



Economy

Real GDP growth was 10.3% y/y in August 2021

Georgia's economy grew by 10.3% y/y in August 2021, after growing by 9.9% y/y in previous month, based on Geostat's rapid estimates. Notably, real GDP of August 2021 was also up by 4.5% compared to August 2019 level. In August, economic activity was up in all sectors except construction and mining. Notably, the continued growth in remittances/tourism, along with an acceleration in government capital spending and corporate bank lending fuelled the growth. Overall, in 8M21, real GDP growth was 12.0% y/y (+5.5% compared to 8M19).

Corporate bank lending growth accelerated in August 2021

In August 2021, the banking sector loan portfolio growth accelerated to 15.3% y/y (+1.5% m/m), excluding FX effect, after a 13.5% y/y growth in previous month. In unadjusted terms, loan portfolio was up 16.2% y/y (+1.2% m/m), amounting to GEL 40.1bn (US\$ 12.9bn). By sector, in August, corporate loan growth accelerated to 15.6% y/y (exc. FX effect), from a 12.0% y/y growth in previous month, while retail loan growth remained almost unchanged at 15.0% y/y. In August 2021, loan dollarization reduced further to 51.7% (-4.44ppts y/y and -0.26ppts m/m) and NPLs stood at 2.2% (+0.05ppts y/y and -0.01ppts m/m). Bank deposits grew by 13.4% y/y (+0.2% m/m, exc. FX effect) to GEL 35.4bn (US\$ 11.4bn) in August 2021, with GEL deposits up 12.8% y/y and FX deposits up 13.8% y/y (exc. FX effect). The deposit dollarization stood at 60.1% (+0.59ppts y/y and +0.01ppts m/m).

Current account deficit improved markedly in 2Q21

Current account deficit reduced by 8.4% y/y to 8.0% of GDP in 2Q21, down from 11.8% of GDP in 2Q20, according to NBG. The improvement in the CA balance was supported by surge in transfers, up 58.7% y/y to US\$ 537.9mn (11.2% of GDP), followed by a recovery in service balance (reflecting the rebound in tourism revenues), up 26.4x y/y to US\$ 143.9mn. Meanwhile, merchandize trade deficit, traditionally the major contributor to deficit creation, widened by 23.3% y/y to US\$ 755.6mn, as exports increased by 49.0% y/y and imports by 42.9% y/y. Notably, other investments at US\$ 318.2mn (6.7% of GDP) were key funding source of CA deficit, while net FDI stood at US\$ 148.0mn (3.1% of GDP) in 2Q21. Overall, CA deficit came in at 9.2% of GDP in 1H21, down from 11.3% of GDP in 1H20.

Government projects a 4.4% deficit in the 2022 draft budget

The government has submitted a first draft of 2022 budget to the Parliament, incorporating also updated fiscal parameters for 2021. The 2022 budget framework is based on 6.0% real GDP growth and 4.5% deflator assumption (notably, 2021 growth forecast was also revised upwards to 9.5% from 7.7%). Public debt is projected at 52.1% of GDP for 2022, almost unchanged from 2021 debt figure - 52.2% of GDP. Notably, tax revenues are set to increase by 17.6% y/y to 23.5% of GDP, reflecting also termination of COVID-related tax relief. Current expenditures are set to reduce to 22.0% of GDP (26.2% in 2020 and 24.7% in 2021), as COVID-related healthcare expenditure are planned to reduce. Meanwhile, capital expenditures remains high at 8.5% of GDP in 2022. Therefore, fiscal deficit is projected at 4.4% of GDP in 2022, down from 6.7% in 2021, which returns to pre-pandemic level from 2023.

NBG sold US\$ 60.0mn

On 30 September 2021, NBG intervened in the FX market and sold US\$ 60.0mn to limit GEL volatility. This was 9th FX intervention in 2021. Previous FX auctions took place during January-August 2021 with the total sale of US\$ 272.9mn.

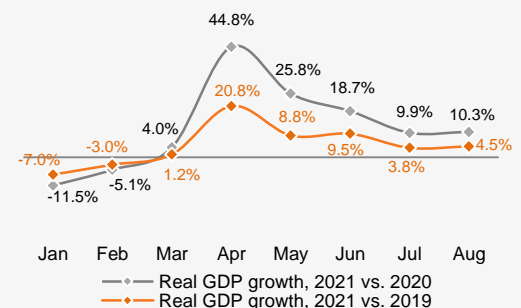
Key macro indicators

	2018	2019	2020
Real GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,634	14,918
GDP per capita (US\$)	4,722	4,696	4,275
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	7.0%	2.4%
Gross reserves (US\$ bn)	3.3	3.5	3.9
CAD (% of GDP)	6.8%	5.5%	12.4%
Fiscal deficit (% of GDP)	2.3%	2.1%	9.3%
Total public debt (% of GDP)	38.9%	40.4%	60.0%
Fitch/S&P/Moody's*			BB/BB/Ba2

Source: Official data, Rating agencies, Galt & Taggart

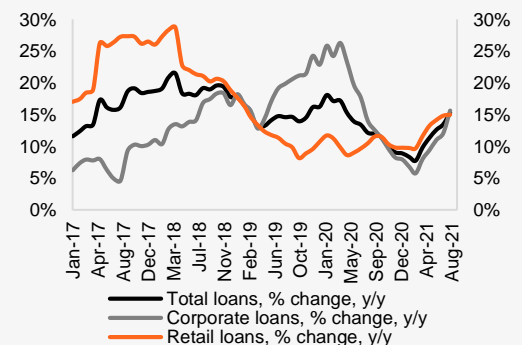
*Latest credit ratings

Real GDP growth, %



Source: Geostat

Bank loans growth (exc. FX effect)



Source: NBG

Money market

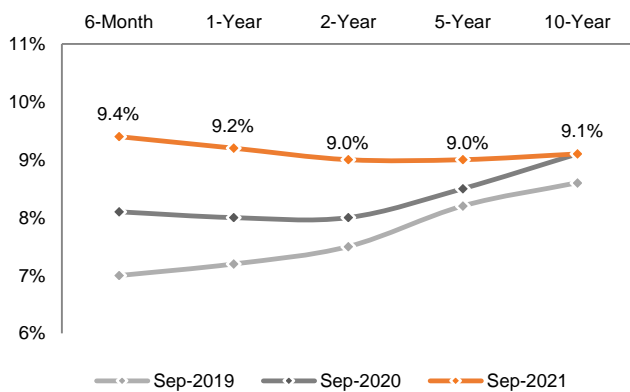
Ministry of Finance Benchmark Bonds: 5-year GEL 35.0mn (US\$ 11.2mn) Benchmark bonds were sold at the auction held at NBG on September 28, 2021. Total demand was c.3.1x higher and the weighted average yield was fixed at 9.246%, down by 0.175ppts from previous auction held in August, 2021. The nearest treasury security auction is scheduled for October 5, 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	105	60	75
1-year	105	90	290
2-year	140	150	960
5-year	330	255	2,485
10-year	69	25	1,306
Total	749	580	5,116

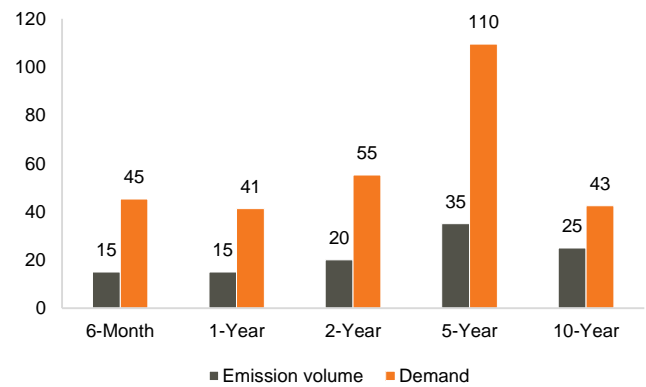
Source: MoF
* As of 31 August 2021

T-bills / T-notes, yield curve



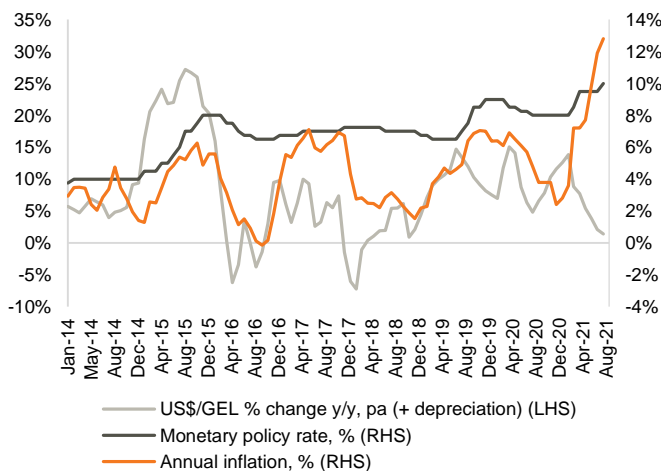
Source: NBG

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



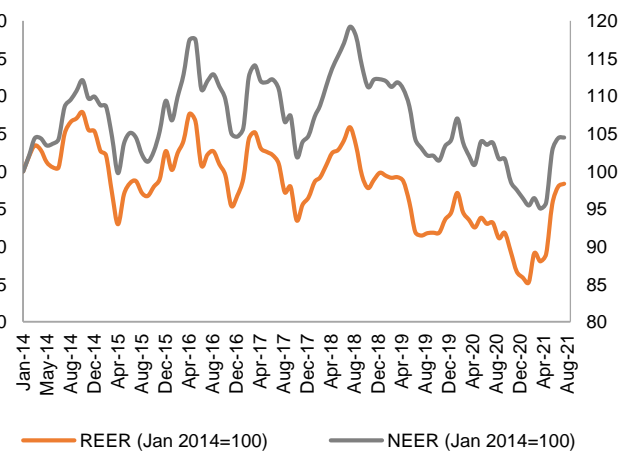
Source: NBG

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

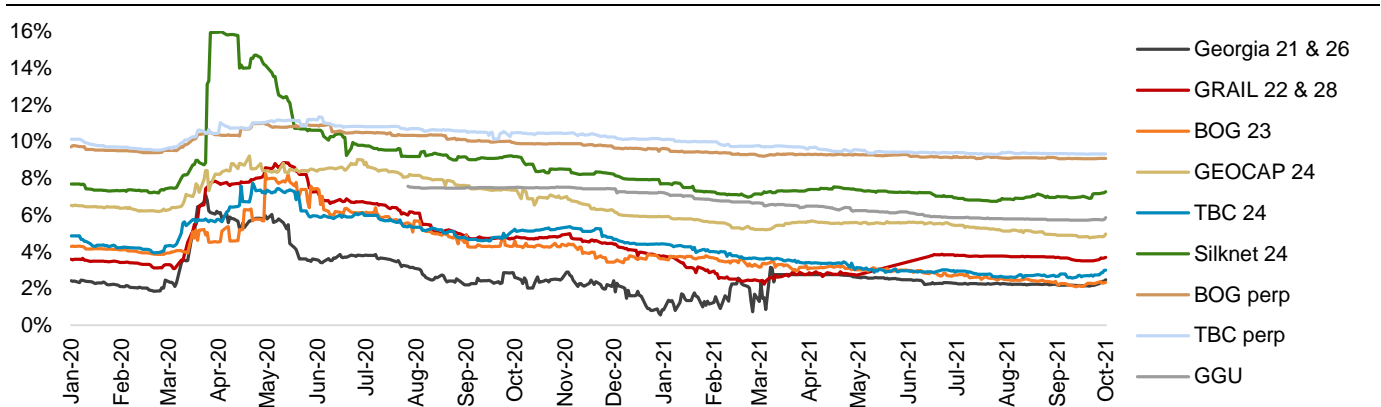
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.34% yield, trading at 106.45 (-0.18% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.59 (-0.42% w/w), yielding 4.98%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.80 (-0.96% w/w), yielding 3.69%.

Georgian Sovereign Eurobonds (GEORG) closed at 101.19 (-1.27% w/w) at 2.47% 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	101.19	2.47	152.79
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	101.80	3.69	248.44
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B/Ba2	106.45	2.34	201.74
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	110.59	9.09	626.01
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	102.59	4.98	449.88
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	108.34	7.28	465.56
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B/Ba2	107.07	3.01	245.81
TBC PERP	USD	125	10.775%	n/a	B-/-/-	110.58	9.34	620.47
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.39	5.86	424.98

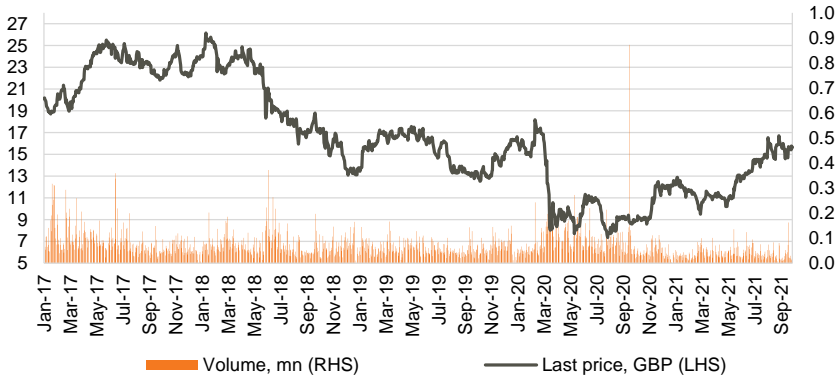
Georgian local bonds performance

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/Ba2	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

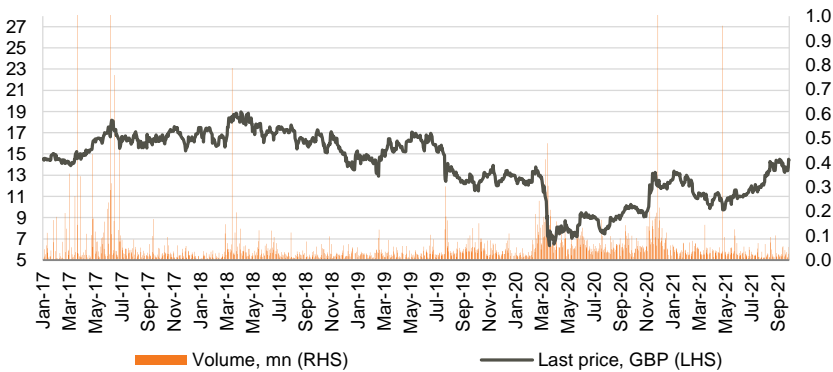
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.68/share (+0.90% w/w and -4.16% m/m). More than 97k shares traded in the range of GBP 15.20 - 15.86/share. Average daily traded volume was 33k in the last 4 weeks. The volume of BGEO shares traded was at 0.20% of its capitalization.

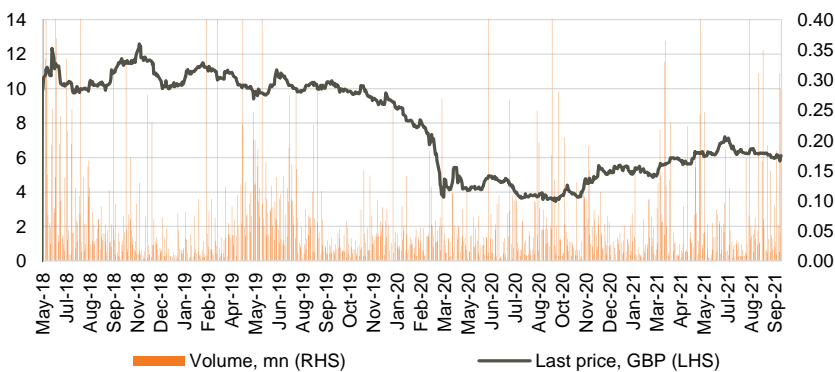
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 14.40/share (+4.80% w/w and unchanged m/m). More than 128k shares changed hands in the range of GBP 13.28 - 14.66/share. Average daily traded volume was 26k in the last 4 weeks. The volume of TBCG shares traded was at 0.23% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 6.11/share (-0.81% w/w and -2.24% m/m). More than 715k shares traded in the range of GBP 5.79 - 6.24/share. Average daily traded volume was 80k in the last 4 weeks. The volume of CGEO shares traded was at 1.49% 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	15.68	771	40.5%	77.0%	28.5%	5.15x	4.96x	1.06x	0.97x
TBC	TBC	GBP	14.40	794	41.2%	45.5%	15.2%	4.98x	4.78x	0.94x	0.83x
Halyk Bank	HSBK	US\$	18.54	100,056	22.7%	57.7%	27.7%	6.60x	6.32x	1.26x	1.13x
Sberbank	SBER	USD	17.16	5,042	21.7%	61.9%	47.3%	4.97x	4.76x	1.24x	1.14x
VTB Bank	VTBR	US\$	1.35	8,774	25.4%	62.4%	41.9%	2.96x	2.99x	0.42x	0.39x
Akbank	AKBNK	TRY	5.30	27,560	8.4%	2.5%	-23.5%	3.19x	2.48x	0.38x	0.34x
Garanti	GARAN	TRY	9.28	38,976	32.4%	30.3%	-10.5%	3.57x	2.97x	0.53x	0.46x
Isbank	ISCTR	TRY	5.16	23,220	1.0%	-4.3%	-26.3%	2.71x	2.03x	0.31x	0.27x
PKO	PKO	PLN	43.90	54,875	34.7%	108.2%	52.9%	11.94x	11.20x	1.24x	1.18x
PEKAO	PEO	PLN	108.50	28,478	51.8%	117.9%	77.6%	15.00x	12.07x	1.09x	1.04x
Millennium	MIL	PLN	7.17	8,698	88.7%	161.9%	119.3%	10.33x	9.58x	1.20x	1.03x
Mbank	MBK	PLN	420.20	17,803	98.2%	142.7%	134.5%	14.24x	13.09x	1.08x	1.02x
BRD	BRD	RON	18.80	13,102	17.4%	44.4%	26.5%	11.47x	10.90x	1.52x	1.37x
Banca	TLV	RON	2.66	15,234	19.9%	34.7%	29.8%	9.08x	8.46x	1.61x	1.49x
KOMERCNI	OTPD	USD	22.00	12,320	-1.8%	-3.5%	-3.5%	8.07x	7.72x	0.64x	0.57x
KOMERCNI	KOMB	CZK	881.00	167,433	26.9%	81.8%	34.1%	16.05x	13.86x	1.39x	1.39x
Mean								8.14x	7.39x	0.99x	0.91x
Median								7.33x	7.02x	1.09x	1.02x

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	293	2.0%	64.7%	13.1%	na	na	na	na
Tinc Comm	TINC	EUR	13.18	479	4.4%	-2.0%	1.8%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.78	19,955	8.8%	18.8%	-14.7%	3.37x	2.84x	0.44x	0.36x
Deutsche	DBAN	EUR	35.45	533	-4.4%	12.9%	13.8%	3.86x	7.79x	1.04x	0.96x
Eurazeo	RF	EUR	80.75	6,381	21.6%	75.2%	45.5%	9.34x	11.95x	1.05x	0.95x
Carlyle Group	CG	USD	47.43	16,817	26.9%	90.6%	50.9%	14.72x	13.34x	5.37x	5.41x
Mean								7.82x	8.98x	1.97x	1.92x
Median								6.60x	9.87x	1.05x	0.96x

Source: Bloomberg, S&P Capital IQ

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