



Economy

Real GDP growth was 7.5% in 2Q23

Georgia's economy grew by 7.5% y/y in 2Q23 according to Geostat, revised upwards from the preliminary estimate of 7.4%. In terms of economic sectors, high contributions to the growth in 2Q23 came from trade (+14.6% y/y), construction (+22.7% y/y), education (+19.6% y/y), ICT (+20.2% y/y) and public administration (+11.1% y/y). Meanwhile, agriculture (-7.1% y/y), manufacturing (-2.8% y/y) and electricity supply (-7.0% y/y) sectors contracted in 2Q23.

Considering rapid estimate of real GDP growth of 5.5% in Jul-23, cumulatively Georgia's economy increased by 7.2% y/y in 7M23. For the full 2023 year, we expect growth at 6.8%; Additionally, the ongoing parliamentary discussion on revision of 2023 budget, which foresees an increase in both expenditures and revenues driven by stronger macroeconomic indicators (with deficit and debt ratios to GDP at 3.0% and 38.4%, respectively), further supports our growth projection.

Goods exports up 4.8% y/y in Aug-23

In Aug-23, goods exports increased by 4.8% y/y to US\$ 495.8mn, after a 0.6% y/y decline in previous month. Goods imports were up by 0.9% to US\$ 1.3bn in August, after growing by 2.8% y/y in July. Consequently, the trade deficit decreased by 1.5% y/y to US\$ 778.3mn, after a 5.7% y/y growth in July.

The top 5 exported commodities were cars (+58.3% y/y), copper (-50.5% y/y), wine (-24.7% y/y), spirits (+12.7% y/y) and electricity (+16.7% y/y), in Aug-23. A 11.7% of exports were directed to the EU (-30.3% y/y), 70.7% to the CIS (+21.1% y/y) and 17.6% to other countries (-13.3% y/y).

The top 5 imports were cars (+30.9% y/y), petroleum (-30.1% y/y), pharmaceuticals (+35.5% y/y), phones (+14.6% y/y) and trucks (+84.0% y/y) in Aug-23.

Overall, in 8M23, trade deficit increased by 20.2% y/y to US\$ 5.8bn, as exports increased by 14.4% y/y to US\$ 4.1bn, while imports were up by 17.8% y/y to US\$ 9.9bn.

Producer price index fell by 3.3% y/y in Aug-23

Annual PPI for industrial goods fell by 3.3% in Aug-23, after reducing by 2.8% in previous month, according to Geostat. This decline was mainly driven by price reduction in manufacturing sector (-3.6% y/y).

NBG sold US\$ 57.2mn

On 20-21 September 2023, NBG intervened in the FX market and sold US\$ 57.2mn to curb sentiment-related GEL depreciation pressure. The GEL swiftly gained the ground and is now trading at 1\$/2.67. With strong fundamentals (FX inflows, strong growth, and healthy fiscal parameters) and high FX liquidity in the market, we expect GEL to stabilize at current levels through 2023. Notably, the NBG is a net buyer of US\$ 1.4bn year-to-date by our estimates.

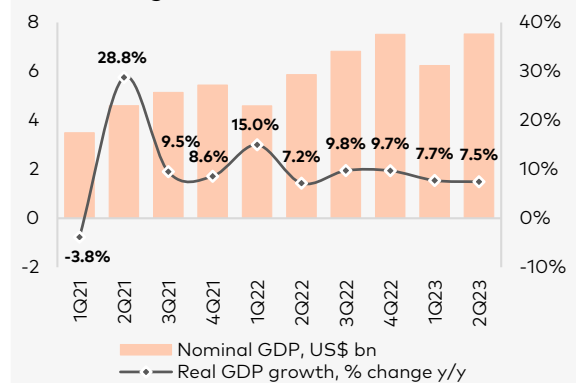
Key macro indicators

	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%	4.0%
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

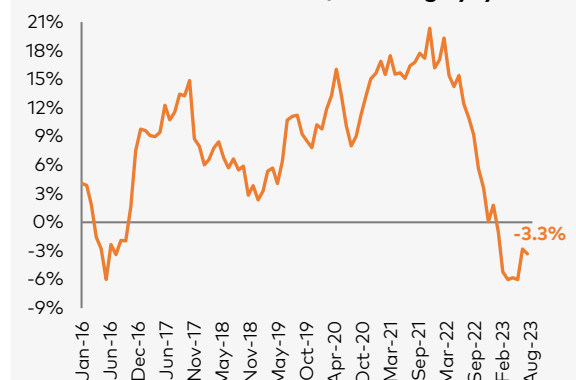
*Latest sovereign credit ratings

Georgia's Gross Domestic Product



Source: Geostat

Producer Price Index, % change y/y



Source: Geostat

Money market

Ministry of Finance T-bills/T-notes:

10-year GEL 60.0mn (US\$ 22.8mn) Benchmark bonds were sold at the auction held at NBG on September 19, 2023. Total demand was 1.5x higher and the weighted average yield was fixed at 8.123%, up by 0.040ppts from previous auction held in Aug-23.

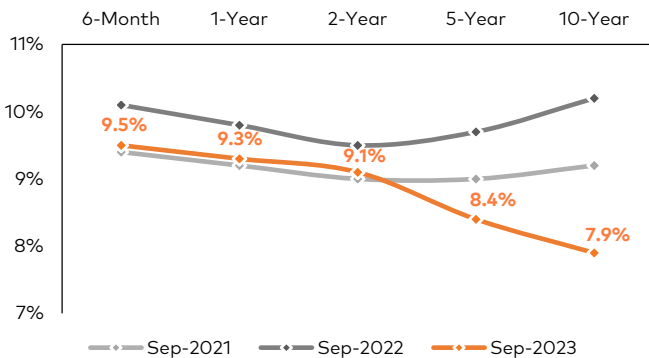
The nearest treasury security auction is scheduled for September 26, 2023, where GEL 90.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	180	60	400
1-year	180	60	
2-year	384	120	
5-year	771	360	7,339
10-year	615	405	
Total	2,130	1,005	7,739

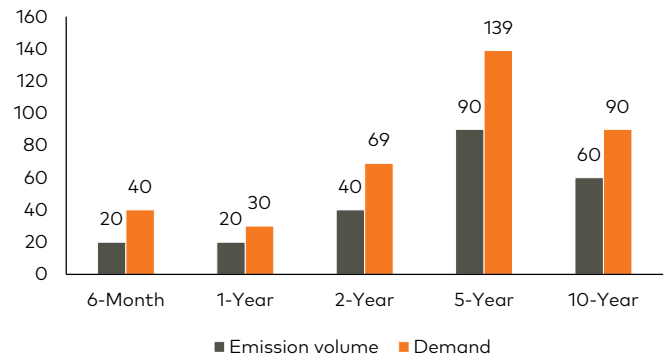
Source: MoF
*As of August 2023

T-bills / T-notes, yield curve



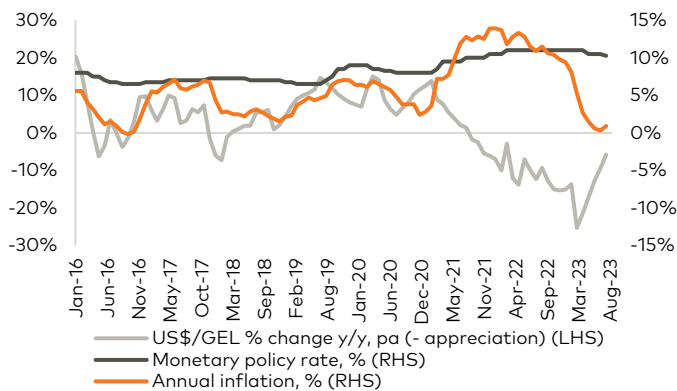
Source: NBG

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



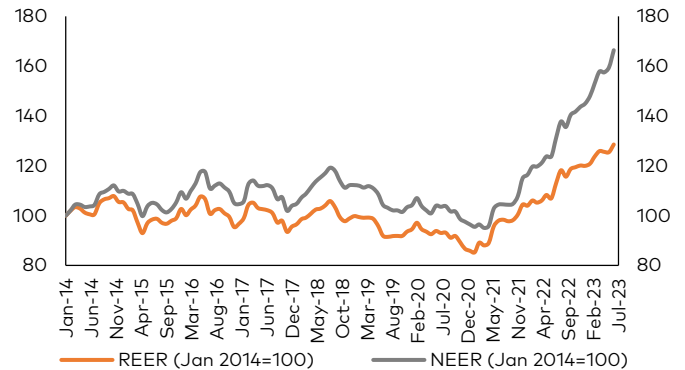
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal and real effective exchange rates



Source: NBG

Note: Index growth/decline means appreciation/depreciation of exchange rate

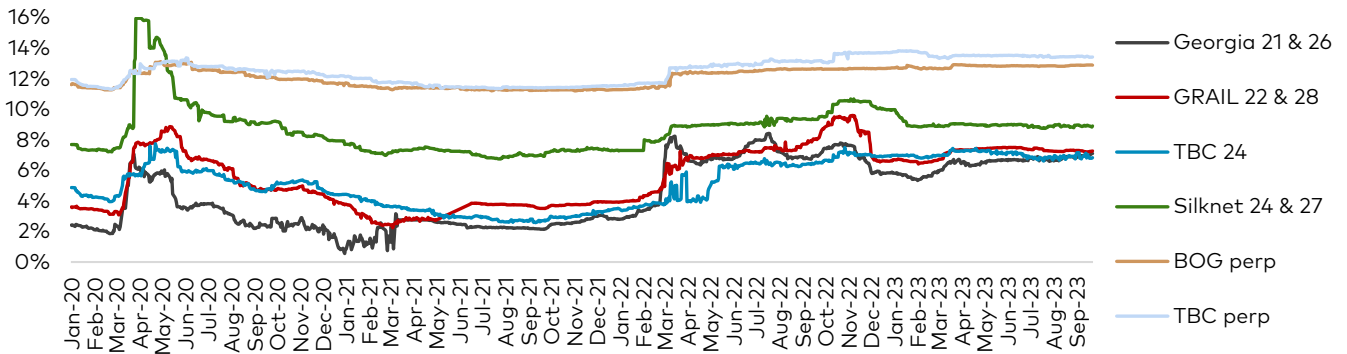


Fixed income

Corporate Eurobonds: Georgian Railway Eurobonds (GRAIL) traded at 87.08 (-0.25% w/w), yielding 7.28%.

Georgian Sovereign Eurobonds (GEORG) closed at 89.92 (-0.21% w/w) at 7.11% 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	89.92	7.11	233.09
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	87.08	7.28	290.22
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/-/-	99.03	12.89	692.36
SILKNET 01/27	USD	300	8.375%	Jan-27	BB-/-/B1	98.47	8.91	429.31
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	99.23	6.83	130.19
TBC PERP	USD	125	10.775%	n/a	B-/-/-	97.39	13.42	812.84

Source: Bloomberg



Fixed income

Georgian local bonds performance

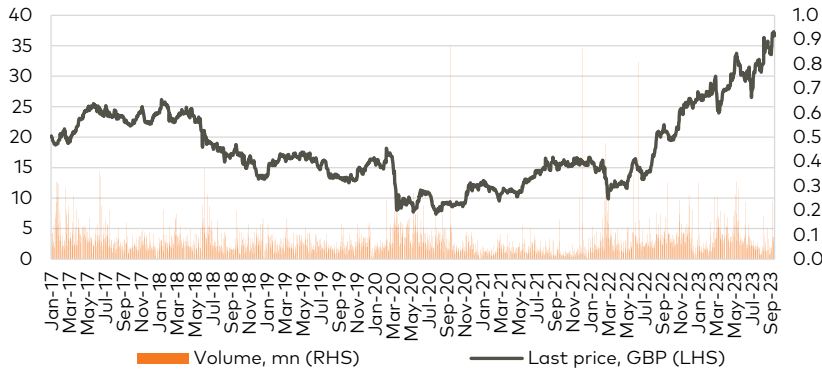
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-27	-/-/-	n/a	n/a	n/a
Energy Development Georgia	USD	10	8.50%	Jun-25	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	Ref rate + 3.10%	Nov-24	-/-/BB	n/a	n/a	n/a
Geo. Beer Company	GEL	25	Ref rate + 4.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.99	8.50	n/a
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	100.00	7.00	n/a
Geosteel	USD	15	9.00%	Apr-25	-/-/-	99.99	9.00	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	99.93	6.88	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.77	8.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-24	-/-/B+	99.70	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/B+	100.00	8.50	n/a
MFO Crystal	GEL	25	TIBR6M + 4.75%	Feb-25	B-/ -/-	n/a	n/a	n/a
MFO MBC	GEL	15	TIBR3M + 4.50%	Dec-24	-/-/B+	n/a	n/a	n/a
MFO Rico Express	GEL	130	TIBR1D + 2.00%	Mar-26	-/-/B+	n/a	n/a	n/a
Nikora	GEL	35	TIBR3M + 3.50%	Nov-25	-/-/B+	n/a	n/a	n/a
Nikora Trade	GEL	35	TIBR3M + 3.50%	Nov-24	-/-/B+	n/a	n/a	n/a
SRG Real Estate	USD	20	9.00%	Apr-26	-/-/-	99.99	9.00	n/a
TBC Leasing	GEL	100	TIBR3M + 3.00%	Mar-26	BB/-/-	n/a	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-26	BB/-/-	n/a	n/a	n/a
Tegeta Motors	GEL	150	TIBR3M + 3.50%	Dec-25	-/-/BB-	n/a	n/a	n/a
Tegeta Motors	USD	20	8.50%	Apr-25	-/-/BB-	99.61	8.75	n/a
Tegeta Motors	EUR	5	7.00%	Apr-25	-/-/BB-	99.61	7.25	n/a
Tegeta Motors	GEL	20	TIBR6M + 3.50%	Dec-25	-/-/BB-	n/a	n/a	n/a
Georgia Capital	USD	150	8.50%	Aug-28	-/BB/-/-	101.23	8.19	n/a
SRG Real Estate	USD	20	9.25%	Sep-26	-/-/-	100.32	9.13	n/a

Source: Bloomberg



Equities

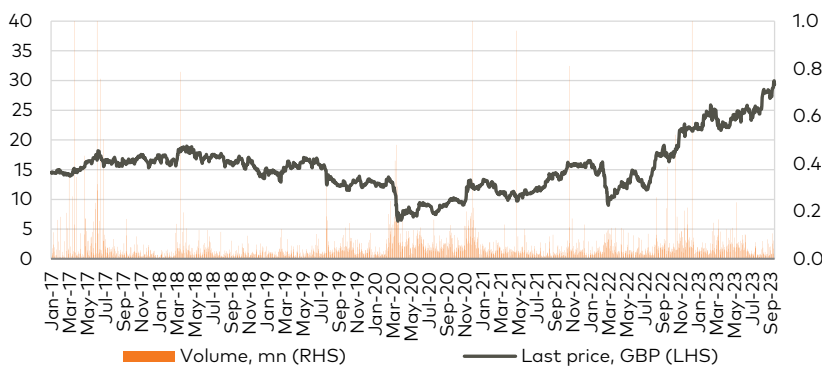
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 36.60/share (-1.21% w/w and +5.32% m/m). More than 362k shares traded in the range of GBP 35.75 - 37.60/share. Average daily traded volume was 66k in the last 4 weeks. The volume of BGEO shares traded was at 0.79% of its capitalization.

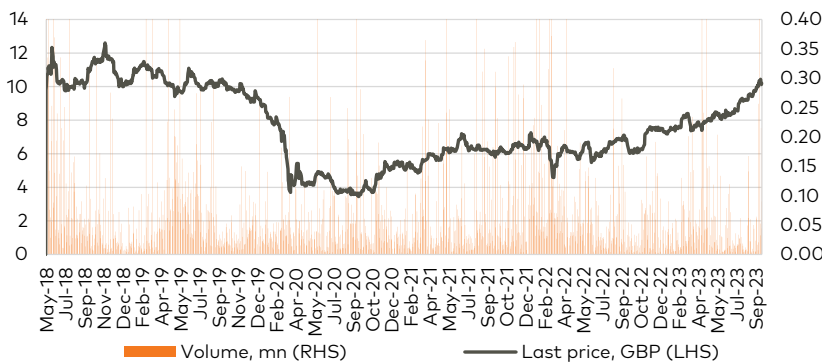
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 29.30/share (+2.09% w/w and +4.64% m/m). More than 247k shares changed hands in the range of GBP 28.55 - 30.90/share. Average daily traded volume was 43k in the last 4 weeks. The volume of TBCG shares traded was at 0.45% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.20/share (-1.35% w/w and +6.92% m/m). More than 435k shares traded in the range of GBP 9.90 - 10.44/share. Average daily traded volume was 80k in the last 4 weeks. The volume of CGEO shares traded was at 0.99% 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	36.60	1,680	43.2%	75.1%	40.5%	2.74x	4.13x	4.47x	0.90x	1.08x	0.91x
TBC	TBC	GBP	29.30	1,616	30.2%	66.9%	29.1%	4.10x	4.99x	4.39x	1.04x	1.15x	0.98x
Halyk Bank	HSBK	USD	13.48	3,676	18.2%	32.2%	21.4%	2.69x	2.63x	2.36x	0.78x	0.71x	0.60x
Akbank	AKBNK	TRY	30.80	160,160	71.8%	165.1%	57.5%	1.40x	2.93x	2.90x	0.55x	0.80x	0.69x
Garanti	GARAN	TRY	50.80	213,360	94.5%	165.1%	69.1%	1.91x	3.52x	3.53x	0.73x	1.14x	0.94x
Isbank	ISCTR	TRY	24.90	248,999	81.8%	205.5%	95.0%	0.84x	4.18x	3.69x	0.60x	1.06x	0.88x
PKO	PKO	PLN	34.59	43,238	25.5%	48.1%	14.2%	10.98x	8.35x	6.54x	1.03x	0.99x	0.93x
PEKAO	PEO	PLN	99.16	26,027	22.1%	47.8%	14.6%	na	4.99x	5.81x	na	0.95x	0.88x
Millennium	MIL	PLN	5.42	6,575	36.4%	36.5%	18.3%	na	2.22x	2.88x	1.04x	0.96x	0.89x
Mbank	MBK	PLN	390.20	16,570	38.8%	59.9%	31.8%	na	4.56x	5.08x	1.10x	1.06x	0.94x
BRD	BRD	RON	15.64	10,900	30.3%	29.0%	20.3%	6.81x	7.35x	8.03x	1.31x	1.39x	1.34x
Banca Transilvania	TLV	RON	22.74	18,161	30.3%	43.5%	28.8%	na	7.58x	7.19x	1.60x	1.55x	1.39x
Komercni	KOMB	CZK	672.00	127,713	-3.7%	3.8%	2.6%	8.36x	8.10x	8.55x	1.21x	0.96x	0.96x
Mean								4.42x	5.04x	5.03x	0.99x	1.06x	0.95x
Median								2.74x	4.56x	4.47x	1.04x	1.06x	0.93x

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	10.20	447	34.2%	53.2%	39.7%	na	na	na	0.38x	na	na
Tinc Comm	TINC	EUR	12.45	453	2.7%	-4.1%	-0.4%	18.33x	na	na	0.99x	na	na
Sabanci Holding	SAHOL	TRY	56.50	115,283	35.6%	107.3%	25.3%	1.77x	3.53x	2.90x	0.77x	0.75x	0.55x
Deutsche Beteiligungs	DBAN	EUR	32.30	607	18.1%	42.3%	15.8%	na	5.57x	5.95x	1.00x	0.91x	0.81x
Eurazeo	RF	EUR	56.60	4,484	-12.0%	3.9%	-2.6%	8.89x	9.53x	7.69x	0.78x	0.56x	0.46x
Carlyle Group	CG	USD	30.56	11,066	-0.6%	8.4%	2.4%	8.50x	10.04x	7.55x	1.70x	3.09x	2.11x
Wendel SE	MF	EUR	75.70	3,362	-23.2%	0.8%	-13.2%	6.63x	6.17x	6.08x	na	1.04x	0.93x
HgCapital Trust	HGT	GBP	3.97	1,817	15.7%	10.3%	13.3%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	17.14	747	11.7%	9.2%	7.1%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.53	804	-1.4%	15.3%	7.9%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	10.55	730	15.2%	-2.5%	25.0%	na	na	na	0.65x	na	na
Symphony International Holding	SIHL	USD	0.47	240	-1.3%	-3.3%	4.5%	na	na	na	0.47x	na	na
Mean								8.82x	6.97x	6.03x	0.84x	1.27x	0.98x
Median								8.50x	6.17x	6.08x	0.78x	0.91x	0.81x

Source: Bloomberg, S&P Capital IQ

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