



Economy

NBG keeps key rate unchanged at 10.0%

On 25 October 2023 meeting, the NBG kept its key rate unchanged at 10.0%, following a 100bps cut from May to September 2023. Inflation in Georgia remains below the target level, with annual inflation standing at 0.7% and core inflation at 2.5% as of Sep-23. The NBG attributes the low inflation to the diminishing price pressures resulting from the pandemic and the Russia-Ukraine war, along with the influence of a tight monetary policy. Based on NBG's current forecast, inflation is expected to remain below the 3.0% target level in the upcoming months and stabilize at around target in 2024. While there are positive developments, the NBG emphasizes significant uncertainty due to the ongoing geopolitical tensions, including the Middle East conflict. Given these risks, the NBG decided to keep tight monetary policy and proceed with the gradual normalization. Considering this, we revised our forecast and expect the key rate at 9.75% in Dec-23 and at 8.75% by end-2024 (25bps higher than our earlier estimate). The next committee meeting is scheduled for 20 December 2023.

Bank lending increased by 14.9% y/y in Sep-23

In Sep-23, the banking sector loan portfolio increased by 14.9% y/y (+2.0% m/m), excluding FX effect, after a 14.6% y/y growth in previous month. In unadjusted terms, loan portfolio rose by 13.7% y/y (+2.4% m/m), reaching GEL 49.2bn (US\$ 18.4bn). By sector, corporate loans increased by 16.9% y/y and retail loans were up 13.3% y/y (excl. FX effect). In Sep-23, loan dollarization stood at 45.0% (-0.40ppts y/y and +0.06ppts m/m).

Bank deposits increased by 19.6% y/y (+2.0% m/m, excl. FX effect) to GEL 49.3bn (US\$ 18.4bn) in Sep-23. In terms of currency breakdown, GEL deposits increased by 35.8% y/y (+38.0% y/y in previous month) and FX deposits grew by 7.6% y/y excluding FX effect (+7.2% y/y in previous month). As a result, the level of deposit dollarization came in at 50.2% (-6.81ppts y/y and +0.45ppts m/m) in Sep-23.

International visitors at 2.3mn in 3Q23

In 3Q23, international visitors to Georgia increased by 21.0% y/y to 2.3mn persons. This growth was mainly driven by a 15.4% y/y increase in tourist arrivals (1.73mn tourists or 75.0% of total arrivals), followed by same-day arrivals (+41.6% y/y). Russia was the top source country by international arrivals (24.9% of total), followed by Türkiye (21.7% of total) and Armenia (14.7% of total). Most visitors traveled to Georgia via land (69.2% of total), followed by air (29.8% of total).

Overall, 4.8mn international visitors traveled to Georgia in 9M23, with tourist arrivals comprising 3.7mn individuals (91.6% of 9M19 level). Additionally, there were 1.2mn same-day arrivals, recovering at 58.9% of 9M19 level (this recovery remains slow reflecting restrictions on border crossings from Azerbaijan).

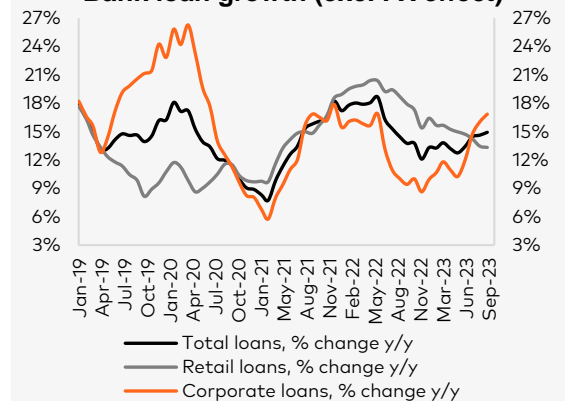
Key macro indicators

	2022	2023F
Real GDP growth (% change)	10.1%	6.8%
GDP per capita (ppp)	20,243	22,109
GDP per capita (US\$)	6,672	8,074
Population (mn)	3.7	3.7
Inflation (eop)	9.8%	0.9%
Gross reserves (US\$ bn)	4.9	5.3
CAD (% of GDP)	4.6%	4.5%
Fiscal deficit (% of GDP)	3.1%	2.8%
Total public debt (% of GDP)	39.8%	38.4%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

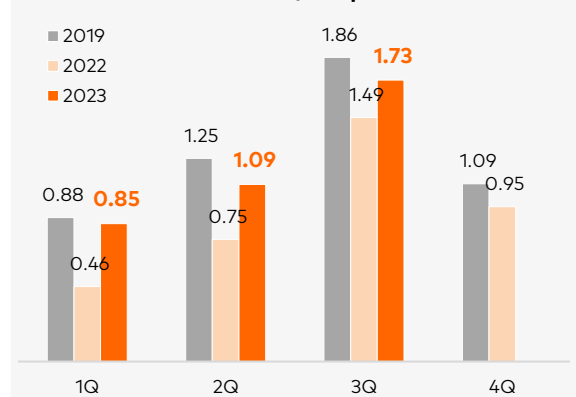
*Latest sovereign credit ratings

Bank loan growth (exc. FX effect)



Source: NBG

Tourist visits, mn persons



Source: GNTA

Money market

Ministry of Finance T-bills/T-notes:

5-year GEL 60.0mn (US\$ 22.2mn) Benchmark bonds were sold at the auction held at NBG on October 24, 2023. Total demand was 2.3x higher and the weighted average yield was fixed at 8.329%, up by 0.065ppts from previous auction held in Sep-23.

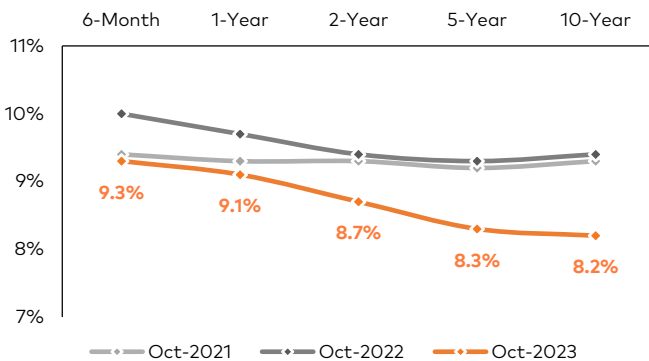
The nearest treasury security auction is scheduled for November 7, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark Bonds will be sold.

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	938	120	7,311
10-year	685	140	
Total	2,450	420	7,701

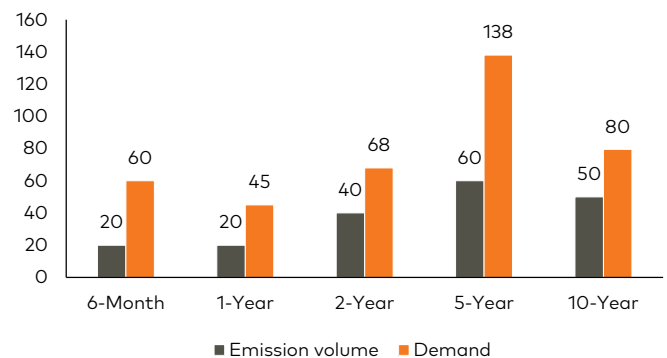
Source: MoF
*As of September 2023

T-bills / T-notes, yield curve



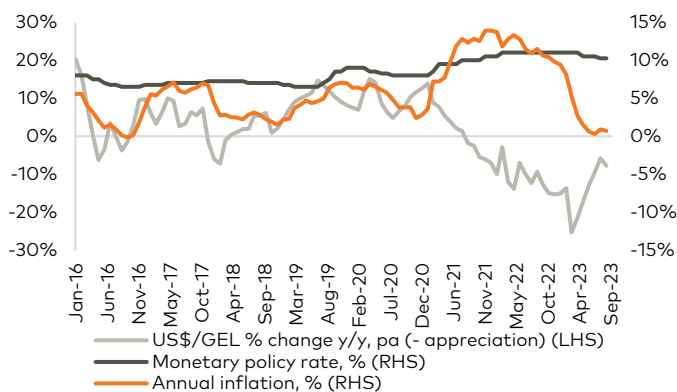
Source: NBG

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



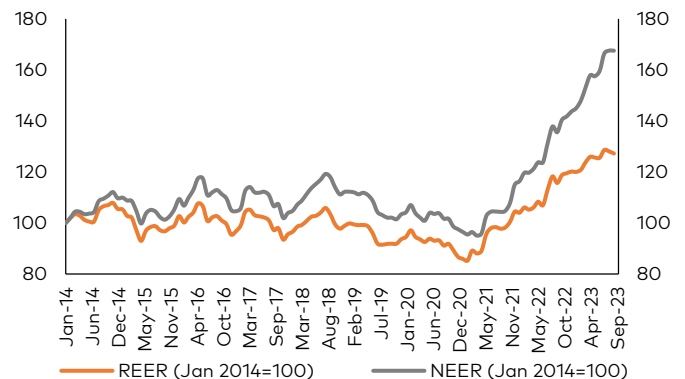
Source: NBG

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 recap:

- Yields declined slightly last week after the benchmark US 10 year treasury almost reached 5.0% midweek.
- As expected, the European Central Bank left rates unchanged, with main refinancing rate at 4.5%.
- ECB officials reiterated that current rates are expected to be restrictive enough to bring inflation to target 2.0%, therefore, signaling an end to the hiking cycle once again.

Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	5.01	4.96	4.64	4.28
US 5y Treasury	4.77	4.55	4.31	4.06
US 10y Treasury	4.85	4.52	4.30	4.10
US 30y Treasury	5.03	4.70	4.52	4.34
German 2y Bund	3.10	2.92	2.74	2.51
German 10y Bund	2.84	2.64	2.51	2.40

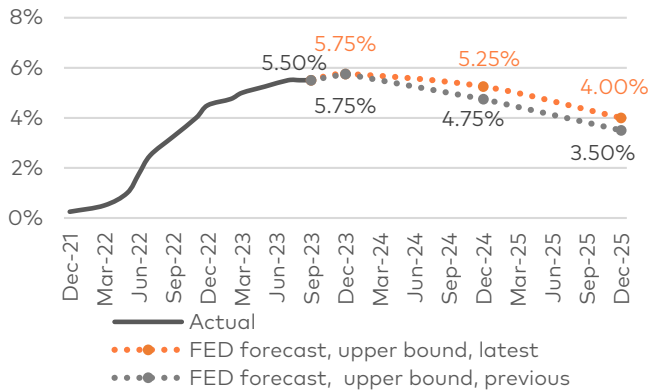
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.31	5.30	5.31	4.30
EURIBOR (3months)	3.95	3.96	3.95	2.13

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	6.29	6.35	6.08	5.48
Eurozone Inv. Grade	4.49	4.57	4.49	4.04
EM Inv. Grade	6.34	6.36	6.07	5.46
US High Yield	9.53	9.55	8.98	8.99
EM High Yield	11.89	12.04	11.39	11.09

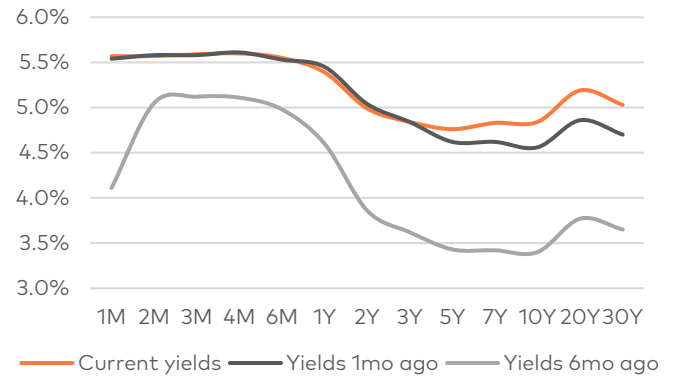
Source: Bloomberg

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

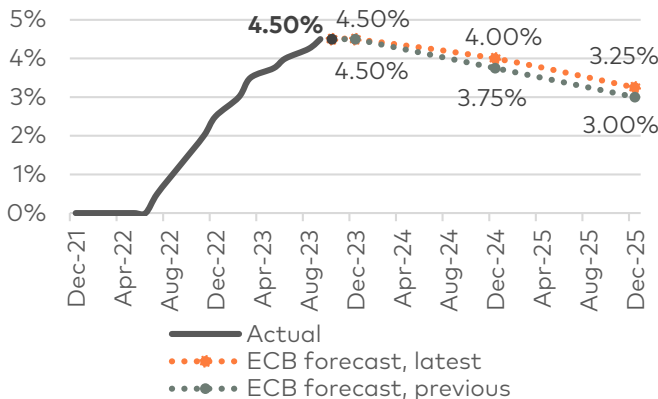
FED funds rate



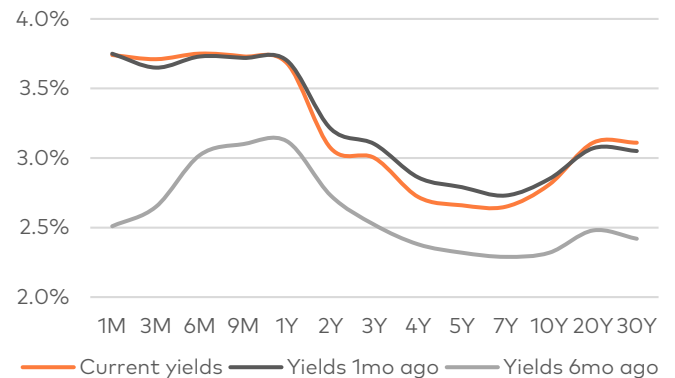
US treasuries yield curve



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	Mid price	Mid yield, %	Z-spread, bps
						(Fitch/S&P/Moody/Scope)			
GEORG 04/26	USD	500	2.750%	Apr-21	Apr-26	BB/BB/Ba2	89.14	7.65	287.05
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/	85.47	7.80	325.08
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/	99.21	12.89	688.92
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/B1	98.32	8.98	430.49
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/Ba2	99.21	7.03	155.51
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/	97.41	13.45	843.54

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

Georgian local bonds performance

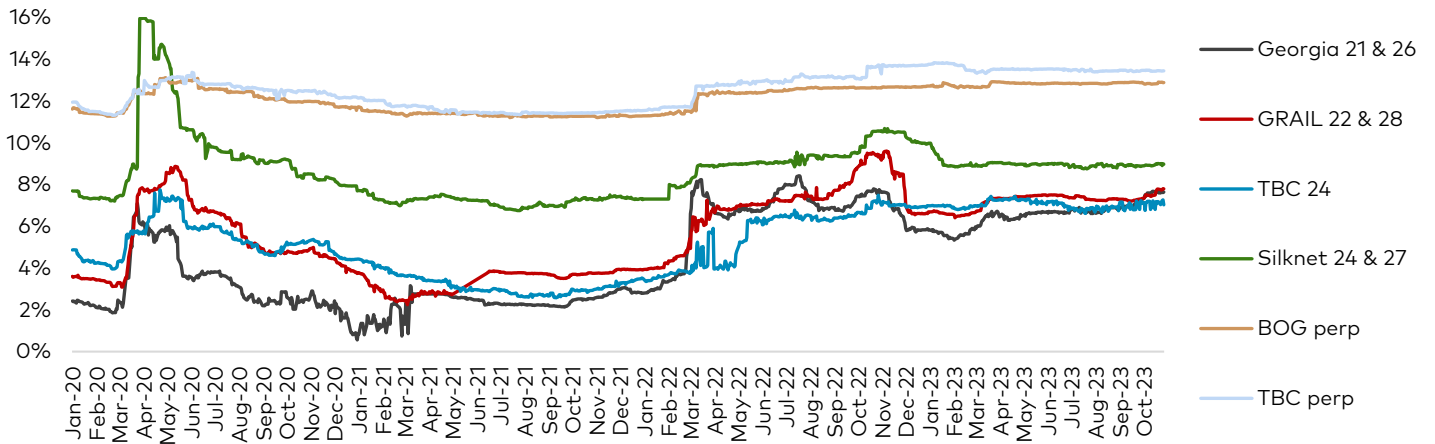
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings	Mid price	Mid yield, %
						(Fitch/S&P/Moody/Scope)		
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/B+	99.73	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-	99.88	7.13
Geosteel	USD	15	9.00%	Apr-22	Apr-25	-/-/-	100	9
Energy Development Georgia	USD	10	8.50%	Jun-22	Jun-25	-/-/-	n/a	n/a
IG Development	USD	15	8.50%	Jul-22	Jul-24	-/-/-	99.81	8.75
Georgia Real Estate	USD	35	8.50%	Oct-22	Oct-24	-/-/-	99.99	8.5
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-22	Oct-27	-/-/-	100	7
Lisi Lake Development	USD	10	8.50%	Dec-22	Dec-24	-/-/B+	100	8.5
Silk Real Estate	USD	20	9.00%	Apr-23	Apr-26	-/-/-	100	9
Tegeta Motors	USD	20	8.50%	Apr-23	Apr-25	-/-/BB-	100	8.5
Georgia Capital	USD	150	8.50%	Aug-23	Aug-28	-/BB-/	101.2	8.19
Silk Real Estate	USD	20	9.25%	Sep-23	Sep-26	-/-/-	101.21	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
EUR								
Tegeta Motors	EUR	5	7.00%	Apr-23	25-Apr	-/-/BB-	100	7
GEL								
Geo. Beer Company	GEL	25	Ref rate + 4.00%	Dec-18	Dec-23	-/-/BB-	n/a	n/a
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-/	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-23	Jun-26	BB-/	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



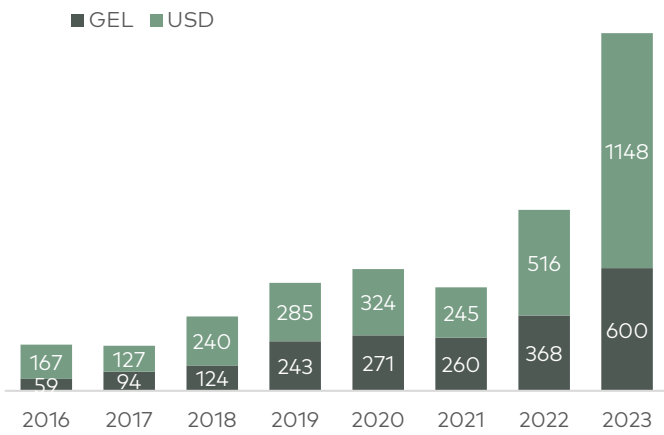
Fixed income

Georgian Eurobonds, YTM



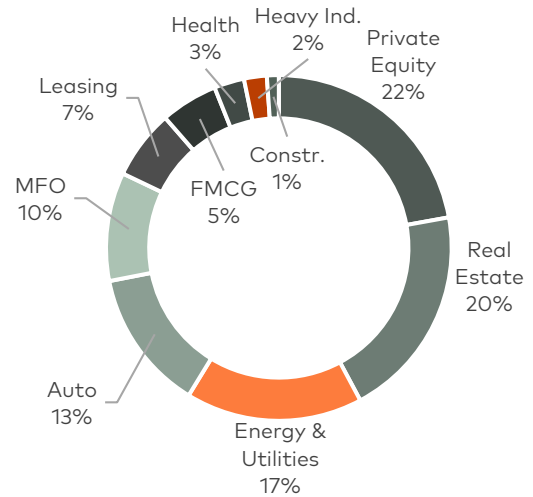
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart

Georgian corporate public bonds outstanding by sector

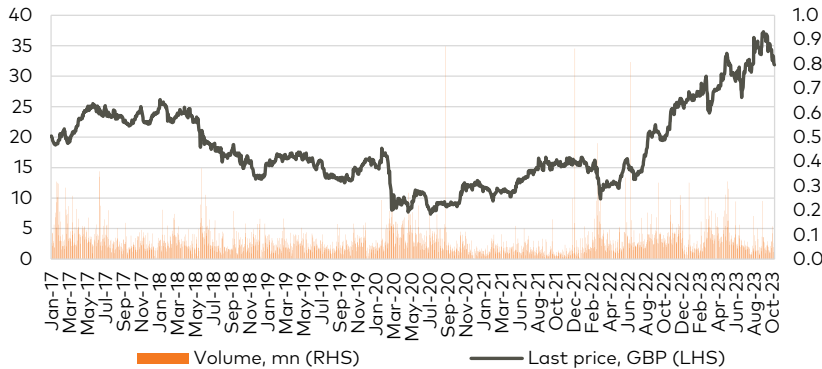


Source: Galt & Taggart



Equities

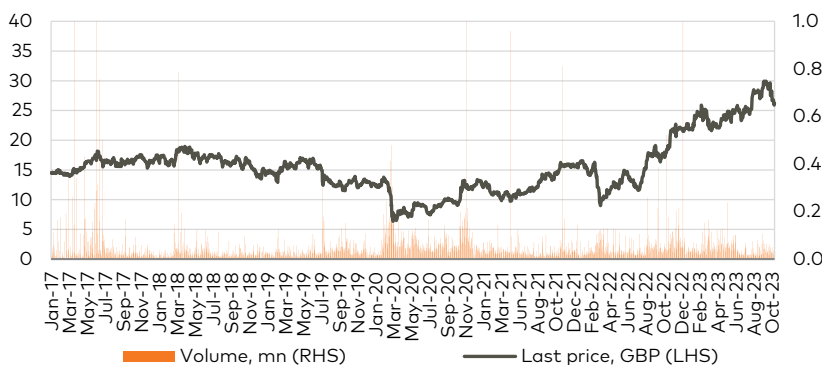
Bank of Georgia Group (BGEO LN)



Bank of Georgia Group (BGEO LN) shares closed at GBP 31.85/share (-2.15% w/w and -10.78% m/m). More than 206k shares traded in the range of GBP 31.50 - 33.40/share. Average daily traded volume was 54k in the last 4 weeks. The volume of BGEO shares traded was at 0.45% of its capitalization.

Source: Bloomberg

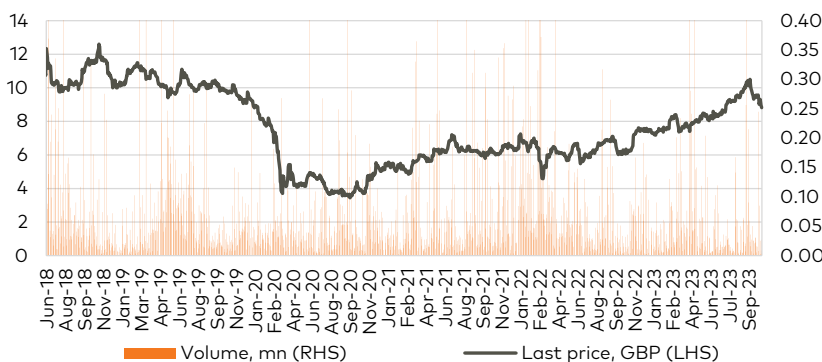
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 26.20/share (-2.06% w/w and -12.23% m/m). More than 184k shares changed hands in the range of GBP 25.45 - 27.35/share. Average daily traded volume was 35k in the last 4 weeks. The volume of TBCG shares traded was at 0.33% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 8.82/share (-2.22% w/w and -11.98% m/m). More than 67k shares traded in the range of GBP 8.74 - 9.30/share. Average daily traded volume was 33k in the last 4 weeks. The volume of CGEO shares traded was at 0.15% 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	31.85	1,461	4.9%	48.5%	22.3%	2.74x	3.60x	3.75x	0.90x	0.94x	0.79x
TBC	TBC	GBP	26.20	1,451	10.8%	37.5%	15.4%	4.10x	4.49x	3.95x	1.04x	1.03x	0.88x
Halyk Bank	HSBK	USD	12.78	3,485	-1.7%	24.6%	15.1%	2.69x	2.58x	2.32x	0.78x	0.72x	0.61x
Akbank	AKBNK	TRY	30.92	160,784	81.9%	103.0%	58.2%	1.40x	2.24x	2.62x	0.55x	0.78x	0.67x
Garanti	GARAN	TRY	49.12	206,304	75.4%	105.4%	63.5%	1.91x	3.61x	3.16x	0.73x	1.10x	0.91x
Isbank	ISCTR	TRY	22.30	222,999	97.3%	137.7%	74.6%	0.84x	3.73x	3.12x	0.60x	0.98x	0.76x
PKO	PKO	PLN	42.02	52,525	29.1%	66.0%	38.7%	10.98x	9.90x	7.91x	1.03x	1.20x	1.12x
PEKAO	PEO	PLN	125.65	32,979	27.2%	65.1%	45.3%	na	6.39x	7.19x	na	1.19x	1.10x
Millennium	MIL	PLN	7.32	8,880	45.0%	74.3%	59.8%	na	3.01x	3.88x	1.04x	1.29x	1.19x
Mbank	MBK	PLN	505.20	21,453	42.5%	97.7%	70.7%	na	6.01x	6.63x	1.10x	1.37x	1.21x
BRD	BRD	RON	16.20	11,290	28.6%	42.4%	24.6%	6.81x	7.62x	8.79x	1.31x	1.44x	1.44x
Banca Transilvania	TLV	RON	21.90	17,491	28.8%	41.1%	24.1%	na	6.75x	6.95x	1.60x	1.42x	1.29x
Komerčni	KOMB	CZK	670.00	127,333	-10.5%	-5.4%	2.3%	8.36x	8.14x	8.65x	1.21x	1.01x	0.98x
Mean								4.42x	5.24x	5.30x	0.99x	1.11x	1.00x
Median								2.74x	4.49x	3.95x	1.04x	1.10x	0.98x

Source: Bloomberg, S&P Capital IQ

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