



## Economy

### Real GDP grew by 7.0% y/y in May-23

Georgia's economy continued strong growth, with real GDP up by 7.0% y/y in May-23, after a 7.5% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, real growth came in at 7.5% y/y in 5M23. The expansion in May was primarily driven by construction, ICT, trade, financial, transportation and storage sectors, while the manufacturing and real estate sectors experienced contraction. Given the faster-than-expected reduction in the GDP deflator and upward revision of 1Q growth figure, we expect GDP growth at 6.8% in 2023, revised upwards from the previous projection of 5.8% (see updated macro forecasts [here](#)).

### CA deficit reduced significantly to 3.2% of GDP in 1Q23

The Current Account (CA) deficit reduced sharply, down by 67.7% y/y to 3.2% of GDP in 1Q23, from 13.3% in 1Q22, according to NBG. This improvement was due to the strong growth in the service balance (reflecting tourism revenue growth of 102.0% y/y to US\$ 795.4mn), followed by transfers balance (+36.1% y/y). The merchandise trade deficit, traditionally the major contributor to deficit creation, increased by 25.2% y/y to US\$ 1.3bn, as exports increased by 24.2% y/y and imports were up 24.6% y/y. Notably, the positive balance in services and transfers was 1.1x higher than the trade deficit in 1Q23. In addition, the net FDI (6.1% of GDP) was 1.9x higher than CA deficit in 1Q23. Considering 1Q and ongoing data of FX inflows, we project CA deficit at 3.8% of GDP in 2023, improvement from our previous forecast of 5.4%.

### Loan portfolio up 12.8% y/y in May-23

In May-23, the banking sector loan portfolio grew by 12.8% y/y (+0.9% m/m), excluding FX effect, after a 13.2% y/y growth in previous month. In unadjusted terms, loan portfolio increased by 6.1% y/y (+2.1% m/m) to GEL 45.7bn (US\$ 17.6bn), after growing by 3.7% in April. By sector, corporate loans growth was 10.3% y/y in May (+10.9% y/y in April, exc. FX effect) and retail loans growth stood at 15.0% y/y (+15.2% y/y in April). Notably, the mortgages growth came in at 11.8% y/y in May, after a 11.5% y/y growth in previous month. In May-23, loan dollarization stood at 44.5% (-4.28ppts y/y and +0.56ppts m/m) and NPLs at 1.8% (-0.16ppts y/y and +0.04ppts m/m).

Bank deposits growth accelerated to 31.2% y/y (+3.8% m/m, exc. FX effect) to GEL 45.5bn (US\$ 17.5bn) in May-23, after a 28.7% y/y growth in April. In terms of currency breakdown, GEL deposits growth accelerated further to 44.8% y/y (+39.1% y/y in previous month) and FX deposits growth (exc. FX effect) slowed to 21.3% y/y (+21.5% in previous month). As a result, the level of deposit dollarization decreased further to 50.5% (-7.66ppts y/y and -0.82ppts m/m) in May-23.

### NBG purchased US\$ 154.7mn in May-23

In May-23, NBG purchased US\$ 154.7mn through the BMatch platform, after a record high monthly purchase of US\$ 322.4mn in April. Overall, in 5M23, NBG's FX purchases reached US\$ 937.6mn.

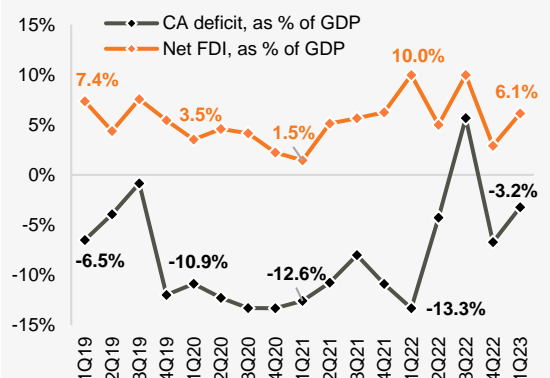
### Key macro indicators

	2021	2022
Real GDP growth (% change)	10.5%	10.1%
GDP per capita (ppp)	16,997	20,244
GDP per capita (US\$)	5,023	6,672
Population (mn)	3.7	3.7
Inflation (eop)	13.9%	9.8%
Gross reserves (US\$ bn)	4.3	4.9
CAD (% of GDP)	10.4%	4.0%
Fiscal deficit (% of GDP)	6.1%	3.1%
Total public debt (% of GDP)	49.7%	39.8%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

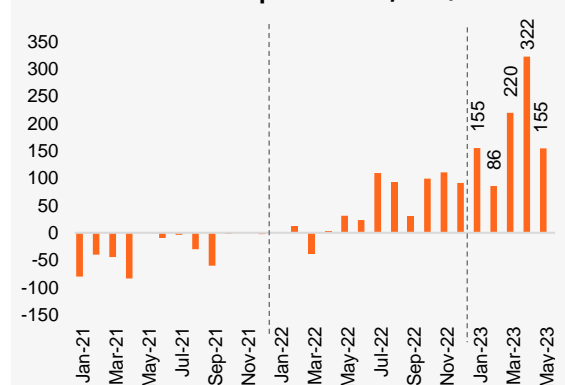
\*Latest sovereign credit ratings

### CA deficit and net FDI



Source: NBG, Geostat

### NBG's net FX purchases, US\$ mn



Source: NBG

# Money market

## Ministry of Finance T-bills/T-notes:

5-year GEL 90.0mn (US\$ 34.2mn) Benchmark bonds were sold at the auction held at NBG on June 27, 2023. Total demand was 2.3x higher and the weighted average yield was fixed at 8.459%, down by 0.176ppts from previous auction held in May-23.

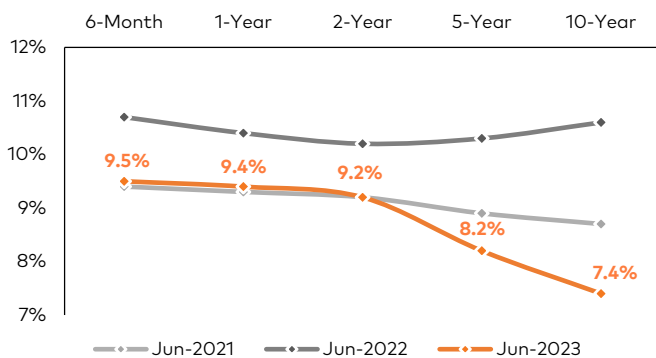
The nearest treasury security auction is scheduled for July 4, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark bonds will be sold.

## T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	120	120	420
1-year	120	120	
2-year	256	240	
5-year	575	540	6,825
10-year	360	660	
<b>Total</b>	<b>1,431</b>	<b>1,680</b>	<b>7,245</b>

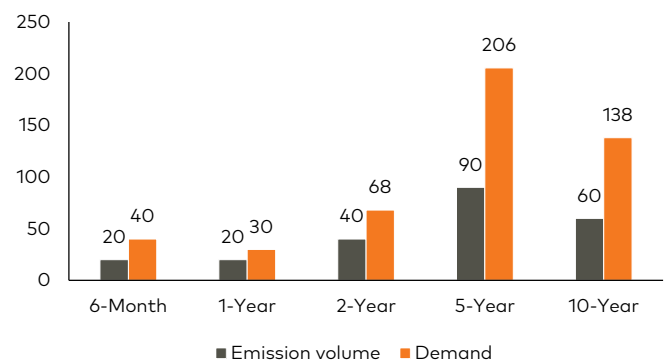
Source: MoF  
\*As of May 2023

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



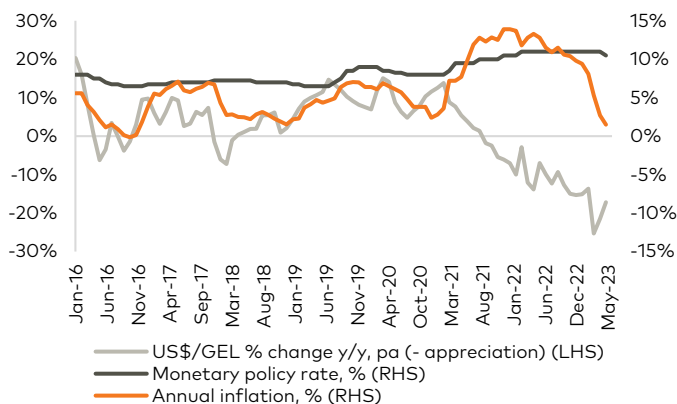
Source: NBG

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



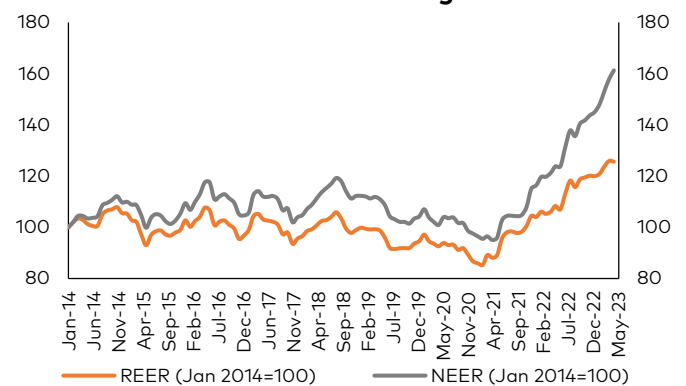
Source: NBG

## Monetary policy rate, inflation and FX rate



Source: NBG

## Nominal effective exchange rate and Real effective exchange rate



Source: NBG

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

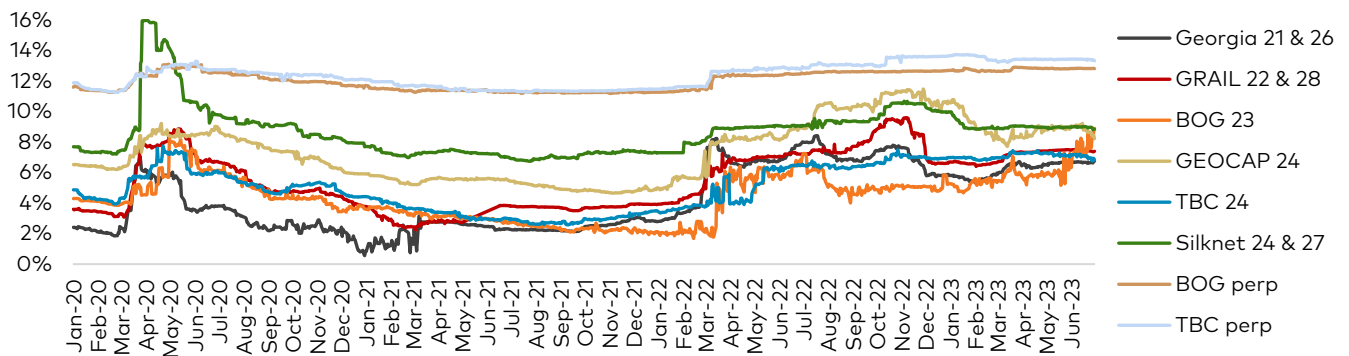
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 8.90% yield, trading at 99.82 (-0.04% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 98.63 (+0.34% w/w), yielding 8.23%.

Georgian Railway Eurobonds (GRAIL) traded at 86.11 (+0.14% w/w), yielding 7.40%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 89.94 (-0.24% w/w) at 6.75% yield to maturity.

**Georgian Eurobonds, YTM**



Source: Bloomberg

**Georgian Eurobonds performance**

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Mood y/Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	89.94	6.75	231.75
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	86.11	7.40	346.59
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	99.82	8.90	n/a
GEBGG 11/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.13	12.82	669.32
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	98.63	8.23	277.01
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.58	8.85	460.05
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	99.03	6.81	141.29
TBC PERP	USD	125	10.775%	n/a	B-/-/-	96.86	13.32	833.06

**Georgian local bonds performance**

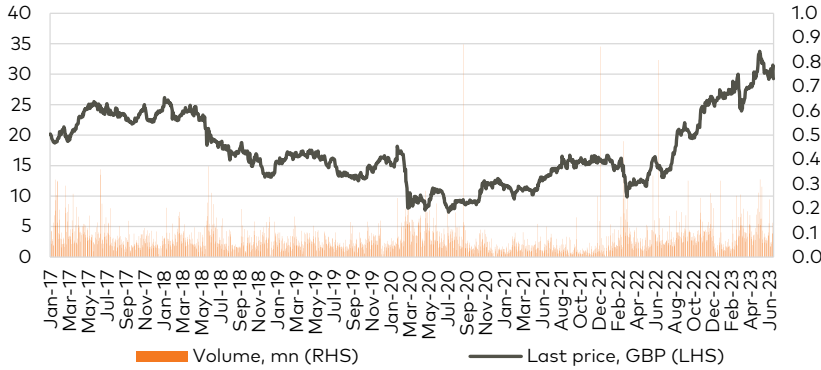
GLC	USD	12	5.75%	Jul-23	-/-/-	99.94	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.59	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/B+	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	98.23	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.80	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.78	8.65	n/a
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	99.04	7.25	n/a
SRG Real Estate	USD	20	9.00%	Apr-26	-/-/-	n/a	n/a	n/a
Geosteel	USD	15	9.00%	Apr-25	-/-/-	n/a	n/a	n/a
Tegeta Motors	USD	20	8.50%	Apr-25	-/-/BB-	n/a	n/a	n/a
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	15.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Evex Hospitals	GEL	50	14.10%	Nov-24	-/-/BB	n/a	n/a	n/a
Nikora Trade	GEL	35	14.50%	Nov-24	-/-/B+	n/a	n/a	n/a
TBC Leasing	GEL	58.4	14.25%	Mar-26	BB-//-/-	n/a	n/a	n/a

Source: Bloomberg



# Equities

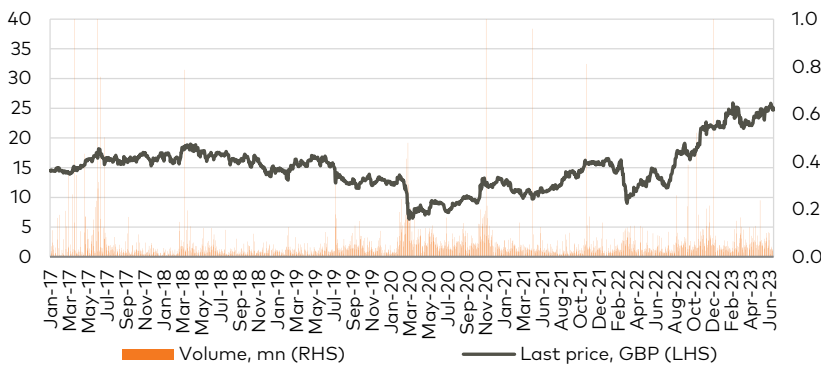
## Bank of Georgia Group (BGEO LN)



Source: Bloomberg

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 29.25/share (-1.35% w/w and -4.72% m/m). More than 473k shares traded in the range of GBP 29.05 - 31.55/share. Average daily traded volume was 86k in the last 4 weeks. The volume of BGEO shares traded was at 1.02% of its capitalization.

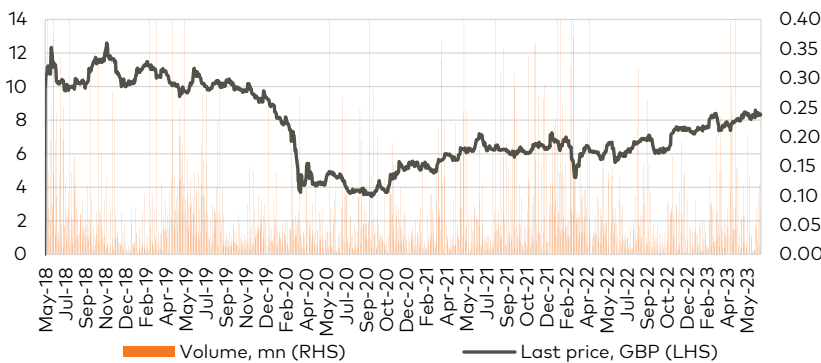
## TBC Bank Group (TBCG LN)



Source: Bloomberg

**TBC Bank Group (TBCG LN)** closed the week at GBP 24.70/share (-1.79% w/w and +4.88% m/m). More than 121k shares changed hands in the range of GBP 24.45 - 25.50/share. Average daily traded volume was 49k in the last 4 weeks. The volume of TBCG shares traded was at 0.22% of its capitalization.

## Georgia Capital (CGEO LN)



Source: Bloomberg

**Georgia Capital (CGEO LN)** shares closed at GBP 8.31/share (-1.66% w/w and +0.73% m/m). More than 225k shares traded in the range of GBP 8.20 - 8.45/share. Average daily traded volume was 32k in the last 4 weeks. The volume of CGEO shares traded was at 0.51% of its capitalization.

## Equities, continued

### Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E			P/B		
								2022	2023F	2024F	2022	2023F	2024F
Bank of Georgia	BGEO	GBP	29.25	1,360	12.3%	124.0%	12.3%	2.74x	4.13x	3.86x	0.90x	0.83x	0.71x
TBC	TBC	GBP	24.70	1,358	8.8%	95.4%	8.8%	4.10x	4.39x	3.84x	1.04x	0.99x	0.84x
Halyk Bank	HSBK	USD	14.04	3,829	26.5%	40.4%	26.5%	2.69x	2.73x	2.44x	0.78x	0.74x	0.62x
Akbank	AKBNK	TRY	20.20	105,040	3.3%	151.9%	3.3%	1.40x	2.52x	2.30x	0.55x	0.59x	0.49x
Garanti	GARAN	TRY	32.04	134,568	6.7%	130.5%	6.7%	1.91x	3.06x	2.53x	0.73x	0.72x	0.59x
Isbank	ISCTR	TRY	14.06	140,600	10.1%	221.0%	10.1%	0.84x	2.80x	2.53x	0.60x	0.63x	0.51x
PKO	PKO	PLN	36.15	45,188	19.3%	29.1%	19.3%	10.98x	6.71x	6.85x	1.03x	1.06x	1.00x
PEKAO	PEO	PLN	110.80	29,082	28.1%	35.9%	28.1%	na	5.74x	6.62x	na	1.05x	1.00x
Millennium	MIL	PLN	5.76	6,987	25.8%	48.2%	25.8%	na	2.42x	3.16x	1.04x	1.10x	0.92x
Mbank	MBK	PLN	406.10	17,232	37.2%	80.8%	37.2%	na	3.74x	5.53x	1.10x	1.00x	0.92x
BRD	BRD	RON	13.22	9,213	1.7%	4.8%	1.7%	6.81x	6.15x	6.59x	1.31x	1.12x	1.09x
Banca Transilvania	TLV	RON	20.74	14,677	4.1%	4.3%	4.1%	na	6.28x	6.01x	1.60x	1.29x	1.15x
Komerčni	KOMB	CZK	664.50	126,288	1.5%	0.3%	1.5%	8.36x	8.29x	8.42x	1.21x	0.97x	0.93x
<b>Mean</b>								<b>4.42x</b>	<b>4.54x</b>	<b>4.67x</b>	<b>0.99x</b>	<b>0.93x</b>	<b>0.83x</b>
<b>Median</b>								<b>2.74x</b>	<b>4.13x</b>	<b>3.86x</b>	<b>1.04x</b>	<b>0.99x</b>	<b>0.92x</b>

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		
								2022	2023F	2024F	2022	2023F	2024F
Georgia Capital	CGEO	GBP	8.31	366	13.8%	37.1%	13.8%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	12.00	436	-4.0%	-8.8%	-4.0%	18.33x	na	na	0.99x	na	na
Sabancı Holding	SAHOL	TRY	46.02	93,899	2.1%	143.4%	2.1%	1.77x	3.65x	2.46x	0.77x	0.54x	0.45x
Deutsche Beteiligungs	DBAN	EUR	28.90	543	3.6%	14.2%	3.6%	na	5.40x	5.16x	1.00x	0.82x	0.73x
Eurazeo	RF	EUR	64.45	5,106	10.9%	9.1%	10.9%	8.89x	9.71x	8.32x	0.78x	0.65x	0.59x
Carlyle Group	CG	USD	31.99	11,585	7.2%	1.1%	7.2%	8.50x	11.08x	7.85x	1.70x	2.06x	1.56x
Wendel SE	MF	EUR	94.00	4,174	7.8%	17.9%	7.8%	6.63x	7.66x	7.55x	na	1.29x	1.16x
HgCapital Trust	HGT	GBP	3.71	1,696	5.7%	12.1%	5.7%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.02	655	-6.1%	1.1%	-6.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.40	781	4.8%	14.2%	4.8%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.35	716	22.6%	-14.8%	22.6%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.43	219	-4.7%	-4.0%	-4.7%	na	na	na	0.47x	na	na
<b>Mean</b>								<b>8.82x</b>	<b>7.50x</b>	<b>6.27x</b>	<b>0.84x</b>	<b>1.07x</b>	<b>0.90x</b>
<b>Median</b>								<b>8.50x</b>	<b>7.66x</b>	<b>7.55x</b>	<b>0.78x</b>	<b>0.82x</b>	<b>0.73x</b>

Source: Bloomberg, S&P Capital IQ

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### **Galt & Taggart**

**Address:** 3 A. Pushkin Street, Tbilisi 0105, Georgia

**Tel:** + (995) 32 2401 111

**Email:** [research@gt.ge](mailto:research@gt.ge)