



## Economy

### Real GDP growth was 7.7% y/y in Jun-23

Georgia's economy maintained robust growth, with real GDP increasing by 7.7% y/y in Jun-23, in line with our expectations, following a growth of 7.0% y/y in previous month. Cumulatively, real growth came in at 7.6% y/y in 1H23. Construction, trade and financial sectors primarily drove the expansion in June, while the transport and utilities sectors experienced a contraction. We expect GDP growth at 6.8% in 2023 (see more [here](#)).

### Annual inflation was 0.3% in Jul-23

Annual CPI inflation retreated to 0.3% in Jul-23 from the previous month's 0.6%. This decline was mainly due to reduced inflation of imported goods (-7.4% y/y) and mixed goods (-4.5% y/y). Moreover, domestic goods inflation continued its downward trend, with a rate of 7.2% y/y in July compared to 8.5% y/y in June. Notably, core inflation (non-food, non-energy, non-tobacco) reduced significantly to 3.1% (-0.9ppts m/m) in July. By categories, annual inflation was mostly driven by price changes in transport (-12.1% y/y, -1.53ppts), healthcare (-6.9% y/y, -0.67ppts), utilities (+4.9% y/y, 0.51ppts), alcoholic beverages and tobacco (+6.3% y/y, +0.43ppts), and food and non-alcoholic beverages (+1.2% y/y, 0.39ppts). Monthly inflation remained almost unchanged in July.

Given the prevailing inflationary trend, we revised average annual inflation forecast downwards to 2.4% for 2023, from the previous forecast of 3.1%.

### NBG cuts the key rate to 10.25%

The NBG cut its key rate by 25bps to 10.25% on 2 August 2023 meeting, the second rate cut this year. The decision was prompted by a significant decline in annual inflation, mainly influenced by lower prices for raw food and oil in international markets, reduced international shipping expenses, and the appreciation of the GEL. According to NBG's current projections, inflation is anticipated to stay below the 3.0% target level in the upcoming months and stabilize around it in the medium term. Additionally, the NBG revised Georgia's economic growth forecast for 2023 to 6.0%, up from the previously projected 5.0%. The regulator also signaled that it intends to continue reducing the monetary policy rate at a moderate pace, considering inflation risks. The next committee meeting is scheduled for 13 September 2023.

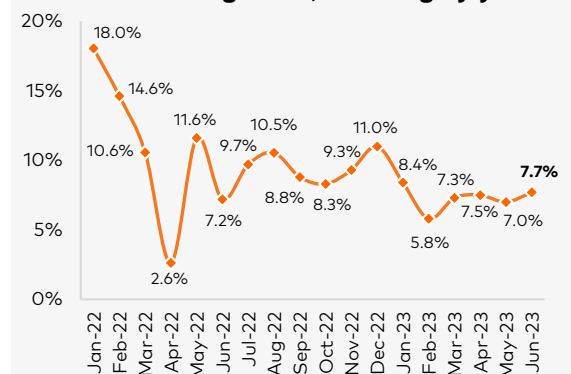
### Key macro indicators

	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%	4.0%
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

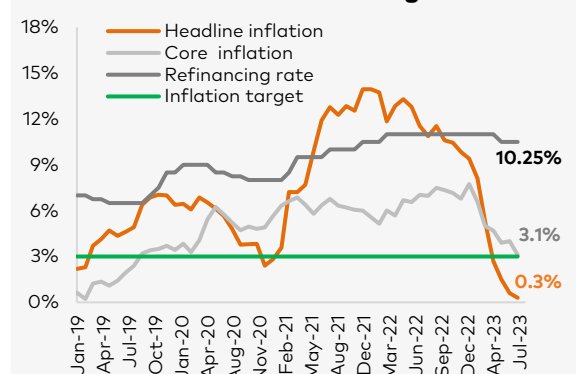
\*Latest sovereign credit ratings

### Real GDP growth, % change y/y



Source: Geostat

### Inflation and refinancing rate



Source: Geostat, NBG

# Money market

## Ministry of Finance T-bills/T-notes:

2-year GEL 40.0mn (US\$ 15.2mn) Benchmark bonds were sold at the auction held at NBG on August 1, 2023. Total demand was 2.6x higher and the weighted average yield was fixed at 8.405%, down by 0.138ppts from previous auction held in Jul-23.

6-month GEL 20.0mn (US\$ 7.6mn) T-Bills were sold at the auction held at NBG on August 1, 2023. Total demand was 1.5x higher and the weighted average yield was fixed at 9.573%, up by 0.079ppts from previous auction held in Jul-23.

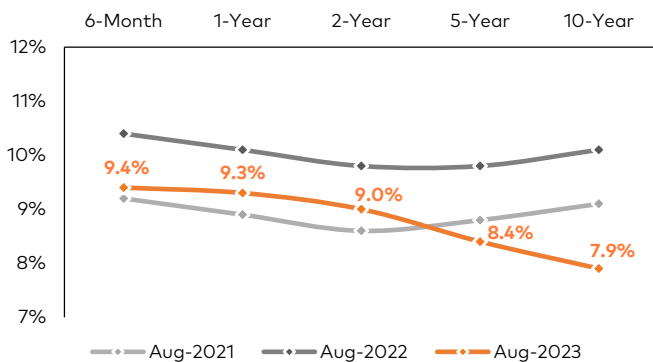
The nearest treasury security auction is scheduled for August 8, 2023, where GEL 20.0mn nominal value 1-year T-bills and GEL 25.0mn nominal value 10-year Benchmark Bonds will be sold.

## T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	160	80	420
1-year	140	100	
2-year	341	160	
5-year	681	450	7,021
10-year	445	575	
<b>Total</b>	<b>1,767</b>	<b>1,365</b>	<b>7,441</b>

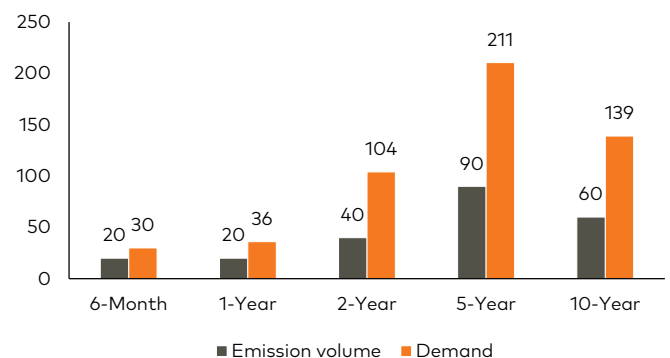
Source: MoF  
\*As of June 2023

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



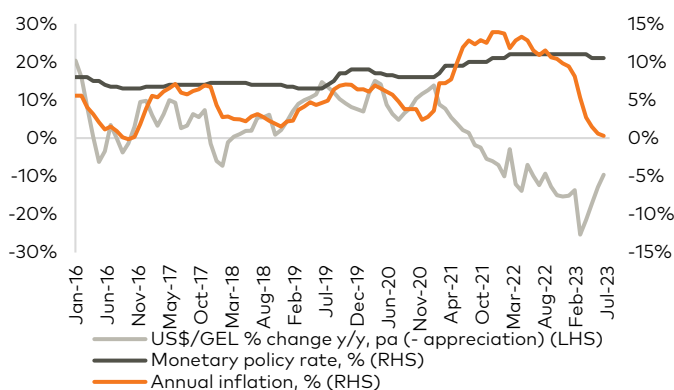
Source: NBG

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



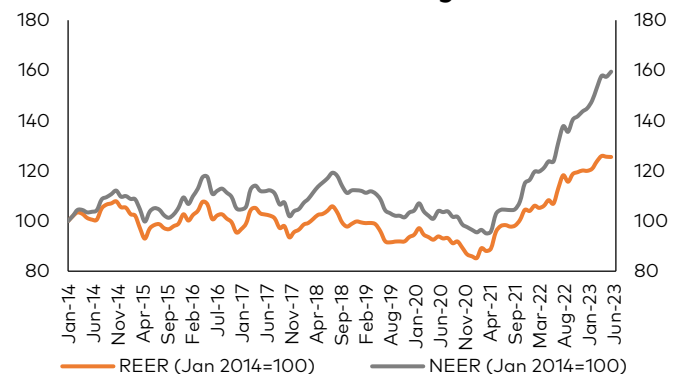
Source: NBG

## 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

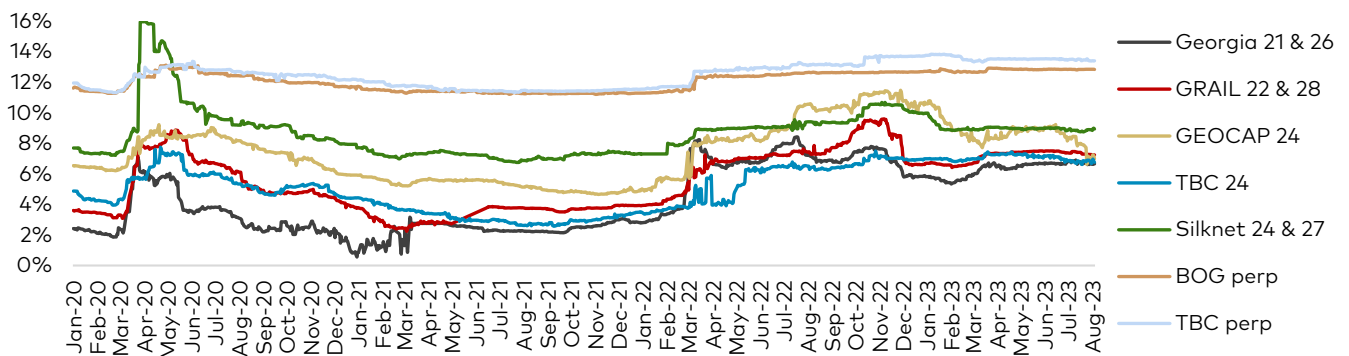
## Fixed income

**Corporate Eurobonds:** Georgia Capital Eurobonds (GEOCAP) were trading at 99.51 (+0.03% w/w), yielding 6.98%.

Georgian Railway Eurobonds (GRAIL) traded at 86.91 (+0.19% w/w), yielding 7.24%.

**Georgian Sovereign Eurobonds** (GEORG) closed at 90.48 (-0.03% w/w) at 6.65% 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	90.48	6.65	222.98
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	86.91	7.24	322.49
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.20	12.85	667.29
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	99.51	6.98	149.55
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.34	8.94	467.96
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	99.16	6.76	135.38
TBC PERP	USD	125	10.775%	n/a	B-/-/-	97.18	13.41	822.89

Source: Bloomberg



## Fixed income

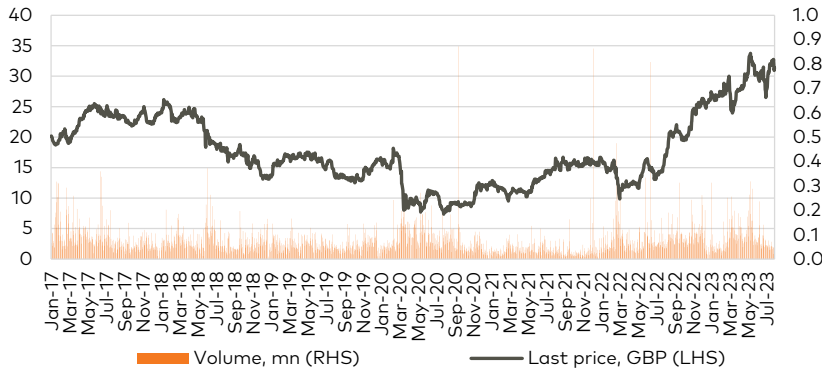
### Georgian local bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-27	-/-/-	n/a	n/a	n/a
Energy Development Georgia	USD	10	8.50%	Jun-25	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	Ref rate + 3.10%	Nov-24	-/-/BB	n/a	n/a	n/a
Geo. Beer Company	GEL	25	Ref rate + 4.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.98	8.50	n/a
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	99.99	7.00	n/a
Geosteel	USD	15	9.00%	Apr-25	-/-/-	100.00	9.00	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	100.06	6.63	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.75	8.65	n/a
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.65	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/B+	100.00	8.50	n/a
MFO Crystal	GEL	25	TIBR6M + 4.75%	Feb-25	B-/-/-	n/a	n/a	n/a
MFO MBC	GEL	15	TIBR3M + 4.50%	Dec-24	-/-/B+	n/a	n/a	n/a
MFO Rico Express	GEL	130	TIBR1D + 2.00%	Mar-26	-/-/B+	n/a	n/a	n/a
Nikora	GEL	35	TIBR3M + 3.50%	Nov-25	-/-/B+	n/a	n/a	n/a
Nikora Trade	GEL	35	TIBR3M + 3.50%	Nov-24	-/-/B+	n/a	n/a	n/a
SRG Real Estate	USD	20	9.00%	Apr-26	-/-/-	100.01	9.00	n/a
TBC Leasing	GEL	100	TIBR3M + 3.00%	Mar-26	BB-/-/-	n/a	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-26	BB-/-/-	n/a	n/a	n/a
Tegeta Motors	GEL	150	TIBR3M + 3.50%	Dec-25	-/-/BB-	n/a	n/a	n/a
Tegeta Motors	USD	20	8.50%	Apr-25	-/-/BB-	99.58	8.75	n/a
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	99.58	7.25	n/a
Tegeta Motors	GEL	20	TIBR6M + 3.50%	Dec-25	-/-/BB-	n/a	n/a	n/a
Georgia Capital	USD	150	8.5%	Aug-28	-/BB-/-	n/a	n/a	n/a

Source: Bloomberg

# Equities

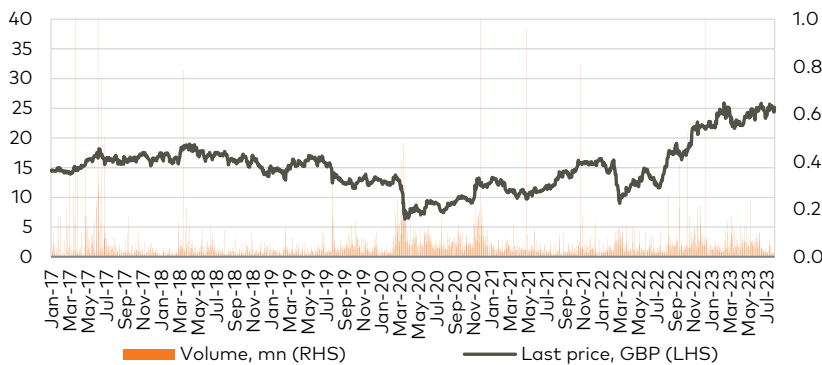
## Bank of Georgia Group (BGEO LN)



Source: Bloomberg

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 31.40/share (-2.18% w/w and +12.95% m/m). More than 175k shares traded in the range of GBP 30.70 - 32.80/share. Average daily traded volume was 48k in the last 4 weeks. The volume of BGEO shares traded was at 0.38% of its capitalization.

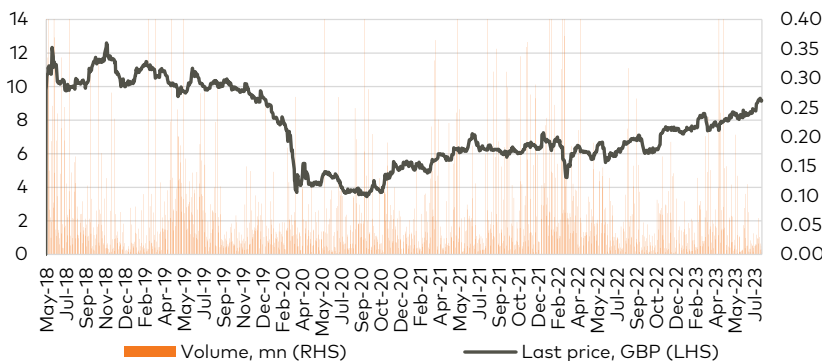
## TBC Bank Group (TBCG LN)



Source: Bloomberg

**TBC Bank Group (TBCG LN)** closed the week at GBP 25.15/share (+1.00% w/w and +7.48% m/m). More than 69k shares changed hands in the range of GBP 24.10 - 25.35/share. Average daily traded volume was 24k in the last 4 weeks. The volume of TBCG shares traded was at 0.13% of its capitalization.

## Georgia Capital (CGEO LN)



Source: Bloomberg

**Georgia Capital (CGEO LN)** shares closed at GBP 9.18/share (-0.76% w/w and +8.64% m/m). More than 53k shares traded in the range of GBP 9.10 - 9.34/share. Average daily traded volume was 20k in the last 4 weeks. The volume of CGEO shares traded was at 0.12% 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	31.40	1,442	14.2%	88.9%	20.5%	2.74x	4.40x	4.11x	0.90x	0.89x	0.77x
TBC	TBC	GBP	25.15	1,387	1.2%	69.5%	10.8%	4.10x	4.50x	3.94x	1.04x	1.01x	0.86x
Halyk Bank	HSBK	USD	14.46	3,943	25.7%	49.1%	30.3%	2.69x	2.81x	2.51x	0.78x	0.76x	0.64x
Akbank	AKBNK	TRY	28.30	147,160	71.4%	210.6%	44.8%	1.40x	2.82x	2.99x	0.55x	0.75x	0.67x
Garanti	GARAN	TRY	47.00	197,400	99.3%	209.2%	56.5%	1.91x	3.26x	3.66x	0.73x	1.05x	0.87x
Isbank	ISCTR	TRY	16.06	160,600	51.9%	165.9%	25.8%	0.84x	3.14x	2.84x	0.60x	0.74x	0.60x
PKO	PKO	PLN	40.34	50,425	23.3%	68.4%	33.2%	10.98x	8.27x	7.69x	1.03x	1.18x	1.10x
PEKAO	PEO	PLN	117.35	30,801	25.6%	67.6%	35.7%	na	6.03x	6.85x	na	1.11x	1.05x
Millennium	MIL	PLN	6.27	7,606	23.4%	68.3%	36.9%	na	2.43x	3.20x	1.04x	1.16x	1.00x
Mbank	MBK	PLN	467.00	19,831	45.9%	116.2%	57.8%	na	4.14x	5.81x	1.10x	1.27x	1.11x
BRD	BRD	RON	14.38	10,021	2.9%	6.8%	10.6%	6.81x	6.76x	7.37x	1.31x	1.29x	1.23x
Banca Transilvania	TLV	RON	20.88	16,676	17.9%	13.0%	18.3%	na	7.12x	6.82x	1.60x	1.46x	1.31x
Komerčni	KOMB	CZK	713.00	135,505	-4.1%	16.1%	8.9%	8.36x	8.53x	8.93x	1.21x	1.00x	1.00x
<b>Mean</b>								<b>4.42x</b>	<b>4.94x</b>	<b>5.13x</b>	<b>0.99x</b>	<b>1.05x</b>	<b>0.94x</b>
<b>Median</b>								<b>2.74x</b>	<b>4.40x</b>	<b>4.11x</b>	<b>1.04x</b>	<b>1.05x</b>	<b>1.00x</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	9.18	402	21.3%	40.2%	25.8%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	12.25	445	-2.5%	-7.5%	-2.0%	18.33x	na	na	0.99x	na	na
Sabancı Holding	SAHOL	TRY	57.05	116,405	41.4%	164.1%	26.6%	1.77x	3.43x	2.93x	0.77x	0.67x	0.56x
Deutsche Beteiligungs	DBAN	EUR	30.80	579	4.2%	8.1%	10.4%	na	5.38x	5.47x	1.00x	0.87x	0.77x
Eurazeo	RF	EUR	54.45	4,314	-16.4%	-18.7%	-6.3%	8.89x	10.81x	7.33x	0.78x	0.55x	0.50x
Carlyle Group	CG	USD	32.15	11,640	-14.1%	-16.2%	7.7%	8.50x	10.63x	7.91x	1.70x	3.29x	2.22x
Wendel SE	MF	EUR	87.95	3,906	-12.0%	-0.7%	0.9%	6.63x	7.16x	7.06x	na	1.21x	1.09x
HgCapital Trust	HGT	GBP	3.89	1,778	3.1%	4.4%	10.8%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.70	685	0.0%	1.0%	-1.9%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.47	794	-2.2%	10.1%	6.6%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.30	712	9.6%	-5.5%	22.0%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.40	203	-10.0%	-14.9%	-11.8%	na	na	na	0.47x	na	na
<b>Mean</b>								<b>8.82x</b>	<b>7.48x</b>	<b>6.14x</b>	<b>0.84x</b>	<b>1.31x</b>	<b>1.03x</b>
<b>Median</b>								<b>8.50x</b>	<b>7.16x</b>	<b>7.06x</b>	<b>0.78x</b>	<b>0.87x</b>	<b>0.77x</b>

Source: Bloomberg, S&amp;P Capital IQ

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