



Economy

Money transfers decreased by 26.7% y/y in Sep-23

Money transfers were down by 26.7% y/y to US\$ 283.9mn in Sep-23, following a 14.1% y/y decline in previous month, according to NBG. From major remitting countries, transfers reduced significantly from Russia (-65.8% y/y and -1.4% m/m, accounting for 20.9% of total). In contrast, there were substantial increases in remittances from Italy (+19.3% y/y, 15.3% of total), USA (+43.8% y/y, 14.5% of total), Germany (+32.8% y/y, 7.4% of total), Greece (+11.0% y/y, 7.2% of total) and Kazakhstan (+80.6% y/y, 6.4% of total). Overall, in 9M23 remittances increased by 15.1% y/y to US\$ 3.2bn.

Goods trade deficit increased by 16.4% y/y in Sep-23

In Sep-23, goods exports increased by 0.9% y/y to US\$ 528.0mn, after a 4.8% y/y growth in previous month. Goods imports were up by 9.2% y/y to US\$ 1.2bn in September, after growing by 2.3% y/y in August. Consequently, the trade deficit increased by 16.4% y/y to US\$ 713.3mn, after a 0.9% y/y growth in previous month.

The top 5 exported commodities were cars (+97.4% y/y), copper (-62.0% y/y), ferro-alloys (-58.1% y/y), wine (-10.0% y/y) and spirits (+17.0% y/y), in Sep-23. A 11.1% of exports were directed to the EU (+39.4% y/y), 65.7% to the CIS (+23.1% y/y) and 23.1% to other countries (-38.7% y/y).

The top 5 imports were cars (+39.1% y/y), petroleum (-32.9% y/y), pharmaceuticals (+37.5% y/y), phones (+7.6% y/y) and tobacco (+28.4% y/y) in Sep-23.

Overall, in 9M23, trade deficit increased by 22.3% y/y to US\$ 6.7bn, as exports increased by 12.7% y/y to US\$ 4.6bn, while imports were up by 18.2% y/y to US\$ 11.3bn.

Producer price index fell by 3.3% y/y in Sep-23

Annual PPI for industrial goods, similar to previous month, fell by 3.3% in Sep-23, according to Geostat. This decline was primarily driven by price reduction in manufacturing sector (-4.0% y/y).

NBG sold US\$ 40.0mn

On 17 October 2023, NBG intervened in the FX market and sold US\$ 40.0mn, easing one-off pressure on the currency. Notably, the NBG is a net buyer of US\$ 1.2bn year-to-date by our estimates.

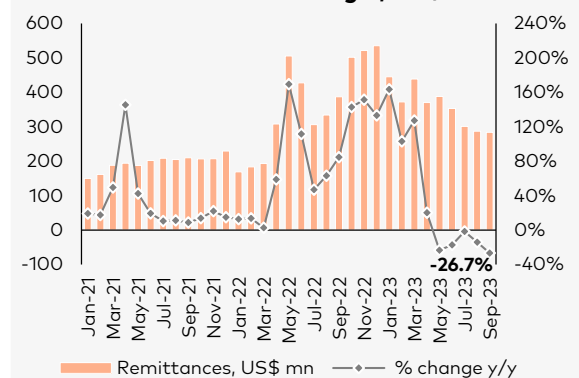
Key macro indicators

	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

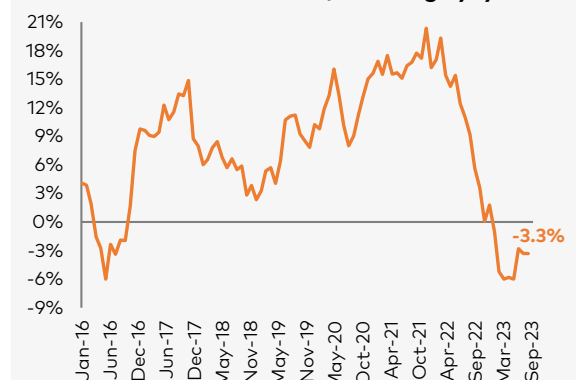
*Latest sovereign credit ratings

Remittances to Georgia, US\$ mn



Source: NBG

Producer Price Index, % change y/y



Source: Geostat

Money market

Ministry of Finance T-bills/T-notes:

10-year GEL 50.0mn (US\$ 18.5mn) Benchmark bonds were sold at the auction held at NBG on October 17, 2023. Total demand was 1.6x higher and the weighted average yield was fixed at 8.464%, up by 0.341ppts from previous auction held in Sep-23.

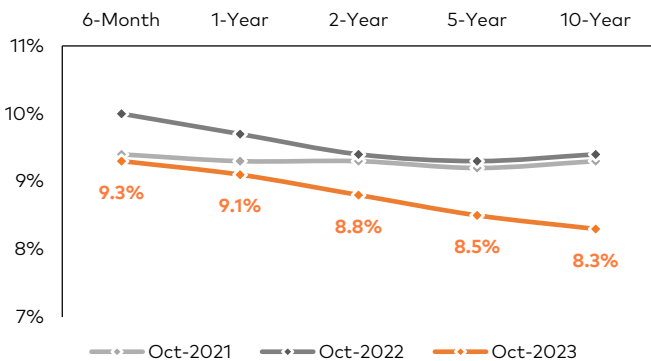
The nearest treasury security auction is scheduled for October 24, 2023, where GEL 60.0mn nominal value 5-year Benchmark Bonds will be sold.

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	685	170	
Total	2,388	480	7,701

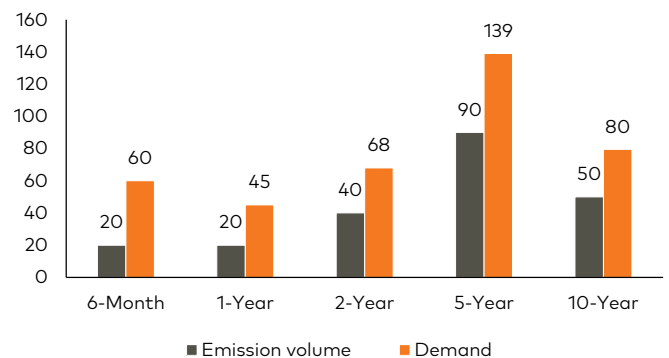
Source: MoF
*As of September 2023

T-bills / T-notes, yield curve



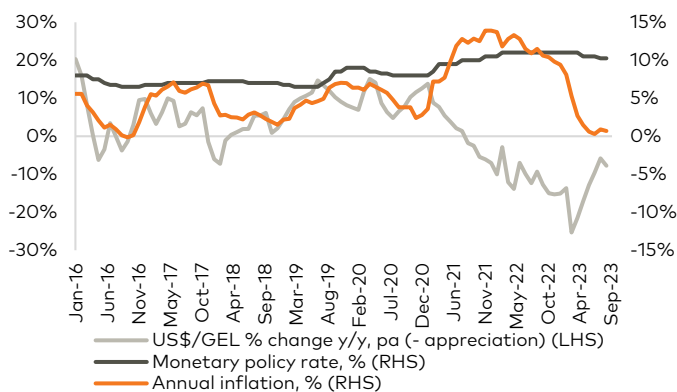
Source: NBG

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



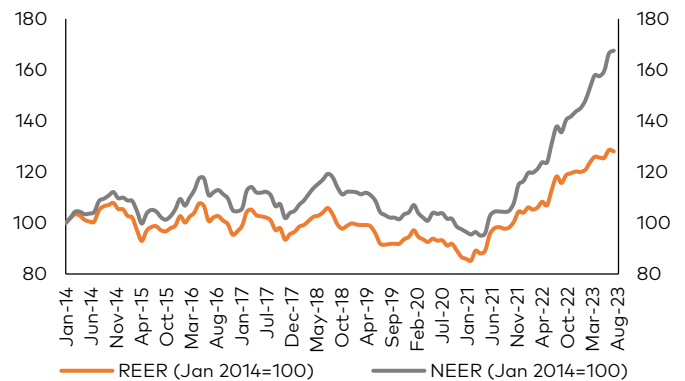
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG, 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 10-year US Treasury yield reached nearly 5%, its highest level since July 2007.
- The 10-year German bund yield increased from 2.78% to 2.92% over the past week.
- Upside economic surprises (US retail sales rose 0.7% in October, vs. 0.3% consensus forecast) reinforces concerns of "higher for longer" interest rates.

Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	5.12	4.93	4.63	4.28
US 5y Treasury	4.91	4.50	4.29	4.05
US 10y Treasury	4.97	4.46	4.28	4.09
US 30y Treasury	5.12	4.65	4.51	4.34
German 2y Bund	3.12	2.85	2.69	2.48
German 10y Bund	2.92	2.57	2.48	2.38

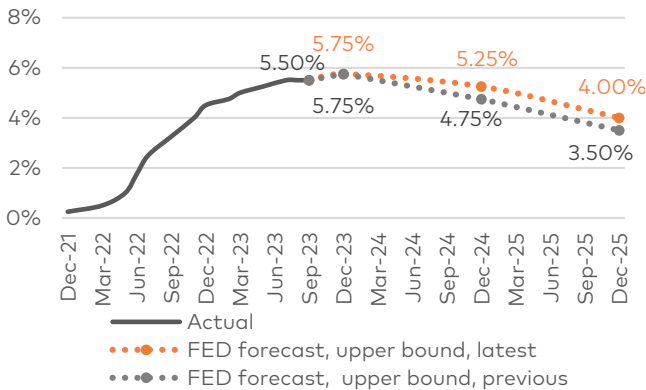
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.30	5.31	5.30	4.30
EURIBOR (3 months)	3.97	3.99	3.93	2.13

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	6.39	6.14	5.94	5.48
Eurozone Inv. Grade	4.57	4.46	4.40	4.04
EM Inv. Grade	6.37	6.17	5.90	5.46
US High Yield	9.60	9.25	8.69	8.99
EM High Yield	12.01	11.89	11.07	11.09

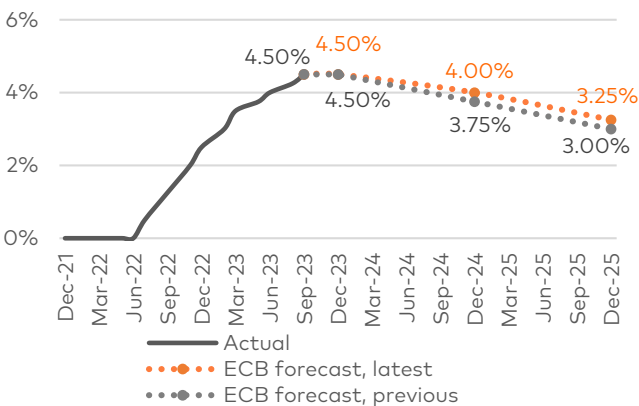
Source: Bloomberg

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

FED funds rate

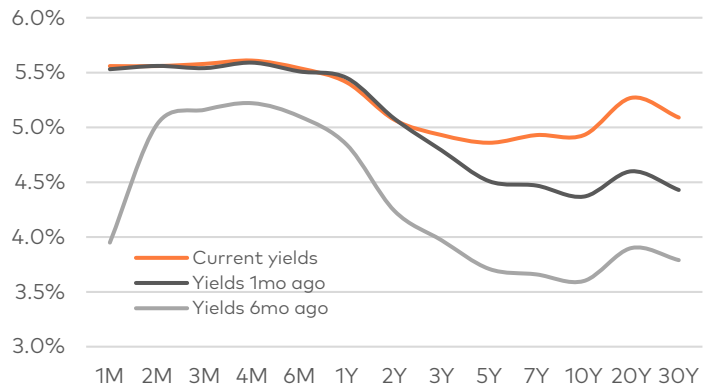


ECB main rate

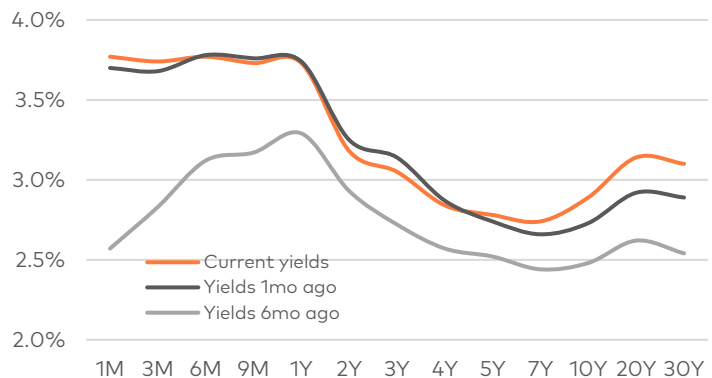


Source: FED, ECB, Bloomberg, Galt & Taggart

US treasuries yield curve



German bonds yield curve

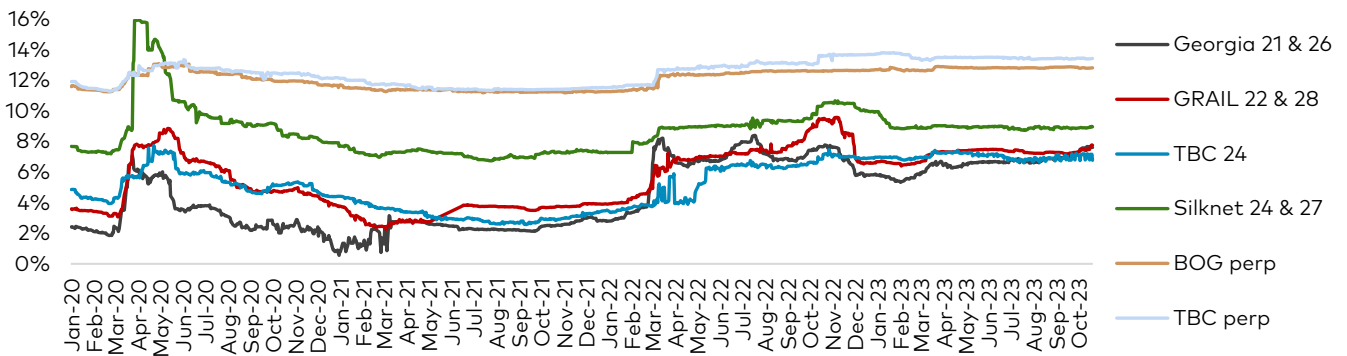


Fixed income

Corporate Eurobonds: Georgian Railway Eurobonds (GRAIL) traded at 85.49 (-1.18% w/w), yielding 7.78%.

Georgian Sovereign Eurobonds (GEORG) closed at 89.11 (+0.22% w/w) at 7.63% 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	89.11	7.63	279.81
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	85.49	7.78	316.31
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.53	12.84	631.63
SILKNET 01/27	USD	300	8.375%	Jan-27	BB-/-/B1	98.31	8.98	423.89
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	99.34	6.78	128.55
TBC PERP	USD	125	10.775%	n/a	B-/-/-	97.33	13.46	846.40

Source: Bloomberg



Fixed income

Georgian local bonds performance

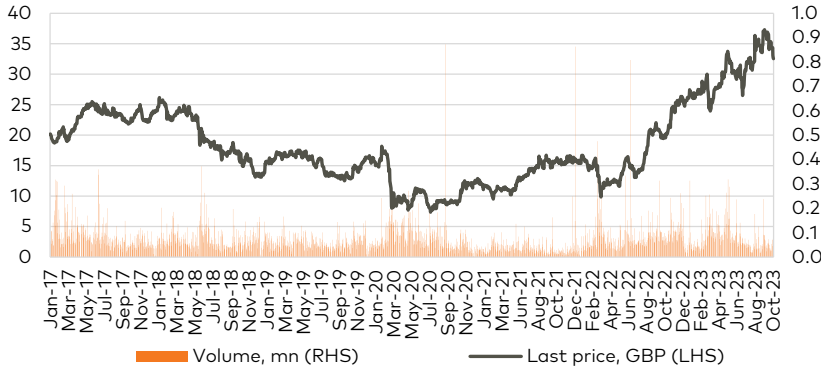
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scop e)	Mid price	Mid yield, %
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-27	-/-/-	n/a	n/a
Energy Development Georgia	USD	10	8.50%	Jun-25	-/-/-	n/a	n/a
Vian	GEL	50	Ref rate + 3.10%	Nov-24	-/-/BB	n/a	n/a
Geo. Beer Company	GEL	25	Ref rate + 4.00%	Dec-23	-/-/BB-	n/a	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	100.00	8.50
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	100.00	7.00
Geosteel	USD	15	9.00%	Apr-25	-/-/-	100.00	9.00
IG Development	USD	15	6.75%	Jan-24	-/-/-	99.94	6.88
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.80	8.75
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.72	6.75
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/B+	100.00	8.50
MFO Crystal	GEL	25	TIBR6M + 4.75%	Feb-25	B-/-/-	n/a	n/a
MFO MBC	GEL	15	TIBR3M + 4.50%	Dec-24	-/-/B	n/a	n/a
MFO Rico Express	GEL	130	TIBR1D + 2.00%	Mar-26	-/-/B+	n/a	n/a
Nikora	GEL	35	TIBR3M + 3.50%	Nov-25	-/-/BB-	n/a	n/a
Nikora Trade	GEL	35	TIBR3M + 3.50%	Nov-24	-/-/BB-	n/a	n/a
Silk Real Estate	USD	20	9.00%	Apr-26	-/-/-	100.01	9.00
TBC Leasing	GEL	100	TIBR3M + 3.00%	Mar-26	BB/-/-	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-26	BB/-/-	n/a	n/a
Tegeta Motors	GEL	150	TIBR3M + 3.50%	Dec-25	-/-/BB-	n/a	n/a
Tegeta Motors	USD	20	8.50%	Apr-25	-/-/BB-	99.64	8.75
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	99.64	7.25
Tegeta Motors	GEL	20	TIBR6M + 3.50%	Dec-25	-/-/BB-	n/a	n/a
Georgia Capital	USD	150	8.5%	Aug-28	-B+/-/-	101.20	8.19
Silk Real Estate	USD	20	9.25%	Sep-26	-/-/-	101.23	8.63
Prime Concrete	USD	7.5	10.50%	Sep-27	-/-/-	n/a	n/a
Austrian-Georgian Development	USD	15	9.00%	Oct-25	-/-/-	n/a	n/a

Source: Bloomberg, Galt & Taggart



Equities

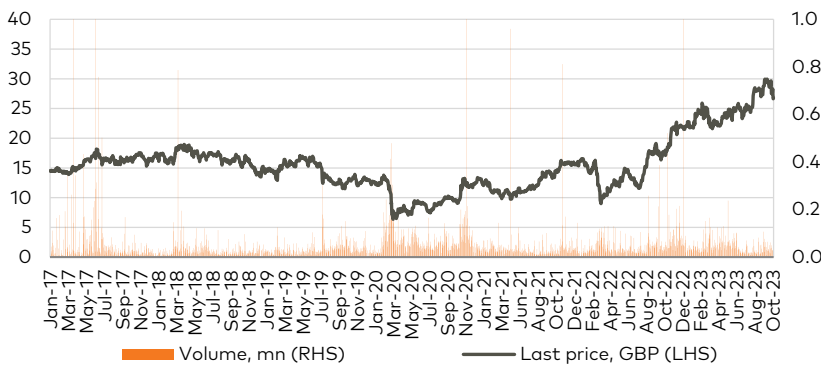
Bank of Georgia Group (BGEO LN)



Bank of Georgia Group (BGEO LN) shares closed at GBP 32.55/share (-5.10% w/w and -11.55% m/m). More than 428k shares traded in the range of GBP 32.25 - 34.55/share. Average daily traded volume was 53k in the last 4 weeks. The volume of BGEO shares traded was at 0.93% of its capitalization.

Source: Bloomberg

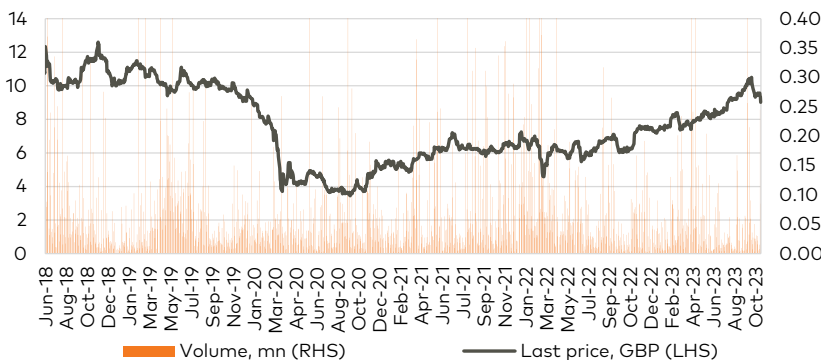
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 26.75/share (-2.73% w/w and -10.39% m/m). More than 157k shares changed hands in the range of GBP 26.50 - 28.70/share. Average daily traded volume was 34k in the last 4 weeks. The volume of TBCG shares traded was at 0.28% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 9.02/share (-5.05% w/w and -11.39% m/m). More than 354k shares traded in the range of GBP 9.00 - 9.69/share. Average daily traded volume was 35k in the last 4 weeks. The volume of CGEO shares traded was at 0.81% of its capitalization.

Source: Bloomberg

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	32.55	1,493	16.7%	60.7%	25.0%	2.74x	3.67x	3.97x	0.90x	0.96x	0.81x
TBC	TBC	GBP	26.75	1,482	21.0%	48.6%	17.8%	4.10x	4.57x	4.02x	1.04x	1.05x	0.89x
Halyk Bank	HSBK	USD	12.70	3,463	6.7%	16.1%	14.4%	2.69x	2.56x	2.30x	0.78x	0.72x	0.61x
Akbank	AKBNK	TRY	29.92	155,584	69.0%	90.0%	53.0%	1.40x	2.78x	2.72x	0.55x	0.77x	0.65x
Garanti	GARAN	TRY	44.62	187,404	58.6%	76.4%	48.5%	1.91x	3.10x	3.10x	0.73x	1.00x	0.83x
Isbank	ISCTR	TRY	21.60	215,999	82.1%	118.4%	69.1%	0.84x	3.54x	3.03x	0.60x	0.90x	0.73x
PKO	PKO	PLN	39.98	49,975	22.5%	65.9%	32.0%	10.98x	9.09x	7.57x	1.03x	1.14x	1.07x
PEKAO	PEO	PLN	116.50	30,578	18.9%	60.4%	34.7%	na	5.76x	6.70x	na	1.10x	1.02x
Millennium	MIL	PLN	7.00	8,491	34.7%	95.9%	52.8%	na	2.89x	3.70x	1.04x	1.24x	1.14x
Mbank	MBK	PLN	479.40	20,358	30.9%	119.3%	62.0%	na	5.58x	6.21x	1.10x	1.30x	1.14x
BRD	BRD	RON	15.76	10,983	22.7%	39.5%	21.2%	6.81x	7.39x	8.23x	1.31x	1.40x	1.35x
Banca Transilvania	TLV	RON	21.52	17,187	24.6%	41.0%	21.9%	na	6.81x	6.93x	1.60x	1.42x	1.30x
Komercni	KOMB	CZK	669.00	127,143	-11.7%	-4.7%	2.1%	8.36x	8.13x	8.63x	1.21x	1.01x	0.97x
Mean								4.42x	5.07x	5.16x	0.99x	1.08x	0.96x
Median								2.74x	4.57x	4.02x	1.04x	1.05x	0.97x

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	9.02	395	14.2%	42.0%	23.6%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	11.80	429	-2.5%	-7.2%	-5.6%	18.33x	na	na	0.99x	na	na
Sabancı Holding	SAHOL	TRY	53.80	109,774	32.8%	64.0%	19.3%	1.77x	3.04x	2.34x	0.77x	0.72x	0.53x
Deutsche Beteiligungs	DBAN	EUR	29.85	561	6.8%	25.9%	7.0%	na	5.16x	5.50x	1.00x	0.84x	0.75x
Eurazeo	RF	EUR	51.30	4,064	-23.4%	-6.0%	-11.7%	8.89x	8.64x	6.97x	0.78x	0.51x	0.42x
Carlyle Group	CG	USD	27.64	9,947	-8.9%	7.6%	-7.4%	8.50x	9.06x	6.83x	1.70x	2.85x	2.07x
Wendel SE	MF	EUR	71.75	3,188	-28.1%	-7.1%	-17.7%	6.63x	5.85x	5.76x	na	0.99x	0.89x
HgCapital Trust	HGT	GBP	3.69	1,687	9.7%	8.2%	5.1%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.50	676	5.3%	-2.2%	-3.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.24	753	-7.2%	12.5%	1.1%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.60	664	3.3%	-3.0%	13.7%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.43	221	7.5%	0.9%	-4.0%	na	na	na	0.47x	na	na
Mean								8.82x	6.35x	5.48x	0.84x	1.18x	0.93x
Median								8.50x	5.85x	5.76x	0.78x	0.84x	0.75x

Source: Bloomberg, S&P Capital IQ

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