



Economy

Trade deficit down 13.6% y/y in Dec-23

In Dec-23, goods exports declined by 7.5% y/y to US\$ 514.2mn, due to the last year's high base effect, after falling 1.8% y/y in previous month. Similarly, goods imports also contracted by 11.3% y/y, reaching US\$ 1.3bn in December, following a 6.8% y/y reduction in November. This led to a 13.6% y/y narrowing of the trade deficit, totaling to US\$ 789.6mn.

Overall, in 2023, goods exports and imports reached record-high levels. Exports increased by 9.1% y/y, reaching US\$ 6.1bn, while imports were up by 14.0% y/y to US\$ 15.4bn. Consequently, the trade deficit expanded by 17.4% y/y to US\$ 9.3bn.

Money transfers stood at US\$ 4.1bn in 2023

Money transfers were down by 42.4% y/y to US\$ 308.3mn in Dec-23 (in line with our expectation), due to the last year's high base and normalization in transfers from Russia.

Overall, remittances reduced by 5.7% y/y to US\$ 4.1bn in 2023. From major remitting countries, in 2023 transfers reduced only from Russia (-26.2% y/y, accounting for 37.0% of total). In contrast, there were substantial increases in remittances from EU (+25.2% y/y, 32.5% of total), USA (+39.6% y/y, 11.1% of total) and Kazakhstan (+32.4% y/y, 4.8% of total).

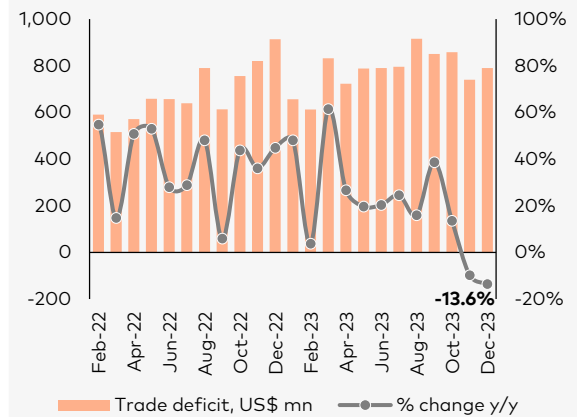
Key macro indicators

	2023E	2024F
Real GDP growth (% change)	6.8%	5.4%
GDP per capita (ppp)	22,219	24,178
GDP per capita (US\$)	8,114	8,623
Population (mn)	3.7	3.7
Inflation (average)	2.5%	3.5%
Gross reserves (US\$ bn)	5.0	5.2
CAD (% of GDP)	4.5%	4.3%
Fiscal deficit (% of GDP)	2.5%	2.5%
Total public debt (% of GDP)	38.2%	38.0%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

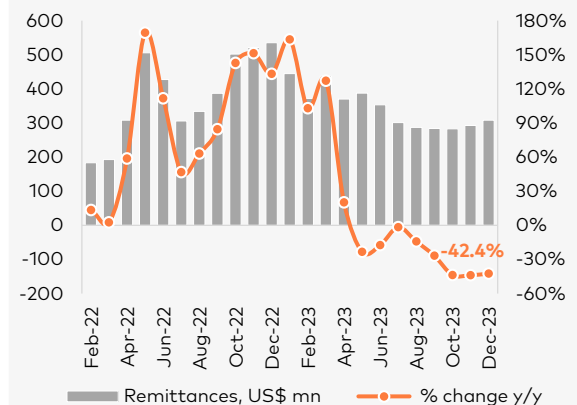
*Latest sovereign credit ratings

Goods trade deficit



Source: Geostat

Remittances to Georgia



Source: NBG

Money market

Ministry of Finance T-bills/T-notes:

10-year GEL 30.0mn (US\$ 11.3mn) Benchmark bonds were sold at the auction held at NBG on January 16, 2024. Total demand was 1.8x higher and the weighted average yield was fixed at 8.343%, down by 0.082ppts from previous auction held in Dec-23.

1-year GEL 20.0mn (US\$ 7.5mn) T-Bills were sold at the auction held at NBG on January 16, 2024. Total demand was 3.1x higher and the weighted average yield was fixed at 8.857%, down by 0.158ppts from previous auction held in Dec-23.

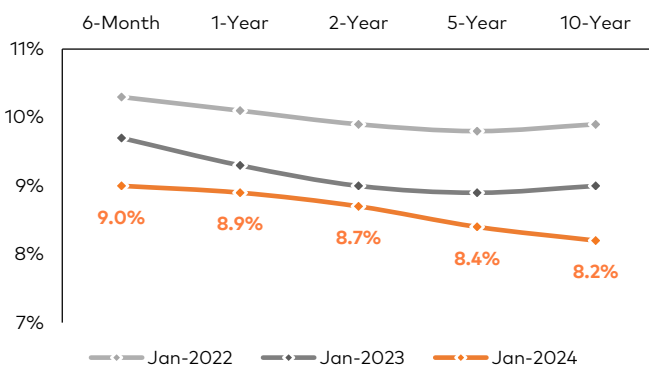
The nearest treasury security auction is scheduled for January 23, 2024, where GEL 75.0mn nominal value 7.5-year Benchmark Bonds will be sold.

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)	90	440	360
Long-term (over 1-year)	183	3,050	7,778
Total	273	3,490	8,138

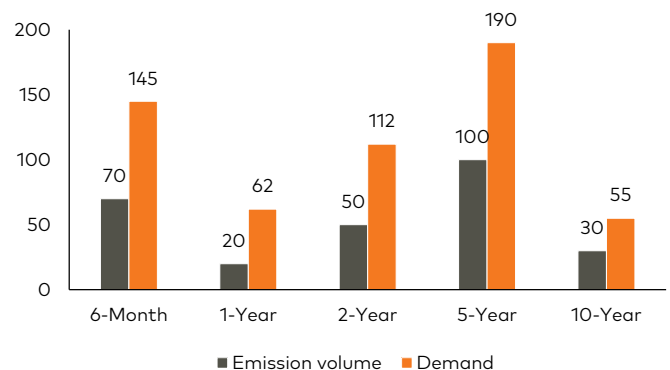
Source: MoF
 *As of December 2023

T-bills / T-notes, yield curve



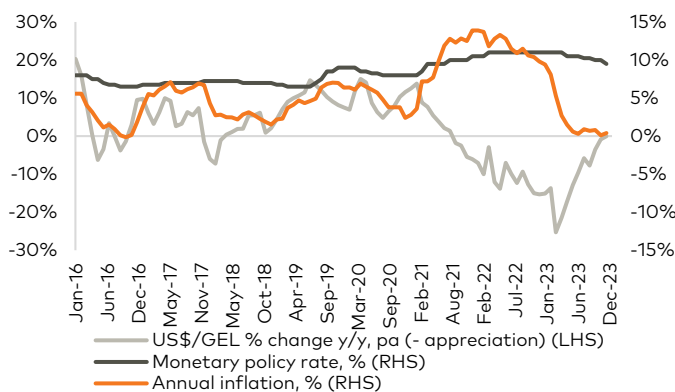
Source: NBG

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



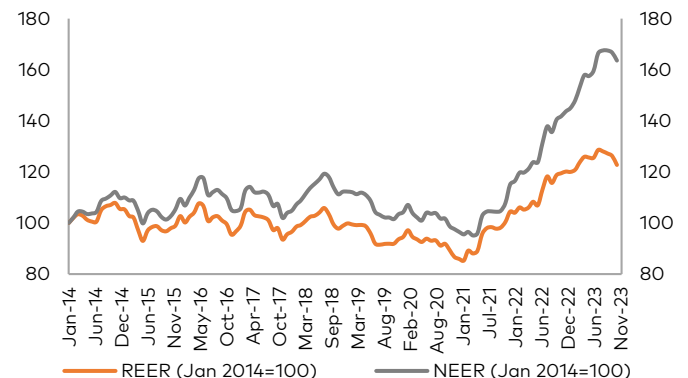
Source: NBG

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 increased. While the 10-year US Treasury yield rose from 3.95% to 4.12%, the 10-year German Bund (a European benchmark) yield increased from 2.14% to 2.73%.

Sovereigns YTM, %	Last	1Q24F	2Q24F	3Q24F
US 2y Treasury	4.40	4.39	4.12	3.86
US 5y Treasury	4.05	4.06	3.89	3.73
US 10y Treasury	4.12	4.05	3.94	3.83
US 30y Treasury	4.32	4.25	4.15	4.05
German 2y Bund	2.71	2.31	2.20	2.19
German 10y Bund	2.73	2.64	2.44	2.31

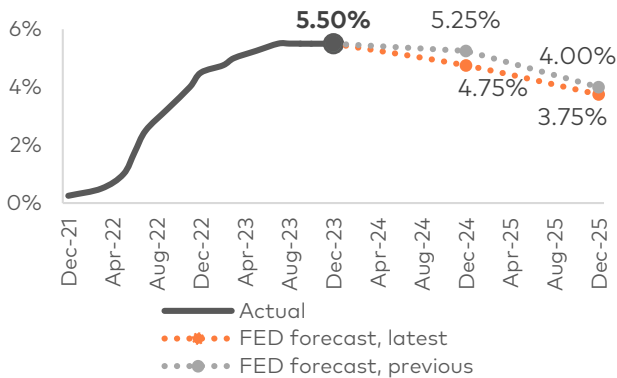
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2024
SOFR	5.31	5.31	5.31	5.38
EURIBOR (3 months)	3.96	3.93	3.92	3.91

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2024
US Inv. Grade	5.38	5.22	5.30	5.22
Eurozone Inv. Grade	3.91	3.76	3.70	3.67
EM Inv. Grade	5.48	5.33	5.30	5.22
US High Yield	8.06	7.89	7.95	7.80
EM High Yield	10.41	10.25	10.17	10.12

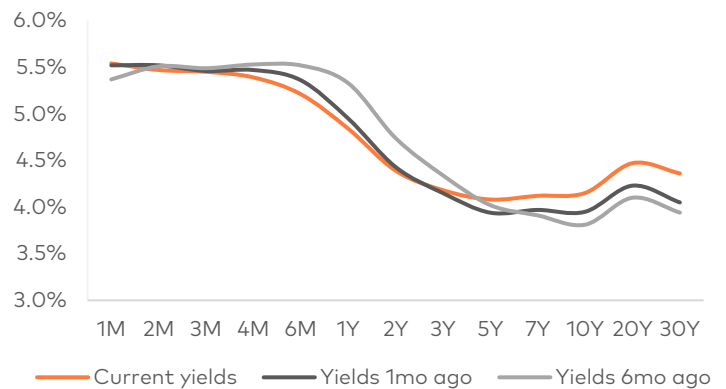
Source: Bloomberg

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

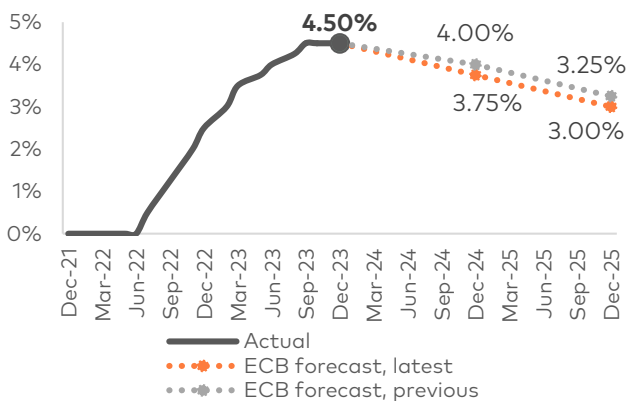
FED funds rate (upper bound)



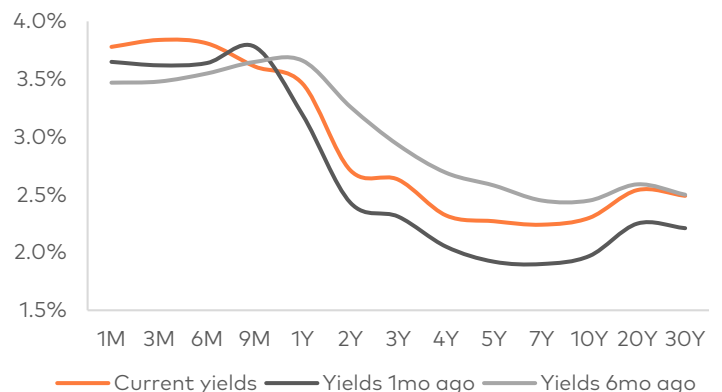
US treasuries yield curve



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	93.61	5.82	166.07
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/-	91.87	6.14	229.27
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/-	100.84	12.73	374.74
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/B1	100.33	8.25	391.79
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/Ba2	99.45	7.11	181.67
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/-	99.61	13.22	621.36

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

Georgian local bonds performance

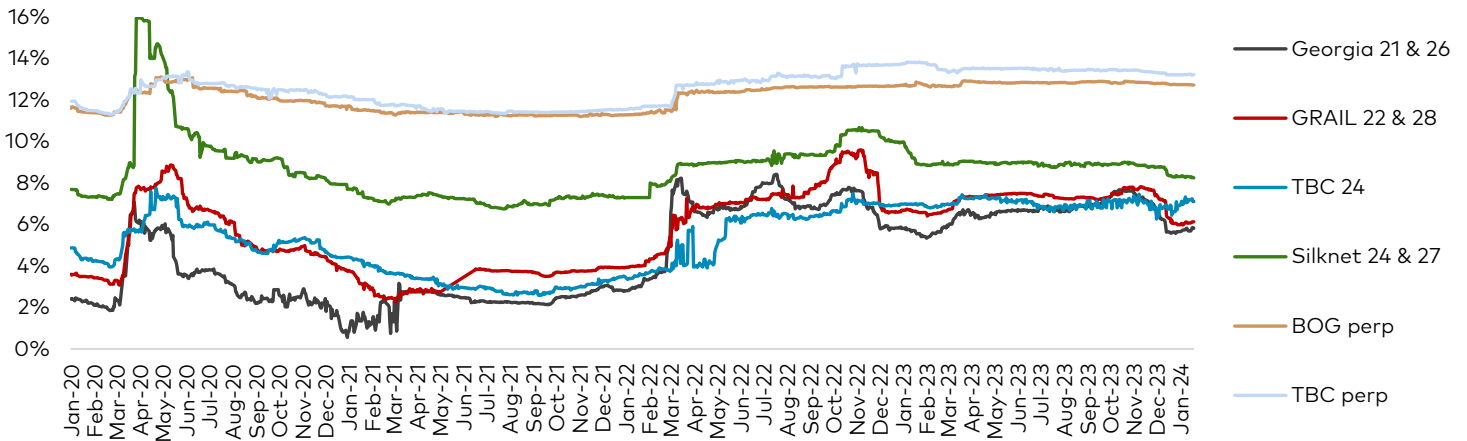
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/BB+	99.77	6.75
IG Development	USD	15	8.50%	Jul-22	Jul-24	-/-/-	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	-/-/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
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
IG Development	EUR	5	7.00%	Jan-24	Jan-26	-/-/-	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	-/-/BB-	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-/BB-	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-23	Jun-26	BB-/BB-	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



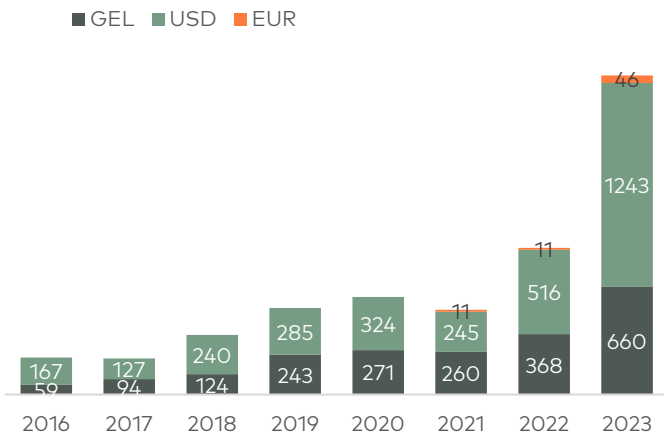
Fixed income

Georgian Eurobonds, YTM



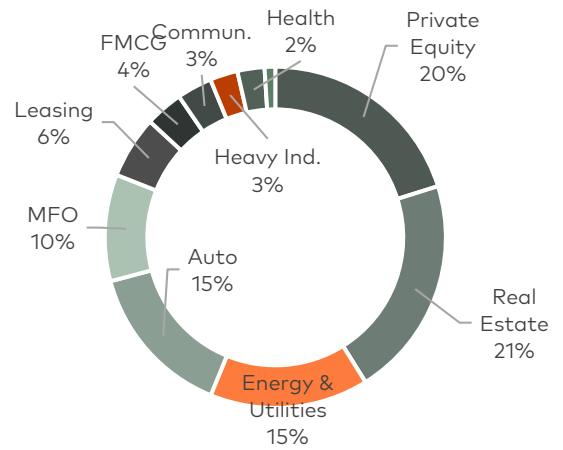
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart

Georgian corporate public bonds outstanding by sector

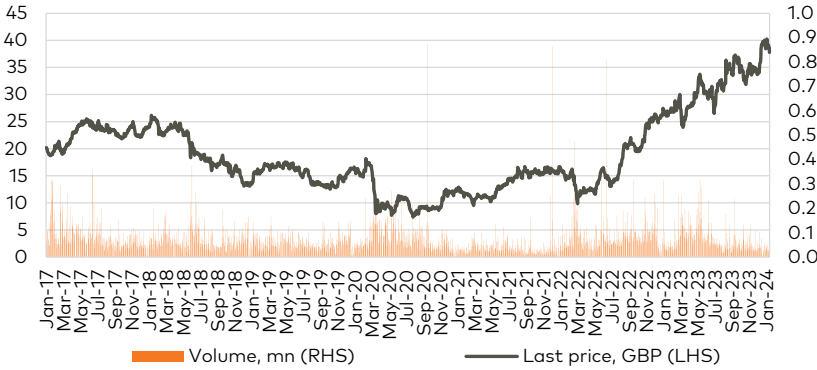


Source: Galt & Taggart



Equities

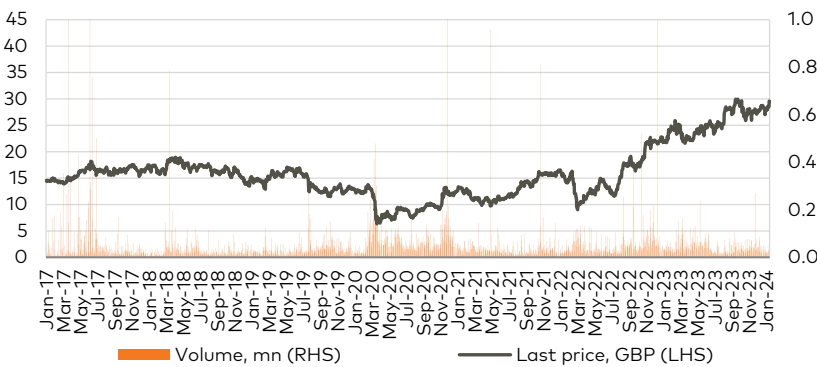
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 37.75/share (-3.33% w/w and +2.58% m/m). More than 159k shares traded in the range of GBP 37.75 - 39.45/share. Average daily traded volume was 35k in the last 4 weeks. The volume of BGEO shares traded was at 0.35% of its capitalization.

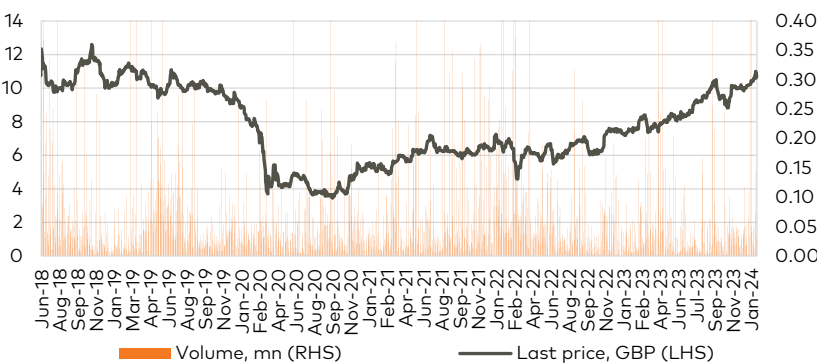
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 29.60/share (+3.68% w/w and +4.59% m/m). More than 147k shares changed hands in the range of GBP 27.90 - 29.70/share. Average daily traded volume was 28k in the last 4 weeks. The volume of TBCG shares traded was at 0.27% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.68/share (+0.75% w/w and +6.80% m/m). More than 316k shares traded in the range of GBP 10.56 - 11.04/share. Average daily traded volume was 148k in the last 4 weeks. The volume of CGEO shares traded was at 0.72% 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	37.75	1,732	18.7%	41.4%	-5.0%	2.74x	4.48x	4.43x	0.90x	1.12x	0.93x
TBC	TBC	GBP	29.60	1,640	15.2%	33.9%	4.6%	4.10x	5.02x	4.42x	1.04x	1.21x	1.02x
Halyk Bank	HSBK	USD	14.32	3,905	-2.6%	33.8%	-5.5%	2.69x	2.44x	2.53x	0.78x	0.81x	0.69x
Akbank	AKBNK	TRY	40.92	212,784	63.5%	132.6%	12.0%	1.40x	3.10x	3.17x	0.55x	1.03x	0.86x
Garanti	GARAN	TRY	63.55	266,910	69.7%	147.9%	8.9%	1.91x	3.53x	3.25x	0.73x	1.10x	0.87x
Isbank	ISCTR	TRY	25.44	254,399	78.3%	118.9%	8.9%	0.84x	3.62x	3.43x	0.60x	0.98x	0.83x
PKO	PKO	PLN	49.78	62,225	24.8%	46.8%	-1.1%	10.98x	7.61x	7.25x	1.03x	1.31x	1.25x
PEKAO	PEO	PLN	143.90	37,769	25.2%	51.2%	-5.4%	na	5.95x	6.84x	na	1.25x	1.20x
Millennium	MIL	PLN	7.94	9,632	17.1%	51.8%	-5.0%	na	2.99x	3.86x	1.04x	1.40x	1.27x
Mbank	MBK	PLN	499.30	21,203	7.2%	50.8%	-6.7%	na	7.03x	6.48x	1.10x	1.46x	1.28x
BRD	BRD	RON	17.60	12,265	27.7%	27.9%	-1.8%	6.81x	7.90x	9.46x	1.31x	1.53x	1.51x
Banca Transilvania	TLV	RON	24.86	19,855	20.6%	37.2%	2.5%	na	7.37x	7.85x	1.60x	1.61x	1.54x
Komerčni	KOMB	CZK	743.00	141,207	3.9%	6.1%	2.6%	8.36x	8.87x	10.14x	1.21x	1.06x	1.09x
Mean								4.42x	5.38x	5.62x	0.99x	1.22x	1.10x
Median								2.74x	5.02x	4.43x	1.04x	1.21x	1.09x

Source: Bloomberg, S&P Capital IQ

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