



Weekly Market Watch

Weekly Market Watch | Georgia
February 1, 2021

Economy

Real GDP shrinks 7.9% y/y in December 2020

Georgia's economy contracted by 7.9% y/y in December 2020, almost same level as in November despite 2nd lockdown introduced in reporting month. Notably, contraction in December was almost half of April-May's (-15.1% y/y) decline, as many types of economic activities were allowed during the 2nd lockdown compared to the 1st one. In December, positive real growth was recorded in financial & insurance activities, water supply, sewerage & waste management activities, information & communication and mining sectors. Meanwhile, real growth was down in accommodation, construction, recreation, manufacturing, transportation and trade sectors. Overall, in 2020, Georgia's economy contracted by 6.1% y/y in line with our expectations. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.3% in December 2020

In December 2020, the banking sector loan portfolio increased by 9.1% y/y and 2.2% m/m (exc. FX effect). In unadjusted terms, loan portfolio was up 19.7% y/y and 2.3% m/m, amounting to GEL 38.2bn (US\$ 11.7bn). By currency, the GEL-denominated loans rose by 18.9% y/y (+2.1ppts m/m), and foreign currency loans increased by 1.1% y/y (exc. FX effect). By sector, corporate lending increased by 8.2% y/y and 3.0% m/m, while retail loan growth was 9.8% y/y and 1.5% m/m (exc. FX effect). In December 2020, loan dollarization stood at 55.3% (+0.50ppts y/y and -0.79ppts m/m) and NPLs stood at 2.3% (+0.35ppts y/y and +0.09ppts m/m).

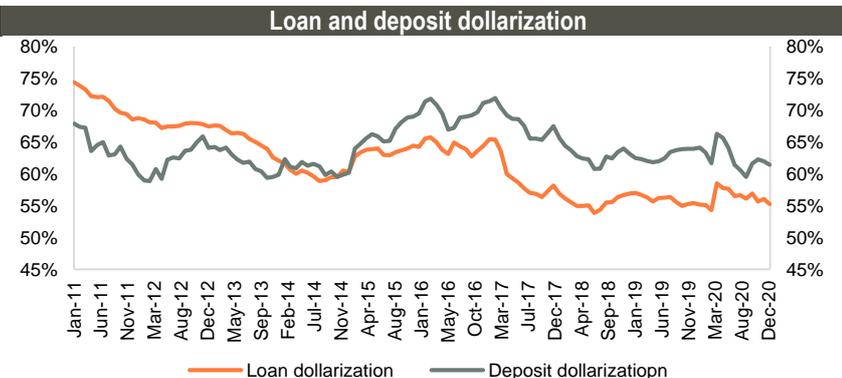
Bank deposits growth accelerated to 20.8% y/y and 3.5% m/m (exc. FX effect) to GEL 34.6bn (US\$ 10.6bn) in December 2020. By currency GEL deposit growth accelerated to 41.3% y/y, while FX deposit growth slightly slowed to 9.3% y/y (exc. FX effect) and deposit dollarization reached 61.4% (-2.71ppts y/y and -0.57ppts m/m).

Producer price index up 11.7% y/y in December 2020

Annual PPI for industrial goods was up 11.7% in December 2020 from 10.0% in previous month, according to Geostat. Price changes in manufacturing (+11.5% y/y) contributed the most to the overall index change.

NBG sold US\$ 40mn

On 27 January 2021, the NBG intervened on the FX market and sold US\$ 40mn to support GEL. This was 2nd FX intervention YTD for a total sale of US\$ 80mn through FX auctions.



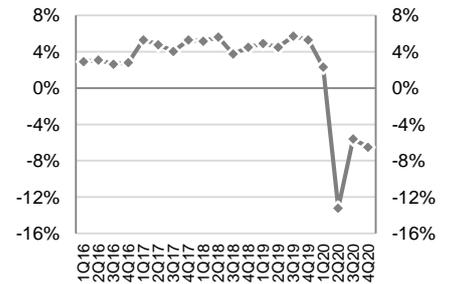
Source: NBG

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
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%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

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 Aug-2020	 BB Negative Affirmed Aug-2020
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Source: Rating agencies



Money market

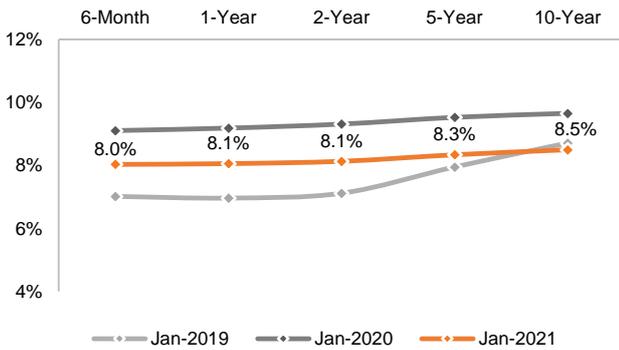
Ministry of Finance Benchmark Bonds: 5-year GEL 35.0mn (US\$ 10.6mn) Benchmark Bonds were sold at the auction held at NBG on January 26, 2021. Total demand was c.2.6x higher and the weighted average yield was fixed at 8.112%, down by 0.085ppts from previous auction held in December, 2020. The nearest treasury security auction is scheduled for February 2, 2021, where GEL 15.0mn nominal value 6-month T-bills and GEL 20.0mn nominal value 2-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	0	165	120
1-year	0	165	660
2-year	0	220	1,530
5-year	35	385	2,261
10-year	25	75	1,237
Total	60	1,010	5,808

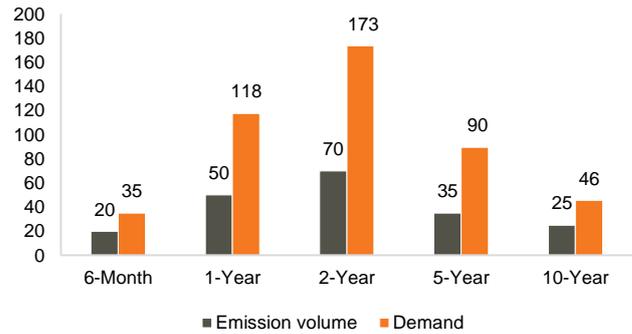
Source: MoF
Note: * As of 31 December 2020

T-bills / T-notes, yield curve



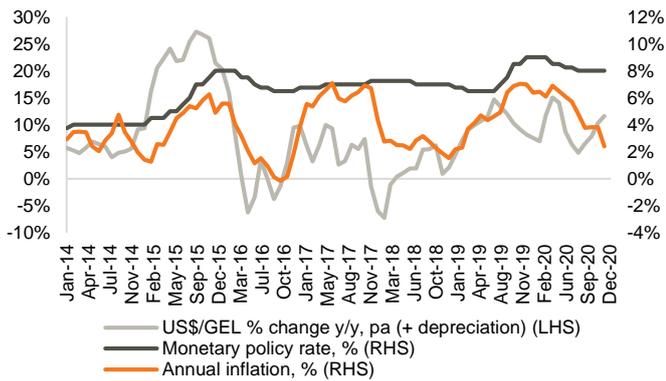
Source: NBG

Emission volume vs. demand on latest T-bill01s / T-notes auctions, GEL mn



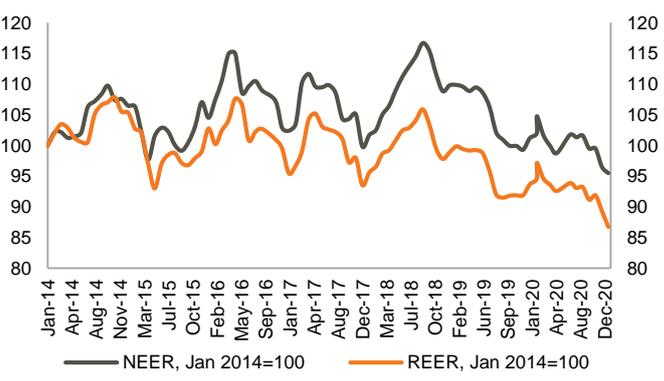
Source: NBG

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



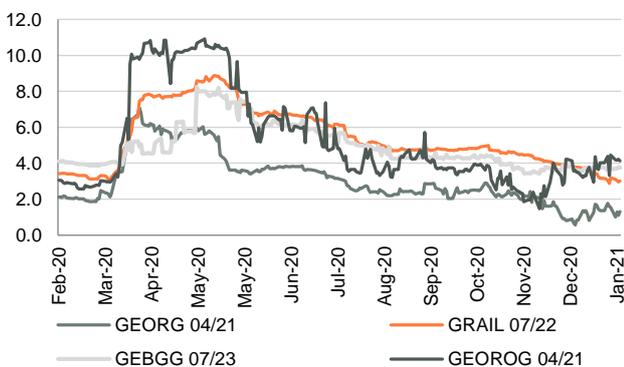
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.68% yield, trading at 105.46 (-0.07% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.41 (+0.41% w/w), yielding 5.62%.

GOGC Eurobonds (GEOROG) were trading at 100.57 (+0.01% w/w), yielding 4.22%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.82 (+0.34% w/w), yielding 2.88%.

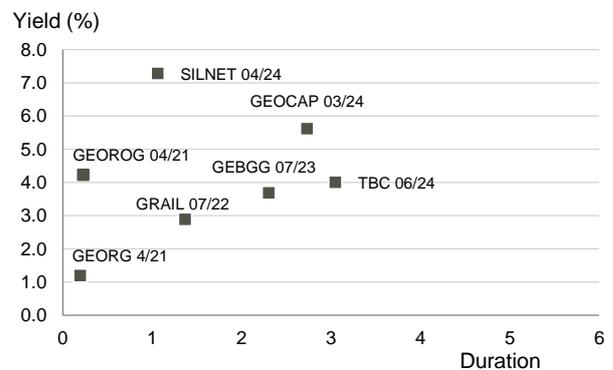
Georgian Sovereign Eurobonds (GEORG) closed at 101.10 (-0.02% w/w) at 1.19% yield to maturity.

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
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	101.10	1.19	99.01
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	106.82	2.88	270.71
GEOROG 04/21	US\$	250	6.750%	Apr-21	-BB/-	100.57	4.22	404.13
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	105.46	3.68	345.91
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	107.54	9.05	822.42
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	101.41	5.62	535.21
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	110.34	7.28	609.11
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	105.48	4.00	369.90
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	103.93	9.56	914.58
GGU 07/25	US\$	250	7.750%	Jul-25	B+/-/-	103.39	6.86	633.46

Georgian local bonds performance

KTW 12/22	US\$	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
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	-/-/-	100.48	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.39	7.25	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	n/a	n/a	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	-/-/-	n/a	n/a	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	-/-/BB+	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	-/-/BB+	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	101.10	1.19	99.01
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.56	1.84	166.67
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.23	4.70	450.92
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.17	0.81	46.36
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	110.12	0.96	72.41
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B2	100.60	1.84	164.69
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	103.05	2.42	224.97

Source: Bloomberg

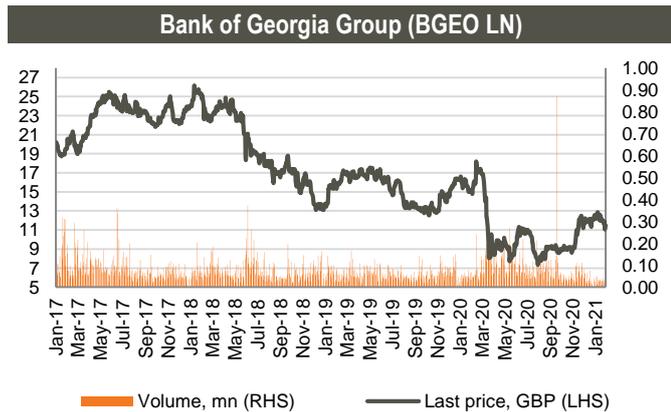


Equities

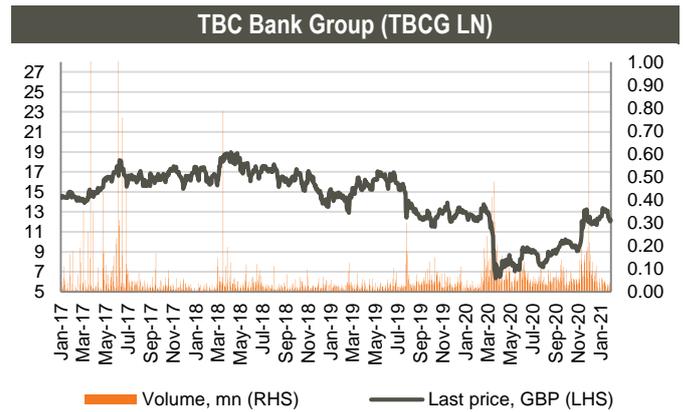
Bank of Georgia Group (BGEO LN) shares closed at GBP 11.48/share (-3.37% w/w and -7.12% m/m). More than 141k shares traded in the range of GBP 10.80 - 12.06/share. Average daily traded volume was 30k in the last 4 weeks. The volume of BGEO shares traded was at 0.29% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.03/share (-4.19% w/w and -7.54% m/m). More than 197k shares traded in the range of GBP 4.90 - 5.32/share. Average daily traded volume was 32k in the last 4 weeks. The volume of CGEO shares traded was at 0.54% of its capitalization.

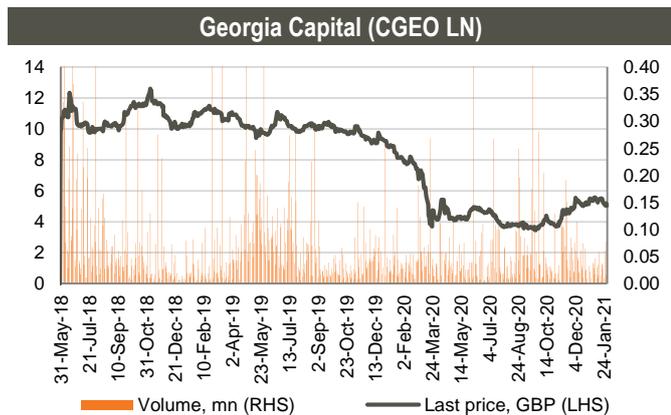
TBC Bank Group (TBCG LN) closed the week at GBP 12.18/share (-2.56% w/w and -1.30% m/m). More than 223k shares changed hands in the range of GBP 11.66 - 12.82/share. Average daily traded volume was 39k in the last 4 weeks. The volume of TBCG shares traded was at 0.41% of its capitalization.



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	11.48	564	50.9%	-24.4%	-5.9%	7.95x	4.60x	0.93x	0.77x
TBC	TBC	GBP	12.18	670	63.1%	-0.7%	-2.6%	6.15x	5.53x	0.96x	0.83x
Halyk Bank	HSBK	US\$	12.70	3,732	14.4%	-12.4%	9.0%	5.32x	4.81x	1.05x	0.96x
VTB Bank	VTBR	US\$	0.92	5,975	-11.0%	-38.7%	-3.4%	6.74x	3.07x	0.32x	0.30x
Akbank	AKBNK	TRY	6.38	33,176	20.2%	-22.9%	-7.9%	7.77x	5.69x	0.77x	0.66x
Garanti	GARAN	TRY	9.31	39,102	31.1%	-21.4%	-10.2%	8.03x	5.66x	0.87x	0.73x
Isbank	ISCTR	TRY	6.14	27,630	26.1%	-14.7%	-12.3%	5.73x	4.41x	0.58x	0.51x
PKO	PKO	PLN	28.88	36,100	28.1%	-17.2%	0.6%	12.36x	11.70x	0.79x	0.76x
PEKAO	PEO	PLN	63.70	16,719	20.0%	-35.9%	4.3%	13.11x	12.02x	0.65x	0.63x
Millennium	MIL	PLN	3.92	4,755	27.7%	-33.0%	19.9%	72.32x	12.57x	0.51x	0.50x
Mbank	MBK	PLN	195.60	8,281	-0.3%	-46.2%	9.2%	25.43x	17.37x	0.48x	0.47x
BRD	BRD	RON	15.04	10,481	26.6%	-6.7%	1.2%	12.67x	12.54x	1.12x	1.20x
Banca Transilvania	TLV	RON	2.30	11,971	21.4%	-2.7%	2.0%	12.20x	10.87x	1.55x	1.51x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.58x	10.95x	0.70x	0.64x
Komercni	KOMB	CZK	655.00	124,482	21.1%	-17.3%	-0.3%	14.83x	13.01x	1.04x	1.01x
Mean								14.88x	8.99x	0.82x	0.77x
Median								12.20x	10.87x	0.79x	0.73x

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	5.03	185	37.8%	-38.3%	-6.9%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.55	342	-4.6%	-10.7%	-3.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	10.53	21,485	22.3%	6.4%	-8.1%	6.27x	5.43x	0.82x	0.69x
Deutsche Beteiligungs	DBAN	EUR	36.05	542	16.3%	-7.4%	8.9%	nmf	11.70x	1.18x	1.16x
Eurazeo	RF	EUR	57.70	4,545	27.9%	-9.6%	4.0%	32.22x	8.87x	0.78x	0.73x
Carlyle Group	CG	USD	32.24	3,568	8.9%	-4.3%	2.5%	5.42x	4.64x	5.33x	5.40x
Mean								14.64x	7.66x	2.03x	1.99x
Median								6.27x	7.15x	1.00x	0.94x

Source: Bloomberg, S&P Capital IQ



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