



## Economy

### Unemployment rate was 15.6% in 3Q23

The unemployment rate reduced to 15.6% in 3Q23, down from 16.7% in previous quarter. This decline was attributed to solid economic activity, particularly increased involvement in the seasonal hospitality sector. During 3Q23, the number of hired employed individuals increased by 2.9% q/q (+3.2% y/y), accounting for 69.0% of total employment, while self-employed persons were up 3.1% q/q (-4.8% y/y) and accounted for 31.0% of total. Labor force participation rate stood at 53.6% in 3Q23, up from 53.2% in the previous quarter, surpassing pre-pandemic levels. We forecast unemployment rate at 16.6% for the full year 2023, down from 17.3% in 2022.

### Producer price index declined by 0.8% y/y in Oct-23

Annual PPI for industrial goods declined by 0.8% in Oct-23, after falling by 3.3% in previous month, according to Geostat. Notably, on a monthly basis, there was a 1.8% increase in the PPI for Oct-23 (vs. +0.6% m/m in Sep-23). This monthly growth was primarily driven by a rise in prices in the manufacturing sector (+1.8% m/m), followed by electricity supply (+4.2% m/m). This trend will be likely reflected in CPI inflation in the coming months.

### Goods exports growth accelerated in Oct-23

In Oct-23, goods exports growth accelerated, rising by 10.3% y/y to US\$ 494.9mn, after a 0.9% y/y growth in previous month. Meanwhile, Goods imports growth slowed to 3.3% y/y, reaching US\$ 1.2bn in October, after growing by 11.1% y/y in September. Consequently, the trade deficit declined by 0.9% y/y to US\$ 748.4mn, marking the first decrease since February 2021.

The top 5 exported commodities were cars (+176.8% y/y), wine (-13.6% y/y), spirits (+47.6% y/y), pharmaceuticals (+5.6% y/y) and nuts (-8.8% y/y), in Oct-23. A 9.5% of exports were directed to the EU (-55.2% y/y), 72.6% to the CIS (+57.2% y/y) and 17.9% to other countries (-23.3% y/y).

The top 5 imports were cars (-1.5% y/y), petroleum (-1.0% y/y), pharmaceuticals (+57.3% y/y), gases (+24.8% y/y) and phones (+0.2% y/y) in Oct-23. Notably, on aggregate level, capital goods imports has been growing since Mar-21, which is positive for sustainable economic growth. During January-October, 2023 capital goods imports increased by 21.8% y/y.

Overall, in 10M23, trade deficit increased by 21.7% y/y to US\$ 7.6bn, as exports increased by 12.5% y/y to US\$ 5.1bn, while imports were up by 17.8% y/y to US\$ 12.7bn.

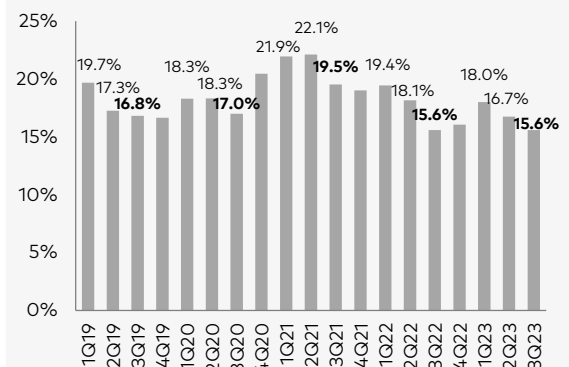
### Key macro indicators

	2022	2023F
Real GDP growth (% change)	10.4%	6.8%
GDP per capita (ppp)	20,260	22,043
GDP per capita (US\$)	6,676	8,050
Population (mn)	3.7	3.7
Inflation (eop)	9.8%	0.8%
Gross reserves (US\$ bn)	4.9	5.3
CAD (% of GDP)	4.5%	4.5%
Fiscal deficit (% of GDP)	3.0%	2.8%
Total public debt (% of GDP)	39.5%	38.4%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

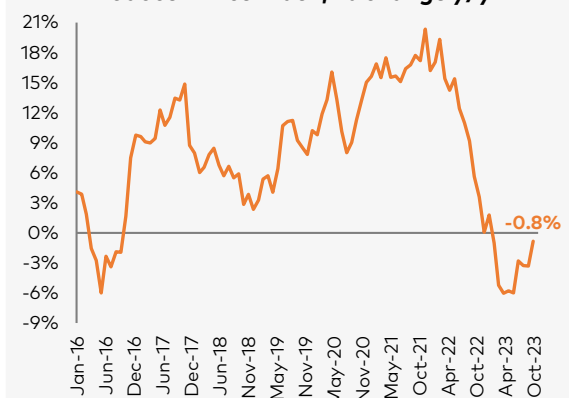
\*Latest sovereign credit ratings

### Unemployment rate in Georgia



Source: Geostat

### Producer Price Index, % change y/y



Source: Geostat



## Money market

### Ministry of Finance T-bills/T-notes:

10-year GEL 50.0mn (US\$ 18.5mn) Benchmark bonds were sold at the auction held at NBG on November 21, 2023. Total demand was 2.3x higher and the weighted average yield was fixed at 8.434%, down by 0.030ppts from previous auction held in Oct-23.

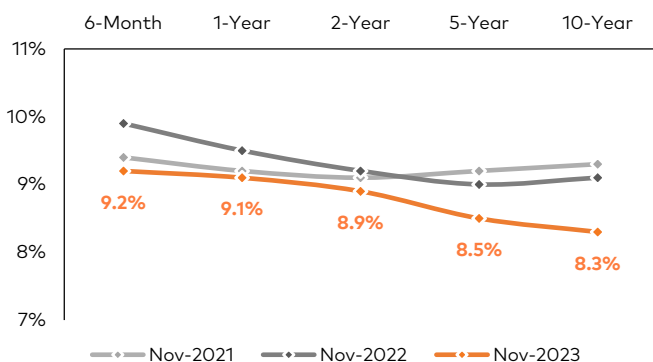
The nearest treasury security auction is scheduled for November 28, 2023, where GEL 60.0mn nominal value 5-year Benchmark Bonds will be sold.

### T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	220	20	380
1-year	220	20	
2-year	467	40	7,456
5-year	938	120	
10-year	755	70	
<b>Total</b>	<b>2,600</b>	<b>270</b>	<b>7,836</b>

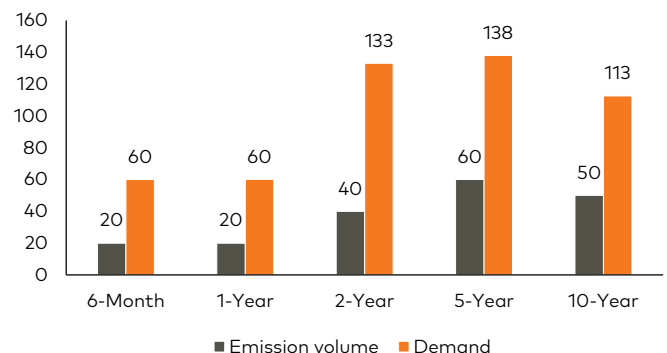
Source: MoF  
\*As of October 2023

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



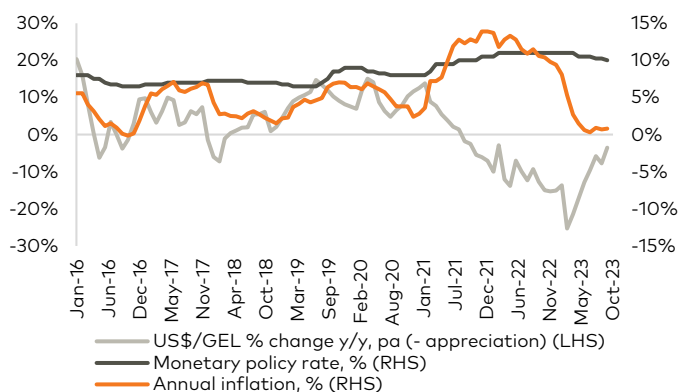
Source: NBG

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



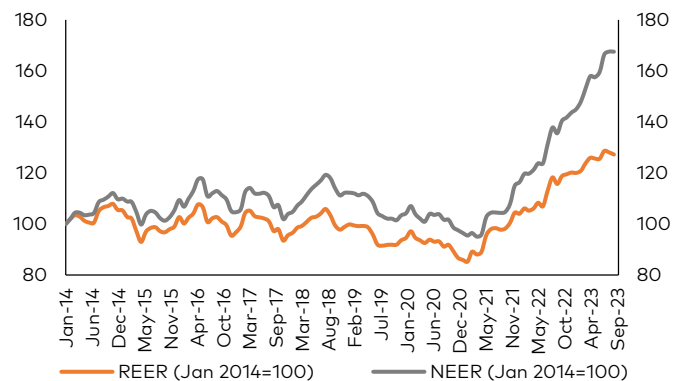
Source: NBG

### Monetary policy rate, inflation and FX rate



Source: NBG, Geostat

### Nominal and real effective exchange rates



Source: NBG

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



## Global fixed income markets

Last week the 10-year US Treasury yield remained roughly unchanged at 4.47%, while the 10-year German Bund (a European benchmark) yield rose slightly to 2.65% from past week's 2.59%.

Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	4.96	4.93	4.61	4.23
US 5y Treasury	4.50	4.52	4.29	4.03
US 10y Treasury	4.47	4.52	4.31	4.09
US 30y Treasury	4.61	4.71	4.54	4.33
German 2y Bund	3.07	3.00	2.95	2.79
German 10y Bund	2.65	2.64	2.56	2.51

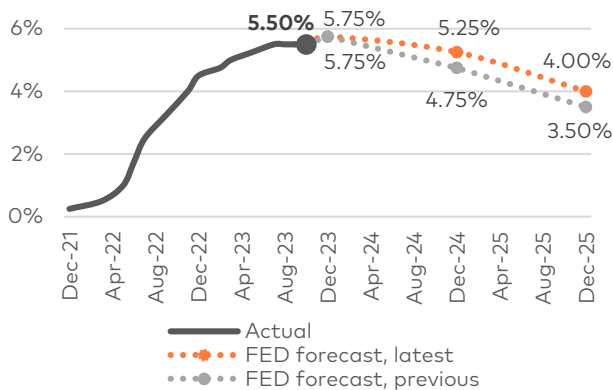
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.31	5.31	5.31	4.30
EURIBOR (3 months)	3.96	3.96	3.95	2.13

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	5.81	5.82	6.22	5.31
Eurozone Inv. Grade	4.31	4.25	4.53	4.09
EM Inv. Grade	5.88	5.93	6.34	5.46
US High Yield	8.74	8.76	9.55	8.97
EM High Yield	11.07	11.23	11.89	11.09

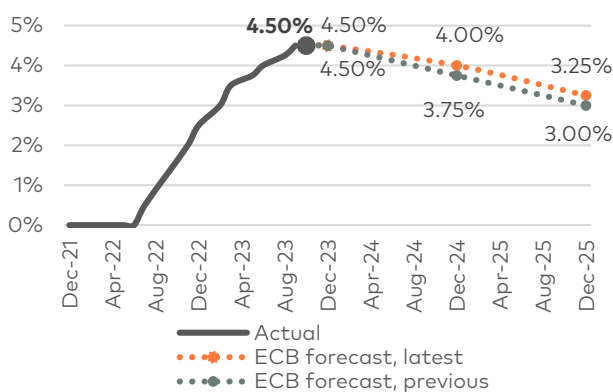
Source: Bloomberg

Note: For sovereign bond YTM's projections, we use median forecasts from top tier investment banks.

**FED funds rate**

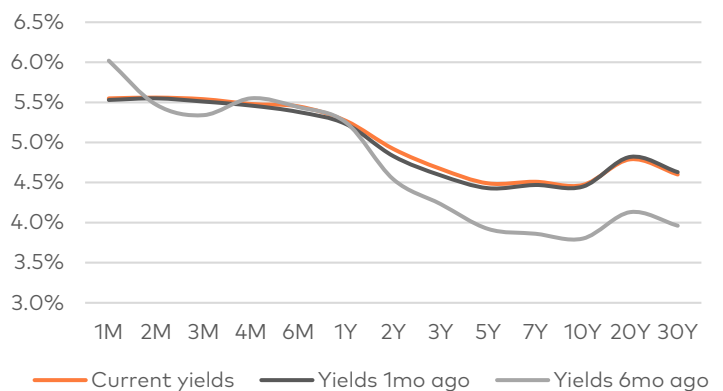


**ECB main rate**

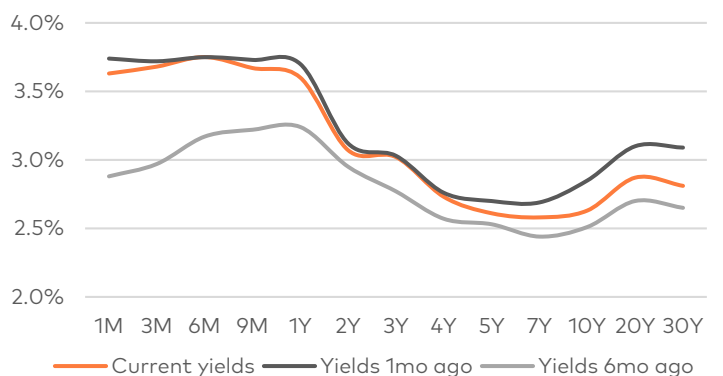


Source: FED, ECB, Bloomberg, Galt & Taggart

**US treasuries yield curve**



**German bonds yield curve**





## Fixed income

### Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Mood y/Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-21	Apr-26	BB/BB/Ba2	90.59	7.08	247.31
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/	86.13	7.66	340.14
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/	99.88	12.82	585.04
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/B1	98.90	8.77	431.58
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/Ba2	99.35	6.95	148.79
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/	98.16	13.37	772.65

■ Galt & Taggart-led and/or co-managed deals  
Source: Bloomberg

### Georgian local bonds performance

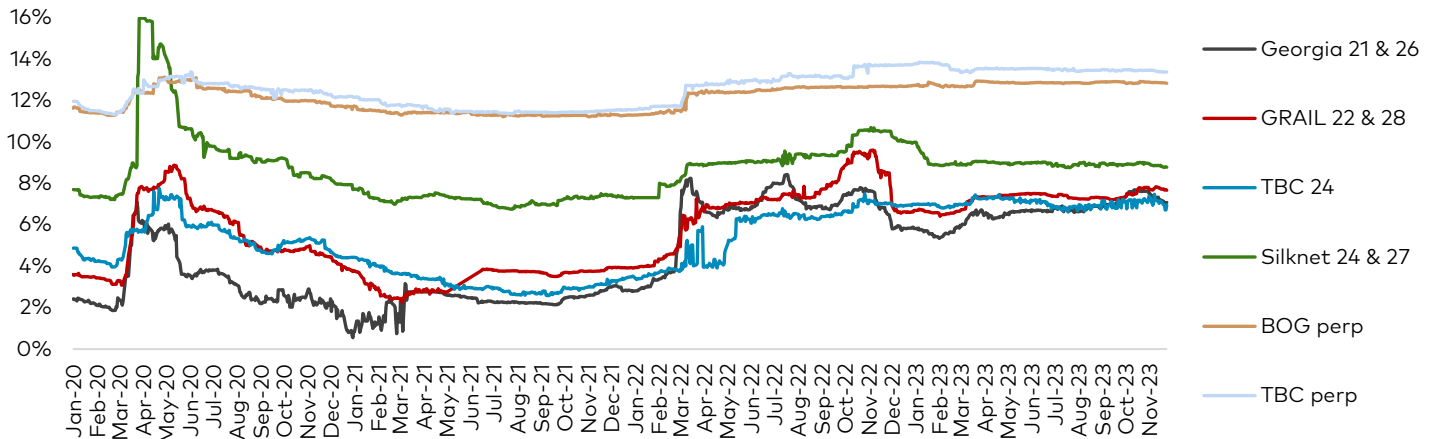
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/-B+	99.73	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-	99.88	7.13
Geosteel	USD	15	9.00%	Apr-22	Apr-25	-/-/-	100.00	9.00
Energy Development Georgia	USD	10	8.50%	Jun-22	Jun-25	-/-/-	n/a	n/a
IG Development	USD	15	8.50%	Jul-22	Jul-24	-/-/-	99.81	8.75
Georgia Real Estate	USD	35	8.50%	Oct-22	Oct-24	-/-/-	99.99	8.50
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-22	Oct-27	-/-/-	100.00	7.00
Lisi Lake Development	USD	10	8.50%	Dec-22	Dec-24	-/-/-B+	100.00	8.50
Silk Real Estate	USD	20	9.00%	Apr-23	Apr-26	-/-/-	100.00	9.00
Tegeta Motors	USD	20	8.50%	Apr-23	Apr-25	-/-/-BB-	100.00	8.50
Georgia Capital	USD	150	8.50%	Aug-23	Aug-28	-/BB-/	101.20	8.19
Silk Real Estate	USD	20	9.25%	Sep-23	Sep-26	-/-/-	101.21	8.63
Prime Concrete	USD	7.5	10.50%	Sep-23	Sep-27	-/-/-	n/a	n/a
Austrian-Georgian Development	USD	15	9.00%	Oct-23	Oct-25	-/-/-	n/a	n/a
EUR								
Tegeta Motors	EUR	5	7.00%	Apr-23	25-Apr	-/-/-BB-	100	7
GEL								
Geo. Beer Company	GEL	25	Ref rate + 4.00%	Dec-18	Dec-23	-/-/-BB-	n/a	n/a
Vian (Evex)	GEL	50	Ref rate + 3.10%	Nov-19	Nov-24	-/-/-BB	n/a	n/a
Nikora Trade	GEL	35	TIBR3M + 3.50%	Nov-21	Nov-24	-/-/-BB-	n/a	n/a
Nikora	GEL	35	TIBR3M + 3.50%	Nov-22	Nov-25	-/-/-BB-	n/a	n/a
MFO MBC	GEL	15	TIBR3M + 4.50%	Dec-22	Dec-24	-/-/-B	n/a	n/a
Tegeta Motors	GEL	150	TIBR3M + 3.50%	Dec-22	Dec-25	-/-/-BB-	n/a	n/a
MFO Crystal	GEL	25	TIBR6M + 4.75%	Dec-22	Feb-25	B-/	n/a	n/a
MFO Rico Express	GEL	130	TIBR1D + 2.00%	Mar-23	Mar-26	-/-/-B+	n/a	n/a
TBC Leasing	GEL	100	TIBR3M + 3.00%	Mar-23	Mar-26	BB-/	n/a	n/a
TBC Leasing	GEL	15	TIBR3M + 2.75%	Jun-23	Jun-26	BB-/	n/a	n/a
Tegeta Motors	GEL	20	TIBR6M + 3.50%	Jun-23	Dec-25	-/-/-BB-	n/a	n/a

■ Galt & Taggart-led and/or co-managed deals  
Source: Bloomberg, Galt & Taggart



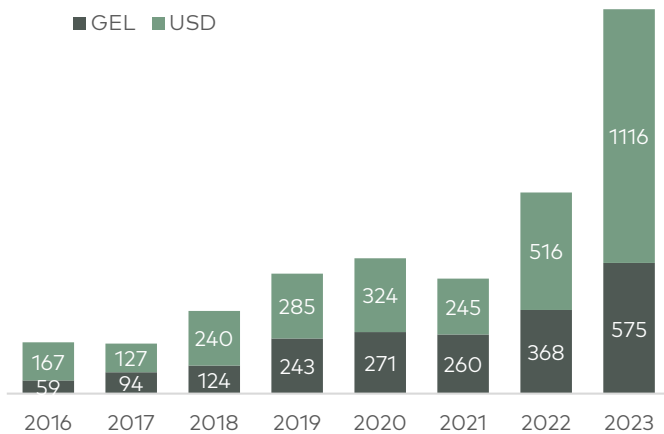
## Fixed income

**Georgian Eurobonds, YTM**



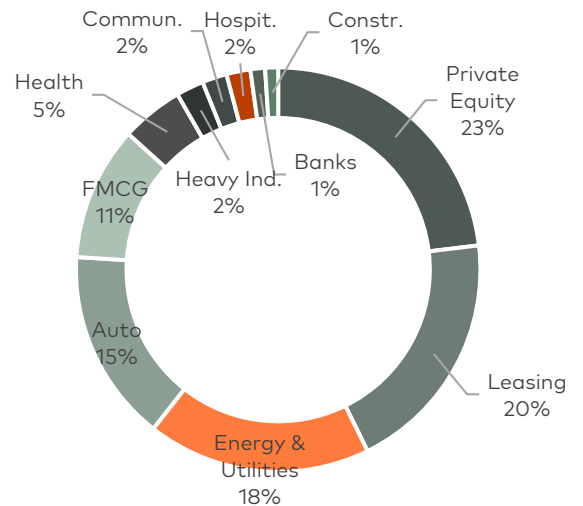
Source: Bloomberg

**Georgian corporate public bonds outstanding, GEL mn**



Source: Galt & Taggart  
Note: Latest 2023

**Georgian corporate public bonds outstanding by sector**

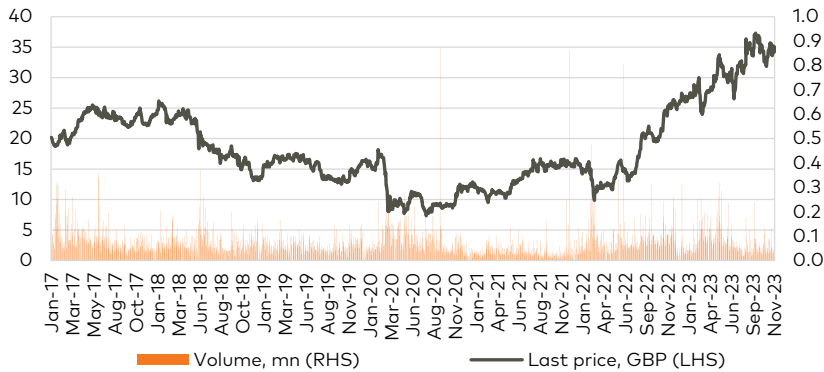


Source: Galt & Taggart



## Equities

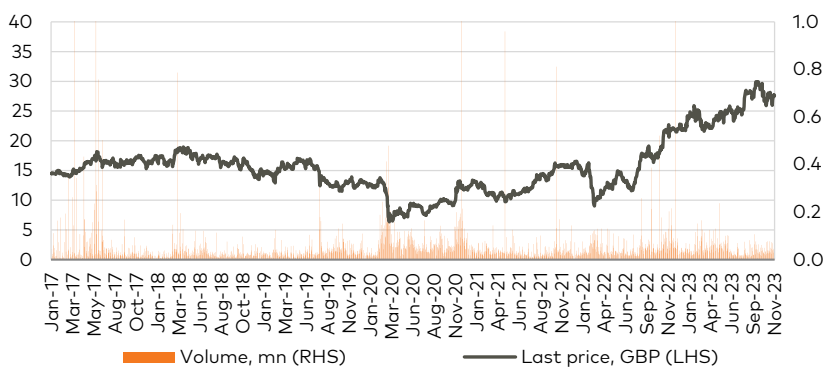
### Bank of Georgia Group (BGEO LN)



Source: Bloomberg

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 34.85/share (+1.75% w/w and +7.23% m/m). More than 166k shares traded in the range of GBP 33.95 - 35.40/share. Average daily traded volume was 51k in the last 4 weeks. The volume of BGEO shares traded was at 0.36% of its capitalization.

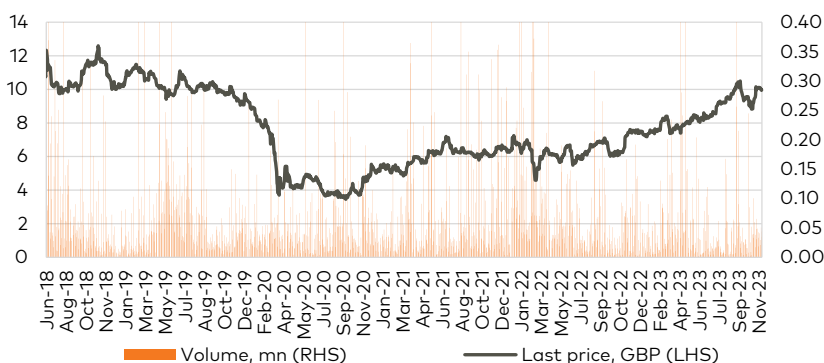
### TBC Bank Group (TBCG LN)



Source: Bloomberg

**TBC Bank Group (TBCG LN)** closed the week at GBP 27.55/share (+2.61% w/w and +3.96% m/m). More than 169k shares changed hands in the range of GBP 26.75 - 28.15/share. Average daily traded volume was 43k in the last 4 weeks. The volume of TBCG shares traded was at 0.31% of its capitalization.

### Georgia Capital (CGEO LN)



Source: Bloomberg

**Georgia Capital (CGEO LN)** shares closed at GBP 9.96/share (-1.58% w/w and +9.69% m/m). More than 179k shares traded in the range of GBP 9.96 - 10.18/share. Average daily traded volume was 42k in the last 4 weeks. The volume of CGEO shares traded was at 0.41% 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	34.85	1,599	8.4%	35.6%	33.8%	2.74x	4.13x	4.14x	0.90x	1.05x	0.86x
TBC	TBC	GBP	27.55	1,526	10.9%	28.7%	21.4%	4.10x	4.67x	4.16x	1.04x	1.13x	0.96x
Halyk Bank	HSBK	USD	14.68	4,003	4.1%	39.3%	32.3%	2.69x	2.68x	2.63x	0.78x	0.83x	0.70x
Akbank	AKBNK	TRY	31.86	165,672	128.4%	85.2%	63.0%	1.40x	2.76x	2.57x	0.55x	0.84x	0.69x
Garanti	GARAN	TRY	51.65	216,930	118.9%	90.6%	71.9%	1.91x	3.01x	2.75x	0.73x	1.16x	0.95x
Isbank	ISCTR	TRY	21.26	212,599	108.2%	101.5%	66.5%	0.84x	2.92x	3.00x	0.60x	0.87x	0.73x
PKO	PKO	PLN	46.52	58,150	42.6%	61.1%	53.6%	10.98x	9.43x	8.40x	1.03x	1.25x	1.20x
PEKAO	PEO	PLN	137.70	36,142	37.9%	60.6%	59.2%	na	6.03x	7.43x	na	1.22x	1.17x
Millennium	MIL	PLN	7.65	9,280	63.5%	62.8%	67.0%	na	3.16x	4.07x	1.04x	1.40x	1.24x
Mbank	MBK	PLN	555.20	23,577	54.2%	73.4%	87.6%	na	na	8.10x	1.10x	1.72x	1.37x
BRD	BRD	RON	16.70	11,638	37.3%	25.9%	28.5%	6.81x	7.86x	9.10x	1.31x	1.52x	1.50x
Banca Transilvania	TLV	RON	22.96	18,337	32.9%	32.2%	30.1%	na	7.04x	7.23x	1.60x	1.48x	1.37x
Komerční	KOMB	CZK	685.00	130,184	3.9%	-6.2%	4.6%	8.36x	8.24x	8.86x	1.21x	1.04x	1.00x
<b>Mean</b>								<b>4.42x</b>	<b>5.16x</b>	<b>5.57x</b>	<b>0.99x</b>	<b>1.19x</b>	<b>1.06x</b>
<b>Median</b>								<b>2.74x</b>	<b>4.40x</b>	<b>4.16x</b>	<b>1.04x</b>	<b>1.16x</b>	<b>1.00x</b>

Source: Bloomberg, S&P Capital IQ



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