



## Economy

### Real GDP grew by 5.8% y/y in Feb-23

Real GDP growth eased to 5.8% y/y in Feb-23, from a 8.4% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, real growth came in at 7.1% y/y in 2M23 remaining robust considering last year's high base. Our 2023 baseline growth forecast is 4.8% and we expect growth to reach 6.9% if the migration impact remains strong. The observed growth in February was mainly driven by the construction, financial, trade and transportation sectors. Meanwhile, manufacturing, real estate and professional activities sectors contracted.

### Loan portfolio growth was 13.3% y/y in Feb-23

In Feb-23, the banking sector loan portfolio growth was 13.3% y/y (+0.8% m/m), excluding FX effect, unchanged y/y growth from previous month. In unadjusted terms, loan portfolio increased by 2.8% y/y (flat m/m) to GEL 44.5bn (US\$ 16.9bn), after growing by 5.5% in January. By sector, corporate loans growth accelerated to 10.7% y/y (+9.9% y/y in January, exc. FX effect) and retail loans growth slowed to 15.7% y/y (+16.4% y/y in January). The mortgages increased by 13.0% y/y in February (+13.2% y/y in January). In Feb-23, loan dollarization reduced to 44.4% (-6.54ppts y/y and -0.29ppts m/m) and NPLs stood at 1.8% (-0.14ppts y/y and flat m/m).

Bank deposits growth remained strong, up by 29.5% y/y (+0.6% m/m, exc. FX effect) to GEL 43.6bn (US\$ 16.6bn) in Feb-23, after a 29.2% y/y growth in January. By currency, GEL deposits increased by 28.6% y/y (+29.3% y/y in previous month) and FX deposits (exc. FX effect) by 30.0% y/y (+29.1% in previous month). The deposit dollarization reduced further to 54.8% (-4.49ppts y/y and -0.12ppts m/m) in February.

### Current account (CA) deficit reduced to a record low 4.1% of GDP in 2022

CA deficit reduced to a record low 4.1% of GDP in 2022, from a 10.4% in 2021, according to NBG. The improvement in the CA balance was due to the strong growth in the service balance (reflecting a strong recovery in tourism revenues, amounting to US\$ 3.5bn in 2022, surpassing 2019 level by 7.7%), followed by transfers balance. The merchandise trade deficit, traditionally the major contributor to deficit creation, increased by 35.5% y/y to US\$ 5.1bn, as exports increased by 35.8% y/y and imports were up 35.7% y/y. Notably, the positive balance in services and transfers was 1.1x higher than the trade deficit in 2022. In addition, the net FDI (+79.6% y/y to US\$ 1.7bn, 6.7% of GDP) was 1.6x higher than CA deficit in 2022. We expect current account deficit to increase to 5.4% of GDP in 2023, as transfers expected to normalize from last year's high base.

### NBG keeps key rate unchanged at 11.0%

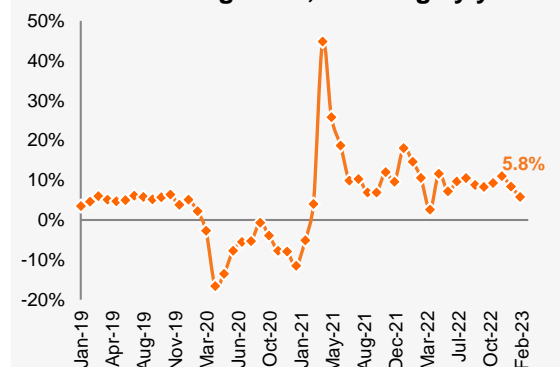
The NBG kept its key rate unchanged at 11.0% on 29 March 2023 meeting. NBG acknowledges that the reduction in annual inflation to 8.1% in February was largely due to external factors. However, regulator underlines potential price pressures from the labor market, as wage growth is outpacing labor productivity growth, which could lead to inflationary pressure. Despite this concern, the NBG's current forecast suggests that headline inflation will continue to decline significantly and may fall below the 3.0% target in 2H23. However, the regulator plans to begin gradual monetary easing once the trend of domestic factors causing inflationary pressure shows a clear path of reduction. The next committee meeting is scheduled for 10 May 2023.

### 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/Ba2	

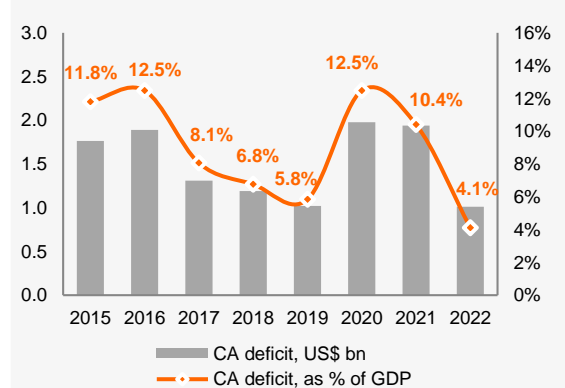
Source: Official data, Rating agencies, Galt & Taggart  
\*Latest sovereign credit ratings

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



Source: Geostat

### Current Account Deficit



Source: NBG, Geostat

# Money market

## Ministry of Finance T-Bills:

5-year GEL 90.0mn (US\$ 34.9mn) Benchmark bonds were sold at the auction held at NBG on March 28, 2023. Total demand was 1.5x higher and the weighted average yield was fixed at 8.669%, up by 0.034ppts from previous auction held in Feb-23.

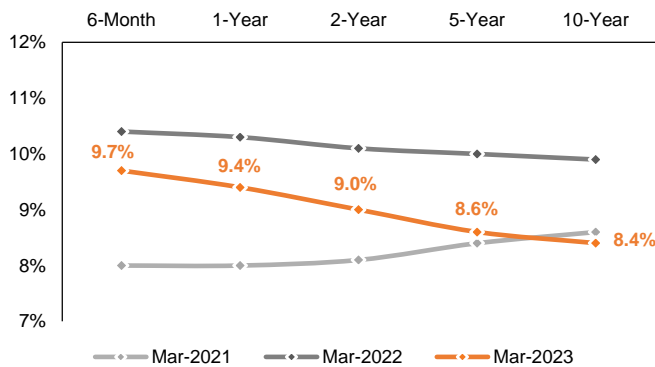
The nearest treasury security auction is scheduled for April 4, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark bonds will be sold.

## T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	60	180	415
1-year	60	180	
2-year	129	360	
5-year	294	810	6,125
10-year	180	840	
<b>Total</b>	<b>723</b>	<b>2,370</b>	<b>6,540</b>

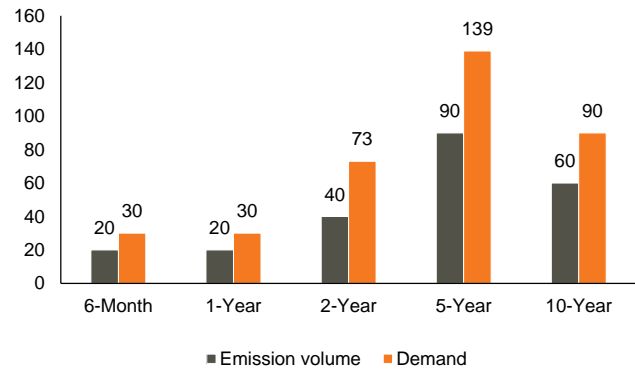
Source: MoF  
\*As of February 2023

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



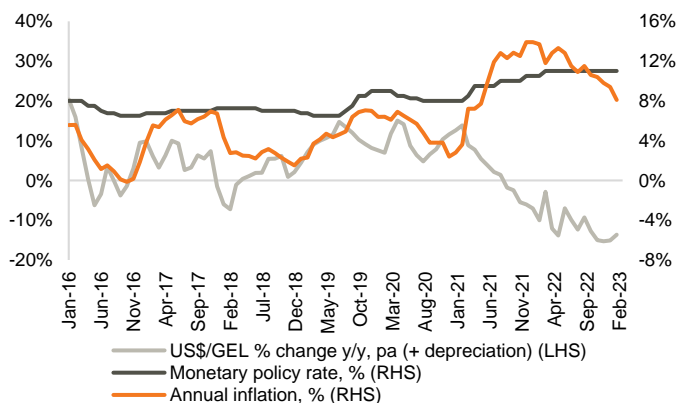
Source: NBG

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



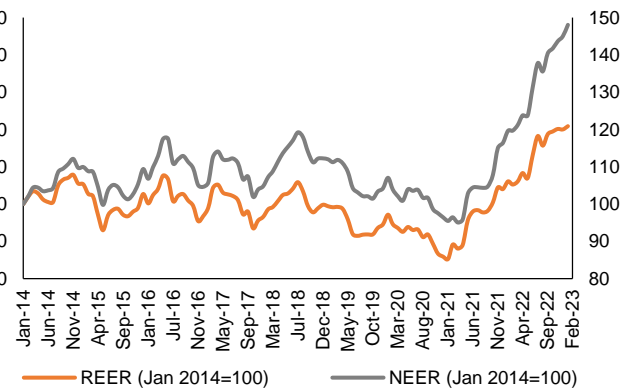
Source: NBG

## 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

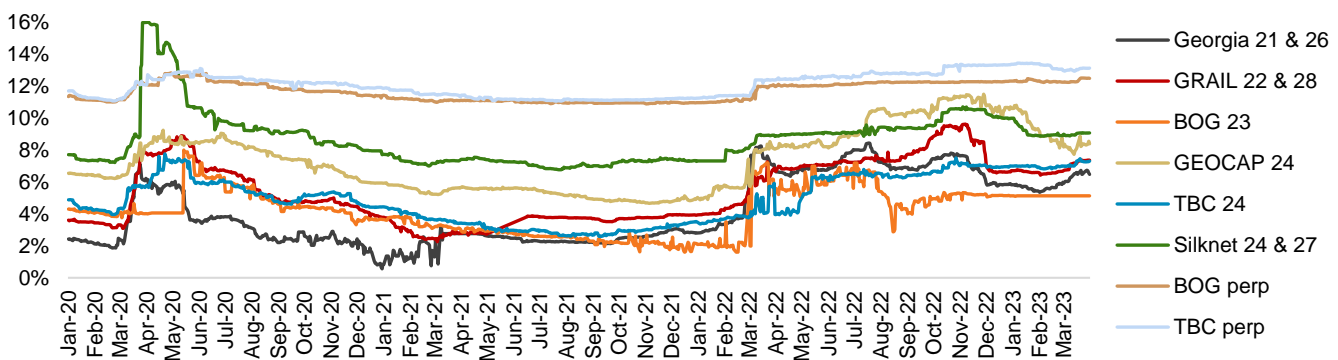
## Fixed income

**Corporate Eurobonds:** Georgia Capital Eurobonds (GEOCAP) were trading at 98.02 (+0.03% w/w), yielding 8.38%.

Georgian Railway Eurobonds (GRAIL) traded at 85.72 (-0.06% w/w), yielding 7.35%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 89.88 (+0.33% w/w) at 6.46% 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	89.88	6.46	269.80
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/	85.72	7.35	392.88
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	n/a	n/a	n/a
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/	98.11	12.47	819.83
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	98.02	8.38	357.52
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/B1	97.82	9.06	542.10
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.24	7.29	268.57
TBC PERP	USD	125	10.775%	n/a	B-/	95.64	13.11	964.44

### Georgian local bonds performance

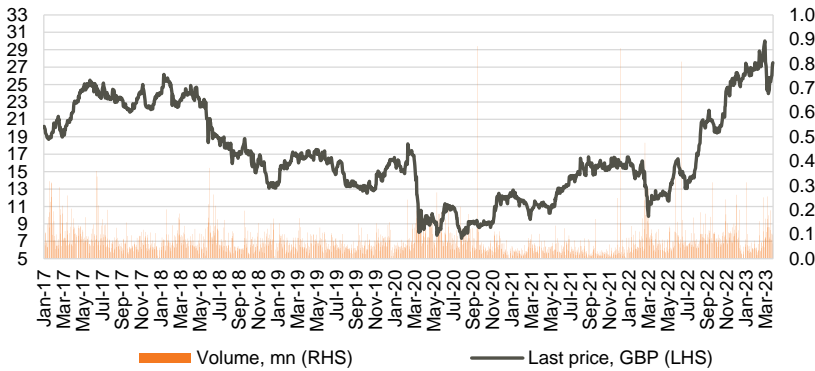
GLC	USD	12	5.75%	Jul-23	-/-/-	99.94	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.59	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/-	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	98.23	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	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

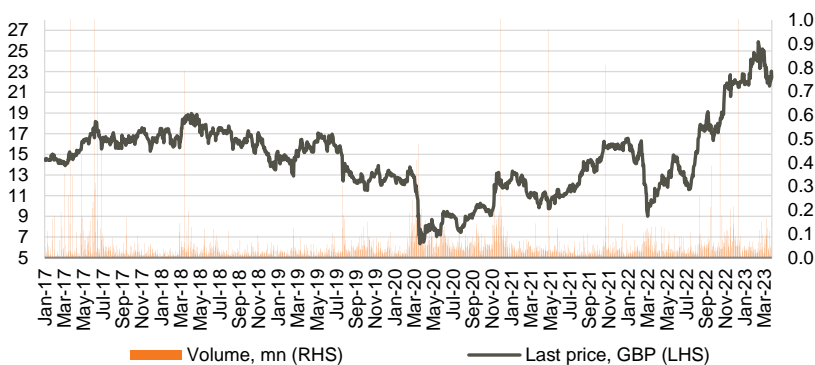
### Bank of Georgia Group (BGEO LN)



Source: Bloomberg

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 27.50/share (+8.70% w/w and -1.43% m/m). More than 442k shares traded in the range of GBP 25.50 - 27.75/share. Average daily traded volume was 122k in the last 4 weeks. The volume of BGEO shares traded was at 0.90% of its capitalization.

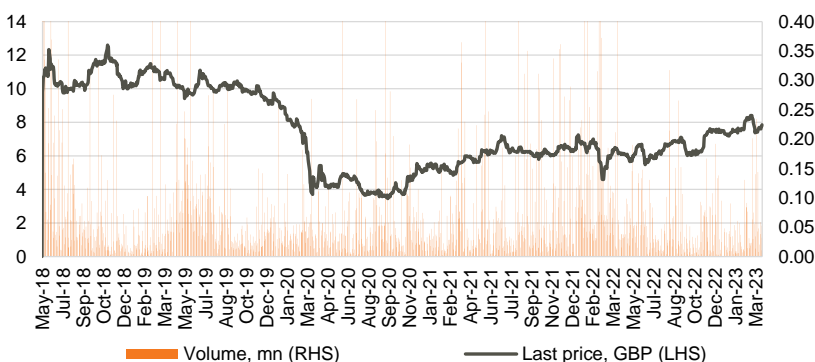
### TBC Bank Group (TBCG LN)



Source: Bloomberg

**TBC Bank Group (TBCG LN)** closed the week at GBP 22.40/share (+3.70% w/w and -9.68% m/m). More than 234k shares changed hands in the range of GBP 21.60 - 23.10/share. Average daily traded volume was 63k in the last 4 weeks. The volume of TBCG shares traded was at 0.42% of its capitalization.

### Georgia Capital (CGEO LN)



Source: Bloomberg

**Georgia Capital (CGEO LN)** shares closed at GBP 7.85/share (+1.95% w/w and -3.92% m/m). More than 191k shares traded in the range of GBP 7.45 - 7.85/share. Average daily traded volume was 66k in the last 4 weeks. The volume of CGEO shares traded was at 0.41% 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		
								2021	2022F	2023F	2021	2022F	2023F
Bank of Georgia	BGEO	GBP	27.50	1,352	38.3%	131.5%	5.6%	4.58x	3.48x	4.20x	1.06x	1.09x	0.81x
TBC	TBC	GBP	22.40	1,235	34.3%	103.6%	-1.3%	4.75x	4.26x	3.82x	1.04x	0.92x	0.87x
Halyk Bank	HSBK	USD	11.56	3,152	15.6%	15.9%	4.1%	2.60x	3.05x	3.07x	0.76x	0.78x	0.66x
Akbank	AKBNK	TRY	16.94	88,088	50.0%	133.3%	-13.4%	6.04x	1.50x	2.13x	0.96x	0.68x	0.49x
Garanti	GARAN	TRY	27.86	117,012	43.4%	128.4%	-7.3%	7.12x	2.11x	2.60x	1.20x	0.86x	0.58x
Isbank	ISCTR	TRY	12.97	58,365	72.5%	226.4%	1.6%	2.87x	1.07x	1.21x	0.99x	0.62x	0.58x
PKO	PKO	PLN	28.52	35,650	30.6%	-28.4%	-5.8%	6.63x	10.26x	5.50x	0.86x	1.04x	0.89x
PEKAO	PEO	PLN	85.46	22,431	40.8%	-24.3%	-1.2%	9.22x	7.81x	5.24x	0.84x	1.00x	0.86x
Millennium	MIL	PLN	4.45	5,401	33.6%	-32.8%	-2.8%	na	2.30x	2.15x	0.81x	1.15x	0.78x
Mbank	MBK	PLN	306.40	12,987	52.9%	-13.3%	3.5%	na	na	13.22x	0.83x	1.05x	0.78x
BRD	BRD	RON	11.88	8,279	7.0%	-32.0%	-8.6%	6.06x	6.47x	5.84x	0.81x	1.30x	1.05x
Banca Transilvania	TLV	RON	19.50	123,074	16.8%	-10.4%	-2.1%	na	na	na	1.24x	1.31x	1.23x
Komercni	KOMB	CZK	717.50	136,360	14.1%	-16.3%	9.5%	11.10x	8.47x	9.01x	1.14x	1.13x	1.02x
<b>Mean</b>								<b>6.34x</b>	<b>4.62x</b>	<b>4.83x</b>	<b>0.94x</b>	<b>0.99x</b>	<b>0.81x</b>
<b>Median</b>								<b>6.06x</b>	<b>3.48x</b>	<b>4.01x</b>	<b>0.91x</b>	<b>1.04x</b>	<b>0.81x</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		
								2021	2022F	2023F	2021	2022F	2023F
Georgia Capital	CGEO	GBP	7.85	366	26.8%	24.4%	7.5%	1.80x	na	na	0.41x	na	na
Tinc Comm	TINC	EUR	12.20	444	-1.9%	-9.9%	-2.4%	13.85x	na	na	0.94x	na	na
Sabanci Holding	SAHOL	TRY	39.56	80,718	53.5%	125.4%	-12.2%	5.61x	2.13x	2.07x	1.31x	0.84x	0.64x
Deutsche Beteiligungs	DBAN	EUR	28.00	527	29.9%	-2.4%	0.4%	2.57x	na	6.91x	0.68x	1.07x	0.83x
Eurazeo	RF	EUR	65.75	5,209	22.1%	-13.9%	13.2%	2.91x	15.10x	9.60x	0.72x	0.75x	0.70x
Carlyle Group	CG	USD	30.90	11,008	19.6%	-36.8%	3.5%	3.34x	7.13x	7.88x	1.87x	2.66x	2.08x
Wendel SE	MF	EUR	97.60	4,367	32.2%	5.4%	11.9%	3.45x	8.26x	8.02x	1.35x	1.56x	1.34x
HgCapital Trust	HGT	GBP	3.43	1,562	0.9%	-21.2%	-2.1%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	14.05	613	-9.1%	-15.1%	-12.2%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.54	810	20.1%	7.7%	8.1%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.30	643	-13.1%	-22.8%	10.2%	3.10x	na	na	0.52x	na	na
Symphony International Holding	SIHL	USD	0.47	241	4.5%	10.4%	4.7%	1.78x	na	na	0.45x	na	na
<b>Mean</b>								<b>4.27x</b>	<b>8.15x</b>	<b>6.90x</b>	<b>0.92x</b>	<b>1.37x</b>	<b>1.12x</b>
<b>Median</b>								<b>3.10x</b>	<b>7.69x</b>	<b>7.88x</b>	<b>0.72x</b>	<b>1.07x</b>	<b>0.83x</b>

Source: Bloomberg, S&amp;P Capital IQ

## Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

### **Galt & Taggart**

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

**Tel:** + (995) 32 2401 111

**Email:** [research@gt.ge](mailto:research@gt.ge)