

Macroeconomic and Strategic Analysis

UniCredit Weekly Report



Romanian loans continued to accelerate their growth, while deposits decelerated in September

28 October, 2024

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

The Fed's Beige Book published last week showed that the economic activity in US was little changed in nearly all districts. Most districts saw slight or modest growth in both employment and prices. Labor turnover was reported as low, with limited layoffs. This strengthens the case that the Fed should remain cautious at its last two monetary policy meetings this year.

Eurozone consumer confidence improved further to -12.5 in October, from -12.9 in September, up for the second month, reflecting the optimism regarding ECB's further monetary easing expected this year. Eurozone and German PMIs stabilized in October, but the French PMIs deteriorated further. The Eurozone composite PMI edged up to 49.7 in October, but remained below expectations and the 50 points threshold. This broad stabilization reflects the resilience in the services' sector (at 51.2 vs 51.4) and a still-pronounced contraction in manufacturing (at 45.9 vs 45), although at a pace slightly softer than in September. The French composite PMI declined more than expected to 47.3 in October, from 48.6 in September, reflecting a deterioration in service activity (48.3 vs 49.6) amid weakening demand, while manufacturing remained weak (PMI at 44.5 vs 44.6). The German composite PMI improved by nearly a full point to 48.4, amid an easing of the pace of contraction in manufacturing (at 42.4) and improvement in services (at 51.4). The output in "the rest of the region" expanded at its fastest pace in four months. The ongoing economic weakness and a softening in the employment leaves the ECB on track for 25bp cuts at consecutive meetings until a more-neutral rate is reached. UniCredit expects the ECB deposit rate to decline to 2.5% by March and to 2% by September 2025. The German Ifo Business Climate Index increased for the first time in five months, to 86.5 in October, up by 1.1 points vs. September, significantly above expectations [UniCredit and consensus: 85.4]. "The German economy stopped the decline for the time being", said the Ifo President C. Fuest.

In Romania, the credit stock rose by 1.3%mom in September (vs. +1.0%mom in August), mainly due to RON component (+1.5%mom). It accelerated to 8.4%yoy, mainly due to RON loans (+11.1%yoy), while FX loans rose modestly by 2.6%yoy. The loans of households in RON slightly tempered their growth (+1.1%mom), while the FX component declined further (-1.6%mom). Companies' loans accelerated for both the RON (+2.1%mom) and FX components (+1.4%mom). The annual growth of the credit stock accelerated for both individuals (+7.8%yoy) and for companies (+8.9%yoy). Residents' savings rose by a modest 0.6%mom following a significant deceleration of companies' deposits to 0.3%mom. The annual growth of deposits decelerated to 8.6%yoy (vs. 10.9%), as companies' savings almost halved their growth pace to +4.4%yoy (vs. 8.7%yoy), while individuals' savings kept their double-digit growth (+11.5%yoy).

This week, in the Eurozone, GDP likely rose by 0.2%qoq in 3Q24 (Wednesday), while headline and core inflation likely moved in opposite directions in October, to 1.9%yoy and 2.6% (Thursday). In US, 3Q24 GDP likely grew by a solid 2.8%yoy (Wednesday), while October nonfarm payrolls rose modestly (Friday). Core PCE inflation likely rose in September (Thursday). In Romania, the unemployment rate was likely flat in September (Thursday), while the BCR Manufacturing PMI slightly improved and international reserves decreased in October (Friday).

Data spotlight: 21 – 25 October

CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.0823	0.23%	-2.78%
EURCHF	152.82	0.67%	6.80%
USDJPY	130	-0.05%	-3.31%
GBPUSD	1.2360	-0.42%	4.36%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.3495	0.13%	1.89%
EURHUF	404.70	0.04%	2.31%
EURCZK	25.37	0.30%	0.82%

CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
28-Oct	4.9735	4.5981	1.2327	0.5917

CURRENCIES - RON

	EURRON	USD RON
28-Oct	4.974	4.595
25-Oct	4.974	4.606
24-Oct	4.974	4.593

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
28-Oct	5.7	6.3	6.3	7.0
25-Oct	5.7	6.3	6.3	6.9
23-Oct	5.7	6.3	6.3	6.8

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
28-Oct	5.51	5.56	5.61
25-Oct	5.53	5.53	5.55
24-Oct	5.53	5.53	5.55

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
25-Oct	3.13	3.06	2.89
24-Oct	3.10	3.07	2.92
23-Oct	3.11	3.09	2.97

USDSFOR	1M	3M	6M
25-Oct	4.86	5.17	5.30
24-Oct	4.86	5.18	5.30
23-Oct	4.86	5.18	5.31

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	5,838.8	0.53%	1.63%
FTSE	45,593.0	0.01%	0.07%
Hang Seng	38,605.5	1.82%	-0.82%
Bucharest BET	20,599.4	0.04%	7.69%

Romanian Economy

Loans accelerated their growth, while deposits decelerated in September

The stock of non-governmental loans increased by 1.3%mom in September 2024 (from 1.0%mom in August), due to the 1.5%mom increase of the loans denominated in RON and the 0.9%mom growth of the foreign currency credits. On a yearly basis, the growth pace of the non-governmental loans accelerated to 8.4%yoy (from 7.7%yoy in August), mainly due to RON loans (+11.1%yoy), while FX loans increased modestly by 2.6%yoy. The outstanding loans of households in local currency slightly decelerated to 1.1%mom, while the foreign component continued its descent (-1.6%mom). Companies' loans accelerated in September both for the RON component, to 2.1%mom (from 1.4%mom in August) and the foreign currency component, to 1.4%mom (from 0.6%mom). In yearly terms, lending accelerated both for individuals to 7.8%yoy, mainly due to consumer loans up strongly by +15.4%yoy, while mortgage rose by only 2.9%yoy, as well as for companies 8.9%yoy. On the deposits' side, the total savings of the residents rose by a modest 0.6%mom (after 0.7%mom in August) following a significant deceleration of deposits from companies to 0.3%mom (from 1.5%mom in August). The yearly growth pace of total deposits decelerated to 8.6%yoy (from 10.9%yoy in August), as the companies' savings almost halved their growth pace (+4.4%yoy vs. 8.7%), while the individuals' savings maintained their double-digit growth (+11.5%yoy).

Data spotlight: 21 – 25 October

European Economy

■ Eurozone consumer confidence continued to improve in October

Eurozone consumer confidence increased in line with the market expectations to -12.5 in October [UniCredit Research: -12.5, consensus: -12.3], from -12.9 points in September. The index improved for the second consecutive month, reflecting the optimism regarding the ECB's further monetary easing expected this year.

■ Eurozone and German PMIs stabilized in October, while in France they deteriorated further

The Eurozone composite PMI edged up to 49.7 in October, from 49.6 in September. The index remained below the market expectations and the 50 points threshold which marks the contractionary territory. The new orders declined for the fifth month in a row and the employment to its lowest in four and a half years, while the business confidence declined to an 11-month low.

This broad stabilization reflects the resilience in the services' sector (51.2 vs 51.4) and a still-pronounced contraction in manufacturing (45.9 vs 45), although at a pace slightly softer than in September. The outcome signals that economic activity continued to stagnate at the beginning of the fourth quarter, although PMIs have underestimated the pace of GDP growth in recent quarters.

Eurozone Manufacturing PMI rose above expectations to 45.9 in October, from 45.0 in September. Despite this, manufacturing output continued to decline, although at a slower pace, amid the weak domestic and global demand. The new business declined, companies reducing their purchases and inventories. Supplier delivery times lengthened for the second month, at their worst since January.

Eurozone Services PMI deteriorated more than expected, for the second month, to 51.2 in October from 51.4 in September. The employment at the service providers almost stagnated. Looking forward, the softer demand continued to pressure the business confidence in services.

At a country level, there were some divergences between the two major Eurozone economies, Germany and France, although both of their composite indices remained in the contraction territory.

The French composite PMI declined more than expected to 47.3 in October, from 48.6 in September, reflecting a deterioration in service activity (48.3 vs 49.6 in September) amid weakening demand, while manufacturing remained weak (PMI at 44.5 vs 44.6). The German composite PMI improved by nearly a full point to 48.4, amid an easing of the pace of contraction in manufacturing (at 42.4) and improvement in services (at 51.4).

The note accompanying the data release for Eurozone indicates that output in “the rest of the region” expanded at its fastest pace in four months.

Implications for monetary policy: the ongoing economic weakness and a softening in the employment leaves the ECB on track for 25bp cuts at consecutive meetings until a more-neutral rate is reached. UniCredit expects the ECB depo rate to decline to 2.5% by March and 2% by September 2025.

Data spotlight: 21 – 25 October**European Economy****■ Germany Ifo Business Climate Index surprised to the upside in October**

The Ifo Business Climate indicator for Germany increased by 1.1 points to 86.5 in October, significantly above the market expectations [UniCredit and consensus: 85.4], after its decline to 85.4 in September. The index increased for the first time in five months. Both the current conditions and the business expectations improved to 85.7 from 84.4 and to 87.3 from 86.4, respectively. Probably because the latest bad news, especially for the export-dependent manufacturing sector, has already been priced in, over the last few months. “The German economy stopped the decline for the time being”, said the Ifo President Clemens Fuest.

Data spotlight: 21 – 25 October**US Economy****■ Fed's Beige Book**

The Beige Book published last week showed that the economic activity in US was little changed in nearly all districts since early September. Most districts reported declining manufacturing activity, while seeing a slight or modest growth in both employment and prices.

Consumer spending was mixed, with some districts signaling shifts in the composition of purchases, mostly toward less expensive products.

The housing market continued to expand and the home prices were steady or rose slightly. Some buyers remained cautious given the uncertainty regarding the path of the mortgage rates and the lack of affordable housing which remain persistent problems in many communities. The commercial real estate market was generally flat, although the data center and infrastructure projects boosted the activity in a few districts.

In agriculture, the hurricane impacted the crops and paused the business activity and the tourism in the Southeast of the US. The agricultural activity was flat to down modestly, with some crop prices remaining very low.

The activity in the energy sector was also flat or down modestly, and the producers' margins shrank due to the lower energy prices. Despite the high uncertainty, the longer-term outlook is somewhat more optimistic.

Labor turnover was reported as low, with limited layoffs. Demand for workers eased somewhat, with hiring focused primarily on replacement rather than growth. Worker availability generally improved, while it remained difficult to find workers with certain skills or in some industries, such as technology, manufacturing and construction. Wages continued to rise at a modest to moderate pace. With the improvement in the worker availability, the pace of wage increases is expected to slow down.

The banking sector activity was in steady to up slightly and the loan demand was mixed, with some districts showing an optimistic outlook due to the decline in the interest rates.

This strengthens the case that the Fed should remain cautious at its last two monetary policy meetings this year.

Data spotlight: 28 October – November 1

International and Romanian Markets

■ **The EURRON stood at relatively low levels last week**

The EURRON traded within a narrow 4.9720-4.9748 range for most of last week, although it briefly touched a high at 4.9769 on Friday. The EURRON closed the week at 4.9740, 15bp higher vs. the end of the previous week. We continue to expect a gradual uptrend.

■ **The ROBOR curve was almost stable last week**

Given the abundant liquidity, the ROBOR curve remained almost flat last week, with all the maturities close to the deposit facility. The O/N-1W segment closed last week within the 5.52%-5.53% range, while the 1M-3M segment remained within the 5.53%-5.55% range.

■ **MinFin auctions**

Last Monday, the Ministry of Finance held an auction for a T-bond with residual maturity of 4.5 years. The bids were much above the planned amount, at RON 1.5bn vs. RON 500mn and MinFin decided to place RON 990.1mn. The average accepted yields was 6.54% (max 6.54%), up by about 6bp from the previous reopening one month and a half ago.

Last Thursday, the Ministry of Finance held an auction for an 8 months T-bill. The bids were above the plan, at RON 466.4mn vs. RON 300mn, enabling MinFin to place RON 346.7mn. The average accepted yield was 5.89% (max. 5.90%).

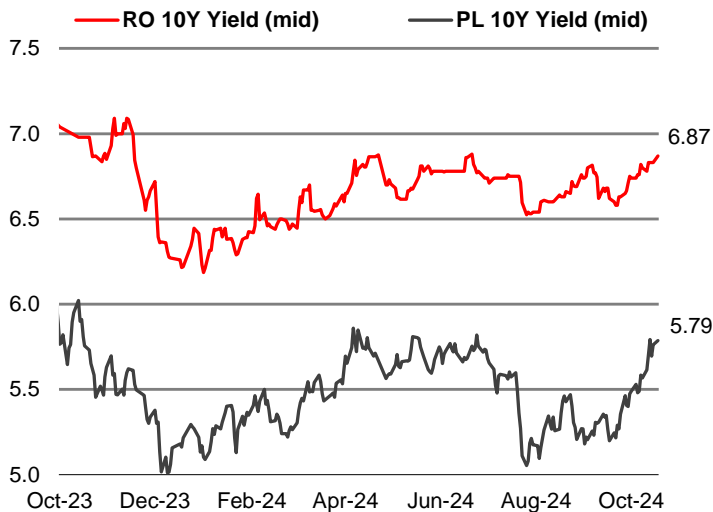
■ **FX & FI markets**

The EUR-USD is trading just below 1.08 ahead of what is likely to be a tough week on the macro front. UniCredit expects a rise in Eurozone headline CPI inflation, while US labor data might show deceleration. This mix might put a floor under EUR-USD, but its outlook remains soft at present.

While the US election is a little more than a week away, plenty of top-tier data releases from US and Eurozone will keep markets busy this week. Unless forthcoming data on US labor market are surprisingly soft or if US ISM Manufacturing Index were to show an unlikely collapse, UniCredit expects UST yields to inch a little higher. This would also depend on whether prediction markets show a further increase in the odds that former US President Trump will become the next US president (at 60% by the time US markets closed on Friday). That said, it is hard to tell whether releases of fundamental US data or the betting odds on the US election have been mainly driving the rise in the US yields that started in late September. Since then, improvement in US economic-surprise indicators and rising betting odds in favor of a Trump victory have matched extremely closely. For EGBs, the spillover from USTs will play a major role, although another benign headline inflation print Eurozone of below 2% on Thursday is likely to support EGBs.

Focus Ahead: 28 October – November 1

MinFin Issues



Data Source: Thomson Reuters

- The Romanian yield curve continued to slightly increase by up to 2bp the last week, both for the long and the short end, according to the fixing levels, in line with the uptrend seen for global yields especially that we are very close to the US presidential elections.
- This week, MinFin intends to place RON 400mn in 13.5Y T-bonds on Monday, as well as RON 500mn in 4Y T-bonds on Thursday.

BOND ISSUES - OCTOBER

ISIN Code	Auction Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
ROZBOC49U096	31-Oct-24	30-Oct-28	49	500	lei			
RO0DU3PR9NF9	28-Oct-24	24-Feb-38	162	400	lei			
ROIVMY4DBH93	24-Oct-24	25-Jun-25	8	300	lei	466	347	5.89
ROJVM8ELBDU4	21-Oct-24	25-Apr-29	55	500	lei	1,540	990	6.54
RODFIUK7ZV55	17-Oct-24	25-Apr-35	128	400	lei	841	511	6.82
ROP9QVD42HO2	14-Oct-24	31-May-27	32	700	lei	624	604	6.22
ROTM7EDD92S2	10-Oct-24	31-Jul-34	119	500	lei	1,023	571	6.75
RO7YFU3JCQI9	10-Oct-24	29-Sep-25	12	700	lei	573	418	5.84
ROCDG04X8WJ7	7-Oct-24	26-Apr-28	43	500	lei	1,233	500	6.34
RO7EKTXRHD6	3-Oct-24	28-Jan-26	16	700	lei	1,461	906	6.02
RO07A2H5YIN8	3-Oct-24	25-Feb-32	90	500	lei	869	514	6.63

Focus Ahead: 28 October – November 1

Data Calendar

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
29-Oct-2024	US	JOLTS Job Openings (thousands)	Sep	8000	7900.0	8040.0
	GE	GfK Consumer Confidence	Nov	-18.0	-20.5	-21.2
30-Oct-2024	EMU	European Commission Economic Sentiment (index)	Oct	95.5	96.3	96.2
	EMU	Real GDP (% qoq)	3Q	0.2	0.2	0.2
	US	Consumer Price Index, CPI (% yoy)	Oct	1.8	1.9	1.6
	US	Real GDP (% qoq annualized)	3Q	2.8	3.0	3.0
31-Oct-2024	EMU	Core CPI (% yoy)	Oct	2.6	2.6	2.7
	EMU	Unemployment Rate (%)	Sep	6.5	6.4	6.4
	GE	Consumer price index, CPI (% yoy)	Oct	1.9	1.9	1.7
	US	PCE Core Inflation (% yoy)	Sep	2.6	2.6	2.7
	US	Personal Expenditure (% mom)	Sep	0.4	0.4	0.2
	US	Personal Income (% mom)	Sep	0.3	0.4	0.2
	Romania	ILO Unemployment Rate	Sep	5.5		5.5
1-Nov-2024	US	Non-farm Payrolls (change thousands mom)	Oct	100.0	120.0	254.0
	US	Unemployment Rate (%)	Oct	4.2	4.1	4.1
	US	Average Hourly Earnings (% mom)	Oct	0.3	0.3	0.4
	US	ISM Manufacturing Index	Oct	47.5	47.6	47.2
	Romania	BCR Manufacturing PMI	Oct	47.5		47.3
	Romania	International Reserves (EUR mn)	Oct	71.4		73.7

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.