



Weekly Market Watch

Weekly Market Watch | Georgia
Apr 10, 2018

Economy

Tourist arrivals up 33.0% y/y in March 2018

Total international arrivals to Georgia increased 13.2% y/y to 0.58mn visitors in March 2018, according to the Ministry of Internal Affairs. A 33.0% y/y growth in tourist arrivals (0.29mn persons, 50.5% of total) drove arrival growth. Out of top countries by arrivals, in March 2018, visitors continued to increase from Armenia (+3.5% y/y), Turkey (+18.3% y/y), Russia (+36.9% y/y) and Iran (+46.2% y/y), while arrivals were down from Azerbaijan (-8.7% y/y). Arrivals from EU were up 39.4% y/y to over 22,100 visitors. Overall, in 1Q18 international arrivals were up 15.6% to 1.46mn persons while tourist arrivals were up 28.4% to 0.66mn persons.

Inflation was 2.8% y/y and -0.4% m/m in March 2018

The annual CPI inflation was 2.8%, close to the target level in March 2018, according to GeoStat. Core inflation was 1.8% in March, almost unchanged from 1.7% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+3.9% y/y, +1.19ppts), alcoholic beverages and tobacco (+6.2% y/y, +0.42ppts) and housing, water, electricity, gas and other fuels (+4.7% y/y, +0.39ppts) categories. On a monthly basis, there was 0.4% deflation in March 2018. Price decrease in food and non-alcoholic beverages (-0.6% m/m, -0.18ppts) and transport (-1.0% m/m, -0.13ppts) categories were the major drivers of monthly inflation dynamics.

International reserves up 6.6% y/y in March 2018

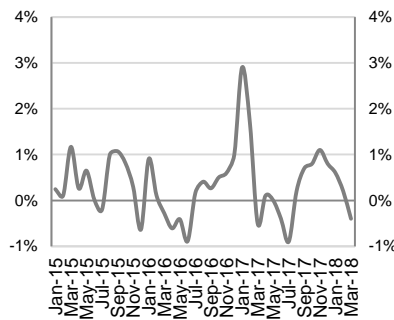
Gross international reserves were up 6.6% y/y to US\$ 3.0bn in March 2018, while reserves were down 0.1% m/m, according to NBG. NBG Purchased US\$ 20mn on auction held at April 3, 2018. Change in reserves was attributed to government FX operations and/or asset revaluation.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



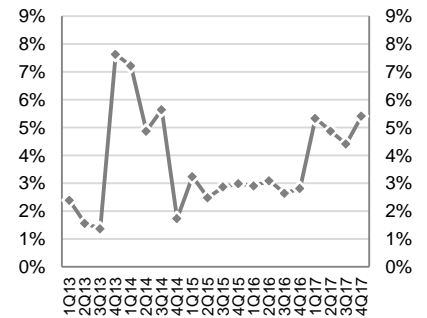
Key macro indicators

	1Q18	2017	2016
GDP (% change)	4.9% ⁽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)	2.8%	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)	...	44.7%	44.4%

Source: Official data, IMF

1) As of 2M18

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

<p>BB- Stable Affirmed May-2017</p>	<p>Ba2 Positive Upgraded Sep-2017</p>	<p>BB- Positive Affirmed Mar-2018</p>
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Source: Rating agencies

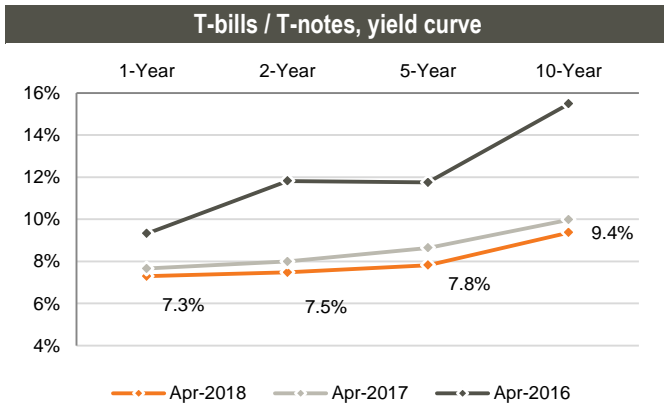


Money market

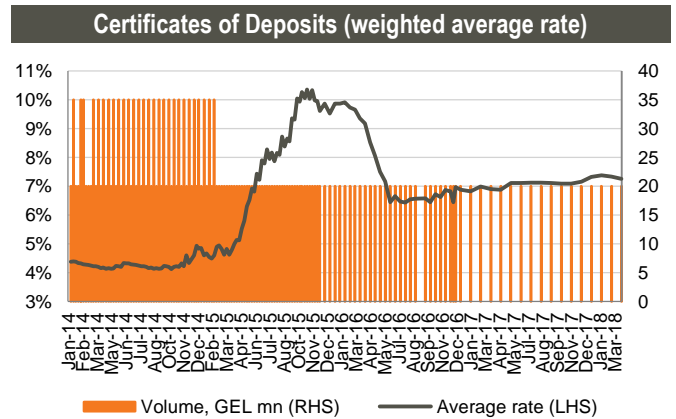
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 800mn (US\$ 331.3mn).

Ministry of Finance Treasury Bills:

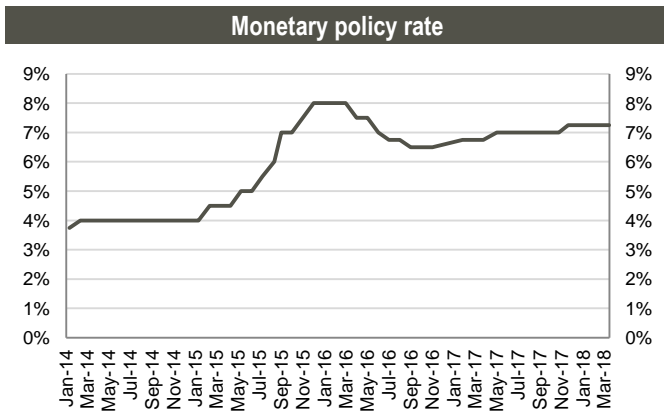
1-year GEL 40.0mn (US\$ 16.7mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on April 4, 2018. The weighted average yield was fixed at 7.290%. The nearest treasury security auction is scheduled for April 11, 2018, where GEL 40.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.



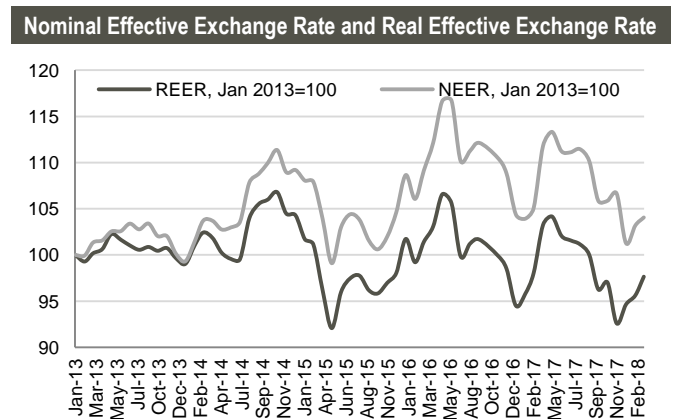
Source: NBG



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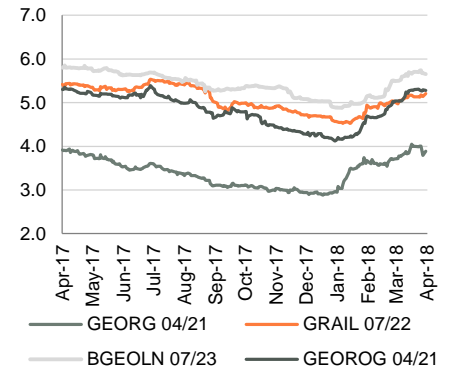
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

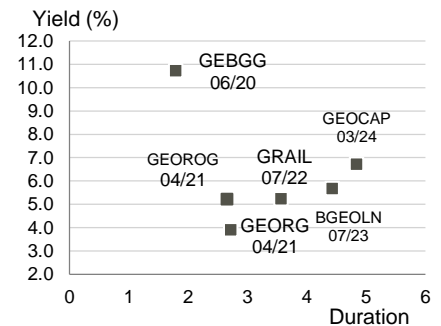
Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.7% yield, trading at 101.5 (+0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 97.2 (+0.2% w/w), yielding 6.7%.

GOGC Eurobonds (GEOROG) were trading at 104.2 (+0.2% w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.5 (-0.2% w/w), yielding 5.2%.

Georgian Sovereign Eurobonds (GEORG) closed at 108.4 (+0.3% w/w) at 3.9% 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	BGEOLN 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-/-	-/-	-/-	n/a	-/-B2e	B-/-Ba2	BB-/B+/-	BB-/-B1	BB-/BB-/Ba2	B+/B+/-
Mid price, US\$	n/a	103.0	101.3	101.13	97.2	100.5	104.2	101.5	108.4	109.5
Mid yield, %	n/a	5.5%	3.8%	6.50%	6.7	10.7	5.2	5.7	3.9	5.2
Z-spread, bps	n/a	n/a	n/a	n/a	394.8	346.1	254.2	291.9	121.8	250.7

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	108.4	3.9	121.8
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	101.6	4.4	168.7
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	116.1	0.1	-29.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.4	1.0	82.9
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	108.9	3.2	53.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	111.2	3.6	86.7
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.6	3.7	105.8
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba2	103.5	4.3	167.2

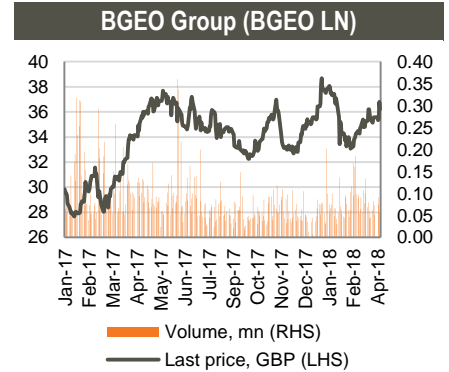
Source: Bloomberg

Equities

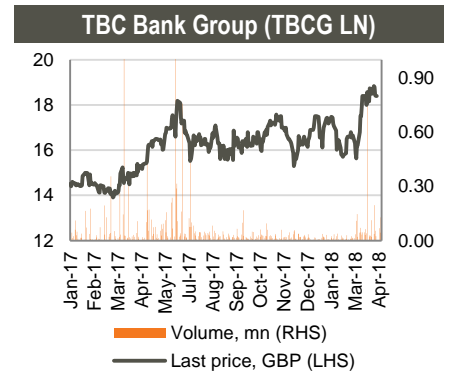
BGEO Group (BGEO LN) shares closed at GBP 36.20/share (+1.80% w/w and +5.36% m/m). More than 344k shares traded in the range of GBP 35.00 – 37.08/share. Average daily traded volume was 74k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.36% w/w and lost 0.81% m/m. The volume of BGEO shares traded was at 0.87% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 18.96 (+3.04% w/w and +8.22% m/m). More than 291k shares changed hands in the range of GBP 17.74 – 18.96 share. Averaged daily traded volume was 97k in the last 4 weeks.

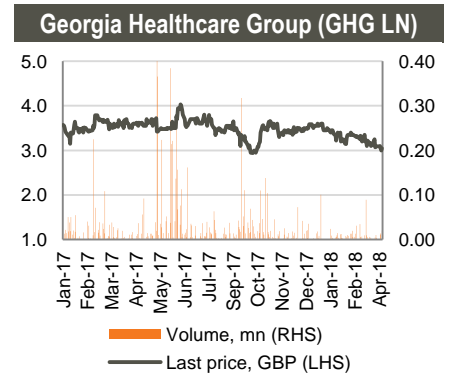
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.05/share (-1.29% w/w and -8.41% m/m). More than 49k shares were traded in the range of GBP 3.00 – 3.10/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.



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	36.2*	2,008	5.4%	-0.7%	7.4%	1.8%	7.0%
TBC	TBC	18.96*	1,430	8.2%	14.5%	12.9%	8.3%	27.7%
Halyk Bank	HSBK	13.75	3,780	-3.8%	27.3%	53.8%	39.2%	89.4%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-44.3%
VTB Bank	VTBR	2.08	13,479	-0.7%	5.5%	-2.4%	13.7%	-9.2%
Vozrozhdenie Bank	VZRZ	6.71	159	-18.7%	-23.5%	-30.7%	-22.9%	-48.9%
Sberbank	SBER	18.96	102,322	-5.9%	3.4%	33.2%	12.0%	56.7%

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	3.05*	566	-8.4%	-14.1%	3.4%	-14.1%	-15.3%
Mouwasat	MOUWASAT	49.05	2,453	5.7%	19.6%	15.2%	21.5%	29.3%
Fortis	FORH	2.14	1,109	-14.1%	-17.1%	-10.8%	-14.9%	-26.9%
Raffles	RFMD	0.87	1,534	-1.7%	2.6%	4.6%	3.3%	-16.3%
IHH	IHH	1.56	12,876	0.6%	7.3%	16.2%	8.3%	15.5%
Bangkok Chain	BCH	0.54	1,348	2.5%	11.6%	13.0%	8.7%	43.8%
Netcare	NTC	2.33	3,427	7.8%	18.3%	33.1%	14.8%	29.2%

Source: Bloomberg

*GHG share price traded and shown in GBP



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