Macroeconomic and Strategic Analysis

UniCredit Weekly Report

The NBR delivered the first key rate cut by 25bp to 6.75%

8 July, 2024

Anca Maria NEGRESCU
Senior Economist
+40 723 103 008
anca.negrescu@unicredit.ro

Mihai JUGRAVU
Macroeconomic Economist
+40 790 684 924
mihai.jugravu@unicredit.ro

Iulia CORLANESCU
Macroeconomic Economist
+40 724 052 840
iulia.corlanescu@unicredit.ro

UniCredit Bank

Weekly briefing

Last week, the **US ISM Manufacturing index** continued to **decrease to 48.5** and the **US ISM Non-Manufacturing index deteriorated significantly to 48.8 in June**. The **US labour market added a still-solid 206k jobs in June**, slightly down vs. 218k in May. The **unemployment rate rose** by 0.1pp **to 4.1% in June**. Overall, the **June report shows that the US labor market is cooling somewhat,** while pay growth further eased to 0.3%mom and 3.9%yoy in June. **UniCredit expects disinflation to continue, allowing a first rate cut in September and a total of three rate cuts this year.** The **German inflation was down to 2.2% in June** due to lower energy prices, while prices for food sped up and for services were up by a high 3.9%yoy. **Core inflation eased slightly to 2.9%yoy.** The **German industrial production declined by 2.5%mom in May** [UniCredit: 0.5%, consensus: 0.3%] driven by **machinery and equipment** (-5.9%mom) and **automotive** (-5.2%mom). **Eurozone inflation tempered to 2.5%yoy in June.** CPI rose by +0.2%mom. **Core inflation stabilized at 2.9%yoy. Disinflation has slowed in the Eurozone, but has not been derailed. Headline inflation will likely decline close to 2.0%yoy in the autumn and fall below ECB's 2% target in 2025, while core inflation will remain above the headline in 2H 2024**. In **France, the joint effort of left-leaning and centrist parties** ("republican front") **to minimize the chance of victory for the far-right National Rally (RN)** in the second round of the legislative elections held yesterday, **has changed the order of parties from the first round. RN and its allies ended on the third place (143 seats)**. The **left-leaning New Popular Front (NPF) coalition ended on the first place (182 seats),** while **President Macron's centrist coalition, Together**, **ended on the second (163 seats)**.

In **Romania**, the **NBR Board decided to cut the monetary policy rate by 25bp to 6.75%,** in line with our and consensus expectations. The credit facility rate was cut to 7.75% and deposit facility rate to 5.75%. **NBR took into consideration that annual inflation declined faster in 2Q 2024, to 5.1% in May**, due to a significant drop in energy prices and further slowing down of food prices. **Core inflation continued to temper to 6.3%yoy in May.** The **NBR estimates that annual inflation rate will continue to decline over the next months, on a significantly lower path than they forecasted in May 2024. We estimate that inflation will remain outside the target range in both 2024 and 2025**. **We expect the NBR to cut by another 25bp to 6.5% by year-end. We adjusted downward our headline inflation expectation to 4.6% for year-end, with core inflation remaining above CPI by about 0.5-1pp.** The **foreign reserves were down to EUR 71.6bn in June.** The **ILO unemployment rose to 5.4%yoy in May**. The **producer prices were down by 1.0%yoy in May** and rose by 0.7%mom, driven by prices on external market (+2.0%mom). The **retail sales rose less than expected by 6.1%yoy in May** and were down 0.4%mom mainly due to non-food sales.

This week, the **German exports and imports will likely decline in May** (Monday), **US CPI likely rose by 0.1%mom in June** with **core CPI up by a moderate 0.2%mom** (Thursday). In **Romania**, the **1Q 2024 GDP should be confirmed around 0.1%yoy** (Monday) and the **trade deficit should stay flat in May** vs. April (Tuesday). The **annual inflation likely declined below 5% in June** (Thursday) and **average net wages continued to rise by double-digits in May** (Friday). **Industrial output is expected to slow down significantly to 0.7%yoy in May** due to weaker external demand (Friday).

Data spotlight: 1 – 5 July

CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.0844	0.03%	-0.22%
EURCHF	160.71	-0.30%	3.81%
USDJPY	1.28	0.43%	0.38%
GBPUSD	1.2360	-0.42%	4.36%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.2690	-0.36%	-0.57%
EURHUF	394.40	0.48%	0.97%
EURCZK	25.16	0.18%	2.09%

CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
8-Jul	4.9755	4.5904	6.0670	349.68

CURRENCIES - RON

	EURRON	USDRON
8-Jul	4.975	4.588
5-Jul	4.975	4.590
4-Jul	4.977	4.603

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
8-Jul	5.7	6.2	6.1	6.8
3-Jul	5.9	6.2	6.2	6.8

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
8-Jul	5.76	5.80	5.80
5-Jul	6.00	6.00	6.00
4-Jul	6.00	6.00	6.00

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
5-Jul	3.64	3.71	3.68
4-Jul	3.62	3.71	3.68
3-Jul	3.64	3.71	3.68
USD Libor	1M	3M	6M
5-Jul	5.44	5.57	5.65
4-Jul	5.45	5.58	5.67
3-Jul	5.45	5.58	5.67

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	5,567.2	0.00%	3.85%
FTSE	8,228.1	0.29%	-0.01%
Hang Seng	17,524.1	-1.55%	-3.59%
Bucharest BET	18,443.6	0.01%	2.03%

Romanian Economy

The NBR delivered a first key rate cut by 25bp to 6.75%

The NBR Board decided to cut the key rate by 25bp to 6.75%, in line with our and consensus expectations. Correspondingly, the credit facility rate decreased to 7.75% and the deposit facility rate to 5.75%. The NBR maintained the existing levels of minimum reserve requirement ratios for both the RON and FX-denominated liabilities of credit institutions.

The NBR took into consideration that the annual inflation declined faster in 2Q 2024, down to 5.1% in May (vs. 6.6% in March), due to the significant drop in energy prices, mainly natural gas prices, following the legislative changes as of April, and a further slowdown of the food prices' growth. The core inflation continued to temper to 6.3%yoy in May (vs. 7.1%yoy in March) mainly due to a base effect and the slower growth in food prices.

In 1Q 2024 the economic activity increased slower than anticipated, by 0.4%qoq, after 0.6%qoq in 4Q 2023, likely due to lower aggregate demand. The annual GDP growth tempered sharply to 0.1% in 1Q 2024 from 3.0% in 4Q 2023, triggered by the much lower investments as compared to the double digit growth in 4Q 2023, while the household consumption further accelerated.

The net exports had a strong negative contribution, with the trade deficit unchanged vs. 4Q 2023 and the current account deficit narrowing on the back of the higher secondary income surplus mainly due to inflows of EU funds.

Romanian Economy (continued)

In annual terms, the trade deficit was deeply widening and the current account deficit doubled.

The latest data point to a more robust economic growth in 2Q 2024 than previously forecasted. In April 2024 the retail sales surged, the industrial output posted a strong revival, while constructions returned to double-digit growth, after falling steeply in 1Q 2024.

The number of employees economy-wide resumed its monthly growth at a fast pace in April, while the ILO unemployment rate rose slightly in April-May 2024 to about 5.4%, below the 2H 2023 level. The unit labour cost in industry was very high in 1Q 2024. The hiring intentions increased strongly in April-May 2024 and the labour shortage widened in 1Q 2024.

The interbank rates remained stable in May and then posted slight declines. Long-term yields on government securities declined moderately in mid-2Q 2024, then stabilizing to the higher levels seen in April due to the changes in the investor expectations regarding the Fed's interest rate cuts and the risk perception regarding the political events in Europe. In this context, the EUR-RON pair stayed in May-June at higher levels.

The NBR estimates that the annual inflation rate will continue to decline over the next months, on a significantly lower path than they forecasted in May 2024, mainly due to base effects and the legislative changes in energy, the slower growth of import prices and the lower inflationary expectations on the short-term.

The inflationary risks are mainly coming from the future fiscal and income measures that should be implemented for budget consolidation (most likely next year). The budget deficit was at 3.4% of GDP at the end of the first five months of 2024, the wages continued to increase for some professional categories and the pensions are scheduled to rise again in September. Moreover, significant uncertainties are coming from the recent legislative changes impacting the natural gas and electricity prices and from the evolution of the crude oil prices.

Important risks to the economic activity and the medium-term inflation outlook are coming from the continuation of the wars in Ukraine and Middle East, the economic performance in Europe, especially in Germany, and the absorption of EU funds, especially under the Next Generation EU program.

We estimate that inflation will remain outside the target range in both 2024 as the consumer demand will remain strong and in 2025 because of higher taxes and electricity prices. We expect the NBR to implement another 25bp cut to 6.5% by the year-end, bringing the policy rate closer to the money market rates that are hovering around 6% due to the abundant liquidity in the market. Given the recent evolutions, we adjusted downward our headline inflation expectation to 4.6% for the year-end (from 5.6% previously), with the core inflation remaining above CPI by about 0.5-1pp.

The minutes of the meeting will be published on 17 July, while the next policy meeting is scheduled for 7 August.

Romanian Economy (continued)

Romanian international reserves declined in June

Foreign exchange reserves (incl. gold) decreased by EUR 0.6 billion during June 2024, to EUR 71.6bn. The monthly inflows amounted to EUR 2.0billion (supported by changes in credit institutions' foreign currency-denominated required reserves with the NBR and the inflows into the Ministry of Finance's accounts), while the outflows amounted to EUR 2.6bn (represented by changes in credit institutions' foreign currency-denominated required reserves with the NBR; interest payments and principal repayments on foreign currency public debt; payments from the European Commission's account). The stock of gold was unchanged at 103.6 tones and its value increased to EUR 7.25bn.

ILO unemployment continued to rise in May 2024

The NIS released the unemployment figures for May, showing a further increase to 5.4%yoy, from 5.3%yoy in the previous month. In annual terms (vs. May 2023), the jobless rate decreased by 0.1pp and the number of unemployed people (gross data) was higher by 5130 (+1.2%yoy). The active population remained almost stable in comparison to April 2024, at around 8.4 million.

Romanian producer prices' annual decline slowed down in May

Producer prices declined by 1.0%yoy in May, after the 4.0%yoy decline in April, due to a base effect. On a monthly basis, they increased by 0.7%, driven by the prices on the external market which increased by 2.0%mom, while on the internal market the decline continued (-2.5%mom). The highest increases were recorded for extraction of crude petroleum and natural gas (+4.7%mom), for the production of electricity, gas, steam and air conditioning supply (+2.1%mom), for water collection, treatment and supply (+1.7%mom) and manufacturing of textiles (+1.1%mom). The largest decrease was recorded for manufacturing of coke and refined petroleum products (-4.7%mom).

Romanian retail sales slowed down in May

Retail sales increased less than expected by 6.1%yoy in May (seasonally adjusted data – s.a.) [UniCredit: 7.6%yoy], after the 9.5%yoy increase in April. On a monthly basis they decreased slightly, by -0.4%mom (s.a.) from a downwardly revised +0.6%mom in April. On components, the non-food sales decreased by -1.3%mom (vs. a 0.4%mom rise in April) and fuel sales by -0.9%mom (vs. -2.4%mom in April), while food sales increased by 1.2%mom at a slower pace vs. April (+2.7%mom). Compared to the same month of the previous year, all components increased, the sales of non-food items by 9.1%yoy, the sales of food by 4.9%yoy and the sales of fuels by 1.6%yoy.

Data spotlight: 1 – 5 July

European Economy

German inflation decreased in June

German inflation decreased to 2.2% in June, more than expected [UniCredit Research: 2.4%yoy, consensus: 2.3%yoy] from 2.4%yoy in May driven by the lower energy prices (-2.1% vs. -1.1% in May), while the food prices accelerated (+1.1% vs. +0.6%). The prices for services rose by a high 3.9%yoy, at the same pace as in May. The core inflation (excl. food and energy) eased slightly to 2.9%yoy, its lowest level since February 2022. On a monthly basis, the CPI rose by 0.1%, at the same pace as in May. UniCredit Research expects inflation rates to be at 2.3-2.5%yoy over the next few months.

German new orders continued to decline in May

New orders in the manufacturing sector declined by 1.6%mom in May, for the fifth consecutive month. Excluding big-ticket items, total demand also declined by 2.2%mom. Real sales decreased by 0.7%mom.

German industrial production surprised to the downside in May

Industrial production likely temporary declined by -2.5%mom in May [UniCredit Research: 0.5%, consensus: 0.3%], after a slight upward revision to 0.1%mom (from -0.1%) in the previous month. It was the second month of contraction this year, after -0.4%mom in March. The major triggers were the decline in the production of machinery and equipment (-5.9%mom) and the lower output of automotive industry (-5.2%mom). Production in manufacturing (excl. energy and construction) declined by -2.9%mom and constructions by -3.3%mom, while the production of energy rose by 2.6%mom. On a less volatile 3M-3M basis, industrial activity remained flat and the moderate recovery in energy-intensive sectors, such as the chemical sector, continued (+3.5% 3M-3M). UniCredit Research sticks to the view that the moderate recovery will continue.

Eurozone inflation declined in June

Eurozone headline inflation tempered to 2.5%yoy in June in line with expectations, after a temporary re-acceleration to 2.6%yoy in May. The prices rose at a slower pace for food, alcohol and tobacco (+2.5% vs. +2.6%yoy in May) and energy (+0.2%yoy vs. +0.3%yoy) and kept the same pace as in May for non-energy industrial goods (+0.7%) and for services (+4.1%). Compared to the previous month, the CPI rose by +0.2%, similar to May. Core inflation stabilized at 2.9%yoy. Among the largest economies, the CPI eased in Germany (2.2%yoy vs. 2.8% in May), France (2.5%yoy vs. 2.6%), Spain (3.5%yoy vs. 3.8%) and Ireland (1.5%yoy vs. 2%), while in quickened in Italy (0.9%yoy vs. 0.8%) and the Netherlands (3.4%yoy vs. 2.7%). Disinflation has slowed in the Eurozone, but has not been derailed. Looking ahead, headline inflation will likely decline close to 2.0%yoy in September-October and fall below the ECB's 2% target in 2025. Core inflation will remain above the headline in the second half of the year, mainly reflecting a slow adjustment in the prices of services.

Data spotlight: 1 – 5 July

European Economy (continued)

- **French elections deliver a hung parliament. Far right underperforms**

After the first round of the French parliamentary election on June 30, the far-right National Rally (RN) and its allies lead with 33.1% of the vote, followed by the left-leaning New Popular Front (NPF) group, with 28%, and the centrist coalition with 20%. Participation was 67%, significantly higher than in previous legislative elections (47.5% in 2022).

Yet, the tactical withdrawals by left-leaning and centrist third-place candidates have significantly reduced the likelihood of an absolute majority for the RN in the second round of the legislative elections held on Sunday July 7. The joint effort of political parties and their voters to minimize the chance of victory for the far-right National Rally (RN) – the so-called "republican front" – has changed the order of the parties vs. the first round. RN and its allies, which won by a clear margin in the first round, finished on third place with 143 seats (out of total 577), well below the polls' estimates.

However, National Rally made significant gains (+50 seats) vs. 2022 legislative election, prompting RN's president Marine Le Pen to say that the election result supported her belief that a far-right victory has only been delayed.

The left-leaning New Popular Front (NPF) coalition became the largest parliamentary force (182 seats), while President Emmanuel Macron's centrist coalition, Together, contained its expected losses by securing 163 seats (vs. 245 seats in 2022).

The fact that no party gained a majority supports UniCredit baseline scenario of a hung parliament, in which no party obtains a clear majority and the political fragmentation will be more pronounced and could worsen the stalemate that has prevailed for the past two years. This untested situation would last at least a year as the constitution prevents the president from dissolving parliament before then. Political negotiations could be long and tense, especially since NPF, which emerges from the election in a relatively stronger position, is a coalition of parties with different political ideologies.

UniCredit Bank

Data spotlight: 1 – 5 July

US Economy

- **US ISM Manufacturing continued to deteriorate in June**

The ISM Manufacturing PMI in the United States fell to 48.5 in June from 48.7 in May, while the expectations were that it will slightly rise [UniCredit Research: 49.0, consensus: 49.2]. This is the third month of decline, after the index fell to 49.2 in April. The data reflected a further contraction in the US manufacturing sector, due to the weak demand. The output index declined.

- **US ISM Non-manufacturing PMI strongly deteriorated in June**

The ISM Non-Manufacturing index deteriorated to 48.8 in June, much more than expected [UniCredit Research: 53.0, consensus: 52.5], after rising to 53.8 in May. The Business Activity Index also declined to 49.6, contracting for the first time since May 2020. The new orders index declined to 47.3 vs. 54.1 in May and the employment index to 46.1 vs. 47.1 in May. Steve Miller, Chair of the Institute for Supply Management said that "The decrease is a result of notably lower business activity, a contraction in new orders and continued contraction in employment. Survey respondents report that in general, business is flat or lower, and although inflation is easing, some commodities have significantly higher costs. Panelists indicate that slower supplier delivery performance is due primarily to transportation challenges, not increases in demand."

- **US labour market continues to cool**

The US economy added a still-solid 206k jobs in June, after a downward-revised gain of 218k in May. Three-quarters of payroll gains in June came from just two sectors: health&education, and public sector, both being acyclical. Private sector payrolls rose by a subdued 136k. The household survey measure of employment has fallen by 670k since November last year, and whilst it rose modestly in June, this was all driven by part-time employment as full-time employment fell again. The unemployment rate rose by 0.1pp to 4.1% in June, just 0.1pp higher than the FOMC expects for the year-end. The average hourly earnings slowed to 0.3%mom and 3.9%yoy in June as the labor market comes into better balance. It is still above the 3-3.5% range that Fed officials consider consistent with the 2% inflation target over time, but not by much.

The Fed has said that before it can cut rates it needs to see further evidence that inflation is moving down sustainably towards 2%, or that the labor market is weakening materially. The June employment report shows that the labor market is cooling, but not so much, while pay growth continues to ease. The Fed will likely start to worry a little bit more about the risk that the labor market could weaken materially if it were to wait too long to cut rates. Macro data have surprised to the downside recently, including the fall in ISM Non-Manufacturing index into contractionary territory in June, rising jobless claims, and falling factory orders. The next key US data release will be the June CPI report on Thursday, which UniCredit expects to show further progress on disinflation. UniCredit still expects the first Fed rate cut in September and a total of three rate cuts this year.

Data spotlight: 1 – 5 July

International and Romanian Markets

The EURRON continued to trade below 4.98 last week

The EURRON traded within the 4.9750-4.9779 range last week and ended it at 4.9750, 25 pips down compared to the closing of the week before. The EUR-RON could stay within the 4.96-4.98 range during the summer months, with seasonal inflows of foreign currency pushing the pair slightly down. Yet, we expect the pair to resume the upward pressure in autumn.

The entire ROBOR curve was almost unchanged

Last week the ROBOR curve was relatively stable for all maturities, as the excess liquidity in the market remains abundant. The O/N-1W segment closed the week at 6.00%, while the 1M-3M segment decreased by 1bp to 6.00%.

MinFin auctions

Last Monday, the Ministry of Finance held auctions for a T-bond with maturity of 9.5 years and a 12 months T-bill. For the bond the bids covered the planned amount, at RON 1108.2mn vs. RON 300mn, enabling MinFin to place RON 943.2mn. The average accepted yield was 6.87% (max. 6.88%), which is 5bp above the yield for the previous reopening one month ago. A supplementary session for the non-competitive offers in amount of RON 45mn will follow. For the T-bill, the bids were above the planned amount, at RON 1655.5mn vs. RON 800mn, enabling MinFin to place RON 1306.7mn. The average accepted yield was 6.01% (max. 6.02).

Last Thursday, the Ministry of Finance held auctions for a T-bond with maturity of 7.0 years and a 7 months T-bill. For the bond the bids covered the planned amount, at RON 1070.5mn vs. RON 300mn, enabling MinFin to place RON 861.9mn. The average accepted yield was 6.71% (max. 6.72%), which is 4bp below the yield paid at the previous reopening one month ago. A supplementary session for the non-competitive offers in amount of RON 45mn will follow. For the T-bill, the bids were much above the planned amount, at RON 1911.7mn vs. RON 800mn, enabling MinFin to place RON 1548.2mn. The average accepted yield was 6.00% (max. 6.01).

FX markets

In FX, the EUR-USD has shown a relatively no reaction to the 2nd round of French elections, remaining at 1.08, likely as the investors are now focusing on the difficulty of forming a new government and implications for the French debt. A prolonged complicated political climate in France might still represent a drag for euro, while the series of weak economic data released in US recently, incl. the June employment report, have provided the euro with some support. More help might come from Fed Chair Powell's semiannual testimony before Senate (Tuesday) and the House (Wednesday) if he maintains a balanced tone, largely echoing his recent speech in Sintra, and from US CPI-inflation for June (Thursday) if the data show progress on disinflation, as expected.

Data spotlight: 1 – 5 July

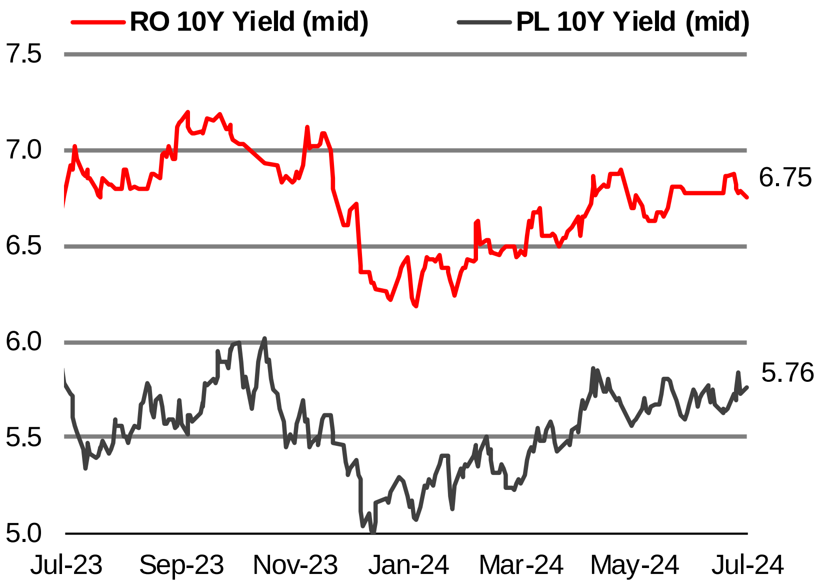
International and Romanian Markets (continued)

- **China's manufacturing PMI stabilized below 50 in June**

The manufacturing PMI showed a contraction in the economic activity for a second consecutive month, stabilizing at 49.5 in June, with weak demand dragging on production, while the non-manufacturing PMI declined by 1pp, to 50.5, at its lowest level this year. The Caixin manufacturing PMI showed a more optimistic evolution, rising slightly to 51.8 in June, indicating that exports could further support growth in the coming months, although this probably will not overcome the weakness of the domestic demand.

Focus Ahead: 8 – 12 July

MinFin Issues



Data Source: Thomson Reuters

- According to the fixing levels, bond yields declined slightly by up to 2bp on the short end, while on the long end declined by up to 11bp anticipating a first policy rate cut by the NBR at its meeting on Friday which materialized.
- This week, MinFin intends to place RON 400mn in 2.3Y T-bonds on Monday, together with RON 600mn in 10.2Y T-bonds, respectively RON 500mn in 3.8Y T-bonds on Thursday.

BOND ISSUES - JULY								
ISIN Code	Auction Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
RO1ENID1Z6R5	29-Jul-24	30-Jun-25	11	500	lei			
RO7EKTXSRHD6	25-Jul-24	28-Jan-26	18	600	lei			
RO0DU3PR9NF9	22-Jul-24	24-Feb-38	166	300	lei			
ROP9QVD42HO2	18-Jul-24	31-May-27	35	400	lei			
ROJVM8ELBDU4	16-Jul-24	25-Apr-29	58	500	lei			
ROCDG04X8WJ7	11-Jul-24	26-Apr-28	46	500	lei			
ROTM7EDD92S2	11-Jul-24	31-Jul-34	122	600	lei			
RON7NMKOKQG2	8-Jul-24	28-Oct-26	28	400	lei			
RO7QK1HCA6H4	4-Jul-24	27-Jan-25	7	800	lei	1,912	1,548	6
RO1JS63DR5A5	4-Jul-24	28-Apr-31	83	300	lei	1,071	862	6.71
ROZZHW59GQL5	1-Jul-24	30-Jun-25	12	800	lei	1,656	1,307	6.01
ROWLVEJ2A207	1-Jul-24	30-Oct-33	114	300	lei	1,108	943	6.87

Focus Ahead: 8 – 12 July

Data Calendar

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
8-Jul-2024	GE	Exports (% mom)	May	-3.0	-3.0	1.6
	GE	Imports (% mom)	May	-2.0	-1.0	1.9
	Romania	GDP (%, yoy)	1Q F	0.1	0.1	0.1
10-Jul-2024	Romania	Trade Balance (EUR mn)	May	-2675		-2672
11-Jul-2024	US	Consumer price index, CPI (% yoy)	Jun	3.1	3.1	3.3
	US	Core CPI (% yoy)	Jun	3.4	3.4	3.4
	US	Consumer price index, CPI (% mom)	Jun	0.1	0.1	0.0
	US	Core CPI (% mom)	Jun	0.2	0.2	0.2
	Romania	CPI (%, yoy)	Jun	4.7	4.8	5.1
12-Jul-2024	Romania	Industrial Output (%, yoy)	May	0.7		3.6
	Romania	Wages Net (%, yoy)	May	13.9		14.3

Data Source: Bloomberg

Economic Forecasts

MACROECONOMIC DATA AND FORECASTS

	2021	2022	2023	2024F	2025F
GDP (EUR bn)	241.7	284.1	324.6	353.0	375.9
Population (mn)	19.2	19.0	19.1	19.1	19.0
GDP per capita (EUR)	12,567	14,918	17,035	18,528	19,758
Real economy, change (%)					
GDP	5.7	4.1	2.1	2.4	1.3
Private Consumption	7.2	5.8	2.8	3.7	0.9
Fixed Investment	2.9	5.9	14.4	3.3	3.0
Public Consumption	1.8	-3.3	6.0	2.9	-0.4
Exports	12.6	9.7	-1.4	2.8	4.9
Imports	14.8	9.5	-1.4	5.1	3.6
Monthly wage, nominal (EUR)	1175	1303	1489	1705	1785
Real wage, change (%)	2.0	-2.2	3.6	9.1	1.4
Unemployment rate (%)	5.6	5.6	5.6	5.4	5.6
Fiscal accounts (% of GDP)					
Budget balance	-7.2	-6.3	-6.6	-6.9	-5.3
Primary balance	-5.7	-4.2	-4.7	-5.1	-3.4
Public debt	48.5	47.5	48.8	50.9	52.7
External accounts					
Current account balance (EUR bn)	-17.5	-26.0	-22.6	-24.6	-21.6
Current account balance/GDP (%)	-7.2	-9.2	-7.0	-7.0	-5.7
Extended basic balance/GDP (%)	-1.5	-3.6	-2.9	-2.9	-1.6
Net FDI (% of GDP)	3.7	3.1	2.0	1.9	1.9
Gross foreign debt (% of GDP)	56.5	50.7	52.4	51.4	51.4
FX reserves (EUR bn)	40.5	46.6	59.8	58.7	59.8
Months of imports, goods & services	4.3	3.9	5.0	4.7	4.6
Inflation/Monetary/FX					
CPI (pavg)	5.0	13.7	10.5	5.6	4.5
CPI (eop)	8.2	16.4	6.6	4.6	4.4
Central bank inflation target	2.50	2.50	2.50	2.50	2.50
Central bank reference rate (eop)	1.75	6.75	7.00	6.50	5.00
3M money market rate (Dec avg)	2.83	7.66	6.25	5.76	4.79
USDRON (eop)	4.37	4.63	4.50	4.57	4.53
EURRON (eop)	4.95	4.95	4.97	4.99	5.07
USDRON (pavg)	4.16	4.68	4.57	4.61	4.55
EURRON (pavg)	4.92	4.93	4.95	4.98	5.04

UniCredit Bank

Disclaimer

Our analyses are based on information obtained from or are based upon public information sources that we consider to be reliable but for the completeness and accuracy of which we assume no liability. All information, estimates, opinions, projections and forecasts included in the report represent the independent judgment of the analysts as of the date of the issue unless stated other-wise. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice. This report may contain links to websites of third parties, the content of which is not controlled by UniCredit Bank. No liability is assumed for the content of these third-party websites.

This analysis is for information purposes only, does not represent an investment recommendation and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as marketing material within the meaning of applicable prospectus law. The investment possibilities which may be considered based on this report bear certain risks and may not be appropriate for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. Among these risks there are, without being limited to, the following: fluctuations in the price or value of an investment, modification of the exchange rates, interest rates or the yields, that may have a negative impact on the value of investments. Furthermore, past performance is not necessarily indicative of future results. Our analysis and conclusions are general and do not address investors' individual objectives.

This information is given as "information only", without any warranty on an "as is" basis and should not be regarded as a substitute for obtaining individual advice. Investors must make their own determination of the appropriateness of an investment in any instruments referred to herein, based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. As this document does not qualify as an investment recommendation or as a direct investment recommendation, neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever. Investors are urged to contact their own investment advisors for individual explanations and advice.

Neither UniCredit Bank AG, UniCredit Bank AG London Branch, UniCredit Bank AG Milan Branch, UniCredit Bank AG Vienna Branch, UniCredit Bank Austria AG, UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia, UniCredit Bank Czech Republic and Slovakia Slovakia Branch, UniCredit Bank Romania, UniCredit Bank AG New York Branch nor any of their respective directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

This analysis is being distributed by electronic and ordinary mail to investors, who are expected to make their own investment decisions without undue reliance on this publication, and may not be redistributed, reproduced or published in whole or in part for any purpose.

This report was completed on 15 January 2024.

Responsibility for the content of this publication lies with:

UniCredit Group and its subsidiaries are subject to regulation by the European Central Bank

a) UniCredit Bank AG (UniCredit Bank, Munich or Frankfurt), Arabellastraße 12, 81925 Munich, Germany, (also responsible for the distribution pursuant to §85 WpHG).

Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany.

b) UniCredit Bank AG London Branch (UniCredit Bank, London), Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom.

Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany and subject to limited regulation by the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN, United Kingdom and Prudential Regulation Authority 20 Moorgate, London, EC2R 6DA, United Kingdom. Further details regarding our regulatory status are available on request.

c) UniCredit Bank AG Milan Branch (UniCredit Bank, Milan), Piazza Gae Aulenti, 4 – Torre C, 20154 Milan, Italy, duly authorized by the Bank of Italy to provide investment services.

Regulatory authority: "Bank of Italy", Via Nazionale 91, 00184 Roma, Italy and Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany.

d) UniCredit Bank AG Vienna Branch (UniCredit Bank, Vienna), Rothschildplatz 1, 1020 Vienna, Austria

Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria and subject to limited regulation by the "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany. Details about the extent of our regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht are available from us on re-quest.

e) UniCredit Bank Austria AG (Bank Austria), Rothschildplatz 1, 1020 Vienna, Austria

Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria

f) UniCredit Bulbank, Sveta Nedelya Sq. 7, BG-1000 Sofia, Bulgaria

Regulatory authority: Financial Supervision Commission (FSC), 16 Budapeshta str., 1000 Sofia, Bulgaria

g) Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, HR-10000 Zagreb, Croatia

Regulatory authority: Croatian Agency for Supervision of Financial Services, Franje Račkoga 6, 10000 Zagreb, Croatia

h) UniCredit Bank Czech Republic and Slovakia, Želetavská 1525/1, 140 92 Praga 4, Czech Republic

Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praha 1, Czech Republic

i) ZAO UniCredit Bank Russia (UniCredit Russia), Prechistenskaya nab. 9, RF-119034 Moscow, Russia

Regulatory authority: Federal Service on Financial Markets, 9 Leninsky prospekt, Moscow 119991, Russia

j) UniCredit Bank Czech Republic and Slovakia, Slovakia Branch, Šancova 1/A, SK-813 33 Bratislava, Slovakia

Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praha 1, Czech Republic and subject to limited regulation by the National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia. Regulatory authority: National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia

k) UniCredit Bank Romania (UniCredit Bank S.A.), Bucharest 1F Expozitiei Boulevard, 012101 Bucharest 1, Romania

Regulatory authority: National Bank of Romania, 25 Lipscani street, 030031, 3rd District, Bucharest, Romania

l) UniCredit Bank AG New York Branch (UniCredit Bank, New York), 150 East 42nd Street, New York, NY 10017

Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany and New York State Department of Financial Services, One State Street, New York, NY 10004-1511

Further details regarding our regulatory status are available on request.

ANALYST DECLARATION

The author's remuneration has not been, and will not be, geared to the views expressed in this study, neither directly nor indirectly.

All of the views expressed accurately reflect the analyst's views, which have not been influenced by considerations of UniCredit Bank's business or client relationships.

POTENTIAL CONFLICTS OF INTEREST

You will find a list of keys for company specific regulatory disclosures on our website https://www.unicreditresearch.eu/index.php?id=disclaimer . In Romania, UniCredit Bank S.A. acts as primary dealer and market maker specialist for certain government bonds and T-bills issued by the Ministry of Finance. In its role as a primary dealer, UniCredit Bank S.A. can participate in auctions on the primary market organised by the Ministry of Finance, contributes to the management of public debt ran by the Ministry of Finance and can also issue research and analysis reports, including regarding the macroeconomic conditions. As a market maker for various bonds and bills issued by the Ministry of Finance, UniCredit Bank S.A. contributes to the efficiency of the secondary market through its market making activity and through fulfilling its obligation of firm pricing.

ORGANIZATIONAL AND ADMINISTRATIVE ARRANGEMENTS TO AVOID AND PREVENT CONFLICTS OF INTEREST

To prevent or remedy conflicts of interest, UniCredit Bank AG, UniCredit Bank AG London Branch, UniCredit Bank AG Milan Branch, UniCredit Bank AG Vienna Branch, UniCredit Bank Austria AG, UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia, UniCredit Bank Czech Republic and Slovakia Slovakia Branch, UniCredit Bank Romania, UniCredit Bank AG New York Branch have established the organizational arrangements required from a legal and supervisory aspect, adherence to which is monitored by its Compliance Department. Conflicts of interest arising are managed through establishment of information barriers designed to restrict the flow of information between one area/department of UniCredit Bank AG, Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia, UniCredit Bank Czech Republic and Slovakia Slovakia Branch, UniCredit Bank Romania, UniCredit Bank AG London Branch, UniCredit Bank AG Milan Branch, UniCredit Bank AG Vienna Branch, UniCredit Bank Austria AG, UniCredit Bulbank, Zagrebačka banka d.d., UniCredit UniCredit Bank AG New York Branch, and another. In particular, the Macroeconomic Research Unit has its own informational barrier to prevent the disclosure or inappropriate circulation of confidential or privileged information. The research re-ports include public information pertaining to conflicts of interest and other material interests. Analysts are supervised and managed on a day-to-day basis by line managers who do not have responsibilities or activities related to investment and finance activities or other activities related to the sale of securities to clients.

ADDITIONAL REQUIRED DISCLOSURES UNDER THE LAWS AND REGULATIONS OF JURISDICTIONS INDICATED

You will find a list of further additional required disclosures under the laws and regulations of the jurisdictions indicated on our website https://www.unicreditresearch.eu/index.php?id=disclaimer .

UniCredit Bank

UniCredit Research*

CEE Macro & Strategy Research

Marco Valli
Global Head of Research,
Chief European Economist
+39 02 8862-0537
marco.valli@unicredit.eu

Dr. Ingo Heimig
Head of Research Operations
& Regulatory Controls
+49 89 378-13952
ingo.heimig@unicredit.de

Head of Macro Research

Marco Valli
Global Head of Research,
Chief European Economist
+39 02 8862-0537
marco.valli@unicredit.eu

Heads of Strategy Research

Dr. Luca Cazzulani
Head of Strategy Research
FI Strategist
+39 02 8862-0640
luca.cazzulani@unicredit.eu

Elia Lattuga
Cross Asset Strategist
Deputy Head of Strategy Research
+39 02 8862-0851
elia.lattuga@unicredit.eu

EEMEA Economics Research

Dan Bucşa
Chief CEE Economist
+44 207 826-1954
dan.bucsa@unicredit.eu

Gökçe Çelik
Senior CEE Economist
+44 207 826-1032
gokce.celik@unicredit.eu

Mauro Giorgio Marrano
Senior CEE Economist
+43 50505-82712
mauro.giorgiomarrano@unicredit.eu

Artem Arkhipov
Head, Macroeconomic Analysis
and Research, Russia
+7 495 258-7258
artem.arkhipov@unicredit.ru

Hrvoje Dolenec
Chief Economist, Croatia
+385 1 6006-678
hrvoje.dolenec@unicreditgroup.zaba.hr

Pavel Sobíšek
Chief Economist, Czech Republic
+420 955 960-716
pavel.sobisek@unicreditgroup.cz

Ľubomír Koršňák
Chief Economist, Slovakia
+421 2 4950 2427
lubomir.korsnak@unicreditgroup.sk

Anca Maria Negrescu
Senior Economist, Romania
+40 21 200-1377
anca.negrescu@unicredit.ro

Kristofor Pavlov
Chief Economist, Bulgaria
+359 2 923-2192
kristofor.pavlov@unicreditgroup.bg

Zsolt Becsey, Jr.
Chief Economist, Hungary
+3630 819 0489
zsolt.becsey@unicreditgroup.hu

Cross Asset Strategy Research

Elia Lattuga
Cross Asset Strategist
Deputy Head of Strategy Research
+39 02 8862-0851
elia.lattuga@unicredit.eu

FX Strategy Research

Eszter Gárgyán, CFA
FX Strategist - CEE
eszter.gargyan@unicredit.de

UniCredit Research, UniCredit Bank GmbH, Arabellastraße 12, D-81925 Munich, globalresearch@unicredit.de
Bloomberg: UCGR, Internet: www.unicreditresearch.eu