



Economy

Real GDP grew by 7.3% y/y in Mar-23

Real GDP growth accelerated to 7.3% y/y in Mar-23, from a 5.8% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, real growth came in at 7.2% y/y in 1Q23. The observed growth in March was mainly driven by construction, financial, transportation and trade sectors. Meanwhile, manufacturing, energy and real estate sectors contracted. Considering better-than-expected growth in 1Q23, we revised our 2023 baseline growth forecast upwards to 5.8% from 4.8% (see more [here](#)).

Tourism revenues more than doubled in 1Q23

In 1Q23, international visitors to Georgia more than doubled y/y to 1.1mn persons. This growth was mainly driven by a 183.8% y/y increase in tourist arrivals (c.79.3% of total arrivals), followed by same-day arrivals (+384.3% y/y). In 1Q23, tourist arrivals recovered at 95.8% of 1Q19 level, while same-day arrivals recovered at a lower rate of 48.8% of 1Q19 level, as Azerbaijan's land border crossing remains limited since pandemic. Russia was the top source country by international arrivals (24.1% of total), followed by Turkey (20.3% of total), and Armenia (17.1% of total). Most visitors traveled to Georgia via land (67.0% of total), followed by air (32.1% of total).

According to NBG's estimate, tourism revenues increased by 102.0% to US\$ 795.4mn in 1Q23. We expect tourism revenues to increase by 15.0% y/y to US\$ 4.0bn in 2023 (see more [here](#)).

Loan portfolio growth accelerated to 13.8% y/y in Mar-23

In Mar-23, the banking sector loan portfolio growth accelerated to 13.8% y/y (+1.6% m/m), excluding FX effect, after a 13.3% y/y growth in previous month. In unadjusted terms, loan portfolio increased by 3.6% y/y (+0.9% m/m) to GEL 44.9bn (US\$ 17.5bn), after growing by 2.8% in February. By sector, corporate loans growth accelerated further to 11.8% y/y (+10.7% y/y in February, exc. FX effect) and retail loans growth remained unchanged at 15.7% y/y in March. Notably, the mortgages growth slowed to 11.7% y/y in March (+13.3% y/y in February). In Mar-23, loan dollarization reduced to 44.3% (-6.00ppts y/y and -0.10ppts m/m) and NPLs stood at 1.7% (-0.13ppts y/y and -0.13ppts m/m).

Bank deposits growth also accelerated, up by 30.4% y/y (+0.5% m/m, exc. FX effect) to GEL 43.3bn (US\$ 16.9bn) in Mar-23, after a 29.5% y/y growth in February. By currency, GEL deposits growth accelerated to 33.7% y/y (+28.6% y/y in previous month) and FX deposits (exc. FX effect) increased by 28.1% y/y (+30.0% in previous month). Importantly, the deposit dollarization reduced further to 53.5% (-5.88ppts y/y and -1.25ppts m/m) in March, which is the lowest level since Nov-97.

NBG purchased US\$ 219.6mn in Mar-23

In Mar-23, NBG purchased US\$ 219.6mn through the BMatch platform, which is a record high monthly purchase. Overall, in 1Q23, NBG's FX purchases reached US\$ 460.5mn.

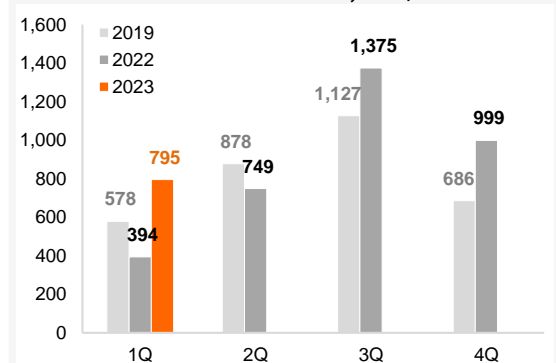
Key macro indicators

	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%	4.1%
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

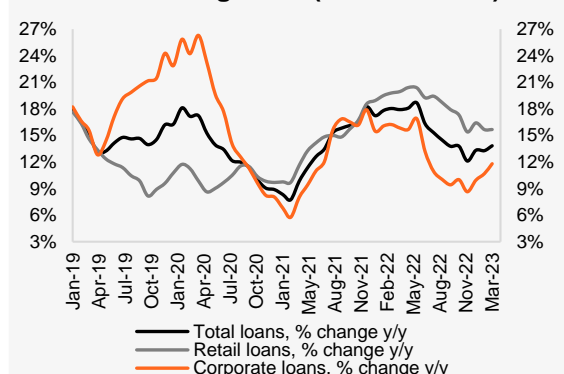
*Latest sovereign credit ratings

Tourism revenues, US\$ mn



Source: NBG

Bank loan growth (exc. FX effect)



Source: NBG

Money market

Ministry of Finance T-Bills:

5-year GEL 90.0mn (US\$ 35.9mn) Benchmark bonds were sold at the auction held at NBG on April 25, 2023. Total demand was 1.5x higher and the weighted average yield was fixed at 8.726%, up by 0.057ppts from previous auction held in Mar-23.

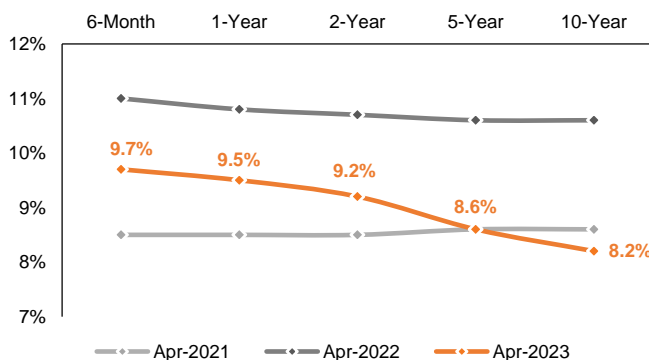
The nearest treasury security auction is scheduled for May 2, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	80	160	420
1-year	80	160	
2-year	171	320	
5-year	384	720	6,424
10-year	240	780	
Total	955	2,140	6,844

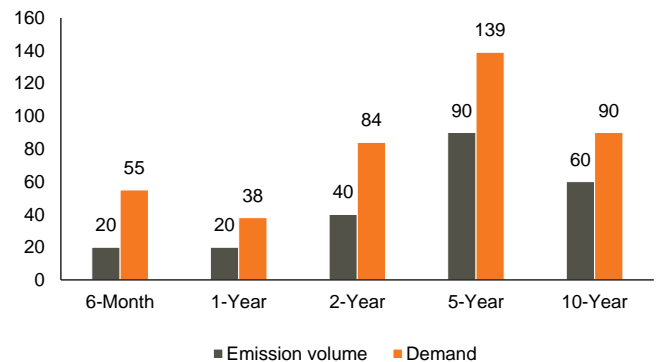
Source: MoF
 *As of March 2023

T-bills / T-notes, yield curve



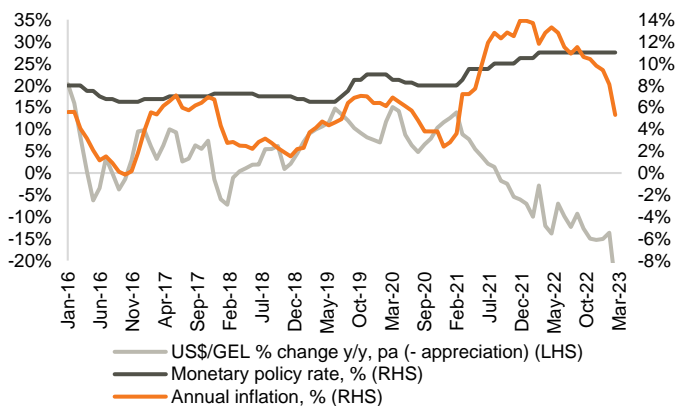
Source: NBG

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



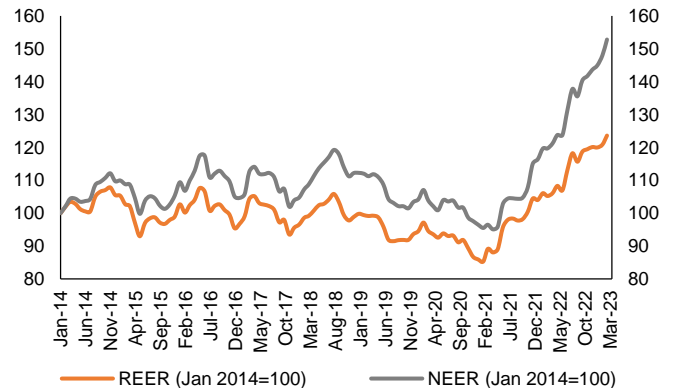
Source: NBG

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



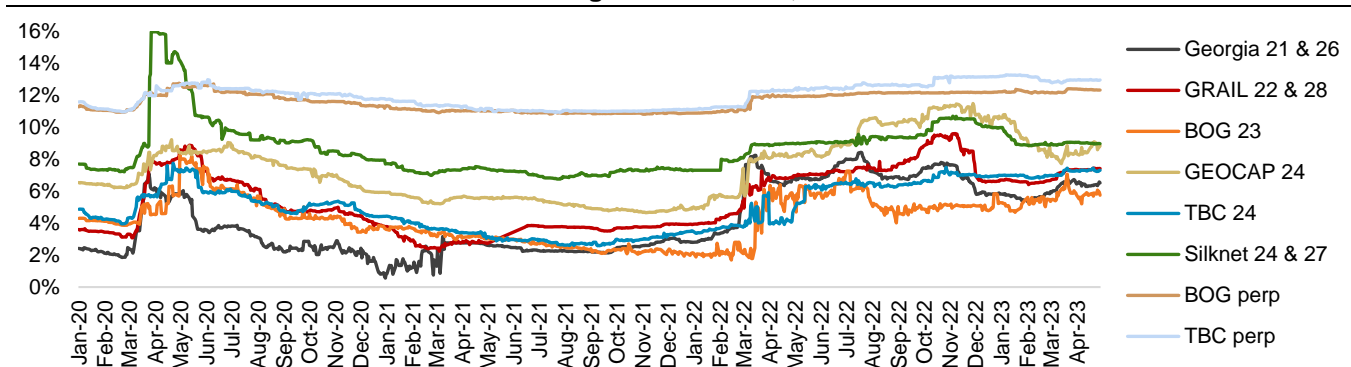
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.74% yield, trading at 100.04 (+0.03% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.81 (+0.26% w/w), yielding 8.84%.

Georgian Railway Eurobonds (GRAIL) traded at 85.63 (+0.13% w/w), yielding 7.42%.

Georgian Sovereign Eurobonds (GEORG) closed at 89.97 (-0.28% w/w) at 6.52% yield to maturity.

Georgian Eurobonds, YTM



Source: Bloomberg

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-26	BB-/BB-/Ba2	89.97	6.52	284.14
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/	85.63	7.42	407.44
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	100.04	5.74	n/a
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/	98.75	12.32	760.91
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	97.81	8.84	388.79
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/B1	98.14	8.96	541.52
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.33	7.31	260.95
TBC PERP	USD	125	10.775%	n/a	B-/	95.71	12.95	971.30

Georgian local bonds performance

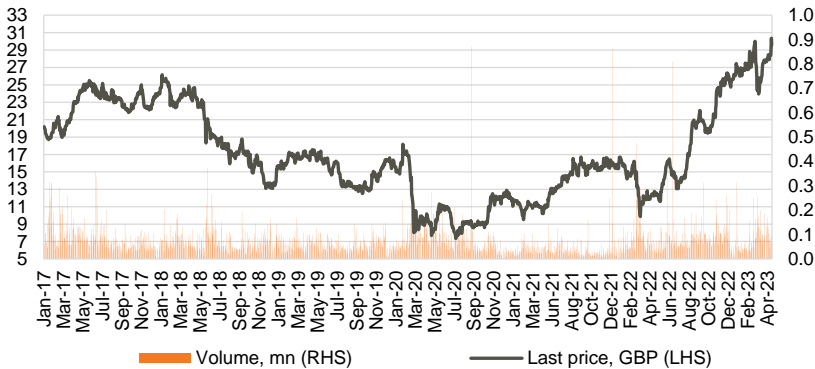
GLC	USD	12	5.75%	Jul-23	-/-/-	99.94	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.59	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/-	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	98.23	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.80	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.78	8.65	n/a
Geo. Beer Company	GEL	25	15.50%	Dec-23	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	13.60%	Nov-24	-/-/-	n/a	n/a	n/a
Nikora Trade	GEL	35	13.62%	Nov-24	-/-/-	n/a	n/a	n/a
Geo Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	99.04	7.25	-/-/-

Source: Bloomberg



Equities

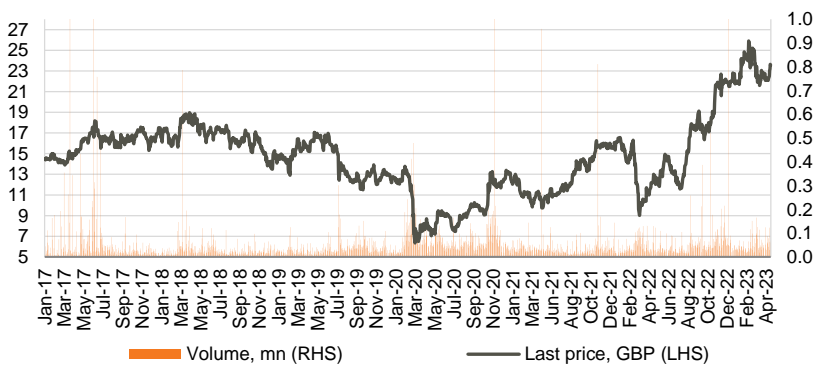
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 29.60/share (+4.23% w/w and +13.63% m/m). More than 405k shares traded in the range of GBP 28.00 - 30.60/share. Average daily traded volume was 101k in the last 4 weeks. The volume of BGEO shares traded was at 0.87% of its capitalization.

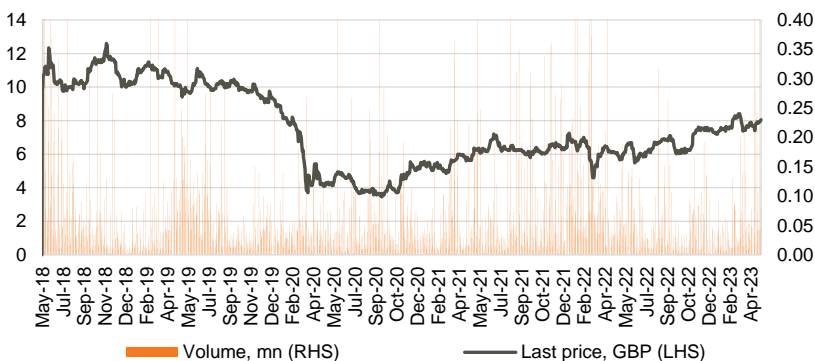
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 23.55/share (+5.84% w/w and +6.56% m/m). More than 345k shares changed hands in the range of GBP 22.15 - 23.85/share. Average daily traded volume was 61k in the last 4 weeks. The volume of TBCG shares traded was at 0.63% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 8.05/share (+2.55% w/w and +5.92% m/m). More than 1325k shares traded in the range of GBP 7.84 - 8.09/share. Average daily traded volume was 253k in the last 4 weeks. The volume of CGEO shares traded was at 2.97% 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	29.60	1,383	38.6%	135.7%	13.6%	2.74x	4.15x	3.78x	0.90x	0.85x	0.74x
TBC	TBC	GBP	23.55	1,295	24.3%	90.2%	3.7%	4.10x	3.95x	3.52x	1.04x	0.89x	0.76x
Halyk Bank	HSBK	USD	13.40	3,654	33.7%	31.9%	20.7%	2.69x	3.06x	2.87x	0.78x	0.76x	0.63x
Akbank	AKBNK	TRY	16.05	83,460	9.3%	78.9%	-17.9%	1.40x	1.95x	1.87x	0.55x	0.44x	0.39x
Garanti	GARAN	TRY	27.38	114,996	16.9%	82.8%	-8.9%	1.91x	2.70x	2.19x	0.73x	0.61x	0.51x
Isbank	ISCTR	TRY	10.83	108,300	19.7%	126.4%	-15.2%	0.84x	2.25x	2.00x	0.60x	0.49x	0.39x
PKO	PKO	PLN	32.07	40,088	24.7%	-4.3%	5.9%	10.98x	6.09x	6.35x	1.03x	1.00x	0.92x
PEKAO	PEO	PLN	95.98	25,192	24.6%	-1.6%	11.0%	na	4.93x	5.98x	na	0.91x	0.88x
Millennium	MIL	PLN	4.93	5,980	14.7%	-6.2%	7.6%	na	2.41x	2.59x	1.04x	0.97x	0.86x
Mbank	MBK	PLN	347.50	14,746	36.3%	17.6%	17.4%	na	na	5.37x	1.10x	1.00x	0.84x
BRD	BRD	RON	12.40	8,642	8.2%	-27.5%	-4.6%	6.81x	6.01x	5.99x	1.31x	1.05x	1.02x
Banca Transilvania	TLV	RON	19.15	13,552	8.8%	-10.9%	-3.9%	na	5.89x	5.53x	1.60x	1.21x	1.09x
Komercni	KOMB	CZK	688.50	130,849	-2.8%	-14.6%	5.1%	8.36x	8.65x	8.49x	1.21x	0.99x	0.95x
Mean								4.42x	4.34x	4.35x	0.99x	0.86x	0.77x
Median								2.74x	4.05x	3.78x	1.04x	0.91x	0.84x

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	8.05	360	28.2%	32.6%	10.3%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	12.00	436	-2.1%	-13.0%	-4.0%	18.33x	na	na	0.99x	na	na
Sabanci Holding	SAHOL	TRY	38.20	77,943	20.5%	88.9%	-15.3%	1.77x	2.00x	1.63x	0.77x	0.62x	0.46x
Deutsche Beteiligungs	DBAN	EUR	28.45	535	12.9%	-1.2%	2.0%	na	na	5.26x	1.00x	0.82x	0.74x
Eurazeo	RF	EUR	64.65	5,122	11.7%	-11.7%	11.3%	8.89x	9.44x	8.27x	0.78x	0.69x	0.66x
Carlyle Group	CG	USD	30.22	10,940	5.0%	-21.5%	1.3%	8.50x	8.55x	6.60x	1.70x	2.06x	1.65x
Wendel SE	MF	EUR	101.60	4,512	26.8%	8.2%	16.5%	6.63x	8.28x	8.16x	na	1.40x	1.26x
HgCapital Trust	HGT	GBP	3.45	1,577	-3.9%	-19.5%	-1.7%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.58	679	-2.3%	-1.7%	-2.6%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.70	835	20.5%	8.5%	12.0%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.46	654	-2.5%	-22.1%	12.1%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.43	221	0.2%	-20.9%	-3.8%	na	na	na	0.47x	na	na
Mean								8.82x	7.07x	5.98x	0.84x	1.12x	0.95x
Median								8.50x	8.42x	6.60x	0.78x	0.82x	0.74x

Source: Bloomberg, S&P Capital IQ

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