



Weekly Market Watch

Weekly Market Watch | Georgia
Mar 26, 2018

Economy

Real GDP revised up 5.0% y/y in 2017

GDP growth in Georgia came in at 5.0% in 2017 revised up from 4.8% rapid estimate figure, according to GeoStat. Fastest growing sectors in 2017 were: construction (+11.2% y/y), hotels and restaurants (+11.2% y/y), financial intermediation (+9.2% y/y), and mining and quarrying (+7.1% y/y), while real growth was down in agriculture (-2.7% y/y).

Exports up 25.0% y/y in February 2018

In February 2018, exports increased 25.0% y/y to US\$ 223.7mn, imports were up 8.7% y/y to US\$ 640.0mn and the trade deficit widened 1.5% y/y to US\$ 416.4mn, according to GeoStat.

In February 2018, copper (+62.3% y/y), cars (+162.1% y/y), ferro-alloys (-25.4% y/y), wine (+30.8% y/y) and fertilizers (+283.7% y/y) were the top 5 exported commodities. A 30.5% of exports was directed to the EU (+40.3% y/y), 42.1% were directed to the CIS (+46.9% y/y) and 27.4% to other countries (-7.4% y/y).

Petroleum (+10.6% y/y), gases (-5.3% y/y), copper (-4.4% y/y), cars (+9.1% y/y) and pharmaceuticals (-14.2% y/y) represented the top 5 imported commodities in February 2018.

Producer price index down 0.9% m/m and up 6.0% y/y in February 2018

PPI for industrial goods was down 0.9% m/m in February 2018, according to GeoStat. A 1.0% price decrease for manufacturing contributed the most to the overall index change. Annual PPI was up 6.0% in February 2018. Rising prices in manufacturing (+5.1% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+11.6% y/y).

Fitch revises Georgia's Outlook to positive

On 16 March 2018, Fitch affirmed Georgia's sovereign credit rating at BB- and revised the Outlook to positive from stable. The upgrade in outlook reflects the key rating drivers including a stable macroeconomic environment, improvement in current account deficit and favourable governance and business environment indicators.

EU plans to invest EUR 4.1bn in Georgia

On 21 March 2018, EU held a regional launch event in Tbilisi as part of implementation of External Investment Plan (EIP). Under this instrument EU will invest EUR 4.1bn (GEL 12bn) over 2018-2020 in Georgia. At initial stage, funding will be directed in sustainable energy and connectivity, MSMEs, agriculture, sustainable cities and digitalization.

Key macro indicators

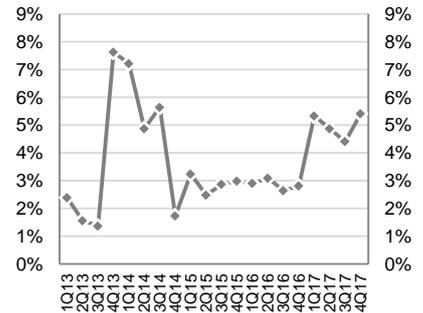
	2M18	2017	2016
GDP (% change)	4.4% ⁽²⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.7%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	7.1% ⁽¹⁾	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.6%

Source: Official data, IMF

(1) As of 9M17

(2) As of 1M17

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

- Ease of Doing Business # 9 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 67

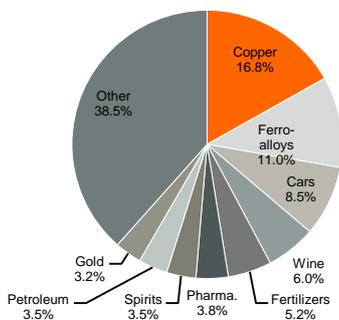
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2017	 Ba2 Stable Upgraded Sep-2017	 BB- Positive Affirmed Mar-2018
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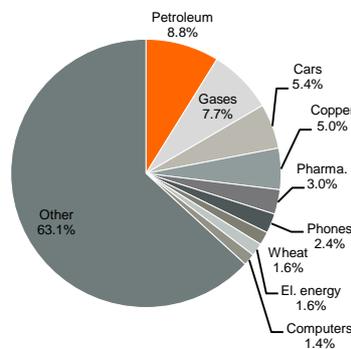
Source: Rating agencies

Exports by commodities, 2M18



Source: Geostat

Imports by commodities, 2M18





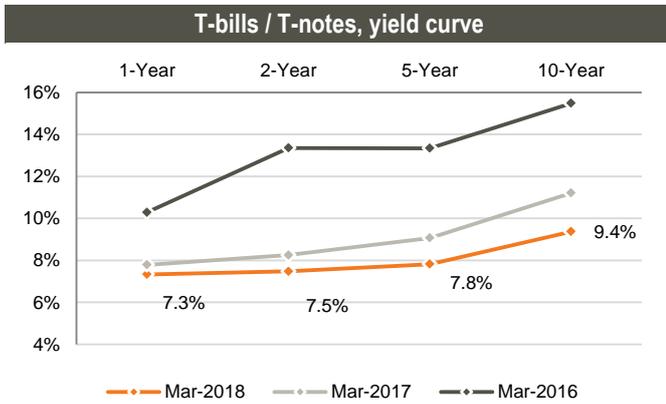
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 800mn (US\$ 328.9mn).

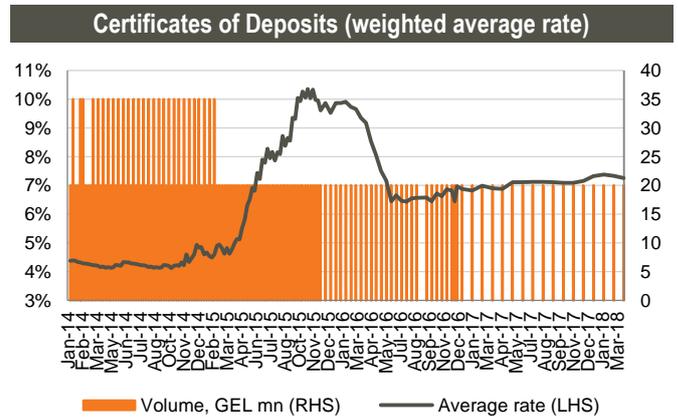
Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.2mn) certificates of deposit, with an average yield of 7.26% (down 0.08ppts from previous issue).

Ministry of Finance Treasury Notes:

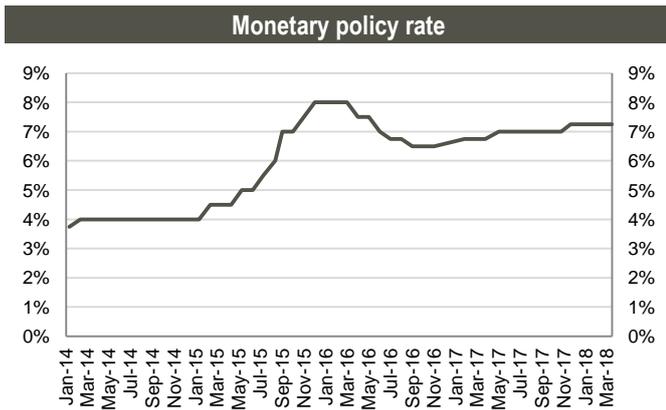
5-year GEL 30.0mn (US\$ 12.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on March 21, 2018. The weighted average yield was fixed at 7.814%.



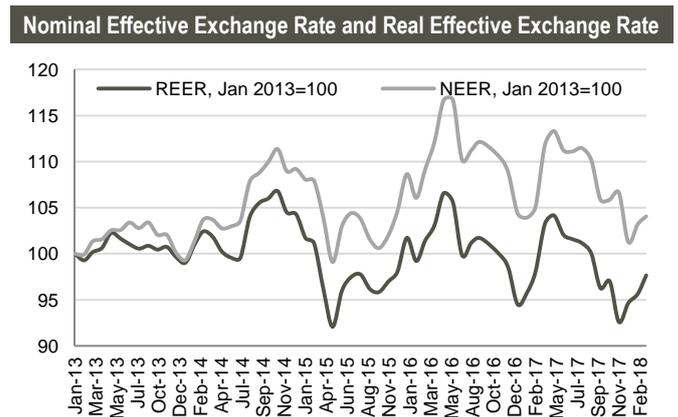
Source: NBG



Source: NBG



Source: NBG



Source: NBG

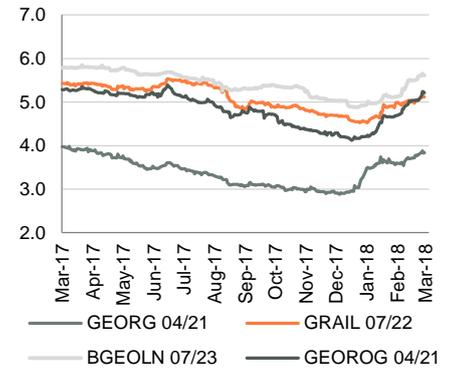
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

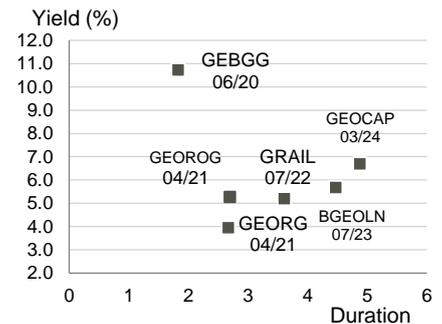
Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.7% yield, trading at 101.5 (-0.3% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 97.3 (-0.7% w/w), yielding 6.7%.

GOGC Eurobonds (GEOROG) were trading at 104.2 (-0.7% w/w), yielding 5.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 119.7 (-0.5% w/w), yielding 5.2%.

Georgian Sovereign Eurobonds (GEORG) closed at 108.3 (-0.6% w/w) at 3.9% yield to maturity.

Georgia Eurobonds, YTM (%)


Source: Bloomberg

Georgian Eurobond universe


Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/ Moody's	BB-/-/-	-/-/-	-/-/-	n/a	-/-/B2e	B-/-/Ba2	BB-/B+/-	BB-/-/B1	BB-/BB- /Ba2	B+/B+/-
Mid price, US\$	n/a	103.0	101.3	101.13	97.3	100.5	104.2	101.5	108.3	109.7
Mid yield, %	n/a	5.5%	3.8%	6.50%	6.7	10.7	5.3	5.7	3.9	5.2
Z-spread, bps	n/a	n/a	n/a	n/a	389.9	346.1	257.0	288.7	124.6	243.5

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

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	108.3	3.9	124.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	99.5	4.9	205.6
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	116.2	0.1	-23.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.0	1.2	91.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	109.0	3.2	50.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	111.3	3.6	85.6
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	103.5	3.3	66.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba2	103.7	4.3	159.9

Source: Bloomberg

Equities

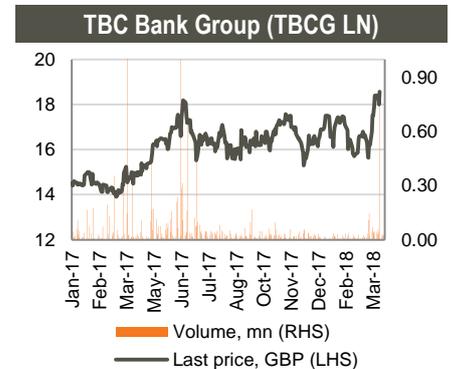
BGEO Group (BGEO LN) shares closed at GBP 35.48/share (+0.62% w/w and +7.13% m/m). More than 297k shares traded in the range of GBP 34.96 – 36.52/share. Average daily traded volume was 94k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 2.45% w/w and lost 2.43% m/m. The volume of BGEO shares traded was at 0.76% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 18.50 (-0.32% w/w and +11.04% m/m). More than 212k shares changed hands in the range of GBP 17.90 – 19.30 share. Averaged daily traded volume was 86k in the last 4 weeks.

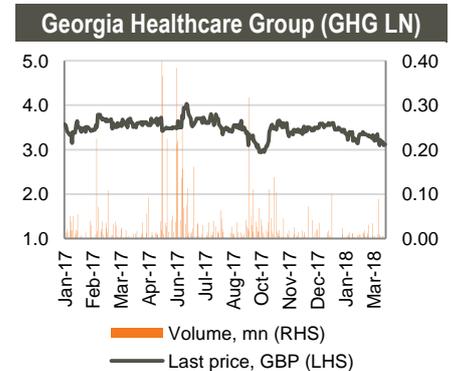
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.12/share (-3.11% w/w and -7.00% m/m). More than 14k shares were traded in the range of GBP 3.10 – 3.30/share. Average daily traded volume was 12k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.



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	BGEO	35.48*	1,977	7.1%	0.9%	7.8%	-0.3%	14.9%
TBC	TBC	18.5*	1,402	11.0%	9.5%	12.9%	5.7%	25.4%
Halyk Bank	HSBK	14.40	3,958	-0.3%	49.2%	56.5%	45.7%	98.9%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-47.3%
VTB Bank	VTBR	2.03	13,142	1.4%	14.4%	-4.7%	10.8%	-10.2%
Vozrozhdenie Bank	VZRZ	7.23	172	-17.5%	-17.6%	-27.0%	-16.9%	-44.1%
Sberbank	SBER	19.00	102,538	-6.4%	14.6%	36.6%	12.2%	62.8%

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	GHG	3.12*	581	-7.0%	-13.1%	-2.5%	-12.1%	-15.2%
Mouwasat	MOUWASAT	46.91	2,345	-1.9%	13.3%	8.6%	16.2%	25.8%
Fortis	FORH	2.21	1,145	-10.4%	-0.8%	-4.6%	-12.1%	-18.2%
Raffles	RFMD	0.87	1,538	4.2%	5.1%	5.7%	3.6%	-13.5%
IHH	IHH	1.54	12,694	-0.4%	8.2%	11.5%	6.8%	13.9%
Bangkok Chain	BCH	0.54	1,343	3.8%	10.2%	18.7%	8.3%	41.1%
Netcare	NTC	2.18	3,204	-1.9%	15.0%	23.5%	7.3%	-11.1%

Source: Bloomberg

*GHG share price traded and shown in GBP



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