



Economy

Real GDP grew by 7.5% y/y in Apr-23

Georgia's economy continued strong growth, with real GDP up by 7.5% y/y in Apr-23, after 7.3% y/y growth in previous month, based on Geostat's rapid estimates. Cumulatively, real growth came in at 7.3% y/y in 4M23. The observed growth in April was mainly driven by construction, financial, trade, ICT and transportation and storage sectors. Meanwhile, manufacturing and real estate sectors contracted. We forecast Georgia's economy to grow by 5.8% in 2023 (see macro forecasts in detail [here](#)).

Inflation retreated further to 1.5% in May-23

Annual CPI inflation retreated to 1.5% in May-23 from 2.7% inflation in previous month. This decline was primarily attributed to a reduction in inflation for imported goods (-6.5% y/y) and mixed goods (-4.2% y/y). Additionally, there was a slowdown in domestic inflation (+9.1% y/y in May vs. +10.6% y/y in April). Core inflation (non-food, non-energy, and non-tobacco) also reduced to 3.9% (-0.8ppts m/m) in May. By categories, annual inflation was mostly driven by price changes in transport (-12.9% y/y, -1.64ppts), healthcare (-7.5% y/y, -0.73ppts), food and non-alcoholic beverages (+3.3% y/y, 1.19ppts), alcoholic beverages and tobacco (+7.1% y/y, 0.48ppts), restaurants and hotels (+11.1% y/y, 0.41ppts) and housing, water, electricity, gas and other fuels (+3.7% y/y, 0.39ppts). On a monthly basis, there was a 0.1% deflation in May-23, driven by price reduction in food and non-alcoholic beverages (-1.7% y/y, -0.62ppts) category.

We expect disinflation to continue and forecast average annual inflation at 3.1% for the entire year and end-2023 inflation at 1.0%.

NBG sold US\$ 17.1mn

On 2 June 2023, NBG intervened in the FX market and sold US\$ 17.1mn out of offered US\$ 40mn, likely to limit one-off pressure on GEL. This was 1st FX intervention on the sell side in 2023. Notably, the NBG is a net buyer of US\$ 765.8mn year-to-date.

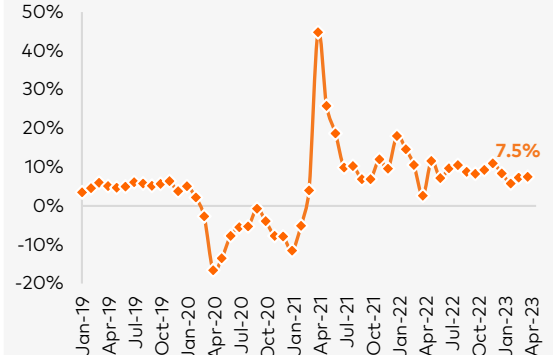
Key macro indicators

	2021	2022
Real GDP growth (% change)	10.5%	10.1%
GDP per capita (ppp)	16,997	20,244
GDP per capita (US\$)	5,023	6,672
Population (mn)	3.7	3.7
Inflation (eop)	13.9%	9.8%
Gross reserves (US\$ bn)	4.3	4.9
CAD (% of GDP)	10.4%	4.1%
Fiscal deficit (% of GDP)	6.1%	3.1%
Total public debt (% of GDP)	49.7%	39.8%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

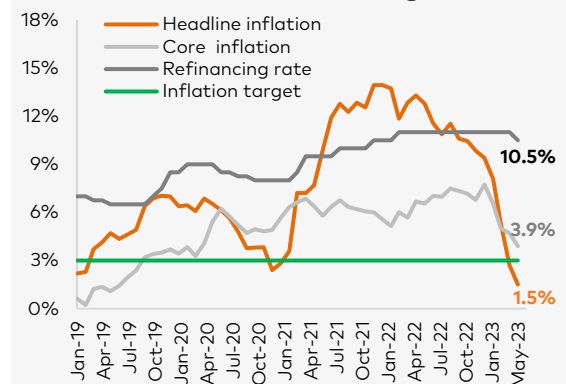
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Inflation and refinancing rate



Source: Geostat, NBG

Money market

There was no treasury securities auction last week.

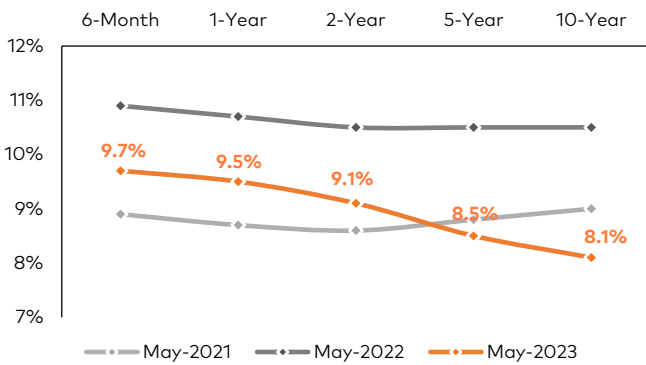
The nearest treasury security auction is scheduled for June 6, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	100	140	420
1-year	100	140	
2-year	213	280	
5-year	483	630	6,624
10-year	300	720	
Total	1,196	1,910	7,044

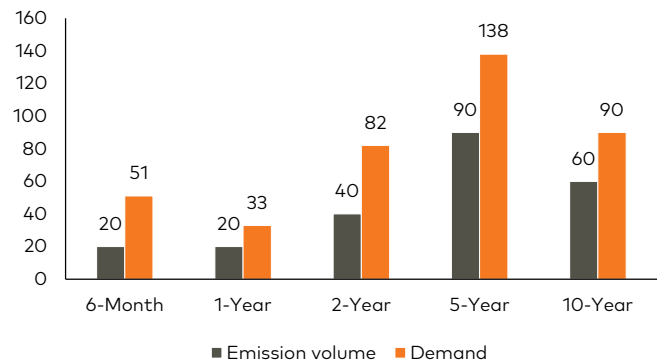
Source: MoF
*As of April 2023

T-bills / T-notes, yield curve



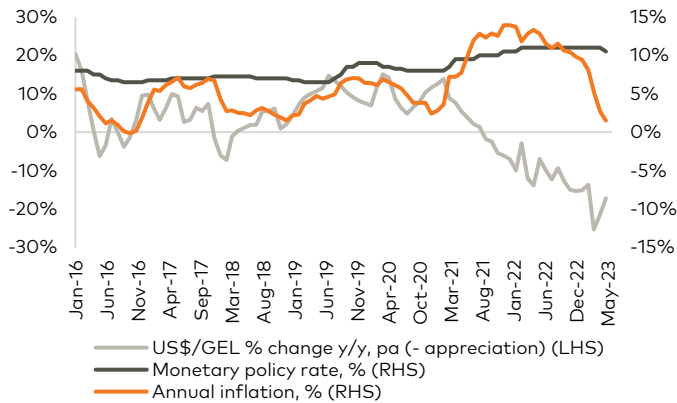
Source: NBG

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



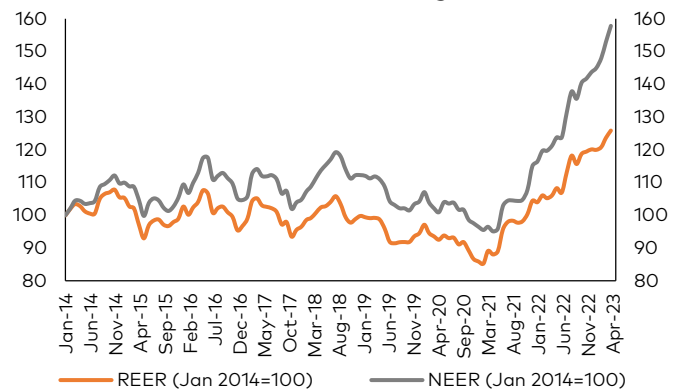
Source: NBG

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

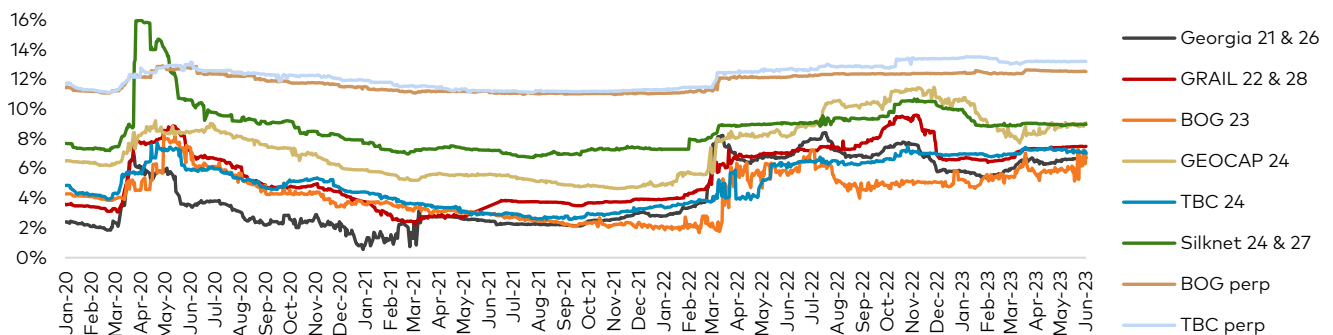
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 7.09% yield, trading at 99.83 (-0.12% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.86 (-0.10% w/w), yielding 9.08%.

Georgian Railway Eurobonds (GRAIL) traded at 85.55 (+0.07% w/w), yielding 7.50%.

Georgian Sovereign Eurobonds (GEORG) closed at 89.73 (-0.10% w/w) at 6.74% yield to maturity.

Georgian Eurobonds, YTM



Source: Bloomberg

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Mood y/Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	89.73	6.74	274.08
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	85.55	7.50	387.74
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/Ba2	99.83	7.09	n/a
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.12	12.53	695.14
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	97.86	9.08	380.98
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.14	8.98	512.88
TBC 06/24	USD	300	5.750%	Jun-24	BB-/Ba2	98.73	7.04	194.69
TBC PERP	USD	125	10.775%	n/a	B-/-/-	95.87	13.22	941.28

Georgian local bonds performance

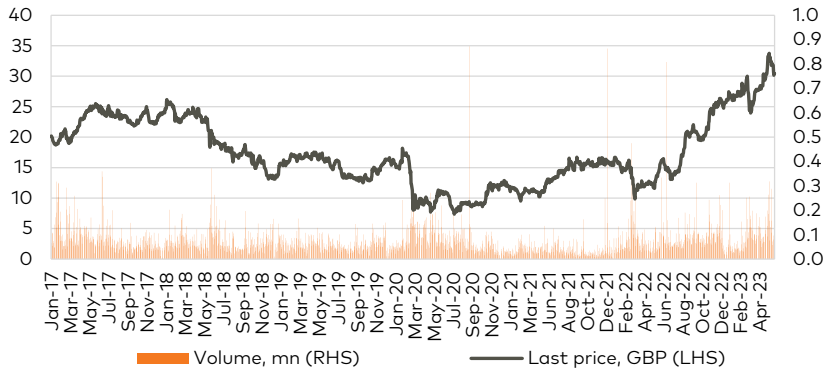
GLC	USD	12	5.75%	Jul-23	-/-/-	99.94	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.59	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/B+	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	98.23	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.80	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.78	8.65	n/a
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	99.04	7.25	n/a
SRG Real Estate	USD	20	9.00%	Apr-26	-/-/-	n/a	n/a	n/a
Geosteel	USD	15	9.00%	Apr-25	-/-/-	n/a	n/a	n/a
Tegeta Motors	USD	20	8.50%	Apr-25	-/-/BB-	n/a	n/a	n/a
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	15.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Evex Hospitals	GEL	50	14.10%	Nov-24	-/-/BB	n/a	n/a	n/a
Nikora Trade	GEL	35	14.50%	Nov-24	-/-/B+	n/a	n/a	n/a
TBC Leasing	GEL	58.4	14.25%	Mar-26	BB-//-/-	n/a	n/a	n/a

Source: Bloomberg



Equities

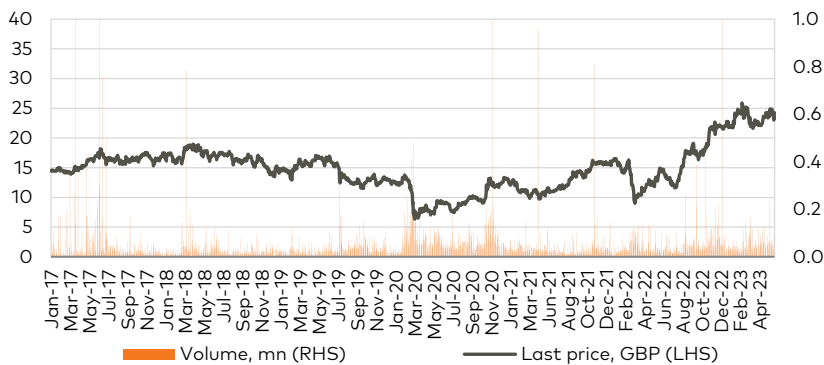
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 30.45/share (-4.25% w/w and +3.75% m/m). More than 318k shares traded in the range of GBP 30.05 - 31.80/share. Average daily traded volume was 142k in the last 4 weeks. The volume of BGEO shares traded was at 0.69% of its capitalization.

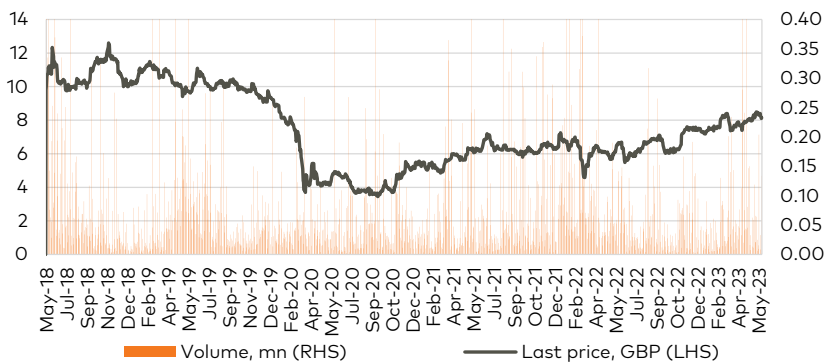
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 24.25/share (+1.25% w/w and +3.41% m/m). More than 199k shares changed hands in the range of GBP 22.50 - 24.35/share. Average daily traded volume was 65k in the last 4 weeks. The volume of TBCG shares traded was at 0.36% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 8.15/share (-2.98% w/w and +0.62% m/m). More than 177k shares traded in the range of GBP 7.92 - 8.36/share. Average daily traded volume was 49k in the last 4 weeks. The volume of CGEO shares traded was at 0.40% 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		
								2022	2023F	2024F	2022	2023F	2024F
Bank of Georgia	BGEO	GBP	30.45	1,415	17.8%	88.0%	16.9%	2.74x	4.66x	4.31x	0.90x	0.94x	0.81x
TBC	TBC	GBP	24.25	1,334	10.2%	69.6%	6.8%	4.10x	4.65x	4.07x	1.04x	1.04x	0.89x
Halyk Bank	HSBK	USD	12.60	3,436	9.8%	32.6%	13.5%	2.69x	2.56x	2.32x	0.78x	0.66x	0.56x
Akbank	AKBNK	TRY	17.55	91,260	4.1%	98.8%	-10.2%	1.40x	3.29x	3.15x	0.55x	0.73x	0.65x
Garanti	GARAN	TRY	28.66	120,372	10.8%	90.2%	-4.6%	1.91x	4.20x	3.56x	0.73x	0.98x	0.81x
Isbank	ISCTR	TRY	12.26	122,600	17.4%	153.9%	-4.0%	0.84x	3.79x	3.50x	0.60x	0.84x	0.68x
PKO	PKO	PLN	34.47	43,088	19.4%	9.6%	13.8%	10.98x	6.59x	7.21x	1.03x	1.06x	1.02x
PEKAO	PEO	PLN	104.30	27,376	23.4%	10.1%	20.6%	na	5.58x	6.69x	na	1.04x	0.99x
Millennium	MIL	PLN	4.83	5,859	5.6%	1.3%	5.5%	na	2.64x	2.83x	1.04x	1.02x	0.82x
Mbank	MBK	PLN	384.50	16,316	23.2%	38.2%	29.9%	na	3.85x	5.87x	1.10x	0.92x	0.93x
BRD	BRD	RON	12.04	8,391	-11.5%	-12.0%	-7.4%	6.81x	5.93x	6.36x	1.31x	1.08x	1.05x
Banca Transilvania	TLV	RON	18.76	13,276	-11.1%	-16.2%	-5.8%	na	6.11x	5.74x	1.60x	1.26x	1.14x
Komerčni	KOMB	CZK	676.00	128,473	1.0%	-7.4%	3.2%	8.36x	8.64x	8.76x	1.21x	1.01x	0.97x
Mean								4.42x	4.81x	4.95x	0.99x	0.97x	0.87x
Median								2.74x	4.65x	4.31x	1.04x	1.01x	0.89x

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		
								2022	2023F	2024F	2022	2023F	2024F
Georgia Capital	CGEO	GBP	8.15	359	7.9%	22.4%	11.6%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	11.90	433	-3.3%	-10.0%	-4.8%	18.33x	na	na	0.99x	na	na
Sabancı Holding	SAHOL	TRY	40.64	82,922	1.7%	93.7%	-9.8%	1.77x	4.93x	3.32x	0.77x	0.73x	0.61x
Deutsche Beteiligungs	DBAN	EUR	29.20	549	0.9%	-2.8%	4.7%	na	5.76x	5.51x	1.00x	0.87x	0.78x
Eurazeo	RF	EUR	65.10	5,158	7.3%	-10.1%	12.0%	8.89x	11.09x	9.32x	0.78x	0.69x	0.64x
Carlyle Group	CG	USD	29.06	10,521	-7.9%	-26.7%	-2.6%	8.50x	10.09x	7.13x	1.70x	1.87x	1.42x
Wendel SE	MF	EUR	102.60	4,556	14.6%	7.5%	17.7%	6.63x	8.83x	8.70x	na	1.49x	1.34x
HgCapital Trust	HGT	GBP	4.00	1,831	11.6%	6.7%	14.1%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	15.50	676	-2.8%	7.6%	-3.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.67	829	8.7%	21.0%	11.2%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.10	698	11.7%	-14.2%	19.7%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.45	231	-1.1%	-7.4%	0.2%	na	na	na	0.47x	na	na
Mean								8.82x	8.14x	6.80x	0.84x	1.13x	0.96x
Median								8.50x	8.83x	7.13x	0.78x	0.87x	0.78x

Source: Bloomberg, S&P Capital IQ

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Galt & Taggart

Address: 3 A. Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge