



Economy

Real GDP growth was 5.9% y/y in Nov-23

Georgia's economy grew by 5.9% y/y in Nov-23, after growing by 6.2% in previous month. Cumulatively, real growth reached 6.9% y/y in 11M23, in line with our 6.8% growth projection for the full year 2023. The financial, construction, professional & scientific activities and trade sectors were the primary drivers of growth in November. In contrast, the manufacturing, energy and transportation sectors contracted during the same period.

For 2024, we anticipate a growth rate of 5.4% in our baseline scenario and 6.0% in upside scenario (see details [here](#)).

Average annual inflation at 2.5% in 2023

In Dec-23, annual inflation in Georgia stood at 0.4%, with average annual inflation reaching 2.5% for the year. The subdued inflation was driven by a 3.1% y/y decline in food prices, along with reduced inflation for imported and mixed goods by 0.2% y/y and 4.3% y/y in December, respectively. Domestically produced goods inflation reached 3.6% y/y in Dec-23 and core inflation remained low at 1.9% y/y. By categories, annual inflation in Dec-23 was mostly driven by price changes in food and non-alcoholic beverages (-2.7% y/y, -0.92ppts), healthcare (-3.8% y/y, -0.37ppts), transport (+5.1% y/y, +0.65ppts), alcoholic beverages & tobacco (+3.4% y/y, +0.24ppts) and utilities (+2.3% y/y, +0.24ppts) categories.

We forecast average annual inflation at 3.5% for 2024.

CA deficit at historically low level in 9M23

Current account (CA) deficit reached a historically low level of 2.6% of GDP in 9M23, down from 3.2% in 9M22. This improvement was driven by strong growth in the services balance (+36.9% y/y), particularly in tourism (+29.2% y/y) and ICT services (+87.0% y/y), as well as a 6.4% y/y increase in the transfers balance. FDI remained the key funding source of CA deficit, with net FDI at 5.2% of GDP. We forecast CA deficit to improve further and project it at 4.3% of GDP in 2024 down from 4.5% in 2023E.

Bank lending increased by 16.3% y/y in Nov-23

In Nov-23, the banking sector loan portfolio increased by 16.3% y/y (+1.4% m/m), excluding FX effect, after a 16.1% y/y growth in previous month. In unadjusted terms, loan portfolio rose by 17.3% y/y (+2.1% m/m), reaching GEL 51.2bn (US\$ 18.9bn), after growing 15.9% y/y in October. By sector, similar to previous month corporate loans increased by 19.3% y/y in November (exc. FX effect) and retail loans were up 13.7% y/y (+13.4% y/y in October). In Nov-23, loan dollarization stood at 45.5% (+0.63ppts y/y and +0.30ppts m/m).

Bank deposits increased by 17.8% y/y (exc. FX effect) to GEL 50.4bn (US\$ 18.6bn) in Nov-23. In terms of currency breakdown, GEL deposits increased by 34.6% y/y (+36.9% y/y in previous month) and FX deposits growth (exc. FX effect) stood at 4.9% y/y (+5.1% y/y in previous month). As a result, the level of deposit dollarization came in at 50.8% (-5.97ppts y/y and +0.42ppts m/m) in Nov-23.

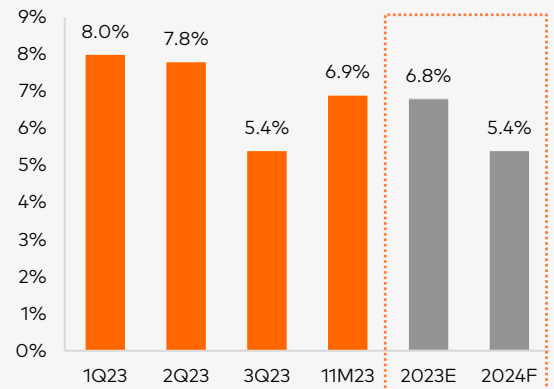
Key macro indicators

	2022	2023E
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%	2.5%
Total public debt (% of GDP)	39.5%	38.2%
Fitch/S&P/Moody's*	BB/BB/Ba2	

Source: Official data, Rating agencies, Galt & Taggart

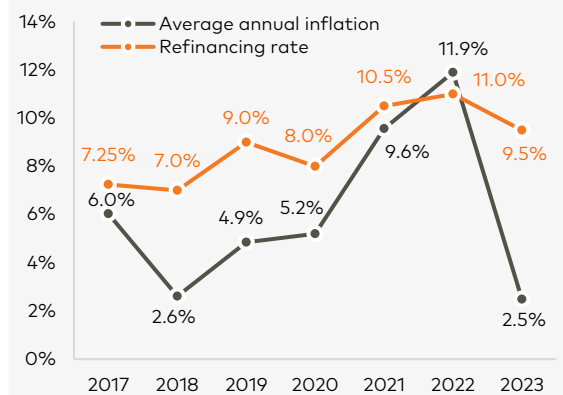
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat, Galt & Taggart

Inflation and refinancing rate in Georgia



Source: Geostat, NBG

Money market

Ministry of Finance T-bills/T-notes:

4-year GEL 100.0mn (US\$ 37.2mn) Benchmark bonds were sold at the auction held at NBG on January 3, 2024. Total demand was 1.9x higher and the weighted average yield was fixed at 8.346%, down by 0.017ppts from previous auction held in Dec-23.

6-month GEL 70.0mn (US\$ 26.0mn) T-Bills were sold at the auction held at NBG on January 3, 2024. Total demand was 2.1x higher and the weighted average yield was fixed at 8.947%, down by 0.121ppts from previous auction held in Dec-23.

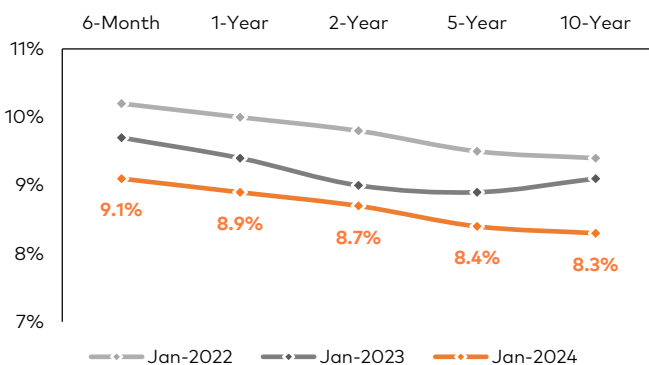
The nearest treasury security auction is scheduled for January 9, 2024, where GEL 50.0mn nominal value 3-year Benchmark Bonds will be sold.

T-bills / T-notes in 2024

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
Short-term (less than 1-year)	70	460	370
Long-term (over 1-year)	100	3,080	7,601
Total	170	3,540	7,971

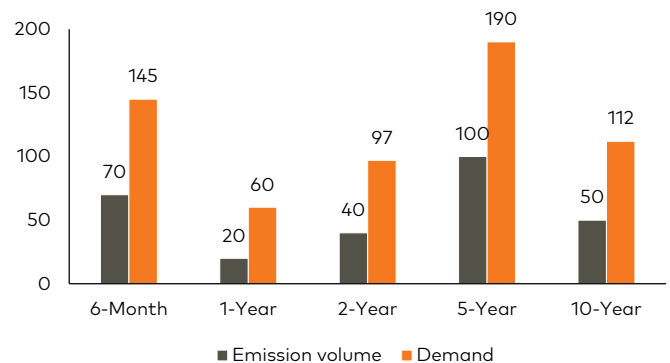
Source: MoF
*As of November 2023

T-bills / T-notes, yield curve



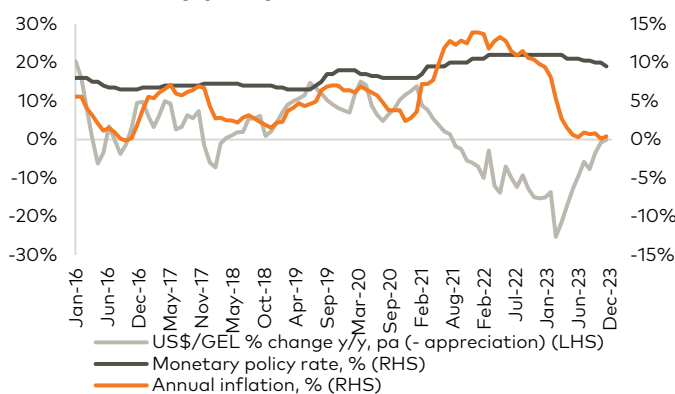
Source: NBG

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



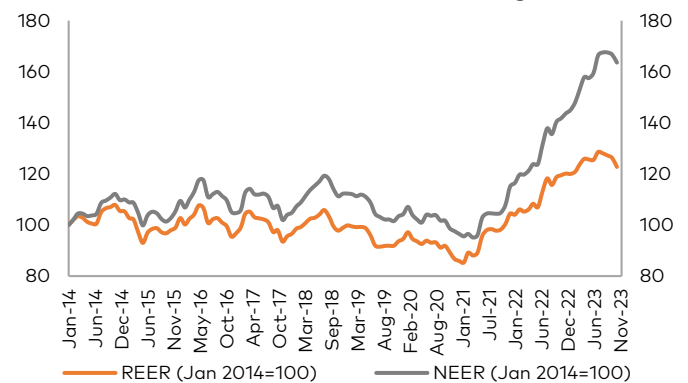
Source: NBG

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

- The US and European fixed income yields increased. While the 10-year US Treasury yield increased from 3.87% to 4.05%, the 10-year German Bund (a European benchmark) yield rose from 2.03% to 2.18%

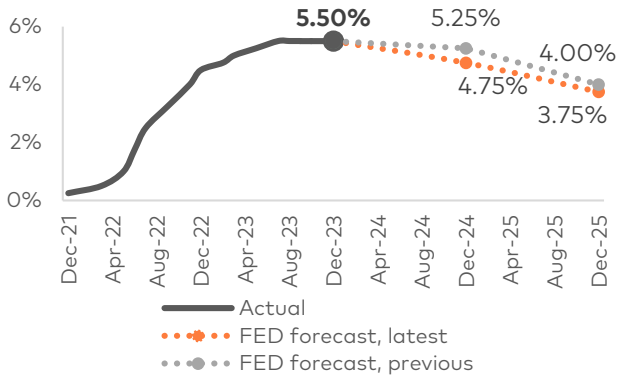
Sovereigns YTM, %	Last	1Q24F	2Q24F	3Q24F
US 2y Treasury	4.39	4.42	4.14	3.87
US 5y Treasury	4.02	4.08	3.90	3.73
US 10y Treasury	4.05	4.07	3.95	3.84
US 30y Treasury	4.21	4.27	4.16	4.06
German 2y Bund	2.58	2.80	2.64	2.43
German 10y Bund	2.18	2.53	2.41	2.32

Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2024
SOFR	5.32	5.38	5.33	5.38
EURIBOR (3 months)	3.92	3.91	3.96	3.91

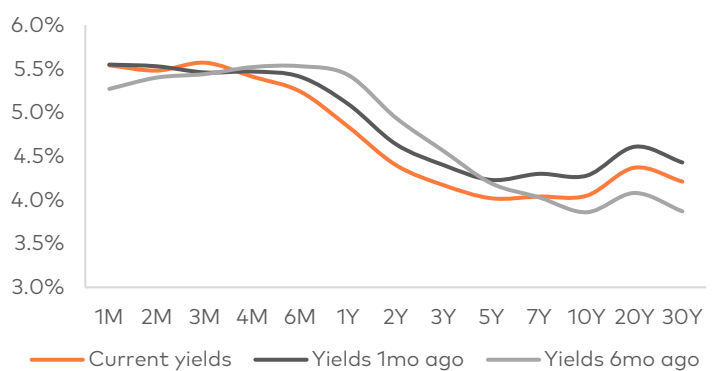
Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2024
US Inv. Grade	5.36	5.22	5.57	5.22
Eurozone Inv. Grade	3.82	3.65	3.91	3.67
EM Inv. Grade	5.38	5.22	5.62	5.22
US High Yield	8.16	7.80	8.41	7.80
EM High Yield	10.42	10.12	10.66	10.12

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

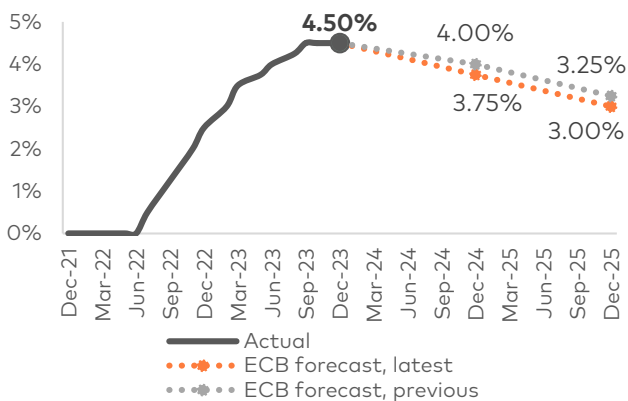
FED funds rate (upper bound)



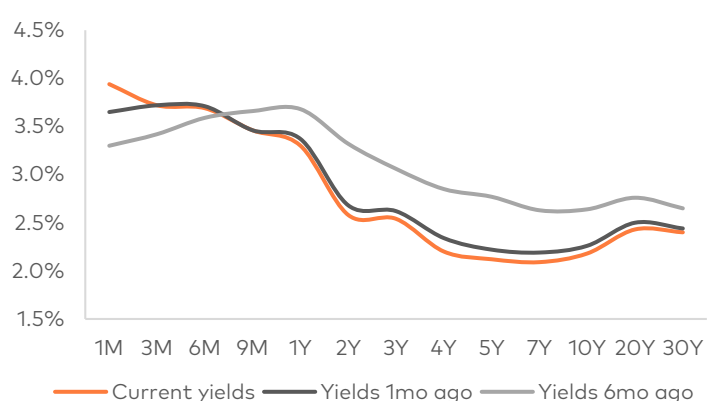
US treasuries yield curve



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	5.68	160.70
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/-	92.42	5.97	225.93
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/-	100.61	12.75	448.95
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/-/B1	100.16	8.31	409.13
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/-/Ba2	99.46	6.97	170.61
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/-	99.47	13.23	644.60

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

Georgian local bonds performance

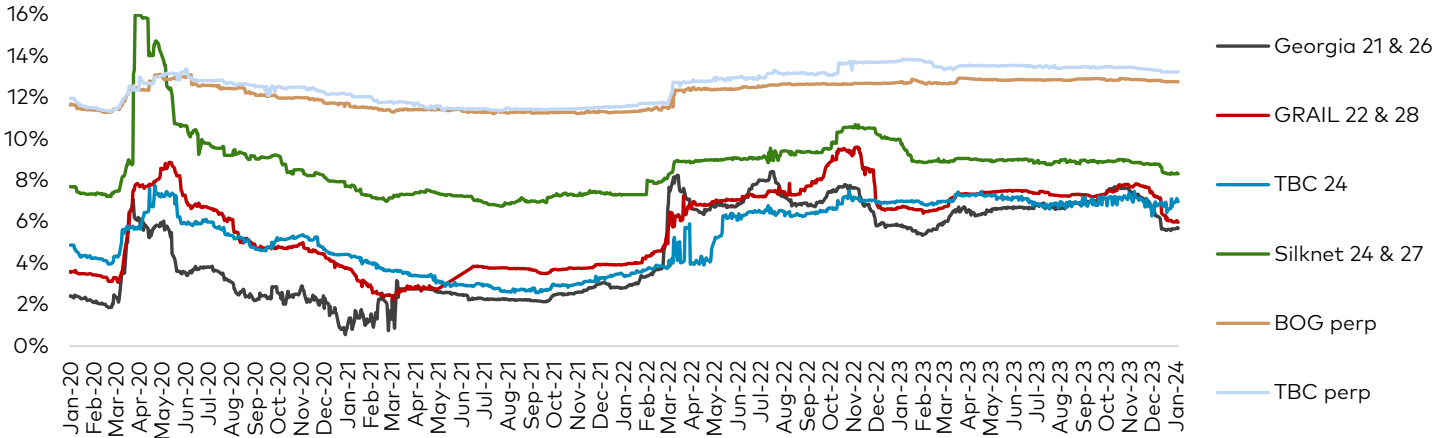
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/--/B+	99.77	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-	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
IG Development	USD	20	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
Tegeta Motors	EUR	7	6.75%	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-/-/	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
Tegeta Motors	GEL	20	14.5%	Dec-23	Dec-25	-/--/BB-	n/a	n/a
Cellfie	GEL	65	TIBR6M + 3.50%	Dec-23	Dec-26	-/--/BB-	n/a	n/a

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



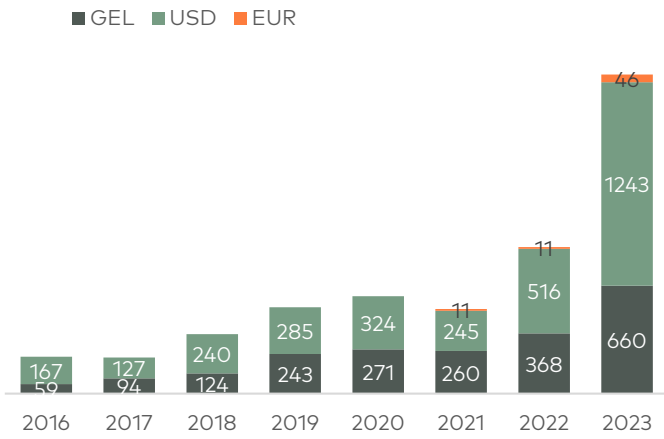
Fixed income

Georgian Eurobonds, YTM



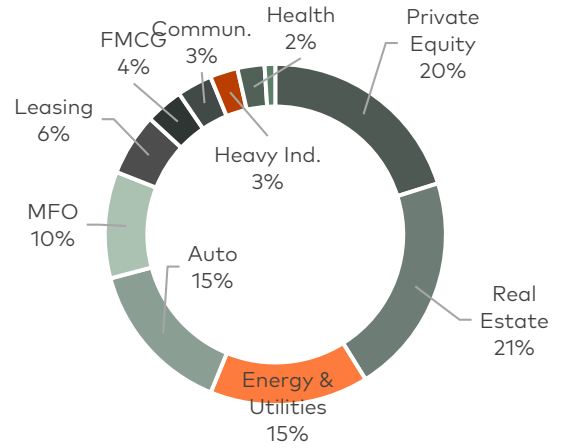
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart

Georgian corporate public bonds outstanding by sector

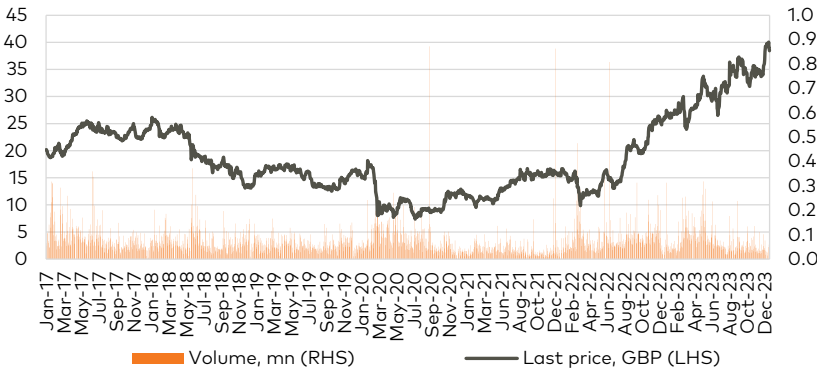


Source: Galt & Taggart



Equities

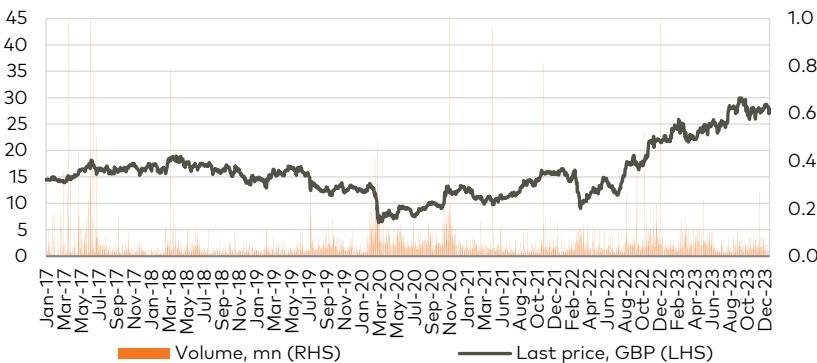
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 38.45/share (-3.27% w/w and +12.43% m/m). More than 165k shares traded in the range of GBP 38.40 - 40.20/share. Average daily traded volume was 42k in the last 4 weeks. The volume of BGEO shares traded was at 0.36% of its capitalization.

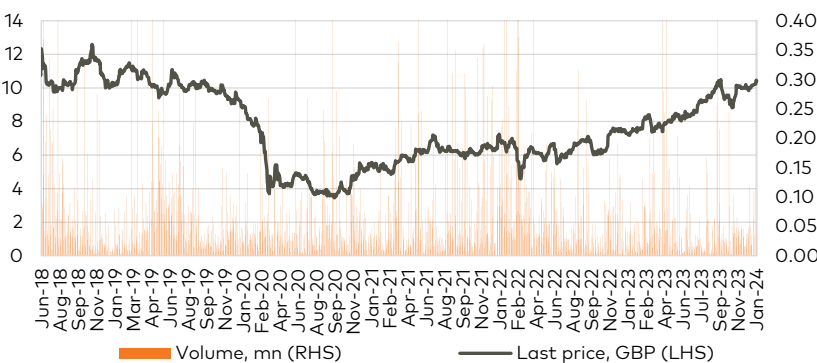
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 27.90/share (-1.41% w/w and +1.64% m/m). More than 120k shares changed hands in the range of GBP 26.95 - 28.50/share. Average daily traded volume was 38k in the last 4 weeks. The volume of TBCG shares traded was at 0.22% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.40/share (+1.76% w/w and +1.96% m/m). More than 1.9mn shares traded in the range of GBP 10.14 - 10.48/share. Average daily traded volume was 146k in the last 4 weeks. The volume of CGEO shares traded was at 4.23% 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	38.45	1,764	39.6%	40.1%	-3.3%	2.74x	4.58x	4.58x	0.90x	1.15x	0.94x
TBC	TBC	GBP	27.90	1,545	19.7%	28.3%	-1.4%	4.10x	4.75x	4.23x	1.04x	1.15x	0.97x
Halyk Bank	HSBK	USD	14.90	4,063	5.7%	28.4%	-1.7%	2.69x	2.72x	2.67x	0.78x	0.84x	0.71x
Akbank	AKBNK	TRY	36.78	191,256	76.3%	103.7%	0.7%	1.40x	2.71x	2.83x	0.55x	0.94x	0.77x
Garanti	GARAN	TRY	57.40	241,080	70.8%	112.6%	-1.6%	1.91x	3.21x	2.94x	0.73x	1.01x	0.78x
Isbank	ISCTR	TRY	23.18	231,799	62.7%	104.2%	-0.8%	0.84x	3.25x	3.11x	0.60x	0.86x	0.76x
PKO	PKO	PLN	49.74	62,175	38.2%	49.9%	-1.2%	10.98x	8.05x	7.50x	1.03x	1.33x	1.26x
PEKAO	PEO	PLN	147.50	38,714	43.3%	56.1%	-3.0%	na	6.35x	7.19x	na	1.31x	1.24x
Millennium	MIL	PLN	8.30	10,068	49.3%	47.2%	-0.7%	na	3.25x	4.16x	1.04x	1.47x	1.33x
Mbank	MBK	PLN	525.60	22,320	32.5%	56.2%	-1.8%	na	7.67x	6.46x	1.10x	1.55x	1.35x
BRD	BRD	RON	17.38	12,112	27.8%	28.7%	-3.0%	6.81x	7.86x	9.34x	1.31x	1.52x	1.49x
Banca Transilvania	TLV	RON	24.28	19,391	25.8%	31.1%	0.1%	na	7.25x	7.66x	1.60x	1.58x	1.50x
Komerčni	KOMB	CZK	738.00	140,256	10.2%	9.3%	1.9%	8.36x	8.91x	9.98x	1.21x	1.07x	1.08x
Mean								4.42x	5.43x	5.59x	0.99x	1.21x	1.09x
Median								2.74x	4.75x	4.58x	1.04x	1.15x	1.08x

Source: Bloomberg, S&P Capital IQ

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