



Economy

Inflation retreated to 2.7% in Apr-23

Annual CPI inflation retreated sharply to 2.7% in Apr-23 from a 5.3% inflation in previous month, mainly due to price reductions in transport and healthcare categories along with considerable deceleration in food prices. Core inflation (non-food, non-energy, and non-tobacco) reduced further to 4.7% (-0.3ppts m/m) in April. By categories, annual inflation was mostly driven by price changes in food and non-alcoholic beverages (+5.9% y/y, 2.04ppts), housing, water, electricity, gas and other fuels (+10.3% y/y, 1.05ppts), restaurants and hotels (+11.9% y/y, 0.45ppts), alcoholic beverages and tobacco (+6.7% y/y, 0.44ppts), transport (-12.9% y/y, -1.66ppts) and healthcare (-7.9% y/y, -0.78ppts) categories. On a monthly basis, there was a 0.7% deflation in Apr-23, driven by price reduction in food and non-alcoholic beverages (-2.1% y/y, -0.69ppts) and transport (-2.0% m/m, -0.23ppts) categories.

Given the substantial deceleration in inflation, we expect NBG to consider key rate cut on 10 May 2023 meeting, which is currently set at 11.0%.

International reserves at all-time high US\$ 5.1bn in Apr-23

Gross international reserves increased by 34.2% y/y to an all-time high US\$ 5.1bn in Apr-23, according to NBG. On a monthly basis, the reserves were up by 2.6% (+US\$ 129.6mn). Changes in reserves were attributed to the government and banking sector FX operations, likely also to NBG's FX purchases (information will be available on 25 May).

Tourism revenues stood at US\$ 250mn in Apr-23

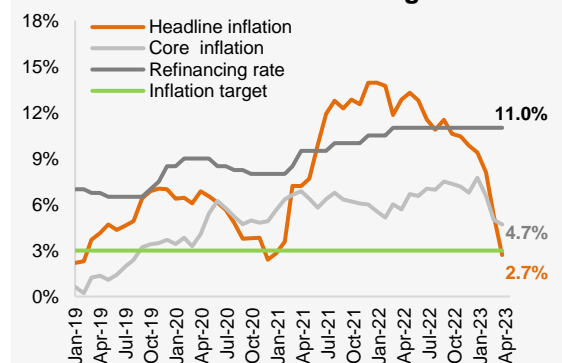
According to our estimates, tourism revenues continued strong growth up by 32.6% y/y, reaching US\$ 250.0mn in Apr-23. Overall, tourism revenues reached US\$ 1,045mn (+79.5% y/y) in 4M23, based on our estimate.

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	

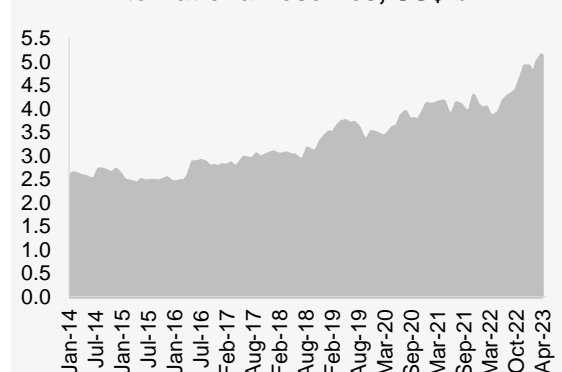
Source: Official data, Rating agencies, Galt & Taggart
*Latest sovereign credit ratings

Inflation and refinancing rate



Source: Geostat, NBG

International reserves, US\$ bn



Source: NBG

Money market

Ministry of Finance T-bills / T-notes:

2-year GEL 40.0mn (US\$ 16.0mn) Benchmark bonds were sold at the auction held at NBG on May 2, 2023. Total demand was c.2.1x higher and the weighted average yield was fixed at 8.655%, up by 0.038ppts from previous auction held in Apr-23.

6-month GEL 20.0mn (US\$ 8.0mn) T-Bills were sold at the auction held at NBG on May 2, 2023. Total demand was 2.6x higher and the weighted average yield was fixed at 9.488%, up by 0.110ppts from previous auction held in Apr-23.

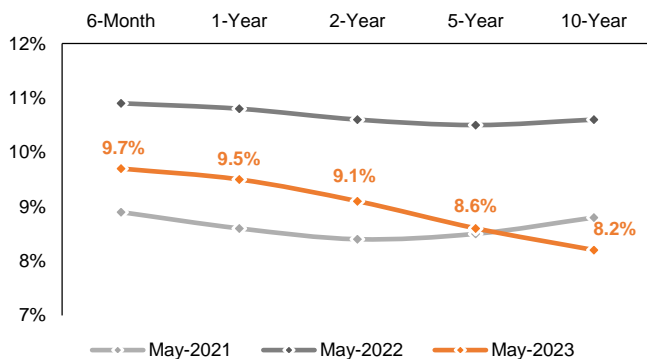
The nearest treasury security auction is scheduled for May 8, 2023, where GEL 20.0mn nominal value 1-year T-bills will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	100	140	420
1-year	80	160	
2-year	213	280	6,424
5-year	384	720	
10-year	240	780	
Total	1,017	2,080	6,844

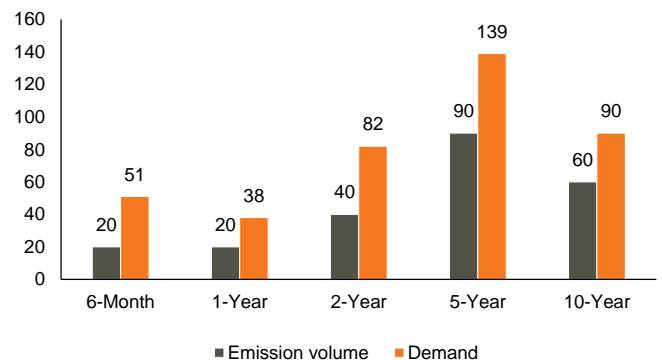
Source: MoF
*As of March 2023

T-bills / T-notes, yield curve



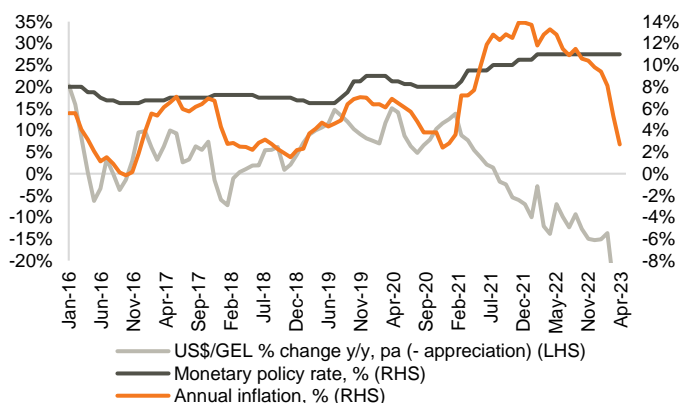
Source: NBG

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



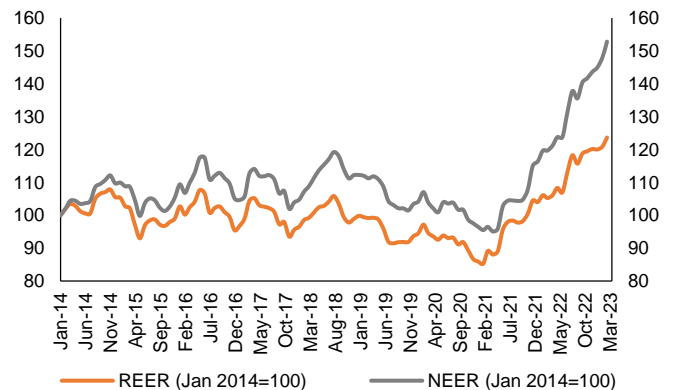
Source: NBG

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

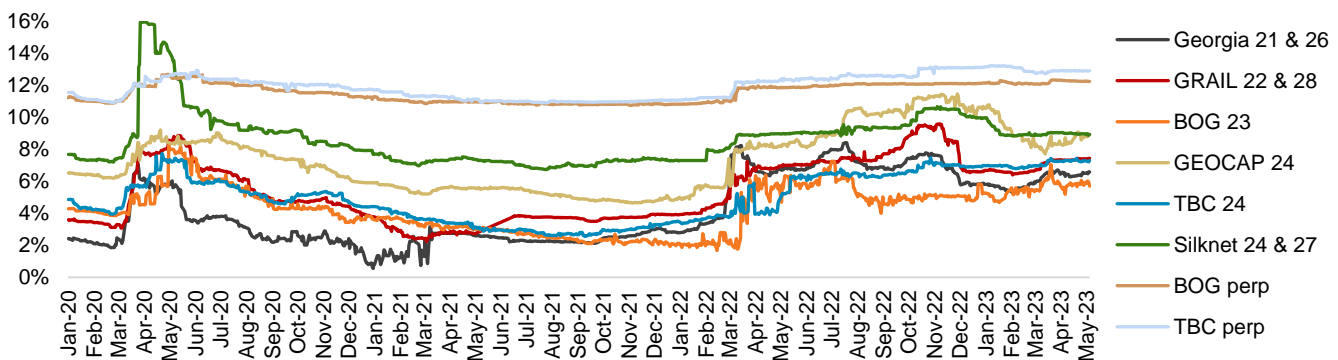
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.70% yield, trading at 100.04 (+0.01% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.78 (-0.11% w/w), yielding 8.93%.

Georgian Railway Eurobonds (GRAIL) traded at 85.58 (-0.08% w/w), yielding 7.45%.

Georgian Sovereign Eurobonds (GEORG) closed at 89.85 (-0.19% w/w) at 6.59% yield to maturity.

Georgian Eurobonds, YTM



Source: Bloomberg

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	89.85	6.59	303.63
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	85.58	7.45	416.74
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	100.04	5.70	n/a
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	98.83	12.26	767.25
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	97.78	8.93	407.35
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.22	8.94	549.53
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.35	7.31	273.53
TBC PERP	USD	125	10.775%	n/a	B-/-/-	95.71	12.93	989.24

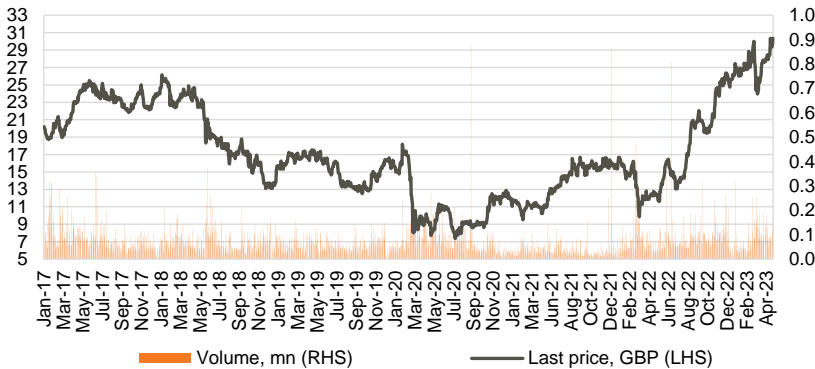
Georgian local bonds performance

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-/B-/-	n/a	n/a	n/a

Source: Bloomberg

Equities

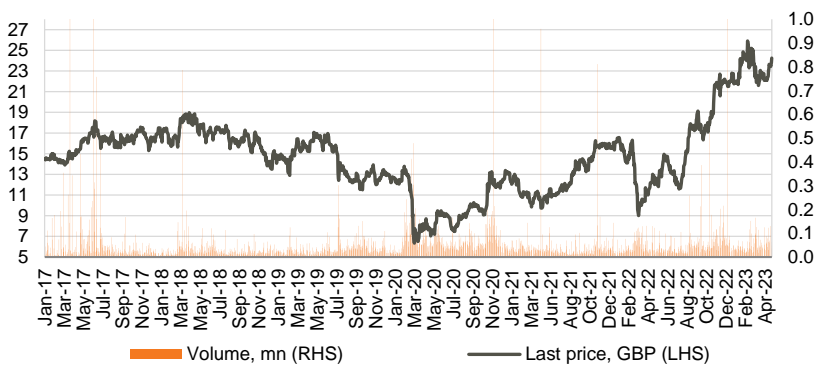
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 30.35/share (+2.53% w/w and +10.16% m/m). More than 464k shares traded in the range of GBP 29.15 - 30.50/share. Average daily traded volume was 102k in the last 4 weeks. The volume of BGEO shares traded was at 0.99% of its capitalization.

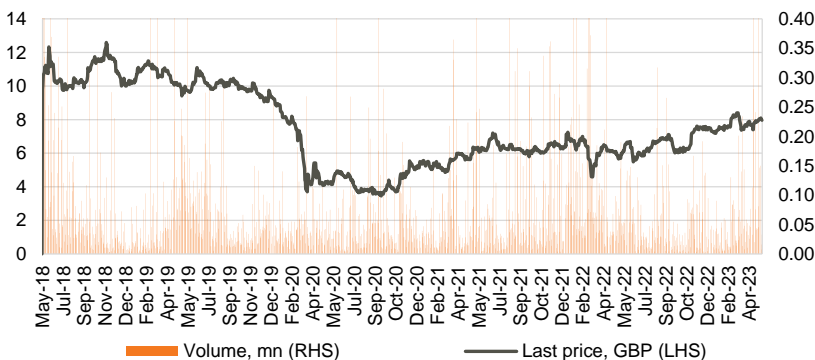
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 24.25/share (+2.97% w/w and +8.50% m/m). More than 279k shares changed hands in the range of GBP 23.05 - 24.35/share. Average daily traded volume was 66k in the last 4 weeks. The volume of TBCG shares traded was at 0.51% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 7.96/share (-1.12% w/w and +3.11% m/m). More than 206k shares traded in the range of GBP 7.91 - 8.12/share. Average daily traded volume was 253k in the last 4 weeks. The volume of CGEO shares traded was at 0.46% 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	30.35	1,418	25.4%	156.8%	16.5%	2.74x	4.58x	4.16x	0.90x	0.94x	0.81x
TBC	TBC	GBP	24.25	1,334	12.0%	98.8%	6.8%	4.10x	4.37x	3.89x	1.04x	0.99x	0.84x
Halyk Bank	HSBK	USD	14.00	3,818	38.1%	42.0%	26.1%	2.69x	2.89x	2.68x	0.78x	0.73x	0.62x
Akbank	AKBNK	TRY	15.24	79,248	4.6%	73.6%	-22.0%	1.40x	2.65x	2.54x	0.55x	0.59x	0.53x
Garanti	GARAN	TRY	25.50	107,100	8.1%	70.2%	-15.1%	1.91x	3.59x	2.91x	0.73x	0.82x	0.67x
Isbank	ISCTR	TRY	10.65	106,500	19.0%	127.6%	-16.6%	0.84x	3.16x	2.80x	0.60x	0.68x	0.55x
PKO	PKO	PLN	31.13	38,913	21.4%	0.5%	2.8%	10.98x	6.13x	6.39x	1.03x	1.01x	0.92x
PEKAO	PEO	PLN	94.76	24,872	25.0%	4.0%	9.5%	na	5.16x	6.13x	na	0.95x	0.90x
Millennium	MIL	PLN	4.83	5,859	9.0%	0.6%	5.5%	na	2.44x	2.63x	1.04x	0.99x	0.88x
Mbank	MBK	PLN	344.70	14,627	29.7%	24.2%	16.5%	na	na	5.52x	1.10x	1.03x	0.86x
BRD	BRD	RON	12.04	8,391	5.4%	-27.9%	-7.4%	6.81x	5.98x	5.95x	1.31x	1.05x	1.01x
Banca Transilvania	TLV	RON	18.97	13,424	6.6%	-8.5%	-4.8%	na	5.97x	5.61x	1.60x	1.23x	1.11x
Komercni	KOMB	CZK	691.00	131,324	-5.3%	-9.8%	5.5%	8.36x	8.57x	8.41x	1.21x	0.98x	0.94x
Mean								4.42x	4.62x	4.59x	0.99x	0.92x	0.82x
Median								2.74x	4.47x	4.16x	1.04x	0.98x	0.86x

Source: Bloomberg, S&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	7.96	356	25.4%	33.8%	9.0%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	12.05	438	-2.7%	-11.4%	-3.6%	18.33x	na	na	0.99x	na	na
Sabanci Holding	SAHOL	TRY	37.50	76,515	9.6%	85.1%	-16.8%	1.77x	3.02x	2.44x	0.77x	0.84x	0.53x
Deutsche Beteiligungs	DBAN	EUR	28.20	530	8.9%	-4.2%	1.1%	na	na	5.36x	1.00x	0.83x	0.75x
Eurazeo	RF	EUR	65.55	5,193	12.7%	-6.8%	12.8%	8.89x	9.84x	9.22x	0.78x	0.69x	0.63x
Carlyle Group	CG	USD	25.76	9,327	-7.8%	-32.9%	-13.7%	8.50x	8.20x	5.95x	1.70x	1.26x	1.42x
Wendel SE	MF	EUR	101.00	4,485	24.8%	8.8%	15.8%	6.63x	8.46x	8.34x	na	1.43x	1.28x
HgCapital Trust	HGT	GBP	3.59	1,643	6.7%	-7.5%	2.4%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.72	686	-1.1%	6.2%	-1.8%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.71	837	23.1%	4.7%	12.3%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.86	682	23.3%	-19.2%	16.8%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.42	218	0.0%	-16.9%	-5.4%	na	na	na	0.47x	na	na
Mean								8.82x	7.38x	6.26x	0.84x	1.01x	0.92x
Median								8.50x	8.33x	5.95x	0.78x	0.84x	0.75x

Source: Bloomberg, S&P Capital IQ

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