

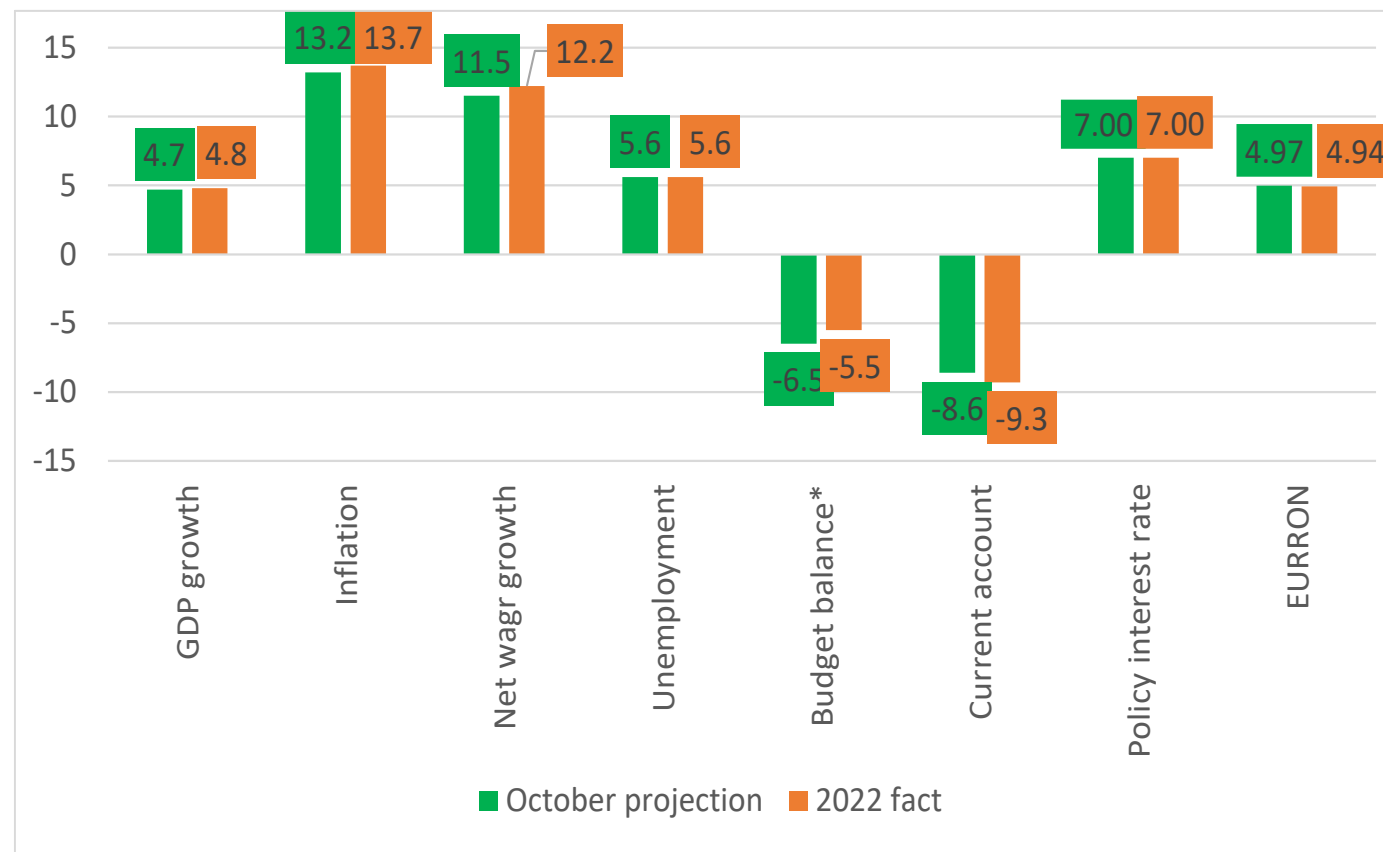
MACROECONOMIC

*Romania to face growth slowdown,
inflation is over the peak, rate hikes
ended*

Quarterly report,
March 2023

OUR OCTOBER PROJECTIONS VS. FACTS

PRESS HIGHLIGHTS



*Q3 data

ROMANIA TO FACE GROWTH SLOWDOWN, INFLATION IS OVER THE PEAK, RATE HIKES ENDED

PRESS HIGHLIGHTS

- GDP growth to slow in H1 to recover thereafter, but recent global banking sector problems point to downside risks
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Prices and labour market (YoY, %)						
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Nominal wage growth	7.1	12.2	12.0	8.5	10.6	8.1
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Government and BOP (% of GDP)						
Government sector balance	-7.1	-6.0	-5.0	-4.0	-5.0	-4.2
Public debt	48.9	47.2	47.0	47.6	48.0	48.1
Current account	-7.3	-9.3	-8.0	-7.0	-7.5	-6.5
Interest rate and exchange rate						
Key interest rate (% eop)	1.75	6.75	6.25	5.50	6.85	5.64
EURRON (eop)	4.95	4.94	5.04	5.14	5.00	5.04

*Source: OTP bank, Focus Economics



GLOBAL ECONOMY

**TOO MANY THINGS ARE CHANGING QUICKLY,
THIS MAKES PROJECTION MORE UNCERTAIN**



Geopolitics

- Russia-Ukraine war
- US-China tensions
- Global fracturing
- Supply chain problems
- Higher military expenditure

Economic environment

- Energy crisis
- High inflation
- Higher interest rates
- Falling real wages and consumption
- Higher risk avoidance
- Banking sector problems (SVB, Credit Suisse)

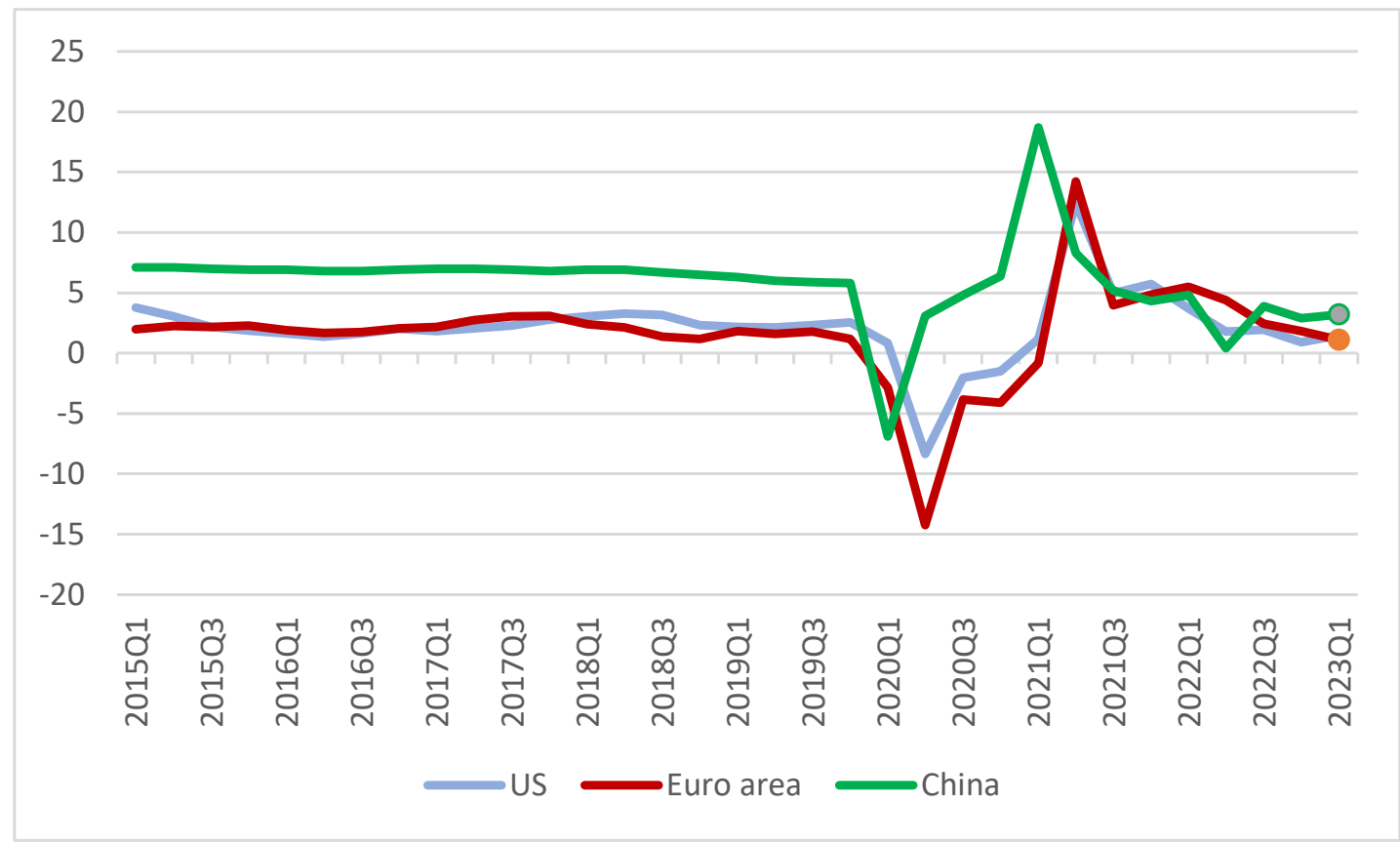


GLOBAL ECONOMY

Q4 GDP FIGURES SHOW SLOWDOWN, BUT MOSTLY ABOVE EXPECTATIONS; Q1 SO FAR OK



Quarterly GDP growth rates (YoY, %)



Source: Bloomberg

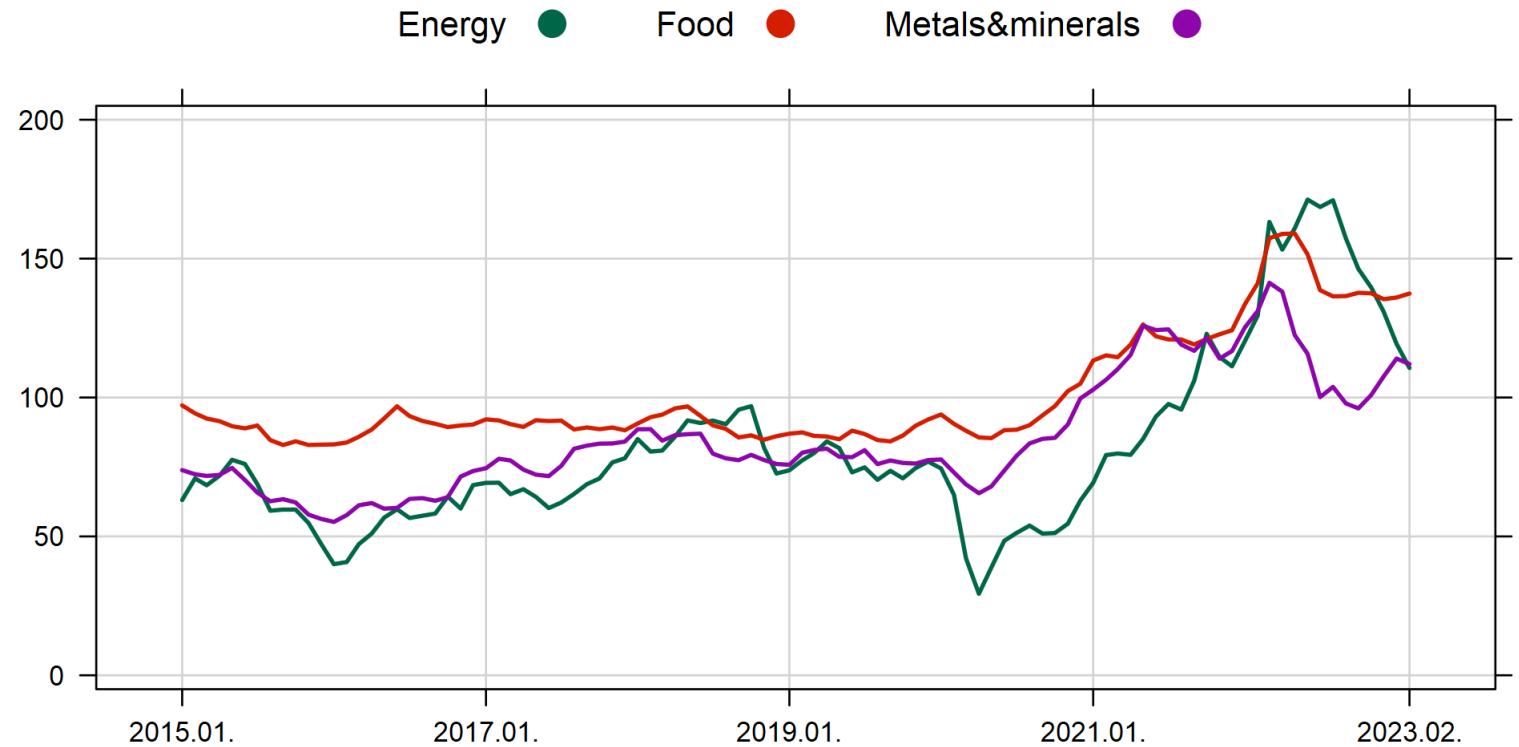


GLOBAL ECONOMY

ENERGY PRICES ARE COMING DOWN ROBUSTLY



Commodity prices (2010=100)



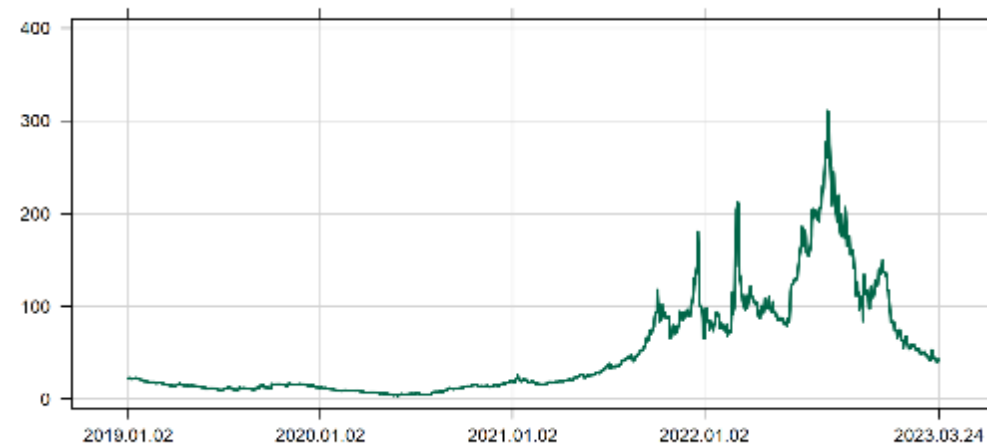


GLOBAL ECONOMY

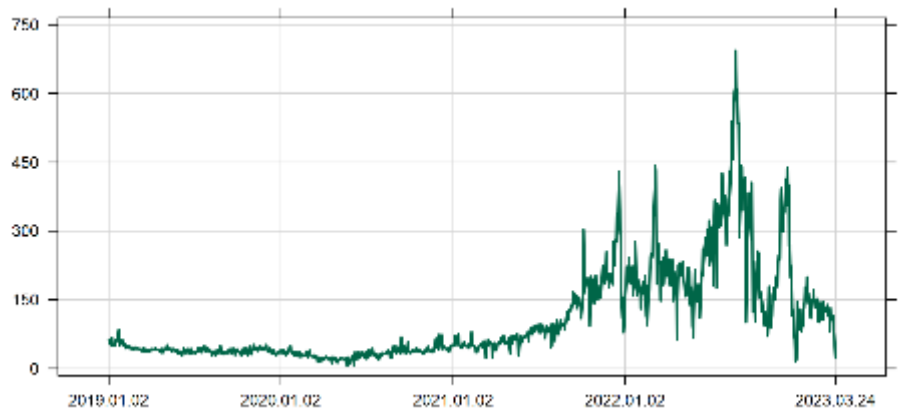
GAS AND ELECTRICITY PRICES HAS DECLINED SHARPLY SINCE LAST OCTOBER



TTF natural gas
price
(EUR/MWH)



Source: Bloomberg

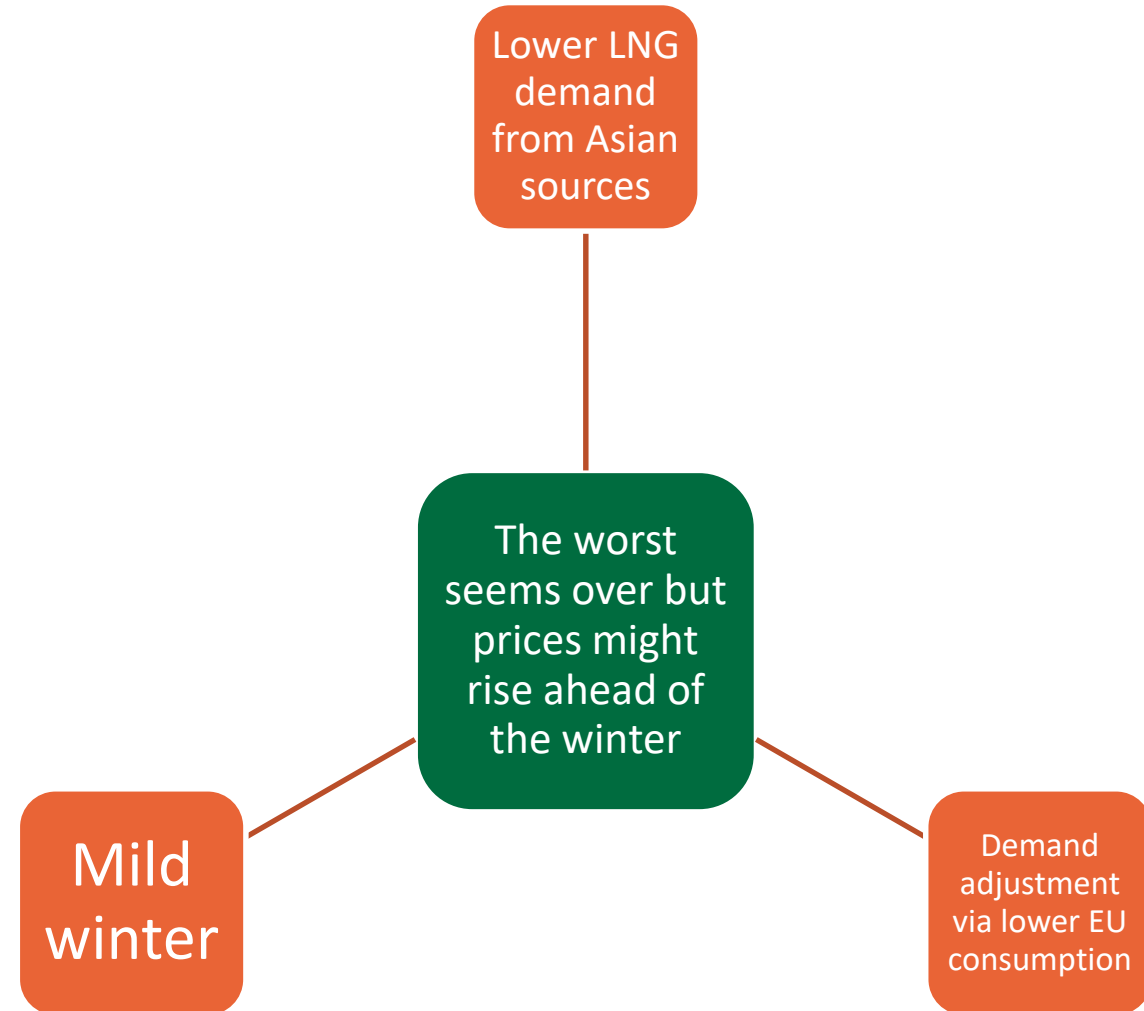


APX electricity
price(EUR/MWH)

Source: Bloomberg

IS THE ENERGY CRISIS OVER?

GLOBAL ECONOMY



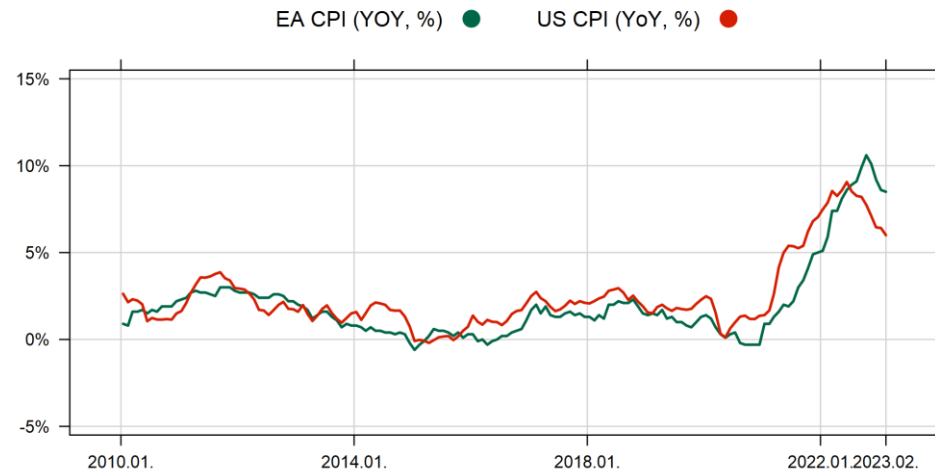


GLOBAL ECONOMY

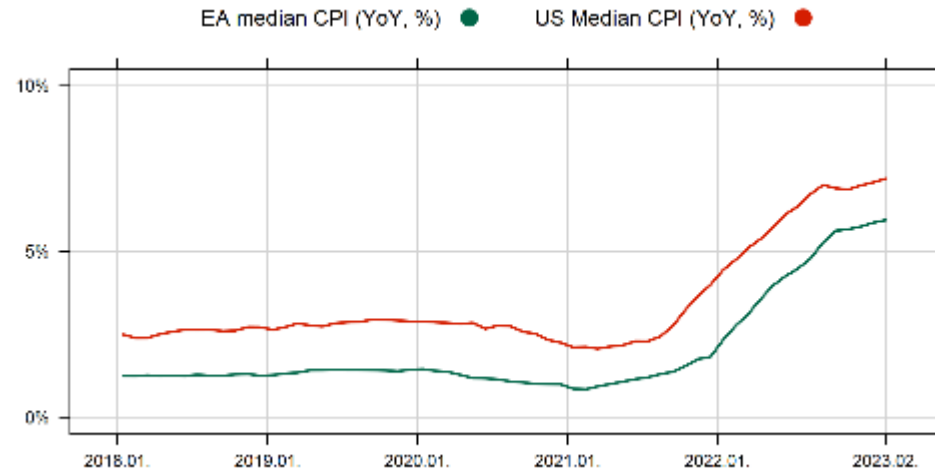
US INFLATION DECLINED SLOWER THAN EXPECTED



Inflation rates (YoY, %)



Source: Refinitive



Underlying inflation indicators (YoY, %)

Source: Refinitive, Eurostat, OTP Research

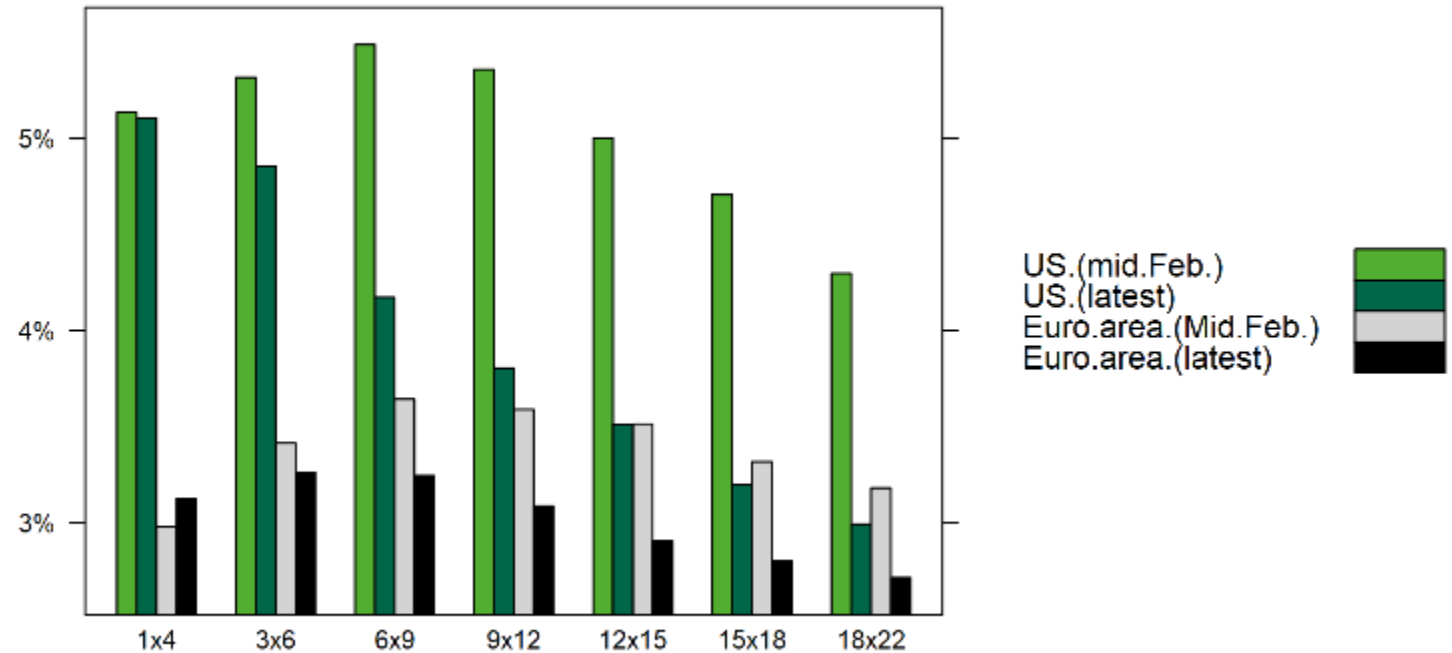


GLOBAL ECONOMY

RATE HIKE EXPECTATIONS FELL ON BANKING SECTOR WORRIES



Market expectation of central bank rates, %



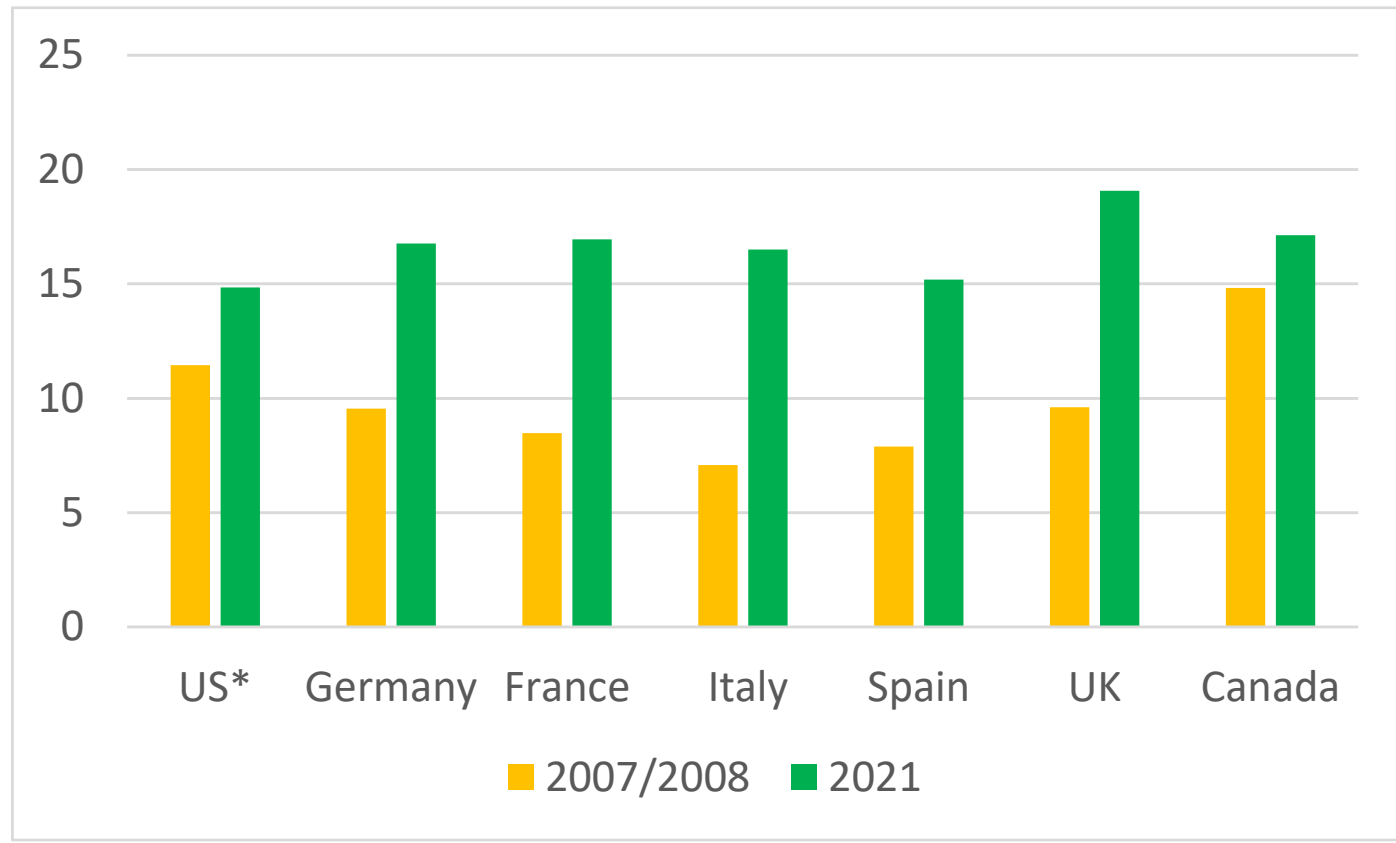


GLOBAL ECONOMY

BANKS HAVE MORE CAPITAL GLOBALLY TO ABSORB DIFFICULTIES WITH RISING INTEREST RATES



TIER 1 Capital ratios (%)



*Earliest data: 2009Q4

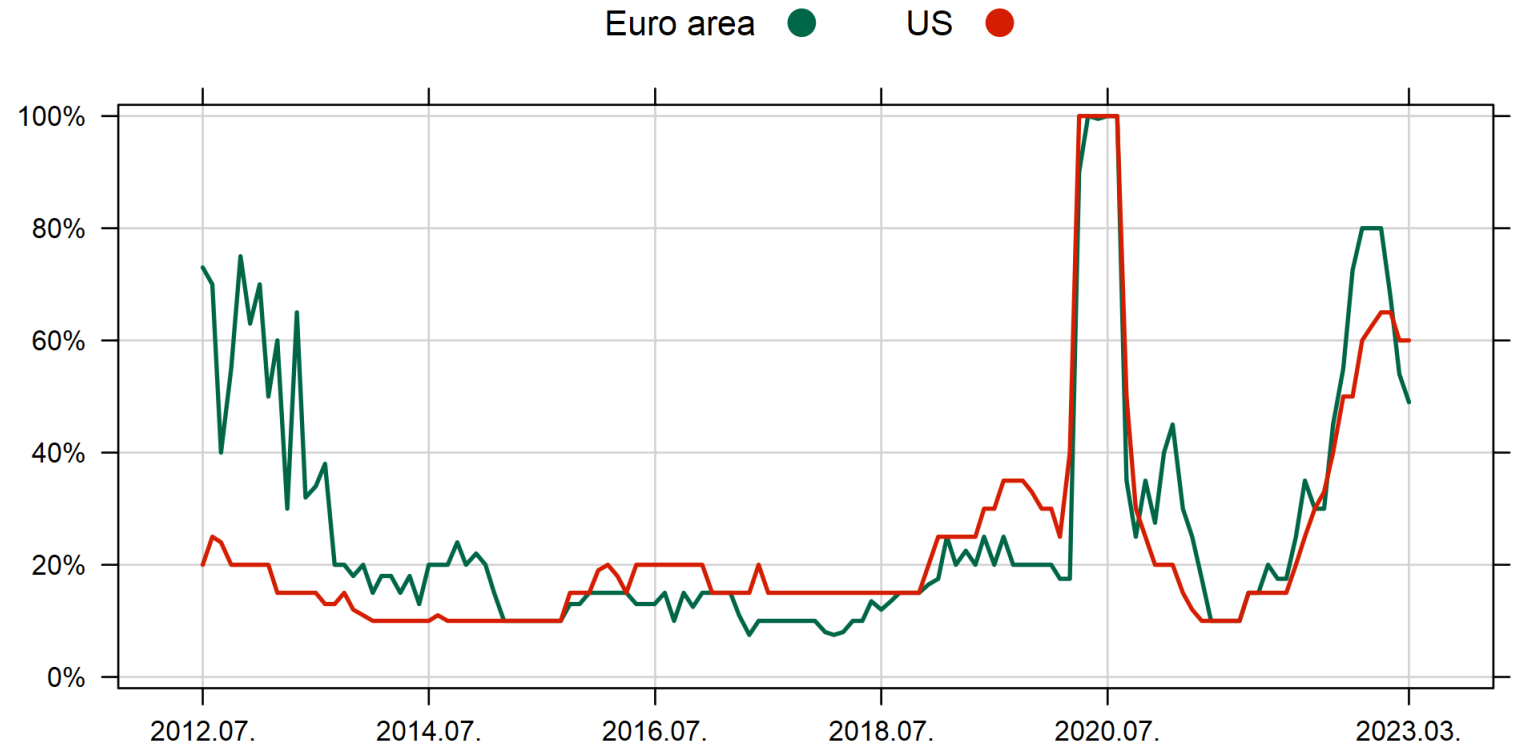


GLOBAL ECONOMY

RECESSION FEARS MODERATED, BUT DO NOT YET REFLECT THE EFFECT OF LATEST BANKING SECTOR DEVELOPMENTS



Recession probabilities within 1 year, %

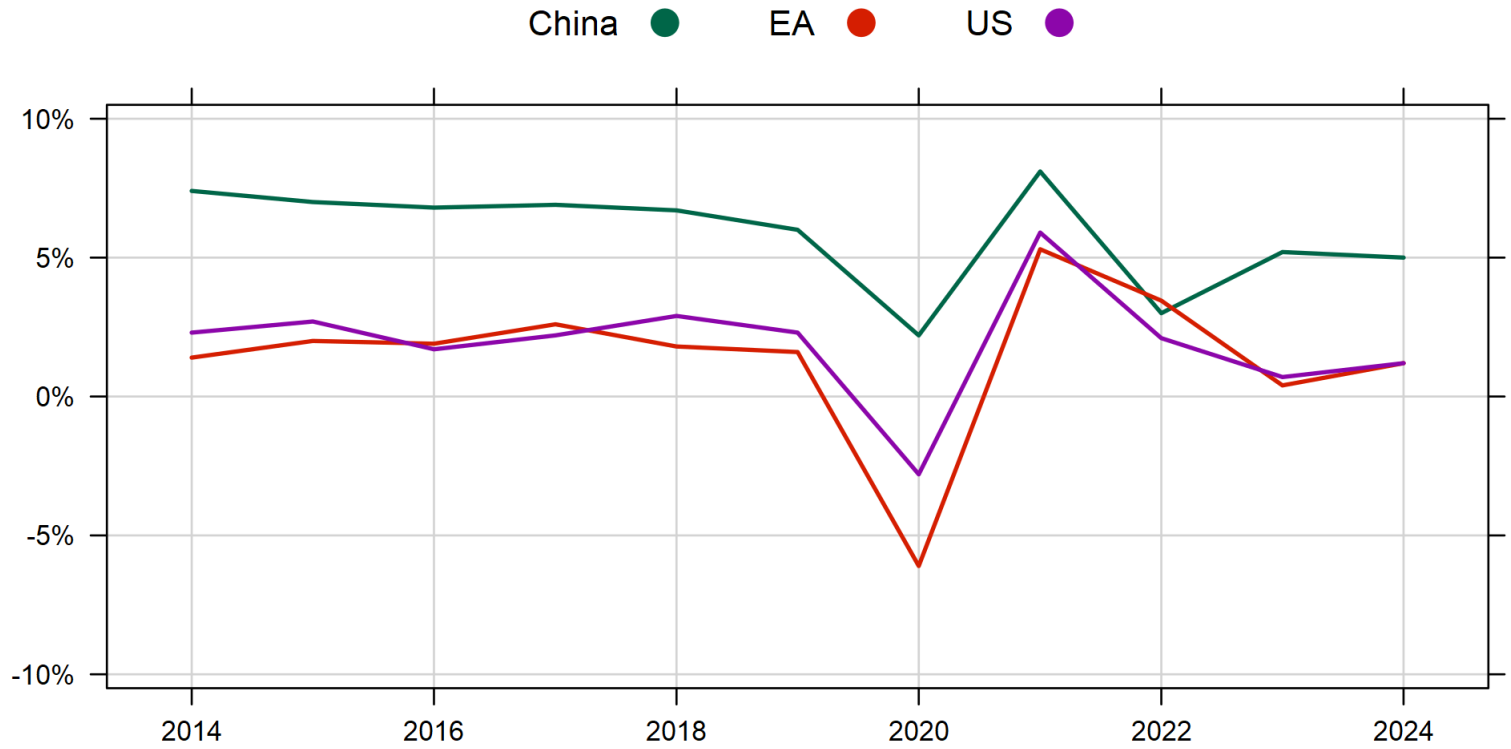




GLOBAL ECONOMY

MAJOR ECONOMIES MIGHT AVOID RECESSION, BUT RISKS ARE CLEARLY DOWNSIDE

GDP growth outlook (YoY, %)



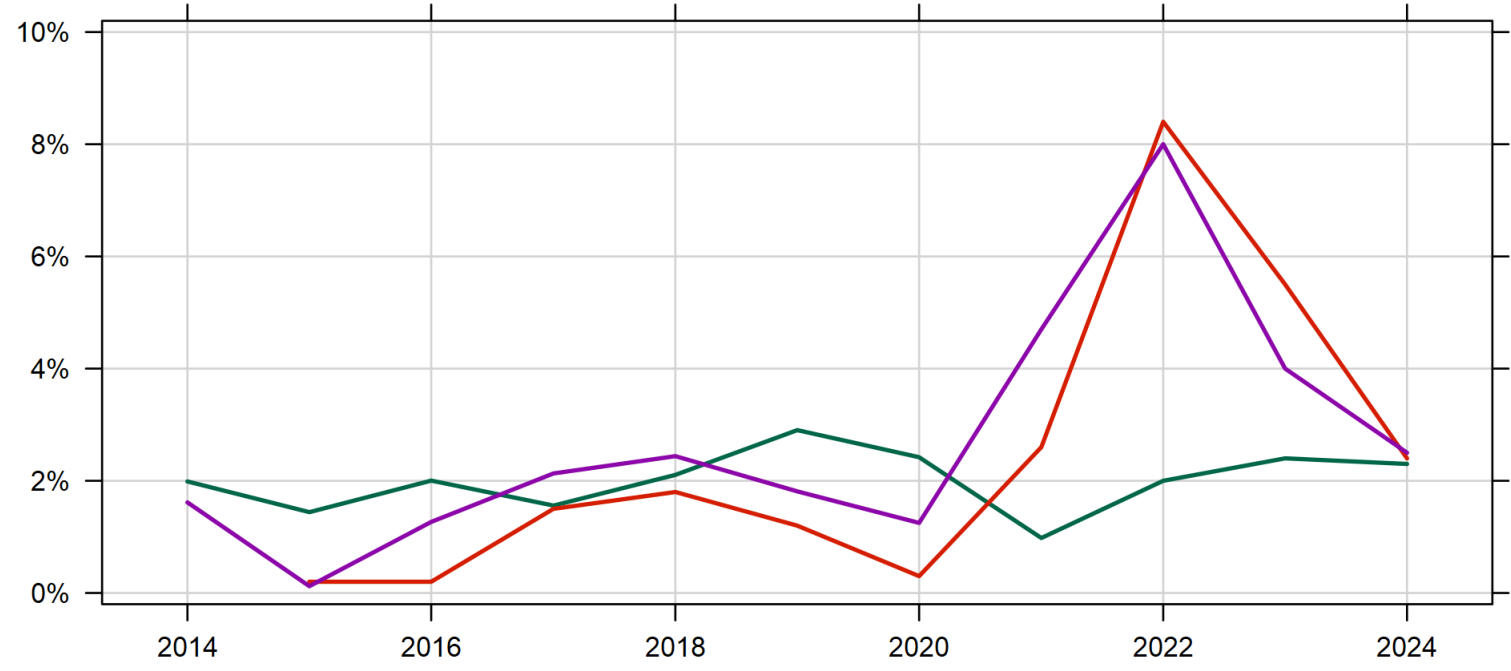


GLOBAL ECONOMY

INFLATION COULD NORMALIZE ONLY BY 2024

Inflation outlook (YoY, %)

China ● EA ● US ●

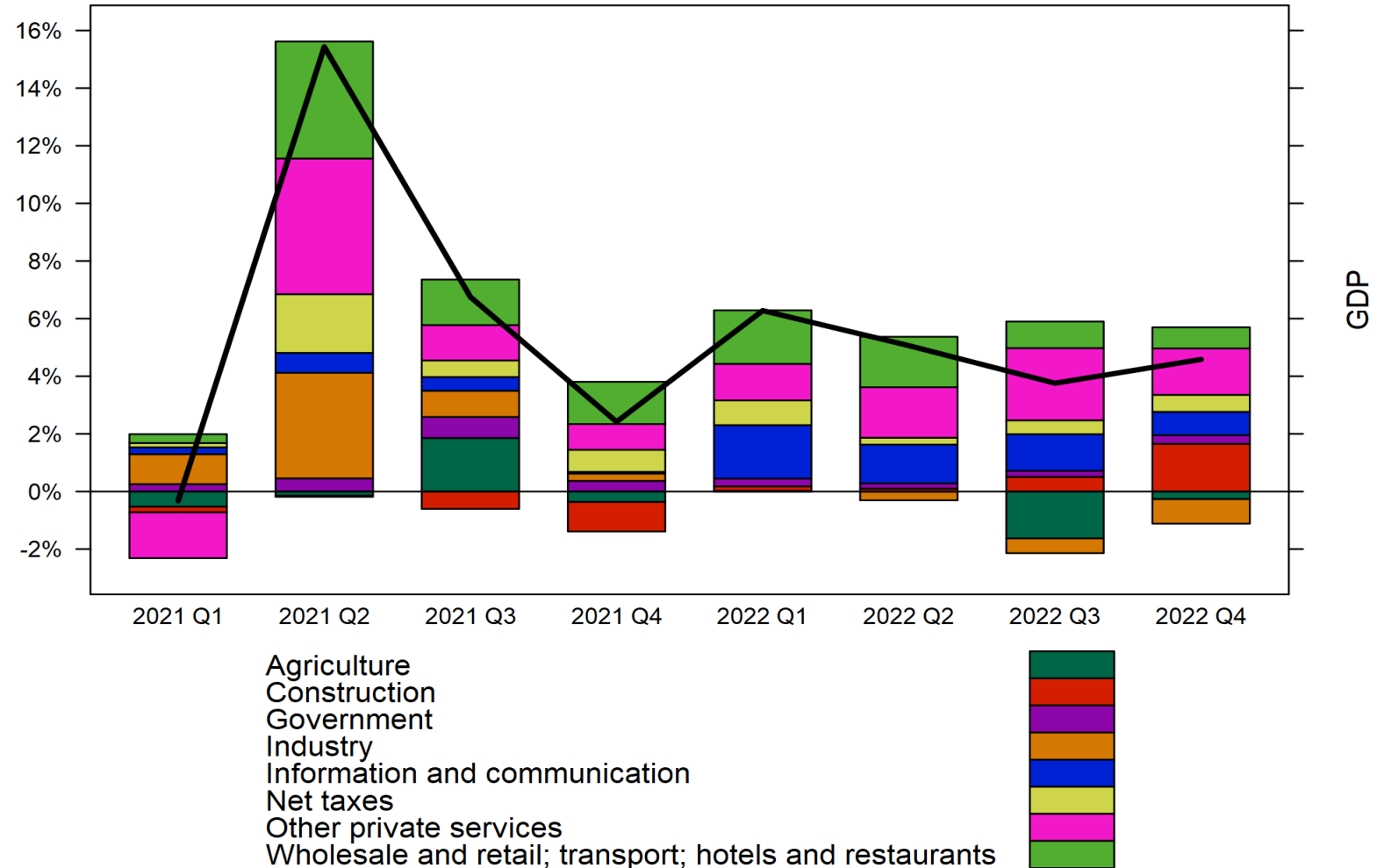


Source: Bloomberg

PICK-UP IN Q4 GDP GROWTH WAS DRIVEN BY CONSTRUCTION AND SMALLER FALL IN AGRICULTURE



GDP growth and it's sectoral components, YoY, %

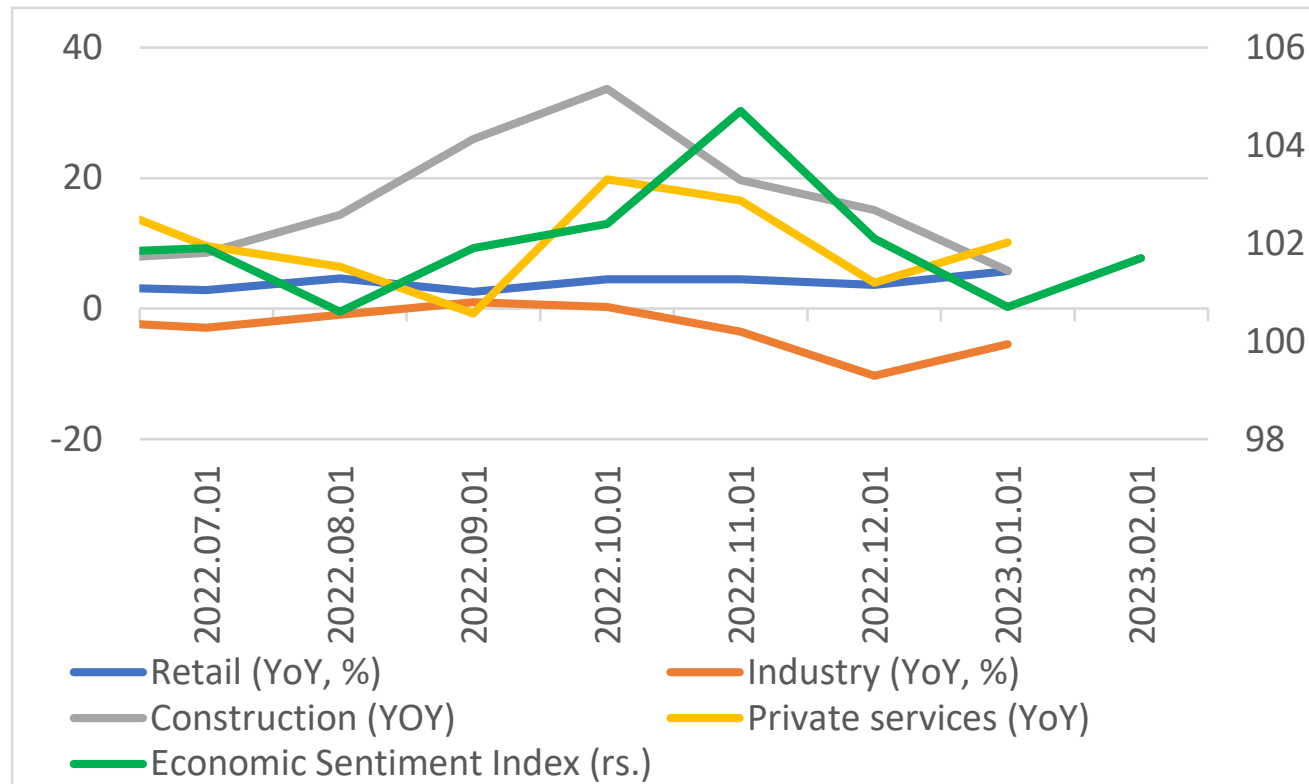


DATA FROM THIS YEAR SUGGEST MODERATE SLOWDOWN

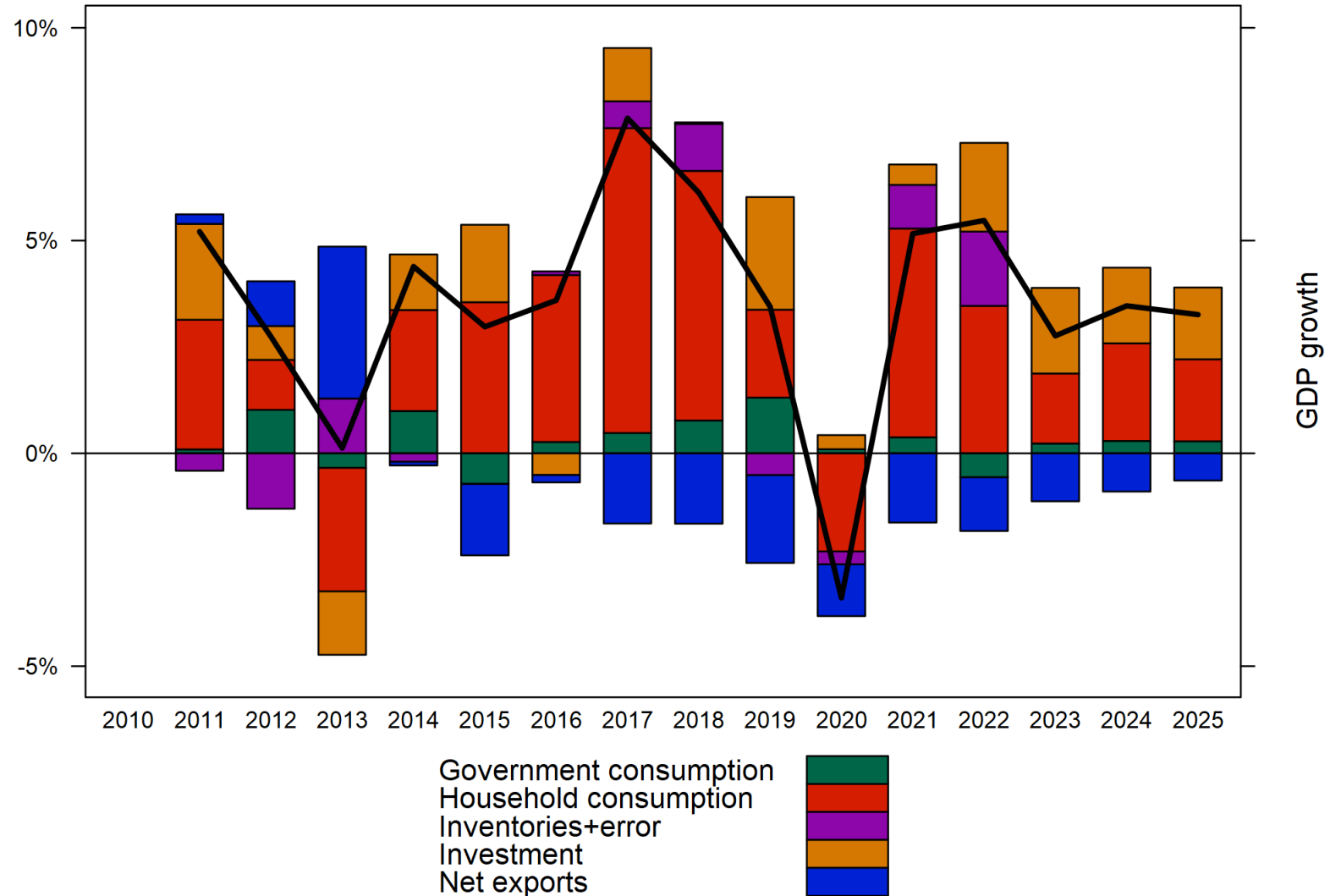


REAL ECONOMY

Key monthly indicators



GROWTH SLOWDOWN IS TO BE DRIVEN BY HOUSEHOLD CONSUMPTION

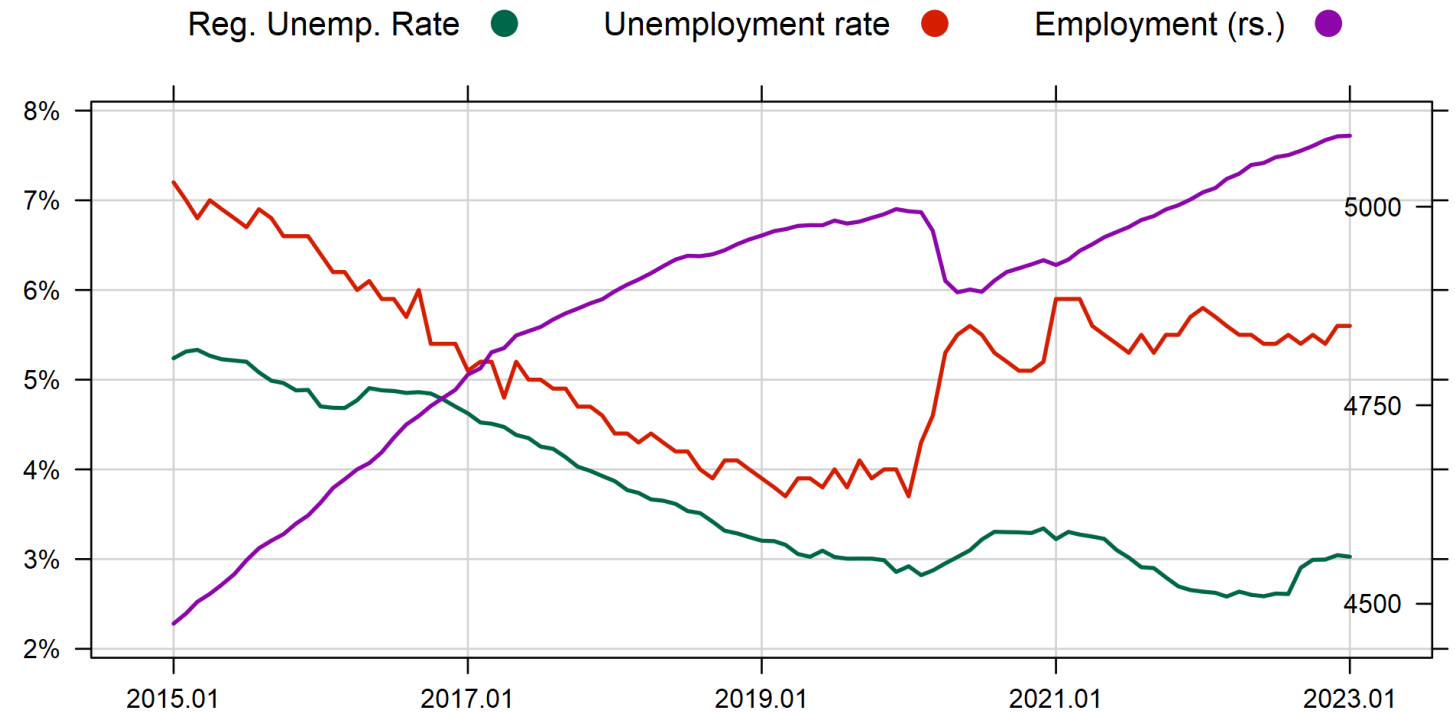




THE LABOUR MARKET HAS STARTED TO WEAKEN ...



Monthly employment and unemployment



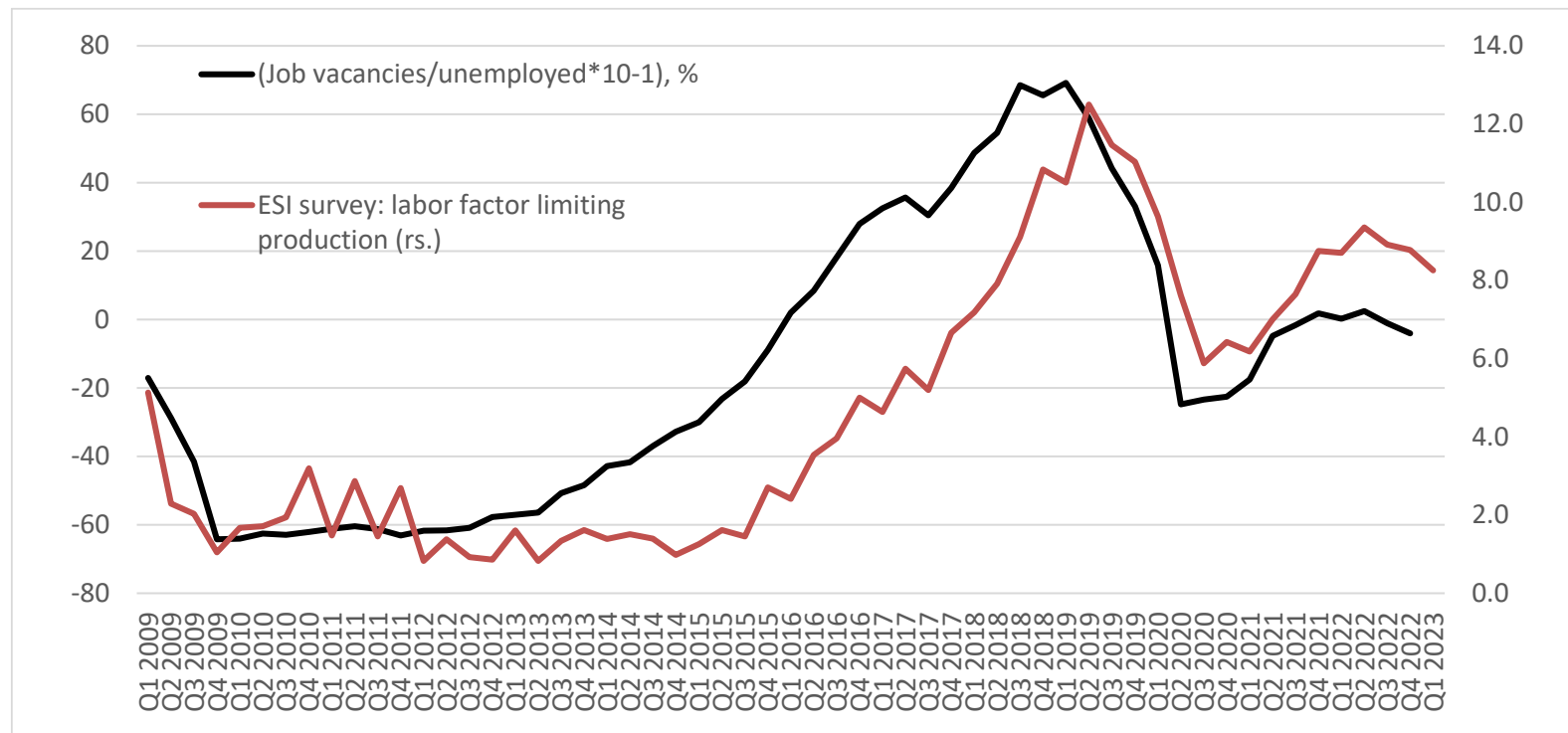


LABOUR MARKET

LABOUR MARKET HAS STARTED TO WEAKEN ...



Indicators of labor market tightness



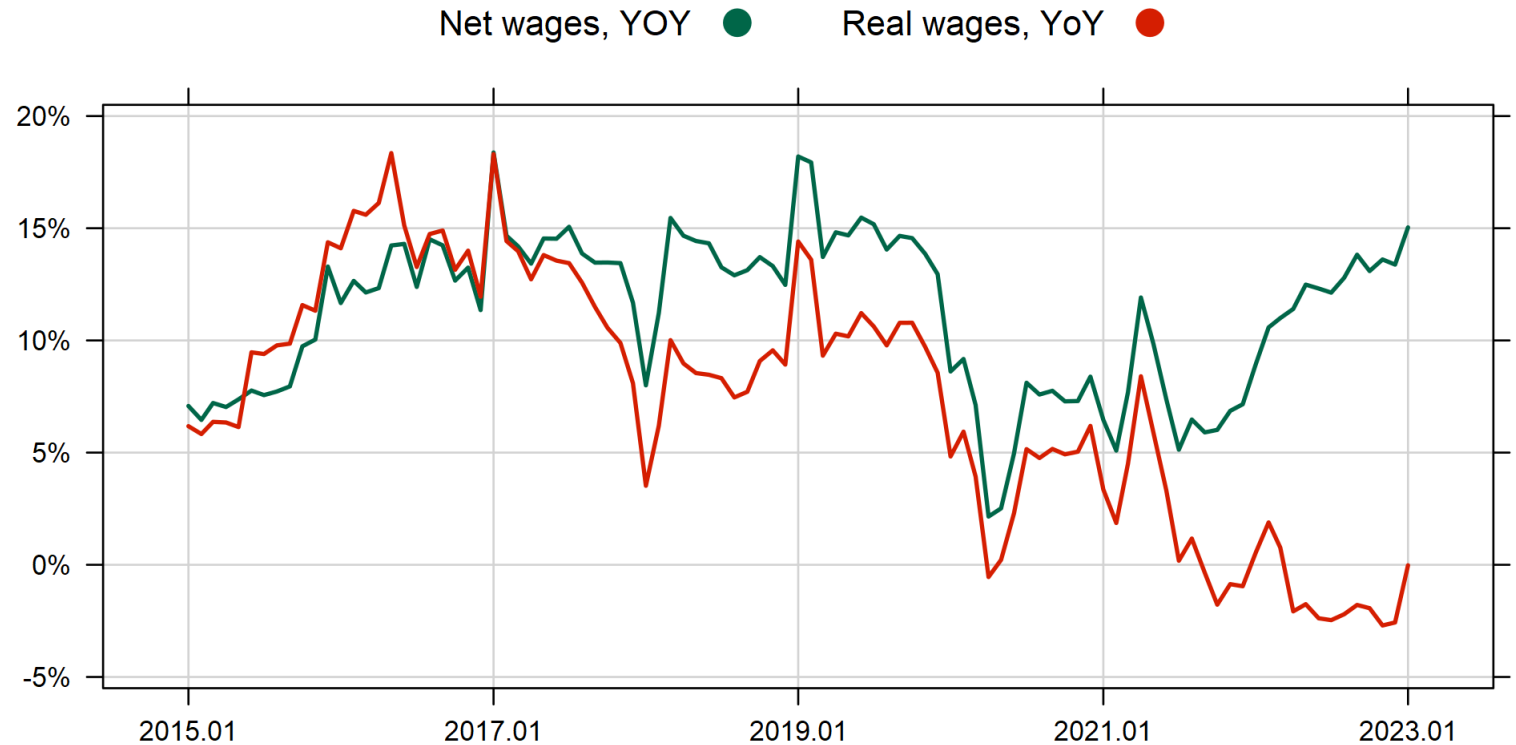


LABOUR MARKET

...AS REAL WAGES STOPPED FALLING



Nominal and real wage growth

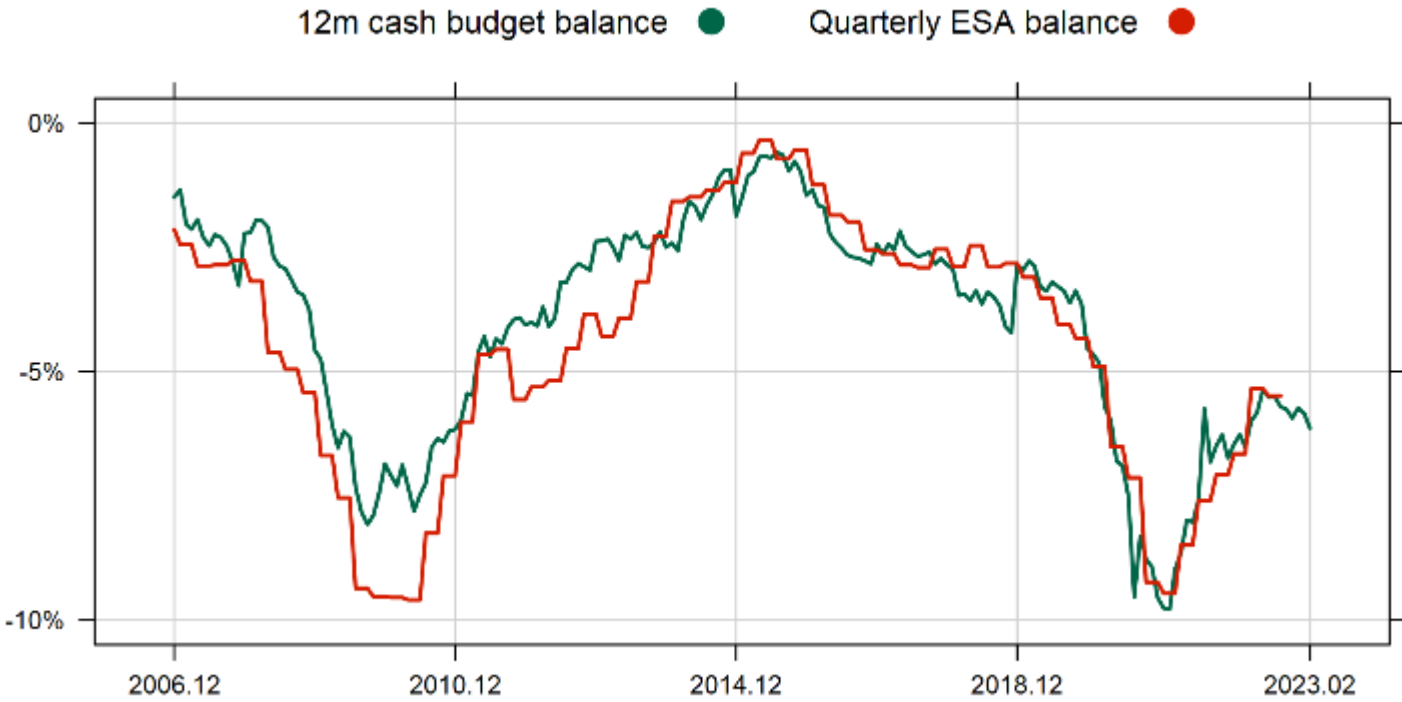


THE 2022 DEFICIT TURNED OUT AT 5.8%, BELOW EXPECTATIONS, EARLY 2023 POINT TO SOME DETERIORATION



**FISCAL
PROCESSES**

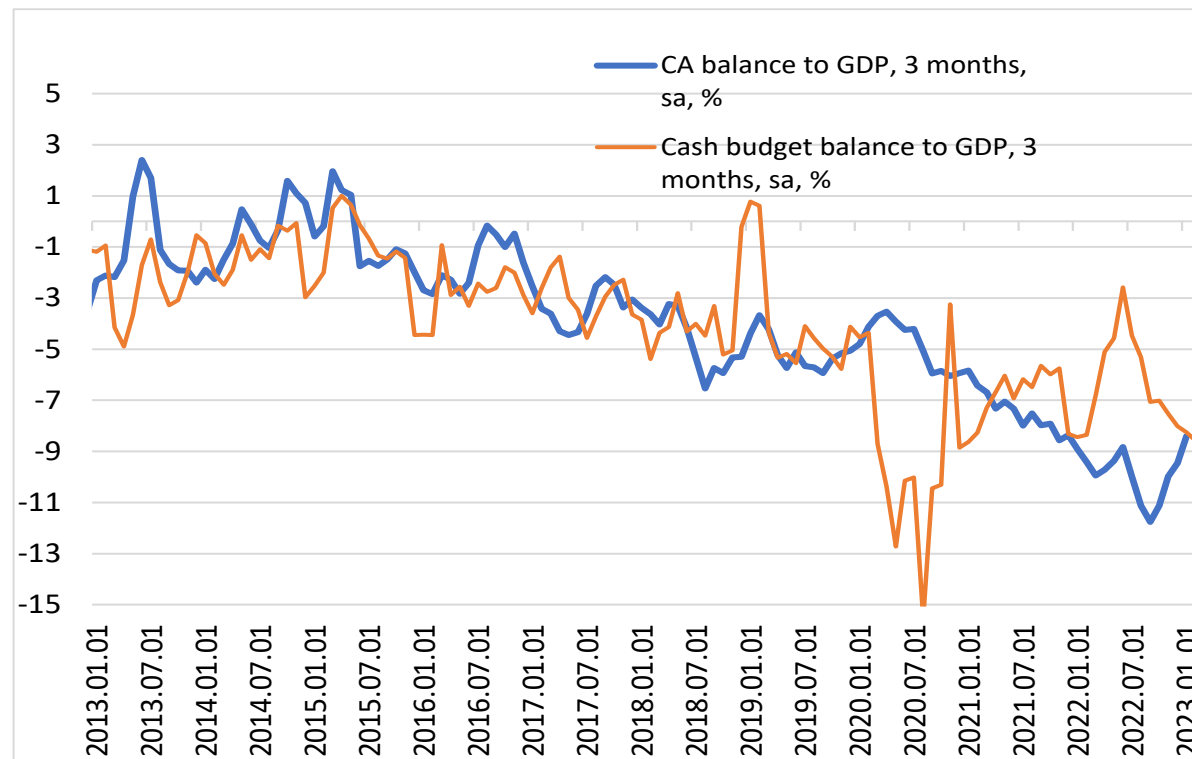
Monthly budget balance data and the quarterly ESA balance (% of GDP)



Source: Refinitive, OTP Bank

THE DETERIORATION IN THE EXTERNAL BALANCE HAS STARTED TO TURN, MAINLY DUE TO A LOWER ENERGY BILL

The current account balance and cash budget balance (% of GDP, 3 months average, sa)

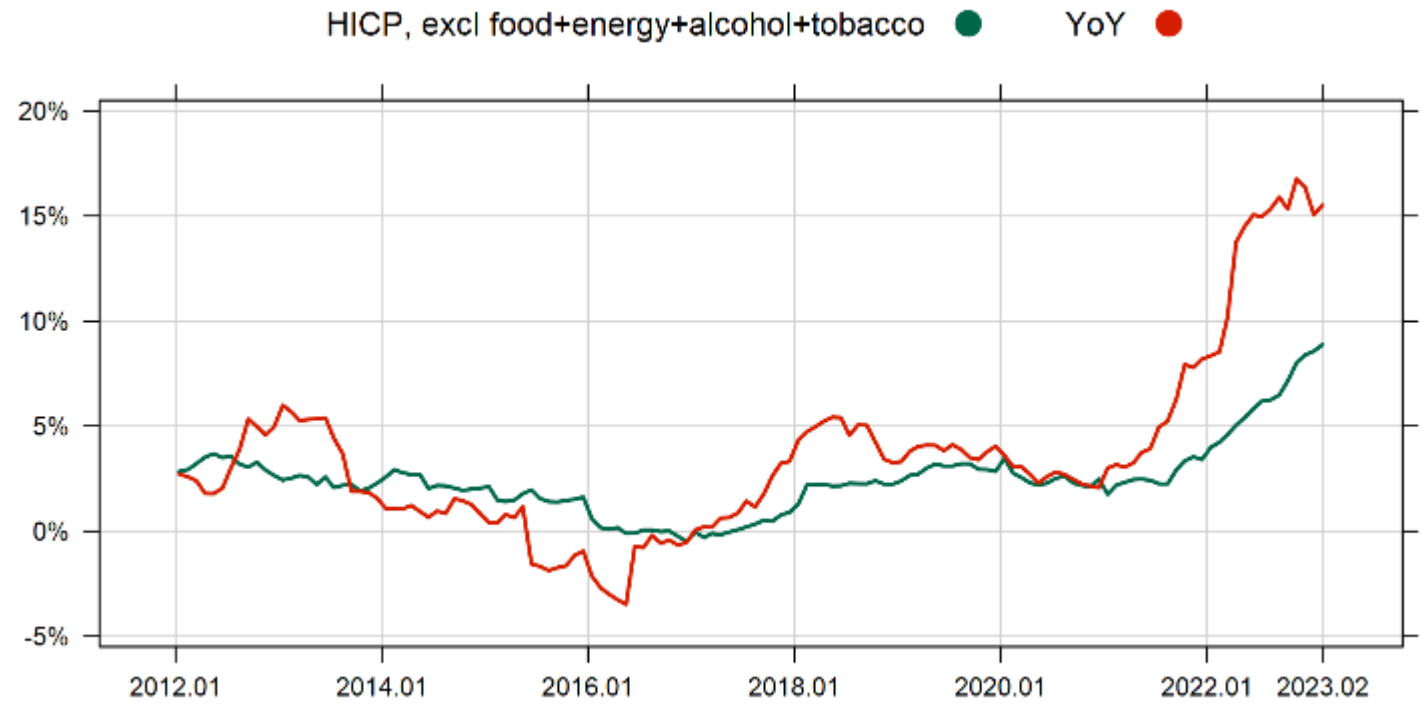


EXTERNAL BALANCE



INFLATION IS OVER THE PEAK BUT CORE IS STILL MOVING UP

Inflation and core inflation, YoY, %



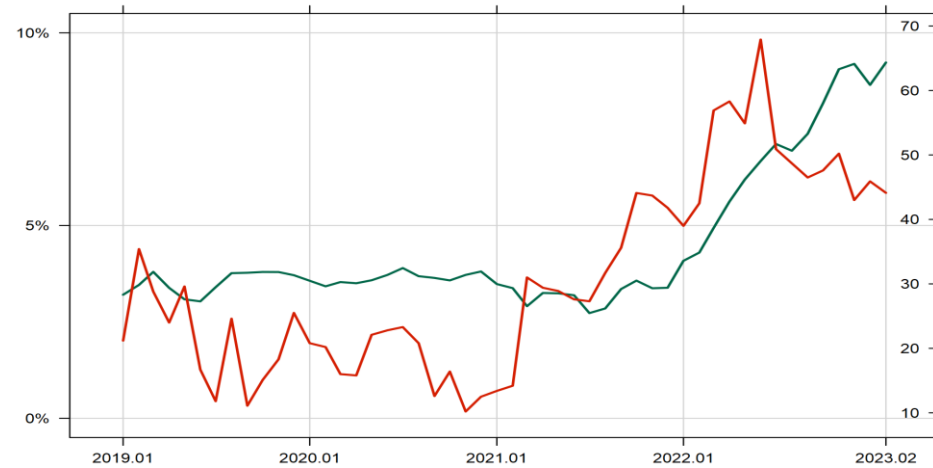
PRICING INTENTIONS ARE COMING DOWN WITH GOODS BUT MORE SLOWLY IN SERVICES



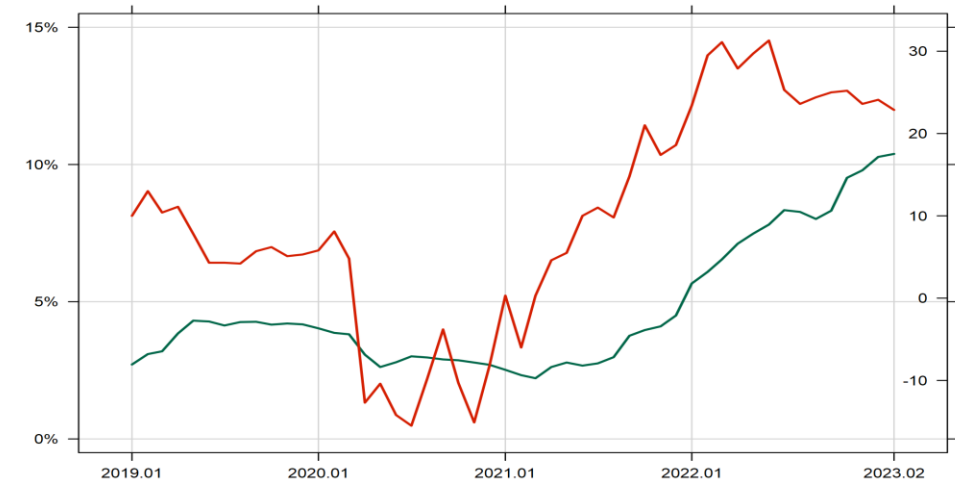
Consumer price inflation and pricing intentions



Nonfood goods inflation (Excl. Energy and fuel, YoY, %) ●
Pricing intention, retail sector(ESI) (rs.) ●



inflation (YoY, %) ● Pricing intention, service sector(ESI) (rs.) ●

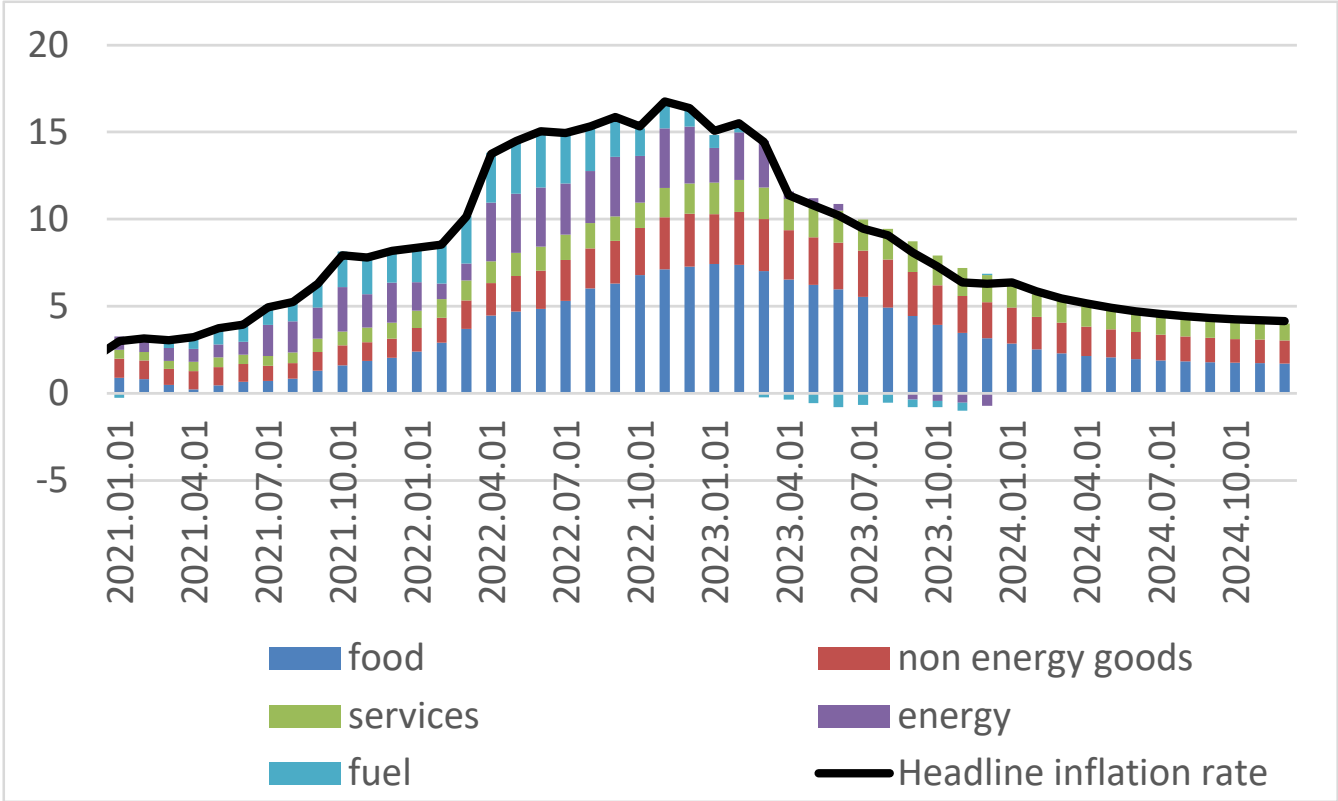




A SWIFT INFLATION DECLINE IS FORESEEN FROM APRIL



Key inflation components, YoY, %



Source: Refinitive, OTP Bank

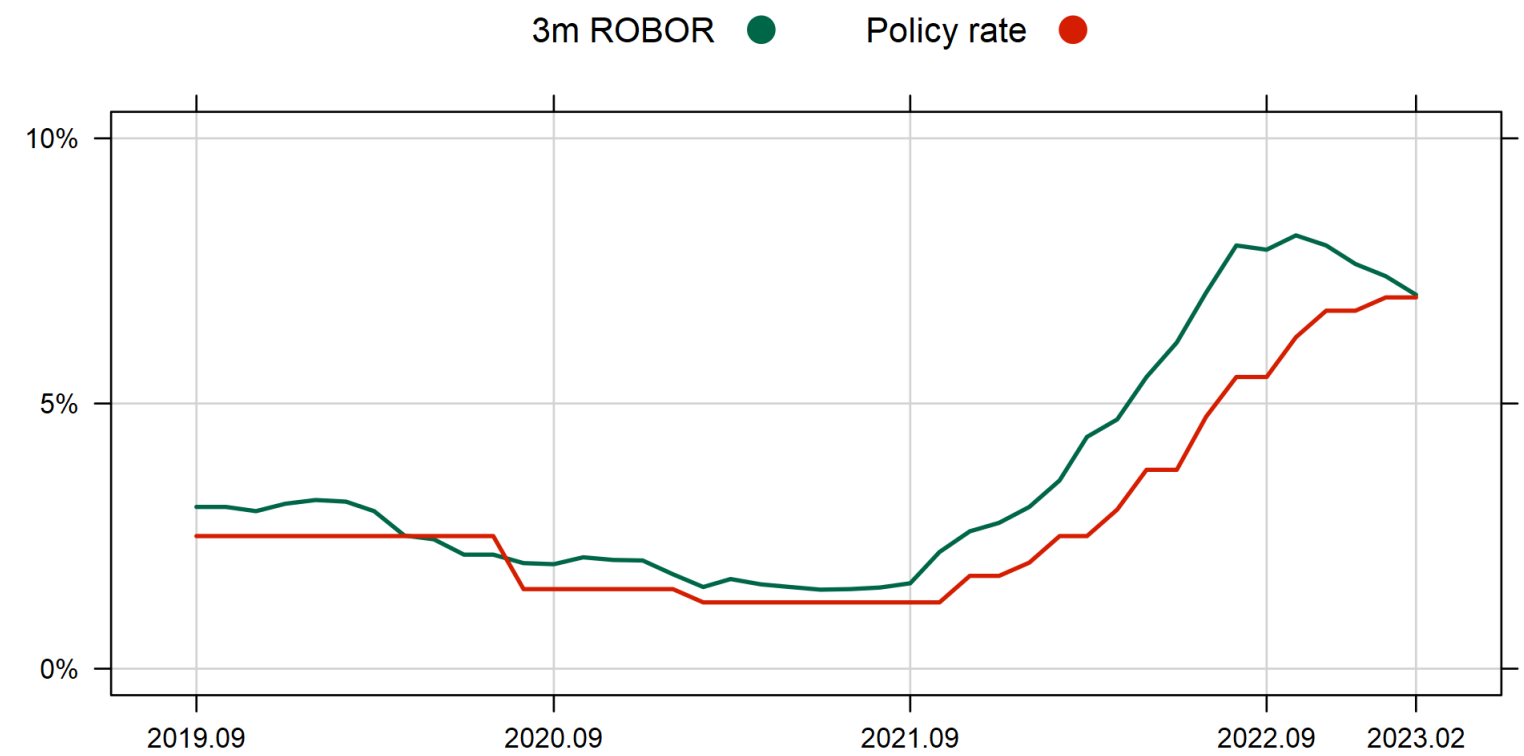


MONETARY POLICY

THE YIELD CURVE SUGGEST THE END OF THE RATE HIKE CYCLE



The BNR key interest rate and the 3 months ROBOR, %

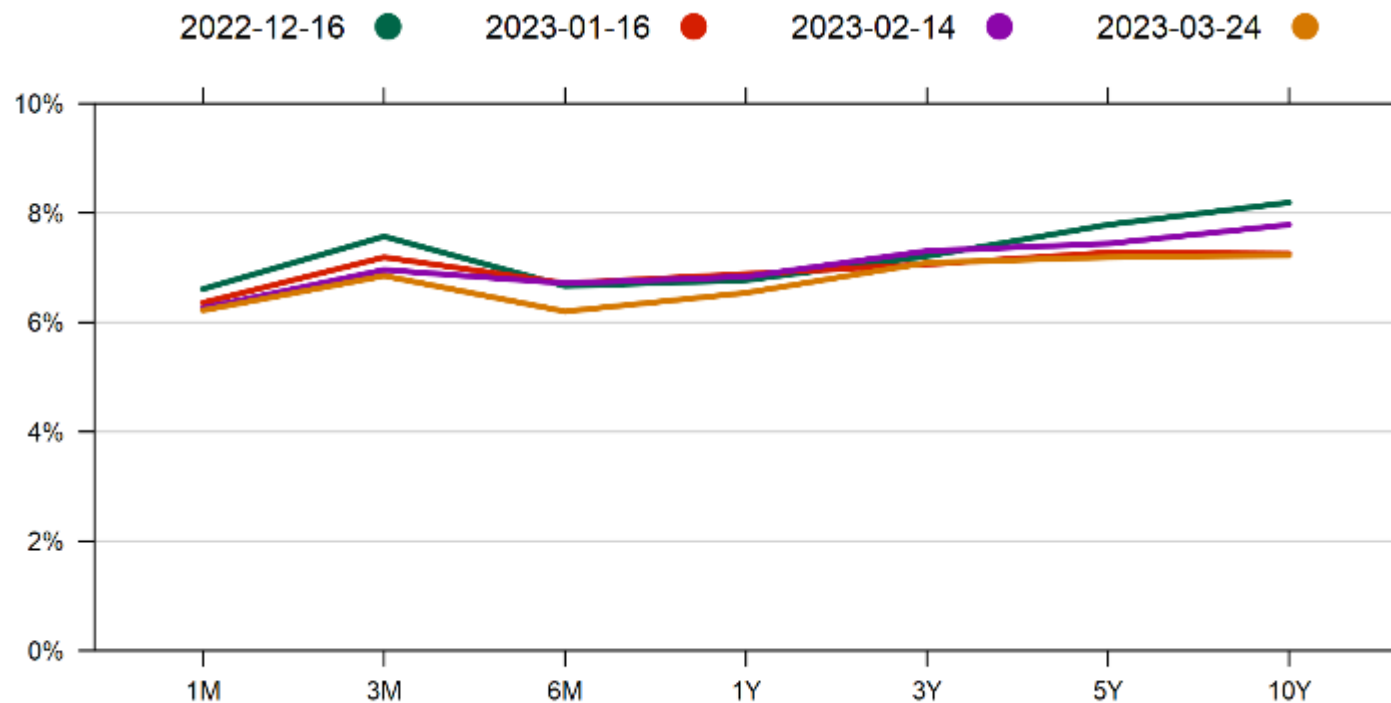


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FINANCIAL MARKETS

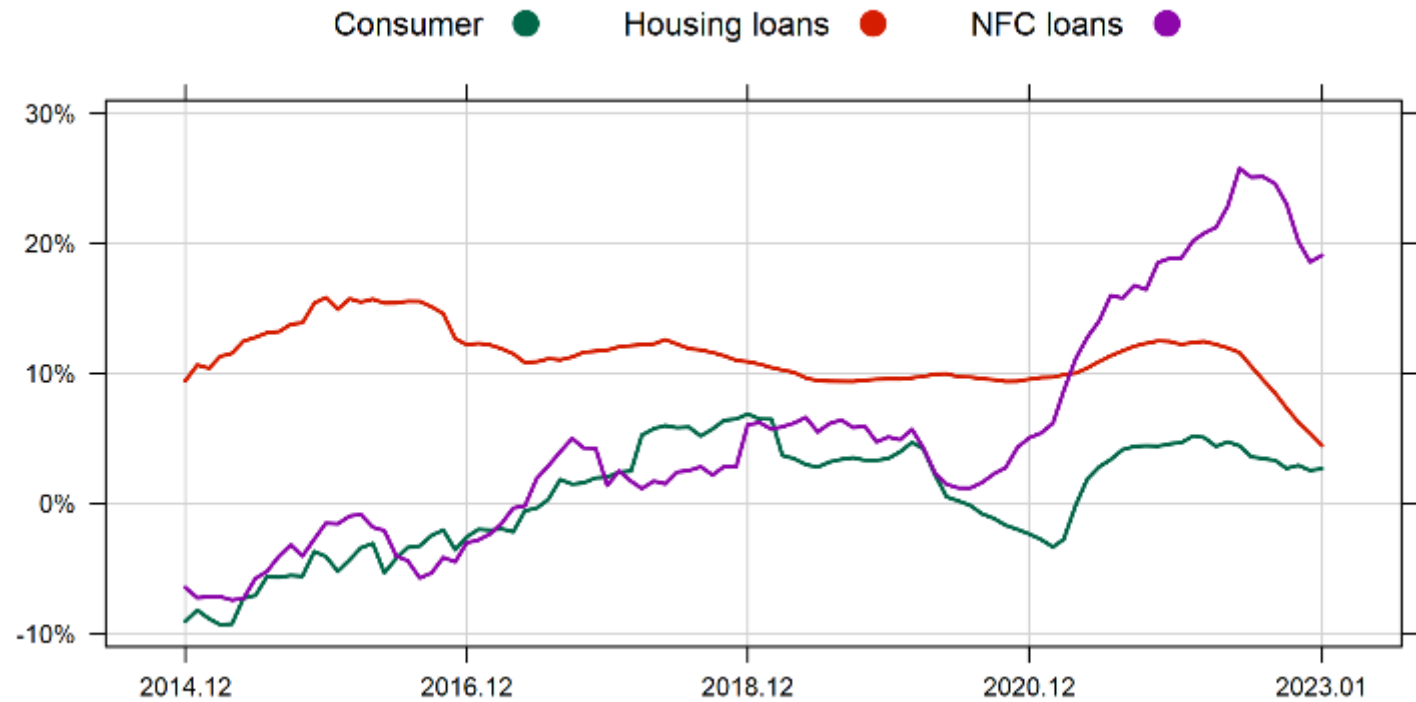
Yield curve, %



LOAN GROWTH CONTINUED TO WEAKEN IN THE CONSUMER SECTOR, BUT CORPORATE LOANS PICKED-UP



Corporate and retail credit growth (Y-o-Y; %, without revaluation)

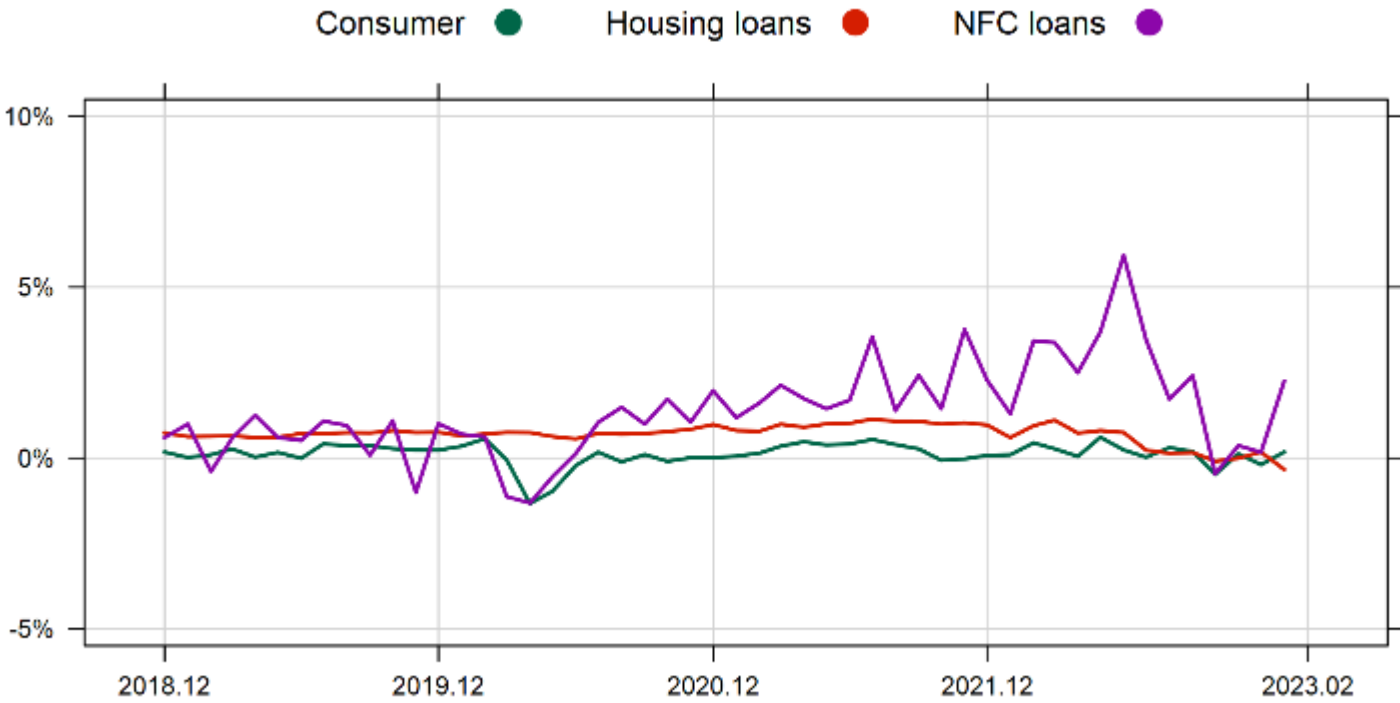




...AS NET FLOW ARE PRACTICALLY ZERO IN THE CONSUMER SECTOR, BUT CORPORATE LOANS PICKED-UP



Net credit flows(loan generation-amortization) to GDP (%)



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This report contains an aggregate data of several economic factors that could be interpret to estimate new possible trends on the market.

The purpose of this document is only for the information, and we cannot ensure the accuracy and completeness of the information, estimation and data included.

The information presented in this document could be influence by the changes in the international and local financial market, political or economic situation.

A stylized graphic of a person's head and shoulders, composed of several overlapping semi-circles and a circle in shades of green, positioned behind the main text.

Thank you!

Contact: marketing@otpbank.ro