

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 Aug 7, 2017

## Economy

### Real GDP grew 4.6% y/y in June 2017

Georgia's economy expanded 4.6% y/y in June 2017, after growing 5.3% y/y in previous month, according to GeoStat's rapid estimates. Overall, in 1H17 GDP growth was 4.5% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

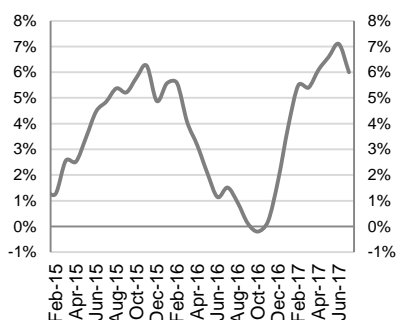
### Tourist arrivals up 32.9% y/y in July 2017

Total international arrivals to Georgia increased 28.6% y/y to 0.98mn visitors in July 2017, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 32.9% y/y to 0.52mn persons (52.9% of total) in July after posting a 43.0% y/y growth in June 2017. Out of top countries by arrivals, in July 2017, visitors continued to increase strongly from Armenia (+25.4% y/y), Russia (+60.4% y/y), Iran (+85.8% y/y), Azerbaijan (+13.8% y/y), and Ukraine (+16.3% y/y). Arrivals from EU were up 21.4% y/y to over 45,500 visitors. In 7M17 international arrivals increased 16.8% y/y to 4.0mn visitors, while tourist arrivals increased 30.2% y/y to 1.8mn.

### Inflation was up 6.0% y/y and down 0.9% m/m in July 2017

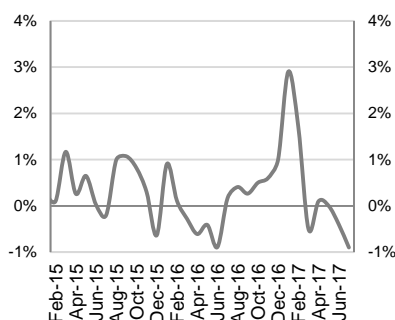
The annual CPI inflation retreated to 6.0% in July 2017 from 7.1% inflation in previous month, according to GeoStat. Core inflation was 4.3% in July, down from 4.5% in previous month. Overall price changes were driven by price increases in food and non-alcoholic beverages (+7.1% y/y, +2.14ppts), transport (+12.6% y/y, +1.61ppts), and alcoholic beverages and tobacco (+17.3% y/y, +1.13ppts) categories. On a monthly basis, there was 0.9% deflation in July 2017. Price decrease in food and non-alcoholic beverages (-2.6% m/m, -0.78ppts) and transport (-1.0% m/m, -0.14ppts) categories were the major drivers of monthly Inflation dynamics.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)

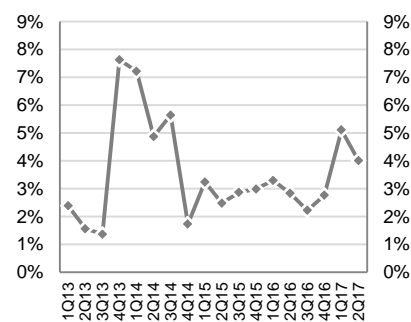


### Key macro indicators

	1H17	2016	2015
GDP (% change)	4.5%	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)	7.1%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	...	13.5%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

### Real GDP growth, %



Source: GeoStat

### 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

<b>STANDARD &amp; POORS</b>  <b>BB-</b> Stable Affirmed May-2017	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Mar-2017
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Source: Rating agencies

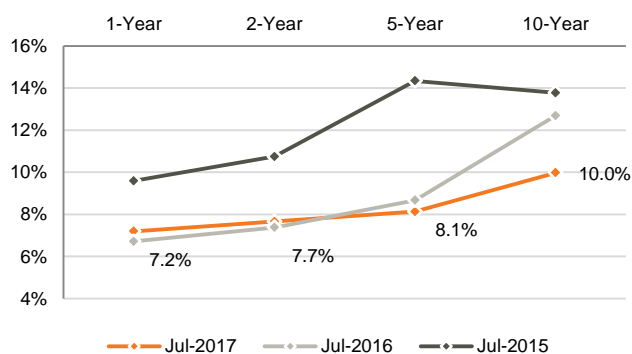
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 960mn (US\$ 400.8mn).

## Ministry of Finance Treasury Bills:

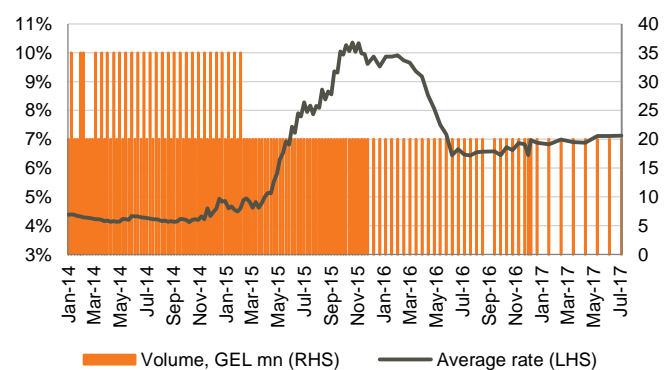
1-year GEL 40.0mn (US\$ 16.7mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on August 2, 2017. The weighted average yield was fixed at 7.194%. The nearest treasury security auction is scheduled for August 9, 2017, where GEL 20.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.

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



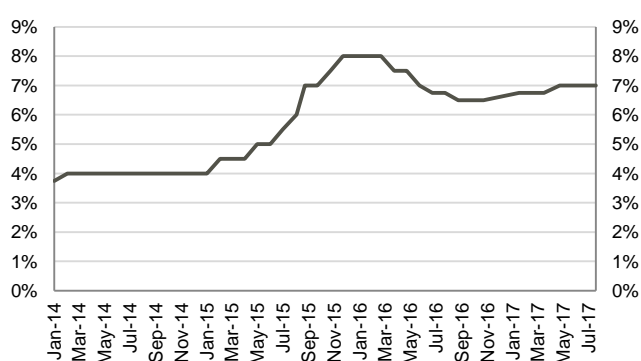
Source: NBG

**Certificates of Deposits (weighted average rate)**



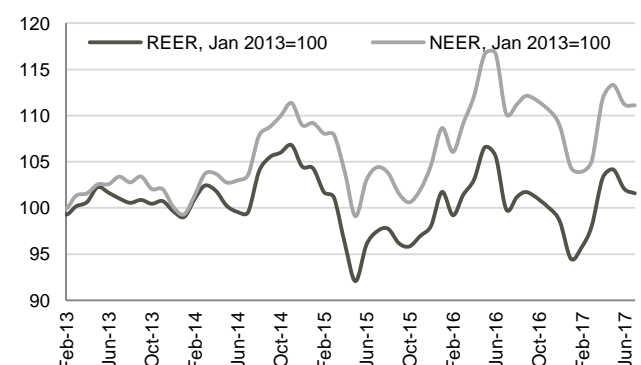
Source: NBG

**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:** BGEO Group Eurobonds (BGEOLN) closed at 5.5% yield, trading at 102.3 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.8 (unchanged w/w), yielding 11.1%. GOGC Eurobonds (GEOROG) were trading at 105.7 (+0.2% w/w), yielding 5.0%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.0 (unchanged w/w), yielding 5.4%.

**Georgian Sovereign Eurobonds** (GEORG) closed at 111.9 (unchanged w/w) at 3.4% yield to maturity.

	Local bonds			Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/ -/-	-/-	-/-	BB-/ -/Ba3	BB-/B+/-	BB-/ -/B1	BB-/BB-/Ba3	B+/B+/-
Mid price, US\$	n/a	101.5	101.2	99.8	105.7	102.3	111.9	110.0
Mid yield, %	n/a	6.75%	9.0%	11.1	5.0	5.5	3.4	5.4
Z-spread, bps	n/a	n/a	n/a	346.1	325.9	162.0	352.4	357.4

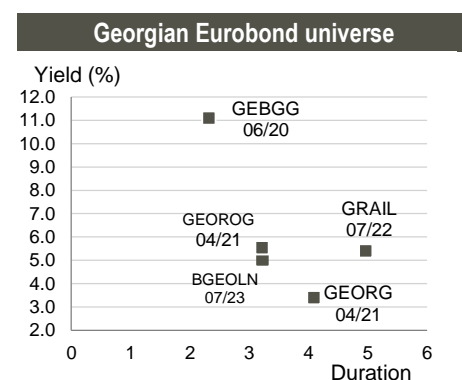
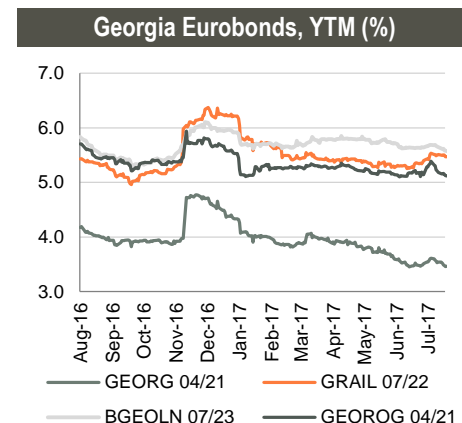
Source: Bloomberg

\*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-/Ba3	111.9	3.4	162.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.3	4.3	232.3
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.2	0.1	-30.6
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.8	1.3	112.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.0	2.6	83.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.4	2.8	98.6
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.1	2.6	96.1
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	107.2	3.5	172.5

Source: Bloomberg



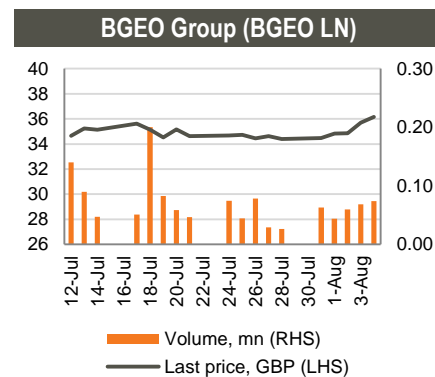


## Equities

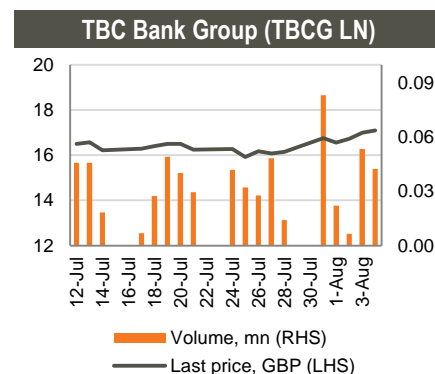
**BGEO Group** (BGEO LN) shares closed at GBP 36.15/share (+5.09% w/w and -0.17% m/m). More than 308k shares traded in the range of GBP 34.27 – 36.89/share. Average daily traded volume was 75k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.25% w/w and gained 3.49% m/m. The volume of BGEO shares traded was at 0.78% of its capitalization.

**TBC Bank Group** (TBCG LN) closed the week at GBP 17.09 (+5.82% w/w and +4.08% m/m). More than 207k shares changed hands in the range of GBP 16.10 – 17.19/share. Averaged daily traded volume was 35k in the last 4 weeks.

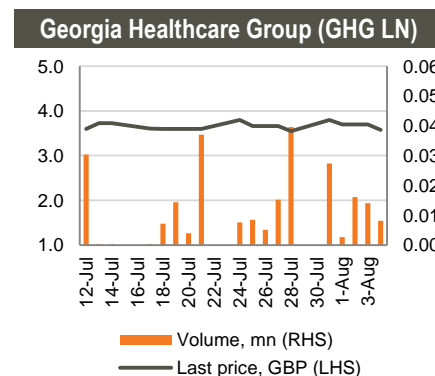
**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.57/share (+0.67% w/w and -3.41% m/m). More than 68k shares were traded in the range of GBP 3.50 – 3.80/share. Average daily traded volume was 12k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.



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	46.01	1,813	-0.3%	-3.3%	14.5%	16.7%	30.4%
TBC*	TBC	21.88	1,158	4.5%	1.9%	13.8%	14.0%	65.7%**
Halyk Bank	HSBK	9.49	2,609	2.5%	26.5%	62.5%	58.4%	95.7%
KKB	KKB	0.68	271	4.6%	-36.4%	-54.7%	-52.9%	-57.2%
VTB Bank	VTBR	1.98	12,831	-5.8%	-14.3%	-12.7%	-17.1%	0.0%
Vozrozhdenie Bank	VZRZ	10.26	244	-18.3%	-21.4%	-18.7%	-16.2%	7.0%
Sberbank	SBER	11.87	64,032	14.6%	-0.2%	1.4%	2.5%	36.9%

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	4.89	644	4.0%	4.2%	5.3%	3.6%	23.3%
Mouwasat	MOUWASAT	40.41	2,021	-4.1%	3.4%	3.8%	2.6%	11.5%
Fortis	FORH	2.43	1,258	-3.3%	-29.2%	-10.9%	-8.8%	-6.7%
Raffles	RFMD	0.89	1,578	-8.4%	-11.1%	-15.0%	-9.8%	-23.9%
IHH	IHH	1.38	11,360	3.1%	-3.2%	-3.1%	-2.6%	-15.1%
Bangkok Chain	BCH	0.42	1,049	5.0%	11.1%	5.6%	1.9%	15.2%
Netcare	NTC	1.86	2,724	-5.5%	-6.0%	-22.0%	-19.7%	-19.6%

Source: Bloomberg

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

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