



## Economy

### NBG kept its key rate unchanged at 10.5%

The NBG kept its key rate unchanged at 10.5% on 21 June 2023 meeting, after cutting by 50bps in May-23. According to the NBG, reduction in inflation (1.5% in May-23) is mainly driven by a decrease in imported inflation and tight monetary policy. The regulator commented that despite slowdown in domestic inflation its level remained high at 9.1% in May. While no indications of a wage-price spiral observed, the NBG remains cautious about inflationary risks arising from the labor market, as wage growth outpaces productivity growth. Based on NBG's current forecast, annual inflation expected to remain below the target throughout 2023, with anticipated policy rate reductions occurring at a moderate pace. The next committee meeting is scheduled for 2 August 2023.

### Georgia's economy increased by 7.7% y/y in 1Q23

Geostat revised 1Q23 real GDP growth upwards to 7.7% y/y, from the preliminary estimate of 7.2% y/y. In terms of economic sectors, high contributions to the growth in 1Q23 came from trade (+14.0% y/y), ICT (+44.2% y/y), construction (+15.1% y/y), public administration (+10.5% y/y), education (+13.4% y/y), art, entertainment and recreation (+17.2% y/y), hospitality (+15.7% y/y) and financial intermediation (+6.9%). Meanwhile, manufacturing (-6.6% y/y), healthcare (-12.7% y/y), mining (-10.8% y/y) and agriculture (-2.3% y/y) sectors contracted in 1Q23.

### Producer price index decreased by 5.8% y/y in May-23

Annual PPI for industrial goods decreased by 5.8% in May-23, after falling by 6.0% in previous month, according to Geostat. This decline was mainly driven by price reduction in manufacturing sector (-4.8% y/y), followed by mining (-12.2% y/y).

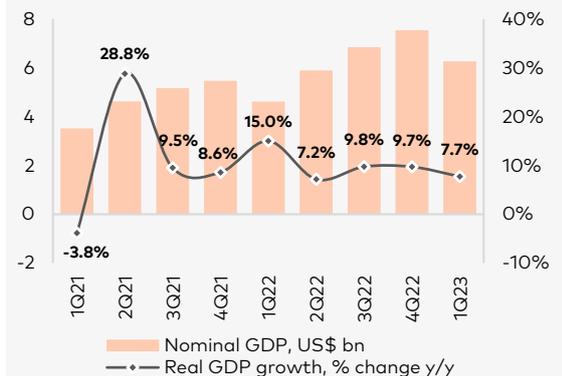
### Key macro indicators

	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%	4.1%
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

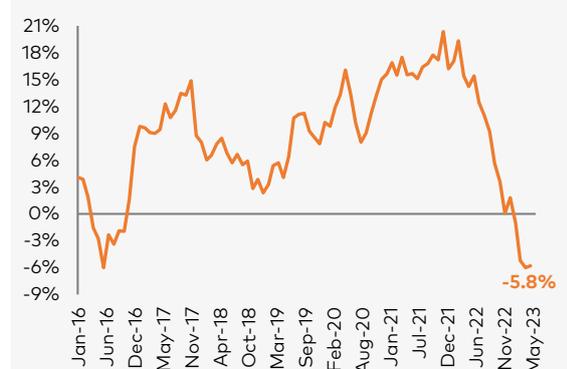
\*Latest sovereign credit ratings

### Georgia's Gross Domestic Product



Source: Geostat

### Producer Price Index, % change y/y



Source: Geostat

# Money market

## Ministry of Finance T-notes:

10-year GEL 60.0mn (US\$ 23.0mn) Benchmark bonds were sold at the auction held at NBG on June 20, 2023. Total demand was 2.3x higher and the weighted average yield was fixed at 8.189%, down by 0.138ppts from previous auction held in May-23.

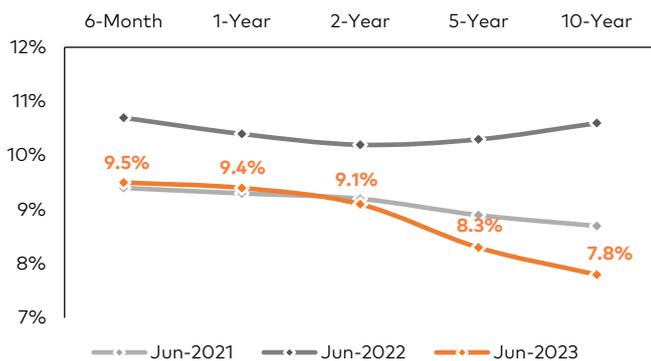
The nearest treasury security auction is scheduled for June 27, 2023, where GEL 90.0mn nominal value 5-year Benchmark bonds will be sold.

## T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	120	120	420
1-year	120	120	
2-year	256	240	
5-year	483	630	6,825
10-year	360	660	
<b>Total</b>	<b>1,339</b>	<b>1,770</b>	<b>7,245</b>

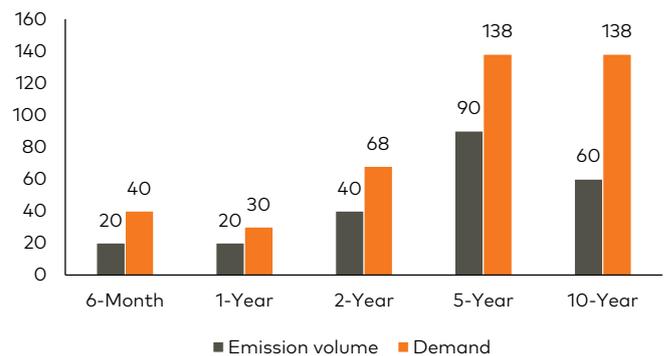
Source: MoF  
\*As of May 2023

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



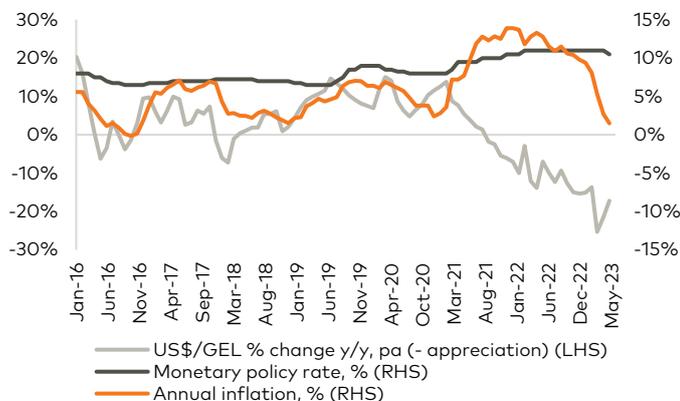
Source: NBG

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



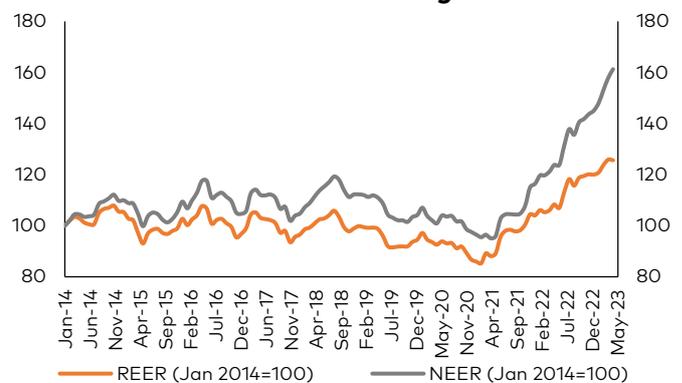
Source: NBG

## Monetary policy rate, inflation and FX rate



Source: NBG

## Nominal effective exchange rate and Real effective exchange rate



Source: NBG

Note: Index growth/decline means appreciation/depreciation of exchange rate

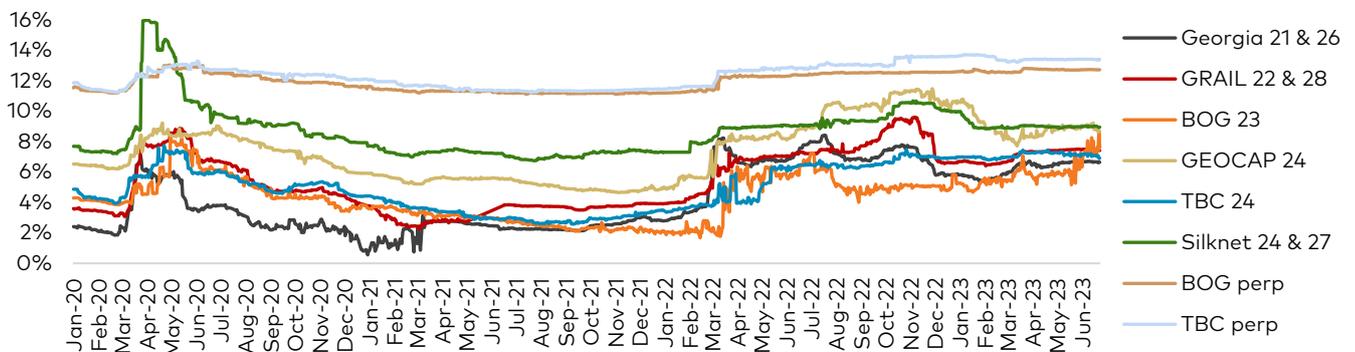
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 7.61% yield, trading at 99.86 (-0.02% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 98.29 (+0.12% w/w), yielding 8.68%.

Georgian Railway Eurobonds (GRAIL) traded at 85.98 (+0.34% w/w), yielding 7.42%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 90.14 (+0.14% w/w) at 6.64% 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	90.14	6.64	235.16
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	85.98	7.42	360.29
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	99.86	7.61	n/a
GEBGG 11/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.05	12.73	687.33
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	98.29	8.68	328.82
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.26	8.95	484.03
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.92	6.91	161.38
TBC PERP	USD	125	10.775%	n/a	B-/-/-	96.19	13.39	901.34

**Georgian local bonds performance**

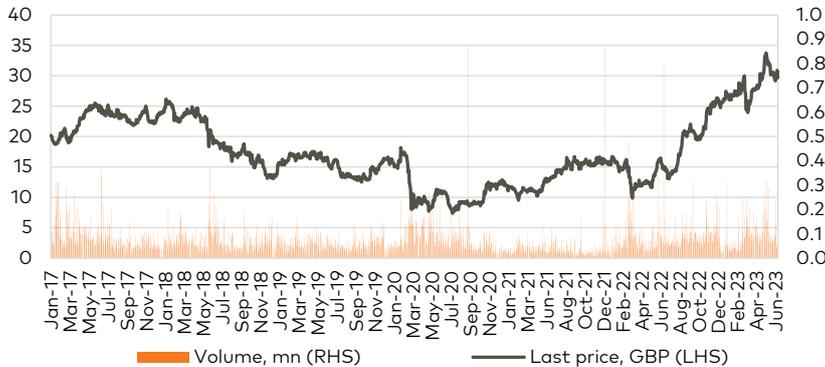
GLC	USD	12	5.75%	Jul-23	-/-/-	99.94	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.59	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/B+	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	98.23	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.80	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.78	8.65	n/a
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	99.04	7.25	n/a
SRG Real Estate	USD	20	9.00%	Apr-26	-/-/-	n/a	n/a	n/a
Geosteel	USD	15	9.00%	Apr-25	-/-/-	n/a	n/a	n/a
Tegeta Motors	USD	20	8.50%	Apr-25	-/-/BB-	n/a	n/a	n/a
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	15.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Evex Hospitals	GEL	50	14.10%	Nov-24	-/-/BB	n/a	n/a	n/a
Nikora Trade	GEL	35	14.50%	Nov-24	-/-/B+	n/a	n/a	n/a
TBC Leasing	GEL	58.4	14.25%	Mar-26	BB-//-/-	n/a	n/a	n/a

Source: Bloomberg



# Equities

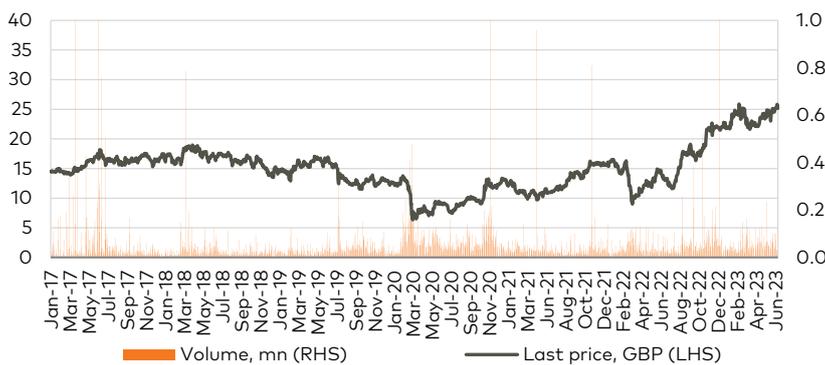
## Bank of Georgia Group (BGEO LN)



Source: Bloomberg

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 29.65/share (-0.84% w/w and -6.61% m/m). More than 261k shares traded in the range of GBP 29.55 - 31.40/share. Average daily traded volume was 83k in the last 4 weeks. The volume of BGEO shares traded was at 0.56% of its capitalization.

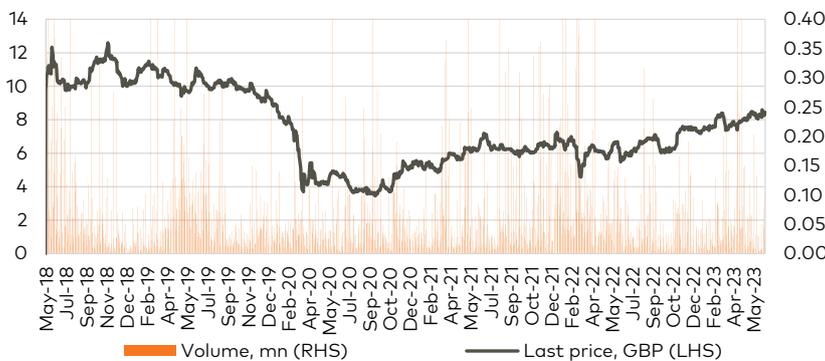
## TBC Bank Group (TBCG LN)



Source: Bloomberg

**TBC Bank Group (TBCG LN)** closed the week at GBP 25.15/share (-0.40% w/w and +3.07% m/m). More than 149k shares changed hands in the range of GBP 24.85 - 25.85/share. Average daily traded volume was 56k 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 8.45/share (-1.74% w/w and +0.60% m/m). More than 265k shares traded in the range of GBP 8.21 - 8.49/share. Average daily traded volume was 31k in the last 4 weeks. The volume of CGEO shares traded was at 0.60% 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	29.65	1,378	15.6%	107.1%	13.8%	2.74x	4.22x	3.90x	0.90x	0.84x	0.72x
TBC	TBC	GBP	25.15	1,383	14.3%	93.5%	10.8%	4.10x	4.49x	3.92x	1.04x	1.01x	0.86x
Halyk Bank	HSBK	USD	13.74	3,747	23.8%	39.5%	23.8%	2.69x	2.67x	2.39x	0.78x	0.72x	0.61x
Akbank	AKBNK	TRY	19.79	102,908	0.4%	124.4%	1.2%	1.40x	2.46x	2.31x	0.55x	0.57x	0.48x
Garanti	GARAN	TRY	31.60	132,720	6.0%	105.5%	5.2%	1.91x	3.01x	2.56x	0.73x	0.71x	0.58x
Isbank	ISCTR	TRY	13.65	136,500	4.9%	187.4%	6.9%	0.84x	2.74x	2.53x	0.60x	0.61x	0.49x
PKO	PKO	PLN	35.26	44,075	17.7%	26.4%	16.4%	10.98x	6.57x	6.98x	1.03x	1.03x	0.98x
PEKAO	PEO	PLN	108.30	28,426	26.4%	32.1%	25.2%	na	5.61x	6.47x	na	1.03x	0.97x
Millennium	MIL	PLN	5.22	6,326	12.3%	30.4%	13.9%	na	2.20x	2.86x	1.04x	0.99x	0.84x
Mbank	MBK	PLN	385.80	16,371	28.6%	60.0%	30.3%	na	3.55x	5.26x	1.10x	0.95x	0.88x
BRD	BRD	RON	12.38	8,628	-8.3%	-3.3%	-4.8%	6.81x	6.05x	6.17x	1.31x	1.05x	1.02x
Banca Transilvania	TLV	RON	19.30	13,658	-7.0%	-6.1%	-3.1%	na	5.84x	5.59x	1.60x	1.20x	1.07x
Komerčni	KOMB	CZK	658.50	125,147	-1.3%	-4.0%	0.5%	8.36x	8.21x	8.34x	1.21x	0.96x	0.92x
<b>Mean</b>								<b>4.42x</b>	<b>4.43x</b>	<b>4.56x</b>	<b>0.99x</b>	<b>0.90x</b>	<b>0.80x</b>
<b>Median</b>								<b>2.74x</b>	<b>4.22x</b>	<b>3.92x</b>	<b>1.04x</b>	<b>0.96x</b>	<b>0.86x</b>

Source: Bloomberg, S&amp;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	8.45	373	12.7%	50.9%	15.8%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	11.85	431	-4.7%	-9.0%	-5.2%	18.33x	na	na	0.99x	na	na
Sabancı Holding	SAHOL	TRY	46.50	94,879	7.6%	132.7%	3.1%	1.77x	3.67x	2.47x	0.77x	0.54x	0.45x
Deutsche Beteiligungs	DBAN	EUR	28.15	529	4.3%	10.2%	0.9%	na	5.26x	5.03x	1.00x	0.80x	0.71x
Eurazeo	RF	EUR	62.70	4,967	6.6%	2.5%	7.9%	8.89x	10.12x	8.50x	0.78x	0.63x	0.58x
Carlyle Group	CG	USD	29.74	10,767	-0.4%	-9.6%	-0.4%	8.50x	10.32x	7.30x	1.70x	1.91x	1.45x
Wendel SE	MF	EUR	92.90	4,125	5.6%	18.3%	6.5%	6.63x	7.57x	7.46x	na	1.28x	1.15x
HgCapital Trust	HGT	GBP	3.64	1,664	3.1%	9.2%	3.7%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.34	669	-3.8%	10.0%	-4.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.46	792	7.7%	22.5%	6.3%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.15	702	19.4%	-12.5%	20.3%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.44	228	6.0%	-9.4%	-0.9%	na	na	na	0.47x	na	na
<b>Mean</b>								<b>8.82x</b>	<b>7.39x</b>	<b>6.15x</b>	<b>0.84x</b>	<b>1.03x</b>	<b>0.87x</b>
<b>Median</b>								<b>8.50x</b>	<b>7.57x</b>	<b>7.30x</b>	<b>0.78x</b>	<b>0.80x</b>	<b>0.71x</b>

Source: Bloomberg, S&amp;P Capital IQ

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