF
Note: * As of 31 January 2021

T-bills / T-notes, yield curve



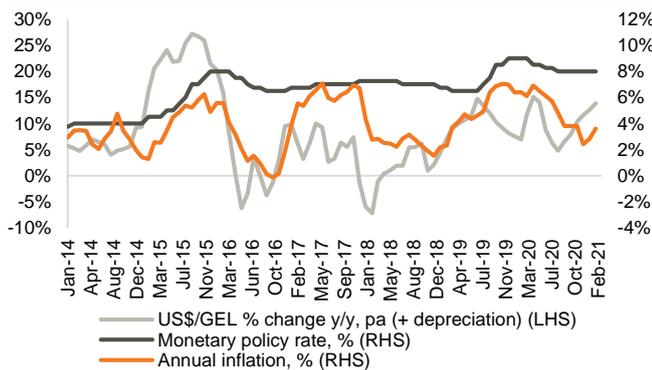
Source: NBG

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



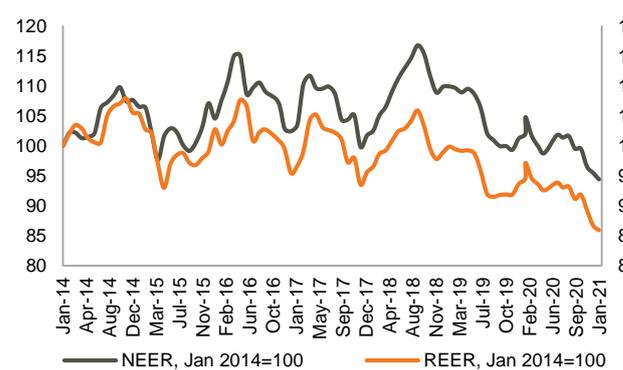
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal effective exchange rate and Real effective exchange rate



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



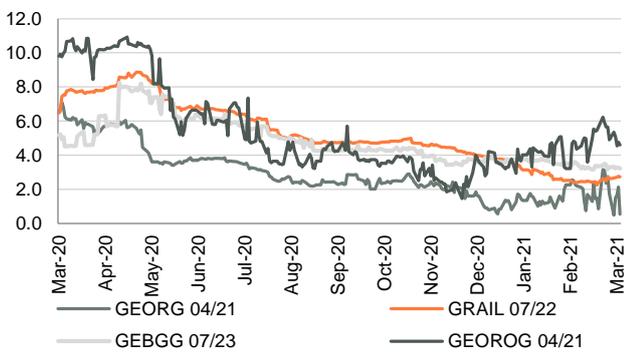
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.23% yield, trading at 106.20 (+0.10% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.46 (-0.39% w/w), yielding 5.58%.

GOGC Eurobonds (GEOROG) were trading at 100.18 (-0.01% w/w), yielding 4.61%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.36 (-0.23% w/w), yielding 2.73%.

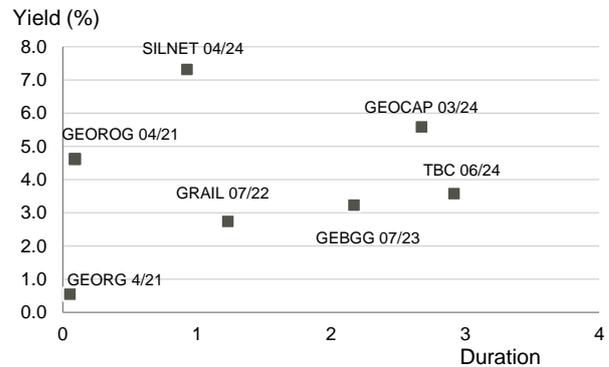
Georgian Sovereign Eurobonds (GEORG) closed at 100.33 (-0.03% w/w) at 0.55% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Note: For Silknet duration calculation call date is taken as maturity.

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
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	100.33	0.55	35.10
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	106.36	2.73	252.76
GEOROG 04/21	US\$	250	6.750%	Apr-21	WD/BB-/-	100.18	4.61	445.85
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/-/Ba2	106.20	3.23	291.37
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	108.22	9.28	771.53
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	101.46	5.58	516.26
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	109.84	7.31	601.90
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/-/Ba2	106.61	3.57	308.31
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	106.58	9.62	803.10
GGU 07/25	US\$	250	7.750%	Jul-25	B+/-/-	104.51	6.54	572.77

Georgian local bonds performance

KTW 12/22	US\$	10	9.00%	Dec-22	-/-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-/-	100.00	7.50	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-/-	100.43	7.20	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-/-	100.00	7.50	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	10	14.25%	Sep-21	B-/-/-	100.00	14.25	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	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	US\$	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-/-/-/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/-/BB	n/a	n/a	n/a

Source: Bloomberg



Fixed income, continued

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	100.33	0.55	35.10
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.44	1.81	162.92
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	102.97	5.24	498.57
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.88	1.04	46.45
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.42	1.02	68.07
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	102.04	3.03	285.15

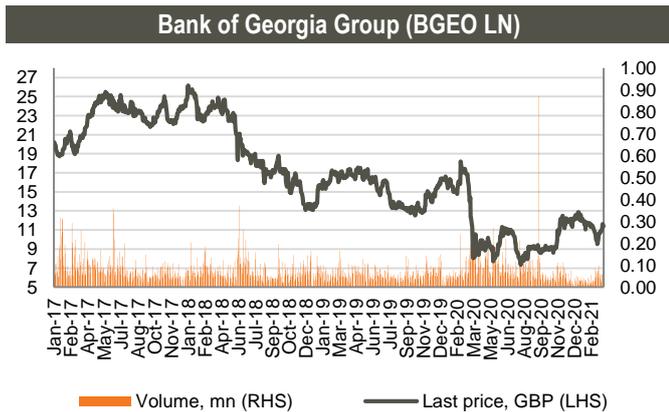
Source: Bloomberg

Equities

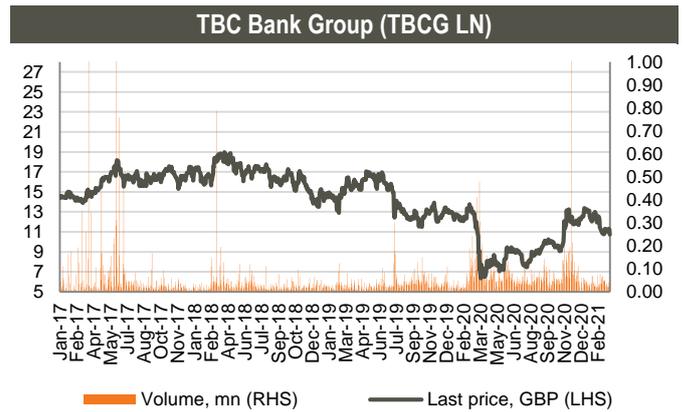
Bank of Georgia Group (B GEO LN) shares closed at GBP 11.40/share (+5.17% w/w and +2.33% m/m). More than 243k shares traded in the range of GBP 10.80 - 11.86/share. Average daily traded volume was 55k in the last 4 weeks. The volume of B GEO shares traded was at 0.50% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.55/share (+4.72% w/w and +7.77% m/m). More than 566k shares traded in the range of GBP 5.34 - 5.70/share. Average daily traded volume was 67k in the last 4 weeks. The volume of CGEO shares traded was at 1.54% of its capitalization.

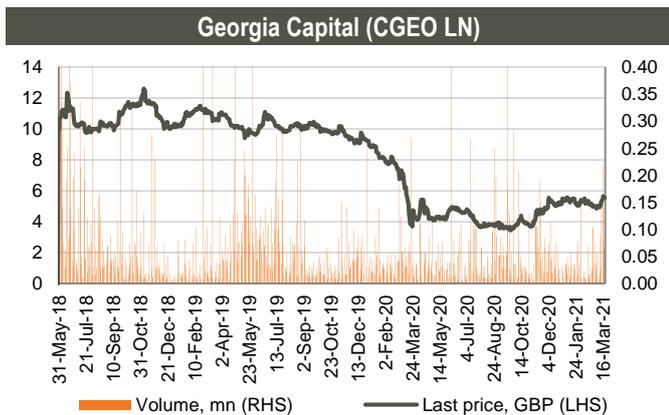
TBC Bank Group (TBCG LN) closed the week at GBP 10.74/share (-4.11% w/w and -6.28% m/m). More than 252k shares changed hands in the range of GBP 10.74 - 11.38/share. Average daily traded volume was 45k in the last 4 weeks. The volume of TBCG shares traded was at 0.46% of its capitalization.



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	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	11.40	561	28.8%	42.1%	-6.6%	7.86x	4.39x	0.95x	0.78x
TBC	TBC	GBP	10.74	591	5.9%	48.1%	-14.1%	6.07x	4.35x	0.85x	0.73x
Halyk Bank	HSBK	US\$	14.35	4,217	26.4%	97.1%	23.2%	5.76x	4.53x	1.17x	1.08x
VTB Bank	VTBR	US\$	0.96	6,218	8.8%	27.7%	0.5%	6.43x	2.83x	0.33x	0.31x
Akbank	AKBNK	TRY	5.92	30,784	21.6%	4.2%	-14.6%	7.20x	5.10x	0.71x	0.59x
Garanti	GARAN	TRY	8.86	37,212	33.0%	16.9%	-14.6%	7.75x	5.25x	0.83x	0.69x
Isbank	ISCTR	TRY	5.73	25,785	15.3%	17.4%	-18.1%	5.38x	4.25x	0.54x	0.47x
PKO	PKO	PLN	31.05	38,813	45.0%	41.8%	8.1%	13.35x	11.73x	0.85x	0.84x
PEKAO	PEO	PLN	70.08	18,394	38.7%	32.2%	14.7%	15.09x	11.53x	0.72x	0.71x
Millennium	MIL	PLN	3.76	4,561	32.9%	-3.1%	15.0%	63.62x	18.68x	0.49x	0.49x
Mbank	MBK	PLN	226.40	9,585	24.0%	-6.2%	26.3%	38.18x	18.87x	0.55x	0.57x
BRD	BRD	RON	15.50	10,802	20.5%	34.3%	4.3%	13.06x	10.53x	1.16x	1.39x
Banca Transilvania	TLV	RON	2.39	12,440	6.6%	50.1%	6.0%	12.49x	7.50x	1.45x	1.23x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.52x	10.49x	0.70x	0.66x
Komercni	KOMB	CZK	675.00	128,283	36.5%	45.2%	2.7%	15.19x	13.53x	1.07x	1.04x
Mean								15.33x	8.90x	0.82x	0.77x
Median								12.49x	7.50x	0.83x	0.71x

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	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	5.55	204	52.9%	44.0%	2.8%	na	na	na	na
Tinc Comm	TINC	EUR	12.30	335	-7.5%	6.0%	-5.0%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.99	20,384	28.6%	31.4%	-12.8%	5.94x	4.81x	0.78x	0.65x
Deutsche Beteiligungs	DBAN	EUR	34.95	526	10.1%	45.6%	5.6%	na	11.67x	1.15x	1.16x
Eurazeo	RF	EUR	65.90	5,191	39.2%	59.0%	18.7%	29.64x	6.31x	0.89x	0.72x
Carlyle Group	CG	USD	36.43	4,032	47.3%	82.3%	15.9%	6.13x	5.04x	6.02x	4.57x
Mean								13.90x	6.96x	2.21x	1.77x
Median								6.13x	5.68x	1.02x	0.94x

Source: Bloomberg, S&P Capital IQ

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