



## Economy

### Inflation retreated to 9.8% in Dec-22

Annual CPI inflation retreated to 9.8% in Dec-22 from a 10.4% inflation in previous month. Core inflation (non-food, non-energy, and non-tobacco) reduced to 6.8% (-0.4ppts m/m) in December. By categories, annual inflation was mostly driven by price changes in food and non-alcoholic beverages (+16.3% y/y, 5.41ppts), housing, water, electricity, gas and other fuels (+15.8% y/y, 1.58ppts), transport (+5.5% y/y, 0.64ppts), alcoholic beverages and tobacco (+9.3% y/y, 0.62ppts), restaurants and hotels (+14.8% y/y, 0.60ppts), furnishings, household equipment and maintenance (+8.8% y/y, 0.45ppts) and healthcare (-3.6% y/y, -0.36ppts) categories. On a monthly basis, there was a 0.3% deflation in Dec-22, driven by price decrease in transport (-2.7% m/m, -0.31ppts) category.

We forecast average annual inflation at 5.2% in 2023. Notably, we expect annual inflation to approach its 3.0% target by the end-2023. Along with decelerating inflation, we expect the monetary policy rate cut to 9.0% by end-2023 from the current level of 11.0%.

### International reserves at record high US\$ 4.9bn in Dec-22

Gross international reserves increased by 14.7% y/y to a record high US\$ 4.9bn in Dec-22, according to NBG. On a monthly basis, the reserves were up by 5.7% (+US\$ 263.9mn). Changes in reserves were attributed to the government and banking sector FX operations, likely also to NBG's FX purchases (information will be available on 25 January).

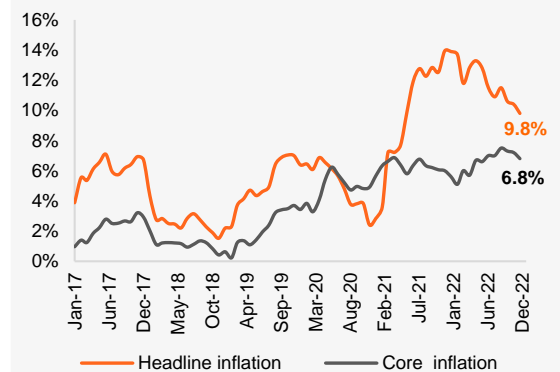
### Key macro indicators

	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

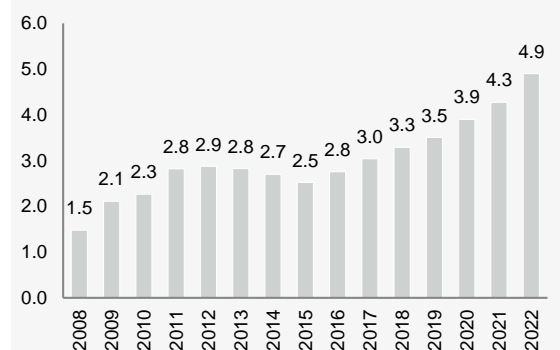
\*Latest sovereign credit ratings

### Annual inflation in Georgia



Source: Geostat

### Gross international reserves, US\$ bn



Source: NBG

# Money market

**There was no treasury securities auction last week.**

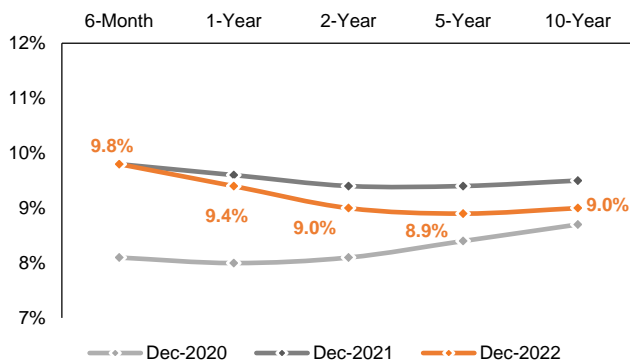
The nearest treasury security auction is scheduled for January 10, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark bonds will be sold.

## T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	0	240	120
1-year	0	240	295
2-year	0	480	1,117
5-year	0	1,080	3,500
10-year	0	720	1,496
<b>Total</b>	<b>0</b>	<b>2,760</b>	<b>6,528</b>

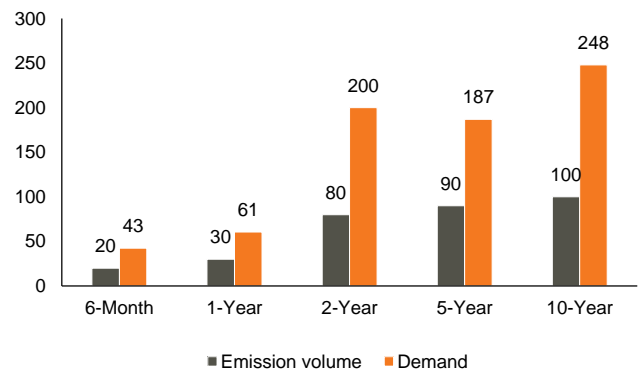
Source: MoF  
\*As of November 2022

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



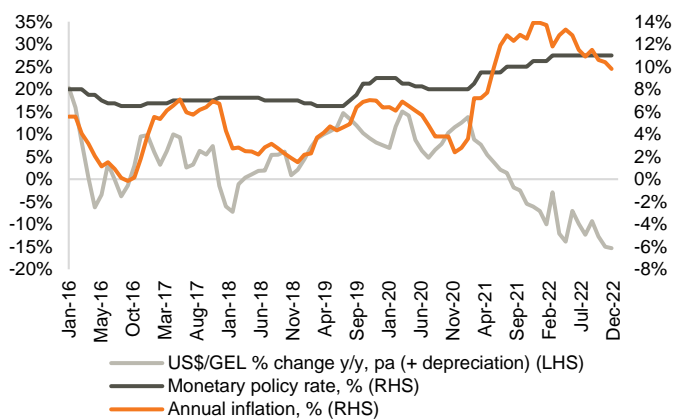
Source: NBG

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



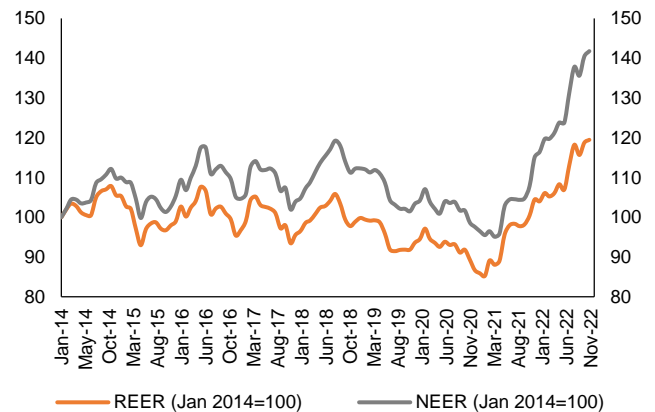
Source: NBG

## 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

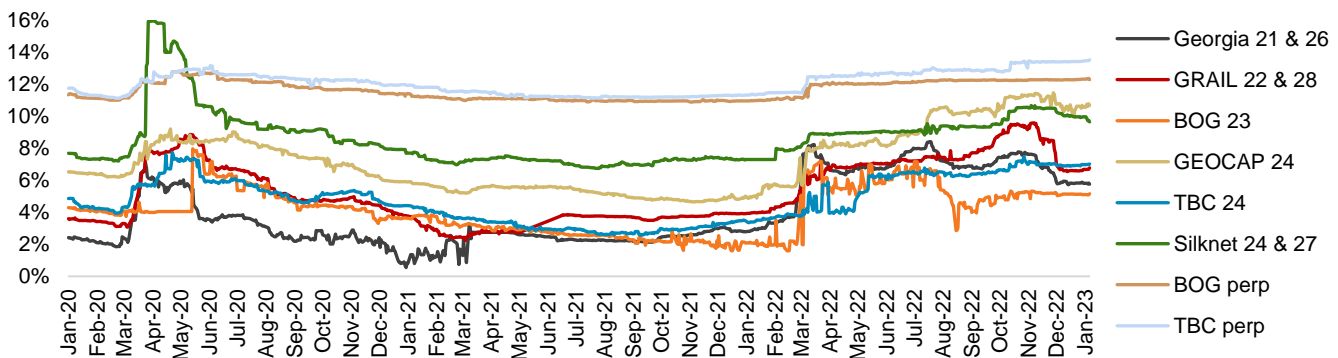
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.17% yield, trading at 100.46 (-0.01% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.10 (-0.05% w/w), yielding 10.69%.

Georgian Railway Eurobonds (GRAIL) traded at 87.50 (-0.41% w/w), yielding 6.79%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 91.09 (+0.20% w/w) at 5.77% 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	91.09	5.77	197.78
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	87.50	6.79	332.64
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/-/Ba2	100.46	5.17	32.38
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.54	12.31	680.42
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	95.10	10.69	591.77
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	95.75	9.66	598.94
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	98.27	7.03	236.17
TBC PERP	USD	125	10.775%	n/a	B-/-/-	93.01	13.54	1,100.66

### Georgian local bonds performance

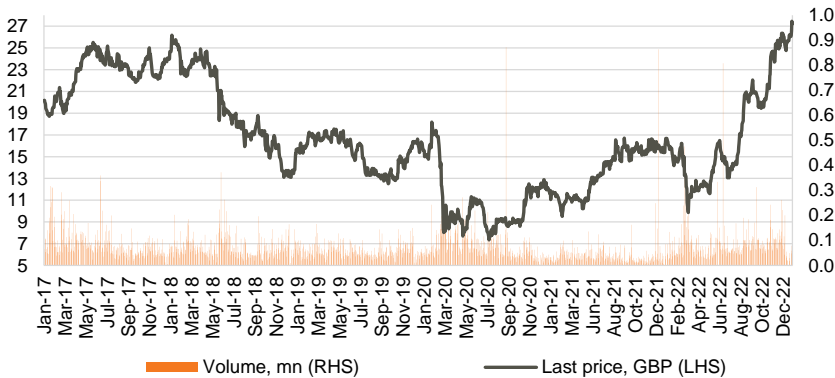
GLC	USD	12	5.75%	Jul-23	-/-/-	99.90	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.49	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/-	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	97.35	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	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

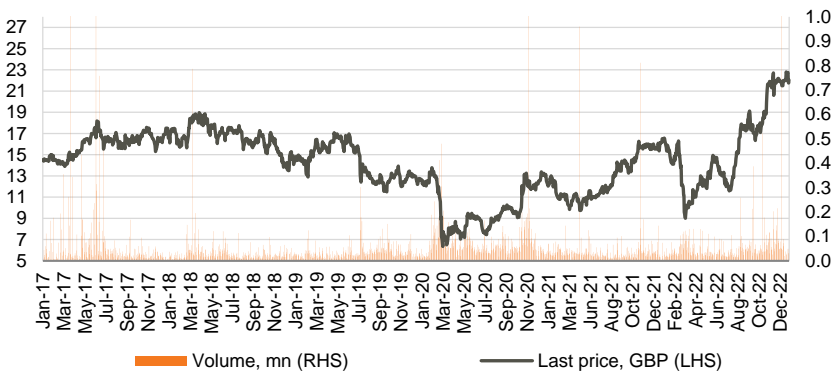
### Bank of Georgia Group (BGEO LN)



**Bank of Georgia Group (BGEO LN)** shares closed at GBP 27.20/share (+4.41% w/w and +3.23% m/m). More than 498k shares traded in the range of GBP 25.80 - 27.65/share. Average daily traded volume was 75k in the last 4 weeks. The volume of BGEO shares traded was at 1.01% of its capitalization.

Source: Bloomberg

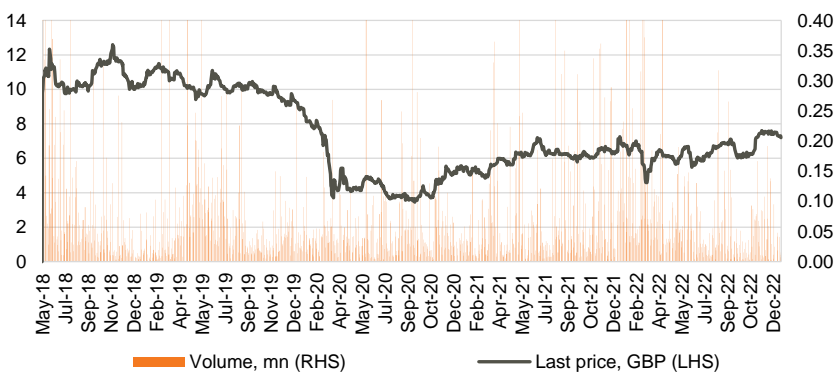
### TBC Bank Group (TBCG LN)



**TBC Bank Group (TBCG LN)** closed the week at GBP 22.05/share (-2.86% w/w and -0.68% m/m). More than 159k shares changed hands in the range of GBP 21.40 - 23.40/share. Average daily traded volume was 126k in the last 4 weeks. The volume of TBCG shares traded was at 0.29% of its capitalization.

Source: Bloomberg

### Georgia Capital (CGEO LN)



**Georgia Capital (CGEO LN)** shares closed at GBP 7.20/share (-1.37% w/w and -4.13% m/m). More than 74k shares traded in the range of GBP 7.07 - 7.35/share. Average daily traded volume was 37k in the last 4 weeks. The volume of CGEO shares traded was at 0.16% 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	27.20	1,337	103.9%	66.3%	4.4%	4.58x	4.18x	4.27x	1.06x	1.09x	0.92x
TBC	TBC	GBP	22.05	1,216	82.2%	35.3%	-2.9%	4.75x	4.33x	4.03x	1.04x	0.93x	0.80x
Halyk Bank	HSBK	USD	11.48	3,131	15.0%	-18.3%	3.4%	2.60x	3.03x	3.07x	0.76x	0.77x	0.65x
Akbank	AKBNK	TRY	18.70	97,240	136.4%	155.5%	-4.3%	6.04x	1.73x	2.45x	0.96x	0.77x	0.61x
Garanti	GARAN	TRY	28.22	118,524	103.8%	145.8%	-6.1%	7.12x	2.21x	2.81x	1.20x	0.89x	0.69x
Isbank	ISCTR	TRY	12.07	54,315	171.8%	262.9%	-5.5%	2.87x	1.06x	1.20x	0.99x	0.55x	0.52x
PKO	PKO	PLN	33.19	41,488	25.9%	-28.1%	9.6%	6.63x	11.24x	6.53x	0.86x	1.17x	1.04x
PEKAO	PEO	PLN	94.48	24,798	21.0%	-23.0%	9.2%	9.22x	7.57x	6.14x	0.84x	1.05x	0.93x
Millennium	MIL	PLN	5.64	6,842	51.7%	-34.0%	23.1%	na	2.72x	3.29x	0.81x	1.41x	1.16x
Mbank	MBK	PLN	336.40	14,258	53.5%	-24.2%	13.6%	na	8.25x	5.60x	0.83x	1.12x	0.98x
BRD	BRD	RON	13.50	9,408	12.3%	-24.3%	3.8%	6.06x	7.20x	6.50x	0.81x	1.45x	1.13x
Banca Transilvania	TLV	RON	21.10	133,172	3.1%	-9.4%	5.9%	na	na	na	1.24x	1.42x	1.28x
OTP	OTPD	USD	22.00	12,320	0.0%	0.0%	0.0%	8.76x	9.14x	8.94x	0.65x	0.66x	0.60x
Komerčni	KOMB	CZK	683.00	129,804	5.1%	-26.8%	4.3%	11.10x	7.71x	8.44x	1.14x	1.05x	1.00x
<b>Mean</b>								<b>6.34x</b>	<b>5.41x</b>	<b>4.87x</b>	<b>0.94x</b>	<b>1.03x</b>	<b>0.88x</b>
<b>Median</b>								<b>6.06x</b>	<b>4.33x</b>	<b>4.27x</b>	<b>0.91x</b>	<b>1.05x</b>	<b>0.92x</b>

Source: Bloomberg, S&amp;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	7.20	336	22.0%	3.2%	-1.4%	1.80x	3.91x	2.97x	0.41x	na	na
Tinc Comm	TINC	EUR	12.90	469	-2.0%	-2.7%	3.2%	13.85x	na	na	0.94x	na	na
Sabanci Holding	SAHOL	TRY	43.16	88,064	133.5%	195.6%	-4.3%	5.61x	2.36x	3.54x	1.31x	0.84x	0.77x
Deutsche Beteiligungs	DBAN	EUR	28.70	540	13.7%	-25.5%	2.9%	2.57x	na	7.17x	0.68x	1.07x	0.86x
Eurazeo	RF	EUR	60.25	4,773	0.1%	-22.0%	3.7%	2.91x	13.52x	9.50x	0.72x	0.67x	0.64x
Carlyle Group	CG	USD	30.92	11,017	-2.4%	-39.9%	3.6%	3.34x	7.11x	7.48x	1.87x	2.54x	2.05x
Wendel SE	MF	EUR	91.25	4,083	14.0%	-15.3%	4.6%	3.45x	7.54x	7.49x	1.35x	1.43x	1.25x
HgCapital Trust	HGT	GBP	3.65	1,662	12.1%	-15.7%	4.1%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	16.00	698	4.9%	-15.3%	0.0%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	3.94	704	3.7%	-6.4%	-6.1%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	8.36	578	-30.9%	-40.7%	-0.9%	3.10x	na	na	0.52x	na	na
Symphony International Holding	SIHL	USD	0.44	223	-4.4%	0.9%	-2.9%	1.78x	na	na	0.45x	na	na
<b>Mean</b>								<b>4.27x</b>	<b>6.89x</b>	<b>6.36x</b>	<b>0.92x</b>	<b>1.31x</b>	<b>1.11x</b>
<b>Median</b>								<b>3.10x</b>	<b>7.11x</b>	<b>7.32x</b>	<b>0.72x</b>	<b>1.07x</b>	<b>0.86x</b>

Source: Bloomberg, S&amp;P Capital IQ

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