



Economy

Inflation retreated to 11.5% y/y in Jul-22

Annual CPI inflation retreated to 11.5% in Jul-22 from a 12.8% inflation in previous month, mainly due to the last year's high base effect. Core inflation (non-food, non-energy, and non-tobacco) increased to 7.0% (+0.5ppts m/m) in July. By categories, annual inflation was mainly driven by price changes in food and non-alcoholic beverages (+16.4% y/y, 5.25ppts), transport (+20.6% y/y, 2.46ppts), housing, water, electricity, gas and other fuels (+13.3% y/y, 1.31ppts), restaurants and hotels (+14.3% y/y, 0.62ppts), alcoholic beverage and tobacco (+8.3% y/y, 0.55ppts), and furnishing, household equipment and maintenance (+9.5% y/y, 0.49ppts) categories. On a monthly basis, there was a 0.2% inflation in Jul-22, driven by price changes in food and non-alcoholic beverages (-1.4% m/m) and transport (+2.4% m/m) categories.

NBG keeps key rate unchanged at 11.0%

The NBG kept its key rate unchanged at 11.0% on 3 August 2022 meeting. The NBG noted that elevated inflation and inflationary risks remain a global challenge recently, including Georgia, where inflation remains high at 11.5% in July. The regulator expects inflation to decline in the current and next years, and gradually approach the 3% target level from 2H23. NBG also noted that a faster decline in inflation is hindered by growing aggregate demand, to which high consumption makes a significant contribution. The regulator emphasized that despite the tight monetary policy, credit activity is still high this year, due to excessive growth of consumer and FX loans. Therefore, from 15 August 2022 for the period of 1 year, maximum tenor of consumer loans will be reduced from 4 to 3 years (announced at the press conference). In addition, NBG expects that interest rate hikes by the FED and ECB will have an effect on FX lending in Georgia similar to monetary policy tightening. Under such circumstances, the regulator projects 9.0% economic growth in Georgia in 2022, revised from previous forecast of 4.5%. The NBG also reiterated that if the inflation expectations rise further and/or demand-side pressures on prices exacerbate, further tightening of policy or maintaining the current tight stance for a longer period might become necessary. The next committee meeting is scheduled for 14 September 2022.

NBG buys US\$ 30.0mn

Last week, NBG intervened in the FX market and purchased US\$ 30.0mn through FX auctions. Notably, NBG also purchased US\$ 110mn through BMatch platform in Jul-22. The NBG is a net buyer of US\$ 171.6mn year-to-date, while GEL appreciated by 11.8% vs. USD in the same period.

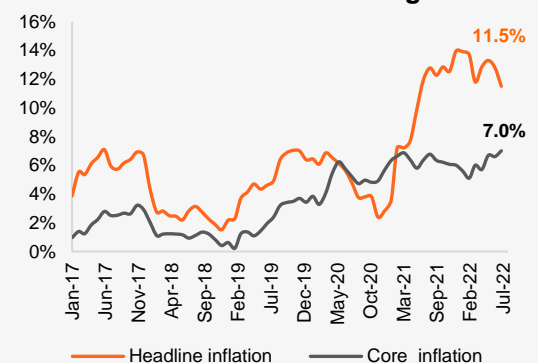
Key macro indicators

	2020	2021
Real GDP growth (% change)	-6.8%	10.4%
GDP per capita (ppp)	14,849	17,386
GDP per capita (US\$)	4,256	5,015
Population (mn)	3.7	3.7
Inflation (eop)	2.4%	13.9%
Gross reserves (US\$ bn)	3.9	4.3
CAD (% of GDP)	12.5%	10.1%
Fiscal deficit (% of GDP)	9.3%	6.3%
Total public debt (% of GDP)	60.2%	49.5%
Fitch/S&P/Moody's*	BB/BB/Ba2	

Source: Official data, Rating agencies, Galt & Taggart

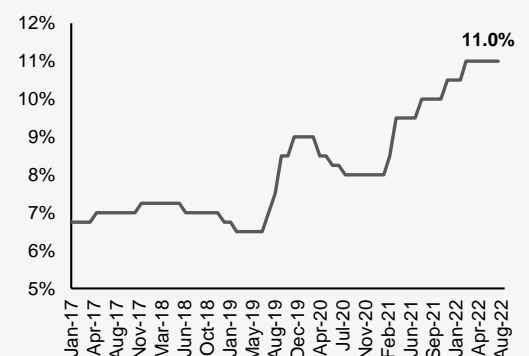
*Latest sovereign credit ratings

Annual inflation in Georgia



Source: Geostat

Monetary policy rate



Source: NBG

Money market

Ministry of Finance T-Notes/Bills:

2-year GEL 80.0mn (US\$ 29.1mn) Benchmark bonds were sold at the auction held at NBG on August 2, 2022. Total demand was c.2.8x higher and the weighted average yield was fixed at 9.846%, down by 0.231ppts from previous auction held in Jul-22.

6-month GEL 20.0mn (US\$ 7.3mn) T-Bills were sold at the auction held at NBG on August 2, 2022. Total demand was 2.2x higher and the weighted average yield was fixed at 10.390%, down by 0.133ppts from previous auction held in Jul-22.

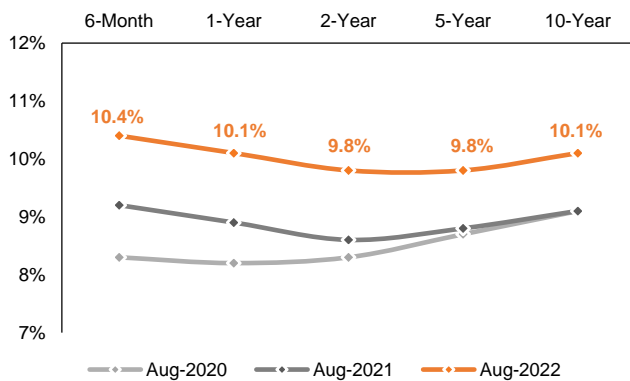
The nearest treasury security auction is scheduled for August 9, 2022, where GEL 30.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes in 2022

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	160	80	120
1-year	145	150	250
2-year	580	320	1,060
5-year	585	450	3,115
10-year	75	25	1,371
Total	1,545	1,025	5,915

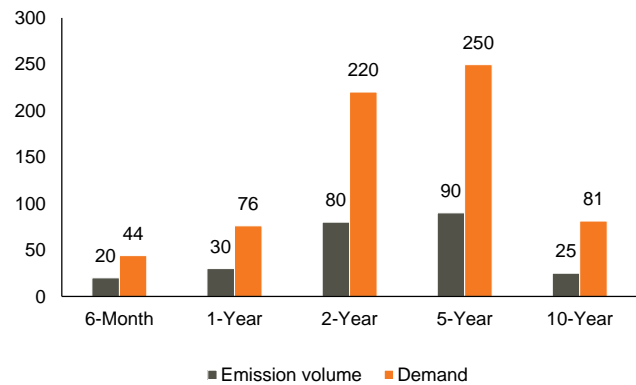
Source: MoF
*As of June 2022

T-bills / T-notes, yield curve



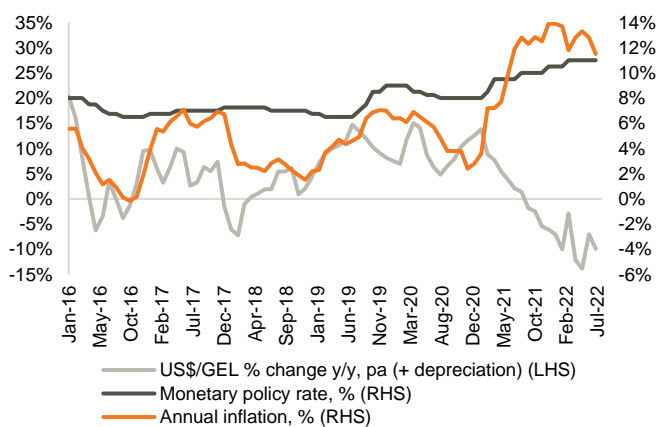
Source: NBG

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



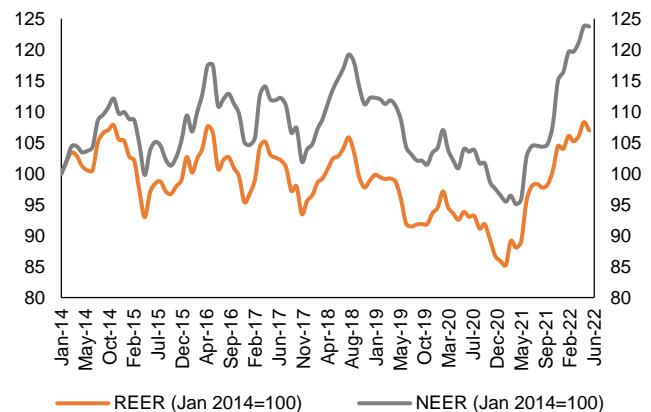
Source: NBG

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

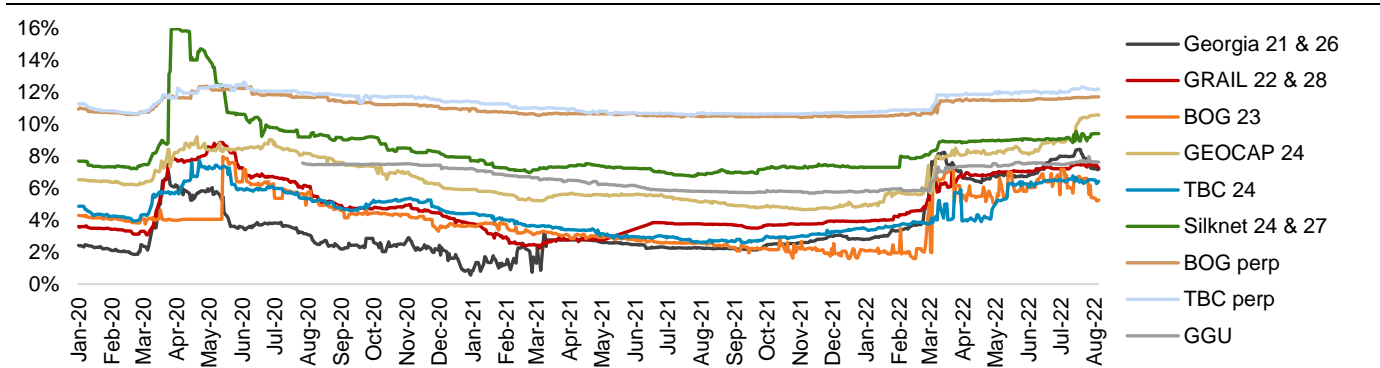
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.27% yield, trading at 100.71 (+0.16% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 93.67 (+0.02% w/w), yielding 10.57%.

Georgian Railway Eurobonds (GRAIL) traded at 84.62 (+0.95% w/w), yielding 7.27%.

Georgian Sovereign Eurobonds (GEORG) closed at 85.78 (+0.23% w/w) at 7.19% 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	85.78	7.19	429.46
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	84.62	7.27	454.16
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	100.71	5.27	189.38
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.28	11.71	827.96
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	93.67	10.57	723.65
SILKNET 01/27	USD	300	8.375%	Jan-27	B-/B1	96.29	9.41	657.08
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.82	6.43	315.69
TBC PERP	USD	125	10.775%	n/a	B-/-/-	97.16	12.18	909.87
GGU 07/25	USD	250	7.750%	Jul-25	B+*/B/-	100.32	7.63	432.17

Georgian local bonds performance

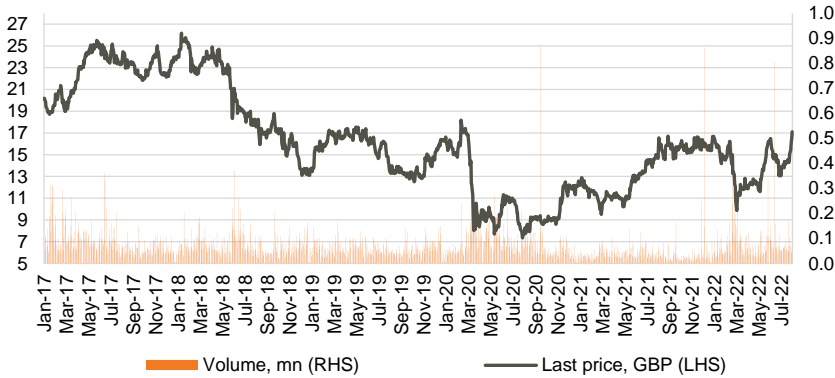
Georgia Real Estate	USD	35	7.50%	Oct-22	-/-/-	99.97	7.50	n/a
KTW	USD	10	9.00%	Dec-22	-/-/-	99.81	9.50	n/a
GLC	USD	12	5.75%	Jul-23	-/-/-	99.88	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.90	4.83	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.46	6.75	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	99.48	7.13	n/a
Geo. Beer Company	GEL	25	14.50%	Dec-23	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	13.60%	Nov-24	-/-/-	n/a	n/a	n/a
Nikora Trade	GEL	35	13.96%	Nov-24	-/-/-	n/a	n/a	n/a
Nikora	GEL	28	14.31%	Oct-22	-/-/-	n/a	n/a	n/a
TBC Leasing	GEL	58.4	13.89%	Mar-23	-/-/-	n/a	n/a	n/a

Source: Bloomberg



Equities

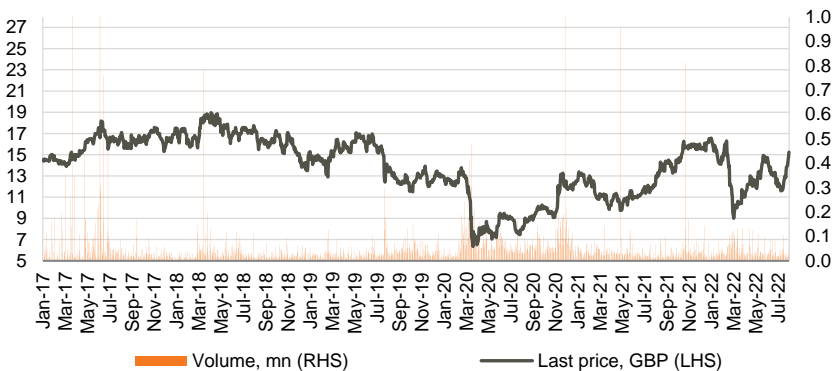
Bank of Georgia Group (BGEO LN)



Bank of Georgia Group (BGEO LN) shares closed at GBP 17.10/share (+13.55% w/w and +30.93% m/m). More than 302k shares traded in the range of GBP 15.16 - 17.32/share. Average daily traded volume was 70k in the last 4 weeks. The volume of BGEO shares traded was at 0.61% of its capitalization.

Source: Bloomberg

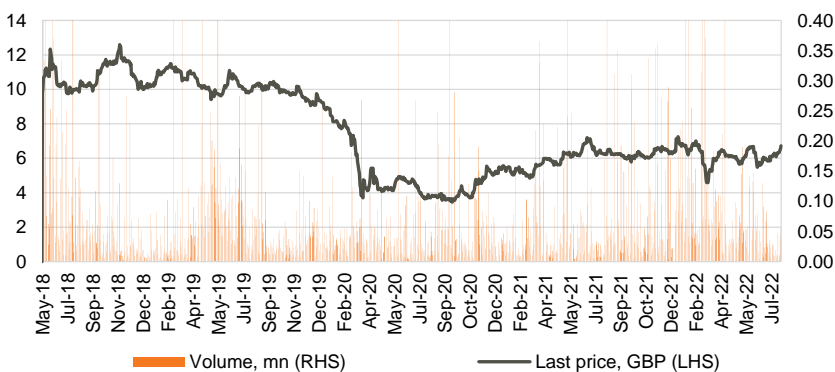
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 15.24/share (+10.43% w/w and +27.00% m/m). More than 125k shares changed hands in the range of GBP 13.72 - 15.34/share. Average daily traded volume was 32k in the last 4 weeks. The volume of TBCG shares traded was at 0.23% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 6.72/share (+6.33% w/w and +13.13% m/m). More than 157k shares traded in the range of GBP 6.17 - 6.72/share. Average daily traded volume was 23k in the last 4 weeks. The volume of CGEO shares traded was at 0.34% of its capitalization.

Source: Bloomberg

Equities, continued

Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E			P/B		
								2021	2022F	2023F	2021	2022F	2023F
Bank of Georgia	BGEO	GBP	17.10	841	17.9%	10.2%	2.5%	4.89x	3.84x	3.70x	1.10x	0.89x	0.80x
TBC	TBC	GBP	15.24	841	5.4%	23.3%	-7.6%	4.42x	3.81x	3.45x	0.96x	0.75x	0.63x
Halyk Bank	HSBK	USD	9.75	2,659	-29.9%	-36.1%	-40.9%	2.50x	3.23x	2.76x	0.73x	0.70x	0.60x
Akbank	AKBNK	TRY	9.37	48,724	20.0%	69.7%	30.1%	3.88x	1.38x	2.32x	0.62x	0.50x	0.51x
Garanti	GARAN	TRY	15.68	65,856	31.4%	69.3%	39.1%	4.73x	2.05x	2.84x	0.80x	0.68x	0.64x
Isbank	ISCTR	TRY	6.42	28,890	73.7%	161.7%	98.4%	2.06x	1.01x	1.22x	0.71x	0.60x	0.57x
PKO	PKO	PLN	24.03	30,038	-49.9%	-37.1%	-46.5%	6.21x	6.01x	5.48x	0.80x	0.92x	0.81x
PEKAO	PEO	PLN	69.78	18,315	-48.1%	-29.2%	-42.8%	8.49x	10.30x	5.75x	0.77x	0.90x	0.79x
Millennium	MIL	PLN	3.70	4,488	-58.0%	-27.0%	-54.9%	na	2.54x	2.86x	0.68x	1.11x	0.80x
Mbank	MBK	PLN	217.80	9,231	-54.8%	-32.1%	-49.7%	na	3.69x	3.82x	0.68x	0.79x	0.70x
BRD	BRD	RON	13.50	9,408	-33.2%	-25.0%	-23.7%	7.16x	7.89x	7.34x	0.95x	1.25x	1.18x
Banca Transilvania	TLV	RON	2.08	13,128	-13.3%	-9.7%	-9.6%	6.60x	6.82x	6.43x	1.45x	1.44x	1.42x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	13.82x	10.51x	0.65x	0.77x	0.68x
Komercni	KOMB	CZK	618.00	117,450	-36.6%	-25.2%	-33.9%	9.40x	8.14x	8.47x	0.96x	1.05x	1.00x
Mean								5.76x	5.32x	4.78x	0.85x	0.88x	0.80x
Median								5.55x	3.82x	3.76x	0.78x	0.84x	0.75x

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		
								2021	2022F	2023F	2021	2022F	2023F
Georgia Capital	CGEO	GBP	6.72	313	-1.9%	7.2%	-5.8%	1.90x	na	na	0.43x	na	na
Tinc Comm	TINC	EUR	13.22	481	-0.6%	5.4%	-1.6%	14.78x	na	na	1.00x	na	na
Sabanci Holding	SAHOL	TRY	22.06	45,011	49.3%	128.6%	66.7%	3.61x	5.12x	4.72x	0.85x	0.80x	0.63x
Deutsche Beteiligungs	DBAN	EUR	28.50	536	-21.8%	-25.0%	-28.5%	2.83x	na	9.16x	0.75x	1.11x	1.02x
Eurazeo	RF	EUR	64.95	5,146	-5.8%	-25.3%	-15.4%	3.25x	na	na	0.81x	0.79x	0.75x
Carlyle Group	CG	USD	38.04	13,553	-23.7%	-21.6%	-30.7%	4.56x	9.17x	8.19x	2.56x	3.01x	2.48x
Wendel SE	MF	EUR	85.65	3,833	-8.2%	-29.7%	-18.7%	3.65x	7.95x	7.85x	1.43x	1.50x	1.31x
HgCapital Trust	HGT	GBP	3.80	1,728	-10.6%	-6.2%	-9.8%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	16.35	713	-6.6%	7.9%	-11.6%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.11	733	-6.2%	16.5%	-1.9%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.90	754	-18.0%	-18.2%	-24.6%	4.22x	na	na	0.71x	na	na
Symphony International Holding	SIHL	USD	0.46	238	7.9%	9.2%	12.1%	1.94x	na	na	0.49x	na	na
Mean								4.53x	7.41x	7.48x	1.00x	1.44x	1.24x
Median								3.61x	7.95x	8.02x	0.81x	1.11x	1.02x

Source: Bloomberg, S&P Capital IQ

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