



Economy

Real GDP grew by 6.9% y/y in September 2021

Georgia's economy grew by 6.9% y/y in September, slower than in August, based on Geostat's rapid estimates. Notably, real GDP of September 2021 was also up by 6.1% compared to September 2019 level. Cumulatively, in 9M21, growth is estimated at 11.3% y/y, surpassing 9M19 level by 4.8%. In September, economic activity was up in all sectors except construction. The growth was fuelled by government spending, robust credit growth, strong remittances and continued recovery in tourism.

Corporate bank lending growth accelerated further in Sep-21

In Sep-21, the banking sector loan portfolio growth came in at 15.8% y/y (+2.5% m/m), excluding FX effect, after a 15.3% y/y growth in previous month. In unadjusted terms, loan portfolio was up 12.7% y/y (+2.3% m/m), amounting to GEL 41.0bn (US\$ 13.1bn). By sector, corporate loan growth accelerated further to 16.9% y/y (exc. FX effect) in September, from a 15.6% y/y growth in previous month, while retail loan growth remained almost unchanged at 14.8% y/y. In Sep-21, loan dollarization reduced further to 51.4% (-5.54ppts y/y and -0.29ppts m/m) and NPLs stood at 2.2% (-0.12ppts y/y and -0.05ppts m/m).

Bank deposits grew by 12.7% y/y (+1.3% m/m, exc. FX effect) to GEL 35.9bn (US\$ 11.5bn) in Sep-21, with GEL deposits up 11.6% y/y and FX deposits up 13.3% y/y (exc. FX effect). The deposit dollarization stood at 60.7% (-0.86ppts y/y and +0.63ppts m/m).

Tbilisi residential property price index up y/y and down q/q in 3Q21

Residential property price index (RPPI) was up 8.9% y/y in 3Q21, after a 10.1% y/y growth in previous quarter, according to Geostat. Notably, flats price growth remained almost unchanged at 7.3% y/y, while detached houses price growth slowed to 13.5% y/y after rising 17.9% y/y in previous quarter. On a quarterly basis, prices fell in both segments, down 4.6% q/q for detached houses and down 1.8% q/q for flats, which led to a 2.5% q/q drop in total RPPI in 3Q21.

NBG kept its key rate unchanged at 10.0%

The NBG kept the key rate unchanged at 10.0% on 27 October 2021 for the 2nd time, after raising it by 50bps in August. The central bank said that increased inflation remains a challenge for Georgia, as consumer prices increased by 12.3% in September, and expected to remain high through Feb-22. The regulator sees that key sources of high inflation being one-off factors, such as significant increases in prices of food and oil on international markets and the rapid growth of international transportation costs, noting also pend-up demand and a high lending growth. The NBG also stressed positive developments and revised the 2021 growth projection upwards to 10.0% from 8.5%. According to the NBG's current forecast, inflation expected to decline from spring 2022, supported by tight monetary policy and fiscal consolidation along with the fade-out of one-off exogenous factors. Notably, the NBG does not rule out further rate hikes if the inflationary risks materialize in case of strong supply shocks. The next committee meeting is scheduled for 8 December 2021.

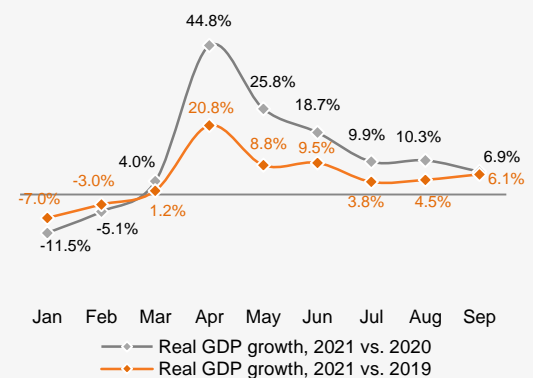
Key macro indicators

	2019	2020
Real GDP growth (% change)	5.0%	-6.2%
GDP per capita (ppp)	15,634	14,918
GDP per capita (US\$)	4,696	4,275
Population (mn)	3.7	3.7
Inflation (eop)	7.0%	2.4%
Gross reserves (US\$ bn)	3.5	3.9
CAD (% of GDP)	5.5%	12.4%
Fiscal deficit (% of GDP)	2.1%	9.3%
Total public debt (% of DP)	40.4%	60.0%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

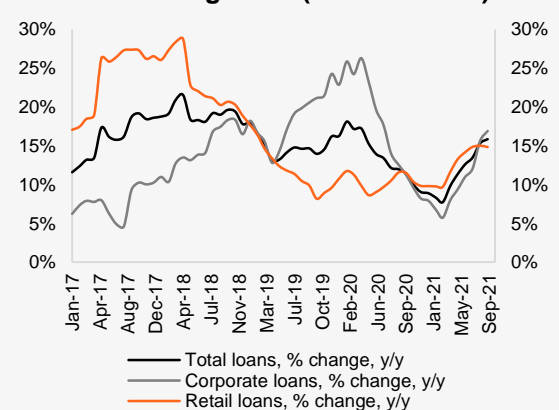
*Latest sovereign credit ratings

Real GDP growth, y/y and vs 2019



Source: Geostat, Galt & Taggart

Bank loans growth (exc. FX effect)



Source: NBG

Money market

Ministry of Finance Benchmark Bonds:

5-year GEL 85.0mn (US\$ 27.1mn) Benchmark bonds were sold at the auction held at NBG on October 26, 2021. Total demand was c.2.0x higher and the weighted average yield was fixed at 9.211%, down by 0.035ppts from previous auction held in September, 2021.

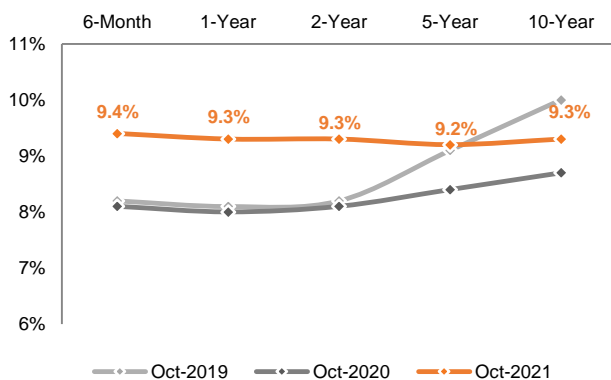
The nearest treasury security auction is scheduled for November 2, 2021, where GEL 20.0mn nominal value 6-month T-bills and GEL 50.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	125	40	75
1-year	135	60	255
2-year	190	100	980
5-year	415	170	2,520
10-year	94	0	1,306
Total	959	370	5,136

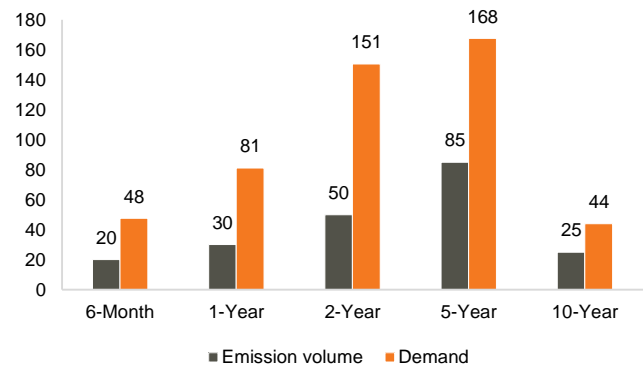
Source: MoF
 * As of 30 September 2021

T-bills / T-notes, yield curve



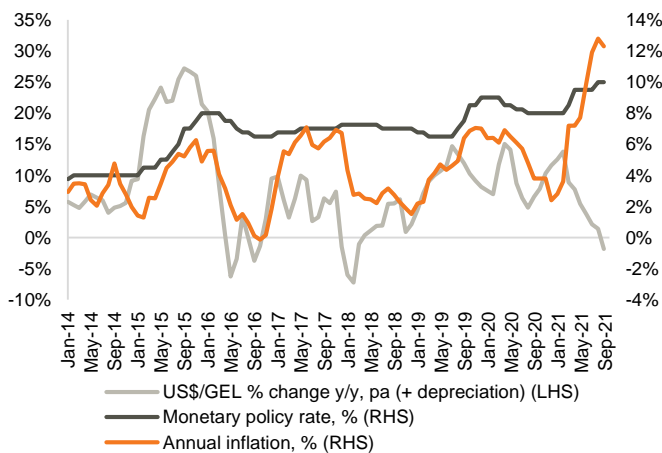
Source: NBG

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



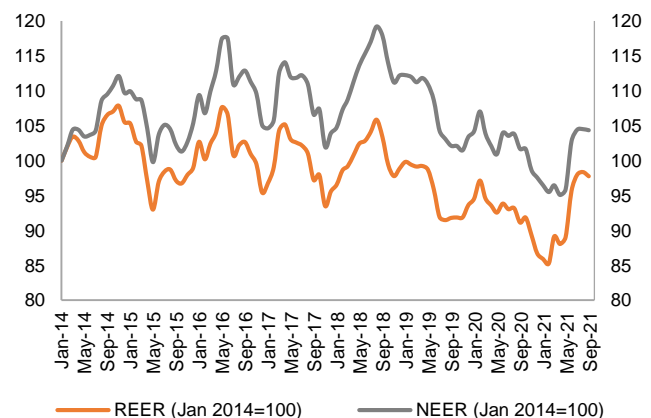
Source: NBG

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

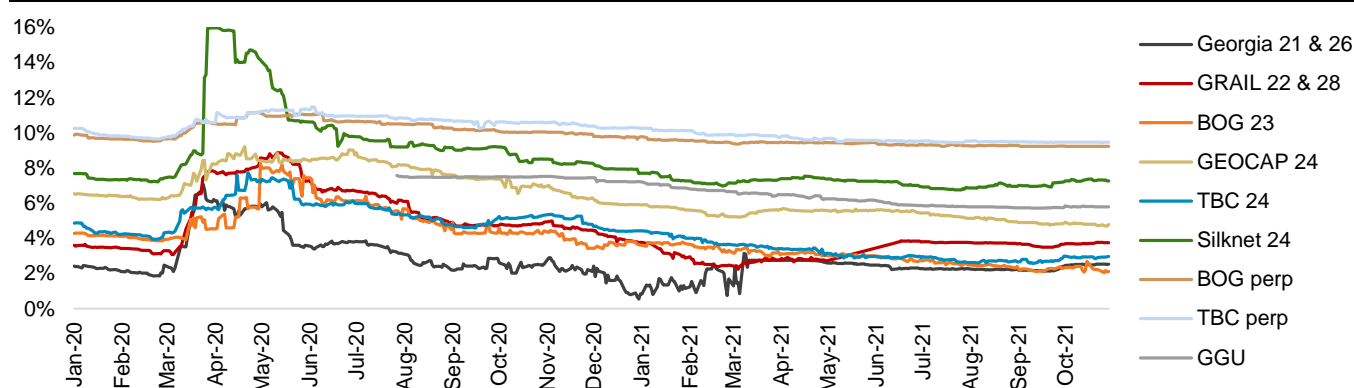
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.12% yield, trading at 106.57 (+0.11% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.91 (-0.18% w/w), yielding 4.80%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.48 (+0.13% w/w), yielding 3.75%.

Georgian Sovereign Eurobonds (GEORG) closed at 100.92 (+0.03% w/w) at 2.53% 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	100.92	2.53	134.90
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	101.48	3.75	238.77
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.57	2.12	152.51
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	110.56	9.24	586.16
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	102.91	4.80	401.42
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	108.13	7.27	411.90
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	106.97	2.98	211.49
TBC PERP	USD	125	10.775%	n/a	B-/-/-	110.52	9.48	582.29
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.52	5.79	369.99

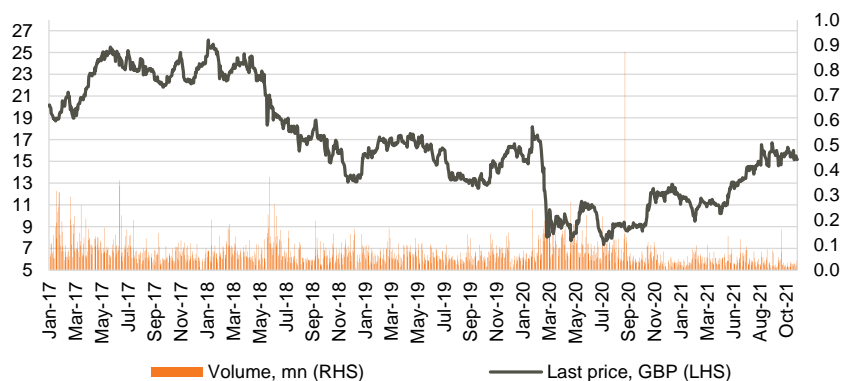
Georgian local bonds performance

KTW 12/22	USD	10	9.00%	Dec-22	-/-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B1/-	n/a	n/a	n/a
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-/-	100.00	7.50	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-/-	100.43	7.20	n/a
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-/-	n/a	n/a	n/a
GLC 07/23	USD	12	5.75%	Jul-23	-/-/-/-	n/a	n/a	n/a
GLC 07/23	EUR	3	4.75%	Jul-23	-/-/-/-	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/-/BB-	n/a	n/a	n/a
Lisi Lake Development	USD	12	8.00%	Dec-21	-/-/-/B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/-/BB-	n/a	n/a	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/-/BB	n/a	n/a	n/a

Source: Bloomberg

Equities

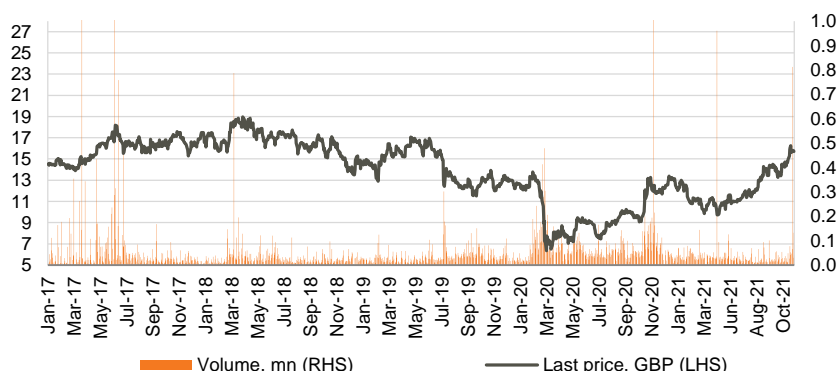
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.18/share (+0.26% w/w and -3.68% m/m). More than 117k shares traded in the range of GBP 14.92 - 15.60/share. Average daily traded volume was 21k in the last 4 weeks. The volume of BGEO shares traded was at 0.24% of its capitalization.

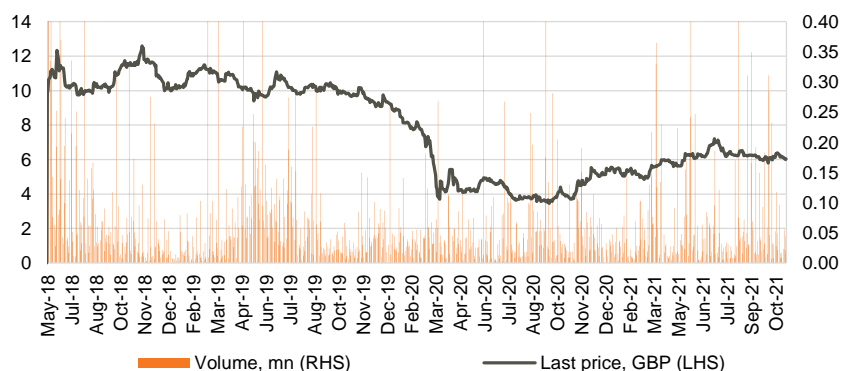
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 15.70/share (+0.51% w/w and +14.10% m/m). More than 1.1mn shares changed hands in the range of GBP 15.36 - 16.40/share. Average daily traded volume was 77k in the last 4 weeks. The volume of TBCG shares traded was at 1.96% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 6.04/share (-1.79% w/w and +4.32% m/m). More than 160k shares traded in the range of GBP 5.94 - 6.35/share. Average daily traded volume was 44k in the last 4 weeks. The volume of CGEO shares traded was at 0.34% 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	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	15.18	746	41.3%	76.5%	24.4%	5.10x	4.91x	1.02x	0.93x
TBC	TBC	GBP	15.70	866	52.4%	73.1%	25.6%	5.56x	5.33x	1.05x	0.93x
Halyk Bank	HSBK	US\$	20.02	108,043	25.8%	92.8%	37.9%	6.26x	6.29x	1.31x	1.18x
Sberbank	SBER	USD	18.00	5,289	25.7%	83.3%	54.5%	5.22x	4.99x	1.30x	1.20x
VTB Bank	VTBR	US\$	1.46	9,435	13.6%	86.5%	52.5%	2.51x	3.01x	0.44x	0.41x
Akbank	AKBNK	TRY	5.86	30,472	20.1%	19.8%	-15.4%	3.25x	2.60x	0.42x	0.37x
Garanti	GARAN	TRY	9.85	41,370	36.2%	45.3%	-5.0%	3.50x	3.02x	0.55x	0.48x
Isbank	ISCTR	TRY	5.63	25,335	15.1%	8.1%	-19.6%	2.89x	2.18x	0.33x	0.29x
PKO	PKO	PLN	48.80	61,000	37.3%	158.2%	69.9%	13.14x	12.14x	1.37x	1.30x
PEKAO	PEO	PLN	131.75	34,580	62.4%	212.9%	115.6%	17.80x	14.38x	1.32x	1.25x
Millennium	MIL	PLN	9.15	11,099	120.9%	327.6%	179.8%	13.12x	13.98x	1.43x	1.37x
Mbank	MBK	PLN	564.50	23,917	143.3%	370.4%	215.0%	22.73x	17.51x	1.45x	1.36x
BRD	BRD	RON	18.46	12,865	16.8%	60.0%	24.2%	11.09x	10.88x	1.38x	1.35x
Banca Transilvania	TLV	RON	2.51	15,842	10.9%	44.7%	22.7%	9.18x	8.75x	1.51x	1.40x
OTP	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	7.90x	7.37x	0.63x	0.56x
Komerční	KOMB	CZK	861.50	163,727	31.1%	81.9%	31.1%	15.55x	13.41x	1.36x	1.36x
Mean								9.05x	8.17x	1.06x	0.98x
Median								7.08x	6.83x	1.30x	1.19x

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	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	6.04	287	6.5%	61.1%	11.9%	na	na	na	na
Tinc Comm	TINC	EUR	13.52	492	6.3%	5.6%	4.4%	na	na	na	na
Sabancı Holding	SAHOL	TRY	11.12	22,689	37.1%	37.3%	-3.0%	3.82x	3.22x	0.50x	0.41x
Deutsche Beteiligungs	DBAN	EUR	39.85	749	14.2%	54.5%	27.9%	4.38x	10.72x	1.08x	1.01x
Eurazeo	RF	EUR	80.95	6,413	15.2%	103.6%	45.9%	9.38x	12.01x	1.05x	0.96x
Carlyle Group	CG	USD	56.34	19,969	32.9%	120.4%	79.2%	13.75x	14.25x	4.11x	5.00x
Mean								7.83x	10.05x	1.69x	1.84x
Median								6.88x	11.36x	1.07x	0.98x

Source: Bloomberg, S&P Capital IQ

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