



# Weekly Market Watch

Weekly Market Watch | Georgia  
Oct 9, 2017

## Economy

### Tourist arrivals up 24.8% y/y in September 2017

Total international arrivals to Georgia increased 20.9% y/y to 0.76mn visitors in September 2017, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 24.8% y/y to 0.38mn persons (49.9% of total) in September after posting a 27.2% y/y growth in August 2017. Out of top countries by arrivals, in September 2017, visitors continued to increase from Armenia (+11.8% y/y), Russia (+32.0% y/y), Iran (+80.0% y/y), Azerbaijan (+15.6% y/y), and Ukraine (+0.2% y/y). Arrivals from EU were up 28.0% y/y to over 42,200 visitors. In 9M17 international arrivals increased 19.2% y/y to 5.8mn visitors, while tourist arrivals increased 28.8% y/y to 2.8mn.

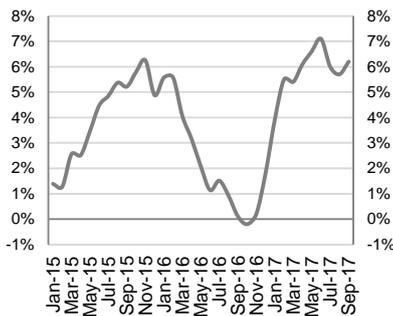
### Inflation was 6.2% y/y and 0.7% m/m in September 2017

The annual CPI inflation was 6.2% in September 2017 up from 5.7% inflation in previous month, according to GeoStat. Core inflation was 4.5% in September compared to 4.3% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+6.5% y/y, +1.96ppts), transport (+14.7% y/y, +1.84ppts), and alcoholic beverages and tobacco (+17.4% y/y, +1.13ppts) categories. On a monthly basis, there was 0.7% inflation in September 2017. Price increases in food and non-alcoholic beverages (+1.2% m/m, +0.36ppts) and transport (+1.8% m/m, +0.25ppts) categories were the major drivers of monthly Inflation dynamics.

### International reserves up 5.8% y/y in September 2017

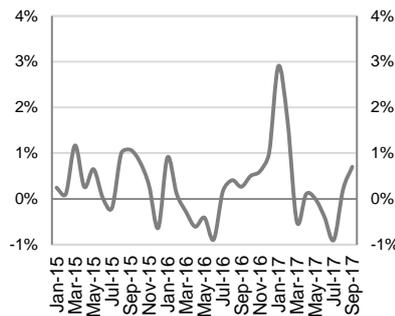
Gross international reserves were up 5.8% y/y to US\$ 3.0bn in September 2017, while reserves were up 3.8% m/m, according to NBG. There were no FX interventions by central bank in September. Change in reserves was attributed to government FX operations and/or asset revaluation.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



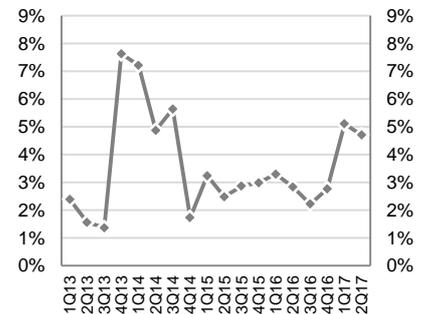
### Key macro indicators

	9M17	2016	2015
GDP (% change)	4.7% <sup>(1)</sup>	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)	...	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 8M17

### Real GDP growth, %



Source: GeoStat

### International ranking, 2017-18

- Ease of Doing Business # 16 (Top 20)
- Economic Freedom Index # 13 (mostly free)
- Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

 <b>BB-</b> Stable Affirmed May-2017	 <b>Ba2</b> Stable Affirmed Sep-2017	 <b>BB-</b> Stable Affirmed Sep-2017
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Source: Rating agencies

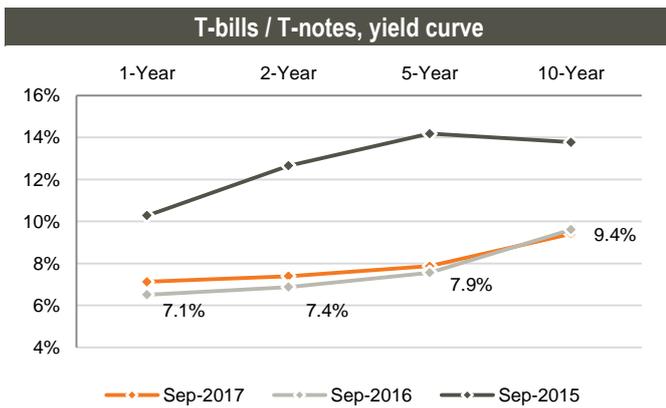


# Money market

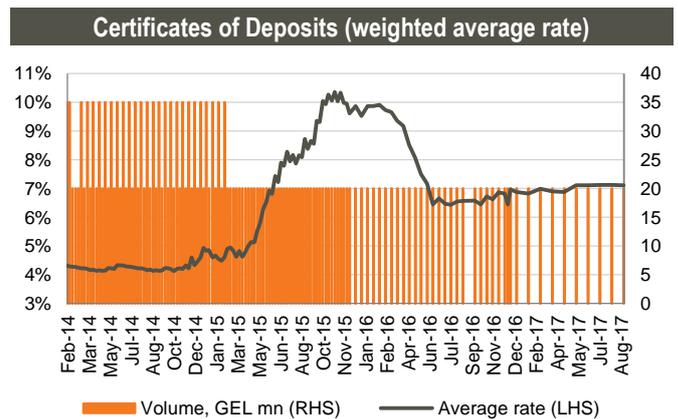
**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 970mn (US\$ 392.9mn).

## Ministry of Finance Treasury Bills:

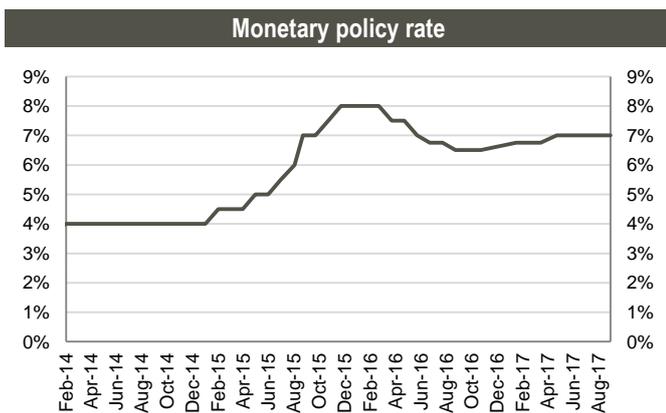
1-year GEL 30.0mn (US\$ 12.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on October 4, 2017. The weighted average yield was fixed at 7.129%. The nearest treasury security auction is scheduled for October 11, 2017, where GEL 20.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.



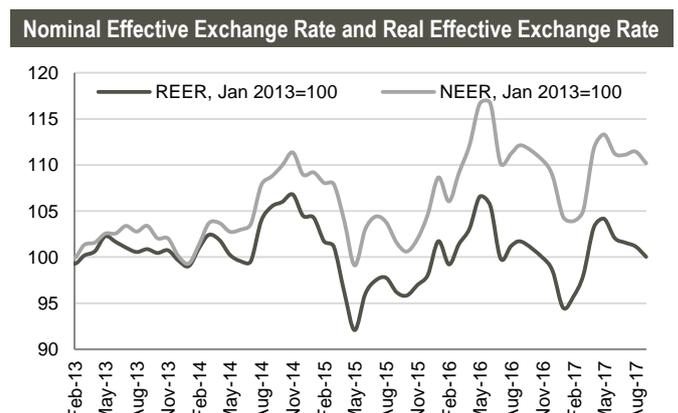
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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

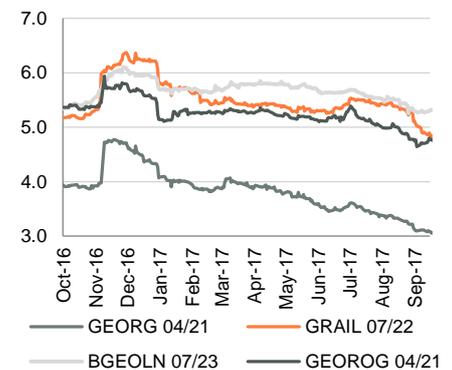


## Fixed income

**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.3 (-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 106.3 (+0.2% w/w), yielding 4.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.5 (unchanged w/w), yielding 5.0%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 112.4 (unchanged w/w) at 3.1% yield to maturity.

**Georgia Eurobonds, YTM (%)**



Source: Bloomberg

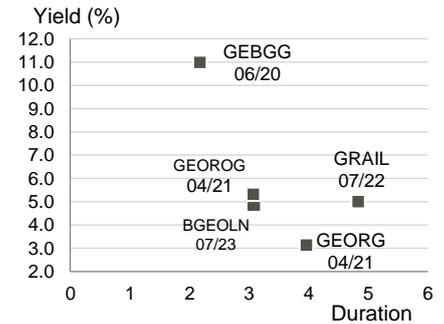
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	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-/-/	-/-/	-/-/	-/-/	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	106.3	103.3	112.4	111.5
Mid yield, %	n/a	6.75%	8.5%	9.0%	6.50%	11.0	4.8	5.3	3.1	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	286.1	119.6	298.0	324.8

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

**Georgian Eurobond universe**



Source: Bloomberg

### 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	112.4	3.1	119.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	103.2	4.2	205.9
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.5	0.1	-30.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	112.9	1.0	82.7
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.7	2.5	61.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.8	2.8	84.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.1	2.5	68.7
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	106.5	3.6	170.3

Source: Bloomberg

## Equities

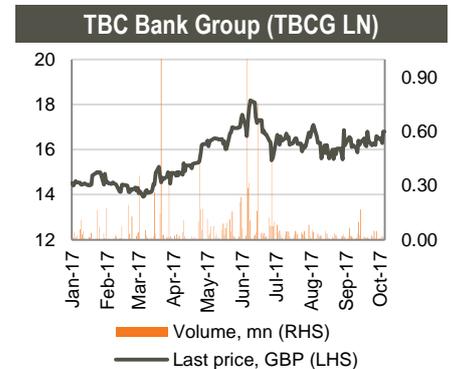
**BGEO Group** (BGEO LN) shares closed at GBP 33.71/share (+3.40% w/w and +1.32% m/m). More than 286k shares traded in the range of GBP 32.18 – 33.84/share. Average daily traded volume was 55k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.44% w/w and gained 2.59% m/m. The volume of BGEO shares traded was at 0.73% of its capitalization.

**TBC Bank Group** (TBCG LN) closed the week at GBP 16.79 (+1.14% w/w and +1.76% m/m). More than 85k shares changed hands in the range of GBP 16.17 – 17.17 share. Averaged daily traded volume was 31k in the last 4 weeks.

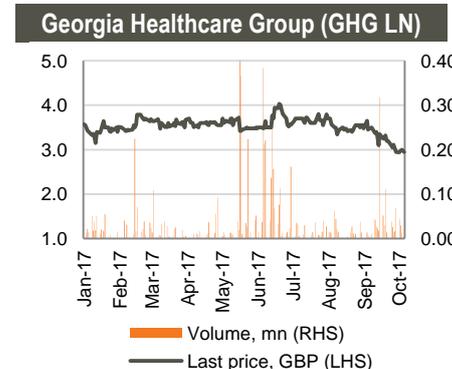
**Georgia Healthcare Group** (GHG LN) shares closed at GBP 2.95/share (unchanged w/w and -15.23% m/m). More than 155k shares were traded in the range of GBP 2.90 – 3.08/share. Average daily traded volume was 44k in the last 4 weeks. The volume of GHG shares traded was at 0.07% of its capitalization.



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	43.11	1,698	-5.1%	-10.4%	0.6%	9.0%	9.2%
TBC*	TBC	21.87	1,158	0.1%	-0.8%	10.4%	13.7%	35.0%
Halyk Bank	HSBK	8.95	2,460	-8.6%	-2.2%	19.3%	49.4%	44.4%
KKB	KKB	0.68	271	0.0%	4.6%	-44.3%	-52.9%	-49.1%
VTB Bank	VTBR	2.13	13,822	0.1%	1.2%	-6.9%	-10.6%	-4.9%
Vozrozhdenie Bank	VZRZ	9.67	230	-1.9%	-22.7%	-26.2%	-21.0%	-16.0%
Sberbank	SBER	14.23	76,796	4.3%	36.6%	21.9%	22.9%	46.7%

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	3.95	520	-18.4%	-18.4%	-19.5%	-16.5%	-3.3%
Mouwasat	MOUWASAT	42.97	2,148	0.0%	7.4%	13.5%	9.1%	40.2%
Fortis	FORH	2.22	1,153	-3.7%	-11.7%	-23.6%	-16.4%	-15.2%
Raffles	RFMD	0.83	1,469	3.3%	-14.1%	-19.0%	-16.1%	-26.4%
IHH	IHH	1.35	11,141	-3.6%	-0.5%	-0.2%	-4.5%	-11.8%
Bangkok Chain	BCH	0.48	1,187	7.4%	19.1%	24.9%	15.3%	34.2%
Netcare	NTC	1.69	2,471	-10.2%	-11.5%	-12.2%	-27.1%	-31.4%

Source: Bloomberg

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



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