



Economy

Inflation was 12.3% y/y and 0.2% m/m in September 2021

Annual CPI inflation retreated to 12.3% in September 2021, after a 12.8% inflation in previous month, according to Geostat. Core inflation (non-food, non-energy) was 6.3% and core inflation excluding tobacco was also 6.3% in September. By categories, annual inflation was mainly driven by price changes in food and non-alcoholic beverages (+15.9% y/y, +4.99ppts), transport (+20.3% y/y, +2.47ppts), housing, water, electricity, gas and other fuels (+11.8% y/y, +1.74ppts), health (+9.2% y/y, +0.72ppts), furnishings, household equipment and maintenance (+12.5% y/y, +0.66ppts) and restaurants and hotels (+10.7% y/y, +0.61ppts) categories. On a monthly basis, there was a 0.2% inflation in September 2021, reflecting price increase in education (+4.3% y/y, +0.18ppts) category. (We provided a detailed outlook of inflation and other macro indicators in our [economic update](#) of 6 October).

International reserves at US\$ 4.1bn in September 2021

Gross international reserves increased by 8.3% y/y to US\$ 4.1bn in September 2021 according to NBG. On a monthly basis, the reserves were down by 1.0% (-US\$ 40.0mn), reflecting sale of US\$ 60mn by NBG in September via FX auction. Other changes in reserves were attributed to the government and banking sector FX operations, and/or asset revaluation.

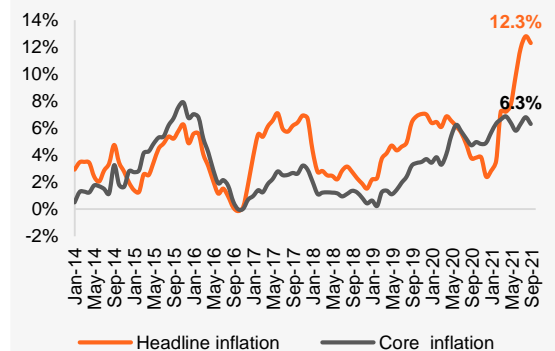
Key macro indicators

	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

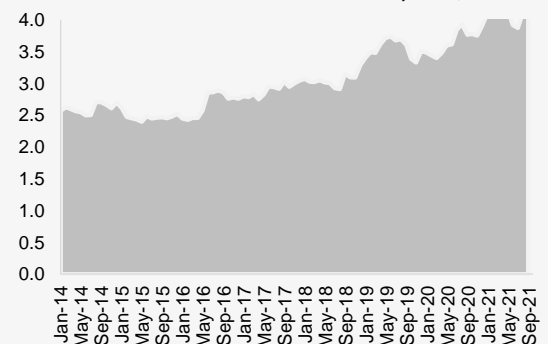
*Latest sovereign credit ratings

Annual inflation in Georgia



Source: Geostat

Gross international reserves, US\$ bn



Source: NBG

Money market

Ministry of Finance T-Bills:

2-year GEL 50.0mn (US\$ 15.9mn) Benchmark bonds were sold at the auction held at NBG on October 5, 2021. Total demand was c.3.0x higher and the weighted average yield was fixed at 9.222%, down by 0.200ppts from previous auction held in September, 2021.

6-month GEL 20.0mn (US\$ 6.4mn) T-Bills were sold at the auction held at NBG on October 5, 2021. Total demand was c.2.4x higher and the weighted average yield was fixed at 9.404%, down by 0.076ppts from previous auction held in October, 2021.

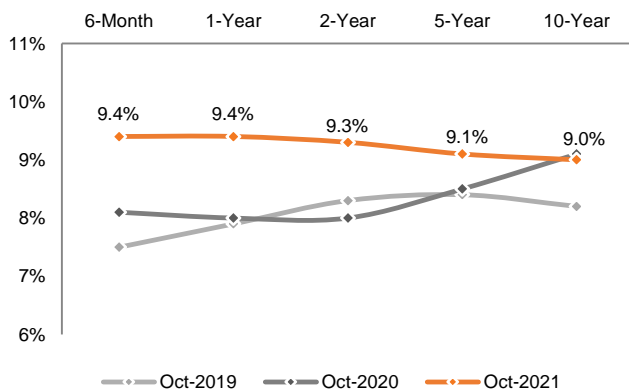
The nearest treasury security auction is scheduled for October 12, 2021, where GEL 30.0mn nominal value 1-year T-Bills will be sold.

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	105	90	290
2-year	190	100	960
5-year	330	255	2,485
10-year	69	25	1,306
Total	819	510	5,116

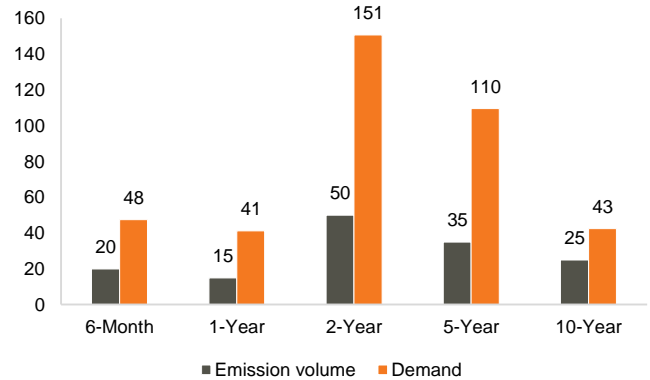
Source: MoF
* As of 31 August 2021

T-bills / T-notes, yield curve



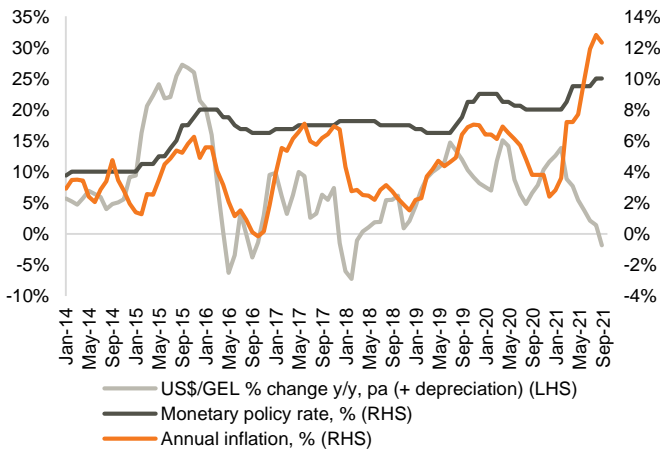
Source: NBG

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



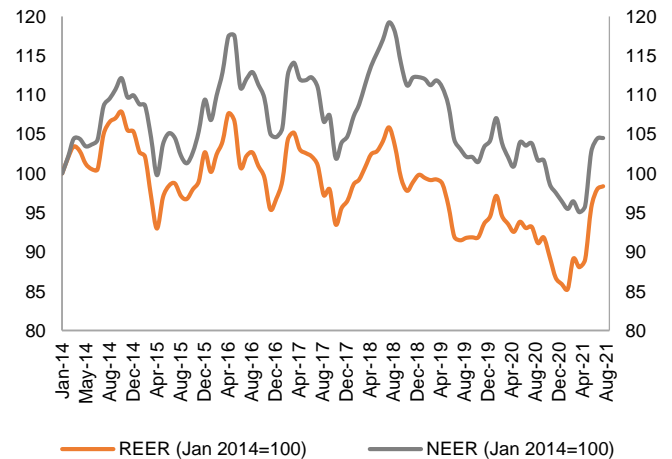
Source: NBG

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

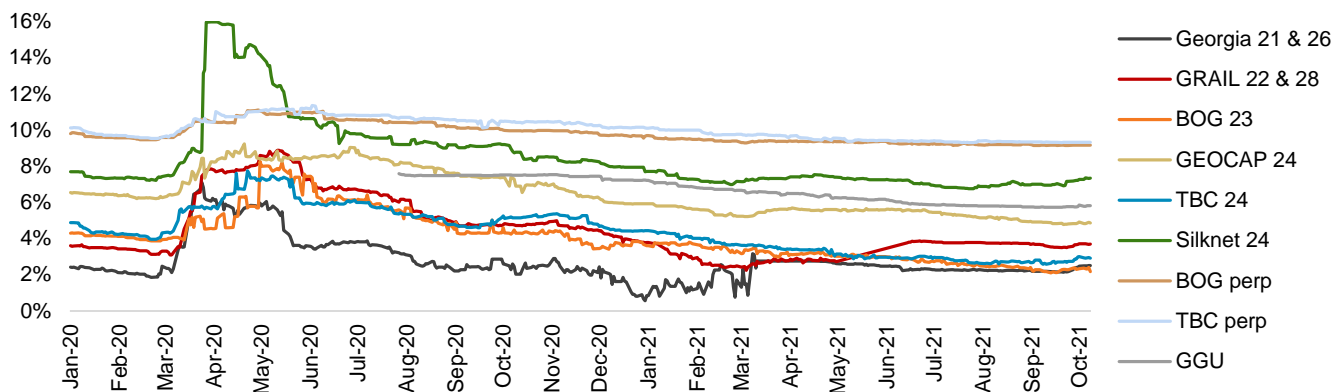
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.17% yield, trading at 106.67 (+0.21% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.85 (+0.10% w/w), yielding 4.86%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.83 (+0.09% w/w), yielding 3.69%.

Georgian Sovereign Eurobonds (GEORG) closed at 101.02 (-0.19% w/w) at 2.51% 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	101.02	2.51	147.68
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	101.83	3.69	237.85
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.67	2.17	181.17
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	110.59	9.15	616.57
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	102.85	4.86	432.14
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	108.14	7.33	480.62
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	107.28	2.91	229.46
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.62	9.32	609.23
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.51	5.81	401.81

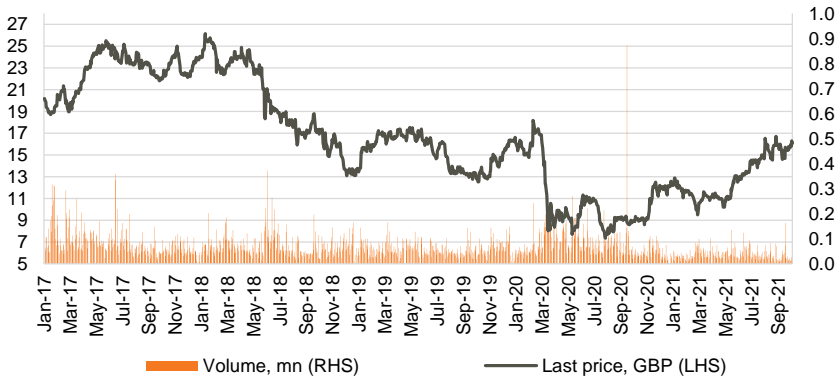
Georgian local bonds performance

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

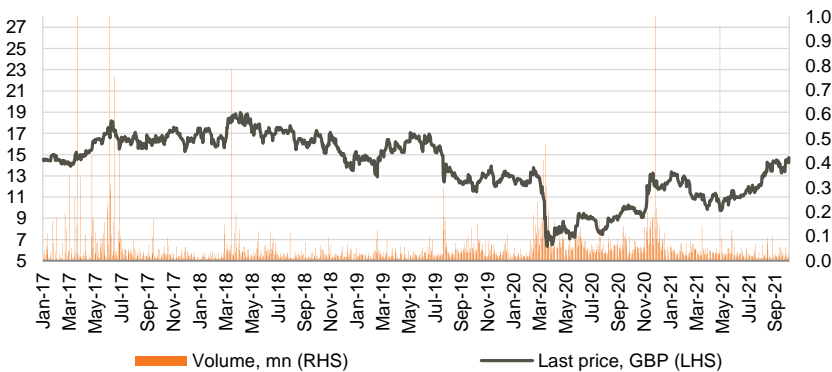
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.06/share (+2.42% w/w and +3.48% m/m). More than 81k shares traded in the range of GBP 15.50 - 16.30/share. Average daily traded volume was 34k in the last 4 weeks. The volume of BGEO shares traded was at 0.17% of its capitalization.

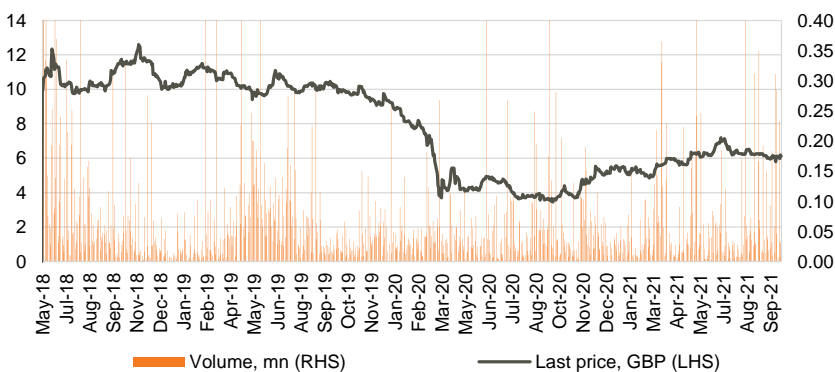
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 14.70/share (+2.08% w/w and +3.52% m/m). More than 107k shares changed hands in the range of GBP 14.14 - 14.70/share. Average daily traded volume was 27k in the last 4 weeks. The volume of TBCG shares traded was at 0.19% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 6.11/share (unchanged w/w and -2.24% m/m). More than 310k shares traded in the range of GBP 5.88 - 6.20/share. Average daily traded volume was 82k in the last 4 weeks. The volume of CGEO shares traded was at 0.65% 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	16.06	790	42.1%	71.8%	31.6%	5.35x	5.15x	1.08x	0.99x
TBC	TBC	GBP	14.70	811	38.2%	47.0%	17.6%	5.15x	4.95x	0.98x	0.86x
Halyk Bank	HSBK	US\$	20.74	111,928	40.2%	94.3%	42.8%	7.26x	6.93x	1.39x	1.25x
Sberbank	SBER	USD	17.04	5,007	20.0%	62.3%	46.3%	4.94x	4.73x	1.23x	1.13x
VTB Bank	VTBR	US\$	1.48	9,591	33.1%	83.2%	55.1%	3.20x	3.23x	0.45x	0.42x
Akbank	AKBNK	TRY	5.26	27,352	9.6%	3.7%	-24.1%	3.12x	2.43x	0.38x	0.33x
Garanti	GARAN	TRY	9.30	39,060	37.6%	33.4%	-10.3%	3.53x	2.94x	0.53x	0.46x
Isbank	ISCTR	TRY	5.19	23,355	5.3%	-1.0%	-25.9%	2.69x	2.01x	0.31x	0.27x
PKO	PKO	PLN	46.90	58,625	44.3%	109.0%	63.3%	12.69x	11.91x	1.31x	1.26x
PEKAO	PEO	PLN	119.65	31,405	64.4%	124.0%	95.8%	16.46x	13.25x	1.19x	1.14x
Millennium	MIL	PLN	7.95	9,644	103.0%	184.7%	143.1%	11.40x	10.58x	1.33x	1.13x
Mbank	MBK	PLN	466.20	19,752	113.7%	170.1%	160.2%	15.73x	14.46x	1.20x	1.12x
BRD	BRD	RON	19.68	13,715	26.3%	55.7%	32.4%	12.00x	11.41x	1.59x	1.43x
Banca	TLV	RON	2.70	17,009	22.2%	44.9%	31.8%	10.13x	9.44x	1.63x	1.51x
OTP	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	8.01x	7.59x	0.63x	0.57x
Komercni	KOMB	CZK	899.50	170,949	32.3%	78.1%	36.9%	16.26x	14.04x	1.42x	1.42x
Mean								8.62x	7.82x	1.04x	0.96x
Median								7.64x	7.26x	1.20x	1.13x

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	6.11	290	3.0%	52.8%	13.1%	na	na	na	na
Tinc Comm	TINC	EUR	13.52	492	5.5%	1.3%	4.4%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.88	20,159	14.2%	17.5%	-13.8%	3.36x	2.84x	0.44x	0.36x
Deutsche	DBAN	EUR	35.75	672	-8.0%	17.2%	14.7%	4.86x	9.82x	1.05x	0.97x
Eurazeo	RF	EUR	82.20	6,512	24.2%	74.2%	48.1%	9.53x	12.20x	1.07x	0.97x
Carlyle Group	CG	USD	49.28	17,468	29.9%	84.6%	56.7%	14.83x	13.59x	5.58x	5.62x
Mean								8.15x	9.61x	2.03x	1.98x
Median								7.20x	11.01x	1.06x	0.97x

Source: Bloomberg, S&P Capital IQ

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