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# Daily Report – Romania

Date: 26.10.2017

**STOCK EXCHANGE**

|        | Close     | Daily chg. (%) | Weekly chg. (%) |
|--------|-----------|----------------|-----------------|
| BET    | 7,879.53  | ↓ -0.01        | ↓ -1.58         |
| BET-TR | 10,454.24 | ↓ -0.01        | ↓ -1.58         |
| BET-FI | 36,425.37 | ↓ -0.02        | ↓ -0.51         |
| BET-XT | 733.08    | ↓ -0.02        | ↓ -1.43         |
| TLV    | 0.85      | ↑ 0.24         | ↑ 0.47          |
| BRD    | 37.20     | ↑ 1.64         | ↓ -0.53         |
| SNG    | 2.21      | ↓ -0.23        | ↓ -4.95         |
| TGN    | 12.28     | ↓ -0.16        | ↓ -3.31         |
| TEL    | 398.00    | ↓ -0.50        | ↓ -1.24         |

**GOV'T BOND MARKET**

| Maturity | Yield (%) | Daily chg. (bp) | Weekly chg. (bp) |
|----------|-----------|-----------------|------------------|
| 6 month  | 1.78      | ↓ -1.0          | ↑ 7.0            |
| 12 month | 1.99      | ↓ -0.5          | ↑ 4.0            |
| 3 year   | 2.64      | ↑ 1.0           | ↑ 11.0           |
| 5 year   | 3.16      | → 0.0           | ↑ 9.5            |
| 10 year  | 4.33      | ↑ 1.5           | ↑ 15.5           |

**GOV'T BOND AUCTIONS**

|        | Maturity | Auctions   | Sold     |
|--------|----------|------------|----------|
| Monday | 3.0Y     | RON 300 mn | RON 0 mn |

**MONEY MARKET**

|          | Rate (%/bp) | Daily chg (bp) | Weekly chg (bp) |
|----------|-------------|----------------|-----------------|
| ON ROBOR | 1.89        | → 0.0          | ↑ 114.0         |
| 3M ROBOR | 1.87        | ↓ -1.0         | ↑ 3.0           |
| 6M ROBOR | 2.04        | → 0.0          | ↑ 3.0           |
| 1Y ROBOR | 2.13        | → 0.0          | ↑ 2.0           |
| 5Y CDS   | 90.74       | ↑ 0.1          | ↑ 0.1           |

**FX MARKET**

|            | Rate   | Daily chg. (%) | Weekly chg. (%) |
|------------|--------|----------------|-----------------|
| EUR/RON    | 4.5973 | ↓ -0.04        | ↓ -0.03         |
| USD/RON    | 3.9464 | ↑ 1.37         | ↑ 1.72          |
| CHF/RON    | 3.9555 | ↑ 0.55         | ↓ -0.47         |
| 100HUF/RON | 0.0148 | ↓ -0.26        | ↓ -0.98         |

Sources: Reuters, OTP Research

**Summary**

- Romania's government plans new fiscal measures in 2018's.
- The EUR/RON finished Thursday's trading session close to 4.60.

The government announced a set of measures, which are planned to be implemented starting from 1 January 2018. The minimum wage would be lifted by around 30%, to RON 1,900, chiefly in order to offset the negative impact of transferring the burden of social security contributions from employers to employees. Starting from next year, companies will have to pay a tax of 2.25% on their overall wage costs, while employees will carry the rest of the burden (35%). Accordingly, social security contributions will be reduced by two percentage points, to 37.25%, from the current 39.25% tax level paid by employers and employees together. A week earlier, the government announced a slightly lower, 37% overall tax burden for next year.

At the same time, the contributions to the 'second pillar' (the compulsory private scheme of the pension system) will be lowered from 5.1% to 3.7%, labour minister Olguta Vasilescu also said. Previously, government officials said that the second pillar could become optional for employees. Most likely, this potential scenario remained on the table, but new information was not revealed about it.

Simultaneously, Finance Minister Ionut Misa confirmed that the personal income tax will be reduced from 16% to 10%. Meanwhile, a new 1% tax on turnover will be introduced for small companies (with less than EUR 1 mn annual turnover), to replace the current 16% profit tax.

We think that the rapidly changing tax plans for 2018 with only two months before the beginning of the year cause uncertainties among companies and also pose difficulties in making business decisions. As we noted in our latest [government deficit report](#), the government budget is the largest macroeconomic risk on the domestic front, with a potential breach of the 3% deficit target next year. We recall that given the strong performance of the Romanian economy and supportive external environment, there is still a window of opportunity to address the structural bottlenecks of the country, including infrastructure, education and health. However, we are afraid that the under current policies this chance will be missed.

The EUR/RON showed little variation yesterday and finished the day close to 4.60.

| Date   | PERIOD    | INDICATOR | FACT  | CONSENSUS | PREVIOUS |
|--------|-----------|-----------|---|-----------|----------|
| 23-Oct | Monday    | no data   |   |           |          |
| 24-Oct | Tuesday   | September | New commercial vehicle registrations (YoY%) | -6.2      | 3.2      |
|        |           | September | Non-government loans (YoY%)                 | 7.3       | 6.5      |
|        |           | September | Non-government deposits (YoY%)              | 10.8      | 10.2     |
| 25-Oct | Wednesday | no data   |   |           |          |
| 26-Oct | Thursday  | no data   |   |           |          |
| 27-Oct | Friday    | no data   |   |           |          |

Sources: NIS, NBR, Reuters, OTP Research

| OTP AM – Investment Funds |     | 24-Oct-17  |         |   |       |      |       |
|---------------------------|-----|------------|---------|---|-------|------|-------|
| Investment funds          | ccy | last NAV/U | 1m%     |   | Ytd%  | 52W% |       |
| OTP AvantisRO             | RON | 10.8893    | ↓ -0.01 | ↑ | 19.07 | ↑    | 21.04 |
| OTP Obligatiuni           | RON | 14.8845    | ↓ -0.13 | ↑ | 1.43  | ↑    | 1.21  |
| OTP ComodisRO             | RON | 17.2741    | ↑ 0.09  | ↑ | 0.99  | ↑    | 1.18  |
| OTP Euro Bond             | EUR | 12.8040    | ↓ 0.00  | ↑ | 1.24  | ↑    | 0.73  |
| OTP Dollar Bond           | USD | 11.0139    | ↑ 0.15  | ↑ | 1.50  | ↑    | 1.40  |
| OTP Premium Return        | RON | 11.6966    | ↑ 0.60  | ↑ | 4.83  | ↑    | 5.57  |
| OTP Euro Premium Return   | EUR | 9.9478     | ↑ 0.66  | ↓ | -0.14 | ↓    | -0.55 |
| OTP Global Mix            | RON | 11.5347    | ↑ 1.58  | ↑ | 6.85  | ↑    | 8.81  |

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