



## Economy

### Georgia recorded its first ever quarterly current account surplus since 1995

Current account turned to first surplus and stood at US\$ 11.9mn or 0.3% of GDP in 3Q18, driven by solid positive balance in services and transfers. Merchandise trade deficit, traditionally the major contributor to deficit creation, increased by 2.6% y/y to US\$ 1.0bn, as exports increased 22.7% y/y, while imports were up 12.4% y/y. Positive balance in services, covering almost entire goods trade deficit, was up 12.0% y/y to US\$ 950.1mn (22.7% of GDP), driven by strong tourism inflows (up 12.3% y/y to US\$ 1.2bn). Surplus in current transfers amounted to US\$ 309.3mn (7.4% of GDP, up 10.5% y/y). Net FDI stood at 6.3% of GDP (down 52.4% y/y). In 9M18, CA deficit stood at 6.5% of GDP, down 0.6ppts y/y.

### Real GDP growth was 2.2% y/y in November 2018

Georgia's economy grew by 2.2% y/y in November 2018 after growing 6.7% y/y in previous month, according to Geostat's rapid estimates. In November 2018, the fastest growing sectors were trade, financial intermediation and real estate. Slowdown in growth mostly reflected reduced activity in construction sector. Overall, real GDP growth was 4.7% y/y in 11M18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### Inflation was 1.5% y/y and 0.5% m/m in December 2018

Annual CPI inflation was 1.5% in December 2018 down from 1.9% in previous month, according to Geostat. Core inflation was 0.8% in December 2018 down from 1.3% recorded in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+1.7% y/y, +0.52ppts), alcoholic beverages and tobacco (+4.9% y/y, +0.33ppts) and healthcare (+2.9% y/y, +0.25ppts) categories, while prices were down in clothing and footwear (-6.6% y/y, -0.23ppts). On a monthly basis, there was 0.5% inflation in December 2018, mostly affected by price increase in food and non-alcoholic beverages category (+2.3% m/m, +0.69ppts).

### NPLs at 2.8% in November 2018

In November 2018, the banking sector loan portfolio increased 18.9% y/y after growing 19.3% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 18.0% y/y and up 1.3% m/m to GEL 26.1bn (US\$ 9.7bn). Deposits were up 11.4% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 10.4% y/y and down 1.1% m/m to GEL 22.0bn (US\$ 8.2bn). Deposit dollarization stood at 64.0% (-3.5ppts y/y and +0.6ppts m/m) and loan dollarization was 56.6% (-1.5ppts y/y and +0.3ppts m/m). NPLs stood at 2.8% in November 2018 (-0.6ppts y/y and flat m/m).

### Tourist arrivals up 11.6% y/y in December 2018

Total international visits to Georgia increased by 0.2% y/y to 0.46mn in December 2018, according to the Ministry of Internal Affairs. A 11.6% y/y increase in tourist arrivals (0.27mn trips, 58.8% of total) was the sole contributor to arrival growth as same-day arrivals fell 12.5% y/y. Out of top countries, in December 2018, international visitors continued to increase from Russia (+22.7% y/y) and Azerbaijan (+5.1% y/y), while visitors were down from Armenia (-11.9% y/y), Turkey (-18.8% y/y) and Iran (-4.0% y/y). Total international visitors stood at 7.2mn persons (+11.1% y/y) in 2018, while tourist arrivals stood at 4.8mn (+16.9% y/y, 66.0% of total).

### International reserves stood at US\$ 3.3bn in December 2018

Gross international reserves were up 8.2% y/y to US\$ 3.3bn in December 2018 according to NBG. Change in reserves was attributed to NBG's FX auctions (total purchase of US\$ 65.0mn in Dec-18 and US\$ 197.5mn during Apr-Dec 2018), government FX operations and/or asset revaluation.

### NBG purchased US\$ 25.0mn

On 4 and 9 January 2019, the NBG intervened on the FX market and purchased US\$ 15.0mn and US\$ 10.0mn, respectively, to accumulate FX reserves.

### Key macro indicators

	2018	2017	2016
GDP (% change)	4.7% <sup>(1)</sup>	4.8%	2.8%
GDP per capita (ppp)	11,600 <sup>(3)</sup>	10,742	10,065
GDP per capita (US\$)	4,380 <sup>(3)</sup>	4,047	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.3	3.0	2.8
CAD (% of GDP)	6.5% <sup>(2)</sup>	8.8%	13.1%
Fiscal deficit (% of GDP)	2.3% <sup>(3)</sup>	2.9%	3.0%
Total public debt (% of GDP)	43.0% <sup>(3)</sup>	44.8%	44.4%

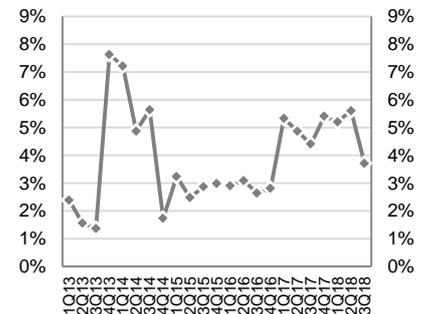
Source: Official data, IMF

1) As of 11M18

2) As of 9M18

3) Preliminary estimate

### Real GDP growth, %



Source: GeoStat

### International ranking, 2018-19

Ease of Doing Business # 6 (Top 10)  
Economic Freedom Index # 16 (mostly free)  
Global Competitiveness Index # 66

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

 <b>BB-</b> Stable Affirmed May-2018	 <b>Ba2</b> Stable Affirmed Sep-2018	 <b>BB-</b> Positive Affirmed Aug-2018
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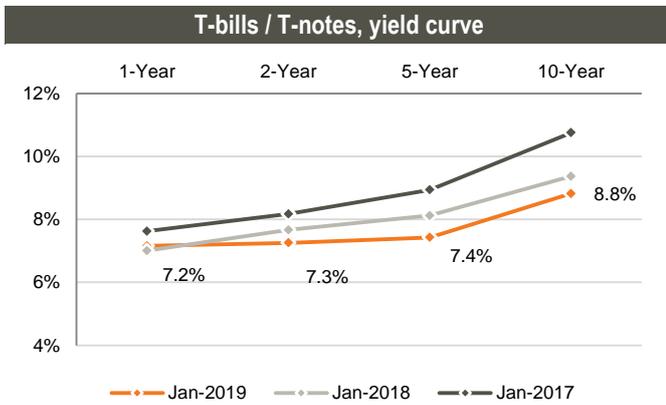
Source: Rating agencies



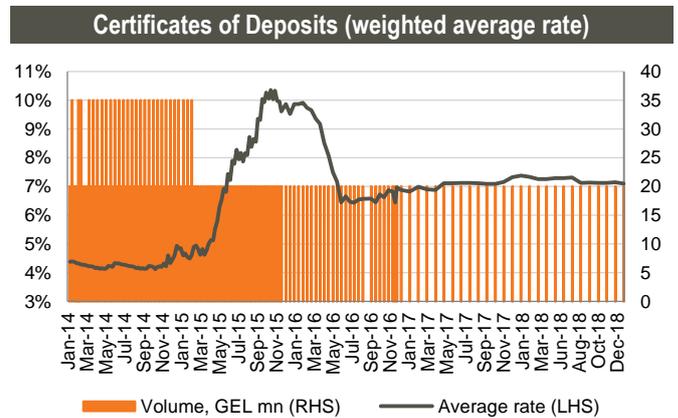
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 850mn (US\$ 421.9mn).

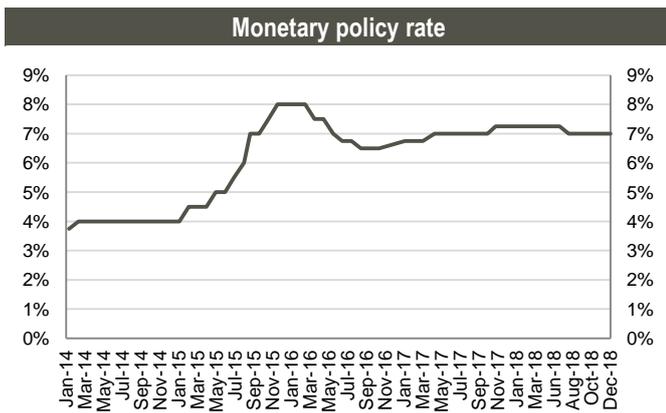
**Ministry of Finance T-Bills:** 1-year GEL 40.0mn (US\$ 15.0mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on January 8, 2019. The weighted average yield was fixed at 7.159%. The nearest treasury security auction is scheduled for January 15, 2019, where GEL 40.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 182-days T-Bill will be sold.



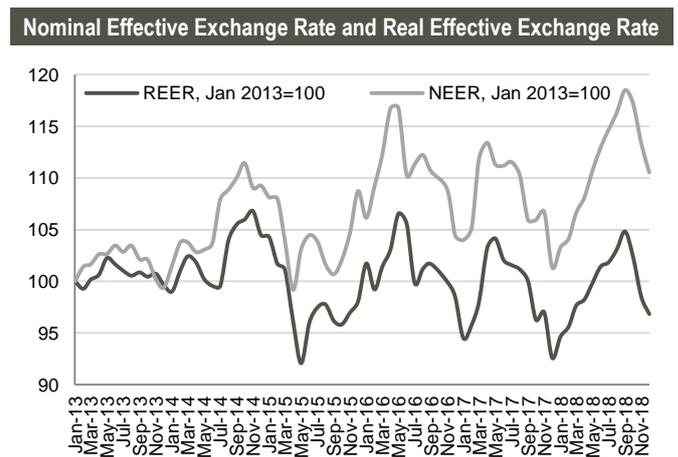
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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

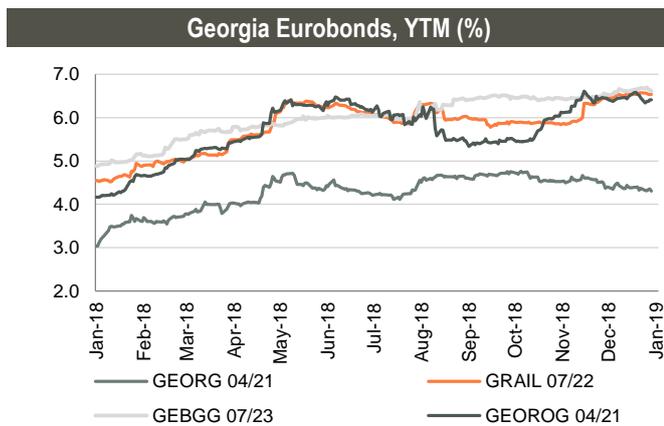


## Fixed income

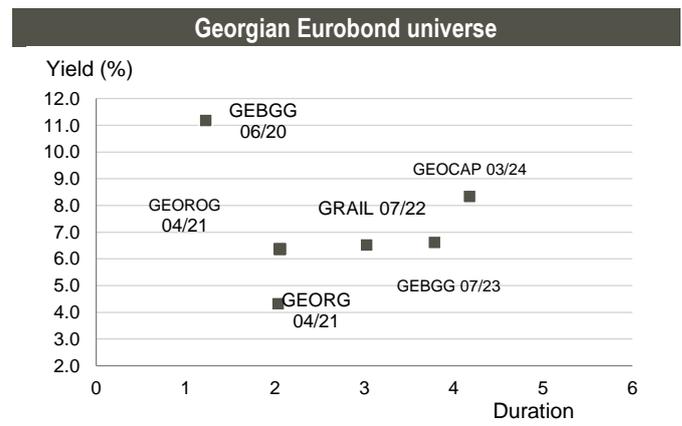
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 6.6% yield, trading at 97.7 (+0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.8 (unchanged w/w), yielding 11.2%. Georgia Capital Eurobonds (GEOCAP) were trading at 90.9 (-0.2% w/w), yielding 8.3%.

GOGC Eurobonds (GEOROG) were trading at 100.8 (+0.2% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 103.8 (unchanged w/w), yielding 6.5%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 105.4 (+0.1% w/w) at 4.3% yield to maturity.



Source: Bloomberg



Source: Bloomberg

### Georgia bonds performance

Georgia Eurobonds 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	105.41	4.31	165.50
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	103.80	6.52	391.68
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	100.79	6.37	371.26
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/B2	99.75	11.18	N/A
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	97.67	6.60	401.87
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	90.92	8.33	573.84
Georgia local bonds performance							
GWP 12/21	30*	10.50%**	06/12/2021	BB****-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-/-	101.63	5.5	n/a
GLC 08/20	10	7.000%	29/08/2020	B+****-/-	101.21	6.25	n/a
GLC 06/21	5	6.500%	22/06/2021	B+****-/-	99.42	6.75	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.50%**	18/08/2022	B+****-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.50%***	28/12/2019	B/-/-	100.91	11.25	n/a

Source: Bloomberg

\*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari

\*\*Coupon rate 3.5% over the NBG's refinancing rate

\*\*\*Coupon rate 4.5% over the NBG's refinancing rate B+\*\*\*\*

\*\*\*\*Company ratings

### 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	105.4	4.3	165.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.6	4.6	202.2
Bulgaria	323	5.000%	19/07/2021	BBB-/-	112.8	-0.1	N/A
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.8	0.6	62.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	105.7	3.7	100.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	107.8	4.0	140.2
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.1	3.3	58.8
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	99.5	5.9	320.3

Source: Bloomberg

# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 15.66/share (+13.73% w/w and +16.29% m/m). More than 488k shares traded in the range of GBP 13.73 – 15.78/share. Average daily traded volume was 79k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 3.15% w/w and gained 4.96% m/m. The volume of BGEO shares traded was at 0.99% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 10.23/share (-0.66% w/w and +2.30% m/m). More than 162k shares traded in the range of GBP 10.01 – 10.35/share. Average daily traded volume was 21 in the last 4 weeks. The volume of CGEO shares traded was at 0.43% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 14.56 (-1.22% w/w and +3.56% m/m). More than 122k shares changed hands in the range of GBP 13.86 – 15.14/share. Average daily traded volume was 28k in the last 4 weeks. The volume of TBCG shares traded was at 0.23% of its capitalization.

**Georgia Healthcare Group (GHG LN)** shares closed at GBP 1.96/share (+2.89% w/w and -10.91% m/m). More than 157k shares were traded in the range of GBP 1.85 – 2.01/share. Average daily traded volume was 19k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.

## Eastern European Banks

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
Bank of Georgia	BGEO	15.662*	990	16.0%	-6.9%	-16.8%	13.7%	-40.1%
TBC	TBC	14.56*	1,016	4.7%	-12.5%	-16.4%	-4.3%	-14.4%
Halyk Bank	HSBK	10.40	3,056	-1.0%	-5.9%	-10.7%	0.5%	-13.7%
VTB Bank	VTBR	1.18	7,614	-0.9%	-7.7%	-24.9%	6.0%	-40.0%
Vozrozhdenie	VZRZ	7.12	169	-0.5%	3.7%	13.3%	3.9%	-19.0%
Sberbank	SBER	11.84	63,897	1.6%	3.5%	-22.3%	8.0%	-35.1%

Source: Bloomberg  
 \*BGEO and TBC share prices traded and shown in GBP

## Investment Management Company Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
Georgia Capital	CGEO	10.232*	502	-2.6%	-9.9%	-0.7%	0.2%	N/A
Creades	CREDA	29.68	243	3.9%	1.4%	-4.5%	6.0%	-25.7%
CIE du Bois	COMB	436.35	735	4.5%	-1.8%	-4.9%	1.1%	-1.0%
Tinc Comm	TINC	13.66	373	2.7%	-3.2%	-4.7%	1.1%	-9.9%
Edify	EDIFY	59.71	290	-2.3%	-13.3%	-16.3%	-1.6%	-13.0%

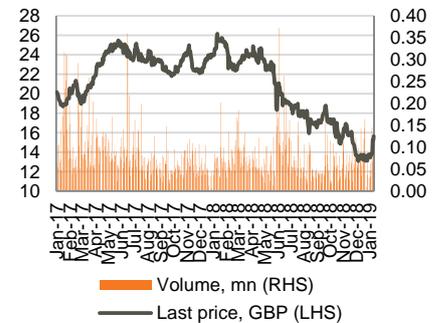
Source: Bloomberg  
 \*CGEO share price traded and shown in GBP

## Healthcare Sector Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG	GHG	1.96*	332	-10.9%	-8.8%	-27.1%	-3.9%	-44.0%
Mouwasat	MOUWASAT	21.14	2,114	1.7%	4.9%	-15.8%	-1.5%	3.2%
Fortis	FORH	1.99	1,500	-4.7%	11.2%	-0.9%	-1.4%	-14.9%
Raffles	RFMD	0.86	1,542	2.5%	11.5%	15.7%	6.3%	6.6%
IHH	IHH	1.40	12,272	6.7%	16.4%	-4.4%	7.3%	-5.0%
Bangkok Chain	BCH	0.51	1,273	-12.7%	-11.4%	8.3%	-0.5%	4.0%
Netcare	NTC	1.98	2,906	8.0%	20.8%	-4.8%	7.5%	3.6%

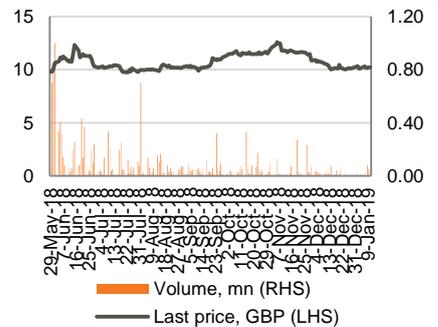
Source: Bloomberg  
 \*GHG share price traded and shown in GBP

## Bank of Georgia Group (BGEO LN)



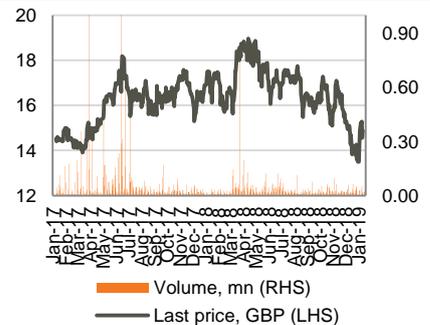
Source: Bloomberg

## Georgia Capital (CGEO LN)



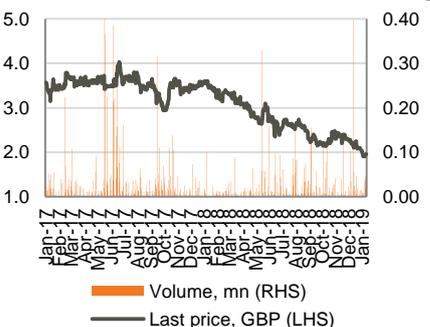
Source: Bloomberg

## TBC Bank Group (TBCG LN)



Source: Bloomberg

## Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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