

Weekly Market Watch

Weekly Market Watch | Georgia
June 28, 2021

Economy

Exports up by 45.0% y/y in May 2021

In May 2021, exports increased by 45.0% y/y to US\$ 339.4mn after a 70.0% y/y growth in previous month (notably, exports was broadly flat vs May 2019). Imports also increased by 40.3% y/y to US\$ 742.3mn, after growing 58.0% y/y in previous month (notably, imports was down 6.5% vs May 2019). As a result, trade deficit widened by 36.5% y/y to US\$ 402.9mn in May.

In May 2021, copper (+48.8% y/y), cars (+186.6% y/y), ferro-alloys (+89.5% y/y), wine (+6.1% y/y) and spirits (+10.3% y/y) were the top 5 exported commodities. A 12.0% of exports were directed to the EU (-39.1% y/y), 46.6% to the CIS (+74.5% y/y) and 41.4% to other countries (+83.3% y/y).

Cars (+3.4% y/y), petroleum (+139.1% y/y), copper (+31.8% y/y), pharmaceuticals (+34.4% y/y) and telephones (+302.5% y/y) represented the top 5 imported commodities in May 2021.

Overall in 5M21, trade deficit was up by 9.6% y/y to US\$ 1.9bn, as exports increased by 24.4% y/y to US\$ 1.5bn and imports increased by 15.7% y/y to US\$ 3.5bn.

NPLs at 2.3% in May 2021

In May 2021, the banking sector loan portfolio growth accelerated to 11.3% y/y (+1.2% m/m), excluding FX effect, after a 9.8% y/y growth in previous month. In unadjusted terms, loan portfolio was up 15.7% y/y (-1.5% m/m due to GEL appreciation), amounting to GEL 39.5bn (US\$ 12.1bn). By sector, loan growth accelerated in both corporate and retail segments to 9.4% y/y and 13.2% y/y, respectively (exc. FX effect) in May. Notably, newly issued mortgages surged by 725.1% y/y, bringing mortgages stock growth to 12.3% y/y, after growing 11.3% y/y in previous month (exc. FX effect). In May 2021, loan dollarization stood at 54.0% (-3.70ppts y/y and -1.48ppts m/m) and NPLs stood at 2.3% (flat y/y and +0.07ppts m/m).

Bank deposits increased by 22.1% y/y (+2.5% m/m, exc. FX effect) to GEL 35.4bn (US\$ 10.8bn) in May 2021. By currency, GEL deposits increased by 37.3% y/y and FX deposits were up 13.6% y/y (exc. FX effect). The deposit dollarization stood at 60.7% (-3.37ppts y/y and -2.00ppts m/m).

Producer price index up 15.5% y/y in May 2021

Annual PPI for industrial goods retreated to 15.5% in May 2021 from 17.5% in previous month, according to Geostat. Price changes in manufacturing (+15.5% y/y) and electricity, gas, steam and air conditioning (+16.1% y/y) contributed the most to the overall index change.

NBG keeps its policy rate unchanged at 9.5%

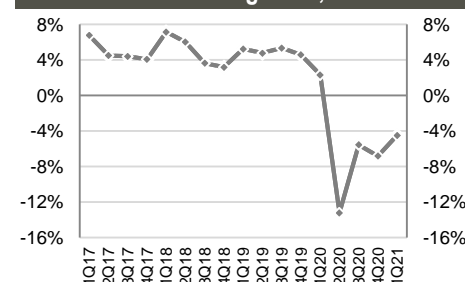
At its meeting on 23 June 2021, NBG's monetary policy committee decided to keep its policy rate unchanged at 9.5%. Annual inflation was 7.7% in May 2021; NBG expects inflation to peak in June and average 7.0% in 2021. The central bank noted that the contribution from imported and food prices to the inflation rate is still high due to rising prices on international markets and the exchange rate depreciation in previous periods. At the same time, rising global oil prices are pushing fuel prices higher and, consequently, increasing their contribution to inflation, NBG commented. The regulator expects inflation to gradually return to its target level of 3% in 2022 by maintaining tight monetary policy for a prolonged period and the expected fade-out of one-off exogenous factors. The next committee meeting is scheduled for 4 August 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

STANDARD & POOR'S BB Negative Affirmed Feb-2021	Moody's INVESTORS SERVICE Ba2 Stable Affirmed May-2021	FitchRatings BB Negative Affirmed Feb-2021
--	---	---

Source: Rating agencies



Money market

Ministry of Finance Benchmark Bonds: 5-year GEL 35.0mn (US\$ 11.1mn) Benchmark bonds were sold at the auction held at NBG on June 22, 2021. Total demand was c.2.4x higher and the weighted average yield was fixed at 9.085%, down by 0.308ppts from previous auction held in May, 2021. The nearest treasury security auction is scheduled for the first week of 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.

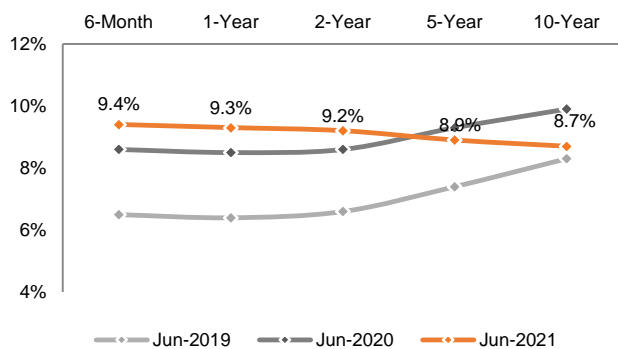
T-bills / T-notes in 2021

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
Total	463	607	5,435

Source: MoF

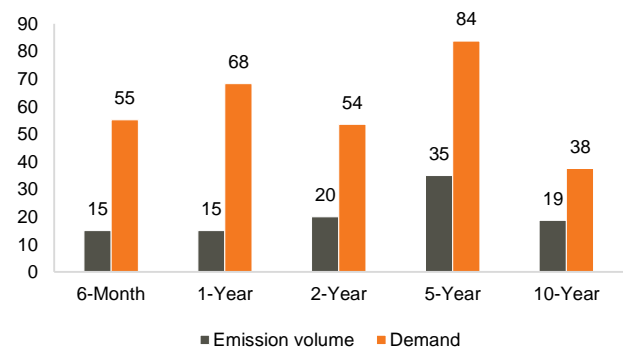
Note: * As of 31 May 2021

T-bills / T-notes, yield curve



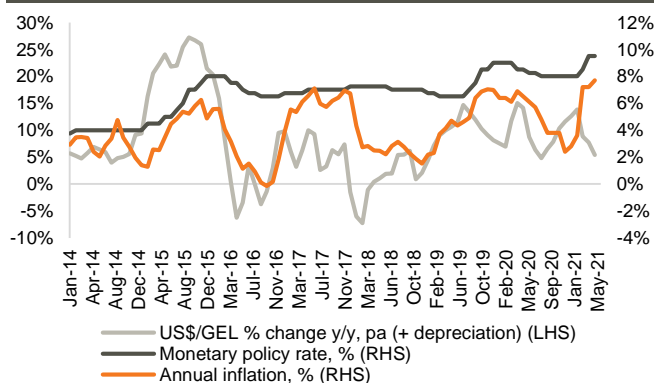
Source: NBG

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



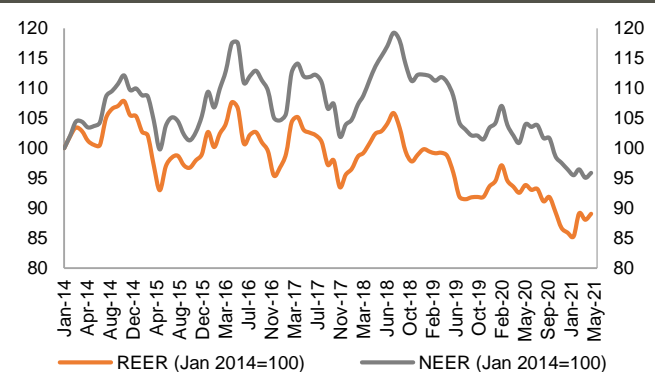
Source: NBG

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



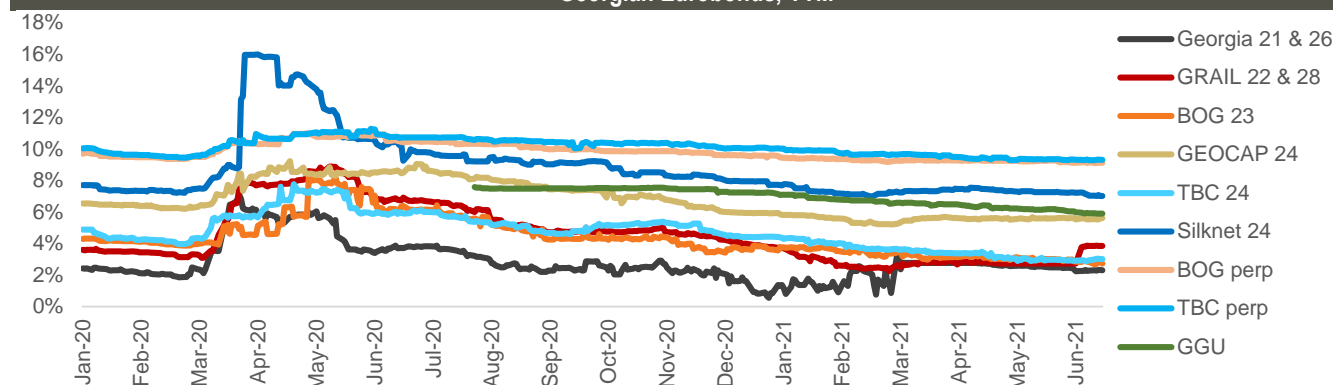
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.73% yield, trading at 106.55 (+0.14% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.30 (-0.17% w/w), yielding 5.60%.

Georgian Railway Eurobonds (GRAIL) traded at 100.96 (-0.02% w/w), yielding 3.84%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.03 (-0.15% w/w) at 2.30% 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	102.03	2.30	137.30
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	100.96	3.84	263.46
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.55	2.73	238.25
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	110.05	9.11	678.79
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	101.30	5.60	510.76
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	109.84	7.01	465.07
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	107.72	3.01	246.25
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.00	9.29	667.11
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.66	5.89	469.86

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

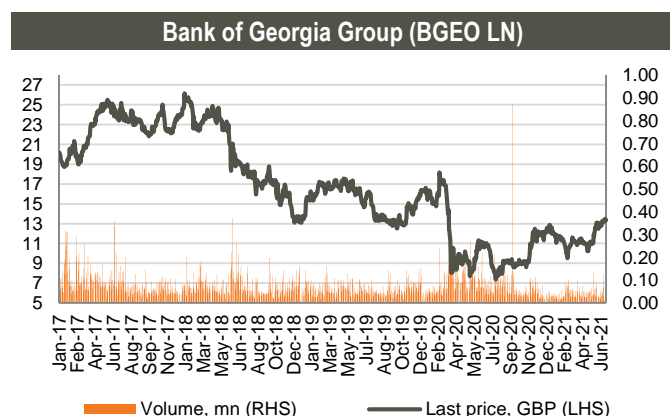
Source: Bloomberg

Equities

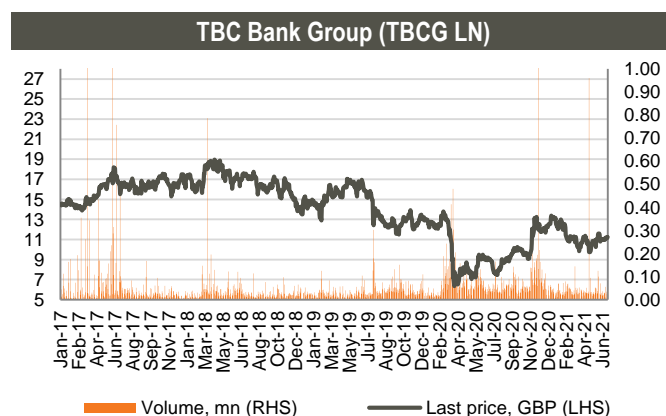
Bank of Georgia Group (BGEO LN) shares closed at GBP 13.40/share (+1.82% w/w and +7.72% m/m). More than 245k shares traded in the range of GBP 13.08 - 13.72/share. Average daily traded volume was 44k in the last 4 weeks. The volume of BGEO shares traded was at 0.50% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 6.87/share (+8.19% w/w and +9.39% m/m). More than 212k shares traded in the range of GBP 6.34 - 6.87/share. Average daily traded volume was 35k in the last 4 weeks. The volume of CGEO shares traded was at 0.44% of its capitalization.

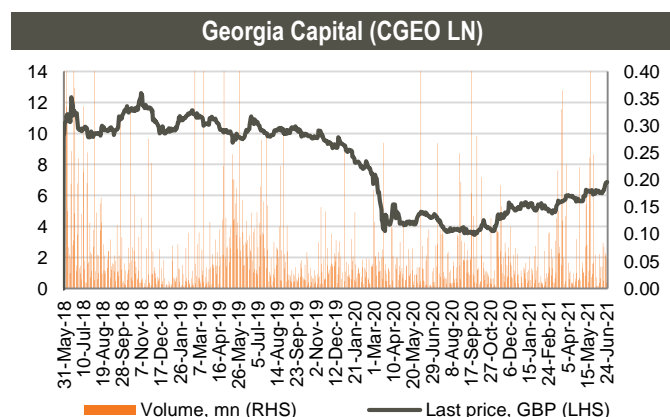
TBC Bank Group (TBCG LN) closed the week at GBP 11.24/share (+0.54% w/w and +2.93% m/m). More than 114k shares changed hands in the range of GBP 11.00 - 11.36/share. Average daily traded volume was 28k in the last 4 weeks. The volume of TBCG shares traded was at 0.21% of its capitalization.



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	13.40	659	10.7%	26.4%	9.8%	5.16x	4.36x	1.04x	0.90x
TBC	TBC	GBP	11.24	620	-8.2%	24.5%	-10.1%	4.62x	4.02x	0.79x	0.69x
Sberbank	SBER	USD	17.32	93,445	18.4%	46.7%	19.2%	6.76x	6.34x	1.18x	1.07x
Halyk Bank	HSBK	USD	15.74	4,625	36.9%	19.7%	35.1%	4.78x	4.92x	1.16x	1.10x
VTB Bank	VTBR	USD	1.35	8,748	37.5%	38.2%	41.4%	3.48x	3.23x	0.42x	0.40x
Akbank	AKBNK	TRY	5.34	27,768	-18.0%	-9.5%	-22.9%	3.94x	2.79x	0.42x	0.37x
Garanti	GARAN	TRY	8.20	34,440	-16.8%	-0.2%	-20.9%	4.21x	2.94x	0.52x	0.44x
Isbank	ISCTR	TRY	5.22	23,490	-22.7%	-1.9%	-25.4%	3.05x	2.22x	0.33x	0.29x
PKO	PKO	PLN	40.78	50,975	41.9%	78.7%	42.0%	10.92x	11.39x	1.17x	1.11x
PEKAO	PEO	PLN	102.70	26,956	68.1%	89.5%	68.1%	14.83x	11.99x	1.02x	0.98x
Millennium	MIL	PLN	5.11	6,199	61.2%	58.7%	56.3%	8.11x	7.14x	0.75x	0.74x
Mbank	MBK	PLN	346.60	14,684	94.8%	43.9%	93.4%	11.60x	11.56x	0.88x	0.84x
BRD	BRD	RON	17.40	12,126	18.4%	51.3%	17.1%	11.68x	11.10x	1.17x	1.32x
Banca Transilvania	TLV	RON	2.76	15,836	21.6%	44.2%	22.7%	10.16x	9.20x	1.55x	1.46x
OTP	OTPD	USD	22.00	12,320	-3.5%	-3.5%	-3.5%	8.79x	8.06x	0.61x	0.56x
Komerční	KOMB	CZK	760.50	144,532	19.8%	37.3%	15.8%	14.79x	12.26x	1.19x	1.18x
Mean								7.93x	7.09x	0.89x	0.84x
Median								7.43x	6.74x	0.95x	0.87x

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	6.87	329	33.9%	51.0%	27.2%	na	na	na	na
Tinc Comm	TINC	EUR	12.70	462	-0.8%	-2.7%	-1.9%	na	na	na	na
Sabanci Holding	SAHOL	TRY	9.23	18,833	-12.3%	1.5%	-19.5%	3.61x	2.97x	0.45x	0.37x
Deutsche Beteiligungs	DBAN	EUR	34.20	515	7.0%	21.1%	9.8%	6.78x	7.03x	1.08x	0.98x
Eurazeo	RF	EUR	73.00	5,768	30.4%	60.8%	31.5%	15.29x	13.64x	0.93x	0.85x
Carlyle Group	CG	USD	46.94	16,644	49.7%	65.3%	49.3%	18.81x	15.12x	5.22x	4.39x
Mean								11.12x	9.69x	1.92x	1.65x
Median								11.04x	10.33x	1.00x	0.91x

Source: Bloomberg, S&P Capital IQ

Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge