



Economy

Real GDP growth accelerated to 9.3% y/y in Nov-22

The economic growth in Georgia accelerated to 9.3% y/y in Nov-22, after a 8.3% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, real growth stood at 10.0% y/y in 11M22. In November, the growth was recorded in construction, transport, financial intermediation, mining, trade and hospitality sectors, while manufacturing and real estate operations contracted. We forecast Georgia's economy to grow by 10.2% in 2022 and 4.8% in 2023.

CA turned into surplus in 3Q22

Current account (CA) turned into surplus at 5.9% of GDP in 3Q22, according to NBG, this is for the 2nd time on record after a 0.3% of GDP surplus in 3Q18. The positive CA balance was mainly driven by a strong growth in service balance (+3.0x y/y, 17.4% of GDP, supported by a strong recovery in tourism revenues at 122.3% of 3Q19 level), followed by transfers (+54.3% y/y, 13.1% of GDP). Meanwhile, the merchandise trade deficit, traditionally the major contributor to deficit creation, increased by 15.7% y/y to US\$ 1.2bn, as exports were up 50.8% y/y and imports increased by 36.3% y/y. Notably, net FDI increased by 2.4x y/y to US\$ 687.2 (10.1% of GDP), while there was a negative balance in portfolio investment at US\$ 1.0bn in 3Q22. Overall in 9M22, CA deficit was at a record low level of 2.7% of GDP, down from 10.2% in 9M21.

Loan portfolio grew by 13.8% y/y in Nov-22

In Nov-22, the banking sector loan portfolio growth was 13.8% y/y (+1.2% m/m), excluding FX effect, unchanged from the previous month. In unadjusted terms, loan portfolio increased by 5.4% y/y (+1.0% m/m) to GEL 43.7bn (US\$ 16.1bn), after growing by 3.7% in October. By sector, corporate loans growth accelerated, up by 10.1% y/y (+9.4% y/y in previous month, exc. FX effect) and retail loans growth stood at 17.3% y/y (+17.9% y/y in previous month). The mortgages increased by 13.6% y/y in November after growing by 13.8% y/y in previous month. In Nov-22, loan dollarization slightly increased to 44.7% (-5.65ppts y/y and +0.05ppts m/m) and NPLs stood at 1.9% (-0.32ppts y/y and +0.03ppts m/m).

Deposits acceleration continued, up by 29.8% y/y (+1.6% m/m, exc. FX effect) to GEL 42.6bn (US\$ 15.7bn) in Nov-22, after a 28.0% y/y growth in previous month. By currency, both GEL and FX deposits growth accelerated, with GEL deposits up 30.6% y/y (+26.8% y/y in previous month) and FX deposits (exc. FX effect) up 29.2% y/y (+28.7% y/y in previous month). The deposit dollarization reduced to 56.7% (-3.77ppts y/y and -0.57ppts m/m).

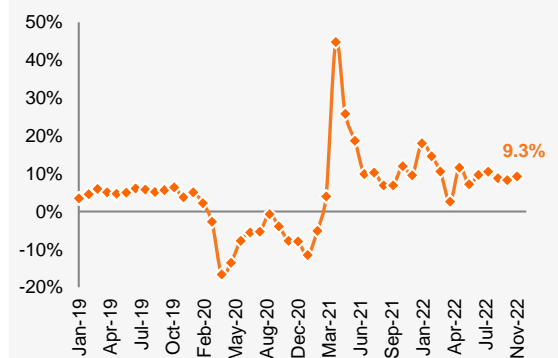
Key macro indicators

	2020	2021
Real GDP growth (% change)	-6.8%	10.5%
GDP per capita (ppp)	14,849	17,386
GDP per capita (US\$)	4,256	5,023
Population (mn)	3.7	3.7
Inflation (eop)	2.4%	13.9%
Gross reserves (US\$ bn)	3.9	4.3
CAD (% of GDP)	12.5%	10.4%
Fiscal deficit (% of GDP)	9.3%	6.1%
Total public debt (% of GDP)	60.2%	49.7%
Fitch/S&P/Moody's*	BB/BB/Ba2	

Source: Official data, Rating agencies, Galt & Taggart

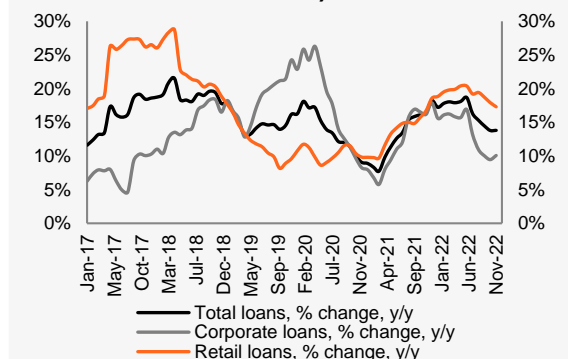
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Banking sector loan growth (exc. FX effect)



Source: NBG

Money market

Ministry of Finance T-Bills:

5-year GEL 90.0mn (US\$ 33.3mn) Benchmark bonds were sold at the auction held at NBG on December 27, 2022. Total demand was 2.1x higher and the weighted average yield was fixed at 8.826%, down by 0.166ppts from previous auction held in Nov-22.

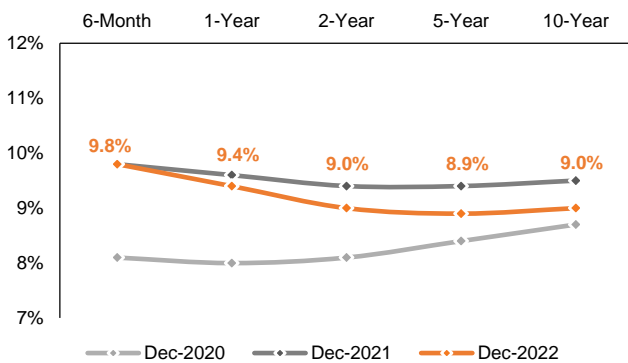
The nearest treasury security auction is scheduled for January 10, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2022

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	240	0	120
1-year	295	0	295
2-year	900	0	1,117
5-year	1,078	0	3,500
10-year	300	0	1,496
Total	2,813	0	6,528

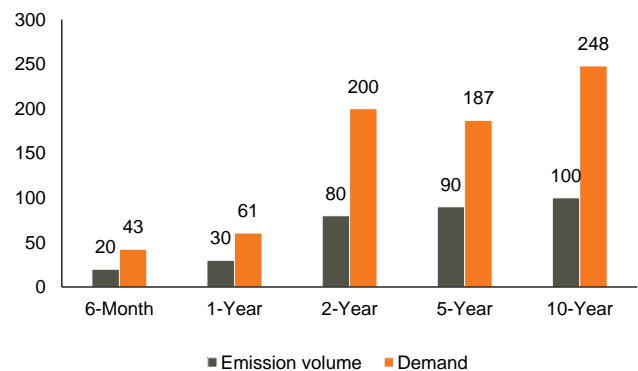
Source: MoF
*As of November 2022

T-bills / T-notes, yield curve



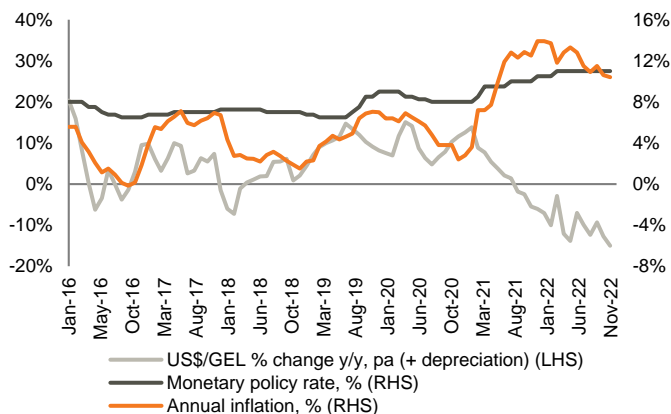
Source: NBG

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



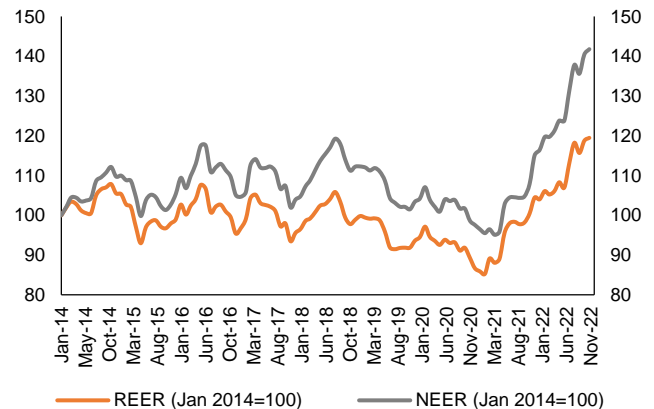
Source: NBG

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

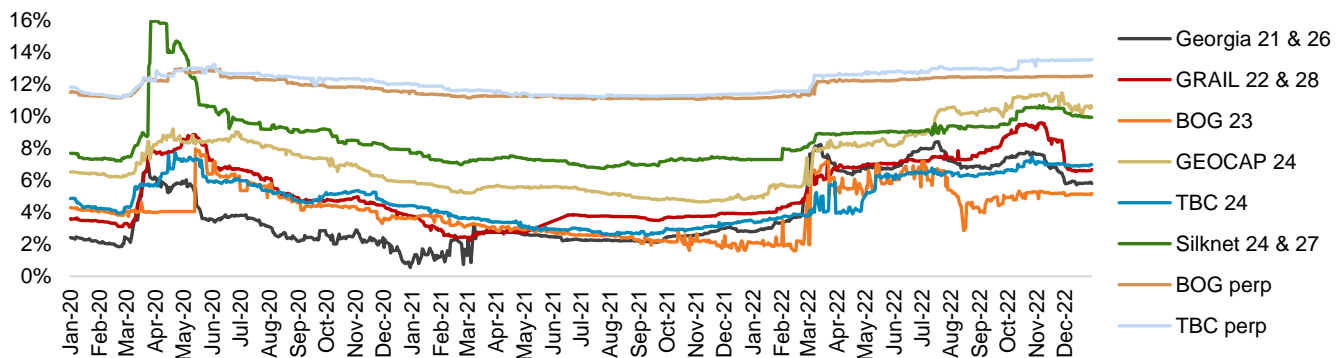
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.18% yield, trading at 100.48 (-0.01% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.18 (+0.16% w/w), yielding 10.56%.

Georgian Railway Eurobonds (GRAIL) traded at 87.90 (-0.36% w/w), yielding 6.68%.

Georgian Sovereign Eurobonds (GEORG) closed at 90.92 (+0.11% w/w) at 5.81% 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	90.92	5.81	182.70
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	87.90	6.68	296.75
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	100.48	5.18	34.37
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.32	12.54	692.68
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	95.18	10.56	576.47
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	94.80	9.96	606.48
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.31	6.99	227.20
TBC PERP	USD	125	10.775%	n/a	B-/-/-	93.50	13.57	1,054.17

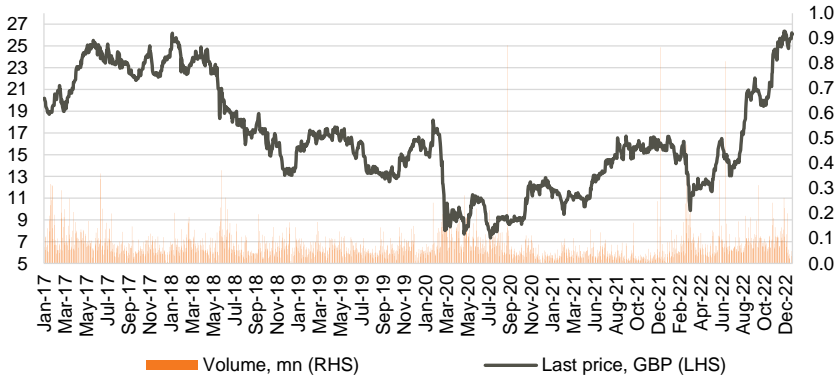
Georgian local bonds performance

GLC	USD	12	5.75%	Jul-23	-/-/-	99.90	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	-/-/-	99.49	6.75	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	97.35	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.77	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.73	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
TBC Leasing	GEL	58.4	13.37%	Mar-23	-/-/-	n/a	n/a	n/a
Geo Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	n/a	n/a	-/-/-

Source: Bloomberg

Equities

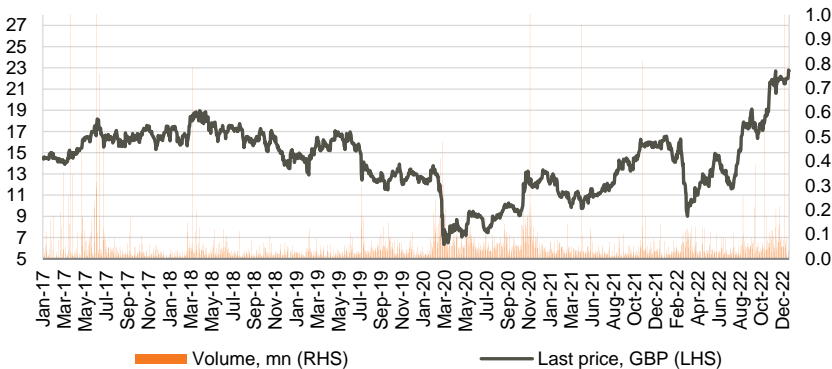
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 26.05/share (+1.56% w/w and +2.96% m/m). More than 96k shares traded in the range of GBP 25.60 - 26.25/share. Average daily traded volume was 88k in the last 4 weeks. The volume of BGEO shares traded was at 0.20% of its capitalization.

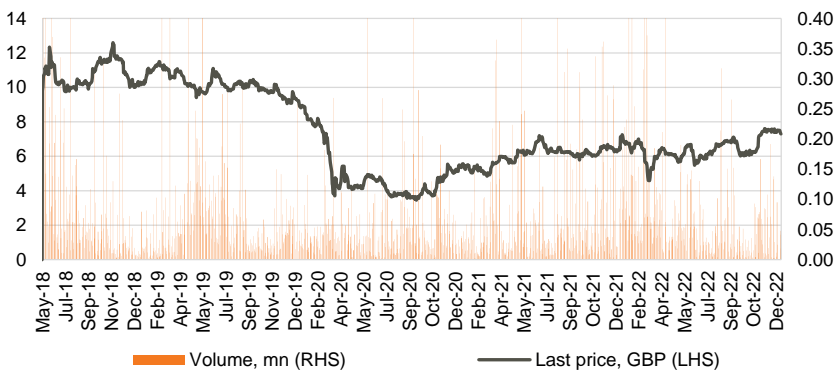
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 22.70/share (+3.18% w/w and +3.89% m/m). More than 91k shares changed hands in the range of GBP 22.00 - 23.10/share. Average daily traded volume was 129k in the last 4 weeks. The volume of TBCG shares traded was at 0.17% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 7.30/share (-2.67% w/w and -3.31% m/m). More than 107k shares traded in the range of GBP 7.28 - 7.40/share. Average daily traded volume was 51k in the last 4 weeks. The volume of CGEO shares traded was at 0.23% 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		
								2021	2022F	2023F	2021	2022F	2023F
Bank of Georgia	BGEO	GBP	26.05	1,281	99.5%	60.2%	56.2%	4.58x	4.00x	4.09x	1.06x	1.04x	0.88x
TBC	TBC	GBP	22.70	1,252	79.6%	37.6%	37.6%	4.75x	4.38x	4.11x	1.04x	0.96x	0.82x
Halyk Bank	HSBK	USD	11.10	3,027	11.0%	-33.1%	-32.7%	2.60x	2.93x	2.97x	0.76x	0.75x	0.63x
Akbank	AKBNK	TRY	19.75	102,700	146.3%	169.1%	174.3%	6.04x	1.83x	2.59x	0.96x	0.82x	0.65x
Garanti	GARAN	TRY	30.50	128,100	119.4%	166.1%	170.6%	7.12x	2.40x	3.04x	1.20x	0.97x	0.74x
Isbank	ISCTR	TRY	13.02	58,590	197.3%	292.1%	302.3%	2.87x	1.15x	1.30x	0.99x	0.60x	0.56x
PKO	PKO	PLN	30.42	38,025	8.6%	-32.3%	-32.3%	6.63x	10.42x	5.98x	0.86x	1.09x	0.95x
PEKAO	PEO	PLN	86.56	22,719	6.2%	-29.0%	-29.0%	9.22x	7.02x	5.62x	0.84x	0.97x	0.85x
Millennium	MIL	PLN	4.61	5,595	18.7%	-43.7%	-43.7%	na	2.25x	2.68x	0.81x	1.15x	0.92x
Mbank	MBK	PLN	296.60	12,571	32.1%	-31.5%	-31.5%	na	7.36x	4.93x	0.83x	1.00x	0.86x
BRD	BRD	RON	12.94	9,018	2.5%	-26.9%	-26.9%	6.06x	6.92x	6.40x	0.81x	1.39x	1.09x
Banca Transilvania	TLV	RON	20.00	126,229	0.6%	-13.1%	-13.1%	na	na	na	1.24x	1.35x	1.21x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	9.14x	8.99x	0.65x	0.66x	0.60x
Komerčni	KOMB	CZK	654.50	124,387	-1.2%	-30.0%	-30.0%	11.10x	7.40x	8.08x	1.14x	1.01x	0.96x
Mean								6.34x	5.17x	4.68x	0.94x	0.98x	0.84x
Median								6.06x	4.38x	4.11x	0.91x	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		
								2021	2022F	2023F	2021	2022F	2023F
Georgia Capital	CGEO	GBP	7.30	340	20.5%	13.7%	2.4%	1.80x	3.97x	3.01x	0.41x	na	na
Tinc Comm	TINC	EUR	12.52	455	-4.9%	-7.1%	-6.8%	13.85x	na	na	0.94x	na	na
Sabanci Holding	SAHOL	TRY	45.68	93,206	141.6%	249.2%	245.3%	5.61x	2.50x	3.75x	1.31x	1.09x	0.81x
Deutsche Beteiligungs	DBAN	EUR	28.00	527	10.7%	-29.7%	-29.7%	2.57x	na	6.99x	0.68x	1.05x	0.84x
Eurazeo	RF	EUR	58.85	4,662	-0.4%	-22.9%	-23.4%	2.91x	13.29x	9.28x	0.72x	0.66x	0.63x
Carlyle Group	CG	USD	30.23	10,771	-4.5%	-44.4%	-44.9%	3.34x	6.92x	7.28x	1.87x	2.49x	2.00x
Wendel SE	MF	EUR	87.90	3,933	10.2%	-17.2%	-16.6%	3.45x	7.31x	7.22x	1.35x	1.38x	1.21x
HgCapital Trust	HGT	GBP	3.51	1,596	6.1%	-16.6%	-16.6%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	16.00	698	7.7%	-13.0%	-13.5%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.20	749	9.0%	0.4%	0.2%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	8.44	584	-30.5%	-43.0%	-41.6%	3.10x	na	na	0.52x	na	na
Symphony International Holding	SIHL	USD	0.45	230	0.7%	8.0%	8.2%	1.78x	na	na	0.45x	na	na
Mean								4.27x	6.80x	6.25x	0.92x	1.33x	1.10x
Median								3.10x	6.92x	7.10x	0.72x	1.09x	0.84x

Source: Bloomberg, S&P Capital IQ

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