



Weekly Market Watch

Weekly Market Watch | Georgia
Apr 2, 2018

Economy

Real GDP growth was 5.5% y/y in February 2018

Georgia's economy expanded 5.5% y/y in February 2018 after growing 4.4% y/y in previous month, according to GeoStat's rapid estimates. In February 2018, the growth was recorded in manufacturing, real estate and trade sectors. Overall real GDP growth was 4.9% y/y in 2M18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

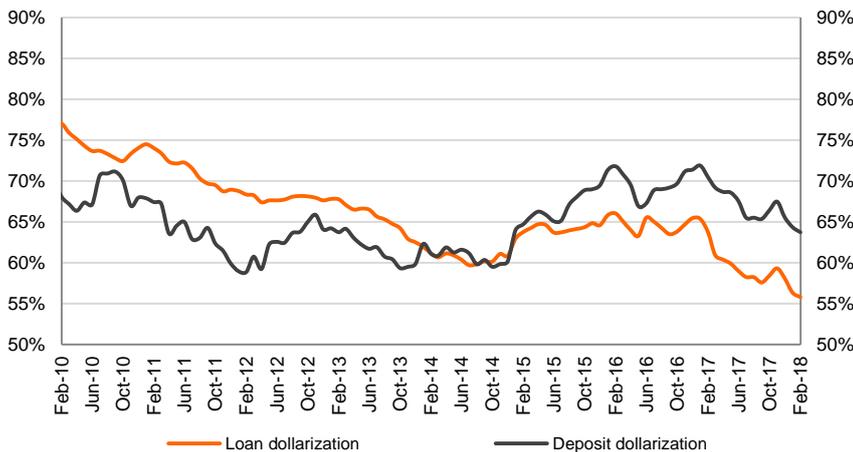
Current account deficit shrank to 8.7% of GDP in 2017

CA deficit narrowed to 8.7% of GDP in 2017 from 12.8% in 2016, decreasing 28.8% y/y to US\$ 1.3bn, according to NBG. Merchandize trade deficit, traditionally the major contributor to deficit creation, decreased 0.7% y/y to US\$ 3.8bn, as exports increased 23.9% y/y, while imports were up 9.9% y/y. Positive balance in services was up 27.7% y/y to US\$ 2.1bn (13.6% of GDP), driven by strong tourism inflows (up 27.0% y/y). Surplus in current transfers amounted to US\$ 1.3bn (8.4% of GDP, up 13.3% y/y). Together, services and transfers financed 87% of the trade deficit. Net FDI, remains major source of CA deficit funding, and was up 33.3% y/y to US\$ 1.6bn (10.5% of GDP).

NPLs at 2.8% in February 2018

In February 2018, the banking sector loan portfolio increased 20.0% y/y after growing 19.6% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 17.2% y/y and up 0.2% m/m to GEL 21.9bn (US\$ 8.8bn). Deposits were up 19.0% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 15.9% y/y and flat m/m to GEL 19.2bn (US\$ 7.7bn). Deposit dollarization declined to 63.7% (-6.7ppts y/y and -0.6ppts m/m). NPLs stood at 2.8% in February 2018 (-1.0ppts y/y and -0.1ppts m/m).

Loan and Deposit dollarization



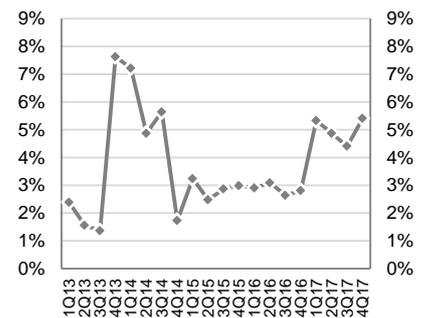
Source: NBG

Key macro indicators

	2M18	2017	2016
GDP (% change)	4.9%	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)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.1%	44.4%

Source: Official data, IMF

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

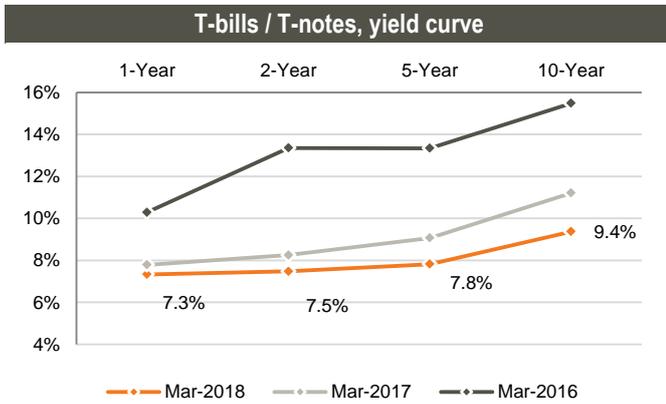


Money market

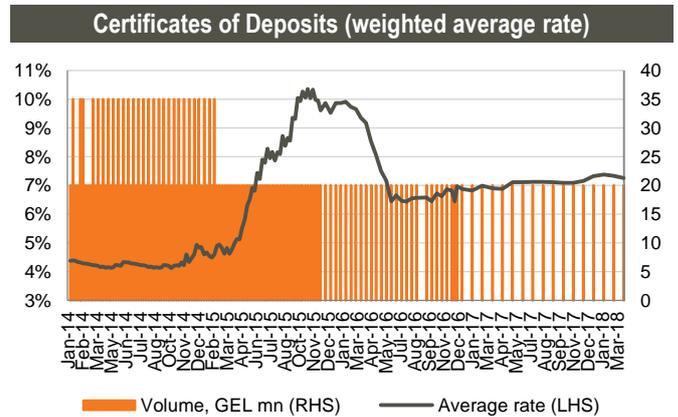
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 820mn (US\$ 337.8mn).

Ministry of Finance Treasury Notes:

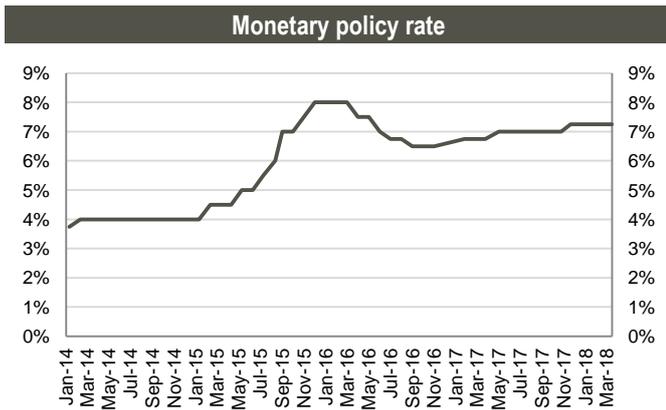
The nearest treasury security auction is scheduled for April 4, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.



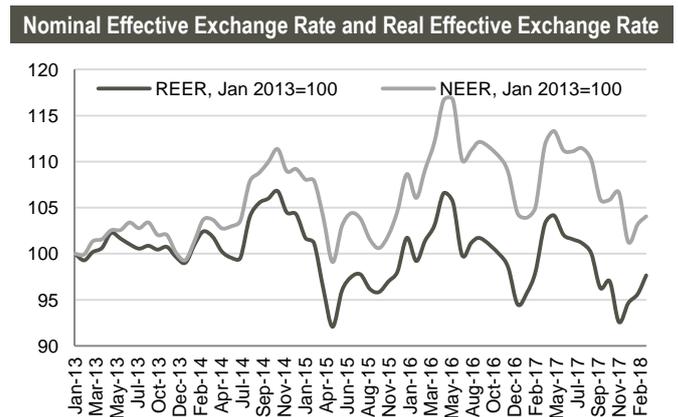
Source: NBG



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Source: NBG

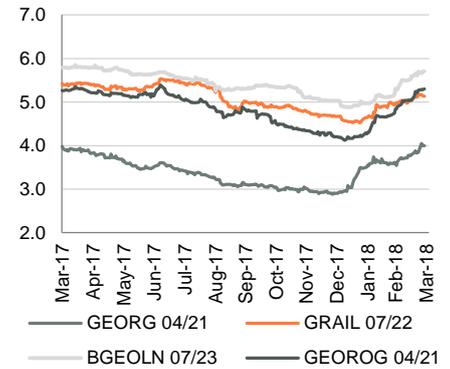
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

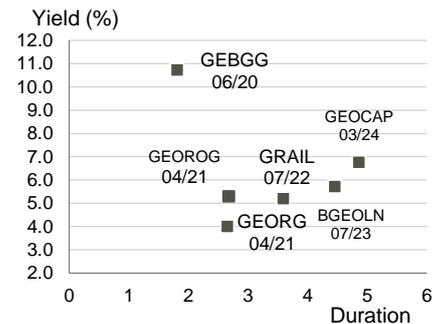
Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.7% yield, trading at 101.3 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 97.0 (-0.3% w/w), yielding 6.7%.

GOGC Eurobonds (GEOROG) were trading at 104.0 (-0.2% w/w), yielding 5.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.7 (unchanged w/w), yielding 5.2%.

Georgian Sovereign Eurobonds (GEORG) closed at 108.1 (-0.2% w/w) at 4.0% 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	97.0	100.5	104.0	101.3	108.1	109.7
Mid yield, %	n/a	5.5%	3.8%	6.50%	6.7	10.7	5.3	5.7	4.0	5.2
Z-spread, bps	n/a	n/a	n/a	n/a	403.6	346.1	264.7	300.3	134.4	250.5

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	108.1	4.0	134.4
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	100.8	4.6	187.6
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	116.2	0.1	-25.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.2	1.1	89.4
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	109.0	3.2	55.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	111.3	3.6	91.5
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	103.4	3.3	72.2
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba2	103.6	4.3	167.4

Source: Bloomberg

Equities

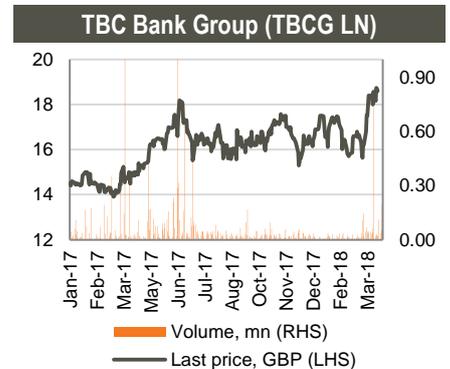
BGEO Group (BGEO LN) shares closed at GBP 35.56/share (+0.23% w/w and +4.90% m/m). More than 269k shares traded in the range of GBP 35.00 – 35.88/share. Average daily traded volume was 75k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.73% w/w and lost 1.15% m/m. The volume of BGEO shares traded was at 0.68% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 18.40 (-0.54% w/w and +17.65% m/m). More than 310k shares changed hands in the range of GBP 18.32 – 19.00 share. Averaged daily traded volume was 90k in the last 4 weeks.

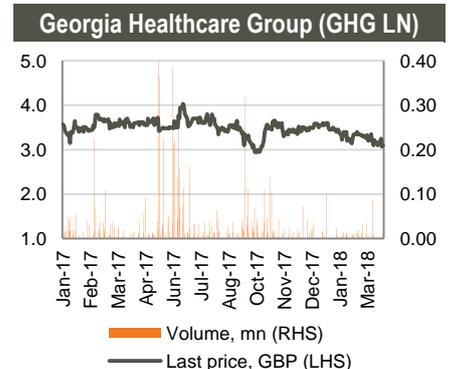
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.09/share (-0.96% w/w and -6.36% m/m). More than 19k shares were traded in the range of GBP 3.00 – 3.25/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.



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	35.56*	1,963	3.8%	0.0%	9.1%	0.0%	10.8%
TBC	TBC	18.4*	1,381	13.6%	5.1%	10.8%	5.1%	27.0%
Halyk Bank	HSBK	13.80	3,793	-3.2%	39.7%	51.0%	39.7%	91.4%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-44.3%
VTB Bank	VTBR	1.96	12,688	-5.0%	7.0%	-8.9%	7.0%	-15.6%
Vozrozhdenie Bank	VZRZ	7.38	175	-12.4%	-15.2%	-24.1%	-15.2%	-44.0%
Sberbank	SBER	18.63	100,541	-6.5%	10.0%	30.9%	10.0%	57.7%

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	3.09*	570	-6.4%	-13.0%	4.7%	-13.0%	-11.7%
Mouwasat	MOUWASAT	46.99	2,350	0.7%	16.1%	11.0%	16.4%	23.7%
Fortis	FORH	1.89	982	-23.3%	-24.6%	-14.1%	-24.6%	-32.0%
Raffles	RFMD	0.88	1,554	2.5%	4.7%	5.8%	4.7%	-13.2%
IHH	IHH	1.57	12,900	0.9%	8.5%	15.0%	8.5%	15.3%
Bangkok Chain	BCH	0.55	1,367	5.1%	10.2%	20.1%	10.2%	44.0%
Netcare	NTC	2.36	3,473	11.6%	16.4%	34.4%	16.4%	11.5%

Source: Bloomberg

*GHG share price traded and shown in GBP



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