

Macroeconomic and Strategic Analysis

UniCredit Weekly Report



Romanian retail sales continued to increase in March

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Weekly briefing

Last week, the US University of Michigan consumer sentiment declined sharply by 9.8 points to **67.4 in May**, more than expected [UniCredit forecast: 75; consensus: 77], from 77.2 in April. **From the beginning of 2024, US consumer sentiment index was quite volatile, in May reaching its lowest level in six months.** Both current conditions (68.8 vs. 79 in April) and expectations (66.5 vs. 76) declined. The inflation expectations for next 12-months rose to 3.5%, the highest in six months, from 3.2% in April. **The optimism in US deteriorated following the worries on unemployment, the disinflation trend and the Fed postponing the rate cuts to the second part of the year.**

Germany's factory orders decreased by 0.4% mom in March [UniCredit Research: +0.5%], after a downwardly revised reading of -0.8% (from +0.2%) in the previous month. **Excluding big-ticket items, the new orders increased by 0.1% mom in March.** Exports rose by 0.9% mom in March (February: -1.6%) and imports increased by 0.3% mom (February: +3.0%). The **German industrial production declined by 0.4% mom in March** [UniCredit Research and consensus: -1.0% mom] after two consecutive rises, of 1.3% in January and of 1.7% in February. On a less volatile quarterly average basis, **industrial activity increased 1.0% qoq in 1Q24, its strongest expansion in a year.** Manufacturing declined by 0.4% mom in March, while construction rose by 1.0% mom. In energy-intensive sectors, such as chemical industry, production remained flat in March (1Q24: +4.8% qoq).

Romanian retail sales increased by 4.3% yoy in March (seasonally adjusted data – s.a.), after 7.1% yoy increase in February. The sales rose at a slower pace than we expected [UniCredit forecast: 5.2% yoy] due to a strong base effect, as in March 2023 was recorded the peak of retail sales of 2023 year. **On a monthly basis, they slightly accelerated to 0.7% mom (s.a.)** from 0.6% mom in February, driven by higher fuel sales (+2.1% mom), while non-food sales decelerated to 0.1% mom and food sales declined by 0.4% mom. **Romanian ILO unemployment decreased to 5.3% yoy in March**, from 5.6% yoy in February. The jobless rate decreased by 0.2pp vs. March 2023 and the number of unemployed people (gross data) was lower by 20.602 (-4.4% yoy). The **Romanian producer prices continued to decline by 7.9% yoy in March**, after 6.3% yoy decline in February, **mainly due to a base effect.** Their decline accelerated to -1.8% mom from a -0.8% in February driven by the lower prices on internal market (-2.5% mom). **Romanian trade deficit was rose**, as expected, **to EUR 2.5bn in March**, higher by 4.9% than in the same period of 2023. Compared to March 2023, **both exports and imports decreased** by 9.8% yoy and 6.7% yoy, respectively.

The calendar is busy this week. The **expectations for Germany consumer sentiment (ZEW Survey) will likely improve** (Tuesday). In **US, it is expected a slight deceleration in both CPI inflation and retail sales in April** (Wednesday). **Eurozone industrial production will likely decline** by -0.5% mom in March and **Eurozone 1Q24 GDP will rise at a similar pace (+0.3% qoq) with 4Q23** (Wednesday). **US industrial production will likely slow down in April** (Thursday). In Romania, **we expect NBR to deliver a first cut to 6.75% on Monday** as the **April inflation is expected to decline at 6.1% yoy due to base effects in food prices** (Tuesday). We expect **Romanian GDP grew by 2.7% in 1Q24, correcting the unexpected quarterly drop in 4Q23** (Wednesday).

Data spotlight: 6 – 10 May

CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.0797	0.21%	0.51%
EURCHF	155.72	0.16%	2.60%
USDJPY	1.25	-0.01%	-1.20%
GBPUSD	1.2360	-0.42%	4.36%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.2885	-0.34%	0.53%
EURHUF	387.10	-0.24%	-1.06%
EURCZK	24.78	-0.61%	-2.60%

CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
13-May	4.9765	4.6156	6.0959	347.32

CURRENCIES - RON

	EURRON	USD RON
13-May	4.976	4.610
10-May	4.978	4.621
9-May	4.975	4.614

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
13-May	5.9	5.9	6.2	6.7
8-May	5.9	6.0	6.2	6.7

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
13-May	6.00	6.02	6.05
10-May	6.00	6.12	6.05
9-May	6.01	6.01	6.04

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
10-May	3.86	3.82	3.79
9-May	3.86	3.81	3.80
8-May	3.87	3.81	3.80
USD Libor	1M	3M	6M
10-May	5.40	5.59	5.74
9-May	5.40	5.59	5.74
8-May	5.42	5.60	5.76

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	5,222.7	0.16%	3.18%
FTSE	8,417.9	-0.19%	5.68%
Hang Seng	19,115.6	0.80%	15.15%
Bucharest BET	17,292.0	0.41%	1.35%

Romanian Economy

■ Romanian retail sales continued to increase in March

Retail sales increased by 4.3%yoy in March (seasonally adjusted data – s.a.), after a 7.1%yoy increase in February. The sales rose at a slower pace than we expected [UniCredit forecast: 5.2%yoy] due to a strong base effect, as March 2023 was last year's peak for retail sales. On a monthly basis, they slightly accelerated to 0.7%mom (s.a.) from 0.6%mom in February. On components, the fuel sales increased by 2.1%mom likely driven by the higher oil price, while non-food sales decelerated to 0.1%mom (vs.0.6%mom in February) and food sales declined by 0.4%mom (vs. +0.2%mom in February). Compared to the same month of the previous year, the sales of non-food items strongly increased by 10.9%yoy and the sales of fuels rose by 5.1%yoy, while the sales of food decreased by 1.7%yoy.

■ ILO unemployment decreased in March

The NIS released the unemployment figures for March, showing a significant decrease to 5.3%yoy, from 5.6%yoy in the previous month. In annual terms (vs. March 2023), the jobless rate decreased by 0.2pp and the number of unemployed people (gross data) was lower by 20.602 (-4.4%yoy). The active population remained stable in comparison to February 2024, at around 8.3 million.

Data spotlight: 6 – 10 May**Romanian Economy (continued)****■ Romanian producer prices continued to decline in March**

Producer prices declined by 7.9%yoy in March, after a 6.3%yoy decline in February, mainly due to a base effect. On a monthly basis, their decline accelerated to -1.8% from a -0.8%mom drop in February, driven by the decline of prices on the internal market (-2.5%mom), while on the external market they increased by 0.2%mom. The largest price decreases were recorded for the production of electricity, gas, steam and air conditioning supply (-7.2%mom), for mining of coal and lignite (-3.6%mom) and for manufacture of coke and refined petroleum products (-1.9%). On the other hand, the highest increases were recorded for manufacture of computer, electronic and optical products (+1.9%mom), for other mining and quarrying (+1.3%mom) and manufacture of beverages (+1.2%mom).

■ The trade deficit was 2.5bn EUR in March 2024

The trade deficit increased in line with our expectations at EUR 2.5bn in March, higher by 4.9% than in the same period of 2023. Compared to March 2023, both exports and imports decreased by 9.8%yoy and 6.7%yoy, respectively. In 3M24, the largest decreases in import volumes were seen for beverages and tobacco (-15.4%yoy), mineral fuels, lubricants and related materials (-11.9%yoy) and raw materials (-8.9%yoy) likely due to their high prices and the lower demand from the local industry, while only the chemicals and related products category recorded an increase (+2.4%yoy). On the exports' side, the largest decreases were seen for mineral fuels, lubricants and related materials (-32.7%yoy), raw materials (-14.6%yoy) and animal and vegetable oils, fats and waxes (-12.1%yoy) likely due to weakening industrial activity globally and especially in Germany, Romania's main trading partner, while an increase was seen for chemicals (+4.2%yoy). Around 74% of the trade activity was with the European Union.

Data spotlight: 6 – 10 May**European Economy****■ Germany's factory orders slightly decreased in March**

New orders in manufacturing declined by 0.4%mom in March [UniCredit Research: +0.5%], after a downwardly revised reading of -0.8% (from +0.2%) in the previous month. However, excluding big-ticket items, the new orders increased by 0.1%mom in March. Real sales declined 0.7%mom, which signals a decrease in tomorrow's industrial production figure [UniCredit Research: -1.0%]. Exports rose 0.9% mom in March (February: -1.6%) and imports increased 0.3% (February: +3.0%).

■ German industrial production declined in March

Industrial production declined by 0.4% mom in March [UniCredit Research and consensus: -1.0%mom] after two consecutive rises, of 1.3% in January and of 1.7% in February. On a less volatile quarterly average basis, industrial activity increased 1.0%qoq in 1Q24, its strongest expansion in a year. In terms of sectors, manufacturing declined by 0.4%mom in March, while construction rose by 1.0%mom. In the energy-intensive sectors, such as chemical industry, production remained unchanged in March (1Q24: +4.8%qoq).

Data spotlight: 6 – 10 May**US Economy****■ US consumer sentiment sharply deteriorated in May**

The US University of Michigan consumer sentiment declined by 9.8 points to 67.4 in May, much more than expected [UniCredit Research forecast: 75; consensus: 77], from 77.2 in April. From the beginning of the year, the US consumer index was quite volatile, in May reaching its lowest level in six months. Both current conditions (68.8 vs. 79 in April) and expectations (66.5 vs. 76) declined. The inflation expectations for the next 12-months increased to 3.5%, the highest in six months, from 3.2% in April. The optimism in US deteriorated following the worries regarding the unemployment, the disinflation trend and the Fed postponing the rate cuts to the second part of the year.

Data spotlight: 13 – 17 May

International and Romanian Markets

■ The EURRON touched levels below 4.97 last week

The EURRON traded within the 4.9675-4.9768 range and ended the week at 4.9752, 14pips up compared to the closing of the week before. The pair briefly touched levels below 4.97 last Monday, Tuesday and Thursday with a low of 4.9675. In the rest of the week the pair was relatively stable.

■ The entire ROBOR curve continued to experience only marginal moves

Last week the ROBOR curve was relatively stable for all maturities, as excess liquidity remains abundant. The O/N-1W segment closed the week within the 6.00%-6.01% interval, marginally down (-1bp) from the end of the week before, while the 1M-3M segment remained inside 6.01%-6.05%.

■ MinFin auctions

Last Tuesday, the Ministry of Finance held an auction for two T-bonds with residual maturity of 9.5 years, respectively 2.5 years. For the first bond the bids were above the planned amount, at RON 1598.1mn vs. RON 400mn, enabling MinFin to place RON 1298.1mn. The average accepted yield was 6.7% (max. 6.74%), 11bp below the previous reopening two weeks ago. For the second one the bids exceeded the planned amount, at RON 630mn vs. RON 585mn. The average accepted yield was 6.22% (max. 6.23%), 1bp below the previous reopening two weeks ago.

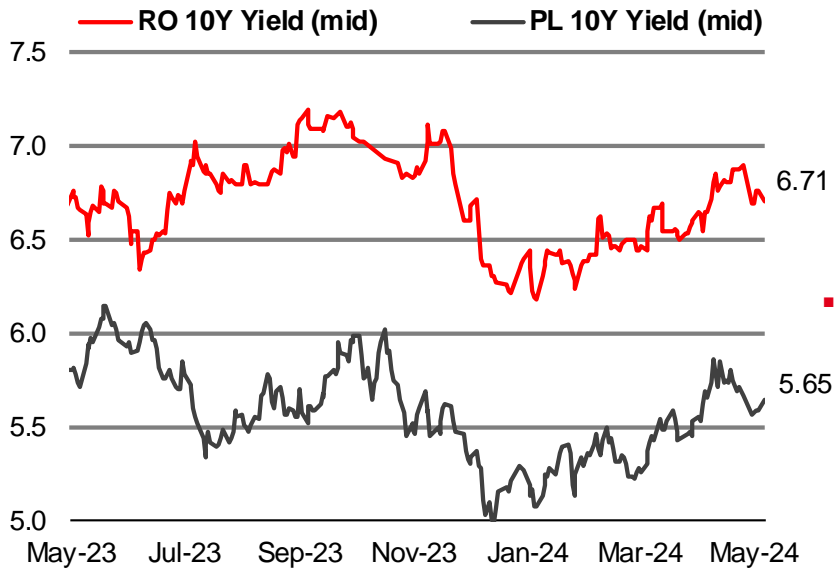
Last Thursday, the Ministry of Finance held an auction for two T-bonds with residual maturity of 7.1 years, respectively 4.0 years. For the first bond the bids were above the planned amount, at RON 419.5mn vs. RON 400mn, enabling MinFin to place RON 400mn. The average accepted yield was 6.69% (max. 6.70%), 11bp above the previous reopening one month ago. For the second one the bids exceeded the planned amount, at RON 520mn vs. RON 400mn, enabling MinFin to place RON 400mn. The average accepted yield was 6.32% (max. 6.35%), 8bp above the previous reopening two weeks ago.

■ FX markets

The University of Michigan consumer sentiment index dropped more than expected in May, but in FX, the remarks by Fed officials that it is too early to think about cutting rates prevented a more intense retreat by the USD across the board. EUR-USD failed to break through 1.08, with the US Dollar Index (DXY) stuck above 105. Both US headline and core CPI inflation will likely show deceleration on a monthly and annual basis. US Retail-sales data are expected to be less strong than in March, and the US industrial-production figures will probably remain weak as well. On balance, these data releases will probably result in continuation of the bearish sentiment for USD by reinforcing the market expectations for a first Fed rate-cut later this year. Consequently, the DXY might slip back below 105, while EUR-USD will probably break above 1.08.

Focus Ahead: 13 – 17 May

MinFin Issues



Data Source: Thomson Reuters

- According to the fixing levels, bond yields were stable last week on the short end, while they declined by up to 12bp on the long-end likely based on the market expectations for a first rate cut by NBR this Monday.
- This week, MinFin intends to place 400mn in 10.3Y T-bonds, respectively 1.8Y T-bonds on Monday together with 500mn in 6Y T-bonds and 300mn in 12M T-bills on Thursday.

BOND ISSUES - MAY

ISIN Code	Auction Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
RO7EKTXSRRHD6	30-May-24	28-Jan-26	20	400	lei			
RO0DU3PR9NF9	27-May-24	24-Feb-38	167	200	lei			
ROZV22LVN7Y2	23-May-24	27-Nov-24	6	300	lei			
ROJVM8ELBDU4	23-May-24	25-Apr-29	60	500	lei			
ROP9QVD42HO2	20-May-24	31-May-27	37	500	lei			
ROXXOKNWDB81	16-May-24	30-Apr-25	12	300	lei			
ROXL7LT7QZ66	16-May-24	29-Apr-30	72	500	lei			
RO7EKTXSRRHD6	13-May-24	28-Jan-26	21	400	lei			
ROTM7EDD92S2	13-May-24	31-Jul-34	124	400	lei			
ROCDG04X8WJ7	9-May-24	26-Apr-28	48	400	lei	520	400	6.32
RO1JS63DR5A5	9-May-24	28-Apr-31	85	400	lei	420	400	6.69
RON7NMKOKQG2	7-May-24	28-Oct-26	30	500	lei	630	585	6.22
ROWLVEJ2A207	7-May-24	30-Oct-33	115	400	lei	1,598	1,293	6.7

Focus Ahead: 13 – 17 May

Data Calendar

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
13-May-2024	Romania	Interest Rate Announcement, %		6.75	6.75	7.00
14-May-2024	GE	ZEW Survey - Current Situation (index)	May	-75.0		-79.2
	GE	ZEW Survey - Expectations (index)	May	47.0	45.0	42.9
	US	Consumer price index, CPI (% yoy)	Apr	3.4	3.4	3.5
	US	Core CPI (% yoy)	Apr	3.6	3.6	3.8
	US	Consumer price index, CPI (% mom)	Apr	0.3	0.4	0.4
	US	Core CPI (% mom)	Apr	0.3	0.3	0.4
	US	Retail Sales (% mom)	Apr	0.4	0.4	0.7
	Romania	CPI (% yoy)	Apr	6.1	6.5	6.6
	Romania	Industrial Output (% yoy)	Mar	-1.9		-2.2
	Romania	Current Account YTD (EUR mn)	Mar	-4304		-2707
15-May-2024	EMU	Industrial Production (% mom)	Mar	-0.5	-0.6	0.8
	EMU	Real GDP (% qoq)	1Q		0.3	0.3
	Romania	Wages Net (% yoy)	Mar	11.7		14.2
	Romania	GDP (% yoy)	1Q A	2.7	2.8	3.0
16-May-2024	US	Industrial Production (% mom)	Apr	0.1	0.2	0.4
17-May-2024	Romania	Industrial Sales (% yoy)	Mar			8.2

Data Source: Bloomberg

Economic Forecasts

MACROECONOMIC DATA AND FORECASTS

	2021	2022	2023	2024F	2025F
GDP (EUR bn)	241.7	284.1	321.7	351.5	376.0
Population (mn)	19.2	19.0	19.1	19.0	19.0
GDP per capita (EUR)	12,567	14,918	16,885	18,476	19,793
Real economy, change (%)					
GDP	5.7	4.1	2.1	2.7	1.9
Private Consumption	7.2	5.8	2.9	3.0	1.3
Fixed Investment	2.9	5.9	12.0	6.5	3.4
Public Consumption	1.8	-3.3	2.8	1.9	-0.4
Exports	12.6	9.7	-2.1	4.0	4.9
Imports	14.8	9.5	-1.8	5.5	3.9
Monthly wage, nominal (EUR)	1175	1303	1489	1698	1773
Real wage, change (%)	2.0	-2.2	3.6	8.2	0.2
Unemployment rate (%)	5.6	5.6	5.6	5.5	5.6
Fiscal accounts (% of GDP)					
Budget balance	-7.2	-6.3	-6.3	-6.3	-4.7
Primary balance	-5.7	-4.2	-4.4	-4.4	-2.9
Public debt	48.5	47.5	49.1	50.4	51.9
External accounts					
Current account balance (EUR bn)	-17.5	-26.0	-22.7	-23.2	-19.1
Current account balance/GDP (%)	-7.2	-9.2	-7.1	-6.6	-5.1
Extended basic balance/GDP (%)	-1.5	-3.6	-3.0	-2.7	-1.1
Net FDI (% of GDP)	3.7	3.1	2.0	1.8	1.8
Gross foreign debt (% of GDP)	56.5	50.7	52.5	50.5	49.3
FX reserves (EUR bn)	40.5	46.6	59.8	57.8	58.2
Months of imports, goods & services	4.3	3.9	5.1	4.6	4.5
Inflation/Monetary/FX					
CPI (pavg)	5.0	13.7	10.5	6.1	5.6
CPI (eop)	8.2	16.4	6.6	5.6	5.6
Central bank target	2.50	2.50	2.50	2.50	2.50
Central bank reference rate (eop)	1.75	6.75	7.00	6.00	4.50
3M money market rate (Dec avg)	2.83	7.66	6.25	5.55	4.58
USDRON (eop)	4.37	4.64	4.56	4.45	4.49
EURRON (eop)	4.95	4.95	4.97	4.99	5.07
USDRON (pavg)	4.16	4.68	4.57	4.49	4.43
EURRON (pavg)	4.92	4.93	4.95	4.98	5.04

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