



# Weekly Market Watch

Weekly Market Watch | Georgia  
May 4, 2021

## Economy

### Real GDP was 4.0% y/y in March 2021

Georgia's economic growth rebounded to 4.0% y/y in March 2021, posting growth for the first time since March 2020. In 1Q21, real growth was down by 4.2% y/y. In March, real growth was recorded in financial & insurance activities, trade, manufacturing, real estate, electricity supply, transportation and information & communication sectors. Meanwhile, construction, mining and art, entertainment & recreation sectors were in red. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### NPLs at 2.4% in March 2021

In March 2021, the banking sector loan portfolio increased by 7.7% y/y and 0.9% m/m, excluding FX effect. In unadjusted terms, loan portfolio was up 11.5% y/y (+1.6% m/m), amounting to GEL 39.0bn (US\$ 11.4bn). By sector, corporate lending growth slowed to 5.8% y/y, while retail loan growth was 9.7% y/y, unchanged since Dec-20 (exc. FX effect). Notably, newly issued mortgages increased by 129.3% y/y, bringing mortgages stock growth to 9.8% y/y (exc. FX effects). In March 2021, loan dollarization stood at 55.1% (-3.41ppts y/y and -0.11ppts m/m) and NPLs stood at 2.4% (+0.19ppts y/y and -0.15ppts m/m).

Bank deposits increased by 21.7% y/y (-1.0% m/m, exc. FX effect) to GEL 36.2bn (US\$ 10.6bn) in March 2021, after growing 21.4% y/y in previous month. By currency, GEL deposit growth slightly slowed to 35.8% y/y, while FX deposit growth accelerated to 14.5% y/y (exc. FX effect). The deposit dollarization stood at 63.5% (-2.82ppts y/y and +1.82ppts m/m).

### NBG increased its policy rate by 1.0ppts to 9.5%

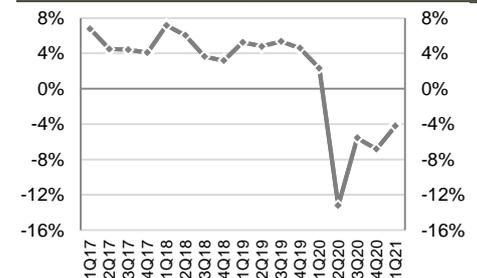
At its meeting on 28 April 2021, NBG's monetary policy committee decided to increase its policy rate by 1.0ppts to 9.5%, citing inflationary pressure coming from world price increases on oil products and selected food items, higher average production costs due to pandemic and GEL depreciation. Among other key factors pressuring inflation upward, the regulator named high uncertainty in Georgia's tourism industry, high fiscal deficit and recent developments in trade partner countries. Annual inflation stood at 7.2% in March and NBG expects average annual inflation at 6.5% in 2021. To address the high dollarization, the NBG decided to set the minimum reserve requirements on FX deposits individually for each commercial bank starting from July 2021. If deposit dollarization is less than 40%, the reserve requirement will be reduced to 10% from 25% for funds borrowed in FX and with a remaining maturity of up to 1 year; if the ratio is higher than 70% the reserve requirement will remain unchanged at 25%, and if it is in the range of 40%-70%, the reserve requirement will be decreased linearly from 25% to 10%. The NBG expects that this change will help to intensify competition in the GEL deposit market, gradually increase the demand for GEL and ease the pressure on the FX market. The next committee meeting is scheduled for 23 June 2021.

### Key macro indicators

	2018	2019	2020
GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,613	14,918
GDP per capita (US\$)	4,722	4,696	4,275
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	7.0%	2.4%
Gross reserves (US\$ bn)	3.3	3.5	3.9
CAD (% of GDP)	6.8%	5.5%	12.3%
Fiscal deficit (% of GDP)	2.3%	2.1%	9.3%
Total public debt (% of GDP)	38.9%	40.4%	60.0%

Source: Official data

### Real GDP growth, %



Source: Geostat

### International ranking, 2019-21

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

 <b>BB</b> Negative Affirmed Feb-2021	 <b>Ba2</b> Stable Affirmed Aug-2020	 <b>BB</b> Negative Affirmed Feb-2021
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Source: Rating agencies

# Money market

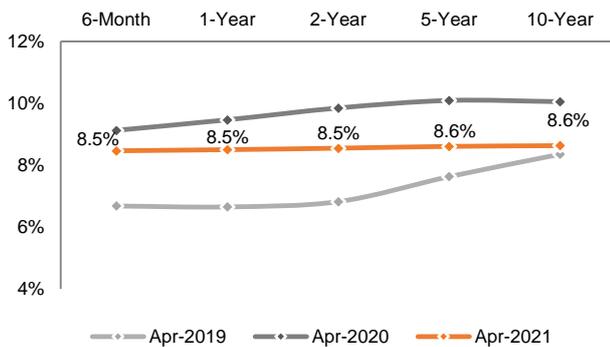
**Ministry of Finance Benchmark Bonds: 5-year GEL 35.0mn (US\$ 10.1mn)**  
Benchmark bonds were sold at the auction held at NBG on April 27, 2021. Total demand was c.2.1x higher and the weighted average yield was fixed at 8.650%, up by 0.178ppts from previous auction held in March, 2021. The nearest treasury security auction is scheduled for May 25, 2021, where GEL 35.0mn nominal value 5-year Benchmark bonds will be sold.

## T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	45	120	90
1-year	45	120	540
2-year	60	160	1,270
5-year	148	280	2,373
10-year	44	56	1,262
<b>Total</b>	<b>342</b>	<b>736</b>	<b>5,535</b>

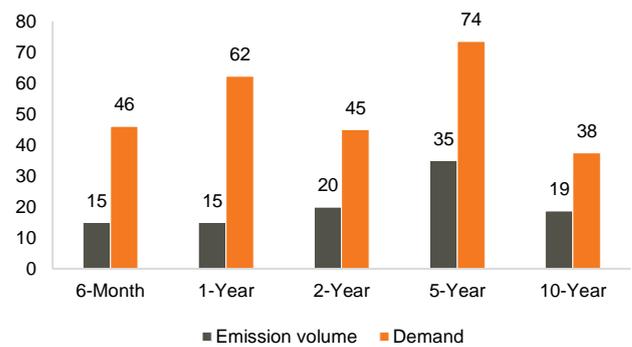
Source: MoF  
Note: \* As of 31 March 2021

## T-bills / T-notes, yield curve



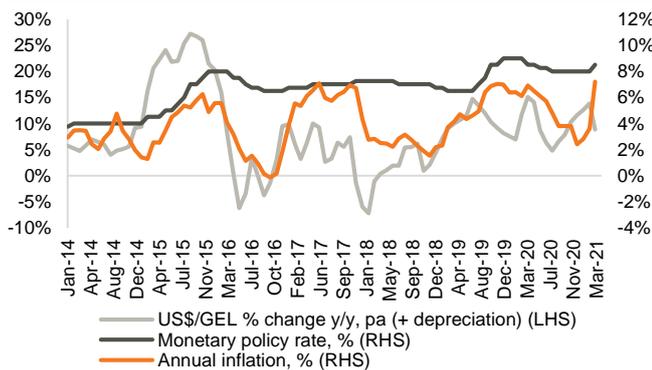
Source: NBG

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



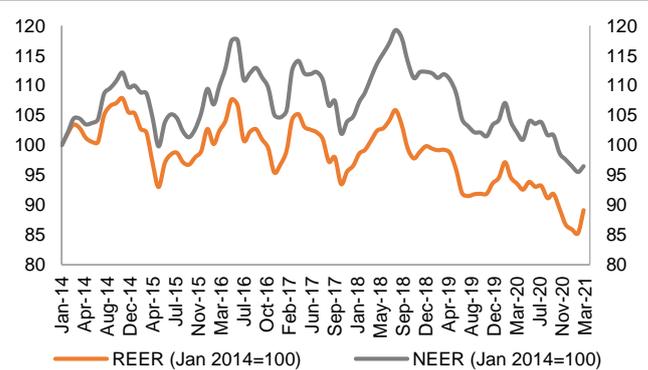
Source: NBG

## 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



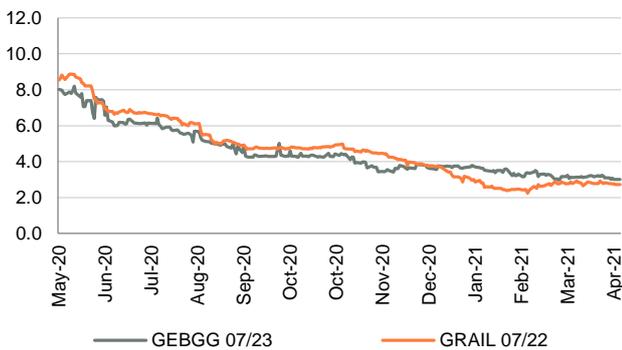
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 3.02% yield, trading at 106.38 (+0.10% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.36 (-0.02% w/w), yielding 5.60%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.83 (+0.04% w/w), yielding 2.72%.

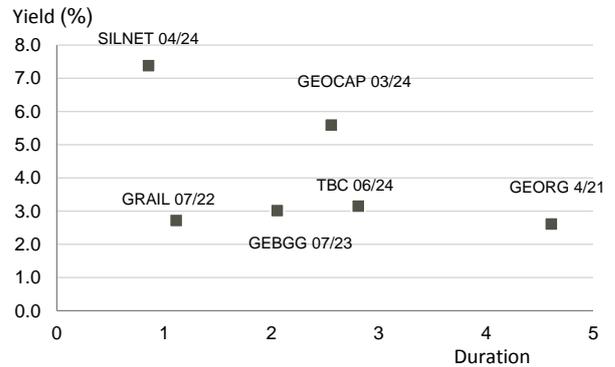
**Georgian Sovereign Eurobonds (GEORG)** closed at 100.63 (+0.55% w/w) at 2.61% yield to maturity.

**Georgian Eurobonds, YTM (%)**



Source: Bloomberg

**Georgian Eurobond universe**



Source: Bloomberg

Note: For Silknet duration calculation call date is taken as maturity.

## 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
GEORG 04/26	USD	500	2.750%	Apr-26	BB-/BB/Ba2	100.63	2.61	167.11
GRAIL 07/22	USD	500	7.750%	Jul-22	BB-/B+/-	105.83	2.72	243.83
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.38	3.02	281.95
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	108.63	9.22	741.91
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	101.36	5.60	512.32
SILKNET 04/24	USD	200	11.000%	Apr-24	B/-/B1	109.32	7.38	600.48
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	107.68	3.15	263.56
TBC PERP	USD	125	10.775%	n/a	B-/B-	108.30	9.47	731.80
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	105.49	6.25	535.78

### Georgian local bonds performance

KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B/Ba2	n/a	n/a	n/a
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a
GLC 06/21	USD	5	6.50%	Jun-21	-/-/-	n/a	n/a	n/a
GLC 08/21	USD	10	7.50%	Aug-21	-/-/-	100.00	7.50	n/a
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-	n/a	n/a	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	USD	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	14.25%	Sep-21	B-/B-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

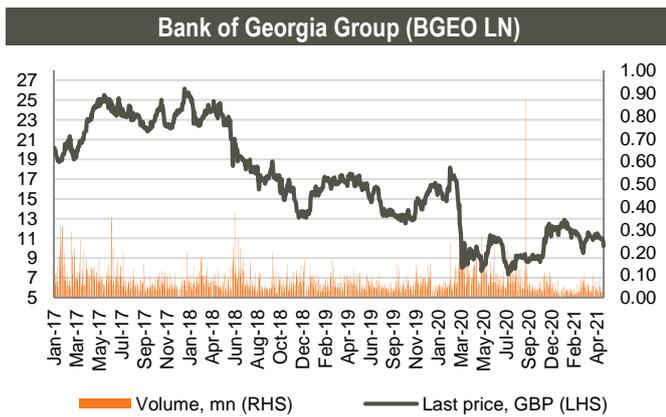
Source: Bloomberg

## Equities

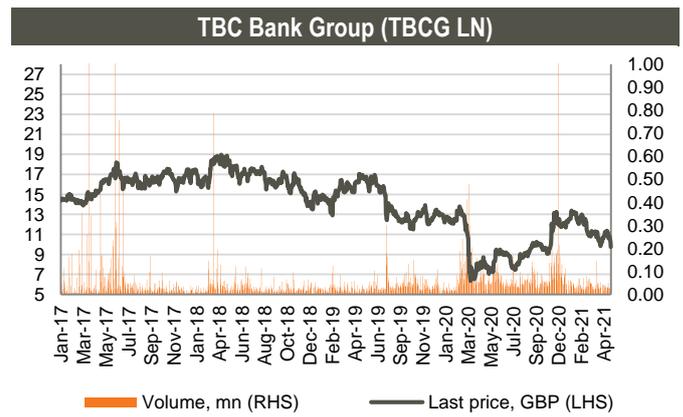
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 10.22/share (-6.92% w/w and -5.55% m/m). More than 180k shares traded in the range of GBP 10.22 - 11.16/share. Average daily traded volume was 39k in the last 4 weeks. The volume of BGEO shares traded was at 0.37% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 5.63/share (-0.35% w/w and -1.75% m/m). More than 288k shares traded in the range of GBP 5.60 - 5.80/share. Average daily traded volume was 33k in the last 4 weeks. The volume of CGEO shares traded was at 0.60% of its capitalization.

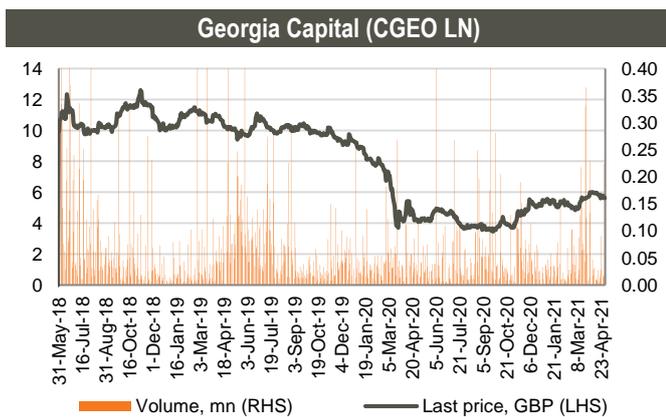
**TBC Bank Group (TBCG LN)** closed the week at GBP 9.74/share (-8.11% w/w and -4.13% m/m). More than 1.0mn shares changed hands in the range of GBP 9.74 - 10.94/share. Average daily traded volume was 81k in the last 4 weeks. The volume of TBCG shares traded was at 1.95% of its capitalization.



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	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	10.22	503	13.9%	2.6%	-16.2%	7.46x	4.32x	0.90x	0.74x
TBC	TBC	GBP	9.74	537	6.0%	18.9%	-22.1%	5.85x	4.53x	0.81x	0.72x
Sberbank	SBER	USD	15.74	84,945	55.8%	47.7%	8.4%	8.56x	6.21x	1.30x	1.20x
Halyk Bank	HSBK	USD	14.32	4,208	43.5%	59.1%	22.9%	5.75x	4.97x	1.17x	1.09x
VTB Bank	VTBR	USD	1.33	8,593	70.8%	40.5%	38.9%	8.89x	3.56x	0.46x	0.43x
Akbank	AKBNK	TRY	4.88	25,376	2.3%	-17.1%	-29.6%	3.91x	3.39x	0.39x	0.37x
Garanti	GARAN	TRY	7.21	30,282	9.2%	-13.5%	-30.5%	4.15x	3.54x	0.44x	0.43x
Isbank	ISCTR	TRY	4.87	21,915	-4.7%	-1.6%	-30.4%	3.01x	2.76x	0.30x	0.30x
PKO	PKO	PLN	35.27	44,088	86.1%	60.2%	22.8%	15.29x	12.85x	0.97x	0.97x
PEKAO	PEO	PLN	80.04	21,008	89.4%	54.0%	31.0%	17.37x	13.45x	0.83x	0.80x
Millennium	MIL	PLN	4.14	5,022	91.7%	47.1%	26.6%	70.64x	6.59x	0.55x	0.64x
Mbank	MBK	PLN	235.00	9,956	103.5%	7.3%	31.1%	39.98x	15.11x	0.58x	0.57x
BRD	BRD	RON	15.80	11,011	38.8%	39.8%	6.3%	13.59x	10.78x	1.20x	1.44x
Banca Transilvania	TLV	RON	2.49	14,287	31.7%	44.0%	10.7%	14.64x	9.73x	1.55x	1.30x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.52x	10.13x	0.70x	0.63x
Komercni	KOMB	CZK	652.50	124,007	37.7%	24.5%	-0.7%	15.37x	13.52x	1.08x	1.04x
<b>Mean</b>								<b>15.44x</b>	<b>7.84x</b>	<b>0.83x</b>	<b>0.79x</b>
<b>Median</b>								<b>10.70x</b>	<b>6.40x</b>	<b>0.82x</b>	<b>0.73x</b>

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	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	5.63	270	52.2%	34.0%	4.3%	na	na	na	na
Tinc Comm	TINC	EUR	12.60	458	-0.4%	-3.1%	-2.7%	na	na	na	na
Sabancı Holding	SAHOL	TRY	8.09	16,507	-1.7%	-1.1%	-29.4%	3.17x	3.01x	0.42x	0.37x
Deutsche Beteiligungs	DBAN	EUR	34.40	518	30.5%	18.3%	10.4%	na	6.84x	1.19x	1.08x
Eurazeo	RF	EUR	69.30	5,476	77.5%	58.7%	24.9%	33.04x	9.50x	0.99x	0.87x
Carlyle Group	CG	USD	42.66	15,126	71.2%	82.0%	35.7%	22.98x	16.82x	7.05x	4.23x
<b>Mean</b>								<b>19.73x</b>	<b>9.04x</b>	<b>2.41x</b>	<b>1.64x</b>
<b>Median</b>								<b>22.98x</b>	<b>8.17x</b>	<b>1.09x</b>	<b>0.98x</b>

Source: Bloomberg, S&P Capital IQ

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