

## Macroeconomic and Strategic Analysis

UniCredit Weekly Report



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# Romanian loans and deposits continued to increase in May

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25 June, 2024

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## Weekly briefing

Last week, EU leaders failed to reach agreement on the EU's top jobs. **The European Commission announced it intends to open excessive deficit procedures for seven countries**, including France and Italy. The **Eurozone composite PMI for March decreased to 50.8**, below expectations, from 52.2 in the previous month. New orders at the aggregate level contracted for the first time in four months, pressured considerably by low export demand. Regarding prices, **input cost inflation reached its lowest point this year**, enabling firms to raise output charges at the slowest rate in eight months. Nevertheless, it was the first case in 16 months where both services and factories experienced input inflation. The **ZEW growth expectations index for Germany rose to 47.5 in June** from 47.1 points in May. This is the eleventh consecutive increase and the highest level since February 2022, when the Russia-Ukraine war started. On the other hand, the **current situation component deteriorated to -73.8 from -72.3**.

**US retail sales increased by 0.1%mom in May**, following a downwardly revised 0.2%mom decrease in April. In general, **private consumption is losing momentum because of an erosion of savings, high interest rates and slower real disposable income growth**. Reportedly, an increasing number of Americans are relying on “buy now, pay later” schemes, even for essential items, including groceries. **US industrial production rose by 0.9%mom in May**, after being flat in the prior month. According to the May employment report, aggregate hours worked by production workers in the manufacturing sector rose by 0.5%mom, after declining by 0.4%mom in April. The outlook for production remains subdued, with the **ISM manufacturing new-orders index slumping to 45.4 in May**.

**Romanian non-governmental loans increased by 0.5%mom in May 2024**, due to the 0.6%mom increase of the loans denominated in RON and the 0.2%mom growth of the foreign currency credits, although the latter showed a strong deceleration from +1.4%mom in April. **On a yearly basis, the growth pace of the non-governmental loans was 5.7%yoy**, due to an increase for both RON and FX lending, by 7.6%yoy and by 1.6%yoy, respectively. The outstanding loans of households in local currency increased by 1.3%mom, while the foreign component continued its descent (-1.7%mom). Companies' loans decreased in May by 0.2%mom for the RON component, while the foreign currency component was up by 0.6%mom. In yearly terms, lending to individuals accelerated its growth to 5.3%yoy, while lending to companies slowed down to 6%yoy. On the deposits' side, the **total savings of the residents increased by 0.5%mom in May, maintaining a high yearly growth pace of 11%, as companies increased their savings in comparison to April**.

This week, the French parliamentary election might lead the country into a period of political deadlock (first round on 30 June). **In the US, core PCE inflation will probably decelerate to 0.1%mom in June**, while **edging down to 2.6%yoy (Friday)**. The **calendar for Romania doesn't include any major releases**.

## Data spotlight: 17 – 21 June

### CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.0715	-0.20%	-0.92%
EURCHF	159.68	-0.14%	1.87%
USDJPY	1.27	0.37%	-0.25%
GBPUSD	1.2360	-0.42%	4.36%

### CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.3010	0.14%	0.84%
EURHUF	396.25	0.25%	2.58%
EURCZK	24.83	-0.16%	0.36%

### CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
25-Jun	4.9768	4.6386	6.1116	348.02

### CURRENCIES - RON

	EURRON	USD RON
25-Jun	4.977	4.645
24-Jun	4.978	4.637
21-Jun	4.978	4.653

### FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
25-Jun	5.9	6.0	6.2	6.8
20-Jun	5.9	6.0	6.2	6.8

### MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
25-Jun	6.00	6.15	6.05
24-Jun	6.00	6.01	6.04
21-Jun	6.00	6.00	6.04

### MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
24-Jun	3.62	3.68	3.66
21-Jun	3.60	3.69	3.69
20-Jun	3.60	3.70	3.69
USD Libor	1M	3M	6M
24-Jun	5.46	5.60	5.70
21-Jun	5.46	5.61	5.70
20-Jun	5.46	5.61	5.71

### STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	5,447.9	-0.31%	2.67%
FTSE	8,264.6	-0.20%	0.13%
Hang Seng	18,072.9	0.25%	-4.01%
Bucharest BET	18,239.1	0.02%	3.16%

## Romanian Economy

### ■ Romanian loans and deposits continued to increase in May

Non-governmental loans increased by 0.5%mom in May 2024, due to the 0.6%mom increase of the loans denominated in RON and the 0.2%mom growth of the foreign currency credits, although the latter showed a strong deceleration from +1.4%mom in April. On a yearly basis, the growth pace of the non-governmental loans was 5.7%yoy, due to an increase for both RON and FX lending, by 7.6%yoy and by 1.6%yoy, respectively. The outstanding loans of households in local currency increased by 1.3%mom, while the foreign component continued its descent (-1.7%mom). Companies' loans decreased in May by 0.2%mom for the RON component, while the foreign currency component was up by 0.6%mom. In yearly terms, lending to individuals accelerated its growth to 5.3%yoy, while lending to companies slowed down to 6%yoy. On the deposits' side, the total savings of the residents increased by 0.5%mom in May, maintaining a high yearly growth pace of 11%, as companies increased their savings in comparison to April.

## ***Data spotlight: 17 – 21 June***

### **European Economy**

#### ■ **German investor morale increased slightly in June**

The ZEW growth expectations index rose to 47.5 in June [UniCredit Research and consensus: 50] from 47.1 points in May. This is the eleventh consecutive increase and the highest level since February 2022, when the Russia-Ukraine war started. On the other hand, the current situation component deteriorated to -73.8 from -72.3.

#### ■ **Eurozone PMIs decreased in June**

The Eurozone composite PMI for March decreased to 50.8 [UniCredit Research: 52.4; consensus: 52.5] from 52.2 in the previous month. New orders at the aggregate level contracted for the first time in four months, pressured considerably by low export demand. Regarding prices, input cost inflation reached its lowest point this year, enabling firms to raise output charges at the slowest rate in eight months. Nevertheless, it was the first case in 16 months when both services and factories experienced input inflation.

#### ■ **France and six other countries faced EU budget discipline measures**

Last Wednesday, the European Commission (EC) announced it will recommend France and six other EU countries (Belgium, Italy, Hungary, Malta, Poland, Slovakia) take corrective action after they were found to be in breach of the deficit and debt ceilings set under the bloc's fiscal rules. For five further countries (including Spain and Slovenia), the deficit was forecast to come in at close to 3% of GDP in 2024, so the commission decided to avoid the opening of an excessive deficit procedure (EDP). The decisions will be formalized by the EC in an EU Council meeting in July.

**Data spotlight: 17 – 21 June****US Economy****■ US retail sales increased marginally in May**

US retail sales increased by 0.1%mom in May [UniCredit Research and consensus: 0.2%], following a downwardly revised 0.2%mom decrease in April. Car sales rose, helped by price discounts at retailers. In general, private consumption is losing momentum because of an erosion of savings, high interest rates and slower real disposable income growth. Reportedly, an increasing number of Americans are relying on “buy now, pay later” schemes, even for essential items, including groceries.

**■ US Industrial production accelerated in May**

US industrial production rose by 0.9%mom in May [UniCredit Research and consensus: 0.3%], after being flat in the prior month. Manufacturing output increased by 0.9%mom, after declining by 0.3%mom in April. According to the May employment report, aggregate hours worked by production workers in the manufacturing sector rose by 0.5%mom, after declining by 0.4%mom in April. The outlook for production remains subdued, with the ISM manufacturing new-orders index slumping to 45.4 in May.

## Data spotlight: 17 – 21 June

### International and Romanian Markets

#### ■ The EURRON traded below 4.98 last week

The EURRON traded within the 4.9750-4.9784 range last week and ended it at 4.9775, unchanged in comparison to the closing level of the previous week. We do not expect sharp rises this summer, although the upward pressure is likely to continue.

#### ■ The entire ROBOR curve was relatively stable

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 moved inside 6.00%-6.02%.

#### ■ MinFin auctions

Last Monday, the Ministry of Finance held auctions for two T-bonds with maturities of 3.8 and 13.7 years. For the first bond, bids covered the planned amount, at RON 710mn vs. RON 500mn, enabling MinFin to place RON 500mn. The average accepted yield was 6.42% (max. 6.43%), which is 10bp above the yield paid at a similar auction six weeks ago. For the second one, bids were slightly above the planned amount, at RON 302.4mn vs. RON 300mn, but MinFin decided to reject them.

Last Thursday, the Ministry of Finance held an auction for a T-bond with residual maturity of 3 years. Bids covered the planned amount, at RON 618.6mn vs. RON 500mn, enabling MinFin to place RON 518.6mn. The average accepted yield was 6.27% (max 6.28%), up 1bp from the previous reopening one month ago.

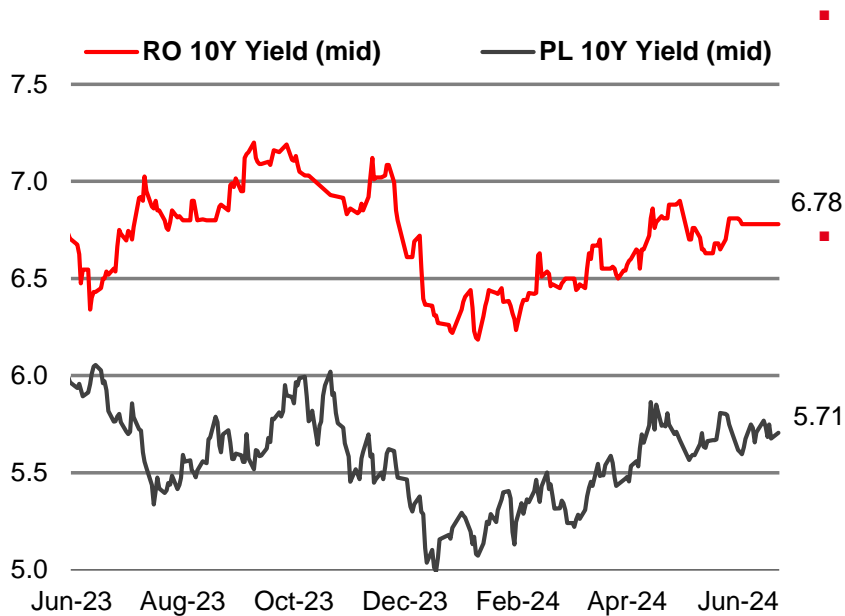
#### ■ FX markets

In FX, weaker-than-expected preliminary composite PMIs for June in the Eurozone weighed on the euro. Nonetheless, EUR-USD limited its fall below 1.07, remaining above its YTD low of 1.0668. Despite the minutes of the BoJ meeting in June flagged a possible new rate hike in July, USD-JPY is strongly exposed to fresh BoJ intervention after 159.92 has been touched, bringing a YTD peak of 160.17 within reach. Against this backdrop, the week will conclude with the first round of the upcoming parliamentary election in France (on Sunday).

CEE currencies remain exposed to peripheral bond spreads and USD volatility. Among the regional central banks, the NBH is the most reactive to FX weakness and may cushion the adverse impacts on the HUF by pausing rate cuts if external risks do not subside.

## Focus Ahead: 24 – 28 June

### MinFin Issues



Data Source: Thomson Reuters

- According to the fixing levels, bond yields increased last week by up to 9bp on the long end, while on the short end they decreased slightly.
- In case French election results in a hung parliament or cohabitation, UniCredit Research sees room for further underperformance of French govies vs. Bunds. Bund yields are little changed compared to a week ago, with the 10Y Bund yield currently trading below 2.4%.
- This week, MinFin intends to place RON 500mn in 1.6Y and 4.8Y T-bonds on Thursday.

#### BOND ISSUES - JUNE

ISIN Code	Auction Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
RO7EKTXSRRHD6	27-Jun-24	28-Jan-26	19	500lei				
ROJVM8ELBDU4	27-Jun-24	25-Apr-29	59	500lei				
ROP9QVD42HO2	20-Jun-24	31-May-27	36	500lei		619	519	6.27
RO0DU3PR9NF9	17-Jun-24	24-Feb-38	167	300lei		302	0	
ROCDG04X8WJ7	17-Jun-24	26-Apr-28	47	500lei		710	500	6.42
ROLGWS4778U3	13-Jun-24	28-May-25	12	600lei		3,010	2,312	6.02
ROTM7EDD92S2	13-Jun-24	31-Jul-34	123	500lei		1,240	1,023	6.86
ROXL7LT7QZ66	10-Jun-24	29-Apr-30	72	200lei		545	300	6.69
RON7NMKOKQG2	10-Jun-24	28-Oct-26	29	500lei		1,042	797	6.29
ROEDCYTB27Y9	6-Jun-24	31-Mar-25	10	600lei		2,381	2,331	6.03
RO1JS63DR5A5	6-Jun-24	28-Apr-31	84	500lei		606	480	6.75
ROJVM8ELBDU4	3-Jun-24	25-Apr-29	60	500lei		490	460	6.62
ROWLVEJ2A207	3-Jun-24	30-Oct-33	115	500lei		458	403	6.82

**Focus Ahead: 24 – 28 June**

**Data Calendar**

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
24-Jun-2024	GE	Ifo Business Climate (index)	Jun	90.0	89.5	89.3
	GE	Ifo Expectations (Index)	Jun	91.5	91.0	90.4
	GE	Ifo Current Assessment (Index)	Jun	88.7	88.1	88.3
25-Jun-2024	US	Conference Board Consumer Confidence	Jun	100.0	100.0	102.0
	Romania	Money supply M3 (% yoy)	May			11.4
26-Jun-2024	GE	GfK Consumer Confidence	Jul	-17.0	-18.0	-20.9
27-Jun-2024	EMU	M3 Money Supply (% yoy)	May	1.5	1.6	1.3
	EMU	European Commission Economic Sentiment (index)	Jun	96.0	96.4	96.0
	US	Real GDP (% qoq annualized, third estimate)	1Q	1.4	1.5	1.3
28-Jun-2024	GE	Unemployment Rate (%)	Jun	6.0	6.0	5.9
	GE	Unemployment Change (thousands, sa)	Jun	10	15	25
	US	PCE Core Inflation (% yoy)	May	2.6		2.8
	US	PCE Core Inflation (% mom)	May	0.1	0.1	0.2
	US	Personal Expenditures (% mom)	May	0.1	0.3	0.2
	US	Personal Income (% mom)	May	0.4	0.4	0.3

*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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