



Economy

Inflation retreated to 5.3% in Mar-23

Annual CPI inflation retreated to 5.3% in Mar-23 from a 8.1% inflation in previous month, mainly due to price reductions in transport and healthcare categories. Core inflation (non-food, non-energy, and non-tobacco) also reduced to 5.0% (-1.6ppts m/m) in March. By categories, annual inflation was mostly driven by price changes in food and non-alcoholic beverages (+11.8% y/y, 3.91ppts), housing, water, electricity, gas and other fuels (+11.1% y/y, 1.15ppts), transport (-8.0% y/y, -1.00ppts), healthcare (-9.1% y/y, -0.92ppts), alcoholic beverages and tobacco (+7.2% y/y, 0.48ppts) and restaurants and hotels (+12.4% y/y, 0.47ppts), categories. On a monthly basis, there was a 0.2% deflation in Mar-23, driven by price reduction in transport (-2.3% m/m, -0.27ppts) category.

As inflation deceleration is expected to continue in coming months, we believe that the NBG will begin monetary easing from June 2023 (we also do not rule out the possibility of the first rate cut occurring on May meeting). We revised our annual inflation forecast downwards to 4.7% for 2023 from the previous forecast of 5.2%.

International reserves reached an all-time high US\$ 5.0bn in Mar-23

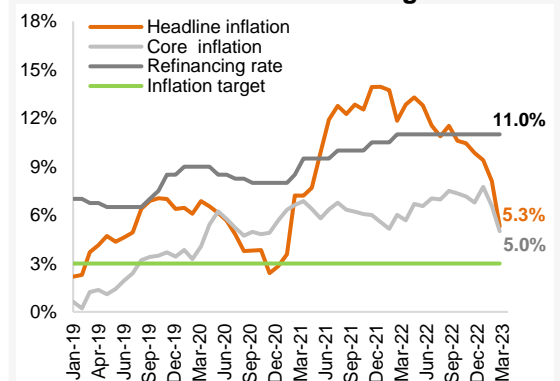
Gross international reserves increased by 24.1% y/y to an all-time high US\$ 5.0bn in Mar-23, according to NBG. On a monthly basis, the reserves were up by 6.0% (+US\$ 283.6mn). Changes in reserves were attributed to the government and banking sector FX operations, likely also to NBG's FX purchases (information will be available on 25 April).

Key macro indicators

	2021	2022
Real GDP growth (% change)	10.5%	10.1%
GDP per capita (ppp)	16,937	19,502
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	

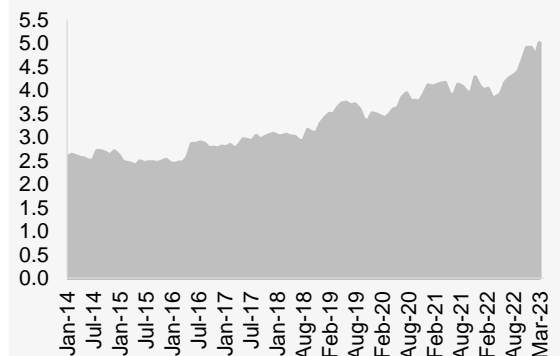
Source: Official data, Rating agencies, Galt & Taggart
*Latest sovereign credit ratings

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\$ 15.7mn) Benchmark bonds were sold at the auction held at NBG on April 4, 2023. Total demand was c.2.1x higher and the weighted average yield was fixed at 8.617%, down by 0.001ppts from previous auction held in Mar-23.

6-month GEL 20.0mn (US\$ 7.8mn) T-Bills were sold at the auction held at NBG on April 4, 2023. Total demand was 2.8x higher and the weighted average yield was fixed at 9.378%, down by 0.265ppts from previous auction held in Mar-23.

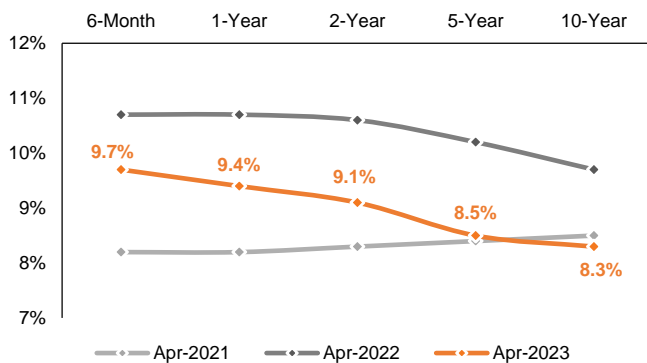
The nearest treasury security auction is scheduled for April 11, 2023, where GEL 20.0mn nominal value 1-year T-bills will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	80	160	415
1-year	60	180	
2-year	171	320	
5-year	294	810	6,125
10-year	180	840	
Total	785	2,310	6,540

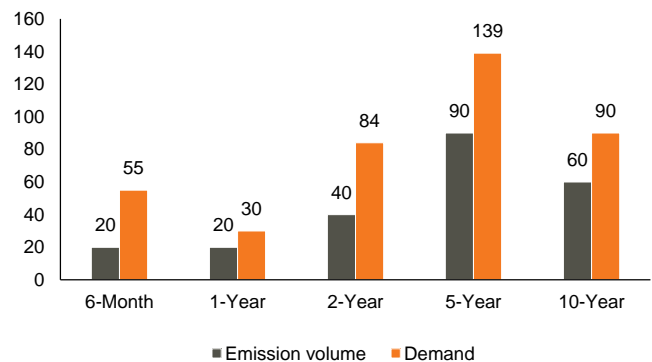
Source: MoF
*As of February 2023

T-bills / T-notes, yield curve



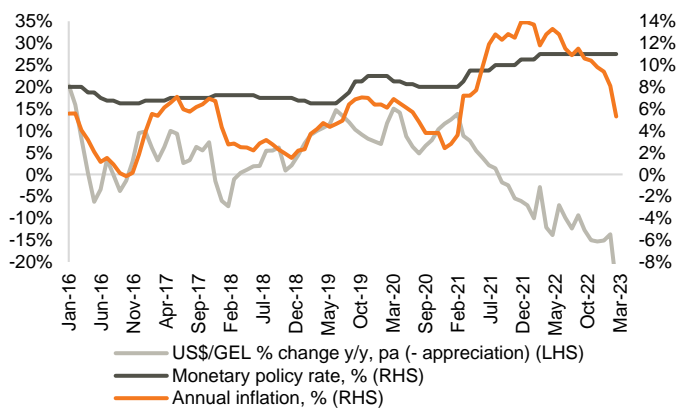
Source: NBG

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



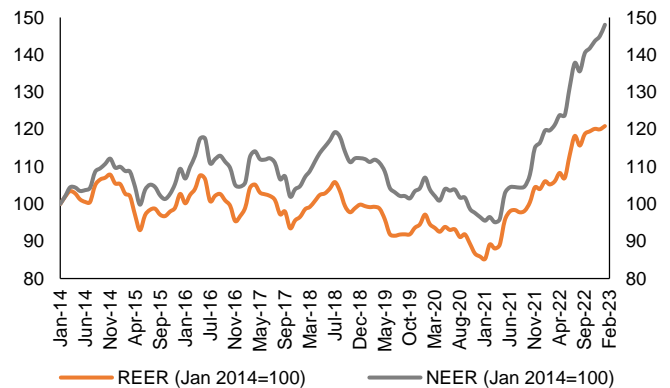
Source: NBG

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

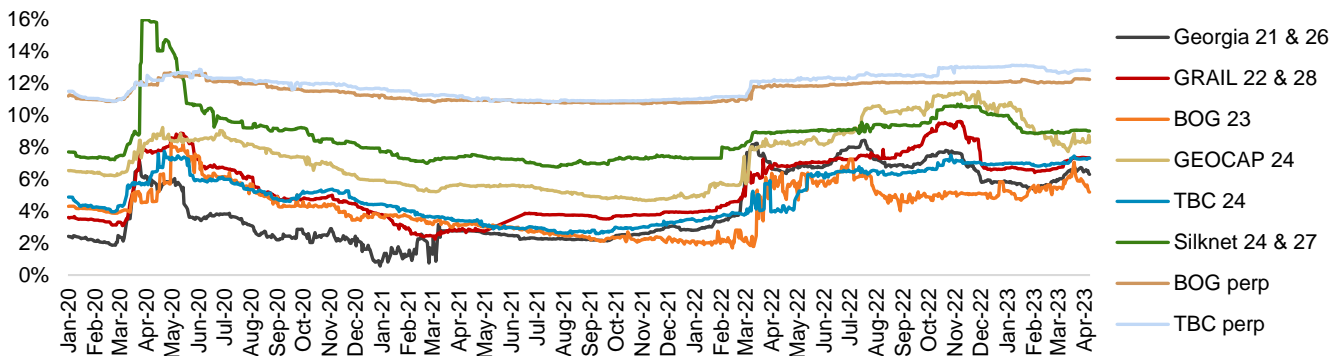
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.19% yield, trading at 100.22 (+0.16% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 98.11 (+0.06% w/w), yielding 8.31%.

Georgian Railway Eurobonds (GRAIL) traded at 85.88 (+0.21% w/w), yielding 7.32%.

Georgian Sovereign Eurobonds (GEORG) closed at 90.35 (+0.49% w/w) at 6.30% 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	90.35	6.30	280.96
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	85.88	7.32	414.70
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/-/Ba2	100.22	5.19	n/a
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	98.37	12.23	815.85
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	98.11	8.31	362.75
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	97.98	9.01	563.53
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	98.25	7.31	287.57
TBC PERP	USD	125	10.775%	n/a	B-/-/-	95.67	12.80	986.10

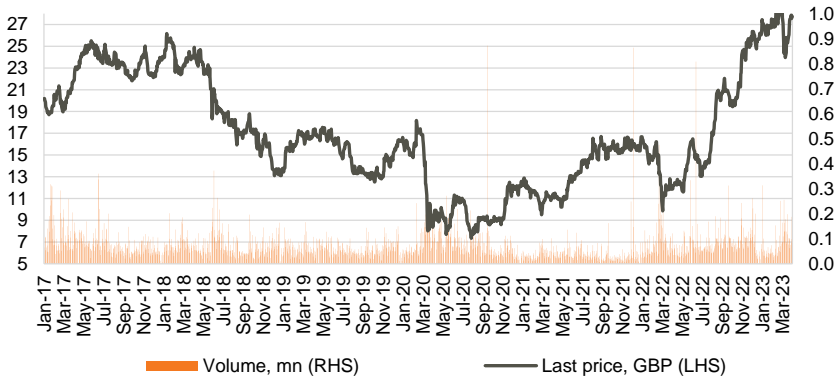
Georgian local bonds performance

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-23	-/-/-	99.59	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/-	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. Beer Company	GEL	25	15.50%	Dec-23	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	13.60%	Nov-24	-/-/-	n/a	n/a	n/a
Nikora Trade	GEL	35	13.62%	Nov-24	-/-/-	n/a	n/a	n/a
Geo Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	99.04	7.25	-/-/-

Source: Bloomberg

Equities

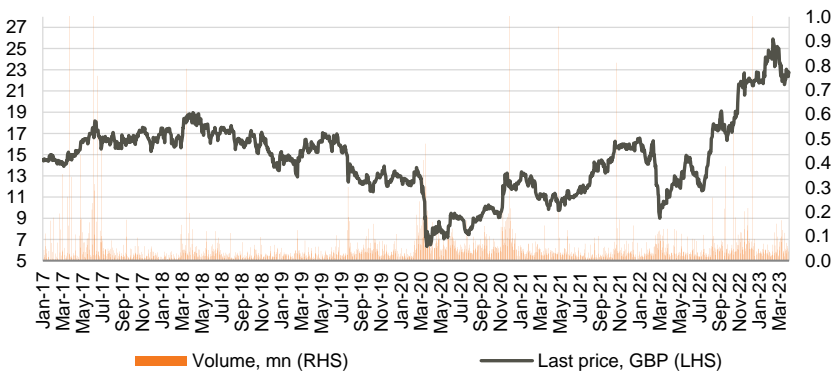
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 27.75/share (+0.91% w/w and -4.97% m/m). More than 445k shares traded in the range of GBP 26.85 - 28.35/share. Average daily traded volume was 124k in the last 4 weeks. The volume of BGEO shares traded was at 0.91% of its capitalization.

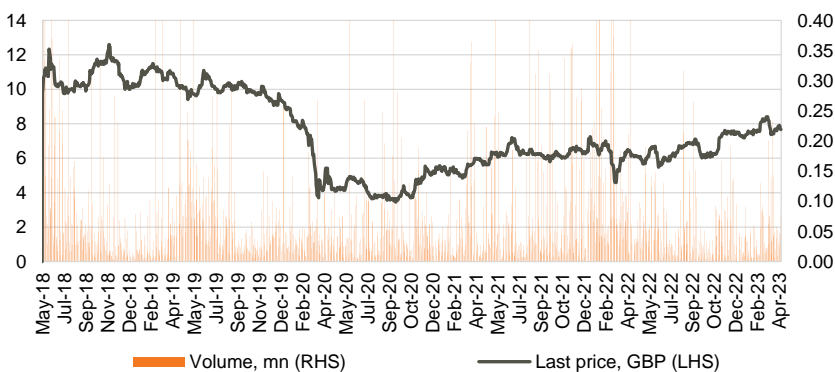
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 22.75/share (+1.56% w/w and -8.82% m/m). More than 186k shares changed hands in the range of GBP 22.00 - 23.35/share. Average daily traded volume was 64k in the last 4 weeks. The volume of TBCG shares traded was at 0.34% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 7.67/share (-2.29% w/w and -6.92% m/m). More than 195k shares traded in the range of GBP 7.65 - 7.97/share. Average daily traded volume was 59k in the last 4 weeks. The volume of CGEO shares traded was at 0.42% 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	27.75	1,364	42.7%	133.2%	6.5%	3.20x	4.22x	3.72x	0.99x	0.81x	0.76x
TBC	TBC	GBP	22.75	1,255	30.9%	104.6%	0.2%	4.25x	3.87x	3.43x	1.08x	0.88x	0.72x
Halyk Bank	HSBK	USD	11.80	3,218	8.7%	18.0%	6.3%	2.69x	3.14x	2.67x	0.78x	0.67x	0.55x
Akbank	AKBNK	TRY	16.67	86,684	29.6%	107.3%	-14.7%	1.40x	2.09x	1.98x	0.55x	0.49x	0.40x
Garanti	GARAN	TRY	27.28	114,576	28.8%	116.3%	-9.2%	1.91x	2.54x	2.19x	0.73x	0.57x	0.44x
Isbank	ISCTR	TRY	11.86	53,370	42.0%	174.2%	-7.1%	0.84x	1.11x	0.98x	0.60x	0.53x	0.43x
PKO	PKO	PLN	28.67	35,838	29.1%	-28.6%	-5.3%	10.98x	5.53x	5.73x	1.03x	0.89x	0.82x
PEKAO	PEO	PLN	86.18	22,620	34.9%	-23.7%	-0.4%	na	5.28x	5.67x	na	0.87x	0.80x
Millennium	MIL	PLN	4.63	5,616	38.2%	-29.8%	1.1%	na	2.42x	2.66x	1.04x	0.81x	0.74x
Mbank	MBK	PLN	323.40	13,707	65.2%	-11.8%	9.3%	na	7.40x	5.55x	1.10x	0.82x	0.76x
BRD	BRD	RON	12.68	8,837	7.5%	-25.4%	-2.5%	6.81x	6.15x	6.12x	1.31x	1.08x	1.04x
Banca Transilvania	TLV	RON	19.66	124,084	12.3%	-9.5%	-1.3%	na	na	50.60x	1.60x	1.25x	1.12x
Komercni	KOMB	CZK	732.00	139,116	7.2%	-11.9%	11.8%	8.36x	9.18x	8.96x	1.21x	1.04x	1.00x
Mean								4.49x	4.41x	7.71x	1.00x	0.82x	0.74x
Median								3.20x	4.05x	3.72x	1.04x	0.82x	0.76x

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	7.67	357	27.2%	19.8%	5.1%	na	na	na	0.39x	na	na
Tinc Comm	TINC	EUR	12.05	438	-5.6%	-11.5%	-3.6%	18.33x	na	na	0.99x	na	na
Sabanci Holding	SAHOL	TRY	39.20	79,984	34.4%	125.9%	-13.0%	1.77x	2.05x	1.67x	0.77x	0.63x	0.47x
Deutsche Beteiligungs	DBAN	EUR	27.60	519	21.3%	-1.8%	-1.1%	na	6.82x	5.14x	1.00x	0.81x	0.73x
Eurazeo	RF	EUR	65.30	5,173	19.8%	-14.5%	12.4%	8.89x	9.54x	8.35x	0.78x	0.69x	0.66x
Carlyle Group	CG	USD	29.22	10,412	9.6%	-33.8%	-2.1%	8.50x	7.58x	6.19x	1.70x	1.97x	1.56x
Wendel SE	MF	EUR	95.15	4,258	28.1%	7.2%	9.1%	6.63x	7.82x	7.71x	na	1.31x	1.18x
HgCapital Trust	HGT	GBP	3.48	1,584	0.0%	-19.1%	-0.7%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	14.20	619	-8.4%	-11.0%	-11.3%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.52	806	19.9%	7.0%	7.6%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.32	644	-11.2%	-23.6%	10.4%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.46	234	3.6%	2.2%	1.6%	na	na	na	0.47x	na	na
Mean								8.82x	6.76x	5.81x	0.84x	1.08x	0.92x
Median								8.50x	7.58x	6.19x	0.78x	0.81x	0.73x

Source: Bloomberg, S&P Capital IQ

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