



## Economy

### Inflation was 13.9% y/y and 0.3% m/m in December 2021

Annual CPI inflation came in at 13.9% in December 2021, after a 12.5% inflation in previous month, according to Geostat. The additional rise in inflation from November to December is explained by last year's low base (in December 2020 annual inflation reduced due to government's utility subsidies). Core inflation (non-food, non-energy) was 5.9% and core inflation excluding tobacco was 6.0% in December. By categories, annual inflation was mainly driven by price changes in food and non-alcoholic beverages (+15.6% y/y, +5.01ppts), housing, water, electricity, gas and other fuels (+43.5% y/y due to Dec-20 low base, +3.64ppts), transport (+17.3% y/y, +2.24ppts), restaurants and hotels (+14.0% y/y, +0.78ppts), health (+7.9% y/y, +0.62ppts) and furnishings, household equipment and maintenance (+11.8% y/y, +0.61ppts) categories. On a monthly basis, there was a 0.3% inflation in December 2021, reflecting price increase in food and non-alcoholic beverages (+0.8% y/y, +0.27ppts) category. Overall, annual average inflation was 9.6% in 2021, up from 5.2% in 2020.

### International reserves at US\$ 4.3bn in December 2021

Gross international reserves increased by 9.2% y/y to US\$ 4.3bn in December 2021 according to NBG. On a monthly basis, the reserves were up by 8.7% (+US\$ 343.7mn). Changes in reserves were attributed to the government and banking sector FX operations, and/or asset revaluation.

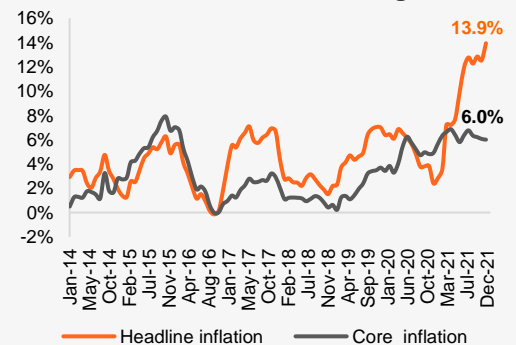
### Key macro indicators

	2019	2020
Real GDP growth (% change)	5.0%	-6.8%
GDP per capita (ppp)	15,634	14,918
GDP per capita (US\$)	4,696	4,256
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 GDP)	40.4%	60.2%
Fitch/S&P/Moody's*	BB/BB/Ba2	

Source: Official data, Rating agencies, Galt & Taggart

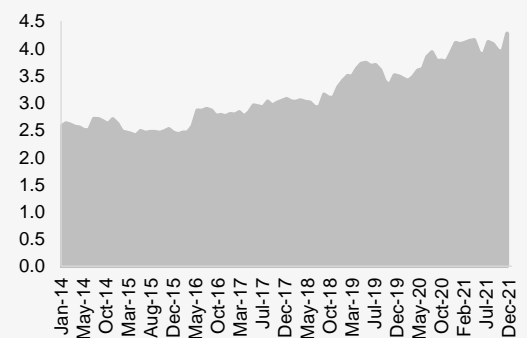
\*Latest sovereign credit ratings

### Annual inflation in Georgia



Source: Geostat

### Gross international reserves, US\$ bn



Source: NBG

# Money market

## Ministry of Finance T-Bills:

2-year GEL 70.0mn (US\$ 22.7mn) Benchmark bonds were sold at the auction held at NBG on January 4, 2022. Total demand was c.1.6x higher and the weighted average yield was fixed at 9.928%, up by 0.850ppts from previous auction held in December, 2021.

6-month GEL 20.0mn (US\$ 6.5mn) T-Bills were sold at the auction held at NBG on January 4, 2022. Total demand was c.2.1x higher and the weighted average yield was fixed at 10.193%, up by 0.869ppts from previous auction held in December, 2021.

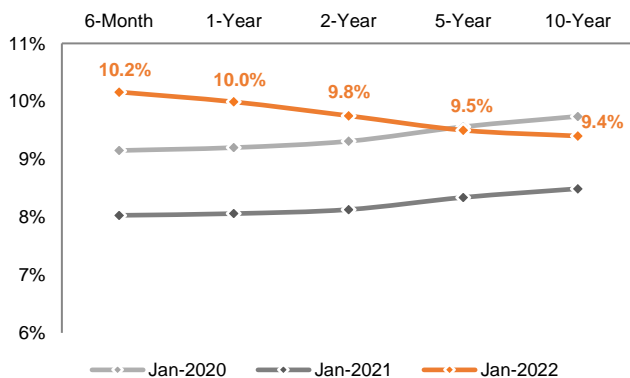
The nearest treasury security auction is scheduled for January 11, 2022, where GEL 20.0mn nominal value 1-year T-Bills will be sold.

## T-bills / T-notes in 2022

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn
6-month	20	220	100
1-year	0	390	215
2-year	70	890	1,080
5-year	0	1,080	2,624
10-year	0	100	1,331
<b>Total</b>	<b>90</b>	<b>2,680</b>	<b>5,350</b>

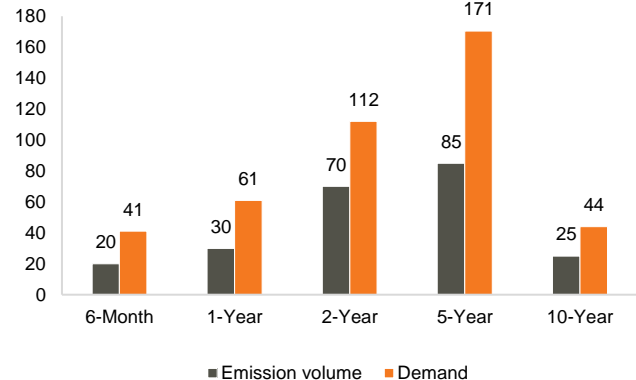
Source: MoF

## T-bills / T-notes, yield curve



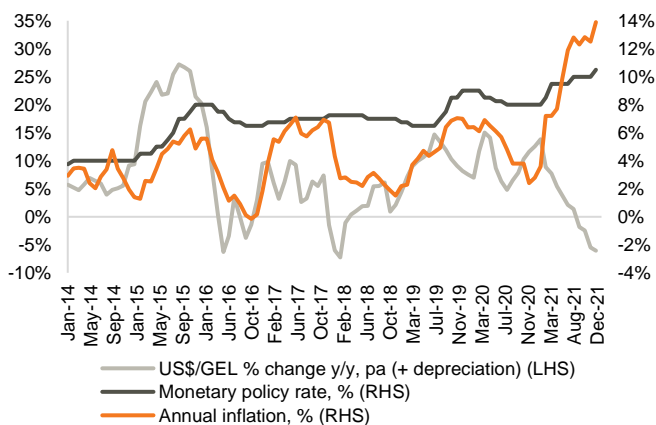
Source: NBG

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



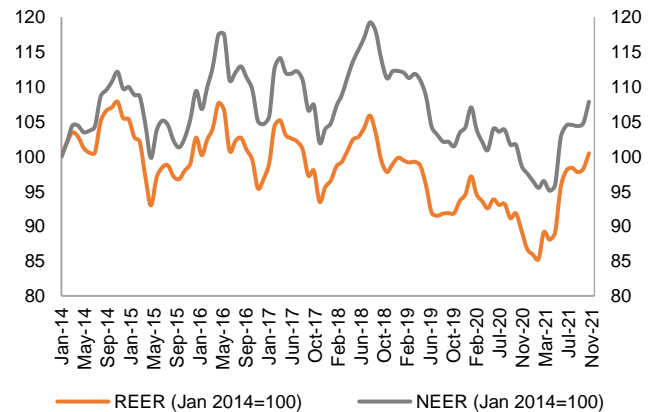
Source: NBG

## 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

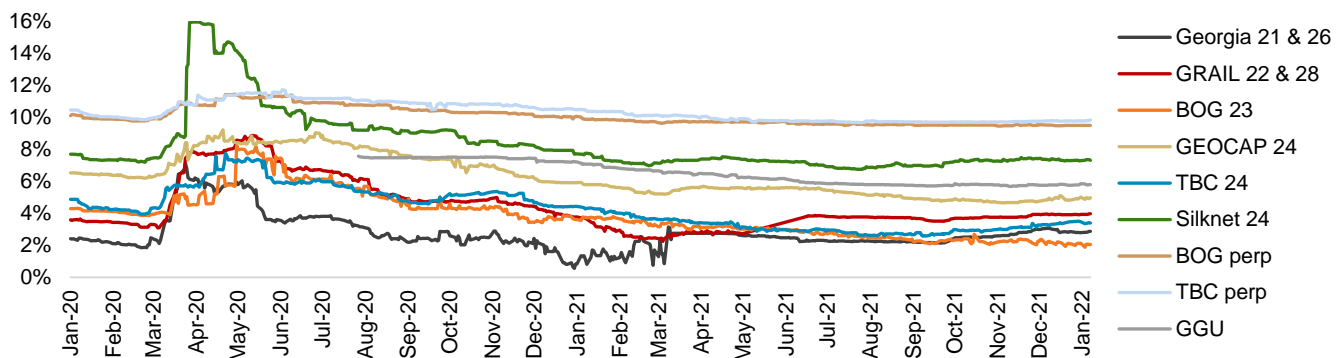
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 2.06% yield, trading at 105.95 (+0.04% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 102.30 (+0.04% w/w), yielding 4.99%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 100.16 (-0.24% w/w), yielding 3.97%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 99.50 (-0.30% w/w) at 2.88% 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	99.50	2.88	158.19
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	100.16	3.97	253.30
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	105.95	2.06	134.21
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	110.71	9.50	533.76
GEOCAP 03/24	USD	300	6.125%	Mar-24	-B/B2	102.30	4.99	404.17
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	107.41	7.32	208.07
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	105.47	3.39	236.19
TBC PERP	USD	125	10.775%	n/a	B-/-/-	109.12	9.84	595.10
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.17	5.80	308.69

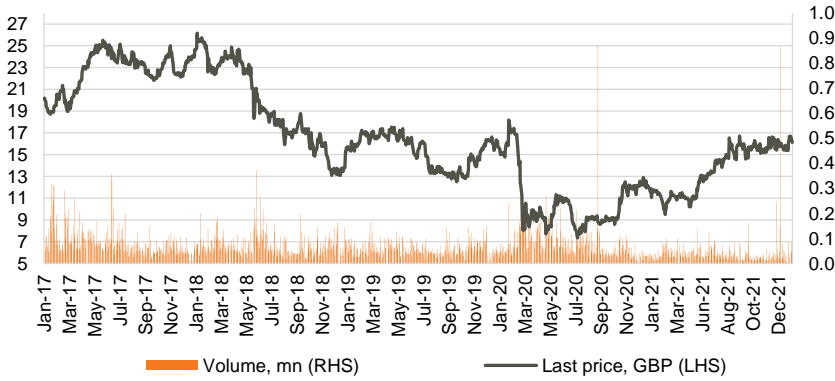
### Georgian local bonds performance

KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
Nikora Trade	GEL	35	13.50%	Nov-24	-/-/-	n/a	n/a	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
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

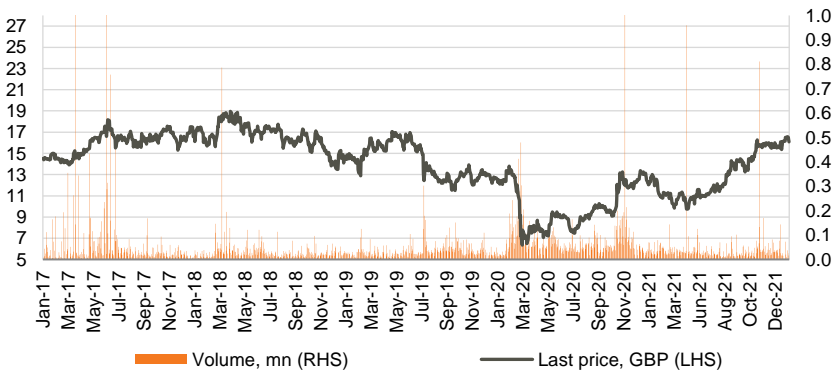
## Bank of Georgia Group (BGEO LN)



Source: Bloomberg

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 16.14/share (-3.24% w/w and +0.88% m/m). More than 200k shares traded in the range of GBP 16.08 - 16.56/share. Average daily traded volume was 39k in the last 4 weeks. The volume of BGEO shares traded was at 0.41% of its capitalization.

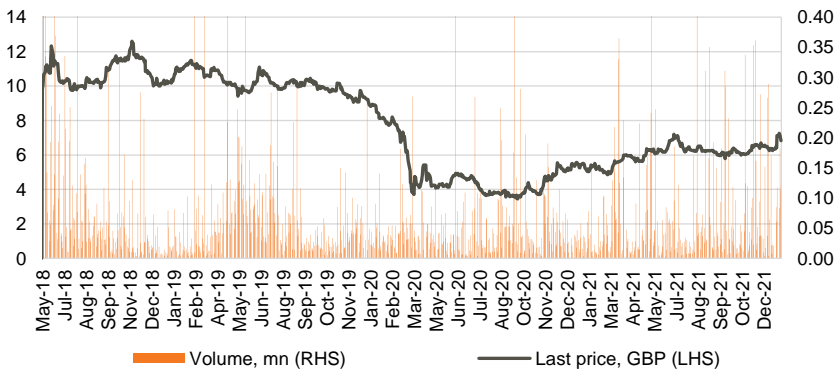
## TBC Bank Group (TBCG LN)



Source: Bloomberg

**TBC Bank Group (TBCG LN)** closed the week at GBP 16.10/share (-2.42% w/w and +3.60% m/m). More than 94k shares changed hands in the range of GBP 16.00 - 16.70/share. Average daily traded volume was 34k in the last 4 weeks. The volume of TBCG shares traded was at 0.17% of its capitalization.

## Georgia Capital (CGEO LN)



Source: Bloomberg

**Georgia Capital (CGEO LN)** shares closed at GBP 6.82/share (-4.35% w/w and +5.08% m/m). More than 500k shares traded in the range of GBP 6.75 - 7.42/share. Average daily traded volume was 98k in the last 4 weeks. The volume of CGEO shares traded was at 1.05% 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	16.14	794	14.1%	25.3%	-3.2%	4.78x	5.04x	1.07x	0.97x
TBC	TBC	GBP	16.10	888	38.6%	20.3%	-2.4%	5.32x	5.12x	1.06x	0.92x
Halyk Bank	HSBK	US\$	15.70	84,729	-3.1%	3.5%	-2.2%	5.26x	5.12x	1.09x	0.99x
Sberbank	SBER	USD	14.32	4,208	-6.6%	21.9%	-13.2%	4.13x	3.96x	1.06x	0.95x
VTB Bank	VTBR	US\$	1.26	8,178	-3.1%	27.0%	0.2%	2.37x	2.45x	0.38x	0.35x
Akbank	AKBNK	TRY	7.62	39,624	41.6%	1.1%	5.8%	3.92x	3.28x	0.52x	0.48x
Garanti	GARAN	TRY	11.75	49,350	34.6%	11.7%	4.3%	3.78x	3.36x	0.63x	0.56x
Isbank	ISCTR	TRY	7.75	34,875	47.1%	8.5%	7.8%	3.45x	2.70x	0.44x	0.40x
PKO	PKO	PLN	46.54	58,175	22.6%	46.4%	3.6%	12.20x	10.75x	1.37x	1.27x
PEKAO	PEO	PLN	123.80	32,494	32.5%	87.6%	1.5%	15.56x	12.09x	1.26x	1.19x
Millennium	MIL	PLN	8.67	10,511	82.2%	142.0%	5.7%	11.21x	12.52x	1.37x	1.34x
Mbank	MBK	PLN	484.00	20,506	51.3%	143.2%	11.7%	19.01x	15.45x	1.28x	1.17x
BRD	BRD	RON	17.94	12,502	-0.2%	19.6%	1.4%	11.08x	10.32x	1.31x	1.33x
Banca Transilvania	TLV	RON	2.62	16,504	7.1%	27.3%	1.4%	8.86x	8.69x	1.52x	1.41x
OTP	OTPD	USD	22.00	12,320	0.0%	-3.5%	0.0%	8.16x	7.10x	0.67x	0.57x
Komerčni	KOMB	CZK	928.50	176,461	20.0%	36.5%	-0.7%	14.85x	13.04x	1.45x	1.44x
<b>Mean</b>								<b>8.37x</b>	<b>7.56x</b>	<b>1.03x</b>	<b>0.96x</b>
<b>Median</b>								<b>6.74x</b>	<b>6.11x</b>	<b>1.08x</b>	<b>0.98x</b>

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	6.82	324	-3.3%	22.7%	-4.3%	na	na	na	na
Tinc Comm	TINC	EUR	13.24	481	4.7%	3.8%	-1.5%	na	na	na	na
Sabancı Holding	SAHOL	TRY	14.81	30,218	60.6%	27.6%	11.9%	4.74x	3.90x	0.63x	0.54x
Deutsche Beteiligungs	DBAN	EUR	38.20	718	12.4%	10.0%	-4.1%	3.92x	10.13x	1.03x	1.02x
Eurazeo	RF	EUR	76.85	6,088	1.2%	35.1%	0.1%	8.98x	10.10x	1.00x	0.91x
Carlyle Group	CG	USD	51.02	18,085	5.7%	62.1%	-7.1%	12.47x	12.56x	5.19x	4.64x
<b>Mean</b>								<b>7.53x</b>	<b>9.17x</b>	<b>1.96x</b>	<b>1.78x</b>
<b>Median</b>								<b>6.86x</b>	<b>10.12x</b>	<b>1.01x</b>	<b>0.96x</b>

Source: Bloomberg, S&P Capital IQ

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