

Macroeconomic and Strategic Analysis

UniCredit Weekly Report



Romania will hold a second round of presidential elections on 8 December

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Weekly briefing

In the **US**, the number of building permits decreased slightly in October, by **0.6%**, reaching a seasonally adjusted annual rate of **1.416mn**, which was below the anticipated figure of **1.43mn**. The approval rate of units in buildings with five units or more decreased slightly by **3%**, while the number of single-family authorizations increased by **0.5%**. Moreover, housing experienced a decrease of **3.1% in October 2024**, reaching a seasonally adjusted annualized rate of **1.311mn**. This figure was lower than the revised September number of **1.353mn** and fell short of the projected **1.33mn**. The construction of **single-family homes saw a decline of 6.9%**, whereas the construction of **multi-unit houses increased by 9.8%** to reach **0.326mn**.

The final eurozone headline inflation accelerated to **2%yoy in October** bouncing back from a three-year low of **1.7% in September**, in line with the preliminary estimates. This increase was expected due to base effects. The inflation rate has now reached **ECB's target**. Final annual core inflation remained at **2.7%yoy in October**, in line with the preliminary estimates, at an all-time low since February 2022. The consumer confidence flash indicator in the eurozone fell by **1.2 to -13.7 in November**, below expectations and its historical average. In the European Union, sentiment declined as well by **1.1 to -12.4**. Wage growth negotiations in the euro area spiked to **5.42% in 3Q 2024**, marking the highest rise since the **first quarter of 1993** and accelerating from **3.5% 2Q 2024**. This is the highest reading since the inception of the euro and **0.65pp above the previous peak** in 1Q24. Such a jump largely reflects a surge recorded in Germany, where wage growth (including one-off payments) accelerated to a three-decade high of almost **9% yoy**, from just above **3%** in the previous quarter. The Eurozone Composite PMI dropped to **48.1 in November 2024** from **50** in October, falling short of expectations of **50** and signaling the sharpest contraction in private sector activity. This highlights the ongoing weakness in demand across the eurozone's largest economies, with a notable **decline in the service sector** (**49.2 vs. 51.6** in October) amplifying the **deeper slump in manufacturing** (**45.2 vs. 46**). The labor market appears to be holding up, although last month the employment index recorded a further mild decline below **50**.

In Romania, the first round of the presidential elections on **24 November** provided a big surprise with **Călin Georgescu**, an independent candidate, as a clear winner (**22.95%**), after counting **99.98%** of the votes. The **Save Romania Union (USR)** leader, **Elena-Valerica Lasconi**, came in second (**19.17%**) and the leader of the **Social Democratic Party (PSD)**, **Ion-Marcel Ciolacu** third (**19.15%**). The second round of voting will be held on **8 December**, with Romanians choosing between **Mr. Georgescu** and **Ms. Lasconi**. In September 2024, the volume of construction works increased by **2.8%mom (s.a. data)**.

This week, the release of **Germany's Ifo Business Climate Index** (Monday) and of more **preliminary CPI-inflation data in Germany** (Thursday) and for the entire eurozone (Friday) will likely be closely monitored. In the **US**, **housing data** (Tuesday), the **Conference Board's consumer confidence index**, **durable goods orders** and **personal income/PCE price** numbers (Wednesday) will be key releases, while the **Thanksgiving holiday on Thursday** will probably favor position paring towards the end of the week. In **Romania**, we will have the data for **October loans and deposits** (Tuesday).

Data spotlight: 18 – 22 November

CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.0477	0.55%	-2.84%
EURCHF	0.93	0.13%	-0.16%
USDJPY	154.51	-0.21%	1.26%
GBPUSD	1.2558	0.19%	-2.83%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.3245	-0.22%	-0.46%
EURHUF	410.40	-0.39%	1.77%
EURCZK	25.31	-0.17%	0.09%

CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
25-Nov	4.9767	4.7456	1.2907	0.6099

CURRENCIES - RON

	EURRON	USDRON
25-Nov	4.977	4.750
22-Nov	4.977	4.775
21-Nov	4.977	4.751

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
25-Nov	5.7	6.8	6.9	7.4
22-Nov	5.8	6.7	6.8	7.2
20-Nov	5.8	6.5	6.6	7.1

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
25-Nov	5.75	5.75	5.78
22-Nov	5.65	5.65	5.70
21-Nov	5.57	5.57	5.58

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
22-Nov	3.08	3.02	2.77
21-Nov	3.08	3.01	2.78
20-Nov	3.05	3.00	2.76
USDSFOR	1M	3M	6M
22-Nov	4.73	4.97	5.20
21-Nov	4.73	4.98	5.21
20-Nov	4.74	4.99	5.21

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	5,969.3	0.35%	2.97%
FTSE	8,273.9	0.14%	0.30%
Hang Seng	19,151.0	-0.41%	-6.99%
Bucharest BET	16,861.5	-1.59%	-3.50%

Romanian Economy

■ Romania will hold a second round of presidential elections on 8 December

The first round of the Romanian presidential elections on 24 November provided a big surprise, with Călin Georgescu, an independent candidate who campaigned via TikTok, as a clear winner with 22.95% of the votes, after counting 99.98% of the votes. The Save Romania Union (USR) leader, Elena-Valerica Lasconi, and the leader of the Social Democratic Party (PSD), Ion-Marcel Ciolacu were next, very close to each other, at 19.17% and 19.15%, respectively, separated by only 2178 votes in favor of the former. The final result is very different from the pre-election polls, which were showing Mr. Ciolacu (25%), Ms. Lasconi (12-19%) and the leader of Alliance for the Union of Romanians (AUR), George Simion (15-19%) in top 3, while Mr. Georgescu was seen as winning at most 10%. A second round of voting will be held on 8 December, with Romanians choosing between the independent Călin Georgescu and the Save Romania Union (USR) leader, Elena-Valerica Lasconi. The voting presence was 52.55%.

■ The volume of construction works increased in September

In September 2024, the volume of construction works increased by 6.1% in comparison to August 2024 (gross terms), and was up by 2.8%mom (s.a. data).

The new construction projects increased by 3.3%mom (s.a. data) and the ongoing repairs

Data spotlight: 18 – 22 November**Romanian Economy (continued)**

by 2.6%mom, while the capital repair works decreased by 3.2%mom. An increase in construction activity was noted for engineering projects, +6.4%mom, while both non-residential and residential buildings saw a decline, by 4.1%mom and 0.7%mom, respectively. In yearly terms, construction works increase by 2.4%yoy in September, driven by capital repairs (+10.8%yoy) and new constructions (+6.2%yoy). Infrastructure works expanded by 20.3%yoy, while residential buildings dropped by 22.5%yoy and non-residential buildings by 14.6%yoy. Thus, construction activity continues to be mainly supported by infrastructure projects, which benefit from EU funds, while the rest of the sector maintains a modest evolution.

Data spotlight: 18 – 22 November

European Economy

■ Final eurozone inflation rose to 2% in October

Final eurozone headline inflation accelerated to 2%yoy in October bouncing back from a three-year low of 1.7% in September, in line with the preliminary estimates. This increase was expected due to base effects, keeping in mind last year's sharp declines in energy prices are no longer accounted for into the annual rates. The increase in headline inflation was driven by an increase in prices for food, alcohol and tobacco, and non-energy industrial goods, while energy costs fell more slowly. The inflation rate has now reached ECB's target. Final annual core inflation remained at 2.7%yoy in October, in line with the preliminary estimates, at an all-time low since February 2022, but above the expected level [UniCredit and consensus: 2.6%]. Compared to the previous month, the CPI increased by 0.3%, following a drop of 0.1% in September.

■ Eurozone consumer confidence deteriorated in November

The consumer confidence flash indicator in the eurozone fell by 1.2 to -13.7 in November, below expectations and its historical average. In the European Union, sentiment declined as well by 1.1 to -12.4. Household sentiment has improved slowly but steadily over the last year, approaching its long-term average and moving closer to the levels prevailing before the beginning of the war in Ukraine. Slower inflation and a resilient labor market have been the main drivers. With the inflation shock behind us, the future trend in consumer confidence is likely to be largely determined by labor market conditions.

■ Wage growth negotiations in the eurozone touched a new high in 3Q 2024

Wage growth negotiations in the euro area spiked to 5.42% in 3Q 2024 [UniCredit:5.6%], marking the highest rise since the first quarter of 1993 and accelerating from 3.5% 2Q 2024. This is the highest reading since the inception of the euro and 0.65pp above the previous peak, reached in 1Q24. Such a jump largely reflects a surge recorded in Germany, where wage growth (including one-off payments) accelerated to a three-decade high of almost 9% yoy, from just above 3% in the previous quarter. When special payments are excluded, wage growth in Germany was a still solid 5.6%. With all of this, the data for eurozone negotiated wages is unlikely to change the trajectory of ECB monetary policy, mainly for three reasons: 1. The time series for negotiated wages is notoriously volatile, with one-off payments causing large swings. 2. Negotiated wages are a lagging indicator. They still reflect the high-inflation environment of the previous two years. 3. Other measures of wage growth, such as the tracker published by Indeed, point to a much more benign underlying trend. A 25bp cut in December remains virtually a done deal, and even the most hawkish members of the ECB's Governing Council seem to agree that interest rates should be cut further next year, towards a more neutral level.

Data spotlight: 18 – 22 November**European Economy (continued)****■ Eurozone PMIs fell in November**

The eurozone Composite PMI dropped to 48.1 in November 2024 from 50 in October, falling short of expectations of 50 and signaling the sharpest contraction in private sector activity. This outcome highlights the ongoing weakness in demand across the eurozone's largest economies, with a notable decline in the service sector (49.2 compared to 51.6 in October) amplifying the deeper slump in manufacturing (45.2 versus 46). Overall output decreased for the second time in three months, with both sectors contracting simultaneously for the first time this year. The downturn was driven by steep declines in new orders, as reduced backlogs failed to support activity. In response to lower capacity needs, businesses began cutting jobs. On the pricing side, input cost inflation rose to a three-month high, pushing output charges higher. Looking ahead, optimism about future growth weakened. This outcome signals that economic activity continued to stagnate midway through the fourth quarter, although PMIs have underestimated the pace of GDP growth in recent quarters. The labor market appears to be holding up, although last month the employment index recorded a further mild decline below 50. Any evidence of a clearer deterioration in hiring plans should be monitored closely, as this would have important implications for monetary policy.

Data spotlight: 18 – 22 November**US Economy****■ The number of building permits in the US decreased slightly in October**

The number of building permits in the United States decreased slightly by 0.6% in October 2024, reaching a seasonally adjusted annual rate of 1.416mn, which was slightly below the anticipated figure of 1.43mn. The approval rate of units in buildings with five units or more decreased slightly by 3%, reaching a total of 393,000, while the number of single-family authorizations increased by 0.5% to 968,000.

■ Housing starts in the United States experienced a decrease in October

Housing starts in the United States experienced a decrease of 3.1% in October 2024, reaching a seasonally adjusted annualized rate of 1.311mn. This figure was lower than the revised September number of 1.353mn and also fell short of the projected 1.33mn. The construction of single-family homes saw a decline of 6.9%, representing an annualized rate of 0.97mn, whereas the construction of multi-unit houses increased by 9.8% to reach 0.326mn.

Data spotlight: 18 – 22 November

International and Romanian Markets

■ **The EURRON continued to trade within a narrow range last week**

The EURRON continued to trade for the third consecutive week within a narrow 4.9752-4.9776 range and ended Friday's trading session close to the upper bound of the interval, at 4.9772, 10bp higher vs. the end of the previous week. With parliamentary elections and the second round of presidential elections scheduled in the following two weeks, political uncertainty remains high, likely to keep the pair under upward pressure.

■ **The ROBOR curve was subject to significant upward pressure last week**

The ROBOR rates rose by up to 17bp along the curve at the end of last week, due to lower excess liquidity and a risk off market sentiment in the CEE. The current ROBOR levels moved away from the deposit facility. The O/N-1W segment closed last week up by 13pp at 5.68%/5.70%, while the 1M-3M segment was up by 17bp, at 5.72%-5.75%.

■ **MinFin auctions**

Last Monday, the Ministry of Finance held an auction for a T-bond with residual maturity of 2.5 years. The bids came short of the planned amount, at RON 287.1mn vs. RON 700mn, resulting in no placement. The result is in line with the risk-off sentiment which was visible in the market already two weeks ago.

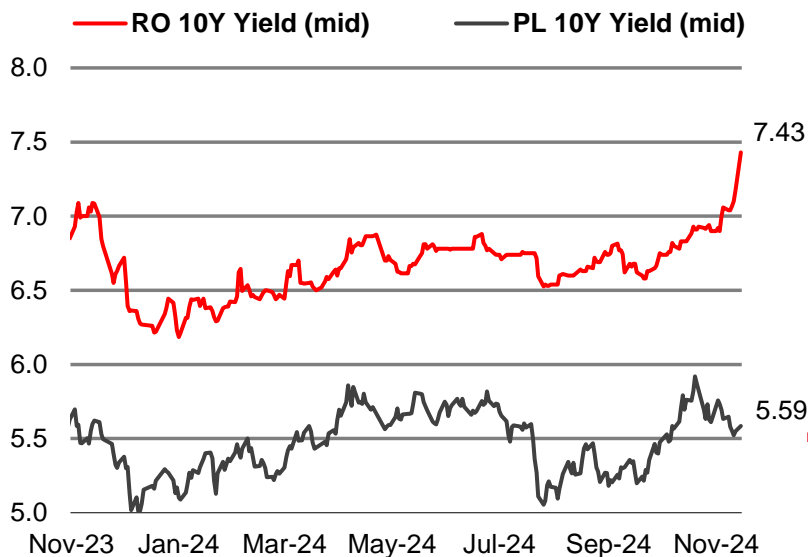
Last Thursday, the Ministry of Finance held auctions for a T-bond with maturity of 10.4 years and a T-bond with maturity of 1 year. For the first bond the bids covered the planned amount, at RON 778mn vs. RON 500mn, enabling MinFin to place RON 500mn. The average accepted yield was 7.15% (max. 7.16%), which is 33bp above the yield paid at the previous reopening one month ago. For the second bond, the bids didn't cover the planned amount, at RON 312mn vs. RON 700mn, enabling MinFin to place only RON 252mn. The average accepted yield was 6.33% (max. 6.34%), which is 31bp above the yield paid at the previous reopening almost two months ago.

■ **FX markets**

Preliminary PMI surveys for November revealed evidence that economic sentiment worsened across the eurozone, dragging EUR-USD below 1.04. Markets have returned to pricing in a distinct likelihood that the ECB might cut rates more than 25bp at the 12 December meeting. At present, the ECB is also regarded as the most aggressive G10 central bank in terms of easing, with nearly 150bp implied by forward rates by late 2025, compared to just 65bp for the Fed. The EUR-USD managed to rebound close to 1.05 at opening, as markets welcome Trump's nomination of Scott Bessent as Treasury secretary. Yet, a significant change in current market sentiment is unlikely to emerge soon. The USD is perceived as a buying opportunity. Very weak data releases in the US and stronger-than-expected data from the eurozone will be needed to provide the euro with some cushion to the downside.

Focus Ahead: 25 – 29 November

MinFin Issues



Data Source: Thomson Reuters

- The Romanian yield curve rose sharply last week due to lower liquidity and risk-off ahead of the presidential elections. The highest upward pressure was on the belly and the long end of the curve, by up to 29bp, according to the fixing levels. The sentiment remains sour given the political uncertainties in Romania.

▪ MinFin will have a busy week after supplementing the issuance calendar: RON 600mn in 3.4Y T-bonds on Monday, RON 500mn in 3M T-bills on Tuesday, EUR 150mn in 1Y T-bills and EUR 150mn in 3Y T-bonds on Wednesday and RON 500mn in 13.2Y T-bonds on Thursday.

BOND ISSUES - NOVEMBER

ISIN Code	Auction Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
RO0DU3PR9NF9	28-Nov-24	24-Feb-38	161	500lei				
ROACGEG607E2	27-Nov-24	14-Dec-26	25	150euro				
RO8CJ4RJR8S6	27-Nov-24	26-Nov-25	12	150euro				
RO6824OS6LR8	26-Nov-24	26-Feb-25	3	500lei				
ROCDG04X8WJ7	25-Nov-24	26-Apr-28	42	600lei				
RO7EKTXSRLD6	21-Nov-24	28-Jan-26	14	700lei		312	252	6.33
RODFIUK7ZV55	21-Nov-24	25-Apr-35	127	500lei		779	500	7.15
ROP9QVD42HO2	18-Nov-24	31-May-27	31	700lei		287	0	
ROYNCLHRHV6	14-Nov-24	29-Jul-30	69	500lei		790	500	6.87
ROTM7EDD92S2	11-Nov-24	31-Jul-34	118	600lei		732	600	6.95
ROOYW8TJIY78	7-Nov-24	27-Nov-25	13	400lei		605	400	5.94
ROJVM8ELBDU4	7-Nov-24	25-Apr-29	54	700lei		1,119	700	6.79
RON7NMKOKQG2	4-Nov-24	28-Nov-26	25	500lei		635	500	6.25

Focus Ahead: 18 – 22 November

Data Calendar

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
25-Nov-2024	DE	Ifo Business Climate	Nov		86.0	86.5
26-Nov-2024	Romania	Money supply m3 (% , yoy)	Nov			9.0
	US	House Price Index MoM	Sep			0.3
27-Nov-2024	DE	GfK Consumer Confidence	Dec		-18.2	-18.3
	US	Personal Income MoM	Oct		0.3	0.3
	US	Personal Spending MoM	Oct		0.3	0.5
	US	Core PCE Price Index MoM	Oct		0.3	0.3
28-Nov-2024	EMU	Consumer Confidence Final	Nov		-13.7	-12.5
	DE	Inflation Rate YoY Prel	Nov		2	2
29-Nov-2024	EMU	Core Inflation Rate YoY	Nov		2.4	2
	EMU	Inflation Rate YoY Flash	Nov		2.9	2.7

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

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

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