

Weekly Market Watch

Weekly Market Watch | Georgia
July 2, 2018

Economy

Real GDP grew 7.5% in May 2018

Georgia's economy expanded 7.5% y/y in May 2018, after growing 6.5% y/y in previous month, according to GeoStat's rapid estimates. Fastest growing sectors were transport, manufacturing, trade, financial intermediation, and hotels and restaurants in May. Overall, in 5M18 real GDP growth was 6.1% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Current account deficit was 11.6% (+0.2ppts y/y) of GDP in 1Q18, increasing 17.7% y/y to US\$ 428.0mn, according to NBG. Merchandize trade deficit, traditionally the major contributor to deficit creation, increased 18.9% y/y to US\$ 971.0mn, as exports increased 26.5% y/y, while imports were up 22.6% y/y. Positive balance in service was up 17.6% y/y to US\$ 378.3mn (10.3% of GDP), driven by strong tourism inflows (up 29.4% y/y to US\$ 550.8mn). Surplus in current transfers amounted to US\$ 340.7mn (9.3% of GDP, up 13.0% y/y). Together, services and transfers financed 74% of the trade deficit. Net FDI (4.8% of GDP) and other investments (7.9% of GDP) were major funding categories of the CA deficit.

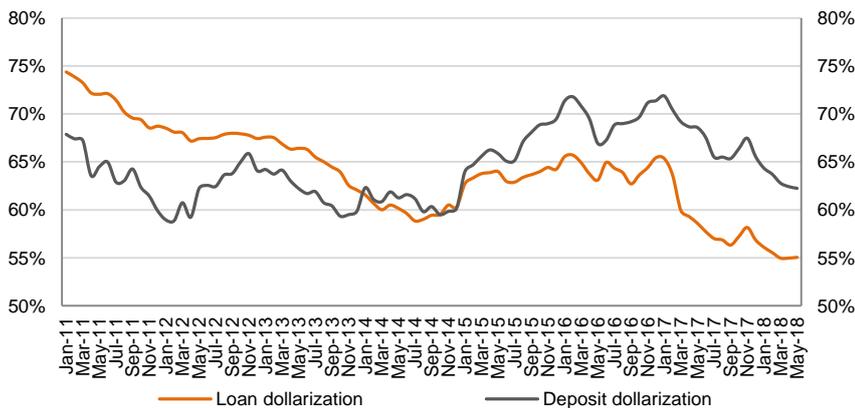
NPLs at 2.6% in May 2018

In May 2018, the banking sector loan portfolio increased 18.6% y/y after growing 22.1% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 20.0% y/y and up 1.1% m/m to GEL 22.9bn (US\$ 9.3bn). Deposits were up 20.6% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 22.3% y/y and up 0.7% m/m to GEL 20.0bn (US\$ 8.1bn). Deposit dollarization declined to 62.3% (-6.3ppts y/y and -0.2ppts m/m). NPLs stood at 2.6% in May 2018 (-1.1ppts y/y and unchanged m/m).

NBG Purchased USD\$ 20.0mn

On 25 and 28 June 2018, the NBG intervened on the FX market and purchased US\$ 10.0mn and US\$ 10.0mn, respectively, on its foreign exchange auction. YTD, NBG purchased US\$ 50mn.

Loan and deposit dollarization



Source: NBG

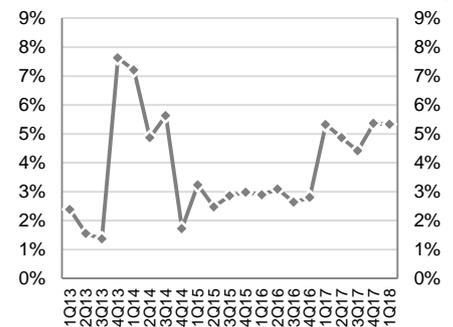
Key macro indicators

	5M18	2017	2016
GDP (% change)	6.1%	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	11.6% ⁽¹⁾	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 1Q18

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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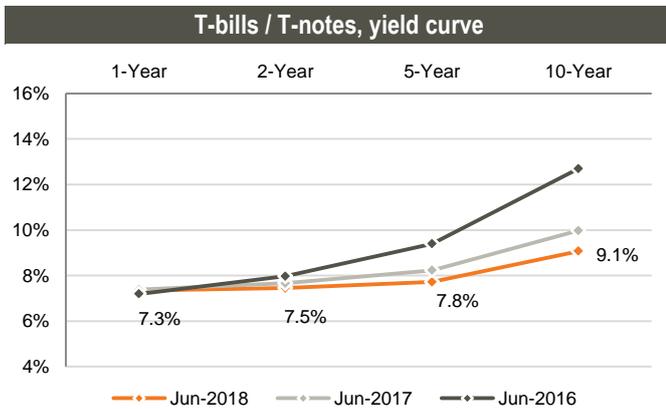
Source: Rating agencies

Money market

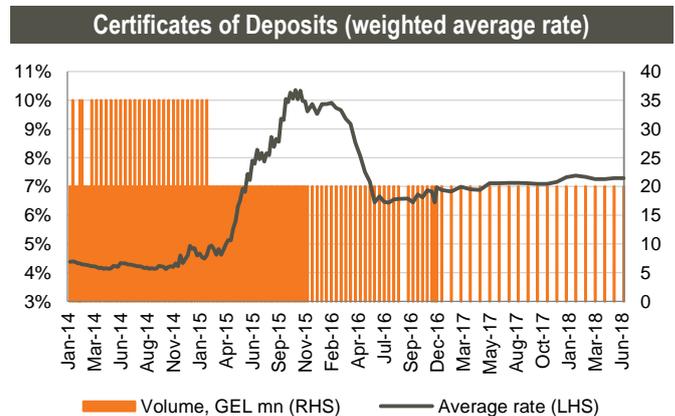
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 900mn (US\$ 366.6mn).

Ministry of Finance Treasury Notes:

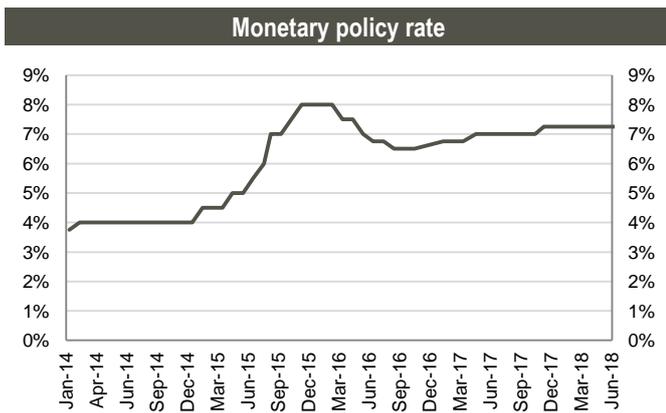
5-year GEL 30.0mn (US\$ 12.2mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on June 27, 2018. The weighted average yield was fixed at 7.748%. The nearest treasury security auction is scheduled for July 4, 2018, where GEL 40mn nominal value 1-year T-bills will be sold.



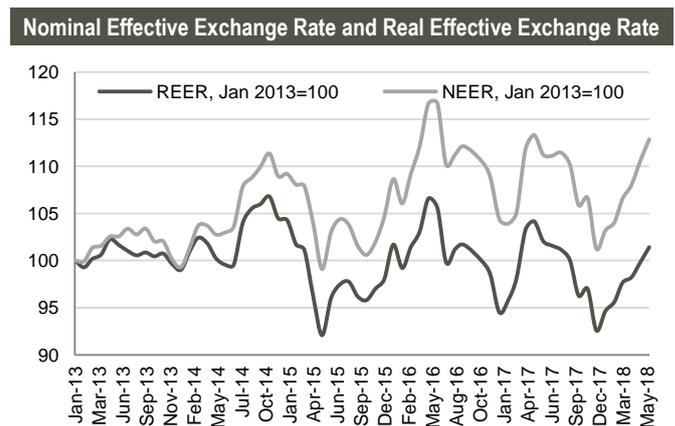
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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

Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.0% yield, trading at 99.9 (-0.04% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (-0.5% w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.3 (-0.1% w/w), yielding 7.4%.

GOGC Eurobonds (GEOROG) were trading at 101.0 (+0.2% w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.5 (+0.3% w/w), yielding 6.2%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.7 (+0.2% w/w) at 4.3% yield to maturity.

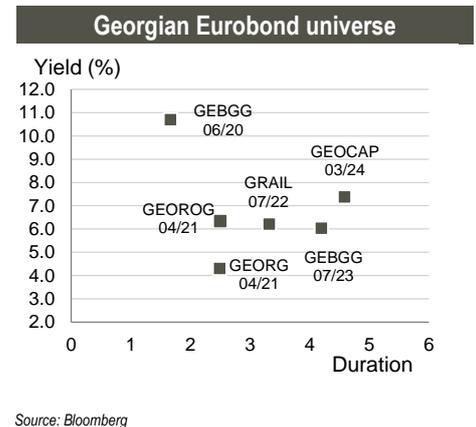


	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	GEBGG 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.75**	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	-/B+/B2	BB-/-/Ba2	BB-/B+/-	BB-/-/B2	BB-/BB-/Ba2	B+/B+/-
Mid price, US\$	n/a	102.5	101.3	102.05	94.3	100.0	101.0	99.9	106.7	105.5
Mid yield, %	n/a	5.5%	3.8%	6.00%	7.4	10.7	6.3	6.0	4.3	6.2
Z-spread, bps	n/a	n/a	n/a	n/a	448.6	346.1	350.4	313.7	146.0	332.7

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	106.7	4.3	146.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	99.4	4.9	198.5
Bulgaria	323	5.000%	19/07/2021	BBB-/-/-	115.0	0.1	-28.3
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.8	1.0	95.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.0	3.7	82.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.2	4.0	112.1
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.5	3.6	80.0
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	99.6	5.8	295.9

Source: Bloomberg

Equities

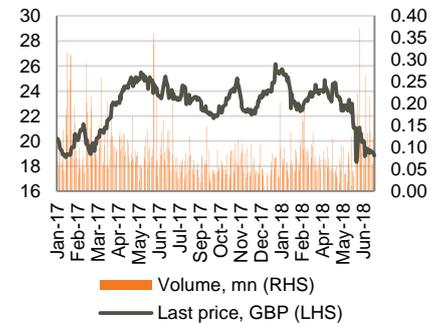
Bank of Georgia Group (BGEO LN) shares closed at GBP 18.85/share (-2.19% w/w and +1.14% m/m). More than 519k shares traded in the range of GBP 18.84 – 19.63/share. Average daily traded volume was 131k in the last 4 weeks. FTSE 4250 Index, of which BGEO is a constituent, lost 0.76% w/w and gained 0.49% m/m. The volume of BGEO shares traded was at 1.06% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.30/share (-9.01% w/w and -7.51% m/m). More than 581k shares traded in the range of GBP 10.25 – 11.55/share. The volume of CGEO shares traded was at 1.50% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.46 (+3.31% w/w and +8.72% m/m). More than 197k shares changed hands in the range of GBP 16.54 – 17.50/share. Average daily traded volume was 47k in the last 4 weeks.

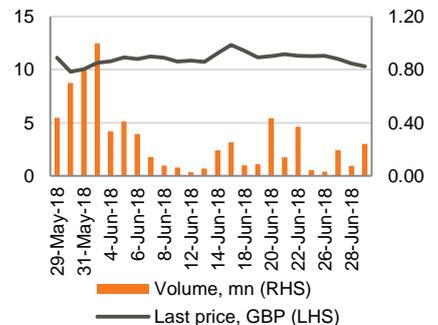
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.52/share (-1.37% w/w and -13.43% m/m). More than 173k shares were traded in the range of GBP 2.39 – 2.59/share. Average daily traded volume was 20k in the last 4 weeks. The volume of GHG shares traded was at 0.13% of its capitalization.

Bank of Georgia Group (BGEO LN)



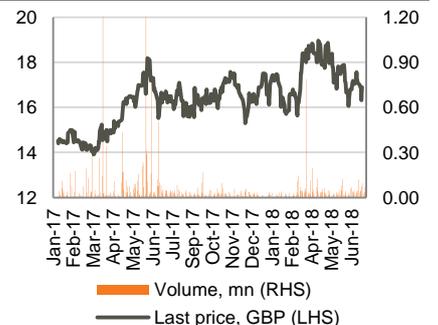
Source: Bloomberg

Georgia Capital (CGEO LN)



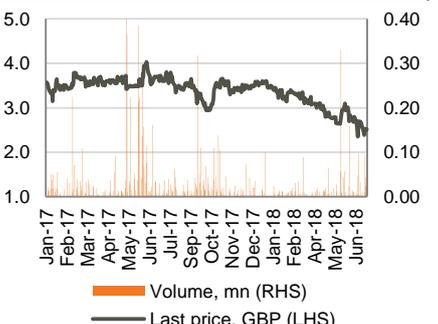
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

Eastern European Banks

	Ticker	Share price, US\$	MCapUS \$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	18.85*	1,224	1.1%	-21.6%	-21.7%	-21.7%	-19.5%
TBC	TBC	17.46*	1,251	8.7%	-5.1%	-0.2%	-0.2%	11.6%
Halyk Bank	HSBK	12.10	3,326	-1.2%	-12.3%	22.5%	22.5%	34.1%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	4.6%
VTB Bank	VTBR	1.52	9,869	-8.3%	-22.2%	-16.8%	-16.8%	-27.5%
Vozrozhdenie Bank	VZRZ	6.22	148	5.6%	-15.1%	-28.5%	-28.5%	-50.3%
Sberbank	SBER	14.44	77,902	0.2%	-22.5%	-14.7%	-14.7%	41.9%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	10.3*	527	-7.5%	N/A	N/A	N/A	N/A
Creades	CREDA	30.83	382	3.1%	-19.7%	-15.4%	-15.4%	-1.6%
Compagnie du Bois	COMB	467.97	789	2.6%	-3.9%	8.8%	8.8%	23.6%
Tinc Comm	TINC	14.00	382	0.2%	-3.4%	-7.3%	-7.3%	-0.9%
Edify	EDIFY	71.19	346	-1.4%	-9.5%	3.9%	3.9%	15.3%

Source: Bloomberg

*CGEO share price 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	2.515*	437	-13.4%	-18.6%	-29.2%	-29.2%	-29.5%
Mouwasat	MOUWASAT	25.06	2,506	4.4%	6.7%	24.2%	24.2%	18.9%
Fortis	FORH	1.97	1,021	-7.3%	4.0%	-21.6%	-21.6%	-22.4%
Raffles	RFMD	0.74	1,313	-7.0%	-15.5%	-11.6%	-11.6%	-23.7%
IHH	IHH	1.51	12,474	0.6%	-2.4%	4.9%	4.9%	9.8%
Bangkok Chain	BCH	0.46	1,155	-11.3%	-14.4%	-6.9%	-6.9%	14.9%
Netcare	NTC	2.01	2,963	-14.7%	-14.7%	-0.8%	-0.8%	3.9%

Source: Bloomberg

*GHG share price traded and shown in GBP

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