



Economy

NBG cuts the key rate to 10.0%

The NBG cut its key rate by 25bps to 10.0% on 13 September 2023 meeting, the 3rd rate cut this year. According to NBG, external factors contributing to inflation in Georgia eased significantly, and there are early signs of neutralizing demand-side inflation pressures as economic growth rate approached its potential level. Simultaneously, domestic inflation continued to decelerate, coming at 6.1% in Aug-23, down from 14.2% in Jan-23. Based on NBG's current projections, inflation is anticipated to stay below the 3.0% target level in the upcoming months and stabilize around it in the medium term. NBG plans to normalize monetary policy at a moderate pace. The next committee meeting is scheduled for 25 October 2023.

Goods exports up 4.0% y/y in Aug-23

In Aug-23, goods exports increased by 4.0% y/y to US\$ 492.1mn, after a 0.7% y/y decline in previous month. Goods imports were up by 0.9% to US\$ 1.3bn in August, after growing by 2.8% y/y in July. Consequently, the trade deficit decreased by 1.0% y/y to US\$ 781.9mn, after a 5.7% y/y growth in July.

Overall, in 8M23, trade deficit increased by 20.3% y/y to US\$ 5.9bn, as exports increased by 14.3% y/y to US\$ 4.1bn, while imports were up by 17.8% y/y to US\$ 9.9bn.

Money transfers down 14.1% y/y in Aug-23

Money transfers reduced by 14.1% y/y to US\$ 287.0mn in Aug-23, according to NBG. From major remitting countries, transfers reduced from Russia (-45.6% y/y and -18.3% m/m, accounting for 21.0% of total) and Israel (-6.7% y/y, 5.8% of total), while it increased from Italy (+23.0% y/y, 15.7% of total), USA (+37.6% y/y, 14.0% of total), Germany (+33.5% y/y, 7.1% of total), Greece (+6.0% y/y, 6.9% of total), and Kazakhstan (+54.9% y/y, 6.5% of total). Overall, in 8M23 remittances increased by 21.8% y/y to US\$ 3.0bn.

Average monthly nominal wages up 17.1% y/y in 2Q23

In 2Q23, average monthly nominal wages in Georgia increased by 17.1% y/y to GEL 1,805, after growing by 18.7% y/y in 1Q23, according to Geostat. By economic activity, the highest monthly average wages were observed in the following sectors: information and communication (GEL 3,800, +22.2% y/y), financial and insurance (GEL 3,181, +19.1% y/y), construction (GEL 2,590, +18.9% y/y), professional and scientific activities (GEL 2,525, +25.1% y/y), electricity supply (GEL 2,160, +20.8% y/y) and public administration (GEL 2,084, +17.2% y/y). The lowest average monthly wages were in education (GEL 1,049, +12.6% y/y), water supply (GEL 1,150, +24.2% y/y), agriculture (GEL 1,277, +22.3% y/y) and hotels and restaurants (GEL 1,378, +19.0% y/y) in 2Q23.

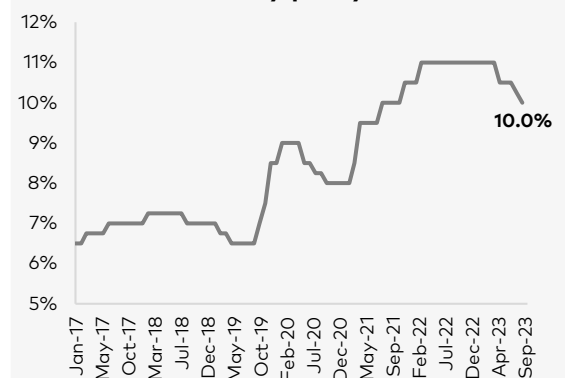
Key macro indicators

	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

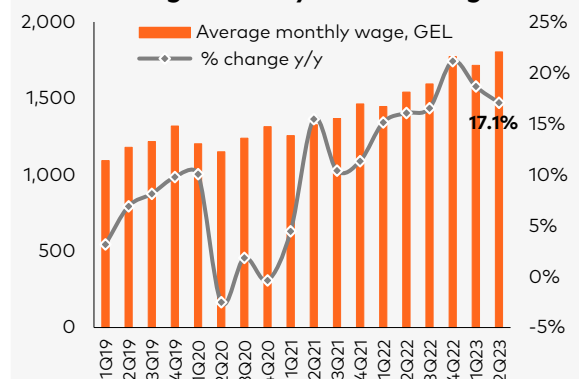
*Latest sovereign credit ratings

Monetary policy rate



Source: NBG

Average monthly nominal wage



Source: Geostat

Money market

Ministry of Finance T-bills/T-notes:

10-year GEL 25.0mn (US\$ 9.5mn) Benchmark bonds were sold at the auction held at NBG on September 12, 2023. Total demand was 1.7x higher and the weighted average yield was fixed at 8.121%, down by 0.017ppts from previous auction held in Aug-23.

1-year GEL 20.0mn (US\$ 7.6mn) T-Bills were sold at the auction held at NBG on September 12, 2023. Total demand was 1.5x higher and the weighted average yield was fixed at 9.925%, up by 0.594ppts from previous auction held in Aug-23.

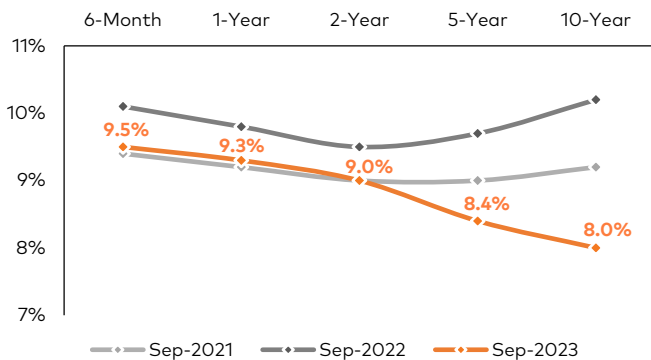
The nearest treasury security auction is scheduled for September 19, 2023, where GEL 60.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	180	60	400
1-year	180	60	
2-year	384	120	
5-year	771	360	7,339
10-year	555	465	
Total	2,070	1,065	7,739

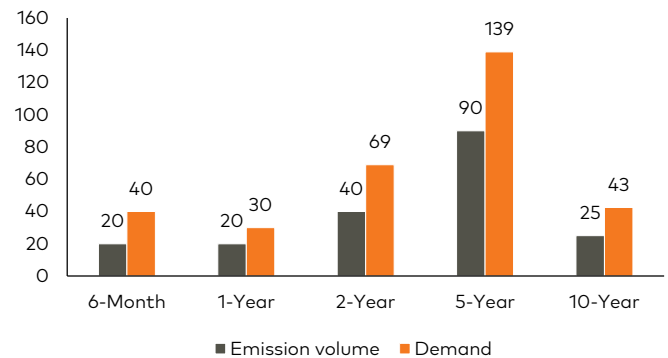
Source: MoF
 *As of August 2023

T-bills / T-notes, yield curve



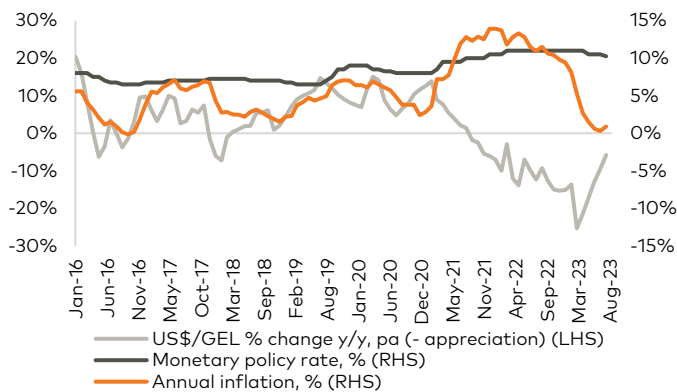
Source: NBG

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



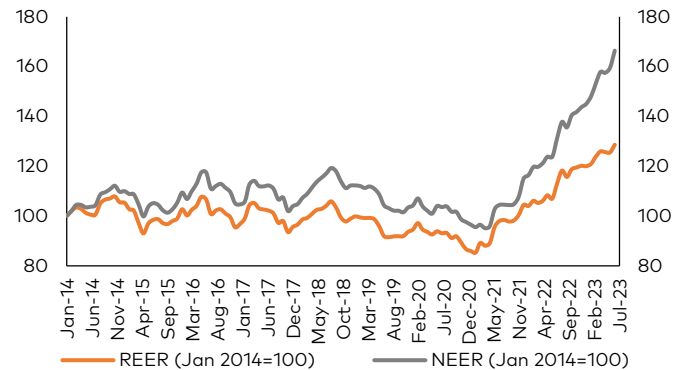
Source: NBG

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

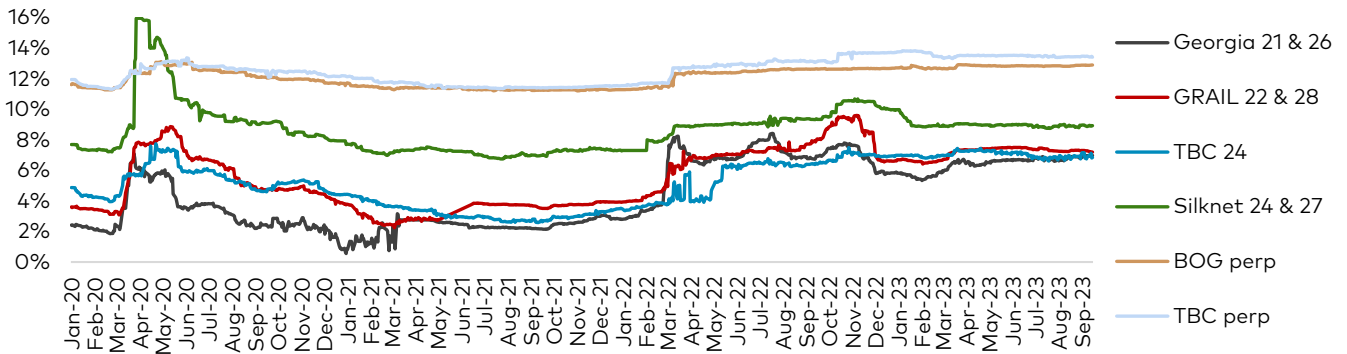


Fixed income

Corporate Eurobonds: Georgian Railway Eurobonds (GRAIL) traded at 87.33 (+0.43% w/w), yielding 7.20%.

Georgian Sovereign Eurobonds (GEORG) closed at 90.13 (+0.02% w/w) at 6.98% 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	90.13	6.98	227.75
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	87.33	7.20	290.79
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	98.89	12.91	710.22
SILKNET 01/27	USD	300	8.375%	Jan-27	BB-/-/B1	98.41	8.93	438.87
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	99.20	6.84	131.85
TBC PERP	USD	125	10.775%	n/a	B-/-/-	97.37	13.42	812.72

Source: Bloomberg



Fixed income

Georgian local bonds performance

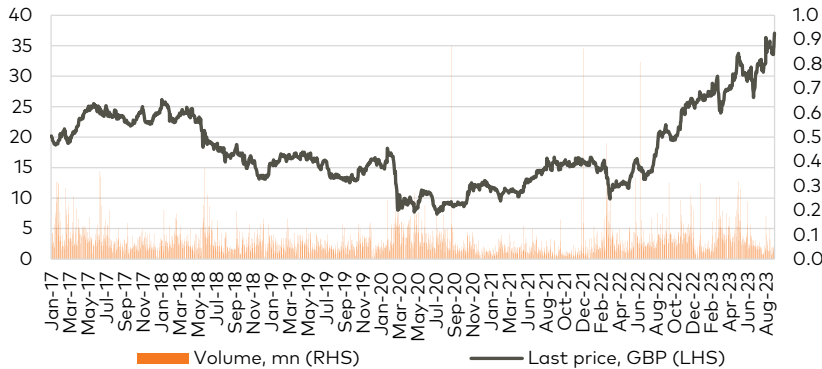
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-27	-/-/-	n/a	n/a	n/a
Energy Development Georgia	USD	10	8.50%	Jun-25	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	Ref rate + 3.10%	Nov-24	-/-/BB	n/a	n/a	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

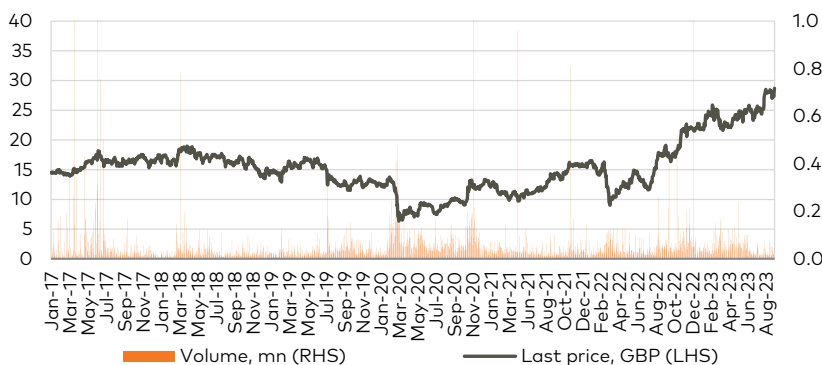
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 37.05/share (+9.13% w/w and +15.60% m/m). More than 458k shares traded in the range of GBP 33.20 - 37.05/share. Average daily traded volume was 59k in the last 4 weeks. The volume of BGEO shares traded was at 1.00% of its capitalization.

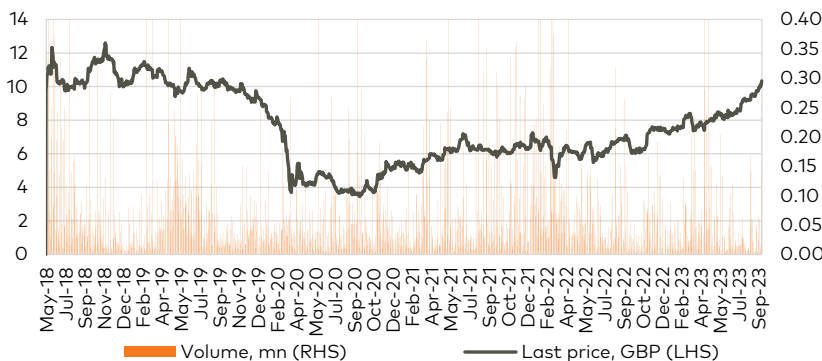
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 28.70/share (+4.55% w/w and +1.59% m/m). More than 230k shares changed hands in the range of GBP 27.00 - 28.70/share. Average daily traded volume was 35k in the last 4 weeks. The volume of TBCG shares traded was at 0.42% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.34/share (+4.44% w/w and +12.39% m/m). More than 438k shares traded in the range of GBP 9.90 - 10.34/share. Average daily traded volume was 43k in the last 4 weeks. The volume of CGEO shares traded was at 1.00% 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	37.05	1,701	47.9%	76.4%	42.2%	2.74x	4.17x	4.51x	0.90x	1.10x	0.92x
TBC	TBC	GBP	28.70	1,583	24.8%	63.6%	26.4%	4.10x	4.87x	4.28x	1.04x	1.12x	0.95x
Halyk Bank	HSBK	USD	13.60	3,709	20.1%	39.3%	22.5%	2.69x	2.66x	2.38x	0.78x	0.71x	0.60x
Akbank	AKBNK	TRY	28.44	147,888	52.9%	122.5%	45.5%	1.40x	2.75x	2.76x	0.55x	0.75x	0.68x
Garanti	GARAN	TRY	50.00	210,000	89.1%	108.7%	66.4%	1.91x	3.47x	3.48x	0.73x	1.12x	0.93x
Isbank	ISCTR	TRY	21.58	215,799	47.6%	135.6%	69.0%	0.84x	3.62x	3.13x	0.60x	0.92x	0.76x
PKO	PKO	PLN	35.54	44,425	27.1%	44.5%	17.3%	10.98x	9.57x	6.63x	1.03x	1.01x	0.95x
PEKAO	PEO	PLN	101.70	26,693	26.8%	43.2%	17.6%	na	5.29x	5.84x	na	0.97x	0.90x
Millennium	MIL	PLN	5.71	6,927	40.4%	40.0%	24.7%	na	2.34x	2.94x	1.04x	1.01x	0.93x
Mbank	MBK	PLN	407.80	17,317	42.6%	57.3%	37.8%	na	6.45x	5.44x	1.10x	1.10x	0.97x
BRD	BRD	RON	15.50	10,802	23.2%	20.2%	19.2%	6.81x	7.28x	7.95x	1.31x	1.38x	1.33x
Banca Transilvania	TLV	RON	21.78	17,395	26.1%	28.7%	23.4%	na	7.26x	7.00x	1.60x	1.48x	1.33x
Komercni	KOMB	CZK	687.50	130,659	2.0%	0.1%	5.0%	8.36x	8.26x	8.70x	1.21x	0.98x	0.98x
Mean								4.42x	5.23x	5.00x	0.99x	1.05x	0.94x
Median								2.74x	4.87x	4.51x	1.04x	1.01x	0.93x

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	10.34	453	37.7%	46.7%	41.6%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	11.95	435	-1.6%	-11.2%	-4.4%	18.33x	na	na	0.99x	na	na
Sabancı Holding	SAHOL	TRY	58.60	119,568	38.5%	119.5%	30.0%	1.77x	3.31x	3.01x	0.77x	0.78x	0.58x
Deutsche Beteiligungs	DBAN	EUR	31.55	593	19.5%	26.7%	13.1%	na	5.50x	5.82x	1.00x	0.89x	0.79x
Eurazeo	RF	EUR	56.45	4,472	-9.5%	-1.3%	-2.8%	8.89x	9.51x	7.67x	0.78x	0.56x	0.46x
Carlyle Group	CG	USD	33.36	12,080	9.1%	6.2%	11.8%	8.50x	10.95x	8.24x	1.70x	3.37x	2.31x
Wendel SE	MF	EUR	80.35	3,568	-17.0%	5.4%	-7.9%	6.63x	6.55x	6.45x	na	1.11x	0.99x
HgCapital Trust	HGT	GBP	4.14	1,895	23.0%	10.4%	18.1%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	16.50	720	1.2%	7.5%	3.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.60	817	3.4%	13.3%	9.7%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.55	730	13.2%	-3.7%	25.0%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.44	223	-0.9%	-9.4%	-2.9%	na	na	na	0.47x	na	na
Mean								8.82x	7.17x	6.24x	0.84x	1.34x	1.03x
Median								8.50x	6.55x	6.45x	0.78x	0.89x	0.79x

Source: Bloomberg, S&P Capital IQ

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