



Economy

Inflation drops to 0.6% in Jun-23

Annual CPI inflation retreated further to 0.6% in Jun-23 from 1.5% inflation in previous month. This decline was primarily attributed to reduced inflation of mixed goods (-6.8% y/y) and imported goods (-5.9% y/y). Additionally, domestic goods inflation continued its downward trend, with a rate of 8.5% y/y in June compared to 9.1% y/y in May. Meanwhile, core inflation (non-food, non-energy, non-tobacco) increased slightly to 4.0% (+0.1ppts m/m) in June. By categories, annual inflation was mostly driven by price changes in transport (-11.6% y/y, -1.45ppts), healthcare (-6.9% y/y, -0.67ppts), alcoholic beverages and tobacco (+7.4% y/y, +0.50ppts), utilities (+4.5% y/y, 0.46ppts), and restaurants and hotels (+10.2% y/y, 0.37ppts). On a monthly basis, there was a 0.7% deflation in Jun-23, driven by price reduction in food and non-alcoholic beverages (-3.2% y/y, -1.08ppts) category.

Given the ongoing disinflation trend, we expect NBG to cut the rate by 50bps on 2 August 2023 meeting.

International reserves at US\$ 5.1bn in Jun-23

Gross international reserves increased by 29.2% y/y to US\$ 5.1bn in Jun-23, according to NBG. On a monthly basis, the reserves were up by 1.3% (+US\$ 65.3mn). Changes in reserves were attributed to the government and banking sector FX operations, likely also to NBG's FX purchases (information will be available on 25 July).

Tourism revenues estimated at US\$ 350mn in Jun-23

According to our estimates, tourism revenues increased by 16.0% y/y, reaching US\$ 350.0mn in Jun-23. Overall, tourism revenues reached US\$ 1.7bn (+48.8% y/y) in 1H23, based on our estimate.

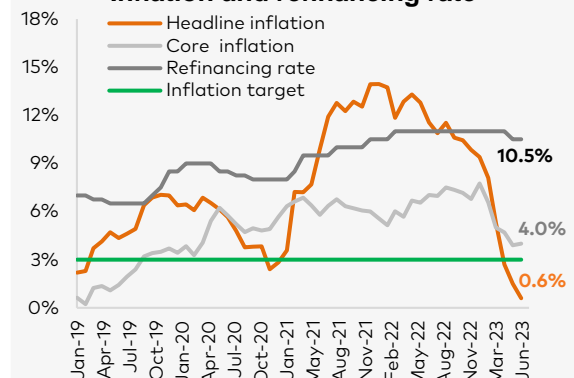
Key macro indicators

	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

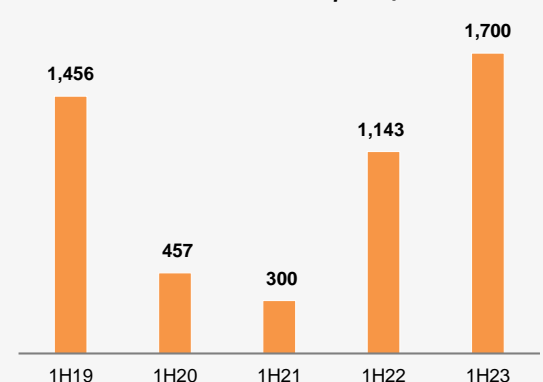
*Latest sovereign credit ratings

Inflation and refinancing rate



Source: NBG, Geostat

Tourism revenues, US\$ mn



Source: NBG, Galt & Taggart



Money market

Ministry of Finance T-bills/T-notes:

2-year GEL 40.0mn (US\$ 15.3mn) Benchmark bonds were sold at the auction held at NBG on July 4, 2023. Total demand was 2.5x higher and the weighted average yield was fixed at 8.543%, down by 0.118ppts from previous auction held in Jun-23.

6-month GEL 20.0mn (US\$ 7.7mn) T-Bills were sold at the auction held at NBG on July 4, 2023. Total demand was 2.8x higher and the weighted average yield was fixed at 9.494%, almost unchanged from previous auction held in Jun-23.

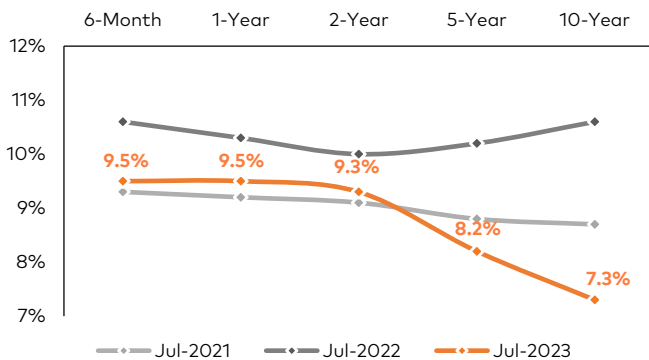
The nearest treasury security auction is scheduled for July 11, 2023, where GEL 20.0mn nominal value 1-year T-bills and GEL 25.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	140	100	420
1-year	120	120	
2-year	299	200	
5-year	575	540	6,825
10-year	360	660	
Total	1,494	1,620	7,245

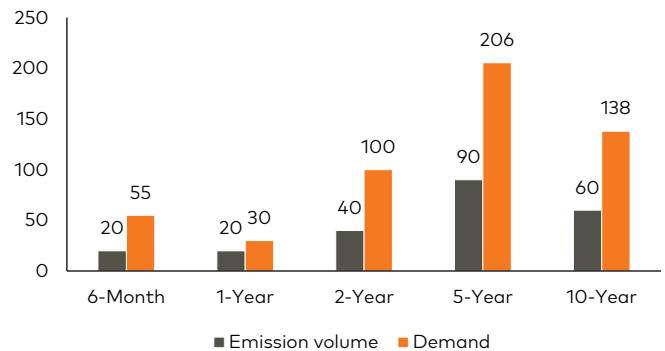
Source: MoF
*As of May 2023

T-bills / T-notes, yield curve



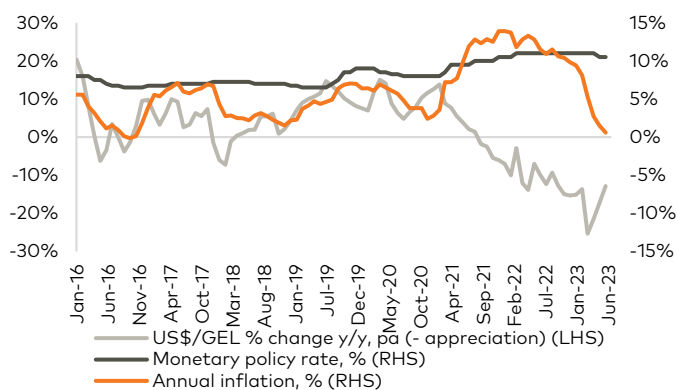
Source: NBG

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



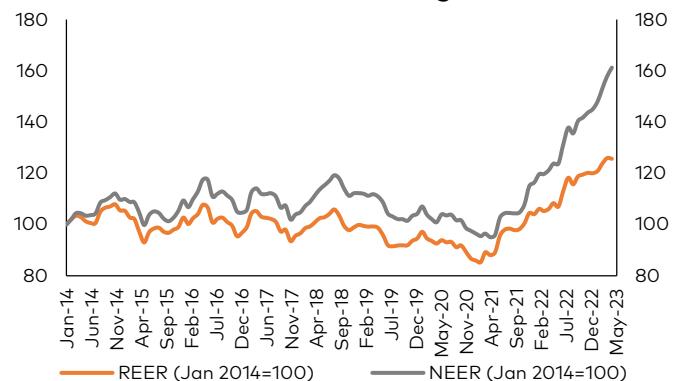
Source: NBG

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



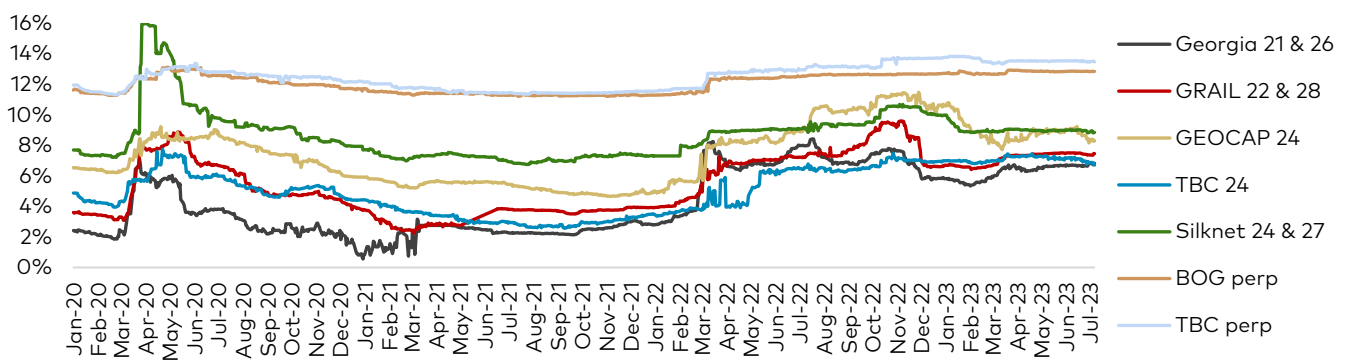
Fixed income

Corporate Eurobonds: Georgia Capital Eurobonds (GEOCAP) were trading at 98.63 (-0.04% w/w), yielding 8.28%.

Georgian Railway Eurobonds (GRAIL) traded at 85.92 (-0.34% w/w), yielding 7.46%.

Georgian Sovereign Eurobonds (GEORG) closed at 89.84 (-0.03% w/w) at 6.82% 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	89.84	6.82	226.80
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB/-	85.92	7.46	333.03
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.10	12.84	670.25
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	98.63	8.28	278.73
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.60	8.84	444.58
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	99.14	6.71	127.52
TBC PERP	USD	125	10.775%	n/a	B-/-/-	96.60	13.47	856.97

Source: Bloomberg



Fixed income

Georgian local bonds performance

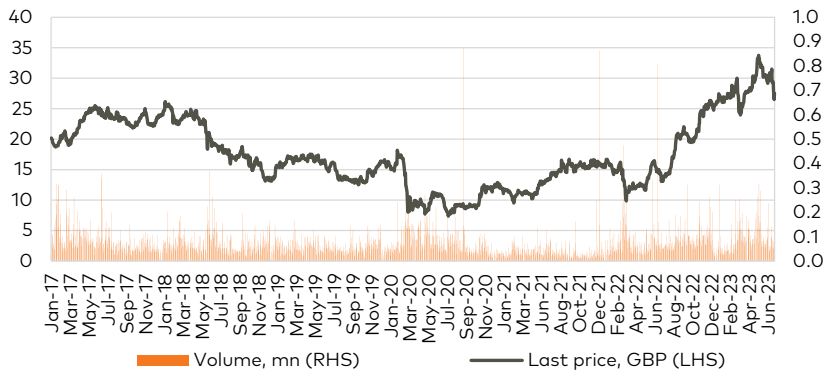
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-27	-/-/-/-	n/a	n/a	n/a
Energy Development Georgia	USD	10	8.50%	Jun-25	-/-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	Ref rate + 3.10%	Nov-24	-/-/-/BB	n/a	n/a	n/a
Geo. Beer Company	GEL	25	Ref rate + 4.00%	Dec-23	-/-/-/BB-	n/a	n/a	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
Geosteel	USD	15	9.00%	Apr-25	-/-/-/-	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
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
MFO Crystal	GEL	25	TIBR6M + 4.75%	Feb-25	B-/-/-/-	n/a	n/a	n/a
MFO MBC	GEL	15	TIBR3M + 4.50%	Dec-24	-/-/-/B+	n/a	n/a	n/a
MFO Rico Express	GEL	130	TIBR1D + 2.00%	Mar-26	-/-/-/B+	n/a	n/a	n/a
Nikora	GEL	35	TIBR3M + 3.50%	Nov-25	-/-/-/B+	n/a	n/a	n/a
Nikora Trade	GEL	35	TIBR3M + 3.50%	Nov-24	-/-/-/B+	n/a	n/a	n/a
SRG Real Estate	USD	20	9.00%	Apr-26	-/-/-/-	n/a	n/a	n/a
TBC Leasing	GEL	100	TIBR3M + 3.00%	Mar-26	BB/-/-/-	n/a	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-26	BB/-/-/-	n/a	n/a	n/a
Tegeta Motors	GEL	150	TIBR3M + 3.50%	Dec-25	-/-/-/BB-	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
Tegeta Motors	GEL	20	TIBR6M + 3.50%	Dec-25	-/-/-/BB-	n/a	n/a	n/a

Source: Bloomberg



Equities

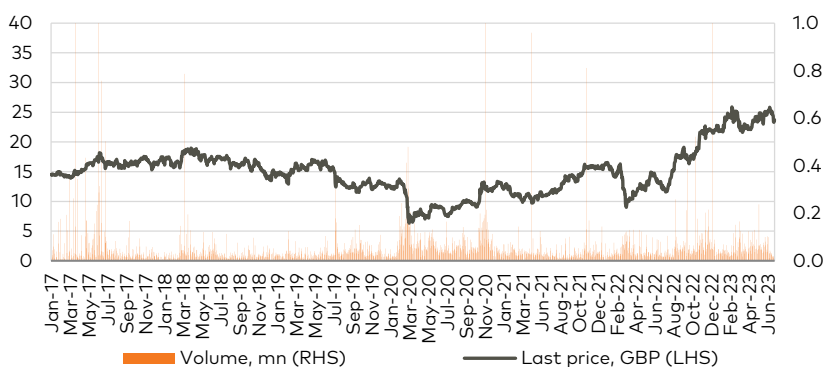
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 27.50/share (-5.98% w/w and -9.69% m/m). More than 316k shares traded in the range of GBP 26.50 - 30.00/share. Average daily traded volume was 85k in the last 4 weeks. The volume of BGEO shares traded was at 0.68% of its capitalization.

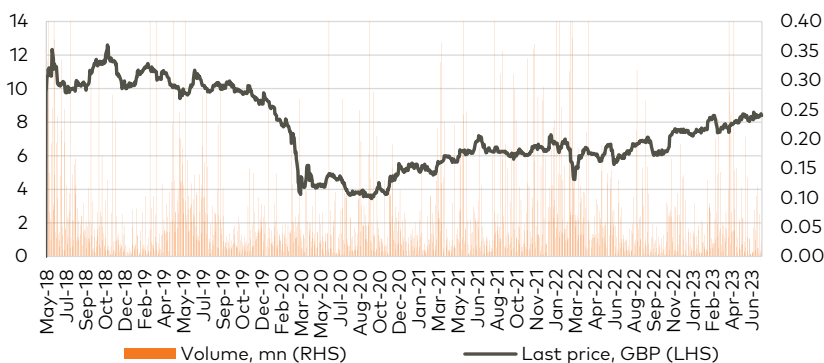
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 23.75/share (-3.85% w/w and -3.85% m/m). More than 108k shares changed hands in the range of GBP 22.65 - 24.85/share. Average daily traded volume was 37k in the last 4 weeks. The volume of TBCG shares traded was at 0.20% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 8.40/share (+1.08% w/w and +1.82% m/m). More than 65k shares traded in the range of GBP 8.32 - 8.50/share. Average daily traded volume was 32k in the last 4 weeks. The volume of CGEO shares traded was at 0.15% 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	27.50	1,278	1.1%	100.1%	5.6%	2.74x	3.89x	3.64x	0.90x	0.78x	0.67x
TBC	TBC	GBP	23.75	1,306	7.7%	95.6%	4.6%	4.10x	4.23x	3.70x	1.04x	0.95x	0.81x
Halyk Bank	HSBK	USD	14.02	3,823	22.1%	46.3%	26.3%	2.69x	2.73x	2.44x	0.78x	0.73x	0.62x
Akbank	AKBNK	TRY	20.26	105,352	8.3%	151.4%	3.6%	1.40x	2.53x	2.30x	0.55x	0.59x	0.49x
Garanti	GARAN	TRY	32.96	138,432	16.8%	131.3%	9.7%	1.91x	3.15x	2.60x	0.73x	0.74x	0.61x
Isbank	ISCTR	TRY	13.91	139,100	15.2%	207.7%	8.9%	0.84x	2.77x	2.50x	0.60x	0.62x	0.50x
PKO	PKO	PLN	36.65	45,813	10.4%	38.8%	21.0%	10.98x	6.80x	7.05x	1.03x	1.07x	1.00x
PEKAO	PEO	PLN	106.10	27,848	12.3%	34.1%	22.7%	na	5.50x	6.34x	na	1.01x	0.95x
Millennium	MIL	PLN	5.66	6,866	0.4%	45.1%	23.6%	na	2.38x	3.10x	1.04x	1.08x	0.91x
Mbank	MBK	PLN	418.20	17,746	24.3%	81.0%	41.3%	na	3.85x	5.70x	1.10x	1.02x	0.95x
BRD	BRD	RON	13.20	9,199	-2.2%	9.1%	1.5%	6.81x	6.14x	6.58x	1.31x	1.12x	1.08x
Banca Transilvania	TLV	RON	21.44	15,172	1.6%	3.0%	7.6%	na	6.49x	6.21x	1.60x	1.33x	1.19x
Komerční	KOMB	CZK	665.50	126,478	-2.6%	3.8%	1.6%	8.36x	8.30x	8.43x	1.21x	0.97x	0.93x
Mean								4.42x	4.52x	4.66x	0.99x	0.93x	0.83x
Median								2.74x	3.89x	3.70x	1.04x	0.97x	0.91x

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	8.40	370	16.7%	42.4%	15.1%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	12.00	436	-7.4%	-9.1%	-4.0%	18.33x	na	na	0.99x	na	na
Sabancı Holding	SAHOL	TRY	46.70	95,287	8.2%	151.1%	3.6%	1.77x	3.70x	2.50x	0.77x	0.55x	0.46x
Deutsche Beteiligungs	DBAN	EUR	29.40	553	2.4%	15.1%	5.4%	na	5.50x	5.25x	1.00x	0.83x	0.74x
Eurazeo	RF	EUR	61.10	4,841	1.7%	-0.1%	5.2%	8.89x	9.45x	8.01x	0.78x	0.61x	0.56x
Carlyle Group	CG	USD	31.55	11,423	1.7%	-3.5%	5.7%	8.50x	10.93x	7.74x	1.70x	2.03x	1.54x
Wendel SE	MF	EUR	91.10	4,046	-0.1%	10.9%	4.5%	6.63x	7.43x	7.32x	na	1.25x	1.13x
HgCapital Trust	HGT	GBP	3.56	1,627	-2.6%	7.7%	1.4%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.10	659	-5.6%	-1.0%	-5.6%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.31	766	9.4%	10.5%	2.7%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.25	709	22.6%	-15.6%	21.4%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.41	212	-5.1%	-9.2%	-7.8%	na	na	na	0.47x	na	na
Mean								8.82x	7.40x	6.16x	0.84x	1.06x	0.89x
Median								8.50x	7.43x	7.32x	0.78x	0.83x	0.74x

Source: Bloomberg, S&P Capital IQ

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