



Economy

Tourism revenues recovered to 50.8% of 2019 level in Sep-21

Recovery in tourism strengthened in September 2021, with tourist arrivals (overnight stays) recovering to 39% of Sep-19 level, up from an average 33% recovery during Jun-Aug 2021. Notably, tourism revenues recovered faster than arrivals in Sep-21 like in previous months, hitting 50.8% of Sep-2019 level, as in visitor mix tourists are prevailing, spending more than same-day arrivals (note that since recovery started from Apr-21, tourists numbers recovered at an average 30% of 2019 level, while in the same period same-day arrivals accounted for only 5% of 2019 level and therefore revenues are recovering faster). That said, 226.7 thousand international visitors (up 348.8% y/y, tourists and same-day arrivals combined) traveled to Georgia in Sep-21, with most visitors from Russia (14.6% of total), followed by Turkey (14.2% of total), and Ukraine (10.1% of total). Most visitors traveled to Georgia via land (58.1% of total), followed by air (40.8% of total). Overall, in 9M21, international arrivals stood at 1.2mn persons (-13.2% y/y, 19.9% of 2019 level) and tourism revenues reached US\$ 865.8mn (+73.5% y/y, 33.5% of 2019 level).

Exports and imports stayed solid in Sep-21

In September 2021, both exports (at US\$ 373.6mn, up 12.8% y/y, up 22.3% vs Sep-19) and imports (at US\$ 925.8mn, up 23.4% y/y, up 15.1% vs Sep-19) remained solid, according to Geostat, continuation of last three months trend. Notably, last year's low base and higher world commodity prices markedly boosted imports, resulting trade deficit to widen by 31.8% y/y to US\$ 552.2mn (which is also up 10.7% vs Sep-2019).

The top 5 exported commodities were copper (-32.4% y/y), ferro-alloys (+46.4% y/y), cars (+44.9% y/y), nuts (+24.6% y/y) and wine (+22.0% y/y) in Sep-21. A 14.9% of exports were directed to the EU (-5.9% y/y), 48.0% to the CIS (+23.1% y/y) and 37.1% to other countries (+9.7% y/y). The top 5 imports were copper (-18.6% y/y), petroleum (+102.9% y/y), cars (-8.1% y/y), pharmaceuticals (+9.8% y/y) and automatic data processing machines (+455.7% y/y) in Sep-21.

Overall, in 9M21, trade deficit was up by 19.9% y/y (down 0.5% vs 9M19) to US\$ 4.0bn, as economic recovery and higher world commodity prices boosted imports (up 21.6% y/y and up 3.3% vs 9M19), while exports were also solid (up 24.0% y/y and up 9.0% vs 9M19).

Producer price index up 16.8% y/y in September 2021

Annual PPI for industrial goods was 16.8% in August 2021 up from 16.4% in previous month, according to Geostat. Price changes in manufacturing (+19.5% y/y) and electricity, gas, steam and air conditioning (+11.4% y/y) contributed the most to the overall index change in September.

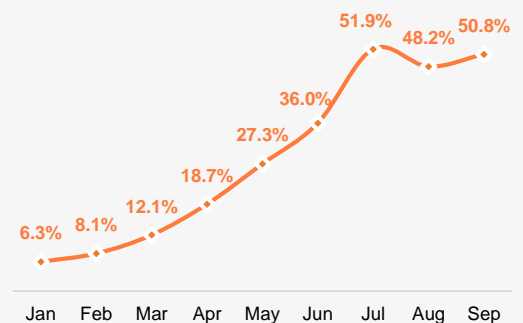
Key macro indicators

	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/Ba2	

Source: Official data, Rating agencies, Galt & Taggart

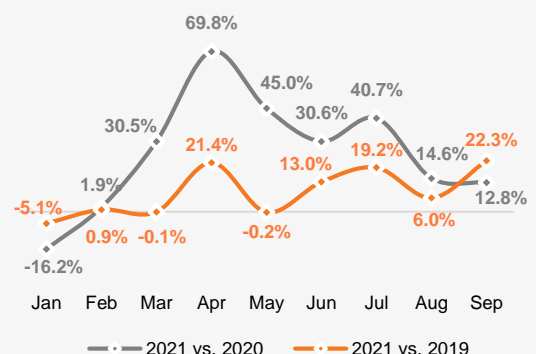
*Latest sovereign credit ratings

Tourism revenues, 2021 as % of 2019 level



Source: NBG

Exports growth, y/y and vs 2019



Source: Geostat



Money market

Ministry of Finance Benchmark Bonds:

10-year GEL 25.0mn (US\$ 8.0mn) Benchmark bonds were sold at the auction held at NBG on October 19, 2021. Total demand was c.1.8x higher and the weighted average yield was fixed at 9.248%, up by 0.313ppts from previous auction held in July, 2021.

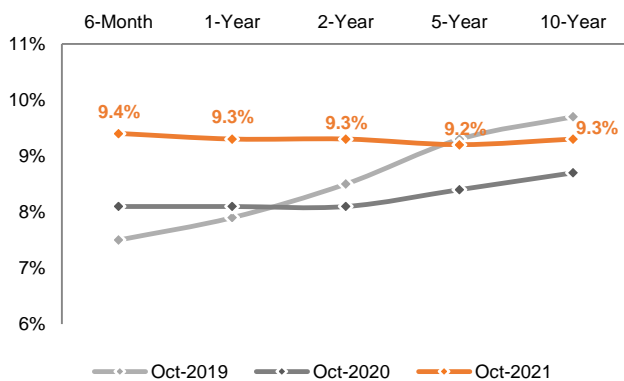
The nearest treasury security auction is scheduled for October 26, 2021, where GEL 85.0mn nominal value 5-year Benchmark bonds will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	125	40	75
1-year	135	60	255
2-year	190	100	980
5-year	330	255	2,520
10-year	94	0	1,306
Total	874	455	5,136

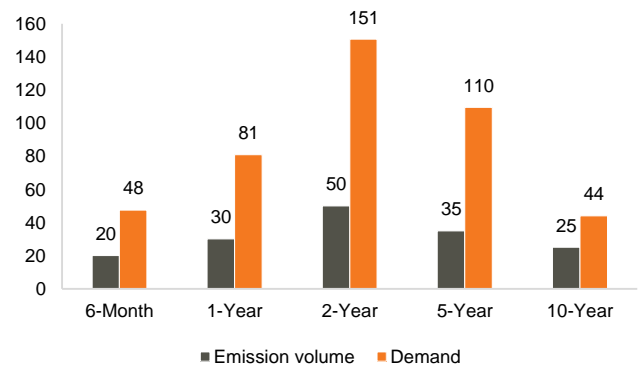
Source: MoF
* As of 30 September 2021

T-bills / T-notes, yield curve



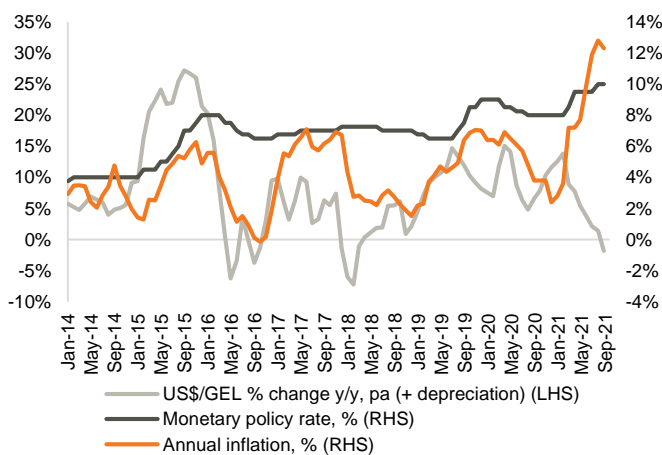
Source: NBG

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



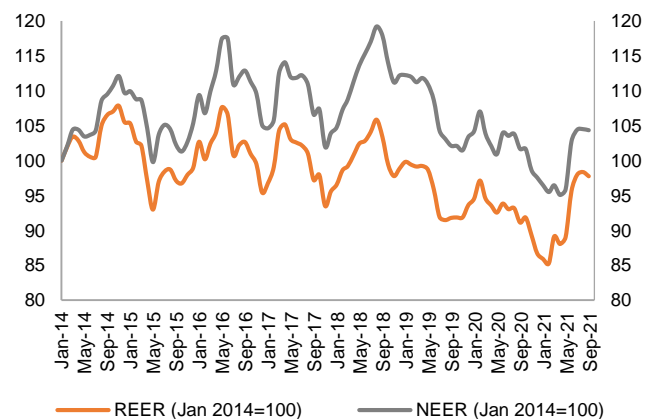
Source: NBG

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



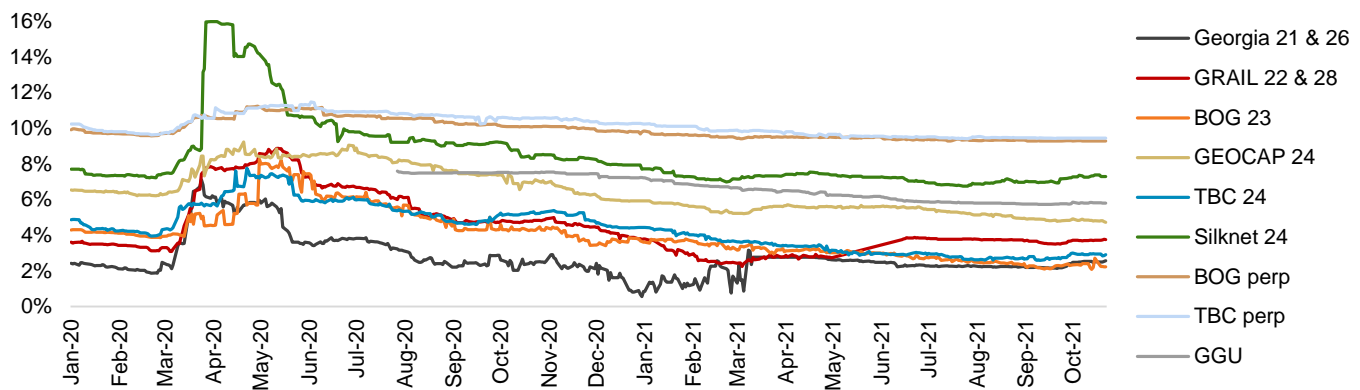
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.23% yield, trading at 106.44 (+0.74% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 103.11 (+0.17% w/w), yielding 4.72%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.42 (-0.29% w/w), yielding 3.76%.

Georgian Sovereign Eurobonds (GEORG) closed at 100.81 (-0.20% w/w) at 2.56% 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	100.81	2.56	132.92
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	101.42	3.76	231.72
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.44	2.23	168.45
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	110.58	9.28	589.49
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	103.11	4.72	396.47
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/-/B1	108.14	7.28	433.81
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	107.22	2.90	205.55
TBC PERP	USD	125	10.775%	n/a	B-/-/-	110.55	9.44	584.40
GGU 07/25	USD	250	7.750%	Jul-25	B+/-/B1/-	106.52	5.79	380.02

Georgian local bonds performance

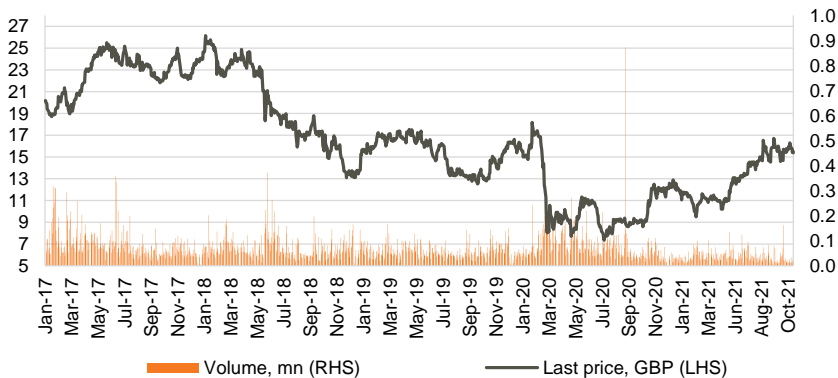
KTW 12/22	USD	10	9.00%	Dec-22	-/-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B1/-	n/a	n/a	n/a
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-/-	100.00	7.50	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-/-	100.43	7.20	n/a
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-/-	n/a	n/a	n/a
GLC 07/23	USD	12	5.75%	Jul-23	-/-/-/-	n/a	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

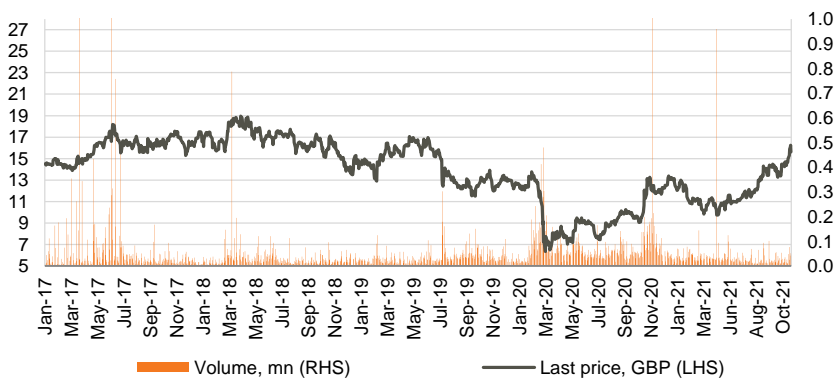
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.14/share (-1.69% w/w and -3.69% m/m). More than 115k shares traded in the range of GBP 15.00 - 16.10/share. Average daily traded volume was 20k in the last 4 weeks. The volume of BGEO shares traded was at 0.23% of its capitalization.

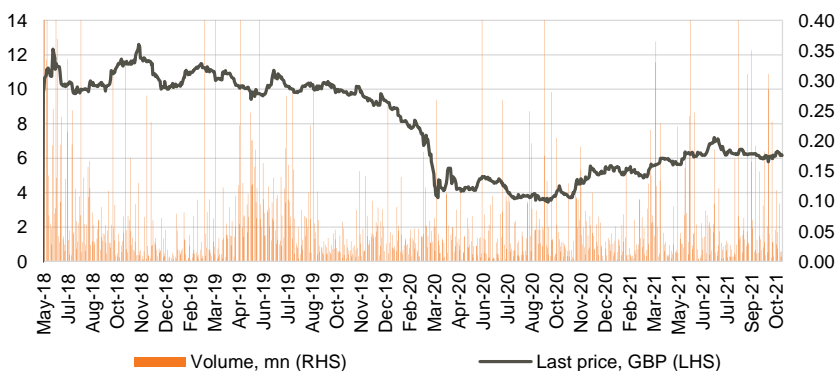
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 15.62/share (+4.27% w/w and +13.35% m/m). More than 244k shares changed hands in the range of GBP 15.00 - 16.86/share. Average daily traded volume was 30k in the last 4 weeks. The volume of TBCG shares traded was at 0.44% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 6.15/share (-3.45% w/w and +1.49% m/m). More than 145k shares traded in the range of GBP 6.01 - 6.37/share. Average daily traded volume was 72k in the last 4 weeks. The volume of CGEO shares traded was at 0.31% 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	15.14	744	38.1%	64.2%	24.1%	5.09x	4.90x	1.02x	0.93x
TBC	TBC	GBP	15.62	862	43.3%	62.7%	25.0%	5.52x	5.30x	1.05x	0.92x
Halyk Bank	HSBK	US\$	20.69	111,658	34.4%	90.5%	42.5%	7.12x	6.87x	1.37x	1.24x
Sberbank	SBER	USD	17.96	5,278	23.9%	79.6%	54.2%	5.20x	4.98x	1.29x	1.19x
VTB Bank	VTBR	US\$	1.52	9,876	23.3%	76.1%	59.7%	3.25x	3.29x	0.46x	0.43x
Akbank	AKBNK	TRY	5.45	28,340	11.9%	6.4%	-21.4%	3.15x	2.48x	0.38x	0.34x
Garanti	GARAN	TRY	9.12	38,304	29.0%	28.5%	-12.1%	3.28x	2.83x	0.51x	0.44x
Isbank	ISCTR	TRY	5.43	24,435	11.7%	-1.3%	-22.4%	2.75x	2.05x	0.32x	0.28x
PKO	PKO	PLN	45.98	57,475	39.7%	125.4%	60.1%	12.27x	11.46x	1.28x	1.23x
PEKAO	PEO	PLN	123.25	32,349	60.7%	161.7%	101.7%	16.56x	13.50x	1.23x	1.17x
Millennium	MIL	PLN	8.69	10,535	130.9%	263.7%	165.6%	12.44x	11.53x	1.45x	1.24x
Mbank	MBK	PLN	519.50	22,011	148.8%	249.8%	189.9%	20.89x	16.09x	1.33x	1.25x
BRD	BRD	RON	19.18	13,367	23.7%	55.7%	29.1%	11.68x	11.11x	1.55x	1.39x
Banca Transilvania	TLV	RON	2.58	16,252	17.3%	39.5%	25.9%	9.67x	9.01x	1.56x	1.44x
OTP	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	7.99x	7.56x	0.64x	0.57x
Komerční	KOMB	CZK	841.00	159,831	29.4%	79.7%	28.0%	15.16x	13.09x	1.32x	1.32x
Mean								8.88x	7.88x	1.05x	0.96x
Median								7.55x	7.21x	1.26x	1.18x

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	6.15	292	9.8%	58.1%	13.9%	na	na	na	na
Tinc Comm	TINC	EUR	13.78	501	11.0%	4.0%	6.4%	na	na	na	na
Sabancı Holding	SAHOL	TRY	10.56	21,547	34.0%	23.1%	-7.9%	3.58x	3.02x	0.46x	0.38x
Deutsche Beteiligungs	DBAN	EUR	38.20	718	13.9%	32.6%	22.6%	5.20x	10.59x	1.12x	1.03x
Eurazeo	RF	EUR	81.45	6,453	19.8%	89.2%	46.8%	9.43x	12.07x	1.06x	0.96x
Carlyle Group	CG	USD	54.70	19,389	36.0%	97.8%	74.0%	16.07x	15.01x	6.28x	6.45x
Mean								8.57x	10.17x	2.23x	2.20x
Median								7.31x	11.33x	1.09x	1.00x

Source: Bloomberg, S&P Capital IQ



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