



Economy

Real GDP growth was 5.1% y/y in Sep-23

Georgia's economy grew by 5.1% y/y in Sep-23, in line with our expectation. Cumulatively, real growth came in at 6.8% y/y in 9M23. The growth in September was primarily driven by the financial, construction, trade and hotels & restaurants sectors. In contrast, the manufacturing, transportation & storage and real estate sectors contracted during the same period. We maintain our growth forecast at 6.8% for the full year 2023 and at 5.0% for 2024 (see macro forecasts [here](#)).

Annual inflation at 0.8% in Oct-23

Annual CPI inflation saw a slight rise to 0.8%, from the previous month's 0.7%. A notable development in October was the drop in food and non-alcoholic beverages prices, marking the first decline since Nov-16. This reduction in food prices almost balanced out the upward pressure caused by the increase in oil prices. On aggregate level, in October, both imported and mixed goods inflation stayed in negative territory, and domestic inflation continued its anticipated decrease (+4.5% y/y in Oct-23 vs +5.3% y/y in Sep-23). Notably, core inflation (non-food, non-energy, non-tobacco) reduced to 2.1% y/y vs 2.5% y/y in Sep-23. By categories, annual inflation was mostly driven by price changes in food and non-alcoholic beverages (-1.2% y/y, -0.42ppts), healthcare (-3.2% y/y, -0.33ppts), alcoholic beverages & tobacco (+6.6% y/y, +0.45ppts), utilities (+4.2% y/y, +0.43ppts) and transport (+1.2% w/w, +0.22ppts) categories. On a monthly basis, there was a 0.6% inflation in Oct-23, driven by price increase in transport (+3.6% m/m, +0.45ppts) category.

We forecast average annual inflation at 2.7% for 2023 and 3.5% for 2024.

Tourism revenues at US\$ 1.45bn in 3Q23

In 3Q23, tourism revenues increased by 5.3% y/y to US\$ 1.45bn, based on NBG. The top source of tourism revenues was Russia, contributing US\$ 285.3mn (19.7% of total), following Türkiye at US\$ 220.5mn and the EU at US\$ 212.0mn. Overall, tourism revenues reached US\$ 3.25bn (+29.2% y/y) in 9M23. We forecast tourism revenues at US\$ 4.2bn (+19.0% y/y) for the full year 2023 and at US\$ 4.5bn (+7.0% y/y) in 2024.

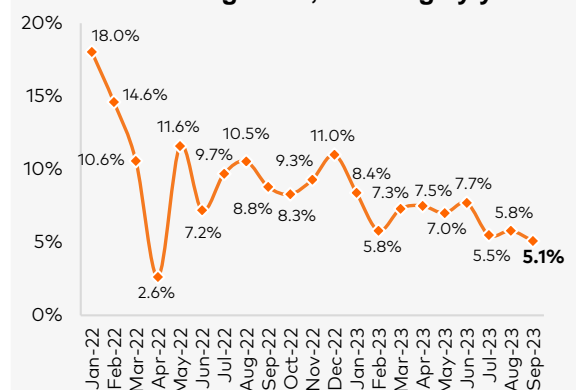
Key macro indicators

	2022	2023F
Real GDP growth (% change)	10.1%	6.8%
GDP per capita (ppp)	20,243	22,043
GDP per capita (US\$)	6,672	8,050
Population (mn)	3.7	3.7
Inflation (eop)	9.8%	0.8%
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

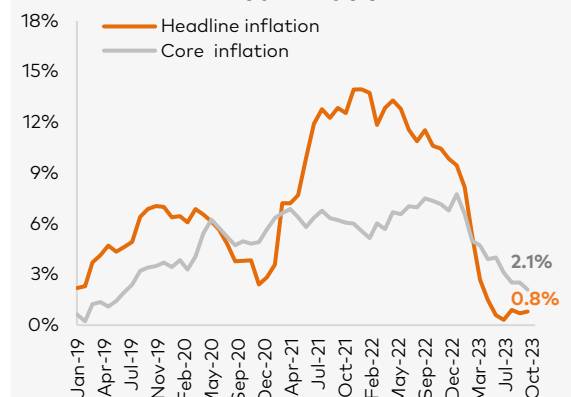
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Annual inflation



Source: Geostat

Money market

There was no treasury securities auction last week.

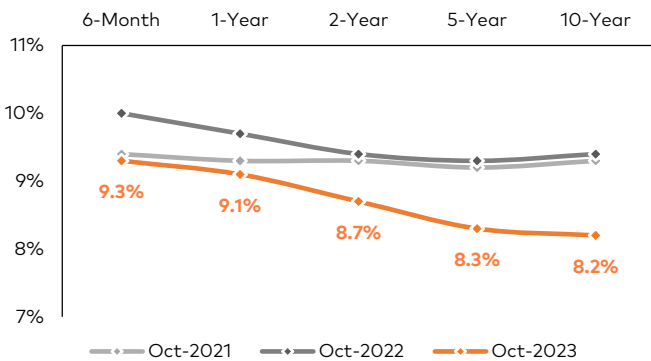
The nearest treasury security auction is scheduled for November 7, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark Bonds will be sold.

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

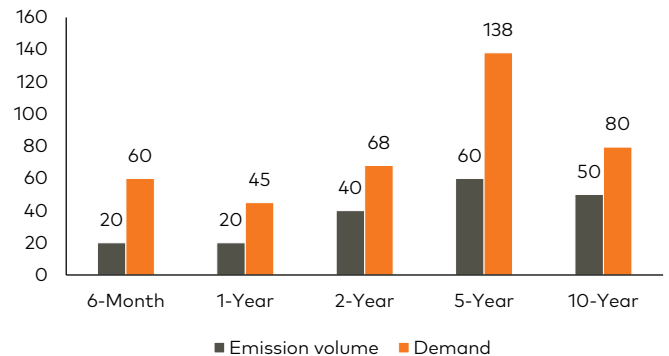
Source: MoF
*As of September 2023

T-bills / T-notes, yield curve



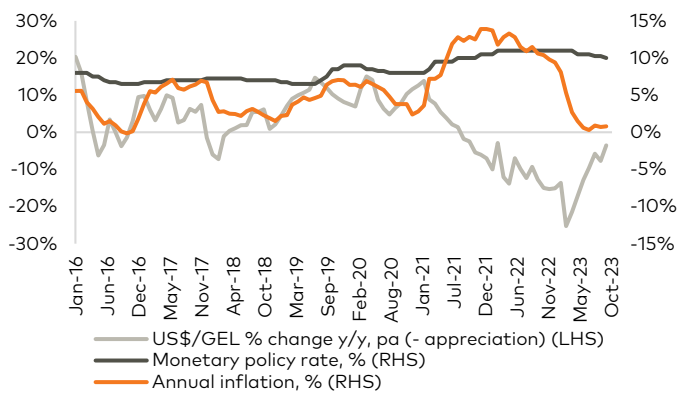
Source: NBG

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



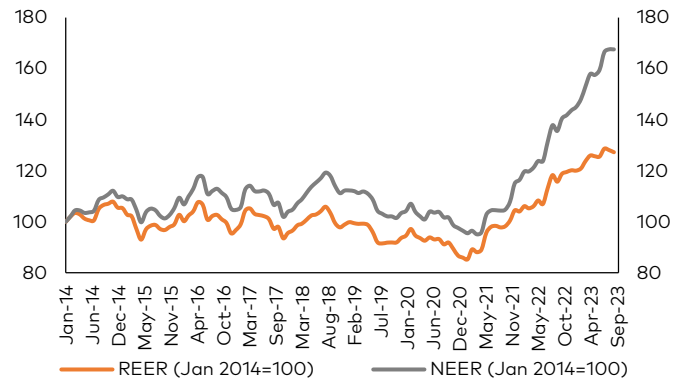
Source: NBG

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:

- Yields declined last week, with the 10-year US treasury yield falling from 4.85% to 4.54% and the 10-year German bund (a European benchmark) yield from 2.84% to 2.64%.
- The US Federal Reserve and the Bank of England kept interest rates unchanged at 5.25%-5.50% and 5.25%, respectively.
- Due to a softer than expected US labor market data (non-farm payrolls), the market-implied probability of 25bps Fed hike in December fell.

Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	4.83	4.97	4.65	4.27
US 5y Treasury	4.49	4.54	4.30	4.06
US 10y Treasury	4.54	4.53	4.31	4.06
US 30y Treasury	4.77	4.71	4.54	4.35
German 2y Bund	3.04	2.95	2.77	2.52
German 10y Bund	2.64	2.64	2.52	2.40

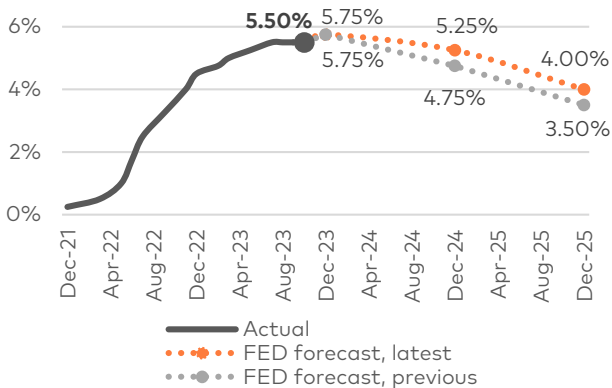
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.33	5.31	5.33	4.30
EURIBOR (3 months)	3.97	3.95	3.96	2.13

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	6.18	6.29	6.29	5.48
Eurozone Inv. Grade	4.32	4.49	4.53	4.04
EM Inv. Grade	6.18	6.34	6.24	5.46
US High Yield	9.13	9.53	9.36	8.99
EM High Yield	11.58	11.89	11.73	11.09

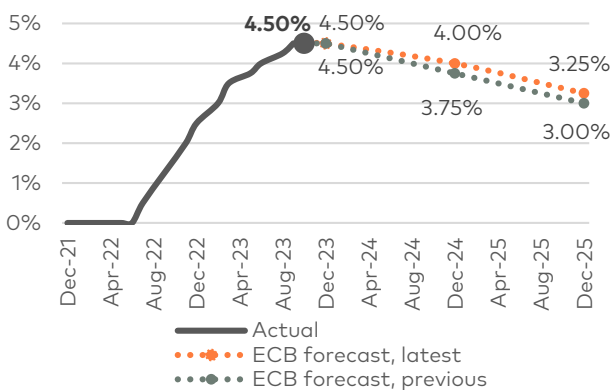
Source: Bloomberg

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

FED funds rate

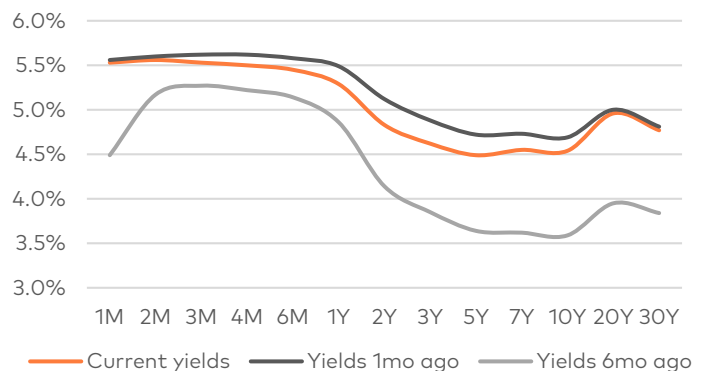


ECB main rate

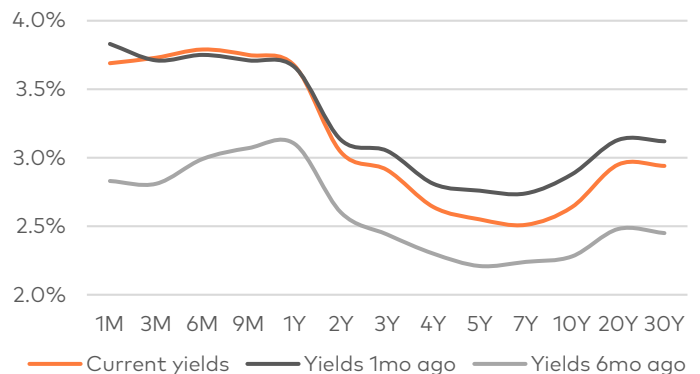


Source: FED, ECB, Bloomberg, Galt & Taggart

US treasuries yield curve



German bonds yield curve





Fixed income

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	89.69	7.42	286.97
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/	85.55	7.79	353.73
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/	99.38	12.87	669.54
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/B1	98.52	8.91	449.06
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/Ba2	99.04	7.36	194.57
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/	97.52	13.44	845.12

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

Georgian local bonds performance

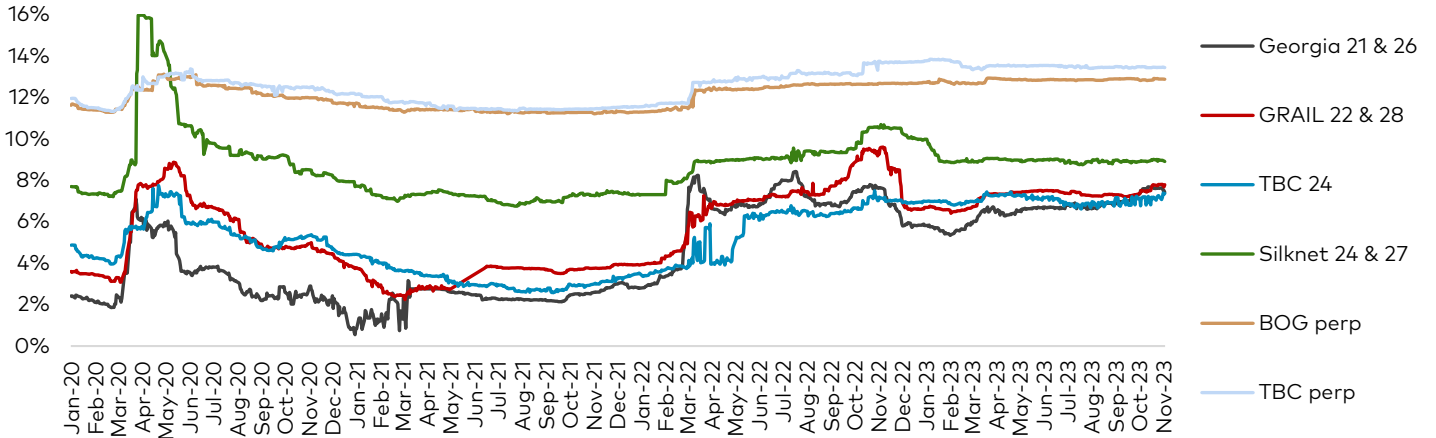
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings	Mid price	Mid yield, %
						(Fitch/S&P/Moody/Scope)		
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/B+	99.73	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-	99.88	7.13
Geosteel	USD	15	9.00%	Apr-22	Apr-25	-/-/-	100.00	9.00
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	8.50
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-22	Oct-27	-/-/-	100.00	7.00
Lisi Lake Development	USD	10	8.50%	Dec-22	Dec-24	-/-/B+	100.00	8.50
Silk Real Estate	USD	20	9.00%	Apr-23	Apr-26	-/-/-	100.00	9.00
Tegeta Motors	USD	20	8.50%	Apr-23	Apr-25	-/-/BB-	100.00	8.50
Georgia Capital	USD	150	8.50%	Aug-23	Aug-28	-/BB-/	101.20	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



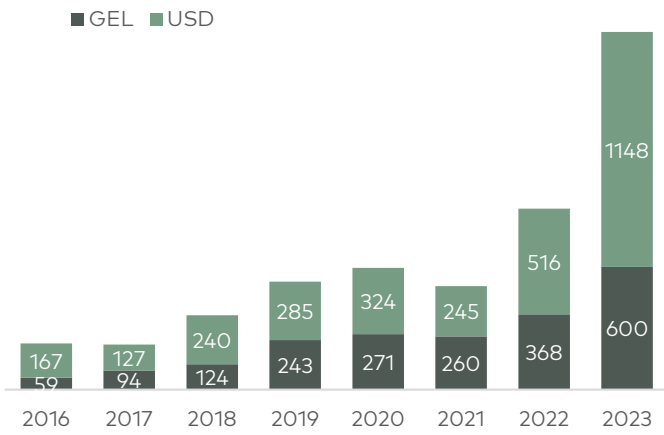
Fixed income

Georgian Eurobonds, YTM



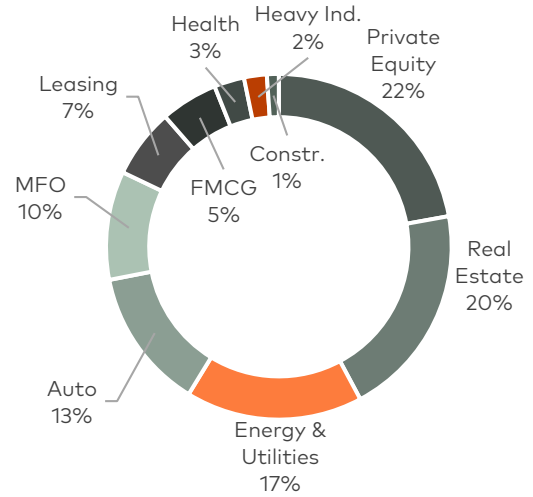
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart
Note: Latest 2023

Georgian corporate public bonds outstanding by sector

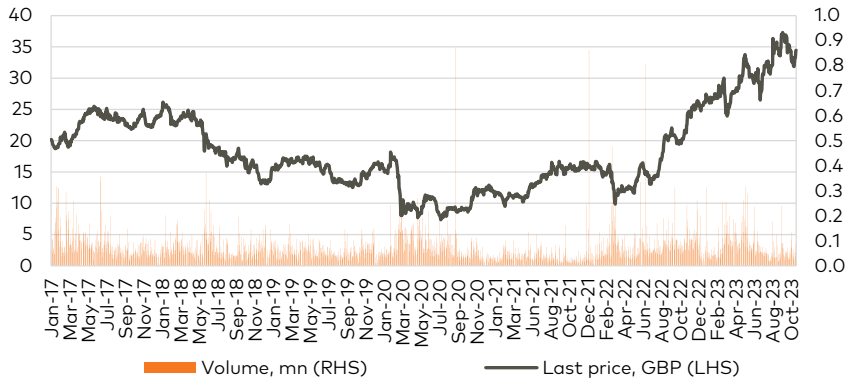


Source: Galt & Taggart



Equities

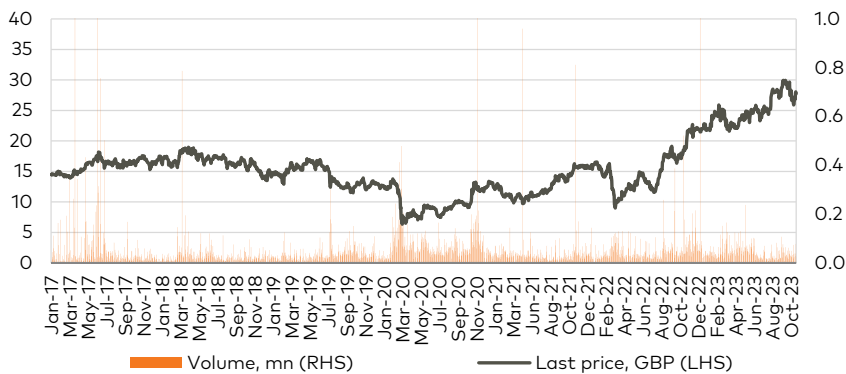
Bank of Georgia Group (BGEO LN)



Bank of Georgia Group (BGEO LN) shares closed at GBP 34.45/share (+8.16% w/w and -5.62% m/m). More than 257k shares traded in the range of GBP 32.00 - 34.90/share. Average daily traded volume was 53k in the last 4 weeks. The volume of BGEO shares traded was at 0.56% of its capitalization.

Source: Bloomberg

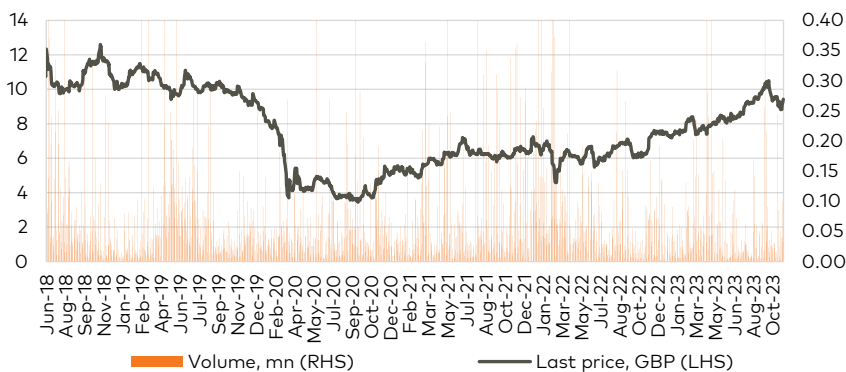
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 27.70/share (+5.73% w/w and -6.10% m/m). More than 208k shares changed hands in the range of GBP 26.50 - 28.50/share. Average daily traded volume was 38k in the last 4 weeks. The volume of TBCG shares traded was at 0.38% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 9.42/share (+6.80% w/w and -1.26% m/m). More than 271k shares traded in the range of GBP 8.71 - 9.71/share. Average daily traded volume was 41k in the last 4 weeks. The volume of CGEO shares traded was at 0.62% 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	34.45	1,581	15.2%	46.6%	32.2%	2.74x	3.91x	4.07x	0.90x	1.00x	0.84x
TBC	TBC	GBP	27.70	1,534	17.1%	31.3%	22.0%	4.10x	4.77x	4.19x	1.04x	1.09x	0.93x
Halyk Bank	HSBK	USD	12.84	3,502	-4.9%	28.4%	15.7%	2.69x	2.34x	2.30x	0.78x	0.73x	0.62x
Akbank	AKBNK	TRY	30.00	156,000	93.3%	111.4%	53.5%	1.40x	2.23x	2.58x	0.55x	0.77x	0.66x
Garanti	GARAN	TRY	48.18	202,356	76.1%	108.0%	60.4%	1.91x	2.93x	3.07x	0.73x	1.10x	0.91x
Isbank	ISCTR	TRY	20.96	209,599	97.7%	140.9%	64.1%	0.84x	3.56x	2.98x	0.60x	0.93x	0.72x
PKO	PKO	PLN	43.53	54,413	37.7%	68.1%	43.7%	10.98x	9.83x	8.13x	1.03x	1.22x	1.15x
PEKAO	PEO	PLN	128.25	33,662	34.7%	66.3%	48.3%	na	6.32x	7.20x	na	1.20x	1.11x
Millennium	MIL	PLN	7.20	8,728	47.0%	69.9%	57.1%	na	2.91x	3.75x	1.04x	1.25x	1.15x
Mbank	MBK	PLN	528.40	22,439	54.6%	102.6%	78.5%	na	6.19x	6.83x	1.10x	1.41x	1.24x
BRD	BRD	RON	17.24	12,015	43.7%	51.8%	32.6%	6.81x	8.00x	9.22x	1.31x	1.51x	1.51x
Banca Transilvania	TLV	RON	22.38	17,874	33.0%	44.7%	26.8%	na	6.80x	7.00x	1.60x	1.43x	1.30x
Komerčni	KOMB	CZK	690.00	131,134	0.3%	-4.9%	5.3%	8.36x	8.04x	8.84x	1.21x	1.02x	0.98x
Mean								4.42x	5.22x	5.40x	0.99x	1.13x	1.01x
Median								2.74x	4.77x	4.19x	1.04x	1.10x	0.98x

Source: Bloomberg, S&P Capital IQ

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