



Weekly Market Watch

Weekly Market Watch | Georgia
September 28, 2020

Economy

Trade deficit down 27.1% y/y in August 2020

In August 2020, trade deficit narrowed by 27.1% y/y to US\$ 350.8mn as drop in exports slowed to 7.5% y/y (US\$ 292.4mn) and imports fell by 19.3% y/y (US\$ 643.3mn).

In August 2020, copper (+7.5% y/y), cars (-41.8% y/y), ferro-alloys (+34.5% y/y), wine (-25.7% y/y) and spirits (+14.0% y/y) were the top 5 exported commodities. A 20.6% of exports was directed to the EU (-11.1% y/y), 47.7% to the CIS (-20.3% y/y) and 31.7% to other countries (+26.3% y/y).

Cars (-37.4% y/y), petroleum (-33.1% y/y), pharmaceuticals (-5.1% y/y), copper (-52.9% y/y) and wheat (+91.9% y/y) represented the top 5 imported commodities in August 2020.

Overall, in 8M20, trade deficit was down 19.3% to US\$ 2.9bn as exports reduced by 14.7% y/y to US\$ 2.1bn and imports decreased by 17.5% y/y to US\$ 5.0bn.

NPLs at 2.2% in August 2020

In August 2020, the banking sector loan portfolio increased by 12.1% y/y after growing 13.4% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 16.7% y/y and unchanged m/m amounting GEL 34.5bn (US\$ 11.2bn). Deposits were up 18.4% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 22.2% y/y and 1.3% m/m to GEL 30.9bn (US\$ 10.1bn). Loan dollarization stood at 56.1% (+0.57ppts y/y and -0.55ppts m/m) and deposit dollarization was 59.5% (-4.20ppts y/y and -1.06ppts m/m). NPLs stood at 2.2% in August 2020 (-0.59ppts y/y and -0.09ppts m/m).

Producer price index up 4.9% y/y in August 2020

Annual PPI for industrial goods retreated to 4.9% in August 2020 from 7.0% in previous month, according to Geostat. Price changes in manufacturing (+4.7% y/y) and mining (+19.6% y/y) contributed the most to the overall index change.

International arrivals down 96.0% y/y in August 2020

Total international arrivals (tourists and same-day arrivals) to Georgia was down 96.0% y/y to c.44k persons in August 2020 according to GNTA, as borders remained closed for international travel due to COVID-19 pandemic. Overall, in 8M20, total international arrivals stood at 1.3mn (-74.6% y/y), of which tourist arrivals reached 0.92mn (-73.4% y/y) persons. Meanwhile, based on NBG, tourism revenues stood at US\$ 483.4mn (-78.7% y/y) in 8M20.

NBG sold US\$ 40mn

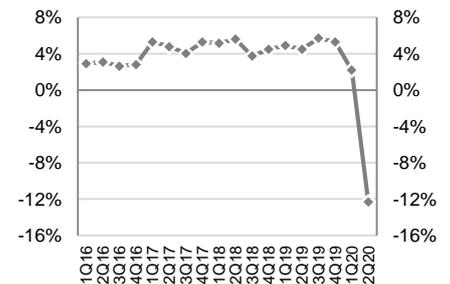
On 23 September 2020, the NBG intervened on the FX market and sold US\$ 40mn to limit GEL volatility. This was 14th FX intervention YTD for a total sale of US\$ 449.7mn through FX auctions.

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.1%
GDP per capita (ppp)	11,485	12,417	13,559
GDP per capita (US\$)	4,359	4,722	4,763
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%	5.1%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.0%
Total public debt (% of GDP)	39.4%	38.9%	39.8%

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 Stable Affirmed Aug-2020	 Ba2 Stable Affirmed Mar-2020	 BB Negative Affirmed Aug-2020
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Source: Rating agencies

Money market

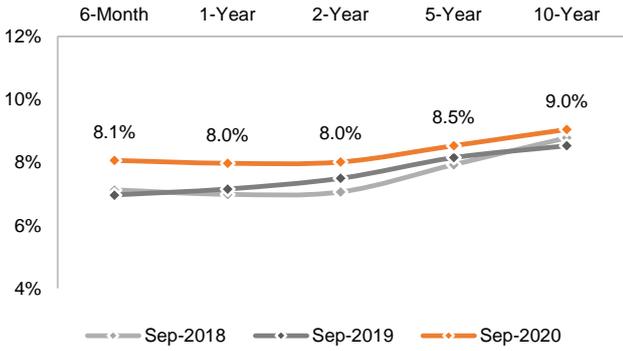
Ministry of Finance Benchmark Bonds: 5-year GEL 80.0mn (US\$ 24.6mn)
Benchmark Bonds were sold at the auction held at NBG on September 22, 2020. Total demand was 1.9x higher and the weighted average yield was fixed at 8.30%, down 0.02ppts from previous auction held in August, 2020.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	290	60	180
1-year	510	150	680
2-year	630	210	1,250
5-year	720	240	1,928
10-year	110	40	1,197
Total	2,260	700	5,235

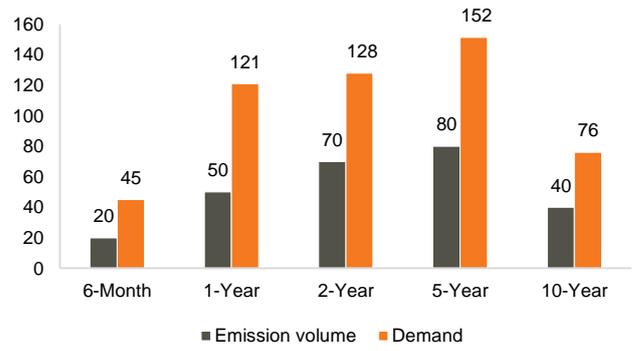
Source: MoF
Note: * As of 31 August 2020

T-bills / T-notes, yield curve



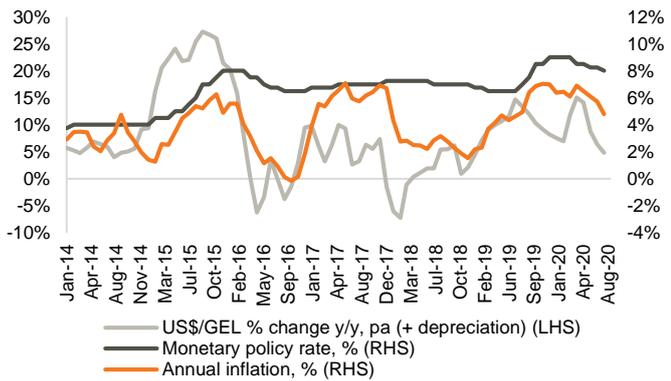
Source: NBG

Emission volume vs. demand on latest T-bill0s / T-notes auctions, GEL mn



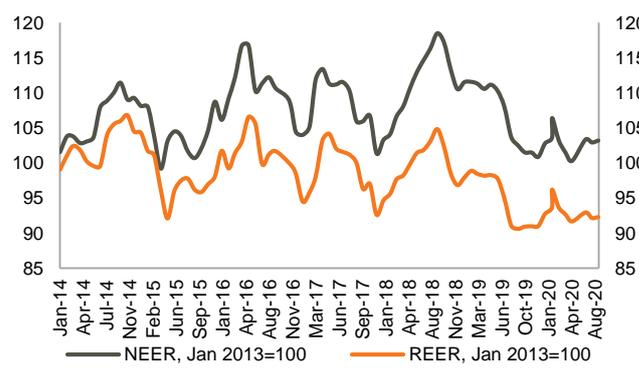
Source: NBG

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



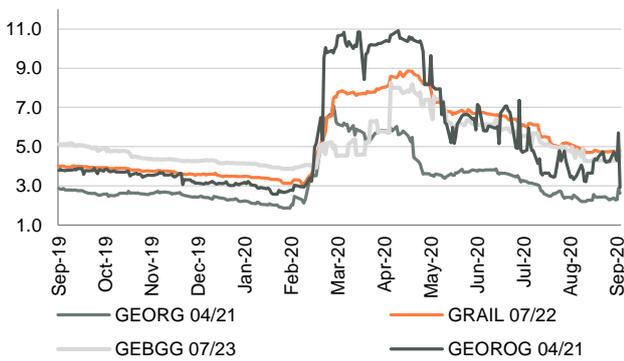
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.47% yield, trading at 104.02 (-0.50% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 96.19 (-0.07% w/w), yielding 7.40%.

GOGC Eurobonds (GEOROG) were trading at 102.17 (+0.71% w/w), yielding 2.91%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.99 (-0.14% w/w), yielding 4.79%.

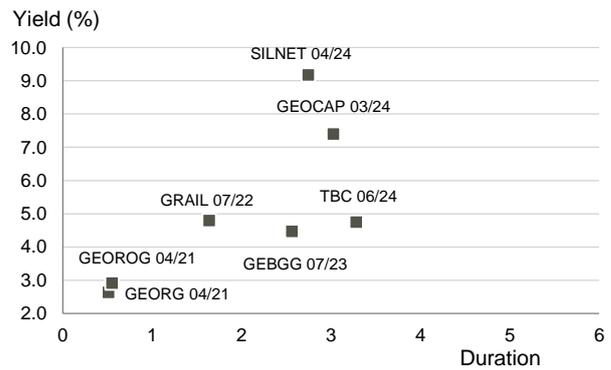
Georgian Sovereign Eurobonds (GEORG) closed at 102.24 (-0.27% w/w) at 2.63% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

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	102.24	2.63	238.17
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.99	4.79	457.09
GEORG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	102.17	2.91	266.53
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	104.02	4.47	423.62
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	101.74	9.49	1,028.08
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	96.19	7.40	714.79
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	105.35	9.18	893.07
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	103.37	4.75	449.11
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	98.89	9.99	1,085.80
GGU 07/25	US\$	250	7.750%	Jul-25	-/B/-	101.03	7.49	717.08

Georgian local bonds performance

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	-/-/-	99.40	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	97.08	8.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	99.10	7.75	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.99	7.50	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-	100.00	7.50	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B/-/-	100.00	12.00	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	13.25%	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	102.24	2.63	238.17
Armenia	US\$	500	6.000%	Sep-20	BB-/-/Ba3	99.94	28.53	3,025.90
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.72	2.03	179.80
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	97.24	8.15	792.62
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.25	1.51	123.54
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.99	1.42	118.51
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	100.70	4.21	396.36
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	102.82	4.59	436.03

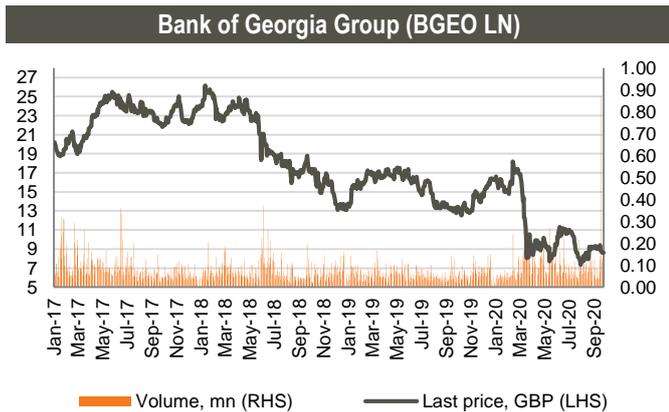
Source: Bloomberg

Equities

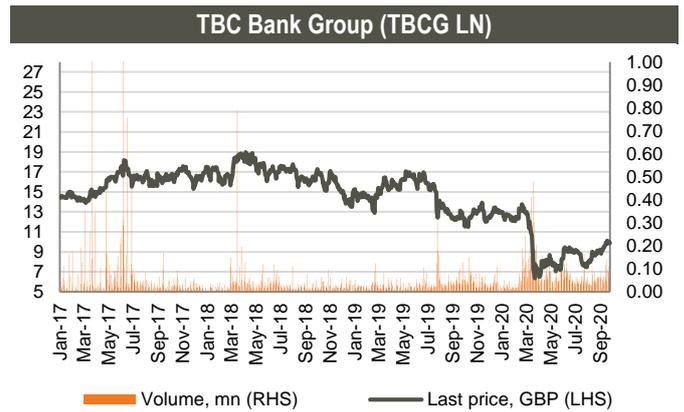
Bank of Georgia Group (BGEO LN) shares closed at GBP 8.61/share (-2.71% w/w and -5.18% m/m). More than 370k shares traded in the range of GBP 8.38 - 9.16/share. Average daily traded volume was 114k in the last 4 weeks. The volume of BGEO shares traded was at 0.75% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 3.62/share (-0.41% w/w and -3.08% m/m). More than 253k shares traded in the range of GBP 3.44 - 3.71/share. Average daily traded volume was 122k in the last 4 weeks. The volume of CGEO shares traded was at 0.69% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 9.90/share (-2.37% w/w and +8.43% m/m). More than 375k shares changed hands in the range of GBP 9.62 - 10.20/share. Average daily traded volume was 70k in the last 4 weeks. The volume of TBCG shares traded was at 0.68% 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	
								2019	2020F	2019	2020F
Bank of Georgia	BGEO	GBP	8.61	423	-18.4%	-32.5%	-47.0%	3.48x	7.32x	0.76x	0.72x
TBC	TBC	GBP	9.90	545	32.0%	-23.0%	-23.8%	4.04x	7.03x	0.78x	0.81x
Halyk Bank	HSBK	US\$	10.60	3,115	32.5%	-19.4%	-20.6%	3.71x	4.21x	0.89x	0.85x
VTB Bank	VTBR	US\$	0.82	5,317	-1.3%	-37.1%	-43.9%	2.03x	4.29x	0.30x	0.32x
Akbank	AKBNK	TRY	5.10	26,520	-8.4%	-33.8%	-37.1%	5.49x	6.22x	0.57x	0.62x
Garanti	GARAN	TRY	7.17	30,114	-4.4%	-26.7%	-35.6%	5.21x	5.99x	0.62x	0.69x
Isbank	ISCTR	TRY	5.23	23,535	10.6%	-13.4%	-18.4%	4.51x	5.34x	0.47x	0.51x
PKO	PKO	PLN	19.92	24,900	-8.8%	-49.5%	-42.2%	5.82x	10.11x	0.59x	0.57x
PEKAO	PEO	PLN	48.30	12,677	-12.5%	-53.5%	-51.9%	5.70x	12.56x	0.54x	0.53x
Millennium	MIL	PLN	2.70	3,275	-15.9%	-54.6%	-53.8%	4.37x	12.59x	0.36x	0.37x
Mbank	MBK	PLN	163.90	6,939	-25.3%	-51.9%	-57.9%	5.52x	14.22x	0.42x	0.42x
BRD	BRD	RON	12.50	8,711	5.9%	-10.8%	-21.1%	5.72x	11.84x	1.10x	0.98x
Banca Transilvania	TLV	RON	2.32	12,101	29.2%	-3.7%	-10.6%	6.64x	14.16x	1.37x	1.50x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	9.60x	14.47x	0.82x	0.76x
Komercni	KOMB	CZK	485.00	92,174	-5.8%	-39.0%	-41.5%	6.11x	12.47x	0.87x	0.84x
Mean								5.20x	9.52x	0.70x	0.70x
Median								5.49x	10.11x	0.62x	0.69x

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	
								2019	2020F	2019	2020F
Georgia Capital	CGEO	GBP	3.62	133	-22.3%	-64.8%	-60.8%	5.07x	n/a	0.36x	n/a
Tinc Comm	TINC	EUR	13.25	361	3.1%	-0.9%	-0.7%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.96	16,242	4.2%	-15.1%	-16.6%	4.77x	5.09x	0.56x	0.61x
Deutsche Beteiligungs	DBAN	EUR	30.40	457	16.5%	-4.1%	-22.9%	11.36x	n/mf	1.01x	1.01x
Eurazeo	RF	EUR	44.76	3,525	11.9%	-32.9%	-26.6%	11.04x	18.54x	0.67x	0.64x
Carlyle Group	CG	USD	23.69	2,622	5.6%	-11.5%	-26.2%	13.67x	4.19x	1.47x	3.35x
Mean								9.18x	9.28x	0.81x	1.40x
Median								11.04x	5.09x	0.67x	0.82x

Source: Bloomberg, S&P Capital IQ

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