



## Economy

### Nominal wages up 16.3% y/y in 3Q23

In 3Q23, average monthly nominal wages in Georgia increased by 16.3% y/y (+15.6% in real terms, adjusted for a sharp reduction in annual inflation) to GEL 1,855, after growing by 17.1% y/y in 2Q23, according to Geostat. By economic activity, the highest monthly average wages were observed in the following sectors: information and communication (GEL 3,958, +18.8% y/y), construction (GEL 3,033, +31.6% y/y), financial and insurance (GEL 2,807, +13.4% y/y), professional and scientific activities (GEL 2,616, +17.3% y/y) and public administration (GEL 2,099, +17.4% y/y). The lowest average monthly wages were in education (GEL 1,039, +12.9% y/y), water supply (GEL 1,150, +17.5% y/y), agriculture (GEL 1,234, +7.6% y/y) and hotels and restaurants (GEL 1,413, +14.9% y/y) in 3Q23.

### Goods trade deficit narrowed in Nov-23

In Nov-23, goods exports declined by 1.8% y/y to US\$ 482.0mn, after a 10.3% y/y growth in previous month. Similarly, goods imports also contracted by 6.6% y/y, reaching US\$ 1.2bn in November, after growing by 4.8% y/y in October. Consequently, the trade deficit narrowed by 9.5% y/y to US\$ 742.6mn.

Overall, in 11M23, trade deficit expanded by 20.0% y/y to US\$ 8.5bn, as exports increased by 11.1% y/y to US\$ 5.6bn, while imports were up by 16.3% y/y to US\$ 14.0bn.

### Money transfers stood at US\$ 292.7mn in Nov-23

Money transfers were down by 43.8% y/y to US\$ 292.7mn in Nov-23 (in line with our expectation), due to the last year's high base and normalization in transfers from Russia. From major remitting countries, transfers reduced from Russia (-76.2% y/y and +22.0% m/m, accounting for 25.7% of total) and Türkiye (-9.8% y/y). In contrast, similar to previous months, there were substantial increases in remittances from Italy (+19.7% y/y, 14.6% of total), USA (+41.6% y/y, 13.9% of total), Germany (+32.2% y/y, 6.9% of total), Greece (+7.8% y/y, 6.9% of total), Israel (+8.1% y/y, 6.4% of total) and Kazakhstan (+71.3% y/y, 6.2% of total). Overall, in 11M23 remittances remained relatively flat, decreasing by just 0.6% y/y to US\$ 3.8bn.

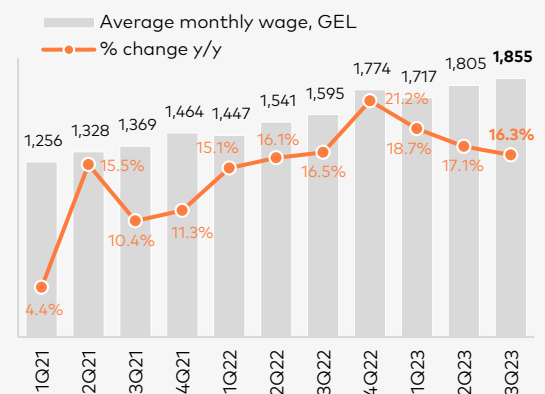
### Key macro indicators

	2022	2023F
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	5.2
CAD (% of GDP)	4.5%	4.5%
Fiscal deficit (% of GDP)	3.0%	2.8%
Total public debt (% of GDP)	39.5%	38.2%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

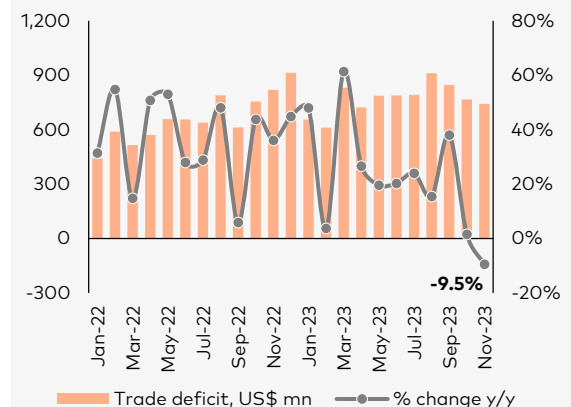
\*Latest sovereign credit ratings

### Average monthly nominal wage



Source: Geostat

### Trade deficit



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 December 12, 2023. Total demand was 1.5x higher and the weighted average yield was fixed at 8.425%, up by 0.111ppts from previous auction held in Nov-23.

1-year GEL 20.0mn (US\$ 7.5mn) T-Bills were sold at the auction held at NBG on December 12, 2023. Total demand was 3.0x higher and the weighted average yield was fixed at 9.015%, down by 0.236ppts from previous auction held in Nov-23.

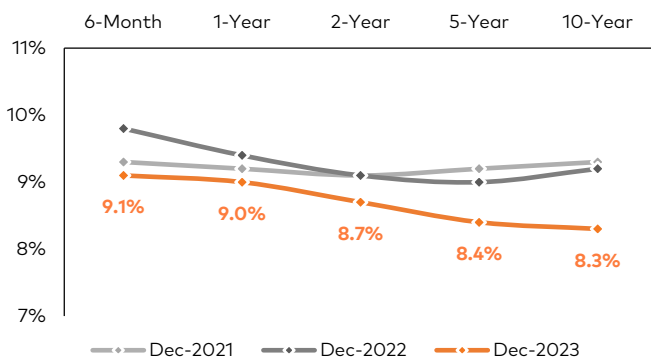
The nearest treasury security auction is scheduled for December 19, 2023, where GEL 50.0mn nominal value 10-year Benchmark Bonds will be sold.

### T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	240	0	370
1-year	240	0	
2-year	507	0	
5-year	1,004	60	7,601
10-year	775	50	
<b>Total</b>	<b>2,766</b>	<b>110</b>	<b>7,971</b>

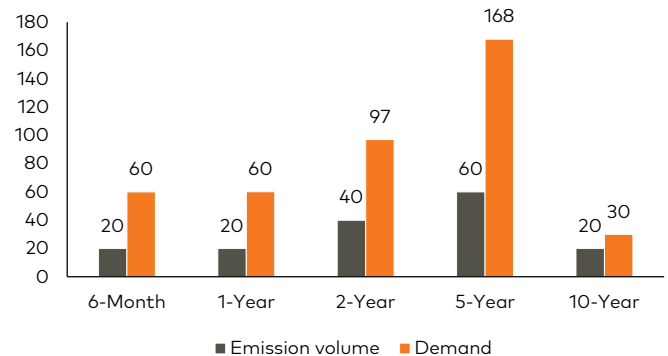
Source: MoF  
\*As of November 2023

### T-bills / T-notes, yield curve



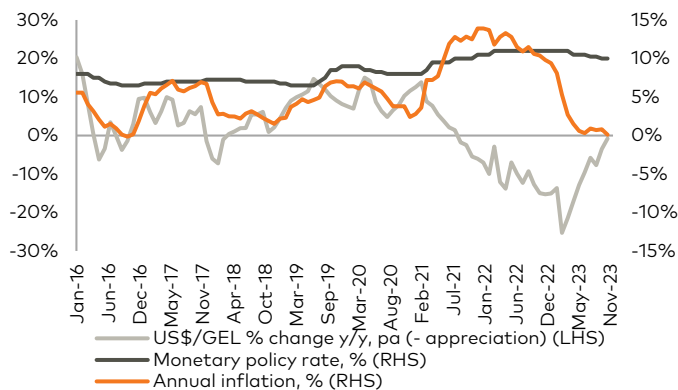
Source: NBG

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



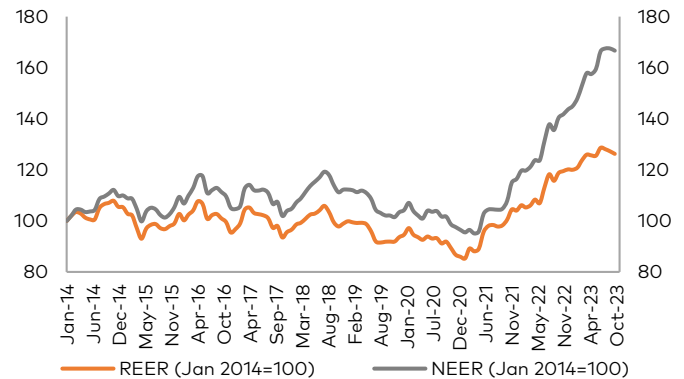
Source: NBG

### 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 by sizeable margins. While the 10-year US Treasury yield fell from 4.26% to 3.92%, the 10-year German Bund (a European benchmark) yield declined from 2.27% to 2.02%
- The catalyst was last week's interest rate decisions from major central banks. The Fed, the ECB, and the Bank of England have all kept their base rates unchanged. Meanwhile, the Fed is now seeing quicker rate cuts next year, with the base rate forecasted at 4.75% (upper bound) by the end of 2024.

Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	4.41	4.9	4.67	4.36
US 5y Treasury	3.91	4.56	4.34	4.16
US 10y Treasury	3.92	4.54	4.33	4.19
US 30y Treasury	4.03	4.69	4.52	4.25
German 2y Bund	2.50	2.95	2.8	2.64
German 10y Bund	2.02	2.59	2.53	2.41

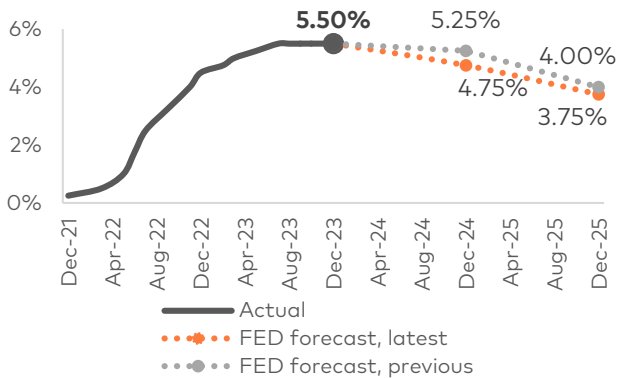
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.31	5.32	5.32	4.30
EURIBOR (3 months)	3.93	3.96	3.98	2.13

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	5.26	5.62	5.92	5.48
Eurozone Inv. Grade	3.69	3.94	4.25	4.04
EM Inv. Grade	5.33	5.63	5.94	5.46
US High Yield	7.95	8.45	8.82	8.99
EM High Yield	10.22	10.66	11.30	11.09

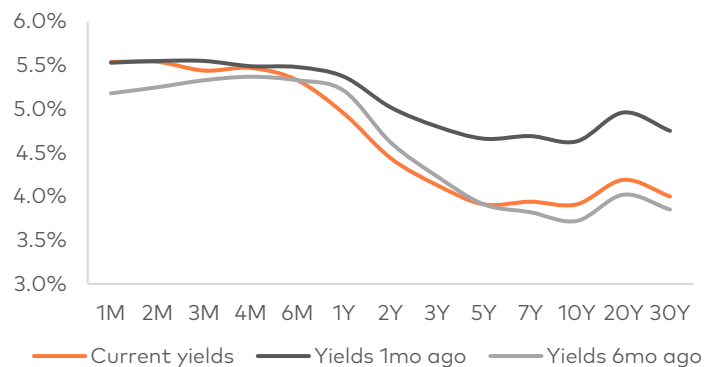
Source: Bloomberg

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

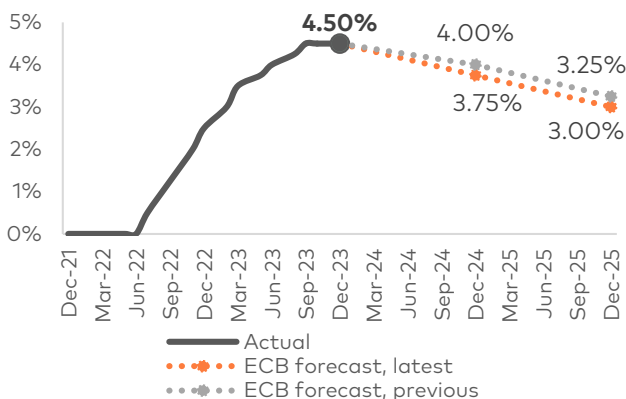
**FED funds rate (upper bound)**



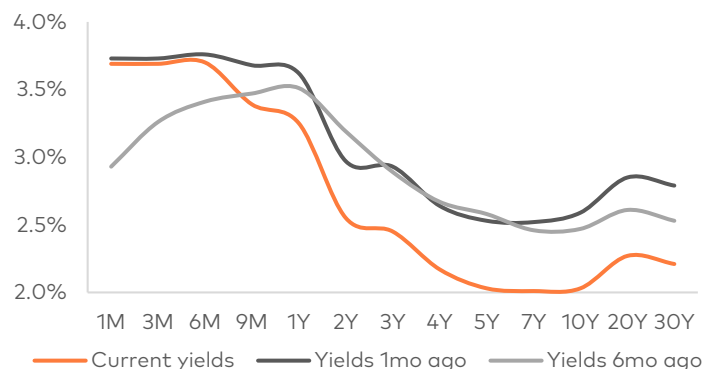
**US treasuries yield curve**



**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	93.86	5.58	149.91
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/	90.96	6.34	264.76
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/	100.38	12.77	505.27
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/B1	100.05	8.35	413.32
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/Ba2	99.62	6.54	121.41
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/	99.37	13.22	648.75

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

### Georgian local bonds performance

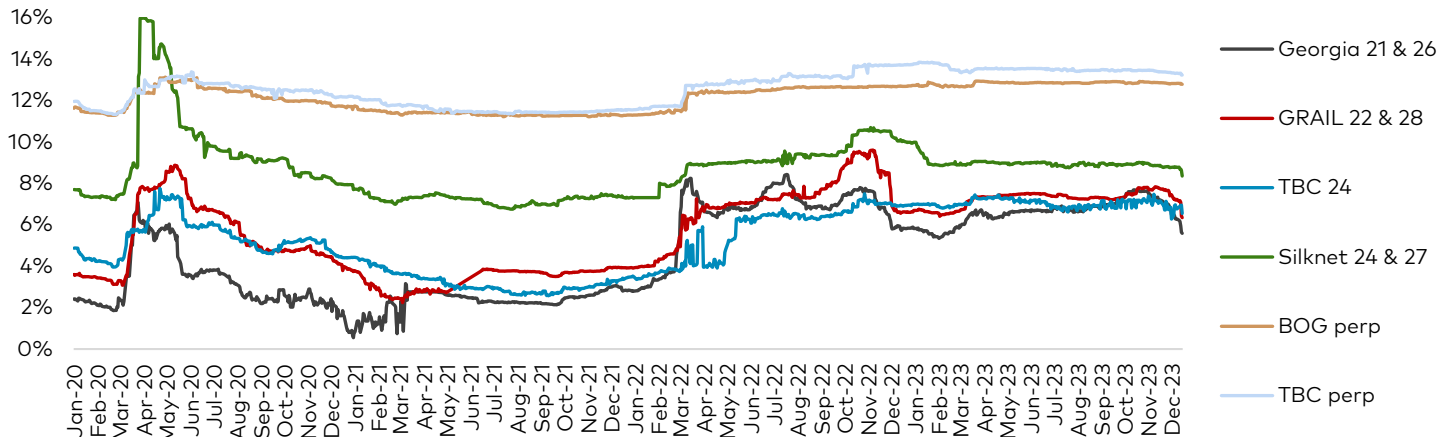
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/BB+	99.75	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-	99.96	6.88
IG Development	USD	15	8.50%	Jul-22	Jul-24	-/-/-	99.85	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	-/-/BB+	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
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
GEL								
Geo. Beer Company	GEL	25	Ref rate + 4.00%	Dec-18	Dec-23	-/-/BB-	n/a	n/a
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	-/-/BB+	n/a	n/a
TBC Leasing	GEL	100	TIBR3M + 3.00%	Mar-23	Mar-26	BB-/	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-23	Jun-26	BB-/	n/a	n/a
Tegeta Motors	GEL	20	TIBR6M + 3.50%	Jun-23	Dec-25	-/-/BB-	n/a	n/a

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



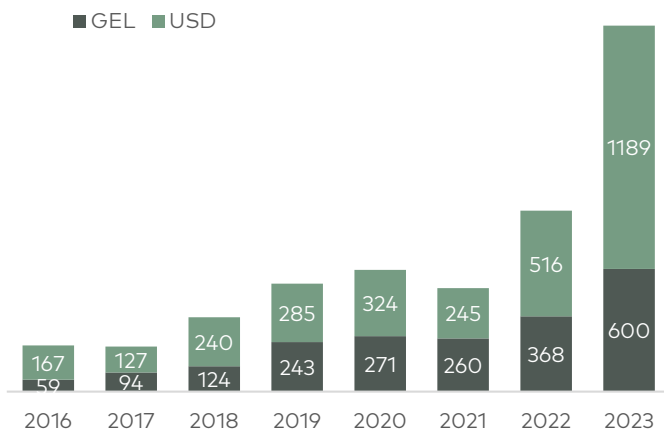
## Fixed income

**Georgian Eurobonds, YTM**



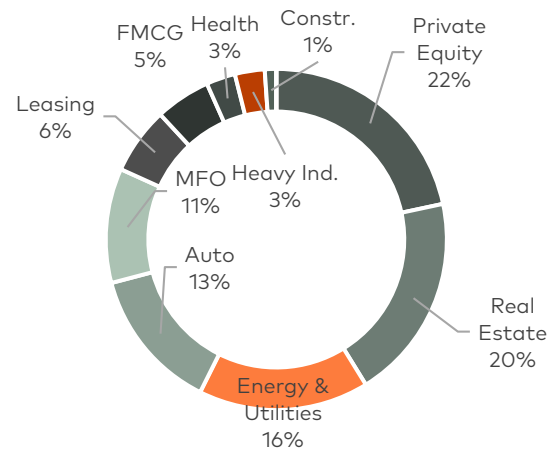
Source: Bloomberg

**Georgian corporate public bonds outstanding, GEL mn**



Source: Galt & Taggart  
Note: Latest 2023

**Georgian corporate public bonds outstanding by sector**

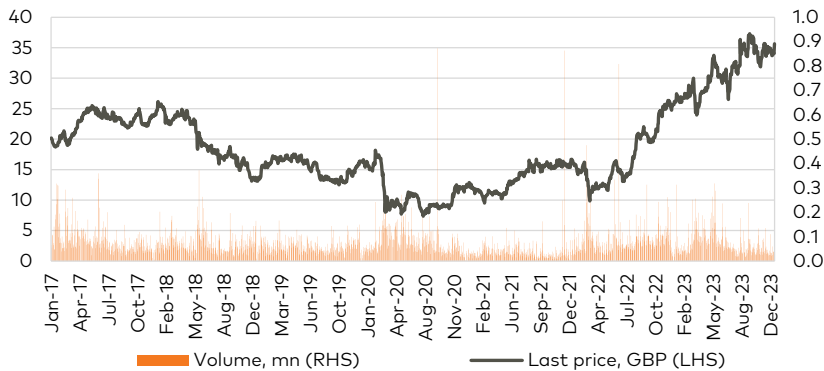


Source: Galt & Taggart



## Equities

### Bank of Georgia Group (BGEO LN)



Source: Bloomberg

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 35.65/share (+5.16% w/w and +3.33% m/m). More than 269k shares traded in the range of GBP 33.15 - 36.05/share. Average daily traded volume was 42k in the last 4 weeks. The volume of BGEO shares traded was at 0.59% of its capitalization.

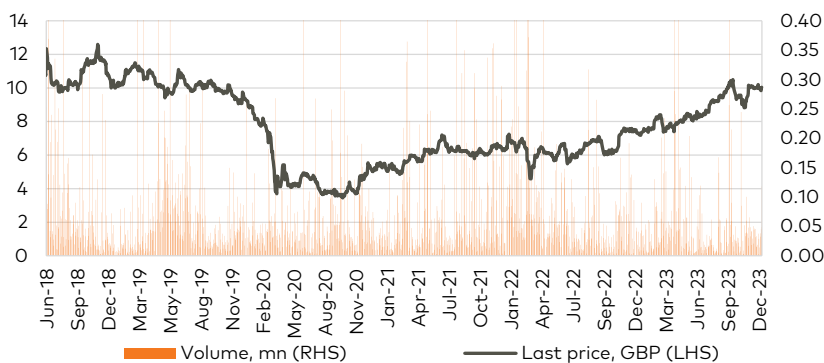
### TBC Bank Group (TBCG LN)



Source: Bloomberg

**TBC Bank Group (TBCG LN)** closed the week at GBP 27.95/share (+0.54% w/w and +5.08% m/m). More than 265k shares changed hands in the range of GBP 27.30 - 28.35/share. Average daily traded volume was 56k in the last 4 weeks. The volume of TBCG shares traded was at 0.48% of its capitalization.

### Georgia Capital (CGEO LN)



Source: Bloomberg

**Georgia Capital (CGEO LN)** shares closed at GBP 10.04/share (+0.20% w/w and -0.59% m/m). More than 283k shares traded in the range of GBP 9.75 - 10.20/share. Average daily traded volume was 36k in the last 4 weeks. The volume of CGEO shares traded was at 0.65% 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	35.65	1,636	22.3%	40.1%	36.9%	2.74x	4.20x	4.21x	0.90x	1.06x	0.87x
TBC	TBC	GBP	27.95	1,548	11.4%	28.8%	23.1%	4.10x	4.71x	4.20x	1.04x	1.14x	0.97x
Halyk Bank	HSBK	USD	14.28	3,894	4.2%	20.6%	28.6%	2.69x	2.60x	2.56x	0.78x	0.81x	0.68x
Akbank	AKBNK	TRY	39.10	203,320	103.3%	111.4%	100.0%	1.40x	2.90x	3.01x	0.55x	1.00x	0.82x
Garanti	GARAN	TRY	62.05	260,610	102.4%	117.3%	106.6%	1.91x	3.50x	3.17x	0.73x	1.10x	0.85x
Isbank	ISCTR	TRY	24.38	243,799	76.7%	100.7%	90.9%	0.84x	3.45x	3.27x	0.60x	0.91x	0.80x
PKO	PKO	PLN	49.11	61,388	37.7%	68.0%	62.1%	10.98x	8.38x	7.53x	1.03x	1.31x	1.23x
PEKAO	PEO	PLN	146.15	38,360	30.4%	73.7%	69.0%	na	6.35x	7.15x	na	1.29x	1.21x
Millennium	MIL	PLN	8.03	9,741	63.5%	76.1%	75.3%	na	3.15x	4.09x	1.04x	1.42x	1.27x
Mbank	MBK	PLN	530.40	22,524	33.8%	86.1%	79.2%	na	na	7.86x	1.10x	1.56x	1.35x
BRD	BRD	RON	17.70	12,335	40.9%	31.3%	36.2%	6.81x	8.00x	9.43x	1.31x	1.55x	1.51x
Banca Transilvania	TLV	RON	24.02	19,184	40.2%	32.6%	36.1%	na	7.17x	7.52x	1.60x	1.56x	1.47x
Komerčni	KOMB	CZK	708.00	134,555	5.8%	7.9%	8.1%	8.36x	8.48x	9.46x	1.21x	1.02x	1.02x
<b>Mean</b>								<b>4.42x</b>	<b>5.24x</b>	<b>5.65x</b>	<b>0.99x</b>	<b>1.21x</b>	<b>1.08x</b>
<b>Median</b>								<b>2.74x</b>	<b>4.45x</b>	<b>4.21x</b>	<b>1.04x</b>	<b>1.14x</b>	<b>1.02x</b>

Source: Bloomberg, S&P Capital IQ



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