Macroeconomic and Strategic Analysis

UniCredit Weekly Report

The annual inflation tempered to 7.2% in February

18 March, 2024

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Weekly briefing

The February CPI report brought another negative surprise for Fed, with core stabilized at 0.4% mom, against expectations for an easing. In yearly terms it edged down to 3.8%yoy, while accelerating to 4.2%yoy for three-months annualized. **Headline inflation accelerated to 0.4%mom and 3.2%yoy. Fed can hardly ignore that US inflation seems to stabilize at a too-high level,** after a period of extremely solid economic activity in 2H 2023. Yet, **UniCredit Research sees future wage pressures and services' inflation easing,** as the labour market is clearly softening. **A first rate cut could be delivered in June with cuts totaling 125bp this year,** as the economy and inflation slows, **with risks skewed towards a later start and fewer cuts in 2024.** The **US retail sales rebounded in February by 0.6%mom**, after -1.1%mom in January. The **US industrial production stagnated in February** (+0.1%mom), as expected, after a 0.5% decline in January.

Eurozone industrial output surprised to the downside declining by 3.2%mom in January [UniCredit and consensus: -1.5%]. **This is the sharpest decline since March 2023, driven mainly by the plummeting capital goods production affected by the weaker global demand.**

In Romania, the annual inflation tempered in line with our expectations to 7.2%yoy in February [UniCredit: 7.2%, consensus: 7.0%] after it spiked to 7.4%yoy in January due to several tax increase. **The prices were higher by 0.8%mom**, after +1.1%mom in January. **The fastest increase was for non-food prices (+0.9%mom),** while the monthly increase in prices for services and food halved from January, to +0.8%mom and 0.7%mom, respectively. **Core inflation tempered to 0.6%mom and to 7.6%yoy, indicating lower consumer inflationary pressures**. **Disinflation is expected to continue in March, when we estimate that annual inflation will fall below 6.5%** (data to be published on 11 April). **This release will thus confirm the second month of a downward path, enabling NBR to deliver the first key rate cut of 0.25pp to 6.75% at its monetary policy meeting on 13 May.** Thereafter, **we forecast that inflation will fall below 6% by the summer, leaving room for the NBR to continue its rate cutting cycle to 6% by year-end.** We assume that no significant tax measures will be taken before the several rounds of elections to be held between June and December 2024. As a result, **we forecast inflation at around 5.8% by year-end, with the inflation target being missed next year,** especially if VAT is raised in 2025. Higher taxes would dampen consumer demand and **we would expect the NBR to continue cutting in 2025 after delivering four cuts this year.** The **industrial production decreased by 3.4%mom in January, mainly driven by the decline in manufacturing** (-3.5%mom) which is highly export-related with the EU countries, especially Germany. The **trade deficit narrowed to EUR 2.0bn in January 2024, lower by 15.5%yoy. The current account deficit was EUR 1.4bn in January (+79%yoy)**, due to a significant drag from goods' trade balance (EUR 1.9bn deficit, albeit lower by 11%yoy).

This **week's data calendar** includes the **German ZEW survey likely to improve in March** (Tuesday), the **EU consumer confidence index for March** and **German PPI for February** (Wednesday) **to stay almost flat**, the **German and Eurozone composite PMIs for March likely closer to 50 threshold**, and the **Germany Ifo index expected to rise moderately** (Friday). The **Fed will likely keep its rates on hold with the updated projections set to confirm three rate cuts this year** (Wednesday).

UniCredit Bank

Data spotlight: 11 – 15 March

CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.0903	0.11%	1.63%
EURCHF	148.98	0.50%	-1.17%
USDJPY	1.27	-0.23%	1.05%
GBPUSD	1.2360	-0.42%	4.36%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.3110	0.14%	-0.62%
EURHUF	394.70	0.56%	1.45%
EURCZK	25.15	0.10%	-0.96%

CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
18-Mar	4.9715	4.5614	6.0731	316.40

CURRENCIES - RON

	EURRON	USDRON
18-Mar	4.972	4.560
15-Mar	4.971	4.566
14-Mar	4.971	4.568

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
18-Mar	6.0	6.0	6.2	6.7
13-Mar	6.0	6.0	6.2	6.6

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
18-Mar	6.05	6.05	6.10
15-Mar	6.01	6.05	6.10
14-Mar	6.01	6.22	6.13

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
15-Mar	3.86	3.93	3.91
14-Mar	3.84	3.93	3.90
13-Mar	3.86	3.94	3.89
USD Libor	1M	3M	6M
15-Mar	5.44	5.59	5.69
14-Mar	5.44	5.59	5.69
13-Mar	5.44	5.59	5.68

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	5,117.1	-0.65%	3.31%
FTSE	7,745.1	0.23%	0.43%
Hang Seng	16,737.1	0.10%	2.43%
Bucharest BET	16,348.7	0.63%	4.01%

Romanian Economy

- **The annual inflation tempered in line with our expectations in February**

Annual inflation tempered to 7.2%yoy in February, as expected [UniCredit: 7.2%, consensus: 7.0%] after it spiked to 7.4%yoy in January due to several tax increases (especially excise duties for fuels and tobacco). In monthly terms, prices were higher by 0.8% in February, after the +1.1%mom in January.

The fastest increase was recorded for non-food prices (+0.9%mom), while the monthly increase in prices for services and food halved from January, to +0.8%mom and 0.7%mom, respectively.

Within the non-food category, the highest increase was for detergents (+2.9%mom), hygiene and cosmetic items (+1.7%mom), tobacco (+1.8%mom) and fuels (+1.9%mom) after oil prices increased by around 3.9%mom to an average of 86 USD/barrel in February.

The prices for services increased especially due to bus transport (+2.6%mom), water supply and sewage collection (+2.0%mom), hygiene and cosmetic services (+1.3%mom), rental services (+1.1%mom), auto repairs (+1.1%mom), while air transport services declined by 17.4%mom as they tend to be very volatile due to seasonality in tourism.

Within the food category, the highest increase was for fresh fruits (+4.7%mom), followed by vegetables and tinned vegetables (+3.4%mom) and margarine (+2.0%mom).

Data spotlight: 11 – 15 March

Romanian Economy (continued)

The core inflation tempered to 0.6%mom in February (vs. 0.8%mom in January) and to 7.6%yoy (vs. 8.2%yoy), indicating lower consumer inflationary pressures. Disinflation is expected to continue in March, when we estimate that annual inflation will fall below 6.5% (data to be published on 11 April). This release will thus confirm the second month of a downward path, enabling NBR to deliver the first key rate cut of 0.25pp to 6.75% at its monetary policy meeting on 13 May. Thereafter, we forecast that inflation will fall below 6% by the summer, leaving room for the NBR to continue its rate cutting cycle to 6% by year-end.

We assume that no significant tax measures will be taken before the several rounds of elections to be held between June and December 2024. As a result, we forecast inflation at around 5.8% by year-end, with the inflation target being missed next year, especially if VAT is raised in 2025. Higher taxes would dampen consumer demand and we would expect the NBR to continue cutting in 2025 after delivering four cuts this year. Even if headline inflation remained outside the target range in 2025, the NBR could focus on an inflation measure that excludes tax changes.

- **The average net salary decreased in January**

The average net salary decreased by 4.3% in January 2024 vs. December 2023, to RON 4,859 due to granting of bonuses in the previous month. The annual growth pace tempered although it remained in double digits, to 14.2%yoy versus 15.5%yoy at the end of 2023. The net real wage increased by 6.3% in January compared to a year ago. The highest net salary increases in January were seen in education (+11.1%mom), air transport (+10%) and mining support service activities (+9.5%), while the highest decreases were recorded in mining of coal and lignite (-34.1%mom), manufacture of coke and refined petroleum products (-26%) and printing and reproduction of recorded media (-26.8%).

- **Romanian industrial production decreased more than expected in January**

Industrial production decreased by 3.4%mom (seasonally adjusted data) in January, mainly driven by the decline in manufacturing (-3.5%mom) which is highly export-related with the EU countries, especially Germany. Mining declined by 2.1%mom and the production of electricity, gas, steam and air conditioning supply by 0.3%mom. Compared to the corresponding month of 2023, the industrial production was lower by 3.9% on adjusted data, due to the sharp decline in mining (-7.4%), followed by manufacturing (-4.0%) and the electricity, gas, steam and air conditioning supply (-2.4%).

UniCredit Bank

Data spotlight: 11 – 15 March

Romanian Economy (continued)

- **The trade deficit was 2.0bn EUR in January 2024**

The trade deficit narrowed more than expected to EUR 2.0bn in January, lower by 15.5% than in the same period of 2023. Compared to January 2023, both exports and imports decreased by 1.3%yoy and 4.8%yoy, respectively. The highest decreases in import volumes were seen for manufactured goods classified mainly by raw materials (-EUR 166mn, -9.7%yoy), mineral fuels, lubricants and related materials (-EUR 96mn; -11.8%yoy), machinery and transport equipment (-EUR 66mn, -2.0%yoy) and chemicals and related products (-EUR 54mn, -3.8%yoy). On the exports' side, the highest increases were seen for machinery and transport equipment (+EUR 175mn, +5.5%yoy), while the largest decrease was seen for mineral fuels, lubricants and related materials (-EUR 164mn; -31.7%yoy) and manufactured goods classified mainly by raw materials (-EUR 51mn, -4.2%yoy). Around 74% of the trade activity was with the European Union.

- **The current account deficit was 0.4% of GDP at the end of January 2024**

The current account deficit in January 2024 was EUR 1.4bn, higher by about 79% vs. January 2023, due to a significant drag from the goods' trade balance (EUR 1.9bn deficit, albeit lower by 11%yoy). The surplus in services decreased by EUR 352mn to EUR 890mn in January 2024 vs. EUR 1.2bn in January 2023, mainly driven by the deficit of the cross-border tourism which increased 2.5 times in comparison to the previous year. The surplus from transport services rose by 8.4%yoy and from manufacturing services remained almost unchanged vs. January 2023. The surplus from the IT&C services declined in the first month of the year by 8.5%yoy, respectively EUR 43mn. The primary income deficit was of EUR 376mn vs. EUR 27mn surplus in January 2023, while the secondary income surplus decreased by 60%yoy to EUR 49mn. Foreign direct investments amounted EUR 583mn, down by 2.2%yoy, entirely driven by the reinvested earnings, while the intercompany lending flow was negative. The current account deficit narrowed to 7.1% of GDP at the end of 2023 from 9.2% of GDP at the end of 2022. This year, we expect the C/A deficit to further narrow and remain fully funded by EU transfers, FDI and sovereign external borrowing.

Data spotlight: 11 – 15 March

European Economy

Eurozone industrial production fell in January

Eurozone industrial output surprised to the downside declining by 3.2%mom in January [UniCredit Research and consensus: -1.5%], following a downwardly revised 1.6%mom increase in December. This is the sharpest decline since March 2023, driven mainly by the plummeting capital goods production (-14.5%mom) affected by the weaker global demand. The production of durable goods declined by 1.2%mom and of non-durable consumer goods by 0.3%mom. On a yearly basis, the industrial production decreased by 6.7% in January, after a range of eight months of contraction starting May 2023, the only exception being December 2023 when the production remained almost flat (+0.2%yoy).

Among the EU countries that made the data available, the largest monthly decreases were recorded in Ireland (-29.0%), Malta (-9.4%) and Estonia (-6.6%). The highest increases were seen in Poland (+13.3%mom), Slovenia (+10.6%mom) and Lithuania (+7.2%mom).

European Economy (continued)

ECB new operational framework: good news overall

Last week, the ECB published the outcome of the review of its operational framework, which will allow it to effectively steer short-term interest rates while it shrinks its Balance Sheet (Quantitative Tightening). The outcome mostly contains good news: narrowing to 15bps from 50bps of the spread between the MRO rate and the deposit facility rate, no major changes in collateral rules and no change in the minimum reserve requirement ratio, which remains at 1%. The Eurozone banking sector will benefit from flexible and stable sources of liquidity, which will, in turn, support financial stability.

These changes will come into effect on 18 September 2024. This will drive excess liquidity lower, possibly by as much as EUR 270bn. Hence, banks will have to deal, temporarily, with declining ECB refinancing. In theory, this could put upward pressure on short-term money-market rates until the changes come into effect. In practice, UniCredit Research expects such pressure to be very limited given that excess liquidity is likely to remain above EUR 3tn by then.

- This decision formalizes the adoption of a “floor system”, in which the deposit facility rate (DFR), currently at 4%, is the floor of the interest-rate corridor. The Eurosystem will provide liquidity through a combination of refinancing operations with different maturities and, at a later stage, structural longer-term refinancing operations and a structural portfolio of securities.
- Weekly main refinancing operations (MROs) will be the key tool for the ECB to provide liquidity to the banks and will be complemented by longer-term refinancing operations (LTROs) with maturities of three months. The spread between the MRO rate and the DFR will be reduced to 15bp from 50bp currently. The rate on the marginal lending facility (MLF) will be adjusted to remain 25bp above the MRO rate. UniCredit Research thinks that banks will satisfy their liquidity needs mainly through the weekly operations. Since three-month liquidity does not contribute to the NSFR, there is only a weak case for banks to prefer longer-term funding.
- The new operational framework defines a narrow corridor, which should limit volatility in short-term money-market rates. Going forward, money market and repo rates for ECB-eligible assets should remain capped at depo+15bp up to the three-month maturity, which corresponds to roughly €STR+25bp based on current market levels. Repo rates on government bonds already trade tighter than this, so the framework revision should be broadly neutral, at least in the short term. The new framework should also be broadly neutral for Euribor-OIS spreads, which are trading well inside €STR+25bp up to the three-month maturity.
- Structural longer-term refinancing operations, along with a structural portfolio of securities, will be introduced at a later stage, once “the Eurosystem balance sheet begins to grow durably again, taking into account legacy bond holdings”.

European Economy (continued)

- Little information was provided with regard to the structural asset portfolio. In a speech last November, ECB Chief Economist Philip Lane floated the possibility that such a portfolio might include bonds with both short and intermediate durations and might not be limited to the highest-rated securities. It also seems possible that the ECB might decide to prioritize supranational bonds and include private-sector bonds in addition to govies. We would not be surprised if the structural portfolio were to show a green tilt, in accordance with the ECB's secondary objective of supporting the general economic policies of the European Union.
- The ECB did not make changes to the criteria for accessing its deposit facility. €STR borrowing rates tend to reflect the rates charged by euro-area banks for liquidity-storage services to non-bank entities without access to the deposit facility. As these entities are often willing to pay rates below the DFR, the floor of the system will likely remain "leaky" – that is, overnight interest rates will continue to trade below the DFR in an environment of ample excess liquidity. Based on its historical relationship with excess liquidity, €STR should tighten towards DFR-5bp area as excess liquidity approaches EUR 3tn. As a caveat, in the last year, €STR has remained around 10bp below the DFR, 5bp lower than the historical relation would have suggested.
- Last but certainly not least, the ECB confirmed its minimum reserve requirement ratio, which remains at 1% of specific liabilities (mainly customers' deposits), at least for now. This is further good news, because the central bank has refrained from blurring its new framework with a decision that would have been perceived as mainly intended to reduce the hit to the P&L of certain national central banks.
- The GC plans to review the key parameters of the operational framework in 2026 but stands ready to adjust the design and parameters of the framework earlier, if necessary.

Data spotlight: 11 – 15 March

US Economy

- **The US CPI inflation for February brought another negative surprise for the Fed**

The February CPI report brought another negative surprise for the Fed, at the margin, with core inflation coming in higher than expected. Core inflation stabilized at 0.4%mom, against expectations for an easing to 0.3%mom, while in yearly terms it edged down to 3.8%yoy from 3.9%. Looking at smoother measures of core inflation than the monthly rate, the three-month annualized rate and six-month annualized rate accelerated to 4.2% and 3.9%, respectively. Both measures have been on an upward path since December 2023.

Headline CPI inflation accelerated from 0.3%mom to 0.4%, in line with expectations. In annualized terms, CPI rose 5.4%, moving further away from the pace that would be consistent with meeting the 2% target for PCE inflation. In yearly terms, inflation rose to 3.2%yoy from 3.1% [UniCredit and consensus: 3.1%]. The energy index rose 2.3%mom, while food prices were unchanged in February.

Looking at the breakdown of core inflation, the picture is not optimistic. Core goods inflation turned positive at 0.1%mom, after 8 consecutive months in the negative territory. The increase was driven by the prices for used vehicles and apparel that were up by 0.5%mom and 0.6%mom, respectively. The main driver of the monthly increase of the core inflation was the shelter (+0.4%mom). At the same time, the index for rent rose by 0.5%mom. The only positive news came from non-housing core services (or supercore) inflation, which dropped to 0.5%mom in February after jumping to 0.9%mom in January. Airline fares (which tend to be volatile) rose by 3.6%mom in February, while the index for motor vehicle insurance (which tends to reflect the past rise in car values) increased strongly again.

The disinflationary process is proving to be more challenging than previously envisaged. The Fed can hardly ignore that there was a pick-up in underlying pricing dynamics during the first two months of 2024, and this follows a period of extremely solid economic activity in 2H 2023. Even looking at smoother measures of core CPI inflation, the picture is one of the inflation stabilizing at a too-high level. This could just be a temporary setback along the path towards the 2% target, or it might be the result of economic strength amid loosening financial conditions. In UniCredit Research's view the wage pressures and the services inflation will further ease, as forward-looking indicators of the labor market (such as NFIB hiring intentions, Challenger job cut announcements, and the quits rate) all point to a clear softening, which should lead to a further easing of wage pressures and services inflation. Meanwhile, the surveys of the new rents continue to point to an easing in the CPI housing inflation over the next year. And it is important to note that the core PCE inflation (the Fed's preferred measure of inflation) tends to run somewhat below the core CPI inflation. The February PPI report on Thursday will provide additional information to forecast February core PCE inflation, which is due to be released on 29 March. UniCredit Research maintains its view that the first rate cut will come in June and the funds rate will be cut by a total of 125bp this year, as the economy and inflation slows. But the risks are skewed towards a later start and fewer cuts in total in 2024.

Data spotlight: 11 – 15 March

US Economy (continued)

US retail sales rebounded in February

US Retail sales increased by 0.6%mom in February, as expected [UniCredit: 0.6%, consensus: 0.8%], after a revised 1.1% decline in January when the sales were affected by one-off factors such as bad weather. The most increased the sales at building materials stores (+2.2%mom), motor vehicles (+1.6%), electronics appliance stores (+1.5%). The sales also increased at gas stations (+0.9%mom), retailers (+0.6%), food services and drinking places (+0.4%). The sales of other interest-rate sensitive categories such as furniture continue to remain subdued (-1.1%mom). On an annual basis, retail sales increased by 1.5%yoy in February, following a flat reading in January. Retail Sales (ex-auto) rose by 0.3%mom in February after a 0.6%mom decline in January. On an annual basis, retail sales (ex-auto) advanced by 1.5%yoy.

US Industrial production stagnated in February

US Industrial production remained almost flat in February (+0.1%mom), as expected, after a downwardly revised 0.5% decline in January. Manufacturing output rebounded to 0.8%mom and mining to 2.2%mom. At the same time, the utilities decreased by 7.5%mom as the demand for heating decreased in February due to weather improvement. On an annual basis, it edged down by 0.2% in February, after a revised 0.3% decline in January.

Data spotlight: 11 – 15 March

International and Romanian Markets

■ The EURRON ended the week slightly above 4.97

The EURRON traded within the 4.9631-4.9725 range and ended the week at 4.9706, 55pips up compared to the closing of last week. Last Monday, the RON continued to appreciate, touching a low at 4.9631 during the day due to increased EUR volumes. Afterwards, the currency resumed its usual overall depreciating trend, with EURRON ending the week above 4.97. As mentioned in the previous reports, we expect attempts of drops below 4.96 for the pair to be short-lived.

■ The entire ROBOR curve was stable

Last week the ROBOR curve prevailed close to the recent lows for all maturities. The O/N-1W segment closed the week within the 6.00%-6.01% interval, while the 1M-3M segment closed inside 6.01%-6.07%. Although the excess liquidity dropped in February to RON 46.65bn from almost RON 62bn in January, it continues to stay close to the historical high levels, arguing for the persistence of the low interest rate environment.

■ MinFin auctions

Last Monday, the Ministry of Finance held an auction for a T-bond with residual maturity of 1.9 years. Bids were above the planned amount, at RON 1,015.4mn vs. RON 500mn, enabling MinFin to place RON 995.4mn. The average accepted yield was 6.05% (max. 6.06%), 4bp above the previous reopening one month ago. It also reopened a T-bond with residual maturity of 14.1 years, the bids being slightly above the plan, at RON 393.2mn vs. RON 300mn, enabling MinFin to place RON 317.2mn. The average accepted yield was 6.6% (max. 6.62%), 5bp above the previous reopening two weeks ago.

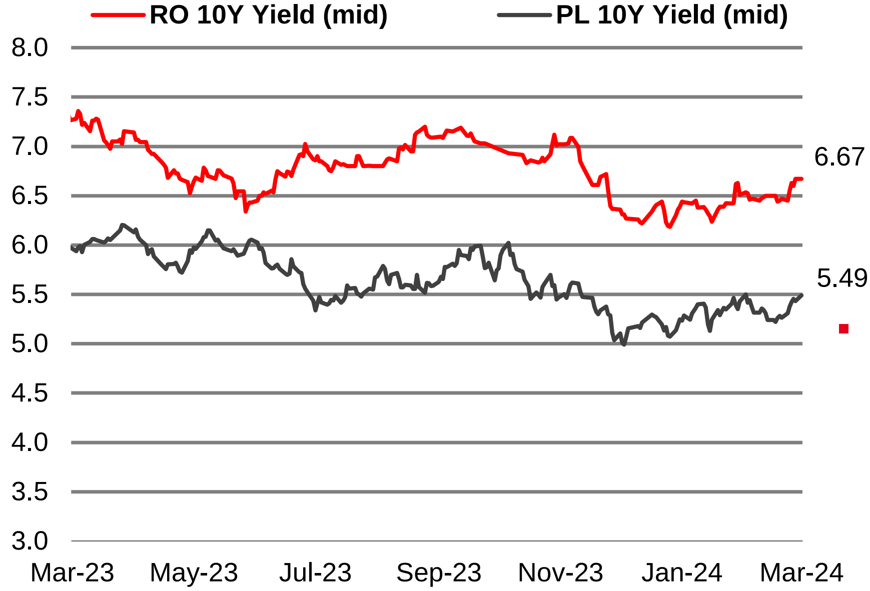
Last Thursday, the Ministry of Finance held an auction for a T-bond with residual maturity of 9.7 years and a 11M T-bill. Bids for the bond were above the planned amount, at RON 1.4bn vs. RON 500mn, enabling MinFin to place RON 800mn. The average accepted yield was 6.65% (max. 6.65%), 22bp up from the previous reopening six weeks ago. For the bill, the bids were also above the plan, at RON 1.1bn vs. RON 500mn and MinFin placed RON 968.8mn. The average yield accepted was 6.03% (max. 6.05%).

■ FX markets

In FX, the USD is still benefiting from investors again having adjusted their expectations about the Fed rate cut date, especially regarding the first one in June, following the release of US CPI and PPI data last week and a consequent new rise in long-term US yields. This is probably the main reason why EUR-USD slipped back slightly below 1.09.

Focus Ahead: 18 – 22 March

MinFin Issues



Data Source: Thomson Reuters

- According to the fixing levels of last week, the short end of the bond yield curve was stable, while the long end rose by up to 16bp, in line with the upward trend of the 10Y US yields following the still sound inflation data released recently.
- This week, MinFin intends to place 600mn in 7.3Y T-bonds on Monday together with 600mn in 6.2Y T-bonds on Thursday.

BOND ISSUES - MARCH								
ISIN Code	Auction Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
RON7NMKOKQG2	28-Mar-24	28-Oct-26	31	500	lei			
ROP9QVD42HO2	25-Mar-24	31-May-27	39	500	lei			
ROXL7LT7QZ66	21-Mar-24	29-Apr-30	74	600	lei			
RO1JS63DR5A5	18-Mar-24	28-Apr-31	87	600	lei			
ROWZRTRBXVD3	14-Mar-24	26-Feb-25	12	500	lei	1,082	969	6.03
ROWLVEJ2A207	14-Mar-24	30-Oct-33	117	500	lei	1,377	800	6.65
RO0DU3PR9NF9	11-Mar-24	24-Feb-38	170	300	lei	393	317	6.6
RO7EKTXSRHD6	11-Mar-24	28-Jan-26	23	500	lei	1,015	995	6.05
RO0JGJSYGX38	7-Mar-24	25-Sep-24	7	500	lei	1,019	739	6.02
ROJVM8ELBDU4	7-Mar-24	25-Apr-29	63	500	lei	1,116	698	6.37
ROTM7EDD92S2	4-Mar-24	31-Jul-34	127	300	lei	459	346	6.54
RON7NMKOKQG2	4-Mar-24	28-Oct-26	32	500	lei	1,021	656	6.13

Focus Ahead: 18 – 22 March

Data Calendar

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus (Bloomberg)	Previous
19-Mar-2024	GE	ZEW survey – current situation (index)	Mar	-78.0		-81.7
	GE	ZEW survey – expectations (index)	Mar	22.0	21.0	19.9
20-Mar-2024	GE	Producer Price Index, PPI (% yoy)	Feb	-4.0		-4.4
	EMU	European commission consumer confidence (index)	Mar	-15.0	-15.0	-15.5
	US	Federal Funds Target Rate (upper bound, %)	Mar	5.50	5.50	5.50
	Romania	Industrial Sales (%, yoy)	Jan			-4.0
21-Mar-2024	GE	Composite PMI (index)	Mar	47.0	47.0	46.3
	GE	Services PMI (index)	Mar	48.5	48.8	48.3
	GE	Manufacturing PMI (index)	Mar	44.0	43.8	42.5
	EMU	Composite PMI (index)	Mar	49.7	49.8	49.2
	EMU	Services PMI (index)	Mar	50.5	50.5	50.2
	EMU	Manufacturing PMI (index)	Mar	47.5	47.1	46.5
22-Mar-2024	GE	Ifo business climate (index)	Mar	86.2	86.0	85.5
	GE	Ifo expectations (Index)	Mar	84.7	87.3	84.1
	GE	Ifo current assessment (Index)	Mar	87.7	84.9	86.9

Data Source: Bloomberg

UniCredit Bank

Economic Forecasts

MACROECONOMIC DATA AND FORECASTS

	2021	2022	2023F	2024F	2025F
GDP (EUR bn)	241.7	286.6	322.9	350.7	372.7
Population (mn)	19.2	19.1	19.1	19.1	19.0
GDP per capita (EUR)	12,596	14,979	16,902	18,386	19,566
Real economy, change (%)					
GDP	5.7	4.6	1.4	3.0	1.6
Private Consumption	7.2	6.9	2.6	2.6	0.3
Fixed Investment	2.9	5.6	9.7	4.8	2.1
Public Consumption	1.8	3.1	1.0	1.9	-0.2
Exports	12.6	9.6	-0.4	3.7	4.7
Imports	14.8	9.9	-2.2	3.8	2.4
Monthly wage, nominal (EUR)	1175	1303	1481	1670	1756
Real wage, change (%)	2.0	-2.2	3.1	7.6	1.9
Unemployment rate (%)	5.6	5.6	5.4	5.4	5.5
Fiscal accounts (% of GDP)					
Budget balance	-7.1	-6.2	-6.3	-6.0	-4.6
Primary balance	-5.6	-4.2	-4.2	-3.9	-2.4
Public debt	48.5	47.2	49.3	50.9	52.2
External accounts					
Current account balance (EUR bn)	-17.5	-26.6	-20.8	-18.2	-16.5
Current account balance/GDP (%)	-7.2	-9.3	-6.4	-5.2	-4.4
Extended basic balance/GDP (%)	-1.4	-3.6	-2.3	-1.3	-0.5
Net FDI (% of GDP)	3.7	3.7	2.3	2.0	2.0
Gross foreign debt (% of GDP)	56.5	50.4	52.1	49.6	49.9
FX reserves (EUR bn)	40.5	46.6	59.8	58.6	63.4
Months of imports, goods & services	4.3	4.0	5.0	4.7	4.8
Inflation/Monetary/FX					
CPI (pavg)	5.0	13.7	10.5	6.3	4.9
CPI (eop)	8.2	16.4	6.6	6.0	3.9
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	4.00
3M money market rate (Dec avg)	3.01	7.57	6.22	5.32	3.93
USDRON (eop)	4.37	4.64	4.56	4.51	4.56
EURRON (eop)	4.95	4.95	4.97	5.05	5.15
USDRON (pavg)	4.16	4.68	4.57	4.45	4.40
EURRON (pavg)	4.92	4.93	4.95	5.02	5.10

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This report was completed on 15 January 2024.

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