

# GEORGIA BIWEEKLY MARKET REPORT

## Weekly Highlights

**Real GDP growth was 7.2% in Jun-22.** The economic growth in Georgia remains strong, while it softened to 7.2% y/y in Jun-22, after growing by 11.6% y/y in previous month, based on Geostat's rapid estimates. Cumulatively, in 1H22, the real growth came in at 10.5% y/y. Considering strong 1H growth and ongoing data, we revise the 2022 baseline growth forecast up to 9.2% from 7.6%. In this forecast, we assume growth to moderate in 4Q22 reflecting global slowdown. However, if external inflows remain strong despite global slowdown in 2H, in optimistic scenario, we expect 2022 growth at 10.6%. Growth in June was recorded in hospitality, mining, transport and communication, while it reduced in manufacturing, construction and real estate sectors.

**Loan portfolio growth accelerated to 18.7% y/y in Jun-22.** In Jun-22, the banking sector loan portfolio accelerated to 18.7% y/y (+2.1% m/m), excluding FX effect, after a 18.1% y/y growth in previous month. In unadjusted terms, loan portfolio growth was 11.3% y/y (+1.2% m/m) to GEL 43.7bn (US\$ 14.9bn), after growing by 9.1% in May. By sector, corporate loan growth (exc. FX effect) accelerated to 16.9% y/y (+15.7% y/y in previous month) and retail loans growth was unchanged at 20.4% y/y in June. The mortgages increased by 14.2% y/y in June after growing by 13.9% y/y in previous month. In Jun-22, loan dollarization reduced further to 48.3% (-4.06ppts y/y and -0.39ppts m/m) and NPLs stood at 1.9% (-0.36ppts y/y and -0.08ppts m/m). Bank deposits growth accelerated to 17.4% y/y (+3.8% m/m, exc. FX effect) to GEL 38.3bn (US\$ 13.1 bn) in Jun-22, after a 13.1% y/y growth in previous month. By currency, in June, both GEL and FX (exc. FX effect) deposits growth accelerated to 16.6% y/y (from 11.8% y/y growth in previous month), and 17.9% y/y (from 13.9% y/y growth in previous month), respectively. The deposit dollarization reduced to 57.9% (-2.08ppts y/y and -0.21ppts m/m).

## IFI GEL Bonds

Issuer	Currency	Size of issue(mn)	Maturity	coupon rate	Rating (Fitch)	Coupon rate terms
ADB	GEL	30	15-Jul-22	10.97%	AAA	3m GEL CD NBG Rate + 20 bps => next fixing date 15/10/22
ADB	GEL	30	15-Jul-24	10.97%	AAA	3m GEL CD NBG Rate + 20 bps => next fixing date 15/10/22
EBRD	GEL	92	20-Oct-26	10.77%	AAA	3m TIBR
EBRD	GEL	93	20-Jul-24	10.77%	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-	11.71%	958
BGEO AT1	USD	100	28-Jun-24	11.125%	B-	11.30%	861

## 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
EVEX	GEL	50	1-Nov-24	n/a	--	12.10%	n/a
Nikora trade	GEL	35	2-Nov-24	n/a	--	13.96%	n/a
Nikora	GEL	28	3-Oct-24	n/a	--	14.32%	n/a

## Domestic FX Bonds

Issuer	Currency	Amount (mn)	Maturity	Yield	Rating (Fitch)	Coup. rate	Z-spread (bps)
Georgia Real Estate	USD	35	21-Oct-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-23	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	7.98%	BB	2.75%	465
GEORAIL	USD	500	11-Jul-28	7.28%	BB-	4.00%	486
Georgia Capital	USD	300	9-Mar-25	9.13%	-	6.13%	759
BGEO	USD	350	26-Jul-23	6.09%	BB-	6%	246
GGU	USD	250	30-Jul-25	7.51%	B+	7.75%	475
TBC	USD	300	19-Jun-24	6.46%	BB-	5.70%	366
Silknet	USD	300	20-Jan-27	9.16%	B	8.37%	590

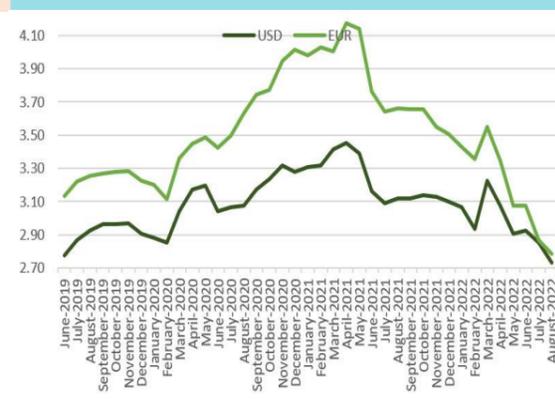
## Short Term Central Bank Facilities

	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	120	10.5	100
1-year	GEL	250	10.2	150
2-year	GEL	1060	9.9	400
5-year	GEL	3114	9.8	450
10-year	GEL	1371	10.1	25
<b>Total</b>		<b>5915</b>		<b>1125</b>

## Georgian Lari (GEL) spot FX rates



## GEL Interbank Deposit Rates (TIBR)



## Customer deposit rates

% p.a.	BGEO	TBC
<b>GEL</b>		
3 months	10.70	10.70
1 year	11.60	10.95
2 years	12.35	10.75
<b>USD</b>		
3 months	0.25	0.25
1 year	0.60	0.60
2 years	0.85	1.95
<b>EUR</b>		
3 months	0.00	0.00
1 year	0.45	0.00
2 years	0.00	0.00

## Georgia Macro-Economic Data

		Nov-21
<b>Inflation Rate</b>		12.50%
		13.90%
		13.70%
		11.80%
		12.80%
<b>GDP Growth</b>		13.30%
		-4.50%
		29.90%
		9.10%
		8.80%
<b>Unemployment</b>		21.90%
		22.10%
		19.50%
		19.00%
		20.90%
<b>Foreign Trade Balance</b>		Nov-21
	USD bn +/-	0.58
		0.61
		0.44
		0.57
<b>FX Reserves</b>		Nov-21
	USD bn +/-	3.44
		3.78
		3.59
		3.51

## Bond market news

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.51% yield, trading at 100.50 (+1.08% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 93.64 (-0.07% w/w), yielding 10.53%. Georgian Railway Eurobonds (GRAIL) traded at 84.53 (+1.07% w/w), yielding 7.28%. Georgian Sovereign Eurobonds (GEORG) closed at 85.73 (+2.48% w/w) at 7.19% yield to maturity.

**Ministry of Finance T-Bills:** 5-year GEL 90.0mn (US\$ 32.2mn) Benchmark bonds were sold at the auction held at NBG on July 26, 2022. Total demand was c.2.8x higher and the weighted average yield was fixed at 9.832%, down by 0.245ppts from previous auction held in June 2022. The nearest treasury security auction is scheduled for August 2, 2022, where GEL 20.0mn nominal value 6-month T-bills and GEL 80.0mn nominal value 2-year Benchmark bonds will be sold.

## How many millions of income does the "Sarajishvili" group have?

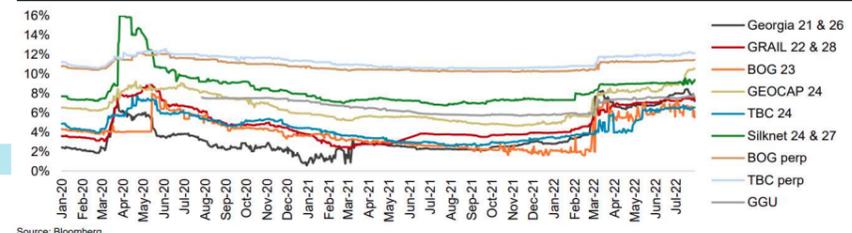
"Sarajishvili" company, which is one of the largest manufacturers of Georgian brands, is facing new challenges due to the war between Russia and Ukraine. It is clear from the financial report submitted to the stock exchange that in 2021, the value of the products sold by the brand manufacturer "Sarajishvili" and its subsidiaries amounted to 47.7 million GEL. This figure is 17% higher than last year's sales.

In 2021, the total profit is 25.2 mln. GEL, and the net profit - 11.5 million GEL. Accordingly, in the reporting period, the total profit margin was 53%, and the net profit margin was 24%. Over the last four years, net profit has increased 1.4 times, and total profit has increased 1.6 times.

It is noted that 20% of sales in 2021 was local, and 80% exported. During the reporting period, the company's products were presented in 24 export countries, but the list of the largest export market has been changed. Scotland appeared on the list.

The other largest markets were: Belarus, Russia, Ukraine and Kazakhstan. The total share of these countries was 88% of exports. Russia's share was 32%, Belarus and Ukraine - 22-22% each, Kazakhstan -9%, and Scotland had a 3% share in the export basket. Source:bm.ge

## Georgian Eurobonds, YTM



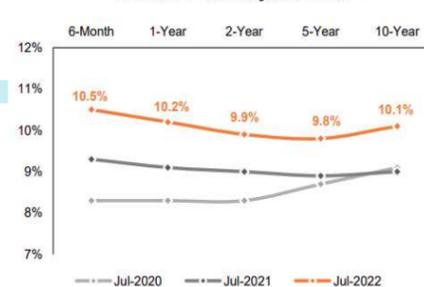
## Weekly Highlights

**Inflation:** Headline CPI increased 12.8% y/y in June, moderating from May's reading of 13.3%, mostly reflecting last year's high base. Energy and food prices continued to be primary drivers, and the increased house rents limited deceleration, contributing 0.8ppts to the headline inflation. Going forward, we think inflation will moderate considering last year's high base and seasonal easing in food prices locally as well as on global markets, however expect inflationary pressures to last longer (end-22 inflation expected at 9.2%).

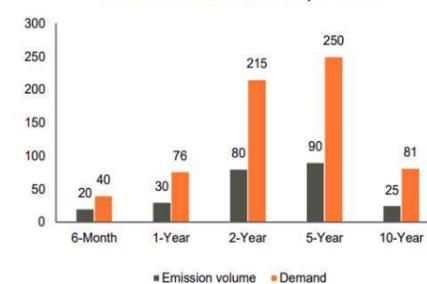
**Tourism:** Tourism recovery strengthened further in June, with international visitors standing at 387,781 persons and tourism revenues at US\$ 301.7mn (recovering at 88.7% of Jun-19 level). Considering strong ongoing figures and migrants' impact, full recovery of tourism in 2022 is likely.

**Trade:** In June, both exports and imports growth softened compared to May, but still grew strongly up 27.9% y/y and 21.2% y/y, respectively. Car re-exports and electricity exports contributed most to export growth in June, while higher oil prices continue to driver imports. The trade deficit growth also softened as exports growth outpaced imports. Meanwhile, robust remittances and tourism inflows continue to offset trade deficit, and external balance (goods trade, remittances and tourism) remained positive for the 2nd consecutive month.

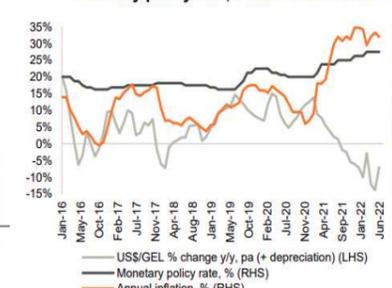
## T-bills / T-notes, yield curve



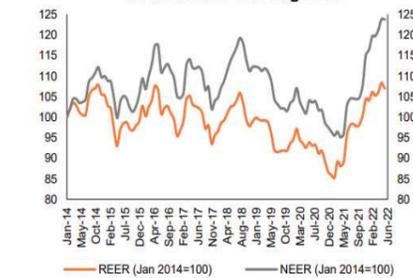
## Emission volume vs. demand on latest T-bills / T-notes auctions, GEL mn



## Monetary policy rate, inflation and FX rate



## Nominal effective exchange rate and Real effective exchange rate



Sources: TBC Capital, Galt & Taggart, Bank of Georgia, NBG, GEOSTAT, MarketWatch, Trading Economics...

\*n/a – currently not available, subject of further research



## After Germany and Latvia, Logistics Solutions plans to enter Kazakhstan and Uzbekistan

Forwarding and logistics company Logistics Solutions is establishing subsidiaries in 4 new countries this year. As the founder and general director of the shipping company Irakli Tsankashvili explains to BM.GE, the company has been operating in these markets for years, however, it was decided due to the need for its own branches in the mentioned countries in order to provide a high level of service to local clients.

"For today, Logistics Solutions is represented by its subsidiaries in 7 countries of the world, namely Georgia (headquarters), Azerbaijan, Ukraine, Italy, Germany, Latvia and China. From here, we entered Germany and Latvia as a local company only recently, although we had partners before that. From Latvia we cover Lithuania and Estonia.

This year, we plan to open companies in 2 more countries - Kazakhstan and Uzbekistan. A lot of infrastructure projects are currently being implemented in these markets, especially in Uzbekistan. In this direction, we have been carrying out regular or one-time shipments, as well as project logistics, but with the increase in volumes, it was time to continue working with our internal resources and we decided to open our own companies", says Irakli Tsankashvili.

Consolidation of positions outside the borders of the country will increase the turnover of the company by at least 30%. The general director of the company says that with this step, the turnover of Logistics Solutions will exceed 15-20 million dollars. To the question - what amount of investment is being made for the development of the company, Irakli Tsankashvili says that the main thing is the reputation that the company has gained over the years as an authorized vendor of international companies.

It should be noted that Logistics Solutions started operating in Georgia in 2011, and established subsidiaries in Azerbaijan and Ukraine in 2019. The company is a vendor of such authorized companies as Siemens, General Electric, Vestas and others. In addition to standard road, sea, container, rail or air transportation, the company performs project logistics, which includes the transportation of oversized and heavy cargo and the management of the logistics chain of large projects. For the transportation of oversized and heavy cargo, Logistics Solutions is managed by the subsidiary company LS Heavylift, which has one of the largest, modern and technologically advanced technical bases in the region. With his involvement, the largest infrastructure projects in Georgia - including the Gori wind power plant project and the transportation of the world's largest tunnel boring machine (TBM) for the 9 km Kobi-Kvesheti tunnel were carried out. Logistics Solutions creates about 100 jobs in total. It employs 50 people in Georgia.

Source: <https://bm.ge/ka/article/germaniisa-da-latviis-shemdeg-logistics-solutions-i-yazaxetsa-da-uzbeketshi-shesvlas-gegmavs/114070/>

## Global Equity Indexes

Prev. Close	Div. Yield	Performance	Date
<b>DJIA</b>			
32,899.70	--	5.01%	6-Jun-22
29,927.07	--	-9.93%	19-Jun-22
30,775.43	--	2.76%	4-Jun-22
30,630.17	--	-0.47%	16-Jun-22
32,396.17	--	5.45%	4-Aug-22
<b>DAX</b>			
14,460.09	--	4.00%	6-Jun-22
13,038.49	--	-10.90%	19-Jun-22
12,813.03	--	-1.76%	4-Jun-22
12,519.66	--	-2.34%	16-Jun-22
13,449.20	--	6.91%	4-Aug-22
<b>MSCI EAFE</b>			
Div. Yield		from 05/29/2020	
2,029.06	2.85%	4.09%	6-Jun-22
1,823.08	2.85%	-11.30%	19-Jun-22
1,832.34	2.85%	0.51%	4-Jun-22
1,784.89	2.85%	-2.66%	16-Jun-22
1,934.68	2.85%	7.74%	4-Aug-22

Even at the beginning of last month, investors thought that the second quarter of this year would be extremely unfavorable for American companies, however, the record results of Apple and Amazon dispelled negative expectations and allowed investors to make positive forecasts.

In addition, the factor of the US Federal Reserve should be taken into account, which chooses a moderate strategy regarding monetary policy tightening, which, in turn, is more favorable for companies than a relatively aggressive one.

## Shares of the largest companies on the stock exchange increased sharply July summary

The month of July turned out to be extremely successful for the American stock markets - a growth trend of a similar scale has not been observed on the exchange since 2020. The index of the 500 largest US companies (S&P 500) increased by almost 8% in one month; The Dow Jones index rose 5.6%, while the Nasdaq technology index rose 11.4%.

The results of the largest companies in one month:

- Apple +16.9%
- Microsoft +8.2%
- Alphabet (Google) +6.9%
- Amazon +23.2%
- Tesla +30.7%
- Berkshire Hathaway +8.6%
- UnitedHealth +4.8%
- Johnson & Johnson -2.8%
- Nvidia +25.1%
- Visa +6.5%
- Meta (Facebook) -0.6%
- Exxon Mobil +10.7%
- Walmart +7.7%
- MasterCard +11.2%
- JPMorgan Chase +1.2%

The sharp upward trend observed in the stock markets is, for the most part, connected with the stabilization of the global macroeconomic situation, the reduction of recessionary risks and the publication of satisfactory quarterly results by large companies.

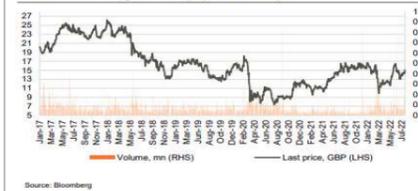
## Georgian Equities

Equities					
London StEx					
Issuer	Price (GBX)	MarkCap (£ mn)	Div. Yield	Rec.Date	Earnings per share
BGEO	1624.0	£ 779.21	-	4-Aug-22	6.2
CGEO	648.0	£ 289.36	-	4-Aug-22	8.2
TBCG	1464.0	£ 790.03	-	4-Aug-22	5.8
<b>Total Top 4</b>					
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			

## Total Stock Market Cap.

447.46 €

### Bank of Georgia Group (BGEO LN)



### TBC Bank Group (TBCG LN)



### Georgia Capital (CGEO LN)



## Equities

### Bank of Georgia Group (BGEO LN)

shares closed at GBP 15.06/share (+4.73% w/w and +7.26% m/m). More than 440k shares traded in the range of GBP 14.08 - 15.14/share. Average daily traded volume was 68k in the last 4 weeks. The volume of BGEO shares traded was at 0.90% of its capitalization.

### TBC Bank Group (TBCG LN)

lost the week at GBP 13.80/share (+10.58% w/w and +6.32% m/m). More than 115k shares changed hands in the range of GBP 12.40 - 13.84/share. Average daily traded volume was 30k in the last 4 weeks. The volume of TBCG shares traded was at 0.21% of its capitalization.

### Georgia Capital (CGEO LN)

shares closed at GBP 6.32/share (+0.32% w/w and +7.67% m/m). More than 92k shares traded in the range of GBP 6.07 - 6.35/share. Average daily traded volume was 26k in the last 4 weeks. The volume of CGEO shares traded was at 0.20% of its capitalization.

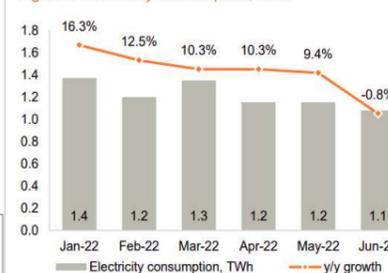
## Electricity Market Watch

**Electricity consumption increased by 9.8% y/y and reached 7.3TWh in 1H22.** The growth was mainly satisfied by growth in hydro generation (+21.1% y/y), attributable to good hydrology of this year. Additionally, import of electricity (-31.1% y/y) was substituted by thermal generation (+62.4% y/y) when possible, due to price differences.

**Georgia had a positive trade balance in electricity trade in 1H22, first time in a decade.** In 1H22, export of electricity stood at US\$ 55.8mn, import at US\$ 34.7mn, resulting in positive trade balance of US\$ 21.1mn. On the one hand, energy crisis and global price growth of energy products impacted our key export destination Turkey - where prices tripled. On the other hand, the energy crisis did not affect our import providers - Russia and Azerbaijan - as they are price setters on the global energy market. Price of electricity import from Russia and Azerbaijan to Georgia increased, but not so significantly to cause any dramatic changes on local market prices. Therefore, Georgian companies benefited from current energy crisis with increased revenue from electricity exports to Turkey, while prices on local markets increased far below global trend.

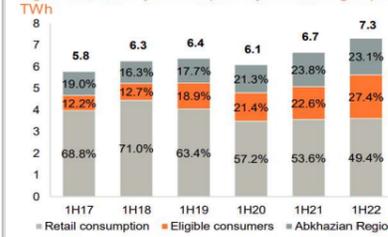
For more information: <https://galtandtaggart.com/en/reports>

Figure 1: Electricity consumption, TWh



Source: ESCO

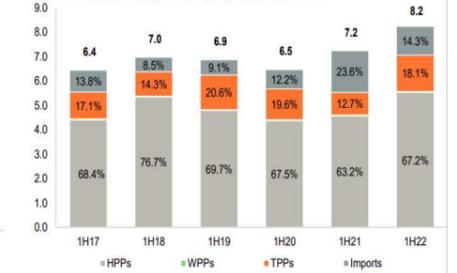
Figure 2: Electricity consumption by consumer groups, TWh



Source: ESCO

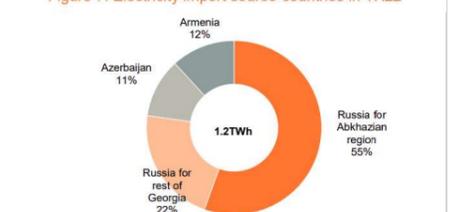
Note: Retail consumption includes consumption of subscribers of Energo-pro Georgia and Telasi prior 2022 and subscribers of Telimco and EP Georgia Supply in 2022

Figure 3: Electricity generation and imports, TWh



Source: ESCO

Figure 7: Electricity import source-countries in 1H22



Source: ESCO, Geostat, Galt & Taggart



Website: <https://www.llcgeoholding.org/>  
 LinkedIn: <https://www.linkedin.com/company/llc-geoholding/>  
 Facebook: <https://www.facebook.com/llcgeoholding/>

## LLC GeoHolding (c)

31a Razmadze Str, 0179 Tbilisi, Georgia  
 Email: [Mariam.burdiladze@llcgeoholding.org](mailto:Mariam.burdiladze@llcgeoholding.org)  
[michael.north@llcgeoholding.org](mailto:michael.north@llcgeoholding.org)

This presentation is for information purposes only and does not constitute or form part of any offer to acquire, sell or otherwise dispose of, or issue, or any solicitation of any offer to sell or otherwise dispose of, purchase or subscribe for, any securities, nor does it constitute investment advice, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision. Certain statements in this presentation are forward looking statements. These forward looking statements are based on expectations and beliefs current as of the date of this presentation, and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performance and achievement to differ materially from any expected future results, performance or achievement expressed or implied by such forward looking statements. No representation, warranty or assurance (expressed or implied) is given or made by the forward looking statements contained in this presentation are accurate, complete, reliable or adequate or that they will be achieved or prove to be correct. The presentation disclaims any obligation or undertaking to disseminate any updates or revisions to any information contained in this presentation reflect any change in expectations, events, conditions or circumstances on which that information is based.

Disclaimer LLC GeoHolding (c)