

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 18, 2018

Economy

FDI down 32.9% y/y

FDI was down 32.9% y/y to US\$ 279mn (7.6% of GDP) in 1Q18, according to GeoStat's preliminary figures. The major reason behind this decrease was ownership transfer from non-resident to resident companies (e.g. acquisition of Geocell by Silknet) and reduction of debt liabilities to non-resident direct investors. The financial sector was the largest FDI recipient at US\$ 110.6mn (+41.6% y/y, 39.6% of total), followed by construction sector at US\$ 69.1mn (+26.9% y/y, 24.7% of total), transport at US\$ 56.1mn (-55.0% y/y, 20.1% of total) and manufacturing at US\$ 40.2mn (6.3x higher y/y, 14.4% of total). United Kingdom topped the list of investors with US\$ 82.7mn (+2.8% y/y), followed by Azerbaijan at US\$ 51.0mn (-47.3% y/y), and China at US\$ 41.6mn (5.7x higher y/y).

Exports up 50.2% y/y in May 2018

In May 2018, exports growth surged 50.2% y/y to record high US\$ 323.3mn, imports were up 25.1% y/y to US\$ 802.6mn and the trade deficit widened 12.4% y/y to US\$ 479.3mn, according to GeoStat's preliminary figures. In 5M18, trade deficit was up 20.9% to US\$ 2.3bn as exports increased 28.0% y/y to US\$ 1.3bn and imports were up 23.3% y/y to US\$ 3.6bn. Detailed foreign trade statistics will be available on June 19, 2018.

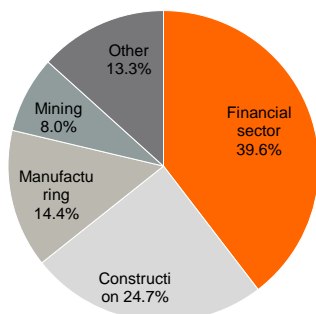
Money transfers up 13.0% y/y in May 2018

In May 2018, money transfers increased 13.0% y/y to US\$ 130.4mn, after growing 16.9% y/y in previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+33.9% y/y, 12.0% of total), USA (+15.7% y/y, 10.7% of total), Greece (+13.6% y/y, 10.2% of total) and Israel (+34.5% y/y, 9.7% of total), while remittances were down from Russia (-1.7% y/y, 28.5% of total) and Turkey (-3.2% y/y, 7.4% of total). Overall, in 5M18 money transfers were up 19.2% y/y to US\$ 609.3mn.

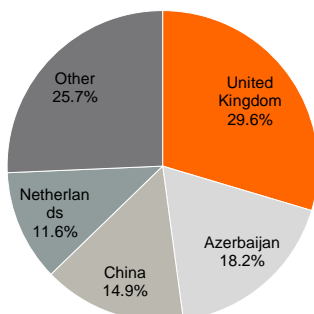
NBG keeps monetary policy rate unchanged at 7.25%

At its meeting on 13 June 2018, NBG's monetary policy committee decided to keep its key rate unchanged at 7.25%. Inflation was 2.5% in May, below the 3.0% target, but the decision takes into account increased risks of transmission of inflationary pressures from the main trading partner countries due to higher volatility in financial markets. The committee also decided to reduce the minimum reserve requirements on local currency funding from 7.0% to 5.0%. The next committee meeting is scheduled for 25 July 2018.

FDI by sectors, 1Q18



FDI by countries, 1Q18



Source: GeoStat

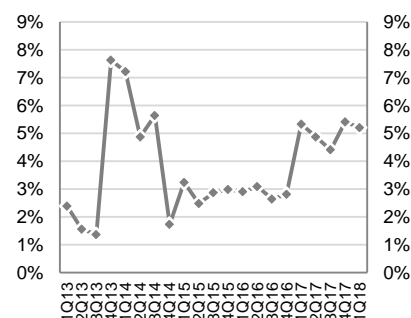
Key macro indicators

	5M18	2017	2016
GDP (% change)	5.5% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 4M18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba2 Stable Upgraded Sep-2017	FitchRatings BB- Positive Affirmed Mar-2018
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,130mn (US\$ 458.9mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.1mn) certificates of deposit, with an average yield of 7.29% (unchanged from previous issue).

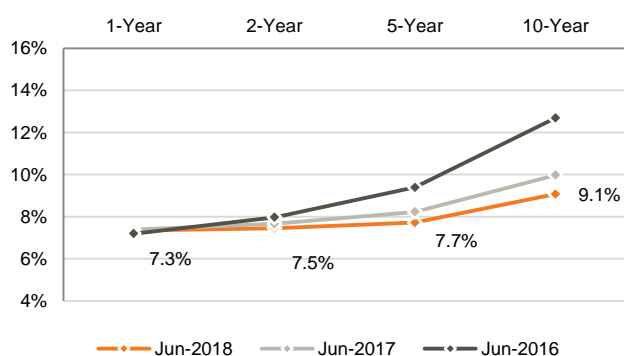
Ministry of Finance Treasury Notes:

2-year GEL 40.0mn (US\$ 16.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on June 13, 2018. The weighted average yield was fixed at 7.451%. The nearest treasury security auction is scheduled for June 27, 2018, where GEL 30.0mn nominal value 5-year Benchmark bonds will be sold.

Ministry of Finance Treasury Bills:

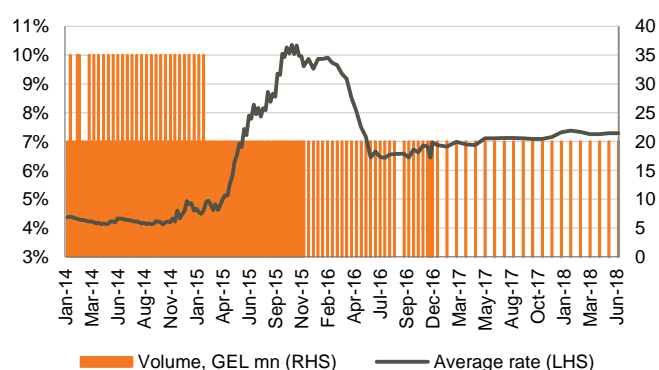
182-days GEL 20.0mn (US\$ 8.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 13, 2018. The weighted average yield was fixed at 7.329%.

T-bills / T-notes, yield curve



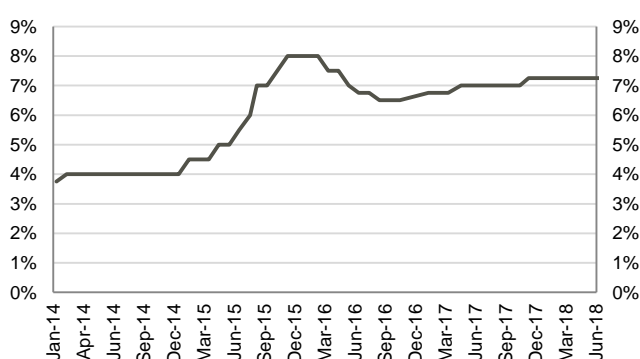
Source: NBG

Certificates of Deposits (weighted average rate)



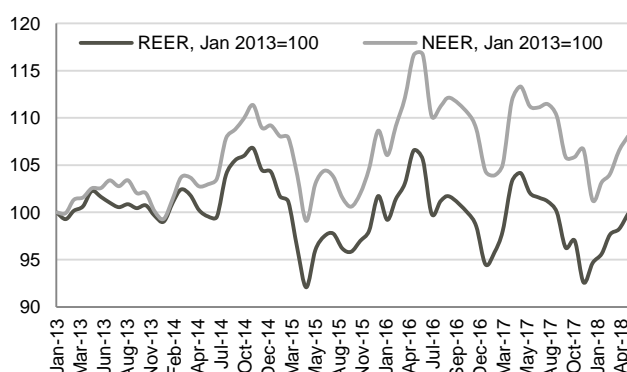
Source: NBG

Monetary policy 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

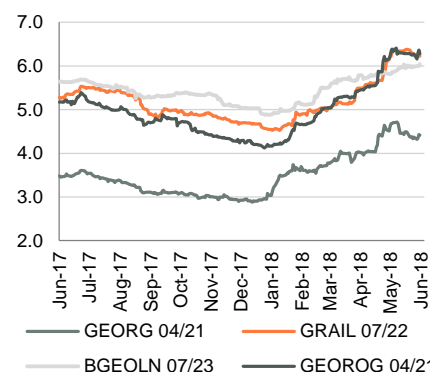
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.0% yield, trading at 100.0 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.8 (unchanged w/w), yielding 7.3%.

GOGC Eurobonds (GEOROG) were trading at 101.0 (-0.2% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.4 (+0.2% w/w), yielding 6.2%.

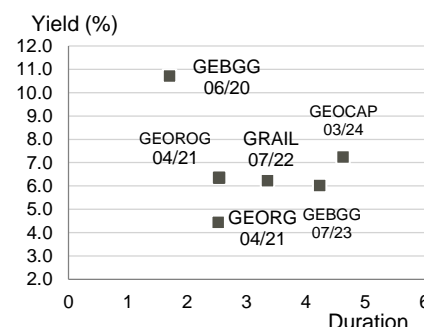
Georgian Sovereign Eurobonds (GEORG) closed at 106.4 (-0.2% w/w) at 4.4% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	GEBGG 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B2	-/-	-/-	n/a	-B+/B2	B-/B2	B-/B2	B-/B2	BB-/BB-/B2	B+/B2
Mid price, US\$	n/a	102.5	101.3	102.05	94.8	100.5	101.0	100.0	106.4	105.4
Mid yield, %	n/a	5.5%	3.8%	6.00%	7.2	10.7	6.4	6.0	4.4	6.2
Z-spread, bps	n/a	n/a	n/a	n/a	430.2	346.1	346.9	307.5	155.2	329.2

Source: Bloomberg

*GWP 12/21 bonds and GEBGG 06/20 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-/Ba2	106.4	4.4	155.2
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	98.6	5.0	208.9
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	115.3	0.0	-30.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	110.7	1.1	97.8
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	106.9	3.7	83.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	108.9	4.1	117.2
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.1	3.8	102.3
Turkey	2,000	5.625%	30/03/2021	BB+/BB-/Ba2	99.3	5.9	303.4

Source: Bloomberg

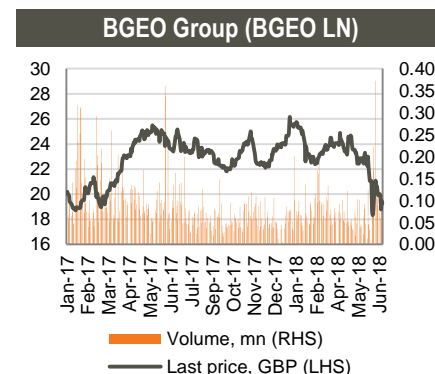
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 19.28/share (-3.14% w/w and -14.08% m/m). More than 702k shares traded in the range of GBP 18.17 – 23.49/share. Average daily traded volume was 115k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.50% w/w and gained 1.29% m/m. The volume of BGEO shares traded was at 1.43% of its capitalization.

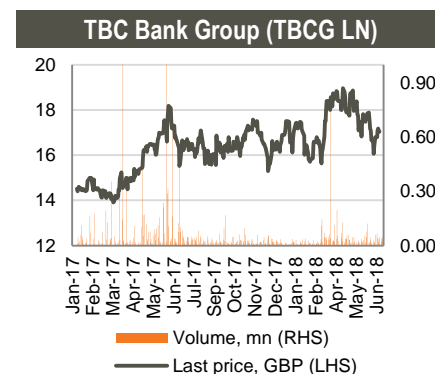
Georgia Capital (CGEO LN) shares closed at GBP 12.22/share (+9.9% w/w). More than 4,673k shares traded in the range of GBP 9.23 – 12.50/share. The volume of CGEO shares traded was at 11.88% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.18 (+0.82% w/w and -1.72% m/m). More than 134k shares changed hands in the range of GBP 15.76 – 17.24 share. Averaged daily traded volume was 33k in the last 4 weeks.

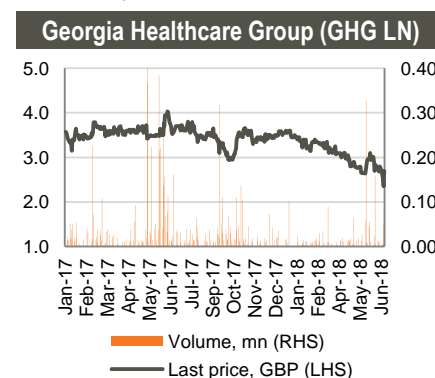
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.70/share (-3.57% w/w and +2.27% m/m). More than 192k shares were traded in the range of GBP 2.70 – 3.02/share. Average daily traded volume was 25k in the last 4 weeks. The volume of GHG shares traded was at 0.15% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO	BGEO	19.284*	1,260	-14.1%	-18.1%	-18.3%	-19.9%	-19.1%
TBC	TBC	17.18*	1,237	-1.7%	-4.6%	4.6%	-1.8%	0.0%
Halyk Bank	HSBK	11.85	3,257	-7.8%	-17.4%	22.5%	19.9%	44.2%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	4.6%
VTB Bank	VTBR	1.41	9,163	-20.4%	-31.2%	-19.8%	-22.7%	-33.9%
Vozrozhdenie Bank	VZRZ	6.39	152	20.4%	-20.1%	-35.0%	-26.5%	-50.2%
Sberbank	SBER	13.65	73,665	-9.4%	-25.0%	-18.4%	-19.4%	35.6%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.7*	472	2.3%	-12.9%	-22.9%	-23.9%	-27.0%
Mouwasat	MOUWASAT	24.99	2,499	-0.4%	7.1%	22.5%	23.8%	26.8%
Fortis	FORH	2.03	1,055	-9.6%	-17.5%	-4.0%	-19.1%	-33.5%
Raffles	RFMD	0.77	1,360	-6.2%	-14.6%	-4.1%	-8.4%	-21.9%
IHH	IHH	1.53	12,615	0.9%	-1.2%	7.4%	6.1%	8.9%
Bangkok Chain	BCH	0.50	1,245	-3.5%	-5.1%	3.4%	0.4%	23.8%
Netcare	NTC	2.21	N/A	-8.5%	7.4%	29.2%	8.9%	14.3%

Source: Bloomberg

*GHG share price traded and shown in GBP

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