



TBC CAPITAL

WEEKLY UPDATE FROM
THE CHIEF ECONOMIST

Weekly Update from the Chief Economist

11.10.2021

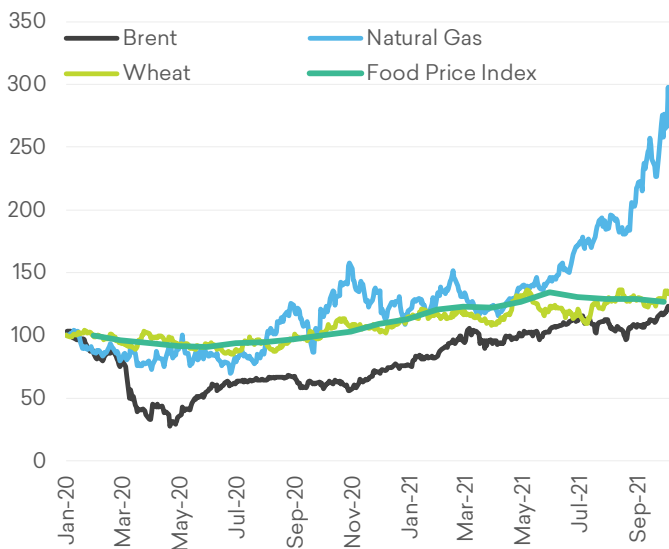
Month	Sales 1	Sales 2	Sales 3	Total
jan	3 424,0	4 324,0	6 456,0	14 204,0
feb	4 532,0	4 232,0	4 534,0	13 298,0
mar	5 574,0	3 456,0	5 454,0	14 484,0
apr	6 863,0	3 675,0	5 875,0	16 413,0
may	5 786,0	6 543,0	6 767,0	19 096,0
jun	5 242,0	3 546,0	7 245,0	16 033,0
jul	6 843,0	5 345,0	7 845,0	19 923,0
aug	7 453,0	4 234,0	8 235,0	20 033,0
sep	8 535,0	6 454,0	8 546,0	23 531,0
oct	8 959,0	6 845,0	9 456,0	25 260,0
nov	9 534,0	7 345,0	9 634,0	26 513,0
dec	10 453,0	7 845,0	9 967,0	28 265,0

	Sales 1	Sales 2	Sales 3
Total	83 198,0	63 844,0	90 014,0
Share	35,1%	26,9%	38,0%



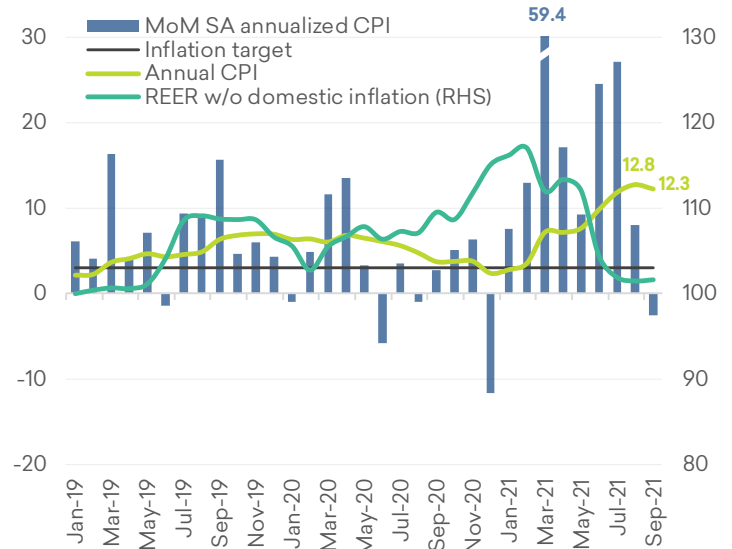
In September, for the first time this year inflation print came in at a low level though yet on a monthly basis only. While annual consumer price increase was 12.3%, seasonally adjusted monthly annualized inflation stood at -2.5%. [As expected](#), despite higher commodity prices and rebound of the economy, the GEL has curbed the price increase with some time lag.

SELECTED COMMODITY PRICE INDEXES (Jan-20=100)



Sources: CME, ICE, FAO

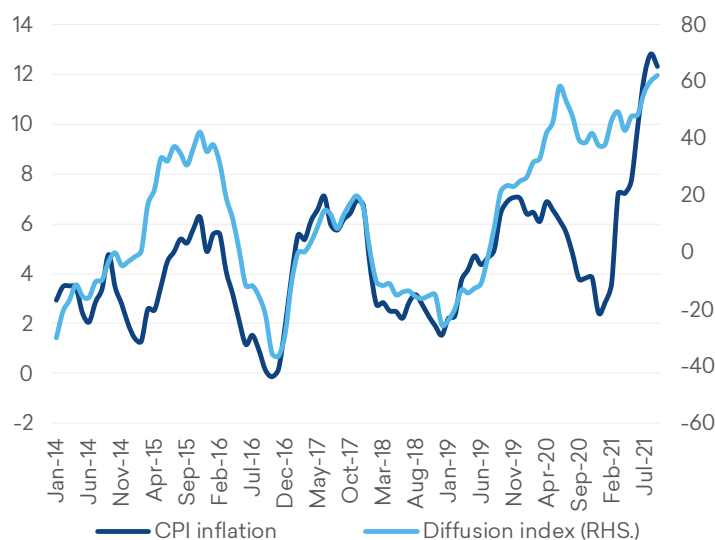
ANNUAL AND SEASONALLY ADJUSTED MONTHLY ANNUALIZED INFLATION (%); GEL REER (Jan-19=100)



Note: REER increase means depreciation
Sources: GeoStat, NBG

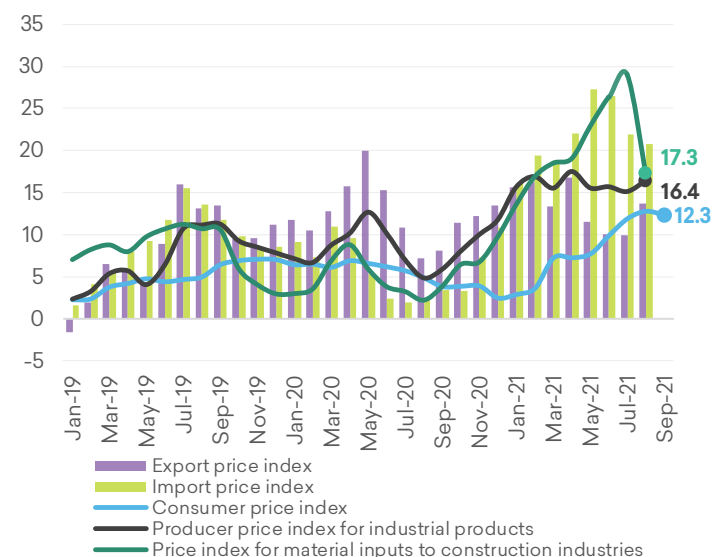
Going forward, soaring natural gas tariff internationally, along with an increased bread price in Georgia due more expensive wheat on a global market and the expected price increase on egg, are arguments for further inflationary pressures. In addition, diffusion index, which indicates the share of particular products and services contributing to a higher price level, has increased substantially – which, together with the frequent above-target inflation in the past, strongly impacts inflation perception and expectations.

DIFFUSION INDEX AND CPI INFLATION (YoY, %)



Source: NBG, Geostat, TBC Capital

PRICE INDICES (YoY, %)



Source: Geostat

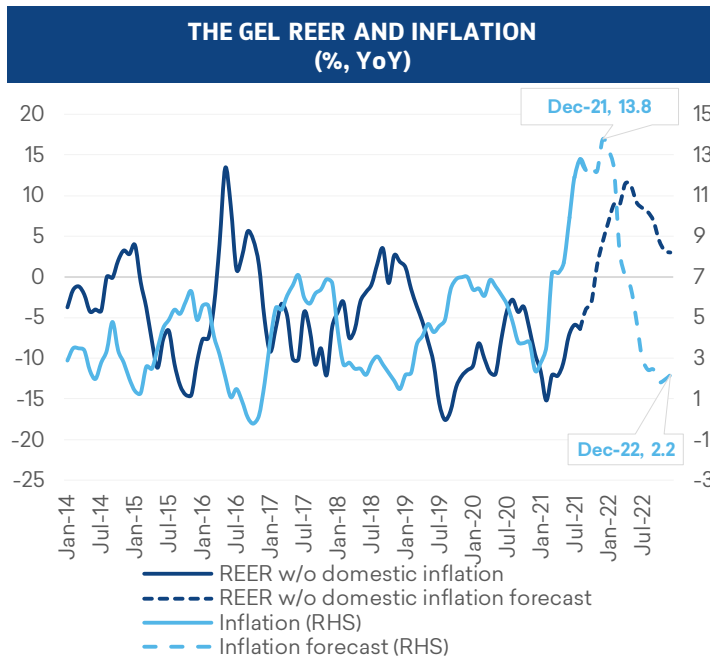
At the same time, gas tariffs in Georgia historically are more linked to oil price dynamics rather than spot prices of natural gas in international markets. Therefore, if any, much less increase is expected. Also, in August, producer price index was up only slightly compared with the previous months, supporting our view of expecting CPI inflation moderation as the dynamics in the producer prices often is a leading indicator for the former one. Furthermore, we do not see inflation pressures arising from [unit labor costs](#) and the most important, [we are still betting on the broadly unchanged GEL](#).

CPI inflation, August 2021	Annual growth (%)	Contributions (PP)
Food and non-alcoholic beverages	15.9	4.99
Transport	20.3	2.47
Housing, water, electricity, gas	11.8	1.74
Health	9.2	0.72
Furnishings, household equipment	12.5	0.66
Restaurants and hotels	10.7	0.61
Alcoholic beverages and tobacco	6.3	0.40
Miscellaneous goods and services	6.0	0.32
Education	7.2	0.31
Recreation and culture	2.7	0.10
Communication	-0.6	-0.02
Clothing and footwear	-1.1	-0.04
Total	12.3	12.3

Source: Geostat

CPI inflation, August 2021	Monthly growth (%)	Contributions (PP)
Education	4.3	0.18
Food and non-alcoholic beverages	0.2	0.07
Alcoholic beverages and tobacco	0.3	0.02
Furnishings, household equipment	0.4	0.02
Health	0.3	0.02
Clothing and footwear	0.2	0.01
Transport	0.0	0.01
Housing, water, electricity, gas	0.1	0.00
Miscellaneous goods and services	0.0	0.00
Communication	-0.2	-0.01
Recreation and culture	-0.1	-0.03
Restaurants and hotels	-0.3	-0.03
Total	0.2	0.2

Source: Geostat



Source: NBG, Geostat, TBC Capital

Overall, taking into account that the increase in wheat price was already incorporated in our projection, we keep our earlier outlook broadly unchanged. Assuming only slight appreciation of the GEL against major trading partners' currencies next year, the Brent to stay around 80\$ per barrel, broadly unchanged prices for other relevant commodities, real GDP growth to be 10.5% in 2021, and 6.0% in 2022, we expect 2021 year end CPI inflation at 13.8% with close or below 3% target outlook for 2022.

On the GEL rates side, although the annual inflation is still high and is expected to increase further in December due to low

base effect, we believe September inflation dynamics together with the recovery in inflows make our arguments for no further rate hikes this year and rate cuts in 2022 scenario even stronger.

Data releases to watch this week:

- Oct 11 – Central Bank Survey, September 2021;
- Oct 13 – External Trade Express Data, September 2021;
- Oct 15 – Money Transfers, September 2021.

Capital Markets

On Friday's trading session, **TBC Bank Group PLC (TBCG LN)** shares closed at GBP 14.70, -1.8% WoW. 107.5 thousand shares traded on the London Stock Exchange during the week.

During the week, 81.5 thousands of **Bank of Georgia Group PLC (BGE0 LN)** shares traded, closing at GBP 16.06 (+4.9% WoW) on the Friday's trading session.

On the London Stock Exchange 310.9 thousand **Georgia Capital PLC (CGEO LN)** shares traded at GBP 6.11 per share (+3.0% WoW).

Performance of London listed Georgian companies

Name	Ccy	Volume ('000)	Mcap (mln)	Price	Change			Multiples		
					1W	YTD	52W	12T P/E	12F P/E	P/B
TBC Bank Group PLC	GBP	107.5	811	14.70	-1.8%	17.6%	48.8%	5.27x	4.84x	1.04x
Bank of Georgia Group PLC	GBP	81.5	790	16.06	4.9%	31.6%	74.9%	5.28x	5.04x	1.16x
Georgia Capital PLC	GBP	310.9	290	6.11	3.0%	13.1%	49.0%	3.16x	n/a	0.47x
FTSE100	-	-	-	-	1.0%	9.8%	17.9%	-	-	-
FTSE250	-	-	-	-	-1.9%	10.0%	24.7%	-	-	-

Source: Bloomberg

Georgian Eurobond performance

Name	Ccy	Coupon	Size (mln)	%	Yield change		Key parameters		
					1W	YTD	S&P/Moody's/Fitch	Maturity	Z-spread
Georgia Sovereign	USD	2.75	500	2.5%	0.4%	n/a	BB/Ba2/BB	22-Apr-26	143
Georgian Railway	USD	4	500	3.8%	-0.8%	n/a	B+/-/BB-	17-Jun-28	250
Bank of Georgia	USD	6	350	2.2%	0.0%	0.9%	-/Ba2/BB-	26-Jul-23	179
Georgia Capital	USD	6.125	300	4.9%	0.1%	2.1%	B/B2/-	9-Mar-24	435
GGU	USD	7.75	250	5.8%	-0.1%	4.3%	B/-/B+	30-Jul-25	395
Silknet	USD	11	200	7.3%	-0.1%	0.6%	-/B1/B+	2-Apr-24	443
TBC Bank	USD	5.75	300	3.0%	-0.1%	2.7%	-/Ba2/BB-	19-Jun-24	236
TBC Bank PERP	USD	10.775	125	9.3%	0.1%	8.2%	-/-/B-	-	606
Bank of Georgia PERP	USD	11.125	100	9.2%	0.0%	5.1%	-/-/B-	-	615

Source: Bloomberg

Local corporate bond performance

Name	Ccy	Coupon	Size (mln)	Yield	Yield change (BPs)			Key parameters		
					1W	YTD	52W	S&P/Fitch/Moody's/Scope	Maturity	Z-Spread bps
GeoBeer NBG+400 12/2023	GEL	13	25	na	-	-	-	--/--/--/BB	21-Dec-23	na
Sillnet NBG+350 08/2022	GEL	12	34	na	-	-	-	--/B+/B1/--	18-Aug-22	na
Tegeta NBG+425 04/2022	GEL	13.25	30	na	-	-	-	--/B-/--/BB-	30-Apr-22	na
Crystal NBG+400 02/2021	GEL	13	15	na	-	-	-	--/B-/--/--	1-Feb-21	na
Nikora Trade NBG+400 08/2021	GEL	12.5	25	na	-	-	-	--/--/--/B+	6-Aug-21	na
Nikora TIBR3M+400 10/2022	GEL	12.74	28	na	-	-	-	--/--/--/--	18-Oct-22	na
GLC 7% 08/2020	USD	7	10	na	-	-	-	--/B+/--/--	29-Aug-20	na
GLC 6.5% 06/2021	USD	6.5	5	na	-	-	-	--/B+/--/--	22-Jun-21	na
GLC 7.5% 08/2021	USD	7.5	10	na	-	-	-	--/B+/--/--	9-Aug-21	na
Lisi 8% 12/2021	USD	8	12	na	-	-	-	--/--/--/B+	17-Dec-21	na
M2R 7.5% 10/2022	USD	7.5	35	na	-	-	-	--/--/--/--	7-Oct-22	na
M2C 7.5% 12/2021	USD	7.5	30	na	-	-	-	--/--/--/--	31-Dec-21	na
GWP NBG+350 12/2021	GEL	12.5	30	na	-	-	-	--/--/--/--	6-Dec-21	na
Evex NBG+310 11/2024	GEL	11.6	50	na	-	-	-	--/--/--/--	6-Nov-24	na
SwissCap NBG+625 09/2021	GEL	15	10	na	-	-	-	--/B-/--/--	13-Sep-21	na

Source: Bloomberg

TBC GROUP CHIEF ECONOMIST'S OFFICE

Otar Nadaraia | Chief Economist |
onadaraia@tbcbank.com.ge

Ana Mjavanadze | Acting Head |
Macro-financial Analysis Division |
anmzhavanadze@tbcbank.com.ge

Juli Avlokhashvili | Analyst |
Macro-financial Analysis Division |
javlokhashvili@tbcbank.com.ge

Levan Mikeladze | Analyst |
Macro-financial Analysis Division |
lemikeladze@tbcbank.com.ge

7 Marjanishvili Str., Tbilisi 0102, Georgia
Tel: +995 32 2 272727 | +995 32 2 272733
Email: research@tbccapital.ge
Email: macro@tbcbank.com.ge
Web-page: www.tbccapital.ge

TBC CAPITAL RESEARCH

Mary Chachanidze, CFA | Managing Director |
mchachanidze@tbccapital.ge

Irine Kvakhadze | Head of Research |
ikvakhadze@tbccapital.ge

Andro Tvaliashvili | Senior Research Associate |
atvaliashvili@tbccapital.ge

Giorgi Mzhavanadze | Senior Researcher |
giomzhavanadze@tbccapital.ge

Revaz Maisuradze | Research Analyst |
remaisuradze@tbccapital.ge

Mariam Surmava | Research Analyst |
masurmava@tbccapital.ge

Maka Koridze | Junior Research Analyst |
mkoridze@tbccapital.ge

Legal Notice

This publication (the "Publication") has been prepared and distributed by TBC Capital LLC ("TBC Capital") member of TBC Bank Group PLC ("Group") for informational purposes only and independently of the respective companies mentioned herein. TBC Capital is operating and performing its professional services on the territory of Georgia and is duly authorized to prepare and distribute this Publication on the territory of Georgia. Nothing in this Publication constitutes or forms part of an offer or solicitation or invitation to an offer to buy, sell or subscribe for any assets or securities and nothing herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions. Since distribution of this Publication may be restricted by law in certain jurisdictions, persons into whose possession this Publication comes are required by TBC Capital to inform themselves about and to observe any and all restrictions applicable to them. As this Publication is not directed to or intended for distribution, directly or indirectly, to or use by any person or entity in any jurisdiction where such distribution, publication, availability or use would be contrary to the applicable law or which would require any registration or licensing within such jurisdiction, neither TBC Capital nor any member of the Group nor any of their respective director(s), partner(s), employee(s), affiliates, adviser(s) or agent(s) ("Representatives") accept any direct or indirect liability to any person in relation to the publication, distribution or possession of this Publication in or from any jurisdiction. This Publication is not intended to provide any investment, business, tax and/or legal advice, and credit or any other evaluation. Recipients of this Publication are strongly required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. Any and all information contained in this Publication is subject to change without notice, and neither TBC Capital nor any member of the Group nor any of their Representatives are under any obligation to update or keep information contained in this Publication. Distribution of this Publication, at any time, does not imply that information herein is correct, accurate and/or complete as of any time after its preparation date or that there has been no change in business, financial condition, prospects, credit worthiness, status or affairs of the respective companies or anyone else since that date. Accordingly, this Publication should not be considered as a complete description of the markets, industries and/or companies referred to herein and no reliance should be placed on it. TBC Capital does not undertake to update this Publication or to correct any inaccuracies therein which may become apparent. The Publication may include forward-looking statements, but not limited to, statements as to future operating results. Any "forward-looking statements", which include all statements other than statements of historical facts, involve known and unknown risks, uncertainties and other important factors beyond TBC Capital's control that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment operating in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. No assurances can be given that the forward-looking statements in this document will be realized. TBC Capital does not intend to update such forward-looking statements. Opinions, forecasts, estimates and/or statements relating to expectations regarding future events or the possible future performance of investments represent TBC Capital's own assessment and interpretation of information available to it currently. Information obtained from the third party sources believed to be reliable, but that there is no guarantee of the accuracy and/or completeness of such information. TBC Capital does and seeks to do and any member of the Group may or seek to do business with companies covered in this Publication. Thus, investors should be aware that TBC Capital may have a potential conflict of interest that could affect the objectivity of the information contained in this Publication. This Publication may not be reproduced, redistributed or published, in whole or in part, in any form for any purpose, without the written permission of TBC Capital, and neither TBC Capital nor any member of the Group nor any of their Representatives accept any liability whatsoever for the actions of third parties in this respect. TBC Capital makes no expressed or implied representation or warranty of usefulness in predicting the future performance or in estimating the current or future value of any security or asset, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this Publication. Without limiting any of the foregoing and to the extent permitted by law, TBC Capital or any member of the Group or any of their Representatives expressly disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this Publication or its contents (including without limitation to the accuracy and/or completeness of information therein) or otherwise arising in connection with this Publication or for any act or failure to act by any party on the basis of this Publication.

s share



38%

Sales 1
Sales 2
Sales 3



Month
jan
feb
mar
apr
may
jun
jul
aug
sep
oct
nov
dec

	Sales 1	Sales 2	Sales 3	Total
jan	3 424,0	4 324,0	6 456,0	14 204,0
feb	4 532,0	4 232,0	4 534,0	13 298,0
mar	5 574,0	3 456,0	5 454,0	14 484,0
apr	6 863,0	3 675,0	5 875,0	16 413,0
may	5 786,0	6 543,0	6 767,0	19 096,0
jun	5 242,0	3 546,0	7 245,0	16 033,0
jul	6 843,0	5 345,0	7 845,0	20 033,0
aug	7 453,0	4 234,0	8 235,0	19 922,0
sep	8 535,0	6 454,0	8 546,0	23 535,0
oct	8 959,0	6 845,0	9 456,0	25 260,0
nov	9 534,0	7 345,0	9 634,0	26 513,0
dec	10 453,0	7 845,0	9 967,0	28 265,0

Total
Share

	Sales 1	Sales 2	Sales 3
Total	83 198,0	63 844,0	90 014,0
Share	35,1%	26,9%	38,0%



TBC CAPITAL



Total sales

