



Weekly Market Watch

Weekly Market Watch | Georgia
November 2, 2020

Economy

Real GDP shrinks 0.7% y/y in September 2020

Georgia's economic activity significantly improved, with GDP contracting by just 0.7% y/y in September 2020 after falling 5.3% y/y in August 2020 and 12.3% y/y in 2Q20, according to Geostat's rapid estimates. In September, real growth was positive in manufacturing, mining, trade, financial and insurance activities, and was down in other sectors. Overall, real GDP contracted by 5.0% y/y in 9M20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NBG kept its policy rate unchanged at 8.0%

At its meeting on 28 October 2020, NBG's monetary policy committee decided to keep its policy rate unchanged at 8.0%. Annual inflation continued to decline, reaching 3.8% in September. According to the NBG's current forecast, annual inflation will have a declining trend and remain close to the 3.0% target in 2021, reflecting weak aggregate demand. The NBG also took into account the uncertainty associated with the acceleration of the virus spread and the increase in geopolitical risks. According to the NBG's current estimates, the gradual exit from the tight monetary policy stance and its pace will depend on inflation expectations and the dynamics of economic activity. The next committee meeting is scheduled for 8 December 2020.

NPLs at 2.3% in September 2020

In September 2020, the banking sector loan portfolio increased by 11.9% y/y and 1.7% m/m (exc. FX effect). In unadjusted terms, loan portfolio was up 20.8% y/y and 5.5% m/m amounting to GEL 36.4bn (US\$ 11.1bn). By currency, the GEL-denominated loans went up to GEL 15.5bn (+14.8% y/y), while foreign currency loans reached GEL 20.9bn (+9.6% y/y, exc. FX effect). By sector, corporate lending growth accelerated m/m (+1.8%), after decreasing 1.4% in previous month (exc. FX effect), and retail loans also accelerated by 1.6% m/m, after 1.1% y/y growth in August, mostly reflecting mortgage growth. In September 2020, loan dollarization stood at 56.9% (+2.26ppts y/y and +0.81ppts m/m) and NPLs stood at 2.3% (-0.32ppts y/y and +0.12ppts m/m).

Bank deposits were up 19.5% y/y and 1.8% m/m (exc. FX effect) to GEL 32.8bn (US\$ 10.0bn) in September 2020. The GEL-denominated deposits reached GEL 12.6bn (+35.7% y/y), while foreign currency deposits went up to GEL 20.2bn equivalent (+10.3% y/y, exc. FX effect). As a result, deposit dollarization reached 61.6% (-2.28ppts y/y and +2.08ppts m/m) in September.

NBG sold US\$ 80mn

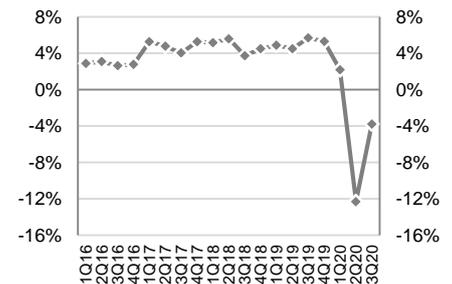
On 27 and 29 October 2020, the NBG intervened on the FX market and sold total of US\$ 80mn to limit GEL volatility. The NBG's total sales amounted to US\$ 649.7mn through FX auctions during March-October, 2020.

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.1%
GDP per capita (ppp)	11,485	12,417	13,559
GDP per capita (US\$)	4,359	4,722	4,763
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	5.1%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.0%
Total public debt (% of GDP)	39.4%	38.9%	39.8%

Source: Official data, Galt & Taggart

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

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

Money market

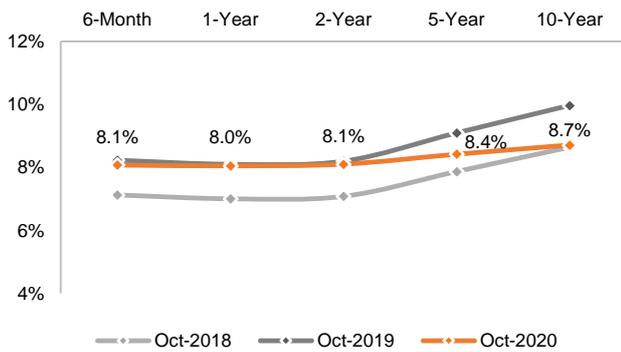
Ministry of Finance Benchmark Bonds: 5-year GEL 80.0mn (US\$ 24.8mn) Benchmark Bonds were sold at the auction held at NBG on October 27, 2020. Total demand was 1.6x higher and the weighted average yield was fixed at 8.288%, down by 0.012ppts from previous auction held in September, 2020. The nearest treasury security auction is scheduled for November 3, 2020, where GEL 70.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 6-month T-bills will be sold.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	310	40	180
1-year	560	100	690
2-year	700	140	1,320
5-year	800	160	2,008
10-year	150	0	1,197
Total	2,520	440	5,395

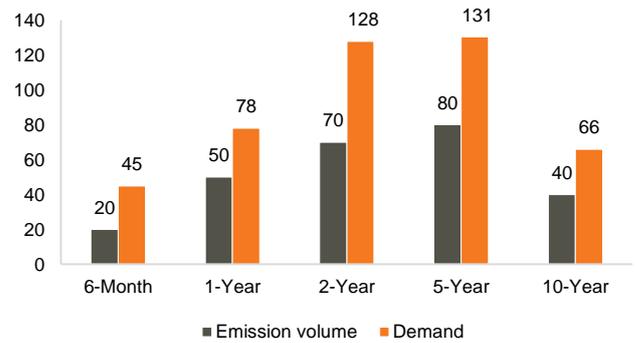
Source: MoF
Note: * As of 30 September 2020

T-bills / T-notes, yield curve



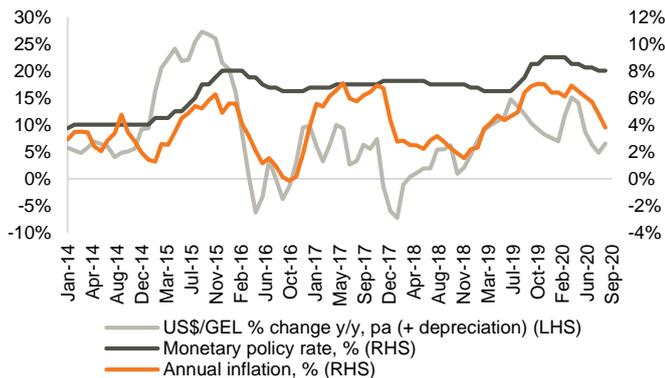
Source: NBG

Emission volume vs. demand on latest T-bill/T-notes auctions, GEL mn



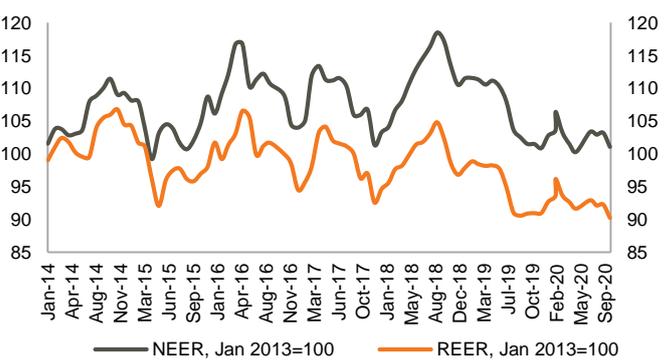
Source: NBG

Monetary policy rate, inflation and FX 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

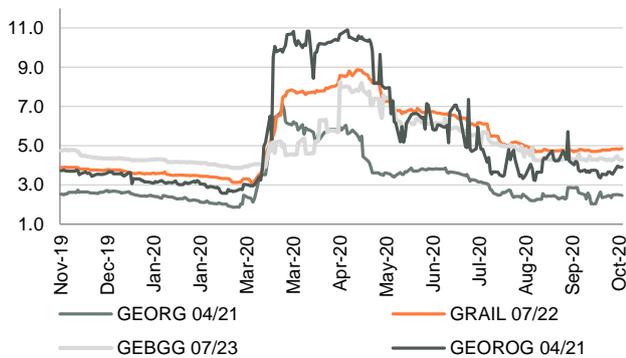
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.36% yield, trading at 104.17 (-0.27% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.67 (+0.57% w/w), yielding 6.91%.

GOGC Eurobonds (GEOROG) were trading at 101.31 (-0.25% w/w), yielding 3.97%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.15 (-0.55% w/w), yielding 5.15%.

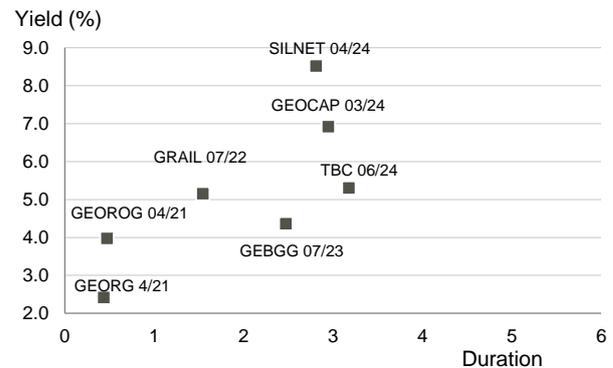
Georgian Sovereign Eurobonds (GEORG) closed at 101.95 (-0.04% w/w) at 2.42% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

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	101.95	2.42	218.73
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.15	5.15	491.66
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	101.31	3.97	374.74
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	104.17	4.36	409.39
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	102.62	9.47	992.13
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	97.67	6.91	661.23
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	107.23	8.51	820.88
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	101.45	5.30	498.38
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	99.21	9.98	1,069.08
GGU 07/25	US\$	250	7.750%	Jul-25	-B/-	100.86	7.53	715.17

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.55	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.89	7.00	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	-/-/-	99.98	7.50	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-/-	100.00	12.00	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	13.25%	Sep-21	B-/-/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

Source: Bloomberg



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	101.95	2.42	218.73
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.84	1.79	157.55
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	99.11	7.29	704.37
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.78	1.32	98.01
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.69	1.42	114.29
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	100.50	4.37	414.46
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.20	3.78	356.27

Source: Bloomberg

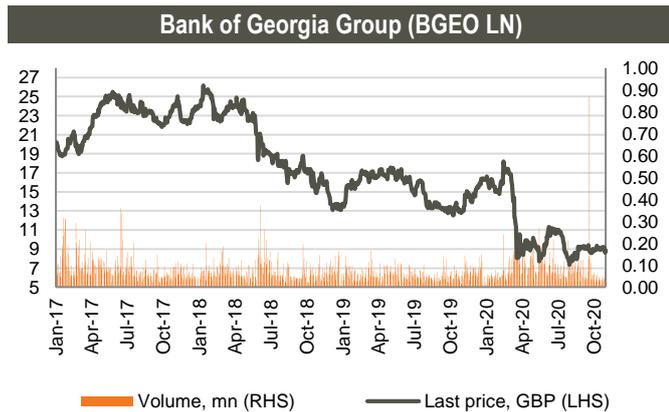


Equities

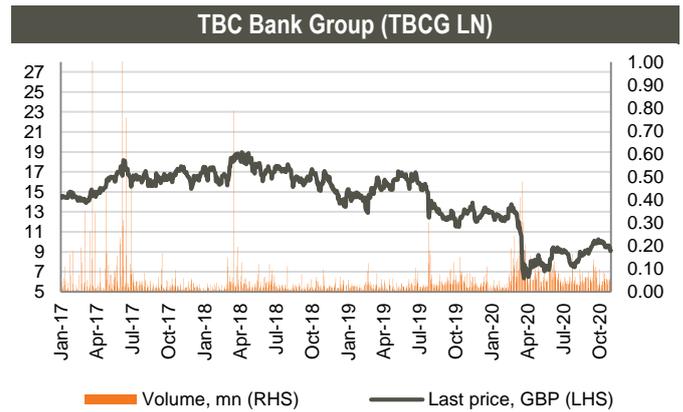
Bank of Georgia Group (BGEO LN) shares closed at GBP 8.89/share (-3.37% w/w and -0.45% m/m). More than 237k shares traded in the range of GBP 8.53 - 9.30/share. Average daily traded volume was 39k in the last 4 weeks. The volume of BGEO shares traded was at 0.48% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 3.70/share (-5.97% w/w and +1.23% m/m). More than 176k shares traded in the range of GBP 3.65 - 3.96/share. Average daily traded volume was 37k in the last 4 weeks. The volume of CGEO shares traded was at 0.48% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 9.13/share (-5.49% w/w and -9.96% m/m). More than 214k shares changed hands in the range of GBP 8.90 - 9.76/share. Average daily traded volume was 47k in the last 4 weeks. The volume of TBCG shares traded was at 0.39% 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	8.89	437	-10.7%	-30.8%	-45.3%	7.43x	3.92x	0.74x	0.62x
TBC	TBC	GBP	9.13	502	11.5%	-29.4%	-29.8%	7.01x	4.32x	0.74x	0.63x
Halyk Bank	HSBK	US\$	9.92	2,915	10.2%	-24.6%	-25.7%	4.38x	3.78x	0.82x	0.75x
VTB Bank	VTBR	US\$	0.78	5,045	-17.5%	-42.5%	-46.8%	4.94x	3.20x	0.31x	0.29x
Akbank	AKBNK	TRY	4.77	24,804	-19.0%	-31.2%	-41.2%	6.20x	4.55x	0.64x	0.56x
Garanti	GARAN	TRY	6.60	27,720	-20.9%	-28.5%	-40.8%	6.00x	4.45x	0.70x	0.59x
Isbank	ISCTR	TRY	5.11	22,995	3.2%	-12.8%	-20.3%	5.83x	4.37x	0.54x	0.48x
PKO	PKO	PLN	18.92	23,650	-14.0%	-51.3%	-45.1%	9.12x	8.56x	0.55x	0.53x
PEKAO	PEO	PLN	42.28	11,097	-18.7%	-61.6%	-57.9%	10.63x	8.11x	0.47x	0.45x
Millennium	MIL	PLN	2.15	2,610	-23.5%	-65.5%	-63.2%	11.03x	6.92x	0.30x	0.30x
Mbank	MBK	PLN	115.00	4,869	-47.5%	-69.6%	-70.5%	14.96x	7.39x	0.30x	0.30x
BRD	BRD	RON	11.38	7,931	0.7%	-20.3%	-28.2%	10.73x	10.43x	0.89x	0.94x
Banca Transilvania	TLV	RON	1.89	9,869	9.4%	-14.7%	-19.8%	11.50x	9.95x	1.34x	1.30x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	14.40x	12.94x	0.76x	0.72x
Komercni	KOMB	CZK	474.00	90,083	-9.5%	-40.0%	-42.9%	12.29x	10.06x	0.82x	0.79x
Mean								9.10x	6.86x	0.66x	0.62x
Median								9.12x	6.92x	0.70x	0.59x

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	3.70	136	-11.9%	-62.2%	-59.9%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.65	345	-2.7%	-4.7%	-5.2%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.23	16,793	0.6%	-2.1%	-13.7%	5.57x	4.95x	0.69x	0.58x
Deutsche Beteiligungs	DBAN	EUR	27.55	414	-10.8%	-25.2%	-30.2%	nmf	9.79x	0.90x	0.87x
Eurazeo	RF	EUR	38.54	3,036	-11.7%	-38.0%	-36.8%	22.58x	6.16x	0.55x	0.51x
Carlyle Group	CG	USD	24.90	2,756	6.2%	-9.5%	-22.4%	4.27x	3.69x	3.42x	3.72x
Mean								10.81x	6.15x	1.39x	1.42x
Median								5.57x	5.56x	0.80x	0.72x

Source: Bloomberg, S&P Capital IQ



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