



Economy

NBG cut its key rate by 50bps to 9.5%

The NBG decided to cut its key rate by 50bps to 9.5% at 20 December 2023 meeting. According to NBG, inflation in Georgia declined more than anticipated, standing at 0.1% y/y in Nov-23. Core inflation echoed this decline, settling at 1.8%. Simultaneously, inflation for domestically produced goods is steadily approaching the 3.0% target, reaching 3.8% in November. This movement is influenced by both domestic and external factors. Based on NBG's current forecast, inflation is expected to temporarily surpass the target rate in 2024, mainly due to the base effect. However, in the medium term, it is anticipated to stabilize close to the target. The NBG notes that, despite the current reduction, the monetary policy rate is being maintained at a relatively elevated level and plans to pursue only a gradual normalization of monetary policy, aligning with evolving inflation forecasts. The next committee meeting is scheduled for 31 January 2024.

Real GDP growth was 5.7% in 3Q23

Georgia's economy grew by 5.7% y/y in 3Q23 according to Geostat, revised upwards from the preliminary estimate of 5.4%. In terms of economic sectors, high contributions to the growth in 3Q23 came from trade (+8.1% y/y), public administration (+13.3% y/y), construction (+8.5% y/y), finance & insurance (+13.7% y/y), education (+13.6% y/y), professional activities (+17.6% y/y) and agriculture (+4.3% y/y). Meanwhile, healthcare (-7.5% y/y) and real estate (-1.0% y/y) sectors contracted in 3Q23.

Considering rapid estimate of real GDP growth of 6.2% in Oct-23, cumulatively Georgia's economy increased by 7.0% y/y in 10M23. For the full 2023 year, we expect growth at 6.8%. In 2024, we forecast real GDP growth at 5.4% in baseline scenario and at 6.0% in upside scenario, see more [here](#).

Goods trade deficit narrowed by 11.1% y/y 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 7.6% y/y, reaching US\$ 1.2bn in November, after growing by 4.8% y/y in October. Consequently, the trade deficit narrowed by 11.1% y/y to US\$ 729.5mn.

The top 5 exported commodities were cars (+81.8% y/y), spirits (+74.5% y/y), wine (-27.4% y/y), copper (-76.5% y/y) and nuts (-10.9% y/y), in Nov-23. A 11.8% of exports were directed to the EU (-31.7% y/y), 69.2% to the CIS (+25.5% y/y) and 19.0% to other countries (-35.3% y/y).

The top 5 imports were cars (-8.5% y/y), petroleum (+24.9% y/y), pharmaceuticals (+39.7% y/y), gases (-33.1% y/y) and phones (-6.1% y/y) in Nov-23.

Overall, in 11M23, trade deficit expanded by 19.8% y/y to US\$ 8.4bn, as exports increased by 11.1% y/y to US\$ 5.6bn, while imports were up by 16.1% y/y to US\$ 14.0bn.

Producer price index declined by 0.2% y/y in Nov-23

Annual PPI for industrial goods declined by only 0.2% in Nov-23, after falling by 0.8% in previous month, according to Geostat. Notably, on a monthly basis, there was a 0.6% increase in the PPI for Nov-23. This monthly growth was primarily driven by a rise in prices in the manufacturing sector (+1.0% m/m), followed by mining (+3.5% m/m). Meanwhile, prices in electricity supply declined (-4.0% m/m) in November.

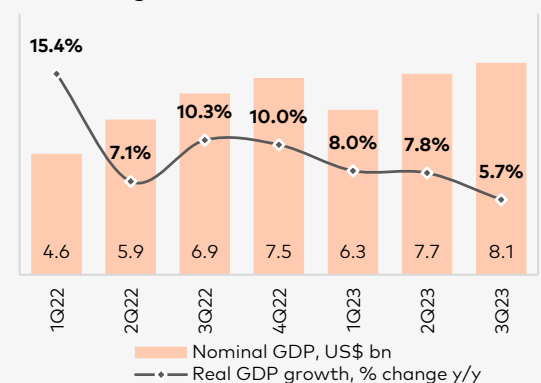
Key macro indicators

	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

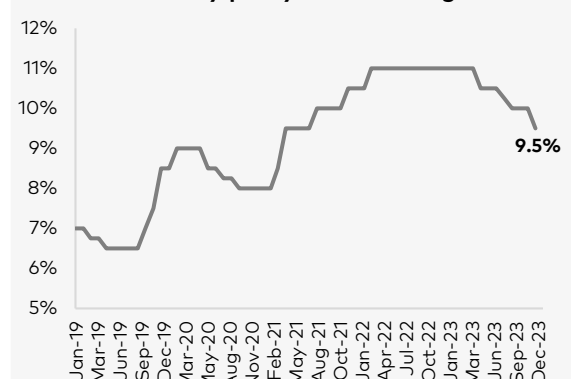
*Latest sovereign credit ratings

Georgia's Gross Domestic Product



Source: Geostat

Monetary policy rate in Georgia



Source: NBG



Money market

Ministry of Finance T-bills/T-notes:

10-year GEL 50.0mn (US\$ 18.7mn) Benchmark bonds were sold at the auction held at NBG on December 19, 2023. Total demand was 2.2x higher and the weighted average yield was fixed at 8.399%, down by 0.035ppts from previous auction held in Nov-23.

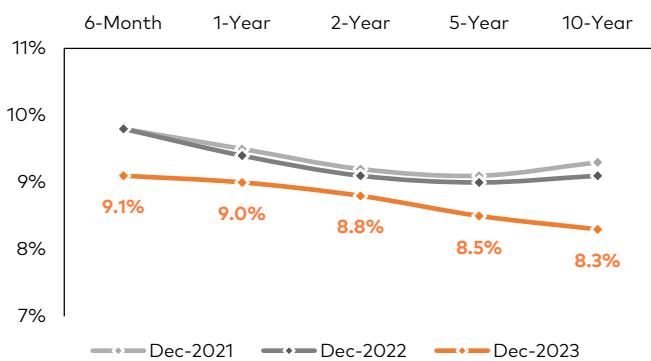
The nearest treasury security auction is scheduled for December 26, 2023, where GEL 60.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	240	0	370
1-year	240	0	
2-year	507	0	
5-year	1,004	60	7,601
10-year	825	0	
Total	2,816	60	7,971

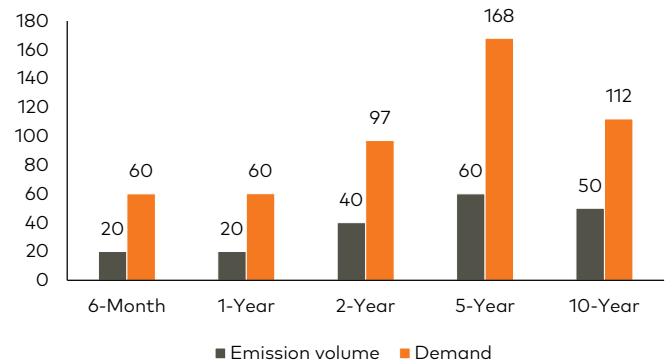
Source: MoF
*As of November 2023

T-bills / T-notes, yield curve



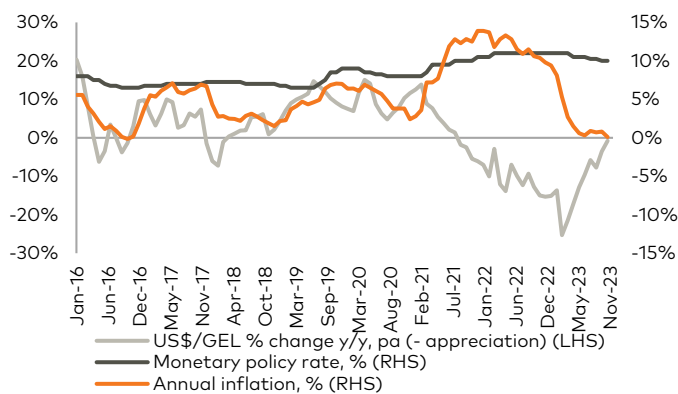
Source: NBG

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



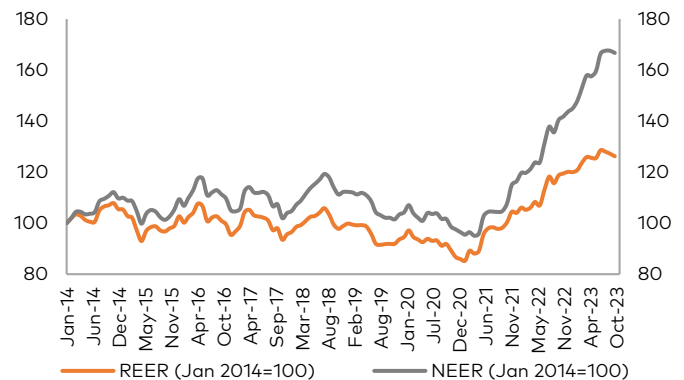
Source: NBG

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

- Yields declined further in both US and European fixed income markets. While the 10-year US Treasury yield fell from 3.96% to 3.90%, the 10-year German Bund (a European benchmark) yield declined from 2.07% to 1.97%.
- Yields have fallen due to markets pricing in a sharper rate cutting cycle in both Europe and the US. The market-implied probability of Fed cutting at least to 3.75-4.00% by December 2024 stands at near 80%.

Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	4.32	4.58	4.42	4.14
US 5y Treasury	3.85	4.17	4.08	3.9
US 10y Treasury	3.90	4.13	4.07	3.95
US 30y Treasury	4.01	4.27	4.16	4.06
German 2y Bund	2.41	2.95	2.53	2.41
German 10y Bund	1.97	2.59	2.53	2.41

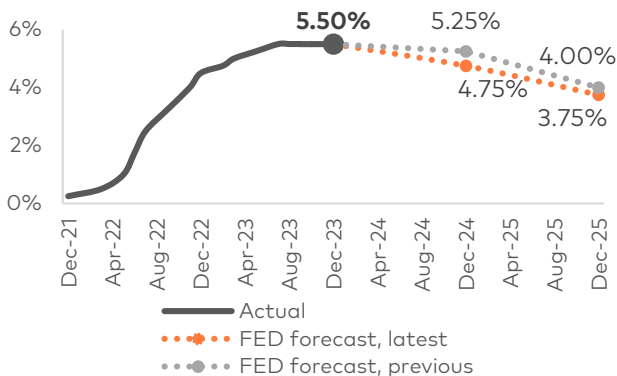
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.32	5.32	5.32	4.30
EURIBOR (3 months)	3.94	3.96	3.98	2.13

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	5.32	5.62	5.92	5.48
Eurozone Inv. Grade	3.63	3.94	4.25	4.04
EM Inv. Grade	5.32	5.63	5.94	5.46
US High Yield	8.00	8.45	8.82	8.99
EM High Yield	10.20	10.66	11.30	11.09

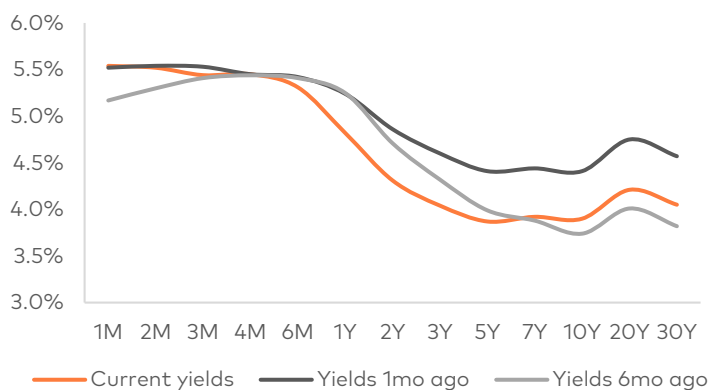
Source: Bloomberg

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

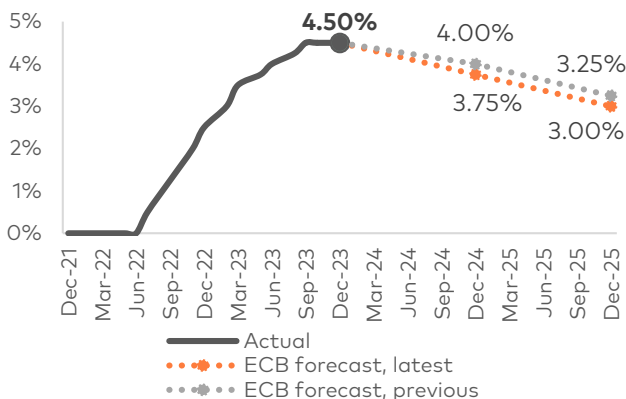
FED funds rate (upper bound)



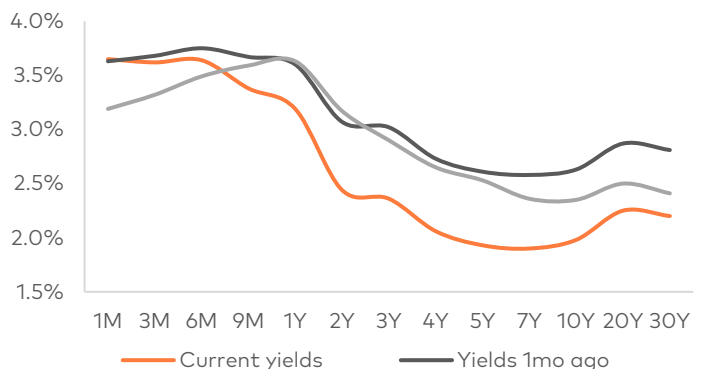
US treasuries yield curve



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	93.80	5.64	165.00
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/-	92.10	6.04	242.58
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/-	100.58	12.75	466.23
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/-/B1	100.19	8.30	416.15
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/-/Ba2	99.61	6.59	130.69
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/-	99.41	13.23	653.38

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

Georgian local bonds performance

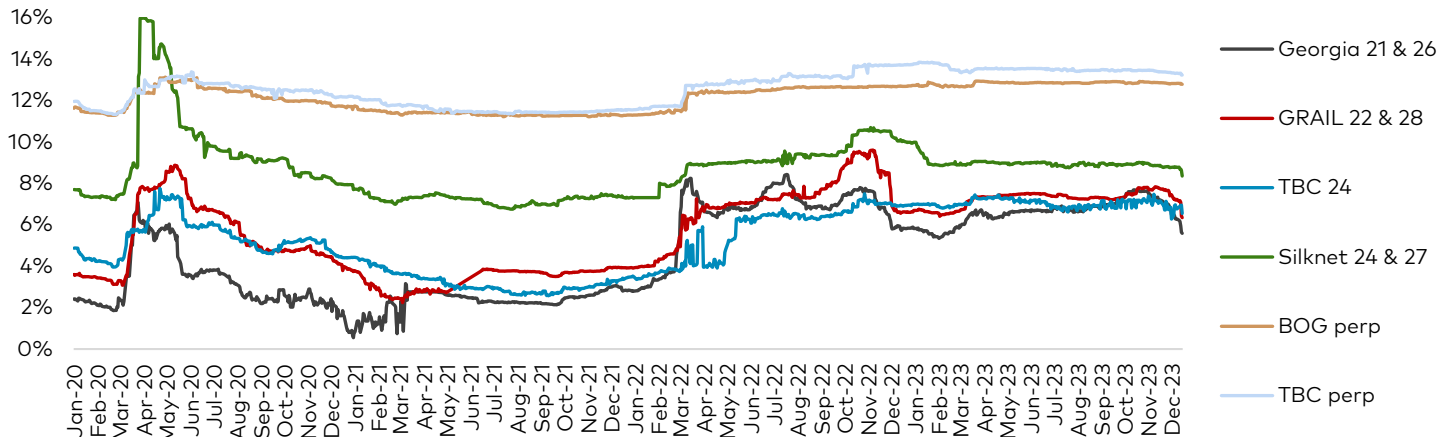
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/-/B+	99.77	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-/-	99.97	6.88
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	-/-/-/B+	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								
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	-/-/-/B+	n/a	n/a
TBC Leasing	GEL	100	TIBR3M + 3.00%	Mar-23	Mar-26	BB-/-/B-	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-23	Jun-26	BB-/-/B-	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



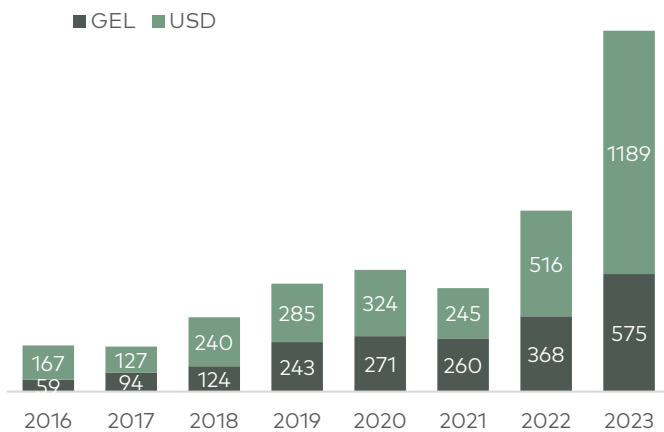
Fixed income

Georgian Eurobonds, YTM



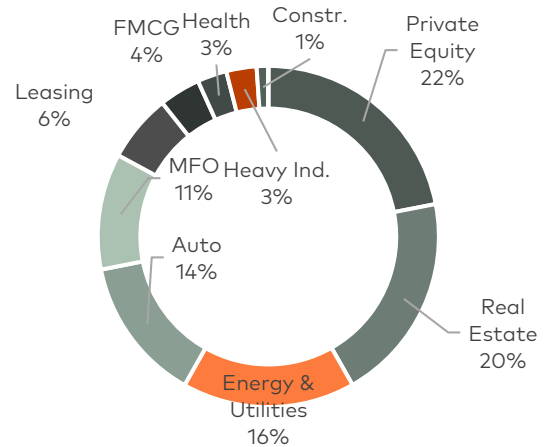
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart
Note: Latest 2023

Georgian corporate public bonds outstanding by sector

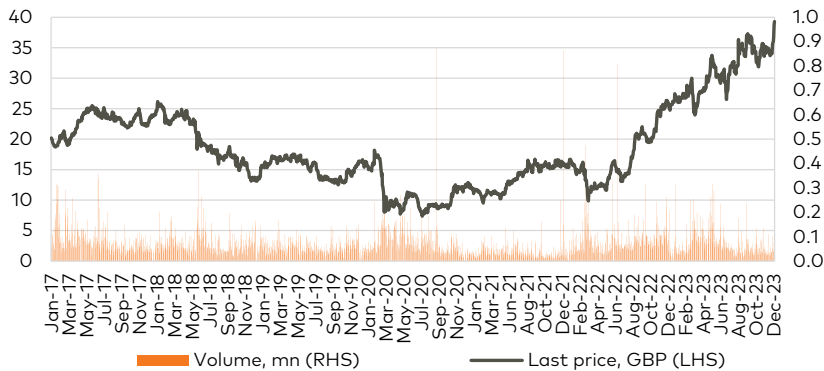


Source: Galt & Taggart



Equities

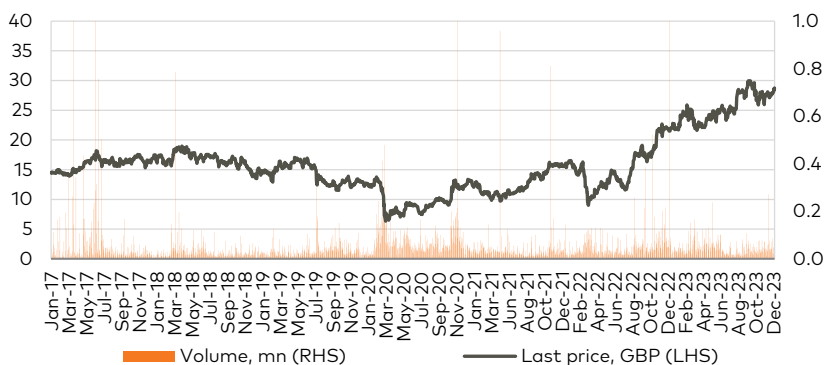
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 39.30/share (+10.24% w/w and +15.25% m/m). More than 210k shares traded in the range of GBP 35.10 - 39.40/share. Average daily traded volume was 44k in the last 4 weeks. The volume of BGEO shares traded was at 0.46% of its capitalization.

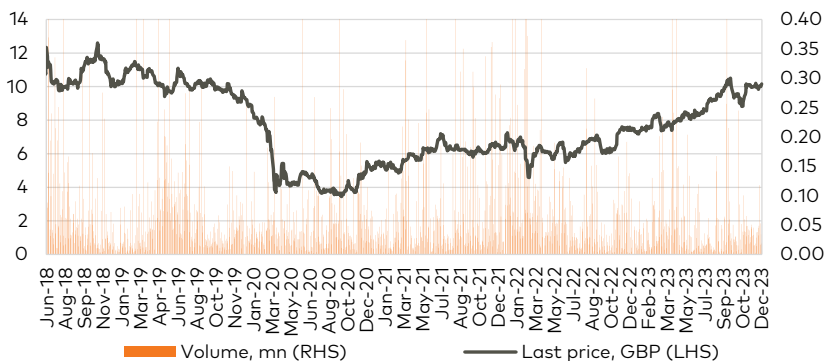
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 28.75/share (+2.86% w/w and +4.74% m/m). More than 163k shares changed hands in the range of GBP 27.85 - 29.00/share. Average daily traded volume was 55k in the last 4 weeks. The volume of TBCG shares traded was at 0.30% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.16/share (+1.20% w/w and +1.80% m/m). More than 141k shares traded in the range of GBP 9.94 - 10.20/share. Average daily traded volume was 33k in the last 4 weeks. The volume of CGEO shares traded was at 0.32% 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	39.30	1,803	28.9%	53.8%	50.9%	2.74x	4.67x	4.67x	0.90x	1.17x	0.96x
TBC	TBC	GBP	28.75	1,593	12.7%	31.3%	26.7%	4.10x	4.88x	4.35x	1.04x	1.18x	1.00x
Halyk Bank	HSBK	USD	14.00	3,818	2.0%	28.0%	26.1%	2.69x	2.55x	2.51x	0.78x	0.79x	0.67x
Akbank	AKBNK	TRY	39.46	205,192	105.6%	98.8%	101.8%	1.40x	2.93x	3.04x	0.55x	1.01x	0.83x
Garanti	GARAN	TRY	61.60	258,720	102.9%	107.0%	105.1%	1.91x	3.48x	3.16x	0.73x	1.09x	0.84x
Isbank	ISCTR	TRY	24.16	241,599	82.5%	87.7%	89.2%	0.84x	3.42x	3.24x	0.60x	0.91x	0.79x
PKO	PKO	PLN	50.22	62,775	38.6%	65.9%	65.8%	10.98x	8.21x	7.57x	1.03x	1.35x	1.27x
PEKAO	PEO	PLN	151.15	39,672	34.7%	74.0%	74.7%	na	6.58x	7.37x	na	1.35x	1.27x
Millennium	MIL	PLN	8.31	10,074	57.7%	76.9%	81.3%	na	3.28x	4.17x	1.04x	1.49x	1.33x
Mbank	MBK	PLN	548.00	23,271	38.7%	81.8%	85.1%	na	8.18x	7.48x	1.10x	1.63x	1.41x
BRD	BRD	RON	17.80	12,405	44.5%	31.1%	36.9%	6.81x	8.12x	9.58x	1.31x	1.57x	1.53x
Banca Transilvania	TLV	RON	24.10	19,248	40.5%	31.4%	36.5%	na	7.26x	7.62x	1.60x	1.58x	1.49x
Komerční	KOMB	CZK	711.50	135,220	7.7%	7.7%	8.6%	8.36x	8.62x	9.62x	1.21x	1.03x	1.04x
Mean								4.42x	5.55x	5.72x	0.99x	1.24x	1.11x
Median								2.74x	4.88x	4.67x	1.04x	1.18x	1.04x

Source: Bloomberg, S&P Capital IQ



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