



Weekly Market Watch

Weekly Market Watch | Georgia
April 5, 2021

Economy

Real GDP growth was -5.1% y/y in February 2021

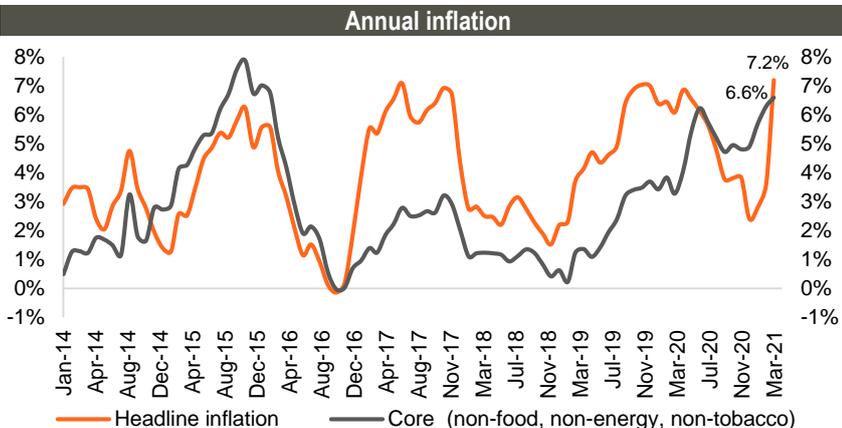
Georgia's economic contraction slowed to 5.1% y/y in February 2021 amid gradual lifting of COVID-19 restrictions, after a 11.5% y/y contraction in previous month. In 2M21, real growth was down by 8.3% y/y. In February 2021, positive growth was recorded in finance & insurance, trade, water supply and waste management activities, while growth was down in construction, accommodation services, arts, entertainment & recreation, transportation, real estate and manufacturing. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation was 7.2% y/y and 4.2% m/m in March 2021

Annual CPI inflation rose to 7.2% in March 2021, after a 3.6% inflation in February 2021, according to Geostat. The spike in prices reflected completion of utility subsidies (subtracting c.2ppts from inflation in previous 3 months), along with higher world commodity prices and GEL depreciation. Core inflation (non-food, non-energy) was 6.9% in March, while core inflation excluding tobacco was 6.6%. By categories, annual inflation was mainly driven by price changes in food and non-alcoholic beverages (+5.7% y/y, +1.86ppts), housing, water, electricity, gas and other fuels (+7.6% y/y, +1.24ppts), health (+13.6% y/y, +1.03ppts), transport (+5.8% y/y, +0.77ppts), furnishings, household equipment and maintenance (+12.0% y/y, +0.67ppts) and alcoholic beverages and tobacco (+8.9% y/y, +0.56ppts) categories. On a monthly basis, there was 4.2% inflation in March 2021, reflecting price increase in housing, water, electricity, gas and other fuels (+36.1% m/m, +2.97ppts, subsidized in previous months), food and non-alcoholic beverages (+1.5% m/m) and transport (+2.6% m/m).

NBG sold US\$ 27.5mn

On 1 April 2021, the NBG intervened on the FX market and sold US\$ 27.5mn out of offered US\$ 40mn to limit GEL's depreciation. This was 5th FX intervention YTD for a total sale of US\$ 187.5mn through FX auctions.



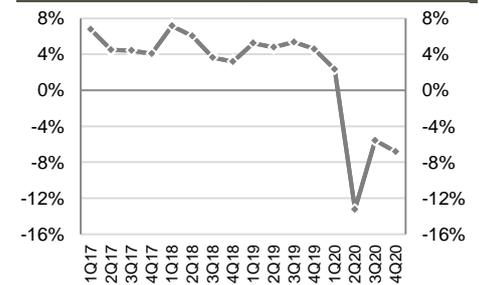
Source: Geostat

Key macro indicators

	2018	2019	2020
GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,634	14,693
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, Galt & Taggart

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

 BB Negative Affirmed Feb-2021	 Ba2 Stable Affirmed Aug-2020	 BB Negative Affirmed Feb-2021
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Source: Rating agencies



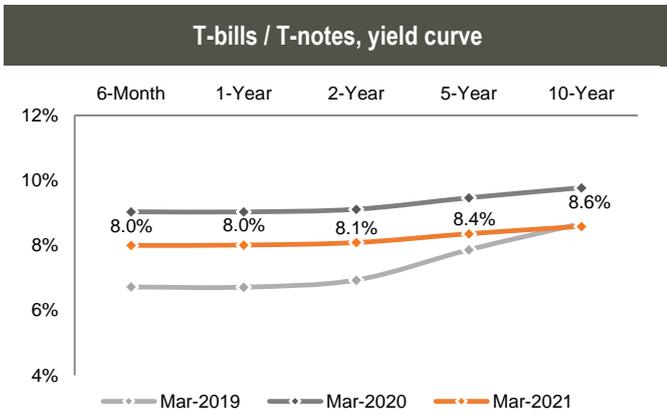
Money market

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

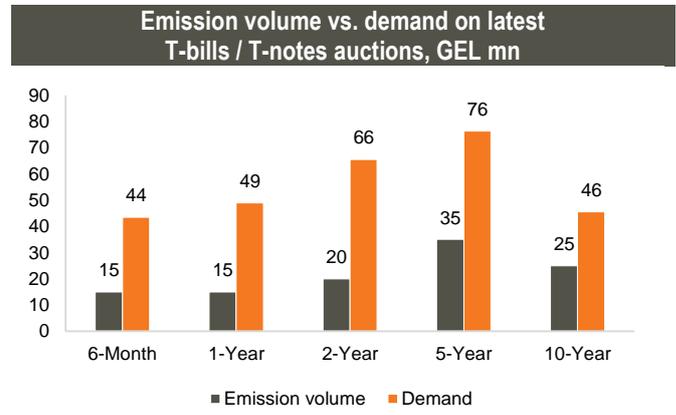
T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	30	135	95
1-year	30	135	575
2-year	40	180	1,250
5-year	105	315	2,336
10-year	25	75	1,262
Total	230	840	5,518

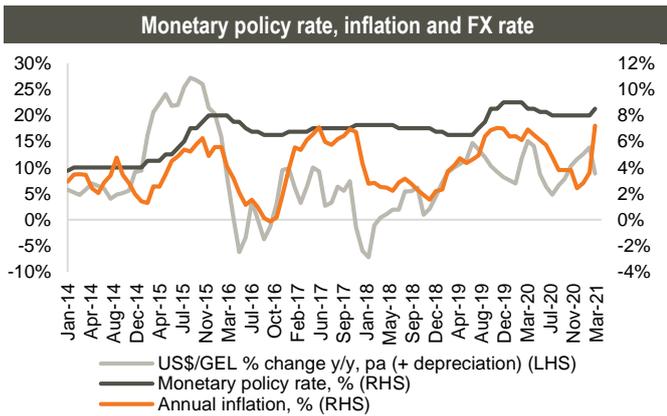
Source: MoF
Note: * As of 28 February 2021



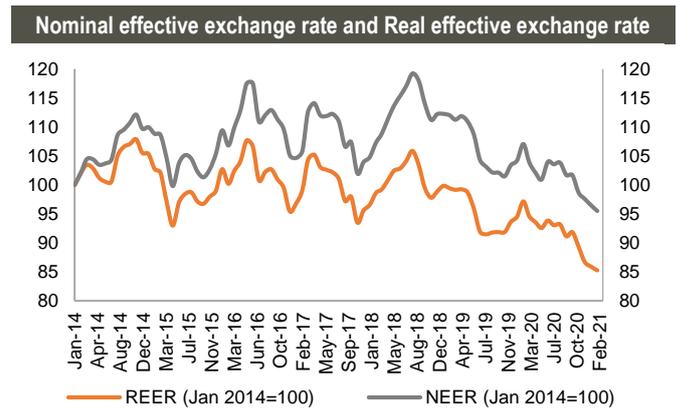
Source: NBG



Source: NBG



Source: NBG



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



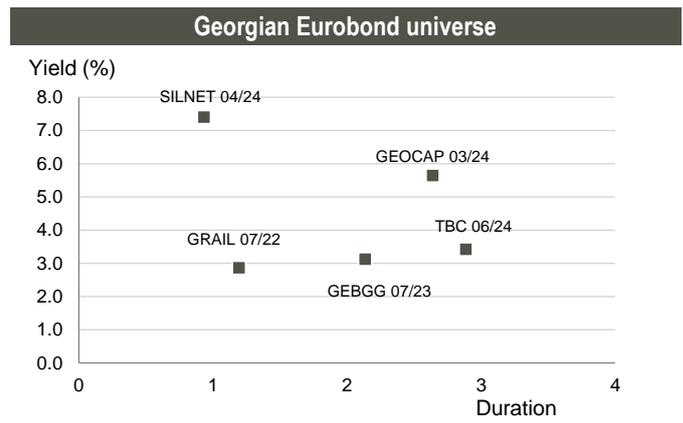
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.13% yield, trading at 106.34 (+0.07% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.27 (unchanged w/w), yielding 5.65%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.01 (+0.05% w/w), yielding 2.87%.



Source: Bloomberg



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	n/a	n/a	n/a	
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	106.01	2.87	254.62	
GEOROG 04/21**	US\$	250	6.750%	Apr-21	-/BB/-	n/a	n/a	n/a	
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	106.34	3.13	273.42	
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-	108.42	9.36	743.67	
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	101.27	5.65	508.81	
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	109.49	7.40	620.46	
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	107.01	3.42	281.91	
TBC PERP	US\$	125	10.775%	n/a	B-/B-	106.88	9.65	781.36	
GGU 07/25	US\$	250	7.750%	Jul-25	B+/B/-	104.66	6.49	555.08	
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-/B/Ba2	n/a	n/a	n/a	
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a	
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.43	7.20	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	-/-/-	100.00	7.50	n/a	
GLC 08/22	US\$	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	US\$	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-/B1/-	100.00	14.25	n/a	
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a	

Source: Bloomberg

*Georgian Government is working to refinance the Eurobond in April 2021

**Georgian Oil and Gas Corporation will be repaying its Eurobond, maturing in April 2021, by the proceeds from EBRD loan, without tapping international markets. See our terminating [report](#).



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	n/a	n/a	n/a
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.41	1.78	158.17
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	102.12	5.68	541.97
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.93	1.00	35.84
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.08	1.10	69.88
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	101.92	2.90	268.29

Source: Bloomberg

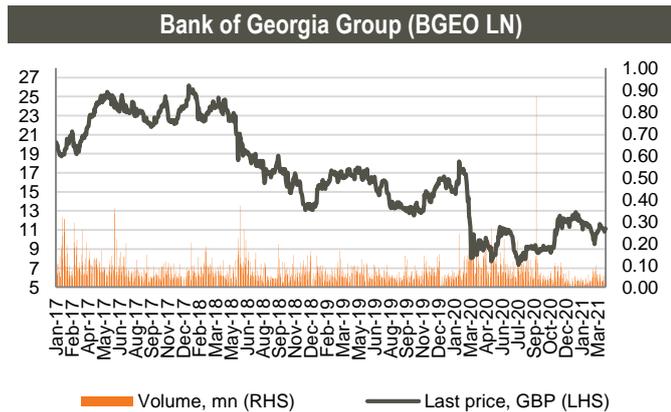


Equities

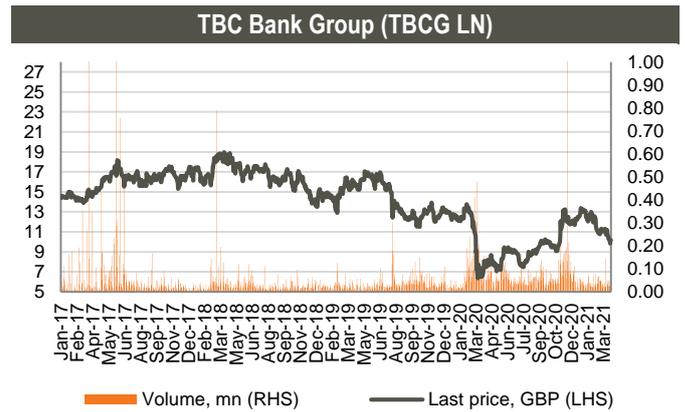
Bank of Georgia Group (BGEO LN) shares closed at GBP 11.16/share (+0.36% w/w and +12.50% m/m). More than 224k shares traded in the range of GBP 10.82 - 11.22/share. Average daily traded volume was 47k in the last 4 weeks. The volume of BGEO shares traded was at 0.46% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.99/share (+6.21% w/w and +21.01% m/m). More than 385k shares traded in the range of GBP 5.59 - 6.03/share. Average daily traded volume was 108k in the last 4 weeks. The volume of CGEO shares traded was at 1.05% of its capitalization.

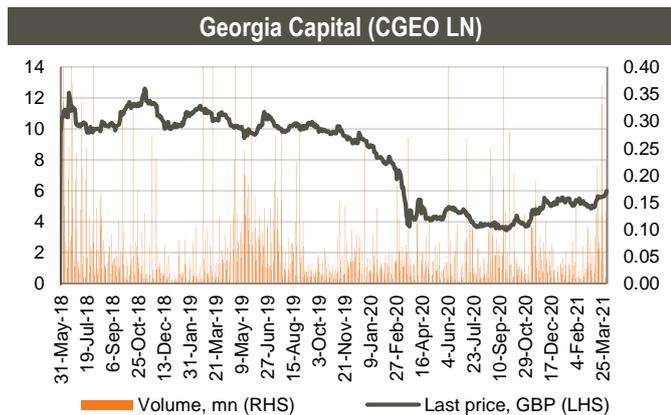
TBC Bank Group (TBCG LN) closed the week at GBP 10.20/share (-0.97% w/w and -5.90% m/m). More than 133k shares changed hands in the range of GBP 9.82 - 10.70/share. Average daily traded volume was 38k in the last 4 weeks. The volume of TBCG shares traded was at 0.24% of its capitalization.



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	11.16	549	26.0%	31.3%	-8.5%	8.15x	4.72x	0.98x	0.81x
TBC	TBC	GBP	10.20	561	3.0%	45.9%	-18.4%	6.11x	4.54x	0.85x	0.76x
Halyk Bank	HSBK	US\$	14.10	4,143	33.0%	60.2%	21.0%	5.66x	4.26x	1.15x	1.08x
VTB Bank	VTBR	US\$	1.08	6,999	29.5%	33.7%	13.1%	7.24x	3.14x	0.38x	0.36x
Akbank	AKBNK	TRY	4.89	25,428	-5.4%	-10.6%	-29.4%	3.89x	3.10x	0.38x	0.36x
Garanti	GARAN	TRY	7.01	29,442	-1.5%	-10.6%	-32.4%	4.01x	3.06x	0.43x	0.40x
Isbank	ISCTR	TRY	5.11	22,995	-5.2%	10.6%	-27.0%	3.14x	2.80x	0.31x	0.31x
PKO	PKO	PLN	32.59	40,738	54.5%	46.8%	13.5%	13.76x	12.17x	0.88x	0.87x
PEKAO	PEO	PLN	71.46	18,756	43.5%	32.3%	17.0%	15.11x	11.62x	0.72x	0.71x
Millennium	MIL	PLN	3.80	4,610	38.8%	16.9%	16.2%	63.15x	18.67x	0.49x	0.49x
Mbank	MBK	PLN	212.00	8,975	22.5%	-0.2%	18.3%	35.11x	17.44x	0.51x	0.53x
BRD	BRD	RON	16.02	11,164	23.0%	45.1%	7.8%	13.59x	11.15x	1.20x	1.47x
Banca Transilvania	TLV	RON	2.44	12,701	12.3%	52.9%	8.2%	12.83x	7.84x	1.49x	1.28x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.52x	10.36x	0.70x	0.65x
Komercni	KOMB	CZK	694.00	131,894	43.2%	45.2%	5.6%	15.96x	14.39x	1.12x	1.10x
Mean								14.68x	8.62x	0.77x	0.75x
Median								12.52x	7.84x	0.72x	0.71x

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	5.99	220	61.5%	45.4%	10.9%	na	na	na	na
Tinc Comm	TINC	EUR	12.62	344	-6.2%	2.2%	-2.5%	na	na	na	na
Sabancı Holding	SAHOL	TRY	8.99	18,343	9.2%	26.4%	-21.6%	3.50x	3.18x	0.46x	0.40x
Deutsche Beteiligungs	DBAN	EUR	39.40	593	18.1%	51.2%	19.0%	na	7.87x	1.34x	1.28x
Eurazeo	RF	EUR	66.40	5,230	44.0%	70.1%	19.6%	31.03x	9.26x	0.93x	0.76x
Carlyle Group	CG	USD	37.39	4,138	50.3%	89.7%	18.9%	6.29x	5.17x	6.18x	4.69x
Mean								13.61x	6.37x	2.23x	1.78x
Median								6.29x	6.52x	1.14x	1.02x

Source: Bloomberg, S&P Capital IQ



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