



Weekly Market Watch

Weekly Market Watch | Georgia
Mar 19, 2018

Economy

Record high FDI in 2017

FDI increased 16.2% y/y reaching record high US\$ 1.9bn in 2017, according to GeoStat's preliminary figures. The transport and communication sector was the largest FDI recipient at US\$ 527.1mn (-22.2% y/y, 28.3% of total), followed by financial sector at US\$ 304.3mn (+97.7% y/y, 16.3% of total) and construction at US\$ 294.6mn (+114.0% y/y, 15.8% of total). Azerbaijan topped the list of investors with US\$ 482.1mn (-13.6% y/y), followed by Turkey at US\$ 279.0mn (+36.0% y/y), and United Kingdom at US\$ 250.4mn (+109.3% y/y).

Exports up 25.0% y/y in February 2018

In February 2017, 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\$ 416.3mn according to GeoStat's preliminary figures. In 2M18, trade deficit was up 7.4% to US\$ 790.7mn as exports increased 25.5% y/y to US\$ 446.4mn, while imports were up 13.3% y/y to US\$ 1.2bn. Detailed foreign trade statistics will be available on March 19, 2018.

Money transfers up 21.0% y/y in February 2018

In February 2018, money transfers increased 21.0% y/y to US\$ 113.9mn after growing 31.1% y/y in previous month, according to NBG. Money transfers were up from almost all major remitting countries: Russia (+10.1% y/y, 29.3% of total), Italy (+42.1% y/y, 12.4% of total), Greece (+32.5% y/y, 11.7% of total), Israel (+56.1% y/y, 10.4% of total) and Turkey (+30.7% y/y, 8.7% of total). Meanwhile remittances were down from USA (-19.1% y/y, 7.2% of total). In 2M18 money transfers were up 25.8% y/y to US\$ 223.9mn.

NBG keeps monetary policy rate unchanged at 7.25%

At its meeting on 14 March 2018, NBG's monetary policy committee decided to keep its policy rate unchanged at 7.25%. According to NBG, inflation started decreasing since the beginning of 2018, reaching 2.7% in February as one-off factors affecting price growth in 2017 faded. NBG, however deemed appropriate to maintain the moderately tight monetary policy as inflation is still under pressure from the NEER, despite its recent appreciation. The gradual easing of the policy will be considered once the factors pushing inflation upwards are sufficiently weakened. According to the current NBG's forecast, the inflation will remain close to its target level of 3% throughout 2018. The next committee meeting is scheduled for 2 May 2018.

Key macro indicators

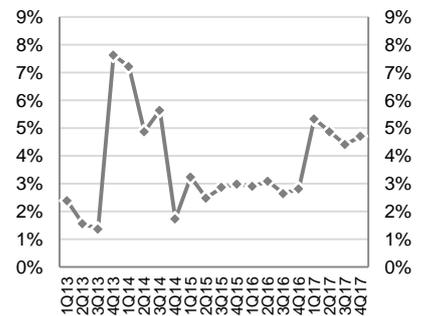
	2M18	2017	2016
GDP (% change)	4.4% ⁽²⁾	4.8%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.7%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	7.1% ⁽¹⁾	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.6%

Source: Official data, IMF

(1) As of 9M17

(2) As of 1M17

Real GDP growth, %



Source: GeoStat

Note: Rapid estimate for 4Q17

International ranking, 2017-18

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

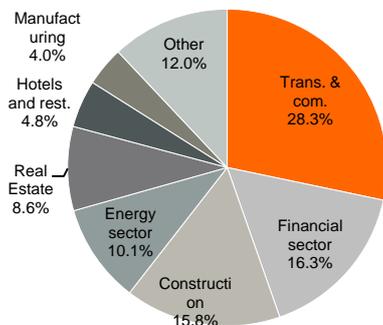
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings



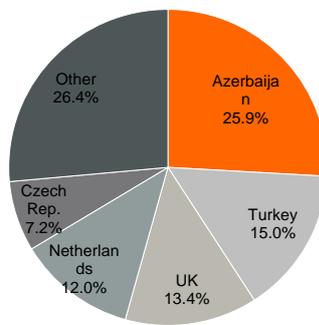
Source: Rating agencies

FDI by sectors, 2017



Source: Geostat

FDI by countries, 2017



Money market

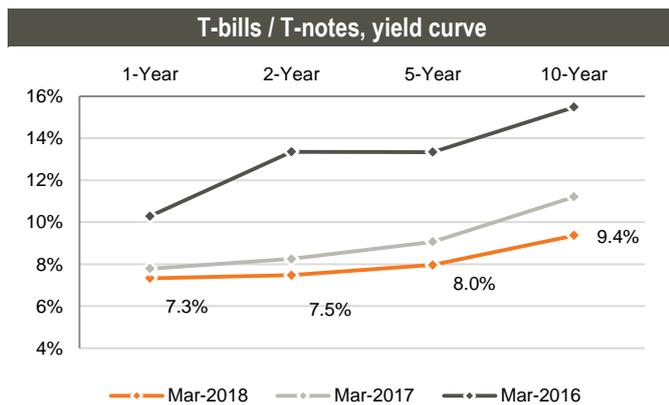
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 920mn (US\$ 377.1mn).

Ministry of Finance Treasury Notes:

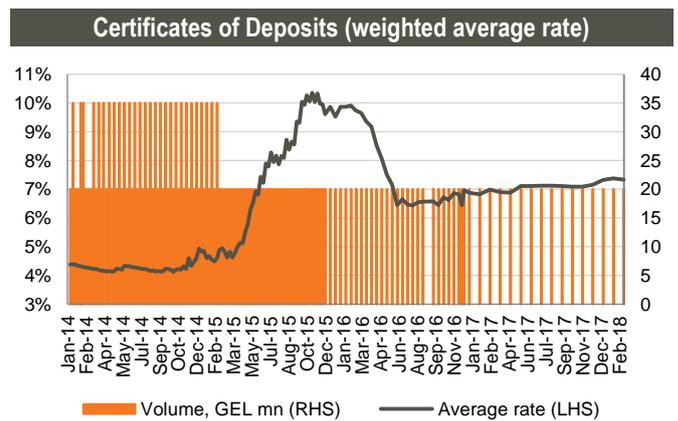
2-year GEL 40.0mn (US\$ 16.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on March 14, 2018. The weighted average yield was fixed at 7.474%. The nearest treasury security auction is scheduled for March 21, 2018, where GEL 30.0mn nominal value 5-year T-Notes will be sold.

Ministry of Finance Treasury Bills:

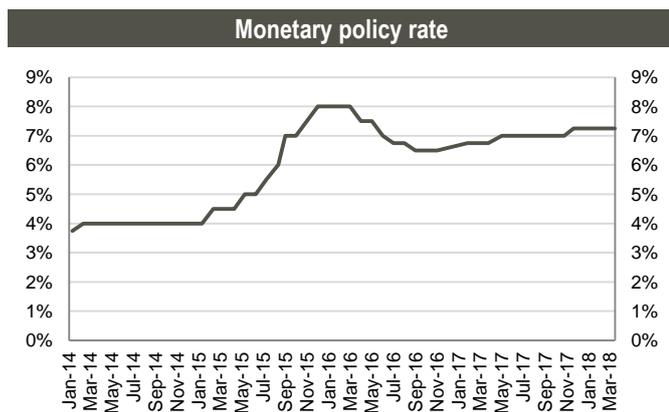
182-days GEL 20.0mn (US\$ 8.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on March 14, 2018. The weighted average yield was fixed at 7.286%.



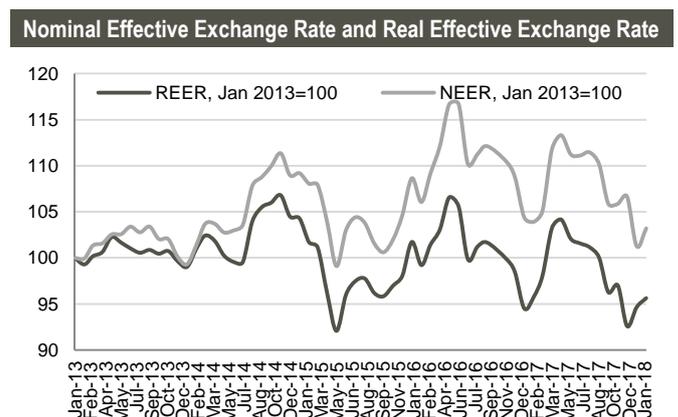
Source: NBG



Source: NBG



Source: NBG



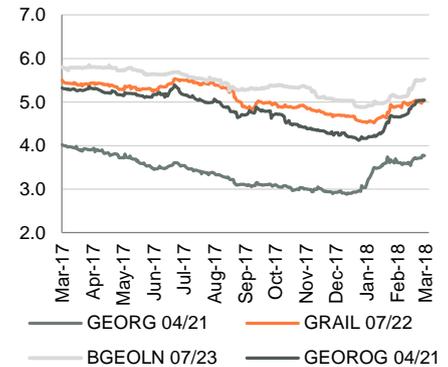
Source: NBG

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

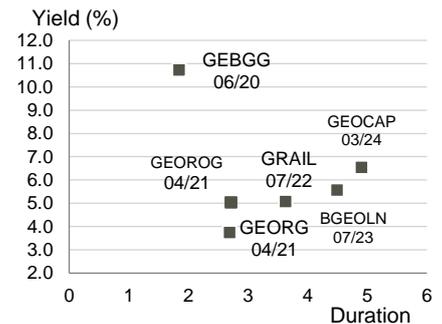
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.6% yield, trading at 101.8 (-0.5% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. GOGC Eurobonds (GEOROG) were trading at 104.9 (+0.2% w/w), yielding 5.0%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.2 (unchanged w/w), yielding 5.1%.

Georgian Sovereign Eurobonds (GEORG) closed at 108.9 (-0.2% w/w) at 3.8% 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	98.0	100.5	104.9	101.8	108.9	110.2	
Mid yield, %	n/a	5.5%	3.8%	6.50%	6.5	10.7	5.0	5.6	3.8	5.1	
Z-spread, bps	n/a	n/a	n/a	n/a	371.0	346.1	232.3	280.2	105.5	230.7	

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	108.9	3.8	105.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	101.2	4.5	171.2
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	116.3	0.1	-26.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.1	1.1	89.7
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	109.1	3.2	47.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	111.5	3.6	79.9
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	103.6	3.2	58.8
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba2	103.9	4.2	152.7

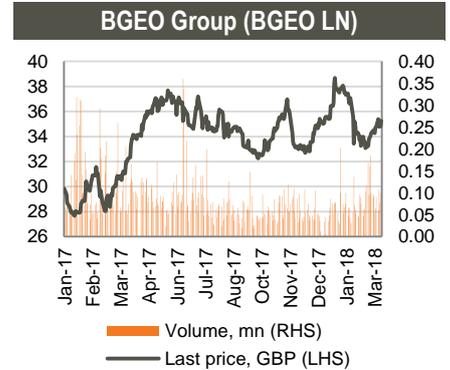
Source: Bloomberg

Equities

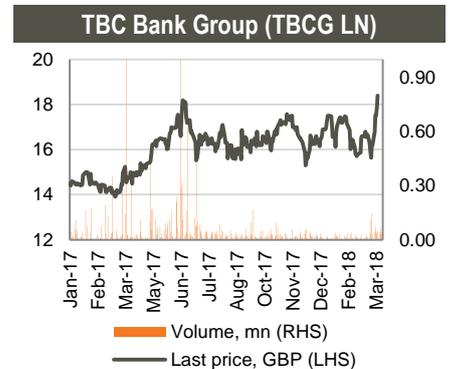
BGEO Group (BGEO LN) shares closed at GBP 35.26/share (+1.32% w/w and +6.01% m/m). More than 474k shares traded in the range of GBP 34.50 – 35.54/share. Average daily traded volume was 98k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.39% w/w and gained 0.36% m/m. The volume of BGEO shares traded was at 1.21% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 18.56 (+0.87% w/w and +11.81% m/m). More than 965k shares changed hands in the range of GBP 17.70 – 18.68 share. Averaged daily traded volume was 79k in the last 4 weeks.

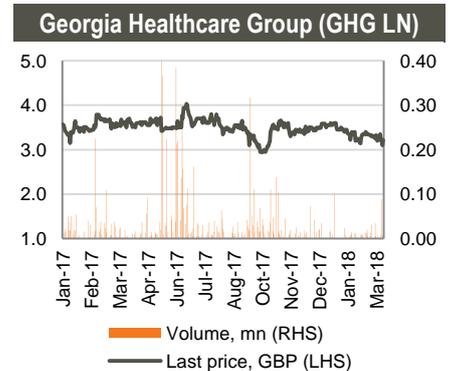
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.22/share (-1.38% w/w and -3.88% m/m). More than 114k shares were traded in the range of GBP 3.00 – 3.35/share. Average daily traded volume was 14k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.



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	35.26*	1,935	6.0%	1.1%	6.9%	-0.9%	14.3%
TBC	TBC	18.56*	1,385	11.8%	13.0%	13.7%	6.1%	28.5%
Halyk Bank	HSBK	14.10	3,876	8.5%	45.8%	48.7%	42.7%	92.1%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-52.6%
VTB Bank	VTBR	2.02	13,116	10.3%	14.9%	-7.2%	10.6%	-8.2%
Vozrozhdenie Bank	VZRZ	7.72	183	-8.8%	-21.4%	-24.5%	-11.3%	-39.7%
Sberbank	SBER	18.24	98,409	-9.1%	9.1%	32.1%	7.7%	62.2%

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	3.22*	591	-3.9%	-8.0%	-3.9%	-9.3%	-10.7%
Mouwasat	MOUWASAT	46.65	2,333	-2.5%	13.3%	8.8%	15.6%	23.9%
Fortis	FORH	2.40	1,243	12.2%	13.1%	2.5%	-4.6%	-15.4%
Raffles	RFMD	0.89	1,573	6.9%	10.9%	8.6%	6.0%	-12.3%
IHH	IHH	1.56	12,819	0.3%	9.2%	8.6%	7.8%	13.7%
Bangkok Chain	BCH	0.54	1,335	0.9%	10.8%	18.1%	7.6%	44.9%
Netcare	NTC	2.07	3,040	-7.8%	20.8%	17.2%	1.8%	-14.3%

Source: Bloomberg

*GHG share price traded and shown in GBP

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