

Macroeconomic and Strategic Analysis

UniCredit Weekly Report



Romanian annual inflation up at 5.1% in November

16 December, 2024

As this is the last weekly report of 2024, we take the opportunity to wish you a Merry Christmas, and to have a happy and joyful 2025!

We will resume on 20 January.

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

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

Alexander RAGEA
Junior Macroeconomic Economist
Alexander-Constantin.Ragea2@unicredit.ro

Weekly briefing

In **US**, the **CPI increased to 2.7%yoy in November**, for the 2nd consecutive month, after 2.6%yoy in October and 2.4%yoy in September, partly due to the unfavorable base effects. The **November Producer Price Index (PPI) showed a significant rise of 0.4%mom**, reaching an annual increase of 3.0%yoy. **The core PPI rose by 0.2%mom**, down slightly from last month's 0.3%.

In the **Eurozone**, the **ECB cut its deposit rate by a further 25bp to 3.0%**, as expected. **The refi rate and the marginal lending facility rate** have subsequently gone down by 25bp to **3.15% and 3.40%**, respectively. This action indicates a more optimistic outlook for inflation and a better transmission of the monetary policy.

In **Romania**, the **annual inflation came in slightly above our estimates, at 5.1% in November** [UniCredit: 5.0%; consensus: 5.05%]. **Core inflation was slightly up as well, at 5.7%yoy**. **The upward surprise came mainly from non-food prices accelerating to 4.1%** from 3.4% in October. The prices for food accelerated to 5.1% from 4.7% in October, while for services tempered slightly, to 7.6% from 7.7%. **The average net salary increased by +0.8% in October 2024** vs. September, to RON 5,268, due to granting of occasional bonuses, payments in kind and other allowances. **The annual growth pace stabilized at 12.3%yoy**. **The net real wage index increased by 7.3%yoy in October**.

The trade deficit increased more than expected to EUR -3.5bn in October, higher by about 33% than in the same month of 2023. Compared to October 2023, **both exports and imports increased by 0.5%yoy and 8.6%yoy**, respectively. In January-October 2024 the **trade deficit reached EUR 27.2bn**, rising by 17.2%yoy.

This week **the external calendar is busy**, including the **December composite PMI for the Eurozone and Germany** (Monday), the **Ifo Business Climate for Germany** (Tuesday), the **US Retail sales and Industrial Production** (Tuesday), the **Federal Reserves meeting on 17-18 December** where it is widely expected to be delivered another 25bp rate cut before the Fed adopts a more prudent stance at the beginning of 2025 (Wednesday), the **Gfk Consumer Confidence** (Thursday) and the **US Core PCE price index** (Friday).

In **Romania**, the **construction works data** will be released by NIS on Wednesday.

Data spotlight: 9 – 13 December

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	10496	-0.06%	-0.63%
EURCHF	0.94	-0.05%	0.10%
USDJPY	154.02	0.22%	-0.90%
GBPUSD	12647	0.31%	-0.49%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.2625	0.00%	-1.80%
EURHUF	408.85	-0.07%	0.26%
EURCZK	25.04	0.11%	-1.00%

CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
16-Dec	4.9759	4.7430	1.3140	0.6100

CURRENCIES - RON

	EURRON	USD RON
16-Dec	4.976	4.740
13-Dec	4.975	4.736
12-Dec	4.972	4.749

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
16-Dec	6.2	6.9	6.9	7.1
13-Dec	6.2	6.9	6.9	7.0
11-Dec	6.2	6.8	6.9	7.0

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
16-Dec	5.64	5.79	5.90
13-Dec	5.64	5.79	5.90
12-Dec	5.80	5.81	5.92

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
13-Dec	2.87	2.84	2.64
12-Dec	2.90	2.89	2.66
11-Dec	2.89	2.89	2.65
USDSFOR	1M	3M	6M
13-Dec	4.60	4.80	5.12
12-Dec	4.60	4.81	5.12
11-Dec	4.60	4.82	5.13

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	6,051.1	0.00%	1.12%
FTSE	45,642.0	0.01%	0.07%
Hang Seng	39,457.5	-0.03%	2.11%
Bucharest BET	19,795.5	-0.88%	1.90%

Romanian Economy

■ Annual inflation up at 5.1% in November

The annual inflation came in slightly above our estimates, at 5.1% in November [UniCredit: 5.0%; consensus: 5.05%]. Core inflation was slightly up as well, at 5.7%yoy. The upward surprise came mainly from prices of non-food products accelerating to 4.1% from 3.4% in October. Also, the food prices accelerated to 5.1% from 4.7% in October, while the services' prices tempered to 7.6% from 7.7%. CPI decelerated to 0.4%mom from 0.6% in October. The prices for food grew by 0.2%mom, for services by 0.3%mom, while for non-food surpassed expectations by 0.5pp, rising at +0.6%mom.

The highest increases were seen for fresh fruit (+6.6%mom) and eggs (+1.3%mom), for electric energy (+3.4%mom), for hygiene and cosmetic services and for TV subscriptions (+1.4%mom each). Heating down -4.9%mom, while prices for gas and fuel rose by 0.9%mom and 0.6%, respectively. Airfares decreased sharply, by 8.1%mom, but still recorded a solid growth of almost 9.3% YtD.

We expect the annual inflation at 5% or slightly above by year-end due to unfavorable base effects. A return of CPI below 3.5% upper bound of target range by 2026 is unlikely due to the upward pressure on food prices and the fiscal consolidation to be implemented the next year. Core inflation will likely decrease below 3.5% only towards end-2025 and the NBR will remain prudent, cutting the key rate not earlier than in the second half of 2025, to support the economic activity.

Data spotlight: 9 – 13 December**Romanian Economy (continued)****■ The Romanian trade deficit was EUR -3.5bn in October 2024**

The trade deficit increased more than expected to EUR -3.5bn in October [UniCredit: -3.2], higher by about 33% than in the same month of 2023. Compared to October 2023, both exports and imports increased by 0.5%yoy and 8.6%yoy, respectively. In January-October 2024 the trade deficit reached EUR 27.2bn, rising by 17.2%yoy. In 10M24 the largest increases in import volumes were seen for animal and vegetable oils, fats and waxes (+7.1%yoy), for food and live animals (+4.1%yoy), while the largest decline was recorded for mineral fuels, lubricants and related materials (-3.6%yoy) likely due to the lower demand from the local industry. On the exports' side, the largest increase was seen for beverages and tobacco (+17.3%yoy), for chemicals and related products (+15.0%yoy), while the most of export categories declined, with the largest decline for animal and vegetable oils, fats and waxes (-21.9%yoy), for mineral fuels, lubricants and related materials (-14.2%yoy), and food and live animals (-14.4%yoy). Around 72% of the trade activity was with the European Union. We expect a higher trade deficit in 2024 than in the previous year, with imports supported by high consumptions and exports affected by the lower external demand.

■ The average net salary increased in October

The average net salary increased by +0.8% in October 2024 vs. September, to RON 5,268, due to granting of occasional bonuses, payments in kind and other allowances. The annual growth pace stabilized at 12.3%yoy. The net real wage index increased by 7.3%yoy in October. The highest net salary increases in October were seen in computer, electronic and optical products (+12.0%mom), in mining of metal ores (+10.2%mom), and between +3.5% and +8.0% in mining of coal and lignite, manufacture of basic pharmaceutical products and pharmaceutical preparations, activities auxiliary to financial services and insurance activities, manufacture of tobacco products, manufacture of machinery and equipment. The largest decreases were recorded in extraction of crude petroleum and natural gas (-16.2%mom) and in manufacture of coke and refined petroleum products (15.8%) and n 2.0% and 8.5% in manufacture of basic metals, mining support service activities, manufacture of motor vehicles, trailers and semi-trailer.

Data spotlight: 9 – 13 December

European Economy

■ German inflation decreased by 0.2% in November

The consumer prices in Germany decreased by 0.2% compared to the previous month in November 2024, verifying initial projections, after a 0.4% rise in October. This represented the largest drop since November 2023.

■ The ECB cut its deposit rate by another 25bp to 3.0% in November

The ECB cut its deposit rate by a further 25bp to 3.0%, as expected. The refi rate and the marginal lending facility rate have subsequently gone down by 25 bp to 3.15% and 3.40%, respectively. This action indicates a more optimistic outlook for inflation and enhancements in the transmission of monetary policy. Inflation is anticipated to progressively decline, with predictions of 2.4% in 2024, 2.1% in 2025, and 1.9% in 2026. Core inflation, which excludes energy and food, is likewise predicted to decrease, aiming for a target of 2% in the medium term. The overall tone of communication was dovish. For the first time since the big inflation shock, the GC now regards risks to inflation as two-sided (i.e. broadly balanced). Unsurprisingly, the monetary policy statement no longer contains the reference to the need to keep rates at a restrictive level, which was replaced by a more generic need to determine “the appropriate monetary policy stance”. Given that the GC still regards a 3% deposit rate as restrictive, the monetary-policy signal is clear: interest rates are headed to a neutral level, if not below. The GC likely assessed that downside risks to the baseline for economic activity have increased since September, largely due to geopolitical factors. UniCredit expects 25bp cuts at consecutive meetings until March. The pace of easing will likely slow once the deposit rate reaches 2.5%, a level that the majority of the GC seems to regard as broadly neutral. UniCredit expects the deposit rate to reach a terminal level of 2% in September 2025.

Data spotlight: 9 – 13 December

US Economy

■ US PPI significant rise in November

The November Producer Price Index (PPI) showed a significant rise of 0.4% mom, reaching a 3.0%yoy. The core PPI rose 0.2%mom, down slightly from last month's 0.3%. The PPI release will help to refine forecasts for the core PCE deflator (the Fed's preferred measure of prices) due to be released later this month, as prices for some items including airfares, medical services and financial services are taken directly from the PPI rather than the CPI.

■ US headline inflation continued to rise in November, while core CPI was stable

The US CPI increased to 2.7%yoy in November, for the 2nd consecutive month, after 2.6%yoy in October and 2.4%yoy in September, partly due to unfavorable base effects. Energy costs increase decelerated (-3.2% vs -4.9% in October), mainly due to gasoline (-8.1% vs -12.2%) and fuel oil (-19.5% vs -20.8%), while natural gas prices increased (1.8% vs. 2%). Also, food prices accelerated (2.4% vs 2.1%) and prices for new vehicles declined less (-0.7% vs -1.3%). Inflation slowed for shelter (4.7% vs 4.9%) and transportation (7.1% vs 8.2%) and continued to decline for used cars (-3.4%). The inflation rose by 0.3%mom vs. 0.2%mom in October, mainly due to rise for shelter (+0.3%mom). Core CPI (excl. food and energy) increased by 3.3%yoy and 0.3%mom, the same evolution as in October, in line with forecasts. UniCredit still expects Fed to cut the interest rates by 25bp at its last meeting this year, on December 18.

Data spotlight: 9 – 13 December

International and Romanian Markets

■ The EURRON was relatively stable last week

The EURRON traded within a wider range the last week (4.9643-4.9727), depreciating to around 4.9720 on Friday, up by 40pips vs. the previous Friday 6 December, when the Constitutional Court canceled the first round of the Presidential elections, the event being positively perceived by the markets. Due to the ongoing political uncertainty, the pair is likely to remain under upward pressure.

■ The ROBOR curve continued the upward shift last week

The ROBOR rates declined by up to 8bp on the O/N – 1W segment, while the 1M-3M segment declined marginally. The O/N-1W segment closed last week at 5.61%/5.69%, while the 1M-3M segment at 5.80%-5.91%. The lower excess liquidity in the market is likely to lead to more volatility for ROBOR rates by the year-end.

■ MinFin auctions

Last Monday, the Ministry of Finance held auctions for two T-bonds with residual maturity of 2.5 years and 1.2 years. For both, the bids were much above the planned amount, at RON 1660.8mn, respectively RON 1150 vs. RON 400mn, the MinFin placing RON 1044.8mn, respectively RON 885mn. The average accepted yields were for the first one at 6.87% (max 6.88%), up by 65bp from a previous reopening two months ago and for the second one at 6.68% (max 6.69%), up by 35bp from a previous reopening three weeks ago. The yields increase in the first half of December was related to high political uncertainty after the unexpected result of the first round of the presidential elections, the votes recounting decided by CCR and finally the invalidation of the first round.

On Thursday, the Ministry of Finance held an auction for a T-bond with maturity of 10.5 years and a T-bill with a maturity of 1 year. The bids for the T-bond covered the planned amount, at RON 861.6mn vs. RON 500mn, enabling MinFin to place RON 562.0mn. The average accepted yield was 7.18% (max. 7.19%), which is 3bp above the yield at the previous reopening one month ago. On the T-bill, the bids covered the planned amount, at RON 2167.0mn vs RON 500mn, enabling MinFin to place RON 1724.7mn. The average accepted yield was 6.49% (max. 6.50%)

■ FX markets

In FX, the thinner market conditions as the holiday season approaches favor more intraday swings among major currencies. The EUR-USD showed resilience above 1.0450, but it continues to have difficulties holding gains much above 1.05. The release of economic data might impact the FX market, starting with PMI surveys for December to be released worldwide today. Any improvement across Eurozone might offer the euro an additional cushion to the downside. The Fed is expected to deliver another 25bp cut on Wednesday before adopting a more prudent stance at the beginning of 2025.

Data spotlight: 9 – 13 December**International and Romanian Markets (continued)****■ China is struggling with deflation**

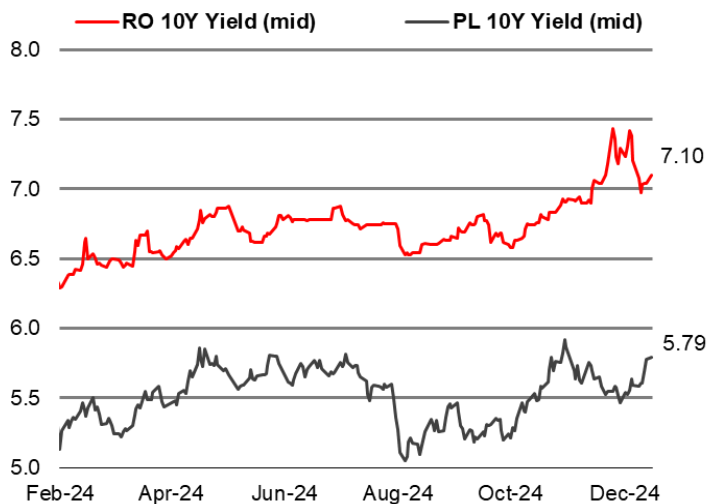
China is struggling with deflation despite the recent stimulus measures from Beijing and the central bank's supportive monetary policy.

Price pressure remained very weak in November. CPI inflation eased by 0.1pp, to 0.2%yoy, below the market forecasts of 0.5%yoy. Core inflation, excluding energy and food, recovered slightly from a low level, rising by 0.3%yoy, the most in three months, after a 0.2%yoy gain in October. On a monthly basis, the CPI fell 0.6%, more than 0.3%mom fall in October, at the fastest pace since March 2024.

The producer price index continued to decline in November, by -2.5%yoy from its previous -2.9%.

Focus Ahead: 16 – 20 December

MinFin Issues



Data Source: Thomson Reuters

- The Romanian yield curve decreased the last week by up to 29bp on the long end and by up to 16bp on the short end (to below 7% p.a.), according to the fixing levels, as the market optimism increased after CCR invalidated the first round of the presidential elections and decided that the electoral process will be reorganized.
- MinFin will issue a T-bill of RON 500mn with 6M maturity and a T-bond of RON 500mn with 3.4Y maturity on Monday and RON 500mn in 5.6Y T-bonds on Thursday.

BOND ISSUES - DECEMBER

ISIN Code	Auction Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
RO0DU3PR9NF9	23-Dec-24	24-Feb-38	160	600lei				
ROYNCLHRHV6	19-Dec-24	29-Jul-30	68	500lei				
ROZHQ5E1YP84	16-Dec-24	25-Jun-25	6	500lei				
ROCDG04X8WJ7	16-Dec-24	26-Apr-28	41	500lei				
ROGLBFYZC968	12-Dec-24	26-Nov-25	12	500lei		2,167	1,725	6.49
RODFIUK7ZV55	12-Dec-24	25-Apr-35	126	600lei		862	562	7.18
RO7EKTXRHD6	9-Dec-24	28-Jan-26	14	400lei		1,150	885	6.68
ROP9QVD42HO2	9-Dec-24	31-May-27	30	400lei		1,661	1,045	6.87
ROTM7EDD92S2	5-Dec-24	31-Jul-34	118	500lei		666	500	7.48
ROJVM8ELBDU4	2-Dec-24	25-Apr-29	54	500lei		985	710	7.17

Focus Ahead: 16 – 20 December

Data Calendar

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
16-Dec-2024	GE	Composite PMI (index)	Dec			47.2
	EMU	Composite PMI (index)	Dec	48.8	48.2	48.3
17-Dec-2024	GE	Ifo Business Climate (index)	Dec		85.6	85.7
	EMU	ZEW Economic Sentiment Index	Dec		11.8	12.5
	GE	ZEW Economic Sentiment Index	Dec		7	7.2
	US	Retail Sales MoM	Nov		0.5	0.4
	US	Industrial Production MoM	Nov		0.1	-0.3
18-Dec-2024	EMU	Inflation Rate MoM Final	Nov		-0.3	0.3
	US	Fed Interest Rate Decision			4.5	4.75
	RO	Construction works	Oct			
19-Dec-2024	GE	GfK Consumer Confidence (index)	Jan		-22	-23.3
	US	GDP Growth Rate QoQ Final	3Q		2.8	3
20-Dec-2024	US	Core PCE Price Index MoM	Nov		0.2	0.3
	EMU	Consumer Confidence (index)	Dec		-13.5	-13.7

Data Source: Bloomberg

Economic Forecasts

MACROECONOMIC DATA AND FORECASTS

	2021	2022	2023	2024F	2025F
GDP (EUR bn)	241.7	284.1	324.6	349.6	374.5
Population (mn)	19.2	19.0	19.1	19.1	19.0
GDP per capita (EUR)	12,567	14,917	17,035	18,346	19,685
Real economy, change (%)					
GDP	5.7	4.1	2.1	1.7	1.9
Private Consumption	7.2	5.8	2.8	5.8	2.2
Fixed Investment	2.9	5.9	14.4	4.6	4.2
Public Consumption	1.8	-3.3	6.0	0.7	-0.4
Exports	12.6	9.7	-1.4	-0.9	4.7
Imports	14.8	9.5	-1.4	5.8	4.9
Monthly wage, nominal (EUR)	1175	1303	1489	1717	1807
Real wage, change (%)	2.0	-2.2	3.6	9.7	1.7
Unemployment rate (%)	5.6	5.6	5.6	5.4	5.6
Fiscal accounts (% of GDP)					
Budget balance	-7.2	-6.3	-6.6	-7.4	-6.0
Primary balance	-5.7	-4.2	-4.7	-5.5	-4.2
Public debt	48.5	47.5	48.8	51.8	53.2
External accounts					
Current account balance (EUR bn)	-17.5	-26.0	-22.6	-24.6	-22.5
Current account balance/GDP (%)	-7.2	-9.2	-7.0	-7.0	-6.0
Extended basic balance/GDP (%)	-1.5	-3.6	-2.9	-3.2	-2.1
Net FDI (% of GDP)	3.7	3.1	2.0	2.0	2.0
Gross foreign debt (% of GDP)	56.5	50.7	52.4	52.8	52.9
FX reserves (EUR bn)	40.5	46.6	59.8	59.7	60.6
Months of imports, goods & services	4.3	3.9	5.0	4.9	4.8
Inflation/Monetary/FX					
CPI (pavg)	5.0	13.7	10.5	5.8	4.7
CPI (eop)	8.2	16.4	6.6	5.0	4.4
Central bank target	2.50	2.50	2.50	2.50	2.50
Central bank reference rate (eop)	1.75	6.75	7.00	6.50	5.00
3M money market rate (Dec avg)	2.83	7.66	6.25	5.66	4.72
USD RON (eop)	4.37	4.63	4.50	4.49	4.49
EUR RON (eop)	4.95	4.95	4.97	4.99	5.07
USD RON (pavg)	4.16	4.68	4.57	4.55	4.51
EUR RON (pavg)	4.92	4.93	4.95	4.98	5.04

Legal Notices

Glossary

A comprehensive glossary for many of the terms used in the report is available on our website:

<https://www.investmentinsights.unicredit.eu/glossary>.

MARKETING COMMUNICATION

This publication constitutes a marketing communication of UniCredit Bank S.A., UniCredit S.p.A., UniCredit Bank Austria AG, Schoellerbank AG and UniCreditBank GmbH (hereinafter jointly referred to as the “UniCredit Group”) is addressed to the general public and is provided free of charge for information only. It does not constitute investment recommendation or consultancy activity by the UniCredit Group or, even less, an offer to the public of any kind nor an invitation to buy or sell securities. The information contained herein does not constitute an investment research or financial analysis since, in addition to the lack of content, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

UniCredit Group, including all its group companies may have a specific interest in relation to the issuers, financial instruments or transactions detailed herein. Relevant disclosures of interests and positions held by UniCredit Group are available at: [ConflictsofInterest_PositionsDisclosures](#). Any estimates and/or assessments contained in this publication represent the independent opinion of the UniCredit Group and, like all the information contained therein, are given in good faith on the basis of the data available at the date of publication, taken from reliable sources, but having a purely indicative value and subject to change at any time after publication, on the completeness, correctness and truthfulness of which the UniCredit Group makes no guarantees and assumes no responsibility. Interested parties must therefore carry out their own investment assessments in a completely autonomous and independent manner, relying exclusively on their own considerations of the market conditions and the information available overall, also in line with their risk profile and economic situation. Investment involves risk. Before any transaction in financial instruments please refer to the relevant offering documents. It should also be noted that:

- 1.** Information relating to the past performance of a financial instrument, index or investment service is not indicative of future results.
- 2.** If the investment is denominated in a currency other than the investor’s currency, the value of the investment can fluctuate strongly according to changes in exchange rates and have an undesirable effect on the profitability of the investment.
- 3.** Investments that offer high returns can undergo significant price fluctuations following any downgrading of creditworthiness. In the event of bankruptcy of the issuer, the investor may lose the entire capital.
- 4.** High volatility investments can be subject to sudden and significant decreases in value, being able to generate significant losses at the time of sale up to the entire capital invested.
- 5.** In the presence of extraordinary events, it may be difficult for the investor to sell or liquidate certain investments or obtain reliable information on their value.
- 6.** If the information refers to a specific tax treatment, it should be noted that the tax treatment depends on the individual situation of the customer and may be subject to change in the future.
- 7.** If the information refers to future results, it should be noted that they do not constitute a reliable indicator of these results.
- 8.** Diversification does not guarantee a profit or protect against a loss.

The UniCredit Group cannot in any way be held responsible for facts and/or damages that may arise to anyone from the use of this document, including, but not limited to, damages due to losses, lost earnings or unrealized savings. The contents of the publication – including data, news, information, images, graphics, drawings, brands and domain names – are owned by the UniCredit Group unless otherwise indicated, covered by copyright and by the industrial property law. No license or right of use is granted and therefore it is not allowed to reproduce its contents, in whole or in part, on any medium, copy them, publish them and use them for commercial purposes without prior written authorization from UniCredit Group unless if purposes of personal use only.