



Economy

Real GDP growth was 6.2% y/y in Oct-23

Georgia's economy grew by 6.2% y/y in Oct-23, in line with our expectation. Cumulatively, real growth came in at 6.9% y/y in 10M23. The financial, trade, transportation, and storage sectors were the primary drivers of growth in October. In contrast, the manufacturing and real estate sectors contracted during the same period. We keep our growth forecast unchanged at 6.8% for the full year 2023 and expect 5.0% growth for 2024 (see latest macro forecasts [here](#)).

NBG reduced the reserve norm on FX liabilities

On the unscheduled Monetary Policy Committee meeting held on November 29, 2023, the NBG decided to lower the upper limit of the reserve norm on short-term FX liabilities from 25% to 20%. The regulator clarified that this adjustment aims to enhance FX liquidity in the local market, mitigating the impact of tightened global financial conditions. We anticipate this step will also support the GEL. Regarding the monetary policy trajectory, we maintain our forecast and expect a 25bps rate cut to 9.75% in the final December meeting of this year and an additional 100bps cut to 8.75% by the end-2024.

Bank lending increased by 16.1% y/y in Oct-23

In Oct-23, the banking sector loan portfolio increased by 16.1% y/y (+1.5% m/m), excluding FX effect, after a 14.9% y/y growth in previous month. In unadjusted terms, loan portfolio rose by 15.9% y/y (+1.9% m/m), reaching GEL 50.1bn (US\$ 18.5bn), after growing 13.7% y/y in September. By sector, corporate loans accelerated further, up by 19.3% y/y growth in October (+16.9% y/y in September, exc. FX effect) and retail loans were up 13.4% y/y (+13.3% y/y in September). In Oct-23, loan dollarization stood at 45.2% (+0.40ppts y/y and +0.21ppts m/m).

Bank deposits increased by 18.7% y/y (exc. FX effect) to GEL 49.8bn (US\$ 18.4bn) in Oct-23. In terms of currency breakdown, GEL deposits increased by 36.9% y/y (+35.8% y/y in previous month) and FX deposits growth (exc. FX effect) stood at 5.1% y/y (+7.5% y/y in previous month). As a result, the level of deposit dollarization came in at 50.3% (-6.95ppts y/y and +0.15ppts m/m) in Oct-23.

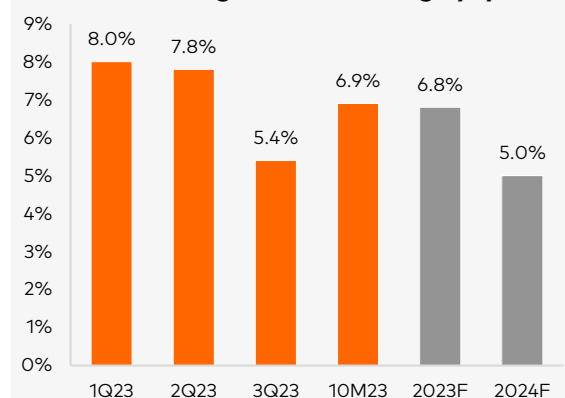
Key macro indicators

	2022	2023F
Real GDP growth (% change)	10.4%	6.8%
GDP per capita (ppp)	20,260	22,202
GDP per capita (US\$)	6,676	8,108
Population (mn)	3.7	3.7
Inflation (eop)	9.8%	0.8%
Gross reserves (US\$ bn)	4.9	5.2
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

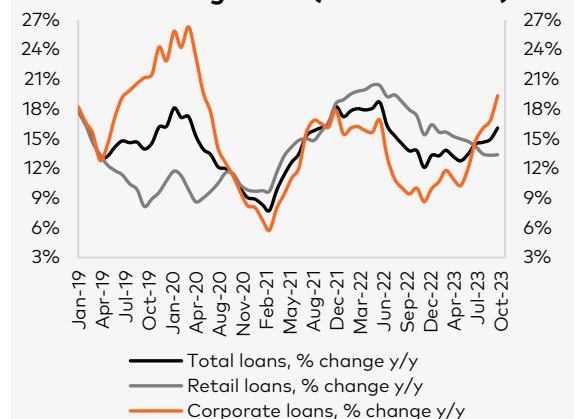
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat, Galt & Taggart

Bank loan growth (exc. FX effect)



Source: NBG



Money market

Ministry of Finance T-bills/T-notes:

5-year GEL 60.0mn (US\$ 22.1mn) Benchmark bonds were sold at the auction held at NBG on November 28, 2023. Total demand was 2.8x higher and the weighted average yield was fixed at 8.426%, up by 0.097ppts from previous auction held in Oct-23.

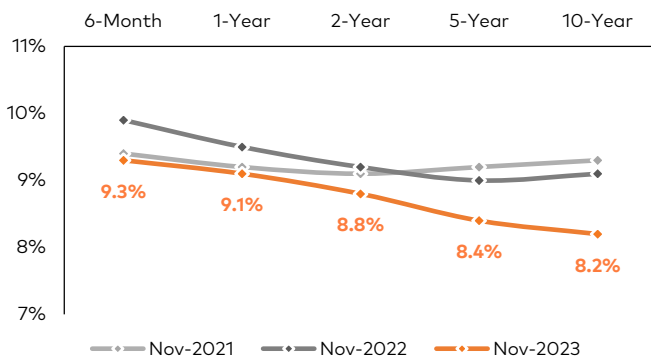
The nearest treasury security auction is scheduled for December 5, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark Bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	220	20	380
1-year	220	20	
2-year	467	40	
5-year	1,004	60	7,456
10-year	755	70	
Total	2,666	210	7,836

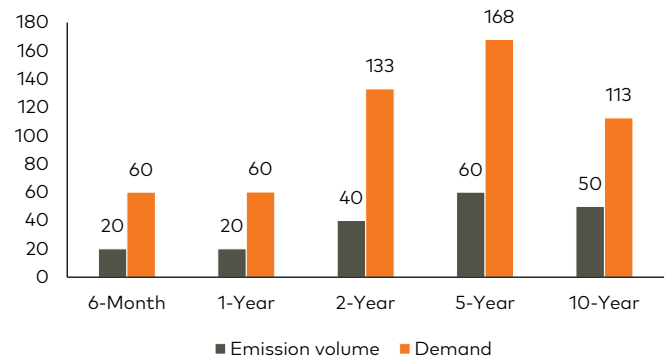
Source: MoF
*As of October 2023

T-bills / T-notes, yield curve



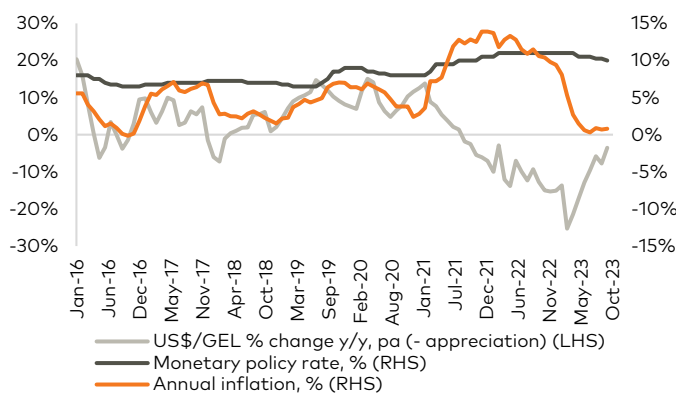
Source: NBG

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



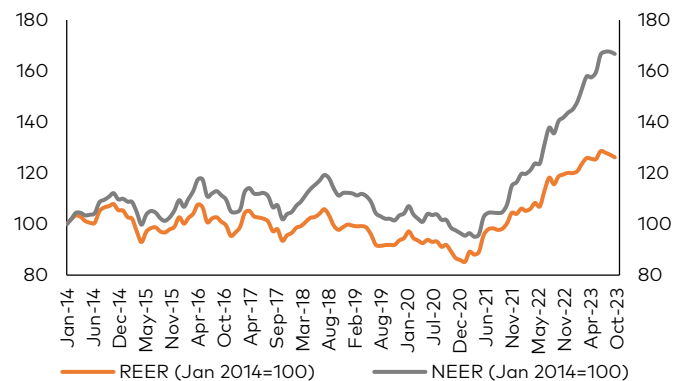
Source: NBG

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

- Yields decreased last week - the 10-year US Treasury yield fell from 4.47% to 4.21%, while the 10-year German Bund (a European benchmark) yield declined from 2.65% to 2.36%
- Inflation slowed in both the US and the Eurozone. The US October core PCE declined from 3.7% to 3.5%, while the Eurozone November core CPI fell from 4.2% to 3.6%.
- Markets are now pricing in a 76% probability of Fed rates falling to 4.0-4.25% or below by December 2024 (up from last week's 19%).

Sovereigns YTM, %	Last	4Q23F	1Q24F	2Q24F
US 2y Treasury	4.55	4.90	4.70	4.39
US 5y Treasury	4.14	4.56	4.37	4.16
US 10y Treasury	4.21	4.54	4.39	4.23
US 30y Treasury	4.39	4.69	4.57	4.42
German 2y Bund	2.67	3.00	2.95	2.79
German 10y Bund	2.36	2.64	2.56	2.51

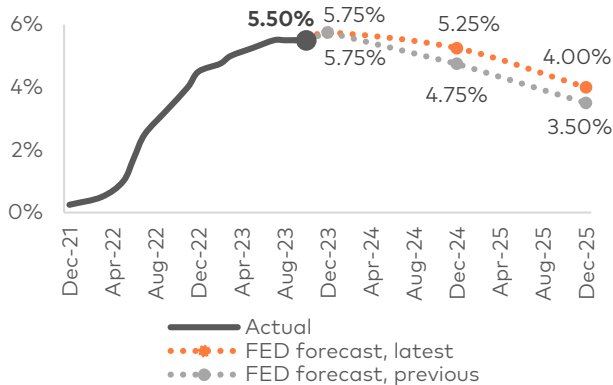
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2023
SOFR	5.33	5.32	5.32	4.30
EURIBOR (3 months)	3.96	3.95	3.96	2.13

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2023
US Inv. Grade	5.71	5.82	6.06	5.48
Eurozone Inv. Grade	3.99	4.23	4.32	4.04
EM Inv. Grade	5.74	5.86	6.07	5.46
US High Yield	8.54	8.74	8.91	8.99
EM High Yield	10.84	11.03	11.43	11.09

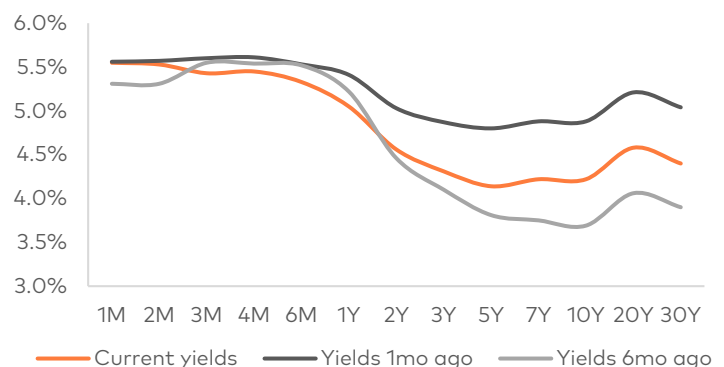
Source: Bloomberg

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

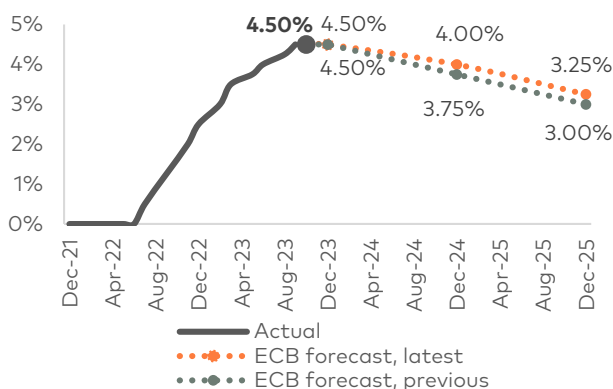
FED funds rate



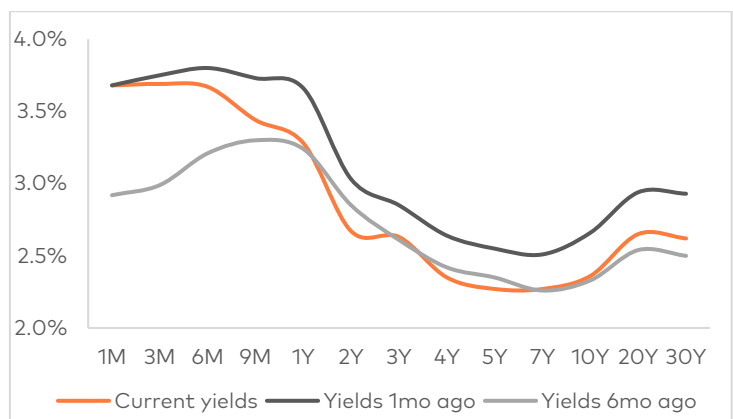
US treasuries yield curve



ECB main rate



German bonds yield curve



Source: FED, ECB, Bloomberg, Galt & Taggart



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	91.64	6.60	233.82
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/	86.90	7.46	352.52
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/	100.07	12.80	563.87
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/B1	98.91	8.77	465.58
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/Ba2	99.33	7.03	168.00
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/	98.58	13.32	742.07

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

Georgian local bonds performance

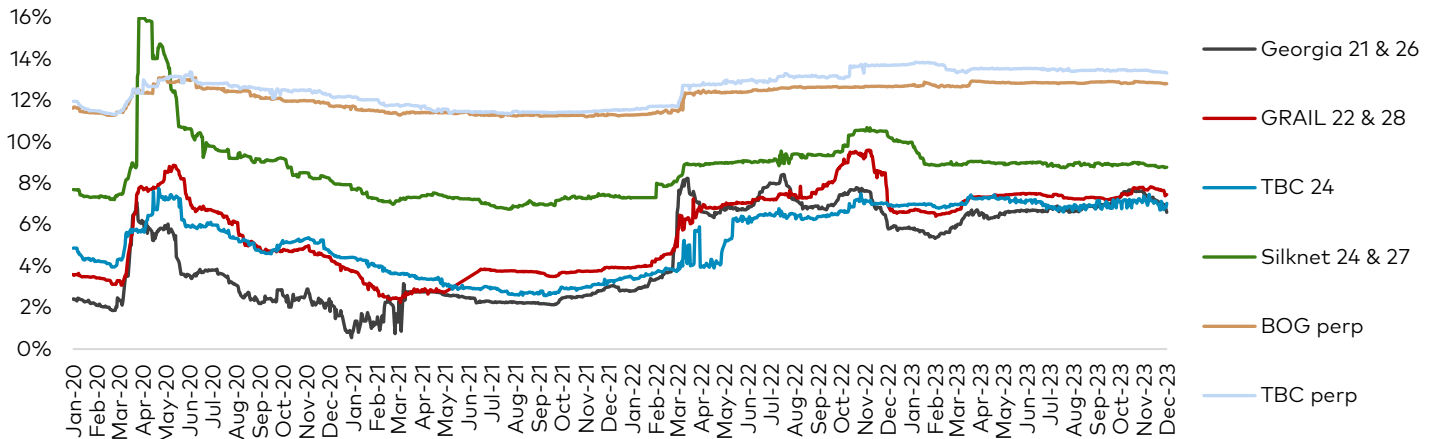
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/-B+	99.73	6.75
IG Development	USD	15	6.75%	Jan-22	Jan-24	-/-/-	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
MFO EuroCredit	USD	10	9.50%	Dec-23	Dec-27	-/-/-	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



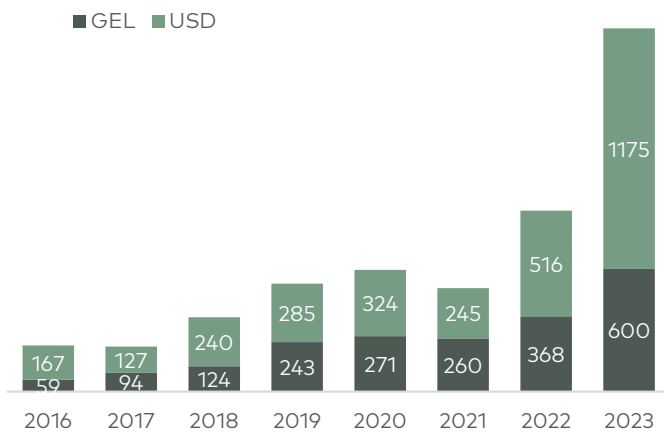
Fixed income

Georgian Eurobonds, YTM



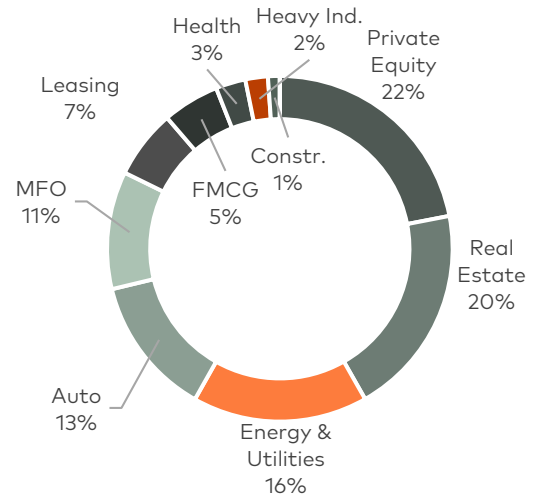
Source: Bloomberg

Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart
Note: Latest 2023

Georgian corporate public bonds outstanding by sector

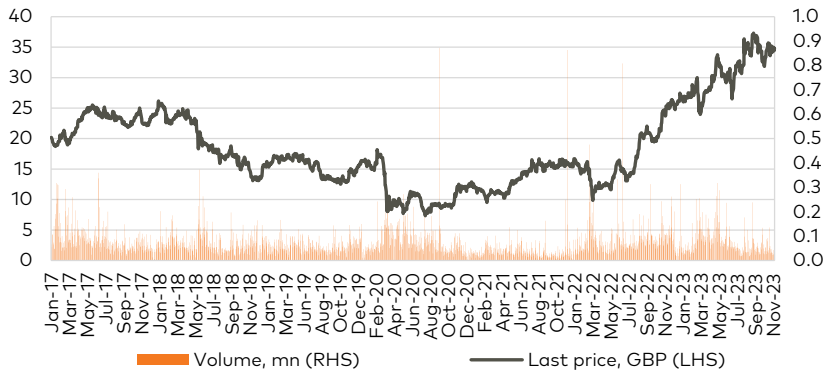


Source: Galt & Taggart



Equities

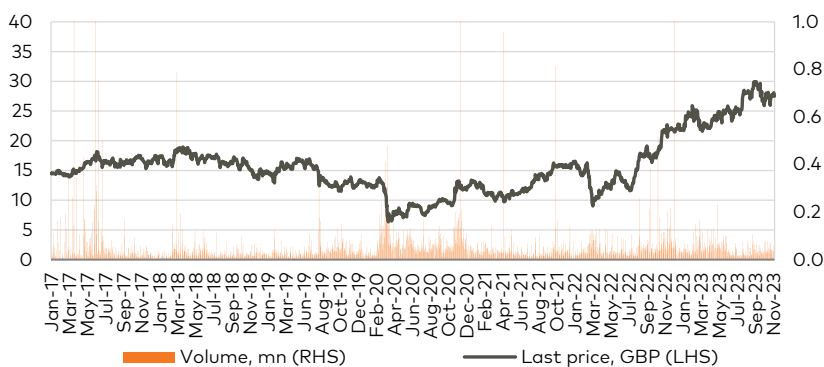
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 34.80/share (-0.14% w/w and +4.19% m/m). More than 236k shares traded in the range of GBP 34.15 - 35.10/share. Average daily traded volume was 50k in the last 4 weeks. The volume of BGEO shares traded was at 0.52% of its capitalization.

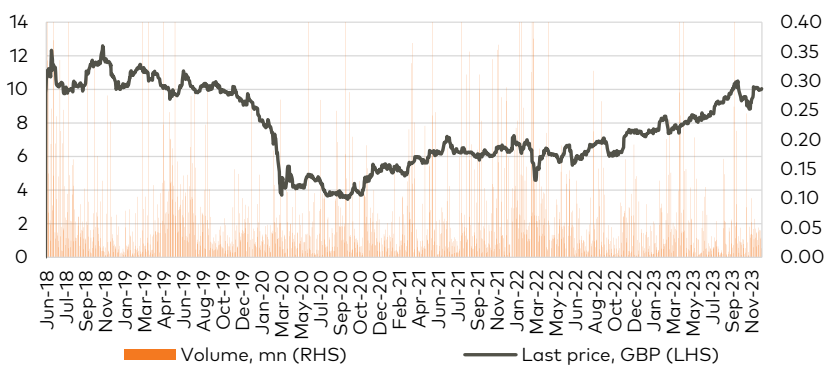
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 27.50/share (-0.18% w/w and -1.26% m/m). More than 455k shares changed hands in the range of GBP 27.10 - 28.40/share. Average daily traded volume was 55k in the last 4 weeks. The volume of TBCG shares traded was at 0.82% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 10.04/share (+0.80% w/w and +9.13% m/m). More than 141k shares traded in the range of GBP 9.95 - 10.20/share. Average daily traded volume was 36k in the last 4 weeks. The volume of CGEO shares traded was at 0.32% 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	34.80	1,597	14.5%	38.6%	33.6%	2.74x	4.15x	4.16x	0.90x	1.04x	0.86x
TBC	TBC	GBP	27.50	1,523	15.3%	25.0%	21.1%	4.10x	4.69x	4.18x	1.04x	1.13x	0.96x
Halyk Bank	HSBK	USD	14.50	3,954	12.2%	29.5%	30.6%	2.69x	2.64x	2.60x	0.78x	0.82x	0.70x
Akbank	AKBNK	TRY	34.86	181,272	113.3%	100.0%	78.3%	1.40x	2.98x	2.77x	0.55x	0.92x	0.76x
Garanti	GARAN	TRY	56.45	237,090	108.0%	110.8%	87.9%	1.91x	3.30x	2.90x	0.73x	1.27x	1.05x
Isbank	ISCTR	TRY	22.06	220,599	93.5%	103.1%	72.7%	0.84x	3.17x	3.04x	0.60x	0.91x	0.76x
PKO	PKO	PLN	49.55	61,938	51.1%	67.0%	63.6%	10.98x	8.64x	8.16x	1.03x	1.32x	1.26x
PEKAO	PEO	PLN	147.80	38,793	49.8%	72.3%	70.9%	na	6.40x	7.55x	na	1.30x	1.24x
Millennium	MIL	PLN	8.11	9,832	74.3%	72.4%	77.0%	na	3.39x	4.31x	1.04x	1.46x	1.33x
Mbank	MBK	PLN	573.80	24,367	60.8%	79.9%	93.9%	na	na	8.59x	1.10x	1.78x	1.47x
BRD	BRD	RON	16.60	11,569	37.2%	24.4%	27.7%	6.81x	7.61x	9.11x	1.31x	1.51x	1.54x
Banca Transilvania	TLV	RON	22.98	18,353	37.3%	29.0%	30.2%	na	7.06x	7.25x	1.60x	1.48x	1.37x
Komerční	KOMB	CZK	688.00	130,754	4.4%	0.6%	5.0%	8.36x	8.26x	9.11x	1.21x	1.04x	1.01x
Mean								4.42x	5.19x	5.67x	0.99x	1.23x	1.10x
Median								2.74x	4.42x	4.31x	1.04x	1.27x	1.05x

Source: Bloomberg, S&P Capital IQ

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