



Economy

Real GDP growth was 8.3% y/y in Oct-22

The economic growth in Georgia was 8.3% y/y in Oct-22, after a 8.8% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, real growth came in at 10.0% y/y in 10M22. In October, the growth was recorded in construction, transport, financial intermediation, mining, and hospitality sectors, while manufacturing and real estate operations contracted. We keep 2022 growth forecast unchanged at 10.2% in 2022 (see more [here](#)).

Inflation reduced to 10.4% y/y in Nov-22

Annual CPI inflation reduced to 10.4% in Nov-22 from a 10.6% inflation in previous month. Core inflation (non-food, non-energy, and non-tobacco) also reduced to 7.2% (-0.2ppts m/m) in November. By categories, annual inflation was mostly driven by price changes in food and non-alcoholic beverages (+16.8% y/y, 5.55ppts), housing, water, electricity, gas and other fuels (+15.4% y/y, 1.51ppts), transport (+8.2% y/y, 0.97ppts) and restaurants and hotels (+15.9% y/y, 0.66ppts) categories. On a monthly basis, there was a 0.5% inflation in Nov-22, driven by price changes in food and non-alcoholic beverages (+1.5% m/m) and transport (-1.4% m/m) categories.

Government projects a 2.8% deficit in the 2023 draft budget

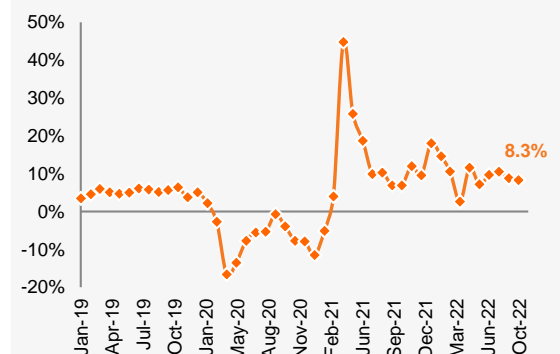
The government has submitted a final draft of 2023 budget to the parliament, incorporating also revised macro parameters for 2022. The 2023 budget framework is based on 5.0% real GDP growth and 5.0% deflator assumptions. Notably, in this 2023 budget draft, the government revised upwards 2022 growth forecast to 10.0% from 8.5% projection set in the 2nd draft budget. Consolidated budget tax revenues are set to increase by 8.9% y/y to 23.7% of GDP in 2023, slightly below nominal GDP growth. Current expenditures are set at 21.9% of GDP in 2023, including planned increase in wages by 10% y/y. Notably, capital expenditures remain high at 8.1% of GDP in 2023 (8.0% of GDP in 2021 and 8.8% in E2022). The fiscal deficit is projected at 2.8% of GDP in 2023, down from 3.1% in E2022. Notably, government debt is projected at 38.3% of GDP for 2023 (reduced further from 39.6% of GDP in E2022), below pre-pandemic levels.

Key macro indicators

	2020	2021
Real GDP growth (% change)	-6.8%	10.5%
GDP per capita (ppp)	14,849	17,386
GDP per capita (US\$)	4,256	5,023
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%	49.7%
Fitch/S&P/Moody's*	BB/BB/Ba2	

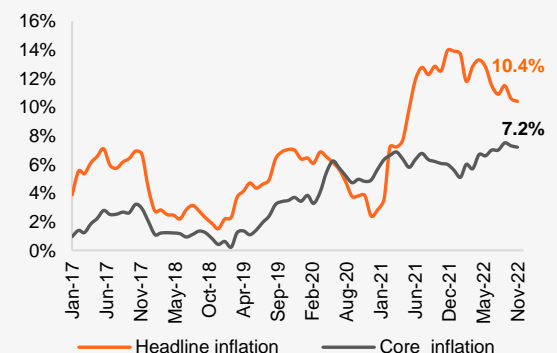
Source: Official data, Rating agencies, Galt & Taggart
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Annual inflation in Georgia



Source: Geostat

Money market

There was no treasury securities auction last week.

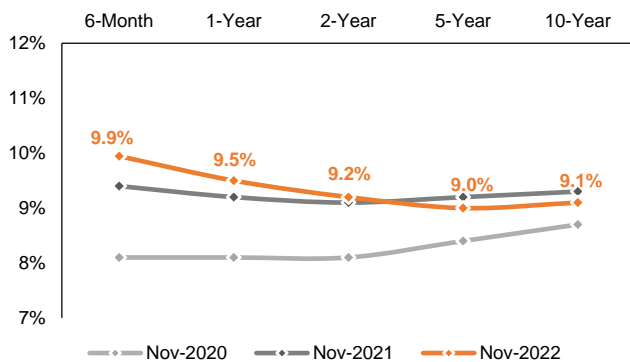
The nearest treasury security auction is scheduled for December 6, 2022, where GEL 20.0mn nominal value 6-month T-bills and GEL 80.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2022

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	220	20	120
1-year	265	30	295
2-year	820	80	1,380
5-year	980	90	3,402
10-year	200	100	1,396
Total	2,485	320	6,593

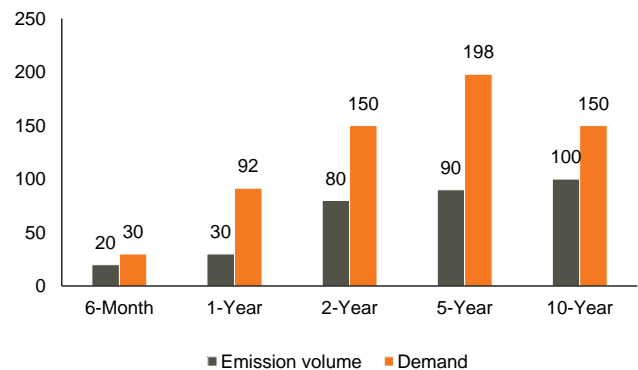
Source: MoF
*As of October 2022

T-bills / T-notes, yield curve



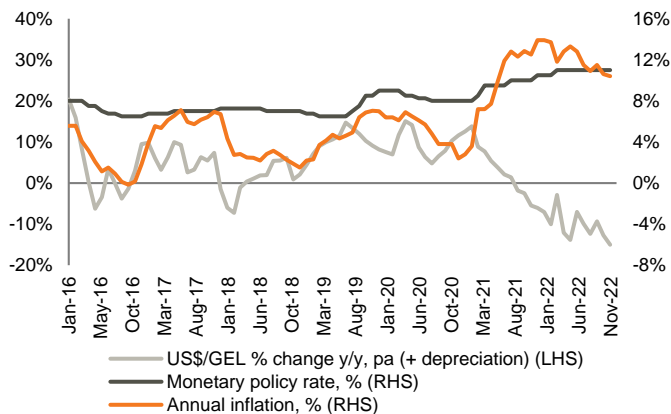
Source: NBG

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



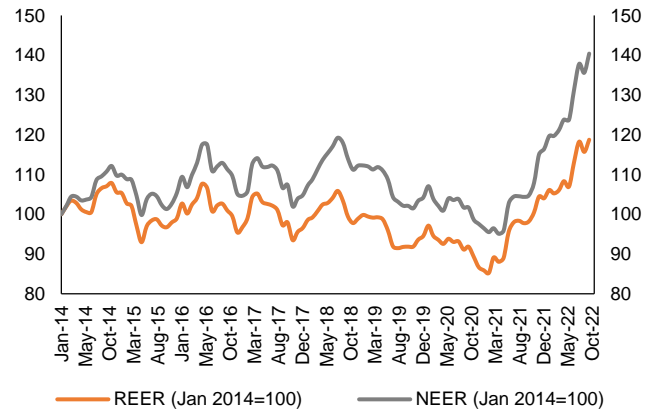
Source: NBG

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

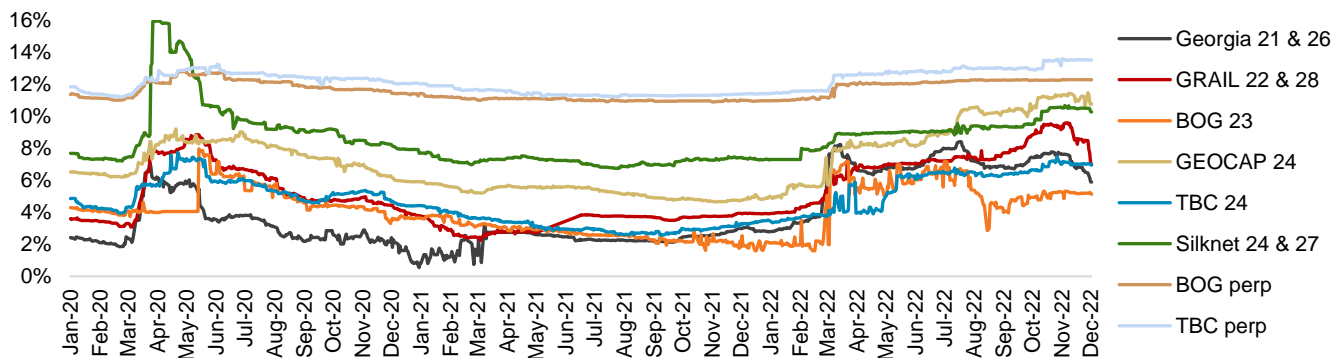
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.14% yield, trading at 100.56 (+0.06% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.62 (-0.08% w/w), yielding 10.80%.

Georgian Railway Eurobonds (GRAIL) traded at 86.44 (+7.55% w/w), yielding 7.00%.

Georgian Sovereign Eurobonds (GEORG) closed at 90.50 (+2.07% w/w) at 5.89% 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	90.50	5.89	210.87
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/B+/-	86.44	7.00	354.63
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	100.56	5.14	35.35
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.51	12.31	683.02
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	94.62	10.80	606.03
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	93.68	10.28	660.87
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.26	6.96	230.64
TBC PERP	USD	125	10.775%	n/a	B-/-/-	93.82	13.53	1,024.87

Georgian local bonds performance

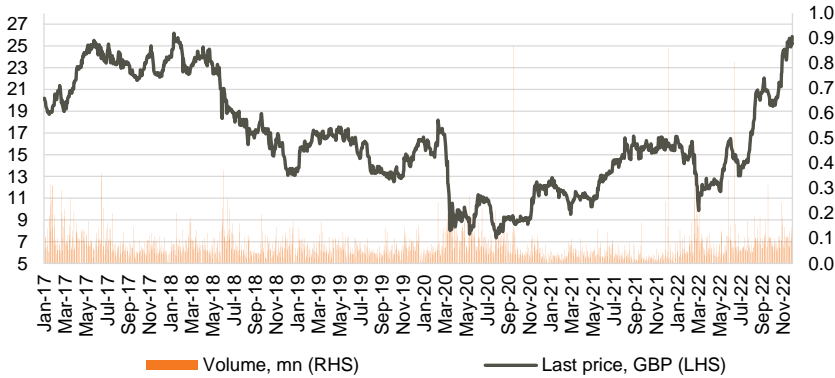
KTW	USD	10	9.00%	Dec-22	-/-/-	99.88	9.50	n/a
GLC	USD	12	5.75%	Jul-23	-/-/-	99.90	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.49	6.75	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	97.35	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.77	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.73	8.65	n/a
Geo. Beer Company	GEL	25	15.50%	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	13.62%	Nov-24	-/-/-	n/a	n/a	n/a
TBC Leasing	GEL	58.4	13.37%	Mar-23	-/-/-	n/a	n/a	n/a
Geo Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	n/a	n/a	-/-/-

Source: Bloomberg



Equities

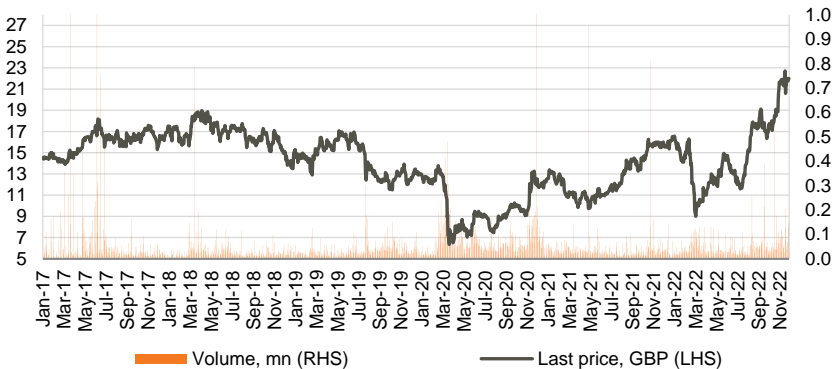
Bank of Georgia Group (BGEO LN)



Bank of Georgia Group (BGEO LN) shares closed at GBP 25.85/share (+1.77% w/w and +14.63% m/m). More than 550k shares traded in the range of GBP 24.65 - 26.00/share. Average daily traded volume was 98k in the last 4 weeks. The volume of BGEO shares traded was at 1.12% of its capitalization.

Source: Bloomberg

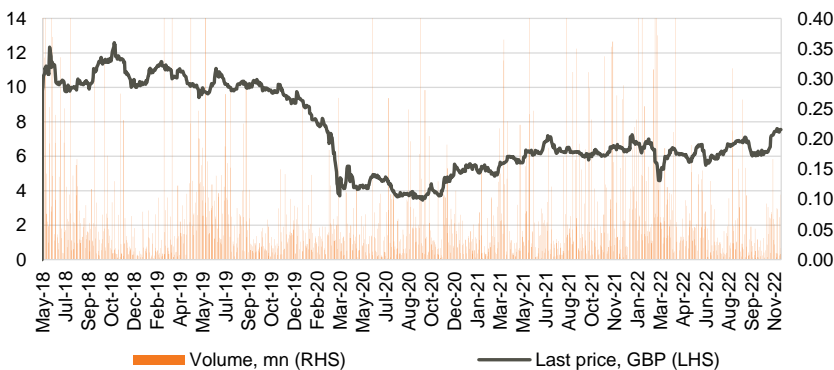
TBC Bank Group (TBCG LN)



TBC Bank Group (TBCG LN) closed the week at GBP 22.00/share (+0.92% w/w and +6.80% m/m). More than 557k shares changed hands in the range of GBP 21.45 - 22.30/share. Average daily traded volume was 87k in the last 4 weeks. The volume of TBCG shares traded was at 1.01% of its capitalization.

Source: Bloomberg

Georgia Capital (CGEO LN)



Georgia Capital (CGEO LN) shares closed at GBP 7.55/share (+1.48% w/w and +20.99% m/m). More than 213k shares traded in the range of GBP 7.30 - 7.64/share. Average daily traded volume was 53k in the last 4 weeks. The volume of CGEO shares traded was at 0.46% 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	25.85	1,271	59.6%	61.0%	55.0%	4.58x	4.69x	4.72x	1.06x	1.08x	0.91x
TBC	TBC	GBP	22.00	1,213	53.8%	41.0%	33.3%	4.75x	4.32x	4.06x	1.04x	0.95x	0.81x
Halyk Bank	HSBK	USD	11.48	3,131	20.8%	-32.7%	-30.4%	2.60x	2.62x	3.19x	0.76x	0.77x	0.65x
Akbank	AKBNK	TRY	16.86	87,672	90.9%	147.6%	134.2%	6.04x	1.54x	2.23x	0.96x	0.61x	0.55x
Garanti	GARAN	TRY	25.86	108,612	71.6%	122.0%	129.5%	7.12x	1.99x	2.64x	1.20x	0.74x	0.63x
Isbank	ISCTR	TRY	10.44	46,980	116.2%	236.7%	222.6%	2.87x	0.87x	1.08x	0.99x	0.69x	0.55x
PKO	PKO	PLN	28.87	36,088	-8.2%	-34.9%	-35.7%	6.63x	9.92x	5.57x	0.86x	1.04x	0.90x
PEKAO	PEO	PLN	84.50	22,179	-10.8%	-27.3%	-30.7%	9.22x	7.14x	5.68x	0.84x	0.95x	0.84x
Millennium	MIL	PLN	4.57	5,549	-4.1%	-47.8%	-44.2%	na	2.28x	2.83x	0.81x	1.15x	0.89x
Mbank	MBK	PLN	312.00	13,224	12.1%	-36.1%	-28.0%	na	na	7.14x	0.83x	1.05x	0.90x
BRD	BRD	RON	13.60	9,478	-0.6%	-20.3%	-23.2%	6.06x	7.30x	6.74x	0.81x	1.47x	1.14x
Banca Transilvania	TLV	RON	21.10	133,172	-5.7%	-4.6%	-8.3%	na	na	na	1.24x	1.43x	1.28x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	10.75x	10.06x	0.65x	0.69x	0.65x
Komerčni	KOMB	CZK	669.50	127,238	-8.3%	-23.8%	-28.4%	11.10x	7.62x	8.28x	1.14x	1.03x	0.98x
Mean								6.34x	5.09x	4.94x	0.94x	0.97x	0.84x
Median								6.06x	4.51x	4.72x	0.91x	0.99x	0.86x

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	7.55	352	13.4%	12.9%	5.9%	1.80x	4.18x	3.17x	0.41x	na	na
Tinc Comm	TINC	EUR	12.28	447	-7.1%	-9.0%	-8.6%	13.85x	na	na	0.94x	na	na
Sabancı Holding	SAHOL	TRY	39.98	81,575	90.6%	199.0%	202.2%	5.61x	2.19x	3.28x	1.31x	0.95x	0.71x
Deutsche Beteiligungs	DBAN	EUR	28.95	544	-3.7%	-25.7%	-27.4%	2.57x	na	6.88x	0.68x	1.07x	0.88x
Eurazeo	RF	EUR	60.95	4,829	-15.8%	-18.2%	-20.6%	2.91x	na	na	0.72x	0.68x	0.65x
Carlyle Group	CG	USD	31.91	11,370	-19.5%	-42.2%	-41.9%	3.34x	7.33x	7.76x	1.87x	2.63x	1.94x
Wendel SE	MF	EUR	89.70	4,014	-6.0%	-11.9%	-14.9%	3.45x	7.48x	7.39x	1.35x	1.42x	1.24x
HgCapital Trust	HGT	GBP	3.59	1,632	-4.4%	-14.5%	-14.7%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.95	696	10.8%	-9.4%	-13.8%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.29	766	11.3%	13.9%	2.5%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.04	625	-23.2%	-35.0%	-37.4%	3.10x	na	na	0.52x	na	na
Symphony International Holding	SIHL	USD	0.45	233	-6.4%	5.8%	9.7%	1.78x	na	na	0.45x	na	na
Mean								4.27x	5.30x	5.70x	0.92x	1.35x	1.09x
Median								3.10x	5.75x	6.88x	0.72x	1.07x	0.88x

Source: Bloomberg, S&P Capital IQ

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