

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 Nov 6, 2017

## Economy

### Real GDP growth was 5.0% y/y in September 2017

Georgia's economy expanded 5.0% y/y in September 2017, after growing 4.3% y/y in previous month, according to GeoStat's rapid estimates. In September 2017, the fastest growing sectors were hotels and restaurants, construction, manufacturing and trade, while real growth was down in land transportation. Overall, in 9M17 real GDP growth was 4.7% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### Tourist arrivals up 19.9% y/y in October 2017

Total international arrivals to Georgia increased 15.2% y/y to 0.61mn visitors in October 2017, according to the Ministry of Internal Affairs. A 19.9% y/y growth in tourist arrivals (0.26mn persons, 42.7% of total) drove arrival growth. Out of top countries by arrivals, in October 2017, visitors continued to increase from Armenia (+12.7% y/y), Russia (+30.3% y/y), Iran (+76.8% y/y), Azerbaijan (+9.1% y/y) and Turkey (+2.4% y/y). Arrivals from EU were up 17.4% y/y to over 29,900 visitors. In 10M17 international arrivals increased 18.8% y/y to 6.4mn visitors, while tourist arrivals increased 28.0% y/y to 3.0mn.

### Inflation was 6.4% y/y and 0.8% m/m in October 2017

The annual CPI inflation was 6.4% in October 2017 up from 6.2% inflation in previous month, according to GeoStat. Core inflation was 4.4% in October compared to 4.5% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+7.4% y/y, +2.21ppts), transport (+14.7% y/y, +1.83ppts), and alcoholic beverages and tobacco (+17.6% y/y, +1.13ppts) categories. On a monthly basis, there was 0.8% inflation in October 2017. Price increases in food and non-alcoholic beverages (+1.6% m/m, +0.46ppts) and clothing and footwear (+6.5% m/m, +0.19ppts) categories were the major drivers of monthly inflation dynamics.

### Georgia ranks 9 out of 190 economies in 2018 Doing Business

According to the World Bank's Doing Business 2018 report, Georgia has improved its performance by 7 positions over the past year, and has moved from 16th to 9th place out of 190 economies and ranks highest in Europe and Central Asia region. 2018 Doing Business finds that Georgia implemented substantive changes in the local regulatory framework in the following areas: Getting Electricity, Protecting Minority Investors and Resolving Insolvency.

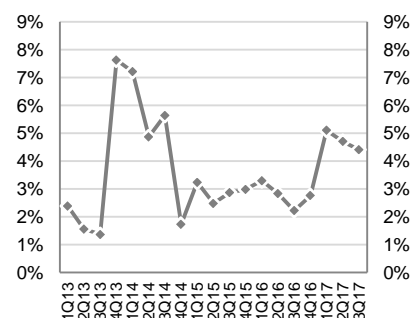
### Key macro indicators

	9M17	2016	2015
GDP (% change)	4.7%	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)	6.2%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	9.4% <sup>(1)</sup>	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

(1) As of 1H17

### Real GDP growth, %



Source: GeoStat

Note: Rapid estimate for 3Q17

### International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 13 (mostly free)

Global Competitiveness Index # 67

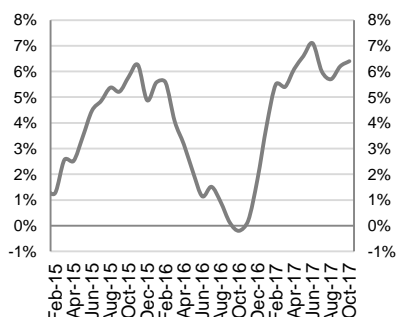
Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

<b>STANDARD &amp; POORS</b>  <b>BB-</b> Stable Affirmed May-2017	<b>Moody's</b> INVESTORS SERVICE  <b>Ba2</b> Stable Affirmed Sep-2017	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Sep-2017
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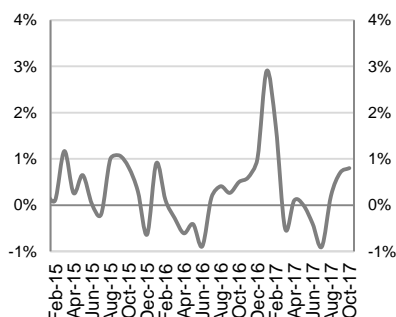
Source: Rating agencies

### Annual CPI inflation (% change, y/y)



Source: GeoStat

### Monthly CPI inflation (% change, m/m)





## Money market

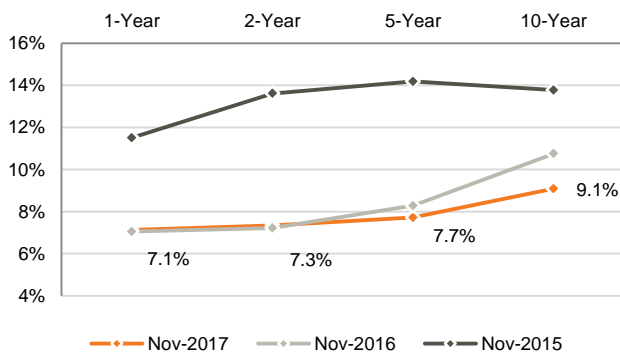
**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,020mn (US\$ 390.7mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 7.7mn) certificates of deposit, with an average yield of 7.09% (unchanged from previous issue).

### Ministry of Finance Treasury Notes:

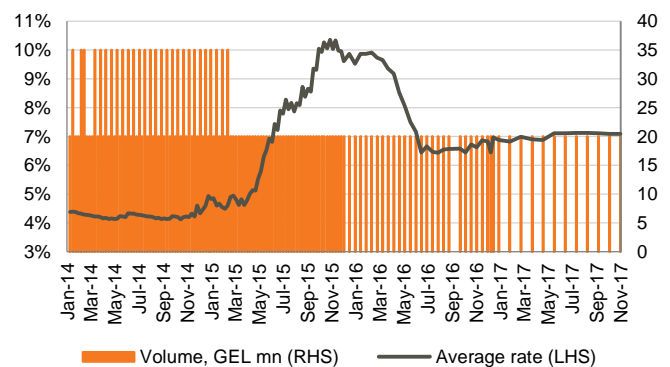
1-year GEL 20.0mn (US\$ 7.7mn) T-bills of Ministry of Finance were sold at the auction held at NBG on November 1, 2017. The weighted average yield was fixed at 7.122%. The nearest treasury security auction is scheduled for November 8, 2017, where GEL 20.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.

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



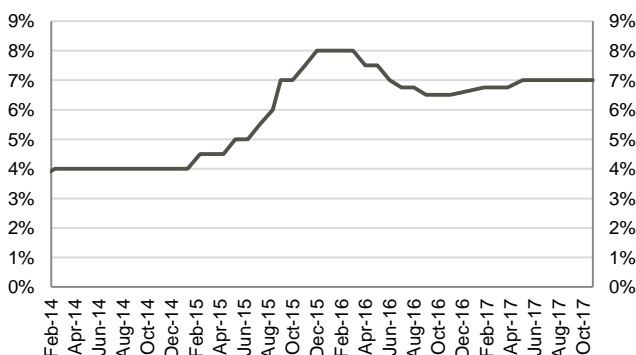
Source: NBG

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



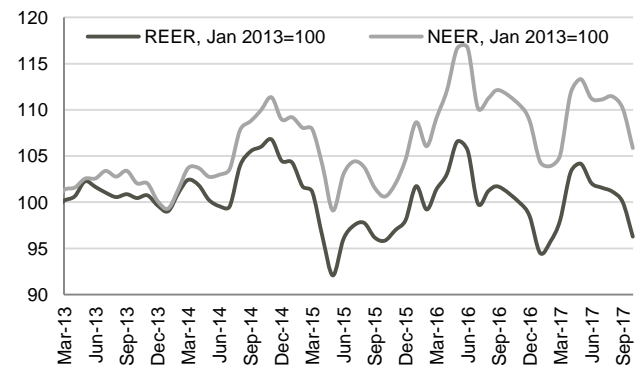
Source: NBG

**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

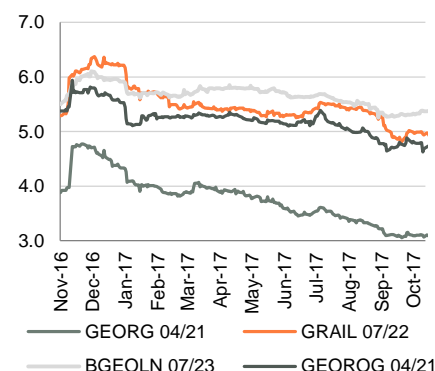


## Fixed income

**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.2 (+0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (unchanged w/w), yielding 11.0%. GOGC Eurobonds (GEOROG) were trading at 107.2 (+0.1% w/w), yielding 4.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.8 (+0.2% w/w), yielding 4.9%.

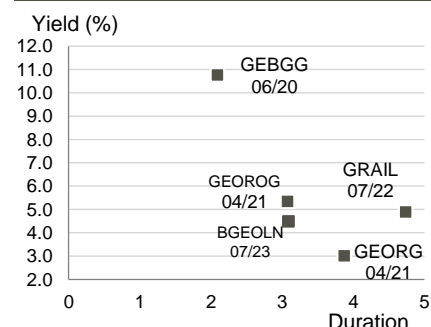
**Georgian Sovereign Eurobonds (GEORG)** closed at 112.5 (+0.2% w/w) at 3.0% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B+	-/-	-/-	-/-	n/a	BB-/Ba2	BB-/B+	BB-/B1	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	101.4	101.2	100.0	101.73	100.0	107.2	103.2	112.5	111.8
Mid yield, %	n/a	6.75%	8.5%	9.0%	6.50%	11.0	4.5	5.3	3.0	4.9
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	252.2	103.9	284.2	322.8

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	112.5	3.0	103.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	103.0	4.2	206.2
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.3	0.1	-33.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	112.3	1.1	97.7
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.1	2.6	67.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.6	2.8	79.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.8	2.6	68.7
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.2	4.0	202.0

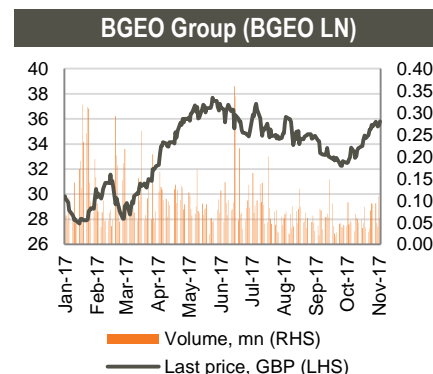
Source: Bloomberg

## Equities

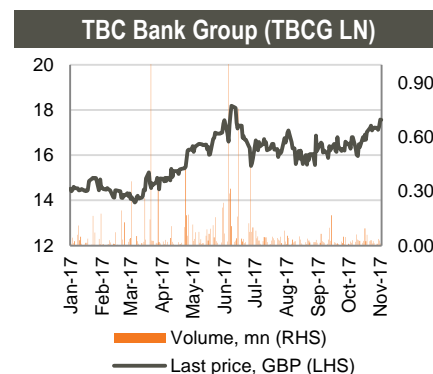
**BGEO Group** (BGEO LN) shares closed at GBP 35.91/share (+1.47% w/w and +10.36% m/m). More than 351k shares traded in the range of GBP 35.01 – 35.92/share. Average daily traded volume was 61k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.57% w/w and gained 2.13% m/m. The volume of BGEO shares traded was at 0.89% of its capitalization.

**TBC Bank Group** (TBCG LN) closed the week at GBP 17.41 (+1.10% w/w and +5.45% m/m). More than 90k shares changed hands in the range of GBP 16.33 – 18.17 share. Averaged daily traded volume was 29k in the last 4 weeks.

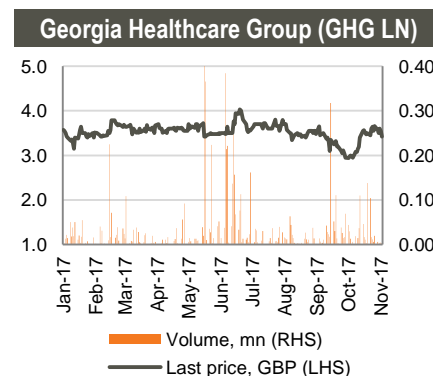
**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.42/share (-6.56% w/w and +14.77% m/m). More than 18k shares were traded in the range of GBP 3.42 – 3.60/share. Average daily traded volume was 28k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

### Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	47.25	1,861	9.6%	3.3%	-1.1%	19.3%	20.4%
TBC*	TBC	22.72	1,203	4.1%	2.2%	5.4%	17.9%	44.2%
Halyk Bank	HSBK	9.75	2,680	7.0%	3.7%	30.0%	62.8%	46.6%
KKB	KKB	0.68	712	0.0%	0.0%	-36.4%	-52.9%	-50.7%
VTB Bank	VTBR	2.07	13,414	-2.8%	7.3%	-10.4%	-13.3%	-1.1%
Vozrozhdenie Bank	VZRZ	10.11	240	4.0%	-2.8%	-22.6%	-17.4%	-8.3%
Sberbank	SBER	14.35	77,443	0.2%	23.2%	20.7%	24.0%	51.2%

Source: Bloomberg

\*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

### Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.65	612	19.1%	-7.8%	-1.4%	-2.0%	-1.1%
Mouwasat	MOUWASAT	42.50	2,125	-1.2%	5.6%	8.8%	7.9%	23.4%
Fortis	FORH	2.23	1,154	1.0%	-8.2%	-35.1%	-16.4%	-17.8%
Raffles	RFMD	0.83	1,469	1.7%	-12.4%	-17.2%	-16.1%	-23.3%
IHH	IHH	1.33	10,976	-1.1%	-3.3%	-6.4%	-5.9%	-12.6%
Bangkok Chain	BCH	0.50	1,238	9.2%	18.1%	31.2%	20.3%	31.8%
Netcare	NTC	1.76	2,575	3.7%	-5.1%	-11.2%	-24.1%	-31.4%

Source: Bloomberg

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

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