Macroeconomic and Strategic Analysis

UniCredit Weekly Report

The Romanian budget deficit was 3.4% of GDP at the end of May 2025

30 June, 2025

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Weekly briefing

In **US, core PCE inflation** (excl. volatile and energy prices), the Fed's preferred measure of inflation, **increased to 2.7%yoy in May from 2.6%yoy in April**, growing further apart from the Fed's 2.0% target. The **core PCE rose on a monthly basis** (+0.2%). The **personal income fell** (-0.4%mom vs. +0.7%mom in the previous month), along with a **drop in personal spending** (-0.1%mom vs. +0.2%mom in April).

The **eurozone composite PMI (flash) remained unchanged from the previous month, at 50.2 in June,** while the **French composite PMI edged down to 48.5** and the **German composite PMI increased to 50.4**. **The Ifo business climate indicator for Germany rose to 88.4 in June from 87.5 in May**, better than expected [UniCredit: 87.9]. The expectations' component improved to 90.7 from 89 in May, while the current conditions component increased marginally to 86.2 points in June. Businesses evaluated their current situation as somewhat improved. The **GfK consumer confidence index decreased by 0.3 points to -20.3 in July**, after a marginally revised -20.0 points in June, marking the first drop in four months.

In **Romania**, **non-governmental loans rose by 1.5%mom in May**, accelerating from 0.5%mom in April. **In yearly terms, the growth of non-governmental loans accelerated to 9.7%yoy** (from 8.7%yoy in April), reaching the highest growth pace of the last two years. The **RON loans quickened their double-digit growth (+11.3%yoy),** while the **FX loans almost doubled the pace to +6.2%yoy** (from +3.8%yoy in the previous month). In yearly terms, the growth of **total deposits accelerated to 7.1%yoy** (from 6.7%yoy in April). **Companies' savings pace declined four times in comparison to the previous year** (+2.2%yoy vs. 8.3%yoy in May 2024). **The budget deficit after the first five months of 2025 rose to 3.39% of GDP (RON 64.2bn),** higher than the deficit in 5M24 in nominal terms (+6.8%yoy versus a deficit of RON 60.1bn in 5M24) and **marginally lower in terms of its share in GDP** (3.41% of GDP in 5M24).

This week's calendar is lighter, with **the German retail sales for May and flash inflation rate for June** (Monday), the **flash EMU inflation rate** for June and the **US ISM Manufacturing and JOLTs job openings** (Tuesday), the **US Non-farm payrolls**, **unemployment rate**, **average hourly earnings** and **ISM services** (Thursday) and the **German factory orders** and **EMU PPI** (Friday). In Romania, the calendar includes the **May PPI** and **unemployment rate** (Wednesday) and the **May retail sales** (Friday).

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Data spotlight: 23 -27 June

CURRENCIES - MAJORS			
Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.1723	0.04%	3.82%
EURCHF	0.94	-0.34%	0.05%
USDJPY	144.13	-0.38%	-0.49%
GBPUSD	1.3699	-0.11%	1.79%

CURRENCIES - CEE			
Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.2400	-0.02%	0.06%
EURHUF	398.75	0.00%	-1.20%
EURCZK	24.72	-0.15%	-0.68%

CURRENCIES - NBR REFERENCE				
Currencies	EUR	USD	SDR	XAU (1g)
30-Jun	5.0780	4.3370	1.2799	0.5524

CURRENCIES - RON		
	EURRON	USDRON
30-Jun	5.076	4.329
27-Jun	5.079	4.335
26-Jun	5.074	4.336

FIXED INCOME MARKET YIELDS - LOCAL				
Mid-rate	1Y	3Y	5Y	10Y
30-Jun	7.0	7.3	7.6	7.4
27-Jun	7.0	7.3	7.5	7.4
25-Jun	7.0	7.2	7.5	7.3

MONEY MARKET RATES - LOCAL			
ROBOR	ON	1M	3M
30-Jun	6.55	6.85	7.07
27-Jun	6.60	6.90	7.15
26-Jun	6.60	6.84	7.09

MONEY MARKET RATES - MAJORS			
Euribor	1M	3M	6M
27-Jun	1.92	1.94	2.04
26-Jun	1.93	1.98	2.04
25-Jun	1.98	1.99	2.04
USDSFOR	1M	3M	6M
27-Jun	4.31	4.34	4.37
26-Jun	4.31	4.34	4.37
25-Jun	4.31	4.34	4.37

STOCK MARKETS			
Index	Last	1D ch (%)	1M ch (%)
S&P 500	6,173.1	0.52%	4.25%
FTSE	8,788.4	-0.12%	0.18%
Hang Seng	24,072.3	-0.87%	3.36%
Bucharest BET	18,605.5	-0.13%	3.22%

Romanian Economy

Non-governmental loans and deposits accelerated in May

Non-governmental loans rose by 1.5%mom in May, accelerating from 0.5%mom in April, driven by the foreign currency loans which grew by a strong 2.6%mom (vs. -0.1%mom in April), along with a quickening of the growth of RON loans to 1.0%mom (from 0.7%mom). In yearly terms, the growth of non-governmental loans accelerated to 9.7%yoy (from 8.7%yoy in April), reaching the highest growth pace of the last two years. The RON loans quickened their double-digit growth (+11.3%yoy), while the FX loans almost doubled the pace to +6.2%yoy (from +3.8%yoy in the previous month).

The outstanding loans of households in local currency rose by 1.4%mom (vs. +1.1%mom in April) and those in foreign currency by 1.8%mom (vs. -1.5%mom in April). Companies' loans increased by 1.5%mom from 0.1%mom in April, with the RON component adding 0.5%mom and the FX component 2.7%mom. In yearly terms, lending to individuals increased by 9.8%, accelerating slightly from April. Consumer lending continued the double-digit growth (+15.2%yoy) and mortgage lending accelerated to +6.1%yoy (vs. +5.4%yoy in April). The loans to companies accelerated to +9.6%yoy (from +8.2%yoy in April).

The total savings of residents rose by 0.8%mom, after +0.1%mom in April, as RON deposits dropped (-2.4%mom), while FX deposits exploded (+8.0%mom). Deposits of

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Data spotlight: 23 -27 June

Romanian Economy (continued)

households decelerated to +0.3%mom (from +1.1%mom), mainly due to RON savings (-2.9%mom), while companies' deposits increased (+1.5%mom) due to higher FX deposits (+11.6%mom). The behavior is consistent with a conversion of RON savings into foreign currency due to the high uncertainty and increased worries of a sharp RON depreciation around the presidential elections.

In yearly terms, the growth of total deposits accelerated to 7.1%yoy (from 6.7%yoy in April). Companies' savings pace declined four times in comparison to the previous year (+2.2%yoy vs. 8.3%yoy in May 2024) due to a decline in the RON component (-4.5%yoy), while the FX corporate deposits more than tripled their growth pace to 25.8%yoy (vs. +7.8%yoy in May 2024). The Individuals' savings increased by 10.4%yoy (vs. +9.9%yoy in April) supported by more by FX (+14.9%yoy) than by RON deposits (+8.0%yoy).

- **The budget deficit was 3.39% of GDP at end-May 2025, higher by 6.8%yoy**

The budget deficit after the first five months of 2025 rose to 3.39% of GDP (RON 64.2bn), higher than the deficit in 5M24 in nominal terms (+6.8%yoy versus a deficit of RON 60.1bn in 5M24) and marginally lower in terms of its share in GDP (3.41% of GDP in 5M24).

The growth of revenue quickened to +13.6%yoy, while the one of expenditure accelerated to +12.2%yoy at end-May 2025. The highest revenue increases came from fiscal revenues (+RON 12.8bn; +11.4%yoy) mainly driven by the income tax (+RON 4.7bn, +14.5%yoy) and an increase in excise taxes as of May, especially for tobacco and energy products (+RON 2.7bn, +17.1%yoy). The social insurance contributions increased (+RON 9bn; +11.5%yoy), along with revenues from EU funds (+RON 5.4bn; +77.3%yoy) and PNRR (+RON 2.8bn; +173.8%yoy). After negative yearly dynamics in 1Q25, the VAT revenue grew for the second month in a row (+RON 1.1bn, +2.3%yoy).

On the expenditure side, the highest rises were for social assistance (+RON 14bn; +15.2%yoy), personnel expenditure (+RON 7.2bn; +11.3%yoy), interest paid for the public debt (+RON 6.9bn; +42.9%yoy), and projects financed from non-reimbursable external funds (+RON 6.5bn, +84.9%yoy). All these expenditure categories are difficult to cut and are crowding out investment. Capex grew only slightly (RON 0.27bn; 1.2%yoy), but spending related to the projects financed from grants and loans from PNRR increased by RON 3.35bn (+160.8%yoy) and RON 3.45bn (+99.5%yoy), respectively. The absorption of EU funds should be prioritized in the following period, considering that it is one of the few growth sources that Romania can benefit from currently.

Negotiations between parties concluded and a new majority government was sworn in on 23 June, with Ilie Bolojan as Prime Minister. A fiscal plan was published with a combination of spending cuts, taxes and other measures targeting most of the economy. There is a high probability of not meeting the 7% of GDP target, since we only have half a year left for the adjustment and the measures announced so far only prevent an increase of the deficit. We believe that a level of 7.5-8% of GDP is more likely for the 2025 deficit, but even this level ensures a significant decrease from 9.3% in 2024.

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Data spotlight: 23 -27 June

European Economy

- **The eurozone PMIs remained unchanged, German are up and French down in the in June**

The eurozone composite PMI (flash) remained unchanged from the previous month, at 50.2 in June, missing expectations [UniCredit and consensus: 50.5]. This was the sixth consecutive month in expansionary territory (above 50), but the growth is marginal. The month saw new orders placed for businesses fall marginally, pressured by lower export orders amid a slower euro and uncertainty of US tariffs. The new jobs creation remained steady, nevertheless, since order backlogs continued to drive capacity demand.

The eurozone manufacturing PMI was unchanged from last month as well, at 49.4 in June, missing expectations of slight improvement [UniCredit: 49.6; consensus: 49.8]. Production improved for the fourth consecutive month and new orders stabilized, ending a decline of more than three years. Manufacturing workforce numbers decreased solidly, and at a faster pace than in May. The input costs declined for the third straight month and the selling prices fell for the second time in a row.

The eurozone services PMI rose to 50 in June, slightly missing expectations [UniCredit: 50.1], from 49.7 in May. On a more positive note, there was a modest increase in staffing levels.

June saw an improvement in business confidence, with sentiment up to the highest since January. The strengthening of optimism was driven by the service sector where confidence hit a four-month high, but was nonetheless still weaker than the series average.

The French composite PMI edged down to 48.5 in June, from 49.3 in May, recording the tenth month in the contractionary area (below 50 points). The manufacturing sector was the main driver (47.8 vs. 49.8 in May), while services decreased marginally (48.7 vs. 48.9). June data revealed a rise in business sentiment across France, with firms at their most optimistic since last October.

The German composite PMI increased to 50.4 in June, from 48.5 in May. The expansion was mainly driven by stronger manufacturing output, which hit its highest level since March 2022 at 52.6, continuing a four-month growth streak. The manufacturing PMI rose to 49.0 in June vs. 48.3 in the previous month. The services' sector improved (49.4 vs. 47.1 in May) but remains into the contractionary zone. Preliminary data for June showed a slight reduction in businesses' optimism towards growth prospects in the next 12 months.

- **The German Ifo Business Climate index rose in June**

The Ifo business climate indicator for Germany rose to 88.4 in June from 87.5 in May, better than expected [UniCredit: 87.9]. The expectations' component improved to 90.7 from 89 in May, while the current conditions component increased marginally to 86.2 points in June from 86.1 points last month. Businesses evaluated their current situation as somewhat improved. " The German economy is slowly gaining confidence", Ifo president Clemens Fuest said.

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Data spotlight: 23 -27 June

European Economy (continued)

- **The GfK consumer confidence indicator in Germany decreased slightly for July**

The GfK consumer confidence index decreased by 0.3 points to -20.3 in July, after a marginally revised -20.0 points in June, marking the first drop in four months. Both economic and income expectations improved significantly to 20.1 from 13.1 in June and to 12.8 from 10.4, respectively. However, the German consumers remain prudent due to the high uncertainty and the inclination to save increased to its highest level since April 2024 (13.9 vs. 10.0), while the inclination to spend remained subdued (-6.2 vs. -6.4). The main sources of concern is the uncertainty over the unpredictable policies in the U.S., particularly regarding customs and trade.

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Data spotlight: 23 -27 June

US Economy

- **US core PCE inflation rose in May**

Core PCE inflation (excl. volatile and energy prices), the Fed’s preferred measure of inflation, increased to 2.7%yoy in May from 2.6%yoy in April, growing further apart from the Fed’s 2.0% target. The core PCE rose on a monthly basis (+0.2%mom). The personal income fell (-0.4%mom vs. +0.7%mom in the previous month), along with a drop in personal spending (-0.1%mom vs. +0.2%mom in April).

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Data spotlight: 23 -27 June

International and Romanian Markets

EURRON traded with an upward bias last week

The EURRON traded last week in the range of 5.0317-5.0936 with an upward bias throughout the week. Thus, the pair ended Friday's trading session close to 5.08, significantly above the 5.0286 closing level of the prior week. We expect the 5.10 level to act as a strong resistance level in the absence of significantly negative news. The pair could stay volatile these days due to the ongoing discussions regarding the fiscal measures to be implemented, along with the methodology and date of implementation. The EURRON will remain exposed to both internal and external uncertainties, but we continue to expect the 5.00-5.10 range to prevail.

The ROBOR curve was stable last week

The ROBOR curve was relatively stable last week, except for the ON ROBOR, which added 80bp, to 6.54% (from 5.74% a week before) due to the start of a new minimum reserve requirement holding period. The 1W ROBOR increased by 3bp to 6.56% (from 6.53%), the 1M ROBOR dropped to 6.81% (from 6.83%), and the 3M ROBOR was unchanged at 7.09%. The NBR continued the repo operations, injecting RON 7.5bn last Monday, which was the equivalent of 35% of the sum requested by the market (RON 21.6bn). The higher liquidity requested by banks is due to the start of the new reserve holding period.

MinFin auctions

Last Monday, the Ministry of Finance held an auction for a 5.1Y T-bond. Demand was at RON 694.5mn vs. RON 400mn, allowing MinFin to place 554.5mn. The average accepted yields was 7.44% (max 7.45%), 5bp lower than at the previous auction one month before.

Last Thursday, the Ministry of Finance held an auction for a 9.8Y T-bond. Demand was at RON 901.1mn vs. RON 400mn, allowing MinFin to place 753.0mn. The average accepted yields was 7.36% (max 7.37%), 6bp lower than at the previous auction two months before.

FX markets

The EURUSD was on an increasing trend last week, crossing above 1.17 last Thursday and ending Friday's trading session at 1.17185. Trump's policies are likely creating a structural credibility problem for the USD, which is likely to weigh on the USD, preventing strong and lasting appreciation even if the US avoids a recession and the Fed cuts rates only modestly, as UniCredit expects. The medium-to-long-term picture for the USD remains bearish, reflecting worries about a further decline in its dominant role as the world's preferred reserve currency. EUR-USD remains on a rising trend towards 1.20 at the end of 2025 and probably slightly beyond next year.

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Data spotlight: 23 -27 June

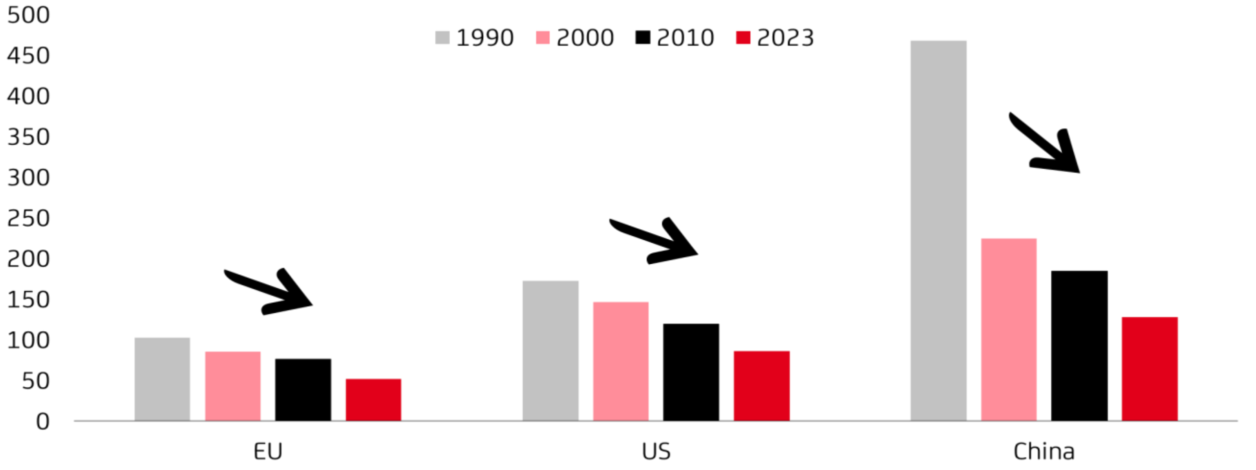
International and Romanian Markets

■ **Oil shocks lose bite as structural shifts reshape the economy**

Heightened Middle East tensions have reignited concerns over oil-supply shocks. But the global economy's evolving structure – towards lower oil dependency and cleaner energy – helps mitigate the macroeconomic impact.

OIL INTENSITY HAS FALLEN SHARPLY

ENERGY USE PER PPP GDP



Source: World Bank, The Investment Institute by UniCredit

Note: Energy use per PPP GDP is the kilogram of oil equivalent of energy use per constant PPP GDP. Energy use refers to use of primary energy before transformation to other end-use fuels, which is equal to indigenous production plus imports and stock changes, minus exports and fuels supplied to ships and aircraft engaged in international transport. PPP GDP is gross domestic product converted to 2021 constant international dollars using purchasing-power-parity rates. Energy use value for China is from 2022.

Recent escalations in the Middle East conflict reignited fears of major disruptions to crude oil supplies from a geopolitically sensitive region. Brent briefly topped USD 80/bbl, a five-month high, after the US conducted strikes on Iranian nuclear sites, before easing as it became apparent that Iran's retaliation would be limited. A provisional ceasefire between Israel and Iran has since tempered market anxiety. While crude prices remain volatile amid lingering tensions between the two countries, the global economy today is structurally different from past decades. Lower oil dependency and improved energy efficiency suggest that price spikes may no longer deal the same blow to growth as they have in the past.

The chart highlights a key driver of today's resilience: the sharp decline in oil intensity (the amount of oil consumed per USD 1,000 of GDP) in major economies. The US and the EU have each roughly

Data spotlight: 23 -27 June

International and Romanian Markets

halved their oil intensity since 1990, thanks to energy-efficiency gains, economic shifts towards less energy-intensive sectors, and the rise of renewables. China's oil intensity, while still significantly higher, has also fallen steadily, reflecting rapid industrial modernization and a gradual pivot towards cleaner energy sources. Carbon intensity (greenhouse gas emissions per unit of GDP) has similarly declined across these economies, underscoring progress in reducing environmental impact alongside sustained growth.

The risk of major crude supply disruptions has sharply diminished following the announcement of a ceasefire between Israel and Iran, and Tehran's measured response to recent US strikes. As it did in 2020, Iran appears to have opted for a minimal reaction, signaling little interest in sparking an uncontrolled conflagration. With the risk of escalation fading, fundamental downward pressure has reasserted itself, driven by a steady flow of supply entering the market. The removal of a geopolitical risk premium reflects a crude market that remains well stocked, with OPEC+ ramping up supply and US shale maintaining production at historic highs. Should the ceasefire between Israel and Iran endure, oil prices are likely to remain anchored close to where they were prior to the conflict.

At the same time, structural changes in the global economy may have reduced the macroeconomic sensitivity to oil shocks, meaning the impact on growth could be more contained than in past episodes. The continued decline in oil and carbon intensity across advanced and emerging economies suggests a reduced sensitivity of economic activity to oil price fluctuations amid a shift towards cleaner production. Although higher energy costs remain a challenge for consumers, companies and central banks, the global economy appears better insulated from oil shocks than it used to be.

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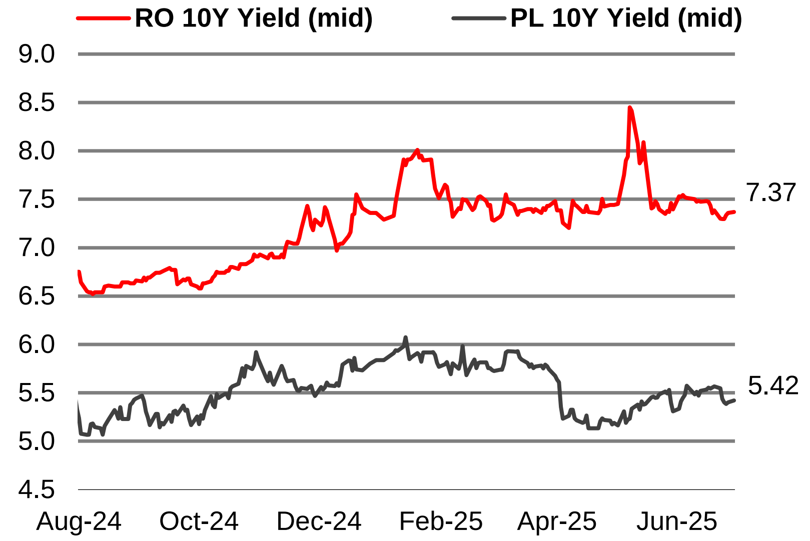
Focus Ahead: 30 June – 4 July

MinFin Issues



Data Source: Thomson Reuters

- According to the fixing levels, the Romanian yields decreased slightly along the curve last week, with the 1Y dropping by 3bp, 3Y by 6bp and 5Y by 5bp. The 10Y remained unchanged. Yields are stabilizing and could even decrease further after the new government officially announces the fiscal measures and starts implementing them. From what top officials expressed so far, the fiscal plan will include both spending cuts and tax increases. Delays or insufficient measures on this front can still exert upward pressure on yield curves.
- The MinFin will issue RON 400mn in 2.8Y T-bonds on Monday. The calendar for July was not published yet.

BOND ISSUES - JUNE

ISIN Code	Auction Date	Maturity Date	Months	Planned Amount (mn)	Currency	Total Applications	Total Allocated	Yield (avg)
ROCDG04X8WJ7	30-Jun-25	26-Apr-28	34	400	lei			
RODFIUK7ZV55	26-Jun-25	25-Apr-35	120	400	lei	901	753	7.36
ROYNCLHRHVV6	23-Jun-25	29-Jul-30	62	400	lei	695	555	7.44
RO45DLJ4EE76	19-Jun-25	28-Apr-27	23	400	lei	2,195	1,400	7.33
ROOFOYB15203	19-Jun-25	27-Jul-31	74	400	lei	1,042	788	7.51
ROPG9LZUB0O2	16-Jun-25	27-Jul-33	99	400	lei	855	614	7.55
ROXL7LT7QZ66	12-Jun-25	29-Apr-30	59	500	lei	939	604	7.52
ROZBOC49U096	12-Jun-25	30-Oct-28	41	500	lei	656	506	7.46
RO52CQA3C829	10-Jun-25	29-Sep-32	89	400	lei	975	805	7.5
ROJVM8ELBDU4	5-Jun-25	25-Apr-29	47	500	lei	845	595	7.54
ROGAV6FX8DQ2	2-Jun-25	27-May-26	12	400	lei	441	0-	
ROTM7EDD92S2	2-Jun-25	31-Jul-34	112	400	lei	1,112	937	7.54

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Focus Ahead: 30 June – 4 July

Data Calendar

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
30.06.2025	GE	Retail Sales	May			-1.1
	GE	Inflation Rate prel (% yoy)	Jun	2.2	2.1	2.1
01.07.2025	EMU	Inflation Rate prel (% yoy)	Jun	2.1	1.9	1.9
	US	ISM manufacturing PMI	Jun	48.5	48.8	48.5
	US	JOLTs Job Openings	May	7300		7391
02.07.2025	RO	PPI (% yoy)	May	-0.5		1.8
	RO	Unemployment Rate	May	5.7		5.7
03.07.2025	US	Non-farm Payrolls (change thousands mom)	June	120	120	139
	US	Unemployment Rate (%)	June	4.3	4.3	4.2
	US	Average Hourly Earnings (% mom)	June	0.3	0.3	0.4
	US	ISM services PMI	June	51.5	50.8	49.9
04.07.2025	GE	Factory Orders	May	-0.5	0.5	0.6
	EMU	PPI (% yoy)	May			0.7
	RO	Retail Sales (%, yoy s.a.)	May	4.8		3.1

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

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.

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