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Daily Report – Romania



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Summary

- In 2016, Romania registered the third largest government deficit (3% of GDP) in the EU28; a year earlier, the indicator pointed to a 0.8% gap.
- French-election-inspired optimism ruled global financial markets yesterday; the leu slightly firmed.
- The Treasury sold RON 800 mn debt yesterday, as planned.

In 2016, Romania registered the third largest government deficit, 3.0% of GDP (in absolute terms: RON 23.1 bn; ESA methodology) in the European Union, following Spain (4.5%) and France (3.4%). The deficit in the UK was also at 3.0%, the preliminary data of the Eurostat revealed yesterday. A year earlier, the same indicator pointed to only 0.8% gap (RON 5.4 bn) in the case of Romania. Government revenues decreased to 31.7% of GDP in 2016, significantly lower than in the previous year (35.0%), primarily as they were negatively influenced by the large tax cuts included in the new Fiscal Code. Meanwhile, expenditures reached 34.7% of GDP last year, recording a relatively modest fall compared to 2015's 35.8%, after several public wage hikes were implemented.

Government deficit in the EU28 decreased by 0.7 percentage points, reaching 1.7% in 2016, the Eurostat's report showed too. It may be also worth mentioning that beyond Romania, there were only three other countries in which the deficit widened (Austria: from 1.1% to 1.6%; Hungary: from 1.6% to 1.8% as well as Belgium: from 2.5% up to 2.6%).

In line with the expectations of the IMF, the European Commission and also with the market consensus, we think that Romania's government deficit will exceed the 3% objective this year, in the absence of correction measures.

The results of the French presidential elections (pro-European candidate Emmanuel Macron won the most votes) fuelled optimism on global financial markets yesterday, also helping the euro to gain ground against the US dollar. Meanwhile, the CEE region's currencies firmed compared to the euro. The leu also strengthened, but it slightly underperformed its CEE peers.

The Treasury sold the planned RON 800 mn in 1.8Y papers on 1.48% average yield amid healthy demand. Primary dealers subscribed for more than RON 1.52 bn.

The BET advanced 0.8% yesterday, helped by the supportive trading sentiment on global equity markets.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
24-Apr	Monday		no data		
25-Apr	Tuesday		no data		
26-Apr	Wednesday	March	M3 (broad money, YoY%)		10.1
		March	Non-government loans (YoY%)		2.1
		March	Non-government deposits (YoY%)		8.6
		March	New commercial vehicle registrations (YoY%)		47.8
27-Apr	Thursday	April	Economic Sentiment Indicator		105.4
		April	Consumer Confidence Indicator		-10.4
28-Apr	Friday	March	Licenses for residential buildings (YoY%)		-5.7

Sources: NIS, NBR, EC, Reuters, OTP Research

STOCK EXCHANGE				
	Close	Daily chg. (%)	Weekly chg. (%)	
BET	8,296.75	↑ 0.78	↑ 0.46	
BET-TR	10,361.47	↑ 0.78	↑ 0.46	
BET-FI	31,497.56	↑ 0.04	↑ 0.15	
BET-XT	742.60	↑ 0.62	↑ 0.39	
TLV	2.7800	↑ 2.21	↑ 0.72	
SNG	30.8500	↑ 0.82	↓ -1.75	
EBS	145.0000	↑ 4.32	↑ 5.84	
FP	0.8990	↑ 0.56	↑ 0.56	
TGN	377.0000	↓ -0.53	↓ -0.53	

GOV'T BOND MARKET				
Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)	
6 month	0.63	↑ 0.5	↑ 1.5	
12 month	0.90	↑ 1.0	↑ 1.5	
3 year	1.54	↑ 1.0	↑ 1.5	
5 year	2.78	↑ 1.5	↑ 0.5	
10 year	3.77	↑ 1.5	↓ -1.5	

GOV'T BOND AUCTIONS			
	Maturity	Auctions	Sold
Monday	1.8Y	RON 800 mn	RON 800 mn

MONEY MARKET				
	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)	
ON ROBOR	0.58	↑ 7.0	↑ 14.0	
3M ROBOR	0.87	→ 0.0	↑ 1.0	
6M ROBOR	1.09	↑ 2.0	↑ 2.0	
1Y ROBOR	1.27	↑ 1.0	↑ 1.0	
5Y CDS	94.49	→ 0.0	→ 0.0	

FX MARKET				
	Rate	Daily chg. (%)	Weekly chg. (%)	
EUR/RON	4.5299	↓ -0.09	↑ 0.12	
USD/RON	4.1681	↓ -1.47	↓ -2.25	
CHF/RON	4.1853	↓ -1.41	↓ -1.42	
100HUF/RON	0.0145	↑ 0.24	↑ 0.55	

Sources: Reuters, OTP Research

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