

According to the European Commission, Romania's gross domestic product will grow by 2.9% in 2024, a downward revision (from 3.1%: Autumn 2023 Economic Forecast).

MONTHLY MARKET REPORT

Summary

- The volatilities of the BET, BET-NG, BET-BK, BET-TR, and BET-FI indices continued their predominant downward trend throughout the month of February. For all indices, the average volatilities decreased compared to the previous month, despite a late correction. The volatilities of these indices were estimated using a GARCH (1,1) model.
- Between August 2023 and January 2024, contagion between the stock markets analyzed decreased and the spillover index showed a downward trend and returned to the long-term average as heightened concerns about further interest rate hikes globally affected the risk appetite.
- In the first three quarters of 2023, the volume of gross premiums written by insurance companies supervised by ASF amounted to EUR 2.65 billion (+9% compared to the same period last year), with premiums recorded by non-life insurers accounting for 83%.
- Gross claims paid increased by approx. 3% to EUR 1.15 billion.
- The value of the total assets of the privately managed pension funds reached EUR 25.87 billion at the end of January 2024, with an annual increase of 27%, compared to January 2023.
- At the end of January 2024, the voluntary pension funds' total assets value was EUR 969 million, with an annual increase of 27%, compared to January 2023.

World Macroeconomic Outlook

According to the **Winter 2024 Economic Forecast**, the European Commission expects economic growth of 0.8% in the euro area and 0.9% in the EU in 2024, a downward revision (-0.4 pp) from the previous forecast (Autumn 2023 Economic Forecast). According to the European Commission, Romania's gross domestic product will grow by 2.9% in 2024, a downward revision (from 3.1%: Autumn 2023 Economic Forecast).

According to the flash estimates published by Eurostat, in the fourth quarter of 2023, **seasonally adjusted GDP** remained stable in the euro area and grew by 0.1% in the EU compared to the previous quarter. Compared with the same quarter of the previous year, seasonally adjusted GDP grew by 0.1% in the euro area and by 0.3% in the EU in Q4 2023.

Based to the flash estimates published by the National Institute of Statistics, locally, gross domestic product decreased by 0.4% (in real terms) in Q4 2023 compared to Q3 2023. Compared to Q4 2022, in Q4 2023, Romania's gross domestic product increased by 2.9% on a gross basis and by 1% on a seasonally adjusted basis. Compared to 2022, gross domestic product in 2023 increased by 2%.

The National Commission for Strategy and Prognosis (NCSP) maintained the economic forecast for gross domestic product growth for 2024, to 3.4% according to the NCSP Winter 2024 Forecast.

Evolution of GDP (%) and GDP forecast (%)

Country	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	European Commission		IMF	
											2024f	2025f	2024f	2025f
Euro area*	5.4	4.1	2.5	1.9	3.4	1.3	0.6	0.0	0.1		0.8	1.5	0.9	1.7
Germany*	4.0	1.6	1.2	0.8	1.8	-0.1	0.1	-0.3	-0.2	-0.3	0.3	1.2	0.5	1.6
Bulgaria	5.6	5.0	3.7	2.7	3.9	2.4	2.0	1.8	1.6		1.9	2.5	3.2	3.0
Hungary	7.7	6.4	3.9	0.6	4.6	-1.1	-2.1	-0.2	0.4		2.4	3.6	3.1	3.3
Poland	10.1	6.4	4.7	1.1	5.3	-1.3	-0.4	0.3	1.7		2.7	3.2	2.3	3.4
Romania	5.0	3.9	3.3	4.4	4.1	1.0	2.8	3.2	1.0		2.9	3.2	3.8	3.8

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Winter 2024 Economic Forecast, World Economic Outlook – October 2023, IMF, * World Economic Outlook – Winter 2024, IMF

World Macroeconomic Outlook

Monetary policy interest rates

Romania	Euro area	USA	United Kingdom
7%	4.50%	5.25% - 5.5%	5.25%

Following the monetary policy meeting on February 13th 2024, the **National Bank of Romania** decided: to maintain the **monetary policy interest rate at 7% per annum**; to maintain the interest rate on the lending facility (Lombard) at 8% per annum and the interest rate on the deposit facility at 6% per annum; and to maintain the current levels of the required minimum reserve rates for credit institutions' liabilities in RON and foreign currency.

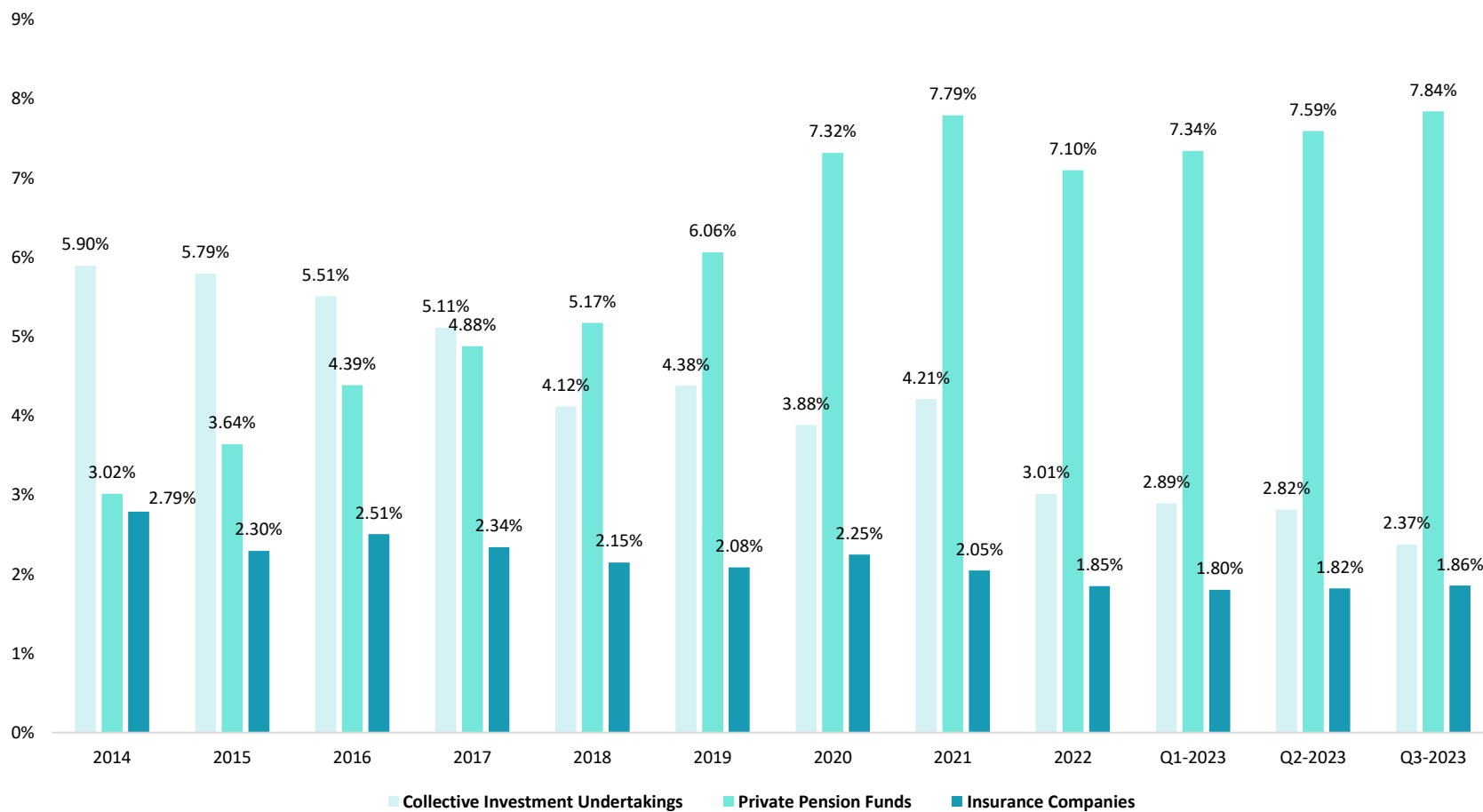
The Economic Sentiment Indicator (ESI) registered a value of 95.9 points in the European Union in January 2024. In January 2024, confidence in the construction sector decreased by 1.5 points compared to the previous month. In Romania, the economic sentiment indicator is higher than the EU average, standing at 102.3 points in January 2024, slightly down from December 2023. In Romania, confidence in the retail sector increased by 2.3 points compared to the previous month, while confidence in the services sector decreased by 1 point compared to the previous month.

The annual inflation rate in the euro area was 2.8% in January 2024, down from 2.9% in the previous month, according to data published by Eurostat. In January, the largest contribution to the annual inflation rate in the euro area came from services (+1.73 percentage points, pp), followed by food, alcohol and tobacco (+1.13 pp), non-energy industrial goods (+0.53 pp) and energy (-0.62 pp).

Locally, the annual CPI inflation rate stood at 7.41% in January 2024 compared to January 2023. Significant contributions to the annual inflation rate came from increases in food prices (+5.64%), non-food prices (+7.36%) and services prices (+10.91%), according to data published by the National Institute of Statistics.

Dimension of the non-bank financial sector

Evolution of non-banking system's assets (% of GDP)



Source: NBR, NIS, ASF



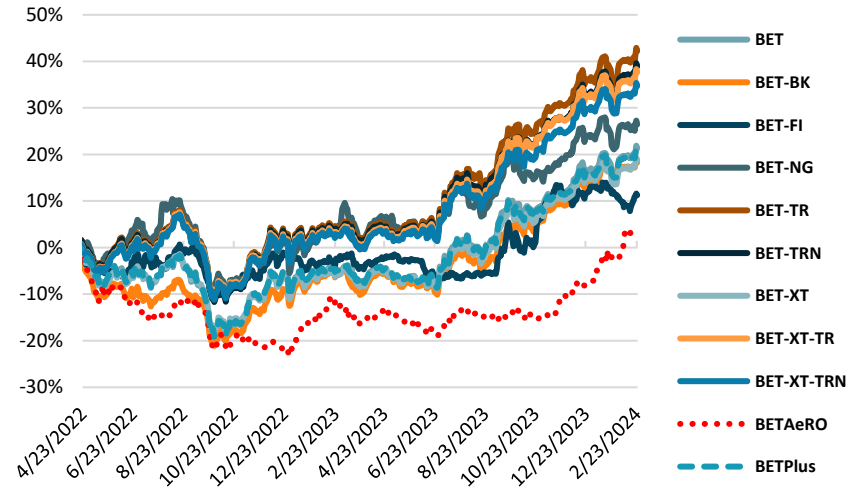
Current trends in Romanian capital markets

**Romanian stock indices evolution in 2024
(29.12.2023 = 100; EUR)**

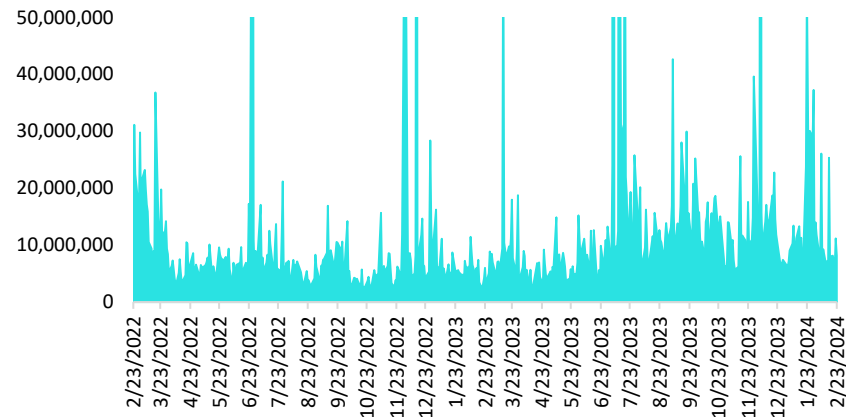
Date	BET	BET-BK	BET-FI	BET-NG
	3.60%	3.58%	-1.65%	1.82%
	BET-TR	BET-TRN	BET-XT	BET-XT-TR
02/23/2024	4.08%	4.04%	3.02%	3.51%
	BET-XT-TRN	BETAeRO	BETPlus	
	3.47%	12.05%	3.70%	

Source: BSE data, ASF calculations (percentage change 23.02.2024 vs. 29.12.2023)

Evolution of local stock indices (EUR)



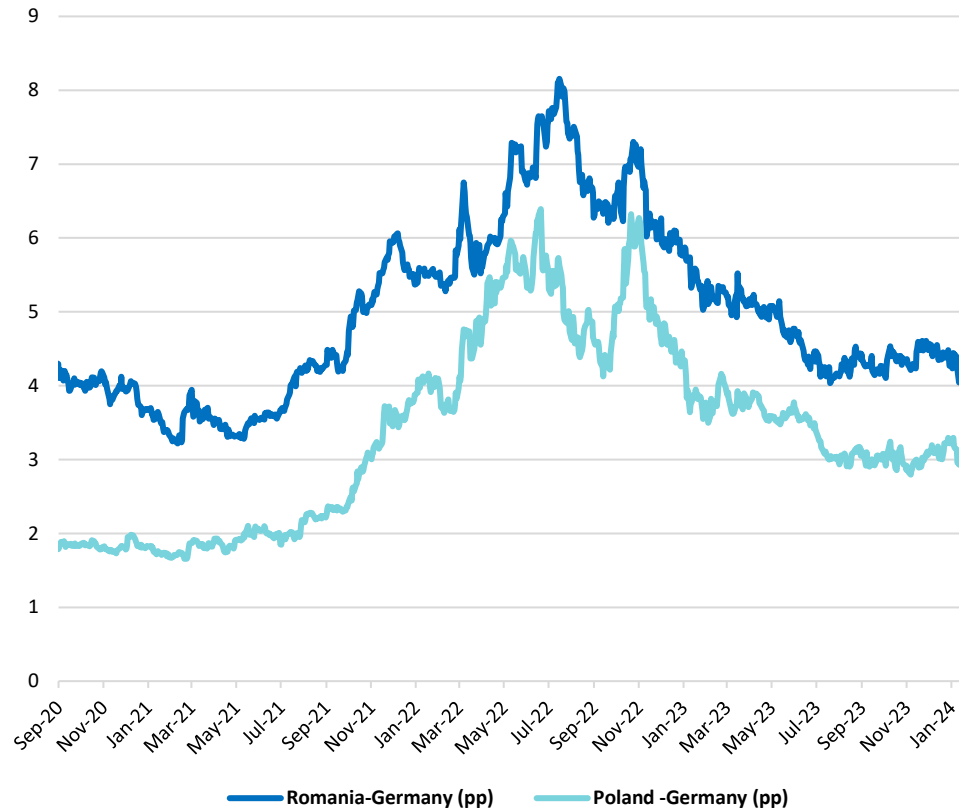
Equities traded value on BSE (EUR)



Source: BSE; ASF calculations

Macroeconomic risk in Romania: external position and market perception of sovereign risk

Government bond yields spread of Romania (10Y, LC)



Source: Refinitiv

The spread between Romania's 10-year euro-denominated sovereign bonds and similar German bonds increased in January 2024, remaining below the values recorded during 2022. The decrease in the spread can be interpreted as a recovery of investors' confidence in Romania's country rating.

Market risk: evolution of local and international stock indices at the end of January 2024

International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	1.84%	13.38%	2.70%
FR (CAC 40)	1.51%	11.20%	2.12%
DE (DAX)	0.91%	14.13%	2.78%
IT (FTSE MIB)	1.29%	10.82%	3.71%
GR (ASE)	5.74%	14.61%	2.39%
IE (ISEQ)	4.77%	17.15%	1.24%
ES (IBEX)	-0.24%	11.76%	4.52%
UK (FTSE 100)	-1.33%	4.22%	-0.89%
US (DJIA)	1.22%	15.42%	7.29%
IN (NIFTY 50)	-0.03%	13.87%	9.98%
SHG (SSEA)	-6.27%	-7.63%	-15.26%
JPN (N225)	8.43%	17.59%	9.39%

BSE indices	1 M	3 M	6 M
BET	0.92%	9.10%	17.28%
BET-BK	2.06%	10.29%	18.90%
BET-FI	-1.81%	4.40%	18.73%
BET-NG	0.07%	8.59%	12.46%
BET-TR	1.36%	9.58%	20.75%
BET-TRN	1.32%	9.54%	18.91%
BET-XT	0.59%	8.47%	16.49%
BET-XT-TR	1.04%	8.97%	19.35%
BET-XT-TRN	1.00%	8.93%	17.69%
BETAeRO	5.76%	15.27%	14.06%
BETPlus	1.14%	9.11%	17.10%
ROTX	2.49%	10.62%	18.71%

Source: Refinitiv, BSE, ASF calculations

Note: 1M=01/31/2024 vs. 12/29/2023; 3M=01/31/2024 vs. 10/31/2023; 6M=01/31/2024 vs. 07/31/2023

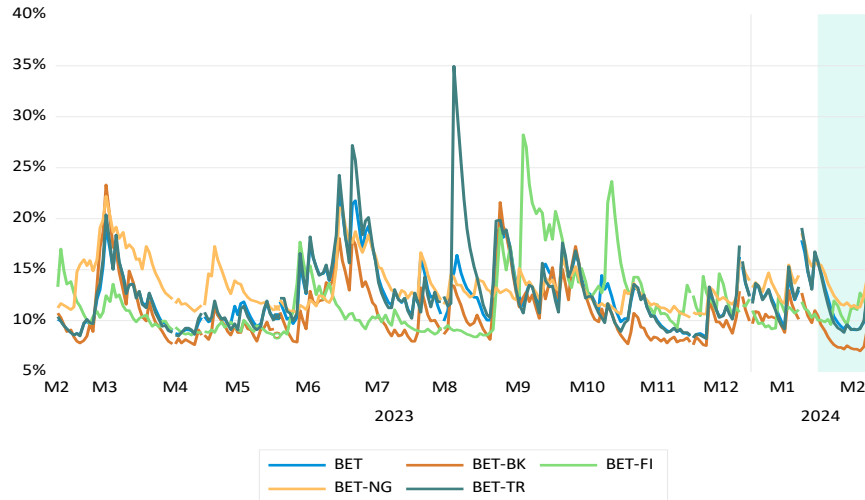
The European indices analysed recorded mixed developments (1 month). The most significant increase was recorded by the ASE index (GR: +5.74%), while the most considerable decrease was observed for the FTSE 100 index (UK: -1.33%).

The main US and Asian indices showed mixed developments (1 month). The N225 index (JPN: +8.43%) had the most significant increase, while the SSEA index (SHG: -6.27%) had the most important decrease.

The BSE stock exchange indices showed positive developments (1 month), with the exception of the BET-FI index (-1.81%). In the case of the BETAeRO index, which reflects the price performance of the representative companies listed on the AeRO market that meet the liquidity and free-float market capitalization criteria, an advance of 5.76% was observed.

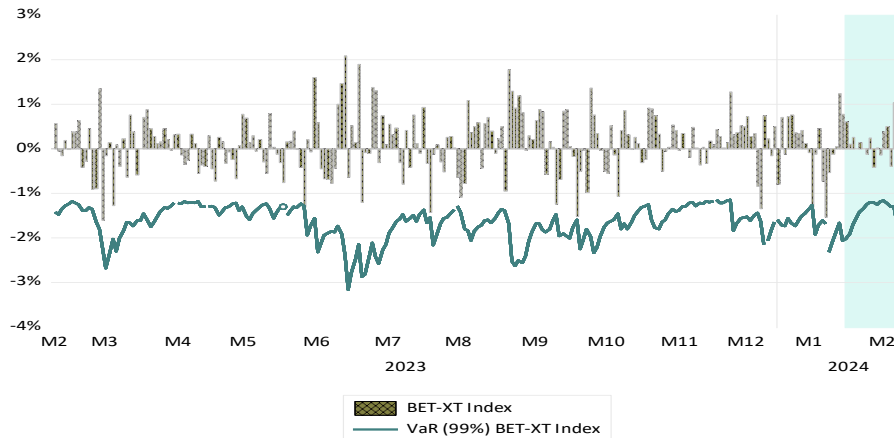
Market risk: evolution of stock indices

The volatility of local stock market indices - GARCH (1,1)



The volatilities of the BET, BET-NG, BET-BK, BET-TR, and BET-FI indices continued their predominant downward trend throughout the month of February. For all indices, the average volatilities decreased compared to the previous month, despite a late correction. The volatilities of these indices were estimated using a GARCH (1,1) model.

BET-XT Index vs VaR (99%) BET-XT Index

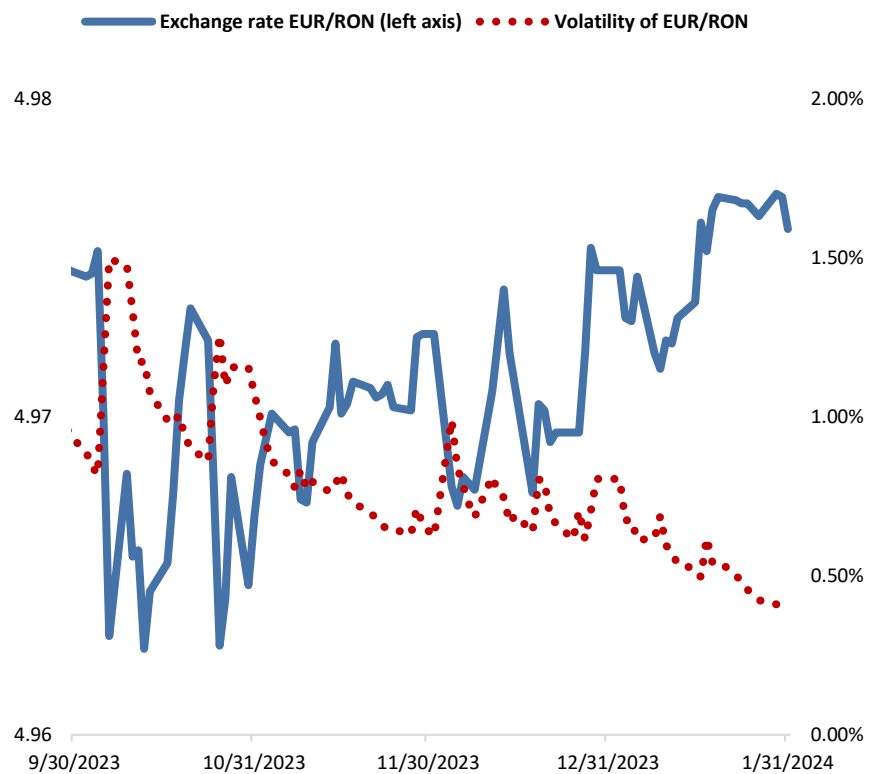


Source: BSE, ASF calculations

The accompanying figure illustrates the temporal patterns of the BET-XT index, juxtaposed with the progression of the daily Value at Risk (VaR) at a 1% significance level (VaR at 99%), calculated under the assumption of a normal distribution. The estimations conducted for the month of February reveal that the VaR statistic resides within the interval of 1,1% to 2%.

Market Risk: exchange rate volatility

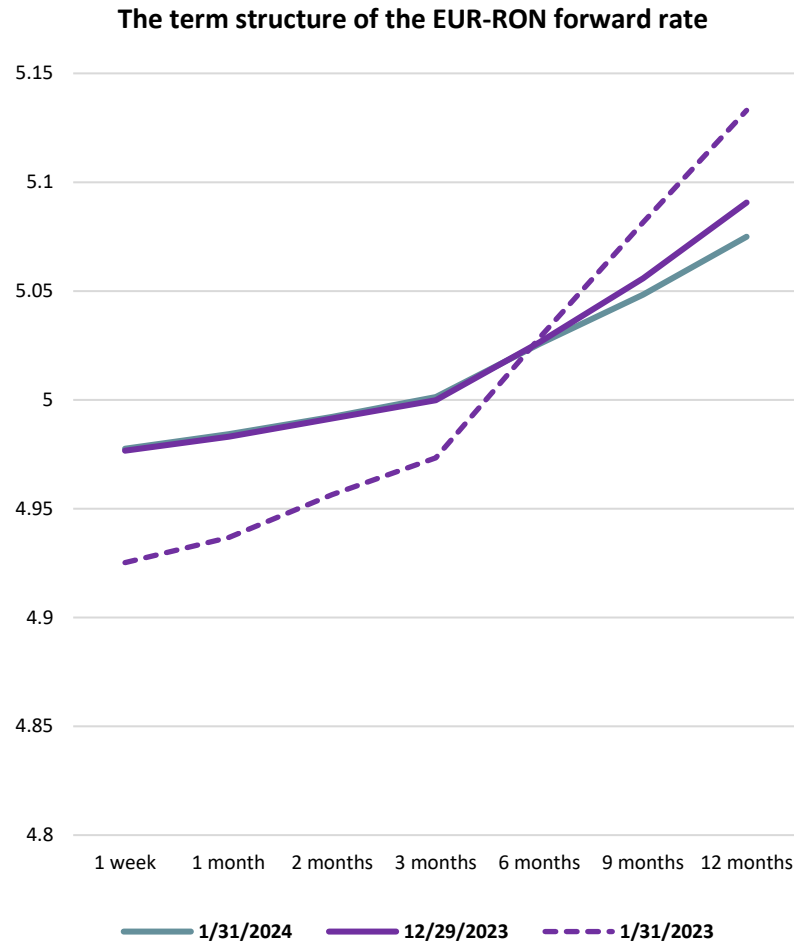
EUR/RON Exchange Rate vs Volatility



Between September 2023 and January 2024, the volatility of the EUR/RON exchange rate fluctuated between 0.5-12.5% and the exchange rate level oscillated around 4.97 EUR/RON. The exchange rate has depreciated amid the inflation differential between Romania and the euro area.

Source: Refinitiv, ASF calculations

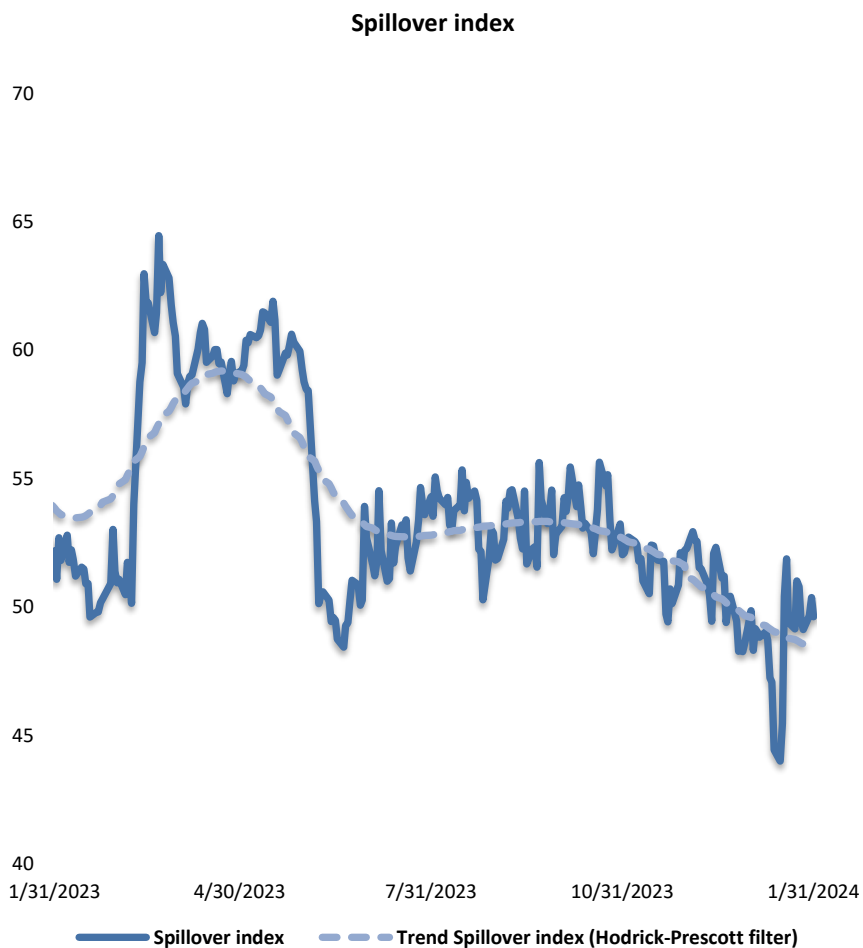
Market Risk: term structure of EUR-RON forward rate



The term structure of the forward rate for the EURRON exchange rate with maturities between one week and twelve months shows the market expectations. There are expectations of EURRON depreciation for all maturities between 6 and 12 months with respect to the previous month.

Source: Refinitiv, ASF calculations

Market Risk: Spillover Index



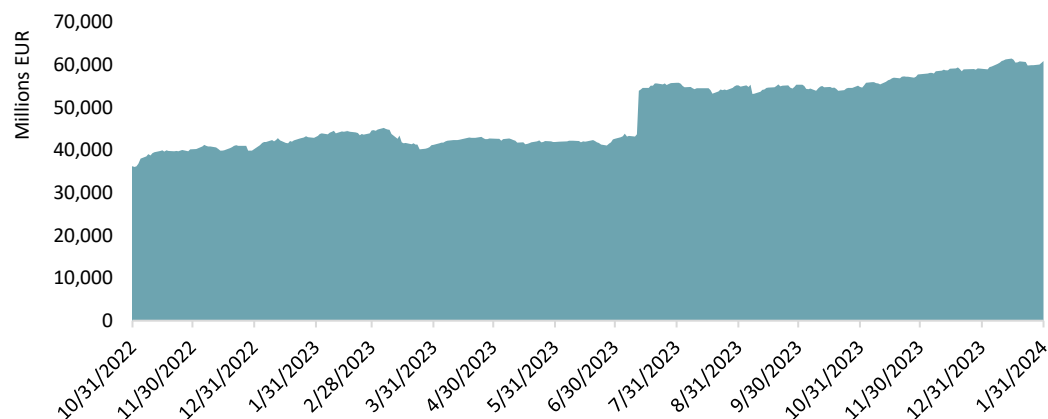
Source: Refinitiv, ASF calculations

The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link between the spillover effect and the companies' returns, since the increase in the spillover tends to diminish the returns of the companies listed on the Bucharest Stock Exchange. The Bucharest Stock Exchange as well as the main European stock markets have recorded increases in August and September.

Between August 2023 and January 2024, contagion between the stock markets analyzed decreased and the spillover index showed a downward trend and returned to the long-term average as heightened concerns about further interest rate hikes globally affected the risk appetite.

Liquidity indicators on Romanian Stock Exchanges

Market capitalization



The market capitalization recorded a 3% increase at the end of January 2024 compared to the end of 2023.

During January 2024, the 3 most traded companies on BSE were S.P.E.E.H. Hidroelectrica SA with a share of 40.73%, Banca Transilvania (TLV: 9.53%) and OMV Petrom (SNP: 9.18%).

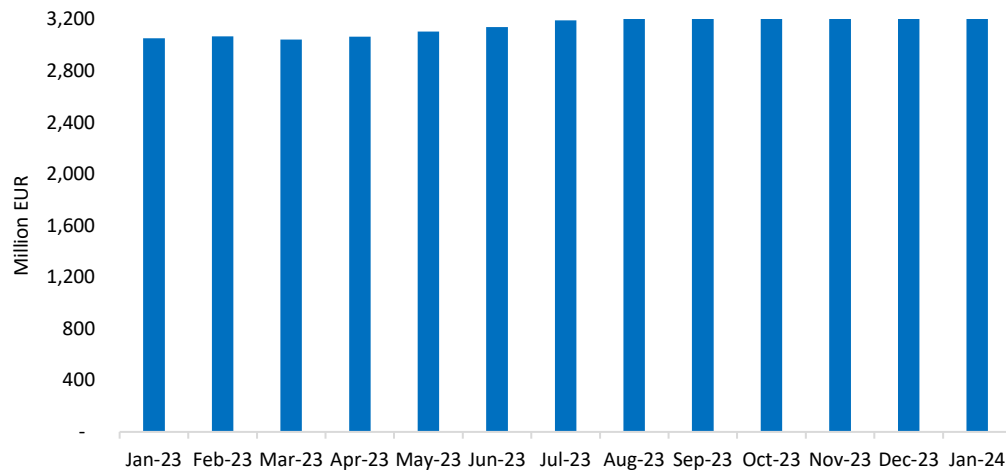
The BSE's Most Traded Companies during January 2024 (Only the Main Segment)

Symbol	Main Market		Deal		Offers		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
H2O	87,597,355	36.99%	37,890,628	77.28%	0	0.00%	125,487,982	40.73%
TLV	29,367,310	12.40%	0	0.00%	0	0.00%	29,367,310	9.53%
SNP	27,920,857	11.79%	371,037	0.76%	0	0.00%	28,291,893	9.18%
AQ	3,674,347	1.55%	0	0.00%	19,297,258	86.88%	22,971,605	7.46%
SNG	13,795,270	5.82%	0	0.00%	0	0.00%	13,795,270	4.48%
BRD	8,554,423	3.61%	0	0.00%	0	0.00%	8,554,423	2.78%
TEL	1,419,626	0.60%	6,979,577	14.23%	0	0.00%	8,399,203	2.73%
SNN	8,246,215	3.48%	0	0.00%	0	0.00%	8,246,215	2.68%
EL	7,229,094	3.05%	0	0.00%	0	0.00%	7,229,094	2.35%
FP	6,893,257	2.91%	0	0.00%	0	0.00%	6,893,257	2.24%
TTS	6,656,086	2.81%	0	0.00%	0	0.00%	6,656,086	2.16%
EVER	1,673,546	0.71%	0	0.00%	2,914,690	13.12%	4,588,236	1.49%
ONE	1,939,181	0.82%	1,910,248	3.90%	0	0.00%	3,849,428	1.25%
M	3,748,852	1.58%	0	0.00%	0	0.00%	3,748,852	1.22%
DIGI	3,683,380	1.56%	0	0.00%	0	0.00%	3,683,380	1.20%
Top 15 Total								91.46%

Source: BSE data, ASF calculations

Specific developments in the investment funds sector

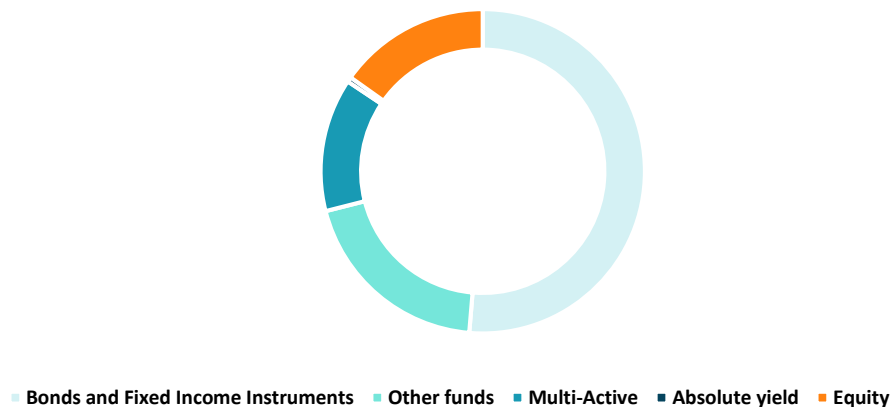
**Evolution of net assets of open-end investment funds
(January 2023 – January 2024)**



According to data published by AAF, net assets of open-end investment funds (OeIF) stood at a value of aprox. EUR 3.6 billion in January 2024, up compared to the previous month (EUR 3.5 billion).

In January 2024, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 51%), while the "other funds" category has a market share of approximately 20%.

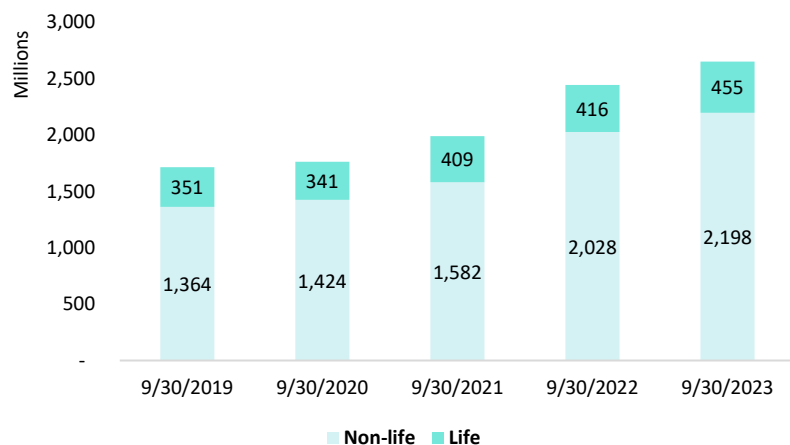
Open-end investment funds' market share by Fund Type and Net Asset (January 2024)



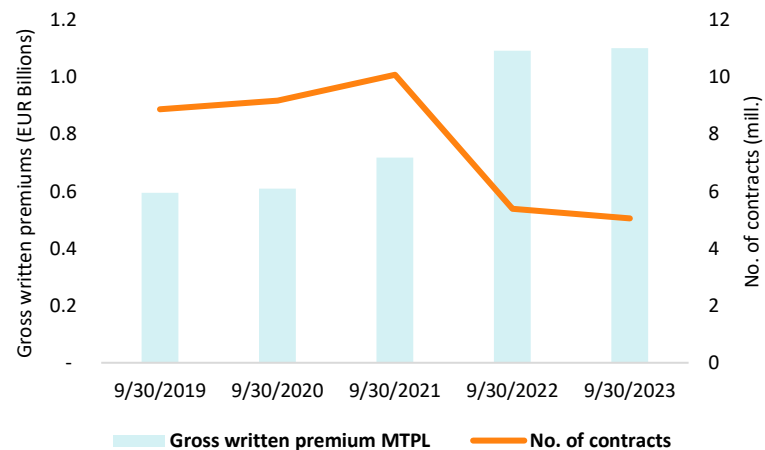
Source: AAF

Specific developments in the insurance market in Romania

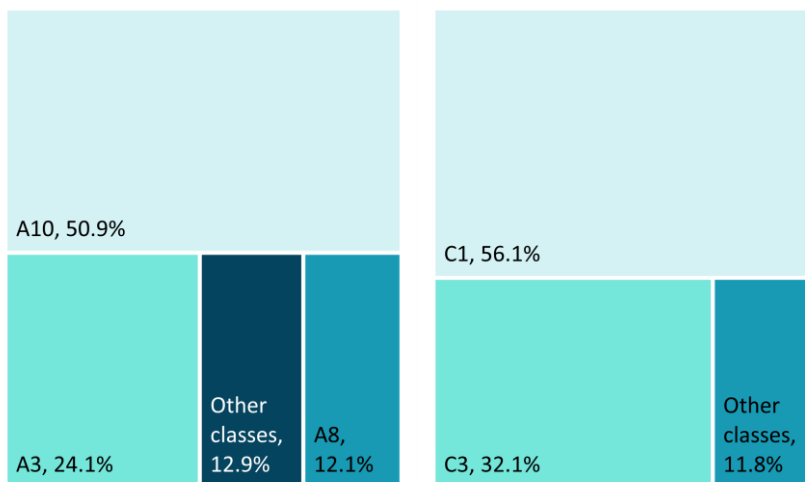
Gross written premiums (total)



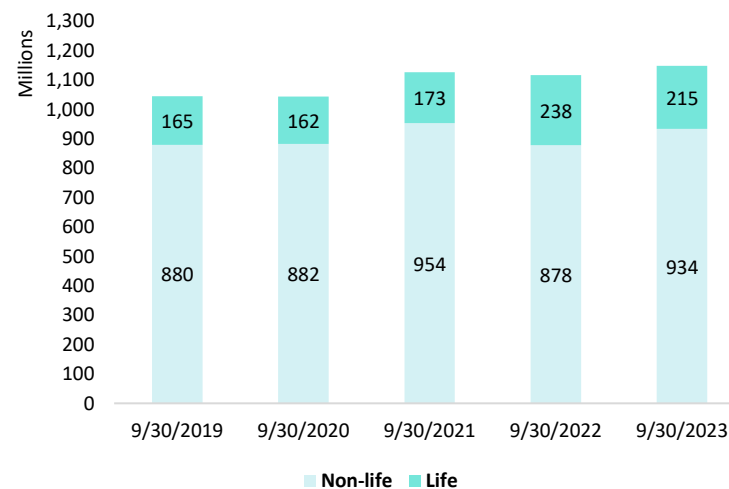
MTPL gross written premiums



Share of main insurance classes by GWP



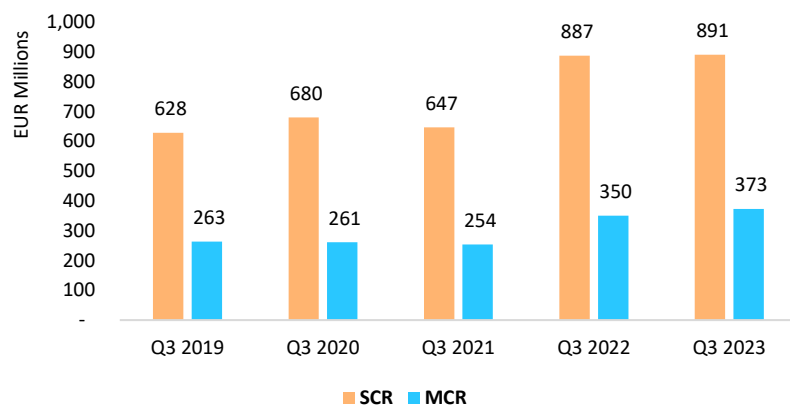
Gross claims paid



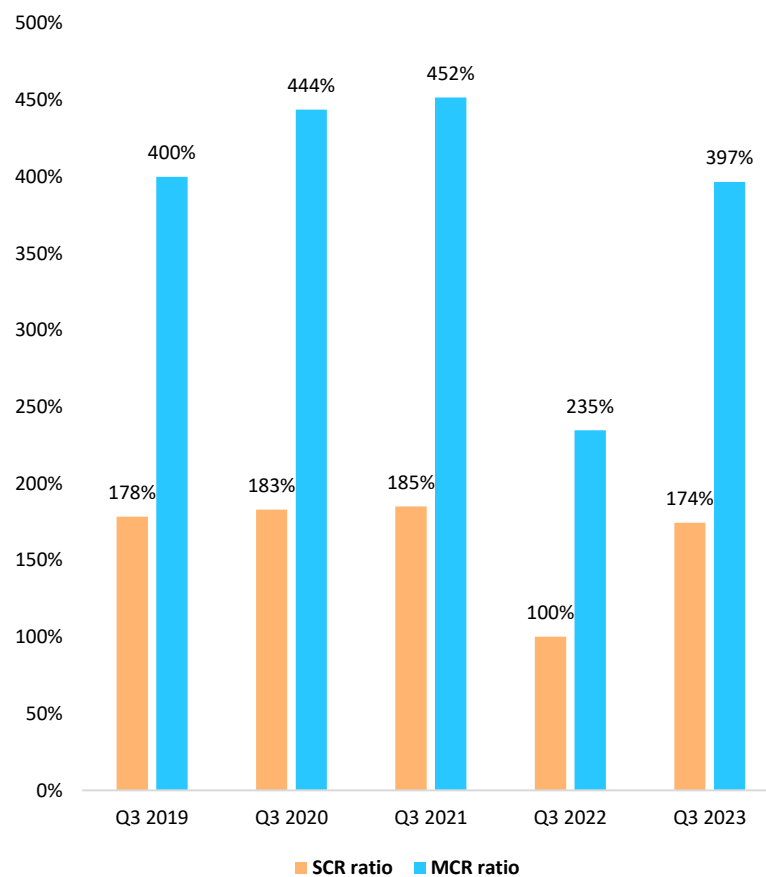
Source: ASF. Incl. Euroins Romania data (Q1 2023)

Specific developments in the insurance market in Romania

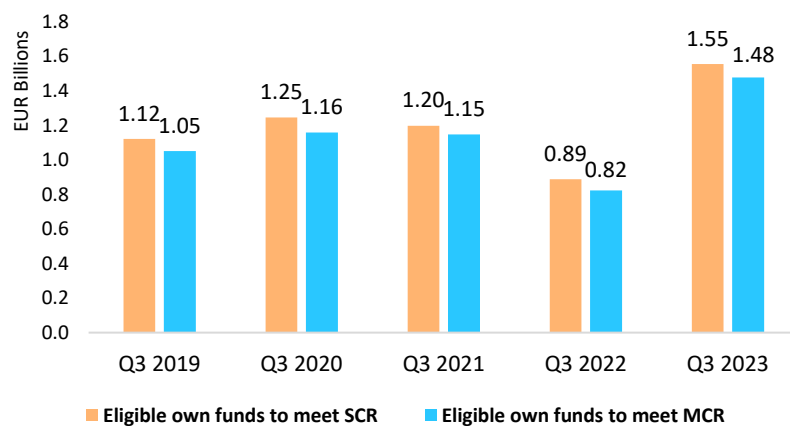
Evolution of capital requirements (SCR and MCR)



SCR and MCR ratio



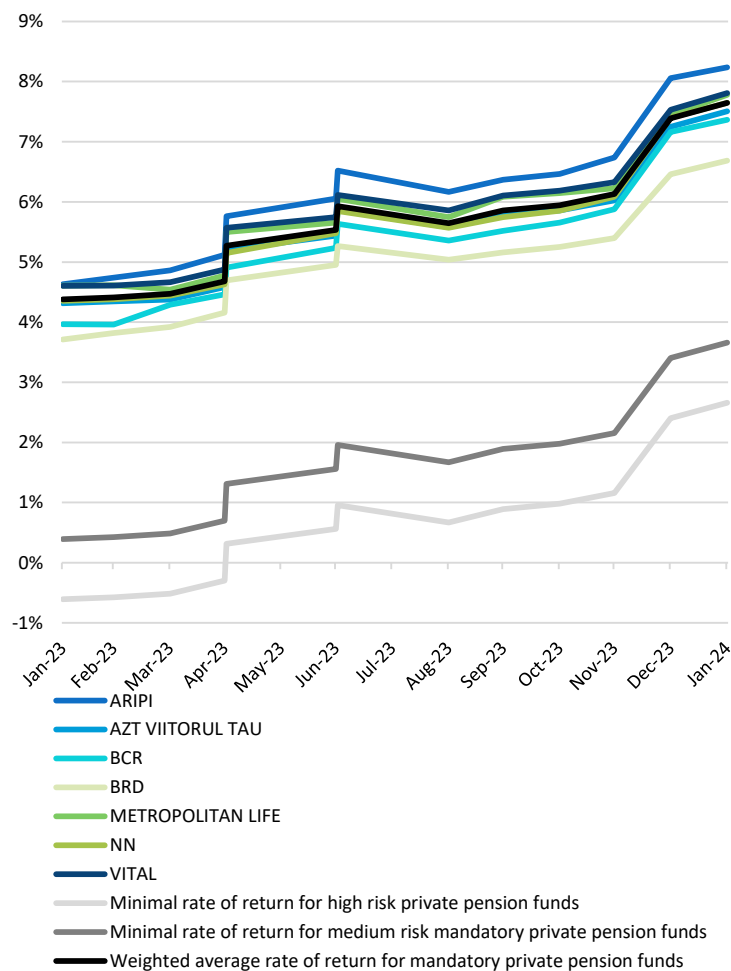
Total eligible own funds to meet the SCR and total eligible own funds to meet the MCR



Source: ASF; Q3 2022: incl. Euroins Romania data, according to ASF's adjustments; Q3 2023: excl. Euroins Romania data

Specific developments in the mandatory private pension funds sector (2nd Pillar):

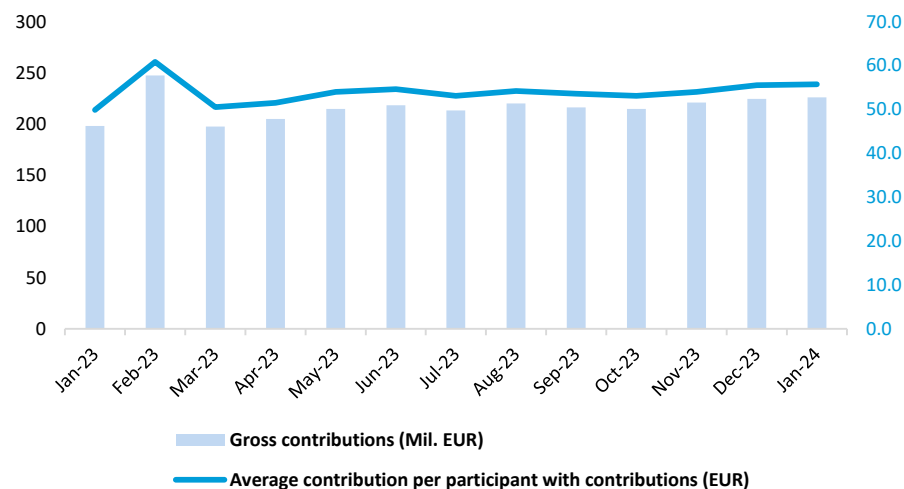
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates 31-Jan-24

Mandatory pension fund	Total Assets (EUR)	Participants (persons)	Annualized 60 months return rate
ARIPi	2,369,355,559	872,482	8.2373%
AZT VIITORUL TAU	5,442,051,036	1,681,269	7.5070%
BCR	1,845,943,601	776,981	7.3654%
BRD	1,115,250,523	564,915	6.6863%
METROPOLITAN LIFE	3,655,851,092	1,127,064	7.7802%
NN	8,804,152,756	2,108,565	7.6477%
VITAL	2,637,185,100	1,036,076	7.8096%
Total	25,869,789,667	8,167,352	

Evolution of gross contributions (EUR)



Specific developments in the mandatory private pension funds sector (2nd Pillar):

Mandatory pensions funds' aggregate portfolio

31 January 2024

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	17,069,190,601	66.0%
Equity	6,086,519,157	23.5%
Corporate bonds	1,375,396,153	5.3%
Deposits	697,113,524	2.7%
Investment funds	437,750,670	1.7%
Supranational bonds	110,657,270	0.4%
Municipal bonds	80,939,918	0.3%
Exchange traded commodities	15,604,455	0.1%
Private equity	15,331,849	0.1%
Derivatives	657,577	0.0%
Other assets	(19,371,507)	-0.1%
Total	25,869,789,667	100.0%

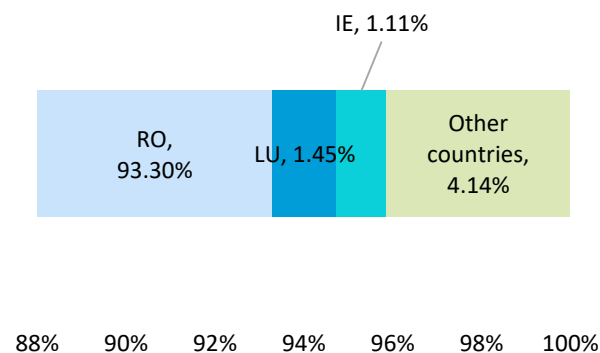
The value of the total assets of the privately managed pension funds reached EUR 25.87 billion at the end of January 2024, with an annual increase of 27%, compared to January 2023.

Approximately 93% of the assets were invested locally, the majority being denominated in RON. Most Romanian instruments are represented by government bonds and equities listed on the Bucharest Stock Exchange.

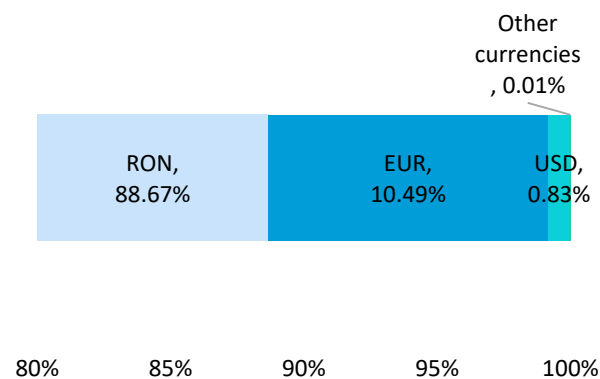
The value of gross contributions in January 2024 was EUR 226 millions, while the average contribution was EUR 55.7.

Source: ASF

Country exposure

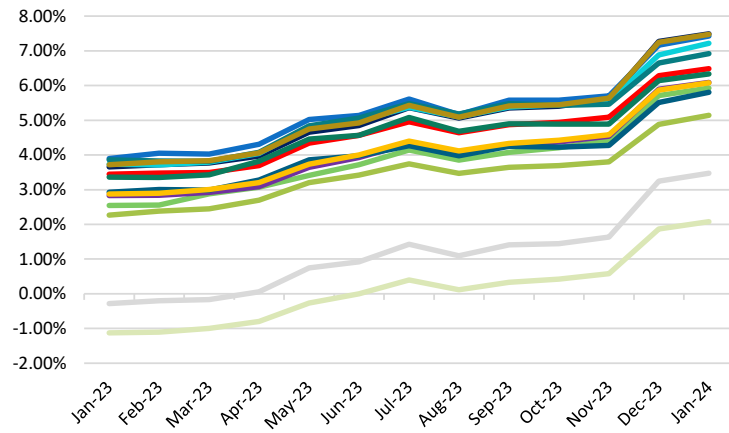


Currency exposure



Specific developments in the voluntary private pension funds sector (3rd Pillar):

Rate of return for voluntary pension funds



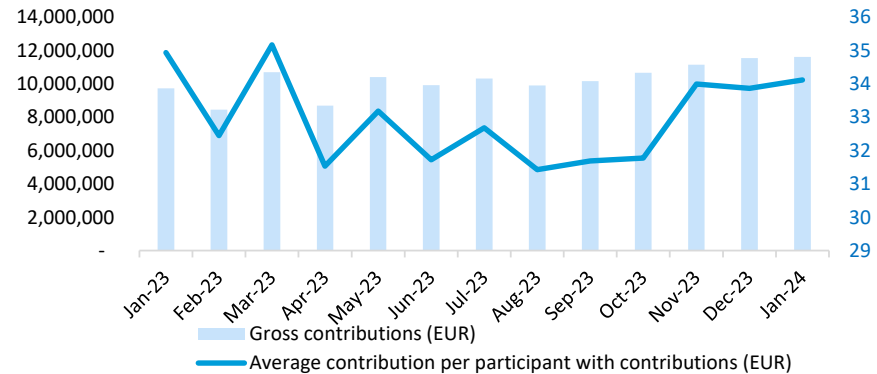
- AZT VIVACE
- NN ACTIV
- AEGON ESENTIAL
- AZT MODERATO
- BCR PLUS
- BRD MEDIO
- NN OPTIM
- PENSIA MEA
- RAIFFEISEN ACUMULARE
- STABIL
- Weighted rate of return for all high risk voluntary pension funds
- Minimal rate of return for high risk voluntary pension funds
- Weighted rate of return for all medium risk voluntary funds
- Minimal rate of return for all medium risk voluntary pension funds

Total assets (EUR), number of participants and return rates

31-Jan-24

Voluntary pension fund	Total assets (EUR)	Participants (persons)	Annualized 60 months return rate
AEGON ESENTIAL	3,085,416	4,036	7.2159%
AZT MODERATO	94,201,682	49,446	6.4847%
AZT VIVACE	32,608,120	21,935	7.4246%
BCR PLUS	153,120,377	149,743	5.9263%
BRD MEDIO	47,119,217	37,500	5.1416%
GENERALI STABIL	9,083,433	5,694	6.3335%
NN ACTIV	120,088,345	72,639	7.4887%
NN OPTIM	425,185,868	255,634	6.0881%
PENSIA MEA	44,618,172	52,801	5.8046%
RAIFFEISEN ACUMULARE	40,011,152	68,089	6.9187%
Total	969,121,783	717,517	

Evolution of gross contributions (EUR)



Source: ASF

Specific developments in the voluntary private pension funds sector (3rd Pillar):

Voluntary pensions funds' aggregate portfolio

31 January 2024

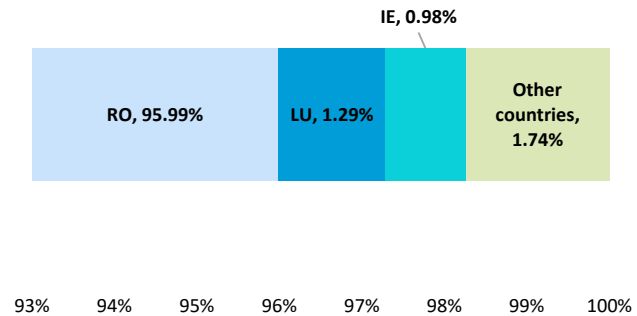
Assets categories	Assets value (EUR)	% of Total assets
Government bonds	642,650,322	66.3%
Equity	246,609,253	25.4%
Corporate bonds	38,389,917	4.0%
Deposits	19,373,392	2.0%
Investment funds	11,356,434	1.2%
Municipal bonds	7,850,571	0.8%
Exchange traded commodities	1,404,990	0.1%
Private equity	1,288,311	0.1%
Supranational bonds	819,574	0.1%
Derivatives	55,248	0.0%
Other assets	(676,230)	-0.1%
Total	969,121,783	100.0%

At the end of January 2024, the voluntary pension funds' total assets value was EUR 969 million, with an annual increase of 27%, compared to January 2023.

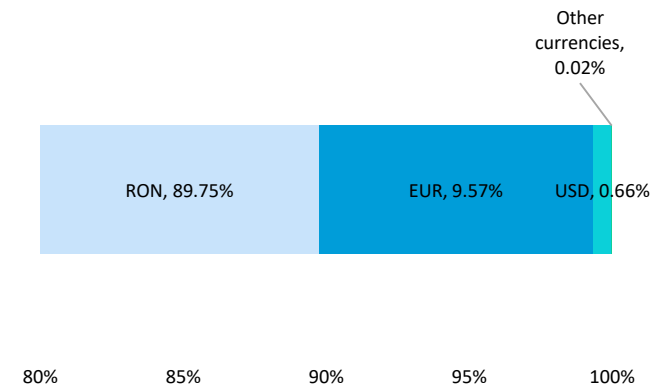
The funds' portfolios were generally invested in local assets, in a percentage of 96%, the majority being denominated in RON (90%).

The value of gross contributions in January 2024 was EUR 11.6 millions, while the average contribution was EUR 34.

Country exposure



Currency exposure



Press releases and publications of European financial institutions in January 2024

<p>ESMA</p>	<ul style="list-style-type: none"> • The three European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published a Consultation Paper on the draft implementing technical standards (ITSS) regarding the tasks of the collection bodies and the functionalities of the European Single Access Point (ESAP). • ESMA published its first analysis of the exposures the EU securities and markets and asset management sector have to real estate. • ESMA launched a Common Supervisory Action (CSA) with National Competent Authorities (NCAs), with the objective of assessing the implementation of pre-trade controls (PTCs) by EU investment firms using algorithmic trading techniques. • ESMA published its latest edition of the Spotlight on Markets Newsletter. • The three European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published the first set of final draft technical standards under the DORA aimed at enhancing the digital operational resilience of the EU financial sector by strengthening financial entities' Information and Communication Technology (ICT) and third-party risk management and incident reporting frameworks. • ESMA published two Consultations Papers on guidelines under Markets in Crypto Assets Regulation (MiCA), one on reverse solicitation and one on the classification of crypto-assets as financial instruments. • ESMA published a report on the EU alternative investment funds (AIFs)' market and an article on the risks posed by leveraged AIFs in the EU. • ESMA published its first risk monitoring report of 2024, where it sets out the key risk drivers currently facing financial markets.
<p>EIOPA</p>	<ul style="list-style-type: none"> • EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of November 2023.



	<ul style="list-style-type: none">• EIOPA published the results of a Europe-wide comparative study on non-life underwriting risk in internal models.• EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of December 2023.• EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of December 2023.• EIOPA published its second Report on the application of the IDD.• EIOPA published its fourth annual report on administrative sanctions and other measures imposed during 2022 by national competent authorities under the Insurance Distribution Directive (IDD).• EIOPA released its Consumer Trends Report 2023.• EIOPA published a study on diversification modelling in the internal models used by insurers.
ECB	<ul style="list-style-type: none">• Monetary policy decisions.• ECB steps up climate work with focus on green transition, climate and nature-related risks.
IMF	<ul style="list-style-type: none">• IMF Staff Concludes Visit to Romania.

The report reflects the latest available statistical data, some of which are provisional and will be revised in future editions.

The frequency with which information in tables and graphs is updated is highest for stock market indicators, macroeconomic indicators and investment and pension fund indicators, with most updates occurring monthly, while insurance market indicators are usually updated quarterly.