



Economy

GDP recalculation – growth revised upwards

Geostat revised historical series of GDP and other macroeconomic indicators as recommended by international organizations such as the IMF and Eurostat. Based on this recalculation, real GDP growth, nominal GDP, and per capita GDP are higher in the new series compared to the old series for every single year from 2010 to 2023. The Real GDP growth rate was revised upwards to 7.5% in 2023 from the 7.0% recorded in the old series, with real GDP growth averaging 9.7% during 2021-23 in the new series compared to 9.3% in the old series. The only downward revision to the real growth rate was recorded in 2014: 4.1% in the new series versus 4.4% in the old series. The expansion in nominal GDP improves debt indicators, creating fresh borrowing space.

Based on this recalculation, we anticipate growth to reach 6.0% in 2024 in our baseline scenario, compared to the 5.4% projection before this recalculation.

Tourism revenues estimated at US\$ 300mn in Jan-24

Tourism revenues reached US\$ 300mn (+26.6% y/y, excluding migration effect) in Jan-24, according to our estimates.

We forecast tourism revenues at US\$ 4.5bn (+10.0% y/y) for 2024, assuming that international visits to Georgia will fully recover to pre-pandemic levels.

International reserves at US\$ 4.9bn in Jan-24

Gross international reserves decreased by 0.9% y/y to US\$ 4.9bn in Jan-24, according to NBG. On a monthly basis, the reserves reduced by 3.1% (-US\$ 156.4mn). Changes in reserves were attributed to the government and banking sector FX operations.

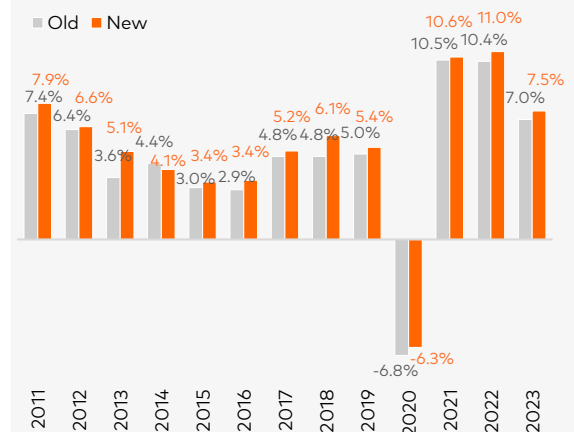
Key macro indicators

	2023E	2024F
Real GDP growth (% change)	7.5%	6.0%
GDP per capita (ppp)	22,371	24,349
GDP per capita (US\$)	8,170	8,685
Population (mn)	3.7	3.7
Inflation (average)	2.5%	3.0%
Gross reserves (US\$ bn)	5.0	5.2
CAD (% of GDP)	4.5%	4.3%
Fiscal deficit (% of GDP)	2.5%	2.5%
Total public debt (% of GDP)	39.1%	38.0%
Fitch/S&P/Moody's*	BB/BB/Baa2	

Source: Official data, Rating agencies, Galt & Taggart

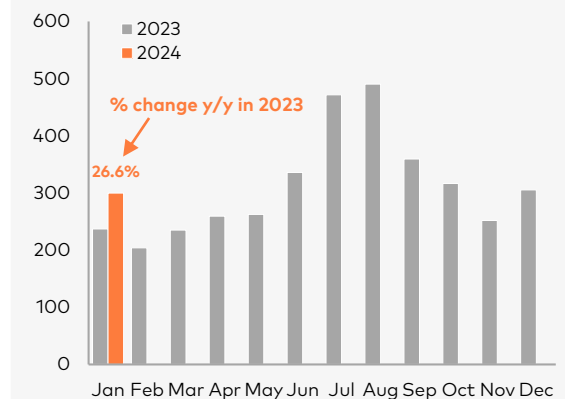
*Latest sovereign credit ratings

Real GDP growth: New vs. Old series



Source: Geostat

Tourism revenues, US\$ mn excluding migration effect



Source: NBG, Galt & Taggart

Money market

Ministry of Finance T-bills/T-notes:

3-year GEL 50.0mn (US\$ 18.8mn) Benchmark bonds were sold at the auction held at NBG on February 6, 2024. Total demand was 1.9x higher and the weighted average yield was fixed at 8.210%, down by 0.082ppts from previous auction held in Jan-24.

6-month GEL 20.0mn (US\$ 7.5mn) T-Bills were sold at the auction held at NBG on February 6, 2024. Total demand was 2.4x higher and the weighted average yield was fixed at 8.345%, down by 0.602ppts from previous auction held in Jan-24.

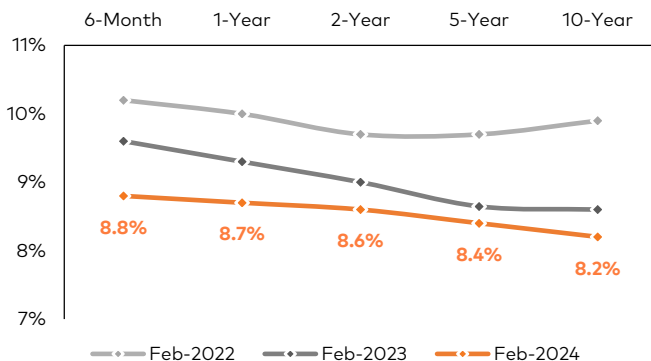
The nearest treasury security auction is scheduled for February 13, 2024, where GEL 20.0mn nominal value 1-year T-bills and GEL 30.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2024

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
Short-term (less than 1-year)	110	420	360
Long-term (over 1-year)	369	2,925	7,778
Total	479	3,345	8,138

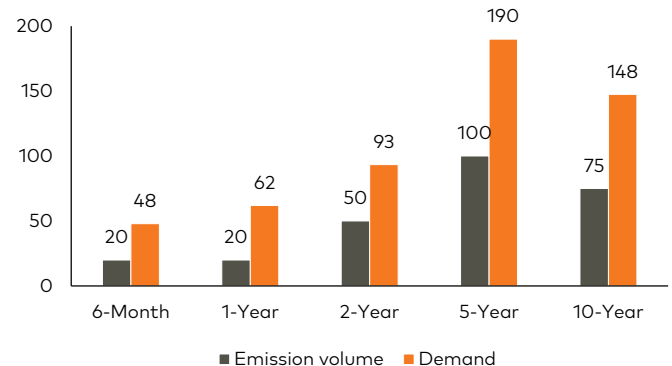
Source: MoF
 *As of December 2023

T-bills / T-notes, yield curve



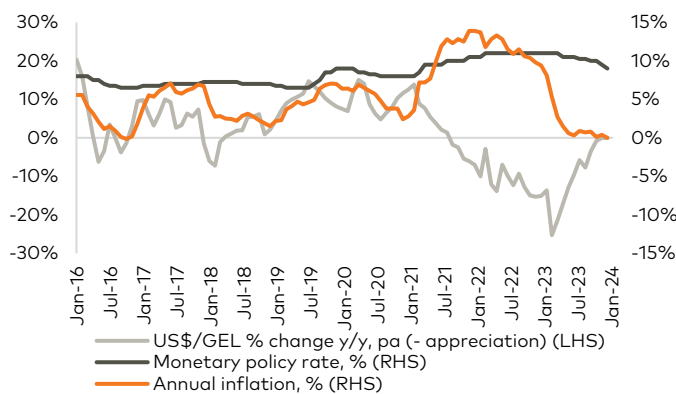
Source: NBG

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



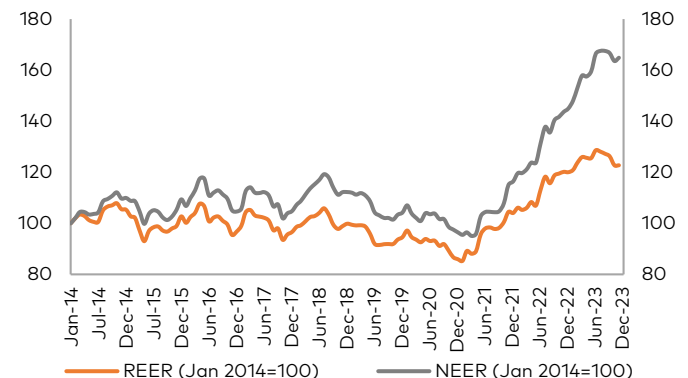
Source: NBG

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 US and European fixed income yields increased. While the 10-year US Treasury yield rose from 4.03% to 4.19%, the 10-year German Bund (a European benchmark) yield went from 2.23% to 2.38%.

Sovereigns YTM, %	Last	1Q24F	2Q24F	3Q24F
US 2y Treasury	4.48	4.33	4.04	3.79
US 5y Treasury	4.14	4.04	3.84	3.69
US 10y Treasury	4.19	4.04	3.88	3.78
US 30y Treasury	4.37	4.24	4.09	4.00
German 2y Bund	2.72	2.64	2.44	2.31
German 10y Bund	2.38	2.31	2.20	2.19

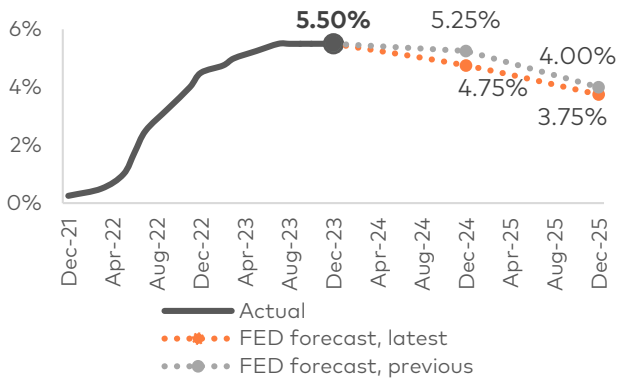
Interest rates, %	Last	1 week ago	1 month ago	1-Jan 2024
SOFR	5.31	5.31	5.31	5.38
EURIBOR (3 months)	3.90	3.92	3.93	3.91

Corporates YTM, %	Last	1 week ago	1 month ago	1-Jan 2024
US Inv. Grade	5.40	5.41	5.22	5.22
Eurozone Inv. Grade	3.92	3.85	3.76	3.67
EM Inv. Grade	5.48	5.49	5.33	5.22
US High Yield	7.95	8.05	7.89	7.80
EM High Yield	10.23	10.35	10.25	10.12

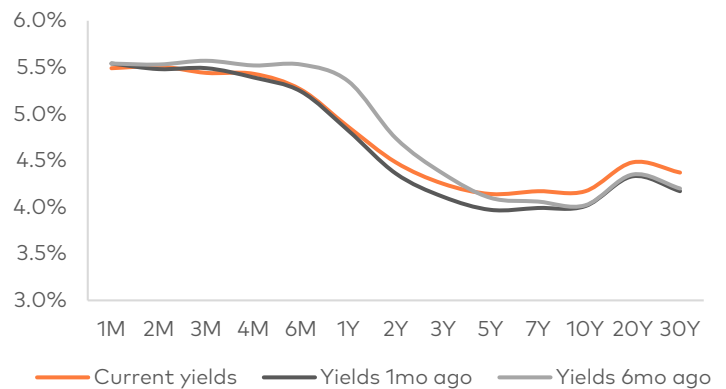
Source: Bloomberg

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

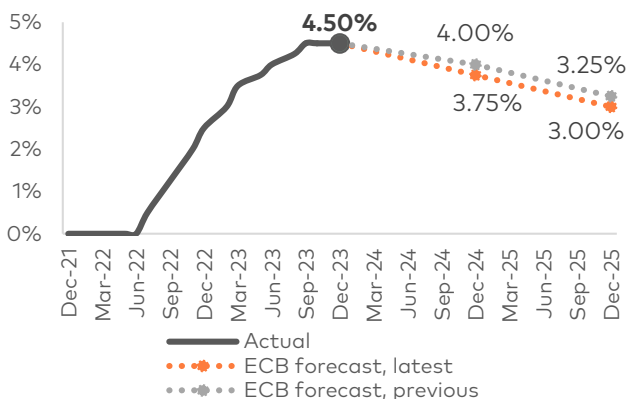
FED funds rate (upper bound)



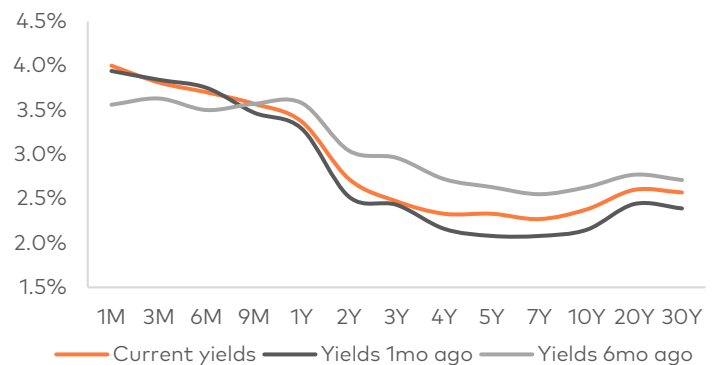
US treasuries yield curve



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	93.35	6.03	174.49
GRAIL 06/28	USD	500	4.000%	Apr-21	Jun-28	BB-/BB-/-	91.59	6.24	228.65
GEBGG 11 1/8 PERP	USD	100	11.125%	Mar-19	n/a	B-/-/-	100.88	12.74	332.42
SILKNET 01/27	USD	300	8.375%	Jan-22	Jan-27	BB-/-/B1	100.34	8.24	378.35
TBC 06/24	USD	300	5.750%	Jun-19	Jun-24	BB-/-/Ba2	99.62	6.80	149.59
TBC PERP	USD	125	10.775%	Jul-19	n/a	B-/-/-	99.83	13.21	583.50

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

Georgian local bonds performance

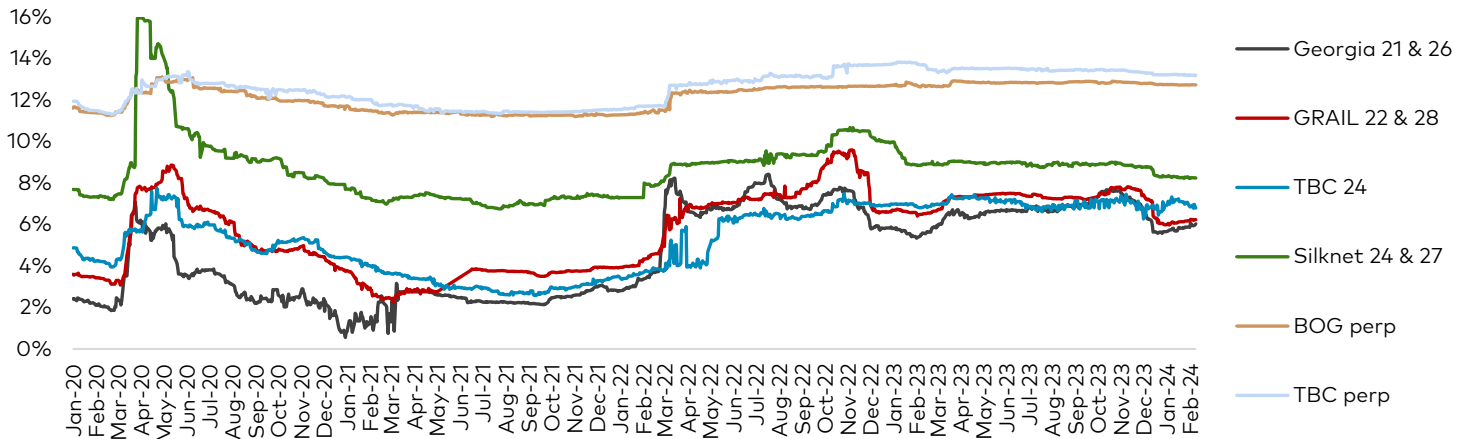
Issuer	Currency	Amount, mn	Coupon	Issue date	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %
USD								
Bakhvi Hydro Power	USD	1.2	9.40%	Nov-17	Nov-27	-/-/-/-	n/a	n/a
Lisi Lake Development	USD	12	6.50%	Dec-21	Dec-24	-/-/-/B+	99.77	6.75
IG Development	USD	15	8.50%	Jul-22	Jul-24	-/-/-/-	99.87	8.75
Georgia Real Estate	USD	35	8.50%	Oct-22	Oct-24	-/-/-/-	99.98	8.50
Geo. Renewable Power Oper.	USD	80	7.00%	Oct-22	Oct-27	-/-/-/-	99.99	7.00
Lisi Lake Development	USD	10	8.50%	Dec-22	Dec-24	-/-/-/B+	100.00	8.50
Geosteel	USD	15	9.00%	Apr-23	Apr-25	-/-/-/-	99.98	9.00
Silk Real Estate	USD	20	9.00%	Apr-23	Apr-26	-/-/-/-	99.99	9.00
Tegeta Motors	USD	20	8.50%	Apr-23	Apr-25	-/-/-/BB-	99.66	8.75
Energy Development Georgia	USD	10	8.50%	Jun-23	Jun-25	-/-/-/-	n/a	n/a
Georgia Capital	USD	150	8.50%	Aug-23	Aug-28	-/BB-/-/	101.17	8.19
Silk Real Estate	USD	20	9.25%	Sep-23	Sep-26	-/-/-/-	101.14	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
Geosteel	USD	5	8.50%	Dec-23	Dec-25	-/-/-/-	99.57	8.75
IG Development	USD	20	8.50%	Dec-23	Dec-25	-/-/-/-	99.56	8.75
EUR								
Tegeta Motors	EUR	5	7.00%	Apr-23	Apr-25	-/-/-/BB-	99.67	7.25
Tegeta Motors	EUR	4	7.00%	Dec-23	Dec-25	-/-/-/BB-	99.57	7.25
Tegeta Motors	EUR	7	6.75%	Dec-23	Dec-25	-/-/-/BB-	100.43	6.50
IG Development	EUR	5	7.00%	Jan-24	Jan-26	-/-/-/-	99.55	7.25
GEL								
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
Tegeta Motors	GEL	20	14.5%	Dec-23	Dec-25	-/-/-/BB-	n/a	n/a
Cellfie	GEL	65	TIBR6M + 3.50%	Dec-23	Dec-25	-/-/-/BB-	n/a	n/a

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



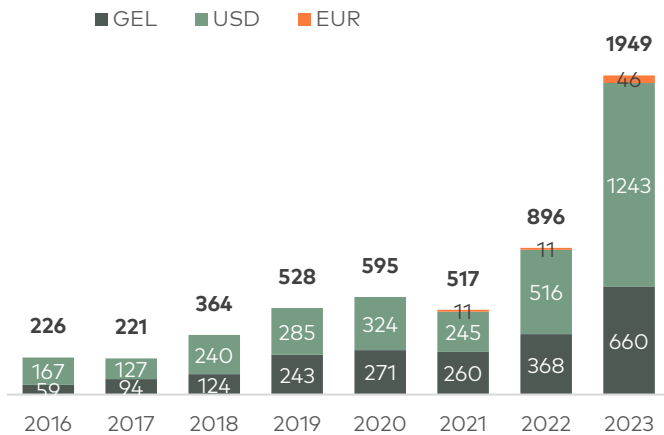
Fixed income

Georgian Eurobonds, YTM



Source: Bloomberg

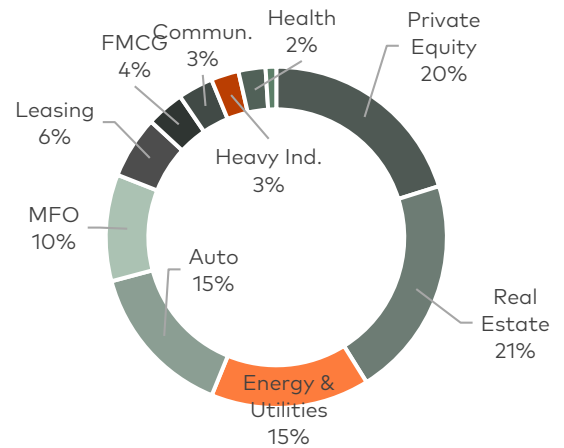
Georgian corporate public bonds outstanding, GEL mn



Source: Galt & Taggart

Note: USD and EUR bonds are converted into GEL as of issuance date

Georgian corporate public bonds outstanding by sector

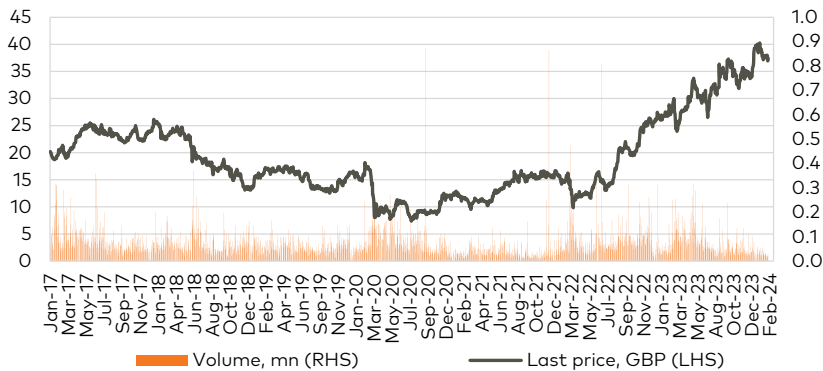


Source: Galt & Taggart



Equities

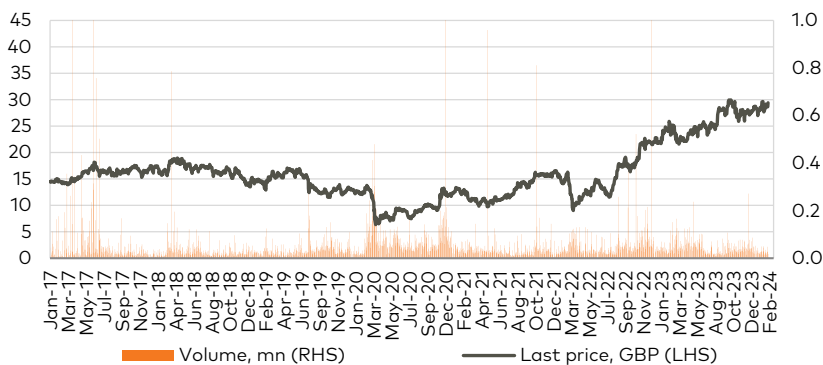
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 37.50/share (-1.06% w/w and -4.82% m/m). More than 107k shares traded in the range of GBP 36.60 - 38.20/share. Average daily traded volume was 28k in the last 4 weeks. The volume of BGEO shares traded was at 0.23% of its capitalization.

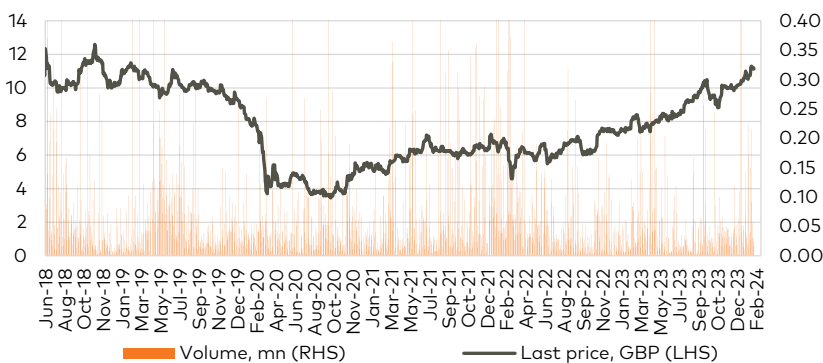
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 29.40/share (+1.03% w/w and +5.38% m/m). More than 133k shares changed hands in the range of GBP 28.10 - 29.40/share. Average daily traded volume was 28k in the last 4 weeks. The volume of TBCG shares traded was at 0.24% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 11.14/share (-1.42% w/w and +6.70% m/m). More than 159k shares traded in the range of GBP 11.14 - 11.44/share. Average daily traded volume was 73k in the last 4 weeks. The volume of CGEO shares traded was at 0.36% 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	37.50	1,721	20.4%	37.4%	-5.7%	2.74x	4.43x	4.37x	0.90x	na	na
TBC	TBC	GBP	29.40	1,629	16.7%	20.5%	3.9%	4.10x	4.87x	4.23x	1.04x	na	na
Halyk Bank	HSBK	USD	15.24	4,156	6.0%	39.8%	0.5%	2.69x	2.60x	2.70x	0.78x	0.86x	0.73x
Akbank	AKBNK	TRY	40.26	209,352	30.0%	173.9%	10.2%	1.40x	3.05x	2.92x	0.55x	1.00x	0.78x
Garanti	GARAN	TRY	64.45	270,690	21.6%	206.0%	10.5%	1.91x	3.56x	5.14x	0.73x	1.13x	0.92x
Isbank	ISCTR	TRY	25.82	258,199	46.5%	171.2%	10.5%	0.84x	3.68x	3.70x	0.60x	1.07x	0.92x
PKO	PKO	PLN	52.16	65,200	33.1%	59.0%	3.7%	10.98x	7.63x	7.55x	1.03x	1.36x	1.31x
PEKAO	PEO	PLN	158.00	41,470	40.6%	67.8%	3.9%	na	6.37x	7.40x	na	1.36x	1.31x
Millennium	MIL	PLN	8.40	10,190	36.4%	67.8%	0.5%	na	3.15x	3.91x	1.04x	1.47x	1.35x
Mbank	MBK	PLN	546.40	23,203	21.9%	71.3%	2.1%	na	7.66x	6.81x	1.10x	1.59x	1.40x
BRD	BRD	RON	18.06	12,586	25.4%	34.4%	0.8%	6.81x	7.79x	9.59x	1.31x	1.55x	1.60x
Banca Transilvania	TLV	RON	24.92	19,903	22.8%	41.9%	2.7%	na	7.36x	7.86x	1.60x	1.59x	1.54x
Komerční	KOMB	CZK	792.00	150,519	11.4%	5.4%	9.3%	8.36x	9.18x	10.78x	1.21x	1.10x	1.16x
Mean								4.42x	5.49x	5.92x	0.99x	1.28x	1.18x
Median								2.74x	4.87x	5.14x	1.04x	1.36x	1.31x

Source: Bloomberg, S&P Capital IQ

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