



# Weekly Market Watch

Weekly Market Watch | Georgia  
July 5, 2021

## Economy

### Real GDP growth was 25.8% y/y in May 2021

Georgia's economy grew by 25.8% y/y in May 2021, based on Geostat's rapid estimates, after a 44.8% y/y growth in previous month. Notably, real GDP was also up by 8.8% compared to May 2019 level. Overall, in 5M21, real growth was 11.5% y/y (+4.2% compared to 5M19). In May, growth was broad-based with economic activity up in manufacturing, financial and insurance, trade, real estate, hotels & restaurants, construction and transport sectors. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### Inflation was 9.9% y/y and 0.7% m/m in June 2021

Annual CPI inflation came in at 9.9% in June 2021, after a 7.7% inflation in previous month, according to Geostat. Core inflation (non-food, non-energy) was 5.9% and core inflation excluding tobacco was 5.8% in June. By categories, annual inflation was mainly driven by price changes in food and non-alcoholic beverages (+8.8% y/y, +2.78ppts), transport (+22.0% y/y, +2.54ppts), housing, water, electricity, gas and other fuels (+10.5% y/y, +1.59ppts), health (+11.6% y/y, +0.90ppts), furnishings, household equipment and maintenance (+10.6% y/y, +0.57ppts) and alcoholic beverages and tobacco (+7.4% y/y, +0.47ppts) categories. On a monthly basis, there was 0.7% inflation in June 2021, reflecting price increase in housing, water, electricity, gas and other fuels (+2.7% y/y, +0.36ppts) category.

### Current account deficit improved in 1Q21

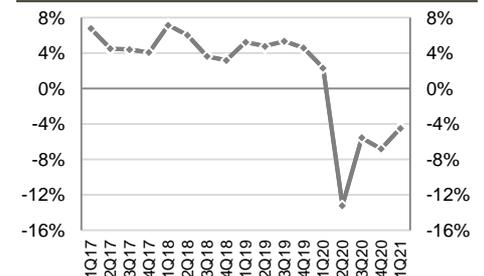
Current account deficit decreased by 13.8% y/y standing at 10.7% of GDP in 1Q21, down from 11.2% of GDP in 1Q20, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, declined by 14.5% y/y to US\$ 755.6mn, as exports increased by 4.8% y/y, while imports fell by 4.1% y/y. Positive service balance declined by 90.6% y/y to US\$ 23.5mn (0.7% of GDP), reflecting the drop of tourism inflows due to COVID pandemic. Surplus in current transfers amounted to US\$ 504.2mn (14.8% of GDP, up 35.9% y/y). Together, services and transfers financed 69.8% of the trade deficit. Notably, other investments at US\$ 481.1mn (14.1% of GDP) were key funding source of CA deficit and net FDI stood at US\$ 42.3mn (1.2% of GDP). The international reserves were up by US\$ 238.6mn.

### 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 May-2021	 <b>BB</b> Negative Affirmed Feb-2021
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Source: Rating agencies



# Money market

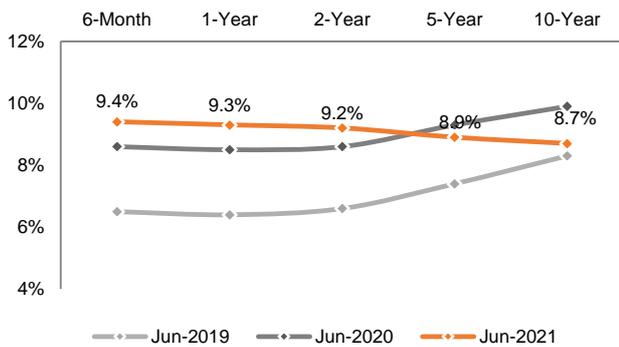
There were no treasury securities auction last week. The nearest treasury security auction is scheduled for 6 July 2021, where GEL 15.0mn nominal value 6-month T-bills and GEL 20.0mn nominal value 2-year Benchmark bonds will be sold.

## T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	60	105	65
1-year	60	105	425
2-year	80	140	1,290
5-year	219	201	2,374
10-year	44	56	1,281
<b>Total</b>	<b>463</b>	<b>607</b>	<b>5,435</b>

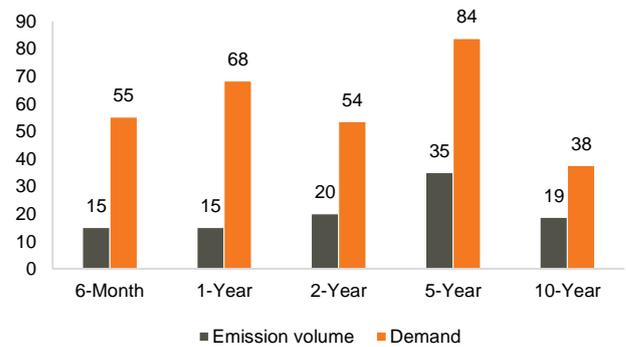
Source: MoF  
Note: \* As of 31 May 2021

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



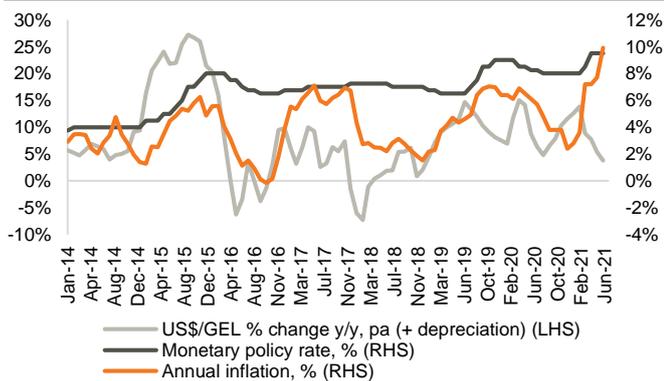
Source: NBG

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



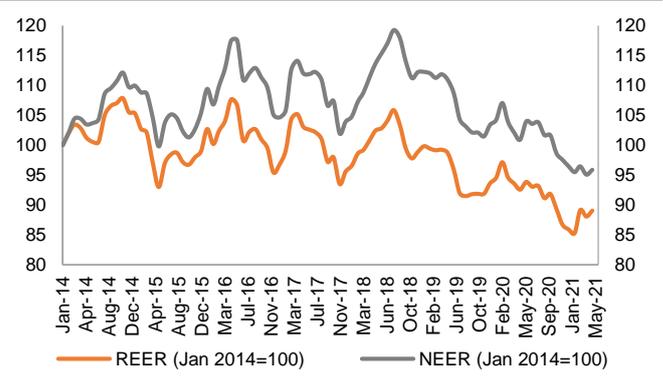
Source: NBG

## 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



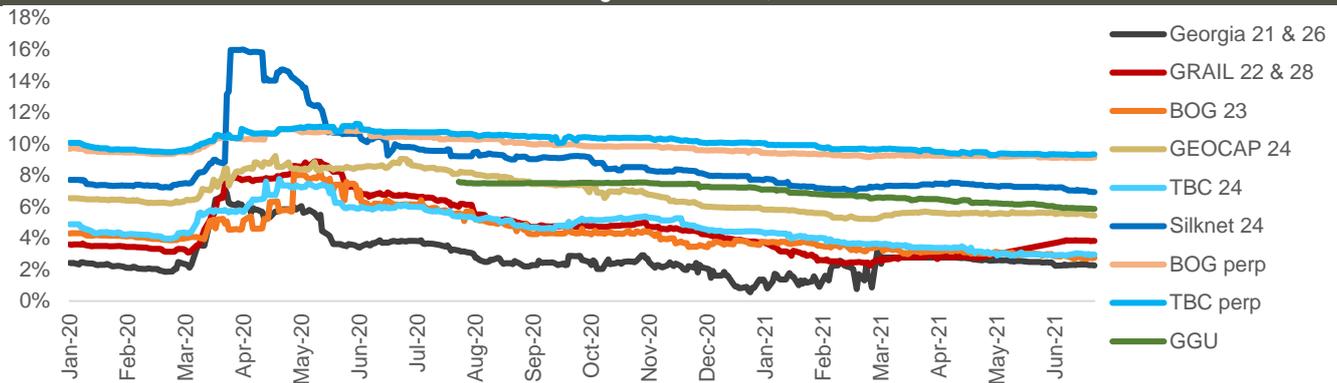
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 2.75% yield, trading at 106.45 (-0.13% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.72 (+0.38% w/w), yielding 5.42%.

Georgian Railway Eurobonds (GRAIL) traded at 101.12 (+0.17 w/w), yielding 3.82%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 102.21 (+0.26% w/w) at 2.26% yield to maturity.

Georgian Eurobonds, YTM



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
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	102.21	2.26	136.17
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	101.12	3.82	267.90
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.45	2.75	242.32
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	109.64	9.12	692.56
GEOCAP 03/24	USD	300	6.125%	Mar-24	-B/B2	101.72	5.42	495.53
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	110.00	6.92	428.44
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	107.87	2.94	241.03
TBC PERP	USD	125	10.775%	n/a	B-/B-	109.87	9.31	671.10
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.76	5.86	456.91

#### 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-	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 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

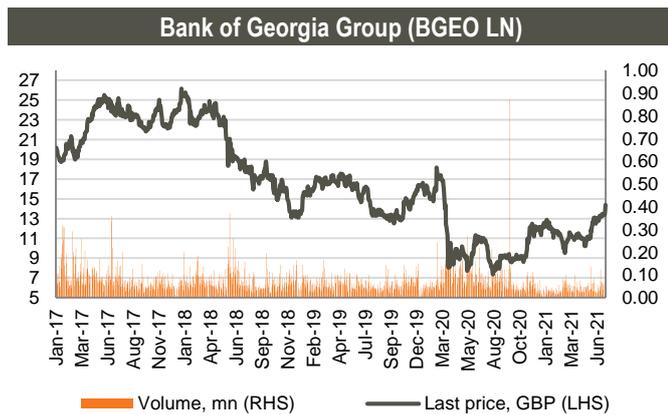
Source: Bloomberg

## Equities

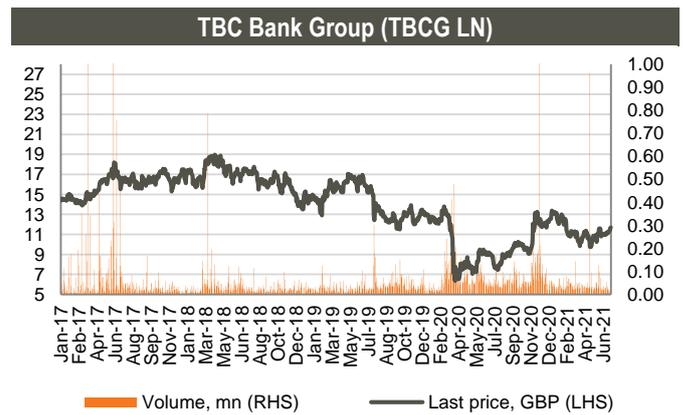
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 14.40/share (+7.46% w/w and +12.50% m/m). More than 350k shares traded in the range of GBP 13.26 - 14.64/share. Average daily traded volume was 54k in the last 4 weeks. The volume of BGEO shares traded was at 0.71% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 6.98/share (+1.60% w/w and +10.09% m/m). More than 405k shares traded in the range of GBP 6.78 - 7.29/share. Average daily traded volume was 49k in the last 4 weeks. The volume of CGEO shares traded was at 0.85% of its capitalization.

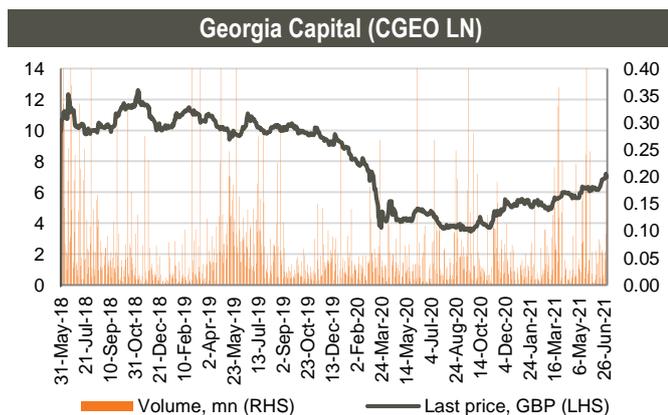
**TBC Bank Group (TBCG LN)** closed the week at GBP 11.68/share (+3.91% w/w and +6.18% m/m). More than 136k shares changed hands in the range of GBP 11.08 - 11.92/share. Average daily traded volume was 26k in the last 4 weeks. The volume of TBCG shares traded was at 0.25% of its capitalization.



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	
								2021F	2022F	2021F	2022F
Bank of Georgia	BGEO	GBP	14.40	708	18.0%	30.7%	18.0%	5.56x	4.69x	1.13x	0.97x
TBC	TBC	GBP	11.68	644	-6.6%	27.0%	-6.6%	4.73x	4.12x	0.82x	0.72x
Sberbank	SBER	USD	16.73	90,287	15.2%	40.8%	15.2%	6.65x	6.26x	1.16x	1.05x
Halyk Bank	HSBK	USD	15.46	4,543	32.7%	20.3%	32.7%	4.74x	4.85x	1.14x	1.08x
VTB Bank	VTBR	USD	1.31	8,463	36.8%	37.0%	36.8%	3.42x	3.18x	0.47x	0.39x
Akbank	AKBNK	TRY	5.33	27,716	-23.1%	-11.0%	-23.1%	3.92x	2.75x	0.42x	0.37x
Garanti	GARAN	TRY	8.40	35,280	-19.0%	0.5%	-19.0%	4.32x	3.00x	0.53x	0.45x
Isbank	ISCTR	TRY	5.15	23,175	-26.4%	-6.2%	-26.4%	3.01x	2.16x	0.33x	0.29x
PKO	PKO	PLN	38.01	47,513	32.3%	61.8%	32.3%	10.61x	10.18x	1.08x	1.04x
PEKAO	PEO	PLN	94.24	24,735	54.2%	69.5%	54.2%	13.42x	10.90x	0.94x	0.90x
Millennium	MIL	PLN	4.79	5,815	46.6%	54.6%	46.6%	7.36x	6.26x	0.71x	0.70x
Mbank	MBK	PLN	325.00	13,769	81.4%	39.1%	81.4%	9.82x	9.89x	0.83x	0.79x
BRD	BRD	RON	17.46	12,168	17.5%	46.7%	17.5%	11.62x	10.41x	1.26x	1.29x
Banca Transilvania	TLV	RON	2.70	15,492	20.0%	38.5%	20.0%	10.02x	9.03x	1.53x	1.43x
OTP	OTPD	USD	22.00	12,320	-3.5%	-3.5%	-3.5%	8.73x	8.04x	0.62x	0.56x
Komerčni	KOMB	CZK	779.00	148,048	18.6%	34.3%	18.6%	15.23x	12.63x	1.23x	1.22x
<b>Mean</b>								<b>7.70x</b>	<b>6.77x</b>	<b>0.89x</b>	<b>0.83x</b>
<b>Median</b>								<b>7.00x</b>	<b>6.26x</b>	<b>0.89x</b>	<b>0.85x</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	
								2021F	2022F	2021F	2022F
Georgia Capital	CGEO	GBP	6.98	334	29.3%	50.1%	29.3%	na	na	na	na
Tinc Comm	TINC	EUR	12.56	457	-3.0%	-3.4%	-3.0%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.14	18,649	-20.2%	-1.5%	-20.2%	3.55x	2.93x	0.44x	0.36x
Deutsche Beteiligungs	DBAN	EUR	34.05	512	9.3%	22.2%	9.3%	6.80x	7.04x	1.09x	0.98x
Eurazeo	RF	EUR	74.70	5,902	34.6%	58.7%	34.6%	15.75x	14.05x	0.95x	0.87x
Carlyle Group	CG	USD	46.60	16,521	48.2%	66.6%	48.2%	18.84x	15.08x	5.18x	4.36x
<b>Mean</b>								<b>11.24x</b>	<b>9.77x</b>	<b>1.91x</b>	<b>1.64x</b>
<b>Median</b>								<b>11.28x</b>	<b>10.55x</b>	<b>1.02x</b>	<b>0.93x</b>

Source: Bloomberg, S&P Capital IQ

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