



Economy

Real GDP increased by 8.4% y/y in Jan-23

Economy expanded by a robust 8.4% y/y in Jan-23, from last year's high base of 18.0% y/y. In January, construction, financial, transportation and storage, trade, ICT and hospitality sectors drove the growth. Meanwhile, manufacturing, professional activities and energy sectors contracted. Our 2023 baseline growth forecast is 4.8%; If positive momentum of GDP growth continues in the coming months, the likelihood of achieving our optimistic growth scenario of 6.9% for 2023 will increase (see [here](#) for more details).

Inflation retreated to 8.1% in Feb-23

Annual CPI inflation retreated to 8.1% in Feb-23 from a 9.4% inflation in previous month. Core inflation (non-food, non-energy, and non-tobacco) also reduced to 6.6% (-1.2ppts m/m) in February. By categories, annual inflation was mostly driven by price changes in food and non-alcoholic beverages (+14.0% y/y, 4.73ppts), housing, water, electricity, gas and other fuels (+12.4% y/y, 1.30ppts), restaurants and hotels (+14.8% y/y, 0.58ppts), furnishings, household equipment and maintenance (+10.1% y/y, 0.51ppts), and alcoholic beverages and tobacco (+7.3% y/y, 0.49ppts) categories. On a monthly basis, there was a 0.3% deflation in Feb-23, driven by price reduction in healthcare (-4.9% m/m, -0.47ppts) and transport (-1.5% y/y, -0.19ppts) categories. We expect average annual inflation at 5.2% in 2023 down from 11.9% in 2022 and see inflation close to the target by end-23, in our baseline scenario.

Tourism revenues stood at US\$ 307.0mn in Feb-23

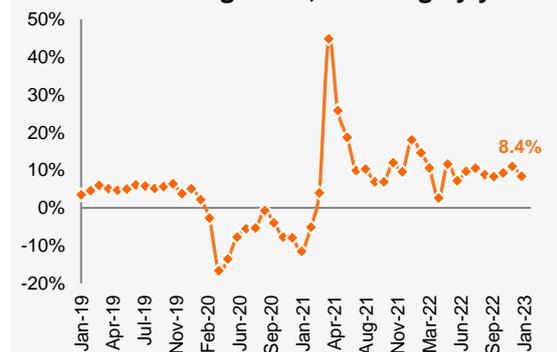
According to our estimates, tourism revenues continued strong growth up by 191.8% y/y, reaching US\$ 307.0mn in Feb-23. Overall, tourism revenues reached US\$ 607.0mn (+176.9% y/y) in 2M23, based on our estimate.

Key macro indicators

	2021	2022E
Real GDP growth (% change)	10.5%	10.1%
GDP per capita (ppp)	16,937	19,456
GDP per capita (US\$)	5,023	6,656
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%	3.1%
Fiscal deficit (% of GDP)	6.1%	3.1%
Total public debt (% of GDP)	49.6%	39.8%
Fitch/S&P/Moody's*	BB/BB/Ba2	

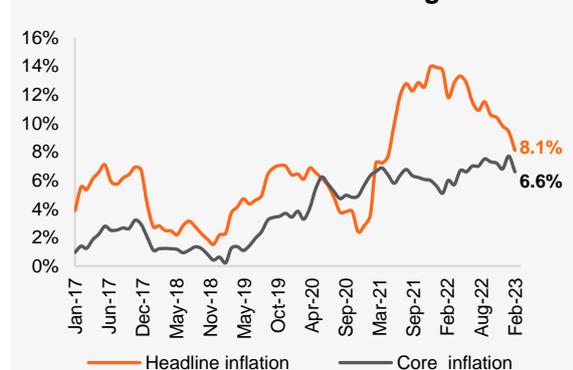
Source: Official data, Rating agencies, Galt & Taggart
*Latest sovereign credit ratings

Real GDP growth, % change y/y



Source: Geostat

Annual inflation in Georgia



Source: Geostat

Money market

Ministry of Finance T-Bills:

5-year GEL 90.0mn (US\$ 34.3mn) Benchmark bonds were sold at the auction held at NBG on February 28, 2023. Total demand was 1.5x higher and the weighted average yield was fixed at 8.635%, down by 0.044ppts from previous auction held in Jan-23.

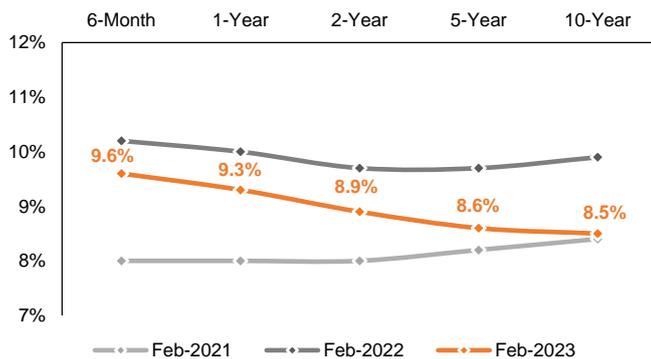
The nearest treasury security auction is scheduled for March 7, 2023, where GEL 20.0mn nominal value 6-month T-bills and GEL 40.0mn nominal value 2-year Benchmark bonds will be sold.

T-bills / T-notes in 2023

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	40	200	415
1-year	40	200	
2-year	86	400	
5-year	198	900	6,254
10-year	120	900	
Total	484	2,600	6,669

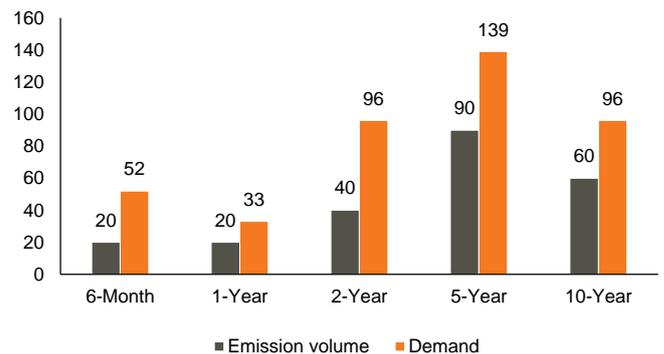
Source: MoF
*As of January 2023

T-bills / T-notes, yield curve



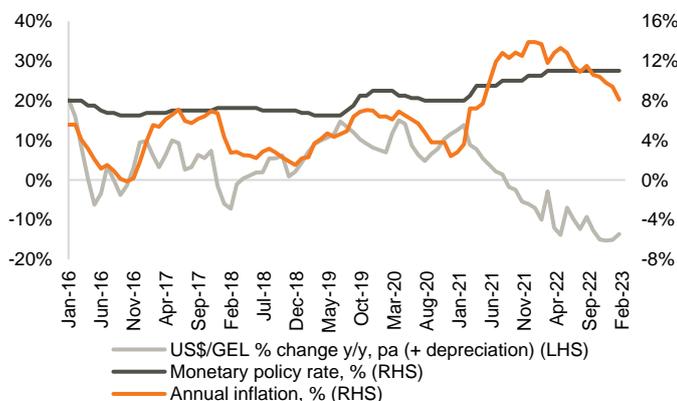
Source: NBG

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



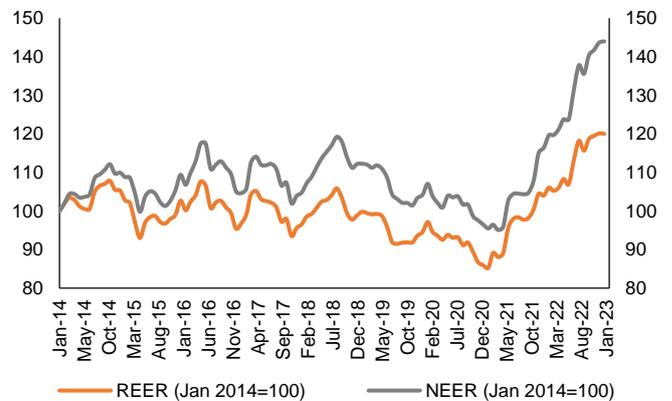
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal effective exchange rate and Real effective exchange rate



Source: NBG

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

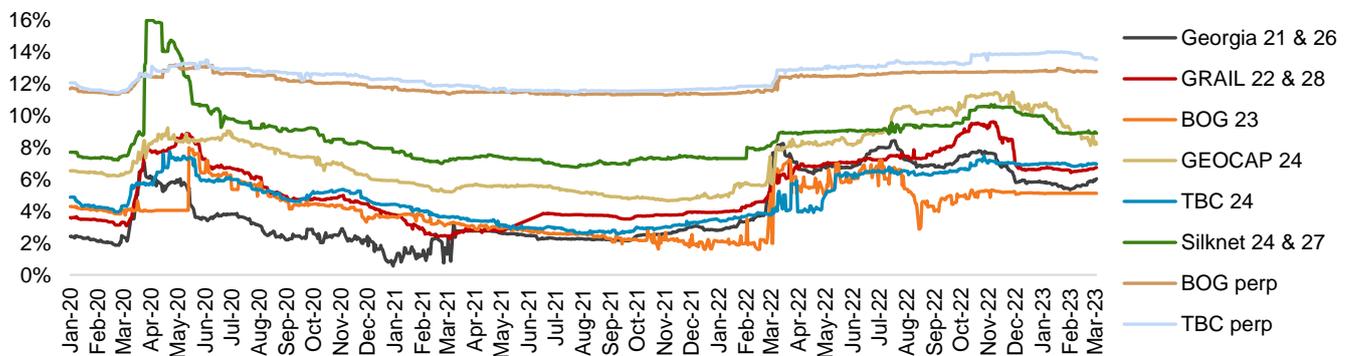
Fixed income

Corporate Eurobonds: Georgia Capital Eurobonds (GEOCAP) were trading at 98.03 (-0.03% w/w), yielding 8.20%.

Georgian Railway Eurobonds (GRAIL) traded at 88.02 (-0.34% w/w), yielding 6.73%.

Georgian Sovereign Eurobonds (GEORG) closed at 90.78 (-0.31% w/w) at 6.03% yield to maturity.

Georgian Eurobonds, YTM



Source: Bloomberg

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	90.78	6.03	155.94
GRAIL 06/28	USD	500	4.000%	Jun-28	BB-/BB-/-	88.02	6.73	270.38
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/-/Ba2	n/a	n/a	n/a
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/--	99.99	12.74	583.24
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B+/B1	98.03	8.20	283.18
SILKNET 01/27	USD	300	8.375%	Jan-27	B+/-/B1	98.34	8.88	457.22
TBC 06/24	USD	300	5.750%	Jun-24	BB-/-/Ba2	98.53	6.96	168.23
TBC PERP	USD	125	10.775%	n/a	B-/--	96.64	13.52	800.92

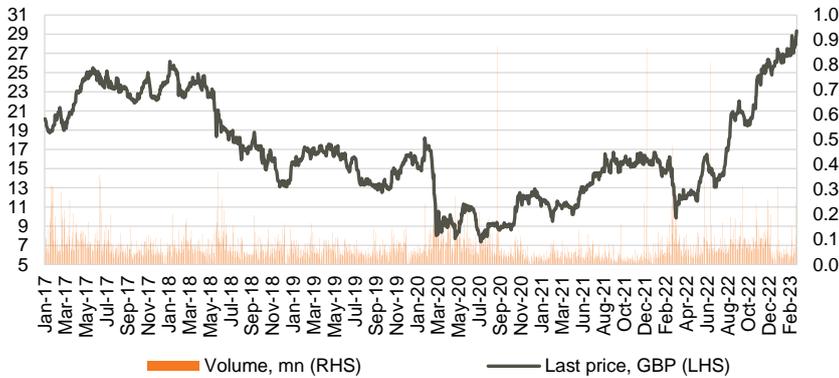
Georgian local bonds performance

GLC	USD	12	5.75%	Jul-23	-/-/-	99.90	5.88	n/a
GLC	EUR	3	4.75%	Jul-23	-/-/-	99.99	4.75	n/a
Lisi Lake Development	USD	12	6.50%	Dec-23	-/-/-	99.49	6.75	n/a
Lisi Lake Development	USD	10	8.50%	Dec-24	-/-/-	n/a	n/a	n/a
IG Development	USD	15	6.75%	Jan-24	-/-/-	97.35	8.90	n/a
IG Development	USD	15	8.50%	Jul-24	-/-/-	99.77	8.65	n/a
Georgia Real Estate	USD	35	8.50%	Oct-24	-/-/-	99.73	8.65	n/a
Geo. Beer Company	GEL	25	15.50%	Dec-23	-/-/-	n/a	n/a	n/a
Evex Hospitals	GEL	50	13.60%	Nov-24	-/-/-	n/a	n/a	n/a
Nikora Trade	GEL	35	13.62%	Nov-24	-/-/-	n/a	n/a	n/a
Geo Renewable Power Oper.	USD	80	7.00%	Oct-27	-/-/-	n/a	n/a	-/-/-

Source: Bloomberg

Equities

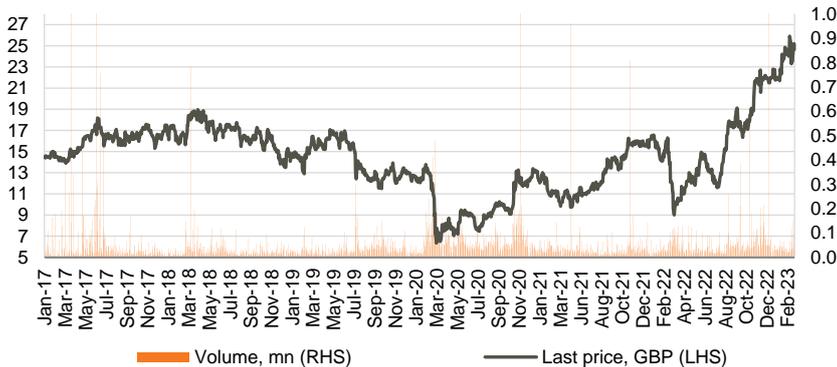
Bank of Georgia Group (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 29.35/share (+6.53% w/w and +6.73% m/m). More than 532k shares traded in the range of GBP 27.30 - 29.35/share. Average daily traded volume was 66k in the last 4 weeks. The volume of BGEO shares traded was at 1.08% of its capitalization.

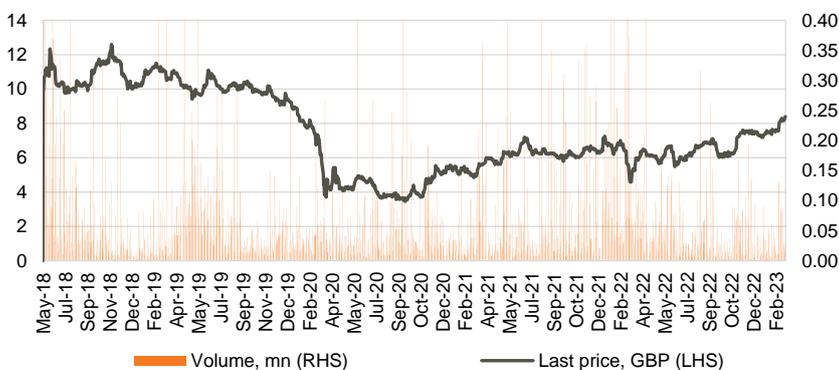
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 24.65/share (+5.12% w/w and -0.80% m/m). More than 359k shares changed hands in the range of GBP 23.50 - 25.40/share. Average daily traded volume was 47k in the last 4 weeks. The volume of TBCG shares traded was at 0.65% of its capitalization.

Georgia Capital (CGEO LN)



Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 8.40/share (+3.07% w/w and +10.96% m/m). More than 109k shares traded in the range of GBP 8.12 - 8.42/share. Average daily traded volume was 39k in the last 4 weeks. The volume of CGEO shares traded was at 0.23% 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		
								2021	2022F	2023F	2021	2022F	2023F
Bank of Georgia	BGEO	GBP	29.35	1,443	41.8%	143.4%	12.7%	4.58x	3.62x	4.44x	1.06x	1.13x	0.86x
TBC	TBC	GBP	24.65	1,360	41.5%	120.9%	8.6%	4.75x	4.56x	4.17x	1.04x	0.99x	0.94x
Halyk Bank	HSBK	USD	11.02	3,005	4.0%	28.1%	-0.7%	2.60x	2.91x	2.94x	0.76x	0.74x	0.63x
Akbank	AKBNK	TRY	17.41	90,532	33.6%	143.8%	-10.9%	6.04x	1.57x	2.21x	0.96x	0.71x	0.52x
Garanti	GARAN	TRY	23.88	100,296	-2.1%	102.7%	-20.5%	7.12x	1.84x	2.38x	1.20x	0.75x	0.58x
Isbank	ISCTR	TRY	11.79	53,055	33.4%	221.9%	-7.7%	2.87x	0.99x	1.15x	0.99x	0.57x	0.53x
PKO	PKO	PLN	30.97	38,713	32.4%	-16.1%	2.2%	6.63x	10.84x	6.22x	0.86x	1.10x	0.98x
PEKAO	PEO	PLN	88.68	23,276	41.9%	-14.9%	2.5%	9.22x	7.89x	6.30x	0.84x	1.01x	0.89x
Millennium	MIL	PLN	4.45	5,403	17.4%	-27.3%	-2.8%	na	2.24x	2.54x	0.81x	1.12x	0.90x
Mbank	MBK	PLN	316.20	13,402	46.7%	-13.1%	6.8%	na	na	13.69x	0.83x	1.06x	0.81x
BRD	BRD	RON	13.10	9,129	2.3%	-29.3%	0.8%	6.06x	7.01x	6.21x	0.81x	1.41x	1.19x
Banca Transilvania	TLV	RON	19.40	122,443	-1.0%	-8.2%	-2.6%	na	na	na	1.24x	1.28x	1.24x
Komercni	KOMB	CZK	750.00	142,537	30.5%	-13.6%	14.5%	11.10x	8.66x	9.38x	1.14x	1.15x	1.07x
Mean								6.34x	4.74x	5.14x	0.94x	1.00x	0.86x
Median								6.06x	3.62x	4.30x	0.91x	1.06x	0.89x

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		
								2021	2022F	2023F	2021	2022F	2023F
Georgia Capital	CGEO	GBP	8.40	391	22.8%	75.0%	15.1%	1.80x	na	na	0.41x	na	na
Tinc Comm	TINC	EUR	12.32	448	-8.7%	-5.5%	-1.4%	13.85x	na	na	0.94x	na	na
Sabanci Holding	SAHOL	TRY	43.94	89,655	67.7%	176.4%	-2.5%	5.61x	2.41x	3.69x	1.31x	0.95x	0.71x
Deutsche Beteiligungs	DBAN	EUR	30.55	574	13.1%	-3.3%	9.5%	2.57x	na	7.57x	0.68x	1.14x	0.90x
Eurazeo	RF	EUR	65.45	5,185	11.0%	-1.1%	12.7%	2.91x	14.71x	10.35x	0.72x	0.73x	0.70x
Carlyle Group	CG	USD	35.52	12,656	10.1%	-23.1%	19.0%	3.34x	8.19x	8.94x	1.87x	3.06x	2.39x
Wendel SE	MF	EUR	105.20	4,707	35.0%	20.3%	20.6%	3.45x	8.71x	8.67x	1.35x	1.65x	1.45x
HgCapital Trust	HGT	GBP	3.61	1,641	-2.2%	-7.3%	2.9%	na	na	na	na	na	na
NB Private Equity Partners	NBPE	GBP	17.10	746	4.6%	12.9%	6.9%	na	na	na	na	na	na
Oakley Capital Investments	OCI	GBP	4.71	840	16.0%	21.9%	12.2%	na	na	na	na	na	na
Princess Private Equity	PEY	EUR	9.88	683	-10.2%	-25.2%	17.1%	3.10x	na	na	0.52x	na	na
Symphony International Holding	SIHL	USD	0.42	215	-18.6%	8.8%	-6.5%	1.78x	na	na	0.45x	na	na
Mean								4.27x	8.51x	7.84x	0.92x	1.50x	1.23x
Median								3.10x	8.45x	8.67x	0.72x	1.14x	0.90x

Source: Bloomberg, S&P Capital IQ

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