



Economy

Goods exports growth accelerated in Oct-23

In Oct-23, goods exports growth accelerated, rising by 10.4% y/y to US\$ 495.3mn, 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\$ 747.2mn, marking the first decrease since February 2021

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.

Money transfers stood at US\$ 283.0mn in Oct-23

Money transfers were down by 43.6% y/y to US\$ 283.0mn in Oct-23 (in line with our expectation), due to the last year's high base and normalization in transfers from Russia. From major remitting countries, transfers reduced from Russia (-79.4% y/y and +3.8% m/m, accounting for 21.8% of total) and Türkiye (-5.5% y/y). In contrast, there were substantial increases in remittances from Italy (+19.2% y/y, 15.0% of total), USA (+39.2% y/y, 14.7% of total), Greece (+11.0% y/y, 7.5% of total), Germany (+31.1% y/y, 7.2% of total), Israel (+4.4% y/y, 6.1% of total) and Kazakhstan (+97.6% y/y, 5.8% of total). Overall, in 10M23 remittances increased by 6.2% y/y to US\$ 3.5bn.

Real GDP growth was 10.4% in 2022, final estimate

Georgia's economic growth was revised upwards to 10.4% y/y in 2022, from the previous estimate of 10.1%, according to Geostat's final estimate. In nominal term, GDP increased by 20.4% y/y to GEL 72.3bn (US\$ 24.8bn) and nominal GDP per capita stood at US\$ 6,676 (+32.9% y/y) in 2022.

In terms of economic sectors, high contributions to the 2022 growth came from ICT (+59.1% y/y), trade (+10.8% y/y), transport (+24.7% y/y), construction (+16.5% y/y) and manufacturing (+10.5% y/y) sectors. Meanwhile, healthcare (-16.3% y/y) and real estate operations (-3.7% y/y) sectors contracted.

In addition, Geostat also revised the 1H23 real GDP growth upwards to 7.9% y/y from the previous estimate of 7.6% y/y. Considering the rapid estimate of real GDP growth in 3Q23, Georgia's economy grew by 7.0% y/y in 9M23.

We forecast Georgia's economic growth at 6.8% for the full year 2023 and at 5.0% for 2024.

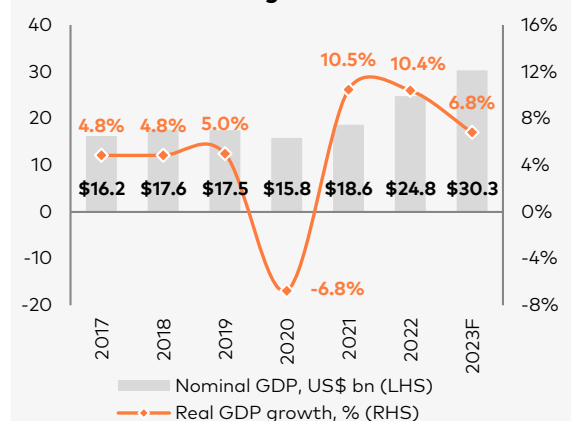
Key macro indicators

	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

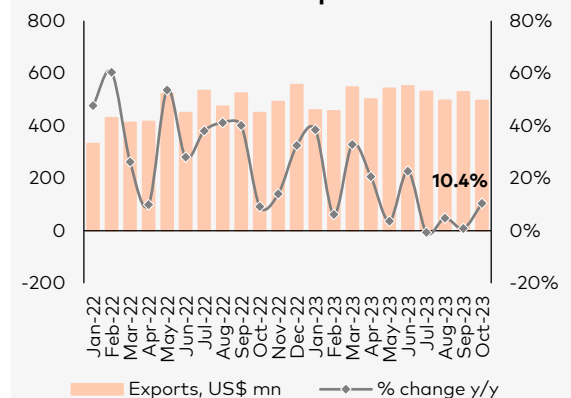
*Latest sovereign credit ratings

Georgia's GDP



Source: Geostat, Galt & Taggart

Goods exports



Source: Geostat



Money market

Ministry of Finance T-bills/T-notes:

10-year GEL 20.0mn (US\$ 7.4mn) Benchmark bonds were sold at the auction held at NBG on November 14, 2023. Total demand was 2.3x higher and the weighted average yield was fixed at 8.314%, up by 0.069ppts from previous auction held in Oct-23.

1-year GEL 20.0mn (US\$ 7.4mn) T-Bills were sold at the auction held at NBG on November 14, 2023. Total demand was 3.0x higher and the weighted average yield was fixed at 9.251%, down by 0.024ppts from previous auction held in Oct-23.

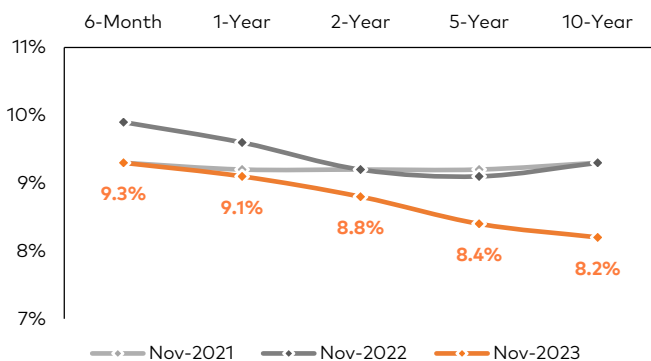
The nearest treasury security auction is scheduled for November 21, 2023, where GEL 50.0mn nominal value 10-year Benchmark Bonds will be sold.

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	705	120	
Total	2,550	320	7,836

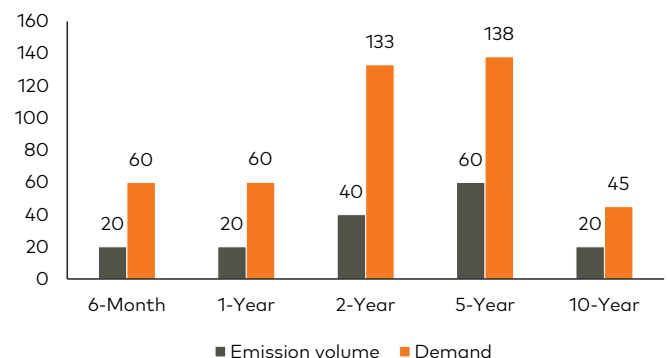
Source: MoF
*As of October 2023

T-bills / T-notes, yield curve



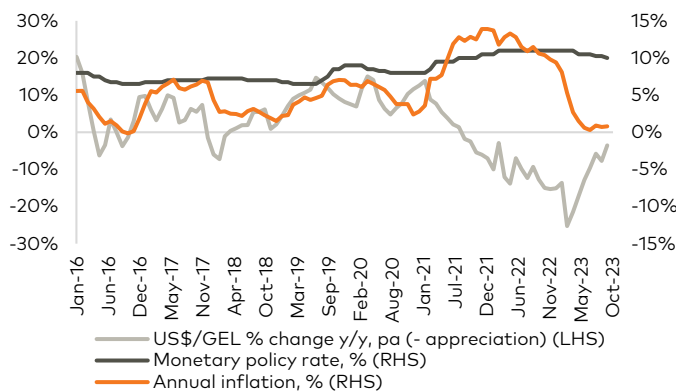
Source: NBG

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



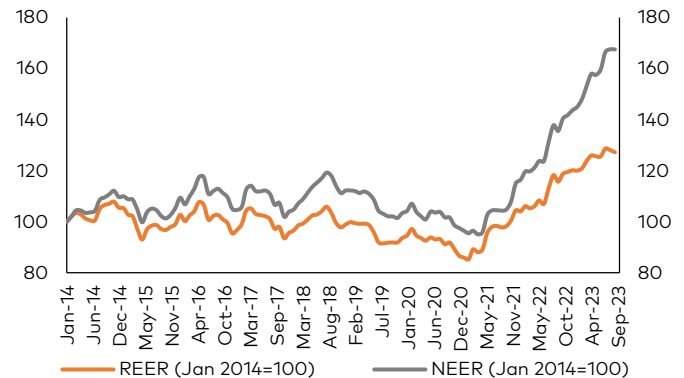
Source: NBG

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 fell from 4.61% to 4.45%, while the 10-year German Bund (a European benchmark) yield dropped to 2.59% from past week's 2.72%.
- Last week's major catalyst for decline in yields was the lower-than-expected inflation in the US. While headline inflation fell from 3.7% to 3.2%, the core figure declined from 4.1% to 4.0%.
- Markets are now pricing in a 100% probability of no rate change by the US Federal Reserve on December meeting.

Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	4.91	4.93	4.61	4.23
US 5y Treasury	4.46	4.52	4.29	4.03
US 10y Treasury	4.45	4.52	4.31	4.09
US 30y Treasury	4.61	4.71	4.54	4.33
German 2y Bund	2.96	3.00	2.92	2.77
German 10y Bund	2.59	2.64	2.54	2.50

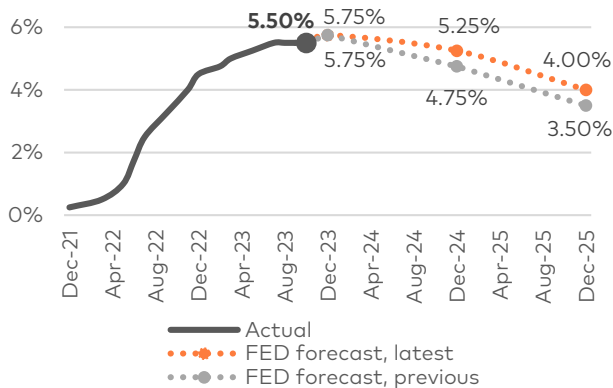
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.32	5.32	5.31	4.30
EURIBOR (3 months)	4.00	3.99	3.97	2.13

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	5.92	6.14	6.32	5.48
Eurozone Inv. Grade	4.25	4.38	4.57	4.04
EM Inv. Grade	5.95	6.13	6.31	5.46
US High Yield	8.83	9.01	9.38	8.99
EM High Yield	11.32	11.56	11.99	11.09

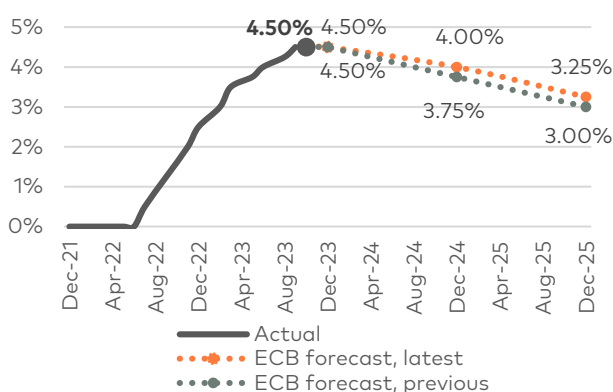
Source: Bloomberg

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

FED funds rate

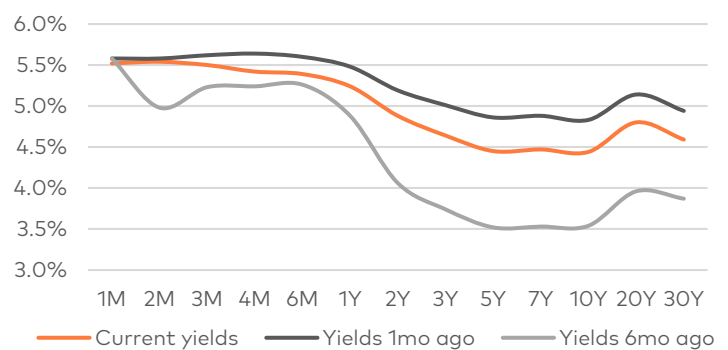


ECB main rate

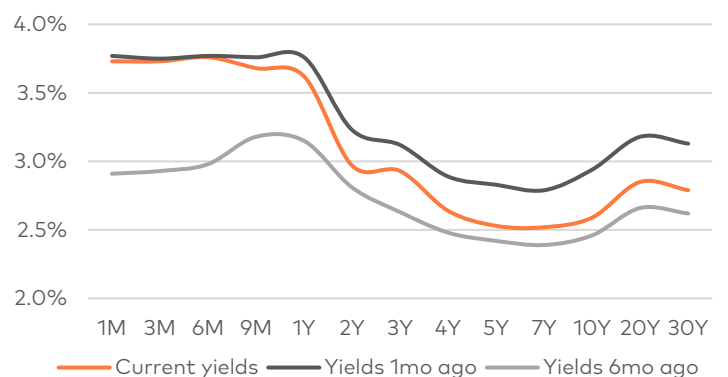


Source: FED, ECB, Bloomberg, Galt & Taggart

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	90.28	7.20	262.13
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/	85.92	7.71	347.50
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/	99.62	12.85	632.59
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/B1	98.76	8.82	438.91
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/Ba2	99.31	6.98	155.14
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/	98.04	13.38	787.94

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

Georgian local bonds performance

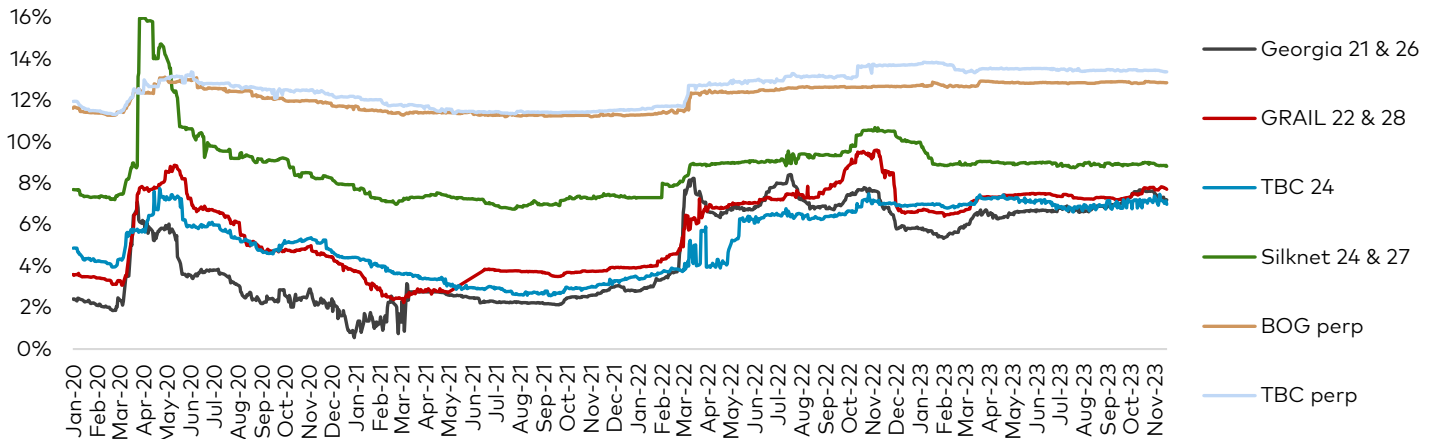
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/-B+	99.73	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-	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



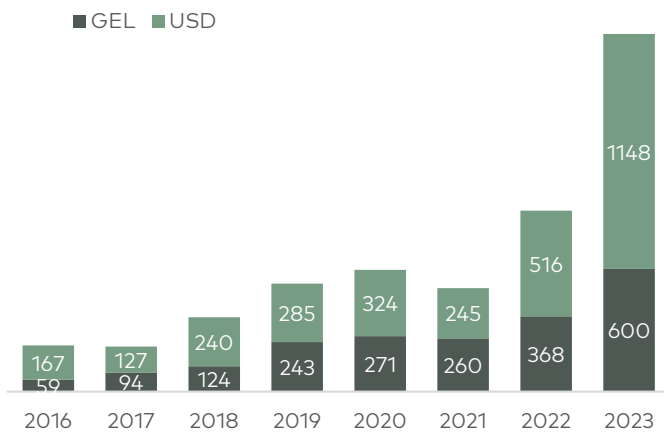
Fixed income

Georgian Eurobonds, YTM



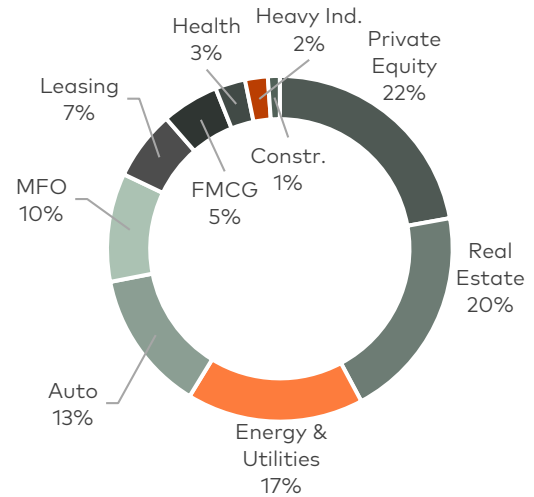
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart
Note: Latest 2023

Georgian corporate public bonds outstanding by sector

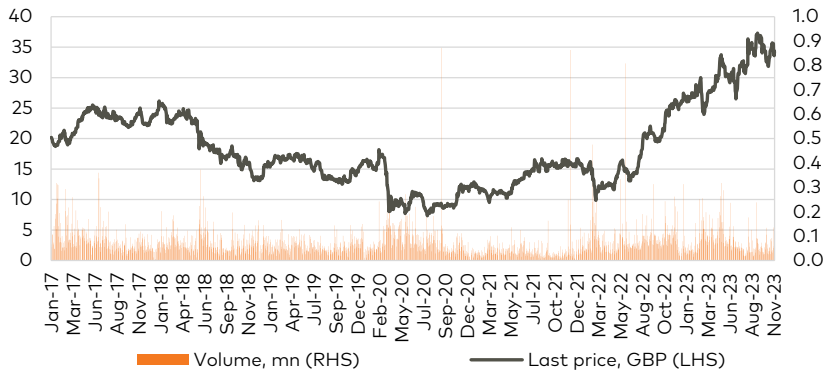


Source: Galt & Taggart



Equities

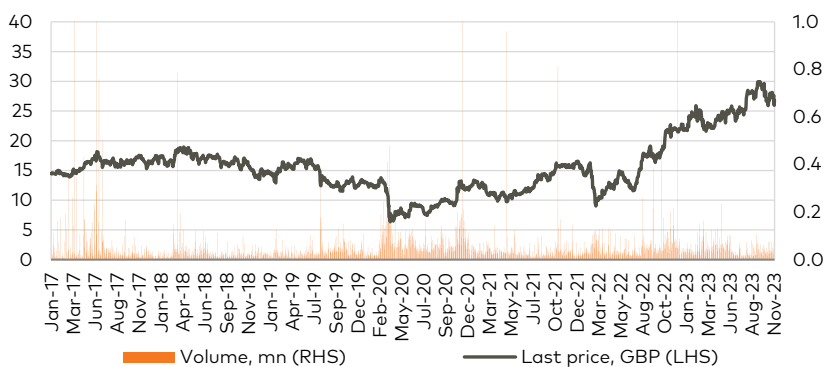
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 34.25/share (-3.11% w/w and -0.29% m/m). More than 321k shares traded in the range of GBP 32.05 - 36.00/share. Average daily traded volume was 53k in the last 4 weeks. The volume of BGEO shares traded was at 0.70% of its capitalization.

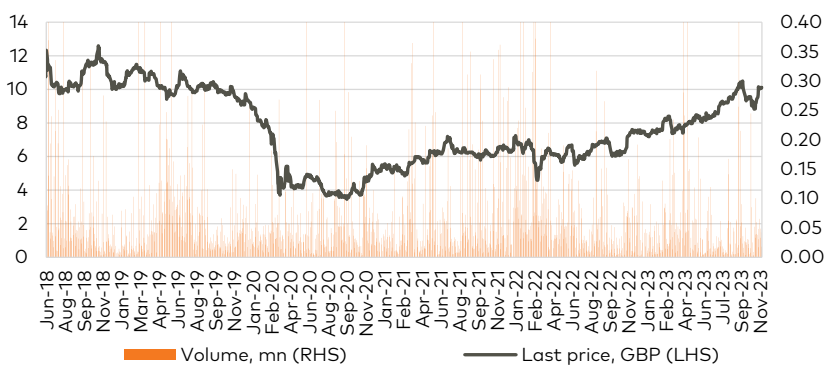
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 26.85/share (-1.65% w/w and -5.12% m/m). More than 252k shares changed hands in the range of GBP 25.95 - 28.35/share. Average daily traded volume was 43k in the last 4 weeks. The volume of TBCG shares traded was at 0.46% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.12/share (+0.40% w/w and +5.75% m/m). More than 159k shares traded in the range of GBP 9.98 - 10.20/share. Average daily traded volume was 36k in the last 4 weeks. The volume of CGEO shares traded was at 0.37% 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	34.25	1,571	5.4%	39.8%	31.5%	2.74x	4.12x	4.16x	0.90x	1.02x	0.86x
TBC	TBC	GBP	26.85	1,487	13.8%	22.6%	18.3%	4.10x	4.47x	3.98x	1.04x	1.08x	0.92x
Halyk Bank	HSBK	USD	13.60	3,709	-3.5%	33.6%	22.5%	2.69x	2.48x	2.44x	0.78x	0.77x	0.65x
Akbank	AKBNK	TRY	30.08	156,416	93.1%	93.4%	53.9%	1.40x	2.61x	2.43x	0.55x	0.79x	0.65x
Garanti	GARAN	TRY	47.42	199,164	80.3%	92.0%	57.9%	1.91x	2.77x	2.53x	0.73x	1.06x	0.88x
Isbank	ISCTR	TRY	20.54	205,399	83.7%	120.9%	60.8%	0.84x	2.82x	2.90x	0.60x	0.85x	0.71x
PKO	PKO	PLN	47.68	59,600	50.6%	71.0%	57.4%	10.98x	9.63x	8.57x	1.03x	1.28x	1.24x
PEKAO	PEO	PLN	138.75	36,418	43.5%	66.5%	60.4%	na	6.11x	7.62x	na	1.22x	1.17x
Millennium	MIL	PLN	7.70	9,341	63.8%	59.8%	68.1%	na	3.17x	4.08x	1.04x	1.36x	1.25x
Mbank	MBK	PLN	559.00	23,738	63.9%	70.6%	88.9%	na	6.65x	7.34x	1.10x	1.51x	1.34x
BRD	BRD	RON	17.38	12,112	41.3%	29.7%	33.7%	6.81x	8.18x	9.47x	1.31x	1.58x	1.56x
Banca Transilvania	TLV	RON	23.00	18,369	30.6%	29.8%	30.3%	na	7.06x	7.24x	1.60x	1.48x	1.37x
Komerční	KOMB	CZK	679.00	129,043	2.9%	-9.5%	3.7%	8.36x	8.09x	8.91x	1.21x	1.02x	0.99x
Mean								4.42x	5.24x	5.51x	0.99x	1.16x	1.05x
Median								2.74x	4.47x	4.16x	1.04x	1.08x	0.99x

Source: Bloomberg, S&P Capital IQ



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