



Weekly Market Watch

Weekly Market Watch | Georgia
May 22, 2017

Economy

Exports up 28.0% y/y in April 2017

In April 2017, exports increased 28.0% y/y to US\$ 211.6mn, imports were up 6.3% y/y to US\$ 591.6mn and the trade deficit narrowed 2.9% y/y to US\$ 380.0mn. Overall in 4M17 exports were up 29.7% to US\$788.1mn, imports increased 12.7% to US\$ 2.3bn and the trade deficit widened 5.5% to US\$ 1.5bn.

Increased exports of copper (+38.8% y/y), ferro-alloys (+72.6% y/y), pharmaceuticals (+57.2% y/y) and cars (+14.2% y/y) were the major commodities driving export growth in April 2017.

Petroleum (+39.5% y/y), copper (+184.2% y/y), cars (+1.6% y/y), gases (+8.7% y/y), and pharmaceuticals (-39.3% y/y) represented the top 5 imported commodities in April 2017.

Producer price index down 1.3% m/m and up 9.0% y/y in April 2017

PPI for industrial goods decreased 1.3% m/m in April 2017, according to GeoStat. A 1.3% price decrease for manufacturing contributed the most to the overall index change as prices were down for manufacture of basic metals and fabricated metal products (-4.7% m/m) and manufacture of food products, beverages and tobacco (-0.8% m/m).

Annual PPI was up 9.0% in April 2017. Rising prices in manufacturing (+8.6% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+9.4% y/y) and for mining and quarrying (+14.4% y/y).

Money transfers up 11.6% y/y in April 2017

In April 2017, money transfers increased 11.6% y/y to US\$ 105.8mn after growing 23.5% y/y in previous month, according to NBG. Money transfers were up from almost all major remitting countries: Russia (+12.1% y/y, 33.4% of total), USA (+12.8% y/y, 10.5% of total), Italy (+3.0% y/y, 9.6% of total), Israel (+92.4% y/y, 8.5% of total) and Turkey (+19.2% y/y, 8.1% of total), while transfers were down from Greece (-6.6% y/y, 10.4% of total). In 4M17 money transfers were up 19.3% y/y to US\$ 395.9mn.

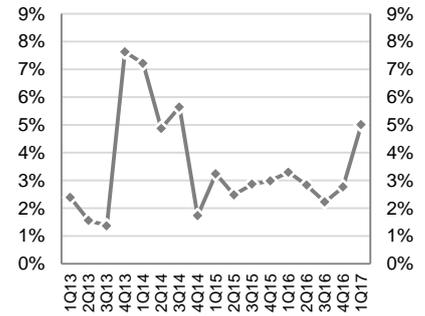
Key macro indicators

	4M17	2016	2015
GDP (% change)	5.0% ⁽¹⁾	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.1%	1.8%	4.9%
Gross reserves (US\$ bn)	2.7	2.8	2.5
CAD (% of GDP)	...	13.3%	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF, G&T

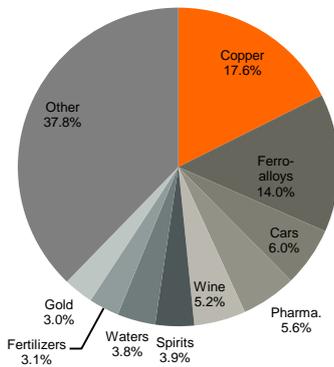
(1) As of 3M17

Real GDP growth, %



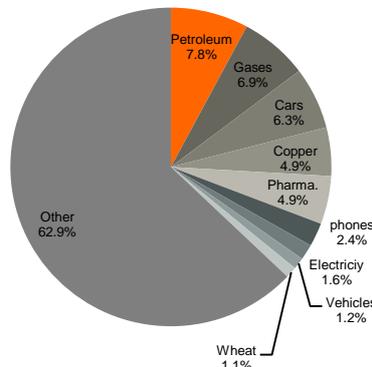
Source: GeoStat

Exports by commodities, 4M17



Source: GeoStat

Imports by commodities, 4M17



International ranking, 2017

Ease of Doing Business # 16 (Top 20)
Economic Freedom Index # 13 (mostly free)
Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings



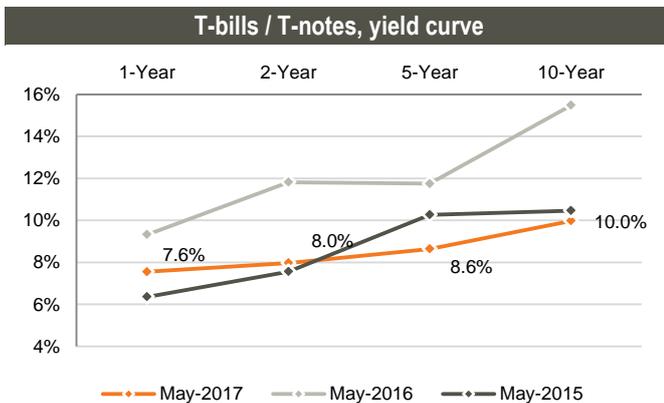
Source: Rating agencies

Money market

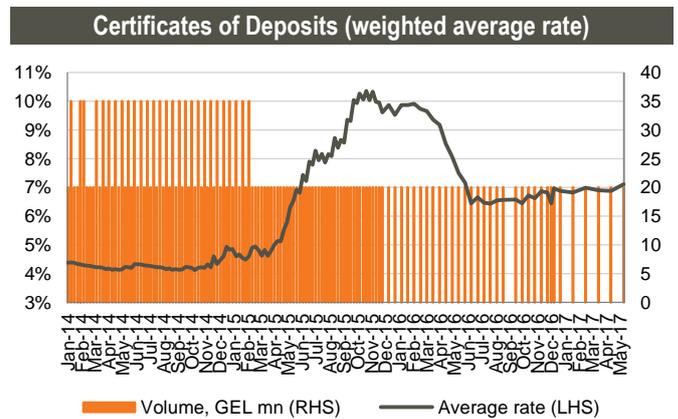
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,300mn (US\$ 539.1mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 7.11% (up by 23bps from previous issue).

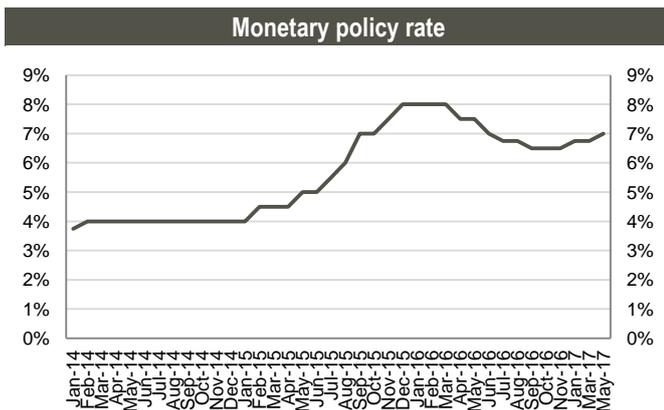
Ministry of Finance Treasury Bills: The nearest treasury security auction is scheduled for May 31, 2017, where GEL 20.0mn nominal value 5-Year T-Notes will be sold.



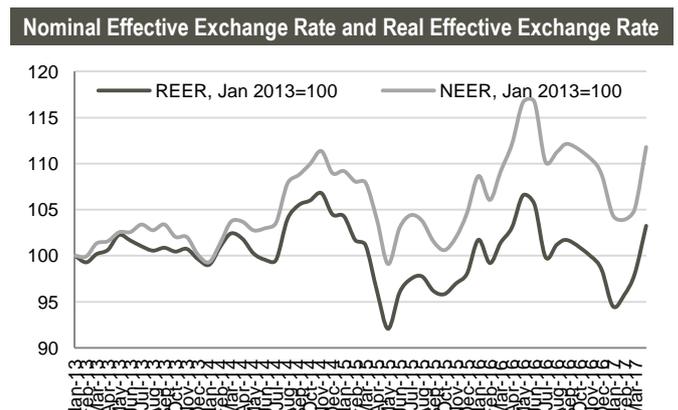
Source: NBG



Source: NBG



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

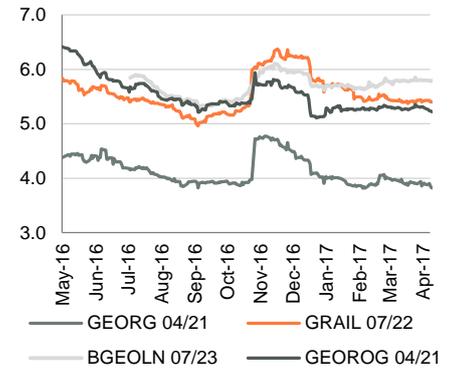


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 101.3 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 105.4 (-0.2% w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.7 (-0.1% w/w), yielding 5.3%.

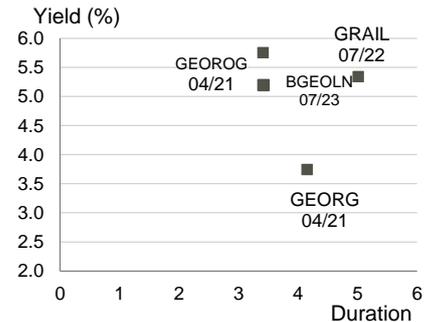
Georgian Sovereign Eurobonds (GEORG) closed at 111.2 (-0.2% w/w) at 3.7% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds				Eurobonds			
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	8.75	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/	-/-	-/-	-/-	BB-/B+/-	BB-/B1	BB-/BB-/Ba3	B+/B+/-
Mid price, US\$	n/a	101.1	101.5	100.7	105.4	101.3	111.2	110.7
Mid yield, %	n/a	7.00%	9.0%	6.50%	5.2	5.8	3.7	5.3
Z-spread, bps	n/a	n/a	n/a	n/a	345.4	200.3	349.6	382.1

Source: Bloomberg

*GWP 12/21 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-/Ba3	111.2	3.7	200.3
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.2	4.6	256.8
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.5	0.3	-278.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	109.2	1.9	175.4
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.9	2.8	106.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.1	3.0	122.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.8	2.6	94.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.6	4.0	228.9

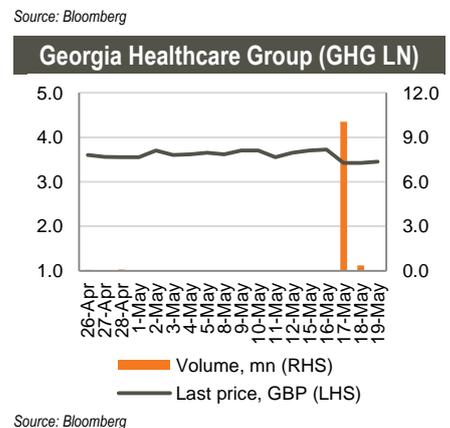
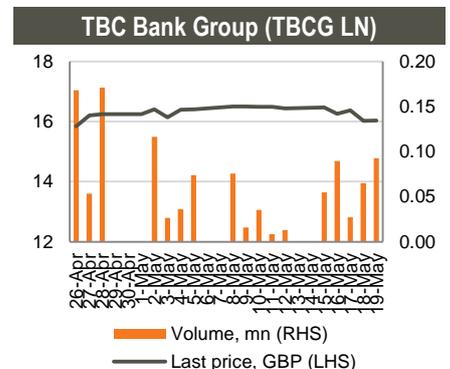
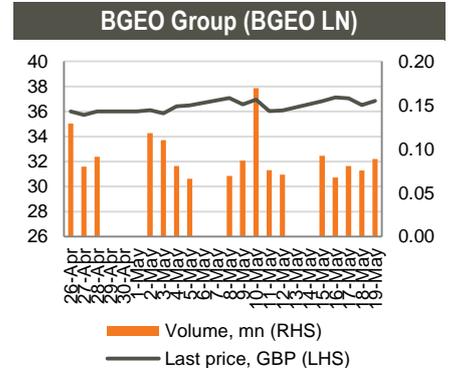
Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 36.84/share (+2.13% w/w and +5.44% m/m). More than 404k shares traded in the range of GBP 35.90 – 37.60/share. Average daily traded volume was 94k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.25% w/w and gained 2.04% m/m. The volume of BGEO shares traded was at 1.02% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.03 (-2.49% w/w and +4.29% m/m). More than 329k shares changed hands in the range of GBP 15.85 – 16.50/share. Averaged daily traded volume was 87k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.45/share (-5.51% w/w and -3.23% m/m). On 17 May 2017, BGEO Group sold 9.5mn shares in GHG, representing approximately 7.2% of GHG's existing ordinary issued share capital at a price of 330 pence per share, raising gross proceeds of GBP 31.4mn. Last week, more than 10mn shares were traded in the range of GBP 3.37 – 3.75/share. Average daily traded volume was 564k in the last 4 weeks. The volume of GHG shares traded was at 7.96% of its capitalization.



Eastern European Banks								
Tick er	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	47.96	1,892	8.7%	20.2%	32.6%	24.4%	60.0%
TBC*	TBC	21.00	1,106	6.3%	12.5%	24.4%	12.0%	86.7%**
Halyk Bank	HSBK	7.65	2,103	6.4%	12.5%	36.1%	27.7%	77.9%
KKB	KKB	1.20	477	8.6%	-20.3%	-13.4%	-17.3%	29.9%
VTB Bank	VTBR	2.35	15,229	6.2%	0.9%	14.1%	-1.6%	12.7%
Vozrozhdenie Bank	VZRZ	13.16	313	1.8%	-0.8%	20.6%	7.5%	23.1%
Sberbank	SBER	12.65	68,269	16.3%	7.8%	33.0%	9.3%	61.1%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

** 1Y change in TBC share prices calculated using GDR price.

Healthcare Sector Peers								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG*	GHG	4.81	633	3.4%	4.5%	4.9%	4.3%	77.3%
Mouwasat	MOUWASAT	39.95	1,997	-2.4%	5.1%	12.9%	1.4%	13.3%
Fortis	FORH	3.25	1,681	3.1%	9.6%	35.5%	22.0%	30.1%
Raffles	RFMD	1.00	1,758	-3.4%	-2.5%	0.3%	1.5%	-13.6%
IHH	IHH	1.37	11,280	-0.1%	-1.9%	-5.9%	-3.2%	-16.2%
Bangkok Chain	BCH	0.37	918	-3.0%	-6.6%	-5.3%	-10.8%	27.8%
Netcare	NTC	2.07	3,029	10.6%	-16.7%	-14.7%	-10.7%	0.8%

Source: Bloomberg

*GHG is traded in GBP and is shown in US\$ equivalent

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