



Economy

Real GDP growth accelerated in Aug-22

The economic growth in Georgia accelerated in Aug-22, up by 10.5% y/y, after growing by 9.7% y/y in previous month, based on Geostat's rapid estimates. Cumulatively, in 8M22, the real growth came in at 10.3% y/y. Growth in August was recorded in transport, construction, IT services, hospitality and trade, while it reduced in manufacturing, and real estate sectors.

We maintain the 2022 baseline growth forecast at 9.2% and in optimistic scenario, we expect 2022 growth at 10.6% (if external inflows remain strong through the end-22).

CA deficit narrowed to 4.2% of GDP in 2Q22

Current account (CA) deficit reduced by 49.0% y/y to 4.2% of GDP in 2Q22, down from 10.6% of GDP in 2Q21, according to NBG. The improvement in the CA balance was mainly driven by a strong growth in service balance (+3.4x y/y, supported by a strong recovery in tourism revenues at 85.3% of 2Q19 level) and transfers (+32.9% y/y, 12.0% of GDP). Meanwhile, the merchandise trade deficit, traditionally the major contributor to deficit creation, increased by 28.1% y/y to US\$ 1.1bn, as exports were up 31.4% y/y and imports increased by 30.1% y/y. Notably, net FDI (+20.3% y/y, 4.7% of GDP) was the key source of the CA deficit funding in 2Q22. Overall, in 1H22, CA deficit reduced to 8.2% of GDP from 11.5% in 1H21.

Loan portfolio grew by 15.3% y/y in Aug-22

In Aug-22, the banking sector loan portfolio growth slowed to 15.3% y/y (+0.8% m/m), excluding FX effect, after a 16.3% y/y growth in previous month. In unadjusted terms, loan portfolio growth was 7.8% y/y (+2.7% m/m) to GEL 43.2bn (US\$ 14.9bn), after growing by 6.3% in July. As in previous month, the slowdown was mainly driven by corporate loan sector growing by 10.9% y/y (+13.2% y/y in previous month, exc. FX effect), while retail loans growth stood at 19.4% y/y (+19.2% y/y in previous month). The mortgages increased by 14.9% y/y in August after growing by 14.3% y/y in previous month. In Aug-22, loan dollarization slightly increased to 46.2% (-5.46ppts y/y and +0.42ppts m/m) and NPLs stood at 2.0% (-0.29ppts y/y and flat m/m).

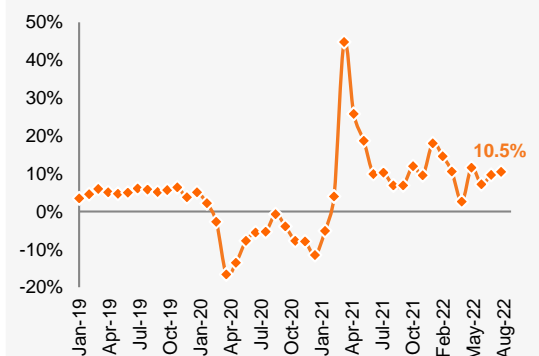
Contrary to loans, deposits increased markedly by 25.2% y/y (+5.0% m/m, exc. FX effect) to GEL 41.8bn (US\$ 14.4bn) in Aug-22, after a 20.6% y/y growth in previous month. By currency, in August, both GEL and FX (exc. FX effect) deposits growth accelerated, increasing by 23.9% y/y (from 18.9% y/y growth in previous month), and 26.1% y/y (from 21.6% y/y growth in previous month), respectively. The deposit dollarization increased to 58.1% (-2.02ppts y/y and +1.18ppts m/m).

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%	10.4%
Fiscal deficit (% of GDP)	9.3%	6.1%
Total public debt (% of GDP)	60.2%	49.5%
Fitch/S&P/Moody's*	BB/BB/Ba2	

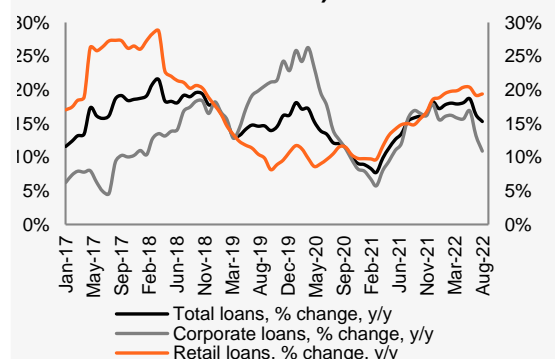
Source: Official data, Rating agencies, Galt & Taggart
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Banking sector loan growth (exc. FX effect)



Source: NBG

Money market

Ministry of Finance T-Notes:

5-year GEL 90.0mn (US\$ 31.8mn) Benchmark bonds were sold at the auction held at NBG on September 27, 2022. Total demand was c.2.4x higher and the weighted average yield was fixed at 9.296%, down by 0.387ppts from previous auction held in August 2022.

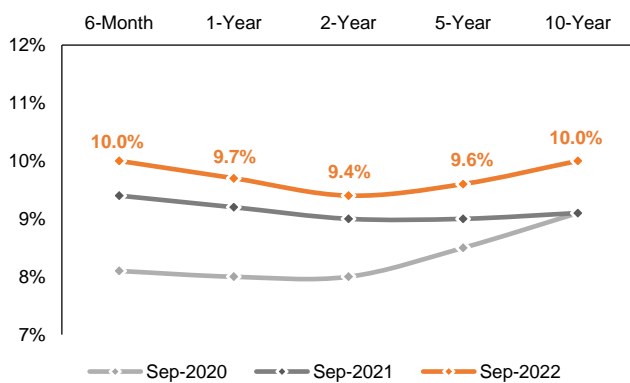
The nearest treasury security auction is scheduled for October 4, 2022, where GEL 20.0mn nominal value 6-month T-bills and GEL 80.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2022

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	180	60	120
1-year	205	90	280
2-year	660	240	1,220
5-year	773	270	3,216
10-year	75	225	1,371
Total	1,893	885	6,206

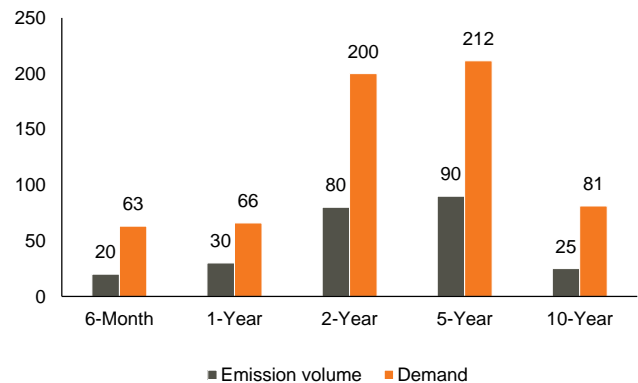
Source: MoF
*As of August 2022

T-bills / T-notes, yield curve



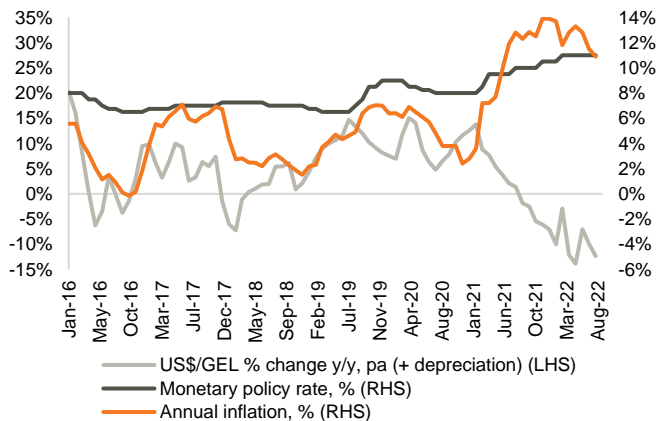
Source: NBG

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



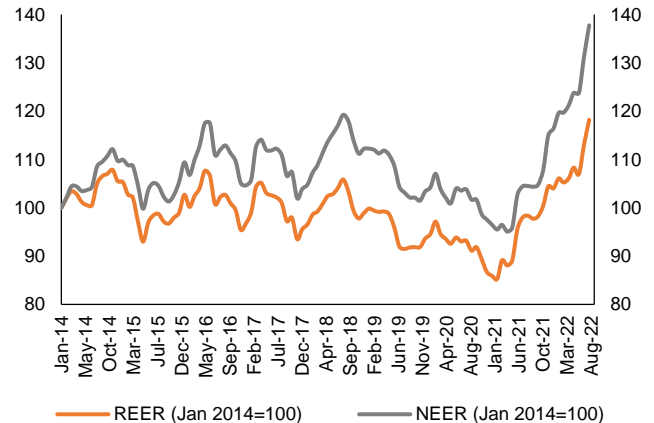
Source: NBG

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

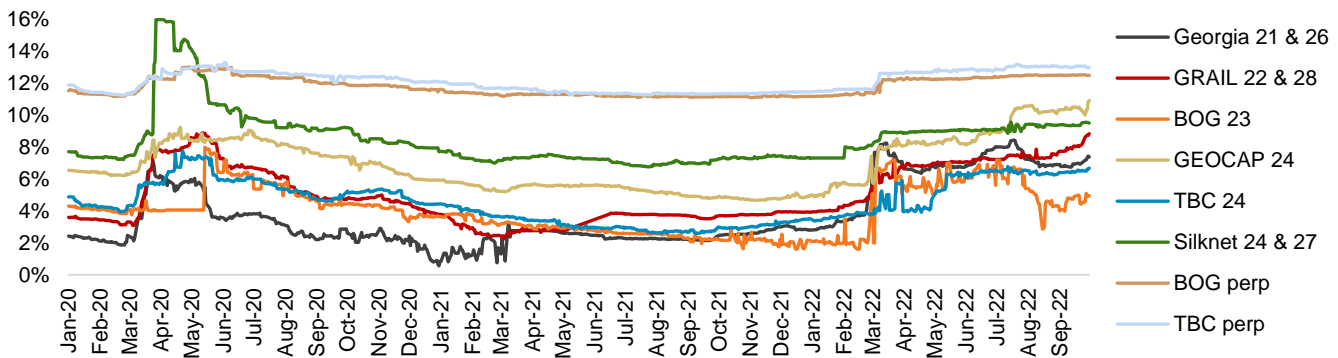
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.95% yield, trading at 100.85 (-0.34% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 93.82 (-0.74% w/w), yielding 10.90%.

Georgian Railway Eurobonds (GRAIL) traded at 78.71 (-3.18% w/w), yielding 8.83%.

Georgian Sovereign Eurobonds (GEORG) closed at 85.81 (-1.11% w/w) at 7.36% 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	85.81	7.36	347.04
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	78.71	8.83	512.09
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	100.85	4.95	77.75
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.66	12.47	712.08
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	93.82	10.90	665.82
SILKNET 01/27	USD	300	8.375%	Jan-27	B-/B1	96.12	9.48	564.94
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.52	6.67	246.17
TBC PERP	USD	125	10.775%	n/a	B-/-/-	97.80	12.97	787.32

Georgian local bonds performance

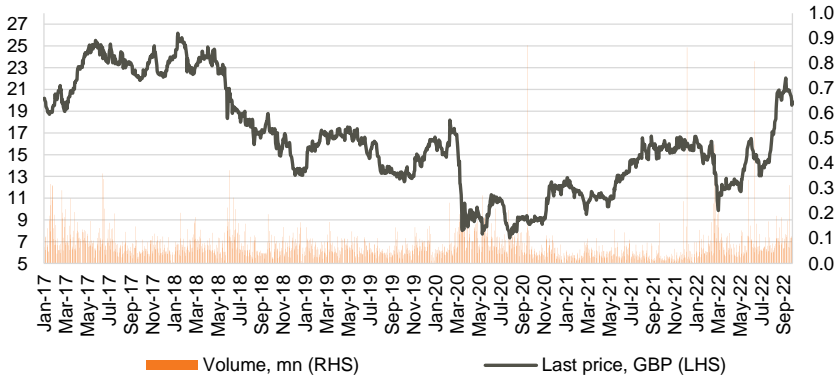
Georgia Real Estate	USD	35	7.50%	Oct-22	-/-/-	99.99	7.50	n/a
KTW	USD	10	9.00%	Dec-22	-/-/-	99.88	9.50	n/a
GLC	USD	12	5.75%	Jul-23	-/-/-	99.90	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.49	6.75	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	97.35	8.90	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

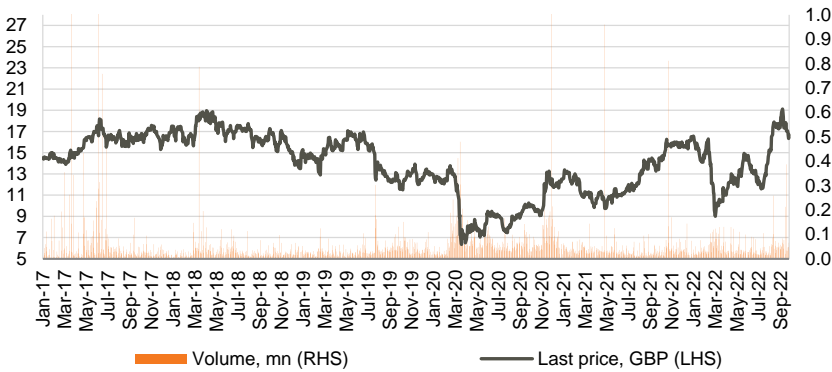
Bank of Georgia Group (BGEO LN)



Bank of Georgia Group (BGEO LN) shares closed at GBP 19.88/share (-4.19% w/w and -1.34% m/m). More than 518k shares traded in the range of GBP 19.20 - 21.15/share. Average daily traded volume was 105k in the last 4 weeks. The volume of BGEO shares traded was at 1.06% of its capitalization.

Source: Bloomberg

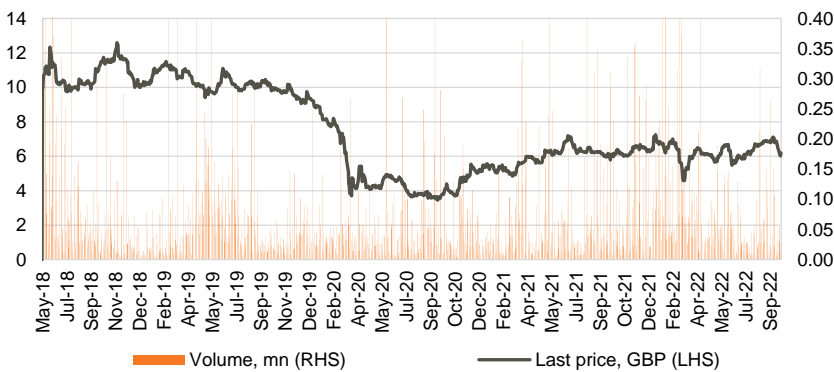
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 16.68/share (-2.11% w/w and -5.33% m/m). More than 241k shares changed hands in the range of GBP 16.00 - 17.46/share. Average daily traded volume was 77k in the last 4 weeks. The volume of TBCG shares traded was at 0.44% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 6.19/share (-4.77% w/w and -10.55% m/m). More than 124k shares traded in the range of GBP 5.85 - 6.69/share. Average daily traded volume was 45k in the last 4 weeks. The volume of CGEO shares traded was at 0.27% 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	19.88	977	62.7%	27.9%	19.2%	5.68x	4.37x	4.31x	1.27x	1.06x	0.91x
TBC	TBC	GBP	16.68	920	50.8%	15.0%	1.1%	4.83x	4.07x	3.74x	1.05x	0.83x	0.70x
Halyk Bank	HSBK	USD	10.00	2,727	-2.5%	-41.2%	-39.4%	2.56x	2.79x	3.02x	0.75x	0.65x	0.55x
Akbank	AKBNK	TRY	11.29	58,708	54.4%	111.8%	56.8%	4.68x	1.67x	2.82x	0.75x	0.68x	0.64x
Garanti	GARAN	TRY	19.43	81,606	59.4%	110.3%	72.4%	5.86x	2.67x	3.40x	0.99x	0.91x	0.73x
Isbank	ISCTR	TRY	7.52	33,840	86.7%	221.9%	132.4%	2.41x	0.99x	1.31x	0.84x	0.66x	0.56x
PKO	PKO	PLN	21.84	27,300	-46.3%	-48.3%	-51.4%	5.64x	6.69x	5.60x	0.73x	1.00x	0.82x
PEKAO	PEO	PLN	60.70	15,932	-47.1%	-41.1%	-50.2%	7.38x	10.22x	5.58x	0.67x	0.85x	0.76x
Millennium	MIL	PLN	3.33	4,042	-50.6%	-50.6%	-59.3%	na	4.04x	2.97x	0.61x	1.06x	0.72x
Mbank	MBK	PLN	200.40	8,494	-44.8%	-51.2%	-53.7%	na	3.80x	4.40x	0.62x	0.77x	0.70x
BRD	BRD	RON	11.10	7,736	-36.6%	-41.0%	-37.3%	5.89x	6.82x	6.44x	0.79x	1.11x	1.05x
Banca Transilvania	TLV	RON	16.70	105,402	-25.1%	-30.1%	-27.4%	na	na	na	1.16x	1.25x	1.18x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	13.97x	12.77x	0.65x	0.78x	0.75x
Komerčni	KOMB	CZK	629.00	119,541	-26.8%	-29.0%	-32.7%	9.57x	8.40x	9.28x	0.98x	1.10x	1.07x
Mean								5.75x	5.42x	5.05x	0.85x	0.91x	0.80x
Median								5.68x	4.07x	4.31x	0.77x	0.88x	0.74x

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	6.19	288	-0.2%	3.2%	-13.2%	1.75x	na	na	0.39x	na	na
Tinc Comm	TINC	EUR	12.50	455	-8.1%	-6.4%	-7.0%	13.98x	na	na	0.95x	na	na
Sabanci Holding	SAHOL	TRY	25.78	52,602	44.0%	163.3%	94.9%	4.22x	3.27x	3.20x	0.99x	0.68x	0.62x
Deutsche Beteiligungs	DBAN	EUR	21.65	407	-26.0%	-39.6%	-45.7%	2.15x	na	7.29x	0.57x	0.85x	0.79x
Eurazeo	RF	EUR	53.95	4,274	-29.8%	-33.6%	-29.8%	2.70x	na	na	0.67x	0.68x	0.64x
Carlyle Group	CG	USD	26.50	9,441	-43.3%	-44.0%	-51.7%	3.17x	6.43x	5.79x	1.78x	2.09x	2.11x
Wendel SE	MF	EUR	73.95	3,309	-20.8%	-38.3%	-29.8%	3.15x	7.11x	7.02x	1.24x	1.34x	1.18x
HgCapital Trust	HGT	GBP	3.40	1,548	-20.8%	-13.0%	-19.1%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.45	674	-6.6%	-4.3%	-16.5%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	3.78	674	-10.3%	5.9%	-9.8%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.70	740	-11.9%	-21.6%	-26.0%	4.14x	na	na	0.70x	na	na
Symphony International Holding	SIHL	USD	0.45	231	5.9%	1.8%	8.5%	1.88x	na	na	0.47x	na	na
Mean								4.13x	5.60x	5.82x	0.86x	1.13x	1.07x
Median								3.15x	6.43x	6.40x	0.70x	0.85x	0.79x

Source: Bloomberg, S&P Capital IQ

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