



Economy

Annual inflation at 0.9% in Aug-23

Annual CPI inflation rose to 0.9% in Aug-23 from the previous month's 0.3%. This increase was primarily driven by a slowdown in the reduction of inflation rates for imported and mixed goods, which decreased to -5.8% y/y (compared to -7.4% y/y in Jul-23) and -1.9% y/y (compared to -4.5% in Jul-23), respectively. Additionally, domestic goods inflation stood at 6.1% y/y, down from 7.2% in July. Notably, core inflation (non-food, non-energy, non-tobacco) reduced further to 2.5% (-0.6ppts m/m) in August, marking the first time it has fallen below 3.0% since Aug-19. By categories, annual inflation was mostly driven by price changes in transport (-7.9% y/y, -0.94ppts), healthcare (-7.3% y/y, -0.72ppts), food and non-alcoholic beverages (+2.4% y/y, +0.76ppts) and utilities (+5.0% y/y, +0.52ppts). On a monthly basis, there was a 0.3% inflation in Aug-23, driven by price increase in food and non-alcoholic beverages (+2.1% m/m, +0.69ppts) and transport (+1.6% m/m, +0.19ppts) categories.

FDI in Georgia stood at US\$ 505.7mn in 2Q23

FDI in Georgia increased by 29.9% y/y to US\$ 505.7mn, according to Geostat's preliminary figures. This rise in FDI is attributed to a surge in reinvestments (+59.1% y/y to US\$ 422.5mn, 83.5% of total), while the equity component decreased (-23.3% y/y to US\$ 72.9mn).

The financial sector was the largest FDI recipient at US\$ 255.7mn (+322.9% y/y, 50.6% of total), followed by electricity supply at US\$ 137.2mn (+27.1% y/y, 27.1% of total), manufacturing at US\$ 35.6mn (-26.5% y/y, 7.0% of total) and trade at US\$ 34.9mn (-60.7% y/y, 6.9% of total).

The UK topped the list of investors with US\$ 168.3mn (33.3% of total FDI), followed by Türkiye (US\$ 71.0mn, 14.0% of total), the Netherlands (US\$ 62.7mn, 12.4% of total) and Czech Rep. (US\$ 55.6mn, 11.0% of total).

Overall, in 1H23, FDI in Georgia increased by 10.9% y/y to US\$ 1.1bn, which is equivalent of 7.7% of GDP.

International reserves at US\$ 5.4bn in Aug-23

Gross international reserves increased by 27.6% y/y to US\$ 5.4bn in Aug-23, according to NBG. On a monthly basis, the reserves were up slightly by US\$ 0.75mn. 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 September).

Tourism revenues estimated at US\$ 550mn in Aug-23

According to our estimates, tourism revenues increased by 5.2% y/y, reaching US\$ 550mn in Aug-23. Overall, tourism revenues reached US\$ 2.9bn (+34.7% y/y) in 8M23, based on our estimate.

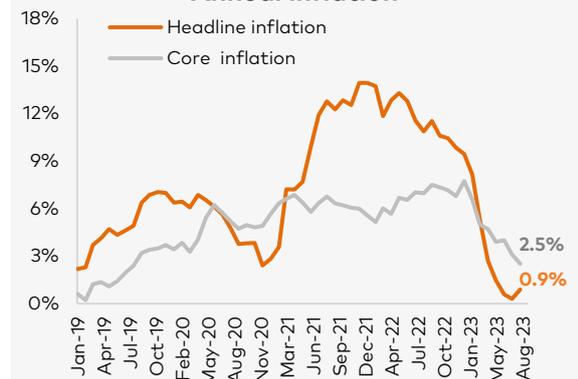
Key macro indicators

	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

Annual inflation



Source: Geostat

FDI in Georgia



Source: Geostat, Galt and Taggart

Money market

Ministry of Finance T-bills/T-notes:

2-year GEL 40.0mn (US\$ 15.2mn) Benchmark bonds were sold at the auction held at NBG on September 5, 2023. Total demand was 1.7x higher and the weighted average yield was fixed at 8.336%, down by 0.069ppts from previous auction held in Aug-23.

6-month GEL 20.0mn (US\$ 7.6mn) T-Bills were sold at the auction held at NBG on September 5, 2023. Total demand was 2.0x higher and the weighted average yield was fixed at 9.463%, up by 0.110ppts from previous auction held in Aug-23.

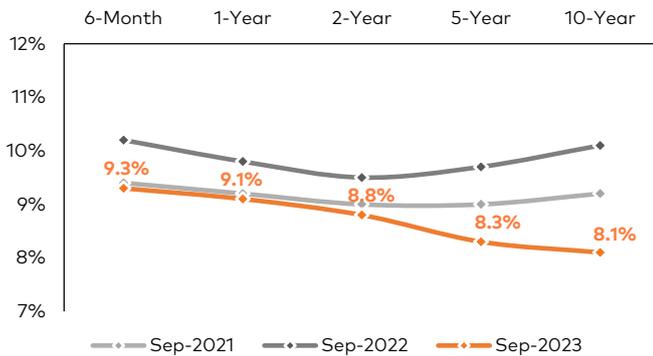
The nearest treasury security auction is scheduled for September 12, 2023, where GEL 20.0mn 1-year T-bills and GEL 25.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	180	60	410
1-year	160	80	
2-year	384	120	
5-year	771	360	7,181
10-year	530	490	
Total	2,025	1,110	7,591

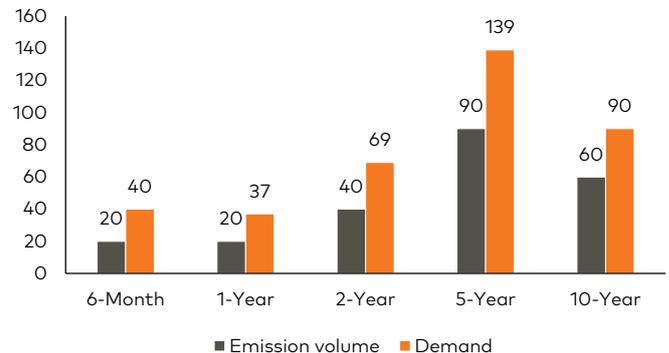
Source: MoF
*As of July 2023

T-bills / T-notes, yield curve



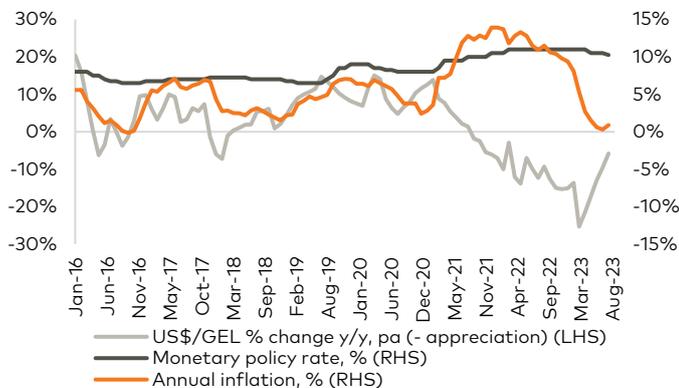
Source: NBG

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



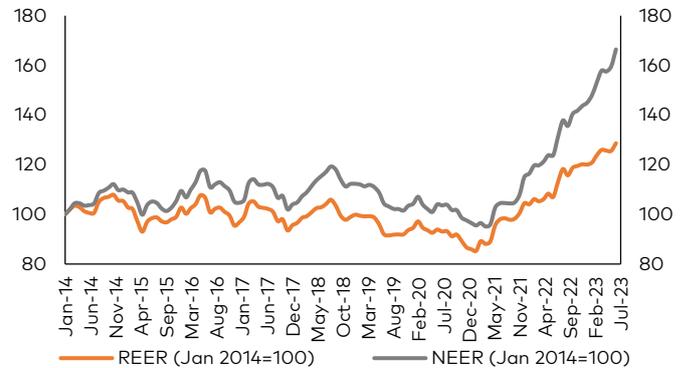
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal and real effective exchange rates



Source: NBG

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

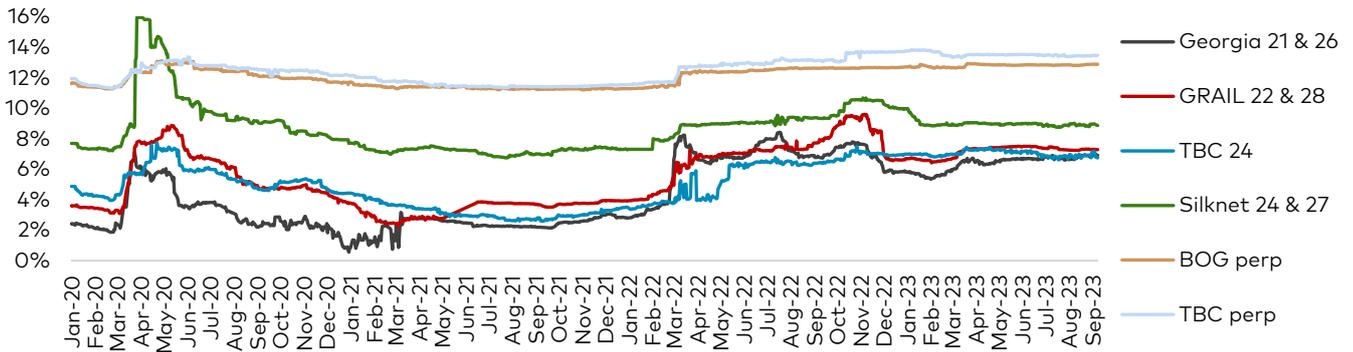


Fixed income

Corporate Eurobonds: Georgian Railway Eurobonds (GRAIL) traded at 86.94 (+0.08% w/w), yielding 7.29%.

Georgian Sovereign Eurobonds (GEORG) closed at 90.21 (+0.05% w/w) at 6.91% 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	90.21	6.91	230.42
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	86.94	7.29	309.35
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	98.99	12.89	695.90
SILKNET 01/27	USD	300	8.375%	Jan-27	BB-/-/B1	98.58	8.87	442.27
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	99.25	6.75	125.86
TBC PERP	USD	125	10.775%	n/a	B-/-/-	96.85	13.48	868.35

Source: Bloomberg



Fixed income

Georgian local bonds performance

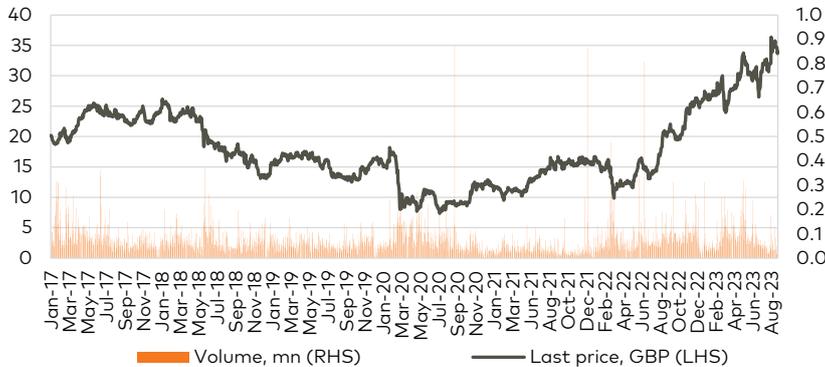
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-27	-/-/-	n/a	n/a	n/a
Energy Development Georgia	USD	10	8.50%	Jun-25	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	Ref rate + 3.10%	Nov-24	-/-/BB	n/a	n/a	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	-/-/-	99.98	8.50	n/a
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	99.99	7.00	n/a
Geosteel	USD	15	9.00%	Apr-25	-/-/-	99.98	9.00	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	99.93	6.88	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.77	8.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.68	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/B+	100.00	8.50	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	-/-/-	99.99	9.00	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-	99.59	8.75	n/a
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	99.59	7.25	n/a
Tegeta Motors	GEL	20	TIBR6M + 3.50%	Dec-25	-/-/BB-	n/a	n/a	n/a
Georgia Capital	USD	150	8.5%	Aug-28	-/BB-/	99.99	8.50	n/a

Source: Bloomberg



Equities

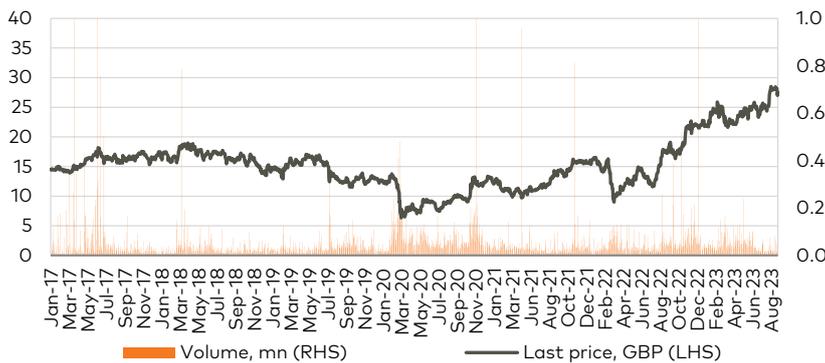
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 33.95/share (-2.02% w/w and +10.77% m/m). More than 154k shares traded in the range of GBP 33.35 - 35.05/share. Average daily traded volume was 55k in the last 4 weeks. The volume of BGEO shares traded was at 0.34% of its capitalization.

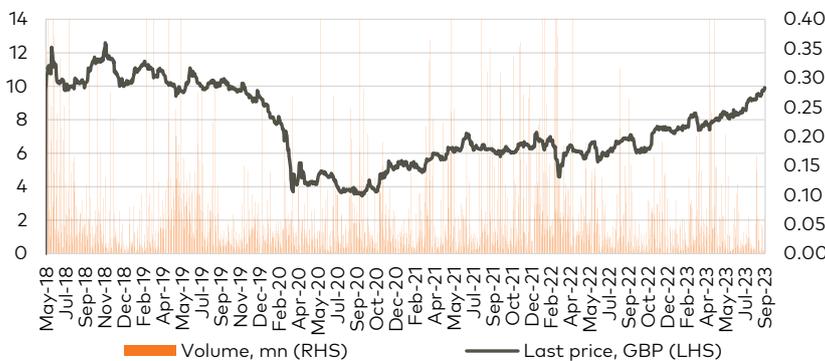
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 27.45/share (-2.83% w/w and +9.15% m/m). More than 166k shares changed hands in the range of GBP 26.45 - 28.45/share. Average daily traded volume was 30k in the last 4 weeks. The volume of TBCG shares traded was at 0.30% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 9.90/share (+1.33% w/w and +7.49% m/m). More than 158k shares traded in the range of GBP 9.55 - 10.06/share. Average daily traded volume was 42k in the last 4 weeks. The volume of CGEO shares traded was at 0.36% 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	33.95	1,559	23.0%	63.2%	30.3%	2.74x	4.09x	4.14x	0.90x	0.98x	0.84x
TBC	TBC	GBP	27.45	1,514	12.5%	49.8%	20.9%	4.10x	4.66x	4.10x	1.04x	1.07x	0.91x
Halyk Bank	HSBK	USD	13.76	3,752	28.6%	41.9%	24.0%	2.69x	2.69x	2.40x	0.78x	0.72x	0.61x
Akbank	AKBNK	TRY	32.30	167,960	62.1%	113.2%	65.2%	1.40x	3.20x	3.30x	0.55x	0.85x	0.77x
Garanti	GARAN	TRY	52.30	219,660	85.3%	119.7%	74.1%	1.91x	3.63x	4.07x	0.73x	1.17x	0.97x
Isbank	ISCTR	TRY	24.70	246,999	73.1%	118.4%	93.4%	0.84x	4.10x	3.65x	0.60x	1.05x	0.87x
PKO	PKO	PLN	35.17	43,963	13.1%	52.1%	16.1%	10.98x	7.77x	6.60x	1.03x	1.00x	0.94x
PEKAO	PEO	PLN	99.94	26,231	9.7%	55.1%	15.5%	na	5.14x	5.74x	na	0.95x	0.89x
Millennium	MIL	PLN	5.57	6,751	20.7%	45.7%	21.5%	na	2.28x	2.86x	1.04x	0.98x	0.90x
Mbank	MBK	PLN	398.70	16,931	23.9%	75.0%	34.7%	na	6.31x	5.31x	1.10x	1.08x	0.95x
BRD	BRD	RON	14.66	10,217	13.1%	13.6%	12.8%	6.81x	6.88x	7.51x	1.31x	1.31x	1.25x
Banca Transilvania	TLV	RON	21.90	17,491	28.2%	27.0%	24.1%	na	7.30x	7.03x	1.60x	1.49x	1.33x
Komercni	KOMB	CZK	679.50	129,138	-10.0%	13.5%	3.7%	8.36x	8.18x	8.52x	1.21x	0.97x	0.97x
Mean								4.42x	5.09x	5.02x	0.99x	1.05x	0.94x
Median								2.74x	4.66x	4.14x	1.04x	1.00x	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	9.90	434	20.6%	45.8%	35.6%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	12.15	442	-2.2%	-9.5%	-2.8%	18.33x	na	na	0.99x	na	na
Sabanci Holding	SAHOL	TRY	64.40	131,402	38.1%	130.7%	42.9%	1.77x	3.64x	3.31x	0.77x	1.01x	0.63x
Deutsche Beteiligungs	DBAN	EUR	31.35	590	6.8%	17.9%	12.4%	na	5.47x	5.78x	1.00x	0.88x	0.79x
Eurazeo	RF	EUR	55.70	4,413	-20.0%	-4.6%	-4.1%	8.89x	9.38x	7.57x	0.78x	0.55x	0.46x
Carlyle Group	CG	USD	32.43	11,743	-6.4%	-0.4%	8.7%	8.50x	10.65x	8.02x	1.70x	3.28x	2.24x
Wendel SE	MF	EUR	82.20	3,650	-21.6%	5.7%	-5.7%	6.63x	6.70x	6.60x	na	1.13x	1.01x
HgCapital Trust	HGT	GBP	3.89	1,781	8.5%	8.1%	11.0%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.50	676	-6.6%	-3.1%	-3.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.54	806	-4.3%	13.7%	8.1%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.60	733	5.0%	-1.4%	25.6%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.40	205	-2.4%	-15.4%	-10.7%	na	na	na	0.47x	na	na
Mean								8.82x	7.17x	6.25x	0.84x	1.37x	1.03x
Median								8.50x	6.70x	6.60x	0.78x	1.01x	0.79x

Source: Bloomberg, S&P Capital IQ

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