**Macroeconomic and Strategic Analysis**

**UniCredit Weekly Report**

# With the pro-European Nicușor Dan elected as Romanian president, focus will shift on forming the new government

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## *Weekly briefing*

The **US headline inflation eased for the third month in a row to 2.3%yoy in April**. The monthly CPI rose by +0.2%, after -0.1%mom in March. **Core inflation was unchanged from March at 2.8%yoy,** the lowest level since March 2021. **Tariff-related price increases haven't been seen yet, but things are expected to change in the following months.** The **US retail sales edged up in April after the record rise in March, ahead of import tariffs.** The soft print in April (+0.1%mom) was the result of sales being front loaded in March (+1.7%mom) to avoid tariffs. The **University of Michigan consumer sentiment fell for the fifth consecutive month to 50.8 in May.**

The **eurozone investor morale (ZEW) surged by 30.1 points to 11.6 in May,** from -18.5 in April. The eurozone index reflected the **sharp rise of the German ZEW, which increased to 25.2 points** from -14.0 points in April. The survey shows that **optimism is growing in the context of the formation of a new government, signs of progress in tariff disputes, stabilizing inflation, and the ECB's rate cut which in supportive for the recovery in the construction sector**.

**Nicușor Dan, the mayor of Bucharest and previously the leader of the Save Romania Union (USR), will become the next president of Romania**, after winning 53.6% of the vote in the second round of Romania's presidential elections on 18 May. **At its meeting on 16 May, NBR decided to keep the key rate at 6.50%,** as anticipated. **Although we expect the NBR to resume the key rate-cutting cycle, the current space for cuts is narrow** considering the high uncertainty, high risk premiums, the still lax fiscal policy and above-expectations inflation. **We currently believe that the NBR will only be able to deliver at most one rate cut in 4Q 2025**. The **annual inflation stagnated at 4.85% in April, with core inflation flat at 5.3%yoy.** Energy prices decreased but the volatile food prices rose more than anticipated. **CPI could rise sharply close to 5.3% in May** due to unfavorable base effect, **reach a 5.5% peak in August-September, then temper below 5% by year-end**. **Our forecast continues to be subject to upside risks** due to the probable higher taxes in 2H25, the risk of higher electricity prices, the risk of a trade war and the ongoing geopolitical tensions. **Core inflation is likely to temper, but to stay above 3.5% until December**. The **trade deficit was EUR 2.84bn in March (+13.2%yoy).** The **current account deficit in 1Q 2025 was EUR 7.6bn (2% of GDP), strongly up by 82%yoy, due to a significant drag from the goods' trade balance. FDIs decreased by 32.6%yoy to EUR 1.7bn as of March 2025. Industrial production dropped by 0.5%mom in March**, after a downwardly revised -2.3%mom in February. **This was likely due to the recovery in March of our main trading partners from eurozone, Germany (+3.1%mom) and Italy (+0.1%mom).** The **Romanian GDP stagnated in 1Q 2025, after 0.5%qoq in 4Q 2024.** In **gross terms,** it was significantly below our and consensus expectations, at **0.2%yoy**. **We expect to see a moderate rise in GDP of about 1.5% in 2025** on slower consumption, while investment should accelerate supported by EU funds inflows.

**This week the calendar** included the **European Commission consumer confidence** (Tuesday) and the **Germany Ifo business climate** as well as the **Germany and Eurozone composite PMIs for May** (Thursday). In **Romania,** we will have the data on **construction works for March** (Tuesday).

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# Data spotlight: 12 - 16 May

| CURRENCIES - MAJORS | | | |
|---|---|---|---|
| Currencies | Last | 1D ch (%) | 1M ch (%) |
| EURUSD | 1.1278 | 1.06% | -1.04% |
| EURCHF | 0.93 | -0.28% | 0.62% |
| USDJPY | 144.78 | -0.57% | 1.93% |
| GBPUSD | 1.3397 | 0.88% | 1.22% |

| CURRENCIES - CEE | | | |
|---|---|---|---|
| Currencies | Last | 1D ch (%) | 1M ch (%) |
| EURPLN | 4.2695 | -0.01% | -0.27% |
| EURHUF | 402.60 | -0.01% | -1.28% |
| EURCZK | 24.92 | 0.07% | -0.46% |

| CURRENCIES - NBR REFERENCE | | | | |
|---|---|---|---|---|
| Currencies | EUR | USD | SDR | XAU (1g) |
| 19-May | 5.0315 | 4.4631 | 1.2600 | 0.5708 |

| CURRENCIES - RON | | |
|---|---|---|
| | EURRON | USDRON |
| 19-May | 5.033 | 4.463 |
| 16-May | 5.109 | 4.573 |
| 15-May | 5.106 | 4.565 |

| FIXED INCOME MARKET YIELDS - LOCAL | | | | |
|---|---|---|---|---|
| Mid-rate | 1Y | 3Y | 5Y | 10Y |
| 19-May | 7.6 | 7.4 | 7.6 | 7.3 |
| 16-May | 6.7 | 8.2 | 8.3 | 8.1 |
| 14-May | 6.7 | 8.4 | 8.3 | 7.9 |

| MONEY MARKET RATES - LOCAL | | | |
|---|---|---|---|
| ROBOR | ON | 1M | 3M |
| 19-May | 5.76 | 6.95 | 7.26 |
| 16-May | 6.00 | 7.02 | 7.37 |
| 15-May | 5.85 | 7.10 | 7.23 |

| MONEY MARKET RATES - MAJORS | | | |
|---|---|---|---|
| Euribor | 1M | 3M | 6M |
| 16-May | 2.09 | 2.10 | 2.16 |
| 15-May | 2.12 | 2.13 | 2.16 |
| 14-May | 2.13 | 2.14 | 2.16 |
| USDSFOR | 1M | 3M | 6M |
| 16-May | 4.33 | 4.36 | 4.43 |
| 15-May | 4.33 | 4.36 | 4.43 |
| 14-May | 4.33 | 4.36 | 4.43 |

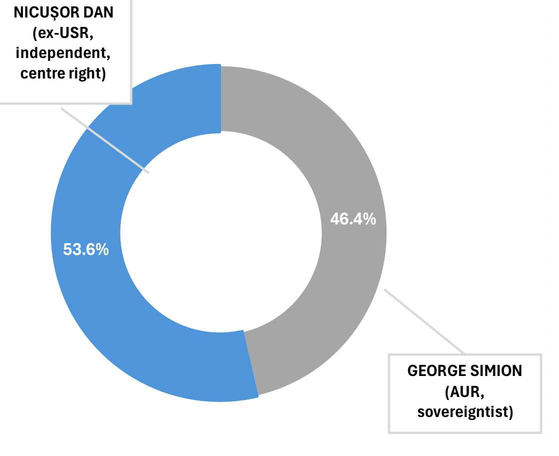
| STOCK MARKETS | | | |
|---|---|---|---|
| Index | Last | 1D ch (%) | 1M ch (%) |
| S&P 500 | 5,958.4 | 0.70% | 10.41% |
| FTSE | 45,796.0 | 0.01% | 0.07% |
| Hang Seng | 37,498.6 | -0.68% | 9.43% |
| Bucharest BET | 23,332.7 | -0.05% | 8.94% |

## Romanian Economy

- **Nicușor Dan elected as Romanian president**

Nicușor Dan, the mayor of Bucharest and previously the leader of the Save Romania Union (USR), will become the next president of Romania, after winning 53.6% of the vote in the second round of Romania's presidential elections on 18 May. In terms of external policy, he is expected to uphold EU values and priorities. After being sworn in (possibly already this week), he is expected to start consultations with political parties to nominate a prime minister. Romania needs to establish a new, stable and comfortable majority government as soon as possible to guarantee the implementation of unpopular fiscal consolidation measures, which are vital for the country to avoid suspension of access to EU funds and to avoid a downgrade of its sovereign credit rating to non-investment grade.

Voter turnout was 64.7%, up from 53.2% in the first round on 4 May.



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## Data spotlight: 12 - 16 May

**Romanian Economy (continued)**

- **The NBR kept the monetary policy rate at 6.50% in May 2025**

At its meeting on 16 May, the NBR decided to keep the key rate at 6.50%, as anticipated. The credit facility rate remained at 7.50% and depo facility rate at 5.50%. The NBR kept the existing levels of minimum reserves for both RON and FX liabilities of credit institutions.

NBR's decision was motivated by the annual and core inflation declined less than anticipated in 1Q 2025. The lower fuel and tobacco prices were partly offset by the swifter rise in energy, administered and processed food prices. Core inflation declined to 5.2% in 1Q 2025, -0.4pp vs. end-2024.

Economic activity stagnated in 1Q 2025 according to the flash data (vs. a slight increase anticipated by the NBR in February). The GDP growth tempered to +0.2%yoy in 1Q 2025 from +0.5%yoy in 4Q 2024, amid the mixed developments of the aggregate demand components and of the major sectors, as suggested by high-frequency indicators. The annual growth of retail sales slowed down significantly in 1Q 2025, services to households contracted in Jan-Feb 2025, while constructions advanced strongly in Jan-Feb supported by the residential and infrastructure segments. Industrial output contracted sharply in 1Q 2025.

The annual growth of the trade and the current account deficits re-accelerated strongly in 1Q 2025.

The annual growth rate of credit to the private sector slowed to 9.2% in March from 9.4% in February due to the slightly slower corporate lending.

Financial market conditions remained relatively stable in April, before being strongly affected by the rising investor concerns in the current electoral context, marked by domestic political tensions, in respect of the budget consolidation and of the overall macroeconomic picture.

The rising political tensions reversed capital flows on the local financial market, the capital outflows increasing significantly, in various forms. The market liquidity declined and the interbank rates increased considerably in the days following the first round of the presidential elections (4 May). At the same time, government yields jumped, especially at the shorter end of the curve. The EURRON increased significantly, exceeding the 5.00 threshold and then stabilized at higher levels.

During the meeting, the NBR Board approved the May 2025 Inflation Report which will be presented to the public on 20 May. According to NBR's current assessments, the annual inflation rate will fluctuate further until 3Q 2025, under the impact of base effects and the expiry of the electricity price capping scheme. It will then decrease for the next four quarters, but on a significantly higher path than in the February forecast, falling only marginally below the upper bound of the target band in 1Q 2026. High risks stem from the future evolution of the energy and food prices, largely correlated with the commodity prices and from the trade policy measures taken in the advanced economies, with a potential significant impact on the international prices of some intermediate and final goods.

There is high uncertainty related to the future fiscal and income policies. A credible budget consolidation package is crucial for an orderly correction of the external imbalance, the availability and the cost of financing for both the public and private sectors.

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## Data spotlight: 12 - 16 May

**Romanian Economy (continued)**

High risks arise also from the external environment, given the continuation of the Russia-Ukraine war, the situation in the Middle East and the potential effects generated by the US trade policy and by the retaliatory measures taken by other countries, affecting the international trade. Other risks include the absorption of EU funds, vital for counterbalancing the contractionary impact of geopolitical/trade conflicts and of the budget consolidation.

Although we expect the NBR to resume the key rate-cutting cycle, the current space for cuts is narrow considering the high uncertainty, high risk premiums, the still lax fiscal policy and above-expectations inflation. We currently believe that the NBR will only be able to deliver one rate cut in 4Q 2025 and we cannot rule out a scenario of no key rate cuts this year if uncertainty will be high.

The next monetary policy meeting is scheduled for 8 July.

### ■ The Romanian annual inflation was stable at 4.9% in April

The annual inflation was stable at 4.85% in April (vs. 4.86% in March), above our expectations [UniCredit: 4.7%], with core inflation at 5.3%yoy, unchanged from the previous month. Energy prices decreased in line with our expectations, but our forecasting error was due to the volatile food category, which increased more than we were penciling in, signaling continued inflationary pressures for food. In comparison to March 2025, prices rose by 0.1%mom, with +0.5%mom for services, +0.8%mom for food, while non-food prices declined by 0.65%mom. On the food side, the biggest increases were seen for fruits and tinned fruit (+3.5%mom), edible oil (+1.7%mom), cocoa and coffee (+1.5%mom), sugar (+1.1%mom) and meat (+1%mom). The biggest increases in services' prices came from interurban transport (+2.2%mom) especially for air (+24%mom) and rail (+11.7%mom). More moderate increases were visible for water supply and sewage collection (+1.1%mom), cinemas, theatres, museums, expenditure on education and tourism (+0.7%mom). Fuel prices decreased by -2%mom, gas by 12.1%mom, while electric energy rose by 1.2%mom and heating by +11%mom. According to our calculations, annual inflation could reaccelerate close to 5.3% in May due to unfavorable base effects, followed by an overall uptrend with a peak around 5.6% in August-September and a tempering thereafter to levels slightly below 5% by year-end. Our forecast continues to be subject to upside risks considering the likelihood of higher taxes in 2H25, the risk of electricity prices rising as of July once the prices cap will be removed, the future barriers to free trade and the ongoing geopolitical tensions. Yet, the oil and gas prices could exert downward pressure on inflation if the global economy activity will remain subdued. Considering the latest figures, as drop of core annual inflation below the 3.5% upper bound of the target range by year-end seems increasingly unlikely, making it even more difficult for the NBR to deliver any key rate cuts in 2H25 to support the economic activity.

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## Data spotlight: 12 - 16 May

**Romanian Economy (continued)**

### The Romanian GDP stagnated in 1Q 2025 according to the flash estimate

The NIS released the flash estimate for 1Q 2025 GDP showing a stagnation vs. 4Q 2024 when it increased by 0.5%qoq (seasonally-adjusted data). In gross terms, the figure was significantly below our and consensus expectations, at +0.2%yoy [UniCredit: 1.3%yoy; consensus: +1.2%yoy].

A comparison of Romania's growth rate with the other European economies is only available on seasonally adjusted data, according to which Romania increased by 0.5%yoy in 1Q25 (vs. +0.4%yoy in 4Q24), much slower than the euro area (+1.2%yoy) and the EU (+1.4%yoy). Romania's performance was among the lowest in EU probably triggered by the low performance of the German economy, which declined for the fourth quarter in a row (-0.2%yoy in 1Q25), Romania's manufacturing being closely linked to the German auto industry. At the same time, the other two trade partners of Romania increased only moderately, with Italy up by 0.6%yoy and France by 0.8%yoy. The best performances in the EU were recorded by Ireland (+10.9%yoy), Poland (+3.8%yoy), Lithuania (+3.2%yoy) and Bulgaria (+3.1%yoy). Other CEE peers rose faster in 1Q25, namely the Czech Republic (+2.0%yoy) and Slovakia (+1.0%yoy), while Hungary and Slovenia declined by 0.4%yoy and 0.8%yoy, respectively.

The details for the GDP components are not available for the time being and will be published on 6 June. The slowdown of the economic growth was likely triggered by both slower consumption and weaker investments, along with the continuous negative contribution of the net exports. On the supply side, manufacturing was probably impacted by the lower demand from eurozone. We expect to see a moderate rise in GDP of about 1.5% in 2025 (lower than our previous estimate of 1.9% without the tariff hikes). The tighter fiscal stance and the slowing wage growth will lead to a slower consumption and retail sales this year. Investment could accelerate in 2H 2025 supported by inflows of EU funds, although we note the slow absorption of RRF funds so far and the risks related to further disbursements given the high political and fiscal uncertainty.

### Romanian industrial production tempered its decline in March

Industrial production declined by 0.5%mom (seasonally adjusted data) in March, in line with our expectations, after a downwardly revised -2.3%mom in February. The evolution was triggered by a decline in energy production by 3.5%mom, while the mining sector increased by 5.4%mom (vs. -0.4%mom in February) and the decline in manufacturing eased to -0.5% (vs. -3.0%mom in the previous month). This was likely due to the improved industrial production of our main trading partners from eurozone, namely Germany (+3.1%mom) and Italy (+0.1%mom), after they declined in February (-0.5%mom and -0.9%mom, respectively)). Compared to the corresponding month of 2024, the Romanian industrial production was lower by 4.8%yoy (after -5.3%yoy in February on gross data).

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# Data spotlight: 12 - 16 May

**Romanian Economy (continued)**

## ■ The Romanian trade deficit was EUR 2.8bn in March 2025

The trade deficit was EUR 2.84bn in March, slightly below our expectations [UniCredit: 2.9], higher by 13.2%yoy (EUR +0.33bn) as imports rose by 8%yoy, while exports by 6.3%yoy. In 1Q 2025, imports rose by +8.1%yoy. All import categories rose, with the largest increases in volumes for mineral fuels, lubricants and related materials (+31.4%, EUR +675mn), machinery and transport equipment (+5%yoy, EUR +544mn), miscellaneous manufactured articles (+10.5%yoy, EUR +334mn), manufactured goods (+5.7%yoy, EUR +285mn), chemicals and related products (+6.1%yoy, EUR +262mn), food and live animals (+6%yoy, EUR +180mn). Exports increased by +2.7% vs. 1Q 2024. On the exports' side, the largest increase in volumes was seen for mineral mineral fuels, lubricants and related materials (+55.3%yoy, EUR +593mn), chemicals and related products (+9.6%yoy, EUR +125mn), while most of export categories declined, with largest decline by volume for manufactured goods (-1.8%yoy, -EUR 77mn), machinery and transport equipment (-0.2%yoy, -EUR 51mn), animal and vegetable oils, fats, waxes (-43.6%yoy, - EUR 39mn), crude materials, inedible, except fuels (-3.8%yoy, -EUR 21mn) and for miscellaneous manufactured articles (-0.9%yoy, -EUR 15mn). Around 71.5% of the trade activity was with the European Union. We expect a slightly narrower trade deficit in 2025 vs. 2024, with imports slowing down due to the weaker consumption, although exports will continue to be affected by the still weak external demand and the potential effects of the trade war on the EU economy.

## ■ Romanian current account deficit at 0.8% of GDP at the end of March 2025

The current account deficit in January-March 2025 was EUR 7.66bn, strongly up by 82%yoy, due to a significant drag from the goods' trade balance (EUR 8.3bn deficit, +31.5%yoy).

The surplus in services decreased by EUR 503mn (-17.4%yoy) to EUR 2.4bn. The decline was broad-based with transport services' surplus down by 0.9%yoy to EUR 1.1bn, the one from manufacturing services down by 5.1%yoy to EUR 691mn and the surplus from the IT&C services declining by 4.0%yoy in 1Q 2025 to EUR 1.5bn. The Romanian tourism has a negative balance and the deficit increased as of March 2025, albeit at a slightly slower pace vs. February, to EUR -1.4bn (+29%yoy).

The primary income deficit decreased by EUR 140mn to EUR 1.6bn triggered by lower capital inflows, while the secondary income recorded a deficit of EUR 138mn vs. EUR 957mn surplus in 1Q 2024.

Foreign direct investments decreased by 32.6%yoy to EUR 1.7bn as of March 2025.

The current account deficit was at 2% of GDP in 1Q 2025, higher by 0.8pp in comparison to the corresponding period of the previous year. This year, we expect the C/A deficit to narrow from the high 8.4% of GDP recorded in 2024, which was much above our expectations (7%), due to the weaker domestic demand. The C/A will remain fully funded by EU transfers, FDI and sovereign external borrowing.

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## Data spotlight: 12 - 16 May

**Romanian Economy (continued)**

- **The average net salary grew in March**

The average net salary rose by +6.4%mom in March, to RON 5,691. The annual growth pace remained at 9.8%yoy. The highest net salary rises in March were of +36%mom in manufacturing of tobacco items and +25.5% for financial service activities, except insurance and pension funding, +22.2%mom in insurance, reinsurance and pension funding, except compulsory social security and +22.3%mom for publishing activities. The only decreases were recorded for activities auxiliary to financial services and insurance activities (-14.8%mom), for water transport (-7.8%mom), and manufacture of computer, electronic and optical products (-2.9%mom).

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# Data spotlight: 12 - 16 May

## European Economy

### ■ Eurozone and German investor morale (ZEW) surged in May

The eurozone ZEW economic sentiment indicator surged by 30.1 points to 11.6 in May, from -18.5 in April after a sharp drop from a 8-month peak one month before. In May, about 55.8% of the surveyed analysts expected no changes in economic activity (vs. 41% in April), 27.9% saw an improvement (vs. 20% in April) and 16.3% anticipated a deterioration (vs. 38.7% in April).

The eurozone index reflected the sharp rise of the German ZEW, which increased to 25.2 points in May from -14.0 points in April, drastically lower than the value in March. The survey shows that optimism is growing for the next months in the context of the formation of a new government, signs of progress in tariff disputes, stabilizing inflation, and ECB's rate cut which is seemingly supportive for recovery in the construction sector. The banking sector and the automotive, chemical, metals and machinery industries are also seeing a brighter outlook. Meanwhile, Germany's current economic assessment remains at a low level, dropping 0.8 points to -82.0.

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# Data spotlight: 12 - 16 May

## US Economy

### US headline inflation eased further, while core remained unchanged in April

The US CPI eased for the third month in a row to 2.3%yoy in April, the lowest level since February 2021, slightly below estimates [UniCredit and consensus: 2.4%], after 2.4%yoy in March. The prices declined more for gasoline (-11.8% yoy vs. -9.8% yoy) and for fuel oil (-9.6%yoy vs. -7.6%yoy), while the natural gas price continued to accelerate (15.7% vs. 9.4%). Furthermore, inflation decelerated for food (2.8% vs. 3%), transportation (2.5% vs. 3.1%) while prices for shelter remained unchanged (4%). However, prices for new vehicles increased (0.3% yoy vs. 0%yoy). The monthly CPI rose by +0.2% [UniCredit and consensus: 0.3%], after -0.1%mom in March. Core inflation remained unchanged from the previous month at 2.8%yoy, as expected [UniCredit and consensus: 2.8%]. It is the lowest annual core inflation since March 2021. Tarif-related price increases haven't been seen yet in the inflation aggregate but things could change in the following inflation readings. The sharp increase in tariffs is expected to start showing in consumer goods prices, with particular pressure anticipated on new vehicles and Chinese imports. The inflationary effects are likely to emerge gradually over the coming months, in part due to significant frontloading of imports ahead of the implementation of tariffs.

### US retail sales edged up in April after the record rise in March, ahead of import tariffs

The US retail sales almost stagnated in April (+0.1%mom), as widely expected, after the strong rise in March. Hard data on US personal consumption have shown resilience despite the weakness in consumer sentiment. The retail sales data for April have tested whether such resilience continued after the Trump administration's 2 April "reciprocal" tariffs announcement and the implementation of 10% tariffs on most countries and a 25% tariff on auto imports. The soft print in April was the result of sales being front loaded in March to avoid tariffs (when sales recorded a peak at +1.7%mom), temporarily weighing on sales after tariffs were imposed in April. Unit car sales fell by 3.0%mom in April, after surging almost 12%mom in March. The sales increase for: food services & drinking places (+1.2%mom), building materials (+0.8%mom), furniture (+0.3%mom) and electronics & appliance stores (+0.3%). Sales excluding food services, auto dealers, building materials stores and gasoline stations, which are used to calculate GDP, declined by 0.2%mom (after +0.5%mom in March). On an annual basis, the US retail sales increased by 5.2%yoy, at the same pace as in March.

### The University of Michigan consumer sentiment fell in May

The University of Michigan consumer sentiment for the US fell for the fifth consecutive month to 50.8 in May, from 52.2 in April, at its lowest since June 2022, largely due to the ongoing concerns regarding Trump's trade policy and their impact on inflation. The expectations component dropped to 46.5 from 47.3 points in April. Economic conditions deteriorated to 57.6 from 59.8 in April. The current assessments of the personal finances declined by 10% triggered by the lower incomes. A year-ahead inflation expectations jumped to 7.3%, from 6.5% anticipated in April and the long-run inflation expectations increased slightly to 4.6% from 4.4%.

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## Data spotlight: 12 - 16 May

### International and Romanian Markets

#### EURRON traded close to 5.10 last week and descended below this level today

After touching levels as low as 5.0850 at the beginning of last week, the EURRON stabilized as of Wednesday within a narrow trading range of 5.1000-5.1111, ending the week at 5.1090. The RON appreciated strongly this Monday, enabling the pair to touch a low of 5.0180, after the outcome of the presidential elections on 18 May boosted the investor confidence that Romania will remain on its current pro-European path. We expect volatility in the following days and believe that a descent below 5.00 is unlikely in the long run. We maintain our view that a 5.00-5.10 trading range during the rest of 2025 is the most likely outcome.

#### The ROBOR curve decreased

The ROBOR curve decreased by over 1pp on the short end last week, to 5.90-6.53% from 7.07-7.26% for the ON-1W segment and more moderately for the 1M to 7.09% from 7.27%, while rising slightly for 3M to 7.39% from 7.31%. Market optimism pushed ROBOR rates lower along the curve today, by up to 36bp for 1W ROBOR and up to 14bp for the rest of the curve. We could see rates decreasing further in the following weeks, in case of continued market optimism and/or higher market liquidity.

#### MinFin auctions

Last Monday, the Ministry of Finance held an auction for a 1.2Y T-bond. The bids were above the plan, at RON 1345.3mn vs. RON 500mn, allowing MinFin to place RON 540.3mn. The average accepted yield was 8.45% (max 8.45%), 149bp higher than a similar placement around two weeks before.

Last Tuesday, given the upward pressure on the Romanian yields due to the heightened political uncertainty, the Ministry of Finance decided to replace some longer-term maturities with shorter ones and held a few unscheduled actions. There were two auctions for euro-denominated bonds on the local market, namely a 1Y T-bill and a 1.6Y T-bond. The bids for the former were above the plan, at EUR 881.6mn vs. EUR 300mn and MinFin decided to place EUR 844mn. The average accepted yields was 3.52% (max 3.54%). The bids for the latter were at EUR 785.5mn vs. EUR 200mn and MinFin decided to place EUR 751mn. The average accepted yields was 3.82% (max 3.83%).

Last Thursday, the MinFin held an auction for 11M T-bills. The bids were above the planned amount, at RON 960.3mn vs. RON 500mn and MinFin decided to place RON 867.7mn. The average accepted yields was 8.34% (max 8.35%).

#### FX markets

Last week, the EUR-USD was on an overall downward trend, trading between 1.1140 to 1.1227 and closing at 1.1187. The pair was trading higher, around 1.1272 this Monday, after Moody's downgraded the US sovereign rating to Aa1 from Aaa last Friday. Before last week's decision, the rating agency had a negative outlook. Moody's is now aligned with S&P and Fitch.

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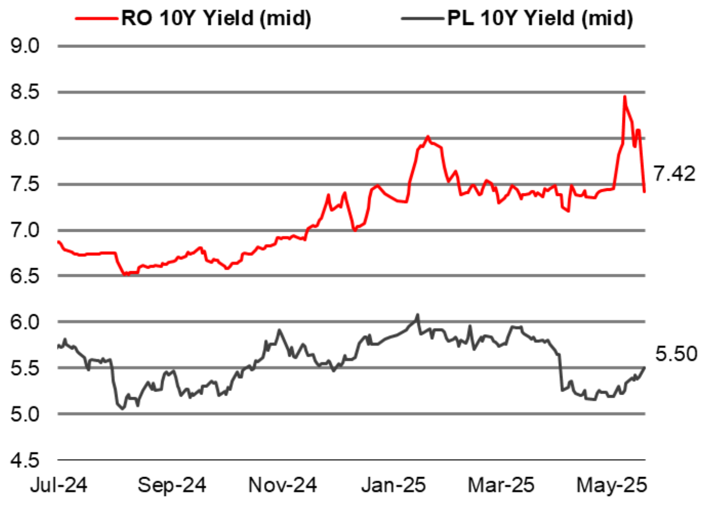
## Focus Ahead: 19 – 23 May

### MinFin Issues




*Data Source: Thomson Reuters*

- According to Friday's fixing levels, last week the Romanian yields decreased by 12bp for 1Y, up to 38bp for 3 and 5Y and 52bp for 10Y. On Monday, after the 2nd round of the presidential elections, they dropped strongly by up to 90bp for all maturities, to 7.41% for 1Y and 5Y, 7.43% for 3% and 7.29% for 10Y.
- Romanian yields are expected to decline after the positive outcome of the presidential elections considering that a pro-European candidate won. Renewed upside risks cannot be ruled out, depending on how fast a new government will be invested and what fiscal measures will be adopted to bring the budget deficit down to the 7% of GDP target agreed for 2025 and avoid credit-rating downgrades.
- The MinFin will issue RON 500mn in 3M T-bills on Monday and RON 500mn in 2Y and RON 500mn in 5.2Y T-bonds on Thursday.

| ISIN Code | Auction Date | Maturity Date | Months | Planned Amount (mn) | Currency | Total Applications | Total Allocated | Yield (avg) |
|---|---|---|---|---|---|---|---|---|
| ROYNCLHRHVV6 | 29-May-25 | 29-Jul-30 | 63 | 500 | lei | | | |
| RO45DLJ4EE76 | 29-May-25 | 28-Apr-27 | 23 | 500 | lei | | | |
| RO25VL26UHW0 | 22-May-25 | 27-Aug-25 | 3 | 500 | lei | | | |
| RO937L7DZQF3 | 19-May-25 | 29-Apr-26 | 11 | 500 | lei | 960 | 868 | 8.34 |
| ROXNS8ONSUB3 | 14-May-25 | 27-Jul-26 | 14 | 500 | lei | 1 345.3 | 540 | 8.45 |
| ROACGEG6O7E2 | 14-May-25 | 14-Dec-26 | 19 | 200 | euro | 786 | 751 | 3.82 |
| ROLGOGX9QOE0 | 14-May-25 | 13-May-26 | 12 | 300 | euro | 882 | 844 | 3.52 |
| RO7Q5L1O12N6 | 8-May-25 | 29-Dec-25 | 8 | 500 | lei | 620 | 500 | 8.21 |
| ROJVM8ELBDU4 | 7-May-25 | 25-Apr-29 | 48 | 500 | lei | 295 | 0 | |

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## *Focus Ahead: 19 – 23 May*

## *Data Calendar*

| Date | Country | Indicator/Event | Period | UniCredit forecast | Consensus | Previous |
|---|---|---|---|---|---|---|
| 20-May-2025 | EMU | European Commission consumer confidence (index) | May | -16 | -15.5 | -17 |
| | RO | Construction works (% yoy) | Mar | 20 | | 6 |
| 22-May-2025 | GE | Ifo business climate (index) | May | 87.1 | 87.5 | 86.9 |
| | GE | Ifo expectations (index) | May | 87.5 | 88.0 | 87.4 |
| | GE | Ifo current assessment (index) | May | 86.7 | 86.8 | 86.4 |
| | GE | Composite PMI (index) | May | 50.4 | 51.0 | 50.1 |
| | GE | Services PMI (index) | May | 49.5 | 50.0 | 49.0 |
| | GE | Manufacturing PMI (index) | May | 48.5 | 49.0 | 48.4 |
| | EMU | Composite PMI (index) | May | 50.0 | 51.2 | 50.4 |
| | EMU | Services PMI (index) | May | 49.8 | 50.6 | 50.1 |
| | EMU | Manufacturing PMI (index) | May | 48.5 | 49.4 | 49.0 |

*Data Source: Bloomberg*

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# Economic Forecasts

**MACROECONOMIC DATA AND FORECASTS**

| | 2021 | 2022 | 2023 | 2024E | 2025F | 2026F |
|---|---|---|---|---|---|---|
| GDP (EUR bn) | 242.3 | 281.7 | 324.4 | 356.5 | 384.1 | 405.0 |
| Population (mn) | 19.2 | 19.0 | 19.1 | 19.1 | 19.0 | 19.0 |
| GDP per capita (EUR) | 12,601 | 14,790 | 17,024 | 18,711 | 20,188 | 21,321 |
| Real economy, change (%) | | | | | | |
| GDP | 5.5 | 4.0 | 2.4 | 0.9 | 1.9 | 2.6 |
| Private Consumption | 7.0 | 5.1 | 3.0 | 5.5 | 3.0 | 2.5 |
| Fixed Investment | 4.0 | 5.4 | 14.5 | 2.2 | 2.7 | 3.5 |
| Public Consumption | -0.6 | -1.4 | 6.3 | -0.2 | -0.4 | -0.8 |
| Exports | 12.6 | 9.3 | -0.8 | -3.3 | 2.4 | 4.8 |
| Imports | 14.6 | 9.3 | -1.1 | 3.0 | 2.1 | 4.7 |
| Monthly wage, nominal (EUR) | 1175 | 1303 | 1489 | 1710 | 1805 | 1878 |
| Real wage, change (%) | 2.0 | -2.2 | 3.6 | 9.4 | 1.2 | 2.5 |
| Unemployment rate (%) | 5.6 | 5.6 | 5.6 | 5.3 | 5.2 | 5.4 |
| Fiscal accounts (% of GDP) | | | | | | |
| Budget balance | -7.1 | -6.4 | -6.5 | -8.7 | -7.0 | -6.4 |
| Primary balance | -5.6 | -4.3 | -4.6 | -6.6 | -4.8 | -4.0 |
| Public debt | 48.3 | 47.9 | 48.8 | 54.9 | 58.4 | 60.3 |
| External accounts | | | | | | |
| Current account balance (EUR bn) | -17.4 | -26.8 | -21.5 | -29.4 | -28.7 | -28.2 |
| Current account balance/GDP (%) | -7.2 | -9.5 | -6.6 | -8.2 | -7.5 | -7.0 |
| Extended basic balance/GDP (%) | -1.8 | -4.1 | -1.9 | -5.6 | -4.3 | -3.6 |
| Net FDI (% of GDP) | 3.7 | 3.3 | 2.0 | 1.6 | 1.6 | 1.8 |
| Gross foreign debt (% of GDP) | 58.8 | 54.6 | 56.5 | 57.1 | 56.9 | 58.1 |
| FX reserves (EUR bn) | 40.5 | 46.6 | 59.8 | 62.1 | 59.8 | 59.1 |
| Months of imports, goods & services | 4.3 | 4.0 | 5.1 | 5.1 | 4.8 | 4.5 |
| Inflation/Monetary/FX | | | | | | |
| CPI (pavg) | 5.0 | 13.7 | 10.5 | 5.6 | 5.1 | 3.7 |
| CPI (eop) | 8.2 | 16.4 | 6.6 | 5.1 | 4.6 | 3.3 |
| Central bank target | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| Central bank reference rate (eop) | 1.75 | 6.75 | 7.00 | 6.50 | 5.75 | 4.50 |
| 3M money market rate (Dec avg) | 2.83 | 7.66 | 6.25 | 5.91 | 5.48 | 4.63 |
| USDRON (eop) | 4.37 | 4.63 | 4.50 | 4.78 | 4.97 | 4.95 |
| EURRON (eop) | 4.95 | 4.95 | 4.97 | 4.97 | 5.07 | 5.15 |
| USDRON (pavg) | 4.16 | 4.68 | 4.57 | 4.60 | 4.86 | 4.98 |
| EURRON (pavg) | 4.92 | 4.93 | 4.95 | 4.97 | 5.01 | 5.12 |

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