

# GEORGIA BIWEEKLY MARKET REPORT

## Weekly Highlights

In February 2022 the **Consumer Price Index increased by 0.9 percent** compared to the previous month, while the annual inflation rate amounted to 13.7 percent. With regard to the annual core inflation<sup>1</sup>, the prices increased by 5.1 percent, while the annual core inflation without tobacco<sup>2</sup> also amounted to 5.1 percent.

The **monthly inflation rate** was mainly influenced by price changes for the following groups: **Food and non-alcoholic beverages**: the prices for the group increased by 2.1 percent, contributing 0.67 percentage points to the overall monthly index change. The prices were higher for the following subgroups: vegetables (10.8 percent), mineral waters, soft drinks, fruit and vegetable juices (6.8 percent), sugar, jam, honey, chocolate and confectionery (3.1 percent), oils and fats (3.0 percent), coffee, tea and cocoa (2.7 percent), bread and cereals (1.7 percent), fish (1.4 percent). In the same period the prices were lower for milk, cheese and eggs (-2.7 percent); **Transport**: the prices increased by 1.0 percent, contributing 0.12 percentage points to the monthly inflation rate. Within the group the prices mainly increased for transport services (3.8 percent); **Alcoholic beverages and tobacco**: the prices were 1.3 percent higher, with the relevant contribution of 0.09 percentage points to the overall inflation rate. The prices increased for both alcoholic beverages (2.0 percent) and tobacco (0.5 percent); **Clothing and footwear**: the prices for the group decreased by 4.1 percent, with the relevant contribution of -0.15 percentage points to the monthly inflation rate. Within the group, the prices were lower for both footwear (-7.4 percent) and clothing (-2.6 percent).

Source: Geostat.ge

## Georgian Lari (GEL) spot FX rates



## GEL Interbank Deposit Rates (TIBR)



## Customer deposit rates

% p.a.	BGEO	TBC
<b>GEL</b>		
3 months	9.85	9.60
1 year	10.45	10.20
2 years	11.20	10.95
<b>USD</b>		
3 months	0.80	0.95
1 year	1.25	1.60
2 years	1.60	1.95
<b>EUR</b>		
3 months	0.00	0.00
1 year	0.45	0.65
2 years	0.75	1.05

## Georgia Macro-Economic Data

	Value	Period
<b>Inflation Rate</b>	11.90%	Jul-21
	12.80%	Aug-21
	12.30%	Sep-21
	12.80%	Oct-21
	12.50%	Nov-21
	13.90%	Dec-21
	13.90%	Jan-22
<b>GDP Growth</b>	-6.80%	2020(IV)
	-4.50%	2021(I)
	29.90%	2021(II)
	9.10%	2021(III)
<b>Unemployment</b>	17.00%	2020(III)
	20.40%	2020(IV)
	21.90%	2021(I)
	22.10%	2021(II)
	19.50%	2021(III)
<b>Foreign Trade Balance</b>	\$ (0.49)	Jul-21
	\$ (0.53)	Aug-21
	\$ (0.58)	Sep-21
	\$ (0.52)	Oct-21
	\$ (0.58)	Nov-21
	\$ (0.61)	Dec-21
<b>FX Reserves</b>	\$ 3.71	Jun-21
	\$ 3.66	Jul-21
	\$ 3.62	Aug-21
	\$ 3.36	Sep-21
	\$ 3.47	Oct-21
	\$ 3.44	Nov-21
	\$ 3.78	Dec-21

## IFI GEL Bonds

Issuer	Currency	Size of issue(mn)	Maturity	coupon rate	Rating (Fitch)	Coupon rate terms
ADB	GEL	30	15-Jul-22	10.65%	AAA	3m GEL CD NBG Rate + 20 bps => next fixing date 15/4/22
ADB	GEL	30	15-Jul-24	10.65%	AAA	3m GEL CD NBG Rate + 20 bps => next fixing date 15/4/22
EBRD	GEL	92	20-Oct-26	10.45%	AAA	3m TIBR
EBRD	GEL	93	20-Jul-24	10.45%	AAA	3m TIBR

## Perpetual Bonds

Georgian Issuer	Currency	Amount (mn)	First Reset Date	Current coupon	Rating (Fitch)	%	Z-Spread (bps)
TBC AT1	USD	125	3-Oct-24	10.775%	B-	9.30%	583
BGEO AT1	USD	100	28-Jun-24	11.125%	B-	9.10%	547

## Domestic GEL Bonds

Issuer	Currency	Amount (mn)	Maturity	Yield	Rating (Fitch)	Coupon	Z-spread (bps)
GeoBeer	GEL	25	21-Dec-23	n/a	--	13%	n/a
Silknet	GEL	34	18-Aug-22	n/a	B+	12.50%	n/a
Tegeta	GEL	30	30-Apr-22	n/a	B-	10.75%	n/a
EVEX	GEL	50	1-Nov-24	n/a	--	12.10%	n/a
GWP	GEL	30	1-Dec-21	n/a	--	12.50%	n/a

## Domestic FX Bonds

Issuer	Currency	Amount (mn)	Maturity	Yield	Rating (Fitch)	Coup. rate	Z-spread (bps)
GLC Georgia	USD	10	21-Aug-22	7.50%	--	7.50%	n/a
GLC Georgia	USD	12	22-Jul-23	n/a	--	5.75%	n/a
GLC Georgia	EUR	3	1-Jul-23	n/a	--	4.75%	n/a
Lisi Lake	USD	12	17-Dec-21	n/a	--	8%	n/a
M2R	USD	35	7-Oct-22	7.20%	--	7.50%	n/a
M2C	USD	30	31-Dec-22	7.50%	--	7.50%	n/a
KTW	USD	10	20-Dec-22	n/a	--	9.00%	n/a

## Eurobonds

Georgian Issuer	Currency	Amount (mn)	Maturity	Mid yield	Rating (Fitch)	Coupon rate	Z-Spread (bps)
GEO Sovereign	USD	500	26-Apr-26	3.40%	BB	2.75%	183
GEORAIL	USD	500	11-Jul-28	4.33%	BB-	4.00%	266
Georgia Capital	USD	300	9-Mar-25	5.70%	-	6.13%	438
BGEO	USD	350	26-Jul-23	2.23%	BB-	6%	111
GGU	USD	250	30-Jul-25	5.85%	B+	7.75%	282
TBC	USD	300	19-Jun-24	3.74%	BB-	5.70%	236
Silknet	USD	300	20-Jan-27	7.96%	B	8.37%	632

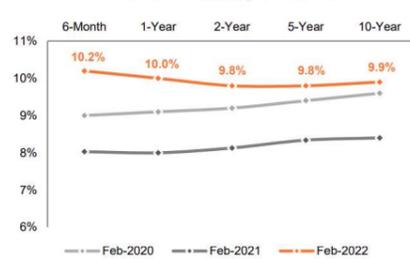
## Short Term Central Bank Facilities

	O/N	6 months	2 years	Issuer
GEL	9.00%	9.10%	10.17%	NBG
USD	0.00%	0.21%	0.27%	US FED
EUR	n/a	-0.55%	-0.64%	ECB

## Geo Ministry of Finance T-Bills

Maturity	Currency	Outstanding amount	%	Remaining placements
6-month	GEL	200	10.2	40
1-year	GEL	370	10	20
2-year	GEL	820	9.8	140
5-year	GEL	993	9.8	87
10-year	GEL	75	9.9	25
<b>Total</b>		<b>2458</b>		<b>312</b>

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



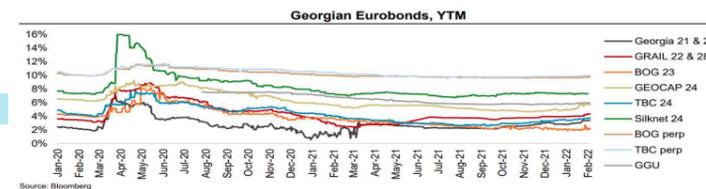
Source: NBG

## Bond market news

**Results of the government securities auction of the Ministry of Finance of Georgia**  
On March 1, 2022, Treasury Bills with a face value of GEL 20,000,000 and a maturity of 6 months were sold at the State Securities Auction N10 of the Ministry of Finance. 3 commercial banks participated in the auction. The total demand amounted to GEL 34,000,000. The following interest rates were observed: minimum 10.190%, maximum 10.750%, and weighted average 10.230%.

On March 1, 2022, Benchmark bonds with a face value of GEL 70,000,000 and a maturity of 2 years were sold at the N11 auction of government securities. 3 commercial banks participated in the auction. The total demand amounted to GEL 110,000,000. The following interest rates were observed: minimum 9.850%, maximum 9.990%, and weighted average 9.885%.

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## Galt & taggart: In case of a long conflict, Georgia will enter a recession

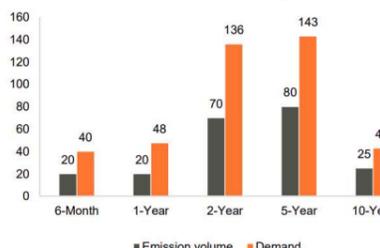
"At this stage, it is difficult to assess how the Russian-Ukrainian conflict will affect Georgia," Eva Bochorishvili, head of Galt & taggart's research department, told Business Morning. "We know only part of the sanctions that have been announced, but how this will affect our country, how trade relations with Russia will continue, is difficult to assess." "At this stage, we have prepared two scenarios," Eva Bochorishvili said.

## The two scenarios for Galt & Taggart are as follows:

The first scenario, which envisages a solution to the Russia-Ukraine conflict in 1-2 months, is expected to reduce Georgia's GDP growth to 3%, keep the monetary policy rate at 10.5%, reduce inflation to only 7%, increase the current account deficit to 9.5% and fix the dollar exchange rate within 3.25 GEL.

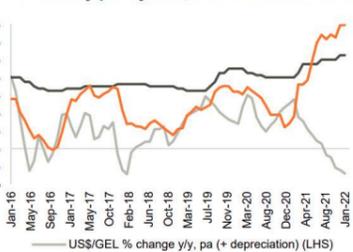
Galt & Taggart's second scenario envisages prolonging the Russia-Ukraine conflict and imposing additional sanctions on Russia. In this case, analysts predict a reduction of the Georgian economy by 1% in 2022, an increase in the refinancing rate to 11% and keeping the inflation rate in the country at 9%. In addition, if this scenario develops, the current account deficit is expected to increase to 10.9% and the dollar exchange rate to reach 3.4 GEL.

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



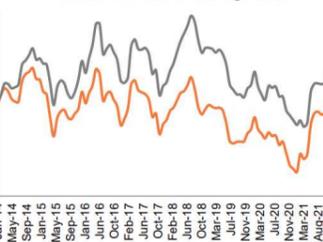
Source: NBG

## 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

• In the 1-27 February period, new mortgage issuance totaled 36%, relative to previous year.

• During 1-24 February period, growth of residential property transactions in Tbilisi stood at 19% relative to previous year.



**As a result of the downgrade, Georgia surpassed Russia in terms of credit rating**

Due to the invasion of Ukraine and the imposition of economic sanctions by the West, the international rating agencies, Fitch and Moody's have sharply reduced the sovereign credit rating of Russia to the risky, so-called. To the level of "junk".

According to the S&P credit rating, Russia's rating became CCC-. Fitch downgraded Russia from "BBB" (investment) to "B", which is a risky category. Moody's downgraded the country by 6 notches from "Baa3" directly to "B3", which means that Russia is only one step away from the so-called The category of "default" or its recognition as non-credit.

It should be noted that as a result of the downgrade, Georgia surpassed Russia in the Fitch credit rating. Currently, Georgia's long-term rating is at "BB" level, while Russia's is at "B" level, which means that Georgia's rating is 3 steps higher than Russia.

Georgia has a better rating than Russia according to Moody's. According to Fitch, this is the sharpest decline in the country in the short term since 1997, which once again underscores the dire situation. According to the agencies, in the light of the tense geopolitical situation, the sanctions imposed on the Russian economy and banking and financial sectors dramatically increase investment risks and Russia may not be able to meet its obligations on time. Source: bm.ge

**Georgian Equities**

Equities		London StEx		Weekly news		
Issuer	Price (GBX)	MarkCap (£ mn)	Div. Yield	Rec.Date	Earnings per share	
BGEO	1196.0	£ 592.98	-	4-Mar-22	6.2	
CGEO	460.0	£ 223.35	-	4-Mar-22	8.2	
TBCG	960.0	£ 615.54	-	4-Mar-22	5.8	
<b>Total Top 4</b>		£ 1,431.87				
Equities		GeoStEx				
Issuer	Size of Issue (GEL)	volume (GEL)				
BGEO	43,308,125	27,993,660				
Liberty Bank	29,000,000,000.00	5,502,254,354.00				
Green Insurance Georgia	9,000,000	4,000,944.00				
Metro Euphoria Hotel Batumi	54,476,929	54,476,929.00				
Admitted to Trading						
Issuer	volume (mn GEL)	MarkCap (mn GEL)				
Telasi	112.429	224.858				
Sarajishvili	1.8	11.661				
Isani-Kartu	2.38	0.358				
Khasuri Glass Tare	2.74	0.137				
Tramssheni	0.9	1.450				
VTB Bank Georgia	209.008	209.000				
<b>Total Stock Market Cap.</b>		447.46 €				

**The Georgian Stock Exchange is growing - \$ 821,000 worth of transactions took place in February**

Activity on the Georgian Stock Exchange is growing. The volume of transactions in January amounted to \$ 1.62 million, while in February, transactions on the stock exchange were worth \$ 821,071, which is even higher than last year's total data.

At the same time last year, the number of exchange trades was 0. The first major transaction on the stock exchange took place on February 10, the issuer of which is "Georgian Leasing Company Ltd.", the transaction cost is \$ 206,125. The second deal belongs to "Kakhetian Traditional Winery Ltd" and its value is 614 945 dollars.

It is noteworthy that in 2021, a total of 104,077 GEL transactions were made on the Georgian Stock Exchange. No trades were made in March, April, May, June and July of last year, so the average monthly turnover of the stock exchange was zero GEL. The Georgian Stock Exchange is the only organized securities market in Georgia with 23 companies with a total market capitalization of \$ 751 million.

**Global Equity Indexes**

Prev. Close	Div. Yield	Performance	Date
<b>DJIA</b>			
36,398.08	--	1.29%	31-Dec-21
36,113.62	--	-0.79%	15-Jan-22
34,168.09	--	-5.69%	28-Jan-22
35,462.78	--	3.65%	9-Feb-22
33,794.66	--	-4.94%	5-Mar-22
<b>DAX</b>			
15,852.25	--	2.37%	31-Dec-21
16,031.59	--	1.12%	15-Jan-22
15,459.39	--	-3.70%	28-Jan-22
15,482.01	--	0.15%	9-Feb-22
13,698.40	--	-13.02%	5-Mar-22
<b>MSCI EAFE</b>			
	Div. Yield		
	from 05/29/2020		
2,338.07	2.85%	3.23%	31-Dec-21
2,352.69	2.85%	0.62%	15-Jan-22
2,234.47	2.85%	-5.29%	28-Jan-22
2,258.79	2.85%	1.08%	9-Feb-22
2,107.87	2.85%	-7.16%	5-Mar-22

**Article of the Week**

**Galt & Taggart: Georgia's exports to Russia and Ukraine will be reduced by 12-13% in total**

Georgia is almost entirely dependent on Russia for certain categories of products. The head of Galt & taggart's research department, told Business Morning, if we do not count oil products, the list of wheat, oil and products on which Georgia is almost 100% dependent on Russia is quite large. Whether there will be delays and trade links in this situation, it is difficult to say, in general, there is uncertainty in the world market, prices for goods are expected to increase," - said Eva Bochorishvili. As for exports, he said, the first export goods in Ukraine are cars that are re-exported. Ukraine has become the second largest exporter country since Armenia left the market. Revenue from car exports in 2021 was \$ 88 million. According to Galt & taggart, exports to Russia and Ukraine will fall by a total of 12-13% amid this conflict. Russia's share in Georgia's foreign trade is 14%, and Ukraine's - 7%. Source: bm.ge

**Equities**

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 14.50/share (- 0.55% w/w and -11.91% m/m). More than 220k shares traded in the range of GBP 14.18 - 15.08/share. Average daily traded volume was 56k in the last 4 weeks. The volume of BGEO shares traded was at 0.45% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 14.46/share (+2.55% w/w and -12.68% m/m). More than 193k shares changed hands in the range of GBP 14.04 - 15.12/share. Average daily traded volume was 32k in the last 4 weeks. The volume of TBCG shares traded was at 0.35% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 6.85/share (+4.74% w/w and -5.52% m/m). More than 484k shares traded in the range of GBP 6.40 - 6.91/share. Average daily traded volume was 135k in the last 4 weeks. The volume of CGEO shares traded was at 1.02% of its capitalization.

Selected International Equities					
Russia			Europe		
	Div. Yield	P/E		Div. Yield	P/E
Gazprom	30.79%	0.64	Medtronic *	29.84%	29.84
Novatek	20.36%	2.62	Loreal	1.47%	44.69
Sberbank	195.50%	0.18	BioNtech	0.00%	3.82
Lukoil	105.58%	4.56	SAP SE	2.10%	22.02
VTB	6.49%	0.94	Novartis	3.78%	7.89

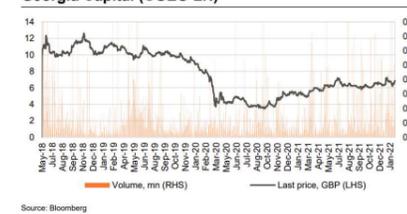
Bank of Georgia Group (BGEO LN)



TBC Bank Group (TBCG LN)



Georgia Capital (CGEO LN)





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