



Economy

International reserves at US\$ 5.0bn in Dec-23

Gross international reserves increased by 2.1% y/y to US\$ 5.0bn in Dec-23, according to NBG. However, on a monthly basis, the reserves decreased by 2.3% (-US\$ 118.7mn). Changes in reserves were mainly attributed to the reduction of the upper limit of the reserve norm on short-term FX liabilities from 25% to 20%, along with the government and banking sector FX operations.

Tourism revenues estimated at US\$ 330mn in Dec-23

Tourism revenues reached US\$ 330mn (+21.0% y/y, excluding migration effect) in Dec-23, according to our estimates. Overall, tourism revenues came in at US\$ 4.2bn (+19.2% y/y) in 2023, based on our estimates. We forecast tourism revenues at US\$ 4.5bn (+7.0% y/y) for 2024, assuming that international visits to Georgia will fully recover to pre-pandemic levels.

Fitch Affirms Georgia at BB, Outlook Positive

On 12 January 2024, Fitch Affirmed Georgia's sovereign credit rating at BB, with a Positive Outlook. The rating is supported by Georgia's strong governance and economic development indicators relative to the BB medians, its credible macroeconomic and fiscal policy framework, moderate level of public debt, and sound banking sector. The Positive Outlook reflects continued strong economic growth, alongside a marked fall in inflation, and greater confidence in the durability of large migrant and capital inflows since 2022 that have boosted potential growth and the external position. Fitch expects Georgia's real GDP growth of 5.0% in 2024 and 5.1% in 2025.

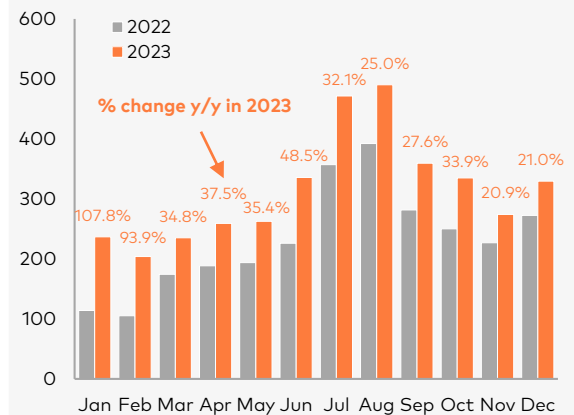
Key macro indicators

	2022	2023E
Real GDP growth (% change)	10.4%	6.8%
GDP per capita (ppp)	20,260	22,202
GDP per capita (US\$)	6,676	8,108
Population (mn)	3.7	3.7
Inflation (eop)	9.8%	0.8%
Gross reserves (US\$ bn)	4.9	5.0
CAD (% of GDP)	4.5%	4.5%
Fiscal deficit (% of GDP)	3.0%	2.5%
Total public debt (% of GDP)	39.5%	38.2%
Fitch/S&P/Moody's*	BB/BB/Ba2	

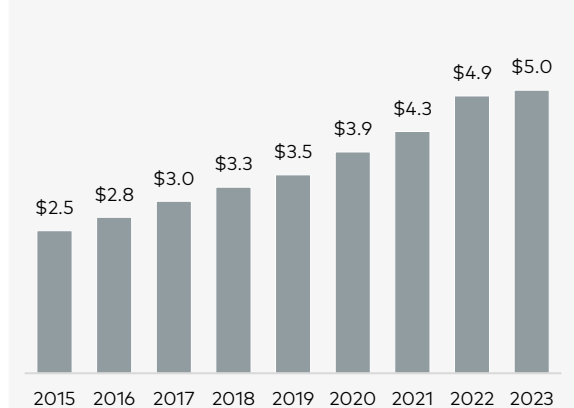
Source: Official data, Rating agencies, Galt & Taggart

*Latest sovereign credit ratings

Tourism revenues, US\$ mn excluding migration effect



Gross international reserves, US\$ bn



Money market

Ministry of Finance T-bills/T-notes:

3-year GEL 50.0mn (US\$ 18.6mn) Benchmark bonds were sold at the auction held at NBG on January 9, 2024. Total demand was 2.2x higher and the weighted average yield was fixed at 8.292%, down by 0.097ppts from previous auction held in Dec-23.

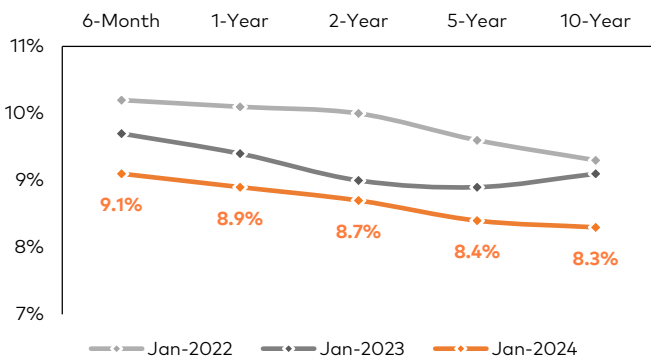
The nearest treasury security auction is scheduled for January 16, 2024, where GEL 20.0mn nominal value 1-year T-bills and GEL 30.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2024

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
Short-term (less than 1-year)	70	460	370
Long-term (over 1-year)	153	3,080	7,601
Total	223	3,540	7,971

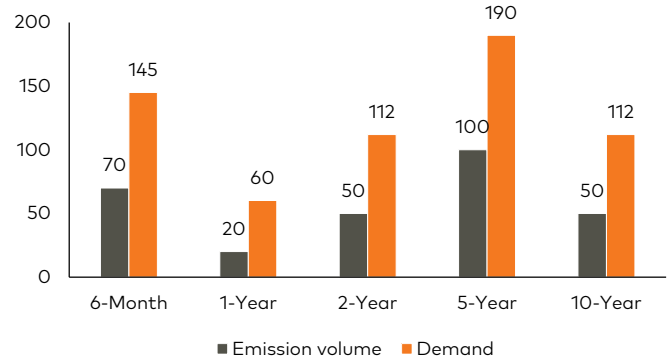
Source: MoF
*As of November 2023

T-bills / T-notes, yield curve



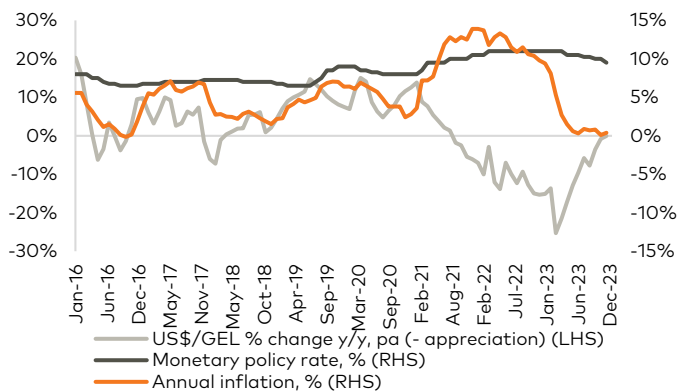
Source: NBG

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



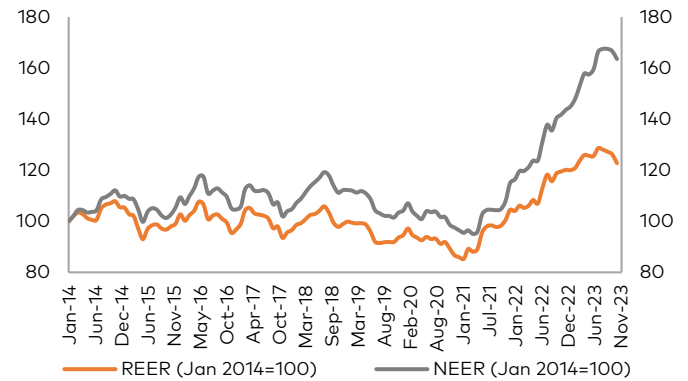
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG, Geostat

Nominal and real effective exchange rates



Source: NBG

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

Global fixed income markets

Last week

- The US and European fixed income yields declined. While the 10-year US Treasury yield fell from 4.05% to 3.95%, the 10-year German Bund (a European benchmark) yield declined from 2.18% to 2.14%.
- Goldman Sachs Asset Management expects both the US Federal Reserve and European Central Bank to start cutting rates in June 2024.

Sovereigns YTM, %	Last	1Q24F	2Q24F	3Q24F
US 2y Treasury	4.14	4.42	4.14	3.87
US 5y Treasury	3.83	4.08	3.90	3.73
US 10y Treasury	3.95	4.07	3.95	3.84
US 30y Treasury	4.20	4.27	4.16	4.06
German 2y Bund	2.52	2.80	2.64	2.43
German 10y Bund	2.14	2.53	2.41	2.32

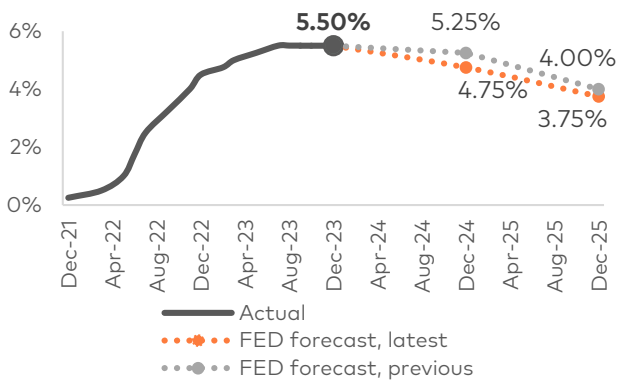
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2024
SOFR	5.31	5.32	5.31	5.38
EURIBOR (3 months)	3.93	3.94	3.93	3.91

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2024
US Inv. Grade	5.22	5.39	5.60	5.22
Eurozone Inv. Grade	3.76	3.82	3.94	3.67
EM Inv. Grade	5.33	5.42	5.62	5.22
US High Yield	7.89	8.14	8.41	7.80
EM High Yield	10.25	10.45	10.63	10.12

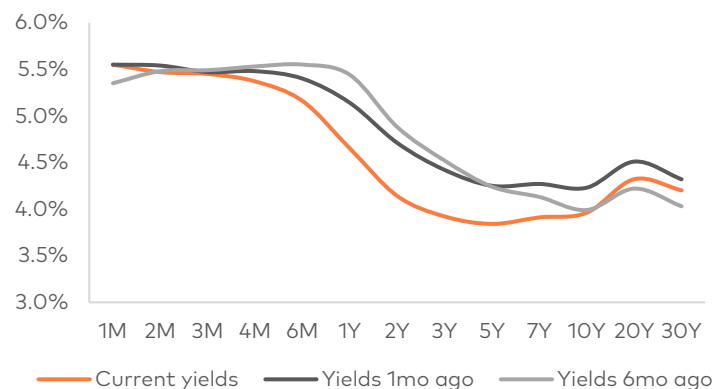
Source: Bloomberg

Note: For sovereign bond YTM's projections, we use median forecasts from top tier investment banks.

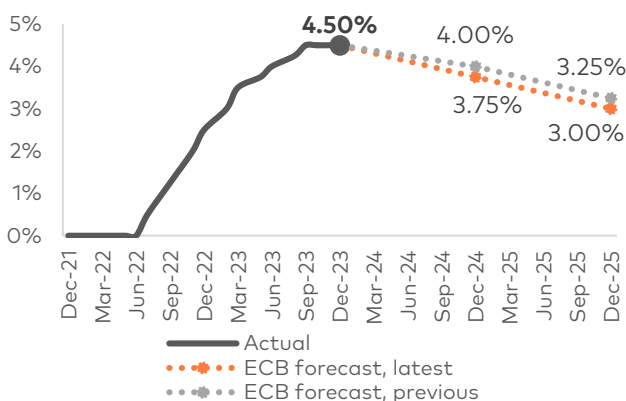
FED funds rate (upper bound)



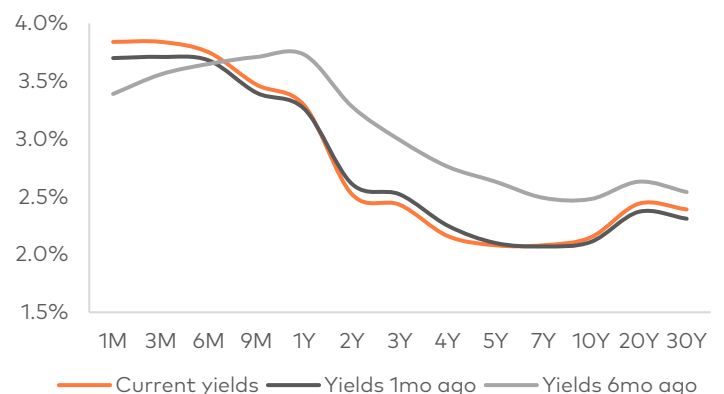
US treasuries yield curve



ECB main rate



German bonds yield curve



Source: FED, ECB, Bloomberg, Galt & Taggart



Fixed income

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Mood y/Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-21	Apr-26	BB/BB/Ba2	93.85	5.68	177.04
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/-	92.04	6.08	247.57
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/-	100.67	12.75	433.44
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/-/B1	100.17	8.31	425.97
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/-/Ba2	99.40	7.19	196.89
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/-	99.35	13.25	675.10

■ Galt & Taggart-led and/or co-managed deals
Source: Bloomberg

Georgian local bonds performance

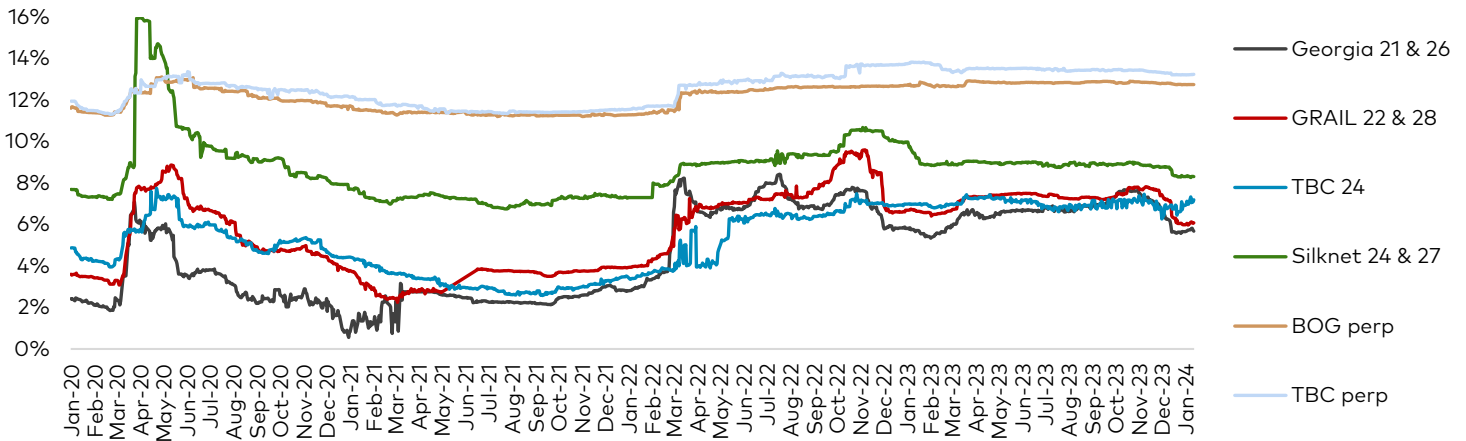
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/-/B+	99.77	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-/-	99.97	6.88
IG Development	USD	15	8.50%	Jul-22	Jul-24	-/-/-/-	99.87	8.75
Georgia Real Estate	USD	35	8.50%	Oct-22	Oct-24	-/-/-/-	99.98	8.50
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-22	Oct-27	-/-/-/-	99.99	7.00
Lisi Lake Development	USD	10	8.50%	Dec-22	Dec-24	-/-/-/B+	100.00	8.50
Geosteel	USD	15	9.00%	Apr-23	Apr-25	-/-/-/-	99.98	9.00
Silk Real Estate	USD	20	9.00%	Apr-23	Apr-26	-/-/-/-	99.99	9.00
Tegeta Motors	USD	20	8.50%	Apr-23	Apr-25	-/-/-/BB-	99.66	8.75
Energy Development Georgia	USD	10	8.50%	Jun-23	Jun-25	-/-/-/-	n/a	n/a
Georgia Capital	USD	150	8.50%	Aug-23	Aug-28	-/BB-/-/-	101.17	8.19
Silk Real Estate	USD	20	9.25%	Sep-23	Sep-26	-/-/-/-	101.14	8.63
Prime Concrete	USD	7.5	10.50%	Sep-23	Sep-27	-/-/-/-	n/a	n/a
Austrian-Georgian Development	USD	15	9.00%	Oct-23	Oct-25	-/-/-/-	n/a	n/a
MFO EuroCredit	USD	10	9.50%	Dec-23	Dec-27	-/-/-/-	n/a	n/a
Geosteel	USD	5	8.50%	Dec-23	Dec-25	-/-/-/-	n/a	n/a
IG Development	USD	20	8.50%	Dec-23	Dec-25	-/-/-/-	n/a	n/a
EUR								
Tegeta Motors	EUR	5	7.00%	Apr-23	Apr-25	-/-/-/BB-	99.67	7.25
Tegeta Motors	EUR	4	7.00%	Dec-23	Dec-25	-/-/-/BB-	n/a	n/a
Tegeta Motors	EUR	7	6.75%	Dec-23	Dec-25	-/-/-/BB-	n/a	n/a
GEL								
Vian (Evex)	GEL	50	Ref rate + 3.10%	Nov-19	Nov-24	-/-/-/BB	n/a	n/a
Nikora Trade	GEL	35	TIBR3M + 3.50%	Nov-21	Nov-24	-/-/-/BB-	n/a	n/a
Nikora	GEL	35	TIBR3M + 3.50%	Nov-22	Nov-25	-/-/-/BB-	n/a	n/a
MFO MBC	GEL	15	TIBR3M + 4.50%	Dec-22	Dec-24	-/-/-/B	n/a	n/a
Tegeta Motors	GEL	150	TIBR3M + 3.50%	Dec-22	Dec-25	-/-/-/BB-	n/a	n/a
MFO Crystal	GEL	25	TIBR6M + 4.75%	Dec-22	Feb-25	B-/-/-/-	n/a	n/a
MFO Rico Express	GEL	130	TIBR1D + 2.00%	Mar-23	Mar-26	-/-/-/B+	n/a	n/a
TBC Leasing	GEL	100	TIBR3M + 3.00%	Mar-23	Mar-26	BB-/-/B-	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-23	Jun-26	BB-/-/B-	n/a	n/a
Tegeta Motors	GEL	20	TIBR6M + 3.50%	Jun-23	Dec-25	-/-/-/BB-	n/a	n/a
Tegeta Motors	GEL	20	14.5%	Dec-23	Dec-25	-/-/-/BB-	n/a	n/a
Cellfie	GEL	65	TIBR6M + 3.50%	Dec-23	Dec-25	-/-/-/BB-	n/a	n/a

■ Galt & Taggart-led and/or co-managed deals
Source: Bloomberg, Galt & Taggart



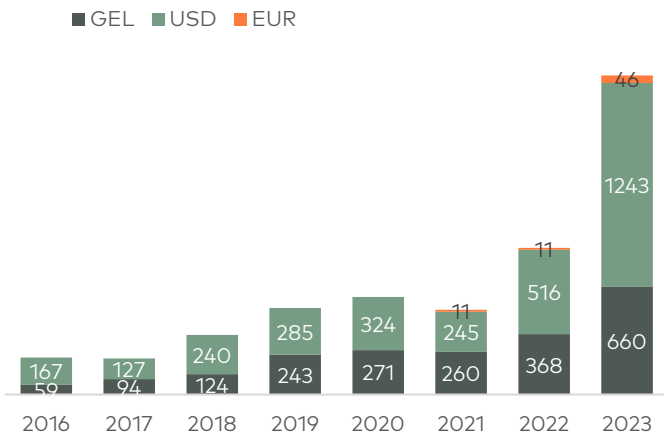
Fixed income

Georgian Eurobonds, YTM



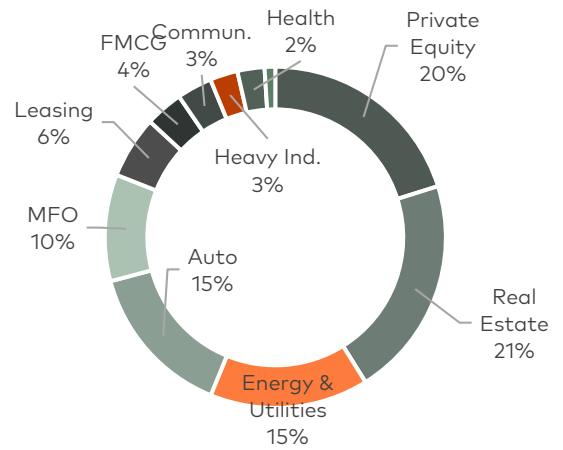
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart

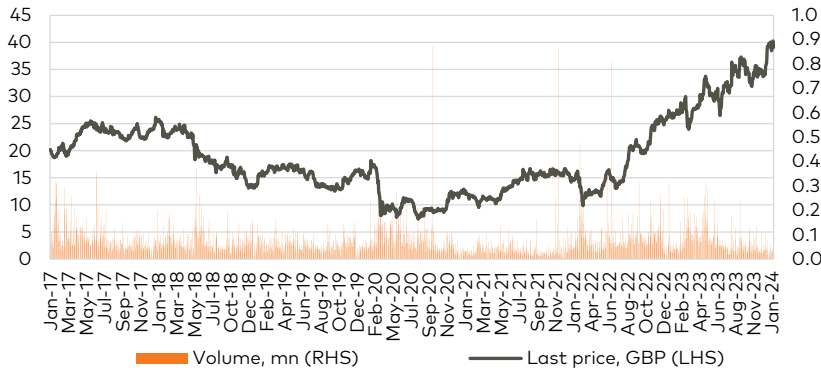
Georgian corporate public bonds outstanding by sector



Source: Galt & Taggart

Equities

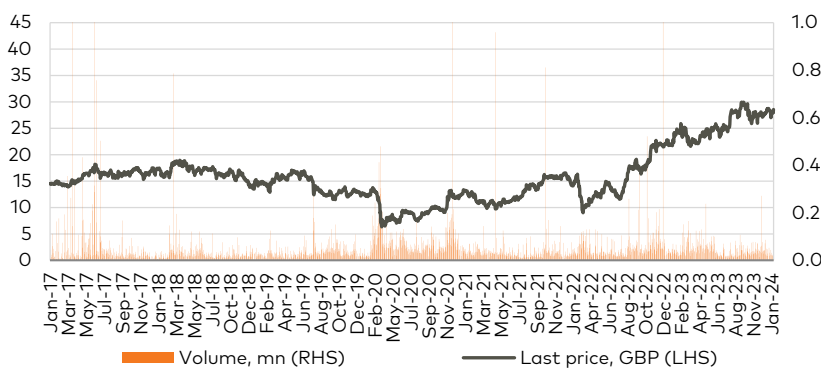
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 39.05/share (+1.56% w/w and +15.02% m/m). More than 194k shares traded in the range of GBP 38.40 - 40.45/share. Average daily traded volume was 38k in the last 4 weeks. The volume of BGEO shares traded was at 0.42% of its capitalization.

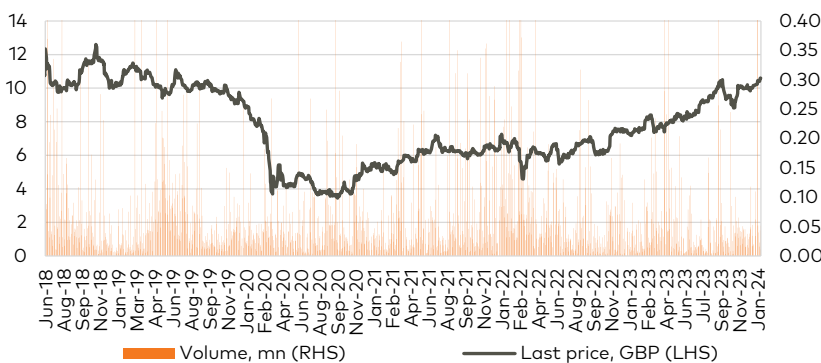
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 28.55/share (+2.33% w/w and +2.33% m/m). More than 103k shares changed hands in the range of GBP 27.30 - 28.80/share. Average daily traded volume was 29k in the last 4 weeks. The volume of TBCG shares traded was at 0.19% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.60/share (+1.92% w/w and +7.51% m/m). More than 145k shares traded in the range of GBP 10.34 - 10.64/share. Average daily traded volume was 138k in the last 4 weeks. The volume of CGEO shares traded was at 0.33% 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	39.05	1,792	32.6%	46.8%	-1.8%	2.74x	4.65x	4.64x	0.90x	1.16x	0.96x
TBC	TBC	GBP	28.55	1,581	14.4%	29.8%	0.9%	4.10x	4.86x	4.32x	1.04x	1.17x	1.00x
Halyk Bank	HSBK	USD	14.86	4,052	0.8%	33.2%	-2.0%	2.69x	2.54x	2.63x	0.78x	0.84x	0.71x
Akbank	AKBNK	TRY	43.26	224,952	87.3%	159.8%	18.5%	1.40x	3.20x	3.33x	0.55x	1.09x	0.91x
Garanti	GARAN	TRY	67.80	284,760	81.1%	176.5%	16.2%	1.91x	3.77x	3.46x	0.73x	1.18x	0.93x
Isbank	ISCTR	TRY	25.96	259,599	77.6%	139.0%	11.1%	0.84x	3.61x	3.48x	0.60x	0.96x	0.85x
PKO	PKO	PLN	49.40	61,750	28.0%	38.8%	-1.8%	10.98x	7.89x	7.43x	1.03x	1.32x	1.25x
PEKAO	PEO	PLN	147.85	38,806	33.0%	45.9%	-2.8%	na	6.32x	7.19x	na	1.31x	1.24x
Millennium	MIL	PLN	8.21	9,953	33.0%	48.6%	-1.8%	na	3.20x	4.11x	1.04x	1.45x	1.31x
Mbank	MBK	PLN	526.60	22,362	21.6%	52.9%	-1.6%	na	7.66x	6.45x	1.10x	1.55x	1.35x
BRD	BRD	RON	17.68	12,321	29.4%	27.4%	-1.3%	6.81x	7.99x	9.49x	1.31x	1.54x	1.52x
Banca Transilvania	TLV	RON	24.88	19,871	23.9%	31.8%	2.6%	na	7.42x	7.84x	1.60x	1.62x	1.54x
Komerčni	KOMB	CZK	759.00	144,247	10.8%	5.3%	4.8%	8.36x	9.12x	10.25x	1.21x	1.09x	1.11x
Mean								4.42x	5.56x	5.74x	0.99x	1.25x	1.13x
Median								2.74x	4.86x	4.64x	1.04x	1.18x	1.11x

Source: Bloomberg, S&P Capital IQ

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