



Economy

Annual inflation at 0.7% in Sep-23

Annual CPI inflation retreated to 0.7% in Sep-23 from the previous month's 0.9%. Importantly, domestic inflation continued its downward trend, registering at 5.3% y/y in Sep-23, compared to 6.1% y/y in Aug-23. As for imported and mixed goods inflation, both declined in September, however in case of imported inflation, the rate of reduction slowed to -4.1% y/y (-6.8% y/y in Aug-23), while the reduction in mixed goods inflation accelerated to -2.9% y/y (-1.9% y/y in Aug-23). Notably, core inflation (non-food, non-energy, non-tobacco) stood at 2.5% y/y in September, unchanged from previous month. By categories, annual inflation was mostly driven by price changes in healthcare (-4.7% y/y, -0.47ppts), transport (-4.3% y/y, -0.47ppts), utilities (+5.1% y/y, +0.54ppts) and alcoholic beverages & tobacco (+5.6% y/y, +0.38ppts) categories. On a monthly basis, there was a 0.6% inflation in Sep-23, driven by price increase in transport (+2.6% m/m, +0.31ppts) and education (+5.5% m/m, +0.24ppts) categories. Considering recent rise in oil prices on international markets, we have slightly revised our average annual inflation forecast upwards by 0.3ppts to 2.7% for the full-2023 year.

International reserves at US\$ 5.3bn in Sep-23

Gross international reserves increased by 22.3% y/y to US\$ 5.3bn in Sep-23, according to NBG. On a monthly basis, the reserves reduced by 3.0% (-US\$ 163.6mn). Notably, there were 3 FX auctions in September, where NBG sold US\$ 64.8mn. Other changes in reserves were attributed to the government and banking sector FX operations, likely also to NBG's FX trading via BMatch platform (information will be available on 25 October).

NBG sold US\$ 44.9mn

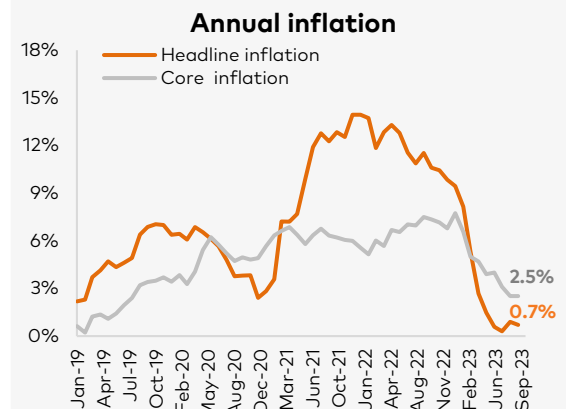
On 6 October 2023, NBG intervened in the FX market and sold US\$ 44.9mn out of offered US\$ 50mn. By our estimates, the NBG is a net buyer of US\$ 1.24bn year-to-date.

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%	4.6%
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	

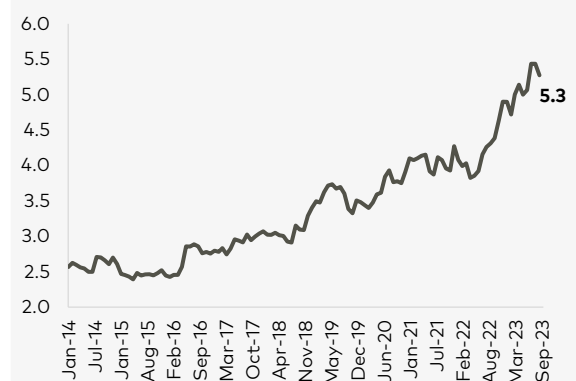
Source: Official data, Rating agencies, Galt & Taggart

*Latest sovereign credit ratings



Source: Geostat

Gross international reserves, US\$ bn



Source: NBG

Money market

Ministry of Finance T-bills/T-notes:

2-year GEL 40.0mn (US\$ 14.9mn) Benchmark bonds were sold at the auction held at NBG on October 3, 2023. Total demand was 1.7x higher and the weighted average yield was fixed at 8.375%, up by 0.039ppts from previous auction held in Sep-23.

6-month GEL 20.0mn (US\$ 7.5mn) T-Bills were sold at the auction held at NBG on October 3, 2023. Total demand was 3.0x higher and the weighted average yield was fixed at 9.460%, almost unchanged from previous auction held in Sep-23.

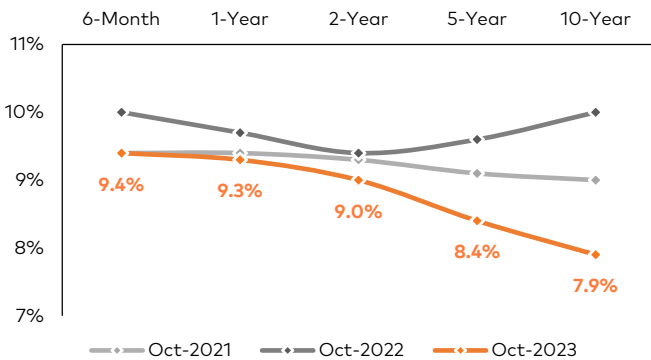
The nearest treasury security auction is scheduled for October 10, 2023, where GEL 20.0mn 1-year T-bills and GEL 20.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	200	40	400
1-year	180	60	
2-year	427	80	
5-year	876	150	7,339
10-year	615	240	
Total	2,298	570	7,739

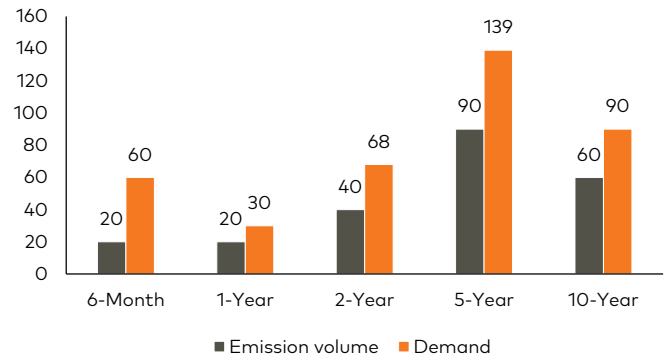
Source: MoF
*As of August 2023

T-bills / T-notes, yield curve



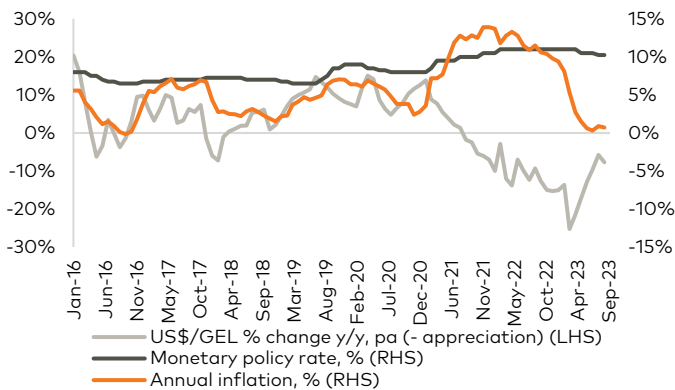
Source: NBG

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



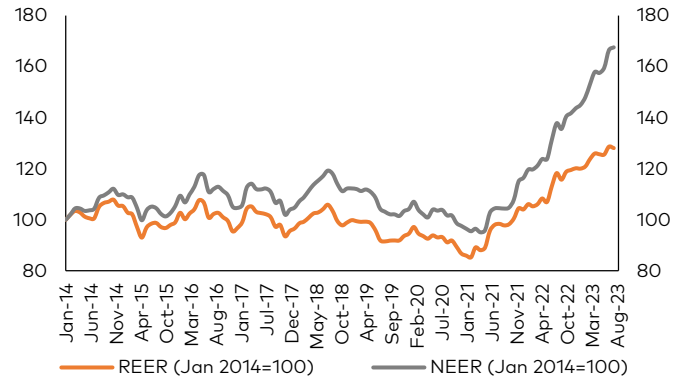
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal and real effective exchange rates



Source: NBG

Note: Index growth/decline means appreciation/depreciation of exchange rate

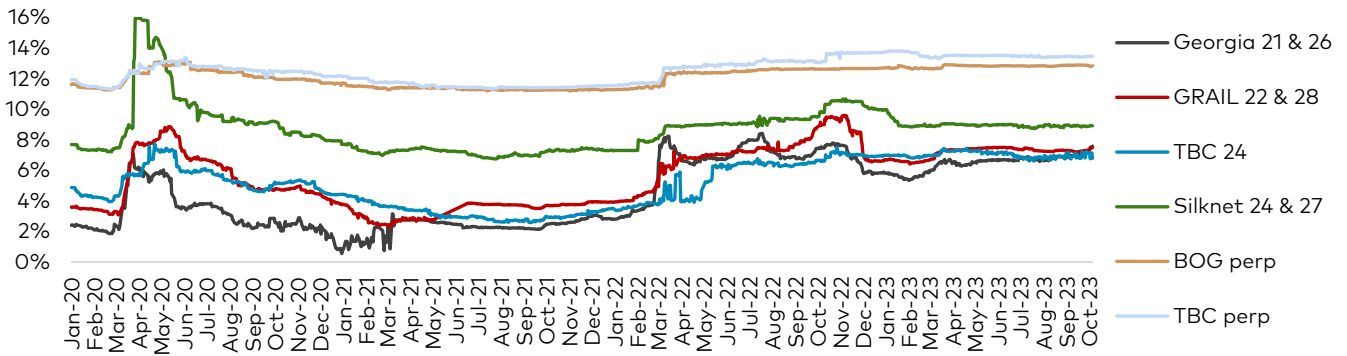


Fixed income

Corporate Eurobonds: Georgian Railway Eurobonds (GRAIL) traded at 86.41 (-0.63% w/w), yielding 7.49%.

Georgian Sovereign Eurobonds (GEORG) closed at 89.06 (-0.63% w/w) at 7.58% 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	89.06	7.58	277.65
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	86.41	7.49	296.17
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.41	12.85	641.98
SILKNET 01/27	USD	300	8.375%	Jan-27	BB-/-/B1	98.44	8.92	423.49
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	99.30	6.79	125.44
TBC PERP	USD	125	10.775%	n/a	B-/-/-	97.06	13.48	863.08

Source: Bloomberg



Fixed income

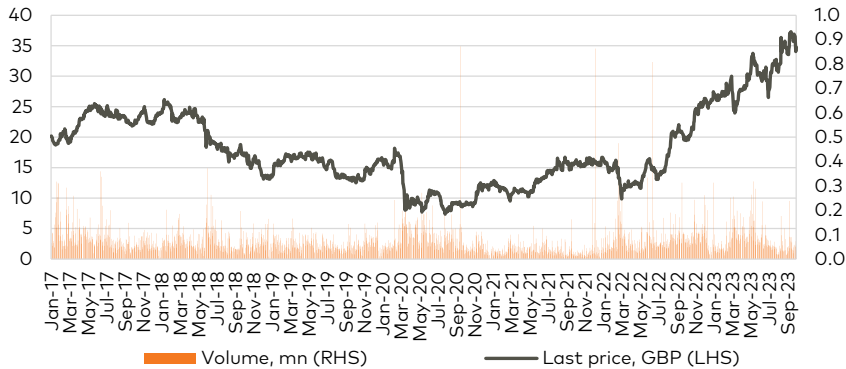
Georgian local bonds performance

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	-/-/-	100.00	8.50	n/a
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	100.00	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	-/-/-	99.93	6.88	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.80	8.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.71	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	-/-/-	100.00	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-	99.63	8.75	n/a
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	99.63	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-/	101.21	8.19	n/a
SRG Real Estate	USD	20	9.25%	Sep-26	-/-/-	101.24	8.63	n/a
Prime Concrete	USD	7.5	10.50%	Sep-27	-/-/-	n/a	n/a	n/a

Source: Bloomberg, Galt & Taggart

Equities

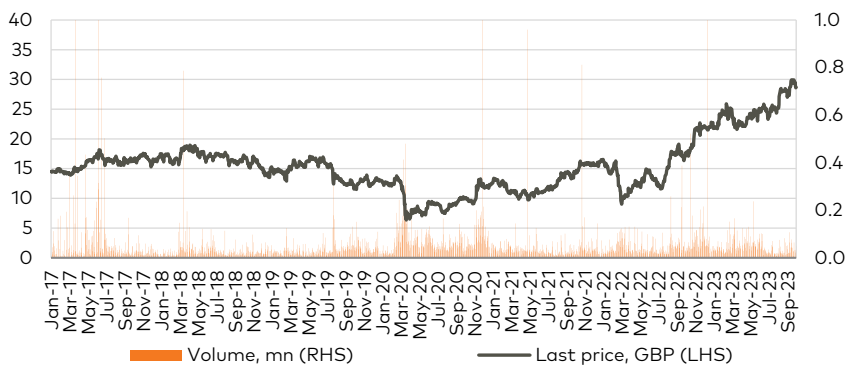
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 34.80/share (-5.69% w/w and +1.75% m/m). More than 269k shares traded in the range of GBP 33.65 - 37.45/share. Average daily traded volume was 65k in the last 4 weeks. The volume of BGEO shares traded was at 0.59% of its capitalization.

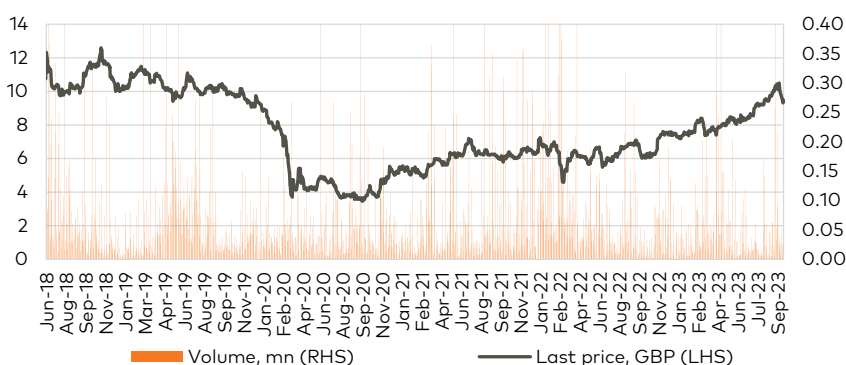
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 28.65/share (-4.02% w/w and +3.06% m/m). More than 160k shares changed hands in the range of GBP 28.40 - 30.15/share. Average daily traded volume was 40k in the last 4 weeks. The volume of TBCG shares traded was at 0.29% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 9.50/share (-3.46% w/w and -3.06% m/m). More than 125k shares traded in the range of GBP 9.24 - 9.91/share. Average daily traded volume was 75k in the last 4 weeks. The volume of CGEO shares traded was at 0.29% 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	34.80	1,598	25.4%	77.6%	33.6%	2.74x	3.93x	4.26x	0.90x	1.04x	0.87x
TBC	TBC	GBP	28.65	1,580	25.9%	61.5%	26.2%	4.10x	4.88x	4.29x	1.04x	1.12x	0.96x
Halyk Bank	HSBK	USD	12.64	3,447	7.1%	13.9%	13.9%	2.69x	2.47x	2.21x	0.78x	0.66x	0.56x
Akbank	AKBNK	TRY	33.66	175,032	102.2%	160.9%	72.2%	1.40x	3.12x	3.05x	0.55x	0.86x	0.73x
Garanti	GARAN	TRY	51.60	216,720	88.7%	143.4%	71.8%	1.91x	3.57x	3.58x	0.73x	1.16x	0.95x
Isbank	ISCTR	TRY	24.90	248,999	108.0%	198.2%	95.0%	0.84x	4.07x	3.48x	0.60x	1.03x	0.84x
PKO	PKO	PLN	36.30	45,375	26.6%	64.2%	19.8%	10.98x	8.45x	7.03x	1.03x	1.05x	0.99x
PEKAO	PEO	PLN	105.85	27,782	22.8%	68.8%	22.4%	na	5.32x	6.16x	na	1.02x	0.95x
Millennium	MIL	PLN	6.33	7,673	36.6%	90.1%	38.1%	na	2.61x	3.39x	1.04x	1.13x	1.04x
Mbank	MBK	PLN	418.00	17,750	29.3%	109.0%	41.2%	na	4.93x	5.49x	1.10x	1.15x	1.01x
BRD	BRD	RON	15.24	10,621	22.9%	27.2%	17.2%	6.81x	7.17x	7.82x	1.31x	1.36x	1.30x
Banca Transilvania	TLV	RON	22.10	17,650	27.6%	42.9%	25.2%	na	7.22x	7.12x	1.60x	1.48x	1.34x
Komercni	KOMB	CZK	669.00	127,143	-8.6%	-1.6%	2.1%	8.36x	8.12x	8.67x	1.21x	0.96x	0.96x
Mean								4.42x	5.07x	5.12x	0.99x	1.08x	0.96x
Median								2.74x	4.88x	4.29x	1.04x	1.05x	0.96x

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	9.50	416	23.9%	54.5%	30.1%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	12.00	436	-0.4%	-5.8%	-4.0%	18.33x	na	na	0.99x	na	na
Sabanci Holding	SAHOL	TRY	59.50	121,404	52.4%	101.7%	32.0%	1.77x	3.36x	2.58x	0.77x	0.79x	0.58x
Deutsche Beteiligungs	DBAN	EUR	31.70	596	14.9%	36.9%	13.6%	na	5.48x	5.88x	1.00x	0.89x	0.80x
Eurazeo	RF	EUR	55.15	4,369	-15.5%	-2.1%	-5.1%	8.89x	9.35x	7.54x	0.78x	0.55x	0.46x
Carlyle Group	CG	USD	29.57	10,706	1.2%	7.0%	-0.9%	8.50x	9.70x	7.31x	1.70x	2.99x	2.05x
Wendel SE	MF	EUR	73.00	3,242	-23.3%	-3.5%	-16.3%	6.63x	5.99x	5.90x	na	1.01x	0.91x
HgCapital Trust	HGT	GBP	3.77	1,723	8.2%	11.1%	7.4%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.42	672	8.6%	-2.1%	-3.6%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.32	767	-4.3%	14.7%	3.0%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.25	709	10.0%	-3.3%	21.4%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.51	259	11.0%	14.8%	12.7%	na	na	na	0.47x	na	na
Mean								8.82x	6.77x	5.84x	0.84x	1.25x	0.96x
Median								8.50x	5.99x	5.90x	0.78x	0.89x	0.80x

Source: Bloomberg, S&P Capital IQ

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Galt & Taggart

Address: 3 A. Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge