

The International Monetary Fund revised downward its forecast for Romania's economy for 2024: from 2.8% according to the April 2024 estimates to 1.9% (according to the October 2024 projections).

MONTHLY MARKET REPORT

Summary

- In October, the volatilities of the BET, BET-NG, BET-BK, BET-TR, and BET-FI indices exhibited a prevailing downward trajectory, despite a rapid increase in the middle of the month. These volatilities were estimated utilizing a GARCH (1,1) model.
- In September and October 2024, the contagion between the stock markets has stabilized but remained high. The local stock market (BSE) reacted to the contagion shocks, but subsequently recovered to its previous trend.
- In Q1 2024, the volume of gross premiums written by insurance companies supervised by ASF amounted to EUR 961 million (+0.8% compared to same period last year), with premiums recorded by non-life insurers accounting for 81%.
- Gross claims paid increased by approx. 1.2% (excl. amounts paid by Policyholders Guarantee Fund) to EUR 438 million.
- The value of the total assets of the privately managed pension funds reached EUR 30.14 billion at the end of September 2024, with an annual increase of 28%, compared to September 2023.
- At the end of September 2024, the voluntary pension funds' total assets value was EUR 1.11 billions, with an annual increase of 26.4%, compared to September 2023.

World Macroeconomic Outlook

The International Monetary Fund (World Economic Outlook, October 2024) has maintained its global economic growth forecast for 2024 at 3.2%, compared to the forecast published in July 2024. For the US, the GDP growth forecast for 2024 has been revised upward by 0.2 percentage points: from 2.6% in the July 2024 estimate to 2.8% (as projected in October 2024). For the euro area, the GDP growth forecast for 2024 is revised downwards by 0.1 percentage points: from 0.9% in the July 2024 forecast to 0.8% (as projected in October 2024). For Romania, the GDP growth forecast for 2024 has been revised downwards by 0.9 percentage points: from 2.8% in the April 2024 estimate to 1.9% (as projected in October 2024).

According to the data published by Eurostat, in the second quarter of 2024, **seasonally adjusted GDP** increased by 0.2% in both the euro area and the EU, compared to the previous quarter. Compared with the same quarter of the previous year, seasonally adjusted GDP grew by 0.6% in the euro area and by 0.8% in the EU in the second quarter of 2024, after +0.5% in the euro area and +0.7% in the EU in the previous quarter.

According to data published by the National Institute of Statistics, locally, **gross domestic product** increased by 0.3% in Q2 2024 compared to Q1 2024. Compared with Q2 2023, in Q2 2024, Romania's gross domestic product grew by 0.9% on both a gross and seasonally adjusted basis. In the first half of 2024, gross domestic product grew by 0.7% compared with the first half of 2023 on a gross basis and by 1.4% on a seasonally adjusted basis.

The National Commission for Strategy and Prognosis (NCSP) has revised down its economic forecast for gross domestic product growth in 2024 to 2.8% according to the 2024 summer forecast of the NCSP (from 3.4% according to the spring 2024 NCSP forecast).

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

Country	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024	Q2 2024	European Commission		IMF	
									2024f	2025f	2024f	2025f
Euro area	3.5	1.4	0.5	0.0	0.1	0.4	0.5	0.6	0.8	1.4	0.8	1.2
Germany	1.4	0.2	0.1	-0.3	-0.2	-0.3	-0.1	0.0	0.1	1.0	0.0	0.8
Bulgaria	4.0	2.4	2.0	1.8	1.7	1.9	1.9	2.1	1.9	2.9	2.3	2.5
Hungary	4.3	-1.4	-2.3	0.0	0.5	-0.9	1.7	1.4	2.4	3.5	1.5	2.9
Poland	5.3	-1.0	-0.7	0.2	1.9	0.1	1.8	4.0	2.8	3.4	3.0	3.5
Romania	4.0	1.6	2.8	3.1	2.1	2.4	2.0	0.9	3.3	3.1	1.9	3.3

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

World Macroeconomic Outlook

Monetary policy interest rates

Romania	Euro area	USA	United Kingdom
6.50%	3.40%	4.75% - 5%	5%

Following the monetary policy meeting on October 4th, 2024, the **National Bank of Romania** decided to: maintain the monetary policy interest rate to 6.50% per annum; maintain the interest rate on the lending facility (Lombard) to 7.50% per annum and the interest rate on the deposit facility to 5.50% per annum; and maintain the current levels of the minimum reserve requirements for credit institutions' liabilities in lei and foreign currency.

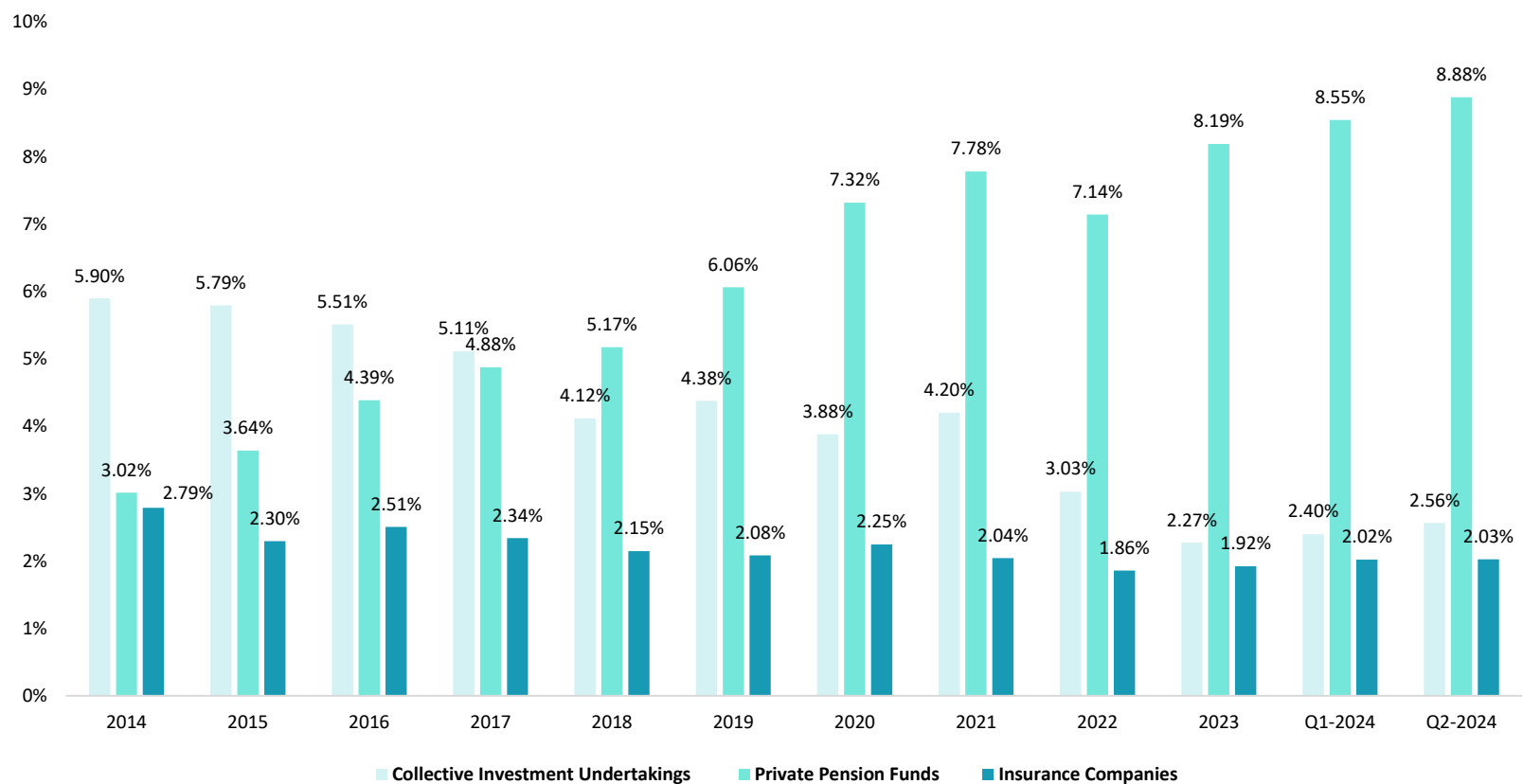
The Economic Sentiment Indicator (ESI) registered a value of 96.7 points in the European Union in September 2024. In September 2024, confidence in the industrial sector fell by 0.8 points compared with the previous month. In Romania, the Economic Sentiment Indicator is higher than the EU average, standing at 103.4 points in September 2024, down from 104 points in August 2024. At the same time, confidence in the services sector fell by 1.6 points compared with the previous month.

The euro area annual inflation rate was 1.7% in September 2024, down from 2.2% in the previous month, according to the data published by Eurostat. In September 2024, the largest contribution to the annual inflation rate in the euro area came from services (+1.76 percentage points, pp), followed by food, alcohol and tobacco (+0.47 pp), non-energy industrial goods (+0.12 pp) and energy (-0.60 pp). The lowest annual rates were registered in Ireland (0.0%), Lithuania (0.4%), Slovenia and Italy (both 0.7%) and the highest annual rates were recorded in Romania (4.8%), Belgium (4.3%) and Poland (4.2%).

Locally, the annual CPI inflation rate was 4.62% in September 2024 compared to September 2023. Significant contributions to the annual inflation rate were made by the increase in the prices of food (+4.72%), non-food (+3.30%) and services (+7.88%), 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, ASF, NIS (*GDP gross series, sum of the last 4 quarters Q3 2023+Q4 2023+Q1 2024+Q2 2024)

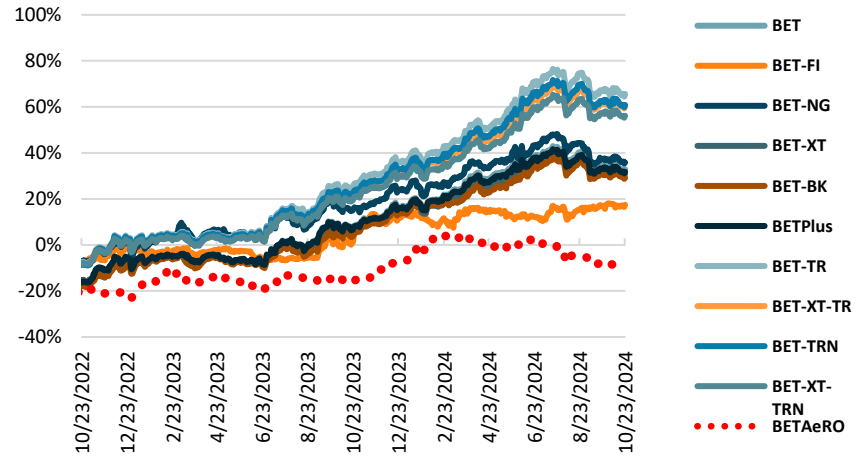
Current trends in Romanian capital markets

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

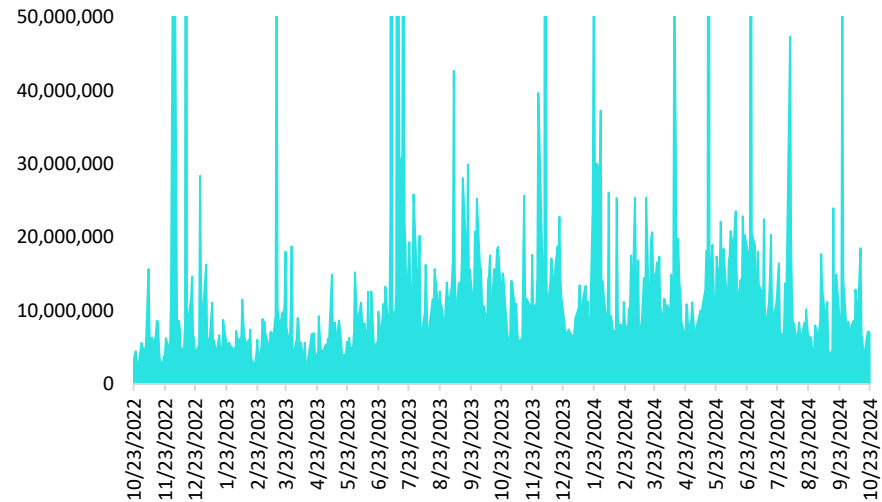
Date	BET	BET-FI	BET-NG	BET-XT
	13.50%	3.85%	9.31%	13.48%
	BET-BK	BETPlus	BET-TR	BET-XT-TR
10/23/2024	13.11%	13.25%	21.16%	20.45%
	BET-TRN	BET-XT-TRN	BETAeRO	
	20.50%	19.85%	-3.24%	

Source: BSE data, ASF calculations (percentage change 10/23/2024 vs. 12/29/2023)

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 September 2024 (4,52 pp), 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 September 2024

International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	0.96%	2.93%	-0.75%
FR (CAC 40)	0.06%	2.09%	-6.95%
DE (DAX)	2.21%	5.97%	4.50%
IT (FTSE MIB)	-0.72%	2.93%	-1.80%
GR (ASE)	1.45%	3.39%	2.08%
IE (ISEQ)	1.21%	6.21%	-0.60%
ES (IBEX)	4.17%	8.53%	7.25%
UK (FTSE 100)	-1.67%	0.89%	3.58%
US (DJIA)	1.85%	8.21%	6.34%
IN (NIFTY 50)	2.28%	7.50%	15.60%
SHG (SSEA)	17.40%	12.42%	9.69%
JPN (N225)	-1.88%	-4.20%	-6.07%

BSE indices	1 M	3 M	6 M
BET	-2.93%	-3.44%	3.47%
BET-FI	1.54%	5.36%	1.88%
BET-NG	-3.01%	-4.63%	0.93%
BET-XT	-2.25%	-2.47%	4.42%
BET-BK	-2.85%	-2.55%	6.00%
BETPlus	-2.79%	-3.38%	3.84%
BET-TR	-2.89%	-2.31%	9.92%
BET-XT-TR	-2.21%	-1.50%	10.28%
BET-TRN	-2.89%	-2.40%	9.37%
BET-XT-TRN	-2.22%	-1.58%	9.77%
BETAeRO	-3.67%	-8.43%	-10.24%
ROTX	-2.67%	-2.49%	4.55%

Source: Refinitiv, BSE, ASF calculations

Note: 1M=09/30/2024 vs. 08/30/2024; 3M=09/30/2024 vs. 06/28/2024; 6M=09/30/2024 vs. 03/29/2024

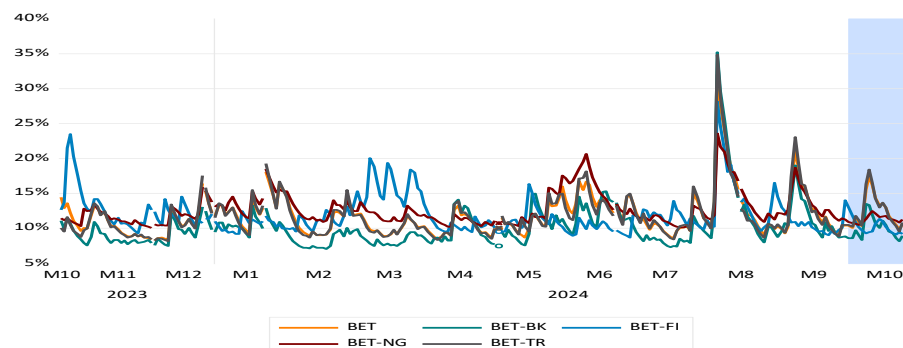
The analysed European indices recorded mixed developments (1 month). The FTSE 100 index (UK: -1.67%) saw the biggest fall, while the IBEX index (ES: +4.17%) recorded the biggest rise.

The main American and Asian indices showed mixed dynamics (1 month). The N225 index (JPN: -1.88%) had the most significant fall, while the SSEA index (SHG: +17.40%) recorded the most significant rise.

The indices of the BSE stock exchange showed negative evolutions (1 month), with the exception of the BET-FI index (+1.54%). The decreases ranged between -2.21% (BET-XT-TR index) and -3.67% (BETAeRO index). BET-FI reflects the evolution of financial investment companies (SIFs) and other similar entities. BETAeRO reflects the evolution of representative companies on the AeRO market selected according to liquidity and free-float capitalization criteria.

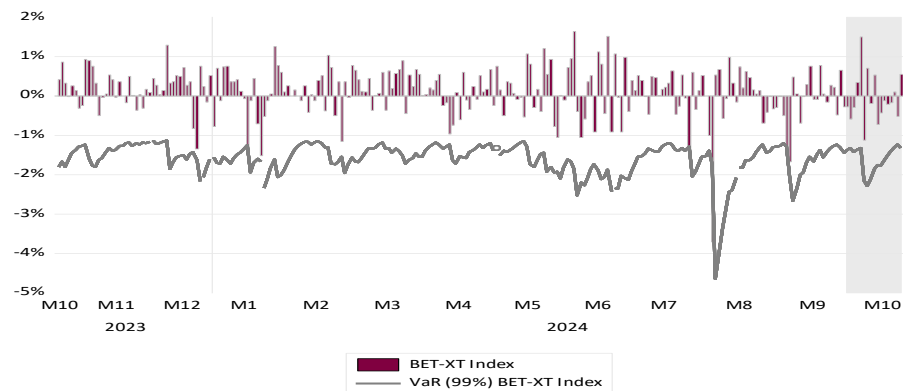
Market risk: evolution of stock indices

The volatility of local stock market indices - GARCH (1.1)



In October, the volatilities of the BET, BET-NG, BET-BK, BET-TR, and BET-FI indices exhibited a prevailing downward trajectory, despite a rapid increase in the middle of the month. These volatilities were estimated utilizing a GARCH (1,1) model.

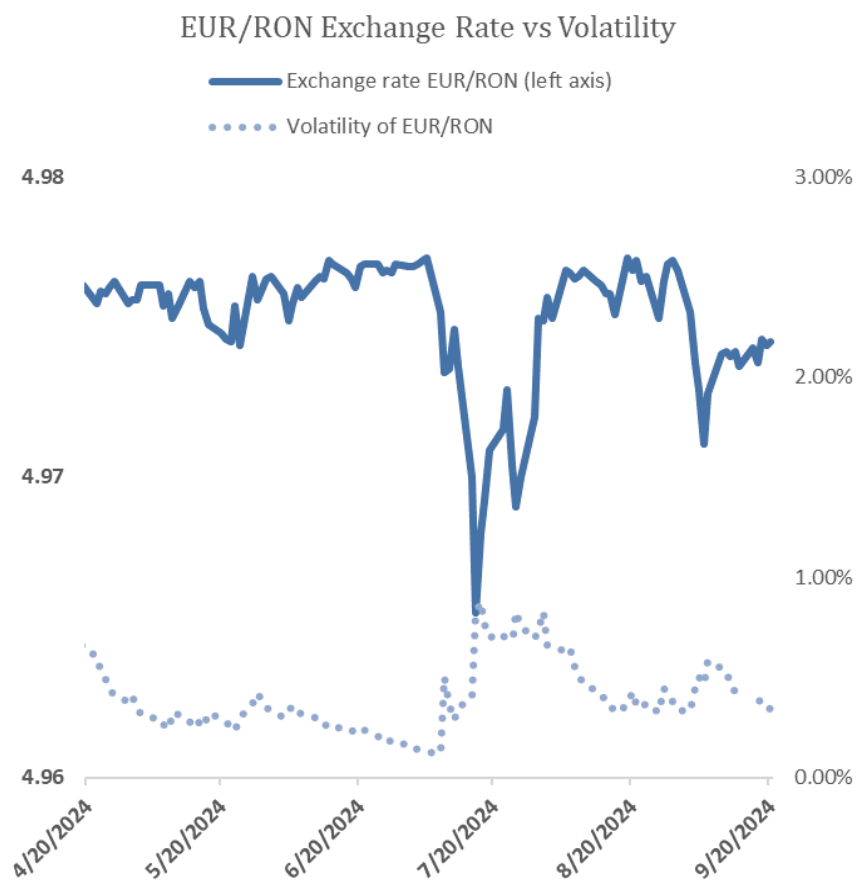
BET-XT Index vs VaR (99%) BET-XT Index



The chart below shows the dynamics of the BET-XT index together with the evolution of Value-at-Risk for a 1% significance level (VaR at 99%) for the next day, estimated under the assumption of normal distribution. Estimates for October indicate that the VaR of the BET-XT index fluctuated in the range 1.2% - 2.2%.

Source: BSE, ASF calculations

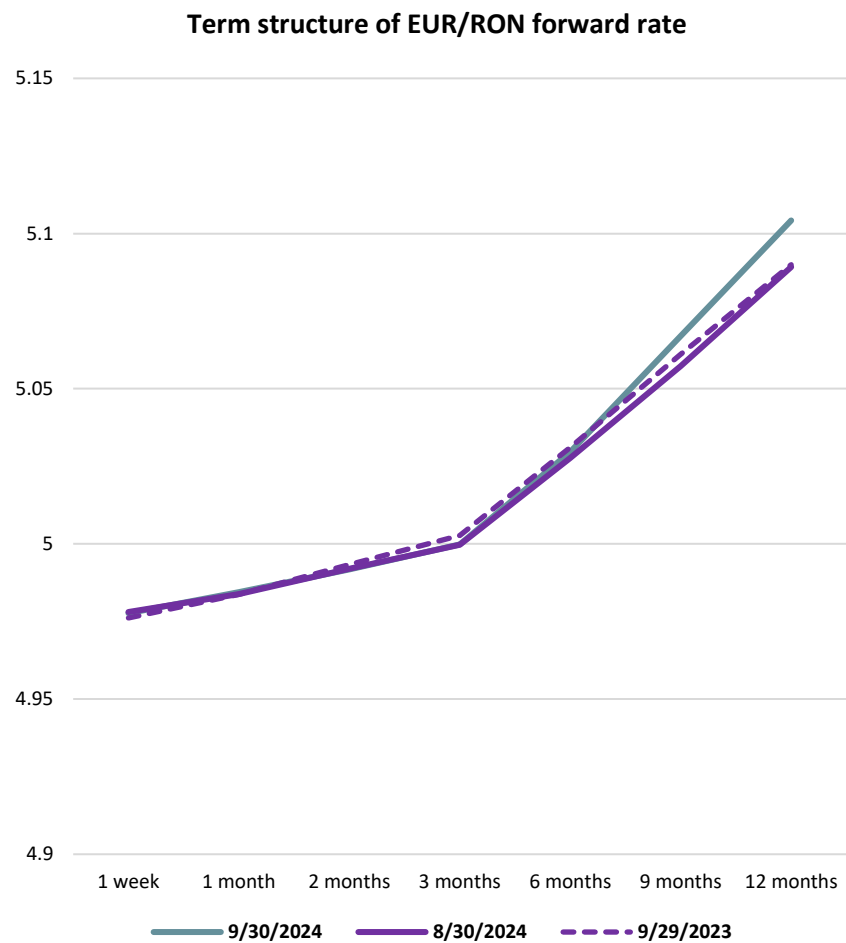
Market Risk: exchange rate volatility



In October 2024, the volatility of the EUR/RON exchange rate fluctuated up to 1% and the exchange rate appreciated around 4.972 EUR/RON. The macroeconomic climate is dominated by a declining inflation rate with a low volatility.

Source: Refinitiv, ASF calculations

Market Risk: term structure of EUR/RON forward rate

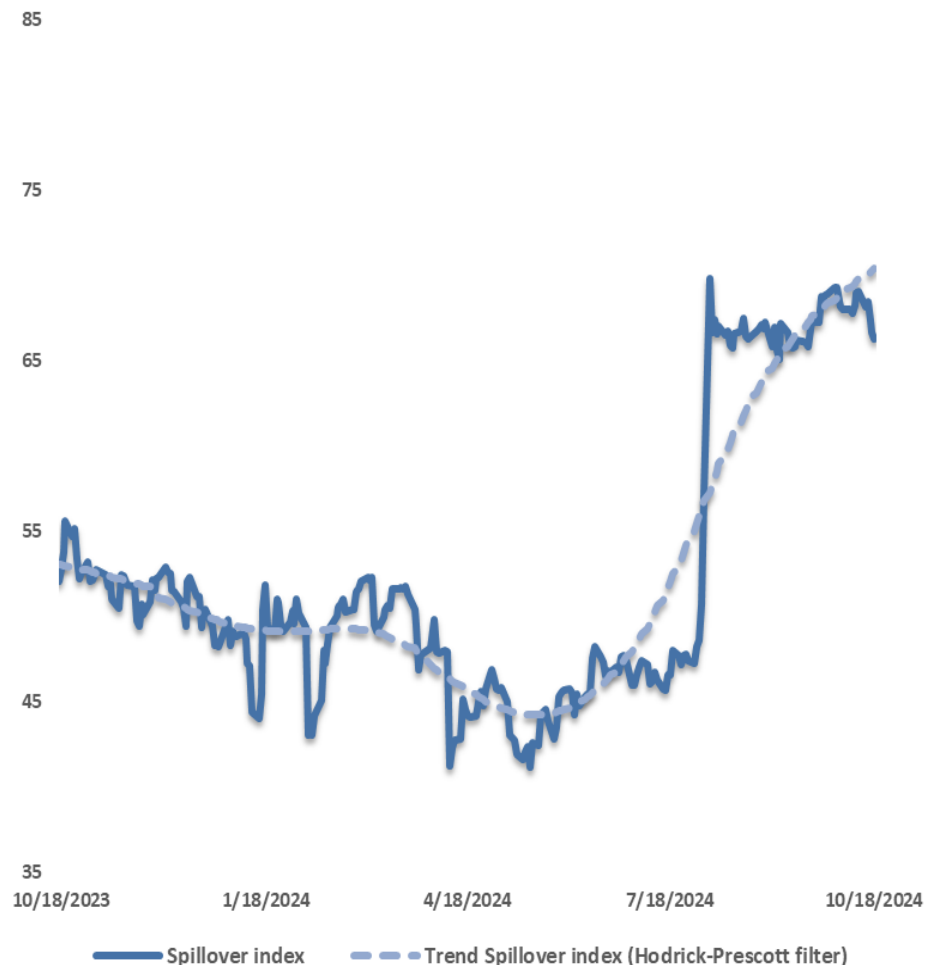


The term structure of the forward rate for the EURRON exchange rate with maturities between one week and twelve months shows the market expectations. There are expectations of EURRON appreciation for maturities between 6 to 12 months with respect to the previous month.

Source: Refinitiv, ASF calculations

Market Risk: Spillover Index

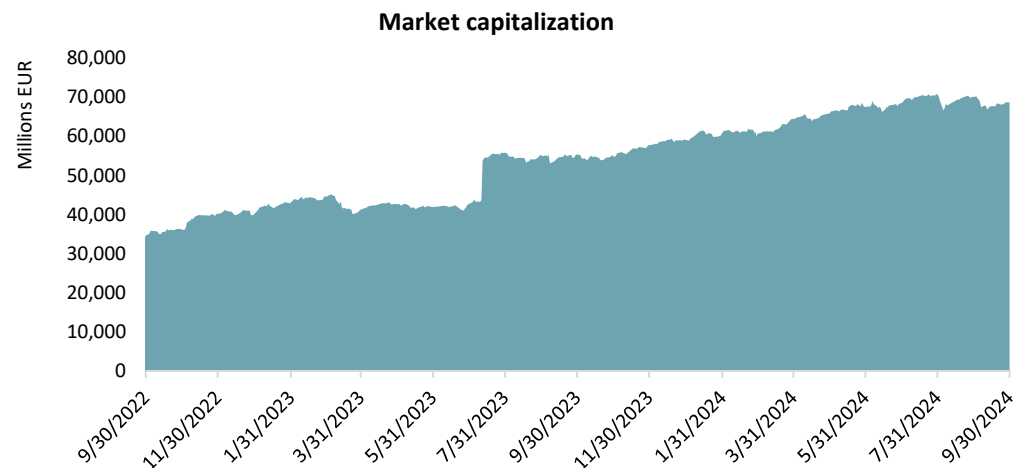
Spillover index



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 the first months of 2024.

In September and October 2024, the contagion between the stock markets has stabilized but remained high. The local stock market (BSE) reacted to the contagion shocks, but subsequently recovered to its previous trend.

Liquidity indicators on Romanian Stock Exchanges



The market capitalization recorded a 16% increase at the end of September 2024 compared to the end of 2023.

During September 2024, the 3 most traded companies on BSE were Fondul Proprietatea with a share of 23.17%, Banca Transilvania (TLV: 15.52%) and OMV Petrom (H2O: 13.73%).

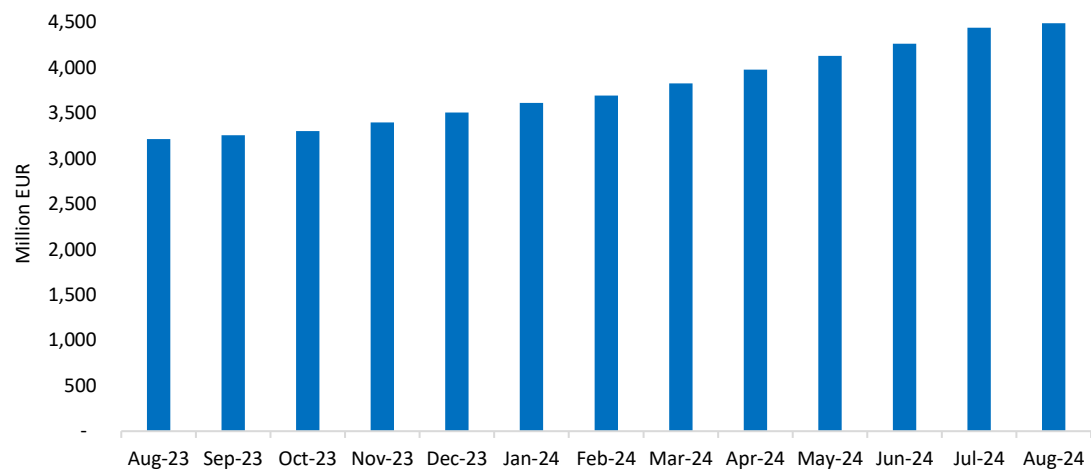
The BSE's Most Traded Companies during September 2024 (Only the Main Segment)

Symbol	Main Market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
FP	22,139,651	11.29%	0	0.00%	56,155,934	23.17%
TLV	37,057,975	18.90%	563,898	4.61%	37,621,873	15.52%
SNP	31,816,133	16.22%	1,463,523	11.96%	33,279,656	13.73%
H2O	24,020,835	12.25%	8,465,280	69.16%	32,486,115	13.40%
TTS	10,734,065	5.47%	0	0.00%	10,734,065	4.43%
SNG	10,401,850	5.30%	0	0.00%	10,401,850	4.29%
SNN	7,243,378	3.69%	0	0.00%	7,243,378	2.99%
DIGI	6,013,648	3.07%	0	0.00%	6,013,648	2.48%
M	3,692,013	1.88%	1,721,850	14.07%	5,413,863	2.23%
EVER	4,306,022	2.20%	0	0.00%	4,306,022	1.78%
ONE	4,214,020	2.15%	0	0.00%	4,214,020	1.74%
BRD	4,043,769	2.06%	0	0.00%	4,043,769	1.67%
PE	3,921,708	2.00%	0	0.00%	3,921,708	1.62%
EL	3,782,359	1.93%	0	0.00%	3,782,359	1.56%
TEL	2,782,929	1.42%	0	0.00%	2,782,929	1.15%
Top 15 Total						91.76%

Source: BSE data, ASF calculations

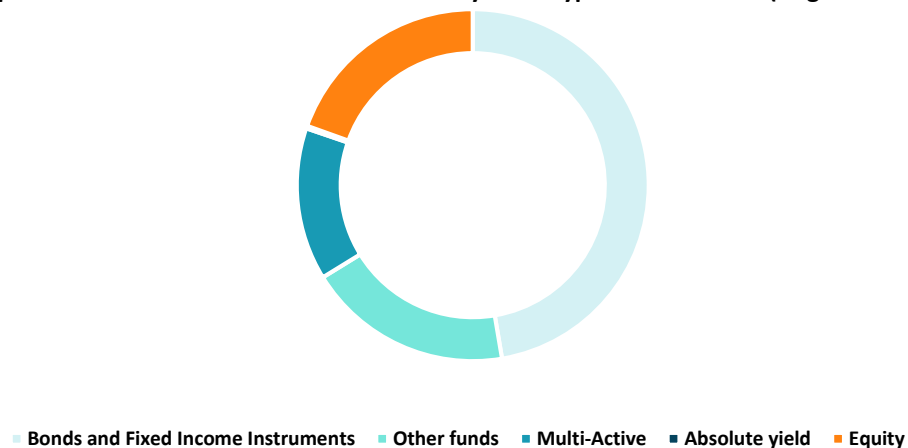
Specific developments in the investment funds sector

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



According to data published by AAF, net assets of open-end investment funds (OeIF) stood at EUR 4.49 billion in August 2024, up compared to the previous month (EUR 4.44 billion).

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

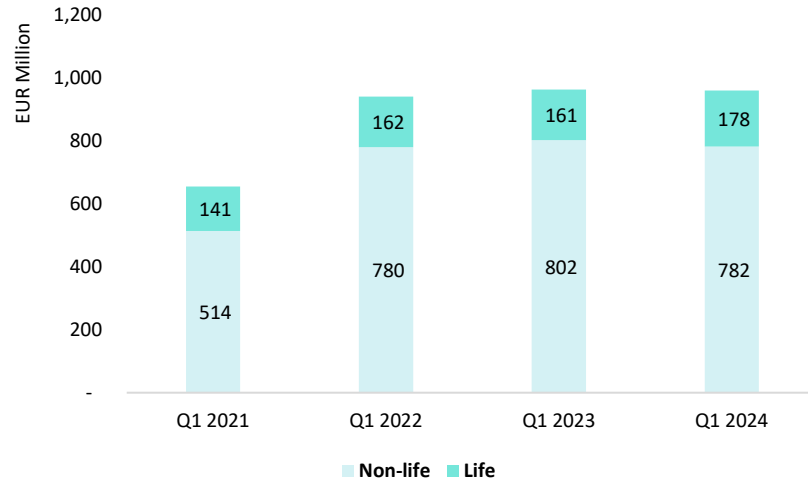


In August 2024, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 47%), while equity funds have a market share of approximately 20%.

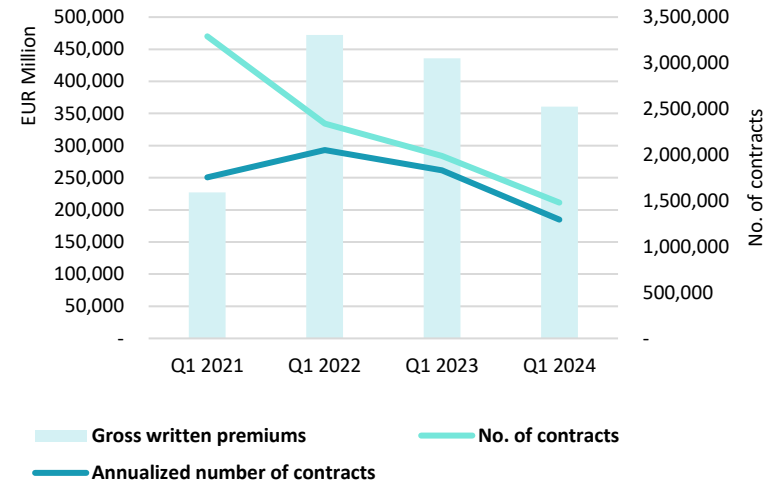
Source: AAF

Specific developments in the insurance market in Romania

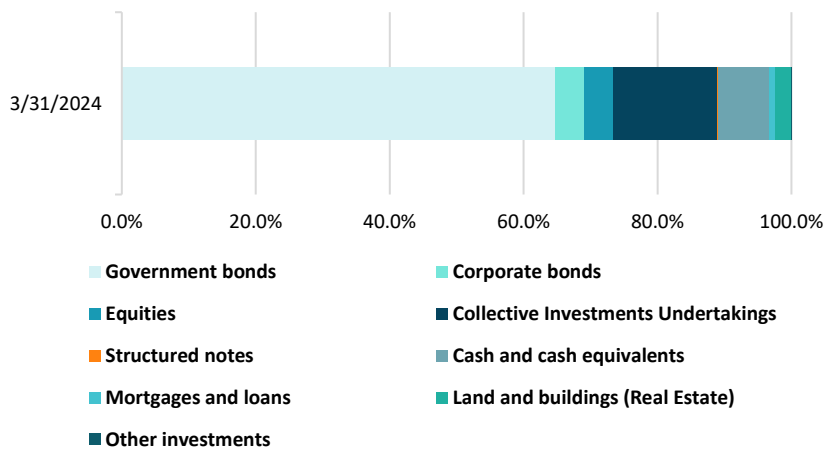
Gross written premiums (total)



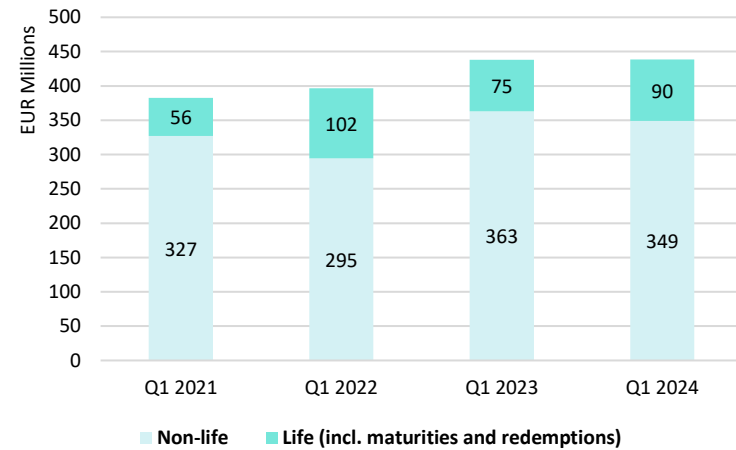
MTPL gross written premiums



Investment structure of insurance companies



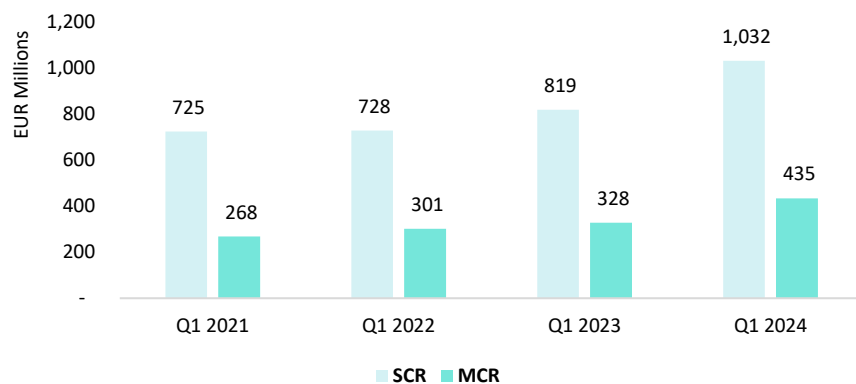
Gross claims paid



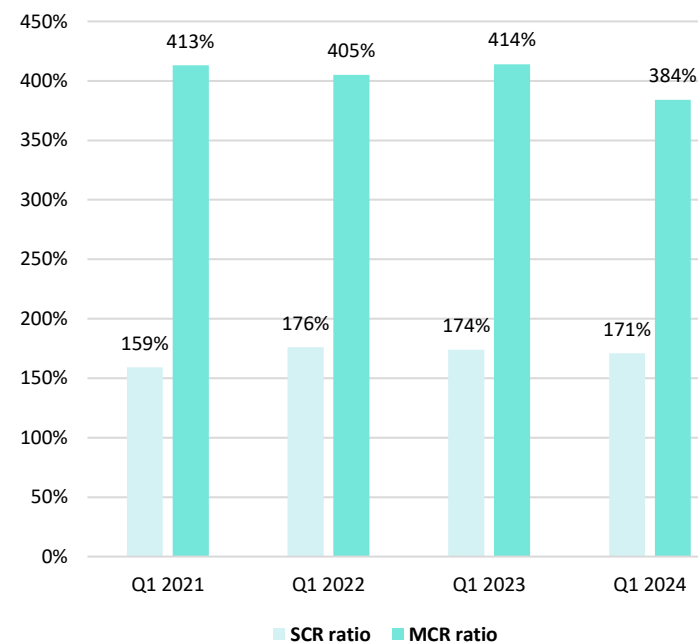
Source: ASF (Solvency 2 solo reporting, incl. assets held for unit-linked), *not including branches operating under Freedom of Establishment; not including amounts paid by FGA

Specific developments in the insurance market in Romania

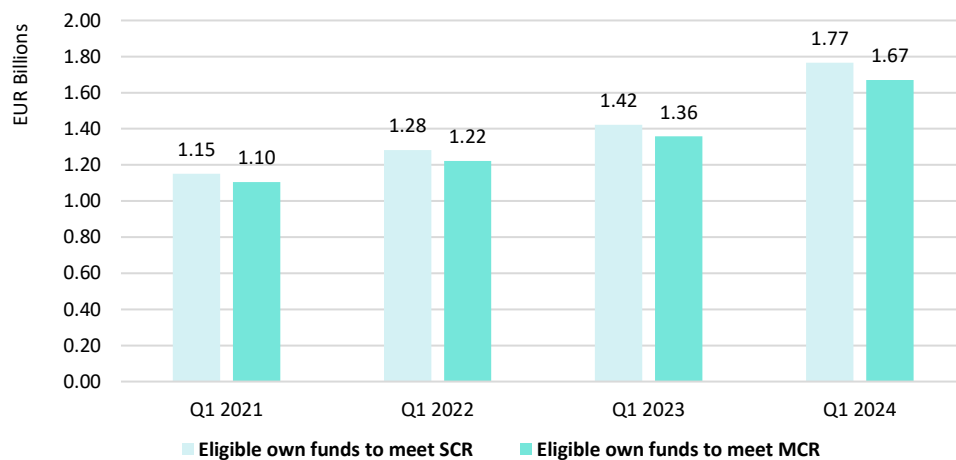
Evolution of capital requirements (SCR and MCR)



SCR and MCR ratio



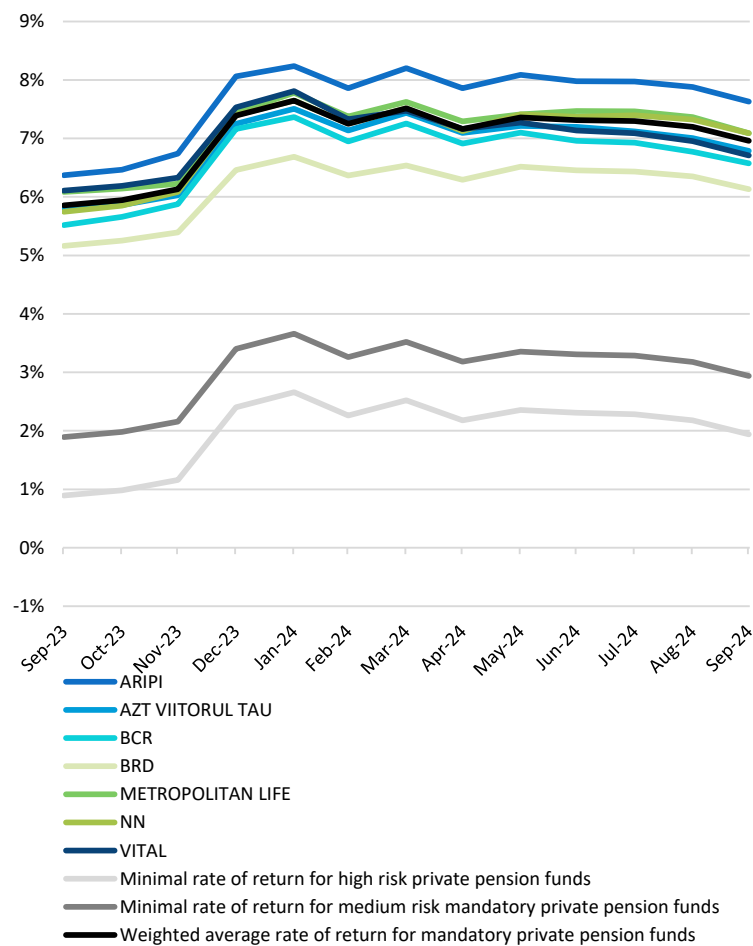
Total eligible own funds to meet the SCR and total eligible own funds to meet the MCR



Source: ASF; for Q1 2023, Euroins Romania data are not included

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

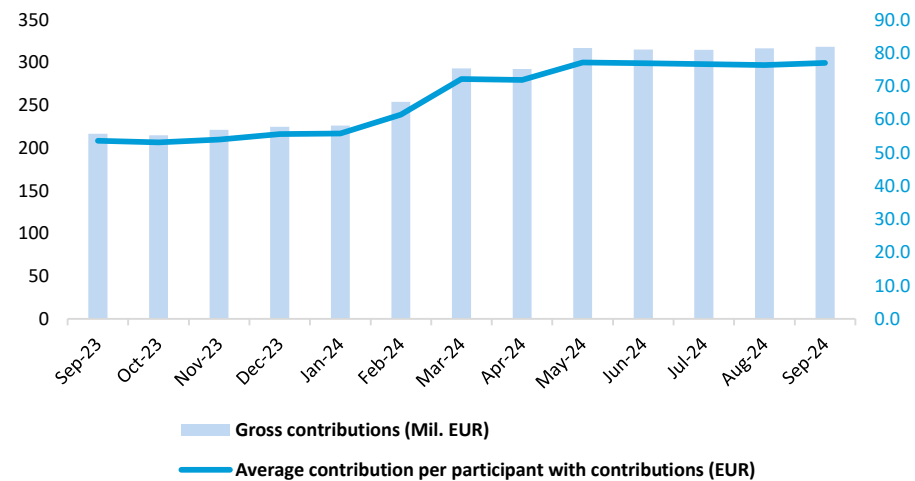
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates **30-Sep-24**

Mandatory pension fund	Total Assets (EUR)	Participants (persons)	Annualized 60 months return rate
ARIPi	2,786,810,244	884,704	7.6289%
AZT VIITORUL TAU	6,313,103,267	1,688,893	6.7878%
BCR	2,183,756,493	790,682	6.5733%
BRD	1,328,614,857	577,541	6.1306%
METROPOLITAN LIFE	4,252,841,197	1,136,636	7.0868%
NN	10,205,685,893	2,113,139	7.0867%
VITAL	3,065,836,898	1,047,417	6.7101%
Total	30,136,648,850	8,239,012	

Evolution of gross contributions (EUR)



Source: ASF

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

Mandatory pensions funds' aggregate portfolio

30 September 2024

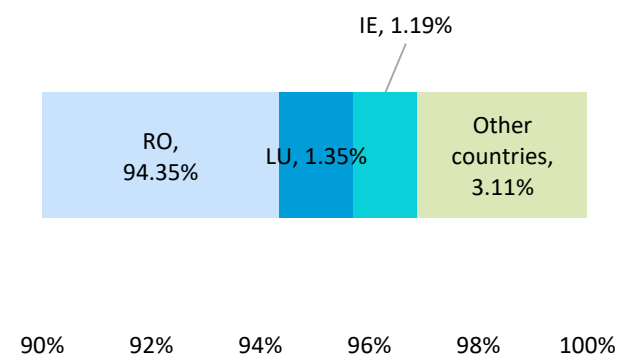
Assets categories	Assets value (EUR)	% of Total assets
Government bonds	20,131,656,853	66.8%
Equity	7,185,022,895	23.8%
Corporate bonds	1,302,614,001	4.3%
Investment funds	831,979,316	2.8%
Deposits	662,412,246	2.2%
Municipal bonds	79,913,187	0.3%
Supranational bonds	47,110,638	0.2%
Private equity	24,203,499	0.1%
Exchange traded commodities	15,488,910	0.1%
Derivatives	(1,071,519)	0.0%
Other assets	(142,681,175)	-0.5%
Total	30,136,648,850	100.0%

The value of the total assets of the privately managed pension funds reached EUR 30.14 billion at the end of September 2024, with an annual increase of 28%, compared to September 2023.

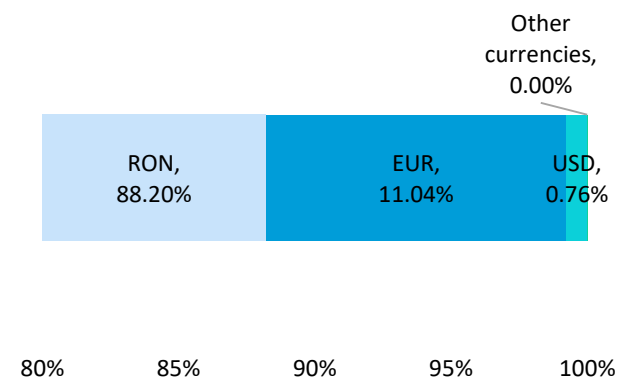
Approximately 94% of the assets were invested locally, the majority being denominated in RON. Most Romanian instruments are represented by government bonds and equities listed on the Bucharest Stock Exchange.

The value of gross contributions in September 2024 was EUR 318 millions, while the average contribution was EUR 77.

Country exposure

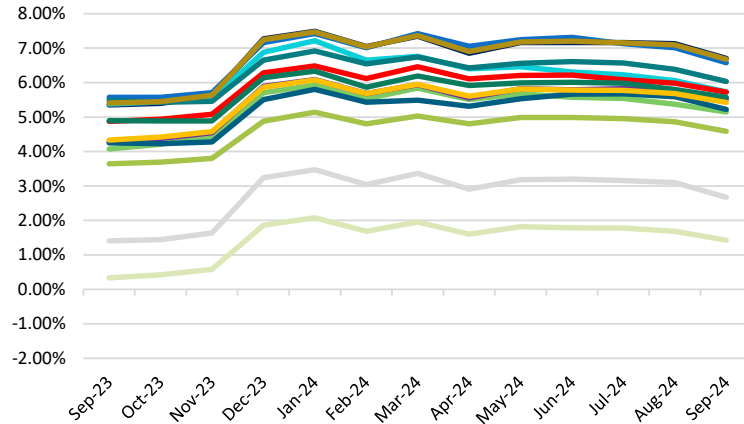


Currency exposure



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

Rate of return for voluntary pension funds

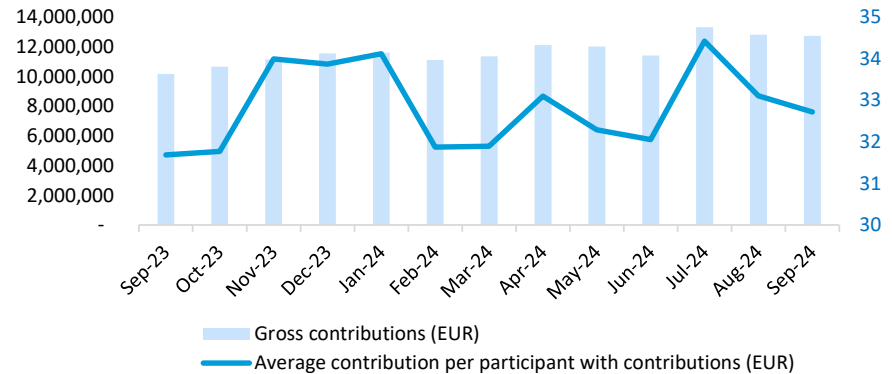


- AZT VIVACE
- NN ACTIV
- AEGON ESENTIAL
- AZT MODERATO
- BCR PLUS
- BRD MEDIO
- NN OPTIM
- PENSIA MEA
- RAIFFEISEN ACUMULARE
- STABIL
- Weighted rate of return for all high risk voluntary pension funds
- Minimal rate of return for high risk voluntary pension funds
- Weighted rate of return for all medium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

Total assets (EUR), number of participants and return rates 30-Sep-24

Voluntary pension fund	Total assets (EUR)	Participants (persons)	Annualized 60 months return rate
FPF AZT MODERATO	104,454,754	50,276	5.7216%
FPF AZT VIVACE	36,753,211	22,447	6.5738%
FPF BCR PLUS	170,789,640	154,893	5.1483%
FPF BRD MEDIO	51,646,333	37,238	4.5907%
FPF ESENTIAL	3,432,065	4,038	5.7327%
FPF NN ACTIV	141,172,495	79,112	6.7055%
FPF NN OPTIM	488,877,079	269,154	5.5225%
FPF PENSIA MEA	55,205,147	77,860	5.2240%
FPF RAIFFEISEN ACUMULARE	51,415,861	92,346	6.0329%
FPF STABIL	10,260,838	5,822	5.5752%
Total	1,114,007,422	793,186	

Evolution of gross contributions (EUR)



Source: ASF

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

Voluntary pensions funds' aggregate portfolio

30 September 2024

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	741,689,084	66.6%
Equity	280,246,453	25.2%
Corporate bonds	39,788,355	3.6%
Investment funds	24,315,182	2.2%
Deposits	20,043,138	1.8%
Municipal bonds	7,795,168	0.7%
Private equity	1,990,502	0.2%
Exchange traded commodities	1,259,899	0.1%
Supranational bonds	812,458	0.1%
Derivatives	(21,329)	0.0%
Other assets	(3,911,487)	-0.4%
Total	1,114,007,422	100.0%

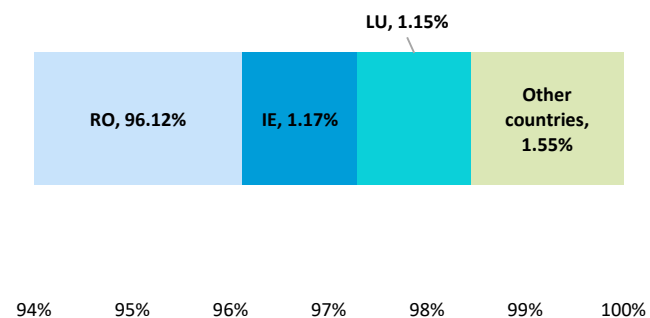
At the end of September 2024, the voluntary pension funds' total assets value was EUR 1.11 billions, with an annual increase of 26.4%, compared to September 2023.

The funds' portfolios were generally invested in local assets, in a percentage of 96%, the majority being denominated in RON (89.4%).

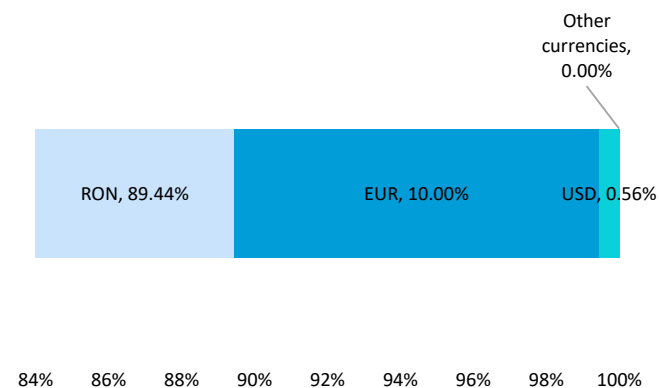
The value of gross contributions in September 2024 was EUR 12.7 millions, while the average contribution was EUR 33.

Source: ASF

Country exposure



Currency exposure



Press releases and publications of European financial institutions in September 2024

<p>ESMA</p>	<ul style="list-style-type: none"> • The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) issued their Autumn 2024 Joint Committee Report on risks and vulnerabilities in the EU financial system. • ESMA published additional details on the selection of Consolidated Tapes Providers (CTPs) for bonds and for shares and Exchange-Traded Funds (ETFs).
<p>EIOPA</p>	<ul style="list-style-type: none"> • Leveraging insurance to shore up Europe’s climate resilience. • EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of August 2024. • EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of August 2024. • EIOPA proposes a broad reform of the PEPP to tackle Europe’s pension gap and support the digital and green transitions. • EIOPA published an updated technical documentation for calculating the risk-free interest rate term structures (RFR). • EIOPA seeks feedback on measures aimed at strengthening the supervision of occupational pension funds’ liquidity management.
<p>OECD</p>	<ul style="list-style-type: none"> • Global economy is turning the corner as inflation declines and trade growth strengthens. • The new OECD report describes and assesses the corporate governance framework of the Romanian state-owned enterprise sector against the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

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.