



TBC CAPITAL

WEEKLY UPDATE FROM THE CHIEF ECONOMIST

# Weekly Update from the Chief Economist

11.10.2021

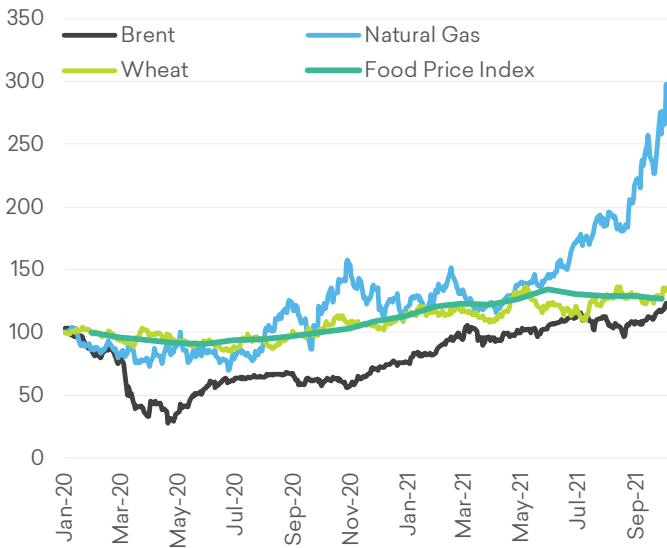
Month	Sales 1	Sales 2	Sales 3	Total
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feb	4 532,0	4 232,0	4 534,0	13 298,0
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apr	6 863,0	3 675,0	5 875,0	16 413,0
may	5 786,0	6 543,0	6 767,0	19 096,0
jun	5 242,0	3 546,0	7 245,0	16 033,0
jul	6 843,0	5 345,0	7 845,0	19 923,0
aug	7 453,0	4 234,0	8 235,0	20 033,0
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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
	83 198,0	63 844,0	90 014,0
	35,1%	26,9%	38,0%



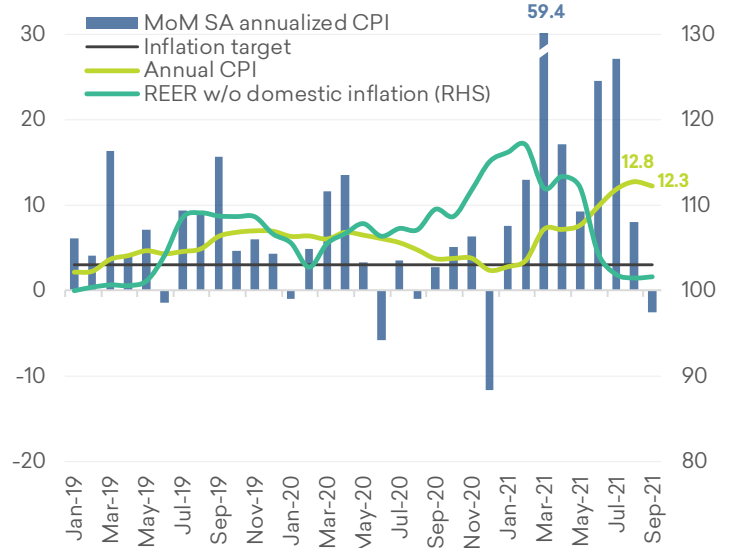
In September, for the first time this year inflation print came in at a low level though yet on a monthly basis only. While annual consumer price increase was 12.3%, seasonally adjusted monthly annualized inflation stood at -2.5%. [As expected](#), despite higher commodity prices and rebound of the economy,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

**SELECTED COMMODITY PRICE INDECS (Jan-20=100)**



Sources: CME, ICE, FAO

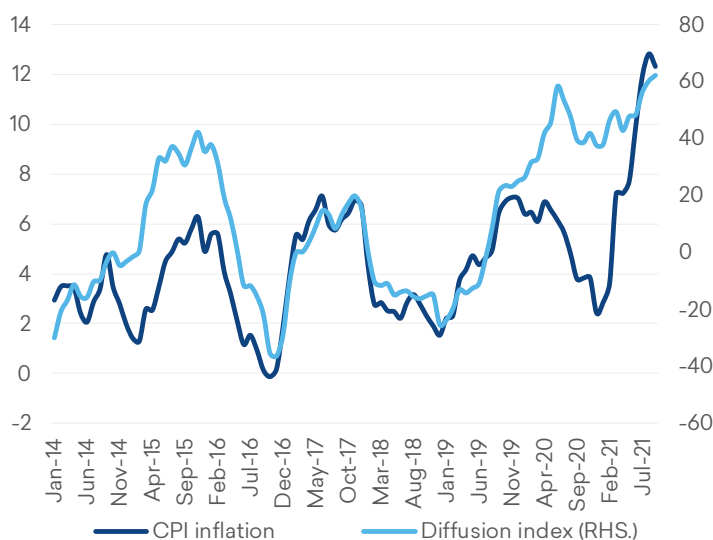
**ANNUAL AND SEASONALLY ADJUSTED MONTHLY ANNUALIZED INFLATION (%); GEL REER (Jan-19=100)**



Note: REER increase means depreciation  
Sources: GeoStat, NBG

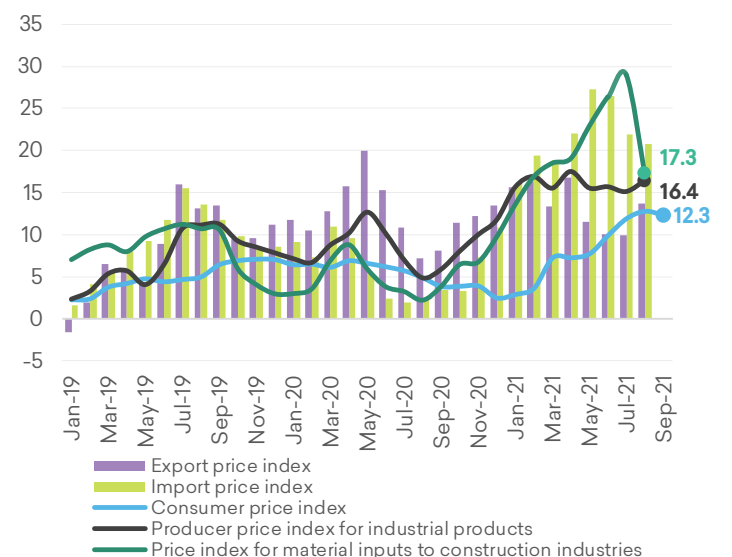
Going forward, soaring natural gas tariff internationally, along with an increased bread price in Georgia due more expensive wheat on a global market and the expected price increase on egg, are arguments for further inflationary pressures. In addition, diffusion index, which indicates the share of particular 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 INDECS (YoY, %)**



Source: Geostat

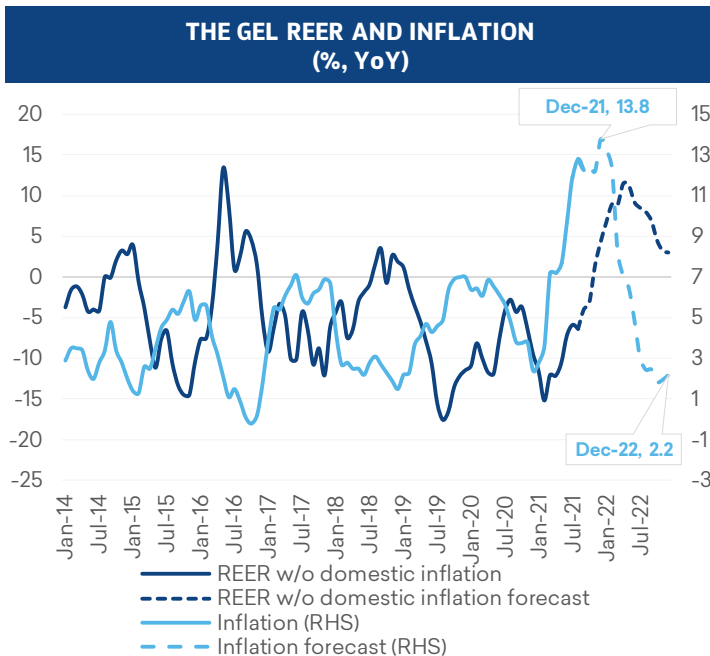
At the same time, gas tariffs in Georgia historically are more linked to oil price dynamics rather than spot prices of natural gas in international markets. Therefore, if any, much less increase is expected. Also, in August, producer price index was up only slightly compared with the previous months, 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
<b>Total</b>	<b>12.3</b>	<b>12.3</b>

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
<b>Total</b>	<b>0.2</b>	<b>0.2</b>

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 (BGEO 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	12F 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

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