



Economy

Tourist arrivals recovered to 43.0% of 2019 level in Oct-21

Recovery in tourism continued in October 2021, with tourist arrivals (overnight stays) recovering to 43.0% of Oct-19 level, up from an average 36.4% recovery during 3Q21. Meanwhile, same-day arrivals, accounting for c.30% of total international arrivals pre-Covid, remained weak, accounting for 7.5% of Oct-19 level. That said, 205.7 thousand international visitors (up 313.7% y/y, tourists and same-day arrivals combined) traveled to Georgia in Oct-21, with most visitors from Turkey (17.4% of total), followed by Russia (14.2% of total) and Armenia (9.4% of total). Most visitors traveled to Georgia via land (53.7% of total), followed by air (45.5% of total). Overall, in 10M21, total international arrivals stood at 1.4mn persons (-1.8% y/y, 21.0% of 2019 level) and tourism revenues reached US\$ 1.0bn based on our estimates (+96.7% y/y, 35.5% of 2019 level).

Government projects a 4.4% deficit in the 2022 draft budget

The government has submitted a second draft of 2022 budget to the parliament, incorporating also revised macro parameters for 2021. The 2022 budget framework is based on 6.0% real GDP growth and 4.5% deflator assumption. Notably, in the second 2022 budget draft, the government revised upwards 2021 growth forecast to 10.0% from 9.5% projection set in the first draft of 2022 budget. Consolidated budget tax revenues are set to increase by 19.3% y/y to 23.7% of GDP in 2022, reflecting also termination of COVID-related tax relief. Current expenditures are set to reduce to 22.6% of GDP in 2022 (down from 26.2% in 2020 and 24.6% in 2021), as COVID-related healthcare expenditure are planned to reduce (although the current expenditure ratio is increased compared to the level set in the first budget draft, due to planned increase in wages by GEL 236mn for 2022). Meanwhile, capital expenditures remain high at 8.6% of GDP in 2022. The fiscal deficit is projected at 4.4% of GDP in 2022, down from 6.7% in 2021, which returns to pre-pandemic level of below 3.0% of GDP from 2023. Notably, public debt is projected at 52.2% of GDP for 2022, slightly down from 52.5% of GDP in 2021.

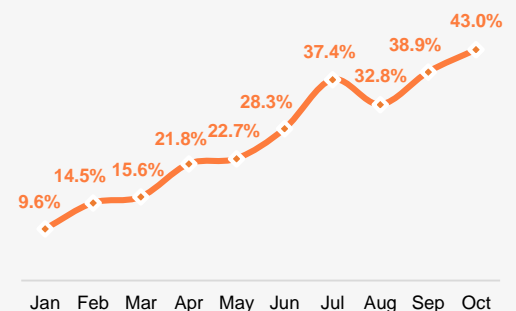
Key macro indicators

	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

Tourist arrivals, 2021 as % of 2019 level



Source: GNTA

Fiscal deficit, as % of GDP



Source: MOF, forecasts as of 2nd draft of 2022 budget.

Money market

Ministry of Finance T-Bills:

1-year GEL 30.0mn (US\$ 9.5mn) T-Bills were sold at the auction held at NBG on November 9, 2021. Total demand was c.3.0x higher and the weighted average yield was fixed at 9.044%, down by 0.204ppts from previous auction held in October, 2021.

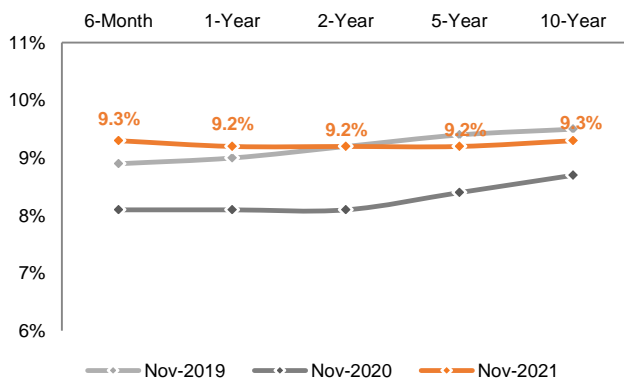
The nearest treasury security auction is scheduled for November 22, 2021, where GEL 85.0mn nominal value 5-year Benchmark bonds will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	145	20	75
1-year	165	30	255
2-year	240	50	980
5-year	415	170	2,520
10-year	94	0	1,306
Total	1,059	270	5,136

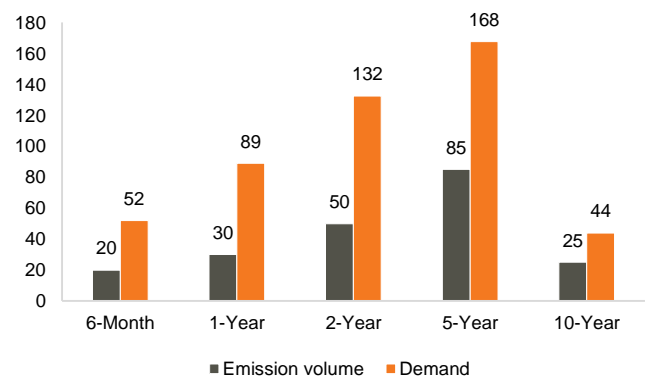
Source: MoF
 * As of 30 September 2021

T-bills / T-notes, yield curve



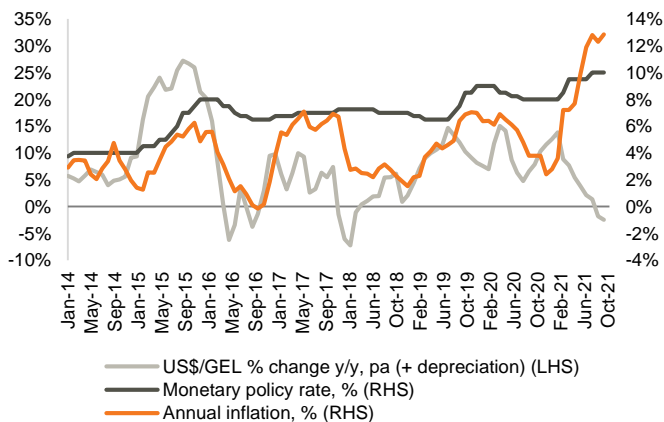
Source: NBG

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



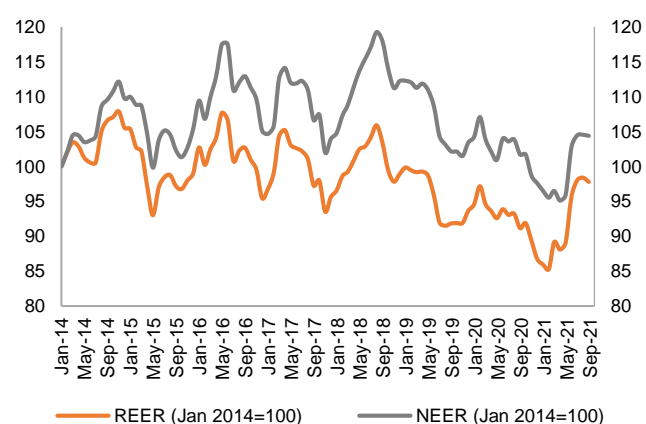
Source: NBG

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

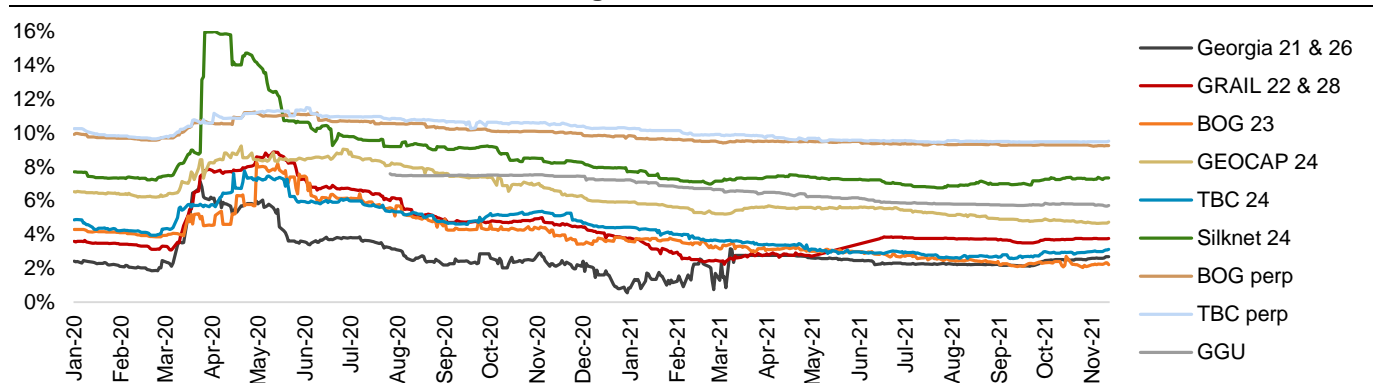
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.22% yield, trading at 106.25 (+0.01% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 103.03 (-0.17% w/w), yielding 4.72%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.35 (-0.05% w/w), yielding 3.77%.

Georgian Sovereign Eurobonds (GEORG) closed at 100.24 (-0.36% w/w) at 2.69% yield to maturity.

Georgian Eurobonds, YTM



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	100.24	2.69	167.29
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	101.35	3.77	258.79
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B+/-	106.25	2.22	177.90
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	111.01	9.25	577.87
GEOCAP 03/24	USD	300	6.125%	Mar-24	-B/B2	103.03	4.72	408.79
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	107.82	7.35	441.61
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B+/-	106.49	3.12	241.25
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.13	9.51	607.14
GGU 07/25	USD	250	7.750%	Jul-25	B+/B-	106.72	5.71	338.56

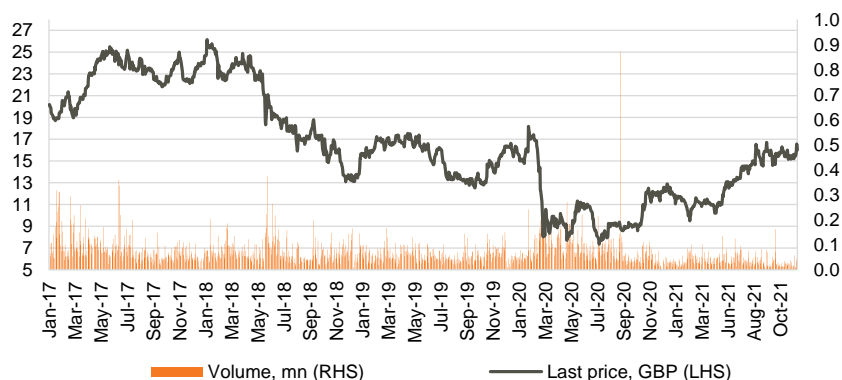
Georgian local bonds performance

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-/B+/-	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

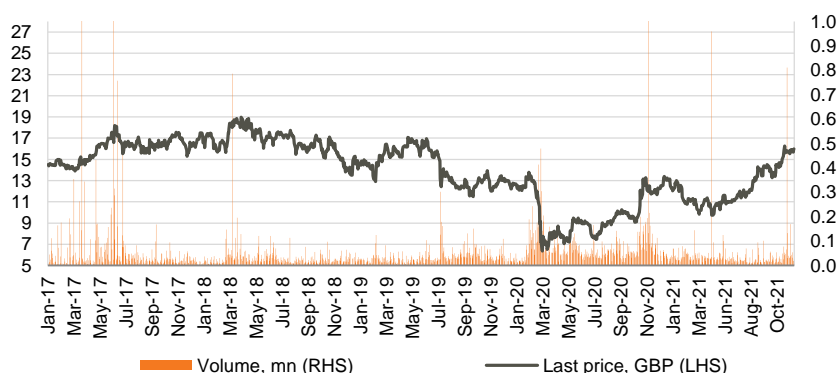
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.00/share (+2.43% w/w and +1.52% m/m). More than 117k shares traded in the range of GBP 15.20 - 16.96/share. Average daily traded volume was 23k in the last 4 weeks. The volume of BGEO shares traded was at 0.24% of its capitalization.

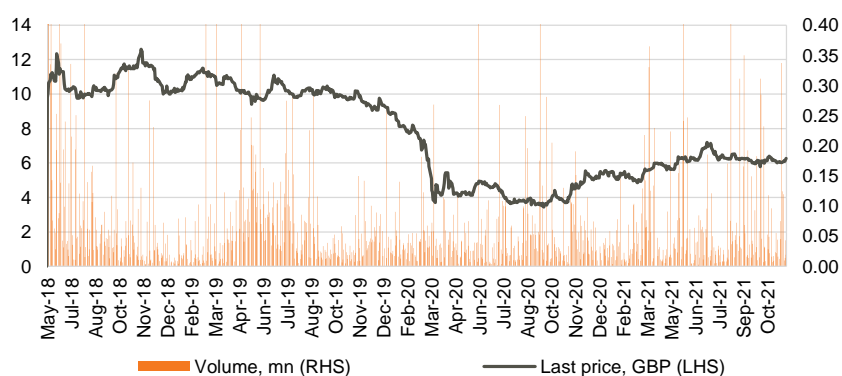
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 16.00/share (+0.76% w/w and +8.84% m/m). More than 148k shares changed hands in the range of GBP 15.58 - 16.04/share. Average daily traded volume was 89k in the last 4 weeks. The volume of TBCG shares traded was at 0.27% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 6.26/share (+3.99% w/w and -1.11% m/m). More than 205k shares traded in the range of GBP 5.97 - 6.29/share. Average daily traded volume was 55k in the last 4 weeks. The volume of CGEO shares traded was at 0.43% 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	16.00	787	43.4%	51.8%	31.1%	4.70x	5.08x	1.06x	0.98x
TBC	TBC	GBP	16.00	882	47.9%	41.6%	28.0%	5.53x	5.31x	1.05x	0.92x
Halyk Bank	HSBK	US\$	19.01	102,565	16.8%	44.9%	30.9%	6.14x	6.09x	1.28x	1.16x
Sberbank	SBER	USD	18.10	5,319	24.0%	65.3%	55.4%	5.22x	4.93x	1.30x	1.19x
VTB Bank	VTBR	US\$	1.36	8,787	5.6%	49.8%	42.1%	2.40x	2.75x	0.42x	0.38x
Akbank	AKBNK	TRY	6.34	32,968	26.0%	1.6%	-8.5%	3.52x	2.83x	0.45x	0.40x
Garanti	GARAN	TRY	10.58	44,436	37.8%	22.6%	2.0%	3.68x	3.23x	0.59x	0.51x
Isbank	ISCTR	TRY	6.36	28,620	26.7%	-7.0%	-9.1%	2.97x	2.34x	0.37x	0.33x
PKO	PKO	PLN	46.35	57,938	37.3%	86.4%	61.4%	12.33x	11.19x	1.35x	1.24x
PEKAO	PEO	PLN	126.20	33,124	50.0%	133.8%	106.5%	15.88x	12.85x	1.28x	1.20x
Millennium	MIL	PLN	8.64	10,475	84.1%	199.8%	164.1%	12.09x	13.19x	1.35x	1.29x
Mbank	MBK	PLN	562.00	23,811	95.8%	232.2%	213.6%	24.87x	17.26x	1.44x	1.35x
BRD	BRD	RON	18.92	13,185	19.0%	50.2%	27.3%	11.82x	11.14x	1.42x	1.38x
Banca Transilvania	TLV	RON	2.65	16,725	11.7%	43.6%	29.6%	9.61x	9.18x	1.60x	1.48x
OTPD	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	8.13x	7.41x	0.66x	0.58x
Komerční	KOMB	CZK	923.00	175,416	36.3%	66.6%	40.5%	15.45x	13.37x	1.43x	1.44x
Mean								9.02x	8.01x	1.07x	0.99x
Median								7.13x	6.75x	1.28x	1.17x

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	6.26	297	-1.6%	31.2%	15.9%	na	na	na	na
Tinc Comm	TINC	EUR	13.70	498	12.5%	5.4%	5.8%	na	na	na	na
Sabancı Holding	SAHOL	TRY	12.79	26,097	53.0%	22.3%	11.6%	4.29x	3.56x	0.57x	0.47x
Deutsche Beteiligungs	DBAN	EUR	40.10	754	18.3%	33.1%	28.7%	4.14x	10.79x	1.08x	1.01x
Eurazeo	RF	EUR	78.85	6,247	12.6%	59.0%	42.1%	9.23x	11.70x	0.94x	0.93x
Carlyle Group	CG	USD	59.78	21,190	43.7%	117.9%	90.1%	14.54x	14.69x	5.45x	4.62x
Mean								8.05x	10.18x	2.01x	1.76x
Median								6.76x	11.24x	1.01x	0.97x

Source: Bloomberg, S&P Capital IQ

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