



Economy

IMF updates world economic outlook

On 10 October 2023, the IMF released updated global economic outlook. The IMF expects global economic growth to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024, partially result of the tighter monetary policy necessary to bring inflation down. The IMF also forecasts that global inflation will decline from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024, noting that a return to target inflation levels are not expected until 2025 in most cases. For Georgia, IMF forecasts 6.2% growth for 2023 and 4.8% for 2024.

Wages increased by 18.3% y/y in 2022

In 2022, average monthly nominal wages in Georgia increased by 18.3% y/y to GEL 1,543 according to Geostat. Meanwhile, median monthly nominal wages were up 15.6% y/y (+3.3% y/y in real terms) to GEL 1,040 in 2022, 32.6% below the average monthly wage. By economic activity, the highest monthly median wages were observed in the following sectors: mining (GEL 1,703), information and communication (GEL 1,637), public administration (GEL 1,547), construction (GEL 1,500), electricity and gas supply (GEL 1,425), and financial and insurance (GEL 1,413). The lowest monthly median wages were posted in education (GEL 747), administrative activity (GEL 750) and water supply (GEL 770) in 2022.

Goods trade deficit increased by 17.9% y/y in Sep-23

In Sep-23, goods exports increased by 0.8% y/y to US\$ 527.8mn, after a 4.8% y/y growth in previous month. Goods imports were up by 10.0% y/y to US\$ 1.25bn in September, after growing by 2.3% y/y in August. Consequently, the trade deficit increased by 17.8% y/y to US\$ 722.4mn, after a 0.9% y/y growth in previous month. Overall, in 9M23, trade deficit increased by 22.5% y/y to US\$ 6.7bn, as exports increased by 12.7% y/y to US\$ 4.6bn, while imports were up by 18.3% y/y to US\$ 11.3bn.

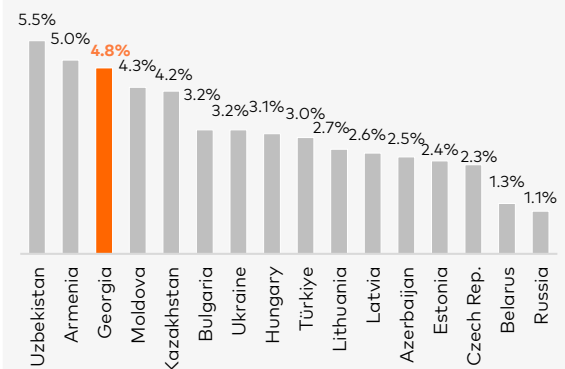
Key macro indicators

	2021	2022
Real GDP growth (% change)	10.5%	10.1%
GDP per capita (ppp)	16,997	20,243
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%	4.6%
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

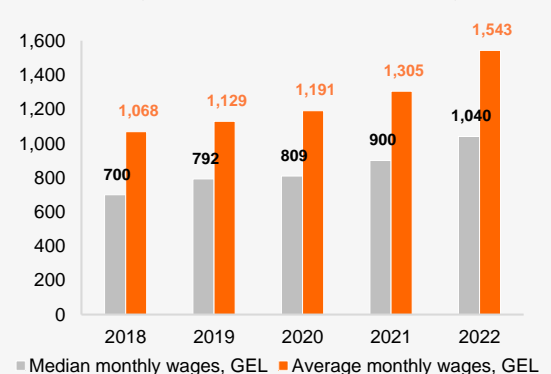
*Latest sovereign credit ratings

Real GDP growth projections for 2024, IMF



Source: IMF, WEO, October 2023

Average monthly and median wages



Source: Geostat

Money market

Ministry of Finance T-bills/T-notes:

10-year GEL 20.0mn (US\$ 7.5mn) Benchmark bonds were sold at the auction held at NBG on October 10, 2023. Total demand was 1.5x higher and the weighted average yield was fixed at 8.245%, up by 0.124ppts from previous auction held in Sep-23.

1-year GEL 20.0mn (US\$ 7.5mn) T-Bills were sold at the auction held at NBG on October 10, 2023. Total demand was 2.3x higher and the weighted average yield was fixed at 9.275%, down by 0.650ppts from previous auction held in Sep-23.

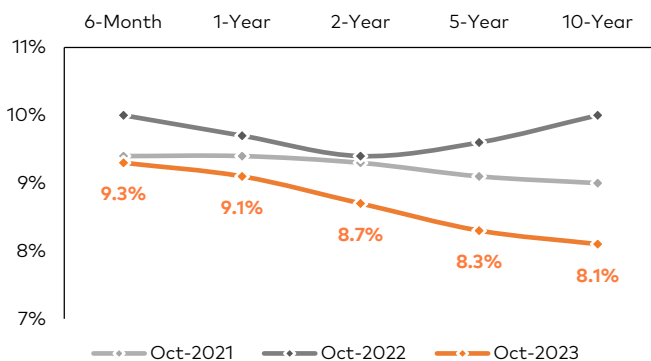
The nearest treasury security auction is scheduled for October 17, 2023, where GEL 50.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	200	40	390
1-year	200	40	
2-year	427	80	
5-year	876	150	7,311
10-year	635	220	
Total	2,338	530	7,701

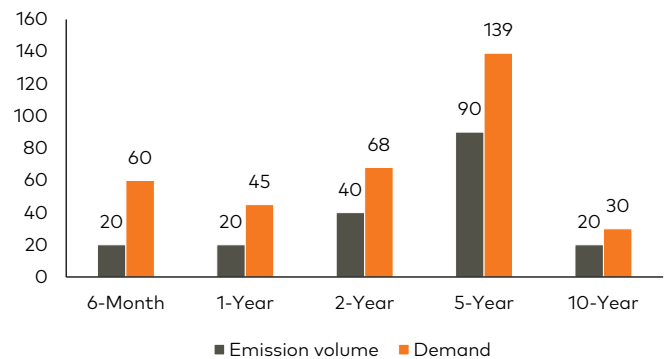
Source: MoF
*As of September 2023

T-bills / T-notes, yield curve



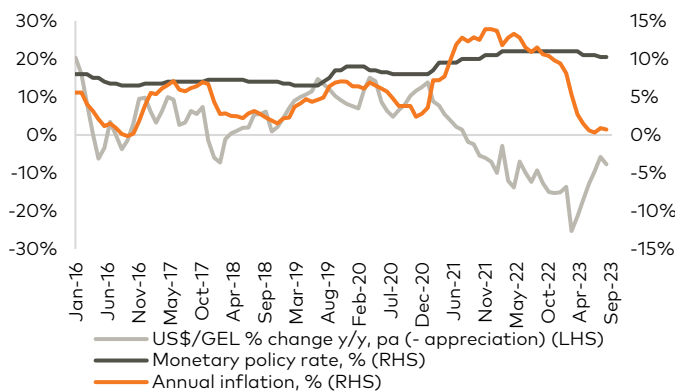
Source: NBG

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



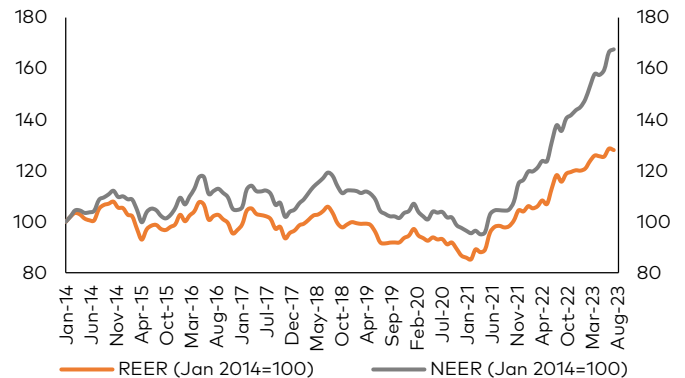
Source: NBG

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

Global fixed income markets

In Sep-23, annual core inflation in the US continued to slow, dropping from 4.3% to 4.1%. However, the overall inflation rate, remained unchanged at 3.7% vs 3.6% consensus forecast.

Meanwhile, in Germany, the headline inflation for September matched expectations, declining from 6.1% to 4.5%.

Based on September's Federal Open Market Committee (FOMC) meeting, the decisions were in line with the market expectations. Almost all Federal Reserve representatives supported keeping the FED funds rate in the range of 5.25%-5.50%. This decision was partly based on the elevated treasury yields, which are expected to help control inflation. The Committee also emphasized that its policy decisions will depend on incoming data. As a result, the likelihood of no change in interest rates during the upcoming November meeting increased from 77% last week to 94% this week.

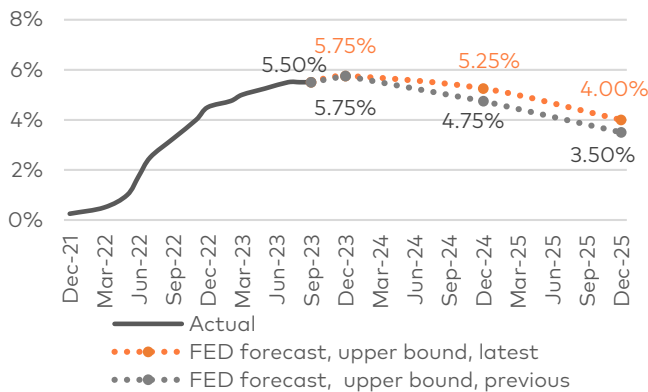
Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	5.07	4.70	4.39	4.03
US 5y Treasury	4.68	4.20	4.00	3.79
US 10y Treasury	4.69	4.08	3.90	3.75
US 30y Treasury	4.84	4.21	4.08	3.95
German 2y Bund	3.15	2.80	2.70	2.50
German 10y Bund	2.78	2.45	2.35	2.33

Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.31	5.31	5.31	4.30
EURIBOR (3 months)	3.99	3.98	3.88	2.13

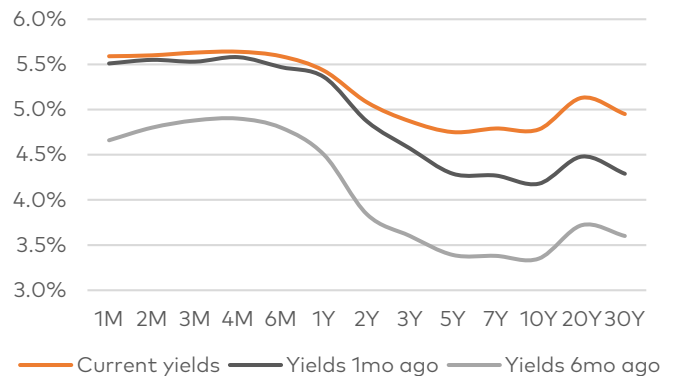
Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	6.15	6.28	5.90	5.48
Eurozone Inv. Grade	4.46	4.47	4.36	4.04
EM Inv. Grade	6.18	6.27	5.86	5.46
US High Yield	9.16	9.34	8.62	8.99
EM High Yield	11.86	11.83	11.07	11.09

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

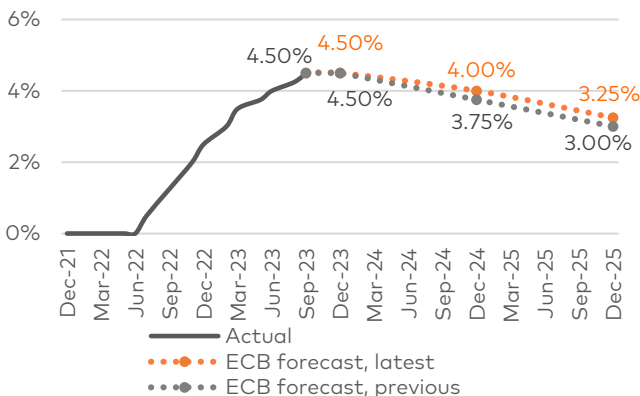
FED funds rate



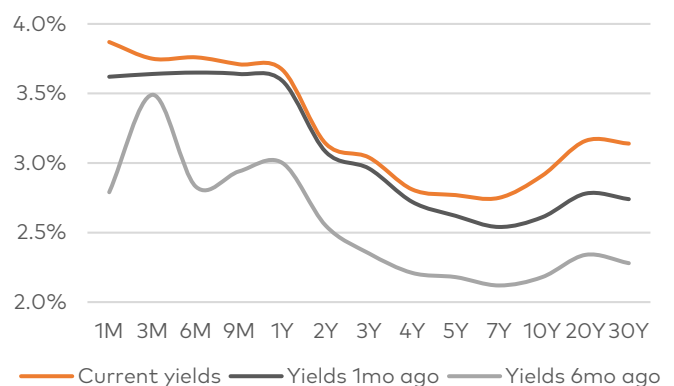
US treasuries yield curve



ECB main rate



German bonds yield curve



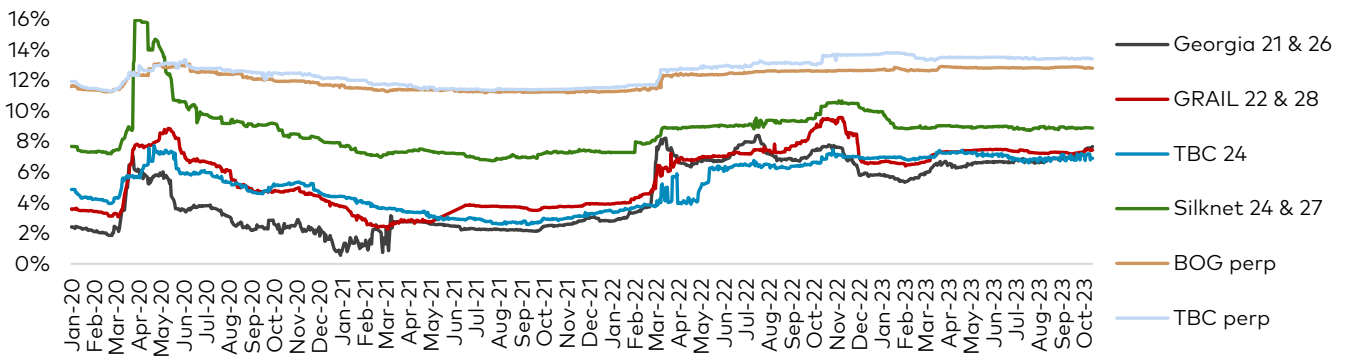
Source: FED, ECB, Bloomberg, Galt & Taggart

Fixed income

Corporate Eurobonds: Georgian Railway Eurobonds (GRAIL) traded at 86.56 (+0.13% w/w), yielding 7.46%.

Georgian Sovereign Eurobonds (GEORG) closed at 88.91 (-0.14% w/w) at 7.69% 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	88.91	7.69	292.34
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	86.56	7.46	301.89
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.66	12.82	609.01
SILKNET 01/27	USD	300	8.375%	Jan-27	BB-/-/B1	98.53	8.89	426.52
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	99.23	6.92	141.18
TBC PERP	USD	125	10.775%	n/a	B-/-/-	97.47	13.43	823.10

Source: Bloomberg



Fixed income

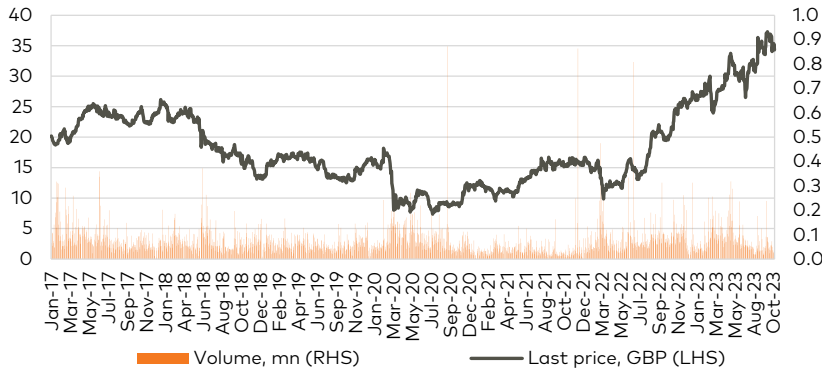
Georgian local bonds performance

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	-/-/-	100.00	8.50	n/a
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	100.00	7.00	n/a
Geosteel	USD	15	9.00%	Apr-25	-/-/-	100.00	9.00	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	99.94	6.88	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.80	8.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.72	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	-/-/-	100.01	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-	99.64	8.75	n/a
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	99.64	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/-/-	101.20	8.19	n/a
SRG Real Estate	USD	20	9.25%	Sep-26	-/-/-	101.23	8.63	n/a
Prime Concrete	USD	7.5	10.50%	Sep-27	-/-/-	n/a	n/a	n/a

Source: Bloomberg, Galt & Taggart

Equities

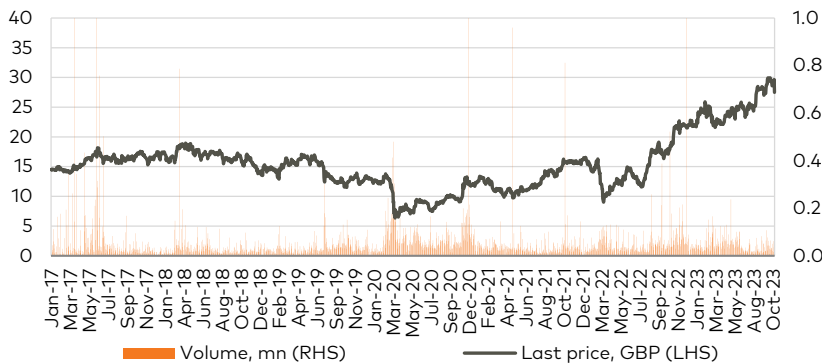
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 34.30/share (-1.44% w/w and -1.29% m/m). More than 167k shares traded in the range of GBP 33.90 - 35.80/share. Average daily traded volume was 50k in the last 4 weeks. The volume of BGEO shares traded was at 0.37% of its capitalization.

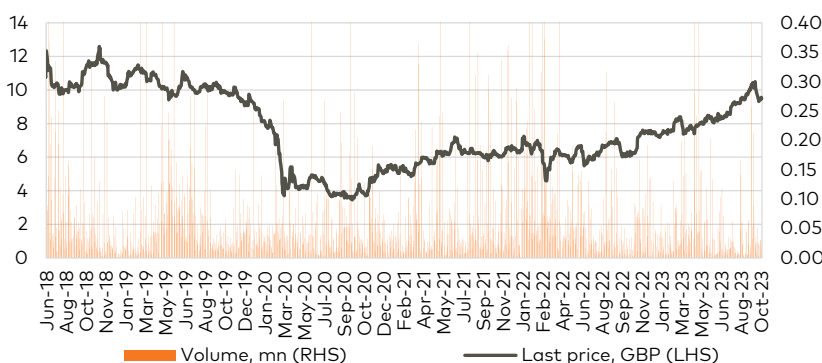
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 27.50/share (-4.01% w/w and +0.73% m/m). More than 201k shares changed hands in the range of GBP 27.50 - 29.75/share. Average daily traded volume was 39k in the last 4 weeks. The volume of TBCG shares traded was at 0.36% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 9.50/share (unchanged w/w and -6.50% m/m). More than 104k shares traded in the range of GBP 9.28 - 9.67/share. Average daily traded volume was 40k in the last 4 weeks. The volume of CGEO shares traded was at 0.24% 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	34.30	1,575	22.5%	71.1%	31.7%	2.74x	3.86x	4.18x	0.90x	1.01x	0.85x
TBC	TBC	GBP	27.50	1,516	23.9%	52.8%	21.1%	4.10x	4.67x	4.11x	1.04x	1.08x	0.92x
Halyk Bank	HSBK	USD	12.52	3,414	4.3%	15.9%	12.8%	2.69x	2.52x	2.27x	0.78x	0.71x	0.60x
Akbank	AKBNK	TRY	31.60	164,320	77.0%	142.9%	61.6%	1.40x	2.93x	2.87x	0.55x	0.81x	0.69x
Garanti	GARAN	TRY	48.60	204,120	65.0%	129.7%	61.8%	1.91x	3.37x	3.38x	0.73x	1.09x	0.90x
Isbank	ISCTR	TRY	24.00	239,999	98.0%	192.0%	87.9%	0.84x	3.93x	3.36x	0.60x	1.00x	0.81x
PKO	PKO	PLN	38.65	48,313	25.4%	76.6%	27.6%	10.98x	8.82x	7.32x	1.03x	1.10x	1.03x
PEKAO	PEO	PLN	111.80	29,344	21.7%	71.6%	29.2%	na	5.53x	6.44x	na	1.06x	0.99x
Millennium	MIL	PLN	6.78	8,225	26.4%	103.8%	48.0%	na	2.77x	3.58x	1.04x	1.20x	1.10x
Mbank	MBK	PLN	451.40	19,169	28.7%	149.9%	52.5%	na	5.26x	5.85x	1.10x	1.22x	1.08x
BRD	BRD	RON	15.76	10,983	19.2%	42.2%	21.2%	6.81x	7.40x	8.24x	1.31x	1.40x	1.35x
Banca Transilvania	TLV	RON	22.88	18,273	31.3%	54.3%	29.6%	na	7.25x	7.37x	1.60x	1.51x	1.39x
Komerčni	KOMB	CZK	669.50	127,238	-10.1%	-0.5%	2.2%	8.36x	8.10x	8.64x	1.21x	1.01x	0.98x
Mean								4.42x	5.11x	5.20x	0.99x	1.09x	0.98x
Median								2.74x	4.67x	4.18x	1.04x	1.08x	0.98x

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	9.50	416	28.4%	54.5%	30.1%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	11.90	433	-1.2%	-2.5%	-4.8%	18.33x	na	na	0.99x	na	na
Sabancı Holding	SAHOL	TRY	57.05	116,405	36.3%	103.2%	26.6%	1.77x	3.22x	2.48x	0.77x	0.76x	0.56x
Deutsche Beteiligungs	DBAN	EUR	31.40	590	15.0%	41.4%	12.5%	na	5.38x	5.79x	1.00x	0.87x	0.79x
Eurazeo	RF	EUR	54.55	4,322	-17.8%	3.7%	-6.1%	8.89x	9.19x	7.42x	0.78x	0.54x	0.45x
Carlyle Group	CG	USD	29.17	10,565	-5.0%	9.6%	-2.2%	8.50x	9.57x	7.26x	1.70x	2.95x	2.02x
Wendel SE	MF	EUR	73.25	3,253	-25.6%	-2.2%	-16.0%	6.63x	5.97x	5.88x	na	1.01x	0.90x
HgCapital Trust	HGT	GBP	3.77	1,723	9.1%	9.1%	7.4%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.56	679	3.3%	-1.5%	-2.8%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.29	762	-5.1%	17.2%	2.3%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.30	712	12.4%	1.0%	22.0%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.50	254	8.6%	16.7%	10.5%	na	na	na	0.47x	na	na
Mean								8.82x	6.67x	5.76x	0.84x	1.23x	0.94x
Median								8.50x	5.97x	5.88x	0.78x	0.87x	0.79x

Source: Bloomberg, S&P Capital IQ

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